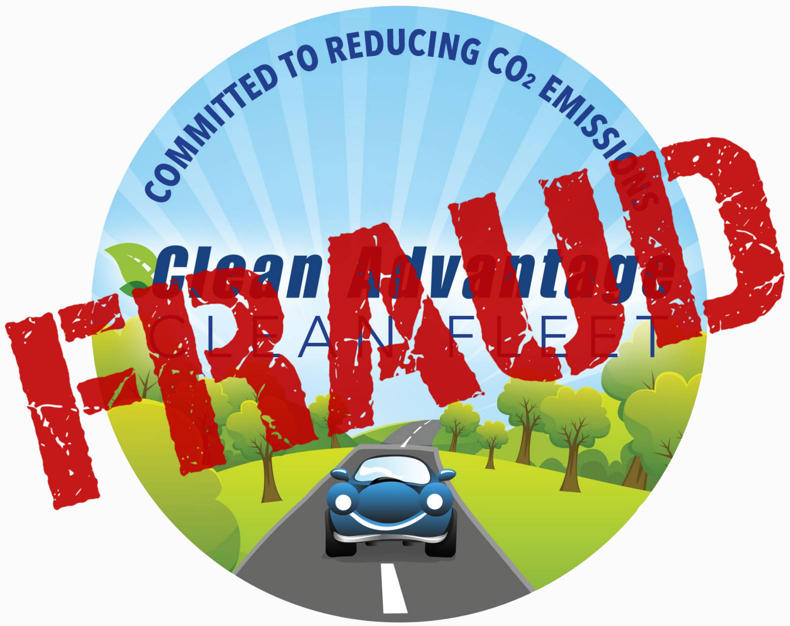



FLEETCOR®

# Citron Exposes one of the Largest Clean Energy Frauds in US History

# Introduction

It is no secret that FleetCor CEO Ronald Clarke is known for pushing the envelope. Citron Research, Capital Forum, Bloomberg, and almost every major financial news publication have all written about the company's egregious billing practices. While these practices might have been aggressive, it has been difficult for anyone to prove that they are illegal.

Until now…

While FleetCor has used excessive fees to grow earnings, the recent growth of the company is not from a fee and not from the highly publicized beyond fuel program but rather from a nefarious and hidden scheme called the "Clean Advantage" program. Note – this is not one of the many controversial fees but rather this is a program that customers pay into to make their fleets carbon neutral or zero emission. This is an **outright "green fraud" that has brought FleetCor to their Philidor moment and should lead to the immediate resignation of CEO Ronald Clarke.**

While the company doesn't dare to discuss the impact of this program, it has clearly been a primary driver of organic EBITDA growth as can be seen in the "Miscellaneous Fees" line item.

Clarke validated this last year by referring to the new "zero emissions" (Clean Advantage) program as a key driver of growth. Yet, this program does not appear in any of the company's investor presentations or corporate filings. Furthermore, analysts have never discussed this program and this week both Goldman Sachs and William Blair talked up the impact of the beyond fuel program, which is only on 5k accounts without one mention of the "Clean Advantage" program, which is on 100k accounts.

The reason why – **the "Clean Advantage" program is a total fraud**.

# FleetCor's "Clean Advantage" Program – The Philidor Moment

With customers ranging from public schools to municipalities to small businesses, FleetCor is selling a carbon neutral program when in reality they are pocketing nearly all the money at a level that will most certainly bring criminal indictments. When Mr. Clarke referred to "zero emissions" in his growth strategy, he was referring to the "Clean Advantage" program that began in 2015. Unlike Fleetcor's many fees, the "Clean Advantage" program actually sells a product to the customer.

The language on the "Clean Advantage" website to both US and European customers leaves no doubt or room for misunderstanding about what the "Clean Advantage" program is. Customers pay FleetCor to make their fleets zero emission. Beyond the clear language to customers, Clarke also presents this program to Wall Street as "zero emissions." The "Clean Advantage" program is a partnership with a Atlanta-based startup called GreenPrint that is responsible for administering the program.

## ABOUT US

Clean Advantage® is a turnkey sustainability program, brought to you by FLEETCOR and GreenPrint. This program automatically calculates your fleet's $CO_2$ emissions and significantly reduces your fleet emissions through proportionate investments in projects that sequester $CO_2$ from the atmosphere, making your vehicles the cleanest on the road – even cleaner than the average electric or CNG vehicles. The Clean Advantage® program invests in many projects that not only reduce $CO_2$ but also help to provide habitats for wildlife, clean landfills, and develop local parks and recreational space for people to enjoy.

## HOW IT WORKS

Clean Advantage® works by calculating your fleet vehicle's emissions and investing proportionately in projects that sequester $CO_2$ from the atmosphere - making your vehicles the cleanest on the road - even cleaner than the average CNG vehicles!

## Fleet Solutions

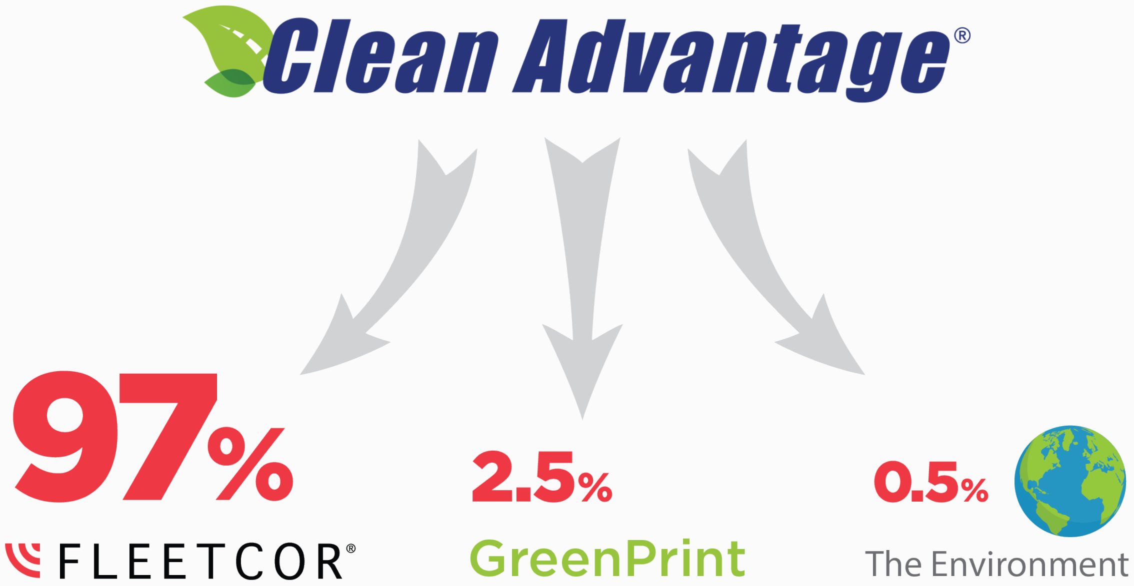
Fleet Solutions with ZERO carbon neutral gasoline provides corporate and municipal fleet owners with a turn key, low-cost, and robust solution enabling your fleet to be carbon neutral. Now, practicing sustainability & social responsibility is easier and less expensive than ever before. We help small vehicles fleets, large van lines, and corporate and municipal fleets alike deliver valuable messaging, goodwill, and demonstrates forward thinking mindset to their stakeholders and customers. While our clients invest in cleaner burning fuel technologies, mileage efficient vehicles, and alternative technology vehicles to reduce costs and promote sustainability, Fleet Solutions with Clean Advantage™ bolsters these efforts and enables you to go the last mile and make your fleet carbon neutral today.

# The Truth About the "Clean Advantage" Program

Citron believes less than 1% of all money paid by customers to make proportionate investments in the environment to offset their carbon footprint goes to the environment!  The amount paid into the "Clean Advantage" program to date is at a minimum $100 million and growing, making this **THE LARGEST CLEAN ENERGY FRAUD** in US history.

In layman's terms, FleetCor has sold enough phony carbon offsets to land their board of directors in jail for the rest of their lives.

This graphic most clearly explains the fraud.



# The "Clean Advantage" Program Exposed

According to Clean Advantage's website, it claims: "When we reduce your fleet's emissions we work with and invest in projects that have been certified to sequester $CO_2$ from the atmosphere. We follow strict guidelines and protocols and retire certified carbon credits on a leading public registry [American Carbon Registry]."

Citron examined the American Carbon Registry in order to audit these projects listed on Clean Advantage's website and **not one of the projects listed on Clean Advantage's website exists on the American Carbon Registry**. Furthermore, the only project associated with GreenPrint on the American Carbon Registry is the "Chesapeake Mizer Pneumatic Retrofit", a project that was completed in 2011 by Chesapeake Energy. In other words, GreenPrint is buying old carbon offsets from a project that was completed 4 years before GreenPrint's founding.

GreenPrint has bought ~200,000 old vintage credits from a project already completed; a far cry from "working with" and investing in the carbon offsetting projects themselves. Furthermore, given the 2008-2010 issue date of these credits, GreenPrint likely paid $1 or less for each of these credits. Therefore, the only auditable carbon offset from the American Carbon Registry for all of GreenPrint's projects including the "Clean Advantage" program amounts to approximately $200k.

# The "Clean Advantage" Program Exposed

| | |
|---|---|
| Credits Acquired | 200,000 |
| Carbon Pounds Offset Per Credit | 2,000 |
| **Total Carbon Pounds Offset** | **400,000,000** |
| Carbon Pound Emissions / Gallon of Gasoline[1] | 20 |
| **Total Gallons of Gasoline Offset** | **20,000,000** |
| Fleetcor Gallons Processed/Year | 15,000,000,000 |
| Gallons Forced Into Clean Advantage (%) | 20% |
| **Gallons Forced Into Clean Advantage** | **3,000,000,000** |
| **Gallons Offset As % of Gallons Paying Clean Advantage** | **0.7%** |



(1) https://www.eia.gov/environment/emissions/co2_vol_mass.php

# The "Clean Advantage" Program Exposed

**Citron reached out to all the US projects listed on Clean Advantage's site and not one had ever heard of FleetCor, GreenPrint, or Clean Advantage!**

We found it odd that a company with arguably one of the largest carbon offset programs in the world was promoting the planting of "a total of seven walnuts and two moss plants" in the Czech Republic.

**Project Summary**

On May 4, 2018, Okrašlovací Spolek Tvrdonice planted new trees at the site called Výhonekin Tvrdonice. The financial amount was received as second prize in the 2017 Tree of the Year Survey. The majority was devoted to the professional tree treatment that took place on March 26, 2018 and the remainder of the money was used to buy trees for planting. The planting was carried out by members of the association with the help of children from the local kindergarten. Children adopted individual trees. A total of seven walnuts and two moss plants were planted. Thanks to the Foundation for Partnership for Financial Support, the Tvrdonice Kindergarten for their cooperation and the other volunteers who helped with this meaningful project.

Clean Advantage

Clean Advantage in partnership with FLEETCOR

HOME HOW IT WORKS PROJECTS CERTIFICATE CONTACT

**PrairieWinds ND1 – North Dakota, United States:**

This project has 101, 1.5 MW turbines and has a generating capacity of 151.5 MW of wind energy. Power from this wind project south of Minot, ND flows to customers and provides benefits to rural communities. The estimated annual emission reductions for this project is 308,580 tCO2e.

**Ball State University Geothermal – Indiana, United States:**

Ball State University created the nation's largest ground-source, closed-loop geothermal energy system, reducing their carbon footprint nearly in half and has allowed the school to move its target carbon neutrality date forward from 2050 to 2030. The system provides $2 million in annual savings to the school. Additionally, the geothermal system serves as research material and classroom curriculum for hundreds of faculty and students.

**GEC Organic Soil Amendments Project – Alabama, United States:**

This project, located in Castleberry, AL involves aerobic decomposition of chicken manure and green waste (wood shavings) through composting. The waste is purchased from local companies and received at the composting facility as raw material to produce a high potency organic compost that is pathogen free and odourless. The compost produced is sold to local farmers as a soil enricher for agricultural activities.

**Mt. Carberry Project Landfill Gas Capture Project – New Hampshire, United States:**

The Landfill is located in the Unincorporated Township of Success, N.H. and consists of approximately 67 acres of developed landfill with an additional 43 acres which is undeveloped. The Landfill is projected to be operational through the year 2048 at the maximum fill rate per year (305,500 cubic yards per year). The site is approximately two miles east of Berlin, N.H.

# The “Clean Advantage” Program Exposed

The most highly publicized environmental endeavor on the “Clean Advantage” website is the partnership with the Arbor Day Foundation and the planting of 5,000 trees.  This is where Citron does something good for the environment.  For a mere $10k, we were also able to plant 5,000 trees with the Arbor Day Foundation.

# GreenPrint – The Willing Accomplice

Why did FleetCor, the largest global fuel card operator, partner with GreenPrint and not one of the many established environmental consulting firms?

**They needed a willing accomplice.**

Upon enrollment in the “Clean Advantage” program, FleetCor’s customers are given a certificate of zero emission or a clean fleet WITHOUT ANY AUDIT or third party verification which are standard in the industry.

While companies like Lyft, Etsy, and Expedia use 3Degrees, the leader in carbon offset programs who has strict accreditation processes, GreenPrint appears to be a company that encourages the unsavory act of greenwashing. Just watch their video.

*Greenwashing (noun)*

*The practice of making an unsubstantiated or misleading claim about the environmental benefits of a product, service, technology or company practice.*

This has become a problem as Citron was told during our discussions with former management from FleetCor that customer requests for proof that they were carbon neutral could not be fulfilled by FleetCor.

Clearly, there was no audit mechanism in place to enforce carbon neutrality of fleets.


# What Does WEX Do?

The egregiousness of the “Clean Advantage” fraud is most apparent when compared to direct competitor WEX’s own green partnership with WeForest for carbon reduction.

Consider this:

FleetCor’s “Clean Advantage” program charges customers 5 cents per gallon and with the average semi-truck consuming approximately 20 thousand gallons of fuel per year, this equates to $1 thousand per card annually vs. WEX only charges its customers 18 euro annually per card.

| | FLEETCOR® | wex |
|---|---|---|
| Price per Gallon | $0.05 | |
| Gallons Consumed Annually | 20,000 | |
| **Total Price Per Card Annually** | **$1,000** | **€18** |

# FleetCor Scheme vs. WEX Program

Despite the significantly higher fees of FleetCor's "Clean Advantage" scheme vs. WEX's program and the contractual obligation of FleetCor to make their customers carbon neutral, the greatest accomplishment promoted on Clean Advantage's website is planting 5,000 trees. Compare this to WEX planting over 3 million trees in just the last 2 years. Even still, WEX does not offer this as a zero emission or carbon neutral program.

Clean Advantage®

The Clean Advantage® program has partnered with The Arbor Day Foundation to plant 5,000 trees locally in addition calculating your fleet vehicle's emissions and investing proportionately in projects that sequester CO2 from the atmosphere. Just one more way we go the extra mile.

Planting since

**2017**

Trees funded

**3,044,488**


# The "Clean Advantage" Fallout

We are most certain that the analysts and company will defend this illegal practice by minimizing it as a % of revenue despite the fact that this is one of the highest margin growth drivers of the company.

What is most important is even at $100 million, this would be the largest clean energy fraud in US history. Customers have paid FleetCor over $100 million to make their fleets carbon neutral while FleetCor has stolen this money earmarked for environmental purposes.

The only question is who will take an enforcement action first?

- Department of Justice
- Securities and Exchange Commission
- Federal Trade Commission
- Federal Bureau of Investigation
- Foreign jurisdictions who are vigilant about environmental scams

The "Clean Advantage" fraud should trigger the immediate resignation of CEO Ronald Clarke. Consider this: as the Volkswagen emissions scandal came to light, the stock collapsed, the company faced billions in legal fees and regulatory fines, and the CEO was forced to step down. The CEO is now facing up to 10 years in prison.

Before you want to dismiss a $100 million fraud, remember the head of the EPA, Scott Pruitt, resigned over $100 thousand in travel expenses.

This will most certainly come to the attention of the leaders of the new green movement from Joe Biden to Bernie Sanders to Elizabeth Warren to AOC who will focus on Ronald Clarke being the most overpaid CEO in America while his company is committing the largest clean energy fraud in the country.

# The “Clean Advantage” Fallout

Much like Philidor did to Valeant, this could be the straw that breaks the camel’s back as regulators are finally able to take action against the company’s infamous billing practices.

We believe the fallout from this scandal will result in:

- The potential resignation of CEO Ronald Clarke
- Significant multiple contraction
- Loss of customers
- Massive fines
- Civil litigation
- Exposing the weakness in underlying core business
- Material slowdown in growth
- Regulatory scrutiny of its entire business model

| | |
|---|---|
| FLT Consensus 2019 EBITDA Estimate | $1,518 |
| Clean Advantage EBITDA | $125 |
| **FLT 2019 Ex. Clean Advantage EBITDA** | **$1,393** |
| Multiple | 10.0x |
| **FLT Enterprise Value** | **$13,930** |
| Net Debt | $3,457 |
| Liability (Paying Back Fees) | $500 |
| **FLT Equity Value** | **$9,973** |
| Shares Outstanding | 90 |
| **FLT Price Target** | **$110.81** |
| FLT Current Price | $255.00 |
| Downside (%) | -56.5% |

# Conclusion

Committing the largest clean energy fraud in US history will quickly end the legacy business model of FleetCor using its cookie jar of excessive fees to drive earnings.

Much like we saw with Valeant, when an aggressive CEO that is well-liked by hedge funds moves from aggressive tactics to illegal tactics and regulators get involved, it is impossible to operate business as usual.

FleetCor has not made their clients zero emission, FleetCor has not significantly reduced carbon footprints, and FleetCor has not proportionately invested into environmental initiatives.  FleetCor has exploited a worldwide concern in order to unjustly reward its executives.

Citron cautions any investor that is trying to catch a falling knife.  With the potential for the resignation of CEO Ronald Clarke, significant multiple contraction, loss of customers, massive fines, material slowdown in growth, and regulatory scrutiny of its entire business model, the downside for FleetCor's stock price is massive and the stock will no longer be investable.

# Cautious Investing to All

*These reports have been prepared by either Citron Research ("Citron Research") or Citron Capital, LLC ("Citron Capital"). Citron Research and Citron Capital are referred to collectively as "Citron" and each individually as a "Citron Entity." Each report specifies the publisher and owner of that report. All reports are for informational purposes only. Under no circumstances should any of these reports or any information herein be construed as investment advice, or as an offer to sell or the solicitation of an offer to buy any securities or other financial instruments.*

*Citron Research produces research reports on publicly traded securities, and Citron Capital is an exempt reporting adviser filed with the California Department of Business Oversight. The reports are the property of the applicable Citron Entity that published that report. The opinions, information and reports set forth herein are solely attributable to the applicable Citron Entity and are not attributable to any Citron Related Person (defined below) (other than the Citron Entity that published the report).*

*By downloading, accessing, or viewing any research report, you agree to the following Terms of Use. You agree that use of the research presented in any report is at your own risk. You (or any person you are acting as agent for) agree to hold harmless Citron Research, Citron Capital and each of their affiliates and related parties, including, but not limited to any principals, officers, directors, employees, members, clients, investors, consultants and agents (collectively, the "Citron Related Persons") for any direct or indirect losses (including trading losses) attributable to any information in a research report. You further agree to do your own research and due diligence before making any investment decision with respect to securities of the issuers covered herein (each, a "Covered Issuer") or any other financial instruments that reference the Covered Issuer or any securities issued by the Covered Issuer. You represent that you have sufficient investment sophistication to critically assess the information, analysis and opinion presented in any Citron report. You further agree that you will not communicate the contents of reports and other materials made available by Citron to any other person unless that person has agreed to be bound by these Terms of Use. If you access, download or receive the contents of Citron reports or other materials on your own behalf, you agree to and shall be bound by these Terms of Use. If you access, download or receive the contents of Citron reports or other materials as an agent for any other person, you are binding your principal to these same Terms of Use.*

*You should assume that, as of the publication date of a Citron report, Citron Related Persons (possibly along with or through its members, partners, affiliates, employees, and/or consultants), Citron Related Persons clients and/or investors and/or their clients and/or investors have a position (long or short) in one or more of the securities of a Covered Issuer (and/or options, swaps, and other derivatives related to one or more of these securities), and therefore may realize significant gains in the event that the prices of a Covered Issuer's securities decline or appreciate. Citron Research, Citron Capital and/or the Citron Related Persons may continue to transact in Covered Issuers' securities for an indefinite period after an initial report on a Covered Issuer, and such position(s) may be long, short, or neutral at any time hereafter regardless of their initial position(s) and views as stated in the Citron research. Neither Citron Research nor Citron Capital will update any report or information to reflect changes in positions that may be held by a Citron Related Person.*

*This is not an offer to sell or a solicitation of an offer to buy any security. Neither Citron Research nor any Citron Related Person (including Citron Capital) are offering, selling or buying any security to or from any person through any Citron research reports. Citron Research is affiliated with Citron Capital. Citron Capital is an exempt reporting adviser filed with the California Department of Business Oversight and is not registered as investment adviser in any other jurisdiction. Citron Capital does not render investment advice to anyone unless it has an investment adviser-client relationship with that person evidenced in writing. You understand and agree that Citron Capital does not have any investment advisory relationship with you or does not owe fiduciary duties to you. Giving investment advice requires knowledge of your financial situation, investment objectives, and risk tolerance, and Citron Capital has no such knowledge about you.*

*The research and reports made available by Citron reflect express the opinion of the applicable Citron Entity as of the time of the report only. Reports are based on generally available information, field research, inferences and deductions through the applicable Citron Entity's due diligence and analytical process. To the best of the applicable Citron Entity's ability and belief, all information contained herein is accurate and reliable, is not material non-public information, and has been obtained from public sources that the applicable Citron Entity believe to be accurate and reliable, and who are not insiders or connected persons of the Covered Issuers or who may otherwise owe a fiduciary duty, duty of confidentiality or any other duty to the Covered Issuer (directly or indirectly). However, such information is presented "as is," without warranty of any kind, whether express or implied. With respect to their respective research reports, Citron Research and Citron Capital makes no representation, express or implied, as to the accuracy, timeliness, or completeness of any such information or with regard to the results to be obtained from its use. Further, any research report contains a very large measure of analysis and opinion. All expressions of opinion are subject to change without notice, and Citron does not undertake to update or supplement any reports or any of the information, analysis and opinion contained in them.*

*In no event shall Citron Research, Citron Capital or any Citron Related Persons be liable for any claims, losses, costs or damages of any kind, including direct, indirect, punitive, exemplary, incidental, special or, consequential damages, arising out of or in any way connected with any information presented in any Citron report. This limitation of liability applies regardless of any negligence or gross negligence of Citron Research, Citron Capital or any Citron Related Persons. You accept all risks in relying on the information presented in any report.*

*You agree that the information in any Citron research report is copyrighted, and you therefore agree not to distribute this information in any manner without the express prior written consent of the applicable Citron Entity. If you have obtained Citron research reports in any manner other than as provided by Citron, you may not read such research without agreeing to these Terms of Use. You further agree that any dispute between you and Citron and their affiliates arising from or related to this report or viewing the material presented herein shall be governed by the laws of the State of California, without regard to any conflict of law provisions. The failure of Citron Research or Citron Capital to exercise or enforce any right or provision of these Terms of Use shall not constitute a waiver of this right or provision. You agree that each Citron Related Person is a third-party beneficiary to these Terms of Use. If any provision of these Terms of Use is found by a court of competent jurisdiction to be invalid, the parties nevertheless agree that the court should endeavor to give effect to the parties' intentions as reflected in the provision and rule that the other provisions of these Terms of Use remain in full force and effect, in particular as to this governing law and jurisdiction provision. You agree that regardless of any statute or law to the contrary, any claim or cause of action arising out of or related to Citron report or related material must be filed within one (1) year after the occurrence of the alleged harm that gave rise to such claim or cause of action, or such claim or cause of action be forever barred.*