

December 10, 2014



# Trecora Resources Provides Pro Forma Financial Results Including Acquisition of SSI Chusei/Trecora Chemical

SUGAR LAND, Texas, Dec. 10, 2014 /PRNewswire/ -- Trecora Resources (NYSE: TREC) a leading provider of high purity specialty chemicals and waxes, today provided unaudited condensed combined pro forma financial results for the first nine months of 2014, the full year 2013, and balance sheet as of September 30, 2014, reflecting the acquisition of SSI Chusei, Inc. ("SSI") which closed on October 1, 2014. SSI was renamed Trecora Chemical, Inc. effective November 15, 2014.

The condensed combined pro forma results including standalone Trecora Resources and SSI Chusei historical results, and explanatory notes were included in a Form 8-K/A filed with the U.S. Securities and Exchange Commission on December 10, 2014.

"We believe providing the pro forma results will enable investors to evaluate our ongoing performance more accurately," said Nick Carter, CEO and President of Trecora Resources.

"While the combined pro forma year-to-date results do not reflect meaningful earnings accretion due to increased amortization based upon the fair value of intangibles acquired in the acquisition; increased interest expense from the acquisition debt; and the deferral of approximately \$1.2 million in unearned revenue that is expected to be recognized in the fourth quarter of 2014, adjusted combined EBITDA showed significant accretion."

"Since the closing of the acquisition, we have made significant progress in integrating the Trecora Chemical operations and identifying new market opportunities. We remain excited about the potential for the specialty wax and custom processing businesses, and look forward to sharing our results going forward," concluded Mr. Carter.

## **Pro forma year-to-date 2014 results**

Combined pro forma revenue for the first nine months of 2014 was \$234.9 million, compared with historical Trecora Resources revenue of \$215.6 million. Combined pro forma net income was \$13.5 million, or \$0.54 per diluted share, compared with historical Trecora Resources net income of \$13.4 million, or \$0.54 per diluted share. Adjusted EBITDA for historical Trecora Resources was \$23.6 million; whereas, combined adjusted EBITDA was \$27.3 million.

Significant pro forma adjustments for the first nine months of 2014 included a net increase of \$0.9 million of depreciation and amortization expense on acquired other intangible assets and fixed assets and approximately \$1.4 million of additional interest expense on debt incurred for the acquisition of SSI.

## **Pro forma full year 2013 results**

Combined pro forma revenue for 2013 was \$259.3 million, compared with historical Trecora Resources revenue of \$236.2 million. Combined pro forma net income was \$20.2 million, or

\$0.82 per diluted share, compared with historical net income for Trecora Resources of \$19.5 million, or \$0.79 per diluted share. Adjusted EBITDA for historical Trecora Resources was \$23.8 million; whereas, combined adjusted EBITDA was \$29.8 million.

Significant pro forma adjustments for 2013 included a net increase of \$1.2 million of depreciation and amortization expense on acquired other intangible assets and fixed assets, \$2.0 million of additional interest expense on debt incurred for the acquisition of SSI, and approximately \$0.4 million for the incremental estimated tax effect using Trecora's combined federal and state statutory tax rate of 35.7%.

### **Pro forma balance sheet**

As of September 30, 2014, combined pro forma total assets were \$232.1 million compared with historical Trecora Resources total assets of \$157.9 million. The increase includes goodwill of \$21.3 million and other intangible assets of \$26.6 million.

Pro forma combined total liabilities were \$114.2 million compared with historical total liabilities of \$39.6 million for historical Trecora Resources. The increase is primarily the result of \$70 million of long-term debt used to fund the acquisition of SSI.

As of September 30, 2014, pro forma combined cash and cash equivalents were \$9.4 million compared with \$13.9 million for historical Trecora Resources. The decrease was primarily attributable to the \$4.7 million cash used in the acquisition of SSI.

The unaudited pro forma condensed combined financial information is provided for illustrative purposes only and does not purport to represent what the actual consolidated results of operations or the consolidated financial position of the combined company would have been had the acquisition occurred on the dates assumed, nor are they necessarily indicative of future consolidated results of operations or financial position. The unaudited pro forma condensed combined financial information does not reflect any integration activities or cost savings from operating efficiencies, synergies, asset dispositions or other restructurings that could result from the acquisition. Since the pro forma financial statements have been prepared based upon estimates and assumptions, the final amounts may differ from the information presented.

### **About Trecora Resources (TREC)**

TREC owns and operates a petrochemical facility located in southeast Texas, just north of Beaumont, which specializes in high purity petrochemical solvents and other solvent type 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.

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**TRECORA RESOURCES**  
Pro Forma Condensed Combined Balance Sheets as of September 30, 2014 (Unaudited)  
(in thousands)

	Historical Trecora Resources	Historical SSI Chusei, Inc.	Pro Forma Adjustments	Combined Pro Forma
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 13,948	\$ 107	\$(4,702)	\$9,353
Trade receivables, net	27,625	2,821	-	30,446
Inventories	11,956	2,931	408	15,295
Prepaid expenses and other assets	2,520	742	-	3,262
Deferred income taxes	839	-	-	839
Total current assets	56,888	6,601		59,195
<b>Plant, pipeline and equipment, net</b>	46,251	16,007	7,947	70,205
<b>Goodwill</b>	-	-	21,273	21,273
<b>Other intangible assets</b>	-	-	26,634	26,634
<b>Investment in AMAK</b>	53,408	-	-	53,408
<b>Mineral properties in the United States</b>	588	-	-	588
<b>Other assets</b>	772	-	-	772
<b>TOTAL ASSETS</b>	<b>\$ 157,907</b>	<b>\$ 22,608</b>		<b>\$ 232,075</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Accounts payable	\$ 12,605	\$ 1,074	-	\$ 13,679
Accrued interest	81	-	-	81
Current portion of derivative instruments	198	2	-	200
Accrued liabilities	3,881	1,119	472	5,472
Accrued liabilities in Saudi Arabia	140	-	-	140
Current portion of post-retirement benefit	284	-	-	284
Current portion of long-term debt	1,400	667	7,000	9,067
Current portion of other liabilities	1,080	1,253	-	2,333
Total current liabilities	19,669	4,115		31,256
<b>Long-term debt, net of current portion</b>	7,789	-	63,000	70,789
<b>Post-retirement benefit, net of current portion</b>	649	-	-	649
<b>Derivative instruments, net of current portion</b>	183	-	-	183
<b>Other liabilities, net of current portion</b>	706	53	-	759
<b>Deferred income taxes</b>	10,580	-	-	10,580
<b>Total liabilities</b>	<b>39,576</b>	<b>4,168</b>		<b>114,216</b>
<b>EQUITY</b>				
<b>Common stock</b>	2,395			2,395
<b>Additional paid-in capital</b>	47,673			47,673
<b>Accumulated other comprehensive loss</b>	(248)			(248)
<b>Retained earnings</b>	68,222		(472)	67,750
<b>Net assets SSI</b>	-	18,440	(18,440)	-
Total Stockholders' Equity	118,042			117,570
Noncontrolling Interest	289	-		289
<b>Total equity</b>	<b>118,331</b>	<b>18,440</b>		<b>117,859</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 157,907</b>	<b>\$ 22,608</b>		<b>\$232,075</b>

**TRECORA RESOURCES**

**Pro Forma Condensed Combined Statements of Income  
For the nine months ended September 30, 2014 (Unaudited)**

	<u>Historical Trecora Resources</u>	<u>Historical SSI Chusei, Inc.</u>	<u>Pro Forma Adjustments</u>	<u>Combined Pro Forma</u>
<b>REVENUES</b>				
Product Sales	\$ 210,517	\$ 12,670	\$ -	\$ 223,187
Processing Fees	<u>5,054</u>	<u>6,653</u>	-	<u>11,707</u>
	215,571	19,323	-	234,894
<b>OPERATING COSTS AND EXPENSES</b>				
Cost of Sales and Processing	<u>182,112</u>	<u>15,095</u>	(621)	<u>196,586</u>
<b>GROSS PROFIT</b>	33,459	4,228		38,308
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>				
General and Administrative	12,430	1,938	(388)	14,160
Depreciation and Amortization	<u>406</u>	<u>41</u>	180	<u>1,981</u>
	<u>12,836</u>	<u>1,979</u>	1,534	<u>16,141</u>
<b>OPERATING INCOME</b>	20,623	2,249		22,167
<b>OTHER INCOME (EXPENSE)</b>				
Interest Income	26	23	-	49
Interest Expense	(169)	(39)	(1,407)	(1,615)
Losses on Cash Flow Hedge Reclassified from OCI	(190)	-	-	(190)
Equity in losses of AMAK	(687)	-	-	(687)
Miscellaneous Income (Expense)	<u>(47)</u>	<u>58</u>	-	<u>11</u>
	<u>(1,067)</u>	<u>42</u>		<u>(2,432)</u>
<b>INCOME BEFORE INCOME TAXES</b>	19,556	2,291		19,735
<b>INCOME TAXES</b>	<u>6,183</u>	<u>6</u>	58	<u>6,247</u>
<b>NET INCOME</b>	13,373	2,285		13,488
<b>NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTEREST</b>	=	=	-	=
<b>NET INCOME ATTRIBUTABLE TO TRECORA RESOURCES</b>	<u>\$ 13,373</u>	<u>\$ 2,285</u>		<u>\$ 13,488</u>
<b>Basic Earnings per Common Share</b>				
Net Income Attributable to Trecora Resources (dollars)	\$ 0.55			\$ 0.56
Basic Weighted Average Number of Common Shares Outstanding	<u>24,163</u>			<u>24,163</u>
<b>Diluted Earnings per Common Share</b>				
Net Income Attributable to Trecora Resources (dollars)	\$ 0.54			\$ 0.54
Diluted Weighted Average Number of Common Shares Outstanding	<u>24,870</u>			<u>24,870</u>

**TRECORA RESOURCES**  
**Pro Forma Condensed Combined Statements of Income**  
**For the year ended December 31, 2013 (Unaudited)**

	<u>Historical</u> <u>Trecora</u> <u>Resources</u>	<u>Historical</u> <u>SSI Chusei,</u> <u>Inc.</u>	<u>Pro Forma</u> <u>Adjustments</u>	<u>Combined</u> <u>Pro Forma</u>
<b>REVENUES</b>				
Product Sales	\$ 230,643	\$ 15,452	\$ -	\$ 246,095
Processing Fees	<u>5,584</u>	<u>7,669</u>	-	<u>13,253</u>
	236,227	23,121	-	259,348
<b>OPERATING COSTS AND EXPENSES</b>				
Cost of Sales and Processing	<u>201,064</u>	<u>15,334</u>	(845)	<u>215,553</u>
<b>GROSS PROFIT</b>	35,163	7,787	(845)	43,795
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>				
General and Administrative	14,672	2,734	240	17,646
Depreciation and Amortization	<u>521</u>	<u>54</u>	2,045	<u>2,620</u>
	<u>15,193</u>	<u>2,788</u>		<u>20,266</u>
<b>OPERATING INCOME</b>	19,970	4,999		23,529
<b>OTHER INCOME (EXPENSE)</b>				
Interest Income	15	-	-	15
Interest Expense	(520)	(116)	(2,034)	(2,670)
Losses on Cash Flow Hedge Reclassified from OCI	(301)	-	-	(301)
Equity in earnings of AMAK	4,703	-	-	4,703
Gain from additional equity issuance by AMAK	3,997	-	-	3,997
Miscellaneous Expense	<u>(219)</u>	<u>(282)</u>	-	<u>(501)</u>
	<u>7,675</u>	<u>(398)</u>		<u>5,243</u>
<b>INCOME BEFORE INCOME TAXES</b>	27,645	4,601		28,772
<b>INCOME TAXES</b>	<u>8,147</u>	<u>(7)</u>	409	<u>8,549</u>
<b>NET INCOME</b>	19,498	4,608		20,223
<b>NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTEREST</b>	=	-	-	-
<b>NET INCOME ATTRIBUTABLE TO TRECORA RESOURCES</b>	<u>\$ 19,498</u>	<u>\$ 4,608</u>		<u>\$ 20,223</u>
<b>Basic Earnings per Common Share</b>				
Net Income Attributable to Trecora Resources (dollars)	\$ 0.81			\$ 0.84
Basic Weighted Average Number of Common Shares Outstanding	<u>24,115</u>			<u>24,115</u>
<b>Diluted Earnings per Common Share</b>				
Net Income Attributable to Trecora Resources (dollars)	\$ 0.79			\$ 0.82
Diluted Weighted Average Number of Common Shares Outstanding	<u>24,745</u>			<u>24,745</u>

TRECORA RESOURCES PRO FORMA CONDENSED COMBINED  
RECONCILIATION OF SELECTED GAAP MEASURES TO NON-GAAP MEASURES (1)

	<u>Nine Months Ended</u>	
	<u>September 30, 2014</u>	
	<u>Historical</u>	<u>Pro Forma</u>
	<u>Trecora Resources</u>	<u>Combined</u>
	<i>(thousands of dollars)</i>	
<b>NET INCOME</b>	\$ 13,373	\$ 13,488
Add back:		
Interest	359	1,805
Taxes	6,183	6,247
Depreciation and Amortization	3,020	5,114
<b>EBITDA</b>	<u>\$ 22,935</u>	<u>\$ 26,654</u>
Equity in (Earnings) Losses of AMAK	687	687
<b>Adjusted EBITDA</b>	<u>\$ 23,622</u>	<u>\$ 27,341</u>

	<u>Year Ended</u>	
	<u>December 31, 2013</u>	
	<u>Historical</u>	<u>Pro Forma</u>
	<u>Trecora Resources</u>	<u>Combined</u>
	<i>(thousands of dollars)</i>	
<b>NET INCOME</b>	\$ 19,498	\$ 20,223
Add back:		
Interest	821	2,971
Taxes	8,147	8,549
Depreciation and Amortization	4,039	6,795
<b>EBITDA</b>	<u>\$ 32,505</u>	<u>\$ 38,538</u>
Equity in (Earnings) Losses of AMAK	(8,700)	(8,700)
<b>Adjusted EBITDA</b>	<u>\$ 23,805</u>	<u>\$ 29,838</u>

(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-provides-pro-forma-financial-results-including-acquisition-of-ssi-chuseitrecora-chemical-300007934.html>

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