



# 20th Annual B. Riley FBR Institutional Investor Conference

May 22, 2019



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# Disclaimer: Non-GAAP Measures

## Use of Non-GAAP Measures

This presentation includes the use of both U.S. generally accepted accounting principles ("GAAP") and non-GAAP financial measures. Trecora believes certain financial measures, such as EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Net Income (Loss) and Adjusted Diluted Earnings Per Share, which are non-GAAP measures, provide users of Trecora's financial statements with supplemental information that may be useful in evaluating its operating performance. Trecora believes that such non-GAAP measures, when read in conjunction with its operating results presented under GAAP, can be used to better assess Trecora's performance from period to period and relative to performance of other companies in its industry, without regard to financing methods, historical cost basis or capital structure. These measures are not measures of financial performance or liquidity under GAAP and should be considered in addition to, not as a substitute for, analysis of Trecora's results under GAAP. Tables included in this presentation reconcile each of these Non-GAAP measures to their most directly comparable GAAP measure. Reconciliation of adjusted EBITDA information related to potential 2019 impacts of our turnaround priorities provided in this presentation to the nearest GAAP measure cannot be provided without unreasonable efforts due to not yet being able to estimate the material elements of net income or loss and income taxes for full year 2019. The lack of such reconciling information should be considered when assessing the impact of such information.

**EBITDA, Adjusted EBITDA and Adjusted EBITDA Margin:** Trecora defines EBITDA as net income (loss) plus interest expense (benefit) including derivative gains and losses, income taxes, depreciation and amortization. Trecora defines Adjusted EBITDA as EBITDA plus share-based compensation, plus restructuring and severance expenses, plus losses on extinguished debt, plus or minus equity in AMAK's earnings and losses or gains from equity issuances, and plus or minus restructuring gains or losses on acquisitions. Trecora defines Adjusted EBITDA Margin as Adjusted EBITDA as a percentage of consolidated revenue.

**Adjusted Diluted Earnings Per Share:** Trecora defines Adjusted Diluted Earnings Per Share (or Adjusted EPS) as Diluted Earnings Per Share (or Diluted EPS) excluding the impact of a number of non-recurring items that Trecora does not consider indicative of its on-going performance.

# Why Invest in Trecora?

## Significant Value Creation Through Increased Cash Flow And Debt Reduction

- **Operationally: Focus on execution and planning**
  - Safety and Reliability program demonstrating improved performance
  - Culture of productivity and reducing costs
- ***Commercially: Strong market positions in key businesses***
  - Industry Leader in core Specialty Petrochemicals Segment
  - Low-cost / high-value polyethylene-based wax business
  - Unique custom processing assets on U.S. Gulf Coast
- ***Financially: Rapid de-leveraging opportunity***
  - Annual capital expenditures of approximately \$10 million
  - AMAK monetization provides opportunity for additional debt reduction

# Trecora Business Models

## High Purity Light Hydrocarbon Manufacturing

Prime Products include isopentane, normal pentane, isohexane and hexane

- Market leader (one of two producers in the U.S.)
- Used in the production of polyethylene, packaging, polypropylene, expandable polystyrene, poly-iso/urethane foams, crude oil from the Canadian tar sands, and in the catalyst support industry
- Growth driven by chemical industry investment and U.S. GDP

### Byproducts

- Aromatic compounds widely used to make other chemicals including dyes and plastic products
- Results from production of prime products
- Growth driven by higher reliability of new Advanced Reformer

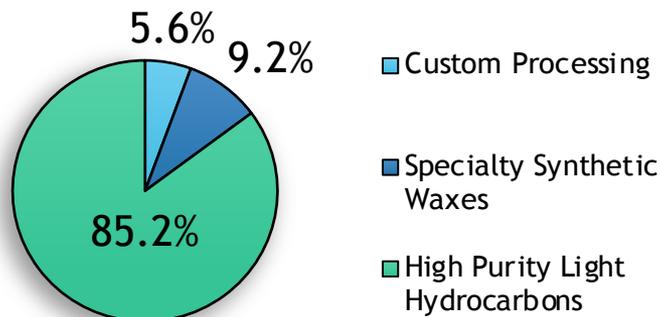
## Specialty Synthetic Wax Manufacturing

- Specialty waxes including specialty polyethylene and poly alpha olefin waxes used in paints, inks, adhesives, coatings, and PVC lubricants and are used in applications such as toner in printers and hot melt adhesives
- Growth driven by our development of higher value waxes

## Custom Processing Services

- Custom manufacturing services provide a range of specialized capabilities to chemical and industrial customers including synthesis, hydrogenation, distillation, forming and propoxylation in addition to a number of other chemical processes
- Growth driven by our investment in new capabilities and U.S. chemical industry investment

Product, manufacturing and processing ecosystem



(Q1 percent of total revenue)

# Trecora Overview

## ➤ Q1'19 Financials

- Adjusted EBITDA of \$8.4 million (\$6.4 million improvement over Q4'18) driven by improved operational reliability and cost control
- Q1 Operating Cash Flow driven by Working Capital

## ➤ Operational Highlights

- Zero significant safety incidents in Q1'19
- Prime products sales volume of 17.6 million gallons in Q1'19
- \$0.35 per gallon byproduct margin expansion from Advanced Reformer operation
  - \$0.16 per gallon in Q1'19 compared to \$(0.19) per gallon in Q4'18
- Successful maintenance turnaround at Pasadena and Silsbee

## ➤ AMAK Highlights

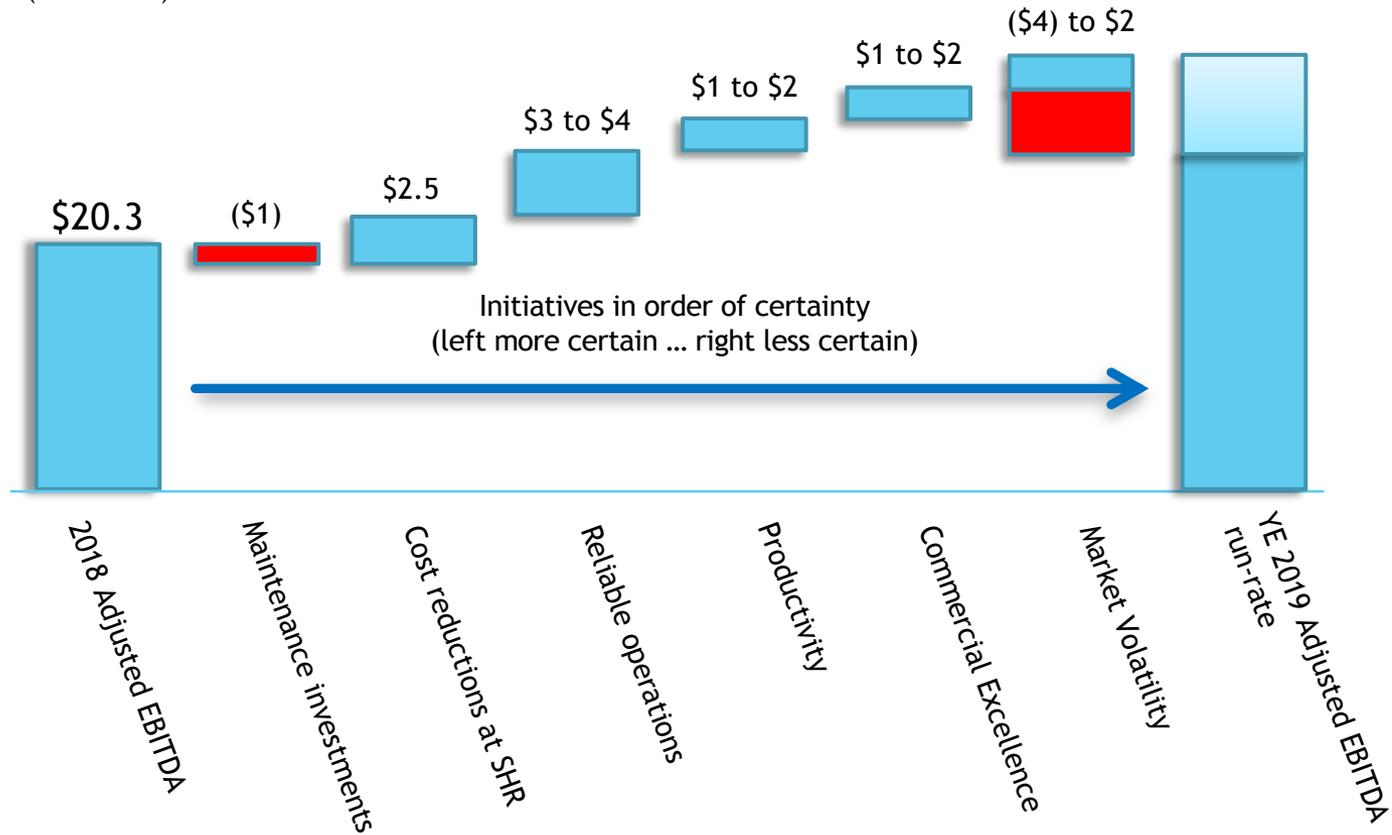
- Recent Life of Mine study extended mine life to 9 years on measured and indicated basis
- Q1'19 EBITDA of \$7.1 million compared to Q4'19 EBITDA of \$6.0 million

## ➤ Leadership Developments

- Karen Twitchell named Board Chair in Q1'19 (Director since 2015)
- Adam Peakes and Janet Roemer Appointed to Board in Q2'19
- Joe Tanner named SVP, Commercial in Q1'19

# Plan to Drive Improved Results

(in millions)



# Trecora Turnaround Priority 1: Safe and Reliable Assets

- Focused on safe and reliable operations, while providing quality products to our customers
- Plan demonstrating early results
  - Injury-free company-wide since October
  - Advanced Reformer returned to service in the first week of January 2019 and has run reliably and performing according to design criteria
  - Hydrogenation unit at baseload production with the opportunity to increase utilization with time
- Reliability plan potential to add \$3.0 to \$4.0 million of EBITDA

On-track through Q1'19

## Trecora Turnaround Priority 2: Capture Productivity Opportunities

- Focused on enhancing our productivity by challenging both internal and external cost elements
- Plan demonstrating early results
  - Aligning resources at Silsbee facility to match scope of operations expected to generate \$2.5 million in annual savings beginning in 2019
  - Further opportunities being identified
- Productivity plan potential to add \$3.5 to \$4.5 million of EBITDA

On-track through Q1'19

## Trecora Turnaround Priority 3: Drive Commercial Excellence

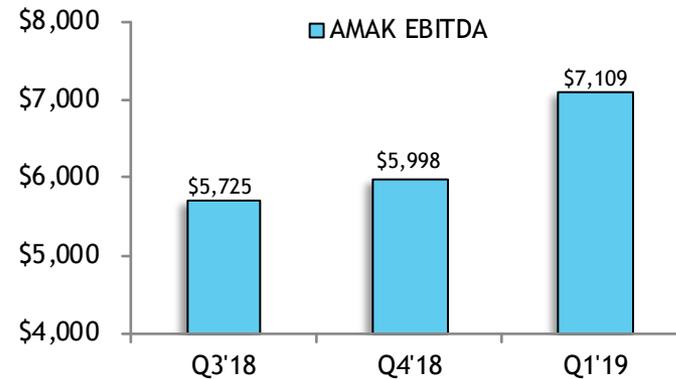
- Focused on measuring and improving every element of value proposition to our customers
- Plan demonstrating early results
  - Improving monthly ratability commitments allows reduction in rail car fleet size
  - Improved visibility of logistics costs allows higher reimbursement from customers where contracts allow
  - Pricing strategy clarity allows improved adders to formula contracts
- Commercial excellence plan potential to add \$1.0 to \$2.0 million of EBITDA

On-track: back-end loaded

# AMAK Monetization Opportunity

- The Company owns a 33% interest in Al Masane Al Kobra Mining Company ("AMAK"), a Saudi Arabian closed joint stock mining company, which is engaged in the commercial production of copper and zinc concentrates and silver and gold doré

- Improving financial performance, demonstrated by EBITDA growth, increases both interest in and marketability of the asset



- Monetization could generate significant cash proceeds to be used for additional debt reduction or other shareholder-friendly actions
- LOM Study Recent AMAK study extended mine life to 9 years on measured and indicated basis (or fifteen years including inferred reserves)
- Leading investment bank retained to monetize our ownership

# Execution Drives Results

Meaningful near-term opportunity to improve operational reliability, productivity and commercial excellence to enhance margins

Long-term cash flow generation with investment cycle complete:  
Ongoing capex of approximately \$10 million per year

Monetization opportunity with AMAK mine ownership

Free cash flow used for debt reduction:  
Debt-to-adjusted EBITDA target of 2.5x - 3x

# Thank You

Please visit our  
website:

[www.trecora.com](http://www.trecora.com)

# Appendix

## Financial Summary - Q1'19

	Q1'19	Q4'18	Q3'18	Q2'18	Q1'18	2018	2017
Diluted EPS	\$ 0.07	\$ (0.22)	\$ (0.06)	\$ 0.09	\$ 0.09	\$ (0.10)	\$ 0.72
Adjusted EPS <sup>(1)</sup>	\$ 0.07	\$ (0.13)	\$ (0.03)	\$ 0.08	\$ 0.08	\$ 0.00	\$ 0.44
Net Income (Loss)	\$ 1.8	\$ (5.3)	\$ (1.6)	\$ 2.2	\$ 2.4	\$ (2.3)	\$ 18.0
Adjusted EBITDA <sup>(1)</sup>	\$ 8.4	\$ 2.0	\$ 4.9	\$ 6.2	\$ 7.2	\$ 20.3	\$ 31.7
Adj EBITDA Margin <sup>(1)</sup>	13.0%	2.6%	6.7%	9.1%	10.0%	7.1%	12.9%
Cap Ex	\$ 1.9	\$ 6.2	\$ 3.7	\$ 4.4	\$ 11.0	\$ 25.3	\$ 51.6
Debt <sup>(2)</sup>	\$ 104.2	\$ 103.3	\$ 106.4	\$ 105.4	\$ 107.5	\$ 103.3	\$ 99.6

(1) See non-GAAP reconciliations included in the accompanying financial tables for the reconciliation of each non-GAAP measure to its more directly comparable GAAP measure.

(2) Includes debt issuance costs

- Adjusted EBITDA Margin improvement for Q1'19 of 13.0%
- Debt at March 31, 2019 of \$104.2 million
- Revolver balance of \$20.0 million (with availability of additional \$25.0 million)
- Cash flow from Operations of \$0.8 Million; Impacted by use of cash for working capital:
  - Payment for Advanced Reformer replacement catalyst, supplementary wax feed and severance costs

# Appendix

## Trecora Reconciliation Of Selected GAAP Measures To Non-GAAP Measures

	THREE MONTHS ENDED				
	<u>3/31/19</u>	<u>12/31/18</u>	<u>9/30/18</u>	<u>6/30/18</u>	<u>3/31/18</u>
NET INCOME (LOSS)	\$ 1,751	\$ (5,290)	\$ (1,609)	\$ 2,215	\$ 2,352
Restructuring & Severance Expenses	-	(2,347)	-	-	-
Equity in (earnings) losses of AMAK/Gain on equity issuance	(59)	(229)	(1,130)	228	230
Taxes at statutory rate	<u>12</u>	<u>541</u>	<u>237</u>	<u>(48)</u>	<u>(48)</u>
Tax effected equity in AMAK	(47)	(2,035)	(893)	180	182
Tax rate change benefit					
Diluted weighted average number of shares	25,027	25,545	25,175	25,014	25,231
Estimated effect on diluted EPS	\$ (0.00)	\$ (0.08)	\$ (0.04)	\$ 0.01	\$ 0.01
Diluted EPS	\$ 0.07	\$ (0.22)	\$ (0.06)	\$ 0.09	\$ 0.09
Adjusted EPS	\$ 0.07	\$ (0.13)	\$ (0.03)	\$ 0.08	\$ 0.08
	THREE MONTHS ENDED				
	<u>3/31/19</u>	<u>12/31/18</u>	<u>9/30/18</u>	<u>6/30/18</u>	<u>3/31/18</u>
NET INCOME (LOSS)	\$ 1,751	\$ (5,290)	\$ (1,609)	\$ 2,215	\$ 2,352
Interest	1,499	1,483	924	815	878
Taxes	478	(1,520)	(473)	596	590
Depreciation and amortization	213	148	205	191	196
Depreciation and amortization in cost of sales	<u>4,229</u>	<u>4,138</u>	<u>3,813</u>	<u>2,837</u>	<u>2,829</u>
EBITDA	8,170	(1,041)	2,860	6,654	6,845
Share based compensation	213	420	630	(220)	593
Restructuring & Severance Expenses	-	2,347	-	-	-
Loss on extinguishment of debt	-	-	315	-	-
Gain from additional equity issuance by AMAK	-	-	-	-	-
Equity in (earnings) losses of AMAK	<u>59</u>	<u>229</u>	<u>1,130</u>	<u>(228)</u>	<u>(230)</u>
Adjusted EBITDA	<u>\$ 8,442</u>	<u>\$ 1,955</u>	<u>\$ 4,935</u>	<u>\$ 6,206</u>	<u>\$ 7,208</u>
Revenue	65,155	74,669	73,416	68,106	71,741
Adjusted EBITDA Margin	13.0%	2.6%	6.7%	9.1%	10.0%

# Appendix

## AMAK Reconciliation

	THREE MONTHS ENDED				
	<u>3/31/19</u>	<u>12/31/18</u>	<u>9/30/18</u>	<u>6/30/18</u>	<u>3/31/18</u>
	(thousands of dollars)				
<b>Net Loss</b>	<u>\$ (1,183)</u>	<u>\$ (1,694)</u>	<u>\$ (4,390)</u>	<u>\$ (326)</u>	<u>\$ (319)</u>
Finance and interest expense	445	391	416	388	397
Depreciation and amortization	7,325	8,588	8,899	8,281	7,701
Zakat and income taxes expense (benefit)	522	(1,287)	800	-	-
<b>EBITDA</b>	<u>\$ 7,109</u>	<u>\$ 5,998</u>	<u>\$ 5,725</u>	<u>\$ 8,343</u>	<u>\$ 7,779</u>