

Company Accsys Technologies PLC
TIDM AXS
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THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION.

Accsys Technologies PLC
(“Accsys”, the “Group” or the “Company”)

Final investment decision made for Accoya® USA joint venture

- Facility will enable Accsys to address the largest addressable market for Accoya®
- Key contracts concluded, including US\$80 million of bank financing
- Construction to commence shortly

Accsys, the fast-growing and eco-friendly company that combines chemistry and technology to create high performance, sustainable wood building products, is pleased to announce that it has concluded a final investment decision to construct and operate a new Accoya® production facility in the USA (‘the Project’).

Final Investment Decision

Further to the Company’s update on 23 November 2021, Accsys and Eastman Chemical Company (‘Eastman’) have completed the remaining planning workstreams required and made the final investment decision to proceed with the construction of the US facility.

Furthermore, all key commercial agreements, including bank loans totalling US\$80 million, are now in place. Construction preparations have commenced, and workers are due to start site mobilisation in the coming days for Accoya USA, LLC, the previously announced joint venture (‘JV’) of Accsys and Eastman.

Strategic Benefits

The JV will construct the plant with an initial capacity of approximately 43,000 cubic metres per annum, strategically located at Eastman’s Kingsport, Tennessee site. The Project will replicate existing Accoya® technology at Accsys’ Arnhem production facility. North America represents a substantial market opportunity for Accoya® and a growth acceleration opportunity for Accsys. Accsys has established strong foundations in North America with significant customer demand for Accoya®. Accoya® supply is currently constrained by production capacity at its existing Arnhem plant and requires transatlantic transportation.

The strategic rationale for the Accoya® USA JV and construction of the facility remains in line with that set out in the Company’s announcement on 5 May 2021, and the target financial returns remain valid with an expected targeted IRR of over 20%.

Timeline

Engineering work has already commenced and orders for key long lead-time equipment including the Accoya® acetylation reactors have been placed. Groundworks to facilitate the start of construction are

expected to commence shortly. The facility is expected to take up to approximately two years to construct. Following construction, Accsys expects sales to ramp up to full capacity within three years.

Project Funding

The total construction and start-up costs for the facility, including for the initial two reactors, are expected to be approximately US\$136 million ('Total Project cost'). As previously announced, under the JV, Accsys holds a 60% interest and Eastman a 40% interest.

\$66 million of the Total Project cost will be funded by equity contributions from the JV parties. Accsys' pro-rata share of US\$39.6 million (€34.9 million) will be funded from Accsys' existing cash and debt facilities. This includes funds raised by Accsys in May 2021 through a placing and open offer. US\$5.6 million has already been contributed to date into the JV by Accsys, with US\$3.8million by Eastman.

\$70 million of the Total Project cost, will be funded through an eight-year term loan to Accoya USA, LLC from First Horizon Bank ('FHB') of Tennessee, USA. FHB are also providing a further US\$10 million revolving line of credit to be utilised to fund working capital.

The FHB term loan is secured on the assets of the JV and will be supported by the JV's shareholders, including US\$50 million through a limited guarantee provided by each of the JV parties on a pro-rata basis, with Accsys' 60% share representing US\$30 million. An attractive interest rate has been secured which is below the Group's average cost of debt and reflects the Project's strength and underlying credit support¹.

Principal repayments commence one year following the completion and start-up of the facility, and are calculated on a ten-year amortisation period. The JV was advised by Dresner Partners, a Chicago based, mid-market investment bank, in relation to the project debt financing.

Rob Harris, CEO of Accsys, commented:

"We are delighted to move forward with the construction phase of our North American joint venture with Eastman. Our Accoya USA JV will allow Accsys to further address the strong and growing demand in the US market, which we believe is the largest addressable market for Accoya®. We are excited to demonstrate the ability to replicate our facilities from Arnhem, showing how Accsys' production footprint can scale globally as we move towards our goal of increasing production capacity to 200,000m³ a year by 2025."

Brad Lich, Eastman Executive Vice President and Chief Commercial Officer commented:

"We're pleased to partner with Accsys and excited to achieve this very important milestone. Eastman is committed to becoming a leading sustainable materials company, and Accoya's value proposition as a sustainable building material is compelling. The great collaboration between our teams brings a wealth of complementary experience and knowledge together, and positions Accoya USA, LLC very well to benefit from the synergy between our acetyls business and the Accoya production process. We look forward to progressing the Accoya USA story and delivering on the great potential in the North American market."

¹Credit Support and Related Party transaction

To support Accsys' limited guarantee, Accsys will provide a US\$20 million Letter of Credit ('LC') to FHB. The LC is to be issued by ABN AMRO, Accsys' existing debt provider, utilising part of the revolving credit facility agreed in October 2021. To further support the LC, Accsys has agreed a €10 million convertible loan with De Engh BV Limited ('De Engh'), an investment company based in the Netherlands (the 'Convertible Loan'). The Convertible Loan proceeds will be placed with ABN AMRO solely as cash collateral to enable ABN AMRO to grant the US\$20 million LC to FHB.

De Eng is an existing shareholder in Accsys, presently holding 10.4% of Accsys' issued share capital and is a related party of Accsys and the Convertible Loan agreement is a related party transaction under the AIM Rules for Companies. The Convertible Loan is unsecured and carries an interest margin of 6.75% above Euribor. Accsys expects to fully repay the Convertible Loan within two years. If the Convertible Loan is not repaid within this period, De Eng has an option (from the end of year two) to convert the outstanding loan balance to ordinary shares in Accsys at €2.30 per share (representing a 31% premium to the closing share price on 3 March 2022), otherwise the interest rate increases by 2% in year three and by a further 2% the following year if the loan has not been repaid or converted after 3 years. The maximum term of the Convertible Loan is 3.5 years. The Directors are of the opinion, having consulted with Numis as Nominated Advisor, that the terms of the Convertible Loan are fair and reasonable insofar as shareholders of the Company are concerned.

Ends

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Notes to editors:

Accsys (Accsys Technologies PLC) is a fast-growing business with a purpose: changing wood to change the world. The company combines chemistry, technology and ingenuity to make Accoya® wood and Tricoya® wood elements: high performance wood products that are extremely durable and stable, opening new opportunities for the built environment and giving the world a choice to build sustainably. Accsys transforms fast-growing, certified sustainable wood into building materials with an up to 50-year warranty, locking carbon stored in the wood into useful products for decades, with performance characteristics that match or better those of non-renewable, resource-depleting and polluting alternatives. Accsys is listed on the London Stock Exchange AIM market and on Euronext Amsterdam, under the symbols 'AXS'. Visit www.accsysplc.com

Accoya® solid wood is sustainable, durable, and stable with exceptional performance, finish and sustainability. Accsys' proprietary acetylation process makes the wood more dimensionally stable and because it is no longer easily digestible, extremely durable. It is one of very few building materials to be Cradle to Cradle Certified™ at the Gold level, with a Platinum rating for Material Health, confirming that no harmful or toxic additives or chemicals are present to leach out into the environment. Primary applications for Accoya® wood include windows, doors, cladding and decking, where the combination of performance and sustainability benefits compete favorably against hardwoods, plastics, metals and concrete. Visit www.accoya.com

Accoya USA, LLC is a joint venture between Accsys Technologies PLC and Eastman Chemical Company, with an equity ratio of 60:40, to fund, design, build and operate an Accoya® wood production plant in the USA for the North American market. Following the formation of the joint venture in 2020, the project has since secured funding from Accsys and Eastman and project debt financing for a combined \$136 million to construct the facility.

Tricoya® acetylated wood elements are produced for use in the fabrication of panel products such as medium density fibreboard (MDF). Panel products made with Tricoya® wood elements are truly durable and stable enough for use outdoors and in wet environments, unlocking new possibilities for design and construction. They have been lauded as the first major innovation in the wood composites industry in more than 30 years and bring the flexibility of traditional panel products and sustainability benefits of wood to a whole new range of applications. Visit www.tricoya.com

Any references in this announcement to agreements with Accsys shall mean agreements with either Accsys or its subsidiary entities unless otherwise specified. 'Accsys' and 'Accsys Technologies' are trading names of Titan Wood Limited ("TWL"), a wholly-owned subsidiary of Accsys Technologies PLC. Accoya[®], Tricoya[®] and the Trimarque Device are registered trademarks owned by TWL, and may not be used or reproduced without written permission from TWL, or in the case of the Tricoya[®] registered brand trademark, from Tricoya Technologies Limited, a subsidiary of TWL with exclusive rights to exploit the Tricoya[®] brand.