Analyst & Investor Fact Sheet Q1 2019

EVONIK
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Evonik Group (continuing operations)

in € million	Q1 2018	Q1 2019	yoy Δ%	Q4 2018	Q1 2019	qoq Δ%	Q1 2019 Consensus*
External sales	3.247	3.287	1%	3.261	3.287	1%	3.198
Volume (%)			*0%*				*1%*
Price (%)			*1%*				*-1%*
Exchange Rates (%)			*0%*				*1%*
Other effects (%)			*0%*				
Adjusted EBITDA	554	539	-3%	402	539	34%	532
Adjusted EBITDA Margin (%)	17,1%	16,4%	-0,7 pp	12,3%	16,4%	4,1 pp	16,7%
Adjusted EBIT	376	315	-16%	200	315	58%	308
Adjustments	-22	-19		-265	-19		-16
EBIT	354	296	-16%	-65	296		292
Adjusted net income	261	249	-5%	167	249	49%	211
Adjusted earnings per share in €	0,56	0,53	-5%	0,36	0,53	49%	0,45
Cash outflows for investments	-174	-175	1%	-300	-175	-42%	
Net financial position (as of March 31)		-3.419		-2.907	-3.419	18%	
Cash flow from operating activities, cont. ops.	224	334	49%	502	334	-33%	
Free cash flow, cont. ops.	50	159	218%	202	159	-21%	

* Vara consensus excluding the to be divested Methacrylate Verbund; including changes from IFRS 16 & reclassification of interest in the cash flow statement.

Please note that the preliminary restated 2018 figures (for continuing operations) which were published on April 1st have changed marginally on Group & Segment level; the only major change is a shift between Corp./Others and Services segment (further details see behind)

Highlights

- Solid start to 2019 proves increased resilience of portfolio
  - Q1 2019 adj. EBITDA of €539 m (Q1 2018: €554 m): RE with yoy higher earnings despite challenging macro; NC and PM impacted by one-offs (NC: €15 m ramp-up cost for Me6 plant; PM: €10 m from raw material supply constraints)
  - Strong FCF of €159 m (Q1 2018: €50 m) – also visible in lower net financial debt (- €154 m vs Jan 1st)
  - SG&A 2020 fully on track: FTE reduction by 350 realized by Q1 –visible in lower Corp./Others segment and in reduced headcount on Group level

- Outlook 2019 increased:
  - Solid start and exclusion of more cyclical MMA business enables guidance increase
  - Sales and adj. EBITDA now expected to be "at least stable" (previously: "slightly lower or stable")
  - FCF to rise significantly (unchanged)
  - For Q2 a clear sequential step-up in earnings is expected (vs Q1), driven by all three segments

Group business development Q1 2019

- Sales growth of +1% to €3,287 m (Q1 2018: €3,247 m)
  - Mainly driven by pricing (+1%); RE as main contributor with strong pricing power of +5%
  - Stable volumes (0%): Strong in NC (+6%); slight decline in RE (-2%) and supply constraint-related decline in PM (-4%)
- Adj. EBITDA of €539 m; -3% yoy (Q1 2018: €554 m)
  - Higher earnings in RE (€324 m; +2%) despite subdued demand from auto and coating industry
  - NC with lower earnings (€180 m; -14%) mainly due to methionine price effect, - €15 m ramp-up costs for new methionine plant in Singapore and phasing of earnings in Health Care during FY 2019 (back-end loaded)
  - PM (€59 m; -9%) burdened by temporary raw material supply constraints and lower MTBE price
  - Corporate benefitting from SG&A cost savings (FTE reduction in SG&A by 350 realized by Q1; also visible in headcount reduction by -455 (vs Q1 2018) on Group level)
  - Corporate and Services impacted by SG&A 2020-related reorganization of supporting functions (shift from Corporate to Services; further details see behind)
- Adj. EBITDA margin on group level at 16.4% (Q1 2018: 17.1%)
- Adj. EBIT at €315 m (Q1 2018: €376 m); lower due to higher D&A
- Adj. EPS at €0.53 (Q1 2018: €0.56)
  - Q1 adj. tax rate of only 14% due to positive effects from deferred tax assets in the context of the announced MMA sale
  - Higher depreciation and amortization (+ €46 m) mainly due to IFRS 16 and impairment on investment in NC

Highlights from cash flow statement & balance sheet

Cash Flow Statement

- Q1 FCF of €159 m improved by €109 m yoy – despite €58 m lower EBIT
- Operating cash flow benefitting from lower cash outflows for NWC and pensions (CTA reimbursement)
- FCF improvement (also adjusted for IFRS and interest) visible in decline of net financial debt (reduction of €154 m vs Jan 1st, 2019)

Balance Sheet (see also backup slide in Q1 presentation)

- Net financial debt (continuing operations) technically increased by €666 m to €3,573 as of Jan 1st 2019 due to capitalization of IFRS 16 leasing liabilities (from €2,907 m as of Dec 31 2018)
- From this level, strong FCF development in Q1 lead to a reduction in net financial debt by €154 m to €3,419 m (continuing operations, Mar 31 2019)
- Pension provisions (continuing operations) down to €3,447 m (vs year-end 2018: €3,732 m): Positive effect from exclusion of pensions related to MMA business (- €583 m) partly counterbalanced by change in discount rate for Germany from 2.00% to 1.75% (+ €298 m)
- Leverage (net debt / adj. EBITDA including discontinued operations) at 2.8x (Dec 31, 2018: 2.5x)

Outlook for FY 2019:

The following outlook is for continuing operations (i.e. excluding the methacrylates business). The outlook is comparable to the Vara consensus (only difference: Vara consensus already includes PeroxyChem acquisition).

- Basis for our outlook:
  - Global growth of 2.7 percent (2018: 3.2%); lowered from 2.9% at Q4 reporting
  - Euro/US dollar exchange rate: US$1.15 (unchanged; 2018: US$1.18)
  - Internal raw material cost index slightly lower than in the prior year (unchanged)

- Outlook for the full year 2019
  Solid start and exclusion of more cyclical MMA business enables increase of guidance
  - **At least stable sales** (2018: €13.267 bn); previously: “slightly lower or stable”
  - **At least stable adj. EBITDA** (FY 2018: €2,150 m); previously: “slightly lower or stable”
  - **FCF expected to be significantly higher compared to 2018** (FY 2018: €526 m); unchanged

- Expected development by segment
  - Nutrition & Care: slightly lower earnings yoy (unchanged)
  - Resource Efficiency: slightly higher earnings yoy (unchanged)
  - Performance Materials: earnings at around level of last year (now for continuing operations excluding MMA)

Additional indications for FY 2019 (cont. operations)

- **IFRS 16 effect** of ~€100 m equally split over four quarters of the year
- **Synergies from acquisitions (APD & Huber Silica):** Additional synergies of ~€30 m (total synergies: ~€70 m)
- **PeroxyChem:** Not yet included in outlook, closing expected mid-2019 (Adj. EBTDA FY 2018: $60 m)
- **ROCE:** Above cost of capital (10.0% before taxes); around the level of 2018 (10.2%)
- **Capex:** ~€950 m (2018: €969 m)
- **EUR/USD:** 1.15 EUR/USD (2018: 1.18 EUR/USD)
- **EUR/USD sensitivity**: +/-1 USD cent = -/+ ~€8 m adj. EBITDA (FY basis)
- **Adj. EBITDA Services:** Around the level of 2018 (2018: €100 m); absolute level in Services now lower due to SG&A 2020-related reorganization of support functions from Corporate to Services (2018 restated)
- **Adj. EBITDA Corporate / Others:** Slightly less negative than in 2018 (2018: -€283 m); absolute level in Corporate / Others now less negative due to SG&A 2020-related reorganization of support functions from Corporate to Services (2018 restated)
- **Adj. D&A:** ~€900 m (2018: €789 m); increase mainly IFRS 16-related
- **Adj. net financial result:** ~-€190 m (2018: -€151 m); increase partly IFRS 16-related
- **Adj. tax rate:** around level of 2018 (previously: 28%; 2018: 23%); 2019 now lower due to MMA-related deferred tax assets

Nutrition & Care (N&C)

in € million	Q1 2018	Q1 2019	yoy Δ%	Q4 2018	Q1 2019	qoq Δ%	Q1 2019 Consensus*
External sales	1.119	1.149	3%	1.172	1.149	-2%	1.133
Volume (%)			*6%*				
Price (%)			*-3%*				
Exchange Rates (%)			*0%*				
Other effects (%)			*0%*				
Adjusted EBITDA	209	180	-14%	167	180	8%	184
Adjusted EBITDA Margin (%)	18,7%	15,7%	-3,0 pp	14,2%	15,7%	1,5 pp	16,3%
Adjusted EBIT	148	103	-30%	97	103	6%	107
Adjustments	-22	-12		-31	-12		
EBIT	126	91	-28%	66	91	38%	

- **Sales** up by +3% to €1,149 m (Q1 2018: €1,119 m)
  - Strong volumes (+6%) mainly driven by Animal Nutrition and Baby Care
  - Prices down by 3%; mainly due to high comparables in methionine

- **Adj. EBITDA** decreased by -14% yoy to €180 m (Q1 2018: €209 m)
  - Adj. EBITDA in Q1 negatively impacted by methionine price effect, ramp-up costs for new methionine plant (~€15 m) and phasing of earnings in Health Care during FY 2019 (back-end loaded)
  - Further efficiency contributions from Animal Nutrition (Adjust 2020) and Care Solutions (Oleo 2020)
  - Sequentially slightly higher earnings expected for Q2: sequentially lower methionine price, improving earnings in Health Care

- **Care Solutions:** Strong start of newly formed business line driven by a favorable product mix within Cosmetic Solutions (towards high-price emulsifiers and functional additives). In addition, base ingredients with strong volumes in LATAM and NAFTA.
- **Health Care:** As expected, slow start into the year due to back-end loaded phasing of earnings. Q2 already with sequentially clearly higher earnings. Overall, 2019 with yoy stable earnings (due to end of large legacy contract).
- **Comfort & Insulation:** Solid start in demanding macro environment. Improved availability on lower price level for MDI/TDI (raw material for our customers to produce PU foam) supports demand for our PU foam additives & catalysts.
- **Baby Care:** Improvement from a low base continuing. Volumes constantly improving in US and EU; self-help measures with positive effect on margin.
- **Animal Nutrition:** Methionine with very strong volumes, but negative price effect against high comparables from Q1 2018. Q1 additionally burdened by ramp-up costs for new methionine plant (~€15 m).

Resource Efficiency (RE)

in € million	Q1 2018	Q1 2019	yoy Δ%	Q4 2018	Q1 2019	qoq Δ%	Q1 2019 Consensus*
External sales	1.364	1.399	3%	1.365	1.399	2%	1.429
Volume (%)			*-2%*				
Price (%)			*5%*				
Exchange Rates (%)			*0%*				
Other effects (%)			*0%*				
Adjusted EBITDA	319	324	2%	254	324	28%	326
Adjusted EBITDA Margin (%)	23,4%	23,2%	-0,2 pp	18,6%	23,2%	4,6 pp	23,1%
Adjusted EBIT	251	248	-1%	176	248	41%	249
Adjustments	6	-3		-21	-3		
EBIT	257	245	-5%	155	245	58%	

- **Sales** up by +3% to €1,399 m (Q1 2018: €1,364 m)
  - Organic sales growth of +3% driven by strong pricing power (+5%)
  - Lower volumes (-2%): Subdued demand from automotive and coating industry

- **Adj. EBITDA** rose by +2% to €324 m (Q1 2018: €319 m)
  - Specialty portfolio demonstrates its resilience with slightly higher earnings in Q1 (yoy)
  - Continued good earnings momentum in Silica and High Performance Polymers (PA12)
  - Oil Additives and Coating Additives holding up well in more challenging market environment
  - Q2 expected sequentially slightly higher and below outstanding prior-year level

- **Crosslinkers:** Good volume development for almost all major products in all regions. Demand in wind energy market is recovering; additional stock filling effects after customers' year-end inventory optimization and before Chinese New Year.
- **High Performance Polymers:** Strong demand for PA12; Automotive business remained robust across Q1. Also strong market demand in other industries like Oil & Gas.
- **Silica:** Continued good demand for virtually all silica applications. EBITDA impacted by start-up costs from new precipitated silica plant in Charleston, South Carolina (single-digit million €).
  Coating Additives: Slightly lower volumes due to in general weaker demand from coating industry.

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Performance Materials (PM)

in € million	Q1 2018	Q1 2019	yoy Δ%	Q4 2018	Q1 2019	qoq Δ%	Q1 2019 Consensus*
External sales	601	559	-7%	544	559	3%	520
Volume (%)			*-4%*				
Price (%)			*-2%*				
Exchange Rates (%)			*-1%*				
Other effects (%)			*0%*				
Adjusted EBITDA	65	59	-9%	49	59	20%	62
Adjusted EBITDA Margin (%)	10,8%	10,6%	-0,2 pp	9,0%	10,6%	1,6 pp	12,1%
Adjusted EBIT	50	34	-32%	34	34	0%	38
Adjustments	0	0		-6	0		
EBIT	50	34	-32%	28	34	21%	

Continuing operations in PM: Performance Intermediates (C4 businesses; 3/4 of sales) and Functional Solutions (1/4 of sales; alkoxides for production of biodiesel and life science products)

- **Sales** decreased by -7% to €559 m (Q1 2018: €601 m)
  - Lower volumes (-4%) due to limited raw material availability caused by temporary production issues at supplier site
  - Negative prices (-2%) as weakness in MTBE prices (destocking in European gasoline market) mitigates higher BD-Naphtha spreads
- **Adj. EBITDA** declined to €59 m (Q1 2018: €65 m)
  - Weaker MTBE prices; supply constraints with impact on EBITDA of ~ €10 m
  - Q2 expected with clearly higher sales & EBITDA as supply constraints were solved by end of Q1

- **Performance Intermediates:** Lower volumes due to limited raw material availability caused by temporary production issues at supplier site; impact on EBITDA ~€10 m in Q1. Prices down as lower MTBE prices (destocking in European gasoline market) mitigating higher BD-Naphtha spreads. Q2 expected with clearly higher sales & EBITDA as raw material constraints were solved by end of Q1.
- **Functional Solutions**: Good demand in all Product Lines – especially alkoxides with increasing biodiesel demand in South-America. In addition, overhead cost improvement from merger of previously two Business Lines. High demand for alkoxides expected to continue into Q2.

Services

in € million	Q1 2018	Q1 2019	yoy Δ%	Q4 2018	Q1 2019	qoq Δ%	Q1 2019 Consensus*
External sales	160	174	9%	175	174	-1%	160
Adjusted EBITDA	35	31	-11%	0	31	>100%	40
Adjusted EBITDA Margin (%)	21,9%	17,8%	-4,1 pp	0,2%	17,8%	17,6 pp	26,4%
Adjusted EBIT	9	-7		-32	-7		2
Adjustments	-1	-2		-38	-2		
EBIT	8	-9		-70	-9		

- From 2019 onwards, SG&A 2020-related reorganization of supporting functions
- Shift of employees from Corporate to Services results in negative FY EBITDA effect of - €31 m in Services (~ €8 m per quarter); prior year Q1 and FY restated
- Shift was not part of preliminary restated figures (for continued operations) which were published on April 1st – so also not included in consensus numbers

Corporate / Others

in € million	Q1 2018	Q1 2019	yoy Δ%	Q4 2018	Q1 2019	qoq Δ%	Q1 2019 Consensus*
External sales	3	6		5	6		3
Adjusted EBITDA	-74	-55	26%	-68	-55	19%	-75
Adjusted EBIT	-82	-63	23%	-75	-63	16%	-86
Adjustments	-5	-2		-169	-2		
EBIT	-87	-65		-244	-65		

- Q1 with visible effects from SG&A efficiency program
- In addition, corresponding effect from reorganization of supporting functions with positive FY EBITDA effect of + €31 m in Corporate/Others (~ €8 m per quarter); prior year Q1 and FY restated – also not included in consensus numbers

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