



Origin Materials, Inc.
2Q24 Earnings Conference Call Script
August 14, 2024

Operator

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

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 second 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. And thank you, everyone, for joining us.

I will begin with a commercialization update, as our caps and closures business is making significant strides and we are closer than ever to producing and selling products in significant volumes.

Today, we are announcing our first signed customer for our PET caps and closures. We anticipate delivering multiple billions of caps to this customer, which we expect will generate over \$100 million dollars in revenue in the initial two-year term, with revenue ramping from 2025 to 2026. Therefore, to fulfill demand for this MOU as well as anticipated demand from other customers, we expect to build capacity well beyond our initial system purchases, which we previously announced as having expected capacity to generate between \$45 million and \$65 million in annual revenue. We plan to announce future customers as appropriate, taking into consideration context such as the timing of our prospective customers' product launches involving our caps and our customers' related marketing activities.

Concurrently, we are negotiating potential licensing agreements with key players. We anticipate that licensing our technology, in addition to selling the caps we



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produce with our world-class manufacturing partners, will drive explosive growth for our PET caps business. This will further catalyze the revolution in recycling circularity and product performance that we are bringing to beverage packaging, food packaging, and home goods.

We expect to be first to market with PET caps. We expect to produce them cost-competitively. We can make them with any type of PET, making the use of 100% recycled PET possible from cap to container for the first time ever. Our caps perform better than today's HDPE and polypropylene caps in ways that can improve product shelf life, and our caps are designed for circularity – with no additives used to modify the polymer. For a wide variety of containers our technology enables the lightest cap, reducing plastic waste and improving sustainability. Demand for these products has been incredibly strong, and some have called PET caps the “holy grail” for packaging circularity.

Today we are reaffirming that caps commercial production is on track to begin during the fourth quarter this year, with revenue generation expected to start ramp-up during the first quarter of 2025. This past quarter, in Switzerland and Germany we tested all manufacturing line subsystems at full-speed and we are pleased with the system's performance. We also passed the milestone of over one million caps produced to date, which puts us well on our way to launching this strategically important business.

We are also reaffirming our path to profitability requiring no additional equity capital. Our path to profitability is entirely independent of the scale-up of our biomass conversion technology and related manufacturing plant construction. We believe our cash runway — with over \$130 million dollars on hand — is sufficient to eliminate the need for an equity capital raise, given the revenues we expect to generate in the quarters and years ahead, led by our caps and closures business.

Today we are maintaining our expected 2024 net cash burn of between \$55 million and \$65 million dollars. We anticipate our caps and closures business will begin to



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generate revenue during the first quarter of next year, with significant gross profit generation beginning in 2025 and a healthy growth trajectory thereafter. As such, we continue to forecast a solid minimum cash floor on our way to sustained profitability.

Apart from our caps and closures business, we continue to grow the long-term value of the Origin platform. We anticipate caps and closures will enable us to reach profitability and will be a strong business on its own terms. But the Origin technology platform is more than caps and closures – with significant upside due to the extreme flexibility and low cost of the sustainable molecules produced by our technology for converting biomass to sustainable intermediates. Growing the long-term value of the Origin platform means continuing to engage with potential strategic partners around the scale-up of our biomass conversion technology, including exploring high value application development initiatives that could generate near-term revenue. Some of these applications are capable of using materials that Origin 1 and Origin 2 are designed to produce, but are not dependent on those plants for production and sale. We're managing these initiatives thoughtfully and will announce them as appropriate.

Looking ahead, we are positioned to vigorously grow our business, led by caps and closures, and to continue to cultivate our broader technology platform in the quarters and years ahead with a strong financial position, strong IP moat, and a highly innovative and creative team.

With that, I'll turn it over to John.

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

Thank you, Rich, and good afternoon, everyone.

This quarter we announced a European PET cap mass production partnership with Bachmann Group, a respected Swiss packaging production and logistics company.



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Bachmann Group will assist in the end-to-end operation and automation of our PET cap mass production lines, helping us produce billions of caps by taking pellet or flake, including recycled material, all the way to finished closures using Origin equipment.

Earlier this month, we announced a North American PET cap mass production partnership with Reed City Group. Reed City Group is a full-scale injection mold builder, injection molder, hydraulic press maker, and automation solutions company. This partnership enables a geographic expansion complementary to our European manufacturing capability. We look forward to operating caps lines with the Reed City Group team which includes skilled machinists, mechanical engineers, and operations professionals with impressive capabilities in tool making and clean room manufacturing.

Bachmann Group and Reed City Group are joining us alongside our previously announced world-class partners in PET cap manufacturing, PackSys Global and IMDvista. In the past several quarters you have seen us assemble this incredible team, and we couldn't be happier with how the manufacturing, technology, and people are all coming together. We remain on track to begin commercial production later this year.

This quarter we achieved multiple caps and closures manufacturing milestones:

- We crossed the milestone of over one million caps produced. The testing and scaling of our cap production technology and manufacturing system has been going very well, and our manufacturing partners, prospective customers, and team are energized by the success.
- As mentioned, last month in Switzerland and Germany, we ran each subsystem of our manufacturing line at full speed, including industry standard high-speed camera systems, with the system operating as expected.



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- We validated QA/QC indicators that operators can use to assess quality, such as stable cap weight and dimensions.

Earlier this month we unveiled engineering and design innovations in the manufacturing of our tethered PET caps, the world’s first tethered caps made with PET. These tethered caps are a breakthrough in circularity, designed to improve cap collection rates for recycling, and offer an excellent user experience while enabling leading brands to respond to the EU Single-Use Plastics Directive. The EU Single-Use Plastics Directive, which came into effect last month, mandates that caps stay connected to bottles throughout the European Union. Our PET cap innovations are perfectly suited for that regulatory environment—and frankly any environment. If you’re going to keep caps connected to bottles, the logical thing to do is to make the cap and the bottle from the same material: PET. Otherwise, recycling centers have to deal with separating the material streams. With our solution, it’s all one high performing recyclable material connected via a tether, offering a real breakthrough for circularity.

Our tethered cap design is simple, clever, and user-friendly. We use the threads of the PET cap and bottle to lock the cap into place, angled away from the mouth, not toward it. With this product, we are combining the performance and sustainability advantages of our PET caps – recyclability, shelf-life extension, lightweighting, ability to use recycled PET, and enablement of mono-material packaging – with an excellent user experience for tethered applications. We have already seen extremely strong interest in this welcome addition to our PET cap product line.

With our leading PET cap technology and 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. We’re very pleased with progress and excited to begin commercial production later this year.



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Regarding our biomass conversion technology, we continue to execute on what has been our thesis from day 1: Make molecules that are chemically flexible and low cost and build businesses around those sustainable molecules to have as great an impact as possible.

To that end, we continue to perform development work with multiple partners. Right now, multiple Origin partners are actively engaged in development work using samples of CMF and HTC. For this kind of work, typically we crystallize our CMF and carbonize our HTC before delivery to our partners. Our partners continue to impress us with their application development capabilities, and we are growing our expertise in CMF and HTC as we are producing them on a scale that wasn't possible before the operation of Origin 1.

Origin 1, our biomass conversion plant located in Sarnia, Ontario, Canada, continues to support market development activities. We are producing materials, shipping them, and collaborating with supply chain partners on logistics, joint development activities, and customer materials testing and formulation.

For Origin 2, we continue to engage customers as part of our asset light strategy for further biomass conversion technology scale up. Timelines and economic forecasts will depend on the partner and deal structure, which can consider a range of scenarios and locations including Geismar, Louisiana as well as Asia brownfield scenarios. We are exploring a variety of plant designs, evaluating potential brownfield sites, and performing development work with partners including testing and optimizing various feedstocks to generate data that could influence our scale-up strategy. We will provide updates as appropriate.

Scaling up a new fundamental materials technology is challenging and takes time, but the reward is worth the effort. In the history of chemicals and oil and gas, it has never been fast or easy to make a sea change in the basic building blocks of our material economy. But we are fortunate to have a brilliant team that is leading us to profitability by way of application development, specifically through the



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innovative engineering, design, and manufacturing of PET caps and closures. It is not unusual for a platform, whether in chemicals or the software industry or otherwise, to be pulled to the market through a specific application, whether it's a specialty chemical, performance material, or something else that enables a scientific breakthrough to achieve significant revenue and profitability. Our caps and closures business is Origin's first application expected to reach truly mass production. We expect it to enable near-term cash flow and profitability and the long-term flourishing of our broader technology platform – and thus, with the widespread application of sustainable, performance enhanced materials and products, a better planet. We are encouraged that in the short term we have a winning business true to our mission of sustainability, and that in the long term, by staying true to our vision, we can transform the world.

And now I'll hand it over to Matt.

Matt Plavan, CFO, Origin Materials

Thanks, John. Good afternoon, everyone.

We have provided the second 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 \$132 million in cash, cash equivalents, and marketable securities, \$26 million less than at December 31st, 2023. As a run rate for cash burn at the halfway point in the year, this amount is slightly below the low end of our cash burn guidance range of \$55 to \$65 million dollars. However, we remain confident and comfortable in maintaining that range as our guidance for the full year.

Origin's second quarter revenue was \$7 million dollars, compared to \$6.9 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



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are comprised of what we refer to as supply chain activation revenue, generated in conjunction with Origin 1 operations.

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

Beyond 2024, 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 overall cash positive operations within our existing cash resources, eliminating the need for an equity capital raise on our way to sustained profitability.

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