



# Alto Ingredients, Inc.

Specialty Alcohols and Essential Ingredients

Fourth Quarter 2020 Investor Call  
March 11, 2021



# Disclaimer

Statements and information contained in this communication that refer to or include Alto Ingredients' estimated or anticipated future results or other non-historical expressions of fact are forward-looking statements that reflect Alto Ingredients' current perspective of existing trends and information as of the date of the communication. Forward looking statements generally will be accompanied by words such as "anticipate," "believe," "plan," "could," "should," "estimate," "expect," "forecast," "outlook," "guidance," "intend," "may," "might," "will," "possible," "potential," "predict," "project," or other similar words, phrases or expressions. Such forward-looking statements include, but are not limited to, statements concerning: future market conditions; expectations for higher margins from specialty alcohols and essential ingredients as compared to fuel-grade ethanol and co-products; future effects of the coronavirus pandemic – both positive and negative; anticipated costs, timing and effects of capital investment projects; the timing and results of the expected sale of Alto Ingredients' production facilities in Madera and Stockton, California; anticipated gross profit levels; expected reductions in SG&A expenses and interest expense; anticipated results of hedging activities; and Alto Ingredients' other plans, objectives, expectations and intentions. It is important to note that Alto Ingredients' plans, objectives, expectations and intentions are not predictions of actual performance. Actual results may differ materially from Alto Ingredients' current expectations depending upon a number of factors affecting Alto Ingredients' business. These factors include, among others, adverse economic and market conditions, including for specialty alcohols, fuel-grade ethanol and essential ingredients; export conditions and international demand for Alto Ingredients' products; fluctuations in the price of and demand for oil and gasoline; raw material costs, including production input costs, such as corn and natural gas; Alto Ingredients' ability to timely, cost-effectively and successfully execute capital improvement projects; the effects – both positive and negative – of the novel coronavirus and its resurgence or its abatement; and timely fulfillment by Alto Ingredients' customers of their contracts to accept and pay for contracted specialty alcohol volumes. These factors also include, among others, the inherent uncertainty associated with financial and other projections; the anticipated size of the markets and continued demand for Alto Ingredients' products; the impact of competitive products and pricing; the risks and uncertainties normally incident to the alcohol production and marketing industries; changes in generally accepted accounting principles; successful compliance with governmental regulations applicable to Alto Ingredients' production facilities, products and/or businesses; changes in laws, regulations and governmental policies; the loss of key senior management or staff; and other events, factors and risks previously and from time to time disclosed in Alto Ingredients' filings with the Securities and Exchange Commission including, specifically, those factors set forth in the "Risk Factors" section contained in Alto Ingredients' Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on November 16, 2020.

# Who We Are

- Leading producer of specialty alcohols and essential ingredients
  - 180 Acre campus in Pekin, IL
  - 450 mmgy of alcohol production capacity
- Serving four key markets
  - Health, Home & Beauty
  - Food & Beverage
  - Essential Ingredients
  - Renewable Fuels
- Unique capabilities to produce specialty alcohols – *~50% of production from GNS, USP, API and Industrial grades*
- Customers include major food & beverage and consumer products companies

# Our Four Focus Areas

High value products...

## Health, Home & Beauty

- Mouthwash
- Cosmetics
- Pharmaceuticals
- Hand Sanitizer
- Disinfectant
- Cleaning Products
- Industrial Grade Ethyl Alcohol

## Food & Beverage

- Alcoholic Beverages
- Vinegar
- Corn Oil and Corn Germ
- Carbon Dioxide
  - Beverage Carbonation
  - Dry Ice

## Essential Ingredients

- Aventine™ Yeast
- Corn Gluten
- Corn Condensed Distillers Solubles
- Corn Oil and Corn Germ
- Distillers Grains

## Renewable Fuels

- Ethanol
  - Transportation Fuels
- Corn Oil and Corn Germ
  - Biodiesel Feedstock



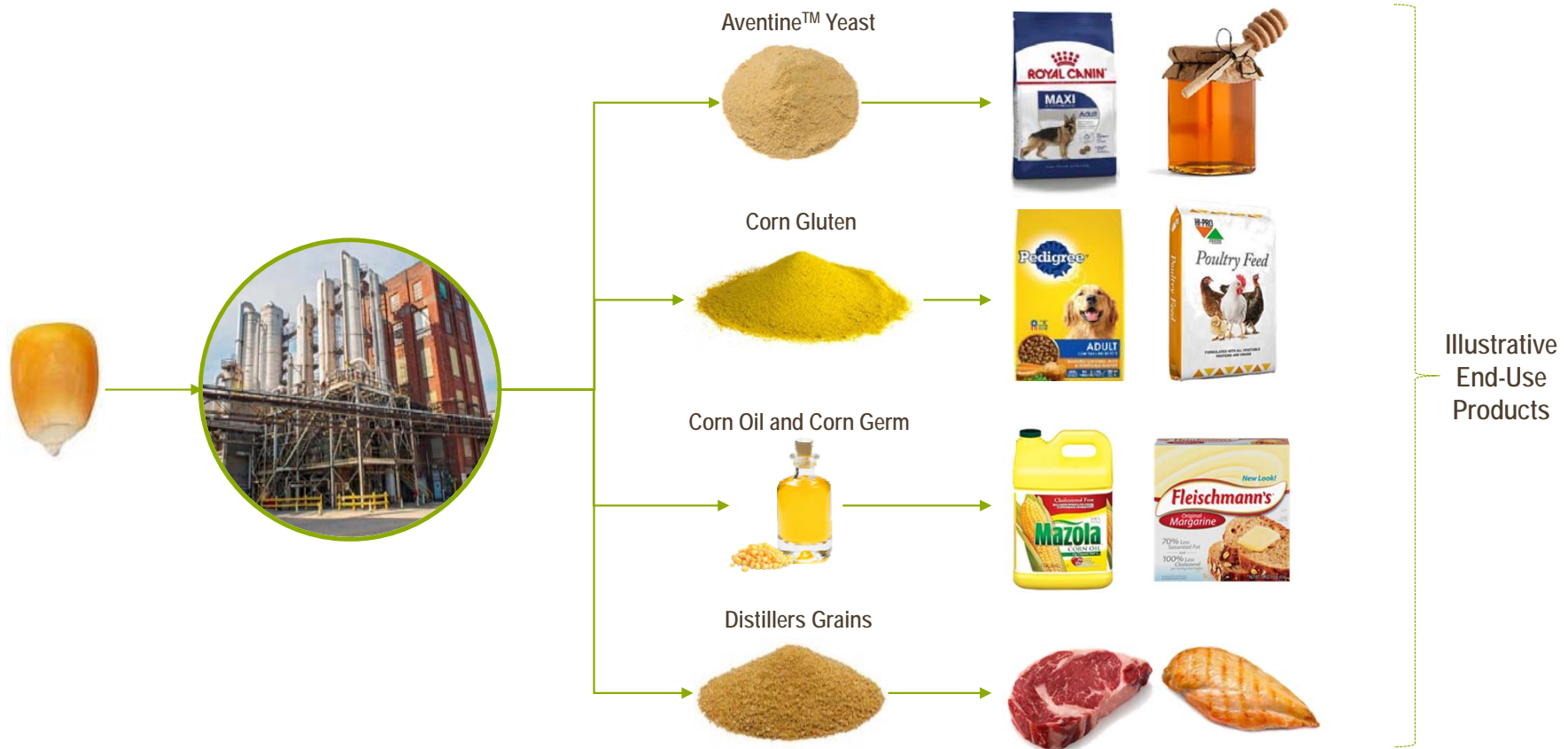
...used by "Blue Chip" customers

# What We Do – Alcohols



We transform corn into specialty alcohols used in a wide range of consumer and commercial products

# What We Do – *Essential Ingredients*



We transform corn into high value essential ingredients used in a wide range of consumer and commercial products

# Specialty Alcohols Sell at a Premium to Renewable Fuel Ethanol

## Key Drivers of Price Premium Over Ethanol

- More complex products to manufacture
- Greater investments in QA and certifications required
- Quality and consistency is very important
  - End-products are for human consumption or applied to the skin
  - Product recall averse
- Customers less price sensitive than fuel buyers
  - Used to secular rather than cyclical price movements (i.e. modest annual increases)
- Opaque pricing – *not quoted commodities*

# Operating Results Summary

	Three Months Ended		Year Ended	
	2020	2019	2020	2019
Net sales	\$ 168,818	\$ 357,617	\$ 897,023	\$ 1,424,881
Cost of goods sold	<u>155,181</u>	<u>354,421</u>	<u>844,164</u>	<u>1,434,819</u>
Gross profit (loss)	13,637	3,196	52,859	(9,938)
Selling, general and administrative expenses	(6,735)	(11,823)	(31,980)	(35,453)
Gain on litigation settlement	-	-	11,750	-
Gain on sale of assets	3,223	-	1,580	-
Asset impairments	<u>(24,356)</u>	<u>(29,292)</u>	<u>(24,356)</u>	<u>(29,292)</u>
Income (loss) from operations	(14,231)	(37,919)	9,853	(74,683)
Loss on debt extinguishment	-	(6,517)	-	(6,517)
Interest expense, net	(3,790)	(5,192)	(17,943)	(20,206)
Fair value adjustments	(2,462)	-	(9,959)	-
Other income (expense), net	<u>271</u>	<u>(147)</u>	<u>750</u>	<u>104</u>
Loss before benefit for income taxes	(20,212)	(49,775)	(17,299)	(101,302)
Benefit for income taxes	<u>(17)</u>	<u>(20)</u>	<u>(17)</u>	<u>(20)</u>
Consolidated net loss	(20,195)	(49,755)	(17,282)	(101,282)
Net loss attributed to noncontrolling interests	-	8,671	2,166	12,333
Net loss attributed to Alto Ingredients, Inc.	<u>\$ (20,195)</u>	<u>\$ (41,084)</u>	<u>\$ (15,116)</u>	<u>\$ (88,949)</u>
Preferred stock dividends	<u>\$ (319)</u>	<u>\$ (319)</u>	<u>\$ (1,268)</u>	<u>\$ (1,265)</u>
Net loss available to common stockholders	<u>\$ (20,514)</u>	<u>\$ (41,403)</u>	<u>\$ (16,384)</u>	<u>\$ (90,214)</u>
Net loss per share, basic and diluted	<u>\$ (0.30)</u>	<u>\$ (0.85)</u>	<u>\$ (0.28)</u>	<u>\$ (1.90)</u>
Weighted-average shares outstanding, basic and diluted	<u>67,512</u>	<u>48,438</u>	<u>58,609</u>	<u>47,384</u>
Adjusted EBITDA	<u>\$ 16,411</u>	<u>\$ 1,908</u>	<u>\$ 67,394</u>	<u>\$ (1,711)</u>

\* A reconciling table for Adjusted EBITDA is available in the Appendix of this presentation



# Balance Sheet Summary

(\$ in thousands)

	At:	12/31/20	12/31/19
Cash & cash equivalents	\$	47,667	\$ 18,997
Current assets		214,046	232,064
<b>Total assets</b>		<b>476,818</b>	<b>612,495</b>
Current liabilities		86,927	160,398
<b>Total liabilities</b>		<b>180,583</b>	<b>385,450</b>
Stockholders' equity		296,235	227,045
<b>Total liabilities &amp; stockholders' equity</b>	\$	<b>476,818</b>	\$ 612,495

# Key Takeaways

1

## Transitioning to More Stable, Higher Margin Businesses

- Successfully transitioned production to ~50% specialty alcohols
- Focused on health, home & beauty, food and beverage, and essential ingredients markets going forward
- Investing in QA / certifications to expand addressable customers and markets

2

## Good Visibility on Near-Term Results

- Specialty alcohol sales contracted 12 months in advance
- 70 million gallons of specialty alcohol production contracted at fixed prices
- Long-term tailwinds from continued growth in demand for specialty alcohols and essential ingredients

3

## Improving Balance Sheet and Conservative Financial Policies

- Reduced debt by \$146 million during 2020
- Now net debt free and targeting term debt free in 2021
- Proceeds from future asset sales will be used to further retire debt, bolster liquidity and fund needed capital projects.

## Use of Non-GAAP Measures

- Management believes that certain financial measures not in accordance with generally accepted accounting principles ("GAAP") are useful measures of operations.
- The company defines Adjusted EBITDA as unaudited net income (loss) attributed to Alto Ingredients, Inc. before interest expense, provision (benefit) for income taxes, asset impairments, loss on extinguishment of debt, purchase accounting adjustments, fair value adjustments, and depreciation and amortization expense. A table is provided at the end of this presentation that provides a reconciliation of Adjusted EBITDA to its most directly comparable GAAP measure, net income (loss) attributed to Alto Ingredients, Inc. Management provides this non-GAAP measure so that investors will have the same financial information that management uses, which may assist investors in properly assessing the company's performance on a period-over-period basis. Adjusted EBITDA is not a measure of financial performance under GAAP, and should not be considered as an alternative to net income (loss) attributed to Alto Ingredients, Inc. or any other measure of performance under GAAP, or to cash flows from operating, investing or financing activities as an indicator of cash flows or as a measure of liquidity. Adjusted EBITDA has limitations as an analytical tool and you should not consider this measure in isolation or as a substitute for analysis of the company's results as reported under GAAP.

# Adjusted EBITDA Reconciliation

(Figures below in thousands)

	3 Mos. 12/31/20	3 Mos. 12/31/19	Full Year 12/31/20	Full Year 12/31/19
Net loss attributed to Alto Ingredients, Inc.	\$ (20,195)	\$ (41,084)	\$ (15,116)	\$ (88,949)
Adjustments:				
Interest expense, net	3,790	5,192	17,943	20,206
Asset impairments*	24,356	21,655	24,356	21,655
Fair value adjustments	2,462	-	9,959	-
Loss on debt extinguishment	-	6,517	-	6,517
Benefit for income taxes	(17)	(20)	(17)	(20)
Depreciation and amortization expense*	<u>6,015</u>	<u>9,648</u>	<u>30,269</u>	<u>38,880</u>
Total adjustments	<u>36,606</u>	<u>42,992</u>	<u>82,510</u>	<u>87,238</u>
<b>Adjusted EBITDA</b>	<b>\$ 16,411</b>	<b>\$ 1,908</b>	<b>\$ 67,394</b>	<b>\$ (1,711)</b>

\* Adjusted for noncontrolling interest.