



# Montauk Renewables, Inc.

Investor Presentation

January 2021

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# Experienced Management Team



## **Sean McClain, Chief Executive Officer & President**

- Over 25 years of business and financial management experience
- Previously at BPL Global Limited, Bayer A.G., Dick's Sporting Goods, Inc and Arthur Andersen LLP
- Certified Public Accountant (Pennsylvania); BS in Accounting and Economics from Saint Vincent College; MBA from Robert Morris University



## **Kevin A. Van Asdalan, Chief Financial Officer**

- Certified Public Accountant and a Chartered Global Management Accountant with over 20 years of business and accounting experience
- Previously at LB Foster Company, PricewaterhouseCoopers LLP, and Sisterson & Co LLP
- MBA from University of Pittsburgh; BS in Accounting from Indiana University of Pennsylvania



## **John Cirolì, Vice President & General Counsel**

- Over 23 years legal experience in employment and labor law, contracts, and energy
- Previously a part time law professor at the Concord Law School of Purdue University Global for 15 years
- JD degree from Capital University; BA from Duquesne University



## **James Shaw, Vice President Operations**

- More than 25 years of operations and facilities management experience including wastewater, utilities production, and site operations
- Previously at Sony Electronics Inc.
- BS in Environmental Engineering Technology from Pennsylvania State University

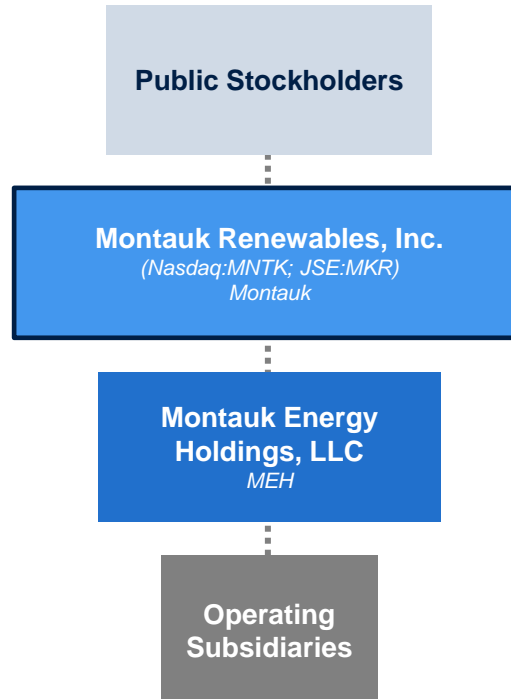


## **Scott Hill, Vice President of Business Development**

- Over 25 years experience in landfill and landfill-to-gas operations and engineering, including contract negotiation, permitting, construction, design, and management
- Previously at Energy Systems Group, Energy Developments Inc., Ecogas Corporation, HDR Engineering, Inc., and the City of Los Angeles
- BS in Agricultural Engineering from Texas A&M University and is a registered Professional Engineer

# Company Overview

- Montauk Renewables, Inc. headquartered in Pittsburgh, PA, is a fully integrated renewable energy company specializing in the management, recovery, and conversion of biogas into renewable energy



# Investment Highlights

## One of the Largest US Producers of RNG

- 30+ years of experience in Renewable Natural Gas (“RNG”) projects
- Current operating portfolio of 12 RNG and three Renewable Electricity projects across six states

## Addressing Huge Global Environmental Issues

- The biogas serves as a beneficial alternative for fossil fuels used in vehicles and power generation
- Capturing environmentally harmful biogas (i.e., methane) reduces greenhouse gases that would otherwise enter the atmosphere

## Substantial Sources of Waste Methane

- Dozens of landfills and livestock manure operations that present opportunities for new project development
- Dozens of existing landfill-to-electricity projects present opportunities for conversion to RNG projects

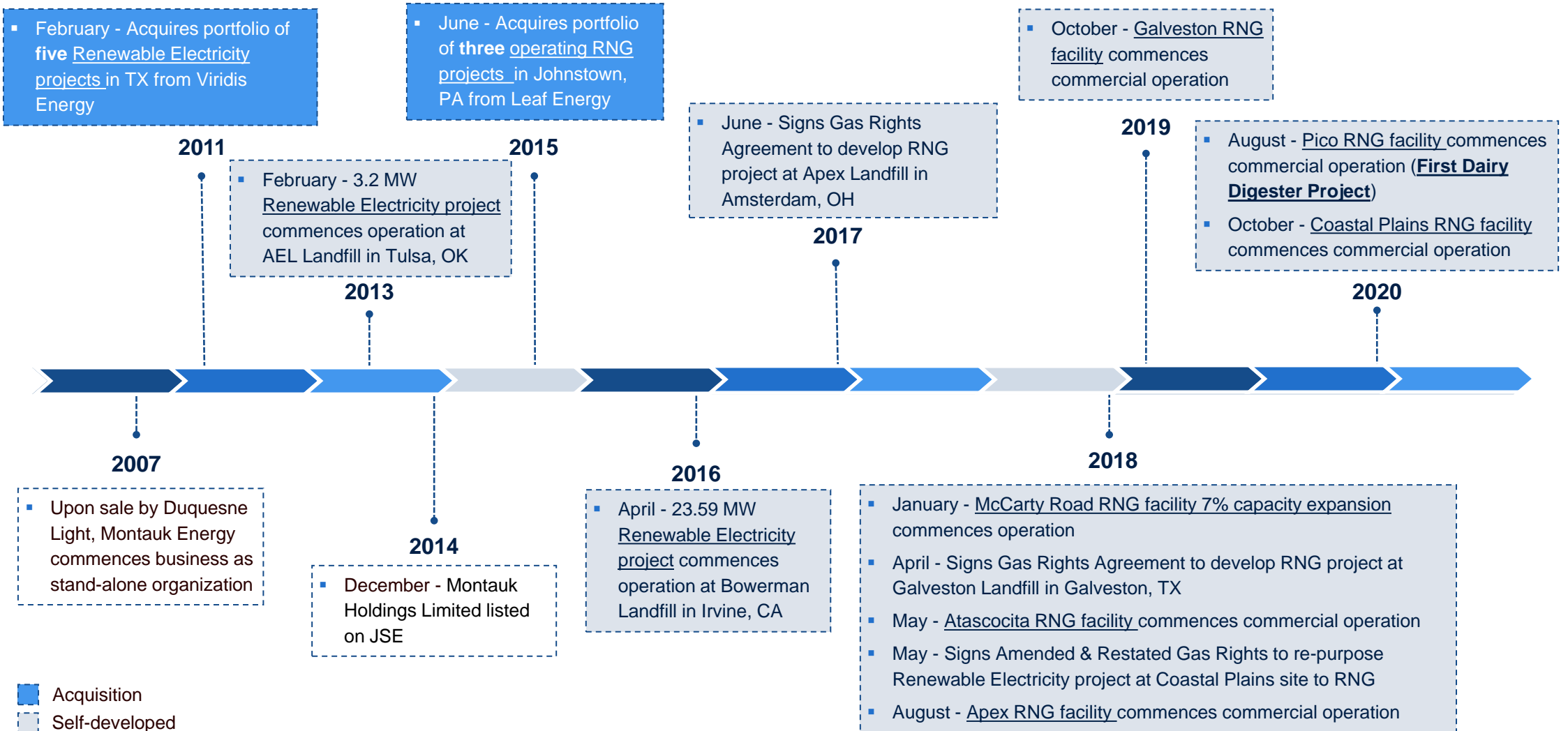
## Demonstrated Track Record of Growth

- Opportunities to expand through self-development, partnerships, and acquisitions
- Revenues have grown from \$34M in 2014 to \$107M in 2019, a CAGR of approximately 26%

## Consistent Financial Performance

- Develops, designs, builds, owns and operates RNG and Renewable Electricity facilities under long-term contracts
- Has consistently produced positive cash from operations in recent years

# Company History





# Renewable Natural Gas (RNG) Addresses Multiple Issues



## Making Beneficial Use of Detrimental Methane

- Methane is the primary component of biogas and natural gas and has 25x the impact of CO<sub>2</sub> on global warming<sup>(1)</sup>
- Landfills and livestock farms represent a substantial portion of methane emissions in the US
- Commercial systems have been designed to efficiently capture and clean up methane from these sources



## Displacing Fossil Fuels in Transportation & Power Production

- Lower environmental impact than gasoline or diesel
- Use has grown dramatically in the US since the 2000s, driven by government incentives
- 70% growth from 2013-2019 from 237 to 404 million gallons of gasoline equivalents<sup>(2)</sup>



## Significant Environmental Factors

- Capturing a waste stream and putting to productive use
- Domestically-sourced RNG reduces dependence of foreign sources of energy

Source:

(1) EPA

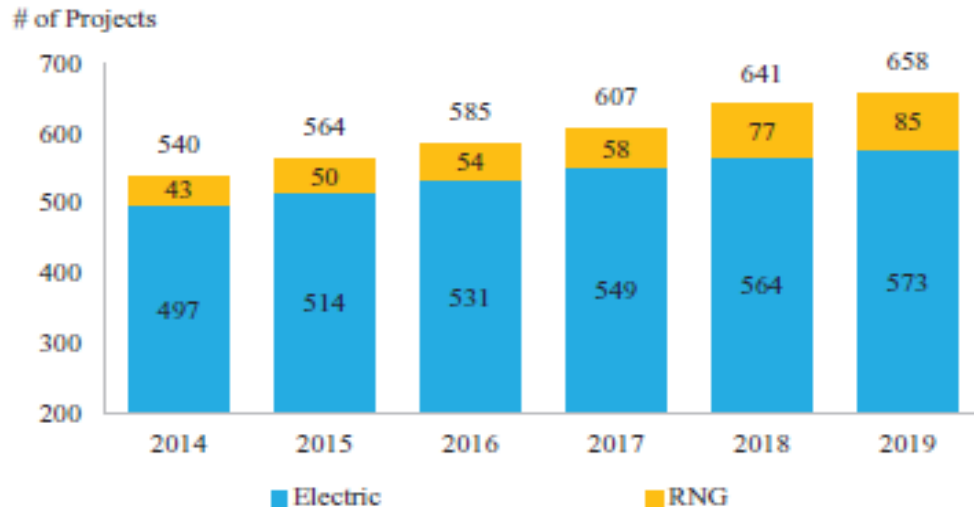
(2) Natural Gas Vehicle Association



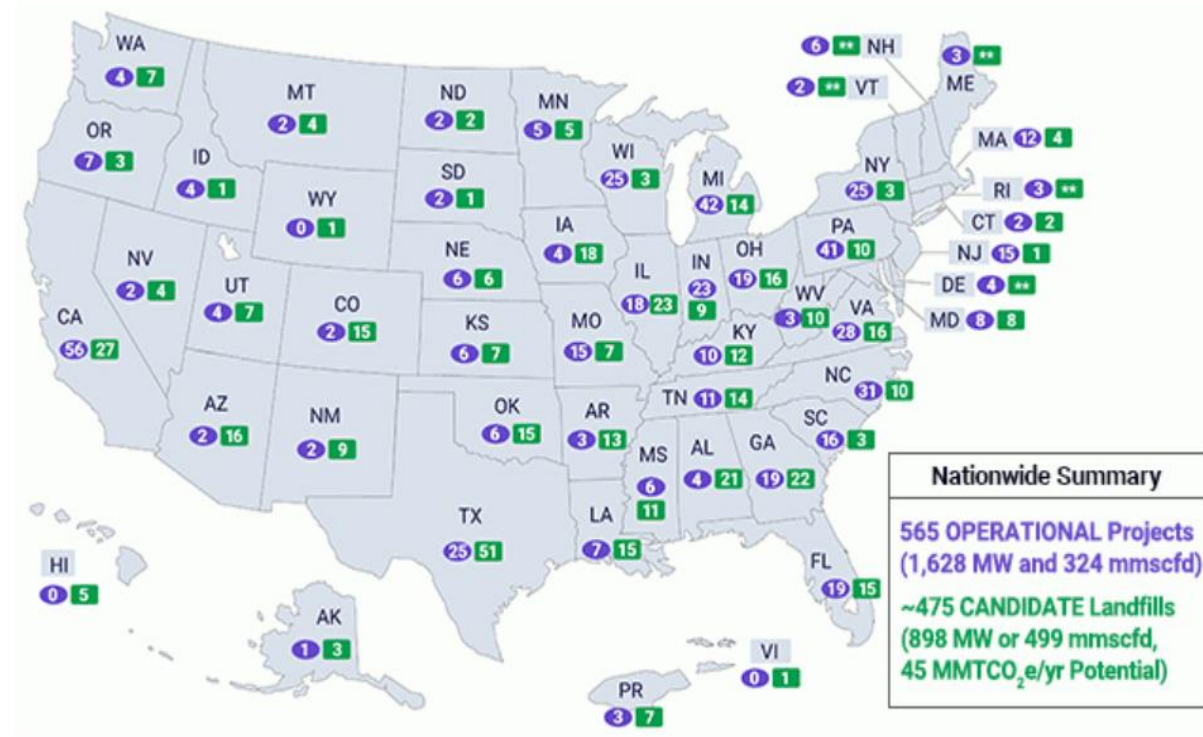
# RNG Industry Growth

- Driven by a variety of incentives, landfill gas has been used to generate electricity and as a transportation fuel replacement
- The number of RNG projects in the US grew at a **14.6% CAGR** between 2014 and 2019
- Diverse and long-term availability of biogas feedstock supply
  - 100s of EPA-identified candidate landfills sites of which approximately 25 are potentially economical for development or conversion

## Historical Electric and RNG Project Growth



## Landfill Gas Project Data by State

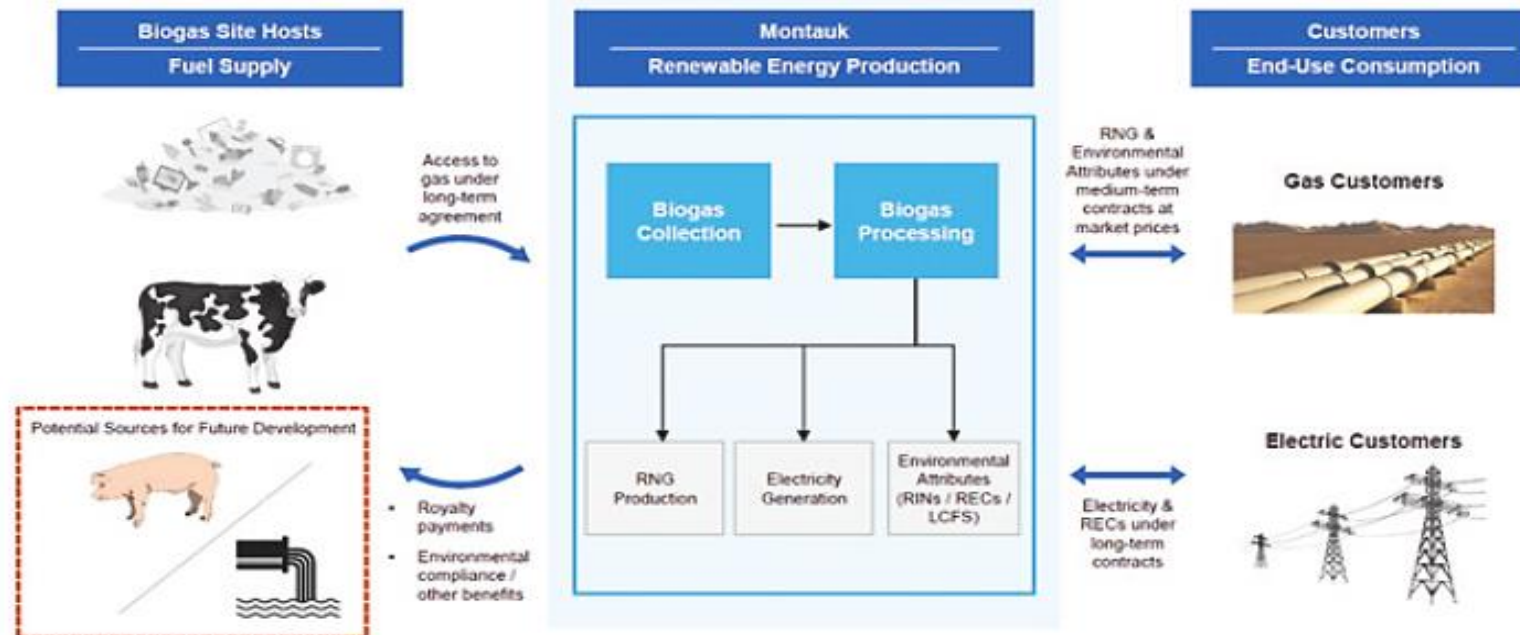


Source:

- EPA and EIA
- Project and Landfill Data by State | Landfill Methane Outreach Program (LMOP) as of August 2020

# Montauk Business Model

- Montauk develops, owns, and operates RNG projects to recover and process biogas from landfills and other non-fossil fuel sources, which is then converted into **RNG** or used to produce **Renewable Electricity**
- Montauk team has decades of experience with all of the proven commercial technologies available to process raw biogas into RNG, and are continually working with vendors to address site specific requirements
- Revenue generated from the sale of RNG and Renewable Electricity under short-, medium-, and long-term contracts that include the **Environmental Attributes** (as defined below) associated with these products



# Biogas Conversion and Monetization

- As organic waste biologically decomposes in an oxygen-poor environment (“anaerobic”), it emits “**biogas**”, which is a mixture of carbon dioxide and hydrocarbons, primarily methane gas (i.e., natural gas)
- The biogas is then collected and delivered to an on-site plant where the biogas is processed to remove carbon dioxide and nitrogen resulting in methane used as a renewable fuel source meeting the standards of geologic natural gas



## Renewable Electricity

- Biogas is collected and piped to on-site Generating Facility
- Biogas is converted to power via generator which produces Renewable Electricity

- Renewable Electricity sold under long-term Power Purchase Agreement or in Real-Time Market
- Montauk generates additional revenue on the sale of Environmental Attributes
- Landfill site receives royalty income

## Renewable Natural Gas

- Biogas is collected and piped to on-site RNG Facility
- Biogas is processed to pipeline quality specifications for use as RNG

- Once RNG becomes pipeline quality, it is sold as a replacement for fossil fuels; delivered to a natural gas pipeline, or compressed to compressed natural gas as vehicle fuel
- Montauk generates additional revenue on the sale of Environmental Attributes
- Landfill site receives royalty income

# Environmental Attributes

- When used as a transportation fuel or used to produce electricity, RNG can generate additional revenue streams through US federal, state and local government incentives (collectively, “Environmental Attributes”)
- These Environmental Attributes are provided for under a variety of programs, including the national Renewable Fuel Standards (“RFS”) and state-level Renewable Portfolio Standards (“RPS”) and Low Carbon Fuel Standard (“LCFS”)

## Renewable Fuel Standards

- The RFS program requires transportation fuel to contain a minimum volume of renewable fuel-Renewable Volume Obligation
- When renewable fuels are blended with petroleum-based fuels, a Renewable Identification Number (“RIN”) is created, which can be sold
- RNG qualifies for D3 RINs which are generally the most valuable of the four RIN categories

## Renewable Portfolio Standards

- Biogas is considered to be a renewable resource in all 37 states that encourage or mandate the use of renewable energy
- Many states allow utilities to comply with RPS through tradable Renewable Energy Credits (“RECs”)

## Low Carbon Fuel Standard

- California and Oregon
- California’s LCFS requires fuel producers and importers to reduce the carbon intensity (“CI”) of their products, with goals of a 10% reduction in carbon emissions from 2010 levels by 2020 and a 20% reduction by 2030
- Credits available, with livestock farms potentially 2-3x more valuable than landfills

# D3 RIN Pricing Fundamentals

## Cellulosic biofuel RIN (D3)

- Blending ethanol made from cellulosic material (eg. biogas) into gasoline

## Biomass based diesel RIN (D4)

- Blending diesel made from soybean oil or animal fats into diesel

## Advanced biofuel RIN (D5)

- Blending sugar-cane based ethanol or biobutanol into gasoline

## Renewable fuel RIN (D6)

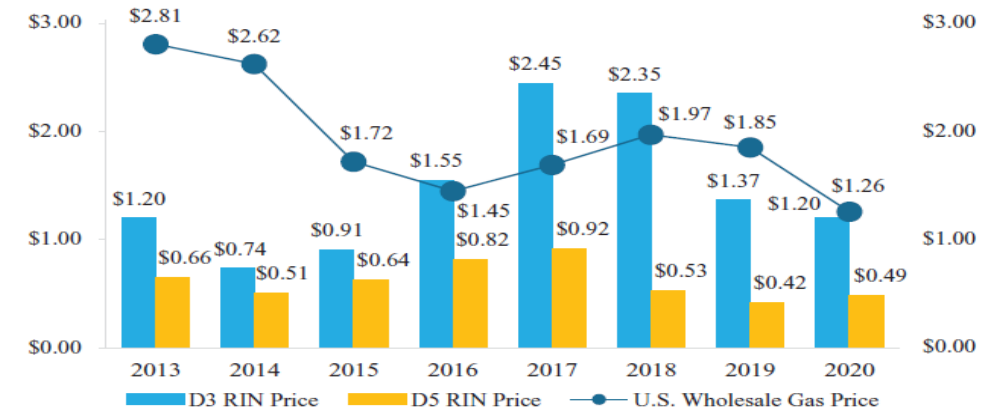
- Blending corn-based ethanol into gasoline

- Production of cellulosic biofuels, which qualify for D3 RINs, has been below RFS mandates, creating a shortage of cellulosic D3 RINs
- The EPA allows obligated refiners to satisfy RFS obligations by purchasing D3 RINs
- D3 RINs are priced off of a statutory floor price plus a RIN commodity price that is typically just below a D4 Biodiesel RIN price minus a market discount
- **D3 RIN pricing has a substantial MMBtu equivalent price, relative to natural gas, which has varied from a low of \$14.04 in 2020 to a high of \$28.78 in 2017**

## Annual Average D3 RIN Pricing<sup>(1)</sup>

Year	D3 RIN Pricing	Value per MMBtu <sup>(2)</sup>	CWC
2016	\$1.55	\$18.18	\$1.33
2017	\$2.45	\$28.78	\$2.00
2018	\$2.35	\$27.53	\$1.96
2019	\$1.37	\$16.04	\$1.77
2020	\$1.20	\$14.04	\$1.80

## Historical D3, D5, and US Wholesale Gas Pricing<sup>(1)</sup>

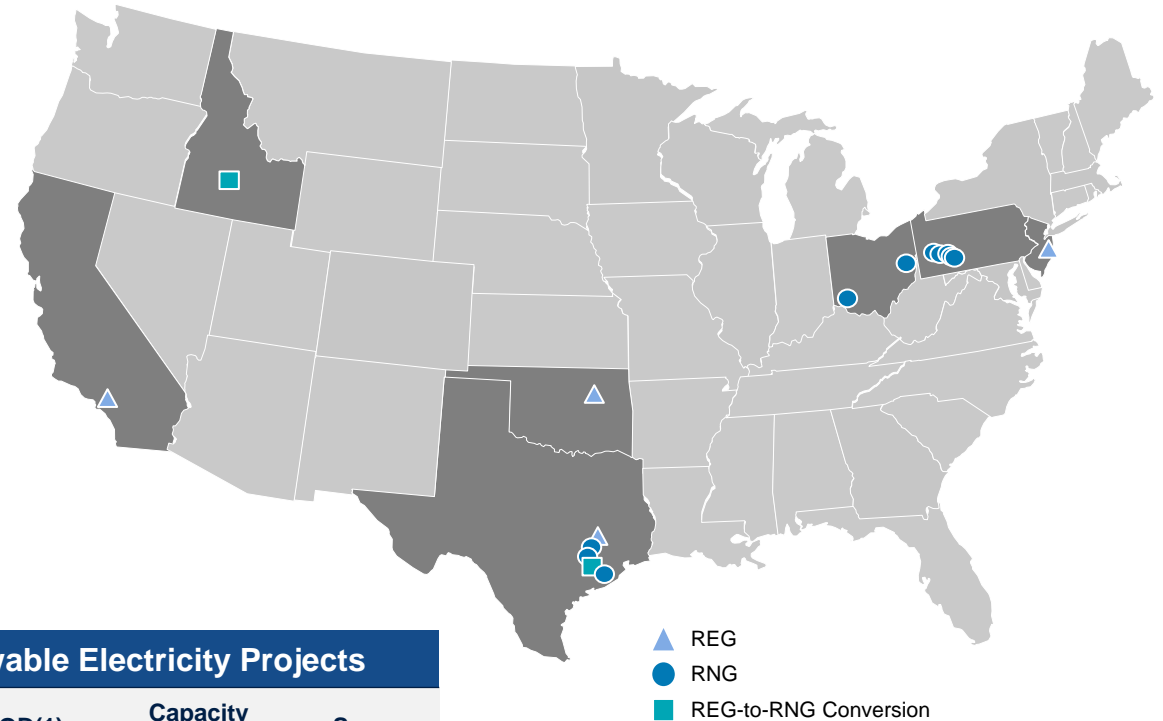


(1)Source: EPA and EIA (2)One MMBtu of renewable fuel represents approximately 11.7 RINs.

# 15 Projects Across Six States

## 12 Renewable Natural Gas Projects

Site	COD(1)	Capacity (MMBtu/day)(2)	Source
Rumpke Cincinnati, OH	1986	7,271	Landfill
Atascocita Humble, TX	2002*/2018	5,570	Landfill
McCarty Houston, TX	1986	4,415	Landfill
Apex Amsterdam, OH	2018	2,673	Landfill
Monroeville Monroeville, PA	2004	2,372	Landfill
Valley Harrison City, PA	2004	2,372	Landfill
Galveston Galveston, TX	2019	1,857	Landfill
Raeger Johnston, PA	2006	1,857	Landfill
Shade Cairnbrook, PA	2007	1,857	Landfill (3)
Coastal Plains Alvin, TX	2020	1,775	Landfill
Southern Davidsville, PA	2007	928	Landfill
Pico (4) Jerome, ID	2020	903	Livestock (Dairy)
<b>Total Capacity (MMBtu/day)</b>		<b>33,850</b>	



## Three Renewable Electricity Projects

Site	COD(1)	Capacity (MW)	Source
Bowerman Irvine, CA	2016	23.6	Landfill
Security Houston, TX	2003	3.4	Landfill
AEL Sand Spring, OK	2013	3.2	Landfill
<b>Total Capacity (MW)</b>		<b>30.2</b>	

- (1) "COD" refers to the commercial operation date of each site.
- (2) This is equivalent to the project's design capacity and assumes inlet methane content of 56% for all sites other than Pico, which assumes inlet methane content of 62%, and process efficiency of 91%.
- (3) All of our landfill sites are accepting waste except our Shade site. Our Shade site is closed to accepting new waste, but is currently expected to continue to generate a commercial level of RNG for an additional ten years. Our operating RNG projects have an average expected remaining useful life of approximately 14 years.
- (4) Pico was converted from a Renewable Electricity project to an RNG project as of August 2020. Pico is now reported under our Renewable Natural Gas segment as of October 2020.



# Project Operation Highlights

**12**

RNG Projects

**3**

Renewable Electricity Projects

**6**

States

**18 Years**

Average number of years with current project site owners

**14 Years\***

Average expected remaining useful life of RNG Projects

**15 Years\***

Average expected remaining useful life of electricity projects

**73%**

**of Expected 2020 RNG Production**

Has been monetized under fuel supply agreements with expiration dates more than 15 years from 09/30/2020

**89%**

**of Expected 2020 Renewable Electricity Production**

Has been monetized under fuel supply agreements with expiration dates more than 15 years from 09/30/2020

Note:

\* As weighted by 2020 expiration

# Customers & Partnerships

Montauk has strong relationships throughout the **industry supply chain**, from technology and equipment providers to feedstock owners and RNG off-takers

## Feedstock Suppliers

## RNG & RINs Off-takers

## Renewable Electricity & REC Customers

### Examples

Landfill owners  
Dairy farms  
Swine farms  
Waste water recovery facilities

Local utilities  
Large natural gas refiners  
Landfills & livestock farms operators

Municipal electricity utilities  
Investor-owned electricity utilities

### Top Customers & Partners

Waste Management  
Republic Services

Exxon Mobil  
Royal Dutch Shell plc  
Victory Renewables, LLC  
BP Products North America

City of Anaheim, California

# Renewable Natural Gas Project

## Case Study

### Rumpke Landfill

- Landfill project with over **62 million** tons of waste, receives approximately 10,000 tons of waste per day
- Montauk owns and operates a **15 million** standard cubic feet per day RNG processing facility with **three processing plants**
- Qualified facility for the generation of **RINs** and **CA LCFS credits**
- Fuel supply agreement with the owner of the landfill through **2037**

#### PIPELINE QUALITY RENEWABLE NATURAL GAS



- Location: Cincinnati, Ohio
- Project Type: Landfill
- Operation Term: 1986 - 2052 (current permits)
- Capacity: 7,271 MMBtu/day
- Landfill Owner & Operator: Rumpke Consolidated

# Renewable Electricity Project

## Case Study

### Bowerman Power

- Landfill project with over **54 million** tons of waste, receives approximately 6,800 tons of waste per day
- Montauk owns and operates a **19.6 MW** (net) electricity generation facility which consists of **seven CAT CG-260-16** reciprocating engine generator sets
- Electricity output is sold under a PPA with **the city of Anaheim, California** with a term running through 2036
- Fuel supply agreement with the owner of the landfill through **2067**

#### ELECTRIC POWER GENERATION



Bowerman Power

- Location: Irvine, California
- Project Type: Landfill
- Operation Term: 1990-2053 (current permits)
- Capacity: 23.6 MW
- Landfill Owner & Operator: Orange County Waste & Recycling
- Customer: The City of Anaheim

# Growth Opportunities

## Six newly developed projects in last five years

- Three greenfield landfill gas (“LFG”) projects
- Two LFG-to-electricity conversions to RNG
- One dairy-to-electricity conversion to RNG



### 1) Expanding Operations at Existing Project Sites

- Exploring at various sites

### 2) Expanding Through Acquisition

- The RNG industry is highly fragmented, which presents an opportunity to acquire from smaller players with approximately 90% of operating projects owned by companies that own five or fewer projects
- Over the last 10 years, Montauk has acquired 11 projects and is continuously evaluating opportunities

### 3) Converting Existing Electricity Projects to RNG

- Favorable economics for RNG + RIN Sales relative to merchant electricity rates + REC sales
- Montauk has converted two projects from LFG-to-electricity to LFG-to-RNG and one project from anaerobic digested gas (“ADG”)-to-electricity to ADG-to-RNG, and is currently evaluating a fourth conversion opportunity

### 4) Expanding Industry Position as a Full-Service Partner for Development Opportunities

- Looking at strategic transition/acquisition opportunities that help further Montauk’s vertically-integrated services

### 5) Expanding Capabilities to New Feedstock Sources and Technologies

- Montauk recently commercialized its first livestock waste project (dairy)
- Actively looking at waste water resource recovery facilities, organic waste and sludge opportunities

# Financial Performance – Income Statement/Balance Sheet

	Year ended December 31,		Nine months ended September 30,		As of December 31,		As of September 30,	
	2019	2018	2020	2019	2019	2018	2020	2019
		<i>(in thousands)</i>				<i>(in thousands)</i>		
Total revenues	\$107,383	\$116,433	\$75,559	\$83,703				
Operating expenses								
Operating and maintenance expenses	39,783	29,073	30,884	30,306				
General and administrative expenses	13,632	11,953	11,336	10,593				
Royalties, transportation, gathering and production fuel expenses	20,558	22,359	14,769	16,197				
Depreciation and amortization	19,760	16,195	16,120	14,754				
Impairment loss	2,443	854	278	1,550				
Gains on insurance proceeds	—	—	(3,444)	—				
Transaction costs	202	176	—	202				
Total operating expenses	\$ 96,378	\$ 80,610	\$69,943	\$73,602				
<b>Operating profit</b>	<b>\$ 11,005</b>	<b>\$ 35,823</b>	<b>\$ 5,616</b>	<b>\$10,101</b>				
Other expenses (income):								
Interest expense	\$ 5,576	\$ 3,083	\$ 3,510	\$ 5,293				
Equity loss (gain) of nonconsolidated investments	(94)	224	—	(94)				
Net loss (gain) on sale of assets	10	(266)	—	10				
Other expense (income)	47	(3,781)	250	(17)				
Total other expenses (income)	\$ 5,539	\$ (740)	\$ 3,760	\$ 5,192				
Income tax expense (benefit)	(354)	7,796	(291)	(539)				
Net income	\$ 5,820	\$ 28,767	\$ 2,147	\$ 5,448				
EBITDA (1)	\$30,802	\$55,841	\$21,486	\$24,956				
Adjusted EBITDA (1)	\$33,615	\$56,921	\$21,376	\$27,038				
Cash and cash equivalents	\$ 9,788	\$ 54,032	\$ 19,537	\$ 9,788				
Working capital (deficit)	(154)	34,790	6,537	(8,661)				
Property, plant and equipment—net	193,498	168,418	189,957	187,868				
Total assets	243,613	261,732	251,527	230,809				
Long-term debt	57,256	74,649	58,656	43,577				
Member's equity	154,257	147,941	156,867	154,050				

(1) See Appendix – EBITDA Reconciliation



# Financial Performance – Operating Metrics

	Year ended December 31,				Nine months ended September 30,			
	2019	2018	Change \$	Change %	2020	2019	Change \$	Change %
	<i>(in thousands, unless otherwise indicated)</i>				<i>(in thousands, unless otherwise indicated)</i>			
<b>Revenues</b>								
Renewable Natural Gas Total Revenues	\$ 85,926	\$ 98,584	\$(12,658)	(12.8)%	\$ 62,192	\$ 67,322	\$(5,130)	(7.6)%
Renewable Electricity Generation Total Revenues	\$ 19,859	\$ 18,207	\$ 1,652	9.1%	\$ 13,282	\$ 14,927	\$(1,645)	(11.0)%
<b>RNG Metrics</b>								
CY RNG production volumes (MMBtu)	5,361	4,485	876	19.5%	4,451	4,040	411	10.2%
Less: Current period RNG volumes under fixed/floor-price contracts	(1,987)	(1,952)	(35)	1.8%	(1,579)	(1,480)	(99)	(6.7)%
Plus: Prior period RNG volumes dispensed in current period	371	154	217	140.9%	266	371	(105)	(28.3)%
Less: Current period RNG production volumes not dispensed	(266)	(371)	105	28.3%	(320)	(282)	(38)	(13.5)%
Total RNG volumes available for RIN generation (1)	3,479	2,316	1,163	50.2%	2,818	2,649	169	6.4%
<b>RIN Metrics</b>								
Current RIN generation (x 11.727) (2)	40,791	27,146	13,645	50.3%	33,049	31,065	1,984	6.4%
Less: Counterparty share (RINs)	(3,729)	(5,389)	1,660	30.8%	(3,612)	(2,904)	(708)	(24.4)%
Plus: Prior period RINs carried into CY	1,690	1,774	(84)	(4.7)%	1,330	1,690	(360)	(21.3)%
Less: CY RINs carried into next CY	(886)	(1,690)	804	47.6%	—	—	—	—
Total RINs available for sale (3)	37,866	21,841	16,025	73.4%	30,767	29,851	916	3.1%
Less: RINs sold	(36,767)	(22,091)	(14,676)	(66.4)%	(30,269)	(26,686)	(3,583)	(13.4)%
RIN Inventory	1,099	(250)	1,349	539.6%	498	3,165	(2,667)	(84.3)%
RNG Inventory (volumes not dispensed for RINs) (4)	(266)	(371)	105	28.3%	320	282	38	13.5%
Average Realized RIN price	\$ 1.45	\$ 2.37	\$ (0.92)	(38.8)%	\$ 1.25	\$ 1.59	\$ (0.34)	(21.4)%



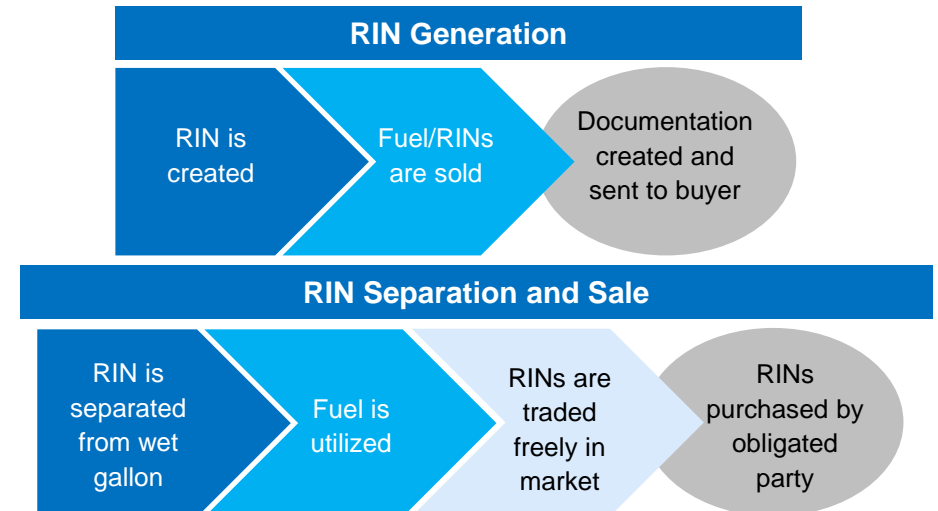
# Appendix

# The Renewable Fuel Standard

- The EPA Renewable Fuel Standard (“RFS”) mandates that diesel and gasoline refiners and importers either blend renewable fuels into the US supply of transportation fuel or buy renewable fuel credits to meet a minimum percentage of renewable fuel production annually, known as the renewable volume obligation (“RVO”)
- Renewable Identification Numbers (“RINs”) are saleable regulatory credits that represent a quantity of qualifying renewable fuel and are used to evidence compliance with the RFS. The RFS was enacted to promote renewable fuel utilization for the purpose of reducing dependence on foreign oil, reducing greenhouse gas emissions, and developing the renewable fuel sector in the US
- For every gallon of renewable fuel created, a RIN is issued to the producer which is then sold to an obligated party (such as a fuel refiner)
- Cellulosic or D3 RINs can be generated by biogas produced through the conversion of organic matter and used as renewable fuel including landfill gas, manure digester gas, and sewage waste treatment gas since 2014
- Every November the EPA publishes an RVO target for the amount of renewable fuel gallons for the following year. The 2018 RVO for D3 RINs is 288 million gallons. The 2019 RVO for D3 RINs is 418 million gallons. The 2020 RVO for D3 RINs is 590 million gallons. The EPA is expected to promulgate final 2021 RVOs by June 2021
- One MMBtu of renewable fuel represents approximately 11.7 RINs
- RINs create an additional revenue stream for the developers of biogas-to-energy assets, as they provide an infusion of cash with no additional capital

Typical RIN Transactions	
Generate	RIN is generated at the time of fuel production
Buy	When a RIN is bought by a buyer from a seller
Sell	When a RIN is sold/traded by a seller to a buyer
Retire	When a RIN is used to demonstrate compliance, or required to be retired for other purposes

Source: EPA



# D3 RIN Pricing Fundamentals

- Production of cellulosic biofuels has not developed at the pace envisioned in the RFS, creating a shortage in the supply of cellulosic D3 RINs to meet the blending requirements
- When production volumes do not meet mandated volume obligations, instead of blending cellulosic biofuel, the EPA allows obligated refiners to satisfy RFS compliance obligation by either purchase Cellulosic Waiver Credits (“CWCs”), plus D5 RINs or purchase D3 RINs
- CWC prices are set annually as the greater of (i) \$0.25 or (ii) \$3.00 (as adjusted by CPI) less the wholesale price of gasoline for the 12 month period of data available as of September 30<sup>th</sup> prior to the calendar year in question and typically published by the EPA each November
- Historical CWC prices:
  - 2016 CWC - \$1.33
  - 2017 CWC - \$2.00
  - 2018 CWC - \$1.96
  - 2019 CWC - \$1.77
  - 2020 CWC - \$1.80
- D3 RIN prices are therefore a derivative of D5 RINs and CWCs:
 

**D3 RIN Price = D5 RIN Price + CWC – Market Discount**
- Given the CWC price is fixed by statutory formula in advance of each calendar year, D3 RIN price changes are determined by fluctuations in D5 RIN prices or changes in the market discount.
- The fixed CWC component of its price makes D3 RINs structurally less volatile than other RINs.

Annual Average D3 RIN Pricing <sup>(1)</sup>			
Year	D3 RIN Pricing	Value per MMBtu <sup>(2)</sup>	CWC
2016	\$1.55	\$18.18	\$1.33
2017	\$2.45	\$28.78	\$2.00
2018	\$2.35	\$27.53	\$1.96
2019	\$1.37	\$16.04	\$1.77
2020	\$1.20	\$14.04	\$1.80

(1)Source: EPA and EIA (2)One MMBtu of renewable fuel represents approximately 11.7 RINs.

# State Renewable Vehicle Fuels Programs

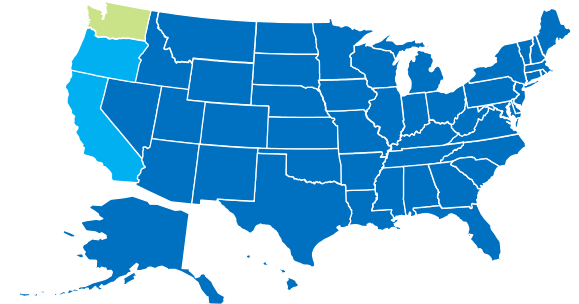
- Low carbon fuel standard (“LCFS”) programs, such as the California Low Carbon Fuel Standard (“CALCFS”), are policy tools designed to encourage decarbonization of the transportation sector within a given jurisdiction
- These policies set annual carbon intensity (“CI”) limits which reduce over time, incentivizing a sector-wide reduction in greenhouse gas emissions (“GHG”)
- Oil producers, importers, and other fuel providers must report all fuels provided and track the fuels’ CI through a system of credits and deficits. Credits are generated from fuels with lower carbon intensity than the standard, such as RNG
- Currently, two (2) states have adopted their own portfolio standard programs related to biofuels:
  - CALCFS: Adopted in 2009, went into effect in 2011, and was re-adopted in 2015. In mid-2017, it was extended to 2030.
  - Oregon Clean Fuels Program (CFP): Approved in 2009, extended in 2015, and went into effect in 2016.

## California

- California Air Resources Board (“CARB”) sets annual CI standards, expressed in grams of CO<sub>2</sub> equivalent per megajoule of energy provided by the fuel
- In 2009, CARB approved the LCFS regulation to reduce the CI of California fuels by at least 10% by 2020 from a 2010 baseline and at least 20% by 2030

## Oregon

- Oregon Department of Environmental Quality (“DEQ”) sets annual CI standards, expressed in grams of CO<sub>2</sub> equivalent per megajoule of energy provided by the fuel
- In March 2020, Oregon's Governor signed Executive Order No. 20-04, directing DEQ to amend the prior CFP target to a 20% reduction in average CI from 2015 levels by 2025 and a 25% reduction below 2015 levels by 2030
- A regulated party meets its CFP compliance obligation by ensuring the amount of credits it earns or acquires from another party is equal to or greater than the deficits incurred



Source: California Air Resources Board; State of Oregon

# Company Commitment to Health, Safety and the Environment

- Montauk has on-staff professionals responsible for managing all aspects of its Health & Safety Program
- Montauk's goal is to ensure that all employees and visitors to their operations and offices are afforded the highest level of protection and return home safely each day
- Highlights of the Montauk Health & Safety Program include:
  - Best in class practices used for isolated worker protection, gas detection, facility integrity, along with compliance auditing and corrective actions tracking
  - Extensive training program which incorporates hands on skills with classroom training
  - User centered pragmatic health and safety program philosophy, relying on multidisciplinary efforts to actively identify and eliminate risks
  - Thorough written programs for all compliance programs, site H&S operations, safety critical tasks, as well as construction activities and special projects
  - Montauk's health and safety standards incorporate subcontractor selection qualifications to ensure only compliant contractors enter Montauk's sites
  - Montauk has a fully integrated Environmental Staff possessing the knowledge and expertise in understanding the impacts of all media on the environment (air, water, solid waste)
  - Montauk has on-staff professionals responsible for managing all aspects of the renewable energy programs they participate in including registering facilities for RINs and LCFS generation and maintaining compliance with all aspects of the programs





# EBITDA Reconciliation

The following table is a reconciliation of Montauk USA's net income from continuing operations to Adjusted EBITDA for the years ended December 31, 2019 and 2018 and the nine months ended September 30, 2020 and 2019:

	Year ended December 31,		Nine months ended September 30,	
	2019	2018	2020	2019
	<i>(in thousands)</i>			
Net income .....	\$ 5,820	\$28,767	\$ 2,147	\$ 5,448
Depreciation and amortization .....	19,760	16,195	16,120	14,754
Interest expense .....	5,576	3,083	3,510	5,293
Income tax expense (benefit) .....	(354)	7,796	(291)	(539)
EBITDA .....	<u>30,802</u>	<u>55,841</u>	<u>21,486</u>	<u>24,956</u>
Impairment loss (1) .....	2,443	854	278	1,550
Transaction costs .....	202	176	—	202
Equity loss (gain) of nonconsolidated investments .....	(94)	224	—	(94)
Net loss (gain) on sale of assets .....	10	(266)	—	10
Non-cash hedging charges .....	252	92	(388)	414
<b>Adjusted EBITDA .....</b>	<b><u>\$33,615</u></b>	<b><u>\$56,921</u></b>	<b><u>\$21,376</u></b>	<b><u>\$27,038</u></b>

- (1) For the year ended December 31, 2019, we recorded an impairment of \$1.5 million associated with our decision to cancel a site conversion agreement and we recorded an impairment loss of \$0.9 million associated with an asset distribution from Red Top Renewable AG, LLC (“Red Top”) for the year ended December 31, 2018. For the nine months ended September 30, 2020, we recorded an impairment loss of \$0.3 million related to the termination of a development agreement related to our Pico acquisition. We recorded an impairment loss of \$1.6 million for the nine months ended September 30, 2019 related to the cancellation of a site conversion agreement and conversion of existing Renewable Electricity to RNG sites as well as the write-off of Red Top assets.