

# **Aemetis, Inc. (AMTX) Q2 2024 Earnings Call Transcript**

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**Body**

Aemetis, Inc. (AMTX)

Q2 2024 Earnings Conference Call

August 01, 2024 02:00 PM ET

Company Participants

Todd Waltz - Executive Vice President & Chief Financial Officer

Eric McAfee - Founder, Chairman & Chief Executive Officer

Andy Foster - President, North America

Conference Call Participants

Manav Gupta - UBS

Jordan Levy - Truist

Matthew Blair - TPH

Amit Dayal - H.C. Wainwright

Dave Storms - Stonegate

Ed Woo - Ascendiant Capital

Presentation

Operator

Greetings and welcome to the Aemetis Second Quarter 2024 Earnings Review Conference Call. At this time, all participants are in a listen-only mode. A 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

Thank you, Ali. Welcome to the Aemetis' second quarter 2024 earnings review conference call. Joining us for the call today is Eric McAfee, Founder, Chairman and CEO of Aemetis; and Andy Foster, President of North America.

We suggest visiting our website at aemetis.com to review today's earnings press release, the Aemetis Corporate and Investor Presentation, filings with the Securities and Exchange Commission, recent press releases and previous earnings conference calls.

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 disclosures 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 the SEC EDGAR system and our own company website. Our discussion in the call will include a review of non-GAAP measures as a supplement to financial results based on GAAP, because we believe these non-GAAP measures serve as a proxy for our company source or use of cash. A reconciliation of the non-GAAP measure to the most directly comparable GAAP measures is included in our earnings release for the three and six months ended June 30, 2024, 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, income tax expense, intangible and other amortization expense, accretion expense, depreciation expense, and share-based compensation expense.

Let's review financial results for the second quarter 2024. Revenue during the second quarter 2024 were $66.6 million compared to $45.1 million for the second quarter of 2023. Our keys plant operated during the entire quarter compared to his extended maintenance cycle during a portion of the second quarter of 2023.

Our dairy natural gas segment produced 89,400 MMBtus from operating dairy digesters and reported $1.6 million of revenue and our ninth digester began producing biogas at the end of the second quarter. Our India biodiesel business recognized $24.8 million of revenue, primarily from sales to the India oil marketing companies.

Gross loss for the second quarter of 2024 was $1.8 million, compared to a $2 million profit during the second quarter of 2023. Selling, general and administrative expenses were $11.8 million during the second quarter of 2024 from $9.7 million during the same period in 2023, driven primarily by the recognition of a loss on asset disposal of $3.6 million. Operating loss was $13.6 million for the second quarter of 2024 compared to an operating loss of $8.7 million for the same period in 2023.

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Interest expense including accretion of Series A preferred units in the Aemetis Biogas LLC subsidiary increased to $11.7 million during the second quarter of 2024 compared to $9.6 million during the second quarter of 2023.

Additionally, Aemetis Biogas recognized $3.5 million of accretion of Series A preferred units during the second quarter 2024, compared to $6.9 million during the second quarter of 2023. Net loss was $29.2 million for the second quarter of 2024, compared to $25.3 million for the second quarter of 2023.

Cash at the end of the second quarter of 2024 was $234,000, compared to $2.7 million at the close of the fourth quarter of 2023. We recorded investments in capital projects related to the reduction of carbon intensity of Aemetis ethanol and construction of dairy digesters of $5.4 million for the second quarter of 2024.

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

Eric McAfee

Thank you Todd. Aemetis is executing on a five-year plan that includes expanded positive cash flow from operations, combined with long-term lower interest rate, debt financing guaranteed by the US Department of Agriculture to finance growth. We see solid progress across each of our five business units as we will review today, and are currently positive cash flow from operations in all three of our operating businesses. However, before discussing our operations and projects let's review regulatory events that are expected to have a significant positive impact on our businesses.

In addition, to hearings and meetings with the California Air Resources Board, we recently hosted a representative of the USDA Office of the Chief Economist, for a biogas ethanol plant and SAF plant site tour in California. I also visited Washington DC for a week in May, again last week, for meetings with top USDA officials, EPA Secretary, Michael Regan; and various staff of senators and Senate committees that directly impact the inflation Reduction Act incentives for renewable fuels, and for ethanol E15 blending approval.

From these meetings and discussions. I can highlight three important external regulatory events that are scheduled to occur over the next two quarters, that strongly support the Aemetis business plan. The California Air Resources Board vote on November 8, that is slated to approve the next 20 years of increased demand for renewable fuels and other low-carbon energy sources for transportation, the IRS guidance showing the calculation of the inflation Reduction Act Section 45Z production tax credit that begins in January 2025.

And the permanent approval of the 15% ethanol blend by the Federal EPA, which has been scheduled for early next year as part of a legal settlement, with eight Midwestern states. Combined these three regulatory events significantly increased the value of our products, and are expected to generate more than $50 million per year of increased positive cash flow, starting in January 2025. Positive cash flow is expected to continue to grow strongly, as the value of LCFS credits increase and as additional biogas digesters are built.

I should note that in the current quarter, the third quarter of 2024, we are already showing positive cash flow from each of our three operating businesses, including ethanol production, dairy renewable natural gas and India biodiesel. We have five additional digesters under construction, but the regulatory events on November 8 for LCFS by January 2025 for the 45Z production tax credit and the EPA adoption of E15, are the key elements of strong cash flow and future profitability.

In the Aemetis Biogas business over the past year or so, we have closed $50 million in USDA guaranteed 20-year loans to build dairy biogas digesters and to convert construction loans, to term loans for digesters that already completed construction. We recently received the USDA conditional commitment approval for the next $25 million, renewable energy per America loan and expect to close the funding later this month. An additional $50 million of USDA guaranteed funding, is in process for closing later this year for a total of $75 million of new long-term financing from biogas digester and pipeline construction this year.

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We stored a significant amount of our Q2 2024 renewable natural gas production, until Q3 in order to generate almost 80% more LCFS credits, under the provisional pathway approval that we expect later this year. In July, we dispensed a portion of the RNG production and we'll continue to spend storage inventory throughout Q3. Cashing in later on the expected higher price of LCFS credits and more than an 80% increase, in the number of credits earned at the provisional pathway rate, instead of the negative 150 default carbon intensity.

The California Resources Board has stated that renewable natural gas is an important feedstock for the production of renewable hydrogen for future truck engines, allowing the trucks to be zero emission using a carbon-negative fuel.

We believe that Aemetis is well positioned supply to supply renewable natural gas, renewable hydrogen, and negative carbon intensity electricity to power future trucks and cars in California, enabling the transition to zero emission and below zero carbon intensity heavy-duty and light-duty vehicles.

In the development of Aemetis sustainable and renewable diesel business, during the first quarter we received authority to construct air permits for our planned 90 million-gallon per year sustainable aviation fuel in renewable diesel plant to be built in the Riverbank California.

When operated to produce only sustainable aviation fuel the design capacity of the plant is about 78 million gallons per year of SAF. The need for sustainable aviation fuel is expected to increase rapidly for the foreseeable future, as the 90 billion-gallon per year global aviation fuel industry, seeks to reduce carbon emissions using renewal fuel to replace petroleum jet fuel.

With the strong demand for SAF and with limited supply, we are now discussing the use of innovative pricing structures with our airline customers, to accelerate the financing construction and operation of the SAF plant. As one of the very few companies, with all of the key permits needed to construct a large-scale SAF production facility in the United States, Aemetis is building production facilities to supply renewable aviation fuel to an airline market that is currently not expected to meet its ambitious goals of transitioning to lower carbon intensity operations.

In the India biofuels business in late 2023 we announced that we received a $150 million one-year allocation for biodiesel sales to the three India oil marketing companies, or OCMs under a cost plus contract stature. We begin deliveries under this contract in October 2023, and I have achieve excellent production and delivery performance.

The positive impact of cost plus pricing that is now being used by the OMCs to purchase biodiesel is expected to continue for the foreseeable future. The India business has positive EBITDA and funds its own operations and capacity growth. This July our new Managing Director of the India business joined the company after serving as the Chief Executive Officer of the GE joint venture in India to build renewable power plants.

We are busy with the IPO process and work on the next annual contract for biodiesel sales to India government-owned oil marketing companies. For the Aemetis ethanol business, the temporary approval of a 15% blend of ethanol in 49 states for this summer, and the EPA's recent statement that a permanent E15 approval will be adopted effective next year is, expected to have a positive impact on ethanol industry margins as retailers seek to provide lower-cost fuel to consumers.

A recent study by UC Berkeley and Naval Academy economists showed that the adoption of a 15% ethanol blend in California would provide a $2.7 billion per year savings on fuel costs for consumers, equal to about $7 million per day or $0.20 per gallon in California.

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In Q2 we commissioned an on-site solar energy facility, with battery storage to improve cash flow through the reduction of our energy costs and decrease the carbon intensity of the ethanol produced by our Keys plant, which generates more low carbon fuel standard revenue per gallon using solar energy. The next major step in improving our cash flow and energy efficiency at the Keys plant is the installation of a mechanical vapor recompression system or MVR. We have completed process design and detailed engineering and are now moving forward with the procurement of equipment.

The MVR system is designed to reduce fossil natural gas usage by 80%, and increased cash flow by $15 million to $29 million annually at the Keys plant depending on the value of LCFS credits. The MVR energy efficiency project is budgeted for a direct cost of about $21 million and has been rewarded $20 million of grants and tax credits from the California Engine Commission, Pacific Gas & Electric Energy Incentive Program and the Department of Energy and US Treasury Department.

Our Aemetis carbon capture subsidiary has received California state approval to drill the characterization well. The first phase of drilling and installation of the conductor pipe is expected to occur in the next two months.

In summary, all five Aemetis business segments are synergistic and create what we refer to as a circular bioeconomy. Our company's values include a long-term commitment to building value for stockholders, the empowerment of and respect for our employees and business partners and making significant and positive contributions to the communities we serve.

Now let's take some questions from our call participants. Ali.

Question-and-Answer Session

Operator

Apologies for that. I don't know where that music was coming from. Thank you, Mr. McAfee. We will now be conducting our question-and-answer session. [Operator Instructions] Thank you. Our first question is coming from Manav Gupta with UBS. Your line is live.

Manav Gupta

So Eric and team I mean the credit bank is building. We saw the building in last night and 26 million metric tons. We are optimistic that something will happen in November. But do you think like what rate a 7% or 9% rate probably is now needed to bring this in check and move the credit prices higher. But like if we look at it by the time we end 2024 the credit bank could be at 32 million, 33 million metric tons. So won't it take significant amount of time even if we go with 7% or 9% rate to actually get the carbon prices to move. That's what I'm trying to understand.

Eric McAfee

We think that's going to be necessary for the kind of price response that the California Resources Board is seeking because as you know this funds hydrogen and electrification zero emission goals so a continued low credit price basically postpones those projects. I think as they increasingly see the $30 million to $32 million credit bank number they're going to realize that, 9% basically is the minimum required not the maximum but the minimum required to move major oil companies forward on buying more credits now.

And so their range is 5%, 7% or 9% in the most recent number that came out. But in discussions directly with CARB executives, it's pretty clear that they had no idea that we'd be looking at $32 million credit. So that was not even the range of possibility in the discussions I've had with them. So I think it's good that we have a November date because it gives them almost the entire year to see the buildup in inventory. And if we had in March 2024 decision I don't think they would have had that clarity. So it's actually in hindsight a good thing for us that those numbers will have built up by the time this decision being in November 8.

Manav Gupta

Perfect. And my follow-up quickly is on the ethanol business that US ethanol margins are looking much stronger in 3Q and so hopefully my answer is like you're not hedged and you should be able to participate in this uptick in ethanol margins?

Eric McAfee

Andy you want to take that?

Andy Foster

We've definitely seen an uptick in margin certainly for the month of July. So, yes, I think August is going to be a little softer. As you probably noted yesterday Manav that the EIA numbers showed record production, which is everybody is trying to take advantage of the margin environment too much so which typically happens with our industry. But no right now with the price of corn showing has just been flat to down for most of the summer.

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We expect a larger crop than maybe what the USDA anticipated growing conditions in the Midwest have been very good except for the Upper Midwest. But I think if you look at the corn belt of Nebraska, Iowa, Illinois is expecting pretty significant crops. So I think given that we'll probably see some softening in the ethanol price just because inventories are going to build over the next month.

But as we get into the fall and there's been a pretty robust export program in ethanol this year. I think for the foreseeable future, we're expecting the margin environment to be much more favorable than it was in Q1.

Manav Gupta

Okay. My last one and quick one is, Eric how many dairy digesters should we expect to be online by year end? I understand the volumes will take time because there is a certification process. But how many digesters do you think you can complete by year-end 2024?

Eric McAfee

Because we have some multiple dairy digesters we're giving guidance that it will be approximately 16 dairies. We have nine operating now. We have six under construction. So, we have about 15 total completed for sure but we have to pursue that are on the cusp. So, definitely expecting though that the number of dairies we're operating will be in the 16 dairy range. The nine that we have currently operating covered 10 dairies and we're adding six more. So, about 16%.

One of the guidance is that we're looking to increasingly focus people on is what our annual run rate of MMBtu production is because you can directly multiply that times the value per MMBtu to get our revenues.

And so we issued a press release a few weeks ago about hitting a $300,000 per year run rate and then we'll probably update that either late in fourth quarter or early first quarter with our new run rate.

We did project that we'd be at $800,000 approximately 12 months from now. So, we're scaling from $300,000 runway from the year to $800,000. And then by giving guidance later on this year about exactly what the revenue is per MMBtu when we have 45z and LCFS in place, I think it will be rather easy to calculate what our annual revenues are at the company from the RNG business.

Manav Gupta

Thank you so much Eric.

Eric McAfee

No, thank you. Appreciate your work.

Operator

Thank you. Our next question is coming from Jordan Levy with Truist. Your line is live.

Jordan Levy

Afternoon all. I appreciate all the commentary. Eric maybe just to start on the MVR side of things, the project has been in the works for a while now. Can you just give us some thoughts around the confidence level in getting that project up and running for I guess next year maybe?

Eric McAfee

Very high level of confidence. The fabrication of the equipment already has our first $1 million deposits that's been paid. Engineering design has been completed permitting at this phase is completed for what we need to do right now. So, we're in a fabrication cycle. And we would expect that within 12 months, we would be completed with the project. So, this is a third quarter 2025 target.

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I would always suggest we have to hold that a little bit loosely. If it slips by a quarter, we shouldn't be surprised. But certainly we're operating toward a third quarter 2025 implementation.

Jordan Levy

Great. And then sorry if you talked about talked on this already in the opening remarks my phone was cutting out. But could you just talk to some of the importance and thinking around 45z guidance, especially on the biogas segment and some of the impacts that could have in the range there of outcomes?

Eric McAfee

45z is a production tax credit based upon the amount of fuel is produced. There are two issues in the biogas calculation because the calculation is pretty simple. You take one gallon of whatever fuel it is, you multiply times its carbon intensity and you end up with a number of tax credits. There's some methods to get this. But essentially those are the two variables.

The first question is what is the energy density of a gallon of ethanol? This has been a focus of the meetings I did in Washington D.C. last week and the tour in May. It's pretty clear to us that the energy density of a gallon of renewable natural gas should be consistent with the 20 years of policy from the renewable fuel standard, there is one RIN one Renewable Identification Number for a gallon of ethanol which is the reference gallon energy density in the renewable fuel standard passed originally in 2005.

And to change that reference to something else. And as I joke I say should it be one gallon of whale oil, should be one gallon of melted butter. What arbitrary other gallon are we going to throw in there because we're rejecting 20 years of federal law if you don't use ethanol.

And that's been persuasive in every single meeting I've had with senators and USDA and EPA administrator, Michael Regan last week et cetera. So, we are meeting with all of the members of the committee that are advising the Treasury department. And so far every meeting, I've exited they've all agreed it should be consistent with prior policy it should be ethanol.

Ethanol is approximately 76,000 MMBTUs -- I'm sorry BTUs British Thermal Units for one gallon. And the way that natural gas is defined as one million British Thermal Units. So it's a very simple math.

You subtract -- divide $1 million by 76,000 you get about 13 gallons is what the energy density of one MMBtu is. That might sound complicated to investors but it's pretty simple, because remember you are multiplying two numbers together, the first number being 13.15. -- We're getting some music in the background here. Can you guys hear me?

Jordan Levy

Hello? [Technical Difficulty]

Eric McAfee

Jordan, do you hear us?

Jordan Levy

Yeah.

Eric McAfee

Jordan, okay. Yeah. So the second calculation is rather simple. It's just carbon intensity in California. We've been doing this for 15 years. It's using the GREET model. And so twice the guidance has come from treasury most recent June 18th of this year saying that you just calculate your GREET model carbon intensity.

We know what that is, because we do LCFS pathways for all of our biogas. So it ranges from negative 320 to negative 370. So when you multiply 13.15 times our carbon intensity with that calculation, we end up with about $99 per MMBtu of value at a negative 350 carbon intensity. And again our, includes carbon intensity is negative 370 or even more.

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So we are waiting for IRS guidance that confirms that ethanol will be consistent with prior federal law. And simply that the GREET model will be the GREET model which I have twice said that that's what it's going to be. But there's a table to be issued that will describe different fuels and what the carbon intensity is.

Now, because we're talking to investors a lot, I always describe that there's a range of values and that the range of values is between $99 for a negative 350 carbon intensity down to $7.20. So it's a very wide range that the IRS could determine. $7.20 is the carbon intensity of diesel 720 and a cap on $1 per gallon that they do not allow negative carbon intensity, even though the legislation itself has negative in it.

What we consider to be a worst-case scenario of $7.20. And I personally think there would be some discussion to change that. So that's one of the reasons we spend so much time with the decision-makers is that we are expecting that everybody will have the consensus that it should be the ethanol molecule and it should be the GREET model. And that's just implementation what's already in legislation.

And if that's the case it will be $9 per MMBtu. Remember, this is only the 45z value. In addition to that, you have the D3 RIN which is 11.727 RINs per MMBtu times current price of $3.40 and is roughly $35 for the D3 Federal RIN, that would be on top of the $99. And then we add the low carbon fuel standard value which at our carbon intensity runs roughly in the $25 range, but would quadruple by the provisional approval and the credit price doubling.

So the certainty that we will have in the fourth quarter with IRS guidance plus LCFS mandates and increased credit prices, I think will put us in a position to give investors a solid number that they can then calculate against the MMBtus per year number we have. Is that clear, Jordan?

Jordan Levy

Yeah. Absolutely. Thanks so much for the color.

Eric McAfee

Sure.

Operator

Thank you. Our next question is coming from Matthew Blair with TPH. Your line is live.

Matthew Blair

Thank you and good morning. First question is on India biodiesel. Could you talk about the overall profitability in the second quarter and hopefully disclose an EBITDA level for this segment and were you able to switch to PFAD feedstock -- or sorry switch away from PFAD feedstocks and switch over to sunflower oil in the quarter?

Eric McAfee

The winter time oils are ones that can handle colder temperatures, and so the winter time for us is November, December, January and February. So the second quarter did not include any of the wintertime sunflower oil feedstock.

Second point is, we don't disclose margins, because we're in a competitive environment in India, but you can see in our disclosures various calculations that would show that it was a multimillion dollar EBITDA quarter, and we expect to continue to grow that -- grow the revenues as well as grow the EBITDA numbers.

Matthew Blair

Sounds good. And then on the ethanol side, I wanted to clarify that the $10.5 million of IRA tax credits that came through for the MVR system, was any of that $10.5 million either recognized in your EBITDA for the second quarter? And is any of that in your cash balance for the second quarter?

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Eric McAfee

No. Unfortunately, the way that the $10.5 million is this is a 48C credit. So it's investment tax credit you have to complete the construction of the facility run it for --I think, it is a 90-day period demonstrating that it's hitting the energy efficiency targets it's designed to do, and then you get your tax credit. So, we will not actually show that $10.5 million less about a 15% all-in cost of sale between all the things that go on to sell the credits. So, we would expect to pocket about $9 million of cash probably in the fourth quarter of next year, if things go according to current plan. And that would show up in that quarter as other income being the tax credit sale category.

Matthew Blair

Okay. That's helpful. And then just to wrap it up, circling back to your LCFS comments, which I thought were pretty interesting. My question is if CARB holds the vote on November 8, would you expect implementation to start up on January 1, 2025? Or is this something that could flip into like Q2 2025, or even the back half of the year?

Eric McAfee

I think it's going to slip past the first quarter. I wouldn't be surprised to see a July 1, 2025 in sort of the way that they think. To me, it's much more important about how big the step-down is in 2025, because what you have is a lot of major oil company traders that see excess inventory of LCFS credits is $32 million that Manav was talking about is basically 32 million reasons not to be in a hurry to buy credits.

But if it looks like there's a strong stepdown in 2025, immediately the credits will -- credit price will react to that. And so I think it's mostly the projection of what's going to happen in 2025 and 2026 and the major oil company response to that that's going to affect the price.

Matthew Blair

Great. Thanks for your comments, Eric.

Eric McAfee

Thank you. Appreciate it.

Operator

Thank you. Our next question is coming from Amit Dayal with H.C. Wainwright. Your line is live.

Amit Dayal

Good morning and thank you for taking my questions. So, Eric, you said $50 million in potential annual positive cash flow starting next year. Could you give us sort of a breakdown of how we get to that $50 million from the three operating segments?

Eric McAfee

The biogas business alone could do the entire $50 million, if we get the calculations that we're expecting quite, frankly, I mean, $100, or $99 plus, $35 plus LCFS credits times an average of 500 gets us actually $50 million rate there. So, actually in excess of $50 million. But our ethanol business will have at least one quarter maybe even two quarters of the benefits of MVR which is $15 million to $29 million spending on LCFS values.

Our India business should be expanding its contract, and because of some things going on in the winter time we're looking to have expanded margins in the wintertime. So you add it all up and you're actually significantly in excess of $15 million of positive cash flow. So the $50 million was us taking some of the unknowns and putting it into the calculation.

Amit? Yes, I think we lost you Amit.

Amit Dayal

Hello.

Eric McAfee

Yes. Try it again.

Amit Dayal

Yes. I was asking about the renewal in India. New product renewal coming up. Last time it was for $150 million one-year contract. Do you think this time it could be similar or a bigger amount for even a longer-term duration contract?

Eric McAfee

For reasons of conservatism because this is one of the first large contracts, we previously had a $40 million contract. This one was $150 million. We only used 60% of plant capacity in fulfilling this. So we have increased the capacity of the plant. As you may know we are planning also to continue to do another expansion of capacity frankly in the fourth quarter this year. So we would expect it to be a much larger contract utilizing more of our existing capacity and we're continuing to expand in order to take on larger demand. Just as a reminder a 5% blend is about 1.25 billion gallons per year. They're currently running at a little over 250 million gallons per year. So the market is one billion gallons short and the oil marketing companies continue to try to seek to fulfill that one billion-gallon gap.

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Amit Dayal

Understood. Just last one on the IPO process there. I mean have you actually started any formal work to get this going? Or are you still in sort of the plan...

Eric McAfee

We have already contacted investment banking firms. We have our leaders in place inside the company and the financial results over the past years have trended the way that the investment makers gave us guidance. And so we're actively in the process. I would give guidance on that over the course of this quarter. We'll be working closely with narrowing the Investment Bank down to the lead bank and specifically determining timing. The India Sensex market continues to do just brilliantly and so I think that the timing will be earlier or at least that's what we expect the advice to be but we're going through that process right now.

Amit Dayal

So is this potentially 2024 end of year type of catalyst? Or is it a 2025, if everything falls into line with how you're planning things?

Eric McAfee

I would be surprised if it was 2024, certainly if the investment banking firms came back with a strong notion, we can move the paperwork that fast because we're already an audited public company. So much of the work that delays things does not need to be done by us. And the India process is a very quick process. It's basically the investment bank does the due diligence. So yes, it's possible we could do in the fourth quarter, but I don't put that as an expectation. My expectation is first half of next year.

Amit Dayal

Understood. Thank you, Eric. That's all I have. Yes. Absolutely.

Operator

Thank you. Our next question is coming from Dave Storms with Stonegate. Your line is live.

Dave Storms

Good morning.

Eric McAfee

Hey, Dave.

Dave Storms

First of all, congratulations on inclusion in the R3, very excited about that. My first question is just about the asset disposal taken in the quarter and the loss on that. Is there any more color you can give us on that?

Eric McAfee

Did you say asset disposal?

Dave Storms

Yes. Loss on asset disposal.

Eric McAfee

Yes, we launched the Mechanical Vapor Recompression, it's called equipment fabrication phase and made the executive decision that the ZEBREX unit, which we had put in place and operated a month the commissioning phase of that should not move forward because we could expand the Mechanical Vapor Compression and do exactly the energy savings and other goals we had and do it one integrated unit rather than running two units.

So we decided to reserve against our investment in ZEBREX. We will be able to use that equipment in other places in that operation as well as potentially in our jet fuel plant but we took a conservative view, which is we wrote off the entire amount and if we happen to utilize some of the equipment then that's just a benefit.

Dave Storms

Understood. That's right clear. Thank you. And then just sticking with ethanol. Is there any scheduled downtime we should be aware of in the back half of 2024? Or was most of that handled when you did all the upgrades in the first half of the year?

Eric McAfee

Andy, do you want to talk?

Andy Foster

We continue to try to do some of the integration work as we move along. We did a significant amount of that when we had our downtime last spring. It is likely that we will have some probably I would say days of downtime. It won't be anything like we're going to turn the plant off for a month. It won't be anything dramatic like that. But when you're cutting over systems and things like that, there's likely to be two to three days of outage here and there, but it won't be anything that would be a month long or anything like that.

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Dave Storms

Understood. Thank you for taking my questions and good luck on the third quarter.

Andy Foster

Thanks, Dave.

Operator

Thank you. Our next question is coming from Ed Woo with Ascendiant Capital. Your line is live.

Ed Woo

Yes. Congratulations on all the progress. Can you talk about just your outlook for ethanol pricing and margin and the impact that oil prices the relatively stable oil prices have on it? Thank you.

Andy Foster

I think for the near term as I said I think August I'm going to suggest that we'll see some softening in the ethanol margin environment just because of the large production numbers that we posted over the last few weeks. The export program was dented a little bit by the big storms in the Gulf and Texas particularly. We expect to see that start to recover as we move into September. I think they're playing catch up right now. I think September and October look more favorable. And then as we get into the fourth quarter typically, around harvest, you'll see some disconnections in the market. Depending on right now, it doesn't appear that there's a strong bean program. It looks like the crop for corn is going to be very strong. Those things can change. Typically when we get into December, that's when margins really start to soften just because of demand issues. So I would say that for August, we're going to see some softening I would expect to see a little bit of rebound in September and October and then as we get into the end of the fourth quarter, we're going to see that typical seasonal softening again.

Ed Woo

Great. Thanks for taking my questions and I wish you guys good luck. Thank you.

Andy Foster

Thank you.

Eric McAfee

Thank you.

Operator

Thank you. We have reached the end of our questions at this time. So I would like to turn the floor back to management for closing comments.

Eric McAfee

Thank you to the Aemetis analysts, stockholders and others for joining us today. Please review the Aemetis company presentation that is posted on the home page of the Aemetis website. We look forward to talking with you about participating in the growth opportunities at Aemetis.

Todd Waltz

Thank you for attending today's Aemetis earnings conference call. Please visit the Investors section of the Aemetis website, where we'll post a written version and an audio version of this Aemetis earnings review and business update. Ali?

Operator

Thank you. This concludes today's teleconference. You may disconnect your lines at this time and we thank you for your participation.

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