



MONTAUK
RENEWABLES

Investor Presentation

FIRST QUARTER 2022

MAY 10, 2022

Disclaimers and Confidentiality

Forward-Looking Statements

This presentation contains “forward-looking statements” within the meaning of U.S. federal securities laws that involve substantial risks and uncertainties. All statements other than statements of historical or current fact included in this report are forward-looking statements. Forward-looking statements refer to our current expectations and projections relating to our financial condition, results of operations, plans, objectives, strategies, future performance, and business. You can identify forward-looking statements by the fact that they do not relate strictly to historical or current facts. These statements may include words such as “anticipate,” “assume,” “believe,” “can have,” “contemplate,” “continue,” “could,” “design,” “due,” “estimate,” “expect,” “forecast,” “goal,” “intend,” “likely,” “may,” “might,” “objective,” “plan,” “predict,” “project,” “potential,” “seek,” “should,” “target,” “will,” “would,” and other words and terms of similar meaning in connection with any discussion of the timing or nature of future operational performance or other events. For example, all statements we make relating to future results of operations, financial condition, expectations and plans of the Company, including expected benefits of the Pico amendment and the Montauk Ag project in North Carolina, the anticipated completion of the engine repairs and resumption of operations at the Security facility, the resolution of gas collection issues at the McCarty facility, our estimated and projected costs, expenditures, growth rates, and our plans and objectives for future operations, growth, initiatives, or strategies are forward-looking statements. All forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those that we expect and, therefore, you should not unduly rely on such statements.

Forward-looking statements are not guarantees of future performance and are subject to certain risks, uncertainties and other factors, many of which are beyond the Company's control and are difficult to predict, including, without limitation, risks related to the impact of the ongoing COVID-19 pandemic on our business, financial condition and results of operations; our ability to develop and operate new renewable energy projects, including with livestock farms; reduction or elimination of government economic incentives to the renewable energy market; delays in acquisition, financing, construction and development of new projects, including expansion plans into new areas such as agricultural waste; the inability to complete strategic development opportunities; disruptions in our supply chain due to transportation delays, travel restrictions, raw material cost increases and shortages, closures of businesses or facilities, and the associated costs and inflation related thereto; 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; the quantity, quality and consistency of our feedstock volumes from both landfill and livestock farm operations; identifying suitable locations for new projects; reliance on interconnections to distribution and transmission products for our Renewable Natural Gas and Renewable Electricity Generation segments; our projects not producing expected levels of output; the anticipated benefits of the Pico feedstock amendment and the Montauk Ag acquisition and the anticipated completion of engine repairs and resumption of operations at the Security facility; resolution of gas collection issues at the McCarty facility; concentration of revenues from a small number of customers and projects; dependence on our landfill operators; 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; decline in public acceptance and support of renewable energy development and projects; our expectations regarding federal, state and local government incentives in the United States, provided in the form of RINs, RECs, LCFS credits, rebates, tax credits and other incentives to end users, distributors, system integrators and manufacturers of renewable energy projects, that promote the use of renewable energy (“Environmental Attributes”); our expectations regarding Environmental Attribute and commodity prices; our expectations regarding the period during which we qualify as an emerging growth company under the Jumpstart Our Business Startups 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; profitability of our planned livestock farm projects; sustained demand for renewable energy; security threats, including cyber-security attacks; the need to obtain and maintain regulatory permits, approvals and consents; 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; our belief that the measures taken to remediate the material weakness identified in our internal control over financial reporting will improve our internal control over financial reporting; concentrated stock ownership by a few stockholders and related control over the outcome of all matters subject to a stockholder vote; and other risks and uncertainties detailed in the section titled “Risk Factors” in our latest Annual Report on Form 10-K.

Therefore, actual outcomes and results may differ materially from what is expressed in such forward-looking statements. All forward-looking statements attributable to us are expressly qualified in their entirety by these cautionary statements as well as others made in our Securities and Exchange Commission filings and public communications. You should evaluate all forward-looking statements made by us in the context of these risks and uncertainties. The forward-looking statements included herein are made only as of the date hereof. The Company undertakes no obligation to publicly update or revise any forward-looking statement as a result of new information, future events, or otherwise, except as required by law.

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Non-GAAP Financial Measures

This presentation contains and the accompanying tables include references to EBITDA and Adjusted EBITDA which are Non-GAAP financial measures. We present EBITDA and Adjusted EBITDA because we believe the measures 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 measurements of performance that management and the board of directors use in their financial and operational decision-making and in the determination of certain compensation programs. EBITDA and Adjusted EBITDA are supplemental performance measures that are not required by or presented in accordance with GAAP. EBITDA and Adjusted EBITDA should not be considered alternatives to net (loss) or any other performance measure derived in accordance with GAAP, or as an alternative to cash flows from operating activities or a measure of our liquidity or profitability. For a reconciliation of these Non-GAAP financial measures to the most directly comparable financial measures prepared in accordance with GAAP, please see the table at the end of this presentation titled “Non-GAAP Reconciliation.”

Financial Performance

Income Statement

(in thousands, except for share and per share data):

	Three Months Ended March 31,	
	2022	2021
Total operating revenues	\$ 32,169	\$ 31,447
Operating expenses:		
Operating and maintenance expenses	\$ 13,201	\$ 10,612
General and administrative expenses	8,495	20,452
Royalties, transportation, gathering and production fuel	7,206	6,218
Depreciation, depletion and amortization	5,153	5,737
Gain on insurance proceeds	(313)	(82)
Impairment loss	51	626
Transaction costs	27	88
Total operating expenses	\$ 33,820	\$ 43,651
Operating loss	\$ (1,651)	\$ (12,204)
Other (income) expenses:		
Interest expense	\$ 32	\$ 646
Net gain on sale of assets	(293)	—
Other (income) expense	(17)	33
Total other (income) expenses	\$ (278)	\$ 679
Loss before income taxes	\$ (1,373)	\$ (12,883)
Income tax (benefit) expense	(258)	1,382
Net loss	\$ (1,115)	\$ (14,265)
Loss per share:		
Basic	\$ (0.01)	\$ (0.10)
Diluted	\$ (0.01)	\$ (0.10)
Weighted-average common shares outstanding:		
Basic	141,045,477	141,015,213
Diluted	141,045,477	141,015,213

Operational Results – Quarter Ended March 31, 2022

(in thousands, unless otherwise indicated)

All comparisons are between the first quarter ended March 31, 2022 and the first quarter ended March 31, 2021, unless otherwise indicated

Renewable Natural Gas (“RNG”) Metrics

- 21 MMBtu increased production

RIN Metrics

- 2,390 decrease in volumes sold
- \$1.55 increase in averaged realized price per RIN
- 3,772 increase in RINs generated but unsold

Renewable Electricity Generation (“REG”) Metrics

- 2 MWh decreased production

Operating and Maintenance Expenses

- \$1,958 increased RNG operating expenses
- \$350 increased REG operating expenses

General and administrative expenses

- \$11,957 decrease
- \$11,938 of the decrease due to lower employee costs, including stock-based compensation expense

Operational Performance

Operating Metrics

(in thousands, unless otherwise indicated)

	Three Months Ended March 31,		Change	Change %
	2022	2021		
Revenues				
Renewable Natural Gas Total Revenues	\$32,666	\$28,123	\$4,543	16.2%
Renewable Electricity Generation Total Revenues	\$ 3,971	\$ 3,324	\$ 647	19.5%
RNG Metrics				
CY RNG production volumes (MMBtu)	1,369	1,348	21	1.5%
Less: Current period RNG volumes under fixed/floor-price contracts	(310)	(453)	143	31.6%
Plus: Prior period RNG volumes dispensed in current period	372	353	19	5.4%
Less: Current period RNG production volumes not dispensed	(410)	(350)	(60)	17.1%
Total RNG volumes available for RIN generation (1)	1,021	898	123	13.7%
RIN Metrics				
Current RIN generation (x 11.727) (2)	11,967	10,534	1,433	13.6%
Less: Counterparty share (RINs)	(1,216)	(1,147)	(69)	(6.0%)
Plus: Prior period RINs carried into CY	128	110	18	16.4%
Less: CY RINs carried into next CY	—	—	—	—
Total RINs available for sale (3)	10,879	9,497	1,382	14.6%
Less: RINs sold	(6,485)	(8,875)	2,390	26.9%
RIN Inventory	4,394	622	3,772	606.4%
RNG Inventory (volumes not dispensed for RINs) (4)	410	350	60	17.1%
Average Realized RIN price	\$ 3.46	\$ 1.91	\$ 1.55	81.2%
Operating Expenses				
Renewable Natural Gas Operating Expenses	\$16,345	\$13,134	\$3,211	24.4%
Operating Expenses per MMBtu (actual)	\$ 11.94	\$ 9.74	\$ 2.20	22.6%
Renewable Electricity Generation Operating Expenses	\$ 3,737	\$ 3,393	\$ 344	10.1%
\$/MWh (actual)	\$ 83.04	\$ 71.70	\$11.34	15.8%
Other Metrics				
Renewable Electricity Generation Volumes Produced (MWh)	45	47	(2)	(4.2%)
Average Realized Price \$/MWh (actual)	\$ 88.27	\$ 70.24	\$18.03	25.7%

Financial Performance

Balance Sheet

(in thousands, except share data):

	As of March 31, 2022	As of December 31, 2021
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 59,794	\$ 53,266
Accounts and other receivables	5,578	9,338
Related party receivable	8,940	8,940
Prepaid expenses and other current assets	3,655	2,846
Assets held for sale	—	777
Total current assets	\$ 77,967	\$ 75,167
Restricted cash - non-current	\$ 328	\$ 328
Property, plant and equipment, net	178,263	180,893
Goodwill and intangible assets, net	13,898	14,113
Deferred tax assets	10,806	10,570
Non-current portion of derivative asset	368	—
Operating lease right-of-use assets	231	305
Other assets	5,121	5,104
Total assets	\$ 286,982	\$ 286,480
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 5,118	\$ 4,973
Accrued liabilities	9,351	10,823
Current portion of lease liability	225	296
Current portion of derivative liability	3,621	650
Current portion of long-term debt	7,828	7,815
Total current liabilities	\$ 26,143	\$ 24,557
Long-term debt, less current portion	\$ 69,427	\$ 71,392
Non-current portion of lease liability	25	27
Non-current portion of derivative liability	—	189
Asset retirement obligation	5,379	5,301
Other liabilities	2,587	2,721
Total liabilities	\$ 103,561	\$ 104,187
STOCKHOLDERS' EQUITY		
Common stock, \$0.01 par value, authorized 690,000,000 shares; 143,603,681 and 143,584,827 shares issued at March 31, 2022 and December 31, 2021, respectively; 141,057,772 and 141,015,213 shares outstanding at March 31, 2022 and December 31, 2021, respectively	\$ 1,410	\$ 1,410
Treasury stock, at cost, 959,344 and 950,214 shares at March 31, 2022 and December 31, 2021, respectively	(10,904)	(10,813)
Additional paid-in capital	198,558	196,224
Retained deficit	(5,643)	(4,528)
Total stockholders' equity	\$ 183,421	\$ 182,293
Total liabilities and stockholders' equity	\$ 286,982	\$ 286,480

Cash Flow

(in thousands, unless otherwise indicated)

	Three Months Ended	
	March 31,	
	2022	2021
Net cash flows provided by operating activities	9,597	\$ 7,769
Net cash flows used in investing activities	(977)	(1,253)
Net cash flows used in financing activities	(2,091)	(4,860)
Net increase in cash and cash equivalents	6,529	1,656
Restricted cash, end of period	347	572
Cash and cash equivalents and restricted, end of period	60,141	23,215

Operating items affecting net income include:

- \$2,415 derivative contracts mark-to-market and settlements
- \$2,334 accounting for stock-based compensation
- \$1,395 adjustments to working capital and other assets and liabilities

Investing activities include:

- \$2,378 capital expenditures
- \$1,088 proceeds received from NOx emissions allowance credits sales

Financing activities

- \$2,000 repayments of term loan

Business Development

Pico facility improvements

Production process improvements

- Continue to meet production expectations following improvement project
- Identified water management and purification improvements
- Expect results from CARB CI score pathway in second half 2022
- Gas release from storage in second half of 2022 will generate RINs
- Currently expect LCFS 2022 credit revenue in 2023

Capacity expansion

- Identified water management improvements will allow processing of additional feedstock from dairy projected to begin in second half of 2022
- Identified water purification processes to improve lagoon water quality, potentially reduce processing costs
- Expansion design phase completion expected in third quarter of 2022

Business Development

Montauk Ag Renewables

2022 Updates

- Continue to work with engineer of record to optimize reactor technology
- In discussions with North Carolina regulatory agencies to ensure swine waste generated power eligible for RECs under North Carolina Renewable Energy Portfolio Standards
- Possible reactivation of existing electricity interconnection based on discussions outcome

Business Development

Strategic Growth Opportunity Pipeline

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

- Approximately six LFG RNG sites
- Multiple ADG sites
- Wastewater treatment to RNG opportunities
- Costs could result in 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 agreement. 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:

	Three Months Ended	
	March 31,	
	2022	2021
Net loss	\$(1,115)	\$(14,265)
Depreciation and amortization	5,153	5,737
Interest expense	32	646
Income tax (benefit) expense	(258)	1,382
Consolidated EBITDA	3,812	(6,500)
Impairment loss (1)	51	626
Net gain on sale of assets	(293)	—
Transaction costs	27	88
Non-cash hedging charges	3,451	—
Adjusted EBITDA	\$ 7,048	\$ (5,786)

- (1) During the three months ended March 31, 2022, we recorded an impairment of \$51 related to the assessment that certain computer software and hardware that was no longer being utilized. During the three months ended March 31, 2021, \$626 of impairment was recorded related to a landfill hosts request for us to decommission a facility previously converted to an RNG facility.