



**Origin Materials, Inc.
3Q24 Earnings Conference Call Script
November 14, 2024**

Operator

Thank you for standing by, this is the conference operator. Welcome to the Origin Materials Third Quarter 2024 Earnings Call. As a reminder, all participants are in listen-only mode and the conference is being recorded. After the presentation, there will be an opportunity to ask questions. To join the question queue, you may press * then 1 on your telephone keypad. Should you need assistance during the conference call you may signal an operator by pressing * and 0.

At this time, for opening remarks and introductions, I would like to turn the call over to Ryan Smith, Co-Founder and Chief Product Officer. Please go ahead.

Ryan Smith, Co-Founder and Chief Product Officer, Origin Materials

Great, thank you. Good afternoon and thank you for joining us, everyone. Speaking first today is Origin's Co-CEO, Rich Riley. Co-CEO and Co-Founder John Bissell and CFO Matt Plavan will speak next. Then we will open the call to questions from analysts and discuss questions submitted as part of our "Ask Origin" campaign.

Ahead of this call, Origin has issued its 2024 third quarter press release and presentation. These can be found on the Investor Relations section of our website at originmaterials.com.

Please note that during our discussion today we will be making forward-looking statements based on current expectations and assumptions, which are subject to risks and uncertainties. These statements reflect our views as of today, should not be relied upon as representative about views of any subsequent date, and we undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements in light of new information or future events. These statements are subject to a variety of risks and uncertainties that could cause actual results to differ materially from expectations. For further discussion on the material risks and other important factors that could affect our financial results, please refer



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to our filings with the SEC including our Quarterly Report on Form 10-Q filed today. During today's call, we will discuss non-GAAP financial measures, which we believe are useful as supplemental measures of Origin Materials' performance. These non-GAAP measures should be considered in addition to and not as substitutes for, or in isolation from GAAP results. You will find additional disclosures regarding the non-GAAP financial measures discussed on today's call in our press release issued this afternoon and our filings with the SEC, which will be posted to our website. The webcast of this call will also be available on the Investor Relations section of our company website.

With that, I will turn the call over to Rich.

Rich Riley, Co-CEO, Origin Materials

Thank you, Ryan. Good afternoon.

With our caps and closures business, we have achieved product-market fit. Customer demand is strong, and our ability to produce Origin's premium PET caps is largely what will determine our rate of growth. Because of the recent success of our first CapFormer System and its completed Factory Acceptance Test, we are now able to execute our scale-up plan for building additional systems more aggressively and with higher confidence to meet pent-up demand. We expect to see healthy growth exiting 2025, and we anticipate that Origin will be EBITDA positive on a run-rate basis in the first half of 2026. Now, let's talk about how we got to this moment.

First, this quarter we achieved a milestone on our journey to profitability: the successful Factory Acceptance Test of our initial CapFormer System. In the course of this test, we produced several million fully functional PET caps. Our CapFormer subsystems ran as expected, including quality systems such as visual inspection, finishing systems – everything necessary for turning recycled PET sheet into fully formed caps. This isn't a test system; it's our first commercial line. And the success of this test means that Origin's proprietary system is performing as envisioned –



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with over 98% efficiency during the acceptance test. As most of you listening know, Origin's CapFormer System offers the world a breakthrough for recycling circularity and packaging performance. And this quarter we revealed some of its secrets – the novel applications of thermoforming, finishing and post-processing, and other design elements which you can see in the video released in September. Our prospective customers and partners visited us and witnessed our CapFormer System producing PET caps at commercial speeds first-hand. The prospective customers attending, whose total cap consumption is in excess of 100 billion caps per year, saw the validation of our production approach with their own eyes. Simply put, our manufacturing system works and, along with our current and prospective customers and partners, we couldn't be more excited about it.

Furthermore, our commercialization plan, centered on launching our caps and closures business and going to market with the world's first commercially viable PET beverage closures, is on track:

- Commercial production remains on track to begin this quarter, at which time we will continue to engage in customer qualification as we scale our caps output.
- Our caps and closures revenue expectations are on track: We expect initial caps and closures revenue generation during the first quarter of next year, with significant gross profit generation projected to begin in 2025 and a healthy growth trajectory thereafter.
- Customer momentum, as I've alluded to, remains strong: Alongside our announced \$100 million MOU for PET caps, our caps are now in the hands of multiple potential customers engaged in testing and qualification, offering a strong pipeline of potential buyers who can purchase billions of caps as our systems come online throughout next year and beyond.



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I know many of you want to know more details about our prospective customers. Let me tell you why we aren't talking about them yet, and what would cause us to talk about it more. Presently, multiple prospective customers are engaged in a qualification phase. That means we've delivered caps to them and they are performing their own testing, many of them have attended our trials and tests, and we have explicitly discussed geographies, volumes, ramp up timelines and economics. This qualification period will extend through the start of commercial production, which is slated for the fourth quarter of this year. Once we have completed the qualification period with each customer, including the delivery of caps following the commencement of commercial production, we will be in position to sign definitive purchase agreements, at which time we expect the rate at which we announce customers to increase. We will continue to qualify new customers on an ongoing basis as we expand production capacity, and develop new cap formats and features. We believe we can sell every cap we produce, and our prospective customers can't wait to begin accepting shipments.

With customer demand as strong as it is, and with commercialization progressing as planned, we are in a great position to scale our production capabilities. For more on this topic, I will turn it over to John, who will share details about our plans for growing the business in the quarters ahead.

John Bissell, Co-CEO and Co-Founder, Origin Materials

Thank you, Rich, and good afternoon, everyone.

Today, we are excited to announce that our current manufacturing plan calls for bringing eight or more CapFormer Systems into production by the end of 2025. And we believe these eight CapFormer Systems alone could be sufficient to enable Origin to achieve positive EBITDA. This is a significant milestone in our plan to achieve positive EBITDA on a run-rate basis during the first half of 2026. Further,



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we expect these assets and the revenue they generate to enhance our ability to invest in additional CapFormer Systems to meet demand and deliver profitable growth.

To give you a sense for the growth trajectory of our caps business, we estimate the initial eight CapFormer Systems will produce, in total, between 8 and 12 billion caps per year when fully operational. We believe this capacity will exceed that required to service our previously announced MOU. The majority of our volume produced during 2025 is expected to be 1881 format. The production volume will depend on factors such as line throughput efficiency, which we expect will increase significantly as we maximize cap production throughput, and product mix as additional SKUs come online.

This quarter, our Factory Acceptance Test demonstrated we can make Origin PET caps at full commercial speeds with high efficiency. This was a technical feat and represents a true breakthrough. We shared a video showing the system operating – and for those who haven't seen it, I encourage you to check it out. It follows the journey of an Origin cap from start to finish. What you're seeing, really, is advanced materials knowledge in combination with precision thermoforming and processing – to enable a breakthrough in product circularity.

First, a roll of 100% recycled PET is fed into the thermoforming unit of our CapFormer System. In the world of thermoforming, this is sophisticated technology – these are amazing machines, operating at high speeds and cycle times. And we've taken this technology to the next level. Our caps undergo heating, forming, cooling, and trimming. And we follow it into the finishing portion of our system, where we perform various forms of post processing, optical inspection, and deliver the caps to the container at the end of the line. As Rich mentioned, multiple prospective customers, representing consumption of over 100 billion caps per year, attended our Factory Acceptance Test. I believe this was a powerful moment for everyone who attended – from the Origin team, to our manufacturing partners, to our prospective customers who could see the reality of our system coming to life, first



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hand. Not least, they witnessed that the subsystems integrated seamlessly – a critical aspect of running a high-speed commercial system combining multiple components in novel ways.

We believe our caps business is highly scalable. Our product requires minimal changes to our customers' operations – most notably exchanging a part on their bottling line called a chuck, which is a straightforward and minor adjustment. Growing our capacity, at the risk of oversimplifying, is essentially a copy-and-paste operation. We will expand capacity largely by standing up more systems and incrementally and continually improving the design of our systems over time. In support of our CapFormer expansion plan, alongside our existing partners we have already identified multiple additional potential partners with excellent PET processing capacity and capabilities. This is part of the groundwork for ensuring a relatively steady process for bringing new systems online.

After the initial eight CapFormer Systems come online, which, as we said, we expect to occur during 2025, we plan to continue to add systems for the foreseeable future to keep pace with the steep growth curve of the indicative market demand. We believe we can sell as many caps as we can produce, once commercial production is online. Our caps are premium products, and we are proud to lead the now-commercially-viable category of PET closures, enabling superior performance and sustainability.

We are also pleased to share the latest R&D progress for our caps and closures. In the spirit of continuous improvement, the team is working on equipment and tooling upgrades that could more than double the throughput of our CapFormer Systems with relatively minor modifications. The team has also launched a rapid prototyping system, including 3D printing and other testing capabilities, which will assist in the development of new formats and features. Improving in-house testing capabilities generally helps us move faster, and we look forward to sharing more details in the future about the results of these efforts.



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This quarter, with Reed City Group we began preparing what will become the home for our first CapFormer System. Together we are finalizing the startup and commissioning plan and schedule, arranging for the shipment of equipment to our Michigan site, engaging with suppliers to qualify materials used in our production process, and coordinating with logistics partners to plan the delivery of finished products.

Lastly, this quarter we progressed multiple patents through the various phases of application and prosecution. We expect to advance and maintain both a domestic and international patent portfolio to protect our proprietary process and products, and we see the work this quarter as part and parcel to that process.

In sum, with our leading PET cap technology and proprietary manufacturing systems, we are extremely well positioned to address a \$65 billion dollar caps and closures market that consumes billions upon billions of caps per year which today cannot be recycled into new caps, only downcycled. Our cap offers a fully circular, mono-material packaging solution the market desperately needs – and has needed for some time. We're pleased with our progress and looking forward to the start of commercial production later this year.

For furanics and Origin's biomass conversion technology, we continue to advance the products and process technology. Although we expect the focus of Origin investor communication to be Origin's path to profitability, namely our caps and closures business, we will provide investors with furanics updates as appropriate when we have substantive news to report. As previously announced, and consistent with the company's focus on becoming EBITDA positive in the first half of 2026, we are operating Origin 1, our biomass conversion plant in Sarnia, Ontario, 'on demand' with somewhat reduced staffing. This approach preserves our ability to generate product at volumes sufficient to explore scale-up with strategic partners while reducing our current overall cash burn. As we establish a strong economic foundation through our PET caps and closures business, we expect to be



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ideally situated to drive deals regarding our biomass conversion technology and furanics platform.

And now I'll hand it over to Matt.

Matt Plavan, CFO, Origin Materials

Thanks, John. Good afternoon, everyone.

We have provided the third quarter results in the tables of the earnings release, so I will focus my comments on a couple of key financial highlights.

We ended the quarter with \$113 million in cash, cash equivalents, and marketable securities, \$45 million less than at December 31st, 2023. As a run rate for cash burn at the three-quarter point in the year, this amount is within our cash burn guidance range of \$55 to \$65 million dollars.

Origin's third quarter revenue was \$8.2 million dollars, compared to \$7.1 million in the prior year quarter and also trending in line with our revenue guidance for the year, which is between \$25 and \$35 million dollars. Also as expected, these revenues are comprised of what we refer to as supply chain activation revenue.

Looking ahead, as just highlighted by John and Rich, we expect the onset of new revenue from our caps and closures initiative to begin in Q1 2025.

And to reiterate our prior guidance, we anticipate caps and closures revenue in 2025 to be significant, recurring in nature, and with a margin growth profile that will drive us to EBITDA positive on a run-rate basis in the first half of 2026 without having to access the equity capital markets.

Now, I'd like to open up the call for questions. Operator, may we have the first question, please?