Origin Materials Makes Big Corporate Net-Zero Pledges Plausible

- Origin Materials extracts chemicals from plants used to make environmentally-friendly version of plastic
- Merging with SPAC Artius Acquisition Inc. (NASDAQ: AACQ)
- Partnerships include food industry behemoths Danone S.A., Nestlé Waters S.A. and PepsiCo, Inc.
- Over $1 billion in contracts covers revenue projections for the next few years
- Boon Sim, former senior executive of Temasek Holdings (Singapore's sovereign wealth fund) will be on Board
- Founder and accomplished engineer John Bissell and former Shazam CEO Rich Riley will be Co-CEOs
- Company sees $475 million in revenue by 2025
- Revenue to grow at an annualized 140% from 2023 to 2026 and 48% in later years

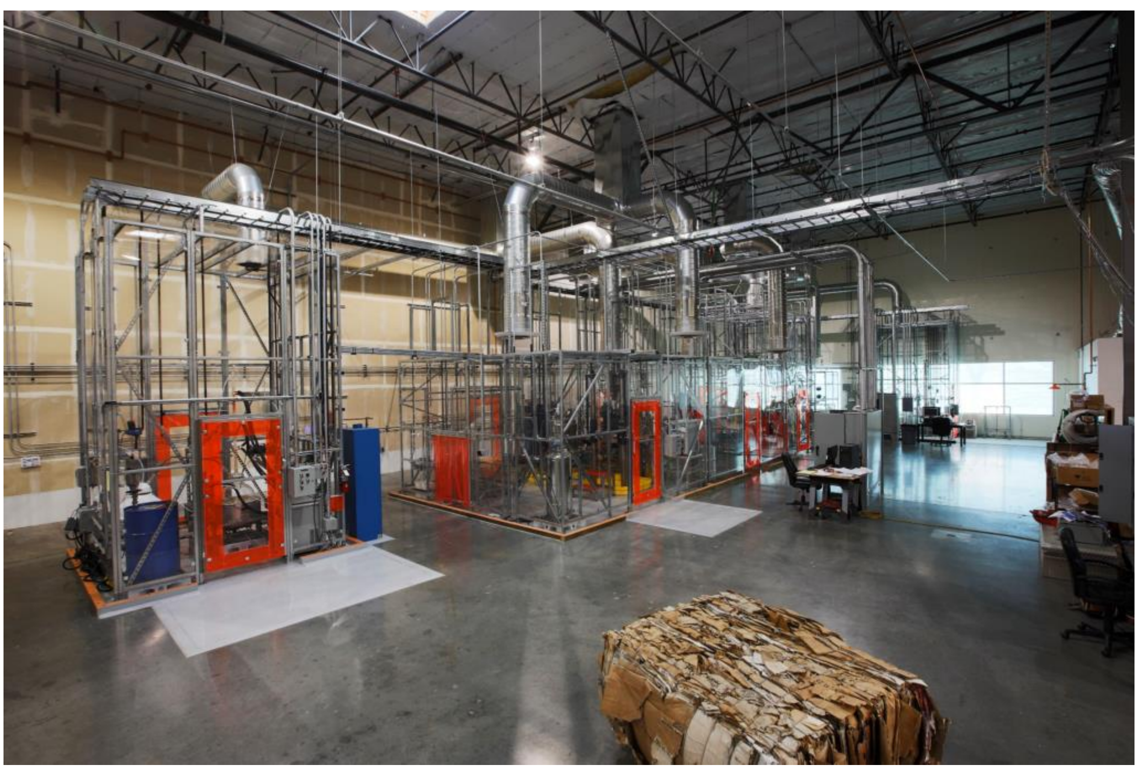
- $1 billion enterprise value implies roughly 2 times "base case" 2025 revenue, well below disruptive peers

By **Jarrett Banks** and **John Jannarone**

From a surge in net-zero announcements to Bill Gates' new book to BlackRock CEO Larry Fink's manifesto, a sea change is happening. Wall Street institutions, companies and governments are looking for ways to decarbonize and investors need to pick a horse to ride the trend.

With more than $1 billion in contracts covering revenue projections for the next few years, California-based Origin Materials, which extracts chemicals from plants used to make an environmentally friendly version of plastic, certainly fits the bill. And companies like Danone S.A., Nestlé Waters S.A. and PepsiCo, Inc. agree – they are both customers and investors in Origin.

Origin is merging with special purpose acquisition company Artius Acquisition Inc. (AACQ), whose shares will automatically convert to Origin once the transaction formally closes. The deal will bring in approximately $863 million of cash and is expected to fund Origin until it becomes profitable around 2025. It also will give Origin a market capitalization of about $1.9 billion.



Origin spent 12 years developing proprietary technology that converts sustainable plant-based feed stocks into a range of materials. The company starts with a feedstock made from woodchips from sustainably grown sources that it processes into materials such as sustainable PET, a commodity product used to make plastic bottles, textiles, cars, durable goods, clothes and carpet. It also has price parity with fossil fuel material.

While much attention has been paid to President Joe Biden’s electric vehicle plan, the use of fossil fuels in product manufacturing will also need to be greatly reduced. Consumer goods account for 22 percent of all carbon dioxide released into the atmosphere.

Governments and some of the largest companies in the world have committed to reducing carbon emissions to net-zero over the next few decades, representing about 14 percent of world GDP. General Electric, for instance, has committed to emitting zero-net carbon from all its processes by 2030.

Origin is also seeing substantial traction in three end markets beyond single-use plastic. The total available market is estimated at $1 trillion, with applications across multiple end markets. Just this week, Origin signed a deal with North Carolina company AECI SANS Technical Fibers to develop apparel and automotive fibers that have a negative carbon footprint. The company then followed that up with another agreement with AECI Much Asphalt, southern Africa’s biggest asphalt producer, to develop low-carbon asphalt.

Origin projects about $475 million in revenue in 2025 (not assuming a green premium) coming from two new plants. The first one will be finished in late 2022 and will operate in Sarnia, Ontario.

The company is on a hiring spree to build a larger plant called Origin 2 by 2025, with more plants to follow. Origin’s customers currently use 4.75 million tons of plastic per year, or the equivalent of 20 plants. The PET market is growing at $15 billion a year.

Artius Founder and Managing Partner Boon Sim, former senior executive of Temasek Holdings (Singapore's sovereign wealth fund, known to be one of the most sophisticated in the world) will be on Board after the merger. Founder and engineer-by-training John Bissell, who has overseen the business since 2008, along with former Shazam CEO Rich Riley will be Co-CEOs.

The company already boasts an impressive and diverse shareholder group – all of whom are rolling their equity into the deal. And new investors are arriving, with hedge fund Millennium Management LLC reaching 6.3 percent ownership, according to an SEC filing.

Another potential boost will come from investments *after* the deal closes. Many institutional investors hungry for ESG plays are waiting for the closing because they can't buy SPACs. As an added ESG bonus, Origin is sourcing its woodchips from rural areas and providing jobs for pulp mills, helping sustain timberland communities.

Almost any way you slice it, Origin looks like a deal at just over $10 a share. One simple comparison is Danimer Scientific, Inc., which went public through a SPAC and now trades at $38, off of its recent peak north of $50.

From a multiple perspective, Origin trades at an enterprise value of roughly 2 times 2025 “base case” revenue, which is likely a very conservative estimate. Beyond Meat, Inc., meanwhile, trades at 4.8 times consensus 2025 revenue, according to **Sentieo**, an AI-enabled research platform. Tesla trades at 7 times and Lonza Group AG trades at 5.8 times.

With proven technology that can deliver profits on a reasonable amount of funding, and carbon-neutral manufacturing being the future, Origin gives investors reason to start their own pledge: buy the shares before more of the world takes notice.

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