



Origin Materials, Inc.
3Q22 Earnings Conference Call Script
November 3, 2022

Operator

Thank you for standing by, this is the conference operator. Welcome to the Origin Materials Third 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' Third 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 third 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 Quarterly Report on Form 10-Q dated August 3, 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. 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 Q3 highlights, then provide a commercial and regulatory update. I will then turn it over to John who will discuss our recent Alternative Fuels & Chemicals Coalition award and 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 ninefold increase in our customer demand since our announcement to become a public company in February 2021, with offtake and capacity reservations increasing to \$9.0 billion dollars today.

Second, we remain well-capitalized and on track for completion of Origin 1 by the end of 2022 with preparations for commissioning and start-up now well underway, with plant commissioning to be complete by the end of Q1 2023 and start-up beginning shortly thereafter. We are also maintaining our previously disclosed capital budget for Origin 1 of \$125 million to \$130 million.



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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 dollars. We also expect to receive more than \$100 million dollars in pending state and local incentives. As discussed on prior calls, front end design of Origin 2 is underway with detailed engineering set to begin in 2023.

And third, we remain well capitalized with approximately \$362.2 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, turning to slide 4, I'd like to provide 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, attractive unit economics and carbon impact have gained the support of a growing list of major global brands and investors spanning an increasingly diverse range of consumer and industrial end-markets. Our list of strategic partners includes industry leaders such as Danone, Nestlé Waters, PepsiCo, Ford Motor Company, Mitsubishi Gas Chemical, Kolon Industries, PrimaLoft, Solvay, Mitsui & Co, Minafin Group, LVMH Beauty, Revlon, Mitsubishi Chemical Group, Kuraray, Intertex World Resources, and ATC Plastics.

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, 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.



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This year's escalating geopolitical tensions in energy-rich portions of the globe have provided a reminder of the urgency with which the world needs to transition to more sustainable and less volatile energy solutions. The carbon intensive nature of the plastic industry, where over 99% of product is made from fossil fuels, has placed the industry under considerable pressure to dramatically transform the way it produces and uses plastic both for environmental and economic considerations. Origin offers an entirely circular plastic solution: carbon-negative, 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.

Beyond plastics, we note that, while there has been some progress made in reducing greenhouse gases 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 well ahead of our projected supplies for the foreseeable future.

Turning to slide 5, 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 and governments increasingly enacting regulations and funding investments to tackle climate change.

The recently passed Inflation Reduction Act, or IRA, is expected to provide approximately \$369 billion dollars in direct investment related to climate solutions. We are excited by the support the bill has received and see multiple meaningful funding opportunities that we plan to provide more detail on as the legislation is finalized.

For one, the IRA is expected to significantly expand the Section 48C Advanced Manufacturing Tax Credit available for investments in manufacturing facilities for clean energy technologies. Origin is currently exploring several paths of eligibility



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in order to qualify for a discretionary tax credit for a significant portion of Origin 2's capital expenditures, providing benefits towards the financing of the plant.

Second, while we are still evaluating the details of the program, we see the potential to benefit from the IRA's Advanced Industrial Facilities Deployment Program. This Department of Energy-run program created under the Office of Clean Energy Demonstration will provide \$5.8 billion dollars in competitive funding such as grants, rebates, direct loans, and cooperative agreements to advanced industrial facilities aimed at reducing greenhouse gas emissions from historically energy-intensive industries. We're optimistic that our pilot facility in West Sacramento, our Origin 2 plant in Geismar, Louisiana, as well as future plants that we build in the U.S. could qualify for this competitive financing.

Finally, in addition to the IRA, Origin is exploring opportunities for funding and financing under last year's Infrastructure Investment and Jobs Act, or IIJA. Origin has identified more than a dozen IIJA initiatives that may potentially assist in financing a variety of Origin investments, most notably Origin 2 and infrastructure improvements in and around the Geismar, Louisiana site.

Turning to slide 6, we continue to make steady progress commercializing the business, and have grown customer demand to a total of \$9.0 billion dollars today, made up of offtake agreements and capacity reservations. This represents a more than ninefold increase since we announced our intent to go public in February 2021. As a refresher, capacity reservations are signed agreements designed to lead towards take-or-pay contracts and revenue once our plants are complete. They give us and our customers more time to negotiate a take-or-pay offtake agreement, which typically is a much longer document that meets the requirements for project financing.

As previously mentioned, we continue to expand the breadth of industries and end-markets that we serve, from global CPG brands like Pepsi, Danone, and Nestlé Waters to automotive leaders like Ford and specialty chemical innovators like Solvay



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and Mitsubishi Chemical Group, to ultra-luxury brands like LVMH Beauty and iconic cosmetics brands like Revlon. Our sales pipeline remains strong. We continue to make inroads into new industries and have numerous active discussions with existing customers to expand their current agreements and with prospective customers to adopt our sustainable products.

We also see significant opportunities to expand into high margin product categories. This year's new strategic partnerships with Mitsubishi Chemical Group, Intertex, and ATC Plastics, for example, have provided us with significant momentum in carbon black, a promising new product category for Origin. Our carbon black, made from Origin's hydrothermal carbon, is a versatile 100% bio-content filler and pigment. Like traditional petroleum-based carbon black, it can be used in a wide variety of applications including automotive components and tires, belts and hoses, mechanical rubber goods, plastic masterbatch, and toners. We expect our sustainable carbon black to be deployed across a diverse array of applications to decarbonize the rubber and automotive supply chains, end-markets which have very favorable growth prospects.

In light of strong customer demand, we are pleased to announce that we are substantially committed for our Origin 2 para-xylene and PET capacity. Going forward, our sales and marketing team will be primarily focused on high margin products such as carbon black and advanced CMF-derived products for Origin 2 and beyond. As we've previously mentioned, our customers require more development and testing for these products than for drop-in ready para-xylene and PET. As we approach the start of Origin 1 operations, we anticipate being able to deliver larger quantities of samples to our customers. We look forward to updating everyone as we embark on this evolution in our sales efforts.

In addition, we are very excited to tell you about new strategic relationships with a major Japanese chemical company and a major Asian chemical company. We continue to see considerable opportunities to expand into new end markets and



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applications, and we look forward to providing more detail about these partnerships, as well as others, when appropriate.

With that, I would like to turn it over to John who will discuss our recent Alternative Fuels & Chemicals Coalition award and provide an update on Origin 1 and Origin 2.

John Bissell, Co-CEO, Origin Materials

Thanks, Rich.

In early October, Origin received the 2022 Alternative Fuels & Chemicals Coalition Global Biobased Economy Performance Award. The award, which is sponsored by the Industrial Biotechnology Journal, is given annually to recognize companies that are advancing science and contributing to the production and commercialization of industrial biotechnology products. Origin was selected for outstanding performance and achievements in the commercialization and scale-up of our patented technology platform which, as many of you know, turns the carbon found in sustainable wood residues into useful carbon-negative materials for a wide range of end products, including clothing, textiles, plastics, packaging, car parts, tires, carpeting, and toys.

Turning to slide 7, I am going to provide a construction update for Origin 1 and Origin 2. For those interested in the Origin 1 story, and the continued progress made by our team, I would like to point you to a new construction update video that we posted today to the investor relations section of our website.

For Origin 1, our first plant, located in Sarnia, Ontario, construction is progressing well and we remain on track for mechanical completion by the end of 2022, a considerable achievement despite the pandemic and supply-chain related headwinds. We expect plant commissioning to be complete by the end of Q1 2023 with start-up beginning shortly thereafter. We are maintaining our previously disclosed capital budget for Origin 1 of \$125 million to \$130 million.



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During the third quarter, we further strengthened our Origin 1 operations leadership team and support staff. I'm very proud of how our team has executed against our construction milestones as we draw closer to commercial production. This is a large manufacturing plant with a lot of moving parts, and what we've been able to accomplish to date, despite COVID and macro supply chain issues, truly shows the capability, efficiency, and efficacy of our capital projects team.

In our slides and in our construction video, you can see the progress we've made since our last update in August. All major equipment has been delivered onsite.

Since our last call, we have further progressed the assembly of the piping and electrical systems. The piping modules both interconnect our core chemical process modules and connect the Origin 1 plant with the utility supplied by the neighboring site. As we have discussed before, the modules were fabricated offsite using a modular construction approach and shipped in, minimizing the work that was required to be done in the field.

We also completed the construction of our biomass building, which is where we will store sustainable wood residues entering the plant prior to processing and conveying to the reactor system, as well as substantially completed our HTC building, which is where we will separate HTC, a solid material, from the liquid aqueous phase of our core chemical process. Notably, both the biomass building and the HTC building feature a significant amount of steel and a number of components and pieces connecting together.

HTC is a carbon-rich, highly structured and flexible raw material that can be converted into a wide range of applications, including carbon black and activated carbon for the automotive industry and material handling industry. We've recently received and installed our second filter press — an important part of how we handle



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HTC at Origin 1. The filter presses will use the same HTC separation technique that is currently used at our pilot plant in California, but are about 100 times the size.

The control room building, which houses our distributed control system, and the power distribution building both arrived onsite during the quarter. The distributed control system is the brain of the plant, controlling every powered system onsite.

Finally, we've delivered several new tanks onsite that will contain product as well as solvent that will be used, and recycled, as part of our core chemical process. Our site will have lots of integrated storage, which gives us the ability to manage our chemicals and materials. New equipment includes a storage tank, which will contain unrefined CMF before its distillation step, as well as brine tanks, brine recovery tanks, HCl tanks, and several tanks for storing finished CMF. Due to its large size, our distillation feed tank was assembled onsite rather than delivered by road.

Today, we are thrilled to tell you that we are closer than ever to the mechanical completion and operation of Origin's first commercial plant.

Of course, this is a testament to the amazing level of talent that we've been able to attract to our company. The Origin 1 team has done an incredible job creating a great safety culture while executing this project, and we will very much take what we've learned and the culture we've developed to Origin 2 and beyond.

At Origin, we recognize that our team is the critical differentiating factor that will enable our success and the execution of our vision. Over the past year, our ability to attract high-caliber technical talent with a deep commitment to our sustainability-focused values has far exceeded even our most optimistic expectations.

And, it's become clear to us, following recent conversations with investors, that the pace at which we are adding depth to our team, and the truly remarkable quality of



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our people, is something worth highlighting. So, we decided to use a portion of today's call to discuss some of the great recent additions to Origin.

Beginning on Slide 18, it would be hard to overstate how enthusiastic we feel about the future, specifically our ability to commercialize our technology and products. I would like to highlight just a small sampling of the world-class talent that has joined our team:

Matt Perkins, Origin's Engineering Director for Capital Projects, has deep experience in project execution, which he developed over a 20+ year career working with Fortune 500 owner/operator and EPC companies. He is highly experienced in the design, procurement, and construction of industrial assets, including petrochemical technologies.

Dr. Zan Liu, Technical Manager, is the inventor of the award-winning technology C5 CDALky, which received the 2019 Hydrocarbon Processing Award, a tremendous accomplishment for any research scientist.

Dr. Bill Williams, Director of Process Development for Carbon Products, is an expert in carbon black applications and chemical process engineering. Throughout his career, Bill has developed several technologies to reduce CO₂, improve carbon efficiency, capture CO₂ emissions, and processes for chlorofluorocarbon alternatives.

Dr. Bill Gong, Senior Scientist, is an expert in the mid-century style oxidation of paraxylene to terephthalic acid. He has close to 30 years of petrochemical R&D experience in organic chemical reaction mechanisms, synthesis, and the development and applications of homogeneous and heterogeneous catalysis.

Dr. James Lattner, Technical Fellow, is an expert in the petrochemical, oil and gas industry. During his 40+ year career as a chemical engineer in oil and gas, James



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specialized in the process development and scale-up of chemical technologies and reaction engineering.

Chris Stark, Commercial Director, brings a diverse skillset to Origin from outside the chemical industry. During his 20 years of service, Chris rose to the rank of colonel in the Marine Corps Special Operations Command unit where he led cross functional teams. He has significant experience planning and leading projects in fast-paced environments.

Dr. Jay Hanan, Technical Director, recently inducted into the National Academy of Inventors, is a highly accomplished inventor and material scientist with over 300 science and engineering publications and almost 300 patents.

Dr. Ron Moffit, Polymer Principal Scientist, brings to our team more than 38 years of experience in polymer research, development, processing, and the manufacturing of fibers, films, and containers.

All the people I've mentioned are outstanding additions to our team. We are thrilled to have them, as well as the incredibly talented new people that I won't have time to mention on this call, but are likewise making incredible contributions to our mission every day.

An example of R&D success that can be attributed, in large part, to new technical talent, is Origin's recent increase in registered patent families. As indicated on slide 4, our R&D efforts continue to yield fantastic results; we have registered additional patent families, bringing our total to 23, with more in development as we speak. Apart from being a testament to our team's technical abilities, our R&D successes also validate the flexibility of CMF as a platform chemical which, with our technology, can be produced at high yields under mild conditions directly from raw biomass.

In the ordinary course of business, Origin may acquire technologies or enter into licensing agreements to improve our product offerings and competitive position.



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During this quarter, we made an approximately \$5 million dollar deposit towards securing a license to technologies that can be used to produce high-margin downstream products using our intermediate products as feedstock. We will provide an update on this licensing opportunity when appropriate.

With regard to Origin 2, our previously disclosed capital budget, construction timeline, and financing are unchanged, with updates to be provided when appropriate. As discussed on prior calls, we are closely monitoring costs associated with the current high levels of inflation and the challenging supply chain environment. We continue to proactively manage our cost base and note that we have built appropriate contingencies into our initial projections.

We are not currently placing any equipment or construction orders for Origin 2, and we expect current inflation and supply chain conditions to likely change in our favor in the next 12 to 24 months. Notably, we've seen recent declines in steel prices which have also filtered through to specialty steels indexed on these prices and that are used in the construction of plants like Origin 2.

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 HTC, which can be used in fuel, 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.

As previously announced, we have selected a site in Geismar, Louisiana for Origin 2, 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



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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 currently working on for Origin 2. The team is optimizing and refining the scope and layout of the plant, incorporating value engineering activities. We are producing updated equipment arrangements and flow diagrams through our FEL2 engineering contractor. While we had hoped to complete these tasks by the end of Q3, we decided that it was more important to expand on the value engineering work to get it done correctly upfront. We continue to work closely with landowners and fiber suppliers in Louisiana and Mississippi and are performing a logistics study with our FEL2 contractor to further define our feedstock and product movement strategy.

To summarize, the team has continued to make considerable progress and our expectation remains that Origin 1 will be completed by the end of 2022. Regarding Origin 2, the previously disclosed capital budget, construction timeline, and financing are unchanged.

Origin 1 represents an important milestone for our mission to enable the world's transition to sustainable materials. We are excited by the progress our team has made as we approach mechanical completion and operation.

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 third quarter results, then our financing expectations for Origin 1 and Origin 2, and finish with an update on our 2022 outlook.



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Speaking to slide 23, third quarter operating expenses were \$9.7 million compared to \$7.1 million during the same period in the prior year.

Adjusted EBITDA loss was \$8.4 million for the third quarter compared to a loss of \$5.7 million in the same period of the prior year.

And finally, net income was \$8.3 million for the third quarter compared to a net income of \$27.9 million in the same period in the prior year.

Turning to our balance sheet, Origin ended the third quarter with \$362.2 million in cash and cash equivalents and marketable securities.

We maintain our expectation of fully funding the construction of both Origin 1 and Origin 2 using our existing balance sheet cash and cash equivalents and previously indicated traditional financing sources.

With regard to the financing of Origin 2, as we've discussed on prior calls, 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. As Rich discussed, we anticipate various federal tax credit, grant, loan, and other programs targeted towards promoting advanced manufacturing from the IRA to be incrementally beneficial for the financing of Origin 2 once the details of those programs are finalized by the relevant government agencies.

We maintain that our financing assumptions for Origin 2 remain reasonable and achievable, with Origin 2 fully funded from existing cash on hand and previously indicated traditional 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



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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 on our previous earnings calls, inflationary pressures remain an area of focus. However, as John discussed, at this point we are not adjusting our overall capital budget for Origin 2. We acknowledge that the situation remains fluid, and we continue to closely monitor 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 close with an update on our 2022 outlook. We are maintaining our prior outlook for an adjusted EBITDA loss of up to \$36 million and capital expenditures of up to \$175 million. We look forward to providing full year 2023 guidance for revenue, EBITDA and other financial metrics on our next earnings call in early 2023. With that, I will turn it back to Rich for closing remarks.

Rich Riley, Co-CEO, Origin Materials

Thank you, Nate. In closing, I am incredibly proud of our team's continued execution as we draw closer to the commissioning and start-up of Origin 1, 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 of 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.