

Chemours Co  
Form 10-Q  
November 02, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2018

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 001-36794

The Chemours Company

(Exact Name of Registrant as Specified in Its Charter)

Delaware 46-4845564  
(State or other Jurisdiction of (I.R.S. Employer

Incorporation or Organization) Identification No.)

1007 Market Street, Wilmington, Delaware 19899

(Address of Principal Executive Offices)

(302) 773-1000

(Registrant's Telephone Number)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated

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filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer   Accelerated Filer  
Non-Accelerated Filer   Smaller reporting company  
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  
No

The registrant had 171,084,799 shares of common stock, \$0.01 par value, outstanding at October 29, 2018.

The Chemours Company

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## PART I. FINANCIAL INFORMATION

## Item 1. INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The Chemours Company

Interim Consolidated Statements of Operations (Unaudited)

(Dollars in millions, except per share amounts)

	Three Months Ended September 30, 2018		Nine Months Ended September 30, 2017	
Net sales	\$1,628	\$1,584	\$5,174	\$4,608
Cost of goods sold	1,151	1,119	3,603	3,347
Gross profit	477	465	1,571	1,261
Selling, general, and administrative expense	163	153	466	461
Research and development expense	20	20	61	62
Restructuring, asset-related, and other charges	12	8	32	31
Total other operating expenses	195	181	559	554
Equity in earnings of affiliates	10	9	32	26
Interest expense, net	(47 )	(55 )	(148 )	(160 )
Loss on extinguishment of debt	—	—	(38 )	(1 )
Other income, net	24	12	115	77
Income before income taxes	269	250	973	649
(Benefit from) provision for income taxes	(6 )	43	119	130
Net income	275	207	854	519
Less: Net income attributable to non-controlling interests	—	—	1	1
Net income attributable to Chemours	\$275	\$207	\$853	\$518
Per share data				
Basic earnings per share of common stock	\$1.56	\$1.12	\$4.77	\$2.81
Diluted earnings per share of common stock	1.51	1.08	4.62	2.72

See accompanying notes to the interim consolidated financial statements.

## The Chemours Company

## Interim Consolidated Statements of Comprehensive Income (Unaudited)

(Dollars in millions)

	Three Months Ended September 30,					
	2018			2017		
	Pre-tax	Tax	After-tax	Pre-tax	Tax	After-tax
Net income	\$269	\$ 6	\$ 275	\$250	\$(43)	\$ 207
Other comprehensive income (loss):						
Hedging activities:						
Unrealized loss on net						
investment hedge	(11)	3	(8)	(26)	10	(16)
Unrealized loss on cash flow hedge	(1)	—	(1)	—	—	—
Reclassifications to net income - cash flow hedge	(1)	—	(1)	—	—	—
Hedging activities, net	(13)	3	(10)	(26)	10	(16)
Cumulative translation						
adjustment	36	—	36	35	—	35
Defined benefit plans:						
Additions to accumulated other						
comprehensive loss:						
Net gain	—	—	—	5	—	5
Effect of foreign exchange rates	(2)	—	(2)	(9)	2	(7)
Reclassifications to net income:						
Amortization of prior service gain	—	—	—	(1)	—	(1)
Amortization of actuarial loss	4	(1)	3	5	(1)	4
Settlement loss	2	—	2	1	—	1
Defined benefit plans, net	4	(1)	3	1	1	2
Other comprehensive income	27	2	29	10	11	21
Comprehensive income	296	8	304	260	(32)	228
Less: Comprehensive income attributable to						
non-controlling interests	—	—	—	—	—	—
Comprehensive income attributable to Chemours	\$296	\$ 8	\$ 304	\$260	\$(32)	\$ 228

	Nine Months Ended September 30,					
	2018			2017		
	Pre-tax	Tax	After-tax	Pre-tax	Tax	After-tax
Net income	\$973	\$(119)	\$ 854	\$649	\$(130)	\$ 519
Other comprehensive income (loss):						
Hedging activities:						
Unrealized gain (loss) on net	2	(1)	1	(76)	20	(56)

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investment hedge						
Unrealized gain on cash flow hedge	6	—	6	—	—	—
Reclassifications to net income - cash flow hedge	(1 )	—	(1 )	—	—	—
Hedging activities, net	7	(1 )	6	(76 )	20	(56 )
Cumulative translation						
adjustment	(17 )	—	(17 )	224	—	224
Defined benefit plans:						
Additions to accumulated other						
comprehensive loss:						
Net gain	—	—	—	5	—	5
Effect of foreign exchange rates	3	—	3	(36 )	8	(28 )
Reclassifications to net income:						
Amortization of prior service gain	(1 )	—	(1 )	(1 )	—	(1 )
Amortization of actuarial loss	11	(2 )	9	15	(3 )	12
Settlement loss	2	—	2	1	—	1
Defined benefit plans, net	15	(2 )	13	(16 )	5	(11 )
Other comprehensive income	5	(3 )	2	132	25	157
Comprehensive income	978	(122)	856	781	(105)	676
Less: Comprehensive income attributable to						
non-controlling interests	1	—	1	1	—	1
Comprehensive income attributable to Chemours	\$977	\$(122)	\$ 855	\$780	\$(105)	\$ 675

See accompanying notes to the interim consolidated financial statements.

## The Chemours Company

## Interim Consolidated Balance Sheets

(Dollars in millions, except per share amounts)

	(Unaudited)	
	September 30, 2018	December 31, 2017
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 1,275	\$ 1,556
Accounts and notes receivable, net	998	919
Inventories	1,086	935
Prepaid expenses and other	89	83
Total current assets	3,448	3,493
Property, plant, and equipment	8,885	8,511
Less: Accumulated depreciation	(5,678 )	(5,503 )
Property, plant, and equipment, net	3,207	3,008
Goodwill and other intangible assets, net	187	166
Investments in affiliates	179	173
Other assets	491	453
Total assets	\$ 7,512	\$ 7,293
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	\$ 1,123	\$ 1,075
Current maturities of long-term debt	14	15
Other accrued liabilities	561	558
Total current liabilities	1,698	1,648
Long-term debt, net	3,985	4,097
Deferred income taxes	220	208
Other liabilities	463	475
Total liabilities	6,366	6,428
Commitments and contingent liabilities		
<b>Equity</b>		
Common stock (par value \$0.01 per share; 810,000,000 shares authorized; 187,149,447 shares issued and 173,849,387 shares outstanding at September 30, 2018; 185,343,034 shares issued and 182,956,628 shares outstanding at December 31, 2017)	2	2
Treasury stock at cost (13,300,060 shares at September 30, 2018; 2,386,406 shares at December 31, 2017)	(636 )	(116 )
Additional paid-in capital	856	837
Retained earnings	1,358	579
Accumulated other comprehensive loss	(440 )	(442 )
Total Chemours stockholders' equity	1,140	860
Non-controlling interests	6	5
Total equity	1,146	865

Total liabilities and equity	\$ 7,512	\$ 7,293
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See accompanying notes to the interim consolidated financial statements.

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The Chemours Company

Interim Consolidated Statements of Stockholders' Equity (Unaudited)

(Dollars in millions, except per share amounts)

	Three Months Ended September 30,			Treasury Stock			Accumulated			
	Common Stock		Dividends per Share	Shares	Amount	Additional Paid-in Capital	Retained Earnings	Other Comprehensive (Loss) Income	Non-controlling Interest	Total Equity
Shares	Amount	Amount								
Balance at July 1, 2017	184,691,137	\$ 2	\$ —	—	\$ —	\$ 820	\$ 186	\$ (441 )	\$ 5	\$ 572
Common stock issued - compensation plans	42,344	—	—	—	—	—	—	—	—	—
Exercise of stock options, net	358,577	—	—	—	—	4	—	—	—	4
Stock-based compensation expense	—	—	—	—	—	6	—	—	—	6
Cancellation of unissued stock awards withheld to cover taxes	—	—	—	—	—	—	—	—	—	—
Net income	—	—	—	—	—	—	207	—	—	207
Dividends	—	—	0.03	—	—	—	(5 )	—	—	(5 )
Other comprehensive income	—	—	—	—	—	—	—	21	—	21
Balance at September 30, 2017	185,092,058	\$ 2	\$ 0.03	—	\$ —	\$ 830	\$ 388	\$ (420 )	\$ 5	\$ 805
Balance at July 1, 2018	186,594,368	\$ 2	\$ —	10,073,236	\$ (500 )	\$ 859	\$ 1,127	\$ (469 )	\$ 6	\$ 1,025
Common stock issued - compensation plans	431,744	—	—	—	—	—	—	—	—	—
	123,335	—	—	—	—	2	—	—	—	2

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Exercise of stock options, net										
Purchases of treasury stock, at cost	—	—	—	3,226,824	(136)	—	—	—	—	(136)
Stock-based compensation expense	—	—	—	—	—	5	—	—	—	5
Cancellation of unissued stock awards withheld to cover taxes	—	—	—	—	—	(10)	—	—	—	(10)
Net income	—	—	—	—	—	—	275	—	—	275
Dividends	—	—	0.25	—	—	—	(44)	—	—	(44)
Other comprehensive income	—	—	—	—	—	—	—	29	—	29
Balance at September 30, 2018	187,149,447	\$ 2	\$ 0.25	13,300,060	\$(636)	\$ 856	\$ 1,358	\$(440)	\$ 6	\$ 1,146

	Nine Months Ended September 30,			Common Stock			Treasury Stock			Accumulated (Accumulated Other Comprehensive Income)			Additional Paid-in Capital		Retained Earnings		Comprehensive Income		Non-controlling Interest		Total Equity		
	Shares	Amount	Dividends per Share	Shares	Amount	Dividends per Share	Shares	Amount	Capital	Earnings	Income	(Loss)	Interest	Equity	Income	(Loss)	Interest	Equity	Income	(Loss)	Interest	Equity	
Balance at January 1, 2017	182,600,533	\$ 2	\$ —	—	\$ —	\$ —	—	\$ —	\$ 789	\$ (114)	—	—	—	—	—	—	—	—	—	—	—	—	\$ 104
Common stock issued - compensation plans	504,098	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Exercise of stock options, net	1,987,427	—	—	—	—	—	—	—	30	—	—	—	—	—	—	—	—	—	—	—	—	—	30
Stock-based compensation expense	—	—	—	—	—	—	—	—	21	—	—	—	—	—	—	—	—	—	—	—	—	—	21
Cancellation of unissued stock awards withheld to cover taxes	—	—	—	—	—	—	—	—	(10)	—	—	—	—	—	—	—	—	—	—	—	—	—	(10)
Net income	—	—	—	—	—	—	—	—	—	518	—	—	—	—	—	—	—	—	—	—	—	—	519
Dividends	—	—	0.09	—	—	—	—	—	—	(16)	—	—	—	—	—	—	—	—	—	—	—	—	(16)
Other comprehensive income	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	157

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Balance at September 30, 2017	185,092,058	\$ 2	\$ 0.09	—	\$—	\$ 830	\$ 388	\$ (420 )	\$ 5	\$ 805
Balance at January 1, 2018	185,343,034	\$ 2	\$ —	2,386,406	\$(116 )	\$ 837	\$ 579	\$(442 )	\$ 5	\$ 865
Common stock issued - compensation plans	787,451	—	—	—	—	—	—	—	—	—
Exercise of stock options, net	1,018,962	—	—	—	—	15	—	—	—	15
Purchases of treasury stock, at cost	—	—	—	10,926,065	(520 )	—	—	—	—	(520 )
Shares issued under employee stock purchase plan	—	—	—	(12,411 )	—	—	—	—	—	—
Stock-based compensation expense	—	—	—	—	—	20	—	—	—	20
Cancellation of unissued stock awards withheld to cover taxes	—	—	—	—	—	(16 )	—	—	—	(16 )
Net income	—	—	—	—	—	—	853	—	1	854
Dividends	—	—	0.42	—	—	—	(74 )	—	—	(74 )
Other comprehensive income	—	—	—	—	—	—	—	2	—	2
Balance at September 30, 2018	187,149,447	\$ 2	\$ 0.42	13,300,060	\$(636 )	\$ 856	\$ 1,358	\$(440 )	\$ 6	\$ 1,146

See accompanying notes to the interim consolidated financial statements.

## The Chemours Company

## Interim Consolidated Statements of Cash Flows (Unaudited)

(Dollars in millions)

	Nine Months Ended September 30,	
	2018	2017
Cash flows from operating activities		
Net income	\$ 854	\$ 519
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	213	204
Asset-related charges	—	3
Gain on sales of assets and businesses	(45 )	(14 )
Equity in earnings of affiliates, net	(4 )	(26 )
Loss on extinguishment of debt	38	1
Amortization of debt issuance costs and issue discounts	9	10
Deferred tax provision	3	53
Other operating charges and credits, net	9	26
Decrease (increase) in operating assets:		
Accounts and notes receivable, net	(87 )	(110 )
Inventories and other operating assets	(186 )	(91 )
(Decrease) increase in operating liabilities:		
Accounts payable and other operating liabilities	77	(238 )
Cash provided by operating activities	881	337
Cash flows from investing activities	(344 )	

Purchases of property,  
plant, and equipment