

# TRONOX



**First Quarter 2016 Conference Call**

**May 5, 2016**

[www.tronox.com](http://www.tronox.com)

# Safe Harbor Statement

Statements in this release that are not historical are forward-looking statements within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements, which are subject to known and unknown risks, uncertainties and assumptions about us, may include projections of our future financial performance based on our growth strategies and anticipated trends in our business. These statements are only predictions based on our current expectations and projections about future events. There are important factors that could cause our actual results, level of activity, performance or achievements to differ materially from the results, level of activity, performance or achievements expressed or implied by the forward-looking statements. These and other risk factors are discussed in the company's filings with the Securities and Exchange Commission (SEC), including those under the heading entitled "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2015.

Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible for our management to predict all risks and uncertainties, nor can management assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Although we believe the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, level of activity, performance or achievements. Moreover, neither we nor any other person assumes responsibility for the accuracy or completeness of any of these forward-looking statements. You should not rely upon forward-looking statements as predictions of future events. Unless otherwise required by applicable laws, we undertake no obligation to update or revise any forward-looking statements, whether as a result of new information or future developments.

# First Quarter 2016 Summary

1Q16 Segments (\$millions)	TiO <sub>2</sub> + Alkali	TiO <sub>2</sub>	Alkali	Corporate	Consolidated
Adjusted EBITDA	57	22	35	(17)	40
Cash Provided by Operating Activities	106	61	45	(105)	1
Capital Expenditures	(33)	(17)	(16)	--	(33)
Free Cash Flow	73	44	29	(105)	(32)

- TiO<sub>2</sub> pigment selling prices rising globally in Q2; expect to see sequentially higher selling prices again in Q3
- Alkali continues to operate in sold-out mode; LTM free cash flow of \$156 million has exceeded expectations
- TiO<sub>2</sub> and Alkali businesses delivered free cash flow of \$73 million
- Operational Excellence on track to meet 2016 cash generation target sourced from cost and working capital reductions
- Fairbreeze mine formally commissioned and now producing feedstock for KZN furnaces and zircon and rutile co-products
- Repurchased approximately \$20 million face value of Tronox bonds in first quarter for \$15 million for a \$4 million net gain
- Cash of \$152 million and liquidity of \$444 million as of March 31, 2016
- Board declared quarterly dividend of \$0.045 per share

# TiO<sub>2</sub> First Quarter 2016 Performance

TiO <sub>2</sub> (\$ millions)	1Q16	4Q15	1Q15
Revenue	285	336	385
Operating Income	(36)	(65)	9
Adjusted EBITDA	22	36	85

TiO <sub>2</sub> (\$ millions)	1Q16
Cash Provided by Operating Activities	61
Capital Expenditures	(17)
Free Cash Flow	44

## Compared to 1Q15

- Revenue (26%) from lower pigment selling prices, one-time sales of 50,000+ MT titanium slag in year-ago quarter and timing of a large zircon shipment scheduled for March that shipped in April
- Consumed 100% of slag production in pigment operations in Q1; expect third-party titanium slag sales in each of Q2, Q3 and Q4
- Zircon: expect 2016 sales volumes > 2015 sales volumes; selling prices level for last two quarters and expected to remain level
- Pigment sales (12%) as sales volumes +8% and selling prices (19%) and (18%) on local currency basis
- Adjusted EBITDA lower: \$30 million fixed cost absorption impact from plant curtailments that began in 2Q last year, lower pigment selling prices and timing of zircon sales that moved from Q1 to Q2

## Compared to 4Q15

- Revenue (15%) primarily due to absence of titanium slag sales and zircon shipment timing
- Pigment sales (2%) as sales volumes +2% and selling prices (4%) and (4%) on local currency basis
- Finished pigment products inventory ended first quarter below normal seasonal levels
- Zircon, rutile prime and pig iron selling prices level to prior quarter
- Adjusted EBITDA lower: lower pigment selling prices and timing of zircon shipment from Q1 to Q2

# Alkali First Quarter 2016 Performance

Alkali (\$millions)	1Q16	4Q15	1Q15
Revenue	190	199	195
Operating Income	20	23	22
Adjusted EBITDA	35	38	35

Alkali (\$ millions)	1Q16
Cash Provided by Operating Activities	45
Capital Expenditures	(16)
Free Cash Flow	29

- Alkali continues to operate in sold-out mode benefiting from sustaining structural cost advantage
- LTM Free Cash Flow of \$156 million, exceeding expectations

## Compared to 1Q15 PF

- Revenue (3%) with sales volumes (2%) resulting from lower production volumes; selling prices level
- Domestic sales volume gains driven by market growth; higher selling prices reflect annual contract price increases
- Lower export sales volumes reflect lower production volumes; lower export selling prices due to lower prices in Asia
- Adjusted EBITDA of \$35 million equaled year-ago; lower sales and higher royalty costs offset by lower operating costs

## Compared to 4Q15

- Revenue (5%) as sales volumes (7%) and selling prices +3% and favorable mix
- Domestic sales volumes slightly lower due to timing of shipments; higher domestic selling prices
- Lower export sales volumes resulted from lower production; lower export selling prices due to lower prices in Asia
- Adjusted EBITDA down from \$38 million due to lower sales partially offset by favorable distribution and overhead costs as synergies realized as anticipated at close of transaction in April 2015

# First Quarter 2016 Financial Position

Tronox (\$ millions)	1Q16	4Q15	1Q15
Corporate			
Adjusted EBITDA	(17)	(14)	(21)
Cash used in operations	(105)	(26)	(103)
Income/(Loss) from Operations	(13)	4	(18)
SG&A <sup>(1)</sup>	47	46	44
Interest and Debt Expense, Net	46	45	34

<sup>(1)</sup> 1Q16 and 4Q15 include ~ \$6 million costs related to Alkali business operations that were not incurred in 1Q15

Tronox (\$ millions)	Mar 30, 2016
Gross Consolidated Debt	3,057
Debt, Net of Cash	2,905
Cash on Balance Sheet	152
Liquidity	444
Capital Expenditures	33
DD&A	55

2016 Capex expected to be \$150-160 million

2016 DD&A expected to be approx. \$250 million

- Repurchased approximately \$20 million face value of our bonds for \$15 million resulting in \$4 million net gain
- Foreign currency: primary exposures to exchange rate changes in Australia, South Africa and The Netherlands
- South Africa and Australia more prevalent; majority of revenues in USD while expenses primarily in local currencies
- Cost structure in both countries benefited from ZAR and AUD movements relative to the USD
- Risk in Europe partially mitigated; majority of revenues and expenses in local currency creating partial natural hedge
- First quarter FX impact on sales of (\$1) million; impact on COGS +35 million; impact on adjusted EBITDA +29 million

# 2016 Perspectives

## TiO2

TiO2 pigment selling price turn in first quarter and seeing sequential rise in second quarter

Expect sequentially higher TiO2 pigment selling prices in second quarter and again in the third quarter

Primary sources of profit and cash growth expected to come from cost reductions and working capital reductions

Operational Excellence program on track to deliver 2016 cash generation target sourced from cost reductions and working capital reductions

## Alkali

Alkali continues to operate in sold-out mode with ability to sell all that it produces

Domestic market growth continues; higher selling prices reflect implementation of price increases in annual contracts

Lower export selling prices in Asia; expected to reverse based on outlook for key cost inputs and China plant curtailments/shutdowns

Another solid year of EBITDA and free cash flow delivery by our Alkali business

## Capital Expenditures

2016 capital expenditures of \$150-160 million planned; down from \$191 million last year

Includes \$40 million budgeted for Q2-Q4 2016 for completion of Fairbreeze; expect to be completed under budget

## Free Cash Flow

Expect to deliver another year of positive free cash flow

# TRONOX



**Q&A Session**