

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

FORM 8-K
CURRENT REPORT
Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of the earliest event reported)
March 11, 2019

KRONOS WORLDWIDE, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation)

1-31763
(Commission
File Number)

76-0294959
(IRS Employer
Identification No.)

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

75240-2620
(Zip Code)

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

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2).

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.

Item 2.02
Item 7.01

Results of Operations and Financial Condition.
Regulation FD Disclosure.

The registrant hereby furnishes the information set forth in the press release issued on March 11, 2019, a copy of which is attached hereto as Exhibit 99.1 and incorporated herein by reference.

The information, including the exhibit, the registrant furnishes in this report is not deemed "filed" for purposes of section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section. Registration statements or other documents filed with the U.S. Securities and Exchange Commission shall not incorporate this information by reference, except as otherwise expressly stated in such filing.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

Item No.	Exhibit Index
99.1	<u>Press release dated March 11, 2019 issued by the registrant.</u>

SIGNATURE

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 hereunto duly authorized.

KRONOS WORLDWIDE, INC.
(Registrant)

By: /s/ Gregory M. Swalwell

Gregory M. Swalwell, Executive Vice President and Chief Financial Officer

Date: March 11, 2019

News Release

FOR IMMEDIATE RELEASE



KRONOS WORLDWIDE REPORTS FOURTH QUARTER 2018 RESULTS

DALLAS, TEXAS...March 11, 2019...Kronos Worldwide, Inc. (NYSE:KRO) today reported net income of \$24.0 million, or \$.21 per share, in the fourth quarter of 2018 compared to net income of \$47.4 million, or \$.41 per share, in the fourth quarter of 2017. For the full year of 2018, Kronos Worldwide reported net income of \$205.0 million, or \$1.77 per share, compared to net income of \$354.5 million, or \$3.06 per share for the full year of 2017. Income from operations was \$44.6 million in the fourth quarter of 2018 as compared to \$121.0 million in the fourth quarter of 2017, and \$330.1 million for the full year of 2018 as compared to \$347.8 million for the full year of 2017. Our income from operations was lower in the fourth quarter of 2018 compared to the same period in 2017 due to the unfavorable effects of lower average selling prices, lower sales and production volumes and higher raw materials and other production costs. Our income from operations was lower in the full year of 2018 compared to the same period in 2017 as the favorable impact of higher average selling prices was more than offset by the unfavorable impact of lower sales and production volumes and higher raw materials and other production costs. We reported lower net income in the fourth quarter of 2018 as compared to the fourth quarter of 2017 primarily due to lower income from operations. We reported lower net income in the full year of 2018 compared to the full year of 2017 primarily due to the 2017 recognition of an aggregate net income tax benefit of \$136.5 million as a result of the various items described below.

Net sales of \$349.4 million in the fourth quarter of 2018 were \$103.9 million, or 23%, lower than in the fourth quarter of 2017. Net sales of \$1.7 billion in the full year of 2018 were \$67.1 million, or 4%, lower than in the full year of 2017. Net sales decreased in the fourth quarter of 2018 compared to the same period in 2017 due to the unfavorable effects of lower average TiO₂ selling prices and lower sales volumes. Net sales decreased in the full year of 2018 compared to the full year of 2017 due to the net effect of higher average selling prices and lower sales volumes. The Company's average TiO₂ selling prices were 2% lower in the fourth quarter of 2018 as compared to the fourth quarter of 2017 and were 13% higher in the full year of 2018 as compared to 2017. Our average selling prices at the end of the fourth quarter of 2018 were 4% lower than at the end of the third quarter of 2018 and were 3% lower than at the end of 2017. Lower prices in the European, Latin American and export markets were partially offset by higher prices in North America at the end of 2018 as compared to the end of 2017. TiO₂ sales volumes in the fourth quarter of 2018 were 22% lower as compared to the record fourth quarter sales volumes of 2017 primarily due to lower sales in the European and export markets reflecting the effects of reduced shipments as customer inventory levels continued to return to more normal levels partially offset by higher sales in the North American market. The sales volumes in the full year of 2018 were 16% lower than the same period in 2017 primarily due to a combination of factors including (i) lower sales in all major markets resulting from a controlled ramp-up in January 2018 as we brought the second phase of our new global enterprise resource planning system online; (ii) inventory management to assure adequate supply to our customers during the spring and summer necessitated by the lower production volumes in the first three months of the year (as discussed below); (iii) product availability in the second quarter; and (iv) customer inventory level changes in the second, third and fourth quarters as discussed above. Fluctuations in currency exchange rates (primarily the euro) decreased net sales by approximately \$4 million in the fourth quarter of 2018 and increased net sales by approximately \$49 million in the full year of 2018 as compared to the same periods in 2017. The table at the end of this press release shows how each of these items impacted the overall change in net sales.

The Company's TiO₂ segment profit (see description of non-GAAP information below) in the fourth quarter of 2018 was \$48.3 million as compared to \$124.3 million in the fourth quarter of 2017. For the full year of 2018, the Company's segment profit was \$346.0 million as compared to \$362.3 million in 2017. Segment profit decreased in the fourth quarter of 2018 compared to the 2017 period primarily due to the unfavorable effects of lower average TiO₂ selling prices, lower sales and production volumes and higher raw materials and other production costs. Segment profit decreased in the full year of 2018 compared to the full year of 2017 primarily due to the net impact of higher average TiO₂ selling prices, lower sales and production volumes and higher raw materials and other production costs. Kronos' TiO₂ production volumes were 8% lower in the fourth quarter and 7% lower in the full year of 2018 as compared to the same periods in 2017. Our production facilities operated at 95% of average practical capacity utilization rates in 2018 (95%, 97%, 92% and 95% in the first, second, third and fourth quarters of 2018, respectively) compared to full practical capacity utilization rates for the comparable periods in 2017. The decrease in TiO₂ production volumes in the 2018 periods compared to the production volumes in the comparable 2017 periods was primarily due to increased maintenance activities at certain facilities in 2018, and the implementation of a productivity-enhancing improvement project at our Belgian facility in the first quarter of 2018. Fluctuations in currency exchange rates also affected segment profit comparisons, which increased segment profit by approximately \$7 million in the fourth quarter of 2018 and by approximately \$33 million in the full year of 2018 as compared to the same periods in 2017.

The Company's net income before income taxes, interest expense and depreciation and amortization expense ("EBITDA") (see description of non-GAAP information below) in the fourth quarter of 2018 was \$54.9 million compared to EBITDA of \$127.6 million in the fourth quarter of 2017. For the full year of 2018, the Company's EBITDA was \$363.0 million compared to \$373.0 million in the full year of 2017.

In September 2017, we voluntarily prepaid and terminated our term loan indebtedness using a portion of the proceeds from the September 2017 issuance by Kronos International, Inc., our wholly-owned subsidiary, of €400 million principal amount of 3.75% Senior Secured Notes due September 2025. The Company's results in the full year of 2017 include a pre-tax charge of \$7.1 million (\$4.6 million, or \$.04 per share, net of income tax benefit) related to such prepayment recognized in the third quarter.

The Company's income tax expense in 2018 includes a fourth quarter current cash income tax expense of \$3.7 million (\$.03 per share) related to tax on global intangible low-tax income and an aggregate \$2.1 million (\$.02 per share) non-cash income tax expense related to an increase in our reserve for uncertain tax positions, recognized in the first and fourth quarters.

The Company's income tax benefit in 2017 includes (i) a non-cash deferred income tax benefit of \$186.7 million (\$1.61 per share) as a result of the reversal of our deferred income tax asset valuation allowances associated with our German and Belgian operations (\$16.3 million or \$.14 per share in the fourth quarter), (ii) a fourth quarter non-cash deferred income tax benefit of \$18.7 million (\$.16 per share) as a result of the reversal of our deferred income tax asset valuation allowance related to certain U.S. deferred income tax assets of one of our non-U.S. subsidiaries (which subsidiary is treated as a dual resident for U.S. income tax purposes), (iii) a fourth quarter provisional current income tax expense of \$76.2 million (\$.66 per share) as a result of the Tax Cuts and Jobs

Act enacted on December 22, 2017 for the one-time repatriation tax imposed on the post-1986 undistributed earnings of our non-U.S. subsidiaries, (iv) an aggregate income tax benefit of \$11.8 million (\$.10 per share) related to the execution and finalization of an Advance Pricing Agreement between Canada and Germany, mostly in the third quarter, and (v) a fourth quarter provisional non-cash deferred income tax expense of \$4.5 million (\$.04 per share) related to a change in our conclusions regarding our permanent reinvestment assertion with respect to the post-1986 undistributed earnings of our European subsidiaries.

The statements in this release relating to matters that are not historical facts are forward-looking statements that represent management's beliefs and assumptions based on currently available information. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, it cannot give any assurances that these expectations will prove to be correct. Such statements by their nature involve substantial risks and uncertainties that could significantly impact expected results, and actual future results could differ materially from those described in such forward-looking statements. While it is not possible to identify all factors, the Company continues to face many risks and uncertainties. The factors that could cause actual future results to differ materially 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 cyclical nature 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 (such as changes in the level of gross domestic product in various regions of the world and the impact of such changes on demand for TiO₂)
- 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 new accounting and manufacturing software systems (such as our new enterprise resource planning system)
- The introduction of trade barriers
- Possible disruption of our business, or increases in our cost of doing business, resulting from terrorist activities or global conflicts
- 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), or possible disruptions to our business resulting from potential instability resulting from uncertainties associated with the euro or other currencies
- Operating interruptions (including, but not limited to, labor disputes, leaks, natural disasters, fires, explosions, unscheduled or unplanned downtime, transportation interruptions and cyber attacks)
- Our ability to renew or refinance credit facilities
- 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 and safety regulations
- The ultimate resolution of pending litigation
- Possible future litigation.

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. The Company disclaims any intention or obligation to update or revise any forward-looking statement whether as a result of changes in information, future events or otherwise.

In an effort to provide investors with additional information regarding the Company's results of operations as determined by accounting principles generally accepted in the United States of America (GAAP), the Company has disclosed certain non-GAAP information, which the Company believes provides useful information to investors:

- The Company discloses segment profit, which is used by the Company's management to assess the performance of the Company's TiO₂ operations. The Company believes disclosure of segment profit provides useful information to investors because it allows investors to analyze the performance of the Company's TiO₂ operations in the same way that the Company's management assesses performance. The Company defines segment profit as income before income taxes, interest expense and certain general corporate items. Corporate items excluded from the determination of segment profit include corporate expense and interest income not attributable to the Company's TiO₂ operations; and
- The Company discloses EBITDA, which is also used by the Company's management to assess the performance of the Company's TiO₂ operations. The Company believes disclosure of EBITDA provides useful information to investors because it allows investors to analyze the performance of the Company's TiO₂ operations in the same way that the Company's management assesses performance. The Company defines EBITDA as net income before income taxes, interest expense and depreciation and amortization expense.

Kronos Worldwide, Inc. is a major international producer of titanium dioxide products.

KRONOS WORLDWIDE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In millions, except per share and metric ton data)

	Three months ended		Year ended	
	December 31,		December 31,	
	2017	2018	2017	2018
	(Unaudited)			
Net sales	\$ 453.3	\$ 349.4	\$ 1,729.0	\$ 1,661.9
Cost of sales	277.0	252.9	1,159.3	1,099.7
Gross margin	176.3	96.5	569.7	562.2
Selling, general and administrative expense	53.0	54.6	200.6	228.3
Other operating income (expense):				
Currency transactions, net	.5	5.9	(7.5)	10.1
Other income, net	.2	.2	.1	.6
Corporate expense	(3.0)	(3.4)	(13.9)	(14.5)
Income from operations	121.0	44.6	347.8	330.1
Other income (expense):				
Trade interest income	.3	.3	.6	1.4
Other interest and dividend income	.4	1.5	.8	4.1
Marketable equity securities	-	(.6)	-	(7.3)
Other components of net periodic pension and OPEB cost	(4.6)	(3.7)	(17.4)	(15.0)
Loss on prepayment of debt, net	-	-	(7.1)	-
Interest expense	(4.5)	(4.8)	(19.0)	(19.5)
Income before income taxes	112.6	37.3	305.7	293.8
Income tax expense (benefit)	65.2	13.3	(48.8)	88.8
Net income	\$ 47.4	\$ 24.0	\$ 354.5	\$ 205.0
Net income per basic and diluted share	\$.41	\$.21	\$ 3.06	\$ 1.77
Weighted-average shares used in the calculation of net income per share	115.9	115.9	115.9	115.9
TiO ₂ data - metric tons in thousands:				
Sales volumes	136	106	586	491
Production volumes	149	136	576	536

KRONOS WORLDWIDE, INC.
RECONCILIATION OF INCOME FROM
OPERATIONS TO SEGMENT PROFIT

(In millions)
(Unaudited)

	Three months ended		Year ended	
	December 31,		December 31,	
	2017	2018	2017	2018
Income from operations	\$ 121.0	\$ 44.6	\$ 347.8	\$ 330.1
Adjustments:				
Trade interest income	.3	.3	.6	1.4
Corporate expense	3.0	3.4	13.9	14.5
Segment profit	<u>\$ 124.3</u>	<u>\$ 48.3</u>	<u>\$ 362.3</u>	<u>\$ 346.0</u>

RECONCILIATION OF NET INCOME TO EBITDA

(In millions)
(Unaudited)

	Three months ended		Year ended	
	December 31,		December 31,	
	2017	2018	2017	2018
Net income	\$ 47.4	\$ 24.0	\$ 354.5	\$ 205.0
Adjustments:				
Depreciation and amortization expense	10.5	12.8	41.2	49.7
Interest expense (includes loss on prepayment of debt)	4.5	4.8	26.1	19.5
Income tax expense (benefit)	65.2	13.3	(48.8)	88.8
EBITDA	<u>\$ 127.6</u>	<u>\$ 54.9</u>	<u>\$ 373.0</u>	<u>\$ 363.0</u>

IMPACT OF PERCENTAGE CHANGE IN NET SALES

(Unaudited)

	Three months ended	Year ended
	December 31, 2018 vs. 2017	December 31, 2018 vs. 2017
Percentage change in net sales:		
TiO ₂ product pricing	(2) %	13 %
TiO ₂ sales volumes	(22)	(16)
TiO ₂ product mix/other	2	(4)
Changes in currency exchange rates	(1)	3
Total	<u>(23) %</u>	<u>(4) %</u>