

Next Generation Evonik: Next phase of the strategic transformation

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- Systematic alignment of portfolio to growth divisions
- Strongly investing in green growth
- Ambitious sustainability targets

Essen, Germany. Evonik is embarking on the next phase of its strategic transformation. Sustainability is being integrated fully and systematically into all elements of the strategy: portfolio management, innovation, corporate culture. “Driven by our purpose, *Leading Beyond Chemistry*, in recent years we have made good progress both strategically and financially,” Christian Kullmann, chairman of Evonik's executive board, told investors and analysts at the company's Capital Markets Day. “In the next phase of our transformation, we are executing targeted and massive investments in green growth and making sustainability our central innovation driver.”

Evonik is aligning its portfolio completely to its three growth divisions: Specialty Additives, Nutrition & Care, and Smart Materials. “The businesses we are withdrawing from on strategic grounds are being optimally set up to give them a responsible route to a good future,” said Kullmann. Preparations are already under way for the exit of all three businesses of Performance Materials – Superabsorbents, Functional Solutions and Performance Intermediates. Evonik aims to find new owners or partners for each of these three businesses in the course of 2023.

The proceeds from the divestment of the Performance Materials businesses and the operating cash flow in the coming years will be channeled to the green transformation. By 2030, Evonik aims to invest more than €3 billion in *Next Generation Solutions* – products with superior sustainability benefits. That is around 80 percent of annual growth investments. In the same period, a further €700 million will be invested in *Next Generation Technologies*, i.e., the optimization of production processes and infrastructure to avoid CO₂ emissions.

Contact:

Matthias Ruch
Head of External Communications
Phone +49 201 177 3348
Mobile +49 174 325 9942
Matthias.Ruch@evonik.com

Deborah Lippmann
External Communications
Phone +49 201 177 4086
Mobile +49 171 171 64 89
Deborah.Lippmann@evonik.com

Evonik Industries AG
Rellinghauser Straße 1-11
45128 Essen
Telefon +49 201 177-01
www.evonik.de

Aufsichtsrat
Bernd Tönjes, Vorsitzender
Vorstand
Christian Kullmann, Vorsitzender
Dr. Harald Schwager, Stellv. Vorsitzender
Thomas Wessel, Ute Wolf

Sitz der Gesellschaft ist Essen
Registergericht Amtsgericht Essen
Handelsregister B 19474

“We are greatly increasing our handprint and reducing our footprint at the same time,” said Thomas Wessel, the executive board member responsible for sustainability. “Translated into KPIs: We will substantially increase the sales share of our *Next Generation Solutions* from 37 percent at present to over 50 percent by 2030.” That includes, for example, drug delivery technologies for controlled release of pharmaceutical active ingredients, gas separation membranes for biogas and hydrogen, as well as natural-based active ingredients for cosmetics. “Our innovations help our customers make their products more sustainable and improve their climate performance,” said Wessel. The dynamic rise in demand for *Next Generation Solutions* is evidence of their importance and offers Evonik above-average growth potential.

Evonik aims to reduce its footprint by significantly cutting both direct and indirect greenhouse gas emissions from production and processing. With the support of *Next Generation Technologies*, Evonik will reduce its scope 1 and 2 emissions by 25 percent, from 6.5 million metric tons at present to 4.9 million metric tons by 2030. This goal is fully consistent with the requirements of the Science Based Targets (SBTi) initiative, which Evonik is committed to. At the same time, the investments in sustainability are profitable: By investing €700 million in *Next Generation Technologies*, Evonik will cut its operating costs by more than €100 million a year up to 2030.

The repositioned Research, Development & Innovation unit is also fully integrating sustainability into the management of Evonik’s innovation activities. “Our RD&I targets are right on track to generate additional sales of more than €1 billion with our innovation growth fields by 2025,” said Harald Schwager, the executive board member responsible for innovation. “Our innovative capability is a key factor in leveraging green and profitable growth.”

Evonik’s aspirations are supported by its venture capital activities. A new Sustainability Tech Fund with a total investment volume of €150 million will strengthen the sustainability targets by investing into innovative technologies and business models. The focus is on

new technologies that will reduce emissions as well as on innovations that have a high technological fit with the *Next Generation Solutions*.

As part of its strategic transformation, Evonik has also reviewed its mid-term financial targets. “Despite the current challenging environment, we are confirming our core targets: an adjusted EBITDA margin of between 18 and 20 percent, a cash conversion rate of over 40 percent, and ROCE of around 11 percent,” said Evonik’s chief financial officer, Ute Wolf. In line with the full alignment to high-growth, less cyclical specialty chemicals, Evonik now aims to achieve an organic sales CAGR of over 4 percent. Up to now, the target was volume growth of over 3 percent. The annual capex budget increases successively from the current level of around €900 million to a level between €900 million and €1 billion over the next years – as a result of investments in *Next Generation Technologies* to save CO₂ emissions.

In addition to these ambitious financial targets, the updated sustainability targets for Evonik's handprint and footprint will be integrated into the executive board's long-term compensation scheme from next year.

Evonik assumes responsibility – for its business, its employees, the environment, and society. The green transformation does not simply future-proof Evonik and safeguard its profitability, it also plays a key role in shaping its corporate culture. Responsibility and economic success are inseparable at Evonik.

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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