



# Debt Investor Roadshow

Non-Deal related

April 2019

# Agenda



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# Covestro at a glance

# Covestro well positioned to address challenges of a volatile world



Diversified global player with strong capital structure

## Committed to maintain a solid Investment Grade Rating

- History of strong cash generative business earnings and exceeding its capital cost over the cycle
- Prudent management of balance sheet with strong financial metrics and low leverage ratios

## Aligned for performance for creditors and shareholders

- Innovator and creator of products and their markets
- Company-wide KPI & incentive system to align everyone towards cash generation, profitability & growth
- Commitment to align cash outflow with both creditor and shareholder interests

### Serving mega-trends sustainably

- Serving strong markets with growth above world GDP with
  - high-end polymers (e.g. light weight, longevity) replacing less performing materials
  - more sustainable offerings (esp. energy conservation)

### Cash cost leadership

- Investing to improve MDI cash cost in Europe, expanding leading scale in USA
- Building on global cost leadership in TDI and PCS through debottlenecking capex
- Secure long-term sustainability through energy efficiency

### Leading market position

- Leading producer setting new standards in marketing
- Broad geographic footprint and diversified customer end markets
- Specialties with attractive and resilient margins

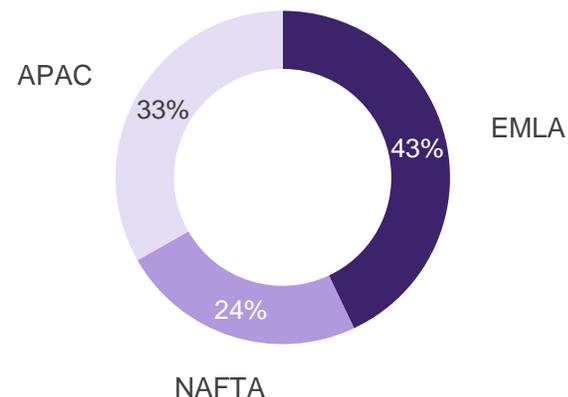
# Leading in high-tech material solutions

## Covestro at a glance



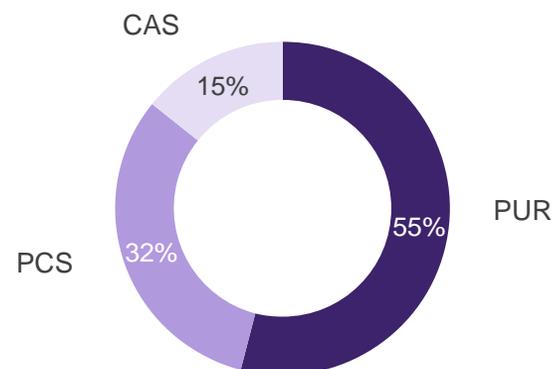
### Well diversified by geography

% of 2018 Group sales



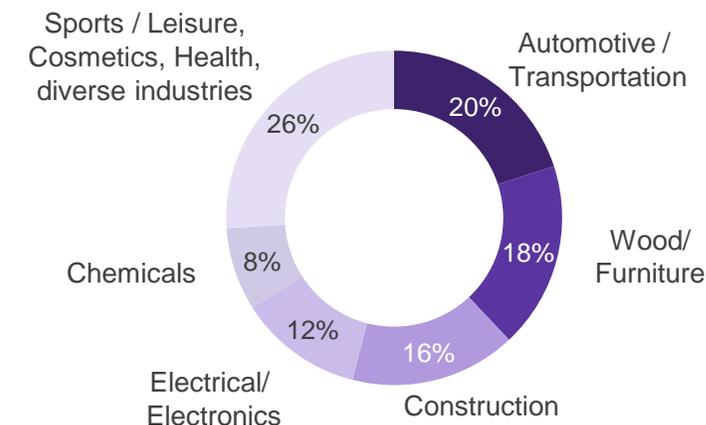
### Well spread EBITDA share by business units

% of 2018 Group EBITDA<sup>a)</sup>



### Well diversified by end-markets

% of 2018 Group sales



€14.6bn Sales  
High ROCE above WACC

~5 million tons  
PUR and PCS nameplate capacity

€3.2bn EBITDA  
21.9% EBITDA margin

€1.7bn FOCF  
52.2% of EBITDA

Employees ~16,800 FTEs  
Headquarters in Leverkusen, Germany

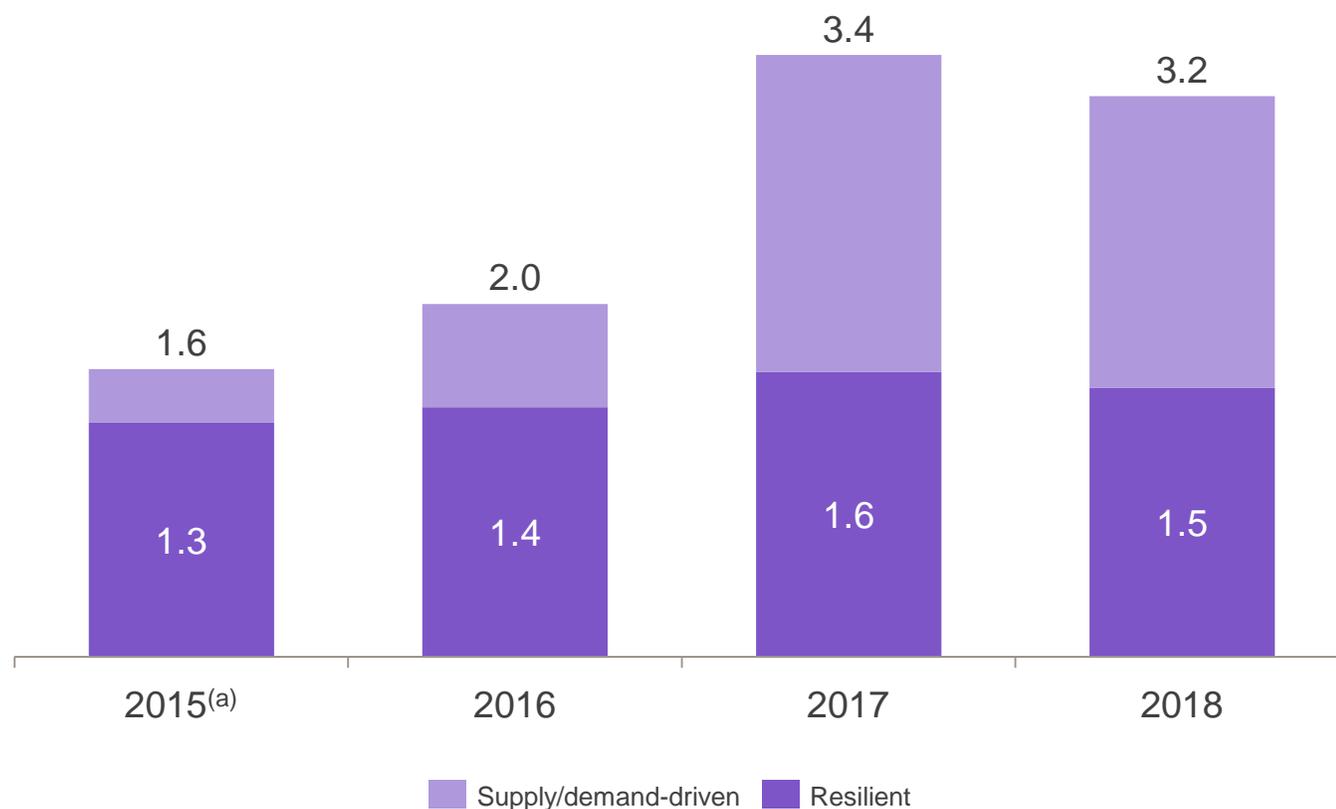
8 world-scale production sites  
Europe, United States and Asia

# Resilient businesses generate EBITDA of €1.3 – 1.6bn



## Resilient vs. supply/demand-driven share of EBITDA

in € billion



### Highlights

- Resilient businesses<sup>(b)</sup> supports value-creating base earnings
- EBITDA generation between ~€1.3bn and ~€1.6bn per year under normal economic conditions
- EBITDA from the resilient part of business portfolio sufficient to cover the Covestro cost of capital
- In 2015-2017, increase of earnings in resilient share driven by higher proportion of differentiated PCS and higher margin in differentiated MDI
- In 2018, slight decrease of earnings in resilient share driven by Polyols and CAS
- In peak years 2017-2018, supply/demand-driven businesses increased share of EBITDA disproportionately

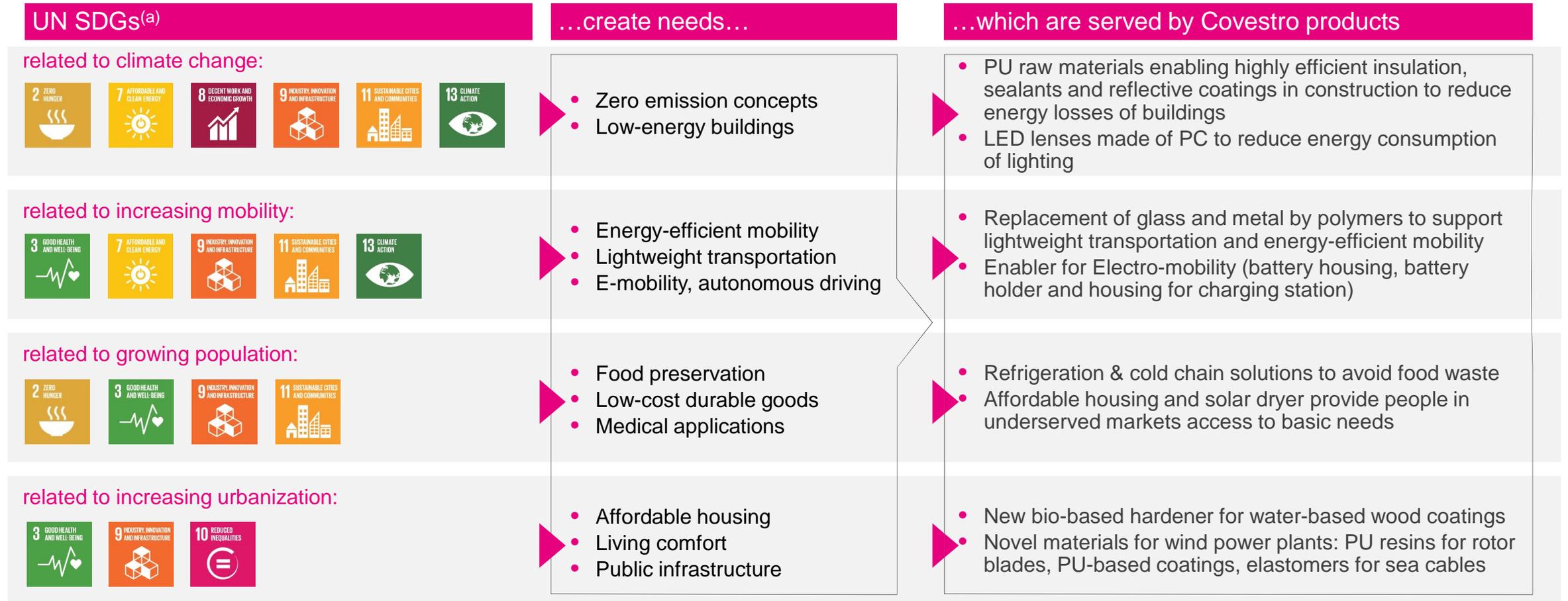
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# Strategy

# Structural growth above GDP driven by sustainability trends



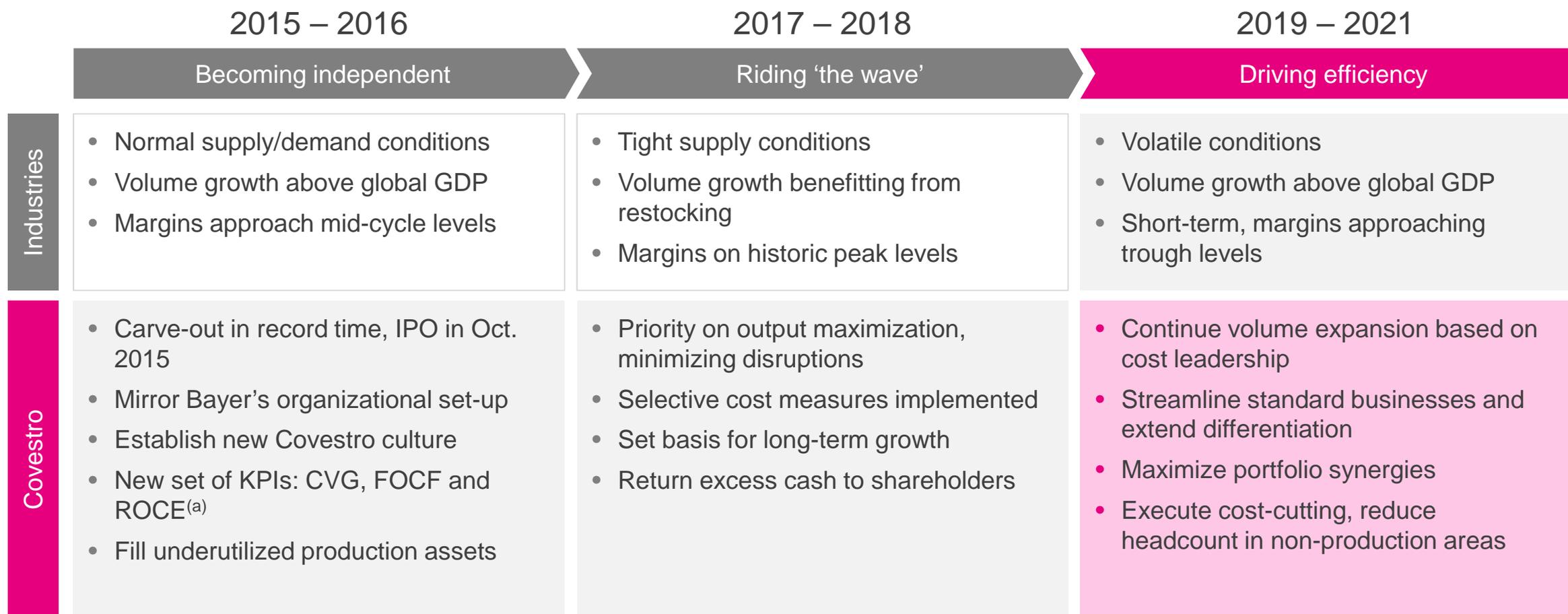
Address ecological & social challenges and seize associated business opportunities



# Right strategy and thorough execution in different stages



## Different stages since IPO



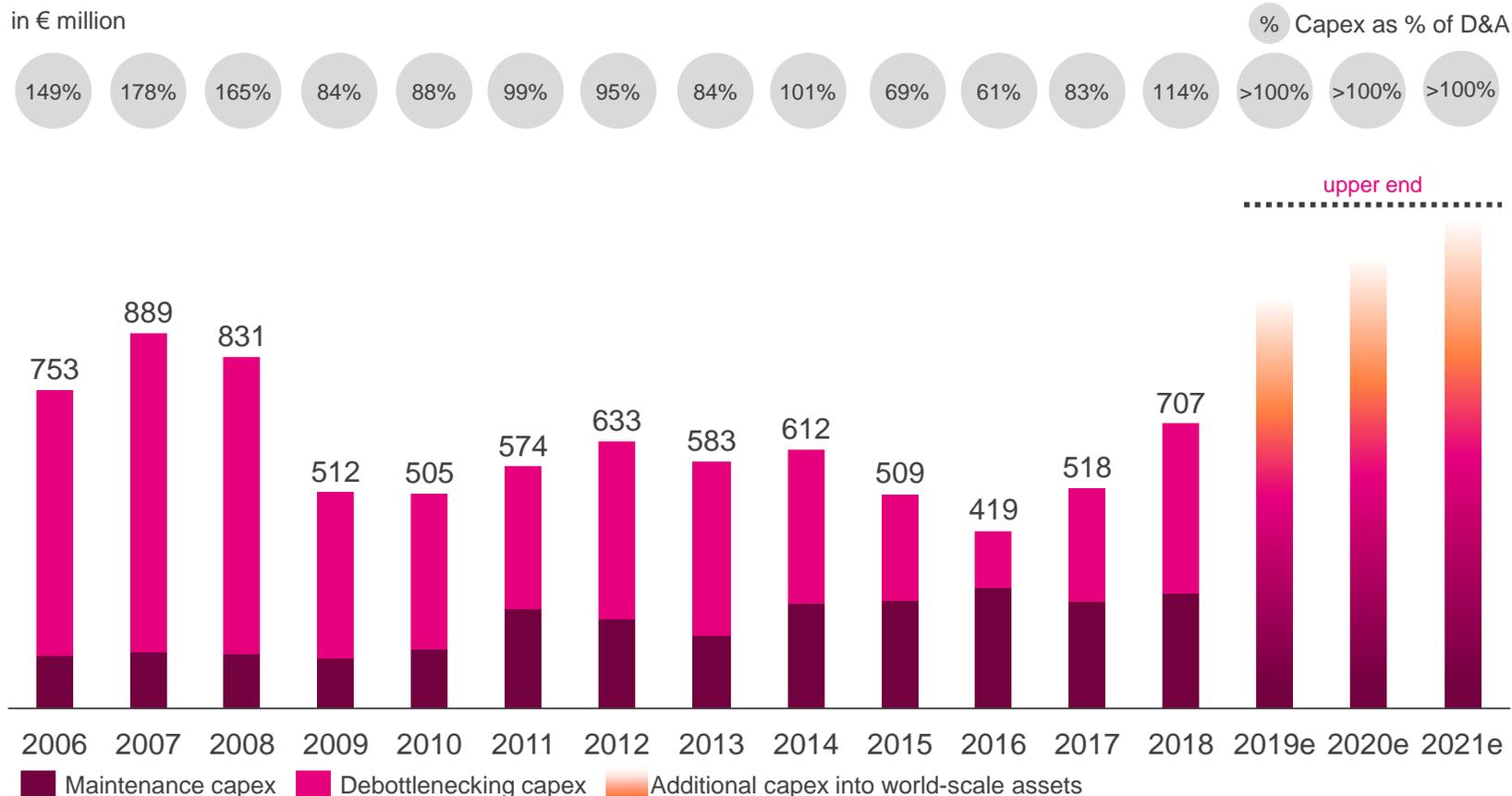
# Capex with high ROCE



## Mid-term debottlenecking capex and preparation of world-scale investment

### Covestro capex<sup>(a)</sup> development 2006-2021e

in € million



### Highlights 2018-2021e

#### Disciplined decision process

- Financial fit (ROCE, NPV, POT<sup>(b)</sup>)
- Prioritization with focus on value creation

#### Maintenance capex at €250-300 p.a.

- Risk assessment
- Financial impact from project delay

#### Debottlenecking capex

- Accompany industry growth by adding capacity through debottlenecking projects
- Capex with superior ROCE

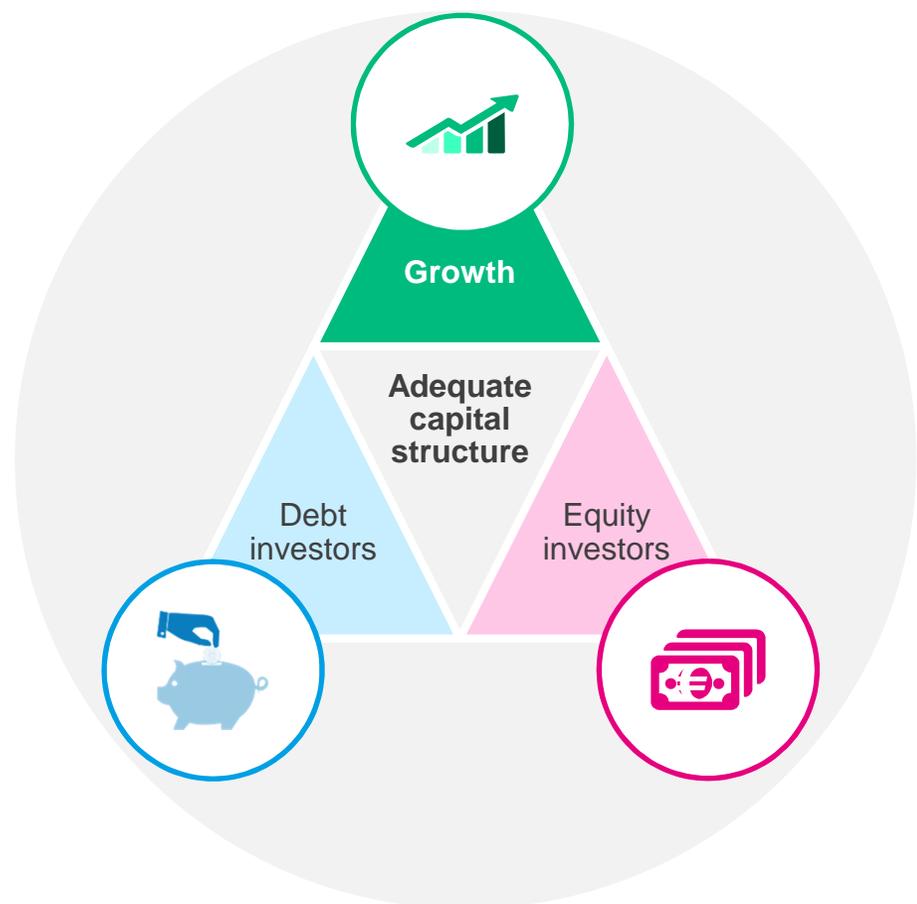
#### Additional capex creates significant value

- New growth investment into world-scale plants on existing sites
- Capex with high ROCE
- Spending depends on projects and timing

# Balanced interest of growth, creditors and shareholders



Covestro has a track record of disciplined cash usage



- **2015 – 2018: Covestro reduced significantly its debt position since IPO**

- Reduction of net debt position and additional pension funding
- Optimized maturity profile, shift from short term debt by end of 2015 towards a broader maturity profile with main maturities in 2021 and 2024



- **2017 – 2018: Return of excess cash to shareholders**

- Attractive dividends
- Share buyback used to distribute existing excess cash



- **Support future growth investment while...**

- ...keeping excellent financial profile with low leverage
- ...providing adequate shareholder returns (e.g. increasing or stable dividends)

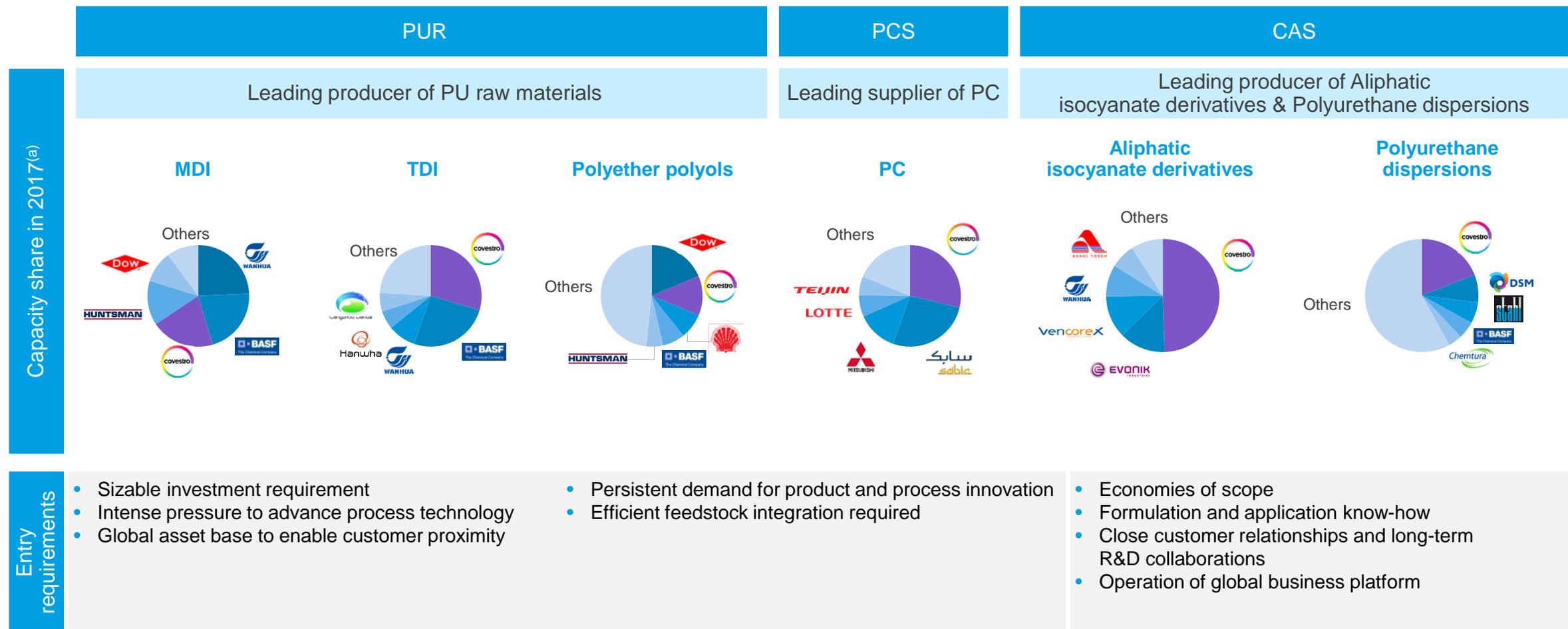


# Segment overview

# Leading global position across the entire portfolio



## World-wide industry positions and entry requirements



# Almost half of sales in resilient businesses



## PUR at a glance

1,000

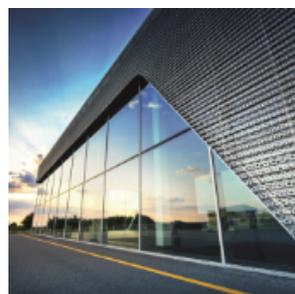
Polyols grades for differentiation



**Cold chain**  
e.g. refrigerator

Leading

Producer of PU raw materials globally<sup>(a)</sup>



**Construction**  
e.g. metal panel

€7.4bn

Sales 2018



**Cost leadership**  
e.g. process technology

€1.8bn

EBITDA 2018



**Comfort**  
e.g. furniture upholstery

€1.0bn

FOCF 2018



**Automotive**  
e.g. instrument panel



**Sustainability**  
e.g. CO<sub>2</sub>-based polyether polyols

# Strategic focus on increasing resilience

## PCS at a glance



1,000

PC grades for  
broadest offering

Leading

Supplier  
of PC globally<sup>(a)</sup>

€4.1bn

Sales  
2018

€1.0bn

EBITDA  
2018

€468m

FOCF  
2018



**Mobility**  
e.g. exterior



**Electronics**  
e.g. robot housing



**Consumer electronics**  
e.g. adapter



**Electrical**  
e.g. LED street  
lamp



**Mobility**  
e.g. charging  
station



**Healthcare**  
e.g. drug delivery

# Stable margins driven by differentiated product portfolio



## CAS at a glance

**2,700+**

Products based primarily on 6 monomers

**Leading**

Producer of Aliphatic isocyanate derivatives and PU dispersions globally<sup>(a)</sup>

**€2.4bn**

Sales 2018

**€464m**

EBITDA 2018

**€203m**

FOCF 2018



Ingredients for **surface coatings**



Ingredients for **adhesives and sealants**



Ingredients for **specialties**



# Financials

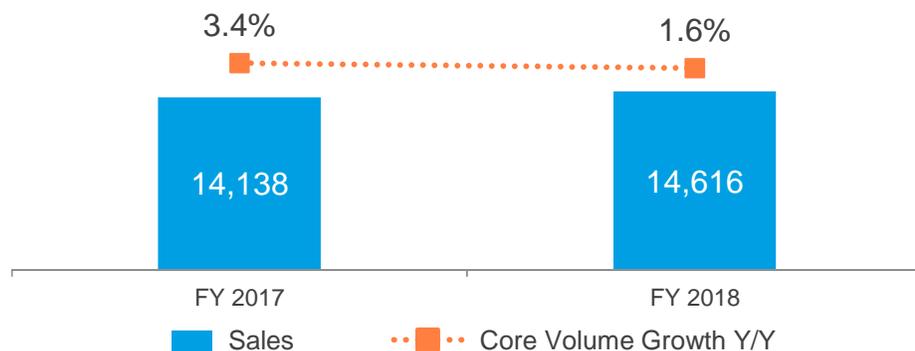
# Outstanding business and financial performance



## Financials 2018 at a glance

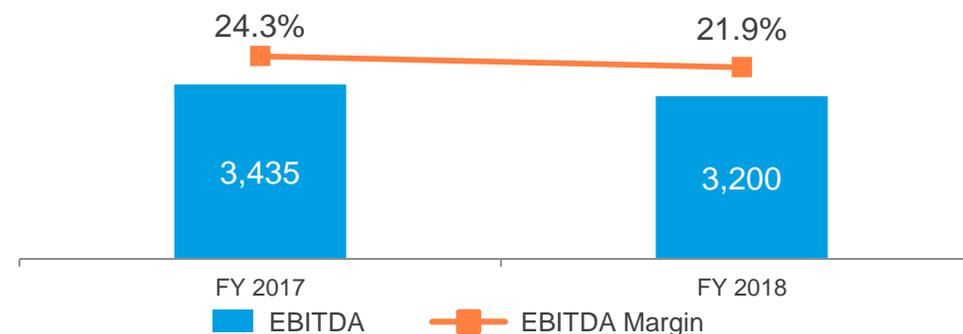
### Sales and Core Volume Growth

in € million / changes Y/Y



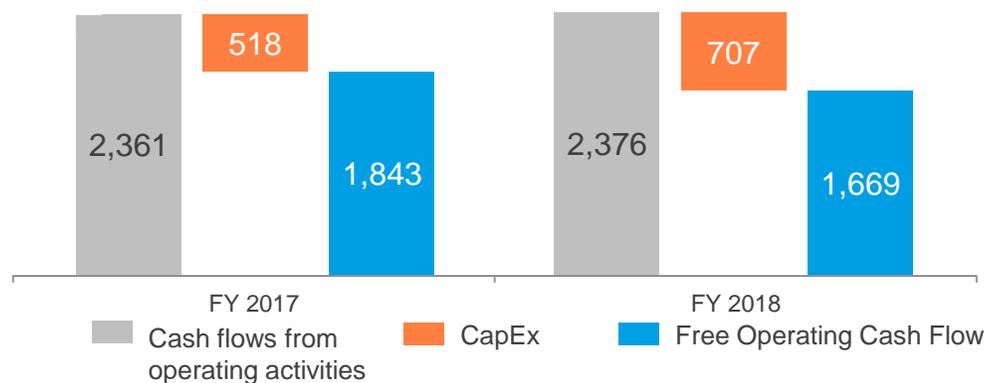
### EBITDA and Margin

in € million / margin in percent



### Free Operating Cash Flow

in € million



### Comments

- Core Volume Growth of +1.6% in FY 2018 despite constrained product availability, i.e. unplanned outages and low Rhine water levels
- Solid full year demand growth across industries
- EBITDA margin stays above 20%

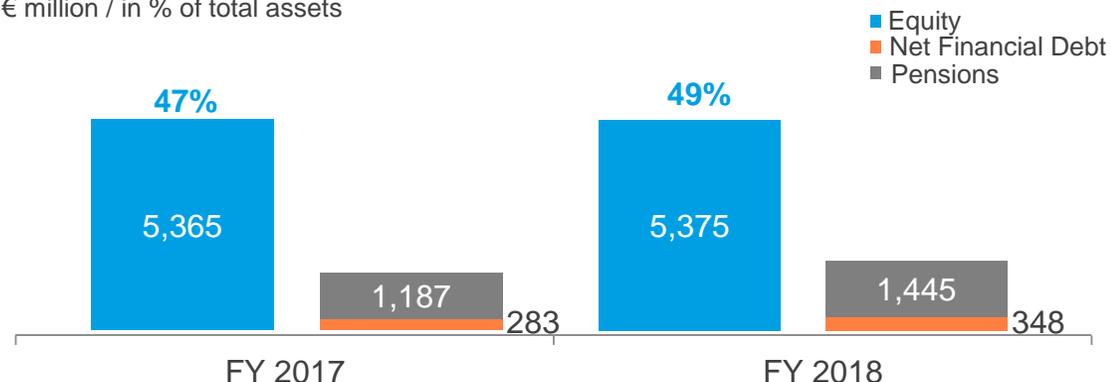
# Excellent financial metrics

## Financials 2018 at a glance



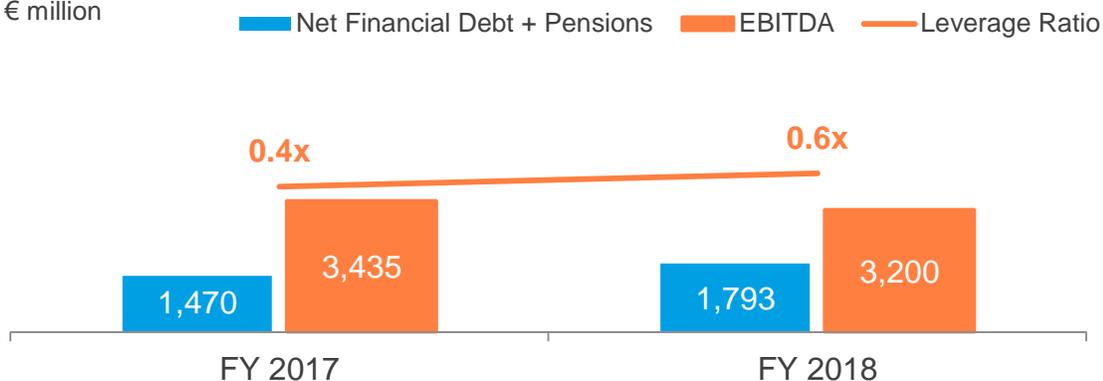
### Equity and Net Financial Debt & Pensions<sup>(a,b)</sup>

in € million / in % of total assets



### Leverage Ratio<sup>(a,c)</sup>

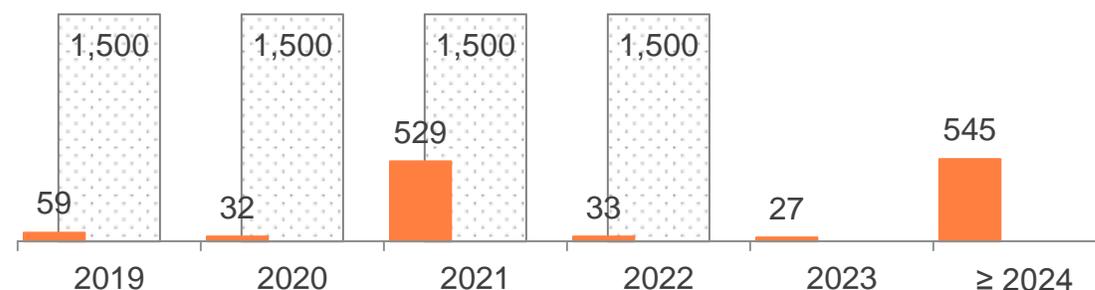
in € million



### Maturity Profile

in € million

□ Committed Revolving Credit Facility    ■ Financial Debt



### Comments

- Consistent low leverage
  - Increase of net financial debt to EBITDA ratio expected end of 2019 due to IFRS 16 adoption
- Well-spread maturity profile
- Undrawn committed Revolving Credit Facility of €1.5bn
- Small increase of net financial debt mainly due to share buy-back (~20m shares bought back for a total amount of €1.5bn since Nov. 2017)

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# Summary

# Retain strong financial metrics while capturing profitable growth



## Covestro key investment highlights

1

Committed to solid Investment Grade rating  
through the cycle

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2

Leading and defensible global industry positions  
as innovation and cost leader

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3

More than half of sales generated by resilient businesses  
supporting value-creating base earnings

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4

Management focus on driving efficiency  
with streamlined structures to better adapt to market needs, focus on cost discipline and new incentive targets

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5

Balanced interests of creditors and shareholders  
proven by a track record of disciplined cash usage

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