

## OGIB BULLETIN #264 - September 27, 2019

### COMPANY ANALYSIS **Greenlane Renewables** **GRN-TSXV**

Greenlane is the largest biogas upgrader in the world. They take the gas generated from waste – food or otherwise – and upgrade it into usable natural gas.

In the energy industry, this is called RNG – Renewable Natural Gas, as it doesn't come out of the ground.

It is a fast-growing segment of the western energy world – albeit starting from a VERY low base. But that means there is a large runway for growth!

Greenlane isn't quite a start-up; they have installed roughly 100 upgraders over the last two decades. These cost \$1-\$25 million, but average about \$4 million. They did \$18 million in revenue last year and will probably do the same this year, and only burn a small amount of cash.

The original **Westport (WPRT-TSX/NASD)** team are here, and they all put in their money here at 20 cents where the stock is trading now. They own over 20%.

They took it public in June 2019 with an idea to not only increase upgrader sales, but start a BOOM model – Build, Own, Operate and Maintain – where they can get recurring revenue (much like North American Construction Group which I just outlined to you last month).

In this model, they think they would get some of the profits of RNG. As I'll explain below, RNG economics are a bit wonky, but producers, customers and governments are willing to pay more – up to \$100/mmBtu! – and socialize the costs of RNG to make it a success.

That's a high number, but RNG quite regularly trades for \$25-\$30/mmBtu. With scale, both pricing and costs will come down.

You might think that's crazy, being as regular natgas prices are lower than a snake's belly in a wagon rut – \$2.30/mmBtu in the US and less than half that in Canada. Who would pay RNG prices for their natgas?

BUT – think about the premium that you're willing to pay for ANY sustainable product – like organic food. WholeFoods was a VERY successful stock because shoppers were willing to pay for organic food. We call it WholePaycheck in our family. It's the same for things like coffee and clothing... people are willing to pay more if they think it is sustainably made.

Just as there are big companies telling electrical utilities to source THEIR electricity from just wind and solar, there are other big companies telling big gas companies to get RNG, or they will leave.

The natgas industry both competes with and supplies the electricity industry. RNG gives the natgas sector a “green” story to compete against electricity, which is seen as green even though most of it in the US is still produced by coal and natural gas.

The natgas delivery system in North America is actually twice the size of the electricity system – you just wouldn't know it. Everybody sees the huge transmission towers and lines going across cities and in the countryside, but nobody sees the thousands of natural gas pipelines underground.

So there is definitely scale here, and a social and political will to make RNG a real industry.

To me, this is a stock where I buy a bit now, and wait. And I may wait a LONG time – such is life in the juniors. As the management team grows the revenue, I buy more. Sales are lumpy still. There's a big chunk of debt owed to the largest shareholder.

**I'm long 150,000 shares at 20 cents.**

## **QUICK FACTS**

Trading Symbols:	GRN
Share Price Today:	\$0.20
Shares Outstanding:	68.4 million

Market Capitalization:	\$15 million
Net Debt:	\$10 million
Enterprise Value:	\$25 million
2019 Revenue Estimate	\$19.5 million
2019 Sales Multiple	0.7x

## **POSITIVES**

- Growing demand for renewable natural gas (RNG)
- Original Westport team has put their money behind it
- Business in early stages but already close to break-even
- Stock trading at 0.7x sales / Public comp is trading at ~2.5x

## **NEGATIVES**

- RNG is not feasible on stand-alone economics
- No noticeable growth in the last couple years
- Projects require high upfront costs
- Company has a lot of debt for their size
- Profit margins are not huge
- At some point the large # of warrants hurt the stock

## **The Investment Thesis**

Greenlane may be a new public company but it is not a new business. The business was bought from London-listed Pressure Technologies in June 2019. The business was originally started in New Zealand in the 1980s; Pressure Tech was a distributor and then bought the company.

Pressure Tech sold Greenlane to this pubco for £2 million of cash, £2 million of shares and a £6.1 million promissory note.

What initially drew me to dig into Greenlane is the team. Greenlane is being run by Brad Douville. Douville was one of the founders of Westport Fuel Systems in 1995 and helped grow it into a leading alternative fuels automotive systems company.

Another founding member of Westport, David Demers, (former CEO of from 1995 to 2016) is a director in the company. These guys know what they are doing.

Like I said, while Greenlane is a new public entity, the underlying business is not. Greenlane has done 100+ biogas upgrading installations in 18 countries.



Source: Greenlane Investor Presentation

Greenlane is actually the worldwide leader in total installed capacity.

<u>Competitor</u>	<u>Installed Capacity Nm<sup>3</sup>/hr<sup>(1)</sup></u>	<u>Technology</u>	<u>Location</u>
Greenlane	115,355	Water Wash, PSA	Headquartered in Vancouver (Canada) with an office in Sheffield (UK) and staff in the US, France, Germany, Sweden and New Zealand
Malmberg	111,315	Water Wash	A business within Swedish water treatment plant designer with offices in Denmark, Germany, UK and Italy
Air Liquide	101,406	Membrane	A business within French multinational company which supplies industrial gases and services in 80 countries
Carbotech	73,700	PSA	Headquartered in Germany
Puregas	48,000	Chemical Scrubbing	Headquartered in Sweden with subsidiaries in Germany, Denmark, UK and US
Xebec	35,550	PSA	Head office and manufacturing in Montreal (Canada) and manufacturing in Shanghai (China)

Source: Greenlane Investor Presentation

You have a great team and an established industry presence. The big question is – how much can they grow it and get it accepted into mainstream energy?

## How Biogas Upgrading Works

Naturally occurring biogas has to be upgraded into RNG before it can be used in commercial applications.

Biogas is created through the decomposition of organic matter. To make the

creation of biogas efficient you need a large potential source of material. Biogas upgraders like what Greenlane installs require large producers of organic waste:



*Source: Canadian Biogas Association Presentation*

The biogas that comes from one of these sources contains methane (usually 50-65%) but also a lot of carbon dioxide (>30%) and other trace impurities like hydrogen sulfide.

Before the methane can be used (i.e. sent thru a pipeline) the contaminants need to be removed.

That is where Greenlane comes in. Greenlane manages the installation of upgrader technologies for purifying the biogas into RNG. There are 3 main ways that biogas can be upgraded. Upgrading equipment can cost anywhere between \$1 million to \$7 million while total project costs of a biogas facility can range up to \$25 million.

## Greenlane Offers the 3 Main Upgrading Technologies including its patented Water Wash Technology

Biogas upgrading equipment price per unit ranges from ~\$1M to \$7M, depending on size and scope of supply



*Source: Greenlane Investor Presentation*

Upgrading biogas removes the carbon dioxide and other impurities and creates a product that meets pipeline specifications.

The resulting gas is known as Renewable Natural Gas or biomethane. At this point it is no different than the natural gas that comes out of the ground. It can be used to fuel natural gas vehicles or injected into the natural gas pipeline for heating and industrial consumption.

Biogas upgraders vary depending on the source, quality and flowrate of the raw biogas and the vehicle or pipeline RNG specifications. Greenlane has several solutions which can fit pretty much any situation.

There are four main forms of biogas upgrading technologies:

1. Water wash
2. Pressure swing adsorption (PSA)
3. Membrane
4. Chemical scrubbing

There is a FULL explanation of each method in the pdf of this report that's in the Members Center. But to make this company report fit into this email, I have eliminated that technical portion here.

...Because each biogas project has its own unique set of requirements, depending on the source of the raw biogas, size of the project and the vehicle and/or pipeline RNG specifications, and because each biogas upgrading technology behaves differently, Greenlane offers a full range of

biogas upgrading systems using different technologies separately or in combination to provide the best economics to the customer for each project. Best economics means lowest upfront investment, lowest operating cost and highest methane recovery (i.e. highest RNG revenue).

## **Greenlane Technology Offerings**

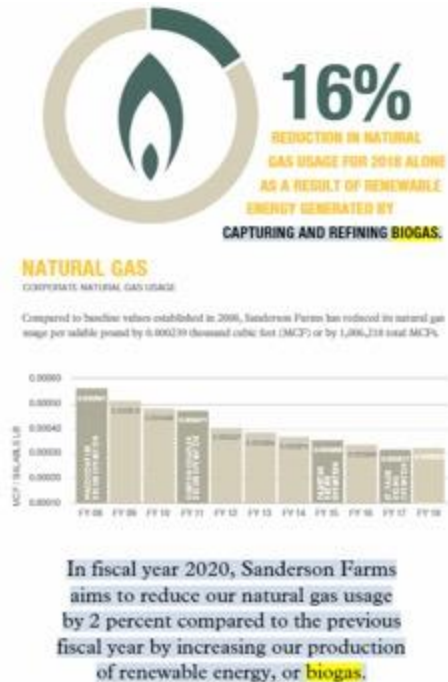
Greenlane's patented water wash technology scales up better than other technologies, which means that for larger sized projects, it has the lowest upfront investment per unit of biogas flow. Combined with its low operating costs and inherently high methane recovery, it is the preferred solution for projects with raw biogas flowrates at or above 1,200 normal cubic metres per hour (Nm<sup>3</sup>/hr) or 750 standard cubic feet per minute (SCFM).

For large landfill gas projects or large projects with stringent pipeline RNG injection specifications using digester gas or landfill gas, Greenlane offers its water wash systems combined with a PSA polisher or nitrogen rejection unit (NRU) to remove O<sub>2</sub> and N<sub>2</sub>. An NRU is a special type of PSA designed to remove N<sub>2</sub> with minimal reduction in methane recovery. Greenlane also offers standalone PSA and membrane systems.

In general, project requirements can drive solutions different than those described and it is for this reason Greenlane provides unbiased technology comparisons and multiple technology solutions to ensure the best and most cost effective solution for every project.

So who is installing RNG upgraders? Municipalities, companies like Waste Management, and large industrial farms.

Consider the example of Sanderson Farms, one of the largest poultry producers in the United States. They capture and refine biogas generated in covered anaerobic lagoons where they process their wastewater at their poultry farms.



Sanderson Farms converts their biogas using a PSA unit.

The biogas that is created from biological processes is comprised of 75 percent methane. Using pressure and adsorption media to purify the methane, the PSA system utilizes 75 percent methane biogas and cleans it to a 98 percent methane composition, which is natural gas quality. At the processing facility, the biogas is fed into the service line following the natural gas meter.

So if Sanderson Farms and Waste Management are building out biogas facilities at their facilities it must be economic right?

Kinda...

## Subsidy Economics

At first glance, RNG looks like it has terrible economics.

A 2016 white paper from the California Air Resources Board and the California Environmental Protection Agency puts the price tag in stark comparison to fossil fuel-derived natural gas.

Table 1. Levels of price support required to incentivize production by pathway

RNG Production Pathway	Support Required to Incentivize Production over \$3.00/mmBTU market price (2015\$)	
	\$ per mmBTU	\$ per gasoline gallon equivalent
MSW	\$11.50	\$1.38
Landfill	\$3.75	\$0.45
WWTP	\$5.90	\$0.71
Dairy	\$26.00	\$3.15

Source: *The Feasibility of Renewable Natural Gas as a Large-Scale, Low Carbon Substitute*

With a conclusion of the report being:

At a historical average market price for natural gas of around \$3.00/MMBtu, RNG production would need to be facilitated with carbon credits or other financial incentives to provide private investors with a commercial return.

In British Columbia, where there have been biogas initiatives ongoing for years, there was an instructive case with natural gas provider Fortis. Fortis applied to be allowed to reduce the price it charged for its RNG for customers wishing to choose environmentally friendly RNG for their home gas supply.

Up to that time Fortis was being forced to charge prices inline with its costs, which meant \$10+/mmcf. The rules in BC are that you have to charge based on your costs and the costs of RNG are high. The high price was removing any demand for biogas.

The BC utilities commission relented and agreed that the only way to sustain and grow the renewable natural gas program was to reduce the price to a point where customers would choose to buy it.

Here was the decision:

**NOW THEREFORE** pursuant to section 59 to 61 of the *Utilities Commission Act* and for the reasons contained in the Decision issued concurrently with this order, the British Columbia Utilities Commission as follows:

1. Approves a premium of \$7 per GJ above the Conventional Gas Cost (defined as the sum of the Commodity Cost Recovery Charge, the carbon tax and any other taxes applicable to conventional natural gas sales) as the Short Term BERG Rate.

The key point here is this – the price was reduced to \$7/GJ above fossil fuel natural gas! So even with the government agreeing to let Fortis sell RNG below cost, it was still going to cost \$7/GJ more than the \$2-\$3/GJ

natural gas you can get out of the ground.

The costs seem extraordinarily high. It would seem that RNG would be dead in the water? Not so fast.

## It Doesn't have to be Economic to Happen

There is another takeaway from the BC/Fortis case – the high cost economics did not deter the government from promoting a policy that would fuel (no pun intended) more RNG production.

That is really the point here. This is a bet on governments making more decisions that let green technologies compete regardless of their underlying economics.

British Columbia has an RNG target for 2022 of 5%. Quebec has a 5% target for 2025. **In California the target is 20% by 2030.** Oregon and Washington have long-term targets set.

### RNG Uptake Spreading Globally<sup>(1)</sup>

<b>Canada</b>	<b>April 2018:</b> British Columbia regulation for 5% RNG by 2022, <b>December 2018:</b> plan for 15% by 2030 <b>March 2019:</b> Quebec adopted regulation requiring 1% RNG in gas network by 2020, 5% by 2025
<b>USA</b>	Federal Renewable Fuel Standard (RFS) and California and Oregon State Low Carbon Fuel Standards driving uptake of RNG in transportation (i.e. RINs and LCFS credit markets) <b>March 2019:</b> SoCalGas announced commitment to 5% RNG in their gas network by 2022, 20% by 2030 <b>July 2019:</b> Oregon Bill signed targeting 15% RNG into state's pipeline system by 2030, 30% by 2050
<b>France</b>	<b>November 2018:</b> ENGIE announced €800M in next 5 years in support of 10% RNG in gas network by 2030, as enshrined in French Energy Transition Law for Green Growth
<b>Italy</b>	<b>March 2018:</b> European Commission approved €4.7B public support scheme for advanced biomethane and biofuels
<b>Denmark</b>	<b>February 2019:</b> Reached 11% in 2018 starting from near zero in 2014; projection of 100% RNG by 2035

(1) Sources: Greenhouse Gas Reduction (Clean Energy) Regulation - 102/2012, March 27, 2018 press release: "Renewable Natural Gas - Adoption of New Regulation to Support the Sector's Development", United States Environmental Protection Agency: Overview for Renewable Fuel Mandate, April 2, 2019 press release: SoCalGas Announces a Plan for a Broad, Inclusive, Integrated Approach to Help Achieve California's Ambitious Environmental Goals, RNG Bill signed by Oregon Gov. Kate Brown July 31, 2019, November 9, 2018 press release: "ENGI to mobilize €800 million to develop green gases in the next five years in France", March 1, 2019 European Commission press release: "State aid: Commission approves €4.7 billion public support scheme for advanced biomethane and biofuels in Italy", February 1, 2019 article: "Sleep Over into Danish Biogas".

In Canada, hitting the targets means the volume of RNG has to increase 250% in the next 6 years. Today RNG accounts for a miniscule 0.03% of energy requirements in Canada.

So the economics of RNG won't matter much for the next 5-10 years. It's being mandated, this industry WILL happen, and I can buy the world leader for 1x sales with an experienced and 100% dedicated management team and board.

## Subsidy Impact

The viability of RNG depends on carbon credits. In Canada that means either a carbon tax or rate-basing as the economic mechanism. In California it is the Low Carbon Fuel Standard (LCFS). Federally in the United State it is the Renewable Fuel Standard (RFS).

Government policy and support makes a difference. The Institute of Transportation Studies, UC Davis in California put together a very interesting report on the potential impact of carbon offsets on RNG project economics. For investors, the most important table is the following:

Table 12. LCFS Carbon Intensity Values and Credit Price Impacts on RNG

Fuel Type	Specific Source	Carbon Intensity Values			Carbon Benefit Relative to Fossil Gas (metric tonne CO <sub>2</sub> e/mmbTU)	LCFS Credit Benefit to RNG (\$/mmbTU)			RIN Benefit \$1.78 per gallon ethanol equivalent
		(gCO <sub>2</sub> e/MJ) <sup>1</sup>	(gCO <sub>2</sub> e/mmbTU) <sup>2</sup>	(metric tonne CO <sub>2</sub> e/mmbTU)		\$10 credit	\$120 credit	\$200 credit	
Diesel	Diesel <sup>1</sup>	102.01	107,709	0.108					
Target	2020 Target <sup>3</sup>	91.81	96,939	0.097					
CNG	CA CNG via pipeline <sup>2</sup>	78.37	82,749	0.083			\$0.00		
CNG	Landfill gas <sup>4</sup>	46.42	49,013	0.049	0.034	\$0.34	\$4.05	\$6.75	
CNG	Dairy Digester Biogas to CNG <sup>5</sup>	-276.24	-291,674	-0.292	0.374	\$3.74	\$44.93	\$74.88	
CNG	MSW Digester Gas to CNG <sup>5</sup>	-22.93	-24,211	-0.024	0.107	\$1.07	\$12.84	\$21.39	
CNG	WWTP AD to CNG <sup>5</sup>	19.34	20,421	0.020	0.062	\$0.62	\$7.48	\$12.47	

<sup>1</sup> California Code of Regulation Title 17, §95488, Table 6. Carbon intensity for WWTP is the average of two WWTP pathways.  
<sup>2</sup> California Code of Regulation Title 17, §95484.  
<sup>3</sup> California Code of Regulation Title 17, §95488, Table 7.  
<sup>4</sup> Method 2B Application CalBio LLC, Dallas Texas. Dairy Digester Biogas to CNG.

Source: The Feasibility of Renewable Natural Gas as a Large-Scale, Low Carbon Substitute

In plain English: at \$120/tonne carbon tax, every milk farm and dairy farm in the country should have a biogas recovery system installed. At \$200/tonne, every wastewater treatment facility and municipal solid waste plant should too.

Subsidies can often lead to \$20+/MMBtu pricing on RNG. This makes projects very economic. Kurt Sorschak, who is CEO of Greenlane’s competitor Xebec, notes that unlevered IRR at \$25/MMBtu are 15-20%.

### California is the Big Fish

California is the unquestionable leader in renewables. They have put together the LCFS and a Carbon Intensity program which provide by far the best incentives for RNG in the country. They have also said that they want 20% of their gas to come from renewables by 2030 – an ambitious target and one that would require *a lot* of RNG.

Together these programs can add up to credits totaling as much as \$75/MMBtu for a dairy farm. The credits are lower for other biogas sources, but still receive prices of \$25/MMBtu and up.

## Federal RIN Program

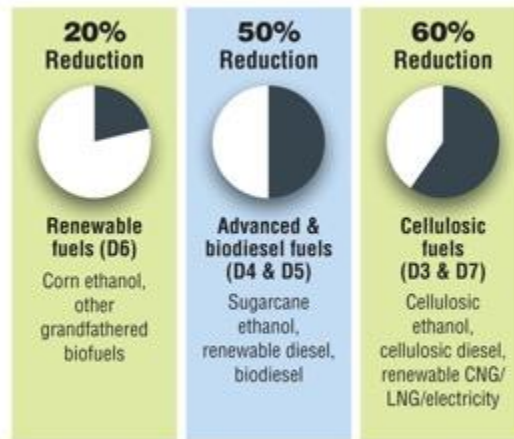
Then you have the RFS and Renewable Identification Numbers (RINs). Long time subscribers will remember the Big Win I had with ethanol stocks (PEIX/GPRE) in 2013-2014, where I first explained RINS.

A RIN is enabled by the U.S. Environmental Protection Agency's (EPA) through the RFS. RINs function like renewable energy credits. A RIN is awarded when a volume of renewable energy is produced.

That RIN can then be used by traditional energy providers to offset the carbon generated by the fossil fuel energy they use.

There are different buckets of RINs and the most attractive are D3 and D5 RINs. These are RINs generated by the production of very environmental fuel sources. RNG fits into these categories.

**Figure 2. Greenhouse gas emission reduction by fuel type**



GHG emissions must take into account direct and significant indirect emissions, including land use change.

Source: <https://www.epa.gov/renewable-fuel-standard-program/overview-renewable-fuel-standard>

The problem with RINs right now is the Trump Administration. D3 and D5 RIN prices have trended down over the last few years primarily due to an increase in small refiner's exemption from the U.S. government,

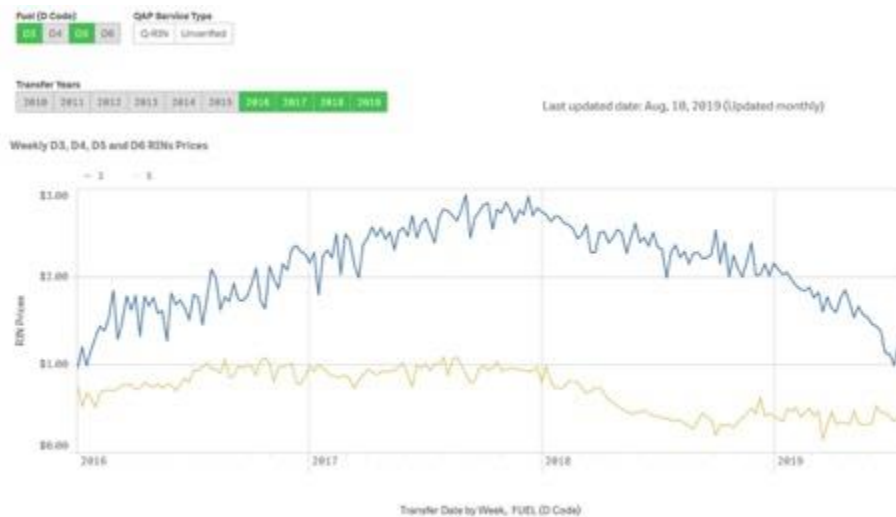
softening demand.

In 2018 the EPA used its “cellulosic waiver authority” provided by the statute to reduce the volume requirements for 2018 for D3 and D5 RINs.

The Administration has also provided waivers to small refineries so that they do not have to purchase RINs. The consequence has been less demand for RINs and lower prices.

Projects that are based on RINs are finding it difficult to find funding because of the uncertainty. The program only has funding visibility until 2022, which is not long enough for investors. If Trump wins another term, RINs may be out the door.

The pressure has pushed RIN prices down. Prices of D3 RINs got hit hard in the summer when the Administration announced a small refiner exemption.



Source: EPA, <https://www.epa.gov/fuels-registration-reporting-and-compliance-help/rin-trades-and-price-information>

The American Biogas Council provides a handy calculator to determine the impact of RINs on price. A \$0.50 D5 RIN is worth about \$6/MMBtu. A \$1.25 D3 RIN is worth \$15/MMBtu.

The RIN discussion is worthwhile to consider because if a Democrat wins the Presidency (highly unlikely IMHO) RINs will likely be here to stay, and projects outside of California, Oregon and a handful of states will become

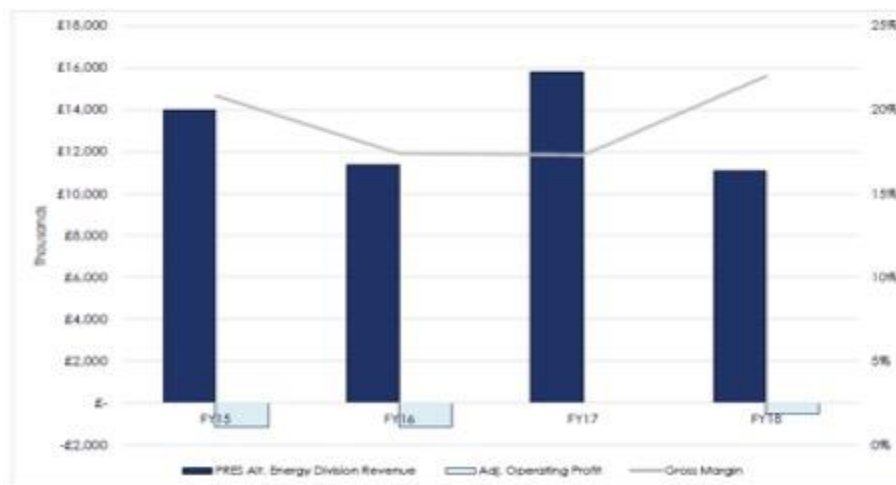
more viable.

## FINANCIALS

Greenlane financial results have been modest BUT... understand that Brad Douville was the manager of Greenlane at Pressure Technologies, and he approached his bosses with the idea that the business could get a lot more traction as a stand alone entity with a fully committed board and management team.

Pressure Tech agreed, and sold them the business while retaining a big equity position.

In 2018 Greenlane (called PT Biogas when it was a Pressure Technologies subsidiary) did £\$10.5 million (roughly \$17 million Canadian) of revenue. This was down about 40% from 2017. Revenue has bounced around between £10 million and £16 million since 2014.



Source: Beacon Report Greenlane Renewables

Revenue fell further in the first quarter of 2019, down 60% from the first quarter of the previous year.

For the 3 month and 6 month periods ended 31 March 2019 and 31 March 2018

	Note	3 months ended 31 March 2019 £'000	3 months ended 31 March 2018 £'000	6 months ended 31 March 2019 £'000	6 months ended 31 March 2018 £'000
Revenue	3	373	1,164	1,287	2,044
Cost of sales		(500)	(835)	(1,240)	(1,604)
Gross (loss)/profit		(127)	329	47	440

Source: Greenlane SEDAR Acquisition Report

While 2019 didn't start off well, things appear to have bounced a bit in the second quarter. Greenlane reported partial results for the quarter ended June 30th a couple of weeks ago.

As Greenlane was only launched as a public company on June 3rd, the results only included 27 days of sale. Over that time Greenlane saw \$0.9 million of revenue. This is closer inline with the trajectory of 2018.

The company generated slightly positive operating cash flow in 2018. Revenue is 70% in North America, with the balance being primarily in the United Kingdom. They have a small presence in the EU.

	30 September 2018 £'000	30 September 2017 £'000
United Kingdom	2,964	3,177
Other EU	340	1,982
Rest of the World	7,197	9,421
	<u>10,501</u>	<u>14,580</u>

Source: Greenlane SEDAR Acquisition Report

In an August 28th press release Greenlane provided 2019 guidance of between \$17 million and \$22 million of revenue. The wide range of revenue means between 0% and 30% growth.

Supporting that level of revenue are recent wins. In the last few months Greenlane has announced a couple of multi-million-dollar projects in the backlog.

- \$3.4 million biogas upgrading contract to provide its water-wash technology solution for a municipal wastewater treatment facility in the Metro Vancouver region of British Columbia, Canada
- \$2.7 million biogas upgrading contract with the Metropolitan Wastewater Management Commission serving the Eugene - Springfield metropolitan area in Lane County, Oregon, USA

The order backlog stood at \$10.7 million at the end of June.

The company has a sales pipeline of over \$600 million. They define a sales pipeline as “prospective projects that can convert into orders within approximately 24 months.”

Margins on past projects appear to be just north of 20%. That means it will take a tight cost structure and a large backlog to generate a lot of cash. EBITDA margins are now high single digits but with scale management estimates that goes into the high teens...solid but not spectacular considering they have some proprietary technology that is mostly geared towards larger projects.

Greenlane talks about wanting to participate in projects – becoming an owner of RNG upgraded facilities. Given the margin profile of the OEM business and the prospect of 20% IRR projects, I would like to see them go in this direction.

There is a big chunk of debt here for a company this small – though the largest shareholder – Pressure Technologies – owns \$10.5 million of it as part of the merger consideration and it’s term is four years out.

There is another \$3.2 million credit facility with TD Bank that is fully utilized--for a bond. When dealing with municipalities, you sometimes have to put up a bond. Obviously as a small company Greenlane tries to negotiate that out, and sometimes they are successful.

There is \$4 million of cash on the balance sheet as of the end of June. There is also a large warrant overhang associated with shares issued for the acquisition and recent financing. These 30 million warrants are exercisable at \$0.26. Normally that would be a deal killer for me this year, but the warrants are listed, under the trading symbol GRN.wt.

IMHO, that means they won't get exercised. You may find that odd, but if you want warrants exercised, you don't list them. If you list them, people just sell them into the market. Some people will certainly hold on to them but for the most part, they get sold. Pressure Technologies holds over 14 million of these warrants, and it's doubtful they get sold.

## STOCK CHART



## CONCLUSION

What can go wrong here?

One big risk is political. What the government giveth, the government can

taken away. We already have seen the impact the Trump administration had on the RIN market.

The re-election of Trump, along with the election of a Conservative majority in Canada (not likely IMHO), would be a blow to the RNG industry. But it wouldn't be a death knell.

The other risk is balance sheet. Lots of debt here, though it's all friendly. But with LOC/revolver stuck in a bond, they have to get creative on the additional debt they'll need to grow.

Now, having said all that, getting two or three \$25 million orders would create some great problems! Debt is cheap and the Market will always find a way to reward success.

On the positive side, there are hundreds of facilities that will need to be built in California if they want to meet their 20% RNG target by 2030. There are state incentivised programs ramping in Oregon, Washington, New York and Massachusetts.

In Canada, Quebec and British Columbia require 5% RNG by 2025. This will require a large number of facilities. In Europe, utilities are laying out plans to move away completely from fossil natural gas by 2050.

Valuation wise, I don't feel like I'm paying a big premium for the potential upside. Xebec Adsorption is a close competitor of Greenlane. Like Greenlane, Xebec designs, engineers and manufactures equipment to produce RNG from waste. *But I may have to be more patient than I would like.*

Xebec trades at \$113 million market capitalization. They provided guidance of \$45 million of revenue for the year, which puts them at a valuation of 2.5x sales.

At the midpoint of Greenlane's guidance, or \$19.5 million, they trade at 0.7x revenue.

This is a relatively new industry just hitting its stride. I think that because of that, the inevitable margin compression is a few years away yet.

If the old Westport team is successful in executing, converting even a fraction of their \$600 million pipeline into backlog, that gap should close. On top of that, what I am betting on is the continued promotion of renewable tax incentives at the margin. If it all falls into place Greenlane could be a big winner.

**I own 150,000 shares at 20 cents.**

And again, the full technical explanation on the 4 main technologies is in the pdf report that's in the Members Centre.

*Keith Schaefer*