



# Q1 2014 Earnings Conference Call

## May 6, 2014

# Speakers



**Daniel J. Oh**  
President & Chief Executive Officer



**Chad Stone**  
Chief Financial Officer



**Todd Robinson**  
Director, Investor Relations

# Safe Harbor Summary

This presentation contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 as amended, including the Company's outlook in second and third quarter of 2014 for gallons sold and Adjusted EBITDA which is a non-GAAP financial measure. A reconciliation of Adjusted EBITDA to net income, the most comparable GAAP measure is provided in the Appendix to this presentation. These forward-looking statements are based on current expectations, estimates, assumptions and projections that are subject to change, and actual results may differ materially from the forward-looking statements. Factors that could cause actual results to differ materially include, but are not limited to, potential changes in governmental programs and policies requiring or encouraging the use of biofuels, including RFS2; changes in the spread between biodiesel prices and feedstock costs; the future price and volatility of feedstocks; the future price and volatility of petroleum and products derived from petroleum; availability of federal and state governmental tax credits and incentives for biodiesel production; the effect of excess capacity in the biodiesel industry; unanticipated changes in the biodiesel market from which we generate almost all of our revenues; seasonal fluctuations in our operating results; competition in the markets in which we operate; our dependence on sales to a single customer; technological advances or new methods of biodiesel production or the development of energy alternatives to biodiesel; ; our ability to successfully implement our acquisition strategy; our ability to use the technology acquired from LS9 to produce renewable chemicals, fuels and other products on a commercial scale and at a competitive cost, and customer acceptance of the products produced; whether or not the acquisition of substantially all the assets of Syntroleum is consummated and, if consummated, our ability to successfully integrate Syntroleum's assets and employees into our existing business; whether the Dynamic Fuels, LLC renewable diesel plant, which is 50% owned by Syntroleum and would be 50% owned by us following the closing, will be able to produce renewable diesel profitably, if at all; and other risks and uncertainties described from time to time in REG's annual report on Form 10-K, quarterly reports on Forms 10-Q and other periodic filings with the Securities and Exchange Commission. The forward-looking statements are made as of the date of this press release and REG does not undertake to update any forward-looking statements based on new developments or changes in our expectations.

# Network Updates

- Launch of REG Life Sciences, LLC
  - LS9 technology brings a demonstrated industrial biotech platform
- REG brings:
  - Commercialization capabilities
  - Access to capital
  - Distribution capabilities
  - Brand name as a lead player in the advanced biofuel industry



# Network Updates

- REG Newton broke ground on a \$13.2 million upgrade
- REG Mason City - Continue to upgrade from low free fatty acid feedstock to lower-cost feedstock technology



# Network Updates

- REG Energy Services, LLC
  - Regional headquarters in Portsmouth, New Hampshire
  - Established to sell heating oil and ultra-low sulfur diesel at seven terminals throughout the northeast U.S. as well as BioHeat® blended heating oil
  - Complements our advanced biofuels business
  - Enhances our ability to meet customer demand for biodiesel blended fuel





# Quarter Operating Highlights

- Redeemed remaining preferred shares
- 1 Billion cumulative gallons sold



# Quarter Financial Highlights

(in millions except for ASP)	Q1 2014	Y/Y Growth
Gallons Sold	47	+22%
ASP	\$3.54	-20%
Revenues	\$219.0	-17%
Gross Profit	\$11.6	-87%
SG&A <sup>2</sup>	\$13.5	+40%
Adj EBITDA <sup>1</sup>	\$1.9	-91%

(1) Adjusted EBITDA is a non-GAAP measure. See Appendix A for the definition of Adjusted EBITDA and reconciliation to Net Income determined in accordance with GAAP

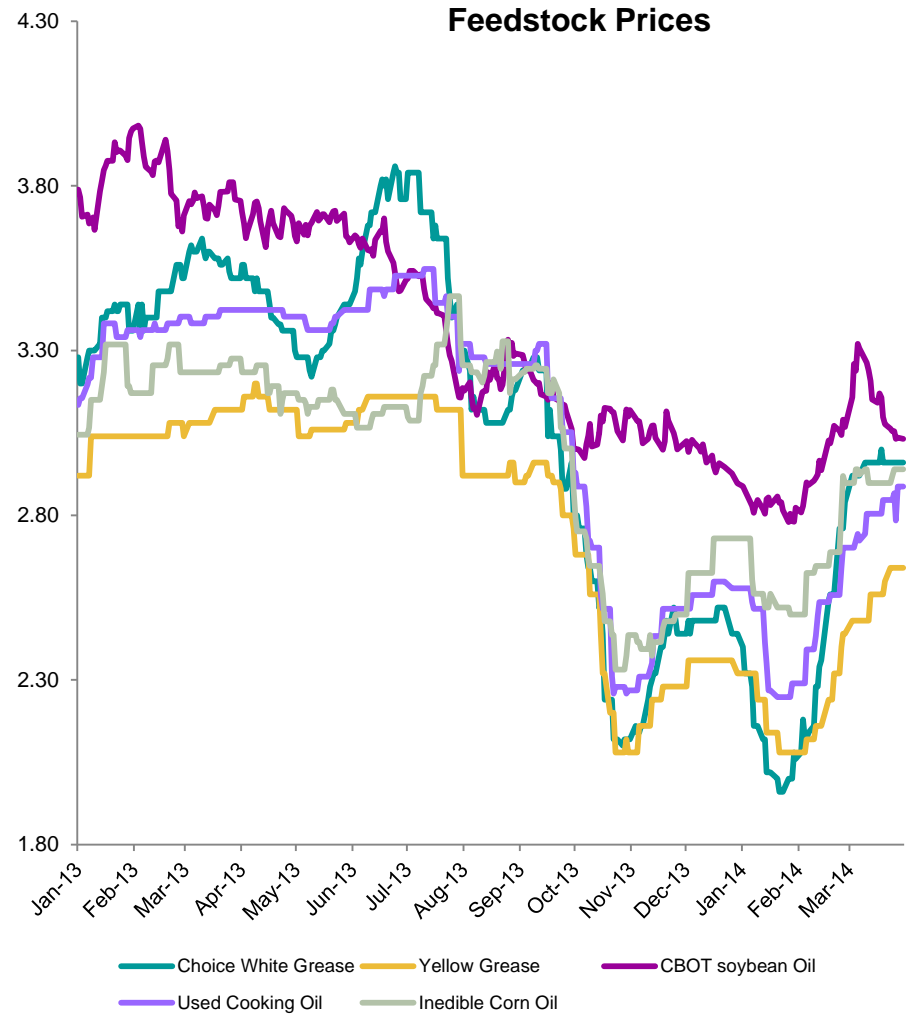
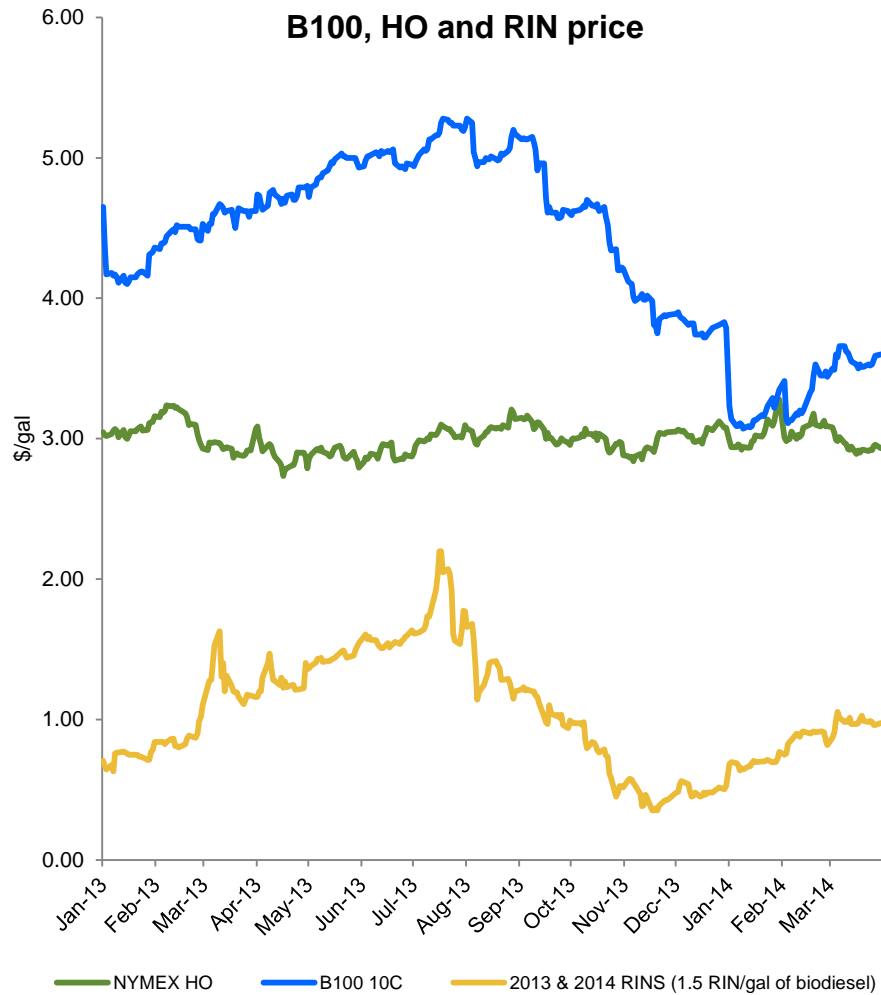
(2) This increase of 40% was mostly due to an increase in research and development costs of \$1.9 million related to our acquisition of LS9.



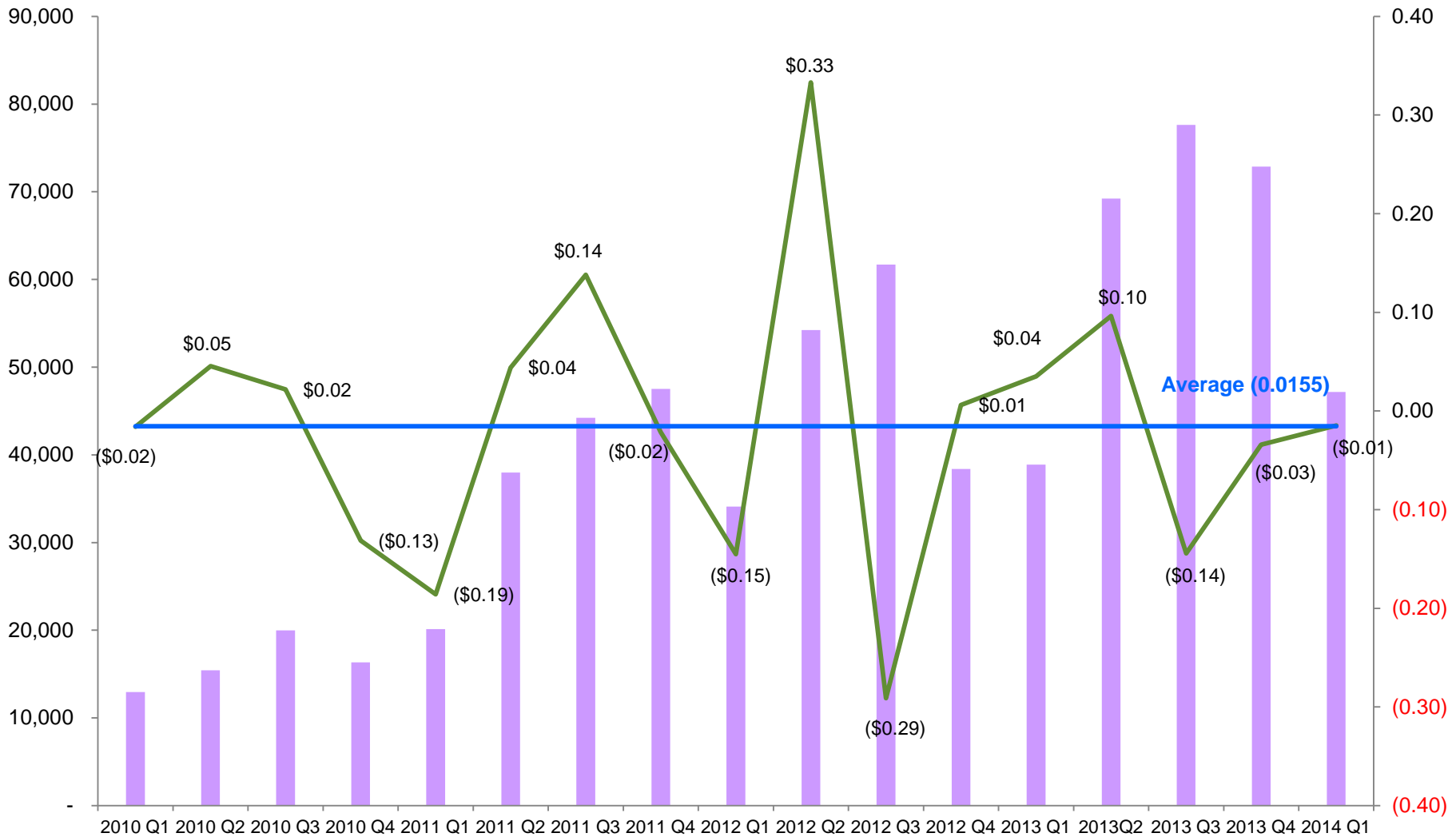
# Retroactive 2012 Biodiesel Mixture Excise Tax Credit (BTC)

	<u>Q1 2013</u>	<u>BTC Adjustments</u>	<u>Q1 2013 without 2012 BTC</u>	<u>Compared to Q1 2014</u>
REVENUE	\$264,368	→ \$57,372	\$206,996	6%
COSTS OF GOOD SOLD	\$177,673		\$177,673	17%
<b>GROSS PROFIT</b>	<b>\$86,695</b>		<b>\$29,323</b>	<b>61%</b>
Adjusted EBITDA without 2012 BTC	79,266		21,894	-91%
BTC	(57,372)		-	
<b>Adjusted EBITDA</b>	<b>\$21,894</b>		<b>\$21,894</b>	

# Market prices



# Risk Management



# Balance Sheet Strength

(in millions)	March 31, 2014	December 31, 2013
Cash and marketable securities	\$136.1	\$153.2
Receivables	\$31.0	\$82.9
Inventory	\$94.1	\$85.8
Total Assets	\$755.4	\$740.9
Term Debt	\$ 33.2	\$34.2
Total Liabilities	\$135.3	\$142.8

# Liquidity and Capital Structure

(in millions except for Book value per share). <sup>2</sup>	March 31, 2014	December 31, 2013
Term Debt	\$33.2	\$34.2
Term Debt/Total Capitalization	5.1%	5.4%
Net Book Value	\$620.1	\$594.1
Book value per share	\$16.08	\$16.22

## Transaction details:

- \$15.3 million in cash
- 2.2 million common shares valued at \$26.3 million
- Contingent consideration of up to \$21.5 million paid out subject to achievement of certain milestones
- Preliminary fair value was \$58.6 million
- REG expects to be investing approximately \$1 million dollars per month, which will mostly be recorded as R&D expense.

# Outlook

## Assumptions:

- Current market margins
- BTC will not be reinstated in 2014

(in millions)	Q2 2014	Q3 2014
Gallons Sold	65 - 75	70 - 80
Adj EBITDA	\$(2.5) - \$7.5	\$(10) - \$10



# Upcoming Conference Appearances



**Semi-Annual Microcap Conference**  
**May 9, 2014**  
**New York**



**MAY 13**

**Transformational  
Technologies Conference**

Le Parker Meridien  
New York, NY

**Transformational Technology Conference**  
**May 13, 2014**  
**New York**

**FBR Energy Technology Summit**

Wednesday May 28, 2014 . Grand Hyatt New York



**FBR Energy Technology Summit**  
**May 28, 2014**  
**New York**

## Appendix A

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### Adjusted EBITDA Reconciliation

# Adjusted EBITDA Reconciliation

(in millions)	<u>1Q'13</u>	<u>2Q'13</u>	<u>3Q'13</u>	<u>4Q'13</u>	<u>2013</u>	<u>1Q'14</u>
<b>Net Income (Loss)</b>	<b>46.40</b>	<b>23.13</b>	<b>86.70</b>	<b>30.13</b>	<b>186.36</b>	<b>(2.36)</b>
Income Tax (Benefit) Expense	30.18	15.31	(42.05)	1.48	4.94	(0.11)
Interest Expense	0.57	0.60	0.58	0.64	2.39	0.55
Other Income	(0.11)	(0.10)	(0.07)	(0.11)	(0.38)	(0.05)
Straight-line lease expense	(0.16)	(0.16)	(0.16)	(0.16)	(0.65)	(0.16)
Depreciation	2.08	2.30	2.60	2.73	9.70	3.00
Amortization	(0.20)	(0.19)	(0.18)	(0.18)	(0.75)	(0.18)
Non-recurring business interruption <sup>(1)</sup>	(0.86)	-	-	-	(0.86)	-
Non-cash Stock Compensation	1.36	1.03	1.48	1.54	5.42	1.24
<b>Adjusted EBITDA before 2012 BTC</b>	<b>79.26</b>	<b>41.92</b>	<b>48.90</b>	<b>36.07</b>	<b>206.17</b>	<b>1.93</b>
2012 Retroactive BTC <sup>(2)</sup>	(57.37)	(0.37)	-	-	(57.75)	-
<b>Adjusted EBITDA</b>	<b>21.89</b>	<b>41.55</b>	<b>48.90</b>	<b>36.07</b>	<b>148.42</b>	<b>1.93</b>

(1) We incurred a non-recurring business interruption charge at one of our production facilities in November 2012; we reflected the gain contingency in our operating performance of 2012 having received the corresponding insurance proceeds in February 2013, thus excluding it from first quarter 2013 adjusted EBITDA.

(2) On January 2, 2013, the American Taxpayer Relief Act of 2012 was signed into law, which reinstated a set of tax extender items including the reinstatement of the federal biodiesel blenders tax credit for 2013 and retroactively reinstated the credit for 2012. The retroactive credit for 2012 resulted in a net benefit to us that was recognized in first quarter 2013, but because this credit relates to the operating performance and results of 2012 it is excluded from 2013 adjusted EBITDA and allocated to the 2012 periods based upon gallons sold.