



Origin Materials, Inc.
3Q23 Earnings Conference Call Script
November 9, 2023

Operator

Thank you for standing by, this is the conference operator. Welcome to the Origin Materials Third Quarter 2023 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 2023 Earnings Conference Call. Joining the call today from Origin Materials are Co-CEO and Co-founder John Bissell, Co-CEO Rich Riley, and CFO Matt Plavan.

Ahead of this call, Origin has 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 on 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 filed on November 9,



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2023. 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 John.

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

Thank you. Good afternoon, and thank you for joining us. Before we begin, I'd like to welcome Matt Plavan, Origin's new Chief Financial Officer. I am confident Matt will be a tremendous addition to the team. Matt brings sixteen years of executive-level experience within publicly traded, technology-driven companies operating in complex business environments. He has a proven track record of leading initiatives to fund the commercial scale-up of disruptive technologies into well-established industries. As a CFO, he has successfully led all finance functions including equity, debt, and strategic partner capital acquisition, long-range project budgeting, forecasting, and progress reporting. We look forward to working with Matt – welcome.

I will start by reviewing our recent success initiating commercial-scale production at Origin 1. We believe that this is a historic milestone not just for Origin but for renewable manufacturing more broadly. I will then provide a brief update on Origin 2. Next, I will turn it over to Rich, who will provide a commercial update. Matt will conclude with a financial overview.

In early October, we announced the commencement of production at Origin 1, our first commercial-scale plant and the first plant of its kind. As a founder, I have never



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been prouder of our team. Origin 1 scales up our core technology platform for converting sustainable wood residues into intermediate chemicals, including CMF, HTC, and oils and extractives. The scale up of a new fundamental chemical technology like our platform is not to be taken lightly, and we're thrilled to have reached this moment.

We are very pleased with our plant's initial performance. The plant has worked as close to flawlessly as we could've hoped. Producing at commercial scale entails far more than flipping a switch – the preparation is extensive. The moment the plant came alive and made its first product was unforgettable. The Origin team did it despite a pandemic, a snarled global supply chain, some occasionally horrendous weather, high inflation, and many other challenges. And they did it with uncommon poise and professionalism. Congratulations, Origin team. You got us to the biggest inflection point in our company's history. As an operating chemical plant, Origin 1 proves our technology's scalability, a key milestone for advancing our strategic partnerships. We are more excited than ever to deploy our platform and begin to meet the growing demand for our technology and products.

Having produced CMF and HTC at Origin 1, we are in the process of sending materials to customers and strategic partners. For CMF, this includes a specialty chemical company and a major surfactants company. For HTC, this includes several major carbon black companies for use in green tires and other applications. Major tire companies, rubber companies, and specialty carbon users spanning plastics, batteries, pigments, inks, coatings, dispersions, and other applications have expressed interest in our HTC produced at Origin 1.

Our process at Origin 1 is part batch, part continuous. One benefit of our Origin 1 system is that we expect the more modular, configurable setup to allow us to adjust operating parameters more easily than if we were running a fully continuous process. For a closer look at Origin 1, I encourage you to watch our latest video, released this afternoon and available on our website. It shows you the plant, provides a first look at CMF and HTC produced onsite, lets you get to know our



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team, and walks you through taking samples from our CMF storage tanks for analytics and testing. We're proud of our Origin 1 operations team, which is doing the hard work of running the plant while creating a culture of operational excellence and maintaining safety as a core value. They are doing an exceptional job. Looking ahead, we aim to ramp up production and vary feedstocks over the coming months.

For Origin 2, we continue to advance the project with an appropriate focus on optimal funding strategies. We are happy to report that many of our strategic partners have leaned-in and asked how they can help us bring world-scale plants online as soon as possible. This could include co-development with one or more strategic partners. We look forward to providing additional detail on these less capital-intensive strategies for building world-scale plants in our February 2024 earnings call. We continue to expect that phase 1 of Origin 2 will be cash flow positive once operating at capacity. The next step for Origin 2 is a revised FEED, or front-end engineering design package. We will periodically update on FEED progress and project costs, as appropriate, based on guidance from our engineering, procurement, and construction partners and relevant macro indicators.

Regarding product development, we continue to find what we believe are higher value applications for each of our product revenue streams. For example, we expect the market for the polymer PEF to quickly emerge as an adjacent value-add market to the PET market. We are developing high value HTC applications beyond carbon black for sustainable tires, such as batteries and pigments. We are also focusing on developing fuels from the first phase of Origin 2 to generate profits from our oils and extractives stream.

With that, I will turn it over to Rich, who will provide a commercial update.



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Rich Riley, Co-CEO, Origin Materials

Thanks, John. I would also like to add my welcome to Matt, who we are very happy to have on board.

First, demand for our products remains strong. Inbound inquiries remain broad and inclusive of our higher value products. Our over \$10 billion dollars in signed offtake agreements and capacity reservations reflects the profound level of alignment and incentive for bringing our technology platform to the market. The world is struggling to decarbonize the traditional routes to making products across a trillion-dollar addressable market. Most are trying to find solutions within the confines of what they have done historically. With the freedom to operate outside those confines, we have developed new pathways that meet the needs of the low-carbon future. They are low cost, renewable, and offer performance at least identical to, if not better than, incumbent, fossil-based solutions.

As we move ahead, and as John alluded to, we are laser focused on responsibly managing our cash flow. We see a great future for Origin's technology and the vast range of products that we can bring to market. We also understand that what we are doing, like many hard science efforts, is challenging work. As such, we are taking great care to responsibly manage our cash so that we can navigate the road ahead in a way that best serves our shareholders. As we advance our Origin 2 project, we are at the same time implementing a rigorous cash conservation program. We expect this program to balance our need to reach EBITDA positive with the need to maintain our forward momentum. Under this program, we are prioritizing revenue-generating projects with the greatest near-term contributions to cash, and seizing opportunities to defer research expenses or other programs targeting longer-term results. These actions are consistent with feedback we have heard from our investors, with whom we spent substantial time this quarter.

Opportunities to generate or conserve cash include funded joint development agreements. Our JDA program continues to gain momentum, with more funded



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programs in our pipeline than ever. Other cash-generating opportunities include continuing to apply for government grants and related programs, managing our expenses, and developing other unique Origin technologies and products such as our caps and closures business. We are currently engaged with many of the world's largest consumers and producers of caps and closures by market share and we are in advanced discussions with a few of the leading machine manufacturers in the world for our technology. Just last month, we reached another milestone in caps and closures commercialization: we ran our first automated production line trial, with encouraging results. We're very excited about these initiatives and we look forward to providing further updates in the future.

Our engagements with some of the world's leading companies to deploy our technology platform continue to accelerate. Since becoming a public company, we have fielded interest from multiple parties who recognize the unique value of our platform. As John mentioned, we are now seeing many of our strategic partners ask how they can help us bring world-scale plants online as fast as possible. With Origin 1 having commenced operations and started making products, this interest has only increased. Our potential licensing and commercial partners are world-class and include large, well-capitalized market leaders. Achieving productive, mutually beneficial arrangements is a priority, and one that we expect will be well received by the market. We look forward to providing updates as appropriate.

Before I turn it over to Matt, I will mention that this quarter we were pleased to announce a funding award from BioMADE to advance U.S. Department of Defense sustainability goals. As part of our project, we will be providing sustainable carbon black and polymers to aid the federal government in fleet decarbonization. We are grateful for the award and see it as positive validation of our attractiveness as a funding target for grants, and a further demonstration of alignment and the value we offer with respect to federal decarbonization goals.



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As we look ahead, we remain committed to bringing our sustainable products to market while maximizing shareholder value. With that, I will turn it over to Matt to discuss finances.

Matt Plavan, CFO, Origin Materials

Thanks, Rich, and good afternoon, everyone.

First, let me say how pleased I am to have joined Origin. Rarely, if ever, in a career, does one have an opportunity to be part of an industrial revolution, much less lead one. Origin is clearly leading the way in the transformation from fossil fuel-based materials manufacturing to decarbonized materials manufacturing. Origin's novel biomass conversion technology is truly game-changing, and a vital element in our fight against climate change and providing the better performing materials that the world needs. To have brought such a novel and complex technology on-line and already be producing product at Origin 1 in such a short timeframe, is a remarkable technical achievement and a testament to an exceptional team. Most of all, I look forward to helping this team execute the forward plan for exceptional shareholder value creation.

With that said, let me provide some commentary on our results.

With regards to revenues, we reported our highest quarterly revenue thus far, a total of \$7.1 million, as compared to no revenue in the prior-year period. These were mostly comprised of supply chain activation revenues in preparation for our Origin 1 scale-up. The remaining revenues were from JDA agreements.

Third quarter operating expenses were \$12.9 million as compared to \$9.7 million during the same period in the prior year, the difference driven primarily by increases in general and administrative expenses.



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Net income was \$30.9 million for the third quarter compared to net income of \$8.3 million in the same period in the prior year. Included in the \$30.9 million of net income was approximately \$28 million more in gains from increases in the fair value of our warrant and earn-out liability than in the prior year net income, and that's illustrated in our reconciliation of GAAP to non-GAAP results included in the earnings release.

Turning to our balance sheet, Origin ended the third quarter with \$189.5 million dollars in cash and cash equivalents and marketable securities.

Regarding Origin 2, as Rich referenced earlier in the call, the expected mix of funding for project development is evolving, with increasing interest from strategic partners. Proving Origin 1's operational scale has catalyzed interest from well-capitalized strategic partners to participate in scaling our technology, in order to better secure access and priority regarding this essential capability. We expect to be able to provide more insights during our February 2024 earnings call.

I will conclude with our 2023 outlook. Prioritizing near term cash generation, Origin intentionally scaled back its supply chain activation business during the quarter. Although this business has long-term strategic value, it has low short-term margins and high working capital requirements. In addition, some joint development programs that we previously projected to close in 2023, we now project to close in 2024. Therefore, we are expecting 2023 revenue of \$25 million to \$30 million versus \$40 million to \$60 million. As a result of this reprioritization, we expect a beneficial impact on EBITDA loss, improving our guidance range to \$45 million to \$50 million from \$50 million to \$60 million.

Lastly, we intend to provide 2024 guidance on our next earnings call, expected to take place in February.

With that, I will turn the call back to John for closing remarks.



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

Thank you, Matt.

I would like to briefly remind everyone what a massive opportunity our technology represents. Our aim is profound – to change how the world makes its materials, including some of the basic ingredients found in nearly everything. Doing so will improve the performance of materials across many sectors, adding new functionality to the existing chemical industry, as well as eliminate a major source of carbon emissions today and thus take a step towards preserving the future of our planet. Our technology is unique and strongly protected by patents. The magnitude of the opportunity – with an over \$1 trillion dollar addressable market – is stunning in its scope and the level of alignment between customers, governments, and strategic partners in bringing our materials to market. Scaling up our technology, as we have done with Origin 1, is a win not just for Origin, but for all these stakeholders deeply committed to bringing Origin’s solution to market.

In closing, I am incredibly proud of our team’s continued hard work and want to congratulate all those who made the scale-up of our technology at Origin 1 a reality. Thank you to everyone who has put tremendous effort into building and now operating our first-of-its-kind plant. I would like to thank our customers for their commitment to Origin, our team, and our partners for their contributions to our company’s success, and our shareholders for their continuous support.

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