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# The Chemours Co. (CC)

Q4 2016 Earnings Call

## CORPORATE PARTICIPANTS

Alisha Bellezza

Treasurer and Director of Investor Relations. The Chemours Co.

Mark P. Vergnano

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#### Mark E. Newman

Chief Financial Officer & Senior Vice President. The Chemours Co.

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Analyst, Goldman Sachs & Co.

Duffy Fischer

Analyst, Barclays Capital, Inc.

Jeffrey Schnell

Analyst, Jefferies LLC

Eric B. Petrie

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**Emily Wagner** 

Analyst, Susquehanna Financial Group LLLP

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Analyst, UBS Securities LLC

Roger Neil Spitz

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Analyst, Bloomberg LP (Research)

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Analyst, Goldman Sachs & Co.

# MANAGEMENT DISCUSSION SECTION

**Operator**: Good morning. My name is Silvy and I will be your conference operator today. At this time, I would like to welcome everyone to The Chemours Company Fourth Quarter Earnings Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. [Operator Instructions]

Thank you. Alisha Bellezza, Treasurer and Director of Investor Relations, you may begin your conference.

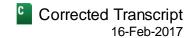
#### Alisha Bellezza

Treasurer and Director of Investor Relations, The Chemours Co.

Thank you, and good morning, everyone. Welcome to The Chemours Company 2016 fourth quarter earnings conference call. I'm joined today by Mark Vergnano, President and Chief Executive Officer; and Mark Newman, Senior Vice President and Chief Financial Officer.

Before we begin, let me remind you that comments on this call, as well as the supplemental information provided in our presentation and on our website, will contain forward-looking statements that involve risks and uncertainties, including those described in the documents Chemours has filed with the SEC.

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These forward-looking statements are not guarantees of future performance and are based on certain assumptions and expectations of future events that may not be realized. Actual results may differ and Chemours undertakes no duty to update any forward-looking statements as a result of future developments or new information.

During the course of this call, management will refer to certain non-GAAP financial measures that we believe are useful to investors evaluating the company's performance. Historical results prior to July 1, 2015 are presented on a standalone basis from DuPont's historical results and are subject to certain adjustments and assumptions as indicated and may not be an indicator of future performance. A reconciliation of non-GAAP terms and adjustments are included in our release and at the end of the presentation that accompanies our remarks.

I'll now turn the call over to Mark Vergnano.

#### Mark P. Vergnano

President, Chief Executive Officer & Director, The Chemours Co.

Thanks, Alisha, and good morning, everyone. I'll start the call with some highlights, then turn it over to Mark Newman, who will review our financial performance for the fourth quarter and full year 2016, including a liquidity and litigation update. After that, I will provide additional details on each segment and update on our transformation plan and conclude the call with our 2017 outlook.

We finished off an exceptional year with a great quarter. This was truly a year of transformation guided by our five-point transformation plan. We achieved approximately \$200 million in cost reductions for the year and significantly improved our adjusted EBITDA and margins.

We completed our review of the Chemical Solutions portfolio and have streamlined the remaining businesses in the segment. Our low-cost TiO2 production line at Altamira began operations in May and has been steadily ramping up, and Opteon's adoption rate surpassed our expectations and remains a strong growth opportunity for the future.

The combination of those factors allowed us to reduce our debt position by nearly \$400 million and end the year with total liquidity of \$1.7 billion. This puts us at a net leverage position of approximately 3.3 times, a tremendous reduction since then.

As you saw earlier this week, a global settlement agreement in principle was reached between DuPont and the plaintiffs in the Ohio PFOA multi-district litigation. In connection with that settlement, we reached an agreement with DuPont to address the associated indemnification claims.

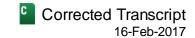
We believe this agreement significantly mitigates uncertainty around potential outcomes related to this litigation and allows us to quantify its impact of the company and move ahead. Mark Newman will provide some additional details on this, but we feel that Chemours exited 2016 in a very strong position.

The effects of our transformation plan are evident in our earnings results and the energy of our employees. We are prepared and looking forward to completing our transformation journey in 2017.

So, with that, I'll turn now the call over to Mark to cover the financials.



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#### Mark E. Newman

Chief Financial Officer & Senior Vice President, The Chemours Co.

Thanks, Mark. Turning to slide three, in the fourth quarter, we generated \$1.3 billion of revenue and \$239 million in adjusted EBITDA. Our significant improvement in adjusted EBITDA margin, up nearly 850 basis points, was driven by the benefits of the transformation plan initiatives.

We reported a GAAP net loss of \$230 million, reflecting the impact of the \$335 million charge related to the PFOA settlement. On an adjusted basis, our net income was \$15 million and adjusted EPS was \$0.08.

Cost savings from our transformation plan, combined with increased volume in Opteon refrigerants and higher prices in TiO2, led to a \$107 million improvement in adjusted EBITDA versus the prior year, despite the impact of portfolio changes within Chemical Solutions.

On a sequential basis, we reported lower sales and adjusted EBITDA, primarily due to normal seasonality in our Titanium Technologies and Fluoroproducts segments. In the quarter, we generated \$166 million of free cash flow, primarily the result of seasonal net working capital release.

Now turning to slide four to cover the full year. What a difference a year makes. We generated \$5.4 billion of revenue and \$822 million of adjusted EBITDA, resulting in a 520 basis point year-over-year improvement in our margin.

Sales were 6% lower year-over-year primarily as a result of the portfolio changes during 2016. Lower prices of TiO2 and fluoropolymers were also a challenge in the year. We more than offset those headwinds and increased EBITDA margins through our transformation cost reduction efforts on both controllable fixed and raw material costs.

As an example, disciplined inventory management across all of the segments and better ore optimization in our TiO2 production lines helped reduce cost of goods sold in 2016, just one area that demonstrates clearly that our transformation plan is working. As a result, we reported GAAP net income of \$7 million or EPS of \$0.04 and adjusted net income of \$187 million, reflecting an adjusted EPS of \$1.02.

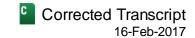
Our cost actions were complemented by working capital actions on both inventory and payables. For the full year, we achieved over \$0.5 billion improvement in free cash flow, which enabled the actions we took to reduce leverage.

Now let me take you back to provide more detail on the fourth quarter, starting on slide five. On a year-over-year basis, adjusted EBITDA increased \$107 million to \$239 million. Currency added a small benefit in the quarter of approximately \$4 million.

Overall, price increases contributed \$22 million, with average selling prices for TiO2 of 9% versus the prior fourth quarter. This more than offset a 4% lower pricing in fluoropolymers, as well as a modestly lower pricing in Chemical Solutions due to the effects of raw material pass-throughs.

Higher Opteon refrigerant and fluoropolymers volumes helped improve adjusted EBITDA compared to last year's fourth quarter. As expected, this was partially offset by lower demand for base refrigerants due to quotamandated phase downs, while TiO2 volume was in line with the previous year's quarter. Chemical Solutions also reported lower volume, primarily due to the recent Niagara facility shutdown.

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We realized \$51 million of lower cost year-over-year, with the majority coming from Titanium Technologies segment supported by decreased raw material prices and higher plant utilization. Of the total cost reduction, roughly \$40 million were specifically related to transformation savings in the quarter. Portfolio changes, mostly within Chemical Solutions, slightly offset the year-over-year improvement in price, volume and cost.

Turning to slide six, on a sequential basis, adjusted EBITDA was \$29 million below that of the third quarter, and again, primarily due to lower seasonal volume.

Moving to slide seven on our liquidity position. You'll see that in the quarter, we generated \$269 million in cash from operations, we had approximately \$103 million used to support capital expenditures during the quarter, resulting in free cash flow of \$166 million.

For the year, capital spending was about \$338 million, in line with our expectations. We continue to expect capital expenditures to be approximately \$450 million in 2017 in order to support our plant expansions within Fluoroproducts and Chemical Solutions.

Cash restructuring payments in the quarter totaled \$22 million, with full year cash restructuring payments totaling \$105 million. At this point, we estimate approximately \$40 million more to be paid out in 2017 based on restructuring actions already taken.

During the quarter, we retired approximately \$122 million of notes and \$59 million of our term loan, bringing our net debt to \$2.6 billion at the end of the year, a \$1.2 billion reduction since spin. Full year debt retirement was \$385 million, including \$120 million of senior secured term loan, \$192 million of USD 2023 notes and \$73 million of our Euro Notes.

We're making great progress on reducing our net leverage. In fact, we're now at a net leverage ratio of approximately 3.3 times and are well on track to be at or below three times in 2017. Our total liquidity position at the end of the year was approximately \$1.7 billion including a revolver, a significant improvement from our starting position at spin.

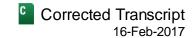
Now let me provide an update on PFOA litigation matters on slide eight. As Mark mentioned, DuPont reached an agreement in principle with the plaintiffs of the Ohio PFOA multi-district litigation or MDL docket. This settlement covers the existing plaintiffs and verdicts in the PFOA MDL and sets forth principles that will be used for a final settlement.

In connection with that settlement, Chemours and DuPont entered into an agreement regarding the indemnification claims laid out in the master separation agreement. Each party has agreed to provide approximately \$335 million towards the total settlement of \$670.7 million. For the next five years, we will continue to work with DuPont to address any other potential PFOA costs incurred.

As noted in our previous announcement and in the 8-K filed on Monday, we will share these costs with DuPont during that time. We continue to have a constructive relationship with DuPont and anticipate working cooperatively as we move to a final agreement and pay our share of the settlement. We have sufficient balance sheet capacity to fund both our portion of the settlement and to support the planned expansions in 2017 and beyond.

I'll now turn the call back to Mark to discuss the results of our businesses in more detail.

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#### Mark P. Vergnano

President, Chief Executive Officer & Director, The Chemours Co.

Thanks, Mark. On slide nine, you can see that in the fourth quarter, we generated \$623 million in revenue and \$157 million in adjusted EBITDA from the Titanium Technologies segment. We more than doubled our adjusted EBITDA margin from the previous year's fourth quarter. This impressive improvement in our margin was driven by several factors, including transformation plan cost savings, higher TiO2 prices, better plant utilization and the benefits from the ramp-up of our Altamira facility.

We are truly benefiting across our whole manufacturing network, optimizing our ore usage and production capabilities. Relative to very strong volume in the fourth quarter of 2015, Ti-Pure fourth quarter 2016 volume was comparable to fourth quarter 2015, while segment sales were down approximately 2% due to lower derivative product sales. On a full-year basis, Titanium Technologies segment volume improved 2% and Ti-Pure volume increased 4% versus 2015.

As of December 31, 2016, we had closed the gap on price versus the 2015 average price. However, for the year, 2016 average price was a headwind of about 3% versus 2015. As we begin 2017, our current TiO2 price is trending above our 2015 average price.

Last week, we announced differential price increases in all regions across the globe. We believe our products continue to be at prices well below value and use. We are working with our customers worldwide to implement these changes and expect to realize the benefits of price increases in the second quarter.

Order patterns for the first quarter are stronger than we had anticipated. Our assets are fully booked for the near term, and we continue to request extended lead order times from our customers. That said, we expect TiO2 demand to follow historic GDP trends long-term.

Moving to slide 10, during the fourth quarter, our Fluoroproducts segment generated \$569 million in revenue and \$111 million in adjusted EBITDA, resulting in a 400 basis point margin improvement.

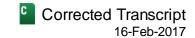
The year-over-year improvement was driven primarily by increased adoption of Opteon, as well as the benefits from transformation cost savings. Results were somewhat diminished by lower volumes of our base fluorochemicals due to mandated quota phase-downs. Our fluoropolymer sales were also mixed as increased volume into lower margin businesses could not offset lower prices in certain segments.

For 2017, we expect Opteon momentum to continue. We believe we will see an additional 40% sales growth of Opteon refrigerants year-over-year. Across fluorochemicals, performance will be slightly offset by the continued phase-down of base refrigerants. And as we have previously described, the fluoropolymers market is expected to remain somewhat challenged for the near term.

We are committed to investing in our higher-margin fluoropolymers products and focusing our resources on markets that value the specific attributes our products have to offer. We will continue to work toward optimizing our manufacturing assets to efficiently serve the more competitive fluoropolymer market.

Now, I want to give a quick update on our new Opteon plan. You may have seen our recent announcement on the groundbreaking at our Corpus Christi, Texas site. We have decided to further increase our investment in that plant to allow for a more efficient process and improved project timing.

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We now expect to invest approximately \$300 million in this facility over the same time horizon. The expansion is progressing as planned, and we are on track to begin production at this facility in the third quarter of 2018.

This investment will triple our capacity of Opteon, creating the world's largest HFO manufacturing facility with the lowest cost process technology. We continue to see our Opteon refrigerants as a significant growth opportunity for Chemours for many years to come.

Before we review the Chemical Solutions segment on slide 11, I wanted to announce that we have renamed our Cyanides business to Chemours Mining Solutions. We believe this new name better reflects our approach to understand and meet the needs of today's mining industry. It draws on our deep heritage to deliver product innovation, stewardship and technical support to meet those needs. The Mining Solutions business includes our sodium cyanide, hydrogen cyanide and potassium cyanide product lines.

In the fourth quarter, Chemical Solutions generated \$130 million in sales and \$9 million in adjusted EBITDA. Adjusted EBITDA margin for Chemical Solutions improved 60 basis points year-over-year, primarily from transformation plan cost reductions. Results improved despite the effects of the three divestitures and the recent Niagara plant shutdown.

In addition, I am pleased to announce that we have reached a breakeven position across the Performance Chemicals product lines at our Belle, West Virginia site, and we intend to continue on our mission of improving the profitability of these product lines in 2017 and beyond.

Our new Mining Solutions facility and expected \$150 million investment is on track to begin operations by the end of 2018. We continue to work to finalize the location and expect to have further details by our next earnings call.

Turning to slide 12, we are thrilled with the work our team has done to make our five-point transformation plan so successful this year. During the quarter, we realized approximately \$40 million in cost reductions, bringing the total for the year to our target of about \$200 million.

Since implementing the transformation plan in the second half of 2015, we have delivered \$300 million in cumulative cost reductions. At the same time, we've completed the review of the Chemical Solutions business, expanded our Altamira TiO2 facility and began the expansion of our Corpus Christi facility.

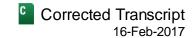
We continue to focus on cost reductions while making prudent investments in our core businesses. Going forward, we expect to provide an update on our progress of these initiatives around mid-year.

Now let me discuss our 2017 outlook on slide 13. We expect to generate full year adjusted EBITDA greater than \$1 billion in 2017, in line with the commitment we made when we launched the transformation plan in 2015.

We are in the final stages of that five-point transformation plan, targeting an additional \$150 million in cost reductions in 2017, optimizing our TiO2 manufacturing network including our new Altamira line, building our new Opteon facility at our Corpus Christi site and increasing the capacity of our Mining Solutions operations.

We continue to work closely with our TiO2 customers as we implement our announced pricing. We expect the first half of the year to show strong year-over-year results while full year, the volume is expected to be in line with the global GDP rates. At this point, we expect the full-year average price will be above the average price in 2015.

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Within Fluoroproducts, Opteon's pace of adoption and additional cost reductions in this segment are expected to remain the drivers of earnings growth. This could be modestly offset by quota reductions in base refrigerants. We also recognized pricing pressure due to competition may continue as a headwind in some of our fluoropolymer product lines.

For Chemical Solutions, our streamlined portfolio has us starting the year with about a \$35 million EBITDA headwind related to the divestitures. But as I mentioned, we will continue to optimize costs across the Performance Chemicals product lines. We remain focused on improving these remaining businesses. We also expect to continue to capitalize on the strength of our Mining Solutions business and begin our capacity expansion.

In addition to adjusted EBITDA performance, we will continue to drive working capital improvements. With these improvements and despite higher anticipated capital expenditures, we expect to generate positive free cash flow for the year.

We remain confident in our five-point transformation plan and are very proud of the results we've delivered in 2016. Our transformation plan is working and we expect to continue that same momentum into 2017.

We'll now open the call for your questions.

### QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Your first question comes from the line of Robert Koort of Goldman Sachs. Please go ahead.	
Robert Andrew Koort  Analyst, Goldman Sachs & Co.	Q
Thank you. Good morning, Mark's.	
Mark P. Vergnano President, Chief Executive Officer & Director, The Chemours Co.	A
Hey, Bob.	
Robert Andrew Koort Analyst, Goldman Sachs & Co.	Q
I'm wondering if you could talk about, you've done a lot of changes in your TiO2 business with the Altamira	

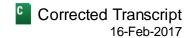
expansion, the consolidation and obviously, quite an aggressive cost reduction plan. When you think about maybe scaling that and putting it in context of historical earnings power, wondered if you'd hazard a guess where your normalized margin might be in this business compared to that historical normalized level, maybe around 20% or maybe said differently, do you have any concept of what your earnings power could be on a normal TiO2 price, maybe closer to \$1.50 a pound. Can you help us size the improvements that you've made?

Mark P. Vergnano

President, Chief Executive Officer & Director, The Chemours Co.



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Yeah. Bob, I would say that take price out of it for a second, I think the configuration we have now, our ability to be much more flexible with lower cost ores gives us a better cost position than we had in the past. There's no question about that. I can't do the math on my head that fast with the price point you said. But I would say that on a – compared to the past, our margin opportunity is better because of where we are on the cost side.

Robert Andrew Koort

Analyst, Goldman Sachs & Co.

Q

And for my follow-up, I was hoping to ask on the Fluoroproducts, obviously we have auto build rates are decelerating into next year. Can you talk about the ramp penetration into the auto markets and then is there still some scope and maybe this speaks to your increased capital spending in Corpus, but is there still some scope for stationary storage, sorry, stationary cooling applications for Opteon?

Mark P. Vergnano

President, Chief Executive Officer & Director, The Chemours Co.

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Yeah. If you look at it altogether, we're saying Opteon's probably going to be about 40% up in terms of our volume in 2017 versus 2016. Some of that, we're looking at auto builds about flat, as we'd look at across the world. And so, it's heavily, Opteon heavily impacts primarily Europe and North America the most, although we're seeing pickup in other places as well.

And as you said, stationary is starting to pick up as we work really, really closely with a lot of our customers who are trying to get ahead of that curve. Just putting context for you, the increased investment that we put at Corpus really was about making that a lot more of an efficient process.

We had looked in the past that perhaps buying more ingredients to bring into that. We've decided that we can make those ingredients at a lower cost and it would take a lot of risk out of that facility, so that was really the driver for that is getting speed of that facility up and running and also the efficiency across it as well. But we see a good 40% uptick. I'd say, primarily driven off of mobile, but also starting to see stationary starting to come in Bob.

Robert Andrew Koort

Analyst, Goldman Sachs & Co.

Q

Great. Thanks for the help.

Operator: Your next question comes from the line of Duffy Fischer of Barclays. Please go ahead.

Duffy Fischer

Analyst, Barclays Capital, Inc.

Yeah. Good morning.

Mark P. Vergnano

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President, Chief Executive Officer & Director, The Chemours Co.

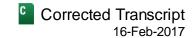
Hey, Duffy.

Duffy Fischer

Analyst, Barclays Capital, Inc.

Just question around the settlement, obviously, expense for that was running quite high and it ramped up when we thought we were going to have a number of cases this spring. Year-over-year and then even into 2018, how

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much does the expense come down from this settlement as far as lower legal fees and then is the \$335 million settlement number in your positive free cash flow number or that's excluding that?

Mark E. Newman

Chief Financial Officer & Senior Vice President, The Chemours Co.

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Our free cash flow, it excludes the payout of the settlement. And in terms of expense, we still expect, with all the work being done, to have fairly high legal costs, at least through the first half of the year and we'll probably provide a more clearer update when we get beyond the settlement itself.

Mark P. Vergnano

President, Chief Executive Officer & Director, The Chemours Co.



But, Duffy, to your point, when we look at the way we structured this settlement with DuPont, obviously the upfront piece, but also the second half of that was this sort of five-year play-out, if you will. We're not anticipating those kind of costs that we have there. If you see the settlement, it's \$25 million that we would have to pay upfront. DuPont would then cover the next \$25 million.

We look at that as an insurance policy. Right now, we are – we don't have any projections, let's say, we'd be spending that kind of money. But we did want to have that built into the agreement with DuPont. So I would say, as Mark said, after this period, as we get through the finality of the settlement, we should have our costs come down.

**Duffy Fischer** 

Analyst, Barclays Capital, Inc.



Okay. And then on the Opteon, is the plants being built, on your projections, do you max out your current production before the next plant comes online or do have enough production to see you through to that next expansion?

Mark P. Vergnano

President, Chief Executive Officer & Director, The Chemours Co.



We have enough production to see us through. We get close, but we have enough production to see us through when the expansion starts up.

Duffy Fischer

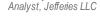
Analyst, Barclays Capital, Inc.



Great. Thank you, guys.

Operator: Your next question comes from the line of Laurence Alexander of Jefferies. Please go ahead.

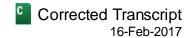
Jeffrey Schnell





Hi. This is Jeff Schnell on for Laurence. Just following up on the prior question. Given that the PFOA litigation, \$25 million is sort of insurance policy, how do you think about your leverage ratio across the cycle? Would you want to keep a slightly higher, a slightly lower leverage ratio given potential risks from environmental? And if not, how do you think about use of cash given your liquidity position throughout the cycle?

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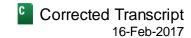
#### Mark E. Newman

Chief Financial Officer & Senior Vice President, The Chemours Co.

So I'd say we've always said we expect our environmental to be a fairly steady, mature liability. Now that we have clarity around PFOA, I think from a credit perspective, our view is we're in a better position today with that as a known certainly for the next five years. And so I would say, our plan is still to be close to 3 times. I think if you look at our net leverage today and the guidance that we've given on EBITDA for next year, it would suggest we could be below 3 times even after the settlement payout. So our view is, we're fairly close to where we want to be from a leverage position and obviously, with the PFOA clarity, I think that would put you in a position where you might potentially have slightly higher leverage for some period of time.

potentially have slightly higher leverage for some period of time.	
Jeffrey Schnell Analyst, Jefferies LLC	Q
Thank you.	
Operator: Your next question comes from the line of PJ Juvekar of Citi. Please go ahe	ead.
Eric B. Petrie  Analyst, Citigroup Global Markets, Inc.	Q
Hi. Good morning, Mark. It's Eric Petrie on for PJ.	
Mark P. Vergnano President, Chief Executive Officer & Director, The Chemours Co.	A
Okay. How are you doing?	
Eric B. Petrie  Analyst, Citigroup Global Markets, Inc.	Q
Well, thanks. How much of your stronger order patterns that you mentioned in 2017 migoutage in Europe?	ght be related to competitor
Mark P. Vergnano President, Chief Executive Officer & Director, The Chemours Co.	A
Eric, I'd say that we – prior to that, we saw pretty strong order patterns. So we're seeing the-board, I'd say, across-the-world. North America is strong, but so is the other regions before any indication that anyone else was going to have supply issues. So I'd say that was strong to start with.	s as well and we saw that
Eric B. Petrie Analyst, Citigroup Global Markets, Inc.	Q
Okay. And TiO2 capacity reductions in China, how much was met in 2016 and do you s 2017 and related, can you still see a tightening market as China diverges on a utilizatio with Western markets?	
Mark P. Vergnano President, Chief Executive Officer & Director, The Chemours Co.	А

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Yeah. Eric, it's hard for us to know exactly the number that came out. We definitely have seen capacity coming out. What's not apparent to us is, is it permanent or temporary from that standpoint. But a good 200,000 tons appears to come out. But it's a little foggy to be able to give you a definitive there.

I think what is interesting is we are seeing real action happening in China. We're seeing the government step in from both an environmental standpoint, as well as a quality of business standpoint. We'll see if that continues. But that's been a positive sign in our mind.

Eric B. Petrie

Analyst, Citigroup Global Markets, Inc.

Thanks, Mark.

Operator: Your next question comes from the line of Don Carson of Susquehanna. Please go ahead.

**Emily Wagner** 

Analyst, Susquehanna Financial Group LLLP

Good morning. This is Emily Wagner on for Don. Just a question on the improved manufacturing efficiency in Titanium Technologies. What exactly was that improvement and was that contribution in 2016, and is that separate from the structural cost improvements of \$200 million for the whole company?

Mark E. Newman

Chief Financial Officer & Senior Vice President, The Chemours Co.

I'd say they're – Emily, they're kind of connected. Let me start first with, structurally in 2016, we took out probably our – one of our higher cost facilities when we shut down our Edge Moor facility at the end of 2015, so that was out of the circuit in 2016. We ramped up a brand-new facility, a second line in Altamira, Mexico, which is probably our – one of our lowest cost facilities.

So the trade-off there was positive. It allowed us to run a lower ore blend across the whole circuit which helped us. But on top of that, the business just alongside the rest of the company took out structural fixed costs as well. So I'd say all those sort of melded into the benefits we're seeing in that business.

**Emily Wagner** 

Analyst, Susquehanna Financial Group LLLP

So if you had to think of that \$200 million, it would be encompassing of all of those changes?

Mark E. Newman

Chief Financial Officer & Senior Vice President, The Chemours Co.

It would be encompassing the fixed cost contribution of that. It doesn't really encompass all the variable cost improvements that we've seen from the ore side.

Emily Wagner

Analyst, Susquehanna Financial Group LLLP

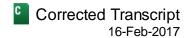
Okay. And then could you just give an update on how Altamira is ramping into 2017?

Mark P. Vergnano

President, Chief Executive Officer & Director, The Chemours Co.

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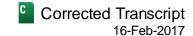
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Yeah. Ramping extremely well. We're real happy with the performance of that facility. Our team is doing just a fantastic job there. We had told you guys early on that we anticipated to fully ramp in an 18 to 24-month period. We're well within that, probably, on the lower end of that range.

Emily Wagner  Analyst, Susquehanna Financial Group LLLP	Q
Thank you.	
Operator: Your next question comes from the line of John Roberts of UBS. Please go ahead.	
John Roberts Analyst, UBS Securities LLC	Q
Thank you and nice quarter.	
Mark P. Vergnano President, Chief Executive Officer & Director, The Chemours Co.	A
Thanks, John.	
John Roberts Analyst, UBS Securities LLC	Q
Are you interested in bolt-on deals in Mining Chemicals now that you have a focus over on that business?	
Mark P. Vergnano President, Chief Executive Officer & Director, The Chemours Co.	A
I wouldn't – don't read into the fact that we changed the name because we're diving in there really hard, Joh would say that we have some technology already that we think plays into the Mining Solutions side beyond our sodium cyanides product, so that fits that. But as I've always said, we are always looking for opportunities bolt-on acquisitions that would be very accretive and make sense. So we're not saying no to that, but I would read into that that that's where we're running first.	just es on
John Roberts Analyst, UBS Securities LLC	Q
And then back on the Chinese capacity question, how would you know when Chinese capacity is permaner closed. Do you see sales of scrap equipment, or do you do site visits to see if the plants can't be restarted?	ntly
Mark P. Vergnano President, Chief Executive Officer & Director, The Chemours Co.	A
We sure don't do site visits, but it's a really good question, John. I think we rely on industry intelligence to he with that. And I would say we're not doing anything specific ourselves there.	elp us
John Roberts Analyst, UBS Securities LLC	Q
Okay. Thank you.	

Q4 2016 Earnings Call



**Operator:** Your next question comes from the line of Roger Spitz of Bank of America Merrill Lynch. Please go ahead.

Roger Neil Spitz

Analyst, Bank of America Merrill Lynch

Thank you and good morning. The first is of the technical bond question, regarding the 7% senior notes of \$25 million, you talked about this on an earlier call. We understand about \$507 million of the issue represents so-called debt for debt indebtedness related to the spin and that under the Tax Matters Agreement, you've agreed not to repay or redeem the debt prior to maturity unless certain things occur. First, would you take any chance on redeeming early any of the remaining \$243 million of the 7%s that is not debt for debt indebtedness? And second, could you envision a scenario where prior to maturity, DuPont might accept an unqualified tax opinion or a tax-free status ruling so that you could purchase some or all of the \$507 million early?

Mark E. Newman

Chief Financial Officer & Senior Vice President, The Chemours Co.

Yeah. Roger, I think what we said previously is, we have a lot of indebtedness that is not part of the Tax Matters Agreement that provides a significant flexibility to improve our balance sheet. And as I said early on the call, we're very close to 3 times. So I think if it was a scenario where we wanted to do more significant debt reduction, we would investigate this. But candidly, for the amount of debt reduction, we have felt necessary to do up to now, it really hasn't risen to the level of something we want to pursue.

Roger Neil Spitz

Analyst, Bank of America Merrill Lynch

Thank you very much.

Mark E. Newman

Chief Financial Officer & Senior Vice President, The Chemours Co.

Welcome.

Operator: Your next question comes from the line of Christopher Perrella of Bloomberg Intelligence. Please go ahead

Chris Silvio Perrella

Analyst, Bloomberg LP (Research)

Hi. Good morning, gentlemen. Question in the EBITDA guidance for next year or for 2017, with \$150 million in cost savings, the \$200 million you've done this year. How should I think about that being realized in your 2017 number? And from a TiO2 perspective, with the GDP growth and the – at least 3% rise in your price, the \$1 billion seems like a layup, knock on wood. Am I missing something in either Fluoroproducts or Chemicals that would offset that?

Mark E. Newman

Chief Financial Officer & Senior Vice President, The Chemours Co.

So let me help you through our logic with that one, Chris. So if you think about just our transformation plan math, you get basically at the \$1 billion. So there's things that can move that up, right. Additional TiO2 price can be a help to that. Stronger Opteon sales can be a help to that. We're seeing strong first half volumes that if they continued at that rate could be an upside to that.

[ph] So it offsets (39:31) our cost reduction timing and upfront costs. So we are committed to the additional \$150 million of cost. But that last \$150 million is really we're going after systems to really get at that. So timing of that, as well as the costs incurred for us to make that switch is sort of an offset for that. Currency is a bit of unknown for us. So we're going to try to really understand that. And obviously, what was built in already to the \$1 billion was the fact that the divestitures we already did in the Chem Solutions segment.

So the way we've positioned this and the way we, I guess, would like to position us with everyone is, we see the \$1 billion as a floor, right. So that EBITDA is sort of a floor for us. These other things can improve it from there, but we also have some offsets and we have to watch. So we felt it was prudent to say above \$1 billion, with the \$1 billion being that floor.

Chris Silvio Perrella

Analyst, Bloomberg LP (Research)

All right, appreciate the clarification on that. Just a one quick follow-up, the Chemical Solution, you said it was a \$35 million EBITDA headwind from the divestitures. Does that make the segment break even or slightly above break even for 2017?

Mark E. Newman
Chief Financial Officer & Senior Vice President, The Chemours Co.

So, I'd say we could see, well, first of all, Q4 EBITDA is representative of having the divestitures already out in the quarter. So I would say it would be representative of a starting point before further cost reduction in our Chem Solutions business. And the \$35 million, just to be clear is – we had the business in, say, through half a year, a lot of them closed in Q3. So what we've said is, we realized close to \$700 million proceeds on about \$60 million or so of adjusted EBITDA. So, if you start to pro rate that for the period that we had the assets in, it's about \$35 million.

Mark P. Vergnano

President, Chief Executive Officer & Director, The Chemours Co.

And just to give you a little geography, Chem Solutions will be EBITDA positive for the year. Think of it from a standpoint of Mining Solutions being positive from an EBITDA side. Performance Chemicals at our Belle facility being above break-even as we've made a bunch of improvements there and then we have a little bit of leftover of our aniline business that that's a bit of a negative. So that's how you can sort of shape the whole segment. But it will be positive EBITDA for the year.

Chris Silvio Perrella

Analyst, Bloomberg LP (Research)

All right. Thank you very much guys. Good year.

Mark P. Vergnano

President, Chief Executive Officer & Director, The Chemours Co.

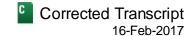
Thank you.

Mark E. Newman

Chief Financial Officer & Senior Vice President, The Chemours Co.

Thank you.

Q4 2016 Earnings Call



Operator: [Operator Instructions] Your next question comes from the line of Robert Koort of Goldman Sachs. Please go ahead.

Christopher Evans

Analyst, Goldman Sachs & Co.

Hi. Good morning. This is Chris Evans on for Bob. Expanding on earlier question, with the PFOA settlement or the PFOA agreement kind of behind you now, the strong balance sheet and your growing free cash flow, what is your near to mid-term plan for cash or should we expect gross debt reduction, bolt-on M&A, dividend increases, just kind of what we should expect all that cash to end up in the future?

Mark E. Newman

Chief Financial Officer & Senior Vice President, The Chemours Co.

Chris, what - we're pretty consistent with what we said before, which is delevering is number one on our list. Beyond that we said we're going to look at opportunity to get cash back to the shareholder. But I - as I mentioned in a previous comment, we will look at smart, very accretive bolt-on acquisitions if they play up - play in our hand. It's not something I want you guys to worry about that we're going to be running out doing acquisition tomorrow, that's not our plan. But if things make sense for us, it may - could be very accretive very quickly, we're going to be open to that. But by far, delevering and returning cash to shareholders is top on our list.

Christopher Evans

Analyst, Goldman Sachs & Co.

Thanks, Mark. And then, maybe shifting to Opteon for a second, obviously you've got your expansion at Corpus going on. I was thinking kind of on the mid to longer term basis, given how demand could ramp once Opteon does transition into stationary and other applications. Do you believe that you and Honeywell have enough capacity to meet global demand or you'll have to deploy additional CapEx or potentially license that technology to meet the demand out there?

Mark E. Newman

Chief Financial Officer & Senior Vice President, The Chemours Co.

Yeah. I would say that in the period of time that we're looking at for that new facility coming up in Corpus, I think we have the capacity. We will need to fulfill the market that we want to participate in. When you look long-term, let's face it, HFOs are going to be what everyone turns to in the refrigerant side, both on stationary, as well as on mobile. So, in time and hopefully we're going to continue to have our protection as long as we can, but in time, you have to believe that there'll be more participants in that.

How we play that? I think is yet to be seen, whether that is, we add capacity, whether that there is licensing opportunities, we'll evaluate that for our future. But at least for the mid-term, I think we have the capacity that we'll need to be able to fulfill our customers.

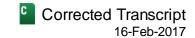
Christopher Evans

Analyst, Goldman Sachs & Co.

Thanks, Mark.

**Operator:** There are no further questions at this time. I will turn the call back over to Mark Vergnano.

Q4 2016 Earnings Call



#### Mark P. Vergnano

President, Chief Executive Officer & Director, The Chemours Co.

Well, listen, I just want to thank everyone for joining in the call. But I also want to thank you all for the support over the year. This has absolutely been a big year of transition for us. We think we're poised for growth in 2017. But more importantly, we think we're poised for growth beyond that as well. So we will remain very disciplined on our cost reductions. We'll remain very disciplined on our transformation plan throughout the year, but we're going to continue to invest in our core businesses and drive those improvements down to our results. So, again, thanks for joining and thanks for all the support in 2016.

Operator: This concludes today's conference call. You may now disconnect.

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