



# U.S. Silica

March 2016 Investor Presentation

# Disclaimers

This presentation contains forward-looking statements that reflect, when made, our current views with respect to current events and financial performance. Such forward-looking statements are subject to many risks, uncertainties and factors relating to our operations and business environment, which may cause our actual results to be materially different from any future results, express or implied, by such forward-looking statements. All statements that address future operating, financial or business performance or our strategies or expectations are forward-looking statements. In some cases, you can identify these statements by forward-looking words such as “may,” “might,” “will,” “should,” “expects,” “plans,” “anticipates,” “believes,” “estimates,” “predicts,” “projects,” “potential,” “outlook” or “continue,” and other comparable terminology. Factors that could cause actual results to differ materially from these forward-looking statements include, but are not limited to, those discussed in our filings with the Securities and Exchange Commission, including our most recent Annual Report on Form 10-K and our Quarterly Reports on Form 10-Q. New risks and uncertainties arise from time to time, and it is impossible for us to predict these events or how they may affect us. We disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events and/or otherwise, except to the extent required by law.

This presentation includes certain non-GAAP financial measures, including Adjusted EBITDA and Segment Contribution Margin. 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. For a reconciliation of such measures to the most directly comparable GAAP term, please see the Appendix to this presentation. We are unable to reconcile our projections to the comparable GAAP measures because we do not predict the future impact of adjustments due to the difficulty of doing so.

# Industry Leader - Winning in a Tough Market

Operating segments	Competitive advantages	Business model	Balance Sheet
<b>Diversified</b>	<b>Strong</b>	<b>Resilient</b>	<b>Best</b>



# U.S. Silica – Strength in Numbers

Raw frac sand provider in world	Top 2
Market positions in ISP	1 or 2
Operating facilities	17
Tons of reserves	400M
Tons sold in 2015	10M
Earnings from non-energy, stable industrial segment	44%



# Industry Leader - Winning in a Tough Market

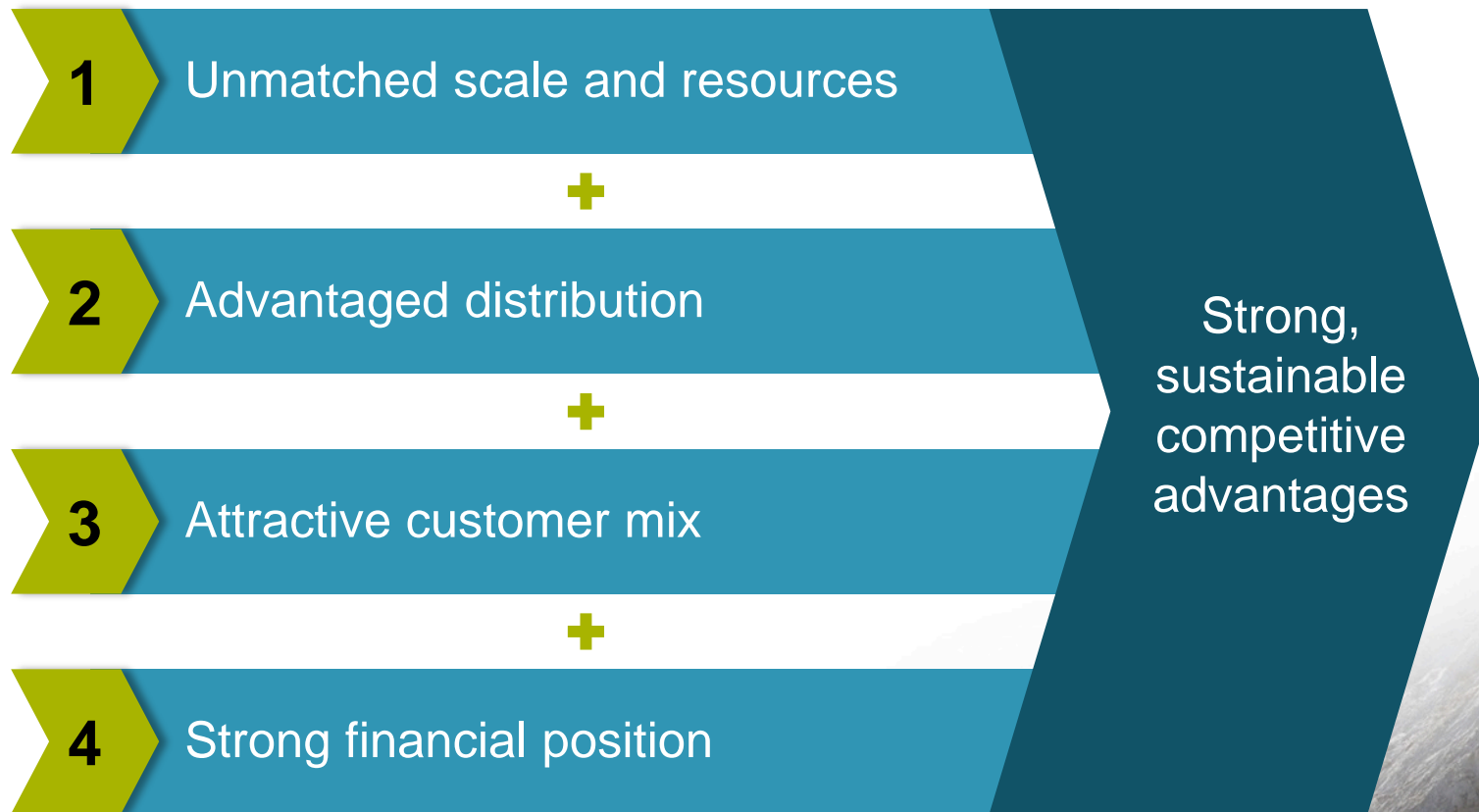
- 1 Built to win through a cycle
- 2 Capitalizing on today's market dynamics
- 3 Clear plan for long-term success

## GOALS:

**2015-2016**  
Resilient performance

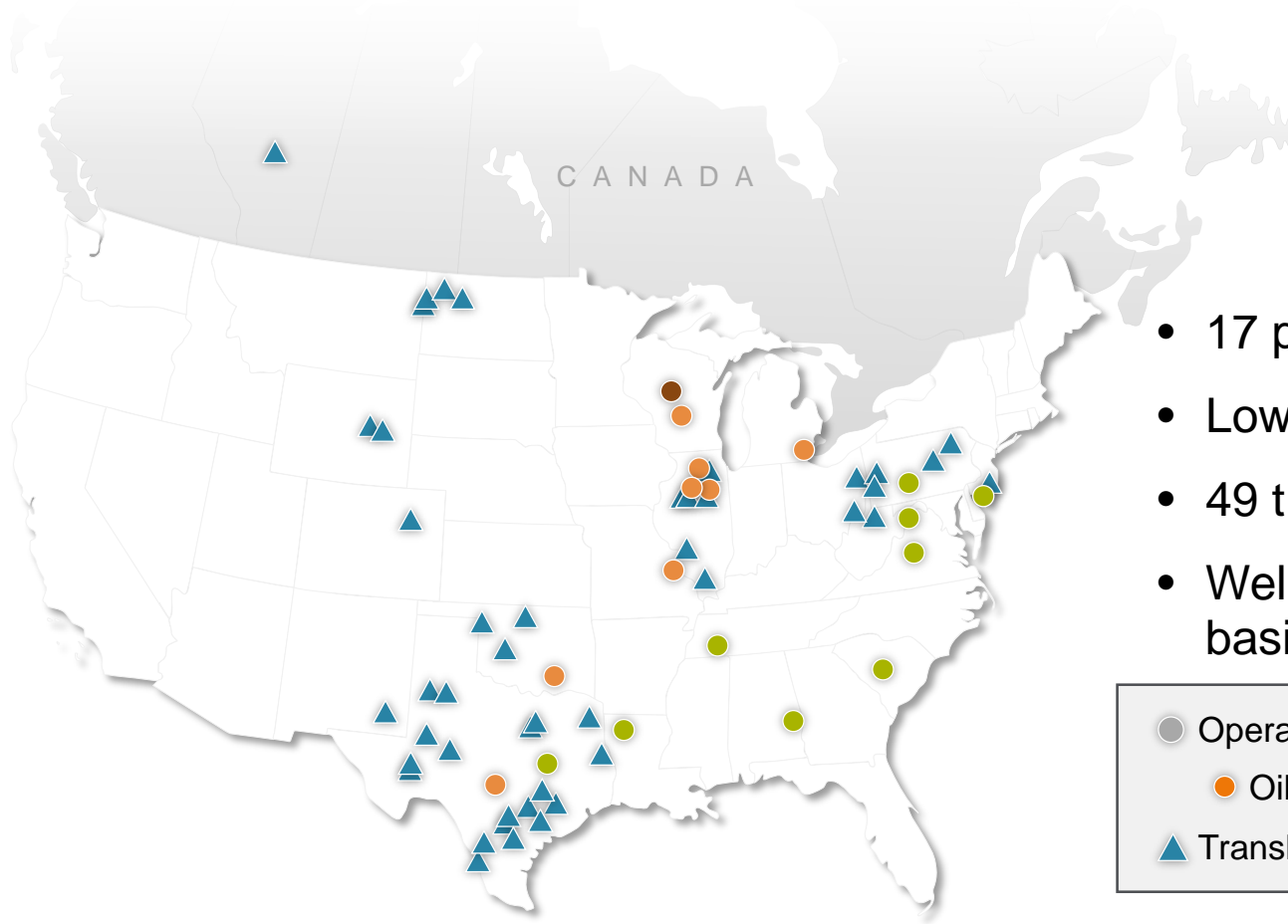
**2020**  
Increase scale  
Substantial EBITDA  
Growth

# A Differentiated Business Model



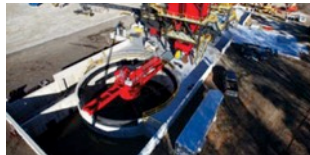


# 1. Unmatched Scale and Resources



- 17 production facilities
- Low cost production
- 49 transload terminals
- Well positioned in best basins

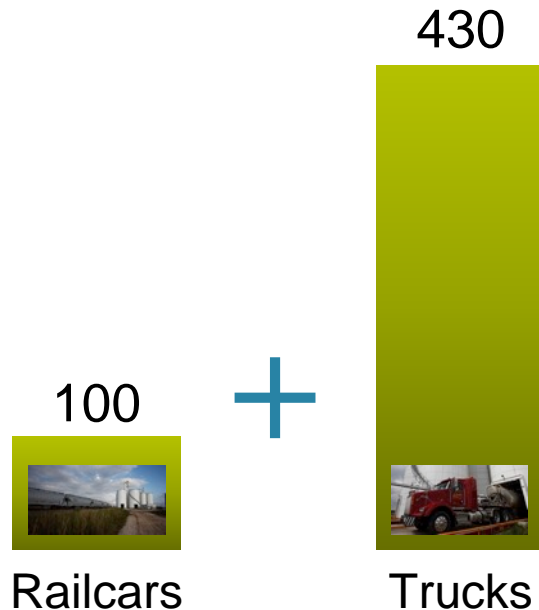
- Operating Facilities
  - Oil & Gas
  - ISP
  - Planned
- ▲ Transload Terminals



## 2. Advantaged, Highly Flexible Distribution

### Moving Large Volumes of Proppant...

Example: Railcars and trucks needed to complete **one** well



### ... Leverages our Highly Flexible Supply Chain

- ✓ Multiple mines, rail routes
- ✓ Optimal O/D pairings
- ✓ Extensive Unit train capabilities
- ✓ Ability to redirect trains mid-trip
- ✓ High velocity transloads

Unmatched speed, responsiveness and reliability



# 3. Attractive Mix of Customers and Markets

## Oil & Gas Proppants



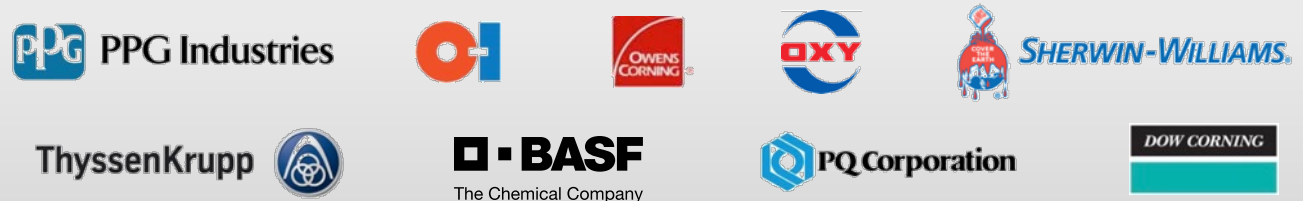
- Oil and Gas Customers:
  - Taking share
  - Focused on selling more to the fairway players



## Industrial & Specialty Products



- Top five customers >50 year relationships
  - Critical raw material for long term customers
- Stable business with growing earnings and cash flows



# 4. Best Balance Sheet vs. Peers

1	Most Available Cash	→	~\$300M
2	Lowest Net Debt	→	\$193M
3	Best Debt/Equity Ratio	→	1.27



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## GOALS:

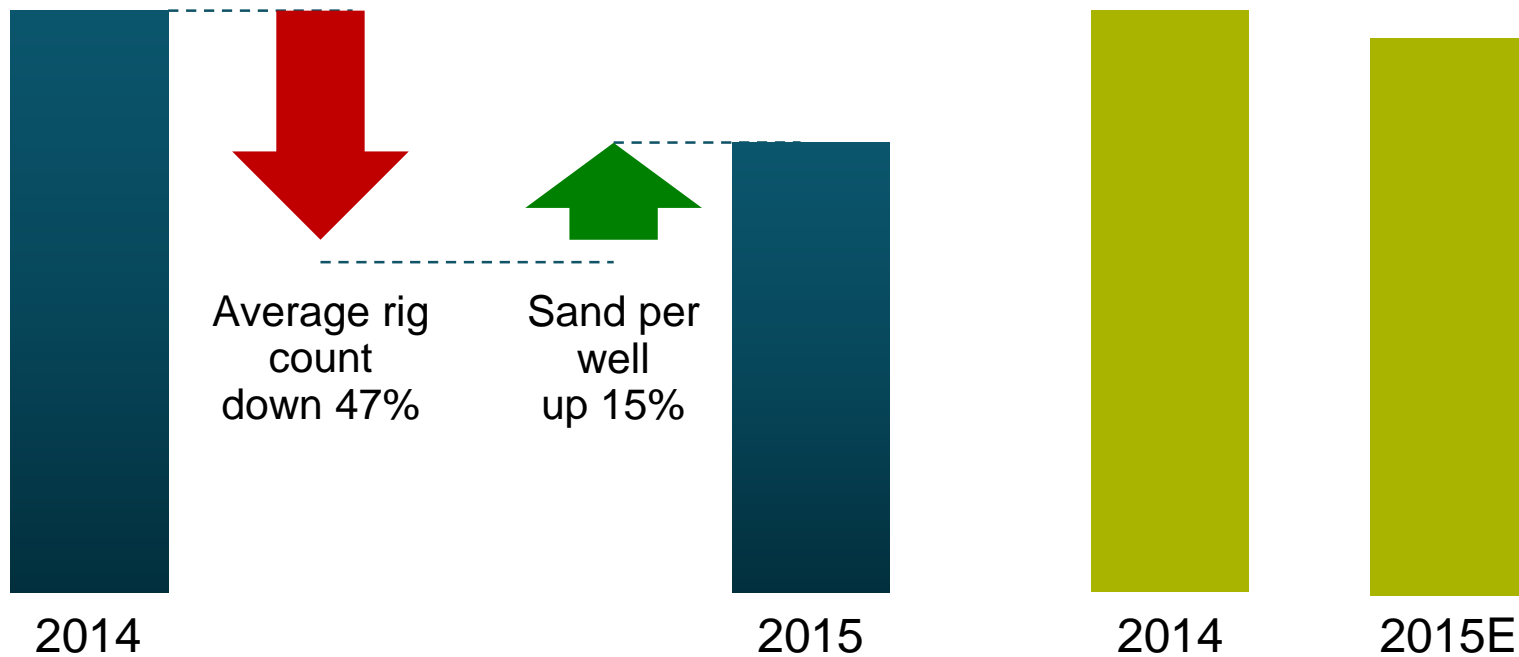
**2015-2016**  
Resilient performance

**2020**  
Increase scale  
Substantial EBITDA  
Growth

# Aggressively Growing Proppant Share

Market Demand at 70% of 2014

2015 SLCA Sales Volume at 90% of 2014



# Leveraging Our Speed, Scale & Strength



- Working with our supply chain partners to take costs out
- Deferring rail car deliveries
- Growth team now focused on cost reduction



- Multiple mines on multiple railroads
- More transloads closer to the wellhead
- Greater optionality for more efficient O/D pairings



- Strong balance sheet
- Talented & capable leadership team
- Customer and supply chain relationships

# Delivering resilient FY15 Results

## Oil & Gas Proppants



Revenue	\$430.4M
Contribution margin <sup>(1)</sup>	\$89.0M
Contribution margin %	21%
Volume	6.1M tons
Operating facilities	8

## Industrial & Specialty (ISP)



Revenue	\$212.6M
Contribution margin <sup>(1)</sup>	\$70.1M
Contribution margin %	33%
Volume	3.9M tons
Operating facilities	9

<sup>(1)</sup> See Appendix for definition of contribution margin

# Industry Leader - Winning in a tough market

- 1 Built to win through a cycle
- 2 Capitalizing on today's market dynamics
- 3 Clear path for long-term success

GOALS:

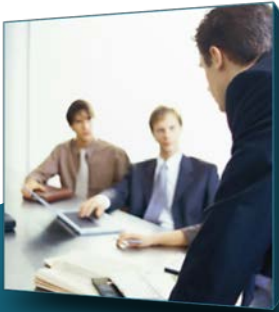
**2015-2016**  
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# Key Initiatives to Drive Success

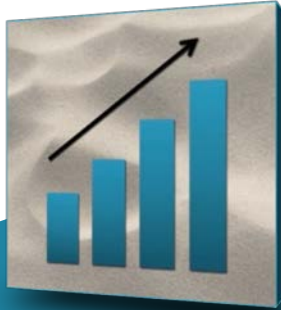
1 Effectively manage downturn



2 Leverage supply chain to gain share



3 Enhance Industrial & Specialty business



4 Drive consolidation: accretive acquisitions



# Effectively Manage the Downturn

## Focus

- Capture share
- Partner with the right customers
- Laser focus on cost
- Increase fixed cost leverage
- Disciplined capital spending
- Help drive industry consolidation
- Utilize our strong balance sheet



# Leverage Supply Chain Network

**“Facilities in the  
right places, with the right products,  
at the best price”**

- Taking market share in Oil & Gas
- Emphasize high-velocity transloads
- Get even closer to the wellhead
- Reduce delivered cost
- Improve the customer experience

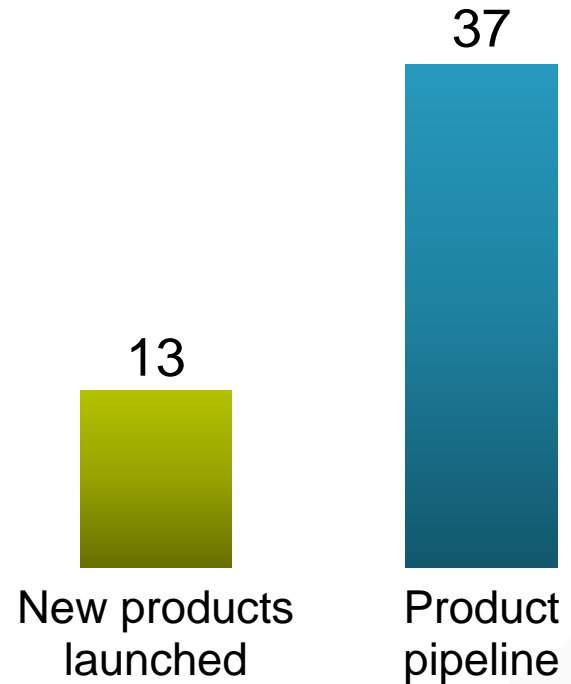


Winning customers by providing superior service

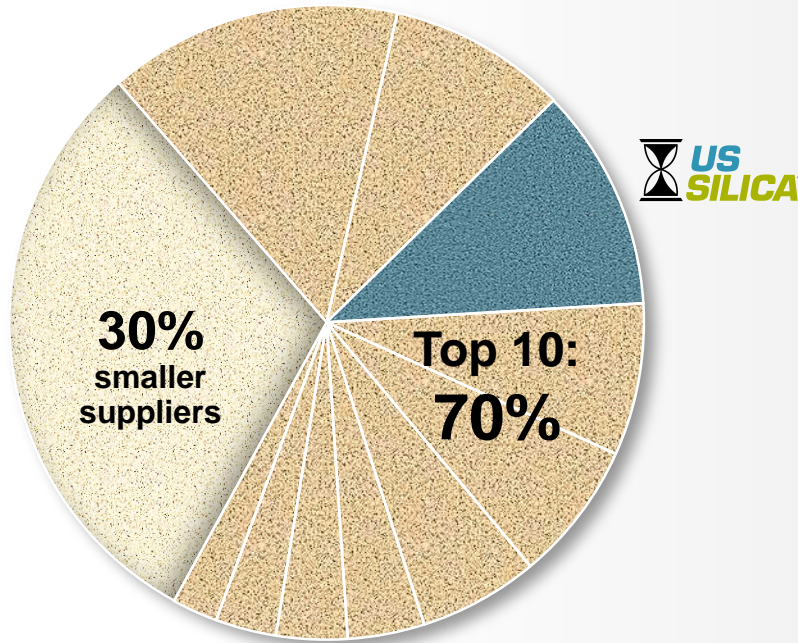
# Enhance Industrial & Specialty Business

- Solid, stable cash flow business
- Introducing higher-margin, value added specialty products to grow EBITDA
- Optimizing product mix
- Delivered record contribution margin in 2015
- Evaluating M&A

## Investing in Innovation



# Drive consolidation in a fragmented industry



- Our customers are consolidating
- Reducing suppliers
- Scale matters
- Strong financial position

Source: PropTester, Inc. and KELRIK.

Our strong balance sheet is a key advantage

# 2016 Outlook

- ✓ Expect 2016 to be similar to 2H15
- ✓ Anticipate volumes returning before pricing
- ✓ Fixed cost leverage challenges will continue
- ✓ ISP markets and profitability expected to stay strong
- ✓ Cost improvement projects will yield additional benefits
- ✓ Numerous opportunities for business development and M&A
- ✓ War chest of ~\$300 million in cash, cash equivalents and short-term investments
- ✓ When the market turns, demand may increase quickly







Questions???



# 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, 2014.

## ***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.