

# TRONOX



**Third Quarter 2016 Conference Call**

**November 3, 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 and our Quarterly Report on Form 10-Q for the quarter ended June 30, 2016.

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.

# Third Quarter 2016 Summary

3Q16 (\$ millions)	TiO <sub>2</sub> + Alkali	TiO <sub>2</sub>	Alkali	Corporate	Consolidated
Revenue	533	339	194	--	533
Adjusted EBITDA (Non-GAAP)	115	75	40	(17)	98
Cash Provided by (Used in) Operating Activities	162	117	45	(108)	54
Capital Expenditures	(31)	(23)	(8)	(1)	(32)
Free Cash Flow (Non-GAAP)	131	94	37	(109)	22

- Strong adjusted EBITDA and free cash flow performance
- TiO<sub>2</sub> generated additional momentum benefiting from higher pigment sales volumes and selling prices on both year-on-year and sequential bases coupled with continued strong operating cost performance
- Alkali returned to adjusted EBITDA and free cash flow levels that overcame and exceeded one-off items that impacted 2Q results
- Pigment selling prices increased 6% sequentially and 1% above prior-year quarter; first year-on-year increase since 3Q12
- We believe pigment inventories, in aggregate, are at below normal levels at both customer and producer locations globally, resulting in a continued tight supply-demand balance
- Cash of \$202 million and liquidity of \$470 million as of September 30, 2016
- Board declared a quarterly dividend of \$0.045 per share payable on December 2, 2016 to shareholders of record of company's Class A and Class B ordinary shares at close of business on November 16, 2016

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

TiO <sub>2</sub> (\$ millions)	3Q16	2Q16	3Q15
Revenue	339	333	380
Income from Operations	18	6	(26)
Adjusted EBITDA (Non-GAAP)	75	59	58

TiO <sub>2</sub> (\$ millions)	3Q16
Cash Provided by Operating Activities	117
Capital Expenditures	(23)
Free Cash Flow (Non-GAAP)	94

## Compared to 2Q16

- Revenue increased 2% driven by higher pigment selling prices
- Pigment sales of \$260 million up 7% on 1% sales volumes increase and 6% higher selling prices (6% local currency basis)
- Matching pigment production to demand while keeping inventories at or below normal levels; plan for same in 4Q16
- Managing slag production to meet internal needs and generating cash through slag inventory reductions; third-party sales on an opportunistic basis
- Titanium feedstock and co-products sales 12% lower due to lower sales volumes for CP titanium slag and pig iron
- Adjusted EBITDA up 27% despite \$7 million FX headwind driven by pigment selling price increases, continued production cost reductions and higher pigment production efficiency and plant utilization

## Compared to 3Q15

- Revenue 11% lower due to lower sales volumes for CP titanium slag and pig iron
- Pigment sales up 7% on 6% higher sales volumes and 1 percent higher selling prices (1 percent on a local currency basis).
- Titanium feedstock and co-products sales 38% lower primarily due to lower sales volumes for CP titanium slag
- Adjusted EBITDA up 29% driven by higher pigment sales volumes, significant cost reductions and favorable impact of FX on production costs, partially offset by impact of feedstock production curtailments

# Alkali Third Quarter 2016 Performance

Alkali (\$ millions)	3Q16	2Q16	3Q15
Revenue	194	204	195
Income from Operations	23	11	21
Adjusted EBITDA (Non-GAAP)	40	28	41

Alkali (\$ millions)	3Q16
Cash Provided by Operating Activities	45
Capital Expenditures	(8)
Free Cash Flow (Non-GAAP)	37

## Compared to 2Q16

- Revenue down 5% on 5% lower sales volumes due to sales timing in both domestic and export markets; selling prices level
- Domestic sales volumes down 6% and selling prices level; export sales volumes down 4% and selling prices level
- Income from operations of \$23 million improved from \$11 million
- Adjusted EBITDA of \$40 million improved from \$28 million

## Compared to 3Q15

- Revenue level as 3% higher sales volumes offset by 3% lower selling prices
- Domestic sales volumes down 3% due to sales timing while selling prices up 1%
- Export sales volumes up 9% driven by strong demand in Asia-Pacific and Latin America
- Export selling prices 7% lower due to lower Asia-Pacific selling prices
- Expect pricing environment in Asia will remain level through balance of year
- Adjusted EBITDA of \$40 million compared to \$41 million as higher sales volumes, lower production costs and higher production efficiencies essentially offset lower export selling prices

# Third Quarter 2016 Financial Position

Tronox (\$ millions)	3Q16	2Q16	3Q15	Tronox (\$ millions)	Sept 30, 2016
Corporate				Gross Consolidated Debt	3,055
Loss from Operations	(16)	(9)	(16)	Debt, Net of Cash	2,853
Adjusted EBITDA (Non-GAAP)	(17)	(16)	(18)	Cash on Balance Sheet	202
SG&A	54	50	55	Liquidity	470
Cash Used in Operations	(108)	(20)	(131)	Blended Cost of Debt	5.56%
Interest & Debt Expense, Net	46	46	45		

## Debt Maturities and Financial Maintenance Covenants

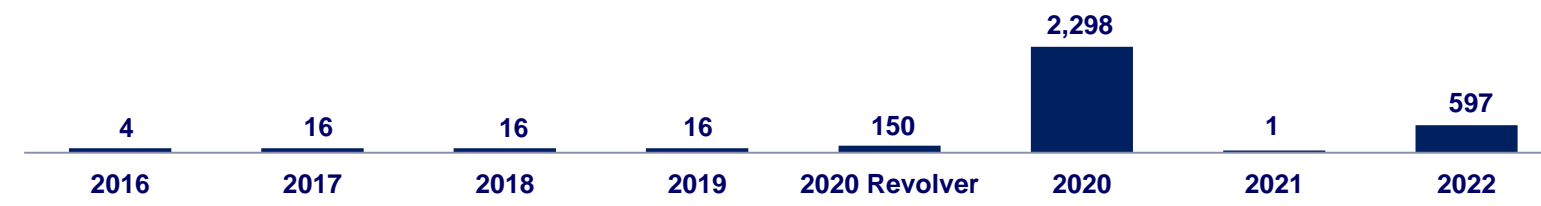
No meaningful maturities until 2020; annual 1% payment on term loan  
 No financial maintenance covenants on term loan or high yield notes  
 48% of total indebtedness set at a fixed rate on Sept 30, 2016

## Outlook (\$ millions)

## 2016 Expectation

Cash Interest 170-180  
 Capital Expenditures 135-145  
 DD&A ~240

## Debt Maturity Profile (\$ millions)



# 2016 Perspectives

## TiO<sub>2</sub>

TiO<sub>2</sub> generating momentum on higher pigment sales volumes and selling prices and strong operating cost performance

Tight supply-demand balance; pigment inventories, in aggregate, below normal at customer and producer levels globally

Matching pigment production to demand while keeping inventory at or below normal levels

Ilmenite feedstock prices up ~50% YTD driven by reduced supply by Chinese ilmenite producers

Ilmenite supply tightness and rising prices in China have led to series of Chinese pigment producer price increases

Chinese domestic selling prices 10-20% higher YTD; export selling prices 10-15% higher YTD

Ilmenite supply tightness and rising prices should provide support for rising high grade feedstock selling prices

Resulting cost pressures on non-integrated pigment producers provides motivation for pigment price increases in 2017

## Alkali

Another year of solid adjusted EBITDA and free cash flow delivery

Domestic price increase announced; essentially targeting 2017 contract negotiations

## Free Cash Flow (Non-GAAP)

2016 free cash flow substantially higher than 2015 free cash flow of \$25 million

# TRONOX



**Q&A Session**