

# Evonik

# Leading Beyond Chemistry

Q1 2021

Earnings Conference Call

6 May 2021

**Christian Kullmann**, Chief Executive Officer

**Ute Wolf**, Chief Financial Officer

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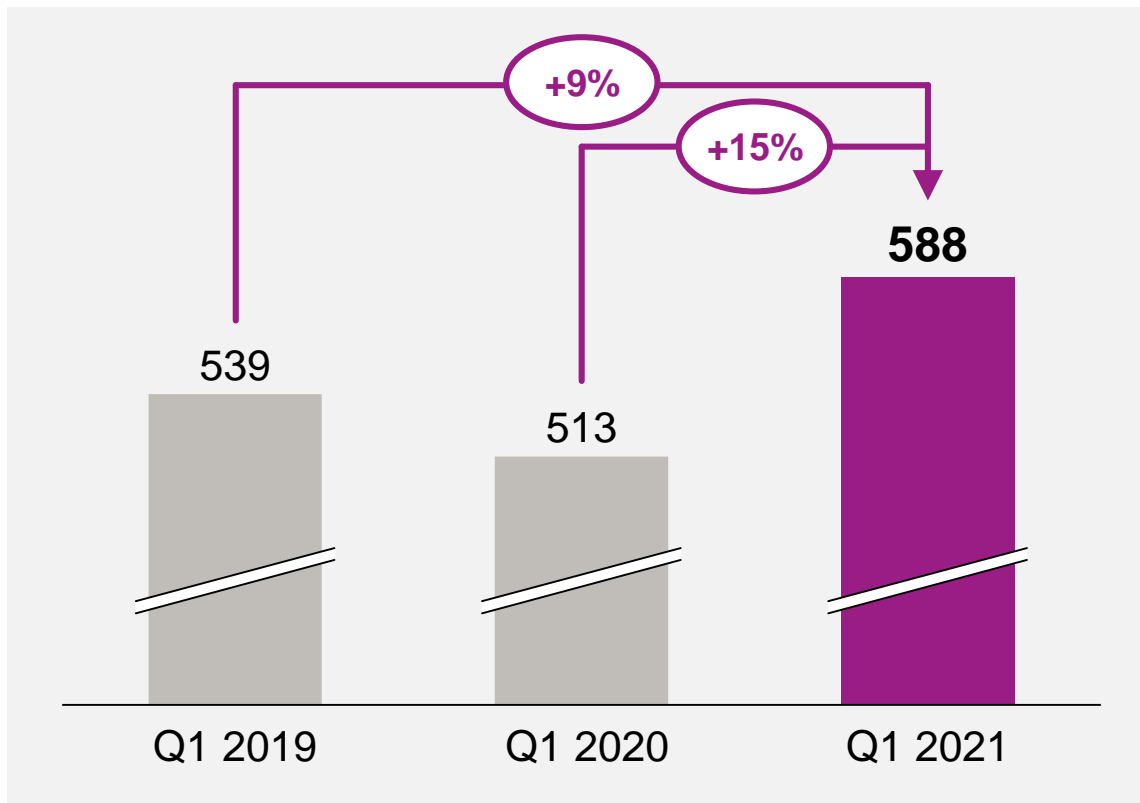
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- 1. Strong start into the year**
2. Financial performance Q1 2021
3. Outlook FY 2021

## Strong start into the year

Q1 with double-digit increase yoy, also clearly above pre-pandemic 2019 level

### Adj. EBITDA Q1 2021 (in € m)

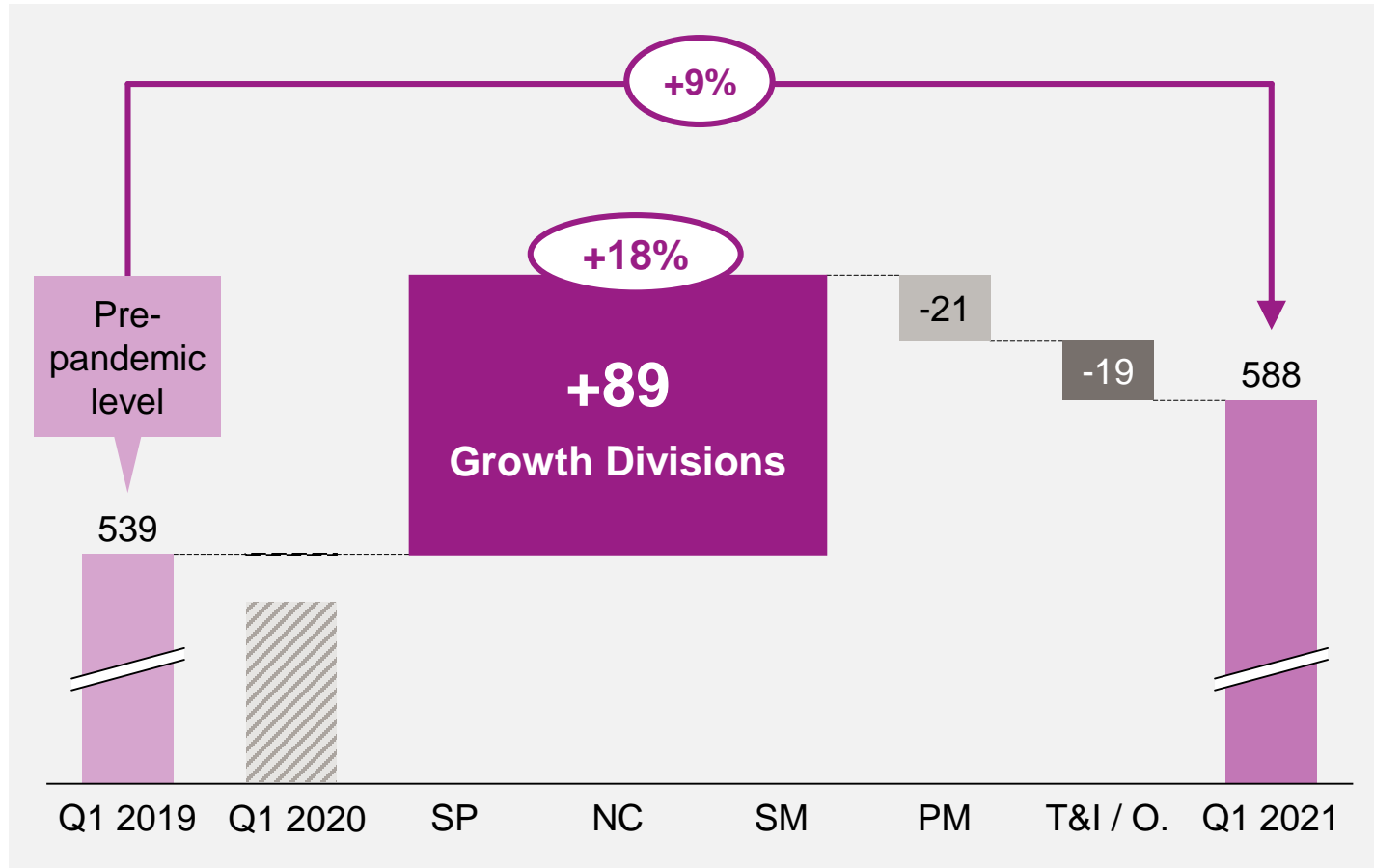


- **Strong start** into the year
- **Double-digit growth** yoy
- **Clearly above pre-pandemic Q1 2019** as well
- **Growth divisions** driving higher EBITDA
- Prior-year with first pandemic impact end of Q1; this year with ~€10 m negative impact from adverse weather conditions in February




Solid basis for **FY 2021 growth aspirations**

# Q1 2021 vs Q1 2019: “Specialty growth”

All growth divisions with structural EBITDA growth to above pre-pandemic level



## Growth Divisions (Q1 2021 vs Q1 2019)

Specialty Additives	+€48 m <b>+21 %</b>	
Nutrition & Care	+€30 m <b>+27 %</b>	
Smart Materials	+€11 m <b>+7 %</b>	

# Innovation & Sustainability as structural growth drivers

## Lipid Nanoparticles and lithium-ion battery materials serving attractive markets

### Lipid Nanoparticles (LNP) for mRNA vaccines



- LNP as essential component of mRNA-based vaccines
- Full production ramp-up at Hanau site (D) within just eight weeks
- First batches delivered to BioNTech already mid-April (initial planning: middle of the year)
- Availability of COVID-19 vaccine to increase significantly

### High-performance material for lithium-ion batteries



- **Siridion® Black:** new silicon-carbon composite material serving as an anode material for lithium-ion batteries
- Making batteries more powerful by increasing energy density and improving the fast-charging capability and energy efficiency

# “Division Spotlight” on Nutrition & Care (13 April)

## Bringing Nutrition & Care to Life – For life and living

- With **sustainability** as guiding principle, Nutrition & Care **early addressed** structural market **trends**
- Consequent **strategy implementation** leading to track record of **successful innovations and acquisitions**

<b>Growth areas</b>		Active Ingredients		Drug Delivery Systems		Sustainable & Healthy Nutrition
		Biotechnology (e.g. Biosurfactants; Veramaris)				

### Divisional mid-term targets

#### Financials

EBITDA CAGR

>8%

Adj. EBITDA margin

>22%

ROCE

>14%

#### Operationals

Next Generation Solutions

>50%

Sales from **Biotechnology platform** by 2030

~€1 bn

Sales share with **system solutions** (2020: ~20%)

>50%

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# Q1 2021: Strong start into the year

## Improvement across all KPI's

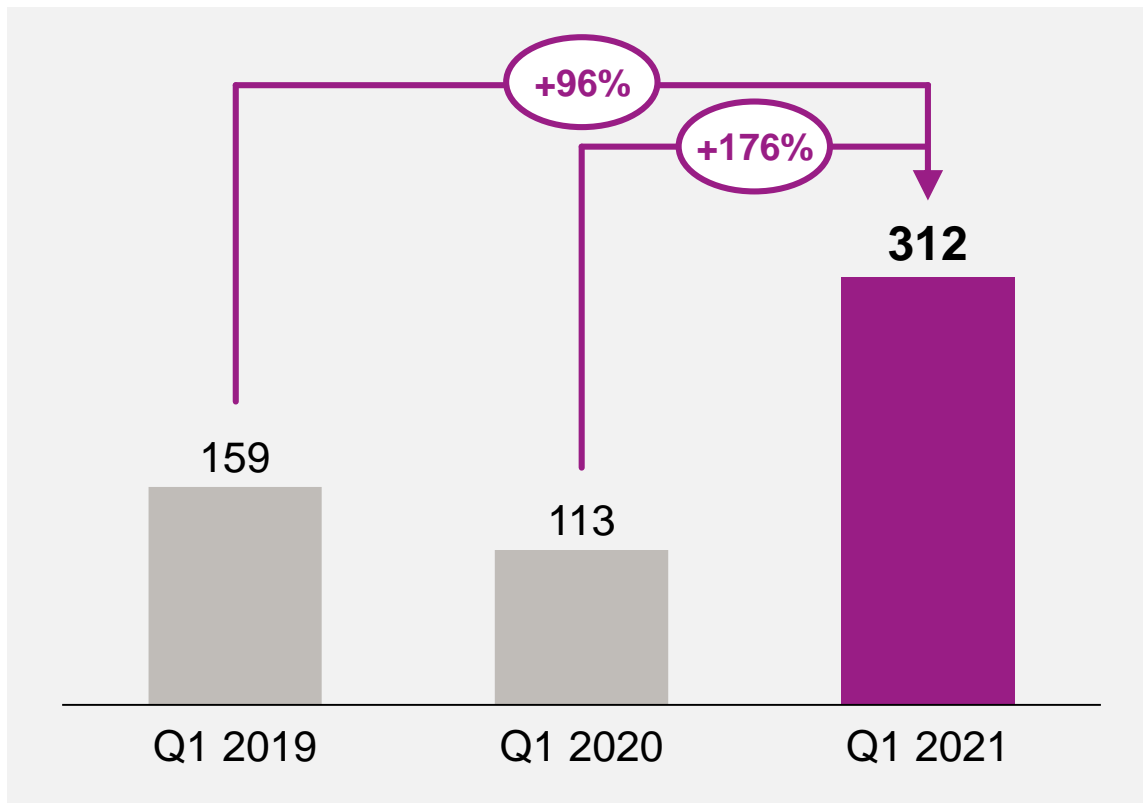
Sales (in € m)	EBITDA (in € m)	Free cash flow (in € m)	Adj. EPS (in €)
<b>3,358</b> (Q1 20: 3,243)	<b>588</b> (Q1 20: 513)	<b>312</b> (Q1 20: 113)	<b>0.51</b> (Q1 20: 0.39)
Strong volume growth in Specialty Additives and Smart Materials	EBITDA margin improved by 170bp to 17.5%	Record-high FCF level for a first quarter	Increase in operational earnings, supported by better financial result



# Continued FCF growth

## Record-high Q1 FCF level

### Free Cash Flow Q1 2021 (in € m)



#### FCF at record-high level

- Strongest Q1 FCF since listing in 2013 (so far Q1 2015 at €179 m)
- Well above both 2019 and 2020 level
- Strong basis for **continued track record of FCF growth** also in 2021

#### FCF drivers Q1 2021

- Higher adj. **EBIT(DA)**
- coupled with ongoing strict **NWC** management
- and low Q1 **tax payments** (catch-up during FY 2021 expected)

# Specialty Additives

Further margin expansion on the back of strong demand across the division

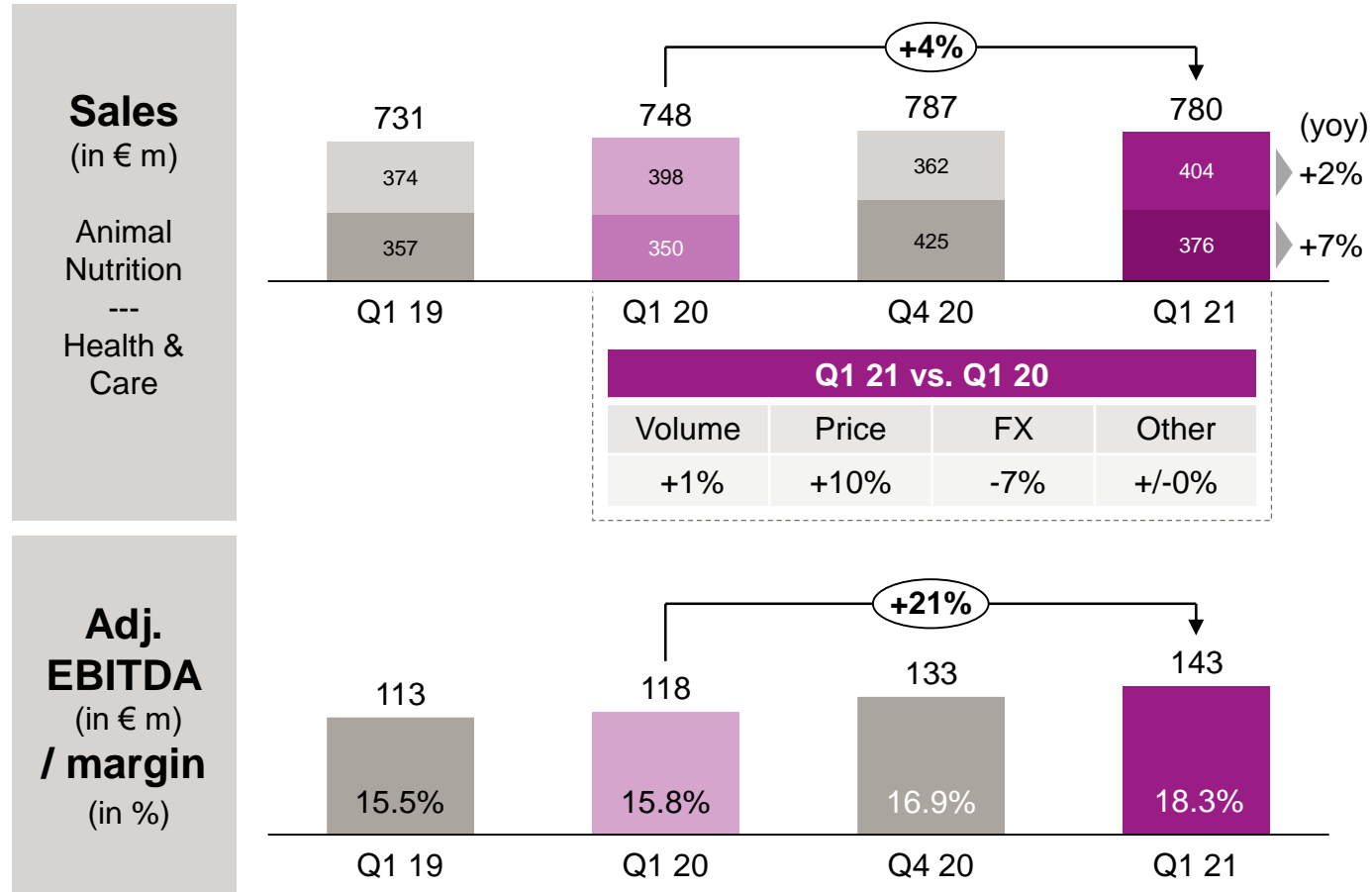


- Strong sales and EBITDA growth thanks to significantly higher volumes at virtually stable prices
- Good demand patterns for additives portfolio:
  - Strong demand from coatings and construction industries across all regions
  - Further increase in demand for durable goods (e.g. for mattresses or refrigerators)
  - Solid start into the year for Crosslinkers with no signs yet of slowing momentum in Asia
- Margin expansion to 30% driven by strong volume momentum resulting in high plant utilization and supported by strict fixed cost control



# Nutrition & Care

## System solutions and active cost management driving clear margin improvement

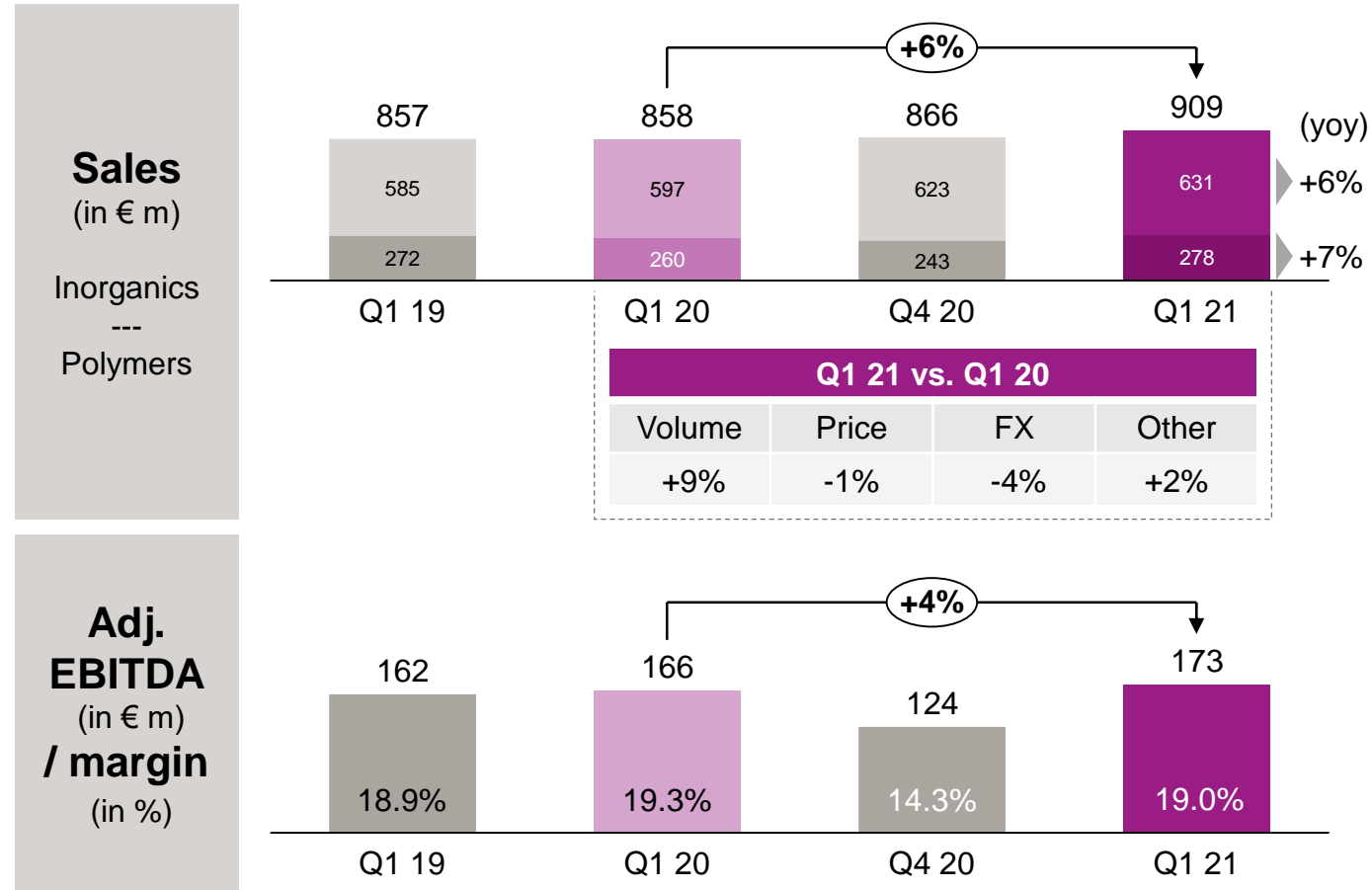


- Strong yoy earnings growth and clear margin improvement to 18.3%, driven by shift to system solutions and active cost management
- **Health & Care:** Q1 with 7% sales growth due to unbowed strong demand for active cosmetic ingredients (high double-digit % growth in Q1 yoy); Health Care with slower start into the year, will be clearly offset throughout the year with additional support from LNP business with BioNTech from Q2 onwards
- **Animal Nutrition:** good supply/demand globally with increasing prices despite negative FX effect; Q2 expected with further step-up in prices

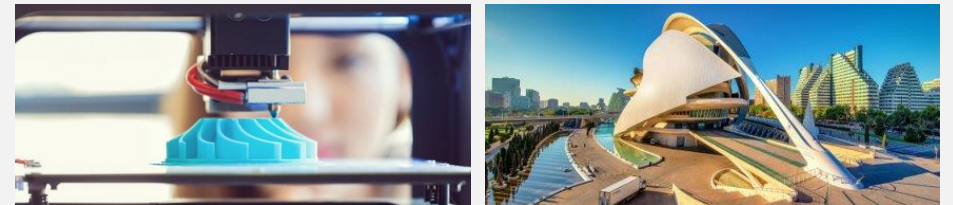


# Smart Materials

## Volume growth supported by ongoing macro-economic recovery



- Sales and EBITDA up driven by higher volumes and contributions from acquisitions
- EBITDA margin back to prior-year level
- Ongoing recovery in automotive industry benefitting Silica for tires and High Performance Polymers
- Continued robust demand for products in the hygiene and care sector as well as for environmental applications
- Innovations like gas filtering membranes and 3D printing powder with solid growth



# Performance Materials

## Further recovery coming from trough levels



- Further recovery with improved pricing and spreads and rising Naphtha prices in the C4 chain
- Solid demand and pricing for Butadiene and Oxo products, additionally supported by supply shortage due to competitor production outages
- MTBE further recovering, supported by higher refinery and spot market demand
- Baby Care with raw material time lag effect and weather-related production downtime in the US



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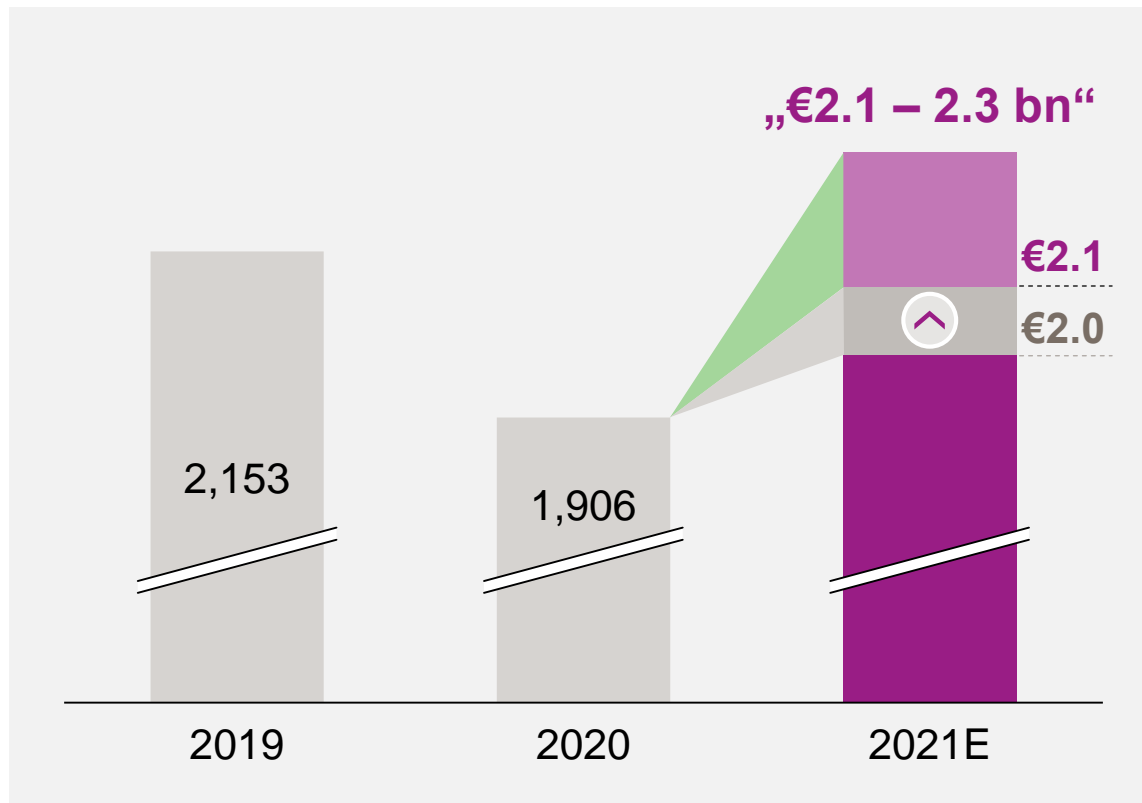
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# Outlook 2021: Adj. EBITDA outlook upgraded



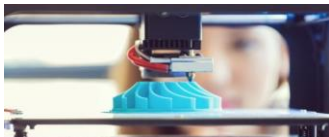


## Range narrowed upwards – Q2 expected with clear sequential growth

Outlook range narrowed: “€2.1 to 2.3 bn” (previously: €2.0 to 2.3 bn; FY 2020: €1,906 m)



- Evonik with **clear growth aspiration** for 2021
  - Targeting **growth above 2019 pre-pandemic level** (€2,153 m)
  - Higher earnings driven by all three growth divisions
- 
- **Adj. EBITDA for Q2** expected
    - with **clear sequential improvement** (Q1 2021: €588 m)
    - with **similar Q2 growth rate** as in Q1 2021 *vs. pre-pandemic 2019 level* (i.e. Q2 2021 ~10% higher vs Q2 2019 of €566 m)

# Indications for adj. EBITDA FY 2021 on division level

		Previous indication		Updated indication
Specialty Additives		“on very good prior year level”	^	“slightly above prior year level”
Nutrition & Care		“slightly above prior year level”	^	“well above prior year level”
Smart Materials		“significantly above prior year level”	>	“significantly above prior year level”
Performance Materials		“substantially above low prior year level”	>	“substantially above low prior year level”
T&/Other <sup>1</sup>		“around the level of 2020”	v	“slightly more negative than prior year level”

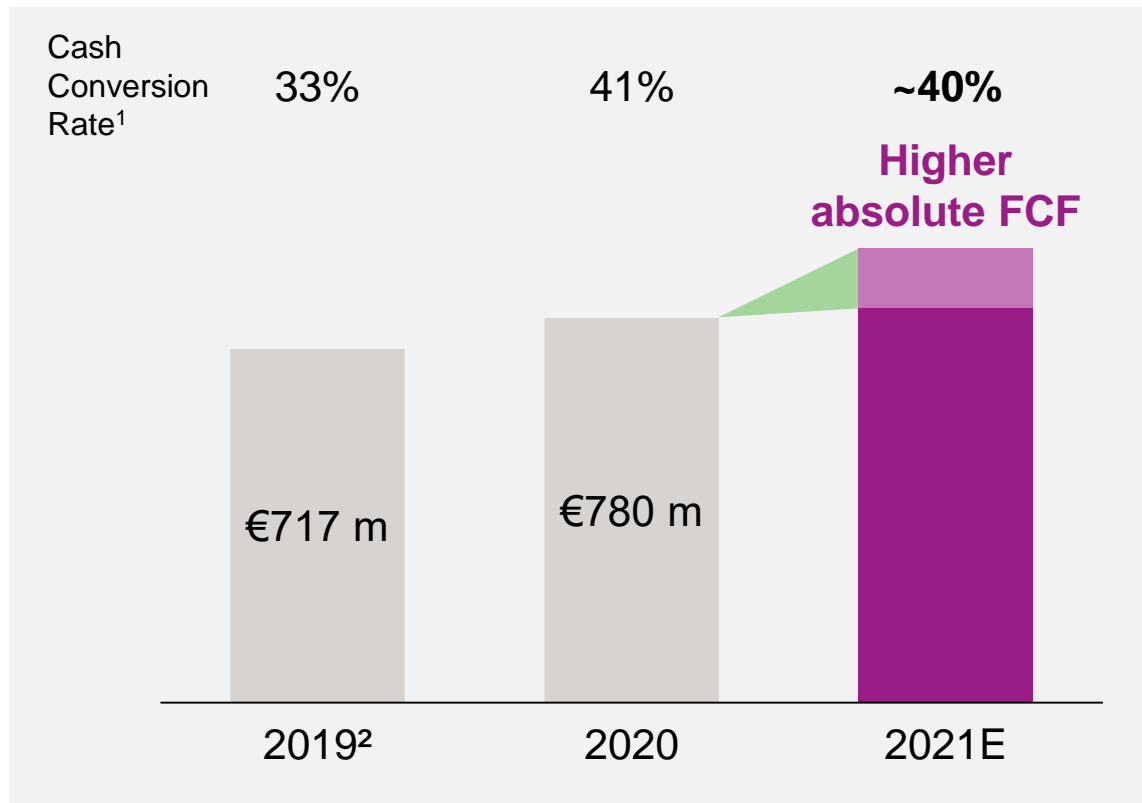
1. Entity renamed; no changes in scope or financials



# Outlook 2021: ~40% Free Cashflow conversion confirmed

## Continued strong cash conversion = higher absolute FCF

“Stable FCF conversion on high prior-year level” (FY 2020: 40.9%)



**Higher absolute FCF** in FY 2021 driven by

- Improving **EBIT(DA)**
- Lower **capex**
- Continued benefit from **CTA pension reimbursement**
- Lower **bonus payments** (for FY 2020)

**Expectations for remainder of 2021:**

Based on higher sales & earnings ...

- Clear NWC outflow for FY 2021
- Higher yoy tax payments for FY 2021 (after low level in Q1)

1. Free cash flow conversion (FCF / adj. EBITDA); 2. Excl. extraordinary carve-out taxes of ~€245 m (MMA divestment)



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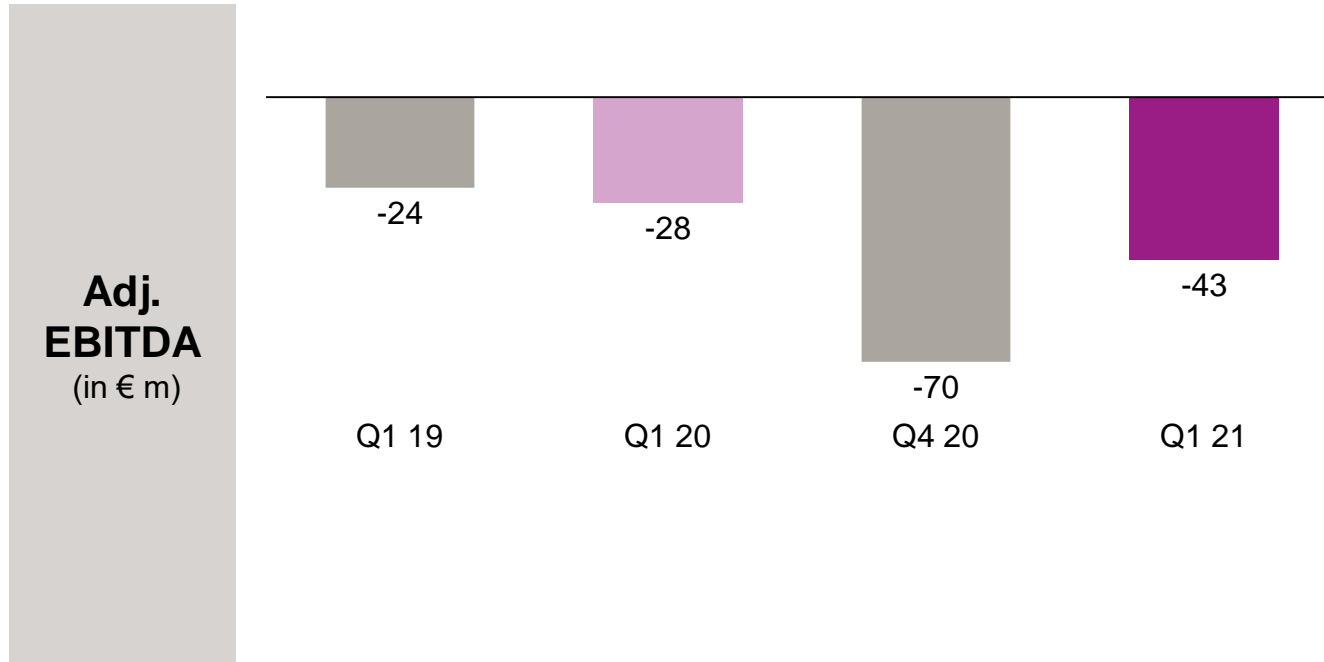
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## Additional indications for 2021

<b>Sales</b>	<b>between €12.0 and 14.0 bn</b> (unchanged; 2020: €12.2 bn)
<b>Acquisitions</b>	<b>Porocel</b> (FY 2019: ~USD100 m sales, ~USD23 m adj. EBITDA) consolidated for 2 months in 2020 <b>PeroxyChem</b> (FY 2019: ~USD300 m sales, ~USD60 m adj. EBITDA) consolidated for 11 months in 2020
<b>ROCE</b>	<b>slightly above the level of 2020</b> (unchanged; 2020: 6.1%)
<b>Capex<sup>1</sup></b>	<b>around €900 m</b> (unchanged; 2020: €956 m)
<b>EUR/USD</b>	<b>1.20 EUR/USD</b> (unchanged; 2020: 1.15 EUR/USD)
<b>EUR/USD sensitivity<sup>2</sup></b>	+/-1 USD cent = <b>-/+ ~€6 m</b> adj. EBITDA (FY basis)
<b>Adj. EBITDA T&amp;I/Other</b>	<b>slightly more negative than prior year level</b> (previously: around the level of 2020; 2020: -€128 m) due to negative weather impact of ~€10 m in Q1 and higher personnel-related provisions
<b>Adj. D&amp;A</b>	<b>slightly above the level of 2020</b> (unchanged; 2020: €1,016 m) due to start-up of new PA12 plant in H2 2021
<b>Adj. net financial result</b>	<b>clearly less negative than 2020</b> due to lower interest expenses for financial liabilities, pensions and other provisions (previously: slightly less negative than 2020; 2020: -€146 m)
<b>Adj. tax rate</b>	<b>around long-term sustainable level of 28%</b> (unchanged; 2020: 26.8%)

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

# Technology & Infrastructure/Other<sup>1</sup>



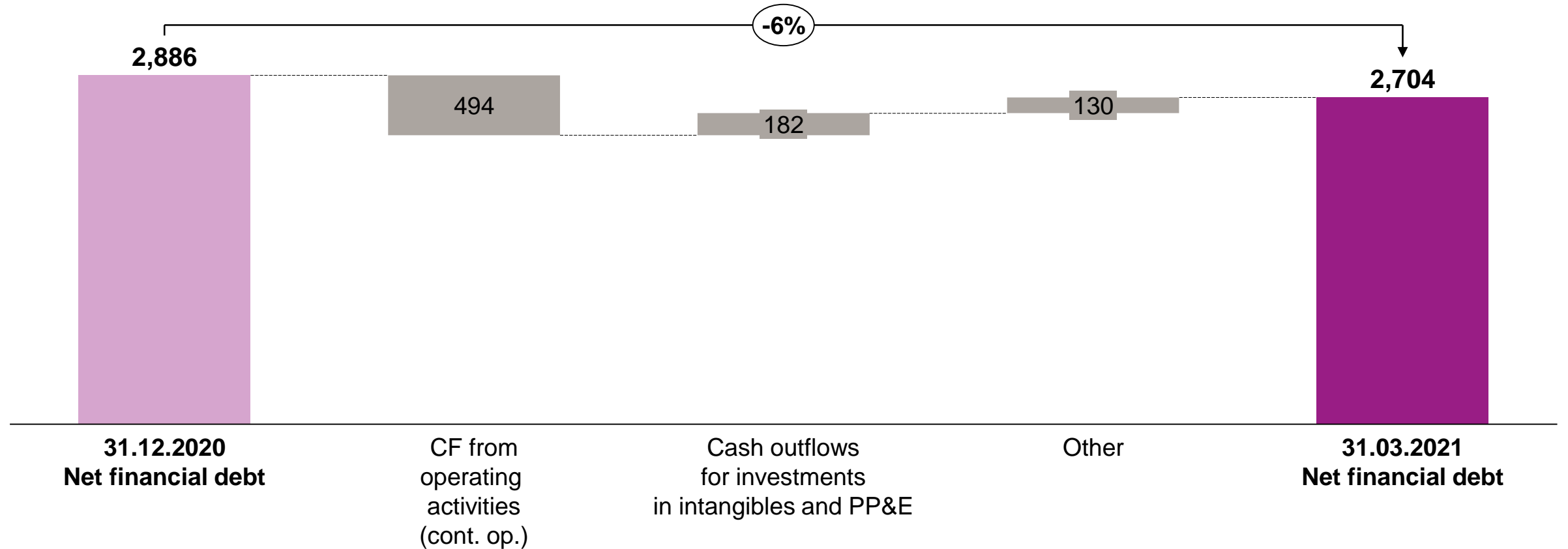
- Negative weather impact (~€10 m) in operating activities covered by the central insurance legal entity
- Increased personnel-related provisions



1. Entity renamed (previously: "Services, Corporate & Others"); no changes in scope or financials

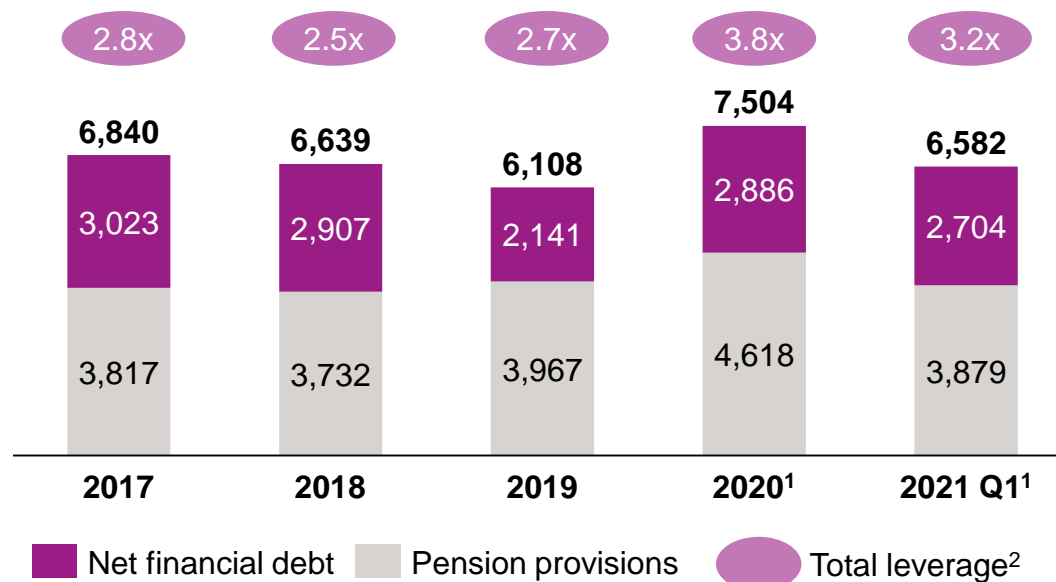
# Net financial debt development Q1 2021

(in € m)



# Development of debt and leverage over time

(in € m)



Adj. net debt <sup>3</sup>	6,590	6,389	5,858 <sup>1</sup>	7,254 <sup>1</sup>	6,332 <sup>1</sup>
Adj. EBITDA LTM	2,357	2,601	2,153 <sup>1</sup>	1,906 <sup>1</sup>	1,981 <sup>1</sup>
German pension discount rate (%)	2.00	2.00	1.30	0.90	1.30

- Decrease of net financial debt versus year-end 2020 mainly driven by strong Q1 free cashflow
- Low net financial debt leverage at 1.2x<sup>4</sup>
- Majority of net debt consists of long-dated pension obligations with >18 years duration
- Lower pension provisions from increase of pension discount rates (German pension discount rate increase from 0.9% to 1.3%)
- Pension provisions partly balanced by corresponding deferred tax assets of ~€1.4 bn

1: Continuing operations (excluding methacrylate activities) | 2: Adj. net debt / adj. EBITDA LTM | 3: Net financial debt – 50% hybrid bond + pension provisions | 4: (Net financial debt – 50% hybrid bond) / adj. EBITDA

# Adjusted income statement Q1 2021

in € m	Q1 2020	Q1 2021	Δ in %
<b>Sales</b>	<b>3,234</b>	<b>3,358</b>	<b>+4</b>
<b>Adj. EBITDA</b>	<b>513</b>	<b>588</b>	<b>+15</b>
Depreciation & amortization	-240	-252	
<b>Adj. EBIT</b>	<b>273</b>	<b>336</b>	<b>+23</b>
Adj. net financial result	-51	-21	
D&A on intangible assets	33	36	
<b>Adj. income before income taxes</b>	<b>255</b>	<b>351</b>	<b>+38</b>
Adj. income tax	-70	-106	
<b>Adj. income after taxes</b>	<b>185</b>	<b>245</b>	<b>+32</b>
Adj. non-controlling interests	-4	-6	
<b>Adj. net income</b>	<b>181</b>	<b>239</b>	<b>+32</b>
<b>Adj. earnings per share</b>	<b>0.39</b>	<b>0.51</b>	<b>+32</b>
Adjustments	-26	-28	

## Depreciation & amortization

- Increase in D&A mainly due to integration of PeroxyChem and Porocel

## Adj. net financial result

- Notably less negative financial result due to lower interest expenses for financial liabilities as well as for pension and other provisions (changed discount rate)
- Q1 2020: negative one-time effect based on lower fair value of funds (recorded in “other financial result”)

## Adj. tax rate

- Adj. tax rate of 30% slightly higher yoy
- Expected to normalize throughout the year to long-term sustainable level of ~28%

## Adjustments

- Q1 2021: „Other adjustments“ contain a.o. arbitration of legal case (related to previous M&A transaction)

# Cash flow statement Q1 2021

in € m	Q1 2020	Q1 2021
Income before financial result and income taxes (EBIT)	247	308
Depreciation and amortization	240	251
Δ Net working capital	-202	-177
Change in provisions for pensions & other post-employment benefits	18	25
Change in other provisions	23	47
Change in miscellaneous assets/liabilities	54	67
Cash outflows from income taxes	-106	-35
Others	23	8
<b>Cash flow from operating activities</b>	<b>297</b>	<b>494</b>
Cash outflows for investment in intangible assets, pp&e	-184	-182
<b>FCF</b>	<b>113</b>	<b>312</b>
<b>Cash flow from investing activities</b>	<b>-284</b>	<b>-53</b>
<b>Cash flow from financing activities</b>	<b>-169</b>	<b>-73</b>

## CF from operating activities

- Higher EBIT
- Continued strict NWC management
- Less outflows for taxes due to phasing, expected to revert in remainder of the year

## CF from investing activities

- Prior-year including cash-out for PeroxyChem acquisition

## CF from financing activities

- Prior-year including the prepayment of financial debt as part of purchase price payment for PeroxyChem



## Divisional overview by quarter

Sales (in € m)	Q1/19	Q2/19	Q3/19	Q4/19	FY 2019	Q1/20	Q2/20	Q3/20	Q4/20	FY 2020	Q1/21
Specialty Additives	842	867	861	810	3,381	852	747	777	848	3,225	907
Nutrition & Care	731	719	726	747	2,922	748	742	715	787	2,992	780
Smart Materials	857	845	833	836	3,371	858	722	790	866	3,235	909
Performance Materials	677	698	607	652	2,634	584	437	444	517	1,983	580
T&I/Other	180	177	205	239	800	201	179	191	194	764	182
<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>	<b>2,827</b>	<b>2,917</b>	<b>3,212</b>	<b>12,199</b>	<b>3,358</b>

Adj. EBITDA (in € m)	Q1/19	Q2/19	Q3/19	Q4/19	FY 2019	Q1/20	Q2/20	Q3/20	Q4/20	FY 2020	Q1/21
Specialty Additives	225	226	232	203	886	239	202	214	201	857	273
Nutrition & Care	113	121	119	109	462	118	168	140	133	560	143
Smart Materials	162	164	157	168	651	166	102	137	124	529	173
Performance Materials	63	84	49	53	248	18	12	28	30	88	42
T&I/Other	-24	-29	-14	-28	-94	-28	-28	0	-70	-128	-43
<b>Evonik Group</b>	<b>539</b>	<b>566</b>	<b>543</b>	<b>505</b>	<b>2,153</b>	<b>513</b>	<b>456</b>	<b>519</b>	<b>418</b>	<b>1,906</b>	<b>588</b>

## Upcoming IR events

Conferences & Roadshows (all virtual)	
11 May 2021	Roadshow, London (Berenberg)
19 May 2021	Roadshow, Continental Europe (Stifel)
20 May 2021	Chemicals Conference, London (Citi)
20 May 2021	Basic Materials Conference, Tarrytown (Berenberg)
26 May 2021	Best of Europe Conference, New York (UBS)
2 June 2021	Global Chemicals Conference, London (Credit Suisse)
7 June 2021	European Materials Conference, London (J.P. Morgan)
8 June 2021	Innovation Conference, Zürich (Berenberg)
9 June 2021	Sustainable Future Summit, London (Morgan Stanley)
10 June 2021	CEO Conference, Paris (Exane)

Upcoming Events & Reporting Dates	
2 June 2021	Annual General Meeting
5 August 2021	Q2 2021 reporting
4 November 2021	Q3 2021 reporting
3 March 2022	Q4 2021 reporting

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