TRONOX



Second Quarter 2015 Conference Call

August 5, 2015

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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, 2014.

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.

TiO2 and Alkali - Reporting Segments

- Tronox has moved to two reportable segments – TiO_2 and Alkali
  - Directly align with the manner in which we run the company - two separate vertically integrated businesses
  - Separate financial data available and utilized on regular basis by our CEO, Tom Casey, to align strategies, assess performance and allocate resources
- Increased interdependency between pigment and mineral sands businesses and related organizational changes, we determined that it was better to review the pigment and mineral sands businesses, along with our electrolytic business, as a combined one -- TiO_2 – and to align strategies, assess performance and allocate resources
- Following the Alkali acquisition, we restructured our organization to reflect two integrated businesses -- TiO_2 and Alkali – that report to Jean-Francois Turgeon, President, TiO_2, and Ed Flynn, President, Alkali, who report directly to our CEO
- TiO_2 operating segment includes:
  - exploration, mining and beneficiation of mineral sands deposits
  - heavy mineral production of titanium feedstock, which includes chloride slag, slag fines and rutile, as well as pig iron and zircon
  - production and marketing of TiO_2
  - electrolytic manganese dioxide manufacturing and marketing
- Alkali operating segment includes:
  - exploration, mining and beneficiation of trona ore
  - production and marketing of natural soda ash and its derivatives -- sodium bicarbonate, sodium sesquicarbonate and caustic soda

Second Quarter 2015 Highlights

- Our businesses generated adjusted EBITDA of $135m, excluding net non-cash LCM charges, and delivered $74m of cash
- Increasing cash generation from various sources across the company -- including reducing our operating costs and working capital and -- in our TiO_2 business -- selling a substantial amount of feedstock inventory; recently signed contract with a non-pigment company to sell high-quality ilmenite in transaction that will produce cash of ~$35-37m over next 6 quarters
- Supply continues to exceed demand in global TiO_2 industry; selling prices at levels producing inadequate returns; production capacity has been and will continue to be removed; seeing in China, Europe, South Africa, Australia and North America
- We have suspended production at 1 of 6 processing lines at our Hamilton pigment plant and 1 of 4 processing lines at our Kwinana pigment plant; together, these curtailments represent ~15% of total pigment production; have also shut down one slag smelter at our KZN Sands operations which has reduced our slag production capacity by ~12%
- We expect sales volumes to be unaffected; will meet demand from reduced production volumes and finished goods inventories; if demand exceeds our forecasts over balance of 2015, we have operating flexibility to quickly ramp up production
- TiO_2 business generated adjusted EBITDA of $85m and delivered cash of $28m, despite challenging market conditions that included 5% lower ASP for pigment products compared to first quarter
- Alkali generated $50m of adjusted EBITDA and delivered $46m of cash; Alkali continues to operate in a sold-out mode
- Cash generating strength of our operating businesses -- coupled with cash sourced from reductions in operating costs, working capital and capital expenditures -- we expect to generate positive free cash flow in 2016 after capital expenditures, interest expense and dividend payments
- Intend to focus cash surplus on deleveraging and providing for future growth of the company
- Board has reaffirmed its intention to provide shareholders a return on their investment even under the current challenging conditions in our TiO_2 segment
- For the 13th straight quarter, our Board declared a quarterly dividend of $0.25 per share, currently yielding ~9%

TiO_2 Second Quarter 2015

- TiO_2 revenue of $409m was 17% lower than $490m in PYQ, primarily the result of lower pigment products sales
- Sales of pigment products down 19% vs. PYQ; sales volumes down 4% and ASP down 16% (11 % on local currency basis); sales volumes for pigment products rebounded in EMEA, down in Asia-Pacific and softened modestly in North America
- Sales of titanium feedstocks and co-products, including zircon and pig iron, down 15 % vs. PYQ; selling prices for titanium feedstocks up in 4-6% range; sales volumes increased for CP titanium slag and rutile products declined
- Zircon sales volumes at normal levels but lower compared to very strong sales volumes in PYQ; selling prices declined modestly
- TiO_2 revenue up 6% vs. $385m in PQ driven by 13% higher sales volumes of pigment products
- Pigment products sales up 8%, as 13% sales volume increase partially offset by 5% lower ASP (3% on local currency basis); pigment sales volume gains in North America, EMEA and Asia-Pacific; finished pigment inventory at end of 2Q modestly above normal seasonal levels
- Sales of titanium feedstocks and co-products increased 2% vs, PQ; lower sales volumes of titanium feedstocks; selling prices for CP titanium slag up 3% and rutile products remained level; zircon sales up 12% on 18% higher sales volumes, partially offset by 5% lower selling prices
- Capital expenditures of $57 million included $31 million related to Fairbreeze mine project; total capital expenditures related to Fairbreeze mine from project commencement through 2016 of~$225m with ~$125m spent through 2Q15
- 2016 EBITDA from sale of co-products plus efficiency gains realized in downstream smelting and pigment operations expected to be ~$45-50m, all incremental to 2015
- TiO_2 generated adjusted EBITDA of $85m excluding the non-cash LCM charge; and delivered cash of $28 million
- We are actively enhancing cash generation in our TiO_2 business in multiple ways – significant working capital reductions, driving operating cost reductions and reducing capital expenditures
- Substantial portion of our operating costs incurred in currencies that have depreciated relative to the US$; we believe our cost structure has improved in US$ terms more than other producers that incur larger portion of their operating costs in US$

Alkali Second Quarter 2015

- Revenue of $208m increased 8% vs. $194m in PYQ on pro forma basis
- Sales volumes gained 4% and ASP increased 3%; export sales led volume growth, supported by increased demand in domestic market; higher domestic and export selling prices realized
- Revenue increased 7% vs. PQ on pro forma basis
- Sales volumes up 8% led by export volume growth, supported by increased momentum in domestic market; ASP off 1% result of customer and regional mix
- Alkali continues in sold-out mode driven by strong export demand growth and a continued recovery in the domestic market
- Adjusted EBITDA of $50m increased vs. pro forma adjusted EBITDA of $44m in PYQ, driven by higher selling prices and sales volumes, coupled with lower energy costs
- Adjusted EBITDA also increased vs. pro forma adjusted EBITDA of $41 million in PQ
- Capital expenditures were $4 million
- With adjusted EBITDA of $50 million and capital expenditures of $4 million, Alkali delivered $46 million in cash in second quarter
- On track to deliver after-tax cash synergies of more than $30m in the first full year growing to more than $60m annually by year three, including utilization of Tronox’s U.S. tax attributes

Second Quarter 2015 Financial Position

- Corporate adjusted EBITDA ($19m) vs ($17m) in PYQ and ($21m) in PQ
- Corporate loss from operations of $34m includes one-time expenses of ~$21m related to Alkali acquisition vs. $15m in PYQ and $18m in PQ
- SG&A expenses of $72m includes one-time expenses of ~$21m related to Alkali acquisition and on-going expenses of ~$7 million related to Alkali business operations vs. $45m in PYQ and $44m in PQ. Neither PYQ or PQ contained acquisition expense or Alkali SG&A run rate
- Primary exposure to currency exchange rates in Australia, South Africa and The Netherlands; more prevalent in South Africa and Australia as majority of revenues earned in US$ while expenses primarily incurred in local currencies; foreign exchange risk in Europe is partially mitigated as majority of revenues and expenses are in same local currency creating a partial natural hedge
- Interest and debt expense of $52m increased from $33m in PYQ primarily due to higher debt level and bridge loan financing expense of $8m related to Alkali acquisition
- June 30, 2015, gross consolidated debt of $3,134m and net debt of $2,929 million; we remain committed to our deleveraging program and goal remains unchanged
- Capital expenditures were $61m and DD&A was $75m in second quarter
- Working capital reduction: through inventory reduction, A/P and A/R, we expect to generate $100m in cash through working capital reductions by mid-year 2016

Tronox Strategic Focus

- Tronox today has multiple components to our value proposition:
  - Turn in the TiO_2 market -- plus leverage to upturn through positions both upstream and downstream
  - Stability and cash generation of our Alkali business
  - Focus on increasing cash generation from multiple sources across the company
  - $9.8 billion portfolio of tax attributes
  - Regular quarterly dividend currently yielding 9%
- 2015 a transitional year for TiO_2 -- continued challenges in the global market, however, industry appears to be responding to changes in global demand caused by slowing of Chinese economy
- Production facilities for pigment and feedstocks being shut down / others reducing production levels; inventories being reduced upstream / downstream; should accelerate turn to improved supply-demand balance
- Tronox has transitioned to stronger model with the operation of two vertically integrated businesses
- Based on the increasing cash generation of TiO_2 and Alkali, we will continue to focus on deleveraging, dividend payment and providing for future growth of the company.
- View ourselves as a consolidator in the TiO_2 market and continue to evaluate opportunities

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Q&A Session