



# LANXESS – Q3 2020 Roadshow

Returning business momentum –  
offset by previously guided impacts

Matthias Zachert, CEO

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# Agenda

**1 Executive summary Q3 2020**

**2 Financial and business details Q3 2020**

**3 Back-up**

# Q3 2020: Delivering on expectations

## Business update

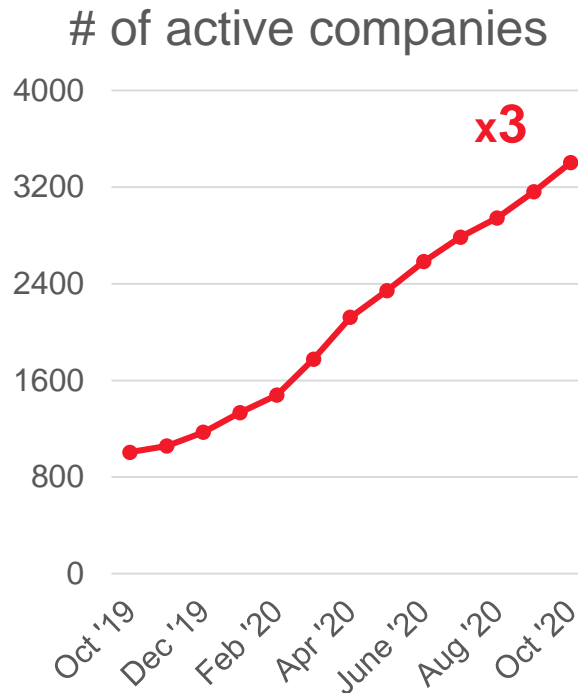
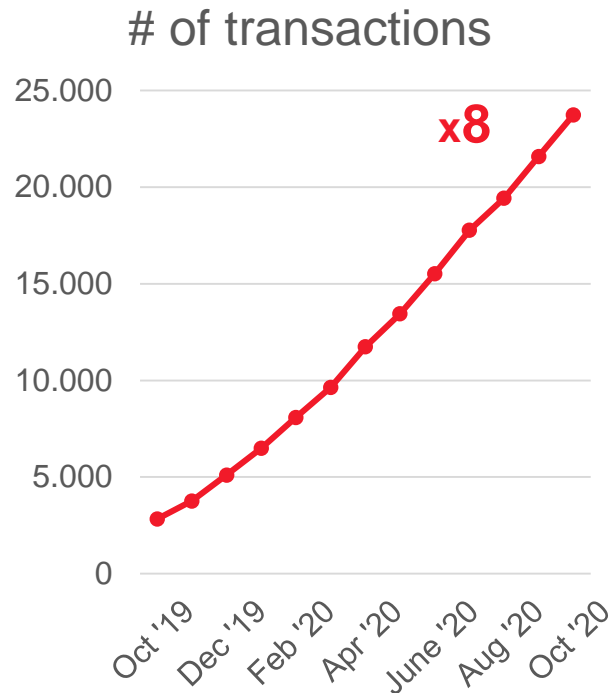
- EBITDA pre at €193 m, burdened by maintenance shutdown and unwinding Q2 raw material tailwind
- Three segments impacted by decline in demand from end industries
- EBITDA pre and margin in Consumer Protection further improved
- €100 m voluntary pension funding reduces balance sheet risks
- Cash flow supported by significant reduction of inventories
- Combination of rubber additives (BL AXX) under Rhein Chemie umbrella effective 1 January 2021\*



\* Shift of Business Line Colorant Additives Business to BU PLA

# CheMondis with continuous growth

Business platform accelerated by unbroken demand for digital sales within the industry



- CheMondis: The leading online B2B marketplace for chemicals in Europe
- >50.000 listed products: Critical mass in target segments achieved
- Strategic focus now on growing customer activity and gaining traction

# Partnership with Brenntag enhances CheMondis' business model and boosts its expansion

## Key rationale

- Jointly accelerate digital sales and marketing for the chemical industry
- Increase traffic and transactions on CheMondis online platform

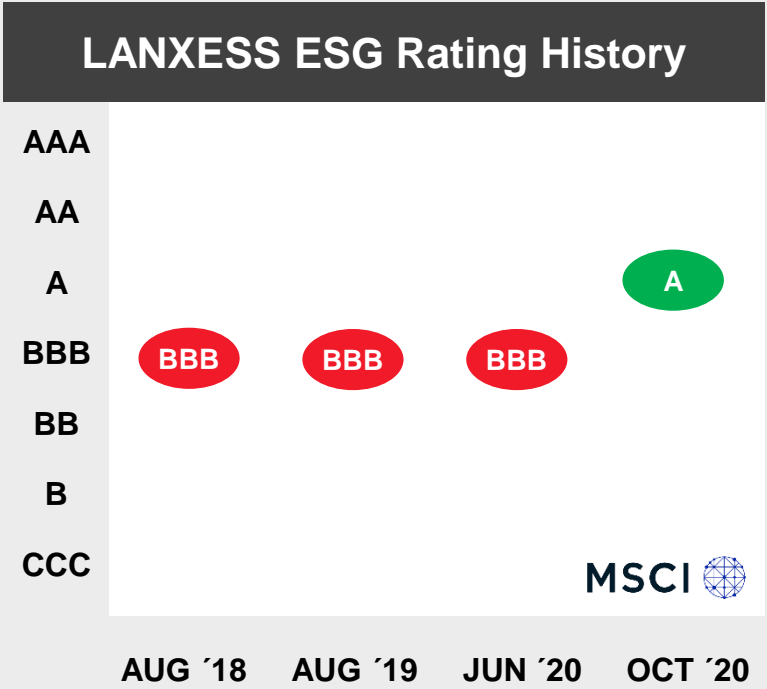
## Synergetic cooperation fosters future growth

- Brenntag builds on its successful online strategy leveraging CheMondis' leading technology and customer experience
- CheMondis becomes the online marketplace for Brenntag's leading Paints & Coatings and Adhesives & Sealants portfolio in Germany
- Cooperation enables further expansion into adjacent chemical market segments



# LANXESS has improved its MSCI ESG rating

**MSCI rating upgrade: LANXESS is now part of the A rating category**



- LANXESS way above average in Corporate Governance
- Convincing climate strategy
- Continuous improvement in Chemical Safety



**Positive results reflect commitment to a sustainable way forward**

# New strategy for a sustainable water management

## LANXESS Water Stewardship Program

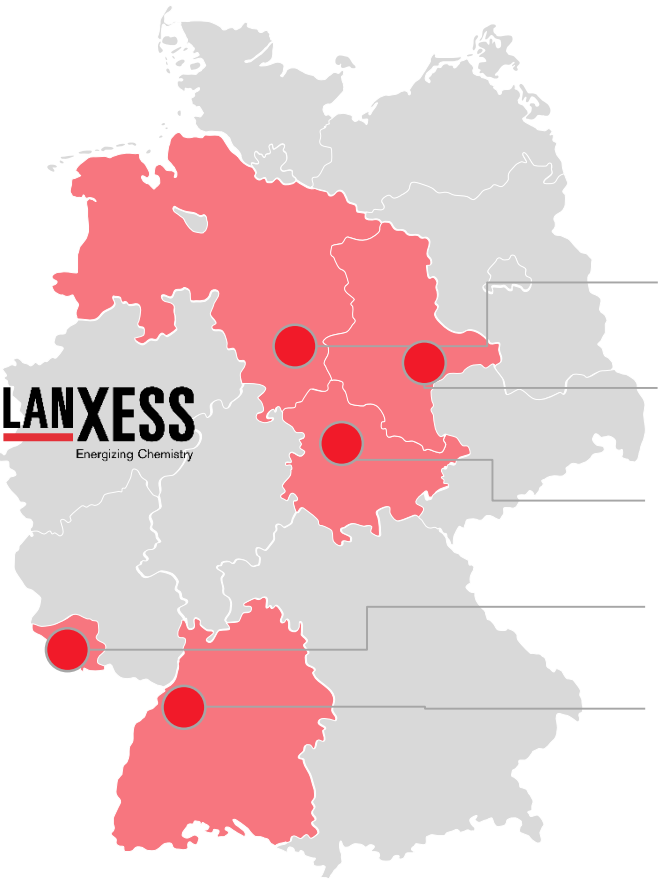
- Water risk analysis completed
- > 90 % of water withdrawal at sites without water scarcity
- Measures for sites in areas with highest water scarcity planned



**Target: 15% absolute reduction of water withdrawal until 2023 at relevant sites**



# Germany: The engine of European battery cell production



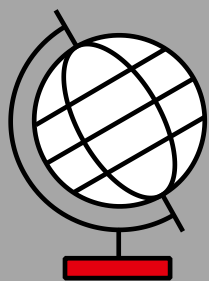
Capacity (GWh)*	Availability**	Consortium
16 - 24	2024	northvolt 
6 - 10	2022	DAIMLER  
14 - 100	2022	CATL
24	2022	SVOLT 
8 - 24	2023	PSA  

LANXESS offering

- Electrolyte salt (LiPF<sub>6</sub>)
- Battery housing (PA/PBT components)
- Flame retardants
- Iron oxide as precursor for cathode active materials
- Ion-exchange resins for refining battery grade cobalt, nickel and lithium

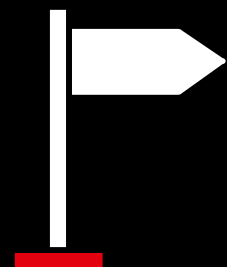
LANXESS positioned as strong partner for European battery production

# FY 2020: Guidance confirmed, corridor narrowed



## Current view on economy

- Automotive industry shows first signs of improvement
- High unpredictability expected to continue



## LANXESS outlook

- FY EBITDA pre guidance confirmed
- Corridor narrowed to €820 – 880 m

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**1 Executive summary Q3 2020**

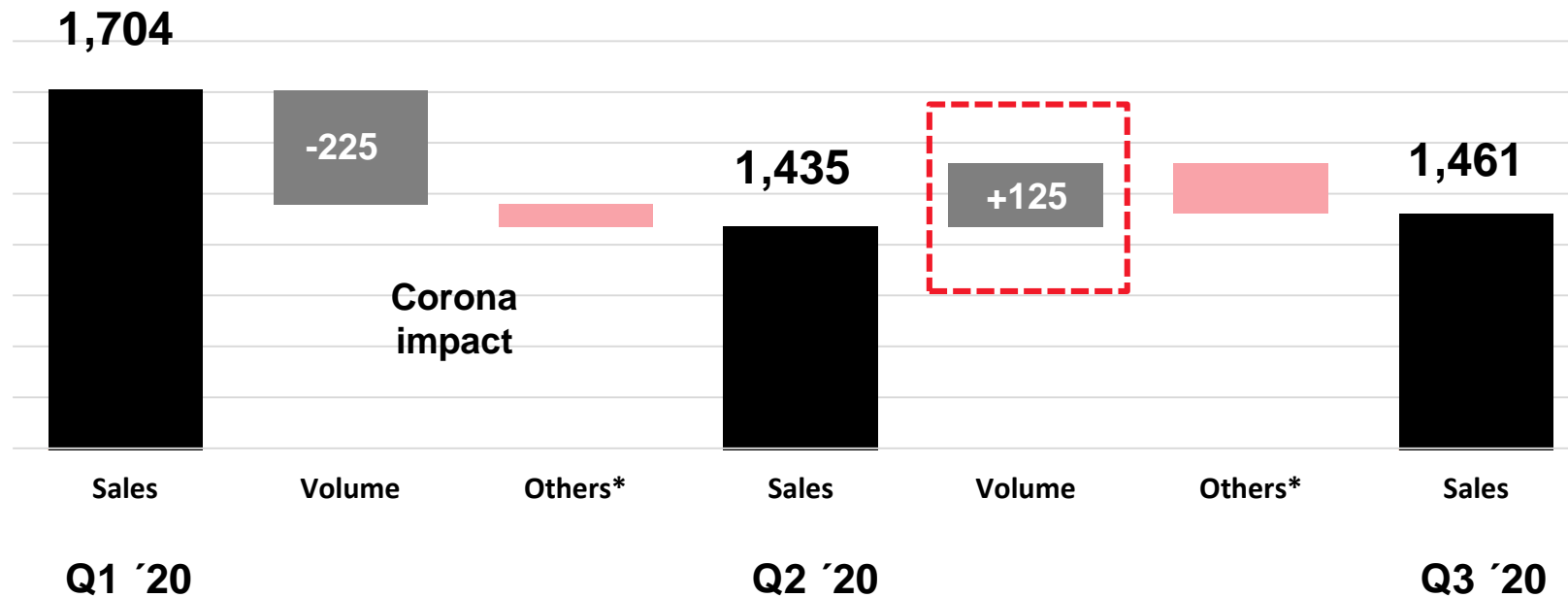
**2 Financial and business details Q3 2020**

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# Sequential sales volume development turns positive in Q3

## Sequential sales bridge since Q1 2020

in €m (not to scale)



# LANXESS Group: Returning business momentum...

...offset by  
previously guided  
impacts

[€ m] *	Q3/2019	Q3/2020	Δ	YTD 2019	YTD 2020	Δ
Sales	1,704	1,461	-14%	5,166	4,601	-11%
EBITDA pre	269	193	-28%	822	662	-19%
Margin	15.8%	13.2%		15.9%	14.4%	
CAPEX	117	102	-13%	295	264	-11%

Price    Volume    FX    Portfolio  
**-6%**    **-7%**    **-2%**    **+0%**

Total **-14%**

Q3 Sales vs. PY

- Sales decline due to weak, however sequentially improving demand across many industries. Lower prices (raw material driven) burden
- EBITDA pre and margin decrease due to lower demand, unwinding raw material tailwind and planned maintenance shutdown; Consumer Protection segment and cost containment measures partly compensate

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



# Advanced Intermediates: Anticipated raw material price effect weighs on performance

## Volumes show sequential stabilization

[€ m]*	Q3/2019	Q3/2020	Δ	YTD 2019	YTD 2020	Δ
Sales	549	470	-14%	1,718	1,497	-13%
EBITDA pre	91	65	-29%	310	253	-18%
Margin	16.6%	13.8%		18.0%	16.9%	
CAPEX	39	32	-18%	99	92	-7%

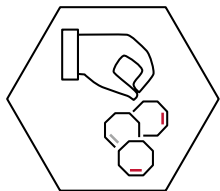
Price    Volume    FX    Portfolio  
**-10%**   **-2%**   **-2%**   **0%**

**Total -14%**

**Q3 Sales vs. PY**

- Sales drop mainly on lower raw material prices and respective tailwind unwinding as expected
- Stable volumes in BU IPG and almost on PY level in BU All
- Inventories reduced leading to lower utilization and higher idle costs
- EBITDA pre and margin suffer from lower prices

\* New reporting structure as of Q1 2020



# Specialty Additives: Demand still impacted by Corona crisis

**Lower demand  
from key industries  
and FX burden**

Price Volume FX Portfolio

**-3%** **-12%** **-3%** **0%**

**Total -18%**

**Q3 Sales vs. PY**

[€ m]	Q3/2019	Q3/2020	Δ	YTD 2019	YTD 2020	Δ
Sales	503	410	-18%	1,494	1,312	-12%
EBITDA pre	97	65	-33%	269	213	-21%
Margin	19.3%	15.9%		18.0%	16.2%	
CAPEX	29	25	-14%	73	56	-23%

- Sales decline mainly driven by lower volumes due to ongoing weakness in automotive, aviation and oil & gas
- Price decline due to lower raw material prices, weak USD additionally burdens
- EBITDA and margin decline reflects lower demand in key industries and negative FX effect



# Consumer Protection: Premium margin level!

**BU MPP continues to sell like hot cakes**

[€ m]*	Q3/2019	Q3/2020	Δ	YTD 2019	YTD 2020	Δ
Sales	277	278	0%	788	858	9%
EBITDA pre	55	59	7%	163	194	19%
Margin	19.9%	21.2%		20.7%	22.6%	
CAPEX	13	15	15%	35	37	6%

Price Volume FX Portfolio

**+1%** **-1%** **-2%** **+2%**

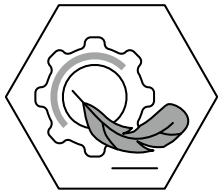
**Total +0%**

**Q3 Sales vs. PY**

- Sales reflect slight price increase in all BUs and effect from IPEL acquisition, offset by slightly lower volumes and FX
- Volumes remain on strong previous year level despite announced pre-buying impact in BU SGO in Q2 and slight decline in BU LPT (membranes)
- Strong YTD performance of segment

\* New reporting structure as of Q1 2020, data excluding BU LEA, which is reported as discontinued operation





# Engineering Materials: Impact from pandemic and planned shutdown burden

## Sequentially auto demand gains traction

Price Volume FX Portfolio

**-9%** **-9%** **-1%** **0%**

**Total -19%**

**Q3 Sales vs. PY**

[€ m]	Q3/2019	Q3/2020	Δ	YTD 2019	YTD 2020	Δ
Sales	353	285	-19%	1,100	876	-20%
EBITDA pre	59	33	-44%	189	110	-42%
Margin	16.7%	11.6%		17.2%	12.6%	
CAPEX	23	19	-17%	53	39	-26%

- Sales decrease reflects weak demand from auto and E&E industry and pass-through of lower raw material prices
- Price and volume decline in both BUs, however business momentum improving
- Considerable EBITDA pre and margin decline due to lower volumes and prices intensified by planned maintenance shutdown of major assets in BU HPM

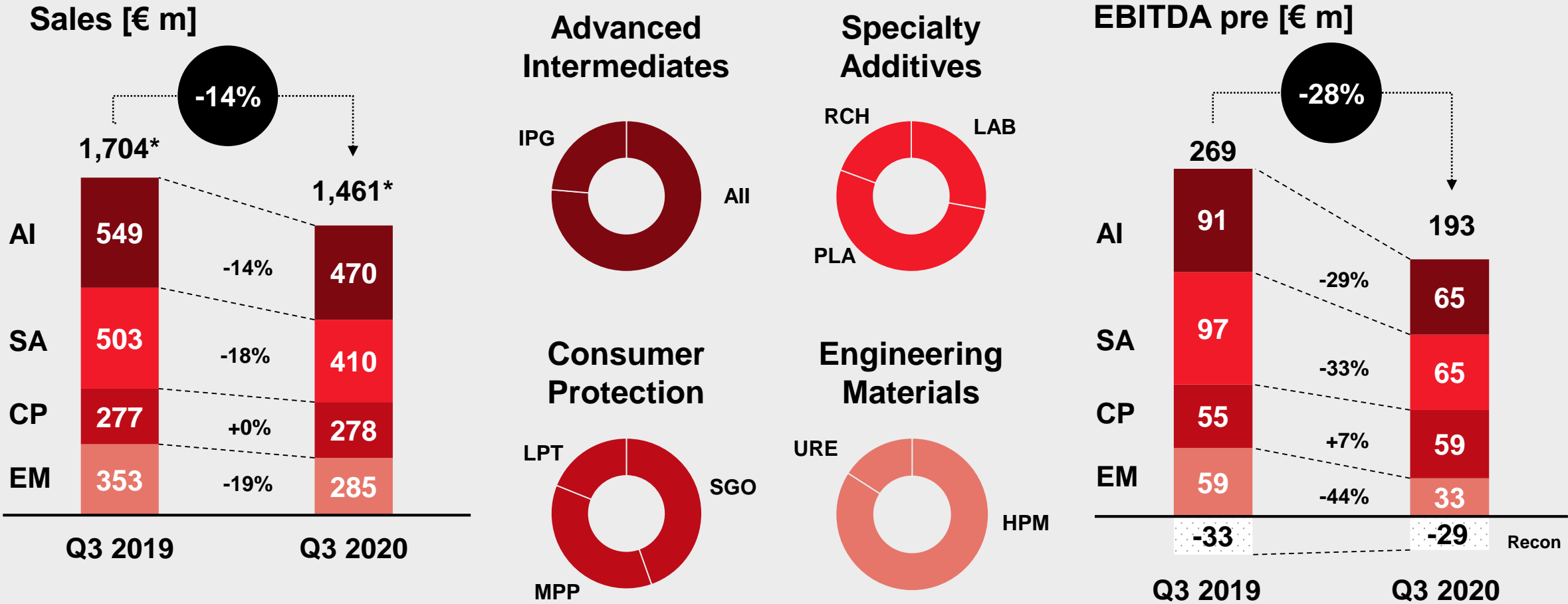
# Q3 2020: Still lower demand due to pandemic

[€ m]	Q3/2019		Q3/2020		yoy in %
Sales	1,704	(100%)	1,461	(100%)	-14%
Cost of sales	-1,252	(-73%)	-1,111	(-76%)	11%
Selling	-198	(-12%)	-184	(-13%)	7%
G&A	-65	(-4%)	-57	(-4%)	12%
R&D	-29	(-2%)	-26	(-2%)	10%
<b>EBIT</b>	<b>124</b>	<b>(7%)</b>	<b>53</b>	<b>(4%)</b>	<b>-57%</b>
<b>EPS</b>	<b>0.79</b>		<b>0.30</b>		<b>-62%</b>
<b>EPS pre*</b>	<b>1.32</b>		<b>0.66</b>		<b>-50%</b>
EBITDA	240	(14%)	170	(12%)	-29%
thereof except.	-29	(-2%)	-23	(-2%)	21%
<b>EBITDA pre except.</b>	<b>269</b>	<b>(15.8%)</b>	<b>193</b>	<b>(13.2%)</b>	<b>-28%</b>

- Improvement in SG&A and R&D reflects cost containment measures
- Earnings impacted by lower demand, unwinding raw material tailwind, maintenance shutdown and FX

\* From continuing operations, net of exceptionals and amortization of intangible assets

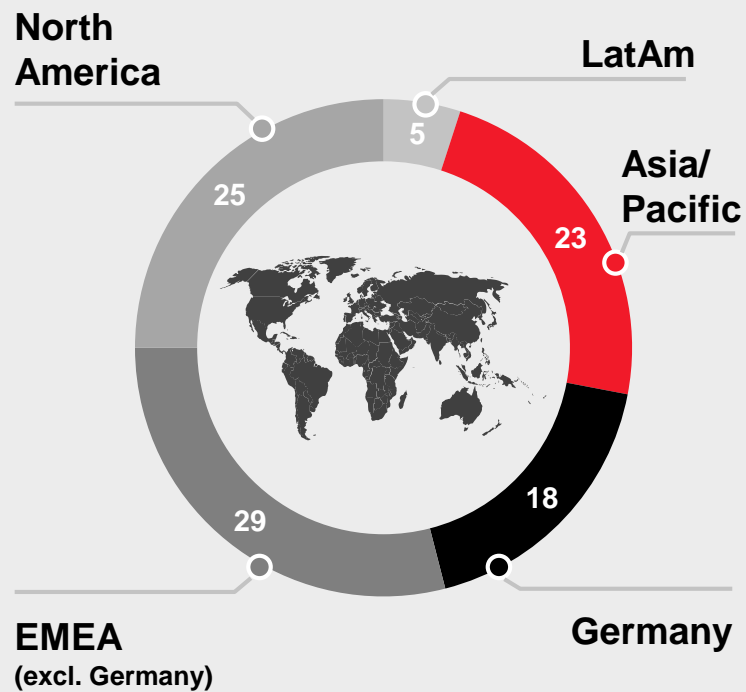
# Q3 2020 impacted by Corona pandemic, strong result in Consumer Protection mitigates



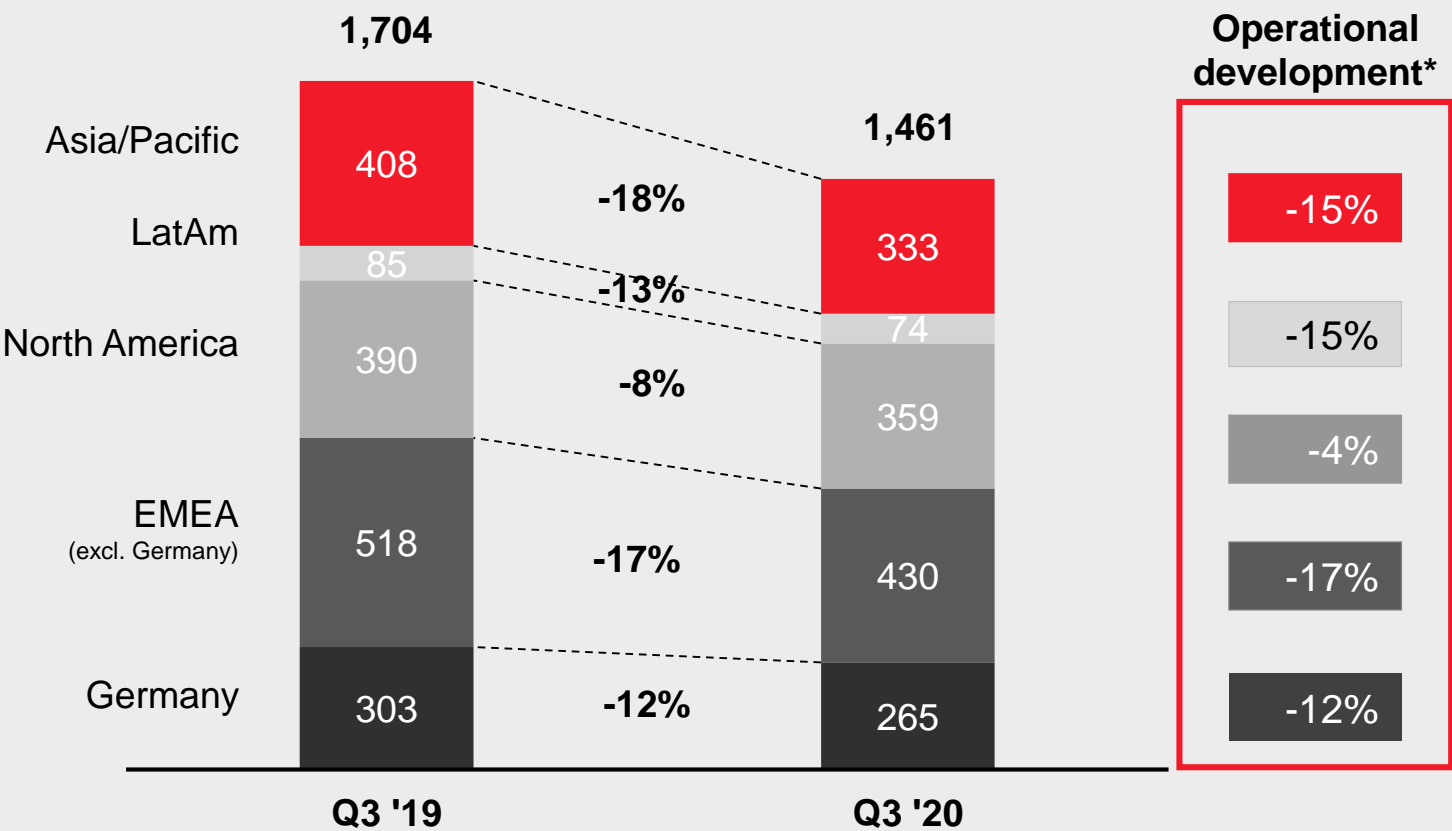
\* Total group sales including reconciliation

# Q3 2020: Impact from pandemic visible in all regions, North America operationally almost stable

Q3 2020 sales by region [%]



Regional development of sales [€ m]



\* Currency and portfolio adjusted

# Cash flow 9M 2020: Solid operating cash flow despite Corona crisis

[€ m]	9M 2019	9M 2020	Δ
<b>Operating cash flow*</b>	<b>367</b>	<b>332</b>	<b>-35</b>
thereof change in other assets & liabilities	-66	-8	58
Changes in working capital	-144	-98	46
<b>Investing cash flow*</b>	<b>-427</b>	<b>-61</b>	<b>366</b>
thereof capex	-295	-264	31
thereof proceeds from CURRENTA divestment, dividend	21	890	869
thereof net invest in money markets	-159	-649	-490
thereof pension funding	0	-100	-100

- Stable operating cash flow excluding extraordinary tax payments relating to CURRENTA and ARLANXEO
- Change in working capital driven by positive change in inventories
- Lower capex reflect measures triggered by Corona pandemic
- Investing cash flow includes proceeds from divestments of CURRENTA which are directly invested in money market funds
- Investing cash flow includes €100 m voluntary pension funding

\* Applies to continuing operations

# Operating cash flow impacted by pandemic

[€ m]	Q3/2019	Q3/2020	Δ
<b>Operating cash flow*</b>	<b>254</b>	<b>167</b>	<b>-87</b>
thereof change in other assets & liabilities	59	6	-53
thereof changes in working capital	1	27	26
<b>Investing cash flow*</b>	<b>-118</b>	<b>-74</b>	<b>44</b>
thereof capex	-117	-102	15
thereof proceeds from CURRENTA sale	0	6	6
thereof pension funding (CTA)	0	-100	-100

- Decline in operating cash flow driven by weaker result
- Change in working capital driven by significant reduction of inventories
- Capex reduced in response to pandemic
- Investing cash flow includes €100 m voluntary pension funding

\* Applies to continuing operations

# Very strong balance sheet in uncertain times

[€ m]	31.12.2019	30.06.2020	30.09.2020
<b>Total assets</b>	<b>8,695</b>	<b>9,195</b>	<b>8,850</b>
Equity	2,647	3,379	3,167
<b>Equity ratio</b>	<b>30%</b>	<b>37%</b>	<b>36%</b>
<b>Net financial debt<sup>1</sup></b>	<b>1,742</b>	<b>929</b>	<b>1,150</b>
Cash, cash equiv., short term money market inv.	1,076	1,887	1,657
<b>Pension provisions</b>	<b>1,178</b>	<b>1,135</b>	<b>1,083</b>
<b>Net working capital</b>	<b>1,308</b>	<b>1,407</b>	<b>1,358</b>
DSI (in days) <sup>2</sup>	66	79	70
DSO (in days) <sup>3</sup>	42	44	47

- Proceeds of CURRENTA divestment improve equity and net financial debt
- Decline in pensions provisions due to voluntary pension funding (€100 m)
- Ongoing strong liquidity secures financial and operating flexibility in uncertain times
- Sequential decrease 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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# Housekeeping items 2020

Capex 2020	~€450 m
Operational D&A 2020	~€450 m
Reconciliation 2020	~€140-150 m including remnant costs
Underlying tax rate	~28%
Exceptionals 2020	€100 - 120 m based on current initiatives
FX sensitivity	One cent change of USD/EUR resulting in ~€7 m EBITDA pre impact before hedging
Remnant costs	2020: ~€10 m <b>Additional remnant costs of ~€5 m</b> in 2021 (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\*: Holding up well in crisis mode

Q1

Q2

Q3

Q4



**€1,461 m**

Sales

-14%



**€167 m**

Operating Cash  
Flow



**€1,657 m**

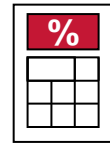
Cash & cash equivalents, short  
term money market investments



**€193 m**

EBITDA pre

-28%



**13.2%**

EBITDA pre  
Margin



**€1,150 m**

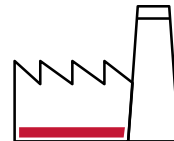
Net financial debt\*\*



**0.66**

EPS pre

-50%



**€102 m**

CAPEX

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

\*\* deducting short-term money market investments

# 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

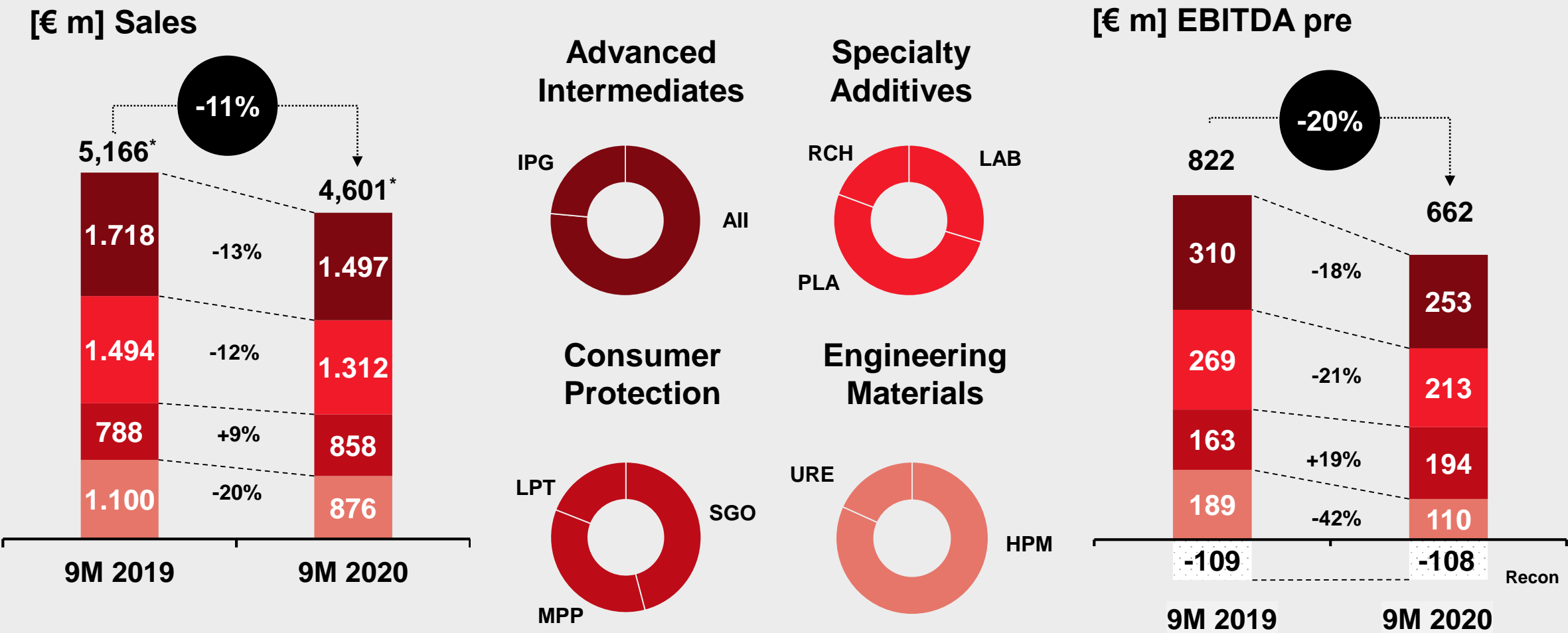
# 9M 2020: Results reflect Corona impact, EPS increase due to proceeds from CURRENTA divestment

[€ m]	YTD 2019		YTD 2020		yoy in %
Sales	5,166	(100%)	4,601	(100%)	-11%
Cost of sales	-3,790	(-73%)	-3,422	(-74%)	10%
Selling	-609	(-12%)	-580	(-13%)	5%
G&A	-193	(-4%)	-195	(-4%)	-1%
R&D	-84	(-2%)	-80	(-2%)	5%
<b>EBIT</b>	<b>407</b>	<b>(8%)</b>	<b>218</b>	<b>(5%)</b>	<b>-46%</b>
<b>EPS</b>	<b>2.85</b>		<b>10.25</b>		<b>&gt; 100</b>
<b>EPS pre*</b>	<b>4.08</b>		<b>2.68</b>		<b>-34%</b>
EBITDA	750	(15%)	587	(13%)	-22%
thereof except.	-72	(-1%)	-75	(-2%)	-4%
<b>EBITDA pre except.</b>	<b>822 (15.9%)</b>		<b>662 (14.4%)</b>		<b>-19%</b>

- Corona based drop in demand is key driver for decline in results
- Lower selling expenses and R&D result from cost containment measures, G&A slightly higher due to remnant cost from several divestments
- Positive effects from CURRENTA divestment reflected in financial result and EPS

\* From Continuing operations; net of exceptionals and amortization of intangible assets as well as attributable tax effects and income in connection with the sale of CURRENTA

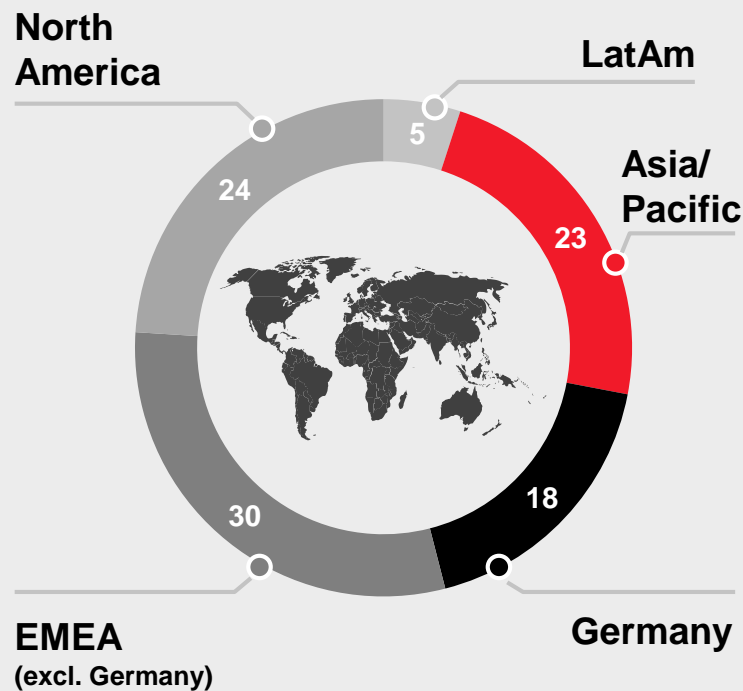
# 9M 2020: Strong drop in demand due to Corona pandemic



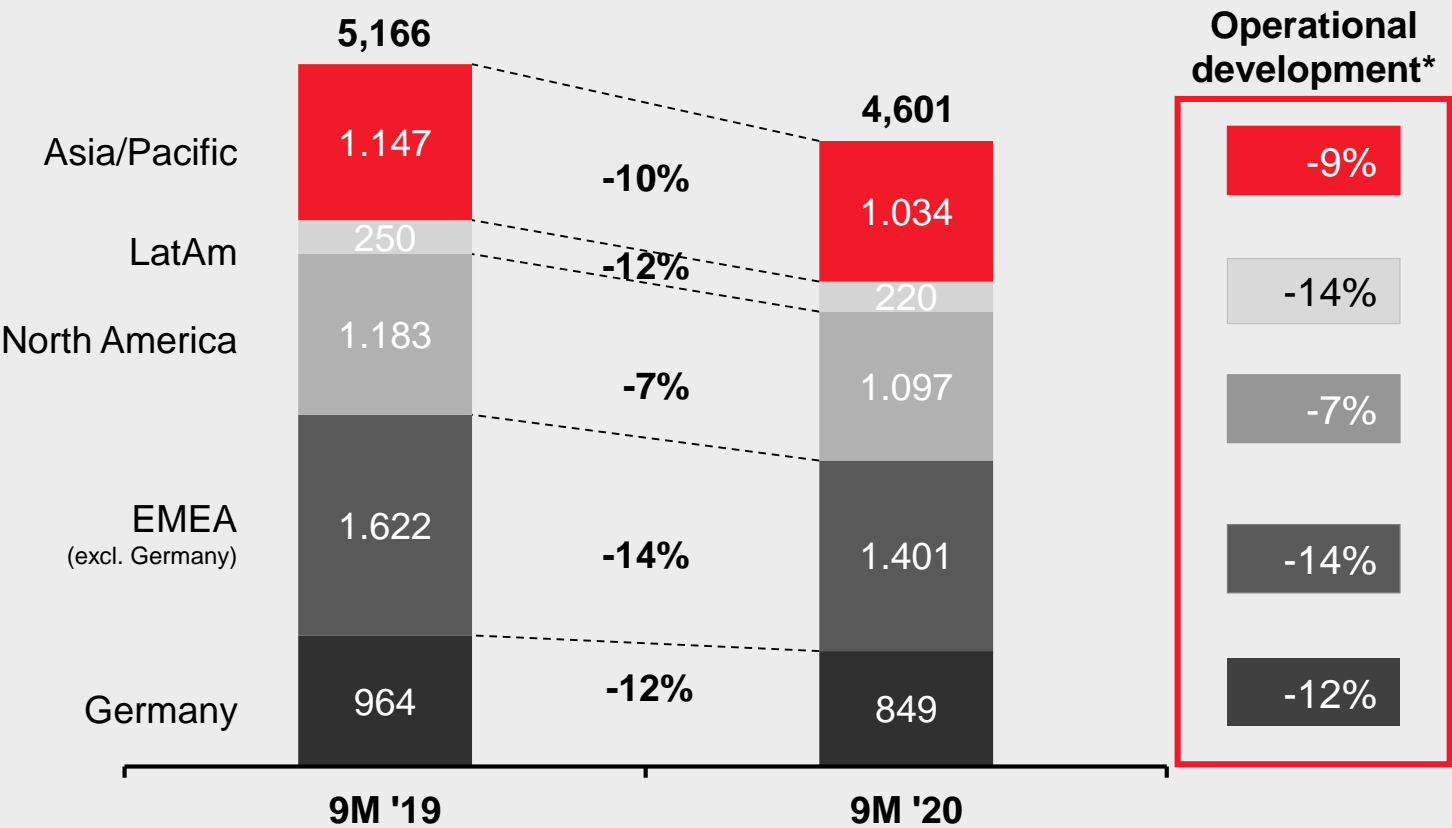
\* Total group sales including reconciliation

# 9M 2020: All regions suffering from lower demand due to pandemic

9M 2020 sales by region [%]



Regional development of sales [€ m]



\* Currency and portfolio adjusted

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

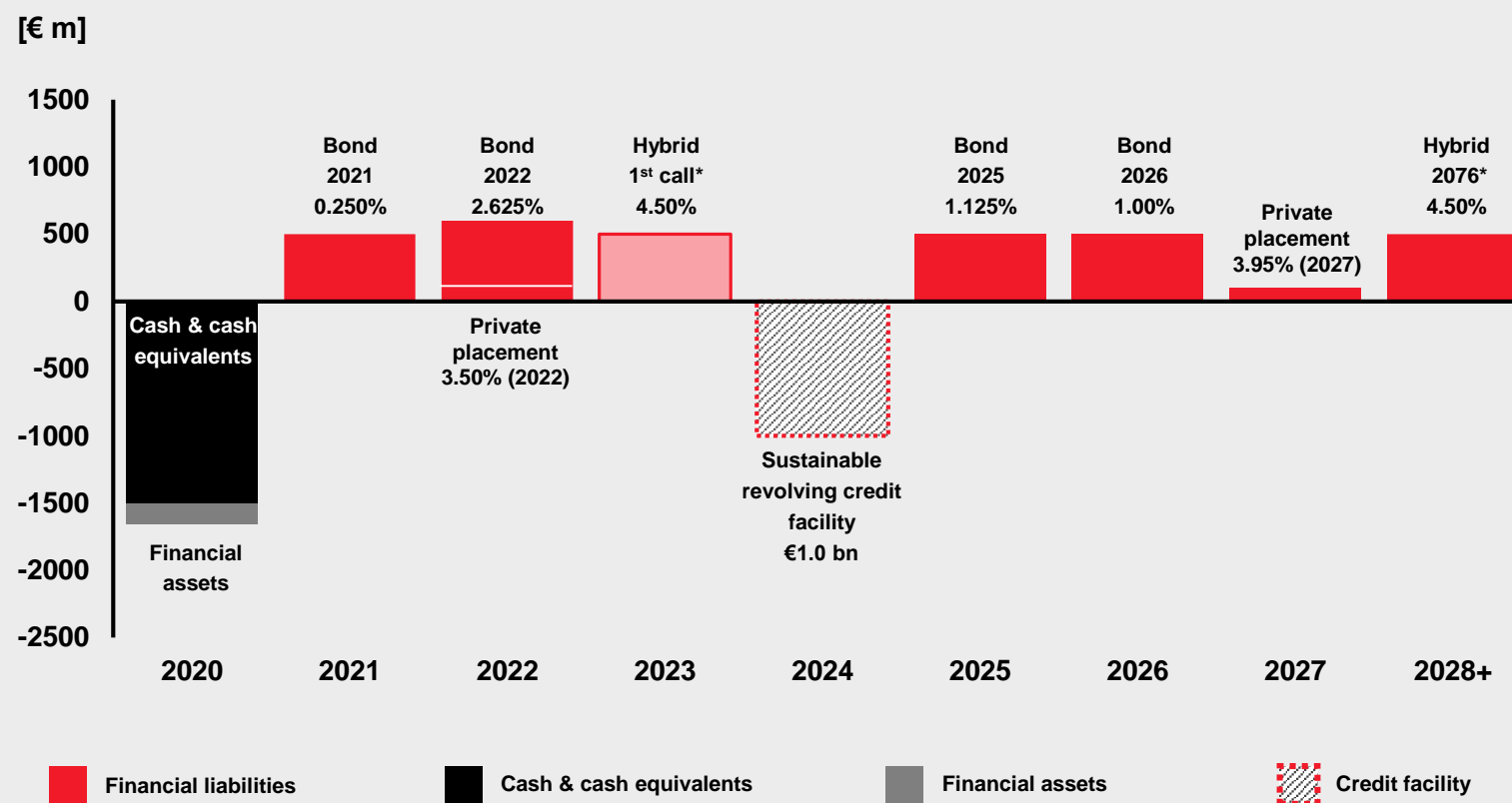
[€ m]	Q3/2019		Q3/2020		YTD 2019		YTD 2020		Comments
	Excep.	Thereof D&A	Excep.	Thereof D&A	Excep.	Thereof D&A	Excep.	Thereof D&A	
Restructuring & Strategic Realignment	6	0	8	0	16	2	31	0	incl. adjustment of production network
Digitalization	15	0	11	0	5	0	33	1	incl. CheMondis & SAP Hana Project
M&A and Others	8	0	4	0	54	1	30	18	Impairment Membranes €18m CUR, LEA and OMS divestments
<b>Total</b>	29	0	23	0	75	3	94	19	

# Maturity profile actively managed and well balanced

## Long-term financing secured

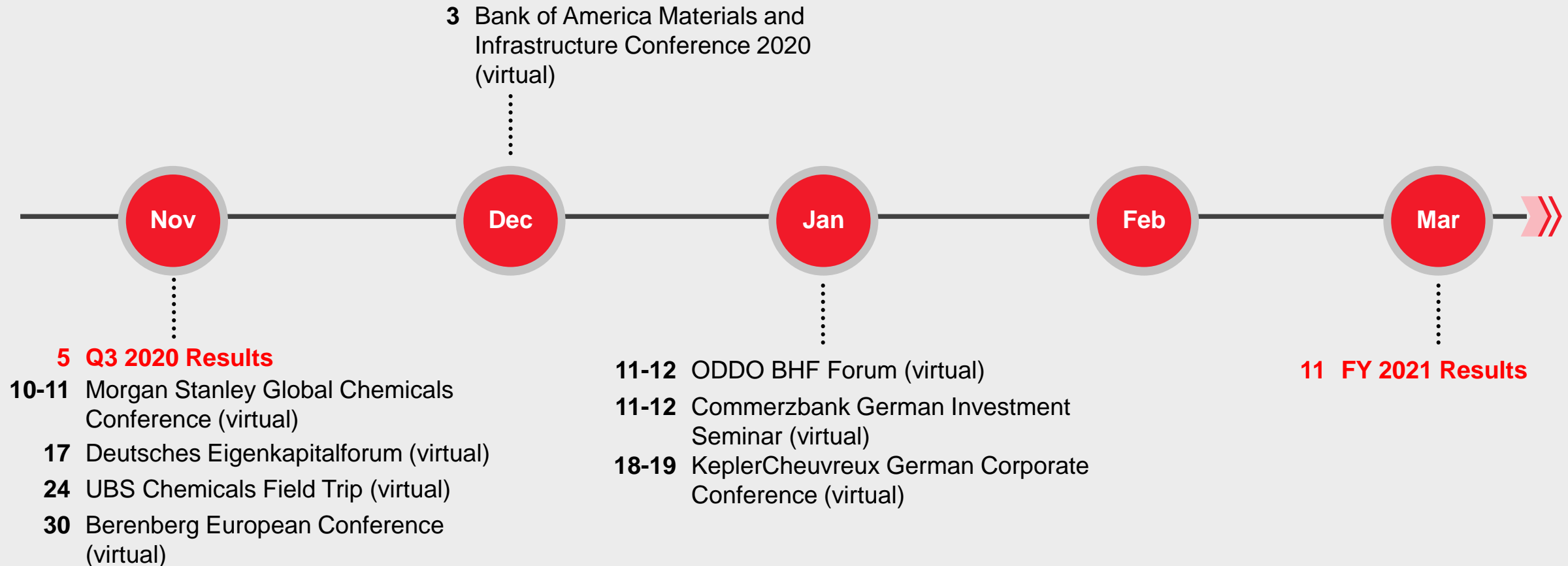
- Diversified financing sources
  - Bonds & private placements
  - Undrawn sustainable revolving credit facility
- Average interest rate of financial liabilities ~2%
- Next bond maturity in 2021
- All group financing executed without financial covenants

## Liquidity and maturity profile as per September 2020





# Upcoming (virtual) events 2020/2021 - Proactive capital market communication



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# Abbreviations



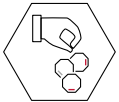
## Advanced Intermediates

<b>AI</b>	Advanced Industrial Intermediates
<b>IPG</b>	Inorganic Pigments



## Consumer Protection

<b>LPT</b>	Liquid Purification Technologies
<b>MPP</b>	Material Protection Products
<b>SGO</b>	Saltigo



## Specialty Additives

<b>LAB</b>	Lubricant Additives Business
<b>PLA</b>	Polymer Additives
<b>RCH</b>	Rhein Chemie



## Engineering Materials

<b>HPM</b>	High Performance Materials
<b>URE</b>	Urethane Systems

# LANXESS

A thick red horizontal bar is positioned below the 'LAN' portion of the 'LANXESS' logo.

Energizing Chemistry