

Evonik grows strongly in the first half of the year and confirms outlook for adjusted EBITDA for 2022

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- Adjusted EBITDA growth of 12 percent in Q2
- Higher raw material, logistics and energy costs offset by product price increases
- Outlook 2022: Adjusted EBITDA confirmed at €2.5 billion to €2.6 billion, with upper end well underpinned

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Essen, Germany. Evonik closes the second quarter with strong results. Sales increased 31 percent year-on-year to €4,772 million due to higher selling prices and positive currency effects, despite slightly lower volumes. Adjusted earnings before interest, taxes, depreciation, and amortization (adjusted EBITDA) increased by 12 percent to €728 million.

“We had a strong first half of the year, and once again have successfully managed the challenges around us,” said Christian Kullmann, Chairman of the Executive Board. “Regarding the increasing uncertainties, especially on the energy side, we reckon these challenges will prevail and potentially even accelerate in the second half of the year.”

To mitigate risk, Evonik has established a set of measures to substitute natural gas at their main sites. At the Marl site, for example, full substitution of natural gas will become possible with a switch to LPG (Liquefied Petroleum Gas) and the continued operation of the coal-fired power plant. “We have implemented a bundle of strong measures at our European sites to secure our energy supply and support the EU and German energy savings targets,” said Kullmann.

The war in Ukraine and lockdown measures in China continue to impact value chains. On a case-by-case basis, Evonik prepares alternative logistic solutions to ensure production is running and customers will receive product.

“Based on our strong first half of the year and even assuming a gradual economic slowdown in the second half, we not only confirm our outlook for adjusted EBITDA – we even think that the

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upper end at €2.6 billion is well underpinned,” said Ute Wolf, Chief Financial Officer. “We will now put extra effort into the management of our net working capital. This should support free cash flow for the rest of the year and throughout the next.”

Free cash flow (FCF) in the first half year was –€106 million, below the strong prior-year figure. This can be attributed to a build-up of more than €900 million in net working capital due to increased raw material prices and higher inventory levels. Consequently, the outlook for the FCF conversion rate has been lowered from 40 percent to 30 percent.

Sales expectations are now between €17 billion and €18 billion for the full year. This raise from previous guidance range of €15.5 billion to €16.5 billion can mainly be attributed to an increase in prices to offset higher variable costs.

Development in the divisions

Specialty Additives: In the Specialty Additives division, sales increased 21 percent to €1,116 million in the second quarter. This can be attributed to the effective rise in prices to offset higher variable costs. Consequently, products in the construction and coatings industry and within renewable energies saw higher turnover. Additives for polyurethane foams and for paints and coatings also benefitted from this price increase. Sales for additives for the automotive sector rose due to slightly higher volumes and improved prices. Compared to prior-year quarter, adjusted EBITDA rose 9 percent to €263 million.

Nutrition & Care: Sales in the Nutrition & Care division increased 23 percent to €1,027 million in the second quarter. The essential amino acids business achieved significant sales growth despite lower sales volume in China. Sales for products in the health and care sector also grew, while there were pleasing developments in drug delivery systems and active ingredients in the cosmetic applications sector. Adjusted EBITDA rose 1 percent to €185 million due to lower volumes.

Smart Materials: In the Smart Materials division, sales increased 27 percent to €1,237 million in the second quarter due to slightly higher volumes, significantly higher prices, and positive currency effects. Inorganic products experienced higher turnover from an increase in demand, allowing them to effectively offset costs by raising prices. Polymer sales were higher than prior year, with stable sales volumes and improved selling prices. Adjusted EBITDA rose 13 percent to €198 million due to price increases.

Performance Materials: This division saw a sales increase of 47 percent to €1,043 million in the second quarter. Higher prices and positive currency effects contributed to this despite lower volumes. C4 products and the superabsorbent business both saw significant sales increase. Adjusted EBITDA rose 65 percent to €163 million due to higher naphtha price and improved product margins.

Excerpt from the income statement

in € million	2nd quarter			1st half		
	2021	2022	Change in %	2021	2022	Change in %
Sales	3,636	4,772	31	6,994	9,270	33
Adjusted EBITDA	649	728	12	1,237	1,462	18
Adjusted EBIT	398	456	15	734	928	26
Adjustments	-18	-35		-46	-52	
Financial result	-40	4		-62	-7	
Income before income taxes, continuing operations	340	425	25	626	869	39
Income taxes	-113	-123		-200	-249	
Income after income taxes, continuing operations	227	302	33	426	620	46
Income after taxes, discontinued operations	-3	-		-10	-	
Income after taxes	224	302	35	416	620	49
thereof attributable to non-controlling interests	6	5		11	9	
Net Income	218	297	36	405	611	51
Adjusted net income	253	351	39	493	707	43

Division performance – 2nd quarter

in € million	Sales			Adjusted EBITDA		
	2021	2022	Change in %	2021	2022	Change in %
Specialty Additives	922	1,116	21	242	263	9
Nutrition & Care	838	1,027	23	183	185	1
Smart Materials	975	1,237	27	176	198	13
Performance Materials	708	1,043	47	99	163	65
Technology & Infrastructure	179	328	83	26	-6	-
Enabling Functions, Other Activities, Consolidation	14	21	50	-77	-75	3
Evonik Group	3,636	4,772	31	649	728	12

Division performance – 1st half

in € million	Sales			Adjusted EBITDA		
	2021	2022	Change in %	2021	2022	Change in %
Specialty Additives	1,829	2,165	18	515	515	–
Nutrition & Care	1,618	2,064	28	325	407	25
Smart Materials	1,884	2,419	28	350	395	13
Performance Materials	1,288	1,990	55	140	260	86
Technology & Infrastructure	348	599	72	55	30	-45
Enabling Functions, Other Activities, Consolidation	27	33	22	-148	-145	2
Evonik Group	6,994	9,270	33	1,237	1,462	18

Employees by division

	Dec. 31, 2021	June 30, 2022
Specialty Additives	3,693	3,733
Nutrition & Care	5,453	5,594
Smart Materials	7,742	7,846
Performance Materials	1,964	1,998
Technology & Infrastructure	8,152	7,997
Enabling Functions, Other Activities, Consolidation	6,000	6,067
Evonik Group	33,004	33,235

Company information

Evonik is one of the world leaders in specialty chemicals. The company is active in more than 100 countries around the world and generated sales of €15 billion and an operating profit (adjusted EBITDA) of €2.38 billion in 2021. Evonik goes far beyond chemistry to create innovative, profitable and sustainable solutions for customers. About 33,000 employees work together for a common purpose: We want to improve life today and tomorrow.

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