Avantium Analyst Call

Thursday, 5th December 2024

8:00 AM (CET)

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Participants

Tom van Aken – CEO

Boudewijn van Schaïk – CFO

Caroline van Reedt Dortland – Director Communications

Operator: Hello and welcome to the Avantium Analyst Call. My name is Laura and I will be your coordinator for today's event. Please note this call is being recorded and for the duration of the call, your lines will be in listen-only mode. However, you will have the opportunity to ask questions at the end of the call. This can be done by pressing Star One on your telephone keypad to register your question. If you require assistance at any point, please press Star Zero and you will be connected to an operator.

I will now hand you over to your host, Caroline, to begin today's conference. Thank you.

Caroline van Reedt Dortland: Thank you, Laura. Good morning, everyone. Thank you for joining us on such short notice. I'm Caroline van Reedt Dortland, Director Communications. Today, our CEO, Tom van Aken, and our CFO, Boudewijn van Schaïk, will deliver the prepared remarks followed by a Q&A session.

Please note that this call is being recorded and a transcript will be available on Avantium website shortly after.

Before we start, I want to highlight the disclaimer at the bottom of our press release. Some comments today may include forward-looking statements that reflect Avantium's perspective on future events. These statements involve risks and uncertainties that could cause actual results to differ materially.

Now, I'll hand over to Tom van Aken. Tom, the floor is yours.

Tom van Aken: Thank you, Caroline. Good morning, everyone. After the markets closed yesterday, Avantium announced it has strengthened its financial position to support the start-up of its FDCA Flagship Plant. The company also disclosed the launch of an accelerated book-building offering. And this morning, Avantium announced the completion of an accelerated book build transaction, successfully raising €11.2 million in gross proceeds through this offering.

In order to fund working capital requirements and startup costs in 2025 related to the FDCA Flagship Plant, we are very pleased that we have secured an additional financing package of up to €35 million and reached an agreement with lenders to extend the existing debt financing facilities.

Our CFO, Boudewijn van Schaïk will now run you through the details of the financing package.

Boudewijn van Schaïk: Thanks, Tom. And good morning, everyone. So as Tom mentioned, our lenders have agreed to extend the maturity date of our existing debt financing facilities to the 31st of March 2026, with an additional extension to 31st March 2027, subject to us meeting certain conditions. Additionally, the lenders have committed to increase the existing facilities by €20.1 million, which, once drawn, brings our total outstanding debt to €125.1 million, excluding capitalised in-kind interest. The drawdown of this additional amount is subject to customary technical and commercial conditions.

The Provincial Executive, or in Dutch, the *"Gedeputeerde Staten"* of the Province of Groningen, intends to provide a subordinated loan of up to €10 million to Avantium Renewable Polymers. This follows a review of an investment proposal by the Noordelijke Ontwikkelings Maatschappij, or the NOM, in collaboration with Avantium and the Province.

The proposal from the Provincial Executive to provide the loan has now been placed on the agenda of the Provincial Council, or in Dutch, the *"Provinciale Staten"* Meeting, which will take place on the 5th of February 2025, during which they may provide their perspective to the Provincial Executive. A final decision by the Provincial Executive is expected immediately following this meeting, with funds becoming available to Avantium soon thereafter.

Avantium has also secured a €5 million convertible loan from existing shareholder Pieter Kooi. The loan, plus capitalised interest will convert into ordinary shares if Avantium raises over €10 million in equity in a new equity raise in the coming three years, or if Pieter Kooi opts to convert when the share price exceeds the initial reference price by 20%. The conversion requires shareholder approval at the AGM, which will be held on the 14th of May 2025.

In addition to this financing package, Avantium launched an accelerated Bookbuild offering yesterday evening, representing 8% of the issued share capital. We are very pleased to announce that we successfully raised €11.2 million in gross proceeds through this offering. The shares were placed at a discount of 14.5% to the closing price of €2.045, resulting in an offer price of €1.75 per share. As part of this offering, we are pleased to see that shares were placed with new shareholders who we welcome to Avantium and we thank our existing shareholders for their continued support.

Back to you, Tom.

Tom van Aken: Thank you, Boudewijn. I want to conclude with pointing out that we've communicated a series of positive news elements about the progress we are making with the commercialisation of PEF, including the opening of the FDCA Flagship Plant in Delfzijl, the FDCA approval for PEF for food contact applications in the United States, the deepening of our partnership with SCG in Thailand, and a number of offtake and development partnerships for PEF, including Dior from LVMH, Albert Heijn, Kirin and Plastipak.

The additional funding that we've just announced will allow us to advance to the next growth stage, and we look forward to start shipping the first commercial volumes of FDCA and PEF, branded as Releaf to customers worldwide. We appreciate the ongoing support and confidence from our lenders and investors, which underscores the significant progress that we're making.

This concludes our prepared remarks. Operator, you may now open the line for questions, please.

Operator: Thank you. Ladies and gentlemen, once again, as a reminder, if you would like to ask a question, please press Star One on your telephone keypad. Thank you. We will now take our first question from Usama Tariq of ABN AMRO - ODDO BHF. Your line is open. Please go ahead.

Usama Tariq: Hi. Thank you for the opportunity. And congratulations on the successful share increase. I just have a very small set of questions. Number one, you mentioned in the press release that you're exploring options for other business activities. Could you kindly provide some colour on it going forward? And secondly, the increase in the debt facility, what would the interest rate be? Thank you.

Tom van Aken: Okay. Thank you, Usama, and good morning. So thank you for joining. Regarding the exploring of other business activities, we have announced last year at the Capital

Markets Day in December 2023 that Avantium is going to focus its capital and its human resources on the commercialisation of FDCA and PEF.

I think we have also announced at that moment that we are looking for external investments or financiers for our Volta programme, as well as strategic partners for our Ray Technology. So this is what we mean. We're looking for investors and partners for these activities because we do not plan to finance them on our own balance sheet and that is what we mean with this statement, Usama. I hope this answers your question.

Usama Tariq: Yes. Thank you.

Tom van Aken: Second question, I leave that to Boudewijn.

Boudewijn van Schaïk: Thanks, Usama. So the interest rate is largely unchanged compared to what we had with the existing financing facility. We had a combination of cash, interest, payment in kind interest and warrants. Going forward, following the extension and the increase, it will only be a combination of cash, interest and warrants. But the overall cost of financing remains roughly the same.

Usama Tariq: Very good. Thank you very much.

Operator: Thank you. And we will now move on to our next question from Fernand de Boer of Degroof Petercam. Your line is open. Please go ahead.

Fernand de Boer: Yes. Good morning. I would like to come back on the previous question on interest expense. Is cash interest and warrants only on the additional part? Or is it now applied to the total loan? And could you give us a number on the interest rates. That's the first question.

Then the second one, if you add everything up now with the placement of yesterday evening, could you give us a number for the fully diluted number of shares after completion of this transaction? Because it keeps on going on with more warrants, conversions, etc. So I'm a little bit in the blind now about the exact number of fully diluted shares. So could you help me out?

And then another question, last year, you had the cost overruns where you can have the discussion who is actually responsible for that. Is this Avantium or is this the contractor of the construction? So my question is, did you have any discussions on that and did you actually pay the bill or did you not pay the bill? Because I'm a little bit amazed that you need, let's say, in total, €45 million to bridge the gap for one year and maybe for two years. So could you say with this how that situation is?

And on the second one, with this additional raise of a total of €46 million, are you then sufficiently financed for not only 2025 but also for 2026, and so that you have sufficient money to bridge the gap until commercial success of licences etc.? And then I didn't totally catch the remark on this 8% new shares; were they all placed with new shareholders? Or did also the existing shareholders participate?

Tom van Aken: Boudewijn, you're going to do the first two.

Boudewijn van Schaïk: So Fernand, on the interest expense, it applies both to the extension of the existing facilities and the increase facility. There's multiple tranches within the facility. They're all priced differently depending on who's in them because some of the banks have different requirements be it payment in kind, be it accepting warrants or being cash. I can't give you one specific interest rate, but the all-in-cost of financing compared to what we had not changed significantly also not for the increase facility.

Then your question on the fully diluted shares. I don't have an answer for you right now. I'll need to get back to you on that. I think the important point is these warrants are dependent on utilisation of the facility, the timing of utilisation, and also, of course, AGM approval as well, in May 2025. But let's take that offline and I will help you with that calculation.

Fernand de Boer: Yes, please. And on this shareholders' approval, in case the shareholders do not approve, what's then going to happen with this loan?

Boudewijn van Schaïk: I think there's a legal answer to that and there's a practical answer to that. We would need to sit around the table with the lenders and figure out what plan B is. But the legal answer is that would be a default under the warrant agreement.

Fernand de Boer: Okay. All right.

Tom van Aken: Okay, Fernand. So there are two more questions that I need to get back to. The cost overruns that you referred to in your question, if we've discussed that with our EPC contractor? So the answer is that we are currently in a close-out of the construction project with our EPC partner where we are also discussing the cost overruns to see that we have full understanding who is responsible, under the contract, for what part of the cost overrun.

And we do expect it's going to take a number of months before we will be at a point where we have reached such a close-out. Until that time, we do not externally communicate about this in order to make sure that we have the most constructive discussion with our partner.

Then your question was are you financed with this funding for the start-up in 2025 and potentially for 2026? A fair question, but also something which is quite difficult to answer. The financing package ensures that we have necessary liquidity for the commissioning and start-up of the FDCA Flagship Plant. Of course, we expect to reach commercial operations in 2025, and that of course, will then after a certain period of time when the FDCA is converted into PEF, the PEF is tested for regulatory purposes, but also with our customers. We can then start shipping. And that will then ultimately, of course, start triggering cash flows from the revenues from the Flagship Plant.

But this is a first-of-a-kind facility. And that makes it quite difficult to predict the timelines and also what we're going to be running into, because this is, as we call unchartered territory. This is the first-of-a-kind plant. We therefore can't foresee exactly what obstacles we are going to be running into.

I don't want to be casting some type of dark future here because we have a very robust and well-designed startup plan. And of course, we have over 12 years of experience with the chemistry. So in that sense, we are confident that we are extremely well-prepared to enter into this phase. But the exact timing will depend on various factors and not only technical factors, but of course also subsequently the product quality and regulatory parts.

So that is a long way of saying we don't know exactly how long this is going to take. And therefore, it's also difficult to make statements about if this financing is going to get us to the cash flow breakeven point.

There's one thing I think we've also mentioned in the press release, the company will always be looking to assess financing possibilities. It is the management's responsibility to make sure that we're well financed, but also to determine if there will be a more optimal financing package that we can pursue.

As you can imagine, some of the financing that we have in place is rather expensive. And therefore, we will also be looking to see if we can further optimise the financing package for the company moving forward.

Last question was regarding the 8%. Part of that has been placed with new shareholders. Part of it has been allocated to existing shareholders. I hope that this has sufficiently answered your questions, Fernand.

Fernand de Boer: Maybe one follow-up question. The outstanding amount of trade payables for the plant which we had at the June 30th, those have been paid. Could you say anything on your cash position or expected cash position year-end?

Boudewijn van Schaïk: Thanks, Fernand. So I can indeed confirm that what you saw on the balance sheet at half year that that has been settled. I can't give you a forward-looking number on our cash position towards the end of the year.

Fernand de Boer: All right.

Operator: Thank you. And we will now move on to our next question from Reg Watson of ING. Your line is open. Please go ahead.

Reg Watson: Morning, all. Congratulations on the cash raise. If I can just follow up on Fernand's sort of line of questioning. Boudewijn, I'm sorry to put you under the spotlight again. I appreciate you can't comment on the cash position at year-end, but perhaps you can comment on the cash position as of today?

Boudewijn van Schaïk: Yes and no. Look, we are cash positive. We have sufficient liquidity with the Pieter Kooi convertible loan and the equity raise today that adds significantly to our cash buffer and our cash runway. And of course, that's going to increase into next year when we get the €10 million and the €20.1 million. I can't give you a number, but I can tell you that we have a healthy cash balance right now.

Reg Watson: Okay. So I think, you know, we're all of us trying to just work backwards here. You know, the last balance date, then the last official balance date end June. So we know what the cash on the balance sheet was at that point. We know what the short-term liabilities were. Fernand mentioned those. You said they've been paid. So we can at least subtract those two. We know you have a cash injection of €46 million coming up in total with the financing round. Remind me again what the cash burn was for the first half.

Boudewijn van Schaïk: So our cash burn in the first half of the year is roughly €3 to €4 million per month.

Reg Watson: Okay. And is there any reason to think that that has changed recently or is likely to change going forwards?

Boudewijn van Schaïk: No. And I think, as Tom mentioned, it's very difficult since this obviously is based on our expectations and our predictions on how things are going to go based on our start-up plan. It will depend on how things go. At what point we're starting to buy more and more inventory. And working capital for the plant, any capital, spare parts, any challenges during startup that need to be addressed with capital expenditure? These are kind of things that are going to move that number around. So that's why I've given you a bit of a range there. And will it be completely smooth? Probably not. But I think order of magnitude that's a fair assumption.

Reg Watson: Okay. We'll understand that you can't be held or you can't commit to any single number, but at least it gives us an idea. And you've clarified that there are no unexpected lump sums that we don't know about. So, you know, provided that there's some variability around that, I think that's a fair answer. Thank you.

Boudewijn van Schaïk: Okay.

Operator: We will now take our next question from Paul de Froment of Bryan Garnier. Your line is open. Please go ahead.

Paul de Froment: Thank you. Good morning. Just one question on the plant. Could you give us a little bit of colour on the first weeks of commissioning of the plant, and what do you expect for 2025? Thanks.

Tom van Aken: Paul, thank you and good morning. Basically, the commissioning is going pretty much according to plan. Of course, when you run into projects like this, there are always things that are going better than planned. But there are also things that are going not according to plan. So overall, you need to balance it out. But we basically are on track on how we have scheduled the commissioning and startup plan for the startup of the plant.

The real exciting part right now is all the things that you do before startup. The real test or the real first production runs are still coming up. So I think in that sense right now, this is more the predictable part and the more exciting part is going to start once we have the first batches that are running in the plant and that moment is coming up pretty soon.

Paul de Froment: Okay. Thank you very much. And maybe another question on the dilution. Boudewijn, if you could provide us the fully diluted number of shares? I know one of the other banks already asked, but basically, what I have is 6.4 million of new shares related to the ABB, 5.8 million related to the warrants of the extension of banking debt, and finally, 2.4 million of new shares related to the convertible Pieter Kooi debt, which would lead to a fully diluted number of shares of 94.3 million. But if you could confirm to us this number, it would be great.

Boudewijn van Schaïk: Thanks, Paul. We will confirm the number to you.

Paul de Froment: Okay, great. Thank you very much.

Operator: Thank you. Once again, as a reminder, if you would like to ask a question, please press Star One on your telephone keypad. Thank you. There are no further questions coming through.

I will now hand it back to Caroline for closing remarks.

Caroline van Reedt Dortland: Thank you all for your questions and listening in today. For any other questions you may have, please feel free to reach out to us. Thank you, everyone, and have a nice day.

[END OF TRANSCRIPT]