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COMPANY INTERVIEW

THOMAS METH

Enviva Inc.

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Enviva Inc. (NYSE:EVA)



THOMAS METH is President, Chief Executive Officer, and a co-founder of Enviva Inc., a leading global renewable energy company specializing in sustainable wood bioenergy. Enviva sells most of its wood pellets through long-term, take-or-pay off-take contracts with creditworthy customers in the United Kingdom, the Caribbean, the European Union, and Japan, helping to accelerate the energy transition and to de-fossilize hard-to-abate sectors like steel, cement, lime, chemicals, and aviation fuels. Prior to his appointment as Chief Executive Officer in November 2022, he held the position of President, working closely with Enviva's former CEO, Mr. John Keppler, with responsibility for the company's activities from the forest, through its operations and logistics, and ultimately to the customers' discharge. Mr. Meth has led Enviva's

business development, sales and commercial customer relations teams as well as developed and oversaw the fiber procurement and sustainability teams. In addition, he has had oversight over the broader plant and port operations and global public affairs initiatives. Mr. Meth supported Mr. Keppler in the pursuit of transitioning Enviva Partners, LP (NYSE:EVA), now Enviva Inc., to its initial public offering on the New York Stock Exchange on April 29, 2015, making it the first publicly traded company in the industry. In 2011, Mr. Meth led the launch of the U.S. Industrial Pellet Association (USIPA), a not-for-profit trade association promoting sustainability and safety practices within the U.S. wood energy industry and expanding wood bioenergy's market access internationally. Mr. Meth was also the Treasurer and founding board member of #forestproud, a program that is now under the auspices of the Society of American Foresters (SAF) which promotes and supports forest climate solutions. Mr. Meth holds a Bachelor of Commerce from Vienna University of Economics and Business Administration in Austria as well as an MBA from The Darden Graduate School of Business Administration at The University of Virginia. Originally from Vienna, Austria, Mr. Meth currently resides in Washington, D.C. with his wife, two daughters, and their dog. In his free time Mr. Meth enjoys spending time with his family, playing tennis, skiing and traveling.

SECTOR — UTILITIES

(BDZ601) TWST: Why don't you start with an introduction and overview of the company?

Mr. Meth: Enviva is the largest wood pellet manufacturer in the world. We have a capacity of 6.2 million tons. We take a very heterogeneous, fragmented, renewable natural resource in the form of woody biomass and turn it into a commodity, a biomass fuel that can replace fossil fuels, such as gas, coal and oil across the world.

We make this product transportable and cost effective. For example, currently, it is competitive, or even at a lower cost, than any fossil fuel alternative taking carbon pricing into account.

We started this business in 2004 and have been a pure play as a wood pellet company since 2010. We also consider ourselves an infrastructure business, meaning we sign long-term off-take agreements with credit worthy counterparties across the world. We have a contracted revenue backlog of over \$20 billion, and with that backlog, we are building infrastructure to take that fragmented resource — wood fiber — and turn it into the product that replaces fossil fuels — wood pellets.

In addition to manufacturing facilities, we are also building the logistical infrastructure — port terminals — needed to create storage that will eventually load, transport, and deliver our product in a reliable and timely fashion to our customers.

TWST: You co-founded the company in 2004. I'm curious, how has your vision changed over nearly 20 years?

Mr. Meth: That's a great question. When we began, we built small, distributed power and heat plants. Early on, we realized that the real gap in the biomass energy base was not people building and operating the power plants, rather it was the aggregation and the commoditization of the fuel. That's when we really focused on sourcing and producing the fuel side of the business beginning in 2010, and that's been our growth area and the space where we've become the largest player.

TWST: Late last year, in December, the company announced it had signed a new 10-year take-or-pay supply contract with an existing European customer. You expect to supply 800,000 metric tons of industrial-grade wood pellets per year. Can you elaborate on the significance of this?

Mr. Meth: We have an incredibly supportive market dynamic for our business. At the beginning of the pandemic, Europe decided to really lean in on green energy and announced the Green Deal, which fundamentally changed the value of carbon in Europe, and has led to more long-term certainty. From historically EUR20 per ton, to now EUR75, EUR80, going onto EUR100 a ton. That was a massive change in step and a tailwind for our business.

There is a large subset of our business that is the power industry. The power industry pipeline was developed on the basis of different policy instruments in Europe, such as the coal tax or various incentives for biomass to compete against coal, for example,

particularly when carbon pricing was that low. Fast forward, it's an incredible vote of confidence from our existing customers that they're actually willing to lock in incremental contracts, believing that these tailwinds will run for the foreseeable future.

“And now we have 10 plants operating, and we’re constructing and delivering a plan to continue to maximize uptime of those facilities, drive down costs, hire the right people, and to retain those people in a job market that has been difficult. I think we’ve done a lot of good work in 2022 and we’ll continue that way in 2023.”

Not to mention, there is a structural biomass shortage and a structural renewable power shortage. Both of those together allow that particular customer to say, “You know what, we want to make sure we have the biomass available as part of our strategy and we don’t want this to be sold somewhere else.” So our customer is taking a very long-term strategic view for delivery starting in 2027.

TWST: How would you outline your priorities for this year and in the next year or two?

Mr. Meth: We consider ourselves a strong growth company. Since, particularly the beginning of the Ukraine war, a sense of urgency has increased dramatically. In the past, we’ve focused on the “new project” that will be developed over time — three to four years — as a form of long-term strategic plan. That has now changed to a discussion around how fast can we actually increase our capacity to deliver incremental volumes.

As I implied before, the way we sign long-term agreements, and the huge backlog we’ve accrued over the last decade, we don’t have incremental production to sell. So in order for us to grow, we need to build more infrastructure. I think we’re currently on a great path to double the company over the next several years, to build more infrastructure, and to meet the current global demand we’re faced with.

It’s important to note that 2022 was our first year as a publicly traded corporation. And now we have 10 plants operating, and we’re constructing and delivering a plan to continue to maximize uptime of those facilities, drive down costs, hire the right people, and to retain those people in a job market that has been difficult. I think we’ve done a lot of good work in 2022 and we’ll continue that way in 2023.

Last thing I will say is, in addition to growing and developing our infrastructure, we’re paying a healthy dividend. We can do both and we’ll certainly continue to do that.

TWST: What kind of protocols do you have in place to ensure that the company is using wood waste and not whole trees?

Mr. Meth: One of the most important things in our business is sustainability, and it is at the core and at the heart of what we do. Let me explain how we ensure that we’re taking the right kind of wood. For starters, it’s a commercial reality that, one, the straight stem of a tree that can go to a sawmill is five to 10 times more expensive than the type of wood we buy. So, purely from a commercial perspective, there is no incentive for someone to sell wood to us that should, and would otherwise, go to a sawmill.

It is really important to understand that our industry is symbiotic to the sawmill industry. Approximately 50% of trees that are harvested typically go to a sawmill and will be turned into long-term carbon storage in the form of furniture or building materials for housing. The other 50% historically have gone to the paper industry. As the paper industry has quite substantially declined over the last 20 years in the United States, we are filling that gap in areas where there is no, or very little, demand from the paper industry. The bioenergy industry can fill that void in concert with the sawmills.

On top of that, we have an industry leading, proprietary Track & Trace system that requires GPS coordinates of where the wood is being harvested so that we can check that the wood does not come from High Conservation Value — HCV — areas. If HCV areas are identified, we will not accept wood from those tracts/areas. In our processes, it is also really important to know the landowner’s intention to keep the land as forests — this is crucial, and is part of our wood procurement contractual obligations.

Then, we make sure that we understand the quality of the stands coming to us to verify we’re paying the lowest amount of money per ton, which we verify. We also take the time to better understand where other products from a particular tract are going to further verify we’re taking the right kind of wood out of a traditional timber harvest. In addition to traditional harvests, we also take sawmill residues from the local processing facilities.

TWST: I also wanted to ask you about the report by Blue Orca Capital that was released in October, I believe. It says that your EBITDA is inflated and you’re greenwashing your wood procurement. How did the company respond to that?

Mr. Meth: What we saw in that report was false. Before we affirmatively could say that, we went in and did a complete forensic investigation on every aspect that was mentioned in the report. For credibility purposes, we employed a third party to conduct the investigation. When the investigation came to a close, we can now conclude we found nothing that had any merit in that report.

As a result of that report, we got a lot of foundational questions from investors and stakeholders. Since then, we’ve taken a lot of investors into the forest to better explain some of the forest dynamics and nuances of the industry. Today, I think we’ve created a really loyal investor base with a long-term, positive view of the business.

Being the subject of such reports are never great days, but I believe we’re on the other side of that, and I’m very, very confident those claims were meritless.

TWST: And also, a study commissioned by the Southern Environmental Law Center found that your company is contributing to deforestation in the Southeast.

Mr. Meth: Deforestation doesn’t happen from taking wood. That’s a complete misnomer. And we have very solid processes in place to ensure that forests continue to grow and thrive in areas where we take wood. Deforestation in the Southeast is a real issue, but it happens because of urban sprawl, and sometimes because of agricultural usage. In actuality, more land moves from agricultural to forestry usage in the areas where we operate.

Unfortunately, we are seeing in states like North Carolina that the development of solar panels on forest land is becoming a real threat and causes deforestation. Our practices

do the exact opposite. Our industry creates markets for the landowner so that they can continue to invest in forestry and keep those forests as forests. Without markets like the ones we provide, the risk to forests is much higher.

It may sound a bit counterintuitive but markets play a vital role in keeping forests as forests. Without additional markets, we would see a lot more land conversions, not less, leading to increased deforestation. In fact, the forest stocks over the last 10 years around our plants have increased by 21%, which we can verify because we know the GPS coordinates of our feedstock.

TWST: What would you say was the most important takeaway from your most recent earnings report?

Mr. Meth: That Enviva will continue to grow. Don't get me wrong, 2022 had its fair share of disruptions in the overall supply chain, but we have an incredibly resilient business and we continue to hit our numbers. We're on target to meet the goals that we have set out for ourselves and our stakeholders.

TWST: And what would you say are some of the trends you're seeing in the industry right now, and how should investors look at the markets?

Mr. Meth: The biggest change that we've seen over the last year or two is that the applications for our product have dramatically increased. We used to be really focused on solely power and heat, and that's important, especially now with the current European situation and not having enough gas from Russia for heat. We continue to play a big role there. The change we've seen over the last two years, comes from industries like the lime industry, the steel industry, the asphalt industry, and the cement industry and their decision to take a close look at decarbonizing their production facilities and supply chains.

To this point, biomass is absolutely on top of their list of options because it's readily available now, it's cost effective, it's proven technology, and you can execute on it today. Within one to two years from now, you can have an entirely different carbon profile.

The same argument holds true on the liquid side. For instance, sustainable aviation fuels and biodiesel technologies have advanced to a point where you can now really make those investments, and in two to three years, you have real products that you can replace fossil fuels with. Not to mention this can be done on a large scale and is available today.

TWST: How has the movement in diesel costs impacted your outlook?

Mr. Meth: It has impacted us a little bit over the last year as it spiked some of our freight costs in transporting wood to some of our plants. Thankfully, it has certainly subsided a little bit and we're in a much, much better spot. During this time, we certainly took action to reduce our fuel usage. For example, we reduced the sourcing radii around our plants for wood supply.

TWST: Is most of your business based in Europe or overseas?

Mr. Meth: Historically, that has certainly been the focus, because of the value those jurisdictions put on carbon. We started in Europe, then we experienced large growth opportunities in Asia. Now both continents are growing rapidly.

What I find really exciting is the developing potential in the liquid space in the United States. For example, look at the current administration's incentives like the Inflation Reduction Act. There has been a lot of momentum to do a lot more in the United States. So that's going to be a potential big pillar of our business in the future.

TWST: When do you expect your cash flow operations to be positive on an annual basis?

Mr. Meth: 2022 was certainly a bit of a transition year. We had previously guided through a range of \$305 million to \$335 million for 2023 adjusted EBITDA. Looking ahead, our cash flows from operations will fall much more in line with what you would typically see in operations like ours, and what you've seen historically. We believe 2023 will show a lot of progress in that direction.

TWST: What do you think is the most important piece of information a potential investor should know about the company?

Mr. Meth: I think what the investors should know about the company is that we're extremely confident in our growth prospects. We cannot build these forthcoming facilities fast enough. We're building these facilities at a five times EBITDA multiple, and our business remains very resilient. Even when there's noise out there in the world around labor shortages and higher vehicle prices, we're hitting our numbers, which underpins that we can continue to grow at very attractive rates and save our customers money compared to fossil fuel alternatives.

TWST: And before we wrap things up, is there anything you wanted to mention that we haven't discussed?

Mr. Meth: We think that this is a good opportunity to invest in Enviva. We think that there's certainly potential for real appreciation in our stock price, as we hit our growth numbers. That's what me and my team absolutely work toward every day and our business outlook has never been brighter.

TWST: Thank you. (CJ)

THOMAS METH
President & CEO
Enviva Inc.
7272 Wisconsin Avenue
Suite 1800
Bethesda, MD 20814
(301) 657-5560
www.envivabiomass.com
email: info@envivabiomass.com