

EVONIK GROUP DEVELOPMENT

Highlights: Slow start into 2023 – improving trend visible through Q1

- Q1 adj. EBITDA of only €409 m due to low volumes and despite positive pricing in Specialties
- PA12 ramp-up driving Smart Materials, slow start in Specialty Additives, price pressure in Animal Nutrition and C4
- Through Q1 every month with sequentially better earnings – Start into Q2 continues on improved March level
- First divestment in Performance Materials: Divestment of Lülisdorf site signed; alkoxides business integrated into Smart Materials
- Strengthening competitiveness of Animal Nutrition business: Two separate operating models, with focus on efficiency and cost-leadership in amino acids
- Outlook FY 2023 confirmed: Lower end of adj. EBITDA range (€2.1 – 2.4 bn) more likely

Income Statement

- **Sales** decreased by -11% to €4,005 m (Q1 2022: €4,498 m)
 - Volume declines across all divisions (-14% yoy); destocking and weaker end market demand
 - Pricing continues to be positive (+3%)
- **Adj. EBITDA** down -44% to €409 m (Q1 2022: €735 m)
 - Significant volume declines with negative earnings effect from under-absorption of fixed costs esp. in Specialty Additives
 - Positive pricing in Specialty Additives and Smart Materials compensating again for cost inflation
 - Smart Materials with clear sequential earnings pick-up driven by PA12
 - Pressure on prices and spreads in Animal Nutrition and C4 business
- **Adj. EBITDA margin** decreased by 610 bp to 10.2% (Q1 2022: 16.3%)
- **Adj. EBIT** of €130 m (Q1 2022: €472 m)
- **Adj. EPS** at €0.25 (Q1 2022: €0.76)

Cash Flow Statement

- **Q1 2023 FCF** of €21 m:
 - Sequentially, limited cash generation in Q1 after strongest-ever quarterly FCF in Q4 22 (€603 m)
 - yoy, much lower EBIT as starting point for lower operating cash flow; not leveled out by clearly less pronounced NWC outflow at -€255 m (Q1 2022: -€490 m)

Balance Sheet

- **Net financial debt** of €3,258 m stable vs. FY 2022 at €3,257 m
- **Pension provisions** with increase to €1,547 m (FY 2022 €1,359 m) due to decrease in discount rates (Germany to 3.9% vs FY 2022 at 4.1%)
- **Leverage** (net debt / adj. EBITDA) at 2.1x (FY 2022: 1.8x); low net financial debt leverage at 1.4x

DIVISIONAL BUSINESS DEVELOPMENT

Alkoxides business (€407 m in sales and €59 m in adj. EBITDA in FY 2022) moved from PM to SM as of Jan 1st, 2023 (as part of Functional Solutions divestment in PM); figures for SM and PM restated for FY 2022; see Evonik Financials

Specialty Additives (SP)

- Volume decline even more pronounced than in Q4
 - Especially first weeks of the year with continued customer destocking
 - Especially in coatings
- Clear improvement in order books in March; pick-up in coatings and crosslinkers expected for Q2
- Pricing continues to be positive yoy against high comparables and despite low volumes; only minor support from selected raw material prices moving lower so far
- Adj. EBITDA in Q1 squeezed by high production fixed costs due to low plant utilization

Nutrition & Care (NC)

Health & Care

- Care Solutions: Continued strong performance in active cosmetic ingredients; lower volumes for cleaning solutions due to an extended plant shutdown
- Health Care: Typically lower order pattern for the start into the year; solid oral drug delivery partially compensates lower lipid sales

Animal Nutrition

- Animal protein markets continue to struggle with high feed costs and low margins
- Volumes lower than expected, especially in China and Brazil
- Price declines faster than decreasing raw material prices, putting pressure on margins

Smart Materials (SM)

- Broad-based volume declines, except High-Performance Polymers
 - Mainly driven by silica and H₂O₂ with ongoing HPPO plant shutdowns in Asia
- Strong pricing across all businesses, compensating variable costs
- H₂O₂ specialties holding up well, but best performance in HPP:
 - Demand unbroken and tight market for HPP
 - Strong PA12 volumes, only limited by product availability
 - Record in PA12 production in March with both plants running
- Maintenance shutdown planned in Q2 for first PA12 plant

Performance Materials (PM)

- Lower volumes in Q1 (vs Q4) across the C4 chain due to weak customer end markets (plastics, rubber, construction)
- Pressure on spreads and margins especially for Butadiene, Oxo-Alcohols and plasticizers
- Superabsorber with expected improving operating result due to higher contracted prices

Technology & Infrastructure (T&I) / Other

- Q1 2023 with normalized earnings level for T&I / Other: First positive benefits from contingency measures; negative FX-effects (hedging costs Argentina)
- FY 2023 adj. EBITDA will be significantly less negative: Contingency measures with positive effect; negative one-time effects in FY 2022 not reoccurring (power plants and energy purchasing)

OUTLOOK FY 2023

Basis for the outlook

- GDP of 1.9% (unchanged; FY 2022: 3.0%)
- Internal raw material cost index considerably lower than in FY 2022

Group outlook

- **Sales:** between €17 and 19 bn (FY 2022: €18.5 bn)
- **Adj. EBITDA:** between €2.1 and 2.4 bn (FY 2022: €2,490 m); **lower end more likely**
 - Further acceleration of demand trends during Q2 and into H2 expected
 - Specialty Additives and Smart Materials to drive the recovery
 - Animal Nutrition below initial expectations from March
 - Contribution from contingencies ramping up
 - Falling raw material prices to provide support esp. in H2
- **FCF:** higher absolute FCF with cash conversion developing towards target of 40% (FY 2022 cash conversion: 32%; FCF €785 m)
- **Capex:** around long-term sustainable level of **€900 m** incl. investment in Next Generation Technologies (lowered by €75 m; previously €975 m; FY 2022: €865 m)
- **ROCE:** slightly below the level of 2022 (unchanged; FY 2022: 8.3%)

Divisional indications for adj. EBITDA (unchanged)

- **Specialty Additives:** “stable at around prior-year level” (FY 2022: €946 m)
 - Specialty Additives to benefit from mission-critical solutions geared towards sustainability
- **Nutrition & Care:** “considerably lower than prior-year level” (FY 2022: €677 m)
 - Health & Care: With increasing share of “System Solutions” at above-average margins
 - A. Nutrition: Return to volume growth while prices expected well below prior year’s levels; easing raw material and logistic costs in H2
- **Smart Materials:** “slightly above prior-year level” (FY 2022: €743 m restated)
 - Positive development in “Eco Solutions”, esp. for specialties in Active Oxygens and Catalysts
 - “Future Mobility”: New PA12 capacities into tight market
- **Performance Materials:** “significantly lower than prior-year level” (FY 2022: €350 m restated)
 - Significant pressure on margins in the C4 business
 - Baby Care further up, due to improving market environment and long-term customer relationships
- **T&I/Other:** “significantly less negative than prior-year level” (FY 2022: -€226 m)

Additional indications (unchanged)

- **EUR/USD sensitivity:** +/-1 USD cent = +/- ~€10 m adj. EBITDA (FY basis)
- **Adj. D&A:** slightly above the level of 2022 (FY 2022: €1,140 m)
- **Adj. net financial result:** back to around 2021 level (FY 2022: -€19 m; 2021: -€97 m)
- **Adj. tax rate:** around long-term sustainable level of ~30% (FY 2022: 29%)

Key Financials Q1 2023

Evonik Group (continuing operations)

in € million	Q1 2022	Q1 2023	yoy Δ%	Q4 2022	Q1 2023	qoq Δ%	Q1 2023 Consensus*
External sales	4,498	4,005	-11%	4,340	4,005	-8%	4,100
<i>Volumes (%)</i>			-14%				-10%
<i>Prices (%)</i>			3%				0%
<i>Exchange Rates (%)</i>			1%				1%
<i>Other (incl. M&A; %)</i>			-1%				0%
Adjusted EBITDA	735	409	-44%	413	409	-1%	392
Adjusted EBITDA Margin (%)	16.3%	10.2%	-6.1 pp	9.5%	10.2%	4.0 pp	9.6%
Adjusted EBIT	472	130	-72%	80	130	63%	117
Adjustments	-16	-47		-340	-47		
EBIT	456	83	-82%	-260	83	-132%	
Adjusted net income	356	115	-68%	94	115	22%	94
Adjusted earnings per share in €	0.76	0.25	-67%	0.20	0.25	25%	0.20
Capex (cash-out)	176	206	17%	295	206	-30%	
Net financial position (as of March 31)	-2,794	-3,258		-3,257	-3,258		
Cash flow from operating activities, cont. ops.	309	227	-27%	898	227	-75%	
Free cash flow, cont. ops.	133	21	-84%	603	21	>200%	

Specialty Additives

External sales	1,049	921	-12%	906	921	2%	913
<i>Volumes (%)</i>			-15%				
<i>Prices (%)</i>			5%				
<i>Exchange Rates (%)</i>			0%				
<i>Other (incl. M&A; %)</i>			-2%				
Adjusted EBITDA	252	168	-33%	188	168	-11%	169
Adjusted EBITDA Margin (%)	24.0%	18.2%	-5.8 pp	20.8%	18.2%	-2.6 pp	18.9%

Nutrition & Care

External sales	1,038	886	-15%	1,111	886	-20%	969
<i>Volumes (%)</i>			-12%				
<i>Prices (%)</i>			-2%				
<i>Exchange Rates (%)</i>			0%				
<i>Other (incl. M&A; %)</i>			-1%				
Sales Animal Nutrition	556	441	-21%	531	441	-17%	430
Sales Health & Care	481	445	-7%	580	445	-23%	500
Adjusted EBITDA	222	76	-66%	122	76	-38%	82
Adjusted EBITDA Margin (%)	21.4%	8.6%	-12.8 pp	11.0%	8.6%	-2.4 pp	8.7%

Smart Materials

External sales	1,284	1,188	-7%	1,256	1,188	-5%	1,231
<i>Volumes (%)</i>			-16%				
<i>Prices (%)</i>			10%				
<i>Exchange Rates (%)</i>			0%				
<i>Other (incl. M&A; %)</i>			-1%				
Sales Inorganics	946	860	-9%	933	860	-8%	910
Sales Polymers	338	328	-3%	323	328	2%	377
Adjusted EBITDA	212	164	-23%	124	164	32%	153
Adjusted EBITDA Margin (%)	16.5%	13.8%	-2.7 pp	9.9%	13.8%	3.9 pp	11.6%

Performance Materials

External sales	844	707	-16%	666	707	6%	701
<i>Volumes (%)</i>			-14%				
<i>Prices (%)</i>			-4%				
<i>Exchange Rates (%)</i>			2%				
<i>Other (incl. M&A; %)</i>			0%				
Adjusted EBITDA	82	37	-55%	63	37	-41%	38
Adjusted EBITDA Margin (%)	9.7%	5.2%	-4.5 pp	9.5%	5.2%	-4.3 pp	5.4%

Technology & Infrastructure / Other

External sales	283	303	7%	401	303	-24%	284
Adjusted EBITDA	-33	-36	-9%	-85	-36	58%	-46

* Vara Consensus April 19, 2023