

# Evonik

# Leading Beyond Chemistry

Q1 2020

Earnings Conference Call

7 May 2020

**Christian Kullmann**, Chief Executive Officer

**Ute Wolf**, Chief Financial Officer

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- 1. Current business environment & potential counter measures**
2. Outlook FY 2020
3. Financial performance Q1 2020

# Highlights

## Solid Q1 results – well prepared for challenges ahead

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### Well prepared for challenges ahead in an unprecedented environment

- **Solid Q1 performance** in growth segments Nutrition & Care and Resource Efficiency
- **All larger plants up and running; only limited impact on supply chains**
- **Strong liquidity position** and high financial flexibility
- **Dividend of €1.15 confirmed:** 1<sup>st</sup> half to be paid on 2 June; 2<sup>nd</sup> half after virtual AGM (August 31st)
- Measures to **preserve cash** on all levels
- **FY outlook adjusted** to €1.7 - 2.1 bn; Q2 expected at around €400 m

# Managing the corona situation proactively

## Precautionary measures in place on all levels



**Pandemic plans with highest hygienic standards implemented**  
(guarantee highest possible health & safety for our employees)



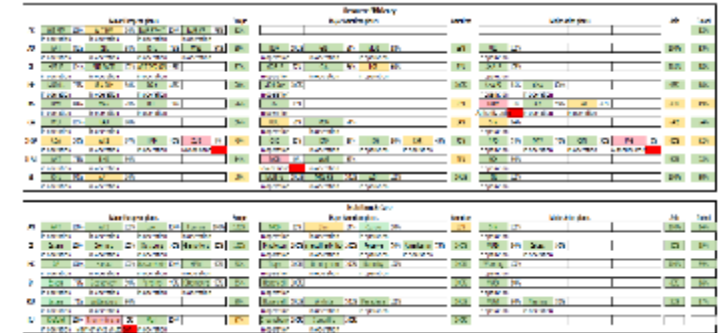
**Task forces monitor and coordinate activities globally**  
(operations, plants, procurement, supply chain)



**Dashboards in place for centralized “live tracking”**  
(order intake & cancellations, NWC, utilization rates, ...)



**Use of flexible working model**  
(work time accounts, overtime)



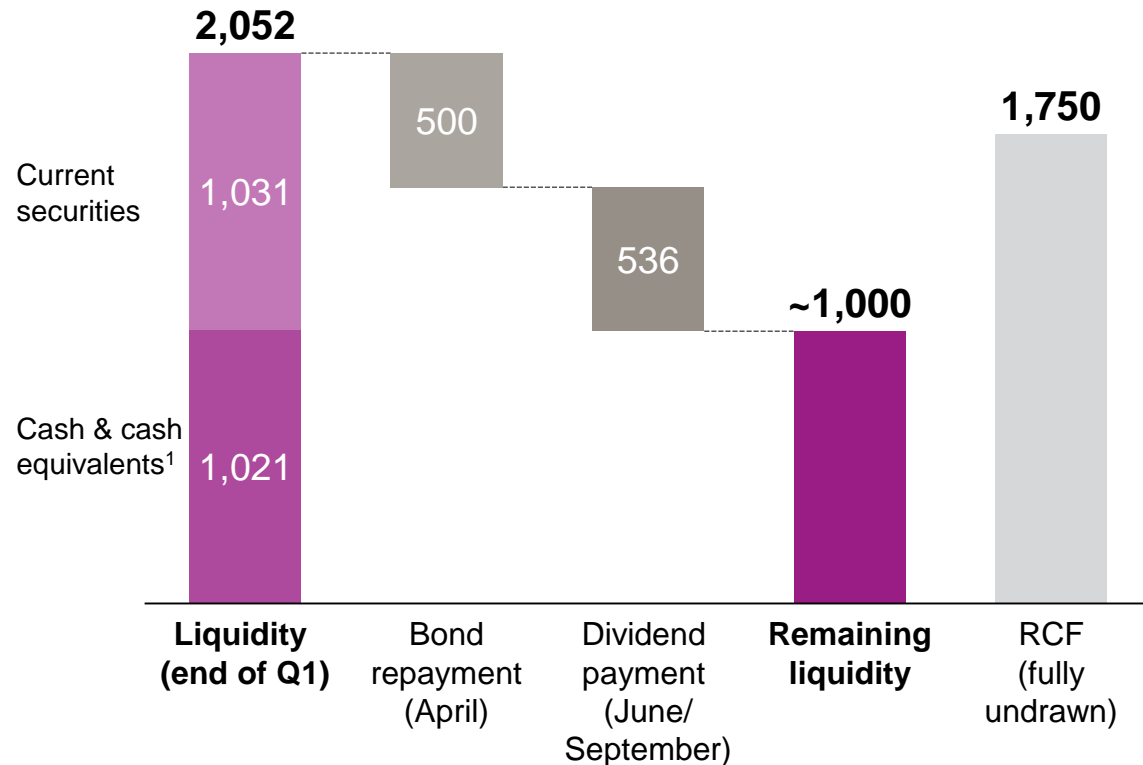
Business Line	Raw material	Utilities / Spare P.	Pack. material	Outbound Logistics	Overall plant ut.	Operators-avail.	SCM teams av.	Pandemic prep.
	●	●	●	●	●	●	●	●
	●	●	●	●	●	●	●	●
	●	●	●	●	●	●	●	●
	●	●	●	●	●	●	●	●
	●	●	●	●	●	●	●	●

● = severe impact    ● = moderate impact    ● = no impact

# Strong liquidity position

## Strong basis and high flexibility

### Strong liquidity position



1. Including €22 m other financial investments

- **Clearly positive FCF** in Q1
- **Strong liquidity** position
- **Dividend:** 1<sup>st</sup> half to be paid on June 2, 2<sup>nd</sup> half after official resolution from AGM on Aug 31<sup>st</sup>
- **NFD leverage** at 1.2x (end of Q1); no financial covenants
- **Revolving credit facility** (RCF) of €1.75 bn fully undrawn and committed by 18 banks until June 2024
- **Pension** financing and CTA reimbursement not impacted (cash-outs unchanged; funding ratio stable at ~70%; no cash contributions needed)

# Strong track-record & flexibility in implementing cost saving initiatives

## Proven ability to lower cost base

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### 1 Ongoing efficiency initiatives

#### SG&A 2020

- Focus on all admin & selling functions

#### Adjust 2020 & Oleo 2020

- Strengthening of cost positions and optimizing product portfolios

~ **€160 m achieved** by end-2019

### 2 Contingency measures

#### Measures implemented in H2 2019 & extended into 2020

- Hiring discipline & less business travel
- Reduced expenditure on maintenance & external consultants
- Salary components

**€20 m** delivered in H2 2019

### 3 Cash preservation

#### Measures to safeguard liquidity

- Measures implemented; scale depending on economic scenario
- Focus areas:
  - Reduce fix cost basis
  - Capex discipline
  - Strict NWC management

# Prepared to adapt cost structures and cash-out on all levels

## Tight cost, capex and NWC management

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Costs	In worst-case scenario, reduction of <b>fixed costs</b> by 1/3 possible
	So far, <b>short-term work</b> implemented only occasionally in non-operating functions (e.g. catering); further roll-out possible anytime
	<b>Resource management:</b> Prioritization of all internal projects and focus on essentials to manage the crisis (safeguarding resources & cash-out)
Capex	<b>Tight budget for capex</b> on already low prior year level (~ €850 m) with limitation only to compliance & must-do maintenance investments and continuation of larger growth projects
NWC	<b>Strict NWC management;</b> close monitoring of account receivables; inventory levels to secure global delivery capability; further cash potential depending on economic scenario

Various levers depending on economic scenario

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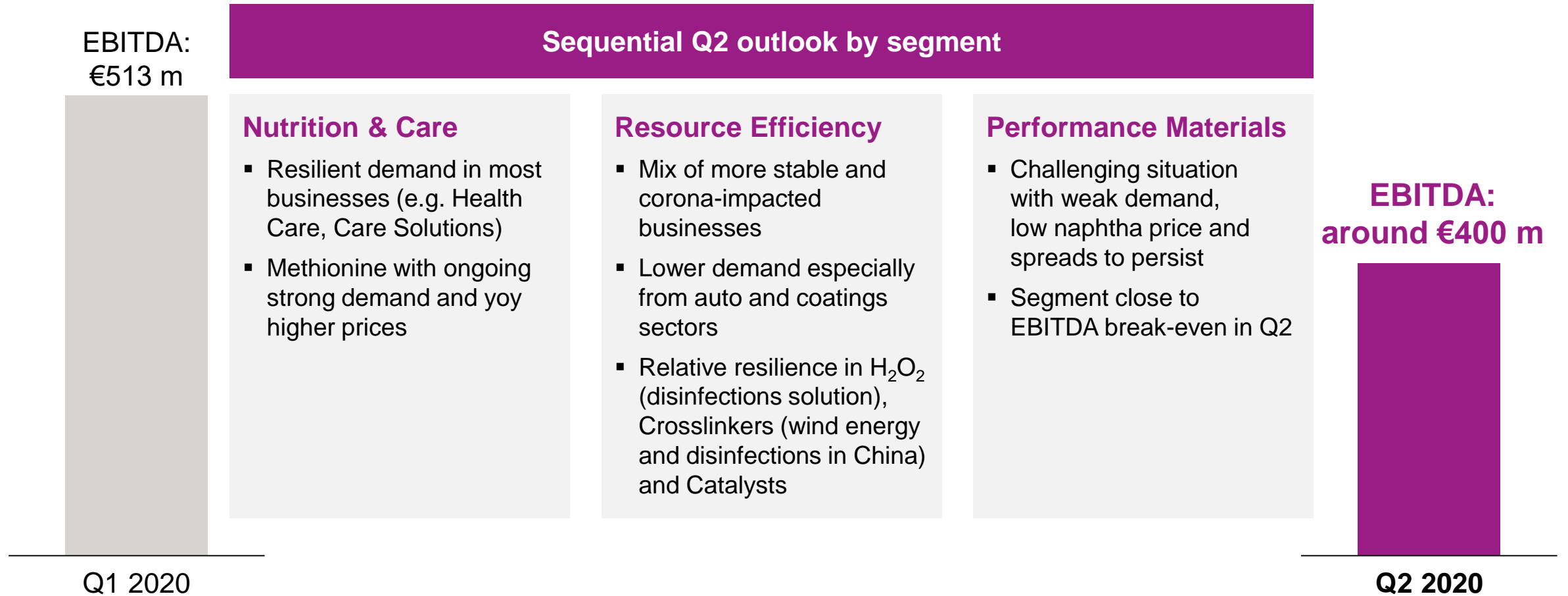
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1. Current business environment & potential counter measures
- 2. Outlook FY 2020**
3. Financial performance Q1 2020



# Outlook 2020 – indications for Q2

NC expected qoq higher, RE & PM with qoq lower earnings

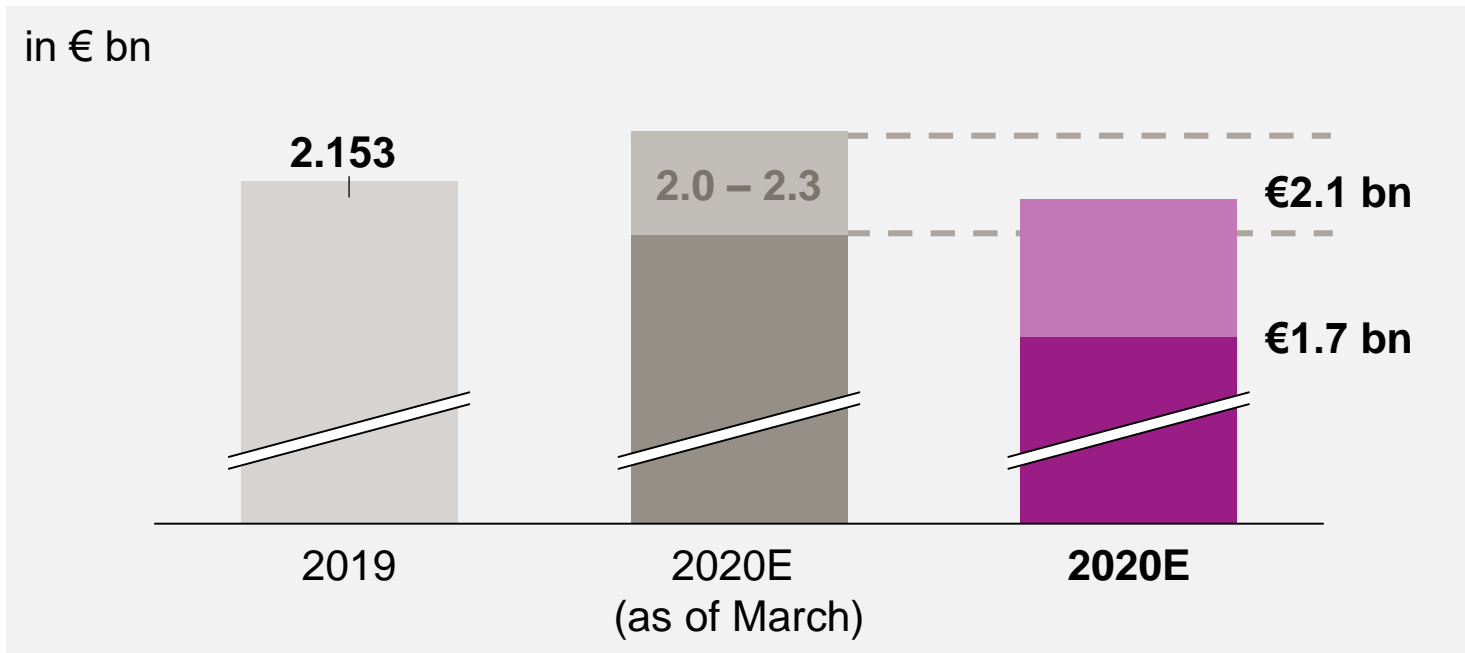


# Outlook FY 2020

## Sales and Adj. EBITDA

Sales: “between €11.5 and €13.0 bn” (previously: stable; FY 2019: €13.1 bn)

**Adjusted EBITDA: “between €1.7 and €2.1 bn”** (previously: €2.0 – 2.3 bn; FY 2019: €2.153 bn)



New outlook range covering **three scenarios** for economic recovery in 2020:

- **Downside risk covered** with L-shaped recovery
- **Base case** assuming gradual recovery in the course of Q3 and Q4 (U-shaped)
- **Upside case** with V-shaped recovery already in Q3

# Outlook FY 2020

Adj. EBITDA expected between €1.7 and €2.1 bn

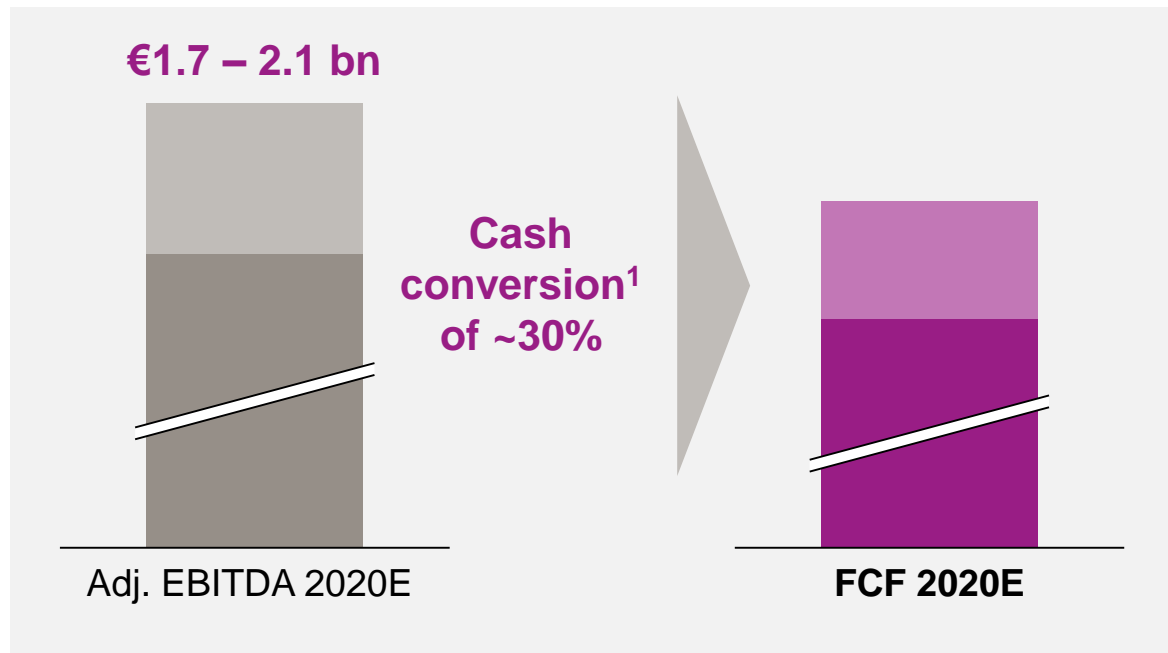
## “Adj. EBITDA between €1.7 and €2.1 bn”

	Lower end of range	Mid-range	Upper end of range
	“L-shaped”	“U-shaped”	“V-shaped”
<b>Nutrition &amp; Care</b>	N&C with solid demand in mostly resilient end markets, broadly independent of economic scenario Animal Nutrition ... with ongoing positive development		
		... with further acceleration of prices	
<b>Resource Efficiency</b>	No recovery in Q3; slow recovery from Q4 onwards	Gradual recovery of corona-impacted businesses in the course of Q3 & Q4	Quick recovery of corona-impacted businesses already in Q3
<b>Performance Materials</b>	Low Naphtha price level and product spreads throughout Q3; slight recovery in Q4	Gradual recovery of Naphtha price level and product spreads in the course of Q3 & Q4	Quick recovery of Naphtha price level and product spreads

# Outlook FY 2020

## Stable FY cash conversion and solid H1 FCF expected

**“Stable cash conversion rate<sup>1</sup>”** (FY 2019: 33.3%; previous outlook: “slightly higher FCF”)



- Stable cash conversion<sup>1</sup> of ~30% for FY 2020 expected
- **Solid H1 FCF generation:**  
Q2 FCF expected above prior year’s level (supported by lower bonus payments for 2019)

1. Free cash flow conversion (FCF/adj. EBITDA)

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## Q1 2020 – Solid start despite first corona effects

**Sales**

**€3,243 m**

(Q1 19: €3,287 m)

*Solid volumes & prices  
in N&C and RE;  
clearly lower in PM*

**Adj. EBITDA**

**€513 m**

(margin: 15.8%)

*Strong margins in RE;  
NC solid;  
PM clearly down*

**Free cash flow**

**€113 m**

(Q1 19: €159m)

*Solid cash contribution in  
challenging environment*

**Adj. EPS**

**0.39€**

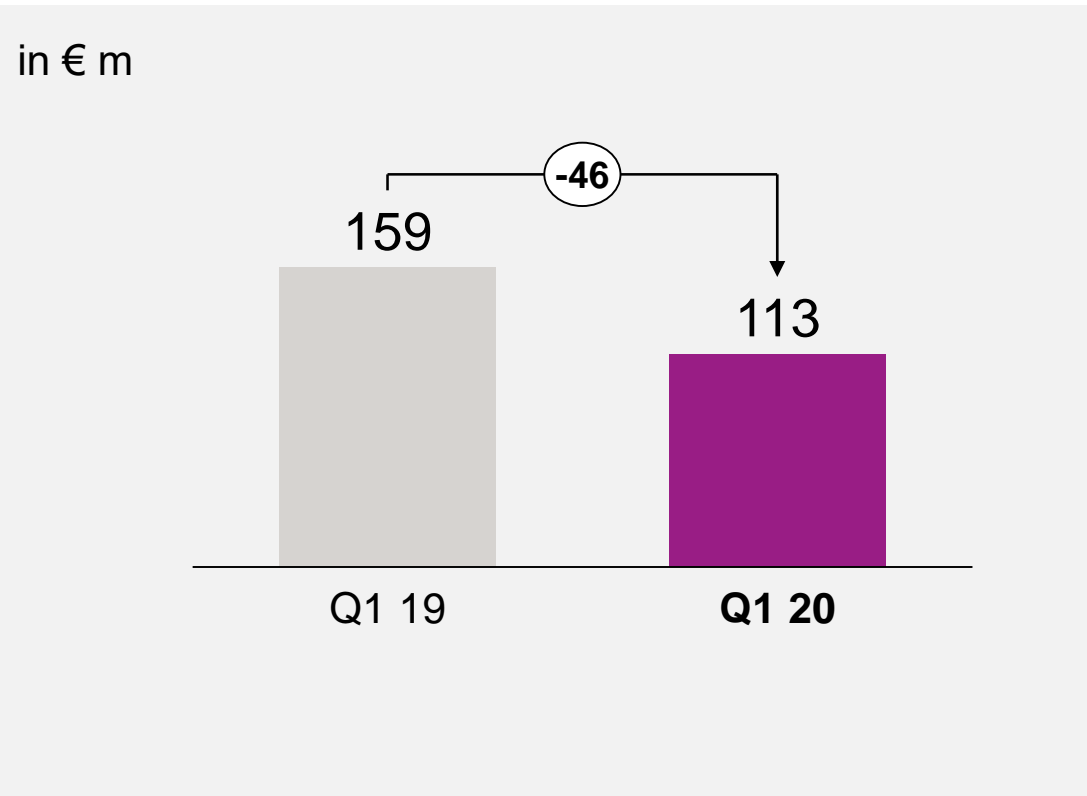
(Q1 19: 0.53€)

*Normalization of tax rate  
(back to 27% vs. 14%  
in Q1 2019)*

# Free Cash Flow Q1 2019

## Solid FCF generation

### Free Cash Flow Q1 2020 (in € m, continuing operations)

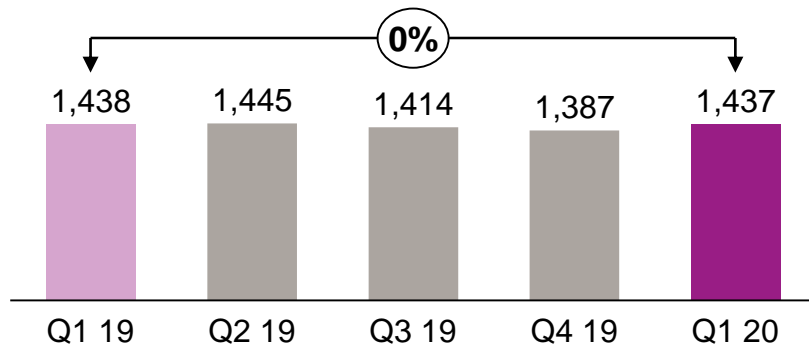


- FCF mirroring **lower operational result**
  - EBIT declining by €49 m
- Stable yoy outflows for **NWC**; securing delivery security in case of stressed supply chains
- **Capex** maintained on low prior year's level

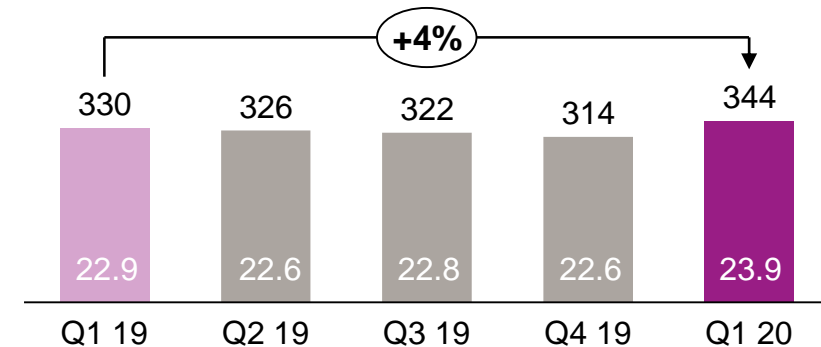
# Resource Efficiency

## High margin level maintained

Sales (in € m)



Adj. EBITDA (in € m) / margin (in %)



Q1 20 vs. Q1 19	Volume	Price	FX	Other
	-3% ↓	-1% ↓	+1% ↗	+3% ↗



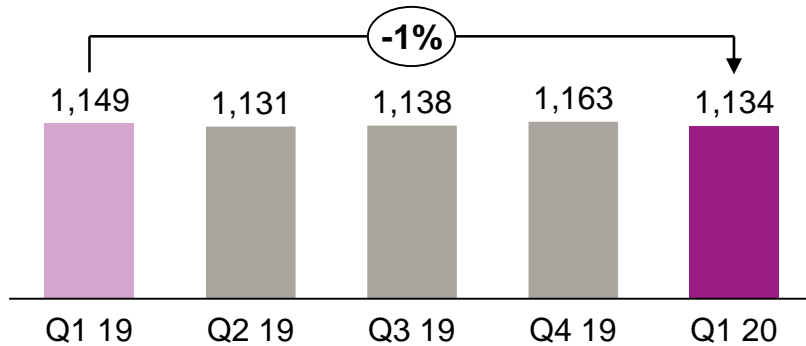
- Despite first corona impacts in industries like auto or coatings, demand in majority of businesses held up well in Q1
- High margin level of ~24% due to continued high cost awareness, solid pricing and beneficial product mix
- Continued solid demand for Crosslinkers and Active Oxygen; Silica with resilient performance in Oral Care and Specialty application
- First 2 months of sales & earnings contribution from PeroxyChem



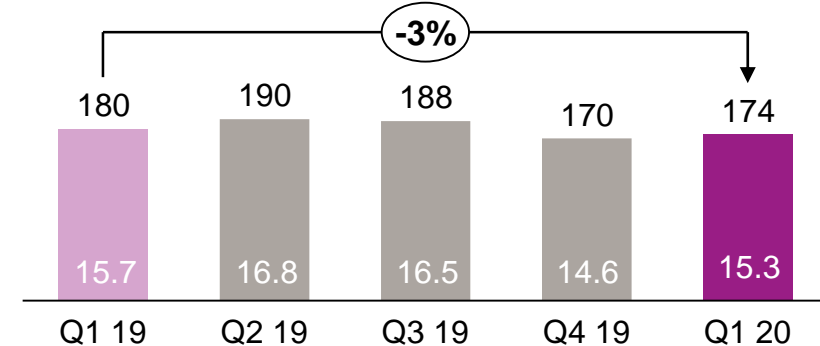
# Nutrition & Care

## Solid operational performance in resilient end markets

Sales (in € m)



Adj. EBITDA (in € m) / margin (in %)



Q1 20 vs. Q1 19	Volume	Price	FX	Other
	+1% ↗	-3% ↘	+1% ↗	0% →

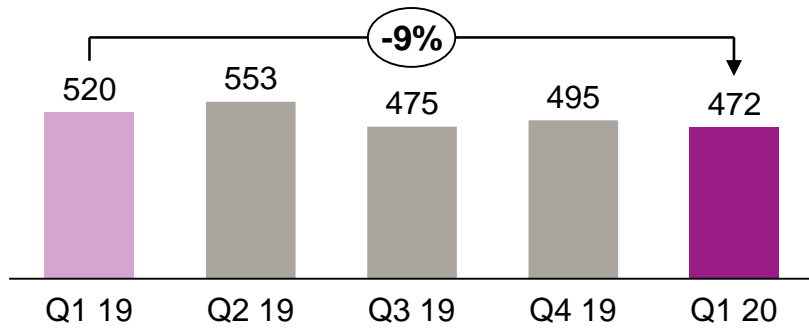


- Resilient volume & price development (negative prices mainly caused by Baby Care)
- Good start in Health Care, smaller corona impacts in Comfort & Insulation and Care Solutions (mainly Asia)
- Baby Care with expected pressure on prices and volumes
- Methionine with ongoing strong volumes and sequentially higher pricing (still slightly lower yoy)

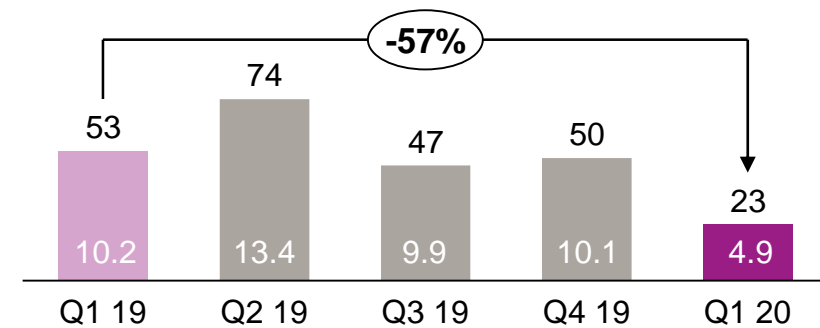
# Performance Materials

Difficult quarter due to drastic decline of oil/naphtha prices

Sales (in € m)



Adj. EBITDA (in € m) / margin (in %)



Q1 20 vs. Q1 19	Volume	Price	FX	Other
	-5% ↘	-5% ↘	0% →	+1% ↗



- Difficult market environment for petrochemical derivatives continuing
- Strong decline in naphtha price (even stronger than oil price decline) with additional pressure on C4 derivatives (lower prices and spreads), especially from March onwards; inventory impairments ~€10 m negative for the quarter
- Functional Solutions holding up well due to good demand for alkoxides



**EVONIK**

**Leading Beyond Chemistry**

# Additional indications for 2020

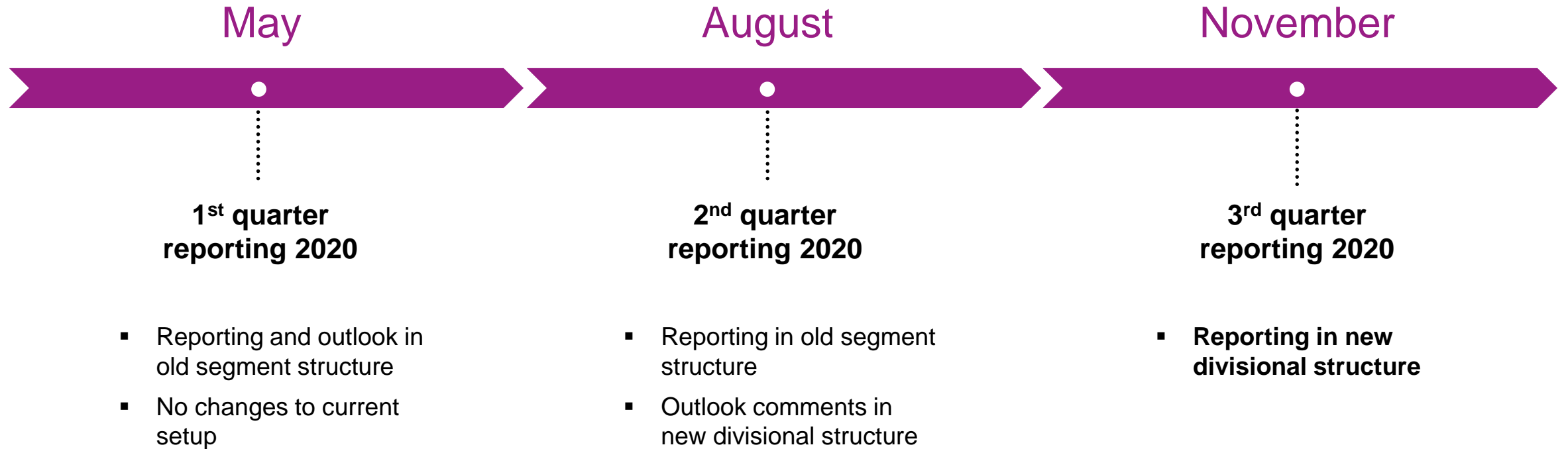
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- PeroxyChem: Included in outlook with 11 months (FY 2019: ~USD300 m sales, ~USD60 m adj. EBITDA)
- ROCE: **Below the level of 2019** (previously: around the level of 2019; 2019: 8.6%)
- Capex<sup>1</sup>: **Around the already low level of 2019** (2019: €880 m)
- EUR/USD: **1.12 EUR/USD** (2019: 1.12 EUR/USD)
- EUR/USD sensitivity<sup>2</sup>: +/-1 USD cent = -/+ **~€7 m** adj. EBITDA (FY basis)
- Adj. EBITDA Services: **Around the level of 2019** (2019: €122 m)
- Adj. EBITDA Corporate / Others: **Slightly more negative than 2019** (2019: -€211 m)
- Adj. D&A: **Around the level of 2019** (2019: €952 m)
- Adj. net financial result: **Around -€100 m** (2019: -€185 m) due to bond payback and lower interest rates for pensions
- Adj. tax rate: **Back to a normalized rate of ~27%** (2019: 20%; related to MMA divestment)

1. Cash outflow for investment in intangible assets, pp&e | 2. Including transaction effects (after hedging) and translation effects; before secondary / market effects

# Timeline for implementation of new divisional structure

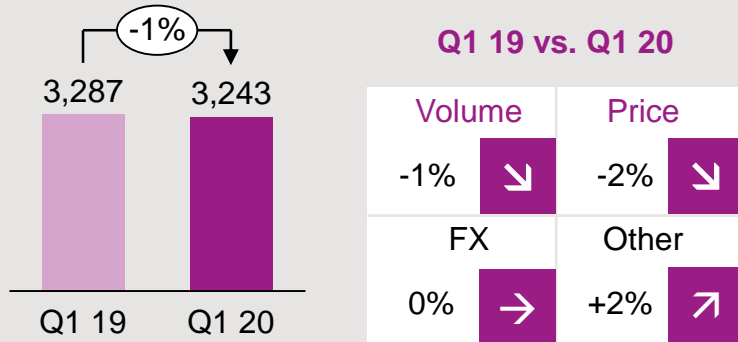
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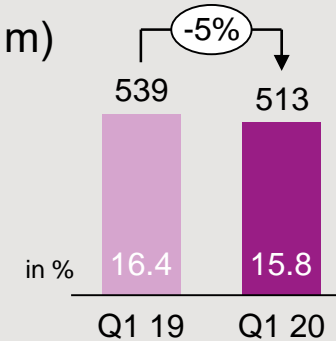
# Financial highlights Q1 2020

## Robust start into a challenging year

Sales  
(in € m)



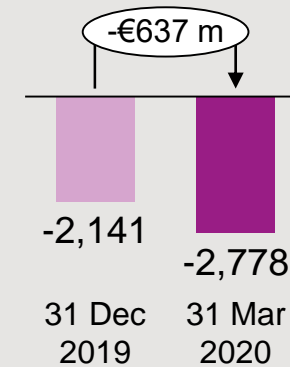
Adj. EBITDA (in € m)  
/ margin (in %)



Adj. EPS  
(in €)



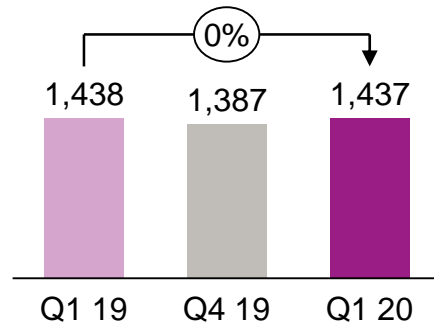
Net financial  
position  
(in € m)



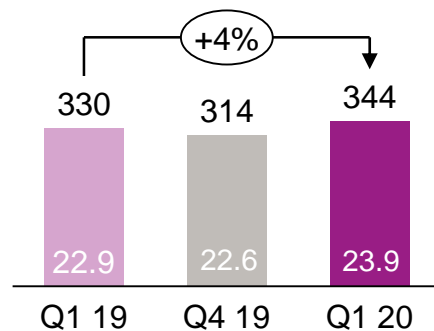
# Resource Efficiency

## Q1 2020 Business Line comments

### Sales (in € m)



### Adj. EBITDA (in € m) / margin (in %)



**Coating Additives:** Continued slow demand and corona-related impact for container & automotive coatings mainly in China



**Crosslinkers:** Demand remains healthy driven by composite applications for wind energy and isophorones for disinfections. Favorable product mix and lower raw material costs (Acetone)



**High Performance Polymers:** Demand holding up well for 3D printing powders, while demand from automotive industry was slower in Q1



**Silica:** Tire business with visible impact from corona in Q1, while Oral Care and Specialties continued their resilient performance

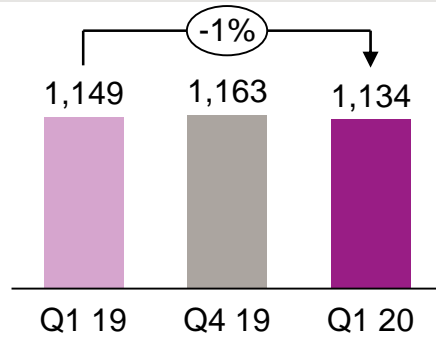


**Active Oxygens:** First contribution from PeroxyChem (~€10 m); lower base business, strong demand for specialty applications like disinfections

# Nutrition & Care

## Q1 2020 Business Line comments

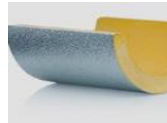
### Sales (in € m)



**Care Solutions:** Solid start, negative corona impact mainly in Asia



**Health Care:** Good start; project pipeline well filled, ongoing positive development expected for 2020



**Comfort & Insulation:** Subdued business in auto-related applications compensated by higher demand from consumer durables and isolation end markets

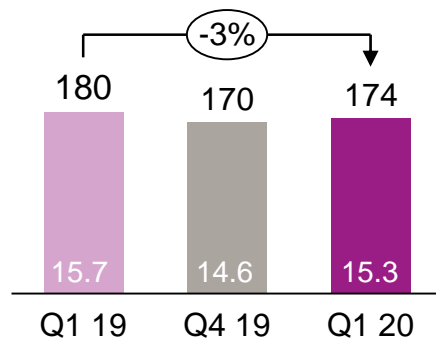


**Baby Care:** with expected pressure on prices and volumes



**Animal Nutrition:** Methionine with ongoing strong volumes and sequentially higher pricing (still slightly lower yoy). Overall, positive market sentiment continuing into 2020.

### Adj. EBITDA (in € m) / margin (in %)

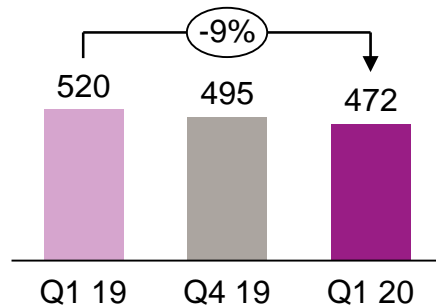




# Performance Materials

## Q1 2020 Business Line comments

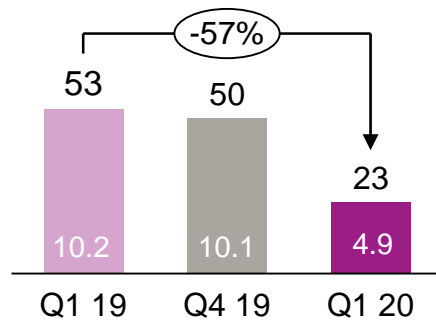
### Sales (in € m)



### Performance Intermediates:

- Difficult market environment for petrochemical derivatives continuing
- Strong decline in naphtha price (even stronger than oil price decline) with additional pressure on C4 derivatives (lower prices and spreads), especially from March onwards; inventory impairments of ~-€10 m for the quarter
- MTBE negatively impacted by low demand for gasoline

### Adj. EBITDA (in € m) / margin (in %)



### Functional Solutions:

Holding up well due to persistent good demand for alkoxides

# Performance Intermediates

C4 products negatively impacted by sharp drop in naphtha and lower demand

## Naphtha prices down to historical low

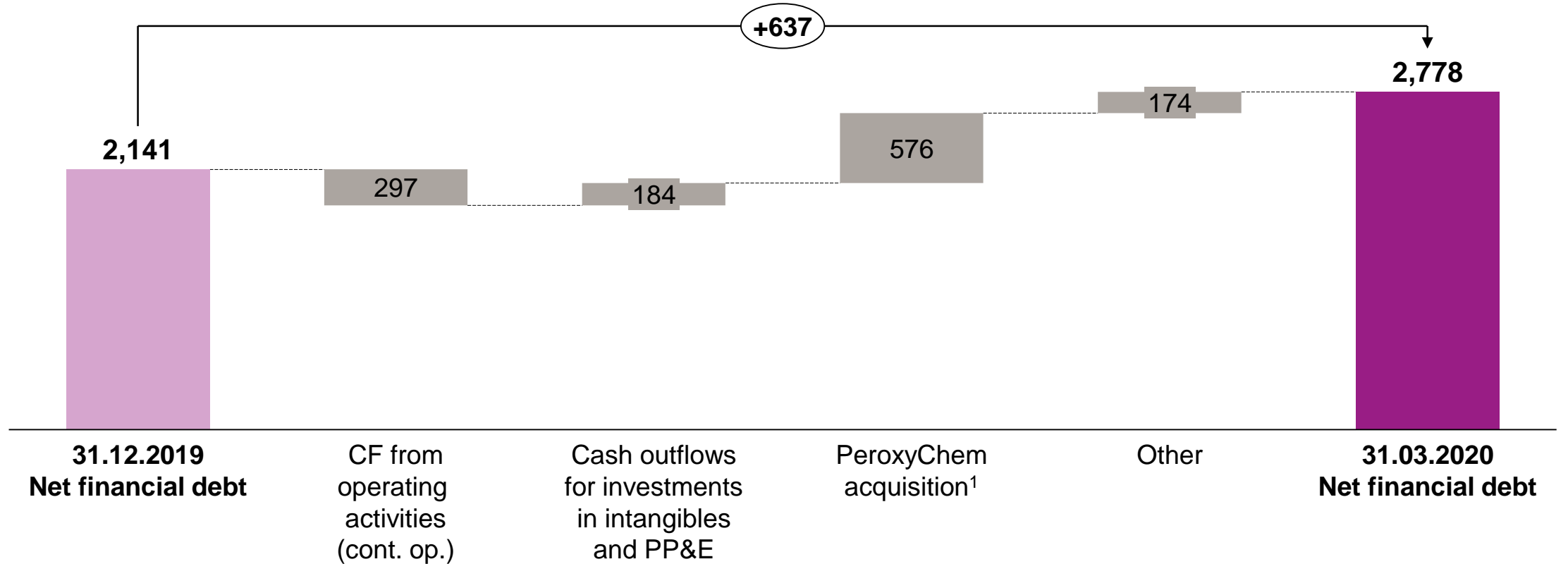


## Strong negative impact on Performance Intermediates

	Feedstock input costs	Value creation	Current trading
<b>Butadiene</b>	Input Costs = 1.x naphtha	Butadiene-Naphtha Spread	Weak demand resulting in drastic squeeze of spread, overcompensating lower naphtha input costs
<b>MTBE Butene-1 Plasticizer / Plasticizer alcohols</b>		Value creation (in €) based on naphtha factor (0.x times naphtha)	Naphtha price at historic low (~120 €/t vs. ~450 €/t in 2019) with tangible impact on value creation

# Net financial debt development Q1 2020

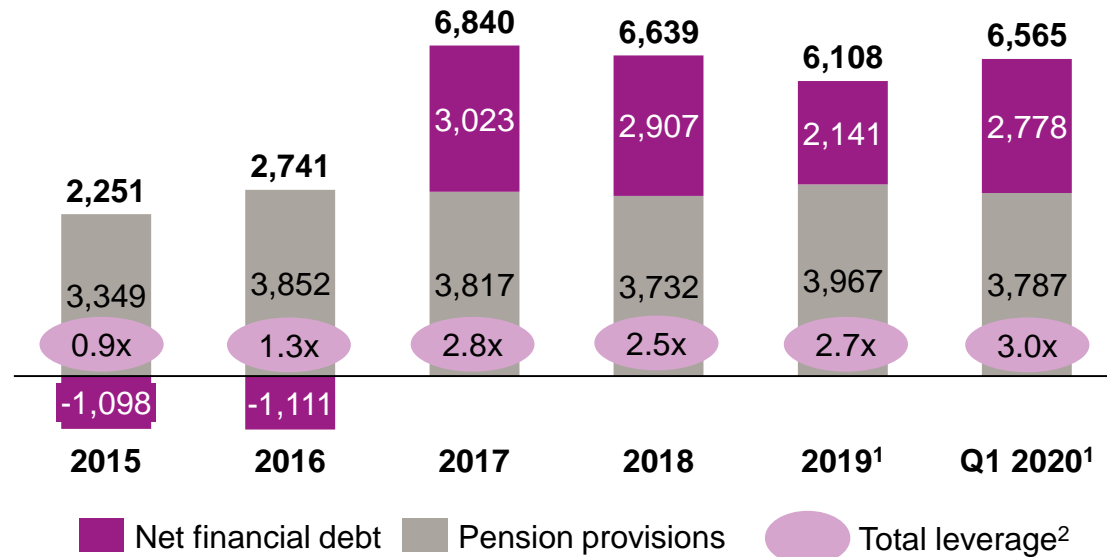
(in € m)



1. Including cash out for purchase price payment and repayment of existing indebtedness of PeroxyChem

# Development of debt and leverage over time

(in € m)



<b>Adj. net debt<sup>3</sup></b>	2,251	2,741	6,590	6,389	5,858 <sup>1</sup>	6,315 <sup>1</sup>
<b>Adj. EBITDA</b>	2,465	2,165	2,357	2,601	2,153 <sup>1</sup>	2,127 <sup>1</sup>
<b>German pension discount rate (%)</b>	2.75	2.00	2.00	2.00	1.30	1.70

- Increase of net financial debt as per Q1 2020 mainly from closing of PeroxyChem acquisition
- **Net financial debt leverage** continues to be low at **only 1.2x**
- More than half of net debt consists of long-dated pension obligations with > 17 years duration
- Pension provisions lower end of Q1 due to increase of pension discount rates (mainly caused by higher yields of underlying AA-rated corporate bonds)
- Pension provisions partly balanced by corresponding deferred tax assets of ~€1.29 bn

1. Continuing operations (excluding methacrylate activities) | 2. Adj. net debt<sup>3</sup> / adj. EBITDA | 3. Net financial debt – 50% hybrid bond + pension provisions

# Strong liquidity backed by €1.75bn undrawn Revolving Credit Facility

**€2.0bn\***  
**Cash and Short Term Securities**

**€1.0bn\***  
**Cash and Cash Equivalents**

**€1.0bn\***  
**Short Term Securities and Similar Claims**

\*as per Q1 2020

**€1.75bn**  
**Revolving Credit Facility**


Dated 20 June 2017

**Credit Facility Agreement**  
EUR 1,750,000,000

Evonik Industries AG

*Fully undrawn facility with 18 core banks maturing June 2024; No financial covenants, no Mac-Clause*

**€5.0bn**  
**Debt Issuance Programme**



**EVONIK**  
Leading Beyond Chemistry

**EVONIK INDUSTRIES AG**  
(Essen, Federal Republic of Germany)  
as Issuer and, in respect of notes (the "Notes") issued by Evonik Finance B.V., as Guarantor

**Evonik Finance B.V.**  
(Amsterdam, The Netherlands)  
as Issuer

**EUR 5,000,000,000**  
**Debt Issuance Programme**  
(the "Programme")

*Updated as per May 2020; €2.35bn available*

**€1.0bn**  
**Commercial Paper Programme**

**EVONIK INDUSTRIES AG**  
Essen  
as Issuer  
and

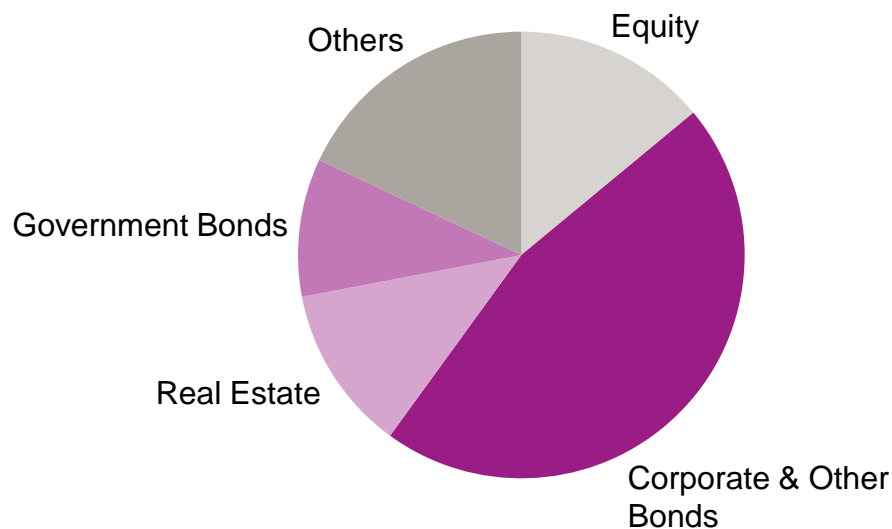
**THE SEVERAL BANKS SET FORTH HEREIN**  
as Dealers

**GENERAL AGREEMENT**  
relating to the  
EUR 1,000,000,000  
Multi-Currency Commercial Paper Programme

# Pensions

## Structure and performance of pension assets

### Structure of pension assets



**€8.4 bn** plan assets covering **~€12.2 bn** DBO  
with **~70%** funding ratio<sup>1</sup>

1. As of 31 December 2019

### Performance of pension assets

- Pension assets with a relatively **defensive and diversified portfolio** mix (only 14% equity)
- Strong **historic performance of ~5%** on average securing a 70% funding ratio
- Conservative performance targets going forward sufficient to **keep the current funding ratio**

Even in a more difficult environment  
**no need for further top-ups**  
to maintain current funding ratio

# Adjusted income statement Q1 2020

in € m	Q1 2019	Q1 2020	Δ in %
<b>Sales</b>	<b>3,287</b>	<b>3,243</b>	<b>-1</b>
<b>Adj. EBITDA</b>	<b>539</b>	<b>513</b>	<b>-5</b>
Depreciation & amortization	-224	-240	
<b>Adj. EBIT</b>	<b>315</b>	<b>273</b>	<b>-13</b>
Adj. net financial result	-53	-51	
D&A on intangible assets	32	33	
<b>Adj. income before income taxes</b>	<b>294</b>	<b>255</b>	<b>-13</b>
Adj. income tax	-40	-70	
<b>Adj. income after taxes</b>	<b>254</b>	<b>185</b>	<b>-27</b>
Adj. non-controlling interests	-5	-4	
<b>Adj. net income</b>	<b>249</b>	<b>181</b>	<b>-27</b>
<b>Adj. earnings per share</b>	<b>0.53</b>	<b>0.39</b>	<b>-27</b>
Adjustments	-19	-26	

## Depreciation & amortization:

- D&A in-line with full year guidance (“around the level of 2019 of €952 m”)

## Adj. net financial result:

- On last year’s level, but above run rate for full year indication of ~€100 m due to lower fair value of funds (recorded in other financial result), expected to normalize in course of 2020

## Adj. tax rate:

- Q1 2020 with normalization of tax rate (Q1 20: 27%, Q1 19: 14% due MMA-related deferred tax assets)

## Adjustments:

- Mainly related to the acquisition of PeroxyChem

# Cash flow statement Q1 2020

in € m	Q1 2019	Q1 2020
Income before financial result and income taxes (EBIT)	296	<b>247</b>
Depreciation and amortization	221	<b>240</b>
Δ Net working capital	-204	<b>-202</b>
Change in provisions for pensions & other post-employment benefits	-23	<b>18</b>
Change in other provisions	24	<b>23</b>
Change in miscellaneous assets/liabilities	80	<b>54</b>
Cash outflows from income taxes	-67	<b>-106</b>
Others	7	<b>23</b>
<b>Cash flow from operating activities (continuing ops.)</b>	<b>334</b>	<b>297</b>
Cash outflows for investment in intangible assets, pp&e	-175	<b>-184</b>
<b>FCF</b>	<b>159</b>	<b>113</b>
<b>Cash flow from investing activities (continuing ops.)</b>	<b>-185</b>	<b>-289</b>
<b>Cash flow from financing activities (continuing ops.)</b>	<b>-71</b>	<b>-164</b>

## CF from operating activities

- EBIT mainly mirroring lower operational performance
- Net outflows for NWC on prior year level
- Q1 20 with higher tax cash-outs due to tax payments related to other periods; expected to level out over the next quarters

## CF from investing & financing activities

- Cash out for Peroxychem split up in investing CF and in financing CF (due to repayment of related loan)



## Segment overview by quarter – continuing operations

Sales (in € m)	Q1/19	Q2/19	Q3/19	Q4/19	FY 2019	Q1/20
Nutrition & Care	1,149	1,131	1,138	1,163	4,582	1,134
Resource Efficiency	1,438	1,445	1,414	1,387	5,685	1,437
Performance Materials	520	553	475	495	2,043	472
Services	174	171	196	221	763	191
Corporate / Others	6	6	9	18	35	9
<b>Evonik Group</b>	<b>3,287</b>	<b>3,306</b>	<b>3,232</b>	<b>3,284</b>	<b>13,108</b>	<b>3,243</b>

Adj. EBITDA (in € m)	Q1/19	Q2/19	Q3/19	Q4/19	FY 2019	Q1/20
Nutrition & Care	180	190	188	170	728	174
Resource Efficiency	330	326	322	314	1,290	344
Performance Materials	53	74	47	50	224	23
Services	31	36	32	24	122	29
Corporate / Others	-55	-60	-46	-53	-211	-57
<b>Evonik Group</b>	<b>539</b>	<b>566</b>	<b>543</b>	<b>505</b>	<b>2,153</b>	<b>513</b>

## Upcoming IR events

### Conferences & Roadshows

<b>12 May 2020</b>	Roadshow, Frankfurt (virtual)
<b>12 May 2020</b>	Roadshow, Netherlands (virtual)
<b>13 May 2020</b>	Roadshow London (virtual)
<b>14 May 2020</b>	Roadshow, Paris (virtual)
<b>15 May 2020</b>	Citi Chemicals Conference, London (virtual)
<b>20 May 2020</b>	Roadshow, Zurich (virtual)
<b>3 June 2020</b>	Deutsche Bank Conference, Berlin (virtual)
<b>8 June 2020</b>	Exane CEO Conference Fireside Chat, Paris (virtual)
<b>9 June 2020</b>	Exane CEO Conference, Paris (virtual)
<b>18 June 2020</b>	Barclays European Select Conf., Napa Valley (virtual)
<b>18 August 2020</b>	Bankhaus Lampe "Deutschlandkonferenz", Baden Baden

### Upcoming Events & Reporting Dates

<b>31 August 2020</b>	AGM (virtual)
<b>4 August 2020</b>	Q2 2020 reporting
<b>3 November 2020</b>	Q3 2020 reporting
<b>4 March 2021</b>	Q4/FY 2020 reporting
<b>6 May 2021</b>	Q1 2021 reporting
<b>5 August 2021</b>	Q2 2021 reporting
<b>4 November 2021</b>	Q3 2021 reporting

# Evonik Investor Relations team

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