



# Covestro successfully navigates exceptional year 2020

Virtual Annual Press Conference,  
February 23, 2021



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# Your hosts today

Welcome



**Dr. Markus Steilemann**  
Chief Executive Officer



**Dr. Thomas Toepfer**  
Chief Financial Officer

# Agenda

Today's presentation



Successful through the corona year: Covestro 2020

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Financial results: strong finish to an exceptional year

Realignment of the strategy: vision as guiding principle

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# SUCCESSFUL THROUGH THE CORONA YEAR: COVESTRO 2020

# Significant recovery from the second half of the year onwards

Full-year guidance from February 2020 almost fully achieved despite coronavirus pandemic



EBITDA

€1.5bn



February 2020: €1 to 1.5bn

FOCF

€530m



February 2020: €0 to 400m

SALES

€10.7bn

CORE VOLUME  
GROWTH

-5.6%



February 2020: Low single-digit  
percentage range increase Y/Y

ROCE

7.0%



February 2020: 2% to 7%

# Q4 2020: Results above previous year's level

Year on year EBITDA more than doubled



EBITDA

€**637**m

Q4'2019: €278m

FOCF

€**394**m

Q4'2019: €330m

SALES

€**3.0**bn

Q4'2019: €2.9m

CORE VOLUME  
GROWTH

**1.7**%

Q4'2019: 3.8 %



# Proper reaction: consistent pandemic management

Measures against influences of coronavirus pandemic



Protective measures for employees



Maintenance of supply chains



Financing measures



Liquidity management

# Significant savings in 2020

Successful implementation of short-term and structural measures



## Short-term measures



Procurement, travel expenses, lowered capex budget, etc.



Original target for 2020: €200 million  
– raised significantly due to coronavirus pandemic



**Savings in 2020: €360 million**

## Structural measures

(Efficiency program “Perspective”)



Streamlining of standard business and stronger differentiation



Savings target of €350 million  
delivered ahead of schedule and  
program successfully completed



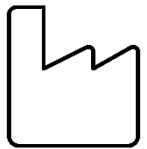
**Savings in 2020: €130 million**

# Further actions: Acquisition<sup>(a)</sup> of DSM's RFM business

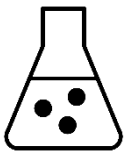
Important milestone in the long-term strategy towards a circular economy



**Expand position in attractive growth markets**



**Reduce dependence on individual customer industries**



**Strengthen high-margin specialty chemicals business**  
(Sales volume: + around €1.0 billion)





# Long-term goal pursued: vision defined

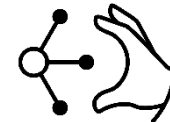
Strategic program around circular economy with four central areas



**Alternative raw materials**



**Innovative recycling**



**Joint solutions**



**Renewable energy**

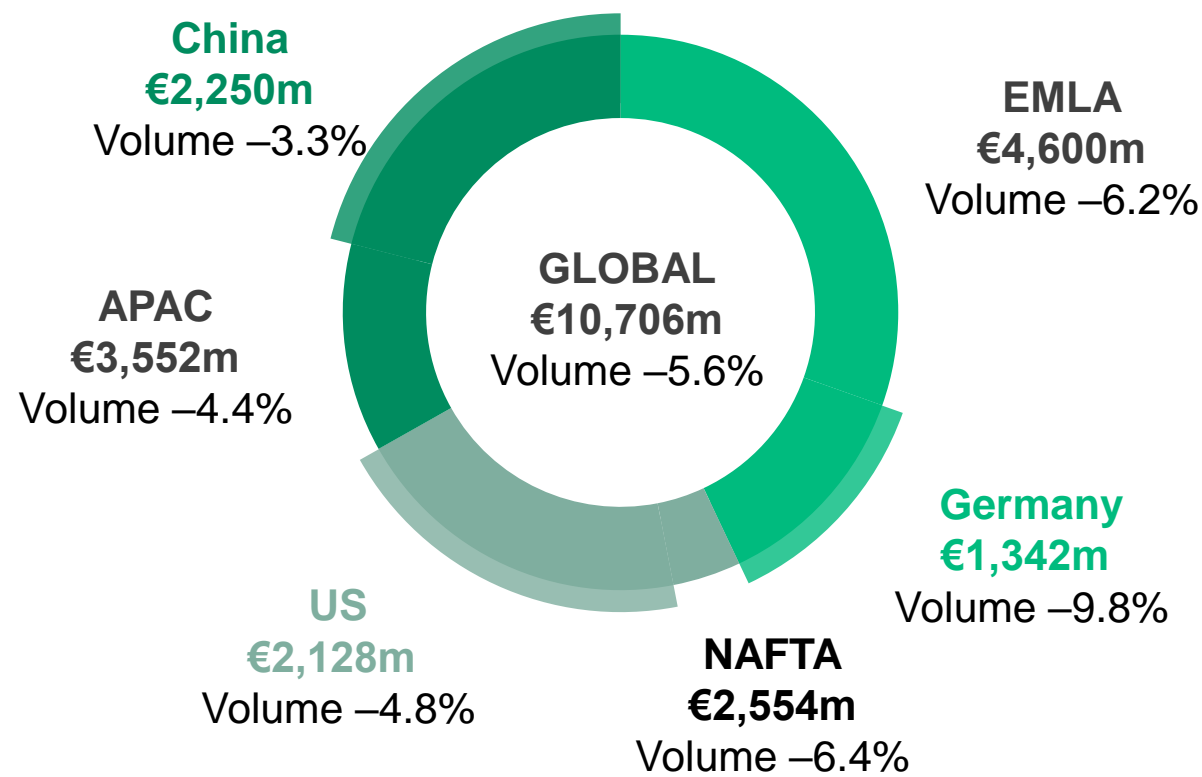
# FINANCIAL RESULTS: STRONG FINISH TO AN EXCEPTIONAL YEAR

# Global sales volumes impacted by coronavirus pandemic

FY 2020 – Sales and volume growth by region



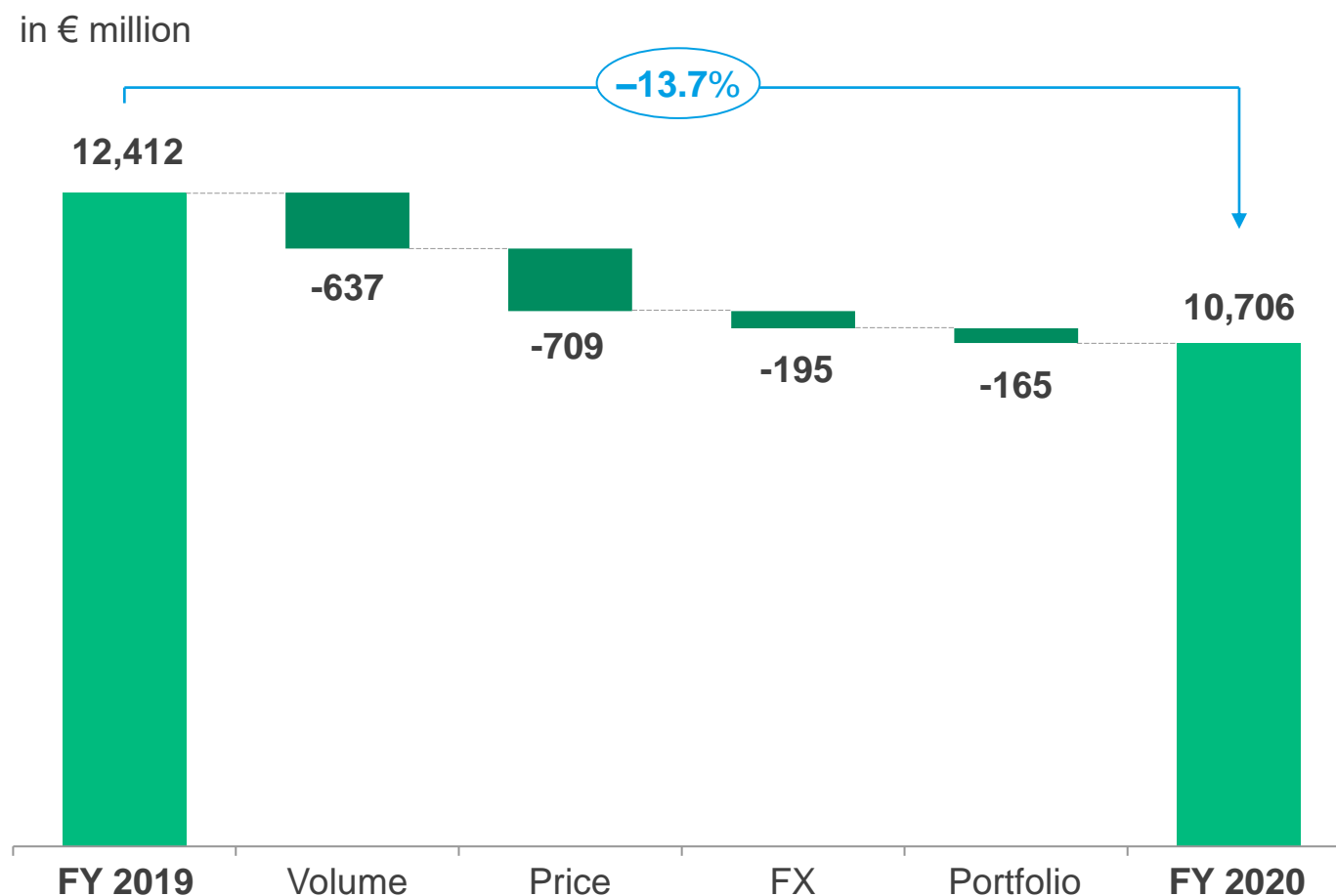
Changes Y/Y



# Sales decline due to slump in demand in first half of the year



## FY 2020 – Sales bridge



### Portfolio effects:



Full consolidation  
thermoplastic PU business in  
Japan



Divestment European  
polycarbonate sheet business



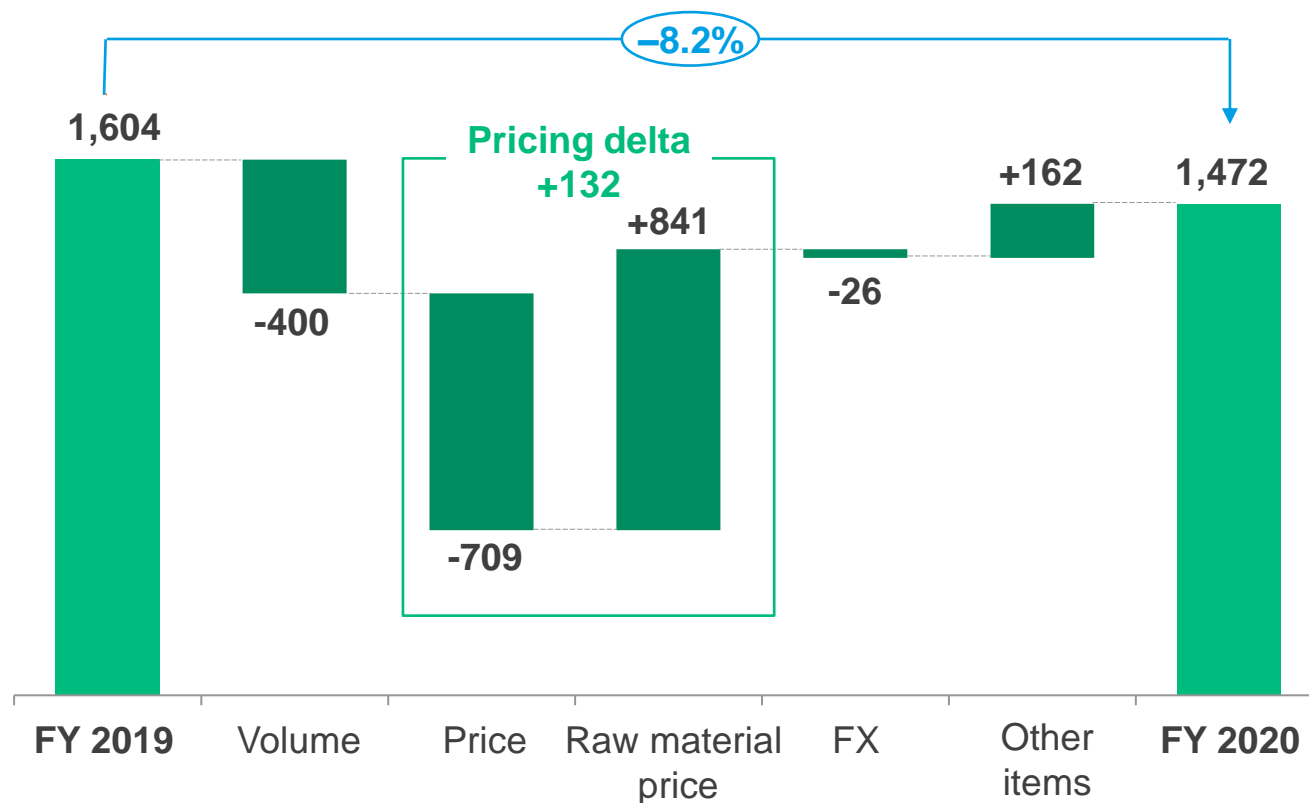
Divestment European  
polyurethane system houses

# EBITDA almost at previous year's level due to consistent action



## FY 2020 – EBITDA-bridge

in € million



**Largest EBITDA contribution from efficiency measures**



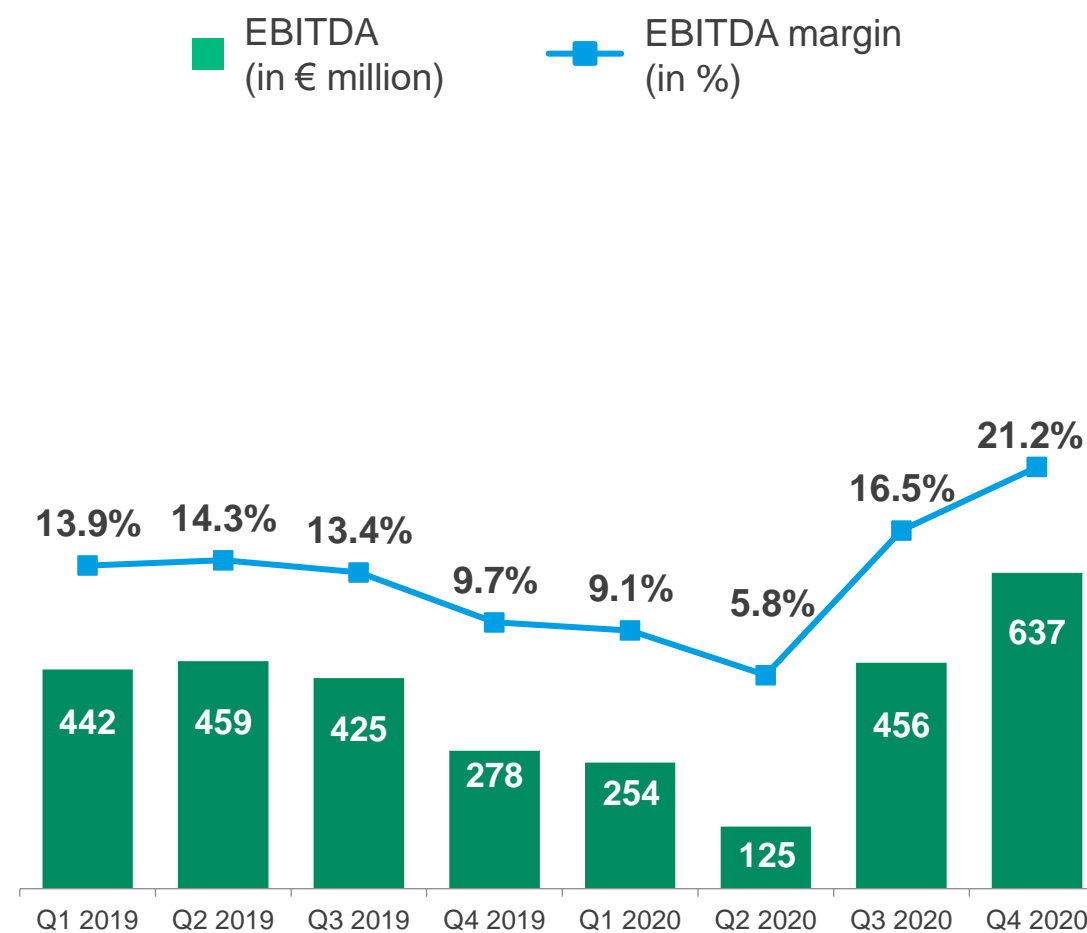
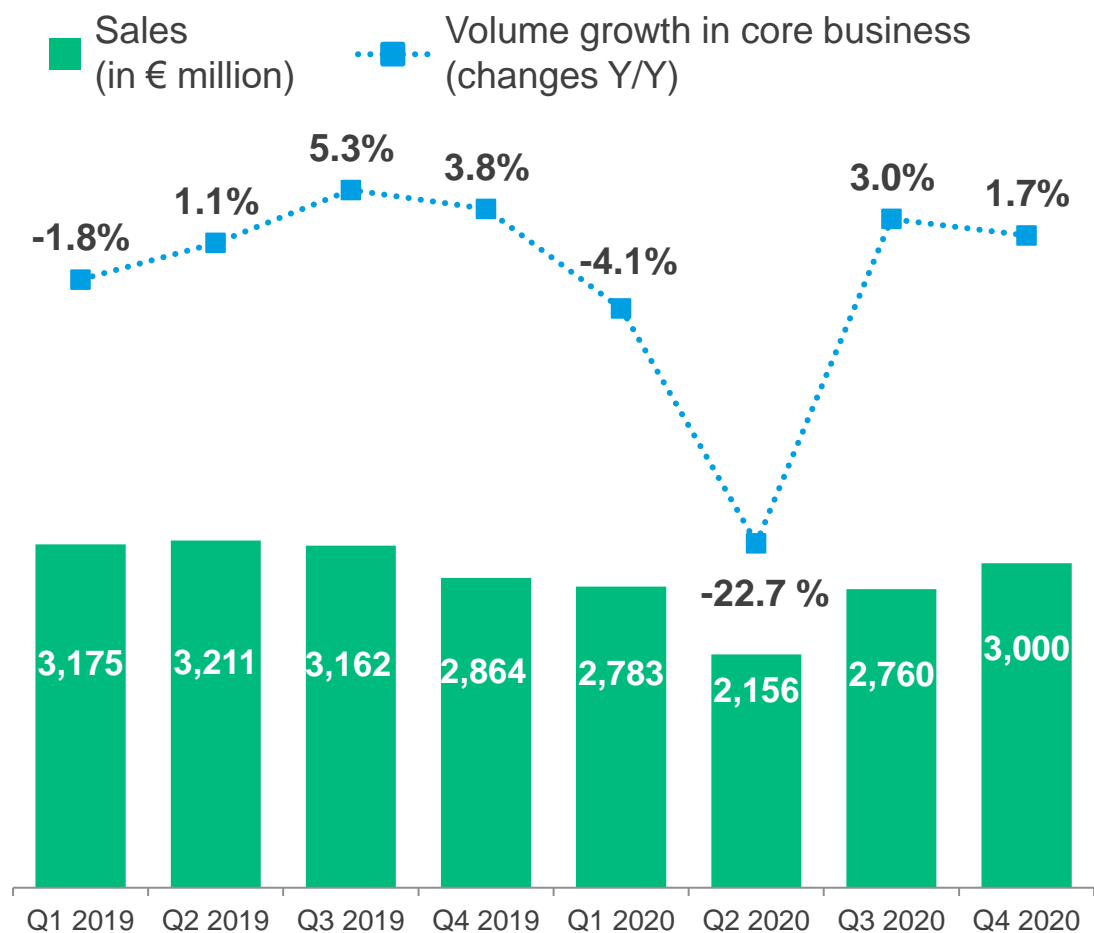
**Positive pricing delta mainly driven by PUR and PCS**



# Return to robust growth trajectory from third quarter and beyond



## Q4 2020 - Highlights Group results

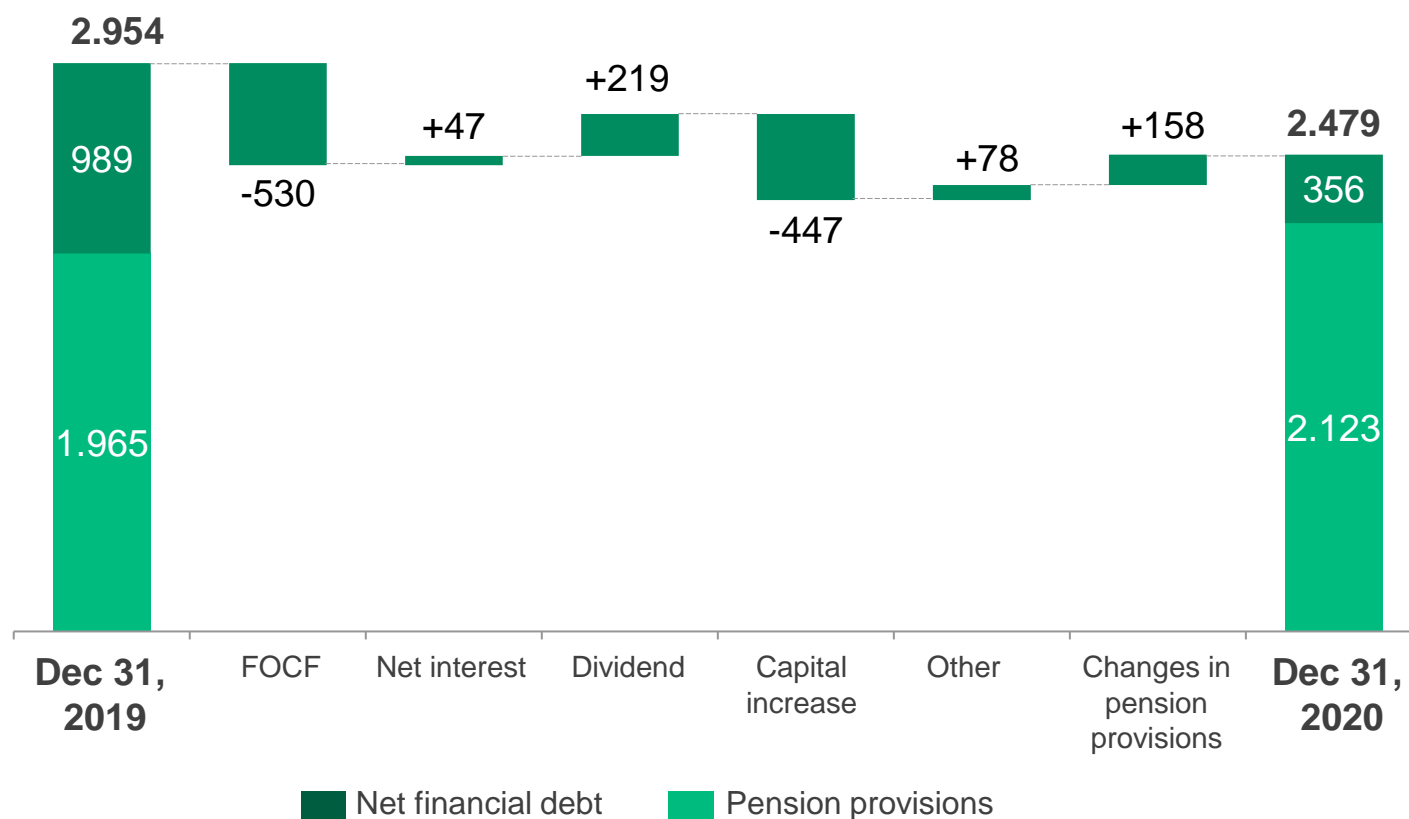


# Solid balance sheet and strong liquidity position



Debt at December 31, 2020:

in € million



**Reduction in total net debt to EBITDA ratio**  
(1.7x EBITDA end of 2020 vs. 1.8x EBITDA end of 2019)



**Equity Ratio**  
(FY 2020: 44% vs. FY 2019: 46%)



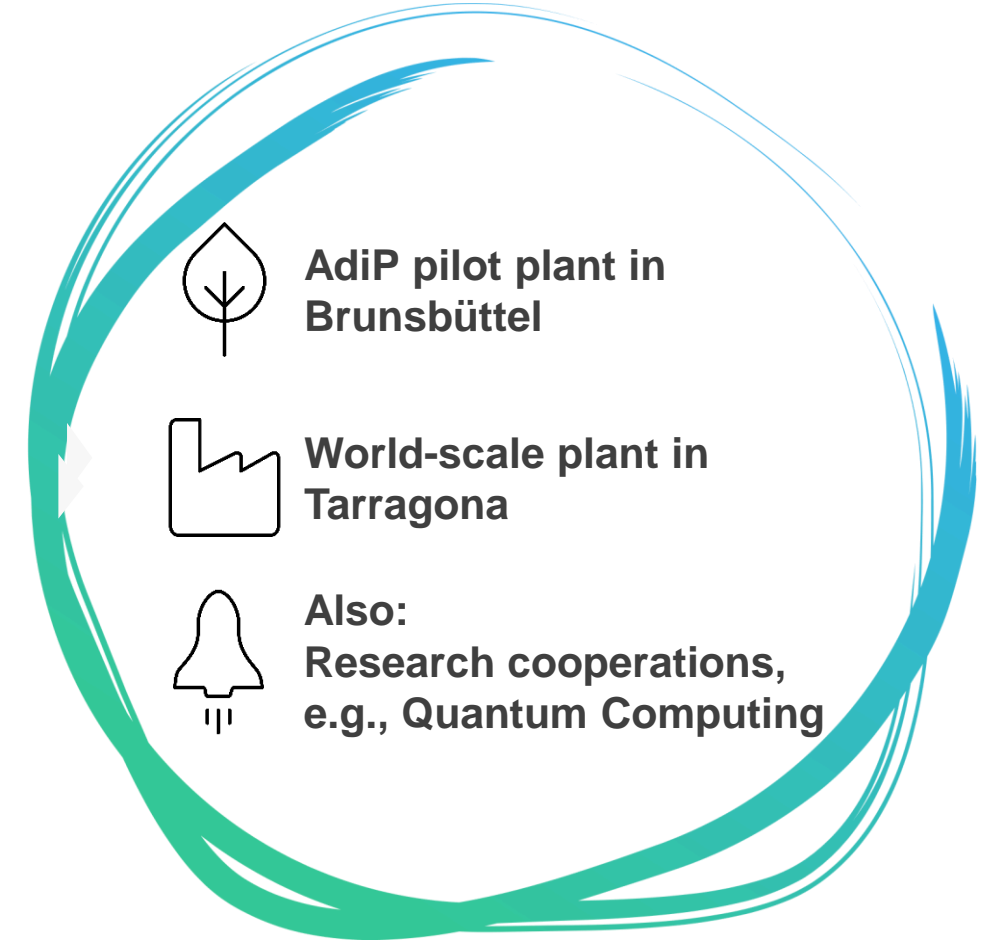
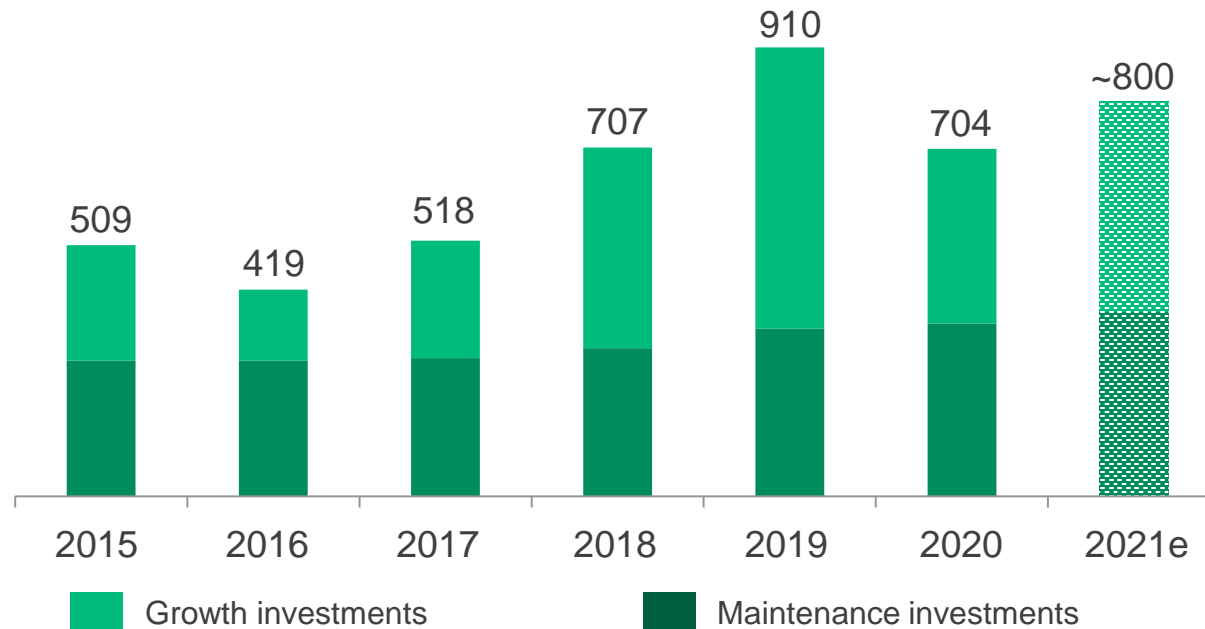
**Commitment to solid investment grade rating**

# Investments<sup>(a)</sup> remain at a high level

Focus of investment in the area of sustainability



in € million



# RFM-acquisition: attractive valuation and synergy potential

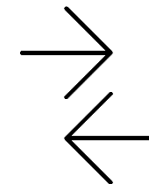
Increase in sales volumes of around €1.0bn



**Attractive purchase price: €1.61bn**  
(5.7x EV/EBITDA 2021 incl. synergies)



**Financing structure supports solid investment grade rating**



**Permanent synergy effects from 2025: €120m p.a.**

# Vision guides financing measures

Consistent interlinking of sustainability with all business areas



## Syndicated credit facility

**€ 2.5 bn**

Liquidity reserve with ESG element

## Loan European Investment Bank

**€ 225 m**

Strengthening R&D in sustainability sector

## Eurobonds

**€ 1.0 bn**

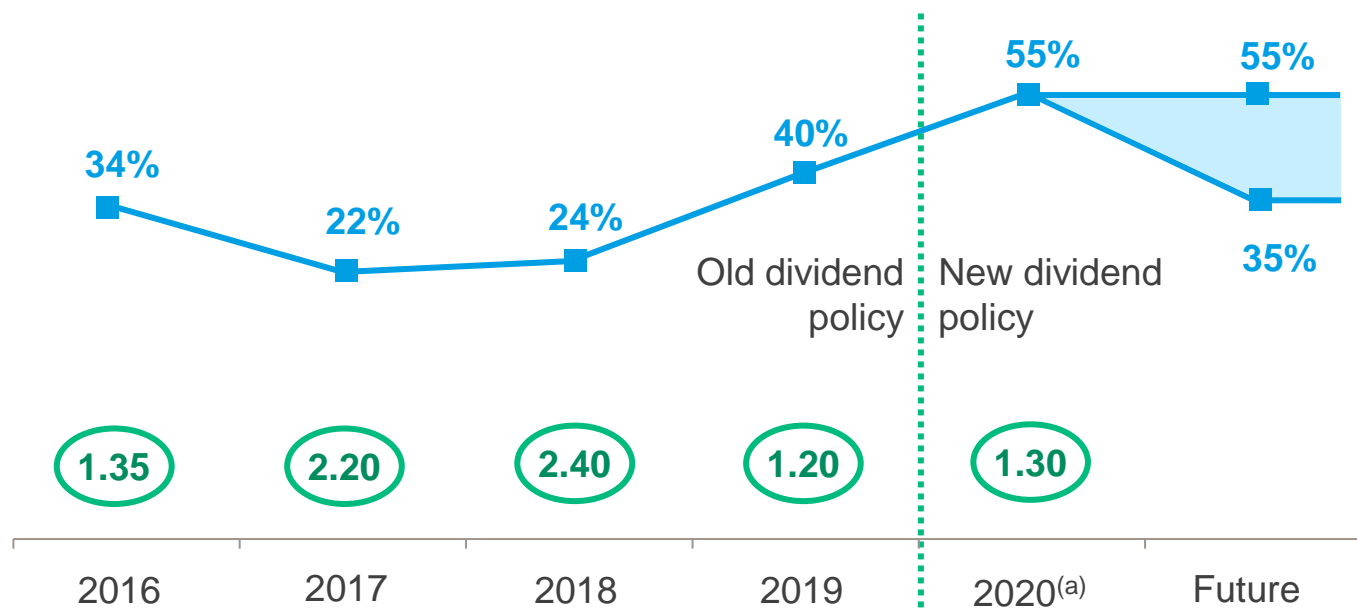
Times 10 oversubscription shows high confidence of the capital market in Covestro's sustainable orientation

# New dividend policy: 35-55% payout of net income

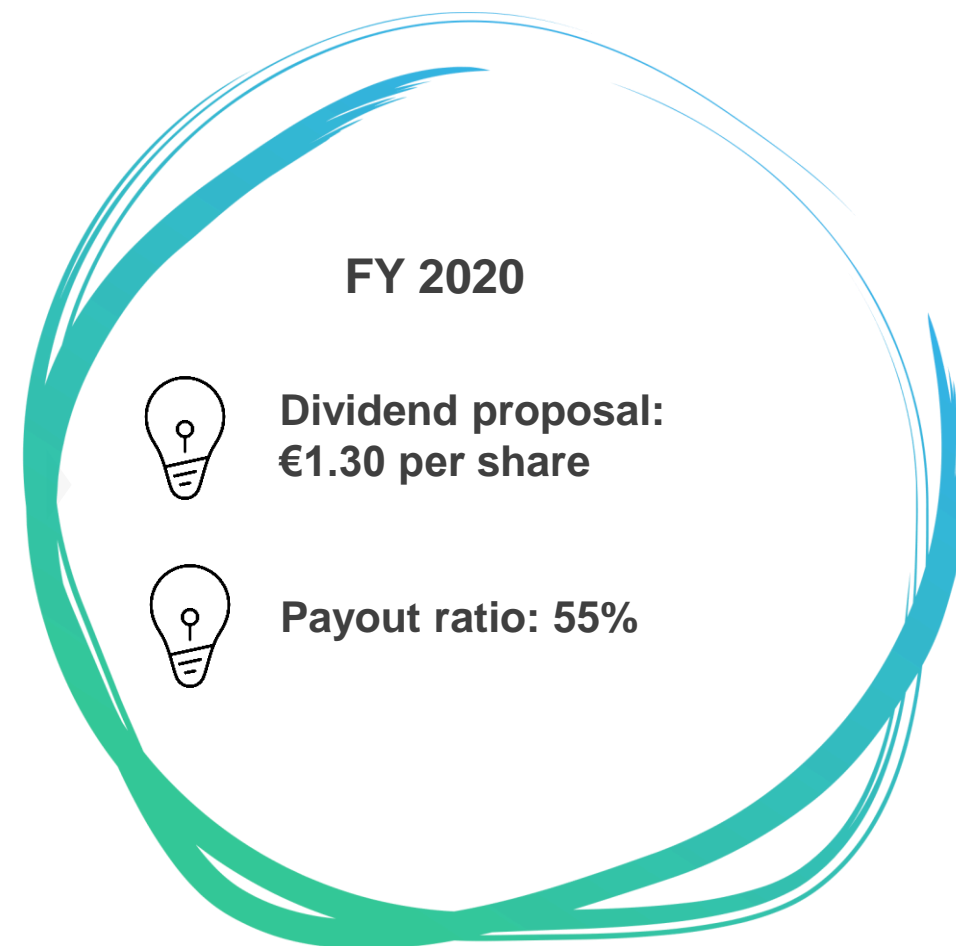
2020 payout ratio at the upper end of the new range



Payout ratio in %



€ Dividend per share in €



# Guidance 2021

Return to growth trajectory above 2019 pre-pandemic level



CORE VOLUME  
GROWTH

**10-15%**

*FY 2020: -5.6%*

EBITDA

**€1.7-2.2bn**

*FY 2020: €1.5bn*

ROCE

**7.0-12.0%**

*FY 2020: 7.0%*

FOCF

**€900-1,400m**

*FY 2020: €530 million*

# REALIGNMENT OF THE STRATEGY: VISION AS GUIDING PRINCIPLE



# Strategy follows the vision

Our new strategy – we pave the way for tomorrow



## BECOME THE BEST OF WHO WE ARE

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Transform the company to exploit its full potential



## DRIVE SUSTAINABLE GROWTH

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Address sustainability in a profitable way



## BECOME FULLY CIRCULAR

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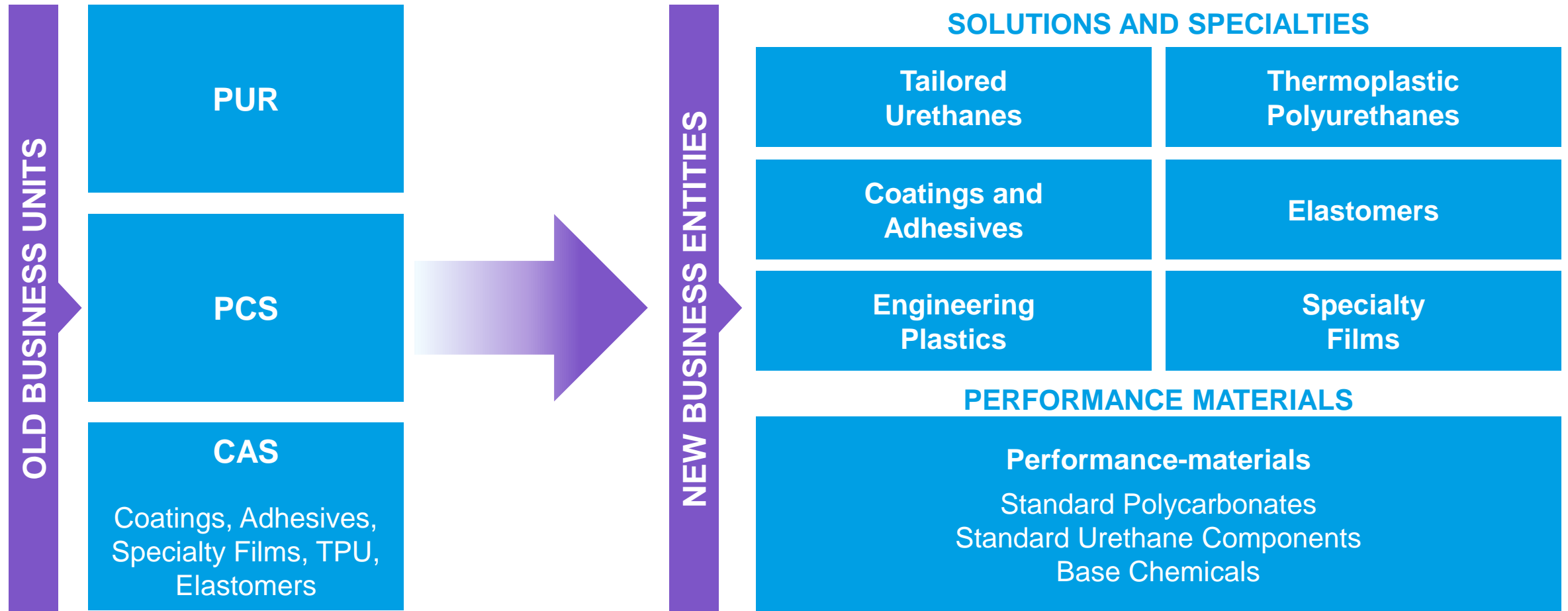
Accelerate the transition to a fossil-free economy

ADVANCE DIGITALIZATION

EXPAND “WE ARE 1” CULTURE

# LEAP transformation program unfolds full potential

Adjustment of organizational structure along business specifics and customer needs



# Ideally positioned for the future

## Summary and outlook

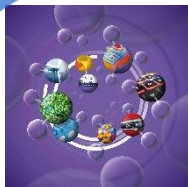


**Alignment of processes and products with customer needs**



**Sustainable growth and a future-proof portfolio**

**Optimal structures for stronger competitiveness**



**Pioneer on the way towards a circular economy**

# TIME FOR YOUR QUESTIONS.