

EVONIK GROUP DEVELOPMENT

Compared to the release of our preliminary results on April 21, 2022, there are no changes to KPIs, comments or outlook statements.

Highlights

- Adj. EBITDA of €735 m (+25% yoy) clearly above expectations (consensus of €652 m)
- Drivers of strong Q1 performance: Nutrition & Care with 9th quarter of resilient yoy growth; Performance Materials working as natural hedge against higher oil prices
- Positive effect from own price increases further ramping up (>€750 m after ~€600 m in Q4 2021), again overcompensating variable cost increases on Group level
- FCF (€133 m) burdened by further outflow for NWC as a result of continued cost inflation and higher safety stock levels to prepare for potential supply chain challenges
- Outlook of adj. EBITDA between €2.5 and 2.6 bn confirmed
- Christian Kullmann: “We are living in a period of unusual economic uncertainty. Higher energy prices and considerable uncertainty about the supply of raw materials are weighing on our industry and the entire economy. Based on our strong start to the year and assuming that there will be no further escalation in the geopolitical situation, we are confirming our outlook for the full year.”

Income Statement

- **Sales** increased by 34% to €4,498 m (Q1 2021: €3,358 m)
 - Pricing campaigns accelerated further: +22% price effect in Q1 following +19% in Q4 and +15% in Q3; all divisions posting double-digit price increases
 - Demand stayed on high levels, resulting in 4% volume growth
 - Smart Materials (+9%) standing out
 - Volumes in Specialty Additives (-2%) still limited by supply chain disruptions
- **Adj. EBITDA** up 25% to €735 m (Q1 2021: €588 m)
 - Notably higher prices continue to overcompensate increase in variable costs on Group level
 - Nutrition & Care driven by resilience in Health & Care (high share of contracted sales) as well as rising amino acid prices in Animal Nutrition (high soft commodity prices push supplementation of methionine and lysine in animal feed diet formulations)
 - Performance Materials with balanced to tight markets in C4 chain and clear yoy earnings improvement in Baby Care
 - Earnings temporarily supported by inventory revaluation effects (rising raw material prices) and build-up in NWC (absorbed fixed costs)
- **Adj. EBITDA margin** decreased by 120bp to 16.3% (Q1 2021: 17.5%)
- **Adj. EBIT** of €472 m (Q1 2021: €336 m)
- **Adj. EPS** rising 49% to €0.76 (Q1 2021: €0.51), supported by improved financial result and lower adj. tax rate (28%)

Cash Flow Statement

- **Q1 2022 free cash flow** (€133 m vs. €312 m prior year) impacted by significantly higher NWC outflow yoy (-€490 m vs -€177 m)
 - Increased raw material prices resulting in higher inventories (valuation) and receivables (higher sales base)
 - Additionally, higher inventory levels due to more goods in transit, higher level of safety stocks and preparation for maintenance shutdowns in Q2
- Prior year's very strong FCF generation supported by low outflows for NWC and taxes

Balance Sheet

- **Net financial debt** of €2,794 m (end of FY 2021: €2,857 m)
- **Pension provisions** with €600 m decline due to higher discount rate (€3,166 m vs €3,766 m end of FY 2021)
- **Leverage** (net debt / adj. EBITDA) of 2.3x (end of FY 2021: 2.7x); net financial debt leverage of 1.0x

DIVISIONAL BUSINESS DEVELOPMENT

Specialty Additives (SP)

- Q1 with robust underlying demand across key end markets
- Volumes down slightly (-2%) against very strong comparables (Q1 2021: +10%), limited by ongoing raw material and logistics constraints
- Pricing campaigns accelerating further: +14% in Q1 following +10% in Q4 and +7% in Q3
- Gap between prices and variable costs closed in Q1, however another round of price increases necessary to compensate for further variable cost increases
- Margin of 24.0% notably below extraordinarily high prior year (Q1 2021: 30.1%) due to
 - very high logistics costs to maintain product deliveries to key customers
 - technical margin dilution in inflationary environment

Nutrition & Care (NC)

- Health & Care with double-digit EBITDA growth, driven by strong position and contracted sales in active cosmetics ingredients as well as healthy demand for drug delivery systems
- Animal Nutrition benefitting from another quarter of rising amino acid prices due to a) global supply chain disruptions and b) push in supplementation of methionine and lysine in animal feed diet formulations due to high soft commodity prices (e.g. corn)
- Further sequential earnings growth in NC expected for Q2

Smart Materials (SM)

- Double-digit EBITDA growth, driven by strong volume increase with all businesses contributing
- “Eco-Solutions“ (e.g. H₂O₂ specialties and catalysts) with positive developments
- Pricing campaigns accelerating further: +16% in Q1 following +10% in Q4 and +6% in Q3
- Higher selling prices compensating increasing variable costs – another round of price increases necessary to compensate for further variable cost increases
- Polyamide 12 impacted by higher fixed costs for new plant in Marl

Performance Materials (PM)

- C4 chain with balanced to tight markets and healthy spreads across nearly all products
- Naphtha-factor based pricing working as natural hedge against higher oil prices
- Baby Care with improved contract pricing on the back of implemented price increases

Technology & Infrastructure (T&I)/Other

- yoy improvement due to
 - lower personnel-related provisions
 - last year's Q1 with negative weather impact of ~€10 m

OUTLOOK FY 2022

Basis for the outlook

- GDP growth expectation lowered to 3.3% (previously: 4.2%; FY 2021: 5.6%)
- Internal raw material cost index significantly higher than in FY 2021

Group outlook (unchanged)

- Outlook for the year confirmed – assuming a macro slowdown in the second half of the year, however no further deterioration of the geopolitical situation and a stable oil and gas supply out of Russia
- **Sales:** between €15.5 and 16.5 bn (unchanged; FY 2021: €15.0 bn)
- **Adj. EBITDA:** between €2.5 and 2.6 bn (unchanged; FY 2021: €2,383 m)
- **FCF:** Targeting a reduction of the currently higher NWC levels throughout the year, stable FCF conversion of around 40% expected, resulting in higher absolute FCF (unchanged; FY 2021 cash conversion: 40%; FCF €950 m)
- **Capex:** around long-term sustainable level of €900 m (unchanged; FY 2021: €865 m)
- **ROCE:** slightly above the level of 2021 (unchanged; FY 2021: 9.0%)

Additional indications (unchanged)

- **EUR/USD sensitivity:** +/-1 USD cent = +/- ~€6 m adj. EBITDA (FY basis)
- **Adj. EBITDA T&I/Other:** considerably less negative than prior year level (unchanged; FY 2021: -€221 m)
- **Adj. D&A:** slightly above the level of 2021 (unchanged; FY 2021: €1,045 m)
- **Adj. net financial result:** slightly less negative than 2021 (unchanged; FY 2021: -€97 m)
- **Adj. tax rate:** around long-term sustainable level of ~30% (unchanged; FY 2021: 28%); higher compared to previous years, amongst others due to changes in international tax legislation

Key Financials Q1 2022

Evonik Group (continuing operations)

in € million	Q1 2021	Q1 2022	yoy Δ%	Q4 2021	Q1 2022	qoq Δ%	Q1 2022 Consensus*
External sales	3.358	4.498	34%	4.091	4.498	10%	3.944
<i>Volumes (%)</i>			4%				4%
<i>Prices (%)</i>			22%				13%
<i>Exchange Rates (%)</i>			4%				2%
<i>Other (incl. M&A; %)</i>			4%				0%
Adjusted EBITDA	588	735	25%	502	735	46%	652
Adjusted EBITDA Margin (%)	17,5%	16,3%	-1,2 pp	12,3%	16,3%	4,0 pp	16,4%
Adjusted EBIT	336	472	41%	217	472	118%	399
Adjustments	-28	-16		-104	-16		
EBIT	308	456	48%	113	456	304%	
Adjusted net income	239	356	49%	224	356	59%	279
Adjusted earnings per share in €	0,51	0,76	49%	0,48	0,76	58%	0,60
Capex (cash-out)	182	176	-3%	335	176	-47%	
Net financial position (as of March 31)	-2.704	-2.794		-2.857	-2.794		
Cash flow from operating activities, cont. ops.	494	309	-37%	348	309	-11%	
Free cash flow, cont. ops.	312	133	-57%	13	133	>200%	

Specialty Additives

External sales	907	1.049	16%	947	1.049	11%	1.017
<i>Volumes (%)</i>			-2%				
<i>Prices (%)</i>			14%				
<i>Exchange Rates (%)</i>			3%				
<i>Other (incl. M&A; %)</i>			0%				
Adjusted EBITDA	273	252	-8%	181	252	39%	259
Adjusted EBITDA Margin (%)	30,1%	24,0%	-6,1 pp	19,1%	24,0%	4,9 pp	25,8%

Nutrition & Care

External sales	780	1.038	33%	1.008	1.038	3%	962
<i>Volumes (%)</i>			4%				
<i>Prices (%)</i>			24%				
<i>Exchange Rates (%)</i>			6%				
<i>Other (incl. M&A; %)</i>			0%				
Sales Animal Nutrition	404	556	38%	507	556	10%	435
Sales Health & Care	376	481	28%	501	481	-4%	450
Adjusted EBITDA	143	222	55%	200	222	11%	188
Adjusted EBITDA Margin (%)	18,3%	21,4%	3,1 pp	19,8%	21,4%	1,6 pp	20,0%

Smart Materials

External sales	909	1.181	30%	1.032	1.181	14%	1.039
<i>Volumes (%)</i>			9%				
<i>Prices (%)</i>			16%				
<i>Exchange Rates (%)</i>			4%				
<i>Other (incl. M&A; %)</i>			2%				
Sales Inorganics	631	843	34%	738	843	14%	694
Sales Polymers	278	338	22%	294	338	15%	364
Adjusted EBITDA	173	197	14%	123	197	60%	181
Adjusted EBITDA Margin (%)	19,0%	16,7%	-2,3 pp	11,9%	16,7%	4,8 pp	17,5%

Performance Materials

External sales	580	947	63%	840	947	13%	734
<i>Volumes (%)</i>			6%				
<i>Prices (%)</i>			51%				
<i>Exchange Rates (%)</i>			6%				
<i>Other (incl. M&A; %)</i>			1%				
Adjusted EBITDA	42	97	131%	80	97	21%	67
Adjusted EBITDA Margin (%)	7,2%	10,2%	3,0 pp	9,5%	10,2%	0,7 pp	9,3%

Technology & Infrastructure / Other

External sales	182	283	55%	264	283	7%	191
Adjusted EBITDA	-43	-33	23%	-82	-33	60%	-43

* Vara Consensus March 22, 2022