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## Transcript First Half Year 2021 results analyst call

**Operator:** Ladies and gentlemen. Thank you for holding and welcome to the Avantium half year 2021 results analyst call. At this moment all participants are in listen-only mode. After the presentation there will be an opportunity to ask questions. I would like to hand over for the conference to Tom van Aken, CEO. Go ahead please, sir.

**Tom Van Aken – CEO Avantium:** Thank you. Good morning everyone. Welcome to the conference call on Avantium's half year 2021 results. I hope you are doing well. Our CFO, Bart Welten, is also in the call. We will answer any of your questions after our opening statements.

As always, I would like to point out that this conference call may contain forward looking statements. You can find the disclaimer about forward looking statements in the press release and also on our website.

Let me now run you through the key developments. Bart, can you please start with the financial highlights?

**Bart Welten – CFO Avantium:** Thank you, Tom. Good morning everybody. In the first half of 2021, our revenues increased to EUR 4.7 million versus EUR 4.3 million a year ago. Despite continued impact from COVID-19 travel restrictions our catalysis business recorded revenues of EUR 4.3 million in the first half of this year. Other income decreased to EUR 3.3 million, which was EUR 4.5 million a year ago, due to lower grant recognition in the first half of 2021. The grant income in the first half of 2021 is predominantly the result of the previously awarded grant programs, PEFerence, IMPRESS, bio-MEG and DEI+. I am pleased that Avantium successfully secured additional grants in the first half of 2021, including grants for participation in the consortia CATCO<sub>2</sub>NVERS, CO<sub>2</sub>SMOS and VIVALDI, related to our Volta technology.

Our operating expenses were lower at EUR 15.1 million as a result of careful cost control. The loss for the first half year of 2021 amounted to EUR 10.9 million.

At the end of the first half of 2021, our cash position totalled EUR 43.4 million. The improved cash position is primarily due to the successful EUR 27.8 million capital increase through an accelerated bookbuild offering in April 2021. The cash outflow in the first half of 2021 was EUR 9.6 million. We expect a similar cash outflow in the second half of the year, excluding the impact of the final investment decision. So, the full year 2021 cash outflow will be approximately

EUR 20 million, excluding the impact of the final investment decision and excluding unforeseen circumstances.

With this, I would now like to hand over to Tom for a short statement about the key business highlights.

**Tom Van Aken – CEO Avantium:** Thank you Bart.

Let me start by saying that the first half year of 2021 has been an intense period of delivery for the company, especially in relation to moving forward towards a positive final investment decision concerning the FDCA flagship plant. As you know, we have identified three key conditions required for making a positive FID: 1. obtaining sufficient offtake commitments for the flagship plant; 2. finalizing the engineering and establishing the supply chain; 3. securing EUR 150 million financing, excluding 20% contingency. The first two conditions have been met, while we continue our negotiations with the banks and other parties for the remaining part of the FDCA flagship funding.

We earlier announced that we signed five conditional offtake agreements for the supply of PEF resin for the manufacture of PEF polyester films, which are representing over 50% of the total FDCA flagship plant capacity. In addition, we are in active discussions with multiple potential partners for additional offtake commitments.

With regard to the second key condition, finalizing the engineering and establishing the supply chain, we have made good progress in the first half of 2021. The engineering is now completed, and we agreed with Worley on the terms of an engineering procurement and construction contract for the construction phase of the FDCA flagship plant. We also established the supply chain for the FDCA flagship plant with an agreement on the terms of the polymerization contract with Selenis. We have also reached agreement on the terms of a strategic supply contract with a European feedstock provider, securing a supply of high fructose syrup as the feedstock for the FDCA flagship plant in Delfzijl.

On the financing side, we remain in continued negotiations with debt providers and other financial institutions for the remaining EUR 85 million on the total financing package. This includes the earlier communicated 20% contingency.

Avantium has earlier conditionally secured the EUR 20 million PEference grant, of which EUR 6.5 million cash has to date been received, the EUR 40 million conditional financing from the Groningen consortium and Worley, and Avantium's previously committed investment of EUR 35 million, of which now EUR 26.5 million has been invested by 30 June 2021.



We will remain fully committed to reach the financing target for a positive FID and we continue to explore all opportunities to acquire the outstanding financing to allow a positive FID on the FDCA flagship plant in the second half of 2021.

Let me move forward with the other lead technology, our Ray Technology™ to produce plantMEG™ and plantMPG™. In the first half of 2021 we have successfully completed product validation for plantMEG™ and plantMPG™ in commercially relevant applications, marking an important step in the scale-up of our Ray Technology™. Avantium has produced 100% plant-based PEF by polymerizing Avantium's FDCA and plantMEG™. Ray plantMEG™ can now also be used to produce bio-PET containing 30% plantMEG™, reducing the environmental footprint versus the fossil-based production routes. As a refresher: the current MEG market is estimated at EUR 24 billion in 2021, it is a fast-growing market. MEG demand roughly requires an additional 1.25 million tons each and every year, expected to grow over the coming 20 years with this growth rate.

Furthermore, we announced in April that we have entered into a term sheet with the Cosun Beet Company to establish a joint venture, in which CBC will take a substantial share. The joint venture will be a legal entity which will construct and operate the world's first sugar-to-glycols commercial plant and enable the commercial launch of plantMEG™ and plantMPG™ in commercial applications. The aim is to make an investment decision for this foreseen commercial plant in 2023. Commercial operations are expected to start in 2025.

As we are focussing on FDCA, PEF and plantMEG™ development and commercialization, I will not go into detail on our other technologies such as Dawn and Volta, but we did make progress there as well as you can read in our press release.

Moving to our catalysis business. The catalysis business is still impacted by travel restrictions as a result of the COVID-19 pandemic. Despite these challenges, Avantium Catalysis received several orders for Flowrence® systems and contract R&D projects from companies and academic institutions around the world, with a total value of approximately EUR 4.2 million.

Today, we have also made a number of announcements on changes in our Management Team and Supervisory Board. Nils Björkman has been nominated for appointment to our Supervisory Board for a term of four years. He has a background in the packaging industry with Tetra Pak. We will propose his nomination at an extraordinary General Meeting, which we plan to schedule in the fourth quarter of this year.



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Today, we have also communicated the resignation of Zanna McFerson, who is managing director of Renewable Chemistries. Zanna has made this decision for personal reasons.

Last but not least, I am very pleased to announce that we have appointed Bas Blom as managing director of Avantium Renewable Polymers business and member of our Management Team. He brings a wealth of experience in the plastic materials and recycling business with his background at GE, SABIC and Renewi. Bas will help us to support our efforts to achieve commercial success in our FDCA technology. He will start effectively as of the 15<sup>th</sup> of August 2021, so next Monday.

This concludes my statement for this morning. I would now like to ask the operator to open the line for questions that you may want to ask regarding the results that we announced today.

## QUESTIONS AND ANSWERS

- **Reginald Watson – ING**

Good morning. I have a couple of questions. Firstly, what is taking so long with the financing from the debts and the banks? I hope ING is not one of the banks that is slowing things down.

Secondly, do you anticipate needing to use the 20% contingency? We have had a number of companies recently reporting and they are having their to up their CAPEX guidance due to high steel costs and higher engineering costs. I wonder if you are going to have to do the same.

**Tom Van Aken – CEO Avantium:** Good morning, Reg, thank you. On the first question, clearly, we would have liked this to go faster, but as you know, structuring a debt financing like this for new products is something that is complex. It involves different parts of risks and different financial parties. Therefore, this is taking time, maybe a bit more time than we would have liked. We are working full force to get it in place. I cannot provide you with further information. As you can probably expect, this is a complex thing, with institutions that are also represented in today's call. I cannot tell you more than that we are working full force to get that in place. On the 20% contingency, of course it is something we are monitoring very closely, together with Worley. Our insights in terms of the CAPEX have not changed, but we have communicated before that we prudently want to make sure that we also secure the contingency part to make sure that the company is well financed for undertaking this project. In that sense, the EUR 85 million of financing that we require is in line with what we have communicated before.

**Reginald Watson – ING:** Okay, thank you. Just to come back on the debt finance, perhaps it is my naivety, but I was always under the impression that once the equity financing was in place, given that this is the highest risk part, the debt should follow naturally. I appreciate that you cannot give too much detail, but perhaps you can give us a feel for the sake of how negotiations are going. Is there just one stumbling block or are there two or is it a whole suite of interests that need to be aligned and put in place before you can actually secure the funding? How long do you think this will take?

**Tom Van Aken – CEO Avantium:** It is hard for me to say anything about where we are in the negotiations because that will also have an impact on the negotiations themselves. I do not think that it is wise. We understand it is also

the responsibility of management that we are striving for the best possible deals. That is why we are taking the time. In the press release we have said very clearly that we expect the final investment decision in the second half of 2021. Basically, that is all the guidance I can give at this moment in time.

- **Wim Hoste – KBC Securities**

Good morning. Just to be 100% sure: you will require EUR 85 million to go ahead and not EUR 55 million in terms of financing for the FDCA plant? So, EUR 85 million is really the amount you need for the green light of the FID. Is that correct?

**Bart Welten – CFO Avantium:** Good morning, Wim. Your statement is correct. We have been saying consistently that we also want to fund a contingency. We think it is wise and prudent to include that in the financing package and not to run out of money later, for the reasons why there is contingency. So indeed, we finance the CAPEX plus contingency and that is the EUR 85 million that Tom referred to.

**Wim Hoste – KBC Securities:** And then a question on the deal with Cosun. You agreed to a term sheet to do this together, to start constructing a plant and you will take the final investment decision in 2023. What are the hurdles in this? What has been agreed upon and what has not been? It is still a pretty long time to 2023. Can you maybe clarify that?

**Tom Van Aken – CEO Avantium:** When we announced the term sheet, it is basically an intention and the conditions for the joint venture that has been agreed on. Of course, we have to set up a legal entity. We expect to form the joint venture in the coming six months. There are clearly timelines leading up to the final investment decision that are somewhat similar to the FDCA flagship plant, including the engineering of the flagship plant. Of course, there also we will be looking at the supply chain, meaning the supply of sugar, which will come from Cosun. But also, we are looking at offtake partners. These are the typical things that we are negotiating in the joint venture agreement with the Cosun Beet Company. I forgot to mention that there is a technology license by Avantium to the joint venture, which is also part of the joint venture agreement. So, the technology will remain in ownership of Avantium, and it will basically provide a license to the joint venture.

**Wim Hoste – KBC Securities:** Is the agreement with Cosun fully set in stone or are you still negotiating? I can imagine that you need offtake agreements and

that that is part of the deal you make with Cosun. Are you still discussing the basics of the joint venture or is that all done and are you now trying to find offtake agreements and trying to see what is the best engineering for the plant? Is the deal with Cosun set in stone or are there still parts that need to be discussed with Cosun?

**Tom Van Aken – CEO Avantium:** No, the most important conditions with Cosun have been agreed. That is actually what is in the term sheet that we have agreed. That has now to be formalised into a joint venture agreement. Then, together the parties will work on things like the supply of sugar, the offtake agreements, the engineering, the site selection et cetera. Those things will be done together. The parties have agreed a very clear set of Stage-Gate decisions leading up to that final investment decision. So, it is not that we are going to be forming a joint venture and that you will hear nothing until 2023. There are various Stage-Gate decisions in between, where we have agreed, together with Cosun, what we want to achieve as a joint venture, leading up to that investment decision in 2023.

**Wim Hoste – KBC Securities:** Okay, thanks.

- **Fernand de Boer – De Groef Petercam**

Good morning. I was kicked out, so I am not sure if I missed anything. What makes you so confident that you will achieve this FID in the second half?

**Tom Van Aken – CEO Avantium:** Good morning, Fernand. I hope you heard the opening statement that I gave.

**Fernand de Boer – De Groef Petercam:** Yes, I was cut off just after the questions started.

**Tom Van Aken – CEO Avantium:** If you look at the final investment decision, clearly, we have made tremendous progress to get to that point. On the offtake side, we have basically achieved the goal that we have set ourselves. On the engineering and supply chain, we have everything in place. On the equity and grants, we have everything in place. So, it is now very much the debt financing that we are completely focussed on. Of course, that is the most important thing to get in place before we can make the final investment decision. That is something we are working on full force. We believe that we have made tremendous progress on all these different parts. We have come very far to get to this point. The fact is that this may take a bit longer than certain people

maybe expected. It reminds me of earlier this year when we made our announcement regarding the offtake agreements. That also took us a bit longer. It is very difficult to forecast how long these things take, because there are multiple parties around the table. It is not like we need two to tango, we need multiple parties to tango here. That is actually the complexity of getting this debt financing in place. That is where we are. Of course, we will come back to you once we have progress in getting that in place.

**Fernand de Boer – De Groof Petercam:** Regarding the joint venture with Cosun, is it now already clear what your state will be in the joint venture? Will it be 40% or 20%?

**Tom Van Aken – CEO Avantium:** We have not yet communicated our stake in the joint venture. That is also because we are going to be working together with CBC on the engineering of the flagship plant. Clearly, the engineering will tell us about the estimate for the capital expenditure for that flagship plant. Once we have that business plan in place, we will be negotiating with them on how exactly we are going to finance the plant. That will determine the stake that we have in that joint venture. We have said before that we will be a minority partner in that joint venture. As I said in my previous response, we will remain the full owner of the Ray Technology™. In that sense, we will be providing a technology license to the joint venture that will enable the joint venture to build and operate that flagship plant.

**Fernand de Boer – De Groof Petercam:** Okay, thank you.

- **Patrick Roquas – Kepler Cheuvreux**

Good morning. I missed the first minutes of the call. Sorry for that. I have two questions. The first one is on the expected cash outflow. You have indicated EUR 10 million. What you expect it to be in case you would have finalized the decision for FDCA? Then my second question. You expressed quite some confidence on securing the financing, but at the same time there is quite an explicit disclaimer in your press release, which I think is not new. How does that fit together? And then a follow-up on that. You indicated that further delay could result in unfavourable funding conditions. Could you explain a bit more? I can see what you mean, but how does that play out? Is further delay a couple of months or beyond the second half of this year?

**Bart Welten – CFO Avantium:** Thank you, Patrick. Let me start with the first question. We gave guidance on the cash rate over 2021, the first half minus



EUR 9.6 million. We indeed said that for the full year we expected it to be approximately EUR 20 million, excluding the impact of FID and other unforeseen circumstances. The impact of FID clearly would be that the moment we have a fully funded package for renewable polymers with all the providers of money, at that time the company RNP will start building that factory. Then it can go very fast because it is the plan to build that factory. So, it is very hard for us to make any comment on when that FID will happen. It is also very hard to tell at what time the cash outflow of RNP when it is fully funded, as we earlier indicated. That is why we have excluded that from our cash forecast over the full year.

Let me also answer your second question. We basically took the quote from our Annual Report on the risk profile. We have not introduced a new risk here. We also have not introduced new timelines or other topics. We thought it was very prudent to highlight of our Annual Report the risk. We mentioned at that time to highlight this one as well. Therefore, I think it is naturally and prudent that we put that in our half-year figures.

**Tom Van Aken – CEO Avantium:** I would like to add that we earlier communicated that we were planning the final investment decision in the course of 2021. In this press release, you see that we are sticking to that plan. We are not giving more specific guidance on when in the second half. That is because this is so difficult to time this, as we are also dependant on other parties. I want to highlight that we are sticking to the guidance that we have given earlier.

**Patrick Roquas – Kepler Cheuvreux:** Okay. In case of further delay, is there a possibility that you might lose some of your offtake agreements that have been signed?

**Tom Van Aken – CEO Avantium:** In that sense the risk paragraph is quite clear. If there is a delay beyond the timelines that I have just indicated, we run the risk of losing one of our partners if that is an offtake partner or another partner. The risk is absolutely there that we then may lose a partner. Therefore, there is a big incentive for the company to make sure that we stick to the timeline.

**Patrick Roquas – Kepler Cheuvreux:** Okay, I wish you well in the coming weeks and months.

**Tom Van Aken – CEO Avantium:** Thank you, Patrick.

**Operator:** There are no more questions, sir.

**Tom Van Aken – CEO Avantium:** Thank you for your time today. We appreciate your continued interest in the company. Clearly, we hope to keep you



informed about all the progress that is being made. Thank you for the time this morning. We look forward to talk to you soon.

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End of call