



smartsand®

# May 2020 Investor Presentation

## Forward-Looking Statements

This presentation contains forward-looking statements within the meaning of the federal securities laws. Statements that are predictive in nature, that depend upon or refer to future events or conditions or that include the words “believe,” “expect,” “anticipate,” “intend,” “estimate” and other expressions that are predictions of or indicate future events and trends and that do not relate to historical matters identify forward-looking statements. Our forward-looking statements include statements about our business strategy, our industry, our future profitability, our expected capital expenditures and the impact of such expenditures on our performance, the costs of being a publicly traded corporation and our capital programs.

A forward-looking statement may include a statement of the assumptions or bases underlying the forward-looking statement. We believe that we have chosen these assumptions or bases in good faith and that they are reasonable. Factors that could cause our actual results to differ materially from the results contemplated by such forward-looking statements include, but are not limited to (i) large or multiple customer defaults, including defaults resulting from actual or potential insolvencies, (ii) the level of production of crude oil, natural gas and other hydrocarbons and the resultant market prices of crude oil, natural gas, natural gas liquids and other hydrocarbons, (iii) changes in general economic and geopolitical conditions; (iv) competitive conditions in our industry (including the adoption of regional sand), (v) changes in the long-term supply of and demand for oil and natural gas, (vi) actions taken by our customers, competitors and third-party operators, (vii) changes in the availability and cost of capital, (viii) our ability to successfully implement our business plan, (ix) our ability to complete growth projects on time and on budget, (x) the price and availability of debt and equity financing (including changes in interest rates), (xi) changes in our tax status, (xii) technological changes, (xiii) operating hazards, natural disasters, pandemics, weather-related delays, casualty losses and other matters beyond our control, (xiv) the effects of existing and future laws and governmental regulations (or the interpretation thereof), (xv) failure to secure or maintain contracts with our largest customers or non-performance of any of those customers under the applicable contract, (xvi) our ability to collect our accounts receivable, (xvii) the effects of current and future litigation, and such other factors discussed or referenced in the “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” sections of the Form 10-K and the Form 10-Q filed by the Company with U.S. Securities and Exchange Commission (the “SEC”) on February 26, 2020 and May 6, 2020, respectively.

You should not place undue reliance on our forward-looking statements. Although forward-looking statements reflect our good faith beliefs at the time they are made, forward-looking statements involve known and unknown risks, uncertainties and other factors, including the factors described in the preceding paragraph, which may cause our actual results, performance or achievements to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements. You should also carefully consider the statements under the heading “Note About Forward-Looking Statements” in the Annual Report on Form 10-K for the year ended December 31, 2019. Any forward-looking statement speaks only as of the date on which such statement is made, and we undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events, changed circumstances or otherwise, unless required by law.

In this presentation, assumptions were made with respect to industry performance, general business and economic conditions and other matters. Any estimates contained in these analyses, whether expressed or implied, are based on estimates and are not necessarily indicative of actual values or predictive of future results or values, which may be significantly more or less favorable than as set forth herein. The Company reserves the right to change any or all of the estimates included herein whether as a result of any changes in the above referenced information, market factors or otherwise.

## Industry and Market Data

This presentation has been prepared by the Company and includes market data and other statistical information from third-party sources, including independent industry publications, or other published independent sources. Although the Company believes these third-party sources are reliable as of their respective dates, the Company has not independently verified the accuracy or completeness of this information.

## Reserves

Mineral resources and reserves are typically classified by confidence (reliability) levels based on the level of exploration, consistency and assurance of geologic knowledge of the deposit. This classification system considers different levels of geoscientific knowledge and varying degrees of technical and economic evaluation. Mineral reserves are derived from in situ resources through application of modifying factors, such as mining, analytical, economic, marketing, legal, environmental, social and governmental factors, relative to mining methods, processing techniques, economics and markets. In estimating our reserves, our independent reserve engineer does not classify a resource as a reserve unless that resource can be demonstrated to have reasonable certainty to be recovered economically in accordance with the modifying factors listed above. "Reserves" are defined by SEC Industry Guide 7 as that part of a mineral deposit that could be economically and legally extracted or produced at the time of the reserve determination. Industry Guide 7 defines "proven (measured) reserves" as reserves for which (a) quantity is computed from dimensions revealed in outcrops, trenches, workings or drill holes; grade and/or quality are computed from the results of detailed sampling and (b) the sites for inspection, sampling and measurement are spaced so closely and the geologic character is so well defined that size, shape, depth and mineral content of reserves are well-established. Industry Guide 7 defines "probable (indicated) reserves" as reserves for which quantity and grade and/or quality are computed from information similar to that used for proven (measured) reserves, but the sites for inspection, sampling, and measurement are farther apart or are otherwise less adequately spaced. The degree of assurance, although lower than that for proven (measured) reserves, is high enough to assume continuity between points of observation.

## Non-GAAP Information

This presentation also contains information about the Company's EBITDA, Adjusted EBITDA, and contribution margin, which are not measures derived in accordance with U.S. generally accepted accounting principles ("GAAP") and which exclude components that are important to understanding the Company's financial performance. We define EBITDA as our net income, plus (i) depreciation, depletion, and amortization expense; (ii) income tax expense (benefit); (iii) interest expense and (iv) franchise taxes. We define Adjusted EBITDA as EBITDA, plus (i) gain or loss on sale of fixed assets or discontinued operations, (ii) integration and transition costs associated with specified transactions, (iii) equity compensation, (iv) acquisition and development costs, (v) non-recurring cash charges related to restructuring, retention and other similar actions, (vi) earn-out, contingent consideration obligations and other acquisition and development costs, (vii) non-cash charges and unusual or non-recurring charges. We believe that our presentation of EBITDA and Adjusted EBITDA will provide useful information to investors in assessing our financial condition and results of operations. Net income is the GAAP measure most directly comparable to EBITDA and Adjusted EBITDA. EBITDA and Adjusted EBITDA should not be considered alternatives to net income presented in accordance with GAAP. Because EBITDA and Adjusted EBITDA may be defined differently by other companies in our industry, our definition of EBITDA and Adjusted EBITDA may not be comparable to similarly titled measures of other companies, thereby diminishing its utility.

We also use contribution margin, which we define as total revenues less costs of goods sold excluding depreciation, depletion and accretion of asset retirement obligations, to measure our financial and operating performance. Contribution margin excludes other operating expenses and income, including costs not directly associated with the operations of our business such as accounting, human resources, information technology, legal, sales and other administrative activities. We believe contribution margin is a meaningful measure because it provides an operating and financial measure of our ability to generate margin in excess of our operating cost base.

## **The Right Operating Model**

- Oakdale is one of the largest single operating Northern White raw frac mines in United States
  - 300+ million tons of high quality fine mesh reserves with 5.5 million tons current operating capacity
  - 14+ miles of rail track servicing Oakdale from two Class I rail lines
  - Multi-unit train capable with access to all operating basins
- Low operating cost structure
  - Mining, processing, and shipping all done at one location
  - Large single mine sites on rail dominate other bulk commodity business models
- Sustainable long term supply and logistics advantage
  - Combination of large, high quality reserve base, low cost operations, and ability to ship large quantities of sand efficiently and sustainably to all operating basins
- Mine to Wellsite Solutions Capabilities
  - Through our Van Hook Terminal, our network of third party terminal partners, and our SmartSystems™ wellsite storage solutions, we can offer sustainable, efficient sand supply chain support for our customers

## **The Right Sand**

- ~80% of Oakdale's reserves are fine mesh (40/70 and 100 Mesh)
  - Fine mesh raw frac sand represents over 80% of the current demand for Raw Frac sand currently
- Quality Matters
  - Northern White sand vs regional sand is a higher quality product that we believe can lead to better long term well results for oil and gas producers
    - Higher crush strength
    - Better conductivity
    - Cleaner / less turbidity

## **The Right Capital Structure**

- Prudent capital structure with lowest leverage levels in the proppant industry (0.4x Net Debt / EBITDA)
- High insider ownership that aligns management with investors (~15% owned by CEO, ~50% owned by insiders)

# Vertical Integration – A Key Differentiator



## Smart Sand's Business Offerings

Premium Northern White Reserve



Large Finer Mesh Northern White Reserve

Consistent high-quality proppant

5.5mm tons annual production capability

Gigantic Rail Capacity



Dual-served (CP & UP)

Over 14 miles of track space

Unit train capable

Terminal & Forward Staging Management



Planning ahead reduces risks

Redundancy in the supply chain

Avoid trucking congestion

Last Mile Logistics



Safe and reliable

Helps eliminate demurrage

Smaller fleet and more turns per day

Wellsite Storage Solutions



Wellsite storage

Direct to the blender delivery

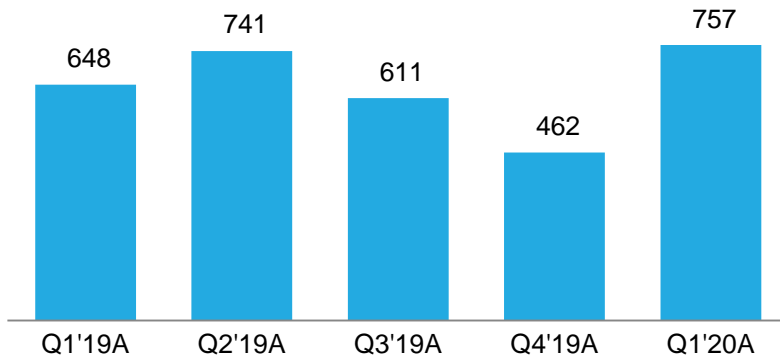
Realtime inventory control

# Summary Financials



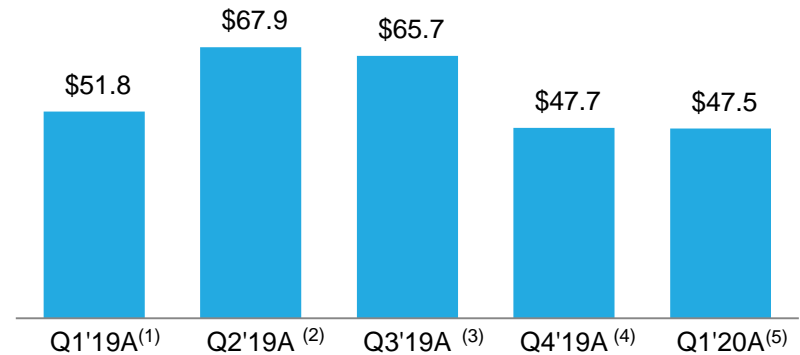
## Quarterly Sales Volumes

(thousands of tons)

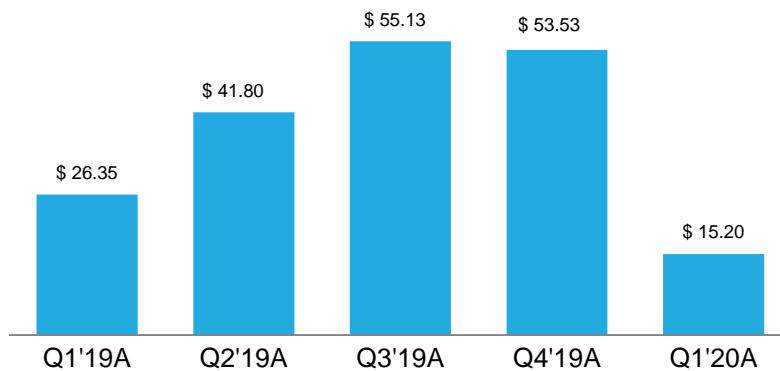


## Quarterly Revenue

(\$ in millions)

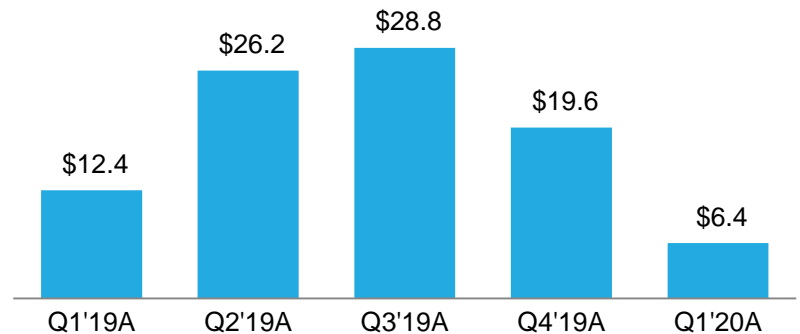


## Contribution Margin/Ton



## Quarterly Adjusted EBITDA

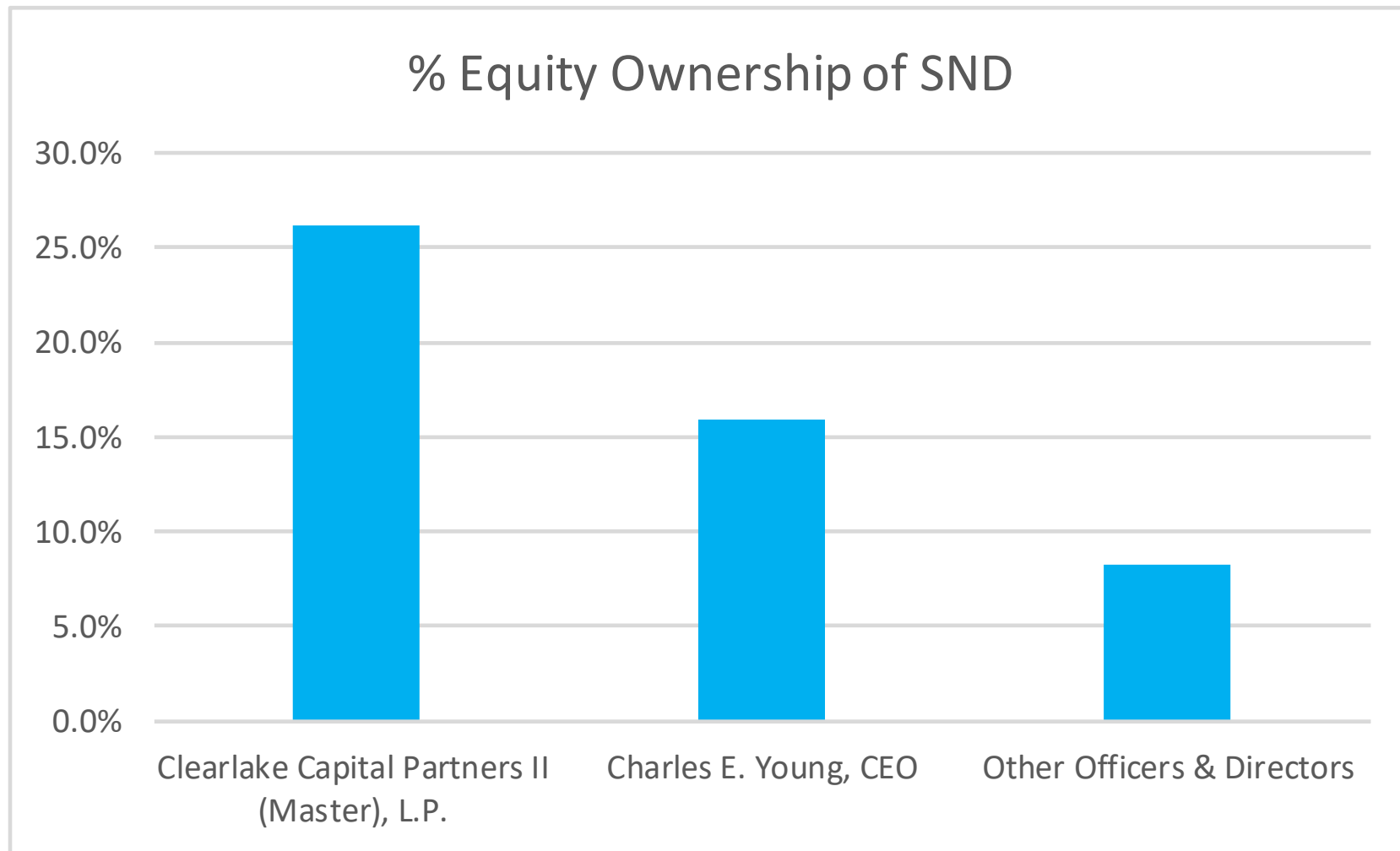
(\$ in millions)



- (1) Includes monthly minimum / shortfall payments of \$5.8 million for 1Q'19
- (2) Includes monthly minimum / shortfall payments of \$16.3 million for 2Q'19
- (3) Includes monthly minimum / shortfall payments of \$15.6 million for 3Q'19
- (4) Includes monthly minimum / shortfall payments of \$11.6 million for 4Q'19
- (5) Includes monthly minimum / shortfall payments of \$1.3 million for 1Q'20

- E&Ps have announced dramatic decreases to capital spending for 2020, which in some cases will be down more than 40% from 2019 levels
- In response to this abrupt slowdown in completion activity from our customers, we have taken the following steps to manage through this period:
  - Reduced Capital Expenditures to a range of \$5 million to \$10 million for 2020, down from \$25 million spent in 2019
  - Reduced Executive Compensation by 35-40%
  - Reduced headcount at Oakdale and Saskatoon, Canada operating facilities
  - Implemented salary reductions and suspension of variable cash compensation programs for all employees
  - Worked with numerous vendors to decrease cash outflows in the coming quarters

# Insiders own ~50% of Smart Sand Equity

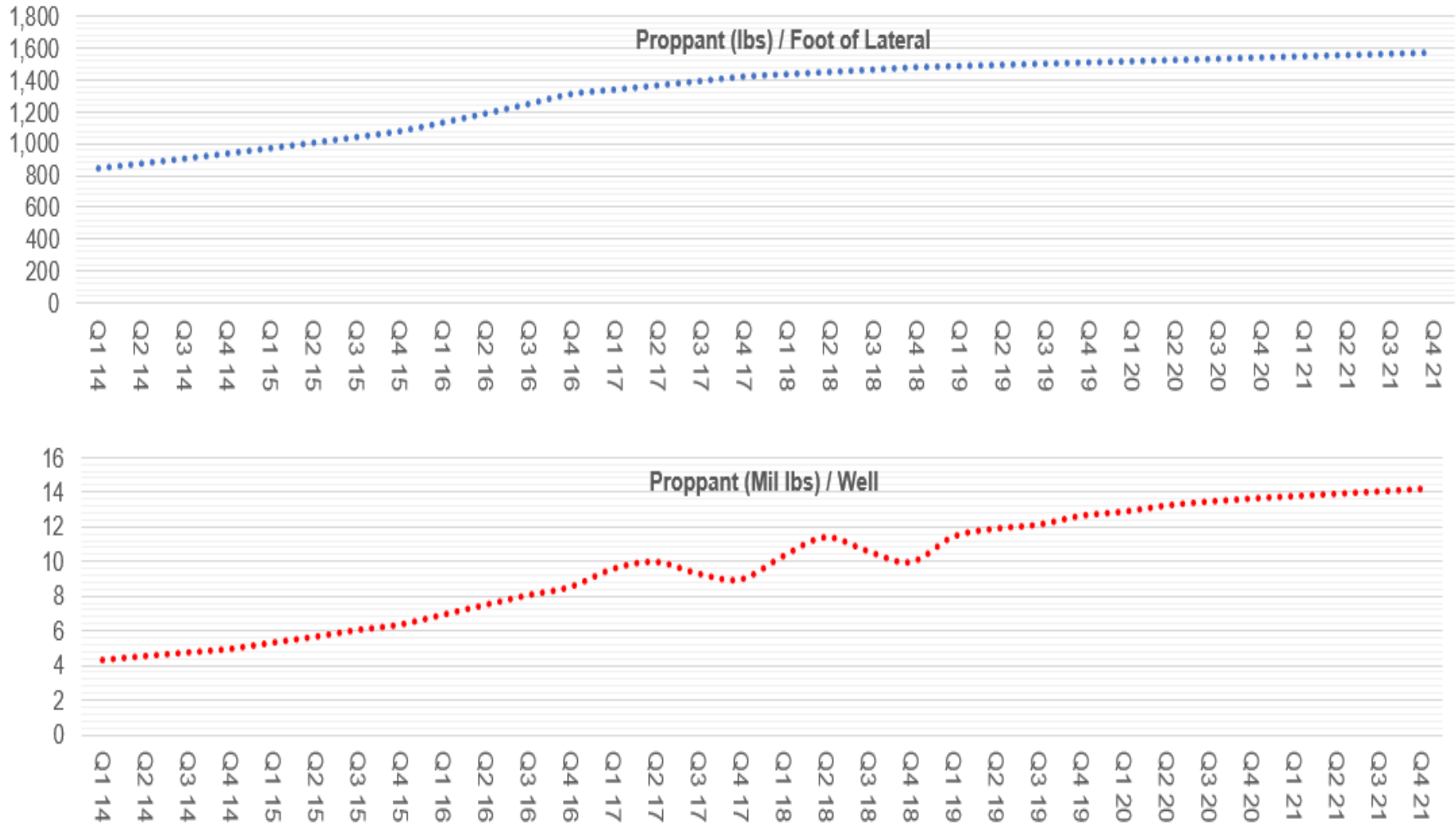


Source: Smart Sand proxy statement



# Industry Overview

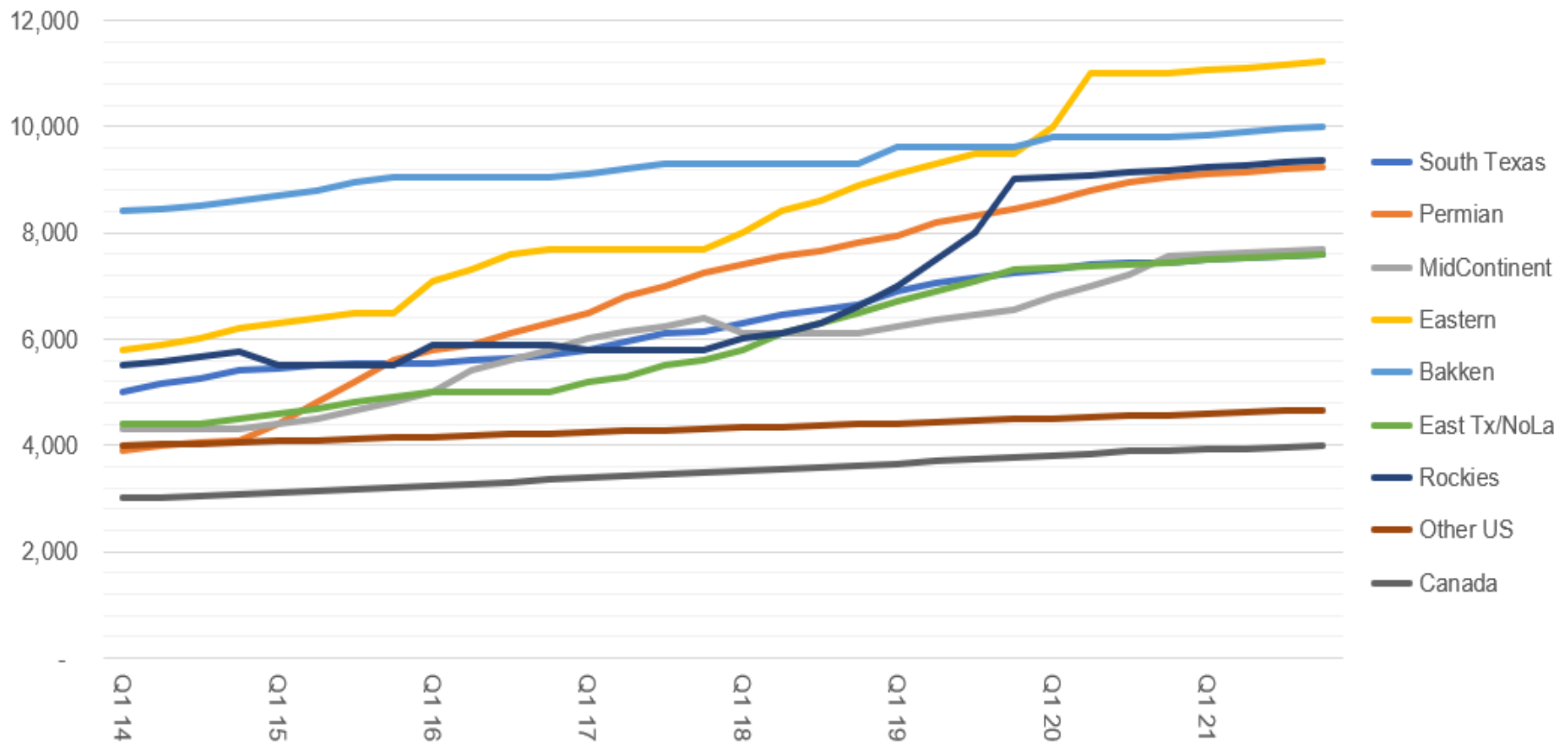
# Industry Trends Continue to Support Increasing Use of Frac Sand per Well



# Industry Trends Continue to Support Increasing Use of Frac Sand per Well



## Lateral lengths continue to get longer



## Mesh Sizes

- Proppant size is characterized by mesh size, which is determined by sieving the proppant through mesh screens
  - Historically, large mesh sizes used for oily / liquids rich formations
  - Historically, smaller mesh sizes were used for natural gas formations
- Generally, E&P companies have two methods to control well performance: increase frac conductivity or reservoir contact area
- Due to smaller grain size, 100 mesh enhances reservoir contact area
  - Used more prominently in oil wells with increasingly positive results
- Focus on reservoir contact area has led to an increasing number of operators achieving better yields (higher production relative to optimized cost), increasing demand for 100 mesh

## Market Outlook for Fine Sand

- According to Kelrik LLC, a notable driver impacting demand for fine mesh sand is increased proppant loadings, specifically, larger volumes of proppant placed per frac stage
- Kelrik expects the trend of using larger volumes of finer mesh materials, such as 40/70 sand and 100 mesh sand, to continue
- Due to innovations in completion techniques, demand for finer grade sands has also shown a considerable resurgence

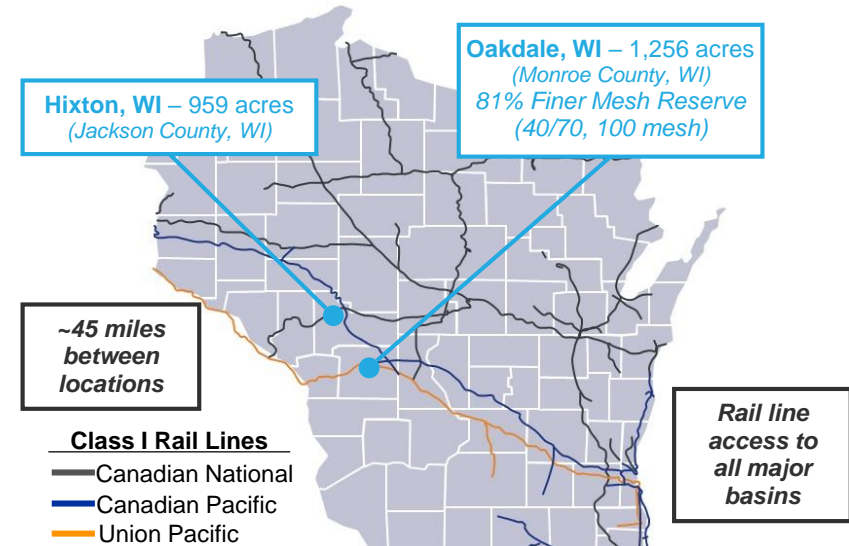


# Company Overview

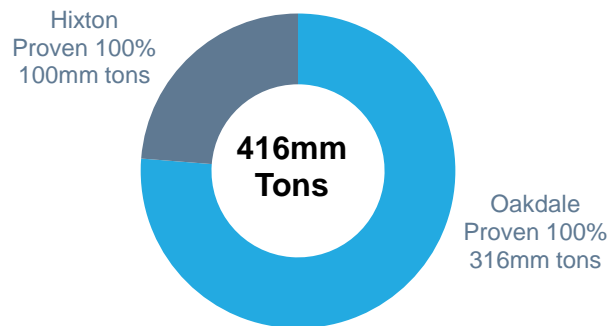
## Overview

- Fully integrated provider of high quality Northern White frac sand
- Large fine mesh (40/70 and 100 Mesh) Northern White reserve base
- Low cost and efficient operations
- Cost-efficient provider of mine to wellsite solutions to simplify our customers' frac sand supply chain needs

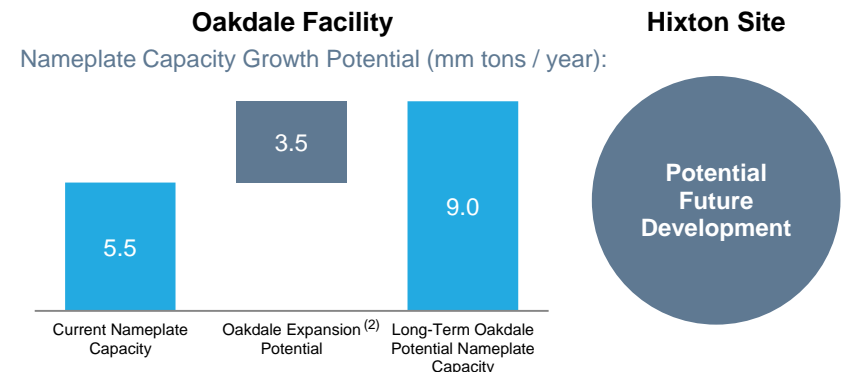
## Reserve Locations



## Sand Reserve Overview <sup>(1)</sup>



## Significant Organic Growth Potential



Source: Smart Sand Management, Company disclosures.

(1) Reserves data as of December 31, 2019.

(2) Further development and permitting at the Oakdale facility could ultimately allow for production of up to 9 million tons of raw frac sand per year.



# Mining and Production

# Cost-Effective, Differentiated Process

On-site Mining / Excavation



Conveyer Belt to On-site Wet Plant



Wet Plant Cleans and Sorts Product



Dry Plant Dries and Sorts Product



Unit Trains Deliver Dry Sand to Basins



- Low Cost Structure Due to Several Key Attributes:
  - Low royalty rates (\$0.50 per ton sold on 20/70 sand)
  - Higher mining yields due to balance of coarse and fine mineral reserve deposits
  - Minimal trucking required; reserves, processing plants, and rail facilities are centralized
- Evaluating Other Initiatives to Reduce Mining and Operating Costs

# Oakdale Facility: High Quality Northern White Raw Frac Sand in an Efficient Configuration





# Logistics and Wellsite Solutions



- **Dual Served Class I Rail Access** – on-site service on Canadian Pacific rail line coupled with nearby terminal on Union Pacific rail line allows access to multiple oil and gas plays, avoids interchange fees on local short-hauls and allows opportunity to reduce freight costs through competition
- **Unit Train Capability** – Reduces customer product delivery time and costs (see below)
- **In Basin Terminal** – Van Hook terminal in North Dakota provides competitive advantage for delivery of frac sand into the Bakken
- **Wellsite Storage Solutions** - Portable wellsite storage solutions provide customers with a proppant management system designed to help control demurrage, drive down costs and improve safety

Direct CP rail access to the Bakken

Van Hook Terminal

Smart Sand's Oakdale Facility

Direct access to Permian via UP and connections with BNSF and KCS

Access to the Marcellus and Utica via connection with CSX and NS

Eagle Ford

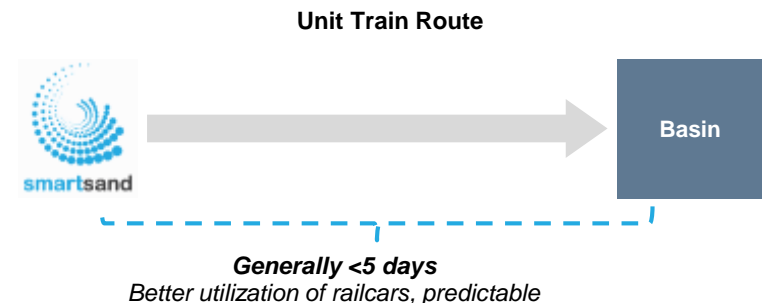
Map labels include: Vancouver, Seattle, Washington, Oregon, Idaho, Montana, Wyoming, North Dakota, South Dakota, Nebraska, Kansas, Oklahoma, Texas, Houston, Monterrey, Gulf of Mexico, Minnesota, Wisconsin, Illinois, St. Louis, Missouri, Kentucky, Tennessee, Virginia, North Carolina, Atlanta, Philadelphia, New York, Boston, Montreal, Maine, Marcellus, Utica, Permian, Mexico, Dallas, Chicago, Detroit, Toronto, Ottawa.

**Manifest Route**

Certain other Competitors → Stop 1 → Stop 2 → Stop 3 → Basin

*Generally 14+ days*  
*Increased landed cost and time*

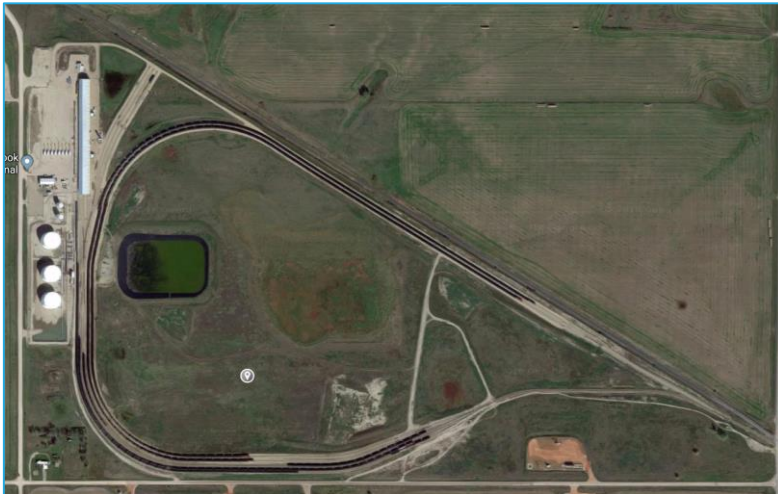
The diagram illustrates the 'Manifest Route' process. It begins with 'Certain other Competitors' leading into a sequence of three orange boxes labeled 'Stop 1', 'Stop 2', and 'Stop 3'. These are connected by a grey arrow that points to a final blue box labeled 'Basin'. Below this sequence, a dashed orange line spans the width of the stops, with the text 'Generally 14+ days' and 'Increased landed cost and time' centered underneath it.



18

- Location: Van Hook, ND
- Commenced operations in April 2018 \$15.5 million paid consideration
- We shipped 56% of our volumes in Q1 2020 through this terminal as customers recognized the value of Van Hook's strategic location and efficient logistics solutions

## Van Hook Terminal



# SmartSystems™ Wellsite Storage Solutions Features



- Transported using specialized trailer for unassisted setup in five minutes.
- Tri-axle trailer design with reinforced steel frame and remote control operation.
- Direct to blender delivery, controls dust, stops and starts proppant flow.
- Passive & Active onboard positive dust collection.
- Five chute positions offering unparalleled site layout options.
- Up to five SmartDepot™ silos delivering ~1,000 tons direct to the blender hopper.
- Service platforms for safe access to service areas.
- Six external pneumatic fill pipes for simultaneous loading.
- The system is self-powered and requires no generator.
- Hydraulic stabilizers to maintain stability.



Focus on  
Safety and  
Environmental  
Stewardship

Providing  
Logistics  
and Last Mile  
Advantages

A Proven &  
Tested Product

# Our SmartSystems™ Storage vs. the Competition



## Competitive Options



### Silos:

- Belts Required, No Direct To Blender Offload
- Dust Can Be a Concern
- Large Footprint
- Not Fully Integrated



### Box Design:

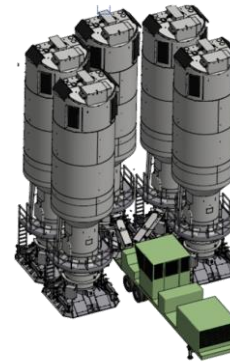
- Limited Tonnage Per Truck Resulting In Poor Optimization
- Moving Equipment Causing Safety Concerns
- Forklifts and Safe Spaces Required
- Extremely Large Footprint



### Hybrid:

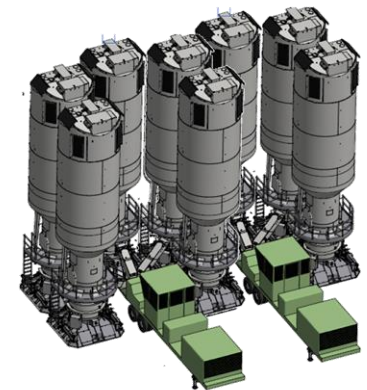
- Completion Conveyor Design With Inefficient Delivery System To The Blender
- Dust Can Be a Concern
- Large Footprint
- Not Fully Integrated

## SmartSystems™ Storage Equipment



### Smart Sand:

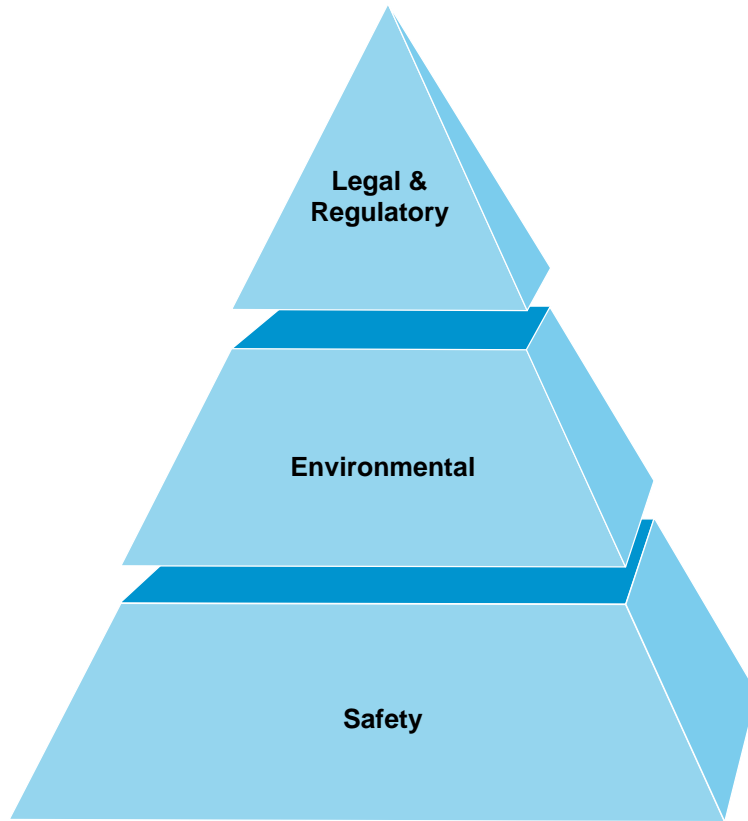
- Multiple Size Options With Custom Configurations
- Engineered and Designed Specifically For Sand Storage on the Well Site
- Smallest Footprint in the Industry
- Fast Mobilization and Demobilization Times
- Direct to Blender Offload
- Dust Control
- Single & Dual Blender Designs
- No Moving Parts





# Appendix

# Committed to Highest Corporate Standards



- Management maintains close dialogue with customers regarding the oil and gas industry's rigorous regulatory environment
- ISO registered Quality System and Environmental Management System in place
- Minimal environmental and community impact: on-site rail, careful mine design, moderated trucking and extensive use of conveyors
- A member of the Wisconsin Industrial Sand Association (WISA), a selective industry group promoting high standards for safety, sustainability and environmental performance
- Participant in Wisconsin's Green Tier program, demonstrating voluntary commitment to high environmental performance through projects that improve the environment and promote good community relations
- Our first priority is a safe work environment. Dedicated safety staff, continual training and daily inspections are part of our MSHA approved safety plan



Smart Sand is committed to providing a safe working environment and upholding the highest levels of environmental stewardship

# EBITDA Reconciliation



(\$ in thousands)	Year ended December 31,				
	2015	2016	2017	2018	2019
Net income (loss)	\$4,990	\$10,379	\$21,526	\$18,688	\$31,623
Depreciation, depletion, accretion and amortization	5,318	6,445	7,300	18,165	27,135
Income tax (benefit) expense	4,129	9,394	(2,809)	5,122	7,809
Interest expense	7,826	8,436	700	2,320	3,626
Franchise taxes	35	21	339	442	285
<b>EBITDA</b>	<b>\$22,298</b>	<b>\$34,675</b>	<b>\$27,056</b>	<b>\$44,737</b>	<b>\$70,478</b>
(Gain) Loss on sale of fixed assets	39	(59)	253	321	(42)
Integration and transition costs	—	—	16	—	—
Initial public offering related costs <sup>(1)</sup>	221	725	—	—	—
Equity compensation <sup>(2)</sup>	792	1,426	1,652	2,670	2,755
Acquisition and development costs <sup>(3)</sup>	76	—	845	(218)	(3,047)
Non-cash impairment of goodwill and other intangible asset <sup>(4)</sup>	—	—	—	17,835	15,542
Cash charges related to restructuring and retention	—	—	279	674	137
Non-cash charges <sup>(5)</sup>	469	21	514	(26)	687
Loss on extinguishment of debt	—	1,051	—	—	561
<b>Adjusted EBITDA</b>	<b>\$23,881</b>	<b>\$37,839</b>	<b>\$30,615</b>	<b>\$65,993</b>	<b>\$87,071</b>

<sup>(1)</sup> For the year ended December 31, 2016, represents IPO-related bonuses. For the year ended December 31, 2015, represents expenses related to previous IPO activities.

<sup>(2)</sup> Represents the non-cash expenses for stock-based awards issued to our employees and employee stock purchase plan compensation expense.

<sup>(3)</sup> Represents costs incurred related to the business combinations and current development project activities. The year ended December 31, 2019 includes \$3,272 decrease in the estimated fair value of our contingent consideration related to the acquisition of Quickthree and \$225 related to development project activities. The year ended December 31, 2018 includes \$1,858 decrease in the estimated fair value of our contingent consideration related to the acquisition of Quickthree, partially offset by \$1,146 of costs related to the acquisition of Quickthree and \$494 related to development project activities.

<sup>(4)</sup> The \$17.8mm charge in 2018 relates primarily to the decline in our stock price in 2018 and the relationship between the resulting market capitalization and the equity recorded on our balance sheet. During the year ended December 31, 2019, we recorded impairment loss of \$15.5 million, of which \$7.6 million relates to our finite-lived developed technology intangible assets and \$7.9 million relates to our Hixton, Wisconsin property. The impairment of the finite-lived intangible assets is from our developed technology allocated to the Quickload acquired in connection with the acquisition of Quickthree in 2018. We are developing and testing a new transload technology and no longer plan to actively market the Quickload and as such, all developed technology intangible assets related to the Quickload were fully impaired during the third quarter of 2019. In the fourth quarter of 2019, we determined that the full amount recorded on the balance sheet which relate to the Hixton, Wisconsin property may not be recoverable as we have no current plans to further develop the site.

<sup>(5)</sup> Represents accretion of asset retirement obligations and loss on derivatives.

# EBITDA Reconciliation

(\$ in thousands)	Quarter ended				
	3/31/2019	6/30/2019	9/30/2019	12/31/2019	3/31/2020
Net income (loss)	\$4,033	\$14,276	\$10,887	\$2,388	(\$84)
Depreciation, depletion, accretion and amortization	6,303	6,590	6,992	7,250	5,487
Income tax expense (benefit)	974	3,973	2,608	294	165
Interest expense	981	997	969	679	480
Franchise taxes	85	93	56	51	56
<b>EBITDA</b>	<b>\$12,376</b>	<b>\$25,929</b>	<b>\$21,512</b>	<b>\$10,662</b>	<b>\$6,104</b>
Gain (loss) on sale of fixed assets	(25)	(1)	(15)	(1)	–
Equity compensation <sup>(1)</sup>	699	685	663	708	926
Acquisition and development costs <sup>(2)</sup>	(947)	(577)	(1,208)	(315)	(822)
Non-cash impairment of goodwill and other intangible asset <sup>(3)</sup>	–	–	7,628	7,914	–
Cash charges related to restructuring and retention	41	41	–	55	82
Accretion of asset retirement obligations	279	166	178	64	75
Loss on extinguishment of debt	–	–	–	561	–
<b>Adjusted EBITDA</b>	<b>\$12,423</b>	<b>\$26,243</b>	<b>\$28,758</b>	<b>\$19,648</b>	<b>\$6,365</b>

(1) Represents the non-cash expenses for stock-based awards issued to our employees and employee stock purchase plan compensation expense.

(2) Represents costs incurred related to the business combinations and current development project activities.

(3) The charge in the quarter ending 9/30/19 related to specific developed technology allocated to the Quickload - The Company is developing and testing a new SmartPath™ transload technology and no longer plans to actively market the Quickload system and as such, all developed technology intangible assets related to the Quickload have been impaired. In the fourth quarter of 2019, we determined that the full amount recorded on the balance sheet which relate to the Hixton, Wisconsin property may not be recoverable as we have no current plans to further develop the site.

# Contribution Margin Reconciliation



(\$ in thousands)	Quarter ended				
	3/31/2019	6/30/2019	9/30/2019	12/31/2019	3/31/2020
Revenue	\$51,775	\$67,941	\$65,690	\$47,667	\$47,488
Cost of goods sold	40,605	43,068	38,555	29,793	41,089
<b>Gross profit</b>	<b>11,170</b>	<b>24,873</b>	<b>27,135</b>	<b>17,874</b>	<b>6,399</b>
Depreciation, depletion, and accretion of asset retirement obligations	5,906	6,101	6,547	6,858	5,109
<b>Contribution margin</b>	<b>\$17,076</b>	<b>\$30,974</b>	<b>\$33,682</b>	<b>\$24,732</b>	<b>\$11,508</b>
<b>Contribution margin per ton</b>	<b>\$26.35</b>	<b>\$41.80</b>	<b>\$55.13</b>	<b>\$53.53</b>	<b>\$15.20</b>

Note: Figures may not tie due to rounding.