

May 5, 2016



# Trecora Resources Reports First Quarter 2016 Results

**Petrochemical Sales Volumes Increased 12.4% Year-over-Year**

**Trecora Chemical Achieves Record Quarterly Sales**

**Conference Call at 4:30 pm ET Today**

SUGAR LAND, Texas, May 5, 2016 /PRNewswire/ -- Trecora Resources (NYSE: TREC) a leading provider of high purity specialty hydrocarbons and waxes, today announced financial results for the first quarter ended March 31, 2016.



## First Quarter 2016 Financial Highlights

- Petrochemical sales volume of 20.4 million gallons, up 12.4% from 18.1 million gallons in the first quarter of 2015
- Record Trecora Chemical (TC) quarterly sales of \$8.1 million, an increase of 26.4% from \$6.4 million in the first quarter of 2015
- Gross profit margin of 22.5%, up from 19.6% on a sequential basis, but lower than 27.4% in the first quarter of 2015
- Net income for the first quarter was \$7.2 million, or \$0.29 per diluted share, compared with net income of \$5.8 million, or \$0.23 per diluted share, for the first quarter of 2015. Net income benefited from equity in earnings of Al Masane Al Kobra Mining Company (AMAK) of \$5.4 million, or an estimated \$0.14 per diluted share on an after-tax basis

## First Quarter 2016 Results

Total revenue in the first quarter was \$52.2 million compared with \$55.1 million in the first quarter of 2015. The decline in reported revenue was driven by a 16.6% year-over-year reduction in the average per gallon cost of petrochemical feedstock, which is the basis for the formula pricing for nearly 60% of our petrochemical product sales. Consequently, the average sales price of petrochemical products decreased by 19.6% compared with the first quarter of 2015.

Gross profit was \$11.8 million, or 22.5% of total revenues in the first quarter of 2016, compared with \$15.1 million, or 27.4% of total revenues in the first quarter of 2015.

Operating income for the first quarter was \$6.1 million compared with operating income of \$9.7 million for the first quarter of 2015.

Total Adjusted EBITDA was \$9.2 million compared with Adjusted EBITDA of \$12.7 million in the year-ago period and \$8.6 million in the fourth quarter of 2015. Adjusted EBITDA margin was 17.6% in the first quarter of 2016 compared with 23.0% in the first quarter of 2015 and 14.2% in the fourth quarter of 2015.

Net income for the first quarter was \$7.2 million, or \$0.29 per diluted share, compared with net income of \$5.8 million, or \$0.23 per diluted share, for the first quarter of 2015. Net income benefited from equity in earnings for AMAK of \$5.4 million, or an estimated \$0.14 per diluted share on an after-tax basis. Equity in earnings for AMAK in the first quarter of 2015 was essentially breakeven.

Trecora President and CEO Simon Uphill-Brown commented, "Our first quarter results reflect higher year-over-year petrochemical sales volumes and record revenue at Trecora Chemical driven by improvement in both specialty wax sales and custom processing. At South Hampton Resources, the increased capacity from our new D-train unit allowed us to maintain full production while performing maintenance on other processing lines. We are also positioned to grow volumes further in 2017 as new chemical industry production projects come on line, and a second Canadian oil sands customer begins production.

"Trecora Chemical is off to a great start in 2016 with record wax volumes sold in the first quarter. TC successfully launched an improved higher value product into three major applications and developed a low cost product that is competitive in the Asian market. The recent acquisition of BASF's 6.5-acre plant adjacent to TC will create new opportunities for growth and enable significant operating efficiencies," Mr. Uphill-Brown added.

### **South Hampton Resources (SHR)**

Petrochemical volume in the first quarter increased 12.4% to 20.4 million gallons, compared with 18.1 million gallons in the first quarter of 2015. Prime product volume in the first quarter of 2016 was 14.6 million gallons, a 4.0% increase year-over-year, driven primarily by an increase in sales to a Canadian oil sands customer. However, byproduct volume, which is sold at lower margins, was up 41.9% to 5.7 million gallons due to fewer pentanes in the feed. The permit application for the new advanced reformer unit, which is designed to significantly enhance the value of the byproduct stream, has been filed. Engineering is on schedule, critical path equipment has been ordered and construction is expected to be completed by the second quarter of 2017.

International volume represented 20.7% of total petrochemical volume during the quarter, including a 21.8% year-over-year increase in shipments to oil sands customers, which carries slightly lower margins than other petrochemical sales.

### **Trecora Chemical (TC)**

In the first quarter, TC generated record quarterly revenues of \$8.1 million, including \$4.6 million of wax product sales, up 35.7%, and \$3.6 million of custom processing fees, up 16.2%, both compared with the first quarter of 2015. First quarter revenues included \$1.7 million in custom processing fees generated during the twelve months ended March 31,

2016. Due to contract wording dealing with performance timing, annual recognition is required although the payments flow ratably. This is the last year remaining on that particular contract. TC's EBITDA in the first quarter was \$2.1 million.

Earlier this week, TC acquired a 6.5-acre plant from BASF that is adjacent to its facility in Pasadena. The acquisition includes production equipment that expands TC's current high melt point separation competency and broadens TC's capabilities and potential markets. The site also includes substantial storage capacity, several rail and truck loading sites and utility tie-ins to TC.

### **Al Masane Al Kobra Mining Company (AMAK)**

Trecora reported equity in earnings of AMAK of approximately \$5.4 million during the first quarter of 2016. As previously announced, AMAK reached a positive settlement with the former operator of its mine in Saudi Arabia. The settlement includes a first quarter 2016 reduction in previously accrued operating expenses of approximately \$16.2 million that more than offset AMAK's first quarter operating losses. Renovation work continued during the quarter, and zinc and copper production is expected to resume in the fourth quarter of 2016.

### **Balance Sheet**

As of March 31, 2016, cash and cash equivalents were \$14.2 million compared with \$18.6 million at the close of 2015. Total debt was \$79.2 million. Capital expenditures during the first quarter were \$7.6 million including equipment purchased for the hydrogenation project, the new advanced reformer unit, a new cooling tower, and a new custom processing unit along with various improvements throughout both facilities.

### **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=119026>. 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 1-888-417-8465 or 1-719-325-2354 if calling internationally, using the conference ID 6524888. 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 6524888 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, 2015, 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](mailto:trecora@tpg-ir.com)

**TRECORA RESOURCES AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

	<b>MARCH 31, 2016 (unaudited)</b>	<b>DECEMBER 31, 2015</b>
	<i>(thousands of dollars)</i>	
<b><u>ASSETS</u></b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 14,152	\$ 18,623
Trade receivables, net	18,779	19,474
Inventories	17,325	15,804
Prepaid expenses and other assets	2,229	2,392
Taxes receivable	5,495	7,672
Deferred income taxes	<u>2,671</u>	<u>2,116</u>
Total current assets	60,651	66,081
 <b>Plant, pipeline and equipment , net</b>	 102,387	 96,907
 <b>Goodwill</b>	 21,798	 21,798
<b>Other intangible assets, net</b>	24,079	24,549
<b>Investment in AMAK</b>	53,075	47,697
<b>Mineral properties in the United States</b>	588	588
<b>Other assets</b>	<u>151</u>	<u>171</u>
 <b>TOTAL ASSETS</b>	 <u>\$ 262,729</u>	 <u>\$ 257,791</u>
<b><u>LIABILITIES</u></b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 7,053	\$ 8,090
Current portion of derivative instruments	107	118
Accrued liabilities	3,678	4,062
Current portion of post-retirement benefit	296	294
Current portion of long-term debt	8,061	8,061
Current portion of other liabilities	<u>760</u>	<u>2,050</u>
Total current liabilities	19,955	22,675
 <b>Long-term debt , net of current portion</b>	 71,153	 73,169
<b>Post-retirement benefit, net of current portion</b>	649	649
<b>Derivative instruments, net of current portion</b>	40	59
<b>Other liabilities, net of current portion</b>	2,201	2,351
<b>Deferred income taxes</b>	<u>18,464</u>	<u>16,503</u>
<b>Total liabilities</b>	<u>112,462</u>	<u>115,406</u>
<b><u>EQUITY</u></b>		
<b>Common stock</b> -authorized 40 million shares of \$.10 par value; issued and outstanding 24.2 million shares in 2016 and 2015	2,420	2,416
<b>Additional paid-in capital</b>	51,316	50,662
<b>Retained earnings</b>	<u>96,242</u>	<u>89,018</u>
 Total Trecora Resources Stockholders' Equity	 149,978	 142,096
 Noncontrolling Interest	 <u>289</u>	 <u>289</u>
 <b>Total equity</b>	 <u>150,267</u>	 <u>142,385</u>
 <b>TOTAL LIABILITIES AND EQUITY</b>	 <u>\$ 262,729</u>	 <u>\$ 257,791</u>

**TRECORA RESOURCES AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)**

	<b>THREE MONTHS ENDED</b>	
	<b><u>MARCH 31,</u></b>	
	<b><u>2016</u></b>	<b><u>2015</u></b>
	<i>(thousands of dollars)</i>	
<b>REVENUES</b>		
Petrochemical and Product Sales	\$47,181	\$ 50,541
Processing Fees	<u>5,019</u>	<u>4,602</u>
	52,200	55,143
<b>OPERATING COSTS AND EXPENSES</b>		
Cost of Sales and Processing (including depreciation and amortization of \$2,219 and \$2,026, respectively)	<u>40,429</u>	<u>40,020</u>
<b>GROSS PROFIT</b>	11,771	15,123
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>		
General and Administrative	5,449	5,175
Depreciation	<u>177</u>	<u>215</u>
	<u>5,626</u>	<u>5,390</u>
<b>OPERATING INCOME</b>	<u>6,145</u>	<u>9,733</u>
<b>OTHER INCOME (EXPENSE)</b>		
Interest Income	4	6
Interest Expense	(628)	(613)
Equity in Earnings of AMAK	5,367	59
Miscellaneous Income (Expense)	<u>(17)</u>	<u>26</u>
	<u>4,726</u>	<u>(522)</u>
<b>INCOME BEFORE INCOME TAXES</b>	10,871	9,211
<b>INCOME TAXES</b>	<u>3,647</u>	<u>3,427</u>
<b>NET INCOME</b>	7,224	5,784
<b>NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTEREST</b>	=	=
<b>NET INCOME ATTRIBUTABLE TO TRECORA RESOURCES</b>	<u>\$ 7,224</u>	<u>\$ 5,784</u>
<b>Basic Earnings per Common Share</b>		
Net Income Attributable to Trecora Resources (dollars)	\$ 0.30	\$ 0.24
Basic Weighted Average Number of Common Shares Outstanding	<u>24,484</u>	<u>24,309</u>
<b>Diluted Earnings per Common Share</b>		
Net Income Attributable to Trecora Resources (dollars)	\$ 0.29	\$ 0.23
Diluted Weighted Average Number of Common Shares Outstanding	<u>25,085</u>	<u>25,144</u>

**TRECORA RESOURCES AND SUBSIDIARIES**  
**RECONCILIATION OF SELECTED GAAP MEASURES TO NON-GAAP MEASURES <sup>(1)</sup>**  
*(in thousands except per share amounts)*

	<b>THREE MONTHS ENDED</b>	
	<b>2016</b>	<b>31-Mar 2015</b>
<b>NET INCOME</b>	\$ 7,224	\$ 5,784
Add back:		
Interest	628	613
Taxes	3,647	3,427
Depreciation and amortization	177	215
Depreciation and amortization in cost of sales	2,219	2,026
<b>EBITDA</b>	<b>\$ 13,895</b>	<b>\$ 12,065</b>
Share based compensation	647	701
Equity in earnings of AMAK	(5,367)	(59)
<b>Adjusted EBITDA</b>	<b>\$ 9,175</b>	<b>\$ 12,707</b>
<b>Revenue</b>	<b>\$ 52,200</b>	<b>\$ 55,143</b>
<b>Adjusted EBITDA Margin</b> <b>(adjusted EBITDA/revenue)</b>	<b>17.6%</b>	<b>23.0%</b>
<b>Equity in earnings of AMAK</b>	<b>\$ 5,367</b>	<b>\$ 59</b>
Taxes at effective tax rate of 35%	1,878	21
<b>Tax effected equity in earnings of AMAK</b>	<b>\$ 3,489</b>	<b>\$ 38</b>
Diluted weighted average number of shares	25,085	25,144
<b>Estimated effect of AMAK earnings on EPS</b>	<b>\$0.14</b>	<b>\$0.00</b>

(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-first-quarter-2016-results-300263948.html>

SOURCE Trecora Resources