Q4 and Full Year 2022 Earnings Prepared Comments

Jonathan Lock, The Chemours Company, Senior Vice President, Chief Development Officer

Welcome to The Chemours Company's Fourth Quarter and Full Year 2022 earnings conference call. I'm joined today by Mark Newman, President and Chief Executive Officer, and Sameer Ralhan, Senior Vice President and Chief Financial Officer.

Before we start, I'd like to remind you that comments made on this call, as well as the supplemental information provided in our presentation and on our website, contain forward-looking statements that involve risks and uncertainties, as described in Chemours SEC filings. 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. A reconciliation of non-GAAP terms and adjustments are included in our release and at the end of this presentation.

With that, I'll turn the call over to our CEO Mark Newman who will cover the highlights from the past quarter and full year - Mark?

Mark Newman, The Chemours Company, President and Chief Executive Officer

Thank you, Jonathan, and thank you for joining us today. I will begin my remarks on chart **3**.

Despite all the challenges the world faced in 2022, our global team of 6,600 Chemourians showed incredible resilience and determination to drive the results we will discuss today. I would like to thank each and every one of our people for their dedication to this company and our vision – that together we make the world better through the power of chemistry. As I reflect on 2022, I am inspired by the energy and optimism I feel around the company. The last year has been punctuated by a number of important investments we are making to drive sustainability led growth, enhance our leadership in responsible manufacturing, and demonstrate our commitment to the communities in which we operate. These projects literally span the globe and demonstrate the reach and power of our business. Let's start by discussing our sustainability led growth.

Whether it's our Opteon™ expansion in Texas to increase our capacity of low global warming refrigerants;

or our participation in the ARCH2 Hydrogen Hub in West Virginia;

or our JV with BWT in Germany to develop next generation fuel cell membranes;

or the Nafion™ capacity expansion in France to support the global hydrogen economy…

These projects address some of the most difficult problems only our unique chemistry can solve. They will come online over next several years and accelerate our growth by helping the world reduce CO2e equivalent emissions, and advance decarbonization.

We are making these sustainability led growth investments while at the same time investing behind our commitment to responsible manufacturing. For example, in 2022 we brought our Louisville fluorinated emissions abatement project online, which we expect will capture and destroy >99% of the HFC-23 emissions at the site. We also recently commenced work on the barrier wall project at our Fayetteville facility which is designed to capture and treat groundwater around the facility. These projects, and many more are a statement of our commitment to responsible manufacturing and our belief that our unique products can and must be made with as small of an environmental footprint as possible.

Finally, Chemours is having a positive impact on the communities in which we operate. Very recently, I attended the groundbreaking ceremony for the new Chemours STEM Hub at EastSide Charter School in Wilmington, Delaware. Through our ChemFEST school partnership program, we provided a $4 million grant in 2021 to help bring this project to life. When completed, the 24,000 square-foot facility will serve as a premier access point for science, technology, engineering, and math—offering students from diverse backgrounds exposure to STEM subjects early in their academic career. I am proud of this effort and all the work we're doing throughout our communities. On that note, let's move on to the numbers.

Over the course of 2022, Adjusted EBITDA and Adjusted EPS grew by 4% and 17%, respectively. This performance came in spite of a number of challenges, including ore shortages, weakening TiO2 demand in Europe and Asia, and higher material and energy costs. In the face of those and other headwinds, we delivered record Net Sales and Adjusted EBITDA in both TSS and APM. These record-setting performances further confirm the confidence we have in our secular growth theses.

For the year, we generated Free Cash Flow of $447 million dollars. Our ability to turn earnings into cash consistently has generated more than $1.5 billion dollars of Free Cash Flows over the past three years. And we've kept our promise of delivering the majority of it to our shareholders. In 2022, we repurchased $495 million dollars of shares and including dividends, we've returned $649 million to shareholders in 2022.

Last but not least, in addition to delivering solid financial results, we continue to make strong progress on our Sustainability goals including a new commitment to set science-based targets for our scope 1, 2 and 3 greenhouse gas emissions. We also achieved Great Place to Work™ certification in ten countries representing 90% of employees. We updated our Diversity, Equity and Inclusion goals to help drive greater ethnic diversity. With that, I'll turn things over to Sameer to cover our financial results. I'll be back to talk about our guidance and our priorities for 2023 at the end of the call, Sameer?

Sameer Ralhan, The Chemours Company, Senior Vice President, Chief Financial Officer

Chart 4: FY 2022 Financial Summary

Thanks Mark and thanks everyone for joining us today.

Let me turn to Chart 4 to cover the full year results.

Full-year Net Sales rose $449 million dollars to $6.8 billion dollars. This 7% increase was primarily driven by strong price performance across all the segments, and volume growth in our TSS and APM segments, partially offset by volume decline in our TT segment and currency headwinds from a stronger USD.

GAAP EPS increased to three dollars and sixty-five cents per share in 2022 ($3.65), from three dollars and sixty cents per share in 2021 ($3.60). Adjusted EPS was four dollars and sixty-six cents per share in 2022 ($4.66), an increase of 17% from the four dollars per share we earned in 2021 ($4.00).

Our Full Year 2022 Adjusted EBITDA was $1.361 billion dollars, up $48 million dollars or approximately 4% from the prior year. This resulted in Adjusted EBITDA Margins of 20% for the full year, down 100 basis points from 2021. Adjusted EBITDA Margin decline was primarily attributable to higher raw material, energy, and logistics costs.

Free Cash Flow continues to be a strength for the company. In 2022, we generated $447 million dollars of Free Cash Flow. This is despite Net Working Capital build driven by lower sales volume, primarily in TT, leading to higher inventory levels as we exited the year.

Chart 5: 4Q 2022 Financial Summary

Turning to chart 5 and our fourth quarter results.

Fourth quarter Net Sales of $1.3 billion dollars declined 15% from the fourth quarter of 2021. This was primarily driven by volume declines in our TT segment and currency headwinds, partially offset by higher price across all the businesses.

GAAP EPS in the fourth quarter decreased to a loss of Sixty-five cents per share in 2022 ($0.65), from One dollar and forty cents per share in 2021 ($1.40). Adjusted EPS in the fourth quarter was close to zero cents per share in 2022 ($0.00), a decrease from the Eighty-one cents per share we earned in 2021 ($0.81).

Adjusted EBITDA declined 61% in the fourth quarter to $120 million dollars, resulting in Adjusted EBITDA margin of 9% vs. 19% in last year's fourth quarter. Adjusted EBITDA Margin declined primarily due to higher raw material, energy and logistics costs, as well as impact of a December winter storm felt most acutely in our TT and TSS segments.

Free Cash Flow was $94 million dollars.

Chart 6: Adjusted EBITDA Bridge: 4Q22 vs. 4Q21

Turning to chart 6 – let's review the Adjusted EBITDA bridge for the fourth quarter.

Strong price gains were primarily driven by higher price in our contracted TT portfolio, as well as steady value-based pricing growth in both TSS and APM segments.

Volume declines were primarily driven by weakness in Europe and Asia Pacific in our TT segment.

Currency was a $31 million dollar headwind, primarily attributable to a stronger USD.

Portfolio change, driven by the divestiture of our Mining Solutions business, was a $12 million dollar headwind. This will be the final quarter where year over year results are impacted by the divestiture.

Lastly, the higher cost in the fourth quarter was primarily due to raw material cost inflation, higher energy, and logistics costs. We also experienced lower fixed cost absorption due to lower production volumes, partially driven by the impact of December winter storm.

Chart 7: Liquidity

Turning now to chart 7 – our cash position, liquidity and balance sheet remain strong, as they have throughout the year.

Our cash balance at the end of the year was $1.10 billion dollars, down slightly from $1.20 billion dollars in the prior quarter.

In the fourth quarter, we generated $161 million dollars of Operating Cash Flow and CAPEX was $67 million dollars.

We returned $181 million dollars of cash to shareholders – through dividends and share repurchases.

We ended the year with Gross debt of $3.6 billion dollars. Net-leverage is roughly 1.9x times on a trailing twelve-month basis. Total liquidity stands at approximately $1.9 billion dollars, including revolver availability of approximately $800 million dollars.

Chart 8: Prudent Capital Allocation

Turning to chart 8.

We deployed $1.1 billion dollars of capital in 2022.

We invested $307 million dollars in capex to maintain our assets, grow the businesses for the long term and meet our sustainability commitments. This came in below our original projections due to material and labor availability issues.

From a credit profile perspective, we reduced debt by $68 million dollars in 2022, and contributed $100 million dollars in the third quarter into the escrow account, this is as per the MOU agreement with DuPont and Corteva. Our contributions into the escrow are reflected as Restricted Cash on our balance sheet and currently total $202 million dollars. Starting in September 2023 cash contributions into the escrow will be $50 million per year through 2028.

Last, but not least, we continue to return the majority of our free cash flow to our shareholders – with $154 million dollars returned via dividends and $495 million dollars through share repurchases in 2022. Since spin, we have reduced shares outstanding, net, by roughly 18%, going from approximately 181 million shares to approximately 149 million shares at year end 2022.

Let’s turn now to chart 9, where I’ll cover the results and outlook for our Titanium Technologies Segment.

Chart 9: Titanium Technologies

Titanium Technologies delivered for our customers in 2022 despite ore constraints in the first half of the year and a slowdown in demand in Europe and Asia in the second half. Our customers continue to see the value of a long-term relationship with Chemours as our reliable, high-quality supply has enabled them to succeed.

Turning to the results, fourth quarter Net Sales decreased by 30% to $606 million dollars vs. the prior-year quarter. Price rose 7%, while volume declined 35% on a year-over-year basis, with currency a 2% headwind. Fourth quarter Adjusted EBITDA declined to $42 million dollars, and segment Adjusted EBITDA Margin fell to 7%. Adjusted EBITDA and Adjusted EBITDA Margin declines were primarily driven by lower sales volumes, lower fixed cost absorption due to lower production and the impact of December's winter storm. These were in addition to the ongoing impact of higher raw material, energy, and logistics costs.

Price was essentially flat, and volumes declined by 30% on a sequential basis. Volume decline was due primarily to European and Asia.

For the full year 2022, Net Sales of $3.4 billion dollars increased by 1% from 2021 levels. The slight increase in segment Net Sales for the year was attributable to increase in price of 17% driven by contractual price changes and price increases in our Flex and Distribution channels. Impact of Price was largely offset by a decline in volume of 14%, primarily driven by second half demand weakness, in Europe and Asia Pacific.

Adjusted EBITDA declined 25% to $601 million dollars, from $799 million in 2021. Full year Adjusted EBITDA Margins came in at 18%. These results were largely driven by the impact of lower volumes and higher raw material, energy, and logistics costs.

Looking ahead, we expect to see demand slowly start improving in EMEA and China throughout the year. However, the rate and timing of overall demand recovery through 2023 remain uncertain given uneven macroeconomic conditions in different geographies.

We will continue to stay close to our customers to align our supply with their Ti-Pure™ titanium dioxide pigment needs.

Chart 10: Thermal and Specialized Solutions

Turning to chart 10…In 2022, TSS generated the highest growth in revenue and earnings of our three segments and we set full-year Net Sales and Adjusted EBITDA records. The results are driven by our continued innovation in low GWP thermal management solutions to support customer transitions to more sustainable products.

Looking more closely at the results, Fourth Quarter Net Sales improved 8% from the prior-year fourth quarter. Strong price contributed 6% in the quarter, and higher volumes contributed 4%, partially offset by currency headwinds of 2%. Adjusted EBITDA declined 43% to $54 million dollars, and Adjusted EBITDA Margin fell to 17% in the quarter. These declines were primarily driven by high raw material cost concentration, and other costs, including the impact of extreme weather in December.

For the full year, Net Sales rose 34% to $1.7 billion, the result of stronger price and volume which rose 28% and 8%, respectively. Prices increased in most markets across the business due to changing market and regulatory dynamics and steady value-based pricing growth within our refrigerants portfolio. Volume increased due to continued adoption of Opteon™ and other specialized solutions. Full year Adjusted EBITDA was $603 million dollars, up 50% from $401 million dollars in 2021. Adjusted EBITDA margins improved from 32% to 36%, demonstrating the earnings power of the segment. Adjusted EBITDA and Adjusted EBITDA Margin increases were primarily attributable to the aforementioned increase in price, including favorable product mix, and sales volumes, partially offset by higher raw material and logistics costs.

As we look ahead, we expect Adjusted EBITDA Margin to be in line with long-term guidance of greater than 30% with mid to high single digit top-line growth over the next decade.

Chart 11: Advanced Performance Materials

Let’s turn to Chart 11 for our Advanced Performance Materials segment.

The APM segment delivered outstanding results throughout 2022, the segment’s best year to date. We continue to demonstrate the power of our chemistry as our portfolio evolves. To unlock the future potential of clean energy and advanced electronics, fluoropolymers and fluorine chemistry are critical. In order to help our investors better understand these growth dynamics, we are reporting sales in 2 product groupings to better reflect the composition of the business. I’ll cover this change in a few minutes, but let’s first dig into the numbers.

Net Sales were $382 million dollars in the fourth quarter, up 10% from $346 million dollars in the prior-year fourth quarter. Price increased 17% whereas volume was down slightly at 1% and currency was a 6% headwind on a year-over-year basis. Adjusted EBITDA declined 14% to $61 million dollars and Adjusted

EBITDA Margin declined to 16%. Adjusted EBITDA and Adjusted EBITDA Margin declines were primarily driven by increase in raw material cost inflation catching up in the fourth quarter with pricing actions implemented by the business throughout the year.

For the full year 2022, we delivered record Net Sales and Adjusted EBITDA of $1.6 billion dollars and $367 million dollars respectively. The top line grew 16% from 2021 levels, with 18% price growth reflecting sales in high-value end-markets including advanced electronics, semiconductors, and clean energy, as well as customer level pricing actions to offset increased raw material and energy costs. Volume growth of 2% was driven by high global customer demand across key markets, partially offset by supply chain challenges and lower demand in non-strategic end-markets where volume fade has been anticipated given our strategy to drive higher value, differentiated product offerings. Currency was a 4% headwind to the full year results.

Looking ahead, we anticipate improved customer demand for high value, differentiated products in the performance solutions portfolio, offset by weakness in products in the advanced materials portfolio which serves economically sensitive end markets.

On the next page, let’s take a closer look at the two portfolios that make up the APM segment.

Chart 12: APM Portfolio: Performance Solutions and Advanced Materials

As I mentioned earlier, we are providing additional transparency in our APM segment to help you, our investors, better understand our growth vectors. Going forward, we will be providing revenue across what we call our performance solutions and advanced materials portfolios.

Most of our differentiated offerings reside in the performance solutions portfolio, where we are developing products to help solve the world's most challenging problems, using a market-back approach to product development. Products here are enabling advances by solving challenges that Fluoropolymers are best positioned to address in Clean Energy and Advanced Electronics. This includes:

- Our Nafion ™ Membranes which are at the core of fuel cells and electrolyzers which power the Hydrogen economy, and Our Teflon PFA which is a critical material used for chemical distribution within semiconductor fabs. Mark covered several of these investment announcements earlier in our remarks. We believe these investments, along with non-capital capacity release efforts will enable us to take advantage of secular trends to deliver significant growth over the next several years.

Our advanced materials portfolio contains a vast array of products that have market leading positions across a diverse set of markets. Leveraging our continued commitment to responsible manufacturing and innovation, we will continue to deliver products into established applications such as:

- Teflon for Sensors and cables for communications; and
- Viton for seals and gaskets in automotive applications.

Competitive dynamics and market demand in these product groupings have historically tracked with macroeconomic conditions, and our position with the broadest portfolio and market leading quality provides a competitive advantage. This strategy positions us to continue solving the world's most challenging problems, leading to long term growth as a specialty materials business.

Performance Solutions accounts for approximately one-third of segment Net Sales while two-thirds come from Advanced Materials. Our ambition is to drive faster growth and, over time, a portfolio shift from Advanced Materials to Performance Solutions.

Before I hand it back over to Mark, I would like to say thanks to our employees for the great work they did in 2022 to deliver the results I just shared. Thank you for your determination and resilience that take Chemours to even greater heights in 2023 and beyond.

Mark?

Mark Newman, The Chemours Company, President and Chief Executive Officer

Chart 13: 2023 Guidance

Thanks Sameer.

Looking ahead, I'll cover our outlook for 2023 on chart 13.

While we believe that the global economy is on course for a sustained recovery from the disruptions created by COVID-19, we enter 2023 with a mix of regional and global headwinds giving rise to significant economic uncertainty. As a result, the trajectory of the recovery is likely to vary by region and by market sector - diminishing the chance of a rapid and fully coordinated global rebound. Against that macroeconomic backdrop, we expect 2023 Adjusted EBITDA of between $1.2 billion and $1.3 billion dollars, down 8% at the midpoint from our results in 2022. This translates into Adjusted EPS of between $3.80 and $4.29 per share. The low end of our guidance range reflects a modest global recession, with a recovery deferred until 2024. At the high end, we project an improvement in economic conditions in both Europe and Asia, with inflation & monetary conditions easing in 2H of the year, making way for a soft landing. Our guide reflects efficiency initiatives across the entire business portfolio, and work to ensure that going forward our input costs are closely aligned with the near-term demand and economic trajectory.

Our range reflects our expectation that we are nearing the end of destocking conditions in TT, with a modest recovery in TiO2 demand building through the second half of the year. This gradual recovery will result in lower earnings year-over-year in our TT segment and will be partially offset by continued growth in TSS driven by demand for our low GWP refrigerants. We anticipate growth momentum in of the APM segment, offset by more economically sensitive end markets and investments to drive long-term growth of our high-end performance solutions portfolio.

We anticipate CAPEX of $400 million in 2023, with approximately $200 million dollars committed to high return growth projects including our Nafion ™ and Opteon ™ expansions, as well as investments to increase our capacity for Teflon™ PFA to support semiconductor infrastructure needs. We expect to spend roughly $200 million dollars on run and maintain capex as well as sustainability projects across our plants.

Despite the decline in earnings and increase in CAPEX, we expect to generate Free Cash Flow in excess of $350 million dollars, as we benefit from the NWC unwind from inventory build in the second half of 2022 and fewer plant turnarounds in 2023 vs. 2022. Finally, increased legacy litigation and environmental costs are expected to drive Corporate and Other spend above 2022 levels.

Chart 14: Our priorities for creating Shareholder Value

As we start 2023, I would like to cover my five priorities for creating long term shareholder value in 2023 on

Chart 14: Our priorities for creating Shareholder Value

Number one: Improve the earnings quality of TT, by continuing to work with both customers and suppliers to better align our operating model and set ourselves up for long-term success.

Number two: Continue to drive sustainability led growth in TSS through low GWP refrigerants and specialized solutions, plus market driven innovations such as immersion cooling in data centers.

Number 3: Continue to drive sustainability led growth in APM through clean energy and advanced electronics investments, while building a competitive advantage vs. peers through our commitment to responsible manufacturing.

Number 4: Manage and resolve legacy liabilities consistent with the Chemours, Dupont, Corteva MOU

Number 5: Maintain our focus on prudent capital allocation to augment the benefits of priorities 1-4 over the long term.

Together, I believe executing against these five priorities will maximizing shareholder value as we continue to write the next charter for Chemours.

I'm excited to be leading Chemours on this journey to realize our full potential and I look forward to connecting with all of you this year. Thanks again for your investment and your support.