Chemours Co
Form 10-Q
August 03, 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 June 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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post 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 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 176,845,099 shares of common stock, $0.01 par value, outstanding at July 30, 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 June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net sales	$1,816	$1,588	$3,546	$3,024
Cost of goods sold	1,259	1,150	2,452	2,230
Gross profit	557	438	1,094	794
Selling, general, and administrative expense	161	164	304	313
Research and development expense	20	21	40	41
Restructuring, asset-related, and other charges	10	6	20	18
Total other operating expenses	191	191	364	372
Equity in earnings of affiliates	10	10	22	17
Interest expense, net	(48)	(54)	(100)	(105)
Loss on extinguishment of debt	(38)	(1)	(38)	(1)
Other income, net	33	23	90	66
Income before income taxes	323	225	704	399
Provision for income taxes	41	64	125	87
Net income	282	161	579	312
Less: Net income attributable to non-controlling interests	1	—	1	1
Net income attributable to Chemours	$281	$161	$578	$311
Per share data				
Basic earnings per share of common stock	$1.58	$0.87	$3.21	$1.69
Diluted earnings per share of common stock	1.53	0.84	3.11	1.64
Dividends per share of common stock	0.17	0.03	0.17	0.06

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 June 30,					
	2018			2017		
	Pre-tax	Tax	After-tax	Pre-tax	Tax	After-tax
Net income	$323	$(41)	$ 282	$225	$(64)	$ 161
Other comprehensive income (loss):						
Unrealized gain (loss) on net investment hedge	48	(12)	36	(40)	10	(30)
Unrealized gain on cash flow hedge	7	(1)	6	—	—	—
Cumulative translation adjustment	(160)	—	(160)	84	—	84
Defined benefit plans:						
Additions to accumulated other comprehensive loss:						
Effect of foreign exchange rates	13	—	13	(15)	3	(12)
Reclassifications to net income:						
Amortization of prior service gain	(1)	—	(1)	—	—	—
Amortization of actuarial loss	4	—	4	5	(1)	4
Defined benefit plans, net	16	—	16	(10)	2	(8)
Other comprehensive (loss) income	(89)	(13)	(102)	34	12	46
Comprehensive income	234	(54)	180	259	(52)	207
Less: Comprehensive income attributable to non-controlling interests	1	—	1	—	—	—
Comprehensive income attributable to Chemours	$233	$(54)	$ 179	$259	$(52)	$ 207

	Six Months Ended June 30,					
	2018			2017		
	Pre-tax	Tax	After-tax	Pre-tax	Tax	After-tax
Net income	$704	$(125)	$ 579	$399	$(87)	$ 312
Other comprehensive income (loss):						
Unrealized gain (loss) on net investment hedge	13	(3)	10	(50)	10	(40)
Unrealized gain on cash flow hedge	7	(1)	6	—	—	—
Cumulative translation adjustment	(53)	—	(53)	189	—	189

Defined benefit plans:						
Additions to accumulated other comprehensive loss:						
Effect of foreign exchange rates	5	—	5	(27)	6	(21)
Reclassifications to net income:						
Amortization of prior service gain	(1)	—	(1)	—	—	—
Amortization of actuarial loss	7	(1)	6	10	(2)	8
Defined benefit plans, net	11	(1)	10	(17)	4	(13)
Other comprehensive (loss) income	(22)	(5)	(27)	122	14	136
Comprehensive income	682	(130)	552	521	(73)	448
Less: Comprehensive income attributable to non-controlling interests	1	—	1	1	—	1
Comprehensive income attributable to Chemours	$681	$(130)	$ 551	$520	$(73)	$ 447

See accompanying notes to the interim consolidated financial statements.

The Chemours Company

Interim Consolidated Balance Sheets

(Dollars in millions, except per share amounts)

	(Unaudited) June 30, 2018	December 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	$ 1,217	$ 1,556
Accounts and notes receivable, net	1,095	919
Inventories	1,013	935
Prepaid expenses and other	72	83
Total current assets	3,397	3,493
Property, plant, and equipment	8,718	8,511
Less: Accumulated depreciation	(5,613)	(5,503)
Property, plant, and equipment, net	3,105	3,008
Goodwill and other intangible assets, net	189	166
Investments in affiliates	172	173
Other assets	475	453
Total assets	$ 7,338	$ 7,293
Liabilities		
Current liabilities:		
Accounts payable	$ 1,175	$ 1,075
Current maturities of long-term debt	13	15
Other accrued liabilities	434	558
Total current liabilities	1,622	1,648
Long-term debt, net	3,960	4,097
Deferred income taxes	255	208
Other liabilities	476	475
Total liabilities	6,313	6,428
Commitments and contingent liabilities		
Equity		
Common stock (par value $0.01 per share; 810,000,000 shares authorized; 186,594,368 shares issued and 176,521,132 shares outstanding at June 30, 2018; 185,343,034 shares issued and 182,956,628 shares outstanding at December 31, 2017)	2	2
Treasury stock at cost (10,073,236 shares at June 30, 2018; 2,386,406 shares at December 31, 2017)	(500)	(116)
Additional paid-in capital	859	837
Retained earnings	1,127	579
Accumulated other comprehensive loss	(469)	(442)
Total Chemours stockholders’ equity	1,019	860
Non-controlling interests	6	5
Total equity	1,025	865

Total liabilities and equity	$ 7,338	$ 7,293

See accompanying notes to the interim consolidated financial statements.

The Chemours Company

Interim Consolidated Statements of Stockholders' Equity (Unaudited)

(Dollars in millions)

	Common Stock		Treasury Stock		Additional	(Accumulated Deficit)	Accumulated Other		
	Shares	Amount	Shares	Amount	Paid-In Capital	Retained Earnings	Comprehensive (Loss) Income	Non-controlling Interests	Total Equity
Balance at January 1, 2017	182,600,533	$ 2	—	$ —	$ 789	$ (114)	$ (577)	$ 4	$ 104
Common stock issued - compensation plans	461,754	—	—	—	—	—	—	—	—
Exercise of stock options, net	1,628,850	—	—	—	26	—	—	—	26
Stock-based compensation expense	—	—	—	—	15	—	—	—	15
Cancellation of unissued stock awards withheld to cover taxes	—	—	—	—	(10)	—	—	—	(10)
Net income	—	—	—	—	—	311	—	1	312
Dividends paid	—	—	—	—	—	(11)	—	—	(11)
Other comprehensive income	—	—	—	—	—	—	136	—	136
Balance at June 30, 2017	184,691,137	$ 2	—	$ —	$ 820	$ 186	$ (441)	$ 5	$ 572
Balance at January 1, 2018	185,343,034	$ 2	2,386,406	$ (116)	$ 837	$ 579	$ (442)	$ 5	$ 865
Common stock issued - compensation plans	355,707	—	—	—	—	—	—	—	—
Exercise of stock options, net	895,627	—	—	—	13	—	—	—	13
Purchases of treasury stock, at cost	—	—	7,699,241	(384)	—	—	—	—	(384)
Shares issued under employee stock purchase plan	—	—	(12,411)	—	—	—	—	—	—
Stock-based compensation expense	—	—	—	—	15	—	—	—	15
Cancellation of unissued stock awards withheld to cover taxes	—	—	—	—	(6)	—	—	—	(6)

Net income	—	—	—	—	—	578	—	1	579
Dividends paid	—	—	—	—	—	(30)	—	—	(30)
Other comprehensive loss	—	—	—	—	—	—	(27)	—	(27)
Balance at June 30, 2018	186,594,368	$ 2	10,073,236	$ (500)	$ 859	$ 1,127	$ (469)	$ 6	$ 1,025

See accompanying notes to the interim consolidated financial statements.

The Chemours Company

Interim Consolidated Statements of Cash Flows (Unaudited)

(Dollars in millions)

	Six Months Ended June 30, 2018	2017
Cash flows from operating activities		
Net income	$579	$312
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	142	142
Asset-related charges	—	2
Gain on sale of assets and businesses	(45)	(14)
Equity in earnings of affiliates, net	6	(17)
Loss on extinguishment of debt	38	1
Amortization of debt issuance costs and issue discounts	7	7
Deferred tax provision	38	38
Other operating charges and credits, net	10	13
Decrease (increase) in operating assets:		
Accounts and notes receivable, net	(175)	(170)
Inventories and other operating assets	(96)	(43)
(Decrease) increase in operating liabilities:		
Accounts payable and other operating liabilities	35	(46)
Cash provided by operating activities	539	225
Cash flows from investing activities		
Purchases of property, plant, and equipment	(228)	(138)
Acquisition of business, net	(37)	—
Proceeds from sale of assets and businesses, net	41	38
Foreign exchange contract settlements, net	(6)	2
Cash used for investing activities	(230)	(98)
Cash flows from financing activities		
Proceeds from issuance of debt, net	520	494
Debt repayments	(672)	(20)
Payments related to extinguishment of debt	(29)	(1)
Payments of debt issuance costs	(12)	(6)
Purchases of treasury stock, at cost	(394)	—
Proceeds from exercised stock options, net	13	26
Payments related to tax withholdings on vested restricted stock units	(6)	—
Payments of dividends	(61)	(11)
Cash (used for) provided by financing activities	(641)	482
Effect of exchange rate changes on cash and cash equivalents	(7)	18
(Decrease) increase in cash and cash equivalents	(339)	627
Cash and cash equivalents at January 1,	1,556	902
Cash and cash equivalents at June 30,	$1,217	$1,529

Supplemental cash flows information		
Non-cash investing and financing activities:		
Changes in property, plant, and equipment included in accounts payable	$(1)	$(5)
Obligations incurred under build-to-suit lease arrangement	26	—

See accompanying notes to the interim consolidated financial statements.

The Chemours Company

Notes to the Interim Consolidated Financial Statements (Unaudited)

(Dollars in millions, except per share amounts and par values)

Note 1. Background, Description of the Business, and Basis of Presentation

The Chemours Company (Chemours, or the Company) is a leading, global provider of performance chemicals that are key inputs in end-products and processes in a variety of industries. The Company delivers customized solutions with a wide range of industrial and specialty chemical products for markets, including plastics and coatings, refrigeration and air conditioning, general industrial, electronics, mining, and oil refining. The Company's principal products include refrigerants, industrial fluoropolymer resins, sodium cyanide, performance chemicals and intermediates, and titanium dioxide (TiO_2) pigment. Chemours' business consists of three reportable segments: Fluoroproducts, Chemical Solutions, and Titanium Technologies. The Fluoroproducts segment is a leading, global provider of fluoroproducts, including refrigerants and industrial fluoropolymer resins. The Chemical Solutions segment is a leading, North American provider of industrial chemicals used in gold production, industrials, and consumer applications. The Titanium Technologies segment is a leading, global provider of TiO_2 pigment, a premium white pigment used to deliver whiteness, brightness, opacity, and protection in a variety of applications.

The accompanying interim consolidated financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) in the United States of America (U.S.) for interim financial information. In the opinion of management, all adjustments (consisting of normal, recurring adjustments) considered necessary for a fair statement of the results for interim periods have been included. The Company's results for interim periods should not be considered indicative of its results for a full year, and the year-end consolidated balance sheet does not include all of the disclosures required by GAAP. As such, these interim consolidated financial statements should be read in conjunction with the Consolidated Financial Statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2017.

Certain prior period amounts have been reclassified to conform to the current period presentation, the effect of which was not material to the Company's interim consolidated financial statements.

Unless the context otherwise requires, references herein to "The Chemours Company," "Chemours," "the Company," "our Company," "we," "us," and "our" refer to The Chemours Company and its consolidated subsidiaries. References herein to "DuPont" refer to E. I. du Pont de Nemours and Company, a Delaware corporation, and its consolidated subsidiaries (other than Chemours and its consolidated subsidiaries), unless the context otherwise requires.

Note 2. Recent Accounting Pronouncements

Accounting Guidance Issued and Not Yet Adopted

Leases

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842) (ASU No. 2016-02), which supersedes the leases requirements in Topic 840. The core principle of ASU No. 2016-02 is that a lessee should recognize on the balance sheet the lease assets and lease liabilities that arise from all lease arrangements with terms greater than 12 months. Recognition of these lease assets and lease liabilities represents a change from previous GAAP, which did not require lease assets and lease liabilities to be recognized for operating leases. Qualitative disclosures along with specific quantitative disclosures will be required to provide enough information to supplement the amounts recorded in the financial statements so that users can understand more about the nature of an entity’s leasing activities.

The provisions of ASU No. 2016-02 are effective for the Company’s fiscal year beginning January 1, 2019, including interim periods within that fiscal year. The guidance includes a number of optional practical expedients that the Company may elect to apply. At adoption, the Company expects to recognize an increase in total assets and total liabilities resulting from the recognition of right-of-use assets and the related lease liabilities initially measured at the present value of its future operating lease payments. The impact of adopting ASU No. 2016-02 will depend on the Company’s lease portfolio as of the adoption date. The Company continues to evaluate the impacts of adopting this guidance on its financial position, results of operations, and cash flows, and is updating its systems, processes, and internal controls to meet the new reporting and disclosure requirements in ASU No. 2016-02.

Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income

In February 2018, the FASB issued ASU No. 2018-02, Income Statement – Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income (ASU No. 2018-02), which allows for a reclassification from accumulated other comprehensive income or loss to retained earnings for any stranded tax effects resulting from U.S. tax reform. The amendments in this update also require certain disclosures about stranded tax effects. ASU No. 2018-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company does not expect that the adoption of this guidance will have a significant impact on its financial position.

Recently Adopted Accounting Guidance

Revenue from Contracts with Customers

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606) (ASU No. 2014-09). The objective of this standard is to remove inconsistent practices with regard to revenue recognition between GAAP and International Financial Reporting Standards. The standard intends to improve the comparability of revenue recognition practices across entities, industries, jurisdictions, and capital markets. Subsequent to the issuance of ASU No. 2014-09, the FASB issued multiple clarifying updates in connection with the standard (collectively, Topic 606).

Effective January 1, 2018, Chemours adopted the new revenue recognition guidance contained in Topic 606 using the modified retrospective transition method. The Company elected to utilize a practical expedient allowed under the modified retrospective transition method to apply the new standard only to contracts that are not completed on the date of initial adoption. In applying this guidance, the Company evaluated its population of open contracts with customers on January 1, 2018 and determined that the impact of adopting Topic 606 was not material to its consolidated financial statements as a whole. No cumulative adjustment to the Company’s opening retained earnings balance was required. As a result of applying this new guidance, there are changes to the classification of certain amounts in the consolidated statements of operations. Certain royalty income amounts for trademark licensing arrangements that were previously reflected as a component of other income, net in the consolidated statements of operations will now be reflected as a component of net sales, which amounted to $1 and $3 for the three and six months ended June 30, 2018, respectively. Additionally, certain expenses related to the Company’s provision of technical services to customers that were previously reflected as a component of selling, general, and administrative expense in the consolidated statements of operations will now be reflected as a component of the cost of goods sold, which amounted to $1 and $2 for the three and six months ended June 30, 2018, respectively. Under the modified retrospective transition method, the Company’s comparative financial information as of and for the three and six months ended June 30, 2017 and as of December 31, 2017 has not been restated, and as such, continues to be reported using the accounting standards in effect during those time periods.

The Chemours Company

Notes to the Interim Consolidated Financial Statements (Unaudited)

(Dollars in millions, except per share amounts and par values)

The following table sets forth the impacts of the adoption of Topic 606 on the Company's consolidated statements of operations for the three months ended June 30, 2018.

	Three Months Ended June 30, 2018		
	Without Topic 606	Topic 606 Adjustments	As Reported
Net sales	$1,815	$ 1	$ 1,816
Cost of goods sold	1,258	1	1,259
Gross profit	557	—	557
Selling, general, and administrative expense	162	(1)	161
Research and development expense	20	—	20
Restructuring, asset-related, and other charges	10	—	10
Total other operating expenses	192	(1)	191
Equity in earnings of affiliates	10	—	10
Interest expense, net	(48)	—	(48)
Loss on extinguishment of debt	(38)	—	(38)
Other income, net	34	(1)	33
Income before income taxes	323	—	323
Provision for income taxes	41	—	41
Net income	282	—	282
Less: Net income attributable to non-controlling interests	1	—	1
Net income attributable to Chemours	$281	$ —	$ 281

The following table sets forth the impacts of the adoption of Topic 606 on the Company's consolidated statements of operations for the six months ended June 30, 2018.

	Six Months Ended June 30, 2018		
	Without Topic 606	Topic 606 Adjustments	As Reported
Net sales	$3,543	$ 3	$ 3,546
Cost of goods sold	2,450	2	2,452
Gross profit	1,093	1	1,094
Selling, general, and administrative expense	306	(2)	304
Research and development expense	40	—	40
Restructuring, asset-related, and other charges	20	—	20

Total other operating expenses	366	(2)	364
Equity in earnings of affiliates	22	—	22
Interest expense, net	(100)	—	(100)
Loss on extinguishment of debt	(38)	—	(38)
Other income, net	93	(3)	90
Income before income taxes	704	—	704
Provision for income taxes	125	—	125
Net income	579	—	579
Less: Net income attributable to non-controlling interests	1	—	1
Net income attributable to Chemours	$578	$ —	$ 578

The adoption of Topic 606 did not impact the Company’s consolidated balance sheets or consolidated statements of cash flows as of and for the six months ended June 30, 2018 and is not expected to have a material impact on the Company’s financial position, results of operations, or cash flows in future periods.

Classification of Certain Cash Receipts and Cash Payments

In August 2016, the FASB issued various updates to ASU No. 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (ASU No. 2016-15), which clarifies and amends the presentation and classification of certain cash receipts and cash payments in the statement of cash flows. The provisions of ASU No. 2016-15 are effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years, and are to be applied using a retrospective transition method. The Company adopted ASU No. 2016-15 on January 1, 2018, the impact of which was not material to its cash flows. There were no adjustments to prior periods resulting from the retrospective application of this guidance.

Clarifying the Definition of a Business

In January 2017, the FASB issued ASU No. 2017-01, Business Combinations (Topic 805): Clarifying the Definition of a Business (ASU No. 2017-01), which changes the definition of a business to assist entities in evaluating whether a transaction should be accounted for as an acquisition (or disposal) of assets or a business. ASU No. 2017-01 is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The Company adopted this guidance on January 1, 2018, the result of which did not have a significant impact on its financial position, results of operations, or cash flows.

Retirement Benefits

In March 2017, the FASB issued ASU No. 2017-07, Compensation - Retirement Benefits (Topic 715) (ASU No. 2017-07), which requires that employers offering their employees defined benefit pension plans disaggregate the service cost component from the other components of net benefit cost. The amendments also provide explicit guidance on how to present the service cost component and the other components of net benefit cost in the income statement and allow only the service cost component of net benefit cost to be eligible for capitalization. The provisions of ASU No. 2017-07 are effective for fiscal years beginning after December 31, 2017, as well as interim periods within those fiscal years, and should be applied (i) retrospectively for the presentation of the service cost component and the other components of net periodic pension cost and net periodic post-retirement benefit cost in the income statement, and (ii) prospectively for the capitalization of the service cost component of net periodic pension cost and net periodic post-retirement benefit in assets. The Company adopted this guidance on January 1, 2018, which resulted in a reclassification of non-operating pension income from the operating expense captions of the consolidated statements of operations to other income, net for the three and six months ended June 30, 2017.

The following table sets forth a reclassification of the Company's non-operating pension and other post-retirement employee benefit income for the three months ended June 30, 2017.

	Three Months Ended June 30, 2017		
		ASU No. 2017-07	
	As Reported	Adjustments	As Reclassified
Net sales	$1,588	$ —	$ 1,588
Cost of goods sold	1,147	3	1,150
Gross profit	441	(3)	438
Selling, general, and administrative expense	157	7	164
Research and development expense	21	—	21
Restructuring, asset-related, and other charges	6	—	6
Total other operating expenses	184	7	191
Equity in earnings of affiliates	10	—	10
Interest expense, net	(54)	—	(54)
Loss on extinguishment of debt	(1)	—	(1)
Other income, net	13	10	23
Income before income taxes	225	—	225
Provision for income taxes	64	—	64
Net income	161	—	161
Less: Net income attributable to non-controlling interests	—	—	—
Net income attributable to Chemours	$161	$ —	$ 161

The Chemours Company

Notes to the Interim Consolidated Financial Statements (Unaudited)

(Dollars in millions, except per share amounts and par values)

The following table sets forth a reclassification of the Company's non-operating pension and other post-retirement employee benefit income for the six months ended June 30, 2017.

	Six Months Ended June 30, 2017		
	As Reported	ASU No. 2017-07 Adjustments	As Reclassified
Net sales	$3,024	$ —	$ 3,024
Cost of goods sold	2,225	5	2,230
Gross profit	799	(5)	794
Selling, general, and administrative expense	301	12	313
Research and development expense	40	1	41
Restructuring, asset-related, and other charges	18	—	18
Total other operating expenses	359	13	372
Equity in earnings of affiliates	17	—	17
Interest expense, net	(105)	—	(105)
Loss on extinguishment of debt	(1)	—	(1)
Other income, net	48	18	66
Income before income taxes	399	—	399
Provision for income taxes	87	—	87
Net income	312	—	312
Less: Net income attributable to non-controlling interests	1	—	1
Net income attributable to Chemours	$311	$ —	$ 311

Derivatives and Hedging

In August 2017, the FASB issued ASU No. 2017-12, Derivatives and Hedging (Topic 815) (ASU No. 2017-12), which simplifies financial statement reporting for qualifying hedging relationships by eliminating the requirement to separately measure and report hedge ineffectiveness. For net investment hedges, the entire change in fair value of the hedging instruments is recorded in the currency translation adjustment section of other comprehensive income or loss. Pursuant to the amendments, these amounts are required to be subsequently reclassified to earnings in the same income statement line item in which the earnings effect of the hedged item is presented when the hedged item affects earnings. The provisions of ASU No. 2017-12 are effective for the Company's fiscal year beginning January 1, 2019, including interim periods within that fiscal year. Early adoption is permitted in any interim period. The amendments in this update are applied to hedging relationships existing on the date of adoption, which includes a cumulative-effect adjustment to eliminate any ineffectiveness recorded to accumulated other comprehensive income or loss with a corresponding adjustment to the opening balance of retained earnings as of the beginning of the fiscal year in which adoption occurred. Presentation and disclosure amendments are required to be applied prospectively. The Company elected to adopt this guidance during the second quarter of 2018, the result of which did not have an impact on its financial position, results of operations, or cash flows.

Note 3. Significant Transactions and Events

Sale of Land in Linden, New Jersey

In March 2016, the Company entered into an agreement to sell a 210-acre plot of land that formerly housed a DuPont manufacturing site located in Linden, New Jersey. The land was assigned to Chemours in connection with its separation from DuPont, and the Company completed the sale in March 2018 for a gain of $42 and net cash proceeds of $39. As part of the sales agreement, the buyer has agreed to assume certain costs associated with ongoing environmental remediation activities at the site amounting to $3, which have been reflected as a component of prepaid expenses and other on the consolidated balance sheets. Chemours remains responsible for certain other ongoing environmental remediation activities at the site, which were previously accrued as a component of other liabilities on the consolidated balance sheets.

The Chemours Company

Notes to the Interim Consolidated Financial Statements (Unaudited)

(Dollars in millions, except per share amounts and par values)

Acquisition of ICOR International, Inc.

In April 2018, the Company, through its wholly-owned subsidiary, The Chemours Company FC, LLC, entered into a Stock Purchase Agreement (SPA) to acquire all of the outstanding stock of ICOR International, Inc. (ICOR), a closely-held private company that produces, sells, and distributes replacement refrigerant gases for use in commercial, industrial, and automotive refrigerant applications. Pursuant to the terms of the SPA, the Company paid $37 in total consideration at closing in the all-cash acquisition, which included customary working capital and other adjustments made within a specified time period. The acquisition of ICOR complements the Company's existing portfolio of product offerings within the Fluoroproducts segment, as well as provides the Company with access to ICOR's established customer base and assembled workforce.

The Company accounted for the acquisition of ICOR as a business combination, and as such, all assets acquired and liabilities assumed were recorded at their estimated fair values. The excess of the consideration transferred over the fair value of the identifiable net assets acquired was recorded as goodwill within the Fluoroproducts segment, which represents the expected future benefits arising from the assembled workforce and other synergies to be realized from the acquisition of ICOR. The Company intends to elect to treat the acquisition of ICOR as an asset acquisition under the Internal Revenue Code, and as such, expects that all of the related goodwill will be deductible for federal income tax purposes.

The following table sets forth the Company's preliminary fair value estimates of the assets acquired and liabilities assumed in the acquisition of ICOR. These amounts are subject to further adjustment as additional information is obtained during the applicable measurement period, which includes the finalization of a third-party appraisal. The Company expects to complete its assessment by the end of 2018.

	Estimated Fair Value	Weighted-average Useful Life (Years)
Assets acquired:		
Accounts receivable - trade	$ 4	
Inventories	8	
Property, plant, and equipment	1	
Identifiable intangible asset:		
Customer relationships	20	5
Total assets acquired	33	
Liabilities assumed:		

Accounts payable		1
Other accrued liabilities		1
Total liabilities assumed		2
Total identifiable net assets acquired		31
Goodwill		6
Net assets acquired	$	37

The fair value of the customer relationships was determined using a discounted cash flows approach, which takes into account significant unobservable inputs and is a Level 3 fair value measurement within the fair value hierarchy. The use of this valuation methodology requires management to make various assumptions, including, but not limited to, assumptions about future profitability, cash flows, and discount rates applicable to the acquired business and, where applicable, market participants. These assumptions are based on management's best estimates and include considerations related to management's knowledge and experience, historical trends, general economic conditions, and other situational factors.

The Company's consolidated financial statements include ICOR's results of operations from April 2, 2018, the date of acquisition, through June 30, 2018. Net sales and net income attributable to Chemours contributed by ICOR during this period were not material to the Company's or its Fluoroproducts segment's results of operations. Acquisition-related expenses amounted to less than $1 during the three and six months ended June 30, 2018 and are included as a component of selling, general, and administrative expense in the consolidated statements of operations.

The Chemours Company

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Note 4. Net Sales

Revenue Recognition

Prior to the adoption of Topic 606, Chemours recognized revenue when the earnings process was complete. Revenue for product sales was recognized when product was shipped to the customer in accordance with the terms of the agreement, when title and the risk of loss were transferred, when collectability was reasonably assured, and when pricing was fixed or determinable. Any payments received in advance were recorded as deferred revenue and recognized as shipments were made and title, ownership, and the risk of loss were transferred to the customer. The Company accrued for sales returns and other allowances based on its historical experience, with cash sales incentives reflected as a reduction in revenue and non-cash sales incentives reflected as a charge to the cost of goods sold recorded contemporaneously with the related revenue or selling expense, depending on the nature of the incentive. Amounts billed to customers for shipping and handling fees were included in net sales, and the costs incurred by the Company for the delivery of goods were classified as a component of the cost of goods sold in the consolidated statements of operations. Taxes on revenue-producing transactions were excluded from net sales.

Licensing and royalty income was recognized as a component of other income, net in the consolidated statements of operations in accordance with agreed-upon terms, when performance obligations were satisfied, when collectability was reasonably assured, and when pricing was fixed or determinable.

With the adoption of Topic 606, Chemours recognizes revenue using a five-step model resulting in revenue being recognized as performance obligations within a contract have been satisfied. The steps within that model include: (i) identifying the existence of a contract with a customer; (ii) identifying the performance obligations within the contract; (iii) determining the contract’s transaction price; (iv) allocating the transaction price to the contract’s performance obligations; and, (v) recognizing revenue as the contract’s performance obligations are satisfied. A contract with a customer exists when: (i) the Company enters into an enforceable agreement that defines each party’s rights regarding the goods or services to be transferred, and the related payment terms; (ii) the agreement has commercial substance; and, (iii) it is probable that the Company will collect the consideration to which it is entitled to in the exchange. A performance obligation is a promise in a contract to transfer a distinct good or service, or a series of distinct goods or services to a customer and serves as the unit of account for Topic 606. The transaction price is the customary amount of consideration that the Company expects to be entitled to in exchange for a transfer of the promised goods or services to a customer, excluding any amounts collected by the Company on behalf of third-parties (e.g., sales and use taxes). Judgment is required to apply the principles-based, five-step model for revenue recognition outlined in Topic 606. Management is required to make certain estimates and assumptions about the Company’s contracts with its customers, including, among others, the nature and extent of its performance obligations, its transaction price amounts and any allocations thereof, the critical events which constitute satisfaction of its performance obligations, and when control of any promised goods or services is transferred to its customers.

The Company's revenue from contracts with customers is reflected in the consolidated statements of operations as net sales, the vast majority of which represents product sales that consist of a single performance obligation. Product sales to customers are made under a purchase order (PO), or in certain cases, in accordance with the terms of a master services agreement (MSA) or similar arrangement, which documents the rights and obligations of each party to the contract. When a customer submits a PO for product or requests product under an MSA, a contract for a specific quantity of distinct goods at a specified price is created, and the Company's performance obligation under the contract is satisfied when control of the product is transferred to the customer, which is indicated by shipment of the product and the transfer of title and the risk of loss to the customer. Revenue is recognized on consignment sales when control transfers to the customer, generally at the point of customer usage of the product. The transaction price for product sales is generally the amount specified in the PO or in the request under an MSA; however, as is common in Chemours' industry, the Company offers variable consideration in the form of rebates, volume discounts, early payment discounts, pricing based on formulas or indices, price matching, and guarantees to certain customers. Such amounts are included in the Company's estimated transaction price using either the expected value method or the most-likely amount, depending on the nature of the variable consideration included in the contract. The Company regularly assesses its customers' creditworthiness, and product sales are made based on established credit limits. Payment terms for the Company's invoices are typically less than 90 days.

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The Company also licenses the right to access certain of its trademarks to customers under specified terms and conditions in certain arrangements, which is recognized as a component of net sales in the consolidated statements of operations under Topic 606. Under such arrangements, the Company may receive a royalty payment for a trademark license that is entered into on a stand-alone basis or incorporated into an overall product sales arrangement. Royalty income is generally based on customer sales and recognized under the sales-based exception as the customer sale occurs. When minimum guaranteed royalty amounts are included in the transaction price, the Company recognizes royalty income ratably over the license period for the minimum amount. When there is no consideration specified for the use of the Company’s trademark, the entire transaction price is recognized in connection with the transfer of control of product. Royalty income resulting from the right to use the Company’s technology is considered outside the scope of Topic 606 as it is not a part of the Company’s ongoing major or central activities, and consistent with past practice, is recognized as a component of other income, net in the consolidated statements of operations in accordance with agreed-upon terms at the point or points in time that performance obligations are satisfied.

Consistent with the fact that the vast majority of the Company’s payment terms are less than 90 days from the point at which control of the promised goods or services is transferred, no adjustments have been made for the effects of a significant financing component under Topic 606. Additionally, the Company has elected to recognize the incremental costs associated with obtaining contracts as an expense when incurred if the amortization period of the assets that the Company would have recognized is one year or less. Amounts billed to customers for shipping and handling fees are considered a fulfillment cost and are included in net sales, and the costs incurred by the Company for the delivery of goods are classified as a component of the cost of goods sold in the consolidated statements of operations.

Disaggregation of Net Sales

The following table sets forth a disaggregation of the Company’s net sales by geographic region, product group, and segment for the three months ended June 30, 2018.

	Three Months Ended June 30, 2018			
	Fluoroproducts	Chemical Solutions	Titanium Technologies	Total
Net sales by geographic region (1)				
North America	$310	$ 90	$ 239	$639
Asia Pacific	186	21	260	467
Europe, the Middle East, and Africa	249	5	245	499
Latin America (2)	56	37	118	211
Total net sales	$801	$ 153	$ 862	$1,816

Net sales by product group				
Fluorochemicals	$444	$ —	$ —	$444
Fluoropolymers	357	—	—	357
Mining solutions	—	71	—	71
Performance chemicals and intermediates	—	82	—	82
Titanium dioxide and other minerals	—	—	862	862
Total net sales	$801	$ 153	$ 862	$1,816

(1) Net sales are attributable to countries based on customer location.

(2) Latin America includes Mexico.

The Chemours Company

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The following table sets forth a disaggregation of the Company's net sales by geographic region, product group, and segment for the six months ended June 30, 2018.

	Six Months Ended June 30, 2018			
	Fluoroproducts	Chemical Solutions	Titanium Technologies	Total
Net sales by geographic region (1)				
North America	$613	$ 172	$ 472	$1,257
Asia Pacific	338	41	503	882
Europe, the Middle East, and Africa	471	9	492	972
Latin America (2)	110	75	250	435
Total net sales	$1,532	$ 297	$ 1,717	$3,546
Net sales by product group				
Fluorochemicals	$838	$ —		