

August 6, 2015



# Trecora Resources Reports Improved Second Quarter 2015 Profitability

**Declining Feedstock Prices Continue to Drive Margin Expansion**

**Net Income Increases 27% to \$6.4 Million**

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

SUGAR LAND, Texas, Aug. 6, 2015 /PRNewswire/ -- Trecora Resources (NYSE: TREC), a leading provider of high purity specialty hydrocarbons and waxes, today announced financial results for the second quarter and six months ended June 30, 2015.



## Second Quarter 2015 Financial Highlights

- Gross profit of \$15.2 million, up 30% from \$11.7 million in the second quarter of 2014
- Gross profit margin of 25.6% compared with 15.7% in the second quarter of 2014
- Adjusted EBITDA of \$12.3 million compared with \$9.0 million in the second quarter of 2014
- Adjusted EBITDA margins of 20.8% compared with 12.0% in the second quarter of 2014
- Diluted EPS of \$0.25 compared with \$0.20 in the year-ago period
- Trecora Chemical contributes revenue of \$5.5 million and EBITDA of \$0.4 million

## Second Quarter 2015 Results

Total revenue in the second quarter was \$59.4 million compared with \$74.6 million in the second quarter of 2014. The decline in reported revenue was driven by a 41.6% reduction in the average per gallon cost of petrochemical feedstock in the second quarter, which rolls over into the formula pricing mechanism for petrochemical product sales. Consequently, the average sales price of petrochemical products decreased by 24.0%. The lower feedstock costs more than offset the formula-driven price reductions, and combined with lower excess product sales, resulted in higher profit margins.

Gross profit margin increased to 25.6% in the second quarter of 2015, compared with 15.7% in the second quarter of 2014. This increase in gross profit margin reflects the impact of lower petrochemical feedstock prices.

Total adjusted EBITDA was \$12.3 million, an increase of 37.5% over adjusted EBITDA of \$9.0 million in the year-ago period. The adjusted EBITDA margin increased to 20.8% in the second quarter of 2015, compared with 12.0% in the second quarter of 2014.

Net income for the second quarter was \$6.4 million, or \$0.25 per diluted share, compared with net income of \$5.0 million, or \$0.20 per diluted share, for the second quarter of 2014.

Trecora President and CEO Simon Upfill-Brown commented, "Like last quarter, the Company delivered very good financial and operating results in the second quarter. Led by our South Hampton Resources division, we generated significant profit and margin growth despite sharply lower revenues. Trecora Chemical generated modestly positive EBITDA during the quarter, and wax approvals and new orders continue to grow. Finally, AMAK showed significant improvement in plant availability and throughput this quarter as we continue to drive operational efficiencies. AMAK

delivered 'Net Income Before Depreciation, Depletion and Amortization' of just under \$4 million in the quarter."

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

Petrochemical volume in the second quarter was 19.6 million gallons, compared with 20.7 million gallons in the second quarter of 2014. Product volume was affected by continued variability in demand from SHR's Canadian oil sands customer. Excluding Canadian oil sands, prime product volumes in the second quarter of 2015 were up 11.1% from a year ago, indicating a healthy growth of non-oil sands business. SHR's D-Train expansion continues on schedule with approximately 1,000 barrels of feedstock capacity per day (bpd) now online, and an additional 3,000 bpd of feedstock capacity planned by the end of this year. International volume represented 19.4% of total petrochemical volume during the quarter, which is indicative of the decrease in oil sands shipments. SHR continues to engage in active discussions with several potential customers in Asia.

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

The integration of TC is largely complete, and the Company continues to make significant progress improving wax quality and consistency. TC's second quarter revenue was \$5.5 million, including \$1.2 million of custom processing fees. The expansion of the custom processing distillation and hydrogenation capability is underway with completion expected in the first quarter of 2016.

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

We reported a loss in equity in AMAK of approximately \$0.4 million during the second quarter primarily due to there being just one shipment during the second quarter, with delays pushing two shipments into July. The management team continues to make progress on improving recoveries and overall operating efficiencies. The precious metals circuit was down for most of the second quarter due to governmental concern over storage of the raw material required for the process. The issue has been resolved, and the circuit should run for most of the second half of 2015. The talc circuit is now operational leading to further recovery and operational improvements.

### **Year-to-Date 2015 Results**

Total revenue for the six months ended June 30, 2015, was \$114.5 million, compared with revenue \$138.7 million in the first six months of 2014. Total TC revenue for the six months ended June 30, 2015, was \$11.9 million which included \$4.2 million of processing fees.

Gross profit for the first six months of 2015 was \$30.9 million, compared with \$20.4 million in the same period in 2014. Gross profit margin in the first six months of 2015 was 27.0%, compared with 14.7% in the same period in 2014.

Adjusted EBITDA for the first six months of 2015 was \$24.9 million, compared with \$14.8 million in the same period in 2014. Adjusted EBITDA margin in the first six months of 2015 was 21.7%, compared with 10.6% in the same period of 2014.

Net income for the first six months of 2015 was \$12.2 million, representing an increase of 60% as compared with \$7.6 million in the same period of 2014. Diluted EPS were \$0.48 compared with \$0.31 in the same period of 2014.

### **Balance Sheet**

As of June 30, 2015, cash and cash equivalents were \$8.7 million compared with \$8.5 million at the close of 2014. Total debt was \$77 million. Capital expenditures during the quarter were \$9.1 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.viavid.com/index.php?id=115167>. 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 1-888-299-7209 or 1-719-785-1753 if calling internationally, using the conference ID 7111970. 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 7111970 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 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.

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### TRECORA RESOURCES AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS

|                                                        | JUNE 30,<br>2015<br>(unaudited) | DECEMBER<br>31,<br>2014 |
|--------------------------------------------------------|---------------------------------|-------------------------|
|                                                        | <i>(thousands of dollars)</i>   |                         |
| <b>ASSETS</b>                                          |                                 |                         |
| <b>Current Assets</b>                                  |                                 |                         |
| Cash and cash equivalents                              | \$ 8,654                        | \$ 8,506                |
| Trade receivables, net                                 | 22,122                          | 28,271                  |
| Inventories                                            | 15,058                          | 12,815                  |
| Prepaid expenses and other assets                      | 3,400                           | 3,257                   |
| Taxes receivable                                       | -                               | 434                     |
| Deferred income taxes                                  | <u>1,481</u>                    | <u>1,652</u>            |
| Total current assets                                   | 50,715                          | 54,935                  |
| <b>Plant, pipeline and equipment, net</b>              | 86,652                          | 73,811                  |
| <b>Goodwill</b>                                        | 21,798                          | 21,750                  |
| <b>Other intangible assets, net</b>                    | 25,293                          | 26,235                  |
| <b>Investment in AMAK</b>                              | 52,712                          | 53,023                  |
| <b>Mineral properties in the United States</b>         | 588                             | 588                     |
| <b>Other assets</b>                                    | <u>1,186</u>                    | <u>1,732</u>            |
| <b>TOTAL ASSETS</b>                                    | <u>\$ 238,944</u>               | <u>\$ 232,074</u>       |
| <b>LIABILITIES</b>                                     |                                 |                         |
| <b>Current Liabilities</b>                             |                                 |                         |
| Accounts payable                                       | \$ 8,180                        | \$ 9,535                |
| Current portion of derivative instruments              | 152                             | 362                     |
| Accrued liabilities                                    | 3,407                           | 5,020                   |
| Accrued liabilities in Saudi Arabia                    | 495                             | 495                     |
| Current portion of post-retirement benefit             | 290                             | 286                     |
| Current portion of long-term debt                      | 7,263                           | 7,000                   |
| Current portion of other liabilities                   | <u>2,691</u>                    | <u>2,183</u>            |
| Total current liabilities                              | 22,478                          | 24,881                  |
| <b>Long-term debt, net of current portion</b>          | 69,687                          | 73,450                  |
| <b>Post-retirement benefit, net of current portion</b> | 649                             | 649                     |
| <b>Derivative instruments, net of current portion</b>  | 117                             | 196                     |

|                                                                                                                                                                  |                   |                   |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|-------------------|
| <b>Other liabilities</b> , net of current portion                                                                                                                | 901               | 1,039             |
| <b>Deferred income taxes</b>                                                                                                                                     | <u>10,231</u>     | <u>10,471</u>     |
| <b>Total liabilities</b>                                                                                                                                         | <u>104,063</u>    | <u>110,686</u>    |
| <b>EQUITY</b>                                                                                                                                                    |                   |                   |
| <b>Common stock</b> -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             |
| <b>Additional paid-in capital</b>                                                                                                                                | 49,607            | 48,282            |
| <b>Retained earnings</b>                                                                                                                                         | <u>82,578</u>     | <u>70,420</u>     |
| Total Trecora Resources Stockholders' Equity                                                                                                                     | 134,592           | 121,099           |
| Noncontrolling Interest                                                                                                                                          | <u>289</u>        | <u>289</u>        |
| <b>Total equity</b>                                                                                                                                              | <u>134,881</u>    | <u>121,388</u>    |
| <b>TOTAL LIABILITIES AND EQUITY</b>                                                                                                                              | <u>\$ 238,944</u> | <u>\$ 232,074</u> |

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

|                                                                                                                                 | <b>THREE MONTHS<br/>ENDED</b> |                 | <b>SIX MONTHS ENDED</b> |                 |
|---------------------------------------------------------------------------------------------------------------------------------|-------------------------------|-----------------|-------------------------|-----------------|
|                                                                                                                                 | <b>JUNE 30,</b>               |                 | <b>JUNE 30,</b>         |                 |
|                                                                                                                                 | <b>2015</b>                   | <b>2014</b>     | <b>2015</b>             | <b>2014</b>     |
|                                                                                                                                 | <i>(thousands of dollars)</i> |                 |                         |                 |
| <b>REVENUES</b>                                                                                                                 |                               |                 |                         |                 |
| Petrochemical and Product Sales                                                                                                 | \$ 56,665                     | \$ 72,842       | \$ 107,206              | \$ 135,234      |
| Processing Fees                                                                                                                 | <u>2,685</u>                  | <u>1,711</u>    | <u>7,287</u>            | <u>3,419</u>    |
|                                                                                                                                 | 59,350                        | 74,553          | 114,493                 | 138,653         |
| <b>OPERATING COSTS AND EXPENSES</b>                                                                                             |                               |                 |                         |                 |
| Cost of Sales and Processing<br>(including depreciation and amortization of \$1,939, \$868, \$3,965, and \$1,733, respectively) | <u>44,166</u>                 | <u>62,853</u>   | <u>83,596</u>           | <u>118,239</u>  |
| <b>GROSS PROFIT</b>                                                                                                             | 15,184                        | 11,700          | 30,897                  | 20,414          |
| <b>GENERAL AND ADMINISTRATIVE EXPENSES</b>                                                                                      |                               |                 |                         |                 |
| General and Administrative                                                                                                      | 5,523                         | 4,154           | 11,288                  | 8,343           |
| Depreciation                                                                                                                    | <u>170</u>                    | <u>136</u>      | <u>385</u>              | <u>275</u>      |
|                                                                                                                                 | <u>5,693</u>                  | <u>4,290</u>    | <u>11,673</u>           | <u>8,618</u>    |
| <b>OPERATING INCOME</b>                                                                                                         | 9,491                         | 7,410           | 19,224                  | 11,796          |
| <b>OTHER INCOME (EXPENSE)</b>                                                                                                   |                               |                 |                         |                 |
| Interest Income                                                                                                                 | 7                             | 9               | 13                      | 18              |
| Interest Expense                                                                                                                | (570)                         | 11              | (1,183)                 | (99)            |
| Losses on Cash Flow Hedge Reclassified from OCI                                                                                 | -                             | (63)            | -                       | (130)           |
| Equity in Earnings (Losses) of AMAK                                                                                             | (369)                         | 6               | (310)                   | (344)           |
| Miscellaneous Expense                                                                                                           | <u>(40)</u>                   | <u>(4)</u>      | <u>(14)</u>             | <u>(49)</u>     |
|                                                                                                                                 | <u>(972)</u>                  | <u>(41)</u>     | <u>(1,494)</u>          | <u>(604)</u>    |
| <b>INCOME BEFORE INCOME TAXES</b>                                                                                               | 8,519                         | 7,369           | 17,730                  | 11,192          |
| <b>INCOME TAXES</b>                                                                                                             | <u>2,145</u>                  | <u>2,369</u>    | <u>5,572</u>            | <u>3,593</u>    |
| <b>NET INCOME</b>                                                                                                               | 6,374                         | 5,000           | 12,158                  | 7,599           |
| <b>NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTEREST</b>                                                                         | ==                            | ==              | ==                      | ==              |
| <b>NET INCOME ATTRIBUTABLE TO TRECORA RESOURCES</b>                                                                             | <u>\$ 6,374</u>               | <u>\$ 5,000</u> | <u>\$ 12,158</u>        | <u>\$ 7,599</u> |
| <b>Basic Earnings per Common Share</b>                                                                                          |                               |                 |                         |                 |

|                                                              |               |               |               |               |
|--------------------------------------------------------------|---------------|---------------|---------------|---------------|
| Net Income Attributable to Trecora Resources (dollars)       | \$ 0.26       | \$ 0.21       | \$ 0.50       | \$ 0.32       |
| Basic Weighted Average Number of Common Shares Outstanding   | <u>24,354</u> | <u>24,165</u> | <u>24,331</u> | <u>24,158</u> |
| <b>Diluted Earnings per Common Share</b>                     |               |               |               |               |
| Net Income Attributable to Trecora Resources (dollars)       | \$ 0.25       | \$ 0.20       | \$ 0.48       | \$ 0.31       |
| Diluted Weighted Average Number of Common Shares Outstanding | <u>25,155</u> | <u>24,813</u> | <u>25,150</u> | <u>24,866</u> |

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

|                                                             | THREE MONTHS<br>ENDED<br>30-Jun |           | SIX MONTHS ENDED<br>30-Jun |            |
|-------------------------------------------------------------|---------------------------------|-----------|----------------------------|------------|
|                                                             | 2015                            | 2014      | 2015                       | 2014       |
|                                                             | <i>(thousands of dollars)</i>   |           |                            |            |
| <b>NET INCOME</b>                                           | \$ 6,374                        | \$ 5,000  | \$ 12,158                  | \$ 7,599   |
| Add back:                                                   |                                 |           |                            |            |
| Interest                                                    | 570                             | 52        | 1,183                      | 229        |
| Taxes                                                       | 2,145                           | 2,369     | 5,572                      | 3,593      |
| Depreciation and amortization                               | 170                             | 136       | 385                        | 275        |
| Depreciation and amortization in cost of sales              | 1,939                           | 868       | 3,965                      | 1,733      |
| <b>EBITDA</b>                                               | \$ 11,198                       | \$ 8,425  | \$ 23,263                  | \$ 13,429  |
| Share based compensation                                    | 764                             | 548       | 1,289                      | 973        |
| Equity in (earnings) losses of AMAK                         | 369                             | (6)       | 310                        | 344        |
| <b>Adjusted EBITDA</b>                                      | \$ 12,331                       | \$ 8,967  | \$ 24,862                  | \$ 14,746  |
| <b>Revenue</b>                                              | \$ 59,350                       | \$ 74,553 | \$ 114,493                 | \$ 138,653 |
| <b>Adjusted EBITDA Margin<br/>(adjusted EBITDA/revenue)</b> | 20.8%                           | 12.0%     | 21.7%                      | 10.6%      |

(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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