

Tronox Holdings PLC Rating Lowered To 'CCC+' From 'B' On Elevated Leverage; Outlook Negative

- Continued weaker-than-expected demand and pricing for Tronox Holdings PLC, a producer of titanium dioxide and byproduct zircon, has further weakened its credit metrics versus our previous expectations.
- We do not anticipate a return over the next 12 months to credit metrics appropriate for a 'B' issuer credit rating. Therefore, we lowered our rating to 'CCC+'.
- At the same time, we lowered our rating on its term loan facilities to 'B' from 'BB-'. The '1' (95%) recovery rating is unchanged. We also lowered our ratings on the senior unsecured debt due in 2029 to 'CCC+' from 'B'. The '4' (40%) recovery rating is unchanged.
- The negative outlook reflects the possibility, against our base case scenario, that a continued demand downturn in Tronox's markets in 2026, will further elevate leverage and weaken credit metrics from 2025 levels. We expect debt to EBITDA of 9x-10x under current conditions.

ENGLEWOOD (S&P Global Ratings) Dec. 18, 2025—S&P Global Ratings today took the rating actions listed above.

Our downgrade reflects expected continued weak credit metrics into 2026. Tronox's credit quality continues to face significant pressure from underperformance versus our previous expectations due to weaker market demand, lower pricing due to oversupply, and heightened competition from China. Sequential weakness in titanium dioxide and zircon pricing drove revenues down year over year in the third quarter with adjusted EBITDA plunging in the second half of 2025, versus our expectations for stabilization at first half levels. We expect weak credit metrics to continue in early 2026, with flat end-market demand, elevated leverage and interest costs, and limited cushion under its first-lien leverage covenant. But Tronox's aggressive cost-reduction plan--including shutting down its Botlek facility in the Netherlands, cutting its dividend to preserve capital, idling one furnace at its Namakwa smelter in South Africa, and temporarily shutting down its west mines in the country due to lower utilization--could lead to some improvement by the middle of next year. In 2026, we believe TiO₂ pricing will stabilize and gradually strengthen following structural shifts and corporate actions, including competitor The Chemours Co.'s recent price increase announcement targeting the Asia-Pacific region effective December 1, 2025.

We think debt leverage will be higher than we previously assumed for Tronox due to weak pigment and zircon volumes, reflecting soft global GDP growth and flat customer demand forecasts for the first half of 2026. We anticipate weighted-average debt to EBITDA will be 9x-10x over the next year, with slight improvement expected by the year end.

Tronox is positioned to benefit from rising trade barriers on Chinese imports and competitor disruptions. China supplies about two-thirds of India's titanium dioxide imports. In the third quarter of 2025, antidumping duties were temporarily stayed by a state court in India primarily due to procedural issues rather than concerns about the underlying reasons for the duties. Duties were continuing to be collected until a challenge by the India Paint Association halted the collection in early December. There is a stakeholder meeting scheduled for December 23rd as a next step in the process of rectifying the error. If these duties come into play again, exports from China could drop significantly, allowing Tronox an opportunity to sell titanium dioxide cheaper than most competitors due to the Australia-India free trade agreement.

Tronox could begin gradual deleveraging in the second half of 2026 if it achieves the lower end of its cost savings, gains market share in India and from disruptions in Venator's production as it rectifies its insolvency and realizes modest price gains from some rebound in titanium dioxide markets. This could set a foundation for measured credit quality improvement in the back half of 2026 and into 2027.

Tronox has benefitted from vertical integration. The company has a higher degree of vertical integration and scale than most competitors. It makes the ores used to produce its key product, titanium dioxide. This is especially beneficial when ore availability declines and costs for nonintegrated titanium dioxide producers are high. However, this could be less of a strength during a downturn when the fixed costs of maintaining ore mines could add to total costs. Tronox has historically maintained a strong margin profile, supported by vertical integration, cost efficiencies, and a diversified product mix. However, 2025 marked an exception, as weak TiO₂ and zircon pricing combined with soft end-market demand compressed margins significantly. Looking ahead, margins are expected to recover gradually in 2026 as pricing stabilizes and cost-reduction initiatives take hold, with further improvement anticipated in 2027 as demand strengthens and structural tailwinds—such as trade barriers and competitor disruptions—enhance profitability.

Its products remain cyclical and are susceptible to earnings volatility. Tronox has taken steps to mitigate earnings cyclicality, including instituting customer contracts with supportive pricing features. We do not see a threat of excess supply derailing still-favorable pricing for Tronox's products. However, we believe that in the long run, earnings will remain susceptible to demand or pricing shocks.

Our base case assumes that, despite potential for improvement, Tronox's credit metrics will remain weak for the rating amid earnings volatility. We expect debt to EBITDA of 9x-10x over most of the next year. We continue to view the TiO₂ sector as cyclical and do not expect current market conditions to persist throughout the cycle. We do not anticipate meaningful changes to debt or significant acquisitions. Our base case assumes gradual improvement in demand and pricing throughout 2026.

We could lower our rating on Tronox if:

- It engages in a restructuring or transaction that we view as distressed;
- It breaches the springing first-lien leverage covenant on its revolving credit facility; or
- Liquidity weakens.
- Leverage is likely to be higher than we anticipate.

For an upgrade in the next 12 months, we would expect:

- Weighted-average debt to EBITDA sustained below 8.5x; and
- At least marginally positive free cash flow.

This could occur if margins improve above our expectations, which would generate sufficient earnings to account for potential volatility.

Related Criteria

Related Research

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria.

Please see Ratings Criteria at <https://disclosure.spglobal.com/ratings/en/regulatory/ratings-criteria> for further information. A description of each of S&P Global Ratings' rating categories is contained

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