

EVONIK GROUP DEVELOPMENT

Highlights

- Q3 with adj. EBITDA of €645 m continuing on strong Q2 level despite ~€30 m negative temporary & one-time effects
- Price increases gaining track: Q3 at +8% in growth divisions (Q2: +2%)
- Cost inflation managed well and compensated by price increases already in Q3
- Sustained positive trends into Q4 – FY EBITDA outlook specified to ~€2.4 bn (top end of prev. range)
- Record strong FCF of €937 m in 1-9 2021 – FY FCF outlook raised to ~€1 bn
- Growth drivers in place & cost inflation under control – Set for continued structural growth in FY 2022

Income statement

- **Sales** increased by +33% to €3,871 m (Q3 2020: €2,917 m)
 - Unchanged positive demand dynamics across all businesses
 - Strong volume (+16%) and price (+15%) progression supported by all divisions
 - Price increases ramping up in growth divisions at +8% (Q2: +2%)
- **Adj. EBITDA** up +24% to €645 m (Q3 2020: €519 m)
 - Sequentially stable adj. EBITDA
 - ... despite €30 m negative temporary & one-time effects
 - Bonus provisions (all divisions)
 - Maintenance shutdowns, e.g. in Performance Materials
 - Lost volumes due to supply chain constraints and raw material availability (mainly in Specialty Additives)
 - Price increases of ~€450 m in Q3 (yoy) compensating higher variable costs (mainly raw materials, energy, logistics)
- **Adj. EBITDA margin** decreased by 110bp to 16.7% (Q3 2020: 17.8%)
 - Lower margin explained by temporary & one-time effects (80bp margin effect) as well as higher raw material prices (base effect on sales)
- **Adj. EBIT** of €387 m (Q3 2020: €269 m)
- **Adj. EPS** at €0.58 (Q2 2020: €0.40)
 - Slightly negative effects from value fluctuations of specialty funds
 - Q3 with adj. tax rate of 29%; below FY 2021 indication of 32% due to slightly higher tax-free income in Q3

Cash Flow Statement

- **Free cash flow** on record-high level after 9M of €937 m (+80% vs 9M 2020: €521 m)
 - Mainly driven by higher adj. EBIT(DA) and high cash conversion rate
 - Other effects compensating each other, like
 - Lower bonus pay-out (for 2020) in “other provisions”
 - Clearly higher NWC outflow
 - Higher cash-out for taxes

Balance Sheet

- **Net financial debt** with decrease to €2,741 m (end of Q2 2021: €3,170 m) mainly due to strong FCF
- **Pension provisions** with slight decrease to €3,569 m (end of Q2 2021: €3,770 m) due to increased discount rate to 1.4% (Q2 2021: 1.3%)
- **Leverage** (net debt / adj. EBITDA) at 2.6x (end of Q2 2021: 3.1x); net financial debt leverage at 1.1x

DIVISIONAL BUSINESS DEVELOPMENT

Specialty Additives (SP)

- Strong demand continues into Q3: Double-digit volume growth against resilient prior-year level
- Additives for construction, coatings and renewable energy in high demand
- Price initiatives implemented with accelerating effects: +7% in Q3 vs. +3% in Q2
- Temporary lower margin due to massive supply constraints (raw materials and logistics, both availability and higher costs) and bonus provisions
- Raw materials still on the rise, but margin squeeze to narrow constantly, positive spill-over effect into 2022

Nutrition & Care (NC)

- Q3 with strong sequential sales growth across the board
- EBITDA up qoq; margin temporarily impacted by higher raw material costs, bonus provisions and preparation for maintenance in Q4
- Health & Care: >10% qoq sales growth; further accelerating contribution from mRNA LNP business as well as strong demand for Active Ingredients. Higher raw material costs in base business.
- Animal Nutrition: Healthy business performance continuing in Q3; higher raw material costs to be compensated by successfully implemented own price increases going forward

Smart Materials (SM)

- Strong Q3 performance driven by double-digit increase of volumes across all businesses
- Stable EBITDA sequentially, despite temporary higher fixed costs (PA 12 ramp up, tight logistics situation)
- Solid demand in automotive, benefitting Silica for tires (replacement market) and High-Performance Polymers, with price increases materializing
- High demand for “Eco-Solutions” like active oxygens specialties and gas separation membranes

Performance Materials (PM)

- Continued tight markets and healthy demand for all C4 derivatives
- Higher Naphtha price supports value creation for our C4 products with naphtha-based price formulas
- Sequentially higher spreads for virtually all products
- Supply side still impacted by production and supply chain disruptions in US and China
- Own planned maintenance turnarounds in C4 chain limiting additional growth
- Increasing Alkoxides sales in Functional Solutions due to competitor outage

Technology & Infrastructure (T&I)/Other

- Higher energy costs
- Pre-purchases of CO2 certificates
- Increased bonus provisions
- Prior-year supported by COVID-related short-term savings and bonus provision release

OUTLOOK FY 2021

Basis for the outlook

- Global growth of 5.5% (previously: 5.7%; FY 2020: -3.9%)
- Euro/US dollar exchange rate: US\$1.20 (unchanged; FY 2020: US\$1.15)
- EUR/USD sensitivity: +/-1 USD cent = +/- ~€6 m adj. EBITDA (FY basis)
- Internal raw material cost index significantly higher than in the prior year (unchanged)

Group outlook

- **Sales:** ~14.5 bn (previously: between €13.0 and 14.5 bn; FY 2020: €12.2 bn)
- **Adj. EBITDA:** ~€2.4 bn (previously: between €2.3 and 2.4 bn; FY 2020: €1,906 m)
- **FCF:** ~€1 bn resulting in FCF conversion rate slightly above mid-term target level of ~40% (previously: stable conversion rate on high prior-year level of ~40%; FY 2020 cash conversion 41%; FCF €780 m)
- **ROCE:** significantly above the level of 2020 (unchanged; FY 2020: 6.1%)

Q4 outlook

- **Adj. EBITDA** continues well above prior-year level (Q3 2021: +24% yoy)
 - Sustained positive demand trends, typical year-end seasonality expected (usually EBITDA -20% Q4 vs Q3)
 - Accelerating price increases again broadly compensating cost inflation
 - Similar level of temporary & one-time effects as in Q3 2021 (~€30 m) expected
- **FCF**
 - >€200 m cash-out for taxes
 - Capex expected on similar level as Q4 2020 (€360 m), reaching ~€900 m for FY 2021
 - NWC inflow well below prior-year Q4 level (€357 m)

Divisional indications for adj. EBITDA

- **Specialty Additives:** “slightly above prior year level” (unchanged)
- **Nutrition & Care:** “significantly above prior year level” (previously: well above prior year level)
- **Smart Materials:** “significantly above prior year level” (unchanged)
- **Performance Materials:** “substantially above low prior year level” (unchanged)
- **T&I/Other:** “clearly more negative than prior year level” (unchanged)

Additional indications

- **Acquisitions:**
 - Porocel (FY 2019: ~\$100 m sales, ~\$23 m adj. EBITDA) consolidated for 2 months in 2020
 - PeroxyChem (FY 2019: ~\$300 m sales, ~\$64 m adj. EBITDA) consolidated for 11 months in 2020
- **Capex:** around €900 m (unchanged; FY 2020: €956 m)
- **Adj. D&A:** around the level of 2020 (previously: slightly above the level of 2020; 2020: €1,016 m)
- **Adj. net financial result:** less negative than 2020 due to lower interest expenses for financial liabilities, pensions and other provisions (previously: clearly less negative than 2020; 2020: -€146 m)
- **Adj. tax rate FY 2021:** around 32% due to anticipated US tax reform and other one-time effects (e.g. partly non-tax-deductible inflation valuation effects and taxes related to other periods) (unchanged)
- **Adj. tax rate long-term sustainable level:** now expected at ~31% from 2022 onwards, impacted by US tax reform and harmonized international tax legislation (previously: ~29%; 2020: 26.8%)

Key Financials Q3 2021

Evonik Group (continuing operations)

in € million	Q3 2020	Q3 2021	yoy Δ%	Q2 2021	Q3 2021	qoq Δ%	Q3 2021
							Consensus*
External sales	2,917	3,871	33%	3,636	3,871	6%	3,544
Volumes (%)			16%				13%
Prices (%)			15%				10%
Exchange Rates (%)			0%				-1%
Other (incl. M&A; %)			2%				1%
Adjusted EBITDA	519	645	24%	649	645	-1%	641
Adjusted EBITDA Margin (%)	17.8%	16.7%	-1.1 pp	17.8%	16.7%	-1.1 pp	18.0%
Adjusted EBIT	269	387	44%	398	387	-3%	379
Adjustments	-24	-14		-18	-14		
EBIT	245	373	52%	380	373	-2%	
Adjusted net income	186	269	45%	253	269	6%	257
Adjusted earnings per share in €	0.40	0.58	45%	0.54	0.58	7%	0.55
Capex (cash-out)	223	177	-21%	171	177	4%	
Net financial position (as of September 30)	-2,910	-2,741		-3,170	-2,741		
Cash flow from operating activities, cont. ops.	535	701	31%	272	701	158%	
Free cash flow, cont. ops.	312	524	68%	101	524	>200%	

Specialty Additives

External sales	777	934	20%	922	934	1%	893
Volumes (%)			12%				
Prices (%)			7%				
Exchange Rates (%)			1%				
Other (incl. M&A; %)			0%				
Adjusted EBITDA	214	224	5%	242	224	-7%	230
Adjusted EBITDA Margin (%)	27.5%	24.0%	-3.5 pp	26.2%	24.0%	-2.2 pp	25.9%

Nutrition & Care

External sales	715	931	30%	838	931	11%	819
Volumes (%)			19%				
Prices (%)			11%				
Exchange Rates (%)			0%				
Other (incl. M&A; %)			0%				
Sales Animal Nutrition	330	461	40%	417	461	11%	377
Sales Health & Care	385	470	22%	421	470	12%	434
Adjusted EBITDA	140	192	37%	183	192	5%	186
Adjusted EBITDA Margin (%)	19.6%	20.6%	1.0 pp	21.8%	20.6%	-1.2 pp	22.3%

Smart Materials

External sales	790	1,002	27%	975	1,002	3%	950
Volumes (%)			18%				
Prices (%)			6%				
Exchange Rates (%)			0%				
Other (incl. M&A; %)			3%				
Sales Inorganics	566	700	24%	686	700	2%	940
Sales Polymers	224	302	35%	289	302	4%	278
Adjusted EBITDA	137	177	29%	176	177	1%	175
Adjusted EBITDA Margin (%)	17.3%	17.7%	0.4 pp	18.1%	17.7%	-0.4 pp	18.5%

Performance Materials

External sales	444	784	77%	708	784	11%	697
Volumes (%)			19%				
Prices (%)			58%				
Exchange Rates (%)			-1%				
Other (incl. M&A; %)			1%				
Adjusted EBITDA	28	97	>200%	99	97	-2%	95
Adjusted EBITDA Margin (%)	6.3%	12.4%	6.1 pp	14.0%	12.4%	-1.6 pp	13.2%

Technology & Infrastructure / Other

External sales	191	220	15%	193	220	14%	193
Adjusted EBITDA	0	-45	>-200%	-51	-45	12%	-47

* Vara Consensus 18 October 2021