

EVONIK GROUP DEVELOPMENT

Highlights: Challenging year-end finish: Strong volume declines – Record FCF

- FY 2022 adj. EBITDA of €2.5 bn at lower end of outlook range: record first half followed by weak H2 with strong volume declines
- Strong FCF finish: Active NWC management in Q4, strongest-ever quarterly FCF of €603 m – bringing FY cash conversion to >30%
- Portfolio management on track: Divestments in Performance Materials progressing well
- Innovation success story continues: FY 2022 with 20% sales growth in Innovation Growth Fields
- Outlook FY 2023: Adj. EBITDA between €2.1 and 2.4 bn – Resilience in Specialty Additives, Health & Care and Smart Materials; lower prices in Animal Nutrition and Performance Materials

Income Statement (Q4 2022)

- **Sales** increased by +6% to €4,340 m (Q4 2021: €4,091 m)
 - Volume declines across all divisions (-11% yoy), destocking and weaker end market demand
 - Pricing continuing to hold up well (+11%), positive FX (+3%)
- **Adj. EBITDA** down -18% to €413 m (Q4 2021: €502 m)
 - Clearly negative earnings effect from destocking and under-absorption of fixed costs
 - Price increases (~€450 m in Q4) compensating higher variable costs
 - T&I / Other burdened by higher energy costs, year-end effects and one-time payment to employees (as part of tariff agreement in October)
 - Continued resilient performance in Specialty Additives, less pronounced year-end seasonality in Performance Materials (after maintenance in Q3)
- **Adj. EBITDA margin** decreased by 280bp to 9.5% (Q4 2021: 12.3%)
- **Adj. EBIT** of €80 m (Q4 2021: €217 m)
- **Adj. EPS** at €0.20 (Q4 2021: €0.48)
 - Lower adj. EBITDA and higher D&A
 - Supported by slightly lower Q4 adj. tax rate of 28% vs. FY guidance of 30%
- **Reported EPS** of €1.16 for FY 2022 impacted by goodwill impairment for Perf Materials of €301 m, driven by conservative assumption on future energy prices (persisting on elevated levels of 2022)
- **Dividend** proposal of €1.17: Continuation of reliable and attractive dividend policy

Cash Flow Statement

- **Q4 2022 FCF** of €603 m strongest-ever quarterly FCF (€13 m prior year) driven by
 - much higher NWC inflow than prior-year (€541 m vs €114 m) due to active NWC management
 - positive cash tax effect (€14 m vs -€230 m) due to year-end phasing of pre-payments
- **FY 2022 FCF** at €785 m (-17% vs FY 2021: €950 m)
 - Driven by slightly higher build-up of net working capital and higher bonus payments for FY 2021
 - Bringing cash conversion to 32% despite challenging supply chain and inflationary environment

Balance Sheet

- **Net financial debt** of €3,257 m lower vs. Q3 (Q3 2022: €3,807 m; FY 2021: €2,857 m); driven by strong FCF and divestment proceeds (TAA-derivatives and betaine operations US)
- **Pension provisions** with decrease to €1,359 m (Q3 2022 €1,655 m; FY 2021: €3,766 m) due to further increase in discount rate to 4.1% (Q3 2022: 3.9%; FY 2021: 1.3%)
- **Leverage** (net debt / adj. EBITDA) at 1.8x (Q3 2022: 2.0x; FY 2021: 2.7x); low net financial debt leverage at 1.2x

DIVISIONAL BUSINESS DEVELOPMENT

Specialty Additives (SP)

- Q4 with quite pronounced volume declines, reflecting customer destocking from high levels following a year of supply chain constraints
- Exception: strong Crosslinkers demand from wind customers in China
- Another quarter of double-digit price increases, compensating for still elevated variable costs
- Despite lower volumes and utilization, yoy slightly higher earnings and margins
- Compared to Q3, lower utilization and fixed cost absorption visible

Nutrition & Care (NC)

Health & Care

- Care Solutions: Positive pricing esp. for cosmetic solutions and active cosmetic ingredients overcompensates lower volumes
- Health Care: Strong operational performance for both drug delivery and substance resulted in clear catch-up from Q3

Animal Nutrition

- Ongoing customer destocking in Q4
- Selling prices with expected step-down, still elevated variable costs

Smart Materials (SM)

- Strong sales progression, mainly driven by double-digit price increases, compensating for higher raw material and energy costs
- Q4 burdened by lost volumes, mainly due to lower demand and plant shutdowns (HPPO)
- Exception: double-digit volume growth for High-Performance Polymers based on strong and broad-based demand
- Positive top line development not reflected in earnings, additionally impacted by negative inventory effects and higher logistic costs

Performance Materials (PM)

- Less pronounced seasonal volume decline in Q4 (qoq) as Q3 was impacted by longer maintenance shutdown in C4
- Spreads in Q4 on average similar to Q3 levels for MTBE and Butene-1
- However, underlying demand for C4 products remains negatively impacted by weak economic environment and customer end markets
- Clear sequential decline expected for Q1 in C4 spreads and weak demand

Technology & Infrastructure (T&I) / Other

- FY 2022 earnings burdened by higher costs for power plants and energy purchasing
- Visible esp. in Q2 and Q4 – before redistribution of negative effects to operating businesses (e.g. in Q3)
- Q4 with additional year-end effects and one-time payment to employees as part of the tariff agreement reached in October
- Earnings will be significantly less negative in 2023 (comparing to -€226 m in FY 2022), as contingency measures will have a positive effect and negative one-time effects should not recur

OUTLOOK FY 2023

Basis for the outlook

- GDP of 1.9% (FY 2022: 3.0%)
- Sales volumes expected to decline only slightly overall (still clearly neg in H1, growing again in H2)
- Prices in specialty chemicals businesses expected to remain stable or decline only slightly
- In Animal Nutrition and Performance Intermediates, more significant price declines anticipated
- **Energy costs:** only slight increase of ~€100 m expected vs previous year (vs previous assumption in Nov 2022 of ~€300 m increase), see backup slide in Q4 presentation
- Internal raw material cost index slightly lower than in FY 2022
- Rising factor costs to be largely offset through **€250 m contingency measures in FY 2023**

Group outlook

- **Sales:** between €17 and 19 bn (FY 2022: €18.5 bn)
- **Adj. EBITDA:** between €2.1 and 2.4 bn (FY 2022: €2,490 m)
 - Resilience in Specialty Additives, Smart Materials, Health & Care
 - Earnings decline in Animal Nutrition and Performance Intermediates
- Slow start expected in Q1, continuation of weak momentum of year-end 2022
- Successive acceleration in business development from Q2 onwards
- **FCF:** higher absolute FCF with cash conversion developing towards target of 40% (FY 2022 cash conversion: 32%; FCF €785 m)
- **Capex:** around long-term sustainable level of €900 m (FY 2022: €865 m), plus ~€75 m for NPV-positive investment in Next Generation Technologies (€700 m until 2030)
- **ROCE:** slightly below the level of 2022 (FY 2022: 8.3%)

Divisional indications for adj. EBITDA

Outlook for Smart Materials and Performance Materials based on restated FY 2022 figures: Alkoxides business (BL Functional Solutions) moved from PM to SM as of Jan 1st, 2023 (as part of Functional Solutions divestment in PM); €407 m sales, €59 m EBITDA in FY 2022 (see backup slides in Q4 presentation, including restated 2022 quarters)

- **Specialty Additives:** “stable at around prior-year level” (FY 2022: €946 m)
 - Applications for energy efficiency to develop positively
- **Nutrition & Care:** “considerably lower than prior-year level” (FY 2022: €677 m)
 - Health Care: Unbroken positive trends, esp. in Care Solutions
 - A. Nutrition: Slightly higher volumes, noticeable normalization of prices, lower raw material costs
- **Smart Materials:** “slightly above prior-year level” (FY 2022: €743 m)
 - Inorganics with positive demand for H₂O₂ specialties and catalysts
 - Polymers to benefit from additional capacities for PA12
- **Performance Materials:** “significantly lower than prior-year level” (FY 2022: €350 m)
 - Baby Care up
 - Performance Intermediates down significantly
- **T&I/Other:** “significantly less negative than prior-year level” (FY 2022: -€226 m)

Additional indications

- **EUR/USD sensitivity:** +/-1 USD cent = +/- ~€10 m adj. EBITDA (FY basis)
- **Adj. D&A:** slightly above the level of 2022 (FY 2022: €1,140 m)
- **Adj. net financial result:** back to around 2021 level (FY 2022: -€19 m; 2021: -€97 m)
- **Adj. tax rate:** around long-term sustainable level of ~30% (FY 2022: 29%)

Key Financials Q4 / FY 2022

Evonik Group (continuing operations)								
in € million	Q4 2021	Q4 2022	yoy Δ%	Q4 2022 Consensus*	FY 2021	FY 2022	yoy Δ%	2022 Consensus*
External sales	4,091	4,340	6%	4,434	14,955	18,488	24%	18,582
Volumes (%)			-11%	-7%			-4%	-3%
Prices (%)			11%	9%			18%	19%
Exchange Rates (%)			3%	6%			5%	6%
Other (incl. M&A; %)			3%	0%			5%	0%
Adjusted EBITDA	502	413	-18%	451	2,383	2,490	4%	2,530
Adjusted EBITDA Margin (%)	12.3%	9.5%	-2.8 pp	10.3%	15.9%	13.5%	-2.4 pp	13.6%
Adjusted EBIT	217	80	-63%	187	1,338	1,350	1%	1,457
Adjustments	-104	-340			-165	408		
EBIT	113	-260	<-200%		1,173	942	-20%	
Adjusted net income	224	94	-58%	102	986	1,054	7%	1,062
Adjusted earnings per share in €	0.48	0.20	-58%	0.22	2.12	2.26	7%	2.28
Capex (cash-out)	335	295	-12%		865	865	0%	
Net financial position (as of September 30)	-2,857	-3,257			-2,857	-3,257		
Cash flow from operating activities, cont. ops.	348	898	158%		1,815	1,650	-9%	
Free cash flow, cont. ops.	13	603	>200%		950	785	-17%	

Specialty Additives								
External sales	947	906	-4%	1,026	3,710	4,184	13%	4,304
Volumes (%)			-19%				-8%	
Prices (%)			11%				16%	
Exchange Rates (%)			3%				4%	
Other (incl. M&A; %)			1%				1%	
Adjusted EBITDA	181	188	4%	182	920	946	3%	940
Adjusted EBITDA Margin (%)	19.1%	20.8%	1.7 pp	18.0%	24.8%	22.6%	-2.2 pp	21.9%

Nutrition & Care								
External sales	1,008	1,111	10%	1,029	3,557	4,237	19%	4,155
Volumes (%)			-1%				-4%	
Prices (%)			7%				16%	
Exchange Rates (%)			4%				7%	
Other (incl. M&A; %)			0%				0%	
Sales Animal Nutrition	507	531	5%	531	1,789	2,192	23%	2,191
Sales Health & Care	501	580	16%	509	1,768	2,045	16%	2,000
Adjusted EBITDA	200	122	-39%	132	717	677	-6%	687
Adjusted EBITDA Margin (%)	19.8%	11.0%	-8.8 pp	13.7%	20.2%	16.0%	-4.2 pp	16.7%

Smart Materials								
External sales	1,032	1,155	12%	1,153	3,918	4,833	23%	4,829
Volumes (%)			-8%				1%	
Prices (%)			17%				18%	
Exchange Rates (%)			3%				4%	
Other (incl. M&A; %)			0%				0%	
Sales Inorganics	738	832	13%	819	2,754	3,484	27%	3,470
Sales Polymers	294	323	10%	330	1,164	1,349	16%	1,359
Adjusted EBITDA	123	112	-9%	128	650	684	5%	700
Adjusted EBITDA Margin (%)	11.9%	9.7%	-2.2 pp	11.0%	16.6%	14.2%	-2.4 pp	14.5%

Performance Materials								
External sales	840	767	63%	868	2,911	3,660	26%	3,761
Volumes (%)			-22%				-11%	
Prices (%)			11%				30%	
Exchange Rates (%)			2%				7%	
Other (incl. M&A; %)			0%				0%	
Adjusted EBITDA	80	75	-6%	57	317	409	29%	390
Adjusted EBITDA Margin (%)	9.5%	9.8%	0.3 pp	6.0%	10.9%	11.2%	0.3 pp	10.3%

Technology & Infrastructure / Other								
External sales	264	401	52%	287	859	1,574	83%	1,460
Adjusted EBITDA	-82	-85	-4%	-45	-221	-226	-2%	-186

* Vara Consensus 27 January 2023