

Evonik “Division Spotlight Series”: Specialty Additives well positioned to continue its resilient financial performance

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- Additives business model resulting in high barriers to entry and resilient financial performance
- Growth opportunities driven by sustainability and digitalization
- Aiming to secure strong profitability and return levels

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Essen. After the implementation of its new divisional structure mid-2020, Evonik hosts a “Division Spotlight Series” this year to give further insights into its three growth divisions. Following the events on Nutrition & Care and Smart Materials, the series is today completed with the division Specialty Additives.

Specialty Additives provides small quantities of additives to its customers to enable maximum performance in their formulations. These additives account for a minor part of the end product, both in terms of volume and cost. By adding key characteristics and improving the sustainability profile of products, the additives make a key difference for the end consumer. Specialty Additives sells more than 3,000 products to more than 10,000 customers in more than 1 million formulations. Mastering this complexity is a key element of success for the business.

“Our additives business model results in high barriers to entry and a resilient financial performance,” says Lauren Kjeldsen, President of Specialty Additives. “Our unique capabilities, coupled with growth opportunities arising from sustainability and digitalization, will enable us to outgrow the markets we are in, while at the same time securing our strong profitability and return profile.”

Since the formation of the division in June 2020, the Specialty Additives management team has executed on its strategic agenda. The focus was first and foremost on creating a strong joint culture to foster collaboration and knowledge sharing across the different businesses and functions. Based on this foundation, Specialty Additives is now continuously realizing the synergistic potential of having all Evonik additive businesses and the related technology platforms under one roof. The attractive growth of the core

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portfolio is secured through smart, capital-light investments and debottleneckings. Going forward, the focus is shifting beyond the core by strengthening the R&D pipeline and analyzing also selective inorganic growth opportunities in adjacent markets.

Growth opportunities in Specialty Additives will be fueled by two main growth drivers: making the difference in customers' end products as well as enabling the shift towards a circular economy. Typically for the additives business model, these opportunities are often rather small in scale, but large in quantity and positioned in attractive and dynamically growing niches. As third element, growth will be enabled by the rollout of scalable digital solutions.

The first growth driver, making the difference, means that the division's small volume additives have a big effect by improving the performance as well as the sustainability profile of the customers' products. For example, Coating Additives' SPHERILEX fillers significantly increase the burnish resistance and prolong the life of medium- to low-gloss paints. The innovation was introduced to the market in 2019 and is expected to grow at a double-digit CAGR in the coming years.

As second growth driver, products and solutions from Specialty Additives enable the shift towards a circular economy by decoupling growth from resource consumption. Additives help to avoid and reduce material consumption, e.g. by enabling linerless labels or environmentally friendly blowing agents for insulation. Where avoiding waste is not possible, the division provides additives and expertise for efficient mechanical and chemical recycling. For example, PU additives allow for high use levels of recycled PU components in mattresses. With this, Specialty Additives provides the backbone of Evonik's global circular plastics program, which is expected to generate additional sales of more than €350 million per year by 2030.

Third, digital solutions are a key enabler for the future success of Specialty Additives. They improve both the customer experience as well as the products created by the division. A prime example is COATINO®, the dynamic formulation network for the coatings industry. The unique combination of services such as a virtual lab,

product recommendations, voice assistant and learning platform is the perfect solution for the customers' needs. By leveraging the COATINO® know-how, Specialty Additives aims at scaling such digital solutions across the division.

The unique set of capabilities and attractive niches results in tangible benefits for the division, mainly in high barriers to entry and a very resilient financial performance. This makes Specialty Additives a highly successful business already today: with an adjusted EBITDA margin of almost 27% and a ROCE of 16% in fiscal 2020, the division is the standout performer within Evonik. From this very strong foundation, diversity, sustainability and value creation will be driven even further. Cultural diversity will be increased, with more than 60 nationalities working for Specialty Additives in the future. The sales share of "Next Generation Solutions" with superior sustainability benefits is to reach more than 37% of the Specialty Additives portfolio. The division expects to deliver a sustainable and resilient volume growth CAGR above 3% over the mid-term. At the same time, the division aims to secure its strong adjusted EBITDA margin. Similarly, the strong ROCE level is to be maintained.

The fully virtual "Division Spotlight" for Specialty Additives will start today at 3.00 pm (CEST). The webcast link and the presentation including more details can be found on Evonik's Investor Relations website ([click here](#)).

Company information

Evonik is one of the world leaders in specialty chemicals. The company is active in more than 100 countries around the world and generated sales of €12.2 billion and an operating profit (adjusted EBITDA) of €1.91 billion in 2020. Evonik goes far beyond chemistry to create innovative, profitable and sustainable solutions for customers. More than 33,000 employees work together for a common purpose: We want to improve life today and tomorrow.

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