

Tronox Ltd  
Form 10-Q  
May 08, 2014  
Table of Contents

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**Form 10-Q**

(Mark One)

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

**For the quarterly period ended March 31, 2014**

**OR**

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

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**1-35573**

**(Commission file number)**

**TRONOX LIMITED**

**(ACN 153 348 111)**

**(Exact Name of Registrant as Specified in its Charter)**

**Western Australia, Australia**  
**(State or Other Jurisdiction of**

**98-1026700**  
**(I.R.S. Employer**

**Incorporation or Organization)**

**Identification Number)**

**263 Tresser Boulevard, Suite 1100**

**Stamford, Connecticut 06901**

**(Address of principal executive offices)**

**Registrant's telephone number, including area code: (203) 705-3800**

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

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

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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

Indicate by check mark whether the Registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes  No

Edgar Filing: Tronox Ltd - Form 10-Q

As of April 30, 2014, the Registrant had 62,558,451 Class A ordinary shares and 51,154,280 Class B ordinary shares outstanding.

**Table of Contents**

**Table of Contents**

	<b>Page</b>
<b>PART I FINANCIAL INFORMATION</b>	
<u>Item 1. Financial Statements (Unaudited)</u>	3
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	26
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	34
<u>Item 4. Controls and Procedures</u>	34
<b><u>PART II OTHER INFORMATION</u></b>	
<u>Item 1. Legal Proceedings</u>	34
<u>Item 1A. Risk Factors</u>	34
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	34
<u>Item 3. Defaults Upon Senior Securities</u>	34
<u>Item 4. Mine Safety Disclosures</u>	35
<u>Item 5. Other Information</u>	35
<u>Item 6. Exhibits</u>	35
<b><u>SIGNATURES</u></b>	<b>36</b>

---

**Table of Contents**

**Item 1. Financial Statements (Unaudited)**

	<b>Page No.</b>
<u>Unaudited Condensed Consolidated Statements of Operations for the Three Months Ended March 31, 2014 and 2013</u>	4
<u>Unaudited Condensed Consolidated Statements of Comprehensive Loss for the Three Months Ended March 31, 2014 and 2013</u>	5
<u>Unaudited Condensed Consolidated Balance Sheets at March 31, 2014 and December 31, 2013</u>	6
<u>Unaudited Condensed Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2014 and 2013</u>	7
<u>Unaudited Condensed Consolidated Statements of Equity for the Three Months Ended March 31, 2014 and 2013</u>	8
<u>Notes to Unaudited Condensed Consolidated Financial Statements</u>	9

Table of Contents

**TRONOX LIMITED**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(Unaudited)

(Millions of U.S. dollars, except share and per share data)

	<b>Three Months Ended March 31,</b>	
	<b>2014</b>	<b>2013</b>
<b>Net sales</b>	\$ 418	\$ 470
Cost of goods sold	393	438
<b>Gross profit</b>	25	32
Selling, general and administrative expenses	(46)	(51)
<b>Loss from operations</b>	(21)	(19)
Interest and debt expense	(34)	(27)
Other income		2
<b>Loss before income taxes</b>	(55)	(44)
Income tax benefit (provision)	1	(1)
<b>Net loss</b>	(54)	(45)
Net income attributable to noncontrolling interest	4	12
<b>Net loss attributable to Tronox Limited</b>	\$ (58)	\$ (57)
<b>Loss per share, basic and diluted</b>	\$ (0.51)	\$ (0.50)
<b>Weighted average shares outstanding, basic and diluted (in thousands)</b>	113,577	113,317

See notes to unaudited condensed consolidated financial statements.

Table of Contents**TRONOX LIMITED****CONDENSED CONSOLIDATED STATEMENTS COMPREHENSIVE LOSS****(Unaudited)****(Millions of U.S. dollars)**

	<b>Three Months Ended March 31,</b>	
	<b>2014</b>	<b>2013</b>
<b>Net loss</b>	\$ (54)	\$ (45)
<b>Other comprehensive income (loss):</b>		
Foreign currency translation adjustments	(8)	(119)
Retirement and postretirement plans, net of taxes of less than \$1 million in each of the three months ended March 31, 2014 and 2013	3	1
<b>Other comprehensive loss</b>	<b>(5)</b>	<b>(118)</b>
<b>Total comprehensive loss</b>	<b>(59)</b>	<b>(163)</b>
<b>Comprehensive income (loss) attributable to noncontrolling interest:</b>		
Net income	4	12
Foreign currency translation adjustments	(3)	(28)
<b>Comprehensive income (loss) attributable to noncontrolling interest</b>	<b>1</b>	<b>(16)</b>
<b>Comprehensive loss attributable to Tronox Limited</b>	<b>\$ (60)</b>	<b>\$ (147)</b>

See notes to unaudited condensed consolidated financial statements.

Table of Contents

**TRONOX LIMITED**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

(Unaudited)

(Millions of U.S. dollars, except share and per share data)

	March 31, 2014	December 31, 2013
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,403	\$ 1,478
Accounts receivable, net of allowance for doubtful accounts	327	308
Inventories, net	754	759
Prepaid and other assets	48	61
Deferred tax assets	35	47
<b>Total current assets</b>	<b>2,567</b>	<b>2,653</b>
<b>Noncurrent Assets</b>		
Property, plant and equipment, net	1,245	1,258
Mineral leaseholds, net	1,185	1,216
Intangible assets, net	293	300
Long-term deferred tax assets	238	192
Other long-term assets, net	78	80
<b>Total assets</b>	<b>\$ 5,606</b>	<b>\$ 5,699</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 161	\$ 164
Accrued liabilities	116	146
Long-term debt due within one year	19	18
Income taxes payable	26	28
Deferred tax liabilities	8	7
<b>Total current liabilities</b>	<b>330</b>	<b>363</b>
<b>Noncurrent Liabilities</b>		
Long-term debt	2,390	2,395
Pension and postretirement healthcare benefits	145	148
Asset retirement obligations	92	90
Long-term deferred tax liabilities	226	204
Other long-term liabilities	68	62
<b>Total liabilities</b>	<b>3,251</b>	<b>3,262</b>



**Contingencies and Commitments****Shareholders Equity**

Tronox Limited Class A ordinary shares, par value \$0.01	64,190,320 shares issued and 62,535,672 shares outstanding at March 31, 2014 and 64,046,647 shares issued and 62,349,618 shares outstanding at December 31, 2013	1	1
Tronox Limited Class B ordinary shares, par value \$0.01	51,154,280 shares issued and outstanding at March 31, 2014 and December 31, 2013		
Capital in excess of par value		1,454	1,448
Retained earnings		986	1,073
Accumulated other comprehensive loss		(286)	(284)
<b>Total shareholders equity</b>		2,155	2,238
Noncontrolling interest		200	199
<b>Total equity</b>		2,355	2,437
<b>Total liabilities and equity</b>		\$ 5,606	\$ 5,699

See notes to unaudited condensed consolidated financial statements.

**Table of Contents**

**TRONOX LIMITED**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Unaudited)

(Millions of U.S. dollars)

	<b>Three Months Ended March 31,</b>	
	<b>2014</b>	<b>2013</b>
<b>Cash Flows from Operating Activities:</b>		
Net loss	\$ (54)	\$ (45)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation, depletion and amortization	73	73
Deferred income taxes		3
Share-based compensation expense	5	5
Amortization of deferred debt issuance costs and discount on debt	2	2
Pension and postretirement healthcare benefit expense	1	2
Other noncash items affecting net loss	8	14
Contributions to employee pension and postretirement plans	(2)	(1)
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(21)	(36)
(Increase) decrease in inventories	4	24
(Increase) decrease in prepaid and other assets	13	11
Increase (decrease) in accounts payable and accrued liabilities	(32)	(41)
Increase (decrease) in taxes payable	(7)	(7)
Other, net	(2)	(5)
Cash used in operating activities	(12)	(1)
<b>Cash Flows from Investing Activities:</b>		
Capital expenditures	(31)	(45)
Cash used in investing activities	(31)	(45)
<b>Cash Flows from Financing Activities:</b>		
Repayments of debt	(5)	(179)
Proceeds from debt		945
Debt issuance costs and commitment fees		(28)
Dividends paid	(29)	(29)
Proceeds from the exercise of warrants and options	1	1
Cash provided by (used in) financing activities	(33)	710
<b>Effects of exchange rate changes on cash and cash equivalents</b>	<b>1</b>	<b>(5)</b>

<b>Net increase (decrease) in cash and cash equivalents</b>	(75)	659
<b>Cash and cash equivalents at beginning of period</b>	1,478	716
<b>Cash and cash equivalents at end of period</b>	\$ 1,403	\$ 1,375

See notes to unaudited condensed consolidated financial statements.

Table of Contents

**TRONOX LIMITED**  
**CONDENSED CONSOLIDATED STATEMENTS OF EQUITY**

(Unaudited)

(Millions of U.S. dollars)

	Tronox Limited	Tronox Limited	Capital in Excess	Retained Earnings	Accumulated Other Comprehensive Loss	Shareholder Equity	Non-controlling Interest	Total Equity
	Class A Ordinary Shares	Class B Ordinary Shares	of par Value					
<b>Balance at December 31, 2013</b>	<b>\$ 1</b>	<b>\$</b>	<b>\$ 1,448</b>	<b>\$ 1,073</b>	<b>\$ (284)</b>	<b>\$ 2,238</b>	<b>\$ 199</b>	<b>\$ 2,437</b>
Net income (loss)				(58)		(58)	4	(54)
Other comprehensive loss					(2)	(2)	(3)	(5)
Share-based compensation			5			5		5
Class A and Class B share dividends				(29)		(29)		(29)
Warrants and options exercised			1			1		1
<b>Balance at March 31, 2014</b>	<b>\$ 1</b>	<b>\$</b>	<b>\$ 1,454</b>	<b>\$ 986</b>	<b>\$ (286)</b>	<b>\$ 2,155</b>	<b>\$ 200</b>	<b>\$ 2,355</b>

See notes to unaudited condensed consolidated financial statements.

---

**Table of Contents**

**TRONOX LIMITED**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**(Unaudited)**

**(Millions of U.S. dollars, except share, per share and metric tons data or unless otherwise noted)**

**1. The Company**

Tronox Limited and its subsidiaries (collectively referred to as Tronox, we, us, or our) is a public limited company registered under the laws of the State of Western Australia, Australia. We are a global leader in the production and marketing of titanium bearing mineral sands and titanium dioxide (TiO<sub>2</sub>) pigment. Our world-class, high performance TiO<sub>2</sub> products are critical components of everyday applications such as paint and other coatings, plastics, paper and other applications. Our mineral sands business consists primarily of three product streams titanium feedstock, zircon and pig iron. Titanium feedstock is primarily used to manufacture TiO<sub>2</sub>. Zircon, a hard, glossy mineral, is used for the manufacture of ceramics, refractories, TV screen glass and a range of other industrial and chemical products. Pig iron is a metal material used in the steel and metal casting industries to create wrought iron, cast iron and steel. We have global operations in North America, Europe, South Africa, and the Asia-Pacific region. We operate three TiO<sub>2</sub> facilities at the following locations: Hamilton, Mississippi; Botlek, The Netherlands; and Kwinana, Western Australia, and we operate three separate mining operations: KwaZulu-Natal (KZN) Sands and Namakwa Sands both located in South Africa, and Cooljarloo located in Western Australia.

At March 31, 2014, Exxaro Resources Limited (Exxaro) held approximately 44.4% of the voting securities of Tronox Limited. Exxaro has agreed that through June 15, 2015, it would not engage in any transaction or other action, that would result in its beneficial ownership of the voting shares of Tronox Limited exceeding 45% of the total issued shares of Tronox Limited.

In addition, Exxaro has a 26% ownership interest in each of our Tronox KZN Sands (Pty) Ltd. and Tronox Mineral Sands (Pty) Ltd. subsidiaries in order to comply with the ownership requirements of the Black Economic Empowerment legislation in South Africa. Exxaro is entitled to exchange this interest for approximately 3.2% in additional Class B Shares under certain circumstances. Exxaro also has a 26% ownership interest in certain of our other non-operating subsidiaries. We account for such ownership interest as Noncontrolling interest in our condensed consolidated financial statements. During the three months ended March 31, 2014 and 2013, net income attributable to noncontrolling interest was \$4 million and \$12 million, respectively, with an offsetting comprehensive loss of \$3 million and \$28 million, respectively.

***Basis of Presentation***

The accompanying condensed consolidated financial statements are unaudited, and have been prepared pursuant to the rules and regulations of the United States Securities and Exchange Commission (the SEC) regarding interim financial reporting. Accordingly, they do not include all the information and footnotes required by accounting principles generally accepted in the United States of America (U.S. GAAP) for complete financial statements, and should be read in conjunction with the audited condensed consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2013. The Condensed Consolidated Balance Sheet as of December 31, 2013 was derived from audited financial statements, but does not include all disclosures required by U.S. GAAP for complete financial statements.

## Edgar Filing: Tronox Ltd - Form 10-Q

In management's opinion, the accompanying unaudited condensed consolidated financial statements reflect all adjustments considered necessary for a fair presentation. Our unaudited condensed consolidated financial statements include the accounts of all majority-owned subsidiary companies. All intercompany balances and transactions have been eliminated in consolidation. Certain prior period amounts have been reclassified to conform to the manner and presentation in the current period.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. It is at least reasonably possible that the effect on the financial statements of a change in estimate within one year of the date of the financial statements due to one or more future confirming events could have a material effect on the financial statements.

**Table of Contents**

***Recent Accounting Pronouncements***

During 2014, we adopted accounting standards update ( ASU ) 2013-5, *Parent s Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity*, which addresses the treatment of the cumulative translation adjustment into net income when a parent either sells or liquidates a part or all of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets within a foreign entity. The adoption of this guid