

March 3, 2016



Trecora Resources Reports Fourth Quarter and Full Year 2015 Results

Record Fourth Quarter Gross Margin

Fourth Quarter Adjusted EBITDA Increased by 6% Year-over-Year

Full D-Train Capacity Test Completed in January

Conference Call at 4:30 pm ET Today

SUGAR LAND, Texas, March 3, 2016 /PRNewswire/ -- Trecora Resources (NYSE: TREC) a leading provider of high purity specialty hydrocarbons and waxes, today announced financial results for the fourth quarter and year ended December 31, 2015.



Fourth Quarter and Full Year 2015 Financial Highlights

- Petrochemical sales volume of 24.6 million gallons, up 13.7% from 21.6 million gallons in the fourth quarter of 2014. Record full year petrochemical sales volume of 86.9 million gallons, up 5.0% from 82.8 million gallons in 2014
- Gross profit margin of 19.6% compared with 16.6% in the fourth quarter of 2014, and representing a record fourth quarter gross margin for the Company. Record full year gross profit margin of 24.5% compared with 15.8% in 2014
- Operating income of \$5.8 million, up 18.4% from \$4.9 million in the fourth quarter of 2014. Record full year operating income of \$36.0 million, up 41.4% from \$25.5 million in 2014
- Adjusted EBITDA of \$8.6 million, or 14.2% of revenues, compared with \$8.1 million, or 10.9% of revenues, in the fourth quarter of 2014. Record full year adjusted EBITDA of \$47.3 million, or 19.6% of revenues, compared with \$33.0 million, or 11.4% of revenues, in 2014

Fourth Quarter 2015 Results

Total revenue in the fourth quarter was \$60.5 million compared with \$74.1 million in the fourth quarter of 2014. The decline in reported revenue was driven by a 37.4% reduction in the average per gallon cost of petrochemical feedstock in the fourth quarter, which rolls over into the formula sales pricing mechanism for close to 60% of petrochemical product sales. Consequently, the average sales price of petrochemical products decreased by 29.5%. The lower feedstock costs more than offset the formula-driven sales price reductions resulting in higher profit margins.

Gross profit margin increased to 19.6% in the fourth quarter of 2015, compared with 16.6% in the fourth quarter of 2014. Operating income for the fourth quarter was \$5.8 million compared with operating income of \$4.9 million for the fourth quarter of 2014. Total adjusted EBITDA was \$8.6 million, an increase of 6.3% over adjusted EBITDA of \$8.1 million in the year-ago period. The adjusted EBITDA margin increased to 14.2% in the fourth quarter of 2015, compared with 10.9% in the fourth quarter of 2014.

Net income for the fourth quarter was \$1.1 million, or \$0.05 per diluted share, compared with net income of \$2.2 million, or \$0.09 per diluted share, for the fourth quarter of 2014. Net income was negatively impacted by the

reported loss in equity in the Al Masane Al Kobra Mining Company of \$3.0 million, or approximately \$0.08 per diluted share on an after-tax basis.

Trecora President and CEO Simon Upfill-Brown commented, "In 2015 we achieved profit margin improvement and made significant progress on our capacity expansion projects at South Hampton Resources and Trecora Chemical. We also generated record fourth quarter gross margins resulting from the continuation of lower feedstock prices and higher prime product sales. However, in addition to the reported equity loss from AMAK, there were several factors that negatively affected fourth quarter results, including deferred revenue of approximately \$5.5 million, higher sales to our lower margin oil sands customer, declining prices for byproduct sales, effects of a strong dollar versus other currencies and pricing pressure in the petrochemical spot market.

"Despite these challenges, we are seeing some positive trends across the industry and have taken steps to improve our performance and capabilities. The chemical industry's production capacity expansion on the Gulf Coast is well underway, and the increasing needs of polyethylene manufacturers and other markets we serve will drive our production volumes over the next several years. Additionally, a new reformer unit at South Hampton, scheduled to come online in 2017, will produce a higher-value byproduct stream. At Trecora Chemical, quality improvements have opened new markets and attracted new customers as evidenced by a substantial pickup in custom processing work in early 2016, which we expect to continue. We are also positioned to double custom processing volume in 2017 compared to 2015 as the completion of our new hydrogenation and distillation project is expected in the third quarter of this year," Mr. Upfill-Brown added.

South Hampton Resources (SHR)

Petrochemical volume in the fourth quarter increased 13.7% to 24.6 million gallons, compared with 21.6 million gallons in the fourth quarter of 2014. Prime product volume in the fourth quarter of 2015 was 17.4 million gallons, a 6.1% increase year-over-year, driven primarily by strong sales to a Canadian oil sands customer. However, byproduct volume was up 37.1% at lower prices, thereby impacting profitability. SHR's D-Train completed its full capacity test in January and demonstrated the ability to process 6,000 barrels of feedstock a day, which is a 50% greater volume than originally projected. The increase in D-Train capacity will allow for full production at SHR while performing inspection and maintenance on the other processing lines.

International volume represented 31.9% of total petrochemical volume during the quarter, including a 24% year-over-year increase in shipments to a Canadian oil sands customer, which carries slightly lower margins than other petrochemical sales. Finally, fourth quarter deferred revenue was approximately \$5.5 million and will be recognized in the first quarter of 2016; however, associated shipping costs were recorded in the fourth quarter.

Trecora Chemical (TC)

TC's fourth quarter revenue was \$5.4 million, including \$1.6 million of custom processing fees. Revenue at TC was impacted by the strengthening dollar in key markets, particularly Brazil and China. TC's EBITDA in the fourth quarter was \$0.6 million. TC's improvements in wax quality and consistency have resulted in customer wins – we shipped to two new adhesives customers in the quarter and gained approval from both a tape adhesives customer and a paint customer. For custom processing we ran three successful trials for new customers in the quarter and the installation of the distillation and hydrogenation unit remains on track for completion in the third quarter of 2016.

Al Masane Al Kobra Mining Company (AMAK)

Trecora reported a loss in equity in AMAK of approximately \$3.0 million during the fourth quarter of 2015. In November 2015, AMAK announced a temporary shutdown of the facility for extensive renovations to improve production efficiencies and precious metal recovery. Renovation work began in December 2015, and zinc and copper production is expected to resume in the fourth quarter of 2016. Certain operating expenses remained following the contract termination with the existing mine operator in late November, resulting in fourth quarter operating expenses that were only slightly lower than third quarter 2015 levels. More significant expense reductions are expected in the first quarter of 2016. Average spot prices for zinc and copper in the fourth quarter were down approximately 13% and 7%, respectively, compared with the third quarter.

2015 Full Year Results

For the year, Trecora generated total revenue of \$242.0 million, compared with revenue of \$289.6 million in the prior year. Revenue for Trecora Chemical in 2015 was \$23.7 million, which included \$8.2 million of processing fees.

Gross profit for 2015 was \$59.4 million, a 29.8% increase compared with \$45.7 million in 2014. Gross profit margin for the year was 24.5%, compared with 15.8% in 2014.

Adjusted EBITDA for the full year 2015 was \$47.3 million, up 43.3% compared with \$33.0 million in 2014. Adjusted EBITDA margin in the year was 19.6%, compared with 11.4% in 2014.

Net income for the full year 2015 was \$18.6 million, or \$0.74 per diluted share, an increase of 19.4% compared with \$15.6 million, or \$0.63 per diluted share, in 2014. Net income was negatively impacted by the reported loss in equity in the Al Masane Al Kobra Mining Company of \$5.3 million, or an estimated \$0.14 per diluted share on an after tax basis.

Balance Sheet

As of December 31, 2015, cash and cash equivalents were \$18.6 million compared with \$8.5 million at the close of 2014. Total debt was \$82.3 million. Capital expenditures during the fourth quarter were \$7.7 million, which included D-train expansion construction and expansion of custom processing capacity at Trecora Chemical.

Earnings Call

Today's conference call and presentation slides will be simulcast live on the Internet, and can be accessed on the investor relations section of the Company's website at <http://www.trecora.com> or at <http://public.viavid.com/index.php?id=118427>. A replay of the call will also be available through the same link.

To participate via telephone, callers should dial in five to ten minutes prior to the 4:30 pm Eastern start time; domestic callers (U.S. and Canada) should call 1-888-556-4997 or 1-719-457-1512 if calling internationally, using the conference ID 4453621. To listen to the playback, please call 1-877-870-5176 if calling within the United States or 1-858-384-5517 if calling internationally. Use pin number 4453621 for the replay.

Use of Non-GAAP Measures

The Company reports its financial results in accordance with U.S. generally accepted accounting principles ("GAAP"). This press release contains the non-GAAP measures: Adjusted EBITDA and Adjusted EBITDA Margin. Our non-GAAP measures are not meant to be considered in isolation or as a substitute for comparable GAAP measures and should be read only in conjunction with our consolidated financial statements prepared in accordance with GAAP.

Forward-Looking Statements

Statements in this press release that are not historical facts are forward looking statements as defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based upon our belief, as well as, assumptions made by and information currently available to us. Because such statements are based upon expectations as to future economic performance and are not statements of fact, actual results may differ from those projected. These risks, as well as others, are discussed in greater detail in Trecora Resources' filings with the Securities and Exchange Commission, including Trecora Resources' Annual Report on Form 10-K for the year ended December 31, 2014, and the Company's subsequent Quarterly Reports on Form 10-Q. All forward-looking statements included in this press release are based upon information available to the Company as of the date of this press release.

About Trecora Resources (TREC)

TREC owns and operates a facility located in southeast Texas, just north of Beaumont, which specializes in high purity hydrocarbons and other petrochemical manufacturing. TREC also owns and operates a leading manufacturer of specialty polyethylene waxes and provider of custom processing services located in the heart of the Petrochemical complex in Pasadena, Texas. In addition, the Company is the original developer and a 35% owner of Al Masane Al Kobra Mining Co., a Saudi Arabian joint stock company.

Investor Relations Contact:

Don Markley
The Piacente Group
212-481-2050
trecora@tpg-ir.com

TRECORA RESOURCES AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS

| | DECEMBER 31, <u>2015</u> | DECEMBER 31, <u>2014</u> |
|-----------------------------------|-------------------------------|-----------------------------|
| | <i>(thousands of dollars)</i> | |
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 18,623 | \$ 8,506 |
| Trade receivables, net | 19,474 | 28,271 |
| Inventories | 15,804 | 12,815 |
| Prepaid expenses and other assets | 2,664 | 3,257 |

| | | |
|---|-------------------|-------------------|
| Taxes receivable | 7,672 | 434 |
| Deferred income taxes | <u>2,116</u> | <u>1,652</u> |
| Total current assets | 66,353 | 54,935 |
| Plant, pipeline and equipment, net | 96,907 | 73,811 |
| Goodwill | 21,798 | 21,750 |
| Other intangible assets, net | 24,549 | 26,235 |
| Investment in AMAK | 47,697 | 53,023 |
| Mineral properties in the United States | 588 | 588 |
| Other assets | <u>919</u> | <u>1,732</u> |
| TOTAL ASSETS | <u>\$ 258,811</u> | <u>\$ 232,074</u> |
| LIABILITIES | | |
| Current Liabilities | | |
| Accounts payable | \$ 8,090 | \$ 9,535 |
| Current portion of derivative instruments | 118 | 362 |
| Accrued liabilities | 4,062 | 5,020 |
| Accrued liabilities in Saudi Arabia | - | 495 |
| Current portion of post-retirement benefit | 294 | 286 |
| Current portion of long-term debt | 8,333 | 7,000 |
| Current portion of other liabilities | <u>2,050</u> | <u>2,183</u> |
| Total current liabilities | 22,947 | 24,881 |
| Long-term debt, net of current portion | 73,917 | 73,450 |
| Post-retirement benefit, net of current portion | 649 | 649 |
| Derivative instruments, net of current portion | 59 | 196 |
| Other liabilities, net of current portion | 2,351 | 1,039 |
| Deferred income taxes | <u>16,503</u> | <u>10,471</u> |
| Total liabilities | <u>116,426</u> | <u>110,686</u> |
| EQUITY | | |
| Common stock -authorized 40 million shares of \$.10 par value; issued and outstanding 24.2 million and 24.0 million shares in 2015 and 2014, respectively | 2,416 | 2,397 |
| Additional paid-in capital | 50,662 | 48,282 |
| Retained earnings | <u>89,018</u> | <u>70,420</u> |
| Total Trecora Resources Stockholders' Equity | 142,096 | 121,099 |
| Noncontrolling Interest | <u>289</u> | <u>289</u> |
| Total equity | <u>142,385</u> | <u>121,388</u> |
| TOTAL LIABILITIES AND EQUITY | <u>\$ 258,811</u> | <u>\$ 232,074</u> |

**TRECORA RESOURCES AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME**

| | UNAUDITED THREE MONTHS ENDED | | YEAR ENDED | |
|--|---|----------------------------|----------------------------|----------------------------|
| | <u>DECEMBER 31,</u> | <u>DECEMBER 31,</u> | <u>DECEMBER 31,</u> | <u>DECEMBER 31,</u> |
| | <u>2015</u> | <u>2014</u> | <u>2015</u> | <u>2014</u> |
| | <i>(thousands of dollars)</i> | | | |
| REVENUES | | | | |
| Petrochemical and Product Sales | \$ 57,541 | \$ 70,350 | \$ 227,937 | \$ 280,866 |
| Processing Fees | <u>3,004</u> | <u>3,723</u> | <u>14,039</u> | <u>8,777</u> |
| | 60,545 | 74,073 | 241,976 | 289,643 |
| OPERATING COSTS AND EXPENSES | | | | |
| Cost of Sales and Processing | | | | |
| (including depreciation and amortization of \$2,252, \$2,502, \$8,335, and \$5,116 respectively) | <u>48,698</u> | <u>61,788</u> | <u>182,607</u> | <u>243,900</u> |

| | | | | |
|--|-----------------|-----------------|------------------|------------------|
| GROSS PROFIT | 11,847 | 12,285 | 59,369 | 45,743 |
| GENERAL AND ADMINISTRATIVE EXPENSES | | | | |
| General and Administrative | 5,947 | 7,272 | 22,603 | 19,701 |
| Depreciation | <u>146</u> | <u>154</u> | <u>725</u> | <u>560</u> |
| | <u>6,093</u> | <u>7,426</u> | <u>23,328</u> | <u>20,261</u> |
| OPERATING INCOME | 5,754 | 4,859 | 36,041 | 25,482 |
| OTHER EXPENSE | | | | |
| Interest Expense | (499) | (1,061) | (2,217) | (1,042) |
| Losses on Cash Flow Hedge Reclassified from OCI | - | (188) | - | (378) |
| Equity in Losses of AMAK | (2,961) | (385) | (5,325) | (1,072) |
| Miscellaneous Expense | <u>(143)</u> | <u>(63)</u> | <u>(137)</u> | <u>(272)</u> |
| | <u>(3,603)</u> | <u>(1,697)</u> | <u>(7,679)</u> | <u>(2,764)</u> |
| INCOME BEFORE INCOME TAXES | 2,151 | 3,162 | 28,362 | 22,718 |
| INCOME TAXES | <u>1,029</u> | <u>964</u> | <u>9,764</u> | <u>7,147</u> |
| NET INCOME | 1,122 | 2,198 | 18,598 | 15,571 |
| NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTEREST | = | = | = | = |
| NET INCOME ATTRIBUTABLE TO TRECORA RESOURCES | <u>\$ 1,122</u> | <u>\$ 2,198</u> | <u>\$ 18,598</u> | <u>\$ 15,571</u> |
| Basic Earnings per Common Share | | | | |
| Net Income Attributable to Trecora Resources (dollars) | \$ 0.05 | \$ 0.09 | \$ 0.76 | \$ 0.64 |
| Basic Weighted Average Number of Common Shares Outstanding | <u>24,448</u> | <u>24,261</u> | <u>24,370</u> | <u>24,188</u> |
| Diluted Earnings per Common Share | | | | |
| Net Income Attributable to Trecora Resources (dollars) | \$ 0.05 | \$ 0.09 | \$ 0.74 | \$ 0.63 |
| Diluted Weighted Average Number of Common Shares Outstanding | <u>25,203</u> | <u>24,972</u> | <u>25,181</u> | <u>24,896</u> |

TRECORA RESOURCES AND SUBSIDIARIES
RECONCILIATION OF SELECTED GAAP MEASURES TO NON-GAAP MEASURES⁽¹⁾

| | THREE MONTHS ENDED | | YEAR ENDED | |
|---|-------------------------------|-----------------|------------------|------------------|
| | 31-Dec | 31-Dec | 31-Dec | 31-Dec |
| | 2015 | 2014 | 2015 | 2014 |
| | <i>(thousands of dollars)</i> | | | |
| NET INCOME | \$ 1,122 | \$ 2,198 | \$ 18,598 | \$ 15,571 |
| Add back: | | | | |
| Interest | 507 | 1,061 | 2,232 | 1,042 |
| Derivative (gains) losses on interest rate swap | (8) | 188 | (15) | 378 |
| Taxes | 1,029 | 964 | 9,764 | 7,147 |
| Depreciation and amortization | 146 | 154 | 725 | 560 |
| Depreciation and amortization in cost of sales | 2,252 | 2,502 | 8,335 | 5,116 |
| EBITDA | <u>\$ 5,048</u> | <u>\$ 7,067</u> | <u>\$ 39,639</u> | <u>\$ 29,814</u> |
| Share based compensation | 559 | 611 | 2,353 | 2,141 |
| Equity in losses of AMAK | 2,961 | 385 | 5,325 | 1,072 |
| Adjusted EBITDA | <u>\$ 8,568</u> | <u>\$ 8,063</u> | <u>\$ 47,317</u> | <u>\$ 33,027</u> |
| Revenue | \$ 60,545 | \$ 74,073 | \$ 241,976 | \$ 289,643 |
| Adjusted EBITDA Margin (adjusted EBITDA/revenue) | 14.2% | 10.9% | 19.6% | 11.4% |
| Equity in losses of AMAK | \$ 2,961 | \$ 385 | \$ 5,325 | \$ 1,072 |
| Taxes at effective tax rate of 35% | 1,036 | 135 | 1,864 | 375 |
| Tax effected equity in losses of AMAK | <u>\$ 1,925</u> | <u>\$ 250</u> | <u>\$ 3,461</u> | <u>\$ 697</u> |
| Diluted weighted average number of shares | <u>25,203</u> | <u>24,972</u> | <u>25,181</u> | <u>24,896</u> |
| Estimated effect of AMAK losses on EPS | (\$0.08) | (\$0.01) | (\$0.14) | (\$0.03) |

(1)This press release includes non-GAAP measures. Our non-GAAP measures are not meant to be considered in isolation or as a substitute for comparable GAAP measures and should be read only in conjunction with our consolidated financial statements prepared in accordance with GAAP.

Logo - <https://photos.prnewswire.com/prnh/20150106/167307LOGO>

To view the original version on PR Newswire, visit <http://www.prnewswire.com/news-releases/trecora-resources-reports-fourth-quarter-and-full-year-2015-results-300230687.html>

SOURCE Trecora Resources