

Evonik successfully closes acquisition of PeroxyChem

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- US court dismisses lawsuit filed by the Federal Trade Commission
- Court ruling confirms specialty nature of PeroxyChem's hydrogen peroxide business
- Above-average growth rates in market for environmentally friendly H₂O₂ and PAA products

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Essen, Germany. Evonik has successfully closed the acquisition of the US company PeroxyChem for US\$640 million after the responsible court in Washington D.C. dismissed the lawsuit filed by the Federal Trade Commission (FTC) to block the acquisition. "This is a very good day for Evonik," says Christian Kullmann, chairman of Evonik's executive board. "In its judgment, the court confirmed our view of the H₂O₂ market and, above all, the strong specialty focus of PeroxyChem's portfolio. The acquisition unlocks additional growth opportunities for us, especially in the market for environmentally friendly disinfectants."

At the end of 2018, Evonik signed an agreement with One Equity Partners to acquire PeroxyChem. PeroxyChem is a manufacturer of hydrogen peroxide (H₂O₂) and peracetic acid (PAA) and is well-positioned in high-margin specialty applications. The competent antitrust authorities outside the USA had already approved the transaction. However, in August 2019 the FTC filed a lawsuit to prevent closing of the transaction.

Bruce Lerner, CEO of PeroxyChem, is delighted with the outcome of the legal dispute: "Despite the uncertainty, we posted a strong performance in 2019 and reported a further increase in sales and earnings in challenging economic conditions. Combining the two businesses will enable our motivated staff to develop even better solutions for our customers."

In 2019, PeroxyChem generated sales of approximately US\$300 million and an adjusted EBITDA of more than US\$64 million (2018: sales of approximately US\$300 million and adjusted EBITDA of around US\$60 million). Evonik's peroxide business also developed

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positively in 2019. The strategy introduced in recent years to sharpen the company's focus on specialties is having an increasingly positive impact on the business. It achieved a further improvement in earnings and, especially, the EBITDA margin in 2019, which is fully in line with the target corridor of 18–20 percent set for the company as a whole.

To comply with antitrust requirements, the PeroxyChem site in Prince George (British Columbia, Canada) will be sold in due course. This site mainly manufactures H₂O₂ standard products. The proportion of earnings from this operation are negligible for both PeroxyChem and Evonik.

“We strengthened Evonik's financial position by divesting our methacrylates business last year,” said CFO Ute Wolf. “As planned, now we are investing a part of the proceeds for the selective expansion into high–margin, less cyclical businesses with a high proportion of specialties and a strong free cash flow.”

The market for H₂O₂ and PAA is currently benefiting from the trend to sustainable products and solutions. Hydrogen peroxide is an environmentally friendly and resource–efficient chemical that splits into oxygen and water during processing. It is therefore one of the purest and most versatile chemicals on the market. Demand is driven principally by the need for sustainable disinfectants. PeroxyChem's H₂O₂ and PAA business focuses on end–users in the environmental, food safety, and electronics semiconductor industries, where cyclicity is low.

Against this backdrop, PeroxyChem successfully started up a wastewater treatment plant using PAA in Memphis (Tennessee, USA) in 2019. Thanks to a long–term supply agreement with the City of Memphis, this facility will deliver resilient earnings already in 2020. Capex for the plant was fully spent by PeroxyChem. So as contractually agreed, the successful and timely implementation of this project increases the purchase price to US\$640 million from the originally announced US\$625 million.

Since the two global businesses are a good and complementary fit, Evonik expects to leverage an unchanged synergy level of

US\$20 million, especially in operations and logistics, expansion of the product portfolio, and launch of new technologies. The synergies should be fully realized by 2022.

The purchase price (enterprise value) including synergies is about 7.6 times the annual adjusted EBITDA, or 9.9 times before synergies (based on 2019 financials). The acquisition will have a positive impact on Evonik's adjusted earnings per share and free cash flow already in 2020. PeroxyChem will be fully consolidated from the closing date, February 3, 2020.

The acquired business will be integrated into the Resource Efficiency segment. Integration will start immediately.

PeroxyChem's roots go back more than 100 years. The company is headquartered in Philadelphia (Pennsylvania, USA) and employs around 600 people worldwide. Its eight production sites are located primarily in North America, but it also has locations in Germany, Spain, and Thailand. Evonik's Active Oxygens business line also has decades of experience in the production of hydrogen peroxide and related products. The company is one of the largest producers with 13 production sites around the world.

Company information

Evonik is one of the world leaders in specialty chemicals. The focus on more specialty businesses, customer-oriented innovative prowess and a trustful and performance-oriented corporate culture form the heart of Evonik's corporate strategy. They are the lever for profitable growth and a sustained increase in the value of the company. Evonik benefits specifically from its customer proximity and leading market positions. Evonik is active in over 100 countries around the world. In fiscal 2018, the enterprise with more than 32,000 employees generated sales of €13.3 billion and an operating profit (adjusted EBITDA) of €2.15 billion from continuing operations.

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