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Aemetis, Inc. (AMTX): No Legs To Stand On

We wrote our initial report on Aemetis, Inc. (“AMTX”, “the Company”) on July 29, 2021. We stated at the outset that “we believe management has promoted a string of pipe dream projections...” and since that time, we believe Aemetis has blatantly misrepresented its progress in both the Dairy RNG and Sustainable Aviation Fuel (“SAF”) operations in service of its continued stock promotion.

First, despite having previously claimed that its next batch of 5 dairy digesters would be constructed from February to October 2021, our October 2021 visits to the dairies suggest that Aemetis still has yet to fully-install a single digester in over a year. In its Q3 2021 press release, Aemetis cheekily touts “milestones” including “receiving a permit” and “selecting the contractor” for the pipeline, yet we think these operational boxes ought to have been checked ages ago in order to meet claims of 2022 completion.

Second, Aemetis now claims per its October 2021 presentation that construction is underway on the intended Riverbank SAF production facility. However, our visit to the facility found no visible signs of construction. We further inquired with the City of Riverbank regarding a timeline for permits and construction, and were told that there is “nothing” to report “as the Army Corp has yet to approve the Master Development Agreement.” City officials further told us that: “When the site becomes City property (1-2 years from now?), a portion may be sold to Aemetis and at that time, the City will accept and process development applications from them.”

To us, Aemetis’ on-the-ground realities of these projects fall well short of the Company’s “Five-Year Plan” unveiled in March 2021. We think these hockey stick-like projections were a total farce and will be abandoned.

While Aemetis touts an SAF offtake agreement with Delta Airlines beginning in 2024, we think the Company’s calls to 2024 production are once again a pipe dream. Moreover, while Aemetis touts a headline figure of 25 mgy, the 8-K discloses that only 10 mgy will be SAF produced by Aemetis, with the remaining 15 mgy to be traditional jet fuel. Finally, Aemetis fails to disclose the allocation of carbon credits in the deal, yet our conversations with former Delta SAF personnel, as well as past agreements, suggest that Delta would take any resulting carbon credits.

Our initial report also highlighted that Aemetis claimed a 20% investment in Nevo Motors, which claimed to launch an electric truck in March 2021. However, neither Nevo nor Aemetis have provided any updates since that time. We continue to believe Nevo was merely a stock promotion prop for Aemetis as it continues to tap the capital markets for funding.

We find this repeated goalpost-shifting obliterates the credibility of Aemetis management. In Q3 2021, Aemetis produced negative gross margins, net losses of \$17.6 million, and now holds just \$6.4 million of cash. The Company’s SAF plans alone now call for capital expenditures of \$367 million in 2022 and 2023, just to get off the ground. We don’t think they ever will.

We Visited AMTX's Dairy Partners Again, And Found No Apparent Progress

Our recent visits to Aemetis' supposed Dairy RNG operations confirmed that Company management has promoted blatantly nonsensical timelines to both investors and regulators. As we previously highlighted, in March 2021, Aemetis communicated to the state of California that 5 of the digesters would be constructed by October:

Dairy	Construction Timeline
S&S Dairy	February 1, 2021 – October 8, 2021
Trinkler Dairy	February 1, 2021 – October 8, 2021
Albert Mendes Dairy	February 1, 2021 – October 8, 2021
K&R Blount Dairy	February 1, 2021 – October 8, 2021
Ahlem Farms Jerseys	February 1, 2021 – October 8, 2021
Alamo Dairy Farms #1	April 1, 2021 – December 8, 2021
Dairy Central	June 1, 2021 – February 7, 2022
Martins Brothers Dairy	June 1, 2021 – February 7, 2022
Borba Dairy Farms	June 1, 2021 – February 7, 2022
AJ Borba Dairy	June 1, 2021 – February 7, 2022
Bar Vee Dairy Inc.	June 1, 2021 – February 7, 2022
Wickstrom Jersey Farms	October 1, 2021 – June 9, 2022
Hilmar Holsteins	October 1, 2021 – June 9, 2022
Oliveira Dairy	October 1, 2021 – June 9, 2022
Alamo Dairy Farms #2	October 1, 2021 – June 9, 2022

However, our most recent October 2021 visits to 4 of these Aemetis partner dairies once again showed each lagoon remained uncovered, with no visible signs of construction:

S&S Dairy



Trinkler Dairy



Albert Mendes Dairy



K&R Blount Dairy



This abject lack of tangible progress runs in stark contrast to Aemetis management's multiple reassurances. For example, on the Q1 2021 call, CFO Andy Foster stated that:

"This 17-dairy project is scheduled to generate more than \$40 million per year of operating cash flow under 25-year dairy supply contracts when it is **fully operational in mid-2022.**"

For his part, Chairman Eric McAfee then provided false reassurances to investors that:

"...we're really just at a financing execution phase at this point in time. The project milestones, I believe are well under control. And **we're right on track** on those items."

One quarter later, and we think these lagoons weren't the only things full of shit. McAfee claimed coyly that "the first half of 2021 has been extremely productive for advancing the construction of the Aemetis dairy renewable natural gas project". However, McAfee declined to substantiate what he meant by this, as Aemetis did not disclose if any digesters had been fully constructed since the initial 2 completed over a year ago in September 2020. **Our visits suggest that number remains zero.** Instead, when push came to shove, CFO Andy Foster walked back earlier reassurances that the full project would be completed by mid-2022:

"Yes, Manav, in my remarks **I said that they thought we would be getting the next five dairies on by the end of by Q2 of next year, not the entire 15.** So, we'll begin construction on the next five within – I'm going to guess within the next 30 to 45 days depending on our permitting status, if we can get the subsequent five after that done, we'll begin them at the end of this year or the beginning of next year. And then we'll sequentially go from there. So, I think **the goal is to have everything completed by the end of 2022 not by the middle of 2022.**"

Aemetis' Q3 press release this morning shows that another quarter has brought another set of all but meaningless pronouncements of "progress". Management claimed to be "pleased with the milestones accomplished", but these milestones it names are rudimentary operational precursors to construction such as "receiving a permit" and "selecting the contractor".

We Think Aemetis Blatantly Misrepresents Its Riverbank Construction Progress

We think that Aemetis' October 2021 claims that "construction is underway" on its would-be SAF plant are yet another empty reassurance:

Segment Summary

Dairy RNG	Renewable Jet / Diesel	California Ethanol	India Biodiesel	Carbon Capture
<ul style="list-style-type: none"> Operates biomethane digesters at dairy farms connected by pipeline to a gas cleanup and compression facility at existing ethanol plant to produce ~426 CI RNG 	<ul style="list-style-type: none"> Construction underway on a renewable Jet / Diesel refinery with an initial production capacity of 45 mgy Plans to expand production capacity to 90 mgy by 2025 	<ul style="list-style-type: none"> Located in Keyes, CA with a capacity of 65 mgy of low carbon fuel, ~2mm pounds / day of animal feed to ~120,000 dairy cows at ~80 dairies in the Central Valley, CA 	<ul style="list-style-type: none"> Own and operate an integrated fuels and chemical production facility in Kakinada, India with nameplate capacity of ~50 mgy Plans to expand capacity to 100 mgy by 2024 	<ul style="list-style-type: none"> Capture, dehydrate, compress and sequester CO₂ from Aemetis and third-party suppliers

(1) As of October 20, 2021.
(2) As of Q2 2021.

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We visited the site in late October 2021 and witnessed zero substantive signs of construction. Photographs from our visit are below:



Aemetis' construction plans are subject to actually having the rights to build such a facility, which are themselves tied up in local government and Army Corps agreements, not to mention the requisite permits, which can take years to obtain.

To that end, we again found evidence that McAfee speaks out of both sides of his mouth regarding timelines. In [late August meetings](#), the City of Riverbank approved a Development Agreement with Aemetis for specific parcels of the Complex. A local outlet [reported that](#) after the vote was approved, Aemetis CEO McAfee was quoted as stating, "**Construction could start on the plant next year and finish by early 2024.**" This call to an "early 2024" completion date comes on the back of Aemetis issuing projections to investors which called for the Jet Fuel segment to generate revenues of **\$110.1 million and \$29.6 million in EBITDA in 2023:**

Projected Consolidated Revenues, Net Income and EBITDA Summary ¹					
Revenues (millions)	2021	2022	2023	2024	2025
California Ethanol	\$175.0	\$178.9	\$185.6	\$193.8	\$201.0
India Biodiesel	52.1	95.6	115.8	182.5	225.0
Dairy RNG	8.9	55.2	95.8	134.8	175.5
Jet/Diesel with Below Zero CI Hydrogen	2.6	3.5	110.1	272.3	467.1
Corporate	-	-	-	-	-
Total Revenues	\$238.6	\$333.2	\$507.4	\$783.3	\$1,068.6
Net Income (millions)	2021	2022	2023	2024	2025
California Ethanol	\$(21.7)	\$(13.1)	\$(4.6)	\$8.0	\$16.4
India Biodiesel	3.8	4.5	4.1	9.3	20.7
Dairy RNG	(10.1)	24.3	52.1	78.2	135.5
Jet/Diesel with Below Zero CI Hydrogen	(0.6)	(0.5)	5.3	21.4	63.4
Corporate	(11.7)	(12.8)	(14.1)	(14.4)	(16.3)
Total Net Income	(\$40.2)	\$2.5	\$42.9	\$102.4	\$219.8
Adjusted EBITDA (millions)	2021	2022	2023	2024	2025
California Ethanol	\$6.4	\$12.8	\$18.8	\$24.3	\$30.0
India Biodiesel	4.1	8.3	10.3	17.2	31.6
Dairy RNG	4.1	43.1	75.6	107.6	141.4
Jet/Diesel with Below Zero CI Hydrogen	(0.5)	(0.5)	29.6	77.1	136.5
Corporate	(6.1)	(8.2)	(10.3)	(12.4)	(14.2)
Total Adjusted EBITDA	\$8.0	\$55.5	\$124.0	\$213.7	\$325.3

We inquired with the City of Riverbank as to the Company's progress towards acquiring permits and beginning construction. As of late October emails, the City of Riverbank explained to us that the City will accept and process development applications from Aemetis only after the site has become city property, or 1 to 2 years from now:

Donna M. Kenney
to me ▾

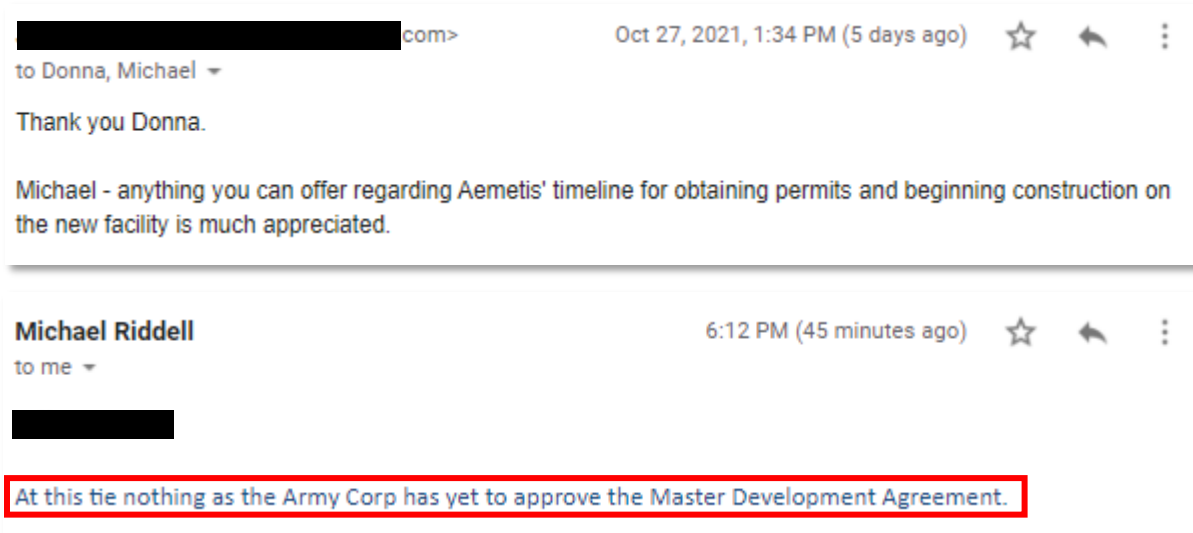
Mon, Oct 25, 6:28 PM (15 hours ago) ☆ ↶ ⋮

Hello [REDACTED]

The City of Riverbank does not and has not processed any permits for the Riverbank Industrial Center (RIC) since the property still belongs to the Federal Government. You are correct that Aemetis would like to redevelop the site into a biofuel plant to recycle almond and walnut tree branches, wooden pallets, etc. When the site becomes City property (1-2 years from now?), a portion may be sold to Aemetis and at that time, the City will accept and process development applications from them. Donna

Donna M. Kenney, AICP MCRP
(she, her, hers)
Planning and Building Manager
City of Riverbank, California
[REDACTED]
www.riverbank.org

These statements fly in the face of Aemetis' current claims that construction is underway at the facility. Another representative confirmed to us that there is “nothing” to report regarding permits and construction until the Master Development Agreement is approved:



On-Ground Diligence Suggests to us Delta Agreement Fails to Launch

We believe Aemetis has blatantly misrepresented the progress of its Riverbank plant to investors, and thus its calls to produce SAF for Delta Airlines in 2024 are similarly unreliable. We also find that while Aemetis touts a headline figure of 25 mgy, the Form 8-K discloses that – even if everything goes to plan – the Company will produce just 10 mgy of SAF:

“Delta will sell to Aemetis Riverbank 15 million gallons of Petroleum Jet Fuel per year, which Aemetis Riverbank will blend with 10 million gallons of SAF to create the Product. The Product will then be sold by Aemetis Riverbank and delivered to Delta at a price reflecting the SAF premium...”

We also find that Aemetis has not disclosed the allocation of the carbon credits associated with the deal, stating only that: “The parties will allocate the aviation specific emissions credits generated in connection with the SAF, subject to certain conditions.” However, we interviewed a former Delta representative with knowledge of Delta’s historical SAF agreement structures, who suggested to us that Aemetis would have effectively forfeited the credits. This view is corroborated by comments from Gevo, who also sacrificed their credits, as [confirmed in interviews](#). We think Aemetis avoids this discussion to continue promoting itself as an ESG darling and beneficiary of potential blenders tax credits.

Zero Updates from Nevo Motors Since March 2021 Truck “Launch”

In our initial report, we also expressed our view that Nevo was effectively McAfee-tied vaporware, as the entity was co-headquartered with Aemetis, and despite claiming to have “launched” a truck, provided merely a photoshopped sketch of a Freightliner as proof of such. In the 8 months since, Nevo has still failed to provide any further evidence that this truck even exists, and indeed the only two press releases on its [website](#) remain the two

pertaining to its agreement with Aemetis and the supposed truck launch. We continue to believe Nevo was merely a stock promotion prop for Aemetis as it continues to tap the capital markets for funding.

Aemetis Needs Significantly More Cash to Get Off the Ground

We think Aemetis' inability to generate substantive progress has left the balance sheet in dire straits. In Aemetis' October 2021 presentation, the Company disclosed that through 2023, the Company plans to spend \$376 million in capital expenditures in its SAF segment alone. However, as of Q3 2021, Aemetis now holds just \$6.4 million in cash on the balance sheet. As such, we see Aemetis as in the position of needing to raise substantial sums of cash over the next two years. On July 30, Aemetis [filed a mixed shelf offering](#) to sell up to \$300 million in securities, and we think the Company will utilize that shelf in short order.