



# ECOSYNTHETIX INC

Jeff MacDonald | CEO

Rob Haire | CFO

2023 Q1 Earnings Results

May 4, 2023

# FORWARD LOOKING STATEMENTS

Certain statements contained in this presentation 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, and requirements for additional capital, production costs, future demand for latex-based products, business prospects and opportunities, our ability to successfully commercialize our products, expectations as to the amount of reduction that the Company's products may have on a manufacturer's carbon footprint. 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. The forward-looking statements in this document include, but are not limited to, statements regarding the Company's expected product pipeline, plans to expand the Company's business into new markets, the Company's ability to achieve organizational efficiencies, and other statements regarding the Company's plans and expectations in 2023. Such statements reflect our 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 us, are inherently subject to significant business, economic, competitive, political and social uncertainties and contingencies. Those assumptions and risks include, but are not limited to, the Company's ability to successfully allocate capital as needed and to develop new products, as well as the fact that our results of operations and business outlook are subject to significant risk, volatility, and uncertainty. 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.

We have made material assumptions regarding, among other things: that our intellectual property rights are adequately protected; our ability to obtain the materials or services necessary for the production of our products; our ability to convert prospects from the industrial trial phase into full commercial customers; our ability to market products successfully to our customers; that we will continue to possess unique intellectual property rights; changes in demand for and prices of our products or the materials required to produce those products; labour and material costs remaining consistent with our current expectations; the price and availability of substitute or competitive products; and that we do not and will not infringe third party intellectual property rights. Some of our assumptions are based upon internal estimates and analysis 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 our future results and could cause those results to differ materially from those expressed in the forward-looking information include, among other things: the impact of the novel coronavirus (COVID-19 and its variants) pandemic on our business; an inability to protect, defend, enforce or use our intellectual property and/or infringement of third-party intellectual property; dependence on certain customers and changes in customer demand; the availability and price of natural feedstock's used in the production of our products; the inability to effectively expand our production facilities; variations in our financial results; increase in industry competition; the risk of volatility in global financial conditions, as well as significant decline in general economic conditions; our ability to effectively commercially market and sell our products; our ability to protect our know-how

and trade secrets; Company growth and the impact of significant operating and capital cost increases; changes in the current political and regulatory environment in which we operate; the inability to retain key personnel; 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; enforcement of intellectual property rights; a significant decrease in the market price of petroleum related feedstocks; a shortage of supplies, equipment and parts; the inability to secure additional government grants; a deterioration in our cash balances or liquidity; the inability to obtain equity or debt financing; the ability to acquire intellectual property; the risk of litigation; changes in government regulations and policies relating to our business; losses from hedging activities and changes in hedging strategy; insufficient insurance coverage; the impact of issuance of additional equity securities on the trading price of the common shares; the impact of ethical, legal and social concerns relating to genetically modified organisms and the food versus fuel debate; the risk of business interruptions; the impact of changes in interest rates; the impact of changes in foreign currency exchange; and credit risk, as well as the factors identified in the "Risk Factors" section of the Company's Annual Information Form dated February 28, 2023. Such factors are not intended to represent a complete list of the factors that could affect us. These factors should be considered carefully, and prospective investors should not place undue reliance on forward-looking information.

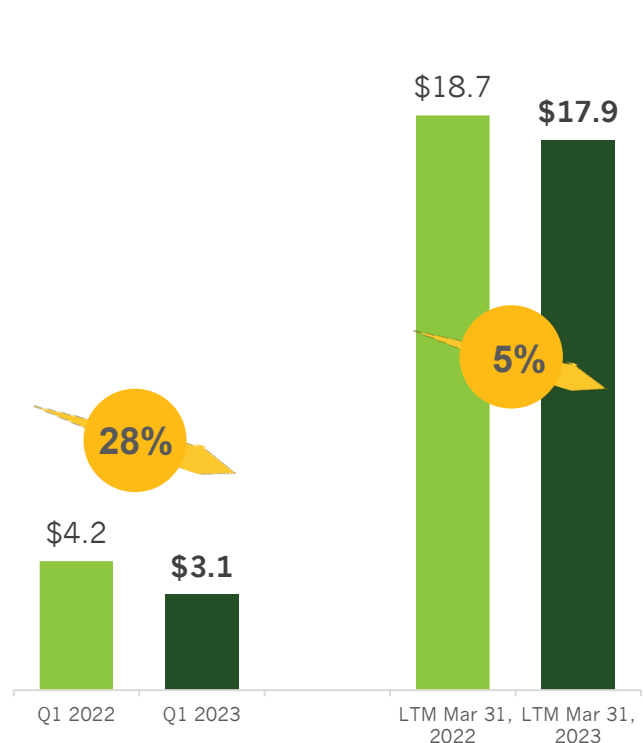
## **IFRS and Non-IFRS Measures**

This presentation makes reference to certain non-IFRS measures. These non-IFRS measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing a further understanding of results of operations of the Company from management's perspective. Accordingly, they should not be considered in isolation or as a substitute for analysis of the financial information of the Company reported under IFRS. We use non-IFRS measures such as Adjusted EBITDA to provide investors with a supplemental measure of operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS financial measures. We also believe that securities analysts, investors, and other interested parties frequently use non-IFRS measures in the evaluation of issuers. Our management also uses non-IFRS measures in order to facilitate operating performance comparisons from period to period, prepare annual operating budgets and assess its ability to meet its capital expenditure and working capital requirements. Adjusted EBITDA as presented herein is not a recognized measure under IFRS and should not be considered as an alternative to operating income or net income as measures of operating results or an alternative to cash flows as measures of liquidity. Adjusted EBITDA is defined as consolidated net income (loss) before interest, income taxes, depreciation, amortization, impairment loss on property, plant and equipment (PP&E), accretion, and other non-cash expenses deducted in determining consolidated net income (loss).

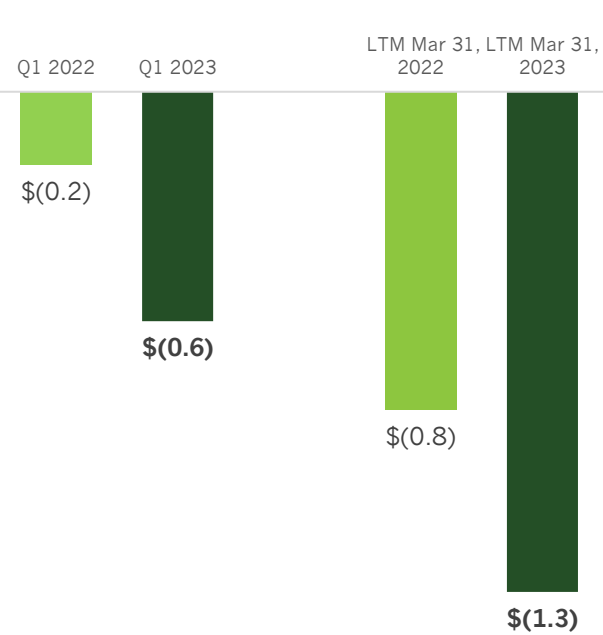
# STEPDOWN IN DEMAND ACROSS MANY OF OUR END MARKETS

(USD millions)

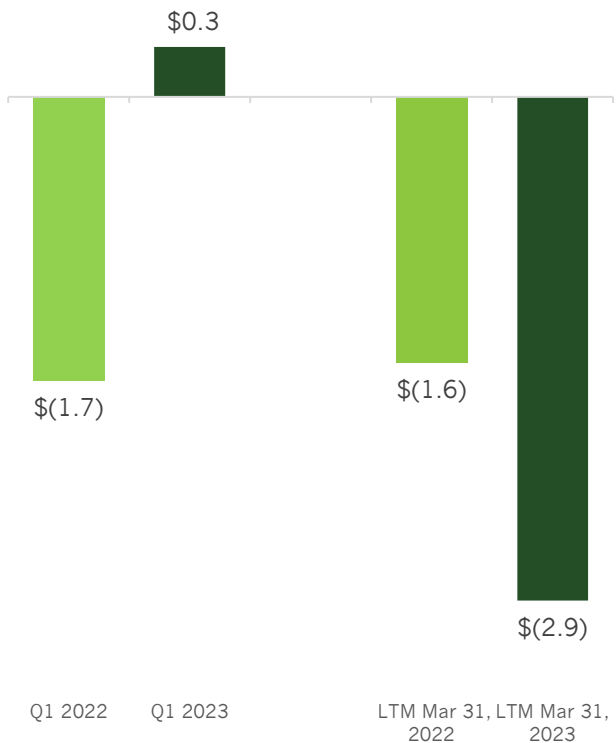
Net Sales



Adj EBITDA (loss)



Cash provided by (used in) operating activities

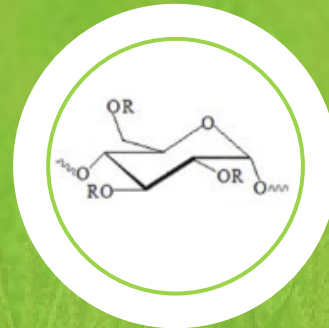


**SIGNIFICANT IMPROVEMENT IN CASH FLOW AS WORKING CAPITAL UNWINDS**

# TOTAL ADDRESSABLE MARKETS today's potential:



ONE PLATFORM —  
THREE PRODUCTS



Urea formaldehyde

**\$15B**

wood resin market



SB/SA Latex  
& Strength Aids

**\$1B+**

pulp, paper, tissue and  
paperboard markets



Polyvinylpyrrolidone

**\$460M**

hair fixative binder market

# ENGAGED WITH THE RIGHT PARTNERS



LEADING GLOBAL  
MANUFACTURER/  
RETAILER

LEADING  
GLOBAL TISSUE /  
PAPERBOARD  
MANUFACTURERS

\$100M  
SALES



**A** TODAY: COMMERCIAL WITH  
MARKET LEADERS IN EACH VERTICAL

**B** NEW WOOD COMPOSITES  
& TISSUE / PAPERBOARD LINES

**C** MULTIPLE NEW  
LINES IN WOOD  
COMPOSITES AND  
TISSUE / PAPERBOARD  
AND EARLY PERSONAL  
CARE WINS

**D** PERSONAL CARE  
MOMENTUM

**E** NEW WOOD  
COMPOSITES  
MANUFACTURERS  
WITHIN RETAILER'S  
SUPPLY CHAIN

## A MULTIPLE SHOTS ON GOAL STRATEGY

- 1) EXPANDING VOLUMES WITH EXISTING ACCOUNTS
- 2) WINNING NEW ACCOUNTS
- 3) EXPANDING MARGINS WITH DIVERSIFICATION



Going forward, we have set clear directions for the materials used within the IKEA business. These **enable us to identify the critical movements in material choice** for our existing range and new product development, as well as the material innovation and development needed.

**Some main movements include bio-based glues for our wood-based products...**

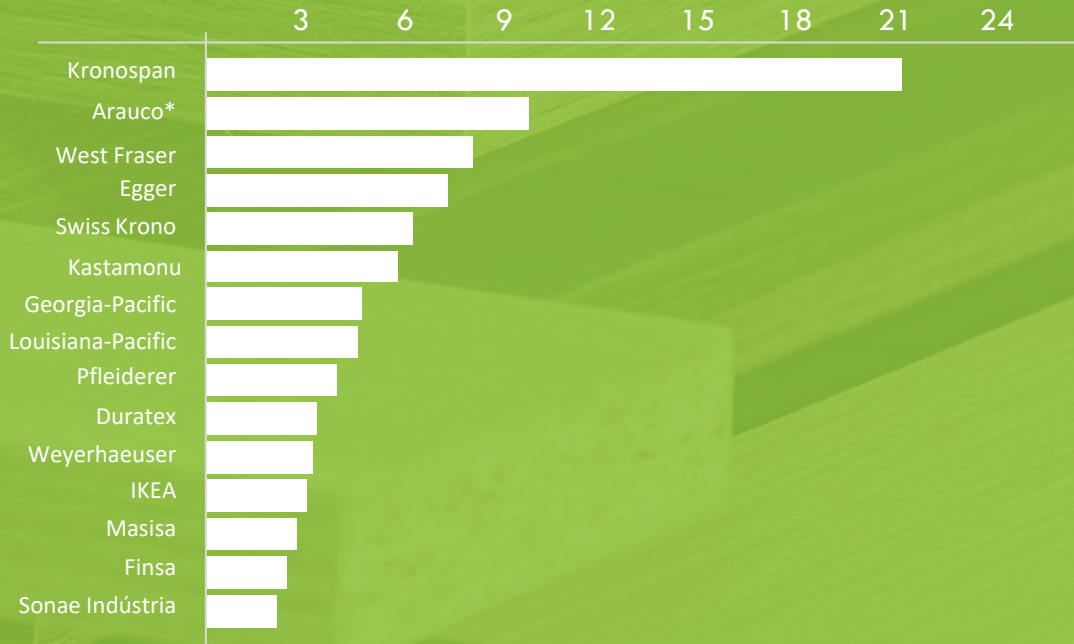
We use a significant amount of glue for many wood-based materials to hold wood components or fibres together. **The glue used represents ~5% of the total IKEA climate footprint. Moving towards glues from renewable sources is a key enabler to achieving our overall climate goal.** So far, we've mapped the existing and future alternatives in terms of performance, cost and climate footprint. **One bio-based system for particleboard is being prepared for implementation in the spring of FY23...**



# DURABIND: PERFORMANCE FOR MASS ADOPTION

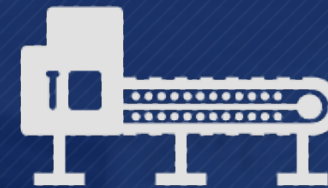
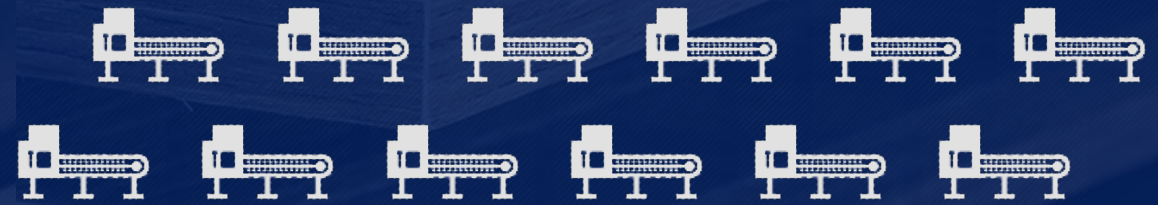
## TOP 15 GLOBAL WOOD-BASED PANEL MANUFACTURERS

(Based on production capacity<sup>1</sup> (million m<sup>3</sup>))



# 1,000+

serviceable addressable  
wood-panel lines globally



# \$0.5M to \$3.0M+

annual revenue opportunity per line

1) Source: Arauco, including Hawkins Wright, public company filings and management estimates

\* Arauco capacity includes 50% of Montes del Plato, Sonae Arauco and MAPA

## GRAPHIC PAPER UPDATE

**ESTABLISHED  
RELATIONSHIPS WITH  
KEY ACCOUNTS FOR  
SURFLOCK**

Macro demand dynamics continue to deteriorate:

- 28% decrease in demand in Q1 YoY
- 76% operating rates in Mar '23 vs. 97% in Sep '22

SB Latex below historical levels

EcoSynthetix holding higher cost feedstock from '22 meant to ensure availability of product to key accounts

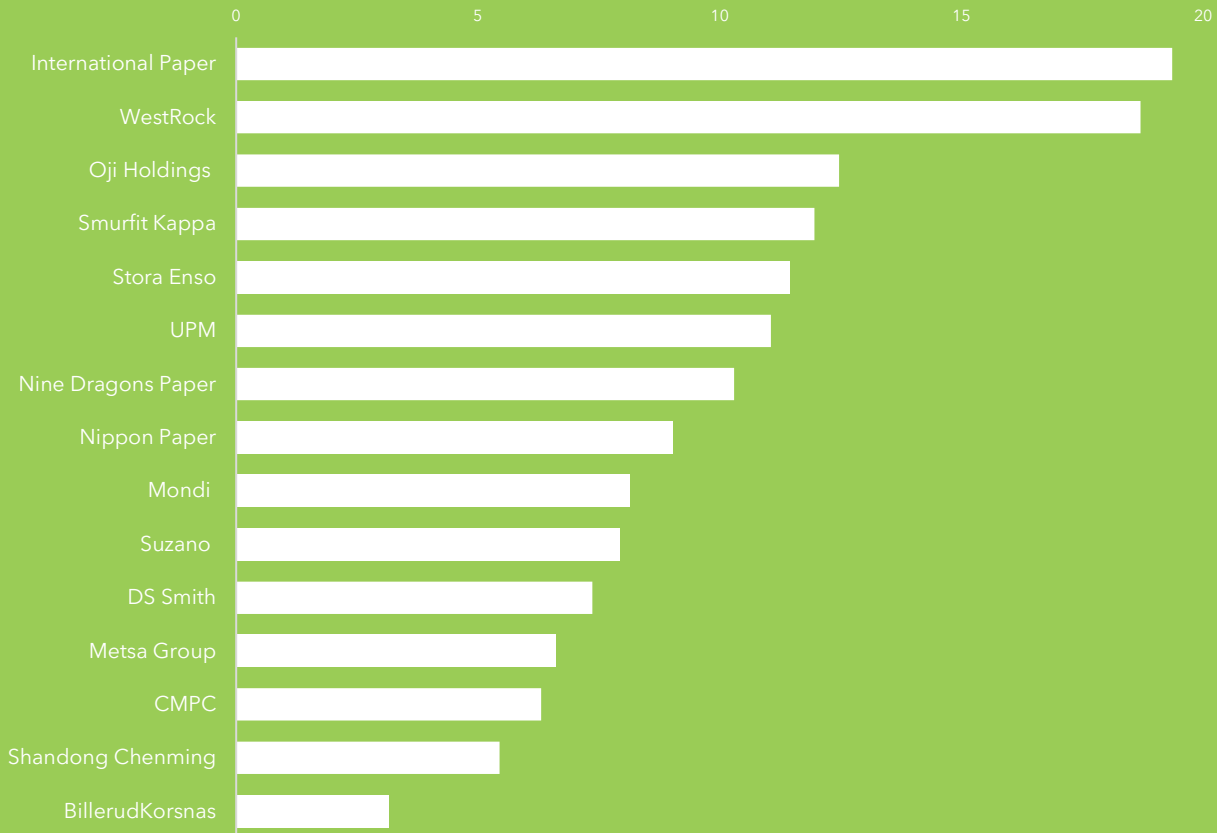


# SB LATEX PRICING MOVING LOWER WITH OIL



# TOP 15 GLOBAL FORESTRY & PAPER COMPANIES

(Based on revenue (USD billions))



Source: Statista – Global leading forestry and paper companies

# 6

**Commercial**  
accounts within leading  
**forestry & paper**  
companies

# \$1B+

**SB/SA Latex & Strength Aids**  
market for pulp, paper,  
tissue and paperboard verticals

## PROGRESS ON PERSONAL CARE

**EXPANDING OPPORTUNITY  
SET BEYOND \$460M  
HAIR FIXATIVE MARKET**



Dow announced partnership with EcoSynthetix in June 2022

Dow continues to invest resources in go-to-market, new product launches and product development

Dow introduced new formulations of MaizeCare at in-cosmetics Global 2023 industry conference (Apr '23)

Attributes of our all-natural film former technology highly attractive in personal care space

# Q1 FINANCIAL SUMMARY

<i>USD millions (except gross margin)</i>	Q1 2023	Q1 2022
Net Sales	\$3.1	\$4.2
Gross Profit	\$0.6	\$1.1
Gross Margin	20.1%	25.5%
Gross Margin adjusted for manufacturing depreciation	32.6%	28.9%
Adjusted EBITDA <sup>1</sup> (loss)	\$(0.6)	\$(0.2)

**US\$35.6 MILLION IN CASH AND SHORT-TERM INVESTMENTS** (03/31/23)

1) Adjusted EBITDA is defined as consolidated net income (loss) before interest, income taxes, depreciation, amortization and other non-cash charges deducted in determining consolidated net income (loss).

RETAILERS  
PULLING SUPPLY CHAIN  
TOWARD GREEN INGREDIENTS



GREAT  
PARTNERS  
ENGAGED



MULTIPLE  
SHOTS ON GOAL  
TO SUPPORT COMMERCIAL  
SUCCESS



**FOCUS:**

- 1) NEAR-TERM WINS IN GROWTH MARKETS**
- 2) SUSTAINABLE, PROFITABLE GROWTH**



## QUESTIONS & ANSWERS