



EcoSynthetix Inc.

Q4 2017 Earnings Call

Jeff MacDonald | CEO

Rob Haire | CFO

March 5, 2018

FORWARD LOOKING STATEMENTS

Certain statements contained in this document and any amendment or supplement hereto constitute forward-looking statements. All statements other than statements of historical fact may be forward-looking statements. These statements relate to, but are not limited to, future events or future performance, our expectations regarding the Company's growth, results of operations, estimated future revenues, requirements for additional capital, production costs, future demand for latex-based products, business prospects and opportunities. Forward-looking statements are often, but not always, identified by use of words such as "may", "will", "should", "could", "seek", "anticipate", "contemplate", "continue", "expect", "intend", "plan", "potential", "budget", "target", "believe", "estimate" and similar expressions. Such statements reflect the Company's current views and beliefs with respect to future events, are subject to risks and uncertainties, and are based upon a number of estimates and assumptions that, while considered reasonable by the Company, are inherently subject to significant business, economic, competitive, political and social uncertainties and contingencies. Many factors could cause actual results, performance or achievements to be materially different from any future results, performance, or achievements that may be expressed or implied by such forward-looking statements.

Specific forward-looking information contained in this document includes, among others, statements regarding: (i) the price of oil and SB Latex; (ii) the demand for the Company's products including the Company's ability to guarantee successful mill trials; (iii) the Company's competitive advantages and ability to compete successfully; (iv) the nature and characteristics of the Company's intellectual property; (v) the Company's ability to expand production capacity; and (vi) general economic conditions.

With respect to forward-looking information contained in this document, the Company has made material assumptions regarding, among other things: (i) that the general business, economic and competitive conditions remain favourable; (ii) that our intellectual property rights are adequately protected; (iii) our ability to obtain the materials necessary for the production of our products; (iv) our ability to market products successfully to our customers; (v) that we will continue to face no direct competition; (vi) changes in demand for and prices of our products or the materials required to produce those products; (vii) labour and material costs remaining consistent with our current expectations; and (viii) that we do not and will not infringe third party intellectual property rights. Some of our assumptions are based upon internal estimates and analyses of current market conditions and trends, management plans and strategies, economic conditions and other factors and are necessarily subject to risks and uncertainties inherent in projecting future conditions and results.

Some of the risks that could affect the Company's future results and could cause those results to differ materially from those expressed in the forward-looking information include: (i) an inability to protect, defend, enforce or use our intellectual property and/or infringement of third-party intellectual property; (ii) our dependence on certain customers and changes in customer demand; (iii) the availability and price of natural feedstocks used by us in the production of our products; (iv) the inability to effectively expand our production facilities; (v) variations in our financial results; (vi) increase in industry competition; (vii) the risk of volatility in global financial conditions, as well as significant decline in general economic conditions; (viii) our ability to effectively commercially market and sell our products; (ix) our ability to protect our know-how and trade secrets; (x) company growth and the impact of significant operating and capital cost increases; (xi) changes in the current political and regulatory environment in which we operate; (xii) the inability to retain key personnel; (xiii) changes to regulatory requirements, both regionally and internationally, governing development, production, exports, taxes, labour standards, waste disposal, and use, environmental protection, project safety and other matters; (xiv) enforcement of intellectual property rights; (xv) a significant decrease in the market price of petroleum; (xvi) a shortage of supplies, equipment and parts; (xvii) the inability to secure additional government grants; (xviii) a deterioration in our cash balances or liquidity; (xix) the inability to obtain equity or debt financing; (xx) the ability to acquire intellectual property; (xxi) the risk of litigation; (xxii) changes in government regulations and policies relating to our business; (xxiii) losses from hedging activities and changes in hedging strategy; (xxiv) insufficient insurance coverage; (xxv) the inability to expand technology; (xxvi) the impact of issuance of additional equity securities on the trading price of the Common Shares; (xxvii) the impact of ethical, legal and social concerns relating to genetically modified organisms and the food versus fuel debate; (xxviii) the risk of business interruptions; (xxix) lack of a public market; (xxx) fluctuations in the market price of the Common Shares; (xxxi) our intent to retain earnings; (xxxii) the costs of being a reporting issuer; (xxxiii) the company is a holding company; (xxxiv) tax risks; (xxxv) the impact of changes in interest rates; (xxxvi) the impact of changes in foreign currency exchange; and (xxxvii) credit risk. There may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. These factors are not intended to represent a complete list of the risk factors that could affect us. Risk factors should be considered carefully and prospective investors should not place undue reliance on forward-looking information.

Should one or more of these risks or uncertainties materialize, or should assumptions underlying those forward-looking statements prove incorrect, actual results may vary materially from those anticipated in such forward-looking statements.

Although the forward-looking statements contained herein are based upon what the Company believes to be reasonable assumptions, the Company cannot assure that actual results will be consistent with these forward-looking statements. Accordingly, readers should not place undue reliance on forward-looking statements.

2017 HIGHLIGHTS

TOPLINE GROWTH IN PAPER & WOOD COMPOSITES

IMPROVEMENT IN BOTTOM LINE PERFORMANCE

3 NEW CUSTOMER WINS IN PAPER/PAPERBOARD PACKAGING

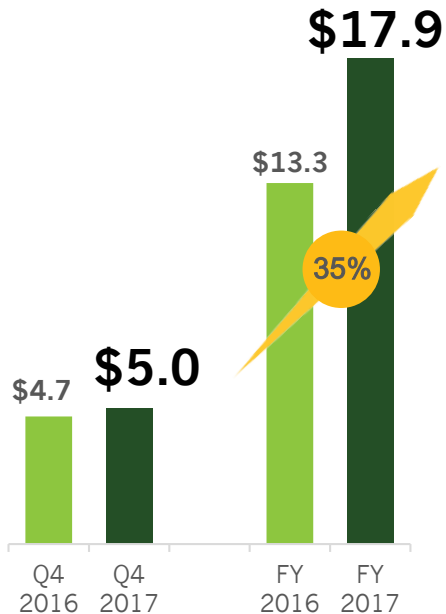
GROWING AWARENESS OF THE IMPACT OF FORMALDEHYDE

**FOCUSED ON CONVERTING PROSPECTS IN TRIALS
TO COMMERCIAL ACCOUNTS**

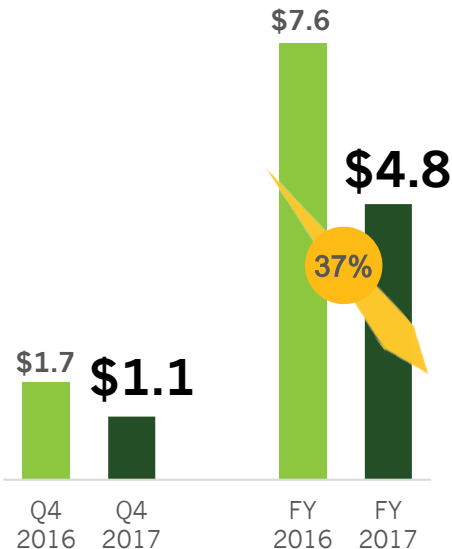
IMPROVEMENT IN BOTTOM LINE DRIVEN BY SALES GROWTH AND COST STRUCTURE

(USD millions)

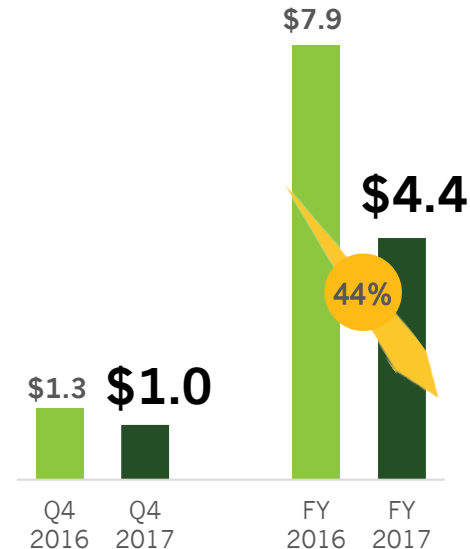
Net Sales



Adj EBITDA loss



Cash used in operating activities



CLEAR RETURN TO A GROWTH PLATFORM

FOCUSED APPROACH: 2017 OBJECTIVES



RETURN TO GROWTH



PATH TO PROFITABILITY



ACCELERATE WOOD COMPOSITE CONVERSIONS



PROFITABILITY IN PAPER

**HIGHEST PRIORITY:
CONVERTING PROSPECTS TO COMMERCIAL ACCOUNTS**



IKEA has the intention to convert presently used adhesives systems from fossil based to bio based systems

IKEA will continuously reduce the emission levels for formaldehyde solutions to improve that our products are safe to use by our customers

Source: Composite Panel Association, @the edge, Recap of 2017 International Conference on Wood Adhesives



Walmart aims to reduce its consumables chemical footprint...(at) U.S. stores by 10% by 2022, becoming the first U.S. retailer to set a time bound reduction goal

Formaldehyde included on list of high priority chemicals

Source: Walmart release, Walmart Strengthens Sustainable Chemistry Commitment, Reports Progress in Safer Product Formulation, Sep 27, 2017



With more than one million different products available in our stores and online, as well as thousands of suppliers across the planet, we are passionate about our opportunities to encourage our suppliers to reduce negative environmental product impacts.

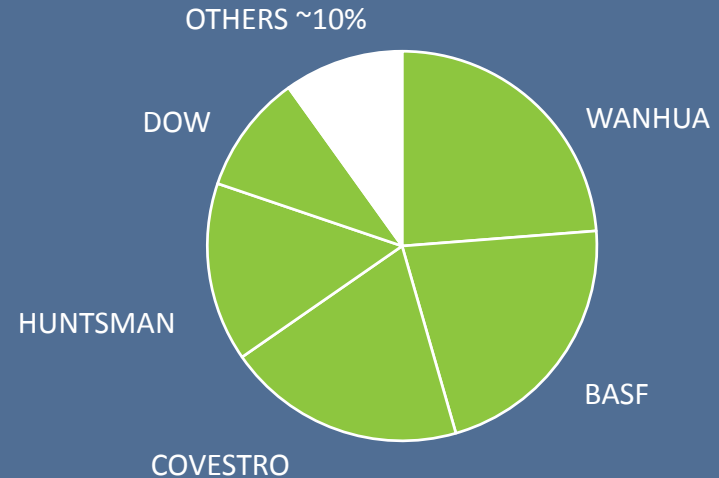
The influence may be subtle at times: minor changes in a manufacturing process, a tweak in an ingredient list or a more pronounced change like converting gas-powered lawn mower to a lithium-ion battery-powered mower. And instead of focusing on buying green products, we also work to green the products we buy.

Source: Ron Jarvis, VP, Environmental Innovation: 2017 Sustainability Report

DURABIND: A CO-BINDER REPLACING FORMALDEHYDE BINDERS

+ DURABIND
MDI **=** NAF
SOLUTION

MDI: A HIGHLY CONCENTRATED MARKET
\$22B Global MDI Market (including ~\$1B wood composites resin)
MDI MARKET SHARE (%)



Source: Covestro investor presentation – June 2017

MDI MANUFACTURERS SEARCHING FOR NEW ADDRESSABLE MARKETS

GLOBAL pMDI – RECENT SOFTENING

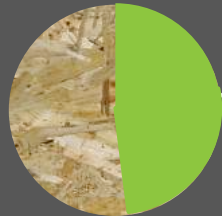
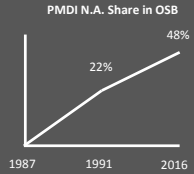


MASSIVE MARKET POTENTIAL FOR A NO ADDED FORMALDEHYDE LEADER

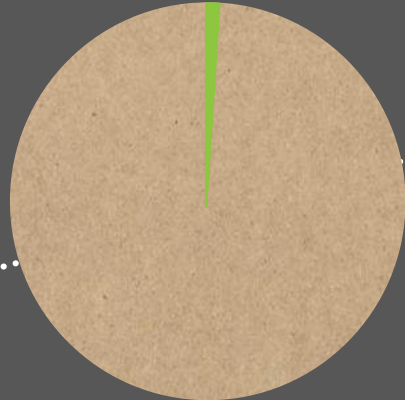


\$15 B

Global Wood Resin Market



Oriented Strand Board



Medium Density Fiberboard



Particle Board

VALUE PROPOSITION STRONGEST TODAY WITH MANUFACTURERS ALREADY USING pMDI

A photograph of an industrial facility, likely a wood processing plant, with a large pile of wood chips in the foreground. The image is overlaid with a semi-transparent green filter. The text is white and positioned on the left side of the image.

#1 PRIORITY

**CONVERTING
EXISTING
PROSPECTS**

ECOSPHERE®: MATERIAL PROGRESS IN 2017

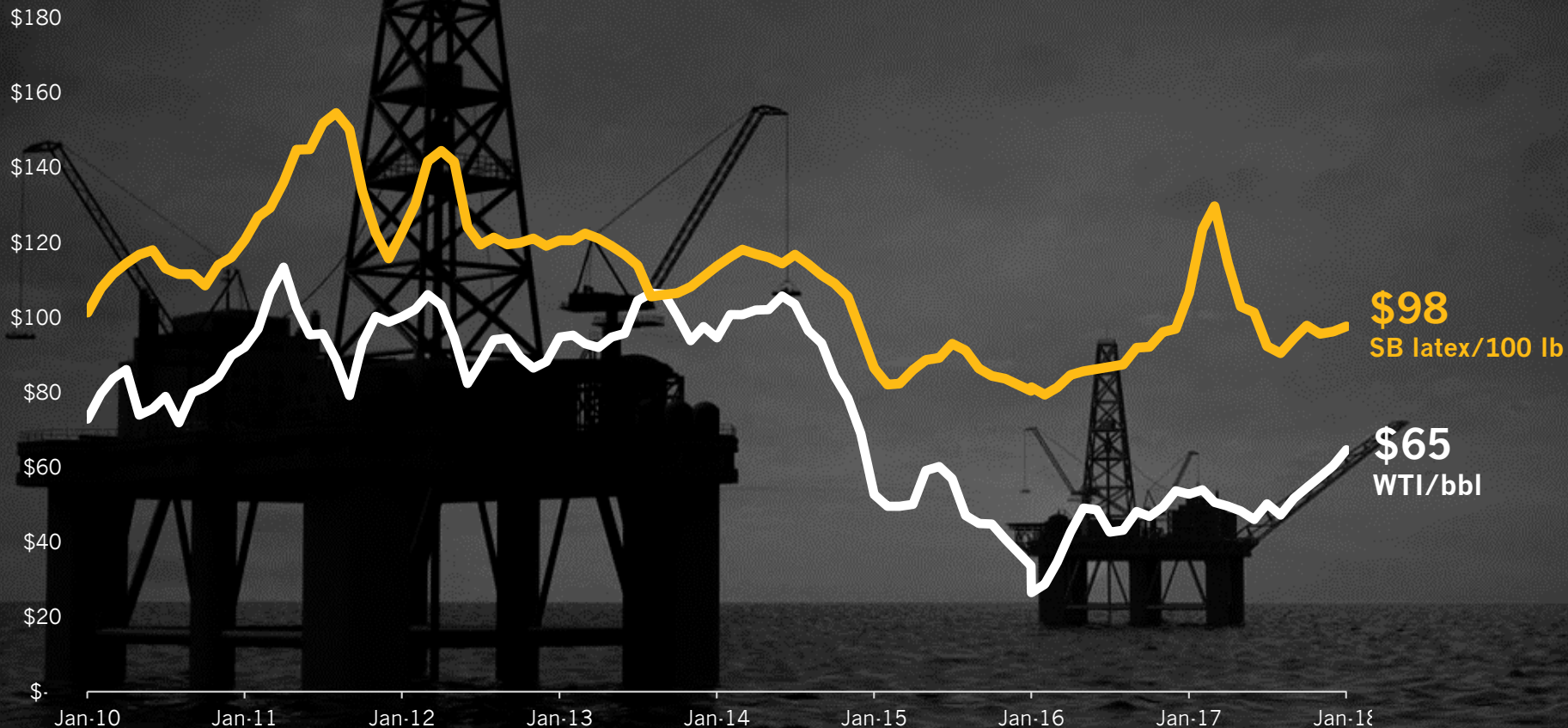


FOCUSED ON THE RIGHT ACCOUNTS

Current opportunities include:
Expansion with existing accounts
New prospects

INCREMENTAL GROWTH IN PAPER & PAPERBOARD AVAILABLE

SB LATEX PRICING DYNAMICS



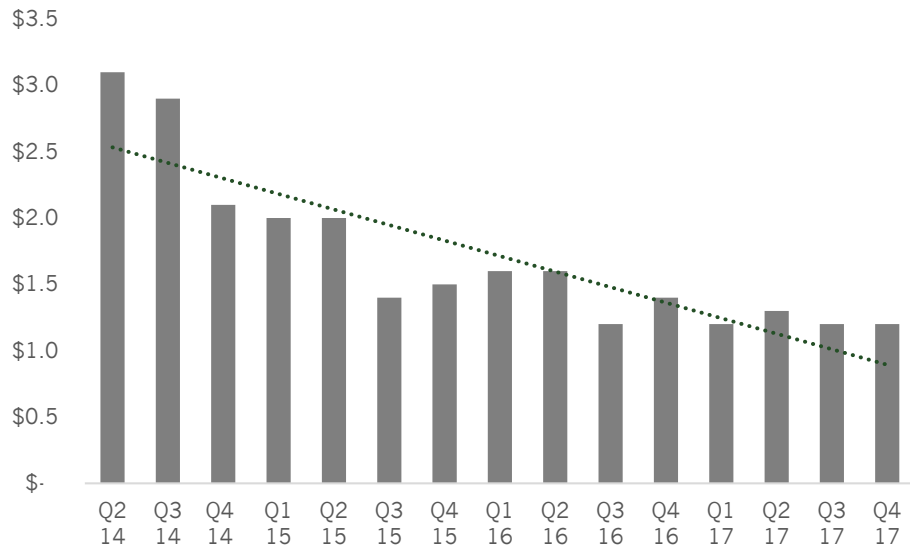
FINANCIALS

<i>USD millions (except gross margin)</i>	Q4 2017	Q4 2016	FY 2017	FY 2016
Net Sales	\$5.0	\$4.7	\$17.9	\$13.3
Gross Profit	\$0.84	\$0.85	\$3.7	\$2.2
Gross Margin	16.7%	18.2%	20.5%	16.6%
Gross Margin adjusted for manufacturing depreciation	22.1%	22.6%	25.1%	22.3%
Adjusted EBITDA (loss)	\$(1.1)	\$(1.7)	\$(4.8)	\$(7.6)

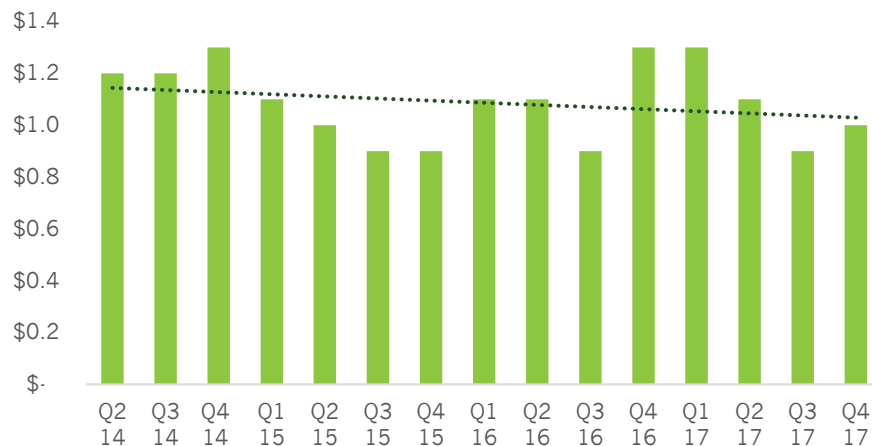
US\$49.3 MILLION IN CASH AND TERM DEPOSITS (12/31/17)

OPERATING COST

Selling, General & Administrative (USD, millions)



Research & Development (USD, millions)

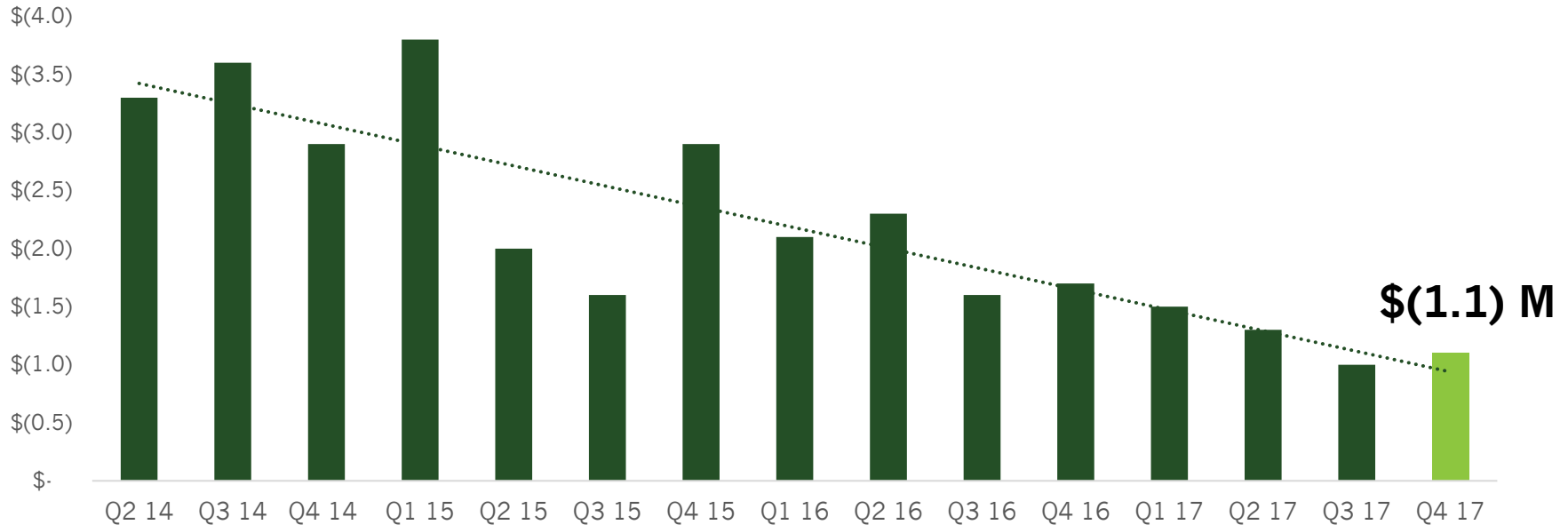


SG&A expenses and R&D expenses excludes share-based compensation, depreciation, provision for termination benefits and foreign exchange gains and losses.

STRICT FINANCIAL DISCIPLINE WITH TARGETED INVESTMENT IN HIGH GROWTH AREAS

IMPROVED RESULTS REFLECTED IN PATTERN OF REDUCED ADJ EBITDA LOSS

Adj EBITDA loss



TARGETING POSITIVE CASH FLOW IN NEAR TERM

OUTLOOK

**ACCELERATE CONVERSION IN
WOOD COMPOSITES**

**ACHIEVE PROFITABILITY
IN NEAR TERM**

**MAINTAIN GROWTH IN PAPER &
PAPERBOARD PACKAGING**

ENGAGED
WITH THE **RIGHT**
MANUFACTURERS IN
BOTH MARKETS

NAF SOLUTIONS: MARKET IS MOVING TO US



EcoSynthetix Inc.

Question & Answer