

Trecora Resources Reports Third Quarter 2015 Results

Record Gross Profit Driven by Declining Feedstock Prices

EBITDA Increased by 19%

D-Train Initiated On-Specification Pentane Production in October

Conference Call at 4:30 pm ET Today

SUGAR LAND, Texas, Nov. 3, 2015 /PRNewswire/ -- Trecora Resources (NYSE: TREC) a leading provider of high purity specialty hydrocarbons and waxes, today announced financial results for the third quarter and nine months ended September 30, 2015.



Third Quarter 2015 Financial Highlights

- Gross profit of \$16.6 million, up 27% from \$13.0 million in the third quarter of 2014, and representing a record quarterly gross profit for the Company
- Gross profit margin of 24.8% compared with 17.0% in the third quarter of 2014
- Operating income of \$11.1 million, up 25% from \$8.8 million in the third quarter of 2014
- Adjusted EBITDA of \$13.9 million, or 20.7% of revenues, compared with \$10.4 million, or 13.5% of revenues, in the third quarter of 2014
- Net income for the third quarter was \$5.3 million, or \$0.21 per diluted share, compared with net income of \$5.8 million, or \$0.23 per diluted share, for the third quarter of 2014. Net income was negatively impacted by the reported loss in equity in the Al Masane Al Kobra Mining Company of \$2.1 million, or an estimated \$0.05 per diluted share on an after tax basis.
- Trecora Chemical contributes revenue of \$6.5 million and EBITDA of \$1.4 million

Third Quarter 2015 Results

Total revenue in the third quarter was \$66.9 million compared with \$76.9 million in the third quarter of 2014. The decline in reported revenue was driven by a 48.5% reduction in the average per gallon cost of petrochemical feedstock in the third quarter, which rolls over into the formula pricing mechanism for over 50% of petrochemical product sales. Consequently, the average sales price of petrochemical products decreased by 31.1%. The lower feedstock costs more than offset the formula-driven price reductions resulting in higher profit margins.

Gross profit margin increased to 24.8% in the third quarter of 2015, compared with 17.0% in the third quarter of 2014.

Operating income for the third quarter was \$11.1 million compared with operating income of \$8.8 million for the third quarter of 2014.

Total adjusted EBITDA was \$13.9 million, an increase of 33.5% over adjusted EBITDA of \$10.4 million in the year-ago period. The adjusted EBITDA margin increased to 20.7% in the third quarter of 2015, compared with 13.5% in

the third quarter of 2014.

Net income for the third quarter was \$5.3 million, or \$0.21 per diluted share, compared with net income of \$5.8 million, or \$0.23 per diluted share, for the third quarter of 2014. Net income was negatively impacted by the reported loss in equity in the Al Masane Al Kobra Mining Company of \$2.1 million, or an estimated \$0.05 per diluted share on an after tax basis.

Trecora President and CEO Simon Upfill-Brown commented, "In the third quarter we achieved a record quarterly gross profit and strong operational performance against a backdrop of lower feedstock prices that continued to impact our revenues. Our South Hampton Resources division generated solid results reflecting higher shipment volume, new customer orders and margin expansion from the third quarter of 2014. During the quarter, we were pleased to initiate the hydro de-sulfurization unit as part of our D-Train expansion initiative, and early in the fourth quarter, D-Train began producing on-specification pentanes – which is two months ahead of schedule. At Trecora Chemical, we benefitted from repeat orders from adhesives customers and additional custom processing projects. Finally, results at AMAK were affected by lower commodity prices and production issues related to shortages of production chemicals. Despite the challenging conditions at AMAK, we remain focused on expanding the size of the mine and enhancing operational efficiencies and recoveries."

South Hampton Resources (SHR)

Petrochemical volume in the third quarter increased 14% to 24.6 million gallons, compared with 21.6 million gallons in the third quarter of 2014. Excluding Canadian oil sands, prime product volumes in the third quarter of 2015 were up 14% from a year ago, driven in part by shipments to new customers and our first ever bulk shipment to Saudi Arabia. SHR's D-Train expansion is well ahead of schedule. International volume represented 20.7% of total petrochemical volume during the quarter, which is indicative of the decrease in oil sands shipments. SHR received its first order of nearly 400,000 gallons from a new Polyethylene facility in the Middle East.

Trecora Chemical (TC)

TC continues to make significant progress improving wax quality and consistency, with September generating the highest wax production volume by a significant margin. TC's third quarter revenue was \$6.4 million, including \$2.4 million of custom processing fees. While the expansion of the custom processing distillation and hydrogenation capability continues to progress, the expected completion has been delayed to the third quarter of 2016 as we optimize the design for specific projects.

Al Masane Al Kobra Mining Company (AMAK)

We reported a loss in equity in AMAK of approximately \$2.1 million during the third quarter primarily due to a significant decline in commodity prices that resulted in an inventory write-down of \$3.0 million for AMAK with our share being \$1.1 million. Third quarter results were also negatively impacted by operating issues resulting in unplanned downtime and lower recoveries than expected. Copper recoveries returned to normal in September, as did zinc recoveries in early October.

Year-to-Date 2015 Results

Total revenue for the nine months ended September 30, 2015 was \$181.4 million, compared with revenue \$215.6 million in the first nine months of 2014. Total TC revenue for the nine months ended September 30, 2015 was \$18.4 million, which included \$6.6 million of processing fees.

Gross profit for the first nine months of 2015 was \$47.5 million, a 42% increase compared with \$33.5 million in the same period in 2014. Gross profit margin in the first nine months of 2015 was 26.2%, compared with 15.5% in the same period in 2014.

Adjusted EBITDA for the first nine months of 2015 was \$38.7 million, up 54% compared with \$25.2 million in the same period in 2014. Adjusted EBITDA margin in the first nine months of 2015 was 21.4%, compared with 11.7% in the same period of 2014.

Net income for the first nine months of 2015 was \$17.5 million, representing an increase of 31% as compared with \$13.4 million in the same period of 2014. Diluted EPS were \$0.69 compared with \$0.54 in the same period of 2014.

Balance Sheet

As of September 30, 2015, cash and cash equivalents were \$14.9 million compared with \$8.5 million at the close of 2014. Total debt was \$75.2 million. Capital expenditures during the quarter were \$6.7 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.viaavid.com/index.php?id=116796>. 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 1-888-337-8169 or 1-719-457-2627 if calling internationally, using the conference ID 1736924. 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 1736924 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.

Company Contact:

Nick Carter, Chairman
(409) 385-8300
ncarter@trecora.com

Investor Relations Contact:

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

TRECORA RESOURCES AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS

	SEPTEMBER 30, 2015 (unaudited)	DECEMBER 31, 2014
	<i>(thousands of dollars)</i>	
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 14,877	\$ 8,506
Trade receivables, net	22,830	28,271
Inventories	12,513	12,815
Prepaid expenses and other assets	3,824	3,257
Taxes receivable	-	434
Deferred income taxes	<u>2,241</u>	<u>1,652</u>
Total current assets	56,285	54,935
Plant, pipeline and equipment, net	91,370	73,811
Goodwill	21,798	21,750
Other intangible assets, net	25,019	26,235

Investment in AMAK	50,658	53,023
Mineral properties in the United States	588	588
Other assets	<u>1,053</u>	<u>1,732</u>
TOTAL ASSETS	\$ 246,771	\$ 232,074
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 8,340	\$ 9,535
Current portion of derivative instruments	138	362
Accrued liabilities	5,872	5,020
Accrued liabilities in Saudi Arabia	495	495
Current portion of post-retirement benefit	292	286
Current portion of long-term debt	8,000	7,000
Current portion of other liabilities	<u>1,608</u>	<u>2,183</u>
Total current liabilities	24,745	24,881
Long-term debt , net of current portion	67,200	73,450
Post-retirement benefit , net of current portion	649	649
Derivative instruments , net of current portion	89	196
Other liabilities , net of current portion	2,555	1,039
Deferred income taxes	<u>10,829</u>	<u>10,471</u>
Total liabilities	<u>106,067</u>	<u>110,686</u>
EQUITY		
Common stock -authorized 40 million shares of \$.10 par value; issued and outstanding 24.1 million and 24.0 million shares in 2015 and 2014, respectively	2,407	2,397
Additional paid-in capital	50,112	48,282
Retained earnings	<u>87,896</u>	<u>70,420</u>
Total Trecora Resources Stockholders' Equity	140,415	121,099
Noncontrolling Interest	<u>289</u>	<u>289</u>
Total equity	<u>140,704</u>	<u>121,388</u>
TOTAL LIABILITIES AND EQUITY	\$ 246,771	\$ 232,074

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

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	SEPTEMBER 30,		SEPTEMBER 30,	
	2015	2014	2015	2014
	<i>(thousands of dollars)</i>			
REVENUES				
Petrochemical and Product Sales	\$ 63,190	\$ 75,283	\$ 170,396	\$ 210,517
Processing Fees	<u>3,748</u>	<u>1,634</u>	<u>11,035</u>	<u>5,054</u>
	66,938	76,917	181,431	215,571
OPERATING COSTS AND EXPENSES				
Cost of Sales and Processing (including depreciation and amortization of \$2,118, \$881, \$6,083, and \$2,614 respectively)	<u>50,313</u>	<u>63,873</u>	<u>133,909</u>	<u>182,112</u>
GROSS PROFIT	16,625	13,044	47,522	33,459
GENERAL AND ADMINISTRATIVE EXPENSES				
General and Administrative	5,368	4,086	16,656	12,430
Depreciation	<u>194</u>	<u>131</u>	<u>579</u>	<u>406</u>
	<u>5,562</u>	<u>4,217</u>	<u>17,235</u>	<u>12,836</u>

OPERATING INCOME	11,063	8,827	30,287	20,623
OTHER INCOME (EXPENSE)				
Interest Income	5	8	18	26
Interest Expense	(535)	(70)	(1,718)	(169)
Losses on Cash Flow Hedge Reclassified from OCI	-	(60)	-	(190)
Equity in Losses of AMAK	(2,054)	(343)	(2,364)	(687)
Miscellaneous Expense	<u>2</u>	<u>2</u>	<u>(12)</u>	<u>(47)</u>
	<u>(2,582)</u>	<u>(463)</u>	<u>(4,076)</u>	<u>(1,067)</u>
INCOME BEFORE INCOME TAXES	8,481	8,364	26,211	19,556
INCOME TAXES	<u>3,163</u>	<u>2,590</u>	<u>8,735</u>	<u>6,183</u>
NET INCOME	5,318	5,774	17,476	13,373
NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTEREST	==	==	==	==
NET INCOME ATTRIBUTABLE TO TRECORA RESOURCES	<u>\$ 5,318</u>	<u>\$ 5,774</u>	<u>\$ 17,476</u>	<u>\$ 13,373</u>
Basic Earnings per Common Share				
Net Income Attributable to Trecora Resources (dollars)	\$ 0.22	\$ 0.24	\$ 0.72	\$ 0.55
Basic Weighted Average Number of Common Shares Outstanding	<u>24,369</u>	<u>24,175</u>	<u>24,344</u>	<u>24,163</u>
Diluted Earnings per Common Share				
Net Income Attributable to Trecora Resources (dollars)	\$ 0.21	\$ 0.23	\$ 0.69	\$ 0.54
Diluted Weighted Average Number of Common Shares Outstanding	<u>25,228</u>	<u>24,880</u>	<u>25,176</u>	<u>24,870</u>

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

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	<u>30-Sep</u>	<u>30-Sep</u>	<u>30-Sep</u>	<u>30-Sep</u>
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	<i>(thousands of dollars)</i>			
NET INCOME	\$ 5,318	\$ 5,774	\$ 17,476	\$ 13,373
Add back:				
Interest	535	130	1,718	359
Taxes	3,163	2,590	8,735	6,183
Depreciation and amortization	194	131	579	406
Depreciation and amortization in cost of sales	2,118	881	6,083	2,614
EBITDA	<u>\$ 11,328</u>	<u>\$ 9,506</u>	<u>\$ 34,591</u>	<u>\$ 22,935</u>
Share based compensation	505	557	1,794	1,530
Equity in losses of AMAK	2,054	343	2,364	687
Adjusted EBITDA	<u>\$ 13,887</u>	<u>\$ 10,406</u>	<u>\$ 38,749</u>	<u>\$ 25,152</u>
Revenue	\$ 66,938	\$ 76,917	\$ 181,431	\$ 215,571
Adjusted EBITDA Margin (adjusted EBITDA/revenue)	20.7%	13.5%	21.4%	11.7%
Equity in losses of AMAK	\$ 2,054	\$ 343	\$ 2,364	\$ 687
Taxes at effective tax rate of 35%	719	120	827	240
Tax effected equity in losses of AMAK	<u>\$ 1,335</u>	<u>\$ 223</u>	<u>\$ 1,537</u>	<u>\$ 447</u>
Diluted weighted average number of shares	<u>25,228</u>	<u>24,880</u>	<u>25,176</u>	<u>24,870</u>
Estimated effect of AMAK losses on EPS	(\$0.05)	(\$0.01)	(\$0.06)	(\$0.02)

(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.

To view the original version on PR Newswire, visit <http://www.prnewswire.com/news-releases/trecora-resources-reports-third-quarter-2015-results-300171586.html>

SOURCE Trecora Resources