

Financial Ambition

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Capital Markets Day
May 11, 2022

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Capital Allocation & Financial Targets



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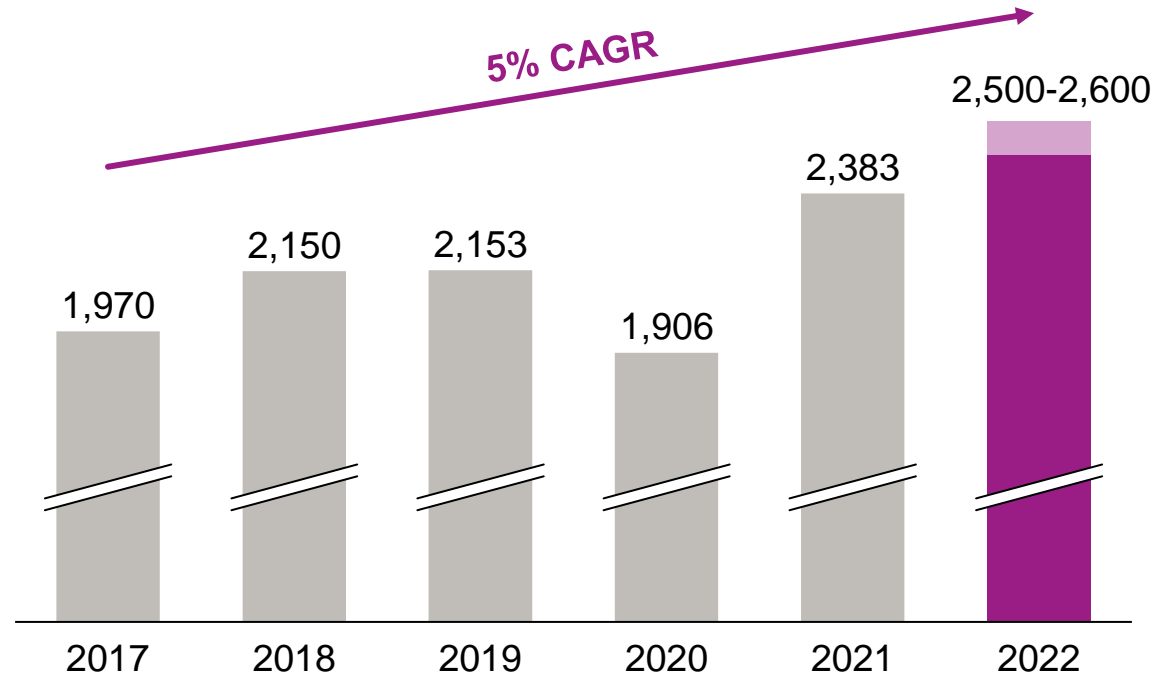
1. Capital Allocation

2. Financial Targets

We are consistently and reliably growing EBITDA and Free Cash Flow

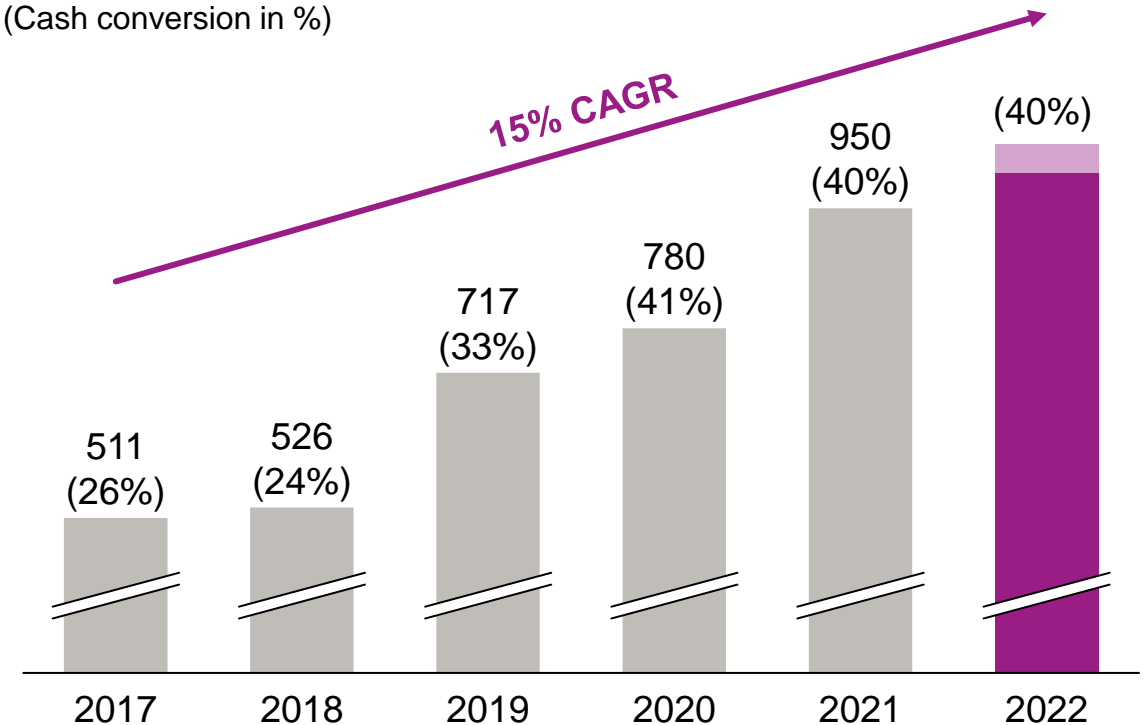
Strong earnings growth ...

Adj. EBITDA in € m



... is translating into even faster FCF growth

Free Cash Flow in € m
(Cash conversion in %)



Cash flow and divestment proceeds drive our green portfolio transformation

Significant cash inflow ...

Increasing Operating Cash Flow

Attractive cash conversion
with steadily growing earnings

Divestment proceeds Performance Materials

... invested into our green transformation

>€3 bn
2022-2030

**Growth
capex for¹**

NEXTGEN 
Solutions

~€700 m
2022-2030

Capex for²

NEXTGEN 
Technologies

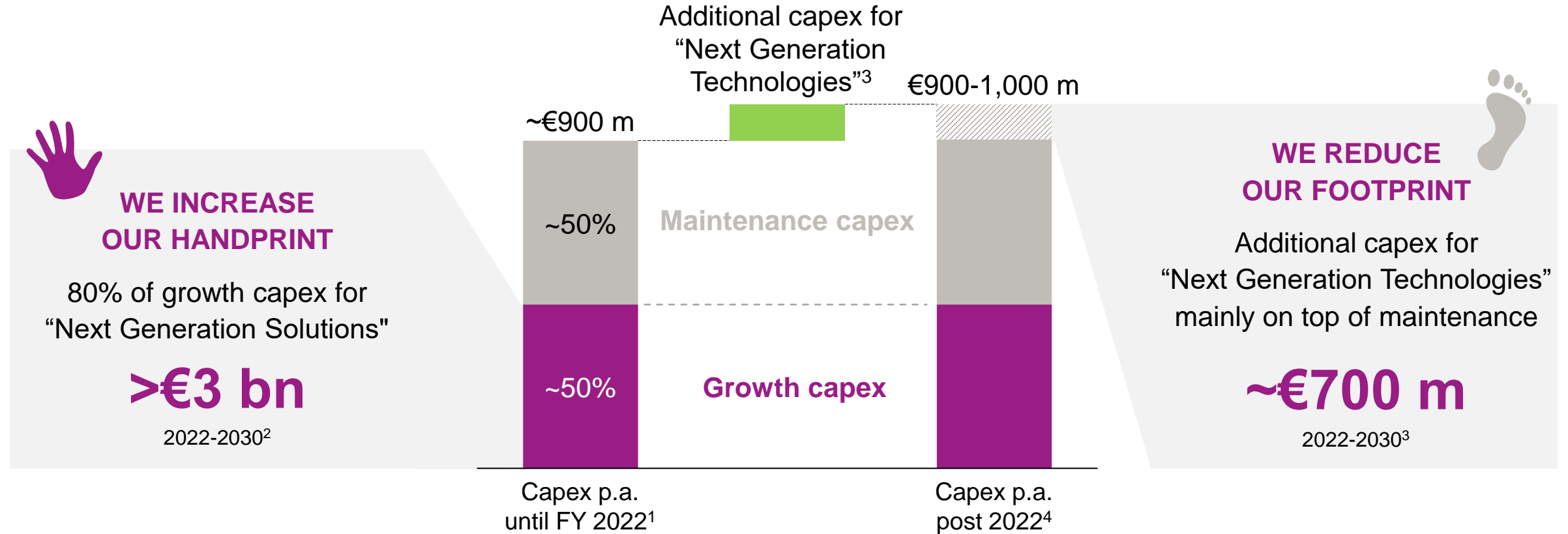
Targeted M&A
to accelerate green portfolio transformation

Reliable and sustainably growing **dividend**

Solid investment grade rating

1. 80% of growth capex for "Next Generation Solutions" (~€350 m p.a.) | 2. Additional capex for "Next Generation Technologies" (~€80 m p.a. on average), incl. Performance Materials

Capex as key element for investments into handprint & footprint



1. Incl. ~€50 m p.a. for Performance Materials | 2. ~€350 m p.a. | 3. ~€80 m p.a. on average incl. ~€15 m p.a. for PM, ramping up gradually over the coming years | 4. Incl. ~€65 m p.a. for PM

Clear value generation with investments into “Next Generation Solutions” and “Next Generation Technologies”

Target & benefit

NEXTGEN Solutions

NEXTGEN Solutions 

>50%
sales share

Products with superior sustainability¹ and financial performance

Value creation

Clear investment criteria – aligned with strategic, sustainability and financial targets

- Above-average market growth
- Superior sustainability profile (PSA analysis)
- IRR above ROCE target (>11%)
- CO₂ pricing implemented

NEXTGEN Technologies



2030

-25%²

Scope 1+2

Projects to lower CO₂ emissions with value-enhancing, positive NPVs

€700 m capex (2022-2030) ...

- For NPV-positive projects
- For advanced levers, innovative waste heat up-cycling and process re-design

... resulting in >€100 m opex savings (p.a.)

1. “Next Generation Solutions” include “Leader” (A++) and “Driver” (A+) products and solutions

2. Commitment letter signed and handed in for SBTi, 25th April 2022, gross emissions reduction with reference year 2021, target year 2030

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Financial targets

Where do we stand today?

Mid-term Financial Targets

Above-average volume growth in growth divisions (>3%)

EBITDA margin in the range of 18-20%

Cash conversion ratio of >40%

ROCE ~11% - well above cost of capital

Reliable and sustainably growing dividend

Solid investment grade rating

Current status

Strong volume growth in 2021, but 2019 and 2020 more challenging (COVID impact)



Solid underlying progression, but dilutive effect of current high-cost environment on margin

40% reached in 2020 and 2021



Good progress in 2021 to 9% covering cost of capital but still below target of 11%



Dividend **increased to €1.17** for FY 2021



Solid investment grade ratings **BBB+/Baa2**



Financial targets

Where do we want to go from here?

Mid-term Financial Targets

Above-average volume growth in growth divisions (>3%)

EBITDA margin in the range of 18-20%

Cash conversion ratio of >40%

ROCE ~11% - well above cost of capital

Reliable and sustainably growing dividend

Solid investment grade rating

Revised targets (excl. PM)

Organic sales CAGR >4%

EBITDA margin in the range of 18-20%

Cash conversion ratio of >40%

ROCE ~11% - well above cost of capital

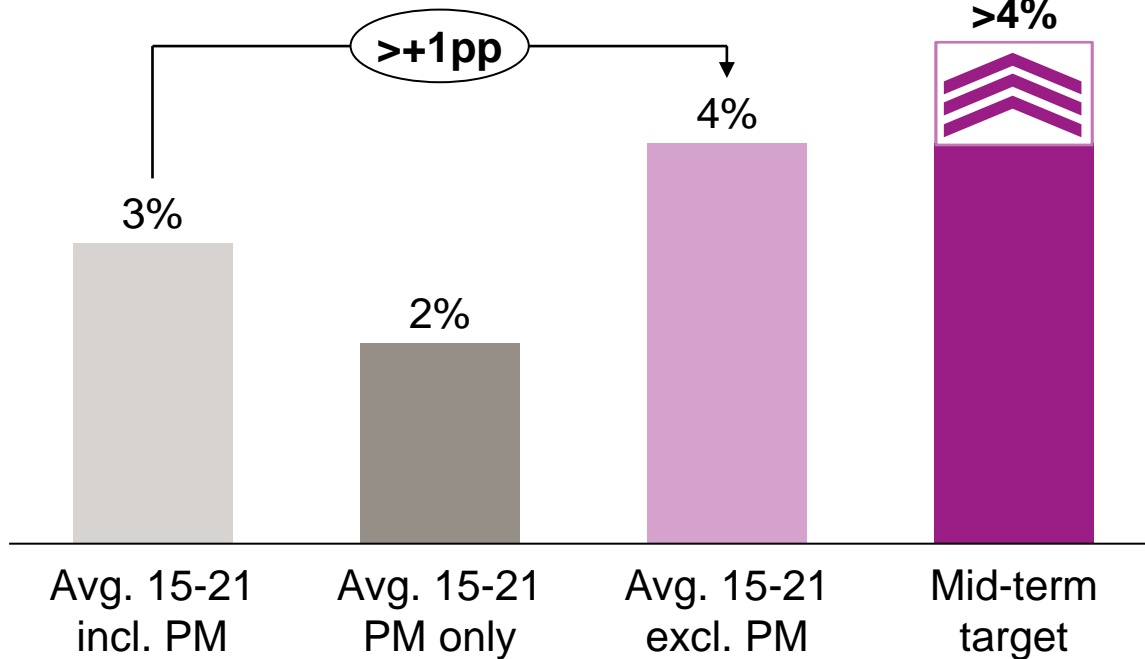
Reliable and sustainably growing dividend

Solid investment grade rating

Unchanged

Accelerated organic sales growth through sustainability, innovation and pricing focus

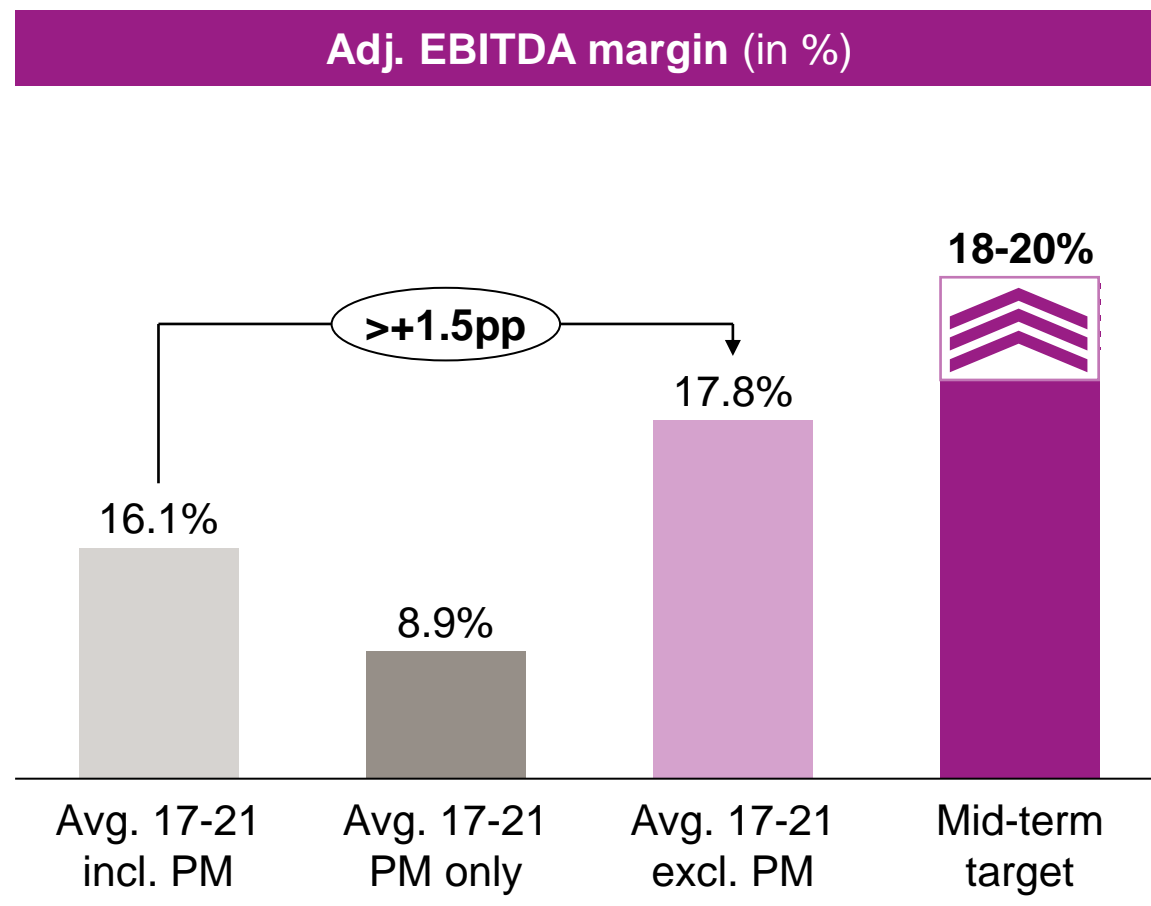
Organic sales growth (in %)



Levers (& examples) to reach target range

“Next Generation Solutions” with above-average growth	>	Novel PU additives for environmentally friendly spray foam show >20% sales growth
Innovation Growth Field sales with above-average growth	>	Membranes with >30% sales growth CAGR since 2015
Shift towards specialties resulting in more pricing power	>	Smart Materials with +3% price increases p.a. since 2017
Strategic pricing optimization projects across the organization	>	Pricing moving higher on the management agenda

Constant portfolio upgrading and cost consciousness resulting in margin uplift

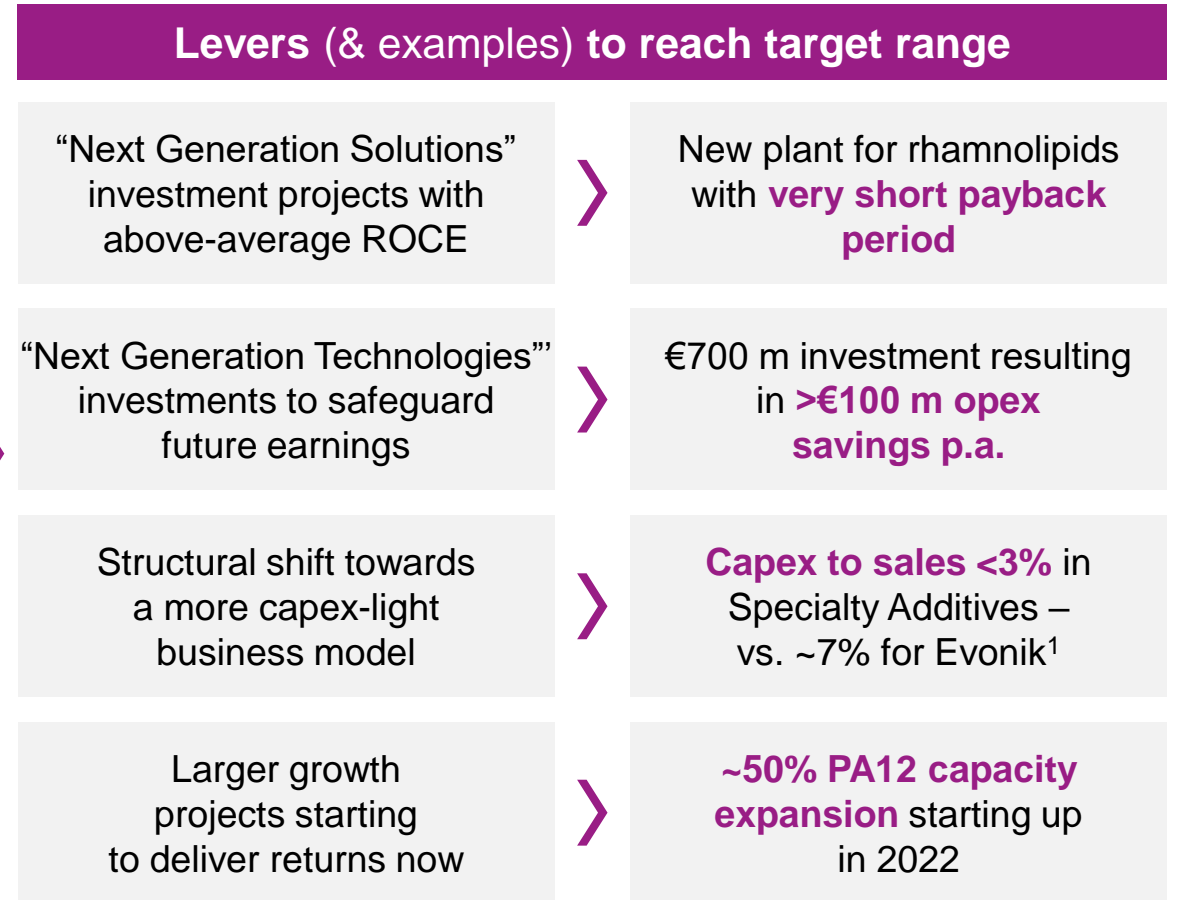
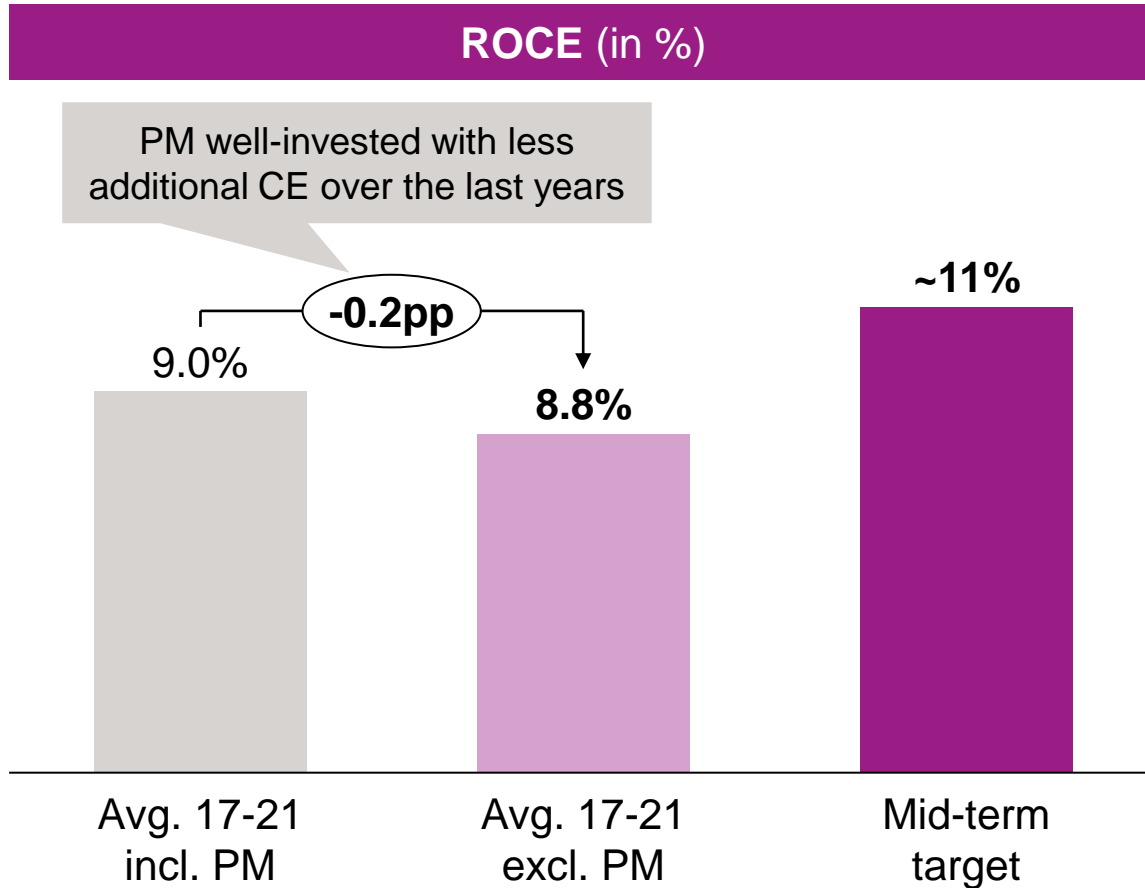


Levers (& examples) to reach target range

- “Next Generation Solutions“ with above-average margins
 - Lipid Nano Particles (LNP) with **clearly superior margin profile** within Health Care
- Innovation Growth Field sales with above-average margins
 - 3D printing innovations like INFINAM® offer **margin upside**
- Ongoing shift of product portfolio towards specialties – also in growth divisions
 - Share of system solutions within Care Solutions ~50% resulting in **+4pp** margin uplift¹
- Continuous factor-cost compensation well embedded in the organization
 - >€150 m p.a.** compensated in operating businesses and functions

1. System solutions share as of today; margin comparison 2021 vs. 2017

Organic growth and capex discipline to lead towards a structural ROCE increase



1. Average 2017-2021

Financial Ambition

We are **consistently and reliably growing EBITDA and Free Cash Flow**

Cash flow and divestment proceeds are financing our **green portfolio transformation**

Clear value generation with investments into “Next Generation Solutions” and “Next Generation Technologies”

Targeting **organic sales growth of >4%** and an **adj. EBITDA margin of 18-20%**

Beyond the divestment of Performance Materials our **strategy execution is resulting in progress** toward our targets



EVONIK

Leading Beyond Chemistry