

EVONIK GROUP DEVELOPMENT

Highlights: Evonik materially lifts outlook for 2024

- Adj. EBITDA of €578 m another 11% higher than already good Q1 – although no broad-based macro improvement yet
- Reorganization program “Evonik Tailor Made” on track: €238 m provisions booked in Q2; ~€200 m cumulated cost savings already expected by end of FY 2025
- H1 FCF of €344 m more than €500 m above prior year; based on improved earnings, continued tight NWC & capex management and lower bonus payout yoy
- Outlook range for adj. EBITDA materially lifted by €200 m to €1.9 to 2.2 bn; cash conversion rate target of ~40% confirmed

What is new? (compared to preliminary results published on July 15)

- Q2 2024 **FCF** of €217 m well above prior-year level (-€203 m), bringing H1 FCF to €344 m, more than €500 m above prior year (H1 2024: -€183 m)
- **Q3 adj. EBITDA** expected to continue on Q2 level, bringing EBITDA after 9M already close to €1.7 bn
- €238 m **provisions for “Evonik Tailor Made”** reorganization program booked in Q2; material savings of cumulated €200 m already in FY 2025 (further details see presentation)
- Broad-based earnings growth: **FY indications upgraded for all divisions** (further details see below)
- **Other KPI’s** (further details see below): volumes +5%, prices -2%; adj. EPS of €0.50 (+€0.24 yoy); net debt increased slightly qoq (dividend payment overcompensating lower pension provisions)

Income Statement

- **Sales** increased by +1% in Q2 2024 to €3,930 m (Q2 2023: €3,886 m)
 - Positive volumes (+5% yoy); clearly higher yoy vs Q1 in SP (Q2 +11% yoy vs +5% in Q1) and SM (+7% yoy vs -1%), while N&C -5% yoy in Q2 due to expansion shutdown in Singapore
 - Prices also less negative yoy than in Q1 (-2% in Q2 vs -5% in Q1)
- **Adj. EBITDA** up +28% yoy to €578 m (Q2 2023: €450 m) and +11% qoq (Q1 2024: €522 m)
 - ... despite provisions of ~-€30 m, thereof ~-€20 m higher bonus provisions
 - Drivers: Higher volumes and operating leverage, strict cost discipline and lower variable costs
- **Adj. EBITDA margin** increased by 310bp to 14.7% (Q2 2023: 11.6%)
- **Adj. EBIT** of €329 m (Q2 2023: €157 m)
- **Adj. EPS** of €0.50 (Q2 2023: €0.26) benefited from higher earnings and lower D&A (due to lower asset base after last year's impairments)
- **Adjustments of -€236 m** in Q2 2024: provisions for “Evonik Tailor Made” reorganization program

Cash Flow Statement

- **Q2 2024 FCF** of €217 m well above prior-year level (-€203 m), mainly driven by
 - higher adj. EBITDA as starting point (+€128 m)
 - positive delta bonus provisions and bonus cash out (~ +€100 m each)
 - lower capex (+€94 m)
- ... bringing H1 FCF to €344 m, more than €500 m above prior year (H1 2024: -€183 m)
- Cash generation in 2024 expected to be more evenly distributed between H1 and H2 (FY 2023 with weaker H1 and strong catch-up in H2, driven by NWC development)

Balance Sheet

- **Net debt** increased slightly qoq (€5,186 m end of June vs €5,040 m end of March)
 - driven by dividend payment (€545 m)
 - while pension provisions decreased to €1,575 m (Q1 2024: €1,828 m) on higher discount rate

DIVISIONAL BUSINESS DEVELOPMENT

Specialty Additives (SP)

- Strong double-digit volume recovery yoy – and a further volume step-up qoq
 - Coating and lubricant additives up strongest
 - Coatings better across most markets, incl. architectural and printing/inks; regionally Asia and EMEA strong
 - Lubricants seeing increased demand, incl. automotive
- Volume growth resulting in improved asset utilization
- Combined with support from cost savings and lower variable costs, margin climbing back to >23%

Nutrition & Care (NC)

- Overall benefit from lower variable costs and ramp-up of cost savings
- Health Care:
 - Care Solutions with positive trend especially in Active Ingredients business
 - Health Care with usual seasonality (earnings H2-weighted)
- Animal Nutrition:
 - Q2 with lower volumes due to expansion shutdown in Singapore, compensated by further sequential price step-up
 - Q3 earnings expected to be higher qoq as all plants are running again

Smart Materials (SM)

- Smart Materials continues recovery
- Virtually all businesses with positive volume development yoy
- Clearly improved operating performance, also vs Q1 which included a license income for hydrogen peroxide
- Biggest improvements coming from Inorganics, esp. Silica for Automotive applications
- Margin up +4pp yoy:
 - Mainly explained by last year's planned shutdown of PA12 plant in Marl, Germany
 - ... as well as good cost control

Performance Materials (PM)

- April & May benefitted from disruptions of global supply chains in oxo-alcohol and plasticizers business; market normalized again in June
- Recovery in Butadiene spreads, while MTBE spreads coming down from high levels of recent months
- Superabsorbers still included until closing (expected in Q3)

Technology & Infrastructure (T&I) / Other

- Including ~€20 m negative effect from provisions (out of €30 m in total in Q2 on Group level), for variable remuneration as well as other provisions
- EBITDA would have been positive without provision effect
- Mainly driven by T&I: higher contributions from logistics activities as well as cost-cutting measures

OUTLOOK FY 2024

Group outlook (adj. EBITDA changed)

- **Sales:** between €15 and 17 bn (FY 2023: €15.3 bn)
- **Adj. EBITDA:** between €1.9 and 2.2 bn (previously: €1.7 – 2.0 bn; FY 2023: €1,656 m)
- **FCF:** targeting ~40% conversion (FY 2023 cash conversion: 48%; FCF €801 m)
- **Capex:** continued capex discipline with ~€750 m targeted (~€50 m lower yoy; FY 2023: €793 m)
- **ROCE:** significantly above the low level of 2023 (FY 2023: 3.4%)
- **Q3 EBITDA expected to continue on Q2 level** (€578 m)
 - SP: Operating trends for the start of Q3 similar to Q2; potentially slightly lower volumes during summer months
 - N&C: Higher volumes in Animal Nutrition after expansion shutdown in Singapore in Q2; Health Care with usual H2-weighted seasonality
 - SM: Operating trends for the start of Q3 similar to Q2
 - PM: More normalized market environment in Q3 after temporary disruptions of global supply chains in Q2 (esp. oxo-alcohol and plasticizers business)

Divisional indications for FY adj. EBITDA (all divisions upgraded)

- **Specialty Additives:** changed to “slightly above prior-year level”; former outlook: “around prior-year level” (FY 2023: €673 m)
- **Nutrition & Care:** changed to “significantly above prior-year level” from “considerably above prior-year level” (FY 2023: €389 m)
- **Smart Materials:** changed to “considerably above prior-year level” from “slightly above prior-year level” (FY 2023: €540 m)
- **Performance Materials:** changed to “significantly above prior-year level” from “above prior-year level” (FY 2023: €111 m)
- **T&I/Other:** “slightly negative adj. EBITDA” (unchanged; FY 2023: -€57 m)
 - positive effect from termination of “service dividend”, negative effect from higher bonus provisions

Additional indications (all unchanged)

- **EUR/USD sensitivity:** +/-1 USD cent = +/- ~€10 m adj. EBITDA (FY basis)
- **Adj. D&A:** around €1 bn (FY 2023: €1,135 m)
- **Adj. net financial result:** slightly more negative than prior year due to interest rate increase vs previous year (FY 2023: -€103 m)
- **Adj. tax rate:** around long-term sustainable level of ~30% (FY 2023: 33%)

Key Financials Q2 2024

Evonik Group

in € million	Q2 2023	Q2 2024	yoy Δ%	Q1 2024	Q2 2024	qoq Δ%	Q2 2024 Consensus*
External sales	3,886	3,930	1%	3,796	3,930	4%	3,922
Volumes (%)			5%				3%
Prices (%)			-2%				-1%
Exchange Rates (%)			0%				0%
Other (incl. M&A; %)			-2%				0%
Adjusted EBITDA	450	578	28%	522	578	11%	531
Adjusted EBITDA Margin (%)	11.6%	14.7%	3.1 pp	13.8%	14.7%	0.9 pp	13.5%
Adjusted EBIT	157	329	110%	266	329	24%	258
Adjustments	-412	-236		-14	-236		
EBIT	-255	93		252	93	-63%	239
Adjusted net income	123	234	90%	197	234	19%	180
Adjusted earnings per share in €	0.26	0.50		0.42	0.50		0.39
Capex (cash-out)	237	143	-40%	251	143	-43%	
Net financial position (as of December 31)	-4,116	-3,611		-3,212	-3,611		
Cash flow from operating activities, cont. ops.	34	360	>200%	378	360	-5%	
Free cash flow, cont. ops.	-203	217		127	217	71%	

Specialty Additives

External sales	906	944	4%	908	944	4%	902
Volumes (%)			11%				
Prices (%)			-6%				
Exchange Rates (%)			-1%				
Other (incl. M&A; %)			0%				
Adjusted EBITDA	199	220	11%	185	220	19%	193
Adjusted EBITDA Margin (%)	22.0%	23.3%	1.3 pp	20.4%	23.3%	2.9 pp	21.0%

Nutrition & Care

External sales	893	905	1%	900	905	1%	944
Volumes (%)			-5%				
Prices (%)			5%				
Exchange Rates (%)			1%				
Other (incl. M&A; %)			0%				
Sales Animal Nutrition	437	450	3%	483	450	-7%	488
Sales Health & Care	457	455	0%	417	455	9%	451
Adjusted EBITDA	71	140	97%	140	140	0%	144
Adjusted EBITDA Margin (%)	8.0%	15.5%	7.5 pp	15.6%	15.5%	-0.1 pp	15.3%

Smart Materials

External sales	1,119	1,147	3%	1,093	1,147	5%	1,127
Volumes (%)			7%				
Prices (%)			-4%				
Exchange Rates (%)			0%				
Other (incl. M&A; %)			0%				
Sales Inorganics	820	827	1%	790	827	5%	818
Sales Polymers	299	320	7%	302	320	6%	306
Adjusted EBITDA	122	171	40%	159	171	8%	156
Adjusted EBITDA Margin (%)	10.9%	14.9%	4.0 pp	14.5%	14.9%	0.4 pp	14.1%

Performance Materials

External sales	694	648	-7%	646	648	0%	645
Volumes (%)			5%				
Prices (%)			0%				
Exchange Rates (%)			0%				
Other (incl. M&A; %)			-12%				
Adjusted EBITDA	45	52	16%	43	52	21%	46
Adjusted EBITDA Margin (%)	6.5%	8.0%	1.5 pp	6.7%	8.0%	1.3 pp	6.7%

Technology & Infrastructure / Other

External sales	274	286	4%	249	286	15%	280
Adjusted EBITDA	13	-5	-138%	-5	-5	0%	-5

* Vara Consensus May 28, 2024