UNITED STATES DISTRICT COURT
DISTRICT OF MARYLAND
SOUTHERN DIVISION

TAJE DHATT, Individually and On Behalf of All Others Similarly Situated, Plaintiff, v. ENVIVA INC. 7272 Wisconsin Avenue, Suite 1800 Bethesda, Maryland 20814 (Montgomery County) JOHN K. KEPPLER 7272 Wisconsin Avenue, Suite 1800 Bethesda, Maryland 20814 (Montgomery County) THOMAS METH 7272 Wisconsin Avenue, Suite 1800 Bethesda, Maryland 20814 (Montgomery County) SHAI S. EVEN 7272 Wisconsin Avenue, Suite 1800 Bethesda, Maryland 20814 (Montgomery County) MICHAEL A. JOHNSON 7272 Wisconsin Avenue, Suite 1800 Bethesda, Maryland 20814 (Montgomery County) Defendants.	Civil Action No.: **CLASS ACTION COMPLAINT FOR VIOLATION OF FEDERAL SECURITIES LAWS** **JURY TRIAL DEMANDED**

Plaintiff, Taje Dhatt ("Dhatt" or "Plaintiff"), by and through his attorneys, alleges the following upon information and belief, except as to allegations concerning Plaintiff, which are alleged upon personal knowledge. Plaintiff's information and belief is based upon, among other things, his counsel's investigation, which includes, without limitation, review and analysis of: (a) public filings made by Enviva, Inc. ("Enviva" or the "Company") with the U.S. Securities and Exchange Commission (the "SEC"); (b) press releases, shareholder communications, postings on Enviva's investor relations website, and other public statements disseminated by Defendants (as defined below); (c) news articles and analyst reports concerning Enviva; and (d) other publicly available information concerning Enviva and the Individual Defendants (as defined below).

NATURE OF THE ACTION

1. This is a federal securities class action alleging claims against Enviva and certain of its officers and directors (collectively "Defendants") for violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the "Exchange Act"), 15 U.S.C. §§ 78j(b) and 78t(a), and SEC Rule 10b-5 promulgated thereunder, 17 C.F.R. § 240.10b-5, on behalf of a "Class" of all persons who purchased or otherwise acquired Enviva common stock on a U.S. open market during the class period November 3, 2022 through May 3, 2023, both dates inclusive (the "Class Period"). Excluded from the Class are Defendants in this action, the officers and directors of the Company during the Class Period (the "Excluded D&Os"), members of Defendants' and Excluded D&Os' immediate families, legal representatives, heirs, successors or assigns, and any entity in which Defendants or the Excluded D&Os have or had a controlling interest.

2. Enviva is a Maryland-based company that develops, constructs, acquires, and operates fully contracted wood pellet production plants. These plants take wood fiber and aggregate and process it into dry, densified, uniform pellets that can be effectively stored and transported around the world. The Company, describing itself as a "growth-oriented company,"

purports to use its wood pellets to displace coal and other fossil fuels to generate power and heat as part of its efforts to accelerate the energy transition away from conventional energy sources.[1]

3. From November 3, 2022 through April 3, 2023 (*viz.* only one month before announcing the first quarter 2023 results), Enviva and its senior officers (Defendants herein), made statements that Enviva was on track to achieve, for fiscal year (FY) 2023, EBITDA of $305-$335 million and a yearly dividend payout of $3.62 per share.[2] They also represented that the liquidity of the company, going into 2023, was "strong" and its leverage ratio could be maintained at a "conservative" 3.6x-3.7x **<u>even after</u>** taking into account the proposed dividend payouts (emphasis added).[3]

4. Defendants' false statements were premised on misrepresentations of existing fact. Among other things, Defendant Keppler told call participants on a November 3, 2022 earning call, "[a]s we look into 2023, **<u>we are really starting to hit our stride as a corporation</u>**...." (emphasis added).[4] Keppler added that the Company was experiencing "the continued operational improvements … across our fully contracted asset base" and that "productivity and the benefit of the multi-plant expansions drives increased volume and improved fixed cost absorption."

5. Defendants continued to make statements promoting the financial stability of Enviva and on a March 1, 2023 earnings call, Defendant Meth told call participants that "we firmly believe in the cash flow profile of this business and I've **<u>strong conviction around our ability</u>** to not only deliver $305 million to $335 million in adjusted EBITDA for 2023 but also to double

[1] *See* 2022 Form 10-K filed with the SEC on March 1, 2023, p. 4.
[2] *See* Form 8-K filed with the SEC on November 2, 2022; Enviva Inc. press release dated March 1, 2023, p. 4; Transcript of Q4 2022 Earnings Call held on March 1, 2023, p. 6; Transcript of the Investor Day presentation held on April 3, 2023, p. 8.
[3] *See* Transcript of Q4 2022 Earnings Call held on March 1, 2023, p. 12; Transcript of the Investor Day presentation held on April 3, 2023, p. 30.
[4] *See* Transcript of Q3 2022 Earnings Call held on November 3, 2022, p. 2.

adjusted EBITDA over the next four years and to self-fund our growth by 2027"[5] (emphasis added). Meth stated "**we have significant growth forecasted for 2023 which is underwritten by our existing contracted backlog** ... our investors that know us the best, are increasing their investment positions given their strong level of conviction in what this business can and will do"[6] (emphasis added). In a press release coinciding with the earnings call, Meth noted the "immense growth opportunity for Enviva," adding "we aim to sell close to 7 million metric tons at higher prices than we have seen historically, and at a meaningfully lower cost position, achieved by higher plant utilization, a stable and fully staffed workforce."[7]

6. Similarly, during an April 3, 2023 "Investor Day" presentation, Defendants reiterated that the Company's adjusted EBITDA for 2023 was in the range of $305 million to $335 million.[8] Defendants estimated that the 2023 net loss would be in the range of $18 million to $48 million.[9] Defendants also made representations that the dividend payout was stable and would be covered at 1.09x to 1.30x.[10] Meth told investors "[w]e're laser focused on executing our plan, right? I go to the plants basically every week with the team to make sure that the team knows how important it is to hit the numbers, generate cash, generate operating cashflow, that flows naturally from our EBITDA."[11]

7. However, these statements were materially false and misleading, or failed to disclose material information necessary to make such statements not misleading, in violation of Section 10(b) of the Exchange Act and Rule 10b-5.

---

[5] *See* Transcript of Q4 2022 Earnings Call held on March 1, 2023, p. 2.
[6] *Id.* at p. 8.
[7] *See* Enviva Inc. press release dated March 1, 2023, p. 11.
[8] *See* Investor Day Presentation dated April 3, 2023, p. 76.
[9] *Id*. at p. 76.
[10] *Id.* at p. 11.
[11] *See* Transcript of the April 3, 2023 Investor Day presentation, p. 44.

8. On May 3, 2023, the truth behind the Company's financial condition was revealed when the Defendants, in a press release issued before the market opened, dramatically lowered their FY 2023 guidance downward and suspended Enviva's dividend payments going forward. Defendants now projected that Enviva's 2023 EBITDA would be substantially lower, in the range of $200-250 million, net loss would be substantially higher, increasing to a range of $136-$186 million, and Enviva's $0.905 per share quarterly dividend was eliminated.[12]

9. The May 3, 2023 press release acknowledged the need to, *inter alia*, "preserve liquidity and a conservative leverage profile" and "maintain our current growth trajectory."[13] Meth acknowledged "specific issues" that had previously been undisclosed stating "contract labor is too high, discipline around repairs and maintenance spend is insufficient, wood input costs need to come down further and stay there, and utilization rates at specific plants need to improve and stabilize at those improved levels."[14]

10. On May 4, 2023 Defendants held their quarterly earnings call, during which Meth stated that "we have to reset expectations here and just provide a much more realistic cost profile."[15] Meth stated that certain undisclosed issues were previously evident as far back as November 2022, telling investors for the first time ". . . as we went into 2022, cost position certainly went up, right? We initially thought it was more temporal through the war in Ukraine and inflationary pressures. We really struggled through the first quarter with pandemic-related issues." Keppler added that "the cost and productivity challenges ... that the team outlined a month ago are deeper and more significant" than previously stated.[16] Defendant Meth blamed these revisions on

---

[12] *See* Enviva Inc. press release dated May 3, 2023, p. 6.
[13] *Id.* at p. 1.
[14] Id. at p. 2.
[15] *See* Transcript of Q1 2023 Earnings Call held on May 4, 2023, p. 7.
[16] *Id.* at p. 2.

(a) customer mix impacting results; (b) unplanned repairs and maintenance expenses; (c) professional fees; and (d) shipments subject to deferred gross margin accounting.[17]

11. The revelation of the true financial condition of the Company led Enviva's common stock price to collapse $14.34 per share from $21.35 per share to $7.01 per share or down 67.2% on enormous volume.

12. Plaintiff, individually and on behalf of the Class, seeks damages attributable to the inflation in Enviva's common stock caused by Defendants' materially false and misleading statements during the Class Period.

JURISDICTION AND VENUE

13. The claims asserted herein arise under Sections 10(b) and 20(a) of the Exchange Act (15 U.S.C. §§ 78j(b) and 78t(a)) and SEC Rule 10b-5 promulgated thereunder (17 C.F.R. § 240.10b-5).

14. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. § 1331 because this action is a civil action arising under the laws of the United States, and under Section 27 of the Exchange Act (15 U.S.C. § 78aa), which vests exclusive jurisdiction for violations of the Exchange Act in the District Courts of the United States.

15. Venue is proper in this Judicial District pursuant to 28 U.S.C. § 1391(b) and Section 27 of the Exchange Act (15 U.S.C. § 78aa) for the following reasons:

a. Many of the acts and omissions charged herein, including the dissemination of materially false and misleading information to the investing public, and the omission of material information, occurred in substantial part in this Judicial District;

[17] *Id.* at pp. 3-4.

b. The Company's principal executive offices are located in this Judicial District.

16. In connection with the acts, transactions, and conduct alleged herein, Defendants, directly and indirectly, used the means and instrumentalities of interstate commerce, including the U.S. Mail, interstate telephone communications, and the facilities of a national securities exchange.

PARTIES

17. Plaintiff, as set forth in the accompanying certification, incorporated by reference herein, purchased Enviva common stock during the Class Period on a U.S. stock exchange and suffered damages as a result of the federal securities law violations and false and misleading statements and material omissions alleged herein.

18. Defendant Enviva is incorporated under the laws of Delaware with its principal executive offices located in Bethesda, Maryland. Enviva's shares trade on the New York Stock Exchange ("NYSE") under the ticker symbol "EVA."

19. Defendant John Keppler ("Keppler") served as President and Chief Executive Officer ("CEO") of Enviva from at least the beginning of the Class Period to November 14, 2022 and as the Executive Chairman of Enviva's Board of Directors ("Chairman") during the remainder of the Class Period. Keppler was replaced by Thomas Meth as CEO.

20. Defendant Thomas Meth ("Meth") served as the President and CEO of Enviva from November 14, 2022 through the end of the Class Period, and continues to serve in that role as of the date of this Complaint. Prior to his appointment as CEO, Meth served as the President and Chief Commercial Officer ("CCO") of Enviva.

21. Defendant Shai S. Even ("Even") served at all relevant times herein as the Executive Vice President and Chief Financial Officer ("CFO") of Enviva.

22. Defendant Michael A. Johnson ("Johnson") served at all relevant times herein as the Vice President and Chief Accounting Officer ("CAO") of Enviva.

23. Defendants Keppler, Meth, Even and Johnson (collectively the "Individual Defendants"), because of their positions with the Company, possessed the power and authority to control the contents of the Company's reports to the SEC, press releases, and presentations to securities analysts, money and portfolio managers, and institutional investors, *i.e.*, the market.

24. The Individual Defendants were provided with copies of the Company's quarterly and annual financial reports and press releases alleged herein to be misleading prior to, or shortly after, their issuance and had the ability and opportunity to prevent their issuance or cause them to be corrected.

25. Because of their positions and access to material non-public information available to them, the Individual Defendants knew that the adverse facts specified herein had not been disclosed to, and were being concealed from, the public and that the positive representations that were being made were then materially false and misleading. The Individual Defendants are liable for the false statements pleaded herein.

26. The Company and the Individual Defendants are collectively referred to as the "Defendants."

FACTUAL ALLEGATIONS

Background

27. Enviva, headquartered in Bethesda, Maryland, describes itself as a "growth-oriented company" and the "world's largest producer of wood pellets."[18] It was founded in 2013 as a master limited partnership and was then converted to a corporation on December 31, 2021.

---

[18] *See* 2022 SEC Form 10-K filed on March 1, 2023, p. 7; *Id.* at p. 30.

Enviva produces wood pellets and sells them to customers in the U.K., Europe and Japan through long-term, take-or-pay off-take contracts.

28. According to Enviva's 2022 Annual Report,[19] as of December 31, 2022, Enviva owned and operated ten production plants with a combined production capacity of approximately 6.2 million metric tons ("MT") per year ("MTPY") of wood pellets. Additionally, the Company is reported to have commenced the construction and development of two more production plants in Epes, Alabama and Bond, Mississippi respectively, both of which are slated to have production capacity of one million MTPY of wood pellets each.[20]

29. On November 14, 2022, as a result of a medical issue, Enviva's Chairman and Chief Executive Officer, John Keppler, stepped down from his responsibilities as Chairman and CEO, taking on the role of Executive Chairman of the Board and Meth succeeded Keppler as the Chairman and CEO of the Company.[21]

<u>Defendants' Materially False and Misleading Statements Issued During the Class Period</u>

<u>The November 3, 2022 Disclosure of 3Q22 Operating Results</u>

30. Throughout the Class Period, Defendants made materially false and misleading statements and failed to disclose material information about the financial condition of the Company including its EBITDA and net loss forecasts, liquidity position, capital allocations, operation costs, productivity and the impact of these metrics on the Company's ability to continue paying dividends in 2023.

31. The Class Period begins on November 3, 2022 to coincide with the Company's announcement of its third quarter 2022 financial results. After the market closed on November 2,

---

[19] *See* 2022 SEC Form 10-K filed on March 1, 2023, p. 4.
[20] *Id.* at p.4.
[21] *Id.* at p. 31.

2022, Enviva issued a press release and filed its Form 8-K with the SEC reporting its third quarter 2022 results and issued its full year 2023 guidance ("November 2, 2022 Press Release").

32. In the November 2, 2022 Press Release, the Company issued 2023 adjusted EBITDA guidance of $305 million to $335 million which Defendant Evan stated "would cover [their] current, stable dividend of $3.62 per share at 1.1 times, at the midpoint of this range."[22] Meth falsely stated on the call that Enviva was experiencing "[p]roductivity improvement" and "capacity expansions" that "combined with" Enviva's "improving supply chain conditions and the constructive pricing environment," were expected "to drive incremental margin and cash flow":

> Productivity improvements across our manufacturing facilities . . . and the capacity expansions we have underway, are resulting in production rates that we expect to translate to over 6 million tons next year, and when combined with our improving supply chain conditions and the constructive pricing environment, particularly in Europe, are expected to not only provide modest opportunities in fourth-quarter 2022 to drive incremental margin and cash flow, but also set the stage for substantial growth in 2023 and beyond. We are projecting meaningful year-over-year step-changes in the cash flow generation of our asset base, as we bring new fully contracted capacity online in a favorable pricing environment for our products. Going forward, our capital allocation policy is focused on reinvesting retained cash flows into our business, while maintaining ample liquidity, conservative leverage, and preserving a stable dividend that has the opportunity to grow over time.

Defendants attributed the shift of roughly $3 million of adjusted EBITDA for the third quarter solely to delays related to Hurricane Ian and at no point acknowledged to investors that there were larger issues at play.[23]

33. According to the 2022 Form 10-K, Enviva expected to derive substantially all of its 2023 revenues from six customers, four located in Europe, and two located in Japan.[24] The

[22] *See* 8-K filed with the SEC on November 2, 2022.
[23] *See* Enviva Inc. press release dated November 2, 2022, p. 3.
[24] *See* 2022 Form 10-K filed with the SEC on March 1, 2023, p. 11.

majority of these commitments are off-take contracts which are long-term in nature. Off-take contracts are considered "take-or-pay" because they include a firm obligation of the customer to take a fixed quantity of product at a stated price and include provisions requiring that the seller be compensated in the case of a customer's failure to accept all or a part of the contracted volumes. These long-term off-take contracts were generally fixed for the entire term.[25] According to the November 2, 2022 press release issued by Enviva, "[a]s of October 1, 2022, Enviva's total weighted-average remaining term of take-or-pay off-take contracts [was] over 14 years, with a total contracted revenue backlog of over $21 billion. This contracted revenue backlog [was] complemented by a customer sales pipeline exceeding $50 billion, which includes contracts in various stages of negotiation."

34. During the November 3, 2022 earning call, Defendant Keppler stated that "[a]s we look into 2023, **<u>we are really starting to hit our stride as a corporation</u>**.... We are currently forecasting adjusted EBITDA for 2023 to be in the range of $305 million to $335 million dollars, which would cover our stable current dividend of $3.62 per share at 1.1 times, at the midpoint of this range."[26] When questioned by an analyst about the year-to-date negative cash flow from operations, Defendant Even responded that "the dividend should give you a sense about how strong you should expect to see the cash flow from operating activities.... So bottom line, very strong cash flow from operating activities in 2023."[27] Even attributed the year-to-date negative cash flow to costs relating to Enviva's transition from a partnership to a C corporation and elaborated that these corresponding costs "are winding down to a de minimus number in Q4 of 2022."[28]

[25] *Id.* at p. 59.
[26] *See* Transcript of Q3 2022 Earnings Call held on November 3, 2022, p. 2.
[27] *Id.* at p. 13.
[28] *Id.* at p. 13.

35. Keppler also informed investors that "the benefit of the multi-plant expansions drives increased volume and improves fixed cost absorption ... when combined with the benefit of the constructive pricing environment and inflationary escalators within our existing and new long-term contracts, we continue to be well positioned for robust cash flow growth even in an environment with potential recessionary pressures."[29]

36. However, as revealed in the Company's 2023 Q1 earnings announcement (discussed in ¶52 below), these statements were materially false and misleading and failed to disclose material information about the financial condition of the Company including its EBITDA and net loss forecasts, liquidity position, capital allocations, operation costs, productivity and the impact of these metrics on the Company's ability to continue paying dividends in 2023.

37. Materially false and misleading statements and statements that failed to disclose material information about the financial condition of the Company were reiterated by the Company in a subsequent press release issued on March 1, 2023 ("March 2023 Press Release"), in its investor presentations dated March 14, 2023 and April 3, 2023 and in its fourth quarter 2022 earnings call held on March 1, 2023 ("Q4 2022 Earnings Call"). At no point in these public representations, did the Defendants provide investors with any indication that their representations as to the strength of Enviva's business were materially false and misleading.

<u>The March 1, 2023 Disclosure of 4Q22 Operating Results</u>

38. In the March 1, 2023 Press Release, Enviva reported its fourth quarter results, before the market opened, and reaffirmed its 2023 guidance:[30]

---

[29] *Id.* at p. 2.
[30] *See* Enviva Inc. press release dated March 1, 2023, p. 6.

2023 Guidance

$ millions, unless noted	**2023 Guidance**
Net Loss	(48.0) - (18.0)
Adjusted EBITDA	305 - 335
Dividend per Common Share ($/Share)	3.62
Total Capital Expenditures	365 - 415

[1]For a reconciliation of forward-looking non-GAAP measures to their most directly comparable GAAP measure, please see the Non-GAAP Financial Measures section below

Net loss guidance for 2023 is projected to be a range of $48 million to $18 million.

Adjusted EBITDA for 2023 is projected to be within a range of $305 million to $335 million, which reaffirms previously provided preliminary outlook estimates….

Dividend per common share for 2023 is forecasted to be the same as 2022, with $0.905 per share expected to be declared quarterly, for an aggregate annual dividend payout of $3.62 per share.

Enviva forecasts that total capital expenditures (inclusive of capitalized interest) will range from $365 million to $415 million for 2023, with investments in the following projects:

- Greenfield site development and construction projects, ranging from $295 million to $325 million
- Accretive capital-light projects, ranging from $50 million to $70 million
- Maintenance capital for existing asset footprint expected to be approximately $20 million

Total capital expenditures are scheduled to be back-end weighted for 2023.

39. The Company also represented that it had "[e]ntered 2023 with substantial liquidity, with available funds to support capital expenditures and operations of approximately $384 million."[31]

40. On March 1, 2023, the Company held its earnings call to discuss its financial and operating results for the fourth quarter and full year 2022 and to reaffirm 2023 guidance. On this

[31] *See* Enviva Inc. press release dated March 1, 2023, p. 1.

call, Defendant Meth represented "I have strong conviction around our ability to not only deliver $305 million to $335 million in adjusted EBITDA for 2023 but also to double adjusted EBITDA over the next four years and to self-fund our growth by 2027."[32]

41. Additionally, Meth represented that "… for 2023 when you look at our cash flow from operations. What we expect is that our normal course of business fulfilling **our contracted backlog in 2023 will generate operating cash flow that will not only cover our dividend that we've guided to but in fact exceed that dividend.** So that's I think it's important to note, what you should expect from us and what we have conviction around for 2023"[33] (emphasis added). Enviva reported approximately $23.5 billion of product sales backlog for contracted product sales to long-term off-take customers as of January 1, 2023.[34]

42. With regard to company operations, Meth informed investors that "while [the Company] delivered record-breaking volumes from our large and growing production fleet our cost position was higher than we had anticipated. Inflationary adjustments and pass-throughs in our contracts covered us well but dramatically improved supply chain conditions combined with lower energy costs and lower delivered fiber costs in our operations coupled with higher fixed cost absorption rate in 2023 will deliver a significant uplift to expected cash flow setting us up for a strong year in 2023 and beyond."[35] Meth also reported "progress in driving increased output from our plants with several capacity improvements now in place including some debottlenecking and process throughput upgrades we have completed. Another important improvement is the work we've done around our high grading of our workforce and with improved supply chain conditions

[32] Transcript of Q4 2022 Earnings Call held on March 1, 2023, p. 5.
[33] *Id.* at p. 8.
[34] *See* 2022 Form 10-K filed with the SEC on March 1, 2023, p. 35.
[35] Transcript of Q4 2022 Earnings Call held on March 1, 2023, p. 2.

as we enter 2023, we expect to deliver a meaningful lower cost position in our cost per pellet ton over time."[36]

43. Moreover, on cost, liquidity, and leverage, Management made the following representations:

> **Thomas Meth**
>
> "I think the biggest difference you will see comes from improved fixed cost absorption. Why do we have such conviction around that fixed cost absorption, is **because our plants have proven that they can do it in the later part of 2022**. As you've heard us say in the past we've -- we commissioned our Lucedale plants in 2022 and it is fully ramped. In addition to that **we had very accretive upsizing opportunities over the last year or two in some of our existing plants**, they have been completed and **those plants have shown that they have broken through previous bottlenecks to now deliver volumes at an elevated rate**. That fixed cost absorption will be a major driver for our conviction in our increased guidance range for 2023"[37] (emphasis added).
>
> **Shai Even**
>
> "For 2023, we are focusing as reported leverage and we've (inaudible) leverage to be similar to 2022 at around 4.8 times and 3.7 times respectively."[38]
>
> "…as Thomas mentioned **we are driving cost out of our business and benefiting from higher fixed cost absorption** across our fleet because of **higher production rates and production efficiencies**"[39] (emphasis added).

The March 14, 2023 Investor Presentation

44. Enviva's management once again reiterated Defendants' misleading statements in an investor presentation dated March 14, 2023 ("March 14, 2023 Investor Presentation").[40]

---

[36] *Id.* at p. 4.
[37] *Id.* at p. 10.
[38] *Id.* at p. 6.
[39] *Id.* at p. 7.
[40] *See* March 2023 Investor Day Presentation, p. 13.

$ millions, unless noted	**2023 Guidance**
Net Loss	(48.0) – (18.0)
Adjusted EBITDA	305.0 – 335.0
Dividend per Common Share	$3.62

45. The March 14, 2023 Investor Presentation also touted, *inter alia*, the following:[41]

- "~6.2 Million MTPY of Nameplate Production Capacity"
- "Attractive Dividend Yield – 2023 Dividend Guidance of $3.62 per share of common stock;"
- "~$24 Billion Take-Or-Pay Contracted Backlog" and
- "Conservative Financial Policies Green Finance Framework – Prioritizing conservative leverage (target ratio of 3.5x-4.0x) . . ."

46. Further, after providing the FY 2022 financial results, the presentation falsely assured investors of "Stable, Durable Dividends" [42] and "Strong Dividend Coverage"[43] in 2023 based on a forecast of "Strong Cash Flow From Operating Activities ('CFFO')," which could "cover dividends @ 1.09x to 1.30x."[44]

Stable, Durable Dividends:

- During 2022, quarterly dividend payout was flattened to a stable $0.905/share, for to a total dividend payout of $3.62/share for 2022
- Dividends are projected to remain stable during 2023, at a quarterly payout of $0.905/share, with an expected total dividend payout of $3.62/share

[41] *Id.* at slide 5.
[42] *Id.* at slide 11.
[43] *Id.* at slide 12.
[44] *Id.* at slide 14.

STRONG DIVIDEND COVERAGE

- Dividend coverage of over 1.0x projected for 2023; long-term target of 1.5x dividend coverage projected by 2026[1]

47. The Company also represented that it had "substantial liquidity" going into FY 2023 and expected to end 2023 with a liquidity of ~$390 million, after taking into account dividend payments of ~$230 million and assuming no further equity or debt issuances were made during 2023.[45] Management also projected that, even after paying out the stated dividends, the Company would maintain a "conservative leverage" of ~3.7x.[46]

SUBSTANTIAL LIQUIDITY & ATTRACTIVE DIVIDEND YIELD

- Pro forma liquidity, including PIPE and Term Loan, is approximately $733 million as of December 31, 2022
- Stable, growing cash flows are expected to enhance financial flexibility and provide the ability to increase dividends and return of capital to shareholders over time, as new plants are placed in service the

CONSERVATIVE LEVERAGE

- Leverage ratio target is between 3.5 and 4.0 times, as calculated under the terms of our revolving credit facility:
  - → Our 2022 year-end leverage on a pro forma basis for the PIPE transaction, excluding the DGMT impact, was ~4.7x on a reported basis, and ~3.5x based on our credit facility agreement
  - → For 2023, reported leverage is forecasted to be ~4.8x, with leverage as calculated by our credit facility agreement being ~3.7x

Based on this, the Company reaffirmed its 2023 guidance. However, as discussed in ⁋52 below, the Company's May 1, 2023 earnings announcement, where the Company decided to suspend dividend payments in order to save cash to maintain a leverage of 4.3x, revealed that the above statements were untrue.

48. The March 2023 Investor Presentation further represented that its 2023 guidance was driven by the following factors[47]:

- "Sales price increases"

---

[45] *Id.* at slide 14.
[46] *Id.* at slide 12.
[47] *See* Transcript of Q4 2022 Earnings Call held on March 1, 2023, p. 3.

- "Increased produced volume"
- "Lower commodity prices"
- "Operating cost reductions expected"[48]

The April 3, 2023 Investor Day Presentation

49. Further, on April 3, 2023, the Company held an Investor Day at the New York Stock Exchange, at which the management discussed, *inter alia*, the Company's strategy, long-term outlook and financial expectations for 2023. As part of this event, the Company released a presentation, which was filed on a Form 8-K with the SEC on the same day (the "April 3, 2023 Investor Day Presentation").

50. The April 3, 2023 Investor Day Presentation touted "stable and secure dividend," "increasing cash flow stability" (with a forecasted liquidity of ~$400 million at the end of 2023, up ~$10 million since the March 2023 presentation) and "conservative leverage." The Company also reaffirmed projected EBITDA between $305-355 million,[49] production volumes of 5.5 – 6 million MTPY in 2023[50] and a 11% decrease in 2023 costs on account of various factors including increasing production volumes, strategic procurement of raw materials, and decreasing commodity prices.[51]

[48] *See* Form 8-K dated March 14, 2023, 4Q 2022 Update, slide 13.
[49] *See* Transcript of the April 3, 2023 Investor Day presentation, p. 8 (Meth stating: "For 2023, the company has guided to a midpoint of $320 million in the range of adjusted EBITDA of $305 million to $335 million.")
[50] *See* April 2023 Investor Day Presentation appended to Form 8-K dated April 3, 2023, slide 18; see also Transcript of the April 3, 2023 Investor Day presentation, p. 8 (Meth stating: "We made 4.7 million tons last year, and we expect we make between 5.5 million tons and 6 million tons this year. . .").
[51] *See* April 2023 Investor Day Presentation, p. 20.

51. With respect to the Company's liquidity position, Meth touted that the Company had "plenty of liquidity, complemented by growing long-term cash flows" which "protect[ed] [the Company's] stable dividend," Even concurred saying that:[52]

> We have very strong liquidity positions. The pro forma for year-end 2022, our liquidity $733 million, that includes the benefit of the pipe and the term loan completed both in Q1 2023. Our liquidity expected to be at year-end 2023 $400 million. And let me unpack this for you. Starting with $733 million liquidity, pro forma for year-end 2022, we are adding to that cash flow from operating activities for 2023, which we're expecting that to be $300 million and we expect the mid-range to use in capital expenditures $390 million during 2023. And after accounting for dividends of $230 million, we are expecting strong liquidity position with $400 million at year-end 2023 without issuing debt, without issuing equity.

However, merely a month later, this statement turned out to be false when the Company decided to suspend dividend payments on grounds of "effectively managing liquidity" as discussed in ⁋52 below.

<u>The Truth Is Revealed</u>

<u>The May 3, 2023 Disclosure of 1Q23 Operating Results</u>

52. On May 3, 2023, only a month after the April 3, 2023 Investor Day Presentation, the Company announced its first quarter 2023 financial results and unexpectedly revised down its 2023 guidance while entirely eliminating the quarterly dividend. Particularly, it lowered its 2023 adjusted EBITDA projections from a range of $305-335 million to $200-250 million, lowered its Net loss projection from $18-48 million to $136-186 million, and suspended dividend payments for 2023. Below is the revised guidance:[53]

---

[52] *See* Transcript of the April 3, 2023 Investor Day presentation, p. 31.
[53] *See* Enviva's investor presentation titled "1Q 2023 Update" dated May 9, 2023, slide 42.

$ millions, unless noted	**2023 Guidance**	**2023 Revised Guidance**
Net Loss	(48.0) - (18.0)	(186.0) - (136.0)
Adjusted EBITDA	305 - 335	200-250
Dividend per Common Share ($/Share)	3.62	0
Total Capital Expenditures	365 - 415	365 - 415

53. In a press release on the same day, Keppler, as Executive Chairman, announced that "the originally forecasted operational and financial performance [of the Company] … [was] clearly taking longer than expected" and a decision "to revise Enviva's capital allocation framework, eliminating the Company's quarterly dividend" was implemented "in order to preserve liquidity and a conservative leverage profile, maintain [ ] current growth trajectory, potentially accelerate future investments in new fully contracted plant and port assets, and implement a limited share repurchase program." Keppler attributed the change in cost position, "in part due to slower volume growth, and in part due to a higher spend profile for the volume growth we did achieve." [54]Meth continued, "[w]e know what the specific issues are: contract labor is too high, discipline around repairs and maintenance spend is insufficient, wood input costs need to come down further and stay there, and utilization rates at specific plants need to improve and stabilize at those improved levels. Because of where we are in our journey to bend our cost curve down while bending our production curve up, we feel it is prudent to take a much more conservative view of what our business can realistically achieve over the next eight months."[55]

54. According to Meth, "[o]perating cost overages and production challenges were key drivers behind the first quarter's poor performance. While plant production is increasing and we are reducing our operating cost position, neither improvement is materializing at the rate we

[54] *See* Enviva's Press Release dated May 3, 2023, pp. 1-2.
[55] *Id.* at p. 2.

forecasted a few months ago. Based on results from the first four months of the year, we believe it is prudent to take a more conservative view on the timing of our ability to deliver these improvements."[56]

55. On May 4, 2023, Enviva held an earnings call on which Defendant Meth blamed these revisions on (a) customer mix impacting results; (b) unplanned repairs and maintenance expenses; (c) professional fees; and (d) shipments subject to deferred gross margin accounting.[57] Defendants had previously failed to inform investors of the potential impact of customer mix, which as of the May 4, 2023 earnings call was said to account for $16 million of the difference between actual results and expectations.[58] Instead, Defendant Meth had misrepresented on the March 1, 2023 earnings call that there was "incredible momentum with our customers with a new set of customers in just the last few weeks, all at higher pricing than we have seen historically."[59]

56. Defendants attributed $10 million of the difference between actual results and expectations to unforeseen repairs due in large part to "operations leadership [who] had prioritized production over cost management." Meth had previously assured investors "[w]e are laser focused on improving operational performance and cost management across our asset fleet, and I'm happy to report we're making noticeable strides forward."[60]

57. Defendant Meth attributed $5 million of the difference between actual results and expectations to "professional fees" associated in part with plant optimization initiatives such as the hiring of a third-party operational improvement consultant to assist with issues at the Southampton plant. Defendant Meth stated that "[t]wo of our plants, Greenwood and Southampton, are what we

---

[56] *Id.* at p. 3.
[57] *Id.* at pp. 3-4.
[58] *Id.* at p. 3.
[59] *See* Transcript of Q4 2022 Earnings Call held on March 1, 2023, p. 2.
[60] *Id.* at p. 3.

call dryer limited, meaning that we're either bottlenecked at the dryer because of its inherent evaporative limitations to reduce the moisture content in the raw material, which is the case at Greenwood, or on a reliability or operability basis, which is the case at Southampton, where the original dryer line needs refurbishment.... And where we have struggled a little bit is, certainly on the reliability of those new plants. We have certainly struggled a little bit with third-party cost management, and we've struggled with turnover, right?"[61] However, Defendants had previously failed to disclose ongoing issues at any of their plants, and instead Defendant Meth had reported "progress in driving increased output from our plants with several capacity improvements now in place including some debottlenecking and process throughput upgrades we have completed."[62]

58. In response to this news, Enviva's stock price collapsed 67.2%, from $21.35 per share on May 3, 2023 to $7.01 per share on May 4, 2023 on exceptionally heavy volume of 15.6 million shares, more than 26 times Enviva's average daily trading volume during the Class Period.

The May 9, 2023 Investor Presentation

59. On May 9, 2023, the Company released an investor presentation titled "1Q 2023 Update" dated May 9, 2023, which was posted on Enviva's website www.envivabiomass.com and simultaneously filed with the SEC on a Form 8-K, which provided more insight into the reasons for the revision of guidance and the elimination of dividends – revealing, for the first time, the true state of the Company's financial condition (the "May 2023 Investor Presentation").

60. In the May 2023 Investor Presentation, the Company indicated that its 2023 guidance was being revised for the following reasons:[63]

> • Entered 2023 at a much higher cost position than anticipated
> • Exiting 1Q at $155/MT Delivered at Port costs vs. original expectations of $145/MT (NCV adjusted)

[61] *See* Transcript of Q1 2022 Earnings Call held on May 4, 2023, p. 6.
[62] Transcript of Q4 2022 Earnings Call held on March 1, 2023, p. 4.
[63] *See* Enviva's investor presentation titled "1Q 2023 Update" dated May 9, 2023, slide 9.

• More conservative view on what the business will deliver, given 1Q performance and shift in timing expectations as to when productivity and cost improvements are expected to be fully realized

61. The May 2023 Investor Presentation further indicated that the suspension of dividend payments, which was saving the Company $1 billion in cash flow from 2023 – 2026, was being implemented to prioritize the following:[64]

1. Effectively managing liquidity and leverage
2. Improving operating cost and productivity of current asset platform, and investing in new fully contracted wood pellet production plants
3. Returning capital to stockholders through share repurchases, and
4. Accelerating, when appropriate, investments in new fully contracted wood pellet production assets"

62. Notably, the May 2023 Investor Presentation also revealed that in a span of just one month, Enviva's management had revised its 2023 expected production volumes from 5.5 – 6.0 million MTPY to 5.0 - 5.5 million MTPY, purportedly owing to the slower than anticipated rate of productivity increases and operational issues in the manufacturing plants.[65]

63. The presentation also revealed that the management expected to exit 2023 with a leverage ratio of 4.3x after eliminating dividend payments entirely, which was surprising because of its marked departure from the earlier stated expectation of a 3.5x-4.0x leverage after accounting for dividend payments - and this departure only in the short span of one-month.

CLASS ACTION ALLEGATIONS

64. Plaintiff brings this action as a class action pursuant to Rule 23(a) and (b)(3) of the Federal Rules of Civil Procedure on behalf of a class consisting of all persons who purchased or otherwise acquired Enviva common stock on a U.S. open market during the class period November 3, 2022 through May 3, 2023, both dates inclusive (the "Class"). Excluded from the Class are

[64] *Id.* at slide 9.
[65] *Id.* at slide 15.

Defendants in this action, the officers and directors of the Company during the Class Period (the Excluded D&Os), members of Defendants' and Excluded D&Os' immediate families, legal representatives, heirs, successors or assigns, and any entity in which Defendants or the Excluded D&Os have or had a controlling interest.

65. The members of the Class are so numerous that joinder of all members is impracticable. While the exact number of Class members is unknown to Plaintiff at this time and can only be ascertained through appropriate discovery, Plaintiff believes that there are at least hundreds or thousands of members in the proposed Class.

66. Throughout the Class Period, Enviva's common stock actively traded on the NYSE (an open and efficient market) under the symbol "EVA." Millions of shares of Enviva common stock were traded publicly during the Class Period on the NYSE.

67. As of April 28, 2023, the Company had (according to its first quarter 2023 Form 10-Q) 67,727,662 shares outstanding. Record owners and other members of the Class may be identified from records maintained by Enviva or its transfer agent and may be notified of the pendency of this action by mail, using a form of notice similar to that customarily used in securities class actions.

68. Plaintiff's claims are typical of the claims of the other members of the Class as all members of the Class were similarly affected by Defendants' wrongful conduct in violation of federal law that is complained of herein.

69. Plaintiff will fairly and adequately protect the interests of the members of the Class and have retained counsel competent and experienced in class and securities litigation. Plaintiff has no interests that conflict with those of the Class.

70. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class. Among the questions of law and fact common to the Class are:

a. whether Defendants violated the Exchange Act by the acts and omissions as alleged herein;

b. whether Defendants knew or recklessly disregarded that their statements and/or omissions were false and misleading;

c. whether documents, press releases, and other statements disseminated to the investing public and the Company's shareholders by Defendants during the Class Period misrepresented or omitted material facts about Enviva's business, operations, internal controls, and financial statements;

d. whether the market price of Enviva's common stock during the Class Period was artificially inflated and/or maintained due to the material misrepresentations or omissions and/or failures to correct the material misrepresentations or omissions complained of herein; and

e. the extent to which the members of the Class have sustained damages and the proper measure of damages.

71. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable.

72. Furthermore, as the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation make it impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this suit as a class action.

COUNT I

Against Defendants for Violation of Sections 10(b) of the Exchange Act and Rule 10b-5 Thereunder

73. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

74. This Count is asserted against all Defendants and is based upon Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 promulgated thereunder by the SEC.

75. Based upon the facts alleged herein, during the Class Period, Defendants violated Section 10(b) and Rule 10b-5 in that they, in connection with the purchase of Enviva common stock by the Plaintiff and the Class: (a) used or employed manipulative and deceptive devices or contrivances in contravention of rules and regulations set forth by the SEC; (b) employed devices, schemes, and artifices to defraud; (c) made untrue statements of material facts and/or omitted to state material facts necessary to make the statements not misleading; and/or (d) engaged in acts, practices, and a course of conduct that operated as a fraud and deceit upon the Plaintiff and the Class.

76. Defendants engaged in a plan, scheme, and course of conduct, that was intended to and, throughout the Class Period, did: (i) deceive the investing public, including Plaintiff and other Class members, as alleged herein; (ii) artificially inflate and/or maintain the market price of Enviva common stock; and (iii) cause Plaintiff and other members of the Class to purchase Enviva common stock at artificially inflated and/or maintained prices. In furtherance of this unlawful scheme, plan, and course of conduct, Defendants, and each of them, took the actions set forth herein.

77. Pursuant to the above, plan, scheme, conspiracy, and course of conduct, each of the Defendants participated directly or indirectly in the preparation and/or issuance of the annual reports, quarterly results announcements, SEC filings, press releases, investor presentations and other statements and documents described above. Such reports, filings, releases and statements contained untrue statements of material facts of failed to disclose material information necessary to make the statements made not misleading.

78. Defendants, individually and in concert, directly and indirectly, by the use, means, or instrumentalities of interstate commerce and/or the mails, engaged and participated in a continuous course of conduct to conceal adverse material information about Enviva's business, operations, and prospects, as specified herein.

79. Defendants, individually and in concert, directly and indirectly, employed devices, schemes, and artifices to defraud, while in possession of material adverse non-public information and engaged in acts, practices, and a course of conduct as alleged herein in an effort to assure investors of Enviva's business, operations, and prospects, which included the making of, or the participation in the making of, untrue statements of material facts and/or omitting to state material facts necessary in order to make the statements made about Enviva and its business, operations, and future prospects in light of the circumstances under which they were made, not misleading, as set forth more particularly herein, and engaged in transactions, practices, and a course of conduct of business that operated as a fraud and deceit upon the purchasers of the Company's common stock during the Class Period.

80. Defendants had actual knowledge of the misrepresentations and/or omissions of material facts set forth herein or acted with reckless disregard for the truth in that they failed to ascertain and to disclose such facts, even though such facts were available to them. Such

Defendants' material misrepresentations and/or omissions were done knowingly or recklessly and for the purpose and effect of concealing Enviva's operating condition, business practices, and prospects from the investing public and supporting the artificially inflated and/or maintained price of Enviva common stock.

81. As a result of the dissemination of the materially false and/or misleading information and/or failure to disclose material facts, as set forth above, the market price of Enviva common stock was artificially inflated and/or maintained, and relying directly or indirectly on the false and misleading statements made by Defendants or upon the integrity of the market in which the common stock trades, and/or in the absence of material adverse information that was known or recklessly disregarded by Defendants, but not disclosed in public statements by Defendants during the Class Period, Plaintiff and the other members of the Class purchased Enviva common stock during the Class Period at artificially inflated and/or maintained prices and were damaged thereby.

82. At the time of said misrepresentations and omissions, Plaintiff and other members of the Class were ignorant of their falsity and believed them to be true. Had Plaintiff and the other members of the Class and the marketplace known of the truth regarding the Company's grim financial condition, including the problems it was facing with respect to low productivity, high cost situation and tight liquidity affecting its ability to pay dividends in 2023, which were not disclosed by Defendants, Plaintiff and other members of the Class would not have purchased their Enviva common stock, or, if they had purchased such securities during the Class Period, they would not have done so at the artificially inflated and/or maintained prices that they paid.

83. By virtue of the foregoing, Enviva and the Individual Defendants each violated Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder.

84. Defendants are liable both directly and indirectly for their violations of Section 10(b) and Rule 10b-5 and the wrongs complained of herein.

85. As a direct and proximate result of Defendants' wrongful conduct, Plaintiff and the other members of the Class suffered damages in connection with their purchases of the Company's common stock during the Class Period.

COUNT II
For Violations of Section 20(a) of the Exchange Act
Against the Individual Defendants

86. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

87. The Individual Defendants acted as controlling persons of Enviva within the meaning of Section 20(a) of the Exchange Act as alleged herein.

88. By virtue of their high-level positions with the Company, participation in, and/or awareness of the Company's operations, and intimate knowledge of the false statements filed by the Company with the SEC and disseminated to the investing public, the Individual Defendants had the power to influence and control and did influence and control, directly or indirectly, the decision-making of the Company, including the content and dissemination of the various statements that Plaintiff contends are false and misleading.

89. Each of the Individual Defendants was provided with or had unlimited access to copies of the Company's reports, press releases, public filings, and other statements alleged by Plaintiff to be misleading prior to and/or shortly after these statements were issued and had the ability to prevent the issuance of the statements or cause the statements to be corrected.

90. The Individual Defendants were also responsible for creating and overseeing the Company's financial condition.

91. Further, the Individual Defendants authorized the filing or dissemination of the Form 8-Ks, investor presentations, press releases and all other SEC filings referred to above that are alleged herein to contain materially false and misleading statements or material omissions.

92. In particular, the Individual Defendants had direct and supervisory involvement in the day-to-day operations of the Company and, therefore, had the power to control or influence the particular transactions giving rise to the securities violations as alleged herein, and exercised the same.

93. As set forth above, Enviva and the Individual Defendants each violated Section 10(b) and Rule 10b-5 by their acts and omissions as alleged in this Complaint. By virtue of their position as controlling persons of Enviva, the Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act.

94. As a direct and proximate result of these Defendants' wrongful conduct, Plaintiff and other members of the Class suffered damages in connection with their purchases of the Company's common stock during the Class Period.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff, individually and on behalf of the Class, prays for relief and judgment as follows:

A. Declaring this action to be a class action pursuant to Rule 23(a) and (b)(3) of the Federal Rules of Civil Procedure on behalf of the Class defined herein;

B. Awarding Plaintiff and the other members of the Class damages in an amount that may be proven at trial, together with interest thereon;

C. Awarding Plaintiff and the members of the Class pre-judgment and post-judgment interest, as well as their reasonable attorneys' and experts' witness fees and other costs; and

D. Awarding such other relief as this Court deems appropriate.

JURY DEMAND

Plaintiff requests a trial by jury of all claims that can be so tried.

Dated: September 12, 2023

THE KAPLAN LAW FIRM

By: /s/

Matthew B. Kaplan, D. Md. Bar No. 18636
1100 N Glebe Rd
Suite 1010
Arlington, VA 22201
Tel: (703) 665-9529
Email: mbkaplan@thekaplanlawfirm.com

WOLF POPPER LLP
Robert C. Finkel (*Pro Hac Vice application to be filed)*
Adam Savett (*Pro Hac Vice application to be filed)*
845 Third Avenue, 12th Floor
New York, NY 10022
Tel: (212) 759-4600
Email: rfinkel@wolfpopper.com
Email: asavett@wolfpopper.com

Counsel for Plaintiff and the Class