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AMRS - Q4 2016 Amyris Inc Earnings Call

EVENT DATE/TIME: MARCH 02, 2017 / 9:30PM GMT

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PRESENTATION

Operator

Welcome to the Amyris's fourth quarter 2016 conference call. This call is being web cast live on the Events page of the Investors Section of Amyris website at Amyris.com. This call is the property of Amyris and any recording, reproduction or transmission of this call without the express written consent of Amyris is strictly prohibited. As a reminder, today's call is being recorded. You may listen to a web cast replay of this call by going to the Investor Section of Amyris' website.

I would now like to turn the call over to Peter DeNardo, Director of Investor Relations and Corporate Communications.

Peter DeNardo - *Amyris, Inc. - Director IR and Corporate Communications*

Thank you, Latif. Good afternoon and thank you for joining us today. With me today are John Melo, our Chief Executive Officer and Kathy Valiasek, our Chief Financial Officer.

Please note that on this call you will hear discussions of non-GAAP financial measures. Reconciliation of these non-GAAP measures to the most directly comparable GAAP financial measures is contained in the financial overview slides of the accompanying presentation or the news release distributed today which is available at www.investors.amyris.com. The current report on Form 8-K furnished with respect to our press release is also available on our website as well as on the SEC's website at sec.gov.

During this call will be make forward-looking statements about events and circumstances that have not yet occurred including projections of Amyris's operating activities, anticipated transactions we are contemplating and are closing, and strategic plans regarding potential transactions and their anticipated financial impacts on our business and financial results for 2017 and beyond.

These statements are based on management's current expectations, and actual results and future events may differ materially due to risks and uncertainties including those detailed in the Company's recent SEC filings and the Risk Factors section of its quarterly report on Form 10-Q filed on November 9, 2016. Amyris disclaims any obligation to update information contained in these forward-looking statements, whether as a result of new information, future events, or otherwise. Please refer to the Amyris SEC filings for detailed discussion of the relevant risks and uncertainties.

Before we begin today I would like to note that included in our web cast is a slide presentation that we will refer to in today's presentation. I would also like to note that references to record revenues and product sales in our remarks excludes historical periods when the Company had engaged in ethanol sales trading.

I would now turn the call over to John Melo. John?

John Melo - *Amyris, Inc. - CEO*

Thank you, Peter. Good afternoon and thank you for joining our call. I am pleased to have Kathy Valiaseck, our new CFO with us today. For those of you who haven't met her already, she brings a highly regarded skill set critical to taking our business to the next level of growth. Kathy is focused on delivering on our business outlook and is already helping us drive top line results and improved margins and balance sheet.

Today I'll review our results for the quarter and the year, review key fourth quarter deliverables that help accelerate our growth, update you on our business plan and business model going forward, and provide a high-level outlook for the years ahead.

Let's start with our results. We completed a record year by more than doubling our revenues over 2015. Having signed a record number of new global partners and delivered on the 2016 strategic milestones we communicated to you. As a result, and excluding historical periods when we engaged in ethanol sales and trading, we posted record revenues in both collaborations and product sales.

In fact, our revenues of $33.2 million marked our second consecutive quarter of achieving record revenues. Which also helped underpin record revenues of $77.2 million for 2016 overall.

In addition to this record revenue performance, we had $3.8 million of additional sales in our health and nutrition business that we did not have capacity to produce and ship in the fourth quarter, and have subsequently shipped in the first quarter. We achieved this growth while significantly growing our gross margin and lowering our SG&A costs by 15% for the year.

We believe the combination of this revenue growth, margin performance and cost performance is the leading performance in our sector today. During the fourth quarter, we sold 50% of our cosmetic ingredient business to Nikko Chemical for $20 million and formed a joint venture with them. This is in the form of $10 million up front, with a remaining $10 million structured as an earn-out.

This business was a business that did not exist four years ago and we built into one of the fastest growing cosmetic ingredient businesses in the sector. This business represented less than 10% of our 2016 revenue. And we will be consolidating this into Amyris's financials going forward.

Nikko is our leading distributor in Asia for cosmetic ingredients and we are already benefiting from their expertise as our new joint venture partner. We are expected accelerating growth with their partnership and financial support for this business. During the quarter we were also very pleased to announce Chevron's equity investment in our Novvi joint venture for high performance renewable base oil technology which is strategically aligned with Chevron's aggressive growth plan in lubricants.

This is another good example of the quality and value of the businesses we built. The Novvi business is currently valued at around $100 million, and we continue to have a 30% ownership share while also being the key raw materials supplier with a long term farnesene supplier arrangement to Novvi. In the area of biopharma we are executing well on all three collaborations with top global companies in their respective areas. On one of these we achieved a key milestone for a major drug discovery collaboration with this leading company.

Delivering initial development work for new oncology drug development in just months. Our partner is very impressed that we completed in months what commonly takes years. This performance is well beyond our expectations.

All of our collaborations performed well in the fourth quarter and we were pleased during December to announce a multi-year extension to our collaboration agreement with Kuraray for the use of Amyris's Biofene a liquid farnesene rubber, and farnesene-based elastomer applications. Kuraray recently announced that Sumitomo Rubber Industries has adopted liquid farnesene rubber as a performance enhancing additive for use in the production of its latest winter tire, the [WINTER MAXX-O2].

Kuraray has indicated tire launch has performed better than expected and they have already indicated double the demand than we expected for 2017. We believe Sumitomo is the first of what could be several global tire brands that end up using liquid farnesene rubber as a performance enhancing tire additive.

Many of you have asked about the status of the MOU we announced October 13, 2016 with a leading global food ingredients and nutraceuticals partner. We have advanced to a signed contract resulting in $10 million in 2016 revenues for a licensing agreement related to the MOU.

After completing an evaluation, we decided that a share swap for ownership in their China fermentation facility was not the best use of our equity and not the best way for us to create shareholder value.

Let me now update you on our strategy, our business plan, and our business model. We are leading the industrialization of synthetic biology and we believe have developed an advantage business model that more than doubled our revenue in 2016 and is set to more than double our product revenue in 2017, and continually improve our gross margin. We are applying innovative science to make our planet healthier. Both the plant itself and the people on it.

We are doing this by making high-performing rare chemistry accessible to everyone. We are the lowest cost producer of some of the most desired chemistry by the world's leading companies in their respective segments. We are achieving the holy grail for our customers of producing the lowest cost, highest quality, and (inaudible) they can source. We are making it plentiful and at stable prices without volatility.

We have succeeded in scaling and meeting our customers' targets for all the products we develop with our collaboration agreements to date. We have a clear pipeline to scale three to four products a year for the next five to ten years. As a result of the traction we are experiencing and the clarity of our business model, we've made the following strategic moves; First, we are focusing our efforts on collaborations and expanding our relationships with existing partners.

This is a solution-oriented approach to our customers' business challenges and is all about deep customer intimacy and a very focused analytical approach to a few targets in each of our key sectors. This has resulted in us reducing our exposure, some of our product selling efforts, and as you have seen through the Nikko joint venture and reducing our position in a Novvis joint venture.

We will remain a key supplier to these businesses but the sales capability and channel management will be in the joint ventures or with our partners. We are managing our business by focusing on three clear market sectors where we have the most advantaged technology. Clear and extensive product pipeline and some of the leading companies in these sectors as partners. Our three sectors are Health and Nutrition. Health and Nutrition represented 38% of 2016 revenue, and grew 2000% over 2015 revenue.

In Health and Nutrition we have the biopharma business which is partnered with three of the world's leading pharma many companies, the vitamin business which is all about Vitamin E and Vitamin A, and the sweeteners business which is all about a sugar replacement which is really playing into a $90 billion market opportunity where we have advantage technology.

The second sector is the Personal Care sector where it delivered 50% of our 2016 revenue and grew 85% over 2015. In Personal Care, we have fragrances, which are partnered with (inaudible) We have flavors, which are partnered with (inaudible) -- And we have cosmetic activities that have partnered with (inaudible) and, our new joint venture partner, Nikko.

Our next and last segment is Performance Materials. Performance Materials represented 12% of 2016 revenue and excluding fuels grew by 20% over 2015. The renewable fuels part was 30% of our total revenue in 2015 and less than 1% of our total revenue in 2016.

Now on to our third point. Over 80% of our revenue is generated from our top ten customers. As we look ahead to 2020 and beyond, this profile improves to about 90%.

We have a partnership model where we enable a significant competitive advantage for our partners and share in the value this creates long-term. We do real business with our partners and deliver real solutions that generate revenue today and grow into the future. We are not building a portfolio of bets that we hope some day deliver revenue.

Our fourth point, we apply our innovative science where customers have identified a clear product target.

The target is replacing a supply source from an existing market that is well understood and is growing faster than current supply can support from either a volume or pricing perspective. Partners pay us to develop. They identify a cost and quality target that enables significant competitive advantage for them. We develop. We scale and produce the product. And they formulate, integrate and deliver to the final customer. When customers have skin in the game, they select products that really matter to them. And they ensure these products generate significant value. We both win.

We, Amyris, don't have research, product selection or market risk and our partners grow market share at a lower cost.

My fifth point. We double down where we believe our technology is delivering best-in-class performance and where we view the market opportunity justifies investment beyond the partner funding.

The high intensity sweetener market is a good example. We have successfully made a high intensity sweetener from non-GMO Brazilian sugar cane syrup that is 200 times sweeter than sugar without the calories and with visibility of achieving cost equivalency with sugar. We are currently achieving costs with this product that are in line with the purest molecules available from Stevia, but without the supply limitations. We are doing this at purity levels that don't have the typical after taste from these of type of products.

Some of the world's leading soda companies have told us; "This is the holy grail of sweeteners." We are very excited about this product in our pipeline and our partner on this project is collaborating with us to get this product into the brands and make the world healthier for all. We believe the opportunity for this product is to replace or reduce sugar, and we believe this opportunity has available market of about $45 billion, or think of it as about half the current global sugar market.

These five strategic statements are being executed today inside of Amyris and were key to our revenue and margin performance in 2016. This continued strong growth is only starting for our business and our partners.

Our business model has been a key enabler in growing our collaborations and providing short-term cash, short and long-term revenue growth, and long-term gross margin expansion. The three components of our business model are; First, collaborations. Our partners fund the development of key ingredients to support their business strategy. This funding more than pays for our R&D organization and provides us early cash cover as we scale products for our partners. This is our early margin cost advantage.

We generated over $50.8 million in partner payments in 2016, and expect to maintain this strong performance level in our collaboration revenue for the next three to five years; which is consistent with our previously stated levels of annual collaboration revenue.

Second component; We produce and sell the products we develop to our partners. In general we sell most at a small margin to ensure our long term sustainability.

And the third component; We have a value share mechanism where our partners share a portion of the value created from our products. The combination of the value share and the initial product margin generate over 60% gross margin at steady state production, that means after it's scaled and stable on the market for a year, For the Personal Care and Health and Nutrition sectors, and around 30% margin for the Performance Materials sector.

With a record of new partners contracted in 2016, the extensive pipeline of products with these partners and the continued expansion of products with our existing partners, we now have over 90% of our expected revenue through 2020 supported by our current customer relationships and product portfolio.

In 2016 we transitioned as a Company from needing more demand to being sold out and needing to execute a clear production capacity road map to keep up with our customers' needs. We have developed this production road map and we are in a position to keep up with our customers' needs through a combination of partner funded and supported projects and (inaudible) project financing in Brazil.

We will continue to have challenges like the fourth quarter where we have $3.8 million more in sales than what we could ship. We believe this is manageable and a good problem to have.

In summary, we are proud of our 2016 results and expect 2017 will be another great year for Amyris with more than doubling of product revenue while maintaining our strong collaboration performance. We also plan to continue to improve our balance sheet and improve product margins as cost improvements and as our value share payments continue to grow.

Now, let me turn to Kathy for a detailed review of our financial results, and then I'll end with a high level outlook for the Company.

Kathy Valiasek - *Amyris, Inc. - CFO*

Thank you, John. And good afternoon, everyone. After my first few weeks here at Amyris I'm truly excited by the opportunities ahead of us and quite impressed by the level of commitment our customers have to Amyris, and how critical our technology is to their business. It's rare to experience the level of dependency our customers have on our technology. And together we have a mutually successful relationship.

Amyris has embarked on an era of significant growth across this business and we are executing on our plan to effectively harness it to grow our Company and build shareholder value. This is creating unprecedented demand for new partners and potential expansion with existing partners.

It's a positive cycle that is building on a great track record of success in scaling and delivering product for our customers that have a positive impact on their bottom line. This in fact is why we are constantly being approached by leading companies to solve their supply chain problems, and at times to consider interesting strategic transactions.

More on this later when John provides color on our outlook.

All of this is aligning to support increased revenues and our ability to operate from a position of strength in running our business and executing on improvements in our balance sheet and capital structure.

Now, let me take you through our fourth quarter results. Fourth quarter revenues were $32.2 million and were up 227% over $9.8 million for the fourth quarter of 2015.

As a testament to the strength in our portfolio, this performance was driven by both product sales and collaborations growth over the prior year's quarter. Product sales of $11.5 million were up 119%, over $5.2 million for the fourth quarter of 2015. This was driven by growth across our three focus sectors; Personal Care, Performance Materials, and Health and Nutrition.

In Health and Nutrition, the key driver of this growth were farnesene shipments to Denver for Vitamin E. And in our Personal Care business shipments of our second fragrance molecule during the quarter and continued strong performance of our Cosmetic Ingredients and our cosmetic active partnership with Givaudan. Significant quantities of farnesene were also shipped to our joint venture partner Novvi for base oils and lubricants and to Kuraray for Liquid Farnesene Rubber, or LFR, in car tires.

Going into 2017 we are seeing stronger than experienced demand from Kuraray due to requests from their customers and we feel the adoption of LFR by other tire companies is a key growth opportunity for Amyris.

Collaboration revenues of $20.8 million were driven by the aforementioned $10 million related to the MOU related partner. Approximately $5 million from hitting a milestone with (inaudible) and a global food ingredient supplier we announced a collaboration with in July of 2015. Collaboration revenues were up 350%, over $4.6 million for fourth quarter of 2015.

In light of increasing demand, we continue to work diligently to solve our capacity constraints and have a clear road map for continued expansion supported by our partners and in the near term access to financing with (inaudible) in Brazil for a planned build-out of a dedicated Flavors and Fragrances plant adjacent to our (inaudible) plant.

Adjusted growth profit with accrued depreciation, inventory revisions and excess capacity charges was $13.2 million, up from about $660,000 for Q4 2015.

Adjusted growth profit benefited from a significant component of high margin collaborations revenue during the quarter as well as a favorable product mix, especially given just under $150,000 in fuel sales during the quarter as we fully transitioned our business away from commodity products.

Adjusted gross margin showed a significant improvement at 41% compared to just under 7% for Q4 2015. This will continue to improve as we benefit from less scale up of costs in our cost of goods sold for new molecules and the continued growth in the value share component of our business model.

Operating expenses, (inaudible) -- excuse me, despite such a large increase in total revenues for the fourth quarter, Selling, General and Administrative expenses of $12.7 million declined slightly compared to the same period last year.

R&D expenses increased to support our collaborations activity.

Adjusted operating expenses, representing combined R&D and SG&A expenses including stock-based compensation and depreciation and amortization, were $23.1 million. This primarily reflected investment in R&D supporting the diversity of new collaborations in 2016, and was up from $20.3 million for the fourth quarter of 2015.

Net loss for the fourth quarter of 2016 was $38.8 million, or $0.14 per basic and diluted share. Included in the net loss were several non-cash items including (indiscernible) from changes in fair value of embedded derivatives and impairment losses. These items totaled $12.7 million. This compared with a reported net loss of $41.9 million, or $0.23 per basic and $0.28 per diluted share for the fourth quarter of 2015 which primarily included an impairment charge of $26.9 million, which was offset by a gain on fair value of derivatives of about the same amount.

Adjusted net loss from fourth quarter 2016 excluding these items and stock based compensation was $26 million or $0.09 per basic share. This compared with an adjusted net loss of $34 million or $0.19 per share for the same period a year ago.

During the fourth quarter we successfully closed on a $25 million unsecured credit facility and an additional $5 million in equity funding from (inaudible) our nutraceuticals partner which is converting our farnesene into Vitamin E.

We also competed our Neossance asset divestment via our Nikko joint venture and received $10 million from Nikko at closing with the remaining $10 million expected to be phased over three years out of end cash profits distributed to Nikko from the JV.

In addition, Nikko provided working capital to the JV of $1.9 million. These are both great examples of how our partners have become a critical part of meeting our funding needs in the short and medium term. There is a strong co-dependency in the relationship with our partners as our technology becomes a critical enabler of their business.

We are experiencing this type of support and expansion across our partner portfolio. This is another great example of our technology leadership in our sector. We have mentioned on prior calls our desire to source partner-generated financing where possible, when cash has been needed to fund working capital and grow the business, which we have accomplished. This alliance our partners' interests even more so with our long-term focus, and when equity financing is involved, it puts ownership in long time loyal hands to have a vested interest from a variety of standpoints in making sure our business does well.

These activities during the fourth quarter generated a significant amount of cash, leading to cash and restricted cash totalling $33.8 million at December 31, 2016. This is the highest level since Q1 2015.

Just before the end of the quarter we entered into a definitive agreement to complete another milestone we promised by resolving our near term debt maturity issue by pushing $43.9 million of debt out, which was completed in January 2017. This included $15.3 million of notes previously due March 2017 that have now been extended to April 2019.

In addition, $28.6 million of senior secured debt held by (inaudible) corporation via our partner (inaudible) previously due February 2017 has been extended to October 2018. This has greatly improved our near term liquidity and put Amyris in a significantly better position to continue to improve our capital structure.

This is not the last step but merely the most recent in improving our balance sheet.

In 2016, Amyris set the stage for success and delivered. Today our business portfolio is strongly positioned and highly diversified and growing at a rapid clip.

Looking forward, I am even more excited by the growth opportunity I saw before joining the Company. This opportunity is ours to win and we are on a positive roll and simply need to execute to deliver another great year for 2017.

Now, I'll turn the call back to John.

John Melo - *Amyris, Inc. - CEO*

Thanks, Kathy. In 2016 we fully transitioned our business beyond bio fuels while delivering record revenues for the year. We delivered on all of our milestones and positioned the Company for continued strong revenue growth. Today I can say that I have never been more confident in our competitive position, and I believe we will continue to grow at about the current rate with existing partners and the product portfolio they have contracted us to develop and produce for them.

During the fourth quarter, we saw several and new exciting strategic opportunities develop for the Company, from potential partners who approached us as a result of the competitive advantage we demonstrated in key markets. We are in very active discussions and expect one of these relationships to advance during the second quarter.

This will have a material positive impact on our short-term results and is expected to provide us with the necessary resources to further accelerate our growth. Let me summarize our high-level outlook.

First, we ended the year with over $100 million annual revenue run-rate and we expect to continue the current level of growth for 2017. Secondly, we have communicated a framework of doubling product revenue annually and maintaining our strong performance and collaborations.

We are on track to deliver more than doubling product revenue in 2017 and maintaining our framework for collaboration revenue. And I'm happy to report that our current customers and product relationships support more than 90% of this product revenue growth.

Thirdly, our business model and sales strategy is clear and focused around three core centers; Health and Nutrition, Personal Care, and Performance Materials.

This is where our growth is coming from, and we can continue delivering strong growth while growing our margins in these markets with our current product and customer portfolio.

Fourthly, we are in very active discussions with several significant strategic growth opportunities for one of these core segments.

Successful completion of one of these relationships will have a material positive impact on our revenue growth and balance sheet. We believe that we are the only Company in our sector that has now successfully developed and scaled several products for our customers and is delivering significant revenue and margin growth from these products.

We executed on delivering on our key objectives for 2016 and are on track for another great year in 2017. We are doing real business with customers representing leadership in each of our target sectors.

This is delivering real revenue growth while having a positive impact on the health of our planet and making accessible amazing chemistry for use in mainstream products. The total available market for our target sectors and current product portfolio is about $200 billion.

That more than underpins our growth base on being the advantaged technology in many of these opportunities.

I would like to thank our teams in (inaudible) and Brazil, our investors and our partners for making such a great year possible, and ultimately supporting the mission of Amyris. We are delivering the leading performance in our sector, record revenue growth, declining costs, and the leading partner portfolio to support the sustainability of our Company. We have industrialized synthetic biology and have become a force for good for our partners and our planet.

I would now like to open the line for any questions you may have. Latif, can you help us?

QUESTIONS AND ANSWERS

Operator

Absolutely, sir. (Operator Instructions). Our first question comes from the line of Thomas Boyes, of Cowen and Company. Your question, please.

Thomas Boyes - *Cowen and Company, LLC - Analyst*

Yes, just a couple of quick questions from me. The first, we have seen an up tick in branding for your cosmetics. I was just wondering how we could think about OpEx trends going forward, given those efforts?

John Melo - *Amyris, Inc. - CEO*

Kathy, jump in on this. We do not see a significant OpEx change on our side, specifically for that business. We are dependent on our channel partner who is doing a terrific job, Sephora. And based on what we've seen in the first quarter, which has been a great result so far, we expect to not see, again, a significant change. Kathy, anything --

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Kathy Valiasek - *Amyris, Inc. - CFO*

No, I completely agree. Last year with (indiscernible) what we saw was ramping up costs, I would say, in OpEx. But now I feel, as John said, that because of Sephora, we will be able to be fairly flat with OpEx and BIOSSANCE for 2017.

Thomas Boyes - *Cowen and Company, LLC - Analyst*

Got it. And then just the last one, just given some of the end expansion commentary that you had, I was just wondering if, you know, in broad terms, you could talk about the Brotas facility and maybe some of the utilization rates around that and what you think about that going forward?

John Melo - *Amyris, Inc. - CEO*

Sure. The Brotas facility is pretty hard to ever consider connected to utilization rates because of the way we're operating it today. Right? It's basically we're switching from products to ensure we can deliver our customers the lowest cost possible for the products they're looking for.

As a result, when we're operating a specific product, whether that's making farnesene, making patchouli, making (inaudible), whatever we decide to make there, the utilization and the up time for those cycles is outstanding.

What happens, though, is every time you switch, we're actually down for that period of time, so that the net impact is that, you know, we're probably under utilizing the site for 20% to 30% it's possible there, because of the switch outs in product.

I think Kathy referenced, we have a design now in place, we've actually already broken ground on a second site that will be a purpose built site for our Ingredients business, for the flavors, for the Cosmetics and for the Fragrance ingredients, and also the Health products. And I think for that site, us running the Brotas One all out, we'll be in the mid-80s to upper 80% utilization of the site, which is exactly what we would expect for a site of that type.

Thomas Boyes - *Cowen and Company, LLC - Analyst*

Got it. Thank you very much.

Operator

Thank you. Our next question comes from Amit Dayal, of Rodman & Renshaw. Your line is open.

Amit Dayal - *Rodman & Renshaw - Analyst*

Thank you. Good afternoon, John and Kathy. How are you guys?

John Melo - *Amyris, Inc. - CEO*

Very good, Amit. Good to hear you.

Amit Dayal - *Rodman & Renshaw - Analyst*

I just wanted to clarify your comments on this nutraceutical customer. You said the MOU didn't translate into a definitive agreement yet. You're supplying product to them. Could you clarify what the situation is and if we can expect revenues from this nutraceuticals customer in 2017?

John Melo - *Amyris, Inc. - CEO*

Yes, I would expect a different revenue profile than what we had communicated in the MOU. In the MOU we had said there's going to be revenue but there's going to be no margin. And over time we'll improve the products and hopefully get to margin. Actually, as a result of where we ended up with the discussion, I expect we'll have short term revenue about that revenue will be profitable and will be about products that are core to their business rather than just a pass through for our business.

Amit Dayal - *Rodman & Renshaw - Analyst*

Got it. And all this, the $10 million was all bracketed under product revenues from these guys?

John Melo - *Amyris, Inc. - CEO*

No, it was a license fee. So it would be in the collaboration dollar bracket.

Amit Dayal - *Rodman & Renshaw - Analyst*

Understood. I may have missed this, I know you provided some color on the capacity expansion plans. Did you give a number on what the CapEx or investments going into some of these efforts are going to be?

John Melo - *Amyris, Inc. - CEO*

I think Kathy can talk to this. The funding for the site will be a combination of partner funding as well as [PNDS] debt. And the total funding between the two will be somewhere around the $70 million range. But again we're working through finalizing that, but the important message is we're not expecting that to be either new equity or direct funded outside of Amyris's balance sheet or inside our balance sheet. Kathy?

Kathy Valiasek - *Amyris, Inc. - CFO*

Yes, I think in Brotas, recently we had a meeting with them and I know that went very well, we broke ground. And it's a great facility to finance (indiscernible).

John Melo - *Amyris, Inc. - CEO*

It's something we've not spoken a lot about. The business case based on the products we expect to transfer into that site because frankly, those are products we're either doing now at Brotas One or will be doing this year or in the next couple of years at CMO. So we're basically transferring stuff we are making or will be making. When you put the products inside of our own plant at Brotas Two, we have about a one year or less pay back on that site. So we have not had a big issue with the level of interest, people participating in that site. The thing we have been very focused on is making sure we have the right long-term partner so that we're maximizing value from that site, from Brotas Two.

Amit Dayal - *Rodman & Renshaw - Analyst*

Understood. In relation to the blended gross margins you're seeing now, with this level of revenue mix, should we continue to expect these 30% sort of margins going forward if collaboration and product revenues kind of remain at similar levels going forward?

Kathy Valiasek - *Amyris, Inc. - CFO*

Yes, we absolutely do. As John described in a little bit more detail on our call today, the value share, our business model which includes the value share, at the end really makes a significant difference on our gross margins. The truth of it is in 2016, in 2015, we really didn't see it very much. In 2017 it's extremely impactful. I mean, the actual that we would say for 2015 was 838,000, I'm sorry, that's for 2016. And then 2015 was around 400,000. But in 2017, it's significant.

Amit Dayal - *Rodman & Renshaw - Analyst*

Got it. And just maybe a last question from me. John, your commentary around some of these strategic discussions you're having with potential catalysts coming up in the second quarter. Is this just one discussion you're having or are these multiple discussions you're having and one of them could materialize in the second quarter?

John Melo - *Amyris, Inc. - CEO*

We're in multiple discussions. It's a competitive process where multiple companies are looking at the same market area, and the kind of scale that we're talking about is very material for us as a Company. But I expect it will be one, because we're talking to multiple about the same end markets. And it will be a very material agreement for our Company.

Amit Dayal - *Rodman & Renshaw - Analyst*

Understood. I was thinking of it in lines of maybe separate discussions for maybe different product lines or molecules, etc. But it looks like it's just one sort of initiative with multiple discussions around that one project, I guess?

John Melo - *Amyris, Inc. - CEO*

Yes. To give you some color, we obviously have many more pursuits and discussions going on in kind of the normal course of business. I'm not highlighting those, leading those -- as just our activity to deliver on our growth for the year. The particular one I'm referencing, these are several strategics that have approached us about a specific opportunity in our portfolio that is now in market that is quite strategic for those companies. So that's why I'm referencing -- first of all, highlighting it. Secondly, referencing it. And then also making clear that the result isn't that we're going to end up with four or five new players around that particular segment. That we're actually doing a deal for one of these to be the right partner, to be the right partner selected to be able to operate with us in this particular product area.

Amit Dayal - *Rodman & Renshaw - Analyst*

Understood. And this is not factored into any of your guidance, right?

John Melo - *Amyris, Inc. - CEO*

No. We actually -- that's one reason -- and we debated this a lot -- one reason why we decided not to really go change or make a big deal out of guidance for 2017 until we get this deal done, and then we can actually update pretty complete what the guidance looks like going forward in more detail.

Amit Dayal - *Rodman & Renshaw - Analyst*

Got it. Thank you so much. I'll get back in queue.

John Melo - *Amyris, Inc. - CEO*

Thanks, Amit.

Operator

Thank you. Our next question comes from Lisa Springer, of Singular Research. Your question, please.

Lisa Springer - *Singular Research, LLC - Analyst*

Good afternoon, John and Kathy and congratulations on the nice growth for the year.

John Melo - *Amyris, Inc. - CEO*

Thanks, Lisa.

Lisa Springer - *Singular Research, LLC - Analyst*

Regarding the revenue breakdown you gave us for 2016 with the contributions from Health and Nutrition, Personal Care, and Performance Materials, are you expecting those to change significantly in 2017 or should we anticipate a very similar revenue breakdown?

John Melo - *Amyris, Inc. - CEO*

You know, the 2000% in Health and Nutrition was pretty outstanding, right? So I'm not sure --

Lisa Springer - *Singular Research, LLC - Analyst*

Yes.

John Melo - *Amyris, Inc. - CEO*

But I think that kind of mix, and obviously Health and Nutrition really leading in growth is something you can expect in 2017.

Lisa Springer - *Singular Research, LLC - Analyst*

Okay. And the assumptions a little bit that you gave about product sales for 2017, is that based on a ramp-up of products you're already producing? Or do you expect there is going to be new products that go into production in 2017?

John Melo - *Amyris, Inc. - CEO*

There are three new products coming into production in 2017. Those are not having a material impact in total revenue for 2017. If I think about the majority of the product revenue growth in 2017, are products we started selling in 2016. Or before. But 2016 -- Products we started in 2016 are having the most material impact in revenue for 2017.

Lisa Springer - *Singular Research, LLC - Analyst*

Okay. And the sweetener you referenced in the call, I wonder if you could give us a little more color around that in terms of where that is in terms of the development timeline?

John Melo - *Amyris, Inc. - CEO*

We are planning an Investor Day around our annual meeting here in Emeryville and during that, we're going to actually share quite a bit. What I can tell you is -- I mean, obviously I said during the call that we're producing it now at about the same cost as the plant material. We think that the real tipping point to convert the sugar market into these high intensity sweeteners is being priced competitively with a sugar equivalent and we believe in the next 12 to 18 months we'll actually be at exactly that price level.

Lisa Springer - *Singular Research, LLC - Analyst*

Okay. Great. Thank you very much.

John Melo - *Amyris, Inc. - CEO*

Thanks, Lisa.

Operator

Thank you. (Operator Instructions). Our next question comes from the line of Carter Driscoll, of FBR. Your line is open.

Nate Mitchell - *FBR Capital Markets and Co. - Analyst*

Hey, this is Nate Mitchell on for Carter. Thanks for taking my questions. First question related to working Cap. I understand the strategy is to source this from partners. But how much do you think -- How much working Cap do you expect for the business to need and on a percentage bases, how much would you expect that to come from your partners?

John Melo - *Amyris, Inc. - CEO*

Tough question, so I'll -- We haven't thought of it that way, but I'll give you maybe a way to think of it, which is we have a huge ramp in 2016. I think because of the way the cycle, the total product cycle is built in, we don't expect that same kind of ramp in 2017 for working capital. And I would say that over half of what we expect in 2017 will be partner based funding for working capital.

Nate Mitchell - *FBR Capital Markets and Co. - Analyst*

Okay. Thank you. And then kind of building off of Lisa's question, how do you expect those three buckets in terms of percentage of revenue; Health and Nutrition, Personal Care and (inaudible), in the longer term talking you know, two, three, five years out? How do you see those evolving over time? Do you see one kind of taking over? Any additional color on there would be great.

John Melo - *Amyris, Inc. - CEO*

Sure. If I kind of give you around 2020 -- So not going way far out, but around 2020, you could think about around 2020, about 40% to 45% coming out of Health and Nutrition. About 30% to 40% out of Personal Care. And then the rest divided between Collaboration revenue and Performance Material. That kind of gives you a sense of the shape, as we look at the business growth going forward.

Nate Mitchell - *FBR Capital Markets and Co. - Analyst*

Awesome. That's all I have for now. Thanks, guys.

John Melo - *Amyris, Inc. - CEO*

Great. Thank you.

Operator

Thank you. At this time I would like to turn the call over to Mr. Melo for any closing remarks. Sir?

John Melo - *Amyris, Inc. - CEO*

Latif, thank you very much. I appreciate your help.

I would like to thank everyone for joining our call today and your support of Amyris. We are really looking forward to 2016 and obviously are already off to a great start. I would like to note that we'll be participating in a number of investor outreach activities in the coming months, to meet with investors and share our story. And we hope to have a chance to meet with many of you as we do that. And again as I said, in May, during our annual meeting, we expect to turn the annual meeting into much more of a shareholder and investor engagement event. We expect to have a few guest speakers including some of our customers. And really to get into a lot more detail about our sectors, the customers behind those sectors, and how our business is growing. So I hope to see many of you at that time. Thank you very much and I look forward to seeing you in the near future.

Operator

Thank you, sir. And thank you, ladies and gentlemen. That does conclude your program. You may disconnect your lines at this time. Have a wonderful day.
