



Building a leading sustainable coating resins player

Investor presentation

Acquisition of DSM's
Resins & Functional Materials and innovation ventures

Forward-looking statements



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Building a leading sustainable coating resins player





Acquisition rationale

-  Creating a global leader in sustainable coating resins

-  Compelling strategic fit with highly complementary portfolio and technology

-  Shifting CAS portfolio towards high growth markets driven by sustainability

-  Significant value creation through strong synergistic benefits

-  Comparable sustainability and innovation driven culture and corporate values

Building a leading sustainable coating resins player



Transaction overview

Transaction value



- Enterprise value of €1.55bn
- 10.3x EV / 2021 Budget EBITDA
- 5.7x EV / 2021 Budget EBITDA including full synergies

Financial impact



- Acquisition of Resins & Functional Materials (RFM) and innovation ventures
- RFM sales of €984m and EBITDA of €141m in 2019
- Innovation ventures Additive Manufacturing, NIAGA and Advanced Solar Coatings with sales of €28m and EBITDA of €-8m in 2019
- €120m synergies by 2025

Financing



- Full bridge financing in place
- Covestro is committed to a solid investment grade rating
- Refinancing will be a combination of ~€450m equity, ≤€600m long-term debt and ~€550m own cash

Timing

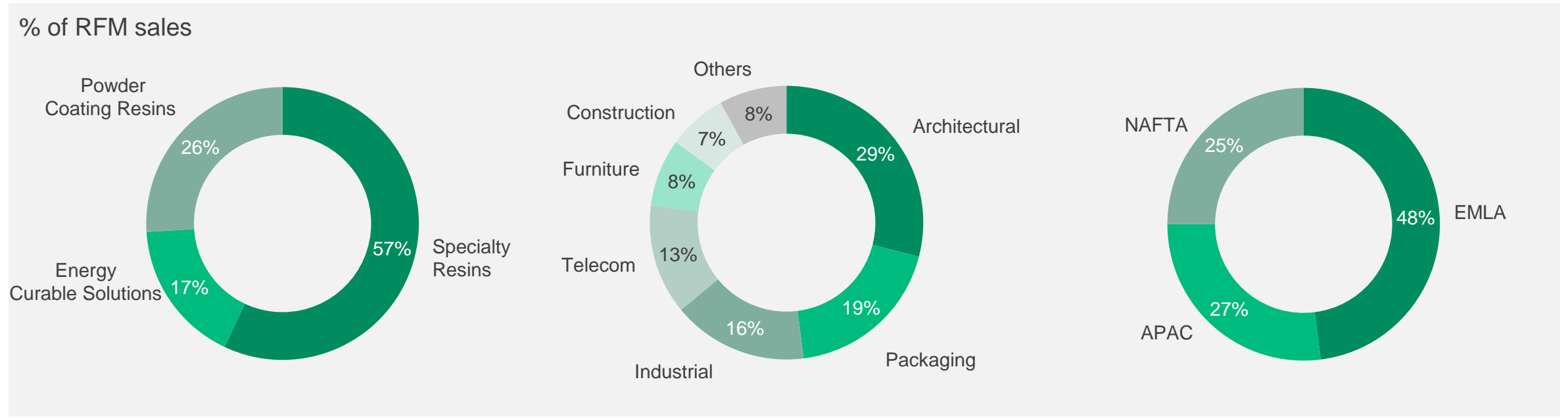
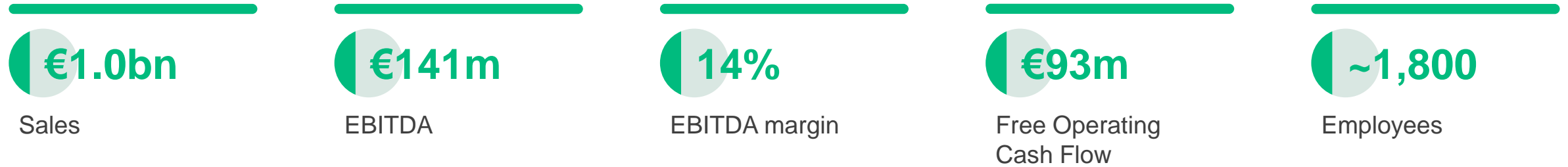


- Subject to regulatory approvals including antitrust clearance
- Closing expected in Q1'21

RFM is a global leader of sustainable coating resins



RFM key financials in 2019



Highly complementary to the Covestro CAS portfolio



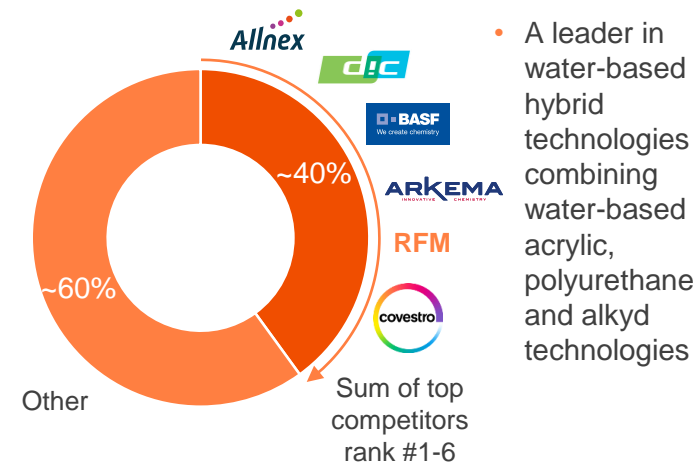
RFM business units and industry positions

Specialty Resins (57% of sales)

Water-based

- High performance resins for architectural & industrial coatings and printing & packaging

Industry position specialty resins

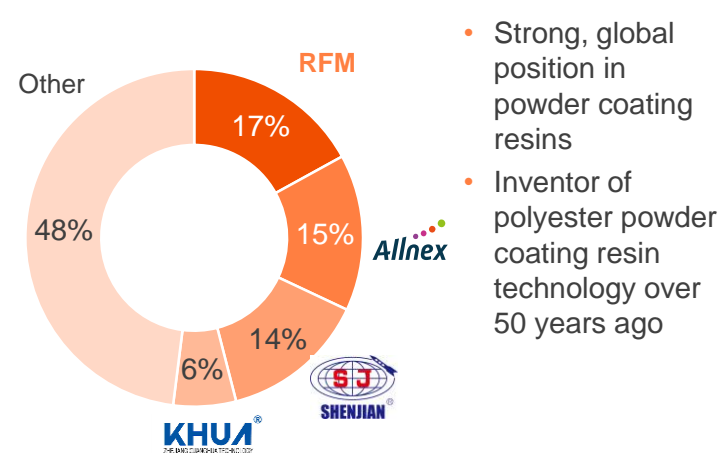


Powder Coating Resins (26% of sales)

Powder

- Polyester 100% solid resin technology for architectural, general industry, automotive and appliances

Industry position powder coating resins



Energy Curable Solutions (17% of sales)

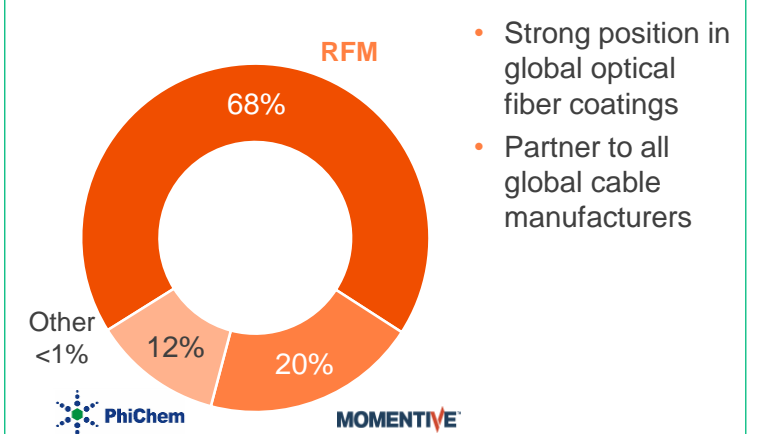
UV light / Electronic beam

- Monomers & oligomers for industrial, printing & packaging and electronic applications

Fiber optics

- Protecting optical fibers, mainly for the telecom industry

Industry position fiber optics

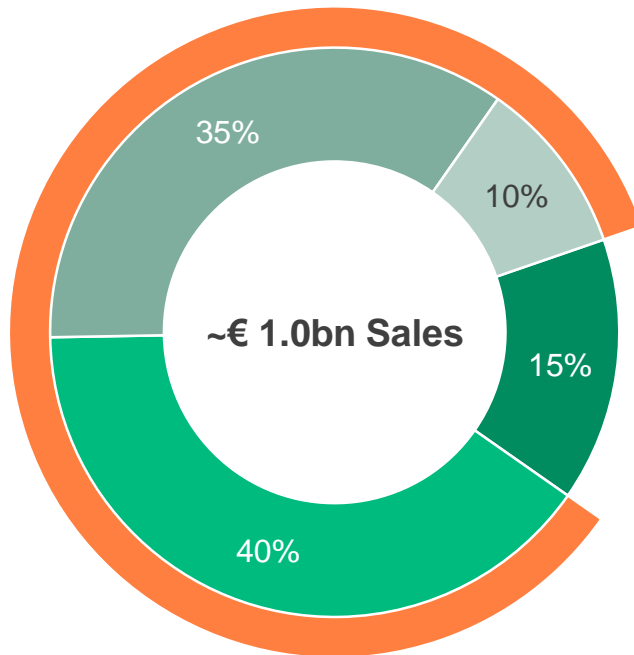


RFM serves high growth areas driven by sustainability

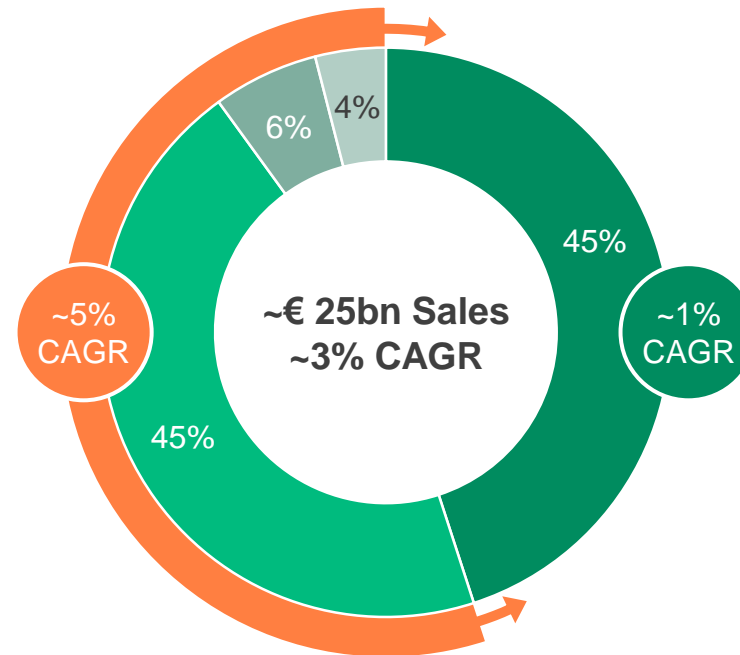


Coating Resins market by technology in 2019

RFM technology split



Market technology split



Highlights

- ~€25bn global coating resins market in 2019 with expected growth rate of ~3% p.a. between 2020 and 2025
- Solvent-based market share expected to decline due to VOC regulation and environmental issues
- Consumer preference for greener and non-toxic ingredients as well as stricter environmental regulations expected to lead to market growth of ~5% p.a. for sustainable coating resins (water-based, powder and UV coating resins) between 2020 and 2025
- RFM & CAS combined will be a leading supplier of sustainable and high-quality products with low environmental impact

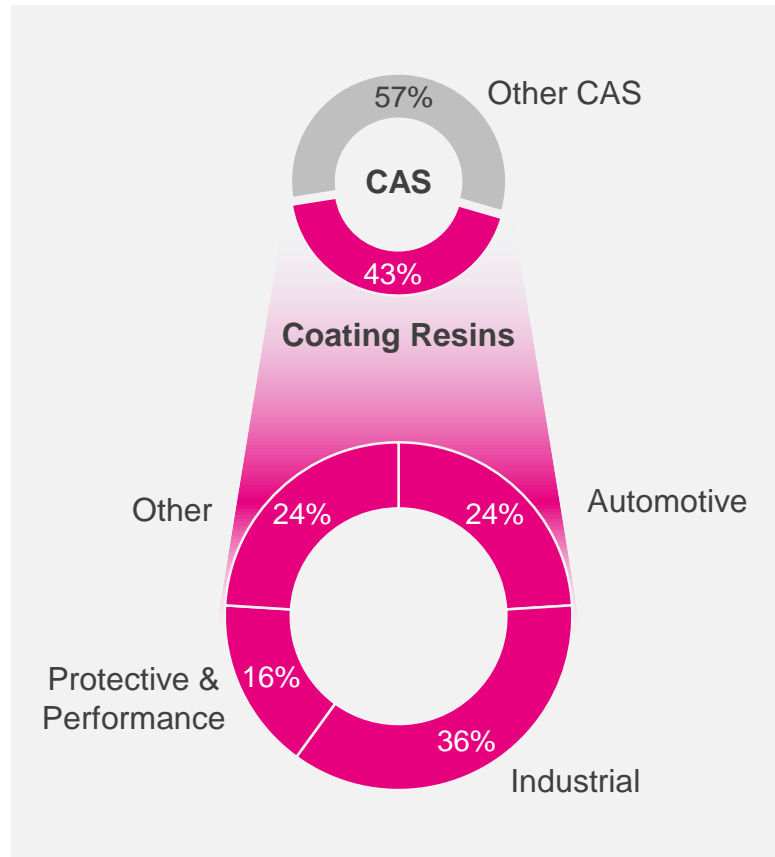
■ Solvent-based ■ Water-based ■ Powder ■ UV curing ■ Sustainable technologies

Bolt-on acquisition strengthens CAS Coating Resins

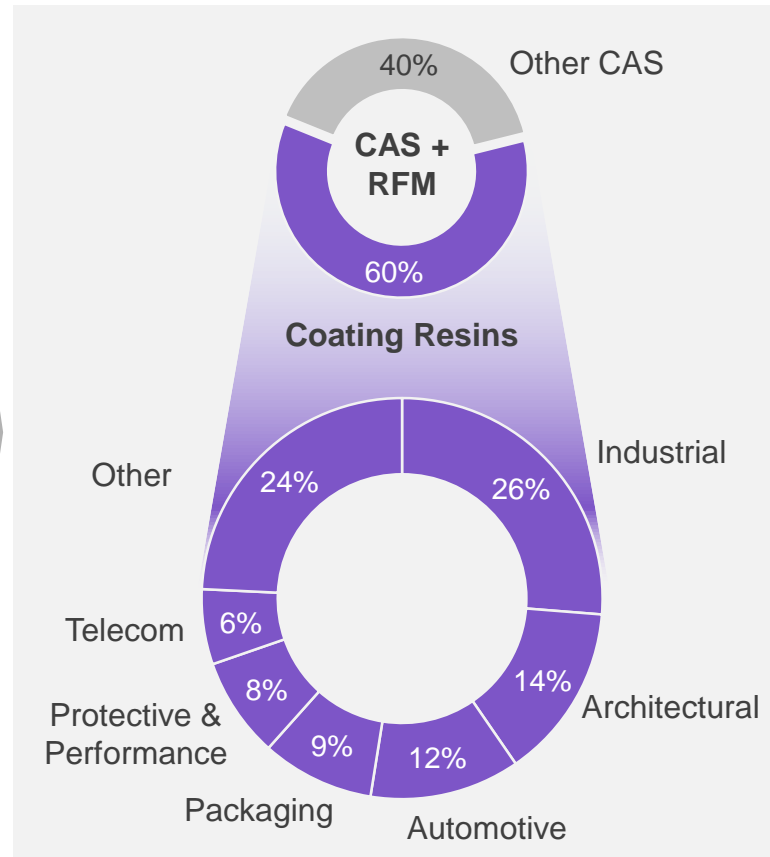


CAS Coating Resins by industries

CAS sales: ~€2.4bn (2019)



CAS/RFM sales: ~€3.4bn (2019 pro-forma)



Highlights

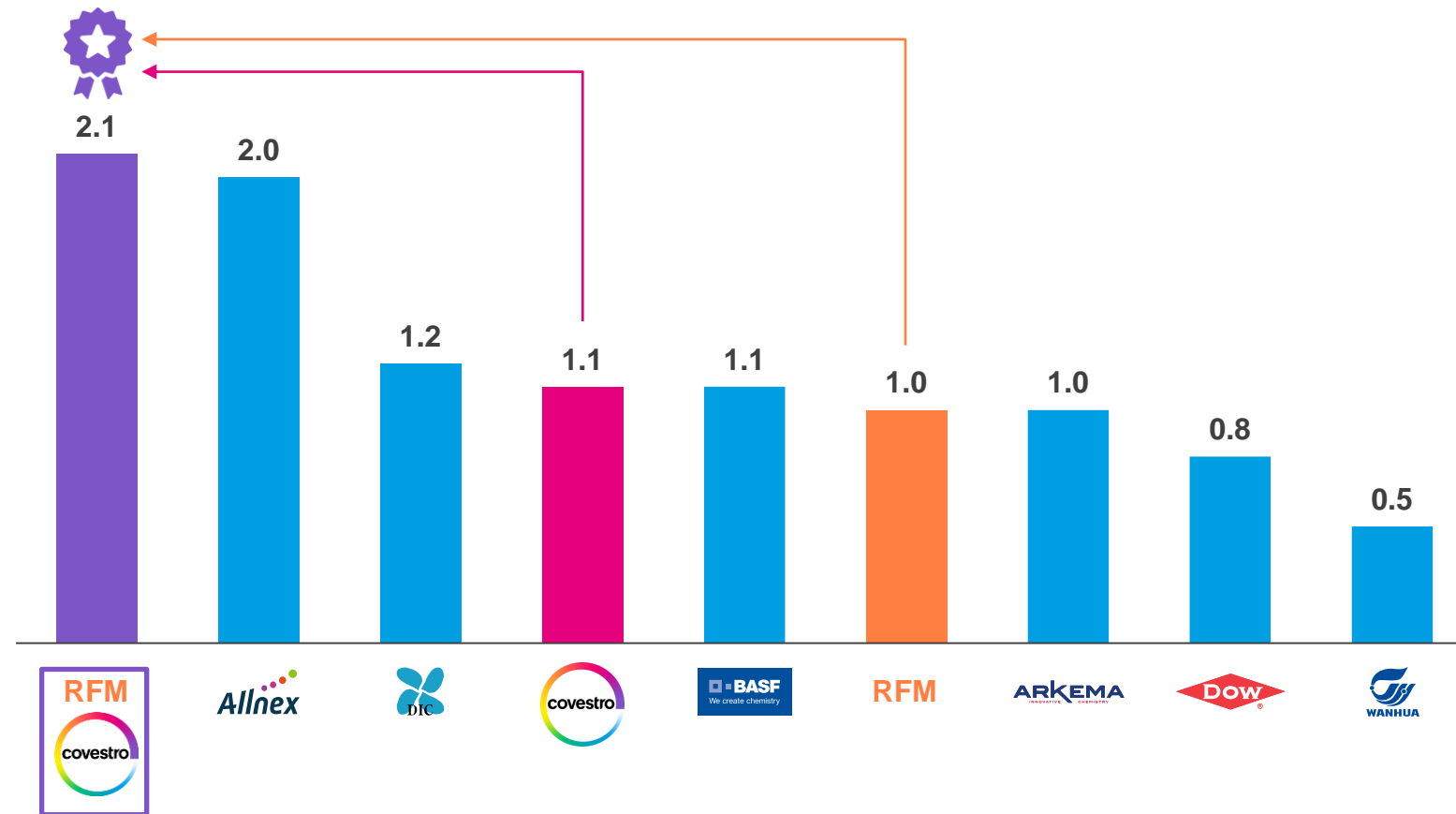
- RFM will increase CAS sales by €1.0bn to €3.4bn (25% of Covestro sales^(a)) with complimentary product portfolio
- CAS Coating Resins sales will increase to €2.1bn (60% of CAS) with balanced portfolio of customer industries
- Significant step in Covestro's long-term corporate strategy, strengthening sustainable and innovation-driven business
- Covestro with well established position in water-based polyurethane dispersions, acquisition adds complete range of water-based polyacrylate resins

Creates a leading coating resins supplier

Industry position in coating resins



Revenue est. (in € billion, 2019)



Highlights

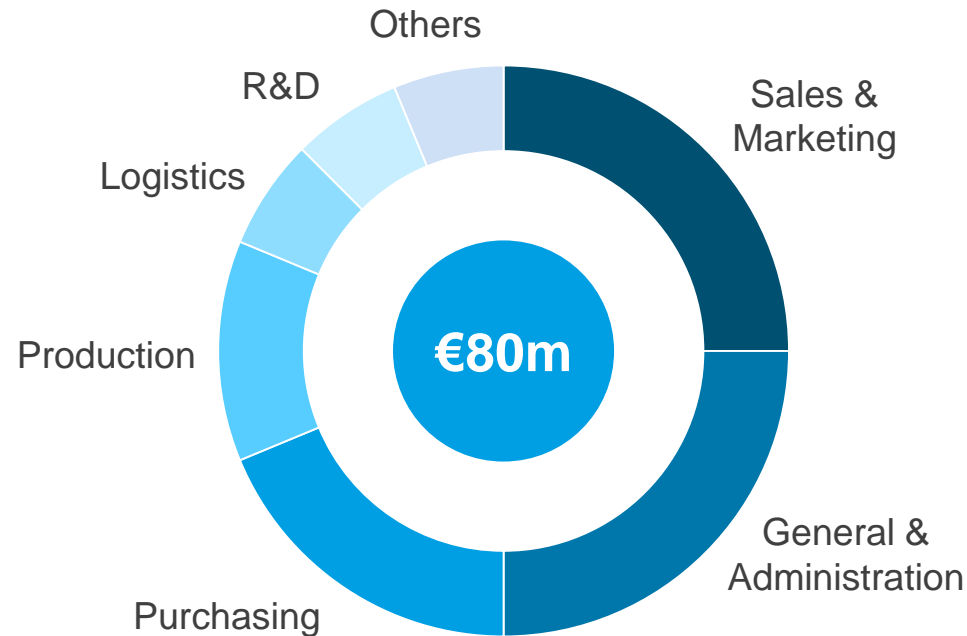
- Covestro to become a global leader in attractive growth market for coating resins
- Covestro to have one of the most comprehensive and innovative product portfolios enabling compelling customer value proposition

Significant cost synergies of €80m

Identified cost synergies by 2025



Distribution of cost synergies



Highlights

Sales & Marketing

- Bundle sales and marketing functions for same applications and customers

General & Administration

- Integrate respective RFM functions into existing Covestro support structures

Purchasing

- Use most favorable conditions of RFM and Covestro
- Intensify in-house sourcing

Production

- Optimize production by efficiently using both asset bases

Logistics

- Apply and combine best practice and processes as currently used by RFM and Covestro

Research & Development

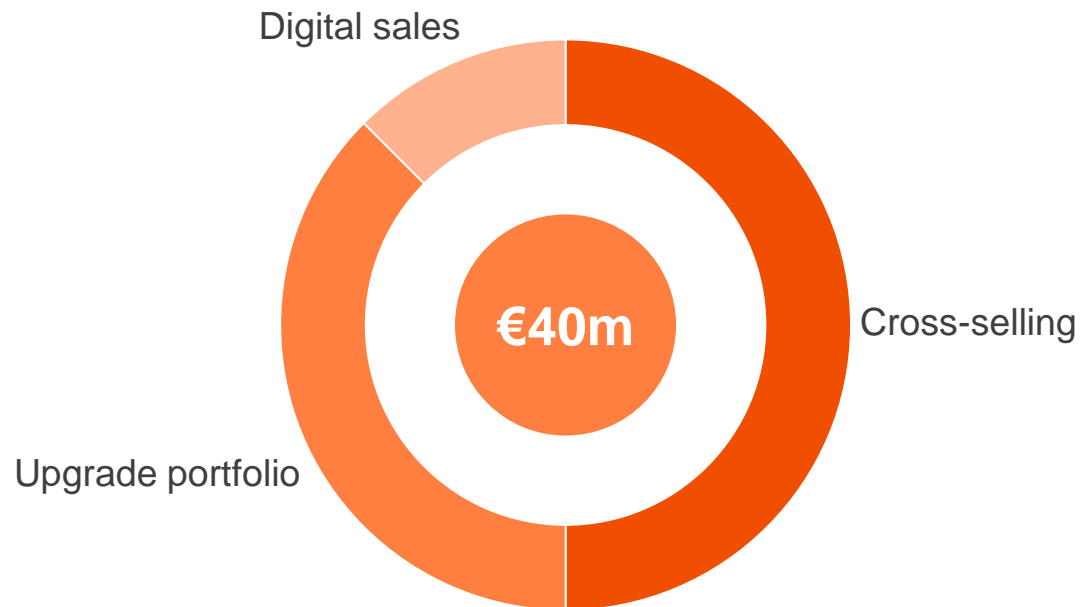
- Combine R&D activities and optimize project pipeline for overlapping topics

Significant revenue synergies of €40m

Identified revenue synergies by 2025



Distribution of revenue synergies



Highlights

Cross-selling

- Increase share of wallet at customers with cross-selling opportunities
- Expand regional presence of RFM by leveraging existing Covestro set-up

Upgrade portfolio

- Combined broader portfolio of resin systems and tailor-made hardener-resin-systems
- New product developments based on combined portfolio and technologies

Digital sales

- Speed up digitalization via new business models
- More attractive online store

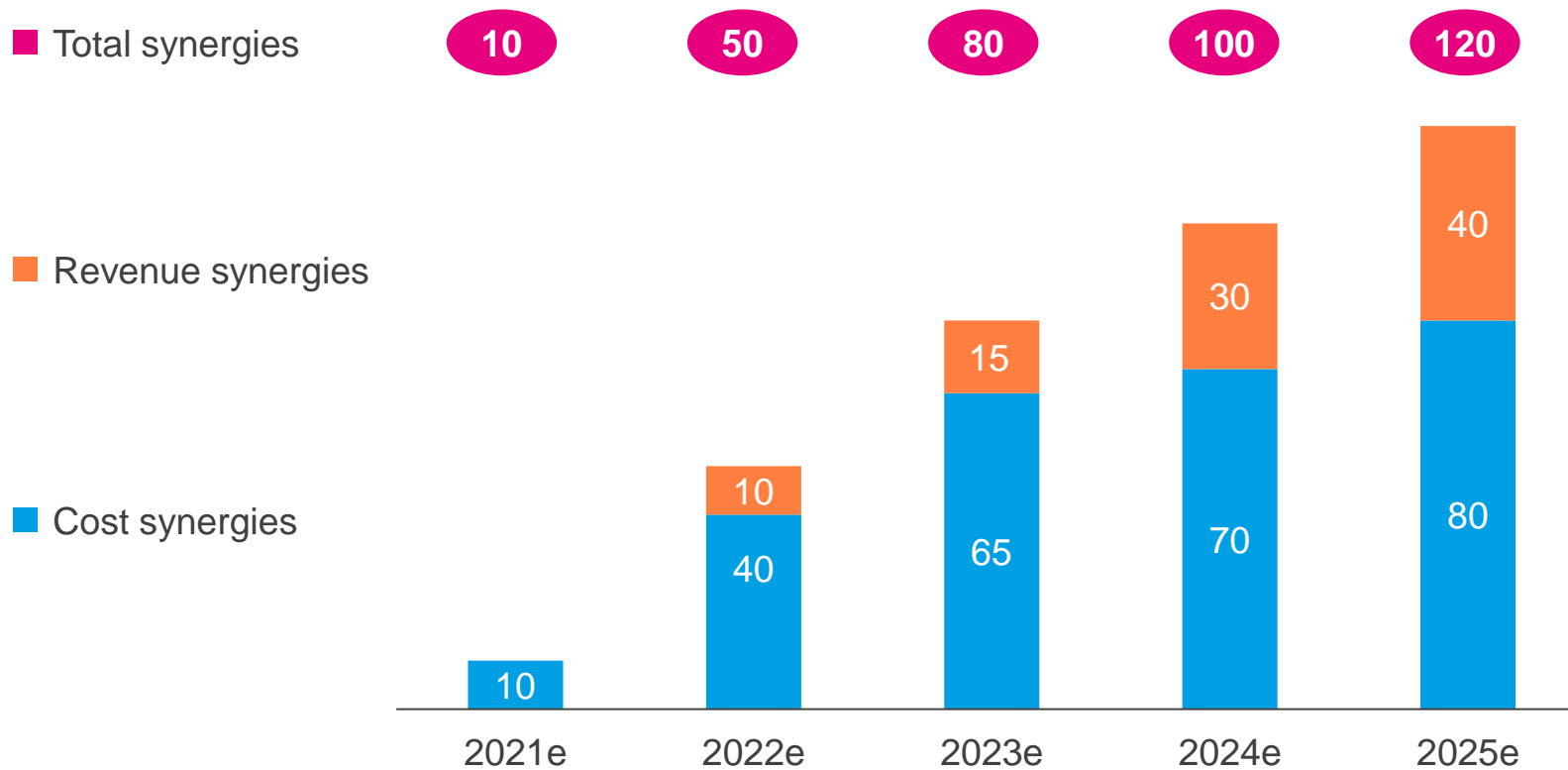
Full synergies of €120m expected until 2025

Synergy ramp-up



Synergies and implementation cost

in € million



Highlights

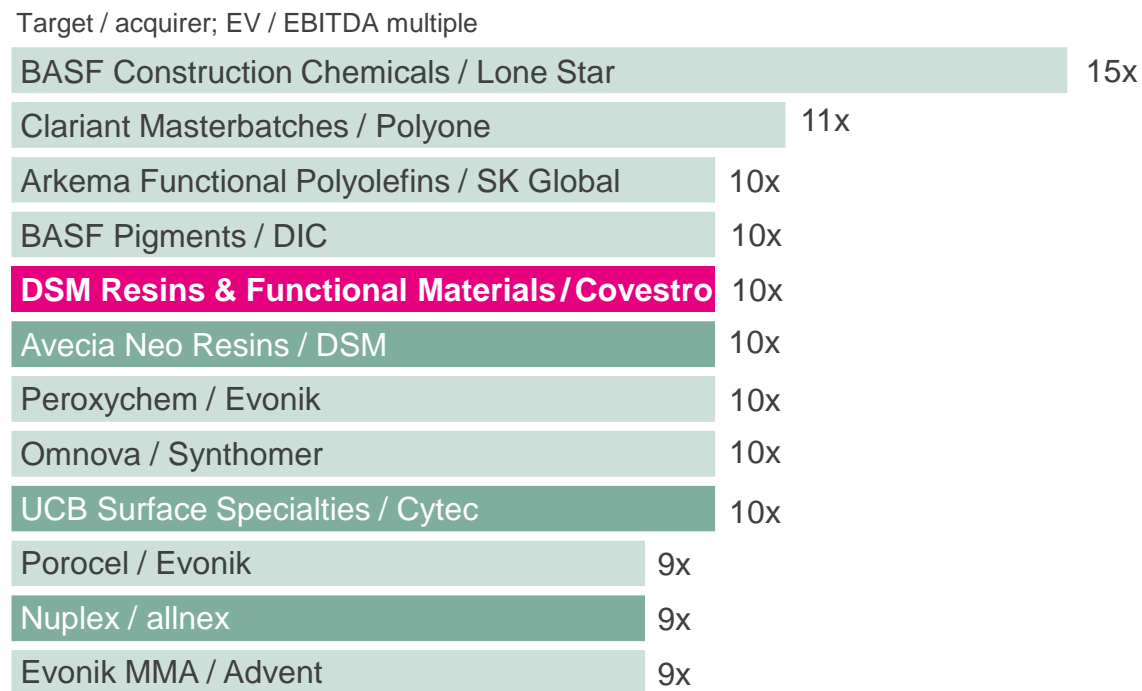
- Identified synergies amount to €120m, 12% of RFM sales
- Total implementation cost of €140m (mainly in 2021) to realize annual synergies of €120m
- Realization of full synergies by 2025 with two third of synergies materializing already by 2023
- Quick realization of cost synergies while time reserved for revenue synergies from portfolio updates

Pre-synergies multiple in-line and synergies above industry



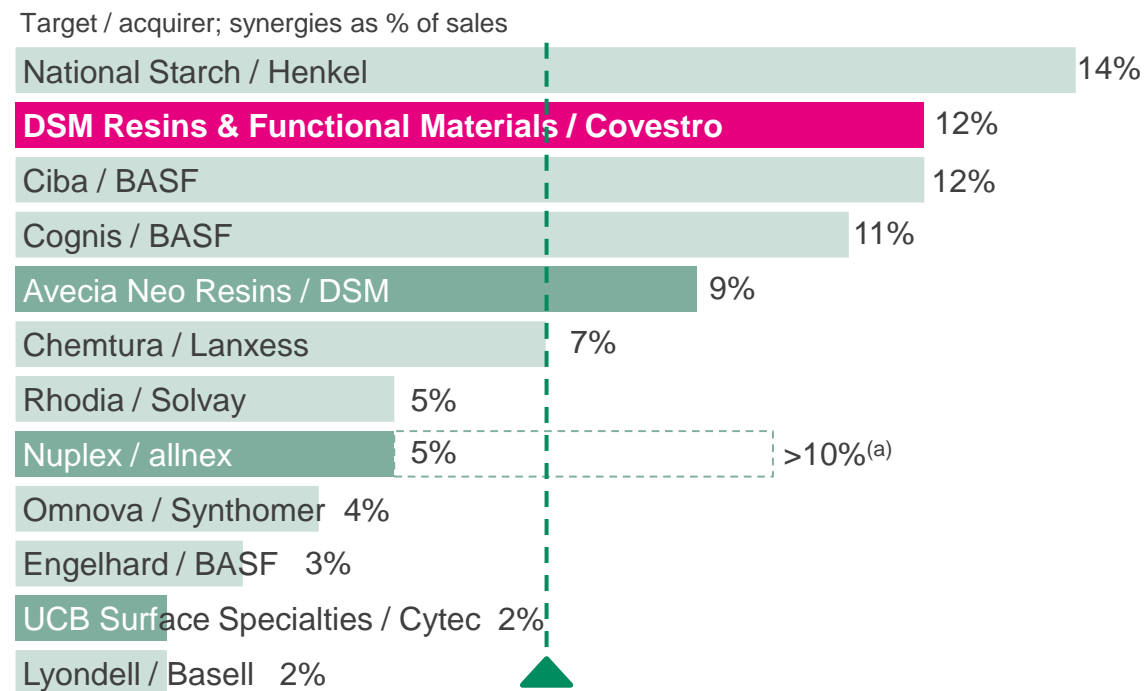
Benchmarking of EV/EBITDA multiples and synergies

Selected transactions in chemicals industry / multiples



■ Coating resins transactions

Selected transactions in chemicals industry / synergies



7% median of 50 chemicals transactions

■ Other chemicals transactions^(b)

RFM multiple of 10x in-line with recent chemical transactions and coating resins transactions

Synergies significantly above 7% median of peer transactions, but within 2% to 14% corridor of chemicals transactions

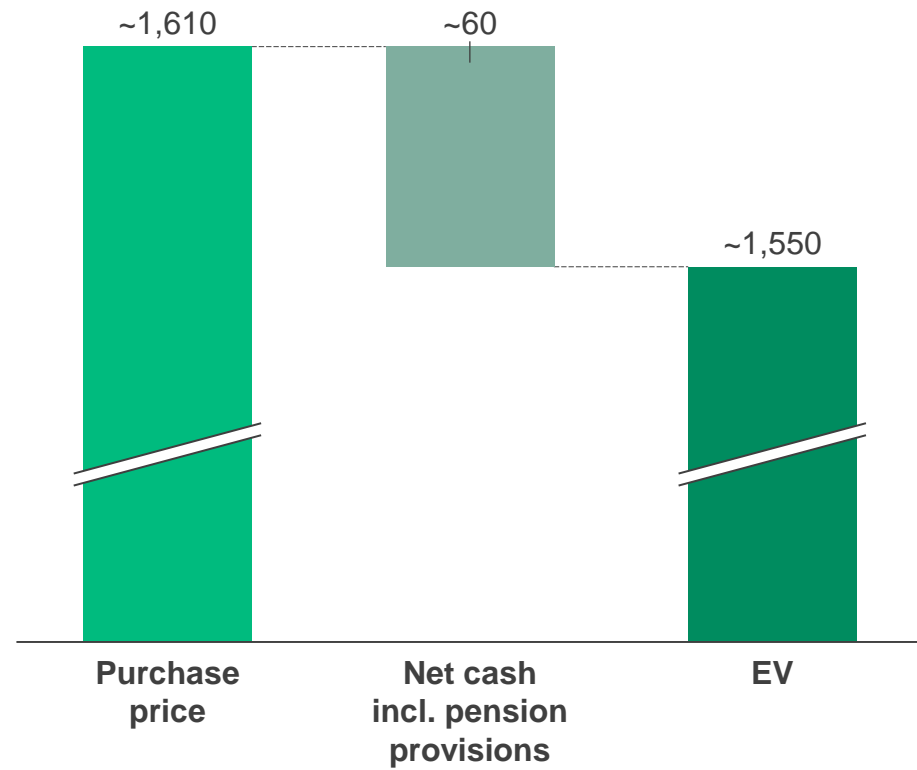
Attractive EV/EBITDA multiple of 5.7x post-synergies



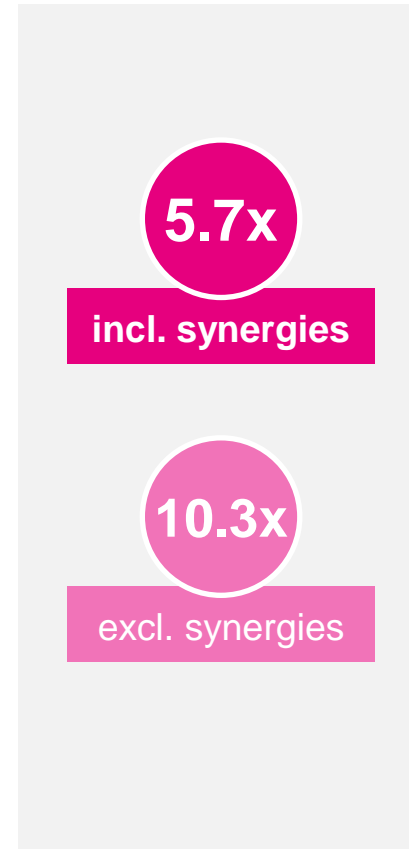
Enterprise Value

Enterprise valuation

in € million

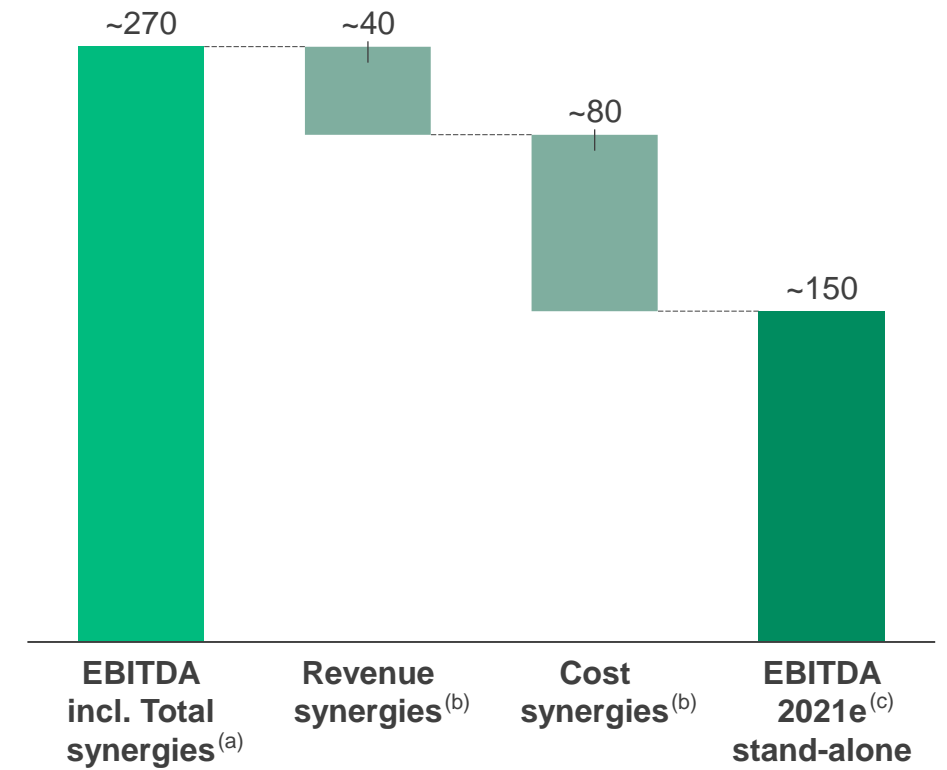


EV / EBITDA



RFM EBITDA

in € million



Innovation ventures provide free options

Innovation ventures out of Enterprise Value scope



Additive Manufacturing (AM)



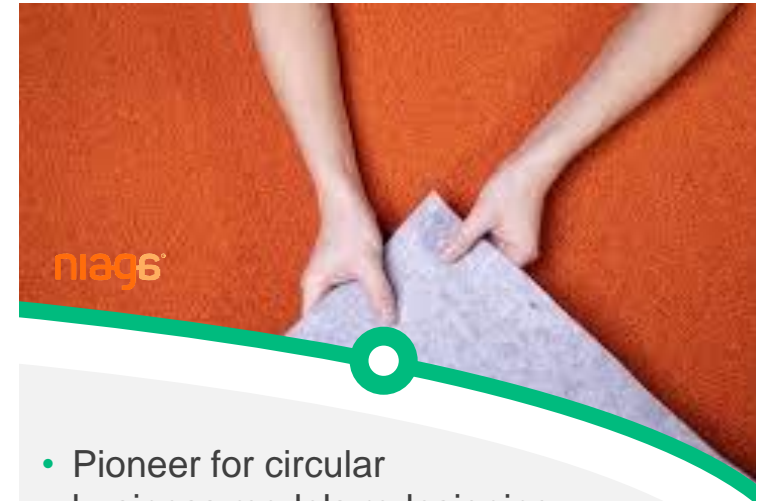
- Range of high-performance solutions for additive manufacturing (3D printing)
- Strong complementary fit with Covestro's AM activities to boost scale, solution offerings and accelerate growth
- Rapidly growing 3D printing market^(a)
 - Recent 2018-2019 actual market growth of 21.2%
 - Future annual CAGR ~25%

Advanced Solar Coatings



- Coatings solutions for a wide range of solar applications with mission to improve cost of energy
- Comparative advantage from Covestro's integrated expertise in coatings raw materials
- Benefitting from ongoing global transition toward decarbonized electricity^(b)
 - Photovoltaic installation market growth at ~12% 2020-2024 CAGR

NIAGA



- Pioneer for circular business models redesigning goods to enable 100% material recovery and reuse
- Currently focused on carpets, mattresses and panels
- Aligns with Covestro's circular economy vision with potential to further grow as a broader circularity platform

Committed to a solid investment grade rating

Balanced financing of transaction



Components of Financing

in € million



Highlights

- Full bridge financing in place for €1.6bn fully underwritten by relationship banks
- Accelerated book building of new Covestro shares equivalent to ~€450m and bond issuance of ≤€600m
- Solid combined free cash flow will support quick deleveraging
- Interest costs at very attractive conditions
- Funding mix underpins Covestro's commitment for a solid investment grade rating
- No material M&A activity during integration and deleveraging phase

Acquisition of RFM supports Covestro's ESG ambitions



Sustainability and innovation driven cultures

RFM enhances Covestro's broader ESG agenda



Creating a leader in sustainable coating resins with above GDP growth driven by innovative sustainable solutions



Covestro and DSM are members of "Together for Sustainability", a dynamic and collaborative initiative to ensure supplier sustainability compliance



Both RFM's and Covestro's sustainability commitments and initiatives fully aligned with UN Sustainable Development Goals



Creating the employer of choice jointly supporting combined highly motivated, educated and diverse employee base aligned with Covestro's C³ values



~85% of RFM's portfolio based on sustainable technology and complements Covestro's goal to drive innovation inspired by sustainability



RFM's sustainability driven culture and innovation strengthens Covestro's ESG ambitions and supports the realization of Covestro's new Vision "We will be fully circular"

Building a leading sustainable coating resins player



Investment highlights



Creating a global leader in coating resins



Diversifying CAS portfolio towards a more balanced product and industry mix



Shifting CAS portfolio to high growth markets driven by sustainability



Significant synergies leading to attractive valuation multiple



Committed to a solid investment grade rating