

Evonik

Leading Beyond Chemistry

Q3 2020

Earnings Conference Call

3 November 2020

Christian Kullmann, Chief Executive Officer

Ute Wolf, Chief Financial Officer

Table of contents

1. Strategic highlights

2. Financial highlights

3. Outlook FY 2020

Consistent strategy execution

Transformation towards more balanced portfolio with higher returns well on track

Value-generating acquisitions

Strengthening our resilient businesses at attractive valuations



- Specialty applications in hydrogen peroxide
- Accelerating growth of catalysts business
- Both with resilient performance during the crisis

New divisional structure

Growth divisions with strong positioning and promising growth drivers



- Clear strategic roles
- Higher transparency
- More efficient internal management
- Leaner organization

Carve-Out Baby Care

Focus on specialty businesses with high margins & returns



- Set up Baby Care as independent unit by mid-2021
- Evaluating strategic options thereafter

Asset Optimization in Animal Nutrition

Closing smallest Methionine plant in Wesseling, Germany



- Focus on three world-scale, best-in-class hubs
- Asset set-up for highest efficiency and optimized cost structures

Innovation initiatives with clear sustainability focus

Sustainability integrated in innovation process as driver for future growth



Additive Manufacturing

- **INFINAM®** – next generation of specialized, ready-to-use PA12 powders for 3D printing
- **Improved recycling properties - 80% reusability** within printing process



Biosurfactants

- Based on natural sugar and **100% biodegradable** with **exceptional foaming properties**
- **Unilever** accredits collaboration with Evonik as **key pillar of its “Clean Future” initiative**



Table of contents

1. Strategic highlights

2. Financial highlights

3. Outlook FY 2020

Proven resilience

Portfolio delivering strength in challenging environment

Stable YTD EBITDA & pricing
in growth divisions

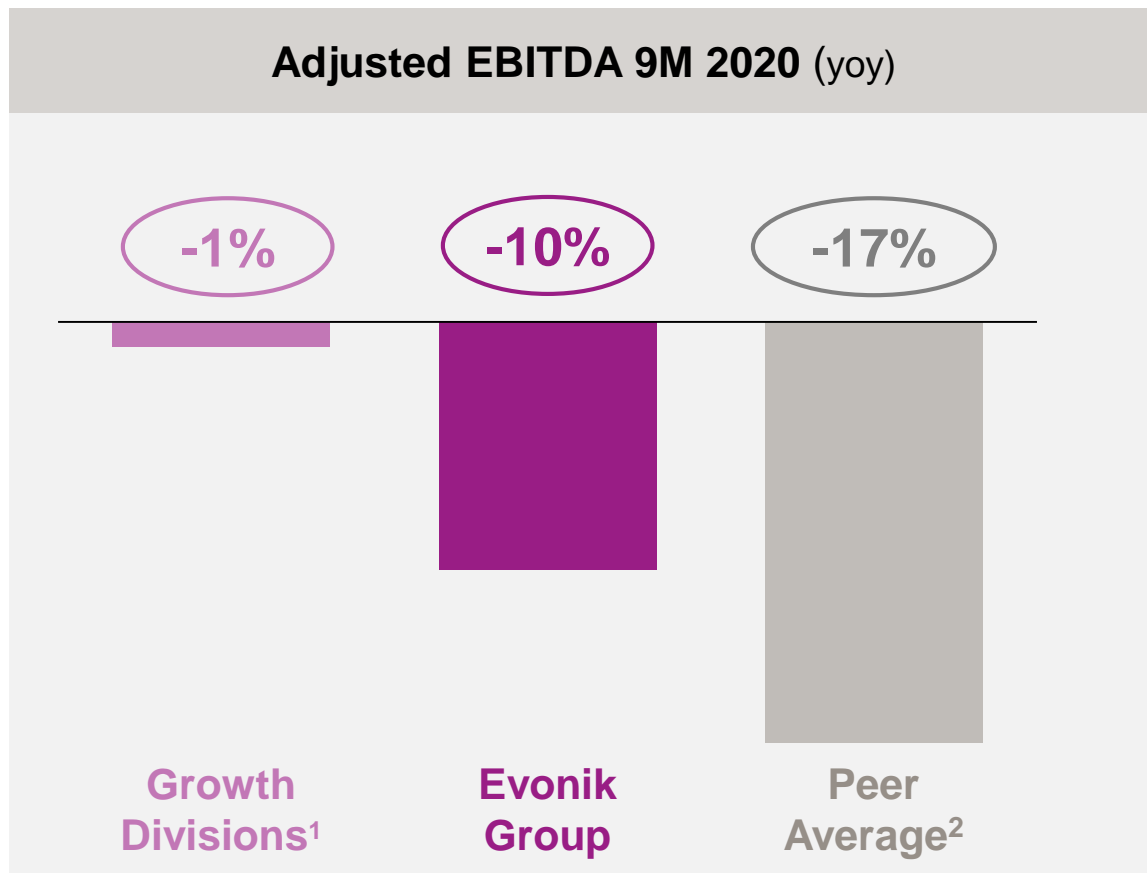
FCF YTD
above prior year level

Clear **sequential**
earnings recovery in Q3

EBITDA outlook confirmed
FCF guidance increased
during the crisis

Resilient first nine month despite corona crisis

Robust performance driven by growth divisions



Specialty Additives

- Resilient business model with mission-critical solutions for customers
- Stable margin and pricing



Nutrition & Care

- Defensive end market exposure, pricing support & active cost mgmt.
- yoy higher earnings



Smart Materials

- Ongoing resilience in Inorganics like H₂O₂, Consumer Silica or Catalysts
- Clear recovery in automotive-related businesses



1. Defined as Growth divisions + Services, Corporate & Other

2. Peers: Akzo, Arkema, Ashland, BASF, Clariant, Covestro, DSM, Fuchs, Lanxess, Solvay, WR Grace; 9M reported where available, otherwise H1 + Q3 consensus

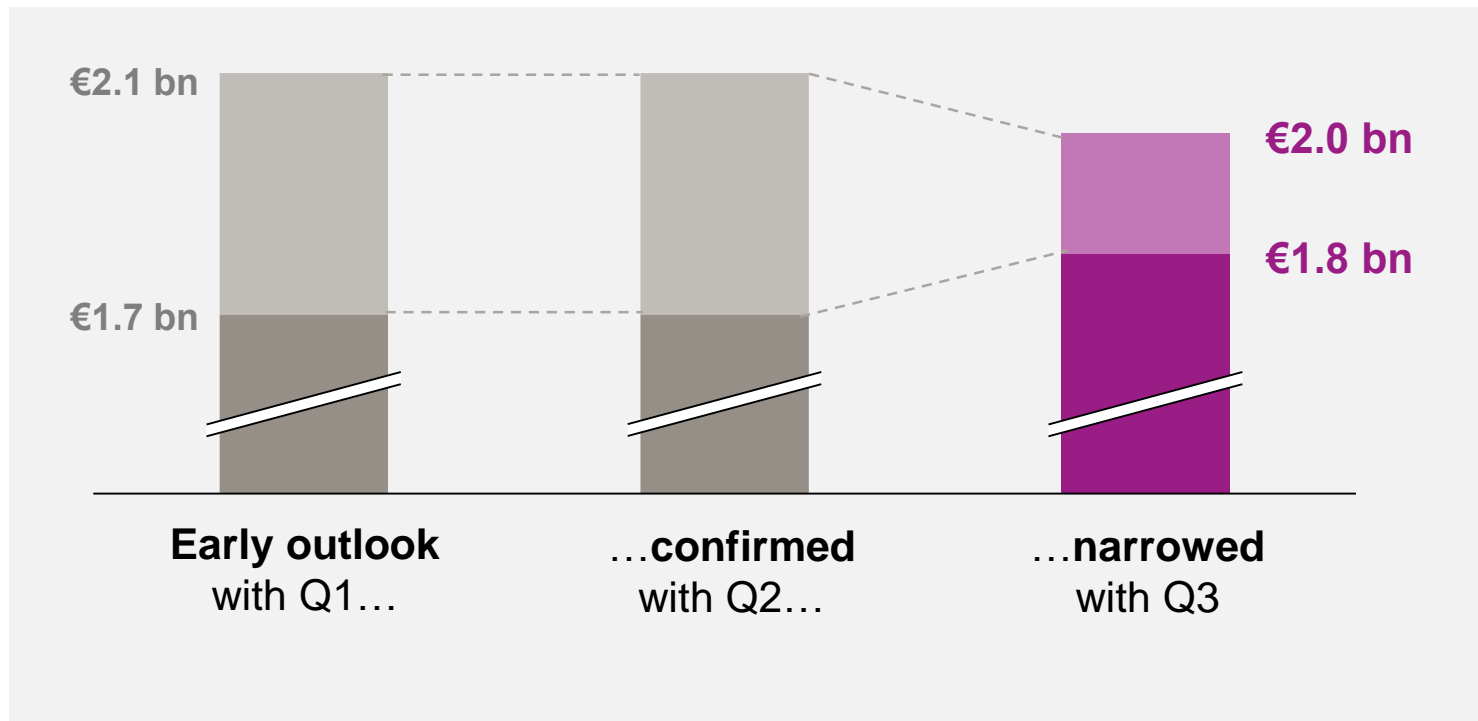
Table of contents

1. Strategic highlights
2. Financial highlights
- 3. Outlook FY 2020**

Outlook FY 2020 (1/2)

Adjusted EBITDA outlook narrowed to €1.8 - 2.0 bn

Adj EBITDA outlook FY 2020 (FY 2019: €2,153 m)

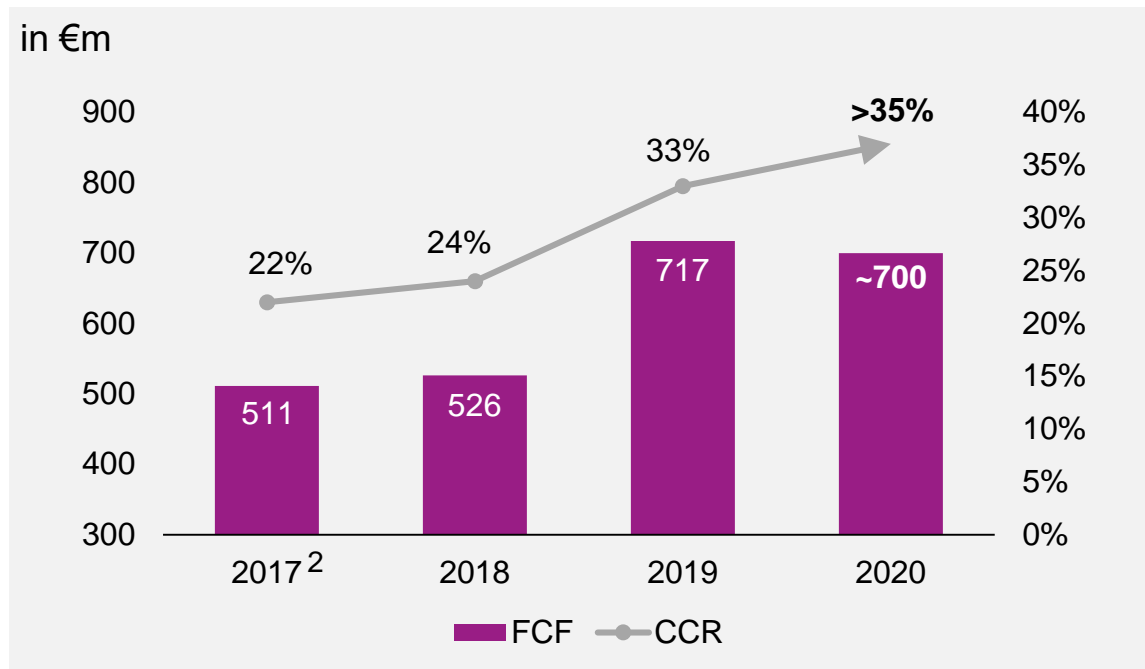


- **“Promise & Deliver”** continued despite Corona pandemic
- **Specific outlook provided already in May**
- **Confirmed** with Q2 reporting
- Now **narrowed** to range of €1.8 - 2.0 bn

Outlook FY 2020 (2/2)

FCF outlook upgraded once more

FCF ~€700 m & cash conversion rate¹ >35% (FY 2019: €717 m / 33.3%)



- Strong track record in CCR improvement
- High cash awareness and strict cost management
- CAPEX & NWC discipline

FCF outlook upgraded once more:

- **FCF ~€700 m**
- **Cash conversion rate¹ of >35%**
(previously: at least on prior year's level)

1. Free cash flow conversion (FCF/adj. EBITDA) 2: Including Methacrylates business



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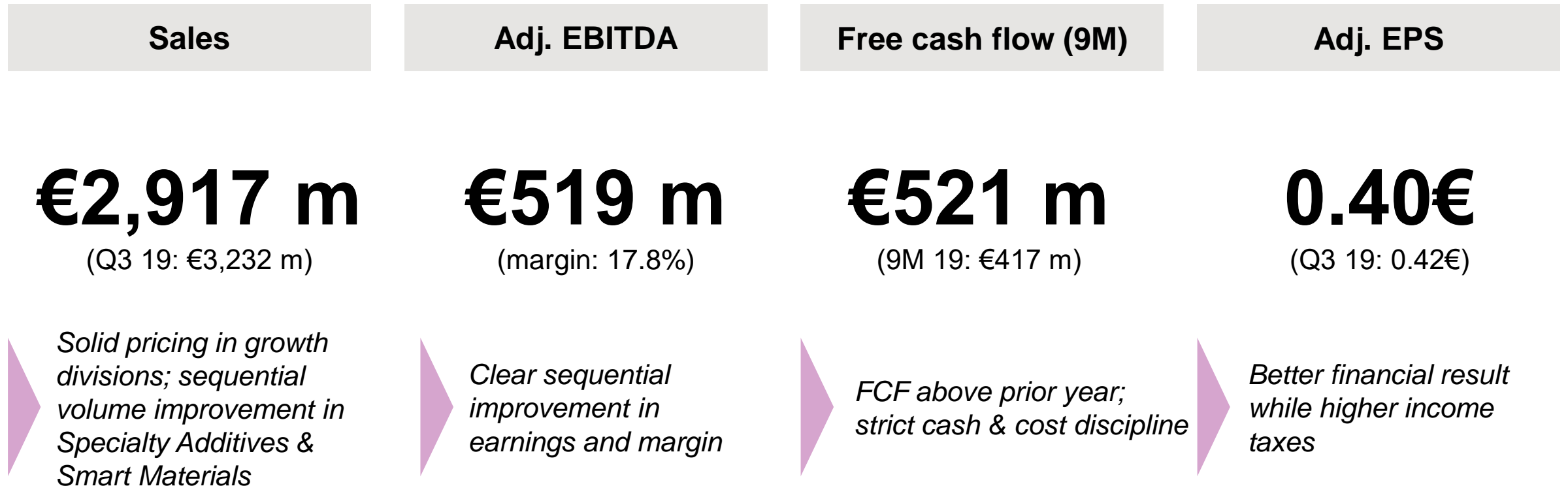
Leading Beyond Chemistry

Additional indications for 2020

- PeroxyChem: Included in outlook with 11 months (FY 2019: ~USD300 m sales, ~USD60 m adj. EBITDA)
- ROCE: **Below the level of 2019** (2019: 8.6%)
- Capex¹: **Around the already low level of 2019** (2019: €880 m)
- EUR/USD: **1.14 EUR/USD** (previous indication: 1.10 EUR/USD; 2019: 1.12 EUR/USD)
- EUR/USD sensitivity²: +/-1 USD cent = -/+ ~€7 m adj. EBITDA (FY basis)
- Adj. EBITDA Services, Corp. & Others: **Slightly more negative than 2019** (2019: -€94 m)
(In the new divisional structure and starting with Q3 2020, Services, Corporate & Other will be reported and guided in IR documents as only one line item going forward)
- Adj. D&A: **Around the level of 2019** (2019: €952 m)
- Adj. net financial result: **-€100 - 130 m** (previous indication: around -€100 m; 2019: -€185 m)
Less negative in 2020 due to lower cross-currency swaps, lower interest rates for pensions and other provisions
- Adj. tax rate: **Around 28%** (previous indication: ~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

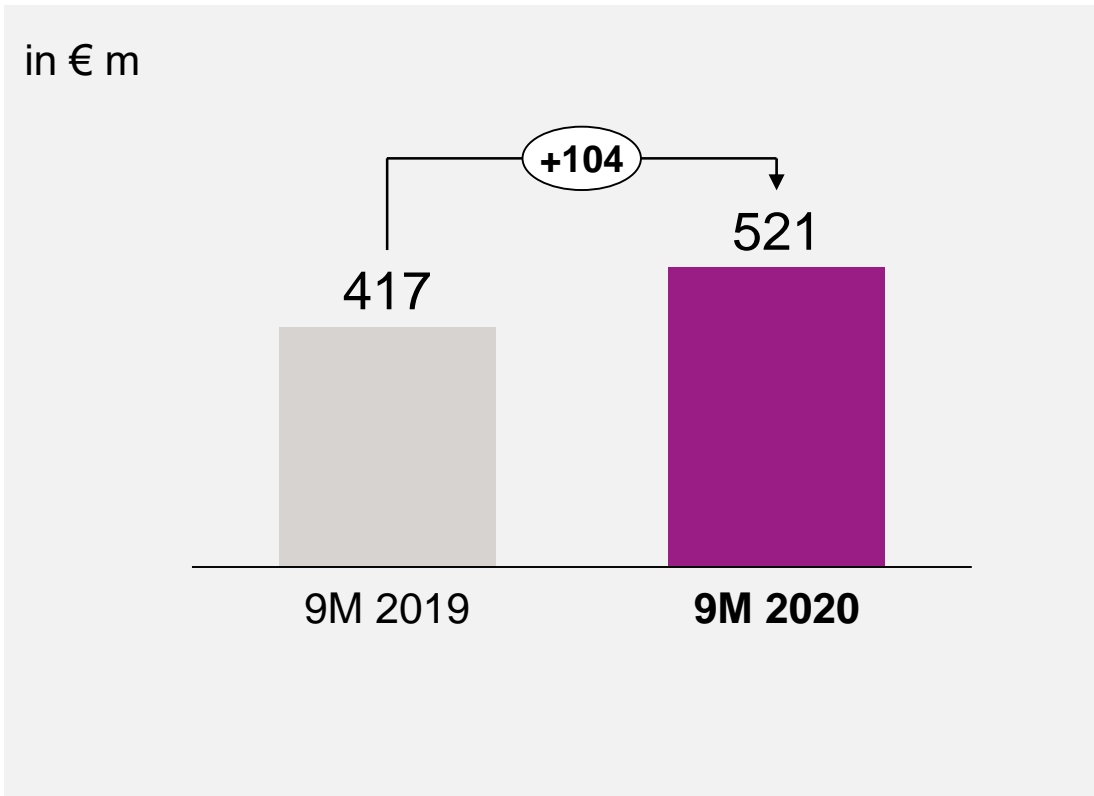
Q3 2020 – Clear sequential earnings improvement



Free Cash Flow 9M 2020

Clearly higher FCF despite challenging environment

Free cash flow 9M 2020 (in € m, continuing operations)



Excl. extraordinary carve-out taxes of ~€128 m in Q3 2019 (related to MMA divestment)

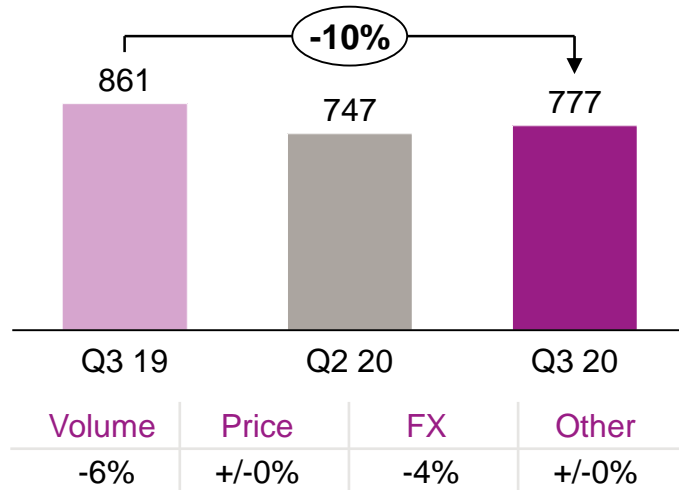
Free cash flow clearly higher in 9M (yoy):

- Overcompensating EBIT decline of €154 m
- High cash awareness with strict cost management
- **Disciplined capex** management
- Ongoing benefit from **CTA pension reimbursement**
- Lower **tax & bonus** payments

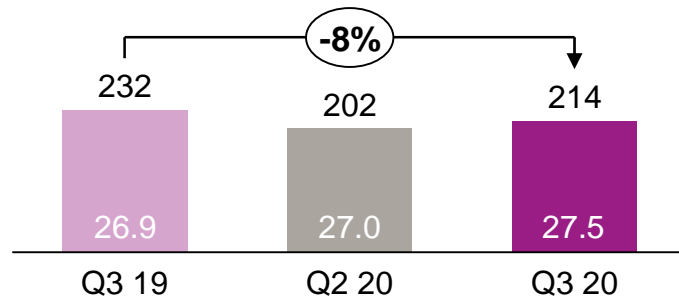
Specialty Additives

Strong track record of sustained high margin level and stable prices

Sales (in € m)



Adj. EBITDA (in € m) / margin (in %)



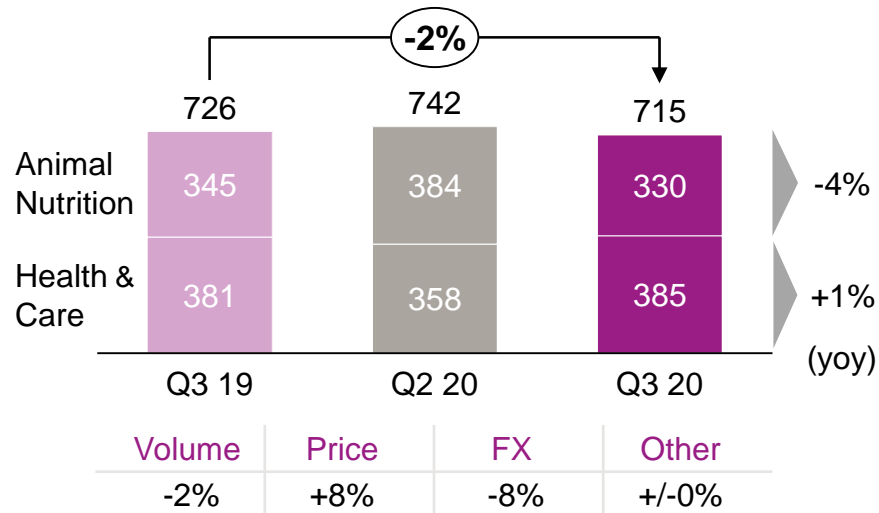
- Resilient performance based on leading portfolio of mission-critical additive solutions
- Robust business model with strong track record of stable prices and sustained high margin level
- Construction and renewable energy end markets continue to be robust, also benefitting from governmental stimulus programs
- Recovery in automotive, coatings and durable consumer goods towards the end of the quarter



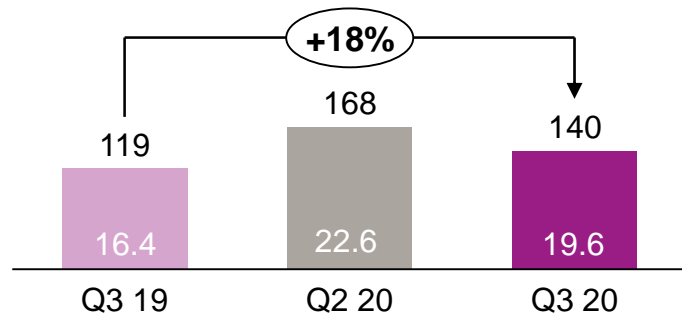
Nutrition & Care

Resilient end markets and active cost management

Sales
(in € m)



Adj. EBITDA
(in € m)
/ margin
(in %)



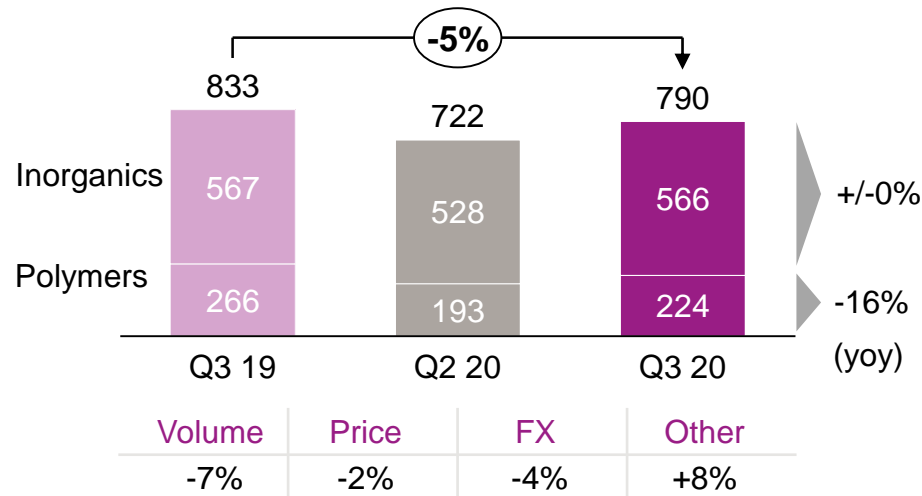
- Yoy higher earnings and margin supported by resilient end markets and active cost management
- Health & Care: Benefitting from defensive setup with continuously strong demand for active ingredients in cosmetic applications and pharma polymers as well as active cost management
- Animal Nutrition: Lower volumes after strong first half-year and negative FX effects



Smart Materials

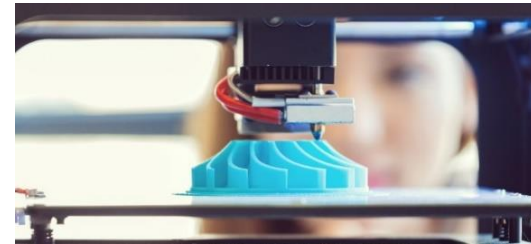
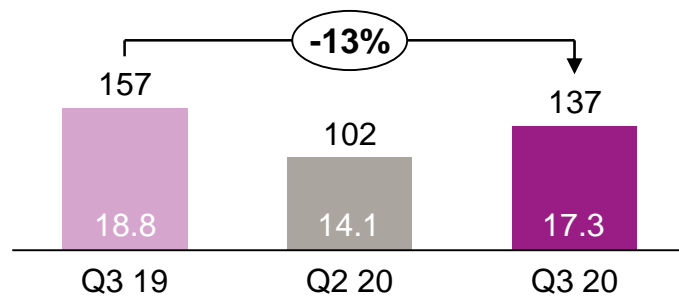
Continued resilience in Inorganics; improving trends in automotive

Sales (in € m)



- Improving volume trend (Q3 20: -7% yoy vs. Q2 20: -20% yoy) and ongoing resilient pricing
- Inorganics: Sales back to prior year level; continued resilience in hygiene, personal care and environmental applications; replacement-related automotive products (e.g. Silica for tires) showing clear recovery
- Polymers: After strong decline in Q2, OEM-related automotive applications with improving trends. Membranes and 3D printing applications with ongoing strong development.

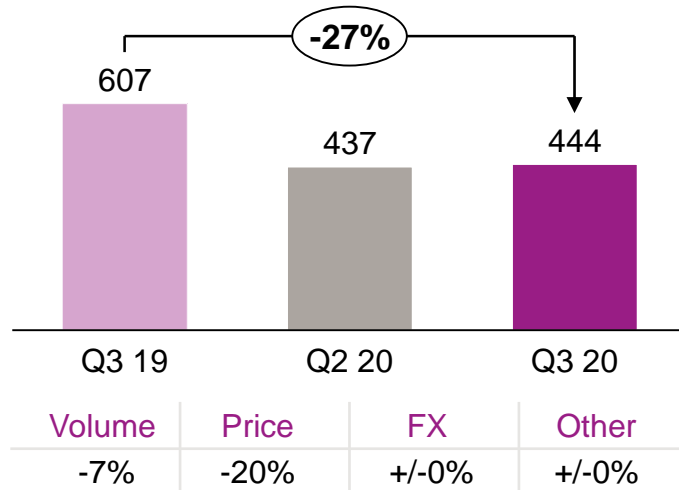
Adj. EBITDA (in € m) / margin (in %)



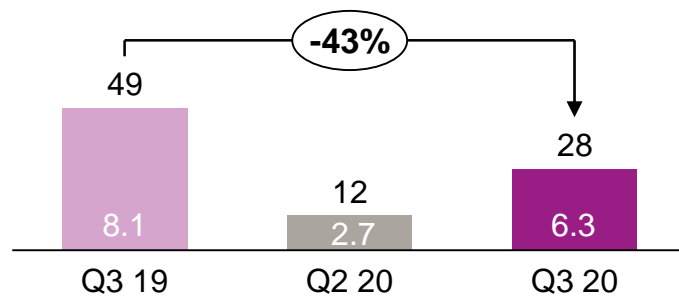
Performance Materials

Slow recovery from trough levels

Sales (in € m)



Adj. EBITDA (in € m) / margin (in %)

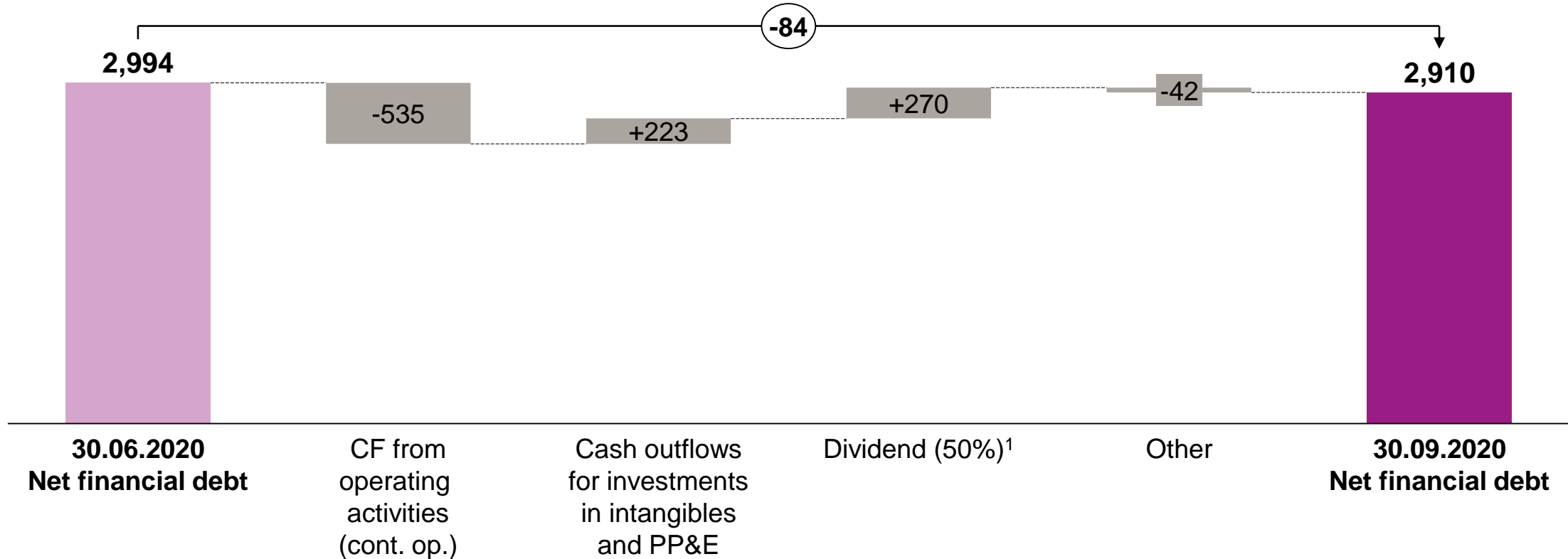


- Difficult market environment for petrochemical derivatives prevailing
- Business slowly recovering from trough levels with higher volumes and improving naphtha spreads in C4-chain
- Demand from auto sector for Butadiene and MTBE still weak but slowly recovering
- Baby Care with yoy lower volume and prices



Net financial debt development Q3 2020

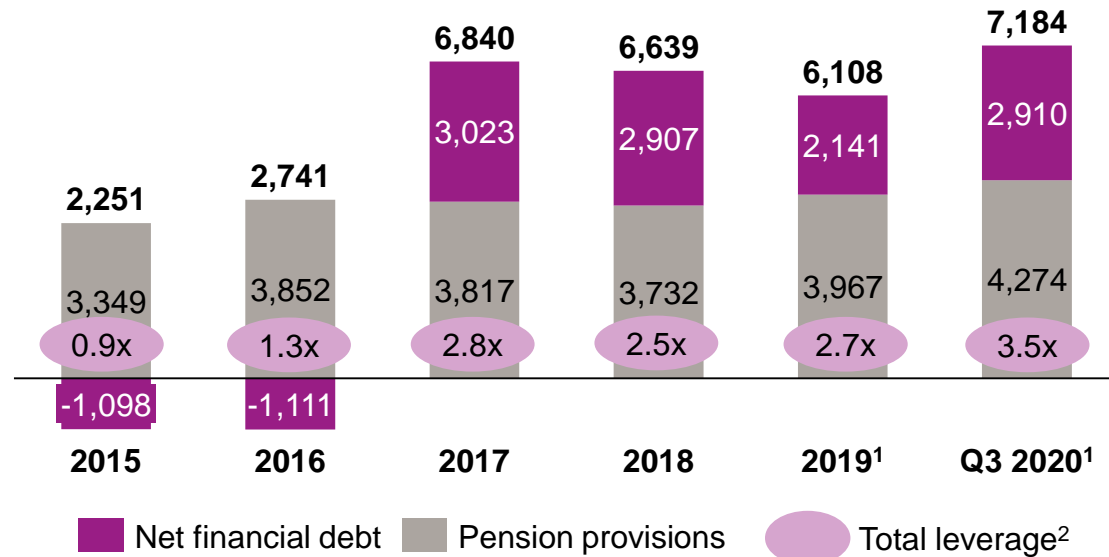
(in € m)



1. An amount of €0.57 per share has been paid during Q2 2020 as an advance on the net profit for fiscal year 2019. On September 3, 2020, the remaining €0.58 per share were paid after Evonik's annual shareholders' meeting which took part on August 31, 2020

Development of debt and leverage over time

(in € m)



Adj. net debt³	2,251	2,741	6,590	6,389	5,858 ¹	6,934 ¹
Adj. EBITDA	2,465	2,165	2,357	2,601	2,153 ¹	1,993 ¹
German pension discount rate (%)	2.75	2.00	2.00	2.00	1.30	1.20

- Increase of net financial debt as per Q3 2020 (vs year-end 2019) mainly from closing of PeroxyChem acquisition
- Net financial debt leverage continues to be low at 1.3x
- More than half of net debt consists of long-dated pension obligations with >17 years duration
- Slightly higher pension provisions in Q3 (vs Q2 at €3,994 m) upon decrease of pension discount rates (German discount rate decline from 1.3% to 1.2%)
- Pension provisions partly balanced by corresponding deferred tax assets of ~€1.43 bn

1. Continuing operations (excluding methacrylate activities) , Adj. EBITDA LTM | 2. Adj. net debt³ / adj. EBITDA | 3. Net financial debt – 50% hybrid bond + pension provisions

Adjusted income statement Q3 2020

in € m	Q3 2019	Q3 2020	Δ in %
Sales	3,232	2,917	-10
Adj. EBITDA	543	519	-4
Depreciation & amortization	-250	-250	
Adj. EBIT	293	269	-8
Adj. net financial result	-63	-34	
D&A on intangible assets	35	38	
Adj. income before income taxes	265	273	3
Adj. income tax	-65	-84	
Adj. income after taxes	200	189	-6
Adj. non-controlling interests	-5	-3	
Adj. net income	195	186	-5
Adj. earnings per share	0.42	0.40	-5
Adjustments	-74	-24	

Depreciation & amortization:

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

Adj. net financial result:

- Positive effect from normalization in fair value of money market funds (recorded in other financial result)
- Last year: drop in interest rate level led to negative effects from short-term securities and higher interest expenses for discounting long-term provisions

Adj. tax rate:

- Q3 2020 with tax rate of 30.8%; 1-9 2020 (27.5%) in-line with FY guidance of around 28%

Adjustments:

- Restructuring (-€25 m): mainly related to asset optimization in Animal Nutrition and efficiency programs
- Impairment (-€2 m): last year with higher number for coal power plant in Marl (Germany), which is replaced by natural gas power plant in 2022

Cash flow statement Q3 2020

in € m	Q3 2019	Q3 2020
Income before financial result and income taxes (EBIT)	219	245
Depreciation and amortization	286	254
Δ Net working capital	3	-38
Change in provisions for pensions & other post-employment benefits	-34	1
Change in other provisions	46	41
Change in miscellaneous assets/liabilities	6	39
Cash outflows from income taxes*	0	12
Others	5	-19
Cash flow from operating activities (continuing ops.)*	531	535
Cash outflows for investment in intangible assets, pp&e	-210	-223
FCF*	321	312
Cash flow from investing activities (continuing ops.)	773	38
Cash flow from financing activities (continuing ops.)	-219	-384

* Excl. extraordinary carve-out taxes of ~€128 m in Q3 2019 (related to MMA divestment)

CF from operating activities

- Last year with higher D&A for coal power plant in Marl (Germany), which is replaced by natural gas power plant in 2022
- Change in provision for pensions mirrors ongoing benefit from CTA reimbursement

CF from investing & financing activities

- Last year cash inflow from divestment of Methacrylates business in investing activities
- Cash flow from financing activities lower due to ~€270 m dividend payment in Q3 (50%, ~€270 m already paid in Q2)

Divisional overview by quarter

Sales (in € m)	Q1/19	Q2/19	Q3/19	Q4/19	FY 2019	Q1/20	Q2/20	Q3/20
Specialty Additives	842	867	861	810	3,381	852	747	777
Nutrition & Care	731	719	726	747	2,922	748	742	715
Smart Materials	857	845	833	836	3,371	858	722	790
Performance Materials	677	698	607	652	2,634	584	437	444
Services, Corporate & Others	180	177	205	239	800	201	179	191
Evonik Group	3,287	3,306	3,232	3,284	13,108	3,243	2,827	2,917

Adj. EBITDA (in € m)	Q1/19	Q2/19	Q3/19	Q4/19	FY 2019	Q1/20	Q2/20	Q3/20
Specialty Additives	225	226	232	203	886	239	202	214
Nutrition & Care	113	121	119	109	462	118	168	140
Smart Materials	162	164	157	168	651	166	102	137
Performance Materials	63	84	49	53	248	18	12	28
Services, Corporate & Others	-24	-29	-14	-27	-94	-28	-28	0
Evonik Group	539	566	543	505	2,153	513	456	519

Upcoming IR events

Conferences & Roadshows	
4 November 2020	Roadshow, Frankfurt (virtual)
4 November 2020	Roadshow, global (virtual)
10 November 2020	UBS European Conference, London (virtual)
10/11 November 2020	Morgan Stanley Chemicals Conference, Boston (virtual)
12 November 2020	Baird's Global Industrial Conference, Chicago (virtual)
17 November 2020	Société Générale European ESG/SRI Conference, Paris (virtual)
24 November 2020	Credit Suisse Year End Conference, London (virtual)
30 November 2020	Berenberg European Conference, London (virtual)
1 December 2020	Bank of America Chemicals Conference, London (virtual)
2 December 2020	Societe Generale "The Premium Review" Conference, Paris (virtual)

Upcoming Events & Reporting Dates	
3 November 2020	Q3 2020 reporting
4 March 2021	Q4/FY 2020 reporting
6 May 2021	Q1 2021 reporting
2 June 2021	AGM
5 August 2021	Q2 2021 reporting
4 November 2021	Q3 2021 reporting

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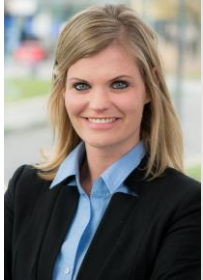


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