



Your Specialty Chemical Partner

September 2018 Investor Deck



Safe Harbor

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Why Invest in Trecora?

Trecora Resources (NYSE: TREC) is a leading provider of high-purity light hydrocarbons, specialty waxes and custom processing services

1. Strong base business with limited competition and opportunity to grow



- **South Hampton Resources:** Leading manufacturer of high-purity pentanes
- **Trecora Chemical:** Manufacturer of polyethylene wax and wax derivatives
- Well positioned to benefit from the resurgence of the US chemical industry
- Experiencing strong demand for custom processing
- Focus on improving operations and organizational effectiveness to drive performance
- Multiple initiatives in place to increase gross, operating and Adjusted EBITDA margins



2. Recently completed \$115 million capital campaign – state-of-the-art production facilities will increase capacity and are expected to approximately double 2017 Adjusted EBITDA of \$32 million by 2022



- **South Hampton Resources**
 - D Train completed – ramping volume to generate \$6-\$8M in incremental EBITDA between 2018 and 2022
 - Advanced Reformer completed July 2018 – optimizing performance in 3Q18 – \$12-\$14M in incremental EBITDA by 2022
- **Trecora Chemical**
 - B Plant – expected to add \$4-\$6M to EBITDA by end of 2018
 - Hydrogenation/Distillation – expected to add \$6-\$8 million in EBITDA by 2019



3. Al-Masane Al Kobara Mining Company (AMAK) monetization opportunity

- Planned divestiture of 33.4% interest in legacy mining operations

Company Evolution

***Transformation from an origin in mining ...
to a leading provider of specialty petrochemicals***

1967

Company
incorporated as
Arabian Shield
Development
Company

1987

Acquired
Sinclair Oil
Refinery – now
operating as
SHR

2014

Acquired TC &
changed name
to Trecora
Resources

2015 - 2018

Company executes \$115
million in capital
projects

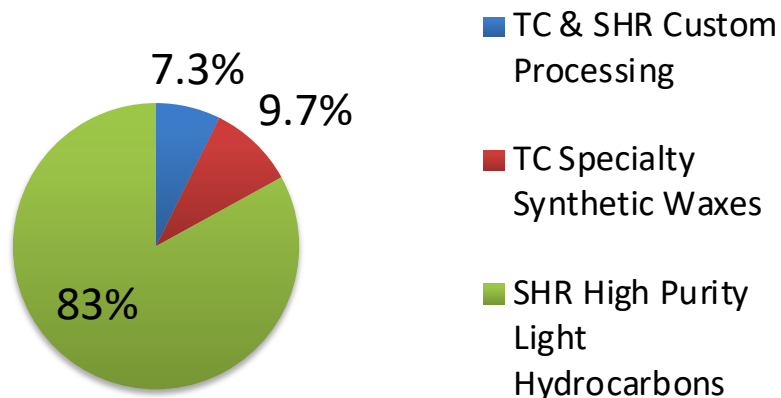
2018 - 2022

***Well positioned for
future growth***

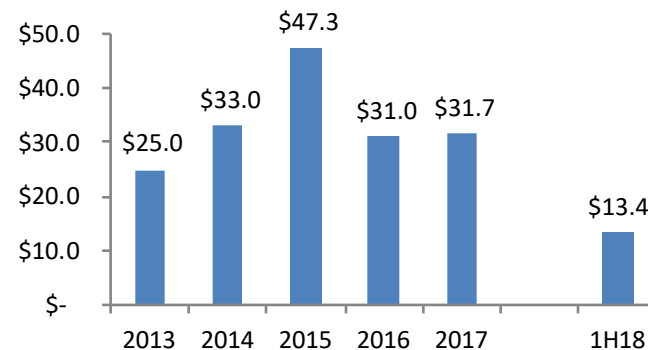
- 2015 – D Train complete
- 2016 – B Plant Acquired
- 2017 – Hydrogenation/
Distillation unit complete
- July 2018 – Advanced reformer
completed
- Estimated incremental EBITDA
from capital projects of \$28 to
\$36 million by 2022
- Potential monetization of
AMAK ownership

Financial Summary

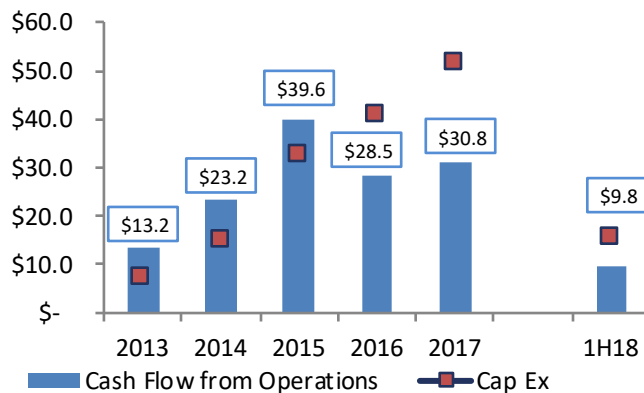
2017 Total Revenues \$245.2 Million



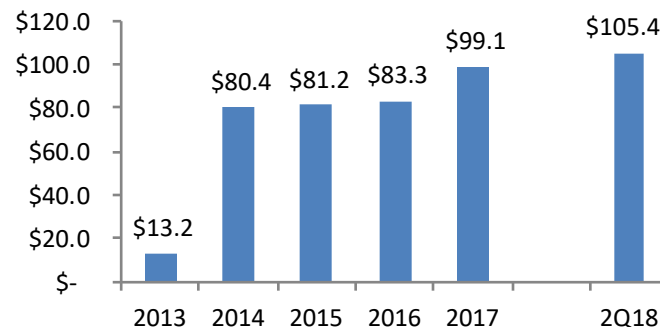
Adjusted EBITDA (\$mm)



Cash Flow from Operations and Capex (\$mm)



Total Debt (\$mm)

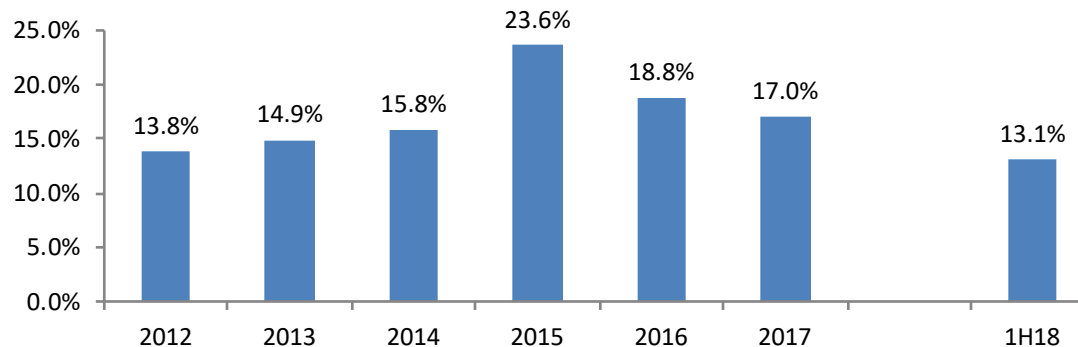


Objective: Improve Gross Margin as Revenue Grows

Ongoing Gross Margin Initiatives

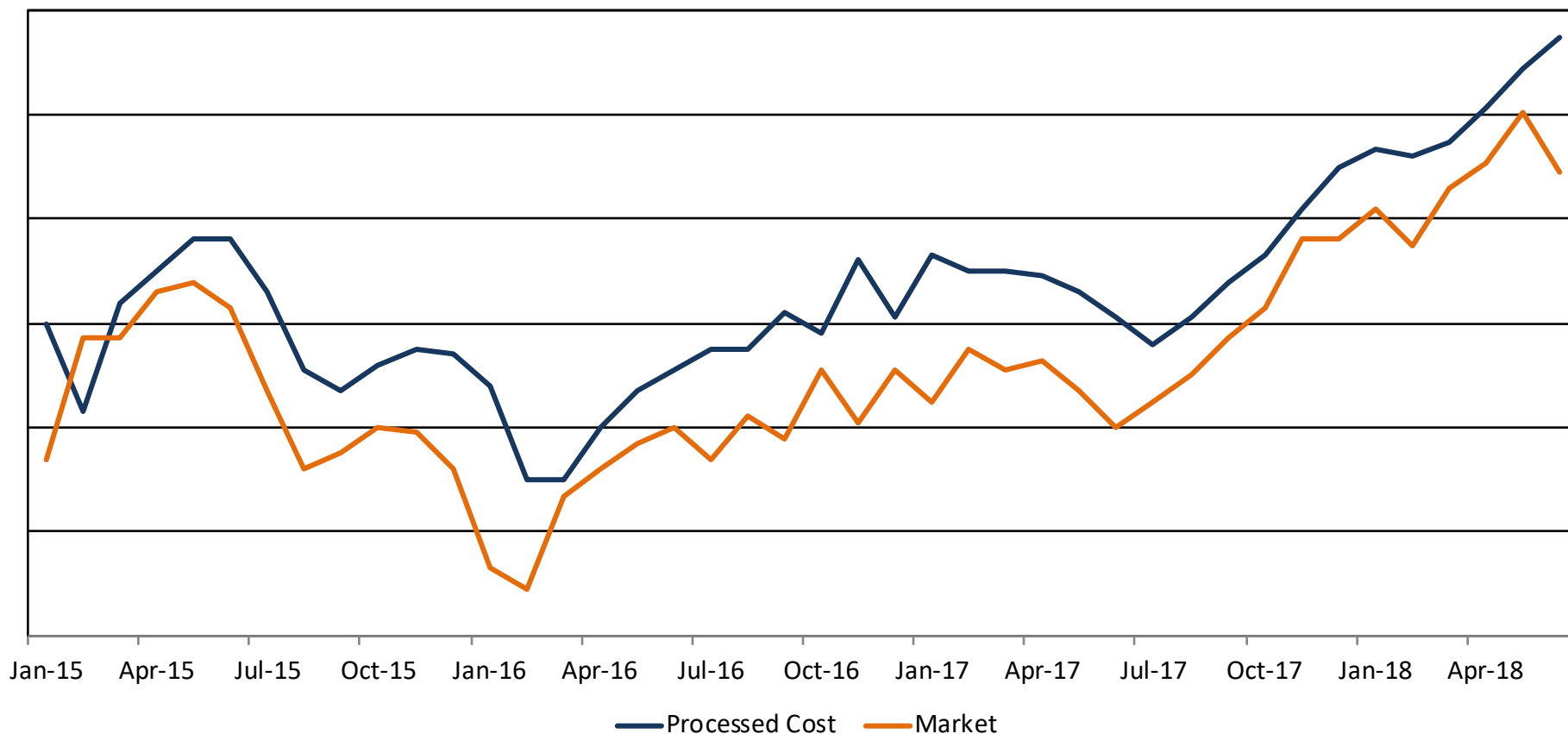
- Ramping volume will drive operational leverage and economies of scale
- Continuing price leadership efforts to drive appropriate prime product margins as input costs rise
- Commissioned Advanced Reformer in July – optimizing performance in Q3 – will significantly increase value of byproducts and improve margins
 - Approximately \$1 million of non-recurring costs associated with the start-up of the Advanced Reformer in Q218
- Organizational changes designed to enhance focus on production and deliver operational excellence
 - Cost control initiatives are being implemented – overtime, headcount and internal railcar costs are under full review

Gross Margin – Initiatives in place to improve gross margin rate



Petrochemical Feed Cost Summary

Processed Feedstock Cost versus Market Price
(per gallon)



South Hampton Resources

Specialty Petrochemical Segment

- **Leading manufacturer of high-purity light hydrocarbons**
 - Disappointing volumes in 2Q18 as several specific customers dealt with their own production issues
 - Expect a return to growth in the second half of 2018
 - Blue Chip customer base
- **Market leader with approximately 60% market share and only one competitor in high-purity pentanes**
- **Easy access to major transportation networks**



SHR: Blue Chip Customers



SHR: Growth Drivers

➤ New polyethylene plants in North America

- Adding 8.0 million metric tons/year of manufacturing capacity by 2020
- 40% increase over current capacity
- Cost advantage driving polyethylene exports

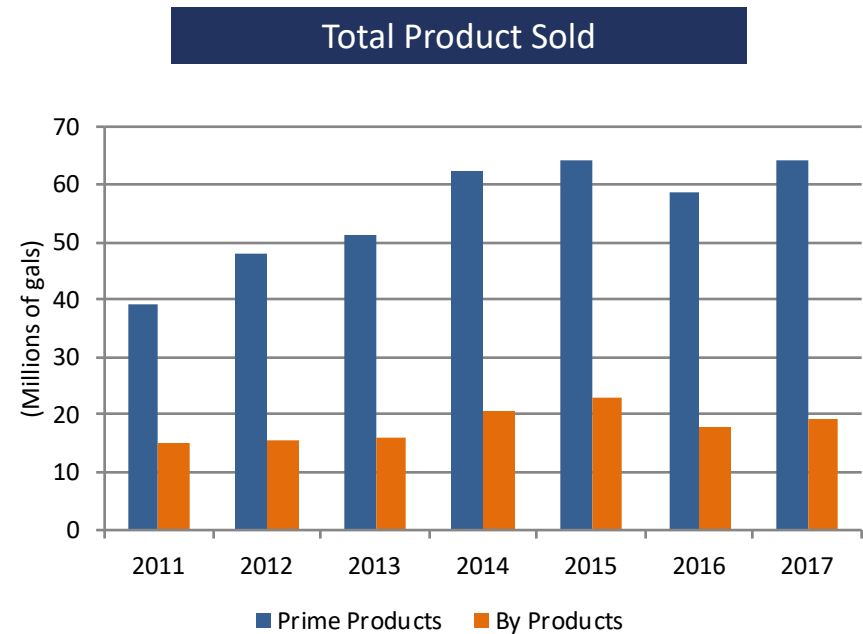
➤ Second Canadian oil sands customer up and running; expect volumes in 2019

➤ Global growth (including Asia)

➤ New product volumes increasing

➤ Major capital projects complete

- Advanced Reformer completed in July 2018: adds significant value to byproduct stream and will deliver between \$12 million to \$14 million in annual EBITDA by 2022
- D Train: Three production trains provide significantly more flexibility and reliability
- Capacity allows for new product development



SHR Advanced Reformer Project

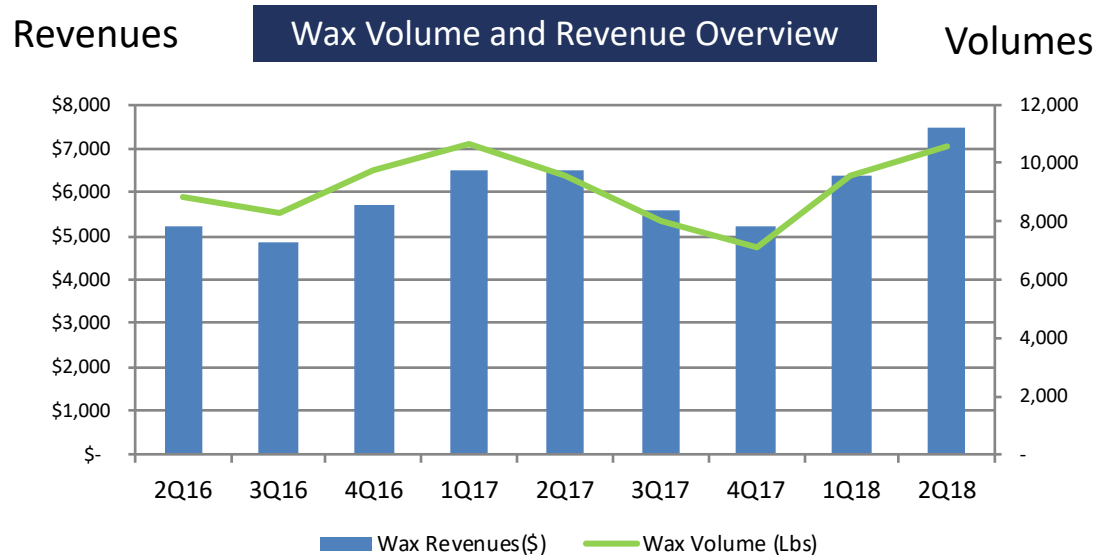
Catalyst to EBITDA Growth



- Advanced Reformer safely and successfully commissioned in early July, 2018
- At \$58 million, our largest capital project designed to produce a significantly higher value-added byproduct stream
 - During Q3 operations will be optimized
- At current byproduct pricing, the margin uplift is approximately 40 cents per gallon
- Production levels will grow as pentane volumes grow – annual EBITDA contribution reaching \$12-\$14 million by 2022

Trecora Chemical

Specialty Waxes Segment



- **Manufactures polyethylene wax and wax derivatives**
 - 2017 Revenues: \$34.8 million; 2Q18 Revenues: \$7.4 million – up 14% from 2017
- **Wax Markets**
 - Hot Melt Adhesives & PVC Lubricants
 - Strong growth in these high margin markets
- **Strong feedstock supply network**
- **Organizational changes implemented in 1Q18; catalyst for driving operational excellence**

TC: Hydrogenation/Distillation Project Completed

Catalyst to EBITDA Growth



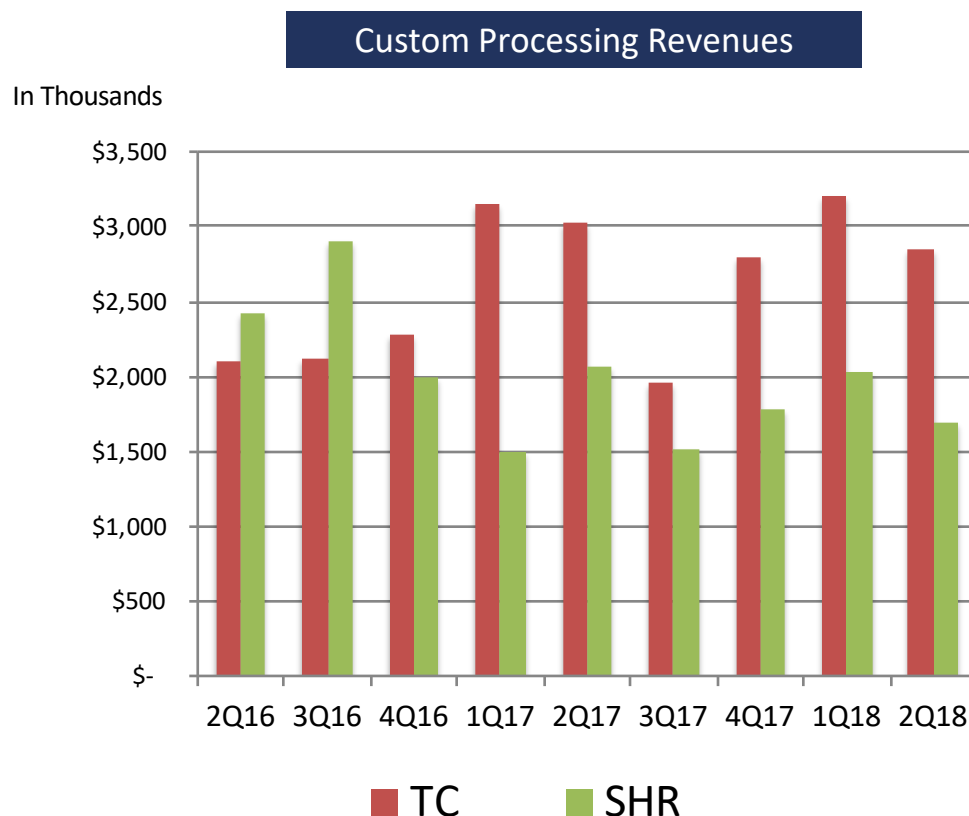
- \$25 million investment
- Expect additional \$6-\$8 M/year in EBITDA run date by 2019

➤ Hydrogenation/Distillation Unit

- Leverage existing relationships with petrochemical customers and generate new custom processing business
- Operating issues and ancillary equipment downtime has delayed full benefit to EBITDA until 2019
- Generated revenue of \$400K in 2Q18 as production ramps

Custom Processing Overview

- **Convert feedstock into value-added products based upon customer specifications**
 - Customers supply and maintain title to feedstock
- **Contractual take or pay agreements with high operating margins**
 - Significant operating leverage above break-even
- **Adding process capabilities that are in short supply in the region**
 - Will benefit from the resurgence in U.S. Chemicals



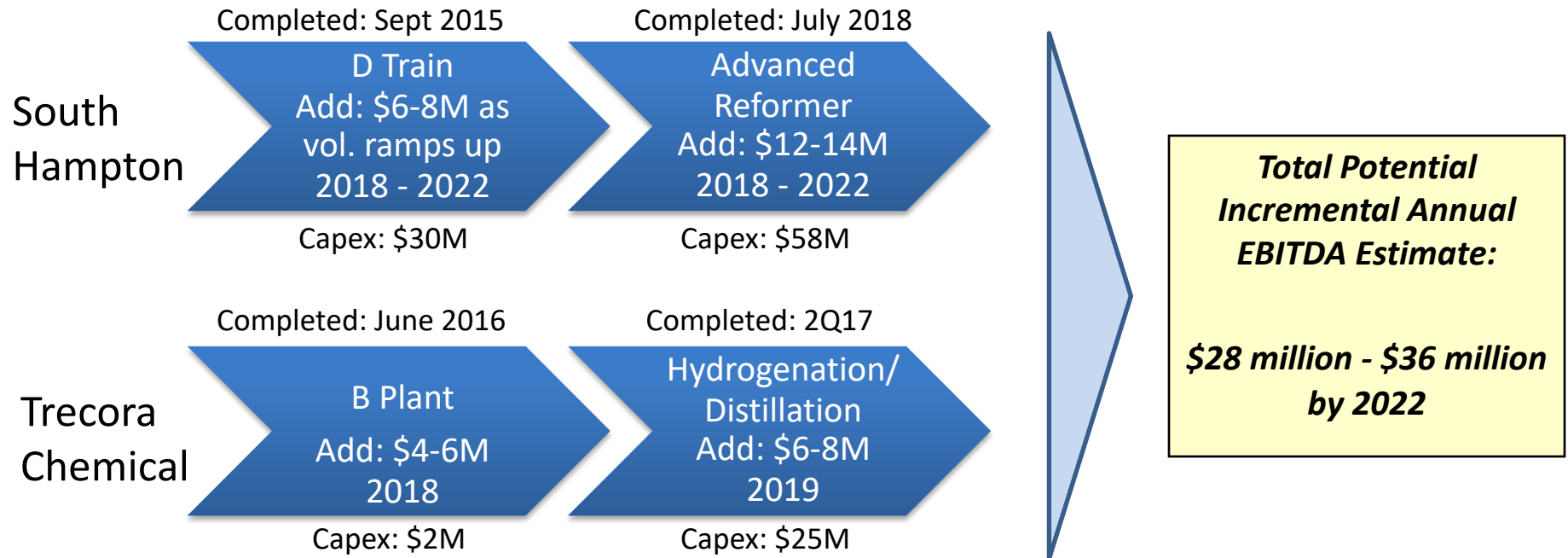
TRECORA[™]
Chemical

 **South Hampton
Resources**

TRECORA[™]
Resources

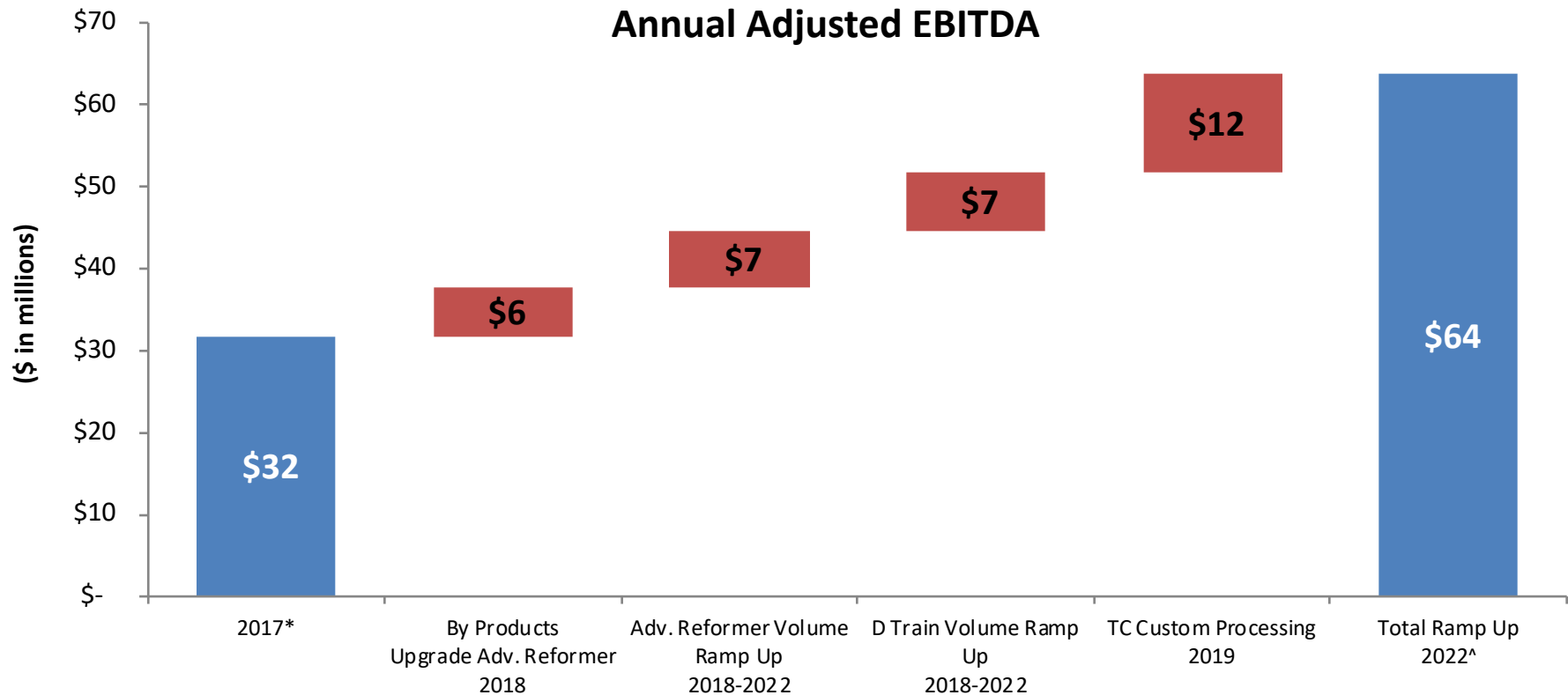
NYSE
EURONEXT

Significant Capital Projects Complete



With capital campaign completed, Cap Ex run-rate declines to approximately \$6 to \$8 million annually

EBITDA Projection From Recent Capital Projects



*- Denotes Adjusted EBITDA for 2017

^- Denotes Projected EBITDA for 2022

AMAK Mine Developments



Operations

- 14,400 dmt sold in 2Q18
 - 6,400 dmt copper concentrate and 8,000 dmt zinc concentrate
- Concentrate quality, throughput rates and recoveries continued steady progress (brief recurrence of water quality issues in June)
- Equity in earnings of \$0.2 million in 2Q18
- Net profit before depreciation and amortization in 1H18 improved \$19.4 million from 1H17



Exploration

- Drilling in Guyana and surrounding areas likely to continue through year end
- Guyana gold project pushed back six months
 - Commission Guyana Gold Project at end of 2019 (design slower, more time for drilling, financing)
- Drilling continues for Al Masane copper and zinc



Precious Metal Circuit/SART

- Availability of PMC, SART capacity continue to improve
- Gold and silver sales doré sales now expected in 3rd quarter



Saudi Industrial Development Fund (SIDF) loan amended on July 8, 2018

- Repayment schedule adjusted and repayment terms extended through April 2024



Growing consistency of operations and established cash flow generation enhances marketability

- Potential buyers approached in Q2
- Saudi investor most likely to purchase our position

Investment Summary

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- **Opportunity to double 2017 Adjusted EBITDA by 2022 by improving margins and leveraging recent capital projects to drive revenue**



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- **Strong core specialty chemical company addressing expanding profitable market opportunities**



- **Investing in higher margin businesses**
- **Internationally competitive in high-growth developed and emerging markets**
 - Footprint in Canada, Middle East and Asia, and expanding into additional markets

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- **Organizationally aligned to transition culture into one of operational excellence to drive growth and EBITDA contribution**

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- **AMAK monetization opportunity**
 - **Objective is financial exit which could generate significant cash**
 - **Growing consistency of operations and established cash flow generation enhances marketability**
 - **Net profit before depreciation and amortization in 1H18 improved \$19.4 million from 1H17**

Thank You

Please visit our websites:

www.trecora.com

www.southhamptonr.com

www.TrecChem.com

www.amak.com.sa

TREC 2Q 2018 Income Statement

TRECORA RESOURCES AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	JUNE 30,		JUNE 30,	
	2018	2017	2018	2017
	(thousands of dollars)		(thousands of dollars)	
REVENUES				
Petrochemical and Product Sales	\$ 63,569	\$ 57,016	\$ 130,268	\$ 107,915
Processing Fees	<u>4,537</u>	<u>5,099</u>	<u>9,579</u>	<u>9,742</u>
	68,106	62,115	139,847	117,657
OPERATING COSTS AND EXPENSES				
Cost of Sales and Processing (including depreciation and amortization of \$2,837, \$2,363, \$5,667, and \$4,746, respectively)	<u>59,964</u>	<u>51,008</u>	<u>121,565</u>	<u>95,932</u>
GROSS PROFIT	8,142	11,107	18,282	21,725
GENERAL AND ADMINISTRATIVE EXPENSES				
General and Administrative	4,554	5,740	10,889	11,961
Depreciation	<u>191</u>	<u>205</u>	<u>387</u>	<u>410</u>
	<u>4,745</u>	<u>5,945</u>	<u>11,276</u>	<u>12,371</u>
OPERATING INCOME	3,397	5,162	7,006	9,354
OTHER INCOME (EXPENSE)				
Interest Income	14	--	21	--
Interest Expense	(815)	(678)	(1,693)	(1,314)
Equity in Earnings (Losses) of AMAK	228	(3,298)	458	(4,264)
Miscellaneous Expense	<u>(13)</u>	<u>(22)</u>	<u>(39)</u>	<u>(64)</u>
	<u>(586)</u>	<u>(3,998)</u>	<u>(1,253)</u>	<u>(5,642)</u>
INCOME BEFORE INCOME TAXES	2,811	1,164	5,753	3,712
INCOME TAXES	<u>596</u>	<u>332</u>	<u>1,186</u>	<u>1,393</u>
NET INCOME	2,215	832	4,567	2,319
NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTEREST	--	--	--	--
NET INCOME ATTRIBUTABLE TO TRECORA RESOURCES	<u>\$ 2,215</u>	<u>\$ 832</u>	<u>\$ 4,567</u>	<u>\$ 2,319</u>
Basic Earnings per Common Share				
Net Income Attributable to Trecora Resources (dollars)	\$ 0.09	\$ 0.03	\$ 0.19	\$ 0.10
Basic Weighted Average Number of Common Shares Outstanding	<u>24,370</u>	<u>24,256</u>	<u>24,354</u>	<u>24,248</u>
Diluted Earnings per Common Share				
Net Income Attributable to Trecora Resources (dollars)	\$ 0.09	\$ 0.03	\$ 0.18	\$ 0.09
Diluted Weighted Average Number of Common Shares Outstanding	<u>25,014</u>	<u>25,034</u>	<u>25,119</u>	<u>25,044</u>

TREC Adjusted EBITDA Calculation

(In Thousands)

	Three months ended					Twelve months ended	
	6/30/2018	3/31/2018	12/31/2017	9/30/2017	6/30/2017	12/31/2017	12/31/2016
NET INCOME (LOSS)	\$ 2,215	\$ 2,352	\$ 13,972	\$ 1,718	\$ 832	\$ 18,009	\$ 19,428
Interest	815	878	822	795	678	2,931	1,985
Taxes	596	590	(9,129)	577	332	(7,159)	10,504
Depreciation and amortization	191	196	217	246	205	872	761
Depreciation and amortization in cost of sales	2,837	2,829	2,778	2,564	2,363	10,089	9,016
EBITDA	6,654	6,846	8,660	5,900	4,410	24,742	41,694
Share based compensation	(220)	592	702	716	656	2,707	2,552
Bargain purchase gain	-	-	-	-	-	-	(11,549)
Gain from additional equity issuance by AMAK	-	-	-	-	-	-	(3,168)
Equity in losses of AMAK	(228)	(230)	(900)	897	3,298	4,261	1,479
Adjusted EBITDA	<u>\$ 6,206</u>	<u>\$ 7,208</u>	<u>\$ 8,462</u>	<u>\$ 7,513</u>	<u>\$ 8,364</u>	<u>\$ 31,710</u>	<u>\$ 31,008</u>
Revenue	68,106	71,741	65,978	61,508	62,115	245,143	212,399
Adjusted EBITDA Margin (adjusted EBITDA/revenue)	9.1%	10.0%	12.8%	12.2%	13.5%	12.9%	14.6%

TREC Balance Sheet as of 2Q 2018

TRECORA RESOURCES AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS

	JUNE 30, <u>2018</u> (unaudited)	DECEMBER 31, <u>2017</u>
	<i>(thousands of dollars)</i>	
ASSETS		
Current Assets		
Cash	\$ 3,387	\$ 3,028
Trade receivables, net	26,467	25,779
Insurance receivable	493	--
Inventories	17,003	18,450
Prepaid expenses and other assets	5,188	4,424
Taxes receivable	<u>1,291</u>	<u>5,584</u>
Total current assets	53,829	57,265
 Plant, pipeline and equipment, net	 192,084	 181,742
 Goodwill	 21,798	 21,798
 Intangible assets, net	 19,877	 20,808
 Investment in AMAK	 45,452	 45,125
 Mineral properties in the United States	 <u>588</u>	 <u>588</u>
 TOTAL ASSETS	 <u>\$ 333,628</u>	 <u>\$ 327,326</u>
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 11,927	\$ 18,347
Accrued liabilities	5,638	3,961
Current portion of post-retirement benefit	28	305
Current portion of long-term debt	8,061	8,061
Current portion of other liabilities	<u>916</u>	<u>870</u>
Total current liabilities	26,570	31,544
 Long-term debt, net of current portion	 97,015	 91,021
 Post-retirement benefit, net of current portion	 365	 897
 Other liabilities, net of current portion	 1,297	 1,611
 Deferred income taxes	 <u>18,315</u>	 <u>17,242</u>
 Total liabilities	 <u>143,562</u>	 <u>142,315</u>
EQUITY		
Common stock-authorized 40 million shares of \$.10 par value; issued 24.5 million in 2018 and 2017 and outstanding 24.3 million shares in 2018 and 2017	2,451	2,451
Additional paid-in capital	56,365	56,012
Common stock in treasury, at cost	(61)	(196)
Retained earnings	<u>131,022</u>	<u>126,455</u>
Total Trecora Resources Stockholders' Equity	189,777	184,722
Noncontrolling Interest	<u>289</u>	<u>289</u>
Total equity	<u>190,066</u>	<u>185,011</u>
 TOTAL LIABILITIES AND EQUITY	 <u>\$ 333,628</u>	 <u>\$ 327,326</u>