

SECURITIES & EXCHANGE COMMISSION EDGAR FILING

Vertex Energy Inc.

Form: 8-K

Date Filed: 2020-11-10

Corporate Issuer CIK: 890447

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): November 10, 2020

VERTEX ENERGY, INC.

(Exact name of registrant as specified in its charter)

Nevada

001-11476

94-3439569

(State or other jurisdiction of incorporation)

(Commission File Number)

(I.R.S. Employer Identification No.)

1331 Gemini Street
Suite 250

Houston, Texas 77058

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (866) 660-8156

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, \$0.001 Par Value Per Share	VTNR	The NASDAQ Stock Market LLC (Nasdaq Capital Market)

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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 2.02 Results of Operations and Financial Condition.

On November 10, 2020, Vertex Energy, Inc. ("Vertex" or the "Company") issued a press release and will hold a conference call regarding its financial results for the three and nine months ended September 30, 2020. A copy of the press release, which includes information on the conference call and a summary of such financial results is furnished as Exhibit 99.1 to this Form 8-K. Additionally, a copy of a presentation which will be discussed on the earnings call is furnished as Exhibit 99.2 to this Form 8-K.

The information contained in this Current Report shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

The press release and presentation furnished as Exhibits 99.1 and 99.2, respectively, to this Current Report on Form 8-K, contain forward-looking statements within the safe harbor provisions under The Private Securities Litigation Reform Act of 1995, and, as such, may involve known and unknown risks, uncertainties and assumptions. These forward-looking statements relate to the Company's current expectations and are subject to the limitations and qualifications set forth in the press release and presentation as well as in the Company's other filings with the Securities and Exchange Commission, including, without limitation, that actual events and/or results may differ materially from those projected in such forward-looking statements. These statements also involve known and unknown risks, which may cause the results of the Company, its divisions and concepts to be materially different than those expressed or implied in such statements. Accordingly, readers should not place undue reliance on any forward-looking statements. Forward-looking statements may include comments as to the Company's beliefs and expectations as to future financial performance, events and trends affecting its business and are necessarily subject to uncertainties, many of which are outside the Company's control. More information on potential factors that could affect the Company's financial results is included from time to time in the "Forward-Looking Statements," "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" sections of the Company's periodic and current filings with the SEC, including the Form 10-Qs and Form 10-Ks, filed with the SEC and available at www.sec.gov and in the "Investor Relations" – "SEC Filings" section of the Company's website at www.vertexenergy.com. Forward-looking statements speak only as of the date they are made. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise that occur after that date, except as otherwise provided by law.

Item 9.01 Financial Statements And Exhibits.

<u>Exhibit No.</u>	<u>Description</u>
99.1*	Press Release of Vertex Energy, Inc., dated November 10, 2020
99.2*+	2020 Third Quarter Earnings Call Presentation

* Furnished herewith.

+ The Presentation discloses Adjusted EBITDA, for the three months and trailing 12 months ended September 30, 2020 and 2019, which is a non-GAAP financial measure. The Adjusted EBITDA calculations are described in greater detail, and reconciled to GAAP, in the press release attached hereto as Exhibit 99.1, under the heading "Reconciliation of Net Loss attributable to Vertex Energy, Inc., to Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) and Adjusted EBITDA", and incorporated by reference in this Form 8-K.

SIGNATURES

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.

VERTEX ENERGY, INC.

Date: November 10, 2020

By: /s/ Chris Carlson

Chris Carlson

Chief Financial Officer

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
99.1*	Press Release of Vertex Energy, Inc., dated November 10, 2020
99.2*+	2020 Third Quarter Earnings Call Presentation

* Furnished herewith.

+ The Presentation discloses Adjusted EBITDA, for the three months and trailing 12 months ended September 30, 2020 and 2019, which is a non-GAAP financial measure. The Adjusted EBITDA calculations are described in greater detail, and reconciled to GAAP, in the press release attached hereto as [Exhibit 99.1](#), under the heading "Reconciliation of Net Loss attributable to Vertex Energy, Inc., to Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) and Adjusted EBITDA", and incorporated by reference in this Form 8-K.



VERTEX ENERGY REPORTS THIRD QUARTER 2020 RESULTS

HOUSTON, TX, November 10, 2020 -- Vertex Energy, Inc. (NASDAQ: VTNR, "Vertex" or the "Company"), a leading specialty refiner and marketer of high-quality hydrocarbon products, today announced its financial results for the third quarter of 2020.

THIRD QUARTER 2020 RESULTS

- **Myrtle Grove (Belle Chasse, Louisiana refining complex) initiates Phase One start-up; facility to supply pre-treated feed to Company's Marrero, Louisiana re-refining facility and renewable diesel markets**
- **36% Q/Q organic growth in direct used motor oil (UMO) collections, supported by improved vehicle miles traveled**
- **Marrero, Louisiana refinery impacted by eight days of Hurricane-related unplanned downtime**
- **Heartland (Columbus, Ohio) refinery operated at peak utilization, supported by stable demand for base oils**
- **Total cash and available liquidity of \$16.9 million as of September 30, 2020 (including \$10.1 of total cash limited to use by two special purpose vehicles)**

For the three months ended September 30, 2020, the Company reported a net loss attributable to Vertex Energy of (\$2.4) million, versus a net loss of (\$1.1) million for the third quarter of 2019. Vertex reported Adjusted EBITDA of (\$0.5) million for the third quarter of 2020, versus (\$1.9) million in the prior-year period. On a sequential basis, Adjusted EBITDA increased \$4.8 million in the third quarter of 2020, when compared to the second quarter of 2020. Adjusted EBITDA is a non-GAAP financial measure. A schedule reconciling the Company's GAAP and non-GAAP financial results, including Adjusted EBITDA, is included later in this release. See also "Use of Non-GAAP Financial Information" below.

During August and September, two Hurricanes brought severe flooding and high winds that adversely impacted operations in the Gulf Coast and, specifically at the Company's Marrero, Louisiana refinery, while also limiting outbound shipments of finished product along adjacent waterways between Houston and New Orleans for approximately two weeks. Weather-related disruptions at the Marrero refinery more than offset organic growth in direct Used Motor Oil (UMO) collections and a strong performance at the Heartland refinery, which operated at peak capacity during the third quarter of 2020.

STRATEGIC UPDATE

In response to current market conditions, Vertex executed on its business transformation plan during the third quarter, positioning the organization to support long-term organic growth in UMO collections, optimize asset utilization and maintain capital discipline.

- **Organic collections growth.** Total direct used motor oil collections increased 36% in the third quarter of 2020, when compared to the second quarter of 2020, as on-road vehicle miles traveled increased during the period. Although total vehicle miles traveled declined on a year-over-year basis due to pandemic-related disruptions, total direct collections increased 5% in the third quarter of 2020, versus the prior year's comparable period.
 - **Asset optimization.** The Marrero and Heartland refineries operated at 90% and 99% of capacity in the third quarter, respectively, given increased access to feedstock, coupled with stable demand for refined products. At Marrero, the Company conducted eight days of unplanned, hurricane-related maintenance, which impacted utilization in the period. Vertex continues to evaluate targeted organic growth opportunities designed to improve its utilization of existing, owned assets. During the third quarter, Vertex initiated start-up operations at its co-owned Myrtle Grove facility in Belle Chasse, Louisiana. Beginning in the first quarter of 2021, management expects to begin pre-treating non-conforming oils at the facility that will be supplemented as feedstock for the Marrero refinery. In addition to this pre-treatment focus, the Company is evaluating additional pre-treatment technologies that will process raw vegetable oils as feedstock to the developing renewable diesel refining market. Vertex continues to invest in several initiatives designed to grow its market presence around producing next-generation energy solutions. Management expects to provide an update on these initiatives on its year-end 2020 conference call in early 2021.
-

- **Maintain capital discipline.** Given current market volatility, Vertex remains focused on conserving available liquidity to support the long-term growth of its business. As of September 30, 2020, the Company had total cash and available liquidity of \$16.9 million, versus \$19.6 million as of June 30, 2020. Included in total cash amounts are \$10.1 million in cash held in the Company's special purpose vehicles (SPVs) relating to its Myrtle Grove and Heartland assets, which are limited to use by each SPV, respectively.

MANAGEMENT COMMENTARY

"Despite pandemic and hurricane-related headwinds, we generated both sequential and year-over-year growth in Adjusted EBITDA during the third quarter," stated Benjamin P. Cowart, President and CEO of Vertex. "As shelter-in-place orders were lifted earlier this year, travel activity increased back toward normal levels during the third quarter, contributing to improved availability of UMO feedstock. To that end, total direct collections increased 36% on a sequential basis in the third quarter, supported by increased vehicle miles traveled, together with organic volume growth from new customers."

"We initiated a Phase One start-up of operations at our Myrtle Grove facility during the third quarter," continued Cowart. "Beginning in the first quarter 2021, we plan to begin supplying our Marrero refinery with pre-treated intermediates from Myrtle Grove, consistent with our continued focus on asset optimization. We are currently in discussions with third-parties to fund a project at Myrtle Grove that would allow us to begin commercially treating raw vegetable and other organic waste oils that refiners can use as a feedstock in the production of renewable diesel fuel. Our development team is currently evaluating three separate technologies that will allow us to begin a renewable diesel pre-treatment process. This project has the potential to be a significant catalyst for growth, further positioning our business as a leading supplier of renewable and alternative feedstocks."

"Refined product spreads are challenged and remain below long-term historical levels. As the global economy recovers, we anticipate increased demand for low-sulfur marine fuels, together with a corresponding recovery in margin realization. In the interim, we intend to allocate resources toward quick-hit organic growth investments that leverage our expertise as a recycler of used automotive waste streams, while continuing to reduce non-essential costs throughout the organization," continued Cowart.

"Consistent with our commitment to maximize value for all investors in Vertex, we have launched an internal review of strategic alternatives for our business," concluded Cowart. "These alternatives may include continuing as a public standalone organization, going private or selling certain assets to a strategic partner, subject to the review and approval of our Board of Directors. There is no formal timeline for this process, nor have we chosen any one specific alternative at this time. We will provide further updates on the matter at such time that our Board determines appropriate."

BALANCE SHEET

As of September 30, 2020, the Company had total cash and availability on its lending facility of \$15.5 million (including \$10.1 which is required to be used for our SPVs) and \$1.4 million, respectively.

Vertex had total long-term debt outstanding of \$11.1 million as of September 30, 2020, which included \$4.2 million related to funds received under the Paycheck Protection Program (the "PPP") which is part of the recently enacted Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). Under the terms of the PPP, the entire balance of the loan may be forgiven to the extent that cash proceeds are used for qualifying expenses. As of the date of this release, the Company believes it has allocated the entirety of PPP funds received toward qualifying expenses.

CONFERENCE CALL AND WEBCAST

A conference call will be held today at 9:00 A.M. ET to review the Company's financial results, discuss recent events and conduct a question-and-answer session.

A webcast of the conference call and accompanying presentation materials will be available in the Investor Relations section of Vertex's website at www.vertexenergy.com, through November 17, 2020. To listen to a live broadcast, go to the site at least 15 minutes prior to the scheduled start time in order to register, download, and install any necessary audio software. To participate in the live teleconference:

Domestic Live: 844-602-0380

To listen to a replay of the teleconference, which will be available through November 17, 2020:

Domestic Replay: 877-481-4010

Conference ID: 38564

ABOUT VERTEX ENERGY

Houston-based Vertex Energy, Inc. (NASDAQ: VTNR) is a specialty refiner of alternative feedstocks and marketer of high-purity petroleum products. Vertex is one of the largest processors of used motor oil in the U.S., with operations located in Houston and Port Arthur (TX), Marrero (LA) and Heartland (OH). Vertex also co-owns a facility, Myrtle Grove, located on a 41-acre industrial complex along the Gulf Coast in Belle Chasse, LA, with existing hydro-processing and plant infrastructure assets, that include nine million gallons of storage. The Company has built a reputation as a key supplier of Group II+ and Group III Base Oils to the lubricant manufacturing industry throughout North America.

FORWARD-LOOKING STATEMENTS

This press release may contain forward-looking statements, including information about management's view of Vertex Energy's future expectations, plans and prospects, within the safe harbor provisions under The Private Securities Litigation Reform Act of 1995 (the "Act"). In particular, when used in the preceding discussion, the words "believes," "hopes," "expects," "intends," "plans," "anticipates," or "may," and similar conditional expressions are intended to identify forward-looking statements within the meaning of the Act, and are subject to the safe harbor created by the Act. Any statements made in this news release other than those of historical fact, about an action, event or development, are forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors, which may cause the results of Vertex Energy, its divisions and concepts to be materially different than those expressed or implied in such statements. These risk factors and others are included from time to time in documents Vertex Energy files with the Securities and Exchange Commission, including, but not limited to, its Form 10-Ks, Form 10-Qs and Form 8-Ks. These reports are available at www.sec.gov. Other unknown or unpredictable factors also could have material adverse effects on Vertex Energy's future results. The forward-looking statements included in this press release are made only as of the date hereof. Vertex Energy cannot guarantee future results, levels of activity, performance or achievements. Accordingly, you should not place undue reliance on these forward-looking statements. Finally, Vertex Energy undertakes no obligation to update these statements after the date of this release, except as required by law, and takes no obligation to update or correct information prepared by third parties that are not paid for by Vertex Energy. If we update one or more forward-looking statements, no inference should be drawn that we will make additional updates with respect to those or other forward-looking statements.

USE OF NON-GAAP FINANCIAL INFORMATION

This earnings 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 "Reconciliation of Net Loss attributable to Vertex Energy, Inc., to Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA), Adjusted EBITDA and Free Cash Flows*", below.

CONTACT

Investor Relations
720.778.2415
IR@vertexenergy.com

VERTEX ENERGY, INC.
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	September 30, 2020	December 31, 2019
ASSETS		
Current assets		
Cash and cash equivalents	\$ 15,552,980	\$ 4,099,655
Restricted cash	100,125	100,170
Accounts receivable, net	9,090,927	12,138,078
Federal income tax receivable	—	68,606
Inventory	3,584,317	6,547,479
Prepaid expenses and other current assets	4,597,361	4,452,920
Total current assets	<u>32,925,710</u>	<u>27,406,908</u>
Noncurrent assets		
Fixed assets, at cost	73,444,184	69,469,548
Less accumulated depreciation	(28,175,982)	(24,708,151)
Fixed assets, net	45,268,202	44,761,397
Finance lease right-of-use assets	1,640,694	851,570
Operating lease right-of use assets	34,014,076	35,586,885
Intangible assets, net	9,880,310	11,243,800
Deferred income taxes	—	68,605
Other assets	1,424,288	840,754
TOTAL ASSETS	<u>\$ 125,153,280</u>	<u>\$ 120,759,919</u>
LIABILITIES, TEMPORARY EQUITY, AND EQUITY		
Current liabilities		
Accounts payable	\$ 8,275,862	\$ 7,620,098
Accrued expenses	3,312,018	5,016,132
Dividends payable	591,763	389,176
Finance lease liability-current	489,974	217,164
Operating lease liability-current	5,830,681	5,885,304
Current portion of long-term debt, net of unamortized finance costs	4,867,167	2,017,345
Derivative commodity liability	23,995	375,850
Revolving note	—	3,276,230
Total current liabilities	<u>23,391,460</u>	<u>24,797,299</u>
Long-term liabilities		
Long-term debt, net of unamortized finance costs	8,297,605	12,433,000
Finance lease liability-long-term	1,072,623	610,450
Operating lease liability-long-term	28,183,395	29,701,581
Derivative warrant liability	124,847	1,969,216
Total liabilities	<u>61,069,930</u>	<u>69,511,546</u>
COMMITMENTS AND CONTINGENCIES (Note 3)		
	—	—
TEMPORARY EQUITY		
Series B Convertible Preferred Stock, \$0.001 par value per share; 10,000,000 shares designated, 4,002,619 and 3,826,055 shares issued and outstanding at September 30, 2020 and December 31, 2019, respectively with a liquidation preference of \$12,408,119 and \$11,860,771 at September 30, 2020 and December 31, 2019, respectively.	12,408,119	11,006,406
Series B1 Convertible Preferred Stock, \$0.001 par value per share; 17,000,000 shares designated, 7,219,164 and 9,028,085 shares issued and outstanding at September 30, 2020 and December 31, 2019, respectively with a liquidation preference of \$11,261,896 and \$14,083,813 at September 30, 2020 and December 31, 2019, respectively.	10,567,161	12,743,047
Redeemable non-controlling interest	29,928,211	4,396,894
Total Temporary Equity	<u>52,903,491</u>	<u>28,146,347</u>
EQUITY		
50,000,000 of total Preferred shares authorized:		
Series A Convertible Preferred Stock, \$0.001 par value; 5,000,000 shares designated, 419,859 shares issued and outstanding at September 30, 2020 and December 31, 2019, with a liquidation preference of \$625,590 at September 30, 2020 and December 31, 2019.	420	420
Series C Convertible Preferred Stock, \$0.001 par value; 44,000 shares designated, no shares issued or outstanding.	—	—
Common stock, \$0.001 par value per share; 750,000,000 shares authorized; 45,554,841 and 43,395,563 shares issued and outstanding at September 30, 2020 and December 31, 2019, respectively.	45,555	43,396
Additional paid-in capital	94,404,520	81,527,351

Accumulated deficit	(84,323,362)	(59,246,514)
Total Vertex Energy, Inc. stockholders' equity	10,127,133	22,324,653
Non-controlling interest	1,052,726	777,373
Total Equity	11,179,859	23,102,026
TOTAL LIABILITIES, TEMPORARY EQUITY, AND EQUITY	\$ 125,153,280	\$ 120,759,919

VERTEX ENERGY, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Revenues	\$ 37,383,632	\$ 37,799,259	\$ 94,961,188	\$ 120,777,263
Cost of revenues (exclusive of depreciation and amortization shown separately below)	31,186,684	32,372,316	80,221,343	103,732,086
Depreciation and amortization attributable to costs of revenues	1,313,162	1,359,629	3,731,320	3,965,626
Gross profit	4,883,786	4,067,314	11,008,525	13,079,551
Operating expenses:				
Selling, general and administrative expenses	6,241,570	6,153,184	18,972,648	17,529,784
Depreciation and amortization attributable to operating expenses	482,869	455,953	1,412,719	1,367,859
Total operating expenses	6,724,439	6,609,137	20,385,367	18,897,643
Loss from operations	(1,840,653)	(2,541,823)	(9,376,842)	(5,818,092)
Other income (expense):				
Other income	1	918,153	101	920,071
Gain (loss) on sale of assets	(136,434)	—	(124,090)	31,443
Gain on change in value of derivative warrant liability	256,587	1,290,792	1,844,369	331,715
Interest expense	(234,671)	(826,005)	(796,930)	(2,322,780)
Total other income (expense)	(114,517)	1,382,940	923,450	(1,039,551)
Loss before income tax	(1,955,170)	(1,158,883)	(8,453,392)	(6,857,643)
Income tax benefit (expense)	—	—	—	—
Net loss	(1,955,170)	(1,158,883)	(8,453,392)	(6,857,643)
Net income (loss) attributable to non-controlling interest and redeemable non-controlling interest	480,215	(67,102)	190,771	(374,862)
Net loss attributable to Vertex Energy, Inc.	(2,435,385)	(1,091,781)	(8,644,163)	(6,482,781)
Accretion of redeemable noncontrolling interest to redemption value	(1,287,559)	(1,849,930)	(13,635,797)	(1,849,930)
Accretion of discount on Series B and B1 Preferred Stock	(29,157)	(550,774)	(1,500,395)	(1,644,374)
Dividends on Series B and B1 Preferred Stock	(591,777)	(419,096)	(1,296,493)	(1,238,766)
Net loss available to common shareholders	\$ (4,343,878)	\$ (3,911,581)	\$ (25,076,848)	\$ (11,215,851)
Loss per common share				
Basic	\$ (0.10)	\$ (0.09)	\$ (0.55)	\$ (0.28)
Diluted	\$ (0.10)	\$ (0.09)	\$ (0.55)	\$ (0.28)
Shares used in computing earnings per share				
Basic	45,554,841	41,376,335	45,494,235	40,626,700
Diluted	45,554,841	41,376,335	45,494,235	40,626,700

VERTEX ENERGY, INC.
CONSOLIDATED STATEMENTS OF EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019
(UNAUDITED)

Nine Months Ended September 30, 2020

	Common Stock		Series A Preferred		Series C Preferred		Additional Paid-In Capital	Retained Earnings	Non-controlling Interest	Total Equity
	Shares	\$0.001 Par	Shares	\$0.001 Par	Shares	\$0.001 Par				
	Balance on January 1, 2020	43,395,563	\$ 43,396	419,859	\$ 420	—				
Purchase of shares of consolidated subsidiary	—	—	—	—	—	—	(71,171)	—	—	(71,171)
Adjustment of carrying mount of non-controlling interest	—	—	—	—	—	—	9,091,068	—	—	9,091,068
Share based compensation expense	—	—	—	—	—	—	163,269	—	—	163,269
Conversion of Series B1 Preferred stock to common	2,159,278	2,159	—	—	—	—	3,366,315	—	—	3,368,474
Dividends on Series B and B1	—	—	—	—	—	—	—	(344,499)	—	(344,499)
Accretion of discount on Series B and B1	—	—	—	—	—	—	—	(932,003)	—	(932,003)
Accretion of redeemable non-controlling interest to redemption value	—	—	—	—	—	—	—	(10,966,349)	—	(10,966,349)
Net income	—	—	—	—	—	—	—	2,788,860	119,268	2,908,128
Balance on March 31, 2020	<u>45,554,841</u>	<u>\$ 45,555</u>	<u>419,859</u>	<u>\$ 420</u>	<u>—</u>	<u>\$ —</u>	<u>\$ 94,076,832</u>	<u>\$ (68,700,505)</u>	<u>\$ 896,641</u>	<u>\$ 26,318,943</u>
Share based compensation expense	—	—	—	—	—	—	156,539	—	—	156,539
Dividends on Series B and B1	—	—	—	—	—	—	—	(360,217)	—	(360,217)
Accretion of discount on Series B and B1	—	—	—	—	—	—	—	(539,235)	—	(539,235)
Accretion of redeemable non-controlling interest to redemption value	—	—	—	—	—	—	—	(1,381,889)	—	(1,381,889)
Net loss	—	—	—	—	—	—	—	(8,997,638)	(17,879)	(9,015,517)
Balance on June 30, 2020	<u>45,554,841</u>	<u>\$ 45,555</u>	<u>419,859</u>	<u>\$ 420</u>	<u>—</u>	<u>\$ —</u>	<u>\$ 94,233,371</u>	<u>\$ (79,979,484)</u>	<u>\$ 878,762</u>	<u>\$ 15,178,624</u>
Share based compensation expense	—	—	—	—	—	—	171,149	—	—	171,149
Dividends on Series B and B1	—	—	—	—	—	—	—	(591,777)	—	(591,777)
Accretion of discount on Series B and B1	—	—	—	—	—	—	—	(29,157)	—	(29,157)
Accretion of redeemable non-controlling interest to redemption value	—	—	—	—	—	—	—	(1,287,559)	—	(1,287,559)
Net loss	—	—	—	—	—	—	—	(2,435,385)	173,964	(2,261,421)
Balance on September 30, 2020	<u>45,554,841</u>	<u>\$ 45,555</u>	<u>419,859</u>	<u>\$ 420</u>	<u>—</u>	<u>\$ —</u>	<u>\$ 94,404,520</u>	<u>\$ (84,323,362)</u>	<u>\$ 1,052,726</u>	<u>\$ 11,179,859</u>

Nine Months Ended September 30, 2019

	Common Stock		Series A Preferred		Series C Preferred		Additional Paid-In Capital	Retained Earnings	Non-controlling Interest	Total Equity
	Shares	\$0.001 Par	Shares	\$0.001 Par	Shares	\$0.001 Par				
Balance on January 1, 2019	40,174,821	\$ 40,175	419,859	\$ 420	—	\$ —	\$ 75,131,122	\$(47,800,886)	\$ 1,438,213	\$ 28,809,044
Share based compensation expense	—	—	—	—	—	—	143,063	—	—	143,063
Conversion of Series B1 Preferred stock to common	96,160	96	—	—	—	—	149,914	—	—	150,010
Dividends on Series B and B1	—	—	—	—	—	—	—	(406,795)	—	(406,795)
Accretion of discount on Series B and B1	—	—	—	—	—	—	—	(560,675)	—	(560,675)
Net loss	—	—	—	—	—	—	—	(4,963,564)	(105,431)	(5,068,995)
Balance on March 31, 2019	<u>40,270,981</u>	<u>\$ 40,271</u>	<u>419,859</u>	<u>\$ 420</u>	<u>—</u>	<u>\$ —</u>	<u>\$ 75,424,099</u>	<u>\$(53,731,920)</u>	<u>\$ 1,332,782</u>	<u>\$ 23,065,652</u>
Exercise of options to purchase common stock	75,925	76	—	—	—	—	4,424	—	—	4,500
Share based compensation expense	—	—	—	—	—	—	171,002	—	—	171,002
Distribution to noncontrolling	—	—	—	—	—	—	—	—	(285,534)	(285,534)
Dividends on Series B and B1	—	—	—	—	—	—	—	(412,875)	—	(412,875)
Accretion of discount on Series B and B1	—	—	—	—	—	—	—	(532,925)	—	(532,925)
Net income	—	—	—	—	—	—	—	(427,436)	(202,329)	(629,765)
Balance on June 30, 2019	<u>40,346,906</u>	<u>\$ 40,347</u>	<u>419,859</u>	<u>\$ 420</u>	<u>—</u>	<u>\$ —</u>	<u>\$ 75,599,525</u>	<u>\$(55,105,156)</u>	<u>\$ 844,919</u>	<u>\$ 21,380,055</u>
Exercise of options to common	2,500	3	—	—	—	—	2,572	—	—	2,575
Share based compensation expense	—	—	—	—	—	—	159,426	—	—	159,426
Adjustment of carrying amount of non-controlling interest	—	—	—	—	—	—	970,809	—	—	970,809
Accretion of redeemable non-controlling interest to redemption value	—	—	—	—	—	—	—	(1,849,930)	—	(1,849,930)
Issuance of common stock and warrants	1,500,000	1,500	—	—	—	—	2,987,413	(772,202)	—	2,216,711
Dividends on Series B and B1	—	—	—	—	—	—	—	(419,096)	—	(419,096)
Accretion of discount on Series B and B1	—	—	—	—	—	—	—	(550,774)	—	(550,774)
Net income	—	—	—	—	—	—	—	(1,091,781)	(37,981)	(1,129,762)
Balance on September 30, 2019	<u>41,849,406</u>	<u>\$ 41,850</u>	<u>419,859</u>	<u>\$ 420</u>	<u>—</u>	<u>\$ —</u>	<u>\$ 79,719,745</u>	<u>\$(59,788,939)</u>	<u>\$ 806,938</u>	<u>\$ 20,780,014</u>

VERTEX ENERGY, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019 (UNAUDITED)

	Nine Months Ended	
	September 30, 2020	September 30, 2019
Cash flows from operating activities		
Net loss	\$ (8,453,392)	\$ (6,857,643)
Adjustments to reconcile net loss to cash provided by operating activities		
Stock based compensation expense	490,957	473,491
Depreciation and amortization	5,144,039	5,333,485
Loss (gain) on sale of assets	124,090	(31,443)
Contingent consideration reduction	—	(15,564)
Bad debt and reduction in allowance for bad debt	34,127	(389,943)
(Decrease) increase in fair value of derivative warrant liability	(1,844,369)	(331,715)
(Gain) loss on commodity derivative contracts	(4,489,355)	2,691,833
Net cash settlements on commodity derivatives	5,484,734	(3,446,274)
Amortization of debt discount and deferred costs	47,826	430,431
Changes in operating assets and liabilities, net of effect of acquisition		
Accounts receivable	4,952,388	(987,778)
Inventory	3,939,674	2,212,989
Prepaid expenses	(1,477,191)	(833,485)
Accounts payable	(367,327)	(1,046,149)
Accrued expenses	(1,788,693)	(260,341)
Other assets	(446,324)	—
Net cash provided by (used in) operating activities	<u>1,351,184</u>	<u>(3,058,106)</u>
Cash flows from investing activities		
Acquisition	(1,822,690)	—
Internally developed software	(49,229)	(380,216)
Purchase of fixed assets	(4,170,166)	(2,907,330)
Proceeds from sale of fixed assets	36,465	86,846
Net cash used in investing activities	<u>(6,005,620)</u>	<u>(3,200,700)</u>
Cash flows from financing activities		
Payments on finance leases	(282,655)	(113,241)
Proceeds from exercise of stock options	—	7,075
Distribution VRM LA	—	(285,534)
Contributions received from redeemable noncontrolling interest	21,000,000	3,150,000
Proceeds received from issuance of common stock and warrants	—	2,216,711
Line of credit (payments) proceeds, net	(3,276,230)	1,543,003
Proceeds from note payable (includes proceeds from PPP note)	7,992,346	2,809,139
Payments on note payable	(9,325,745)	(3,514,365)
Net cash provided by financing activities	<u>16,107,716</u>	<u>5,812,788</u>
Net change in cash, cash equivalents and restricted cash	11,453,280	(446,018)
Cash, cash equivalents, and restricted cash at beginning of the period	4,199,825	2,849,831
Cash, cash equivalents, and restricted cash at end of period	<u>\$ 15,653,105</u>	<u>\$ 2,403,813</u>
SUPPLEMENTAL INFORMATION		
Cash paid for interest	\$ 812,887	\$ 1,887,012
Cash paid for taxes	\$ —	\$ —
NON-CASH INVESTING AND FINANCING TRANSACTIONS		
Conversion of Series B1 Preferred Stock into common stock	\$ 3,368,474	\$ 149,914
Accretion of discount on Series B and B1 Preferred Stock	\$ 1,500,395	\$ 1,644,374
Dividends-in-kind accrued on Series B and B1 Preferred Stock	\$ 1,296,493	\$ 1,238,766
Equipment acquired under finance leases	\$ 1,017,638	\$ 621,000
Initial adjustment of carrying amount redeemable noncontrolling interests	\$ 9,091,068	\$ 970,809
Accretion of redeemable noncontrolling interest to redemption value	\$ 13,635,797	\$ 1,849,930

Reconciliation of Net Loss attributable to Vertex Energy, Inc., to Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA), Adjusted EBITDA, and Free Cash Flows*

	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
EBITDA	75,531	1,482,051	1,453,335	3,342,681
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
Adjusted EBITDA *	(524,209)	(1,968,832)	1,871,380	(1,065,713)
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)
Free cash flow	(5,004,770)	(4,470,024)	2,092,148	(2,064,064)

	For the Three Months Ended	
	September 30, 2020	June 30, 2020
Net income (loss)	\$ (1,955,170)	\$ (8,888,473)
Add (deduct):		
Interest Income	(1)	(20)
Interest Expense	234,671	222,173
Depreciation and amortization	1,796,031	1,713,461
EBITDA	75,531	(6,952,859)
Add (deduct):		
Loss (gain) on change in value of derivative warrant liability	(256,587)	110,965
Unrealized (gain) loss on derivative instruments	(514,302)	1,344,093
Stock-based compensation	171,149	156,539
Adjusted EBITDA *	(524,209)	(5,341,262)
Net cash provided by (used in) operating activities	(2,360,983)	597,159
Deduct: capital expenditures	(2,643,787)	(1,084,199)
Free cash flow	(5,004,770)	(4,470,024)

* EBITDA, Adjusted EBITDA, and free cash flows are non-GAAP financial measures. These measurements are not recognized in accordance with GAAP and should not be viewed as an alternative to GAAP measures of performance. See also "Use of Non-GAAP Financial Information", above.



3Q20 Conference Call

November 10, 2020

VTNR
NASDAQ
LISTED

Disclaimer

This document may contain forward-looking statements including words such as "may," "can," "could," "should," "predict," "aim," "potential," "continue," "opportunity," "intend," "goal," "estimate," "expect," "expectations," "project," "projections," "plans," "anticipates," "believe," "think," "confident," "scheduled," or similar expressions, as well as information about management's view of Vertex Energy's future expectations, plans and prospects, within the safe harbor provisions under the Private Securities Litigation Reform Act of 1995. These statements involve known and unknown risks, uncertainties and other factors which may cause the results of Vertex Energy, its divisions and concepts to be materially different than those expressed or implied in such statements. These risk factors and others are included from time to time in documents Vertex Energy files with the Securities and Exchange Commission, including, but not limited to, its Form 10-Ks, Form 10-Qs and Form 8-Ks, available at the SEC's website at www.sec.gov. Other unknown or unpredictable factors also could have material adverse effects on Vertex Energy's future results. The forward-looking statements included in this presentation are made only as of the date hereof. Vertex Energy cannot guarantee future results, levels of activity, performance or achievements. Accordingly, you should not place undue reliance on these forward-looking statements. Finally, Vertex Energy undertakes no obligation to update these statements after the date of this presentation, except as required by law, and also undertakes no obligation to update or correct information prepared by third parties that are not paid for by Vertex Energy.

Industry Information

Information regarding market and industry statistics contained in this presentation is based on information available to us that we believe is accurate. It is generally based on publications that are not produced for investment or economic analysis.



3Q20 Business Update



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

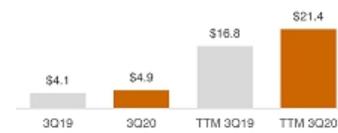
Key Financial Metrics

Third Quarter 2020

Total Revenues
(\$MM)



Gross Profit
(\$MM)



Operating Loss
(\$MM)



Net Loss Attributable to Vertex⁽¹⁾
(\$MM)



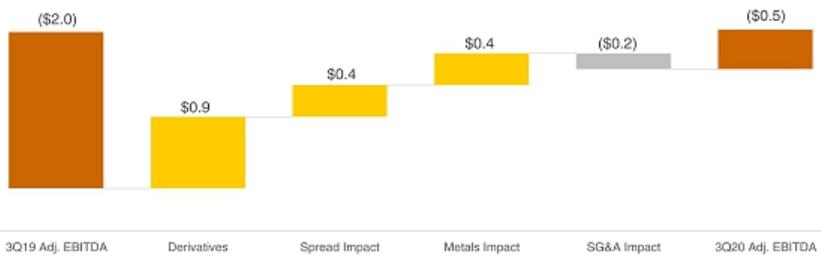
(1) TTM 3Q20 results exclude the impact of the Tensile transaction



Adjusted EBITDA Bridge

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

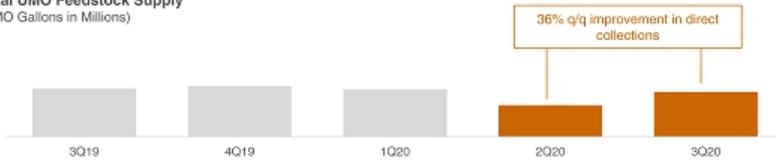
3Q19 vs. 3Q20 Adj. EBITDA Bridge
(\$MM)



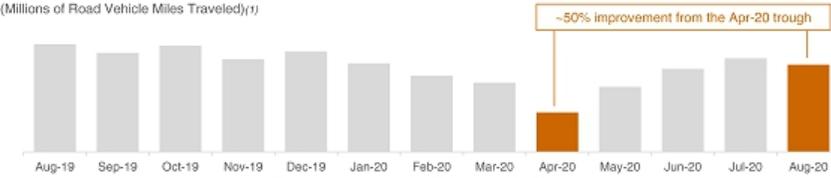
Strong Organic Growth in UMO Collections

Improved customer acquisition and a recovery in VMT support growth⁽¹⁾

Total UMO Feedstock Supply
(UMO Gallons in Millions)



U.S. Vehicle Miles Traveled
(Millions of Road Vehicle Miles Traveled)⁽¹⁾



⁽¹⁾ 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⁾



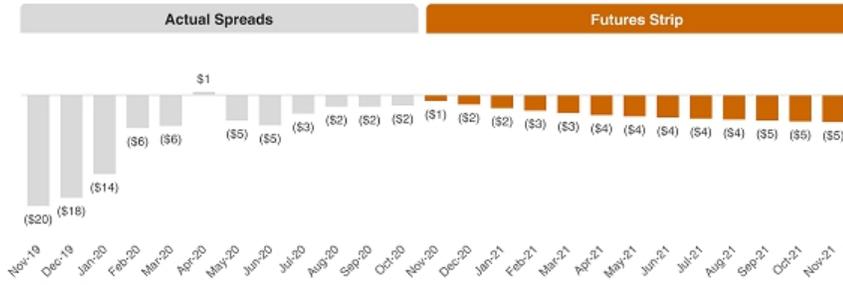
⁽¹⁾ Utilization defined as total refinery throughputs divided by nameplate capacity of the refinery



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)

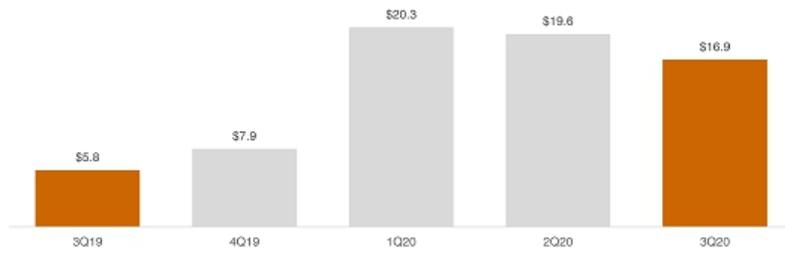


Balance Sheet Update

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

Cash & Available Liquidity

\$MM(1)



(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

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⁽¹⁾
- > 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



⁽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

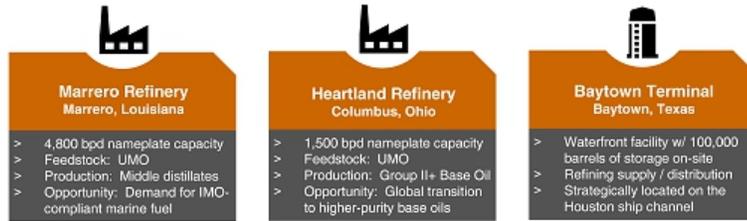


We Own Advantaged Refining Assets In Strategic Markets

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

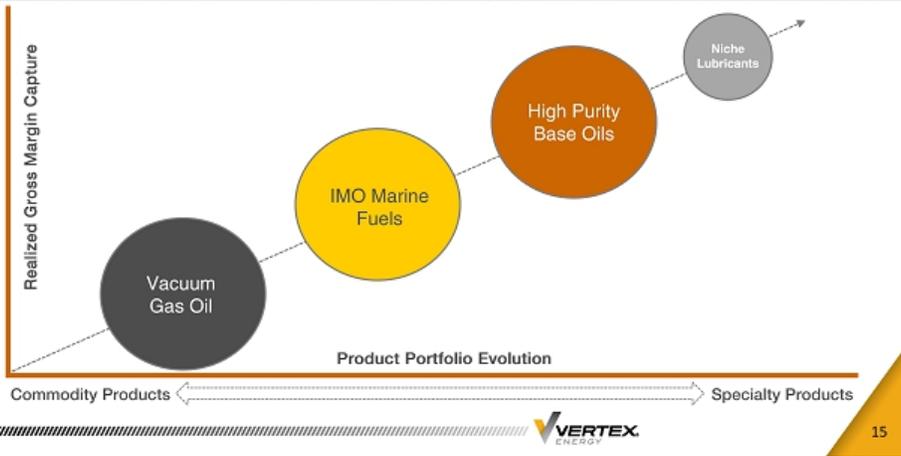


(1) bpd) barrels per day



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

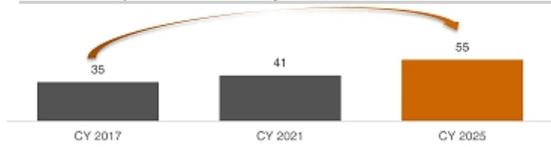
Executive Summary

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

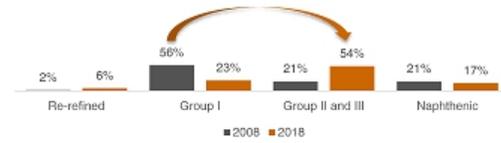
Projected CAFE Standard Fuel Economy By Year

6% CAGR In Required MPG Fuel Economy



North American Base Oil Capacity Shift (1)

Trend Toward Higher Viscosity Base Oil Capacity

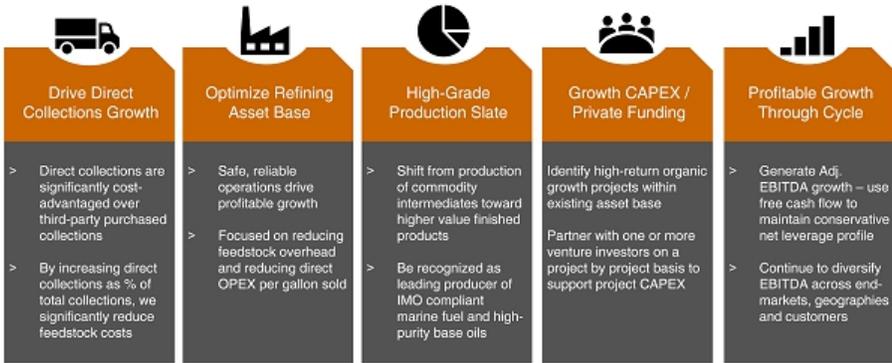


(1) Source: LAG Lubricants Industry Factbook (2018-2019)



Our Strategic Focus

Path Toward Profitable Growth Through The Cycle



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		USE OF NON-GAAP FINANCIAL INFORMATION
	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)	<p>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.</p>
Add (deduct):					
Interest Income	(11)	(683)	(227)	(2,571)	
Interest Expense	234,671	826,005	1,544,221	3,155,864	
Depreciation and amortization	1,796,051	1,815,582	6,990,643	7,090,481	
EBITDA	75,554	1,482,051	1,453,335	3,342,681	
Add (deduct):					
Other income (insurance proceeds)	-	(917,500)	-	(917,500)	
Loss (gain) on change in value of derivative warrant liability	(246,587)	(1,290,792)	(1,025,130)	(3,220,402)	
Unrealized (gain) loss on derivative instruments	(514,302)	(1,402,017)	782,867	(900,040)	
Stock-based compensation	171,149	159,426	660,308	638,548	
Adjusted EBITDA *	\$ (524,209)	\$ (1,968,832)	\$ 1,871,380	\$ (1,065,713)	
Net cash provided by (used in) operating activities	(2,380,983)	(3,400,077)	6,882,457	1,908,695	
Deduct: capital expenditures	(2,645,787)	(607,947)	(4,790,309)	(5,972,759)	
Free cash flow	(5,026,770)	(4,470,024)	2,092,148	(2,064,064)	

