



# Investor Presentation

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*Recovering Tomorrow's Energy*

JANUARY 2016

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## Industry Information

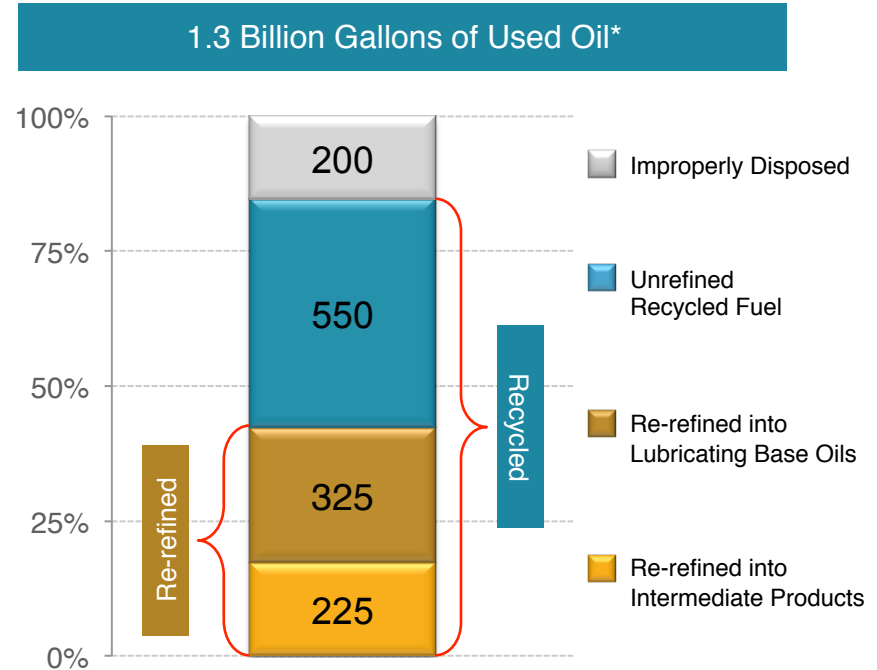
Information regarding market and industry statistics contained in this presentation is based on information available to us that we believe is accurate. It is generally based on publications that are not produced for investment or economic analysis.

# Company Snapshot

- An Environmental Services Company that recycles industrial waste streams and off-specifications commercial chemical products
- One of the largest processors of used motor oil in the United States, processing over 135 million gallons annually
- Operates in the entire value chain, including collections, aggregation, re-refinement, and sales of aggregated feedstock and re-refined products to end users
- Proprietary UMO re-refining process technologies that produce Group II base oil, VGO, and high value fuel
- Flexible, scalable, and efficient platform
  - Internal feedstock collection and refining capabilities
  - Leverage third-party collectors and refineries
- Regional model that can be replicated across the USA to manage logistics and reduce costs

# Used Motor Oil Recycling Industry

- The U.S. used motor oil recycling industry is approximately \$2.4 - \$2.8 billion
- Of the approximately 1.3 billion gallons of used oil generated annually, less than 50% is re-refined while the rest is burned or improperly disposed
- Cheap natural gas creating need for more re-refinement and processors like Vertex
  - Used oil collectors historically sold to local industrial burners
  - Industrial burners are switching to cheap natural gas, and collectors without infrastructure are now selling to re-refineries
  - Market price for burning linked to cheap natural gas while price for re-refined oil is more closely linked to higher priced diesel
  - As more of the 600 million gallons of burned oil is re-refined, the market size will increase considerably assuming the spread between diesel and natural gas holds



\* Midpoint of estimated ranges; gallons in millions

# Markets for Used Oil:

**BURNERS** (Paper Mill, Asphalt KILN)

**RE-REFINERIES** (Base Stock)

**VACUUM GAS OIL** (VGO)

**EXPORT** (Utility Blends)

**HIGH VALUE FUEL**

# Integrated Recycling & Refining Company

## Aggregation

- Third-party aggregation network of ~50 collectors across the U.S.
- 2 terminals for aggregation located in Houston, TX, and Mobile, AL



## Collection

- Growing street-level collection expertise – 20 million+ gallons
- 43 trucks operating as collectors across 10 states
- Higher-margin internal collection strategy



## Re-refining

- Nationwide processing capacity of over 135 million gallons
- Developed and patented unique UMO processing technology (TCEP)



## Sales

- Deep market knowledge of intermediate (base oil, VGO, low-sulfur cutter) and finished product (lube oil)
- Regional model fosters strong, localized sales relationships





Vertex Divisions

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**Black Oil** | **Refining & Marketing** | **Recovery**

# Black Oil

## The Black Oil Division collects, aggregates, processes and sells used motor oil and finished products.

- **Collection** – Own and operate a fleet of vehicles which collects used motor oil from a network of approximately 5,000 generators
  - 18.7 million gallons collected during the last 12 months
- **Aggregation** – Purchase third-party barrels of used oil from a network of approximately 50 collectors across the U.S.
  - ~71.9 million gallons aggregated over the last 12 months
- **Re-refining** – Process used motor oil in-house using proprietary:
  - TCEP technology – produced 19.0 million gallons
  - VGO Re-refining – produced 39.1 million gallons
  - Group II base oil – produced 11.5 million gallons
- **Sales** – Sale of used motor oil and re-refined products.



### Black Oil\*

**LTM Revenue:**  
**\$132.9MM (70% of Total)**

**LTM Gross Profit:**  
**\$1.0MM (.8% Margin)**

\* Last 12 months, or LTM, refers to the 12 month period ended 9/30/15



# Refining & Marketing

**The Refining & Marketing Division aggregates and manages the refining of off-specification petroleum and chemical products and sells the re-refined products to end customers.**

- Obtain feedstock from commercial sources including pipeline operators, refineries, chemical processing facilities and third-party providers
- Processing completed with KMTEX, a third-party refinery
- Produce Various End Products:
  - Gasoline blendstock – raw gasoline sold to blenders
  - Pygas – feedstock used by chemical companies
  - Fuel oil cutter stock – used in residual blends



## Refining & Marketing\*

**LTM Revenue:  
\$43.1MM (23% of Total)**

**LTM Gross Profit:  
\$2.0MM (4.7% Margin)**

\* Last 12 months, or LTM, refers to the 12 month period ended 9/30/15

# Recovery

**The Recovery Division provides hydrocarbon stream recovery and management solutions as well as industrial dismantling, demolition and decommissioning services.**

- Through this division, Vertex owns 8 trucks and heavy equipment used for processing, shipping and handling of reusable equipment
- These services are currently provided in 13 states, primarily in the Gulf Coast and Midwest
- In the previous 12 months, this division aggregated approximately 6.6 million gallons of used motor oil and other petroleum by-product feedstocks



## Recovery\*

**LTM Revenue:  
\$12.5MM (7% of Total)**

**LTM Gross Profit:  
\$2.8MM (22.1% Margin)**

\* Last 12 months, or LTM, refers to the 12 month period ended 9/30/15



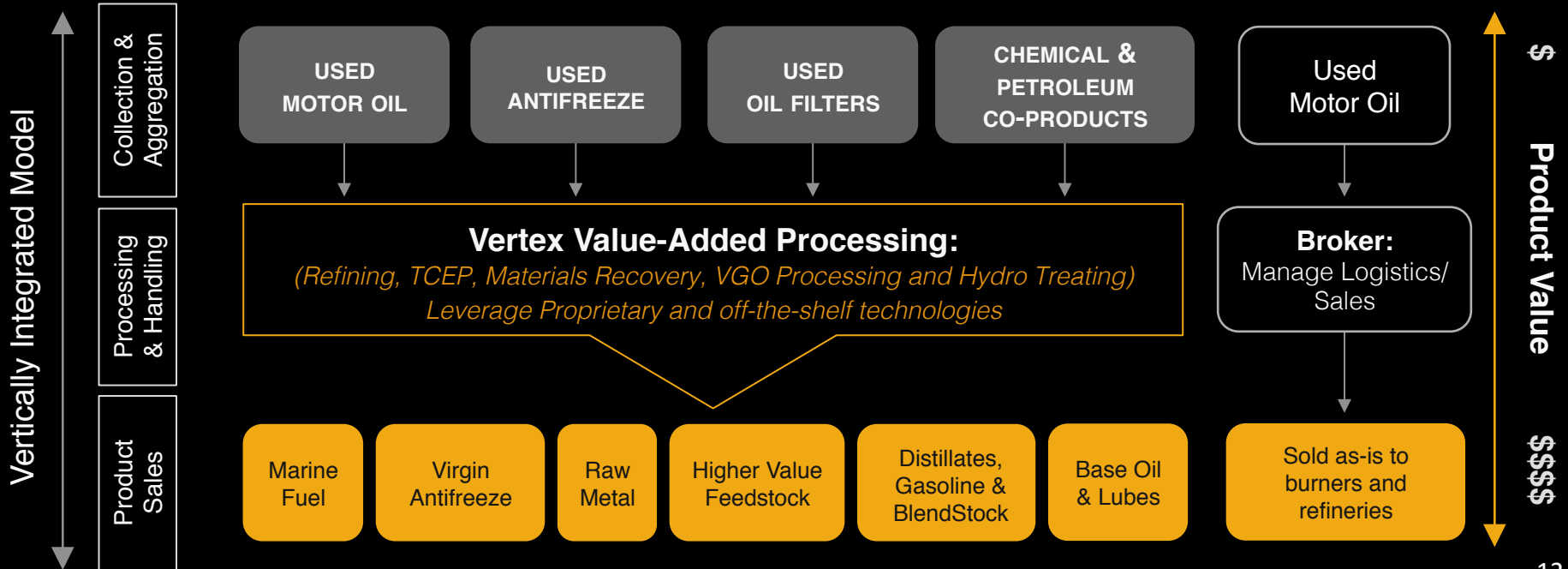
Company Snapshot

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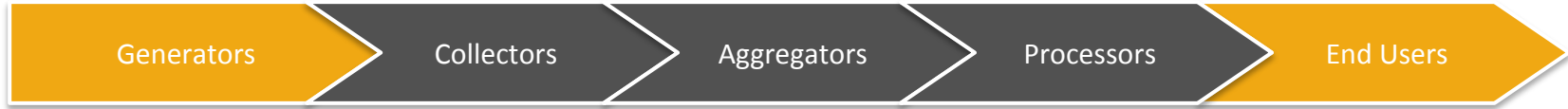
**WHAT WE DO**

# What we do

- Vertex collects **feedstocks** and processes them into higher value products for end users
  - Vertically integrated across the value chain collecting a variety of **feedstocks** from the same customer
- Vertex also acts as a broker of used oil to strategically control more used oil supply



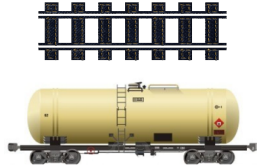
# Used motor oil recycling value chain



- Jiffy Lube®, car dealerships, etc.



- Collect used oil from generators
- Highly fragmented



- Purchase used oil from collectors
- Sell and deliver it as feedstock for processors



- Technology upgrades feedstock into higher value end products



- End product is used as an industrial fuel, ship fuel, base oil or refinery feedstock

Vertical integration enables Vertex to control more of the value chain and capture higher margins.

# National footprint – Regional focus

## National Footprint

Vertex maintains a national footprint with the capabilities to collect/aggregate feedstock across the country and from major transportation hubs.

**Nevada Facility**  
Location: Fallon, NV  
Capacity: 23 million gallons

**TCEP Facility**  
Location: Baytown, TX  
Capacity: 35 million gallons

Vertex operates as a national player (~28% of total UMO refining capacity in North America) while maintaining effective logistical expertise and cost-effectiveness of a regional refiner.



## Regional Model

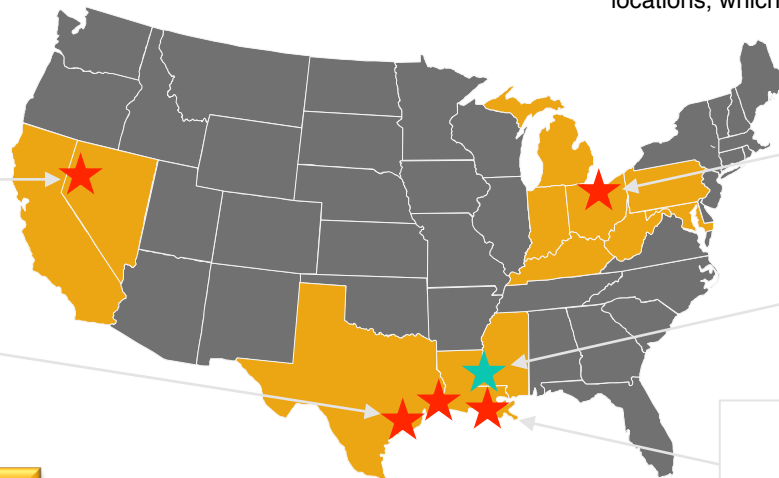
Vertex now operates regional hubs in highly strategic locations, which will optimize transportation costs.

**Heartland Facility**  
Location: Columbus, OH  
Capacity: 18 million gallons

**Myrtle Grove**  
Location: Belle Chaise, LA  
Currently unutilized refining asset

**Marrero Facility**  
Location: Marrero, LA  
Capacity: 60 million gallons

**I Port Arthur**  
Location: Port Arthur, TX  
Operates under tolling agreement



★ Operating & Manufacturing Refineries  
★ Facility to be developed



Vertex®

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## **FACILITIES**

# Refining facilities

## TCEP facility (Baytown)



**Location:** Baytown, Texas

**Capacity:** 35 million gallons

**Finished Product:** Low sulfur cutterstock

**Strategic Benefit:**

- Highly strategic location to export market for gulf refiners
- Proprietary TCEP technology requires low capital expenditures relative to other refining processes
- Strong demand for regional product blending

## Marrero (Louisiana)



**Location:** Marrero, Louisiana

**Capacity:** 60 million gallons

**Finished Product:** Vacuum Gas Oil (VGO)

**Strategic Benefit:**

- Diversification of product mix
- New eco-fuel/marine market capabilities
- Strategic logistical supply location near Mississippi River market

## Heartland (Ohio)



**Location:** Columbus, Ohio

**Capacity:** 18 million gallons

**Finished Product:** Base oil

**Strategic Benefit:**

- Diversifies range of refined products
- Only refinery to serve the Northeast
- Expands collected gallon capacity rather than purchasing from third party



# Other facilities

## Nevada



**Location:** Fallon, Nevada

**Capacity:** 23 million gallons

**Finished Product:** Base Oil

**Strategic Benefit:**

- Strategically located to serve the West Coast lubricants and base oil markets
- Facility has rail and truck access – strategic location near California market (approximately 75 miles from border)

## KMTEX (Port Arthur)



**Location:** Port Arthur, Texas

**Finished Product:** Gasoline blendstock, pygas, cutterstock

**Strategic Benefit:**

- Tolling agreement for strategically located re-refining capacity

## Myrtle Grove



**Location:** Myrtle Grove, Louisiana

**Strategic Benefit:**

- Capability for low-capex conversion to produce base oil, white oil or other specialty materials and a hydrocarbons reclamation facility
- Barge and rail access, subject to permit approval and infrastructure development



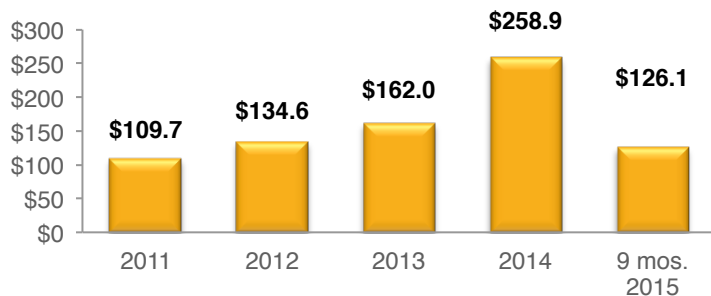
Vertex®

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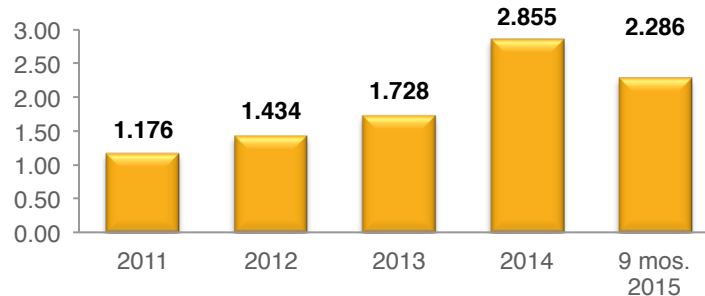
# FINANCIALS

# Financials

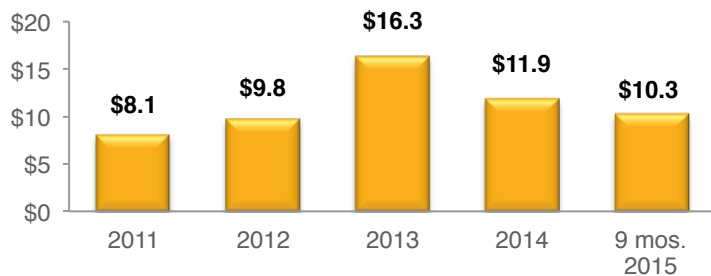
## Revenue (\$MM)



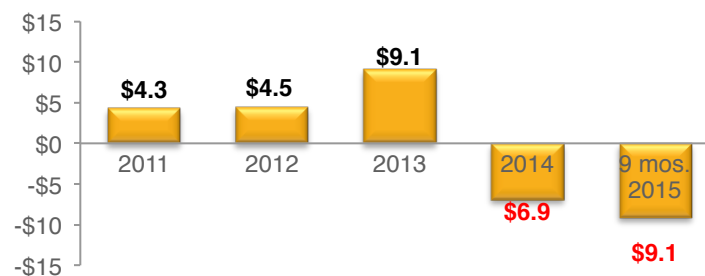
## Total Volume (MMBbls)



## Gross Profit (\$MM)



## Adjusted EBITDA (\$MM)



# Financials

| Period<br><i>(\$ in millions except per share data)</i> | 2011      | 2012      | 2013      | 2014       | 9 Months Ended<br>Q3 '14 | 9 Months Ended<br>Q3 '15 |
|---|-----------|-----------|-----------|------------|--------------------------|--------------------------|
| Volume (Barrels)  | 1,175,829 | 1,434,280 | 1,728,071 | 2,854,757  | 1,971,311                | 2,285,897                |
| YoY Change  | 27.6%     | 22.0%     | 20.4%     | 65%        | 58%                      | 16%                      |
| Revenue   | \$109.7MM | \$134.6MM | \$161.9MM | \$258.9MM  | \$196.3                  | \$126.1                  |
| YoY Change  | 88.7%     | 22.6%     | 20.2%     | 59%        | 70%                      | (35.7%)                  |
| Gross Profit  | \$8.1MM   | \$9.8MM   | \$16.3MM  | \$14.6MM   | \$16.3                   | \$10.3                   |
| Gross Margin %  | 7.4%      | 7.3%      | 10.0%     | 5.6%       | 8%                       | 8%                       |
| Adjusted EBITDA <sup>(1)</sup>                          | \$4.3MM   | \$4.5MM   | \$ 7.4MM  | \$ (6.9)MM | \$13.5                   | \$(9.1)                  |
| Adjusted Net Income <sup>(2)</sup>                      | \$3.9MM   | \$3.5MM   | \$5.7MM   | \$(9.0)MM  | \$0.3                    | \$(14.0)                 |
| Adjusted Diluted EPS <sup>(3)</sup>                     | \$0.27    | \$0.24    | \$0.28    | \$(0.23)   | \$0.01                   | \$(.50)                  |

## NOLs of ~\$60MM

- 1) Adjusted EBITDA excludes i) merger-related expenses, ii) stock-based compensation, and iii) reduction in contingent liability.
- 2) Adjusted Net Income excludes i) reduction in valuation allowance, ii) merger-related expenses, iii) reduction in contingent liability and iv) gain on bargain purchase and provision for note.
- 3) Adjusted Diluted EPS excludes i) reduction in valuation allowance, ii) merger-related expenses, iii) reduction in contingent liability and iv) gain on bargain purchase and provision for note.

# Balance Sheet & Other Information

| <b>Balance Sheet</b> As of September 30, 2015 |          |
|---|----------|
| Cash & Cash Equivalents                       | \$4.0M   |
| Current Assets                                | \$18.9M  |
| Fixed Assets                                  | \$61M    |
| Total Assets                                  | \$106.9M |
| Total Debt                                    | \$27.0M  |
| Total Liabilities                             | \$51.2M  |
| Convertible Preferred                         | \$11.2M  |
| Redeemable Preferred                          | \$.6M    |
| Stockholders' Equity                          | \$44.5M  |

| <b>Depreciation &amp; CAPEX</b> LTM September 30, 2015 |         |
|--|---------|
| Depreciation & Amortization                            | \$6.0MM |
| Capital Expenditures                                   | \$5.9MM |

| <b>Shares Outstanding</b> As of June 30, 2015   |            |
|---|------------|
| Basic Shares<br><i>(Includes recent raise &amp; Pfd Shares not yet converted 1:1)</i> | 28,165,427 |
| Warrants<br><i>(Weighted Avg Strike Price - \$3.35)</i>                               | 1,986,742  |
| Options<br><i>(Weighted Avg Strike Price - \$17.44)</i>                               | 2,633,583  |
| Fully Diluted Shares  | 33,431,969 |

# Investment highlights

- **Second-largest processor of used motor oil (“UMO”) in North America, with processing capacity of over 135 million gallons (~28% of the North American UMO market)**
  - Overall volumes of product sold – which measures reach into the market – increased 16% for the 12 mos. ended Q3 2015 versus Q3 2014
  - Street Collections increased 50% for the 12 mos. ended Q3 2015 versus Q3 2014
- **Top-tier base of nationwide assets – creates an organization with deep vertical integration expertise across the UMO value chain**
- **Regional model with strategic hubs located in the Gulf and West Coasts**
  - Opportunity to optimize logistics, increase direct collections to capture additional margin
  - Allows for “local expertise” in each market, which leads to understanding and realizing increased leverage across the country
  - Market leverage around pricing – industry leaders in managing spread
- **New paradigm in the market for collected/aggregated UMO – shift toward an environmental services model**
  - Oil collection recently moved from pay-for-oil (“PFO”) to zero-pay (“ZP”) with the current trend toward charge-for-oil (“CFO”) – generators will pay Vertex to collect UMO
  - Current market price for UMO at the generator level is approximately \$0.10/gallon CFO versus \$1.00/gallon PFO 12 months ago
  - Paradigm shift provides for opportunities to increase market share on the street
- **Firm steps taken to protect against future extreme volatility**
  - New partnership limits marketing/trading risk
- **Proven and experienced management with comprehensive industry knowledge**

# Management team

**Benjamin P. Cowart I** *Chief Executive Officer, Chairman of the Board, Founder*

29 years petroleum recovery industry, pioneering the reclamation industry by developing recycling options for many hydrocarbon residual materials once managed as hazardous wastes

**John Strickland I** *Chief Operating Officer*

30 years management and marketing of fuels and petroleum blending operations

**Chris Carlson I** *Chief Financial Officer*

15 years financial management, energy, commodity, treasury and risk management

**Matthew Dupay I** *Manager of Refining & Marketing*

12 years processing, trading and marketing of petroleum and chemicals

**Mike Stieneker I** *General Manager of H&H Oil Collections*

20 years management and operations of Used Oil Collections

**Alvaro Ruiz I** *Vice President of Business Development and M&A*

20 years in manufacturing and services industries

**Dave Peel I** *Corporate Advisor*

Extensive leadership in operations, engineering, and expansive experience in industry and technical knowledge

Thank You

