

# LANXESS – Berenberg US Conference

Earnings back on high previous year level

Michael Pontzen, CFO

May 20<sup>th</sup>, 2021

# Safe harbor statement

The information included in this presentation is being provided for informational purposes only and does not constitute an offer to sell, or a solicitation of an offer to purchase, securities of LANXESS AG. No public market exists for the securities of LANXESS AG in the United States.

This presentation contains certain forward-looking statements, including assumptions, opinions, expectations and views of the company or cited from third party sources. Various known and unknown risks, uncertainties and other factors could cause the actual results, financial position, development or performance of LANXESS AG to differ materially from the estimations expressed or implied herein. LANXESS AG does not guarantee that the assumptions underlying such forward-looking statements are free from errors, nor does it accept any responsibility for the future accuracy of the opinions expressed in this presentation or the actual occurrence of the forecast developments. No representation or warranty (expressed or implied) is made as to, and no reliance should be placed on, any information, estimates, targets and opinions contained herein, and no liability whatsoever is accepted as to any errors, omissions or misstatements contained herein, and accordingly, no representative of LANXESS AG or any of its affiliated companies or any of such person's officers, directors or employees accepts any liability whatsoever arising directly or indirectly from the use of this document.

# Agenda

**1 Executive summary Q1 2021**

**2 Financial and business details Q1 2021**

**3 Back-up**

# Q1 2021: Execution on strategy, solid earnings level

## Q1 Highlights

### Strategic:

- Acquisition of Emerald Kalama Chemical signed
- Two bolt-on acquisitions closed in Consumer Protection segment
- Entry into battery chemistry business announced: electrolyte production for Tinci at BU SGO

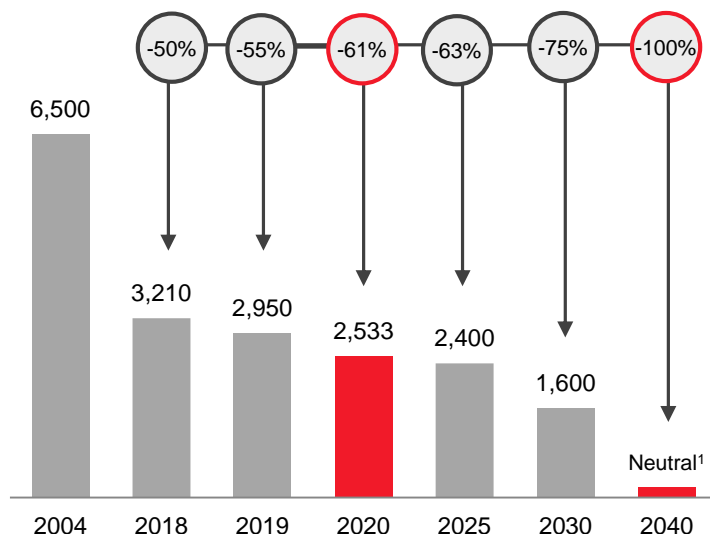
### Financial:

- Volumes above previous year after unexpectedly strong March
- EBITDA pre on previous year level at €242 m, stable margin at 14.3%
- Several effects burden Q1'21: winter shutdowns (USA), energy & freight costs, raw material price increases, FX



# ESG theme as a chance - LANXESS goes climate neutral by 2040

## Our goal: Climate neutrality

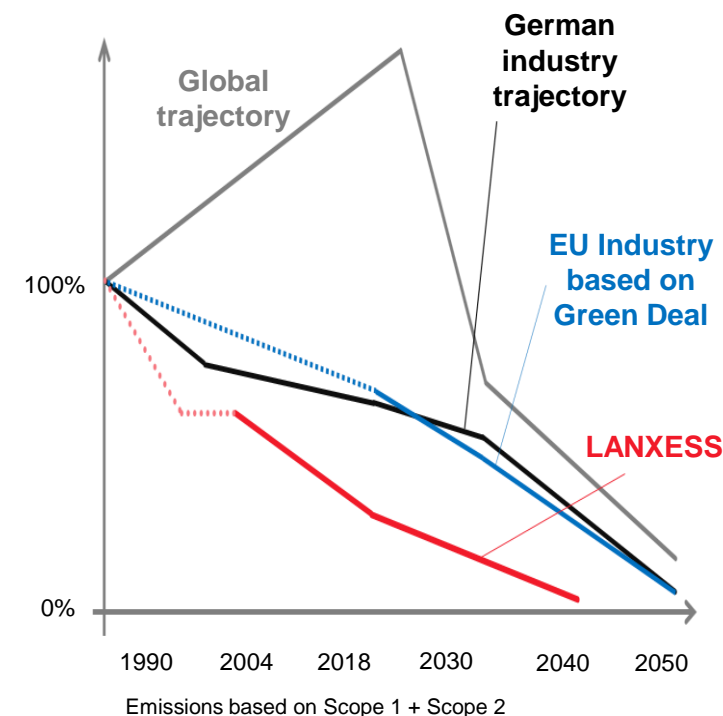


Emissions based on Scope 1 + Scope 2, numbers rounded, in thousand tons CO<sub>2</sub>e

## Three-pronged approach

- Reduction of N<sub>2</sub>O emissions and change to renewable energies
- CO<sub>2</sub>e balance as criteria for organic growth and acquisitions
- Focus R&D activities on climate neutral processes and technologies

## Ahead of EU regulation<sup>2</sup>



**LANXESS is on track to achieve targets set for 2025**

<sup>1</sup> Climate neutral: Less than 300,000 tons of CO<sub>2</sub> equivalents per year. These will be reduced through compensation measures.

<sup>2</sup> This is based on current legislation. There is a plan for a more ambitious 2045 Net-Zero Emission Goal to be approved by cabinet shortly.

# LANXESS enhances its disclosures according to SASB and TCFD reporting standards

## Mapping of KPIs to SASB<sup>1</sup> standard

- SASB with **uniform reporting procedures** for sustainability KPIs to facilitate categorization and analysis
- **Growing importance globally** after initial focus in US
- LANXESS publishes a SASB Index in accordance with **Chemical Standard for environmental, social and governance issues**



## Reporting according to TCFD<sup>2</sup> standard

- TCFD with recommendations for more effective **climate-related disclosures**, in particular to report information on climate-related opportunities and risks
- Disclosure around four thematic areas: Governance, strategy, risk management and metrics and targets
- LANXESS acknowledges the need for improved and increased reporting of **climate-related financial information**



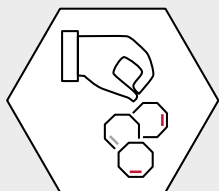
**LANXESS takes a proactive role in contributing to a better, sustainable future**

# Current outlook: Recovering demand in most end markets, increasing raw material prices and FX burden



## Advanced Intermediates

- Increasing demand in all end markets, but energy prices burden
- Boom in construction in all regions, strong order book



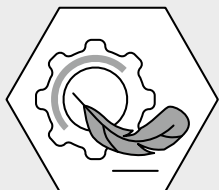
## Specialty Additives

- Strong demand for automotive supports all BUs; aviation still weak
- Positive trends in key industries: Construction strong, oil & gas improving



## Consumer Protection

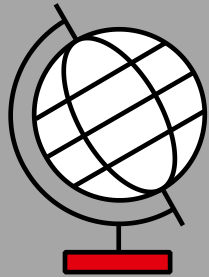
- Disinfection, purification and biocides with good business momentum despite high comparable base
- Agro market rebounding



## Engineering Materials

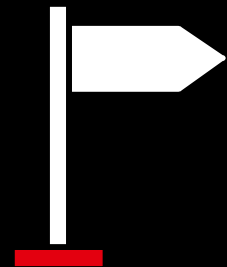
- Strong auto recovery in all regions, Force Majeure of supplier burdens

# LANXESS guidance raised – recovery gains traction



## Current view on economy

- Ongoing recovery in most end markets:
  - Strong rebound in automotive, agro and construction
  - Aviation still weak, oil & gas gradually improving
- Further soaring raw material prices trigger typical time lag for pass-through



## LANXESS outlook

- **Q2: EBITDA pre range of €240-280 m expected, despite burden of**
  - Unplanned shutdowns at BU HPM (~€5-10 m)
  - Weak US Dollar
- **FY 2021 EBITDA pre expected €950-1,000 m**



# Agenda

**1 Executive summary Q1 2021**

**2 Financial and business details Q1 2021**

**3 Back-up**



# LANXESS Group: Results back on solid previous year level

## Strong volume growth, but FX burdens

[€ m]*	Q1/2020	Q1/2021	Δ
Sales	1,704	1,693	-1%
EBITDA pre	245	242	-1%
Margin	14.4%	14.3%	
CAPEX	74	70	-5%



Price	Volume	FX	Portfolio
<b>-2%</b>	<b>+5%</b>	<b>-4%</b>	<b>+0%</b>

**Total -1%**

**Q1 Sales vs. PY**

- Stable sales driven by volumes but impacted by adverse FX effect and lower price level compared to previous year
- Raw material prices still slightly below previous year but massive sequential upswing in Q1 2021
- EBITDA pre and margin on previous year level. Positive volume growth offset by time-lag in raw material price pass-through and negative FX

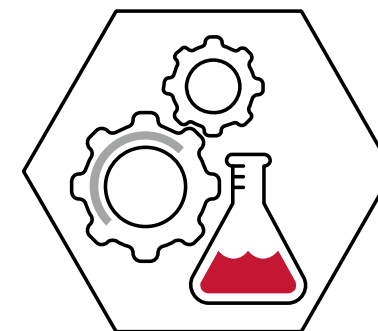
\* All figures excluding BU LEA, which is reported as discontinued operation



# Advanced Intermediates: Strong volume growth

## Rising volumes, prices lag behind

[€ m]*	Q1/2020	Q1/2021	Δ
Sales	483	489	1%
EBITDA pre	82	77	-6%
Margin	17.0%	15.7%	
CAPEX	23	21	-9%



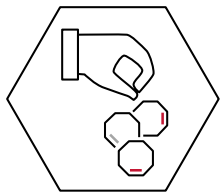
Price **-4%**   Volume **+8%**   FX **-3%**   Portfolio **0%**

Total **+1%**

Q1 Sales vs. PY

- Sales increase driven by significantly higher volumes in both BUs mitigated by lower prices and negative FX effect
- Stable price level at BU IPG. BU All with lower prices, significant increase in raw material prices not yet passed-through
- EBITDA pre and margin impacted by price pass-through delay, higher energy costs and negative FX

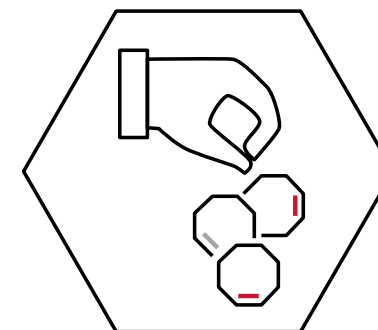
\* New reporting structure as of Q1 2021: "Antioxidants and Accelerators" (AXX) business shift from BU All to BU RCH (segment "Specialty Additives"); 2020 figures restated



# Specialty Additives: Results impacted by weather-related shutdowns and negative FX development

## Shutdowns burden

[€ m]*	Q1/2020	Q1/2021	Δ
Sales	574	517	-10%
EBITDA pre	91	74	-19%
Margin	15.9%	14.3%	
CAPEX	20	16	-20%



Price **0%**   Volume **-4%**   FX **-5%**   Portfolio **0%**

Total **-10%**

Q1 Sales vs. PY

- Sales decline due to lower volumes and negative FX effects, compared to still strong previous year level
- Weather-related shutdowns in the US and still weak demand from aviation led to lower volumes in BU PLA and LAB, while BU RCH benefits from auto recovery
- EBITDA pre and margin impacted by weather-related shutdowns, higher freight costs and adverse FX effect; shift of AXX dilutes margin

\* New reporting structure as of Q1 2021: Business Line "Antioxidants and Accelerators" (AXX) shift from BU All to BU RCH (segment "Specialty Additives"); 2020 figures restated



# Consumer Protection: Outperforming high comparable base

## Ongoing growth and strong margins

[€ m]	Q1/2020	Q1/2021	Δ
Sales	279	290	4%
EBITDA pre	67	69	3%
Margin	24.0%	23.8%	
CAPEX	10	13	30%

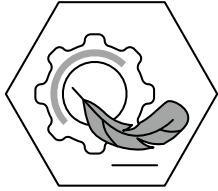


Price	Volume	FX	Portfolio
<b>-3%</b>	<b>+10%</b>	<b>-3%</b>	<b>0%</b>

Total **+4%**

Q1 Sales vs. PY

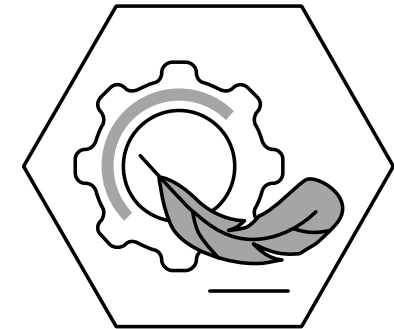
- Considerable sales increase driven by strong volumes, partly offset by negative pricing and FX
- Ongoing strong demand for disinfectants and biocides, volume uptick inflated by IFRS 15
- Improved EBITDA pre due to higher volumes despite weather-related shutdown in US (BU MPP); lower prices and FX weigh on result
- Acquisitions in BU MPP contribute nicely



# Engineering Materials: Automotive recovery drives strong earnings

## Strong margin improvement

[€ m]	Q1/2020	Q1/2021	Δ
Sales	347	377	9%
EBITDA pre	49	59	20%
Margin	14.1%	15.6%	
CAPEX	8	10	25%



Price    Volume    FX    Portfolio

**0%**    **+13%**    **-4%**    **0%**

Total **+9%**

Q1 Sales vs. PY

- Rise in sales due to strong demand from auto industry, partly offset by negative FX
- Prices recovered to previous year level after massive decline during 2020
- EBITDA pre and margin increase driven by improved volumes, offsetting higher energy and freight costs as well as FX

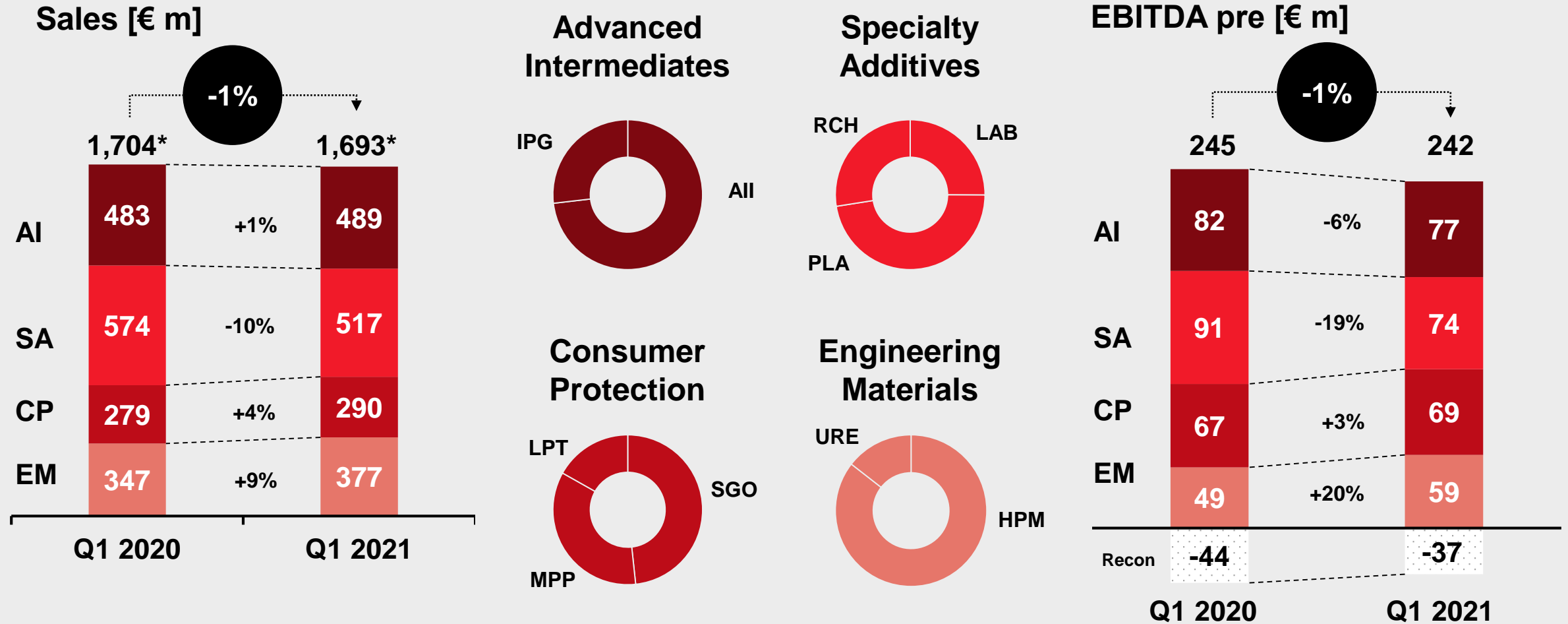
# P&L Q1: Profitability on previous year level, unexpectedly strong March

[€ m]*	Q1/2020		Q1/2021		yoy in %
Sales	1,704	(100%)	1,693	(100%)	-1%
Cost of sales	-1,269	(-74%)	-1,266	(-75%)	0%
Selling	-202	(-12%)	-208	(-12%)	-3%
G&A	-74	(-4%)	-73	(-4%)	1%
R&D	-26	(-2%)	-27	(-2%)	-4%
<b>EBIT</b>	<b>104</b>	<b>(6%)</b>	<b>98</b>	<b>(6%)</b>	<b>-6%</b>
<b>Net Income</b>	<b>64</b>	<b>(4%)</b>	<b>64</b>	<b>(4%)</b>	<b>0%</b>
<b>EPS pre</b>	<b>1.17</b>		<b>1.17</b>		<b>0%</b>
EBITDA	219	(13%)	215	(13%)	-2%
thereof except.	-26	(-2%)	-27	(-2%)	-4%
<b>EBITDA pre except.</b>	<b>245</b>	<b>(14.4%)</b>	<b>242</b>	<b>(14.3%)</b>	<b>-1%</b>

- Increase in selling expenses reflects higher freight costs, partly mitigated by lower travel expenses
- Stable earnings, margins and EPS due to recovering demand despite weather-related shutdowns, higher energy prices and negative FX development

\* From continuing operations

# Q1 2021: Results supported by Consumer Protection and Engineering Materials

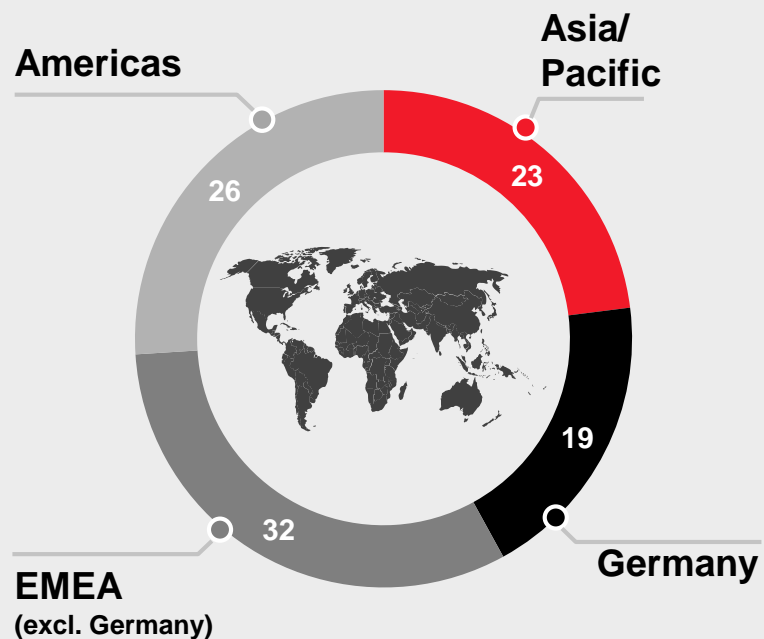


\* Total group sales including reconciliation

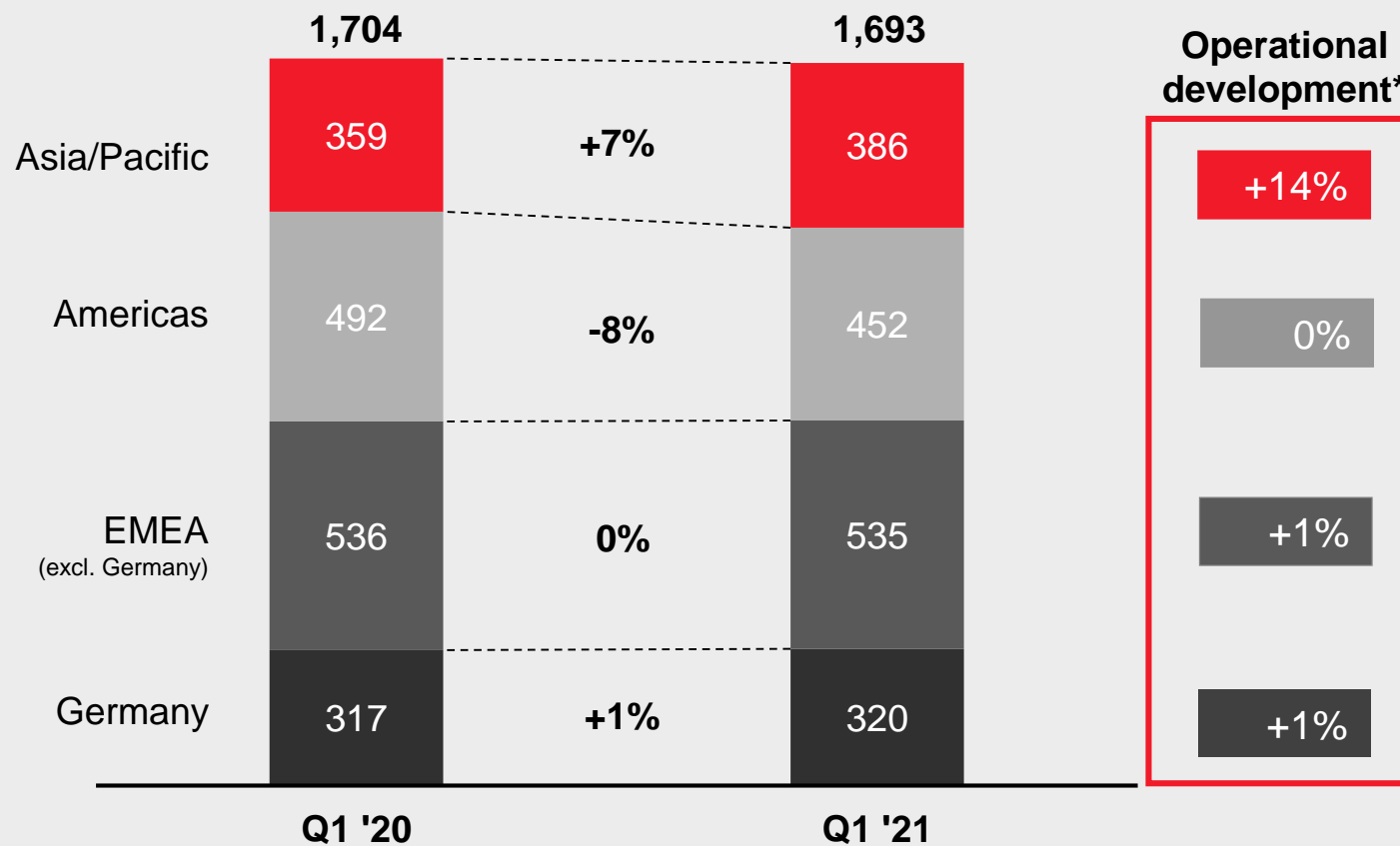


# Q1 2021: Asia leading the recovery, America and EMEA compare with solid previous year base

Q1 2021 sales by region [%]



Regional development of sales [€ m]



\* Currency and portfolio adjusted

# Operating cash flow distorted by timing of various tax payments among others

[€ m]	Q1/2020	Q1/2021	Δ
<b>Operating cash flow*</b>	<b>113</b>	<b>33</b>	<b>-80</b>
<b>Investing cash flow*</b>	<b>-75</b>	<b>530</b>	<b>605</b>
thereof capex	-74	-70	4
thereof net proceeds from money market funds	-59	604	663

- Operating cashflow distorted due to
  - Timing of income taxes paid (~€35 m) in 2021
  - Received VAT re-imburement (~€20 m) in 2020
  
- Change in investing cash flow driven by cash-in from money market funds

\* Applies to continuing operations

# Rock solid balance sheet

<b>[€ m]</b>	<b>31.12.2020</b>	<b>31.03.2021</b>
<b>Total assets</b>	<b>8,880</b>	<b>9,118</b>
Equity	2,999	3,330
<b>Equity ratio</b>	<b>34%</b>	<b>37%</b>
<b>Net financial debt<sup>1</sup></b>	<b>1,012</b>	<b>1,223</b>
Cash, cash equiv., short term money market inv.	1,794	1,588
<b>Pension provisions</b>	<b>1,205</b>	<b>1,016</b>
<b>Net working capital</b>	<b>1,134</b>	<b>1,307</b>
DSI (in days) <sup>2</sup>	64	60
DSO (in days) <sup>3</sup>	45	47

- Equity reflects positive net income, effects in pension provision and FX
- Ongoing strong liquidity – increase in net financial debt due to short-term investment in capital market instruments, shown as other short term assets
- Lower pension provisions reflect interest increase
- Seasonal increase in working capital

<sup>1</sup> Including cash, cash equivalents, short-term money market investments

<sup>2</sup> Days sales of inventory calculated from quarterly sales

<sup>3</sup> Days of sales outstanding calculated from quarterly sales

# Agenda

**1 Executive summary Q1 2021**

**2 Financial and business details Q1 2021**

**3 Back-up**

# Housekeeping items 2021

<b>Capex 2021</b>	<b>~€450-500 m</b>
<b>Operational D&amp;A 2021</b>	<b>~€450 m</b>
<b>Reconciliation 2021</b>	<b>~€150-160 m</b> including remnant costs and re-occurring expenses
<b>Underlying tax rate</b>	<b>~28%</b>
<b>Exceptionals 2021</b>	<b>€70-100 m</b> based on current initiatives
<b>FX sensitivity</b>	One cent change of USD/EUR resulting in <b>~€7 m</b> EBITDA pre impact before hedging
<b>Remnant costs</b>	2021: <b>Additional remnant costs of ~€5 m</b> (50% of organic leather business due to expected closing mid 2021) 2022: <b>Additional remnant costs of ~€5 m</b> (impact of organic leather business fully effective)

# Key Figures\*: Back on previous year level

Q1

Q2

Q3

Q4



**€1,693 m**

Sales

-1%



**€33m**

Operating Cash  
Flow



**€1,588 m**

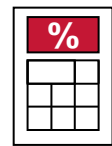
Cash & cash equivalents, short  
term money market investments



**€242 m**

EBITDA pre

-1%



**14.3%**

EBITDA pre  
Margin



**€1,223 m**

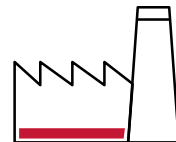
Net financial debt



**€1.17**

EPS pre

+0%



**€70 m**

CAPEX

\* Continuing operations (excluding BU LEA, which is reported as discontinued operation)

# Exceptional items (on EBIT) on previous year level, reflecting mainly costs for M&A projects

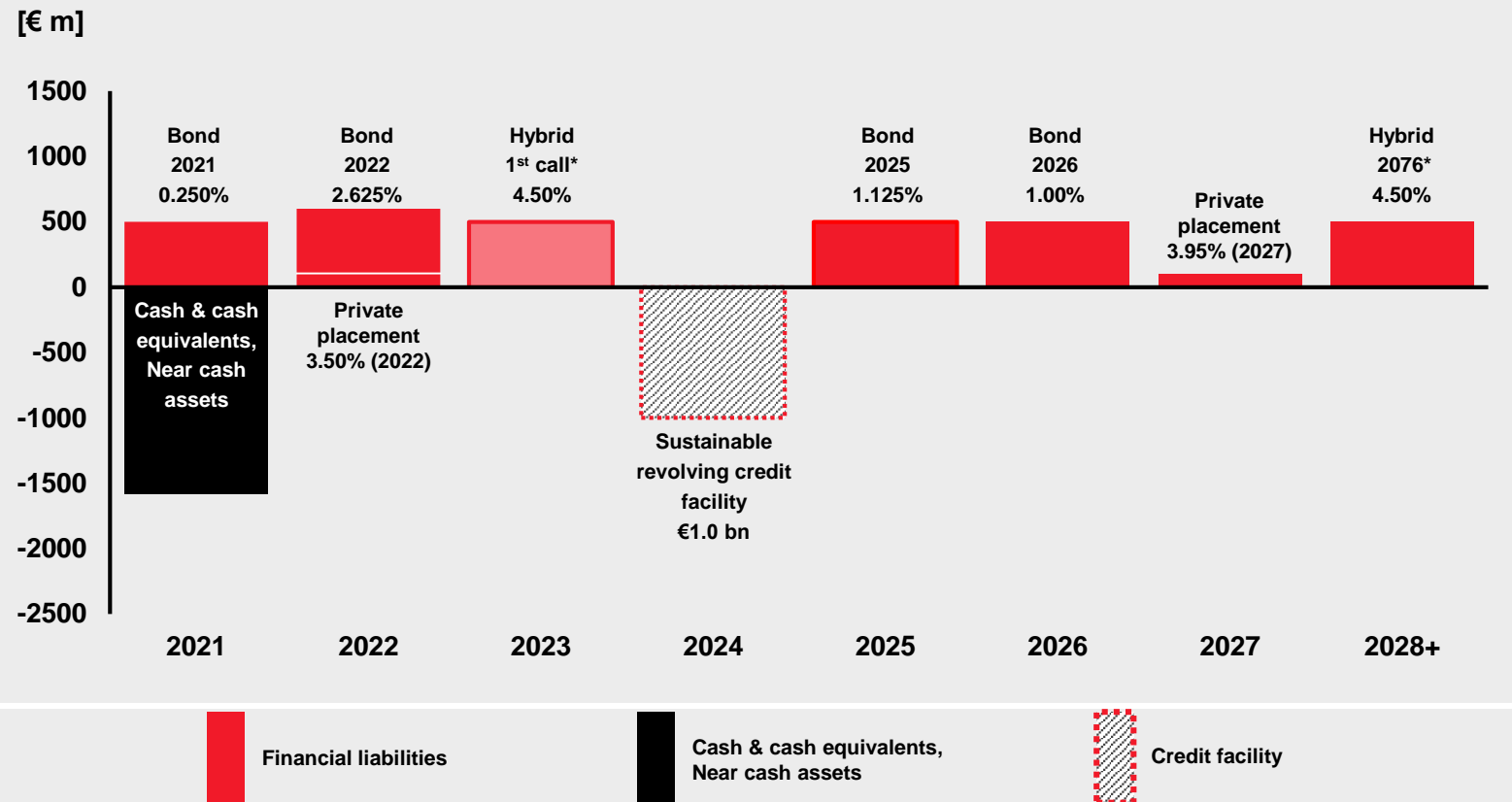
[€ m]	Q1/2020		Q1/2021		Comments
	Excep.	Thereof D&A	Excep.	Thereof D&A	
Strategic Realignment & Restructuring	18	0	2	0	incl. adjustment of production network
M&A, Digitalization (incl. Chemondis) and Others	3	0	18	0	incl. Emerald Kalama acquisition and bolt-on acquisitions in Consumer Protection
Strategic IT projects	5	0	7	0	incl. SAP Hana Project
<b>Total</b>	26	0	27	0	

# Maturity profile actively managed and well balanced

## Long-term financing secured

- Diversified financing sources
  - Bonds & private placements
  - Undrawn sustainable revolving credit facility
- Average interest rate of financial liabilities ~2%
- Next bond maturity in October
- All group financing executed without financial covenants

## Liquidity and maturity profile as per March 2021





# On the growth track: Three highly complementary acquisitions strengthen LANXESS specialty character



Sales: ~425m \$  
USA

**Leading Consumer Protection player and strategic expansion into growth markets Food & Animal Nutrition**  
Second largest acquisition: 100% complementary fit, attractive synergy potential and straight forward integration

Signed



Sales: ~€33 m €  
France

**Building a leading microbial solution player**  
Highly complementary in product portfolio and regional set-up

Closed



Sales: Mid single-digit € m, France

**Niche Play: Specialty fungicides for the packaging industry**

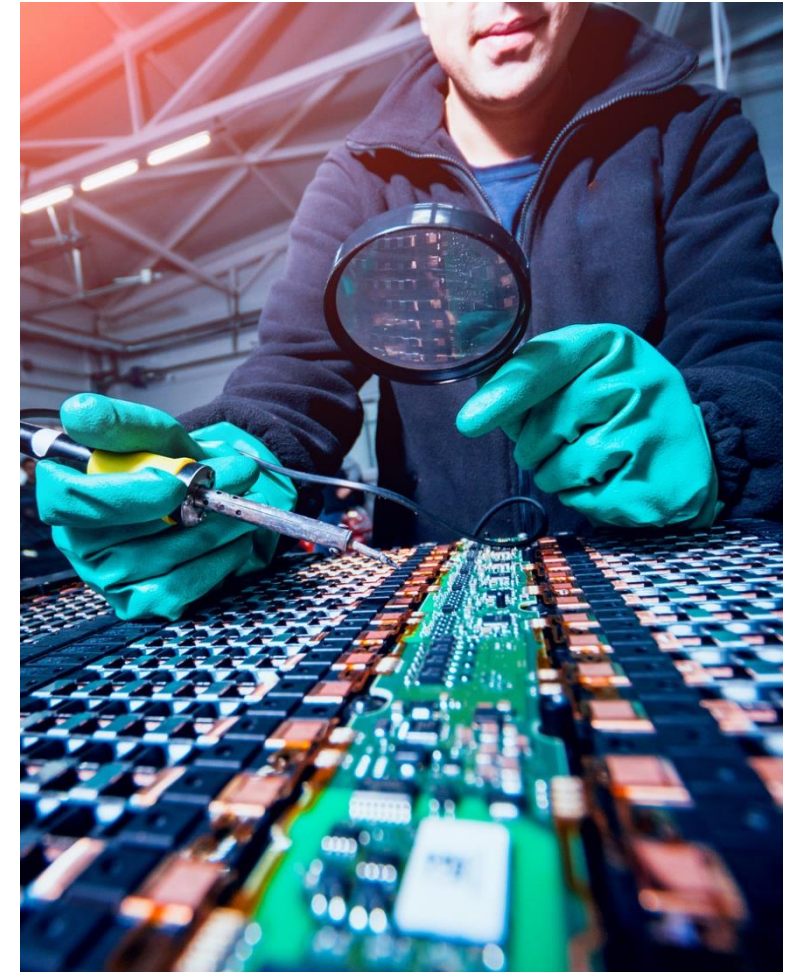
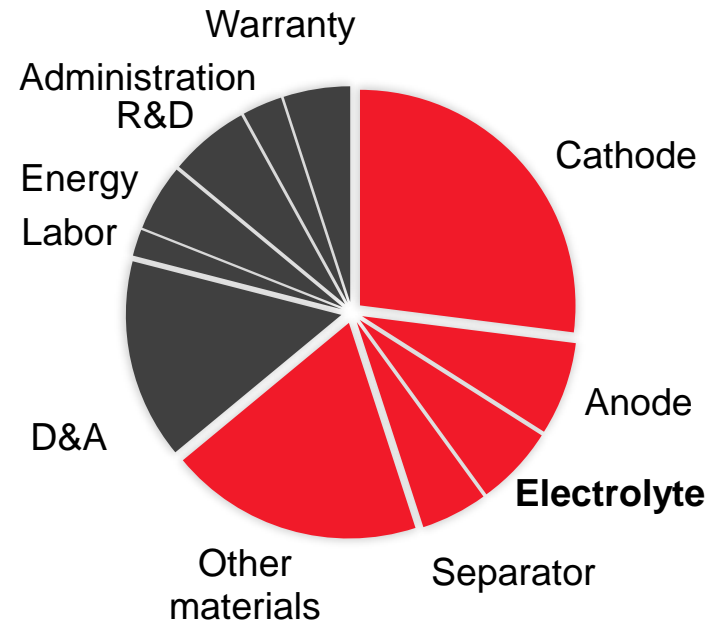
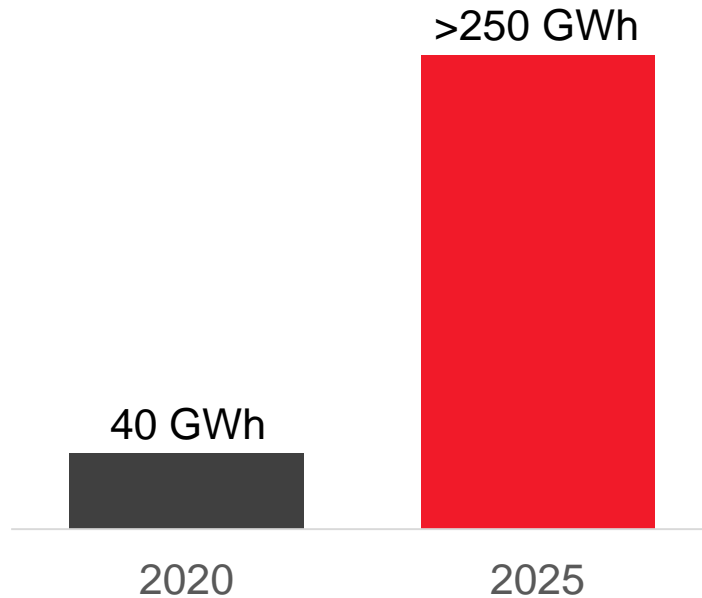
Further sustainable growth based on trend for replacement of plastic with antimicrobial paper packaging

Integration finalized

# EU market for battery chemicals to grow to over EUR 10 billion by 2025

Massive growth in demand for battery cells in the EU

Chemistry accounts for 2/3 of battery cell costs



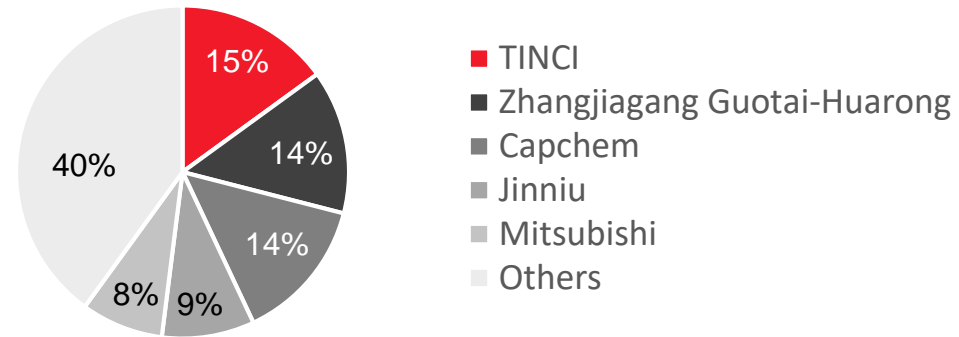
# LANXESS starts electrolyte production for Li-Ion batteries in cooperation with market leader TINCI



## Partnership with TINCI

- TINCI (Chinese Guangzhou Tinci Materials): a leading manufacturer for battery materials and the largest electrolyte producer worldwide
- Saltigo starts electrolyte production for TINCI in its high-tech plant in Leverkusen (Germany) early 2022

## TINCI with leading position in fragmented electrolyte market\*



Local raw material supply is key for cell manufacturers and OEMs

# On track to climate neutrality in 2040: Nitrous oxide reduction in Antwerp



## Milestone in our climate strategy

- Nitrous oxide is generated during caprolactam production
- Investment of approx. EUR 10 million

**1** Plant significantly reduces emissions:  
150 kt CO<sub>2</sub>e / year less



**2** Second plant planned for 2023  
Impact: 300 kt CO<sub>2</sub>e / year less

# Upcoming virtual events 2021 - Proactive capital market communication



# Contact details Investor Relations



**Oliver Stratmann**  
Head of Treasury & Investor Relations

Tel.: +49 221 8885 9611  
Fax.: +49 221 8885 5400  
Mobile: +49 175 304 9611  
Email: [Oliver.Stratmann@lanxess.com](mailto:Oliver.Stratmann@lanxess.com)



**André Simon**  
Head of Investor Relations

Tel.: +49 221 8885 3494  
Mobile: +49 175 302 3494  
Email: [Andre.Simon@lanxess.com](mailto:Andre.Simon@lanxess.com)



**Mirjam Reetz**  
Retail Investors

Tel.: +49 221 8885 1272  
Mobile: +49 151 7461 3158  
Email: [Mirjam.Reetz@lanxess.com](mailto:Mirjam.Reetz@lanxess.com)



**Eva Frerker**  
Institutional Investors / Analysts

Tel.: +49 221 8885 5249  
Mobile: +49 151 7461 2969  
Email: [Eva.Frerker@lanxess.com](mailto:Eva.Frerker@lanxess.com)



**Lisa Häckel**  
Investor Relations Assistant

Tel.: +49 221 8885 9834  
Mobile: +49 151 7461 4637  
Email: [Lisa.Haeckel@lanxess.com](mailto:Lisa.Haeckel@lanxess.com)



**Jens Ussler**  
Institutional Investors / Analysts

Tel.: +49 221 8885 7344  
Mobile: +49 151 7461 2913  
Email: [Jens.Ussler@lanxess.com](mailto:Jens.Ussler@lanxess.com)

Visit the IR  
website



# Abbreviations



## Advanced Intermediates

**AI** Advanced Industrial Intermediates  
**IPG** Inorganic Pigments



## Consumer Protection

**LPT** Liquid Purification Technologies  
**MPP** Material Protection Products  
**SGO** Saltigo



## Specialty Additives

**LAB** Lubricant Additives Business  
**PLA** Polymer Additives  
**RCH** Rhein Chemie



## Engineering Materials

**HPM** High Performance Materials  
**URE** Urethane Systems

**LANXESS**

Energizing Chemistry