

October 30, 2014



# Trecora Resources Releases Third Quarter 2014 Results

- Revenue up 26.4% to \$76.9 million
- Volume increased 27.4% to 21.6 million gallons
- Earnings Call to be Held Today at 4:30 pm EDT

SUGAR LAND, Texas, Oct. 30, 2014 /PRNewswire/ -- Trecora Resources (NYSE: TREC), a leading provider of high purity, specialty chemicals and waxes and a minority owner of Al Masane Al Kobra Mining Co. ("AMAK"), released their financial results for the third quarter ended September 30, 2014.

"Our top line revenue growth in the third quarter 2014 continued the strength that we've seen for the last several quarters, up 26% versus the 3<sup>rd</sup> quarter 2013 and up 3% sequentially compared to 2<sup>nd</sup> quarter 2014. Our South Hampton subsidiary experienced very strong volume trends, with volume up 27% to 21.6 million gallons," said Nick Carter, CEO and President of Trecora Resources. "We are also, very pleased to announce that we have completed the SSI Chusei ("Chusei") acquisition and believe strongly that this acquisition gives us the ability to grow market share, increase product and customer diversity, and expand our footprint in specialty products and services," added Mr. Carter.

## Financial Results

Trecora's third quarter revenues were another quarterly record at \$76.9 million, an increase of 26.4% from the \$60.9 million in the third quarter of 2013.

Volume was also at record levels for the quarter at 21.6 million gallons, a 27.4% increase from the 16.9 million gallon levels for the third quarter of 2013.

Gross profit margin for the quarter was 16.9% compared to 16.6% for the third quarter 2013 and up from 15.7% for the second quarter of 2014. Gross profit for the quarter was \$13.0 million compared to \$10.1 million in the same quarter last year.

Net income for Trecora Resources in the third quarter 2014 was \$5.8 million, or \$0.23 per diluted share (\$0.24 per basic share) compared to \$ 5.2 million or \$0.21 per diluted share (\$0.22 per basic share) in the third quarter of 2013. Net income was negatively impacted by the acquisition costs associated with the recent purchase of Chusei and the \$343,000 equity in loss of AMAK, yet still showed a 10.6% increase for the quarter. Operating Income increased 34.6% to \$ 8.8 million in the third quarter versus \$6.6 million in the 3<sup>rd</sup> quarter last year reflecting the strength at South Hampton.

EBITDA for the third quarter of 2014 was \$9.5 million compared to \$8.8 million for the third quarter of 2013. Adjusted EBITDA, which removes the effects of AMAK for comparative purposes, for the third quarter of 2014 was \$9.8 million compared to \$7.5 million in 2013.

Cash at the end of the quarter was \$13.9 million compared to \$7.1 million as of September 30, 2013. The increase in cash was primarily in anticipation of the Chusei acquisition which closed on October 1, 2014. Cash provided by operations was \$18.3 million, cash used by investing activities was \$8.0 million and cash used by financing was \$4.0 million.

## **Earnings Call**

The conference call and presentation slides will be simulcast live on the Internet, and can be accessed by going to the investor relations section of the Company's web site at <http://www.trecora.com/> or by using this link: <http://public.viavid.com/index.php?id=111583>. 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 1-888-298-3451 or 1-719-457-2710 if calling internationally. 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 2028517 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: EBITDA and Adjusted EBITDA. 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, 2013, 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 petrochemical facility located in southeast Texas, just north of

Beaumont which specializes in high purity petrochemical solvents and other solvent type manufacturing. The Company is also the original developer and a 35% owner of Al Masane Al Kobra Mining Co., a Saudi Arabian joint stock company. Recently, Trecora purchased Chusei, a leading manufacturer of specialty polyethylene waxes and also a provider of custom processing services. Chusei is located in the heart of the Petrochemical complex in Pasadena, Texas.

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**TRECORA RESOURCES AND SUBSIDIARIES  
 CONSOLIDATED BALANCE SHEETS**

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	<b>SEPTEMBER 30, 2014 (unaudited)</b>	<b>DECEMBER 31, 2013</b>
	<i>(thousands of dollars)</i>	
<b><u>ASSETS</u></b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 13,948	\$ 7,608
Trade receivables, net	27,625	22,069
Advance to AMAK	-	536
Inventories	11,956	12,063
Prepaid expenses and other assets	2,520	2,075
Contractual based intangible assets, net	-	104
Taxes receivable	-	571
Deferred income taxes	<u>839</u>	<u>1,324</u>
Total current assets	56,888	46,350
 <b>Plant, pipeline and equipment, net</b>	 46,251	 41,925
 <b>Investment in AMAK</b>	 53,408	 54,095
<b>Mineral properties in the United States</b>	588	588
<b>Other assets</b>	<u>772</u>	<u>709</u>
 <b>TOTAL ASSETS</b>	 <u>\$ 157,907</u>	 <u>\$ 143,667</u>

**LIABILITIES**

<b>Current Liabilities</b>		
Accounts payable	\$ 12,605	\$ 7,362
Accrued interest	81	102
Current portion of derivative instruments	198	292
Accrued liabilities	3,881	3,060
Accrued liabilities in Saudi Arabia	140	140
Current portion of post-retirement benefit	284	278
Current portion of long-term debt	1,400	1,400
Current portion of other liabilities	<u>1,080</u>	<u>1,654</u>
Total current liabilities	19,669	14,288
<b>Long-term debt</b> , net of current portion	7,789	11,839
<b>Post-retirement benefit</b> , net of current portion	649	649
<b>Derivative instruments</b> , net of current portion	183	319
<b>Other liabilities</b> , net of current portion	706	1,369
<b>Deferred income taxes</b>	<u>10,580</u>	<u>11,984</u>
<b>Total liabilities</b>	<u>39,576</u>	<u>40,448</u>

**EQUITY**

<b>Common stock</b> -authorized 40 million shares of \$.10 par value; issued and outstanding		
23.9 million and 23.8 million shares in 2014 and 2013, respectively	2,395	2,383
<b>Additional paid-in capital</b>	47,673	46,064
<b>Accumulated other comprehensive loss</b>	(248)	(366)
<b>Retained earnings</b>	<u>68,222</u>	<u>54,849</u>
Total Trecora Resources Stockholders' Equity	118,042	102,930
Noncontrolling Interest	<u>289</u>	<u>289</u>
<b>Total equity</b>	<u>118,331</u>	<u>103,219</u>
<b>TOTAL LIABILITIES AND EQUITY</b>	<u>\$ 157,907</u>	<u>\$ 143,667</u>

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

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	SEPTEMBER 30,		SEPTEMBER 30,	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	<i>(thousands of dollars)</i>			
<b>REVENUES</b>				
Petrochemical Product Sales	\$ 75,283	\$ 59,354	\$ 210,517	\$ 165,737
Processing Fees	<u>1,634</u>	<u>1,516</u>	<u>5,054</u>	<u>3,853</u>
	76,917	60,870	215,571	169,590

**OPERATING COSTS AND EXPENSES**

Cost of Sales and Processing (including depreciation of \$881, \$834, \$2,614, and \$2,497, respectively)	<u>63,873</u>	<u>50,772</u>	<u>182,112</u>	<u>144,246</u>
<b>GROSS PROFIT</b>	13,044	10,098	33,459	25,344
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>				
General and Administrative	4,086	3,411	12,430	10,368
Depreciation	<u>131</u>	<u>129</u>	<u>406</u>	<u>389</u>
	<u>4,217</u>	<u>3,540</u>	<u>12,836</u>	<u>10,757</u>
<b>OPERATING INCOME</b>	8,827	6,558	20,623	14,587
<b>OTHER INCOME (EXPENSE)</b>				
Interest Income	8	4	26	5
Interest Expense	(70)	(141)	(169)	(379)
Losses on Cash Flow Hedge Reclassified from OCI	(60)	(73)	(190)	(231)
Equity in earnings (loss) of AMAK	(343)	1,302	(687)	8,998
Miscellaneous Expense	<u>2</u>	<u>(57)</u>	<u>(47)</u>	<u>(146)</u>
	<u>(463)</u>	<u>1,035</u>	<u>(1,067)</u>	<u>8,247</u>
<b>INCOME BEFORE INCOME TAXES</b>	8,364	7,593	19,556	22,834
<b>INCOME TAXES</b>	<u>2,590</u>	<u>2,372</u>	<u>6,183</u>	<u>6,519</u>
<b>NET INCOME</b>	5,774	5,221	13,373	16,315
<b>NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTEREST</b>	—	—	—	—
<b>NET INCOME ATTRIBUTABLE TO TRECORA RESOURCES</b>	<u>\$ 5,774</u>	<u>\$ 5,221</u>	<u>\$ 13,373</u>	<u>\$ 16,315</u>
<b>Basic Earnings per Common Share</b>				
Net Income Attributable to Trecora Resources (dollars)	\$ 0.24	\$ 0.22	\$ 0.55	\$ 0.68
Basic Weighted Average Number of Common Shares Outstanding	<u>24,175</u>	<u>24,116</u>	<u>24,163</u>	<u>24,110</u>
<b>Diluted Earnings per Common Share</b>				
Net Income Attributable to Trecora Resources (dollars)	\$ 0.23	\$ 0.21	\$ 0.54	\$ 0.66
Diluted Weighted Average Number of Common Shares Outstanding	<u>24,880</u>	<u>24,782</u>	<u>24,870</u>	<u>24,697</u>

## TRECORA RESOURCES AND SUBSIDIARIES RECONCILIATION OF SELECTED GAAP MEASURES TO NON-GAAP MEASURES<sup>(1)</sup>

	<b>THREE MONTHS ENDED</b>	
	<u>30-Sep</u>	
	<u>2014</u>	<u>2013</u>
<b>NET INCOME</b>	\$ 5,774	\$ 5,221

Add back:

Interest	130	214
Taxes	2,590	2,372
Depreciation	1,012	963

<b>EBITDA</b>	<u>\$ 9,506</u>	<u>\$ 8,770</u>
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Equity in (Earnings) Losses of AMAK	343	(1,302)
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<b>Adjusted EBITDA</b>	<u>\$ 9,849</u>	<u>\$ 7,468</u>
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(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.

SOURCE Trecora Resources