

April 29, 2015



# Trecora Resources Reports Improved First Quarter 2015 Profitability

## Declining Feedstock Prices Drive Significant Margin Expansion

### EPS More Than Doubles to \$0.23

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

SUGAR LAND, Texas, April 29, 2015 /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, 2015.



## First quarter 2015 Financial Highlights

- Gross profit of \$15.7 million, up more than 80% from \$8.7 million in the first quarter of 2014
- Gross profit margin of 28.5% compared with 13.6% in the first quarter of 2014
- Adjusted EBITDA of \$12.5 million compared with \$5.8 million in the first quarter of 2014
- Adjusted EBITDA margins of 22.7% compared with 9.0% in the first quarter of 2014
- Diluted EPS of \$0.23 compared with \$0.10 in the year-ago period
- Trecora Chemical contributes revenue of \$6.4 million and EBITDA of \$2.1 million, including \$1.7 million in revenue from an annual contract that was recognized in full during the quarter.

## First Quarter Results

Total revenue in the first quarter was \$55.1 million compared with \$64.1 million in the first quarter of 2014. The decline in reported revenue was driven by a 47% reduction in the average per gallon cost of petrochemical feedstock in the first quarter which rolls over into the formula pricing mechanism for petrochemical product sales. The average petrochemical product selling price decreased over 21%. The lower costs more than offset the formula-

driven price reductions and combined with production improvements, resulted in higher profit margins.

Gross profit margin increased to 28.5% in the first quarter of 2015 compared with 13.6% in the year-ago period. This increase in gross profit margin reflects the impact of lower petrochemical feedstock prices, as well as the contribution from Trecora Chemical for processing fees recognized during the quarter.

Total adjusted EBITDA was \$12.5 million, representing an increase of 117% over adjusted EBITDA of \$5.8 million in the year-ago period. The adjusted EBITDA margin increased to 22.7% in the first quarter of 2015 compared with 9.0% in the first quarter of 2014.

Net income for the first quarter was \$5.8 million, or \$0.23 per diluted share, compared with net income of \$2.6 million, or \$0.10 per diluted share, for the first quarter of 2014.

Trecora President and CEO Nick Carter commented, "I am very pleased with our financial and operating results in the first quarter. In our South Hampton Resources division, we were able to generate significant profit and margin growth despite a sharply lower average selling price. Additionally, Trecora Chemical generated a modest profit during the quarter, reflecting our continued progress integrating the business and improving internal processes and product quality. Finally, AMAK was essentially break-even, and given recent operational improvements, we continue to strive for sustained profitability ahead of AMAK's planned IPO next year in Saudi Arabia."

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

Petrochemical volume in the first quarter was 18.1 million gallons, a 3.8 % decrease from the first quarter of 2014. Product volume was affected by continued variability in demand from SHR's Canadian oil sands customer as it strives to begin the second phase of the project. It is important to note that excluding Canadian oils sands, prime product volumes were up over 9% from a year ago to 12 million gallons in 1Q15, which indicates a healthy growth of non-oil sands business. The initial phase of SHR's D-Train expansion which added 1,000 barrels of feedstock capacity per day (bpd) is now online with an additional 3,000 bpd of feedstock capacity to be added by the end of the year. International volume represented 28.3% of total petrochemical volume during the quarter. SHR continues to engage in active discussions with several potential customers in Asia.

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

The Company continues to make significant progress integrating TC and improving product quality. TC's first quarter revenue of \$6.4 million includes \$1.7 million in custom processing fees generated during the twelve months ended March 31, 2015. Due to contract wording dealing with performance timing, annual recognition is required although the payments flow ratably. There is one year left on that particular contract. The expansion of the custom processing distillation and hydrogenation capability is underway with completion expected in the first quarter of 2016.

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

AMAK was essentially neutral to the Company's results during the first quarter. Maintenance shutdowns and lack of copper shipments due to logistical delays impacted their results. The new management continues to make progress including achieving operational efficiencies, improving metal recoveries, and activating the precious metal circuit. The Company believes

that with the operational improvements that have been implemented, coupled with the projected stronger metal prices in the second half of the year, AMAK can become additive to the Company's financial results as the year progresses.

### **Balance Sheet**

As of March 31, 2015, cash and cash equivalents were \$9.0 million compared with \$8.5 million at the close of 2014. Total debt was \$78.7 million. Capital expenditures during the quarter were \$7.7 million which included D-train expansion construction.

### **Earnings Call**

The 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/player/index.php?id=114058>. 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 1-888-503-8175 or 1-719-325-2177 if calling internationally, using the conference ID 2671562. 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 2671562 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, 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 synthetic 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.

Company Contact:

Nick Carter, President and Chief Executive Officer  
(409) 385-8300  
[ncarter@trecoira.com](mailto:ncarter@trecoira.com)

Investor Relations Contact:  
Glenn Garmont or Don Markley  
The Piacente Group  
212-481-2050  
[trecoira@tpg-ir.com](mailto:trecoira@tpg-ir.com)

**TRECORA RESOURCES AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**

	<b>MARCH 31,</b>	<b>DECEMBER 31,</b>
	<b>2015</b>	<b>2014</b>
	<b>(unaudited)</b>	<b>2014</b>
	<i>(thousands of dollars)</i>	
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 8,991	\$ 8,506
Trade receivables, net	25,508	28,271
Inventories	14,439	12,815
Prepaid expenses and other assets	3,865	3,257
Taxes receivable	-	434
Deferred income taxes	<u>1,784</u>	<u>1,652</u>
Total current assets	54,587	54,935
<b>Plant, pipeline and equipment, net</b>	79,369	73,811
<b>Goodwill</b>	21,750	21,750
<b>Other intangible assets</b>	25,764	26,235
<b>Investment in AMAK</b>	53,081	53,023
<b>Mineral properties in the United States</b>	588	588
<b>Other assets</b>	<u>387</u>	<u>1,732</u>
<b>TOTAL ASSETS</b>	<u>\$ 235,526</u>	<u>\$ 232,074</u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 9,099	\$ 9,535
Current portion of derivative instruments	166	362
Accrued liabilities	5,365	5,020
Accrued liabilities in Saudi Arabia	495	495
Current portion of post-retirement benefit	288	286
Current portion of long-term debt	7,000	7,000
Current portion of other liabilities	<u>1,150</u>	<u>2,183</u>
Total current liabilities	23,563	24,881
<b>Long-term debt, net of current portion</b>	71,700	73,450
<b>Post-retirement benefit, net of current portion</b>	649	649
<b>Derivative instruments, net of current portion</b>	150	196
<b>Other liabilities, net of current portion</b>	959	1,039
<b>Deferred income taxes</b>	<u>10,509</u>	<u>10,471</u>
<b>Total liabilities</b>	<u>107,530</u>	<u>110,686</u>
<b>EQUITY</b>		
<b>Common stock</b> -authorized 40 million shares of \$.10 par value; issued and outstanding 24.0 million shares in 2015 and 2014	2,405	2,397
<b>Additional paid-in capital</b>	49,098	48,282
<b>Retained earnings</b>	<u>76,204</u>	<u>70,420</u>
Total Trecora Resources Stockholders' Equity	127,707	121,099
Noncontrolling Interest	<u>289</u>	<u>289</u>
<b>Total equity</b>	<u>127,996</u>	<u>121,388</u>
<b>TOTAL LIABILITIES AND EQUITY</b>	<u>\$ 235,526</u>	<u>\$ 232,074</u>

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

	<b>THREE MONTHS ENDED MARCH 31,</b>	
	<b><u>2015</u></b>	<b><u>2014</u></b>
	<i>(thousands of dollars)</i>	
<b>REVENUES</b>		
Petrochemical Product Sales	\$ 50,541	\$ 62,392
Processing Fees	<u>4,602</u>	<u>1,708</u>
	55,143	64,100
<b>OPERATING COSTS AND EXPENSES</b>		
Cost of Sales and Processing (including depreciation of \$1,555 and \$865, respectively)	<u>39,430</u>	<u>55,386</u>
<b>GROSS PROFIT</b>	15,713	8,714
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>		
General and Administrative	5,765	4,189
Depreciation	<u>215</u>	<u>139</u>
	<u>5,980</u>	<u>4,328</u>
<b>OPERATING INCOME</b>	9,733	4,386
<b>OTHER INCOME (EXPENSE)</b>		
Interest Income	6	9
Interest Expense	(613)	(110)
Losses on Cash Flow Hedge Reclassified from OCI	-	(67)
Equity in earnings (losses) of AMAK	59	(350)
Miscellaneous Expense	<u>26</u>	<u>(45)</u>
	<u>(522)</u>	<u>(563)</u>
<b>INCOME BEFORE INCOME TAXES</b>	9,211	3,823
<b>INCOME TAXES</b>	<u>3,427</u>	<u>1,224</u>
<b>NET INCOME</b>	5,784	2,599
<b>NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTEREST</b>	=	=
<b>NET INCOME ATTRIBUTABLE TO TRECORA RESOURCES</b>	<u>\$ 5,784</u>	<u>\$ 2,599</u>
<b>Basic Earnings per Common Share</b>		
Net Income Attributable to Trecora Resources (dollars)	\$ 0.24	\$ 0.11
Basic Weighted Average Number of Common Shares Outstanding	<u>24,309</u>	<u>24,151</u>
<b>Diluted Earnings per Common Share</b>		
Net Income Attributable to Trecora Resources (dollars)	\$ 0.23	\$ 0.10
Diluted Weighted Average Number of Common Shares Outstanding	<u>25,144</u>	<u>24,918</u>

TRECORA RESOURCES AND SUBSIDIARIES

RECONCILIATION OF SELECTED GAAP MEASURES TO NON-GAAP MEASURES<sup>(1)</sup>

	THREE MONTHS ENDED	
	31-Mar	
	2015	2014
	<i>(thousands of dollars)</i>	
<b>NET INCOME</b>	\$ 5,784	\$ 2,599
Add back:		
Interest	613	177
Taxes	3,427	1,224
Depreciation	215	139
Depreciation and amortization in cost of sales	2,026	865
<b>EBITDA</b>	<u>\$ 12,065</u>	<u>\$ 5,004</u>
Less:		
Equity in (earnings) loss of AMAK	(59)	350
Share based compensation	525	425
<b>Adjusted EBITDA</b>	<u>\$ 12,531</u>	<u>\$ 5,779</u>
<b>Revenue</b>	\$ 55,143	\$ 64,100
<b>Adjusted EBITDA Margin</b> <b>(adjusted EBITDA/revenue)</b>	22.7%	9.0%

(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.

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