# Analyst & Investor Fact Sheet Q1 2018

## Evonik Group

| in € million | Q1 2017 | Q1 2018 | yoy Δ% | Q4 2017 | Q1 2018 | qoq Δ% | Q1 2018 Consensus* |
|---|---|---|---|---|---|---|---|
| External sales | 3,636 | 3,678 | 1% | 3,573 | 3,678 | 3% | 3,717 |
| *Volume (%)* | | | *1%* | | | | *4%* |
| *Price (%)* | | | *4%* | | | | *3%* |
| *Exchange Rates (%)* | | | *-5%* | | | | *-5%* |
| *Other effects (%)* | | | *1%* | | | | *2%* |
| Adjusted EBITDA | 595 | 679 | 14% | 483 | 679 | 41% | 660 |
| Adjusted EBITDA Margin (%) | 16.4% | 18.5% | 2.1 pp | 13.5% | 18.5% | 5.0 pp | 17.6% |
| Adjusted EBIT | 388 | 480 | 24% | 242 | 480 | 98% | 437 |
| Adjustments | -113 | -25 | | -63 | -25 | | |
| EBIT | 275 | 455 | 65% | 178 | 455 | 156% | |
| Adjusted net income | 248 | 333 | 34% | 191 | 333 | 74% | 297 |
| Adjusted earnings per share in € | 0.53 | 0.71 | 34% | 0.41 | 0.71 | 74% | 0.53 |
| Capital expenditures | 197 | 209 | 6% | 420 | 209 | -50% | |
| Net financial position (as of Mar. 31) | -2,288 | -2,984 | | -3.023 | -2,984 | | |
| Cash flow from operating activities, cont. ops. | 277 | 277 | | 518 | 277 | | |
| Free cash flow, cont. ops. | 57 | 84 | | 161 | 84 | | |

* Vara Consensus 23 April 2018

## Good start into the year

- Q1 adj. EBITDA with €679 m well above last year (+14%)
- All three chemical segments with yoy earnings increase despite notable headwinds from FX and raw materials
- Broad-based margin expansion to 18.5% driven by notable improvement in all segments (Q1 2017: 16.4%)
- Free cash flow generation improved to €84 m (+47% yoy, Q1 2017: €57 m), despite partial cash-out for bonuses of €40 m already in Q1 (usually fully paid in Q2)
- Outlook fully confirmed: adj. EBITDA expected between €2.4 and €2.6 bn (2017: €2.36 bn), despite now more negative FX assumption (changed from 1.20 to 1.26 EUR/USD)

## Group business development Q1 2018

- Sales growth of 1% to €3,678 m (Q1 2018: €3,636 m)
  - Volume growth on Group level of +1% yoy despite shutdowns in Resource Efficiency and strong comparables (Q1 2017: +8%, driven by restocking at the start of 2017)
  - All segments contributed to good price development of +4%, which counterbalanced material FX headwind of -5%
  - Other effects +1% attributable to Huber Silica
- Adj. EBITDA of €679 m; +14% yoy (Q1 2017: €595 m)
  - Strong earnings development with growth in all segments (N&C: +12%, RE: +9%, PM: +14%)
  - Good operating performance, positive contribution from synergies and first benefits from initiated cost savings in SG&A and operational businesses
- Adj. EBITDA margin on group level at 18.5% (Q1 2017: 16.4%), notable margin improvement in all chemical segments
  - Adj. EPS came in 34% higher at €0.71 (Q1 2017: €0.53)
    - Adj. D&A of €199 m slightly below last year (Q1 2017: €207 m)
    - Q1 adj. tax rate of 27 % below FY 2018 guidance (~29%), mainly due to tax benefits related to prior periods

## Highlights from balance sheet & cash flow statement

**Cash Flow Statement**

- Operating cash flow unchanged at €277 m in Q1 2018 (Q1 2017: €277 m) despite:
  - higher cash-outflow in NWC (€164 m yoy, partly due to inventory build-up as preparation for shutdowns in Q2)
  - partial cash-out for bonuses (€40 m) already in Q1 – usually fully paid in Q2
- Q1 2018 with slightly lower cash-out for investments yoy (€193 m vs €220 m), despite investment in new Methionine plant
- Free cash flow at €84 m in Q1 2018 (+47% yoy, Q1 2017: €57 m)

**Balance Sheet**

- Net financial debt declined slightly to -€2,984 m (Dec 31, 2017: -€3,023 m)
- Reference-date related change in discount rate for Germany (from 2.00% to 1.75 % as per March 31, 2018) resulting in an increase in pension provisions of €464 m (Q1 2018: €4,287 m vs Q4 2017: €3,817 m)
- Leverage (net debt / adj. EBITDA) at 2.9x (Dec 31, 2017: 2.8x)

## Outlook FY 2018 fully confirmed, despite more negative FX assumption:

- Basis for our forecast:
  - Global growth of 3.3 percent
  - Euro/US Dollar exchange rate: US$1.26 (previously: US$1.20; 2017: US$1.13)
  - Internal raw material cost index slightly higher than in prior year

- Committed to sales and earnings growth, despite now more negative FX assumption (US$1.26; previously: US$1.20):
  - **Slightly higher sales** (2017: €14.4 bn)
  - **Adj. EBITDA between €2.4 and 2.6 bn** (2017: €2.36 m)

- **Adj. EBITDA** for **Q2** expected **on good Q1 level**

## Additional indications for FY 2018 (changes in EUR/USD and adj. D&A)

- **Synergies from acquisitions** (APD Specialty Chemicals & Huber Silica): Additional synergies of ~€25 m (Synergies 2018e: ~€40 m; 2017: ~€15 m)
- **Huber:** Additional adj. EBITDA of ~€30 m for further eight months of consolidation (closing Sept 1, 2017)
- **ROCE:** Above cost of capital (10.0% before taxes) and around the level of last year (2017: 11.2%)
- **Capex:** ~€1.0 bn (2017: €1,078 m)
- **Free cash flow:** Slightly above the level of 2017 (2017: €511 m)
- **EUR/USD: Changed to 1.26 EUR/USD** (previously: 1.20; 2017: 1.13 EUR/USD)
- **EUR/USD sensitivity:** +/-1 USD cent = -/+ ~€8 m adj. EBITDA (FY basis)
- **Adj. EBITDA Services:** Slightly higher than in 2017 (2017: €123 m)
- **Adj. EBITDA Corporate / Others:** Slightly less negative than in 2017 (2017: -€346 m)
- **Adj. D&A: Changed to €840 m** (previously: ~€890 m; 2017: €870 m)
- **Adj. net financial result:** ~-€190 m (2017: -€175 m); increase mainly due to hybrid bond issuance in July 2017
- **Adj. tax rate:** ~29% (2017: 29% including positive one-time effects from US tax reform in Q4, 31% without this one-time effect)

*From Q1 2018 onwards Evonik applies IFRS 15, which contains new rules for the recognition of revenues arising from contracts with customers. Overall changes in sales and adj. EBITDA are minor. Changes become visible predominantly in Q1, but are almost leveling out on FY level. Please see “Evonik financials” spreadsheet with Q1 - Q4 2017 restated for IFRS 15.*

## Nutrition & Care (N&C)

| in € million | Q1 2017 | Q1 2018 | yoy Δ% | Q4 2017 | Q1 2018 | qoq Δ% | Q1 2018 Consensus* |
|---|---|---|---|---|---|---|---|
| External sales | 1,120 | 1,119 | 0% | 1,114 | 1,119 | 0% | 1,094 |
| *Volume (%)* | | | *4%* | | | | |
| *Price (%)* | | | *3%* | | | | |
| *Exchange Rates (%)* | | | *-8%* | | | | |
| *Other effects (%)* | | | *1%* | | | | |
| Adjusted EBITDA | 187 | 209 | 12% | 172 | 209 | 22% | 195 |
| Adjusted EBITDA Margin (%) | 16.7% | 18.7% | 2.0 pp | 15.4% | 18.7% | 3.3 pp | 17.8% |
| Adjusted EBIT | 120 | 148 | 23% | 89 | 148 | 66% | 124 |
| Adjustments | -27 | -22 | | 86 | -22 | | |
| EBIT | 93 | 126 | 35% | 175 | 126 | -28% | |
| Capital expenditures | 69 | 127 | 84% | 146 | 127 | -13% | |

* Vara Consensus 23 April 2018

### Development Q1: Healthy organic growth leading to higher earnings and margin expansion

- **Sales** yoy at €1,119 m (Q1 2017: €1,120 m)
  - Healthy volumes and prices counterbalancing tangible FX effect
    - Volumes increased (+4%), also supported by yoy higher volumes in methionine
    - Higher prices yoy (+3%): successful price increases in most of the businesses; methionine price stable in local currency (average price in Euro negatively affected by stronger Euro (translation effect)

- **Adj. EBITDA** of €209 m (Q1 2017: €187 m)
  - Good operational performance in all underlying businesses driving margin up 2.0pp to 18.7%; also supported by first positive effects from cost savings in SG&A and operational businesses
  - Personal Care driven by specialties and strong Dr. Straetmans business
  - Health Care with continued good performance, especially in Pharma Polymers
  - Methionine with yoy higher volumes, pickup especially after Chinese New Year. Q2 volumes potentially impacted by strong March, but still expected at least on last year's level

  - Sequentially stable earnings expected on segment level for Q2

- **Personal Care:** Good development in Q1 with strong performance in Specialty Products and Active Ingredients. Strong earnings contribution from acquired Dr. Straetmans business.
- **Health Care:** Overall positive start into the year; continued good plant utilization, strong contribution from Pharma Polymers
- **Comfort & Insulation:** Solid start into the year, favorable product and regional mix; headwind from FX and higher raw materials.
- **Baby Care:** Unfavorable global supply/demand situation persisting, improved cost position due to termination of Acrylic Acid JV.
- **Animal Nutrition:** Methionine with strong volume pickup after Chinese New Year; prices in-line with FY assumption (stable price development over the year).

## Resource Efficiency (RE)

| in € million | Q1 2017 | Q1 2018 | yoy Δ% | Q4 2017 | Q1 2018 | qoq Δ% | Q1 2018 Consensus* |
|---|---|---|---|---|---|---|---|
| External sales | 1,360 | 1,398 | 3% | 1,308 | 1,398 | 7% | 1,462 |
| *Volume (%)* | | | *-2%* | | | | |
| *Price (%)* | | | *4%* | | | | |
| *Exchange Rates (%)* | | | *-4%* | | | | |
| *Other effects (%)* | | | *5%* | | | | |
| Adjusted EBITDA | 297 | 325 | 9% | 247 | 325 | 32% | 328 |
| Adjusted EBITDA Margin (%) | 21.8% | 23.2% | 1.4 pp | 18.9% | 23.2% | 4.3 pp | 22.6% |
| Adjusted EBIT | 229 | 255 | 11% | 165 | 255 | 55% | 255 |
| Adjustments | -42 | 7 | | -86 | 7 | | |
| EBIT | 187 | 262 | 40% | 79 | 262 | 232% | |
| Capital expenditures | 67 | 42 | -37% | 126 | 42 | -67% | |

* Vara Consensus 23 April 2018

## Development Q1: Business strength proven by sustained high margin level

- **Sales** up by 3% to €1,398 m (Q1 2017: €1,360 m)
  - Successful management of raw material prices and Huber contribution more than offset lower volumes and FX
    - Negative volumes (-2%) due to shutdowns in Active Oxygens and Coating & Adhesive Resins
    - Other effects of +5% representing portfolio effect from Huber Silica business

- **Adj. EBITDA** rose by 9% to €325 m (Q1 2017: €297 m)
  - Solid performance across the segment in Q1
  - Margin expansion mainly due to an overall better pricing environment, high capacity utilization and first positive effects from initiated cost saving measures
  - Strong performance of Coating Additives, driven by high demand for low VOC coatings
  - Capacities in Silica and High Performance Polymers are running at high utilization to meet the ongoing strong customer demand.

  - For Q2, sequential earnings growth on segment level expected

- **Coating Additives:** Strong start into 2018, earnings driven by good volume development especially of low VOC coatings.
- **Crosslinkers:** Positive volume development driven by high demand for IPDI products and IPD chain business, especially in Europe.
- **High Performance Polymers:** Continued high market demand for PA12 compounds and powders. Capacities running at high utilization rates.
- **Silica:** Business benefitted from good demand from tire industry especially in EMEA and North America. In addition, positive earnings contribution from Huber Silica.

## Performance Materials (PM)

| in € million | Q1 2017 | Q1 2018 | yoy Δ% | Q4 2017 | Q1 2018 | qoq Δ% | Q1 2018 Consensus* |
|---|---|---|---|---|---|---|---|
| External sales | 959 | 995 | 4% | 970 | 995 | 3% | 987 |
| *Volume (%)* | | | *0%* | | | | |
| *Price (%)* | | | *8%* | | | | |
| *Exchange Rates (%)* | | | *-4%* | | | | |
| *Other effects (%)* | | | *0%* | | | | |
| Adjusted EBITDA | 157 | 179 | 14% | 161 | 179 | 11% | 175 |
| Adjusted EBITDA Margin (%) | 16.4% | 18.0% | 1.6 pp | 16.6% | 18.0% | 1.4 pp | 18.0% |
| Adjusted EBIT | 121 | 145 | 20% | 121 | 145 | 20% | 135 |
| Adjustments | -1 | -1 | | -1 | -1 | | |
| EBIT | 120 | 144 | 20% | 120 | 144 | 20% | |
| Capital expenditures | 29 | 21 | -28% | 61 | 21 | -66% | |

* Vara Consensus 23 April 2018

## Development Q1: Another strong quarter driven by Methacrylates

- **Sales** increased by 4% to €995 m (Q1 2017: €959 m)
  - Negative FX effect (mainly in MMA/PMMA business) more than offset by higher prices

- **Adj. EBITDA** came in 14% above prior year at €179 m (Q1 2017: €157 m)
  - MMA/PMMA margins in Q1 continue on attractive levels, in some regions and products even with a sequential uptick. Volumes on already good previous year level. C4 business with a softer start into the year. MTBE and Butadiene with good volumes, but lower margins.
  - Another strong quarter for the segment expected for Q2: C4 business with sequential improvement, tight markets in MMA to persist

- **MMA:** No changes in market environment – persistent tight supply meets good demand from Auto, Coatings and Construction as well as from downstream molding compounds (PMMA). Margin in Q2 expected to remain on healthy level.
- **PMMA:** New applications in automotive sector leading to above industry growth rates. Underlying business in construction, automotive and medical business with ongoing healthy demand. Overall good product mix with high share of specialty products.
- **Performance Intermediates:** European MTBE market facing continuous higher demand as switch to summer fuel specification took place. Volumes slightly softer in DINP and INA. Butadiene margin with a slight sequential increase but notably below very strong prior year.

## Services

| in € million | Q1 2017 | Q1 2018 | yoy Δ% | Q4 2017 | Q1 2018 | qoq Δ% | Q1 2018 Consensus* |
|---|---|---|---|---|---|---|---|
| External sales | 193 | 163 | -16% | 178 | 163 | -8% | 190 |
| Adjusted EBITDA | 43 | 49 | 14% | 3 | 49 | 1533% | 42 |
| Adjusted EBITDA Margin (%) | 22.3% | 30.1% | 7.8 pp | 1.7% | 30.1% | 28.4 pp | 21.8% |
| Adjusted EBIT | 13 | 20 | | -28 | 20 | | 9 |
| Adjustments | -5 | 0 | | -16 | 0 | | |
| EBIT | 8 | 20 | | -44 | 20 | | |
| Capital expenditures | 27 | 17 | -37% | 80 | 17 | -79% | |

* Vara Consensus 23 April 2018

- Slight increase in adj. EBITDA of ~€6 m mainly driven by higher waste and energy utilities business
- Q1 run rate of €49 m not a proxy for FY earnings level as reimbursement scheme to operating segments at year-end (visible in Q4) will also be applied in 2018 and following years

## Corporate / Others

| in € million | Q1 2017 | Q1 2018 | yoy Δ% | Q4 2017 | Q1 2018 | qoq Δ% | Q1 2018 Consensus* |
|---|---|---|---|---|---|---|---|
| External sales | 4 | 3 | | 3 | 3 | | 3 |
| Adjusted EBITDA | -89 | -83 | 7% | -100 | -83 | 17% | -84 |
| Adjusted EBIT | -95 | -88 | 7% | -105 | -88 | 16% | -91 |
| Adjustments | -38 | -9 | | -47 | -9 | | |
| EBIT | -133 | -97 | | -152 | -97 | | |
| Capital expenditures | 5 | 2 | | 10 | 2 | | |

* Vara Consensus 23 April 2018

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