



"WHEN THE TIDE GOES OUT,
WHAT WILL WASH ASHORE?"

/ STRONG SELL OPINION /

Danimer Scientific, Inc. | NYSE: DNMR



SPRUCE POINT
CAPITAL MANAGEMENT

INVESTMENT RESEARCH REPORT

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Insights From Danimer FOIA Show Smoking Gun Evidence of Pricing Inflation And Slackness in Capacity

In our [initial report](#), we warned about capital expenditure and capacity anomalies, as well as Danimer's history of obscuring failure from current investors. Notably, we pointed out Danimer's mathematically impossible claim of having more manufacturing square footage than real property in Georgia. Since our report, Danimer has failed, despite promises, to address any of our claims. Now, with the benefit of a recently released Freedom of Information Act (FOIA) request from the Kentucky Department of Environmental Protection, we have evidence that suggests Danimer's production figures, its pricing, and rosy financial projections are wildly overstated. Monthly Kentucky PHA production figures have been restated by up to 100% after coming public. Danimer's PHA average selling price appears to be 30% - 42% below management's claims. Moreover, Danimer's recently reported production figures are so far below their actual capacity, that it calls into question why is Danimer telling investors it needs hundreds of millions of dollars in capacity expansion?

- **Danimer's SEC disclosures on revenue drivers are insufficient in our view. As a manufacturer of essentially two products in two locations, Danimer fails to provide clear and transparent information on the following to investors:**
 - Production by location
 - Total volumes sold of PHA and PLA
 - Average sales price of PHA and PLA
- **Newly released FOIA provides actual biopolymer production figures by location. We find that Danimer's monthly PHA biopolymer production and natural gas usage for its Kentucky facility have been materially misreported, in some months by 100%**
 - By law, Danimer must provide semi-annual and annual production figures in Kentucky
 - In its 2020 annual filing, signed in Jan 2021 after closing its SPAC deal on the NYSE in December 2020, we observe it reported material errors that overstated Kentucky's figures in some months by up to 100% by including Georgia's production
 - We are able to extrapolate Georgia's monthly production in H1 2020 and find mathematically impossible results, implying negative monthly production in April and June 2020. What's clear is that Georgia production was trending negative in H1 2020
 - **Warning:** The compliance reports are produced by an independent environmental consultant. We find the reports have been signed off on by three different Danimer employees, The "corrected" filing was signed by CTO Phil Van Trump, after previously being signed by Plant Manager Kevin Walsh (Plant Manager: H1 2020) and David Mazzei (Project Manager: 2019). Why hasn't the CFO or COO signed off on these figures? There are legal implications, including potential imprisonment, for filing false information
- **Now with certified production figures from Danimer, we estimate PHA Average Selling Prices (ASPs) are overstated by 30% – 42%**
 - Danimer's October 2020 Investor Presentation implied PHA ASPs of \$3.00/lb. and the CEO alluded to pricing in the \$2.50-\$2.70/lb. range on the year end conference call in March 2021
 - However, based on Danimer's 2.5m lbs. of certified actual production, and \$4.4m of reported PHA sales, we estimate PHA ASPs were closer to \$1.74/lb, or 30% - 42% lower than discussed by management. Danimer's Investor Presentation said it was in a "Fully Sold-Out" position. Even if we assume a one-month lag between production and shipment, ASP would still be \$2.01/lb. or 20% - 33% below management's claims
 - **Warning:** Bullish analyst equity models assume ASPs of \$2.50/lb, falling to \$2.20/lb. in 2025, and \$2.00/lb. by 2030 vs. our evidence that ASPs are closer to \$1.74/lb. today. We believe Danimer is set to vastly disappoint investors and suffer severe price target cuts

Notable Omissions From Recent SEC Filings

- **Actual production implied from Danimer’s reported monthly numbers is so far below stated capacity that it severely calls into question why it is telling investors it needs more capacity?**
 - **Kentucky:** FOIA shows permitted production of 500,000 lbs. monthly vs. recent production of ~330,000 lbs. monthly (34% less)
 - **Georgia:** FOIA shows 2020 monthly production started at ~55,000 lbs. and kept declining to ~40,000 lbs. per mid year, even going negative. It’s not entirely clear if this PHA or PLA production. However, public sources suggest its Georgia facility does 15,000 tons (30,000,000 lbs.) of annual PLA production
 - **Warning:** If Danimer’s business were booming to the degree it suggests exists through “Fully Sold-Out” customer demand, why isn’t it operating at full capacity with its existing manufacturing base before adding more capacity? We will also show how product sales growth recently turned negative in Q4 2020, but is being obscured by Danimer’s financial reporting

- **The Kentucky FOIA also raises other serious concerns about Danimer’s environmental regulation claims:**
 - Danimer fails to disclose any aspects of environmental regulation on its business in its 10-K “Risk Factors”
 - However, documents reveal that Danimer received violation notices in Kentucky, and needed extensive state permitting for water and air. It is now clear that Danimer’s production process emits Volatile Organic Compounds (VOCs) and methanol
 - So, while Danimer touts its products to be environmentally friendly through biodegradability, it’s clear that the byproducts of its process produce harmful chemicals needing regulation
 - Danimer is not currently regulated in Georgia, through a county exemption
 - However, Danimer is now talking about a greenfield expansion to double capacity in Georgia from 125m to 250m lbs. This is in light of recent production figures of just 50,000 lbs. per month. Assuming this capacity expansion occurs, we believe Danimer could face stringent environmental permitting requirements which will add cost and complexity to its plans

- **Warning: No audit has been completed of Danimer’s internal controls, leaving investors to place undue trust on reported results without independent verification**
 - Danimer is not required to, among other things, provide an auditor’s attestation report on its system of internal controls over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act
 - However, it should now be entirely clear to investors that we believe Danimer has serious material weaknesses in financial and operating controls given:
 - The magnitude of Danimer’s recently reported production errors were up to 100%
 - Danimer is at high risk of having to financially restate H1 2020 results

- **Bearish developments since the release of our [initiating report](#) in April further solidify the bear case in our view:**
 - Danimer told Bloomberg it would “*respond to the report’s allegations accordingly*”
 - **Reality:** Danimer has made no public response to refute any of the report’s claims
 - Jefferies, the biggest bull on Danimer with a \$62/sh price target, abruptly cut its price target to \$42/sh but we believe its price target can be cut substantially further since its model rests on inflated ASP assumptions
 - Jefferies model assumes ASPs of \$2.50/lb, falling to \$2.20/lb. in 2025, and \$2.00/lb. by 2030 vs. our evidence that ASPs are closer to \$1.74/lb.
 - Canola futures prices keep hitting new highs, while bulls claim the price action is simply the movement of a short-term over-exuberant commodity market
 - Yet, Spruce Point finds that Canadian producers, where the U.S. imports supplies, are expanding long-term capacity in response to the recent price increases. This suggests the prices are sustainable, and can move even higher until new supply comes to market
 - [Cargill has stated that new capacity won’t reach the market until 2024](#)
 - [Richardson has also stated that new capacity won’t come to market until 2024](#)
 - Market data providers fail to update their quarterly models properly, leading to investment decisions made on incomplete information
 - Because of the timing of the Q4 2020 SPAC closure, Danimer’s reporting for 2020 obscures its year end struggles. We can determine Q3 2020 sales between the six and nine month period ended. When we compare this against Q4 2020 results, we see that product sales actually declined by 13.8% in Q4 2020, and total sales fell by 6.3%.
 - The Company claimed that it was in a “Fully Sold-Out” position, so why then did product sales decline so sharply?
 - Notably, year-end finished inventories spiked to 16.4% of product sales, a multi-year high from the 3% - 4% historical range in 2018/2019
 - Given the Kentucky was operating at limited capacity, and the Georgia data shows declines in H1 2020 production, we are led to believe that Danimer’s Georgia PLA production is not selling well
 - Danimer will [report Q1 2020](#) results on May 17th, 2021. We believe this is the absolute last day possible for it to file its 10-Q with the SEC ([45 days post quarter end for a non-accelerated filer](#))
 - If Danimer has great things to tell investors, why is it delaying reporting until the very last day possible?

Smoking Gun Evidence That Danimer Lacks Proper Controls on Production Figures



January 29th 2020

Division for Air Quality
300 Sower Blvd., 1st Floor
Frankfort, Kentucky 40601

Re: Danimer Scientific Kentucky, Inc.
Permit #F-19-040
AI #110040


To whom it may concern,

On behalf of Danimer Scientific Kentucky we are submitting the permit required semi-annual report for the period of 7/1/2020 through 12/31/2020. In addition, this report includes the Annual Compliance Certification for 2020. During this period, there were no instances of non-compliance by Danimer Scientific-Kentucky. Also attached, as required by the permit is a certification statement from Phil Van Trump, Chief Technology Officer at Danimer Scientific-Kentucky.

It should be noted that natural gas usage and bioplastic production numbers are slightly different from what was submitted for the 2020 first-half semiannual report. Danimer was in the process of changing their natural gas supplier and there was some confusion on the reported usages. In addition, the bioplastic production numbers that were previously submitted included production from the companies Georgia location. The facility was not able to operate in January/February of 2020 as the facility had yet to construct. The updated information provided in this report accurately reflects what actually occurred at this facility in 2020.

We appreciate the opportunity to provide this information and will take provisions to continue the required monitoring and to provide future semiannual reports in a timely fashion. If you have any questions, please call me at 859-885-3331 or Kevin Welsh at 859-940-3581.

Sincerely,



Randy Shelley
President

Attachments: Danimer Certification
1/1/2020-12/31/2020 Natural Gas Usage
1/1/2020-12/31/2020 Bioplastic Production Records
1/1/2020-12/31/2020 Emergency Generator Operation Hours
Emergency Generator Maintenance Log and Annual Maintenance Work Order



The numbers are more than “*slightly*” off, in some cases they are 100% incorrect.

“It should be noted that natural gas usage and bioplastic production numbers are slightly different from what was submitted for the 2020 first-half semiannual report. Danimer was in the process of changing their natural gas supplier and there was some confusion on the reported usages. In addition, the bioplastic production numbers that were previously submitted included production from the companies Georgia location. The facility was not able to operate in January/February of 2020 as the facility had yet to construct. The updated information provided in this report accurately reflects what actually occurred at this facility in 2020.”

Production Figures Revised Materially Lower



Spruce Point has facility biopolymer production data, received through a Freedom of Information Act (FOIA) request with the Kentucky Department of Environmental Protection, that does not properly reconcile. **Based on the data, for April and June 2020, implied Georgia facility production was negative, a mathematically impossible result.** What's also evident is that the Georgia production numbers were steadily declining from 54,951 lbs. in January to 40,162 lbs. by May 2020. Despite this clear evidence showing the Company cannot accurately report production figures, Danimer does not disclose any weaknesses of its internal financial controls.

Kentucky + Georgia Facility

Monthly Production Records	
Date	Produced (lbs)
1/1/2020	54,951
2/1/2020	43,967
3/1/2020	226,900
4/1/2020	114,410
5/1/2020	256,985
6/1/2020	142,789

Kentucky Facility Only

Monthly Production Records	
Date	Produced (lbs)
1/1/2020	0
2/1/2020	0
3/1/2020	182,395
4/1/2020	164,231
5/1/2020	216,823
6/1/2020	180,085
7/1/2020	303,167
8/1/2020	262,836
9/1/2020	216,664
10/1/2020	332,437
11/1/2020	324,480
12/1/2020	344,835

Produced (lbs.)	Kentucky + Georgia (A)	Kentucky (B)	Implied Georgia (A-B)	Magnitude of Error
Jan-2020	54,951	0	54,951	100%
Feb-2020	43,967	0	43,967	100%
Mar-2020	226,900	182,395	44,505	24%
Apr-2020	114,410	164,231	(49,821)	-30%
May-2020	256,985	216,823	40,162	19%
Jun-2020	142,789	180,085	(37,296)	-21%
Jul-2020	--	303,167	--	--
Aug-2020	--	262,836	--	--
Sep-2020	--	216,664	--	--
Oct-2020	--	332,437	--	--
Nov-2020	--	324,480	--	--
Dec-2020	--	344,835	--	--

How Is This Possible? Based on the explanation the revised numbers exclude Georgia. Notice though Georgia production is trending down

Note: Kentucky was permitted up to 500,000 lbs. per month


Additional Facility Figures Do Not Add Up

We find inconsistent figures in Danimer's reporting of monthly natural gas usage for its Kentucky facility. The reported numbers changed from its 6 month to full-year filing. Spruce Point observes that upon notification by an independent consultant that the numbers were inaccurate, Van Trump (a named executive) was required to sign the document, which has legal implications (including penalties of imprisonment) for false or incomplete information. **The figures were materially restated and signed by Van Trump on January 29, 2021 after Danimer completed its SPAC transaction on December 29, 2020.**⁽¹⁾ Yet, Danimer has made no SEC disclosure about the production errors, or mention of any financial control issues in its 10-K. **Why isn't the CFO, COO, or CEO attesting to the numbers and instead having the "Chief Technology and Science Officer" validate production?**

Kentucky Facility First-Half 2020 (Original)

Monthly Natural Gas Usage			
Date	Usage(10^6scf)	VOC Emission Factor	VOC Emissions (tons)
1/1/2020	6.782	5.5	0.0187
2/1/2020	8.099	5.5	0.0223
3/1/2020	10.447	5.5	0.0287
4/1/2020	9.073	5.5	0.0250
5/1/2020	12.683	5.5	0.0349
6/1/2020	9.658	5.5	0.0266

From H1 2020: Kevin E. Walsh

BY: 
AUTHORIZED SIGNATURE

7/30/2020
DATE

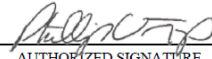
Kevin E. Walsh
TYPED OR PRINTED NAME OF SIGNATORY

Plant Manager
TITLE OF SIGNATORY

Kentucky Facility Full Year 2020 (REVISED)

Monthly Natural Gas Usage			
Date	Usage(10^6scf)	VOC Emission Factor	VOC Emissions (tons)
1/1/2020	6.782	5.5	0.0187
2/1/2020	8.099	5.5	0.0223
3/1/2020	10.097	5.5	0.0278
4/1/2020	9.839	5.5	0.0271
5/1/2020	10.863	5.5	0.0299
6/1/2020	8.742	5.5	0.0240
7/1/2020	9.242	5.5	0.0254
8/1/2020	8.816	5.5	0.0242
9/1/2020	9.280	5.5	0.0255
10/1/2020	11.079	5.5	0.0305
11/1/2020	11.446	5.5	0.0315
12/1/2020	12.705	5.5	0.0349

From Full Year: Phil Van Trump

BY: 
AUTHORIZED SIGNATURE

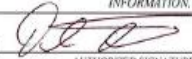
January 29, 2021
DATE

Phillip Van Trump
TYPED OR PRINTED NAME OF SIGNATORY

CTO & CSO
TITLE OF SIGNATORY

From 2019: Dave Mazzei

INFORMATION, INCLUDING THE POSSIBILITY OF FINE OR IMPRISONMENT.

BY: 
AUTHORIZED SIGNATURE

30-JAN-2020
DATE

Dave Mazzei
TYPED OR PRINTED NAME OF SIGNATORY

Project Manager
TITLE OF SIGNATORY

Material revisions attested to after the SPAC transaction closed, but never disclosed to investors

Georgia and Kentucky Producing At 99% and 34% Below Production Capacity



Spruce Point finds evidence both Danimer’s Georgia and Kentucky facilities are producing significantly below capacity. We question why the Company needs to build additional facilities if it is not utilizing its current capacity?

**Georgia Facility: Run Rate ~600,000 lbs. per year
“Reported” Capacity At 600 million lbs. – Approximately 99% Below**

Monthly Production Records	
Date	Produced (lbs)
1/1/2020	54,951
2/1/2020	43,967

Produced (lbs.)	Implied Georgia
Jan-2020	54,951
Feb-2020	43,967
Mar-2020	44,505
Apr-2020	(49,821)
May-2020	40,162
Jun-2020	(37,296)

Numbers were trending downward throughout the first half of 2020

15,000 tons = 30m lbs. (2.5m / month)
300,000 tons = 600m lbs. (50m / month)

Another company in the USA called Meridian Inc. produces around 15,000 tons of PHA bioplastics per year obtained from the fermentation of bacteria grown on oils (fatty acids). The obtained products are used for films, non-woven fabrics, and food-contact packaging. The full capacity of the plant is able to produce more than 300,000 tons of PHA per year [2,11].

Source: MDPI report, March 2020

Kentucky Facility – Approximately 34% Below Permitted Capacity

Monthly Production Records	
Date	Produced (lbs)
1/1/2020	0
2/1/2020	0
3/1/2020	182,395
4/1/2020	164,231
5/1/2020	216,823
6/1/2020	180,085
7/1/2020	303,167
8/1/2020	262,836
9/1/2020	216,664
10/1/2020	332,437
11/1/2020	324,480
12/1/2020	344,835

Kentucky facility production (most recent monthly figure of 345k lbs.) is significantly below 500k lbs. limit

Danimer Scientific Kentucky, Inc. currently holds a State-Origin operating permit for the manufacturing of bioplastics. The application received on October 10, 2019 sets fourth construction of equipment for the production of bioplastics at the facility with resulting uncontrolled VOC and Methanol emissions greater than the major source threshold of 100 tpy of regulated air pollutants and 10 tpy of single HAP, respectively. For this reason, the facility will be taking a Federally Enforceable monthly production limit of 500,000 pounds of bioplastic from the Bioplastics Production Area and Federally Enforceable source-wide limits of 90 tpy of VOC emissions and 9.0 tpy of Methanol emissions. Therefore, the facility will be issued a Federally Enforceable State Origin Permit.

Source: Kentucky Division for Air Quality (Kentucky Department of Environmental Protection FOIA request)

Smoking Gun Evidence: PHA's Average Selling Prices Appear 30% - 42% Below Management's Claims



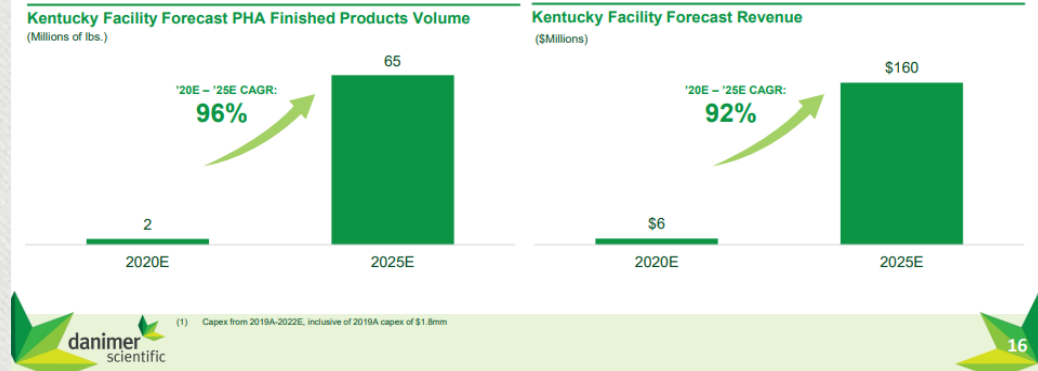
Spruce Point finds evidence that Danimer's PHA Average Selling Price (ASP) in 2020 is irreconcilable. Management initially guided to \$3.00/lb. in October 2020 and the CEO claimed \$2.50 - \$2.70/lb.+ on the year-end conference call. Yet, with our certified production data available from the Kentucky facility of 2.5m lbs, and reported sales of \$4.4m, we estimate actual ASP of \$1.74 or 30% - 42% below the \$2.50 - \$3.00/lb range illustrated by management.⁽¹⁾

Kentucky Facility Actual Production 2020A: 2,527,953 lbs.

Monthly Production Records	
Date	Produced (lbs)
1/1/2020	0
2/1/2020	0
3/1/2020	182,395
4/1/2020	164,231
5/1/2020	216,823
6/1/2020	180,085
7/1/2020	303,167
8/1/2020	262,836
9/1/2020	216,664
10/1/2020	332,437
11/1/2020	324,480
12/1/2020	344,835

Source: Kentucky Division for Air Quality (Kentucky Department of Environmental Protection FOIA request)

Kentucky Facility Forecast 2m lbs. and \$6m of sales (implies ASP of \$3.00/lb.)



Source: [Danimer Investor Presentation](#), October 2020, slide 16
Note: Danimer had already produced 1.85m pounds at time of their 2.0m forecast

CEO Quote on ASP Suggests \$2.50 - \$2.70+

Q. Analyst Laurence Alexander

And then can you address sort of average selling prices? How they're doing now? And do you still expect them to be in roughly the 250 range or to what degree is these are moving?

A. CEO Steve Croskrey

Yes, the average selling price is pushing about 270 right now. So, I would say that it's been increasing slightly, over the last few months.

Source: [2020 Conference Call](#), March 2021

1) Danimer's [Investor Presentation](#) (slide 26) said it was in a "Fully Sold-Out" position. Even if we assume a one-month lag between production and shipment, ASP would still be \$2.01/lb. or 20% - 33% below management's claims

Danimer's Annual Report Implies ASP of \$1.74/lb. \$4.4m of sales / 2.527m of production

*"The \$13.8 million increase in product revenue was primarily attributable to increases in PLA-based product sales of \$9.4 million **and in PHA-based product sales of \$4.4 million.** The increase in PLA-based product sales was primarily the result of increasing customer demand for a specific application of a recently introduced PLA solution for a developing consumer market application. Additionally, some of our customers purchasing PLA-based products decided to increase their inventory levels to protect against potential supply chain disruptions that may arise due to the spread of the COVID-19 virus. **PHA-based product revenue increased due to the start-up of Phase I of the Kentucky plant.**"*

Source: 2020 [10-K](#) p. 32

More Evidence Sales Are Not As Robust As Management Claims



Because of the timing of the SPAC closure, Danimer's reporting for 2020 obscures its year end struggles. We can determine Q3 2020 sales between the six and nine month period. **When we compare this against Q4 2020 results, we see that product sales actually declined by 13.8% in Q4 2020, and total sales fell by 6.3%.** The Company claimed that it was in a "Fully Sold-Out" position, so why then did product sales decline so sharply? Notably, finished inventories spiked to 16.4% of product sales. Given the Kentucky was operating at limited capacity, and the Georgia data was showing declines in H1 2020, we are led to believe that Danimer's Georgia PLA production is not selling well.

5 Rapidly Growing Blue Chip Customer Base with Take-or-Pay Contracts has Led to Fully Sold-Out Position through Phase II Capacity Addition

Danimer's [Investor Presentation](#) (slide 26)

\$ in mm	6M Ended June 30, 2020 (A)	9M Ended Sept 30, 2020 (B)	Implied 3M Ended Sept 30, 2020 C= (B-A)	Reported 3M Ended Dec 31, 2020 (D)	Quarter of Quarter Change Q3/Q4 2020 (D/C-1)
Product Sales	\$19.8	\$31.0	\$11.2	\$9.7	-13.8%
Service Sales	\$2.7	\$4.3	\$1.6	\$2.3	46.9%
Total Sales	\$22.5	\$35.3	\$12.8	\$12.0	-6.3%

\$ in mm	2018	2019	2020
Product Sales	\$28.7	\$26.9	\$40.7
Finished Inventory	\$0.9	\$1.1	\$6.7
Finished Inventory / Product Sales	3.3%	4.2%	16.4%

Market Data Providers Fail To Capture The Abysmal Recent Quarterly Results By Danimer



We believe quantitative models used by the market may be using incomplete information to evaluate Danimer's recent results. We observe that at least two market data providers don't capture the Q3 2020 result, which would show quarter-over-quarter decline in product and total revenue.

Danimer Financials: Quarterly By Bloomberg

DNMR US Equity 96) Actions 97) Export 98) Settings				
Danimer Scientific Inc ASC 842 ? Periodicity Quarters Cur FRC (USD)				
1) Key Stats 2) I/S 3) B/S 4) C/F 5) Ratios 6) Segments 7) Addl 8) ESG				
11) Highlights 12) Summary 13) Enterprise Value 14) Multiples 15) Per Share 16) Stock				
In Millions of USD	2020 Q1~	2020 Q2	2020 Q3	2020 Q4
3 Months Ending	03/31/2020	06/30/2020	09/30/2020	12/31/2020
Market Capitalization	-	245.0	252.0	1,987.4
- Cash & Equivalents	0.0	201.7	201.5	377.6
+ Preferred & Other	0.0	0.0	0.0	0.0
+ Total Debt	0.2	0.0	0.0	83.8
Enterprise Value	-	43.3	50.5	1,693.6
Revenue, Comparable	-	-	-	12.0
Growth %, YoY	-	-	-	-
Gross Profit	0.0	0.0	0.0	1.2
Margin %	-	-	-	10.1
EBITDA	-	-0.1	-0.2	-
Margin %	-	-	-	-
Net Inc, Comparable	-	-	-	-11.1
Margin %	-	-	-	-92.4
EPS, Comparable	-	-	-	-0.42
Growth %, YoY	-	-	-	-
Cash from Operations	0.0	-0.1	-0.3	-13.5
Capital Expenditures	-	0.0	-	-
Free Cash Flow	-	-0.1	-	-

Source: Bloomberg

Danimer Financials: Quarterly By Yahoo! Finance

Show: [Income Statement](#) | [Balance Sheet](#) | [Cash Flow](#) [Annual](#) | [Quarterly](#)

Income Statement

All numbers in thousands

Get access to 40+ years of historical data with Yahoo Finance Plus Essential. [Learn more](#)

Breakdown	TTM	12/31/2020
> Total Revenue	47,333	12,027
Cost of Revenue	35,876	10,818
Gross Profit	11,457	1,209
> Operating Expense	27,194	12,451
Operating Income	-15,737	-11,242
> Net Non Operating Interest Inc...	-2,080	-911
> Other Income Expense	5,244	5,200

Yahoo Finance Plus Essential access required. [Learn more](#)

Source: [Yahoo! Finance](#)



Jefferies is a leading bullish promoter of Danimer, with a price target as high a \$66/sh, but recently cut to \$42/sh following our critical report. Yet, we now have strong evidence to show that its \$42/sh price target rests on overly optimistic assumptions about ASPs. **We previously provided evidence that its fully sold PHA production, and reported PHA sales, yielded an ASP of \$1.74. However, Jefferies base case model assumes \$2.50/lb, falling to \$2.20/lb. in 2025, and \$2.00/lb. by 2030.** Therefore, we conclude that Jefferies' price target is way too high with significant room to be cut further.

Jefferies

EQUITY RESEARCH

Danimer Scientific, Inc. (DNMR)

DANIMER (DNMR)

Estimates				
USD	2019A	2020A	2021E	2022E
Rev. (MM)	32.0	47.0	79.0	153.0
<i>Previous</i>				
EBITDA (MM)	(1.0)	(7.0)	0.0	32.0
<i>Previous</i>				
EPS				
Q1	-	0.00	(0.02)	-
<i>Previous</i>				
Q2	-	(1.11)	(0.04)	-
<i>Previous</i>				
Q3		(0.57)	(0.02)	
<i>Previous</i>				

The Long View

Scenarios

Base Case

- PLA grows at 8-9% CAGR through 2030
- PHA capacity reaches 315m lb by 2025, 2,500m lb by 2030
- ASPs fall to \$2.20/lb in 2025, \$2.00/lb by 2030
- EBITDA \$216m in 2025, \$1,385m in 2030
- After 2030 Danimer shifts to adding plants in 500m lb/year tranches
- At current ASPs a new 250m lb/yr PHA plant adds \$13.65 to NPV at date of start-up
- ZIRP/NIRP environment & ESG flows offset risk premium
- Price Target \$42, equivalent to 9.5x 2030 EBITDA discounted back at 15%

Source: Jefferies: "A Lower Bar For The Q1 Call. Simple Steps Likely Suffice For A Double", April 26, 2021

Are Management's Bullish Capacity Claims Well Timed To Keep Investors Interested Until Insiders Can Dump Stock?



While we've shown that Danimer has been operating under capacity and its ASPs are well below management's claims, the CEO is confidently claiming even more capacity is necessary and the unit economics support the decision. Management's bullish claims of big new demand sources come not long before 12 million warrants (6 million public and 6 million private) are set to become exercisable. Perhaps the timing is just a pure coincidence...

CEO Quote
March 2021

"In fact, based on our conversations with customers and the trends we are seeing in the business, we believe that the market demand and unit economics support additional capacity more than 250 million pounds of finished product per year beyond currently announced capacity additions."

Source: [Danimer Conf Call](#), field March 29, 2021

Private Warrants

Upon the Closing, there were 6,000,000 outstanding private warrants to purchase shares of our common stock that were issued by Live Oak prior to the Business Combination. Each whole warrant entitles the holder to purchase one share of our common stock at a price of \$11.50 per share, subject to adjustments. The warrants are exercisable at any time after May 7, 2021. The Private Warrants (including our common stock issuable upon exercise of the Private Warrants) are not transferable, assignable, or saleable until after January 28, 2021 and they will not be redeemable so long as they are held by the Sponsor or its permitted transferee. The Private Warrants have terms and provisions that are identical to the Public Warrants. The Private Warrants will expire on December 28, 2025 or earlier upon redemption or liquidation. These warrants qualify as equity instruments and we have included them in additional paid-in capital in the Consolidated Balance Sheet at December 31, 2020.

Source: [Danimer Prospectus](#), field March 30, 2021. Note: there are also 6m public warrants exercisable on the same day



We believe Danimer fails to disclose the extent of environmental regulation on its SEC filings. Danimer touts its environmentally friendly biodegradable products, but fails to disclose that its production process emits hazardous air pollutants such as Volatile Organic Compounds (VOCs) and methanol. We hope Danimer's partners evaluate its net environmental impact when considering to partner with the Company.

Why Does Danimer Fail To Disclose It's Regulated By Environmental Agencies?

Government Regulation

Regulation by government authorities in the United States and other countries is a significant factor in the production and marketing of our products and our ongoing R&D activities. In order to research, develop, and manufacture products for our customers and ultimately for consumer use, we must satisfy mandatory procedures and standards established by various regulatory bodies. Compliance with these standards is complex, and failure to comply with any of these standards can result in significant consequences.

Some applications for which our biopolymers may be suitable, such as food packaging, PHA-coated paper cups and drinking straws, involve food contact, which, in the United States, is regulated by the U.S. Food and Drug Administration ("FDA"). Our PHA has been cleared for use in food-contact applications by the FDA. The PHA polymer is also contained on positive lists for food-contact in the European Union and Japan. We are in the process of seeking further regulatory approvals necessary to sell and produce our products based on local requirements in various jurisdictions worldwide, and we are prepared to seek additional such approvals as may become necessary in the ordinary course of business.

Source: [Danimer 10-K](#)

Regulators In The Past Have Limited Danimer's Production.

Is This Not Material To Investors?

Description of Action:

Danimer Scientific Kentucky, Inc. currently holds a State-Origin operating permit for the manufacturing of bioplastics. The application received on October 10, 2019 sets fourth construction of equipment for the production of bioplastics at the facility with resulting uncontrolled VOC and Methanol emissions greater than the major source threshold of 100 tpy of regulated air pollutants and 10 tpy of single HAP, respectively. For this reason, the facility will be taking a Federally Enforceable monthly production limit of 500,000 pounds of bioplastic from the Bioplastics Production Area and Federally Enforceable source-wide limits of 90 tpy of VOC emissions and 9.0 tpy of Methanol emissions. Therefore, the facility will be issued a Federally Enforceable State Origin Permit.

Source: Kentucky Division for Air Quality Statement of Basis
(Kentucky Department of Environmental Protection FOIA request)



While Danimer was out marketing its growth story after the SPAC announcement in October 2020, there was no subsequent disclosure that it was facing compliance violations in Kentucky by the Division of Air Quality.

Energy and Environment Cabinet
Department for Environmental Protection
Division for Air Quality
Air Inspection Report

AI ID: 110040 AI Type: MFG- Food Mfg, Animal Consumption (311)
AI Name: Danimer Scientific KY
AI Address: 605 Rolling Hills Ln

City: Winchester, State: Kentucky Zip: 40391
County: Clark Regional Office: Frankfort Regional Office
Latitude: 38.01275 Longitude: -84.178389

Site Contact: Matt Hoehne
Title: Assistant Director Process Technician Phone #: (229) 243-7075 ext. 140

Inspection Type: DAQ-Partial Compliance Evaluation Activity #: CIN20200002

Inspection Start Date: November 18, 2020 Time: 01:00 PM
End Date: November 18, 2020 Time: 03:00 PM

Site/Permit ID: 2104900069

Lead DEP Investigator: Taylor Renfro
Other DEP Investigators: James E Caudill
Persons Interviewed: Matthew Hoehne; Nathan Sheehan

General Comments: On November 18, 2020, I performed a Partial Compliance Evaluation (PCE) at Danimer Scientific located at 605 Rolling Hills Lane in Winchester, Kentucky. This PCE was performed due to a discovery while at the facility for stack testing that same date. This report will not address any findings from the stack test. That report can be found in graybar CIN20200001.

Around 9:00 AM I arrived on the property of Danimer Scientific to observe a stack test. During a facility tour that was being given by Mr. Matt Hoehne, Assistant Director Process Technician, he stated that they had began construction on another part of the property owned by Danimer. Mr. Hoehne stated that they were building a building where additional process equipment will be housed. Prior to breaking ground, they had torn down two buildings. The facility had not yet submitted a permit revision application for this construction. Mr. Hoehne stated that he planned on having the building completed and all equipment on site by the time the permit was issued. He stated that they planned on applying for the permit revision in the beginning of 2021. After the facility tour, I went and observed the construction that has begun. I observed construction trailers, a gravel foundation, rolls of rebar, and several pieces of equipment such as, but not limited to, two cranes, several backhoes and bulldozers, and ground drilling equipment/ auger. I took photos to document my findings.

I left the facility around 3:00 PM.

The next day I spoke with Mr. Eli Caudill, Environmental Inspector IV, to confirm if the facility had applied for an asbestos permit and submitted a demolition notification prior to tearing down the buildings. Mr. Caudill stated that neither of those documents were ever received. I confirmed using Google Maps that there were previously two buildings on site that are no longer there.

On November 23, 2020, a virtual meeting was held with myself, Mr. Nathan Sheehan, Hall Environmental Consultant, Mr. Matt Hoehne, Ms. Colette Cantrell, Director of Regulatory Compliance for Danimer Scientific, and Mrs. Sonja Smiley, Environmental Scientist IV to further discuss these findings. During this meeting Mr. Hoehne stated that they had not yet ordered equipment for the expanding processes and are going to wait until after putting in a permit application. When asked if a permit application would be received soon, Mr. Hoehne stated that plans for this building have not yet been finalized and neither has an equipment list. However, there will be permitted processes housed in the new building when it is complete. These processes will be similar to the permitted processes that Danimer already has.

Overall Compliance Status: Out of Compliance- Notice of Violation (NOV)

Investigation Results

SI: AIO0110040
SI Description: Major Source
Inspector Comment: AI 110040

Requirement: Sources subject to this administrative regulation shall not construct, reconstruct, or modify without a permit or permit revision issued under this administrative regulation. [401 KAR 52.030 Section 3(1)(a)]

Compliance Status: V-Out of Compliance-NOV

Comment: On November 18, 2020, Mr. Hoehne stated that the facility had started construction on what is going to be another process building. I observed broken ground, rebar, gravel, and two cranes on site for construction. I took photographs to document my findings.

Requirement: § 61.145 (a) Applicability. To determine which requirements of paragraphs (a), (b), and (c) of this section apply to the owner or operator of a demolition or renovation activity and prior to the commencement of the demolition or renovation, thoroughly inspect the affected facility or part of the facility where the demolition or renovation operation will occur for the presence of asbestos, including Category I and Category II nonfriable ACM. The requirements of paragraphs (b) and (c) of this section apply to each owner or operator of a demolition or renovation activity, including the removal of RACM as follows: [40 CFR 61.145(a)]

Compliance Status: V-Out of Compliance-NOV

Comment: An asbestos survey was not conducted prior to demolition activities beginning that may have disturbed suspect asbestos containing materials.

Requirement: (b) Notification requirements. Each owner or operator of a demolition or renovation activity to which this section applies shall: (1) Provide the Administrator with written notice of intention to demolish or renovate. Delivery of the notice by U.S. Postal Service, commercial delivery service, or hand delivery is acceptable. [40 CFR 61.145(b)]

Compliance Status: V-Out of Compliance-NOV

Comment: A Kentucky Division for Air Quality Notification of Demolition form was not submitted prior to demolition activities beginning.

Documentation

- | | |
|--|--|
| <input checked="" type="checkbox"/> Photos taken | <input type="checkbox"/> Record of visual determination of opacity |
| <input type="checkbox"/> Documents obtained from facility | <input type="checkbox"/> Samples taken by DEP |
| <input type="checkbox"/> Samples taken by outside source | <input type="checkbox"/> Regional office instrument readings taken |
| <input type="checkbox"/> Request for Submission of Documents | <input type="checkbox"/> Other documentation |