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

FORM 10-Q

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

For the quarterly period ended March 31, 2024

OR

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

For the transition period from to

Commission file number 1-31763

KRONOS WORLDWIDE, INC.

(Exact name of registrant as specified in its charter)

DELAWARE	76-0294959
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

5430 LBJ Freeway, Suite 1700
Dallas, Texas 75240-2620
(Address of principal executive offices)

Registrant's telephone number, including area code: (972) 233-1700

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock	KRO	NYSE

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 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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	**Accelerated filer** ☒
Non-accelerated filer	☐	**Smaller reporting company** ☐
Emerging growth company	☐	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

Number of shares of the registrant's common stock, $.01 par value per share, outstanding on May 1, 2024: 115,027,016.

KRONOS WORLDWIDE, INC. AND SUBSIDIARIES

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Items 2, 3, 4 and 5 of Part II are omitted because there is no information to report.

KRONOS WORLDWIDE, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions)

ASSETS	December 31, 2023	March 31, 2024 (unaudited)
Current assets:		
Cash and cash equivalents	$ 194.7	**$ 120.7**
Restricted cash	2.2	**1.6**
Accounts and other receivables, net	312.5	**348.7**
Inventories, net	564.6	**475.8**
Prepaid expenses and other	43.4	**37.9**
Total current assets	1,117.4	**984.7**
Other assets:		
Investment in TiO_2 manufacturing joint venture	111.0	**108.7**
Restricted cash	5.2	**5.0**
Marketable securities	2.2	**2.5**
Operating lease right-of-use assets	22.7	**21.8**
Deferred income taxes	83.3	**81.8**
Other	13.3	**13.3**
Total other assets	237.7	**233.1**
Property and equipment:		
Land	44.7	**43.3**
Buildings	236.8	**231.1**
Equipment	1,172.0	**1,143.8**
Mining properties	130.5	**122.2**
Construction in progress	22.9	**22.1**
	1,606.9	**1,562.5**
Less accumulated depreciation and amortization	1,124.0	**1,100.9**
Net property and equipment	482.9	**461.6**
Total assets	$ 1,838.0	**$ 1,679.4**

KRONOS WORLDWIDE, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS (CONTINUED)

(In millions)

LIABILITIES AND STOCKHOLDERS' EQUITY	December 31, 2023	March 31, 2024 (unaudited)
Current liabilities:		
Accounts payable and accrued liabilities	$ 355.4	**$ 251.3**
Income taxes	15.4	**16.6**
Total current liabilities	370.8	**267.9**
Noncurrent liabilities:		
Long-term debt	440.9	**426.9**
Accrued pension costs	150.0	**143.6**
Payable to affiliate - income taxes	18.6	**18.6**
Operating lease liabilities	18.6	**17.9**
Deferred income taxes	9.0	**8.7**
Other	21.8	**21.4**
Total noncurrent liabilities	658.9	**637.1**
Stockholders' equity:		
Common stock	1.2	**1.2**
Additional paid-in capital	1,390.2	**1,390.2**
Retained deficit	(242.0)	**(255.8)**
Accumulated other comprehensive loss	(341.1)	**(361.2)**
Total stockholders' equity	808.3	**774.4**
Total liabilities and stockholders' equity	$ 1,838.0	**$ 1,679.4**

Commitments and contingencies (Notes 10 and 12)

See accompanying notes to Condensed Consolidated Financial Statements.

KRONOS WORLDWIDE, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions, except per share data)

	Three months ended March 31,	
	2023	2024
	(unaudited)	
Net sales	$ 426.3	**$ 478.8**
Cost of sales	395.5	**407.3**
Gross margin	30.8	**71.5**
Selling, general and administrative expense	53.2	**54.2**
Other operating income (expense):		
Currency transactions, net	5.4	**5.8**
Other operating expense, net	(1.3)	**(3.6)**
Income (loss) from operations	(18.3)	**19.5**
Other income (expense):		
Interest and dividend income	2.0	**1.3**
Marketable equity securities	(.7)	**.3**
Other components of net periodic pension and OPEB cost	(.9)	**(.3)**
Interest expense	(4.2)	**(9.2)**
Income (loss) before income taxes	(22.1)	**11.6**
Income tax expense (benefit)	(6.9)	**3.5**
Net income (loss)	$ (15.2)	**$ 8.1**
Net income (loss) per basic and diluted share	$ (.13)	**$ .07**
Weighted average shares used in the calculation of net income (loss) per share	115.3	**115.0**

See accompanying notes to Condensed Consolidated Financial Statements.

KRONOS WORLDWIDE, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(In millions)

	Three months ended March 31,	
	2023	**2024**
	(unaudited)	
Net income (loss)	$ (15.2)	**$ 8.1**
Other comprehensive income (loss), net of tax:		
Currency translation	(7.0)	**(20.6)**
Defined benefit pension plans	.5	**.5**
Other postretirement benefit plans	(.1)	**-**
Total other comprehensive loss, net	(6.6)	**(20.1)**
Comprehensive loss	$ (21.8)	**$ (12.0)**

See accompanying notes to Condensed Consolidated Financial Statements.

KRONOS WORLDWIDE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In millions)

	Three months ended March 31, 2023 and 2024 (unaudited)					
	Common stock	Additional paid-in capital	Retained deficit	Accumulated other comprehensive loss	Treasury stock	Total
Balance at December 31, 2022	$ 1.2	$ 1,394.3	$ (105.4)	$ (331.5)	$ (1.4)	$ 957.2
Net loss	-	-	(15.2)	-	-	(15.2)
Other comprehensive loss, net of tax	-	-	-	(6.6)	-	(6.6)
Dividends paid - $.19 per share	-	-	(21.9)	-	-	(21.9)
Treasury stock acquired	-	-	-	-	(1.4)	(1.4)
Treasury stock retired	-	(1.3)	-	-	1.3	-
Balance at March 31, 2023	$ 1.2	$ 1,393.0	$ (142.5)	$ (338.1)	$ (1.5)	$ 912.1
Balance at December 31, 2023	$ 1.2	$ 1,390.2	$ (242.0)	$ (341.1)	$ -	$ 808.3
Net income	**-**	**-**	**8.1**	**-**	**-**	**8.1**
Other comprehensive loss, net of tax	**-**	**-**	**-**	**(20.1)**	**-**	**(20.1)**
Dividends paid - $.19 per share	**-**	**-**	**(21.9)**	**-**	**-**	**(21.9)**
Balance at March 31, 2024	**$ 1.2**	**$ 1,390.2**	**$ (255.8)**	**$ (361.2)**	**$ -**	**$ 774.4**

See accompanying notes to Condensed Consolidated Financial Statements.

KRONOS WORLDWIDE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)

	Three months ended March 31,	
	2023	**2024**
	(unaudited)	
Cash flows from operating activities:		
Net income (loss)	$ (15.2)	**$ 8.1**
Depreciation	12.9	**10.9**
Amortization of operating lease right-of-use assets	1.1	**1.1**
Deferred income taxes	1.1	**(.2)**
Benefit plan expense less than cash funding	(2.2)	**(2.8)**
Marketable equity securities	.7	**(.3)**
Distributions from (contributions to) TiO_2 manufacturing joint venture, net	(.7)	**2.3**
Other, net	.4	**2.1**
Change in assets and liabilities:		
Accounts and other receivables, net	(39.0)	**(58.3)**
Inventories, net	.5	**75.6**
Prepaid expenses	8.1	**4.4**
Accounts payable and accrued liabilities	(60.0)	**(103.7)**
Income taxes	(2.6)	**2.0**
Accounts with affiliates	(15.1)	**15.3**
Other, net	.2	**.2**
Net cash used in operating activities	(109.8)	**(43.3)**
Cash flows from investing activities - capital expenditures	(16.4)	**(4.7)**
Cash flows from financing activities:		
Loan from Contran	-	**53.7**
Payments on long-term debt	(.2)	**(52.6)**
Deferred financing fees	-	**(4.9)**
Dividends paid	(21.9)	**(21.9)**
Treasury stock acquired	(1.4)	**-**
Net cash used in financing activities	(23.5)	**(25.7)**
Cash, cash equivalents and restricted cash - net change from:		
Operating, investing and financing activities	(149.7)	**(73.7)**
Effect of currency exchange rate changes on cash	(.7)	**(1.1)**
Balance at beginning of period	334.6	**202.1**
Balance at end of period	$ 184.2	**$ 127.3**
Supplemental disclosures:		
Cash paid (received) for:		
Interest, net of amount capitalized	$ 7.9	**$ 7.2**
Income taxes	(2.6)	**.9**
Accrual for capital expenditures	6.4	**.9**

See accompanying notes to Condensed Consolidated Financial Statements.

KRONOS WORLDWIDE, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2024

(unaudited)

Note 1 - Organization and basis of presentation:

Organization - At March 31, 2024, Valhi, Inc. (NYSE: VHI) held approximately 50% of our outstanding common stock and a wholly-owned subsidiary of NL Industries, Inc. (NYSE: NL) held approximately 31% of our common stock. Valhi owned approximately 83% of NL's outstanding common stock and a wholly-owned subsidiary of Contran Corporation held approximately 91% of Valhi's outstanding common stock. A majority of Contran's outstanding voting stock is held directly by Lisa K. Simmons, Thomas C. Connelly (the husband of Ms. Simmons' late sister), and various family trusts established for the benefit of Ms. Simmons, Mr. Connelly and their children and for which Ms. Simmons, Mr. Connelly, or Mr. Connelly's sister, as applicable, serve as trustee (collectively, the "Other Trusts"). With respect to the Other Trusts for which Mr. Connelly or his sister serves as trustee, the trustee is required to vote the shares of Contran voting stock held in such trusts in the same manner as Ms. Simmons. Such voting rights of Ms. Simmons last through April 22, 2030 and are personal to Ms. Simmons. The remainder of Contran's outstanding voting stock is held by another trust (the "Family Trust"), which was established for the benefit of Ms. Simmons and her late sister and their children and for which a third-party financial institution serves as trustee. Consequently, at March 31, 2024, Ms. Simmons and the Family Trust may be deemed to control Contran, and therefore may be deemed to indirectly control the wholly-owned subsidiary of Contran, Valhi, NL and us.

Basis of presentation - The unaudited Condensed Consolidated Financial Statements contained in this Quarterly Report have been prepared on the same basis as the audited Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2023 that we filed with the Securities and Exchange Commission (SEC) on March 6, 2024 (2023 Annual Report). In our opinion, we have made all necessary adjustments (which include only normal recurring adjustments), in order to state fairly, in all material respects, our consolidated financial position, results of operations and cash flows as of the dates and for the periods presented. We have condensed the Consolidated Balance Sheet at December 31, 2023 contained in this Quarterly Report as compared to our audited Consolidated Financial Statements at that date, and we have omitted certain information and footnote disclosures (including those related to the Consolidated Balance Sheet at December 31, 2023) normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). Our results of operations for the interim period ended March 31, 2024 may not be indicative of our operating results for the full year. The Condensed Consolidated Financial Statements contained in this Quarterly Report should be read in conjunction with our 2023 Consolidated Financial Statements contained in our 2023 Annual Report.

Unless otherwise indicated, references in this report to "we," "us" or "our" refer to Kronos Worldwide, Inc. and its subsidiaries (NYSE: KRO) taken as a whole.

Note 2 - Accounts and other receivables, net:

	December 31, 2023	March 31, 2024
	(In millions)	
Trade receivables	$ 273.6	**$ 330.8**
Recoverable VAT and other receivables	23.8	**19.5**
Receivables from affiliates, other:		
Louisiana Pigment Company (LPC)	16.9	**-**
Other	.4	**.4**
Refundable income taxes	1.9	**2.0**
Allowance for doubtful accounts	(4.1)	**(4.0)**
Total	$ 312.5	**$ 348.7**

Note 3 - Inventories, net:

	December 31, 2023	March 31, 2024
	(In millions)	
Raw materials	$ 188.3	**$ 148.3**
Work in process	30.8	**25.6**
Finished products	249.6	**208.8**
Supplies	95.9	**93.1**
Total	$ 564.6	**$ 475.8**

Note 4 - Marketable securities:

Our marketable securities consist of investments in the publicly-traded shares of our related party, Valhi. Our marketable securities are accounted for as available-for-sale securities, which are carried at fair value using quoted market prices in active markets for each marketable security and represent a Level 1 input within the fair value hierarchy. Unrealized gains or losses on equity securities are recognized in Other income (expense) - Marketable equity securities on our Condensed Consolidated Statements of Operations.

Marketable security	Fair value measurement level	Market value	Cost basis	Unrealized loss
			(In millions)	
December 31, 2023:				
Valhi common stock	1	$ 2.2	$ 3.2	$ (1.0)
March 31, 2024:				
Valhi common stock	1	**$ 2.5**	**$ 3.2**	**$ (.7)**

At December 31, 2023 and March 31, 2024, we held approximately 144,000 shares of Valhi's common stock. At December 31, 2023 and March 31, 2024, the per share quoted market price of Valhi's common stock was $15.19 and $17.18, respectively.

The Valhi common stock we own is subject to the restrictions on resale pursuant to certain provisions of the Securities and Exchange Commission (SEC) Rule 144. In addition, as a majority-owned subsidiary of Valhi we cannot vote our shares of Valhi common stock under Delaware General Corporation Law, but we do receive dividends from Valhi on these shares when declared and paid.

Note 5 - Long-term debt:

	December 31, 2023	March 31, 2024
	(In millions)	
Kronos International, Inc. 9.50% Senior Secured Notes due 2029	$ -	**$ 292.3**
Kronos International, Inc. 3.75% Senior Secured Notes due 2025	440.9	**80.9**
Subordinated, Unsecured Term Loan from Contran	-	**53.7**
Total long-term debt	$ 440.9	**$ 426.9**

9.50% Senior Secured Notes due 2029 - On February 12, 2024, for certain eligible holders of existing 3.75% Senior Secured Notes due 2025 (the "Old Notes") of our wholly-owned subsidiary, Kronos International, Inc. (KII), KII executed an exchange of €325 million principal amount of the outstanding Old Notes for newly issued €276.174 million aggregate outstanding KII 9.50% Senior Secured Notes due March 2029 (the "New Notes" and together with the Old Notes, the "Senior Secured Notes") plus additional cash consideration of €48.75 million ($52.6 million). Holders of the Old Notes received for each €1,000 principal amount of Old Notes exchanged, €850 in principal amount of New Notes, plus a cash payment in an amount equal to €150. Following the exchange, Old Notes totaling €75 million principal amount that were not exchanged continue to remain outstanding. In connection with the exchange, the indenture governing the Old Notes was amended to conform to the restrictive covenants in the indenture governing the New Notes

and to make other conforming changes. KII did not receive any cash proceeds from the issuance and delivery of the New Notes in connection with the exchange. We also entered into a new $53.7 million unsecured term loan from Contran Corporation (described below) in connection with the exchange.

The New Notes:

- bear interest at 9.50% per annum, payable semi-annually on March 15 and September 15 of each year, payments begin on September 15, 2024;
- have a maturity date of March 15, 2029. Prior to March 15, 2026, we may redeem some or all of the New Notes at a price equal to 100% of the principal amount thereof, plus an applicable premium as of the date of the redemption as described in the indenture governing our New Notes plus accrued and unpaid interest. On or after March 15, 2026, we may redeem the New Notes at redemption prices ranging from 104.750% of the principal amount, declining to 100% on or after March 15, 2028, plus accrued and unpaid interest. In addition, on or before March 15, 2026, we may redeem up to 40% of the New Notes with the net proceeds of certain public or private equity offerings at 109.50% of the principal amount, plus accrued and unpaid interest, provided that following the redemption at least 50% of the New Notes remain outstanding. If we or our subsidiaries experience certain change of control events, as outlined in the indenture governing our New Notes, we would be required to make an offer to purchase the New Notes at 101% of the principal amount thereof, plus accrued and unpaid interest. We would also be required to make an offer to purchase a specified portion of the New Notes at par value, plus accrued and unpaid interest, in the event that we and our subsidiaries generate a certain amount of net proceeds from the sale of assets outside the ordinary course of business, and such net proceeds are not otherwise used for specified purposes within a specified time period as described in the indenture governing our New Notes;
- are fully and unconditionally guaranteed, jointly and severally, on a senior secured basis by Kronos Worldwide, Inc. and each of our direct and indirect domestic, wholly-owned subsidiaries;
- are collateralized by a first priority lien on (i) 100% of the common stock or other ownership interests of each existing and future direct domestic subsidiary of KII and the guarantors, and (ii) 65% of the voting common stock or other ownership interests and 100% of the non-voting common stock or other ownership interests of each non-U.S. subsidiary that is directly owned by KII or any guarantor;
- contain a number of covenants and restrictions which, among other things, restrict our ability to incur or guarantee additional debt, incur liens, pay dividends or make other restricted payments, or merge or consolidate with, or sell or transfer substantially all of our assets to, another entity, and contain other provisions and restrictive covenants customary in lending transactions of this type (however, there are no ongoing financial maintenance covenants); and
- contain customary default provisions, including a default under any of our other indebtedness in excess of $50.0 million.

At March 31, 2024 the carrying value of the New Notes (€276.174 million aggregate principal amount outstanding) is stated net of unamortized debt issuance costs of $5.6 million. As a result of the note exchange, in the first quarter of 2024 we recognized a non-cash pre-tax interest charge of $1.5 million included in interest expense related to the write-off of the deferred financing costs associated with the Old Notes and capitalized $5.7 million in debt issuance costs associated with the New Notes.

Subordinated, Unsecured Term Loan from Contran - As part of the refinancing of a majority of our Old Notes discussed above, we borrowed $53.7 million (€50.0 million) from Contran through the issuance of an unsecured, subordinated term promissory note dated February 12, 2024 (the "*Contran Term Loan*"). The Contran Term Loan is guaranteed by our domestic wholly-owned subsidiaries. Our obligations under the Contran Term Loan, and the obligations of the guarantors under the related guaranties, are unsecured and subordinated in right of payment to our Senior Secured Notes and our $225 million global revolving credit facility (Global Revolver). Interest on the Contran Term Loan is payable in cash at an interest rate of 11.5%. The additional interest rate spread of 2% over the interest rate on the New Notes was based upon comparable debt transactions at the time of issuance. The Contran Term Loan matures on demand (but no earlier than September 2029), is not subject to any amortization payments and is prepayable at par beginning in March 2026. The restrictive covenants in the Contran Term Loan are substantially similar to those contained in the indenture governing our New Notes. In accordance with our related party transaction policy, the audit committee of our board of directors, comprised of the independent directors, approved the terms and conditions of the term loan from Contran.

3.75% Senior Secured Notes due 2025 - At March 31, 2024, the carrying value of our remaining Old Notes (€75 million aggregate principal amount outstanding) is $80.9 million. In connection with the issuance of the New Notes in February 2024, the indenture governing the Old Notes was amended to conform to the restrictive covenants in the indenture governing the New Notes and to make other conforming changes.

Revolving credit facility - During the first three months of 2024, we had no borrowings or repayments under our $225 million global revolving credit facility and at March 31, 2024, the full $225 million was available for borrowing.

Other - We are in compliance with all of our debt covenants at March 31, 2024.

Note 6 - Accounts payable and accrued liabilities:

	December 31, 2023	March 31, 2024
	(In millions)	
Accounts payable	$ 218.7	**$ 143.9**
Accrued sales discounts and rebates	22.5	**10.5**
Employee benefits	24.7	**23.4**
Payables to affiliates:		
LPC	19.9	**21.0**
Income taxes payable to Valhi	10.8	**11.6**
Other	.6	**.6**
Operating lease liabilities	3.9	**3.6**
Other	54.3	**36.7**
Total	$ 355.4	**$ 251.3**

Note 7 - Other noncurrent liabilities:

	December 31, 2023	March 31, 2024
	(In millions)	
Accrued postretirement benefits	$ 6.4	**$ 6.2**
Employee benefits	4.9	**4.7**
Other	10.5	**10.5**
Total	$ 21.8	**$ 21.4**

Note 8 - Revenue recognition:

The following table disaggregates our net sales by place of manufacture (point of origin) and to the location of the customer (point of destination), which are the categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

	Three months ended March 31,	
	2023	2024
	(In millions)	
Net sales - point of origin:		
United States	$ 255.8	**$ 240.9**
Germany	186.0	**212.2**
Canada	90.9	**89.3**
Norway	71.9	**71.0**
Belgium	68.8	**69.6**
Eliminations	(247.1)	**(204.2)**
Total	$ 426.3	**$ 478.8**
Net sales - point of destination:		
Europe	$ 201.1	**$ 214.9**
North America	148.6	**166.0**
Other	76.6	**97.9**
Total	$ 426.3	**$ 478.8**

Note 9 - Employee benefit plans:

The components of net periodic defined benefit pension cost are presented in the table below.

	Three months ended March 31,	
	2023	2024
	(In millions)	
Net periodic pension cost (income):		
Service cost	$ 1.6	**$ 1.7**
Interest cost	5.1	**5.0**
Expected return on plan assets	(4.8)	**(5.3)**
Recognized actuarial losses	.6	**.6**
Total	$ 2.5	**$ 2.0**

We expect our 2024 contributions for our pension plans to be approximately $17 million.

Note 10 - Income taxes:

	Three months ended March 31,	
	2023	2024
	(In millions)	
Expected tax expense (benefit), at U.S. federal statutory income tax rate of 21%	$ (4.6)	$ 2.4
Non-U.S. tax rates	(.2)	-
Incremental net tax benefit on earnings and losses of U.S. and non-U.S. companies	-	(.6)
Valuation allowance, net	.2	1.0
Global intangible low-tax income, net	(.5)	.3
Adjustment to the reserve for uncertain tax positions, net	(1.2)	.1
Adjustment of prior year taxes, net	(.4)	-
Nondeductible expenses	-	.2
Other, net	(.2)	.1
Income tax expense (benefit)	$ (6.9)	$ 3.5
Comprehensive provision (benefit) for income taxes allocable to:		
Net income (loss)	$ (6.9)	$ 3.5
Other comprehensive income - pension plans	.1	.2
Total	$ (6.8)	$ 3.7

The amount shown in the preceding table of our income tax rate reconciliation for non-U.S. tax rates represents the result determined by multiplying the pre-tax earnings or losses of each of our non-U.S. subsidiaries by the difference between the applicable statutory income tax rate for each non-U.S. jurisdiction and the U.S. federal statutory tax rate. The amount shown on such table for incremental net tax benefit on earnings and losses of U.S. and non-U.S. companies includes, as applicable, (i) deferred income taxes (or deferred income tax benefits) associated with the current-year earnings (losses) of all of our non-U.S. subsidiaries and (ii) current U.S. income taxes (or current income tax benefit), including U.S. personal holding company tax, as applicable, attributable to current-year income (losses) of one of our non-U.S. subsidiaries, which subsidiary is treated as a dual resident for U.S. income tax purposes, to the extent the current-year income (losses) of such subsidiary is subject to U.S. income tax under the U.S. dual-resident provisions of the Internal Revenue Code.

During the first quarter of 2023, we recognized a non-cash deferred income tax benefit of $1.0 million relating to a decrease in our unrecognized tax benefits due to the expiration of certain statutes of limitations.

Tax authorities are examining certain of our U.S. and non-U.S. tax returns and may propose tax deficiencies, including penalties and interest. We believe we have adequate accruals for additional taxes and related interest expense which could ultimately result from tax examinations. We believe the ultimate disposition of tax examinations should not have a material adverse effect on our consolidated financial position, results of operations or liquidity. We currently estimate that our unrecognized tax benefits will not change materially during the next twelve months.

Note 11 - Stockholders' equity:

Changes in accumulated other comprehensive loss are presented in the table below. See Note 9 for discussion of our defined benefit pension plans.

	Three months ended March 31,	
	2023	2024
	(In millions)	
Accumulated other comprehensive loss, net of tax:		
Currency translation:		
Balance at beginning of period	$ (269.2)	**$ (265.5)**
Other comprehensive loss	(7.0)	**(20.6)**
Balance at end of period	$ (276.2)	**$ (286.1)**
Defined benefit pension plans:		
Balance at beginning of period	$ (63.1)	**$ (76.0)**
Other comprehensive income - amortization of prior service cost and net losses included in net periodic pension cost	.5	**.5**
Balance at end of period	$ (62.6)	**$ (75.5)**
OPEB plans:		
Balance at beginning of period	$ .8	**$ .4**
Other comprehensive loss - amortization of prior service credit and net losses included in net periodic OPEB cost	(.1)	**-**
Balance at end of period	$ .7	**$ .4**
Total accumulated other comprehensive loss:		
Balance at beginning of period	$ (331.5)	**$ (341.1)**
Other comprehensive loss	(6.6)	**(20.1)**
Balance at end of period	$ (338.1)	**$ (361.2)**

Our board of directors has previously authorized the repurchase of up to 2.0 million shares of our common stock in open market transactions, including block purchases, or in privately-negotiated transactions at unspecified prices and over an unspecified period of time. We may repurchase our common stock from time to time as market conditions permit. The stock repurchase program does not include specific price targets or timetables and may be suspended at any time. Depending on market conditions, we may terminate the program prior to its completion. We use cash on hand or other sources of liquidity to acquire the shares. Repurchased shares are added to our treasury and subsequently cancelled upon approval of the board of directors.

In February 2023, we cancelled 133,897 shares of treasury stock purchased in the fourth quarter of 2022. During the first quarter of 2023, we acquired 159,796 shares of our common stock in market transactions for an aggregate purchase price of $1.4 million, which shares were accounted for as treasury stock at March 31, 2023 and were subsequently cancelled. At March 31, 2024, 1,017,518 shares are available for repurchase under this stock repurchase program.

Note 12 - Commitments and contingencies:

We are involved in various environmental, contractual, product liability, patent (or intellectual property), employment and other claims and disputes incidental to our business. At least quarterly our management discusses and evaluates the status of any pending litigation to which we are a party. The factors considered in such evaluation include, among other things, the nature of such pending cases, the status of such pending cases, the advice of legal counsel and our experience in similar cases (if any). Based on such evaluation, we make a determination as to whether we believe (i) it is probable a loss has been incurred, and if so if the amount of such loss (or a range of loss) is reasonably estimable, or (ii) it is reasonably possible but not probable a loss has been incurred, and if so if the amount of such loss (or a range of loss) is reasonably estimable, or (iii) the probability a loss has been incurred is remote. We have not accrued any amounts for litigation matters because it is not reasonably possible we have incurred a loss that would be material to our consolidated financial statements, results of operations or liquidity.

Note 13 - Financial instruments:

See Note 4 for information on how we determine fair value of our marketable securities.

The following table presents the financial instruments that are not carried at fair value but which require fair value disclosure:

	December 31, 2023		March 31, 2024	
	Carrying amount	Fair value	Carrying amount	Fair value
	(In millions)			
Cash, cash equivalents and restricted cash	$ 202.1	$ 202.1	**$ 127.3**	**$ 127.3**
Long-term debt:				
Fixed rate 9.50% Senior Secured Notes due 2029	-	-	**292.3**	**318.5**
Fixed rate 3.75% Senior Secured Notes due 2025	440.9	424.5	**80.9**	**79.9**

At March 31, 2024, the estimated market price of our 9.50% Senior Secured Notes due 2029 was €1,069 per €1,000 principal amount, and the estimated market price of our 3.75% Senior Secured Notes due 2025 was €987 per €1,000 principal amount. The fair values of our Senior Secured Notes were based on quoted market prices; however, these quoted market prices represented Level 2 inputs because the markets in which the Senior Secured Notes trade were not active. Due to their near-term maturities, the carrying amounts of accounts receivable and accounts payable are considered equivalent to fair value. See Notes 2 and 6.

Note 14 - Other operating income (expense), net:

On August 24, 2020, LPC temporarily halted production due to Hurricane Laura. Although storm damage to core processing facilities was not extensive, a variety of factors, including loss of utilities and limited access and availability of employees and raw materials, prevented the resumption of operations until September 25, 2020. The majority of our losses from property damage and our share of LPC's lost production and other costs resulting from the disruption of operations, were covered by insurance. We recognized an aggregate gain of $1.7 million in the first quarter of 2023, which is included in other operating expense, net on our Condensed Consolidated Statement of Operations.

Note 15 - Recent accounting pronouncements:

In November 2023, the Financial Accounting Standards Board (FASB) issued ASU 2023-07, Segment Reporting (Topic 280): *Improvements to Reportable Segment Disclosures*. The ASU requires public companies to disclose significant segment expenses and other segment items on an annual and interim basis. The ASU also mandates public companies to provide all annual segment disclosures currently required annually in interim periods. Public entities with a single reportable segment are required to provide the new disclosures and all disclosures required under ASC 280. Public companies will also be required to disclose the title and position of the chief operating decision maker (CODM) and explain how the CODM uses the reported measure of segment profit or loss in assessing segment performance and allocation of resources. The ASU is effective for us beginning with our 2024 Annual Report, and for interim reporting, in the first quarter of 2025, with retrospective application required. We are in the process of evaluating the additional disclosure requirements across all segments.

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): *Improvements to Income Tax Disclosures*. The ASU requires additional annual disclosure and disaggregation for the rate reconciliation, income taxes paid and income tax expense by federal, state and foreign tax jurisdictions. In addition, the standard increases the disclosure requirements for items included in the rate reconciliation that meet a quantitative threshold. The ASU is effective for us beginning with our 2025 Annual Report. The ASU may be applied prospectively; however, entities have the option to apply it retrospectively. We are in the process of evaluating the additional disclosure requirements.

Note 16 – Restructuring costs:

In response to the extended period of reduced demand in 2023, we took measures to reduce our operating costs and improve our long-term cost structure such as the implementation of certain voluntary and involuntary workforce reductions during the third quarter of 2023 that primarily impacted our European operations. A substantial portion of our workforce reductions were accomplished through voluntary programs, for which eligible workforce reduction costs are recognized at the time both the employee and employer are irrevocably committed to the terms of the separation. These workforce reductions impacted approximately 100 employees. We recognized a total of approximately $6 million in charges primarily in the fourth quarter of 2023 related to workforce reductions we implemented during the second half of the year with the majority of related cash payments expected to be paid in the first half of 2024.

In April 2024, we announced plans to close our sulfate process line at our plant in Varennes, Canada by the third quarter of 2024. As a result of the sulfate process line closure, we expect to recognize a charge of approximately $2 million primarily to cost of sales in the second quarter of 2024 related to workforce reductions for employees impacted. In addition, approximately $15 million in non-cash charges related to the closure of the line are expected to be reflected in cost of sales in the second and third quarters of 2024.

A summary of the activity in our accrued restructuring costs for the first quarter of 2024 is shown in the table below (in millions):

	Amount (In millions)
Accrued workforce reduction costs at December 31, 2023	$ 5.0
Workforce reduction costs accrued	(.1)
Workforce reduction costs paid	(1.6)
Currency translation adjustments, net	(.1)
Accrued workforce reduction costs at March 31, 2024	$ 3.2
Amounts recognized in the balance sheet:	
Current liability	$ 3.2
Noncurrent liability	-
Total	$ 3.2

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Business overview

We are a leading global producer and marketer of value-added titanium dioxide pigments (TiO_2). TiO_2 is used for a variety of manufacturing applications, including paints, plastics, paper and other industrial and specialty products. For the three months ended March 31, 2024, approximately 40% of our sales volumes were sold into European markets. Our production facilities are located in Europe and North America.

We consider TiO_2 to be a "quality of life" product, with demand affected by gross domestic product, or GDP, and overall economic conditions in our markets located in various regions of the world. Over the long-term, we expect demand for TiO_2 will grow by 2% to 3% per year, consistent with our expectations for the long-term growth in GDP. However, even if we and our competitors maintain consistent shares of the worldwide market, demand for TiO_2 in any interim or annual period may not change in the same proportion as the change in GDP, in part due to relative changes in the TiO_2 inventory levels of our customers. We believe our customers' inventory levels are influenced in part by their expectation for future changes in TiO_2 selling prices as well as their expectation for future availability of product. Although certain of our TiO_2 grades are considered specialty pigments, the majority of our grades and substantially all of our production are considered commodity pigment products with price and availability being the most significant competitive factors along with product quality and customer and technical support services.

The factors having the most impact on our reported operating results are:

- TiO_2 selling prices,
- TiO_2 sales and production volumes,
- Manufacturing costs, particularly raw materials such as third-party feedstock, maintenance and energy-related expenses, and
- Currency exchange rates (particularly the exchange rate for the U.S. dollar relative to the euro, the Norwegian krone and the Canadian dollar and the euro relative to the Norwegian krone).

Our key performance indicators are our TiO_2 average selling prices, our level of TiO_2 sales and production volumes and the cost of titanium-containing feedstock purchased from third parties. TiO_2 selling prices generally follow industry trends and selling prices will increase or decrease generally as a result of competitive market pressures.

Executive summary

We reported net income of $8.1 million, or $.07 per share, in the first quarter of 2024 compared to a net loss of $15.2 million, or $.13 per share, in the first quarter of 2023. Net income increased in the first quarter of 2024 as compared to the first quarter of 2023 primarily due to higher income from operations as a result of the net effects of higher sales and production volumes, lower average TiO_2 selling prices and lower productions costs (primarily energy and raw materials). Our results of operations for the first quarter of 2023 were significantly impacted by reduced demand for certain of our products occurring in all major markets and unabsorbed fixed production and other costs due to reduced production volumes. Demand has improved in all of our major markets in the first quarter of 2024 and production volumes have increased, contributing to our improved profitability. Comparability of our results was also impacted by the effects of changes in currency exchange rates.

Our net income in the first three months of 2024 includes an aggregate charge of $1.5 million ($1.1 million, or $.01 per share, net of income tax benefit) related to a write-off of deferred financing costs.

Our net loss in the first three months of 2023 includes the recognition of a pre-tax insurance settlement gain of $1.7 million ($1.3 million, or $.01 per share, net of income tax expense) related to a business interruption insurance claim arising from Hurricane Laura in 2020.

Forward-looking information

This report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, as amended. Statements in this Quarterly Report on Form 10-Q that are not historical facts are forward-looking in nature and represent management's beliefs and assumptions based on currently available information. In some cases you can identify forward-looking statements by the use of words such as "believes," "intends," "may," "should," "could," "anticipates," "expects" or comparable terminology, or by discussions of strategies or trends. Although we believe the expectations reflected in such forward-looking statements are reasonable, we do not know if these expectations will be correct. Such statements by their nature involve substantial risks and uncertainties that could significantly impact expected results. Actual future results could differ materially from those predicted. The factors that could cause our actual future results to differ materially from those described herein are the risks and uncertainties discussed in this Quarterly Report and those described from time to time in our other filings with the SEC and include, but are not limited to, the following:

- Future supply and demand for our products
- The extent of the dependence of certain of our businesses on certain market sectors
- The cyclicality of our business
- Customer and producer inventory levels
- Unexpected or earlier-than-expected industry capacity expansion
- Changes in raw material and other operating costs (such as energy and ore costs)
- Changes in the availability of raw materials (such as ore)
- General global economic and political conditions that harm the worldwide economy, disrupt our supply chain, increase material and energy costs or reduce demand or perceived demand for our TiO_2 products or impair our ability to operate our facilities (including changes in the level of gross domestic product in various regions of the world, natural disasters, terrorist acts, global conflicts and public health crises)
- Operating interruptions (including, but not limited to, labor disputes, leaks, natural disasters, fires, explosions, unscheduled or unplanned downtime, transportation interruptions, certain regional and world events or economic conditions and public health crises)
- Technology related disruptions (including, but not limited to, cyber attacks; software implementation, upgrades or improvements; technology processing failures; or other events) related to our technology infrastructure that could impact our ability to continue operations, or at key vendors which could impact our supply chain, or at key customers which could impact their operations and cause them to curtail or pause orders
- Competitive products and substitute products
- Customer and competitor strategies
- Potential consolidation of our competitors
- Potential consolidation of our customers
- The impact of pricing and production decisions
- Competitive technology positions
- Potential difficulties in upgrading or implementing accounting and manufacturing software systems
- The introduction of trade barriers or trade disputes
- Fluctuations in currency exchange rates (such as changes in the exchange rate between the U.S. dollar and each of the euro, the Norwegian krone and the Canadian dollar and between the euro and the Norwegian krone), or possible disruptions to our business resulting from uncertainties associated with the euro or other currencies
- Our ability to renew or refinance credit facilities

- Increases in interest rates
- Our ability to maintain sufficient liquidity
- The ultimate outcome of income tax audits, tax settlement initiatives or other tax matters, including future tax reform
- Our ability to utilize income tax attributes, the benefits of which may or may not have been recognized under the more-likely-than-not recognition criteria
- Environmental matters (such as those requiring compliance with emission and discharge standards for existing and new facilities)
- Government laws and regulations and possible changes therein including new environmental, health, safety, sustainability or other regulations (such as those seeking to limit or classify TiO_2 or its use)
- Pending or possible future litigation or other actions.

Should one or more of these risks materialize (or the consequences of such a development worsen), or should the underlying assumptions prove incorrect, actual results could differ materially from those forecasted or expected. We disclaim any intention or obligation to update or revise any forward-looking statements whether as a result of changes in information, future events or otherwise.

Results of operations

Current industry conditions

We and the TiO_2 industry experienced an extended period of significantly reduced demand across all major markets which was reflected in our sales volumes in the first quarter of and throughout 2023. Although overall demand remains below average historical levels, demand has improved in the first quarter of 2024 in all major markets. We started 2024 with average TiO_2 selling prices 13% lower than at the beginning of 2023 and our average TiO_2 selling prices declined 2% during the first quarter of 2024. Our average TiO_2 selling prices in the first three months of 2024 were 11% lower than average prices during the first three months of 2023.

We operated our production facilities at 76% of practical capacity utilization in the first three months of 2023 in response to decreased demand and higher production costs. As a result of increased demand experienced in the fourth quarter of 2023 and first quarter of 2024, along with more favorable production costs, we began increasing our production rates during the first quarter of 2024 resulting in 87% of practical capacity utilization in the first three months of 2024.

Excluding the effect of changes in currency exchange rates, our cost of sales per metric ton of TiO_2 sold in the first three months of 2024 was significantly lower as compared to the comparable period in 2023 primarily due to significant decreases in per metric ton production costs (primarily feedstock and unabsorbed fixed costs due to reduced operating rates in 2023).

In response to the extended period of reduced demand in 2023, discussed above, we took measures to reduce our operating costs and improve our long-term cost structure such as the implementation of certain voluntary and involuntary workforce reductions during the third quarter of 2023 that primarily impacted our European operations. A substantial portion of our workforce reductions were accomplished through voluntary programs, for which eligible workforce reduction costs are recognized at the time both the employee and employer are irrevocably committed to the terms of the separation. These workforce reductions impacted approximately 100 employees. We recognized a total of approximately $6 million in charges primarily in the fourth quarter of 2023 related to workforce reductions we implemented during the second half of the year with the majority of related cash payments expected to be paid in the first half of 2024.

In April 2024, we announced plans to close our sulfate process line at our plant in Varennes, Canada by the third quarter of 2024. We expect to recognize a charge of approximately $2 million primarily to cost of sales in the second quarter of 2024 related to workforce reductions for employees impacted. In addition, approximately $15 million in non-cash charges related to the closure of the line are expected to be reflected in cost of sales in the second and third quarters of 2024.

Quarter ended March 31, 2024 compared to the quarter ended March 31, 2023

	Three months ended March 31,			
	2023		2024	
	(Dollars in millions)			
Net sales	$ 426.3	100 %	**$ 478.8**	**100 %**
Cost of sales	395.5	93	**407.3**	**85**
Gross margin	30.8	7	**71.5**	**15**
Selling, general and administrative expense	53.2	12	**54.2**	**11**
Other operating income (expense):				
Currency transactions, net	5.4	1	**5.8**	**1**
Other operating expense, net	(1.3)	-	**(3.6)**	**(1)**
Income (loss) from operations	$ (18.3)	(4)%	**$ 19.5**	**4 %**
				% Change
TiO_2 operating statistics:				
Sales volumes*	102		**130**	**28 %**
Production volumes*	105		**121**	**15 %**
Percentage change in net sales:				
TiO_2 sales volumes				**28 %**
TiO_2 product pricing				**(11)**
TiO_2 product mix/other				**(6)**
Changes in currency exchange rates				**1**
Total				**12 %**

* Thousands of metric tons

Net sales - Net sales in the first quarter of 2024 increased 12%, or $52.5 million, compared to the first quarter of 2023 primarily due to the net effects of a 28% increase in sales volumes (which increased net sales by approximately $119 million) and an 11% decrease in average TiO_2 selling prices (which decreased net sales by approximately $47 million). In addition to the impact of sales volumes and average TiO_2 selling prices, we estimate that changes in currency exchange rates (primarily the euro) increased our net sales by approximately $4 million in the first quarter of 2024 as compared to the first quarter of 2023. TiO_2 selling prices will increase or decrease generally as a result of competitive market pressures, changes in the relative level of supply and demand as well as changes in raw material and other manufacturing costs.

Our sales volumes increased 28% in the first quarter of 2024 as compared to the first quarter of 2023 due to higher overall demand across all major markets.

Cost of sales and gross margin - Cost of sales increased $11.8 million, or 3%, in the first quarter of 2024 compared to the first quarter of 2023 due to the net effects of a 28% increase in sales volumes, a 15% increase in production volumes (in response to improved near-term customer demand) somewhat offset by lower production costs of approximately $64 million (primarily energy and raw materials). Our unabsorbed fixed production costs decreased $10 million from $22 million in the first quarter of 2023 to $12 million in the first quarter of 2024.

Our cost of sales as a percentage of net sales improved to 85% in the first quarter of 2024 compared to 93% in the same period of 2023 primarily due to the favorable effects of lower production costs and higher production volumes resulting in increased coverage of fixed production costs.

Gross margin as a percentage of net sales increased to 15% in the first quarter of 2024 compared to 7% in the first quarter of 2023. As discussed and quantified above, our gross margin as a percentage of net sales increased primarily due to lower production costs and higher production and sales volumes, somewhat offset by lower average TiO_2 selling prices.

Selling, general and administrative expense - Selling, general and administrative expense increased $1.0 million, or 2%, in 2024 compared to 2023 primarily due to variable costs related to higher sales volumes during the quarter. Selling, general and administrative expense as a percentage of net sales decreased to 11% in the first quarter of 2024 compared to 12% of net sales in the first quarter of 2023.

Income (loss) from operations - Income from operations increased by $37.8 million to $19.5 million in the first quarter of 2024 compared to a net loss from operations of $18.3 million in the first quarter of 2023 as a result of the factors impacting gross margin discussed above. We recognized a gain of $1.7 million in the first quarter of 2023 related to cash received from the settlement of a business interruption insurance claim. See Note 14 to our Condensed Consolidated Financial Statements. Changes in currency exchange rates had a nominal effect on our income from operations in the first quarter of 2024 as compared to the same period in 2023, as discussed in the Effects of currency exchange rates section below.

Other non-operating income (expense) - We recognized an unrealized gain of $.3 million in the first quarter of 2024 compared to an unrealized loss of $.7 million in the first quarter of 2023 related to the change in market price of our marketable equity securities. See Note 4 to our Condensed Consolidated Financial Statements. Other components of net periodic pension and OPEB cost in the first quarter of 2024 decreased $.6 million compared to the first quarter of 2023 primarily due to a higher expected return on plan assets. Interest expense in the first quarter of 2024 increased $5.0 million compared to interest expense in the first quarter of 2023 as a result of the February 2024 exchange of €325 million of our 3.75% Senior Secured Notes due 2025 for newly issued €276.174 million of 9.50% Senior Secured Notes due March 2029 plus additional cash consideration, and as a result of the new $53.7 million subordinated, unsecured term loan from Contran due September 2029 at an interest rate of 11.5%, which we entered into in February 2024 in connection with the exchange. As a result of the exchange, interest expense for the first three months of 2024 includes a charge of $1.5 million for the write-off of deferred financing costs. See Note 5 to our Condensed Consolidated Financial Statements.

Income tax expense (benefit) - We recognized income tax expense of $3.5 million in the first quarter of 2024 compared to an income tax benefit of $6.9 million in the first quarter of 2023. The difference is primarily due to higher earnings in the first quarter of 2024 and the jurisdictional mix of such earnings. Our earnings and losses are subject to income tax in various U.S. and non-U.S. jurisdictions, and the income tax rates applicable to the pre-tax earnings (losses) of our non-U.S. operations are generally higher than the income tax rates applicable to our U.S. operations. We would generally expect our overall effective tax rate, excluding the effect of any increase or decrease in our deferred income tax asset valuation allowance or changes in our reserve for uncertain tax positions, to be higher than the U.S. federal statutory tax rate of 21% primarily because of our sizeable non-U.S. operations. However, in the first quarter of 2024, our consolidated effective income tax rate, excluding the effect of the valuation allowance and change in reserve for uncertain tax positions, is lower than the U.S. federal statutory rate of 21% due to the effect of lower earnings and tax benefits associated with losses incurred in certain high tax jurisdictions. See Note 10 to our Condensed Consolidated Financial Statements.

The Organization for Economic Cooperation and Development (the "OECD"), the European Union and other countries have committed to enacting the OECD's Pillar Two initiative that would provide a global minimum level of taxation for multinational companies to be applied on a country-by-country basis. Currently, many countries are drafting or have enacted legislation to implement the Pillar Two rules effective for years beginning on or after December 31, 2023. Based on legislation currently enacted, we do not anticipate any material impact to our Consolidated Financial Statements; however, until all the jurisdictions we operate in enact legislation, the full impact of Pillar Two to us is unknown.

Effects of currency exchange rates

We have substantial operations and assets located outside the United States (primarily in Germany, Belgium, Norway and Canada). The majority of our sales from non-U.S. operations are denominated in currencies other than the U.S. dollar, principally the euro, other major European currencies and the Canadian dollar. A portion of our sales generated from our non-U.S. operations is denominated in the U.S. dollar (and consequently our non-U.S. operations will generally hold U.S. dollars from time to time). Certain raw materials used in all our production facilities, primarily titanium-containing feedstocks, are purchased primarily in U.S. dollars, while labor and other production and administrative costs are incurred primarily in local currencies. Consequently, the translated U.S. dollar value of our non-U.S. sales and operating results are subject to currency exchange rate fluctuations which may favorably or unfavorably impact reported earnings and may affect the comparability of period-to-period operating results. In addition to the impact of the translation of sales and expenses over time, our non-U.S. operations also generate currency transaction gains and losses which primarily relate to (i) the difference between the currency exchange rates in effect when non-local currency sales or operating costs (primarily U.S. dollar denominated) are initially accrued and when such amounts are settled with the non-local currency, and (ii) changes in currency exchange rates during time periods when our non-U.S. operations are holding non-local currency (primarily U.S. dollars).

Overall, we estimate that fluctuations in currency exchange rates had the following effects on our sales and income (loss) from operations for the periods indicated.

Impact of changes in currency exchange rates
Three months ended March 31, 2024 vs March 31, 2023

	Transaction gains recognized			Translation gains - impact of rate changes	Total currency impact 2024 vs 2023
	2023	2024	Change		
	(In millions)				
Impact on:					
Net sales	$ -	$ -	$ -	$ 4	$ 4
Income from operations	5	5	-	-	-

The $4 million increase in net sales (translation gains) was caused primarily by a weakening of the U.S. dollar relative to the euro, as our euro-denominated sales were translated into more U.S. dollars in 2024 as compared to 2023. The strengthening of the U.S. dollar relative to the Norwegian krone in 2024 and the weakening of the U.S. dollar relative to the Canadian dollar in 2024 did not have a significant effect on our net sales, as a substantial portion of the sales generated by our Canadian and Norwegian operations is denominated in the U.S. dollar.

The impact of currency exchange rates on our income from operations was nominal.

Outlook

During the first quarter of 2024 we experienced improved customer demand across all major markets, although overall demand levels remain below historical averages. Based on the recently experienced improved demand and our expectation that demand will continue to improve in 2024, along with the severe demand contraction we experienced during most of 2023, we expect sales volumes in 2024 to exceed 2023 sales volumes. We have increased production rates in line with the current and expected near-term improved demand and believe our production rates for the remainder of 2024 will continue to be higher than comparable periods in 2023. We have implemented TiO_2 selling price increases which will need to be realized to achieve margins more in-line with historical levels.

As noted above, throughout 2023 we implemented cost reduction initiatives designed to improve our long-term cost structure, including targeted workforce reductions and, in April 2024, we announced plans to close the sulfate process line at our facility in Canada which will further improve our gross margins after the charges (primarily non-cash) related to the closure are recognized in the second and third quarters. In addition, raw material, energy and other input costs have generally improved compared to 2023. The full positive impact of input cost improvements and our cost reduction efforts are not yet fully reflected in our gross margin. As we replace the higher cost inventory produced towards the end of 2023 with lower cost inventory produced in 2024, coupled with the realization of TiO_2 selling price increases noted above, we expect gross margins to improve. Overall, due to expected improved demand, higher selling prices and lower production costs, including lower unabsorbed fixed costs, we expect to report higher operating results for the full year of 2024 as compared to 2023.

We believe the production curtailments and other necessary actions we took during 2023 to preserve liquidity while maintaining our global market share have positioned us to capitalize on the increase in demand in 2024 and we expect liquidity levels to improve as the recovery continues. However, we are closely monitoring current and anticipated near-term customer demand levels and will align our production and inventories accordingly.

Our expectations for the TiO_2 industry and our operations are based on a number of factors outside our control. We have experienced global market disruptions including high energy costs and future impacts on our operations will depend on, among other things, future energy costs and the impact economic conditions and geopolitical events have on our operations or our customers' and suppliers' operations, all of which remain uncertain and cannot be predicted.

LIQUIDITY AND CAPITAL RESOURCES

Consolidated cash flows

Operating activities

Trends in cash flows as a result of our operating activities (excluding the impact of significant asset dispositions and relative changes in assets and liabilities) are generally similar to trends in our earnings. In addition to the impact of the operating, investing and financing cash flows discussed below, changes in the amount of cash, cash equivalents and restricted cash we report from period to period can be impacted by changes in currency exchange rates, since a portion of our cash, cash equivalents and restricted cash is held by our non-U.S. subsidiaries.

Cash used in operating activities was $43.3 million in the first three months of 2024 compared to cash used of $109.8 million in the first three months of 2023. This $66.5 million decrease in the amount of cash used was primarily due to the net effect of the following:

- higher income from operations in 2024 of $37.8 million,
- lower amount of net cash used associated with relative changes in our inventories, receivables, payables and accruals in 2024 of $32.0 million,
- higher cash paid for taxes in 2024 of $3.5 million due to the relative timing of payments, and
- higher net distributions from our TiO_2 manufacturing joint venture in 2024 of $3.0 million.

Changes in working capital were affected by accounts receivable and inventory changes. As shown below:

- Our average days sales outstanding, or DSO, decreased slightly from December 31, 2023 to March 31, 2024 primarily due to relative changes in the timing of collections, and
- Our average days sales in inventory, or DSI, decreased from December 31, 2023 to March 31, 2024 primarily due to lower inventory volumes attributable to sales volumes exceeding production volumes in the first quarter of 2024 compared to the fourth quarter of 2023 where our production volumes aligned more closely with sales volumes.

For comparative purposes, we have also provided comparable prior year numbers below.

	December 31, 2022	March 31, 2023	December 31, 2023	March 31, 2024
DSO	64 days	60 days	66 days	65 days
DSI	103 days	76 days	65 days	46 days

Investing activities

Our capital expenditures of $4.7 million and $16.4 million in the first three months of 2024 and 2023, respectively, were primarily to maintain and improve the cost effectiveness of our manufacturing facilities.

Financing activities

During each of the first quarters of 2023 and 2024, we paid quarterly dividends of $.19 per share to stockholders aggregating $21.9 million.

In addition, during the first three months of 2024, in connection with the exchange of €325 million of our existing Kronos International, Inc. (KII) 3.75% Senior Secured Notes due September 2025 (the "Old Notes") for our newly issued €276.174 million KII 9.50% Senior Secured Notes due March 2029 (the "New Notes") plus additional cash consideration, we paid cash consideration of $52.6 million to certain eligible holders of the Old Notes and borrowed $53.7 million from Contran. See Note 5 to our Condensed Consolidated Financial Statements.

Outstanding debt obligations

At March 31, 2024, our consolidated debt comprised:

- €276.174 million aggregate outstanding on our New Notes ($292.3 million carrying amount, net of unamortized debt issuance costs),
- €75 million aggregate outstanding on our Old Notes (and together with the New Notes, the "Senior Secured Notes") ($80.9 million carrying amount), and
- $53.7 million outstanding on our subordinated, unsecured term loan from Contran due September 2029 (the "Contran Term Loan").

We had no outstanding borrowings at March 31, 2024 on our $225 million global revolving credit facility (Global Revolver). Availability under the Global Revolver is subject to a borrowing base calculation, as defined in the agreement, and at March 31, 2024, the full $225 million was available for borrowings. Our Senior Secured Notes, the Contran Term Loan and our Global Revolver contain a number of covenants and restrictions which, among other things, restrict our ability to incur or guarantee additional debt, incur liens, pay dividends or make other restricted payments, or merge or consolidate with, or sell or transfer substantially all of our assets to, another entity, and contain other provisions and restrictive covenants customary in lending transactions of these types. Our credit agreements contain provisions which could result in the acceleration of indebtedness prior to their stated maturity for reasons other than defaults for failure to comply with typical financial or payment covenants. For example, the credit agreements allow the lender to accelerate the maturity of the indebtedness upon a change of control (as defined in the agreement) of the borrower. In addition, the credit agreements could result in the acceleration of all or a portion of the indebtedness following a sale of assets outside the ordinary course of business. The terms of all of our debt instruments are discussed in Note 8 to our Consolidated Financial Statements included in our 2023 Annual Report. We are in compliance with all of our debt covenants at March 31, 2024. We believe we will be able to continue to comply with the financial covenants contained in our credit facility through its maturity.

Our assets consist primarily of investments in operating subsidiaries, and our ability to service our obligations, including the Senior Secured Notes and the Contran Term Loan, depends in part upon the distribution of earnings of our subsidiaries, whether in the form of dividends, advances or payments on account of intercompany obligations or otherwise. Our Senior Secured Notes are collateralized by, among other things, a first priority lien on (i) 100% of the common stock or other ownership interests of each existing and future direct domestic subsidiary of KII and the guarantors, and (ii) 65% of the voting common stock or other ownership interests and 100% of the non-voting common stock or other ownership interests of each non-U.S. subsidiary that is directly owned by KII or any guarantor. Our Global Revolver is collateralized by, among other things, a first priority lien on the borrower's trade receivables and inventories. See Note 5 to our Condensed Consolidated Financial Statements.

Future cash requirements

Liquidity

Our primary source of liquidity on an ongoing basis is cash flows from operating activities which is generally used to (i) fund capital expenditures, (ii) repay any short-term indebtedness incurred for working capital purposes, (iii) provide for the payment of dividends and (iv) fund purchases of shares of our common stock under our stock repurchase program. From time-to-time we will incur indebtedness, generally to (i) fund short-term working capital needs, (ii) refinance existing indebtedness or (iii) fund major capital expenditures or the acquisition of other assets outside the ordinary course of business. We will also from time-to-time sell assets outside the ordinary course of business and use the proceeds to (i) repay existing indebtedness, (ii) make investments in marketable and other securities, (iii) fund major capital expenditures or the acquisition of other assets outside the ordinary course of business or (iv) pay dividends.

The TiO_2 industry is cyclical, and changes in industry economic conditions significantly impact earnings and operating cash flows. Changes in TiO_2 pricing, production volumes and customer demand, among other things, could significantly affect our liquidity.

We routinely evaluate our liquidity requirements, alternative uses of capital, capital needs and availability of resources in view of, among other things, our dividend policy, our debt service, our capital expenditure requirements and estimated future operating cash flows. As a result of this process, we have in the past and may in the future seek to reduce, refinance, repurchase or restructure

indebtedness, raise additional capital, repurchase shares of our common stock, modify our dividend policy, restructure ownership interests, sell interests in our subsidiaries or other assets, or take a combination of these steps or other steps to manage our liquidity and capital resources. Such activities have in the past and may in the future involve related companies. We may also from time to time engage in preliminary discussions with existing or potential investors regarding the timing or terms of any such refinancing or other potential transaction. In the normal course of our business, we may investigate, evaluate, discuss and engage in acquisition, joint venture, strategic relationship and other business combination opportunities in the TiO_2 industry. In the event of any future acquisition or joint venture opportunity, we may consider using then-available liquidity, issuing our equity securities or incurring additional indebtedness.

At March 31, 2024 we had aggregate cash, cash equivalents and restricted cash on hand of $127.3 million, of which $69.9 million was held by non-U.S. subsidiaries. Following implementation of a territorial tax system under the 2017 Tax Act, repatriation of any cash and cash equivalents held by our non-U.S. subsidiaries would not be expected to result in any material income tax liability as a result of such repatriation. Our $225 million Global Revolver we entered into in April 2021 matures in April 2026 and at March 31, 2024 the full $225 million is available for borrowing under this facility. The borrowing base is calculated quarterly and the amount available for borrowing may change based on applicable quarter end balances. See Note 5 to our Condensed Consolidated Financial Statements. Based upon our expectation for the TiO_2 industry and anticipated demands on cash resources, we expect to have sufficient liquidity to meet our short-term obligations (defined as the twelve-month period ending March 31, 2025) and our long-term obligations (defined as the five-year period ending March 31, 2029, our time period for long-term budgeting). If actual developments differ from our expectations, our liquidity could be adversely affected.

Capital expenditures

We intend to invest approximately $50 million in capital expenditures primarily to maintain and improve our existing facilities during 2024, including $4.7 million in expenditures through March 31, 2024. It is possible we will delay planned capital projects based on market conditions including but not limited to expected demand, the general availability of materials, equipment and supplies necessary to complete such projects.

Stock repurchase program

At March 31, 2024, we have 1,017,518 shares available for repurchase under a stock repurchase program authorized by our board of directors.

Commitments and contingencies

See Notes 10 and 12 to our Condensed Consolidated Financial Statements for a description of certain income tax contingencies, certain legal proceedings and other commitments.

Recent accounting pronouncements

See Note 15 to our Condensed Consolidated Financial Statements.

Critical accounting policies

For a discussion of our critical accounting policies, refer to Part I, Item 7 - “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our 2023 Annual Report. There have been no changes in our critical accounting policies during the first three months of 2024.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

General

We are exposed to market risk, including currency exchange rates, interest rates, equity security and raw material prices. There have been no material changes in these market risks since we filed our 2023 Annual Report. See also Part I, Item 7A. - “Quantitative and Qualitative Disclosure About Market Risk” in our 2023 Annual Report and Note 13 to our Condensed Consolidated Financial Statements.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures

We maintain disclosure controls and procedures which, as defined in Exchange Act Rule 13a-15(e), means controls and other procedures that are designed to ensure that information required to be disclosed in the reports that we file or submit to the SEC under the Securities Exchange Act of 1934, as amended (the "Act"), is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information we are required to disclose in the reports we file or submit to the SEC under the Act is accumulated and communicated to our management, including our principal executive officer and our principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions to be made regarding required disclosure. Each of James M. Buch, our President and Chief Executive Officer and Tim C. Hafer, our Executive Vice President and Chief Financial Officer, has evaluated the design and effectiveness of our disclosure controls and procedures as of March 31, 2024. Based upon their evaluation, these executive officers have concluded that our disclosure controls and procedures are effective as of the date of such evaluation.

Internal control over financial reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting which, as defined by Exchange Act Rule 13a-15(f) means a process designed by, or under the supervision of, our principal executive and principal financial officers, or persons performing similar functions, and effected by the board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles, and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets,
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors, and
- Provide reasonable assurance regarding prevention or timely detection of an unauthorized acquisition, use or disposition of our assets that could have a material effect on our Condensed Consolidated Financial Statements.

Other

As permitted by the SEC, our assessment of internal control over financial reporting excludes (i) internal control over financial reporting of our equity method investees and (ii) internal control over the preparation of any financial statement schedules which would be required by Article 12 of Regulation S-X. However, our assessment of internal control over financial reporting with respect to our equity method investees did include our controls over the recording of amounts related to our investment that are recorded in our Condensed Consolidated Financial Statements, including controls over the selection of accounting methods for our investments, the recognition of equity method earnings and losses and the determination, valuation and recording of our investment account balances.

Changes in internal control over financial reporting

There has been no change to our internal control over financial reporting during the quarter ended March 31, 2024 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Part II. OTHER INFORMATION

Item 1A. Risk Factors

For a discussion of the risk factors related to our businesses, refer to Part I, Item 1A, "Risk Factors," in our 2023 Annual Report.

Item 6. Exhibits

31.1	Certification
31.2	Certification
32.1	Certification
101.INS	Inline XBRL Instance - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase
104	Cover page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Kronos Worldwide, Inc.
(Registrant)

Date: May 8, 2024

/s/ Tim C. Hafer
Tim C. Hafer
Executive Vice President and
Chief Financial Officer
(duly authorized officer)