

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): September 28, 2020

Trecora Resources

(Exact name of registrant as specified in its charter)

Delaware

1-33926

75-1256622

(State or other jurisdiction
of incorporation)

(Commission File Number)

(IRS Employer
Identification No.)

1650 Hwy 6 South, Suite 190

Sugar Land, Texas 77478

(Address of principal executive offices, including Zip Code)

(281) 980-5522

(Registrant's telephone number, including area code)

Not applicable

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.10 per share	TREC	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 or Rule 12b-2 of the Securities Exchange Act of 1934.

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.01. Completion of Acquisition or Disposition of Assets.

On September 29, 2020, Trecora Resources (the “Company”) announced the final closing (the “Final Closing”) of the previously disclosed sale of its entire 33.3% equity interest in Al Masane Al Kobra Mining Company, a Saudi Arabian closed joint stock company (“AMAK”) (represented by 26,467,422 ordinary shares), to AMAK and certain existing shareholders of AMAK (collectively, the “Purchasers”). The Share Sale was completed in multiple closings pursuant to a Share Sale and Purchase Agreement, dated September 22, 2019 (as amended, the “Purchase Agreement”), among the Company, AMAK and the other Purchasers and resulted in aggregate gross proceeds to the Company of SAR 265 million (approximately US\$70.5 million) (before taxes and transaction expenses), the entirety of which has now been received by the Company. A portion of the net proceeds of the Share Sale received in earlier closings were used for the Company’s previously disclosed prepayment of outstanding borrowings under its term loan facility. The Company expects to use the remaining net proceeds of the Share Sale for general corporate purposes.

On September 28, 2020, the Company completed the Final Closing, which was with respect to an aggregate of 15,712,866 ordinary shares in AMAK to several Purchasers, for an aggregate purchase price of SAR 157 million (approximately US\$41.8 million). The purchase price reflected (i) the previously disclosed payment received from one of the Purchasers in the amount of SAR 149 million (approximately US\$39.7 million), (ii) additional payments from the remaining Purchasers in the amount of SAR 4 million (approximately US\$1.1 million) and (iii) the application of 50% of the deposit previously paid to the Company (and which was not otherwise previously forfeited under the terms of the Purchase Agreement) related to the purchase of certain of the ordinary shares. In addition, the Company’s nominees to the board of directors of AMAK resigned effective upon completion of the Final Closing as required by the Purchase Agreement.

The completion of the sale of ordinary shares pursuant to the Final Closing, together with the sale of ordinary shares in previously announced closings, constitute the disposition of a “significant amount” of the Company’s assets within the meaning of, and in accordance with, the standards set forth in Item 2.01 of Form 8-K.

Item 7.01. Regulation FD Disclosure.

On September 29, 2020, the Company issued a press release announcing the Final Closing. A copy of the press release is attached hereto as Exhibit 99.1 and incorporated herein by reference.

The information in this Item 7.01, including Exhibit 99.1, is being furnished and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

Item 9.01. Financial Statements and Exhibits.

(b) Pro Forma Financial Information.

The following unaudited pro forma condensed consolidated financial information of the Company is included as Exhibit 99.2 of this Current Report on Form 8-K and is incorporated by reference herein.

- (i) Unaudited pro forma condensed consolidated statements of operations for the six months ended June 30, 2020 and the fiscal year ended December 31, 2019.
- (ii) Unaudited pro forma condensed consolidated balance sheet as of June 30, 2020.
- (iii) Notes to the unaudited pro forma condensed consolidated financial information.

(d) Exhibits

<u>Exhibit No.</u>	<u>Description of Exhibit</u>
99.1	Press Release of the Company, dated September 28, 2020
99.2	Unaudited Pro Forma Condensed Consolidated Financial Information of Trecora Resources
104	Cover Page Interactive Date File (embedded within the Inline XBRL document)

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

TRECORA RESOURCES

Date: September 29, 2020 By: /s/ Michael W. Silberman
Michael W. Silberman
Corporate Secretary



Trecora Resources Completes Sale of AMAK Shares

Sale completion allows for singular focus on execution and growth

SUGAR LAND, Texas, September 29, 2020 – Trecora Resources (“Trecora” or the “Company”) (NYSE: TREC), a leading provider of specialty hydrocarbons and specialty waxes, today announced that on September 28, 2020, the Company completed its share sale transaction in Al Masane Al Kobra Mining Co., a Saudi Arabian joint stock company (“AMAK”).

In connection with the share sale, Trecora received in aggregate, total gross proceeds amounting to \$70.5 million. Proceeds of the share sale net of taxes and transaction expenses are estimated to be \$60 million.

“The closing of our non-core AMAK equity share sale marks an important milestone for the company and the fulfillment of our commitment to deliver significant value to our stockholders,” said Pat Quarles, Trecora’s President and Chief Executive Officer. “Proceeds from this transaction have enabled us to pay down debt and achieve our target leverage ratio of 1.5 to 2.0 times Adjusted EBITDA from continuing operations while building significant liquidity for future deployment.

“Our primary focus on cost control, operational reliability, and sound execution has allowed us to navigate an uncertain 2020 from a position of strength. With the completion of this transaction we have simplified our company’s structure to pure specialty chemicals and positioned ourselves to generate growth. Our internal growth initiatives, comprising of approximately 27 individual projects, remains on target to realize approximately \$4 million of annualized incremental EBITDA value creation in 2020 and significantly more in 2021,” concluded Mr. Quarles.

Use of Non-GAAP Measures

This press release includes the use of both U.S. generally accepted accounting principles (“GAAP”) and non-GAAP financial measures. The Company believes certain financial measures, such as EBITDA from continuing operations and Adjusted EBITDA from continuing operations, which are non-GAAP measures, provide users of our financial statements with supplemental information that may be useful in evaluating our operating performance. The Company believes that such non-GAAP measures, when read in conjunction with our operating results presented under GAAP, can be used to better assess

our performance from period to period and relative to performance of other companies in our

industry, without regard to financing methods, historical cost basis or capital structure. These measures are not measures of financial performance or liquidity under GAAP and should be considered in addition to, and not as a substitute for, analysis of our results under GAAP.

We define EBITDA from continuing operations as net income (loss) from continuing operations plus interest expense (benefit), income taxes, depreciation and amortization. We define Adjusted EBITDA from continuing operations as EBITDA from continuing operations plus share-based compensation, plus restructuring and severance expenses, plus or minus equity in AMAK's earnings and losses, plus impairment losses and plus or minus gains or losses on disposal of assets.

Forward-Looking Statements

Some of the statements and information contained in this press release may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Statements regarding the Company's financial position, business strategy and plans and objectives of the Company's management for future operations and other statements that are not historical facts, are forward-looking statements. Forward-looking statements are often characterized by the use of words such as "outlook," "may," "will," "should," "could," "expects," "plans," "anticipates," "contemplates," "proposes," "believes," "estimates," "predicts," "projects," "potential," "continue," "intend," or the negative of such terms and other comparable terminology, or by discussions of strategy, plans or intentions.

Forward-looking statements involve known and unknown risks, uncertainties, assumptions, and other important factors that could cause the actual results, performance or our achievements, or industry results, to differ materially from historical results, any future results, or performance or achievements expressed or implied by such forward-looking statements. Such risks, uncertainties and factors include, but are not limited to: general economic and financial conditions domestically and internationally; insufficient cash flows from operating activities; our ability to attract and retain key employees; feedstock, product and mineral prices; feedstock availability and our ability to access third party transportation; competition; industry cycles; natural disasters or other severe weather events, health epidemics and pandemics (including COVID-19) and terrorist attacks; our ability to consummate extraordinary transactions, including acquisitions and dispositions, and realize the financial and strategic goals of such transactions; technological developments and our ability to maintain, expand and upgrade our facilities; regulatory changes; environmental matters; lawsuits; outstanding debt and other financial and legal obligations (including having to return the amounts borrowed under the Paycheck Protection Program or failing to qualify for forgiveness of such loans, in whole or in part); difficulties in obtaining additional financing on favorable conditions, or at all; local business risks in foreign countries, including civil unrest and military or political conflict, local regulatory and legal environments and foreign currency fluctuations; and other risks detailed in our latest Annual Report on Form 10-K, including but not limited to: "Part I, Item 1A. Risk Factors" and "Part

II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" therein, and in our other filings with the Securities and Exchange Commission

(the "SEC"). Many of these risks and uncertainties are currently amplified by and will continue to be amplified by, or in the future may be amplified by, the COVID-19 pandemic.

There may be other factors of which we are currently unaware or deem immaterial that may cause our actual results to differ materially from the forward-looking statements. In addition, to the extent any inconsistency or conflict exists between the information included in this report and the information included in our prior releases, reports and other filings with the SEC, the information contained in this report updates and supersedes such information. Forward-looking statements are based on current plans, estimates, assumptions and projections, and, therefore, you should not place undue reliance on them. Forward-looking statements speak only as of the date they are made, and we undertake no obligation to update them in light of new information or future events.

About Trecora Resources (TREC)

TREC owns and operates a specialty petrochemicals facility specializing in high purity hydrocarbons and other petrochemical manufacturing and a specialty wax facility, both located in Texas, and provides custom processing services at both facilities.

Investor Relations Contact:

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Unaudited Pro Forma Condensed Consolidated Financial Information

On September 22, 2019, Trecora Resources (the "Company") entered into a Share Sale and Purchase Agreement (as amended, the "Purchase Agreement") with Al Masane Al Kobra Mining Company, a Saudi Arabian closed joint stock company ("AMAK"), and certain other existing shareholders of AMAK (collectively, the "Purchasers") pursuant to which the Company agreed to sell its 33.3% equity interest in AMAK (represented by 26,467,422 ordinary shares) to the Purchasers (the "Share Sale"). The Share Sale was completed in multiple closings pursuant to the Purchase Agreement, with the final closing being completed on September 28, 2020 (the "Final Closing"), and resulted in aggregate gross proceeds to the Company of SAR 265 million (approximately US\$70.5 million) (before taxes and transaction expenses), the entirety of which has now been received by the Company.

The completion of the sale of ordinary shares pursuant to the Final Closing, together with the sale of ordinary shares in previously announced closings, constitute the disposition of a "significant amount" of the Company's assets within the meaning of, and in accordance with, the standards set forth in Item 2.01 of Form 8-K. Prior to the completion of the Final Closing, the ordinary shares disposed of pursuant to the prior closings of the Share Sale did not constitute a "significant amount" of the Company's assets for purposes of Item 2.01 of Form 8-K.

The following unaudited pro forma condensed consolidated financial information of the Company is derived from the Company's historical consolidated financial statements prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") and should be read in conjunction with (i) the audited financial statements and notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing in the Company's Annual Report on Form 10-K for the year ended December 31, 2019 and (ii) the unaudited financial statements and notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing in the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2020. The accompanying unaudited pro forma condensed consolidated statements of operations of the six months ended June 30, 2020 and the fiscal year ended December 31, 2019 are presented as if the closings of the Share Sale had been completed as of January 1, 2020 and 2019, respectively. The unaudited pro forma condensed consolidated balance sheet is presented after giving effect as if the closings of the Share Sale had occurred on June 30, 2020.

The pro forma adjustments give effect to the following items:

- Cash received from sale of investment
- Reduction in investment held-for-sale
- Gain on sale and impact on current and deferred taxes
- Adjustment to Equity in Earnings (Losses)
- Prepayment of debt utilizing a portion of the proceeds of the Share Sale

The unaudited pro forma condensed consolidated financial information has been presented for informational purposes only and is not indicative of any future results of operations or the results that might have occurred if the disposition had actually been completed on the indicated dates. The unaudited pro forma condensed consolidated financial statements are based on management's estimate of the effects on the financial statements of the Share Sale. Pro forma adjustments are based on currently available information, historical results and certain assumptions that management believes are reasonable and described in the accompanying notes.

TRECORA RESOURCES AND SUBSIDIARIES
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED
BALANCE SHEET AS OF JUNE 30, 2020

	Historical	Pro forma Adjustments	Pro forma
	<i>(thousands of dollars, except par value)</i>		
ASSETS			
Current Assets			
Cash	\$ 29,877	\$ 26,249 (a)	\$ 56,126
Trade receivables, net	20,240		20,240
Inventories	7,595		7,595
Investment in AMAK (held-for-sale)	29,175	(29,175) (b)	—
Prepaid expenses and other assets	3,233	2,117 (c)	5,350
Taxes receivable	16,229		16,229
Total current assets	106,349	(809)	105,540
Plant, pipeline and equipment, net	189,237		189,237
Goodwill	—		—
Intangible assets, net	13,814		13,814
Lease right-of-use assets, net	11,915		11,915
Mineral properties in the United States	562		562
	321,877	(809)	321,068
TOTAL ASSETS			
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 11,027		11,027
Accrued liabilities	7,801	8,023 (d)	15,824
Current portion of post-retirement benefit	—		—
Current portion of long-term debt	4,194		4,194
Current portion of lease liabilities	3,142		3,142
Current portion of other liabilities	955		955
Total current liabilities	27,119	8,023	35,142
CARES Act, PPP Loans	6,123		6,123
Long-term debt, net of current portion	73,998	(30,000) (e)	43,998
Post-retirement benefit, net of current portion	327		327
Lease liabilities, net of current portion	8,773		8,773
Other liabilities, net of current portion	512		512
Deferred income taxes	23,860	356 (f)	24,216
Total liabilities	140,712	(21,621)	119,091
EQUITY			
Common stock - authorized 40 million shares of \$0.10 par value; issued and outstanding 24.8 million and 24.8 million, respectively	2,482		2,482
Additional paid-in capital	60,386		60,386

Common stock in treasury, at cost	—		—
Retained earnings	118,008	20,812 (j)	138,820
Total Trecora Resources Stockholders' Equity	<u>180,876</u>	<u>20,812</u>	<u>201,688</u>
Noncontrolling Interest	289		289
Total equity	<u>181,165</u>	<u>20,812</u>	<u>201,977</u>
 TOTAL LIABILITIES AND EQUITY	 <u>\$ 321,877</u>	 <u>\$ (809)</u>	 <u>\$ 321,068</u>

See accompanying notes to unaudited pro forma condensed consolidated financial information.

TRECORA RESOURCES AND SUBSIDIARIES
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2020

	Historical	Pro forma Adjustments	Pro forma
	<i>(thousands of dollars, except par value)</i>		
REVENUES			
Product sales	\$ 93,890		\$ 93,890
Processing fees	8,851		8,851
	<u>102,741</u>	<u>—</u>	<u>102,741</u>
OPERATING COSTS AND EXPENSES			
Cost of sales and processing (including depreciation and amortization of \$7,486)	88,496		88,496
	<u>14,245</u>	<u>—</u>	<u>14,245</u>
GROSS PROFIT			
GENERAL AND ADMINISTRATIVE EXPENSES			
General and administrative	12,963		12,963
Depreciation	428		428
	<u>13,391</u>	<u>—</u>	<u>13,391</u>
OPERATING INCOME (LOSS)	854	—	854
OTHER INCOME (EXPENSE)			
Interest expense	(1,651)		(1,651)
Miscellaneous income, net	6		6
	<u>(1,645)</u>	<u>—</u>	<u>(1,645)</u>
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(791)	—	(791)
INCOME TAX EXPENSE (BENEFIT)	(4,795)	356 (f)	(4,439)
INCOME (LOSS) FROM CONTINUING OPERATIONS	4,004	(356)	3,648
INCOME (LOSS) FROM DISCONTINUED OPERATIONS, NET OF TAX	4,855	21,879 (g)	26,734
NET INCOME (LOSS)	<u>\$ 8,859</u>	<u>\$ 21,523</u>	<u>\$ 30,382</u>
Basic Earnings per Common Share			
Net income (loss) from continuing operations (dollars)	\$ 0.16	\$ (0.01)	\$ 0.15
Net income (loss) from discontinued operations, net of tax (dollars)	0.20	0.88	1.08
Net income (loss) (dollars)	<u>\$ 0.36</u>	<u>\$ 0.87</u>	<u>\$ 1.23</u>

Basic weighted average number of common shares outstanding	24,784	24,784	24,784
Diluted Earnings per Common Share			
Net income (loss) from continuing operations (dollars)	\$ 0.16	\$ (0.01)	\$ 0.15
Net income (loss) from discontinued operations, net of tax (dollars)	<u>0.19</u>	<u>0.86</u>	<u>1.05</u>
Net income (loss) (dollars)	\$ <u>0.35</u>	\$ <u>0.85</u>	\$ <u>1.20</u>
Diluted weighted average number of common shares outstanding	25,360	25,360	25,360

See accompanying notes to unaudited pro forma condensed consolidated financial information.

TRECORA RESOURCES AND SUBSIDIARIES
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Historical	Pro forma Adjustments	Pro forma
	<i>(thousands of dollars, except par value)</i>		
REVENUES			
Product sales	\$ 243,314		\$ 243,314
Processing fees	15,645		15,645
	<u>258,959</u>	<u>—</u>	<u>258,959</u>
OPERATING COSTS AND EXPENSES			
Cost of sales and processing (including depreciation and amortization of \$15,361)	220,444		220,444
	<u>38,515</u>	<u>—</u>	<u>38,515</u>
GROSS PROFIT			
	<u>38,515</u>	<u>—</u>	<u>38,515</u>
GENERAL AND ADMINISTRATIVE EXPENSES			
General and administrative	24,386		24,386
Impairment of goodwill and certain intangibles	24,152		24,152
Depreciation	840		840
	<u>49,378</u>	<u>—</u>	<u>49,378</u>
OPERATING INCOME (LOSS)	(10,863)	—	(10,863)
OTHER INCOME (EXPENSE)			
Interest expense	5,139		5,139
Loss on disposal of assets	680		680
Miscellaneous (income) expense	(232)		(232)
	<u>5,587</u>	<u>—</u>	<u>5,587</u>
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(16,450)	—	(16,450)
INCOME TAX BENEFIT	3,566	430 (h)	3,996
INCOME (LOSS) FROM CONTINUING OPERATIONS	(12,884)	430	(12,454)
INCOME (LOSS) FROM DISCONTINUED OPERATIONS, NET OF TAX	(2,090)	28,276 (i)	26,186
NET INCOME (LOSS)	<u>\$ (14,974)</u>	<u>\$ 28,706</u>	<u>\$ 13,732</u>
Basic Earnings per Common Share			
Net income (loss) from continuing operations (dollars)	\$ (0.52)	\$ 0.02	\$ (0.50)

Net income (loss) from discontinued operations, net of tax (dollars)	(0.08)	1.14	1.06
Net income (loss) (dollars)	<u>\$ (0.60)</u>	<u>\$ 1.16</u>	<u>\$ 0.56</u>
Basic weighted average number of common shares outstanding	24,784	24,784	24,784
Diluted Earnings per Common Share			
Net income (loss) from continuing operations (dollars)	\$ (0.52)	\$ 0.02	\$ (0.50)
Net income (loss) from discontinued operations, net of tax (dollars)	(0.08)	1.14	1.06
Net income (loss) (dollars)	<u>\$ (0.60)</u>	<u>\$ 1.16</u>	<u>\$ 0.56</u>
Diluted weighted average number of common shares outstanding	24,698	24,698	24,698

See accompanying notes to unaudited pro forma condensed consolidated financial information.

NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

Note 1. Basis of Presentation and Adjustments

The Company's historical financial statements have been adjusted in the unaudited pro forma condensed consolidated financial information to present events that are (i) directly attributable to the Share Sale to date, (ii) factually supportable and (iii) are expected to have a continuing impact on the Company's consolidated results following the Share Sale.

The unaudited condensed consolidated financial information reflect the following adjustments:

“Historical” - represents the historical consolidated balance sheet and statement of operations of the Company as of the period presented.

(a) This adjustment represents the cash received from the closings of the Share Sale, net of withholding of estimated aggregate capital gains taxes payable in the Kingdom of Saudi Arabia, as well as the prepayment of debt utilizing a portion of the proceeds from the Share Sale.

(b) This adjustment represents the elimination of the respective portion of historical assets and liabilities associated with the Company's investment in AMAK related to the closings of the Share Sale.

(c) This adjustment represents the withholding of estimated aggregate capital gains taxes payable in the Kingdom of Saudi Arabia pertaining to the Share Sale.

(d) This adjustment represents the estimated U.S. federal taxes payable on the gain on sale, utilizing a 21% statutory tax rate.

(e) This adjustment represents the prepayment of outstanding borrowings under the Company's term loan facility utilizing a portion of the proceeds of the Share Sale.

(f) This adjustment represents the increase in the Company's deferred tax liability resulting from the closings of the Share Sale.

(g) This adjustment represents the gain on sale, net of transaction costs and estimated taxes in both the Kingdom of Saudi Arabia and U.S. federal taxes, as well as an adjustment of previously recorded equity in losses giving effect to the completion of the Share Sale as of January 1, 2020.

(h) This adjustment represents the increase in the Company's deferred tax liability resulting from the closings of the Share Sale.

(i) This adjustment represents the gain on sale, net of transaction costs and estimated taxes in both the Kingdom of Saudi Arabia and U.S. federal taxes, as well as an adjustment of previously recorded equity in losses giving effect to the completion of the Share Sale as of January 1, 2019.

(j) This adjustment represents the cumulative effect of adjustments (f) and (g) giving effect to the completion of the Share Sale as of June 30, 2020 which excludes the adjustment for previously recorded equity in losses.