



Pacific Ethanol, Inc.

Specialty Alcohols and Essential Ingredients

Third Quarter 2020 Investor Call
November 10, 2020



Disclaimer

Statements and information contained in this communication that refer to or include Pacific Ethanol's estimated or anticipated future results or other non-historical expressions of fact are forward-looking statements that reflect Pacific Ethanol's 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; Pacific Ethanol's new business focus on specialty alcohols and essential ingredients and its effects; the timing and effects of Pacific Ethanol's initiatives to expand specialty alcohol production; 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 – on the demand for Pacific Ethanol's products, including how long those effects may last; anticipated growth in distilled spirits consumption; the timing and effects of Pacific Ethanol's efforts to obtain additional manufacturing, safety and quality certifications; the anticipated costs, timing and effects of Pacific Ethanol's investments in its asset portfolio; the timing and results of Pacific Ethanol's expected sale of its grain handling assets at its Magic Valley distillery; anticipated Adjusted EBITDA levels; and Pacific Ethanol's other plans, objectives, expectations and intentions. It is important to note that Pacific Ethanol's plans, objectives, expectations and intentions are not predictions of actual performance. Actual results may differ materially from Pacific Ethanol's current expectations depending upon a number of factors affecting Pacific Ethanol's 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 Pacific Ethanol's 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; Pacific Ethanol's ability to timely and successfully execute on its strategic realignment and new business focus, its efforts to expand specialty alcohol production capacity, and its planned certifications; and the continuing effects – both positive and negative – of the novel coronavirus. 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 Pacific Ethanol's 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 Pacific Ethanol's distilleries, 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 Pacific Ethanol's filings with the Securities and Exchange Commission including, specifically, those factors set forth in the "Risk Factors" section contained in Pacific Ethanol's Prospectus Supplement filed with the Securities and Exchange Commission on October 26, 2020.

Who We Are

- Leading producer of specialty alcohols and essential ingredients
 - 180 Acre campus in Pekin, IL
 - 250 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

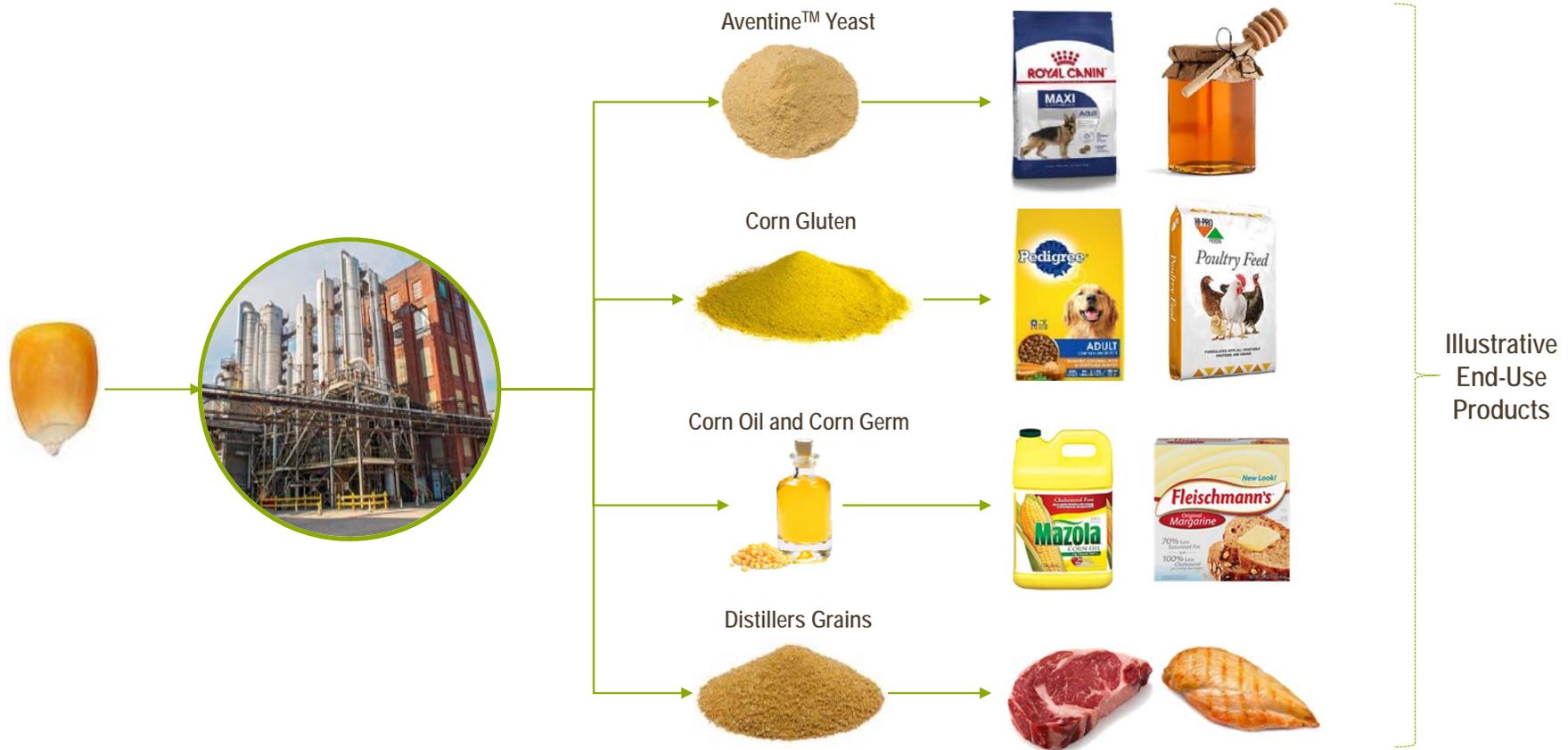
What We Do – Alcohols



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

Note: API certification will be attained by year-end 2020

What We Do – *Essential Ingredients*



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

Our Transformation

July 2017 Acquired Illinois Corn Processing

- Enabled entry into specialty alcohols sector
- Created integrated Pekin campus delivering significant synergies

April 2020 Divested Aurora Fuel Ethanol Plant

- Sold remaining 74% interest in 145 mmgy fuel ethanol plant for \$52.8 million
- Plants had EBITDA losses ranging from \$3-20 million annually during prior 3 years

July 2020 Specialty Alcohol Capacity Expansion

- 55 mmgy expansion of specialty alcohol capacity announced, **increasing capacity by 65%**

Q4-2020 Announcing New Company Name and Brand Identity

- Retiring Pacific Ethanol name
- New name will reflect change in business mix and strategy

March 2020 Idled Western Plants

- Responded to lower fuel demand and a negative margin environment by idling over 60% of fuel grade ethanol capacity
- Currently evaluating sale or repurposing of the plants

May 2020 Leadership Transition

- Retirement of Neil Koehler announced
- Mike Kandris named CEO
- Additional changes in plant and sales management
- Established strong interdisciplinary team

Q3-2020 Debt Reduction

- Reduced net debt by nearly \$100 million from year end 2019 to September 30, 2020
- Received \$11.8 million dollars from a settlement in our favor of a commercial dispute

2021 and Beyond

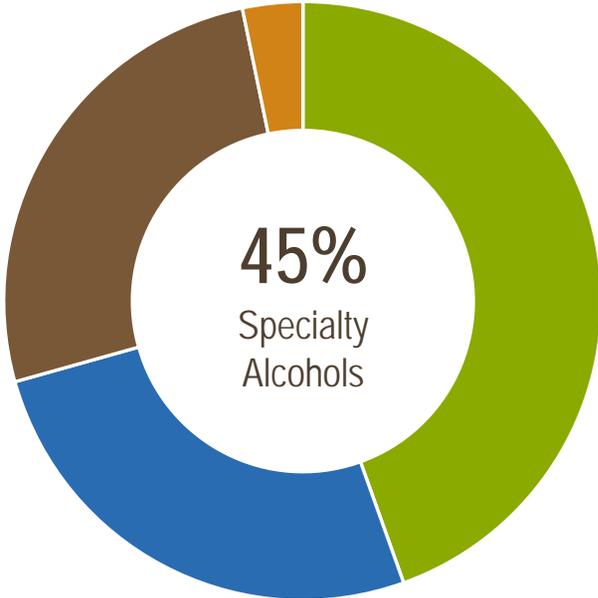
- Focus on specialty alcohols used in beverages and consumer products
- Expand into new, high value essential ingredients
- Make investments in productivity and efficiency
- Deliver consistent results

From Commodity Fuels to Specialty Alcohols

% Revenue Contribution

2019

9 Months Ended September 30, 2020



■ Specialty Alcohols ■ Renewable Fuels (Ethanol) ■ Essential Ingredients ■ Other

We have successfully transformed our business from a fuels focus to a specialty alcohols focus

Note: Excludes revenues from brokering third party gallons through Kinergy

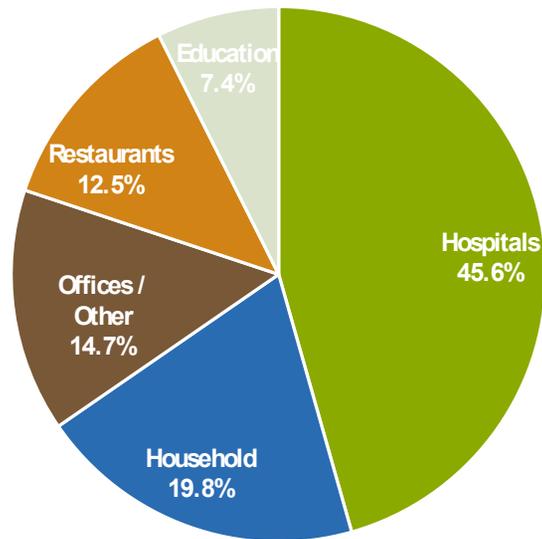
Specialty Alcohols Sell at a Premium to Fuel Grade Ethanol

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*

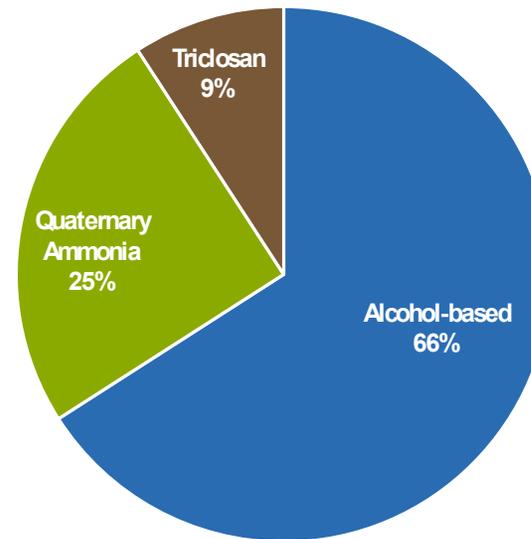
Increasing Use of Hand Sanitizer Driving Incremental Demand

Hand Sanitizer Sales by Application



Hand sanitizer is used by a wide range of businesses and institutions

Hand Sanitizer Sales by Type



Two thirds of hand sanitizer is alcohol-based

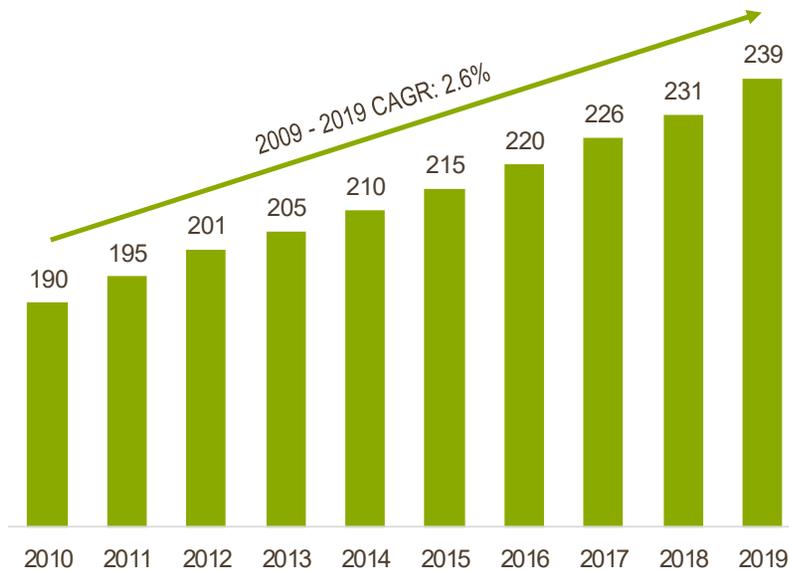
While opinions about demand growth differ, hand sanitizer sales could provide a powerful tailwind to specialty alcohol sales for the foreseeable future as schools, businesses and entertainment venues reopen

Source: The Insight Partners Analysis

Alcoholic Beverage Consumption Continues to Grow

U.S. Distilled Spirits Sales by Volume

Millions of 9-Liter Case Shipments



Key Drivers

- Social currency of brand authenticity and heritage
- Modern consumers seeking unique and personalized experiences
- Increased demand of alcohol-based seltzers
- Millennials drawn to the cache of luxury brands including super premium spirits
- Improved consumer access to spirits products
- Growth of craft distillers building excitement and increasing spirits consumer base
- Diversity of spirits categories and cocktails meet wide-ranging consumer preferences

Distilled spirits share of the alcoholic beverage market has grown every year for 10 years – *38% share in 2019 vs. 33% in 2010*

Source: Distilled Spirits Council

Ethanol Prices Have Largely Recovered to Pre-COVID Levels

LTM Ethanol Price / Gallon



Key Trends

- Market faced major challenges over past several years
 - Reduced export demand resulting from Trump Trade War with China
 - Reduced domestic demand and inventory build caused by unfavorable changes in the application of regulations and political machinations
 - Lower crush spreads in Summer of 2019 due to high ethanol inventories and higher corn prices resulting from extreme rains and flooding
 - Drop in transportation fuel demand by over 50% due to COVID 19 in 1H-20
- Partial recovery expected in 2021, but the industry environment remains challenging
 - While regulatory outlook is improving, material decisions and directions from EPA remain unresolved
 - Exports to China are expected to resume in 2021 and increase but trade disputes continue to temper demand

Ethanol prices have recovered to pre-COVID levels which creates upside to margins

Source: OPIS Chicago

Operating Results Summary

(\$ in thousands, except per share amounts)	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	2020	2019
Net sales	\$ 204,727	\$ 365,160	\$ 728,205	\$ 1,067,264
Cost of goods sold	183,797	379,976	688,983	1,080,398
Gross profit (loss)	20,930	(14,816)	39,222	(13,134)
Selling, general and administrative expenses	(6,404)	(8,687)	(25,245)	(23,630)
Gain on litigation settlement	11,750	-	11,750	-
Income (loss) from operations	26,276	(23,503)	25,727	(36,764)
Interest expense, net	(4,199)	(5,163)	(14,153)	(15,014)
Fair value adjustments	(6,856)	-	(7,497)	-
Other income (expense), net	(6)	(407)	(1,164)	254
Income (loss) before benefit for income taxes	15,215	(29,073)	2,913	(51,524)
Benefit for income taxes	-	-	-	-
Consolidated net income (loss)	15,215	(29,074)	2,913	(51,524)
Net loss attributed to noncontrolling interests	-	1,747	2,166	3,662
Net income (loss) attributed to Pacific Ethanol, Inc.	\$ 15,215	\$ (27,326)	\$ 5,079	\$ (47,862)
Preferred stock dividends	\$ (319)	\$ (319)	\$ (949)	\$ (946)
Income (loss) available to common stockholders	\$ 14,896	\$ (27,645)	\$ 4,130	\$ (48,808)
Net income (loss) per share, basic	\$ 0.25	\$ (0.58)	\$ 0.07	\$ (1.04)
Net income (loss) per share, diluted	\$ 0.24	\$ (0.58)	\$ 0.07	\$ (1.04)
Weighted-average shares outstanding, basic	58,503	47,777	55,620	47,030
Weighted-average shares outstanding, diluted	61,699	47,777	57,958	47,030
Adjusted EBITDA	\$ 34,123	\$ (12,412)	\$ 50,615	\$ (3,616)

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

Balance Sheet Summary

(\$ in thousands)

	At:	09/30/20	12/31/19
Cash & cash equivalents	\$	38,730	\$ 18,997
Current assets		137,715	232,064
Total assets		489,462	612,495
Current liabilities		115,105	160,398
Total liabilities		244,246	385,450
Stockholders' equity		245,216	227,045
Total liabilities & stockholders' equity	\$	489,462	\$ 612,495

- Proceeds from the October 2020 offerings will be used to retire a material portion of the Senior Notes and term loans and for general corporate purposes
- Senior Notes have a 15% interest rate so redeeming them is accretive to EPS
- Potential to be "Net Debt Free" in 2021

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
- Majority of 2021 specialty alcohol production already 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 Net Debt by \$100 million from December 31, 2019 through September 30, 2020
- Targeting repayment of term loans by year end with free cash flow and the proceeds of recent offerings
- Potential to be "Net Debt free" in 2021

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 Pacific Ethanol 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 Pacific Ethanol, 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 Pacific Ethanol, 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.
- Information reconciling forward-looking Adjusted EBITDA to forward-looking net income (loss) attributed to Pacific Ethanol, Inc. would require a forward-looking statement of net income (loss) attributed to Pacific Ethanol, Inc. prepared in accordance with GAAP, which is unavailable to the company without unreasonable effort. The company is not able to provide a quantitative reconciliation of forward-looking Adjusted EBITDA to forward-looking net income (loss) attributed to Pacific Ethanol, Inc. because certain items required for reconciliation are uncertain, outside of the company's control and/or cannot be reasonably predicted, such as fair value adjustments, asset impairments, if any, and provision (benefit) for income taxes, which the company views as the most material components of net income (loss) attributed to Pacific Ethanol, Inc. that are not presently estimable.

Adjusted EBITDA Reconciliation

(Figures below in thousands)

	3 Mos. 9/30/20	3 Mos. 9/30/19	9 Mos. 9/30/20	9 Mos. 9/30/19
Net income (loss) attributed to Pacific Ethanol, Inc.	\$ 15,215	\$ (27,326)	\$ 5,079	\$ (47,862)
Adjustments:				
Interest expense*	4,003	5,163	13,785	15,014
Fair value adjustments	6,856	-	7,497	-
Benefit for income taxes	-	-	-	-
Depreciation and amortization expense*	<u>8,049</u>	<u>9,751</u>	<u>24,254</u>	<u>29,232</u>
Total adjustments	<u>18,908</u>	<u>14,914</u>	<u>45,536</u>	<u>44,246</u>
Adjusted EBITDA	<u>\$ 34,123</u>	<u>\$ (12,412)</u>	<u>\$ 50,615</u>	<u>\$ (3,616)</u>

* Adjusted for noncontrolling interest.