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Tronox Holdings Plc (TROX)

Q4 2021 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good day, and welcome to the Tronox Holdings Plc Fourth Quarter Full Year 2021 Earnings Call. All participants will be in listen-only mode. [Operator Instructions] After today's presentation, there will be an opportunity to ask questions. Please note, this event is being recorded.

I'd now like to turn the conference over to Jennifer Guenther, Vice President of Investor Relations. Please go ahead.

Jennifer Guenther

Vice President-Investor Relations, Tronox Holdings Plc

Thank you, and welcome to our fourth quarter and full year 2021 conference call and webcast. On our call today are John Romano and Jean-François Turgeon, Co-Chief Executive Officers; and Tim Carlson, Chief Financial Officer. We will be using slides as we move through today's call. Those of you listening by Internet broadcast through our website should already have them. For those listening by telephone, if you haven't already done so, you can access the presentation on our website at investor.tronox.com.

Moving to slide 3. A friendly reminder that comments made on this call and the information provided in our presentation and on our website include certain statements that are forward-looking and subject to various risks and uncertainties, including, but not limited to, the specific factors summarized in our SEC filing. This information represents our best judgment based on today's information. However, actual results may vary based on these

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risks and uncertainties. The company undertakes no obligation to update or revise any forward-looking statements.

During the conference call, we will refer to certain non-US GAAP financial terms that we use in the management of our business and believe are useful to investors in evaluating the company's performance. Reconciliations to their nearest US GAAP terms are provided in our earnings release and in the appendix of the accompanying presentation. Additionally, please note that all financial comparisons made during the call are on a year-over-year basis, unless otherwise noted.

Moving to slide 4. It's now my pleasure to turn the call over to John Romano. John?

John D. Romano

Co-Chief Executive Officer & Director, Tronox Holdings Plc

Thanks, Jennifer, and good morning, everyone, and thank you for joining us today. I'll start this morning by setting the stage with a quick overview of Tronox. We're the world's largest vertically integrated TiO2 producer, with nine pigment plants, six mines, five upgrading facilities across six continents. Our 2021 revenue totaled approximately $3.6 billion, which was fairly evenly distributed across the Americas, Europe, Middle East and Africa and Asia Pacific. Our 1.1 million tons of pigment capacity supports our well-balanced base of approximately 1,200 global customers. Our vertically integrated business model supplies approximately 85% of our internal feedstock needs, and this ensures consistent and secure supply for our customers. In addition to TiO2, we also generate significant value as the world's second largest producer of zircon, with approximately 297,000 tons of capacity. We are proud of the organization we've created following the transformative acquisition nearly three years ago and the value we have and will continue to generate for our stakeholders.

Now, let's turn to slide 5 for some of the highlights. 2021 was a record year for Tronox on a number of measures. During the year, we maintained our strong execution and delivered on our commitments to all of our stakeholders. Our record revenue of $3.6 billion was driven by robust customer demand and our ability to meet this demand with our unmatched global footprint. Our adjusted EBITDA of $947 million and margin expansion to 26.5% is attributable to our vertically integrated business model, a primary driver of our lower integrated cost per ton. Improved pricing across all product lines and cost savings through programs such as newTRON offset, higher commodity and freight costs. In 2021, we invested just over $270 million in key capital projects. This included newTRON, our project to digitally transform our global portfolio, which is expected to meaningfully reduce production costs by $150 to $200 per ton on a run rate basis by the end of 2023. We're pleased with the progress we're making and we're tracking to our plan.

We also invested in Atlas Campaspe, our mining project in Eastern Australia, to maintain our advantaged vertically integrated position as it will replace our Ginkgo/Snapper mines. We generated a record $468 million in free cash flow from our strengthened and differentiated business model, allowing for deleveraging ahead of our targeted objectives. We paid down $745 million of debt in 2021, ending the year at $2.6 billion with a net leverage of 2.5 times, ahead of our previously stated timeline of achieving $2.5 billion in gross debt and 2 to 3 times net leverage by 2023. We plan to continue to pay down debt beyond our previously-stated targets to ensure our business remains well-positioned to withstand a range of economic scenarios. And last but certainly not least, we continued our progress towards achieving our sustainability goals that we published in 2021, including another solid year from a safety performance perspective. Thanks to the unrelenting focus by our employees.

Turning to slide 6, I'll review our sustainability accomplishments for 2021 in more detail. In 2021, we made significant strides forward on our ESG efforts. In July, we formalized our commitments to align with a global warming scenario of below 2 degrees centigrade and set a target of net zero greenhouse gas emissions and zero

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waste to external dedicated landfills by 2050, as well as other ESG-related commitments, such as targeting zero workforce injuries. Additionally, Tronox joined the United Nations Global Compact. We mapped our long-term targets to the UN Sustainable Development Goals and committed to the 10 principles. Incorporating the UN standards into our strategies and procedures will help us protect our privilege to operate and set the stage for long-term success.

In August, we announced the reorganization of our board committee structure to enhance our oversight of our ESG efforts. Most recently, we achieved a Platinum Rating by EcoVadis, the highest level of recognition awarded and a validation of our efforts. This represents a significant improvement over our Silver Rating in 2019 and 2020 and puts Tronox at the top 1% of companies evaluated. The step change in our 2021 rating reflects how deeply embedded sustainability and corporate social responsibility have become in our business practices and the advancements we've made in our public disclosure on these topics. Additionally, we've committed to be fully compliant with the applicable TCFD and SASB disclosure standards when our next sustainability report is published by midyear. While sustainability has long been a part of everything we do at Tronox, we remain committed to continuous improvement and further enhancing how we disclose our progress and efforts.

Turning to slide 7, I will briefly review our full year financial highlights before turning to the fourth quarter review. Revenue of $3.6 billion represented a 30% increase versus the prior year. Income from operations of $577 million grew 113%, while net income of $303 million was lower due to a tax benefit of $903 million in 2020 that did not repeat. Our effective tax rate in 2021 was 19%. Our GAAP diluted earnings per share was $1.81, and our adjusted diluted earnings per share was $2.29, more than 300% higher than 2020. Adjusted EBITDA of $947 million represented a 42% increase over 2020, and our margin increased 230 basis points. Free cash flow of $468 million increased 200%.

Now, turning to slide 8, let me provide more detail into our fourth quarter. Our fourth quarter results came in line with our previously issued guidance. Revenue in the quarter increased 13%, driven by higher average selling prices. Sequentially, this represented a 2% increase. Our effective tax rate in the quarter was 16% and our net income for the quarter was $87 million, a 53% improvement. Diluted earnings per share was $0.52 and adjusted diluted earnings per share was $0.53, an improvement of 179%. Adjusted EBITDA of $233 million improved 14%. And our adjusted EBITDA margin was 26.4%, and we generated free cash flow of $50 million in the quarter.

Moving to slide 9, I will now review our fourth quarter commercial performance in more detail. Our fourth quarter results were in-line with our expectation, with our team managing strong customer demand, while navigating a number of macro challenges including input cost inflation and supply chain disruptions. Total revenue increased versus the prior year as higher selling prices were partially offset by lower feedstock and other volumes and the unfavorable euro exchange rate.

TiO2 revenue of $675 million increased 15% versus the prior year due to higher prices across all markets. Volumes were flat year-on-year and lower by 4% versus the third quarter, within our anticipated and communicated range. The TiO2 supply/demand balance remains tight due to continued strong demand, while TiO2 inventories remain well below seasonally normal levels and delivery times are extended by shipping delays and supply chain disruptions.

Zircon revenue increased 26% versus the prior year due to continued pricing momentum, as volumes were in line with the strong volume levels in Q4 of 2020. Sequentially, zircon volumes were lower due to higher sales from inventory in the third quarter. In 2022, zircon volumes would be more in line with production as we have sold the excess inventory out of the system. Feedstocks and other products declined due to the internalization of all feedstock sales in the quarter compared to the prior year, partially offset by increased pig iron revenue from

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higher average selling prices. On a quarter-over-quarter basis, the increase in revenue was driven by higher pig iron pricing.

JF and I are grateful to the approximately 6,500 global employees whose dedication, perseverance and ingenuity allowed us to deliver outstanding performance in spite of numerous external pressures. We're working tirelessly with our dedicated team of employees to ensure we are the supplier of choice for our customers. By leveraging our unmatched global footprint and our vertically integrated business model, we remain well-positioned to continue managing through and overcoming these challenges. Our global footprint positions us close to our customers, while vertically integrated business model ensure security of supply. Customers are increasingly recognizing our reliability as a differentiator, which is a significant advantage.

For example, in 2021, we were able to substantially increase the number of long-term volume contracts with our global customer base, securing our market share well beyond 2022. We anticipate TiO2 market demand to grow in line with GDP in 2022, and will be supported by the need to replenish inventory throughout our customer supply chain channels. In the first quarter, demand is expected to continue to be very strong. And while distribution remains challenged, we are anticipating the first quarter TiO2 volumes to increase sequentially in the upper single digits as we work to meet our customer needs. Pricing will continue to increase in the quarter and offset recent inflationary pressures to allow for continued margin expansion. Zircon sales volumes are expected to remain elevated above 2019 and 2020 levels. However, volumes in the first quarter will be lower than those in the fourth quarter, more in line with production levels. Zircon pricing improvement in the first quarter is expected to more than offset the volume headwind on an EBITDA basis, and we expect this trend to continue for the full year.

I will now turn the call over to JF for a review of our operating performance and profitability in the quarter. JF?

Jean-François Turgeon

Co-Chief Executive Officer & Director, Tronox Holdings Plc

Thank you, John. Moving to slide 10, as John mentioned our adjusted EBITDA growth of 14% to $233 million was driven by higher average selling price across all product, partially offset by lower volume and higher costs to serve our customer including increase in raw material, natural gas, and freight and unfavorable FX rate. Freight rates globally have remained elevated, driving increased costs to deliver product to our customer, given the need to use non-contracted line to deliver product. In particular, escalating ocean freight rate out of Australia and demurrage expense in South Africa drove incremental costs. Inflation pressure, including both external ore purchase and commodity price, continued to increase in the fourth quarter. On a per ton basis, 75% to 80% of the sequential cost increase was driven by higher process chemical and utility costs. While we saw more favorable movement in the ZAR and Australian dollar in the fourth quarter versus the third, unfavorable impact to revenue from the euro largely offset the majority of these benefits.

Turning to slide 11. I will review how our strategy will enable us to continue differencing our business in 2022 and meet our financial target. We remain committed to executing on our strategy to become an advantaged vertically integrated global TiO2 leader. Foundational to our strategy is to produce low cost, high quality pigment for our customer and sustaining our integrated global footprint to ensure security of supply for our customer and optimize our global footprint. Our mining and upgrading facility continue to run at high operating rate at a time when feedstocks are critical. This, combined with our integrated planning capabilities, will allow us to increase production and produce an additional 40,000 ton of TiO2 this year versus 2021.

Our effort in capital expenditure will continue to be dedicated to pursuing these pillars through projects like newTRON and Atlas Campaspe. Our strategy drive our ability to deleverage our unique portfolio to optimize our

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asset and secure our position as the most adaptable, resilient TiO2 industry leader, allowing us to continue to deliver industry leading financial performance.

Turning to slide 12. I will now provide an update on our key capital projects. If we look at our major strategic capital projects, they can be divided in two category. The first being growth and cost reducing capital, and the second as vertical integration related capital. newTRON fall under the first bucket. newTRON is our strategic, multi-year, global digital transformation project. We realize $20 million in EBITDA saving in 2021 due to the benefit primarily in supply chain and procurement saving. In total, we anticipate $150 to $200 in per ton annual run rate cost saving by the end of 2023.

The second bucket relate to sustaining our vertical integration. Our business model is our source of differentiation, and investing in our mine is critical in sustaining that advantage. Atlas Campaspe has represented the next phase of our mining plant. And this year, we had the Namakwa and Fairbreeze extension to our investment. Atlas Campaspe, as a reminder, is our new mining development in Eastern Australia that is expected to come online in the second half of 2022 to replace the Snapper/Ginkgo mines as they reach end of life. These tenements are abundant in natural rutile high value zircon and high grade ilmenite suitable for synthetic rutile slag processing or direct pigment production.

The investment in Atlas Campaspe will also put in place the infrastructure for this new mining area where we have other important future resource in our portfolio. Additionally, given significant market demand for TiO2 and our anticipated production growth, we will also be pulling forward the expansion of two of our mine in South Africa, Namakwa and Fairbreeze, to ensure sustained production in 2024 and 2025. They are similarly rich in ilmenite, rutile and zircon, and will extend our mine life in South Africa well beyond 2035. In total, we anticipate investing approximately $150 million in 2022 across our mining projects, which will sustain Tronox's 85% internalization of feedstock, supporting approximately $300 per ton saving relative to average high grade feedstock market price.

Turning to slide 13. I would like to spend a bit more time on the various elements of newTRON and provide example of why this project is so transformational for Tronox. newTRON will transform our business, enabling us to remain among the lowest cost TiO2 producer and [ph] an end (00:19:17) service to our customer. We will achieve this through an optimized global supply chain, efficient maintenance spend, enhanced automation and throughput, and standardized process. As an example of an optimized global supply chain, our new vendor management system allows improved handling of catalogues, purchase order, and invoice, enabling the optimization of our sourcing activity globally. As an example of enhanced automation, we have seen significant stabilization in our chlorinator at Stallingborough as a result of program being trialed today. This has increased the uptime of the plant and has also led to reduced coke consumption. We are very excited about these initial results and what this mean for Tronox's future.

Efficient maintenance mean our plant employee have improved capabilities to plan and schedule maintenance before equipment failure, to optimize production schedules and downtime. The standardization across our function will lead to improved visibility and a streamlined order to delivery process, enabling better data visibility and decision making. It also facilitate the transfer of best practice from one site to another. The anticipated $150 per ton to $200 per ton cost saving by the end of 2023 will come from all four of these areas with clearly identified benefit.

Finally, I'd like to provide a brief update on our slagging operation in Jazan. The first slag was tapped at the end of November. The ramp up is progressing according to plan. Slag has been shipped to Yanbu pigment plant for use this quarter. At a time where tight feedstock conditions are impacting the TiO2 industry, Jazan is a clear advantage and an important part of Tronox's vertical integration strategy. The site will continue to ramp up from

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here forward, ensuring a safe and sustainable operation. As a reminder, slag production must reach sustainable operation before Tronox will assume ownership of the site. Based on the current plan, the site could achieve sustainable operation in the second half of 2022. We will continue to update the market on the progress of the site.

I will now turn the call over to Tim Carlson to cover our balance sheet and outlook. Tim?

Timothy Craig Carlson

Chief Financial Officer & Senior Vice President, Tronox Holdings Plc

Thank you, JF. On slide 14, we provided an overview of our financial position, liquidity and capital resources. We ended the year with net leverage of 2 to 5 times (sic) [2.5 times] (00:22:39), down from 4.1 times at the end of 2020, and within our previously stated targeted range of 2 to 3 times. We reduced our debt by a total of $745 million in 2021, ending the year with $2.6 billion, a significant reduction from the $3.3 billion balance at the end of 2020. Total available liquidity as of December 31 was $677 million, including $228 million cash and cash equivalents, which is well distributed across our global operations.

Capital expenditures totaled $272 million in 2021. Approximately $120 million of this was for maintenance and safety capital, $56 million was for project newTRON, and $97 million was for operational vertical integration projects, which included Atlas Campaspe. Depreciation, depletion and amortization expense was $297 million for the year. Our free cash flow totaled $468 million Depreciation, depletion and amortization expense was $297 million for the year. Our free cash flow totaled $468 million, due to our strong cash earnings. We also returned $65 million to shareholders in 2021 in the form of dividends year-to-date, which we increased by a total of 43% on an annualized basis.

Turning to slide 15, I'd now like to share our outlook. As John mentioned, we anticipate strong demand trends to continue for both TiO2 and zircon in addition to continued supply chain disruptions and inflation pressures, including elevated commodity pricing. Due to these ongoing cost pressures, we expect first quarter adjusted EBITDA to be $230 million to $245 million, driven by higher cost of goods manufactured in the fourth quarter, impacting our results in both the fourth and first quarters as those tons were sold. This trend is expected to reverse beginning in the second quarter, as we've seen favorable manufacturing costs per ton in the first quarter versus the fourth in addition to improve TiO2 and zircon pricing.

For the full year 2022, we are reinstating our practice of providing annual guidance on the following metrics. We expect 2022 to be the year we meet and exceed our ambitious $1 billion EBITDA target as we expect margins to expand throughout the year. Full year adjusted EBITDA is expected to be between $1.025 billion and $1.125 billion. Reported diluted EPS is expected to be between $3.02 and $3.52 per share. Adjusted diluted EPS is expected to be between $3.08 and $3.59 per share, and we anticipate generating at least $400 million in free cash flow.

Incorporated into our free cash flow assumptions are the following uses of cash. We expect working capital to be [ph] a use (00:25:37) $75 million to $100 million, as we begin to rebuild inventories to more normalized levels, net cash interest expense of $120 million to $130 million, $45 million to $55 million of cash taxes and capital expenditures of $375 million to $400 million. These represent our best estimates based upon our current outlook. However, this does not represent a ceiling for our potential. We have significant runway ahead and expect to see earnings expansion driven by growing the topline, reducing our cost per ton through higher return capital projects, remaining focused on disciplined expense management and leveraging our tax attributes. The record financial results of 2021 are evidence of our strengthened and differentiated business model, and we're confident this will continue to distinguish Tronox in 2022 and beyond.

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Turning to slide 16 with respect to capital allocation. With our $2.5 billion gross debt target in sight, we expect to prioritize capital expenditures, continue annual dividend increases and continue reducing debt while opportunistically repurchasing shares. For 2022, we estimate capital expenditures will be between $375 million and $400 million. Our maintenance and safety capital will be approximately $125 million. Investments in sustaining our vertical integration will be approximately $150 million, inclusive of Atlas Campaspe and the mining extensions in South Africa. Growth and cost reduction projects will total $100 million. The majority of which will be for project newTRON. And other smaller strategic projects will total approximately $25 million. We estimate our average annual returns on total capital expenditures to be between 25% and 30%. As announced in November, we anticipate increase in the dividends to $0.50 per share on an annualized basis, beginning with our first quarter dividend. And we anticipate continuing to reduce our debt below the previously stated target of $2.5 billion while opportunistically buying back shares under the $300 million program authorized by the board.

I'll now turn the call back over to JF for closing remarks.

Jean-François Turgeon

Co-Chief Executive Officer & Director, Tronox Holdings Plc

Thank you, Tim. Moving to slide 17. As we wrap up today's prepared remarks, I want to take a moment to acknowledge the outstanding position Tronox is in, due to the commitment of our employees throughout the last several years, this would not be possible without them. So thank you to everyone for your ongoing effort. With our portfolio of asset and market position, we are confident in our ability to capitalize on our momentum, execute against our objective and deliver our commitment to our stakeholder. 2022 is an exciting year for Tronox. We are planning to hold our second Investor Day in June and look forward to presenting the market with more details on our long-term strategy, our key operational and financial aspects of the business, ESG-related practice and more. We will provide additional logistic detail at a later date. We continue to navigate the current macroeconomic challenge while transforming our company, which will ensure our future remain bright. That concludes our prepared remark.

With that, I'd like to turn the call over for questions. So, Jason.

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QUESTION AND ANSWER SECTION

Operator: Thank you. We'll now begin the question-and-answer session. [Operator Instructions] Our first question comes from John McNulty from BMO Capital Markets. Please go ahead.

John McNulty
Analyst, BMO Capital Markets Corp.

Q

Yeah. Good morning, and thanks for taking my questions. So when we look at the outlook that you have for 2022, there's a heck of a ramp up from the 1Q levels to kind of the latter part of the year. So I guess, can you give us – can you speak to your confidence around the improvement on the manufacturing cost and how that plays into the guide throughout the year and then – and maybe give us some examples around it? And then also, how should we think about what it means for pricing in terms of what your assumptions are as we kind of roll through the year?

John D. Romano
Co-Chief Executive Officer & Director, Tronox Holdings Plc

A

Yeah. Thanks, John. I'll start that and then I'll let Tim add a little color to it. So when you think about the first quarter, that's one of the reasons we reinstated the annual guidance, so that you guys could get full confidence that we're confident that we can actually recover from where we are in the first quarter. The first quarter number is impacted really by three things. You can put it in three buckets, energy and process chemicals, planned maintenance that impacted fixed cost absorption in the fourth quarter, which had an impact on our cost, and then volumes that rolled from the fourth quarter into the first quarter. And I'll touch on that, and then I'll let Tim pick up on the other two pieces.

So in the first quarter, we were successful in increasing our prices across the board in every region, but we had significant volume that rolled out of the December shipments into the first quarter, predominantly in January, which came in at that lower price, which had an impact on the revenue and the margin that we were able to capture, but it was only because the volume rolled, had nothing to do with our ability to increase the price. Tim, why don't you touch on the other two buckets?

Timothy Craig Carlson
Chief Financial Officer & Senior Vice President, Tronox Holdings Plc

A

Yeah, John. When we talked during our third quarter call, we talked about an additional expectations of $30 million of additional costs from Q3 to Q4 around natural gas, energy, process chems and freight. That actually came in closer to $45 million to $50 million. So those higher costs, portion of those flow through in the month in terms of product sold. But a lot of those costs got capitalized in inventory and are going to flow through in January and February. In addition to that, as part of our normal planned maintenance, we produced 3,000 to 4,000 less tons in Q4 than we normally would. So that's just a higher overhead cost per ton, which again flows into the year.

With the increased volumes that we see both from a production and from a demand standpoint, we see that overhead cost trends improving as we go through the course of the year. And as it relates to our natural gas, energy, process chem costs, we did see those moderate quite a bit as we start the year this year versus Q4. And that, combined with the price increases that John talked about, we're very confident with our margin expansion and with our full year guidance.

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John McNulty
Analyst, BMO Capital Markets Corp.

Q

Got it. No, that's helpful, really helpful color. And then I guess, can you speak to – you kind of indicated earlier on that inventories are still lean or appear lean. I guess, can you give us some granularity as to where you see the inventory levels at your – between your own and your customer level as we kind of go into the kind of heavier paint season as we kind of kick off in the spring, like, I guess, are we going to be – is there a chance that we can get back to normal by then? Or is it really going to be a hand-to-mouth kind of situation through most of the paint season this year, how would you characterize it?

John D. Romano
Co-Chief Executive Officer & Director, Tronox Holdings Plc

A

Yeah, John, we're doing all that we can to try to increase our service levels by building that inventory, but the inventory is so depleted throughout the supply chain, not just our inventory, but even our customers' inventory. Quite frankly, we don't have any confidence that we're going to be able to replenish that by the time the coating season starts. We're doing our best to do that. We're repositioning inventory to ensure that we can mitigate some of the transportation issues that we outlined. But the market is still very strong right now, and the supply chain is still pretty depleted.

John McNulty
Analyst, BMO Capital Markets Corp.

Q

Got it. Thanks very much for the color.

Operator: The next question comes from Josh Spector from UBS. Please go ahead.

Joshua Spector
Analyst, UBS Securities LLC

Q

Yeah. Hey, guys, thanks for taking my question. I guess, just to follow up on maybe the margin and the cost into this year. I mean, you highlighted a lot of the increase was process chemicals, utilities, et cetera. Are there any contract resets that happened over the course of this year or next year, either freight, raws, et cetera, that we should be building into our bridge as we look further out?

Jean-François Turgeon
Co-Chief Executive Officer & Director, Tronox Holdings Plc

A

Well, Josh, its JF. Look, we have obviously renegotiated most of our contract like we do as we start the year, and the freight is one where we secure our normal route. But we still have a lot of freight costs that are spot based on customer demand, and we see those freight costs being very high at the moment. And look, it's hard to tell when this will completely change. I mean, we assume that that would remain high for whole of the year. Look, there's other things like natural gas and energy that we expect that it will continue to improve in the second half of the year. But I guess time will tell.

John D. Romano
Co-Chief Executive Officer & Director, Tronox Holdings Plc

A

[ph] Yes. And (00:35:35) we were anticipating I think mid-year last year that we're going to start to see the transportation issues abate, but we're still having problems and it's across the board with just availability, although there is a lot of backlog.

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Jean-François Turgeon
Co-Chief Executive Officer & Director, Tronox Holdings Plc

A

It really shows that the – look, the economy and everything is moving properly at the moment and we obviously adjust our own product to reflect that reality. So everything we could control, we do it. I mean, the element outside of our control, I mean...

John D. Romano
Co-Chief Executive Officer & Director, Tronox Holdings Plc

A

We'll manage it.

Jean-François Turgeon
Co-Chief Executive Officer & Director, Tronox Holdings Plc

A

We manage it, yeah.

Joshua Spector
Analyst, UBS Securities LLC

Q

Okay, thanks, that's helpful. And just curious on TiO2 volumes. I mean you seem to give pretty bullish outlook, GDP growth. I mean your comment for first quarter is pretty strong growth. Do you see you guys as gaining share and do you guys grow above that GDP level this year? And I guess related to that, do you have the feedstock kind of aligned to capture those opportunities as you see them through this year?

John D. Romano
Co-Chief Executive Officer & Director, Tronox Holdings Plc

A

Yeah, Josh. So from the standpoint of capturing share, I think what we're doing is maintaining our share, but we've aligned ourselves with customers that we believe are growing faster than the market. So by definition, you could gain share that way. But that's – we're trying to fill our existing customers' needs. We noticed – we have noted in the prepared comments that we were able to go out and secure significant contracted volume in 2022 which will help us maintain our share well beyond 2022. So our volume uptick in the first quarter has a lot to do with some of the volume that rolled out of the fourth quarter and our ability that we can continue to produce more tons. Last quarter, we told you we were going to produce approximately 40,000 additional tons and we have the ore that we need to accomplish that goal and, therefore, our sales should continue to grow.

Joshua Spector
Analyst, UBS Securities LLC

Q

Okay. Thank you.

Operator: The next question comes from David Begleiter from Deutsche Bank. Please go ahead.

David Begleiter
Analyst, Deutsche Bank Securities, Inc.

Q

Thank you. Good morning. Just on pricing for this year, how are you thinking about zircon pricing, given the strength you saw late in the year? Do you expect that pricing strength to continue for the rest of this year?

John D. Romano
Co-Chief Executive Officer & Director, Tronox Holdings Plc

A

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Yeah. So in the prepared comments, we talked a little bit about the volume being down because we've displeted (sic) [depleted] (00:38:02) the inventory last year, but price will continue to allow us to grow the EBITDA. So the short answer is yes, we continue to see opportunities to move price. Our first quarter pricing will move up and we would expect that to continue into the balance of the year as well.

David Begleiter
Analyst, Deutsche Bank Securities, Inc.

Q

Very good. Just on TiO2 pricing, I know it's a sensitive subject, but what are your thoughts on maybe yours or industry pricing for this year versus last year?

John D. Romano
Co-Chief Executive Officer & Director, Tronox Holdings Plc

A

Well, you know what happened last year, and when we think about the first quarter, I would say our pricing is in range, maybe a little higher than what we saw in the fourth quarter. And from the standpoint of how we will continue to progress that price moving into the balance of the year has a lot to do with supply/demand imbalance, which we've just talked about. So we would expect to see pricing continue to move up in 2022.

David Begleiter
Analyst, Deutsche Bank Securities, Inc.

Q

Very good. Thank you.

Operator: The next question comes from Frank Mitsch from Fermium Research. Please go ahead.

Frank J. Mitsch
Analyst, Fermium Research LLC

Q

Yes. Good morning. I was wondering if you could drill down a little more into the ore situation, given that you are buying 15% of your needs on the open market. What – there's a lot of talk about the tightness in the market. I'm curious what your outlook is there. It seems like you anticipate that that's going to continue a while because you're pulling forward some mining expansions as well. But could you give us your take on the ore situation?

Jean-François Turgeon
Co-Chief Executive Officer & Director, Tronox Holdings Plc

A

Frank, thank you for the question. And look, obviously, this play to our strength, being vertically integrated at 85%. Look, the 15% that we buy on the open market is long-term contract that we have signed. And the value of having our own mining and upgrading facility allow us to see what's happening on that market ahead of the situation being tight. So we obviously secured ourself to be in a very good position for 2022. And combined with the success that Jazan is having at the moment, I mean, we have more than what we need for 2022 and beyond.

Frank J. Mitsch
Analyst, Fermium Research LLC

Q

All right. Thank you. And just to follow up on the Jazan, it sounded fairly promising that you might actually reach sustainable operating rates in the second half of this year. Where do you see yourselves today in terms of operating rates of that smelter? And you mentioned that some of the ore is being processed by your own facility in Yanbu. How is the quality of that, of the output at Yanbu using the Jazan material?

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Jean-François Turgeon
Co-Chief Executive Officer & Director, Tronox Holdings Plc

A

So, Frank, I think that you have heard me say about Jazan that it's a big experiment. And what I can tell you is I feel much better today [ph] than (00:41:01) I felt [ph] I thought (00:41:02) at our last earnings call because, obviously, we have been produced for the last three months. We have elaborated a ramping curve that is cautious for Jazan and we're following that plan, and it's progressing well. We're right on our plan as expected. So that's all good news and – well, as you know, Jazan is a site with two furnace and its only Furnace 1 that has been modified. And obviously, we need to work on how Furnace 2 will be modified so we can reach the full capability of Jazan. So there's still a lot of work to be done on Jazan. But let's say that the timing of starting up this asset is great from the overall market situation. On the quality of the product, Jazan also use new technology of granulation. And what I can tell you is we were very pleased with the quality of the slag being produced. We don't expect any issue with using that slag. In fact, we have started using that slag, and so far so good.

John D. Romano
Co-Chief Executive Officer & Director, Tronox Holdings Plc

A

No issue at all with the quality of the pigment that's being produced with it. So it's working very well.

Frank J. Mitsch
Analyst, Fermium Research LLC

Q

That's very helpful. Thank you so much.

Operator: The next question comes from Hassan Ahmed from Alembic Global. Please go ahead.

Hassan I. Ahmed
Analyst, Alembic Global Advisors LLC

Q

Good morning, John, JF, and Tim.

John D. Romano
Co-Chief Executive Officer & Director, Tronox Holdings Plc

A

Good morning.

Hassan I. Ahmed
Analyst, Alembic Global Advisors LLC

Q

A question revisiting the market share question. Look, I mean, I understand that you're not actively out there trying to sort of gain market share in, call it, 2022. But just as I take a look at Q4, your volumes were down 4% sequentially, some of your larger competitors had a 10% sequential volume decline. Your guidance, looking for sort of single digit. Q1 sequential volume growth, again, seems to be better than some of your largest competitors out there. Now, in this world that we are living in with extreme sort of ore tightness, and from the sounds of it, this sort of tightness in ore supply will continue at least through 2022. Could this be a year where Tronox really breaks away from the pack? And again, I know that you guys aren't looking to gain market share, but just because of the industry dynamics, the way they are, and you guys being pretty much the only vertically integrated guys out there, I mean, is it fair to assume that you'll do far better than the industry volumes wise?

John D. Romano
Co-Chief Executive Officer & Director, Tronox Holdings Plc

A

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Look, so from – thanks for the question, Hassan. It's a valid point from the standpoint of our ability to source and produce TiO2 with the ore that we have through our vertical integration. And as we mentioned, we have the capability. We talked about it last quarter of adding 40,000 tons of additional capacity. A lot of that is actually going to come from Yanbu as part of the synergy projects that we had to the transaction that was planned to come on line. So to the extent we have the capability to add additional tons and we have the ore to do it, it's possible that we could pick up share, but it's absolutely not being done with price. It's being done with our ability to supply our customers' needs. We made reference to some of those longer term contracts because our customers see the value in the vertical integration and have signed agreements that are based on volume, which give us a good picture on where our market share is going to be well beyond 2022.

Hassan I. Ahmed
Analyst, Alembic Global Advisors LLC

Q

Understood. Understood. Very helpful. And as a follow-up, just a question around where you guys feel we are in the cycle. And, I mean, I was very intrigued by a statement you guys made in the call and also it's a part of the press release where you said that the 2021 earnings and the guidance that you guys have given does not represent a ceiling for your potential. So that leads me to believe that we are nowhere near the peak, maybe we are at mid-cycle, somewhere slightly above mid-cycle. And if that's the case, and I take a look at your guidance, your EPS guidance, $3.08 to $3.59. Us, lazy sell-sides, I mean we have a tendency of stopping a 10 times PE multiple onto that, right? So – if we are at mid-cycle levels. So from a valuation perspective, that would mean you guys are – should be somewhere between $31 and $36, which further leads me to believe you're very undervalued. So if you could just help me think through this.

Jean-François Turgeon
Co-Chief Executive Officer & Director, Tronox Holdings Plc

A

Look, I think, Hassan, what I would say is we're very confident with our outlook for 2022. And look, if you look at our track record over the last couple of years, you would see that I mean when we put a range, we deliver on that range. And I can tell you, John, Tim and the whole 6,500 employees are on board to continue to deliver value to our shareholders related to that.

John D. Romano
Co-Chief Executive Officer & Director, Tronox Holdings Plc

A

And when you think about where we are with regards to the economic environment, the reality is a lot of the supply chain disruptions have absolutely had an impact on elongating that process. So, there'll be – there is less inventory in the system. We're still trying to replenish the inventory. But it's not just about that, it's also about the cost reduction program. So when we think about when we say we still have a lot of runway, $150 to $200 a ton annualized run rate at the end of 2023, you can do the math [ph] on a nearly (00:47:06) 1.1 million tons. That's where we also see a lot of opportunity, is in our ability to differentiate ourselves through innovation using newTRON.

Jean-François Turgeon
Co-Chief Executive Officer & Director, Tronox Holdings Plc

A

Yeah. And newTRON also help us to grow with our customers. And I call it the Eden factory. It's really debottlenecking our asset. And as you do that, I mean, you obviously improve their cost per ton significantly.

Hassan I. Ahmed
Analyst, Alembic Global Advisors LLC

Q

Very helpful, guys. Thank you so much.

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Operator: Our next question comes from Jeffrey Zekauskas from JPMorgan. Please go ahead.

Jeffrey J. Zekauskas
Analyst, JPMorgan Securities LLC

Q

Thanks very much. In 2021, your SG&A expenses, at least as they're stated in the consolidated income statement, went from $347 million to $318 million. Why did they go down, if they went down? And what do you expect for 2022?

Timothy Craig Carlson
Chief Financial Officer & Senior Vice President, Tronox Holdings Plc

A

Hey, Jeff. It's Tim. Thanks for the question. We have been reducing SG&A. Majority of the reduction over the last couple of years was through the integration of the acquisition that we had with the Cristal transaction. As it relates to SG&A for 2022, we do expect that to be relatively flattish. We do have obviously inflationary cost pressures around labor and the like, but we do believe we can offset that with additional cost reductions. So relatively flattish off that $318 million.

Jean-François Turgeon
Co-Chief Executive Officer & Director, Tronox Holdings Plc

A

And some of the improvement, obviously, we expect to start traveling a little bit more in 2022 than what we have done in the last couple of year. So that's why even with the benefit of newTRON and some of the benefit, we offset that by higher travelling costs.

Jeffrey J. Zekauskas
Analyst, JPMorgan Securities LLC

Q

Okay. And early in the call, you talked about having more long-term contracts. Are those only volume related or is there a price component, or can you describe how the pricing of titanium dioxide for Tronox has changed over the past two or three years? Or is it the same in the way that you charge your customers?

John D. Romano
Co-Chief Executive Officer & Director, Tronox Holdings Plc

A

Yeah. Thanks, Jeff. So, this is John Romano. From the standpoint, we've talked for a number of years about our margin stability agreement.

Jeffrey J. Zekauskas
Analyst, JPMorgan Securities LLC

Q

Yeah.

John D. Romano
Co-Chief Executive Officer & Director, Tronox Holdings Plc

A

So let's be clear about the agreements that we signed in 2022, those were not margin stability agreements. Those were volume based agreements. And they were agreements that were put together because our customers wanted a long-term commitment for us, which was also good for them. Those don't have pricing limits in them. They have pricing mechanisms, but not limits to what pricing can do. So that those are market based pricing. Typically, our pricing on average, you could just say globally, it moves every quarter. We've got some margin stability agreements that have a little bit different mechanisms in them. But the agreements that we spoke about

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on this call, which are different than the MSA or the margin stability agreements that we have in place, they're based on volume and those volume contracts are multi-year.

Jeffrey J. Zekauskas
Analyst, JPMorgan Securities LLC

Q

Okay. Great. Thank you so much.

John D. Romano
Co-Chief Executive Officer & Director, Tronox Holdings Plc

A

Thank you.

Operator: The next question comes from Matt DeYoe from Bank of America. Please go ahead.

Matthew DeYoe
Analyst, BofA Securities, Inc.

Q

Thank you. So I think like an annual year worth of inflation is something like $40 million in cost, and on the 3Q call, you'd mentioned that would probably double in 2022, just given chlorine and South African electricity prices. But where is that shaking out now? And – yeah, I'll start there.

Timothy Craig Carlson
Chief Financial Officer & Senior Vice President, Tronox Holdings Plc

A

Yeah. So, Matt, from a cost standpoint, costs are up [ph] $21 million to $22 million (00:51:11) much more than that, just given the energy prices are much higher than inflation. Sulfuric acid, sulfur price is much higher than inflation. So, we are seeing year-on-year cost increases for process chems in energy north of $100 million, offset by obviously the pricing that John talked about, which is going to allow us to continue to expand margins.

Matthew DeYoe
Analyst, BofA Securities, Inc.

Q

And so, if I think about your costs from 4Q, you said they were elevated in the quarter, but they are already alleviating in 1Q. Look, I can see a price curve for natural gas in Europe, and so I know it spiked in December and has come off. Is that what you're kind of referring to? Because price [ph] as your (00:52:04) costs are still really elevated on a historic basis. So is it just you kind of thinking price will stay at these new levels and then lower quarter-over-quarter or do you expect a more seasonal pullback in maybe utility costs as we move through the years?

Timothy Craig Carlson
Chief Financial Officer & Senior Vice President, Tronox Holdings Plc

A

Matt, it's a combination of a number of factors. There are a number of costs within our stack that are actually down slightly from a process chem standpoint, but the bigger increases that we talked about in terms of natural gas is exactly moderating as you mentioned. But we still consider – continue to see the increases around petcoke and the like and sulfur and the like. And in addition to that, with our higher production in Q1 versus Q4, our overhead costs per ton are coming down.

Matthew DeYoe
Analyst, BofA Securities, Inc.

Q

Understood. Thank you.

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Operator: The next question comes from Vincent Andrews from Morgan Stanley. Please go ahead.

William Tang
Analyst, Morgan Stanley

Q

Hi, guys. This is Will Tang on for Vincent. Thanks for taking my questions. I'm wondering if you guys could talk about what you're seeing in terms of the local TiO2 supply and demand dynamics in China. Are you still seeing kind of a significant production impact due to the environmental controls there?

John D. Romano
Co-Chief Executive Officer & Director, Tronox Holdings Plc

A

Yeah. So, I would say we have a facility over there. Our facility has not been impacted, but there are still some facilities that have been impacted these dual energy control policies. When you think about the demand in China, moving out of the fourth quarter into the first quarter, you're always running into Chinese New Year, and this year, the Olympics I would say had a little bit more of a dampening effect on demand. Chinese New Year is over. The Olympics will be over over the weekend, and we've already started to see volumes pick back up. So if you think about how much demand grew from 2020 to 2021, it was about 800,000 tons, obviously, off a slow base or a low base in 2020. China is continuing to produce, but no more than what we would have expected and in line with the production output that we had actually anticipated.

Jean-François Turgeon
Co-Chief Executive Officer & Director, Tronox Holdings Plc

A

And Will, one thing I'd add is what we have seen in China is the production of ore has been more impacted by the environmental impact than the production of pigment itself. I think that now they're looking at the impact that some of those mines have and the legacy implications of that, and they force those mines to put better practice and that create price increase, and we see that the ore price in China is at the high level and will remain at the high level and limit really the production in China.

John D. Romano
Co-Chief Executive Officer & Director, Tronox Holdings Plc

A

It's a great point. I mean, JF, as recently as this month, the [indiscernible] (00:55:04) ilmenite index went up again, along with sulfur. So there are still challenges there.

Jean-François Turgeon
Co-Chief Executive Officer & Director, Tronox Holdings Plc

A

So that create a situation where the pigment price in China has to be sold at high value.

William Tang
Analyst, Morgan Stanley

Q

Got it. Thank you. And then I guess just when looking at your full-year guidance, I'm wondering whether the higher or low end [ph] of that (00:55:29) kind of an EBITDA range really hinges on where the costs come in, or I guess what are the other volume and price-related assumptions kind of built in there?

Timothy Craig Carlson
Chief Financial Officer & Senior Vice President, Tronox Holdings Plc

A

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Yeah. So from my perspective, Will, the range in the guidance is really dependent not so much on cost, just given our ability to pass through price to customers. But it's more in terms of how much volume that we can get out of our plants. We talk about additional 40,000 tons this year. It's possible to do more. And if things happen, it could be a bit less.

John D. Romano
Co-Chief Executive Officer & Director, Tronox Holdings Plc
A

It's hard to say if you consider all the disruptions we had in 2021 that we wouldn't have anticipated. I think what Tim is alluding to is that it depends on what happens. A lot of that, I would say, would be things that maybe a little more out of our control than in our control with regard to some of the supply issues.

Timothy Craig Carlson
Chief Financial Officer & Senior Vice President, Tronox Holdings Plc
A

So, we're capable of doing more than 40,000 tons next year if all things go well. But right now, we're planning on 40,000 tons.

William Tang
Analyst, Morgan Stanley
Q

Got it. Thank you.

Operator: The next question comes from Duffy Fischer from Barclays. Please go ahead.

Duffy Fischer
Analyst, Barclays Capital, Inc.
Q

Yeah. Good morning. Just to clarify that because I think you've said it a couple of different ways, that 40,000 ton increase 2021 to 2022, is that what you think you can produce more this year or that's what you think you can sell more this year? And if it's the first, produce more, what will that do to optimal sales if the demand is there, if you run well, when you think about good stuff come out of inventory last year, was there some sales in December that got pushed into January? What does that 40,000 number push forward to into a sales volume number if all goes well?

John D. Romano
Co-Chief Executive Officer & Director, Tronox Holdings Plc
A

Yeah. It's a great question. And I guess from the standpoint of – we mentioned earlier in the call that our service levels aren't where they need to be. We do have a working capital built into the numbers in 2022. So will we sell all of that 40,000 tons that we produce? The objective would be our customers would love to have it, but we need to build some of that supply chain. So I would expect a portion of that would actually go to replenish inventory so that we can improve our service levels. JF?

Jean-François Turgeon
Co-Chief Executive Officer & Director, Tronox Holdings Plc
A

No, that's absolutely right. And I think Duffy, Tim explained that sometimes you have things outside of your control that could affect slightly more production out of all those nine plants or slightly less. At the moment, we feel very confident about the 40,000 tons, but...

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John D. Romano
Co-Chief Executive Officer & Director, Tronox Holdings Plc

A

And the range we provided.

Jean-François Turgeon
Co-Chief Executive Officer & Director, Tronox Holdings Plc

A

And the range, that's right.

Duffy Fischer
Analyst, Barclays Capital, Inc.

Q

Fair enough. And then, with the mining projects you have underway, if you look out, let's say, three years from now, how much more and/or less would you have of iron ore byproducts and zircon byproducts to sell once these projects are done?

Jean-François Turgeon
Co-Chief Executive Officer & Director, Tronox Holdings Plc

A

Well, remember, I talked about at Atlas Campaspe being a new mine. And like any new mine in the first year of production, you're in the high grade zone as opposed to an end of the life mine like Ginkgo and Snapper. So we expect that when Atlas Campaspe is in full operation, which would be 2023, we will get slightly more natural rutile and zircon than what we will get in 2022, and that would carry on to 2024. And that's why we're starting to invest in some of our mine in South Africa, so by 2024 and 2025, we could maintain the 85% vertical integration because, obviously, we're growing our TiO2 production, so we need to grow our feedstock to be in line to maintain the cost advantage that this gave us. But we're very lucky with our mining asset because we have great reserve and we also have very important resource that we could transfer – well, convert into reserve as needed. And that's why knowing how the market is strong at the moment and how tight is the feedstock, we're preparing ourselves to be in a good position for the future.

Duffy Fischer
Analyst, Barclays Capital, Inc.

Q

Terrific. Thank you, guys.

Operator: The next question comes from Roger Spitz from Bank of America. Please go ahead.

Roger Spitz
Analyst, BofA Securities, Inc.

Q

Thanks very much. I wonder if you can give us a sense of what 2023 CapEx looks like or maybe talk about are there any material CapEx additional amounts to be spent in 2023 for Atlas Campaspe or what is Fairbreeze and Namakwa look like for 2023.

Timothy Craig Carlson
Chief Financial Officer & Senior Vice President, Tronox Holdings Plc

A

Hey, Roger, it's Tim. Atlas Campaspe will go live this summer, our summer.

Roger Spitz
Analyst, BofA Securities, Inc.

Q

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Right.

Timothy Craig Carlson
Chief Financial Officer & Senior Vice President, Tronox Holdings Plc

A

And as a result, there'll be no spend next year. However, we will invest in our South African mines, as JF talked about, [ph] that will pull in (01:00:52) those forward. So, I would expect a similar capital number of $375 million to $400 million next year, with that ramping down a little bit when we finalize newTRON in 2023 into 2024.

Roger Spitz
Analyst, BofA Securities, Inc.

Q

Perfect. And can you give – you talked about significant new volume contracts. Can you tell us what percent of your total volumes here are under contract? I mean, how is it different from where you were in 2021 in terms of TiO2 pigment sold under contract?

John D. Romano
Co-Chief Executive Officer & Director, Tronox Holdings Plc

A

Yeah, Roger. So what I can – what I'll say is that we were able to secure long-term volume contracts and that was in every region, and I would say we, more so in Asia Pacific, picked up a lot more contracts than we would have historically. We've never really disclosed a lot of detail about what percentage of our volume is under contract. But what I can say at this particular stage is that the volume contracts we have in place that are long-term multi-year agreements are now well above 50% of our volume. And it's going to allow us to make sure – to confirm and hold our market share well beyond 2022.

Roger Spitz
Analyst, BofA Securities, Inc.

Q

Got it. Meaning something well below 50% is sold on spot in [ph] 2020 (01:02:12).

John D. Romano
Co-Chief Executive Officer & Director, Tronox Holdings Plc

A

[indiscernible] (01:02:13). I would say nothing's really on spot...

Roger Spitz
Analyst, BofA Securities, Inc.

Q

Yeah.

John D. Romano
Co-Chief Executive Officer & Director, Tronox Holdings Plc

A

...at this particular stage. There's different types of agreements that may not be as long term, but like it's a significant amount, beyond 50% that's now multi-year, and a lot of that volume got contracted in 2021.

Roger Spitz
Analyst, BofA Securities, Inc.

Q

Got it. Short-term contracts. All right. Thanks very much.

Operator: The next question is a follow-up from John McNulty from BMO Capital Markets. Please go ahead.

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John McNulty
Analyst, BMO Capital Markets Corp.

Q

Yeah. Just two of them. So the value stabilization contracts that you had in place historically, and that was kind of a program that you were pushing forward, I guess can you give us some clarity as to how much of your volume is committed to those where the pricing will go off with collars around them or what have you versus what will be a little bit more fluid with whatever the market moves out? Is there a way to think about that? And then a second question would just be it sounds like Jazan is heavily on track. I think when you originally gave forecast for what the earnings power from one furnace and two furnaces would be, you had ore prices that were noticeably lower than where they are now. I guess, can you give us an update as to how we should think about the economics of that on kind of a run rate basis when Furnace 1 is up and then when potentially Furnace 2 gets up as well?

John D. Romano
Co-Chief Executive Officer & Director, Tronox Holdings Plc

A

Yeah, John. So I'll take the first one, and I'll let JF take the second one. So from the standpoint of our contracts and how they're broken down, again, we haven't provided a lot of detail around margin stability agreements. That's actually our – it's MSA not BSA. It's significantly less than we have on the long-term contracts that are volume based. So when you think about the cadence and how our pricing has moved through the last four quarters, we expect to continue to see that movement actually in the first quarter of 2021 – or 2022. We had some of those MSAs that actually reset in January, which actually was a benefit for us, but the majority of our volume contracts when you think about that as a comparison to our MSAs, we have the ability to move price with the market. JF, do you want to touch on Jazan?

Jean-François Turgeon
Co-Chief Executive Officer & Director, Tronox Holdings Plc

A

Yeah. I think John wants to be more on the financial of Jazan. So, Tim, you want to?

Timothy Craig Carlson
Chief Financial Officer & Senior Vice President, Tronox Holdings Plc

A

Yeah, be happy to. John, just as a reminder, as one furnace operates at not full capacity, but normal capacity, 80%, 90%, for a full year, it's worth about $75 million of EBITDA for one furnace. Obviously, that assumes full operational for a year, and the time and ramp of the second furnace has not yet been fully finalized yet.

John McNulty
Analyst, BMO Capital Markets Corp.

Q

Great. Thanks very much for the color. I appreciate it.

Operator: Ladies and gentlemen, that was the last question in the queue. This concludes our question-and-answer session. I would like to turn the conference back over to John Romano for any closing remarks.

John D. Romano
Co-Chief Executive Officer & Director, Tronox Holdings Plc

Thank you. And we appreciate all of you joining the call today. Hope you got from the comments that we made that we're extremely excited about where the company is headed in 2022 and the value we have and will continue to create for our shareholders. So thank you everybody for joining the call this morning, and have a great day.

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Operator: The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.

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