



**Enviva Partners, LP**

(NYSE: EVA)

Shai Even - Executive Vice President and Chief Financial Officer  
2019 J.P. Morgan Energy Conference

June 18, 2019

# FORWARD-LOOKING AND CAUTIONARY STATEMENTS

## Forward-looking statements

This presentation contains “forward-looking statements” within the meaning of the securities laws. All statements, other than statements of historical fact, included in this presentation that address activities, events or developments that Enviva Partners, LP (NYSE: EVA) (“Enviva,” the “Partnership,” “we,” or “us”) expects, believes or anticipates will or may occur in the future are forward-looking statements. The words “believe,” “expect,” “may,” “estimates,” “will,” “anticipate,” “plan,” “intend,” “foresee,” “should,” “would,” “could,” or other similar expressions are intended to identify forward-looking statements, which are generally not historical in nature. However, the absence of these words does not mean that the statements are not forward-looking.

These statements are based on certain assumptions made by Enviva based on management’s expectations and perception of historical trends, current conditions, anticipated future developments, and other factors believed to be appropriate. Although Enviva believes that these assumptions were reasonable when made, because assumptions are inherently subject to significant uncertainties and contingencies that are difficult or impossible to predict and are beyond its control, Enviva cannot give assurance that it will achieve or accomplish these expectations, beliefs or intentions. A number of the assumptions on which these forward-looking statements are based are subject to risks and uncertainties, many of which are beyond the control of Enviva, and may cause actual results to differ materially from those implied or expressed by the forward-looking statements. These risks and uncertainties include the factors discussed or referenced in our filings with the Securities and Exchange Commission (the “SEC”), including the Annual Report on Form 10-K and the Quarterly Reports on Form 10-Q most recently filed with the SEC, including those risks relating to financial performance and results, economic conditions and resulting capital restraints, availability of sufficient capital to execute Enviva’s business plan, the ability of Enviva to complete acquisitions and realize the anticipated benefits of such acquisitions, impact of compliance with legislation and regulations and other important factors that could cause actual results to differ materially from those projected. When considering the forward-looking statements, you should keep in mind the risk factors and other cautionary statements in such filings.

You are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date on which such statement is made, and Enviva undertakes no obligation to correct or update any forward-looking statement, whether as a result of new information, future events or otherwise, except as required by applicable law. All forward-looking statements attributable to Enviva are qualified in their entirety by this cautionary statement.

## Industry and market data

This presentation has been prepared by Enviva and includes market data and other statistical information from third-party sources, including independent industry publications, government publications or other published independent sources. Although Enviva believes these third-party sources are reliable as of their respective dates, Enviva has not independently verified the accuracy or completeness of this information. Some data is also based on Enviva’s good faith estimates, which are derived from its review of internal sources as well as the third-party sources described above.



# ENVIVA: A COMPELLING STORY



**~3.5 Million MTPY**

World's largest utility-grade wood pellet producer

**Fully Contracted Through 2025**

\$9.9 billion backlog / 10.5 year weighted-average remaining term<sup>1</sup>

**Advantaged**

Portfolio of plants and ports

**\$2.65 per Unit<sup>2</sup>**

50/50 equity/debt structure for drop-down transactions  
Targeted annual distribution coverage ratio of at least 1.20x<sup>3</sup>

**\$14.4 Billion / 12.2 Years**

Backlog held by the partnership, our Sponsor and its joint venture<sup>4</sup>

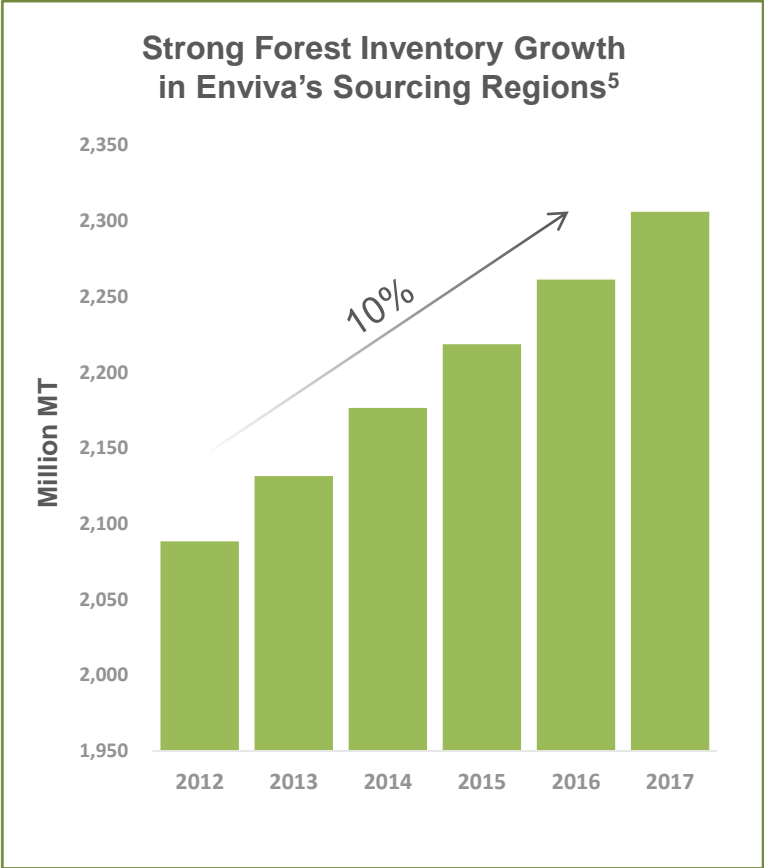
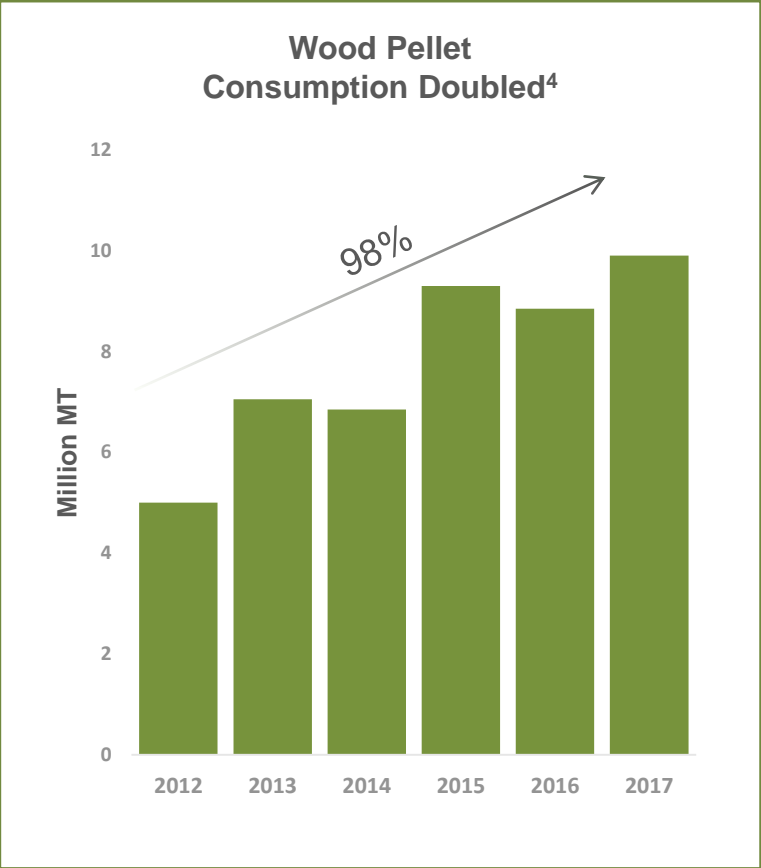
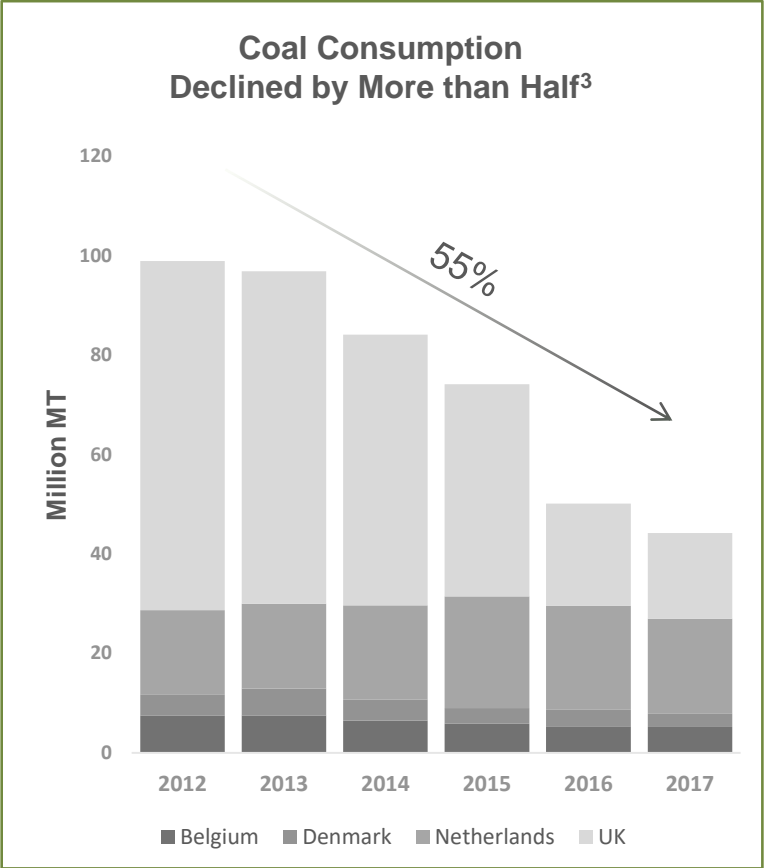
**Visible Drop-Down Inventory**

3+ million MTPY Sponsor development pipeline



- 1) Revenue backlog and weighted-average remaining term of off-take contracts are as of April 2, 2019, excluding volumes under the contracts between long-term off-take customers and Enviva Holdings, LP (our "Sponsor") and Enviva JV Development Company, LLC, our Sponsor's joint venture (the "Second JV")
- 2) On March 25, 2019, provided distribution guidance per common unit of at least \$2.65 for full-year 2019 and \$2.87 to \$2.97 for full-year 2020
- 3) The Partnership's targeted annual distribution coverage ratio for the full years of 2019 and 2020 is at least 1.20 times, on a forward-looking basis. Additional details are available as part of our press release as of March 25, 2019
- 4) Includes all volumes under the firm off-take contracts held by the Partnership, our Sponsor and the Second JV. The Partnership expects to have the opportunity to acquire these contracts from our Sponsor and the Second JV

# ENVIVA IMPROVES THE ENVIRONMENT BY DISPLACING COAL<sup>1</sup> AND GROWING MORE TREES<sup>2</sup>



Through 2018, wood pellets supplied by the Partnership and our Sponsor have effectively displaced 14 million metric tons (“MT”) of coal. With existing contracts running through 2040, the Partnership and our sponsor are on track to displace another 65 million MT of coal

1) Increasing the share of biomass on the global energy grid is critical to the global energy transition. International Renewable Energy Agency's Global Energy Transformation: A Roadmap to 2050 (2019 Edition) report calls for the share of modern biomass for electricity generation to increase from 5% in 2016 to 16% in 2050, and the share of coal for electricity generation to decrease from 14% to 3% over the same period

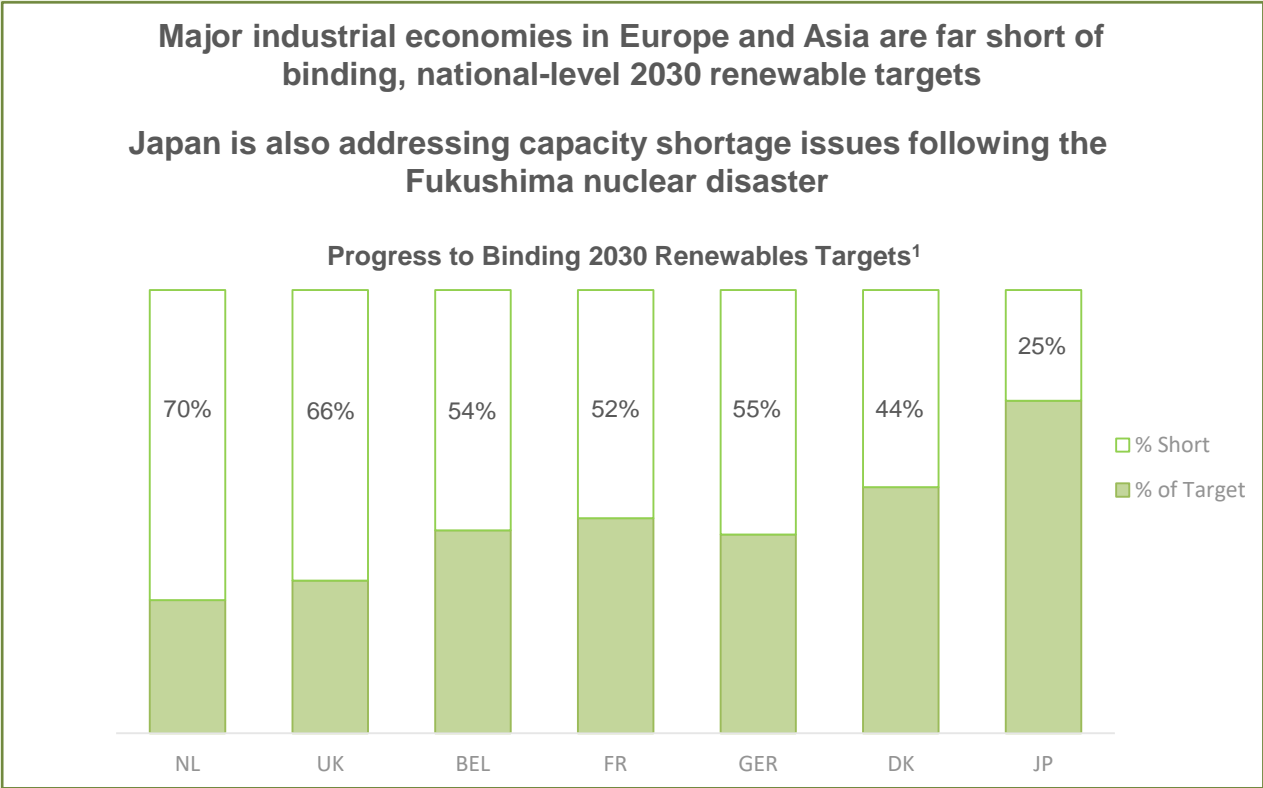
2) Landowners in the US South respond to strong markets for forest products by making investments in their forests and there is a clear positive relationship between rates of forest harvest and forest acreage, growth, and inventory. Based on FIA data for the US South covering the 70-year period since 1953, Forest2Market concluded that "Increased demand for wood ... encouraged landowners to invest in productivity improvements that dramatically increased the amount of wood fiber, and therefore the amount of carbon, contained in the South's forests." Source: Forest2Market report, Historical Perspective on the Relationship between Demand and Forest Productivity in the US South, July 2017

3) Eurostat. Inland coal consumption in key European countries that Enviva serves

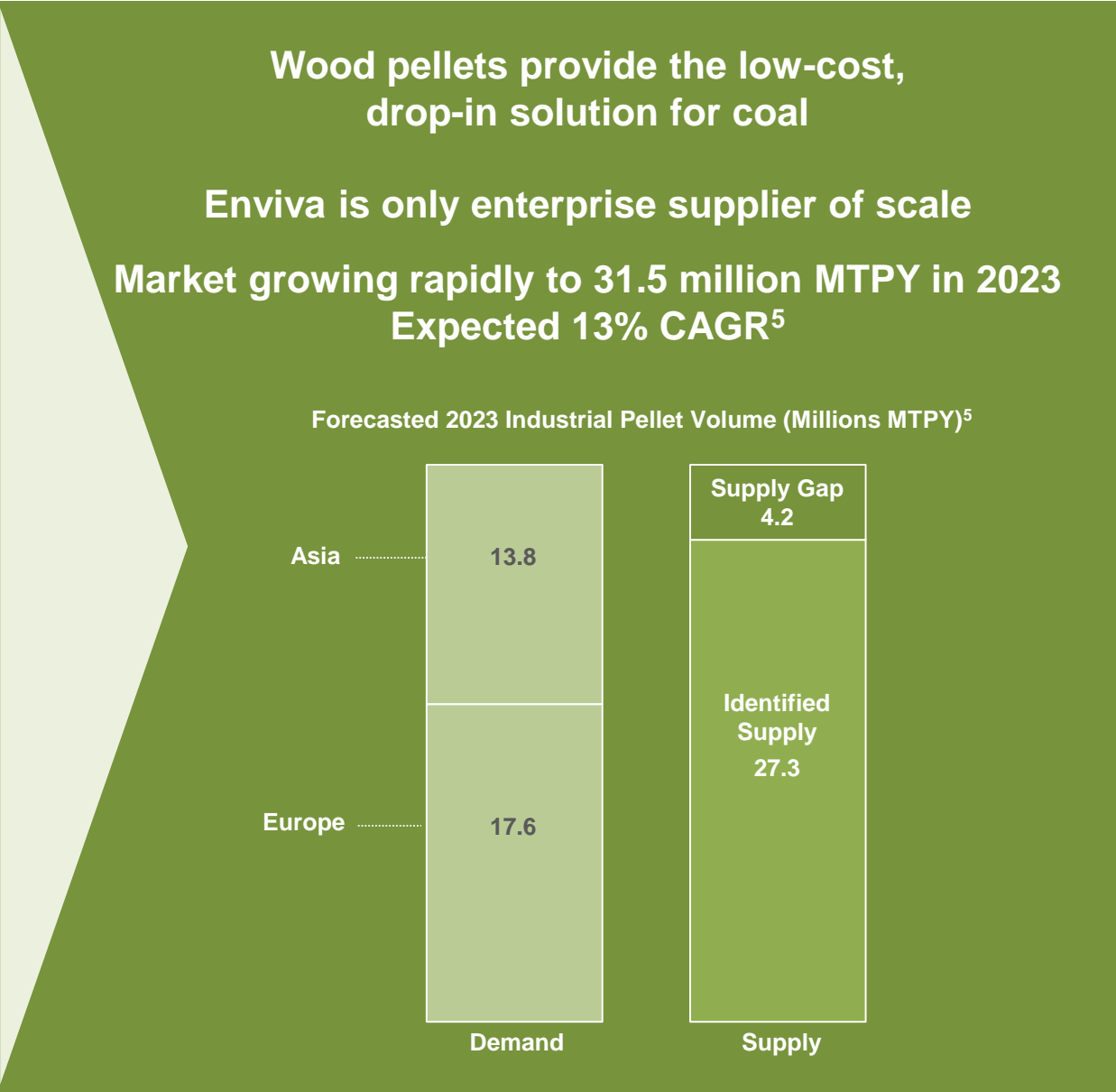
4) Industrial wood pellet demand for Belgium, Denmark, Netherlands and United Kingdom. Hawkins Wright: The Outlook for Wood Pellets – Demand, Supply, Costs and Prices; 1st Quarter 2019

5) FIA Data. Enviva's primary sourcing regions consist of the Chesapeake (NC, VA); Sampson (NC); Greenwood (SC, GA); and Gulf (AL, FL and GA) regions

# ENVIVA SOLVES A GROWING, UNMET CHALLENGE FOR GENERATORS



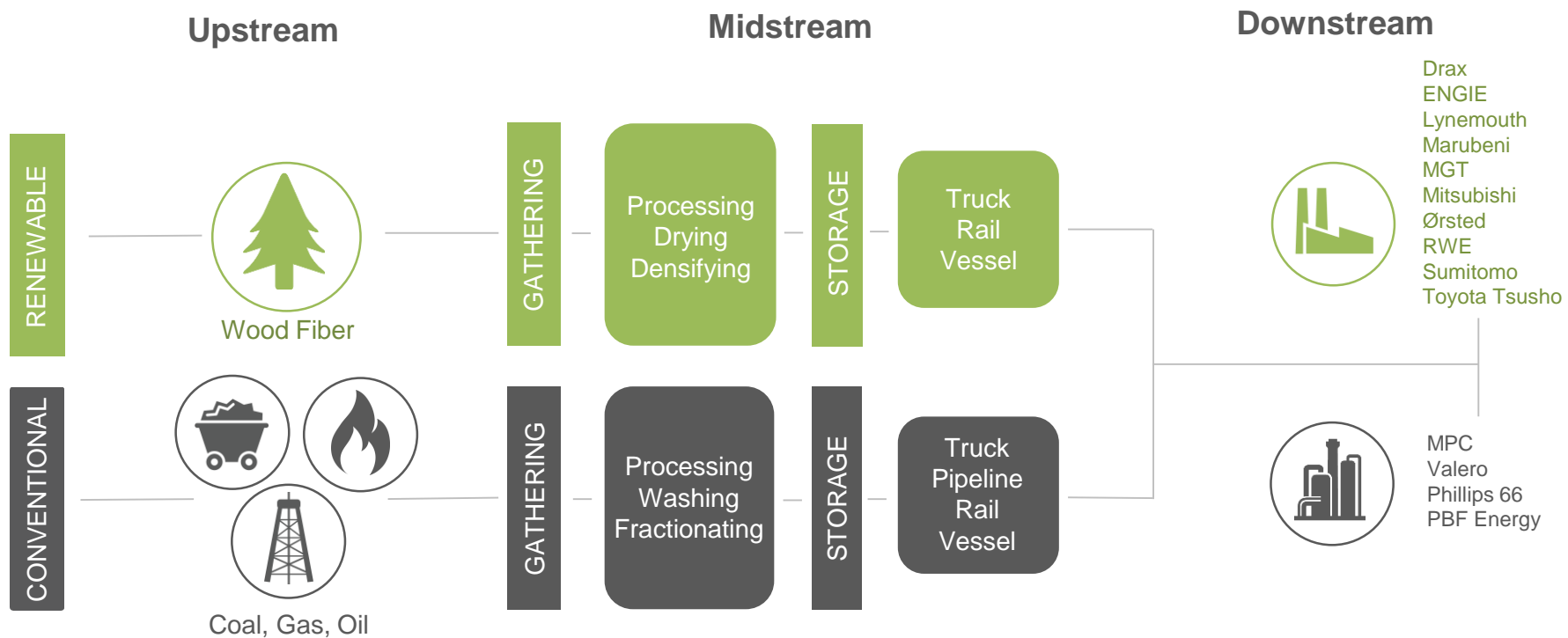
Wood Pellet vs. Coal Attributes			
	Wood Pellets <sup>(2)</sup>	NYMEX CAPP Coal <sup>(3)</sup>	Southern PRB Coal <sup>(4)</sup>
Heat Content (BTU/lb)	8,000	12,000	8,600
Moisture	4 – 10%	< 10%	26 – 30%
Ash	0 – 2%	< 13.5%	4.6 – 5.7%
Sulfur	0 – 0.15%	< 1.0%	< 1.0%



1) Japan's 2030 renewable energy target is 22% - 24% per the 5th Strategic Energy Plan. Japan's current renewable energy makes up 18% of the overall energy mix, per Japan's Ministry of Economic, Trade and Industry ("METI"). Source for European data: European Environmental Agency (EEA) Report No. 16/2018: Trends and Projections in Europe 2018. Based on 2017 data. Share of renewables in energy consumption in the EU reached 17.4%; 2) Source: Enviva; 3) Source: CME Group; 4) Source: Union Pacific; 5) Hawkins Wright: The Outlook for Wood Pellets – Demand, Supply, Costs and Prices; 1st Quarter 2019. North American industrial pellet demand forecasted to be 90,000 MTPY in 2023. Identified supply represents total estimated capacity in 2020

# FAMILIAR MIDSTREAM ACTIVITIES

Qualifying income generated by aggregating a natural resource (timber), processing it into fuel, transporting pellets to deep-water marine storage terminals, and delivering ratably to utility customers



Enviva performs activities similar to midstream MLPs without direct exposure to crude oil or natural gas prices

# ENVIVA PARTNERS, LP: PRODUCTION PLANTS AND TERMINAL ASSETS

## Production Plants – 3.5 million MTPY

### Amory

Location: Amory, MS  
Startup: August 2010 (acquired)  
Annual Production: 120K MTPY

### Ahoskie

Location: Ahoskie, NC  
Startup: November 2011  
Annual Production: 415K MTPY

### Sampson

Location: Sampson, NC  
Startup: November 2016  
Annual Production: 555K MTPY, expected to increase to 600K MTPY in 2019

### Cottondale

Location: Cottondale, FL  
Startup: May 2008 (acquired)  
Annual Production: 730K MTPY

### Northampton<sup>1</sup>

Location: Northampton, NC  
Startup: April 2013  
Annual Production: 550K MTPY

### Southampton<sup>1</sup>

Location: Southampton, VA  
Startup: October 2013  
Annual Production: 545K MTPY

### Hamlet<sup>2</sup>

Location: Hamlet, NC  
Startup: June 2019  
Annual Production: 600K MTPY



## Storage and Terminaling Assets

### Port of Mobile

Location: Mobile, AL  
Startup: 3<sup>rd</sup> Party Agreement  
Storage: Flex barge storage with 45K+ metric tons of capacity

### Port of Chesapeake

Location: Chesapeake, VA, wholly-owned by Enviva  
Startup: November 2011  
Storage: Dome storage with 90K metric tons of capacity

### Port of Panama City

Location: Panama City, FL  
Startup: 3<sup>rd</sup> Party Agreement  
Storage: Warehouse storage with 32K metric tons of capacity

### Port of Wilmington

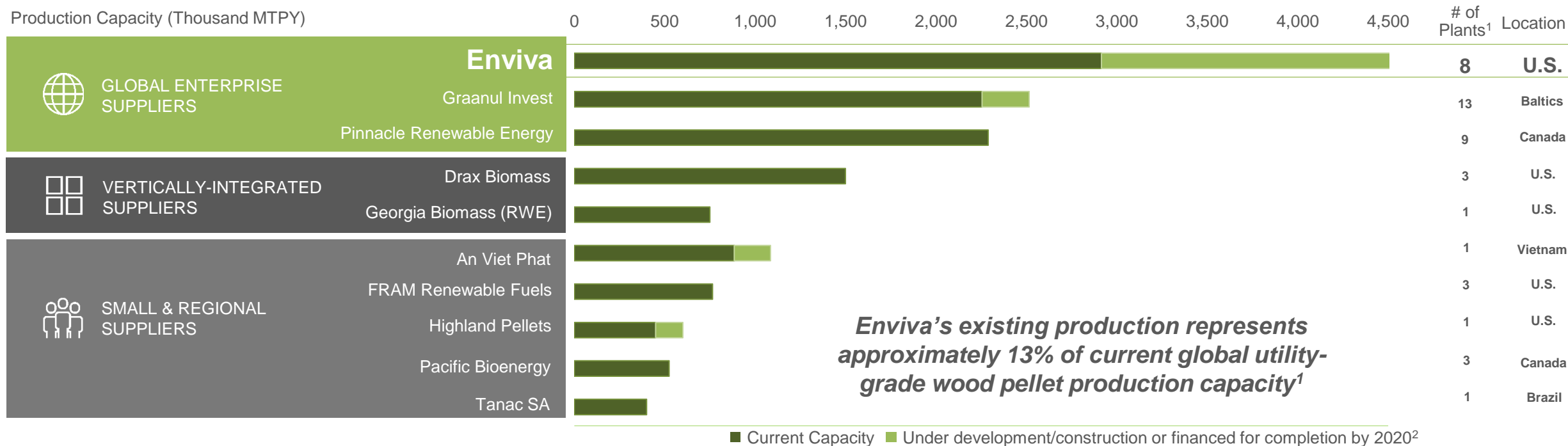
Location: Wilmington, NC, wholly-owned by Enviva  
Startup: 2016  
Storage: Dome storage with 90K metric tons of capacity



# DURABLE COMPETITIVE ADVANTAGE

Enviva is the world's largest publicly traded global enterprise supplier in a highly fragmented industry with numerous small, single-plant operators

- A “build and copy” approach allows for highly efficient, large-scale production facilities and creates operating leverage
- Multi-plant profile and global scale translate into superior reliability and opportunities for optimization
- Access to robust fiber baskets allows for reliable raw material supply and a flat marginal cost curve for incremental production



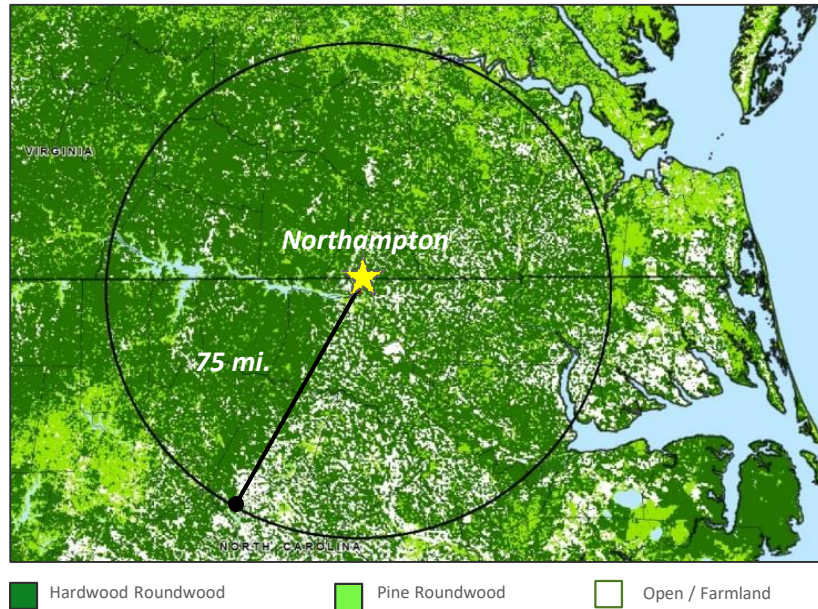
1) Enviva's total production capacity and number of plants are based on nameplate capacities of existing operating plants, planned capacity expansions at Southampton and Northampton plants, the estimated capacity of the Hamlet plant, and the estimated capacity of the Greenwood plant, which is owned by the Second JV. We expect to have the opportunity to acquire assets or completed development projects from our Sponsor or the Second JV in the future. Production capacity and number of plants for other pellet producers are based on Hawkins Wright: The Outlook for Wood Pellets – Demand, Supply, Costs and Prices; 1st Quarter 2019

2) Although the Greenwood plant is included in the category of “under development/construction,” it is currently operational. The Partnership expects the Hamlet plant to achieve commencement of commercial operations in June 2019 and reach its nameplate production capacity of approximately 600,000 MTPY in 2021



# NEGATIVE DEPLETION RESOURCE PLAY

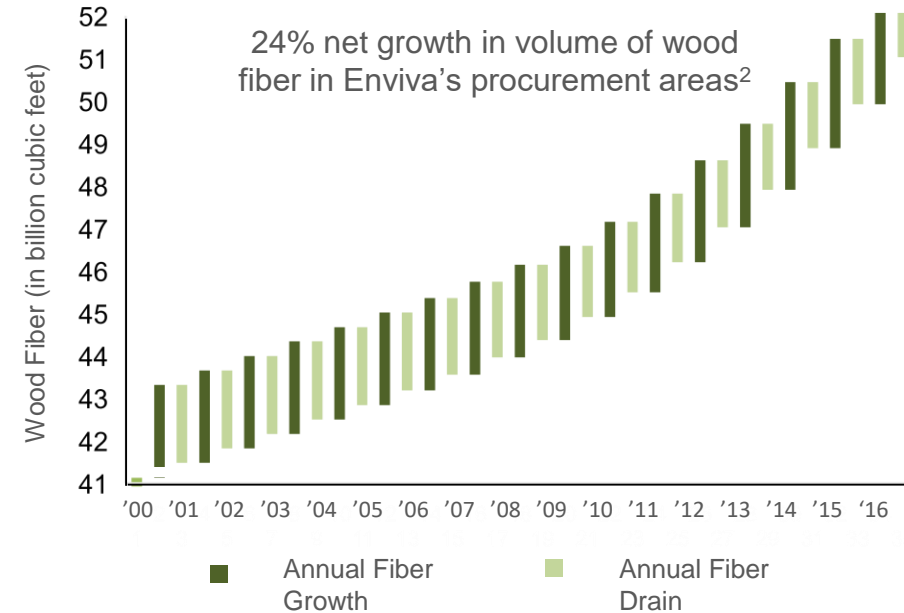
## Robust Resource with Fragmented Supplier Base



65,000+ private landowners  
860 million+ tons of fiber

14 million+ tons net annual fiber excess<sup>1</sup>  
1 million tons annual facility demand

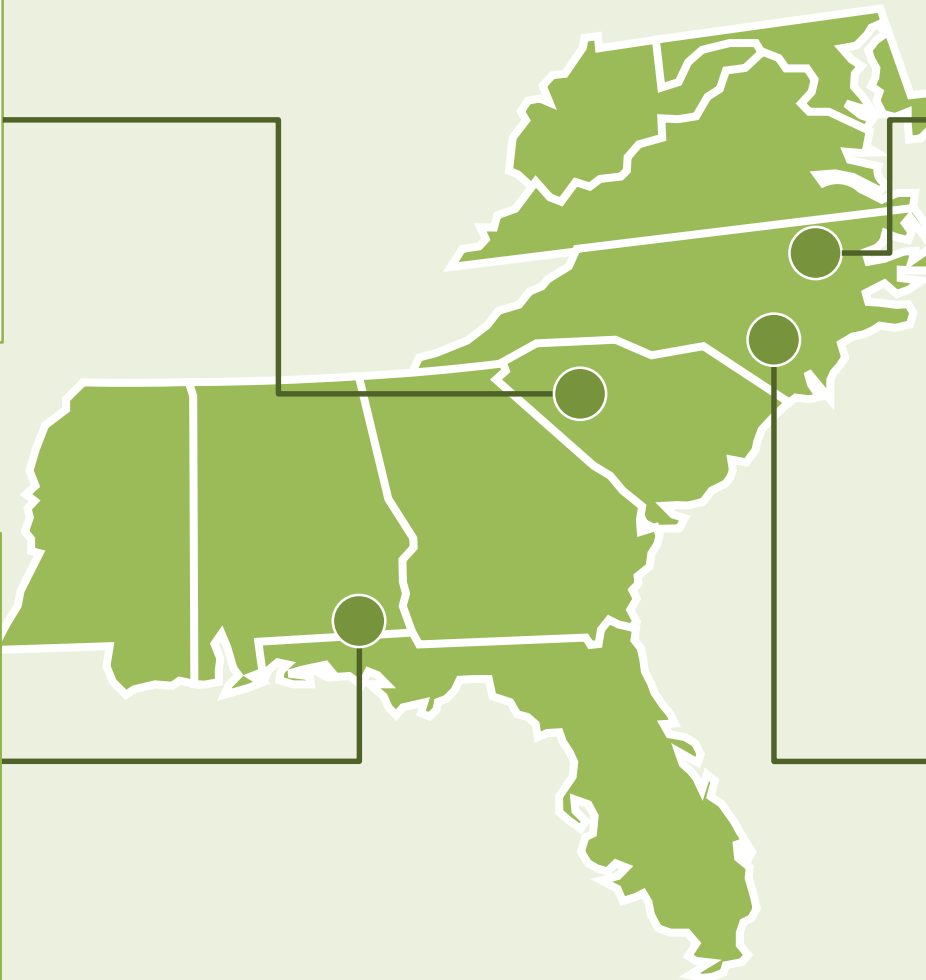
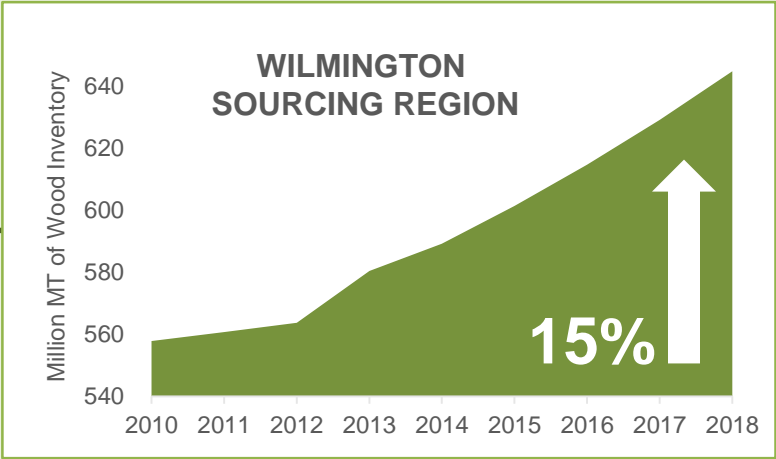
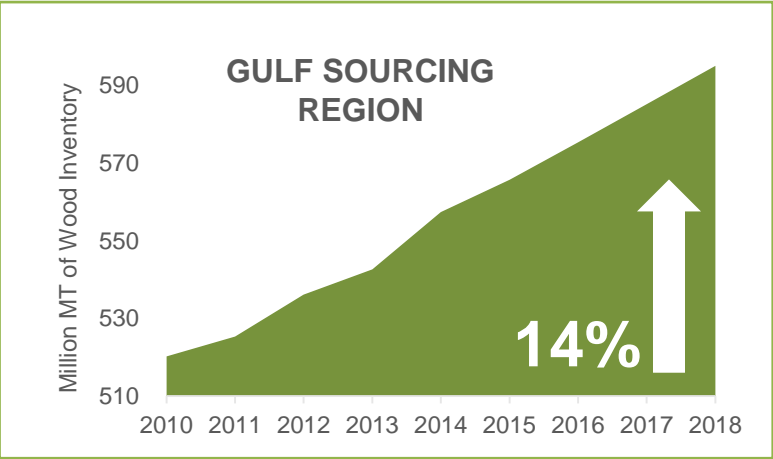
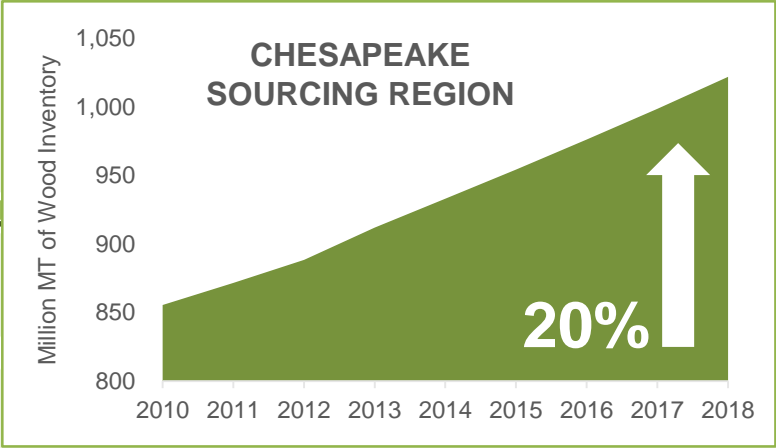
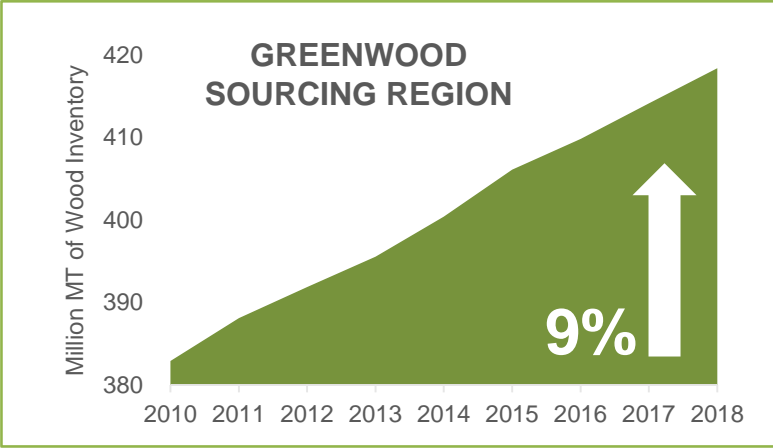
## Advantaged Resource Availability



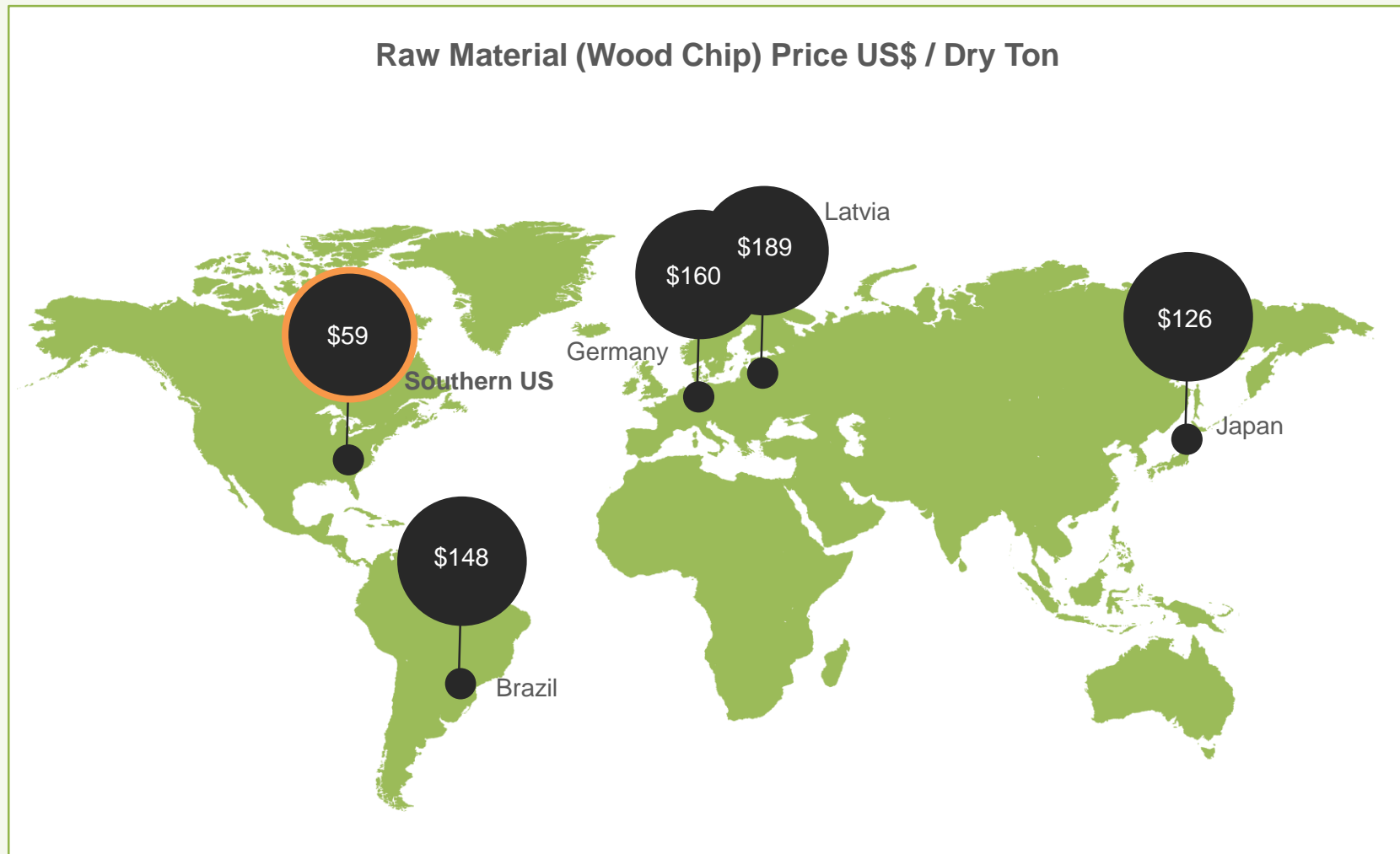
Wood fiber analog to conventional oil and gas would be adding the proved reserves of nearly two additional Permian Basins in the U.S.<sup>3</sup>

- 1) FIA Data (EVALIDator; 2017) In the last year where state forest inventory data is available, total wood fiber within the fiber sourcing area for the Partnership's Northampton plant grew by approximately 29.6 million tons and total harvest removals were approximately 15.2 million tons, resulting in 14.4 million tons of excess fiber
- 2) FIA Data, from 2000 through 2016, in Virginia, North Carolina, Mississippi and Florida, the four primary areas Enviva sources its wood fiber, total wood fiber volume grew by approximately 39.1 billion cubic feet and total wood fiber drain was approximately 29.2 billion cubic feet. As the result, net fiber volume grew by approximately 9.9 billion cubic feet, a net increase of 24% from 2000
- 3) U.S. Crude Oil and Natural Gas Proved Reserve, Year-end 2017, U.S. Energy Information Administration. As of 12/31/2017, proved oil and natural gas reserves of the U.S. were approximately 122.0 billion barrels of oil equivalent with approximately 16.6 billion barrels of oil equivalents in the Permian Basin

# NET FIBER GROWTH ACROSS ALL ENVIVA'S SOURCING REGIONS<sup>1</sup>



# BREAKING THE FIBER LOGISTICS BARRIER UNLOCKS NORTH AMERICAN BASIS DIFFERENTIAL



>\$250 Billion

Value of annual global trade in wood products

Pelletizing fiber breaks logistics barrier and enables worldwide delivery

Source: All data except data for Brazil are from RISI World Timber Price Quarterly – December 2018 for the third quarter of 2018. The wood chip price for Latvia is based on CIF Sweden. Data for Brazil is from Forest2Market - the cost of delivered wood chips in Brazil is approximately US\$41-\$43 per green metric ton. The primary in-country market for these chips is the food production and crop industries, which use chips for heat and drying purposes. However, the average minimum FOB price in Brazil is around US\$148 per dry metric ton due to the logistical and administrative costs related to exporting these chips

# FULLY CONTRACTED PRODUCTION PROFILE

Sales strategy is to fully contract our production capacity under long-term agreements

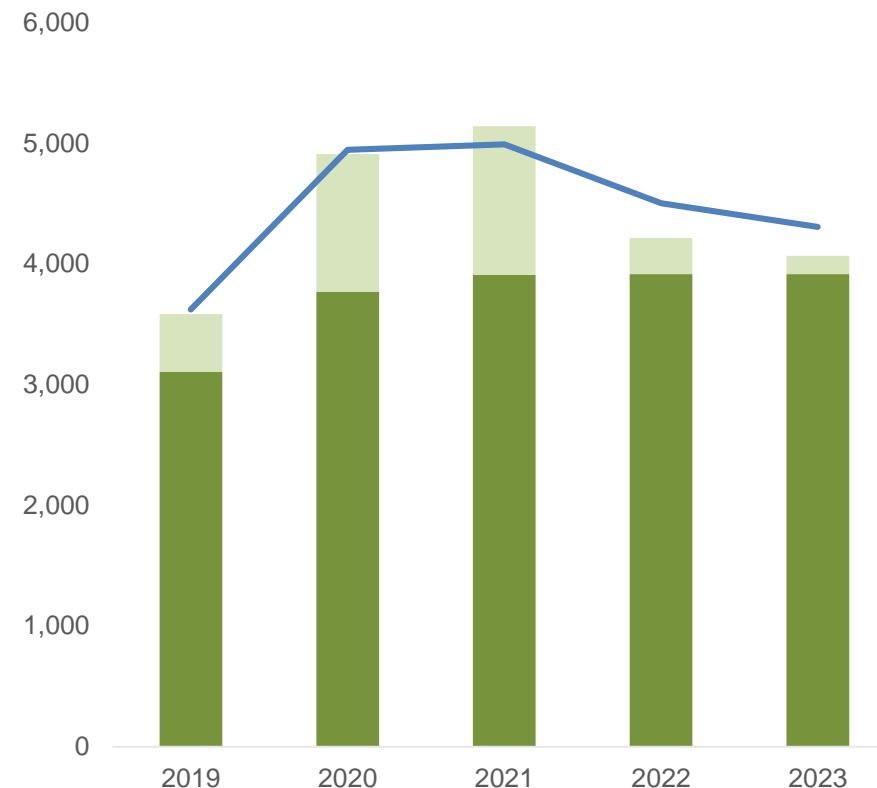
**\$9.9 Billion**  
Contracted revenue backlog<sup>1</sup>

**10.5 Years**  
Partnership's weighted-average remaining term of off-take contracts<sup>1</sup>

Fully contracted through  
**2025**

Thousand MTPY

■ EVA Production<sup>2</sup>    ■ EVA Purchases<sup>3</sup>    — Firm Off-Take Contracts<sup>4</sup>

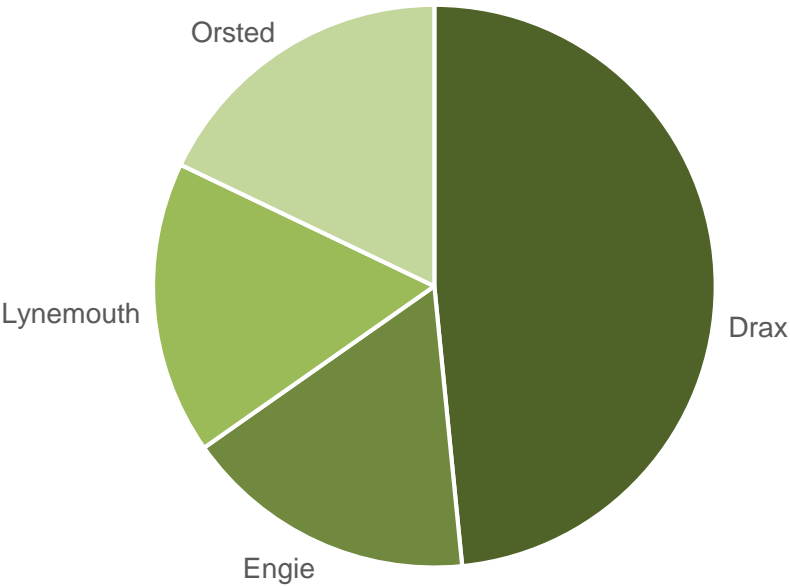


- 1) As of April 2, 2019, excluding contracts between our long-term off-take customers and our Sponsor and the Second JV
- 2) Does not take into account other opportunities the Partnership expects to have to increase production capacity, except planned production capacity expansions totaling 400,000 MTPY at the Partnership's Southampton and Northampton plants, subject to receiving the necessary permits, as announced as part of our Earnings Release as of November 8, 2018
- 3) Represents the estimated volumes the Partnership is expected to purchase from the Second JV under the off-take contract for the Greenwood plant's production and volumes sourced from third parties under existing agreements
- 4) Contracted volumes in the graph above include only contracts of Enviva Partners, LP or its subsidiaries and do not include volumes under our Sponsor and the Second JV's contracts



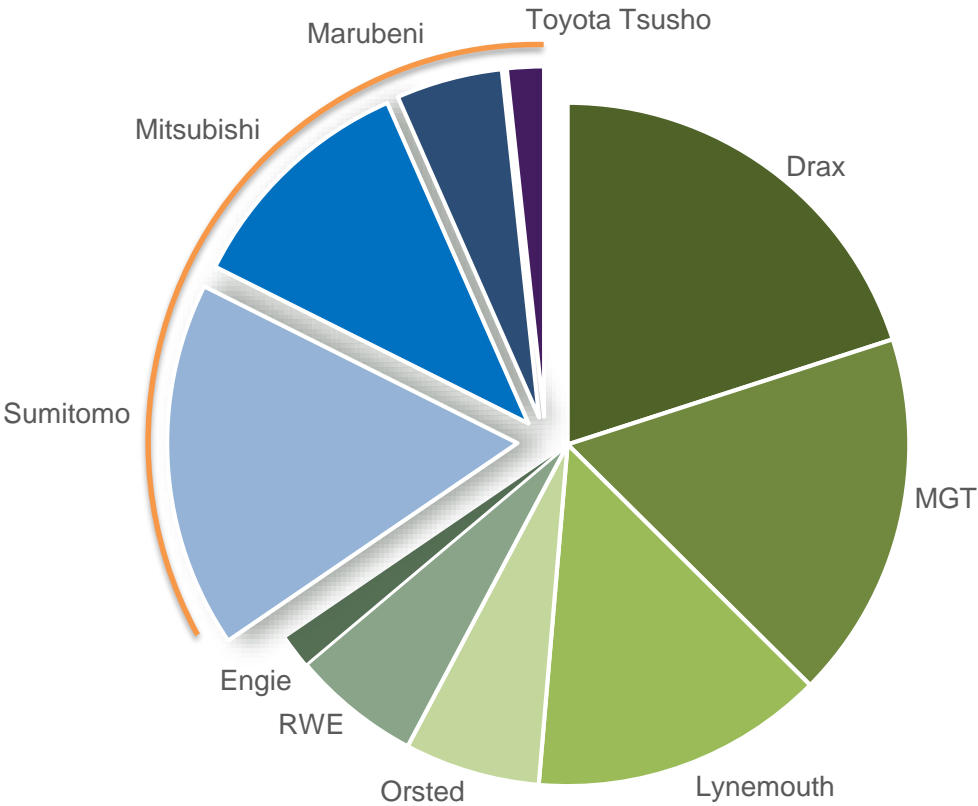
# INCREASINGLY DIVERSE CUSTOMER BASE

2018 Off-Take Contract Mix<sup>1</sup>



~3 million MTPY<sup>1</sup>

2023 Off-Take Contract Mix<sup>2</sup>



~5.7 million MTPY<sup>2</sup>



~ 35% from Japanese Customers by 2023

12.2 Years<sup>2</sup>  
weighted-average remaining term

\$14.4 Billion<sup>2</sup>  
contracted revenue backlog

1) Includes base volume only  
2) Includes all volumes under the firm off-take contracts held by the Partnership, our Sponsor and the Second JV. The Partnership expects to have the opportunity to acquire these contracts from our Sponsor and the Second JV

# THREE PILLARS OF GROWTH

## Organic Growth within the Partnership

- Pricing increases and escalators under existing contracted position
- 400,000 MTPY aggregate production capacity expansion underway at Northampton and Southampton<sup>1</sup>
  - ~\$130.0 million expected investment and ~\$30.0 million in expected incremental adjusted EBITDA annually<sup>2</sup>
  - Expected completion of construction in the first half of 2020 with startup and commercial operation shortly thereafter
  - Potentially similar expansion projects at our other production plants
- 7 - 10% anticipated annual organic growth driven by contract price escalations, cost reduction, and productivity improvements

## Accretive Drop-Downs from Sponsor

- Four drop-downs since IPO including 1.7 million MTPY of production capacity and 3 million MTPY of terminaling capacity
- 3+ million MTPY development pipeline at our Sponsor, including:
  - The Greenwood plant
  - The Pascagoula terminal
  - The Lucedale plant
  - Additional locations in Alabama and Mississippi around the planned Pascagoula terminal
  - Locations near the Partnership's existing terminals in the Port of Chesapeake and Port of Wilmington

## Third-Party Acquisition Opportunities

- Proven, successful, and selective acquirer
- Acquisitions must compare favorably to Sponsor development pipeline and drop-down economics
- Target opportunities must be core to the business and bring new customer set, strategic capability, and/or geographic diversification

1) Subject to receiving the necessary permits. Additional details are available as part of our Earnings Release as of November 8, 2018;

2) The estimated incremental adjusted EBITDA that can be expected from the expansions is based on an internal financial analysis of the anticipated benefit from the incremental production capacity at the Northampton and Southampton production plants;

# THE WILMINGTON CLUSTER

## HAMLET, NC



- 600,000 MTPY capacity<sup>1</sup>
- Expected to be operational in June 2019
- Production supporting off-take contract to supply the Macquarie MGT Teesside project in the UK

## GREENWOOD, SC<sup>2</sup>



- 500,000 MTPY production capacity, expected to increase to 600,000 MTPY<sup>3</sup>
- Production will be initially sold to the Partnership under a 4-year off-take contract

## SAMPSON, NC



- 600,000 MTPY upon achieving full production capacity
- Drop-down acquisition completed in December 2016 and included a long-term contract with Ørsted

## PORT OF WILMINGTON, NC



- 3 million MTPY throughput capacity
- Drop-down acquisition completed in October 2017 and April 2019 in tranch payments



The Sponsor continues to evaluate development locations near the Partnership's existing terminals

# THE PASCAGOULA CLUSTER<sup>1</sup>

## LUCEDALE, MS



- “Build-and-copy” production plant
- Robust fiber basket, 180+ million tons of fiber inventory in procurement radius
- ~50 miles to Port of Pascagoula

## PORT OF PASCAGOULA, MS



- “Build-and-copy” deep-water marine terminal
- Multi-modal access by rail, truck and barge
- Deep berth capable of supporting Ultramax ships



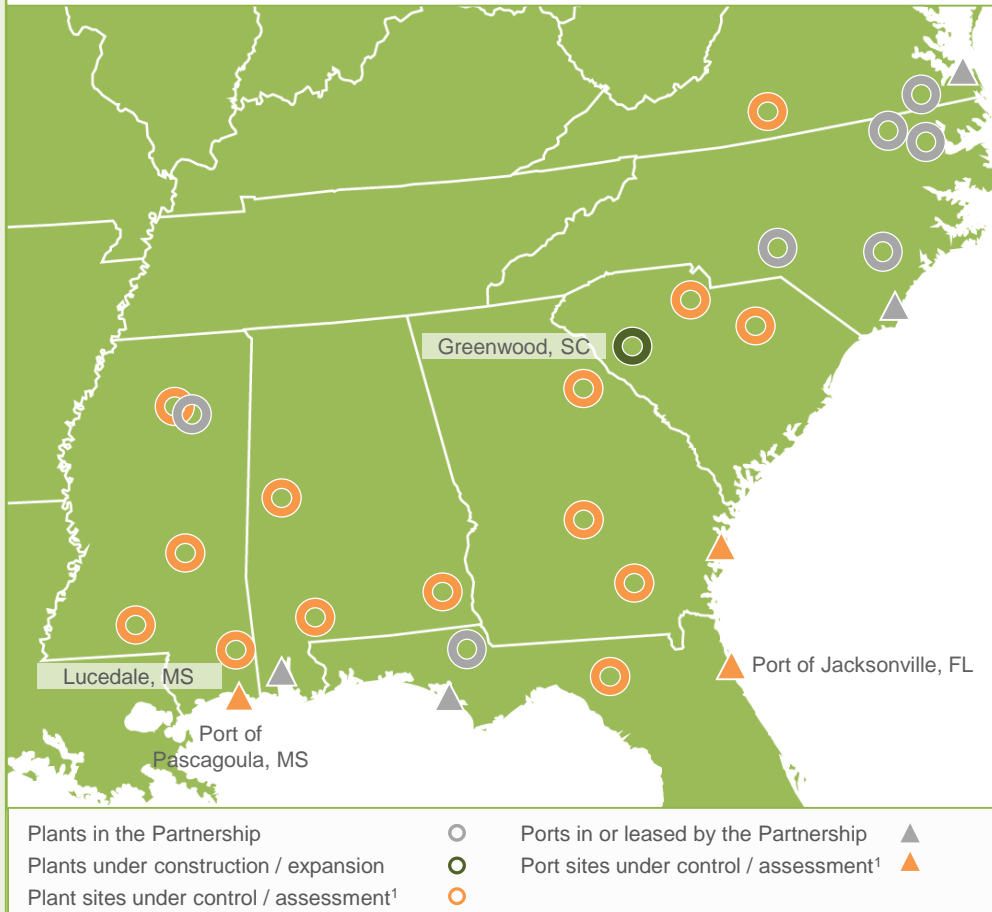
The Sponsor is evaluating locations for 2 - 3 additional production plants to fill out the Pascagoula cluster

1) The Pascagoula terminal and the Lucedale plant are currently being developed by the Sponsor and the Second JV



# DEVELOPMENT AND EXPANSION OPPORTUNITIES

## Sponsor's Development Pipeline – “Build and Copy” Approach

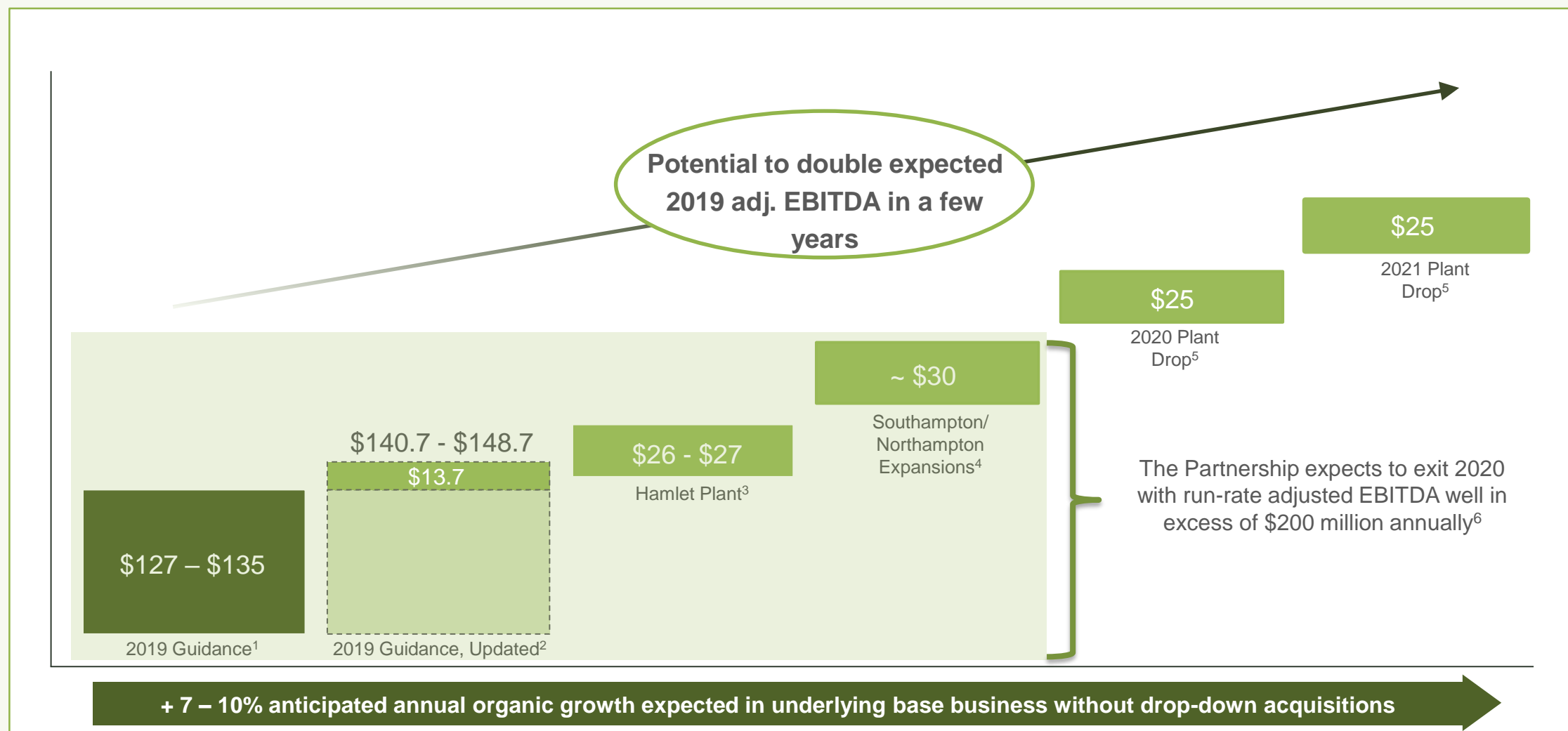


## Production Capacity Expansion Underway at Southampton and Northampton Plants



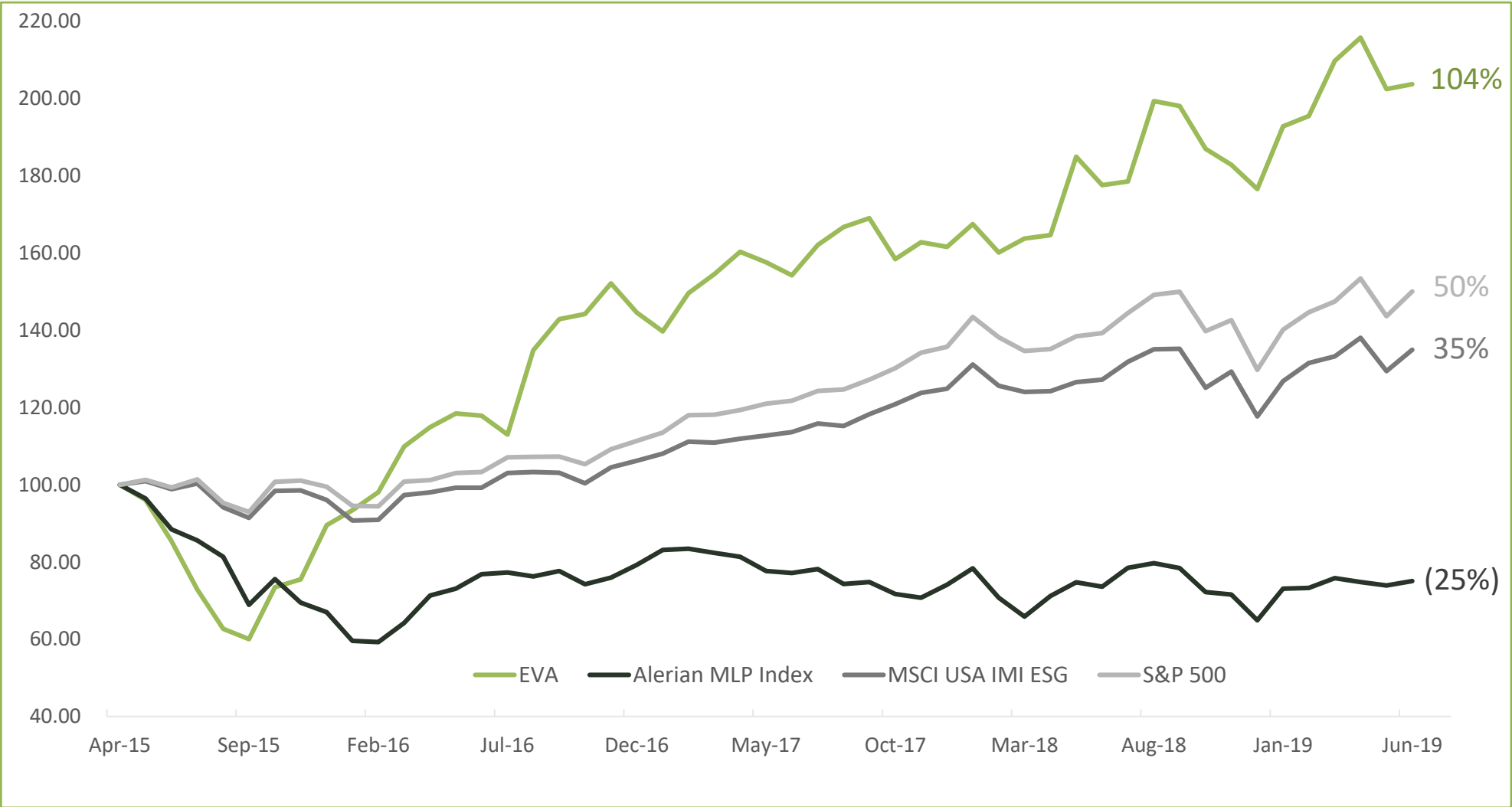
- ~400,000 MTPY expected aggregate capacity expansion
- ~\$30.0 million in expected incremental adjusted EBITDA annually<sup>2</sup>
- ~\$130.0 million expected investment in additional production assets and emissions control equipment
- Expected completion of expansion activities in the first half of 2020 with startup and commercial operation shortly thereafter

# VISIBLE GROWTH



1) On February 20, 2019, provided full-year 2019 guidance for net income in a range of \$31.0 to \$39.0 million and adjusted EBITDA in the range of \$127 to \$135 million; 2) On May 8, 2019, updated full-year 2019 guidance for net income in a range of \$18.9 to \$26.9 million and adjusted EBITDA in the range of \$140.7 to \$148.7 million. The \$13.7 million increase in the estimated range for adjusted EBITDA for full-year 2019 is attributable to incremental adjusted EBITDA associated with the Hamlet Transaction and benefit of the terminal services agreement to handle contracted volumes from the Hamlet plant at the Wilmington terminal during the second quarter of 2019; 3) Additional details are available in our press release as of March 25, 2019; 4) The estimated incremental adjusted EBITDA that can be expected from the Southampton/Northampton expansions is based on an internal financial analysis of the anticipated benefit from the incremental production capacity at these plants; 5) The estimated incremental adjusted EBITDA that can be expected from a drop-down of a wood pellet production plant is based on similar plants in our portfolio. Although we expect to have the opportunity to acquire assets or completed development projects, including the Greenwood plant and the Lucedale plant, from our Sponsor or the Second JV in the future, we cannot assure you that our Sponsor or the Second JV will be successful in completing their development/improvement projects or that we will successfully negotiate an agreement with our Sponsor or the Second JV to acquire such assets or projects; 6) On March 25, 2019, provided full-year 2021 guidance for net income in the range of \$87.7 million to \$117.7 million and adjusted EBITDA in the range of \$210.0 million to \$240.0 million.

# EVA TOTAL RETURNS<sup>1</sup>



Since IPO in 2015, EVA has outperformed the Alerian MLP Index by 129%

1) As of June 10, 2019. Based on Bloomberg's total return data, which assumes reinvestment of distributions/dividends. Normalized for comparison purposes



*Night Shift at Enviva Pellets Northampton*

## Appendix: Financial Information



# GUIDANCE

<i>\$ MILLIONS, EXCEPT PER UNIT FIGURE</i>	<b>Twelve Months Ending December 31, 2019<sup>1</sup></b>	<b>Twelve Months Ending December 31, 2021<sup>2</sup></b>
NET INCOME	\$18.9 – 26.9	\$87.7 – 117.7
ADJUSTED EBITDA	\$140.7 – 148.7	\$210.0 – 240.0
INTEREST EXPENSE	\$41.9	-
MAINTENANCE CAPEX	\$6.8	-
DISTRIBUTABLE CASH FLOW	\$92.0 – 100.0	-
DISTRIBUTION PER UNIT OF AT LEAST	\$2.65	-

**The Partnership expects to distribute at least \$2.65 per common unit for full-year 2019 and \$2.87 to \$2.97 per common unit for full-year 2020<sup>3</sup>**

**Targeted annual distribution coverage ratio for the full years of 2019 and 2020 is at least 1.20 times, on a forward looking basis<sup>2</sup>**

1) Additional details are available as part of our Earnings Release as of May 8, 2019

2) Additional details are available as part of our press release as of March 25, 2019

3) On March 25, 2019, provided distribution guidance of at least \$2.65 per common unit for full-year 2019 and \$2.87 to \$2.97 per common unit for full-year 2020

# FINANCIAL RESULTS

<i>\$ MILLIONS, EXCEPT PER METRIC TON AND PER UNIT FIGURE</i>	<b>Three Months Ended March 31, 2019</b>	<b>Three Months Ended March 31, 2018</b>
NET REVENUE	\$158,369	\$125,324
COST OF GOODS SOLD	\$148,462	\$130,342
GROSS MARGIN	\$9,907	(\$5,018)
AGM PER METRIC TON	\$32.73	\$33.40
NET LOSS	(\$8,923)	(\$19,335)
ADJUSTED EBITDA	\$21,616	\$17,573
DISTRIBUTABLE CASH FLOW <sup>1</sup>	\$11,840	\$8,812
DISTRIBUTION PER UNIT <sup>2</sup>	\$0.645	\$0.625

**Fifteenth consecutive distribution increase since the initial public offering**

1) Prior to any distributions paid to our general partner

2) Per limited partner unit

# NON-GAAP FINANCIAL MEASURES

This presentation contains certain financial measures that are not presented in accordance with GAAP. Although they should not be considered alternatives to the GAAP presentation of the financial results of the Partnership, management views such non-GAAP measures as important to reflect the Partnership's actual performance during the periods presented.

## Non-GAAP Financial Measures

We use adjusted gross margin per metric ton, adjusted EBITDA, and distributable cash flow to measure our financial performance.

### *Adjusted Gross Margin per Metric Ton*

We use adjusted gross margin per metric ton to measure our financial performance. We define adjusted gross margin as gross margin excluding asset disposals, depreciation and amortization, changes in unrealized derivative instruments related to hedged items included in gross margin, and certain items of income or loss that we characterize as unrepresentative of our ongoing operations, including certain expenses incurred related to the Chesapeake Incident and Hurricane Events, consisting of emergency response expenses, expenses related to the disposal of inventory, and asset disposal and repair costs, offset by insurance recoveries received, as well as employee compensation and other related costs allocated to us in respect of the Chesapeake Incident and the Hurricane Events pursuant to the MSA for services that could otherwise have been dedicated to our ongoing operations. We believe adjusted gross margin per metric ton is a meaningful measure because it compares our revenue-generating activities to our operating costs for a view of profitability and performance on a per metric ton basis. Adjusted gross margin per metric ton will primarily be affected by our ability to meet targeted production volumes and to control direct and indirect costs associated with procurement and delivery of wood fiber to our production plants and the production and distribution of wood pellets.

# NON-GAAP FINANCIAL MEASURES – (CONT.)

## *Adjusted EBITDA*

We view adjusted EBITDA as an important indicator of our financial performance. We define adjusted EBITDA as net (loss) income excluding depreciation and amortization, interest expense, income tax expense, early retirement of debt obligations, non-cash MSA Fee Waivers and unit compensation expenses, asset impairments and disposals, changes in unrealized derivative instruments related to hedged items included in gross margin and other income and expense, and certain items of income or loss that we characterize as unrepresentative of our ongoing operations, including certain expenses incurred related to the Chesapeake Incident and Hurricane Events, consisting of emergency response expenses, expenses related to the disposal of inventory, and asset disposal and repair costs, offset by insurance recoveries received, as well as employee compensation and other related costs allocated to us in respect of the Chesapeake Incident and the Hurricane Events pursuant to the MSA for services that could otherwise have been dedicated to our ongoing operations. Adjusted EBITDA is a supplemental measure used by our management and other users of our financial statements, such as investors, commercial banks and research analysts, to assess the financial performance of our assets without regard to financing methods or capital structure.

## *Distributable Cash Flow*

We define distributable cash flow as adjusted EBITDA less maintenance capital expenditures and interest expense net of amortization of debt issuance costs, debt premium, original issue discounts, and the impact from incremental borrowings related to the Chesapeake Incident and Hurricane Events. We use distributable cash flow as a performance metric to compare the cash-generating performance of the Partnership from period to period and to compare the cash-generating performance for specific periods to the cash distributions (if any) that are expected to be paid to our unitholders. We do not rely on distributable cash flow as a liquidity measure.

## *Limitations of Non-GAAP Measures*

Adjusted gross margin per metric ton, adjusted EBITDA, and distributable cash flow are not financial measures presented in accordance with GAAP. We believe that the presentation of these non-GAAP financial measures provides useful information to investors in assessing our financial condition and results of operations. Our non-GAAP financial measures should not be considered as alternatives to the most directly comparable GAAP financial measures. Each of these non-GAAP financial measures has important limitations as an analytical tool because they exclude some, but not all, items that affect the most directly comparable GAAP financial measures. You should not consider adjusted gross margin per metric ton, adjusted EBITDA, or distributable cash flow in isolation or as substitutes for analysis of our results as reported under GAAP.

Our definitions of these non-GAAP financial measures may not be comparable to similarly titled measures of other companies, thereby diminishing their utility.



## NON-GAAP FINANCIAL MEASURES RECONCILIATION (CONT.)

Our Sponsor's estimates of incremental adjusted EBITDA for the Hamlet plant is based on numerous assumptions that are subject to significant risks and uncertainties. The assumptions underlying our Sponsor's estimates of incremental adjusted EBITDA generated by certain of its assets are inherently uncertain and subject to significant business, economic, financial, regulatory, and competitive risks and uncertainties that could cause actual results and amounts to differ materially from those estimates. For more information about such significant risks and uncertainties, please see the risk factors discussed or referenced in our filings with the Securities and Exchange Commission (the "SEC"), including the Annual Report on Form 10-K and the Quarterly Reports on Form 10-Q most recently filed with the SEC.

Reconciliations of estimate of incremental adjusted EBITDA for potential drop-downs of wood pellet production plant(s) are not provided because the GAAP net income to be generated by the potential drop-downs of wood pellet production plant(s) is not available without unreasonable effort, in part because the amount of estimated incremental interest expense related to the financing of the potential drop-downs of wood pellet production plant(s) is not available at this time.

Our estimate of incremental adjusted EBITDA from the planned expansions at Southampton and Northampton production plants (the "Mid-Atlantic Expansions") is based on numerous assumptions that are subject to significant risks and uncertainties. Those assumptions are inherently uncertain and subject to significant business, economic, financial, regulatory, and competitive risks and uncertainties that could cause actual results and amounts to differ materially from such estimate. A reconciliation of the estimated incremental adjusted EBITDA expected to be generated by the Mid-Atlantic Expansions to the closest GAAP financial measure, net income, is not provided because net income expected to be generated by the expansions is not available without unreasonable effort, in part because the amount of estimated incremental interest expense related to the financing of the expansions and depreciation are not available at this time.



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