

Evonik

Leading Beyond Chemistry

Q4 / FY 2023

Earnings Conference Call

March 4, 2024

Christian Kullmann, Chief Executive Officer

Maik Schuh, Chief Financial Officer

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

FCF of €801 m stable yoy despite significant earnings decline, covering **attractive & stable dividend proposal** of €1.17

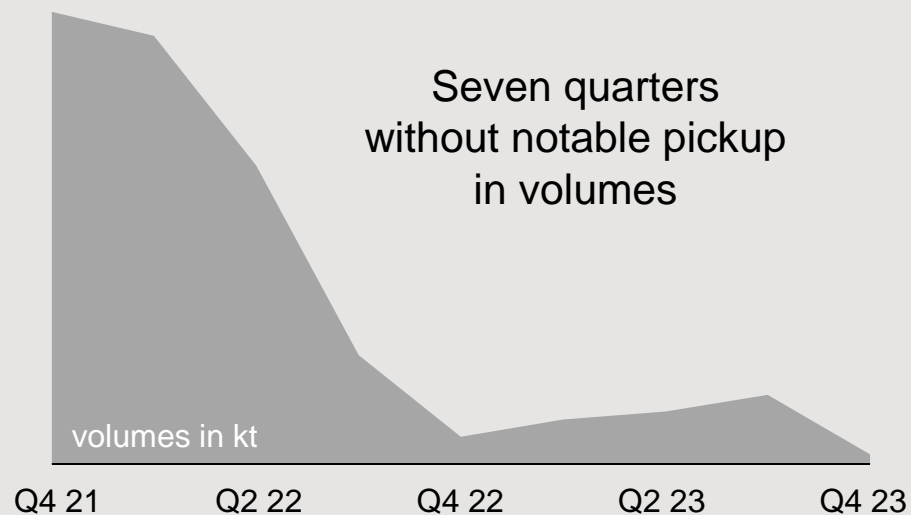
FY 2024 **adj. EBITDA outlook** of €1.7 to 2.0 bn: **Earnings growth** enabled by cost savings and Animal Nutrition
Q1 already expected above prior-year level

Next step in Performance Materials divestment: **Sale of Superabsorber signed**

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We are in the longest demand slowdown in recent history ...



2023

... and our assumptions for 2024 remain on the conservative side

- Assumption of global GDP growth to stay below 2023 level
- No pronounced demand recovery in end markets assumed
- Geo-political uncertainties to persist

2024

Our strong focus on cash and costs is paying off ...

€250 m

Contingencies delivered

-20%

Capex below initial plan

48%

Record-high cash conversion

2023

... and we will maintain this focus going forward

Contingencies to be continued

Further capex reduction

Another year of ~40% cash conversion

2024

**We took the first step in
divesting Performance Materials ...**



Functional Solutions

2023

**... and locked in the second step
in early 2024**



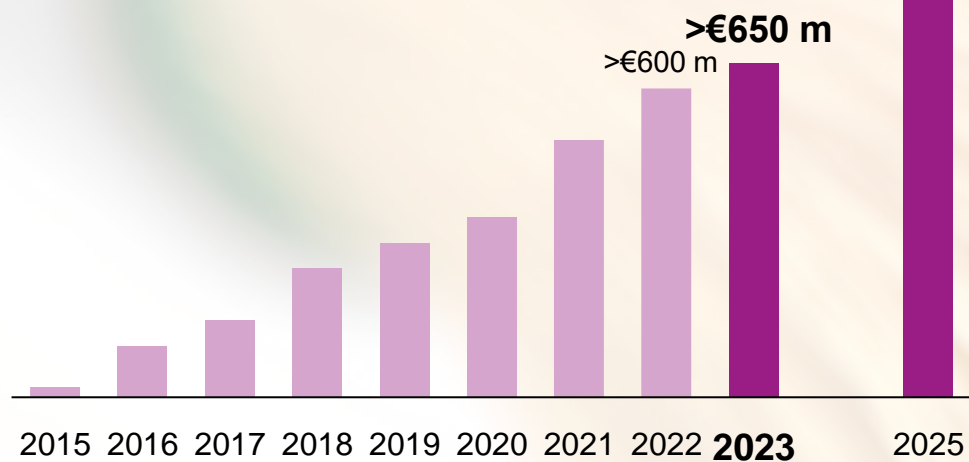
Superabsorber

2024

Innovation Growth Fields growing also in difficult markets

Sales in € m

High-single-digit sales growth in IGFs in 2023
at above group margin –
while Evonik sales were down



Gas-separation
membranes again
with strong
growth in 2023 –
new capacity
under
construction

Improving our
handprint:
Increasing share of
“Next Generation
Solutions”¹

NEXTGEN 

2020	37%
2023	43%
2030	>50%

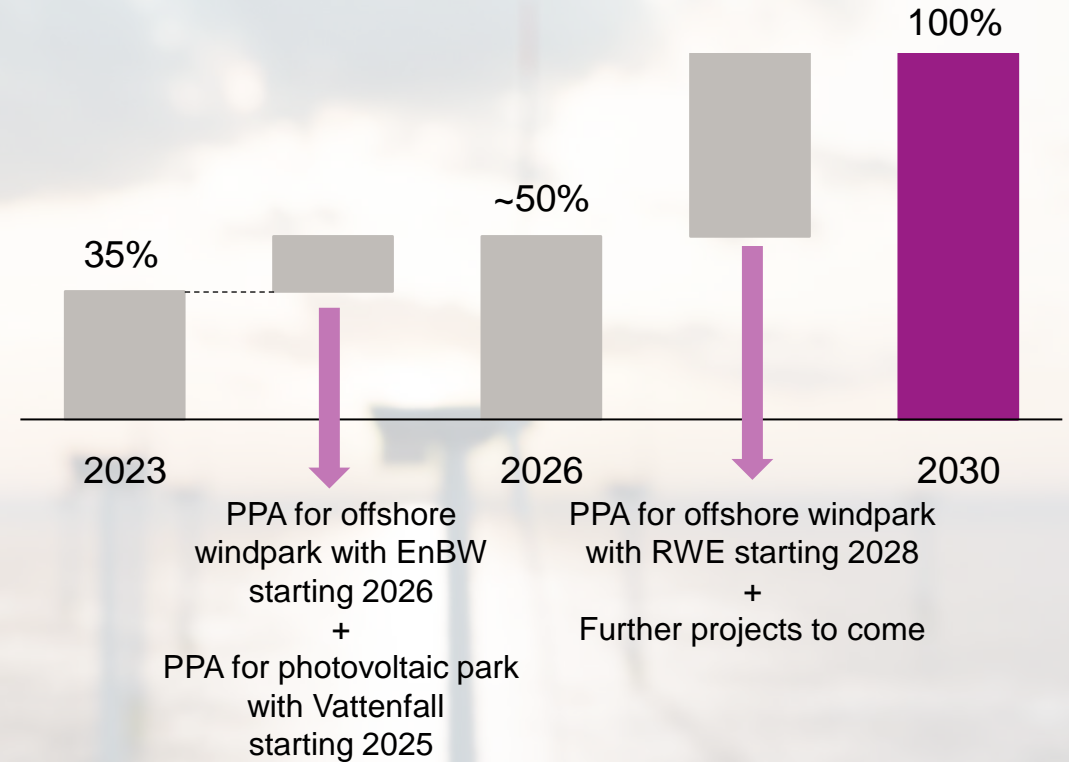


1. NGS: “Next Generation Solutions” include “Leader” (A++) and “Driver” (A+) products and solutions = products with superior sustainability benefits compared with the market standard



More PPAs signed to reach 100% green electricity by 2030

Share of externally sourced green electricity globally



Focused investments into our future

2024

Nutrition & Care

First industrial-scale rhamnolipid biosurfactant plant for household & personal care

2025

Nutrition & Care

Lipid production facility for mRNA-based therapies in the U.S.

2026

Smart Materials

Expansion of precipitated silica capacity in US for green tire application

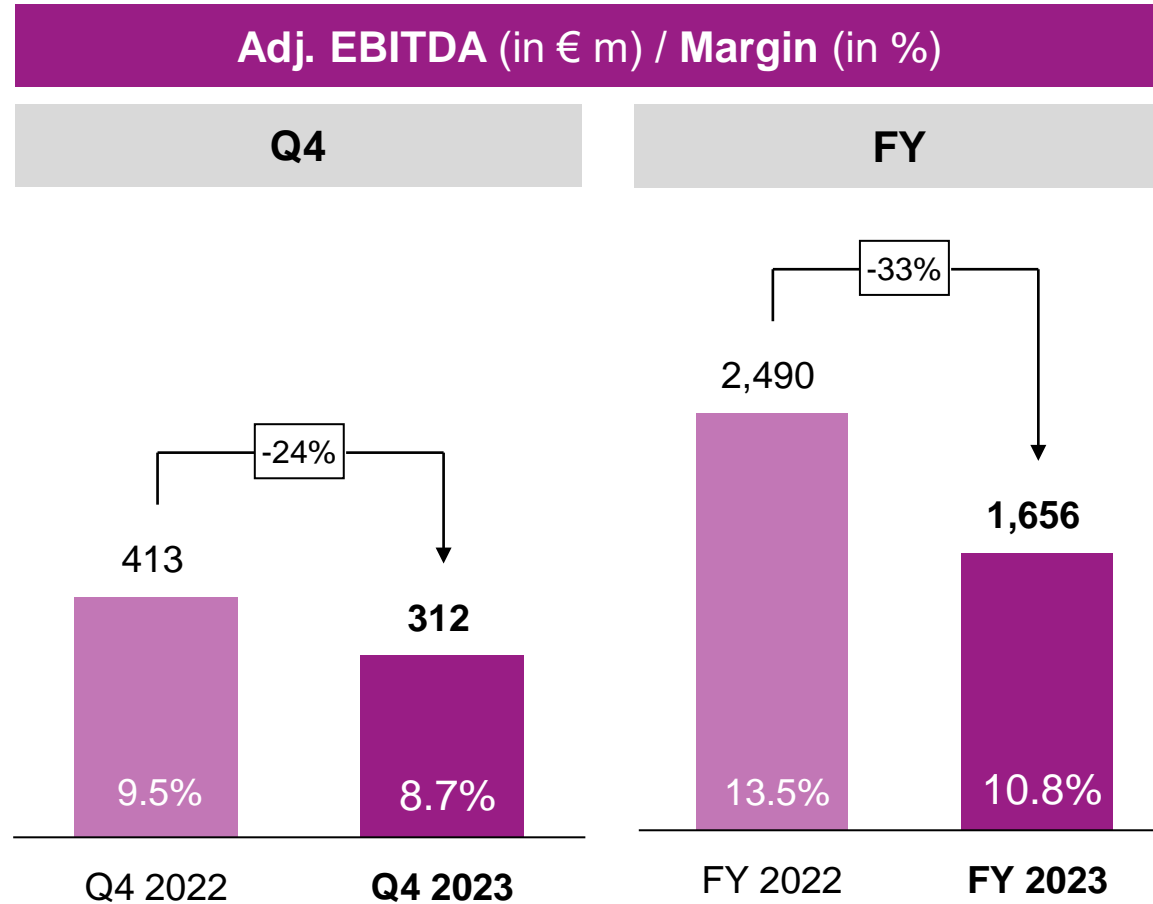
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Q4 2023 results overview

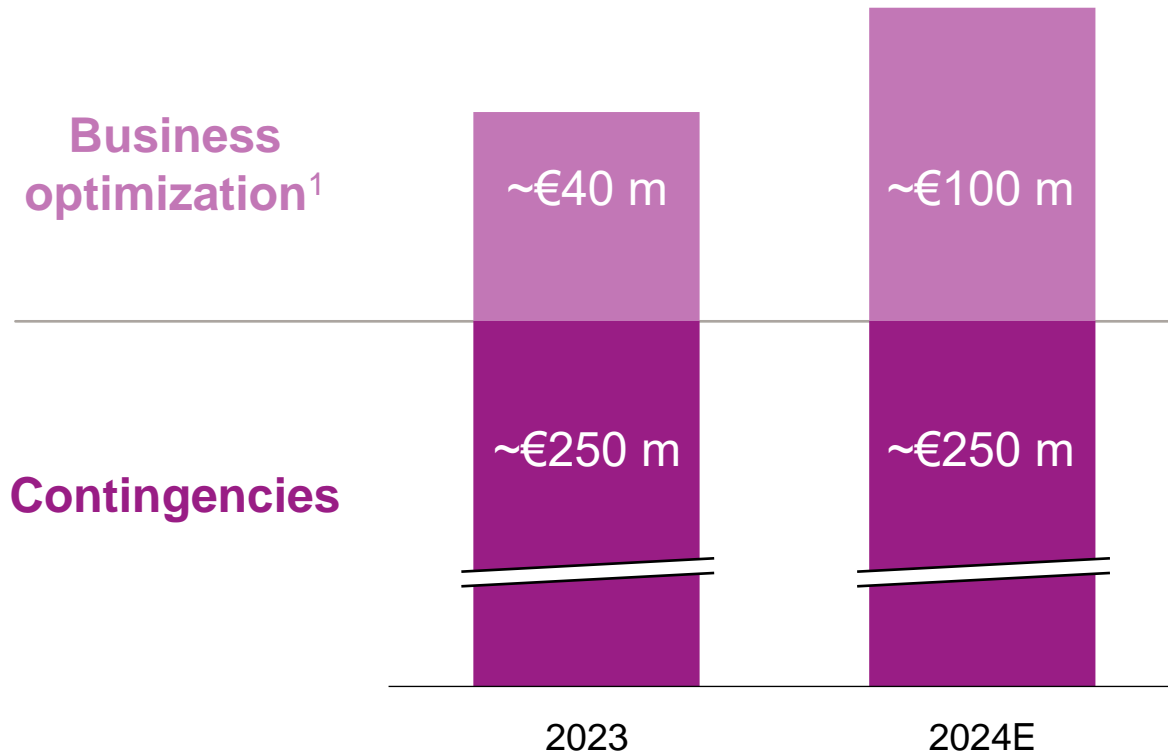
Sales (in € m)	Adj. EBITDA (in € m)	Free cash flow (in € m)	Adj. EPS (in €)
<p>3,604</p> <p>(Q4 2022: 4,340)</p>	<p>312</p> <p>(Q4 2022: 413)</p>	<p>515</p> <p>(Q4 2022: 603)</p>	<p>-0.12</p> <p>(Q4 2022: 0.20)</p>
<p>Volume effect yoy (-2%) less negative than in Q3; pricing effect yoy (-5%) on similar level as in Q3</p>	<p>Impacted by around -€50 m exceptional headwinds</p>	<p>Strong NWC and capex discipline resulting in record-high cash conversion of 48% for the full year</p>	<p>Impacted by more negative financial result and extraordinarily high tax rate</p>

Adj. EBITDA development in 2023



- **Operational headwinds** in Q4
 - Volumes in kt even lower qoq
 - Prices -5% yoy vs. -6% in Q3: positive price trend in Animal Nutrition compensates yoy slightly lower prices in Specialty Additives and Smart Materials
 - NWC (esp. inventory) optimization with negative EBITDA effect
 - Planned shutdown of methionine plant in Singapore
- Additionally, Q4 impacted negatively by around **-€50 m exceptional headwinds**
 - Argentinian Peso devaluation and hyperinflation accounting (in “Other”)
 - Inventory devaluation in PM

Short-term self-help measures to be continued into FY 2024



- Mainly implementation of new business model for Animal Nutrition (€200 m gross savings by 2025)
 - Additional €60 m targeted for FY 2024
 - Half of €200 m savings to be realized by end of 2024
-
- Contingency target of €250 m achieved in FY 2023
 - Measures are overcompensating cost inflation: Fixed costs clearly below prior-year
 - Contingency measures to be continued into 2024, similar (net) effect targeted yoy
 - Personnel (e.g. hiring freeze), external services and travel to stay major categories

1. Cumulated

Reorganization program “Evonik Tailor Made”: Started in October; 1st phase now completed; €400 m savings target

Overarching idea of Evonik Tailor Made

**Business Lines
as “nucleus” of Evonik**
through shifting of responsibilities
from corporate or division level

**Empowerment of individual employees
and faster decision making**
through reduction of hierarchy levels, increasing management
span and cutting tasks without direct business relevance

€400m

First smaller savings in 2024;
majority of savings in 2025 and 2026

Personnel costs

~80%

- Reduction of up to 2,000 employees by end of 2026
- Majority in administration & other support functions, remaining from business organizations
- Over-proportionally high number of management positions
- Max. 6 hierarchy levels below C-level (down from currently up to 10); management span¹ increasing from 1:4 to 1:7

Non-personnel costs

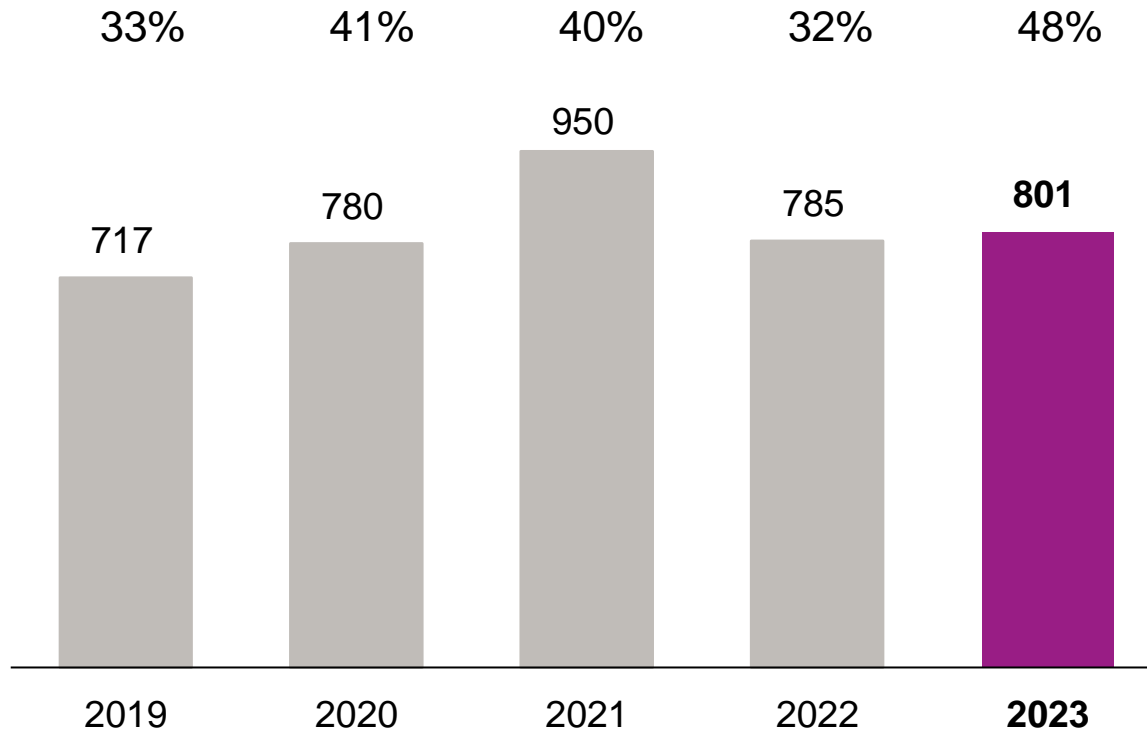
~20%

- e.g.:
- Agency & consulting costs
 - Sport sponsoring

1. Number of employees per leadership position

Free Cash Flow: Strong track record in absolute terms and %-conversion

Free Cash Flow (in € m) / Cash Conversion Rate (in %)



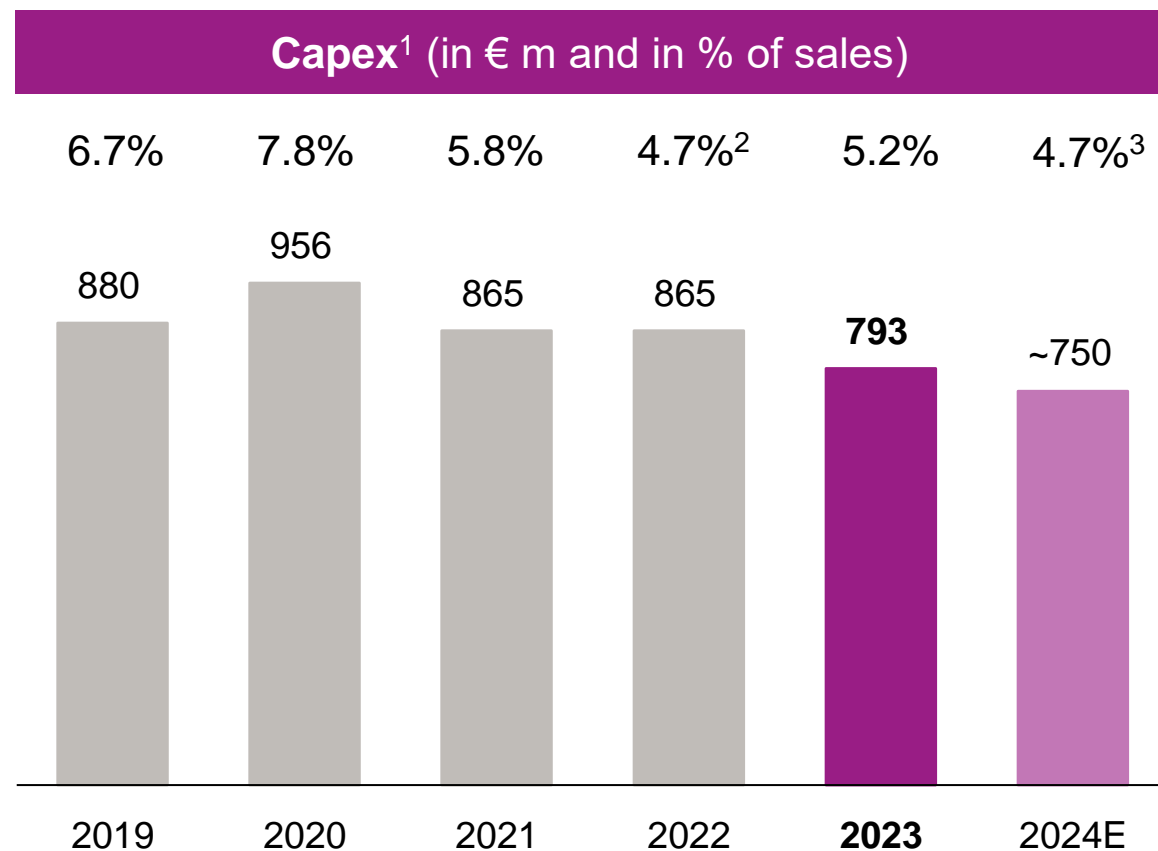
Track record of strong and stable cash generation

- >€700 m FCF and >30% CCR in each of last five years
- Average cash conversion rate of 39%

FY 2023

- Stable FCF despite >€800 m lower adj. EBITDA
- >€700 m positive cash impact yoy from stringent NWC management

Strong capex discipline supporting cash track record



Capex constantly lowered over recent years

- Larger capex projects (e.g. PA12 or Methionine) completed
- Current low utilization rates enable growth without larger new investments

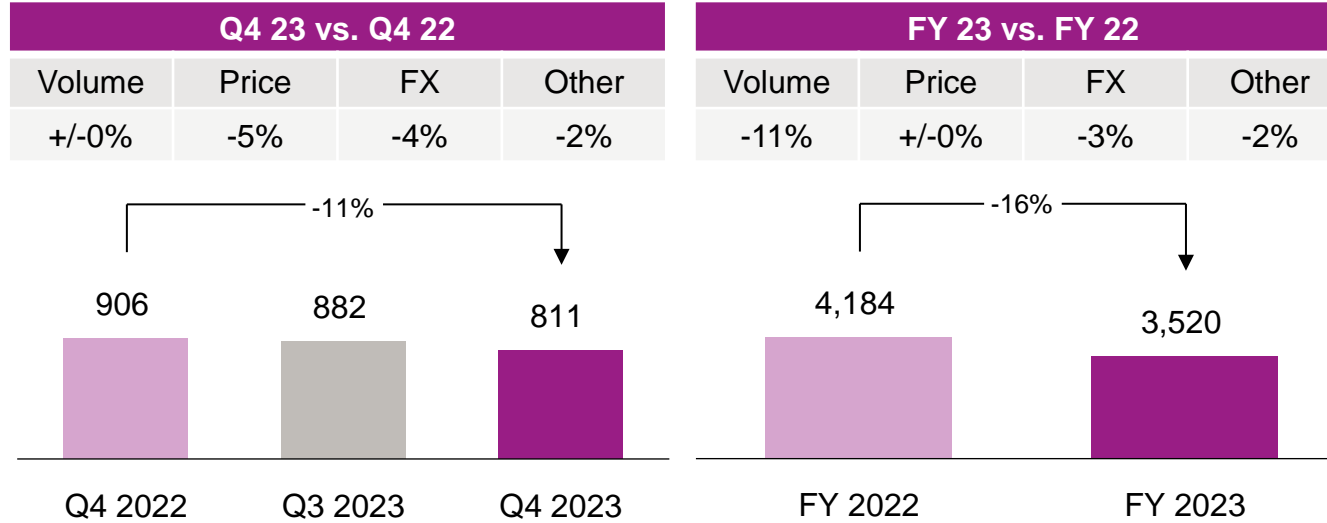
More targeted investment approach

- Leveraging government support where possible (e.g. lipids in the US, aluminum oxide in Japan)
- Focusing capex on attractive growth areas (e.g. biosurfactants, lipids, battery materials)

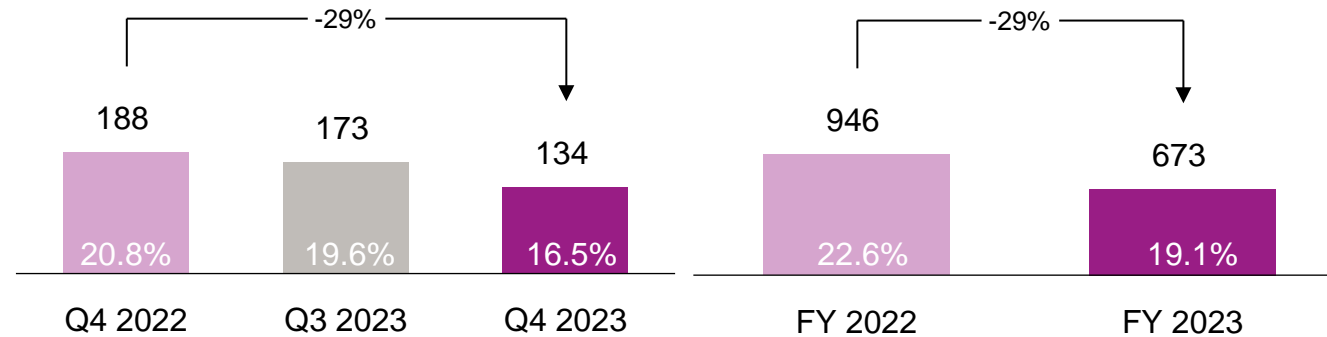
1. Cash outflow for investment in intangible assets, pp&e | 2. Sales inflated by prices | 3. At mid-point of sales guidance range of €15-17 bn in FY 2024

Specialty Additives

Sales
(in € m)



Adj. EBITDA / margin
(in € m)
(in %)



- 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



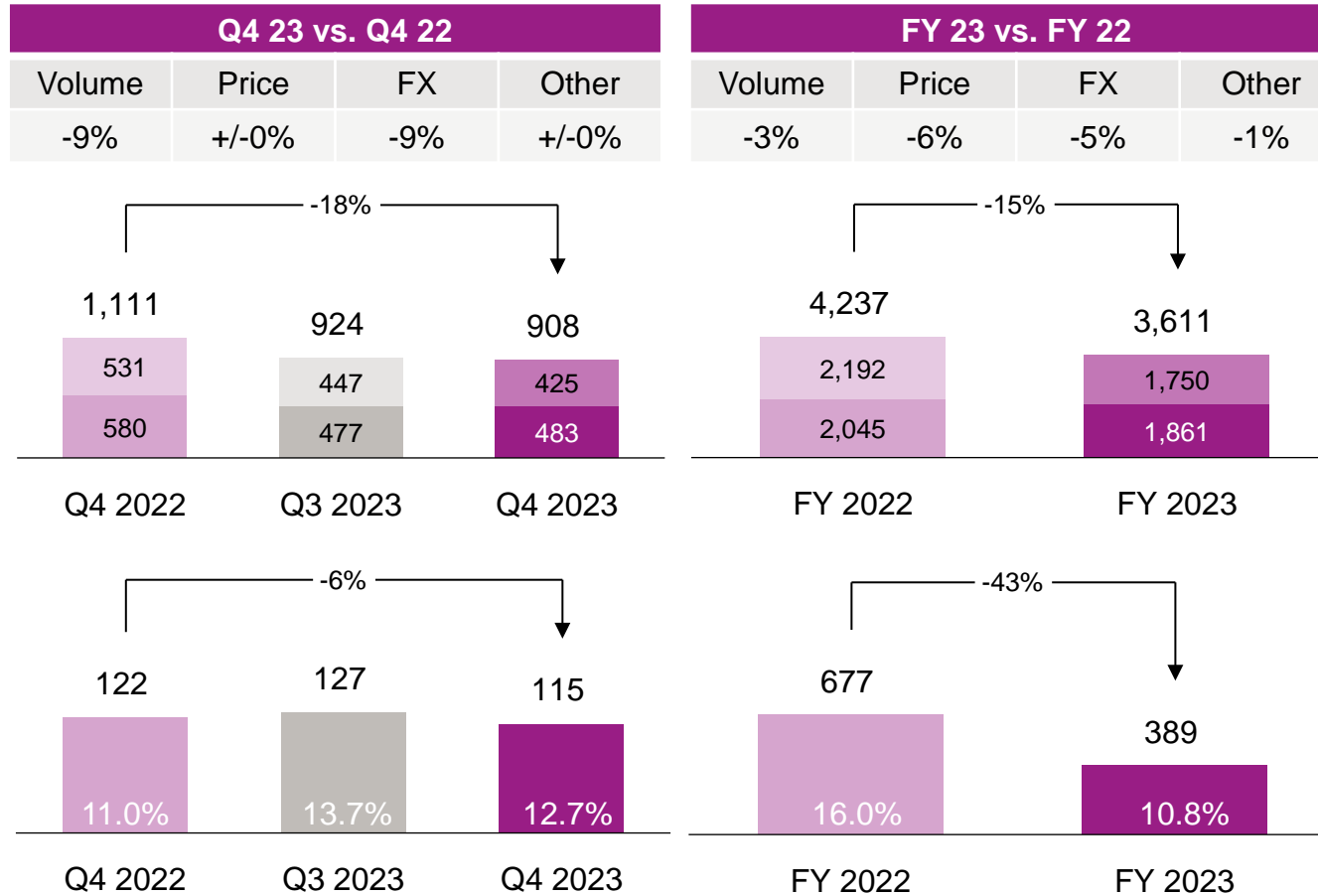
Nutrition & Care

Sales (in € m)

Animal
Nutrition

Health &
Care

Adj. EBITDA (in € m) / margin (in %)



- 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



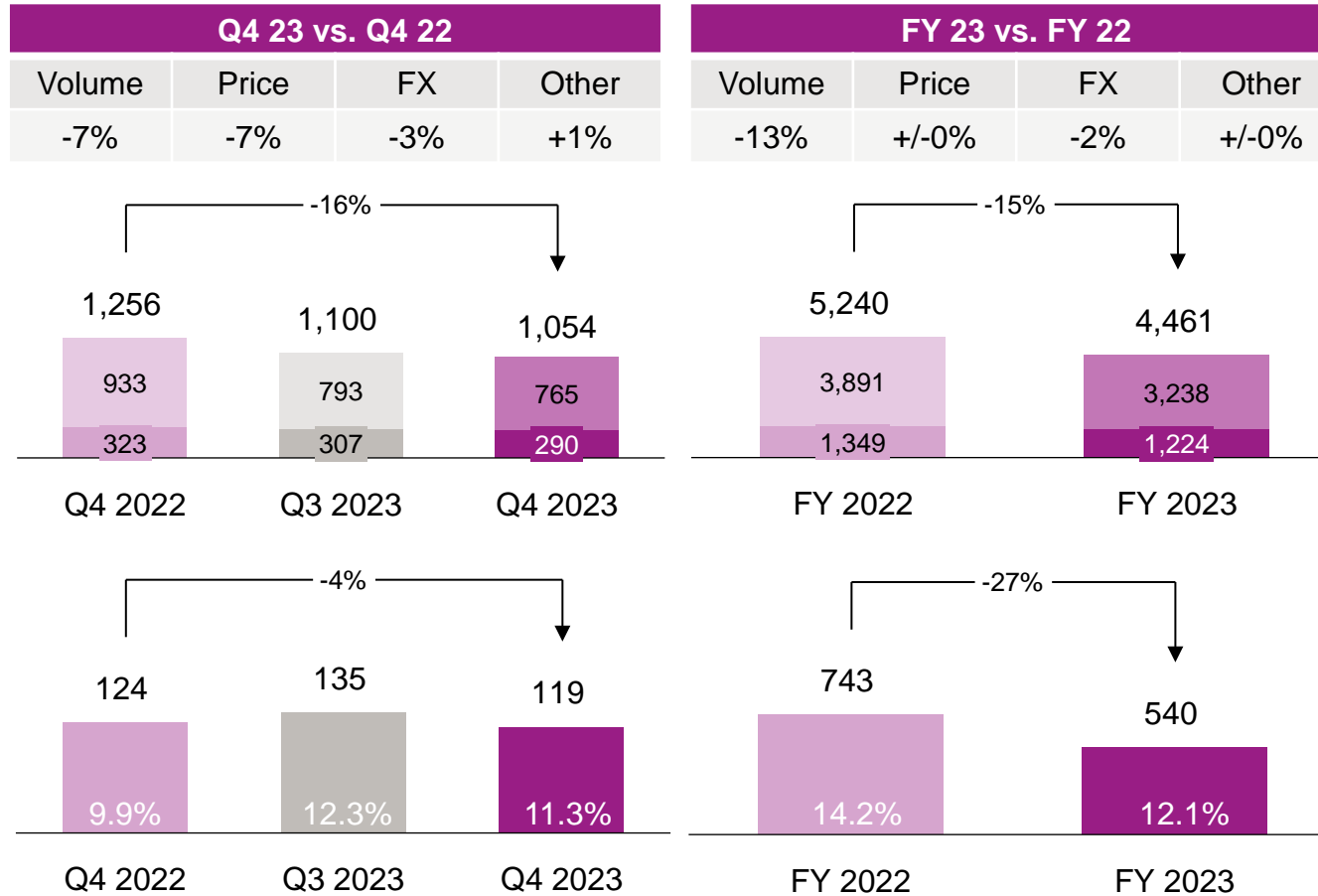
Smart Materials

Sales

(in € m)

Inorganics

Polymers

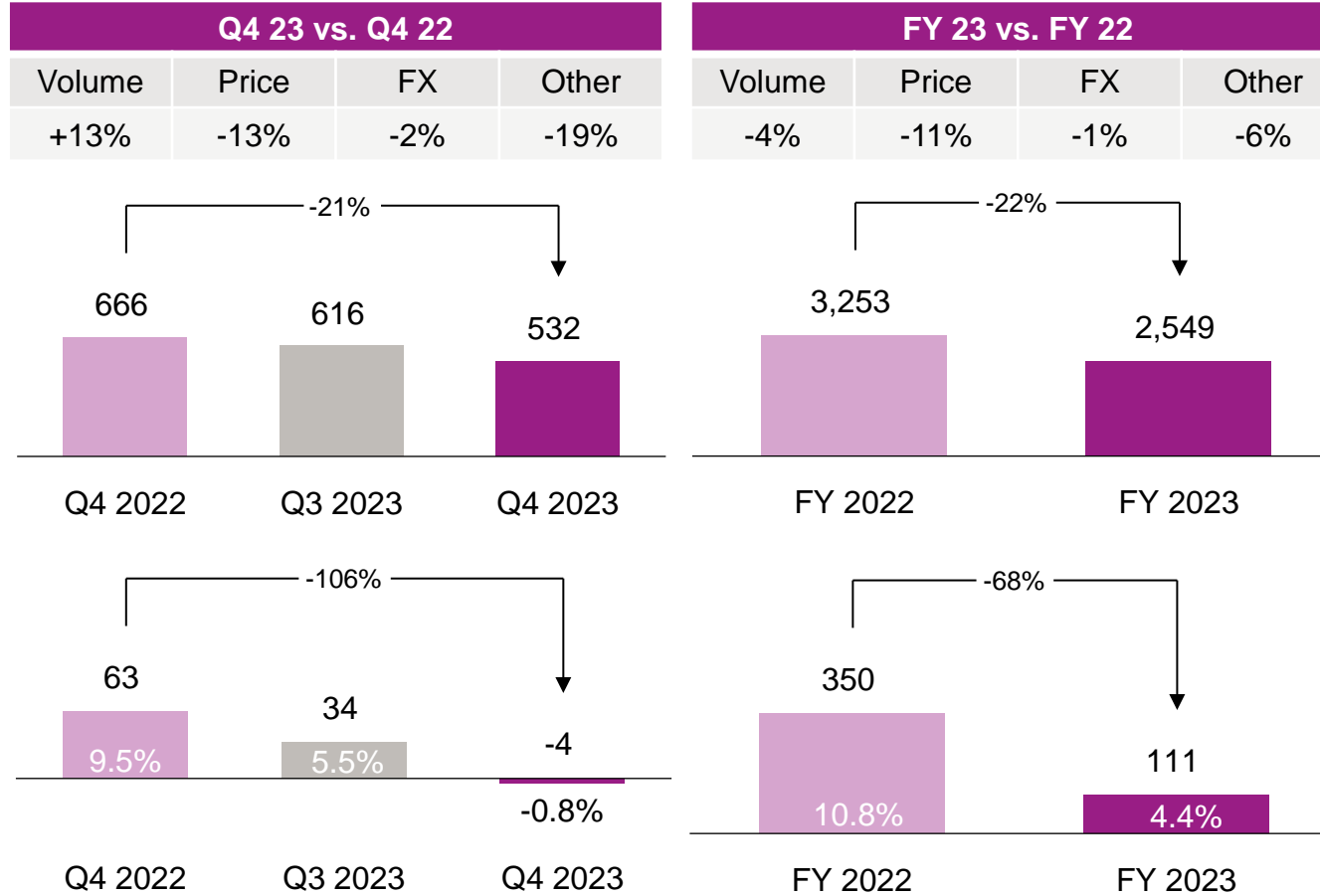


- Volumes reflecting weak environment and especially impacted by NWC optimization (own & customers) at year-end
- Lower pricing to pass on decreasing raw material costs
- Almost stable adj. EBITDA yoy and less seasonal decline qoq, based on
 - Positive momentum in specialty silica
 - Improving Active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



Performance Materials

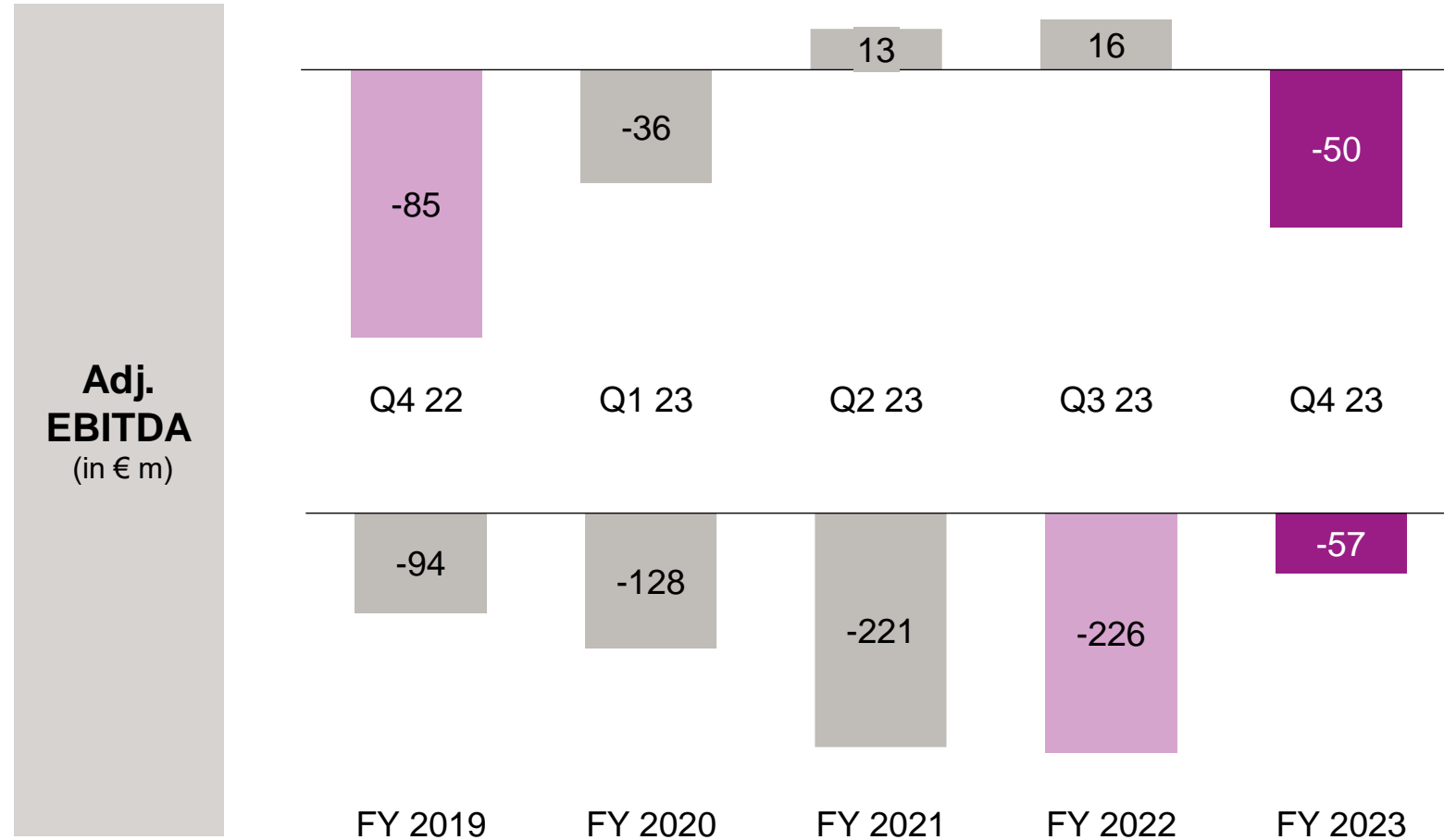
Sales
(in € m)



Adj. EBITDA
(in € m)
/ margin
(in %)

- 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 / Other



Q4 2023

- 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)

FY 2023

- 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
- 2022 impacted by higher costs for power plant and energy purchasing; 2021 impacted by high energy costs, weather damages and higher bonus provisions

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Assumptions for FY 2024 outlook

Supporting factors

Self-help measures extended

- Contingency measures to be continued in 2024
- First smaller savings from “Evonik Tailor Made”
- Operational efficiency programs (esp. in Animal Nutrition) ramping up further

Animal Nutrition with stronger H1

- Methionine contract price on healthy level at least during H1

Factors to consider

Conservative macro assumptions

- Global GDP growth below 2023 level (2.3% vs 2.7%)
- Geo-political uncertainties to persist
- No pronounced demand recovery in end markets

Procurement

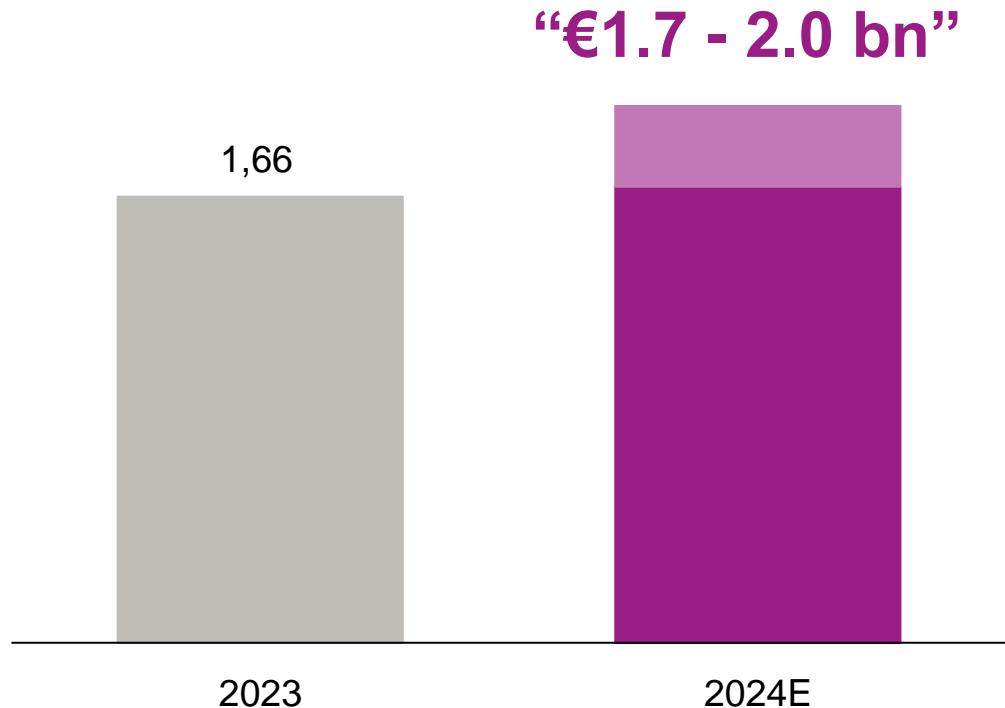
- Energy costs only slightly lower due to long-term hedging
- Raw material basket expected to move sideways
- Logistic costs with significant relief (high double-digit m €)

Others

- Higher bonus provisions expected (yoy)

Adj. EBITDA: Growth expected despite conservative macro assumptions

Adj. EBITDA (in € bn)



By division

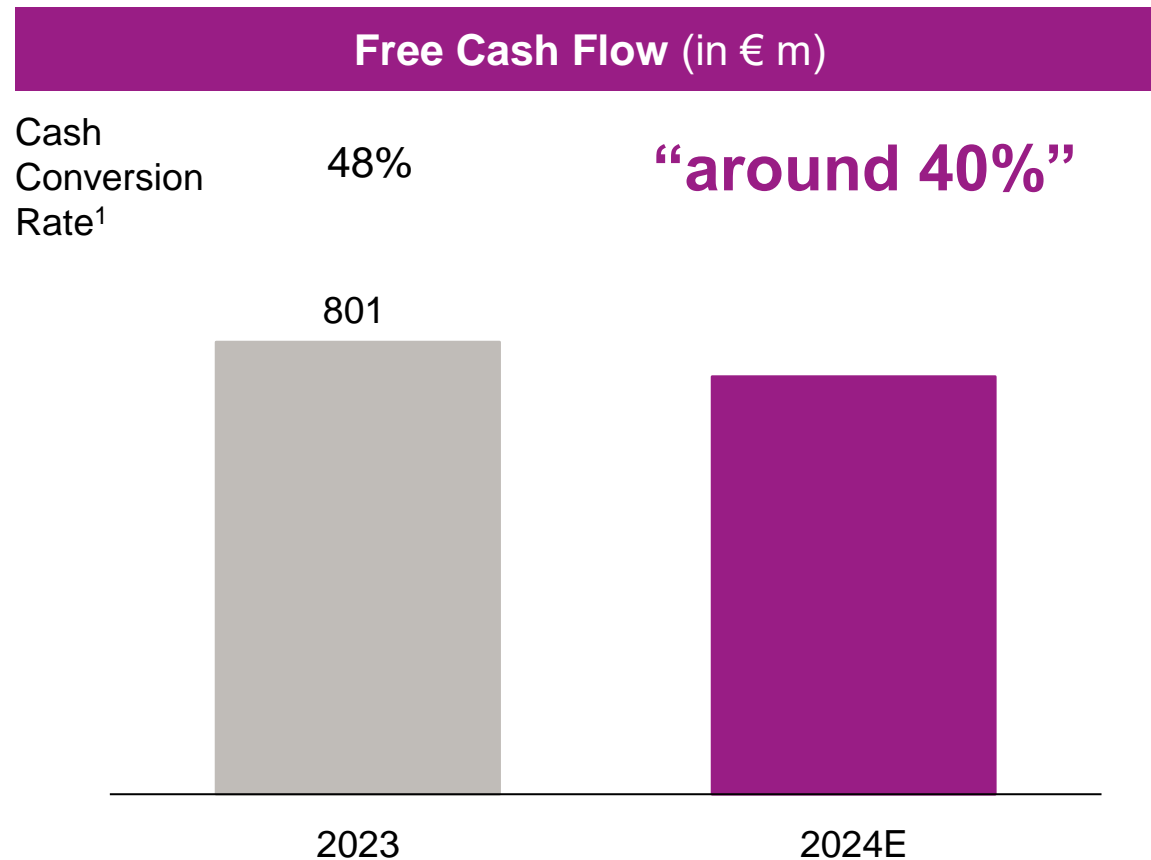
- Specialty Additives & Smart Materials: Assumption of no pronounced end market recovery
- Nutrition & Care: “Considerably above prior-year level”
 - Methionine contract price with healthy price level at least during H1 and additional savings from change in business model
 - Growth in Care Solutions
- Performance Materials: Continued low demand, only modest recovery expected

Q1 2024

- Adj. EBITDA expected above prior-year level (Q1 2023: €409 m)

Unchanged portfolio vs. year-end 2023 (Performance Materials incl. Superabsorber)

Free Cash Flow: Again targeting ~40% conversion

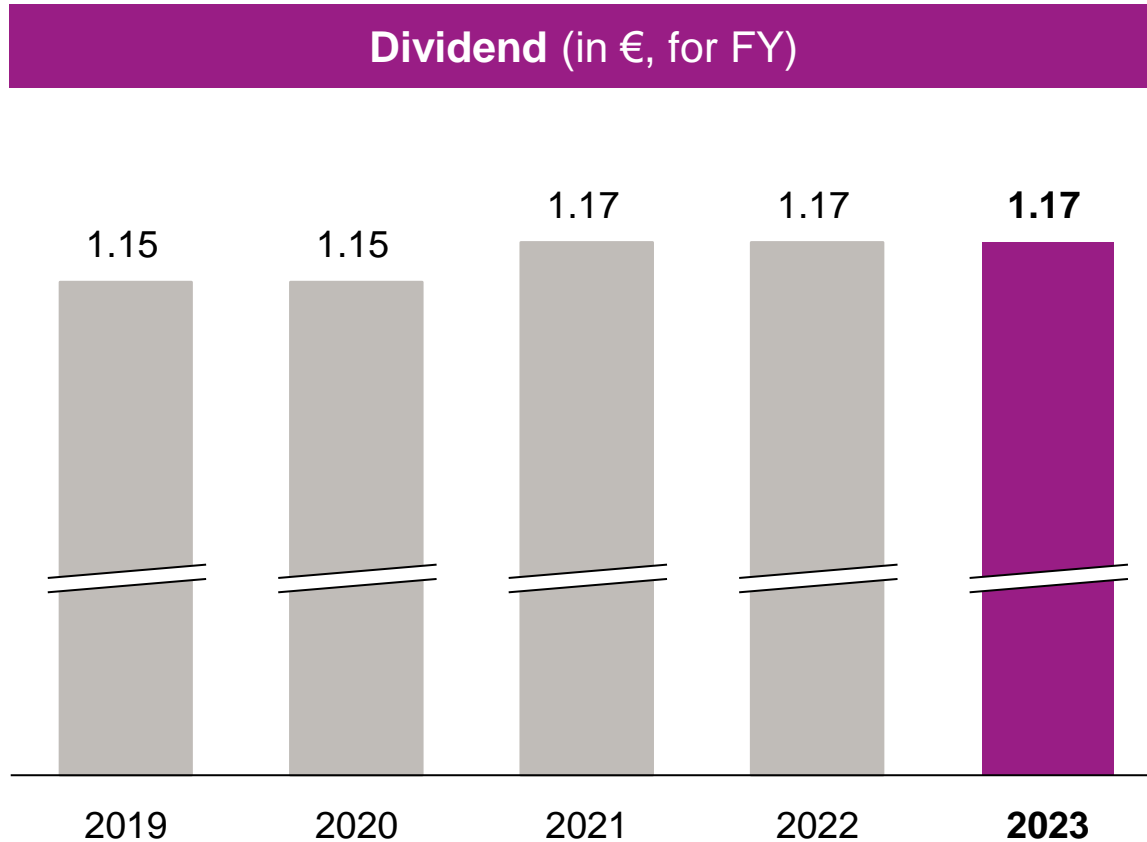


Building blocks for FCF development

- yoy better **operating result** as starting point
- Continued **capex**² discipline:
~€750 m targeted; ~€50 m lower yoy
- ~€100 m yoy lower **bonus payments** in FY 2024 (for 2023)
- NWC** outflow expected (vs inflow in 2023)
- Slightly lower **cash taxes** expected

1. Free cash flow conversion (FCF / adj. EBITDA) | 2. Cash outflow for investment in intangible assets, pp&e

Stable dividend covered by strong Free Cash Flow



- Long-term dividend policy aligned to continuity and reliability
- Stable dividend proposal of €1.17 for FY 2023
- Attractive dividend yield of >6%¹
- Dividend (total payout €545 m) covered by strong Free Cash Flow generation (€801 m in FY 2023)

1. Based on year-end 2023 closing share price of €18.50

Executing well against a difficult market backdrop

Short-term self-help measures

Contingency measures in 2023 & 2024
Business optimization programs
NWC and capex discipline

Mid-term strategy execution

Portfolio transformation
Reorganization: Evonik Tailor Made
Innovation and NGS growth

Earnings growth in 2024

Sustainably strong cash generation

Attractive & reliable dividend

Green transformation of portfolio and production





Innovation for future growth



EVONIK

Leading Beyond Chemistry

FY 2024 adj. EBITDA outlook by division^{1, 2}

Specialty Additives	Nutrition & Care	Smart Materials	Performance Materials
 <ul style="list-style-type: none"> ▪ No broad-based recovery of demand, prod. volumes and capacity utilization assumed ▪ First signs of recovery from coatings industry after prolonged period of destocking ▪ Continued high competitive intensity (esp. Crosslinkers) 	 <ul style="list-style-type: none"> ▪ 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 	 <ul style="list-style-type: none"> ▪ Assumption of no pronounced end market recovery ▪ Slightly positive development in Inorganics ▪ Polymers supported by increasing PA12 volumes and less maintenance costs 	 <ul style="list-style-type: none"> ▪ Continued low demand level assumed in C4 ▪ Modest recovery in prices and margins from trough levels ▪ Some support from lower energy costs
<p>“around prior-year level” (2023: €673 m)</p>	<p>“considerably above prior-year level” (2023: €389 m)</p>	<p>“slightly above prior-year level” (2023: €540 m)</p>	<p>“above prior-year level” (2023: €111 m)</p>

1. Unchanged portfolio vs. year-end 2023 (Performance Materials incl. Superabsorber)

2. “Service dividend” paid to the divisions by Technology & Infrastructure in the past (-€82 m in FY 2023) will no longer be paid; as a result, earnings at Technology & Infrastructure to increase in 2024 compared to the previous year, while earnings in the operating divisions will decrease proportionately (previous year's figures not adjusted)

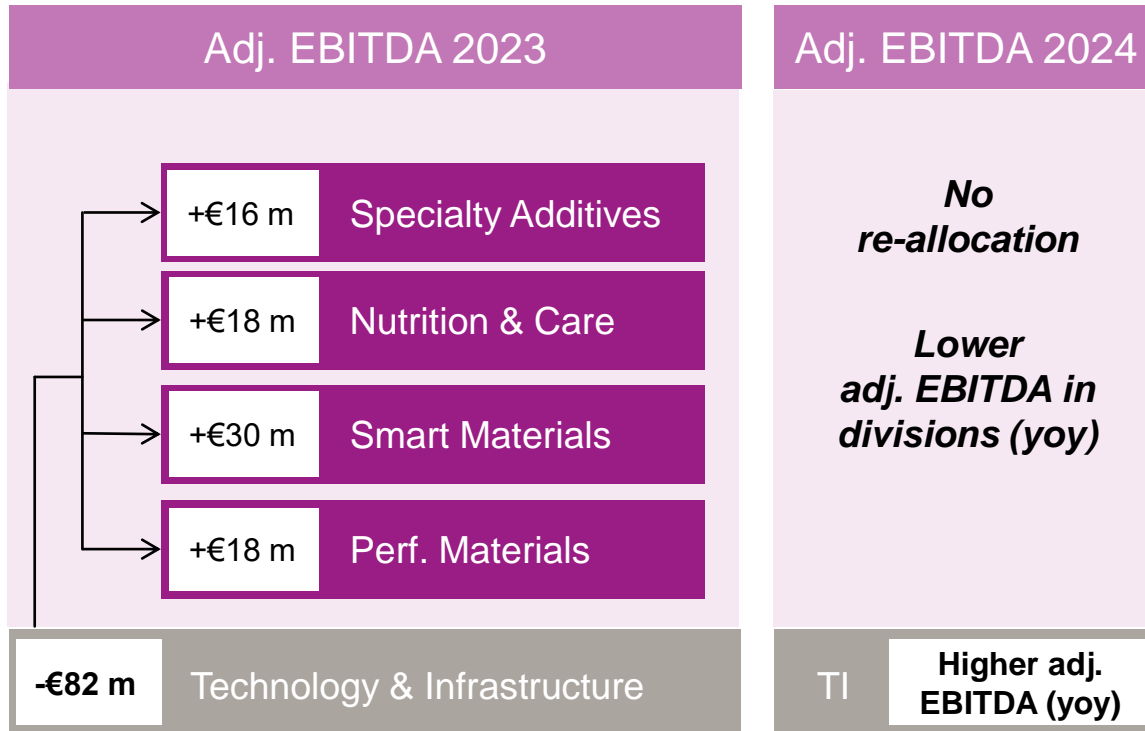
Additional indications for FY 2024

Sales	between €15 and 17 bn (2023: €15.3 bn)
ROCE	significantly above the low level of 2023 (2023: 3.4%)
Capex¹	around €750 m (2023: €793 m)
EUR/USD sensitivity²	+/-1 USD cent = -/+ ~€10 m adj. EBITDA (FY basis)
Adj. EBITDA T&I / Other³	slightly negative adj. EBITDA (2023: -€57 m); positive effect from termination of “service dividend”, negative effect from expected higher bonus provisions
Adj. D&A	around prior-year level (2023: €1,135 m)
Adj. net financial result	slightly more negative than prior year (2023: -€103 m)
Adj. tax rate	around long-term sustainable level of ~30% (2023: 33%)

1. Cash outflow for investment in intangible assets, pp&e | 2. Including transaction effects (after hedging) and translation effects; before secondary / market effects | 3. Excl. “service dividend” (-€82 m in FY 2023)

Technology & Infrastructure: No more “service dividend” in 2024

Effect of “TI-Dividend” in 2023 vs. 2024



Until 2023

- Technology & Infrastructure (TI) generated positive results with internal & external customers
- Part of these earnings were re-allocated to the chemicals divisions
 - thereby reducing TI earnings (-€82 m in 2023) and supporting earnings for the chemicals divisions

From 2024 onwards

- In preparation of the realignment of TI, no further re-allocation to divisions
- This will result in a higher adj. EBITDA for TI in 2024 compared to previous years (and lower for the chemicals divisions)
- Prior year figures will not be restated

Adjusted income statement Q4 2023

in € m	Q4 2022	Q4 2023	Δ
Sales	4,340	3,604	-17%
Adj. EBITDA	413	312	-24%
Depreciation & amortization	-333	-280	
Adj. EBIT	80	32	-64%
Adj. net financial result	10	-50	
D&A on intangible assets	48	35	
Adj. income before income taxes	138	17	-88%
Adj. income tax	-39	-71	
Adj. income after taxes	99	-54	> -100%
Adj. non-controlling interests	-5	-2	
Adj. net income	94	-56	> -100%
Adj. earnings per share (in €)	0.20	-0.12	> -100%
Adjustments	-340	-2	

Adj. D&A (-€280 m)

- Materially lower yoy due to different phasing and impairments in Q4 2022
- Full year adj. D&A stable

Adj. net financial result (-€50 m)

- Higher interest expense from application of lower discount rate on other provisions
- Last year with positive one-off effect (reduced interest rates for tax interest)

Adj. tax rate (>100%)

- One-time effect due to revaluation of deferred tax assets (DTA)
- Mainly DTA in Germany could only be applied partially due to a tax loss history

Adjusted income statement FY 2023

in € m	FY 2022	FY 2023	Δ
Sales	18,488	15,267	-17%
Adj. EBITDA	2,490	1,656	-33%
Depreciation & amortization	-1,140	-1,135	
Adj. EBIT	1,350	521	-61%
Adj. net financial result	-19	-103	
D&A on intangible assets	169	153	
Adj. income before income taxes	1,500	571	-62%
Adj. income tax	-431	-188	
Adj. income after taxes	1,069	383	-64%
Adj. non-controlling interests	-15	-13	
Adj. net income	1,054	370	-65%
Adj. earnings per share (in €)	2.26	0.79	-65%
Adjustments	-408	-764	

Adj. net financial result (-€103 m)

- In-line with guidance of adj. financial result to be back at 2021 levels (-€97 m)
- Mainly driven by Q4 (see previous slide)

Adj. tax rate (33%)

- Distorted by exceptional items in Q4 (see previous chart)
- Expected to be back to ~30% in 2024

Adjustments (-764 m)

- Mainly asset impairments in Animal Nutrition and Silica (total €390 m in Q2) as well as Superabsorber impairment (€233 m in Q3)

Cash flow statement Q4 2023

in € m	Q4 2022	Q4 2023
Income before financial result and income taxes (EBIT)	-260	30
Depreciation and amortization	755	281
Δ Net working capital	541	427
Change in provisions for pensions & other post-employment benefits	-44	-4
Change in other provisions	-11	-1
Change in miscellaneous assets/liabilities	-44	38
Cash inflows/outflows from income taxes	14	-61
Others	-53	-7
Cash flow from operating activities	898	703
Cash outflows for investment in intangible assets, pp&e	-295	-188
FCF	603	515
Cash flow from investing activities	-328	-328
Cash flow from financing activities	-994	-217

CF from operating activities (€703 m)

- D&A: Last year with higher impairment charges (€301 m goodwill of Performance Materials)
- Tailwind from net working capital optimization (inventories, receivables)
- Higher cash inflow from miscellaneous assets related to other tax receivables
- Higher outflows for taxes

CF from financing activities (-€217 m)

- Lower outflows for debt repayment (bond repayment in Q4 2022)

Cash flow statement FY 2023

in € m	FY 2022	FY 2023
Income before financial result and income taxes (EBIT)	942	-243
Depreciation and amortization	1,568	1,841
Δ Net working capital	-485	258
Change in provisions for pensions & other post-employment benefits	-19	-55
Change in other provisions	-149	-141
Change in miscellaneous assets/liabilities	10	152
Cash inflows/outflows from income taxes	-174	-232
Others	-43	14
Cash flow from operating activities	1,650	1,594
Cash outflows for investment in intangible assets, pp&e	-865	-793
FCF	785	801
Cash flow from investing activities	-777	-653
Cash flow from financing activities	-672	-823

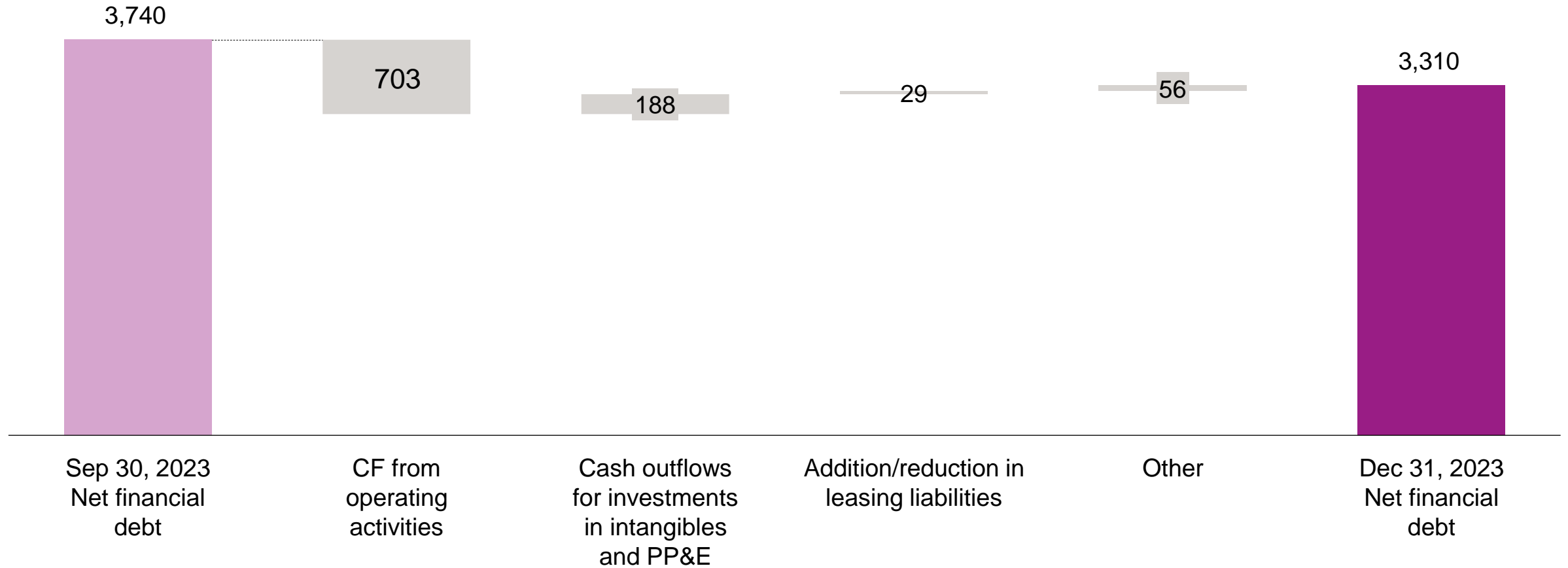
CF from operating activities (€1,594 m)

- EBIT significantly lower yoy
- Significant impairment charges in Animal Nutrition, Silica and Superabsorber
- Inflow from NWC vs an outflow last year
- Higher cash inflow from miscellaneous assets related to other tax receivables and prior year insurance reimbursements

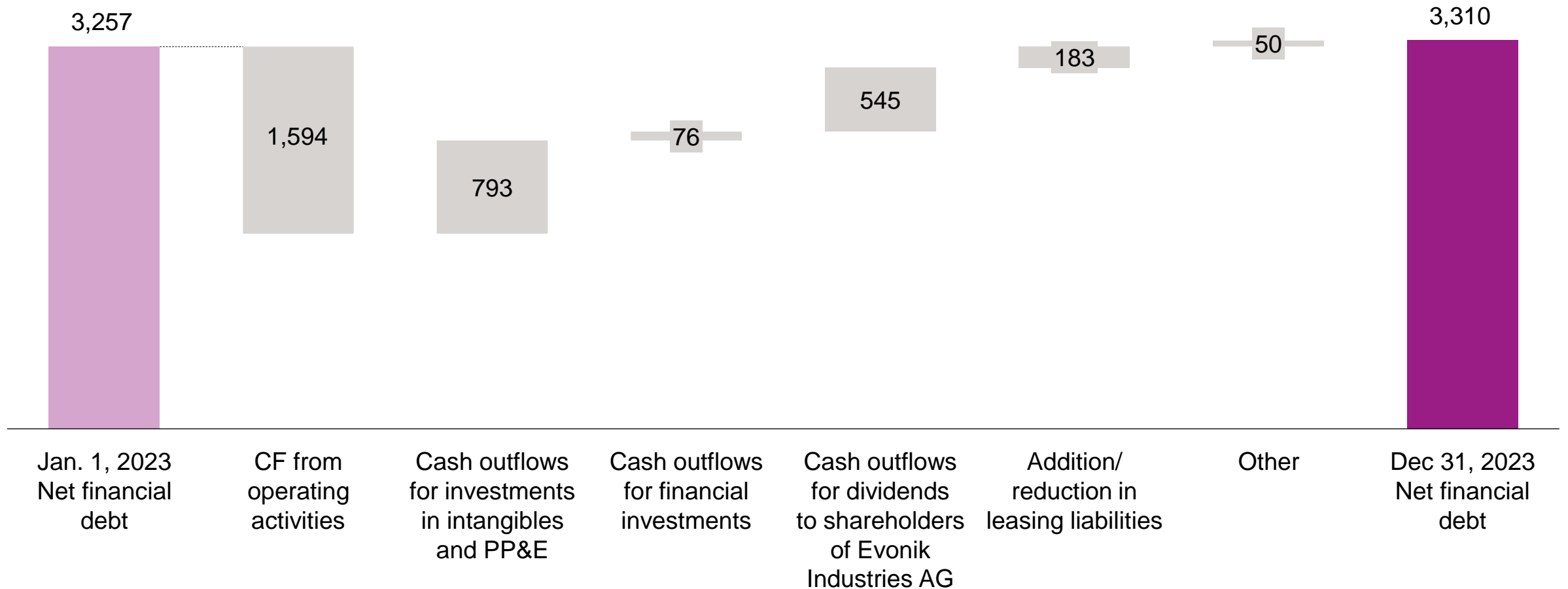
CF from financing activities (-€823 m)

- Lower inflow from debt issuance more than overcompensating also lower outflows for debt repayment

Net financial debt development Q4 2023

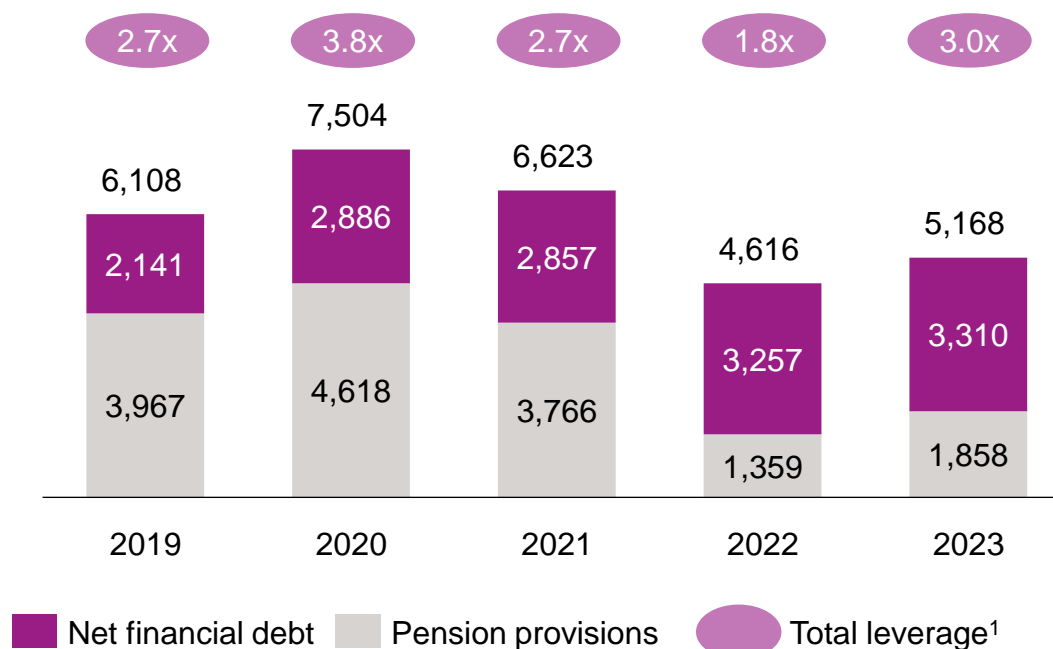


Net financial debt development FY 2023



Development of debt and leverage over time

(in € m)



Adj. net debt²	5,858	7,254	6,373	4,366	4,918
Adj. EBITDA (last 12 months)	2,153	1,906	2,383	2,490	1,656
German pension discount rate (%)	1.30	0.90	1.30	4.10	3.50

1. Adj. net debt / adj. EBITDA | 2. Net financial debt – 50% hybrid bond + pension provisions
3. (Net financial debt – 50% hybrid bond) / adj. EBITDA | 4. Before impairment

Net financial debt (€3,310 m)

- Net financial debt yoy broadly stable
- Lower adj. EBITDA leading to increase of net financial debt leverage to 1.8x³

Pension provisions (€1,858 m)

- Long-dated pension obligations with ~14 years duration
- ~€500 m / ~€700 m higher pension provisions yoy / qoq due to decrease of pension discount rates (in Germany from 4.1% / 4.4% to 3.5%)
- Pension provisions partly balanced by corresponding deferred tax assets of ~€0.6 bn⁴

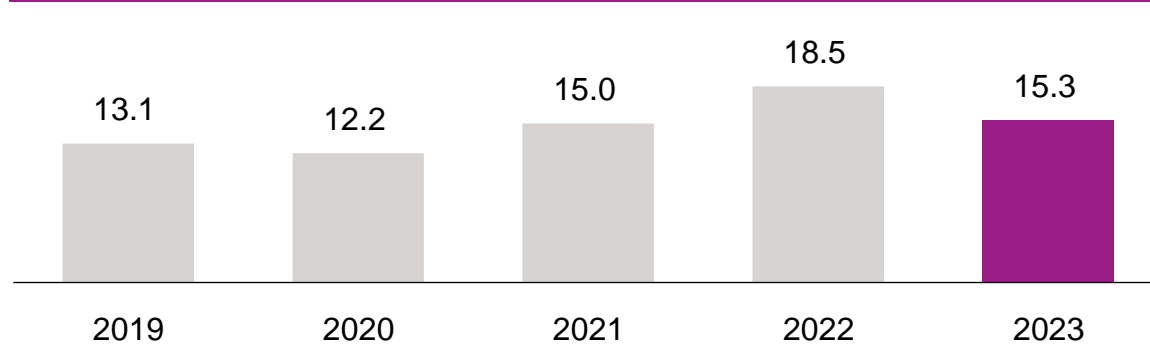
Divisional overview by quarter

Sales (in € m)	Q1/22	Q2/22	Q3/22	Q4/22	FY 2022	Q1/23	Q2/23	Q3/23	Q4/23	FY 2023
Specialty Additives	1,049	1,116	1,113	906	4,184	921	906	882	811	3,520
Nutrition & Care	1,038	1,027	1,062	1,111	4,237	886	893	924	908	3,611
Smart Materials	1,284	1,335	1,365	1,256	5,240	1,188	1,119	1,100	1,054	4,461
Performance Materials	844	945	797	666	3,253	707	694	616	532	2,549
T&I / Other	283	349	541	401	1,574	303	274	249	300	1,126
Evonik Group	4,498	4,772	4,878	4,340	18,488	4,005	3,886	3,771	3,604	15,267

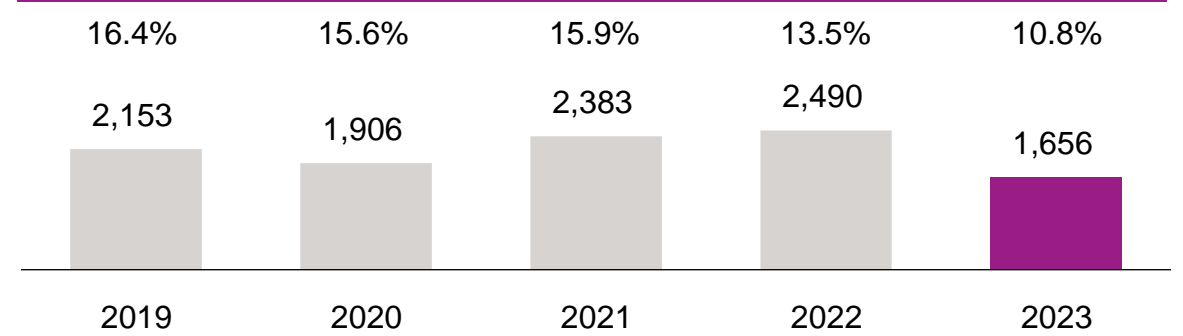
Adj. EBITDA (in € m)	Q1/22	Q2/22	Q3/22	Q4/22	FY 2022	Q1/23	Q2/23	Q3/23	Q4/23	FY 2023
Specialty Additives	252	263	243	188	946	168	199	173	134	673
Nutrition & Care	222	185	148	122	677	76	71	127	115	389
Smart Materials	212	219	188	124	743	164	122	135	119	540
Performance Materials	82	142	63	63	350	37	45	34	-4	111
T&I / Other	-33	-81	-27	-85	-226	-36	13	16	-50	-57
Evonik Group	735	728	615	413	2,490	409	450	485	312	1,656

Five-year financial review

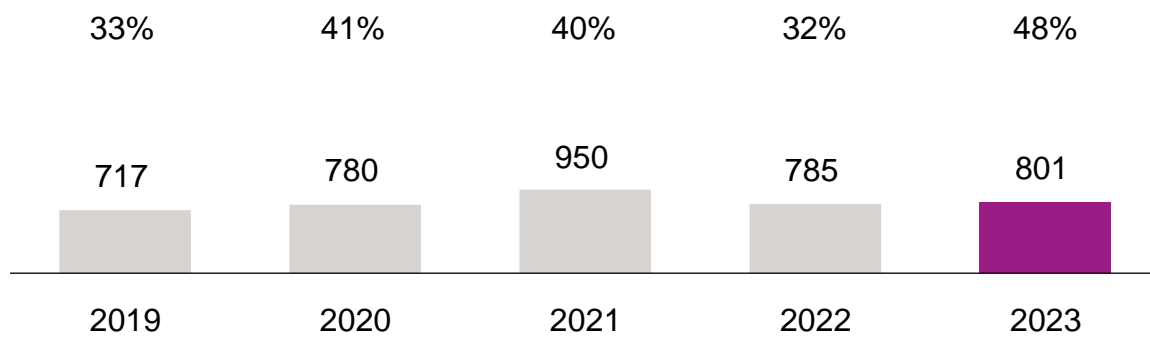
Sales (in € bn)



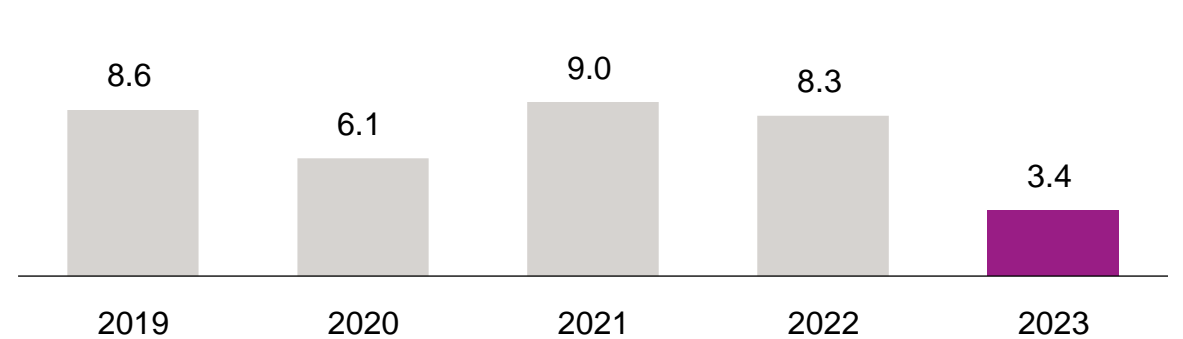
Adj. EBITDA / Margin (in € m / in %)



Free Cash Flow / Cash Conversion (in € m / in %)



ROCE (in %)



Upcoming IR events

Conferences & roadshows

March 6, 2024	Frankfurt Roadshow with UBS
March 12, 2024	London Roadshow with Goldman Sachs
March 19, 2024	Paris Roadshow with Oddo
March 21, 2024	JPM European Chemicals Forum, London

Upcoming reporting dates & events

May 8, 2024	Q1 2024 Reporting
June 4, 2024	Evonik Annual General Meeting
August 1, 2024	Q2 2024 Reporting
November 6, 2024	Q3 2024 Reporting

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