# Sale of “Methacrylates Verbund” to Advent International

March 4, 2019

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# Strategy execution fully on track

## Achieving excellence with consistent portfolio transformation

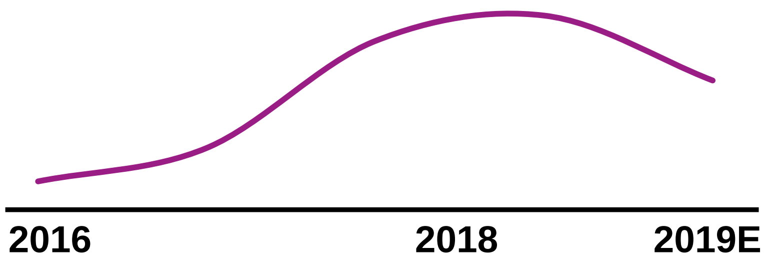
| Strategic targets | Divestment of "MMA Verbund" |
|---|---|
| **Focus on Growth Engines** | Exit of mature & capital-intensive business |
| **Less cyclical portfolio** | Divestment of €2.0 bn cyclical sales |
| **Reduced complexity** | Divestment of 3 business lines |
| **Structural margin uplift** | Uplifted and less volatile margin profile |

**Important step towards a more specialty & more balanced portfolio**

# Well-structured divestment process results in attractive valuation

**EBITDA 2016 - 2019E**

**Ø €350 m [1]**




**~8.5 x**

(EV/EBITDA multiple)

## 2016-2017: Preparing the business

- Continuous reduction of production costs
- Restructuring of business setup (e.g. site closure Gramatneusiedl)
- Implementing lean and optimized business model to efficiently serve customers
- Increasing share of attractive high-margin specialties

## 2018: Maximizing the value

- Establishing a **fully integrated "Verbund"** structure with downstream products and specialty solutions
- Well-timed divestment decision at **peak of cycle**

1. Average annual EBITDA for years 2016 – 2018 as well as expected EBITDA for FY 2019

# Attractive valuation

| Enterprise Value | Debt- & cash-free adjustments | Equity value |
|---|---|---|
| **3.0 bn** (~8.5 x) | **0.5 bn** | **2.5 bn** |

**Enterprise Value**

- EBITDA (2016-2018): ~ €350 m
- EBITDA (2019E): ~ €350 m

**Debt- & cash-free adjustments**

- Mainly transfer of pension obligations and assets to new owner
- Evonik impact:
  Immediate positive effect on P&L (service cost) and FCF
  (+€20 m p.a. cash out for pensions)

**Equity value**

- Strengthening balance sheet
- Targeted growth

1. Mid-term cycle: 2015-2019E



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# Active portfolio management
## More balanced and specialty with improved financial metrics

| Acquisitions | Divestments |
|---|---|

### APD Specialty Additives
„Creating a global leader in Specialty & Coating Additives“

### Huber Silica
„Excellent complementary fit for resilient silica business“

### Dr. Straetmans
„Expansion as leading partner for the cosmetics industry”

### PeroxyChem
„Expansion of high-growth & -margin H2O2 specialty applications“

- Stable businesses with GDP+ growth
- EBITDA margin above target range
- CAPEX-light
- Sustained high cash conversion

### Jayhawk (non-core agrochemical site in PM)
„Streamlining on business-line level”

### MMA/PMMA Verbund
„Major step towards a more specialty & balanced portfolio”

- Supply/demand-driven cyclical businesses
- Margin and FCF volatility over the cycle
- CAPEX-intensive



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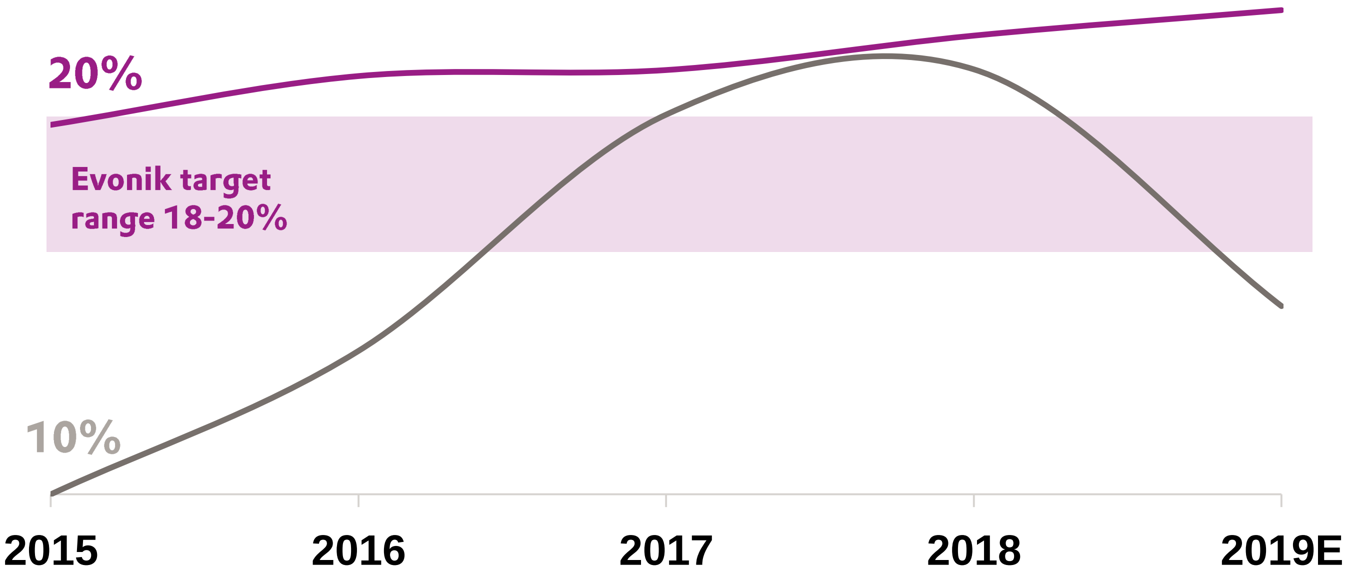
# Portfolio transformation leads to higher margins with reduced volatility

**EBITDA margin development: Acquisitions vs. “MMA/PMMA Verbund”**

**Acquisitions**

**MMA/PMMA**




**Ø Acquisitions ~22%**

**vs.**

**Ø MMA ~17%**

Acquisitions: APD Specialty Additives; Huber Silica; Dr. Straetmans; PeroxyChem



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# Capital allocation priorities
## Strengthening balance sheet and investing in growth

**Strengthening Balance Sheet**

Deleveraging

**Targeted growth**


Animal Nutrition


Specialty Additives


Health & Care


Smart Materials

- **Disciplined M&A** via targeted bolt-on acquisitions in growth engines
- Highly attractive **internal growth projects** with ROCE well above 10%
- Ongoing high CAPEX discipline

# Improved cash generation going forward

## Strengthening of growth engines drives mid-term FCF potential

| 2019 | Mid-term |
|---|---|

**FCF drivers:**

- CTA pension reimbursement (~ €100 m)
- Lower cash-outs for MMA/PMMA pensions (€20 m) (transfer of pensions to new owner)
- First contribution PeroxyChem

**MMA FCF already compensated**
**Dividend coverage secured**

**FCF drivers:**

- Full cash potential from PeroxyChem by 2020
- Cash contribution from new Polyamide 12 capacity to come on stream in 2021
- Further cash potential from targeted growth projects along 4 growth engines

**MMA cash flow clearly overcompensated**



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# Building a best-in-class specialty chemicals company
## Divestment of “Methacrylates Verbund” successfully completed

- Delivering on **Specialty Chemicals strategy**
- Key milestone in shaping our portfolio towards **more resilience and less cyclicality**
- Portfolio transformation towards **higher margins** and **improved cash generation**
- **Attractive** EV/EBITDA **multiple**
- Proceeds to strengthen balance sheet & targeted growth


**Strategy execution continues . . .**



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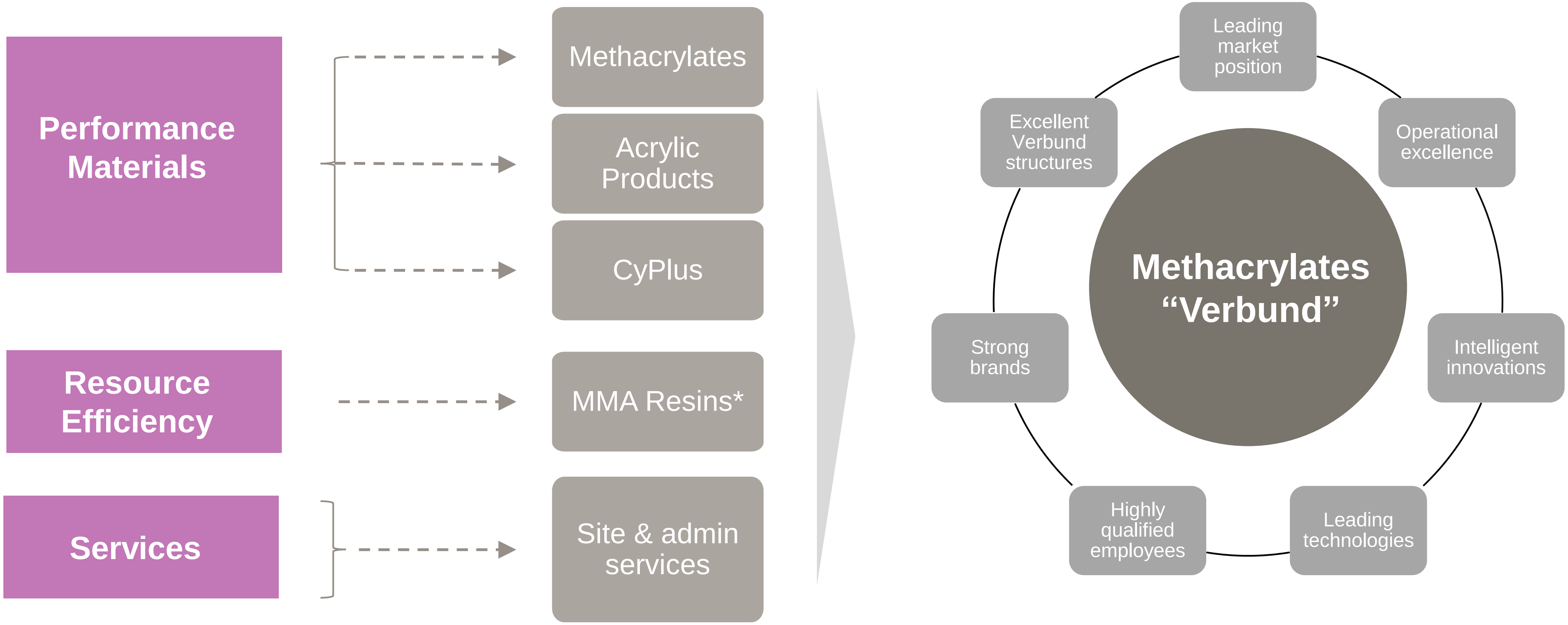
# “Methacrylates Verbund”

## The world’s leading methacrylates business




* Product groups: Protective Coatings & Inks , Roadmarking & Flooring



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# "Methacrylates Verbund"

## Indicative financials for "Methacrylates Verbund" fiscal 2018

| [€] | Sales[1] | Adj. EBITDA[1] | CAPEX[1] |
|---|---|---|---|
| **Operating Methacrylates businesses** (mainly part of Performance Materials segment) | ~1.76 bn | ~430 m | ~75 m |
| **Services segment** | ~0.14 bn | ~15 m | ~5 m |
| **Methacrylates Verbund** | ~1.9 bn | ~445 m | ~80 m |

."Methacrylates Verbund": Methacrylates, Acrylic Products, CyPlus, MMA Resins (Protective Coatings & Inks, Roadmarking & Flooring)
1. Unaudited indicative financials for 2018, discontinued operations may lead to different disclosure

# Separation of “Methacrylates Verbund”

## Impact on Evonik financials

| | 2018 | | 2019 | |
|---|---|---|---|---|
| **MMA** | **€445 m** (will be shown in disc. op.) | **€140 m** business normalization MMA 2019 vs. 2018 | ~ €300 m | Pro forma EBITDA 2019 as part of Evonik Group |
| **Remnant cost** | ./. | | ~ €50 m | Impact on Evonik Group ex MMA |
| | **€445 m** | | **~ €350 m** Impact on Evonik ex. MMA in 2019 | |

Remnant cost also include impact from new market prices for Evonik ex MMA (implemented for “arm’s length” delivery terms of bulk monomers to NC and RE segments)
Remnant cost to be reduced by half until 2021



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# Impact on Evonik financials

| | |
|---|---|
| **Dividend policy** | ▪ No change in dividend policy<br>▪ Dividend continuity (at least stable) / payout ratio of ~40% of adjusted net income |
| **Remnant cost** | ▪ €50 m in 2019<br>▪ To be reduced by half by 2021 |
| **CAPEX** | ▪ Reduction of sustained CAPEX level to €850 m<br>▪ Extraordinary CAPEX spending in 2019-2021 related to PA12 project (peak in 2020) |
| **Tax implications** | ▪ Deal-related tax payments[1] of ~€200 m (~7%)<br>▪ No significant impact on group P&L tax rate going forward (~28%) |
| **Closing** | ▪ Estimated closing of transaction: Q3 2019 |

1. Part of Operating CF from discontinued operations



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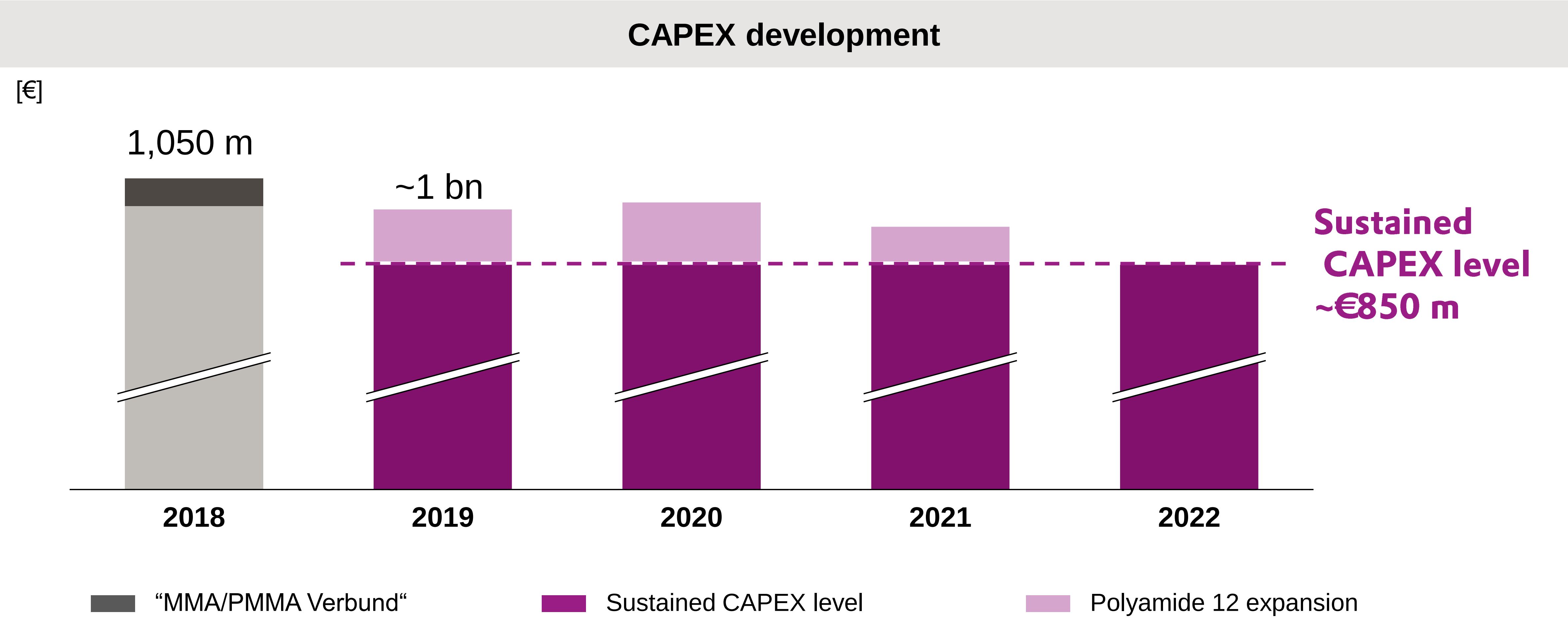
# Trimming down sustained CAPEX level to ~€850 m



# “Methacrylates Verbund” will be reported as Discontinued Operations

## First-time application with Q1 2019 reporting

### P&L

- “Discontinued operations” will be reported as net income in separate line item in P&L
- Both, EPS from continued and discontinued operations will be reported
- 2018 financials will be restated

### Balance Sheet

- Assets and Liabilities related to “Methacrylates Verbund” will be reported as current assets and liabilities from “discontinued operations”
- No restatement of prior year figures

### Cash Flow Statement

- Discontinued CF of each section (operating, investing, financing) are shown as net cash flows
- 2018 financials will be restated
- Tax payments in CFS:
  - Deal-related tax payments part of Operating CF from discontinued operations