



# LANXESS – Q2 2020 Conference Presentation

Tackling the crisis

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# Agenda

**1 Executive summary Q2 2020**

**2 Financial and business details Q2 2020**

**3 Back-up**

# Q2 2020: Stable margin level amid global pandemic

## Business status

- EBITDA pre of €224 m (PY: €281 m) at midpoint of guidance, margin at 15.6%
- Three segments impacted by decline in demand from end industries
- Strongly improved EBITDA pre in Consumer Protection
- Exceptional proceeds from CURRENTA divestment boost net result and cash flow
- Further portfolio alignment through sale of organic leather business and membrane business
- Virtual AGM to be held on August 27, 2020
- Dividend proposal: increase to €0.95 per share



# LANXESS on its path towards “new” normality

## Finding solutions

- **Production: All plants are running**
  - Return to standard shift model – hygienic and social distancing measures continue
  - Short time work mostly in auto-related production
  - China leads demand recovery
- **Successful home office approach**
  - Thoughtfully increasing office presence in admin functions to re-enable actual social interaction
- **Announced cost containment implemented**



# Full exit from leather business accomplished: LANXESS sells organic leather business to TFL\*

## Key data

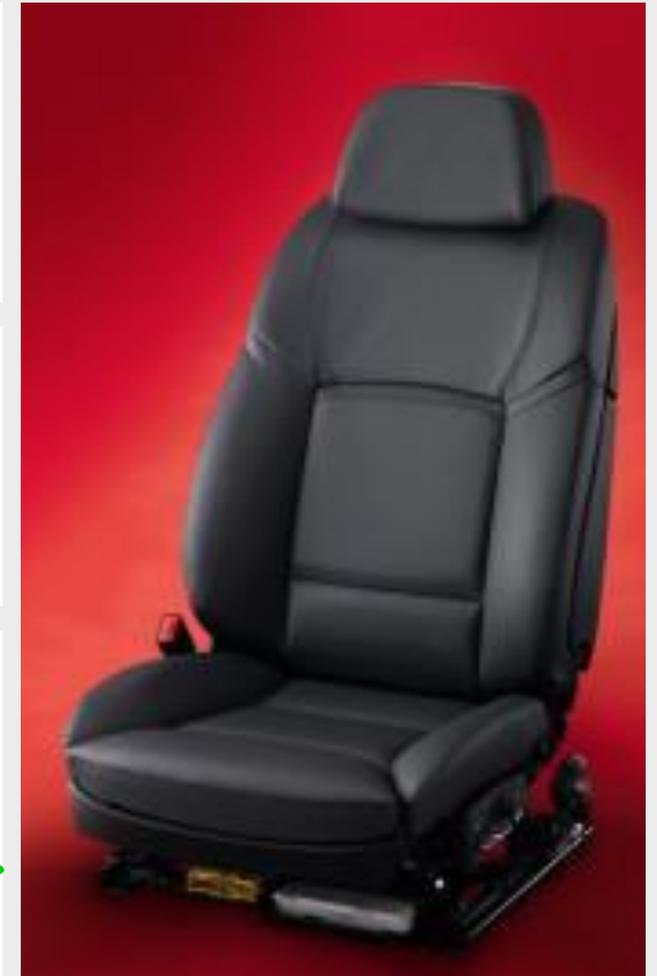
- Sale of global organic leather business to TFL\*
- Enterprise Value: €105 m\*\* plus performance-related component of up to €115 m over 3-5 years
- Closing: mid 2021\*\*\*

## Strategic rationale

- Organic leather business no longer fits to LANXESS' strategic focus on specialty chemicals businesses
- Further reduction of automotive exposure
- Better future development under leadership of TFL

## Transaction scope

### BU Leather structure



\* TFL Ledertechnik GmbH is a portfolio company of Black Diamond Capital Management, L.L.C. \*\* Expected as of closing date \*\*\* Subject to the approval of the relevant authorities

# Attractive cash-in for a business which is classified as discontinued operation

## Financial details

- Sales: ~€150 m\*
- EBITDA ~€10 m\*
- **Enterprise value:**
  - At closing date: ~€105 m
  - Add. potential in next 3-5 years: up to €115 m
  - Net debt (mainly pensions) ~€25 m
- **Purchase price:**
  - Fixed component €80 m
  - Performance-related component: up to €115 m (to be paid out in next 3-5 years)
- Expected remnant costs: ~€10 m p.a. (2021 and 2022)
- At closing all P&L, balance sheet and cash flow bookings will be reflected in “discontinued operations”
- Book gain will be realized, size depending on valuation of performance-related component



# Portfolio transformation continues: Divesting membranes (BU LPT) to focus on Ion Exchange Resins

## Strategic Rationale: Focus on high-margin specialty applications for Ion Exchange Resins (IXR)

### Membranes

Divested

#### Transaction details

- Divestment to SUEZ
- Low double-digit €m sales with negative EBITDA
- Impairment: Exceptionals of ~€20 m
- Closing expected end of 2020

### Ion Exchange Resins

Positioned for further growth



#### Specialized products for attractive markets

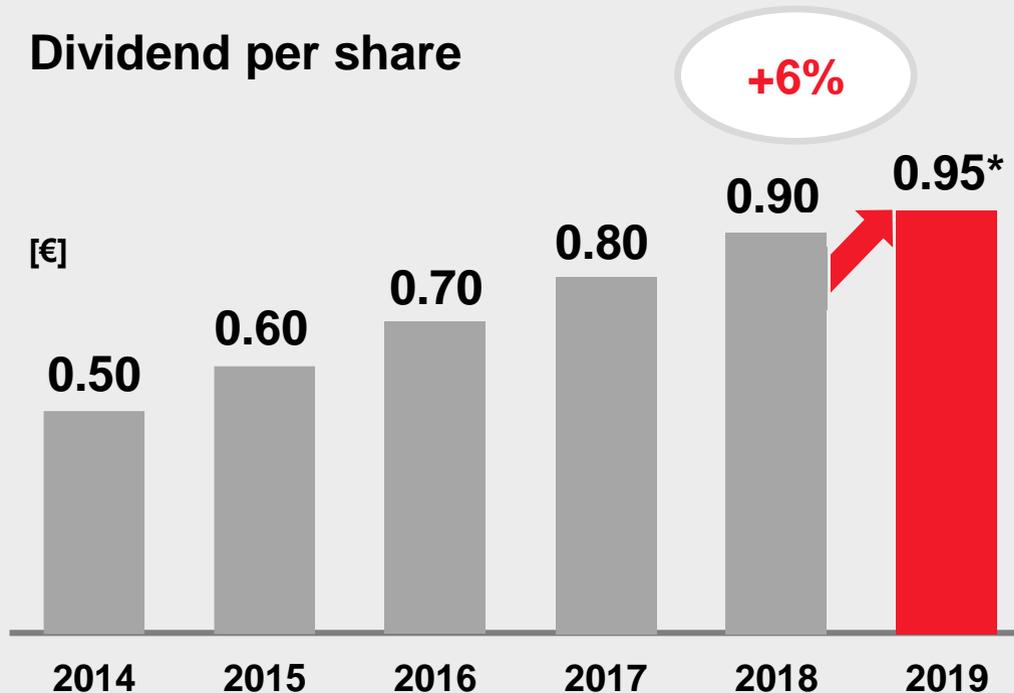
- Driven by global trends like population growth & regulation
- Focus on fast growing markets (e.g. biotechnology)

#### Adding new capacities to foster growth

- 20-30k cbm (~30% of existing LXS capacity, ~5% of industry)
- €80-120 m investment volume
- Completion within next 3-5 years

# LANXESS sticks to its dividend policy even in difficult times

## LANXESS: consistent dividend increase

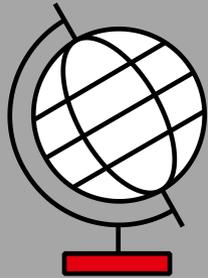


## LANXESS dividend approach

- Policy: Dividend increase / at least stable
- Transformation pays off: Continuous dividend increase since 2014 (start of realignment)
- Unchanged dividend proposal of €0.95 per share despite global pandemic
- Dedicated capital allocation to drive shareholder return and strategic development

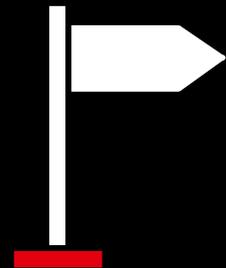
\* To be proposed to the Annual General Meeting on August 27, 2020

# FY 2020 outlook confirmed



## Current view on economy

- Automotive and aviation industries hit hardest by pandemic impact, construction, oil & gas and electronics also suffering
- Government stimuli only gradually taking effect



## LANXESS outlook includes Corona impact

- Q3: Business momentum to improve compared to Q2. However, EBITDA pre impacted by unwinding Q2 raw material price tailwind (€10 m) and planned BU HPM maintenance turnaround (€10-20 m)
- FY: EBITDA pre still expected in range between €800–900 m

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# LANXESS Group: Tackling the crisis

**Results reflect lower demand due to pandemic**

[€ m]*	Q2/2019	Q2/2020	Δ	YTD 2019	YTD 2020	Δ
Sales	1,724	1,436	-17%	3,462	3,140	-9%
EBITDA pre	281	224	-20%	553	469	-15%
Margin	16.3%	15.6%		16.0%	14.9%	
CAPEX	109	88	-19%	178	162	-9%

Price    Volume    FX    Portfolio  
**-4%**    **-13%**    **0%**    **0%**

**Total -17%**

**Q2 Sales vs. PY**

- Sales decline due to weak demand across many industries and pass-through of lower raw material prices
- EBITDA pre decreases on the back of the global crisis, Consumer Protection segment and initiated cost containment measures partly compensate
- Margin relatively stable

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



# Advanced Intermediates: Pandemic impact, but relatively stable EBITDA

**Improved margin but pandemic impact materializes**

[€ m]*	Q2/2019	Q2/2020	Δ	YTD 2019	YTD 2020	Δ
Sales	585	469	-20%	1,169	1,027	-12%
EBITDA pre	114	100	-12%	219	188	-14%
Margin	19.5%	21.3%		18.7%	18.3%	
CAPEX	34	32	-6%	60	60	0%

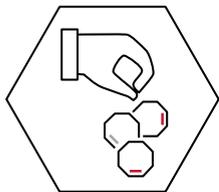
Price	Volume	FX	Portfolio
<b>-6%</b>	<b>-14%</b>	<b>0%</b>	<b>0%</b>

**Total -20%**

**Q2 Sales vs. PY**

- Sales drop mainly due to decreased volumes
- Volume drop in both BUs, resulting from global demand set-back. Decline overstated by ~3% points due to Organometallics (Tin) exit and shift to tolling
- EBITDA pre margin on strong performance level

\* New reporting structure as of Q1 2020



# Specialty Additives: Impact from pandemic related crisis now fully visible

**Lower demand in key markets hits as expected**

[€ m]	Q2/2019	Q2/2020	Δ	YTD 2019	YTD 2020	Δ
Sales	506	403	-20%	991	902	-9%
EBITDA pre	89	63	-29%	172	148	-14%
Margin	17.6%	15.6%		17.4%	16.4%	
CAPEX	30	16	-47%	44	31	-30%

Price    Volume    FX    Portfolio

**-1%**    **-20%**    **+1%**    **0%**

Total **-20%**

Q2 Sales vs. PY

- Strong volume driven sales decline
- Volume decrease across segment due to weakness in automotive, aviation, oil & gas, mainly in the Americas
- BU RheinChemie hit hardest reflecting its auto exposure
- EBITDA and margin decline result from lower demand in key industries



# Consumer Protection: Performance accelerated again

**All BUs contribute to strong development**

[€ m]*	Q2/2019	Q2/2020	Δ	YTD 2019	YTD 2020	Δ
Sales	247	301	22%	511	580	14%
EBITDA pre	48	68	42%	108	135	25%
Margin	19.4%	22.6%		21.1%	23.3%	
CAPEX	13	12	-8%	22	22	0%

Price **+2%**   Volume **+19%**   FX **0%**   Portfolio **+1%**

Total **+22%**

Q2 Sales vs. PY

- Rise in sales in all BUs
- Volume growth mainly driven by BU SGO and continued strong demand for disinfectants (BU MPP)
- Volume effect overstated by BU SGO's project related pre-buying in Q2 vs Q3
- Positive EBITDA pre and margin development reflect strong underlying demand

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



# Engineering Materials: Plummeting demand as automotive industry suffers

**BU HPM hit hard,  
Urethanes less  
affected**

[€ m]	Q2/2019	Q2/2020	Δ	YTD 2019	YTD 2020	Δ
Sales	365	244	-33%	747	591	-21%
EBITDA pre	65	28	-57%	130	77	-41%
Margin	17.8%	11.5%		17.4%	13.0%	
CAPEX	19	12	-37%	30	20	-33%

Price    Volume    FX    Portfolio

**-9%**    **-24%**    **0%**    **0%**

Total **-33%**

Q2 Sales vs. PY

- Drop in sales results from sharp decline in auto demand and production shutdowns of OEMs due to COVID-19 especially in Europe
- Price decline mainly due to lower raw material prices
- Substantial EBITDA pre and margin decline mainly due to burden in BU HPM

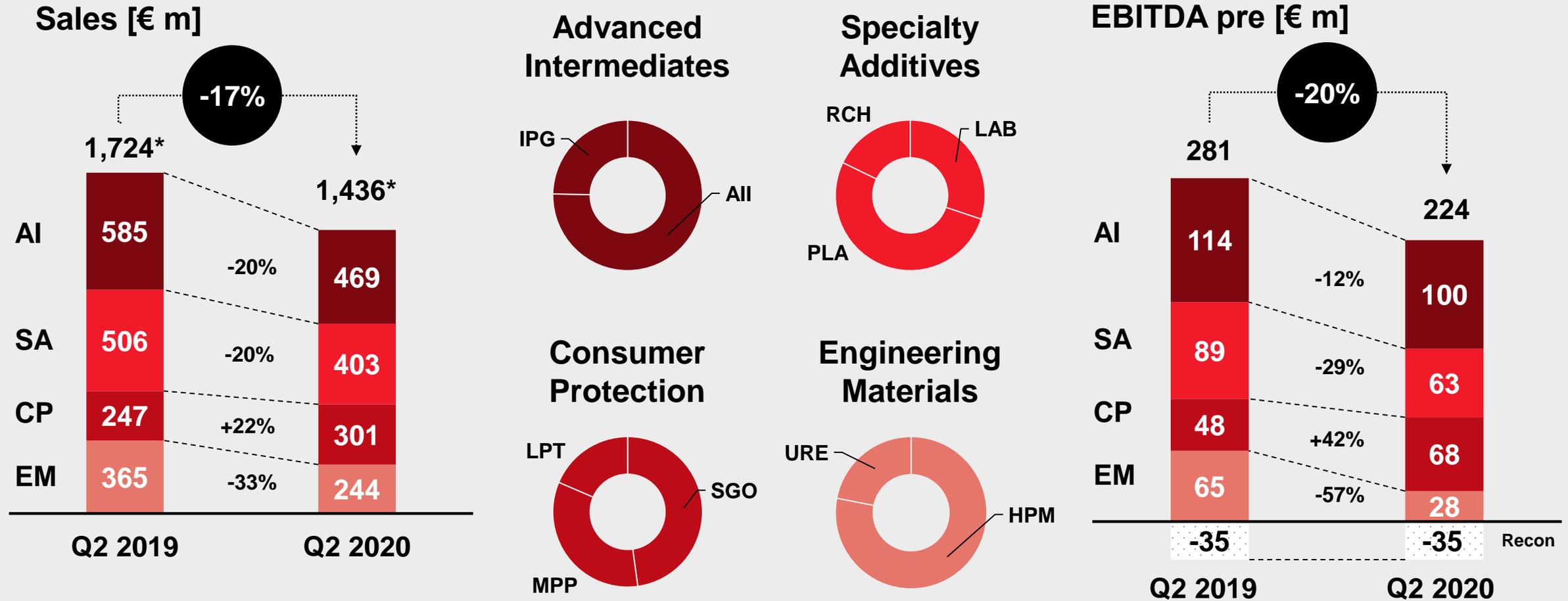
# Q2 2020: Results reflect Corona impact – however, margin on stable level

[€ m]	Q2/2019		Q2/2020		yoy in %
Sales	1,724	(100%)	1,436	(100%)	-17%
Cost of sales	-1,252	(-73%)	-1,042	(-73%)	17%
Selling	-210	(-12%)	-194	(-14%)	8%
G&A	-65	(-4%)	-64	(-4%)	2%
R&D	-28	(-2%)	-28	(-2%)	0%
<b>EBIT</b>	<b>143</b>	<b>(8%)</b>	<b>61</b>	<b>(4%)</b>	<b>-57%</b>
<b>EPS</b>	<b>1.14</b>		<b>9.24</b>		<b>&gt;100%</b>
<b>EPS pre*</b>	<b>1.45</b>		<b>0.86</b>		<b>-41%</b>
EBITDA	260	(15%)	198	(14%)	-24%
thereof except.	-21	(-1%)	-26	(-2%)	24%
<b>EBITDA pre except.</b>	<b>281</b>	<b>(16.3%)</b>	<b>224</b>	<b>(15.6%)</b>	<b>-20%</b>

- Lower selling expenses include lower travel expenses and trade fair costs
- Positive effects from CURRENTA divestment reflected in financial result

\* 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

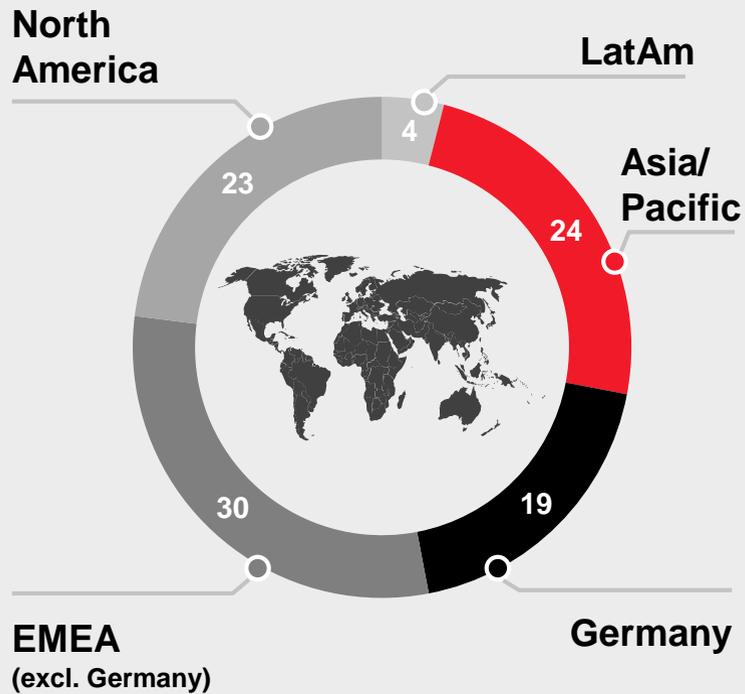
# Q2 2020 impacted by Corona pandemic, strong result in Consumer Protection mitigates



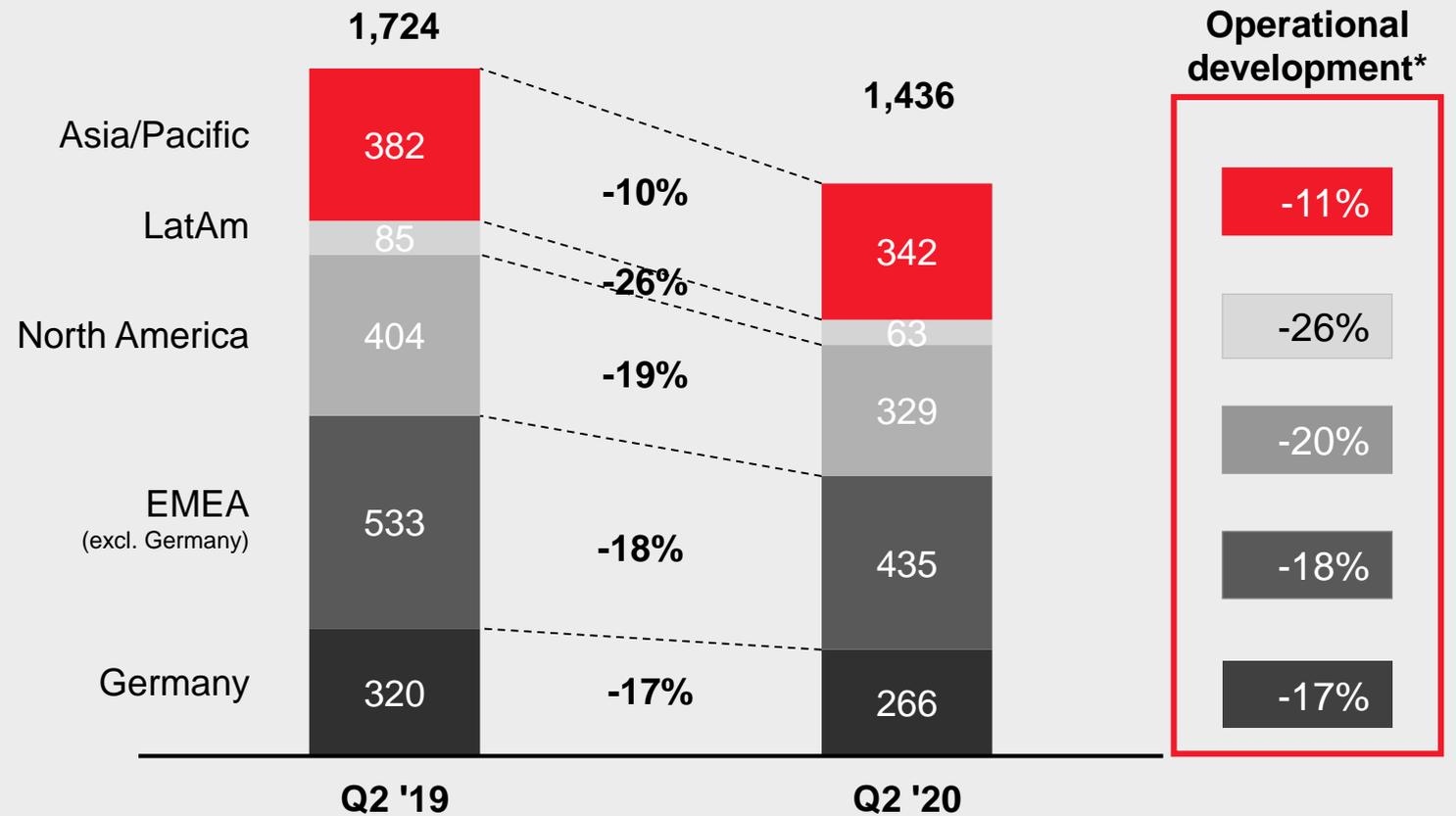
\* Total group sales including reconciliation

# Q2 2020: Impact from pandemic visible in all regions

Q2 2020 sales by region [%]



Regional development of sales [€ m]



\* Currency and portfolio adjusted

# Operating cash flow improved, but masked by extraordinary tax payments

[€ m]	Q2/2019	Q2/2020	Δ
<b>Operating cash flow*</b>	<b>91</b>	<b>52</b>	<b>-39</b>
thereof income taxes paid	-72	-108	-36
thereof changes in working capital	23	56	33
<b>Investing cash flow*</b>	<b>-73</b>	<b>88</b>	<b>161</b>
thereof capex	-109	-88	21
thereof proceeds from CURRENTA sale, dividend	21	884	863
thereof net invest in money markets	13	-710	-723

- Operating cash flow improved excluding ~€100 m extraordinary tax payments relating mainly to CURRENTA and ARLANXEO
- Mid to high double digit million € amount of remaining taxes (CURRENTA) to come in H2
- Change in working capital driven by significantly lower receivables corresponding to decreased sales
- Investing cash flow includes proceeds from CURRENTA
- Capex reduced in response to pandemic

\* Applies to continuing operations

# Very strong balance sheet in uncertain times

[€ m]	31.12.2019	30.06.2020
<b>Total assets</b>	<b>8,695</b>	<b>9,195</b>
Equity	2,647	3,379
<b>Equity ratio</b>	<b>30%</b>	<b>37%</b>
<b>Net financial debt<sup>1</sup></b>	<b>1,742</b>	<b>929</b>
Cash, cash equivalents, short term money market investments	1,076	1,887
<b>Pension provisions</b>	<b>1,178</b>	<b>1,135</b>
<b>Net working capital</b>	<b>1,308</b>	<b>1,407</b>
DSI (in days) <sup>2</sup>	66	79
DSO (in days) <sup>3</sup>	42	44

- Proceeds of CURRENTA divestment improve equity and net financial debt
- Ongoing strong liquidity secures financial and operating flexibility in uncertain times
- Seasonal increase in working capital, driven by higher inventories due to planned maintenance shutdowns in H2 2020

<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

<b>Capex 2020</b>	<b>~€450 m</b>
<b>Operational D&amp;A 2020</b>	<b>~€450 m</b>
<b>Reconciliation 2020</b>	<b>~€140-150 m</b> including remnant costs
<b>Underlying tax rate</b>	<b>~28%</b>
<b>Exceptionals 2020</b>	<b>~€100 m</b> based on current initiatives
<b>FX sensitivity</b>	One cent change of USD/EUR resulting in <b>~€7 m</b> EBITDA pre impact before hedging
<b>Remnant costs</b>	<b>~€10 m</b> p.a. until 2022 Plus <b>~€10 m</b> p.a. in 2021 and 2022 (organic leather business)
<b>Maintenance shutdown BU HPM</b>	<b>~€10-20 m</b> in Q3

# Transparency on CURRENTA accounting treatment

**Transaction totals €787 m equity value and €150 m profit participation pre tax**

## Effects in Income Statement in Q2 2020

- Proceeds of €740\* m and a profit participation of €150 m were realized
- The amount of €890 m was recognized as book gain in the “other financial result”, as the CURRENTA participation was held “at equity” with no book value

## Effects in Cash Flow Statement in Q2 2020

- Operating cash flow:
  - Reversal of financial result, including proceeds of €890\* m
  - “Income taxes” already contain some of CURRENTA related tax payments; mid to high double digit € million amount expected to follow in H2
- Investing cash flow includes €884\* m proceeds

**Divestment led to visibly strengthened balance sheet and liquidity**

\* As of June 30th, 2020, €6 m of the purchase price was outstanding and recognized as “other current assets”. The payment followed in July 2020

# Key Figures\*: Holding up well in crisis mode

Q1

Q2

Q3

Q4



**€1,436 m**

Sales

-17%



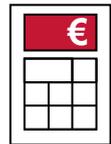
**€52 m**

Operating Cash  
Flow



**€1,887 m**

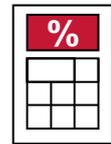
Cash & cash equivalents, short  
term money market investments



**€224 m**

EBITDA pre

-20%



**15.6%**

EBITDA pre  
Margin



**€929 m**

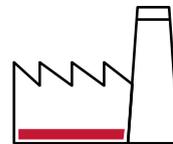
Net financial debt\*\*



**0.86**

EPS pre

-41%



**€88 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

# H1 2020: Results reflect Corona impact, EPS increase due to proceeds from CURRENTA divestment

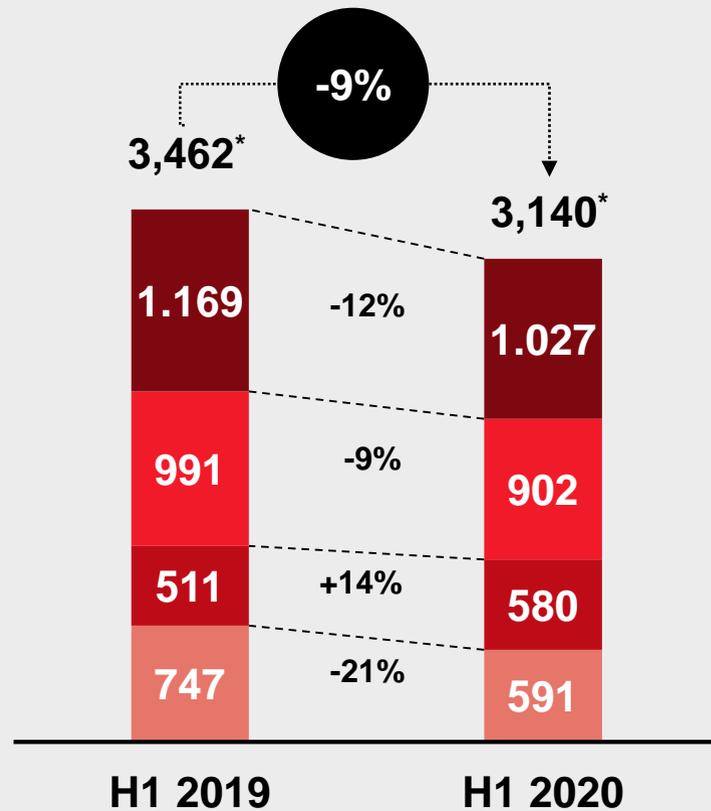
[€ m]	YTD 2019		YTD 2020		yoy in %
Sales	3,462	(100%)	3,140	(100%)	-9%
Cost of sales	-2,538	(-73%)	-2,311	(-74%)	9%
Selling	-411	(-12%)	-396	(-13%)	4%
G&A	-128	(-4%)	-138	(-4%)	-8%
R&D	-55	(-2%)	-54	(-2%)	2%
<b>EBIT</b>	<b>283</b>	<b>(8%)</b>	<b>165</b>	<b>(5%)</b>	<b>-42%</b>
<b>EPS</b>	<b>2.06</b>		<b>9.93</b>		<b>&gt; 100</b>
<b>EPS pre*</b>	<b>2.77</b>		<b>2.03</b>		<b>-27%</b>
EBITDA	510	(15%)	417	(13%)	-18%
thereof except.	-43	(-1%)	-52	(-2%)	-21%
<b>EBITDA pre except.</b>	<b>553</b>	<b>(16%)</b>	<b>469</b>	<b>(14.9%)</b>	<b>-15%</b>

- Lower selling expenses include lower travel expenses and trade fair costs
- Positive effects from CURRENTA divestment reflected in financial result

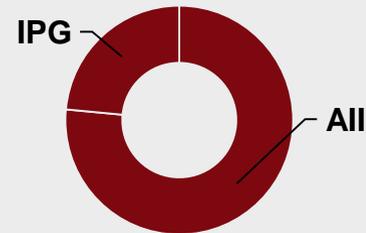
\* From Continuing operations; net of exceptionals and amortization of intangible assets as well as attributable tax effects and income in connection with the sale of CURRENTA

# H1 2020: Strong drop in demand due to Corona pandemic

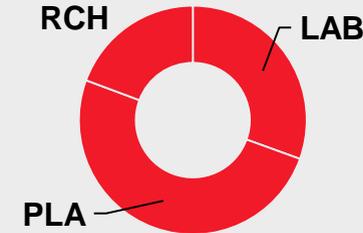
[€ m] Sales



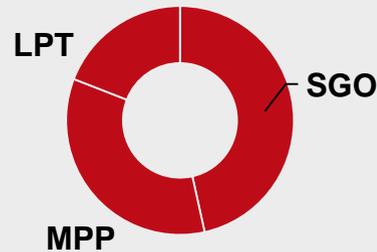
Advanced Intermediates



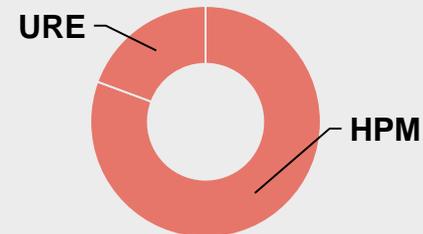
Specialty Additives



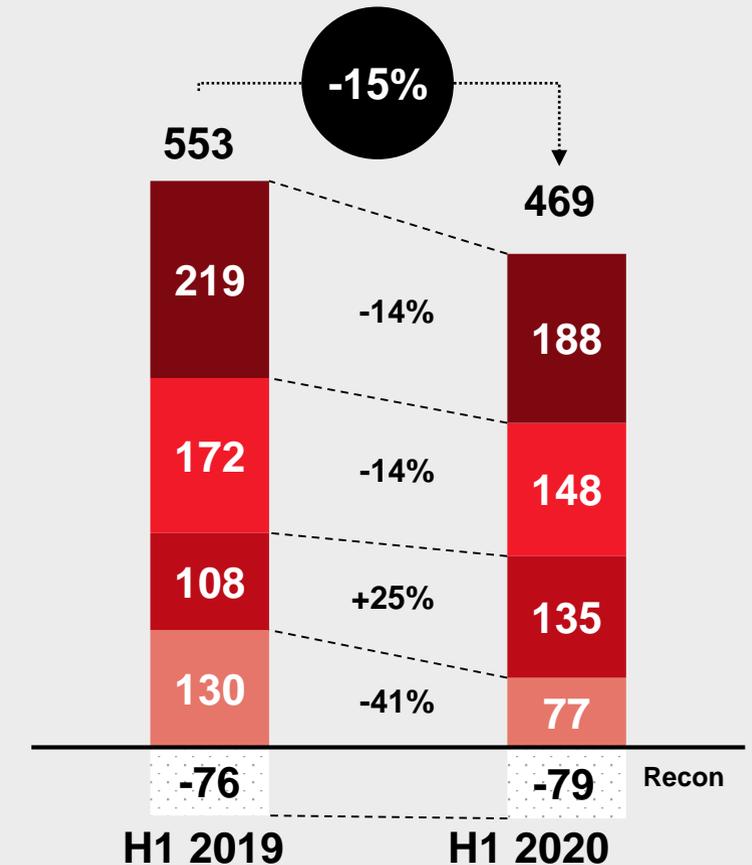
Consumer Protection



Engineering Materials



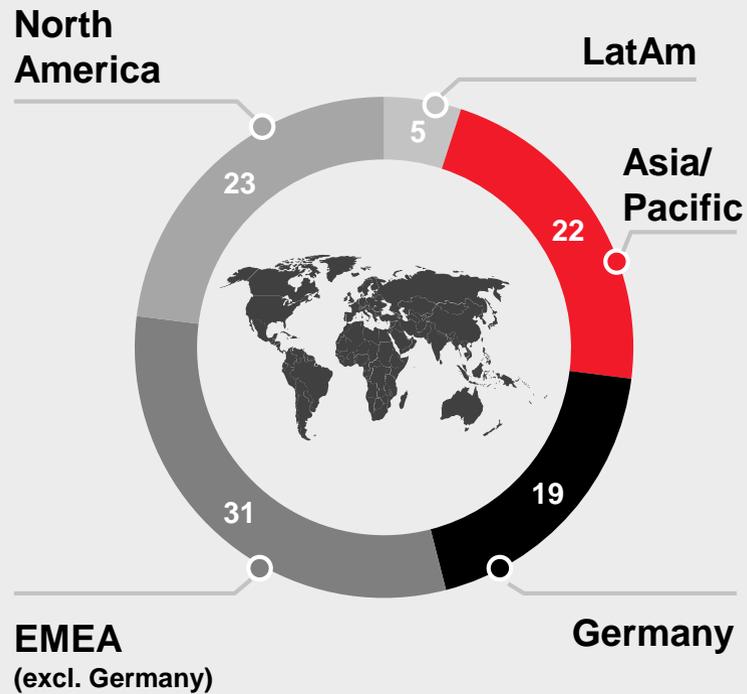
[€ m] EBITDA pre



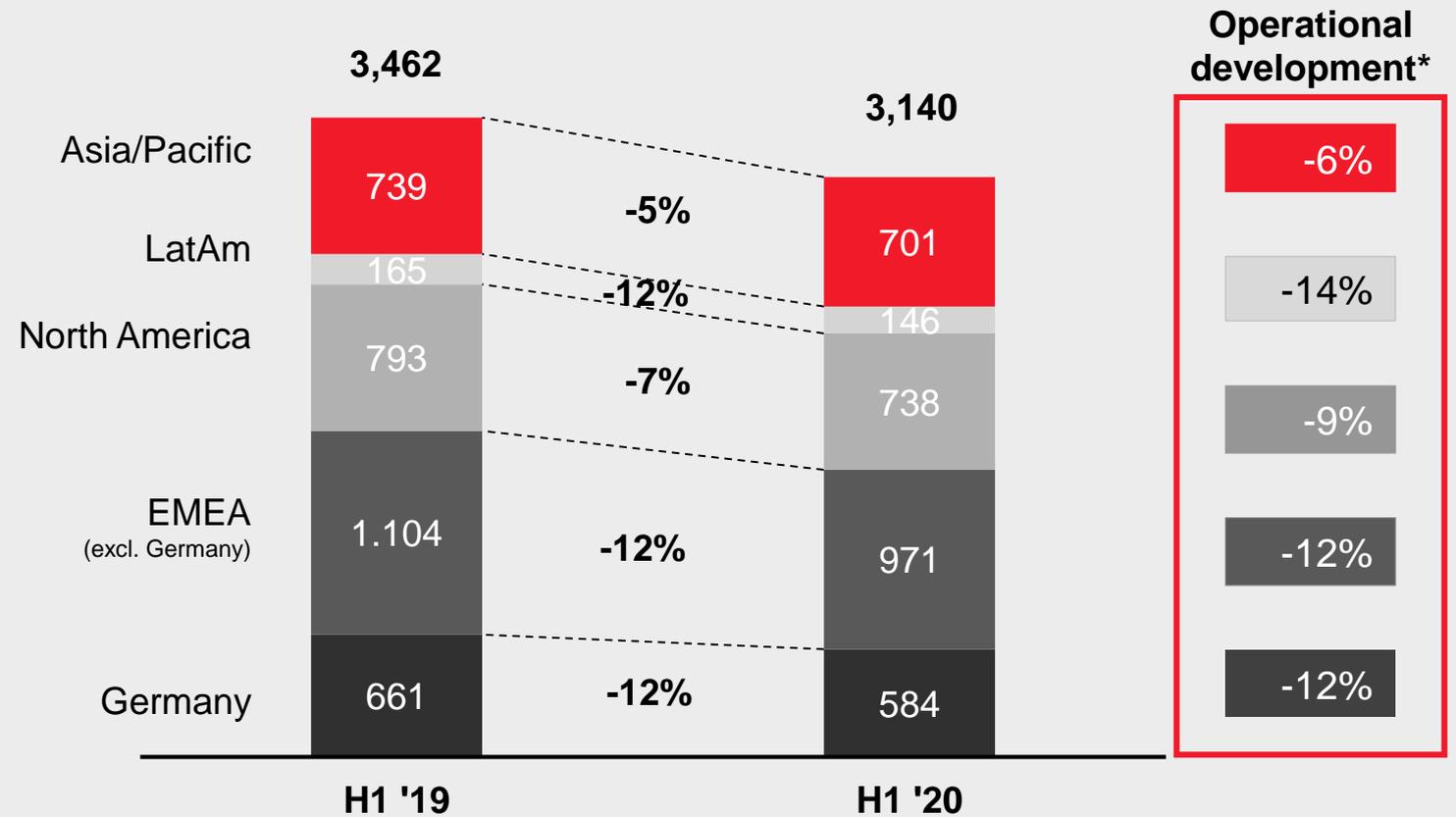
\* Total group sales including reconciliation

# H1 2020: All regions suffering from lower demand due to pandemic

H1 2020 sales by region [%]



Regional development of sales [€ m]



\* Currency and portfolio adjusted

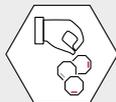
# Cash flow H1 2020: Strong operating cash flow despite Corona crisis

[€ m]	H1 2019	H1 2020	Δ
<b>Operating cash flow*</b>	<b>113</b>	<b>165</b>	<b>52</b>
Changes in working capital	-145	-125	20
<b>Investing cash flow*</b>	<b>-309</b>	<b>13</b>	<b>322</b>
thereof capex	-178	-162	16
thereof proceeds from divestments & dividend	21	962	941
thereof net invest in money markets	-156	-769	-613

- Higher operating cash flow despite Corona effects and tax burden relating to CURRENTA and ARLANXEO
- Change in working capital driven by significantly lower receivables corresponding to decreased sales
- Increased investing cash flow includes proceeds from divestments of CURRENTA and chrome chemicals business which are directly invested in money market funds
- Lower capex reflects measures triggered by Corona pandemic

\* applies to continuing operations

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

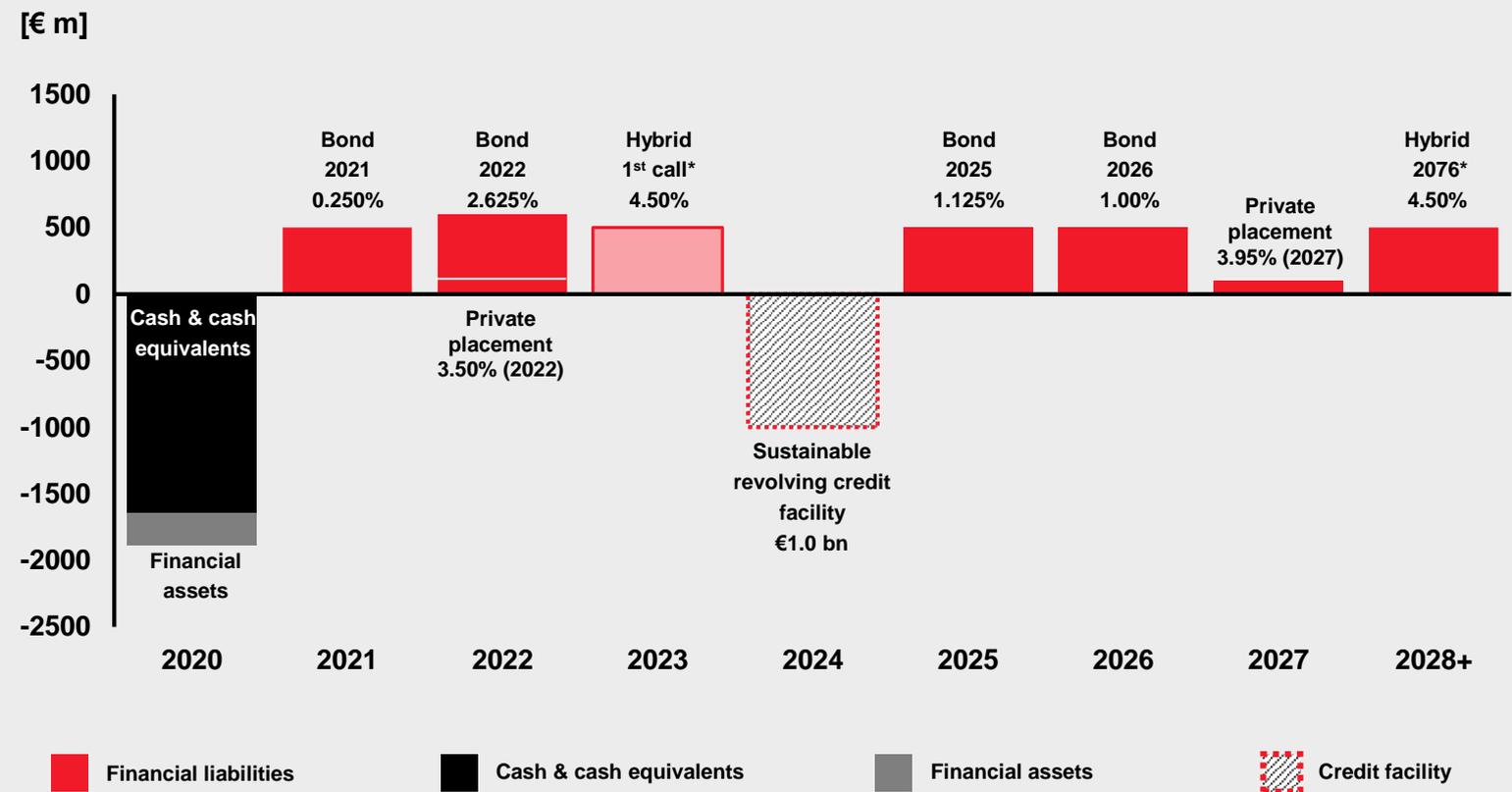
[€ m]	Q2/2019		Q2/2020		YTD 2019		YTD 2020	
	Excep.	Thereof D&A						
 Advanced Intermediates	0	0	<b>0</b>	<b>0</b>	4	0	<b>2</b>	<b>0</b>
 Specialty Additives	5	2	<b>3</b>	<b>0</b>	6	2	<b>7</b>	<b>0</b>
 Consumer Protection	0	0	<b>21</b>	<b>18</b>	0	0	<b>21</b>	<b>18</b>
 Engineering Materials	0	0	<b>0</b>	<b>0</b>	0	0	<b>0</b>	<b>0</b>
Reconciliation	19	1	<b>21</b>	<b>1</b>	36	1	<b>41</b>	<b>1</b>
<b>Total</b>	<b>24</b>	<b>3</b>	<b>45</b>	<b>19</b>	<b>46</b>	<b>3</b>	<b>71</b>	<b>19</b>

# Maturity profile actively managed and well balanced

## Long-term financing secured

- Sustainable revolving credit facility fully repaid as per end of June
- 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 June 2020

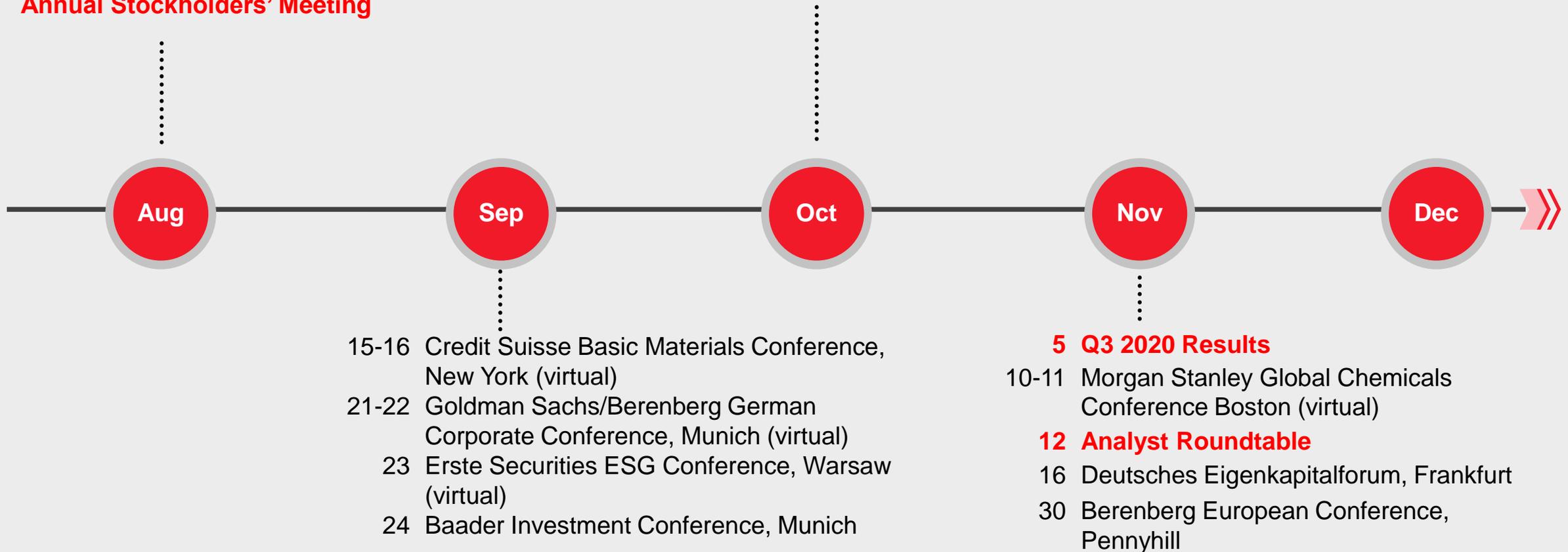


# Upcoming (virtual) events 2020 - Proactive capital market communication

**13 Q2 2020 Results**

**27 Annual Stockholders' Meeting**

1 J.P. Morgan Milan Investor Forum, Milan (virtual)



# Contact details Investor Relations



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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

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Energizing Chemistry