MOODY'S
RATINGS

Rating Action: Moody's Ratings changes Evonik's outlook to positive, affirms Baa2 rating

14 May 2025

Frankfurt am Main, May 14, 2025 -- Moody's Ratings (Moody's) affirmed Evonik Industries AG (Evonik or the company) long-term issuer rating at Baa2. Concurrently we have affirmed the Baa2 ratings of all of Evonik's outstanding senior unsecured notes, the (P)Baa2 rating of Evonik's senior unsecured MTN programme and the Ba1 rating of Evonik's outstanding junior subordinated hybrid instrument. The outlook has been changed to positive from stable.

RATINGS RATIONALE

The change in the outlook to positive reflects our expectation that despite a continued challenging macro environment, the company will operate with credit metrics commensurate with a higher rating on a sustainable basis. We expect Evonik to continue to optimise its cost base and to fine tune its product portfolio as it focuses on products and markets with more resilient demand and pricing patterns and favorable demand fundamentals.

For the twelve months ending in March 2025 Evonik's Moody's adjusted gross leverage and RCF/Net debt were 2.6x and 28%, respectively. These credit metrics are at the stronger end of our expectations for the Baa2 rating category, despite the restructuring charges in connection with Evonik's Tailor Made program and other cost savings initiatives booked during 2024, which hurt EBITDA by €405 million. We expect the company will expand EBITDA generation as it realises the cost savings from restructuring initiatives it is currently executing. In addition to the absence of restructuring costs and the realization of cost savings, we expect that Evonik's EBITDA generation in 2025 will benefit from moderately improving volumes. This should support an improvement in its leverage ratio to clearly below 2.5x and its RCF/Net Debt to above 30%.

Although Evonik's direct exposure to the introduction of tariffs is mitigated by a local for local production and sourcing footprint, flip flopping US trade and economic policies constitute an additional downside risk to this view.

Evonik's rating remains constrained by a relatively high and stable dividend payout, which results in FCF after dividends fluctuating around break even levels, to some degree hurting Evonik's financial flexibility. Despite these high dividends and expected cash outflows in relation to its restructuring program, we expect FCF to remain around break even levels and as such expect a largely unchanged gross debt position.

LIQUIDITY PROFILE

Evonik has excellent liquidity, as of March 2025 its liquidity benefits from around €1,215 million of cash & marketable securities on balance sheet, full availability under its €1.75 billion revolving credit facility and €800 million additional bilateral credit facilities. In combination with expected FFO generation these sources comfortably cover expected, capital expenditures, dividend payments and swings in working capital.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

An upgrade of Evonik's rating could occur if the company would maintain Moody's adjusted gross leverage below 2.5x on a sustained basis and if its RCF/net debt would exceed mid-20s in percentage terms through the cycle.

Given the positive outlook a downgrade is currently unlikely, but we could consider downgrading Evonik's rating if the company would fail to maintain its RCF/net debt above 15% on a sustained basis. An increase in Moody's adjusted gross debt to EBITDA to above 3x on a sustained basis would also be negative for the rating.

The principal methodology used in these ratings was Chemicals published in October 2023 and available at https://ratings.moodys.com/rmc-documents/410490. Alternatively, please see the Rating Methodologies page on https://ratings.moodys.com for a copy of this methodology.

PROFILE

Evonik Industries AG, headquartered in Essen, Germany, is the holding company of the Evonik group, one of the leading European specialty chemicals producers. In 2024, Evonik reported revenue of nearly €15.2 billion and adjusted EBITDA of almost €2.1 billion, equivalent to an adjusted EBITDA margin of 13.6%.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on https://ratings.moodys.com/rating-definitions.

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