

# SECURITIES & EXCHANGE COMMISSION EDGAR FILING

**Vertex Energy Inc.**

**Form: 8-K**

**Date Filed: 2020-03-04**

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): March 4, 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 March 4, 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 twelve months ended December 31, 2019. 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](http://www.sec.gov) and in the "Investor Relations" – "SEC Filings" section of the Company's website at [www.vertexenergy.com](http://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 March 4, 2020
99.2*+	2019 Fourth Quarter Earnings Call Presentation

\* Furnished herewith.

+ The Presentation discloses Adjusted EBITDA for the three months and trailing 12 months ended December 31, 2019 and 2018, 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.

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**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: March 4, 2020

By: */s/ Chris Carlson*

Chris Carlson

Chief Financial Officer

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## EXHIBIT INDEX

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**VERTEX ENERGY, INC. REPORTS FOURTH QUARTER  
AND FULL-YEAR 2019 RESULTS**

**HOUSTON, TX., March 4, 2020** -- Vertex Energy, Inc. (NASDAQ: VTNR, "Vertex" or the "Company"), a leading specialty refiner and marketer of high-quality hydrocarbon products, today announced financial results for the fourth quarter and full-year 2019.

**4Q19 FINANCIAL HIGHLIGHTS**

- Total direct collections +19.1% year-over-year (y/y)
- Total revenue of \$42.6 million (+\$0.8 million y/y)
- Total net income of \$1.4 million (+\$1.6 million y/y)
- Total adjusted EBITDA of \$3.9 million (+\$5.5 million y/y)

**FULL-YEAR 2019 HIGHLIGHTS**

- Total direct collections +20.6% y/y
- Completed Tensile Capital Joint-Venture
- Completed Bunker One Strategic Partnership

For the three months ended December 31, 2019, the Company reported net income available to common shareholders of \$1.4 million, or \$0.04 per diluted share, versus a net loss of (\$0.2) million, or (\$0.01) per basic share, in the fourth quarter of 2018. Vertex reported Adjusted EBITDA of \$3.9 million in the fourth quarter of 2019, versus (\$1.6) million in the prior-year period. For the full-year 2019, the Company reported a net loss available to common shareholders of (\$11.4) million, or (\$0.28) per basic share, versus a net loss of (\$8.0) million, or (\$0.23) per basic share, in 2018. Vertex reported Adjusted EBITDA of \$7.4 million for the full-year 2019, versus \$7.3 million in the prior-year period. A schedule reconciling the Company's GAAP and non-GAAP financial results (including Adjusted EBITDA) is included later in this release.

Fourth quarter results benefited from a combination of increased sales volumes and elevated product margins, resulting in improved profitability in the period. In advance of the January 1, 2020 low-sulfur marine fuel mandate set forth by the International Maritime Organization, the spread between high-sulfur fuel oil and corresponding middle distillate values widened materially. In response to improved market conditions, the Company's Marrero, Louisiana refinery operated near peak capacity during the fourth quarter of 2019, capitalizing on favorable refining economics evident in the market. During the fourth quarter of 2019, Marrero sold near-record volumes of middle distillate to the Company's long-term distribution partner, Bunker One USA. At the Company's Ohio-based Heartland refinery, increased sales volumes of high-purity base oils also contributed to the year-over-year improvement in fourth quarter results.

Direct collections of used motor oil (UMO) increased 19.1% in the fourth quarter of 2019, when compared to the prior-year's period. UMO collections represented approximately 44.5% of overall feedstock processed at the Company's refineries in the fourth quarter of 2019, versus 36.5% in the fourth quarter of 2018, with the remaining feedstock being sourced from third-party UMO suppliers.

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## MANAGEMENT COMMENTARY

“Fourth quarter results exceeded our guidance range, given strong performances at both our Marrero and Heartland refineries,” stated Benjamin P. Cowart, President and CEO of Vertex, who continued, “In expectation of improved product spreads leading up to the January 1, 2020 IMO transition, we operated our Marrero refinery at capacity, while building inventories of middle distillates. This strategy served us well in the fourth quarter, positioning us to sell increased volumes at elevated margins. Improved refining economics at Marrero, together with increased sales of high-purity base oils at Heartland, resulted in a return to profitable growth in the period.

“During 2019, we entered into two major strategic partnerships that we believe will position us to achieve material growth in profitability over a multi-year horizon. Our recently announced relationship with Bunker One USA, which provides for a long-term supply-offtake agreement and a net profit-sharing arrangement, represents the single most significant opportunity for growth in 2020. This relationship, together with our previously disclosed joint-venture with Tensile Capital, which positions us to become a leading producer and marketer of high-purity base oils at the Heartland refinery, are both transformational opportunities that we feel position us to create significant value for shareholders, over time.

“During the first quarter 2020, product spreads narrowed from near-record fourth quarter levels, as global trade slowed in reaction to concerns around a novel coronavirus strain. Importantly, we have hedges in place to protect some of our product margins, which we expect will serve to offset part of the recent volatility evident in the market. Even as refining margins are expected to revert back toward long-term averages, contributions from the Bunker One agreement, together with strong demand for high-purity base oils, support our positive outlook for the full-year 2020,” continued Cowart.

## 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](http://www.vertexenergy.com). 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:**           **844-369-8770**

To listen to a replay of the teleconference, which will be available through April 4, 2020:

**Domestic Replay:**   **877-481-4010**  
**Conference ID:**       **33255**

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## **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. 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.

## **CONTACT**

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[IR@vertexenergy.com](mailto:IR@vertexenergy.com)

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

	For the Three Months Ended		For the Twelve Months	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Net income (loss) attributable to Vertex Energy, Inc.	\$ 1,434,202	\$ (201,333)	\$ (5,048,579)	\$ (2,217,767)
Add (deduct):				
Interest Income	(126)	—	(2,697)	(659)
Interest Expense	747,291	833,084	3,070,071	3,281,855
Depreciation and amortization	1,846,604	1,756,996	7,180,089	6,991,010
<b>EBITDA</b>	<b>4,027,971</b>	<b>2,388,747</b>	<b>5,198,884</b>	<b>8,054,439</b>
Add (deduct):				
Loss (gain) on change in value of derivative warrant liability	819,239	(2,888,687)	487,524	(763,716)
Unrealized (gain) loss on derivative instruments	(1,134,723)	(1,297,475)	1,071,792	(695,992)
Stock-based compensation	169,350	165,057	642,841	659,836
<b>Adjusted EBITDA *</b>	<b>\$ 3,881,837</b>	<b>\$ (1,632,358)</b>	<b>\$ 7,401,039</b>	<b>\$ 7,254,567</b>

\* EBITDA and Adjusted EBITDA 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.

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. EBITDA and Adjusted EBITDA are presented because we believe they provide additional useful information to investors due to the various noncash items during the period. EBITDA and Adjusted EBITDA 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:

- EBITDA and Adjusted EBITDA do not reflect cash expenditures, or future requirements for capital expenditures, or contractual commitments;
- EBITDA and Adjusted EBITDA do not reflect changes in, or cash requirements for, working capital needs;
- EBITDA and Adjusted EBITDA 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;
- Although depreciation and amortization are noncash charges, the assets being depreciated and amortized will often have to be replaced in the future, and EBITDA and Adjusted EBITDA do not reflect any cash requirements for such replacements; and
- Other companies in this industry may calculate EBITDA and Adjusted EBITDA differently than Vertex Energy does, limiting its usefulness as a comparative measure.

**VERTEX ENERGY, INC.**  
**CONSOLIDATED BALANCE SHEETS**

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 4,099,655	\$ 1,249,831
Restricted cash	100,170	1,600,000
Accounts receivable, net	12,138,078	9,027,990
Federal income tax receivable	68,606	137,212
Inventory	6,547,479	8,091,397
Derivative commodity asset	—	695,941
Prepaid expenses and other current assets	4,452,920	2,740,541
Total current assets	<u>27,406,908</u>	<u>23,542,912</u>
Fixed assets, at cost		
Fixed assets, at cost	69,469,548	66,762,388
Less accumulated depreciation	(4,708,151)	(19,874,896)
Fixed assets, net	<u>44,761,397</u>	<u>46,887,492</u>
Finance lease right-of-use assets	851,570	397,515
Operating lease right-of-use assets	35,586,885	—
Intangible assets, net	11,243,800	12,578,519
Deferred income taxes	68,605	137,211
Other assets	840,754	616,759
<b>TOTAL ASSETS</b>	<u>\$ 120,759,919</u>	<u>\$ 84,160,408</u>
<b>LIABILITIES, TEMPORARY EQUITY AND EQUITY</b>		
Current liabilities		
Accounts payable	\$ 7,620,098	\$ 8,791,529
Accrued expenses	5,016,132	2,535,347
Dividends payable	389,176	403,002
Finance lease-current	217,164	95,857
Operating lease-current	5,885,304	—
Current portion of long-term debt, net of unamortized finance costs	2,017,345	1,325,240
Revolving note	3,276,230	3,844,636
Derivative commodity liability	375,850	—
Total current liabilities	<u>24,797,299</u>	<u>16,995,611</u>
Long-term debt, net of unamortized finance costs	12,433,000	14,402,179
Finance lease-long-term	610,450	276,355
Operating lease-long-term	29,701,581	—
Contingent consideration	—	15,564
Derivative warrant liability	1,969,216	1,481,692
Total liabilities	<u>69,511,546</u>	<u>33,171,401</u>
<b>COMMITMENTS AND CONTINGENCIES (Note 4)</b>	—	—

**VERTEX ENERGY, INC.**  
**CONSOLIDATED BALANCE SHEETS**

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<b>TEMPORARY EQUITY</b>		
Series B Preferred Stock, \$0.001 par value per share; 10,000,000 shares authorized, 3,826,055 and 3,604,827 shares issued and outstanding at December 31, 2019 and 2018, respectively with liquidation preference of \$11,860,771 and \$11,174,964 at December 31, 2019 and 2018, respectively.	11,006,406	8,900,208
Series B1 Preferred Stock, \$0.001 par value per share; 17,000,000 shares authorized, 9,028,085 and 10,057,597 shares issued and outstanding at December 31, 2019 and 2018, respectively with liquidation preference of \$14,083,813 and \$15,689,851 at December 31, 2019 and 2018, respectively.	12,743,047	13,279,755
Redeemable non-controlling interest	4,396,894	—
<b>Total Temporary Equity</b>	<u>28,146,347</u>	<u>22,179,963</u>
<b>EQUITY</b>		
Series A Convertible Preferred stock, \$0.001 par value; 5,000,000 shares authorized and 419,859 and 419,859 shares issued and outstanding at December 31, 2019 and 2018, respectively, with a liquidation preference of \$625,590 and \$625,590 at December 31, 2019 and December 31, 2018, respectively.	420	420
Series C Convertible Preferred stock, \$0.001 par value per share; 44,000 shares designated; zero and zero issued and outstanding at December 31, 2019 and 2018, respectively with a liquidation preference of zero and zero at December 31, 2019 and December 31, 2018, respectively.	—	—
Common stock, \$0.001 par value per share; 750,000,000 shares authorized; 43,395,563 and 40,174,821 issued and outstanding at December 31, 2019 and 2018, respectively.	43,396	40,175
Additional paid-in capital	81,527,351	75,131,122
Accumulated deficit	(59,246,514)	(47,800,886)
<b>Total Vertex Energy, Inc. stockholders' equity</b>	<u>22,324,653</u>	<u>27,370,831</u>
Non-controlling interest	777,373	1,438,213
<b>Total Equity</b>	<u>23,102,026</u>	<u>28,809,044</u>
<b>TOTAL LIABILITIES, TEMPORARY EQUITY AND EQUITY</b>	<u>\$ 120,759,919</u>	<u>\$ 84,160,408</u>

**VERTEX ENERGY, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 and 2018**

	<b>2019</b>	<b>2018</b>
Revenues	\$ 163,365,565	\$ 180,720,661
Cost of revenues (exclusive of depreciation and amortization shown separately below)	134,777,113	151,314,039
Gross profit	<u>28,588,452</u>	<u>29,406,622</u>
Operating expenses:		
Selling, general and administrative expenses	24,182,407	21,927,264
Depreciation and amortization	7,180,089	6,991,010
Total operating expenses	<u>31,362,496</u>	<u>28,918,274</u>
Income (loss) from operations	<u>(2,774,044)</u>	<u>488,348</u>
Other income (expense):		
Other income	920,197	659
Gain (loss) on sale of assets	(74,111)	45,553
Gain (loss) on change in value of derivative warrant liability	(487,524)	763,716
Interest expense	(3,070,071)	(3,281,855)
Total other expense	<u>(2,711,509)</u>	<u>(2,471,927)</u>
Loss before income taxes	(5,485,553)	(1,983,579)
Income tax benefit	<u>—</u>	<u>—</u>
Net loss	(5,485,553)	(1,983,579)
Net income (loss) attributable to non-controlling interest and redeemable non-controlling interest	(436,974)	234,188
Net loss attributable to Vertex Energy, Inc.	<u>(5,048,579)</u>	<u>(2,217,767)</u>
Accretion of redeemable noncontrolling interest to redemption value	(2,279,371)	—
Accretion of discount on series B and B-1 Preferred Stock	(2,489,722)	(3,132,414)
Dividends on series B and B-1 Preferred Stock	(1,627,956)	(2,687,123)
Net loss available to common stockholders	<u>\$ (11,445,628)</u>	<u>\$ (8,037,304)</u>
Loss per common share		
Basic	\$ (0.28)	\$ (0.23)
Diluted	\$ (0.28)	\$ (0.23)
Shares used in computing loss per share		
Basic	40,988,946	35,411,264
Diluted	<u>40,988,946</u>	<u>35,411,264</u>

**VERTEX ENERGY, INC.**  
**CONSOLIDATED STATEMENTS OF EQUITY**  
**FOR THE YEARS ENDING DECEMBER 31, 2019 AND 2018**

	Common Stock		Series A Preferred		Series C Preferred		Additional Paid-in Capital	Retained Earnings	Non-controlling Interest	Total Equity
	Shares	\$.001 Par	Shares	\$.001 Par	Shares	\$.001 Par				
Balance on December 31, 2017	32,658,176	\$ 32,658	453,567	\$ 454	31,568	\$ 32	\$67,768,509	\$ (39,816,300)	\$ 399,005	\$ 28,384,358
Correction of non-controlling interest	—	—	—	—	—	—	—	52,718	(52,718)	—
Dividends and Series B and B1 Preferred Stock	166,630	167	—	—	—	—	313,097	(2,687,123)	—	(2,373,859)
Accretion of discount on Series B and B1 Preferred Stock	—	—	—	—	—	—	—	(1,960,013)	—	(1,960,013)
Conversion of Series B Preferred stock to common	32,149	33	—	—	—	—	99,629	(36,700)	—	62,962
Share based compensation expense, total	—	—	—	—	—	—	659,836	—	—	659,836
Exercise of options to common	241	—	—	—	—	—	—	—	—	—
Conversion of Series A Preferred stock to common	33,708	34	(33,708)	(34)	—	—	—	—	—	—
Conversion of Series C Preferred Stock to common	3,156,800	3,157	—	—	(31,568)	(32)	(3,125)	—	—	—
Conversion of Series B1 Preferred stock to common	3,977,117	3,976	—	—	—	—	6,200,326	(1,135,701)	—	5,068,601
Fixed assets contributed by noncontrolling interest	—	—	—	—	—	—	—	—	857,738	857,738
Issue of common stock from Nickco contingent consideration	150,000	150	—	—	—	—	92,850	—	—	93,000
Net income (loss)	—	—	—	—	—	—	—	(2,217,767)	234,188	(1,983,579)
Balance on December 31, 2018	40,174,821	40,175	419,859	420	—	—	75,131,122	(47,800,886)	1,438,213	28,809,044
Dividends on Series B and B1 Preferred Stock	—	—	—	—	—	—	—	(1,627,956)	—	(1,627,956)
Accretion of discount on Series B and B1 Preferred Stock	—	—	—	—	—	—	—	(2,169,597)	—	(2,169,597)
Conversion of B1 Preferred Stock to common	1,642,317	1,642	—	—	—	—	2,560,373	(320,125)	—	2,241,890
Share based compensation expense, total	—	—	—	—	—	—	642,840	—	—	642,840
Exercise of options to common	78,425	79	—	—	—	—	6,996	—	—	7,075
Distribution to noncontrolling	—	—	—	—	—	—	—	—	(285,534)	(285,534)
Adjustment of redeemable noncontrolling interest to redemption value	—	—	—	—	—	—	—	(2,217,703)	—	(2,217,703)
Adjustment of carrying amount of noncontrolling interest	—	—	—	—	—	—	970,809	—	—	970,809
Issue of common stock and warrants	1,500,000	1,500	—	—	—	—	2,215,211	—	—	2,216,711
Net loss	—	—	—	—	—	—	—	(5,110,247)	(375,306)	(5,485,553)
Balance on December 31, 2019	43,395,563	\$ 43,396	419,859	\$ 420	—	\$ —	\$81,527,351	\$ (59,246,514)	\$ 777,373	\$ 23,102,026

**VERTEX ENERGY, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDING DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Net loss	\$ (5,485,553)	\$ (1,983,579)
Adjustments to reconcile net loss to cash provided by (used in) operating activities:		
Stock-based compensation expense	642,840	659,836
Depreciation and amortization	7,180,089	6,991,010
Reduction in allowance for bad debt	(320,013)	(299,110)
Gain on commodity derivative contracts	2,458,359	(1,062,682)
Net cash settlement on commodity derivatives	(2,841,052)	369,188
Gain on sale of assets	74,111	(45,553)
Gain on disposition	—	(241,416)
Amortization of debt discount and deferred costs	573,908	584,336
Deferred federal income tax	—	—
Decrease in fair value of derivative liability	487,524	(763,716)
Reduction in contingent consideration	(15,564)	(128,116)
Impairment of goodwill	—	176,349
Changes in operating assets and liabilities:		
Accounts receivable	(2,652,864)	2,143,834
Inventory	1,543,918	(1,786,555)
Prepaid expenses	(257,894)	(597,146)
Accounts payable	(1,171,433)	1,493,324
Accrued expenses	2,480,786	42,625
Other assets	(223,995)	(176,342)
Net cash provided by operating activities	<u>2,473,167</u>	<u>5,376,287</u>
Cash flows from investing activities		
Internally developed software	(489,093)	—
Proceeds from the sale of assets	232,020	—
Acquisitions	—	(269,826)
Purchase of fixed assets	(3,369,367)	(2,499,117)
Net cash used in investing activities	<u>(3,626,440)</u>	<u>(2,768,943)</u>
Cash flows from financing activities		
Line of credit proceeds (payments), net	(568,406)	(746,891)
Proceeds received from issuance of common stock and warrants	2,216,711	—
Proceeds from exercise of stock options	7,075	—
Distribution VRM LA	(285,534)	—
Contribution received from redeemable noncontrolling interest	3,150,000	—
Payments on finance leases	(165,598)	(77,886)
Proceeds from notes payable	2,809,139	4,024,964
Payments made on notes payable	(4,660,120)	(4,063,487)
Net cash provided by (used in) financing activities	<u>2,503,267</u>	<u>(863,300)</u>
Net change in cash and cash equivalents and restricted cash	1,349,994	1,744,044
Cash and cash equivalents and restricted cash at beginning of the year	2,849,831	1,105,787
Cash and cash equivalents and restricted cash at end of year	<u>\$ 4,199,825</u>	<u>\$ 2,849,831</u>

**SUPPLEMENTAL INFORMATION**

Cash paid for interest	\$ 2,505,852	\$ 2,722,542
Cash paid for income taxes	\$ —	\$ —

**NON-CASH INVESTING AND FINANCING TRANSACTIONS**

Conversion of Series A Preferred Stock into common stock	\$ —	\$ 34
Conversion of Series B and B1 Preferred Stock into common stock	\$ 2,560,373	\$ 6,613,052
Dividends on Series B and B-1 Preferred Stock	\$ 1,627,956	\$ 2,687,123
Initial adjustment of carrying amount of redeemable noncontrolling interest	\$ 970,809	\$ —
Accretion of discount on Series B and B-1 Preferred Stock	\$ 2,489,722	\$ 3,132,414
Accretion of redeemable noncontrolling interest to redemption value	\$ 2,279,371	\$ —
Equipment acquired under capital leases	\$ 621,000	\$ 450,098
Contributed assets Vertex Recovery Management LA from non-controlling interest	\$ —	\$ 857,738
Common restricted shares for Nickco acquisition	\$ —	\$ 93,000



## Disclaimer

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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 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](http://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.

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**4Q19 RESULTS SUMMARY**

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# Fourth Quarter 2019

## Executive Summary

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- 1 We exceeded the midpoint of fourth quarter Adj. EBITDA guidance by more than 40%
- 2 IMO 2020 product spread thesis unfolded as expected, positioning us to capitalize on improved realized margins
- 3 Strong performance at Marrero refinery driven by increased marine fuel sales and higher realized margins
- 4 Announced Bunker One USA supply-offtake agreement – anticipated pathway toward sustained profitable growth
- 5 Improved performance at Heartland refinery driven by increased demand for high-purity base oils
- 6 Pro-forma for Tensile Capital transaction, net cash positive as of 12/31/19

# Key Financial Metrics

## Fourth Quarter and Full-Year 2019

### Improved Product Spreads

> Record quarter at Marrero refinery, coupled with improved performance at Heartland

**Total Revenues**  
(\$MM)



**Gross Profit**  
(\$MM)



### Improved Financial Metrics

> Y/Y growth in revenue, gross profit, operating income and net income (loss) in 4Q19

**Operating Income (Loss)**  
(\$MM)



**Net Income (Loss) Attributable to Vertex Energy**  
(\$MM)



# Key Financial Metrics

## Fourth Quarter and Full-Year 2019

### Strong 4Q19 Results

> IMO 2020 thesis unfolded as planned, resulting in y/y growth in EBITDA during 4Q19, as planned

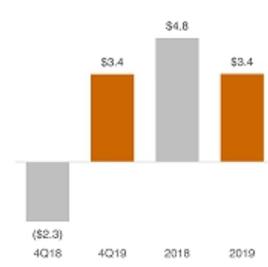
### Capital Allocation

> Using free cash flow to invest in organic and inorganic growth opportunities, while maintaining a conservative net leverage profile; priority #1 UMO collections growth

**Adjusted EBITDA**  
(\$MM)



**Free Cash Flow<sup>(1)</sup>**  
(\$MM)



<sup>(1)</sup> Free cash flow defined as Adjusted EBITDA less total capital expenditures in the period



# Elevated Utilization at Both Marrero and Heartland

## Increased Sales of Middle Distillates and High Purity Base Oils

### Marrero Update

- > Incentivized to run at max capacity, given IMO-related widening in WTI-HSFO spreads

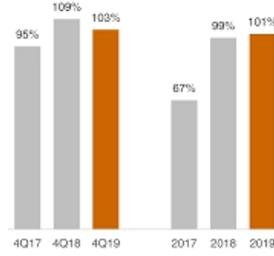
**Marrero Refinery**  
Capacity Utilization Rate<sup>(1)</sup>



### Heartland Update

- > Focused on producing increased volumes of high-purity base oils; focused on completing more than 30% expansion of the refinery by 2023

**Heartland Refinery**  
Capacity Utilization Rate<sup>(1)</sup>



<sup>(1)</sup> Utilization defined as total refinery throughputs divided by nameplate capacity of the refinery



# Multi-Year Growth In Direct Collections

## Increased Weighting Toward Direct Collections

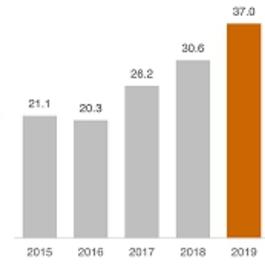
### Collections Growth

> Total collections growth increased more than 20% y/y to 37.0 million gallons

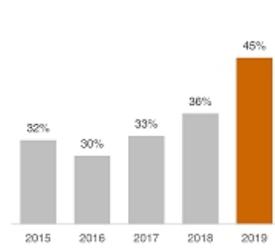
### Supply Mix Shift

> Nearly half of all collections are now direct, removing reliance on third-party supply

**Growth In Direct Collections**  
Reduced reliance on third-party supplies  
(UMO Gallons in Millions)



**Higher Mix Of Direct Collections**  
Direct collections as a percentage of total UMO volumes processed at the Marrero and Heartland refineries

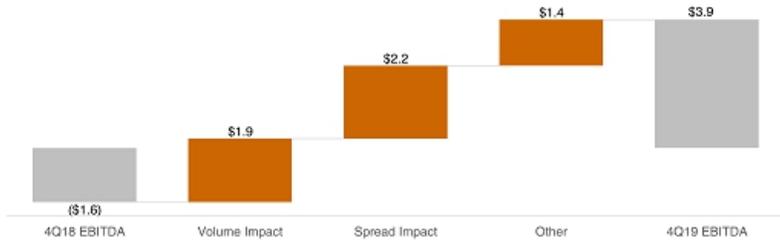


# Bridging To Improved Performance

Balanced Benefit From Both Improved Sales Volumes, Wider Product Spreads

## 4Q18 vs. 4Q19 Adj. EBITDA Bridge

Improved volume and margin at Marrero, plus improved volume at Heartland



## MANAGEMENT OUTLOOK

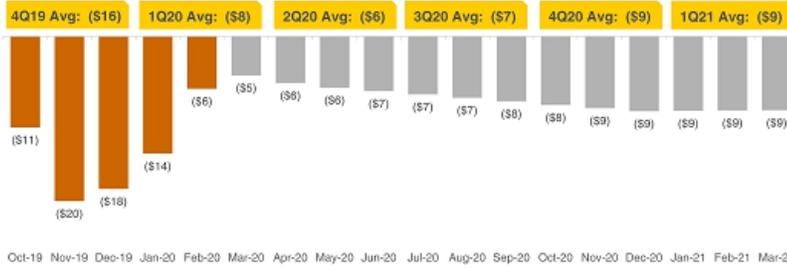
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# Product Spreads Reverting Back Toward Long-Term Average

## High Sulfur Fuel Oil Continues To Trade At a Discount Below WTI NYMEX

USGC 3% High Sulfur Fuel Oil Less West Texas Intermediate Crude Oil (\$/Barrel)

High Sulfur Fuel Oil Has Been a Proxy for Used Motor Oil Pricing



Oct-19 Nov-19 Dec-19 Jan-20 Feb-20 Mar-20 Apr-20 May-20 Jun-20 Jul-20 Aug-20 Sep-20 Oct-20 Nov-20 Dec-20 Jan-21 Feb-21 Mar-21

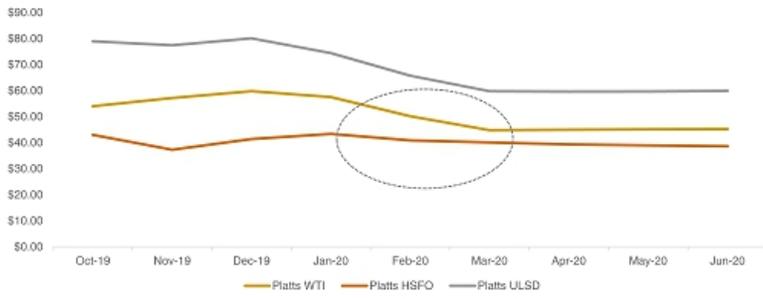
Source: Platts, company research; dates as of 3/2/20; orange bars are actuals; grey bars are the futures strip as of 3/2/20



# HSFO Has Not Tracked WTI Lower on a YTD 2020 Basis

## Seeing a Material Narrowing In 1Q20 Product Spreads vs. 4Q19 Levels

Absolute Price of West Texas Intermediate Crude Oil, High-Sulfur Fuel Oil and Ultra-Low Sulfur Diesel  
Oct-19 to Feb-20 Actuals; Mar-20 to Jun-20 Futures Strip (\$ per barrel)



**APPENDIX**

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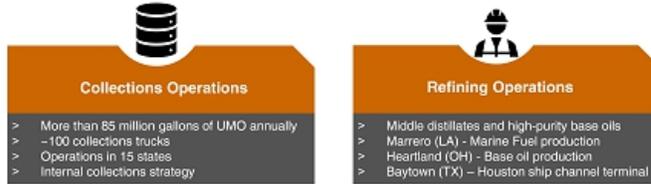
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# Corporate Overview

## Vertically-Integrated Specialty Refiner of Alternative Feedstocks

### Executive Summary

- > Established producer of petroleum-based specialty products from recycled used motor oils and petrochemical streams
- > Own 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

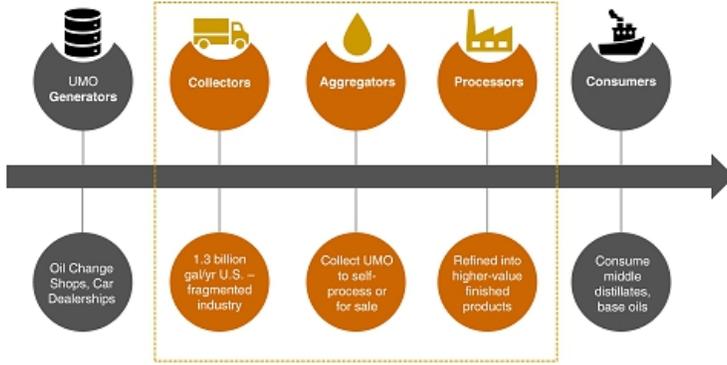


<sup>(1)</sup> Vertex Energy owns/operates one of the largest used motor oil (UMO) collection and aggregation networks in the United States



# 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

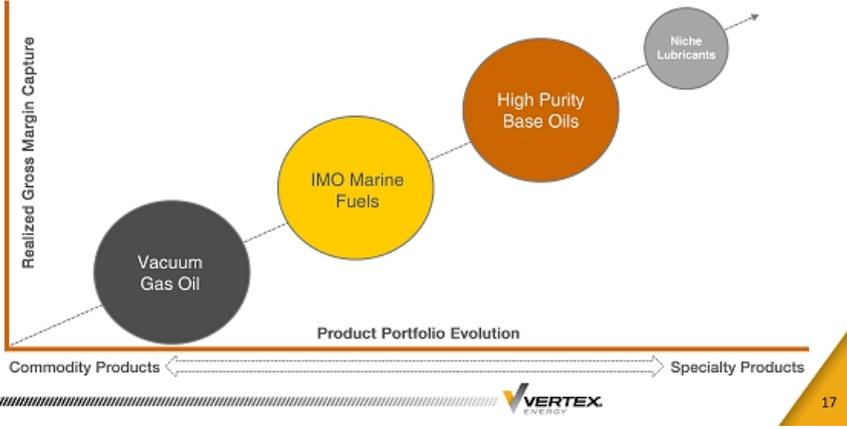
### Refining Operations Overview

- > 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

 <b>Marrero Refinery</b> Marrero, Louisiana	 <b>Heartland Refinery</b> Columbus, Ohio	 <b>Baytown Terminal</b> Baytown, Texas
<ul style="list-style-type: none"><li>&gt; 4,800 bpd nameplate capacity</li><li>&gt; Feedstock: UMO</li><li>&gt; Production: Middle distillates</li><li>&gt; Opportunity: Demand for IMO-compliant marine fuel</li></ul>	<ul style="list-style-type: none"><li>&gt; 1,500 bpd nameplate capacity</li><li>&gt; Feedstock: UMO</li><li>&gt; Production: Group II+ base oil</li><li>&gt; Opportunity: Global transition to higher-purity base oils</li></ul>	<ul style="list-style-type: none"><li>&gt; Waterfront facility w/ 100,000 barrels of storage on-site</li><li>&gt; Refining supply / distribution</li><li>&gt; Strategically located on the Houston ship channel</li></ul>

# 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 require 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 a long-term factor, but not material to the forecast until after 2030

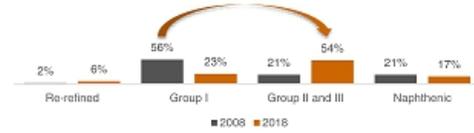
### CAFE Standard Fuel Economy By Year

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: LMG Lubricants Industry Factbook (2018-2019)



# Compelling Investment Thesis

## Favorable Underlying Fundamentals, High-Return Organic Growth Projects

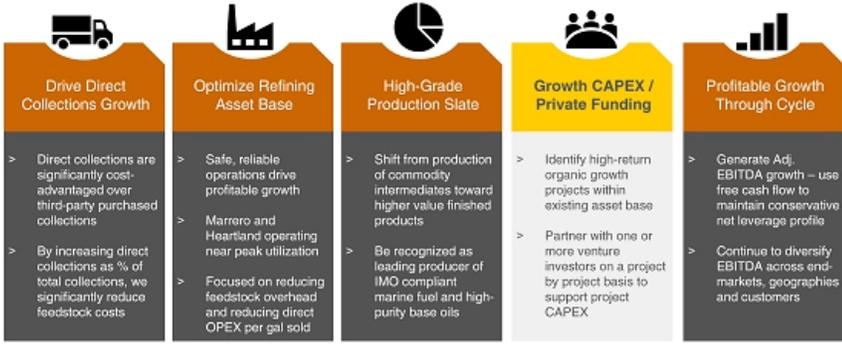
#1	#2	#3	#4	#5
<b>Strong Underlying Market Trends</b>	<b>Bunker One Partnership</b>	<b>High-Return Capital Projects</b>	<b>UMO Collections Growth</b>	<b>Aligning Investor Interests</b>
<ul style="list-style-type: none"><li>&gt; Increased global demand for compliant low-sulfur marine fuels</li><li>&gt; Multi-year transition toward higher-viscosity, higher-margin Group II and III base oils</li></ul>	<ul style="list-style-type: none"><li>&gt; Bunker One partnership provides surety of offtake for 100% of Marrero refinery VGO production thru 2029</li><li>&gt; Net profit sharing agreement at all North American ports where Bunker One sells marine fuel</li></ul>	<ul style="list-style-type: none"><li>&gt; Focused on increasing production of IMO-compliant marine fuels and high purity base oils</li><li>&gt; Tensile has committed up to \$34 million of capital to support growth of SPVs</li></ul>	<ul style="list-style-type: none"><li>&gt; Leading UMO collector consolidating fragmented industry</li><li>&gt; 20%+ y/y growth in direct collections in 2019</li><li>&gt; Focused on growing cost-advantaged direct collections vs. third-party supply</li></ul>	<ul style="list-style-type: none"><li>&gt; Led by founder/CEO Ben Cowart</li><li>&gt; Senior leadership with decades of UMO and industry-relevant experience</li><li>&gt; High insider ownership aligns management and investor interests</li></ul>

## TENSILE TRANSACTION OVERVIEW

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# Our Strategic Focus

## Path Toward Profitable Growth Through The Cycle



# Superior Project Economics Underpin Heartland Investment

Anticipate 12-18 Month Payback Assuming Project Is On-Stream in 2023

Heartland Development Project projected to generate incremental EBITDA of \$15-\$20 million in 2023

Combination of UMO Collections Growth, Refinery Optimization and Product Upgrades Drive The Model

