

# Evonik. Power to create.

## Q1 2016 Earnings Conference Call

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4 May, 2016



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# Table of contents



<b>1</b>	<b>Highlights Q1 2016</b>
2	Financial performance Q1 2016
3	Outlook FY 2016

## Adj. EBITDA

**€565 m** (-13%)

Good earnings growth in  
Resource Efficiency  
Normalization in Nutrition & Care

## Adj. EBITDA margin

**18.2%** (-0.8 pp)

High level of profitability maintained

## Free cash flow

**€161 m** (-€18 m)

Free cash flow almost on prior year level  
due to solid operating cash flow and  
lower capex

## Outlook

**Confirmed**

Slightly lower sales  
Adj. EBITDA between €2.0 and 2.2 bn

# Highlights Q1 2016

Strong business fundamentals also in 2016



**Solid  
volume growth**

Solid volume growth in Resource Efficiency and Performance Materials

**EBITDA margins  
in growth  
segments >20%**

Nutrition & Care and Resource Efficiency delivering adj. EBITDA margins well above 20% in Q1

**Disciplined  
use of funds**

Focus on selective, smaller investments projects leading to further reduction in capex in Q1 (-15% yoy)

**Positive  
free cash flow**

Free cash flow almost on prior year level due to solid operating cash flow and lower capex

# Highlights Q1 2016

Growth segments move on as expected



## Nutrition & Care



Adj. EBITDA	Adj. EBITDA margin
<b>€293 m</b>	<b>28.0%</b>

- Expected gradual normalization of market situation in methionine
- Good start into the year for Personal Care, Health Care and Comfort & Insulation

## Resource Efficiency



Adj. EBITDA	Adj. EBITDA margin
<b>€256 m</b>	<b>22.9%</b>

- Good start into 2016 with 5% earnings growth yoy, partly supported by positive effect from lower raw material costs
- Strong performance in Silica, Crosslinkers and Oil Additives

Sustainable and industry-leading EBITDA margin levels (%) of **20+**

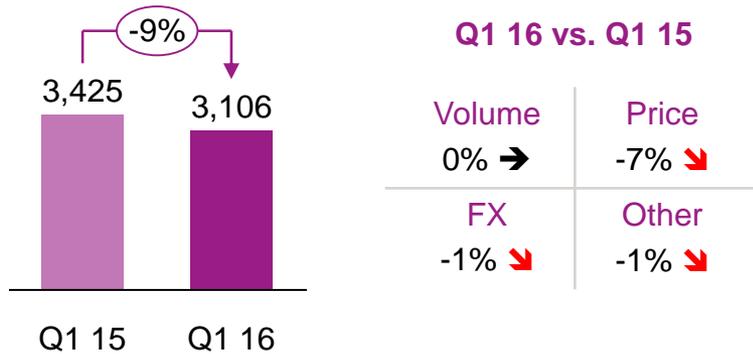
# Table of contents



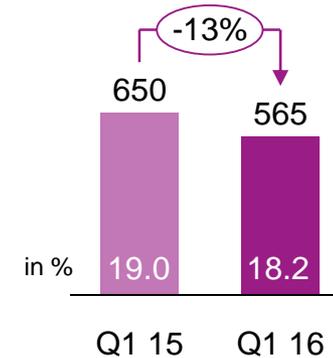
1	Highlights Q1 2016
<b>2</b>	<b>Financial performance Q1 2016</b>
3	Outlook FY 2016

# Financial highlights Q1 2016

## Sales (in € m)



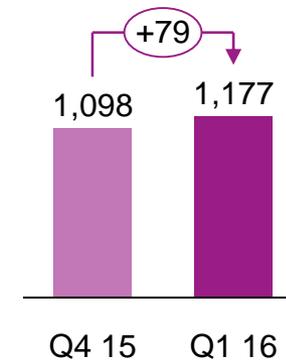
## Adj. EBITDA (in € m) / margin



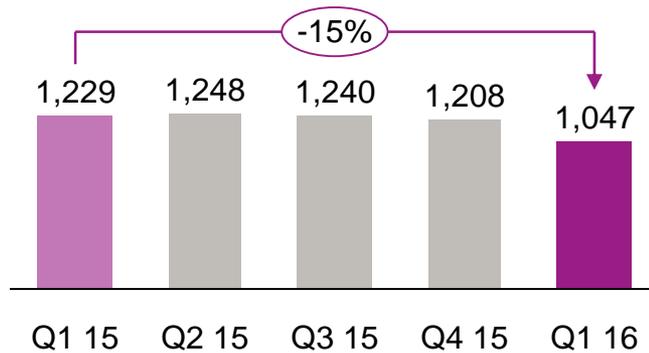
## Adj. EPS (in €)



## Net financial position (in € m)



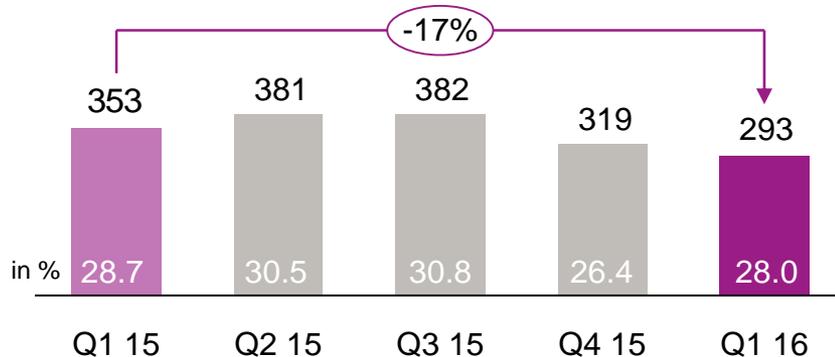
### Sales (in € m)



Q1 16 vs. Q1 15	Volume	Price	FX	Other
	-5% ↘	-8% ↘	-2% ↘	0% →

- Declining volumes in methionine due to very strong comparables and temporarily slower market growth
- Also lower volumes in Baby Care in competitive market environment
- Lower prices esp. in Baby Care due to lower propylene prices (formula prices) and competitive situation; gradual normalization in Methionine expected to continue into Q2

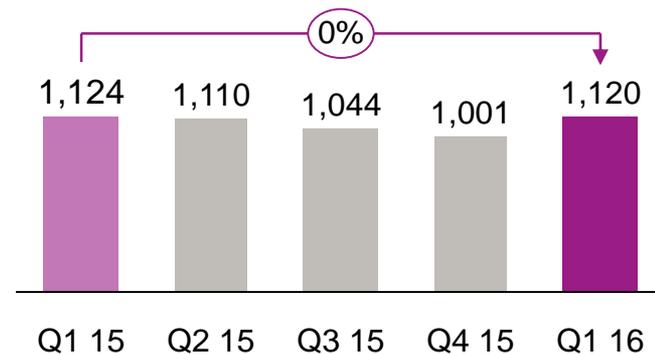
### Adj. EBITDA (in € m) / margin (in %)



# Resource Efficiency

## Volume and earnings growth

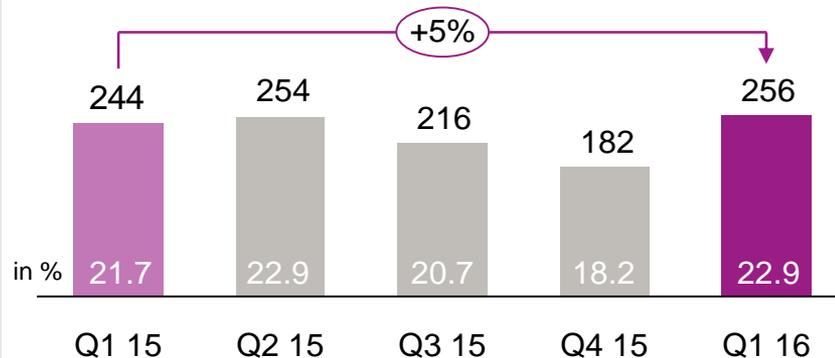
### Sales (in € m)



Q1 16 vs. Q1 15	Volume	Price	FX	Other
	+2% ↗	-3% ↘	0% →	+1% ↗

- Good volume growth
- Prices slightly declining as a result of the sustained low raw material prices

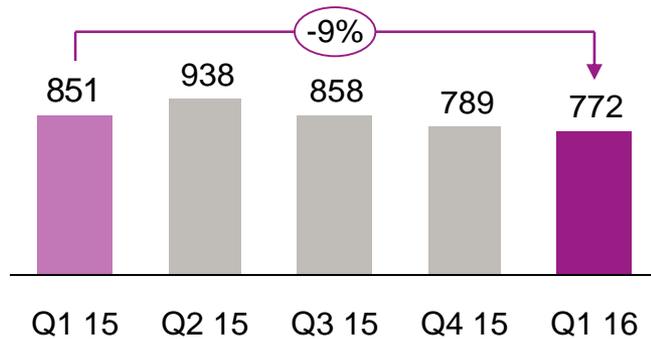
### Adj. EBITDA (in € m) / margin (in %)



# Performance Materials

## Lower prices driving earnings down

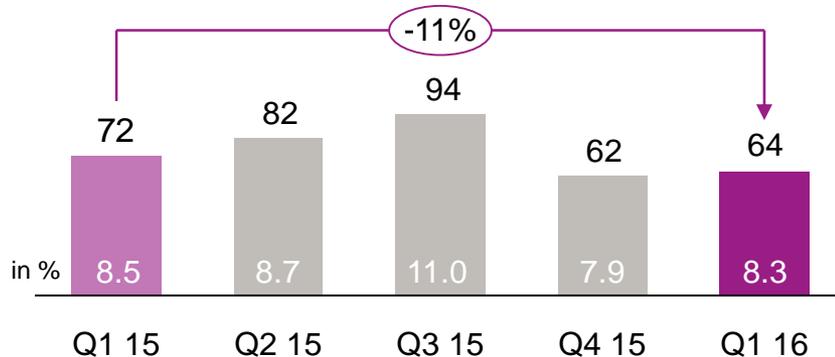
### Sales (in € m)



Q1 16 vs. Q1 15	Volume	Price	FX	Other
	+5% ↗	-14% ↘	0% →	0% →

- Increasing volumes mainly from C4 expansion in Marl and Antwerp
- Prices in C4 chain driven down further by lower raw material prices
- MMA with tough comparables, market environment more challenging vs. prior-year

### Adj. EBITDA (in € m) / margin (in %)



# Table of contents



1	Highlights Q1 2016
2	Financial performance Q1 2016
<b>3</b>	<b>Outlook FY 2016</b>

## Outlook for 2016 confirmed

Adj. EBITDA between €2.0 and 2.2 bn expected



**Slightly lower sales**

(2015: €13,507 m)

**Adj. EBITDA between €2.0 and 2.2 bn**

(2015: €2,465 m)

**Our future success continues to be built on strong business fundamentals**

- Continued **volume growth**
- **EBITDA margins** in Nutrition & Care and Resource Efficiency >20%
- Selective, smaller **investments** to drive future growth
- **Discipline** in use of funds (capex, M&A)
- **Strong balance sheet** enabling strategic flexibility and ensuring financial stability in volatile markets
- **Positive free cash flow** generation
- Consistent execution of **efficiency programs**



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## Segment outlook for 2016

### Nutrition & Care



- Stable or slightly positive business performance in majority of businesses (vs. prior year)
- Animal Nutrition: expected gradual normalization of tight supply / demand situation experienced in 2015; market demand to remain robust
- Baby Care: very competitive market environment to persist

### Resource Efficiency



- Continuation of prior years' successful business performance, despite weaker global economic growth

### Performance Materials

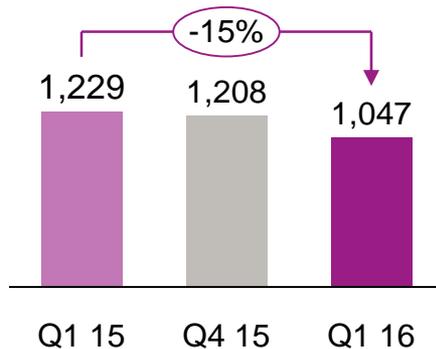


- Further declining oil price (vs. 2015 average) continues to pressure prices and margins of C4 products
- Ample supply and weaker demand weigh on Acrylic Monomers

# Nutrition & Care

## Q1 2016 Business Line comments

Sales (in € m)



**Personal Care** enjoying good demand across all regions and market segments; beneficial product mix and increasing contributions from new oleochemical plants.



**Comfort & Insulation** with promising start into the year based on strong demand in EU and US core markets.

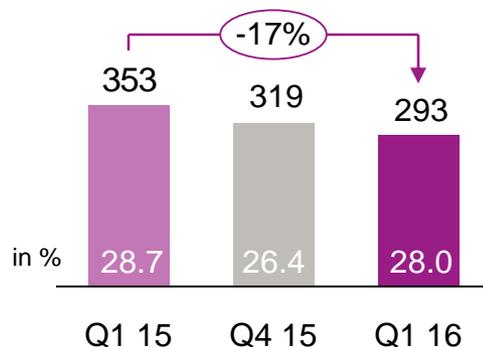


**Baby Care:** volumes and prices significantly impacted by overcapacities in the market; additional impact on selling prices from pass-on of low propylene quotations via formula pricing.



**Animal Nutrition:** methionine prices normalize from the extraordinarily high prices seen mid-2015 as additional volumes become available; lower volumes against very strong comparables; market situation in lysine remains unsatisfactory.

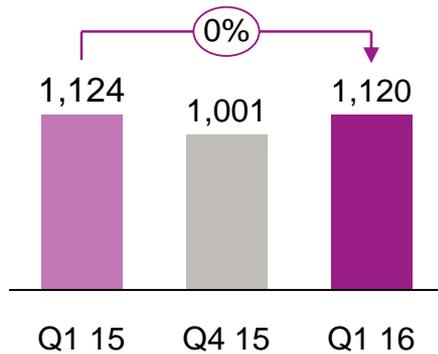
Adj. EBITDA (in € m) / margin



# Resource Efficiency

## Q1 2016 Business Line comments

Sales (in € m)



**Silica** with good start into the year; rubber silica demand strong in Europe and the US; specialty silica (esp. matting agents) above prior year in all regions.



**Crosslinkers:** strong demand across the value chain and most industries carrying over from 2015.

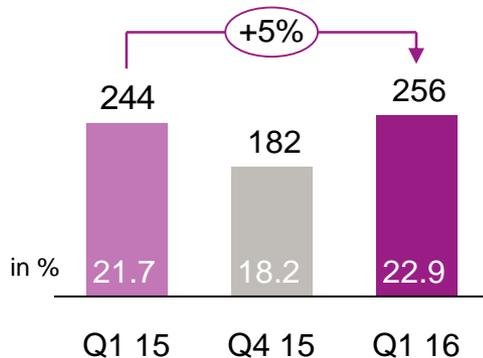


**High Performance Polymers:** strength in PA12 powder applications and foams, fibres and membranes continues; base business weaker; regionally Europe and US with better performance than Asian markets.



**Oil Additives** with another strong quarter thanks to good demand environment and attractive product mix.

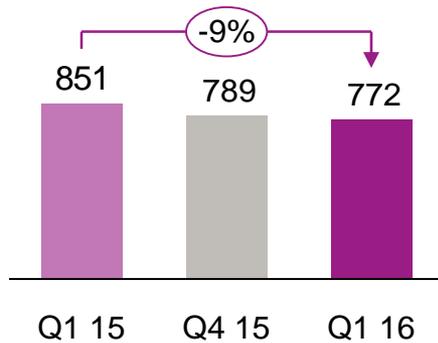
Adj. EBITDA (in € m) / margin



# Performance Materials

## Q1 2016 Business Line comments

Sales (in € m)



**MMA** facing tough comparables from a strong H1 2015; long market, soft demand esp. in Asia and low raw material prices leading to yoy lower selling prices; stabilization towards the end of the quarter visible.

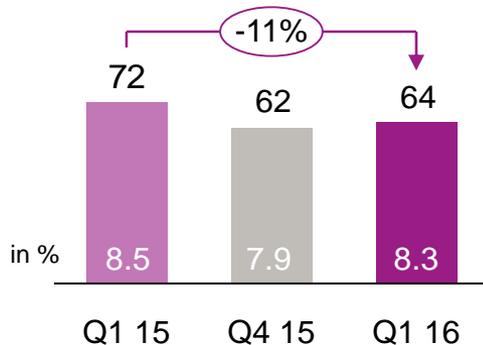


**PMMA** enjoying continued strong demand from EU and US automotive customers.



**Performance Intermediates** with tough start into the year due to again lower raw material prices, selling prices and margins; increased volumes from C4 expansion in Marl and Antwerp; lower MTBE inclusion rates due to alternative gasoline specifications during winter time.

Adj. EBITDA (in € m) / margin

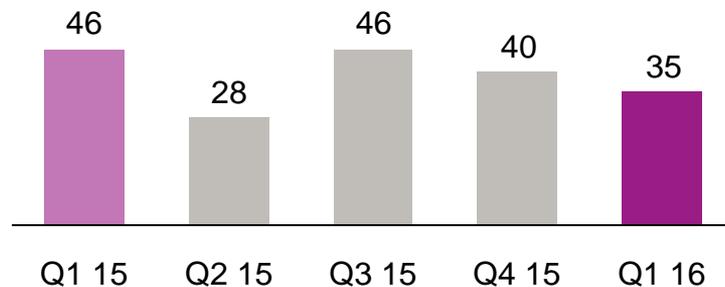


# Services and Corporate / Others

## Q1 2016 segment comments

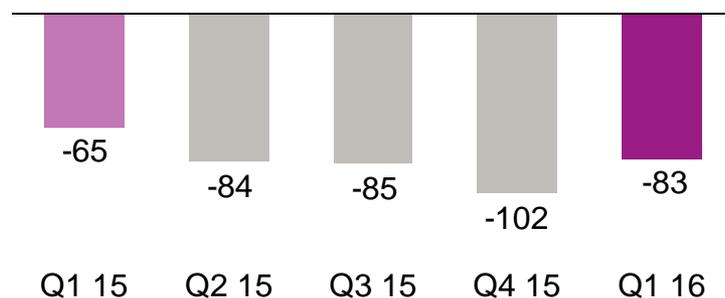


### Services: adj. EBITDA (in € m)



- Solid start into the year
- Lower sales as a result of lower energy costs (trading activity for external customers)
- Earnings decline yoy mainly due permanent plant shutdown of one major customer

### Corporate / Others: adj. EBITDA (in € m)

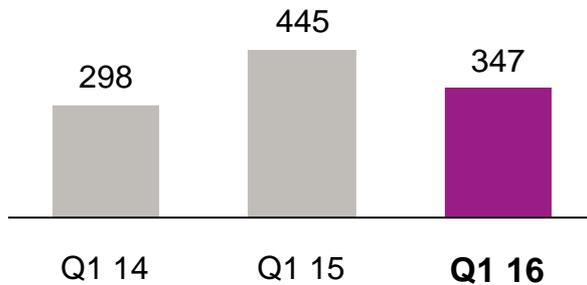


- Earnings negatively impacted by hedging effects
- Q1 2015 benefitted from various smaller non-operating one-offs

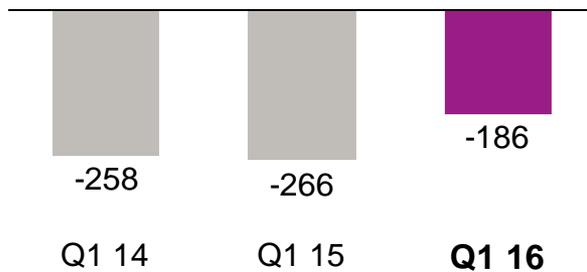
2015 figures restated for restructuring between Services and Corporate / Others segments

# Cash flow development

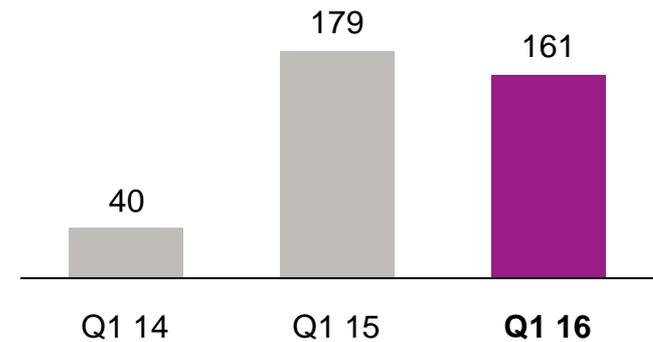
## Operating Cash Flow (cont. op. in € m)



## Investing Cash Flow (cont. op. in € m)<sup>1</sup>



## Free Cash Flow (cont. op. in € m)<sup>2</sup> (before dividends and divestments)

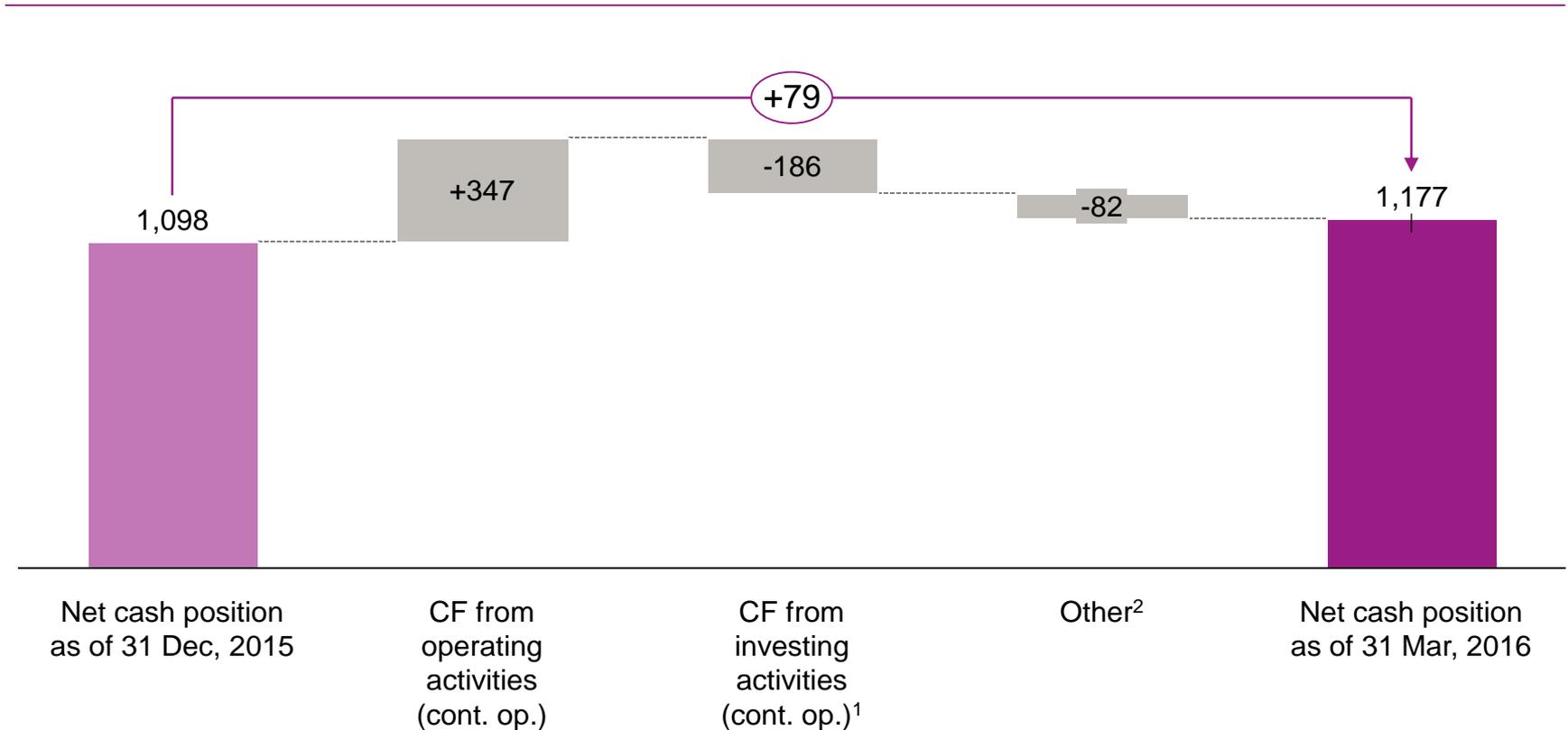


<sup>1</sup> Cash outflow for investments in intangible assets and PP&E

<sup>2</sup> Operating Cash Flow (cont. op.) ./. Investing Cash Flow (cont. op.)

# Net financial position

Development of net financial position (in € m)

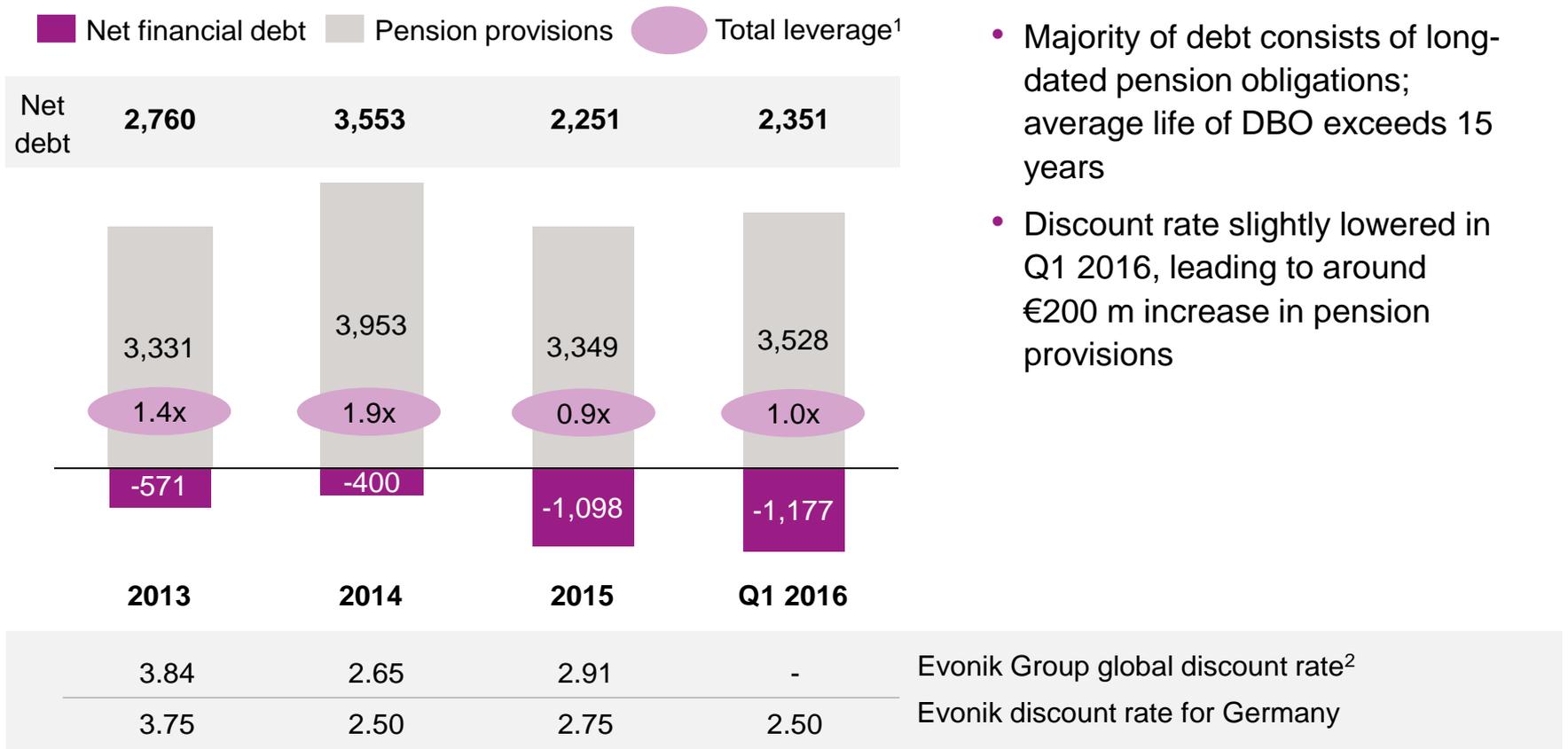


<sup>1</sup> Cash outflow for investments in intangible assets and PP&E

<sup>2</sup> Including cash outflows for investments in shareholdings

# Net debt development

## Net debt development (in € m)



<sup>1</sup> Total leverage defined as (net financial debt + pension provisions) / adj. EBITDA LTM

<sup>2</sup> Calculated annually

# Adj. income statement Q1 2016

in € million	Q1 2015	Q1 2016	Δ in %
<b>Sales</b>	<b>3,425</b>	<b>3,106</b>	-9
<b>Adj. EBITDA</b>	<b>650</b>	<b>565</b>	-13
Depreciation & amortization	-165	-176	
<b>Adj. EBIT</b>	<b>485</b>	<b>389</b>	-20
Adj. net financial result	-49	-32	
D&A on intangible assets	9	10	
<b>Adj. income before income taxes</b>	<b>445</b>	<b>367</b>	-18
Adj. income tax	-122	-109	
<b>Adj. income after taxes</b>	<b>323</b>	<b>258</b>	-20
Adj. non-controlling interests	-3	-4	
<b>Adj. net income</b>	<b>320</b>	<b>254</b>	-21
<b>Adj. earnings per share</b>	<b>0.69</b>	<b>0.55</b>	
Adjustments	-37	-13	

## D&A

- Increase due to new production facilities coming on stream

## Adj. net financial result

- Positively impacted by interest income from one-time tax refunds

## Adj. tax rate

- Adj. tax rate of 29.7% in line with indication for FY (~29%)

## Adjustments

- Restructuring: -€6 m
- Others: -€7 m

# Cash flow statement Q1 2016

in € million (continuing operations)	Q1 2015	Q1 2016
Income before financial result and income taxes	448	376
Depreciation and amortization	191	176
Δ Net working capital	-242	-184
Change in other provisions	51	50
Change in miscellaneous assets/liabilities	86	35
Outflows for income taxes	-45	-72
Others	-44	-34
<b>Cash flow from operating activities</b>	<b>445</b>	<b>347</b>
<b>Cash flow from investing activities, thereof:</b>	<b>-505</b>	<b>-236</b>
Cash outflows for investments in intangible assets and PP&E	-266	-186
Cash outflows for investments in shareholdings	-3	-58
Cash inflows/outflows relating to securities, deposits and loans	-242	5
<b>Cash flow from financing activities</b>	<b>733</b>	<b>-6</b>

## CF from operating activities

- Improvement in NWC, esp. in Performance Materials (NWC management and lower raw material costs)

## CF from investing activities

- Capex notably down yoy
- Q1 2016 contains outflow for acquisition of MedPalett

## CF from financing activities

- €750 m bond issued last year in Q1

## Segment overview by quarter

<b>Sales</b> (in € m)	FY 2014	Q1/15	Q2/15	Q3/15	Q4/15	FY 2015	<b>Q1/16</b>
Nutrition & Care	4,075	1,229	1,248	1,240	1,208	4,924	1,047
Resource Efficiency	4,040	1,124	1,110	1,044	1,001	4,279	1,120
Performance Materials	3,827	851	938	858	789	3,435	772
Services	906	207	211	207	203	828	166
Corporate / Others	69	14	12	16	-3	41	1
<b>Evonik Group</b>	<b>12,917</b>	<b>3,425</b>	<b>3,519</b>	<b>3,365</b>	<b>3,198</b>	<b>13,507</b>	<b>3,106</b>

<b>Adj. EBITDA</b> (in € m)	FY 2014	Q1/15	Q2/15	Q3/15	Q4/15	FY 2015	<b>Q1/16</b>
Nutrition & Care	847	353	381	382	319	1,435	293
Resource Efficiency	836	244	254	216	182	896	256
Performance Materials	325	72	82	94	62	309	64
Services	151	46	28	46	40	159	35
Corporate / Others	-277	-65	-84	-85	-102	-334	-83
<b>Evonik Group</b>	<b>1,882</b>	<b>650</b>	<b>661</b>	<b>653</b>	<b>501</b>	<b>2,465</b>	<b>565</b>

# Specialty Chemicals segments



## Nutrition & Care



**Sales**  
€4,924 m



**Adj. EBITDA / Margin**  
€1,435 m / 29.1%

Animal Nutrition

Baby Care

Health Care

Personal Care

Household Care

Comfort & Insulation

Interface & Performance



## Resource Efficiency



**Sales**  
€4,279 m



**Adj. EBITDA / Margin**  
€896 m / 20.9%

Silica

Crosslinkers

Oil Additives

Coating & Adhesive Resins

High Performance Polymers

Active Oxygens

Silanes

Coating Additives

Catalysts



## Performance Materials



**Sales**  
€3,435 m



**Adj. EBITDA / Margin**  
€309 m / 9.0%

Performance Intermediates

Acrylic Polymers

Acrylic Monomers

Functional Solutions

Agrochemicals & Polymer Additives

CyPlus Technologies

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