



MONTAUK
RENEWABLES

Investor Presentation

FULL YEAR 2022 RESULTS

MARCH 16, 2023

Cautionary Statement Regarding Forward-Looking and non-GAAP Financial Information

This presentation contains “forward-looking statements” within the meaning of U.S. federal securities laws. Such statements include, among others, those we make relating to our estimated and projected financial condition, results of operations, costs and expenditures and objectives for future operations, growth, initiatives and strategies. They also include those regarding future production volumes and revenues, strategic growth opportunities, the expected benefits of the Pico feedstock amendment and the Montauk Ag project in North Carolina, the anticipated completion of the Raeger capital improvement project and Second Apex RNG Facility and the resolution of gas collection issues at the McCarty facility.

Forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those that we expect, and you should therefore not unduly rely on such statements. The risks and uncertainties that could cause results to differ include: our ability to develop and operate new renewable energy projects, including with livestock farms, and related challenges associated with new projects, such as identifying suitable locations and potential delays in acquisition financing, construction, and development; reduction or elimination of government economic incentives to the renewable energy market; the inability to complete strategic development opportunities; deterioration in general economic conditions outside our control including the impacts of supply chain disruptions, inflationary cost increases, recession and other macroeconomic factors; continued inflation resulting in increased operating costs or construction costs of our existing or new projects; rising interest rates resulting in increased borrowing costs of future indebtedness; the potential failure to retain and attract qualified personnel or a possible increased reliance on third-party contractors as a result; the length of development and optimization cycles for new projects, including the design and construction processes for our renewable energy projects; dependence on third parties for the manufacture of products and services and our landfill operations; the quantity, quality and consistency of our feedstock volumes from both landfill and livestock farm operations; reliance on interconnections with and access to electric utility distribution and transmission facilities and gas transportation pipelines for our Renewable Natural Gas and Renewable Electricity Generation segments; our projects not producing expected levels of output; the anticipated benefits of the Raeger capital improvement project, Pico feedstock amendment, Second Apex RNG facility and the Montauk Ag project in North Carolina; potential benefits associated with the combustion-based oxygen removal condensate neutralization technology; resolution of gas collection issues at the McCarty facility; concentration of revenues from a small number of customers and projects; our outstanding indebtedness and restrictions under our credit facility; our ability to extend our fuel supply agreements prior to expiration; our ability to meet milestone requirements under our power purchase agreements; existing regulations and changes to regulations and policies that effect our operations; expected benefits from the extension of the Production Tax Credit under the Inflation Reduction Act of 2022; decline in public acceptance and support of renewable energy development and projects; our expectations regarding Environmental Attribute volume requirements and prices and commodity prices; our expectations regarding the period during which we qualify as an emerging growth company under the Jumpstart Our Business Startups Act (“JOBS Act”); our expectations regarding future capital expenditures, including for the maintenance of facilities; our expectations regarding the use of net operating losses before expiration; our expectations regarding more attractive carbon intensity scores by regulatory agencies for our livestock farm projects; market volatility and fluctuations in commodity prices and the market prices of Environmental Attributes and the impact of any related hedging activity; regulatory changes in federal, state and international environmental attribute programs and the need to obtain and maintain regulatory permits, approvals, and consents; profitability of our planned livestock farm projects; sustained demand for renewable energy; security threats, including cyber-security attacks; potential liabilities from contamination and environmental conditions; potential exposure to costs and liabilities due to extensive environmental, health and safety laws; impacts of climate change, changing weather patterns and conditions, and natural disasters; failure of our information technology and data security systems; increased competition in our markets; continuing to keep up with technology innovations; and concentrated stock ownership by a few stockholders and related control over the outcome of all matters subject to a stockholder vote.

We provide greater detail regarding risks and uncertainties that could potentially impact forward-looking statements in the sections entitled “Cautionary Note Regarding Forward-Looking Statements” and “Risk Factors” in our 2022 Form 10-K and our subsequent 2023 Form 10-Qs and other SEC filings. You should evaluate all forward-looking statements made by us in the context of these risks and uncertainties. The forward-looking statements included in this presentation are made only as of the date hereof and we undertake no obligation to publicly update or revise any forward-looking statement except as required by law.

This presentation contains non-GAAP financial measures such as EBITDA and Adjusted EBITDA. Reconciliations of non-GAAP financial measures to the most directly comparable GAAP financial measures may be found in this presentation (including the appendix) or our SEC filings. We present non-GAAP financial measures because we believe they assist investors in analyzing our performance across reporting periods on a consistent basis by excluding items that we do not believe are indicative of our core operating performance. In addition, EBITDA and Adjusted EBITDA are financial performance measurements that management and our board of directors use in their financial and operational decision-making and in the determination of certain compensation programs. Non-GAAP financial measures supplement our results as reported in accordance with GAAP and should not be considered in isolation from, as a substitute for, GAAP financial measures such as net (loss) income, cash flows from operating activities or as a measure of our liquidity or profitability.

Financial Performance

Income Statement

(in thousands except per share values):

	For the year ended December 31,		
	2022	2021	2020
Total operating revenues	\$ 205,559	\$ 148,127	\$100,383
Operating expenses:			
Operating and maintenance expenses	\$ 57,267	\$ 49,477	\$ 43,463
General and administrative expenses	34,139	42,552	16,594
Royalties, transportation, gathering and production fuel	44,163	28,683	18,284
Depreciation and amortization	20,700	22,869	22,117
Gain on insurance proceeds	(313)	(332)	(3,934)
Impairment loss	4,852	1,191	278
Transaction costs	185	352	—
Total operating expenses	\$ 160,993	\$ 144,792	\$ 96,802
Operating profit	\$ 44,566	\$ 3,335	\$ 3,581
Other expenses (income):			
Interest expense	\$ 1,792	\$ 2,928	\$ 4,339
Loss on extinguishment of debt	—	154	—
Other (income) expense	(468)	620	635
Total other expenses	\$ 1,324	\$ 3,702	\$ 4,974
Income (loss) before income taxes	\$ 43,242	\$ (367)	\$ (1,393)
Income tax expense (benefit)	8,048	4,161	(5,996)
Net income (loss)	\$ 35,194	\$ (4,528)	\$ 4,603
Earnings (loss) per share:			
Basic	\$ 0.25	\$ (0.03)	
Diluted	\$ 0.25	\$ (0.03)	
Weighted-average common shares outstanding			
Basic	141,238,851	141,015,213	
Diluted	142,579,389	141,015,213	

Operational Results – Year Ended December 31, 2022

(in thousands, unless otherwise indicated)

All comparisons are between the year ended December 31, 2022 and the year ended December 31, 2021, unless otherwise indicated

Renewable Natural Gas (“RNG”) Metrics

- 166 MMBtu decreased production

RIN Metrics

- 1,219 increase in volumes sold
- \$1.34 increase in averaged realized price per RIN

Renewable Electricity Generation (“REG”) Metrics

- 7 MWh increased production

Operating and Maintenance Expenses

- \$5,615 increased RNG operating expenses
- \$2,660 increased REG operating expenses

General and administrative expenses

- \$8,413 decrease
- \$10,643 decrease due to employee related costs, including stock-based compensation, offset by increased expense from Montauk Ag Renewables

Operational Performance

Operating Metrics

(in thousands, unless otherwise indicated)

	For the year ended December 31,		Change	Change %
	2022	2021		
Revenues				
Renewable Natural Gas Total Revenues	\$196,218	\$131,803	\$64,415	48.9%
Renewable Electricity Generation Total Revenues	\$ 17,170	\$ 15,449	\$ 1,721	11.1%
RNG Metrics				
CY RNG production volumes (MMBtu)	5,522	5,688	(166)	(2.9)%
Less: Current period RNG volumes under fixed/floor-price contracts	(1,278)	(1,596)	318	(19.9)%
Plus: Prior period RNG volumes dispensed in current period	372	353	19	5.4%
Less: Current period RNG production volumes not dispensed	(378)	(372)	(6)	1.6%
Total RNG volumes available for RIN generation(1)	4,238	4,073	165	4.1%
RIN Metrics				
Current RIN generation (x 11.727)(2)	49,697	47,758	1,939	4.1%
Less: Counterparty share (RINs)	(5,275)	(5,124)	(151)	2.9%
Plus: Prior period RINs carried into CY	140	110	30	27.3%
Less: CY RINs carried into next CY	(739)	(140)	(599)	427.9%
Total RINs available for sale(3)	43,823	42,604	1,219	2.9%
Less: RINs sold	(43,823)	(42,604)	(1,219)	2.9%
RIN Inventory	—	—	—	—
RNG Inventory (volumes not dispensed for RINs)(4)	368	372	(4)	(1.1)%
Average Realized RIN price	\$ 3.25	\$ 1.91	\$ 1.34	70.2%
Operating Expenses				
Renewable Natural Gas Operating Expenses	\$ 86,068	\$ 65,046	\$21,022	32.3%
Operating Expenses per MMBtu (actual)	\$ 15.59	\$ 11.44	\$ 4.15	36.3%
Renewable Electricity Generation Operating Expenses	\$ 14,910	\$ 12,177	\$ 2,733	22.4%
\$/MWh (actual)	\$ 78.47	\$ 66.56	\$ 11.91	17.9%
Other Metrics				
Renewable Electricity Generation Volumes Produced (MWh)	190	183	7	3.8%
Average Realized Price \$/MWh (actual)	\$ 90.37	\$ 84.45	\$ 5.92	7.0%

- (1) RINs are generated in the month that the gas dispensed to generate RINs, which occurs the month after the gas is produced. Volumes under fixed/floor-price arrangements generate RINs which we do not self-market.
- (2) One MMBtu of RNG has the same energy content as 11.727 gallons of ethanol, and thus may generate 11.727 RINs under the RFS program.
- (3) Represents RINs available to be self-marketed by us during the reporting period.
- (4) Represents gas production which has not been dispensed to generate RINs.

Financial Performance

Balance Sheet

(in thousands, except share data):

	As of December 31,	
	2022	2021
ASSETS		
Current assets:		
Cash and cash equivalents	\$105,177	\$ 53,266
Accounts and other receivables	7,222	9,338
Related party receivable	9,000	8,940
Current portion of derivative instruments	879	—
Prepaid expenses and other current assets	2,590	2,846
Assets held for sale	—	777
Total current assets	\$124,868	\$ 75,167
Non-current restricted cash	\$ 407	\$ 328
Property, plant & equipment, net	175,946	180,893
Goodwill and intangible assets, net	15,755	14,113
Deferred tax assets	3,952	10,570
Non-current portion of derivative instruments	936	—
Operating lease right-of-use assets	4,742	305
Finance lease right-of-use assets	96	—
Other assets	5,614	5,104
Total assets	\$332,316	\$286,480
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 4,559	\$ 4,973
Accrued liabilities	15,090	10,823
Income tax payable	402	—
Current portion of derivative instruments	—	650
Current portion of operating lease liability	410	296
Current portion of finance lease liability	71	—
Current portion of long-term debt	7,870	7,815
Total current liabilities	\$ 28,402	\$ 24,557
Long-term debt, less current portion	\$ 63,505	\$ 71,392
Non-current portion of derivative instruments	—	189
Non-current portion of operating lease liability	4,341	27
Non-current portion of finance lease liability	25	—
Asset retirement obligation	5,493	5,301
Other liabilities	3,459	2,721
Total liabilities	\$105,225	\$104,187
Common stock, \$0.01 par value, authorized 690,000,000 shares; 143,682,811 and 143,584,827 shares issued at December 31, 2022 and December 31, 2021, respectively; 141,633,417 and 141,015,213 shares outstanding at December 31, 2022 and December 31, 2021, respectively	\$ 1,416	\$ 1,410
Treasury stock, at cost, 971,306 and 950,214 shares December 31, 2022 and December 31, 2021, respectively	(11,051)	(10,813)
Additional paid-in capital	206,060	196,224
Retained earnings (deficit)	30,666	(4,528)
Total stockholders' equity	227,091	182,293
Total liabilities and stockholders' equity	\$332,316	\$286,480

Cash Flow

(in thousands, unless otherwise indicated)

	Year Ended December 31,	
	2022	2021
Net cash flows provided by operating activities	\$ 81,066	\$ 42,879
Net cash flows used in investing activities	(20,794)	(19,474)
Net cash flows (used in) provided by financing activities	(8,279)	8,649
Net increase in cash and cash equivalents	51,993	32,054
Restricted cash, end of period	429	347
Cash and cash equivalents and restricted, end of period	105,606	53,613

Operating items affecting net income include:

- \$9,836 accounting for stock-based compensation
- \$5,234 adjustments to working capital and other assets and liabilities
- \$4,852 accounting for impairment losses

Investing activities include:

- \$6,860 capital expenditures for Pico Expansion Project
- \$3,555 capital expenditures for Montauk Ag Renewables
- \$1,088 proceeds received from NOx emissions allowance credit sales

Financing activities

- 7 – \$8,000 repayments of term loan

Business Development

Pico Feedstock Amendment (in thousands, unless otherwise indicated)

2022 Highlights

- Completed design of the digestion capacity project and incurred capital expenditures
- Made payments of \$2,500 to dairy for receipt of two of three tranches in increased feedstock deliveries
 - Expect dairy to deliver final feedstock increase during 2024
- CARB certified temporary CI Score Pathway application
- Began releasing gas from storage generating RINs
- CARB will certify provisional CI score pathway after public comment period
- Expect LCFS credit revenue in first half of 2023 on 2022 production

Business Development

Second Apex RNG Facility

2022 Highlights

- Announced planned construction of a second RNG processing facility
- Planned in connection with increased projections of biogas feedstock availability by landfill host
- Expect 2,100 MMBtu per day increase in daily production representing a 40% increase in processing capacity
- Currently expect commercial operations in 2024

Business Development

Montauk Ag Renewables

2022 Highlights

- Magnolia, NC reactor technology relocated to Turkey, NC to centralize processing at one location
- Turkey, NC location has been accepted into the Piedmont Natural Gas Renewable Gas Pilot Program
- Continuing to work with engineer of record to optimize reactor technology
- Signed receipt interconnection agreement with Piedmont Natural Gas for Turkey, NC
- We are also in varying stages of discussions with potential power purchasers

Business Development

Strategic Growth Opportunity Pipeline

Positioned for continued growth, with on-going evaluation of various strategic opportunities:

- Multiple LFG RNG sites in various stages of evaluation
 - Currently contemplates generating renewable electricity to qualify for eRINs
- Exploring wastewater treatment to RNG project opportunities
- Potential costs associated with material acquisition and/or development capital expenditures
- Sufficient capital resources to close on any or all of the currently identified opportunities

We have not entered into any definitive agreements. As we are in various stages of evaluation of strategic opportunities to continue the growth of the Company and while we have entered into nonbinding letters of intent for certain of these opportunities, we can give no assurances that our plans related to these strategic opportunities will progress to definitive agreements. We may not progress on any current strategic opportunity we are evaluating. We believe that our existing cash and cash equivalents, cash generated from operations, and availability under our Amended Credit Agreement will allow us to pursue and close any of these strategic opportunities.

Appendix

Non-GAAP Reconciliation

EBITDA and Adjusted EBITDA

The following table provides our EBITDA and Adjusted EBITDA for the periods presented, as well as a reconciliation to net income:

	Year Ended December 31,	
	2022	2021
Net income (loss)	\$35,194	\$ (4,528)
Depreciation and amortization	20,700	22,869
Interest expense	1,792	2,928
Income tax expense	8,048	4,161
Consolidated EBITDA	65,734	25,430
Impairment loss(1)	4,852	1,191
Net (gain) loss on sale of assets	(233)	822
Transaction costs	185	352
Loss on extinguishment of debt	—	154
Adjusted EBITDA	<u>\$70,538</u>	<u>\$27,949</u>

- (1) For the year ended December 31, 2022, we recorded an impairment of \$2,133 for a REG site wherein the forecast future cash flows did not exceed the carrying value of the site's long lived assets. A second REG site was impaired for \$1,393 due to discrete conclusion that certain assets acquired in the May 2021 Montauk Ag Renewables Acquisition would no longer be utilized. Also in 2022, we recorded an impairment at an RNG facility for approximately \$1,108 due to the specific identification of certain assets no longer being capable of use as designed. For year ended December 31, 2021, we recorded an impairment of \$626 related to a landfill host request to decommission a previously converted RNG site. We were previously contractually obligated to maintain this facility. Additionally, we impaired \$421 related to disposal of machinery at our Rumpke facility.