



Your Specialty Chemical Partner

November 2018



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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 (SHR):** Leading manufacturer of high-purity pentanes
- **Trecora Chemical (TC):** Manufacturer of polyethylene wax and wax derivatives
- Well positioned to benefit from the growth of the U.S. chemicals industry
- Experiencing strong demand for custom processing



2. Manufacturing Transformation Plan (MTP): focus on safe, high quality and productive work

- Multiple initiatives to drive operational excellence and reliability and increase margins

3. Recently completed ~\$115 million capital campaign: State-of-the-Art production facilities increase capacity and capability and expected to approximately double 2017 Adjusted EBITDA of \$32 million by 2022

- **South Hampton Resources**
 - D Train completed – as PenHex volumes grow, expected to generate \$6-\$8M in incremental EBITDA by 2022
 - Advanced Reformer to optimize performance in 2019 – \$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 2H19

4. 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

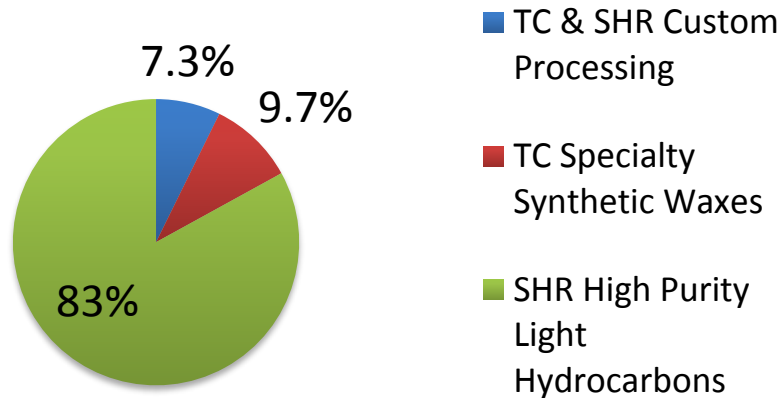
2018 - 2022

Well positioned for future growth

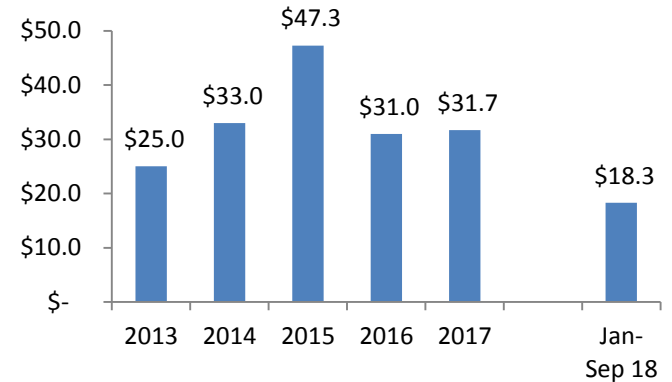
- 2015 – D Train complete
- 2016 – B Plant Acquired
- 2017 – Hydrogenation/ Distillation unit complete
- July 2018 – Advanced Reformer commissioned*
- Estimated incremental Adjusted EBITDA from capital projects of \$28 to \$36 million by 2022
- Potential monetization of AMAK ownership

Financial Summary

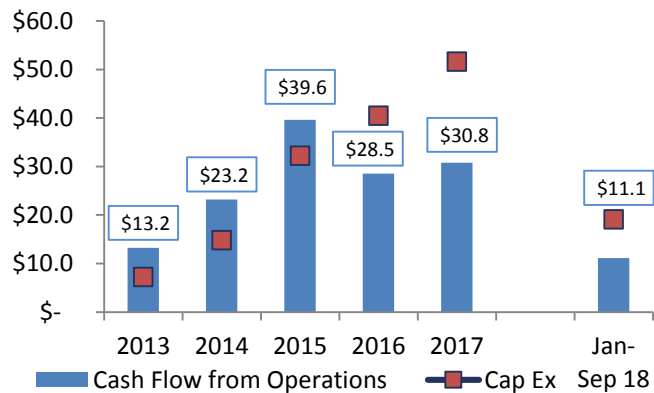
2017 Total Revenues \$245.2 Million



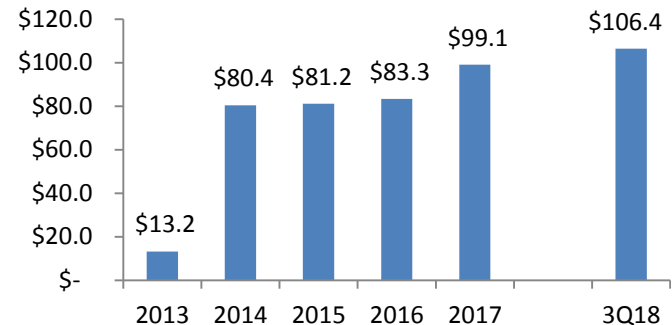
Adjusted EBITDA (\$mm)



Cash Flow from Operations and Capex (\$mm)



Total Debt (\$mm)

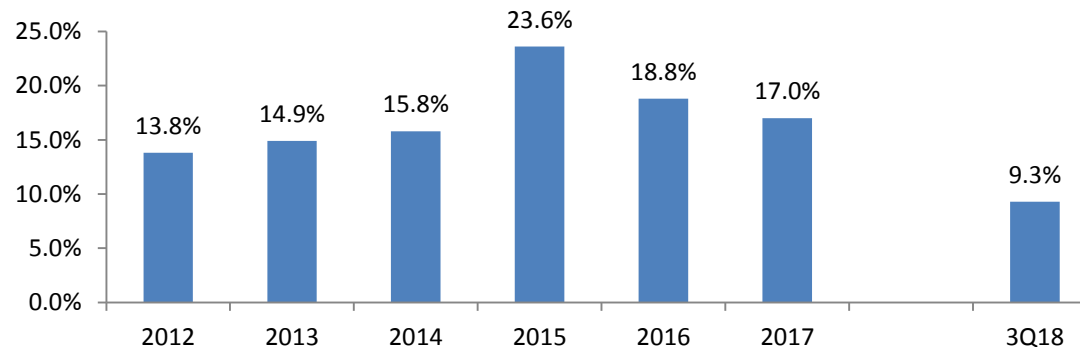


Objective: Improve Gross Margin as Revenue Grows

Ongoing 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
- Manufacturing transformation plan: enhanced focus on reliability and operational excellence
- Cost control efforts being implemented: all cost line items are under full review

Gross Margin – Initiatives in place to improve gross margin rate



Key Initiative: Manufacturing Transformation Plan

Overview

Operational Excellence: Focus on Safety, Consistency, Sustainability

➤ **Manufacturing Transformation Plan**

- Plan established in 2Q18 with an intermediate term timetable for implementation
- Leveraging deep experience to institute Operational Excellence at both facilities
- Implementing a standard suite of consistent, simplified and efficient work processes
 - Step-change improvements → sustainable gains
 - Easily replicated → support future growth

➤ **Guiding Principles**

- Safe work
- Quality work
- Productive work, without compromising safety and quality

➤ **Project Lead: Dick Townsend, EVP, Chief Manufacturing Officer**

- Board member 2011 – May 2018, left Board to lead MTP effort
- Brings 33 years of manufacturing experience with ExxonMobil - systems are proven

Key Initiative: Manufacturing Transformation Plan

Progress To Date

➤ **Safe work – Redefining Safety Standards**

- Conducted Process Safety Management assessment, defined gaps and developed closure plans
- Raised standards for employee/contractor safety
- Goal to have nearly all gaps closed by year-end 2018

➤ **Quality work – Process Stability Differs by Facility**

- **SHR:** Has established process technology and long operational history, goal is to implement procedures and technology enhancements that will:
 - Improve yields, consistency & reliability, reduce energy consumption and significantly decrease unit cost of production
- **TC:** Less mature, assimilation process & major capex largely complete, can now focus on growth:
 - Minor asset modification, process stability, equipment dependability and cost structure enhancement

➤ **Productive work – Overall Manufacturing Focus**

- Stabilize operations
- Improve reliability
- Reduce costs
- Improve organization capability
- Change culture

South Hampton Resources

Specialty Petrochemical Segment

- **Leading manufacturer of high-purity light hydrocarbons**
 - Prime product volumes recovered from 2Q18 dip related to customer-specific issues
 - Advanced Reformer: (1) unit started up and met design operating conditions, (2) late in the quarter external power outage caused a reduction in catalyst activity
 - 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**

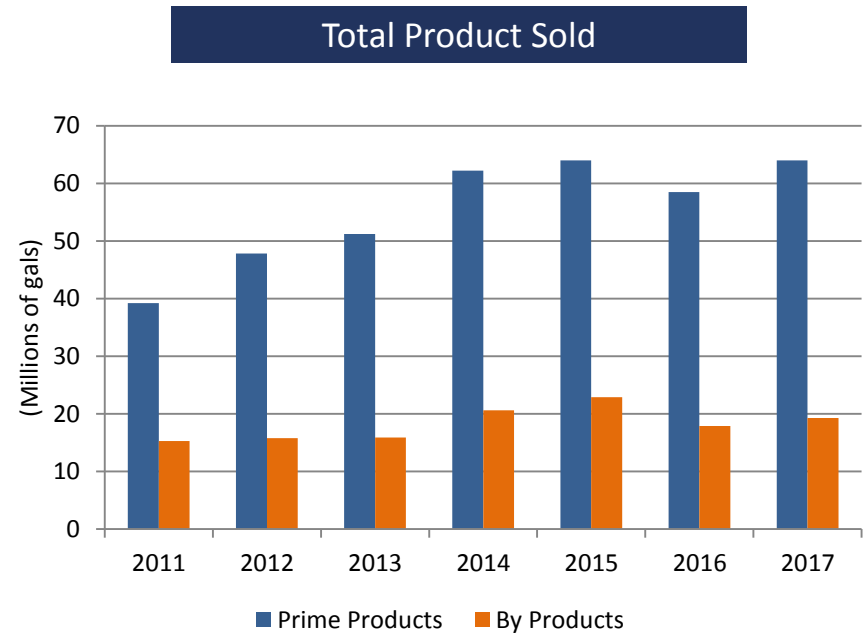


SHR: Blue Chip Customers



SHR: Growth Drivers

- **New polyethylene plants in North America**
 - 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**
 - Advanced Reformer commissioned July 2018: despite external power outage in late 3Q18, still on target to deliver between \$12 - \$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

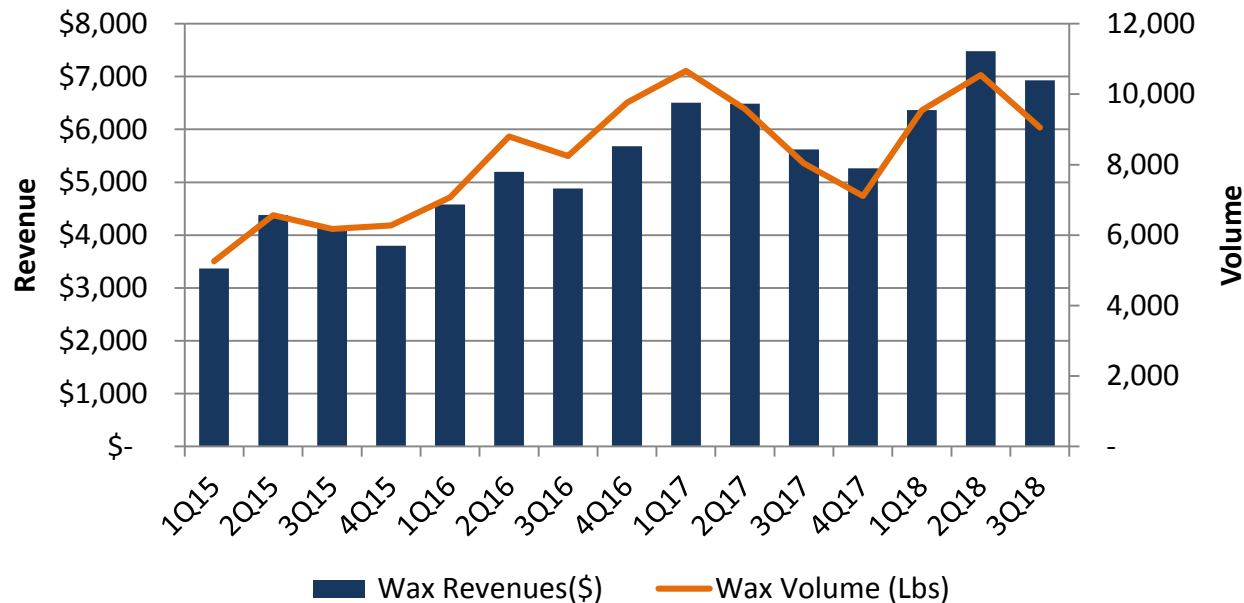
Catalyst to EBITDA Growth



- 3Q18 focus on commissioning, start-up procedures and performance optimization
- Unit delivering on expectations and in line with design until external power outage in late 3Q18; outage caused loss of catalyst activity
- Implementation of solution already in progress with Advanced Reformer to resume full operations in 1Q19
 - Catalyst change-out proceeding according to plan
 - PenHex unit will continue to operate during 45 day Reformer shutdown
- Annual EBITDA contribution of \$12-\$14 million by 2022 as originally expected, with anticipated immediate benefit of \$6 million EBITDA in 2019

Trecora Chemical

Specialty Waxes Segment



➤ **Manufactures polyethylene wax and wax derivatives**

- 2017 Revenues: \$34.8 million; 3Q18 Revenues up 23.3% from 3Q17

➤ **Wax Markets**

- Hot Melt Adhesives & PVC Lubricants
- Strong growth in these high margin markets

➤ **Strong feedstock supply network**

➤ **Organizational changes implemented earlier in the year; catalyst for driving operational excellence**

TC: Hydrogenation/Distillation Project Completed

Catalyst to EBITDA Growth



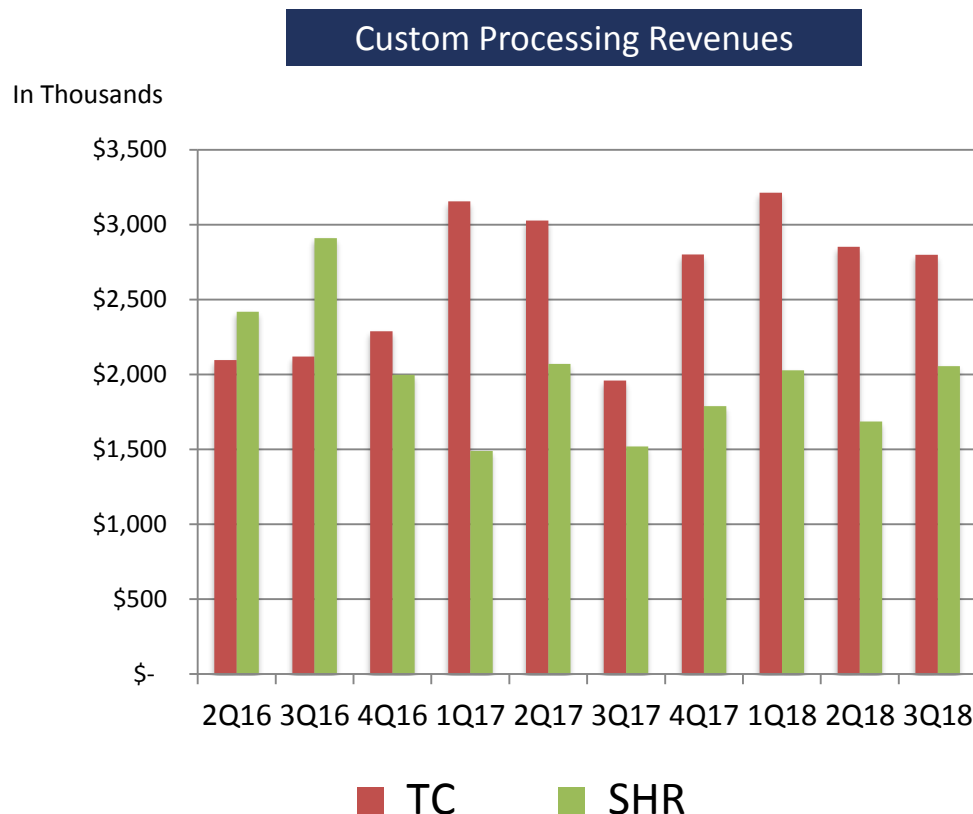
- \$25 million investment
- Expect additional \$6-\$8 M/year in EBITDA run date by 2H19

➤ Hydrogenation/Distillation Unit

- Leverage existing relationships with petrochemical customers and generate new custom processing business
- Design and operating issues and ancillary equipment downtime has delayed benefit from this unit
- Implementation plan to resolve remaining reliability and process issues

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
- **Have added process capabilities that are in short supply in the region**
 - Will benefit from the strengthening of the U.S. chemicals industry



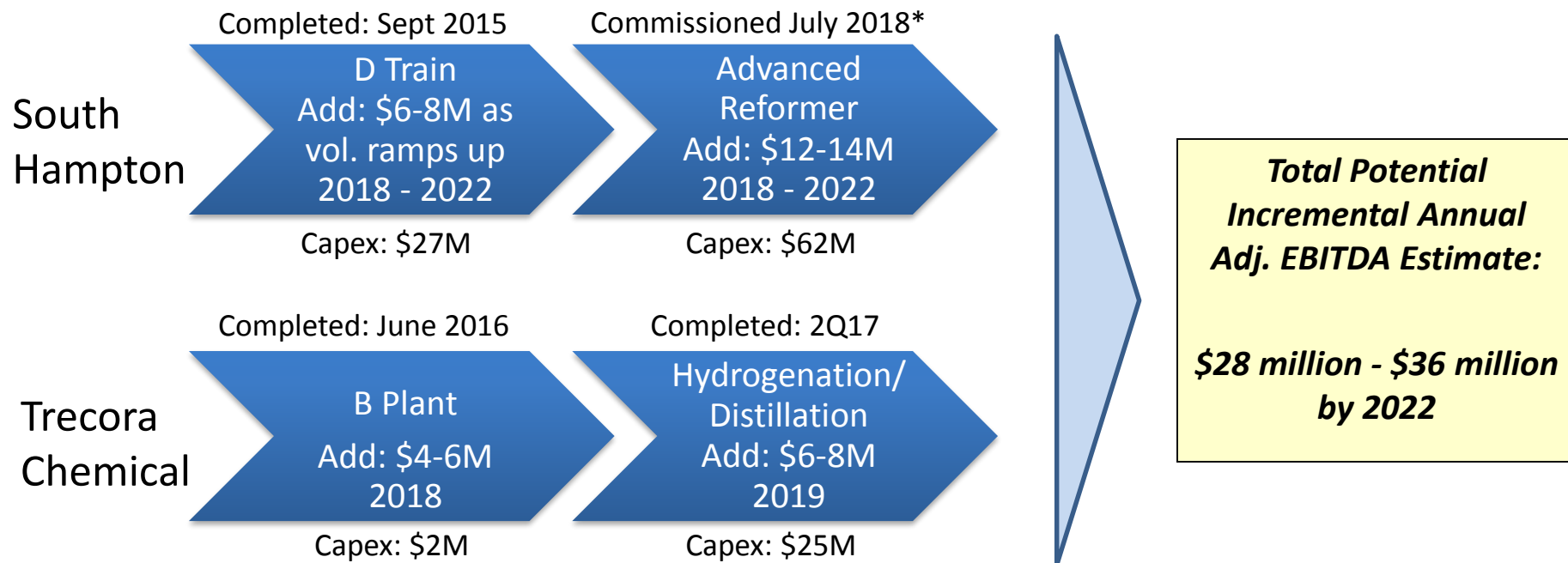
TRECORA
Chemical

 **South Hampton
Resources**

TRECORA
Resources

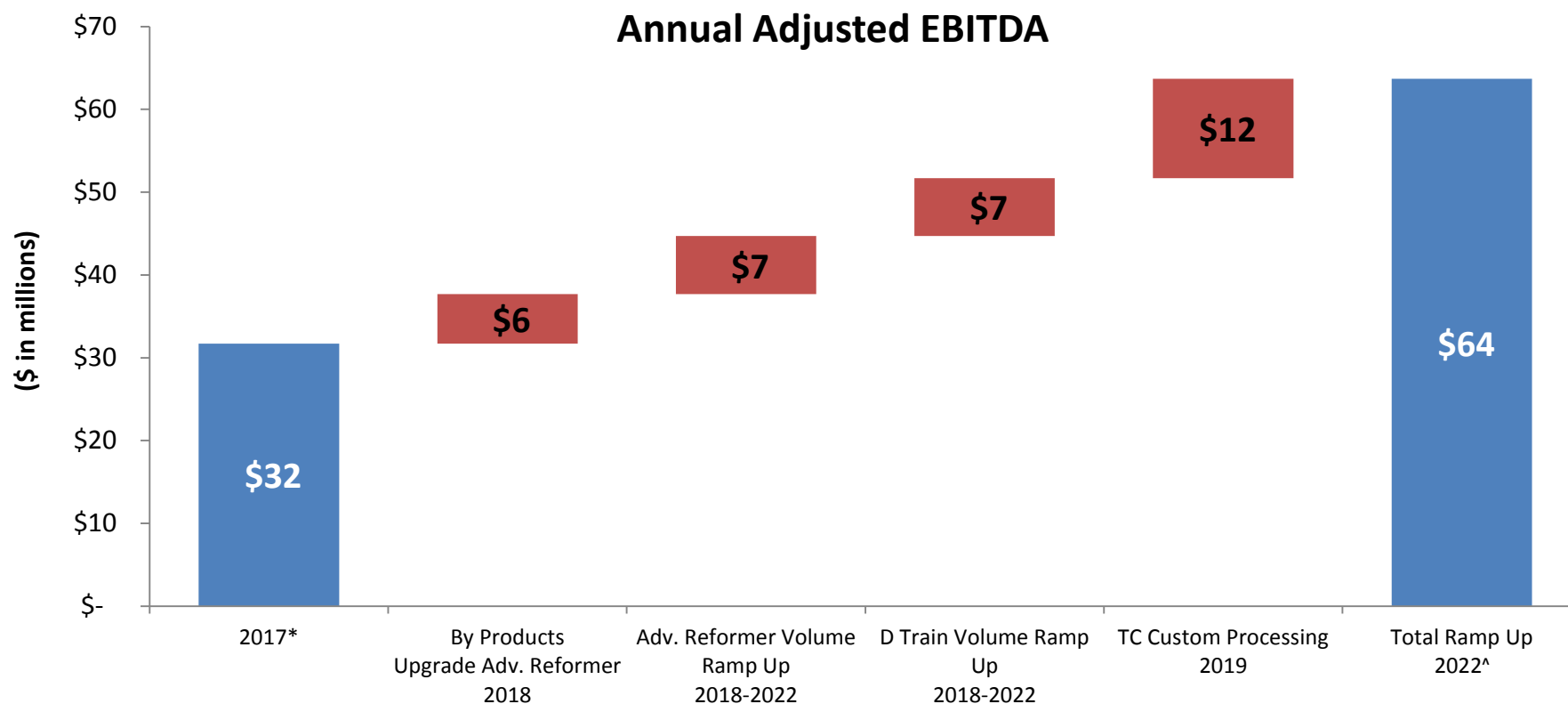
NYSE
EURONEXT

Significant Capital Projects



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

EBITDA Projection From Recent Capital Projects



*- Denotes Adjusted EBITDA for 2017

^- Denotes Projected EBITDA for 2022

AMAK Mine Developments

Year-to-date net profit before depreciation and amortization through 3Q18 improved over \$21 million from 2017

➤ **Operations**

- 17,000 dmt concentrate sold in 3Q18, up 17% from 2Q18; 9,000 dmt copper and 8,000 dmt zinc
- Concentrate quality, throughput rates and recoveries continued steady progress

➤ **Exploration**

- Drilling continues for Al Masane copper & zinc and Guyan gold
- Update on reserves for gold, copper and zinc expected in 1Q19

➤ **Precious Metal Circuit/SART**

- 27 kg gold and 183 kg silver shipped in 3Q18
- Revenue to be recognized in 4Q18

➤ **Growing consistency of operations and established cash flow generation enhances marketability**

- Initiated negotiations with investment banks

Investment Summary

- **Opportunity to double 2017 Adjusted EBITDA by 2022 by improving margins and leveraging recent capital projects to drive revenue**
- **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
- **Manufacturing Transformation Plan to focus on safety, quality and productivity and to drive operational excellence, reliability and strong EBITDA growth**
- **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 YTD3Q18 improved +\$21 million from 2017



Questions & Answers

Thank You

Please visit our websites:

www.trecora.com

www.southhamptonr.com

www.TrecChem.com

www.amak.com.sa



Appendix

Appendix: 3Q18 Income Statement

TRECORA RESOURCES AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

USD (\$) shares in Thousands, \$ in Thousands

	3 Months Ended		9 Months Ended	
	Sep. 30, 2018	Sep. 30, 2017	Sep. 30, 2018	Sep. 30, 2017
REVENUES				
REVENUES	\$ 73,416	\$ 61,508	\$ 213,263	\$ 179,165
OPERATING COSTS AND EXPENSES				
Cost of Sales and Processing (including depreciation and amortization of \$3,813, \$2,565, \$9,480, and \$7,311, respectively)	66,574	51,638	188,139	147,570
GROSS PROFIT	6,842	9,870	25,124	31,595
GENERAL AND ADMINISTRATIVE EXPENSES				
General and Administrative	6,327	5,660	17,216	17,621
Depreciation	205	245	592	655
GENERAL AND ADMINISTRATIVE EXPENSES	6,532	5,905	17,808	18,276
OPERATING INCOME	310	3,965	7,316	13,319
OTHER INCOME (EXPENSE)				
Interest Income	5	0	26	0
Interest Expense	(924)	(795)	(2,617)	(2,109)
Loss on Extinguishment of Debt	(315)	0	(315)	0
Equity in Losses of AMAK	(1,130)	(897)	(672)	(5,161)
Miscellaneous Income (Expense)	(28)	22	(67)	(42)
OTHER INCOME (EXPENSE)	(2,392)	(1,670)	(3,645)	(7,312)
INCOME (LOSS) BEFORE INCOME TAXES	(2,082)	2,295	3,671	6,007
INCOME TAX EXPENSE (BENEFIT)	(473)	577	713	1,970
NET INCOME (LOSS)	(1,609)	1,718	2,958	4,037
NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTEREST	0	0	0	0
NET INCOME (LOSS) ATTRIBUTABLE TO TRECORA RESOURCES	\$ (1,609)	\$ 1,718	\$ 2,958	\$ 4,037
Basic Earnings (Loss) per Common Share				
Net Income (Loss) Attributable to Trecora Resources (in dollars per share)	\$ (0.07)	\$ 0.07	\$ 0.12	\$ 0.17
Basic Weighted Average Number of Common Shares Outstanding (in shares)	24,483	24,304	24,397	24,267
Diluted Earnings (Loss) per Common Share				
Net Income (Loss) Attributable to Trecora Resources (in dollars per share)	\$ (0.06)	\$ 0.07	\$ 0.12	\$ 0.16
Diluted Weighted Average Number of Common Shares Outstanding (in shares)	25,175	25,157	25,138	25,082
Petrochemical and Product Sales [Member]				
REVENUES				
REVENUES	\$ 68,613	\$ 58,030	\$ 198,881	\$ 165,945

Appendix: 3Q18 Adjusted EBITDA Calculation

TRECORA RESOURCES AND SUBSIDIARIES ADJUSTED EBITDA

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
	(Thousands of Dollars)			
Net Income (Loss)	\$ (1,609)	\$ 1,718	\$ 2,958	\$ 4,037
Interest expense	924	795	2,617	2,109
Depreciation and amortization	4,018	2,810	10,072	7,966
Income tax expense (benefit)	(473)	577	713	1,970
EBITDA	\$ 2,860	\$ 5,900	\$ 16,360	\$ 16,082
Share-based compensation	630	716	1,002	2,005
Loss on extinguishment of debt	315	—	315	—
Equity in losses of AMAK	1,130	897	672	5,161
Adjusted EBITDA	<u>\$ 4,935</u>	<u>\$ 7,513</u>	<u>\$ 18,349</u>	<u>\$ 23,248</u>
Net Income (Loss)	\$ (1,609)	\$ 1,718	\$ 2,958	\$ 4,037
Equity in losses of AMAK	\$ 1,130	\$ 897	\$ 672	\$ 5,161
Taxes at statutory rate of 21% for 2018 and 35% for 2017	(237)	(314)	(141)	(1,806)
Tax effected equity in losses	893	583	531	3,355
Adjusted Net Income (Loss)	<u>\$ (716)</u>	<u>\$ 2,301</u>	<u>\$ 3,489</u>	<u>\$ 7,392</u>

Appendix: 3Q18 Balance Sheet

TRECORA RESOURCES AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS

USD (\$) \$ in Thousands

	Sep. 30, 2018	Dec. 31, 2017
Current Assets		
Cash	\$ 1,292	\$ 3,028
Trade receivables, net	29,787	25,779
Insurance receivable	391	0
Inventories	17,828	18,450
Prepaid expenses and other assets	5,466	4,424
Taxes receivable	1,554	5,584
Total current assets	56,318	57,265
Plant, pipeline and equipment, net	192,311	181,742
Goodwill	21,798	21,798
Intangible assets, net	19,412	20,808
Investment in AMAK	44,322	45,125
Mineral properties in the United States	588	588
TOTAL ASSETS	334,749	327,326
Current Liabilities		
Accounts payable	13,311	18,347
Accrued liabilities	6,018	3,961
Current portion of post-retirement benefit	24	305
Current portion of long-term debt	4,194	8,061
Current portion of other liabilities	835	870
Total current liabilities	24,382	31,544
Long-term debt, net of current portion	101,337	91,021
Post-retirement benefit, net of current portion	361	897
Other liabilities, net of current portion	1,170	1,611
Deferred income taxes	18,218	17,242
Total liabilities	145,468	142,315
EQUITY		
Common stock-authorized 40 million shares of \$0.10 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	57,147	56,012
Common stock in treasury, at cost	(19)	(196)
Retained earnings	129,413	126,455
Total Trecora Resources Stockholders' Equity	188,992	184,722
Noncontrolling Interest	289	289
Total equity	189,281	185,011
TOTAL LIABILITIES AND EQUITY	\$ 334,749	\$ 327,326