Evonik Capital Markets Day 2025 – Financial Update, Maike Schuh

Thank you, Christian. And of course, also a warm welcome to everybody here in Essen and on the screens. I am excited to share our perspective regarding the three main financial targets by 2027 we will achieve. Value creation and the 11% ROCE are positioned in the center of all of our efforts. The ROCE level of 11% until 2027 is what we stand for. Delivering the 1 billion of additional EBITDA is the main driver to achieve it. And the cash generation stays as it is. We have a very successful track record with the above 40% cash conversion rate. The solid investment rate rating at any time will remain the foundation of our financial policy. If we look into the split of the segments, the group targets can be broken down into two dimensions. On the one hand side, growth and optimization, 500 million from each. On the other hand, we have the two segments, and they both contribute similar to the one billion, which is a bit simplified because, of course, with our cost programs, for example, Evonik Tailor made, they will reduce the overhead costs also and contribute to our others line.

But maybe bear with me now with that simplified approach. The breakdown here follows the different nature and the different business models of the two segments. Custom solutions on the one-hand side has to deliver us two-thirds of the 500 million from the growth component, stemming from the attractive markets with high margin products. Focus on the growth, but also one-third from the 500 million has to come from optimization projects. So we do have already, and I'll get to that later, in health care or coating entities of resins already optimizing projects going on. The other way around is advanced technologies. There, the contribution of the majority of the 500 million has to come from optimization projects and initiatives. For example, since two years already Janus, our animal nutrition optimization, tackling commoditized business, or high-performance polymers, and also silica. A bit more detail on the 1 billion the EBITDA Bridge. And a little bit more detail on the two components, growth and optimization. Christian already mentioned the EBITDA basis is 2023. So we start with the 1.7 billion in 2023. That might be a bit different at the end because due to our planned investments, the bridge might be different.

But very important, the additional 1 billion stays valid also with our portfolio changes. The 400 million of the 1 billion we have already achieved in 2024. We had industry leading growth in 2024. Out of these already achieved 400 million, growth was 300 million EBITDA. We had higher earnings in almost all businesses. Of course, a good part is dedicated to animal nutrition, which was a normalization of earnings. After the absolute trough levels in 2023, we have seen now the normalization of methionine, but also very clearly, specialty additives and smart materials delivered to the growth. From the optimization side, 100 of the 400 million EBITDA growth were net savings in 2024. I already mentioned the Animal Nutrition Program and of course, our reorganization program, Evonik Tailor Made. Until 2027 now, 200 million of growth are left. We have now two perspectives to look at the number. You might say, well, the average EBITDA growth now of the remaining years is 70 million per year, which is not very ambitious. However, be clear, this is a net figure, so this is also considering the usual business erosion we must compensate every year. Some of you might say that this is a very ambitious number, especially with everything in the world around us over the last weeks and months.

For those, let me give some examples where we get the growth from. First, the growth investments that has already been executed in the last years. Available capacities are dedicated 40% of the 500 million of growth. Active in niches with good growth expectations, and we do not have to rely on the macro environment. There, we have mentioned already the alkoxides plant in Singapore, where we see strong growth for the biodiesel catalysts and the aluminum oxide plant in Japan with a growing EV market. Second, innovation. The innovation element, 30% of the 500 million growth of EBITDA go to the innovation part. Innovative products introduced in specific niche markets are, for example, , biosurfactants plant in Slovakia, or our new plant, the membrane factory in Austria. Both of them are also relatively independent of the macro situation. Third, the dynamic niche markets where we grow above average are the remainder of the 500 million EBITDA growth. And most applications are part of the custom solution segment. Now, of course, coming to the net savings. On the optimization part, 500 million are net savings, fully relevant to the EBITDA line. The gross figure, of course, is much higher, and we will compensate the annual factor cost increases.

For example, Evonik Tailor Made we have mentioned more than a year ago. Secondly, the business optimization programs. Most of them you have already heard about. We have already communicated on animal nutrition, and also on the additional health care projects we have here at Evonic. We also have new programs that are already in implementation. They have started and were communicated internally last year, so there will be a quick contribution to the saving targets within the next three years. The two largest programs here are silica and high-performance polymers. Taking silica, for example, we have a very good positioning in the specialty grades and applications. However, the standard grades, there we see higher competitive pressure. So we need to defend our market and defend our leading cost positions. The high-performance polymers, on the other hand, there we want to focus on different service levels, different customers, and different products show us that we have to have a differentiated access as well. Part of the net savings will also be attributed to the optimization of procurement. We have started a program here as well. A new project last year. We now put the total cost of ownership pretty much in the middle of our efforts.

We are in an extremely good position, of course, in raw material procurement. But if you look into indirect purchasing, logistic and packaging materials, non-strategic goods, and these small volume, these tail-span topics, this is something we will focus on, and we will see that we also get net savings from procurement optimization. Last but not least, Again, the ROCEimprovement. Priority number one is to earn more than our WACC by 2027, which stands right now at 10%, so our goal is 11%. The buckets to achieve our ROCE are pretty much the same like to achieve the 1 billion of EBITDA. A new element here giving us a high return are our immediate return project, small-sized CapEx projects which promise low execution risk and a quick payback time of less than two years. More on that in a minute. The free cash flow generation remains, of course, a very important target for us. With growing earnings, we will also have a growing operating free cash flow. Our calculations show us a very impressive number of cumulated €5.5 billion in the next three years. That means €3 billion in free cash flow, the sustainable CapEx level of around €850 to €900 million per year, I will show you in a minute, or actually on the next page.

If you look now into the CapEx, we will remain with a classical split of growth and maintenance CapEx. So no bigger changes to be expected with a 50-50 balance. As in the past three years, the majority of the structural growth projects will boost our next generation solutions with above-average growth rates. A new element, told you before, this small, immediate return CapEx projects, standing for roughly 10% of the total CapEx. Small-sized projects, not more than 2 to 3 million euros per project, are dedicated to technical improvements, upgrades, for example, in our production facilities. Incremental efficiency gains in production processes, small debottleneckings, exchange of pipes with bigger diameters, exchange of storage tanks, but extremely successful. We see high ROCEs, and a quick payback time of less than two years, and an IRR of more than 50% on average. So extremely successful. Here also, regarding smart preservation, to mention here are the investments into our next generation technologies. Last year, we had roughly 100 million here. And the key characteristics, you know them, are lowering of emissions, SBTi target achievements, and of course, the lowering of the OPEX by improving processes. Let me talk again about the capital allocation policy and priorities.

You remember inflows of €5.5 billion operating cash flow over the next three years. We will spend, and that is a top priority, 50% on CapEx as a number one priority for our capital allocation. Second, the attractive dividend remains. 30% of our cumulative cash flow reflects a stable dividend over the next three years. And then, there are 20% or around 1 billion remaining of our operating cash flow , as Christian mentioned already, with only very small, limited M&A. So that will, of course, then technically lead to a reduction in financial liabilities, and to a strengthening of our balance sheet. I have emphasized already the strong commitment to our solid investment rate rating. And of course, that will also bring us to more headroom for targeted M&A beyond 2027. Once, our financial performance and especially our ROCE, is where it needs to be. However, share buybacks are an option for us going forward. And this is, of course, especially true once we have executed on our larger portfolio measures. To wrap it up, these are the three key messages of my presentation. First, It is about the financial commitments until 2027. Full focus is on ROCE becoming our top KPI and achieving at least 11% by 2027.

All other KPIs are linked and paying into this target. Second, CapEx is fully aligned with our ROCE target. We will have more focus on small-sized, fast-return projects with above-average ROCE contribution. Third, on capital allocation, we will remain an attractive dividend payer. At the same time, for the next two years, we will focus on deleveraging our balance sheet instead of opting for M&A. And share buybacks are a viable option going forward, both from our strong operating cash flow as well as regarding the use of the proceeds once our larger divestments are done. Thank you for your attention. And with that, I hand over to the segment and to Lauren.