

EVONIK GROUP DEVELOPMENT

2023 targets achieved – 2024 earnings growth enabled by cost savings and Animal Nutrition

- Q4 adj. EBITDA of €312 m to finish the year at €1,656 m and within outlook range (€1.6 to 1.8 bn) despite around -€50 m exceptional headwinds in Q4
- Update on reorganization program “Evonik Tailor Made”: Total savings of €400 m targeted by end of 2026 (see separate press release)
- FCF of €801 m stable yoy despite significant earnings decline, covering attractive & stable dividend proposal of €1.17
- FY 2024 adj. EBITDA outlook of €1.7 to 2.0 bn: Earnings growth enabled by cost savings and Animal Nutrition; Q1 already expected above prior-year level

Income Statement (Q4 2023)

- **Sales** decreased by -17% to €3,604 m (Q4 2022: €4,340 m)
 - Volumes -2% yoy and less negative than Q3 (-5% yoy) despite impact from shutdown in methionine; Specialty Additives now stable (+/-0% yoy)
 - Prices -5% yoy vs. -6% in Q3: positive price trend in Animal Nutrition partly offsets yoy slightly lower prices in Specialty Additives and Smart Materials
- **Adj. EBITDA** down -24% to €312 m (Q4 2022: €413 m)
 - Q4 impacted negatively by ~€50 m exceptional headwinds: Argentinian Peso devaluation and hyperinflation accounting (in “Other”) as well as inventory devaluation in Performance Materials
 - NWC (esp. inventory) optimization with negative EBITDA effect
 - Nutrition & Care already close to prior-year level (despite planned shutdown of methionine plant in Singapore): Methionine price with first qoq increase after five quarters and expected year-end catch-up in Health Care
- **Adj. EBITDA margin** decreased by 80bp to 8.7% (Q4 2022: 9.5%)
- **Adj. EBIT** of €32 m (Q4 2022: €80 m)
- **Adj. EPS** at -€0.12 (Q4 2022: €0.20) impacted by
 - more negative financial result (application of lower discount rate on other provisions)
 - extraordinarily high tax rate (one-time effect due to revaluation of deferred tax assets)
- **Dividend** proposal stable at €1.17: Continuation of reliable and attractive dividend policy

Cash Flow Statement

- **Q4 2023 FCF** of €515 m (€603 m prior year) driven by
 - Tailwind from net working capital optimization (inventories, receivables)
 - Higher cash inflow (yoy) from miscellaneous assets related to other tax receivables
 - Higher outflow for taxes (yoy)
- **FY 2023 FCF** at €801 m (+2% vs FY 2022: €785 m) despite significantly lower EBIT(DA)
 - Inflow from NWC vs an outflow last year
 - Strong capex discipline: down €72 m yoy to €793 m

Balance Sheet

- **Net financial debt** of €3,310 m, lower vs. Q3 (€3,740 m; FY 2022: €3,257 m) driven by strong FCF
- **Pension provisions** with increase to €1,858 m (Q3 2023 €1,189 m; FY 2022: €1,359 m) due to decrease of German discount rate to 3.5% (Q3 2023: 4.4%; FY 2022: 4.1%)
- **Leverage** (net debt / adj. EBITDA) at 3.0x (Q3 2023: 2.7x; FY 2022: 1.8x); low net financial debt leverage of 1.8x

DIVISIONAL BUSINESS DEVELOPMENT

Specialty Additives (SP)

- Volumes in kt seasonally lower vs. Q3 but stable yoy following four quarters in a row with double-digit lower volumes
- Continued margin pressure from low plant utilization; reacting with capacity adjustments of selected plants
- Increasing competitive environment in Crosslinkers weighed on profitability in Q4 – also a factor to watch in 2024
- Positives: PU, Coating and Oil Additives with robust performance around prior-year level – expecting a pick-up into 2024 in these businesses

Nutrition & Care (NC)

- Care Solutions: Q4 with seasonal slowdown in Cleaning Solutions and Base Ingredients; Sustainable Specialties remain strong
- Health Care: strong Q4 with expected year-end catch-up
- Animal Nutrition:
 - Weaker volumes (qoq) and negative effect from maintenance costs & inventory reduction as result of expansion shutdown in Singapore
 - Positive pricing momentum in Q4; further clear contract price step-up on higher volumes in Q1 2024

Smart Materials (SM)

- Volumes reflecting weak environment and especially impacted by NWC optimization (own & customers) at year-end
- Lower pricing to pass on decreasing raw material costs
- Almost stable adj. EBITDA yoy and less seasonal decline qoq, based on
 - Positive momentum in specialty silica
 - Improving Active Oxygens business (based on lower energy costs)
 - Limited by weaker other businesses (e.g. Silanes & Catalysts) and year-end destocking in PA12

Performance Materials (PM)

- Overall lower volumes towards year-end (customer destocking, weak end market demand and weak competitiveness of customers)
- MTBE margin down (gasoline winter specification) and normalized on still decent levels, however below average 2023 levels
- Butadiene: Some margin recovery from very low levels but still high pressure and no sign of demand recovery
- Apart from seasonal and operational decline, majority of sequential EBITDA reduction explained by inventory devaluation effects

Technology & Infrastructure (T&I) / Other

- Clearly better outcome for T&I/Other in 2023 vs. prior years (5-year average of -€150 m)
- Driven mainly by contingency measures and lower bonus provisions
- Q4 always most negative quarter due to year-end settlements and lower utilization rate in infrastructure services
- This year on top negative effect from Argentinian Peso devaluation and hyperinflation accounting as well as one-time payment to employees (inflation compensation)

OUTLOOK FY 2024

Basis for the outlook

- Conservative macro assumptions:
 - Global GDP growth of 2.3% expected below prior-year level (FY 2023: 2.7%)
 - No pronounced end market demand recovery throughout the year assumed as basis for outlook
- Contingency measures to be continued in 2024; first smaller savings from “Evonik Tailor Made”
- Operational efficiency programs (esp. in Animal Nutrition) ramping up further
- Energy costs only slightly lower due to long-term hedging
- Logistic costs with significant relief (high double-digit m €)
- Raw material basket expected to move sideways
- Higher bonus provisions expected (yoy)

Group outlook

- **Sales:** between €15 and 17 bn (FY 2023: €15.3 bn)
- **Adj. EBITDA:** between €1.7 and 2.0 bn (FY 2023: €1.656 m)
- **Q1** already supports full-year growth ambition: expected above prior-year level (Q1 2023: €409 m)
- **FCF:** again targeting ~40% conversion (FY 2023 cash conversion: 48%; FCF €801 m)
- **Capex:** Continued capex discipline with ~€750 m targeted (~ €50 m lower yoy; FY 2023: €793 m)
- **ROCE:** significantly above the low level of 2023 (FY 2023: 3.4%)

Divisional indications for adj. EBITDA

- **Specialty Additives:** “around prior-year level” (FY 2023: €673 m)
 - No broad-based recovery of demand, production volumes and capacity utilization assumed
 - First signs of recovery from coatings industry after prolonged period of destocking
 - Continued high competitive intensity (esp. Crosslinkers)
- **Nutrition & Care:** “considerably above prior-year level” (FY 2023: €389 m)
 - Animal Nutrition to benefit from healthy price level at least during H1 as well as operational efficiency program
 - Care Solutions with growth in Sustainable Specialties – supported by start-up of new biosurfactants plant
- **Smart Materials:** “slightly above prior-year level” (FY 2023: €540 m)
 - Assumption of no pronounced end market recovery
 - Slightly positive development in Inorganics
 - Polymers supported by increasing PA12 volumes and less maintenance costs
- **Performance Materials:** “above prior-year level” (FY 2023: €111 m)
 - Continued low demand level assumed in C4; modest recovery in prices and margins from trough levels; some support from lower energy costs
- **T&I/Other:** “slightly negative adj. EBITDA” (FY 2023: -€57 m)
 - In preparation of realignment of Technology & Infrastructure, no further re-allocation of “service dividend” to divisions (see Q4/FY 2023 presentation slide 32 for further details)
 - Positive effect on TI from termination of “service dividend” (FY 2023: -€82 m of adj. EBITDA); negative effect from expected higher bonus provisions

Additional indications

- **EUR/USD sensitivity:** +/-1 USD cent = +/- ~€10 m adj. EBITDA (FY basis)
- **Adj. D&A:** around prior-year level (FY 2023: €1,135 m)
- **Adj. net financial result:** slightly more negative than prior year (FY 2023: -€103 m)
- **Adj. tax rate:** around long-term sustainable level of ~30% (FY 2023: 33%)

Key Financials Q4 / FY 2023

Evonik Group								
in € million	Q4 2022	Q4 2023	yoy Δ%	Q4 2023 Consensus*	FY 2022	FY 2023	yoy Δ%	FY 2023 Consensus*
External sales	4,340	3,604	-17%	3,811	18,488	15,267	-17%	15,473
Volumes (%)			-2%	-3%			-8%	-8%
Prices (%)			-5%	-4%			-3%	-3%
Exchange Rates (%)			-5%	-3%			-2%	-2%
Other (incl. M&A; %)			-5%	-2%			-4%	-2%
Adjusted EBITDA	413	312	-24%	325	2,490	1,656	-33%	1,669
Adjusted EBITDA Margin (%)	9.5%	8.7%	-0.8 pp	8.6%	13.5%	10.8%	-2.7 pp	10.8%
Adjusted EBIT	80	32	-60%	37	1,350	521	-61%	527
Adjustments	-340	-2			-408	-764		
EBIT	-260	30			942	-243		
Adjusted net income	94	-56	-160%	-43	1,054	370	-65%	377
Adjusted earnings per share in €	0.20	-0.12	-160%	-0.10	2.26	0.79	-65%	0.81
Capex (cash-out)	295	188	-36%		865	793	-8%	850
Net financial position (as of December 31)	-3,257	-3,310			-3,257	-3,310		
Cash flow from operating activities, cont. ops.	898	703	-22%		1,650	1,594	-3%	1,553
Free cash flow, cont. ops.	603	515	-15%		785	801	2%	707

Specialty Additives								
External sales	906	811	-11%	807	4,184	3,520	-16%	3,516
Volumes (%)			0%				-11%	
Prices (%)			-5%				0%	
Exchange Rates (%)			-4%				-3%	
Other (incl. M&A; %)			-2%				-2%	
Adjusted EBITDA	188	134	-29%	140	946	673	-29%	680
Adjusted EBITDA Margin (%)	20.8%	16.5%	-4.3 pp	17.8%	22.6%	19.1%	-3.5 pp	19.4%

Nutrition & Care								
External sales	1,111	908	-18%	969	4,237	3,611	-15%	3,672
Volumes (%)			-9%				-3%	
Prices (%)			0%				-6%	
Exchange Rates (%)			-9%				-5%	
Other (incl. M&A; %)			0%				-1%	
Sales Animal Nutrition	531	425	-20%	482	2,192	1,750	-20%	1,805
Sales Health & Care	580	483	-17%	536	2,045	1,861	-9%	1,914
Adjusted EBITDA	122	115	-6%	104	677	389	-43%	378
Adjusted EBITDA Margin (%)	11.0%	12.7%	1.7 pp	10.7%	16.0%	10.8%	-5.2 pp	10.3%

Smart Materials								
External sales	1,256	1,054	-16%	1,131	5,240	4,461	-15%	4,538
Volumes (%)			-7%				-13%	
Prices (%)			-7%				0%	
Exchange Rates (%)			-3%				-2%	
Other (incl. M&A; %)			1%				0%	
Sales Inorganics	933	765	-18%	797	3,891	3,238	-17%	3,274
Sales Polymers	323	290	-10%	308	1,349	1,224	-9%	1,238
Adjusted EBITDA	124	119	-4%	122	743	540	-27%	543
Adjusted EBITDA Margin (%)	9.9%	11.3%	1.4 pp	10.5%	14.2%	12.1%	-2.1 pp	11.9%

Performance Materials								
External sales	666	532	-21%	586	3,253	2,549	-22%	2,603
Volumes (%)			13%				-4%	
Prices (%)			-13%				-11%	
Exchange Rates (%)			-2%				-1%	
Other (incl. M&A; %)			-19%				-6%	
Adjusted EBITDA	63	-4	-106%	23	350	111	-68%	138
Adjusted EBITDA Margin (%)	9.5%	-0.8%	-10.3 pp	4.1%	10.8%	4.4%	-6.4 pp	5.3%

Technology & Infrastructure / Other								
External sales	401	300	-25%	275	1,574	1,126	-28%	1,101
Adjusted EBITDA	-85	-50	41%	-63	-226	-57	75%	-70

* Vara Consensus January 31, 2024