



# 3Q20 Conference Call

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*November 10, 2020*

VTNR  
NASDAQ  
LISTED



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## Industry Information

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## 3Q20 Business Update

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# Third Quarter 2020

## Key Messages

### Significant organic growth in collections

36% q/q growth in used motor oil (UMO) collections supported by recovery in U.S. vehicle miles traveled, new customer wins

### Initiated start-up of operations at the Myrtle Grove facility

Expect to begin supplying Marrero pre-treated intermediates in 1Q21; evaluating new technologies to allow for the renewable diesel feedstock pre-treatment process

### Marrero refinery utilization impacted by two hurricanes

8 days of unplanned maintenance due to Hurricanes in both August and September 2020

### Heartland refinery operated at peak utilization

Strong operational execution; stable demand for base oil products

### Q/Q and Y/Y improvement in Adjusted EBITDA

Adjusted EBITDA increased \$4.8 million on a q/q basis and \$1.4 million on a y/y basis

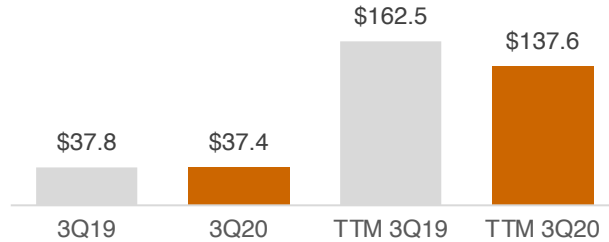
### Evaluating strategic alternatives

These alternatives may include continuing as a public standalone organization, going private or selling certain assets to a strategic partner

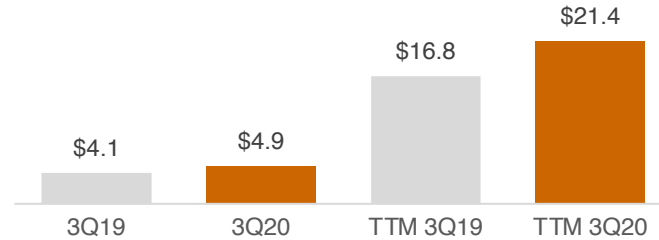
# Key Financial Metrics

Third Quarter 2020

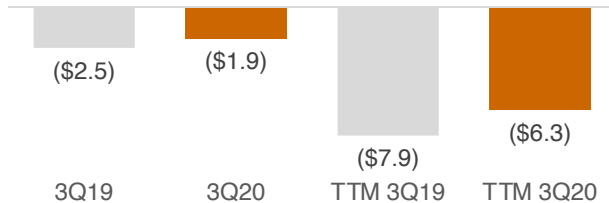
**Total Revenues**  
(\$MM)



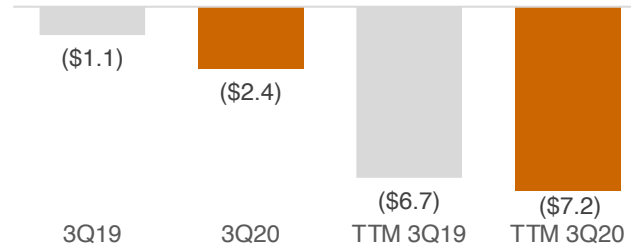
**Gross Profit**  
(\$MM)



**Operating Loss**  
(\$MM)



**Net Loss Attributable to Vertex<sup>(1)</sup>**  
(\$MM)



(1) TTM 3Q20 results exclude the impact of the Tensile transaction

# Adjusted EBITDA Bridge

Positive y/y benefit from derivatives, spread and metals impact

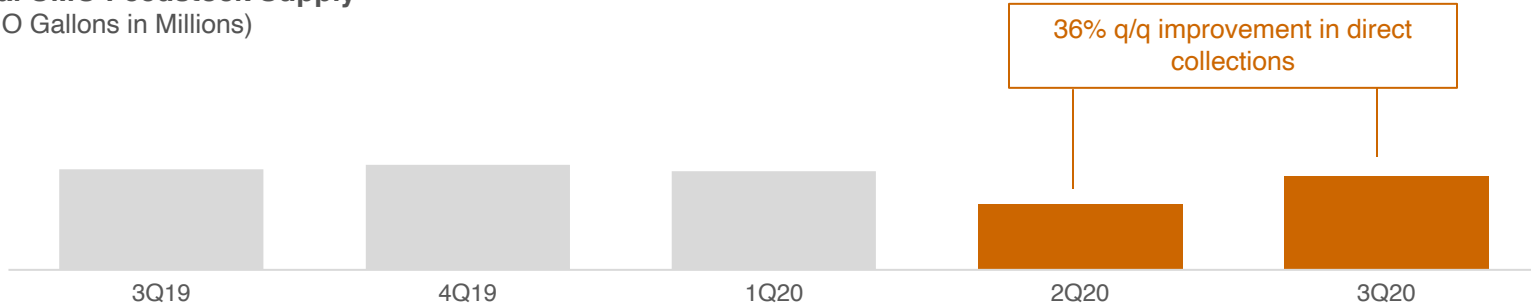
3Q19 vs. 3Q20 Adj. EBITDA Bridge  
(\$MM)



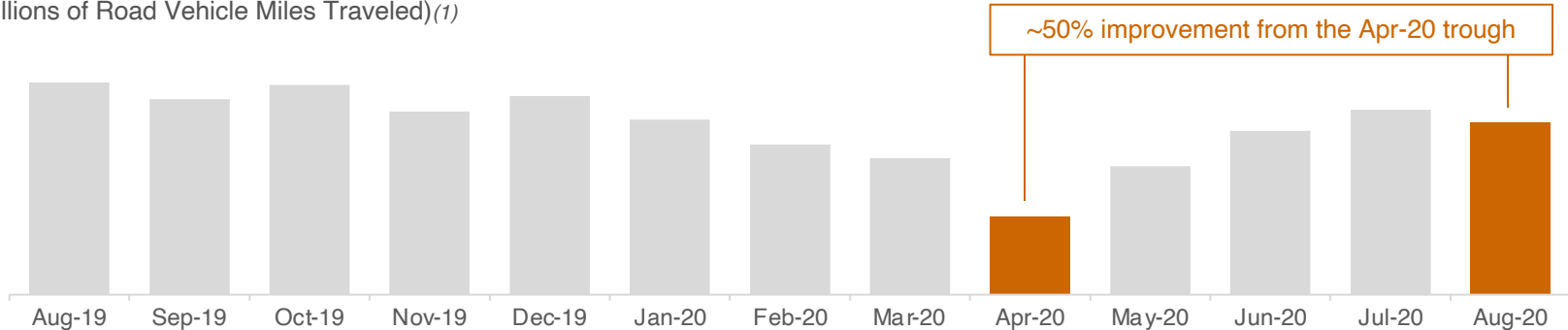
# Strong Organic Growth in UMO Collections

Improved customer acquisition and a recovery in VMT support growth<sup>(1)</sup>

**Total UMO Feedstock Supply**  
(UMO Gallons in Millions)



**U.S. Vehicle Miles Traveled**  
(Millions of Road Vehicle Miles Traveled)<sup>(1)</sup>



<sup>(1)</sup> Source: US DOT (November 2020); represents total vehicle miles traveled in the United States on a monthly basis

# Refining System Update

Hurricane-related outage at Marrero offset operational execution at Heartland

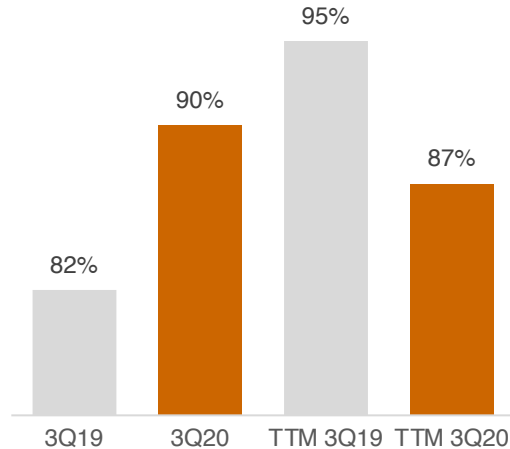
## Marrero Refinery (Marrero, LA)

8 days of unplanned maintenance in 3Q20; currently fully operational

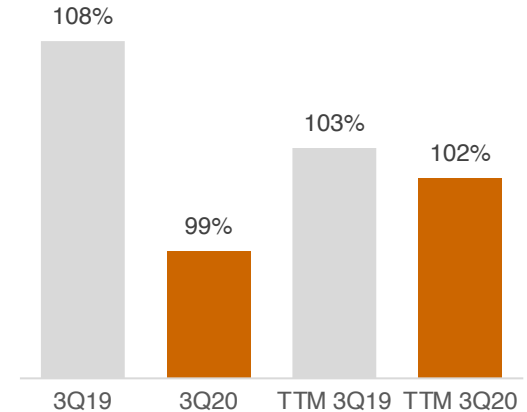
## Heartland Refinery (Columbus, OH)

Stable base oil demand and strong operational execution supported near peak utilization in 3Q20

Marrero Refinery  
Capacity Utilization Rate(1)



Heartland Refinery  
Capacity Utilization Rate(1)



(1) Utilization defined as total refinery throughputs divided by nameplate capacity of the refinery

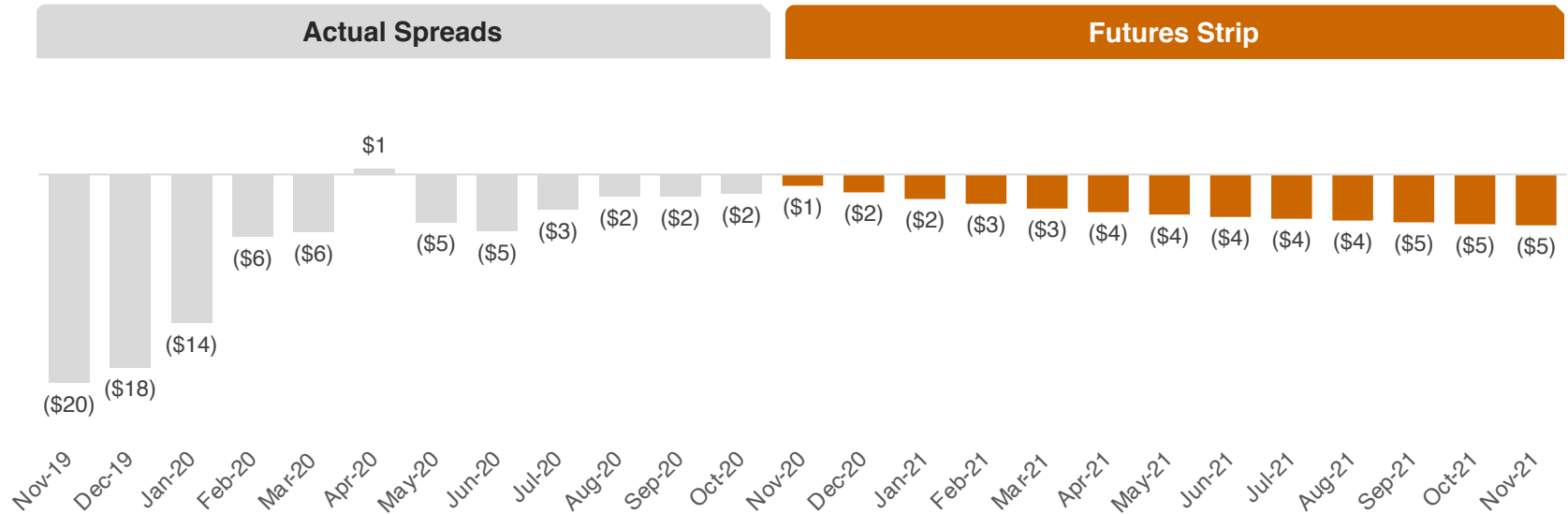


# COVID-Related Demand Softness Impacted Margin Capture

Product spreads below long-term average of \$8-10/bbl

## Futures Strip: USGC 3% High Sulfur Fuel Oil Less West Texas Intermediate (WTI) Crude Oil (\$/Barrel)

High Sulfur Fuel Oil is a Proxy for UMO Price; WTI is a Proxy For Product Prices



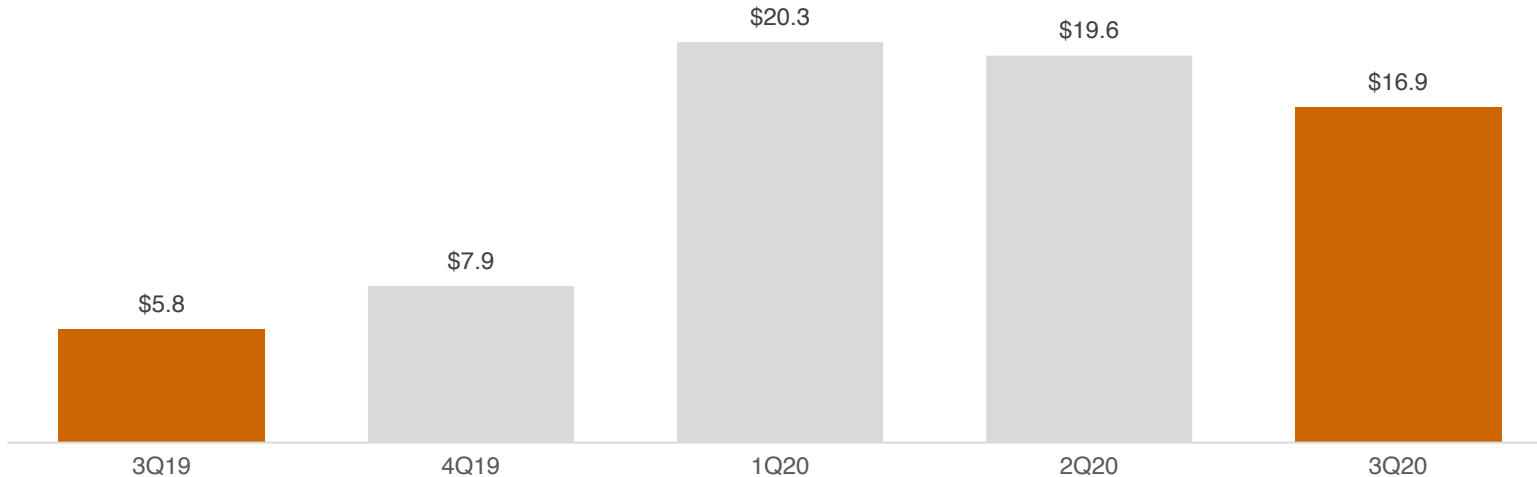
Source: CME Group (November 2020)

# Balance Sheet Update

\$16.9 million in cash and availability on revolver; net cash positive

## Cash & Available Liquidity

\$MM<sup>(1)</sup>



(1) Included in total cash amounts are the Special Purpose Vehicle (SPV) amounts of Myrtle Grove and Heartland which are \$2.0 million and \$8.1 million, respectively. These amounts are limited to use by each respective SPV.



# APPENDIX

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# Corporate Overview

## Vertically-Integrated Specialty Refiner of Alternative Feedstocks

### Executive Summary

- > Established producer of petroleum-based specialty products from recycled used motor oils and petrochemical streams
- > Owns and operate one of the largest independent used motor oil collections (UMO) operations in the United States<sup>(1)</sup>
- > Produce/market IMO-compliant marine fuels, Group II & III Base Oils and fuel blend stocks for industrial applications
- > Proven track record of safe, reliable operations that optimize utilization at owned production facilities
- > Major ongoing capital projects offer potential to increase production of high-value specialty products
- > Experienced management team w/ high insider ownership



#### Collections Operations

- > ~100 collection trucks
- > Operations in 15 states
- > Internal collections strategy



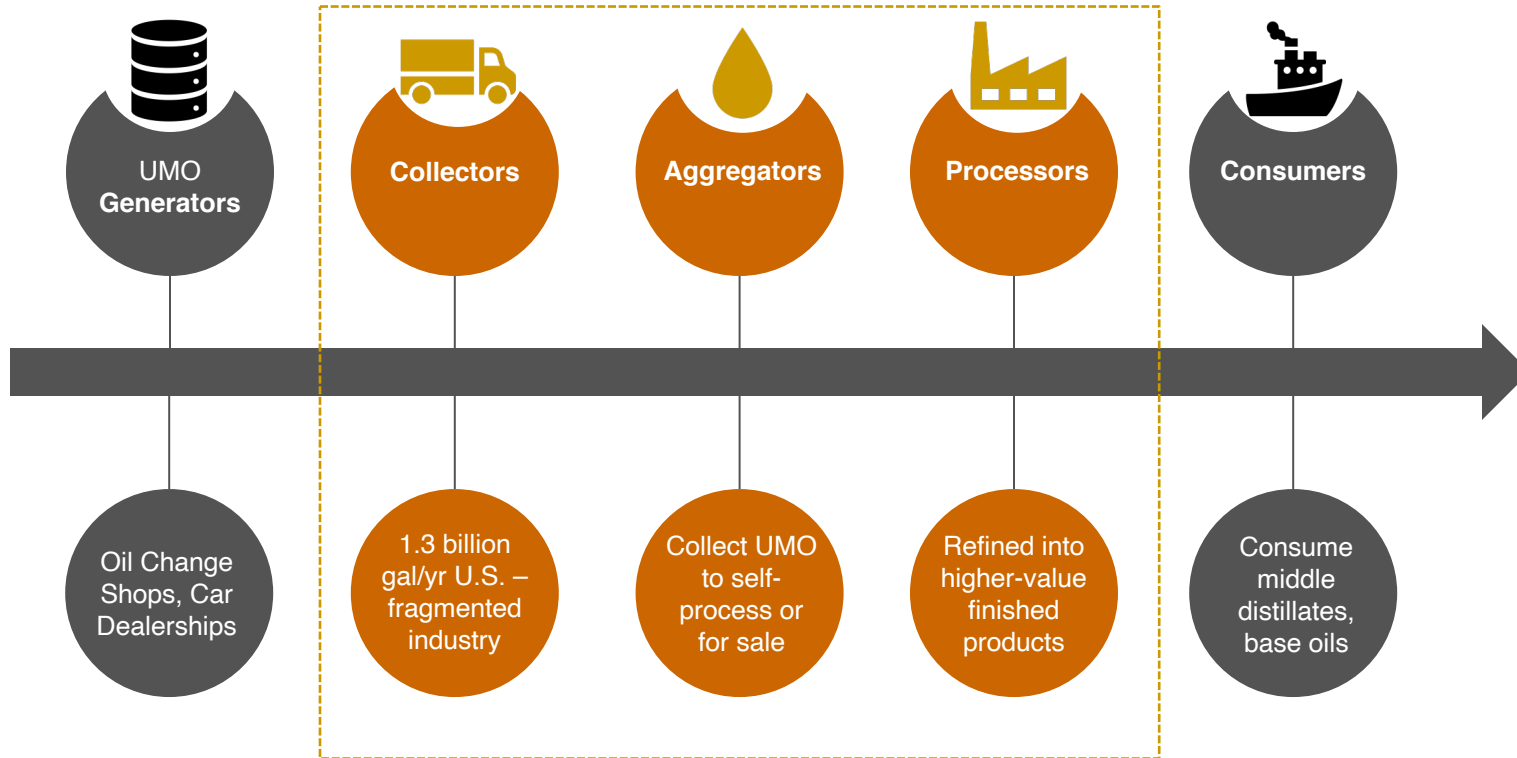
#### Refining Operations

- > Middle distillates and high-purity base oils
- > Marrero (LA) - Marine Fuel production
- > Heartland (OH) - Base oil production
- > Baytown (TX) – Houston ship channel terminal

*(1) Vertex Energy owns/operates one of the largest used motor oil (UMO) collection and aggregation networks in the United States*

# Used Motor Oil Recycling Value Chain

Direct and Third-Party UMO Collections Used As Refining Feedstock



# We Own Advantaged Refining Assets In Strategic Markets

Vertically Integrated Model Processes Collected UMO as Feedstock

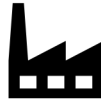
## Refining Operations Overview

- > Direct and third-party collections of UMO provide the feedstock for both Marrero and Heartland
- > Marrero and Heartland operating near peak utilization given strong demand for middle distillates and Group II Base Oils
- > Production slate includes middle distillates, base oils, asphalt, condensate and fuel oil



### Marrero Refinery Marrero, Louisiana

- > 4,800 bpd nameplate capacity
- > Feedstock: UMO
- > Production: Middle distillates
- > Opportunity: Demand for IMO-compliant marine fuel



### Heartland Refinery Columbus, Ohio

- > 1,500 bpd nameplate capacity
- > Feedstock: UMO
- > Production: Group II+ Base Oil
- > Opportunity: Global transition to higher-purity base oils



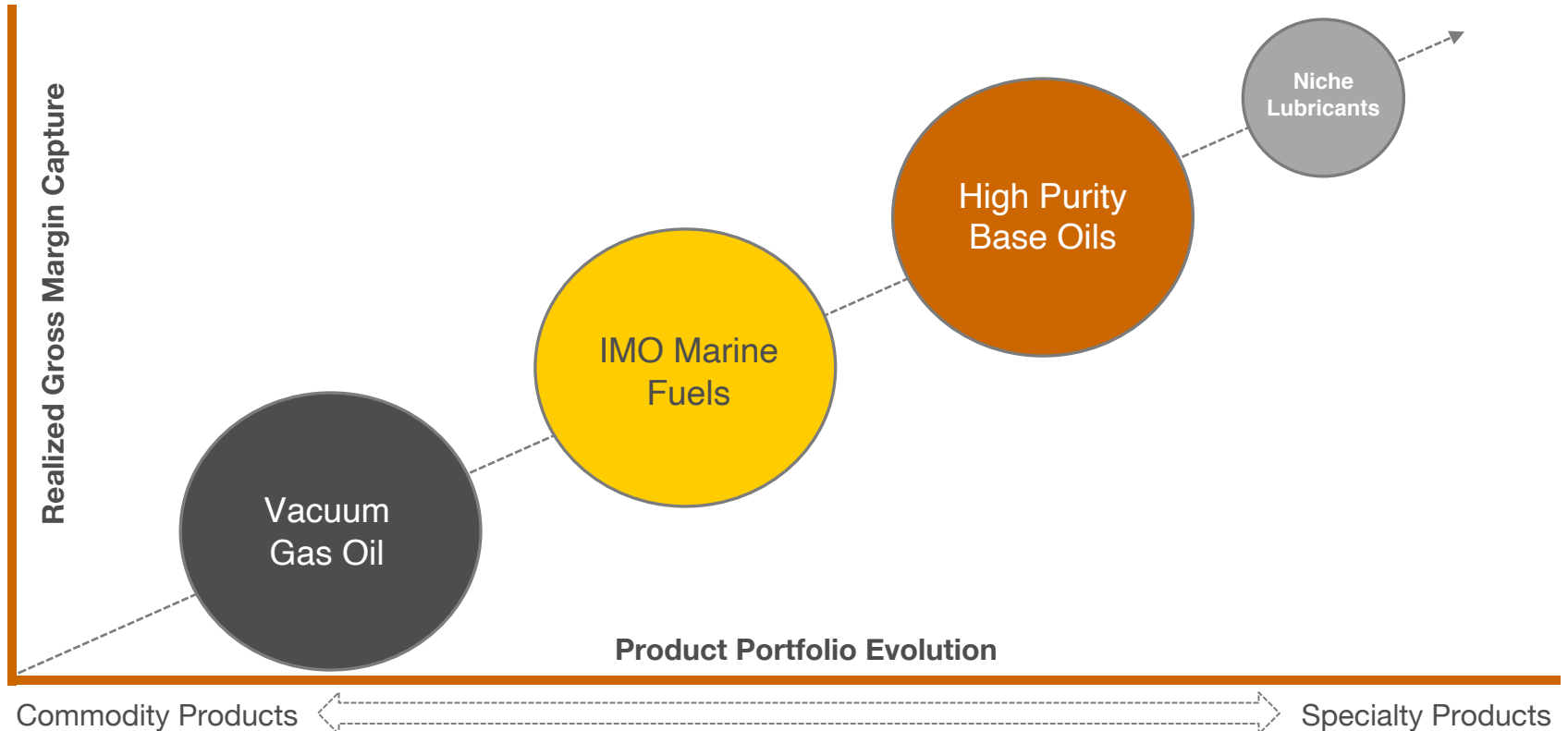
### Baytown Terminal Baytown, Texas

- > Waterfront facility w/ 100,000 barrels of storage on-site
- > Refining supply / distribution
- > Strategically located on the Houston ship channel

(1) (bpd) barrels per day

# We Are Focused On High-Grading Our Production Slate

Multi-Year Transition From Commodity To Branded Products



# CAFE Standards Drive Demand For Higher Purity Base Oils

## Corporate Average Fleet Economy (CAFE) Standard Requires Lower Emissions

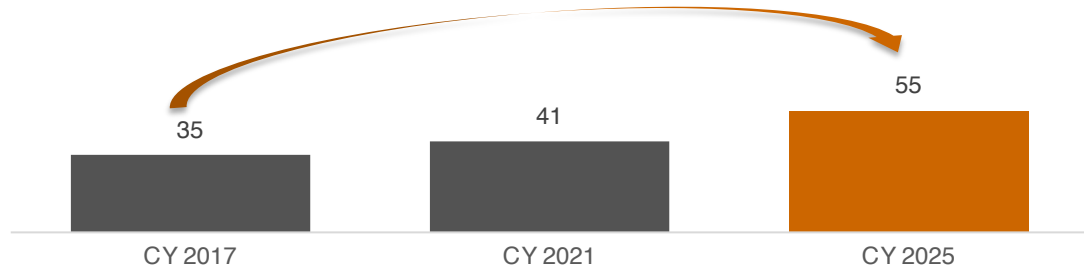
### Executive Summary

#### Drivers of Group II+III Demand

- > CAFE standard requires increased fuel economy and lower emissions
- > Lower viscosity lubricants yield better fuel economy and lower emissions
- > High purity base oils are the primary base stock for premium synthetic lubricants used in CAFE-compliant higher performance engines
- > Base oil production from UMO is more efficient than from crude oil
- > Electrification of vehicle fleet is a long-term factor, but not material to the forecast until after 2030

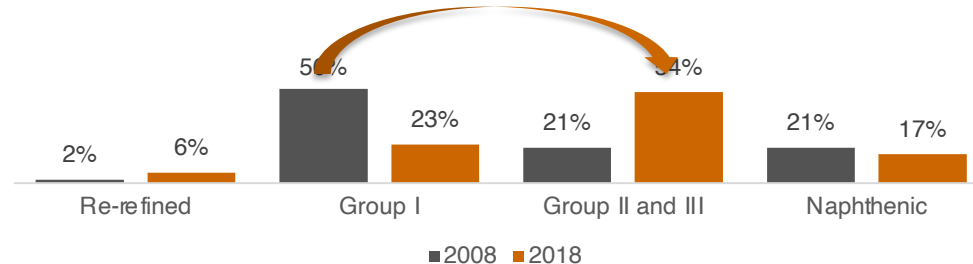
### Projected CAFE Standard Fuel Economy By Year

6% CAGR In Required MPG Fuel Economy



### North American Base Oil Capacity Shift<sup>(1)</sup>

Trend Toward Higher Viscosity Base Oil Capacity



(1) Source: LNG Lubricants Industry Factbook (2018-2019)



# Our Strategic Focus

## Path Toward Profitable Growth Through The Cycle



### Drive Direct Collections Growth

- > Direct collections are significantly cost-advantaged over third-party purchased collections
- > By increasing direct collections as % of total collections, we significantly reduce feedstock costs



### Optimize Refining Asset Base

- > Safe, reliable operations drive profitable growth
- > Focused on reducing feedstock overhead and reducing direct OPEX per gallon sold



### High-Grade Production Slate

- > Shift from production of commodity intermediates toward higher value finished products
- > Be recognized as leading producer of IMO compliant marine fuel and high-purity base oils



### Growth CAPEX / Private Funding

- Identify high-return organic growth projects within existing asset base
- Partner with one or more venture investors on a project by project basis to support project CAPEX



### Profitable Growth Through Cycle

- > Generate Adj. EBITDA growth – use free cash flow to maintain conservative net leverage profile
- > Continue to diversify EBITDA across end-markets, geographies and customers

# Non-GAAP Reconciliation

## Reconciliation of net loss attributable to Vertex Energy to Adjusted EBITDA and Free Cash Flow

	For the Three Months Ended		For the Trailing Twelve Months	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Net income (loss)	\$ (1,955,170)	\$ (1,158,883)	\$ (7,081,302)	\$ (6,901,093)
Add (deduct):				
Interest Income	(1)	(653)	(227)	(2,571)
Interest Expense	234,671	826,005	1,544,221	3,155,864
Depreciation and amortization	1,796,031	1,815,582	6,990,643	7,090,481
<b>EBITDA</b>	<b>75,531</b>	<b>1,482,051</b>	<b>1,453,335</b>	<b>3,342,681</b>
Add (deduct):				
Other income (Insurance proceeds)	-	(917,500)	-	(917,500)
Loss (gain) on change in value of derivative warrant liability	(256,587)	(1,290,792)	(1,025,130)	(3,220,402)
Unrealized (gain) loss on derivative instruments	(514,302)	(1,402,017)	782,867	(909,040)
Stock-based compensation	171,149	159,426	660,308	638,548
<b>Adjusted EBITDA *</b>	<b>\$ (524,209)</b>	<b>\$ (1,968,832)</b>	<b>\$ 1,871,380</b>	<b>\$ (1,065,713)</b>
Net cash provided by (used in) operating activities	(2,360,983)	(3,602,077)	6,882,457	1,908,695
Deduct: capital expenditures	(2,643,787)	(867,947)	(4,790,309)	(3,972,759)
<b>Free cash flow</b>	<b>(5,004,770)</b>	<b>(4,470,024)</b>	<b>2,092,148</b>	<b>(2,064,064)</b>

### USE OF NON-GAAP FINANCIAL INFORMATION

This presentation release discusses “EBITDA”, “Adjusted EBITDA” and free cash flows. EBITDA represents net income before interest, taxes, depreciation and amortization. Adjusted EBITDA is defined as EBITDA before stock-based compensation expense and gain (loss) on change in value of derivative warrant liability and unrealized gains and losses on derivative instruments for hedging activities. Free cash flow represents net cash provided by (used in) operating activities, less capital expenditures. These measurements are not recognized in accordance with generally accepted accounting principles (GAAP) and should not be viewed as an alternative to GAAP measures of performance. EBITDA, Adjusted EBITDA and free cash flows are presented because we believe they provide additional useful information to investors due to the various noncash items during the period. EBITDA, Adjusted EBITDA and free cash flows have limitations as analytical tools, and you should not consider them in isolation, or as a substitute for analysis of our operating results as reported under GAAP. Some of these limitations are: (a) EBITDA, Adjusted EBITDA and free cash flows do not reflect cash expenditures, or future requirements for capital expenditures, or contractual commitments; (b) EBITDA, Adjusted EBITDA and free cash flows do not reflect changes in, or cash requirements for, working capital needs; EBITDA, Adjusted EBITDA and free cash flows do not reflect the significant interest expense, or the cash requirements necessary to service interest or principal payments, on debt or cash income tax payments; (c) although depreciation and amortization are noncash charges, the assets being depreciated and amortized will often have to be replaced in the future and EBITDA, Adjusted EBITDA and free cash flows do not reflect any cash requirements for such replacements; and (d) other companies in this industry may calculate EBITDA, Adjusted EBITDA and free cash flows differently than Vertex Energy does, limiting its usefulness as a comparative measure. See also “Non-GAAP Reconciliation” in the appendix, below.