

Essentium and Atlantic Coastal Acquisition Corp.
Q&A with Blake Teipel and Jonathan Bailiff
December 1, 2021

Blake Teipel, Ph.D. CEO and Co-Founder of Essentium

The thing that excites me the most about Essentium is that this is an ecosystem that I know scales, it's the ecosystem that models itself financially, performance wise, throughput wise. And just like a CNC mill, or a lathe, or a molding machine.

And when I worked at Caterpillar, when I worked at John Deere, when I worked in manufacturing contexts, I was devoid of any opportunity to use additive. Because additive manufacturing simply didn't scale.

And so when we, when we can now deliver the capabilities of financial performance for the client on producing parts, and the mechanical property performance of molded, and milled parts with high performance, thermoplastics, you sort of, have an all-in-one.

It's, kind of, a one-stop shop where an additive ecosystem finally, really belongs on the factory floor. And that's really, I think, sort of, in summation, kind of, what separates Essentium, really, from any other advanced additive company is we're factory floor ready, factory floor relevant, and factory floor focused.

Jonathan Bailiff, Interim CFO of Essentium

I mean that's right, Blake, I mean for me as the Chief Financial Officer, but also somebody who has been in the Air Force, has been in industry, to see Essentium with our clients so quickly get adoption, and the foundation of that adoption, obviously, is the team we built. But a lot of that foundation is also based on the material sciences.

We start with the stuff, right, and the patents that we have, the commercial viability of it, which has been proven with really tough customers like DOD, like Toyota, or like others, really creates that foundation. That then, when you look at the systems themselves, what we call the robots; those then which have groundbreaking technology also creates this virtuous cycle for the client.

And that virtuous cycle is a low cost, total cost of operation. It provides a much faster level of both the servicing and creation of their products for their clients. And then finally, you see an ability to do this in an ESG way, which our clients are demanding right now.

And this is a company that has been doing materials for many, many years, has systems in place, and already an installed base that's very large, and very global. That ESG element is so important to our client base whether it be DoD, automotive, or retail manufacturing. And so for us, being able to help them achieve those ESG goals is hugely important.

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You know Jonathan, you're right because, again, you, sort of, think about the next, sort of, 50 years of industrial progress, right? The world is, is consuming a lot as is well known. And that consumption is based on supply chain architectures that were built around manufacturing technologies that were developed in the last 50 years.

So you think about the next 50 years, the next, sort of, long-term economic growth and industrial progress, that is power. That industrial progress, that's powered by advanced manufacturing solutions. And so when you've got an advanced manufacturing solution with that low TCO, with the mechanical property performance, and the breadth of materials.

Jonathan Baliff, Interim CFO of Essentium

That's right.

Blake Teipel, Ph.D. CEO and Co-Founder of Essentium

Then you have a one-stop shop to help propel factory solutioning so that supply chain architects can say, okay I've got flexibility now.

Jonathan Baliff, Interim CFO of Essentium

Right.

Blake Teipel, Ph.D. CEO and Co-Founder of Essentium

I've got agility and resiliency in my decisioning. And so that, that gets us, I think, propelled to be in a, in a good spot for a long time.

Jonathan Baliff, Interim CFO of Essentium

And one of the other, why Essentium points that it was important to the team is that we have partners, right?

Blake Teipel, Ph.D. CEO and Co-Founder of Essentium

That's right.

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Blake Teipel, Ph.D. CEO and Co-Founder of Essentium

We have really strong partnerships, not just partners who are using our products, our machines, our materials. We also have BASF, which has been a longtime investor in the company. They provide us a tremendous amount of in-kind capital.

Jonathan Baliff, Interim CFO of Essentium

That's right.

Jonathan Baliff, Interim CFO of Essentium

That has allowed for the acceleration of growth to this point. So how does this translate into the financial performance of the company? What I always like to say is that Essentium is based, and its financials are based on, really, three foundations.

One is our material science, which really creates that 545 customer base, that we're already providing low-cost materials, low-cost systems, and an ecosystem. And so the growth that we see in that revenue stream is based on a pipeline of identifiable customers with an identifiable need, over a ten-year period of time. And we can see that today, this financial performance is not based on the large TAMs that we talked about.

Blake Teipel, Ph.D. CEO and Co-Founder of Essentium

Right.

Jonathan Baliff, Interim CFO of Essentium

Even though those TAMs do exist. It's actually based on a grounds up evaluation of our existing client base, but then clients that we're already talking to about providing them that system. And when we talk about providing them a system, that's landing systems, and materials with them today, we generally, historically have always seen a very high expansion.

Because of that total cost of ownership, the speed by which we allow them to create their parts for their clients. And then finally, there is a, just higher level of part component structure, and strength that we get for that lower cost, and speed.

Nobody else can match us for that, so that's the underpinning that's based on the historical financial performance, which is pretty significant. We have really, a long track record of providing to those 545 clients.

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But then when you look at the financial performance of how it goes forward, it's really based on that razor and razor blade approach. We generally capture the clients based on historical performance. The razor, which has a tremendous amount of performance already with DoD, and others; when DoD bought one in in less than two years, they're buying over 30, and we expect to see that in the future.

But most importantly, it also provides, every year, a level of predictability because we have a level of annual recurring revenue from materials and services to all of our clients. So that every year we're able to provide, which is very differentiated from other advanced manufacturing, a level of predictability of our revenue streams.

Blake Teipel, Ph.D. CEO and Co-Founder of Essentium

That's right.

Jonathan Bailiff, Interim CFO of Essentium

And then when you look then at our cost structure, because of the IP, because we have very secure supply chains both on the material side: I mean, less than 20 yards away from us, we have a very large factory that creates all of our materials here in Texas. That allows us to have much higher margins on our materials, again, based on historic precedent.

And then obviously, in the future, an ability to work those through our machines. When we're able to make that work for our clients; I talk about that virtuous cycle, we get almost five times the amount of revenue from a, just a single machine that's sold.

And then when you talk about the expansion of our clients from single digit machines to double, triple, and then soon, four digit amounts of systems, we're really able to create a forecast that has both a level of predictability, and a level of compoundability which is very differentiated from other advanced manufacturing.

Blake Teipel, Ph.D. CEO and Co-Founder of Essentium

So Jonathan, as we, as we, kind of, wind this down, and as we think about, again, the implications, right, not just for our clients, not just for our partners, but also for, sort of, the industrial base, we're really, sort of, here to, sort of, help the American industrial base, the global economy in the next, sort of, power, the next 50 years of industrial progress.

But that's not, that's not possible at all without just an incredibly talented team of men and women who are just dedicated. They're living this vision and living this dream to advanced manufacturing globally.

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I couldn't be more grateful for the amazing team of just men and women who are here joining us, standing shoulder to shoulder with you and I. Because when our clients win, we win.