

November 3, 2016



Trecora Resources Reports Third Quarter 2016 Results

Key Capital Projects Continue on Schedule

Increased Capacity to Meet New Pentane Growth Through 2021

Conference Call at 4:30 pm ET Today

SUGAR LAND, Texas, Nov. 3, 2016 /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, 2016.



Trecora President and CEO Simon Upfill-Brown commented, "Despite a challenging petrochemical market environment, we saw a 16.4% sequential increase in prime product volume in the third quarter. Several important customer accounts increased their volume demands in the quarter which we expect will continue. Additionally, as a result of our on-going capacity expansion investments, we are poised to benefit from the anticipated 60-70% increase in pentane volumes by 2021.

"At Trecora Chemical (TC), we reported year-over-year wax sales growth which was partially offset by a decrease in custom processing revenue. We are laying the groundwork for future growth and increased profitability at TC through significant capital and human resource investments while pursuing new wax opportunities and securing several new custom processing contract wins."

Third Quarter Financial 2016 Results

Total revenue in the third quarter was \$57.1 million compared with \$66.9 million in the third quarter of 2015. The decline in reported revenue was driven by a 16.0% decrease in petrochemical sales volume and a 4.3% decrease in the average sales price of petrochemical products, both compared with the third quarter of 2015. The lower average sales price was partially offset by a 5.0% year-over-year decrease in the average per-gallon cost of petrochemical feedstock which is the basis for the formula pricing for over 60% of the Company's petrochemical product sales.

However, feedstock cost increased 17.4% from the second quarter of 2016. Since formula pricing is based upon prior month feedstock averages, sales price increases tend to lag higher feedstock costs resulting in lower profit margins. Byproduct sales increased significantly in the third quarter from second quarter 2016 levels. In addition, a \$0.21 per gallon sequential decline in feed margins on byproduct sales negatively impacted third quarter gross margins.

Gross profit in the third quarter was \$8.9 million, or 15.6% of total revenues, compared with \$16.0 million, or 24.0% of total revenues, in the third quarter of 2015. Operating income for the third quarter was \$4.1 million, compared with operating income of \$11.1 million for the third quarter of 2015.

Net income for the third quarter was \$0.7 million, or \$0.03 per diluted share, compared with net income of \$5.3 million, or \$0.21 per diluted share, for the third quarter of 2015. Adjusted net income for the quarter was \$2.1 million, or \$0.08 per share¹. Reported net income in the third quarters of 2016 and 2015 both reflect equity in losses of AMAK of \$2.1 million. Adjusted EBITDA in the quarter was \$7.2 million, representing a 12.7% margin, compared

with Adjusted EBITDA of \$13.9 million and a 20.7% margin in the year-ago period.

¹ Based on adjusted net income of \$2.098 million and 25,205,000 shares outstanding.

Mr. Upfill-Brown added, "Our advanced reformer and hydrogenation/distillation capital projects are proceeding on time and on budget. With new polyethylene plants in North America expected to add approximately eight million metric tons per year of manufacturing capacity by 2020, our second Canadian oil sands customer expected to come on-line in 2017, and several identified international opportunities, we are aggressively investing in new capital projects in order to position the Company to capture the anticipated significant increase in demand while continuing to serve the largest and most demanding customers in the chemical industry. We believe that these projects, combined with our D-Train expansion and new reformer unit at South Hampton Resources (SHR) and B Plant facility and hydrogenation/distillation unit at TC, have the potential to add an estimated \$28 million to \$36 million in annual EBITDA beginning in the 2018 to 2020 time frame."

South Hampton Resources

Petrochemical volume in the third quarter was 20.7 million gallons, compared with 24.6 million gallons in the third quarter of 2015. Prime product volume in the third quarter of 2016 was 15.8 million gallons, compared with 17.4 million gallons in the third quarter of 2015. Byproduct volume, which is sold at significantly lower margins than prime products, increased 41.9% sequentially, but declined 33.0% year-over-year, to 4.8 million gallons.

International volume represented 25.7% of total petrochemical volume during the quarter, up from 21.4% sequentially and 20.7% in the third quarter of 2015.

SHR SEGMENT INFORMATION*

	THREE MONTHS ENDED		
	SEPTEMBER 30,		
	2016	2015	% Change
Product sales	\$47,250	\$59,122	(20%)
Processing fees	2,909	1,364	113%
Net revenues	\$50,159	60,486	(17%)
Operating profit before depreciation and amortization	7,813	13,636	(43%)
Operating profit	6,366	12,557	(49%)
Depreciation and amortization	1,447	1,079	34%
EBITDA	7,824	13,643	(43%)
Capital expenditures	5,411	4,857	11%

*Dollar amounts in thousands

Trecora Chemical

In the third quarter, TC generated revenues of \$7.0 million, up 8.2% from \$6.5 million in the third quarter of 2015. TC revenue included \$4.9 million of wax product sales, up 19.6%, and \$2.1 million of custom processing fees, lower by 11.1%, both compared with the third quarter of 2015.

EBITDA in the third quarter was about breakeven, compared with \$1.4 million in the third quarter of 2015.

TC SEGMENT INFORMATION*

	THREE MONTHS ENDED		
	SEPTEMBER 30,		
	2016	2015	% Change
Product sales	\$4,864	\$4,068	20%
Processing fees	2,119	2,384	(11%)
Net revenues	\$6,983	\$6,452	8%
Operating profit before depreciation and amortization	118	1,393	(92%)
Operating profit (loss)	(987)	178	(654%)
Depreciation and amortization	1,105	1,215	(9%)
EBITDA	44	1,399	(97%)
Capital expenditures	4,066	1,766	130%

*Dollar amounts in thousands

Al Masane Al Kobra Mining Company (AMAK)

Trecora reported equity in losses of AMAK of approximately \$2.1 million during the third quarter of 2016. Exploration and renovation work, including installation of new equipment, continued during the quarter. Zinc and copper

production is expected to resume late in the fourth quarter of 2016.

Year-to-Date 2016 Results

Total revenue for the nine months ended September 30, 2016, was \$158.2 million, compared with revenue of \$181.4 million in the first nine months of 2015.

Gross profit for the first nine months of 2016 was \$32.3 million, compared with \$45.8 million in the same period in 2015. Gross profit margin in the first nine months of 2016 was 20.4%, compared with 25.2% in the same period of 2015.

Net income for the first nine months of 2016 was \$20.0 million, compared with \$17.5 million in the same period of 2015. Diluted EPS were \$0.80, compared with \$0.69 in the same period of 2015. Net income benefitted from equity in earnings from AMAK of \$5.1 million and a bargain purchase gain on the acquisition of B Plant of \$11.5 million for an estimated combined impact of \$0.43 per diluted share on an after-tax basis.

Adjusted EBITDA for the first nine months of 2016 was \$25.3 million, compared with \$38.7 million in the same period of 2015. Adjusted EBITDA margin in the first nine months of 2016 was 16.0%, compared with 21.4% in the same period of 2015.

South Hampton Resources

Petrochemical volume in the first nine months of 2016 was 58.0 million gallons, compared with 62.3 million gallons in the first nine months of 2015. Prime product volume in the first nine months of 2016 was 44.0 million gallons, compared with 46.7 million gallons in the first nine months of 2015. Byproduct volume, which is sold at lower margins, was down 10.2% year-over-year to 14.0 million gallons.

International volume represented 22.7% of total petrochemical volume during the first nine months of 2016.

SHR SEGMENT INFORMATION*

	NINE MONTHS ENDED		
	SEPTEMBER 30,		
	2016	2015	% Change
Product sales	\$129,076	\$158,647	(19%)
Processing fees	<u>6,769</u>	<u>4,409</u>	54%
Net revenues	\$135,845	\$163,056	(17%)
Operating profit before depreciation and amortization	25,699	38,197	(33%)
Operating profit	21,488	35,075	(39%)
Depreciation and amortization	4,211	3,122	35%
EBITDA	25,704	38,245	(33%)
Capital expenditures	16,812	17,876	(6%)

*Dollar amounts in thousands

Trecora Chemical

In the first nine months, TC generated revenues of \$22.4 million, up 21.6% from \$18.4 million from the first nine months of 2015.

TC SEGMENT INFORMATION*

	NINE MONTHS ENDED		
	SEPTEMBER 30,		
	2016	2015	% Change
Product sales	\$14,585	\$11,749	24%
Processing fees	<u>7,766</u>	<u>6,626</u>	17%
Net revenues	\$22,351	\$18,375	22%
Operating profit before depreciation and amortization	2,774	3,897	(29%)
Operating profit (loss)	(171)	375	(146%)
Depreciation and amortization	2,945	3,522	(16%)
EBITDA	14,364	3,870	271%
Adjusted EBITDA (excluding bargain purchase gain)	2,815	3,870	(27%)
Capital expenditures	11,059	5,664	95%

*Dollar amounts in thousands

Balance Sheet

As of September 30, 2016, cash and cash equivalents were \$7.6 million, compared with \$18.6 million at the close of 2015. Inventory was \$18.4 million, compared with \$15.8 million at December 31, 2015. Excluding loan fees, total

debt was \$79.0 million, compared with \$82.3 million at December 31, 2015. Capital expenditures during the third quarter were \$9.5 million including the hydrogenation/distillation unit project, the new advanced reformer unit, and a new cooling tower 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=121473>. 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 1-877-681-3375 or 1-719-325-4773 if calling internationally, using the conference ID 2950905. To listen to the playback, please call 1-844-512-2921 if calling within the United States or 1-412-317-6671 if calling internationally. Use pin number 2950905 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, Adjusted EBITDA, Adjusted EBITDA Margin, and Adjusted Net Income. 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 33.4% owner of Al Masane Al Kobra Mining Co., a Saudi Arabian joint stock company.

Investor Relations Contact:

Matt Steinberg
The Piacente Group
212-481-2050
trecora@tpg-ir.com

TRECORA RESOURCES AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS

	SEPTEMBER 30, 2016 (unaudited)	DECEMBER 31, 2015
	<i>(thousands of dollars)</i>	
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 7,587	\$ 18,623
Trade receivables, net	19,829	19,474
Inventories	18,376	15,804
Prepaid expenses and other assets	3,939	2,392
Taxes receivable	3,578	7,672
Deferred income taxes	1,703	2,116
Total current assets	<u>55,012</u>	<u>66,081</u>
Plant, pipeline and equipment, net	129,738	96,907
Goodwill	21,798	21,798
Other intangible assets, net	23,134	24,549
Investment in AMAK	52,776	47,697
Mineral properties in the United States	588	588
Other assets	<u>109</u>	<u>171</u>

TOTAL ASSETS	\$ 283,155	\$ 257,791
<hr/>		
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 9,229	\$ 8,090
Current portion of derivative instruments	80	118
Accrued liabilities	4,228	4,062
Current portion of post-retirement benefit	480	294
Current portion of long-term debt	8,061	8,061
Current portion of other liabilities	771	2,050
Total current liabilities	<u>22,849</u>	<u>22,675</u>
Long-term debt , net of current portion	70,123	73,169
Post-retirement benefit , net of current portion	649	649
Derivative instruments , net of current portion	8	59
Other liabilities , net of current portion	2,383	2,351
Deferred income taxes	<u>22,817</u>	<u>16,503</u>
Total liabilities	<u>118,829</u>	<u>115,406</u>
<hr/>		
EQUITY		
Common stock -authorized 40 million shares of \$.10 par value; issued and outstanding 24.2 million and 24.1 million shares in 2016 and 2015, respectively	2,451	2,416
Additional paid-in capital	52,804	50,662
Common stock in treasury , at cost 0.3 million shares	(284)	-
Retained earnings	<u>109,066</u>	<u>89,018</u>
<hr/>		
Total Trecora Resources Stockholders' Equity	164,037	142,096
<hr/>		
Noncontrolling Interest	289	289
<hr/>		
Total equity	<u>164,326</u>	<u>142,385</u>
<hr/>		
TOTAL LIABILITIES AND EQUITY	<u>\$ 283,155</u>	<u>\$ 257,791</u>

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

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	SEPTEMBER 30,		SEPTEMBER 30,	
	2016	2015	2016	2015
	<i>(thousands of dollars)</i>			
REVENUES				
Petrochemical and Product Sales	\$ 52,115	\$ 63,190	\$ 143,662	\$ 170,396
Processing Fees	5,027	3,748	14,534	11,035
	<u>57,142</u>	<u>66,938</u>	<u>158,196</u>	<u>181,431</u>
<hr/>				
OPERATING COSTS AND EXPENSES				
Cost of Sales and Processing (including depreciation and amortization of \$2,373, \$2,118, \$6,620, and \$6,083, respectively)	48,237	50,903	123,946	135,679
	<u>8,905</u>	<u>16,035</u>	<u>32,250</u>	<u>45,752</u>
<hr/>				
GROSS PROFIT				
	4,585	4,778	15,525	14,886
Depreciation	192	194	556	579
	<u>4,777</u>	<u>4,972</u>	<u>16,081</u>	<u>15,465</u>
<hr/>				
OPERATING INCOME	4,128	11,063	16,169	30,287
<hr/>				
OTHER INCOME (EXPENSE)				
Interest Expense	(568)	(535)	(1,803)	(1,718)
Bargain purchase gain from acquisition	-	-	11,549	-
Equity in Earnings (Losses) of AMAK	(2,089)	(2,054)	5,079	(2,364)

Miscellaneous Income (Expense)	(72)	7	38	6
	(2,729)	(2,582)	14,863	(4,076)
INCOME BEFORE INCOME TAXES	1,399	8,481	31,032	26,211
INCOME TAXES	659	3,163	10,984	8,735
NET INCOME	740	5,318	20,048	17,476
NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTEREST	--	--	--	--
NET INCOME ATTRIBUTABLE TO TRECORA RESOURCES	\$ 740	\$ 5,318	\$ 20,048	\$ 17,476
Basic Earnings per Common Share				
Net Income Attributable to Trecora Resources (dollars)	\$ 0.03	\$ 0.22	\$ 0.82	\$ 0.72
Basic Weighted Average Number of Common Shares Outstanding	24,507	24,369	24,498	24,344
Diluted Earnings per Common Share				
Net Income Attributable to Trecora Resources (dollars)	\$ 0.03	\$ 0.21	\$ 0.80	\$ 0.69
Diluted Weighted Average Number of Common Shares Outstanding	25,205	25,228	25,158	25,176

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

Adjusted EBITDA Margin

	THREE MONTHS ENDED 09/30/16				THREE MONTHS ENDED 09/30/15			
	<u>TC</u>	<u>SHR</u>	<u>CORP</u>	<u>TREC</u>	<u>TC</u>	<u>SHR</u>	<u>CORP</u>	<u>TREC</u>
NET INCOME (LOSS)	\$(691)	\$3,988	\$(2,557)	\$ 740	\$ 119	\$8,671	\$(3,472)	\$5,318
Interest	-	565	3	568	-	532	3	535
Taxes	(372)	1,824	(793)	659	65	3,361	(263)	3,163
Depreciation and amortization	25	156	11	192	22	154	18	194
Depreciation and amortization in cost of sales	1,082	1,291	-	2,373	1,193	925	-	2,118
EBITDA	44	7,824	(3,336)	4,532	1,399	13,643	(3,714)	11,328
Share based compensation	-	-	608	608	-	-	505	505
Equity in losses of AMAK	-	-	2,089	2,089	-	-	2,054	2,054
Adjusted EBITDA	\$44	\$7,824	\$(639)	\$7,229	\$1,399	\$13,643	\$(1,155)	\$13,887
Revenue	6,983	50,159		57,142	6,452	60,486		66,938
Adjusted EBITDA Margin (adjusted EBITDA/revenue)	0.6%	15.6%		12.7%	21.7%	22.6%		20.7%
	NINE MONTHS ENDED 09/30/16				NINE MONTHS ENDED 09/30/15			
	<u>TC</u>	<u>SHR</u>	<u>CORP</u>	<u>TREC</u>	<u>TC</u>	<u>SHR</u>	<u>CORP</u>	<u>TREC</u>
NET INCOME (LOSS)	\$7,386	\$13,253	\$(591)	\$ 20,048	\$ 226	\$ 23,201	\$(5,951)	\$ 17,476
Interest	-	1,797	6	1,803	-	1,711	7	1,718
Taxes	4,041	6,443	500	10,984	122	10,211	(1,598)	8,735
Depreciation and amortization	60	468	28	556	64	497	18	579
Depreciation and amortization in cost of sales	2,877	3,743	-	6,620	3,458	2,625	-	6,083
EBITDA	14,364	25,704	(57)	40,011	3,870	38,245	(7,524)	34,591
Share based compensation	-	-	1,882	1,882	-	-	1,794	1,794
Bargain purchase gain	(11,549)	-	-	(11,549)	-	-	-	-
Equity in (earnings) losses of AMAK	-	-	(5,079)	(5,079)	-	-	2,364	2,364
Adjusted EBITDA	\$2,815	\$25,704	\$(3,254)	\$25,265	\$ 3,870	\$38,245	\$(3,366)	\$ 38,749
Revenue	22,351	135,844		158,195	18,375	163,056		181,431
Adjusted EBITDA Margin (adjusted EBITDA/revenue)	12.6%	18.9%		16.0%	21.1%	23.5%		21.4%

Adjusted Net Income and Estimated EPS Impact

	<u>Three months ended</u>		<u>Nine months ended</u>	
	<u>9/30/2016</u>	<u>9/30/2015</u>	<u>9/30/2016</u>	<u>9/30/2015</u>
NET INCOME	\$740	\$5,318	\$20,048	\$17,476
Bargain purchase gain	\$0	\$0	\$11,549	\$0
Equity in (earnings) losses of AMAK	\$2,089	\$2,054	(\$5,079)	\$2,364
Taxes at statutory rate of 35%	(\$731)	(\$719)	\$5,820	(\$827)
Tax effected equity in AMAK and bargain purchase gain	\$1,358	\$1,335	(\$10,808)	\$1,537
Adjusted Net Income	\$2,098	\$6,653	\$9,240	\$19,013
Diluted weighted average number of shares	25,205	25,228	25,158	25,176
Estimated effect on diluted EPS (tax effected equity in AMAK and bargain purchase gain/diluted weighted average number of shares)	(\$0.05)	(\$0.05)	\$0.43	(\$0.06)

(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-third-quarter-2016-results-300357185.html>

SOURCE Trecora Resources