

# SECURITIES & EXCHANGE COMMISSION EDGAR FILING

**Vertex Energy Inc.**

**Form: 8-K**

**Date Filed: 2020-08-11**

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): August 11, 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 August 11, 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 six months ended June 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](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 August 11, 2020
99.2*+	2020 Second Quarter Earnings Call Presentation

\* Furnished herewith.

+ The Presentation discloses Adjusted EBITDA, for the three months and trailing 12 months ended June 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: August 11, 2020

By: /s/ Chris Carlson

Chris Carlson

Chief Financial Officer

---

## EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
99.1*	<a href="#">Press Release of Vertex Energy, Inc., dated August 11, 2020</a>
99.2*+	<a href="#">2020 Second Quarter Earnings Call Presentation</a>

\* Furnished herewith.

+ The Presentation discloses Adjusted EBITDA, for the three months and trailing 12 months ended June 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 SECOND QUARTER 2020 RESULTS

HOUSTON, TX., August 11, 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 second quarter of 2020.

### MANAGEMENT OUTLOOK

- **Marrero and Heartland refineries operated at near peak utilization rates during July 2020**
- **UMO collections improved to normalized levels in July 2020, due in part to organic growth in 1H20**
- **Expect to realize \$1-2 million of cost reductions during the second half 2020**
- **Total cash and available liquidity of \$19.6 million as of June 30, 2020**

For the three months ended June 30, 2020, the Company reported a net loss attributable to Vertex Energy of (\$9.0) million, versus a net loss of (\$0.4) million, the second quarter 2019. Vertex reported Adjusted EBITDA of (\$5.3) million for the second quarter 2020, versus \$2.1 million in the prior-year period. The year-over-year decline in net income and Adjusted EBITDA was attributable to extended maintenance at the Marrero, Louisiana refinery and a year-over-year decline in refined product margins, given lower economic activity related to the novel coronavirus (COVID-19). A schedule reconciling the Company's GAAP and non-GAAP financial results, including Adjusted EBITDA, is included later in this release.

### STRATEGIC UPDATE

During the second quarter, Vertex quickly adapted to the changing market dynamics resulting from the novel coronavirus. Specifically, management took action to improve feedstock availability, increase refinery utilization, reduce costs and further optimize owned assets.

- **Improved feedstock availability.** During the first half of 2020, shelter-in-place orders were issued across most U.S. states and municipalities in response to COVID-19, resulting in a material decline in economic activity and travel. This decline in activity resulted in lower availability of used motor oil (UMO), the Company's primary feedstock. To that end, second quarter total collections were 21% below the same period of 2019. In response, management expanded its collection network, helping to increase availability of feedstock to support its refining operations during the first half of 2020.
  - **Increased refinery utilization.** During the second quarter, the Marrero and Heartland refineries operated at 62% and 78% of capacity, respectively. At Marrero, the company conducted 34 days of planned, extended maintenance that concluded in mid-June 2020, which impacted utilization in the period. At Heartland, second quarter utilization rates were impacted by reduced UMO availability. During July 2020, both the Marrero and Heartland refineries operated at levels approaching peak capacity utilization, given increased availability of UMO feedstock.
  - **Targeted cost reductions.** During the second quarter, management implemented a series of cost reductions throughout the organization. These actions included both reductions in contract labor, together with reductions in plant operating costs. Total selling, general and administrative expenses declined nearly 10% in the second quarter, when compared to the first quarter 2020. Management expects to realize approximately \$1 to \$2 million in additional, annualized cost reductions during the second half of 2020.
  - **Asset optimization.** Vertex continues to evaluate targeted organic growth opportunities designed to improve its utilization of existing, owned assets. During the second quarter, the Company invested in several initiatives designed to grow its market presence as a collector and recycler of used automotive waste streams. The Company expects to provide an update on these activities during the fourth quarter 2020.
  - **Maintain capital discipline.** Given current market volatility, Vertex remains focused on conserving available liquidity to support the long-term growth of the business. As of June 30, 2020, the Company had total cash and available liquidity of \$19.6 million, versus \$20.2 million as of March 31, 2020. Included in total cash amounts are 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

"As expected, our second quarter performance was impacted by a combination of low UMO availability, extended downtime at our largest refinery and a year-over-year decline in refined product margins, all of which were attributable to the historic disruption caused by the COVID-19 pandemic," stated Benjamin P. Cowart, President and CEO of Vertex. "In response to rapidly changing market dynamics, our management team took decisive action to reduce costs during the second quarter, while maintaining balance sheet discipline to support the long-term growth of our business."

"Business conditions improved during July, as shelter-in-place orders were lifted," continued Cowart. "Since the start of the third quarter, both our Marrero and Heartland refineries have operated near peak utilization, as UMO feedstock availability has returned to near-historical levels. In July, total UMO collections increased by nearly 40% versus June levels."

"During the second quarter, UMO prices were driven to elevated levels, given a lack of feedstock availability," continued Cowart. "Elevated UMO pricing resulted in less favorable product spreads, which impacted our profitability during the second quarter. As economic activity further accelerates and UMO supplies become more readily available, we expect to see a decline in feedstock prices and improved realized margins during the second half of 2020."

## BALANCE SHEET

As of June 30, 2020, the Company had total cash and availability on its lending facility of \$17.8 million and \$1.8 million, respectively.

Vertex had total term debt outstanding of \$10.2 million as of June 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 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](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: 844-602-0380**

To listen to a replay of the teleconference, which will be available through August 18, 2020:

**Domestic Replay: 877-481-4010**

**Conference ID: 36289**

---

## **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**

Investor Relations  
720.778.2415  
[IR@vertexenergy.com](mailto:IR@vertexenergy.com)

---

**VERTEX ENERGY, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
**(UNAUDITED)**

	<u>June 30,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 17,754,312	\$ 4,099,655
Restricted cash	100,125	100,170
Accounts receivable, net	9,163,208	12,138,078
Federal income tax receivable	—	68,606
Inventory	3,812,752	6,547,479
Prepaid expenses and other current assets	2,499,104	4,452,920
<b>Total current assets</b>	<b>33,329,501</b>	<b>27,406,908</b>
Noncurrent assets		
Fixed assets, at cost	70,977,927	69,469,548
Less accumulated depreciation	(26,992,136)	(24,708,151)
Fixed assets, net	43,985,791	44,761,397
Finance lease right-of-use assets	1,613,661	851,570
Operating lease right-of use assets	34,739,105	35,586,885
Intangible assets, net	10,363,179	11,243,800
Deferred income taxes	—	68,605
Other assets	1,219,301	840,754
<b>TOTAL ASSETS</b>	<b>\$ 125,250,538</b>	<b>\$ 120,759,919</b>
<b>LIABILITIES, TEMPORARY EQUITY, AND EQUITY</b>		
Current liabilities		
Accounts payable	\$ 8,373,449	\$ 7,620,098
Accrued expenses	2,950,439	5,016,132
Dividends payable	360,203	389,176
Finance lease liability-current	450,835	217,164
Operating lease liability-current	6,004,500	5,885,304
Current portion of long-term debt, net of unamortized finance costs	2,814,306	2,017,345
Derivative commodity liability	538,297	375,850
Revolving note	—	3,276,230
<b>Total current liabilities</b>	<b>21,492,029</b>	<b>24,797,299</b>
Long-term liabilities		
Long-term debt, net of unamortized finance costs	7,440,308	12,433,000
Finance lease liability-long-term	1,103,231	610,450
Operating lease liability-long-term	28,734,605	29,701,581
Derivative warrant liability	381,434	1,969,216
<b>Total liabilities</b>	<b>59,151,607</b>	<b>69,511,546</b>

	June 30, 2020	December 31, 2019
<b>COMMITMENTS AND CONTINGENCIES (Note 3)</b>		
<b>TEMPORARY EQUITY</b>		
Series B Convertible Preferred Stock, \$0.001 par value per share; 10,000,000 shares designated, 3,941,704 and 3,826,055 shares issued and outstanding at June 30, 2020 and December 31, 2019, respectively with a liquidation preference of \$12,219,282 and \$11,860,771 at June 30, 2020 and December 31, 2019, respectively.	12,219,282	11,006,406
Series B1 Convertible Preferred Stock, \$0.001 par value per share; 17,000,000 shares designated, 7,109,305 and 9,028,085 shares issued and outstanding at June 30, 2020 and December 31, 2019, respectively with a liquidation preference of \$11,090,516 and \$14,083,813 at June 30, 2020 and December 31, 2019, respectively.	10,366,624	12,743,047
Redeemable non-controlling interest	28,334,401	4,396,894
Total Temporary Equity	<u>50,920,307</u>	<u>28,146,347</u>
<b>EQUITY</b>		
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 June 30, 2020 and December 31, 2019, with a liquidation preference of \$625,590 at June 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 June 30, 2020 and December 31, 2019, respectively.	45,555	43,396
Additional paid-in capital	94,233,371	81,527,351
Accumulated deficit	(79,979,484)	(59,246,514)
Total Vertex Energy, Inc. stockholders' equity	14,299,862	22,324,653
Non-controlling interest	878,762	777,373
Total Equity	<u>15,178,624</u>	<u>23,102,026</u>
<b>TOTAL LIABILITIES, TEMPORARY EQUITY, AND EQUITY</b>	<u>\$ 125,250,538</u>	<u>\$ 120,759,919</u>

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Revenues	\$ 21,374,127	\$ 43,657,292	\$ 57,577,556	\$ 82,978,004
Cost of revenues (exclusive of depreciation and amortization shown separately below)	22,197,805	36,515,421	49,034,659	71,359,770
Gross profit (loss)	(823,678)	7,141,871	8,542,897	11,618,234
Operating expenses:				
Selling, general and administrative expenses	6,030,560	6,028,859	12,731,078	11,376,600
Depreciation and amortization	1,713,461	1,780,890	3,348,008	3,517,903
Total operating expenses	7,744,021	7,809,749	16,079,086	14,894,503
Loss from operations	(8,567,699)	(667,878)	(7,536,189)	(3,276,269)
Other income (expense):				
Other income	20	1,918	100	1,918
Gain on sale of assets	12,344	29,150	12,344	31,443
Gain (loss) on change in value of derivative warrant liability	(110,965)	746,017	1,587,782	(959,077)
Interest expense	(222,173)	(738,972)	(562,259)	(1,496,775)
Total other income (expense)	(320,774)	38,113	1,037,967	(2,422,491)
Loss before income tax	(8,888,473)	(629,765)	(6,498,222)	(5,698,760)
Income tax benefit (expense)	—	—	—	—
Net loss	(8,888,473)	(629,765)	(6,498,222)	(5,698,760)
Net income (loss) attributable to non-controlling interest and redeemable non-controlling interest	109,165	(202,329)	(289,444)	(307,760)
Net loss attributable to Vertex Energy, Inc.	(8,997,638)	(427,436)	(6,208,778)	(5,391,000)
Accretion of redeemable noncontrolling interest to redemption value				
	(1,381,889)	—	(12,348,238)	—
Accretion of discount on Series B and B1 Preferred Stock	(539,235)	(532,925)	(1,471,238)	(1,093,600)
Dividends on Series B and B1 Preferred Stock	(360,217)	(412,875)	(704,716)	(819,670)
Net loss available to common shareholders	\$ (11,278,979)	\$ (1,373,236)	\$ (20,732,970)	\$ (7,304,270)
Loss per common share				
Basic	\$ (0.25)	\$ (0.03)	\$ (0.46)	\$ (0.18)
Diluted	\$ (0.25)	\$ (0.03)	\$ (0.46)	\$ (0.18)
Shares used in computing earnings per share				
Basic	45,554,841	40,294,870	45,463,600	40,245,671
Diluted	45,554,841	40,294,870	45,463,600	40,245,671

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

Six Months Ended June 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	—	\$ —	\$ 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	—	—	—	—	—	—	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>

## Six Months Ended June 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 common	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>

**VERTEX ENERGY, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**SIX MONTHS ENDED JUNE 30, 2020 AND 2019 (UNAUDITED)**

	Six Months Ended	
	June 30, 2020	June 30, 2019
<b>Cash flows from operating activities</b>		
Net loss	\$ (6,498,222)	\$ (5,698,760)
Adjustments to reconcile net loss to cash provided by operating activities		
Stock based compensation expense	319,809	314,065
Depreciation and amortization	3,348,008	3,517,903
Gain on sale of assets	(12,344)	(31,443)
Contingent consideration reduction	—	(15,564)
Bad debt and reduction in allowance for bad debt	65,443	(360,926)
(Decrease) increase in fair value of derivative warrant liability	(1,587,782)	959,077
(Gain) loss on commodity derivative contracts	(4,484,798)	1,069,778
Net cash settlements on commodity derivatives	4,781,183	(967,708)
Amortization of debt discount and deferred costs	47,826	286,954
Changes in operating assets and liabilities		
Accounts receivable	4,986,003	(2,111,591)
Inventory	3,711,239	2,338,814
Prepaid expenses	1,834,361	1,948,771
Accounts payable	(269,740)	(518,050)
Accrued expenses	(2,150,272)	(187,349)
Other assets	(378,547)	—
Net cash provided by operating activities	<u>3,712,167</u>	<u>543,971</u>
<b>Cash flows from investing activities</b>		
Acquisition	(1,822,690)	—
Internally developed software	(49,229)	—
Purchase of fixed assets	(1,526,379)	(2,419,599)
Proceeds from sale of fixed assets	22,844	86,846
Net cash used in investing activities	<u>(3,375,454)</u>	<u>(2,332,753)</u>
<b>Cash flows from financing activities</b>		
Payments on finance leases	(162,312)	(61,638)
Proceeds from exercise of stock options	—	4,500
Distribution VRM LA	—	(285,534)
Contributions received from redeemable noncontrolling interest	21,000,000	—
Line of credit (payments) proceeds, net	(3,276,230)	1,235,251
Proceeds from note payable (includes proceeds from PPP note)	4,374,643	187,501
Payments on note payable	(8,618,202)	(1,542,903)
Net cash provided by (used in) financing activities	<u>13,317,899</u>	<u>(462,823)</u>
Net change in cash, cash equivalents and restricted cash	13,654,612	(2,251,605)
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>\$ 17,854,437</u>	<u>\$ 598,226</u>
<b>SUPPLEMENTAL INFORMATION</b>		
Cash paid for interest	\$ 562,259	\$ 1,221,363
Cash paid for taxes	\$ —	\$ —
<b>NON-CASH INVESTING AND FINANCING TRANSACTIONS</b>		
Conversion of Series B1 Preferred Stock into common stock	\$ 3,368,474	\$ 150,010
Accretion of discount on Series B and B1 Preferred Stock	\$ 1,471,238	\$ 1,093,600
Dividends-in-kind accrued on Series B and B1 Preferred Stock	\$ 704,716	\$ 819,670
Equipment acquired under finance leases	\$ 888,764	\$ 621,000
Initial adjustment of carrying amount redeemable noncontrolling interest	\$ 9,091,068	\$ —
Accretion of redeemable noncontrolling interest to redemption value	\$ 12,348,238	\$ —

**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**

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Net income (loss)	\$ (8,888,473)	\$ (629,765)	\$ (6,285,015)	\$ (8,136,060)
Add (deduct):				
Interest Income	(20)	(1,918)	(879)	(1,918)
Interest Expense	222,173	738,972	2,135,555	3,128,659
Depreciation and amortization	1,713,461	1,780,890	7,010,194	7,081,738
<b>EBITDA</b>	<b><u>(6,952,859)</u></b>	<b><u>1,888,179</u></b>	<b><u>2,859,855</u></b>	<b><u>2,072,419</u></b>
Add (deduct):				
Loss (gain) on change in value of derivative warrant liability	110,965	(746,017)	(2,059,335)	239,523
Unrealized (gain) loss on derivative instruments	1,344,093	558,360	429,740	61,944
Stock-based compensation	156,539	171,002	648,585	644,180
<b>Adjusted EBITDA *</b>	<b><u>\$ (5,341,262)</u></b>	<b><u>\$ 1,871,524</u></b>	<b><u>\$ 1,878,845</u></b>	<b><u>\$ 3,018,066</u></b>
Net cash provided by (used in) operating activities	597,159	2,520,851	5,641,363	2,725,294
Add (deduct): capital expenditures	(1,084,199)	(1,644,702)	(3,014,469)	(3,348,625)
<b>Free cash flow</b>	<b><u>(487,040)</u></b>	<b><u>876,149</u></b>	<b><u>2,626,894</u></b>	<b><u>(623,331)</u></b>

\* 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 net cash provided by (used in) operating activities less capital expenditures.



# 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](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.

## 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.

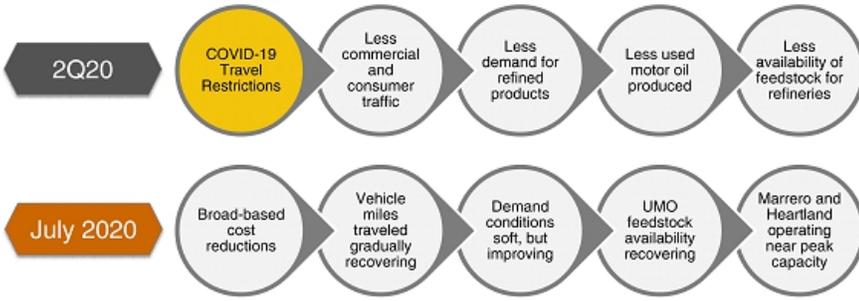


**2Q20 Business Update**

---

# Post COVID-19: Charting a Path Toward Recovery

Following a challenging 2Q20, business has stabilized during July 2020



# Key Financial Metrics

## Second Quarter 2020

**Total Revenues**  
(\$MM)



**Gross Profit**  
(\$MM)



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



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



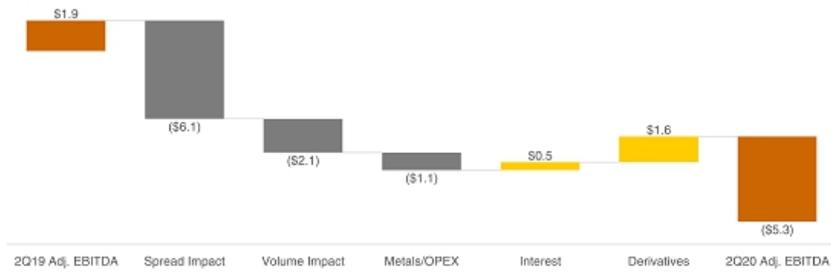
<sup>(1)</sup> Second quarter 2020 and TTM 2Q20 results exclude the impact of the Tensile transaction



# Adjusted EBITDA Bridge

Narrowing product spreads drove the y/y decline in performance

2Q19 vs. 2Q20 Adj. EBITDA Bridge  
(\$MM)



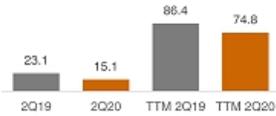
# UMO Collections Are Steadily Recovering

Collections levels improved exiting 2Q20

## UMO Feedstock Supply

> Total feedstock supply declined 35% y/y in 2Q20 due to COVID-19

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



**Direct UMO Collections By Month**  
(2019 vs. 2020 Y/Y % Change)



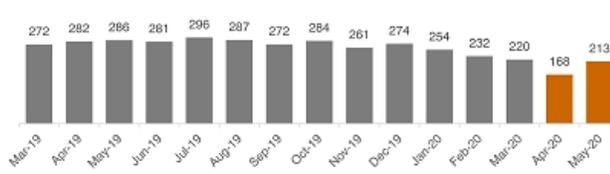
## Direct Collections

> Direct collections troughed in April and have recovered into June

## VMT a Relevant Indicator

> VMT rebounded on a month-over-month basis in May, although driving levels remain 25% below prior-year levels

**U.S. Vehicle Miles Traveled Rebounded In May 2020**  
(Millions of Road Vehicle Miles Traveled)(1)



(1) Source: US DOT (August 2020)



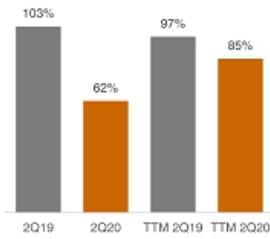
# Refining System Update

## Production levels rebounded during July 2020

### Marrero Update

- > 34 days of planned, extended maintenance that concluded in mid-June 2020; Operated near peak capacity in July 2020

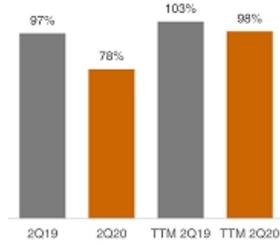
**Marrero Refinery**  
Capacity Utilization Rate<sup>(1)</sup>



### Heartland Update

- > Solid utilization, given UMO feedstock constraints; Operated near peak capacity in July 2020

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



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



# Operational Priorities

## Key areas of management focus

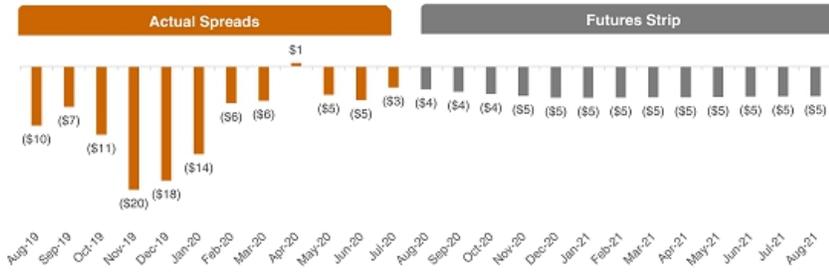
UMO Availability	Refining Utilization	Cost Reductions	Asset Optimization	Capital Discipline
<ul style="list-style-type: none"> <li>&gt; Management has expanded its collection network, ensuring increased availability of feedstock to support its refining operations during 3Q20</li> <li>&gt; Street pricing remains challenged; as we see driving activity increase, we expect to see more rational UMO pricing</li> </ul>	<ul style="list-style-type: none"> <li>&gt; In 2Q20, both Marrero and Heartland operated at reduced rates due to poor UMO availability</li> <li>&gt; During July 2020, both refineries operated near peak utilization, allowing us to capture increased economies of scale</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Focused on reductions in contract labor, together with reductions in plant operating costs.</li> <li>&gt; SG&amp;A declined more than 10% y/y in 2Q20</li> <li>&gt; Management expects to realize approximately \$1 to \$2 million in additional, annualized cost reductions during the second half of 2020.</li> </ul>	<ul style="list-style-type: none"> <li>&gt; In 2Q20, we invested in several initiatives designed to grow our market presence as a collector and recycler of used automotive waste streams.</li> <li>&gt; We expect to provide an update on these activities during 4Q20</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Given current market volatility, Vertex remains focused on conserving available liquidity to support the long-term growth of the business, while investing in core operational improvements</li> <li>&gt; As of June 30, 2020, the Company had total cash and available liquidity of \$19.6 million, versus \$20.2 million as of March 31, 2020</li> </ul>



# 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 (May 2020)



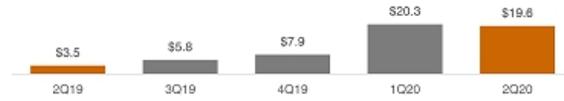
# Balance Sheet Update

## Approximately \$20 Million In Cash And Availability On Term Loan

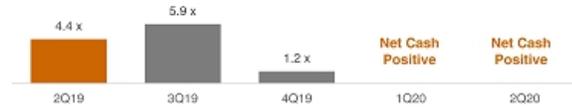
### Adequate Cash & Liquidity

- > 2Q20 cash and available liquidity increased by \$16.1 million y/y
- > Focused on capital conservation given near-term market challenges

Cash & Available Liquidity  
\$MM<sup>(1)</sup>



Net Debt vs. TTM Adj. EBITDA  
<sup>(1)</sup>



(1) Included in total cash amounts is the SPV amounts of Myrtle Grove and Heartland which are \$8.4 million and \$2.2 million, respectively, which are limited to use by each respective SPV.

(2) Net cash positive reflects the difference between cash-on-hand and term debt.



**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.<sup>(1)</sup>
- > Produce/market IMO-compliant marine fuels, Group II & III Base Oils and fuel blend stocks for industrial applications
- > Proven track record of safe, reliable operations that optimize utilization at owned production facilities
- > Major ongoing capital projects offer potential to increase production of high-value specialty products
- > Experienced management team w/ high insider ownership



**Collections Operations**

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



**Refining Operations**

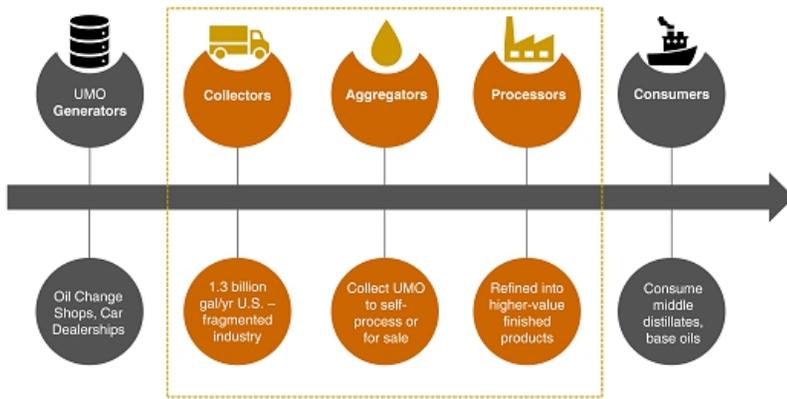
- > Middle distillates and high-purity base oils
- > Marrero (LA) - Marine Fuel production
- > Heartland (OH) - Base oil production
- > Baytown (TX) - Houston ship channel terminal

<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

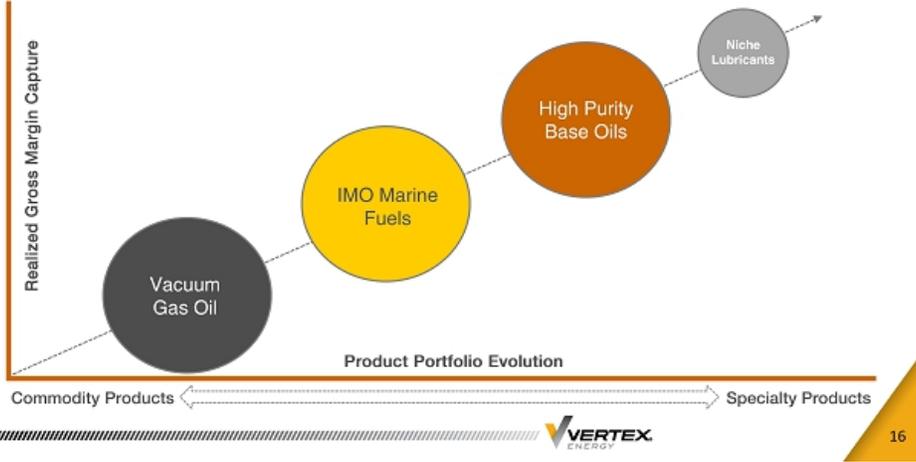


(1) (bpd) barrels per day



# 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

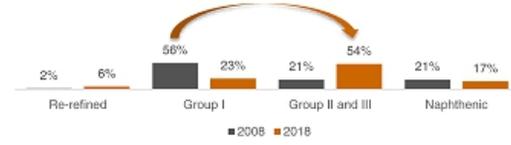
### CAFE Standard Fuel Economy By Year

6% CAGR In Required MPG Fuel Economy



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

Trend Toward Higher Viscosity Base Oil Capacity



(1) Source: LNG Lubricants Industry Factbook (2016-2019)



# 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>

# Our Strategic Focus

## Path Toward Profitable Growth Through The Cycle

