

31-Jul-2025

# Tronox Holdings Plc (TROX)

Q2 2025 Earnings Call

## CORPORATE PARTICIPANTS

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**John D. Romano**

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**D. John Srivisal**

*Senior Vice President & Chief Financial Officer, Tronox Holdings Plc*

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## OTHER PARTICIPANTS

**David Begleiter**

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*Analyst, Truist Securities, Inc.*

**John Roberts**

*Analyst, Mizuho Securities USA LLC*

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## MANAGEMENT DISCUSSION SECTION

**Operator:** Good morning and welcome to the Tronox Holdings plc Q2 2025 Earnings Conference Call. All participants will be in a listen-only mode until the question-and-answer session begins. Following the presentation, we will conduct the question-and-answer session. This call is being recorded. If you have any objections, please disconnect at this time.

I would now like to turn the call over to our host Jennifer Guenther, Chief Sustainability Officer, Head of Investor Relations and External Affairs. Please go ahead.

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### Jennifer Guenther

*Chief Sustainability Officer & Head-Investor Relations & External Affairs, Tronox Holdings Plc*

Thank you and welcome to our second quarter 2025 conference call and webcast. Turning to slide 2, on our call today are John Romano, Chief Executive Officer; and John Srivisal, Senior Vice President, Chief Financial Officer. We will be using slides as we move through today's call. You can access the presentation on our website at [investor.tronox.com](http://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 filings. This information represents our best judgment based on what we know today. However, actual results may vary based on these 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.

It is now my pleasure to turn the call over to John Romano. John?

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### John D. Romano

*Chief Executive Officer & Director, Tronox Holdings Plc*

Thanks, Jennifer, and good morning, everyone. We'll begin this morning on slide 4 with some key messages from the quarter. Our second quarter was impacted by weaker demand across most of our end markets and this resulted in softer than anticipated coating seasons and highlighted competitive – heightened competitive dynamics across our key end markets.

Volumes in Q2 were 2% lower sequentially and 11% lower year-over-year, reflecting weaker than usual seasonality. Broader macroeconomic pressures included elevated interest rates and tariff-related uncertainties, continued to weigh on customer discretionary spending, while home sales and construction activity remained subdued. Additionally, delays in Brazil's anti-dumping investigation enabled Chinese producers to exploit the gap between the expiration of provisional duties in April and final duties, which we still anticipate by the beginning of Q4.

We are encouraged by our early sales momentum in India following the implementation of duties in May. Our advantaged position in India through the Australia-India Free Trade Agreement, coupled with the duties against Chinese imports, presents a significant opportunity for sales volume growth in a fast-growing economy, where per capita TiO<sub>2</sub> consumption is low compared to other developing economies. In response to the prolonged weakness in the market, we are executing a disciplined strategy to manage the downturn and optimize earnings and cash.

Operationally, our costs are in line with expectations. The cost improvement program is progressing ahead of plan and is proving essential in mitigating both raw material and operational pressures. We remain confident in our ability to deliver \$125 million to \$175 million in sustainable run rate savings by the end of 2026. The idling of our Botlek facility was not a decision we took lightly, but it was the right decision and our cost have improved as a result.

Beyond these measures, we are continuing to evaluate all available levers to strengthen our operational foundation, bolster liquidity, and reinforce our role as a strategic global supplier to our customers. This includes intensifying our focus on our commercial strategy, further reducing capital expenditures, and adjusting the dividend to ensure sustained financial strength and long-term shareholder value.

I'll speak to these actions in more detail a little bit later in the call, but for now, I'll turn the call over to John to review our financials from the quarter in more detail. John?

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## D. John Srivisal

*Senior Vice President & Chief Financial Officer, Tronox Holdings Plc*

Thank you, John. Turning to slide 5. We generated revenue of \$731 million, a decrease of 11% versus the prior year's second quarter, driven by lower sales volumes and unfavorable Zircon pricing. Loss from operations was \$35 million in the quarter and we reported a net loss of \$84 million, including \$39 million of restructuring and other charges that were primarily related to the idling of Botlek.

While our loss before tax was \$81 million, our tax expense was \$4 million in the quarter as we do not realize tax benefits in jurisdictions where we are incurring losses. Adjusted diluted earnings per share was a loss of \$0.28. Adjusted EBITDA in the quarter was \$93 million, and our adjusted EBITDA margin was 12.7%. Free cash flow was a use of \$55 million, including \$83 million of capital expenditures.

Now, let's move to the next slide for a review of our commercial performance. As John covered earlier, in the second quarter, we saw a challenged demand environment, including heightened competition, putting pressure on TiO<sub>2</sub> and Zircon sales. TiO<sub>2</sub> revenues decreased 10% versus the year ago quarter, driven by 11% decrease in sales volume, partially offset by a 1% favorable exchange rate impact. Price mix was flat in the quarter. Sequentially, TiO<sub>2</sub> revenues increased 1%, driven by a 1% increase in average selling prices, including mix and a 2% favorable FX impact from the euro. This is partially offset by volume declines of 2%.

Zircon revenues decreased 20% compared to the prior year, driven by a 10% decrease in both sales volumes and price, including mix, driven by continued weakness primarily in China. Sequentially, Zircon revenues decreased 1%, driven by a 2% decrease in price, including mix, partially offset by a 1% increase in volumes. Revenue from other products decreased 7% compared to the prior year and 11% versus the prior quarter, primarily due to lower sales volumes of pig iron.

Turning to next slide, I will now review our operating performance for the quarter. Our adjusted EBITDA of \$93 million represents a 42% decline year-on-year driven by higher production costs, unfavorable commercial impacts, and higher freight costs. This was partially offset by exchange rate tailwinds and SG&A savings.

Production costs were unfavorable by \$28 million compared to the prior year. This was due to increased direct material costs, higher mining costs and headwinds on pigment production costs, primarily driven by the high-cost tons produced in Botlek in the first quarter as we had expected.

Sequentially, adjusted EBITDA declined 17%. Higher production costs, lower TiO<sub>2</sub> sales volumes and higher freight costs were partially offset by favorable average selling prices, including mixes, favorable exchange rate movements, and SG&A savings. Compared to Q1, production costs were a \$20 million headwind driven by higher cost tons produced in Q1 and sold in Q2 as expected and communicated on our last earnings call. Additionally, we received non-repeating insurance proceeds in Q1 related to the 2023 Botlek supplier outage.

Turning to the next slide. We ended the quarter with total debt of \$3.1 billion, net debt of \$2.9 billion. Our net leverage ratio at the end of June was 6.1 times on a trailing 12-month basis. Our weighted average interest rate in Q2 was 5.8% and we maintained interest rate swaps such that approximately 68% of our interest rates are fixed through 2028. Importantly, our next significant debt maturity is not until 2029. We do not have any financial covenants on our term loans or bonds.

Liquidity as of June 30 was a strong \$397 million, including \$132 million in cash and cash equivalents that are well distributed across the globe. We are proactively managing the balance sheet to bolster our liquidity position and towards that end, this month we entered into an inventory financing program that provides us with an additional \$50 million of liquidity. I remain confident in our financial position and ability to weather an extended downturn.

Working capital was relatively flat to the quarter, excluding \$25 million of restructuring payments related to the idling of our Botlek site. The increase in inventories in the quarter was largely offset by a decrease in accounts receivable. Our capital expenditures totaled \$83 million in the quarter, with approximately 56% allocated to maintenance and safety, and 44% almost exclusively dedicated to the mining extensions in South Africa to sustain our integrated cost advantage. We returned \$20 million to shareholders in the form of dividends in the second quarter.

With that, I'll hand it back to John.

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## John D. Romano

*Chief Executive Officer & Director, Tronox Holdings Plc*

Thanks, John. I spoke earlier about our strategic actions that are well underway, the cost improvement program, the idling of our Botlek facility, and further capital expenditure reductions, that will help strengthen our position in this challenged macroenvironment. As this extended lower cycle demand environment continues, we are meeting the challenge by pulling on all the additional levers within our control. We are selectively adjusting operating rates to reduce inventory and improve working capital and free cash flow. This process utilizes our vertical integration to prioritize sites that offer greater flexibility to ramp up and down efficiently, and optimizes our ore blend to balance the trade-off between cash flow and EBITDA.

On the commercial side, we're developing targeted initiatives and evaluating further strategic sales of other products. As it relates to our capital allocation and cash position, we are scaling back further on capital expenditures while preserving critical investments in our assets to ensure safe, reliable operations. And our Board

of Directors declared a \$0.05 per share dividend for the third quarter, a reduction of 60% to align with the current macroenvironment.

In this lower cycle demand environment, we are focused on maintaining our market leadership, improving top line performance, optimizing our global footprint, improving costs, bolstering our liquidity and enhancing our financial flexibility. We are confident that this is the right strategy to weather the current macroenvironment and emerge as an even stronger competitor that will deliver sustained value for our shareholders.

Given the slowdown from both a macro and an industry perspective, we have updated our 2025 financial outlook. Our outlook is based on what we know today, taking into consideration a multiple of economic factors, as well as data and conversations from and with our customers. We now expect 2025 revenue to be \$3 billion to \$3.1 billion. Adjusted EBITDA is expected to be \$410 million to \$460 million. These ranges assume lower pigment and Zircon volumes than previously expected given the revision downward in global GDP for the year and revised estimates from our customers of a weaker second half than previously anticipated.

However, we are assuming pigment volumes improve slightly in the second half as we are focused on executing on our commercial strategy to maintain and grow market share in targeted regions. As highlighted earlier, we continue to see strong momentum in India, aided by anti-dumping duties in place in May. We are developing additional opportunities for growth in our other products revenue stream in the second half of the year that we expect will provide incremental earnings similar to the sales we've executed in previous years.

Our guidance also assumes that our cost profile improves as we execute on our cost improvement strategy in the second half of the year. With the slowdown in demand, we will not work through the higher cost inventory as quickly as we previously anticipated, but we should see a step change in our costs in Q4 as a result of the good work our team is doing to take costs out of the business.

We are well ahead of our sustainable cost improvement program and we expect to exit the year with nearly double the cost savings than previously targeted. Additionally, as our mining projects are commissioned, they will begin to produce lower cost feedstock material that will flow through the business beginning in late Q4 and are expected to drive year-over-year cost benefits in 2026.

With regards to cash, we expect the following for the year. Net cash interest of approximately \$150 million. Net cash taxes of less than \$10 million as the capital expenditures for projects in South Africa are deductible. Working capital to be a use of \$70 million to \$90 million, and we further reduce capital expenditures to be less than \$330 million or \$65 million lower than our original guide. We now expect free cash flow to be a use of \$100 million to \$170 million.

We are unwavering in our commitment to improving our cash position. While the macro piece is out of our direct control, we will focus on controlling how we respond. We will continue to take decisive action and have ample levers at our disposal to ensure sufficient liquidity under any conceivable scenario.

Turning to the next slide, I will review how adjusted our capital allocation strategy to align with the current environment. As I mentioned earlier, we further reduced capital expenditures. Investing in our business remains critical to running safe, reliable operations, that we are pausing or delaying investments where it's economically feasible and safe to do so. Additionally, we announced that we reduced our dividend for the third quarter by 60%. This adjustment will provide enhanced balance sheet flexibility.

We will reevaluate as the market recovers to ensure we continue to target a competitive dividend yield. Debt paydown remains a priority for Tronox in the medium- and long-term as we resume positive free cash flow. Tronox is well-positioned to navigate through this economic downturn. We firmly believe that the actions we're taking will further strengthen our business to ensure ample liquidity and solidify our position as the preferred strategic global supplier for our customers. I'm confident in Tronox's future and remain committed to delivering value for shareholders.

That will conclude our prepared remarks. We'll now move to the Q&A portion of the call, so I'll turn the call back over to the operator to facilitate that. Operator?

## QUESTION AND ANSWER SECTION

**Operator:** Thank you. We will now begin the question-and-answer session. [Operator Instructions] We will now take a minute for the queue to roster. Our first question comes from David Begleiter from Deutsche Bank. David, you may unmute your line and ask your question. Thank you.

**David Begleiter**  
*Analyst, Deutsche Bank Securities, Inc.*

Hi, can you hear me?

**D. John Srivisal**  
*Senior Vice President & Chief Financial Officer, Tronox Holdings Plc*

Yes.

**Operator:** Yes.

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

Thanks, David. Hello.

**David Begleiter**  
*Analyst, Deutsche Bank Securities, Inc.*

Good morning. John, just looking for your guidance, what are the various drivers and variables that will determine whether you come at the higher end or lower end of the \$410 million to \$460 million range?

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

Thanks for the question, David. So largely, as you know, not dissimilar to what happened, I guess, in the second quarter, a lot of it's going to be based on volume and price. And when we think about that guide, we're not projecting to have any significant bump in volume. There's a little bit of a move in the second half of the year, and that's largely based on some targeted gains that we believe we're going to get in India. That's a market that we continued to see positive growth in.

As I mentioned on the call, there is some competitive activity out there in Europe. We saw a bit of a -- it wasn't as if we saw a significant drop, but there was some competitive activity there. So where we had price increases in

the second quarter, some of that's going to reverse. So some of the pricing that we had forecasted in the second half of the year is not going to come in and we're actually seeing some erosion in price. So I'd say largely when we think about the EBITDA guide, it's the price and volume. And there is some active piece of that that's attached to slowing our production down as well.

As we mentioned, we have pulled back some on production, and we're doing that in a more – in a thoughtful way to manage both cash and EBITDA. But we're balancing our sales profile to make sure it's in line with production, or vice versa, balancing production to make sure it's in line with sales.

**David Begleiter**

*Analyst, Deutsche Bank Securities, Inc.*

Very good. And quickly, do you have an update on your rare earths activities?

**John D. Romano**

*Chief Executive Officer & Director, Tronox Holdings Plc*

Yeah. Look, so the rare earth is something that we're continuing to work on. I mean, there'll be a capital piece of that that will come later, and right now it's not part of our capital allocation strategy. But we are continuing to work on that. I made reference to some sales of other products in the back half of the year and part of that has to do with our rare earth opportunity that we've developed along with some other products. So it's a big buzzword right now. And as we think about our capability to continue to feed the elements that go into that equation, largely monazite, and then, neodymium and praseodymium, that's something we're continuing to work on, and there is an element of that in the fourth quarter.

**David Begleiter**

*Analyst, Deutsche Bank Securities, Inc.*

Thank you.

**Operator:** Our next question comes from Peter Osterland. Peter, please press star six to unmute your line and ask your question. Thank you.

**John D. Romano**

*Chief Executive Officer & Director, Tronox Holdings Plc*

Peter, you there?

**Operator:** And once again, Peter, that's star six. Thank you.

**Peter Osterland**

*Analyst, Truist Securities, Inc.*

Hi. Can you hear me?

**Operator:** Yes, we can hear you. Thank you, Peter.

**John D. Romano**

*Chief Executive Officer & Director, Tronox Holdings Plc*

Yeah.



**Peter Osterland**

*Analyst, Truist Securities, Inc.*

Q

Thank you. Good morning, everyone. Just wanted to start with the 2% sequential decline for TiO2 volumes that you saw in the quarter. Could you break out what you believe the growth rate was for underlying demand quarter-over-quarter? And how much of the decline you realized was driven by market share?

**John D. Romano**

*Chief Executive Officer & Director, Tronox Holdings Plc*

A

Yeah. So, North America is normally where we have a, I'd say, that's the northern hemisphere is where the big coating season comes in. And in North America, we did see some uptick in volume, but it was not in line with the normal coating season. So, again, I think a lot of that had to do with, I don't believe we had market share loss in North America. That was just largely driven by a muted coating season, because we were up slightly in North America, 2% to 3%.

In Europe, Middle East and Africa, there were some volume decline. Part of that was the market actually wasn't as robust as it was in the first quarter. So it kind of slowed down. And I think there is some element of the macroeconomic environment along with some of the tariff issues that probably weighed on some people's decision to pull down inventory. There was an element of competitive activity there. As I mentioned, we raised prices in the second quarter and there were some competitors that pulled back for volume in that region. So Europe, Middle East and Africa was down a bit.

Asia-Pacific was actually up, up pretty much in line with what we expected. And that was largely driven in India because there were other areas where we saw some volume decline. But India was a big push in Asia-Pacific. Latin America was flat, but [ph] probably (00:20:41) it was down a bit from what we expected. And that had a lot to do with some of the delays in the final duties going into place where we thought they were going to come in earlier in the third quarter. It looks like they're going to come in towards the back end of the third quarter now. Hopefully, that adds to the color you were looking for.

**Peter Osterland**

*Analyst, Truist Securities, Inc.*

Q

Yes, very helpful. Thank you. And then just as a follow up, I wanted to get some color on the new reductions to your CapEx forecast. Just given that some of the mining cost headwinds you've had this year were driven in part by delaying some capital investments in the past, I guess. Could you just talk a little more about what you're cutting back on this year and maybe what you might be sacrificing in terms of future efficiencies as a result?

**John D. Romano**

*Chief Executive Officer & Director, Tronox Holdings Plc*

A

Maybe I'll start, and then I'll let John make a comment. So it's a big – the mining investments that we had in Fairbreeze and East OFS are still on track. Fairbreeze is now up and running. So the money that we spent on Fairbreeze that – Fairbreeze is the new mine is being commissioned. East OFS will come online in November and that's still on track. So the capital reductions that we were looking at were not directed to those strategic investments. As John mentioned, 44% of the capital in the quarter was actually strategic and almost all of that was exclusively in the mining. John?

**D. John Srivisal**

*Senior Vice President & Chief Financial Officer, Tronox Holdings Plc*

A

Yeah. So we've been reducing, obviously, as we've gone across the year from a range of \$375 million to \$395 million, when we first gave guide earlier this year, down to \$330 million. So a pretty significant reduction and it really has been in the discretionary areas. So while we believe our very high-return capital projects, we put them on hold right now just to manage cash. So of the \$330 million that we have now, \$15 million relates to capitalized interest and as John mentioned, \$135 million relates to the two very strategic South African mining projects. So, we do have about \$180 million left there. And as we've mentioned, about \$151.75 million is from a maintenance perspective.

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**Peter Osterland***Analyst, Truist Securities, Inc.*

That's very helpful. Thank you.

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**Operator:** Our next question comes from Fabian Jimenez at Mizuho. Fabian, please press star six to unmute your line. Thank you.

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**John Roberts***Analyst, Mizuho Securities USA LLC*

This is John Roberts. Could you elaborate on the repositioning of inventory that increased your freight costs and why are bulk shipments higher cost for freight? I would think that bulk is lower-cost freight than non-bulk.

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

Yeah. So thanks, John. So some of that was repositioning inventory attached to the closure of Botlek. So we repositioned inventory to make sure that we had volume available to offset as we drew down the Botlek inventory. So that was a piece of it. There's also a piece around our mining group. So, as you know, there's lots of discussion around tariffs and we repositioned a fair amount of our pig iron out of South Africa into the US ahead of that. So those were the two primary pieces that had to do with freight. And you're right, bulk shipping is cheaper, but there was a mixture of container and we ship Zircon by bulk. I mean, I'm sorry, we shipped the pig iron by bulk.

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**D. John Srivisal***Senior Vice President & Chief Financial Officer, Tronox Holdings Plc*

And one other thing to a lesser extent was, as John mentioned in his prepared comments, just due to our business planning process and taking advantage of a vertical integration, we did move our feedstock around a bit to different plants. So that resulted in a slightly larger cost on freight, but obviously an overall benefit.

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**John Roberts***Analyst, Mizuho Securities USA LLC*

And then the higher second half other product sales, you mentioned there might be some rare earth-related products there, but will the bulk of that be ore that you'll be selling in the second half?

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

We're not going to go and – what I can say is that this is not an ore in the form of slag or anything like that. These are – historically, we've had other product sales. They've been more attached to tailings. We're continuing to

progress our strategy around rare earth. So there's a rare earth element attached to that. But this is not selling feedstock in the market.

**John Roberts***Analyst, Mizuho Securities USA LLC*

Okay. Thank you.

Q

**Operator:** Our next question comes from Josh Spector with UBS. Josh, please unmute your line and ask your question.

**Joshua Spector***Analyst, UBS Securities LLC*

Hi, good morning. I just wanted to ask on free cash flow and specifically working capital. I think, John, in your earlier comments, you said you're matching production to demand. I wasn't sure if that was the pigment or the mining side. And just wondering kind of what flexibility you have there, when you might take the initiative to reduce mining production to address working capital at the expense of EBITDA or how you're thinking about that tradeoff over the next six to nine months. Thanks.

Q

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

Yeah, thanks for your question, Josh. And so the short answer is we are looking at the mining side as well. There's a little bit more work that goes into making adjustments on that side of it. But it's the mining, it's the smelters that we upgrade the materials. So largely the inventory reduction we're talking to right now when we made reference to adjusting production to sales is attached to the TiO2 side of the business. But as I mentioned in the prepared comments, everything is on the table now, and we're looking at all of that. We're trying to use our vertical integration to make sure we manage that balance between cash and EBITDA.

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**D. John Srivisal***Senior Vice President & Chief Financial Officer, Tronox Holdings Plc*

And if you take a look at our working capital, both our working capital and our free cash flow, we do expect to generate cash from both in the second half of the year. They primarily do the reasons that John had mentioned from bringing our production, which impacts more heavily in the second half as we did build inventory in the first half of the year. So seeing inventory come down. Additionally, the cost improvement program will help our inventory as well as it will be lower cost inventory that we're going to place on the balance sheet ultimately to be sold. And then the other big drivers of working capital relate just to active management of the other working capital, AR and AP.

A

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

I think it's worth maybe just a little bit more color on the cost improvement program, because when we announced that program, it was \$125 million to \$175 million run rate by the end of 2026. And we had a target of \$25 million to \$35 million run rate by the end of 2025. As I mentioned in the prepared comments, we are well above that. More than double that at this stage, and we're making great progress on that. And a lot of that will, as we get into – there is some EBITDA impact in the fourth quarter, but most of that will be working its way into the production process and through the balance sheet as we get into 2026. But we have a high level of confidence in what our

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teams are doing at every one of our sites to look at creative ways to pull cost out. And we're well ahead of where we thought we would be and have high expectations that we'll exceed those targets.

**Joshua Spector**

*Analyst, UBS Securities LLC*

Q

I appreciate all that. And I guess if I could just follow up quickly, I mean this might be too tough to answer. But if we go sideways from here, is working capital a tailwind next year or is it still a headwind based on how you're producing?

**John D. Romano**

*Chief Executive Officer & Director, Tronox Holdings Plc*

A

Well, if we go sideways from here, we'll continue to match production with sales. So the TiO<sub>2</sub> would not be an increase. And that becomes the question on the mining side of it, how we manage that, right? So that's the work we're still managing through right now. But suffice it to say that we're looking at mining as well.

**D. John Srivisal**

*Senior Vice President & Chief Financial Officer, Tronox Holdings Plc*

A

Right. We do have additional levers that we can take right now based on what we see the market outlook and using the value of our vertical integration. We think it's appropriate at this point.

**John D. Romano**

*Chief Executive Officer & Director, Tronox Holdings Plc*

A

And the adjustments we made to production are not the same order of magnitude EBITDA impact as they were in this last downturn, because we're looking at sites that can be flexed more efficiently. And to John's point, we reposition some ore to make sure that we had the right ore blends to optimize cash and EBITDA.

**Joshua Spector**

*Analyst, UBS Securities LLC*

Q

Thank you.

**John D. Romano**

*Chief Executive Officer & Director, Tronox Holdings Plc*

A

Thanks, Josh.

**Operator:** Our next question comes from Jeff Zekauskas at JPMorgan. Jeff, please press star six to unmute your line and ask your question. Thank you.

**Jeffrey J. Zekauskas**

*Analyst, JPMorgan Securities LLC*

Q

Thanks very much. I think your EBITDA guide is \$410 million to \$460 million for this year and you did \$205 million in the first half and \$93 million in the second quarter. So in order to reach the bottom of your guide, you've got to do \$102 million or \$103 million on average for the next two quarters. And to reach top of your guide, you need to do \$127.5 million. In general, the fourth quarter is usually a seasonally light quarter. What is it about the third and fourth quarter in EBITDA terms that might lead you to earn more than you did in the second? And that if you earn at the second quarter rate, I think you get to something like [ph] \$390 million (00:30:26).

**John D. Romano**

*Chief Executive Officer & Director, Tronox Holdings Plc*

A

Thanks, Jeff. So when we think about Q2 to Q3, you should think flat up or down a little bit. It's not going to be a huge lift and the big – the fourth quarter impact. And we mentioned this other opportunity that we're working on, historically, we have – in the past, we've had these other product sales and that is likely to come in the fourth quarter. And that is the piece that we'll have a swing in that number in the fourth quarter. John?

**D. John Srivisal**

*Senior Vice President & Chief Financial Officer, Tronox Holdings Plc*

A

Jeff, keep in mind, those are very profitable sales for us. And if you look at the magnitude of what we've done in the past, it would approximate the math that you laid out. One other thing as well is the cost improvement program that we've taken over and been underway. And as John mentioned, we expect more than double this year. A lot of that goes to the balance sheet. We do see real savings this year. And as you go across the quarters, it does increase just due to the timing of execution and getting full run rate of those savings.

**John D. Romano**

*Chief Executive Officer & Director, Tronox Holdings Plc*

A

But we're anticipating maybe as much as \$10 million of cost improvement that will fall into the bottom line, largely in late Q3 and Q4.

**Jeffrey J. Zekauskas**

*Analyst, JPMorgan Securities LLC*

Q

And then can you talk about what's happening in India and what kind of volume you may be picking up? And you talked about Brazil and what kind of volume you may be losing. And can you give us a sense of the geographic pricing dynamic? That is where competitive conditions greater? Where are they [indiscernible] (00:32:11)?

**John D. Romano**

*Chief Executive Officer & Director, Tronox Holdings Plc*

A

I'll start with the last question first. So the competitive environment right now, I would say, as far as pricing goes are in areas like Europe, Middle East and Africa. I mentioned that there was a volume decline in that region where we had price increases in the second quarter and we had some competitive activity where some competitors actually reduced price to move volume. So you've got Europe, Middle East and Africa. Middle East is a competitive environment right now. It's not a duty-affected area. And so there's obviously some competitive activity as China continues to reposition to try to manage some of their sales, although they are – India has been a big impact for them.

Latin America, there's been some competitive activity with even some Western suppliers moving volume there. Now, that being said, our volume wasn't down Q1 to Q2 in Latin America, but we were expecting a little bit of a lift there. North America has been, as I mentioned, our volumes were up slightly there. It's been stable on price. And in Asia-Pacific, again, due to some of the shifting around the volume, largely duty impacted areas, we see volume upside in India and there's competitive activity in a lot of the other areas in Asia-Pacific where China is continuing to try to reposition from some of the share that they're losing in those duty-affected areas.

**Jeffrey J. Zekauskas**

*Analyst, JPMorgan Securities LLC*

Q

Thanks.

**John D. Romano**

*Chief Executive Officer & Director, Tronox Holdings Plc*

Thank you.

A

**Operator:** Our next question comes from Hassan Ahmed of Alembic Global Advisors. Hassan, please dial star six to unmute your line and ask your question. Thank you.

**Hassan I. Ahmed**

*Analyst, Alembic Global Advisors LLC*

Morning, John.

Q

**John D. Romano**

*Chief Executive Officer & Director, Tronox Holdings Plc*

Good morning.

A

**Hassan I. Ahmed**

*Analyst, Alembic Global Advisors LLC*

First of all, just wanted to sort of understand a little more about how you guys thought about the dividend cut. Look, I mean, at the end of the day, I understand this downturn has been far more sort of drawn out than prior downturns. But I mean, the industry is cyclical and will continue to remain cyclical. So I'm just trying to understand the logic, in a cyclical industry of having a fixed dividend. I mean, did you guys think about maybe incorporating some variability into that dividend, maybe having possibly a fixed payout ratio? I mean, just a thought process around the magnitude of the cut, as well as the logic behind having a fixed dividend.

Q

**John D. Romano**

*Chief Executive Officer & Director, Tronox Holdings Plc*

Thanks, Hassan. So obviously, we did spend a lot of time thinking about that reduction in the dividend, and it was aligned to the current macroenvironment. And as I said in prepared comments, as the macro changes, we'll continue to evaluate that to make sure it's a competitive dividend. We still feel that the dividend is important. It's part of our capital allocation strategy. But in this environment, we felt it was right-sized so that we can manage our liquidity through this longer downturn than we expected. John?

A

**D. John Srivisal**

*Senior Vice President & Chief Financial Officer, Tronox Holdings Plc*

Yeah, absolutely. We looked at a lot of different analysis, had a lot of different discussions around it, and obviously, did cut in several other areas. So all of that went into our calculus of cutting the dividend by 60%. And we really want to just maintain our financial flexibility in this market. And as we mentioned earlier, we will relook at the dividend at the appropriate time period.

A

**Hassan I. Ahmed**

*Analyst, Alembic Global Advisors LLC*

Understood. Understood. And as a follow up, I know the whole rare earth elements side is quite topical right now. I mean, you guys have a huge, huge exposure to heavy minerals mining. I mean, if I have my numbers correct, I mean, you guys are producing as much as 3.7 million tons of heavy minerals. In light of what we just saw from MP Materials, the Department of Defense coming in, in Australia. And I understand your exposures in South

Q

Africa as well as Australia. But even in Australia, I mean the government sort of collaborate with Iluka. I mean are you having discussions with local governments, maybe other sort of metals and mining companies, processes and the like to maybe sort of accelerate the growth of that sort of product area?

**John D. Romano**

*Chief Executive Officer & Director, Tronox Holdings Plc*

A

Yeah. Thanks, Hassan. And the answer is yes on all of those. So we spent a lot of time in multiple jurisdictions around looking and trying to come up with opportunities where we could get funding. So US, Saudi Arabia, Brazil, Australia, those are all works in progress and we continue to collaborate with others that are in that space. One of the advantages we have in our rare earth base is that we also have heavies. And heavies are some of the shortfall in some of these other opportunities that are out there.

There was a lot – you can read a lot into MP, but that was a great opportunity for them. And what I can tell you is that we're working with lots of different governments and companies to try to figure out how we optimize and accelerate, how we might benefit from that. And as I mentioned, there's an element of that work that has to do with some of the sales that are happening in the fourth quarter.

**Hassan I. Ahmed**

*Analyst, Alembic Global Advisors LLC*

Q

Very helpful, John. Thank you so much.

**John D. Romano**

*Chief Executive Officer & Director, Tronox Holdings Plc*

A

Thank you.

**Operator:** Our next question comes from John McNulty from BMO Capital Markets. John, please dial start six to unmute your line and ask your question. Thank you.

**John P. McNulty**

*Analyst, BMO Capital Markets Corp.*

Q

Yeah, good morning. Can you hear me?

**Operator:** Yes, we can hear you. Thank you.

**John D. Romano**

*Chief Executive Officer & Director, Tronox Holdings Plc*

A

Yes, we can. Hi, John.

**John P. McNulty**

*Analyst, BMO Capital Markets Corp.*

Q

Perfect. Perfect. Just wanted to dig in. So I guess we've seen a bunch of capacity closures this year, including your own Botlek. We saw some last year, we saw China. It looks like it dialed back a decent amount of production. And by our count, it's around 6% of nameplate capacity. And yet, if anything, it seems like the environment has gotten worse.



So are we getting closer to that tipping point where the supply has been dialed back enough, where the supply demand can start to tighten at this point? Are there other factors that we should be considering? I understand the demand environment is not robust by any means, but it doesn't seem like it's contracted by as much as maybe supply has. So I guess can you help us just to think about the cycle and where we are and maybe some of the puts and takes around that?

**John D. Romano**

*Chief Executive Officer & Director, Tronox Holdings Plc*

A

Yeah. Thanks, John. It's a great question. And look, I mean, at the end of the day, the cycle has been longer than any other one that I've experienced. And I do believe that we're hedging towards the cycle going the other direction. To your point on production, since 2023, there's been 750,000 tons of capacity taken out. That's a share of some of that that's in Japan, some of it was in Taiwan, some of it was in Europe, some of it was in China as recently as in the last two weeks. There's been two Chinese companies that have announced 280,000 ton lines that are coming down.

So when you think about recovery, clearly when the recovery may not look like last recovery, but there is less capacity there and I would say that there are probably other capacity announcements that are still hanging out there that haven't happened yet. And I probably don't need to go into a lot of detail. You can imagine where that might be with some companies that have been trying to restructure for a while. So I do believe that the market is going to recover. It's a matter of when, not if. And we are putting our business in a place where we feel we'll be able to weather that period of time, whether it's three months or another eight months, so that we can come out of the other side, a stronger competitor.

**John P. McNulty**

*Analyst, BMO Capital Markets Corp.*

Q

Got it. Okay. No, that's helpful. And then I guess with the dialing back or the closure of Botlek, I guess, you guys had been about when fully running had been about 85% vertically integrated. I assume this pushes you closer to fully integrated. Is that where you want to be? Or would you consider possibly cleaving off a piece of the mining business? Is that something that would be even remotely palatable to you to kind of maybe change that, that internal balance? I guess, how should we be thinking about that longer term?

**John D. Romano**

*Chief Executive Officer & Director, Tronox Holdings Plc*

A

Yeah. So that's a great question as well. And we're not 100% vertically integrated. There is still a need for some feedstock. And in this particular stage, we're paring back on that, because we've pulled back production. But in the long-term, we'll continue to look at what that right balance is. And we don't want to be long on feedstock for sure, and there's a right balance to strike there. And as we said on the last call, we're going to continue to look at our asset footprint and try to make sure that we're right sized so that that balance can continue to give us that advantage that we've referenced before of \$300 to \$400 a ton from buying feedstock on the open market.

**John P. McNulty**

*Analyst, BMO Capital Markets Corp.*

Q

Got it. Thanks very much for the color.

**John D. Romano**

*Chief Executive Officer & Director, Tronox Holdings Plc*

A

Thank you.



**Operator:** Our next question comes from Olivia Hee at Bank of America Merrill Lynch. Olivia, please press star six to unmute your line and ask your question. Thank you.

**Roger Spitz**

*Analyst, BofA Securities, Inc.*

Q

Thank you. This is Roger on for Olivia. I had two questions. Regarding the \$50 million inventory financing facilities, and I suspect we'll see more in the Q, but can you give us a heads up on what the rate and maturity of that facility is? And will that facility be on or off balance sheet? Meaning, you're going to -- if on balance sheet, the inventory stays on balance sheet and we'll see in the debt stack. Any drawings amount under that facility?

**John D. Romano**

*Chief Executive Officer & Director, Tronox Holdings Plc*

A

Yeah. Thanks, Roger, for the question. Obviously, it added a significant amount of liquidity in this month for us at \$50 million. It is not recorded as debt on our balance sheet, but we will be recording it in the other liabilities section of it. And we do have a very competitive rate just given the level of inventory, the security that they have backing it. And it is a short-term facility that's renewable every several months.

**Roger Spitz**

*Analyst, BofA Securities, Inc.*

Q

Just several months, so okay, but renewable. Second question is, so how would you compare your volumes down 11% year-over-year and flat pricing? And Chemours, on their pre-release, said that their TiO2 sales were up high single digits. I suspect you've thought about that. I wonder if you might share any thoughts you had.

**John D. Romano**

*Chief Executive Officer & Director, Tronox Holdings Plc*

A

Yeah. So look, if you look over time, there's a lot of fluctuations in market share. And I would just say that the guide that we had for the second quarter initially was to be up mid-to-high single digits, and we were down. And I'll go back to the comments that I made before. North America that was largely driven by a muted coatings season, our volumes were up, but they weren't up as what normally what they would have been. In Europe, our volumes – for Europe, Middle East and Africa, they were down and part of that had to do with the market actually just not being as robust as we thought it was. We weren't planning for it to be stronger, but it was actually weaker than we expected it to be. And there was competitive activity over there where, as I mentioned, we were raising prices and we had some competitors that were losing prices. And we picked, and we lost a little volume there.

Asia Pacific, our volumes were up, largely tied to what we were going to see in India, as I mentioned before, with some growth in that area. And Latin America, although flat, we were projecting that to be up. And there was some market share shift in that area as well. So when I mentioned our strategy from a commercial perspective, moving into the balance of the year, it's to maintain and/or grow share targeted regions. And the targeted regions for growth are largely in India. And our objective is to maintain our share at normalized rates throughout the year. So I can't speak too much to Chemours on what they announced back in June. And but, generically, I know what's happening in the market with competition. And in the regions that I mentioned, there's – the competition is up, it's elevated.

**Roger Spitz**

*Analyst, BofA Securities, Inc.*

Q

Thank you very much.

**Operator:** [Operator Instructions] Our next question comes from Edward Brucker at Barclays. Please unmute your line and ask your question. Thank you.

**Edward Brucker**

*Analyst, Barclays Capital, Inc.*

Q

Hey, thanks for taking the question this morning. First one, back on supply or some of the supply questions. You know, with all the capacity reductions that we've seen and that you've mentioned, would you say broadly speaking from TiO perspective, that supply – overall supply is closer to underlying demand right now? Or is it something that we still need demand to improve in order to kind of fill that supply gap?

**John D. Romano**

*Chief Executive Officer & Director, Tronox Holdings Plc*

A

Yeah. So the biggest, I'd say variable in answering that question is China. So China continues to be weak and our sales into China are not significant. We have a plant over there. So we have good visibility into that. But – so, I'd say if you think about the answer to that question globally, I think you're right. China has a big impact on that. So China has some headwinds with duty-affected areas. We believe based on information that I provided, there's two plants that have been announced that they're idling, two are closing. There's other assets, I think production that's being adjusted accordingly.

So I think the better answer is as that Chinese market recovers, and I can't tell you when that's going to happen. A lot of that volume is going to get sucked up. But, again, there hasn't been a tremendous amount of capacity added. Since 2023, there's been about 740,000 tons that's come out of the market. So I do think as the market recovers, even if it's not as robust of a recovery as it was historically, you're going to see a shift in supply, demand, and price accordingly. Because where we are in price right now is not a sustainable place.

**Edward Brucker**

*Analyst, Barclays Capital, Inc.*

Q

Got it. That's helpful. My second one, could you – if you have it on hand, just give us your secured borrowing capacity or secured debt capacity. And then is there any thought to using secured bond or secured debt to boost liquidity?

**D. John Srivisal**

*Senior Vice President & Chief Financial Officer, Tronox Holdings Plc*

A

So I wasn't following your first question. You know, obviously, we can go out and raise debt. The debt capital markets, we continue to monitor them in this environment to maintain financial flexibility. So we do look at the market and evaluate whether or not we do want to raise any additional debt in the markets. But at this point, as I mentioned, we do have sufficient liquidity, particularly with the actions that we took for this inventory raise. But we will monitor the market.

**John D. Romano**

*Chief Executive Officer & Director, Tronox Holdings Plc*

A

What was your first question again?

**Edward Brucker**

*Analyst, Barclays Capital, Inc.*

First question just on how much secured debt capacity you have.

Q

**D. John Srivisal**

*Senior Vice President & Chief Financial Officer, Tronox Holdings Plc*

Okay. I think maybe we'll follow up with you after this call, if that's okay.

A

**Edward Brucker**

*Analyst, Barclays Capital, Inc.*

Yes, absolutely. Thanks.

Q

**John D. Romano**

*Chief Executive Officer & Director, Tronox Holdings Plc*

Yeah. More than enough.

A

**Operator:** Our final question today comes from Vincent Andrews of Morgan Stanley. Vincent, please unmute your line and ask your question. Thank you.

**Justin Pellegrino**

*Analyst, Morgan Stanley & Co. LLC*

Good morning. This is Justin Pellegrino on for Vincent. Just curious if you could discuss the differences in markets that have announced duties specifically between Europe and India, you're seeing the competitive pressure in Europe, but you're seeing strength in India. Is that there was product placed in Europe, but maybe not so much in India? Or are there differences in demand? And we're just hoping you could kind of discuss the differences that you're seeing in those duty markets. Thank you.

Q

**John D. Romano**

*Chief Executive Officer & Director, Tronox Holdings Plc*

Thanks, Justin. So in Europe, we saw a big bump up in our sales profile as a result of the duties and we're still seeing that. But there has been an increased level of competitive activity as there are more suppliers that are feeding into that market. So we did see a decline in the second quarter, but we still – there still are advantages attached to the duties that are in place in Europe. And we'll continue to benefit from that.

A

In India specifically, one of the advantages that we have is that we ship into India from Australia. Australia has a free trade agreement. Everybody else that ships into India now, including China, with a much higher duty, there's already a 10% duty. So we were positioned well in India to begin with. We have, it's one – it's the second largest market that we were selling into prior to the duties going into effect. It's been a strategic market for us for years. It's got a high growth rate, low per capita TiO<sub>2</sub> consumption. So there's lots of growth opportunity there.

And in Brazil, that's an opportunity. That's 180,000 ton a year market. You had 100,000 tons of Chinese material going in there. The duties were in place until April 21. Those provisional duties lapsed based on the – and we knew they were going to lapse, because the investigation was going to last longer than six months. And provisional duties can only be in place for six months. So we had mentioned our sales in Latin America were flat Q1 to Q2. We would have expected those provisional duties to become permanent a little bit sooner than where

they are. It looks like it's going to be more towards the end of the investigation period, which has a deadline at the end of the quarter into the third quarter.

So that's the other area where we still have opportunity, but the Chinese have exploited that by continuing to ship in there while there's this gap between provisionals and final duties being implicated. And those are the three areas where duties are in place. And before they were in place, China was exporting about 300,000 tons into India. It's about 258,000 tons into the European market and 100,000 tons into Brazil. So that's the 600,000 tons that has become in play, not just for us, but for other competitors that are non-Chinese.

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**Justin Pellegrino**

*Analyst, Morgan Stanley & Co. LLC*

Q

Okay, that makes sense. And then just one follow up. You noted that you saw the bit of increased pressure in Europe in 2Q. Can you just give us an idea of what you're thinking about sequentially for Europe as it relates to demand for product as well as price? Just as those duties are still in play, given the increase we saw in Q1, then kind of followed by the decrease in Q2, what are you thinking of sequentially for Q3? Thank you.

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**John D. Romano**

*Chief Executive Officer & Director, Tronox Holdings Plc*

A

Yeah, so we don't – I'm not going to provide a guide on pricing by region, but I will say that factored into the guide for Q3, there's 2% to 3% move on price, on the downside, that's in the guide. When we start thinking about Europe, in general, we're not seeing a tremendous amount of downward movement. It's more in line – it's a holiday season right now, so August is typically a low month, but we already know what happened in July, and September is forecasted to move in the right zone. So we're not expecting a significant reduction. I did mention that we are going to focus on maintaining our market share and also look at targeted areas for growth. And the growth is probably more aligned to India and maintaining share would be everywhere else.

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**Justin Pellegrino**

*Analyst, Morgan Stanley & Co. LLC*

Q

Fantastic. Thank you.

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**John D. Romano**

*Chief Executive Officer & Director, Tronox Holdings Plc*

A

Thank you.

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**Operator:** This concludes the Q&A and today's call. Thank you for joining and have a great day.

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