



Transcript analyst call Wednesday 8 January 2020

Tom van Aken, CEO of Avantium:

Good morning everyone and thank you for calling in today. I am here together with Willem-Jan Meijer, the financial director of Avantium Renewable Polymers.

Let me start off with wishing you all a happy New Year. I am pleased to tell you that Avantium has a good start of the year. This morning we announced the intent to locate our new FDCA flagship plant at Chemie Park Delfzijl, the Netherlands. As you probably remember, we expect this 5 kiloton flagship plant expected to be up and running in 2023.

Let me just quickly run you through the key points of our press release. After that, there will be room for your questions.

We have signed a letter of intent for the location with a Regional Consortium, which comprises among others of the Province of Groningen, Groningen Seaports and a couple of investment funds. We have come to the decision to locate our flagship plant in Delfzijl for a number of reasons.

The selected site meets all the necessary operational criteria. Groningen Seaports offers us an excellent location with the right infrastructure. All utilities and site services are available. The new FDCA flagship plant will be located near Avantium's demonstration plant for our Ray Technology and our pilot biorefinery for our Dawn Technology. We are confident to have access to talent and expertise in the region, as we have experienced with our other technologies. Moreover, the Province of Groningen is at the forefront of green chemistry development and we share the same ambition to support the transition to a circular economy.

Furthermore, the selected site offers the most attractive financing package to Avantium. The regional consortium members and Avantium Renewable Polymers have entered into a letter of intent relating to financing for the engineering and construction of the flagship plant, working capital, start-up costs and operations of Avantium Renewable Polymers. The total amount made available by the Regional Consortium adds up to €30 million, comprising of grants, equity and debt. A significant part of this mix comprises of grants. The equity is planned to take place on the level of Avantium Renewable Polymers. The ratio between the financial instruments will be fine-tuned in the coming months. Also important to mention is that the northern region is actively supporting Avantium in its search for additional grants and other financial instruments in respect of covering the required investments & expenses needed for the start-up of the flagship plant.

Today's announcement is another important milestone for Avantium and a significant step in our funding process for our FDCA flagship plant. As you know, Avantium intends to have funding sources in place before the end of 2020, prior to making the final investment



decision. Together with the €25 million PEference grant and the approximately €35 million investments by Avantium, we are on track to attract the funding for the FDCA flagship plant.

We are now focused on progressing our discussions with potential strategic partners.

This was all for now. Thank you and I'd now like to invite your questions.

Wim Hoste, KBC: Goodmorning. Can you elaborate a bit further on the financing? At last year's Capital Markets Day (Avantium Technology & Markets Day June 2019) there was some indication on the money, there was mentioned €35 million equity funding, then other equity partners of €30-35 million, etcetera. Now with the grant and today's announcement, you seem to indicate during the call that there might be a change in what you said previously. Can you maybe elaborate on what kind of direction are you looking. Are you looking at attracting more external equity? Are you hopeful to get more grants? Can you give us some more insight on that?

Tom van Aken: Thank you Wim. I am sorry if I gave you the wrong impression about that we deviate from what we said earlier. From my perspective, the news that we have issued this morning is very much aligned with the plans that we presented in June. It fills in a significant part of both the grants and the debt side and also some part of the equity component of the pie chart that we showed to you in June 2019.

Wim Hoste: Ok, that's clear. And also a question on let's say the commercial progress. Have you attracted new commercial partners already for PEF besides of what you have announced? Or do you first want to get the financing fully in place before you will make announcements on partners?

Tom van Aken: Today's announcement is really very much about the site selection. We are not giving any updates on commercial progress. I believe we have indicated before that we see a tremendous positive momentum in terms of market demand for high-value PEF applications, which is our new commercialization strategy. So today's announcement is very much on the site that we have selected, but also about the financing of the plant. Clearly, Wim, by the end of the year, we need to make sure that we have the full financing in place. This is a very important part of that puzzle. Another part of coming to a positive investment decision is making sure that we have sufficient commitment to our customers to buy products out of our Flagship Plant and to make sure that we have sufficient progress in terms of developing attractive high-value PEF applications. But again, today's announcement is very much on the selection of the site and on the [related part of the] financing, not so much on the commercial progress.

Wim Hoste: Ok, clear, thank you.

Patrick Roquas, Kepler Cheuvreux: Tom, Willem-Jan, Patrick here, good morning. On the mix and the pie chart that you have provided before, once you have secured the strategic equity partners and I assume that commercial debt will follow after that pretty automatically,



so that implies that the equity partners is now the remaining part to get to that approximately €150 million amount of financing secured. Is that right?

Tom van Aken: I absolutely follow your assumption. I think it is the right conclusion to say that the strategic partners' equity part is the next part. We are very confident that the debt part will quickly follow once the strategic equity part has been secured.

Patrick Roquas: Can you give us an indication of the number of strategic partners that might get involved.

Tom van Aken: That is quite difficult, Patrick. Because we are talking to a number of different companies. We said before, and I would like to reiterate this, that we are looking for multiple partners, and we are looking for multiple partners that come from the value chain. With the value chain, we mean from the chain starting with feedstock providers, chemical companies, polymerization companies, converters, to brand owners. In that chain, that is where we expect to get the strategic equity partners. Unfortunately, I cannot give you more guidance on this. Clearly, this is something we expect to provide more information on in the course of 2020.

Patrick Roquas: Just a final question on this, Tom. Because the consortium partly invests equity on the Renewable Polymers level. I assume that you are looking for kind of comparable investments for the strategic equity partners. So not on Avantium level, but on the Renewable Polymers level. But if you have a strategic partner that believes in the whole of your philosophy, is that possible or is that ruled out?

Tom van Aken: It is correct to assume that this would also take place on the Renewable Polymers level, but that is certainly not exclusive. So that is something that really depends on the negotiations with the strategic partners.

Patrick Roquas: Ok clear Tom, thanks.

Reg Watson, ING: Hi all. So I step back from the funding and will come back this in a second if I may. Obviously, Dawn and Ray are physically co-located in Delfzijl. I assume that the RNP FDCA plant will be physically co-located with the other two plants. Or does its physical size mean that it has to be a bit further away from the other sites?

Tom van Aken: The physical site will be at some location further away from the pilot plants, because close to the pilot plants there is not enough space to build this flagship plant.

Reg Watson: Ok. Are there any other synergies to having FDCA at Delfzijl, now that both Dawn and Ray are there?

Tom van Aken: I think the most logical part is of course that we have a footprint in Delfzijl. We have experience there, we have an organization of over 20 people currently working in Delfzijl, which provides a really good starting point to building an organization. We have a network of partners. We know our way around, which is really one of key reasons to decide



for Delfzijl. But from an operational perspective, Reg, it is fair to say that we do not expect the sharing of utilities or infrastructure. Because there is a real difference in scale. You know, 5 KTA may come across as a small plant, but compared to the pilot plants it is going to be huge. I am sure we will take you there once we are building it, then you can see that this is really something completely different.

Reg Watson: Does building the commercial-scale plant in Delfzijl, when the pilot plant is in Geleen, will present you with any particular difficulties that otherwise would not have occurred when you would actually have chosen the location in the south of Holland?

Tom van Aken: I think this is a fair question. Of course there would have been benefits when having them close-by. Keep in mind that also in Geleen, we could not have built the plant next to the pilot plant. There would also have been a physical distance. But of course there would have been some important benefits in terms of the skills and expertise of our operators who you can basically bring from one plant to the other. Now we have to train operators before we start the flagship plant in Delfzijl. If we look at the pilot plant in the long term, we absolutely believe that the pilot plant in Geleen will have an important role. First of all for the coming years to produce sufficient volumes of FDCA and PEF. Because for developing the applications for products in the markets, there is a very clear demand for getting access to products. So that is very important. And in the longer term, we believe that the pilot plant will also help us as a center for testing next versions of the technology. You want to provide the flagship plant with technology improvements, next versions of the technology, etcetera etcetera. Also from a licensing perspective, this pilot plant will play a key role in the future.

Reg Watson: Ok. I come to the funding now please. I have the pie chart that you have presented earlier right in front of me. Your press release about the PEFerence grant stated €25 million, but you stated €20 million before. Can I pencil this in as a whole or is this €25 million spread around other PEFerence partners in the consortium?

Willem-Jan Meijer: That's right Reg. So the overall subsidy is €25 million, but this includes also the subsidies to our partners in the consortium and will directly or indirectly contribute to our flagship plant.

Reg Watson: Ok so that number is in. And in the regional and national and EU, in the graph you have €15 to €20 million coming in. Is this also fair of how this pie is filling up?

Willem-Jan Meijer: The grants are a significant part, but also debt and equity. The press release also says that we will continue to look for additional subsidies.

Reg Watson: Ok. To help at all, I think with our modelling, if the equity is been taken at Avantium Renewable Polymers level, how is the ownership of the economic benefits being shared? Avantium equity is €35 million, whereas I assume that strategic equity partners and regional grants etcetera account for let's say another €35 million, is it reasonable then to say that you can see a 50-50 share?



Tom van Aken: I certainly understand where you are going, Reg. But this is something we cannot disclose because in all fairness this is also not decided yet. I just want to repeat what I have said about this in June. First of all, it is not only Avantium's equity part that you have to take into consideration, because Avantium also provides all the intellectual property, the technology, the pilot plant, the partnerships, etcetera. That is all what we contribute to Avantium Renewable Polymers. This is something that needs to be included in valuation discussions. I cannot provide any specifics, expect for saying that we are absolutely of the opinion that the majority of this business is owned by Avantium. So I think this provides you with the sort of the fallback position. But again, the discussions will really have to take place with the strategic partners. After we have concluded that part, we can share with you more information about that shareholding is going to be structured.

Reg Watson: Ok fair enough. It would be helpful for us if you can provide us with some sort of range if where you end up, because otherwise the valuation could be all over the place about this.

Tom van Aken: I know. We will do that some time later this year, when we have more information available. It is very hard to give you any type of guidance because that would mean that I am negotiating with myself.

Reg Watson: Fair enough.

Tom van Aken: Are there any more questions?

Patrick Roquas: Not from my side.

Wim Hoste: For me neither, thank you.

Reg Watson: No thank you.

Tom van Aken: Thank you guys. We look forward talking again.

====