

Evonik

Leading Beyond Chemistry

Q1 2024

Earnings Conference Call

May 8, 2024

Christian Kullmann, Chief Executive Officer

Maik Schuh, Chief Financial Officer

Well on track to deliver on FY guidance

Adj. EBITDA of €522 m clearly above prior year (+28% yoy) – even despite limited macro support so far

Drivers of strong Q1 performance: Nutrition & Care with Animal Nutrition and strong Care Solutions portfolio; Specialty Additives with strong operating leverage from volumes coming back

Contingency & optimization measures further ramping up; preparation for €400 m “Evonik Tailor Made” on track

FCF of €127 m well above prior-year quarter, based on improved earnings and continued tight NWC management

Outlook range for adj. EBITDA (€1.7 to 2.0 bn) **confirmed – Q2 adj. EBITDA expected on Q1 level**

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2. Outlook FY 2024

Q1 2024 results overview

Sales (in € m)	Adj. EBITDA (in € m)	Free cash flow (in € m)	Adj. EPS (in €)
3,796 (Q1 2023: 4,005)	522 (Q1 2023: 409)	127 (Q1 2023: 21)	0.42 (Q1 2023: 0.25)
Positive volumes (+4% yoy) Sales decline driven by continued negative pricing (-5%) and portfolio effects (-3%, mainly PM)	Strong performance mainly supported by Evonik-specific drivers	Higher EBIT as starting point, plus continued strong NWC discipline	Higher earnings and lower D&A, while interest result more negative

Evonik-specific drivers for EBITDA growth in Q1

Q1 2024

yoy change adj. EBITDA

+ €17 m

Specialty Additives:
Positive leverage on
volumes coming back

+ €64 m

Nutrition & Care:
Methionine recovery &
strong Care Solutions

+ €31 m

T&I / Other:
Contingency measures
further bearing fruits

Looking ahead...

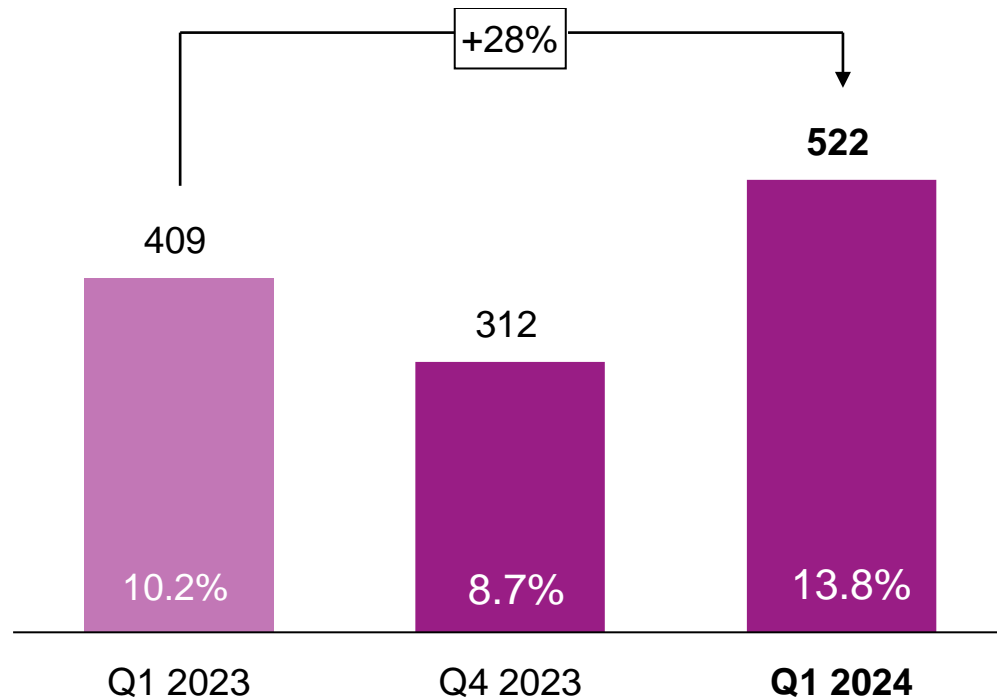
End of destocking + high-quality business =
Growth at high operating volume leverage

- Animal Nutrition with further ramp-up of €200 m cost savings (e.g. backward integration US in 2025)
- Care Solutions back on double-digit EBITDA growth track record

“Evonik Tailor Made“ program with significant positive contribution across all divisions from 2025 onwards

Adj. EBITDA Q1 2024

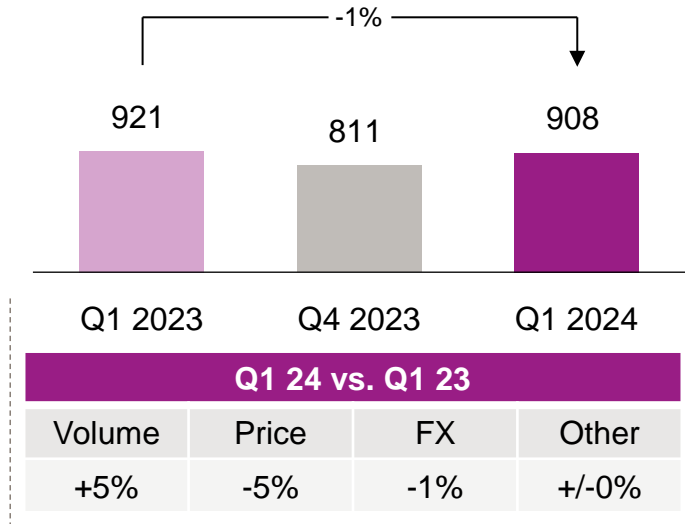
Adj. EBITDA (in € m) / Margin (in %)



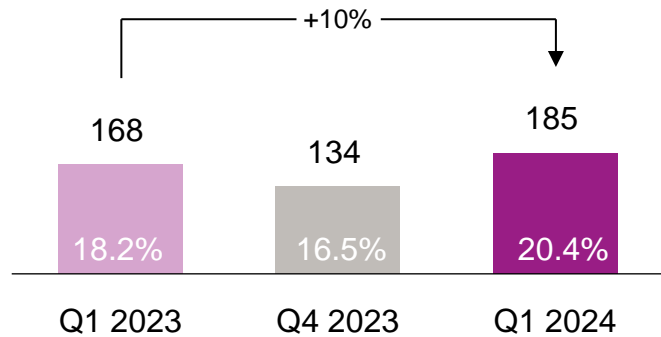
- **EBITDA margin recovery (+3.6pp)** supported by
 - operating volume leverage (e.g. in SP and PM)
 - contingency measures across the company
 - operational efficiency measures and lower variable costs (e.g. in Methionine)
- **Pricing still down** (-5% yoy), similar to Q3 and Q4
 - little price momentum visible yet
 - ... but also support from falling input costs

Specialty Additives

Sales
(in € m)



Adj. EBITDA
(in € m)
/ margin
(in %)



- Volumes increasing across virtually all businesses
 - Strong growth in Asia and re-stocking of customers
 - Most pronounced in coatings, PU foam & lubricant additives
 - Not based on pronounced macro-recovery
- Improving utilization leading to strong operating leverage (margin +2.2pp)
- Challenging competitive environment in Crosslinkers persists
- Q2: solid order books, however still short-term order patterns; Crosslinkers with planned maintenance shutdown in Q2

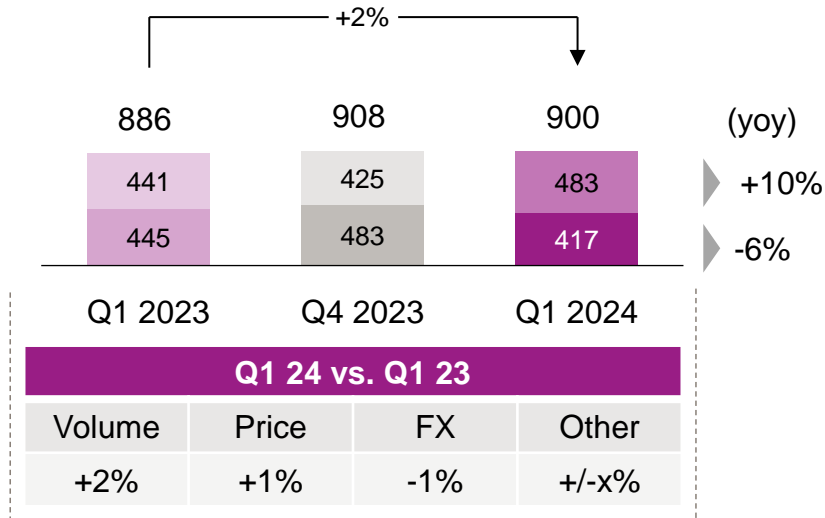


Nutrition & Care

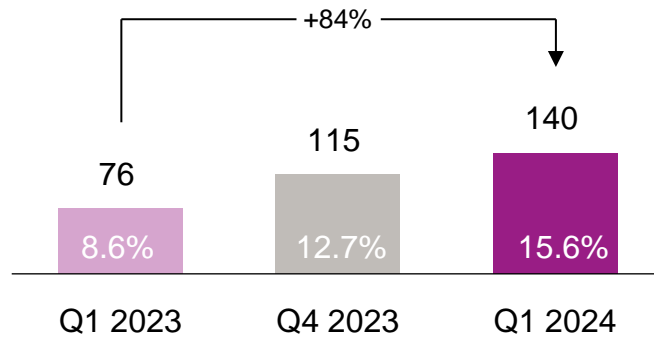
Sales (in € m)

Animal
Nutrition

Health &
Care



Adj. EBITDA (in € m) / margin (in %)



Health & Care

- Care Solutions with strong performance across whole portfolio
- Health Care with typically lower order pattern for start into the year

Animal Nutrition

- Double-digit increase in volumes yoy
- Pricing still flat in Q1 yoy (will change in course of year 2024 to show different direction of price dynamic compared to 2023)
- Lower variable costs and ramp-up of cost savings supportive
- Q2 with further sequential price step-up, compensated by lower volumes from shutdown in Singapore

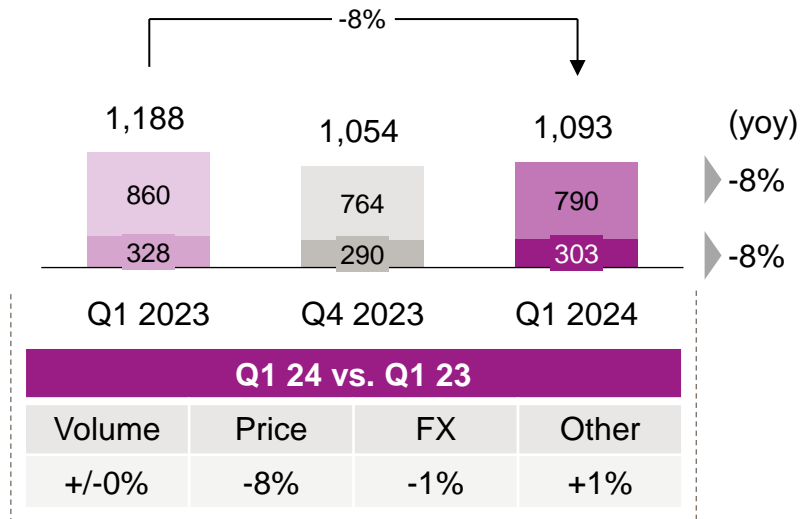


Smart Materials

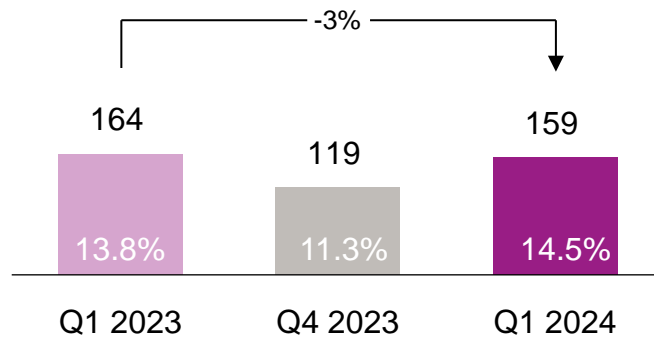
Sales (in € m)

Inorganics

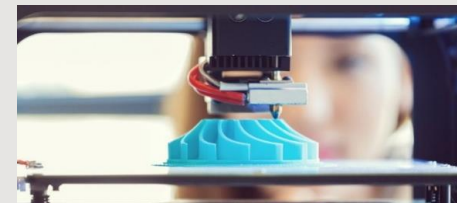
Polymers



Adj. EBITDA (in € m) / margin (in %)

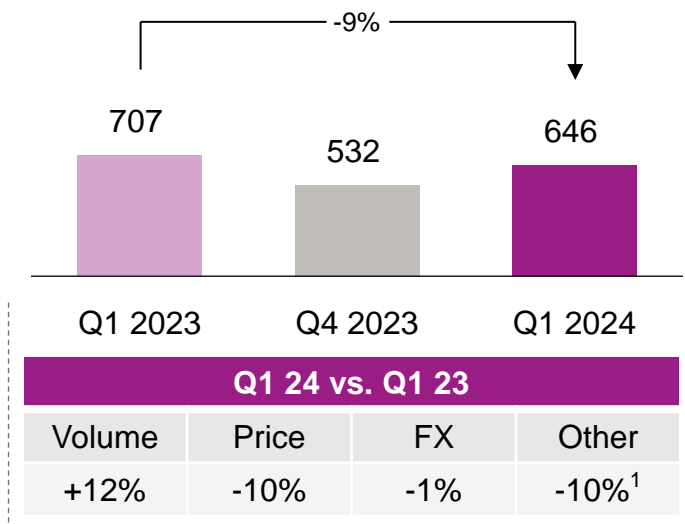


- Moderate start into the year
 - Flat volumes: Silica and construction applications with slight volume growth, but still no broad-based demand recovery visible
 - Still negative pricing, partially passing on decreasing input costs
- Adj. EBITDA stable on last year's level, with sequential improvement
 - Supported by license income in H₂O₂ (Fuhua hydrogen peroxide plant in Sichuan Province)
- Q2: expected around Q1 level, with slightly better performance in Silica, Catalysts and High-Performance Polymers

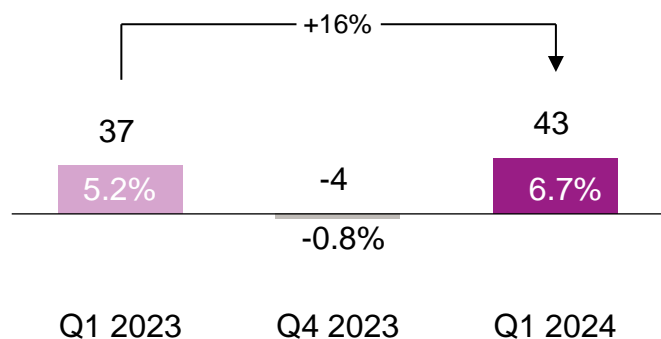


Performance Materials

Sales
(in € m)



Adj. EBITDA
(in € m)
/ margin
(in %)

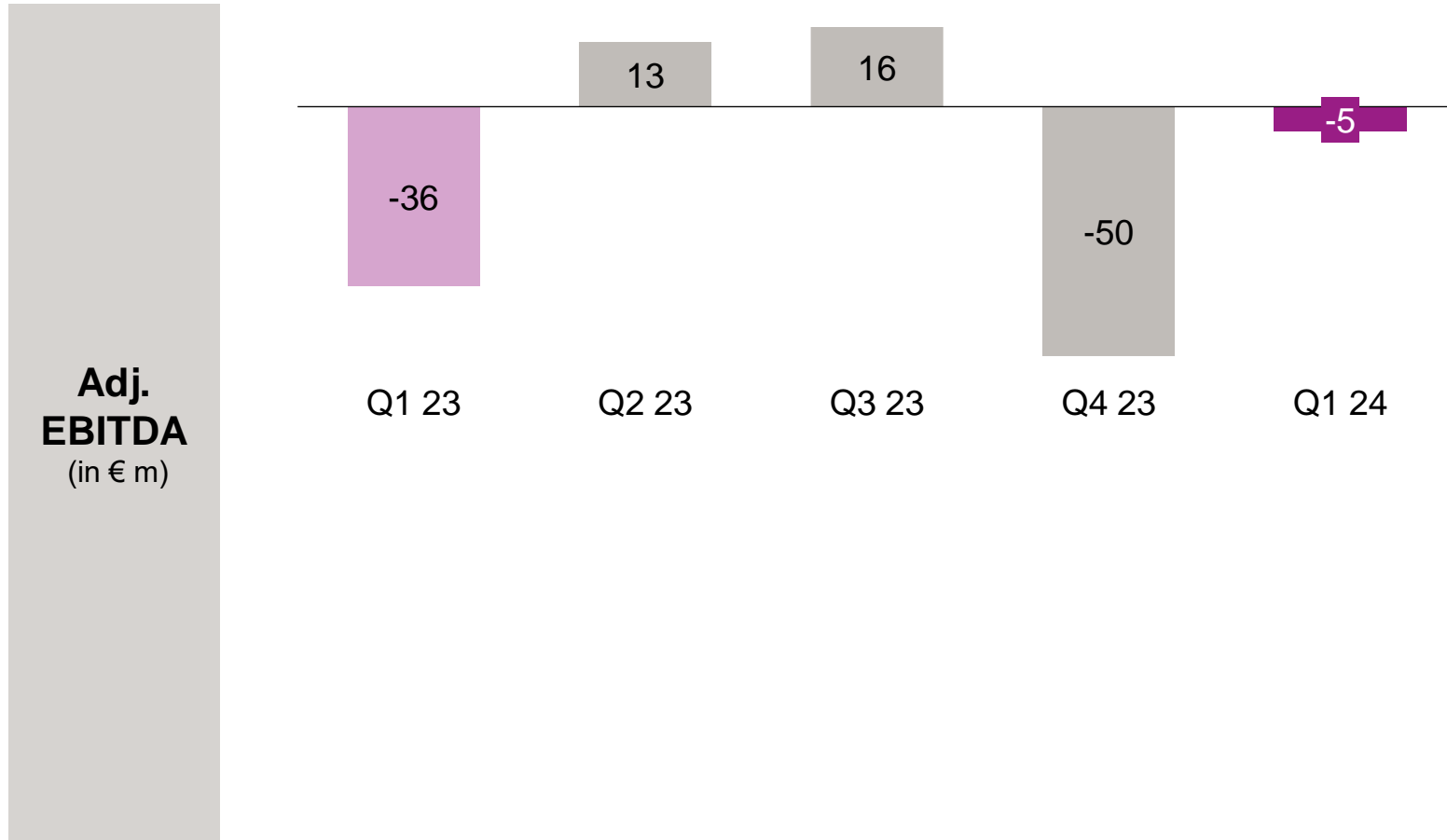


- Towards end of the quarter, disruptions of global supply chains with positive impact on oxo-alcohol and plasticizers business
- Demand in other end markets and products remains subdued
- Q2: Oxo-alcohol and plasticizers business remains supportive; maintenance in C4 business planned for April
- Superabsorbers still included until closing (expected for mid-year)



1: Prior-year not adjusted for divestment of Functional Solutions business

Technology & Infrastructure / Other

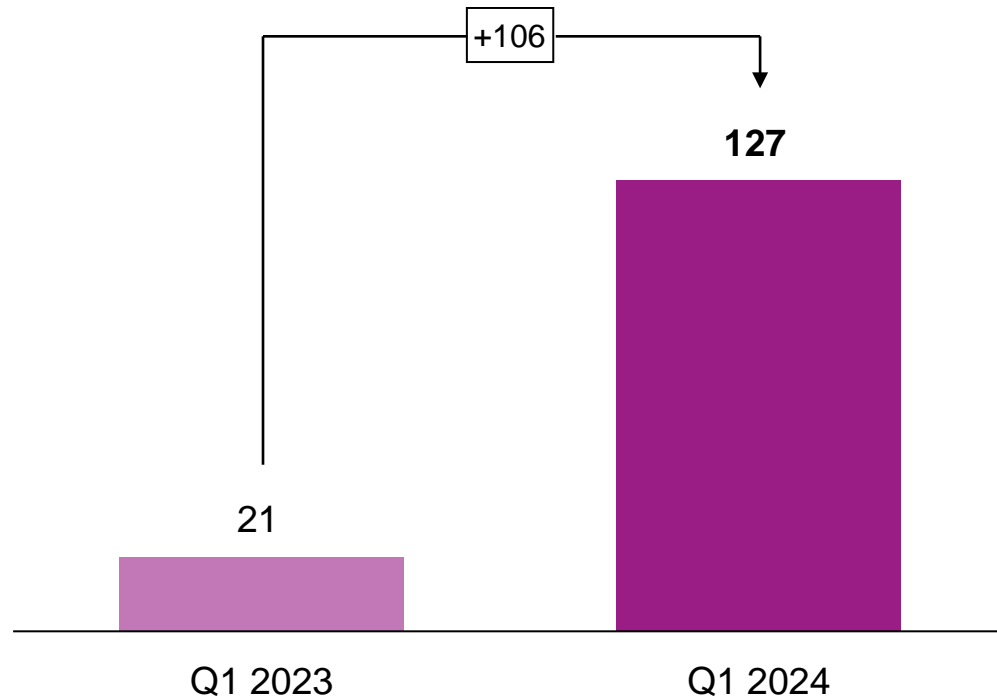


Q1 2024

- Continued positive effect from contingency measures
- Termination of “service dividend”:
Higher adj. EBITDA for TI (yoy);
lower for chemicals divisions
(FY 2023: €82 m effect, see back-up)

Free Cash Flow Q1 2024

Free Cash Flow (in € m)



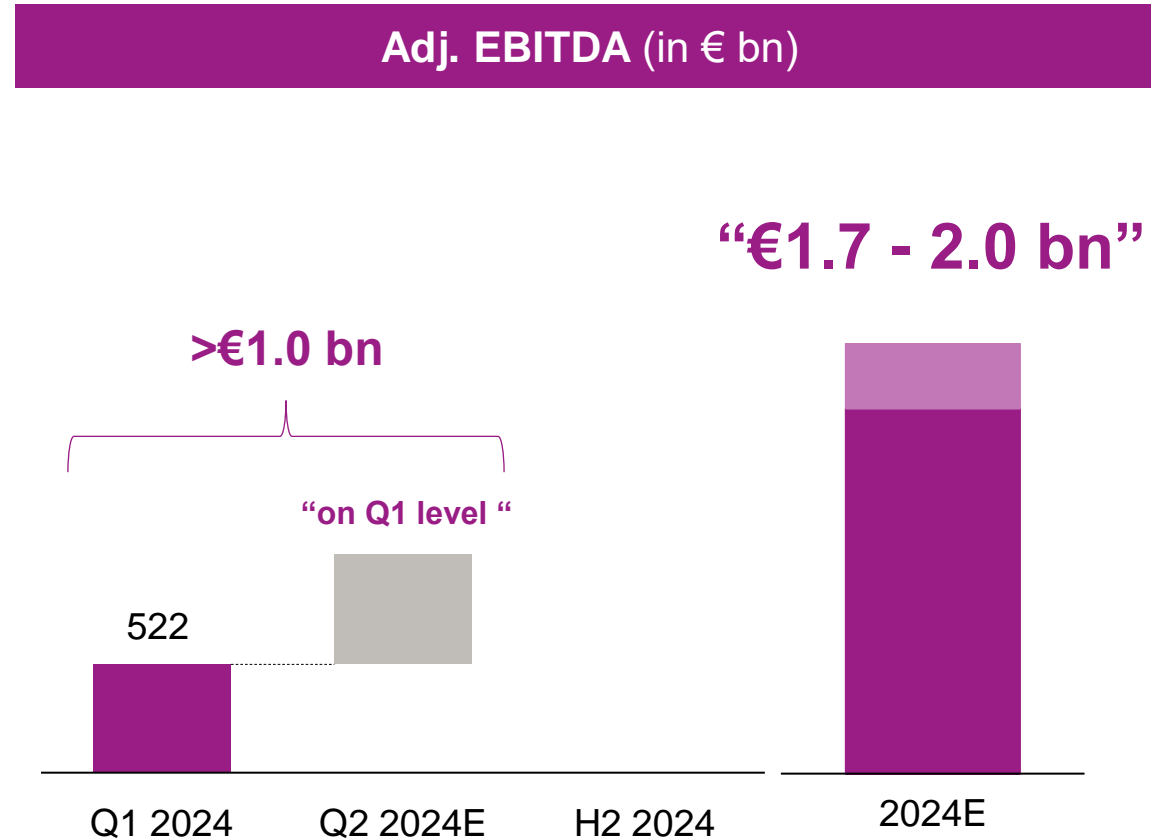
- Q1 FCF **well above prior-year level**, mainly driven by
 - Higher EBIT as starting point
 - Continued NWC discipline despite restocking needs
 - Lower cash-out for taxes
 - Misc. assets/liabilities: negative yoy effect mainly from changes in pre-payments received and made
- **Higher capex** (- €45 m yoy) due to phasing; FY outflows for investments further expected below prior-year level

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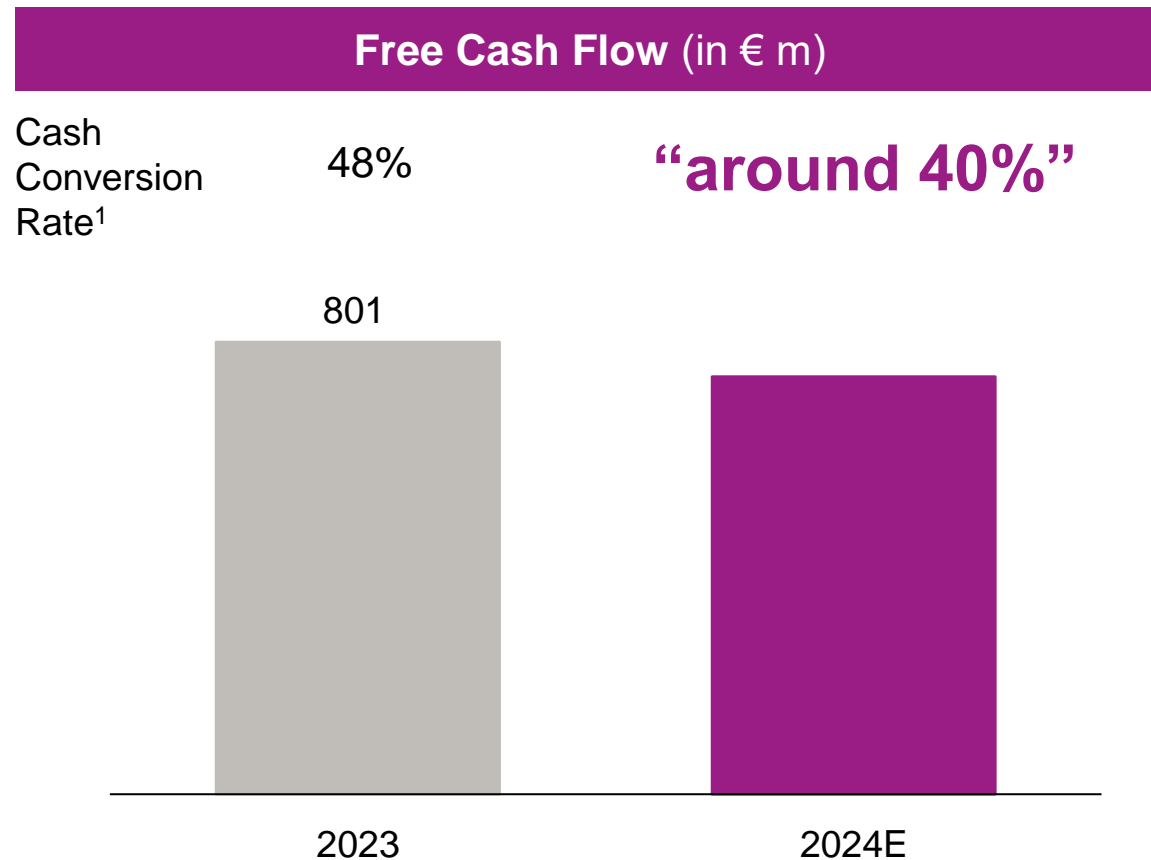
Adj. EBITDA outlook confirmed – Q2 expected on Q1 level



- **Q1** with strong start into the year
- **Q2 expected on Q1 level** (€522 m)
 - Despite planned shutdowns for Methionine in Singapore, for Crosslinkers and C4 chain
 - With that, also Q2 well above prior-year level (Q2 2023: €450 m)
- **H1 well underpins** current outlook range
- More pronounced macro & volume recovery in the course of the year **as additional potential** (not as requirement)

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

Free Cash Flow outlook confirmed: Targeting ~40% conversion



Building blocks for FCF development

- Better **operating result** yoy
- Continued **capex²** discipline:
~€750 m targeted; ~€50 m lower yoy
- ~€100 m yoy lower **bonus payments** in FY 2024 (for 2023)
- NWC** outflow expected (vs exceptionally high 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

Executing well against a difficult market backdrop

Short-term self-help measures

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

Mid-term strategy execution

Reorganization: Evonik Tailor Made
Innovation and NGS growth
Portfolio transformation

Earnings growth in 2024

Q1:
+ 28% yoy

Sustainably strong cash generation

Q1:
+ €106 m yoy

Attractive & reliable dividend

Green transformation of portfolio and production

Innovation for future growth



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Assumptions for FY 2024 outlook

(change only in raw material assumption)

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 slightly below prior-year level (previously: expected to move sideways)
- Logistic costs with significant relief (high double-digit m €)

Others

- Higher bonus provisions expected (yoy)

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

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 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)

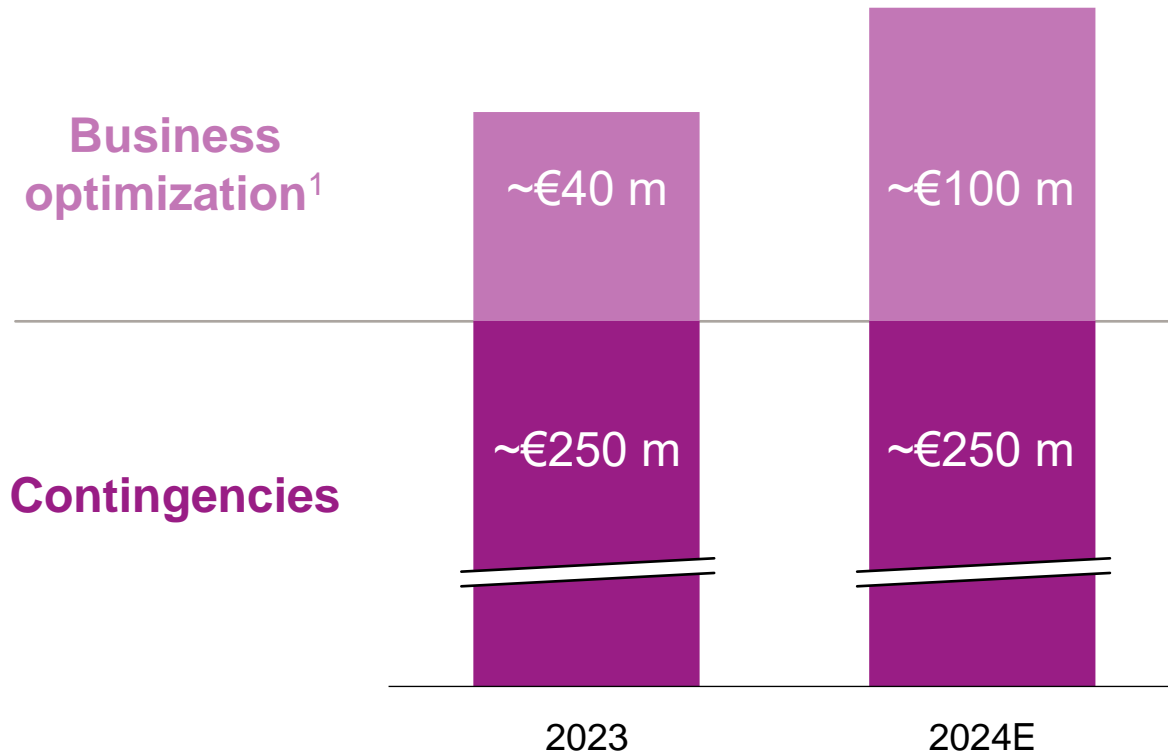
Additional indications for FY 2024

(Change only in adj. D&A)

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 €1 bn (previously: “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)

Short-term self-help measures ongoing



- 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

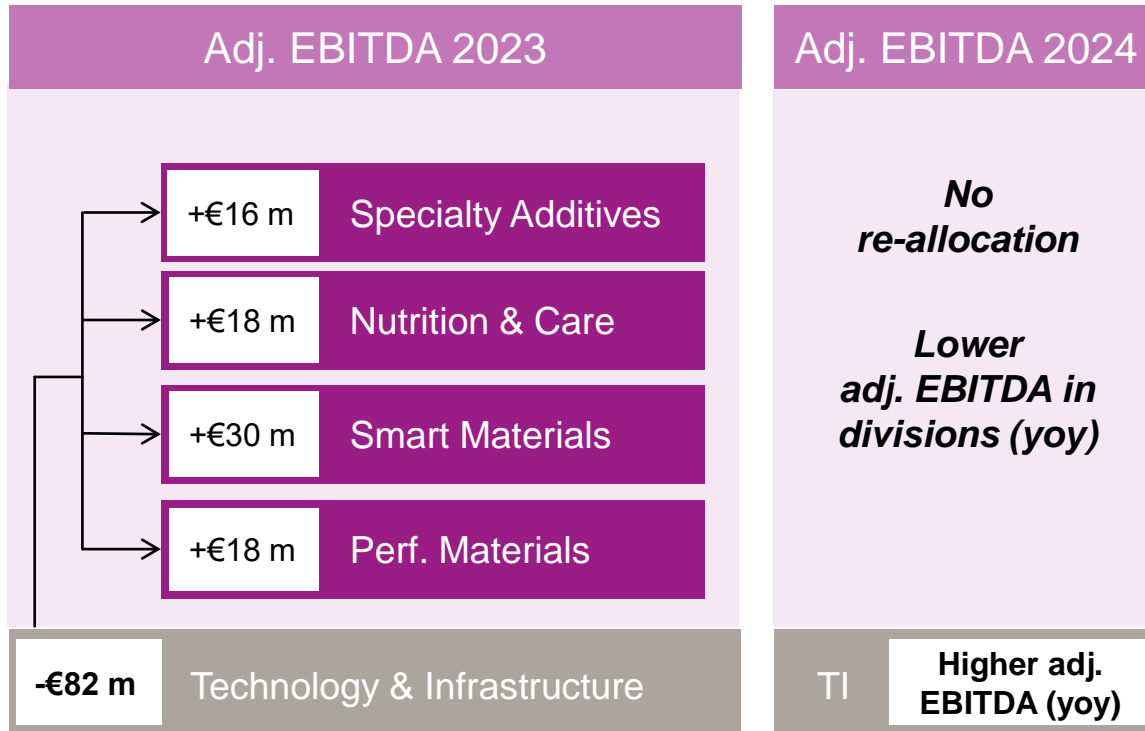
~20%

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

1. Number of employees per leadership position

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 Q1 2024

in € m	Q1 2023	Q1 2024	Δ
Sales	4,005	3,796	-5%
Adj. EBITDA	409	522	+28%
Depreciation & amortization	-279	-256	
Adj. EBIT	130	266	+105%
Adj. net financial result	-12	-33	
D&A on intangible assets	41	35	
Adj. income before income taxes	159	268	+69%
Adj. income tax	-42	-67	
Adj. income after taxes	117	201	+72%
Adj. non-controlling interests	-2	-4	
Adj. net income	115	197	+71%
Adj. earnings per share (in €)	0.25	0.42	
Adjustments	-47	-14	

D&A (-€256 m)

- Lower level due to impairments in 2023

Adj. net financial result (-€33 m)

- Lower income from discounting of other provisions due to less sharp increase of interest rate vs. Q1 2023

Adj. tax rate (27%)

- Broadly stable tax rate (Q1 2023: 26%)
- FY guidance of 30% unchanged

Adjustments (-€14 m)

- Related to divestment of Superabsorbers, signed on March 1, 2024

Cash flow statement Q1 2024

in € m	Q1 2023	Q1 2024
Income before financial result and income taxes (EBIT)	83	252
Depreciation and amortization	311	265
Δ Net working capital	-255	-137
Change in provisions for pensions & other post-employment benefits	-5	-31
Change in other provisions	92	76
Change in miscellaneous assets/liabilities	53	-28
Cash inflows/outflows from income taxes	-60	-14
Others	8	-5
Cash flow from operating activities	227	378
Cash outflows for investment in intangible assets, pp&e	-206	-251
FCF	21	127
Cash flow from investing activities	-167	-252
Cash flow from financing activities	-68	-85

CF from operating activities (€378 m)

- Higher EBIT as starting point
- Lower NWC outflow
- Misc.: Changes in pre-payments received and made
- Lower outflow for taxes

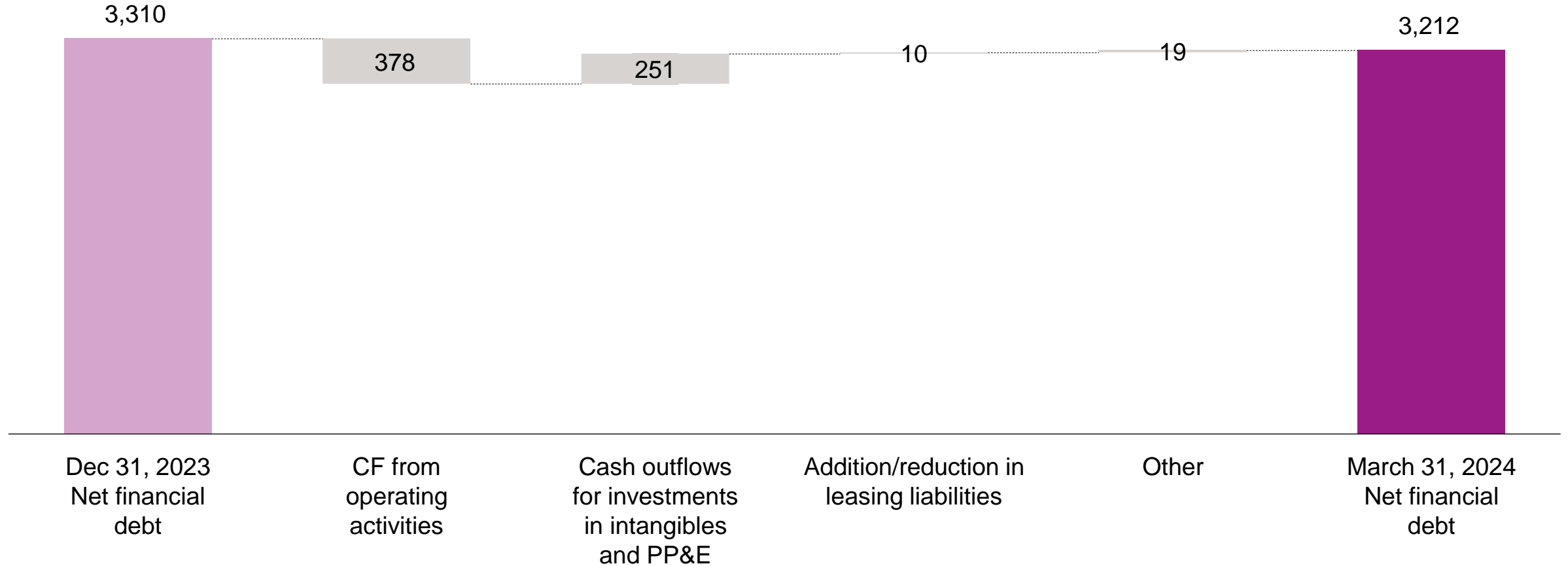
Cash outflow for investments (-€251 m)

- Higher capex due to phasing

CF from financing activities (-€85 m)

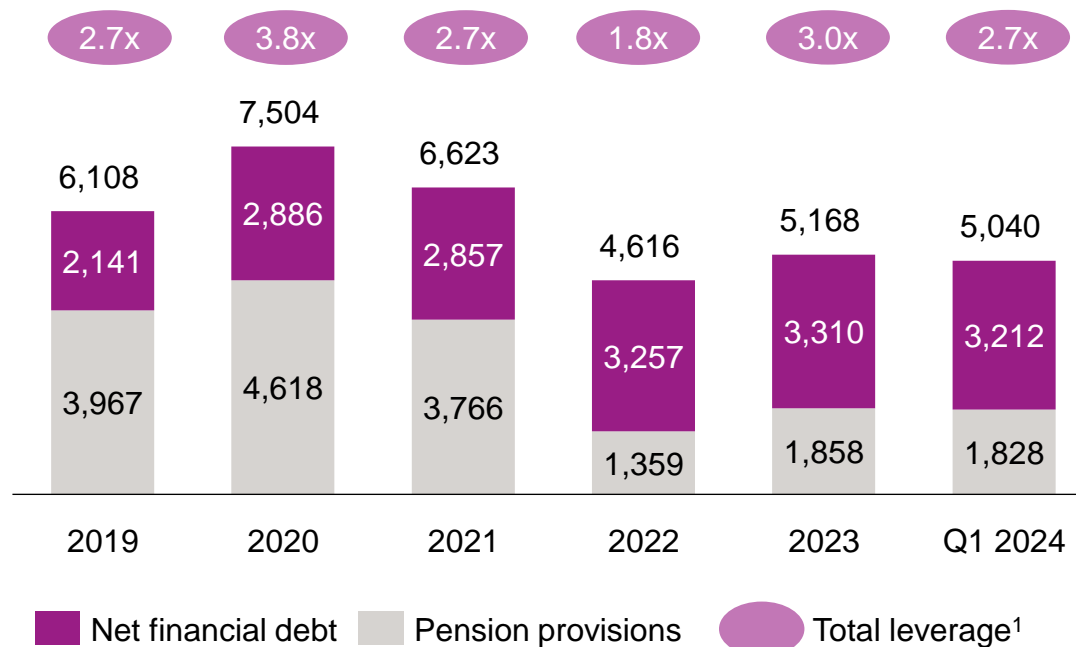
- Mainly due to lower borrowing compared to the previous year

Net financial debt development Q1 2024



Development of debt and leverage over time

(in € m)



Adj. net debt²	5,858	7,254	6,373	4,366	4,918	4,790
Adj. EBITDA (last 12 months)	2,153	1,906	2,383	2,490	1,656	1,769
German pension discount rate (%)	1.3	0.9	1.3	4.1	3.5	3.5

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 (€3,212 m)

- Net financial debt slightly decreased qoq
- Higher adj. EBITDA leading to decrease of net financial debt leverage to 1.7x³

Pension provisions (€1,828 m)

- Long-dated pension obligations with ~14 years duration
- Stable pension provisions at unchanged discount rates
- 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	Q1/24
Specialty Additives	1,049	1,116	1,113	906	4,184	921	906	882	811	3,520	908
Nutrition & Care	1,038	1,027	1,062	1,111	4,237	886	893	924	908	3,611	900
Smart Materials	1,284	1,335	1,365	1,256	5,240	1,188	1,119	1,100	1,054	4,461	1,093
Performance Materials	844	945	797	666	3,253	707	694	616	532	2,549	646
T&I / Other	283	349	541	401	1,574	303	274	249	300	1,126	249
Evonik Group	4,498	4,772	4,878	4,340	18,488	4,005	3,886	3,771	3,604	15,267	3,796

Adj. EBITDA (in € m)	Q1/22	Q2/22	Q3/22	Q4/22	FY 2022	Q1/23	Q2/23	Q3/23	Q4/23	FY 2023	Q1/24
Specialty Additives	252	263	243	188	946	168	199	173	134	673	185
Nutrition & Care	222	185	148	122	677	76	71	127	115	389	140
Smart Materials	212	219	188	124	743	164	122	135	119	540	159
Performance Materials	82	142	63	63	350	37	45	34	-4	111	43
T&I / Other	-33	-81	-27	-85	-226	-36	13	16	-50	-57	-5
Evonik Group	735	728	615	413	2,490	409	450	485	312	1,656	522

Upcoming IR events

Conferences & roadshows

May 14, 2024	Citi Chemicals Conference, London
May 14, 2024	London Roadshow (Deutsche Bank)
May 14, 2024	UBS Best of Europe Conference, virtual
May 15, 2024	Stifel German Corp. Conference, Frankfurt
May 23, 2024	Paris Roadshow (Exane)
May 29, 2024	Jefferies „Chemicals Spring Fireside Series“, virtual

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
March 4, 2025	Q4/FY 2024 Reporting

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