Evonik Capital Markets Day 2025 – CEO Strategy Update, Christian Kullmann

Welcome to our 2025 Capital Markets Day! I'm really glad to see so many of you here just in front of me in person. We're looking forward to a fruitful, to an open-minded discussion today. A warm welcome goes out to everybody out there in front of the screens as well. Before we go into the strategy update, I would like to say only very few words about the short-term performance of Evonik Industries. We already discussed the details last week during our Q1 call. As you know, I'm a very conservative guy. Still, looking at what we have delivered already over the last 15 months, it is good reason for me, good reason for the entire crew of Evonik Industries to be a little bit proud of. Because we delivered strong results in the first quarter as well, notably outperforming our peers once again.

So far on the short term - today we will show you how we intend to continue and accelerate this outperformance in the coming years. Here's our lineup for today. You all know our CFO, Maike, quite well. I'm happy to have her here with me today as well. Lauren and Claudine, it's a pleasure for me that they join us here as well. I think the new composition of the executive board, more international and more female, is a nice proof point of how we are progressing at Evonik. While all three of them have quite some experiences with different investor-facing formats, it is their first capital market day. It is a good reason to be excited, both for you and for us.

Now, let's get started with the presentation. Ladies and gentlemen, obviously, you all are aware of the various developments over the last years which make operating a global chemical company a tall task. Especially what we are recently seeing out of the US is honestly really very hard to believe. A lot of damage is being done right now to our well-established international relations and our globalized economy, too. One could even say to the Western world as we know it. On the positive side, this could be the much needed wake-up call for Germany and for Europe at the same time. It is however not a wake-up call for us. While things are particularly turbulent right now, think about rise in protectionism, climate change, and in intensifying competition, especially from Asia, these challenges are not at all new for us. We have seen these trends for a long time, and we have addressed the major challenges already with our strategy, since I took helm as CEO in 2017. Our portfolio quality has clearly improved. For example, we made our business more global, especially through acquisitions in the United States and divestments in Europe. Already today, more than 30% of our sales are in the Americas. We drove innovation, especially our next-generation solutions which have a superior sustainability profile and outgrow the rest of our product portfolio. In the end, ladies and gentlemen, also cost and efficiency. Cost and efficiency are in our DNA for many years. The benefit of this, you have seen especially over the last two years, when we were able to support our earnings through our cost measures. We have executed on them in a decent and disciplined way.

Despite all these efforts, the prolonged period of weak demand from the second half of 2022 onwards, combined with high input costs, took its toll, also in our results in 2023. You will remember, our EBITDA margin fell to 11%, and our ROCE even to only 3%. I don't have to tell you that this is not an acceptable level at all. Even, ladies and gentlemen, in a perfect storm like back then. But you know me and you know our motto: Never waste a good crisis. In 2023, we sat together internally and developed our strategy and our financial targets for the next years until 2027. We introduced it to the supervisory board last year, and we already initiated several projects since then. Some of them you already know, like TaylorMade or our new segment structure. Some of them we're going to introduce to you today. Having already started many of these projects internally gives us pretty good comfort to introduce a full picture to you today and to explain how the different bits and pieces fit together and where it leads to financially. In a nutshell, how we set ourselves up for long-term success.

Ladies and gentlemen, the starting point for everything is our new vision, our picture about the future: “Evonik is industry’s superforce”. We enable our customers to deliver high-performing and more sustainable products and solutions. Our vision is based on four strong key pillars. First, our leading portfolio. Second, sustainable innovation. Third, regional balance. And fourth, it is about us being the “Team Excellence”. Give me a chance to illustrate how this sets up apart from our peers.

Effective from April this year, we have reorganized our businesses into two segments: Custom solutions and Advanced Technologies. Both of them are quite different from each other and therefore require different management. But in both of them, we are leading. On the one hand, the Custom Solution businesses are defined by innovation-driven business models. They operate in specific niche markets, have a strong and deep customer proximity, and develop customized solutions, enabling strong pricing power. Our organic and potentially at a later stage also inorganic growth focuses on additives and the biotech platform within this segment. On the other hand, the Advanced Technology businesses are efficiency-driven, featuring a high level of technological expertise and operational excellence. This puts them also in a globally leading cost position.

This new setup, what is it good for? This new setup allows for three things. Firstly, for differentiated steering and capital allocation. Secondly, for a much leaner organization, with the businesses directly reporting to the board without the former divisional admin level. And thirdly, for a much better employee alignment and commitment as everybody at Evonik and within the two different segments now has a clearer understanding of their specific strategic role and financial KPIs at the same time. This makes clear why we organized our businesses in this way.

But why keep them under one roof? Here's the answer. The two segments, ideally complement each other and play equal, equal crucial roles for us and for our value creation. Custom Solutions plays a major role as growth driver and will contribute stronger to EBITDA growth. Advanced Technologies plays a stronger financial role and generates cash flow. But also behind the financials, a strong case can be made for keeping these activities together. Especially, and hence, for example, in innovation, know-how sharing and complementary people skills play a big role. We can work on more projects at the same time. We can build and share expertise in more areas. Consequently, our innovation growth areas stretch across both segments. For example, biotech plays a big role in Custom Solutions. But with Veramaris, it's also present in Advanced Technologies. Many examples like this can also be found in energy transition and in circularity. This holistic way to think about our portfolio and the clarity with which we manage it clearly differentiates us from our sector peers.

Innovation is already, ladies and gentlemen, one of the key pillars of our strategy since 2017. It will remain key to our success also in the long term. Actually, it will be the main earnings growth driver. We will benefit from both product and process innovation. On the product innovation side, which will be part of Lauren's responsibilities, we will double down on the three innovation growth areas. They will generate about €1.5 billion of additional sales by 2032 at above 20% EBITDA margin. Process innovation is honestly often overlooked from outside. But that's wrong because it plays a vital role for us as well. Because it is not only helpful to reduce CO_2 emissions, it also helps us to reduce costs. Efficiency gains usually result in lower energy consumption. With that, we need less CO_2 certificates, ladies and gentlemen, which are set to become more expensive in Europe in the coming years. Consequently, the returns are extremely high for our green process innovation projects. Lauren and Claudine will later provide some examples for both areas of innovation.

Ladies and gentlemen, if the current developments in the world tell us one thing, it is that we need to have a balanced global sales footprint with local-for-local production. This is why it is our aim to generate one-third of our sales in each of the three world regions, the Americas, Asia, and Europe. In the Americas, we are already very close to this target already, thanks to inorganic and organic investments over the last couple of years. In Asia, we still have a gap to close. And Asia means for us a good balance between China on the one side, and other countries in the region on the other. For example, we just finished the new dioxide capacity in Singapore. We're investing in specialty oxides in Japan and there will be more projects to come. Being truly global also means to have more management responsibilities in the respective regions. For example, we have just shifted our management team for the Health Care business into the United States. Also here, more is to come.

The last pillar of our new vision is a cultural one. At first sight, this might be of less relevance for you, but it is of utmost importance for us at Evonik. Also for me, personally, we are “Team Excellence”. Everybody wants to be team excellence, but what does it mean for us? First, and especially in the world of today, in these times, it means for us, respect, respect for each other. While discussing passionately, we listen to each other and value and treasure different positions. We do treat everybody equally. We foster collaboration within the group so that all the change that we are going through is supported across our employee base. This sets us apart from trends we observe in many societies around the globe right now. We actively separate ourselves from the ideas of right-wing populism and ignorant leaders. And second, it is performance. We strive to excel in everything we do. We will deliver. We will deliver on our promises that we are presenting to you today. So we have a lot to do right now and in the coming years and we will relentlessly pursue these goals. I am, as CEO and personally, very much convinced that only these two elements together will lead to sustainable and sustained success. For me, they are two sides of the same coin.

Ladies and gentlemen, with our vision aims at the long term, we are also looking towards the mid-term milestone. This milestone is to reach an additional €1 billion of EBITDA by the year 2027. The base year for this is 2023. Being already in the middle of 2025, this might look strange at first glance, but I already explained that 2023 was the year when we initiated a renewed strategy and set ourselves financial targets internally. So it is important to note that the base of €1.7 billion of EBITDA in 2023 can change. For example, with our larger portfolio steps like C4 or Infrastructure. Being executed over the last year, the starting number could become different. But to be very clear, the 1 billion stands as a target for sure. The additional earnings will come from two main pillars: half a billion each from growth and optimization. In the interest of time, I will not go deeper here. Maike, Lauren, and Claudine will elaborate on these two elements in more detail.

Instead, let me continue with our portfolio strategy. In the next two years, we'll conclude two major portfolio steps, the divestment of our C4 business and executing on strategic options for our two biggest German infrastructure sites, Mahl and Wesseling. Beyond these two projects, we will optimize the portfolio of our Health Care and Coating & Adhesive Resins businesses, and more portfolio fine-tuning like this below the segment level will come until 2027. Obviously, portfolio change is a constant in our industry, so it won't end in 2027. To be clear about it, it will never end. From today's perspectives, our long-term portfolio work will focus within the existing segment structure, double down on our innovation growth areas, and create a more and better balanced regional split. More specifically, by product, our growth focus will be in additives and in our biotech platform, and regionally, it will be in Asia. Lastly, we will continuously review the strategic fit and the competitiveness of our businesses and act accordingly in line with our “fix it or sell it” strategy.

All of this, ladies and gentlemen, leads us to our financial targets. I already described the €1 billion additional EBITDA. While over the last years, we have successfully improved our cash generation, now it is time to focus on returns. Going forward and in the execution of our strategy, ROCE, and our target of around 11% will be our top KPI and yardstick. We will remain fully committed to our two main ESG targets. They will be reached by 2030. All these targets are very consistently integrated into our management compensation in the short- and in the long-term incentive plan. Especially in the light of our current turbulent times and developments over the last month, I can hear you say: Hey, Christian, honestly, how realistic are these new targets, in fact? To achieve these targets, we calculated global GDP growth of 2.5% per year. Given the fact that things change nearly on a daily basis, I think it is a sound assumption. And there are not only risks out there. We believe sticking to a balanced view of both, opportunities and risks at the same time and going forward, it is the most prudent way to manage our company. Adding 1 billion adjusted EBITDA until 2027 is, of course, an ambitious target, especially in these turbulent times of political and economic turmoil. But we have a lot of it in our own hands, especially the 500 million from optimization we will deliver in each and every environment. Of the 500 million growth, we have already achieved roughly 300 million in 2024. What it all comes down to is this: We have to deliver and we will.

Finally, a brief look at our capital allocation policy. This is a first high-level view only because Maike will provide you with more details in a second. Number one priority remains to invest in our organic growth. Paying an attractive dividend is the second pillar. Until 2027, we are not doing any M&A - or nothing that goes beyond very small technological acquisitions. Why? Because we have a lot to do in the next two years. We set up our portfolio and our organization in the new segment structure. We have multiple optimization programs ongoing to work on our cost base. We will execute our two major portfolio steps with C4 and Infrastructure. This is the way we are focusing on right now. After that, targeted M&A comes once again on our agenda. Both portfolio management as well as delivering our financial targets will put us in the position to also consider share buybacks beyond our attractive dividend. In former times, I have excluded the option of share buybacks. Now, it is an option. But you know us: Things work step by step, one step after the other.

Give me a chance and let me summarize what you should take away from this first presentation of the day. We have shown a much improved financial performance over the last 15 months. We will continue on this path in the coming years, sustainably overearning our cost of capital. We will stay disciplined in respect of capital allocation and let you, as our shareholders, participate in our success. We will continue to work on the portfolio and we will conclude the major transformation steps until 2027. We have learned that it is always helpful and prudent to mention that our shareholder structure has much improved versus the past. We have more than 50% free float right now. Within the free float, we have a balanced shareholder structure with investors' concentration below the global benchmarks. RAG Foundation has no overhang anymore due to their convertibles outstanding. Now, ladies and gentlemen, it is time to ask Maike to enter stage because she will give you now much more details and information about our financials in the incoming years. Maike, stage is yours. Thanks a lot.