Chemours Co
Form 10-Q
May 03, 2017

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, 2017

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Commission File Number 001-36794

The Chemours Company

(Exact Name of Registrant as Specified in Its Charter)

Delaware	46-4845564
(State or other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

1007 Market Street, Wilmington, Delaware 19899

(Address of Principal Executive Offices)

(302) 773-1000

(Registrant's Telephone Number)

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 Web site, 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 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, 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. (Check one):

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 by Rule 12b-2 of the Exchange Act). Yes No

The Registrant had 184,463,611 shares of common stock, $0.01 par value, outstanding at April 28, 2017.

The Chemours Company

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PART I. FINANCIAL INFORMATION

Item 1. INTERIM CONSOLIDATED FINANCIAL STATEMENTS
The Chemours Company

Interim Consolidated Statements of Operations (Unaudited)

(Dollars in millions, except per share amounts)

	Three Months Ended March 31,	
	2017	2016
Net sales	$1,437	$1,297
Cost of goods sold	1,079	1,095
Gross profit	358	202
Selling, general and administrative expense	144	133
Research and development expense	19	23
Restructuring and asset-related charges, net	12	17
Total expenses	175	173
Equity in earnings of affiliates	7	5
Interest expense, net	(51)	(57)
Other income, net	34	93
Income before income taxes	173	70
Provision for income taxes	22	19
Net income	151	51
Less: Net income attributable to noncontrolling interests	1	—
Net income attributable to Chemours	$150	$51
Per share data		
Basic earnings per share of common stock	$0.82	$0.28
Diluted earnings per share of common stock	$0.79	$0.28
Dividends per share of common stock	$0.03	$0.03

See accompanying notes to the interim consolidated financial statements.

The Chemours Company

Interim Consolidated Statements of Comprehensive Income (Unaudited)

(Dollars in millions)

	Three Months Ended March 31,					
	2017			2016		
	Pre-Tax	Tax	After-Tax	Pre-Tax	Tax	After-Tax
Net income	$173	$(22)	$ 151	$70	$(19)	$ 51
Other comprehensive income (loss):						
Unrealized loss on net investment hedge	(10)	—	(10)	(7)	—	(7)
Cumulative translation adjustments	103	—	103	19	—	19
Defined benefit plans, net:						
Effect of foreign exchange rates	(10)	2	(8)	(5)	1	(4)
Reclassifications to net income [1]:						
Amortization of loss	5	(1)	4	4	(1)	3
Defined benefit plans, net	(5)	1	(4)	(1)	—	(1)
Other comprehensive income	88	1	89	11	—	11
Comprehensive income	261	(21)	240	81	(19)	62
Less: Comprehensive income attributable to noncontrolling interests	1	—	1	—	—	—
Comprehensive income attributable to Chemours	$260	$(21)	$ 239	$81	$(19)	$ 62

[1] These other comprehensive income components are included in the computation of net periodic benefit costs (refer to Note 15 for further information).

See accompanying notes to the interim consolidated financial statements.

The Chemours Company

Interim Consolidated Balance Sheets

(Dollars in millions, except per share amounts)

	March 31, 2017 (Unaudited)	December 31, 2016
Assets		
Current assets:		
Cash and cash equivalents	$ 898	$ 902
Accounts and notes receivable - trade, net	921	807
Inventories	822	767
Prepaid expenses and other	70	77
Total current assets	2,711	2,553
Property, plant and equipment	8,123	7,997
Less: Accumulated depreciation	(5,290)	(5,213)
Net property, plant and equipment	2,833	2,784
Goodwill and other intangible assets, net	169	170
Investments in affiliates	149	136
Other assets	420	417
Total assets	$ 6,282	$ 6,060
Liabilities and equity		
Current liabilities:		
Accounts payable	$ 941	$ 884
Current maturities of long-term debt	14	15
Other accrued liabilities	780	872
Total current liabilities	1,735	1,771
Long-term debt, net	3,538	3,529
Deferred income taxes	140	132
Other liabilities	511	524
Total liabilities	5,924	5,956
Commitments and contingent liabilities		
Equity		
Common stock (par value $0.01 per share; 810,000,000 shares authorized)	2	2
Additional paid-in capital	808	789
Retained earnings (accumulated deficit)	31	(114)
Accumulated other comprehensive loss	(488)	(577)
Total Chemours stockholders’ equity	353	100
Noncontrolling interests	5	4
Total equity	358	104
Total liabilities and equity	$ 6,282	$ 6,060

See accompanying notes to the interim consolidated financial statements.

The Chemours Company

Interim Consolidated Statements of Stockholders' Equity (Unaudited)

Three months ended March 31, 2017 and 2016

(Dollars in millions)

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Accumulated Deficit)	Noncontrolling Interests	Total
Balance at January 1, 2016	181,069,751	$ 2	$ 775	$ (536)	$ (115)	$ 4	$ 130
Net income	—	—	—	—	51	—	51
Common stock issued - compensation plans	390,558	—	—	—	—	—	—
Dividends	—	—	(5)	—	—	—	(5)
Other comprehensive income	—	—	—	11	—	—	11
Stock-based compensation expense	—	—	5	—	—	—	5
Balance at March 31, 2016	181,460,309	$ 2	$ 775	$ (525)	$ (64)	$ 4	$ 192
Balance at January 1, 2017	182,600,533	$ 2	$ 789	$ (577)	$ (114)	$ 4	$ 104
Net income	—	—	—	—	150	1	151
Common stock issued - compensation plans	415,518	—	—	—	—	—	—
Dividends	—	—	—	—	(5)	—	(5)
Other comprehensive income	—	—	—	89	—	—	89
Stock-based compensation expense	—	—	6	—	—	—	6
Cancellation of unissued stock awards	—	—	(7)	—	—	—	(7)
Exercise of stock options	1,382,363	—	20	—	—	—	20
Balance at March 31, 2017	184,398,414	$ 2	$ 808	$ (488)	$ 31	$ 5	$ 358

See accompanying notes to the interim consolidated financial statements.

The Chemours Company

Interim Consolidated Statements of Cash Flows (Unaudited)

(Dollars in millions)

	Three Months Ended March 31,	
	2017	2016
Operating activities		
Net income	$151	$51
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	71	66
Amortization of deferred financing costs and issuance discount	3	8
Gain on sale of assets and businesses	(16)	(89)
Equity in earnings of affiliates	(7)	(5)
Deferred tax benefits	5	10
Other operating charges and credits, net	10	13
(Increase) decrease in operating assets:		
Accounts and notes receivable - trade, net	(103)	(40)
Inventories and other operating assets	(31)	18
(Decrease) increase in operating liabilities:		
Accounts payable and other operating liabilities	(42)	4
Cash provided by operating activities	41	36
Investing activities		
Purchases of property, plant and equipment	(69)	(89)
Proceeds from sales of assets and business, net	9	140
Foreign exchange contract settlements	(3)	(1)
Cash (used for) provided by investing activities	(63)	50
Financing activities		
Debt repayments	(4)	(9)
Dividends paid	(5)	(5)
Deferred financing fees	—	(2)
Proceeds from exercised stock options	20	—
Cash provided by (used for) financing activities	11	(16)
Effect of exchange rate changes on cash	7	(1)
(Decrease) increase in cash and cash equivalents	(4)	69
Cash and cash equivalents at beginning of the period	902	366
Cash and cash equivalents at end of the period	$898	$435
NON-CASH INVESTING ACTIVITES:		
Change in property, plant and equipment included in accounts payable	$14	$3

See accompanying notes to the interim consolidated financial statements.

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Notes to the Interim Consolidated Financial Statements (Unaudited)

(Dollars in millions, except per share amounts)

Note 1. Basis of Presentation

The accompanying interim consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (GAAP) for interim financial information. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair statement of the results for interim periods have been included. Results for interim periods should not be considered indicative of results for a full year and the year-end consolidated balance sheet does not include all disclosures required by GAAP. As such, these interim consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2016.

Unless the context otherwise requires, references herein to “The Chemours Company”, “Chemours”, “the Company”, “our company”, “we”, “us”, and “our” refer to The Chemours Company and its consolidated subsidiaries. References herein to “DuPont” refer to E.I. du Pont de Nemours and Company, a Delaware corporation, and its consolidated subsidiaries (other than Chemours and its consolidated subsidiaries), unless the context otherwise requires.

Note 2. Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU No. 2014-09, “Revenue from Contracts with Customers (Topic 606)”. The objective of this standard update is to remove inconsistent practices with regard to revenue recognition between US GAAP and IFRS. The standard intends to improve comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets. The provisions of ASU No. 2014-09 will be effective for interim and annual periods beginning after December 15, 2017, with early adoption permitted for annual periods beginning after December 15, 2016. The Company plans to adopt ASU 2014-09 as of January 1, 2018. Subsequent to the issuance of ASU No. 2014-09, the FASB has issued multiple updates in connection with Topic 606. These updates affect the guidance contained within ASU 2014-09 and will be assessed as part of the Company's revenue recognition project plan.

The Company’s project plan includes a three-phase approach to implementing this standard update. Phase one, the assessment phase, was completed in the first quarter of 2017. In connection with this initial phase, the Company performed the following activities: conducted internal surveys of its businesses, held revenue recognition workshops with sales and business unit finance leadership, and reviewed a representative sample of revenue arrangements across all businesses to initially identify a set of applicable qualitative revenue recognition changes related to the new standard update. The Company is now entering its second phase of the project, where the objectives will be to establish and document key accounting policies, assess new disclosure requirements, business process and control impacts, and determine an initial quantitative impact resulting from the new standard update. Phase two is expected to be completed in the second quarter of 2017. Lastly, phase three’s objectives will comprise of effectively implementing the new standard update and embedding the new accounting treatment into the Company’s business processes and controls to support the financial reporting requirements. Phase three is expected to be completed in the fourth quarter of 2017.

The Company is still evaluating the impact that the new standard will have on the Company’s consolidated financial statements and will be unable to quantify its impact until the third phase of the project has been completed. The method of adoption has also not yet been determined and is not expected to be finalized until the second phase of the project plan has been completed.

In August 2016, the FASB issued various updates to the Accounting Standards Update (ASU) 2016-15, “Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments”, which clarifies and amends certain cash receipts and cash payments presentation and classification in the statement of cash flows. The guidance is effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The amendments should be applied using a retrospective transition method (unless impractical to do so) to each period presented and earlier application is permitted. Chemours is currently evaluating the impact of adopting this guidance but does not expect the adoption will have a significant impact on its cash flows.

In March 2017, the FASB issued ASU No. 2017-07, “Compensation – Retirement Benefits (Topic 715)”, which requires that employers offering their employees defined benefit pension plans disaggregate the service cost component from other components of net benefit cost. The amendments also provide explicit guidance on how to present the service cost component and the other components of net benefit cost in the income statement and allow only the service cost component of net benefit cost to be eligible for capitalization. The guidance is effective for public business entities for annual periods beginning after December 15, 2017, as well as interim periods within those annual periods. The amendments in this update should be applied retrospectively for the presentation of

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Notes to the Interim Consolidated Financial Statements (Unaudited)

(Dollars in millions, except per share amounts)

the service cost component and the other components of net periodic pension cost and net periodic postretirement benefit cost in the income statement and prospectively for the capitalization of the service cost component of net periodic pension cost and net periodic postretirement benefit in assets. Early adoption is permitted within the first interim period of an annual period for which financial statements have not been issued or made available for issuance. Chemours is currently evaluating the impact of adopting this guidance but does not expect the adoption will have a significant impact on its results of operations. The adoption is not expected to have any impact on the Company's financial position or cash flows.

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)", which supersedes the leases requirements in Topic 840. The core principle of Topic 842 is that a lessee should recognize on the balance sheet the lease assets and lease liabilities that arise from all lease arrangements with terms greater than 12 months. Recognition of these lease assets and lease liabilities represents an improvement over previous GAAP, which did not require lease assets and lease liabilities to be recognized for operating leases. Qualitative disclosures along with specific quantitative disclosures will be required to provide enough information to supplement the amounts recorded in the financial statements so that users can understand more about the nature of an entity's leasing activities. Lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach, which includes a number of optional practical expedients that entities may elect to apply. The amendments in this update are effective for the Company's fiscal year beginning January 1, 2019, including interim periods within that fiscal year. Early application of the amendments in this update is permitted for all entities. At adoption, the Company will recognize a right-of-use asset and a lease liability initially measured at the present value of its operating lease payments. The Company is currently evaluating the other impacts of adopting this guidance on its financial position, results of operations and cash flows.

Recently Adopted Accounting Guidance

In March 2016, the FASB issued ASU No. 2016-09, "Compensation - Stock Compensation (Topic 718)". The update sets forth areas for simplification within several aspects of the accounting for shared-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The amendments in this update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. Chemours adopted this guidance effective January 1, 2017 and the adoption did not have a significant impact on the Company's financial position, results of operations and cash flows except for the impact of windfall income tax benefits. We expect the guidance will cause volatility in the Company's income tax rates going forward. As of the adoption date, there were no windfall tax benefits from prior periods recognized; therefore prior period adjustments were not required under a modified retrospective basis. In the first quarter of 2017, Chemours recognized approximately $10 of windfall tax benefits primarily from significant options exercised and RSUs vested during the period, which were included in the provision for income taxes for the period ended March 31, 2017.

In January 2017, the FASB issued ASU No. 2017-04, "Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment", which eliminates the requirement to determine the fair value of individual assets and liabilities of a reporting unit to measure goodwill impairment. Under the amendments, goodwill impairment testing will be performed by comparing the fair value of the reporting unit with its carrying amount and recognizing an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value, but not to exceed the total amount of goodwill allocated to the reporting unit. The guidance is effective for annual and interim goodwill impairment tests in fiscal years beginning after December 15, 2019, and should be applied on a prospective basis. Early adoption is permitted for annual or interim goodwill impairment testing performed after January 1, 2017. The Company has adopted this guidance and will implement its provisions for annual and interim goodwill impairment tests performed prospectively.

Note 3. Restructuring and Asset-Related Charges, Net

For the three months ended March 31, 2017 and 2016, Chemours recorded charges for restructuring and asset-related charges as follows:

	Three Months Ended March 31,	
	2017	2016
Restructuring Related Charges:		
Employee Separation Charges	$ —	$ 4
Decommissioning and other charges, net	12	13
Total restructuring charges, net	$ 12	$ 17

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Notes to the Interim Consolidated Financial Statements (Unaudited)

(Dollars in millions, except per share amounts)

The charges related to the restructuring programs impacted segment earnings for the three months ended March 31, 2017 and 2016 as follows:

	Three Months Ended March 31,	
	2017	2016
Plant and product line closures [1]		
Titanium Technologies	$ 4	$ 8
Fluoroproducts	3	4
Chemical Solutions	5	1
Sub-total	12	13
2015 Global restructuring		
Titanium Technologies	—	2
Fluoroproducts	—	2
Chemical Solutions	—	—
Sub-total	—	4
Total	$ 12	$ 17

[1] Includes charges related to employee separation, decommissioning and dismantling costs, and asset-related charges in connection with the restructuring activities.

Plant and product line closures

In the Titanium Technologies segment, due to the closure of the Edge Moor, Delaware manufacturing plant in the U.S., the Company recorded decommissioning and dismantling related charges of approximately $4 and $8 for the three months ended March 31, 2017 and 2016, respectively. The Company completed all actions related to these restructuring activities and sold the site during the first quarter of 2017. Cumulative amount incurred, excluding non-cash asset charges, in connection with the Edge Moor plant closure was approximately $60.

Also, in the Fluoroproducts segment, the Company recorded additional decommissioning and dismantling related charges for certain of its production lines in the U.S. of approximately $3 and $4 for the three months ended March 31, 2017 and 2016, respectively. To date, the Company incurred in aggregate approximately $16 of restructuring costs, excluding non-cash asset charges. As of March 31, 2017, the Company has substantially completed the actions related to the restructuring activities initiated in 2015.

Further, in the Chemicals Solutions segment, following the production shutdown of our Reactive Metals Solutions manufacturing plant at Niagara Falls, New York in September 2016, the Company immediately began decommissioning the plant. As a result, for the three months ended March 31, 2017, the Company recorded approximately $5 of decommissioning and dismantling related charges. To date, the Company incurred in aggregate approximately $21 of restructuring costs, excluding non-cash asset charges. Additional restructuring charges of approximately $5 for decommissioning and site redevelopment are expected to be incurred in 2017, which will be expensed as incurred.

The following table shows the change in the employee separation related liability account associated with the restructuring programs:

	Titanium Technologies Site Closures	Fluoroproducts Lines Shutdown	Chemical Solutions Site Closures	2015 Global Restructuring	Total
Balance as of December 31, 2016	$ 4	$ 1	$ 8	$ 21	$ 34
Charges to income for the three months ended March 31, 2017	—	—	—	—	—
Charges to liability accounts:					
Payments	(1)	(1)	(1)	(9)	(12)
Net currency translation and other adjustment [1]	(1)			1	—
Balance as of March 31, 2017	$ 2	$ —	$ 7	$ 13	$ 22

[1] Amounts include net currency translation adjustment of less than $1 for the periods presented and rounding difference.

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Notes to the Interim Consolidated Financial Statements (Unaudited)

(Dollars in millions, except per share amounts)

As of March 31, 2017, there are no significant outstanding liabilities related to decommissioning and other restructuring related charges.

Note 4. Other Income, Net

	Three Months Ended March 31,	
	2017	2016
Leasing, contract services and miscellaneous income	$ 8	$ 7
Royalty income [1]	5	3
Gain on sale of assets and businesses [2]	16	89
Exchange gains (losses), net [3]	5	(6)
Total other income, net	$ 34	$ 93

[1] Royalty income is primarily from technology and trademark licensing.

[2] For the three months ended March 31, 2017, gain on sale includes a gain on sale of the Edge Moor site of approximately $12 and other land sale. The three months ended March 31, 2016 represents a gain on sale of the aniline facility in Beaumont, Texas to the Dow Chemical Company (“Dow”). The transaction closed on March 1, 2016 and Chemours received $140 from Dow.

[3] Exchange gains (losses), net includes gains and losses on foreign currency forward contracts. See Note 14 for additional information.

Note 5. Income Taxes

For the three months ended March 31, 2017 and 2016, Chemours recorded a provision for income tax of $22 and $19, respectively, resulting in an effective income tax rate of approximately 13% and 27%, respectively. The income tax provision for the quarter ended March 31, 2017 is inclusive of a $10 income tax benefit from stock option windfalls in accordance with the recently adopted guidance discussed in Note 2. The income tax provision for the quarter ended March 31, 2016 is inclusive of $34 income tax expense related to fixed asset sales that took place during the quarter. The remaining change in the effective tax rate from the prior year is primarily due to the Company’s geographical mix of earnings as well as the impact of the valuation allowance on U.S. foreign tax credits, from which the Company does not expect to benefit in 2017.

Each year, Chemours and/or its subsidiaries file income tax returns in the U.S. federal jurisdiction and various states and non-U.S. jurisdictions. These tax returns are subject to examination and possible challenge by the taxing authorities. Positions challenged by the taxing authorities may be settled or appealed by Chemours. As a result, income tax uncertainties are recognized in Chemours’ interim consolidated financial statements in accordance with accounting for income taxes, when applicable. Although it is difficult to predict the timing, the Company estimates that approximately $6 of unrecognized income tax benefits, excluding the impact relating to accrued interest and penalties, could be resolved within the next twelve months as a result of an accounting method change request filed with the Internal Revenue Service in the fourth quarter of 2016. We are not aware of any other matters that would result in significant changes to the amount of unrecognized income tax benefits reflected in the Interim Consolidated Balance Sheet as of March 31, 2017.

For the year ended December 31, 2016, the Company established a valuation allowance against its U.S. foreign tax credits. The Company regularly monitors positive and negative evidence that may change the most recent assessment of the Company's ability to realize a benefit from these deferred tax assets. The Company continues to maintain a valuation allowance against net deferred tax assets related to the foreign tax credit of $55 and $50 at March 31, 2017 and December 31, 2016, respectively.

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Notes to the Interim Consolidated Financial Statements (Unaudited)

(Dollars in millions, except per share amounts)

Note 6. Earnings Per Share of Common Stock

The table below shows a reconciliation of the numerator and denominator for basic and diluted earnings per share calculations for the periods indicated.

	Three Months Ended March 31,	
	2017	2016
Numerator:		
Net income attributable to Chemours	$150	$51
Denominator:		
Weighted average number of common shares outstanding- Basic	183,408,309	181,281,166
Dilutive effect of the Company's employee compensation plans [1]	5,741,621	221,974
Weighted average number of common shares outstanding - Diluted [1]	189,149,930	181,503,140

[1] Diluted earnings per share is calculated using net income available to common shareholders divided by diluted weighted-average shares of common shares outstanding during each period, which includes unvested restricted shares. Diluted earnings per share considers the impact of potentially dilutive securities except in periods in which there is a loss because the inclusion of the potential common shares would have an antidilutive effect.

The following average number of stock options were antidilutive and, therefore, were not included in the diluted earnings per share calculation:

	Three Months Ended March 31,	
	2017	2016
Average number of stock options	169,118	8,701,474

Note 7. Accounts and Notes Receivable – Trade, Net

	March 31, 2017	December 31, 2016
Accounts receivable—trade, net [1]	$840	$ 742

VAT, GST and other taxes [2]	61	46
Other receivables [3]	20	19
Total	$921	$ 807

[1] Accounts receivable – trade, net includes trade notes receivable and is net of allowances of $5 as of March 31, 2017 and December 31, 2016. Allowances are equal to the estimated uncollectible amounts.

[2] Value Added Tax (VAT) and Goods and Services Tax (GST).

[3] Other receivables consist of advances and other deposits.

Accounts and notes receivable are carried at amounts that approximate fair value. Bad debt expense was less than $1 for the three months ended March 31, 2017 and 2016.

Note 8. Inventories

	March 31, 2017	December 31, 2016
Finished products	$ 568	$ 532
Semi-finished products	150	150
Raw materials, stores and supplies	304	285
Subtotal	1,022	967
Adjustment of inventories to LIFO basis	(200)	(200)
Total	$ 822	$ 767

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Notes to the Interim Consolidated Financial Statements (Unaudited)

(Dollars in millions, except per share amounts)

Inventory values, before LIFO adjustment, are generally determined by the average cost method, which approximates current cost. Inventories are valued under the LIFO method at substantially all of the U.S. locations, which comprised $459 and $465 or 45% and 48% of inventories before the LIFO adjustments at March 31, 2017 and December 31, 2016, respectively. The remainder of inventory held in international locations and certain U.S. locations is valued under the average cost method.

Note 9. Property, Plant and Equipment

Depreciation expense amounted to $70 and $65 for the three months ended March 31, 2017 and 2016, respectively. Property, plant and equipment includes gross assets under capital leases of $5 at March 31, 2017 and $5 at December 31, 2016.

Note 10. Other Assets

	March 31, 2017	December 31, 2016
Capitalized repair and maintenance costs	$ 126	$ 145
Pension assets [1]	180	159
Deferred income taxes	45	41
Asset held for sale	29	29
Miscellaneous [2]	40	43
Total	$ 420	$ 417

[1] Pension assets represent the funded status of certain of the Company's long-term employee benefit plans.

[2] Miscellaneous includes deferred financing fees related to the Revolving Credit Facility of $12 and $13 as of March 31, 2017 and December 31, 2016, respectively, and company-owned life insurance policies on former key executives of a U.S. subsidiary. The life insurance policies had a cash surrender value of $61 at March 31, 2017 and December 31, 2016, which are presented net of $61 in outstanding loans from the policy issuer.

Asset Held for Sale

In December 2016, in connection with a sale agreement entered into in January 2017 to sell the Company’s corporate headquarters building located in Wilmington, Delaware, the Company recorded an approximately $13 pre-tax impairment charge and classified the net book value of the building as asset held for sale for the year ended December 31, 2016. The Company completed the sale in April 2017 for gross proceeds of $32. In connection with the sale, Chemours also entered into lease agreements to lease back a portion of the building beginning in April 2017. No significant gain or loss is expected to be recognized as a result of the sale and leaseback transaction.

Note 11. Other Accrued Liabilities

	March 31, 2017	December 31, 2016
Compensation and other employee-related costs	$ 101	