

EVONIK GROUP DEVELOPMENT

Highlights: Sequential earnings improvement despite ongoing challenging environment; self-help measures on track and extended

- Adj. EBITDA of €485 m well above Q2 level, weak economic environment offset by positive market momentum in Animal Nutrition and contingency support
- Reinforcement of self-help measures: Contingency measures on track and to be extended into 2024
- Cash generation picking up strongly with FCF of €469 m in Q3; positive year-end finish expected in Q4 to reach cash conversion towards 40% for the full year
- Adj. EBITDA outlook for FY 2023 of €1.6 to 1.8 bn confirmed
- Strategic realignment of Technology & Infrastructure division and administration to focus resources even more on operating businesses of three growth divisions

Income Statement

- **Sales** decreased by -23% to €3,771 m (Q3 2022: €4,878 m)
 - Volumes (-5% yoy) continue to suffer from weak end market demand
 - NC with positive volumes both yoy (+5%) and qoq as Animal Nutrition shows positive momentum across all regions
 - Prices down -6% yoy driven mainly by lower prices in C4 and Animal Nutrition; pricing in SP and SM also turning negative yoy in difficult environment, but also falling raw material costs
 - Other at -8% driven by divestments of TAA derivatives (Q4 2022) and Lülisdorf site (Q2 2023)
- **Adj. EBITDA** of €485 m; +8% qoq (Q2 2023: €450 m); -21% yoy (Q3 2022: €615 m)
 - Contingency support: Achievement level after 9M ~70% (of €250 m targeted savings for FY 2023)
 - SP with continued weak demand and low plant utilization resulting in qoq earnings decline
 - NC with positive momentum and price turnaround in Animal Nutrition, additionally supported by inventory build ahead of Singapore shutdown in Q4
 - SM benefitting from full availability of both PA12 plants after maintenance in Q2 while demand across virtually all market segments remains weak
 - Support from contingency measures and reduced bonus provisions across all divisions, most pronounced in T&I / Other
- **Adj. EBITDA margin** increased by 30bp to 12.9% (Q3 2022: 12.6%); positive trend during 2023 driven by successful pricing policy, ramp-up of contingency measures and bonus provision release
- **Adj. EBIT** of €202 m (Q3 2022: €342 m)
- **Adj. EPS** of €0.41 (Q3 2022: €0.54) supported by yoy less negative net financial result and lower tax rate
- **Reported EPS** of -€0.21 (Q3 2022: €0.46) impacted by impairment in connection with planned divestments (-€233 m on Superabsorber) and smaller asset impairments in SM (€47 m)

Cash Flow Statement

- **9M 2023 FCF** of €286 m (9M 2022: €182 m)
 - Track record of strong cash generation continuing despite more challenging environment
 - FCF after 9M even exceeding prior year (+€104 m) despite significantly weaker adj. EBITDA (-€733 m)
 - Continued and stringent NWC management throughout the year resulting in significantly lower NWC outflow (+€857 m yoy after 9M)

Balance Sheet

- **Net financial debt** of €3,740 m down by ~€376 m (Q2 2023: €4,116 m) mainly driven by strong cash generation
- **Pension provisions** with decrease to €1,189 m (Q2 2023: €1,624 m) due to further increase in discount rates (Germany to 4.4% vs. Q2 2023 at 3.8%)
- **Leverage** (net debt / Adj. EBITDA) lower at 2.7x (Q2 2023: 2.9x); stable net financial debt leverage qoq at 2.0x

OUTLOOK FY 2023

Basis for the outlook (unchanged)

- GDP of 1.9%
- Internal raw material cost index considerably lower than in FY 2022

Group outlook (unchanged)

- **Sales:** between €14 and 16 bn (FY 2022: €18.5 bn)
- **Adj. EBITDA:** between €1.6 and 1.8 bn (FY 2022: €2,490 m)
 - Continued demand weakness with no recovery in Q4, plus year-end seasonality
 - Nutrition & Care with ongoing positive momentum in Animal Nutrition and positive year-end finish in Health Care, negative effect from Methionine Singapore expansion shutdown in Q4
 - T&I / Other with further support from contingency measures; negative effects in Q4 expected from tariff payment (inflation compensation) and FX
- **FCF:** lower absolute FCF (2022: €785 m), cash conversion to develop towards 40% target confirmed (FY 2022 cash conversion: 32%)
- **Capex:** around **€850 m** (FY 2022: €865 m)
- **ROCE:** significantly below the level of 2022 (FY 2022: 8.3%)

- **Divisional indications** see backup of Q3 presentation

Additional indications

- **EUR/USD sensitivity:** +/-1 USD cent = +/- ~€6 m Adj. EBITDA (FY basis) (previously: +/-€10 m)
- **Adj. D&A:** around the level of 2022 (previously: slightly above; FY 2022: €1,140 m)
- **Adj. net financial result:** back to around 2021 level (unchanged; FY 2022: -€19 m; 2021: -€97 m)
- **Adj. tax rate:** considerably below the level of 2022 (1-9/2023 at 21%) (previously: ~30%; 2022: 29%)

DIVISIONAL BUSINESS DEVELOPMENT

Specialty Additives (SP)

- Unprecedented demand weakness continued in Q3: 4th quarter in a row with double-digit volume declines (yoy), resulting from a combination of weak end customer demand, still destocking in some areas and Asian exports into Europe and US
- Margin pressure from low plant utilization; reacting with capacity adjustments of selected plants from Q4 onwards
- Pricing turning negative in this difficult environment, but also falling raw material costs
- Positives: Volumes in China turning slightly better yoy; PU foam and Oil Additives with robust performance

Nutrition & Care (NC)

Health & Care:

- Care Solutions: Strong performance (already stable yoy) driven by ongoing portfolio upgrading towards sustainable specialties
- Health Care: Solid oral drug delivery and drug substance business

Animal Nutrition:

- Overall positive volume development (qoq) across all regions; support from lower variable costs
- Price trend turning positive during Q3, further positive momentum for Q4 and into Q1 2024
- Q3 result benefits from inventory build-up in preparation of Singapore expansion shutdown with corresponding negative impact in Q4

Smart Materials (SM)

- Sales continue to be impacted by broad-based volume declines due to lower demand across virtually all market segments
- Prices decreased due to pass-on of lower raw material costs
- Sequential adj. EBITDA improvement based on
 - improving Active Oxygens business (mostly lower variable costs)
 - additional PA12 volumes (maintenance in Q2) and increase in membrane sales
- ... although limited by qoq weaker other businesses (e.g. Silanes and Catalysts)

Performance Materials (PM)

- Strong prices and margins in MTBE, market remained short
- However, all other C4 products (Butadiene, INA, Butene-1) weakened further, lower prices & margins and weak downstream demand
- Superabsorber continue to benefit from improved contract price level

Technology & Infrastructure (T&I) / Other

- T&I / Other again with extraordinary earnings level mainly driven by
 - Ramp-up of contingencies
 - Release of bonus provisions
 - Positive effects from option valuation, partly already pulled forward from Q4 2023
- For Q4, clearly more negative adj. EBITDA expected (qoq)
 - Lower utilization in technical services
 - Year-end invoicing in "Other" functions
 - Negative effects from tariff payment (inflation compensation) and FX

Key Financials Q3 2023

Evonik Group

in € million							Q3 2023
	Q3 2022	Q3 2023	yoy Δ%	Q2 2023	Q3 2023	qoq Δ%	Consensus*
External sales	4,878	3,771	-23%	3,886	3,771	-3%	3,978
Volumes (%)			-5%				-6%
Prices (%)			-6%				-5%
Exchange Rates (%)			-4%				-3%
Other (incl. M&A; %)			-8%				-2%
Adjusted EBITDA	615	485	-21%	450	485	8%	456
Adjusted EBITDA Margin (%)	12.6%	12.9%	0.3 pp	11.6%	12.9%	1.3 pp	11.8%
Adjusted EBIT	342	202	-41%	157	202	29%	173
Adjustments	-16	-303		-412	-303		-6
EBIT	326	-101	-131%	-255	-101	-60%	159
Adjusted net income	253	189	-25%	123	189	54%	129
Adjusted earnings per share in €	0.54	0.41		0.26	0.41		0.28
Capex (cash-out)	229	162	-29%	237	162	-32%	
Net financial position (as of end of Sep)	3,807	3,740		-4,116	3,740		
Cash flow from operating activities	517	631	22%	34	631	>200%	
Free cash flow	288	469	63%	-203	469	>-200%	

Specialty Additives

External sales	1,113	882	-21%	906	882	-3%	903
Volumes (%)			-11%				
Prices (%)			-3%				
Exchange Rates (%)			-5%				
Other (incl. M&A; %)			-2%				
Adjusted EBITDA	243	173	-29%	199	173	-13%	182
Adjusted EBITDA Margin (%)	21.8%	19.6%	-2.2 pp	22.0%	19.6%	-2.4 pp	20.0%

Nutrition & Care

External sales	1,062	924	-13%	893	924	3%	940
Volumes (%)			5%				
Prices (%)			-10%				
Exchange Rates (%)			-7%				
Other (incl. M&A; %)			-1%				
Sales Animal Nutrition	562	447	-20%	437	447	2%	482
Sales Health & Care	500	477	-5%	457	477	4%	477
Adjusted EBITDA	148	127	-14%	71	127	79%	99
Adjusted EBITDA Margin (%)	13.9%	13.7%	-0.2 pp	8.0%	13.7%	5.7 pp	10.9%

Smart Materials

External sales	1,365	1,100	-20%	1,119	1,100	-2%	1,136
Volumes (%)			-12%				
Prices (%)			-4%				
Exchange Rates (%)			-4%				
Other (incl. M&A; %)			0%				
Sales Inorganics	1,017	793	-22%	820	793	-3%	844
Sales Polymers	348	307	-12%	299	307	3%	301
Adjusted EBITDA	188	135	-28%	122	135	11%	136
Adjusted EBITDA Margin (%)	13.8%	12.3%	-1.5 pp	10.9%	12.3%	1.4 pp	12.1%

Performance Materials

External sales	797	616	-23%	694	616	-11%	645
Volumes (%)			-4%				
Prices (%)			-9%				
Exchange Rates (%)			-3%				
Other (incl. M&A; %)			-7%				
Adjusted EBITDA	63	34	-46%	45	34	-24%	26
Adjusted EBITDA Margin (%)	7.9%	5.5%	-2.4 pp	6.5%	5.5%	-1.0 pp	4.1%

Technology & Infrastructure / Other

External sales	541	249	-54%	274	249	-9%	300
Adjusted EBITDA	-27	16	159%	13	16	-23%	10

* Vara Consensus October 16, 2023