

CONFIDENTIAL: HEDGE FUND SHORT INITIATION NOTICE

Ticker: OKLO (Oklo Inc.)

Sector: Nuclear / Energy Innovation

Date: June 12, 2025

Status: Initiating SHORT Position

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Executive Summary:

We are initiating a short position in Oklo Inc. (OKLO) based on the widening disconnect between speculative market enthusiasm and the company's underlying fundamentals. Despite recent momentum from a prospective military microreactor deal, OKLO remains a pre-revenue, regulatory-constrained, capital-intensive business trading at an unsustainable valuation. We believe current market pricing reflects optimism, not fundamentals, and anticipate a sharp correction as reality sets in.

Short Thesis Highlights:

1. Zero Revenue, Long-Dated Commercialization Timeline

- Oklo has no commercial product or revenue to date. Its flagship product, the Aurora compact reactor, won't deliver meaningful revenue until at least 2029/2030 under optimistic scenarios.
- No nuclear reactor has ever moved from concept to operational in under 57 years, especially for novel, compact fission technologies.

2. Regulatory Risk and Historical Setbacks

- In 2022, the U.S. NRC rejected Oklo's initial license application for insufficient technical detail. While reapplication efforts are underway, the regulatory process remains opaque, politicized, and slow.
- Oklo faces additional risk from competing designs (e.g., Ultra Safe Nuclear) protesting licensing pathways.

3. Valuation Disconnect

- The stock has rallied over 450% YTD, driven by retail and thematic ESG flows, reaching a peak implied valuation of ~\$9.3 billion.
- Based on a fundamental DCF with generous assumptions, intrinsic value is closer to \$400 million, or < \$5.00/share, implying >60% downside.

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4. Financing & Dilution Risk

- Oklo launched a \$400M secondary offering (June 2025), diluting shareholders and signaling future equity dependence.
- This capital is earmarked for years of CapEx, licensing, and R&D none of which guarantees commercial viability.

5. SPAC Overhang & Insider Liquidity Events

- OKLO merged via SPAC (AltC Acquisition), and over 5M shares are eligible to unlock in June 2025.
- Early investors and PIPE participants are incentivized to exit after the recent run-up, creating supply-side pressure.

Recent Catalysts Creating Overreaction:

- DoD Alaska Microreactor Proposal (June 2025): A non-binding notice of intent to explore a reactor build-out at Eielson Air Force Base. While positive symbolically, this does not represent a signed contract or guaranteed revenue.
- Analyst Upgrades (Wedbush \$75 PT, Seaport \$71 PT): Based primarily on thematic potential, not discounted cash flow or project pipeline visibility.
- Public Offering Launched: ~\$400M in equity sales announced minimal near-term dilution effect, but confirms the capital-intensive nature of the business.

Key Short Catalysts (Q3Q4 2025):

- Lock-up expiration (5M shares) Insider selling pressure
- Licensing delays or procedural denial Timeline pushed 23 years
- No firm offtake or military PPA signed Weakens revenue narrative
- Equity overhang from \$400M raise Valuation reset / shareholder dilution
- Sentiment shift away from pre-revenue ESG bets Sector-wide derating

Risk Management / Hedge Strategy:

- Tactical Stop: \$80/share (in case of further speculative spike)
- Short Target: \$15-\$18 initial level; fundamental floor: ~\$5
- Options Overlay: Consider Jan 2026 puts (strike \$25 or \$15) or put spreads to manage skew

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Conclusion:

Oklo Inc. (OKLO) has become a poster child for speculative energy innovation hype a strong story backed by weak fundamentals. We believe the current price embeds future success with no margin of error for the substantial regulatory, engineering, and financing risks that remain.

We are initiating a short position immediately, with the expectation that valuation, sentiment, and regulatory friction will converge to produce a high-conviction correction in 2H 2025.

Disclosures:

Positions held short as of publication. Not investment advice. For institutional use only.