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Transcript of Aemetis Inc
Second Quarter 2019 Earnings Review Conference Call
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Participants
Todd Waltz – Executive Vice President and Chief Financial Officer
Eric McAfee – Founder, Chairman and Chief Executive Officer

Analysts
Ed Woo – Ascendiant Capital
James Stone – Investor

Presentation

Operator
Welcome to the Aemetis Second Quarter 2019 Earnings Review Conference Call. At this time, all participants are in listen-only mode. A brief question-and-answer session will follow the formal presentation. As a reminder, this conference is being recorded.

It is now my pleasure to introduce your host, Mr. Todd Waltz, Executive Vice President and Chief Financial Officer of Aemetis, Inc. Mr. Waltz, you may begin.

Todd Waltz – Executive Vice President and Chief Financial Officer
Thank you, Christie [ph]. Welcome to the Aemetis Second Quarter 2019 Earnings Review Conference Call. We suggest visiting our website at Aemetis.com to review today's earnings press release, updated corporate presentation, filing with the Securities and Exchange Commission, recent press releases and previous earnings conference calls. This presentation is available for review or download on the Aemetis.com homepage.

Before we begin our discussion today I'd like to read the following disclaimer statement. During today's call we'll be making forward-looking statements including, without limitation, statements with respect to our future stock performance, plans, opportunities and expectations with respect to financing activities and the execution of our business plan. These statements must be considered in conjunction with the disclosure and cautionary warnings that appear in our SEC filings. Investors are cautioned that all forward-looking statements made on this call involve risks and uncertainties and that future events may differ materially from the statements made. For additional information, please refer to the company's Securities and Exchange Commission filings which are posted on our website and are available from the company without charge.

Our discussion on this call will include a review of non-GAAP measures as a supplement to financial results based on GAAP. A reconciliation of the non-GAAP measures to the most directly comparable GAAP measures is included in our earnings release for the quarter ended June 30, 2019 which is available on our website. Adjusted EBITDA is defined as net income or loss plus to the extent deducted in calculating such net income, interest expense, loss on extinguishment, income tax expense, intangible and other amortization expense, accretion expense, depreciation expense, loss contingency on litigation and share based compensation expense.

Now, I'd like to review the financial results for the second quarter of 2019. Revenues were $50.6 million for the second quarter of 2019 compared to $45 million for the second quarter of 2018 driven by a 203% increase in biodiesel sales volume from 4,300 [ph] metric tons to 13,000 metric tons. In addition, quarter-over-quarter volume per biodiesel grew by 7,800 [ph] metric tons or 145% from 5,200 [ph] metric tons during the first quarter of 2019 to 13[000] metric tons for the second quarter of 2019.

Revenues from the India segment were $11.1 million and accounted for 22% of total revenue. North America segment revenue remained steady between the two quarters. Gross profit for the second quarter of 2019 rose to $3.3 million compared to a gross profit of $2.8 million during the second quarter of 2018. India's segment accounted for $2.3 million of the reported consolidated gross profits.

Selling, general and administrative expenses were $3.9 million during the second quarter of 2019 compared to $3.6 million during the second quarter of 2018. Operating loss was $0.8 million for the second quarter of 2019, a reduction from the operating loss of $0.9 million for the second quarter of 2018.

Interest expense during the second quarter of 2019 excluding accretion in connection with Series A [ph] preferred units in the Aemetis Biogas, LLC subsidiary was $6.6 million compared to $5.4 million during the second quarter of 2018. The Aemetis Biogas, LLC subsidiary recognized $471,000 of accretion in connection with the preferred payment on its preferred stock.

Net loss was $13.9 million for the second quarter 2019 compared to a net loss of $6.2 million for the second quarter of 2018 due to higher interest expense and a $6.2 million one-time charge for lost contingency on litigation. Cash at the end of the second quarter 2019 was $0.4 million compared to $1.2 million at the end of [the second quarter] 2018.

During the first half of 2019, revenues were $92.5 million, an increase of $4.5 million compared to $88 million for the first half of 2018. This increase in revenue was driven by strong demand for biodiesel in India during the second quarter of 2019 as a result of supplying the India oil marketing companies as well as domestic retail, mining and bulk customers with biodiesel product. North America segment revenue remained steady between the two periods.

Selling, general and administrative expenses were $8.2 million during the first half of 2019 compared to $7.4 million during the first half of 2018. Operating loss increased to $5.4 million for the first half of 2019 compared to an operating loss of $2.9 million for the first half of 2018. Interest expense, including accretion in connection with the preference payments on Series A preferred units in the Aemetis Biogas, LLC subsidiary, decreased to $12.8 million during the first half of 2019 compared to interest expense of $14.4 million during the first half of 2018. The Aemetis Biogas, LLC subsidiary recognized $920,000 of accretion in connection with preference payments on its preferred stock. Net loss was $24.6 million for the first half of 2019 compared to a net loss of $17.3 million during the first half of 2018 due to a $6.2 million one-time charge for lost contingency on litigation. That concludes our financial review.

Now I'd like to introduce the Founder, Chairman and Chief Executive Officer of Aemetis, Inc., Eric McAfee for a business update. Eric?

Eric McAfee – Founder, Chairman and Chief Executive Officer
Thank you, Todd. For those of you who may be new to our company, let me take a moment to provide some brief background information. Aemetis was founded in 2006 and we own and operate production facilities with more than 110 million gallons per year of renewable fuel capacity in the US and India. Included in our production

portfolio is a 60-million gallon per year capacity ethanol, distillers grain and corn oil plant located in Keyes, California near Modesto.

We also built, own and operate a 50-million gallon per year capacity distilled biodiesel and refined glycerin biorefinery on the East Coast of India near the port city of Kakinada. Last year we signed $30 million of funding and launched a renewable natural gas project to build biogas digesters at about a dozen local dairies, construct a pipeline connecting the digesters to our Keyes ethanol plant and install gas conditioning to produce carbon negative renewable natural gas to displace [ph] diesel in trucks.

Earlier this year we signed term sheets for funding a $175 million advanced ethanol production facility in California to convert waste orchard wood and other waste biomass into about 12 million gallons of cellulosic ethanol per year. The combination of these growth and cost reduction initiatives are expected to increase our revenue run rate to more than $350 million per year and annual cash flow to more than $100 million per year. This projected growth in revenues reflects certain planned and completed upgrades of our existing plants and planned completion of new dairy renewable natural gas and cellulosic ethanol production facilities.

With the consistent support of California regulators and continued strong California low carbon fuel standard credit prices, Aemetis made positive progress in each of our four core businesses during the second quarter of 2019. Let’s first review our biodiesel business in India.

During the past few years India developed a tax regulatory and procurement structure for blending biofuels. These policies are now being implemented to support the growth of the biodiesel industry. The total diesel market in India is approximately 25 billion gallons per year of which less than 250 million gallons per year of biodiesel or about 1% is currently blended with diesel. The 2018 National Biofuels Policy in India stated a plan to increase biodiesel blending to 5% of the diesel market equal to more than 1.2 billion gallons per year. Additionally, the diesel fuel market in India has been growing at a rate of more than 5% per year.

After two years of investment and construction, we completed the upgrade of our India plant in early 2019 including installation of a pretreatment unit to process lower cost and waste feed stock into oil, expansion of boiler and other utility capacities and implementation of environmental systems to enable full production of 50 million gallons per year of biodiesel and bio oil while simultaneously operating the biodiesel pretreatment and glycerin refining units. The plant is now fully operational using new feedstock pretreatment unit, the new boiler unit and other upgrades that enable expanded plant operations toward full plant capacity.

On May 6th we announced that our Universal Biofuels India subsidiary was awarded a $23 million biodiesel supply contract with the three India government-owned oil marketing companies in a public tender process. Biodiesel shipments to the oil marketing companies began in May and have quickly grown to comprise about 60% of monthly revenues at the India plant. We are particularly pleased with this arrangement because these three oil marketing companies supply about 70% of the diesel fuel consumed in India and as a group represent the largest single potential biodiesel customer in the country.

During the second quarter we made excellent headway in ramping up production in revenues by supplying biodiesel to the oil marketing companies while also adding customers in mining, construction heavy equipment, truck fleets, retail stations and other government sectors. We achieved the upgrades and revenue ramp up at the India plant without incurring any third-party long-term debt at the India subsidiary or any ownership dilution to our shareholders.

Aemetis effectively owns 100% of the India subsidiary and as a result may use the cash created from earnings to repay Aemetis senior debt and provide development funding for our other projects. At about $3 of revenues per gallon of biodiesel, the upgraded India plant can generate more than $150 million of annual revenues by running at full capacity.

Our biodiesel revenue ramp during 2019 was balanced between the $23 million of oil marketing company supply agreements and selling distilled biodiesel to private industry and non-OMC customers. Additional oil marketing company purchased across [ph] for biodiesel have now been issued for time periods extending into year 2020. We expect to continue to participate as a key supplier under these biodiesel contracts.

This late fall and winter we expect our primary constraint on biodiesel revenues growth in India to be the seasonal colder weather from heavy rain or lower winter temperatures that limits the use of biodiesel in India without special fuel additives or blending facilities. We anticipated the seasonality and are working on solutions which may include the installation of heated storage tanks at distribution locations. Once the existing production capacity becomes fully committed to supplying the expanding biodiesel markets, the India plant has the footprint to expand its capacity to 100 million gallons to meet increasing biodiesel demand in India.

In addition to the significant progress in India, our three businesses in the US have achieved major milestones towards sustained profitability. Let's review our California traditional ethanol business. Similar to our strategy in India where we added a technology to allow the use of a lower cost waste feedstock to produce biodiesel, we have been upgrading our Keyes, California ethanol plant to lower input costs, reduce the carbon intensity of our biofuel and significantly increase the value of the ethanol we supply to customers including Chevron, Valero, Shell, Flyers and other gasoline suppliers in the 1.5 billion gallon California ethanol market.

In May of this year the Keyes plant successfully reduced carbon emissions under the California low carbon fuel standard by about three carbon and intensity points. The credits were effective as of January 1, 2019 and generated about $250,000 per month of additional value from our corn ethanol sales without an increase in operating costs.

The second upgrade to the Keyes plant is a CO2 capture and reuse project. After three years of project development, construction began this month on a project by Linde Gas to build a CO2 liquification plant on five acres owned by Aemetis adjacent to the Keyes plant. Once complete, the CO2 plant will convert the 175,000 tons per year of renewable CO2 produced by our ethanol plant into liquid CO2 for sale to local food processors, beverage producers and other users.

The CO2 plant is scheduled for completion by the end of 2019 and is expected to qualify for a carbon capture and reuse tax credit of $35 per ton for more than 175,000 tons of CO2 per year. That is worth more than $6 million in tax credits. In addition to more than $1 million per year of increased cash flow from CO2 sales and the land lease for the CO2 plant, we are working on an arrangement to monetize the tax credits with a financial partner.

The third upgrade to the Keyes plant is a design and construction of a $7 million membrane dehydration system financed by Mitsubishi Chemical as a strategic implementation of their ZEBREX Technology for the first time at a corn ethanol plant. The Mitsubishi unit is scheduled for completion in Q1 2020 and commissioning in Q2 2020. The ethanol dehydration unit is designed to reduce natural gas usage and decrease the carbon intensity of our ethanol generating an estimated $3 million per year of increased cash flow. Additional projects at the Keyes plant are targeted to further reduce natural gas usage and costs and increase the number of low carbon fuel standard credits.

Next, let's discuss our advanced low carbon renewable fuel strategy. With the extension of the low carbon fuel standard in California to year 2030 and the resulting increase on the price of California low carbon fuel standard credits from $62 in mid-2017 to more than $195 per credit, we plan to produce valuable below zero carbon renewable fuels through the use of patented and proprietary technologies to convert waste wood and other cellulosic feed stocks into biofuels. Our below zero carbon projects were developed to capture the most profitable opportunities in the renewable fuels industry by maximizing the California low carbon fuel standard and the federal renewable fuel standard values.

The California LCFS rewards the reduction of carbon content in renewable fuels. We believe that some of the highest value of LCFS biofuel projects are from renewable natural gas generated by dairy biogas that would otherwise be released into the atmosphere as methane and cellulosic ethanol produced from orchard wood that would otherwise be burned or convert into methane. The federal D3 RIN price was set by Congress to provide investors with about $3.50 per gallon of value. However, D3 RINs are only generated by cellulosic ethanol and renewable natural gas and not by other biofuels such as corn ethanol which generate other types of RINs. D3 RINs are the only carbon credit that has a waiver price set by Congress.

Observing the high price available to D3 RIN and LCFS generation, Aemetis is building two advanced biofuels businesses comprised of the Aemetis Biogas business to build California diary renewable natural gas production and pipeline collection projects, and the Aemetis waste wood ethanol business to convert California waste orchard wood from about 1.5 million acres of almond and walnut orchards into cellulosic ethanol with about 1,200 dairies and more than 1.6 million tons per year of waste orchard wood within 150 miles of the Aemetis plant in California.

Upon the successful completion and operation of these projects as well as the continuation of a favorable regulatory environment, Aemetis can grow to more than $1 billion of annual revenues and more than $500 million of annual cash flow by converting waste dairy biogas and waste orchard wood in the central valley California into valuable low carbon renewable fuels.

Let's briefly review our Aemetis Biogas dairy digester and pipeline project. Methane, commonly known as natural gas, is a potent greenhouse gas that is up to 34 more times more powerful than carbon dioxide at capturing earth's heat. About 25% of California's methane emissions are from the waste ponds on dairy farms. To reduce damaging methane emissions, in late 2016 California passed the law known as Senate Bill 1383 that mandates the captured biogas from dairies. Biomethane source from dairies can be used to replace gasoline or diesel fuel in trucks and buses to significantly reduce carbon emissions in air pollution.

Along with the mandate, California has funded about $75 million of annual matching grants to dairies to build biogas digesters and related systems. After more than a year of project development and financing work, earlier this year we announced a fully financed $30 million project and an award from the California Department of Food and Agriculture of two matching grants for a total of $3 million to build a dairy biogas project. We believe that capturing biogas from diaries and turning it into renewable natural gas to generate negative carbon intensity biofuels is an excellent way to reduce climate change and create value for diaries and lower costs for diesel truck fleets.

Based on our existing animal feed supply relationships with about 100 diaries and the ability to use biogas in our plant until utility pipeline approvals are obtained and pipeline injection is completed, we believe that Aemetis is uniquely positioned as one of only three ethanol companies in California who can use existing infrastructure in this manner. Construction of the first two dairy digesters and related pipeline system is expected to be completed this year followed by the completion of the remaining digesters and systems in the first phase during year 2020.

We expect the Aemetis biogas business to scale up to generating more than $2 per share of recurring annual positive cash flow after completing the expanded planned project of about three dozen dairies and redeeming the preferred stock issued to finance this project.

Let's finish with an update on our below zero carbon cellulosic ethanol project in Riverbank, California. We were pleased to announce this past summer that the Aemetis advanced biorefinery under development in Riverbank, California near Modesto was named as the number 1 waste-to-value project in the world by *Biofuels Digest*, the world's largest daily biofuels publisher. The Aemetis project earned its number 1 ranking as a result of our fixed price, low cost almond and walnut wood waste contract for 20 years with a cost of about $20 per ton for the first half of the contract period. Planned production of high value cellulosic ethanol worth more than $5 per gallon including valuable fishmeal and other bi-products and our use of the patented LanzaTech gas microbe ethanol production technology.

The LanzaTech technology is now in full commercial operation at a plant that opened last year in Northern China that converts waste gases from a steel mill to produce ethanol. This year we announced three significant financings related to the Riverbank project; a $5 million California Energy Commission grant to fund engineering and equipment, a $12.5 million tax waiver that offsets equity funding required for the project in the State of California and the signing of a $125 million USDA conditional commitment letter for our 20-year debt financing under the 9003 Biorefinery Program.

We are focused on completing engineering of the plant required for negotiation of the EPC contract that will include a bonded maximum construction cost as required by the USDA conditional commitment letter. The Riverbank cellulosic ethanol plant is expected to generate more than $80 million of revenue and more than $50 million per year of positive cash flow by producing cellulosic ethanol from low cost waste orchard vineyard forest and construction demolition wood as feedstock. The financial closing to begin construction of the Riverbank plant is expected in late Q4 2019 or early 2020, primarily depending on the engineering required for the signing of the construction contract.

In summary, we believe that the strong growth occurring at our India plant which has no long-term debt, the increased profit margins from plant upgrades related to the Keyes biorefinery, the Aemetis Biogas dairy digester and pipeline project as well as our deployment of the patented LanzaTech cellulosic ethanol technology at the Riverbank plant under development has positioned Aemetis to rapidly produce expanding positive cash flow from the production of low carbon, clean burning, high-performance renewable fuels from abundant low-cost waste biomass feed stocks.

Now let's take a few questions from our call participants. Christie?

Operator
Thank you, Mr. McAfee. We will now be conducting a question-and-answer session. [Operator instructions]. We'll take our first question from Ed Woo with Ascendiant Capital. Please go ahead with your question.

Q: Yes. Thank you for taking my question. My question is on your outlook for ethanol pricing and also your outlook for the oil pricing in the near term.

Eric McAfee – Founder, Chairman and Chief Executive Officer
Outlook on ethanol pricing is, in the United States, facing an overproduction that only in the last week has really started to turn. You may have noted in the last week national inventories in the US decreased by more than 5% which was a larger decrease than analysts had projected actually, but it reflects what appears to be very strong

exports coming out of the gulf. This is all entirely without any China customer stepping in and taking a larger portion of our exports. So our expectation of ethanol pricing is it's going to reflect the price of corn.

So if we see an increase in the price of corn or even a decrease, we expect that the ethanol price will move along with the price of corn due to over-supply. That's hopefully temporary. There have been increasing reports of plants in the Midwest and certainly in the eastern US who have a corn supply problem in that they do not have shuttle train capability that the destination ethanol plant such as our plant in California have.

We bring in roughly 100 railcars every week and we can supply that all the way from Minnesota to Texas. I think we actually use more than 20 locations to supply our plant. So the profitability of destination ethanol plants at this time period in which there's flooding and other concerns about Midwestern corn supply is much, much higher and much better frankly than Midwestern corn plants, some of which not only have to pay premiums that are very high, but might physically not be able to bring in corn at all without trucking it very long distances. So they just become completely economic.

So we have seen less than a dozen, but a large number of Midwestern and eastern plants that have shut down or idled their operations and that will have an impact on production. Currently what we're seeing is a draw in inventory and if production decreases, we would expect to see further draws on national inventory. Historically that results in improved margins for ethanol producers. So the price of ethanol might decrease but the price of corn could be decreasing faster and the national inventory could be decreasing as well which is a trend that's just started.

If those factors come together we could have a repeat of the 2013/2014 time period which was a time period in which the federal government was enforcing the blending of biofuels and it was a very, very profitable time. Our company generated about $10 million per quarter for four quarters. Again, this was the last time period in which the federal government actually enforced the federal blending rules.

Last little point I always have to make about ethanol is that the federal government is sitting at a decision point about the small refinery exemptions that were issued over the last couple years driven by Scott Pruitt at the EPA who's no longer there. So if we just enforce federal law which means 15 billion gallons per year of demand in the US and comply with the federal court order of 500 million gallons of ethanol that EPA is under court order to add to the blending this year, the supply-and-demand of ethanol will dramatically improve resulting in significant improvement margins for the ethanol industry.

It's a political decision. It's not a business decision. It certainly has nothing to do with industry. This is purely in the range of the White House and the EPA. But every investor should be aware that simple federal operations complying with federal law is a very, very positive bullish indicator for this industry and in general that's the message we have is just enforce federal law. Stop violating federal law and you'll see a tremendous growth of the renewal fuels industry.

Regarding crude oil prices, it's my view that we have a generally flat price in the $55 to $65 range because we have a combination of competing factors. Saudi, Arabia, the need's about $75 to $80 price in order to pay their domestic bills and the rest of the world which is, for a variety of reasons. trying to convert to electric cars and the like. Realistically though, we have averaged about 1.5 million barrels per day of increased demand because of the more than 3 billion people in Asia that are coming into the middle-class and as they come into the middle-class their consumptions are rising dramatically.

So I do anticipate an increased demand of at least 1.2 million to 1.5 million barrels per day per year and that's just what's going to happen. So the question is how rapidly US fracking and other production sources can increase to meet that demand. I think the medium-term trend is actually toward a higher price beyond $65 driven by the Saudis who are going to try to get this over $70 to pay their national bills. So this year's projection, $55 to $65. Over the next two years I wouldn't be surprised at all to see ourselves at $70 or $75.

Q: Great. Thanks for the explanation. Then my question is on the Riverbank project and the Biogas project. Is it correct that—it seems like it's a little bit delayed [audio drops] financing and what not.

Eric McAfee – Founder, Chairman and Chief Executive Officer
Let's talk about the Biogas project first. We announced the funding I believe late last year, certainly signed the funding in December. We are on track with the Biogas funding. Our first production will be in the fourth quarter this year roughly a year after announcing the financing.

Then the expanded production of roughly a dozen dairies is on track for next year. So we're on track on actual financing, engineering, permitting and actually construction. You should look for ongoing press releases about the project progress especially as we get down into the construction phase. So Biogas is very much on target.

The second product that you talked about was Riverbank. That's the cellulosic ethanol project. We were delayed because of about a 15-month approval process to get the White House approval of the USDA loan guarantee. That is now completed and we announced that conditional letter earlier this year.

We are now completing the conditions in the letter which includes engineering and then a construction agreement, so we are in the process of doing that. I would say we're on track with that process considering that we were able to get the USDA approval earlier this year, but the general market conditions for our project has continued to be very strong in California and so we're moving forward steadily to breaking ground and building that facility.

Q: Great. If you could roughly—when you start your Biogas will you actually start producing revenue in the fourth quarter?

Eric McAfee – Founder, Chairman and Chief Executive Officer
Biogas should have revenue in the fourth quarter. Yes, that's correct.

Q: Okay. And when do you think the Riverbank project may go live?

Eric McAfee – Founder, Chairman and Chief Executive Officer
Riverbank project's currently slated to be early 2021, which is a little over 18 months from now. So barring changes to the market conditions or something else, that's our current projection.

Q: Great. Well thank you and best of luck.

Eric McAfee – Founder, Chairman and Chief Executive Officer
Thank you, Ed. I appreciate it.

Operator
[Operator instructions]. We'll take our next question from James Stone, an investor. Please go ahead.

Q: Hi, Eric. It's been a long time since we've talked.

Eric McAfee – Founder, Chairman and Chief Executive Officer
Hi, Jim. Good to hear from you.

Q: Yes. I'm wondering can you give us a little feel for how the large debt that you have, how that's going to be paid off and when you expect to see it get down to more reasonable levels?

Eric McAfee – Founder, Chairman and Chief Executive Officer
It's a good question. We have mentioned in the past that we raised about $35 million as a part of our Keyes ethanol plant, our corn ethanol plant through a federal investment program that creates jobs in the US called EB5. The interest rate on that program was 1% interest and this year we have launched our second funding under that program and this is to fund our Riverbank cellulosic ethanol project and we have completed about five investors which is about $2.5 million. The interest rate has fallen to 0.25%. So for every $10 million that we have in the program we pay $25,000 a year of interest.

We are in the process of raising in excess of $50 million under that program. Actually we'll quality for $100 million again at 0.25%. That's interest expense of only about $250,000 per year for $100 million of subordinated financing. So some very positive things have developed in that area in the regulation in the last month or so. So we're pushing aggressively to complete that financing. It's going to take a while. It's just a slow process because of how many investors are involved, $100 million is about 200 investors, but we are making steady progress and look forward to providing everybody updates on that process.

Now, separately from that refinancing which, of course, would be incredibly significant for the company, we are generating positive cash flow from our India plant already which has no long-term debt and as we're developing our Keyes plant, our corn ethanol plant, we continue to improve positive cash flow including the project that we completed in May. We're just getting this margin advantage that happens when we have lower carbon intensity than other providers in the market. So I think we have three different projects, the first of which is completed, second and third of which are slated to be completed over the next six months that should have a very significant impact and positive cash flow from the Keyes plant.

With Biogas contributing some cash flow starting in the fourth quarter certainly the cellulosic ethanol plant has an opportunity to be a major contributor with $50 million per of positive cash flow for its financing. Operationally we can pay down our debt, but it's just a longer plan. So the EB5 funding is the most short-term avenue for us to significantly pay down our senior debt.

Q: Well I'm thinking also of your good friends who've increased their loans at rather large amounts almost from the start of the company. When is what you owe to them—do you see that amount beginning to decrease or when will it?

Eric McAfee – Founder, Chairman and Chief Executive Officer
If we do the EB5 funding in the process of which we're currently doing, all those funds are used to repay the senior secured debt who, as you correctly pointed out, have been financial backers of the company since 2008 and have been excellent sources of funding including the equity we received last December. So they're not only a lender to us, but they also arranged equity funding of $30 million. So we have had the good fortune of having a long-term relationship and it's enabled us to take advantage of some market opportunities that other companies may not have been able to. So I'm expecting that we'll continue to make almost monthly payments on that reduction and then hopefully see a rapid acceleration as this EB5 funding accelerates.

Q: Can you possibly give us a little more information on that, whatever you owe them at the moment? By when would you think you'd at least cut it in half? Is that next year or the year after?

Eric McAfee – Founder, Chairman and Chief Executive Officer
Well I think next year would be a reasonable projection. The $100 million of EB5 funding that we qualify for could potentially be this year but is not a reasonable expectation that we receive it this year. There's some ramping up in the program that just started a few weeks ago, but I'd like to have another quarter to be able to project when that would close.

Certainly there is an opportunity that all 100 investors could fund in the next two quarters and by the end of this year we could have $100 million of pay down in our senior debt. I think that's unnecessarily optimistic and I'd like to have a little more view before I project what's going to happen, but certainly a 50% pay down by next year is a very reasonable expectation.

Q: When you say next year is that middle, end or beginning?

Eric McAfee – Founder, Chairman and Chief Executive Officer
Yes, by middle of next year. Yes, middle of 2020.

Q: Okay. And then just one more question. When do you expect to turn into positive earnings?

Eric McAfee – Founder, Chairman and Chief Executive Officer
We are projecting positive earnings would be after our cellulosic ethanol is operational unless we have an EB5 funding that occurs. So EB5 funding removes almost all of our interest expense as you can imagine. So we could easily turn into positive earnings by completing the EB5 funding.

Q: By when? I'm sorry. I missed hearing you on that.

Eric McAfee – Founder, Chairman and Chief Executive Officer
Yes, by completing the EB5 funding, we would be removing the large majority of our interest costs. So we would at that point in time, with India having no debt and positive cash flow already, certainly the Keyes plant moving forward toward positive cash flow, we could easily be in a position of positive earnings based upon getting that EB5 funding completed. So it's really—earnings will be driven by that.

Q: Can you give us a little more information on the timing of that? Is that late this year/early next year? Whatever.

Eric McAfee – Founder, Chairman and Chief Executive Officer
I think the idea that within 12 months that we could get a 50% reduction on our debt is probably—I'm talking about senior secured debt—is probably a workable target for us. It should be faster than that, but let's get another quarter behind us before we project that.

Q: Okay. Thank you. Thank you very much. I think if you keep this up we'll get the stock up to a reasonable price.

Eric McAfee – Founder, Chairman and Chief Executive Officer
Thanks, Jim. I appreciate your support.

Operator
There are no further questions at this time. I would like to turn the floor back over to management for closing comments.

Eric McAfee – Founder, Chairman and Chief Executive Officer
Thanks, Christie. Thanks to the Aemetis shareholders and analysts and others for joining us today. We look forward to meeting with you and continuing our dialog about pursuing growth opportunities at Aemetis.

Todd Waltz – Executive Vice President and Chief Financial Officer
Thank you for attending today's Aemetis earnings conference call. Please visit the investor section of the Aemetis website where we'll post a written version and an audio version of this earnings review and business update.