

SECURITIES & EXCHANGE COMMISSION EDGAR FILING

Vertex Energy Inc.

Form: 8-K

Date Filed: 2020-05-14

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): May 14, 2019

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	VtTNR	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 May 14, 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 months ended March 31, 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 May 14, 2020
99.2*+	2020 First Quarter Earnings Call Presentation

* Furnished herewith.

+ The Presentation discloses Adjusted EBITDA for the three months and trailing 12 months ended March 31, 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: May 14, 2020

By: /s/ Chris Carlson

Chris Carlson

Chief Financial Officer

EXHIBIT INDEX

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VERTEX ENERGY REPORTS FIRST QUARTER 2020 RESULTS

HOUSTON, TX., May 14, 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 first quarter of 2020.

1Q20 PERFORMANCE HIGHLIGHTS

- Total direct collections +12% year-over-year (y/y)
- Total net income attributable to Vertex Energy of \$2.8 million (+\$7.7 million y/y)
- Total adjusted EBITDA of \$1.6 million (+\$2.3 million y/y)
- Total free cash flow of \$1.2 million
- Total cash and available liquidity of \$20 million as of March 31, 2020
- Total term debt outstanding of \$6.1 million as of March 31, 2020

COVID-19 BUSINESS RESPONSE

- Shelter-in-place orders reduced travel, resulting in lower supplies of used motor oil in April 2020
- Company began planned, extended turnaround at Marrero facility beginning on May 10, 2020
- Expect to realize approximately \$1.8 million in cost reductions during the remainder of 2020
- Received \$4.2 million in cash proceeds from an SBA PPP Loan Program on May 5, 2020

For the three months ended March 31, 2020, the Company reported net income attributable to Vertex Energy of \$2.8 million, versus a net loss of (\$5.0) million, for the first quarter 2019. Vertex reported Adjusted EBITDA of \$1.6 million for the first quarter 2020, versus (\$0.5) 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.

Vertex reported near-record profitability in the first quarter 2020, given strong demand for refined products, improved operating efficiency and a \$4.2 million gain on derivative instruments. The Marrero refinery operated at elevated rates during the first quarter of 2020, given a more than 15% year-over-year increase in the production of middle distillates used in the marine bunker fuel market.

In response to the novel coronavirus (COVID-19), shelter-in-place orders were issued across most U.S. states and municipalities beginning in March 2020, resulting in a material decline in economic activity and travel. As activity levels declined, the availability of used motor oil (UMO), the Company's primary feedstock, was also reduced. Lower feedstock availability, together with a decline in realized margins on refined products indexed to crude oil values, led the Company to temporarily shutter the TCEP facility during the first quarter 2020 and accelerate planned maintenance at the Marrero refinery during May 2020. During the second quarter of 2020, the Company expects to operate its Marrero and Heartland refineries at reduced rates, given unfavorable refining economics. Vertex anticipates a recovery in refined products spreads as shelter-in-place orders are lifted and economic activity resumes over the coming weeks and months, provided that future shelter-in-place or similar orders could once again have a negative effect on demand, and consequently, product spreads.

Direct collections of UMO increased 12% in the first quarter 2020, when compared to the prior-year's period. UMO collections represented approximately 41% of overall feedstock processed at the Company's refineries in the first quarter of 2020, versus 37% in the first quarter 2019, with the remaining feedstock being sourced from third-party UMO suppliers. Given current market conditions, the Company has aggressively increased its charge-for-oil pricing program.

MANAGEMENT COMMENTARY

"Entering the first quarter of 2020, our business was on track for strong full-year performance, with the futures markets implying sustained growth in refined products margins following the IMO 2020 transition," stated Benjamin P. Cowart, President and CEO of Vertex. "In the months leading up to the emergence of COVID-19, we entered into derivatives contracts that allowed us to lock-in the favorable margins that existed in the market at that time, effectively shielding much of our business from the volatility that followed. We monetized this hedge position during the first quarter, resulting in a near-record quarter of profitability for the Company."

“During March 2020, the potential impact of COVID-19 became increasingly apparent, leading us to take swift action to protect the safety and welfare of our employees, while ensuring business continuity. During the fourth quarter 2019, we built inventory of lower-priced used motor oil feedstock that allowed us to operate our refineries at normal rates well into April 2020, while others in the re-refining industry shuttered their facilities due to insufficient supplies of UMO feedstock.”

“Looking ahead, our management team remains highly engaged, taking actions to mitigate risk, while positioning our business for profitable growth in a post COVID-19 environment. During April 2020, collection volumes were well below normalized levels, but have since improved in May 2020, back up to 70% of normal levels in some markets. In response to the current environment, we intend to conduct extended maintenance at the Marrero refinery during the second quarter 2020. Given our discussions with UMO suppliers, we think the market has bottomed. As shelter-in-place orders are lifted and regional economies reopen, vehicle miles traveled are expected to increase from current levels.”

“COVID-19 has created a temporary demand shock with the global base oil markets,” continued Cowart, “Importantly, Vertex has significant base oil production volumes under contract that provide surety of off-take, positioning us to weather current market volatility at the Heartland refinery. At our Marrero refinery, demand for marine fuel remains strong. Coming out of the ongoing turnaround, we plan to run the refinery at full rates, as we continue to supply our distribution partner, Bunker One USA, with the entirety of our middle distillates production.”

BALANCE SHEET

As of March 31, 2020, the Company had total cash and availability on its lending facility of \$16.3 million and \$3.9 million, respectively. Vertex had total term debt outstanding of \$6.1 million as of March 31, 2020. Included in total cash amounts is the SPV amounts of Myrtle Grove and Heartland which are \$2.5 million and \$7.2 million, respectively, which are limited to use by each SPV respectively.

On April 24, 2020, Vertex secured an extension on its \$10 million credit facility pursuant to which the lending partner agreed to extend the due date of such lending facility by one year, from February 1, 2021 to February 1, 2022.

On May 5, 2020, Vertex received funds under the Paycheck Protection Program (the “PPP”) which is part of the recently enacted Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”). The program is administered by the U.S. Small Business Administration through Texas Citizens Bank. The Company received total proceeds of \$4.2 million from the PPP loan program. Under the terms of the PPP loan program, certain amounts of the PPP Loans may be forgiven if they are used for qualifying expenses as described in the CARES Act.

SERIES B AND B1 PREFERRED STOCK

Given current market volatility and under the terms of the Company’s current credit facilities which prevent such redemption, the Company does not expect to redeem the outstanding \$23 million of Series B and B1 Preferred Stock until June 30, 2021, at the earliest. The preferred stock terms contemplated the Company’s potential inability to redeem such preferred stock on the June 24, 2020 redemption date, and provide for an increase in the dividend rate payable on such Series B and B1 Preferred Stock from 6.0% to 10.0% per annum, from June 24, 2020, until such preferred stock can be redeemed pursuant to the terms of the Company’s outstanding credit facilities. The Company anticipates that dividends will continue to be paid through the payment of in-kind equity grants, as the Company seeks to conserve cash and liquidity to support its operations.

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. 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 May 21, 2020:

Domestic Replay: 877-481-4010

Conference ID: 33812

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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VERTEX ENERGY, INC.
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	March 31,	December 31,
	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	\$ 16,295,062	\$ 4,099,655
Restricted cash	100,134	100,170
Accounts receivable, net	9,853,500	12,138,078
Federal income tax receivable	137,211	68,606
Inventory	4,435,020	6,547,479
Derivative commodity asset	805,796	—
Prepaid expenses and other current assets	2,130,463	4,452,920
Total current assets	<u>33,757,186</u>	<u>27,406,908</u>
Noncurrent assets		
Fixed assets, at cost	69,911,728	69,469,548
Less accumulated depreciation	(25,833,624)	(24,708,151)
Fixed assets, net	<u>44,078,104</u>	<u>44,761,397</u>
Finance lease right-of-use assets	798,449	851,570
Operating lease right-of-use assets	35,126,827	35,586,885
Intangible assets, net	10,837,076	11,243,800
Deferred income taxes	—	68,605
Other assets	928,005	840,754
TOTAL ASSETS	<u>\$ 125,525,647</u>	<u>\$ 120,759,919</u>
LIABILITIES, TEMPORARY EQUITY, AND EQUITY		
Current liabilities		
Accounts payable	\$ 6,016,951	\$ 7,620,098
Accrued expenses	1,746,542	5,016,132
Dividends payable	344,485	389,176
Finance lease liability-current	219,121	217,164
Operating lease liability-current	5,864,534	5,885,304
Current portion of long-term debt, net of unamortized finance costs	1,191,293	2,017,345
Derivative commodity liability	—	375,850
Revolving note	—	3,276,230
Total current liabilities	<u>15,382,926</u>	<u>24,797,299</u>
Long-term liabilities		
Long-term debt, net of unamortized finance costs	5,208,000	12,433,000
Finance lease liability-long-term	555,375	610,450
Operating lease liability-long-term	29,262,293	29,701,581
Derivative warrant liability	270,469	1,969,216
Total liabilities	<u>50,679,063</u>	<u>69,511,546</u>

	March 31, 2020	December 31, 2019
COMMITMENTS AND CONTINGENCIES (Note 3)		
TEMPORARY EQUITY		
Series B Convertible Preferred Stock, \$0.001 par value per share; 10,000,000 shares designated, 3,883,449 and 3,826,055 shares issued and outstanding at March 31, 2020 and December 31, 2019, respectively with a liquidation preference of \$12,038,692 and \$11,860,771 at March 31, 2020 and December 31, 2019, respectively.	11,598,216	11,006,406
Series B1 Convertible Preferred Stock, \$0.001 par value per share; 17,000,000 shares designated, 7,004,236 and 9,028,085 shares issued and outstanding at March 31, 2020 and December 31, 2019, respectively with a liquidation preference of \$10,926,608 and \$14,083,813 at March 31, 2020 and December 31, 2019, respectively.	10,103,956	12,743,047
Redeemable non-controlling interest	26,825,469	4,396,894
Total Temporary Equity	<u>48,527,641</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 and 419,859 shares issued and outstanding at March 31, 2020 and December 31, 2019, respectively with a liquidation preference of \$625,590 and \$625,590 at March 31, 2020 and December 31, 2019, respectively.	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 March 31, 2020 and December 31, 2019, respectively.	45,555	43,396
Additional paid-in capital	94,076,832	81,527,351
Accumulated deficit	(68,700,505)	(59,246,514)
Total Vertex Energy, Inc. stockholders' equity	25,422,302	22,324,653
Non-controlling interest	896,641	777,373
Total Equity	<u>26,318,943</u>	<u>23,102,026</u>
TOTAL LIABILITIES, TEMPORARY EQUITY, AND EQUITY	<u>\$ 125,525,647</u>	<u>\$ 120,759,919</u>

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

	Three Months Ended March 31,	
	2020	2019
Revenues	\$ 36,203,429	\$ 39,320,712
Cost of revenues (exclusive of depreciation and amortization shown separately below)	26,836,854	34,844,349
Gross profit	9,366,575	4,476,363
Operating expenses:		
Selling, general and administrative expenses	6,700,518	5,347,741
Depreciation and amortization	1,634,547	1,737,013
Total operating expenses	8,335,065	7,084,754
Income (loss) from operations	1,031,510	(2,608,391)
Other income (expense):		
Other income	80	—
Gain on sale of assets	—	2,293
Gain (loss) on change in value of derivative warrant liability	1,698,747	(1,705,094)
Interest expense	(340,086)	(757,803)
Total other income (expense)	1,358,741	(2,460,604)
Income (loss) before income tax	2,390,251	(5,068,995)
Income tax benefit (expense)	—	—
Net income (loss)	2,390,251	(5,068,995)
Net loss attributable to non-controlling interest and redeemable non-controlling interest	(398,609)	(105,431)
Net income (loss) attributable to Vertex Energy, Inc.	2,788,860	(4,963,564)
Accretion of redeemable noncontrolling interest to redemption value	(10,966,349)	—
Accretion of discount on Series B and B1 Preferred Stock	(932,003)	(560,675)
Dividends on Series B and B1 Preferred Stock	(344,499)	(406,795)
Net loss available to common shareholders	\$ (9,453,991)	\$ (5,931,034)
Loss per common share		
Basic	\$ (0.21)	\$ (0.15)
Diluted	\$ (0.21)	\$ (0.15)
Shares used in computing earnings per share		
Basic	45,372,358	40,195,925
Diluted	45,372,358	40,195,925

VERTEX ENERGY, INC.
CONSOLIDATED STATEMENTS OF EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019
(UNAUDITED)

Three Months Ended March 31, 2020

	<u>Common Stock</u>		<u>Series A Preferred</u>		<u>Series C Preferred</u>		<u>Additional Paid-In Capital</u>	<u>Retained Earnings</u>	<u>Non- controlling Interest</u>	<u>Total Equity</u>
	<u>Shares</u>	<u>\$.001 Par</u>	<u>Shares</u>	<u>\$.001 Par</u>	<u>Shares</u>	<u>\$.001 Par</u>				
Balance on January 1, 2020	43,395,563	\$ 43,396	419,859	\$ 420	—	\$ —	\$ 81,527,351	\$(59,246,514)	\$ 777,373	\$ 23,102,026
Purchase of shares of consolidated subsidiary	—	—	—	—	—	—	(71,171)	—	—	(71,171)
Adjustment of carrying amount of non-controlling interest	—	—	—	—	—	—	9,091,068	—	—	9,091,068
Share based compensation expense, total	—	—	—	—	—	—	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>

Three Months Ended March 31, 2019

	<u>Common Stock</u>		<u>Series A Preferred</u>		<u>Series C Preferred</u>		<u>Additional Paid-In Capital</u>	<u>Retained Earnings</u>	<u>Non- controlling Interest</u>	<u>Total Equity</u>
	<u>Shares</u>	<u>\$.001 Par</u>	<u>Shares</u>	<u>\$.001 Par</u>	<u>Shares</u>	<u>\$.001 Par</u>				
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, total	—	—	—	—	—	—	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>

VERTEX ENERGY, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2020 AND 2019 (UNAUDITED)

	Three Months Ended	
	March 31, 2020	March 31, 2019
Cash flows from operating activities		
Net income (loss)	\$ 2,390,251	\$ (5,068,995)
Adjustments to reconcile net loss to cash provided by (used in) operating activities		
Stock based compensation expense	163,269	143,063
Depreciation and amortization	1,634,547	1,737,013
Gain on sale of assets	—	(2,293)
Bad debt and reduction in allowance for bad debt	23,925	(303,796)
(Decrease) increase in fair value of derivative warrant liability	(1,698,747)	1,705,094
(Gain) Loss on commodity derivative contracts	(4,427,782)	759,767
Net cash settlements on commodity derivatives	4,507,370	(657,577)
Amortization of debt discount and deferred costs	47,826	143,477
Changes in operating assets and liabilities		
Accounts receivable	2,260,654	(4,375,379)
Inventory	2,112,459	1,820,641
Prepaid expenses	1,061,222	1,173,298
Accounts payable	(1,603,145)	1,359,493
Accrued expenses	(3,269,590)	(408,686)
Other assets	(87,251)	(2,000)
Net cash provided by (used in) operating activities	<u>3,115,008</u>	<u>(1,976,880)</u>
Cash flows from investing activities		
Internally developed software	(49,229)	—
Purchase of fixed assets	(442,180)	(774,897)
Proceeds from sale of fixed assets	—	10,000
Net cash used in investing activities	<u>(491,409)</u>	<u>(764,897)</u>
Cash flows from financing activities		
Payments on finance leases	(53,119)	(23,382)
Contributions received from redeemable noncontrolling interest	21,000,000	—
Line of credit (payments) proceeds, net	(3,276,230)	2,525,874
Proceeds from note payable	—	187,501
Payments on note payable	(8,098,879)	(1,021,239)
Net cash provided by financing activities	<u>9,571,772</u>	<u>1,668,754</u>
Net change in cash, cash equivalents and restricted cash	12,195,371	(1,073,023)
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>\$ 16,395,196</u>	<u>\$ 1,776,808</u>

	Three Months Ended	
	March 31, 2020	March 31, 2019
SUPPLEMENTAL INFORMATION		
Cash paid for interest	\$ 352,806	\$ 602,732
Cash paid for taxes	\$ —	\$ —
NON-CASH INVESTING AND FINANCING TRANSACTIONS		
Conversion of Series B1 Preferred Stock into common stock	\$ 3,368,474	\$ 150,010
Accretion of discount on Series B and B1 Preferred Stock	\$ 932,003	\$ 560,675
Dividends-in-kind accrued on Series B and B1 Preferred Stock	\$ 344,499	\$ 406,795
Initial adjustment of carrying amount redeemable noncontrolling interest	\$ 9,091,068	\$ —
Accretion of redeemable noncontrolling interest to redemption value	\$ 10,966,349	\$ —

**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 Trailing Twelve Months	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Net income (loss)	\$ 2,390,251	\$ (5,068,995)	\$ 1,973,693	\$ (4,844,491)
Add (deduct):				
Interest Income	(80)	—	(2,777)	(659)
Interest Expense	340,086	757,803	2,652,354	3,237,143
Depreciation and amortization	1,634,547	1,737,013	7,077,623	7,033,924
EBITDA	4,364,804	(2,574,179)	11,700,893	5,425,917
Add (deduct):				
Loss (gain) on change in value of derivative warrant liability	(1,698,747)	1,705,094	(2,916,317)	509,627
Unrealized (gain) loss on derivative instruments	(1,181,647)	246,138	(355,993)	(916,682)
Stock-based compensation	163,269	143,063	663,047	656,928
Adjusted EBITDA *	\$ 1,647,679	\$ (479,884)	\$ 9,091,630	\$ 5,675,790
Add (deduct):				
Capital expenditures	(491,409)	(774,897)	(3,574,972)	(3,053,479)
Free cash flow	1,156,270	(1,254,781)	5,516,658	2,622,311

*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.

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.

Free cash flow represents adjusted EBITDA minus capital expenditures.



1Q20 Conference Call

May 14, 2020

VTNR
NASDAQ
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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.



1Q20 Business Update

COVID-19 Business Response

Sufficient Liquidity On Hand, Focused on Business Continuity

Covid-19 Mitigation Actions

- > We have adopted all U.S. CDC guidelines on virus-prevention to help ensure the continued welfare and safety of our employees and contractors
- > We have executed on business contingency plans, consistent with our emergency response protocols

Balance Sheet Optionality

- > At 3/31/20, we had \$20.3 million in cash and available liquidity under our revolving credit facility maturing in February 2022; and we remain in compliance with all bank covenants
- > We have introduced targeted cost reductions, including significant reductions to full-year capital expenditures; and anticipate \$1.8 million in cost savings between now and year-end 2020
- > We have applied for and received approximately \$4.2 million of funding under the SBA's PPP Loan program

Operational Continuity

- > Our business is deemed essential critical infrastructure by the U.S. Department of Homeland Security; we remain fully operational at this time
- > Given reduced economic activity, travel has declined, resulting in lower availability of UMO (used motor oil), our primary feedstock
- > Given reduced feedstock availability, we have chosen to conduct planned maintenance at our Marrero facility that began on 5/10/20



1Q20 Performance & Outlook

Executive Summary

Strong Operational Performance

- > Total UMO collections increased 12% y/y to 8.9 million gallons
- > Marrero and Heartland both operated at peak nameplate capacity in 1Q20
- > 15% y/y increase in middle distillate (marine fuel) production at Marrero
- > Continued to leverage relationship with Bunker One USA

Record Financial Results

- > Record net income to Vertex Energy of \$2.8 million
- > Results benefited from a \$4.2 million realized gain on derivatives instruments
- > Generated TTM free cash flow of \$5.5 million vs. \$2.6 million in year-ago period
- > Adjusted EBITDA of \$1.6 million vs. (\$0.5) million in 1Q19

Key Performance Drivers

- > Bunker One USA continues to purchase the entirety of our middle distillate production
- > Long-term base oil contracts offset near-term volatility in base oil demand/pricing
- > Built inventories of UMO in 4Q19 – allowed us to operate our refineries into April 2020
- > Expect to see a recovery in travel exiting 2Q20, bringing additional UMO supply into the market

Near-Term Strategic Priorities

- > Focused on growing collections to support anticipated post-COVID-19 resumption in demand
- > Managing operating expenses to conserve liquidity and enhance profitability
- > Maintain balance sheet optionality – net cash positive at 3/31/20



Key Financial Metrics

First Quarter 2020

Significant Margin Growth

- > Gross profit margin of 25.8% in 1Q20 vs. 11.4% in 1Q19 driven by both spread and volume growth

Total Revenues
(\$MM)



Gross Profit
(\$MM)



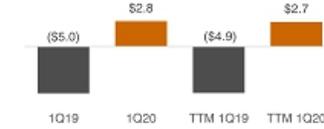
Improved Profitability

- > \$7.6 million y/y improvement in profitability between 1Q19 and 1Q20

Operating Income (Loss)
(\$MM)



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



(1) First quarter 2020 and TTM 1Q20 results exclude the impact of the Tensile transaction



Key Financial Metrics (Continued)

First Quarter 2020

TTM Adj. EBITDA +58% y/y

> Broad-based demand at both Marrero and Heartland refineries; derivative gain not included in Adj EBITDA

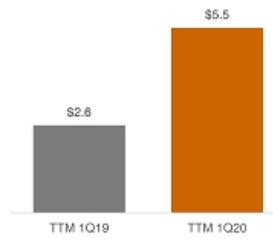
TTM FCF +111% y/y

> Growth in Adjusted EBITDA and continued CAPEX discipline drove the TTM increase

Adjusted EBITDA
(\$MM)



Free Cash Flow⁽¹⁾
(\$MM)



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



Exceptional Operating Performance in 1Q20

Began Extended Turnaround at Marrero on 5/10/20

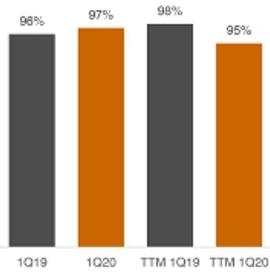
Marrero Update

- > Near-record production of middle distillates in 1Q20; Bunker One USA taking 100% of production under 9-year supply agreement

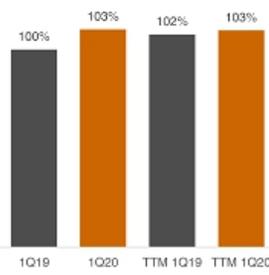
Heartland Update

- > Base oil spread improved in the period on Group I and II+; Group III supply contracts lend stability in volatile market

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



UMO Collections Strong in 1Q20, Challenged in 2Q20

COVID-Related Decline In Travel Has Reduced Supplies of UMO at Generators

Direct Collections

> Total direct collections increased 12% y/y to 8.9 mm gallons in 1Q20

Charge-For-Oil Market

> We have moved to a charge-for-oil model in response to lower oil prices

UMO Supply Improving

> Starting to see early indications of recovery in UMO supply on the street as regional economies reopen

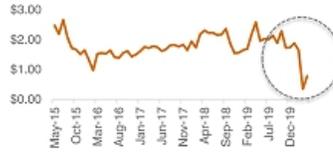
Total UMO Collections
Solid Collections Growth in 1Q20 and on a TTM Basis
(UMO Gallons in Millions)



U.S. Vehicle Miles Traveled Declined
Nearly 20% y/y in March 2020⁽¹⁾
(Billions of Road Vehicle Miles Traveled)



Low Gasoline Price Expected to Stimulate Travel As Shelter-in-Place Orders Are Lifted
(Avg. Monthly Gasoline RBOB LA \$(gal))⁽²⁾



(1) Source: US DOT (May 2020)
(2) Source: Factset

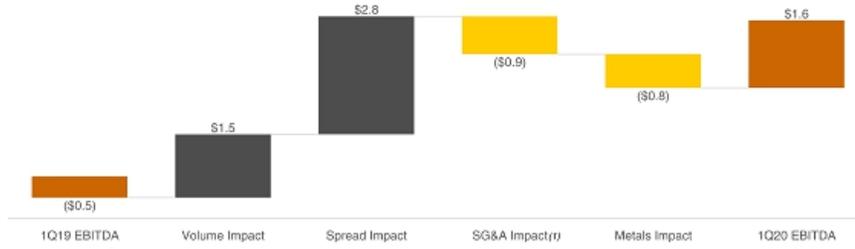


Bridging To Improved Performance

Positive Spread/Volume Impact More Than Offsets SG&A and Metals

1Q19 vs. 1Q20 Adj. EBITDA Bridge

Results Benefited From Higher Utilization at Marrero and Heartland



(1) \$0.5 million of y/y increase in SG&A is related to the implementation of an enterprise resource planning (ERP) solution under the Company's digital transformation initiative that is expected to reach completion at the end of 2Q20

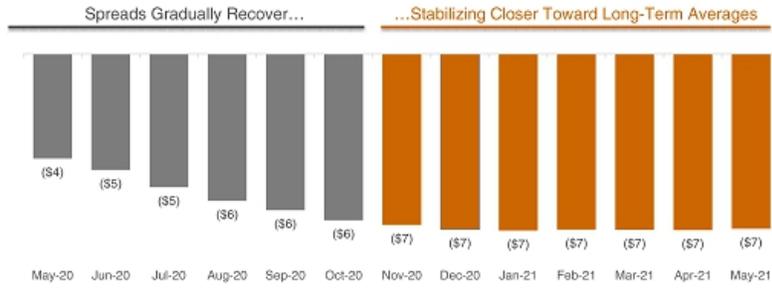


MANAGEMENT OUTLOOK

Futures Strip Implies A Return To Normal By Early 3Q20

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

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 (May 2020)

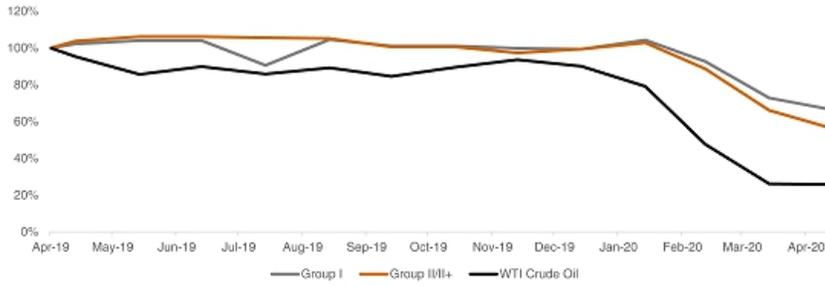


Base Oil Prices Have Tracked WTI Lower YTD 2020

Our Long-Term Base Oil Supply Contracts Help To Offset Some Volatility

Group 1, Group 2 Base Oil Prices vs. WTI Crude Oil^(1,2)

COVID-19 Created a Short-Term Demand Shock; OPEC Production Levels Created a Short-Term Supply Shock



(1) Source: Argus; Group 1 and Group 2 base oil prices are the average across all grades

(2) Source: Platts



Balance Sheet Update

More Than \$20 Million In Cash And Availability On Term Loan

Adequate Cash & Liquidity

> 1Q20 cash and available liquidity does not include \$4.2 million in PPP funding received 5/5/20

Net Cash Positive

> Total cash of \$20.3 million, total term debt of \$6.1 million; net cash positive

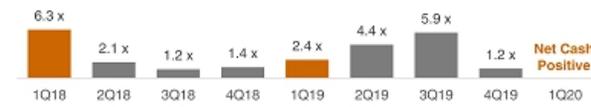
Cash & Available Liquidity

\$MM⁽¹⁾



Net Debt vs. TTM Adj. EBITDA

⁽¹⁾



(1) Utilization defined as total refinery throughputs divided by nameplate capacity of the refinery
 (2) Net Cash Positive reflects the difference between Cash on Hand and Term Debt



Investment Catalysts

Near-Term Management Focus Exiting COVID-19

Return of UMO Supply

- > Regional economies have begun to reopen, allowing for more road travel
- > Low fuel prices will support increased vehicle miles traveled
- > Access to UMO supply will allow us to realize economies of scale as we return the Marrero facility to normal utilization rates; The Heartland facility remains largely unaffected, given sufficient regional supply of UMO

Marine Fuel Demand Growth

- > Shipping demand remains uninterrupted, creating steady demand for our bunker oil products
- > Surety of off-take for the next 9 - years on all marine fuel production through our long-term bunkering partner

Stable Base Oil Contracts

- > Global demand for base oil remains weak, but we continue to benefit from guaranteed off-take through long-term supply contracts
- > We are beginning to see more rational pricing in the group 3/3+ categories



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
- > Own 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



Collections Operations

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



Refining Operations

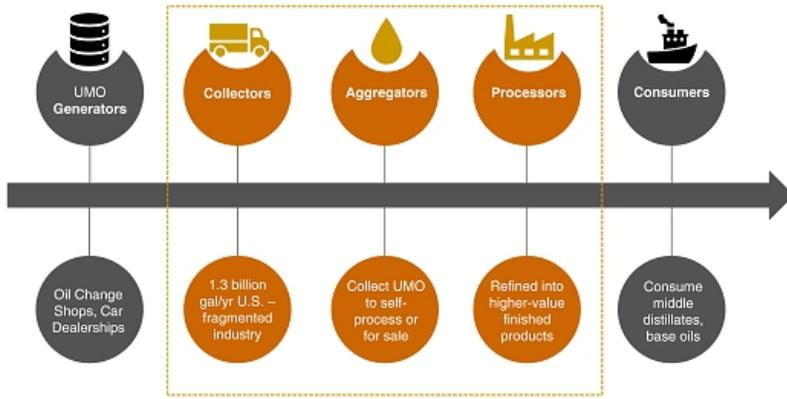
- > Middle distillates and high-purity base oils
- > Marrero (LA) - Marine Fuel production
- > Heartland (OH) - Base oil production
- > Baytown (TX) - Houston ship channel terminal

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



Used Motor Oil Recycling Value Chain

Direct and Third-Party UMO Collections Used As Refining Feedstock



We Own Advantaged Refining Assets In Strategic Markets

Vertically Integrated Model Processes Collected UMO as Feedstock

Refining Operations Overview

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

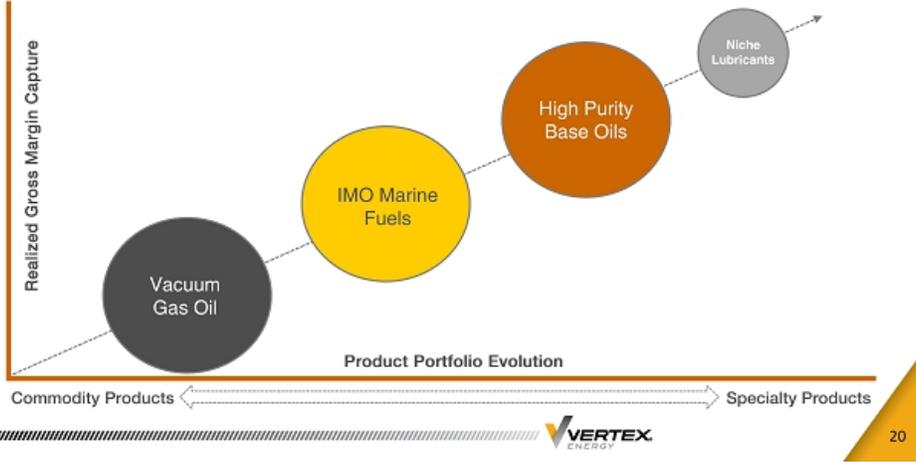


(1) (bpd) barrels per day



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

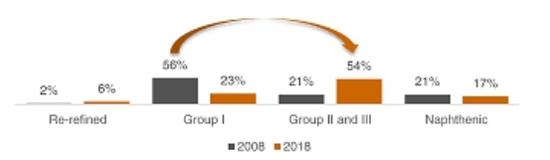
CAFE Standard Fuel Economy By Year

6% CAGR In Required MPG Fuel Economy



North American Base Oil Capacity Shift⁽¹⁾

Trend Toward Higher Viscosity Base Oil Capacity



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



Compelling Investment Thesis

Favorable Underlying Fundamentals, High-Return Organic Growth Projects

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

Our Strategic Focus

Path Toward Profitable Growth Through The Cycle

