# JEFFERIES 2019 INDUSTRIALS CONFERENCE

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A GLOBAL INDUSTRIAL MINERALS AND LOGISTICS LEADER

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This presentation includes certain non-GAAP financial measures, including Segment Contribution Margin, Adjusted EBITDA, Free Cash Flow and Return on Invested Capital (ROIC). These measures should be considered supplemental to and not a substitute for financial information prepared in accordance with GAAP and may differ from similarly titled measures used by others.

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# A Diversified Industrial Minerals and Logistics Company


**#1 or #2**

Market position in Industrial Minerals end markets

**$200M**

In new products under development[1]

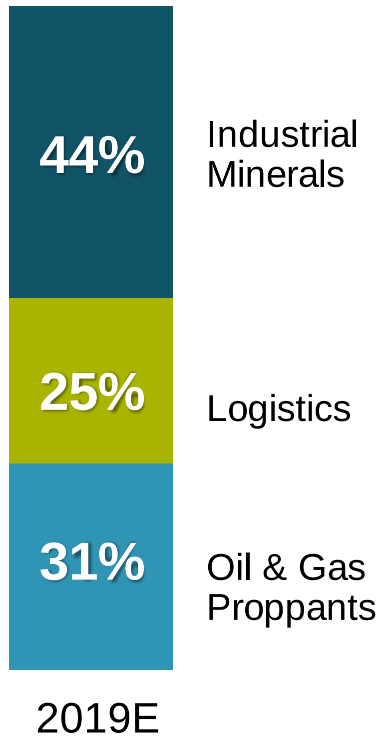
**27%**

Market share in last mile logistics

**The ONLY**

Ground to ground supplier of proppant

## Diversifying Profits[2]




### Industrial & Specialty Products

Very stable business expanded through M&A in 2018; high barriers to entry and long-term customer relationships.

### Logistics

Last-mile proprietary SandBox solution has taken significant market share and embedded the company in customers' value chains.

### Oil & Gas Proppants

Low-cost assets with new capacity close to the wellhead. Transitioning from a cash consumer to a cash generator.

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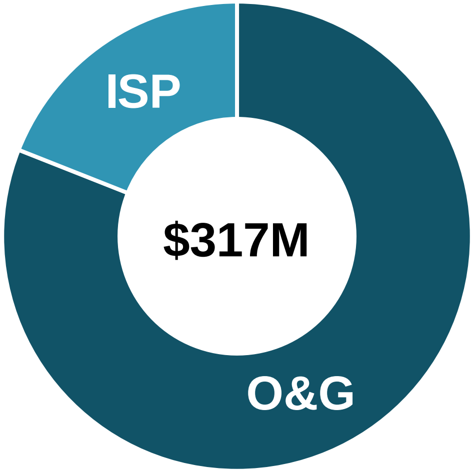
[1]Estimated Contribution Margin from new ISP product pipeline
[2]Internal estimates of Contribution Margin for 2019

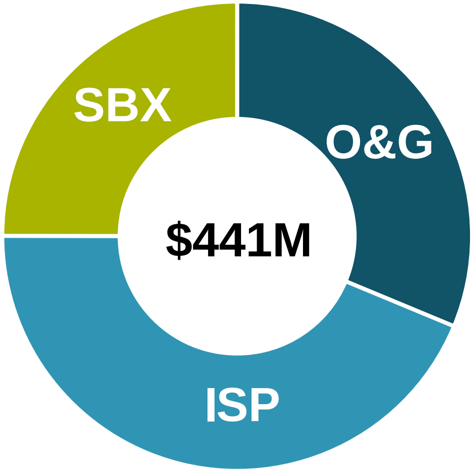
# Strong Diversification Across Business Segments

| A Frac Sand Supplier with an Industrial Sand Business | A Diversified Industrial Minerals and Last-Mile Logistics Company |
|---|---|

## 2014 Total Company Contribution Margin



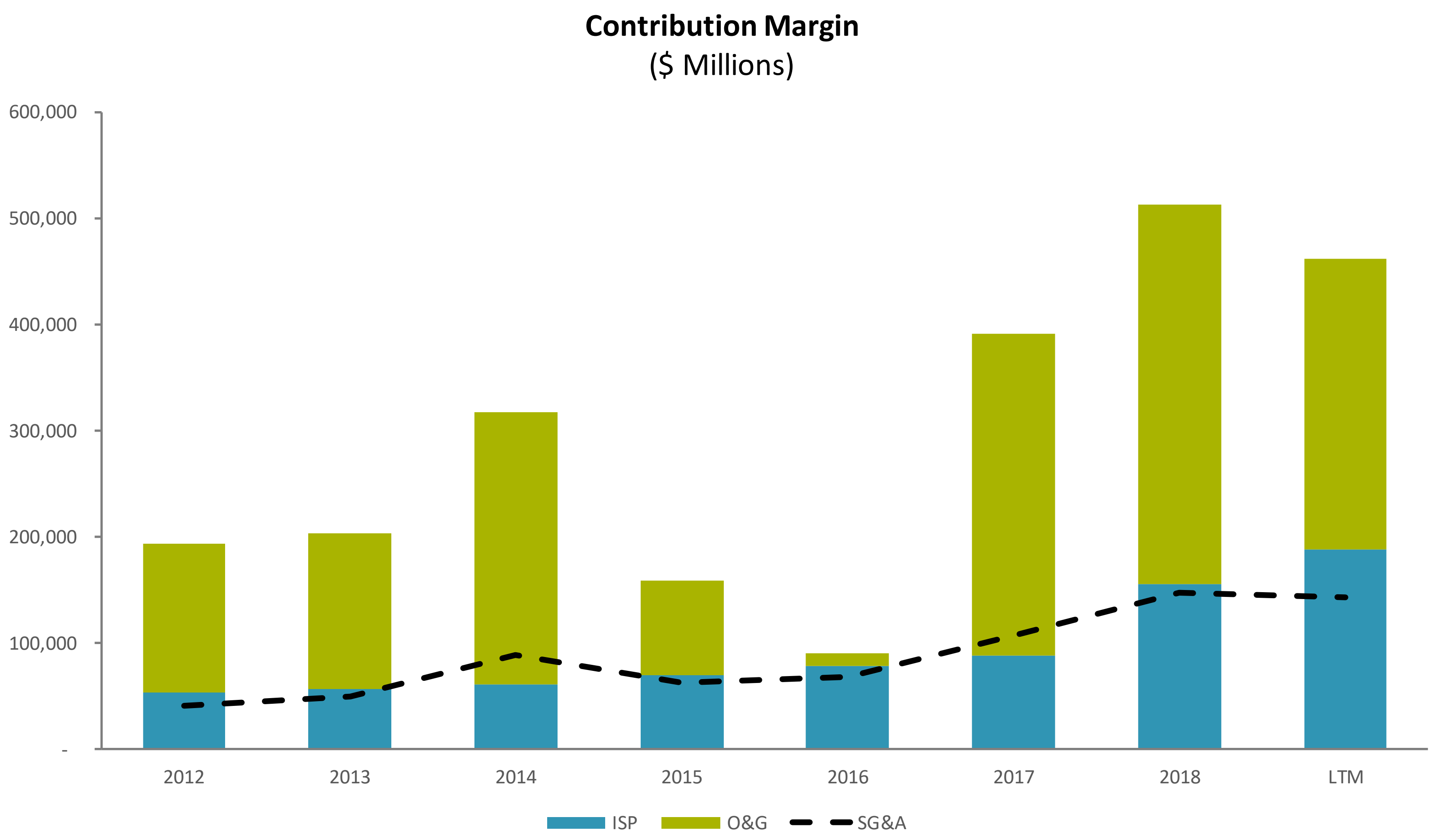

## 2019E Total Company Contribution Margin[1]




**~70% of profits expected from industrials and logistics in 2019 vs. ~19% in 2014**

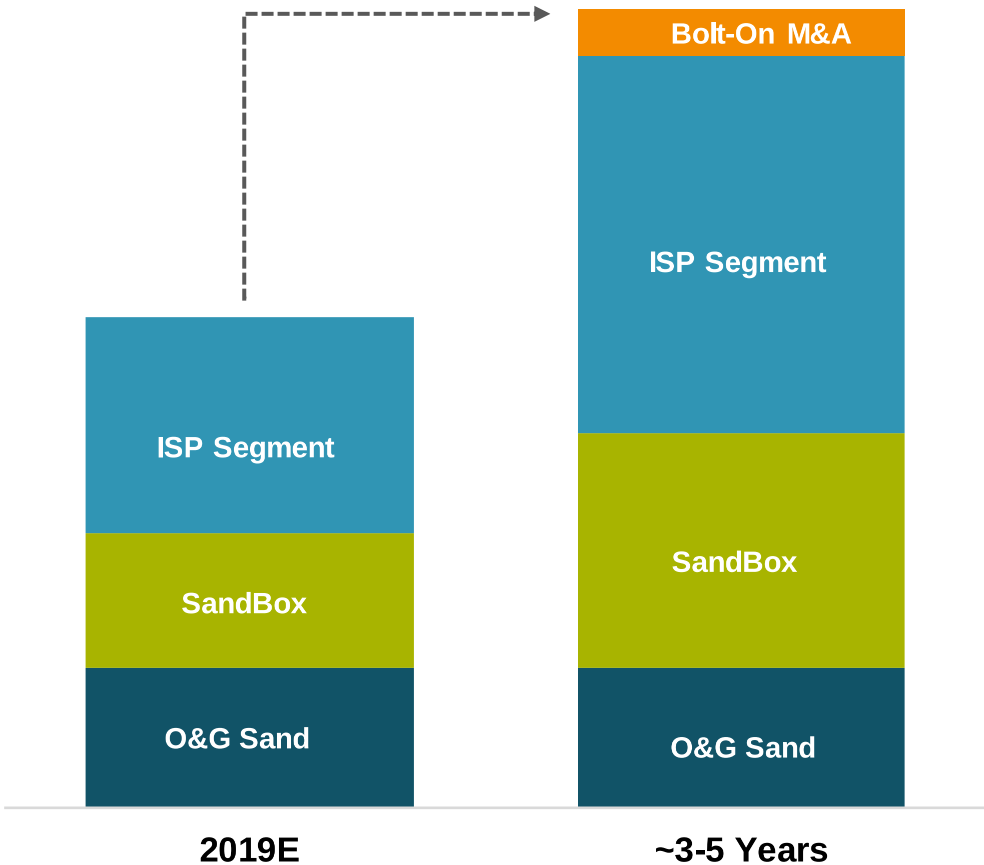
[1]Analyst consensus estimates for 2019

# A Sustainable Business Model with Significant Leverage to the Upside



# Focused on Growing and Further Diversifying the Business

## Targeted Business Profit Mix By Source[1]




| | Growth Goals | Stability |
|---|---|---|
| ISP | Double Digit Annual | +++ |
| SBX | Double Digit Annual | ++ |
| O&G | Generate Cash | + |

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[1] Internal estimates for 2019. Future projections are for illustrative purposes only.

# ISP Segment Services a Diverse Mix of End Markets and Long Term Customers


% of 2019E ISP Revenue

**Chemicals | 11%**
- Silica-based Chemicals
- Ceramics
- Sodium Silicates
- Silicon Carbide

**Absorbents | 9%**
- Accidents & Spills
- Pet Litter
- Automotive

**Clays | 8%**
- Chemical & Petrochemical
- Gas Processing & Refining
- Dimerization

**Fillers & Extenders | 11%**
- Performance coatings
- Architectural, industrial and traffic paints
- Silicone rubber

**Additives | 8%**
- Animal Feed
- Cosmetics
- Paper & Plastic
- Paint & Coatings

**Filtration | 23%**
- Beverages
- Pharmaceutical
- Biofuels
- Edible Oils

**Glass | 4%**
- Smartphones & Tablets
- Containers
- Automotive glass
- Fiberglass

**Building Products | 23%**
- Grouts & Mortars
- Specialty Cements
- Quartz Surfaces
- Roofing Shingles

**Misc./Other | 3%**
- Golf and volleyball sands
- Pool filtration
- Forensic testing

**>800 products, critical raw materials for long term customers**

# EP Minerals Extends Reach Globally and Significantly Expands Market Opportunity


## EP Minerals Profile

- Global leader in diatomaceous earth (DE), bentonite and perlite filter aids, absorbents and functional additives
- High barriers to entry due to limited DE deposits and unique traits of each of the deposits worldwide
- Recurring customers account for more than 90% of revenue
- #1 or #2 player in each of its global markets
- ~680 employees globally

| | Sub-markets | Products | Customers |
|---|---|---|---|
| Before | 82 | 594 | 1,673 |
| After | 148 | 841 | 2,721 |

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# Deep Vertical Integration is a Key Differentiator in Oil & Gas for Northern White Sands


| Sand Supply Chain | SLCA | Peer A | Peer B | Peer C | Peer D |
|---|---|---|---|---|---|
| Active Frac Sand Sources (>10 mines) | ✓ | ☐ | ☐ | ☐ | ☐ |
| Mine | ✓ | ✓ | ✓ | ✓ | ✓ |
| Railcar | ✓ | ✓ | ✓ | ✓ | ✓ |
| Transload | ✓ | ✓ | ✓ | ✓ | ✓ |
| Last-Mile Truck | ✓ | ✓ | ☐ | ☐ | ☐ |
| Wellsite Storage | ✓ | ✓ | ☐ | ✓ | ☐ |

Wellhead

% of Total Cost: 35% (Mine); 65% (Railcar, Transload, Last-Mile Truck, Wellsite Storage)

**Vertical integration increases margin potential**

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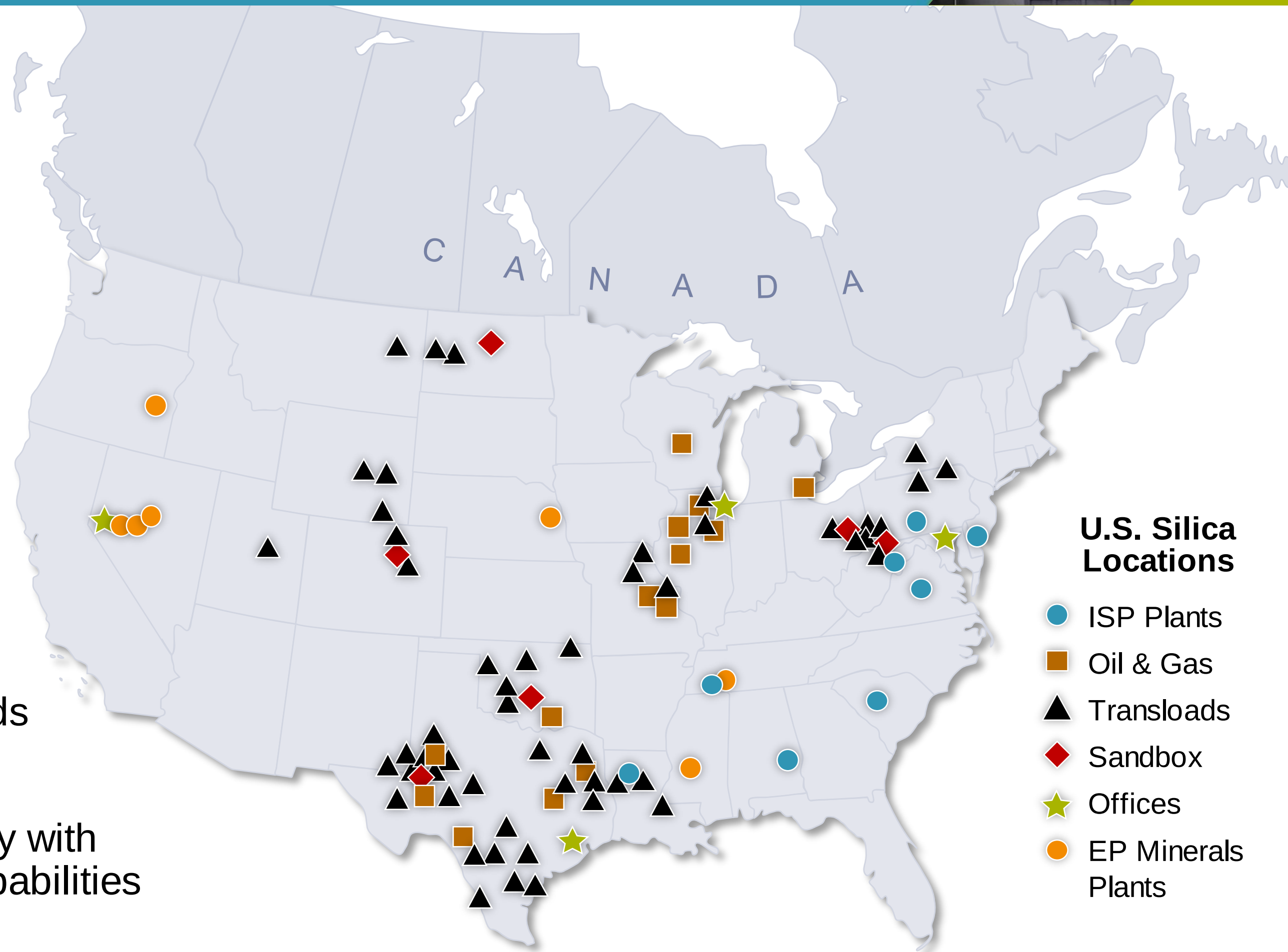
# Diverse, Flexible and Low-Coast Rail and Transload Network


**28** operating facilities

**50** transload terminals

**85%** of rigs within 50 miles of our transloads

**#1** network in industry with most unit train capabilities



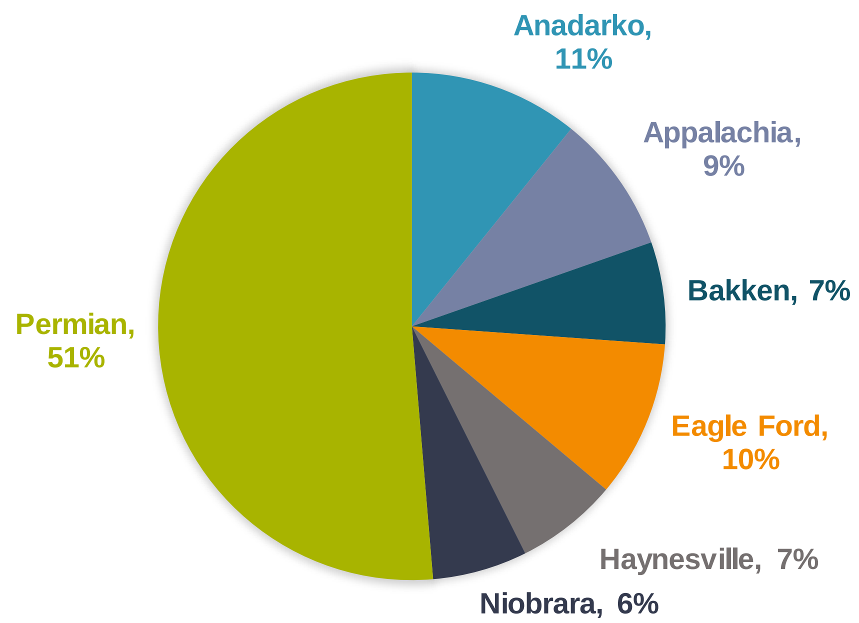

Uniquely able to redirect flow nationally to maximize margins

# Positioned in a Rapidly Evolving Oil & Gas Sands Market

## Key Trends Underway

1. Secular growth in proppant per well – drives well efficiency
2. Shift to finer mesh (40/70 and 100M) – drives rig efficiency
3. Shift to regional/local sands – lowers delivered cost

## Onshore Rigs by Basin[1]




In-basin presence creates significant competitive advantage

[1] Source: EIA; July 2019

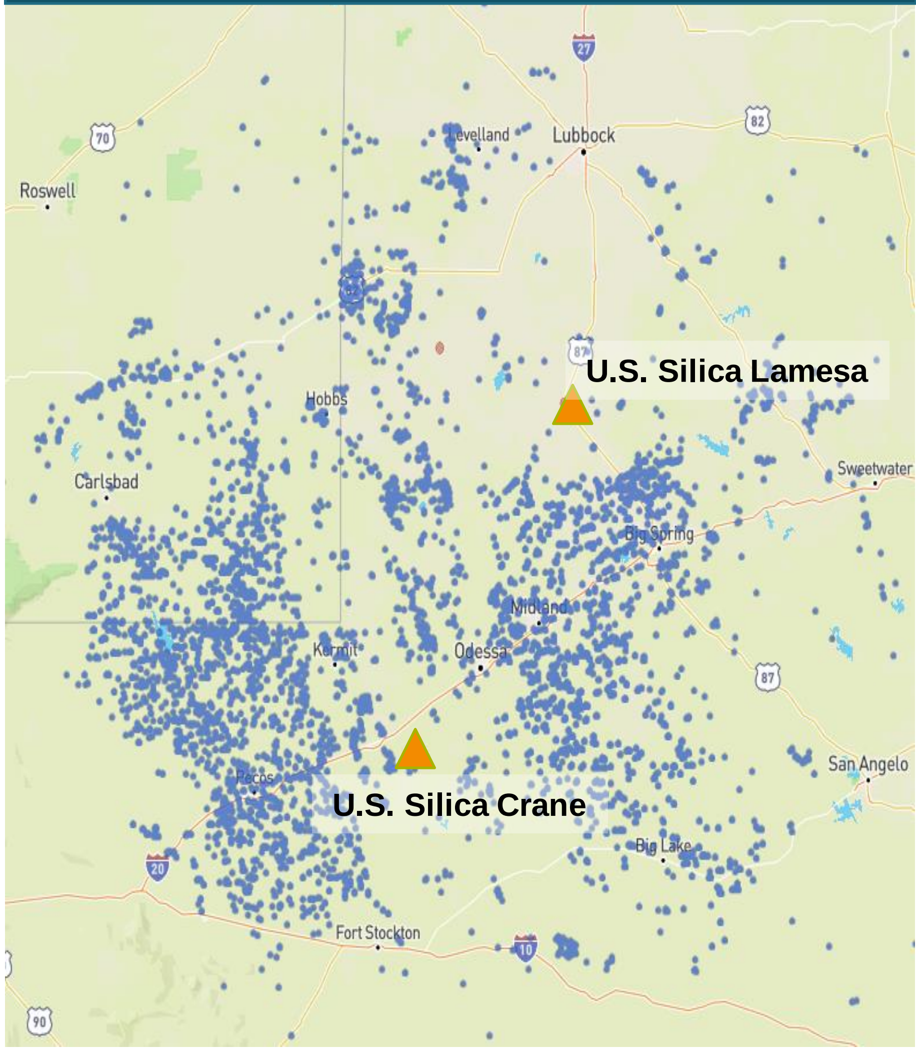
# In-Basin Presence Creates a Significant Competitive Advantage

## Strategically Adding Capacity in the Permian

- Half of total frac sand demand is expected to come from the Permian basin, with 80% of sand to be supplied locally[1]
- U.S. Silica has added 10 million tons of nameplate capacity in the basin since 2017
- Two U.S. Silica facilities in close proximity to 40% of active rigs in the basin

**We are positioned at the bottom of the cost curve in the basin**

**Permian Well Locations vs. Mines**



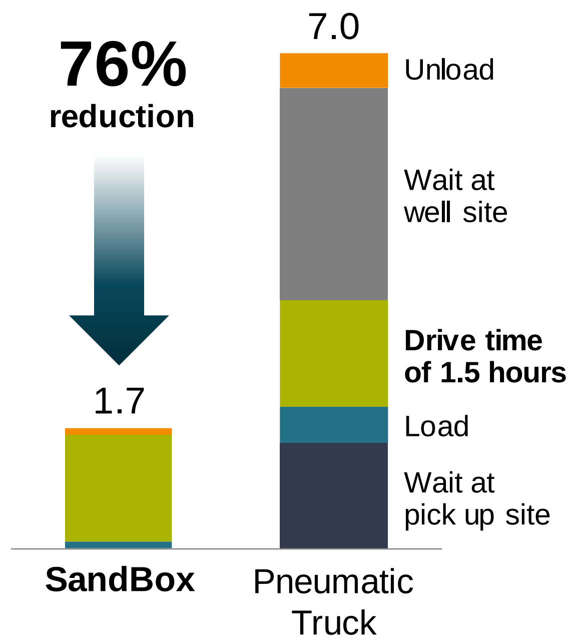

[1] Internal estimates

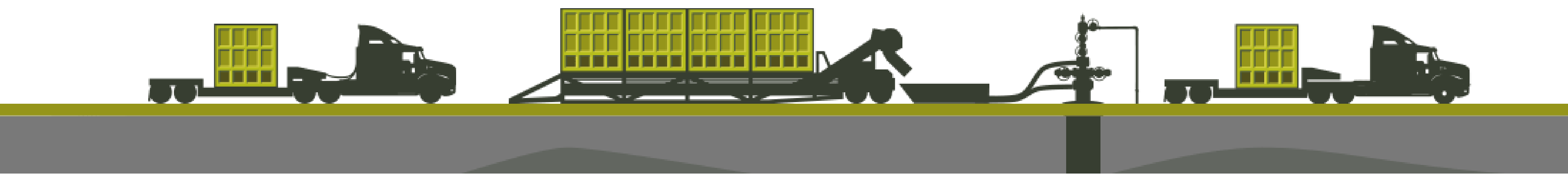
# SandBox Embeds U.S. Silica in the Value Chain


## The First Mover in Containerized Solutions

- ✓ Sandbox is a market-leading alternative to pneumatics
- ✓ Utilizes specially designed, patent-protected equipment
- ✓ Cleaner, safer, reliable and more efficient
- ✓ Embeds U.S. Silica in customers' value chain
- ✓ ~27% of total market share in Q2 2019

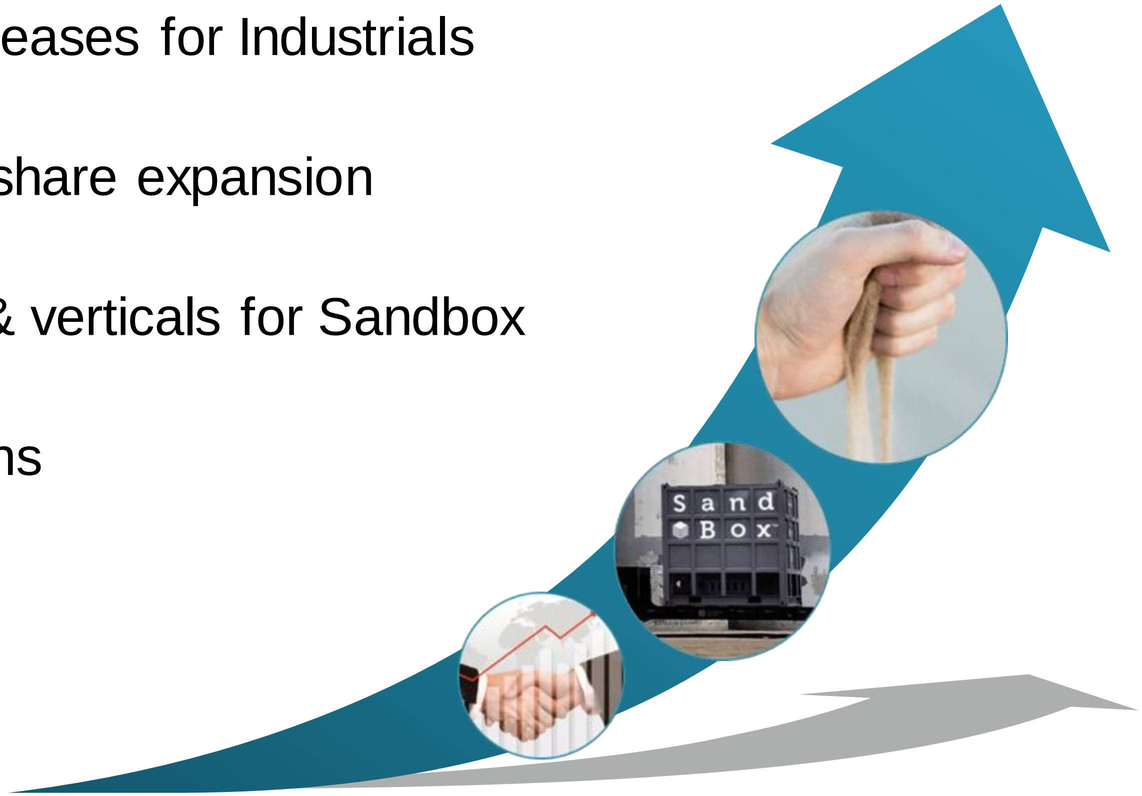
## Truck Delivery Time per Load (hrs)



# Multiple EBITDA Growth Drivers


1. Pipeline of new, higher margin ISP products
2. Regular price increases for Industrials
3. Sandbox market share expansion
4. New horizontals & verticals for Sandbox
5. Bolt-on acquisitions

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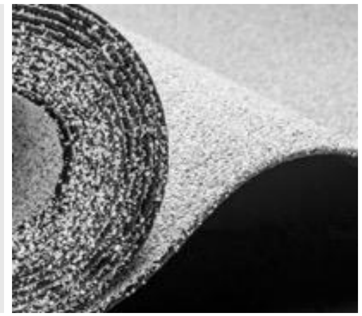
# Robust Pipeline of Higher Margin ISP Products


New customers

Current value chain extensions



Expanded geographic reach

Innovative products

**Over $200 MILLION[1] in new products under development**

Specialty services

Acquire new capabilities

New sales / existing customers

New value chains

[1]Estimated Contribution Margin from new ISP product pipeline

# O&G Sand Transitioned from a Cash Consumer to a Cash Generator


## Oil & Gas Sand

### *Generate Cash*

- Maximize flexibility by limiting long-term fixed costs
- Sign durable contracts – prepays and capacity reservation payments
- Be the lowest cost at the wellhead – automation, utilization & better systems
- Differentiate on logistics – focus on sticky ‘wellhead sales’ (with Sandbox)
- **Manage to low capex requirements**

## Sandbox Logistics

### *Gain Share & Grow*

- Selectively target high-growth E&Ps
- Minimize NPT at well site
- World class safety
- Diversify from sand to other verticals and horizontals
- Invest capex for growth
- **Over 500% growth in profitability from 2016 to 2018**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# Balanced Capital Plan & Priorities

| Base Business Requirements | | Invest in Profitable Growth | | Generate Free Cash Flow |
|---|---|---|---|---|
| **Minimal Capital** Maintenance capex | + | **Attractive ROIC** Significantly above cost of capital | + | **Flexibility** Reduce debt and maintain dividend |
| **$25 to $30M** Annually | | **≥ 20%** Target on investments | | **3 x or less** Gross debt / EBITDA targeted by 2021 |

# QUESTIONS?


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# Non-GAAP Financial Performance Measures

***Segment Contribution Margin***

The Company organizes its business into two reportable segments, Oil & Gas Proppants and Industrial & Specialty Products, based on end markets. The reportable segments are consistent with how management views the markets served by the Company and the financial information reviewed by the chief operating decision maker. The Company manages its Oil & Gas Proppants and Industrial & Specialty Products businesses as components of an enterprise for which separate information is available and is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and assess performance.

An operating segment's performance is primarily evaluated based on segment contribution margin, which excludes certain corporate costs not associated with the operations of the segment. These corporate costs are separately stated and include costs that are related to functional areas such as operations management, corporate purchasing, accounting, treasury, information technology, legal and human resources. The Company believes that segment contribution margin, as defined above, is an appropriate measure for evaluating the operating performance of its segments. However, this measure should be considered in addition to, not a substitute for, or superior to, income from operations or other measures of financial performance prepared in accordance with generally accepted accounting principles. For a reconciliation of segment contribution margin to its most directly comparable GAAP financial measure, see Note U to our financial statements in our Annual Report on Form 10-K for the fiscal year ended December 31, 2018 (https://www.sec.gov/Archives/edgar/data/1524741/000162828019001568/slca-20181231x10xk.htm#s5160BBAF56995B22A2F3F4CB8145EE25) and Note U to our financial statements in our Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2019 (https://www.sec.gov/ix?doc=/Archives/edgar/data/1524741/000162828019009284/slca-20190630x10xq.htm).

***Free Cash Flow***

Free cash flow represents cash flow from operations less capital expenditure and dividends. Management believes that free cash flow is an important liquidity measure for the company and that it is useful to investors and management as a measure of our ability to generate cash. Once business needs and obligations are met, this cash can be used to reinvest in the company for future growth or to return to shareholders through dividend payments or share repurchases. Free cash flow does not represent the residual cash flow available for discretionary expenditures. Free cash flow is a non-GAAP financial measure that should be considered in addition to, not as substitute for or superior to, cash flow from operations.

# Non-GAAP Financial Performance Measures

***Return on Invested Capital (ROIC)***

ROIC is used by management and can be used by investors to review our investment and capital allocation decisions. We define ROIC as net operating profit after tax divided by invested capital. We believe ROIC provides a meaningful measure of our capital-allocation effectiveness over time. ROIC is a non-GAAP financial measure that should be considered in addition to, not as substitute for or superior to, measures of financial performance prepared in accordance with generally accepted accounting principles.

***Adjusted EBITDA***

Adjusted EBITDA is not a measure of our financial performance or liquidity under GAAP and should not be considered as an alternative to net income as a measure of operating performance, cash flows from operating activities as a measure of liquidity or any other performance measure derived in accordance with GAAP. Additionally, Adjusted EBITDA is not intended to be a measure of free cash flow for management's discretionary use, as it does not consider certain cash requirements such as interest payments, tax payments and debt service requirements. Adjusted EBITDA contains certain other limitations, including the failure to reflect our cash expenditures, cash requirements for working capital needs and cash costs to replace assets being depreciated and amortized, and excludes certain non-recurring charges that may recur in the future. Management compensates for these limitations by relying primarily on our GAAP results and by using Adjusted EBITDA only as a supplement. Our measure of Adjusted EBITDA is not necessarily comparable to other similarly titled captions of other companies due to potential inconsistencies in the methods of calculation. In 2018, our net loss attributable to U.S. Silica Holdings, Inc. was $200 million. For a reconciliation of Adjusted EBITDA to its most directly comparable GAAP financial measure, see the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2018 (https://www.sec.gov/Archives/edgar/data/1524741/000162828019001568/slca-20181231x10xk.htm#sD8E3E56ACC7C55A794B481C05A09B476) and in our Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2019 (https://www.sec.gov/ix?doc=/Archives/edgar/data/1524741/000162828019009284/slca-20190630x10xq.htm).