

# LANXESS – Q1 2020 results

Cash is king!

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# Agenda

**1 Executive summary Q1 2020**

**2 Financial and business details Q1 2020**

**3 Back-up**



# Q1 2020: Two segments with improved results mitigate COVID-19 impact

## Business status

- EBITDA pre of €245 m (PY: €272 m) reflects COVID-19 impact
- EBITDA pre margin at 14.4%
- Improved EBITDA pre in Consumer Protection and Specialty Additives segments
- Temporary shutdowns in China, Italy, India and Argentina driven by Corona, in the meantime, basically reversed
- Acquisition of Brazilian biocide manufacturer IPEL and divestments of chrome chemicals business and gallium based organometallics all closed



# Due to the uncertainties caused by COVID-19, LXS has implemented a number of proactive measures

## Financial measures

- **Financial measures to enhance already strong liquidity position:**
  - Temporary utilization of revolving credit facility
  - Suspension of share buy-back
  - Review of capex projects (reduction ~€50 m)
  - Cost containment measures (~€50-100 m)
- **Sale of Currenta: Realization of an equity value of €780 m plus a profit participation of €150 m (both pre tax) on 30 April 2020**

## Operational measures

- **Measures to secure operations:**
  - Shift model adjustments, esp. in Germany
  - Broad based safety measures led to low infection rate (only 31 employees)
  - Foresighted inventory and logistics management
- **Comprehensive scenario reporting:**
  - Daily liquidity status
  - Financial scenario modeling
  - Close supply chain monitoring
  - Nearly daily board meetings

# Further details on measures to limit impact from Corona pandemic

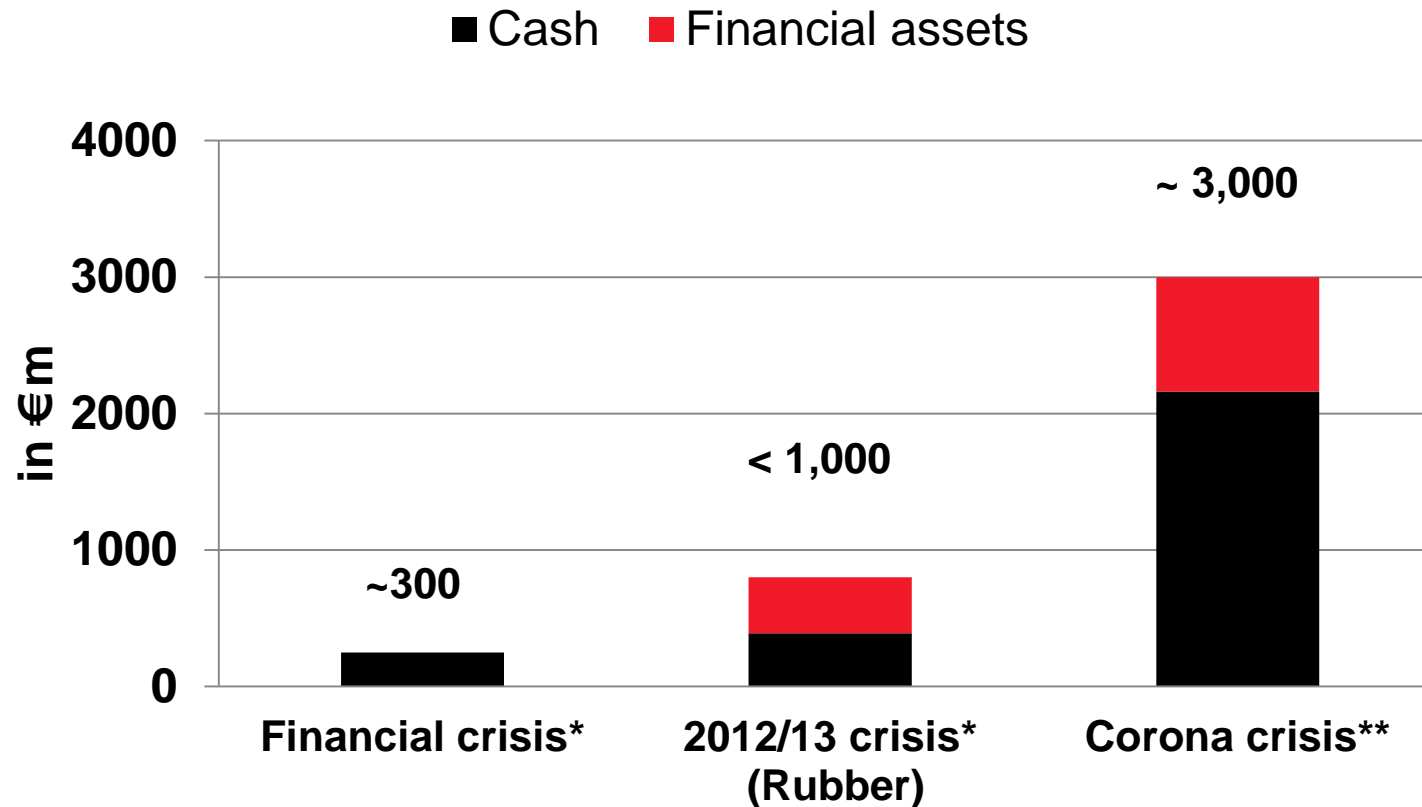
## Selective measures: Appropriate and forward-looking

- **Cost containment measures:**
  - Board and level below decided voluntarily to reduce their variable compensation
  - Conscious decision to delay projects and related consultancy fees where possible
  - Significant reduction in travel expenses
  - Focused cost cutting in BUs with especially impacted end-industries
  - General cost containment through the global organization
  - Short-time work (“Kurzarbeit“) initiated where needed
- **CAPEX measures:**
  - Clear commitment to safety: Full safety-related maintenance CAPEX
  - Limited delay in required maintenance shutdowns (where technically possible)
  - Reduction of CAPEX expansion projects
  - Total CAPEX reduced by ~€50 m to ~€450 m

**No redundancies: Only marginal one time costs to achieve savings**

# LANXESS with highest liquidity in its history

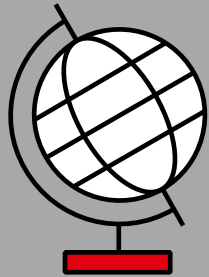
High liquidity provides security throughout crisis



\* Liquidity per 31 Dec 2008 and 31 Dec 2012 for the Financial and 2012/13 crisis

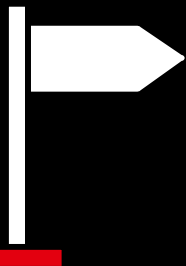
\*\* Cash includes back-up credit facility of about €1 bn, including proceeds from Currenta transaction closed April 30

# FY 2020 outlook incorporates latest assumptions of Corona impacts



## Current view on economy

- Duration of COVID-19 pandemic dominates economic development – financial impact for full year hard to predict
- Burden of pandemic expected to accelerate in Q2 and Q3
- Disruptions of supply chains and logistics cannot be excluded



## LANXESS outlook includes Corona impact

- Q2: EBITDA pre range of €200-250 m expected
- Implementation of mitigating measures is ongoing
- FY: EBITDA pre expected at €800-900 m



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# LANXESS Group: Solid EBITDA pre margin in tough times

**Balanced portfolio mitigates impact from pandemic**

[€m] *	Q1/2019	Q1/2020	Δ
Sales	1,738	1,704	-2%
EBITDA pre	272	245	-10%
Margin	15.7%	14.4%	
CAPEX	69	74	7%



Price **-2%**   Volume **-1%**   FX **+1%**   Portfolio **0%**

Total **-2%**

Q1 Sales vs. PY

- Slight sales decline mainly due to raw material driven price reductions and lower demand on the back of global crisis
- EBITDA pre and margin decrease mainly due to COVID-19 related impacts especially in Asia (Advanced Intermediates) and automotive (Engineering Materials)
- Strong performance in Consumer Protection partly compensates

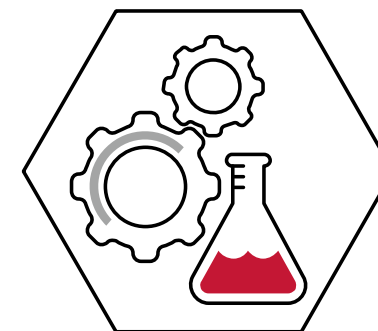
\* All figures excluding BU LEA, which is reported as discontinued operation



# Advanced Intermediates: Corona impact burdens

## Stabilization of BU IPG continues

[€m]*	Q1/2019	Q1/2020	Δ
Sales	584	558	-4%
EBITDA pre	105	88	-16%
Margin	18.0%	15.8%	
CAPEX	26	28	8%



Price    Volume    FX    Portfolio

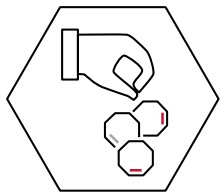
**-4%**    **-1%**    **+1%**    **0%**

Total **-4%**

Q1 Sales vs. PY

- Sales decrease due to lower raw material prices and volumes in BU All attributable to Corona impact in Asia
- Volume increase in BU IPG and positive FX development
- EBITDA pre and margin decline reflect impact from Corona related shutdowns and lower demand in Asia

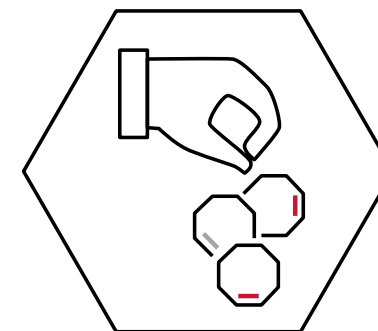
\* New reporting structure as of Q1 2020, all numbers excluding BU LEA, which is reported as discontinued operations



# Specialty Additives: Earnings slightly increased

**Stable margins,  
but impact will  
come**

[€m]	Q1/2019	Q1/2020	Δ
Sales	485	499	3%
EBITDA pre	83	85	2%
Margin	17.1%	17.0%	
CAPEX	14	15	7%



Price    Volume    FX    Portfolio

**0%**    **+1%**    **+2%**    **0%**

Total **+3%**

Q1 Sales vs. PY

- Sales increase despite challenging environment
- Stable price and volume development across segment, Corona related impacts and automotive balanced by good bromine business
- Slightly positive earnings development and stable margin overall
- Lower demand from aviation, automotive, electronics and oil & gas industries expected to burden in course of the year



# Consumer Protection: New segment structure reveals strength of businesses

## Strong performance across the segment

[€m]*	Q1/2019	Q1/2020	Δ
Sales	264	279	6%
EBITDA pre	60	67	12%
Margin	22.7%	24.0%	
CAPEX	9	10	11%



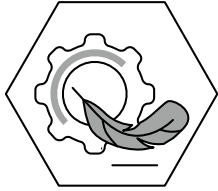
Price **+2%**   Volume **+2%**   FX **0%**   Portfolio **+1%**

Total **+6%**

Q1 Sales vs. PY

- Rise in sales due to pricing, volume and portfolio (biocides acquisition in Brazil early February)
- Positive pricing in all BUs, especially BU MPP
- Volume growth driven by strong demand for disinfectants (BU MPP) and active ingredients used in agro industry (BU SGO)
- Strong EBITDA pre and margin development mitigates COVID-19 impact of other segments

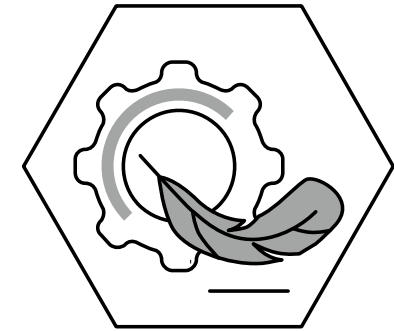
\* New reporting structure as of Q1 2020, all numbers excluding BU LEA, which is reported as discontinued operations



# Engineering Materials: Severe impact from Corona related auto crisis

## Weak auto demand slows down further

[€m]	Q1/2019	Q1/2020	Δ
Sales	382	347	-9%
EBITDA pre	65	49	-25%
Margin	17.0%	14.1%	
CAPEX	11	8	-27%



Price	Volume	FX	Portfolio
<b>-6%</b>	<b>-4%</b>	<b>+1%</b>	<b>0%</b>

Total **-9%**

Q1 Sales vs. PY

- Drop in sales results partly from significantly lower raw material prices, further decline in auto demand caused by COVID-19 pandemic especially in Europe
- BU URE with stable performance
- EBITDA pre and margin decline substantially due to burden in BU HPM

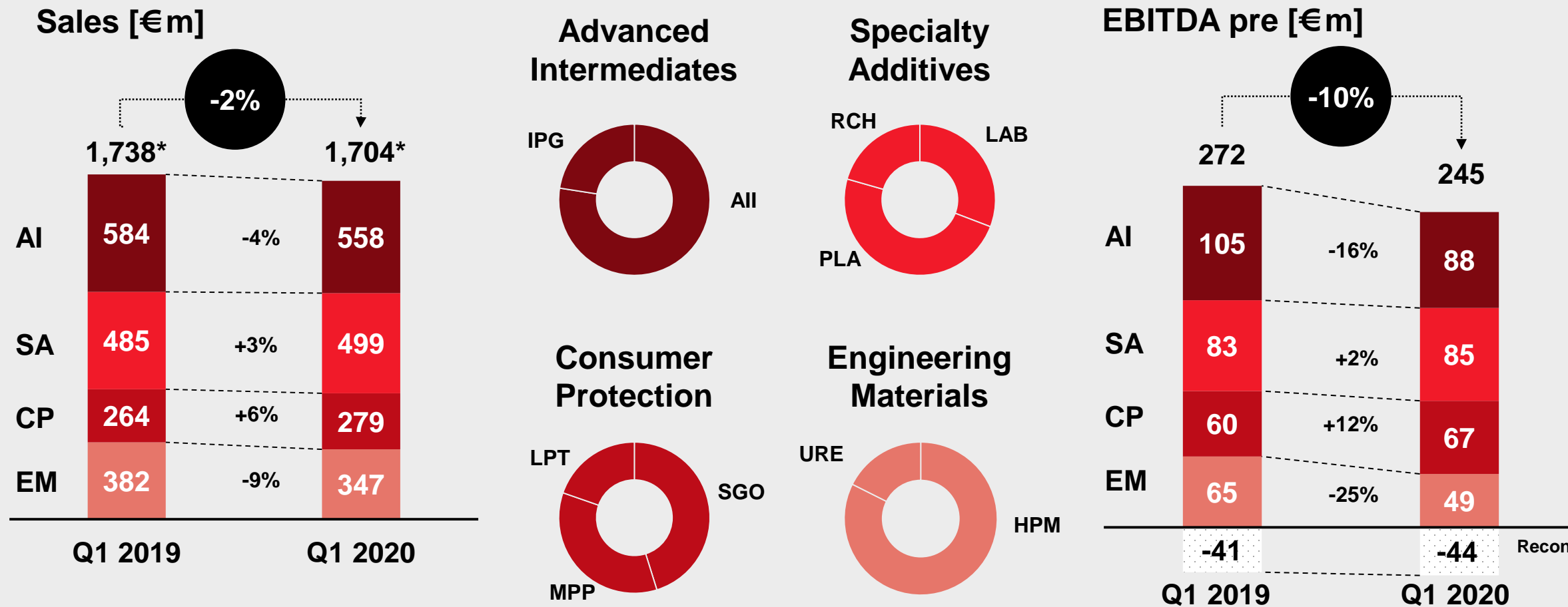
# Q1 2020: Operational result impacted by Corona – still maintained margin on solid level

<b>[€m]</b>	<b>Q1/2019</b>		<b>Q1/2020</b>		<b>yoy in %</b>
Sales	1,738	(100%)	1,704	(100%)	-2%
Cost of sales	-1,286	(-74%)	-1,269	(-74%)	1%
Selling	-201	(-12%)	-202	(-12%)	0%
G&A	-63	(-4%)	-74	(-4%)	-17%
R&D	-27	(-2%)	-26	(-2%)	4%
Others (incl. Except.)	-21	(-1%)	-29	(-2%)	-38%
<b>EBIT</b>	<b>140</b>	<b>(8%)</b>	<b>104</b>	<b>(6%)</b>	<b>-26%</b>
<b>EPS pre*</b>	<b>1.32</b>		<b>1.17</b>		<b>-11%</b>
EBITDA	250	(14%)	219	(13%)	-12%
thereof except.	-22	(-1%)	-26	(-2%)	-18%
<b>EBITDA pre except.</b>	<b>272</b>	<b>(15.7%)</b>	<b>245</b>	<b>(14.4%)</b>	<b>-10%</b>

- Increase in G&A costs mainly due to remnant cost and compared to low previous year
- Lower EBIT reflects Corona impact and higher depreciation

\* From continuing operations, net of exceptionals and amortization of intangible assets as well as attributable tax effects

# Q1 2020: Two segments with improved EBITDA pre mitigate COVID-19 impact

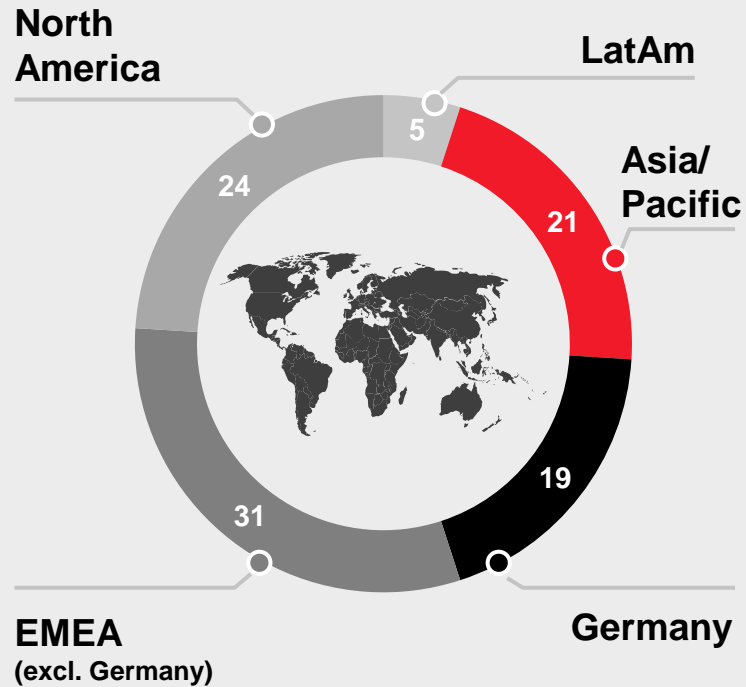


\* Total group sales including reconciliation

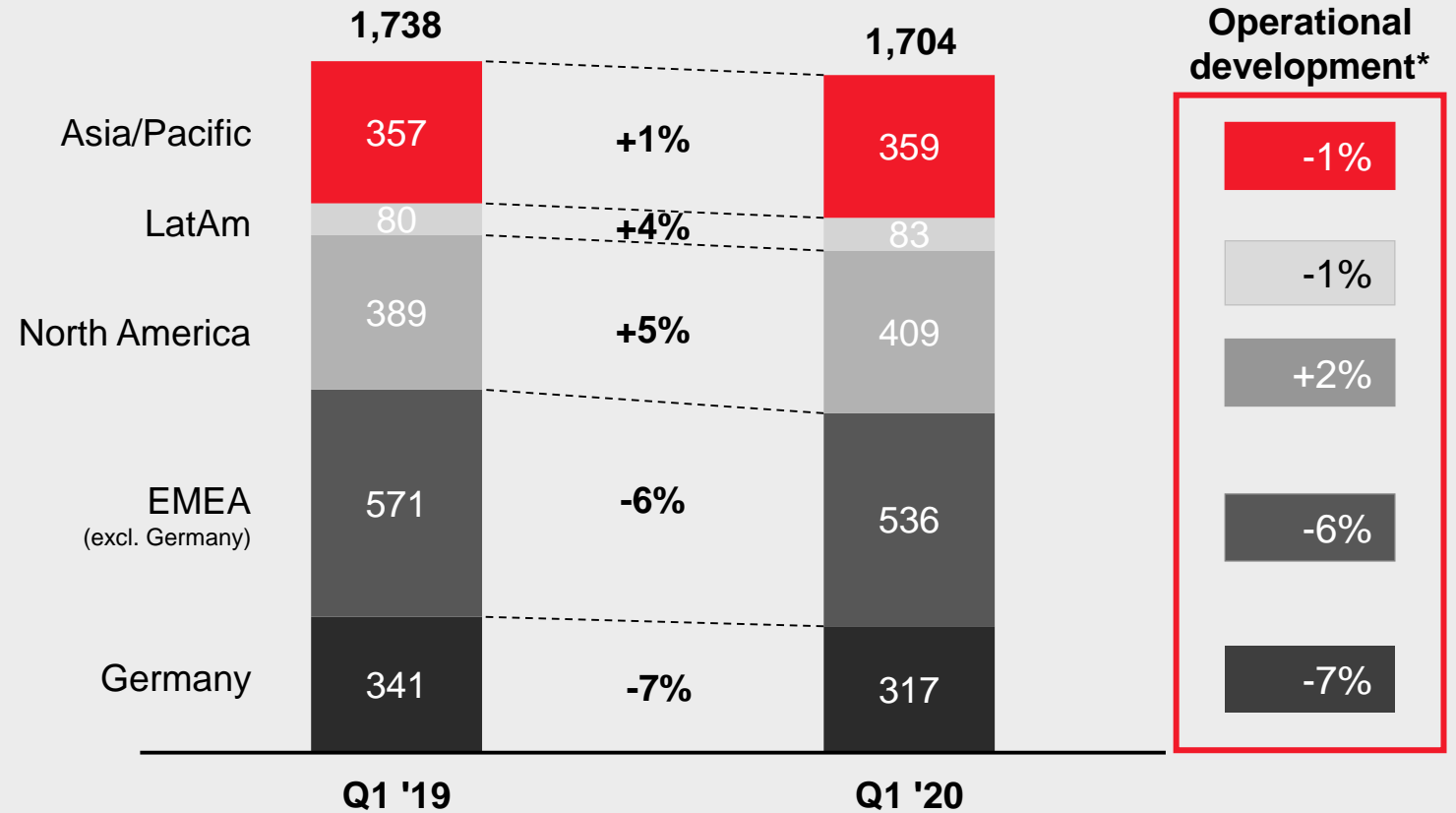


# Q1 2020: Operational sales growth in North America, Europe suffers mainly from weak auto industry

Q1 2020 sales by region [%]



Regional development of sales [€m]



\* Currency and portfolio adjusted

# Strong increase in operating cash flow in Q1

[€m]	Q1/2019	Q1/2020	Δ
<b>Operating cash flow*</b>	<b>22</b>	<b>113</b>	<b>91</b>
Changes in working capital	-168	-181	-13
<b>Investing cash flow*</b>	<b>-236</b>	<b>-75</b>	<b>161</b>
thereof capex	-69	-74	-5

- Strong increase in operating cash flow
- Change in working capital driven by strong seasonal increase in receivables, inventory control still in place
- Investing cash flow in previous year includes investment of liquidity in financial assets after ARLANXEO divestment

\* Applies to continuing operations

# Strong balance sheet includes strong liquidity position

[€m]	31.12.2019	31.03.2020
<b>Total assets</b>	<b>8,695</b>	<b>9,671</b>
Equity	2,647	2,697
<b>Equity ratio</b>	<b>30%</b>	<b>28%</b>
<b>Net financial debt<sup>1</sup></b>	<b>1,742</b>	<b>1,705</b>
Cash, cash equivalents, short term money market investments	1,076	2,109
<b>Pension provisions</b>	<b>1,178</b>	<b>1,087</b>
<b>Net working capital</b>	<b>1,308</b>	<b>1,484</b>
DSI (in days) <sup>2</sup>	66	64
DSO (in days) <sup>3</sup>	42	49

- Total assets increase due to full draw down of revolving credit facility (€1 bn)
- Slightly improved net financial debt – despite share buy-back
- Strong liquidity secures financial and operating flexibility in Corona crisis
- Decrease in pension provisions due to increased interest rates
- 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

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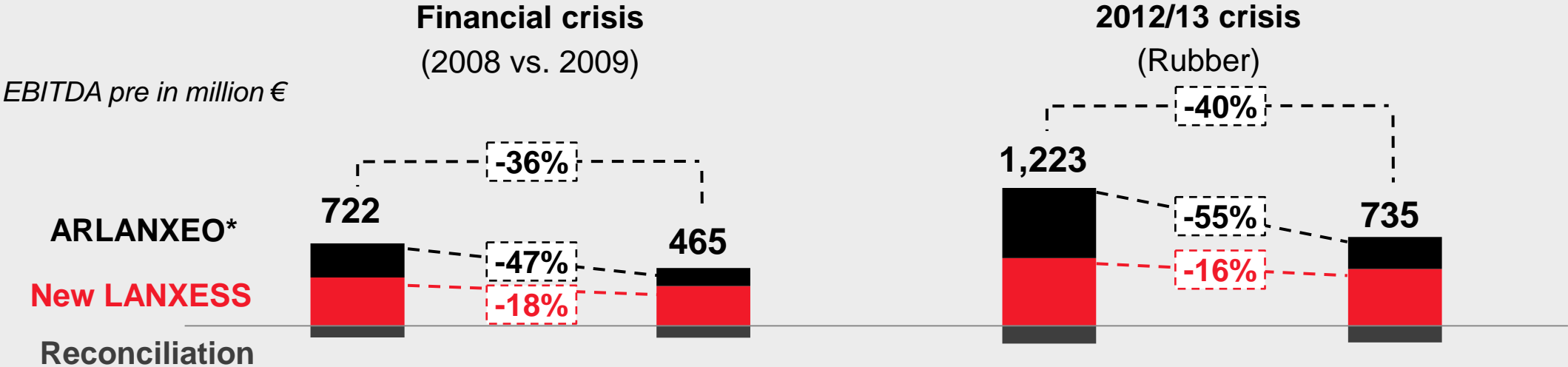
**3 Back-up**



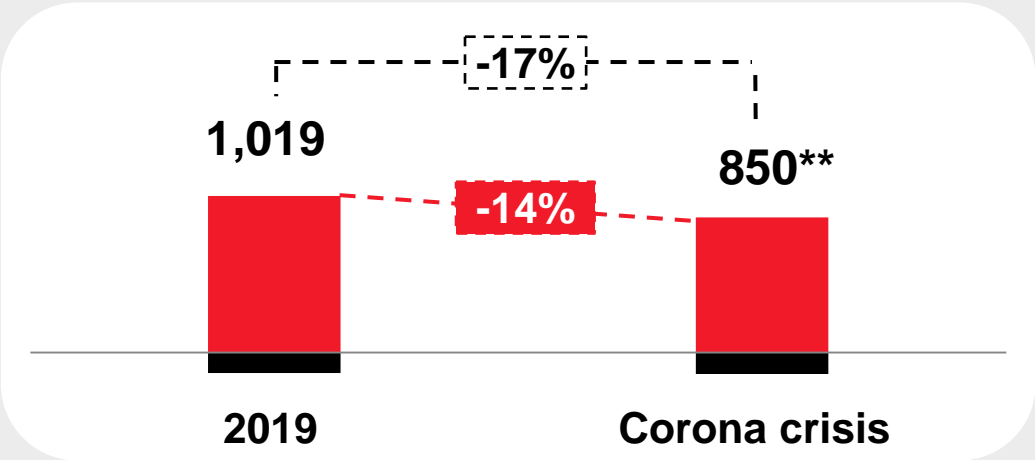
# Housekeeping items 2020

Capex 2020	~€450 m
Operational D&A 2020	~€450 m
Reconciliation 2020	~€140 m-€150 m including remnant costs
Tax rate	~28%
Exceptionals 2020	~€70-80 m based on current initiatives
FX sensitivity	One cent change of USD/EUR resulting in ~€7 m EBITDA pre impact before hedging
Remnant costs	~€10 m p.a. until 2022
Maintenance shutdown BU HPM	~€10-€20 m in H2

# LANXESS portfolio today provides a much better risk profile than in the last economic downturns



Today:



- More balanced portfolio
- Reduced auto exposure
- High liquidity enabling financial flexibility

\* ARLANXEO = Segment: Performance Polymers – Business unit: High Performance Materials (non audited)

\*\* Mid-point guidance 2020 (incl. Corona-effect)

# 2019 like-for-like figures for new reporting structure reflect shift between segments AI and CP

[€m]		Advanced Intermediates	Specialty Additives	Consumer Protection	Engineering Materials	Total*
Sales	Q1	584	485	264	382	1,738
	Q2	585	506	247	365	1,724
	Q3	549	503	277	353	1,704
	Q4	533	471	262	350	1,636
EBITDA pre	Q1	105	83	60	65	272
	Q2	114	89	48	65	281
	Q3	91	97	55	59	269
	Q4	73	84	35	49	197

\* Including recon

# Key Figures\*: Solid performance in crisis mode

Q1

Q2

Q3

Q4



**€1,704 m**  
Sales

-2%



**€113 m**  
Operating Cash  
Flow

>100%

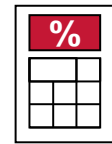


**€2,109 m**  
Cash & cash equivalents, short  
term money market investments



**€245 m**  
EBITDA pre

-10%



**14.4%**  
EBITDA pre  
Margin

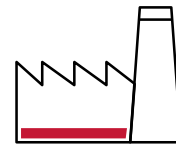


**€1,705 m**  
Net financial debt\*\*



**1.17**  
EPS pre

-11%




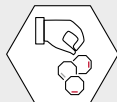


**€74 m**  
CAPEX

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

\*\* including short term money market investments



# Increase in exceptional items (on EBIT) due to higher realignment and project costs

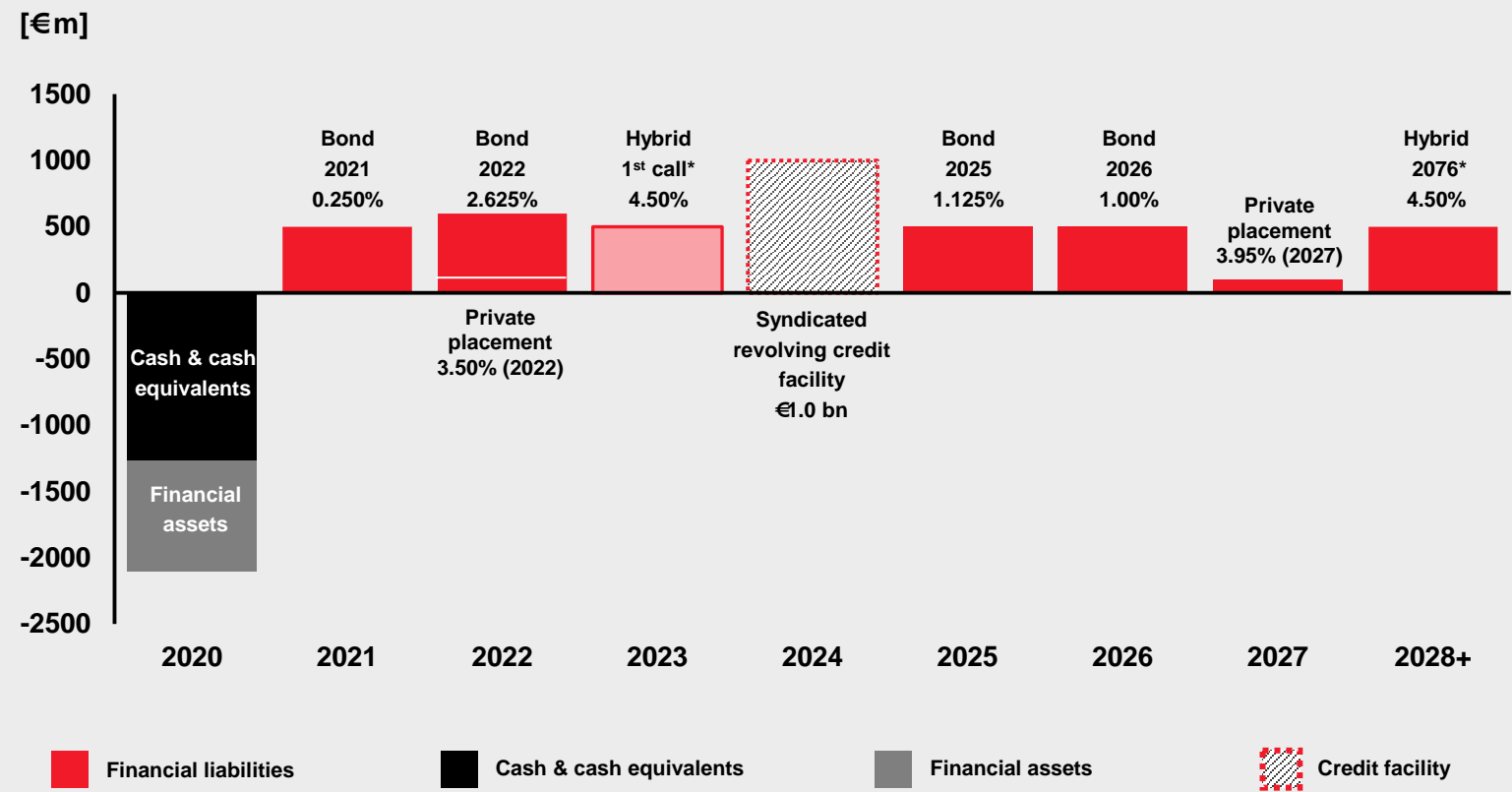
[€m]	Q1/2019		Q1/2020	
	Excep.	Thereof D&A	Excep.	Thereof D&A
 Advanced Intermediates	4	0	<b>2</b>	<b>0</b>
 Specialty Additives	1	0	<b>4</b>	<b>0</b>
 Consumer Protection	0	0	<b>0</b>	<b>0</b>
 Engineering Materials	0	0	<b>0</b>	<b>0</b>
Reconciliation	17	0	<b>20</b>	<b>0</b>
<b>Total</b>	<b>22</b>	<b>0</b>	<b>26</b>	<b>0</b>

# Maturity profile actively managed and well balanced

## Long-term financing secured

- Syndicated revolving credit facility fully drawn as per end of March
- Diversified financing sources
  - Bonds & private placements
  - Syndicated credit facility
- Average interest rate of financial liabilities ~2%
- Next bond maturity in 2021
- All group financing executed without financial covenants

## Liquidity and maturity profile as per 31 March 2020



# Upcoming (virtual) events 2020 - Proactive capital market communication

6. Q1 2020 Results

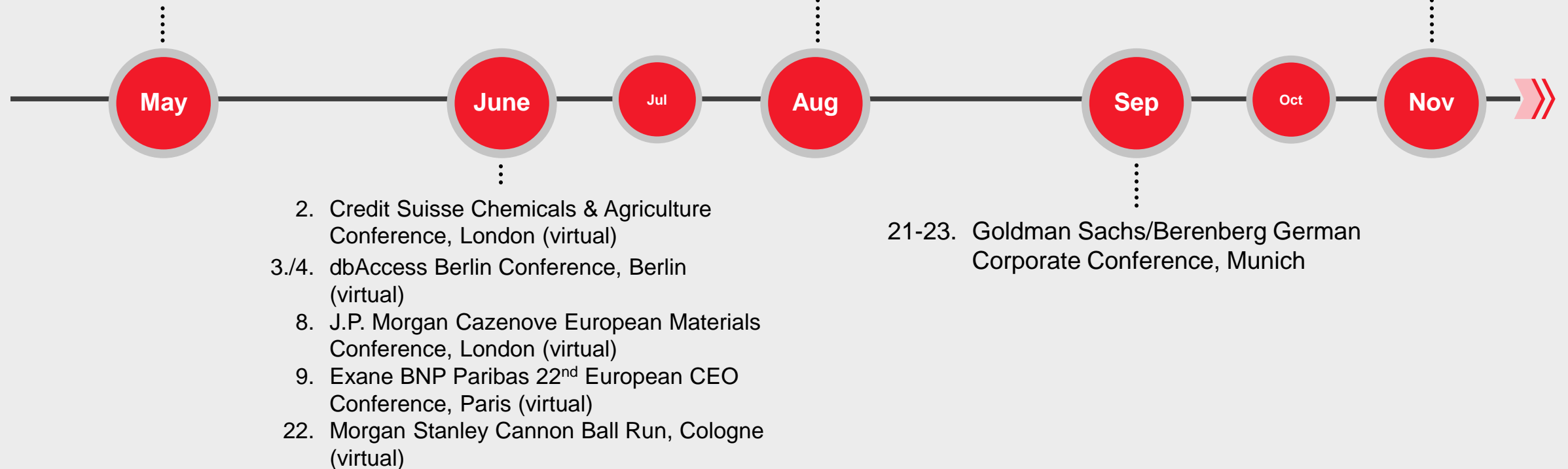
13. Annual Stockholders' Meeting  
(postponed – new date will be  
announced soon)

14. Citi's Chemicals Conference, London (virtual)

13. Q2 2020 results

5. Q3 2020 results

12. Analyst Roundtable



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# 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