



Origin Materials, Inc.
1Q22 Earnings Conference Call Script
May 9, 2022

Operator

Thank you for standing by, this is the conference operator. Welcome to the Origin Materials First Quarter 2022 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.

I would now like to turn the conference over to Ashish Gupta, Investor Relations. Please go ahead.

Ashish Gupta, Investor Relations

Thank you and welcome everyone to Origin Materials' First Quarter 2022 Earnings Conference Call. Joining the call today from Origin Materials are Co-CEO Rich Riley, Co-CEO and Co-founder John Bissell, and CFO Nate Whaley.

Ahead of this call, Origin issued its first quarter press release and presentation which we will refer to today. These can be found on the Investor Relations section of our website at originmaterials.com.

Please note on this call, 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 of the material risks and other important factors that could affect our financial results, please refer to our filings with the SEC including our Annual Report on Form 10-K filed on March 1, 2022.



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In addition, 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 a substitute 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, each of which is posted on 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, Ashish, and thanks to everyone for joining us today. For today's presentation we will be referring to the slides that were posted to the investor relations section of our website earlier this afternoon. I will start by reviewing Q1 highlights, then discuss important industry announcements and provide a commercial update. I will then turn it over to John who will discuss construction progress on Origin 1 and Origin 2. Nate will wrap up with a financial overview.

We will begin on slide 3. We continue to execute on our plan and make progress on our mission to enable the world's transition to sustainable materials.

First, we have seen a more than sevenfold increase in our customer demand since our announcement to become a public company in February of last year, with offtake and capacity reservations increasing by approximately \$1.8 billion since the fourth quarter call in February to \$7.4 billion today.

Second, we remain well-capitalized and on track for completion of Origin 1 by the end of 2022. Due to rising inflation and a more challenging supply chain delivery environment, we have updated our capital budget for Origin 1 and now expect a \$15 million to \$20 million dollar increase from our prior outlook. The total capital budget for Origin 1 is now expected to be in the range of \$125 million to \$130 million, up



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from \$110 million when we first announced our go-public transaction in February 2021. The additional capital budget will be fully funded from our cash on hand.

For Origin 2, the previously disclosed capital budget, construction timeline, and financing assumptions are unchanged. As reported previously, the State of Louisiana, pending finalization, is expected to award a Private Activity Bond volume cap allocation to Origin in the amount of \$400 million. We also expect to receive more than \$100 million in pending state and local incentives. As John will discuss in more detail, front end design of Origin 2 is underway with detailed engineering set to begin in 2023.

And third, we remain well capitalized with approximately \$427.7 million dollars in cash and cash equivalents on hand. We maintain our expectation that the capital projects for Origin 1 and Origin 2 can be fully funded from our existing cash on hand and previously indicated traditional project financing sources.

Now, as I have done on our prior earnings calls, I'd like to give a brief overview of Origin for those who are new to the story. Origin was founded with the mission to help solve climate change by enabling the world's transition to sustainable materials. Our patented drop-in core technology, unit economics and carbon impact have gained the support of a growing list of major global brands and investors, including Danone, Nestlé Waters, PepsiCo, Ford Motor Company, Mitsubishi Gas Chemical, Kolon Industries, PrimaLoft, Solvay, Mitsui & Co, and Minafin Group. Building on these successes, we were pleased to announce new strategic partnerships with LVMH and Mitsubishi Chemical Holdings Group. These partnerships will further increase our exposure to consumer and industrial end-markets including perfumes and cosmetics, packaging and automotive, and expand our international footprint in Asia and Europe.

Our CPG partners have publicly disclosed their intent to migrate 100% of their current petroleum-based PET consumption to decarbonized and recycled materials. After extensively evaluating our technology and testing our products,



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these market leaders have made significant financial contributions to Origin, both as investors and customers, demonstrating their environmental commitment and confidence in our technology and products. They have signed multi-year off-take contracts worth hundreds of millions of dollars.

We continue to see strong, favorable tailwinds for our technology and business model with some of the world's largest public companies committing to zero-carbon mandates to help tackle climate change. We were encouraged by a late March rule proposal by the SEC that would enhance the climate-related disclosures required by companies in their public filings. These disclosures would include information pertaining to climate-related risks that are reasonably likely to have a material impact on their business, including information related to Scope 1 and 2 greenhouse gas ("GHG") emissions, all of which aligns with our view that the decarbonization momentum that we are seeing globally is only likely to accelerate from here. The proposed rule would also require companies which have set GHG goals that include Scope 3 to disclose Scope 3 emissions. According to one report cited by SEC Chairman Gary Gensler in recent prepared remarks, 70 percent of companies in the Russell 1000 Index and approximately 90% of the 500 largest companies by market capitalization in that index published sustainability reports in 2020 using various third-party standards, which include information about climate risks.¹

The surge in energy prices that followed Russia's invasion of Ukraine provides another reminder of the world's need to migrate to more sustainable and less volatile solutions. With more than 99% of plastics made from fossil fuels, the industry is under both considerable environmental and economic pressure to dramatically transform the way it produces and uses plastic. With our first product, Origin offers an entirely circular plastic solution: 100% zero carbon recyclable PET, which the world's plastic recycling infrastructure is already designed to collect, sort, and re-use, with the critical added benefit of removing CO₂ from the atmosphere.

¹ See Governance & Accountability Institute, Sustainability Reporting in Focus, 2021, available at <https://www.ga-institute.com/2021-sustainability-reporting-in-focus.html>



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Beyond that, while there has been some progress made from shifts to renewable energy sources and electric vehicles, it is clear that reducing emissions from energy use alone is insufficient to achieve the goals and commitments established by companies and governments. As a result, in the near-term, we believe that these companies will need to integrate decarbonized materials into their supply chains. As such, we expect demand to remain ahead of our projected supplies for the foreseeable future.

Turning to slide 4, we continue to make steady progress commercializing the business, and have grown customer demand by approximately \$1.8 billion since our fourth quarter earnings call, for a total of \$7.4 billion today, made up of offtake agreements and capacity reservations. This represents a more than sevenfold increase since we announced our intent to go public in February 2021. We continue to expand the breadth of the industries we serve, from global CPG brands like Pepsi, Danone and Nestlé Waters to automotive leaders like Ford and specialty chemical innovators like Solvay and Mitsubishi Chemical Holdings Group, to ultra luxury brands like LVMH.

Moving to slides 5 and 6, we recently announced a strategic partnership with LVMH Beauty, the Perfumes & Cosmetics division of LVMH, to bring sustainable low-carbon footprint packaging to the perfumes and cosmetics industry. As part of the strategic partnership, LVMH has signed a multi-year capacity reservation agreement to purchase sustainable, carbon-negative PET from Origin, for use in packaging for perfumes and cosmetics. LVMH is a great example of how our wood residue-based carbon-negative PET can help our customers achieve their sustainability goals while maintaining premium quality and making no compromises on performance. In addition to being a new category expansion, this partnership will provide Origin with further access to European and international markets as we continue to collaborate with LVMH Beauty on sustainable packaging solutions across its family of renowned brands including Christian Dior, Givenchy, Guerlain, and others.



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Moving to slide 7, we were also pleased to announce a strategic partnership with Mitsubishi Chemical Holdings Group to develop advanced carbon-negative materials for tires by converting hydrothermal carbon into high-performance analogs of specialty carbon black materials. The partnership will leverage Mitsubishi Chemical Holdings Group's technical innovation capabilities, integrated global supply chain strength, and access to Japanese and international markets. It is also notable as it is our first announced carbon black partnership, representing a significant opportunity in a new product category for Origin. According to Grand View Research, the global market for carbon black is projected to reach \$26 billion by 2025 and approximately 70% of the world's carbon black is used as a reinforcing filler in tires. This is a great example of the sustainable materials that our patented technology platform can make beyond PET and plastics, including carbon black for tires, inks, and toners.

Finally, we are very excited to tell you about a new strategic relationship with a major global toy company. We continue to see considerable opportunities to expand into new end markets and applications, and we look forward to providing more detail about this partnership, as well as others, when appropriate.

In addition to these partnership announcements, Origin was named to *Fast Company's* prestigious annual list of the World's Most Innovative Companies for 2022 in Manufacturing, recognizing our patented platform for turning the carbon found in sustainable wood residues into useful materials, including clothing, textiles, plastics, packaging, car parts, tires, carpeting, toys, and more, while capturing carbon in the process. This year's list honors businesses that Fast Company determined are making the biggest impact on their industries and culture as a whole—ultimately thriving in today's ever-changing world.

Finally, I'm pleased to announce that we have further strengthened our leadership team. Dr. Tanja Gruber, PhD, joined as Origin's VP of R&D, with Origin's former VP of R&D, Mako Masuno, taking the role of Chief Scientist. Dr. Gruber brings over 20 years of experience in academia and the biochemical industry, including leadership



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positions at Dupont and IFF. Chris Williams-Campbell joined as Origin's VP of Human Resources, and brings over 25 years of leadership experience in positions with emerging technology-based companies, both public and private, in the biotech, pharmaceutical, and medical device industries. At Origin, we believe our team is a critical differentiating factor that will enable our success and the execution of our vision, and we are thrilled to welcome Tanja and Chris to Origin.

With that, I would like to turn it over to John who will provide an update on Origin 1 and Origin 2.

John Bissell, Co-CEO, Origin Materials

Thanks Rich. I am going to begin on slide 8, and provide an update on Origin 1 and Origin 2. For those interested in the Origin 1 construction process, I would like to point you to a new construction update video that we added today to the investor relations section of our website.

For Origin 1, our first plant, which is under construction in Sarnia, Ontario, we remain on track for mechanical completion by the end of 2022 and plant commissioning shortly thereafter. During 2021, our team achieved multiple construction milestones ahead of initial expectations, including the installation of key production modules containing equipment used for the conversion of biomass feedstock into high value chemicals and the placing and bolting of the ENCON evaporator module system which were six and three months ahead of schedule, respectively.

We have maintained this momentum in 2022 and continue to execute on our construction timeline. As Rich mentioned, we are updating our capital budget for Origin 1 and now expect a \$15 to \$20 million dollar increase from our prior outlook resulting from rising inflation and a more challenging supply chain delivery environment. While we were able to absorb inflation this past year by using our Origin 1 budget contingency and finding alternative supply sources, we believe it is



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more important to maintain our overall construction schedule by taking the price increases we are seeing in the market today to avoid a delay to our production schedule. This increase to Origin 1 capital budget also includes an appropriate contingency reserve.

During the first quarter, we hired additional members of the Origin 1 operations leadership team and began building the rest of the Origin 1 operations team. Additional equipment has been delivered onsite and set, including the brine tanks associated with the ENCON evaporator module system. We made substantial progress on the biomass building, which is where we will store feedstock entering the plant prior to further processing and conveying to the reactor system. Piping and steel fabrication, which were started nearly six months ahead of schedule, are well underway and on track, and we have started installing fabricated steel pipe racks in the field and interconnecting the plant's key production modules.

To date, the team has fabricated about 12,000 feet of pipe, and about 100 tons of steel, not counting the components installed in the key production modules. Normally this kind of work is done in the field. However, as we discussed on our fourth quarter call, we are utilizing a modular construction approach whereby our equipment can be fabricated off-site and generally in the shop. This allows us to maximize our productivity during the cold winter months in Sarnia while maintaining better control over the quality of the work.

As the pipe fabrication work is completed, piping leaves the shop for installation in the piping modules, which are then fully assembled to be loaded onto trucks and taken to the Origin 1 site for installation in the field. The team has also begun installing the steel support elements in the ground. This steel will support the tank farm modules where various chemicals will be stored once the plant is operational.



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With regard to Origin 2, our previously disclosed capital budget and construction timeline are unchanged. To be clear, we do see the inflationary environment and continue to closely monitor costs, but we are proactively managing our cost base and have built in substantial contingencies into our initial projections.

In addition, we are not currently placing any equipment and construction orders for Origin 2, and current inflation and supply chain conditions are likely to change in the next 12 to 24 months.

I would also note that materials companies generally benefit from higher product prices and margins in an inflationary environment, which can mitigate the impact of inflation on our capital budget.

Origin 2, our first world-scale manufacturing facility, will produce carbon-negative materials used to make PET plastic resin and fiber, which is used in packaging, textiles, apparel, and other applications, and hydrothermal carbon or HTC, which can be used in fuel pellets, as activated carbon, and as a replacement for carbon black. Front end design of the plant is underway with detailed engineering set to begin in 2023.

On our last earnings call in February, we announced that we had selected the site for Origin 2 in Geismar, Louisiana, subject to finalization of economic incentives. We expect the 150-acre facility will convert an estimated 1 million dry metric tons of sustainable wood residues each year into products for a wide range of end markets. Some of the reasons that we believe the Geismar site is the ideal location for Origin 2 include the extremely skilled labor pool in Louisiana, access to relevant infrastructure, and access to sustainable feedstock.

Before I conclude, I'd like to give you some additional detail about what we're working on for Origin 2 right now. The team has completed a preliminary layout for a barge dock, pipe rack, and conveyer structure and completed the plot plan layout



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and plant 3D model, based on our sized equipment and utility list. We continue to work closely with landowners and fiber suppliers in Louisiana and Mississippi to finalize our feedstock strategy.

To summarize, the team has continued to make significant progress and we continue to expect Origin 1 to be completed by the end of 2022, and the previously disclosed capital budget, construction timeline, and financing for Origin 2 are unchanged.

And with that, I will turn it over to Nate to discuss some of the financial details.

Nate Whaley, CFO, Origin Materials

Thanks, John.

I will begin with some commentary on our first quarter results, then our financing expectations for Origin 1 and Origin 2, and finish with an update on our 2022 outlook.

Speaking to slide 16, first quarter operating expenses were \$7.6 million compared to \$5.4 million during the same period in the prior year.

Adjusted EBITDA loss was \$6.5 million for the first quarter compared to a loss of \$4.6 million in the same period of the prior year.

And finally, net income was \$7.3 million for the first quarter compared to a net loss of \$53.6 million in the same period in the prior-year.

Turning to our balance sheet, Origin ended the first quarter with \$427.7 million in cash and cash equivalents and marketable securities.

We maintain our expectation of fully funding the construction of both plants using our existing balance sheet cash and cash equivalents and previously indicated traditional financing sources.



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With regard to the financing of Origin 2, as we reported previously, the State of Louisiana, pending finalization, is expected to award a Private Activity Bond, tax-exempt bonds authorized by the state and local governments for the financing of qualified projects with private capital, volume cap allocation to the Company in the amount of \$400 million. We also expect to receive more than \$100 million in pending state and local incentives.

We maintain that our financing assumptions for Origin 2 remain reasonable and achievable, with Origin 2 fully funded from its existing cash on hand and previously indicated traditional project financing sources. The \$400 million Private Activity Bond allocation from the State of Louisiana provides a strong foundation for the financing of Origin 2 and, in combination with certain 2021 Infrastructure Investment and Jobs Act provisions and other non-volume cap tax-exempt financing, could enable the debt financing of Origin 2 using entirely tax-exempt bonds. Origin also continues to work with leading financial institutions on other forms of traditional private financing and federal loan programs, including through the U.S. Department of Agriculture and Department of Energy.

As we have highlighted in our previous earnings calls, inflationary pressures remain a focal point, though as John mentioned, at this point we are not adjusting our overall capital budget for Origin 2. We acknowledge that the situation remains fluid, and we will look to update our cost estimates such that we can communicate any changes to the market at appropriate times as we progress through the project.

I will now wrap up with an update on our 2022 outlook. We are maintaining our guidance for an adjusted EBITDA loss of up to \$36 million. Capital expenditures are now expected to be up to \$175 million versus the \$155 million previously reported, due to the increase in the capital budget of Origin 1. With that, I will turn it back to Rich for closing remarks.



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Rich Riley, Co-CEO, Origin Materials

Thank you, Nate. To close, I am incredibly proud of the team's execution, and encouraged by the strong momentum that we continue to see for our industry-leading technology as the world moves aggressively to a zero-carbon future.

I would like to thank all our customers for their commitments to Origin, our team and construction and engineering partners for their contributions to our company's success, and our shareholders for their continuous support.

And with that, I would like to ask the operator to open the line for questions.