

# Evonik

# Leading Beyond Chemistry

Q2 2024

Earnings Conference Call

August 1, 2024

**Christian Kullmann**, Chief Executive Officer

**Maik Schuh**, Chief Financial Officer

# Key messages Q2 2024

## Evonik materially lifts outlook for 2024

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**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

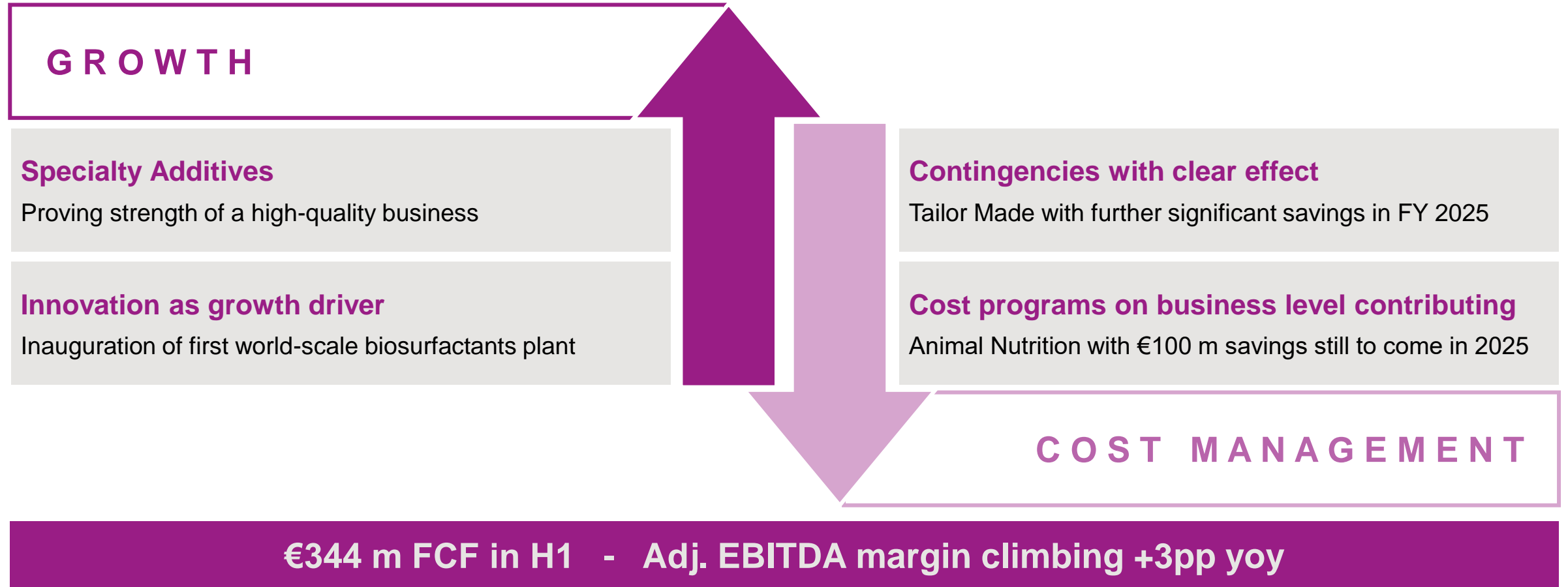
**Outlook range for adj. EBITDA materially lifted** by €200 m to €1.9 to 2.2 bn  
Cash conversion rate target of ~40% confirmed

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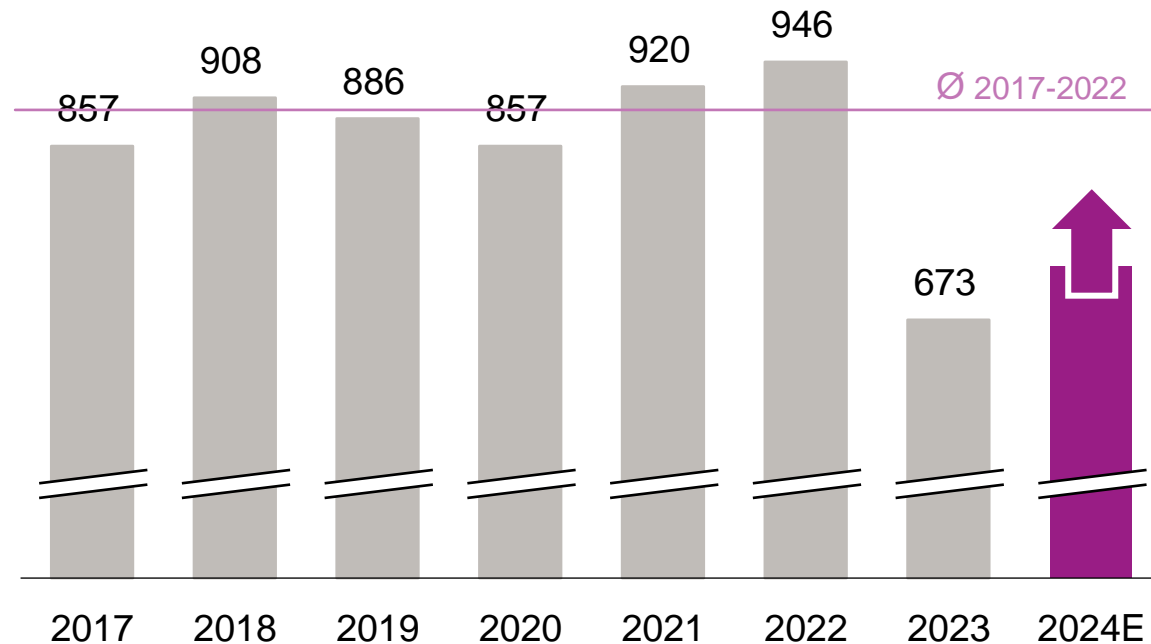
1. **Strategic progress**
2. Financial performance Q2 2024
3. Outlook FY 2024

# Consistent strategy execution coming through in the numbers



# Specialty Additives with good recovery in 2024

## Adj. EBITDA of Specialty Additives (in € m)



## Stability on high levels until 2022

### T(r)ough year 2023

- De-stocking and weak demand to an unusual degree
- Adj. EBITDA falling 25% below historical average

### Good recovery in 2024 (yoy)

- Volumes recovering: +5% in Q1 and +11% in Q2
- Leading to +10% adj. EBITDA growth in Q1 and Q2

### Proving strength of the “Specialty Additives Play”

- Small volume and cost share in final product – but making the difference in performance and sustainability
- High degree of customer intimacy
- Mastering a complex product & technology portfolio

# First world-scale biosurfactants plant inaugurated in May 2024

## Biosurfactants enable sustainability and performance in various applications



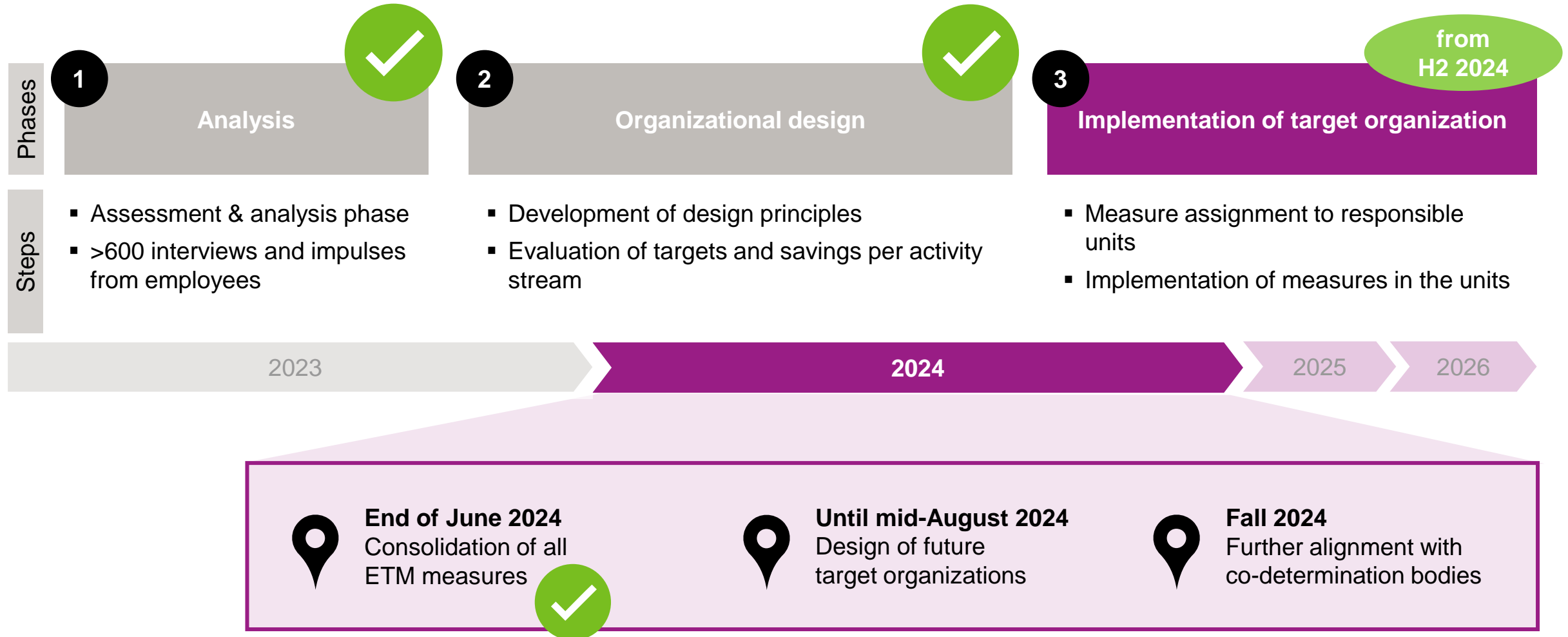
**Biosurfactants**  
with  
superior performance  
and  
sustainability properties

Market potential of  
>€1 bn in 2032  
→ **Evonik perfectly  
positioned as 1<sup>st</sup> mover**

Special focus on  
highly differentiated  
**applications  
with clear USPs**  
*(Cosmetics, Cleaning, Agriculture,  
Coatings, Animal Nutrition)*

**Strong demand for  
Biosurfactants**  
Plant expected to be  
fully utilized  
end of 2026

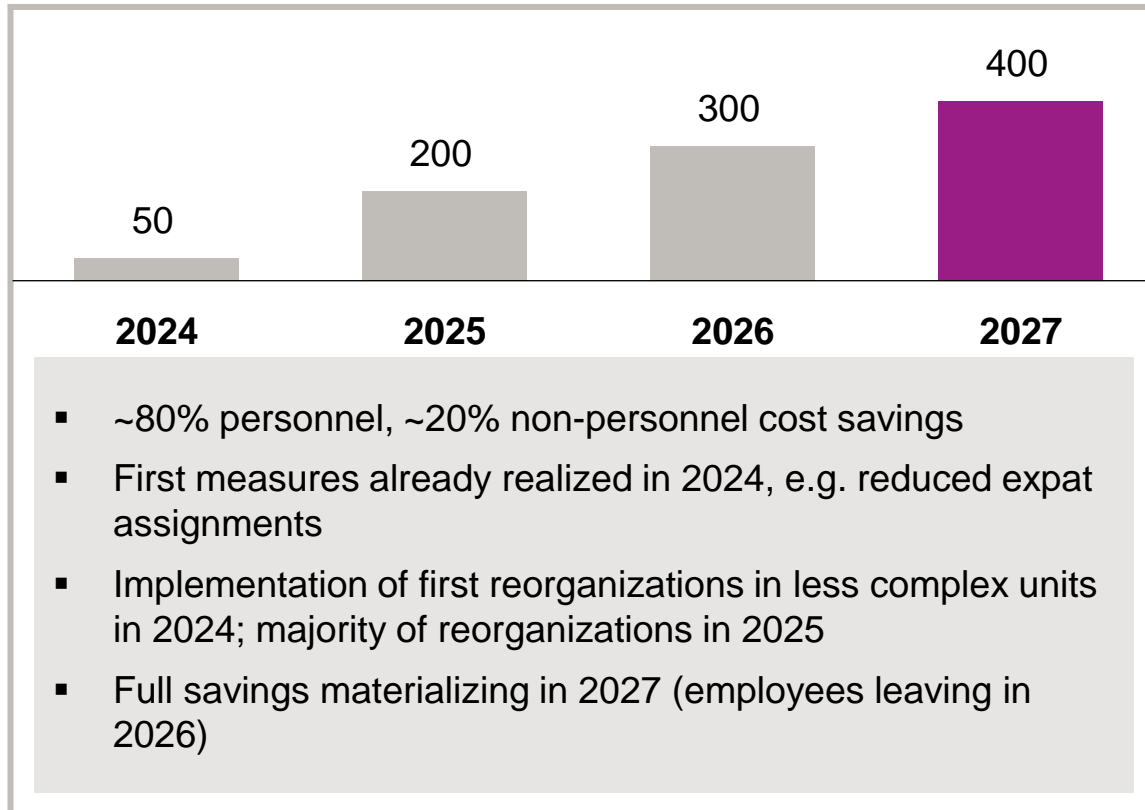
# Evonik Tailor Made program entering 3<sup>rd</sup> stage



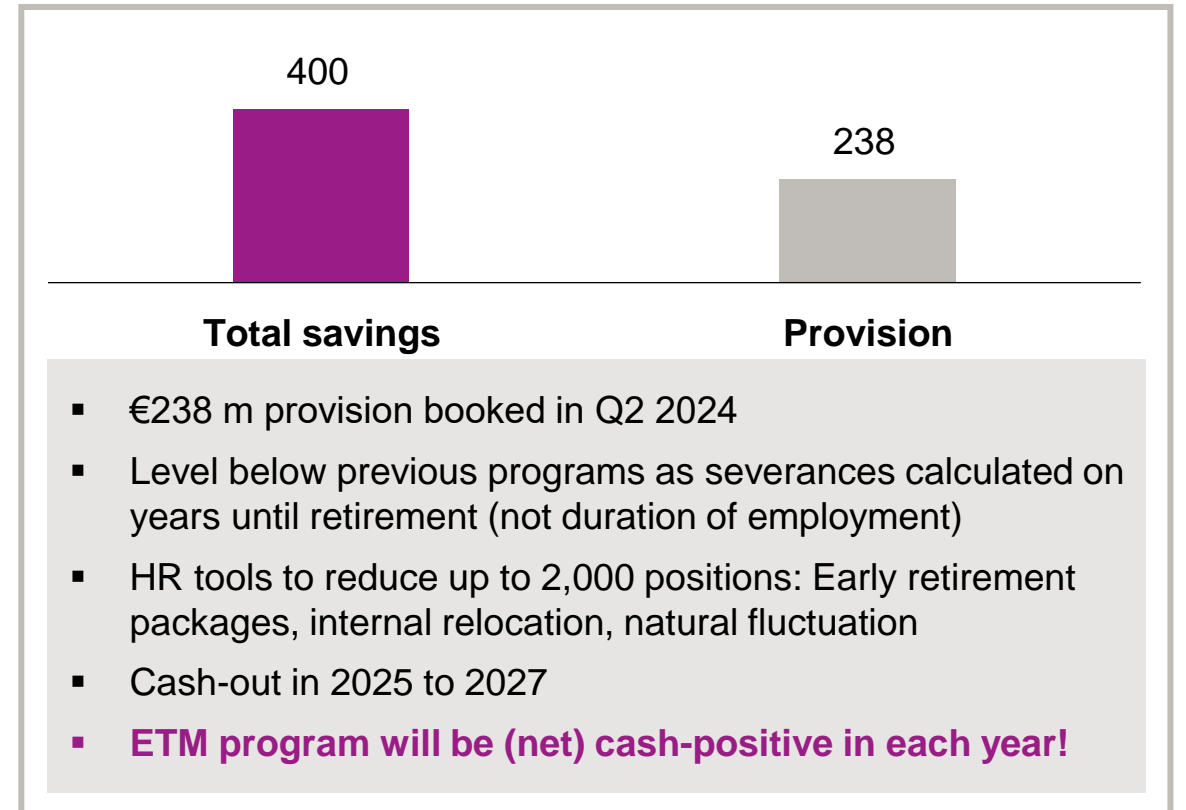
# Evonik Tailor Made

## First material savings in FY 2025 - (net) cash-positive in each year

### Phasing of cost savings<sup>1</sup> (cumulated; in € m)



### Total savings and Provision



1. Final numbers subject to further alignment with co-determination bodies



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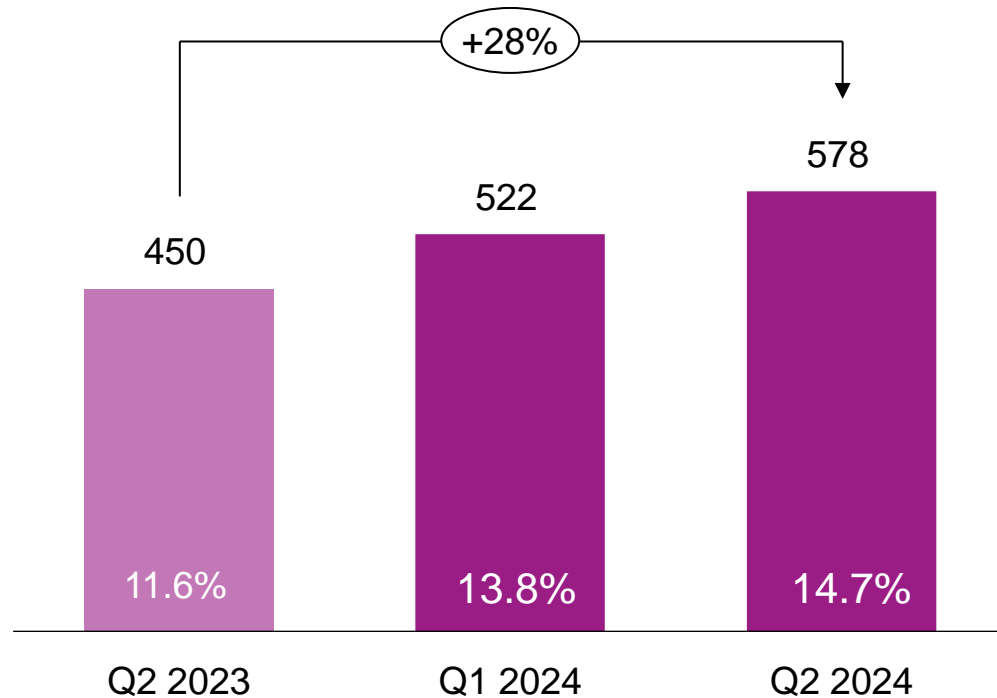
1. Strategic progress
- 2. Financial performance Q2 2024**
3. Outlook FY 2024

## Q2 2024 results overview

Sales (in € m)	Adj. EBITDA (in € m)	Free cash flow (in € m)	Adj. EPS (in €)
<b>3,930</b> (Q2 2023: 3,886)	<b>578</b> (Q2 2023: 450)	<b>217</b> (Q2 2023: -203)	<b>0.50</b> (Q2 2023: 0.26)
Positive volumes (+5% yoy) and solid price levels	Strong performance mainly supported by increasing utilization, cost savings and lower input costs	Higher EBITDA as starting point, lower bonus payout plus continued strong NWC & capex discipline	Higher earnings and lower D&A, while interest result more negative

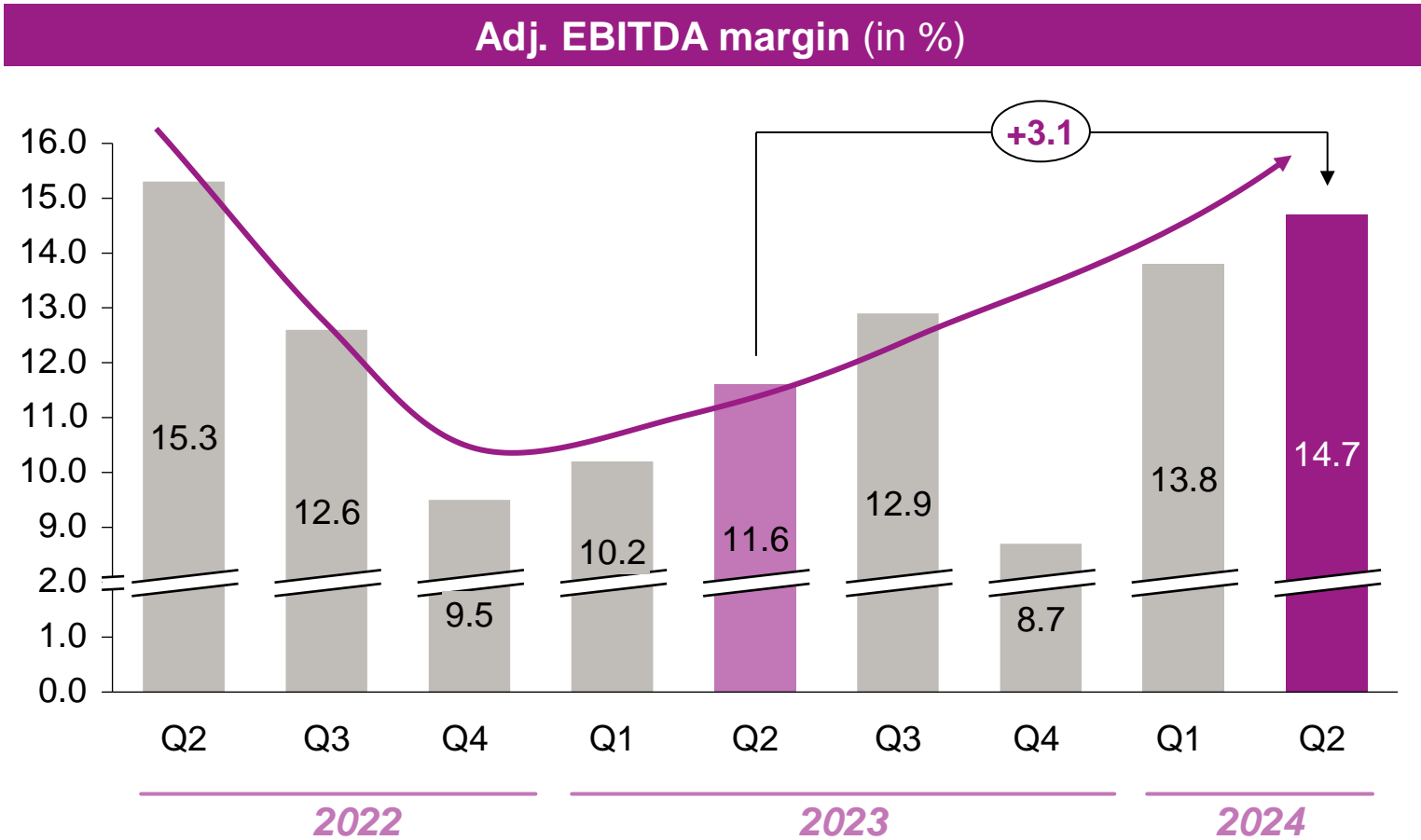
# Adj. EBITDA well above prior year and further improved vs already good Q1

## Adj. EBITDA (in € m) / Margin (in %)



- **Adj. EBITDA +28%** vs prior year
  - despite provisions of ~-€30 m, thereof ~-€20 m bonus provisions
- Further **improvement by 11%** to already good **Q1**
- **Adj. EBITDA development** supported by
  - Good volumes in Specialty Additives
  - Continued strict cost discipline
  - Price recovery in Animal Nutrition
  - Lower variable costs

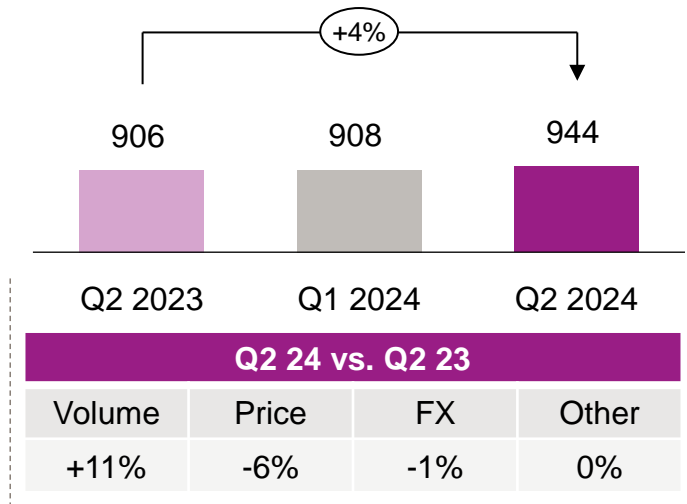
# Adj. EBITDA margin recovering – further potential ahead



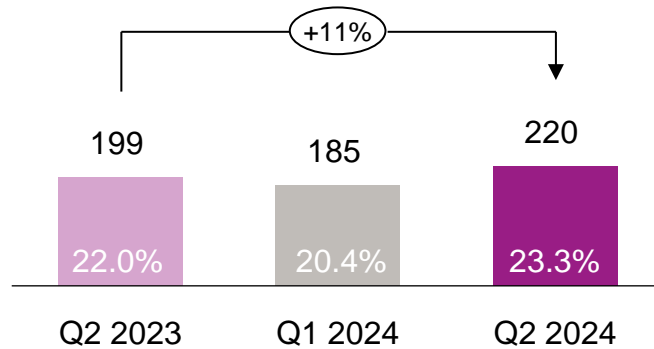
- **Volume leverage** showing first positive effects
- ... with further potential from capacity utilization still below average
- **Cost savings programs and contingency measures** with material benefit
- ... with further significant savings in implementation

# Specialty Additives

**Sales**  
(in € m)



**Adj. EBITDA**  
(in € m)  
**/ margin**  
(in %)



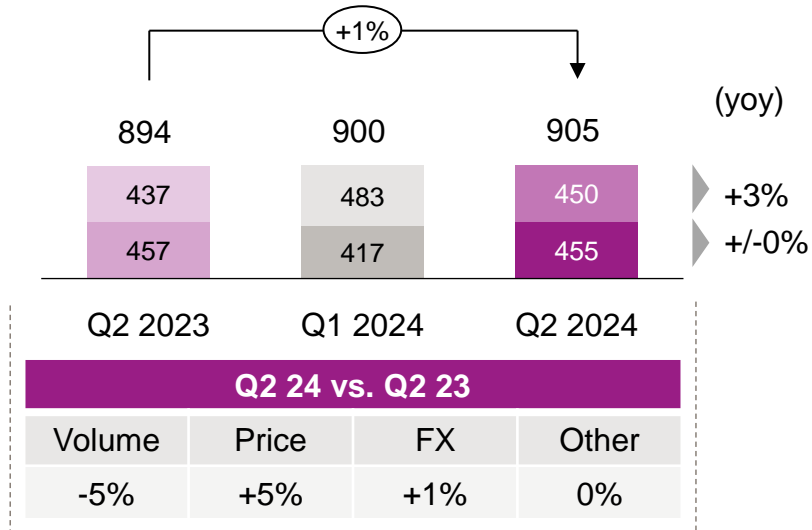
- Strong double-digit volume recovery yoy – and a further volume step-up qoq
  - Coating and lubricant additives up strongest
  - Coatings better across most markets, incl. architectural and printing/inks; regionally Asia and EMEA strong
  - Lubricants seeing increased demand, incl. automotive
- Volume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



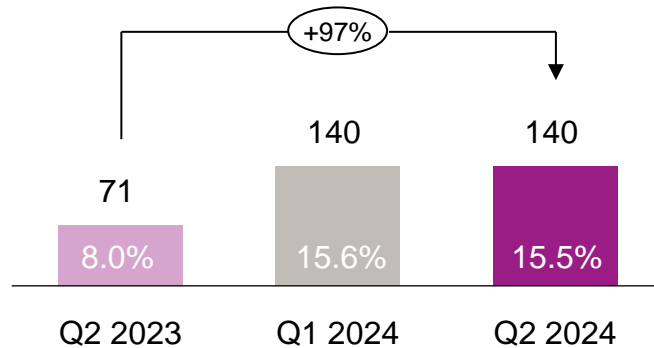
# Nutrition & Care

## Sales (in € m)

Animal Nutrition  
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Health & Care



## Adj. EBITDA (in € m) / margin (in %)



- Overall benefit from lower variable costs and ramp-up of cost savings

## Health & Care

- Care Solutions with positive trend especially in Active Ingredients
- Health Care with usual seasonality (earnings H2-weighted)

## Animal Nutrition

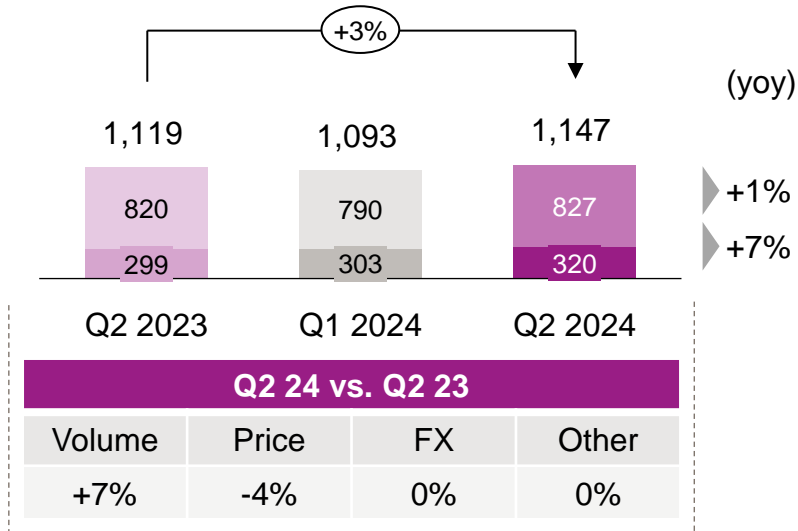
- Q2 with lower volumes from expansion shutdown in Singapore, compensated by further sequential price step-up
- Q3 earnings expected to be higher qoq as all plants are running again



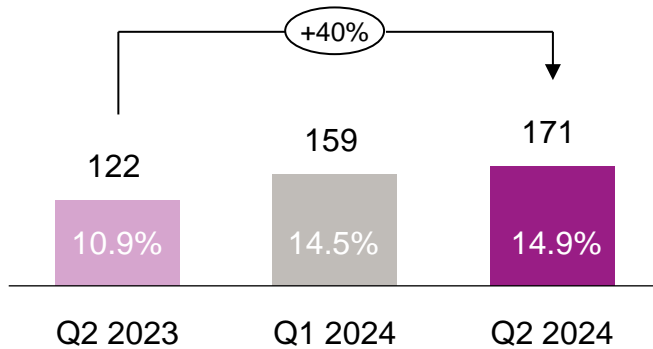
# Smart Materials

## Sales (in € m)

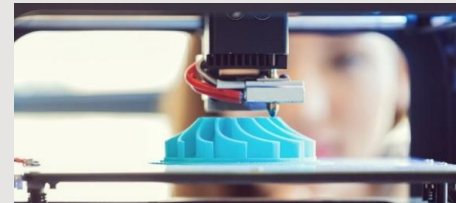
Inorganics  
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Polymers



## Adj. EBITDA (in € m) / margin (in %)

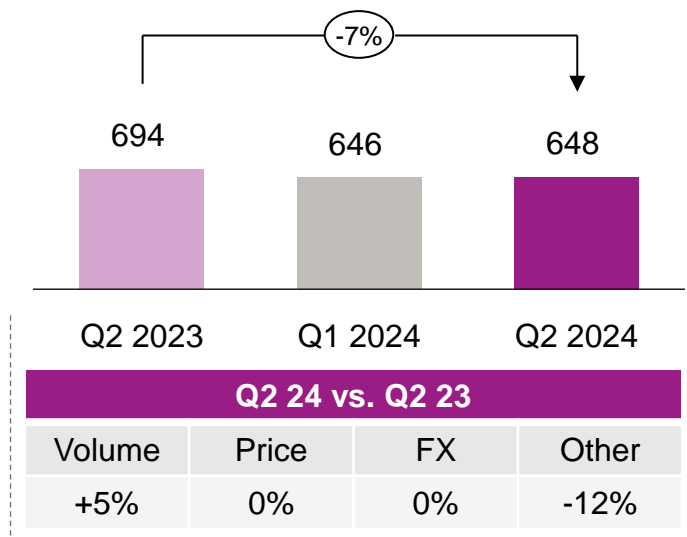


- Smart Materials continues recovery
- Virtually all businesses with positive volume development yoy
- Clearly improved operating performance also vs. Q1, which included a license income for hydrogen peroxide
- Biggest improvements coming from Inorganics, esp. Silica for Automotive applications
- Margin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

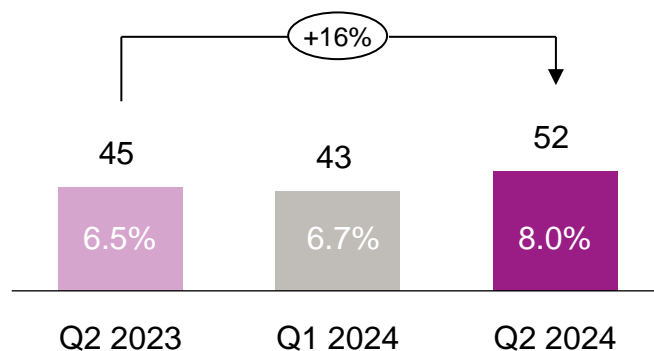


# Performance Materials

**Sales**  
(in € m)



**Adj. EBITDA**  
(in € m)  
**/ margin**  
(in %)

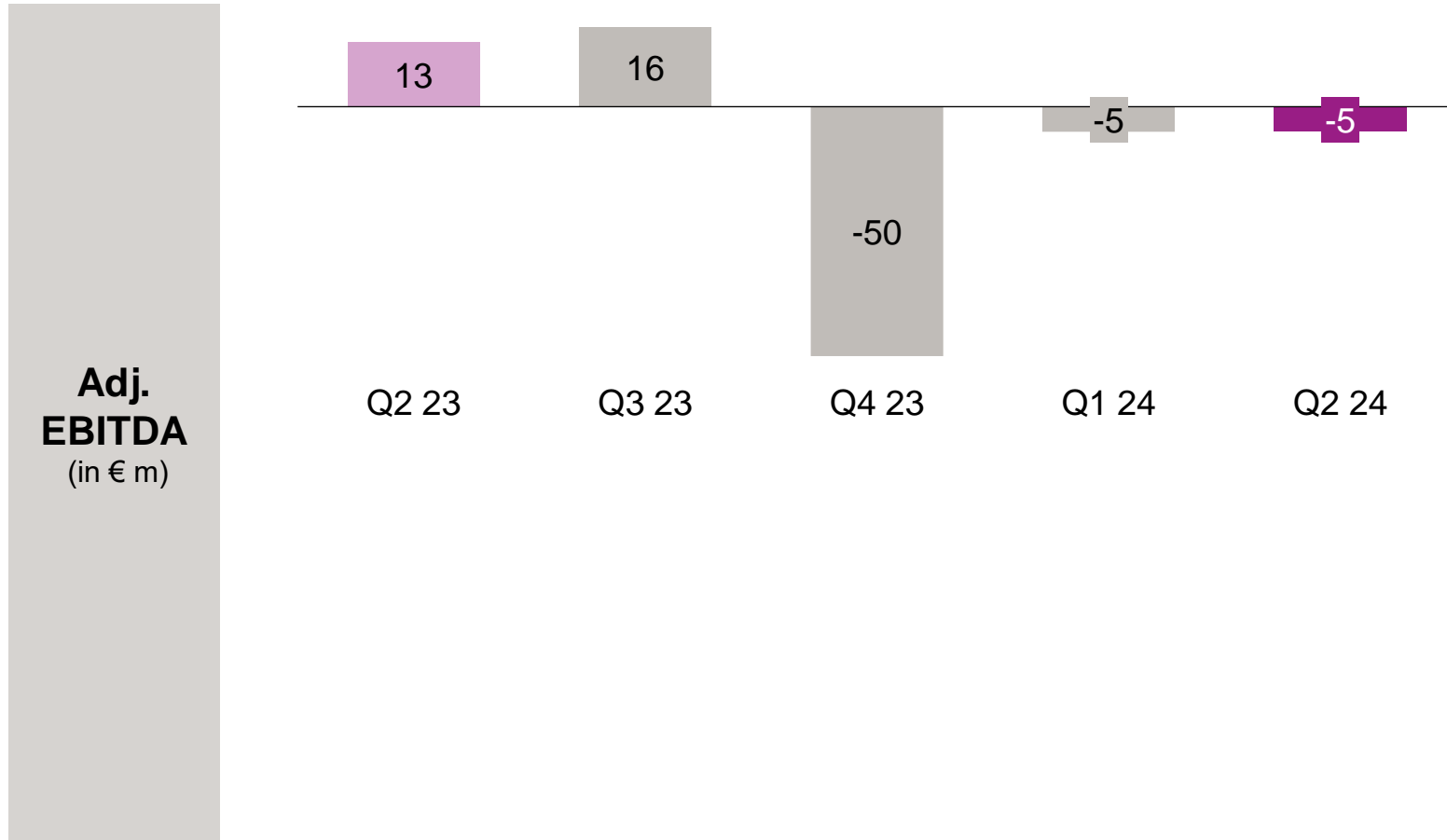


- April & May benefitted from disruptions of global supply chains in oxo-alcohol and plasticizers business; market normalized again in June
- Recovery in Butadiene spreads, while MTBE spreads coming down from high levels of recent months
- Superabsorbers still included until closing (expected in Q3)





# Technology & Infrastructure / Other



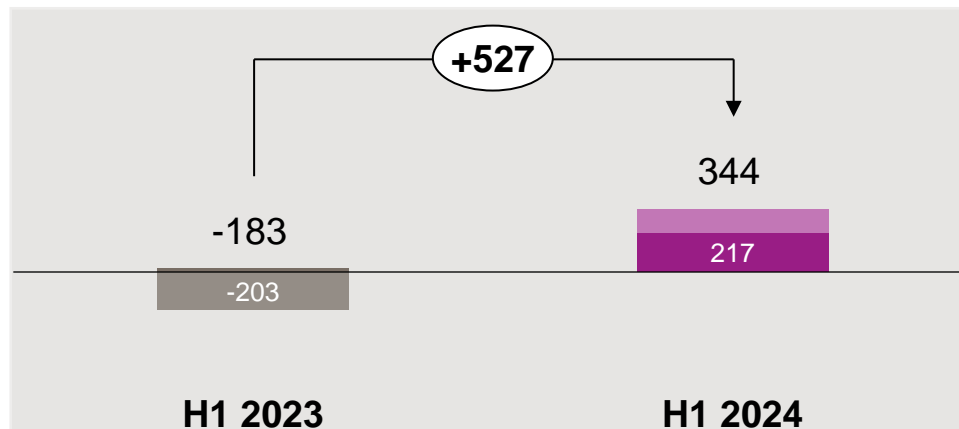
## Q2 2024

- 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

# Free Cash Flow H1 2024 with strong positive swing yoy

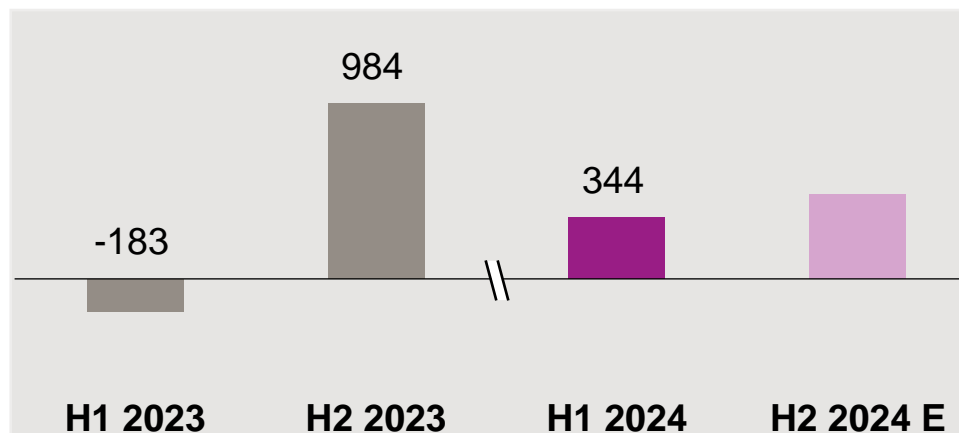
## Overall, cash generation more evenly distributed in 2024

### FCF H1 (in € m)



- H1 FCF with **positive swing of >€500 m yoy**
- **Q2 FCF of €217 m** (vs. -€203 m prior-year)
  - Higher adj. EBITDA as starting point (+€128 m)
  - Delta bonus provisions + cash out (~ +€100 m each)
  - Lower capex (+€94 m)

### FCF distribution (in € m)



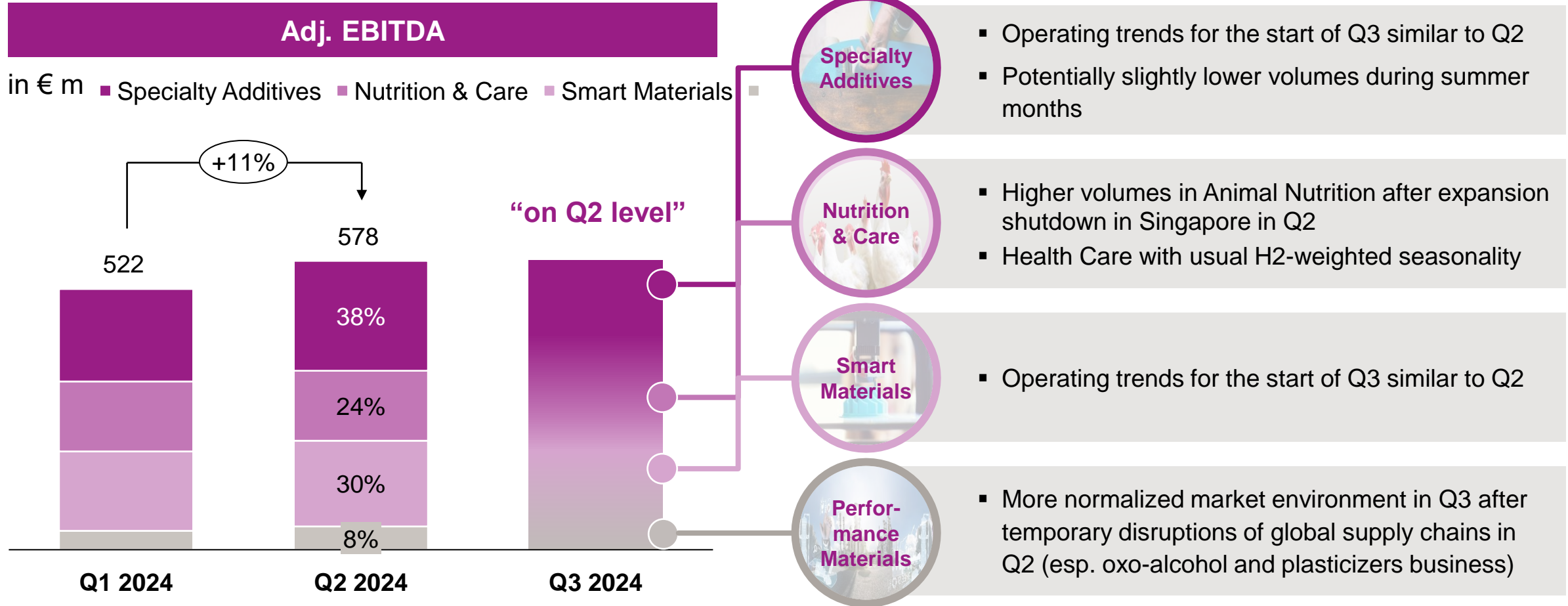
- **Cash generation in 2024 more evenly distributed**
  - FY 2023 with weaker H1 and strong catch-up in H2, driven by NWC development
  - FY 2024 with more even distribution between H1 and H2 expected

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2. Financial performance Q2 2024
- 3. Outlook FY 2024**

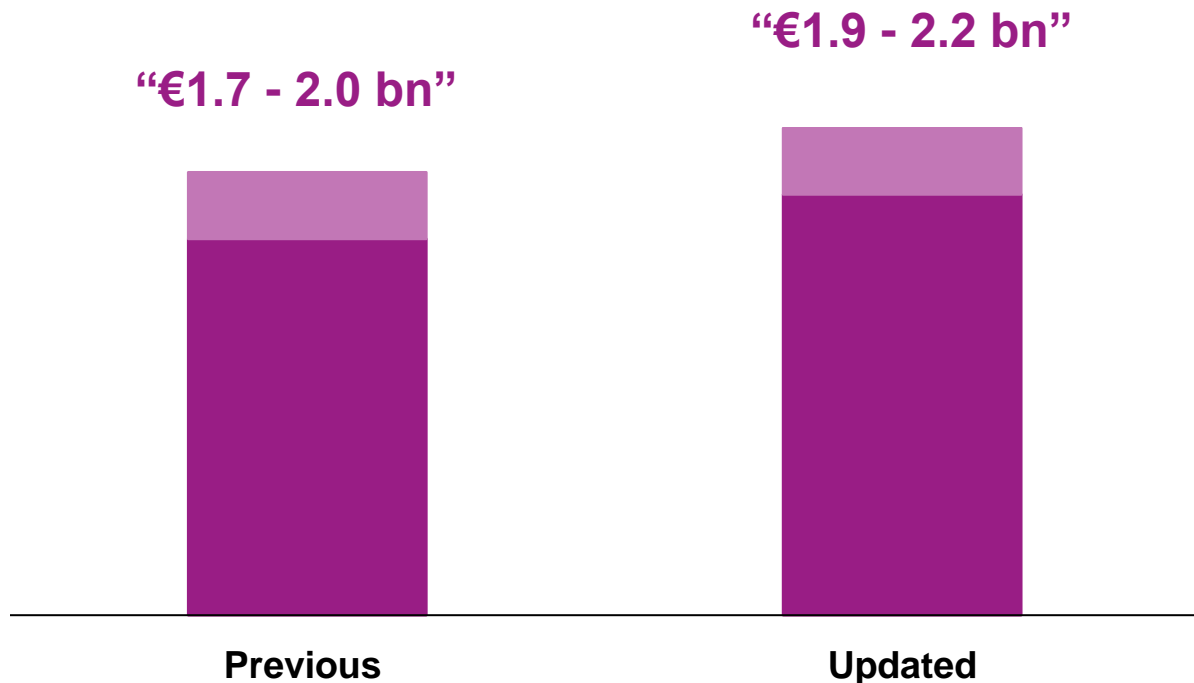
# Q3 expected to continue on Q2 level



# Adj. EBITDA range lifted by €200 m

Adj. EBITDA expected between €1.9 and €2.2 bn

## Adj. EBITDA outlook 2024

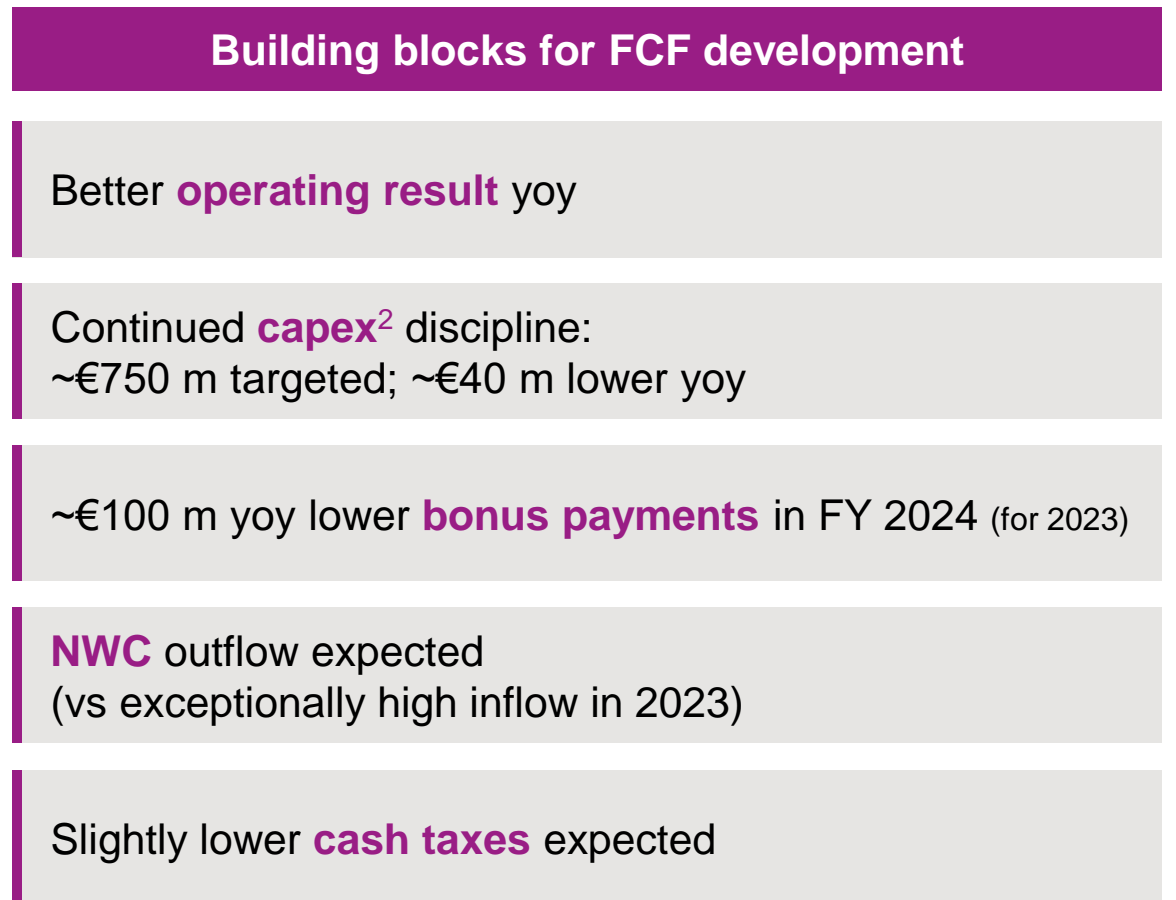
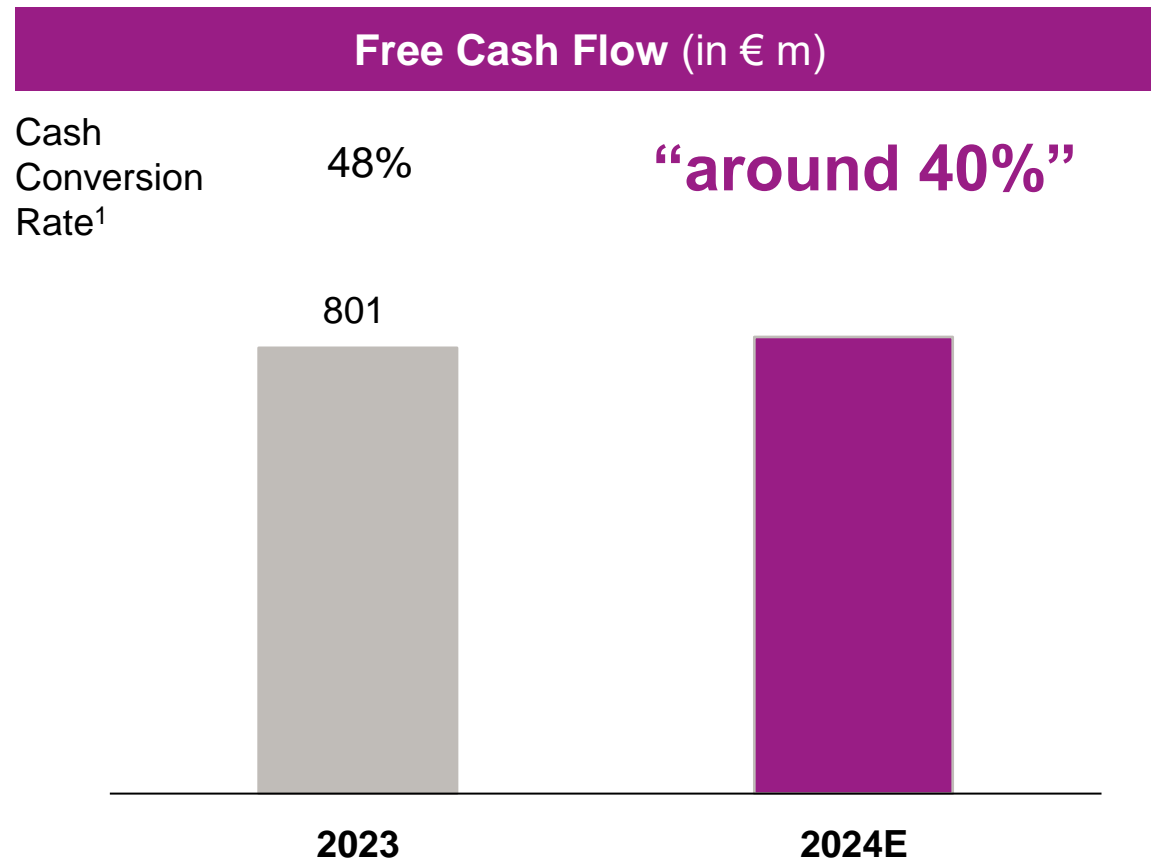


## Drivers for better-than-expected performance

- Better-than-expected development across all divisions:
  - **Specialty Additives** with clearly higher volumes and capacity utilization; managing well in a challenging Crosslinkers market
  - **Nutrition & Care:** H2 price level in Animal Nutrition more stable than expected at beginning of the year; Active Ingredients for Cosmetics back on over-proportional growth path
  - **Smart Materials:** positive development for Silica
  - **Performance Materials:** improved spreads and margins from low 2023 levels

Unchanged portfolio vs. year-end 2023 (Performance Materials incl. Superabsorber)

# Free Cash Flow outlook confirmed: Targeting ~40% conversion



1. Free cash flow conversion (FCF / adj. EBITDA) | 2. Cash outflow for investment in intangible assets, pp&e

# Executing well against a difficult market backdrop

## Short-term self-help measures

NWC and capex discipline  
Business optimization programs  
Contingency measures in 2023 & 2024

## Mid-term strategy execution

Reorganization: Evonik Tailor Made  
Innovation and NGS growth  
Portfolio transformation

**Earnings growth in 2024**

Q2:  
**+ 28% yoy**

**Sustainably strong cash generation**

Q2:  
**+ €420 m yoy**

**Attractive & stable dividend**

2024:  
**€1.17**

**Green transformation of portfolio and production**

**Innovation for future growth**











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# Outlook upgraded for all divisions

	Former outlook	Updated outlook
 <p><b>Specialty Additives</b></p>	“around prior-year level” (2023: €673 m)	 “slightly above prior-year level”
 <p><b>Nutrition &amp; Care</b></p>	“considerably above prior-year level” (2023: €389 m)	 “significantly above prior-year level”
 <p><b>Smart Materials</b></p>	“slightly above prior-year level” (2023: €540 m)	 “considerably above prior-year level”
 <p><b>Performance Materials</b></p>	“above prior-year level” (2023: €111 m)	 “significantly above prior-year level”

## Additional indications for FY 2024 (all unchanged vs Q1)

<b>Sales</b>	<b>between €15 and 17 bn</b> (FY 2023: €15.3 bn)
<b>ROCE</b>	<b>significantly above the low level of 2023</b> (FY 2023: 3.4%)
<b>Capex<sup>1</sup></b>	<b>around €750 m</b> (2023: €793 m)
<b>EUR/USD sensitivity<sup>2</sup></b>	+/-1 USD cent = <b>-/+ ~€10 m</b> adj. EBITDA (FY basis)
<b>Adj. EBITDA T&amp;I / Other<sup>3</sup></b>	<b>slightly negative adj. EBITDA</b> (2023: -€57 m); positive effect from termination of “service dividend”, negative effect from higher bonus provisions
<b>Adj. D&amp;A</b>	<b>around €1 bn</b> (FY 2023: €1,135 m)
<b>Adj. net financial result</b>	<b>slightly more negative than prior year</b> due to interest rate increase vs previous year (FY 2023: -€103 m)
<b>Adj. tax rate</b>	<b>around long-term sustainable level of ~30%</b> (FY 2023: 33%)

1. Cash outflow for investment in intangible assets, pp&e | 2. Including transaction effects (after hedging) and translation effects; before secondary / market effects | 3. Excl. “service dividend” (-€82 m in FY 2023)

# Evonik Tailor Made

## Key principles for future organizational design

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### Key principles for Evonik's future organizational design

- 1 The **Business Lines** are the **nucleus** of Evonik, all considerations start from there
- 2 The **scope of service activities** is geared towards **business needs**
- 3 Central **governance** follows a **minimum principle**
- 4 There are a **maximum of six management levels** in the Group
- 5 The **median span-of-control** should be **1:7**
- 6 **Reduce the matrix (cross-functional and cross-regional structures)** as much as possible
- 7 **Strengthen the regional footprint and organization**

# Adjusted income statement Q2 2024

in € m	Q2 2023	Q2 2024	Δ
<b>Sales</b>	<b>3,886</b>	<b>3,930</b>	+1%
<b>Adj. EBITDA</b>	<b>450</b>	<b>578</b>	+28%
Depreciation & amortization	-293	-249	
<b>Adj. EBIT</b>	<b>157</b>	<b>329</b>	+110%
Adj. net financial result	-27	-31	
D&A on intangible assets	39	35	
<b>Adj. income before income taxes</b>	<b>169</b>	<b>333</b>	+97%
Adj. income tax	-42	-93	
<b>Adj. income after taxes</b>	<b>127</b>	<b>240</b>	+89%
Adj. non-controlling interests	-4	-6	
<b>Adj. net income</b>	<b>123</b>	<b>234</b>	+90%
<b>Adj. earnings per share (in €)</b>	<b>0.26</b>	<b>0.50</b>	

## Adj. D&A (-€249 m)

- D&A lower due to lower asset base after last year's impairments (e.g. Animal Nutrition, Silica)

## Adj. net financial result (-€31 m)

- Lower interest income and higher expenses, partly compensated by higher income from hyperinflation valuation

## Adj. income tax (-€93 m)

- Increased due to higher EBITDA base as well as lower D&A

## Adjustments (-€236 m in Q2 2024)

- Provisions for “Evonik Tailor Made” reorganization program

# Cash flow statement Q2 2024

in € m	Q2 2023	Q2 2024
Income before financial result and income taxes (EBIT)	-255	93
Depreciation and amortization	675	250
Δ Net working capital	-25	-80
Change in provisions for pensions & other post-employment benefits	-15	-13
Change in other provisions	-263	192
Change in miscellaneous assets/liabilities	-46	-23
Cash inflows/outflows from income taxes	-51	-72
Others	5	13
<b>Cash flow from operating activities</b>	<b>34</b>	<b>360</b>
Cash outflows for investment in intangible assets, pp&e	-237	-143
<b>FCF</b>	<b>-203</b>	<b>217</b>
<b>Cash flow from investing activities</b>	<b>-141</b>	<b>-119</b>
<b>Cash flow from financing activities</b>	<b>-112</b>	<b>-510</b>

## CF from operating activities (€360 m)

- Higher (unadj.) EBIT as starting point (apart from operating result, last year with asset impairments; this year Tailor Made provisions)
- Asset impairments (non-cash) impacting prior-year's D&A
- Swing in "other provisions": Tailor Made provisions (non-cash) and bonus provision effect (lower cash-out and higher provisions yoy)

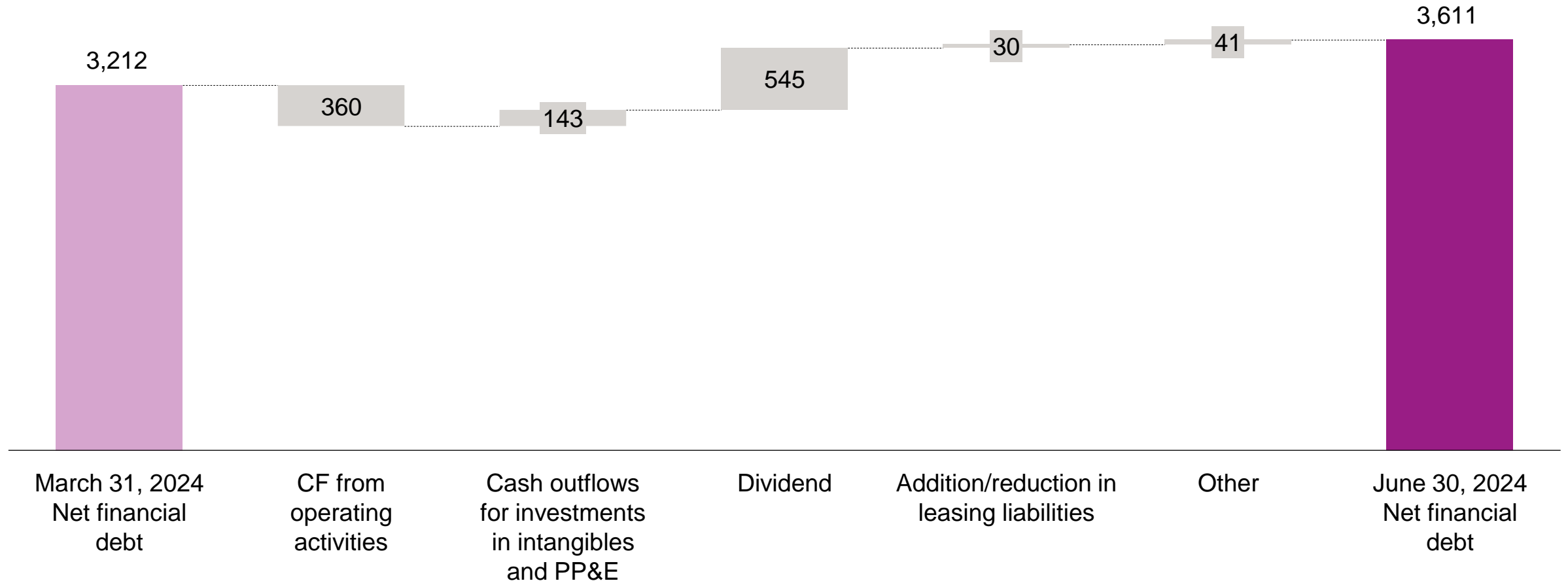
## Cash outflow for investments (-€143 m)

- Lower capex (-€94 m) due to strict capex discipline

## CF from financing activities (€-510 m)

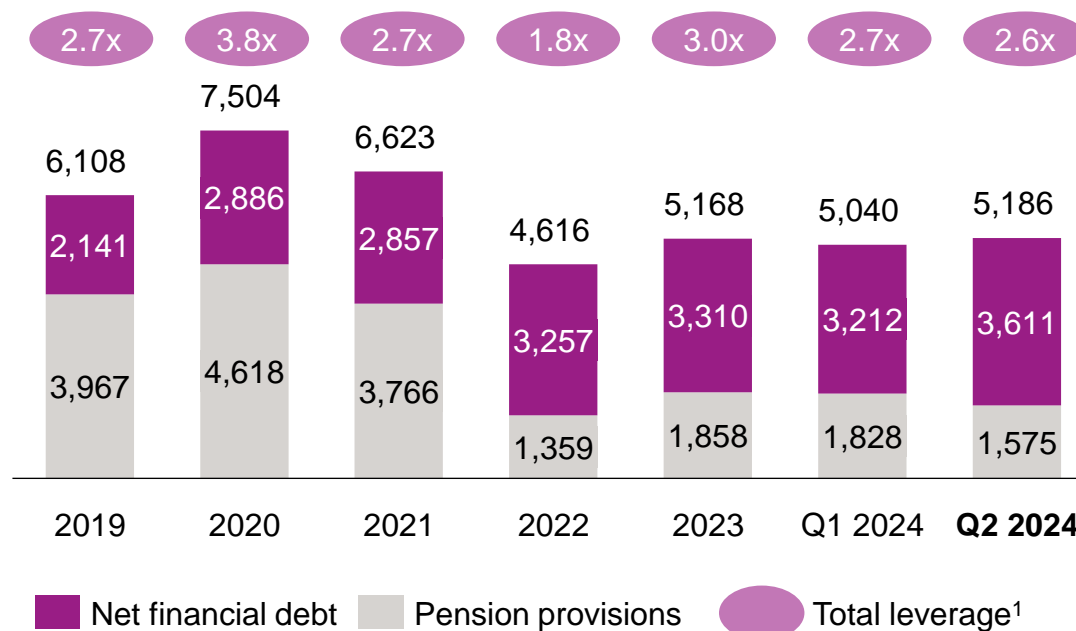
- Mainly due to dividend payment

# Net financial debt development Q2 2024



# Development of debt and leverage over time

(in € m)



<b>Adj. net debt<sup>2</sup></b>	5,858	7,254	6,373	4,366	4,918	4,790	4,926
<b>Adj. EBITDA (last 12 months)</b>	2,153	1,906	2,383	2,490	1,656	1,769	1,897
<b>German pension discount rate (%)</b>	1.3	0.9	1.3	4.1	3.5	3.5	3.8

1. Adj. net debt / adj. EBITDA | 2. Net financial debt – 50% hybrid bond + pension provisions  
3. Before impairment

## Net financial debt (€3,611 m)

- Net financial debt increased qoq; dividend payment (€545 m) going against strong FCF
- Leverage reduced due to increase of adj. EBITDA (LTM)

## Pension provisions (€1,575 m)

- Long-dated pension obligations with ~14 years duration
- Lower pension provisions due to higher discount rates qoq
- Pension provisions partly balanced by corresponding deferred tax assets of ~€0.3 bn<sup>3</sup>

## Divisional overview by quarter

Sales (in € m)	FY 2022	Q1/23	Q2/23	Q3/23	Q4/23	FY 2023	Q1/24	Q2/24
Specialty Additives	4,184	921	<b>906</b>	882	811	3,520	908	<b>944</b>
Nutrition & Care	4,237	886	<b>893</b>	924	908	3,611	900	<b>905</b>
Smart Materials	5,240	1,188	<b>1,119</b>	1,100	1,054	4,461	1,093	<b>1,147</b>
Performance Materials	3,253	707	<b>694</b>	616	532	2,549	646	<b>648</b>
T&I / Other	1,574	303	<b>274</b>	249	300	1,126	249	<b>286</b>
<b>Evonik Group</b>	<b>18,488</b>	<b>4,005</b>	<b>3,886</b>	<b>3,771</b>	<b>3,604</b>	<b>15,267</b>	<b>3,796</b>	<b>3,930</b>

Adj. EBITDA (in € m)	FY 2022	Q1/23	Q2/23	Q3/23	Q4/23	FY 2023	Q1/24	Q2/24
Specialty Additives	946	168	<b>199</b>	173	134	673	185	<b>220</b>
Nutrition & Care	677	76	<b>71</b>	127	115	389	140	<b>140</b>
Smart Materials	743	164	<b>122</b>	135	119	540	159	<b>171</b>
Performance Materials	350	37	<b>45</b>	34	-4	111	43	<b>52</b>
T&I / Other	-226	-36	<b>13</b>	16	-50	-57	-5	<b>-5</b>
<b>Evonik Group</b>	<b>2,490</b>	<b>409</b>	<b>450</b>	<b>485</b>	<b>312</b>	<b>1,656</b>	<b>522</b>	<b>578</b>





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