

Evonik

Leading Beyond Chemistry

Strategy Update 2020

Financial perspective

May 7, 2020
Ute Wolf, CFO

We delivered on what we promised...

...for the third consecutive year

2017¹

Adj. EBITDA

„between €2.2 and €2.4 bn“

2017: €2,357 m



Free Cashflow

„clearly positive“

2017: €511 m



2018¹

Adj. EBITDA

„between €2.4 and €2.6 bn“

2018: €2,601 m
(incl. ~ €450 m MMA)



Free Cashflow

“slight increase“

2018: €672 m
(incl. ~ €145 m MMA)



2019²

Adj. EBITDA

„at least stable“
(2018: €2,150 m excl. MMA)

2019: €2,153 m



Free Cashflow

“significantly higher“

2019: €717 m³



1: Including MMA business | 2: Continuing operations excl. MMA business | 3: FCF before extraordinary carve-out taxes of €245 m (related to MMA divestment)

Where do we come from?

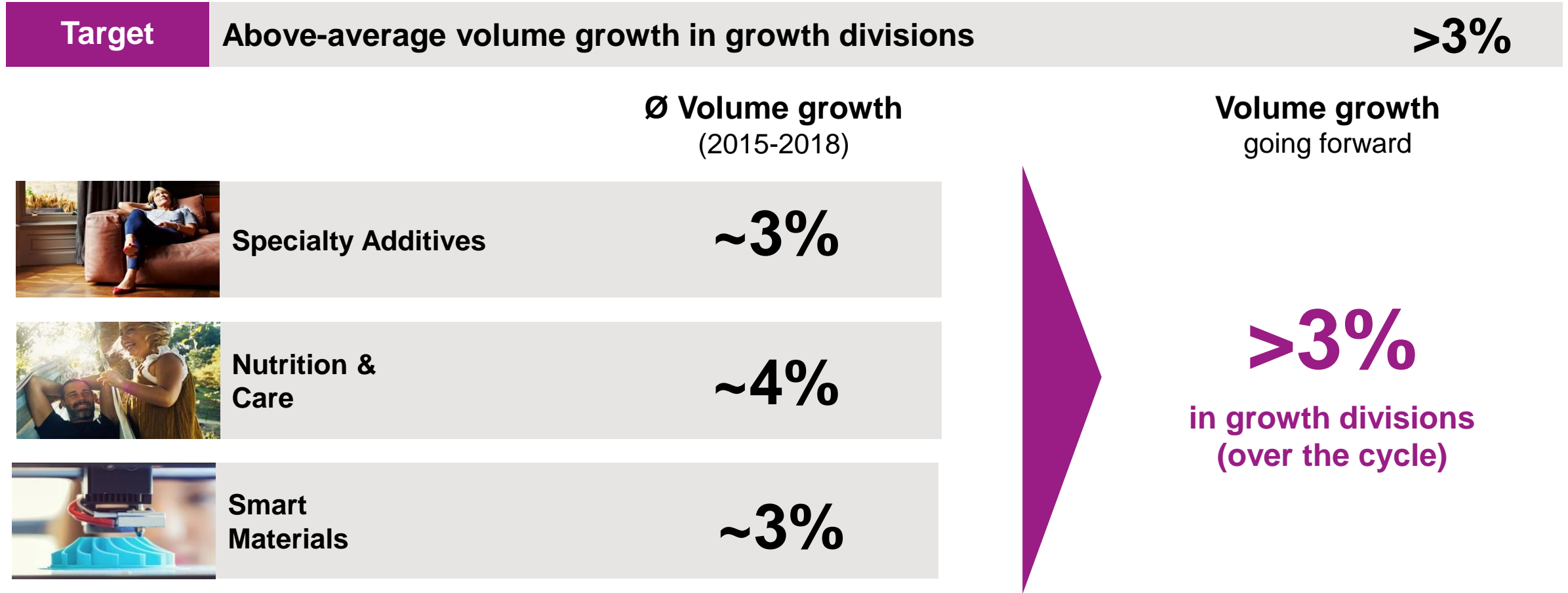
Financial targets set in 2017

Mid-term Financial Targets	Current status
Above-average volume growth GDP+	Volume growth of ~3-4% in our growth divisions
Structurally lift EBITDA margin into sustainably higher range of 18-20%	Margin improvement of +90 bps despite difficult macro, yet still below target range (2019: 16.4%)
FCF significantly above dividend level	Clear improvement in FCF with €717 m¹ in 2019
ROCE above Cost of Capital	ROCE still below Cost of Capital (2019: 8.6%)
Reliable and sustainably growing dividend	Attractive stable dividend of €1.15
Solid investment grade rating	Solid investment grade ratings BBB+/Baa1

1: FCF before extraordinary carve-out taxes of €245 m (related to MMA divestment)

Top-line growth

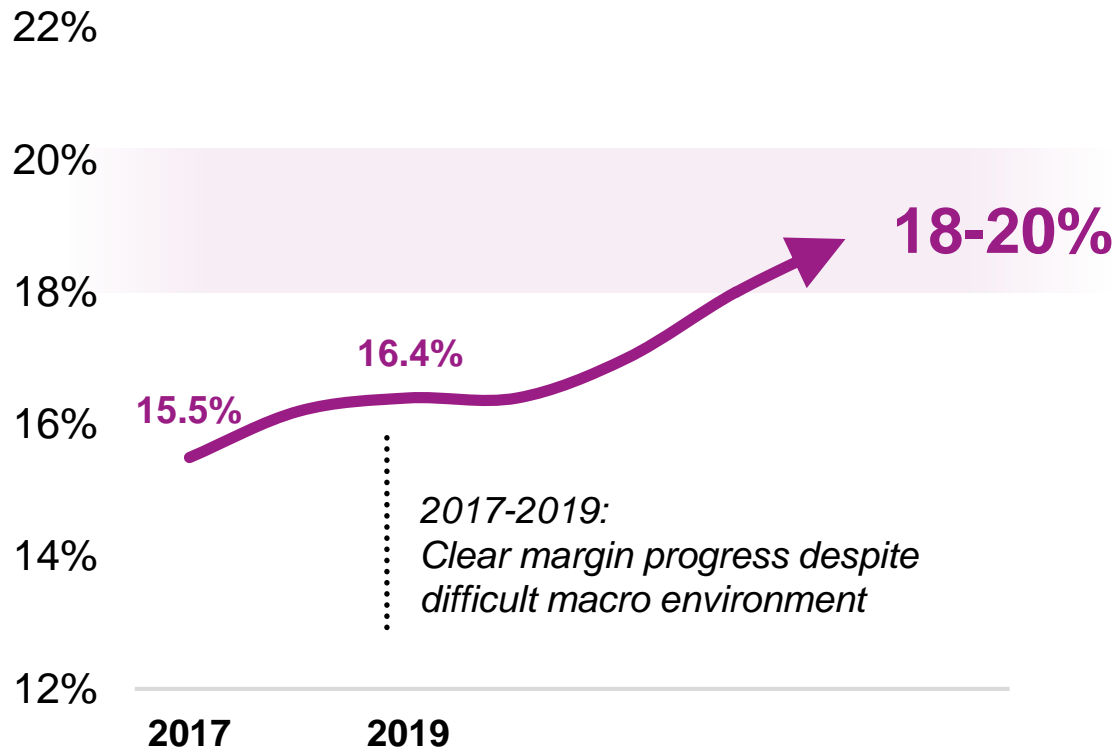
Targeting above-average volume growth in growth divisions



EBITDA margin target range of 18-20%

Three strategic focus areas driving structural margin improvement

EBITDA margin in % (Group level excl. MMA)



1: Organic growth, excl. large M&A activities

Main drivers going forward



Portfolio¹

- Organic growth projects
- Ongoing shift of product portfolio towards specialty



>100 bp¹

Culture



- Cost savings from efficiency measures in Administration and Operations



~50bp

Innovation



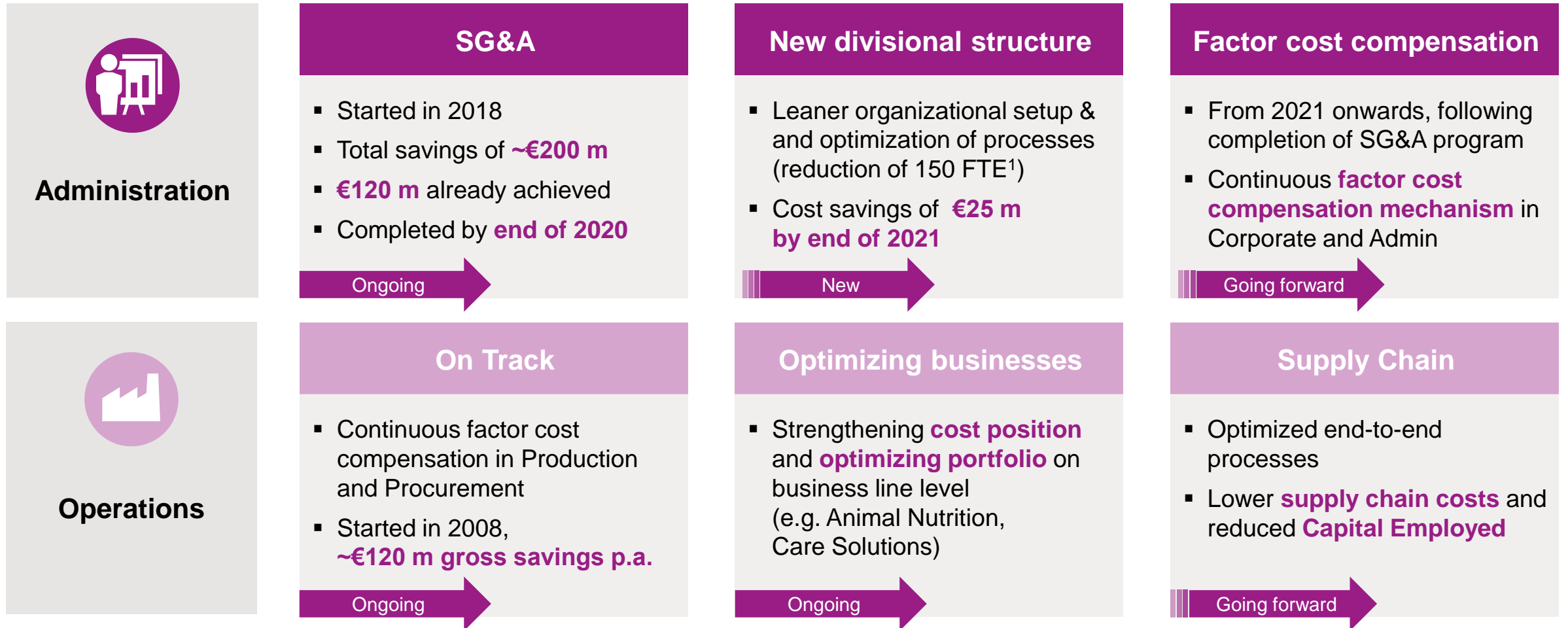
- €1 bn additional sales from new products with above-average margin



~50bp

Self-help measures supporting margin target

Targeting cost excellence in Administration and Operations



1: mainly in cross-segment- and administrative functions in the operating segments

FCF Conversion

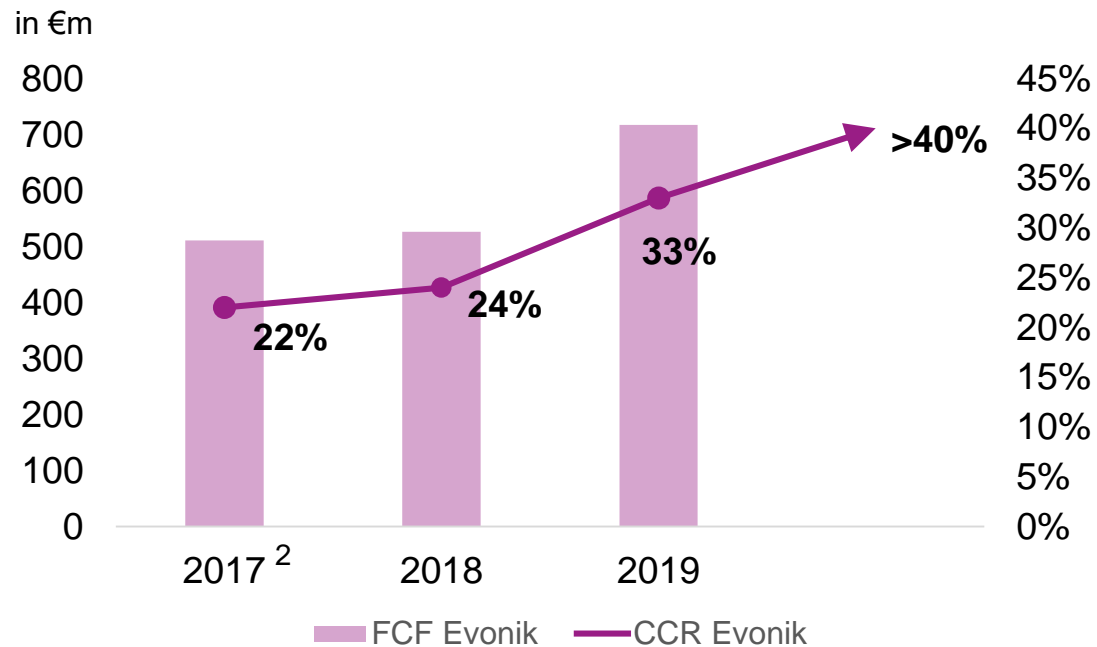
Strong track record established – further improvement ahead

Target

Cash Conversion Ratio¹ of

>40%

Strong improvement of FCF and Cash Conversion¹



1: Cash Conversion ratio as FCF/Adj. EBITDA | 2: Including Methacrylates business

FCF levers going forward

- Ongoing **strict NWC management**; current low level to be secured going forward
- Maintain **capex** level of **€850 m** going forward
- **Growth projects** contributing to high cash conversion e.g.
 - Methionine plant (ME6)
 - PA12 expansion
- Fade-out of cash-outs from **efficiency measures**
- Pensions with stable cash-outs on lowered level (**CTA**)
- Bolt-on acquisitions with **high cash conversion** (e.g. PeroxyChem >60%)

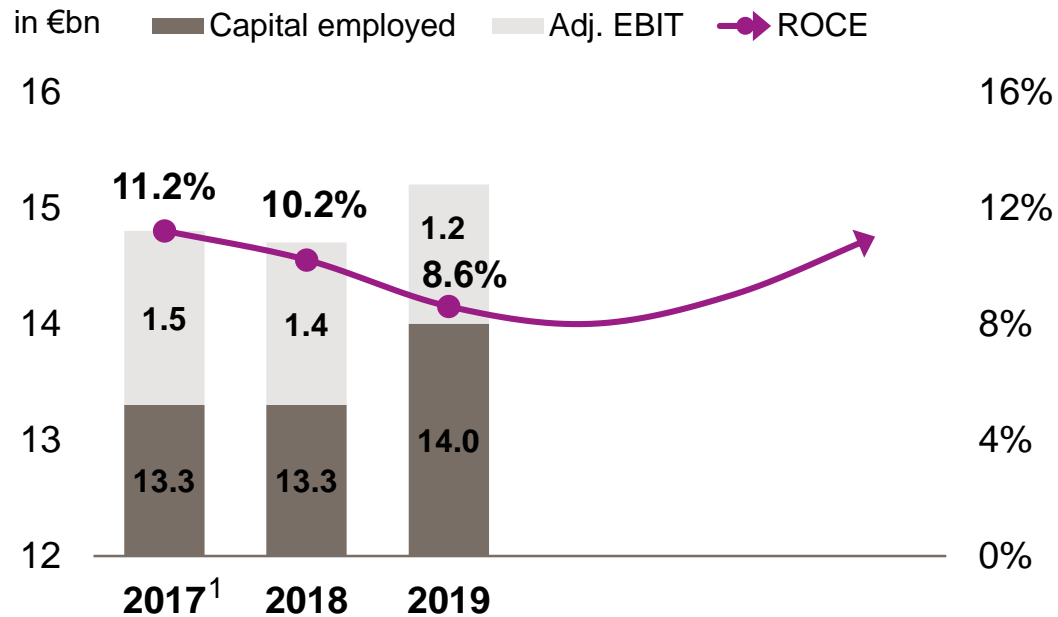
ROCE

Targeting ROCE well above Cost of Capital

Target

ROCE well above Cost of Capital

~11%



Increase in **Capital Employed** mainly driven by **IFRS 16**: capitalization of leases (~€0.6 bn with Q1 2020³)

Larger **growth projects** (like ME6, Precipitated silica USA, PA12):

- ~€1 bn capitalized on balance sheet
- **Full level of fixed costs** already since start-up

Higher EBIT contribution

- Increasing **utilization**
- Growing **market penetration**
- Improving **process efficiency**

Supply chain optimization:

- Optimized processes, lower Capital Employed

WACC² of

9%

Structural improvement of ROCE to

~11%

1: Including Methacrylates business | 2: WACC reduced to 9% due to lower cost of capital and lower beta factor | 3: Annual averages

Capital Allocation

Priorities for capital deployment

Our capital allocation priorities



Efficient capex allocation

- Strict **capital allocation criteria**
- Optimized capex spending on **continuously lower level**
- Investment projects **contributing to financial targets**



Attractive dividend

- Shareholder return mainly via **attractive dividend**
- **Stable to rising** dividend going forward



Targeted M&A

- Strong **strategic fit** with existing portfolio
- Contributing to **defined financial targets**
- **Strict return criteria**
- High level of **synergies**



Healthy balance sheet level

- Maintaining a **solid investment grade rating**
- Solid balance sheet leaves **sufficient room** for development of the group

Increasing shareholder value

Financial targets going forward

Mid-term Financial Targets set in 2017

Above-average volume growth (GDP+)

Structurally lift EBITDA margin into sustainably higher range of **18-20%**

FCF significantly above dividend level

ROCE above Cost of Capital

Reliable and sustainably growing dividend

Solid investment grade rating

Updated mid-term Financial Targets

Above-average volume growth ¹⁾

>3%



Cash Conversion ratio of ²⁾

>40%

ROCE well above Cost of Capital

~11%



1: In growth divisions | 2: Cash Conversion ratio defined as FCF/Adj. EBITDA



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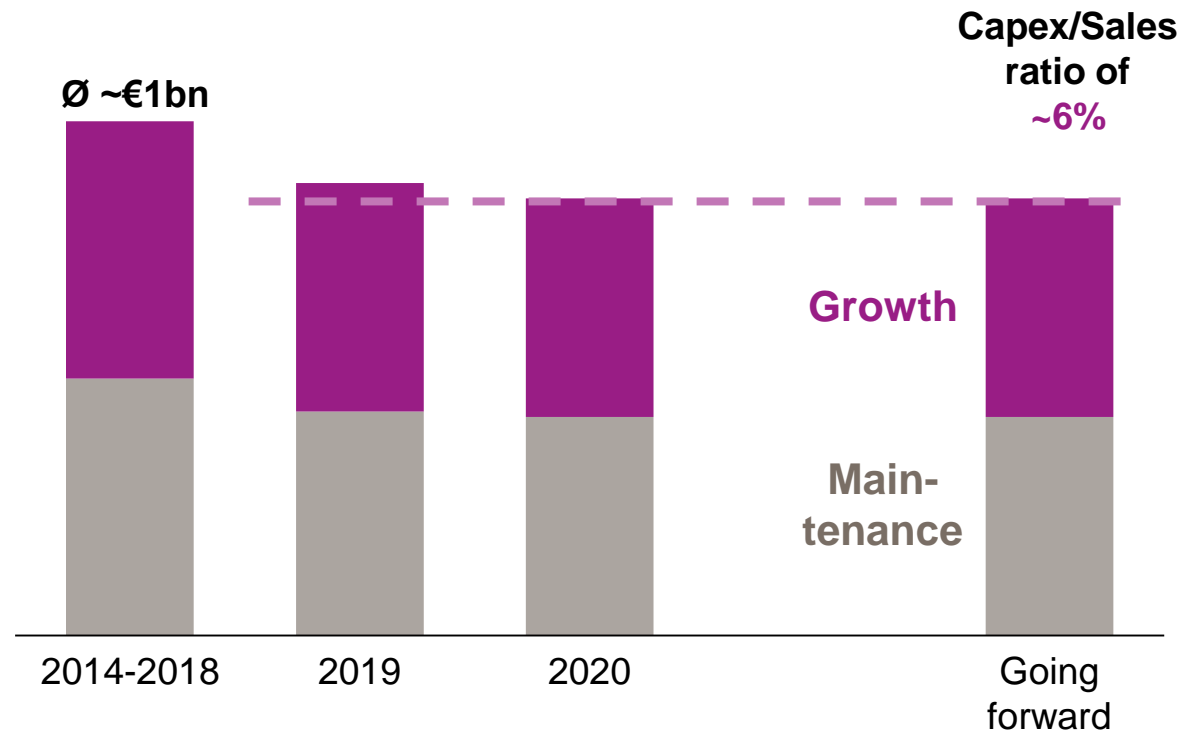
Financial targets for growth divisions going forward

Financial target	Specialty Additives	Nutrition & Care	Smart Materials
Volume growth	<p>>3%</p> <p>in all growth divisions (over the cycle)</p>		
EBITDA margin level	<p>Maintain very attractive margin level (2019: 26%)</p>	<p>Getting back into target range (2019: 16%)</p>	<p>Secure margin level at least in range of 18 - 20% (2019: 19%)</p>
Capex/Sales ratio	<p>~4%</p>	<p>~5%</p>	<p>~6%</p>

Spotlight on Capex





Optimized capex spending on a continuously lower level of €850 m

Continuous capex level of ~€850 m



Capex = Cash outflow for investment in intangible assets, pp&e

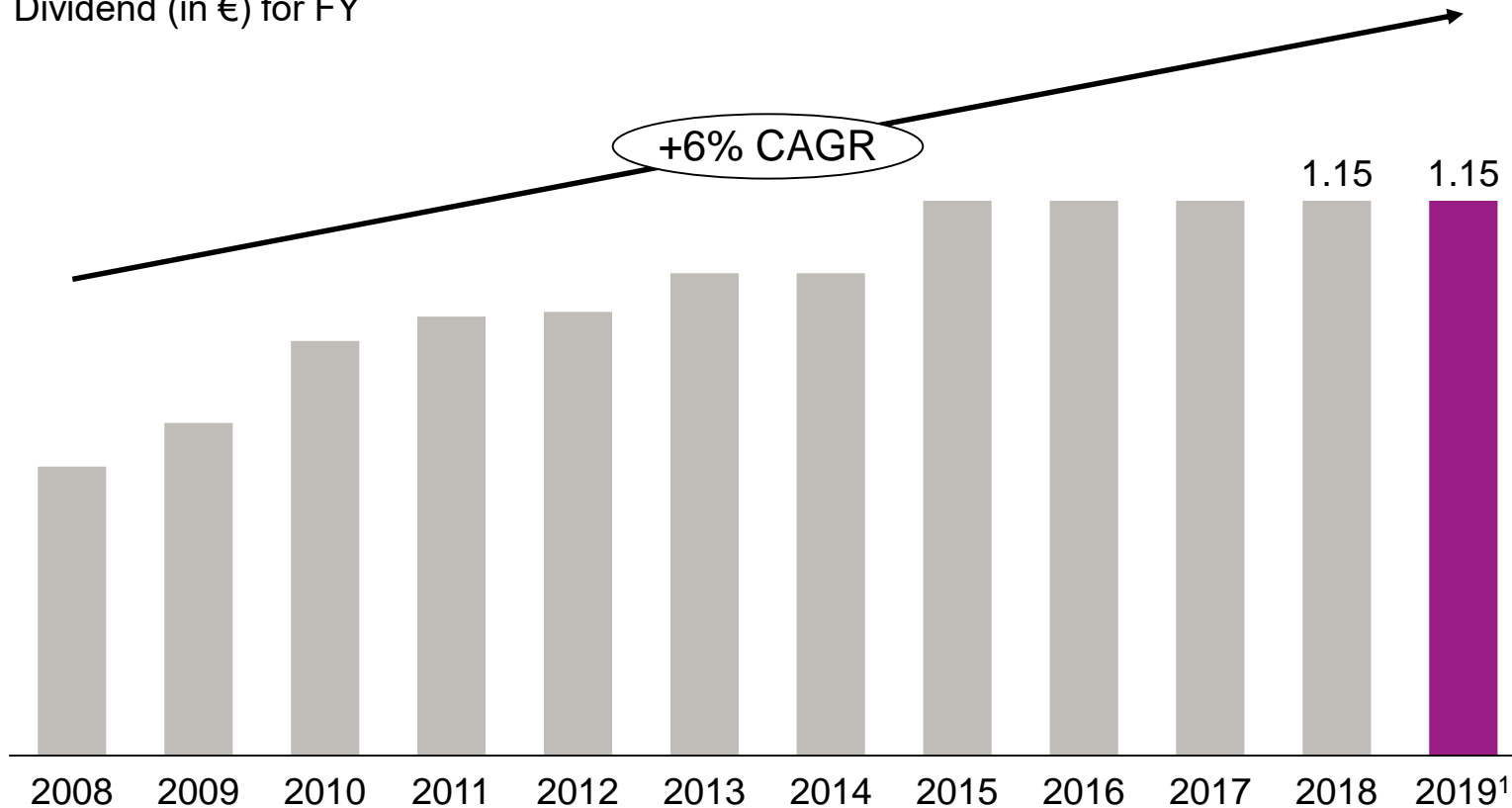
Optimized capex spending going forward

-  **Strict allocation criteria**, especially for maintenance capex
-  **Harmonization of maintenance projects** to global standards
-  **Asset Lifecycle Management** for each business with a 10-year time horizon
-  **Site Footprint Masterplan**: Definition and capex allocation according to clear capex roles for individual sites

Spotlight on shareholder returns

Reliable and attractive dividend policy

Dividend (in €) for FY



- Sustainable dividend growth over the last years: 6% CAGR between 2008 and 2019
- **Attractive dividend yield** (~5% mid-2020)
- Reliable dividend policy targeting:
 - **Dividend continuity**
 - **Adj. EPS and FCF growth** with potential for sustainable **dividend growth** going forward

1: Dividend proposal