RAYMOND JAMES

U.S. Research
Published by Raymond James & Associates

December 15, 2011

Company Brief

Gevo, Inc.

(GEVO:NASDAQ)

Pavel Molchanov, (713) 278-5270, Pavel.Molchanov@RaymondJames.com
Cory J. Garcia, (713) 278-5240, Cory.Garcia@RaymondJames.com
Stacey Hudson, Res. Assoc., (713) 278-5258, Stacey.Hudson@RaymondJames.com

Alternative Energy: Alternative Fuels and Chemicals

Another Blue Chip Partnership: Bioplastics Alliance With Coca-Cola

- Our industry brief from June 10, "Bio-Based Plastics: In Coke-Pepsi War's New Front, Gen2 Biofuels Set to Benefit," introduced the bioplastics opportunity as it relates to Gen2 biofuel developers. Today came the latest milestone, as Gevo announced a partnership with Coca-Cola to create renewable para-xylene from isobutanol. The goal is to accelerate the development of Coke's second-generation PlantBottle, made from 100% renewables. Gevo will work with Coke to deliver an integrated system to produce renewable para-xylene, a process that will progress over time from R&D to full commercialization (no specific timeline disclosed yet). Coke becomes the latest blue chip partner to work with Gevo, following in the footsteps of such companies as Toray Industries and Lanxess.
- The perpetual rivalry between the two giants of the soft drink industry – Coca-Cola and PepsiCo – has long had a green dimension. In 1990-1991, the two companies competed to be the first to deploy bottles made from recycled materials, and Coke became the first to market. This time around, the competition is for leadership in using bottles made from renewables. Coke is again in the lead, having introduced its first-generation PlantBottle – which has 30% renewable content – in 2009. This year, Coke expects to use 5 billion PlantBottles. Not to be overshadowed by its rival, in March, Pepsi introduced a bottle made 100% from renewables, with pilot production in 2012. Coke's second-generation PlantBottle also targets the 100% renewable mark – hence the partnership with Gevo.
- There is no doubt that there is a public relations element to the Coke-Pepsi rivalry – cultivating a green image is a well-established marketing strategy for consumer-oriented companies. But the opportunity goes well beyond public relations. SPI, the U.S. plastics industry's trade association, estimates annual shipments at ~$380 billion. For polyethylene terephthalate (PET) specifically, the global market is ~54 million metric tons (~$100 billion), with ~30% used for plastic bottles. Para-xylene is a key raw material used in PET production. Gevo has previously announced supplying Toray, a leading chemical company based in Japan, with lab-scale quantities of renewable para-xylene. Toray has successfully converted Gevo's para-xylene into PET films and fibers.

Rating

Outperform 2

Current Price

Current Price (12/15/2011 1:05 p.m.)	$6.97
52-Week Range	$26.36 - $5.18
Suitability	Venture Risk

Market Data

Shares Out. (mil.)	25.9
Market Cap. (mil.)	$181
Avg. Daily Vol. (10 day)	79,980
Dividend/Yield	$0.00/0.0%
Book Value (09/11)	$3.99
LT Debt (mil.)/% Cap.	$19/16%

Earnings & Valuation Metrics

	2010A	2011E	2012E	2013E
Non-GAAP EPS	$(35.40)	$(2.11)	$(1.89)	$(0.66)
P/E Ratios (Non-GAAP)	NM	NM	NM	NM
GAAP EPS	$(37.44)	$(2.11)	$(1.89)	$(0.66)
Revenues (mil.)	$16	$63	$46	$221
EBITDA (mil.)	$(31)	$(39)	$(49)	$(11)
Cash Flow/Share	$(20.84)	$(1.60)	$(1.51)	$(0.19)
P/CFPS Ratios	NM	NM	NM	NM

Company Description

Gevo, Inc., based in Englewood, Colorado, is a developer and early-stage producer of isobutanol, an advanced biofuel that can be blended into gasoline as an oxygenate and also has applications in chemicals. The company is focusing on corn as its primary feedstock and is expanding production capacity by retrofitting U.S. corn ethanol plants.

Footnotes: Non-GAAP EPS excludes extraordinary items. Initial public offering within last 12 months; trailing 12-month share price figures represent range since that time.

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Outperform (MO2) Expected to appreciate and outperform the S&P 500 over the next 12-18 months. For higher yielding and more conservative equities, such as REITs and certain MLPs, an Outperform rating is used for securities where we are comfortable with the relative safety of the dividend and expect a total return modestly exceeding the dividend yield over the next 12-18 months.
Market Perform (MP3) Expected to perform generally in line with the S&P 500 over the next 12 months.
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	Coverage Universe Rating Distribution			Investment Banking Distribution		
	RJA	RJL	RJ LatAm	RJA	RJL	RJ LatAm
Strong Buy and Outperform (Buy)	58%	71%	45%	14%	49%	23%
Market Perform (Hold)	36%	28%	48%	5%	25%	3%
Underperform (Sell)	6%	1%	7%	6%	0%	0%

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High Risk (HR) Companies with less predictable earnings (or losses), rapidly changing market dynamics, financial and competitive issues, higher price volatility (beta), and risk of principal.

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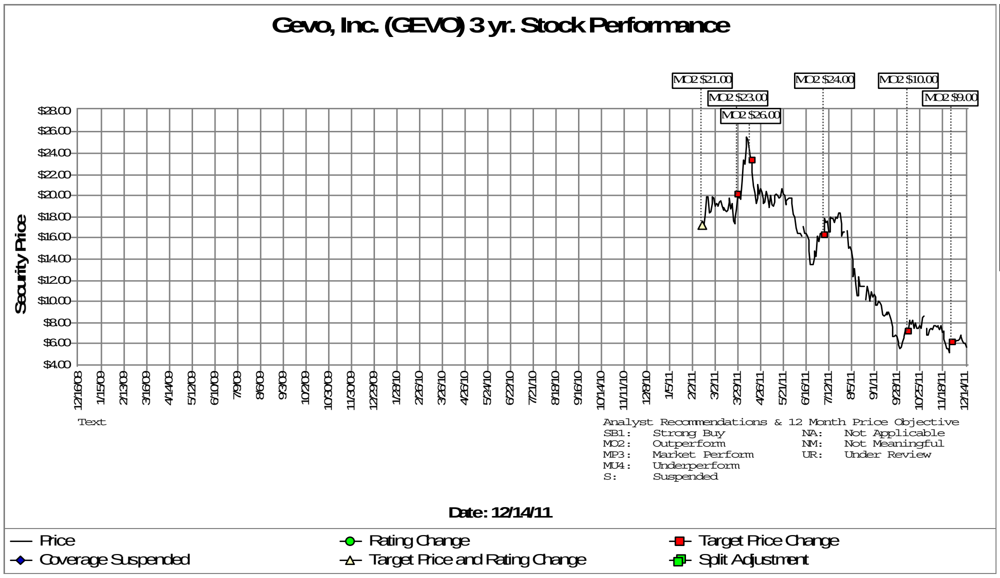
Target Prices: The information below indicates our target price and rating changes for GEVO stock over the past three years.



Update Date	Closing Price	Target Price	Rating
12/1/11	6.15	9.00	2
10/11/11	7.26	10.00	2
7/6/11	16.37	24.00	2
4/13/11	23.35	26.00	2
3/29/11	20.15	23.00	2
2/15/11	17.20	21.00	2

Valuation Methodology: Our valuation methodology for Gevo is primarily based on discounted cash flow, using 2015 as the terminal year and 20% as the discount rate.

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Specific Investment Risks Related to the Industry or Issuer

Conventional Energy Price Risk
Alternative energy competes with conventional energy sources, the most important of which are crude oil, natural gas, and coal. Declines in the price of conventional energy can make alternative energy less competitive, and in some cases make it economically unviable. Consumers are less likely to view alternative energy as a practical option if conventional energy is relatively more attractive from an economic standpoint.

Commerciality and Technology Risk
Not all types of alternative energy are currently commercial, and some may never reach full commercial viability. There is no guarantee that future technological developments will be favorable to alternative energy, and in fact, some developments could render some types of alternative energy obsolete or unattractive.

Public Policy Risk
Many types of alternative energy currently benefit from favorable government policies, including tax incentives for producers and/or consumers, direct and indirect subsidies, and mandatory use requirements. These policies are subject to change and may become less favorable in the future.

Regulatory Risk

Like all subsectors of energy, alternative energy is subject to many government regulations at various levels, including environmental and land use regulations. These rules can reduce the profitability of alternative energy and could potentially result in delay or loss of commerciality.

Company-Specific Risks for Gevo, Inc.

Lack of Near-Term Profitability
We do not believe that Gevo will achieve sustained profitability until 2014 at the earliest. Similarly, the company's negative cash flow from operations represents another financial challenge and may necessitate outside financing in the future.

Advanced Biofuels Commercialization Risk
As is true of many early-stage industries, commercialization of advanced biofuels entails numerous risks. For example, in order to become cost-competitive with conventional biofuels (as well as petroleum fuels), Gevo must reduce the production cost of its products through improvements in yields and other manufacturing efficiencies. In addition, if Gevo eventually diversifies its feedstock mix beyond corn, it is important to underscore that the development of technology for converting sugar derived from non-food renewable biomass sources into a commercially viable biofuel is still in its early stages.

Joint Venture Risk
A core element of Gevo's growth strategy is to partner with ethanol plant owners in order to retrofit the plants to produce isobutanol. This strategy entails several risks, including potential changes in transaction terms and uncertain timing of transactions.

Crude Oil and Corn Price Risk
The biofuels produced by Gevo's plants will compete with conventionally refined petroleum fuels. Their price is linked to the price of crude oil. A significant decline in oil prices may render biofuels uneconomic. Gevo's plants also face the risk that their principal feedstock, corn, may significantly rise in price, therefore harming profitability.

Competitive Market Environment
Gevo operates within the competitive markets for fuels and chemicals. The company's ability to continue developing new product innovations and introducing these into rapidly evolving markets is essential for future success. Several of the company's competitors are larger and have greater financial resources.

Government Policy Risk
Many national and local policy measures benefit the biofuel industry in the U.S. and internationally. Any of these measures can be amended, suspended, or repealed, and such action could reduce demand for biofuels.

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