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The Chemours Co. (CC)

Q3 2016 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good morning. My name is Denise, and I'll be your conference operator today. At this time, I'd like to welcome everyone to The Chemours Company Third Quarter Earnings Conference 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, you may begin your conference.

Alisha Bellezza

Treasurer and Director of Investor Relations, The Chemours Co.

Thank you and good morning, everyone. I'd like to welcome you to The Chemours Company 2016 third 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. Mark Vergnano will begin our discussion with some highlights of the quarter and then Mark Newman will review the company's financial performance. He will turn the call back to Mark Vergnano to discuss additional details on each segment, provide an update on our transformation plan, and discuss our updated 2016 outlook.

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. 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 this call, management will refer to certain non-GAAP financial measures that we believe are useful to investors evaluating the company's performance. As a reminder, historic results prior to July 1, 2015, are presented on a standalone basis from DuPont's historic 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 this 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 and thank you for joining us today. This quarter, we delivered significant increases in earnings and margins driven by the ongoing execution of our Five-Point Transformation Plan. The transformation plan resulted in approximately \$60 million of cost reductions in the quarter. That alongside continued adoption of Opteon and a more favorable TiO2 market environment led to a 780 basis point margin improvement versus the previous year quarter.

Also during the quarter, we continued to implement our TiO2 pricing strategies and realized a 3% sequential price increase. We closed the sales of our Sulfur Products and Clean and Disinfect businesses and seized production at our Reactive Metals facility in Niagara, New York during the quarter.

We have completed our Chemical Solutions portfolio review, resulting in combined proceeds of approximately \$685 million of a streamlined profitable set of businesses. We ended the third quarter with approximately \$960 million of cash, including the Chemical Solutions proceeds. We also delivered strong free cash flow improvement, an increase of almost a \$125 million versus the same period in 2015.

We reduced our long-term debt position by \$115 million during the quarter and continued into October repurchasing an additional \$100 million of bonds. We have now retired approximately \$315 million of bonds year-to-date. We remain on target to reduce our net leverage to approximately three times by the end of 2017.

I'll now turn the call over to Mark Newman to review the financial results.

Mark E. Newman

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

Thanks, Mark. Turning to slide three, we generated approximately \$1.4 billion of revenue, down from last year's third quarter, but up sequentially. We reported a GAAP net income of \$204 million, which includes a \$172 million gain from the sale of the Clean and Disinfect business. Adjusted EBITDA in the third quarter was \$268 million, up approximately \$100 million versus last year's third quarter and up over \$80 million compared to last quarter.

We saw strong performance across all of our businesses on a year-over-year basis, which was partially offset by the portfolio impact of asset sales. As Mark mentioned, TiO2 prices and Opteon growth were favorable, both year-over-year and sequentially, helping to drive our results in the third quarter. We delivered strong working capital and free cash flow performance aided by the start of our seasonal working capital unwind. Free cash flow improved \$124 million over the prior year period and \$121 million sequentially.

Turning to slide four, adjusted EBITDA increased by \$99 million on a year-on-year basis with a negligible impact from currency movement. We saw a \$22 million adjusted EBITDA reduction from lower overall pricing. Pass-through pricing of lower raw materials and Chemical Solutions and unfavorable pricing mix in Fluoroproducts resulted in a \$29 million decline, partially offset by \$7 million from an improved average selling price in Titanium Technologies. Overall, volume increases contributed \$13 million due to strong demand for Opteon refrigerants and TiO2.

We realized a \$114 million of lower costs in the quarter comprised of savings from transformation plan initiative, lower raw material pricing, and better plant utilization, somewhat offset by higher performance-related compensation costs as well as higher litigation costs. Approximately, \$60 million of this reduction relates to cost savings from transformation initiatives. We remain focused on efforts to reduce costs and expect the benefits from these actions to continue. Finally, as you'll see on this slide, the completion of divestitures negatively impacted adjusted EBITDA by \$6 million compared to last year.

Turning to slide five, on a sequential basis, adjusted EBITDA improved by \$81 million versus the second quarter, a benefit of \$10 million from pricing was driven by a 3% increase in average TiO2 prices, partially offset by modestly lower fluoropolymers pricing and lower average prices within the Chemical Solutions segment.

Seasonally stronger demand for TiO2 and base refrigerants paired with favorable demand for Opteon and Chemical Solutions products resulted in approximately \$30 million adjusted EBITDA improvement in the quarter. Along with lower variable costs, we also realized benefits from lower employee-related expenses in the quarter, delivering over \$50 million in sequential cost improvement. Again, the impact of portfolio changes taken in the quarter reduced adjusted EBITDA by \$9 million sequentially.

Before I turn to liquidity, let me briefly comment on our litigation matters. We continue to bolster our defenses for PFOA matters, and we will be ready for the upcoming cases in November and January as well as the next stage of the Bartlett Appeal, anticipated this December. We're also prepared for the 2017 docket that's scheduled to begin in May.

Separately, last month a lawsuit was filed against Chemours by area residents concerning a multi-party Superfund site in East Chicago, Indiana. These plaintiffs are seeking reimbursement for temporary housing, relocation, loss of use and other costs and damages. DuPont assigned its former plant site and its responsibility for the environmental remediation at the Superfund site to Chemours at separation, and Chemours retains its defenses to such claims. To be clear, the environmental remediation associated with this site has always been included in our environmental reserve. This new litigation arose in October and as previously stated involves multiple parties and is expected to take a long time to completely sort out.

Now turning to slide six, where I'll review our liquidity position. We ended the quarter with a cash balance of \$957 million. The increase reflects the positive cash impact related to asset sales as well as operating cash flow.

Net operating cash flow of \$199 million increased \$86 million versus last year. Approximately \$67 million was used to support capital expenditures leading to free cash flow of \$132 million in the quarter, a \$124 million improvement over the same period last year. Working capital initiatives as well as the start of the seasonal working capital unwind benefited the quarter performance.

Our cash restructuring payments in the quarter totaled approximately \$20 million. We now expect full year cash restructuring payments to be approximately \$100 million as a result of the anticipated lower spending associated with the closed Edge Moor TiO2 site. Year-to-date capital expenditures were \$235 million, approximately \$155

million lower than 2015. We now expect to spend roughly \$350 million in 2016 as a result of ongoing permitting delays related to our cyanide expansion. We expect to generate positive free cash flow in 2016 based on improved operating cash flow and our CapEx forecast.

During the third quarter, we retired approximately \$115 million of notes. Furthermore, we retired an additional \$107 million of bonds in October, bringing our total retired debt year-to-date to over \$315 million. In fact, since spin we have reduced our net debt by approximately \$1 billion. Not only have we successfully reduced our net leverage, we have simultaneously improved our liquidity position. Including our revolver, our total liquidity position was about \$1.7 billion at the end of the quarter. Our cash generation profile and liquidity positions have shown significant improvement and we are confident that we have the resources to grow our businesses and drive our transformation plans.

I will now turn the call back to Mark.

Mark P. Vergnano

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

Thanks, Mark. Moving to slide seven, our Titanium Technologies segment generated \$625 million in revenue and \$144 million in adjusted EBITDA, an increase of over \$60 million from a year ago, and over \$30 million sequentially. While we continued to drive our pricing strategies, most of the improvement in adjusted EBITDA was from the focus on costs and improved plant operations.

During the quarter, we saw the impact of our previously announced global price increases. As we previously anticipated, our third quarter average price exceeded the average price from a year ago. This is the first time in over three years that pricing is higher both sequentially and year-over-year. That said, we still believe our Ti-Pure products are undervalued in many markets.

In August, we began implementing regional price increases with customers in EMEA and Latin America. In October, we communicated an additional price increase to customers in North America and Asia-Pacific. We would expect to see benefits from these increases during the first quarter of 2017. For the rest of this year, we expect additional transformation benefits to be tempered by normal seasonal softness.

Altamira's low cost capabilities and increased flexibility are showing positive results to our bottom line and we are pleased with the progress at this facility. We will continue to ramp up production to the facilities 200,000 metric ton capacity over the next few years, consistent with our transformation plan initiatives.

We are developing a culture that is striving to continuously optimize our business and processes. Employees are doing this in every aspect of operations, sales and marketing. We believe, this is a strength and a core competency at Chemours that is particularly important while we remain in this low price environment.

Turning to slide eight, our Fluoroproducts segment generated \$591 million in revenue and a \$143 million in adjusted EBITDA in the third quarter, a \$50 million improvement in earnings versus the previous year. Base refrigerant demand reported a year-over-year decline due to continued regulatory volume reductions. As a result of the anticipated mandatory volume reductions, many of our sales in this business were pulled forward into prior quarters. Consequently we expect minimal sales in base refrigerants in the fourth quarter. We saw an increase in fluoropolymer volume as we continue to expand participation in industrial applications, which was negatively impacted by unfavorable pricing. This is an area that remains a challenge for our business.

With Paul Kirsch firmly in place as the new leader of this organization, he is quickly leveraging his previous experience in the automotive and electronic markets, key end markets for fluoropolymers. We know we have great technology, if managed in a more differentiated way could be applied into higher value applications. We expect the competitive headwinds in fluoropolymers, lower base refrigerant sales and plant maintenance outages will be headwinds for the remainder of the year, offset by transformation cost reductions and Opteon growth.

Speaking of Opteon growth, market adoption of our Opteon refrigerant products continue to exceed expectations as a result of regulatory requirements in Europe and demand in North America. Earlier this month, discussions in Kigali, Rwanda, resulted in an amendment to the Montreal Protocol to include freezing and phase-out of HFCs. This agreement supports our long-term demand expectations for Opteon refrigerants, as they are a low global warming potential alternative to HFCs. As demand continues to increase for Opteon, our new Corpus Christi facility will be ready to meet it. We are on track to triple our capacity with a leading and low-cost manufacturing position. We expect to complete construction and start-up in the third quarter of 2018.

Moving to the Chemical Solutions segment on slide nine. Sales for the quarter were \$182 million, a decline from the prior year period. This was primarily related to portfolio impacts from our divestitures. Lower material pass-through cost in the quarter also contributed to the revenue decline.

Adjusted EBITDA improved to \$9 million in the quarter, as of the result of our transformation plan initiatives, leading to increased profitability within our remaining Chemical Solution businesses. This was partially offset by the impact of divestitures. Portfolio rationalization has provided Chemours with significant benefit, however, results will continue to reflect these divestitures in the coming quarters.

Turning to slide 10, I'm very pleased with the speed and progress we have made through the strategic review of the Chemical Solutions portfolio. Year-to-date, we divested three businesses, ceased production of Reactive Metals ahead of schedule and began implementing plans to strengthen the remaining portfolio, effectively completing our strategic review.

To recap, in March 2016, we completed the sale of the Beaumont Aniline facility to Dow. In July, we closed the Sulfur transaction with Veolia, and we completed the divestiture of the Clean and Disinfect business to LANXESS in August. Total proceeds from these three divestitures were approximately \$685 million after customary transaction adjustments, reflecting an average EBITDA multiple of 10 times to 12 times.

As we finalized the transition of the assets, we are working to clean up stranded costs and coordination with our transformation plan initiatives. We remain committed to retaining and improving our cyanides business and the product lines at our Belle, West Virginia site. Cost improvement efforts are starting to show results at the Belle site, and we are now even closer to a breakeven position.

Demand for sodium cyanide for use in gold production remains favorable for our business. As I mentioned last quarter, we have faced permitting delays at the original desired location. We are currently reevaluating our site selection and expect to decide on a location after the first of the year. This delay will affect our CapEx profile in 2017, but keeps us on track toward a \$350 million annual spend after the completion of both the Opteon and cyanide expansions.

We are seeing results from our transformation plan initiatives including cost reductions, portfolio optimization, organic growth and targeted investments. On slide 11, you can see that we continue to make solid progress in cost reductions, now totaling a \$160 million year-to-date. We are on target to meet our \$200 million target for 2016. These savings are coming from all facets of the organization, people, facilities and procurement. We have

robust systems in place to continuously identify and drive cost reductions to our bottom line. We remain committed to growing our market position and investing in capacity expansions to meet future TiO₂, Opteon and sodium cyanide demand.

We are pleased with the results that our organization has delivered year-to-date. We remain disciplined and focused on executing our Five-Point Transformation Plan. We expect the transformation plan cost improvements, along with a stronger price environment for TiO₂, and increased Opteon refrigerants adoption to continue to enhance adjusted EBITDA this year. This will be somewhat offset by divestitures, base refrigerant sales timing, and fluoropolymers unfavorable mix.

Taken together, we expect full year 2016 adjusted EBITDA to be between \$740 million and \$775 million, generating positive free cash flow in the fourth quarter and for the full year. Our team has been working diligently, executing our transformation plan. We want to thank them for their strong commitment and their endless dedication.

We'll now open the call for your questions.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Your first question comes from Laurence Alexander with Jefferies. Your line is open.

Laurence Alexander

Analyst, Jefferies LLC

Q

I guess two questions. Can you give a sense for how your updated thinking on the Altamira ramp and how you see the tradeoff between volumes and pricing dynamics sort of say the next two years to three years? And then also, I think longer-term given the improvement you've already seen, once Altamira is ramped up, what's your criteria for the next tranche of TiO₂ capacity and will you consider a project in China?

Mark P. Vergnano

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

A

Hi, Laurence. Altamira is doing extremely well. Remember when we originally talked about Altamira, normally takes a couple of years to fully ramp up the 200,000 tons of capacity out of the facility. We're well on our way there, maybe a little bit ahead of schedule from that standpoint, so we're real happy with the ramp up. And we're doing exactly what we had talked about. We're utilizing that facility fully, because it gives us a great cost position on the low grade ore capability of that facility and then working through the rest of the circuit as we need to from a capacity standpoint. So, I'd say, very much on track and very happy with the progress. I think our team has done just an outstanding job from that standpoint.

In terms of future capacity, I think we have the capacity we need going forward right now. We'll always look at what the market opportunities present to us, and I can't say that. Right now, we're focused on the assets that we have and utilizing them the best we can. In fact, we have upside with the assets that we have, and we're going to really work on those.

Laurence Alexander
Analyst, Jefferies LLC

Q

Okay. Thank you.

Operator: Your next question comes from Bob Koort with Goldman Sachs. Your line is open.

Robert Andrew Koort
Analyst, Goldman Sachs & Co.

Q

Thank you, Mark. I was wondering if you could help dimensionalize Chinese TiO₂ exports. I hear a lot of chatter and fear with investors about that, as those have risen. But how important is that and why hasn't that sabotaged volume and price growth in the western world, where you seem to gain some momentum? Seems like maybe a contradiction. Could you talk through that a bit?

Mark P. Vergnano

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

A

Sure, Bob. I think everyone has seen that exports have increased out of China. I think there is two edges to that. One is, I think, that demand maybe is not as strong in China to start with. And so that there is a logic why you're going to see some increase in exports. As we look at those exports and we try to track them, we're seeing them go into India, we're seeing them, they go into the Middle East. We're seeing some of that going to the Eastern Europe. There is a little bit that goes into North America and Western Europe. But, primarily, we see that going into the rest of Asia, India, and Middle East.

We're not seeing that intercept our product. And if you remember, we sort of laid out our segmentation. In fact, Ryan Snell sort of came out earlier in the year and laid out our segmentation thought for TiO₂, and there is a multi-purpose segment and then there is a higher-end segment that we participate in. And we see a lot of this Chinese product going into this multi-use segment. Again, not intercepting where we play today and not intercepting the customers that we work with.

So, I think that the fact is there is more Chinese product coming into the marketplace, but, again, we're not seeing it affect our business today. And, I think, the way we've segmented the business, there's a logic to that. I don't think the quality of that product is able to do that at this point in time.

Robert Andrew Koort
Analyst, Goldman Sachs & Co.

Q

And if I could follow up on PFOA, I think Mark talked about being prepared for the upcoming trials, the appeal, and it seems the judge is making it awfully cumbersome, the 40 trials, trial a week starting next year. So how can you prepare for that? Do you have to hire a mountain of new legal defense teams? How do you prepare for that kind of onslaught of case load going into next year? And what would that do to the cost base, what should we think about there?

Mark P. Vergnano

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

A

Yeah. So, Bob, you're right. It's a lot of work, right. And, obviously, I think Judge Sargus is putting pressure on both sides to drive here. We're prepared, we have two trials this year. As Mark mentioned, the appeal will be heard on the Bartlett Appeal before the end of the year. And we are prepared, we are absolutely prepared for those 40 trials.

Yes, that means we have to have legal teams set up to be able to do that. They're in place with all the details that each of those legal teams have to have. Those costs are contemplated in our 2016 and 2017 costs. So we're ready to roll, and as we've always said, we will be ready to try as many cases as the judge brings forward. We are not going to be the limiting factor in that.

Robert Andrew Koort

Analyst, Goldman Sachs & Co.

Got it. Thank you very much.

Q

Operator: Your next question comes from P.J. Juvekar with Citi. Your line is open.

Eric B. Petrie

Analyst, Citigroup Global Markets, Inc. (Broker)

Hi, good morning, Mark. This is Eric Petrie on for P.J.

Q

Mark P. Vergnano

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

Hi, Eric.

A

Eric B. Petrie

Analyst, Citigroup Global Markets, Inc. (Broker)

Could you just talk about demand inside of China in order of magnitude how much is demand down, and are you purposefully deselecting business there?

Q

Mark P. Vergnano

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

Yeah. I'm not sure. China is still hard to call in terms of demand. We've seen different reports that there is still growth in TiO₂, but it's nowhere near the growth level that it had been in the past. If you look at our – our numbers, what we've said is, our volume is up across the world, except for China. And yes, we have made some choices in China to deselect some of the lower value business there as we are working to serve our higher value customers throughout the world.

A

Eric B. Petrie

Analyst, Citigroup Global Markets, Inc. (Broker)

Okay. On your cost portion, I think Mark said that roughly over \$60 million are – over, roughly over half of the \$114 million was from transformational cost savings. The other half, is that raw material benefit going to continue into next year? And can you talk a little bit about your expectations on those core items, sulfate ore price?

Q

Mark P. Vergnano

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

Sure. Yeah, some of that is raw materials across the board, not just TiO₂, but raw materials across the board is helping there. We also have some tremendous work we're doing from a yield perspective at all of our facilities. But, remember, there is a piece of this that is attributed to, although it's part of our transformation, attributed to how we operate our TiO₂ facilities, and being able to utilize low grade ore.

A

We see, as we look across the spectrum of ores that we buy, and as you know we buy a very wide spectrum, we see flattish ore costs. So, we think it's stabilized from that standpoint, but we still – and we always have said, we stagger our contracts to give us the most flexibility possible, so we could take advantage if there is a low point in an ore buy versus the contracts that we have. From a – so we feel very confident about our ore cost going forward. As I mentioned, we think that they're very stable from that standpoint.

We don't buy sulfate ores. So, it's hard for us to opine on that. What we've seen from the data that the industry has published, it appears that those ores are going up in cost based on lower use of iron in China, but, again, we can't verify that because we're just not buyers of sulfate ores.

Eric B. Petrie

Analyst, Citigroup Global Markets, Inc. (Broker)

Thank you.

Q

Operator: Your next question comes from Don Carson with Susquehanna Financials. Your line is open.

Don Carson

Analyst, Susquehanna Financial Group LLLP

Yes. Thank you. Mark, can you comment on industry inventory levels and your inventory levels and in a seasonally softer fourth quarter will you be able to catch-up? And then the follow-on question would be, we've seen some disappointing volume growth out of some of the U.S. architectural coatings companies this earning season for the third quarter, what's your demand outlook for your U.S. customer base?

Q

Mark P. Vergnano

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

Yeah. So, Don, a couple of things. First of all, you're right, we're going into a slower part of the year. I assume you're talking about TiO₂, walking into a slower...

A

Don Carson

Analyst, Susquehanna Financial Group LLLP

Yes.

Q

Mark P. Vergnano

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

...year from a TiO₂ demand standpoint. I'd say, our inventory levels are fairly low, primarily – we've been working hard on working capital improvements. So, we are not – we don't have excessive inventories. We're going to be smart to make sure we have the inventory level we need to service our customers, because that's number one on our list, but I would say that there is not an overhang whatsoever on inventories. So, I would say it's going to be pretty tight from that standpoint.

A

As we look at the demand picture going forward, I'd say it's flattish if you know from that standpoint, as we look at season-to-season, quarter-to-quarter from that standpoint. We're not getting any indication of a slowdown from many of our customers, but at the same time we're not seeing a big uplift either. So I would say from our perspective it looks fairly flat, from a demand point of view.

Don Carson

Analyst, Susquehanna Financial Group LLLP

Thank you.

Q

Operator: Your next question comes from Jeff Zekauskas with JPMorgan. Your line is open.

Jeffrey J. Zekauskas

Analyst, JPMorgan Securities LLC

Thanks very much. If I could just start off with a request, you layout your charges, or you layout your adjustments to EBITDA, but in your financials you don't tie them back to the SG&A line or the R&D line or the cost of goods sold line. It would be helpful, for us, if you might do that in the future, or if you might contemplate doing that.

So my first question is, when you look at your financials sequentially, your cost of goods sold went down about \$60 million and your SG&A went up about \$12 million. Can you talk about why your cost savings seem to be much more located in your cost of goods sold then they are in your SG&A?

Mark P. Vergnano

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

Sure, let me ask Mark to answer that, Jeff, and we'll take into account your first request as well.

Jeffrey J. Zekauskas

Analyst, JPMorgan Securities LLC

Thank you.

Mark E. Newman

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

Thanks, Jeff. I'd say our SG&A line really reflects, I would say higher variable comp driven by our performance this year. There is very few adjustments to it that you're not seeing, but I would say the primary offset from the cost reduction we're seeing across the company really ties back to that factor.

On the COGS side of it, really there's so many factors. First of all, when you look at our year-over-year performance, I'd say our cost performance is the single biggest driver and more than accounts for all of the EBITDA improvement on a year-over-year basis. And really it's being driven by what Mark said earlier, a significant portion of the benefit that we're seeing from procurement is really running through our COGS side of the business than our SG&A side of the business. So, think about all the things that you procure used in the manufacturing side, and they tend to show up more in COGS than they do in SG&A.

So, I'd say the biggest factor would be from our procurement. Additionally, I'd say our utilization of our assets including the ramp up of Altamira is really allowing us to get much better on our ore utilization, which has a very direct impact on cost of goods sold. But in case you're thinking COGS is just a phenomenon in our TiO2 business, I think, you're seeing also the results of planned fixed cost reduction showing up in both our Fluoro and Chem Solution businesses as well.

Mark P. Vergnano

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

And Jeff, just to add to Mark's point, just to give you an assurance from our standpoint, a lot of the work we've done is to take SG&A down, which has been very successful, but the two pieces that have gone the other direction there are two things that we don't – well, we don't necessarily control. One is Mark brought up, which was the variable comp that goes across the company, but the other is what Bob brought up earlier on the 40 trials that we had to prepare for. So, we had an additional cost there that came through that wasn't contemplated in the original plan. So that's really the two reasons why you see that popping up.

Jeffrey J. Zekauskas

Analyst, JPMorgan Securities LLC

Q

Okay. And then in the fourth quarter, when you compare the third quarter to what's coming in the fourth quarter, what's the usual drop in demand in TiO2 or usual drop in your utilization? And can you speak to how fast do you think the global TiO2 industry will grow in 2016?

Mark P. Vergnano

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

A

So, when you look at our third quarter to fourth quarter, there is a variety of things that are going to be different from that standpoint. One, you're right, the demand in TiO2 in the fourth quarter is lower than in the third quarter. Third quarter by far is the highest level. Fourth quarter is probably more like our – it's probably 10% lower from that standpoint, maybe a little bit in that range, 5% to 10% lower from that standpoint.

But it's just not TiO2 that's planned between those two quarters. Remember, we pretty much don't have any of our base refrigerant sales in the fourth quarter because we utilized our quotas early in the year. So you're seeing a big delta from that standpoint as well. So, there is a lot of differences between the third quarter and fourth quarter for us, not just on the TiO2 side. We're seeing it primarily on that, but also on the fluorochemicals side, the base refrigerant piece of that.

There was a second part of that, and I'm not sure I got to the last...

Jeffrey J. Zekauskas

Analyst, JPMorgan Securities LLC

Q

Yes, the second part was how fast do you think global TiO2 demand grows in 2016?

Mark P. Vergnano

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

A

From our standpoint, this still is a GDP-driven business. So from that standpoint, I think, you're probably GDP to maybe a little bit GDP plus. So if you're in that 4% to 5% range, I think that's a logical place for growth to be driven.

Jeffrey J. Zekauskas

Analyst, JPMorgan Securities LLC

Q

Okay. Great. Thank you so much.

Operator: [Operator Instructions] Your next question comes from Roger Spitz of Bank of America Merrill Lynch. Your line is open.

Roger Neil Spitz

Analyst, Merrill Lynch, Pierce, Fenner & Smith, Inc.

Q

Thank you. Good morning. Firstly, can you provide the principle split between the USD and euro bonds of the \$115 million you bought back in the quarter as well as the split – separately the split of the \$107 million of bonds you purchased in October?

Mark E. Newman

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

A

Yes, Roger. So it's Mark Newman here. In Q3, of the \$115 million, \$73 million related to the USD notes, and \$42 million to the euro. And then in October, the \$107 million incremental, \$76 million relates to the USD and \$31 million to the euro.

Roger Neil Spitz

Analyst, Merrill Lynch, Pierce, Fenner & Smith, Inc.

Q

Thank you. And I don't know if you'd be willing to do this, but within Fluoroproducts, besides the cost savings, can you provide any sense of the relative change in the movement of EBITDA in Opteon up versus older base refrigerants and fluoropolymers down? Just trying to get a sense of the relative size of the EBITDA movements of those different businesses. Thank you.

Mark P. Vergnano

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

A

Yeah. I think, first of all, we've said all along that we expect between 2016 and 2017 for Opteon to contribute about \$100 million of EBITDA. It might be a tiny bit above that, but it's in that range. What we've seen is that accelerated a little bit more in 2016 than we had anticipated, so we saw a little bit more – a little higher EBITDA in 2016 versus 2017, but I think the total is about right.

What we had said all from the very beginning was you should be able to look at our Fluoro business and the business should be flat ex-Opteon in cost reductions. We have – all the cost reductions have come in, Opteon, obviously, has come in. And I can say now, we're not seeing it flat for the base business. We're seeing a dip down in our fluoropolymers business which we talked about and a smaller dip in our fluorochemicals business. So both of those maybe not exactly tracking the way we had thought, both because of competition primarily with overcapacity coming at that and also because of the fact that we are seeing the quotas getting reduced year upon year on the base HFC.

So from that standpoint, Opteon on track, our cost reduction is on track, but I'd say the fluoropolymer and fluorochemical side a little bit lower than what we had anticipated.

Roger Neil Spitz

Analyst, Merrill Lynch, Pierce, Fenner & Smith, Inc.

Q

Thank you very much.

Operator: Your last question comes from John Roberts with UBS. Your line is open.

John Roberts

Analyst, UBS Securities LLC

Q

Thank you. Nice quarter, guys.

Mark P. Vergnano

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

Thanks, John.

A

John Roberts

Analyst, UBS Securities LLC

You've decided to keep the Belle, West Virginia site. Is that because it's a good cash flow site and there is no real better owner than this than The Chemours Company?

Q

Mark P. Vergnano

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

John, I'll tell you, when we started this process, the reason we looked at keeping Belle, primarily, was because of the cost of exiting Belle was extremely high. And we looked at that and said, it didn't – it just didn't make sense as a use of cash to shut that facility down. Since that time that – our team at Belle has done one heck of a job. They are approaching breakeven, there'll be at breakeven in 2017. And from that point in time, we think we can actually make that a profitable site. And I'm not sure I would have said that a year ago, but the work the team has done has been exceptional. So, it's started to stay – it was going to stay with the portfolio because it was too expensive to exit, and now it's really going to stay with the portfolio because we think there is growth potential on the site. So, a great story and really that story is all about the team that we have working down there.

A

John Roberts

Analyst, UBS Securities LLC

And then on the Altamira expansion, are you near your max ore cost benefit right now, are you running at much low grade ore as you can through there?

Q

Mark P. Vergnano

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

We're definitely running as much as we can through there, but there is still opportunity. And that's why it takes a couple of years to get this thing up to scale, because you want to bring it up to scale at the lowest grade or blend that you could possibly do it. So, we have some additional work to do, but we are maximized – at this point in time, we're maximized based on the facility's capability, but that capability will improve as we go through the next several months.

A

John Roberts

Analyst, UBS Securities LLC

Okay. Thank you.

Q

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

Mark P. Vergnano

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

Well, thanks, everyone. In closing, I just want to say, we continue to make excellent progress on our Five-Point Transformation Plan. We are really pleased with the progress we're making year-to-date and we believe the company is strengthening as we move forward, and this is really a testament to our organization. Our organization is really making this all happen.

So, again, thank you all for your continued interest in Chemours and we'll talk to you soon.

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

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