



## Q3 2019 – Conference Call Note

Dr. Rudolf Staudigl (CEO), Dr. Tobias Ohler (CFO)  
October 24, 2019

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**WACKER**

# Highlights Q3 2019

## Strong Chemicals Performance Despite Challenging Markets

### FY 2019 Guidance Lowered Mainly on Delayed Improvement in POLYSILICON Pricing

#### Financials

**Sales** of €1.27bn (+2% yoy, 0% qoq)

**EBITDA** at €273m (+13% yoy, +30% qoq) including €112m insurance compensation

**Net cash flow** clearly positive at €176m

#### Operations

Chemicals with **volume growth** and **favorable FX**

**EBITDA-Margins** in SILICONES at 20% and POLYMERS at 15%

**Much higher volumes** in POLYSILICON, but **lower pricing persists**

# Profit & Loss Statement

## EBITDA at €273m Including Special Income

### WACKER P&L Q3 2019 (€m)

€m	Q3 2019	Q3 2018
Sales	1,267.9	1,242.7
<b>Gross profit from sales</b>	<b>282.9</b>	<b>227.4</b>
<i>Gross profit margin (in %)</i>	<i>22.3%</i>	<i>18.3%</i>
S,G&A and R&D	-155.9	-154.8
Other operating income	13.7	19.9
Other operating expenses	-14.6	-14.7
<b>Operating result</b>	<b>126.1</b>	<b>77.8</b>
Result from investments in joint ventures and associates	11.0	28.7
<b>EBIT</b>	<b>137.1</b>	<b>106.5</b>
Interest result	-4.0	-2.9
Other financial result	-9.6	-13.8
<b>Profit before tax</b>	<b>123.5</b>	<b>89.8</b>
Income taxes	-37.2	-20.9
<b>Net income for the period</b>	<b>86.3</b>	<b>68.9</b>
<b>EPS (in €)</b>	<b>1.67</b>	<b>1.31</b>
<b>EBITDA</b>	<b>272.9</b>	<b>241.7</b>
Depreciation/amortization	135.8	135.2
<b>EBIT</b>	<b>137.1</b>	<b>106.5</b>

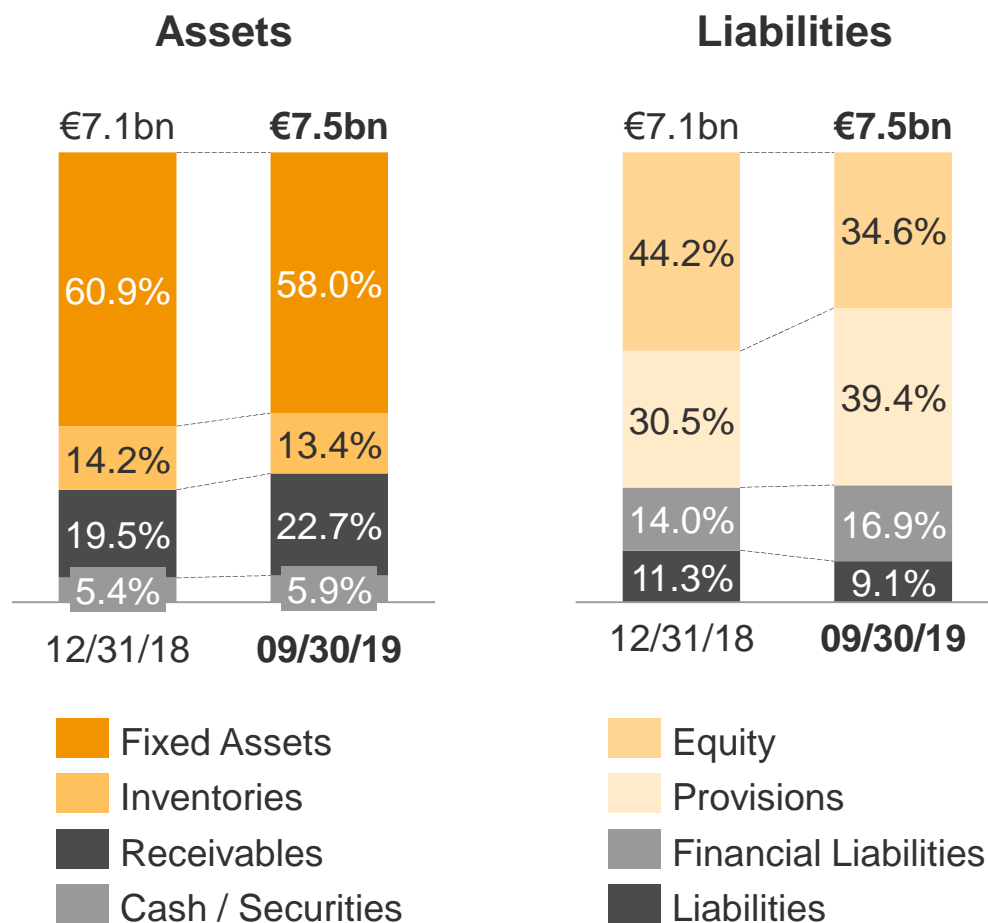
### Comments

- ▶ Sales +2.0% yoy:  
Volume/Mix +9.4%, Price -8.8%, FX +1.4%
- ▶ EBITDA of €273m includes special income of €112 million in insurance compensation for the damage incurred following the incident at the Charleston site in 2017
- ▶ Lower at-equity contribution
- ▶ Tax rate of 29.2% (9M 2018: 23.2%)
- ▶ Depreciation at €136m
- ▶ EPS at €1.67

# Balance Sheet Composition

## Historically Low Interest Rates Inflate Pension Liabilities

### Balance sheet (%)



### Characteristics 09/30/19

- ▶ Provisions for pensions: €2,605m (Dec 31, 2018: €1,795m)
- ▶ Discount rate in Germany at 0.98% (Dec 31, 2018: 1.98%)
- ▶ DTA\* relating to pensions about €578m
- ▶ Equity: €2,609m (Dec 31, 2018: €3,146m)

\* Deferred tax asset

# Insurance Effects

## Recognition of Insurance Compensation in Financial Accounts

### P&L

- ▶ COGS, segment POLYSILICON, reduction by €112m
- ▶ Income taxes:  
PBT increase by €112m  
taxed at German  
statutory tax rate

### Balance Sheet

- ▶ Current assets:  
increase in “other  
financial assets”

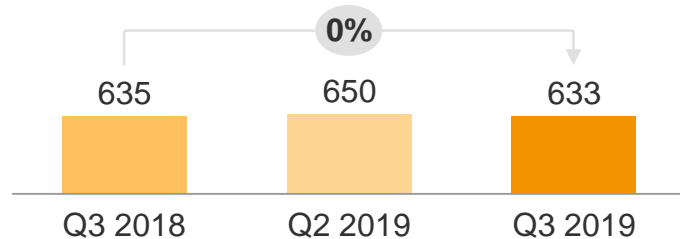
### Cash Flow

- ▶ No impact in Q3
- ▶ Payment expected in Q4

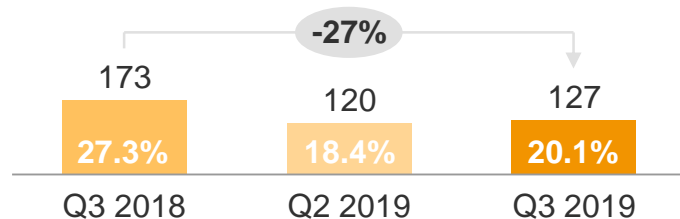
# SILICONES

## Maintaining Sales Level Through Strong Specialties

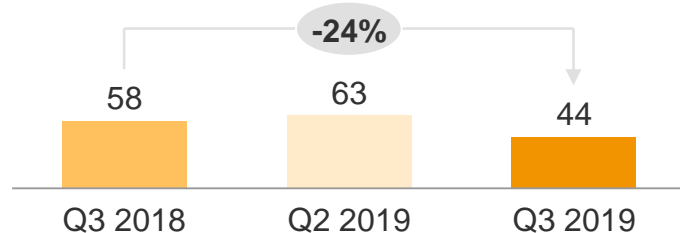
### Sales (€m)



### EBITDA (€m) / margin



### CapEx (€m)



### Highlights Q3

- ▶ Lower prices in standards, supportive FX
- ▶ Strong in consumer focused businesses, but soft in industrial applications
- ▶ Inventory control in value chain (customers, WACKER) resulting in lower utilization and some EBITDA effect

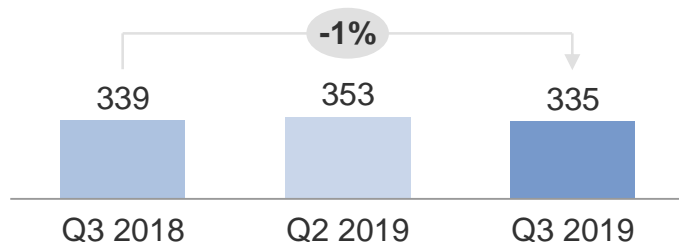
### Outlook 2019

- ▶ Sales close to last year despite significantly lower prices for standards
- ▶ Good pricing in specialties
- ▶ FY EBITDA margin at around 19%

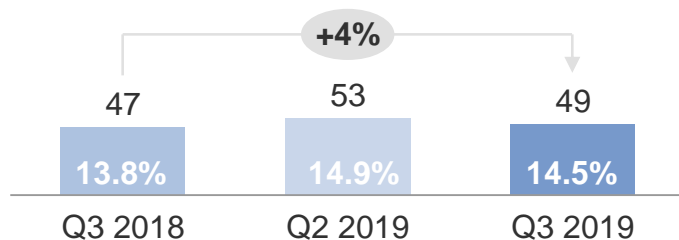
# POLYMERS

## Strong Sales Growth in China Offsets Weaker Europe

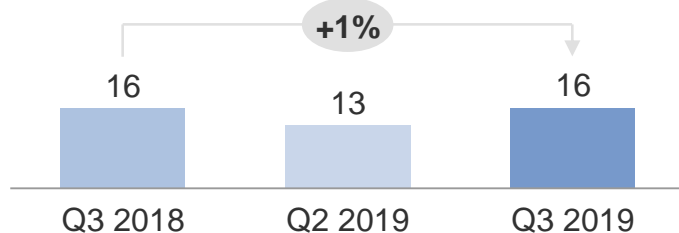
### Sales (€m)



### EBITDA (€m) / margin



### CapEx (€m)



### Highlights Q3

- ▶ Construction demand overall good, some weakening in industrial segments
- ▶ Strong sales development in China
- ▶ Results held back by force majeure of a key supplier

### Outlook 2019

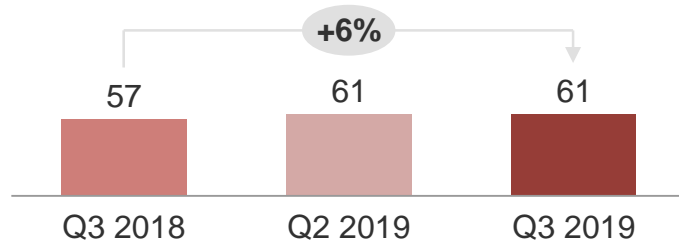
- ▶ Low-single-digit % sales growth
- ▶ Volume growth and lower raw material costs yoy
- ▶ Full year EBITDA margin expected to improve to around 14% (2018: 11.5%)



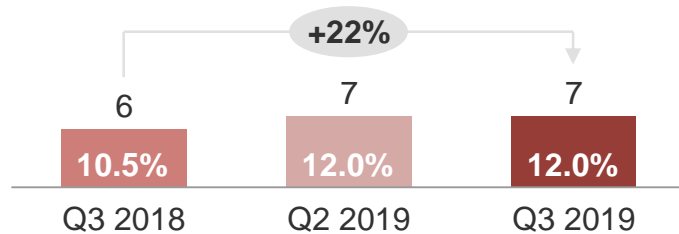
# BIOSOLUTIONS

## Biopharmaceuticals Drive Growth

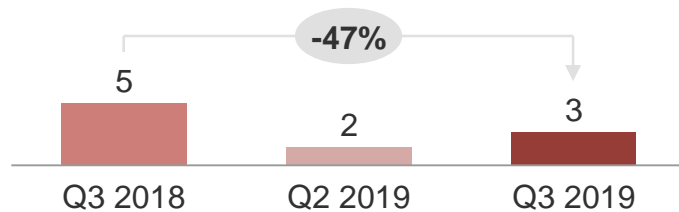
### Sales (€m)



### EBITDA (€m) / margin



### CapEx (€m)



### Highlights Q3

- ▶ Strong performance in Biopharmaceuticals
- ▶ Some slowdown in industrial applications at Pharma & Agro

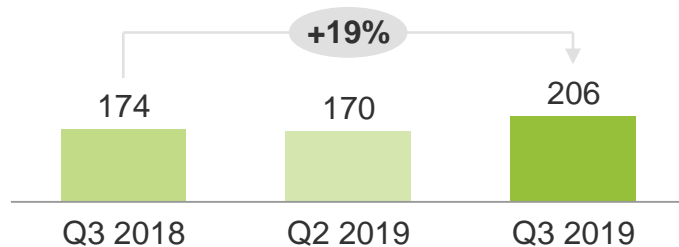
### Outlook 2019

- ▶ Mid-single-digit % sales growth
- ▶ EBITDA at about €30m as new capacities ramp up

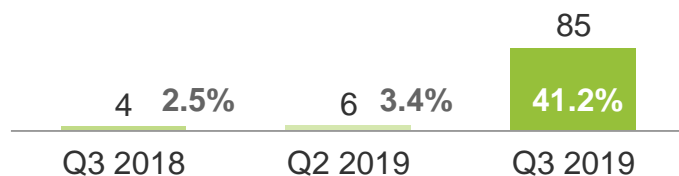
# POLYSILICON

## Delayed Price Recovery Mutes Outlook

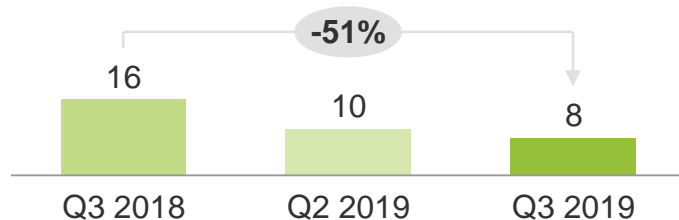
### Sales (€m)



### EBITDA (€m) / margin



### CapEx (€m)



### Highlights Q3

- ▶ Full production in Q3
- ▶ Cost performance comparable to Q2
- ▶ Inventory valuation effects negative
- ▶ Special income €112m (insurance compensation following TN incident)

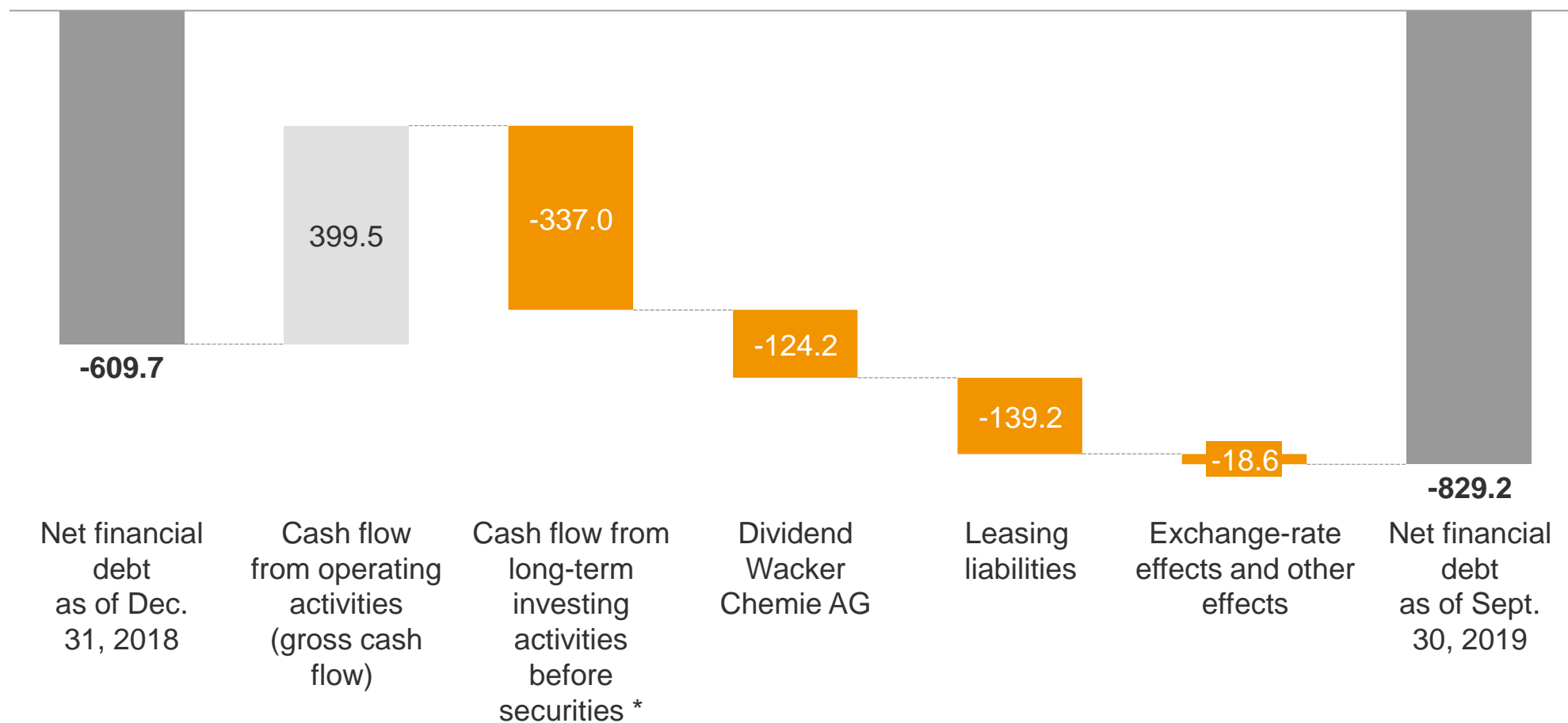
### Outlook 2019

- ▶ Strong PV installations outside China
- ▶ Sales with low-single-digit % decrease
- ▶ Q4 EBITDA comparable to average
- ▶ 9 months earnings excluding insurance

# Net Financial Debt

## Net Debt QoQ Improves by €160m from Strong Cash Flow in Q3

### Net Financial Debt Bridge per 09/30/2019 (€m)



\*) includes financial investments

# Guidance FY 2019

## Lower Guidance on Results and Cash Flow

In €m	FY 2018	Outlook 2019*
Sales	4,979	On par with last year (Before: Mid-single-digit % increase)
EBITDA	930	About 30% below last year's level (Before: 10 to 20% lower than a year ago)
EBITDA margin (%)	18.7	Substantially lower than a year ago
Net cash flow	125	Clearly positive, but lower than last year (Before: Substantially higher than last year)
CapEx	461	Around 400
Net financial debt	610	Higher than last year due to IFRS16 effects and lower net cash flow
Net income for the period	260	Slightly positive (Before: Substantially lower than last year)
Depreciation	540	Around 550
ROCE (%)	5.9	Substantially below the prior-year level
Tax Rate (%)	19.8	Around 30% (Before: Around 25%)

\*) all metrics exclude insurance compensation

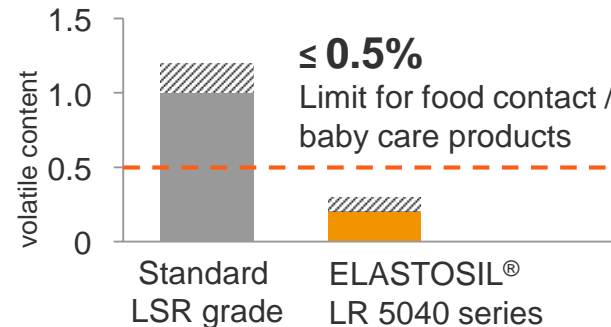
# SILICONES Innovation: Non Post-Cure Liquid Silicone Rubber

## A New Industry Benchmark for LSR



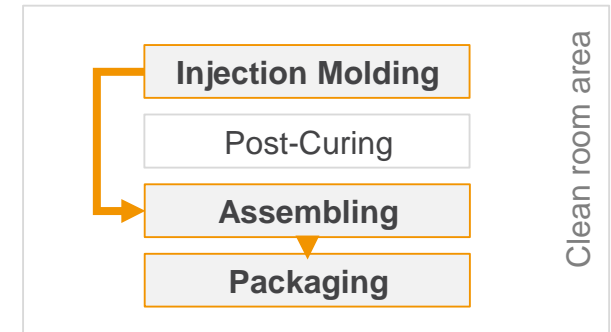
- ▶ New ELASTOSIL® LR 5040 meets increasing requirements regarding volatiles and productivity
- ▶ Especially designed for sensitive applications e.g. food, baby care or medical applications

## Very Low Volatile Content



- ▶ Very low content of volatiles, migratables and extractables
- ▶ Excellent mechanical properties in the non post-cured state
- ▶ Full set of certificates & fulfilling other standards

## Simplified Production for Customers



- ▶ Fulfills regulatory requirements without costly thermal treatment (post-curing)
- ▶ Increased productivity & lower energy costs
- ▶ Supports fully automated production processes

LSR = Liquid Silicone Rubber

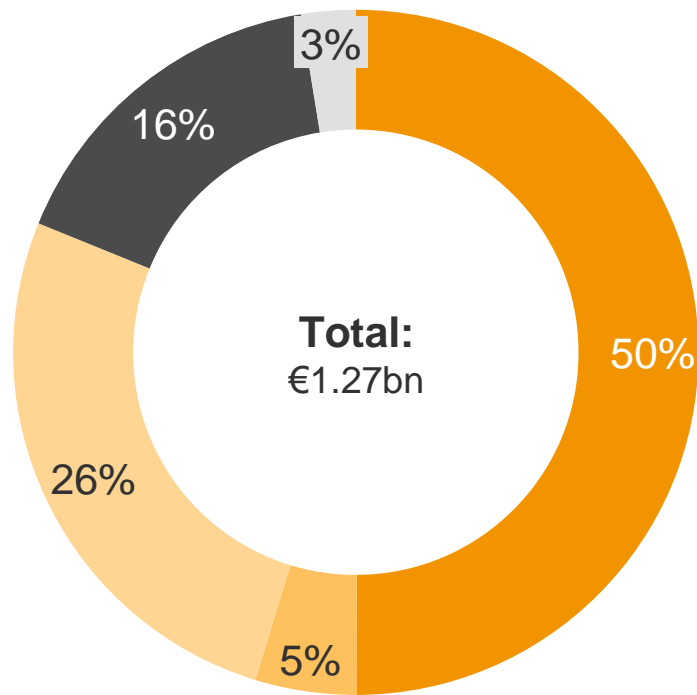


## **Q3 2019 – Conference Call: Q&A Session**

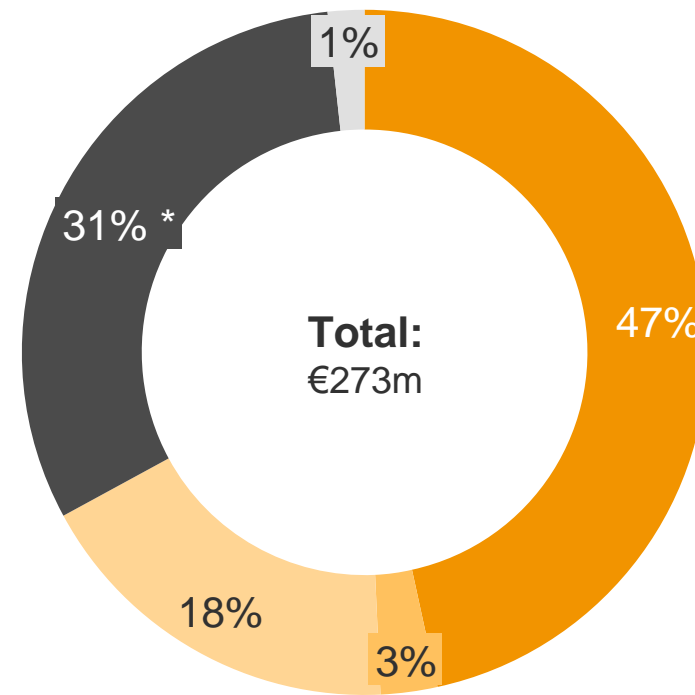
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October 24, 2019

# Q3 2019 Results – Sales and EBITDA Breakdown

## Q3 2019 Sales



## Q3 2019 EBITDA



**SILICONES** **BIOSOLUTIONS** **POLYMERS** **POLYSILICON** **OTHERS / CONSOLID.**

\*) includes insurance compensation

# Q3 2019 Results – P&L

In €m	Q3 2019	Q3 2018	% YoY	Q2 2019	% QoQ
Sales	1,267.9	1,242.7	+2.0	1,268.5	0.0
EBITDA	272.9	241.7	+12.9	210.7	+29.5
EBITDA margin	21.5%	19.4%	-	16.6%	-
EBIT	137.1	106.5	+28.7	70.7	+93.9
EBIT margin	10.8%	8.6%	-	5.6%	-
Net income for the period	86.3	68.9	+25.3	37.2	>100
EPS in €	1.67	1.31	+27.5	0.68	>100
Capital expenditures	87.8	121.6	-27.8	104.7	-16.1
Depreciation / amortization	135.8	135.2	+0.4	140.0	-3.0
Net cash flow	175.7	4.1	>100	21.8	>100



# Q3 2019 Results – Overview by Business

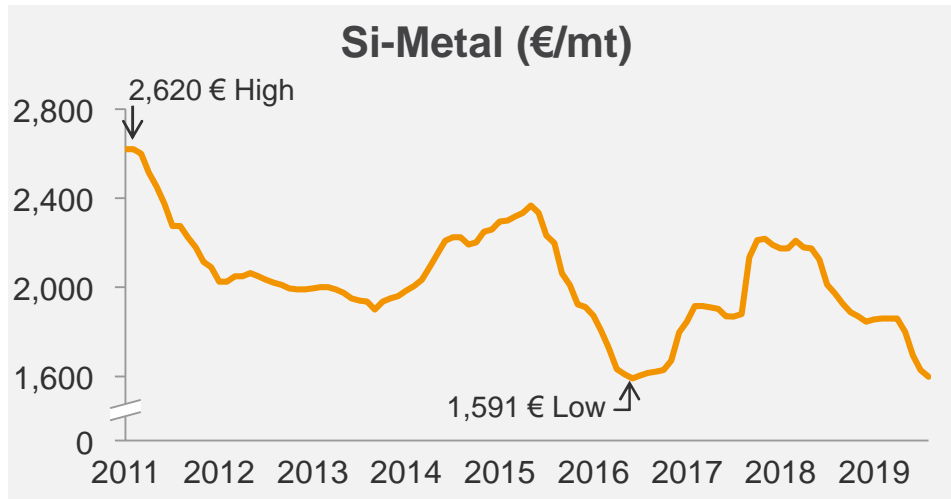
In €m / %	Sales					EBITDA				
	Q3 2019	Q3 2018	% YoY	Q2 2019	% QoQ	Q3 2019	Q3 2018	% YoY	Q2 2019	% QoQ
<b>Chemicals</b>	<b>1,029</b>	1,031	0	1,064	-3	183	226	-19	180	+2
SILICONES	633	635	0	650	-3	127	173	-27	120	+6
POLYMERS	335	339	-1	353	-5	49	47	+4	53	-8
BIOSOLUTIONS	61	57	+6	61	0	7	6	+22	7	0
POLYSILICON	206	174	+19	170	+21	85	4	>100	6	>100
Others	37	44	-15	40	-8	4	11	-64	25	-85
Consolidation	-5	-6	-18	-6	-22	1	0	>100	0	>100
<b>WACKER Group</b>	<b>1,268</b>	<b>1,243</b>	<b>+2</b>	<b>1,269</b>	<b>0</b>	<b>273</b>	<b>242</b>	<b>+13</b>	<b>211</b>	<b>+30</b>

# PV Growth Expectation for 2019

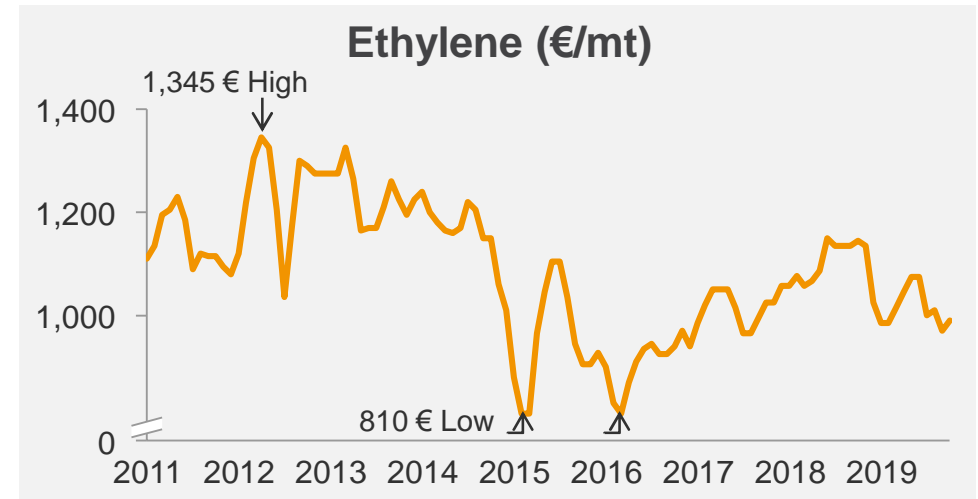
Country	2015	2016	2017	2018	2019e
Germany	0.9	1.5	1.8	3.0	3.5 – 4.5
France	1.5	0.6	0.9	0.9	1.4 – 1.7
Spain	0.0	0.1	0.1	0.4	3.0 – 4.0
Europe other	6.2	4.2	4.0	7.2	8.1 – 10.3
<b>Europe total</b>	<b>8.6</b>	<b>6.4</b>	<b>6.8</b>	<b>11.5</b>	<b>16.0 – 20.5</b>
Australia	0.9	0.8	1.3	3.8	3.5 – 4.5
China*	16.5	32.5	52.8	44.3	40.0 – 45.0
India	2.1	4.3	9.6	8.5	11.0 – 12.0
Japan	10.8	8.4	7.4	7.0	6.0 – 7.0
USA	7.3	14.8	10.6	10.6	11.0 – 14.0
Rest of World	10.0	10.7	11.7	19.5	22.0 – 27.0
<b>Total</b>	<b>56 GW</b>	<b>78 GW</b>	<b>100 GW</b>	<b>105 GW</b>	<b>110 – 130 GW</b>

Sources: SPE, IHS, industry announcements, WACKER estimates; \*China official data adjusted for installed/not connected capacity

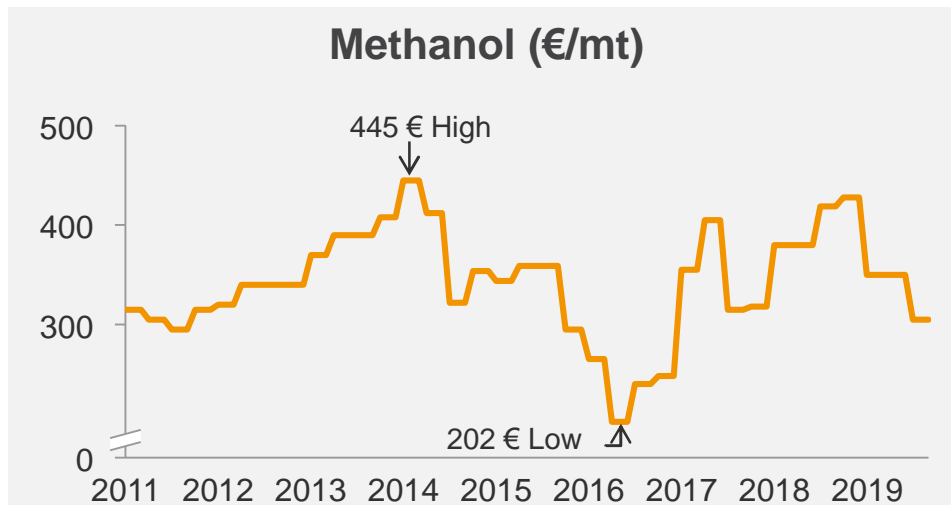
# Raw Material Prices With Volatile Development



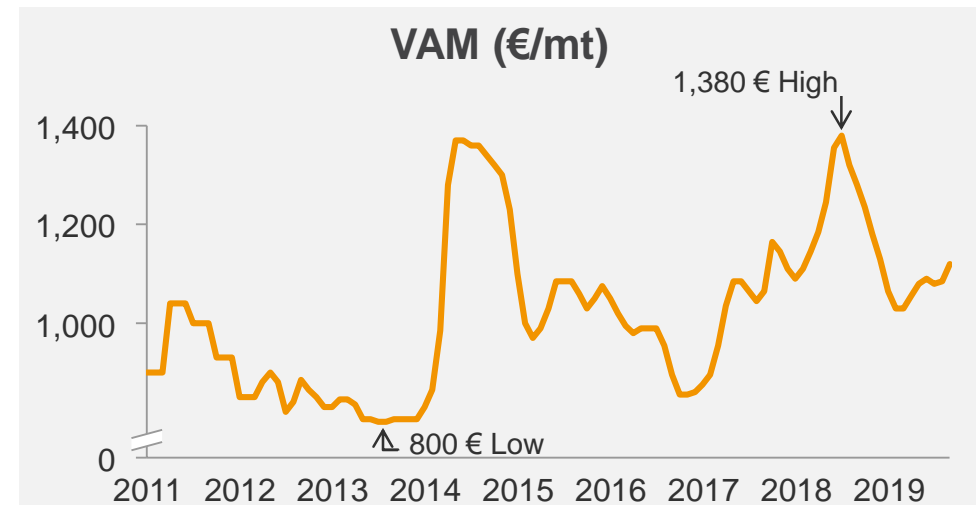
Source: CRU, Si-Metal Spot FD Europe



Source: ICIS, EN Contract FD NWE



Source: ICIS, MeOH Contract, FOB RDM



Source: ICIS, VAM Contract FD NWE

# WACKER: Issuer, Contact and Additional Information

## Issuer and Contact

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## Financial Calendar

**03/17/20**

FY 2019 Results

**07/23/20**

Q2 Results 2020

**04/30/20**

Q1 Results 2020

**10/29/20**

Q3 Results 2020

**05/20/20**

Annual Shareholders' Meeting

## Additional Information

**ISIN**

DE000WCH8881

**Deutsche Börse**

WCH

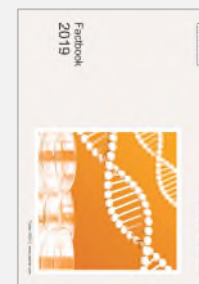
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## Publications



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MAGAZINE



FACTBOOK



SUSTAINABILITY  
REPORT



SQUARE  
APP