

Evonik

Leading Beyond Chemistry

Q1 2023

Earnings Conference Call

May 9th, 2023

Christian Kullmann, Chief Executive Officer

Maik Schuh, Chief Financial Officer

Welcome Maike Schuh!



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

Table of contents

1. **Strategic progress**
2. Financial performance Q1 2023
3. Outlook FY 2023

First divestment in Performance Materials

Functional Solutions



- Sale of Lülldorf site, incl. the production of **potash derivatives and cyanuric chlorides**, to ICIG signed in early April
- **Alkoxides** (biodiesel catalysts) integrated into catalyst business within Smart Materials¹

1. As of January 1st, 2023

Next steps

Superabsorber



Performance Intermediates



Strengthening competitiveness of Animal Nutrition business



Table of contents

1. Strategic progress
- 2. Financial performance Q1 2023**
3. Outlook FY 2023

Q1 2023 results overview

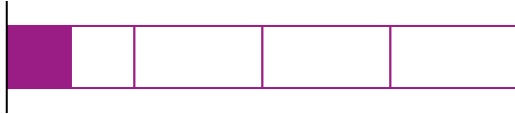
| Sales (in € m) | EBITDA (in € m) | Free cash flow (in € m) | Adj. EPS (in €) |
|---|---|---|--|
| 4,005 (Q1 2022: €4,498 m) | 409 (Q1 2022: €735 m) | 21 (Q1 2022: €133 m) | 0.25 (Q1 2022: €0.76) |
| Positive pricing in Specialties despite low volumes | PA12 ramp-up driving Smart Materials, slow start in Specialty Additives, price pressure in Animal Nutrition | Lower EBIT as starting point limiting cash generation in Q1 | Stable interest result and tax rate, slightly higher D&A |

First cost savings in Q1; majority to ramp-up through the year

e.g. optimized maintenance plans, discipline in non-essential projects

~25%
Operations

Phasing



Savings rather backend-loaded in 2023

e.g. less use of consultants, reduced fair & event participation, reduced sponsoring, optimized IT costs

~25%
Others

Phasing



Immediate savings effect already in Q1



~50%
Personnel

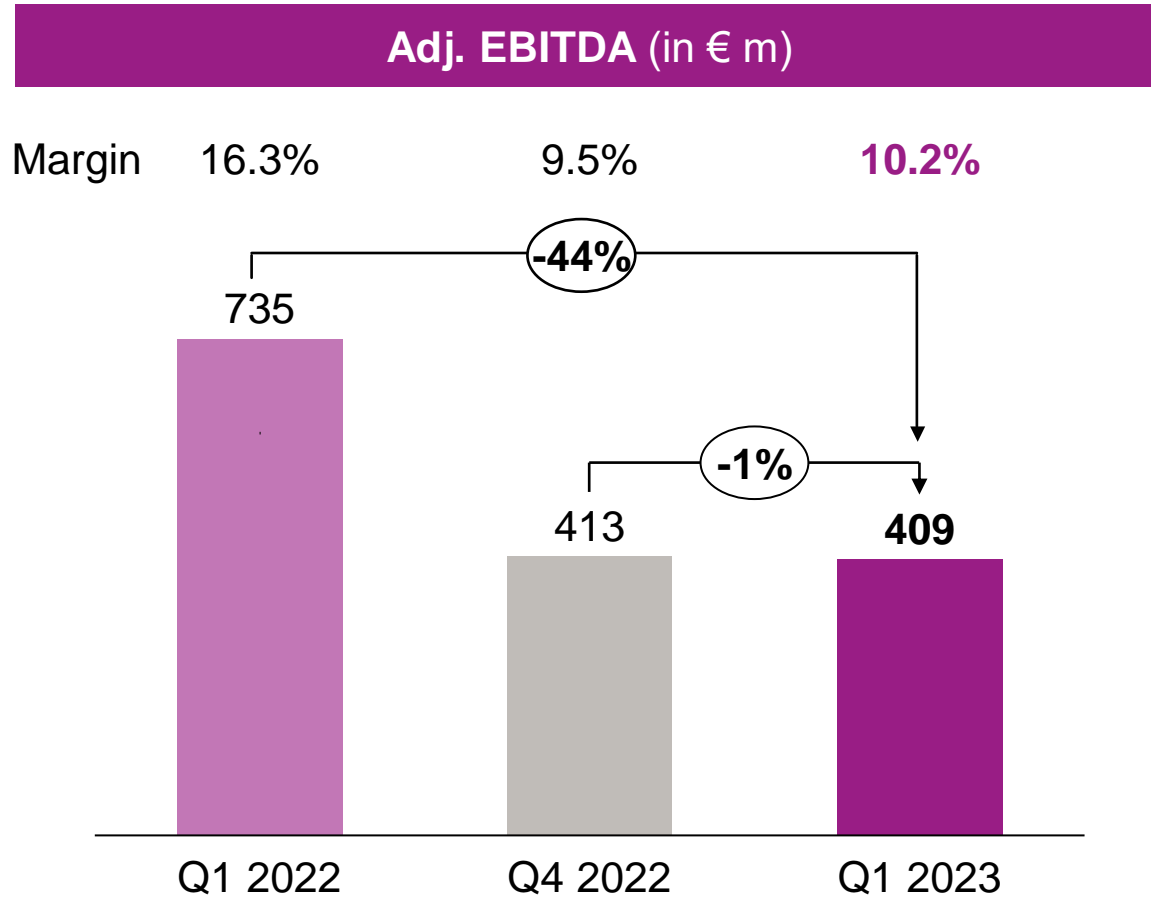
e.g. discipline in hiring & wage, overtime work, secondments, promotions, travel, car policy

Phasing



Biggest lever with accelerating contribution as the year progresses

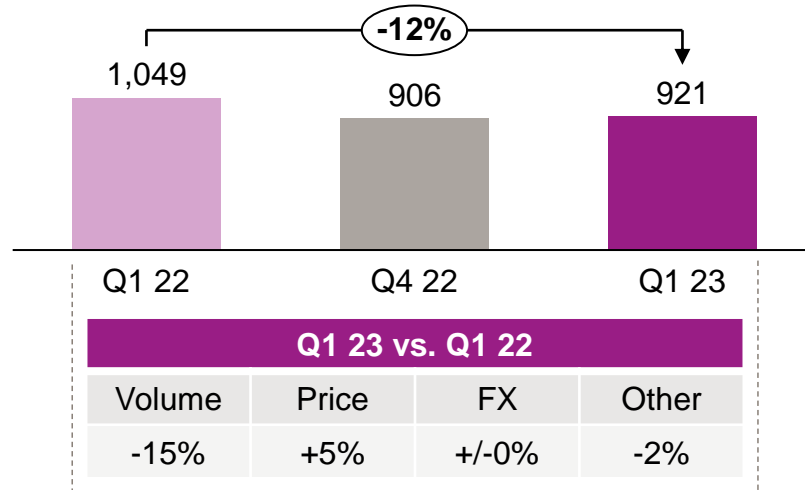
Adj. EBITDA Q1 2023



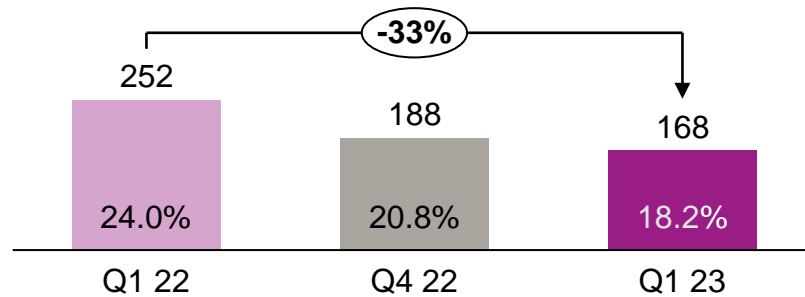
- **Q1 EBITDA** down due to significant **volume** declines (-14% yoy)
 - Low utilization and corresponding under-absorption of fixed costs especially in Specialty Additives
 - Clear sequential earnings pick-up in Smart Materials driven by PA12; other divisions below Q4 level
 - Pressure on prices and spreads in Animal Nutrition and C4 business
- **Pricing** remains positive (+3% yoy) driven by Specialty Additives and Smart Materials – compensating again for cost inflation

Specialty Additives

Sales
(in € m)



Adj. EBITDA
(in € m)
/ margin
(in %)



- 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

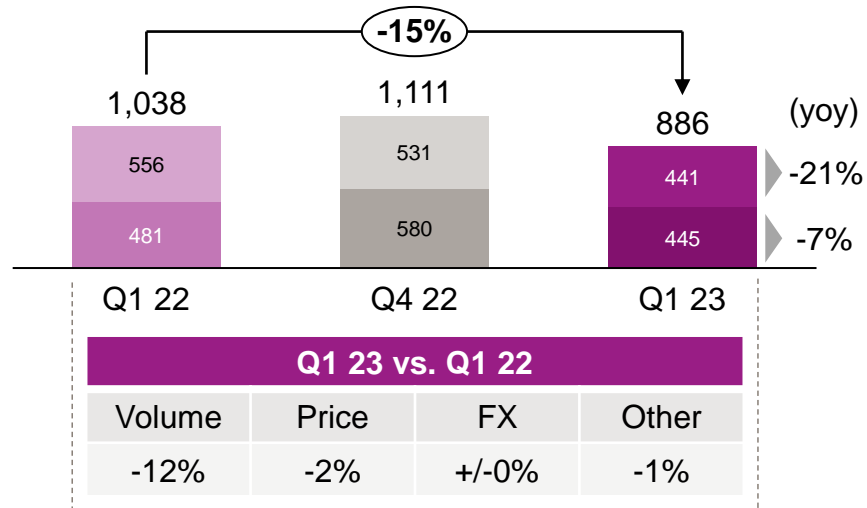


Nutrition & Care

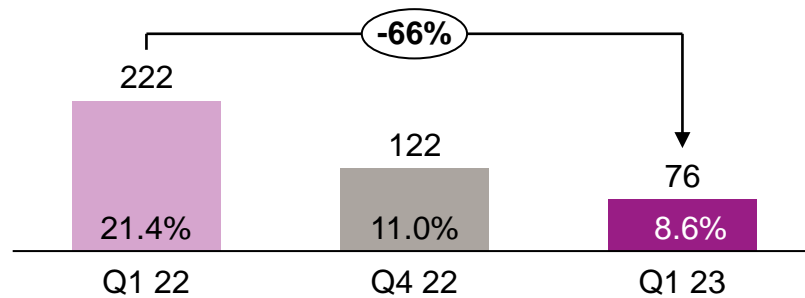
Sales (in € m)

Animal
Nutrition

Health &
Care



Adj. EBITDA (in € m) / margin (in %)



Health & Care

- Continued strong performance in active cosmetic ingredients; lower volumes for cleaning solutions due to an extended plant shutdown
- Health Care with 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

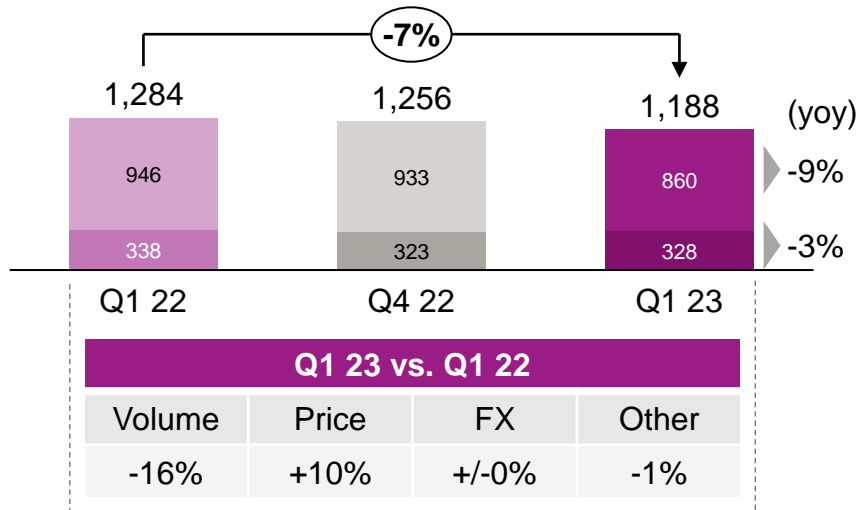


Smart Materials

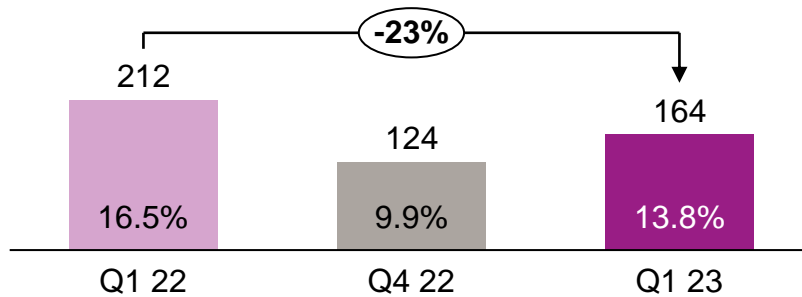
Sales (in € m)

Inorganics

Polymers



Adj. EBITDA (in € m) / margin (in %)

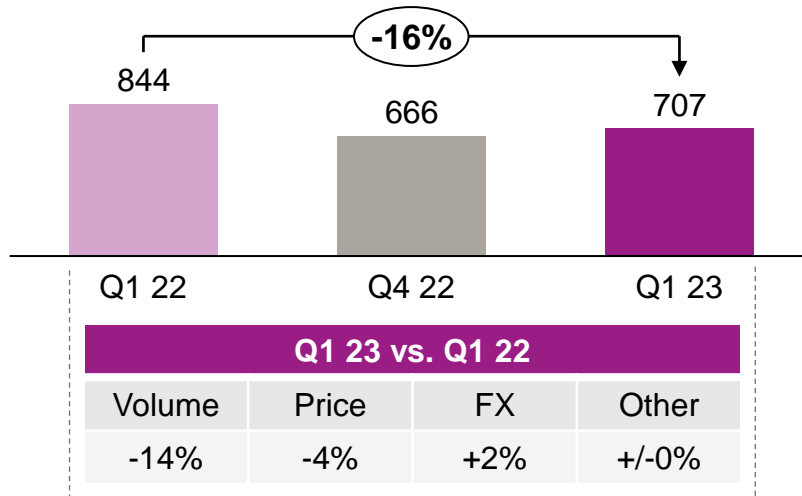


- Broad-based volume declines, except High-Performance Polymers
 - Mainly driven by silica and H₂O₂ with ongoing HPPO plant shutdowns in Asia
- Strong pricing across all businesses, compensating variable costs
- H₂O₂ specialties holding up well, but best performance in HPP:
 - Demand unbroken and tight 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

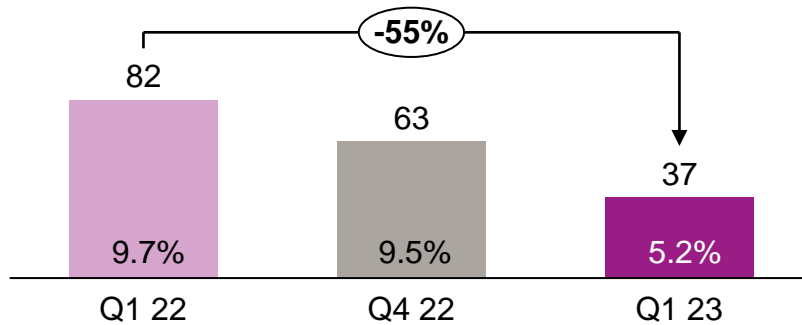


Performance Materials

Sales
(in € m)



Adj. EBITDA / margin
(in € m)
(in %)

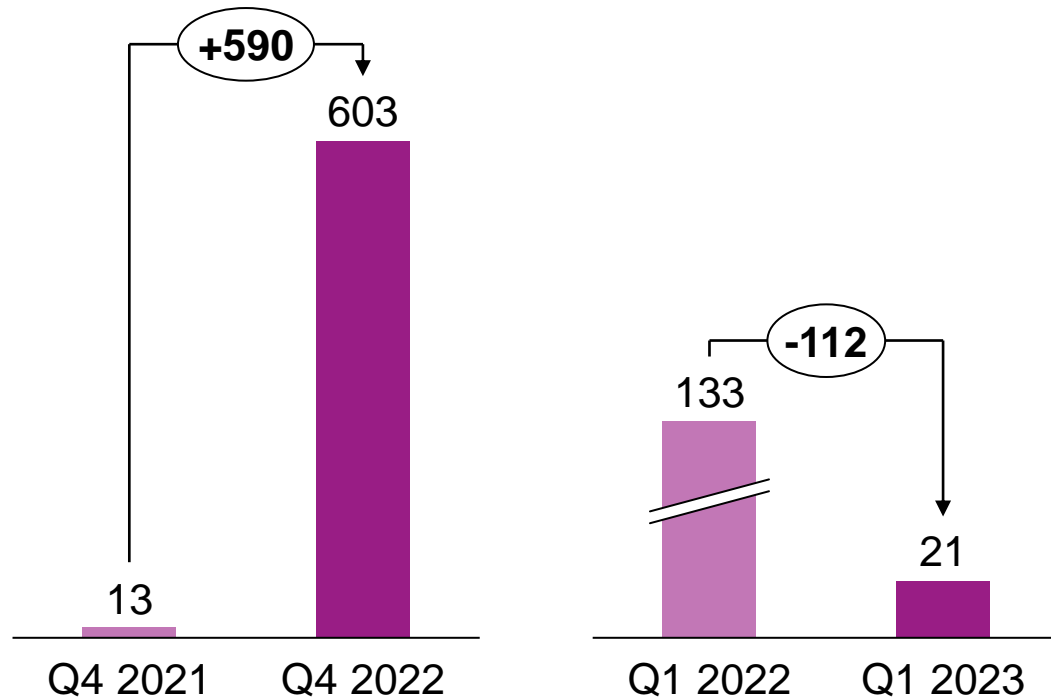


- Lower volumes in Q1 (vs Q4) across the C4 chain due to weak customer end markets (plastics, rubber, construction)
- Pressure on spreads and margins especially for Butadiene, Oxo-Alcohols and plasticizers
- Superabsorber with expected improving operating result due to higher contracted prices



Free Cash Flow Q1 2023

Free Cash Flow (in € m)



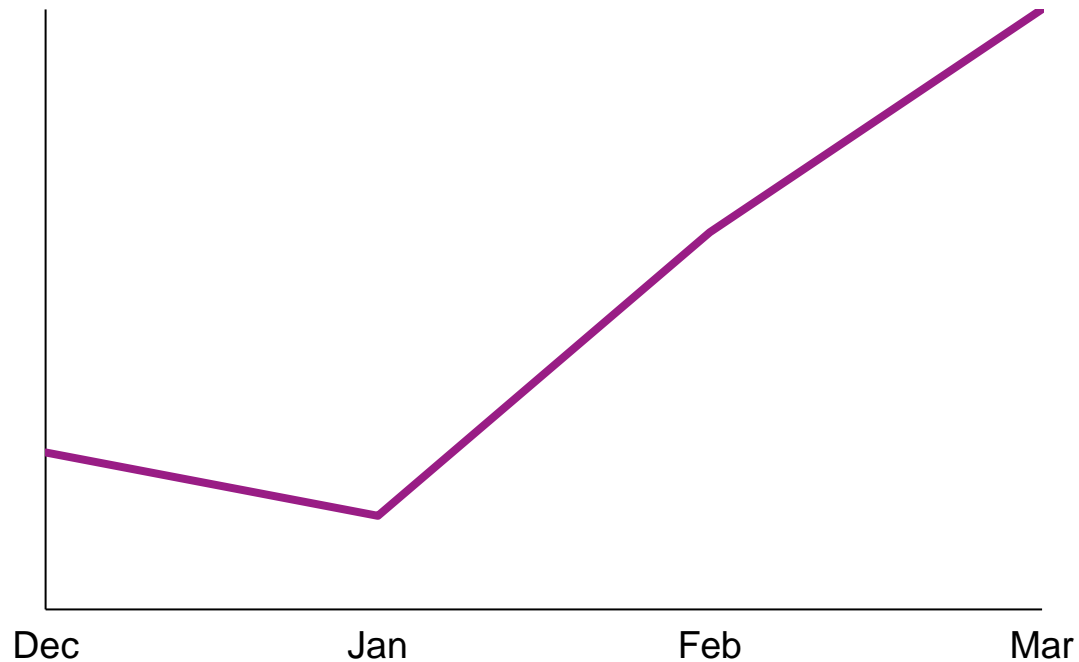
- Very strong cash generation in **Q4 limiting cash potential in Q1**
- **Q1 FCF** of €21 m below prior year
 - Lower EBIT as main driver
 - Support from yoy lower NWC outflow (+€235 m yoy)
 - Construction of new plants gathers speed, e.g.
 - Rhamnolipids for biosurfactants in Slovakia for start-up in early 2024
 - Ground-breaking for lipid production in US

Table of contents

1. Strategic progress
2. Financial performance Q1 2023
- 3. Outlook FY 2023**

Improving trend visible through Q1

EBITDA by working day (in € m)



Month-by-month earnings pick-up through Q1

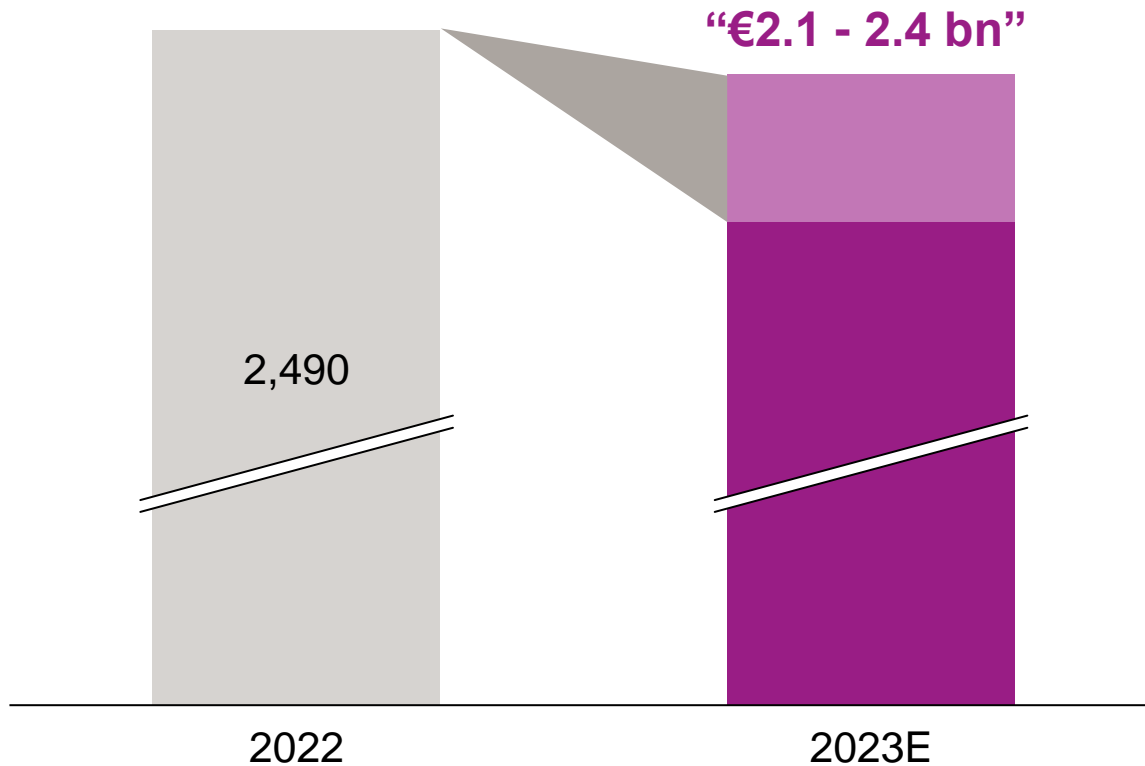
- Volumes ramping up
- Start into Q2 continues on improved March level
- Order books supporting positive trend

Costs going down into Q2 and H2

- Improving fixed cost absorption with increasing utilization
- Falling raw material costs
- Contingencies ramping up

Adj. EBITDA outlook confirmed: Lower end of range more likely

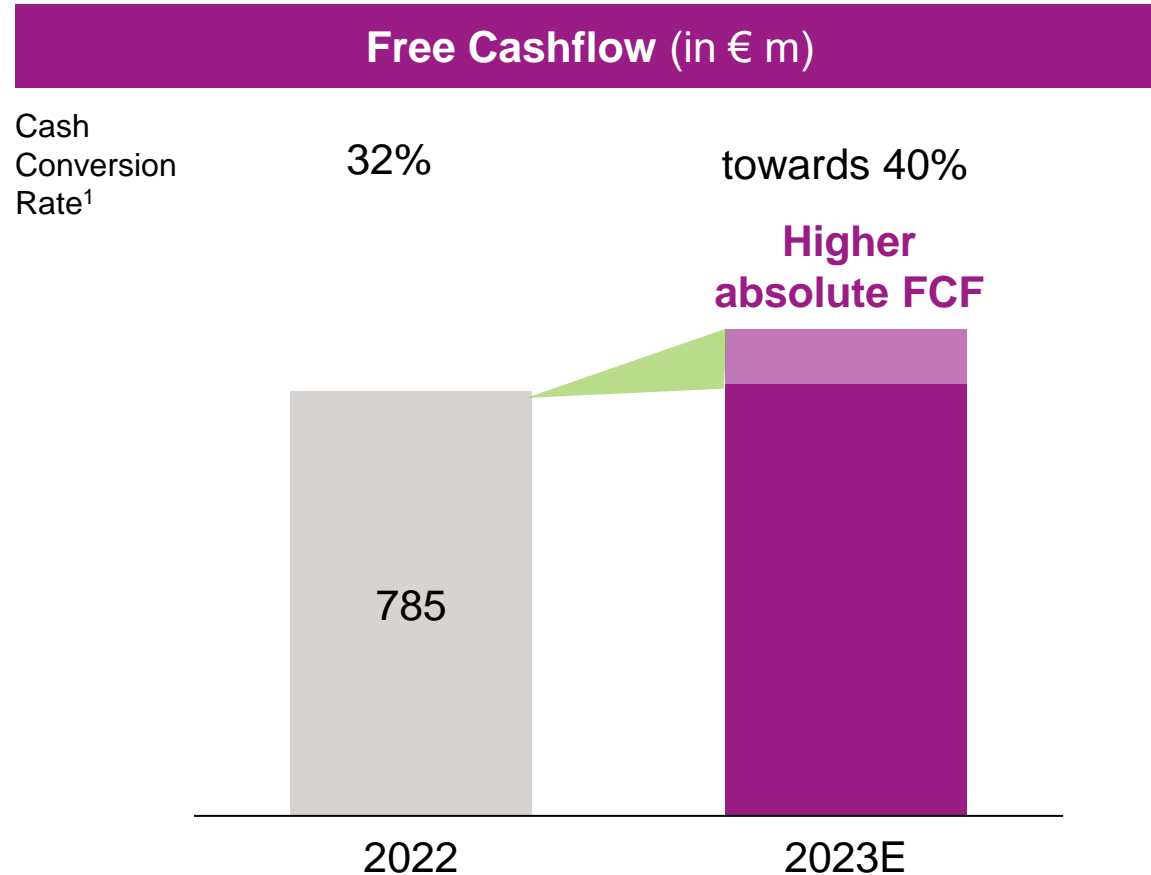
Adj. EBITDA (in € m)



Drivers for remainder of the year

- 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

Free Cashflow outlook maintained, additional efforts needed



Free Cashflow to benefit from ...

- Improving earnings situation in the course of the year
- Lower bonus payments for fiscal 2022

Additional efforts needed

- Increased capex discipline:
capex guidance lowered to €900 m (from €975 m)
- Positive contribution from NWC management





1. Free cash flow conversion (FCF / adj. EBITDA)



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Indications for adj. EBITDA FY 2023 on division level (unchanged)

| Specialty Additives | Nutrition & Care | Smart Materials | Performance Materials |
|---|---|---|--|
|  <ul style="list-style-type: none"> Specialty Additives to benefit from mission-critical solutions geared towards sustainability e.g. solutions for the energy transition or to improve efficiency Supply chain disruptions experienced in 2022 should not repeat |  <ul style="list-style-type: none"> Health & Care with increasing share of “System Solutions” at above-average margins Animal Nutrition: Return to volume growth while prices expected well below prior year’s levels; easing raw material and logistic costs in H2 Continued active cost management |  <ul style="list-style-type: none"> Ongoing positive development in “Eco Solutions”, especially for specialties in Active Oxygens and Catalysts “Future Mobility”: New PA12 capacities into tight market Alkoxides (bio-diesel catalysts) now part of Catalysts business line |  <ul style="list-style-type: none"> Significant pressure on margins in the C₄ business Baby Care with higher earnings, benefiting from improving market environment and long-term customer relationships |
| <p>“stable at around prior-year level”</p> | <p>“considerably lower than prior-year level”</p> | <p>“slightly above prior-year level”¹</p> | <p>“significantly lower than prior-year level”¹</p> |

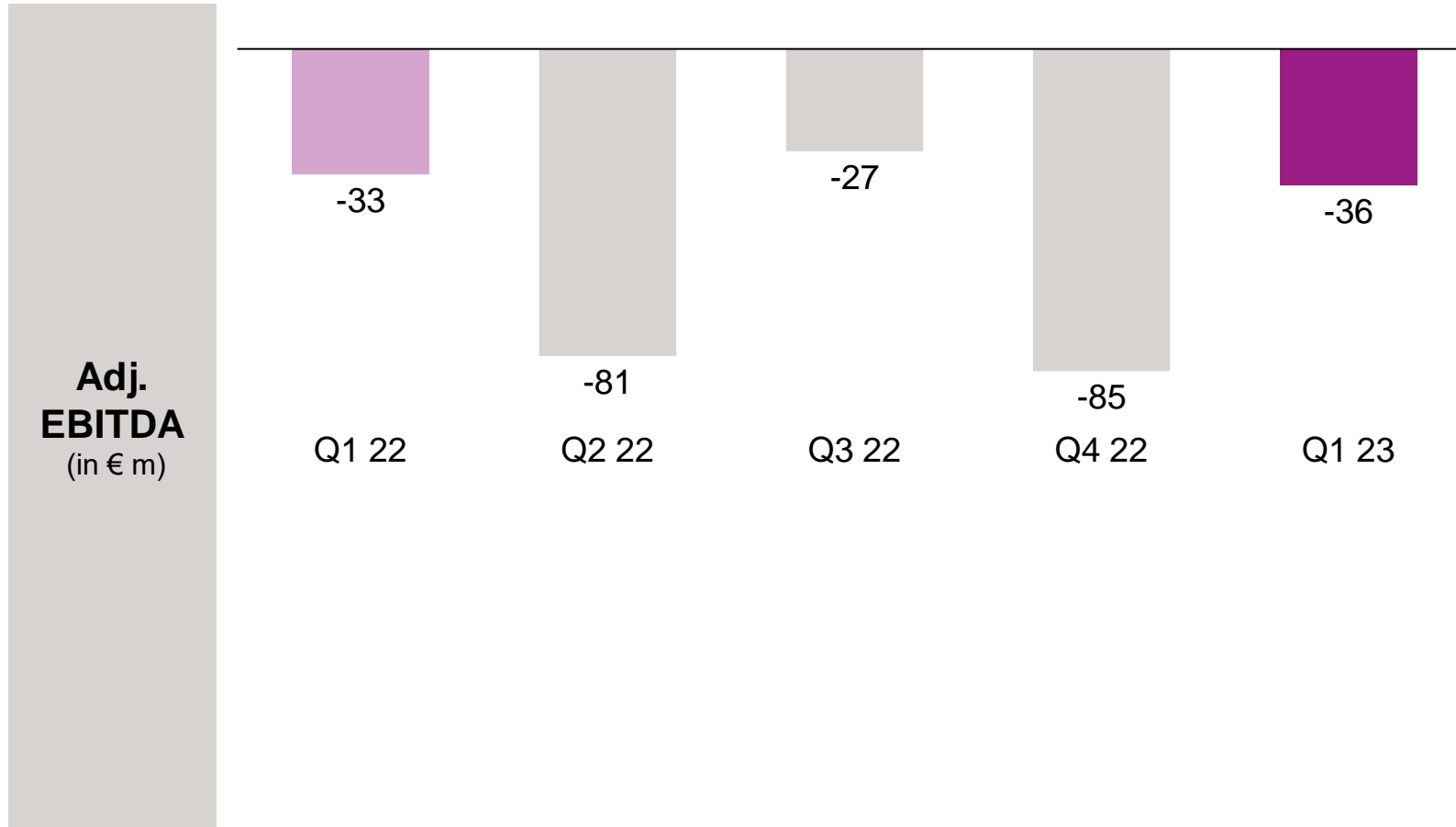
1. Outlook for Smart Materials and Performance Materials based on restated prior-year figures: alkoxides business moved from PM to SM as of January 1st, 2023

Additional indications for FY 2023

| | |
|--|--|
| Sales | between €17 and 19 bn (unchanged; 2022: €18.5 bn) |
| ROCE | slightly below the level of 2022 (unchanged; 2022: 8.3%) |
| Capex¹ | around €900 m (previously: around €975 m; 2022: €865 m), incl. maintenance and growth investments as well as investments in Next Generation Technologies (€700 m until 2030) |
| EUR/USD sensitivity² | +/-1 USD cent = -/+ ~€10 m adj. EBITDA (FY basis) |
| Adj. EBITDA T&I/Other | significantly less negative than prior year level (unchanged; 2022: -€226 m) |
| Adj. D&A | slightly above the level of 2022 (unchanged; 2022: €1,140 m) |
| Adj. net financial result | back to around 2021 level (unchanged; 2022: -€19 m; 2021: -€97 m) |
| Adj. tax rate | around long-term sustainable level of ~30% (unchanged; 2022: 29%) |

1. Cash outflow for investment in intangible assets, pp&e | 2. Including transaction effects (after hedging) and translation effects; before secondary / market effects

Technology & Infrastructure / 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)

Adjusted income statement Q1 2023

| in € m | Q1 2022 | Q1 2023 | Δ in % |
|--|--------------|--------------|------------|
| Sales | 4,498 | 4,005 | -11 |
| Adj. EBITDA | 735 | 409 | -44 |
| Depreciation & amortization | -263 | -279 | |
| Adj. EBIT | 472 | 130 | -72 |
| Adj. net financial result | -12 | -12 | |
| D&A on intangible assets | 41 | 41 | |
| Adj. income before income taxes | 501 | 159 | -68 |
| Adj. income tax | -141 | -42 | |
| Adj. income after taxes | 360 | 117 | -68 |
| Adj. non-controlling interests | -4 | -2 | |
| Adj. net income | 356 | 115 | -68 |
| Adj. earnings per share (in €) | 0.76 | 0.25 | |
| Adjustments | -16 | -47 | |

Adj. net financial result (-€12 m)

- On prior-year level despite higher interest rate environment; higher interest income offset by higher interest expenses

Adj. tax rate (26%)

- Broadly stable tax rate (Q1 2022: 28%)
- Slightly below FY guidance of 30%

Adjustments (-€47 m)

- Restructuring (-€34 m): Mainly related to divestments in Performance Materials

Cash flow statement Q1 2023

| in € m | Q1 2022 | Q1 2023 |
|--|-------------|-------------|
| Income before financial result and income taxes (EBIT) | 456 | 83 |
| Depreciation and amortization | 264 | 311 |
| Δ Net working capital | -490 | -255 |
| Change in provisions for pensions & other post-employment benefits | 21 | -5 |
| Change in other provisions | 66 | 92 |
| Change in miscellaneous assets/liabilities | 34 | 53 |
| Cash outflows from income taxes | -52 | -60 |
| Others | 10 | 8 |
| Cash flow from operating activities (continuing ops.) | 309 | 227 |
| Cash outflows for investment in intangible assets, pp&e | -176 | -206 |
| FCF | 133 | 21 |
| Cash flow from investing activities (continuing ops.) | -190 | -167 |
| Cash flow from financing activities (continuing ops.) | 65 | -68 |

CF from operating activities (€227 m)

- Much lower EBIT as starting point as main driver for lower OCF
- Support from yoy clearly lower NWC increase

CF from investing activities (-€167 m)

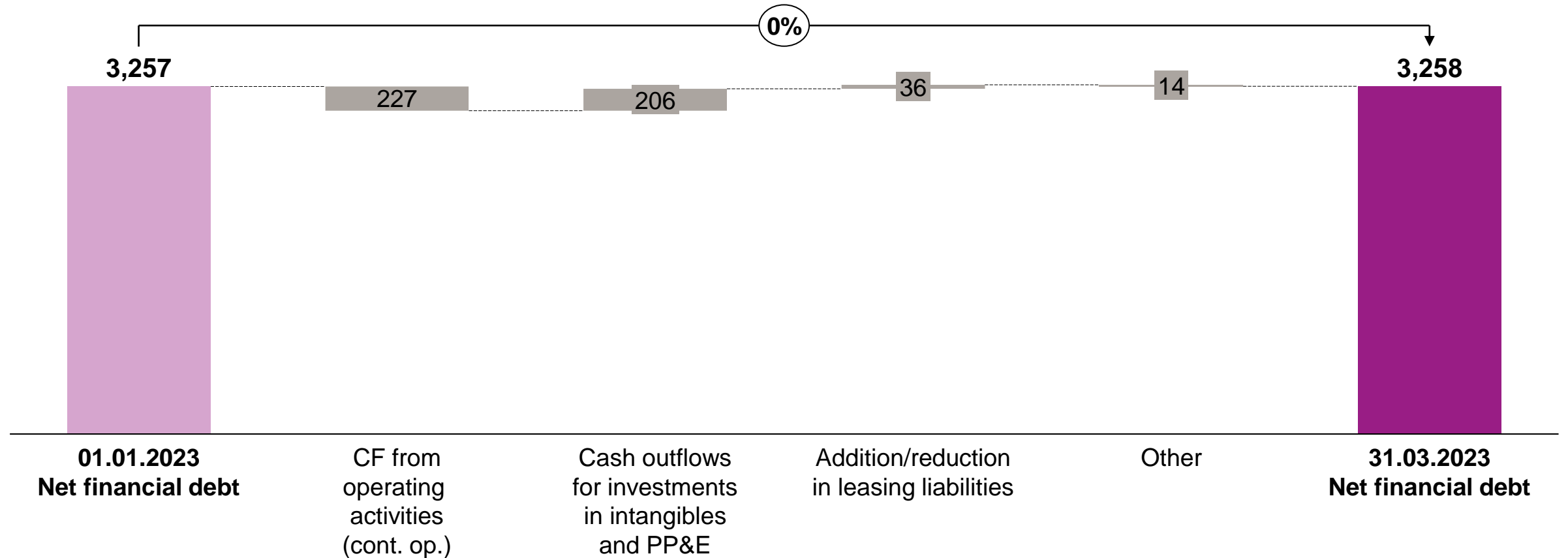
- Slightly higher capex due to different phasing through the year

CF from financing activities (-€68 m)

- Last year with inflow from commercial paper issuance

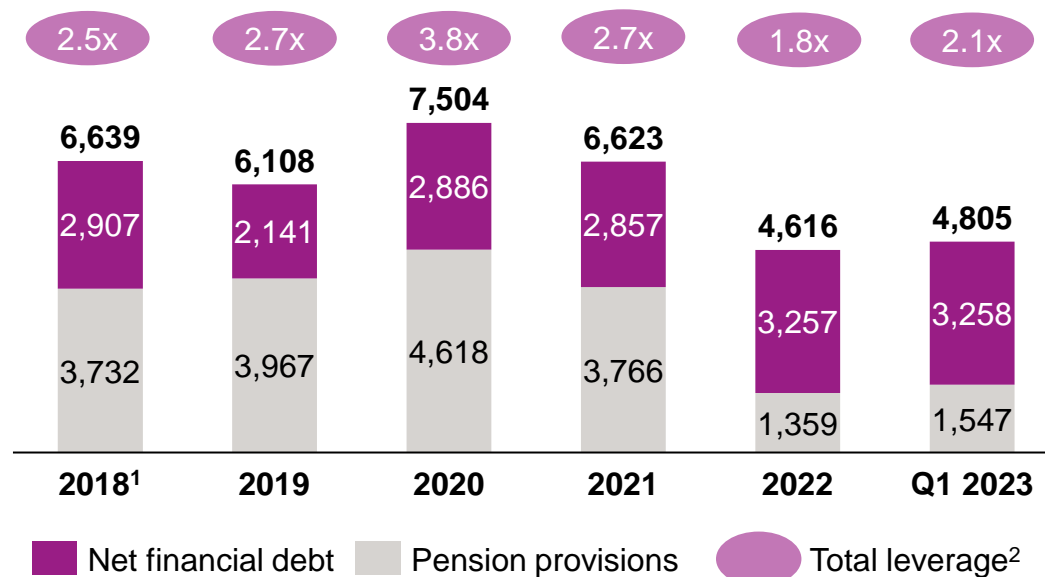
Net financial debt development Q1 2023

(in € m)



Development of debt and leverage over time

(in € m)



| | | | | | | |
|---|--------------------|-------|-------|-------|-------|-------|
| Adj. net debt³ | 6,389 ¹ | 5,858 | 7,254 | 6,373 | 4,366 | 4,555 |
| Adj. EBITDA (last 12 months) | 2,601 ¹ | 2,153 | 1,906 | 2,383 | 2,490 | 2,164 |
| German pension discount rate (%) | 2.00 | 1.30 | 0.90 | 1.30 | 4.10 | 3.90 |

1. Incl. methacrylate activities (divested in 2019) | 2. Adj. net debt / adj. EBITDA
 3. Net financial debt – 50% hybrid bond + pension provisions | 4. (Net financial debt – 50% hybrid bond) / adj. EBITDA

Net financial debt (€3,258 m)

- Stable net financial debt vs. year-end
- Increase in leverage mainly driven by lower adj. EBITDA; additionally slightly higher pension provisions
- Low net financial debt leverage at 1.4x⁴

Pension provisions (€1,547 m)

- Majority of net debt consists of long-dated pension obligations with >13 years duration
- Slightly higher pension provisions vs. year-end from decrease of pension discount rates (esp. in Germany from 4.1% to 3.9%)
- Pension provisions partly balanced by corresponding deferred tax assets of ~€0.5 bn

Divisional overview by quarter

| Sales (in € m) | FY 2021 | Q1/22 | Q2/22 | Q3/22 | Q4/22 | FY 2022 | Q1/23 |
|------------------------------|---------|-------|-------|-------|-------|---------|-------|
| Specialty Additives | 3,710 | 1,049 | 1,116 | 1,113 | 906 | 4,184 | 921 |
| Nutrition & Care | 3,557 | 1,038 | 1,027 | 1,062 | 1,111 | 4,237 | 886 |
| Smart Materials | 3,918 | 1,284 | 1,335 | 1,365 | 1,256 | 5,240 | 1,188 |
| Performance Materials | 2,911 | 844 | 945 | 797 | 666 | 3,253 | 707 |
| Services, Corporate & Others | 859 | 283 | 349 | 541 | 401 | 1,574 | 303 |
| Evonik Group | 14,955 | 4,498 | 4,772 | 4,878 | 4,340 | 18,488 | 4,005 |

| Adj. EBITDA (in € m) | FY 2021 | Q1/22 | Q2/22 | Q3/22 | Q4/22 | FY 2022 | Q1/23 |
|------------------------------|---------|-------|-------|-------|-------|---------|-------|
| Specialty Additives | 920 | 252 | 263 | 243 | 188 | 946 | 168 |
| Nutrition & Care | 717 | 222 | 185 | 148 | 122 | 677 | 76 |
| Smart Materials | 650 | 212 | 219 | 188 | 124 | 743 | 164 |
| Performance Materials | 317 | 82 | 142 | 63 | 63 | 350 | 37 |
| Services, Corporate & Others | -221 | -33 | -81 | -27 | -85 | -226 | -36 |
| Evonik Group | 2,383 | 735 | 728 | 615 | 413 | 2,490 | 409 |

Alkoxides business moved from Performance Materials to Smart Materials as of January 1st, 2023; 2022 financials restated

Upcoming IR events

Conferences & roadshows

| | |
|---------------------|---|
| May 11, 2023 | Virtual London Roadshow, Barclays |
| May 12, 2023 | Stifel German Corporate Conference, Frankfurt |
| May 16, 2023 | Virtual Frankfurt Roadshow, Stifel |
| May 16, 2023 | Paris Roadshow, Oddo |
| May 17, 2023 | Citi Chemicals Conference, Virtual |
| May 17, 2023 | UBS Best of Europe Conference, Virtual |
| June 6, 2023 | Exane CEO Conference, Paris |

Upcoming events & reporting dates

| | |
|-------------------------|------------------------|
| May 31, 2023 | Annual General Meeting |
| August 10, 2023 | Q2 2023 Reporting |
| November 7, 2023 | Q3 2023 Reporting |

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