

alphaDIRECT MANAGEMENT SERIES

APRIL 16, 2019

IN FOCUS: A STRATEGIC REVIEW OF RENEWABLE ENERGY GROUP INC., OPERATIONS AND BUSINESS WITH THE NEW PRESIDENT & CEO, CYNTHIA J. WARNER.

This report focuses on Renewable Energy Group (REGI), and its new President and Chief Executive Officer, Cynthia J. Warner, and her review of the business and key strategic growth opportunities.



REG operates a 75 million gallon per year renewable diesel refinery in Geismar, Louisiana.
Source: www.regi.com

THE alphaDIRECT INSIGHT

This alphaDIRECT Management Series focuses on REG and its recent management change with the new President and Chief Executive Officer, Cynthia J. Warner, and her top priorities, including a review of its business, expansion plans and growth strategy. During the last 20 years REG has built a leading growth platform in the biodiesel industry, with significant opportunity ahead of it, in our view. Navigating this market with complex supply chains and distribution networks, not to mention a fluid regulatory environment, demands vision and quick actions by leadership. We believe REG is well-positioned to benefit from the carbon reduction mega-trend that is in place around the world and in this Management Series we learn what the priorities and strategies will be with the new CEO.

REGI Business Snapshot

Founded: 1996
Headquarters: Ames, IA
Ticker: REGI (NASDAQ)
Stock Price: \$23.16*
Market Cap: \$865.146M*
Website: www.regi.com
*As of April 15, 2019



About alphaDIRECT Advisors

alphaDIRECT Advisors (ADA), a division of EnergyTech Investor, LLC (ETI), is a Publishing and Investor Intelligence firm that creates and implements digital content and programs to help investors better understand a company's key drivers including industry dynamics, technology, strategy, outlook and risks as well as the impact they could have on the stock price. ADA's expertise encompasses a variety of sectors including Clean Transportation, Emerging EnergyTech, Energy Services, Smart Buildings, Solar, Water Value Chain and Industrial. ADA was founded by Wall Street veteran and research analyst, Shawn Severson, after seeing a significant shift in the investment industry that resulted in less fundamental research conducted on small cap companies and a significant decline in information available to all investors. ADA's mission is to bridge that information gap and engage companies and investors in a way that opens information flow and analytical insights.

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Participants

Cynthia J. Warner
President & Chief Executive Officer
Renewable Energy Group, Inc.

Prior to REG, Ms. Warner served as Executive Vice President, Operations for Andeavor. She oversaw Andeavor's Refining; Logistics; and Environment, Health, Safety & Security groups, providing leadership that promoted safe, reliable execution and drove operating efficiency and effectiveness. Prior to that role, Ms. Warner served as Andeavor's Executive Vice President, Strategy and Business Development, where she led the company's strategic growth initiatives. Prior to Andeavor, Ms. Warner held executive leadership roles at several global energy companies. She was Chairman and CEO of Sapphire Energy from 2012 to 2014, after joining as President in 2009 and prior to Sapphire Energy, Ms. Warner served as Group Vice President of Global Refining and Group Vice President of Health, Safety, Security, Environmental and Technology for British Petroleum (BP). During her 10-year tenure, she oversaw refining operations in five continents and led a ground-breaking cooperative effort with the U.S. Environmental Protection Agency to shape an industry-wide framework for clean air improvements. Ms. Warner began her career as a chemical engineer at UOP, followed by several years in operational leadership roles at Amoco.

Mr. Shawn Severson
Founder and CEO
alphaDIRECT Advisors

Mr. Severson is the Founding Partner of alphaDIRECT Advisors (ADA), a division of EnergyTech Investor, LLC (ETI). He has over 20 years of experience as a senior research analyst covering the technology and cleantech industries. Prior to founding alphaDIRECT Advisors, he led the Energy, Environmental and Industrial Technologies practice at the Blueshirt Group. Mr. Severson was frequently ranked as a top research analyst including one of the Wall Street Journal's "Best on the Street" stock pickers and multiple awards as Starmine's top three stock pickers.

ABOUT RENEWABLE ENERGY GROUP, INC.

Renewable Energy Group, Inc. (NASDAQ: REGI) is a leading provider of cleaner, lower carbon intensity transportation fuels. We are an international producer of biomass-based diesel and are North America's largest producer of advanced biofuel. REG utilizes an integrated procurement, distribution, and logistics network to convert natural fats, oils and greases into lower carbon intensity products. With 14 active biorefineries, technology development capabilities and a diverse and growing intellectual property portfolio, REG is committed to being a long-term leader in transportation fuels.



Shawn Severson: Thank you, CJ, for taking the time to speak with us today. [The last time that we spoke with Renewable Energy Group we discussed the next generation biofuel platforms and your technology road map.](#) Today our focus will be on your role as the new Chief Executive Officer of Renewable Energy Group. Can you start by introducing yourself and give us some background?

Cynthia J. Warner: Sure, and thanks, Shawn. I should start by saying that I'm absolutely thrilled to be leading the team here at Renewable Energy Group. I am a lifelong "energy person". I've spent my career in operations, innovation and strategy all within the energy sector and I focused both on traditional petroleum-based fuel as well as renewable liquid transportation fuel for almost 40 years. Through doing that, I have developed a real passion for the energy field and industry. I love working through all the challenges, the technology and the innovation required to deliver what's needed from the energy industry, which is so significant to society.

Shawn Severson: Thanks, CJ. Can you walk us through your background and previous experience in the field specifically?

Cynthia J. Warner: Absolutely, Shawn. So, my experience in energy goes all the way back to when I was a summer intern at Amoco Research Center 40 years ago. Since that day, I never looked back because I really loved the industry. I've focused on both conventional and cutting-edge energy development and production and my career has taken me to work in over 30 different refineries in five different continents. I also led an energy startup, so it's been quite an adventure.

I have a background in chemical engineering with a degree from Vanderbilt University. Throughout my career I was really interested in delivering high quality and reliable energy, but I wanted to do it by making it cleaner and applying innovation to find more sustainable ways to deliver energy. This led me to actually leave the corner office role I had at BP in London at the time.

I was trying to bring more sustainable and cleaner technology to BP and we were making some good headway, but I learned about Sapphire Energy and decided to go and fully devote myself to developing a brand-new form of energy. At Sapphire in San Diego we were developing a source of crude oil from algae that was entirely sustainable and very, very low carbon.

More recently, I was working at Andeavor, which is the largest independent integrated refiner west of the Mississippi or, was before it merged with Marathon Petroleum recently. I was the Executive Vice President of Strategy when I first got there, helping them with sustainability and renewables among other things, and then ultimately became EVP of Operations.

Now I'm here at Renewable Energy Group, which is such a natural extension of my career. What I find here is great teamwork, a real passion for what we're doing, lots of innovation; and we're growing this low carbon, clean technology to deliver high quality, sustainable fuels that I talked about earlier - and doing it at scale.

Shawn Severson: I know it is very early in your tenure at REG, but coming from the outside perspective, what would you tell investors what you see are the key competitive advantages REG has in the industry and

especially relative to internal operations inside larger entities in the oil and gas industry?

Cynthia J. Warner: Well, Shawn, it starts with the people. First of all, I think at REG we really do have the best team in our space, and I think you probably know because you've been monitoring the company for a while. Most of my senior management team has been together for over ten years and some of them have really been the founders of the biodiesel industry. They have, as opposed to our oil and gas industry counterparts, really focused on biomass-based diesel and there is a real passion for it which is a very strong driver.

Of course, we also have technology and innovation. Some of the things that separate us include our multi-feedstock approach. REG can capture value on the front end from lower cost inputs. We take things that are otherwise waste products - for example, used cooking oil, distiller's corn oil, and animal fats and that helps us reduce our front-end costs. On the back end, we have the ability to deliver products with lower carbon intensity (CI) and we're able to capture value from that in the markets that reward lower CI.

We also have an outstanding track record of excellence in operations, consistent and reliable delivery of high-quality product that meets stringent quality specifications. All this in combination with reliable off-take of feedstock creates a preferred partnership relationship for us with our vendors and customers. As a relatively smaller company, the personal touch that we can apply along with that reputation for delivery, makes a truly competitive advantage and differentiates us.

Lastly, we have a real focus on growth and as an example, our expansion into renewable diesel at Geismar has been a big win, both because renewable diesel is an excellent addition to our product offering and through purchasing Geismar, we've been able to expand its capacity through small improvements adding up to be able to run well beyond the nameplate capacity.

One last thing, our scope and scale really makes a difference. We now have scope and scale to offer customers a full fuel solution. We're continuing efforts to grow and capture additional value with new end-user customer acquisition. This is possible due to our integrated supply chain. This gives us a really nice upside because we can optimize our feedstock slate as well as our product delivery.

Shawn Severson: In your significant experience in traditional energy, what is your broader view of how renewable fuels and chemicals fit into the overall value chain today as well as what you expect to change in the coming years?

Cynthia J. Warner: It all starts with growth. Our industry and our company have grown tremendously from 20 years ago where we essentially didn't exist. The U.S. biodiesel industry has grown from about 100 million gallons in 2005 to more than 2.6 billion gallons in 2017. REG has grown dramatically during that timeframe along with the industry.

As we look forward, society is demanding cleaner fuel solutions for the transport industry. REG, with its renewable diesel and biodiesel products and technology, is well positioned to benefit from that growing demand.

If you shift to infrastructure and think about how we fit into the overall value chain throughout the growth trajectory, our products are compatible with existing infrastructures, which enables a seamless transition as we're growing into cleaner, low carbon fuel solutions and this enables us to feather into what already exists, which is really economic and sustainable.

Speaking of infrastructure, at REG we've been working hard to move further downstream into the value chain so that we can be closer to our end customers. We have initiatives in place to increase terminal blending capacity as well as our fleet customers that we sell to directly. This is really going to help, especially with renewable diesel capacity, because we can significantly increase our ability to meet markets that are valuing these lower carbon fuels.

Finally, our growth will continue. We have a really nice push going on and there are lower carbon fuel markets like California, Oregon and the Nordic Countries that require significant volumes of cleaner energy solutions; and since we can work with the existing value chain that enables us to meet their demands, we can continue our growth trajectory.

Shawn Severson: Can you expand on that a bit as to what role you think the government and regulations should play and if you believe the industry should compete on economics alone?

Cynthia J. Warner: Well, Shawn, I have a deep belief that the ultimate goal for renewable energy has to be that it should be capable of competing on the basis of a combination of economics and preferred

quality, just like any other product needs to compete on the market today. But having said that, like many other new industries, public policy is critical in the early stages of product adoption. If you think about it, given the sheer size of the energy industry and the size of society's energy requirements, public policy is essential to enable newer technologies to develop to scale. It's just really hard for any new energy to compete against that size and that efficiency.

If you take federal policies like the Renewable Fuel Standard II and the Biodiesel Tax Credit, they've been instrumental in helping the industry to grow significantly and get us to where we are today. This is great because, in addition, many states have adopted policies to incentivize usage of our cleaner burning fuel. I really think federal, state and local policies are critical for our industry to continue to grow and they should continue to provide support for our industry for many years to come as we develop that scale, efficiency, and capability so we can compete on a stand-alone basis.

I just mentioned blender's tax credit - known as BTC - and it's probably worth talking about it because this is very current in our minds. I have to admit that we are disappointed that the BTC was not reinstated as part of the final spending package that was signed into law on February 15, 2019. We have champions in Washington from both parties that have been working hard on this and we believe they're working on near term legislative vehicles to get it done. Our industry is working hard to develop to meaningful scale, and many lawmakers realize that this is a true value-added incentive for American agriculture, for rural economies, and for energy security.

So, getting back to the thought process of competition and government regulation. I mentioned earlier that oil and gas have been around for a long time, which means that they had time to work on efficiencies and additions of scale. The fact that our products are drop-in does enable us to leverage much of the existing value chain infrastructure including diesel engine design and fuel distribution. This enables us to get a little bit closer to full competition, but we do need continued investment in the unique aspects of infrastructure that are required to make the cleaner, lower carbon fuel. This is where things like the BTC policies come into play, to help us make the investments so we can compete more toe to toe on scale.

There are trends out there of both climate policy and emission reduction strategies that are happening at federal and state level. It's happening from regulatory and legislative perspectives and the strategies are essentially rewarding a premium to cleaner and more sustainable fuel. These are qualities I think we can all agree are desirable and worth promoting.

Shawn Severson: Thank you, that was very helpful. Clearly I think investors see this as a growth industry and opportunity for a number of the reasons you mention. However, what would you say are your top priorities at REG to expand the company's specific growth opportunities?

Cynthia J. Warner: That's a great question. The first thing that's very important to me and to my board as a top priority is continuity. It's been fantastic to have Randy Howard as our interim CEO and his leadership helped to result in record production, sales and financial results through the third quarter of 2018. I have absolutely every intent of

continuing to foster that excellent trajectory. Randy's been transitioning back to the board and he's been very accessible to me, which I highly appreciate, and it helps me get up to speed quickly and to also assure that continuity, which is a top priority.

In addition, we're certainly focusing on continuing the balanced capital allocation approach. This includes continuing to focus on shareholder returns. We have been authorized for another \$75 million stock repurchase program, approved by the board in January. We will also continue to grow biodiesel production and we're looking at high ROI investment as well as applying innovation every day to expand the value we create from our existing assets. We've been able to consistently get more and more volume out of our existing kit, which is tremendous. We'll continue to look at renewable diesel expansion investment, including possibilities to expand Geismar. As I mentioned earlier, we're getting more throughput there through innovation every day and we're looking at selected capital investments to build this even further. [We also have our potential joint venture with Phillips 66 that was announced in November of last year.](#)

Overall, I can't stress enough what a fantastic platform for growth REG has created. We have a nice, strong system that's scaling and we're integrating amongst our assets, which helps us extract maximum value from our feed stocks and our conversion capabilities. At the same time, we have a world that is growing in its recognition of cleaner, renewable fuels and that's the great thing about biomass-based diesel. We have the ability to expand today and we'll continue to improve over time. It isn't something that's in

the lab or 20 years away that we are waiting on for a lot of infrastructure to get built.

Shawn Severson: You mentioned the technology and innovation a number of times in talking about growth opportunities. Along those lines, what is your view on next gen biofuels, and how important should R&D and advanced technology roadmap be to REG's growth prospects?

Cynthia J. Warner: Well, with our history as a company it's definitely in our DNA to innovate; both research and development. We have production teams and technical teams that are working on what I call both "small I," which is innovating every day, and "big I," which we keep pushing toward to develop new products as well as find new feed stocks that we can convert into both highly valuable fuel and lower carbon intensity products.

A good example from a new product standpoint is our REG Ultra-Clean Diesel. It's a patent pending fuel that's made of a proprietary blend of both renewable diesel and biodiesel, and it's among the lowest emission diesel fuels on the market today. REG's Ultra-Clean Diesel is California Air Resources or CARB approved for year-round use throughout California under the Alternative Diesel Fuel Regulation. If you compare REG Ultra-Clean Diesel to CARB diesel, the fantastic thing is that it reduces total hydrocarbons and carbon monoxide emissions by over 15%, particulate matter emissions by over 40%, and it even emits less NOX, or nitrogen oxide. This fuel offers even

greater emissions reduction than what I just quoted if you compare it to conventional diesel. So, with that being said, we are really proud of this achievement. It makes a big difference and we're working on developing a strong customer base for this product.

Also, as the call for emissions reduction solutions in transportation fuel, specifically the diesel fuel, continues to grow, REG and the industry will continue to answer that call.

Shawn Severson: Well, thank you very much, CJ, that was very helpful and I believe you provided investors with a better idea of yourself, your background and the strategy you have in mind for REG in the future. We look forward to our next conversation with you again soon.

Cynthia J. Warner: Me as well, Shawn. It was great to meet you.

SHAWN SEVERSON FOUNDING PARTNER

Mr. Severson founded *alphaDIRECT* Advisors (ADA), a division of EnergyTech Investor, LLC in 2016 after seeing a significant communication and information gap developing between small and micro-cap companies and the financial community. Mr. Severson has over 20 years of experience as a senior research analyst covering the technology and cleantech industries. Previously, he was Managing Director at the Blueshirt Group where he was the head of the Energy, Environmental and Industrial Technologies practice. Prior to the Blueshirt Group, Mr. Severson was at JMP Securities where he was a Senior Equity Research Analyst and Managing Director of the firm's Energy, Environmental & Industrial Technologies research team. Before joining JMP, he held senior positions at ThinkEquity, Robert W. Baird (London) and Raymond James. He began his career as an Equity Research Associate at Kemper Securities. He was frequently ranked as a top research analyst including one of the Wall Street Journal's "Best on the Street" stock pickers and multiple awards as Starmine's top three stock pickers.



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