

TRONOX INC
Form 10-Q
May 25, 2012
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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, 2012

OR

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

For the transition period from to

TRONOX LIMITED

(ACN 153 348 111)

TRONOX INCORPORATED

(Exact name of registrant as specified in its charter)

Western Australia, Australia

(State or Other Jurisdiction of

Incorporation or Organization)

98-1026700

(I.R.S. Employer

Identification Number)

Delaware

(State or Other Jurisdiction of

Incorporation or Organization)

20-2868245

(I.R.S. Employer

Identification Number)

3301 N.W. 150th Street

Oklahoma City, Oklahoma 73134

(Address of principal executive offices)

Registrant's telephone number, including area code: (405) 775-5000

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

As of April 30, 2012, there were 15,093,378 shares of the Registrant's Class A common stock outstanding.

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- * On September 25, 2011, Tronox Incorporated entered into a definitive agreement (the Transaction Agreement) with Exxaro Resources Limited (Exxaro) and certain of its affiliated companies, to acquire 74% of its South African mineral sands operations, including its Namakwa and KZN Sands mines, separation facilities and slag furnaces, along with Exxaro's 50% share of the Tiwest Joint Venture in Western Australia (together Exxaro Mineral Sands), which is referred to as the Transaction (the Transaction).

Pursuant to a Registration Statement on Form S-4 (File No. 333-178835) declared effective by the Securities and Exchange Commission (the SEC) on May 4, 2012 (the Registration Statement) for the initial public offering of shares of Tronox Limited's Class A common stock, par value \$0.01 per share (New Common Stock), Tronox Limited will issue 16,445,827 shares of its Class A common stock in a registered initial public offering (the Equity Public Offering). On May 30, 2012, the Company will hold a special meeting of the stockholders of Tronox Incorporated to adopt the Transaction Agreement for the purpose of approving the Transaction, and therefore become subject to the Constitution of Tronox Limited and applicable provisions of Australian law.

In the Transaction, the existing business of Tronox Incorporated will be combined with the Exxaro Mineral Sands business under a new Australian holding company, Tronox Limited. The Transaction will be effectuated in two primary steps. In the first step, Tronox Incorporated will become a subsidiary of Tronox Limited, with Tronox Incorporated stockholders receiving one Class A Share and \$12.50 in cash for each share of Tronox Incorporated common stock, unless the holder elects to receive an exchangeable share of Tronox Limited (subject to proration), which will be exchangeable for one Class A Share of Tronox Limited and an amount in cash equal to \$12.50 without interest (the Exchangeable Shares). The Exchangeable Shares will not be transferable until after December 31, 2012, but the Tronox Limited Class A Shares, including those delivered upon the exchange of an Exchangeable Share, will be transferable. In the second step, Tronox Limited will acquire Exxaro Mineral Sands in exchange for issuance of Class B Shares to Exxaro and one of its subsidiaries. Upon completion of the Transaction, assuming no Tronox Incorporated stockholders elect to receive Exchangeable Shares, former Tronox Incorporated stockholders and Exxaro will hold 15,238,612 Class A Shares and 9,950,856 Class B Shares, respectively, representing approximately 61.5% and 38.5%, respectively, of the voting power in Tronox Limited.

At March 31, 2012, Tronox Limited had no assets, no operations and only nominal capitalization. The historical condensed consolidated financial statements herein reflect the historical results of operations and financial position of Tronox Incorporated, for all periods presented.

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TRONOX INCORPORATED
CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(Millions of dollars, except share and per share data)

	Successor	
	March 31, 2012	December 31, 2011
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 222.7	\$ 154.0
Accounts receivable:		
Third party, net of allowance for doubtful accounts of \$0.7 and \$0.4	348.4	270.9
Related party	1.7	6.9
Inventories	404.4	311.2
Prepaid and other assets	18.0	21.7
Deferred income taxes	4.3	4.3
Total Current Assets	999.5	769.0
Property, Plant and Equipment, Net	558.8	554.5
Intangible Assets, Net	307.4	313.3
Other Long-Term Assets	37.3	20.6
Total Assets	\$ 1,903.0	\$ 1,657.4
LIABILITIES AND STOCKHOLDERS EQUITY		
Current Liabilities		
Accounts payable:		
Third party	\$ 134.3	\$ 126.9
Related party	72.6	74.8
Accrued liabilities	41.5	45.7
Long-term debt due within one year	4.4	5.9
Income taxes payable	42.6	27.6
Total Current Liabilities	295.4	280.9
Noncurrent Liabilities		
Long-term debt	551.9	421.4
Pension and postretirement healthcare benefits	142.2	142.7
Deferred income taxes	18.4	19.1
Other	47.1	41.0
Total Noncurrent Liabilities	759.6	624.2
Contingencies and Commitments (Note 13)		
Stockholders Equity		
Common stock, par value \$0.01 100,000,000 shares authorized, 15,420,567 shares issued and 15,088,815 shares outstanding at March 31, 2012 and 100,000,000 shares authorized, 15,406,803 shares issued and 15,076,691 shares outstanding at December 31, 2011	0.1	0.1
Capital in excess of par value	582.6	579.2

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Retained earnings	327.8	241.5
Accumulated other comprehensive loss	(50.3)	(57.0)
Treasury stock, at cost 98,303 shares and 94,513 shares at March 31, 2012 and December 31, 2011, respectively	(12.2)	(11.5)
Total Stockholders Equity	848.0	752.3
Total Liabilities and Stockholders Equity	\$ 1,903.0	\$ 1,657.4

See notes to condensed consolidated financial statements.

Table of Contents**TRONOX INCORPORATED****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****(Unaudited)****(Millions of dollars, except share and per share data)**

	Successor Three Months Ended	Two Months Ended	Predecessor One Month Ended
	March 31, 2012	March 31, 2011	January 31, 2011
Net Sales	\$ 433.6	\$ 267.1	\$ 107.6
Cost of goods sold	(276.3)	(229.8)	(82.3)
Gross Margin	157.3	37.3	25.3
Selling, general and administrative expenses	(44.3)	(19.5)	(5.4)
Income from Operations	113.0	17.8	19.9
Interest and debt expense	(7.9)	(5.3)	(2.9)
Other income (expense)	(1.4)	1.0	1.6
Reorganization income			613.6
Income from Continuing Operations before Income Taxes	103.7	13.5	632.2
Income tax provision	(17.4)	(3.3)	(0.7)
Income from Continuing Operations	86.3	10.2	631.5
Loss from discontinued operations, net of income tax benefit of nil, nil and nil			(0.2)
Net Income	\$ 86.3	\$ 10.2	\$ 631.3
Income (Loss) per Share, Basic and Diluted:			
Basic			
Continuing operations	\$ 5.72	\$ 0.68	\$ 15.29
Discontinued operations			(0.01)
Net income per share	\$ 5.72	\$ 0.68	\$ 15.28
Diluted			
Continuing operations	\$ 5.48	\$ 0.65	\$ 15.25
Discontinued operations			
Net income per share	\$ 5.48	\$ 0.65	\$ 15.25
Weighted Average Shares Outstanding (in thousands):			
Basic	15,078	14,924	41,311
Diluted	15,733	15,793	41,399

See notes to condensed consolidated financial statements.

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TRONOX INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS COMPREHENSIVE INCOME

(Unaudited)

(Millions of dollars)

	Successor		Predecessor
	Three Months Ended	Two Months Ended	One Month Ended
	March 31, 2012	March 31, 2011	January 31, 2011
Net Income	\$ 86.3	\$ 10.2	\$ 631.3
Foreign currency translation adjustments	6.7	1.3	0.9
Retirement and postretirement plans:			
Amortization of actuarial gain, net of taxes of nil, nil, and nil			0.5
Amortization of prior service cost, net of taxes of nil, nil, and nil			(1.1)
Other comprehensive income	6.7	1.3	0.3
Total comprehensive income	\$ 93.0	\$ 11.5	\$ 631.6

See notes to condensed consolidated financial statements.

Table of Contents**TRONOX INCORPORATED****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(Unaudited)****(Millions of dollars)**

	Successor		Predecessor
	Three Months Ended March 31, 2012	Two Months Ended March 31, 2011	One Month Ended January 31, 2011
Cash Flows from Operating Activities			
Net income	\$ 86.3	\$ 10.2	\$ 631.3
Adjustments to reconcile net income to net cash used in operating activities:			
Depreciation, depletion and amortization	22.1	13.1	4.1
Deferred income taxes	0.1	(1.6)	0.8
Amortization of debt issuance costs	0.8	0.1	0.3
Pension and postretirement healthcare benefit (income) expense, net	1.3	0.8	(0.4)
Stock compensation expense	6.7	2.9	
Other noncash items affecting net income	2.3	3.4	(0.2)
Reorganization items:			
Noncash reorganization items			(636.6)
Environmental settlement funding			(270.0)
Claims paid with cash			(18.6)
Tort settlement funding			(16.5)
Professional and legal fees			(12.0)
Changes in assets and liabilities:			
(Increase) decrease in trade accounts receivable	(77.5)	(59.5)	(8.1)
(Increase) decrease in related parties accounts receivable	5.2	(1.6)	(2.1)
(Increase) decrease in inventories	(93.2)	33.5	(15.3)
(Increase) decrease in prepaids and other assets	(0.4)	(0.3)	35.4
Increase (decrease) in accounts payable and accrued liabilities	7.6	(58.5)	23.1
Increase (decrease) in related parties accounts payable	(2.2)	17.5	0.5
Increase (decrease) in taxes payable	15.3	4.3	0.2
Other, net	(0.2)	31.5	1.0
Cash used in operating activities	(25.8)	(4.2)	(283.1)
Cash Flows from Investing Activities:			
Capital expenditures	(20.7)	(8.3)	(5.5)
Proceeds from sale of assets			
Cash used in investing activities	(20.7)	(8.3)	(5.5)
Cash Flows from Financing Activities			
Reductions of debt	(421.1)	(1.1)	
Proceeds from borrowings	550.0	14.0	25.0
Debt issuance costs and commitment fees	(19.0)		(2.4)
Other equity, net	0.3		
Proceeds from rights offering			185.0

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Cash provided by financing activities	110.2	12.9	207.6
Effects of Exchange Rate Changes on Cash and Cash Equivalents	5.0	0.4	0.3
Net Increase (Decrease) in Cash and Cash Equivalents	68.7	0.8	(80.7)
Cash and Cash Equivalents at Beginning of Period	154.0	61.0	141.7
Cash and Cash Equivalents at End of Period	\$ 222.7	\$ 61.8	\$ 61.0

See notes to condensed consolidated financial statements.

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TRONOX INCORPORATED

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(Unaudited)

(Millions of dollars)

	Common Stock	Capital in Excess of par Value	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Stockholders Equity
Successor:						
Three Months Ended March 31, 2012						
Balance at December 31, 2011	\$ 0.1	\$ 579.2	\$ 241.5	\$ (57.0)	\$ (11.5)	\$ 752.3
Net income			86.3			86.3
Other comprehensive income				6.7		6.7
Warrants exercised		0.1				0.1
Stock-based compensation		3.3			(0.7)	2.6
Balance at March 31, 2012	\$ 0.1	\$ 582.6	\$ 327.8	\$ (50.3)	\$ (12.2)	\$ 848.0

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Class Common Stock	Class A Common Stock	Class B Common Stock	Capital in Excess of par Value	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Stockholders Equity
Predecessor:								
One Month Ended January 31, 2011								
Balance at December 31, 2010	\$	\$ 0.2	\$ 0.2	\$ 496.2	\$ (1,128.2)	\$ 8.8	\$ (7.2)	\$ (630.0)
Net income					631.3			631.3
Other comprehensive income						0.3		0.3
Stock-based compensation				0.1				0.1
Fresh-start reporting adjustments:								
Elimination of predecessor common stock, capital in excess of par value, and accumulated deficit		(0.2)	(0.2)	(496.3)	496.9	(9.1)	7.2	(1.7)
Issuance of new common stock	0.1			564.1				564.2
Balance at January 31, 2011	\$ 0.1	\$	\$	\$ 564.1	\$	\$	\$	\$ 564.2
Successor:								
Two Months Ended March 31, 2011								
Balance at February 1, 2011	\$ 0.1	\$	\$	\$ 564.1	\$	\$	\$	\$ 564.2
Net income					10.2			10.2
Other comprehensive income						1.3		1.3
Shares withheld for claims							(6.9)	(6.9)

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Warrants exercised	0.7	0.7
Stock-based compensation	3.0	(1.0) &nbs