



## **Q3 2020 – Conference Call Note**

Dr. Rudolf Staudigl (CEO), Dr. Tobias Ohler (CFO)

October 29, 2020

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*Front cover: With its excellent thermal insulation, WACKER HDK® fumed silica is used in highly efficient thermal insulation systems – and can be found in vacuum insulation panels of refrigerators, but also in stovetops*

# WACKER Q3 2020 Highlights

## Financials



€1.2bn

Sales (-7% yoy, +10% qoq)  
Sequentially improving on higher volumes

€191m

EBITDA (+19% yoy ex insurance\*, +81% qoq)

16.1%

EBITDA Margin

€45m

CapEx (-48% yoy)

€296m

Strong net cash flow  
(PY €176m)

## Operations



Chemicals with improving demand through Q3

Short-time work in most areas ended as markets recover. Strong quarterly sales in POLYMERS' construction materials.

Polysilicon demand recovery drives pricing

Strong volumes and improving prices during Q3; solid demand from semiconductors.

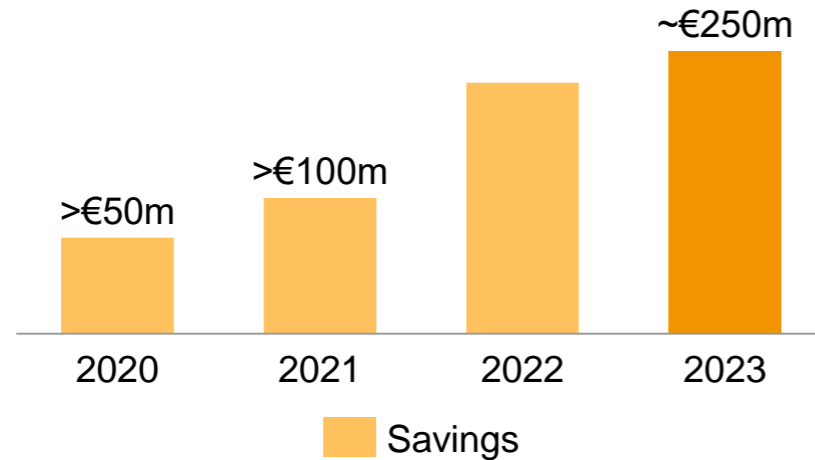
**Q3**  
benefits  
from strong  
cost  
control

\*Q3 2019 EBITDA of €273m included €112.5m insurance benefits

# Shape the Future

## More than €50m in Savings in 2020 and Rising to >€100m in 2021

### Full Cost Savings Starting Year-end 2022



### Contribution by Category



### Savings From Personnel Costs

- ▶ Reduction of ~1,200 FTEs globally
- ▶ More than 80% of targeted reductions in Germany
- ▶ Framework agreements signed with employee representatives
- ▶ First personnel savings expected in 2021
- ▶ Mid-double-digit provision expected in Q4 2020
- ▶ Additional costs expected in 2021-22 as project develops

### Savings From Indirect Spend

- ▶ More than 1,000 measures identified
- ▶ Implementation underway and on track
- ▶ >€50m savings expected in 2020, increasing to >€100m in 2021

# Profit & Loss Statement

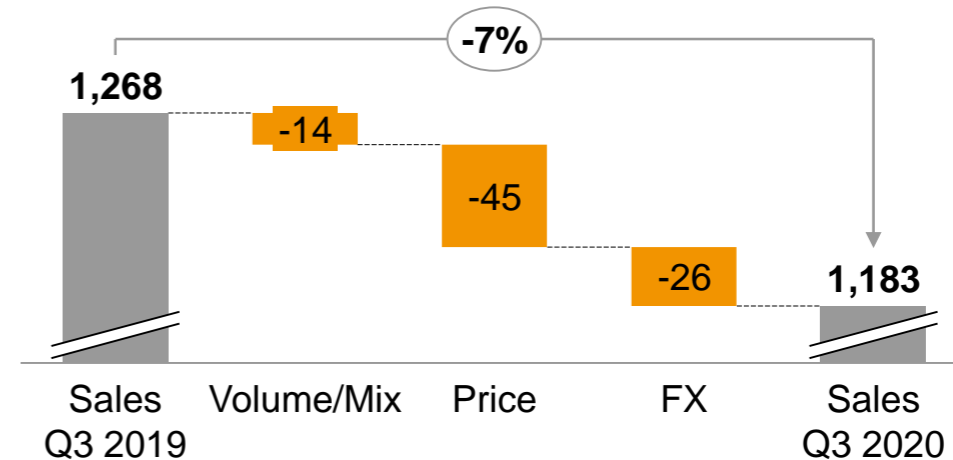
## EBITDA Improves €30m yoy, Excluding Special Income in Q3 2019

### WACKER P&L Q3 2020 (€m)

€m	Q3 2020	Q3 2019
Sales	1,183.1	1,267.9
<b>Gross profit from sales</b>	<b>220.2</b>	<b>282.9</b>
<i>Gross profit margin (in %)</i>	<i>18.6%</i>	<i>22.3%</i>
S,G&A and R&D	-140.7	-155.9
Other operating income	17.6	13.7
Other operating expenses	-16.3	-14.6
<b>Operating result</b>	<b>80.8</b>	<b>126.1</b>
Result from investments in joint ventures and associates	9.8	11.0
<b>EBIT</b>	<b>90.6</b>	<b>137.1</b>
Interest result	-4.0	-4.0
Other financial result	-8.0	-9.6
<b>Profit before tax</b>	<b>78.6</b>	<b>123.5</b>
Income taxes	-10.9	-37.2
<b>Net income for the period</b>	<b>67.7</b>	<b>86.3</b>
<b>EPS (in €)</b>	<b>1.30</b>	<b>1.67</b>
<b>EBITDA</b>	<b>190.8</b>	<b>272.9*</b>
Depreciation/amortization	100.2	135.8
<b>EBIT</b>	<b>90.6</b>	<b>137.1</b>

### Comments

- ▶ Majority of short-time work programs implemented in Q2 were ended in Q3 2020
- ▶ Strict cost controls in place to mitigate COVID-19 impact; SG&A and R&D reduced by 10% yoy
- ▶ Depreciation at €100m (PY: €136m)
- ▶ EPS at €1.30

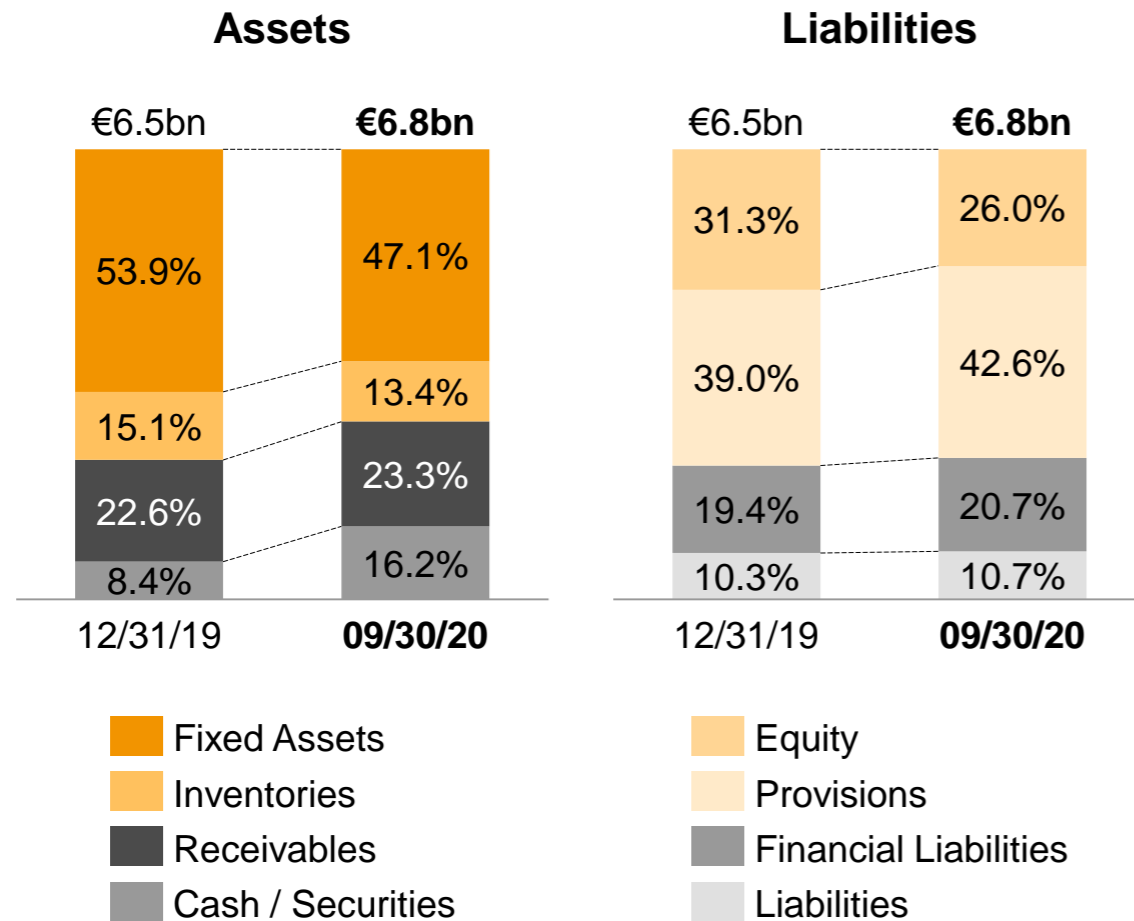


\*Q3 2019 EBITDA included €112.5m insurance benefits

# Balance Sheet Composition

## Strong Liquidity, Low Interest Rates Inflate Pension Liabilities

### Balance sheet (%)



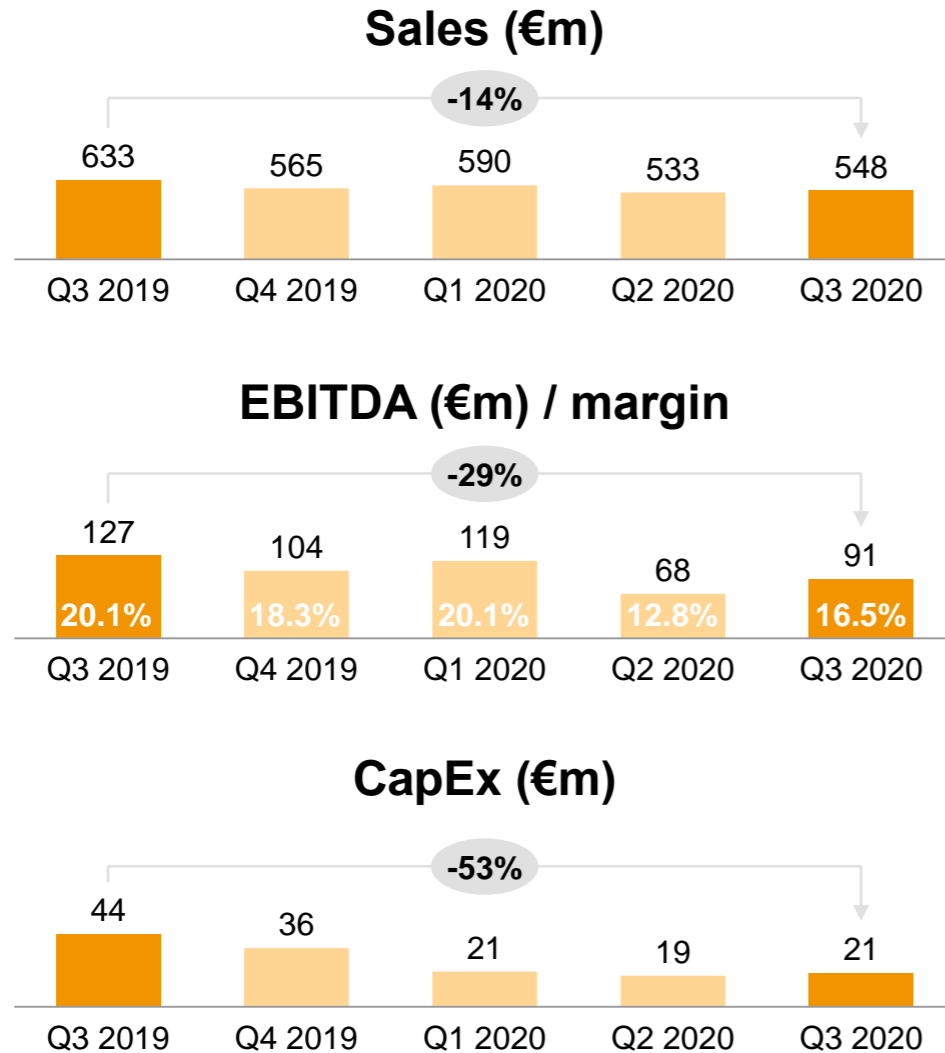
### Characteristics 09/30/20

- ▶ Strong Liquidity:
  - ▶ Cash & securities of €1,106m (Dec 31, 2019: €545m)
- ▶ Provisions for pensions: €2,645m (Dec 31, 2019: €2,275m)
  - ▶ Discount rate in Germany at 0.96% (Dec 31, 2019: 1.25%)
  - ▶ DTA\* relating to pensions about €594m
- ▶ Equity: €1,771m (Dec 31, 2019: €2,029m)

\* Deferred tax asset

# SILICONES

## Volume Trends in Q3 Drive Sequential Earnings Improvement



### Highlights Q3

- ▶ End markets: Sequentially stronger demand in construction, release coatings, packaging applications and automotive
- ▶ Resilient prices in specialties, lower prices in standards yoy
- ▶ Lower plant utilization weighed on EBITDA yoy

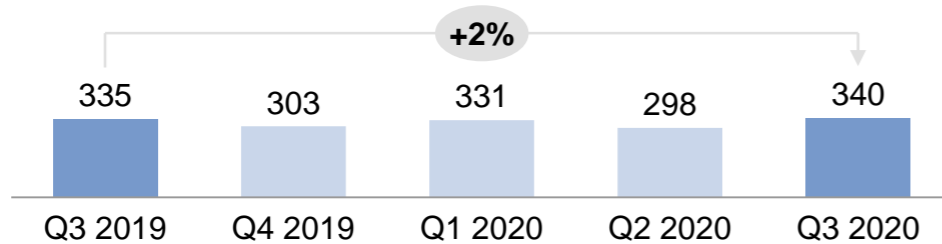
### Trading update

- ▶ Presently strong demand and high loading in most areas
- ▶ Order patterns with short range
- ▶ Headwinds from USD weakness

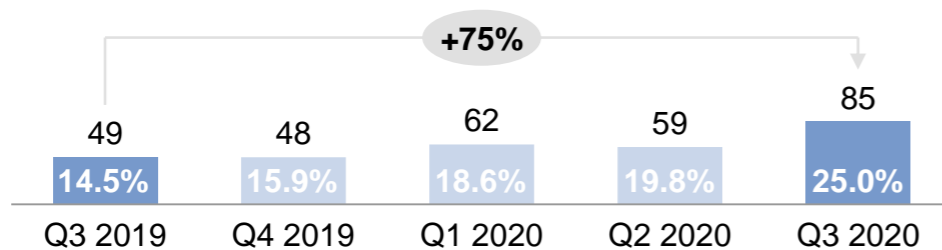
# POLYMERS

## Rebound in Smart Construction Demand in Q3 Drives EBITDA Growth

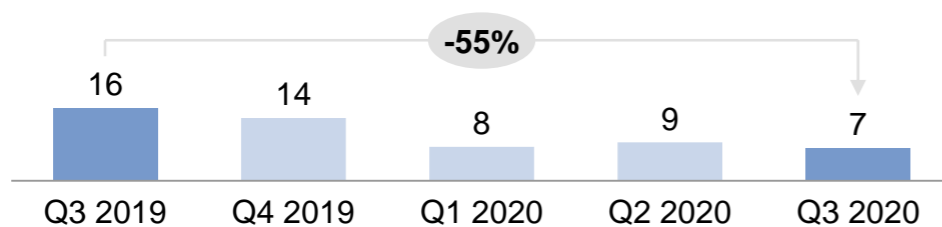
### Sales (€m)



### EBITDA (€m) / margin



### CapEx (€m)



### Highlights Q3

- ▶ Catch-up effects on volumes in dispersible polymer powders offset FX and lower ASPs
- ▶ Good cost structure, high plant utilization rates and improved captive upstream capacities benefit EBITDA
- ▶ New plant in South Korea supported strong shipments

### Trading update

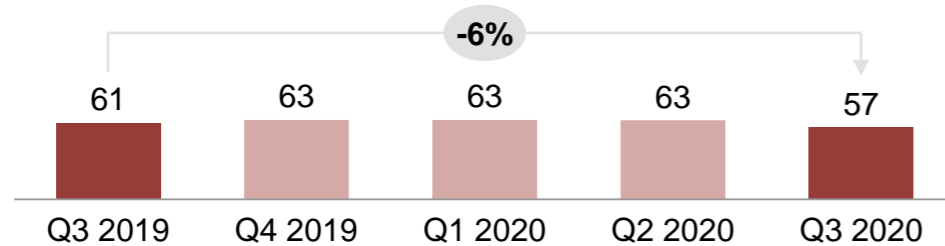
- ▶ Continuing good demand from DIY / renovation / hygiene products
- ▶ Continuously expanding regional capacities to support customer growth (Nanjing)



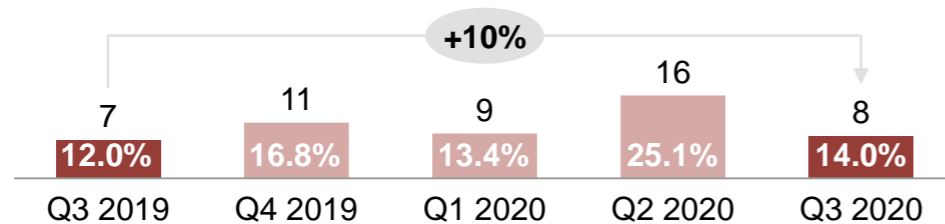
# BIOSOLUTIONS

## High Loading in BioPharma Activities

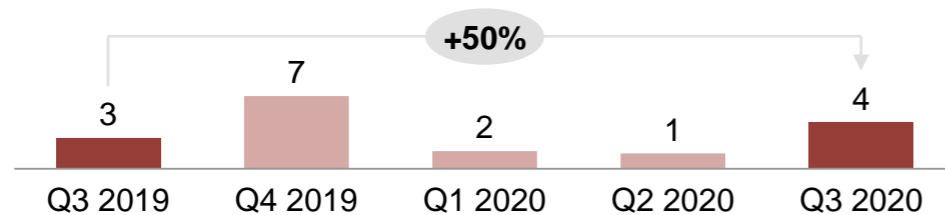
### Sales (€m)



### EBITDA (€m) / margin



### CapEx (€m)



### Highlights Q3

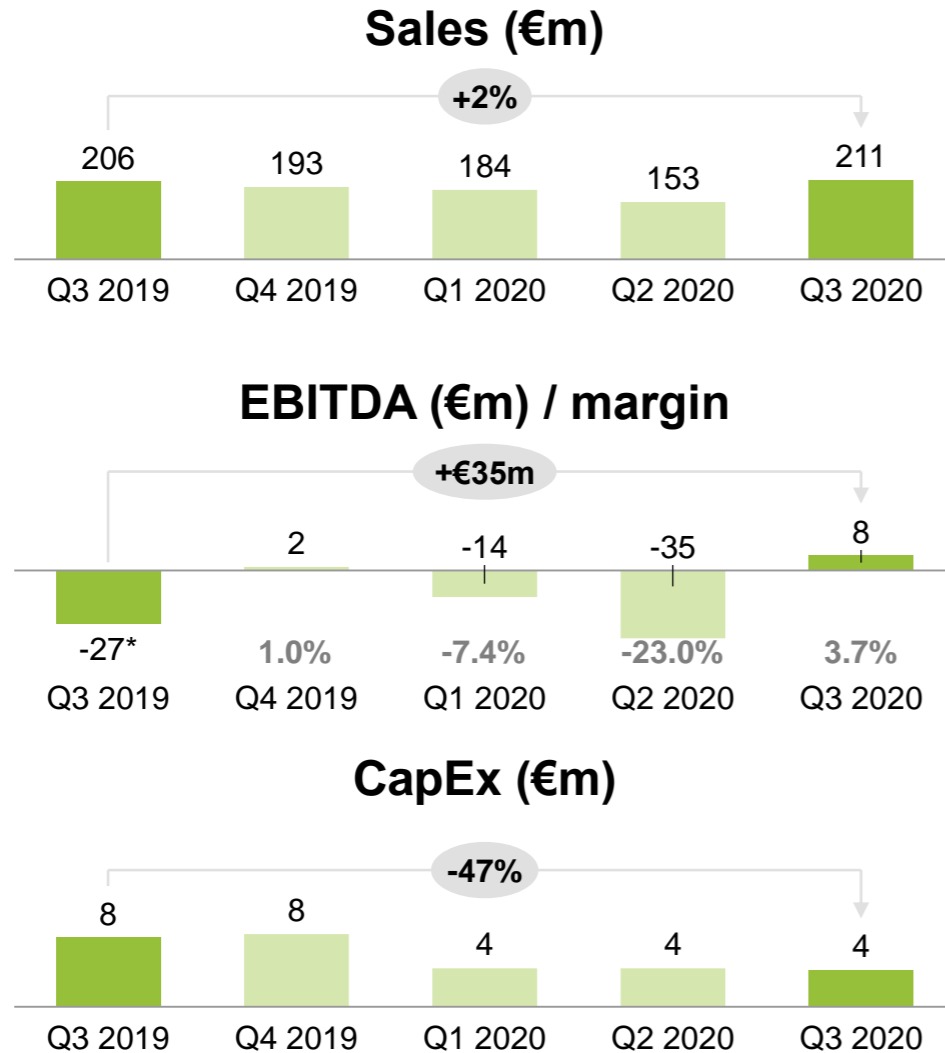
- ▶ Sales lower on COVID-19 related demand reduction in gum, FX and somewhat lower ASPs
- ▶ EBITDA above prior year level owing to good cost structure; lower sequentially without special income (Q2: €4m)

### Trading update

- ▶ BioPharma continues strong
- ▶ Bio CDMO business set for further growth with plant expansions in Amsterdam underway
- ▶ Slow recovery in chewing gumbase

# POLYSILICON

## Operational EBITDA Increased by €35m YOY on Good Cost Performance



### Highlights Q3

- ▶ Strong solar volumes and increasing prices over the quarter
- ▶ Good cost performance, increased plant utilization since August and some positive inventory valuation effects lead to EBITDA improvement

### Trading update

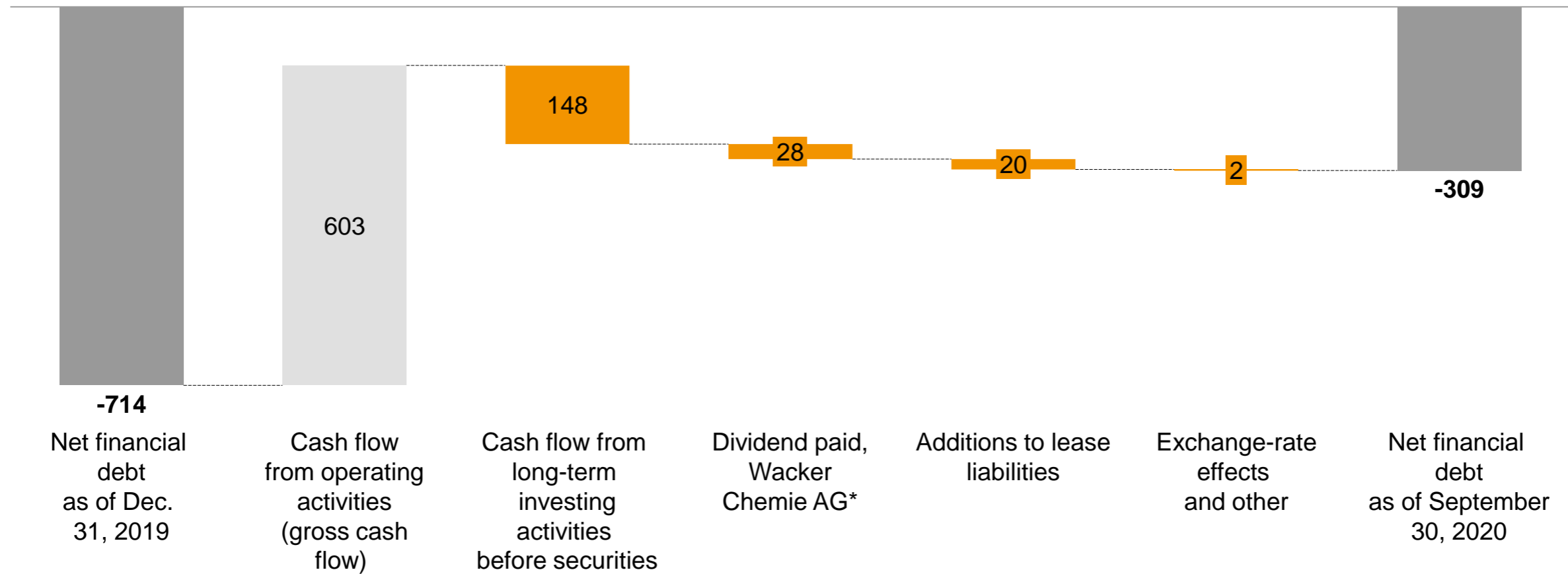
- ▶ Normalization of solar demand after Chinese holidays
- ▶ PV solar demand robust in 2020; strong rebound of global solar demand expected in 2021
- ▶ Aggressive cost reductions continue
- ▶ Continued good demand from semiconductors

\*Operational EBITDA: excluding €112.5m insurance benefits

# Net Financial Debt

## Strong Net Cash Flow Generation Drives YTD Improvement in Net Debt

### Net Financial Debt Bridge per 09/30/2020 (€m)



# Much Higher Net Cash Flow Despite Lower FY 2020 EBITDA Expected

## FY 2020 Guidance

<b>Operations</b>	<ul style="list-style-type: none"><li>▶ Highest priority on health and safety measures while maintaining deliveries to customers</li><li>▶ Short-time work programs phased out in most units</li></ul>
<b>Operating Profit &amp; Cash Focus</b>	<ul style="list-style-type: none"><li>▶ Tight cost control, reduction of discretionary expenses</li><li>▶ FY 2020 CapEx expected &lt;€250m</li></ul>
<b>Shape the Future</b>	<ul style="list-style-type: none"><li>▶ Progress on efficiency program “Shape the Future”: Agreement with employee representatives signed</li><li>▶ More detailed guidance as project unfolds, mid-double-digit million provision in 2020 expected</li></ul>
<b>Outlook</b>	<ul style="list-style-type: none"><li>▶ Significant mitigation (&gt;€100m) from raw material prices in 2020 expected</li><li>▶ Sales, EBITDA and EBITDA margin in 2020 below PY, but much higher net cash flow yoy</li></ul>

# EU Green Deal Triggers Strong Demand for Some WACKER Products

## Clean Energy



- ▶ Hyper pure polysilicon for high-efficiency solar cells
- ▶ Chemicals for wind generation
- ▶ Power-to-Chemicals (Use of Green Hydrogen)

## Renovation Wave



- ▶ Insulation materials, new binders and sealants for the construction sector
- ▶ Repair mortars prolonging building lifetime, increasing safety and energy efficiency

## Sustainable Mobility



- ▶ Silicones for automotive electronics
- ▶ Research on active anode materials for lithium-ion batteries

## Circular Economy



- ▶ Chemicals prolonging life span
- ▶ Chemicals enabling resource savings
- ▶ BioMass balanced products

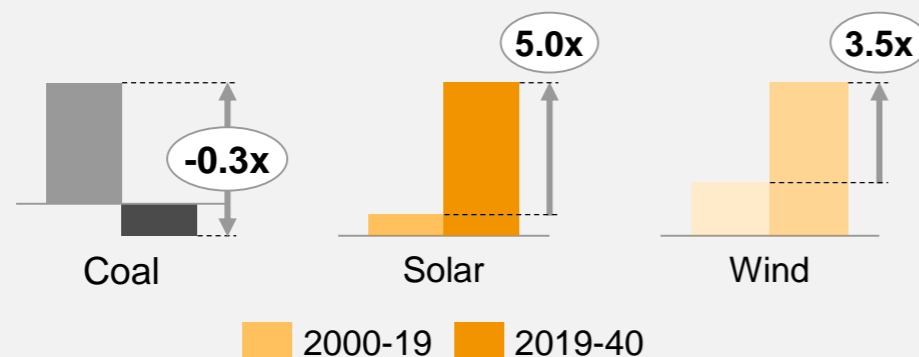
# WACKER Products Enable Solar and Wind Power Technologies

## Clean Energy

EU renewable electricity production needs to double to around 65% or more by 2030 to fulfill the targets laid out in the **EU Green Deal**.

Globally, renewable energy investments are to expand at unprecedented rates. In the IEA's 2020 World Energy Outlook, renewables are forecasted to dominate the demand growth.

### Change Global Electricity Generation (TWh) in the next 20 years



Source: IEA 2020 World Energy Outlook

## WACKER Solutions for the PV Sector

- ▶ Hyper pure polysilicon for high efficiency PV applications
- ▶ Silicone solutions for cabling and electronics

## WACKER Solutions for the Wind Sector

- ▶ HDK<sup>®</sup> pyrogenic silica is used in bonding the rotor blades and in securing the turbine to its foundations
- ▶ ELASTOSIL<sup>®</sup> for re-usable silicone rubber vacuum bags for making fiber-reinforced plastic composites parts
- ▶ SilGel<sup>®</sup> silicone elastomers are ideal for encapsulating extremely sensitive electronic devices and protecting them from external influences



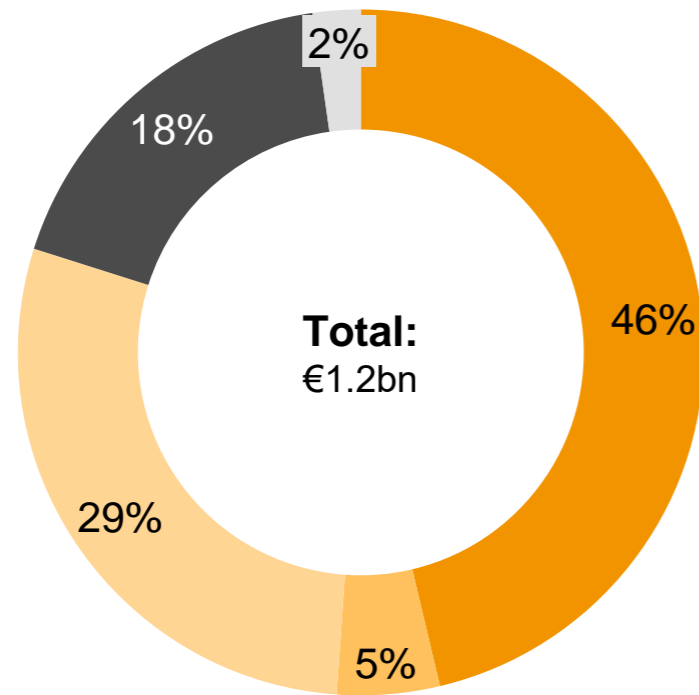
## Q3 2020 – Q&A Session

Dr. Rudolf Staudigl (CEO), Dr. Tobias Ohler (CFO)

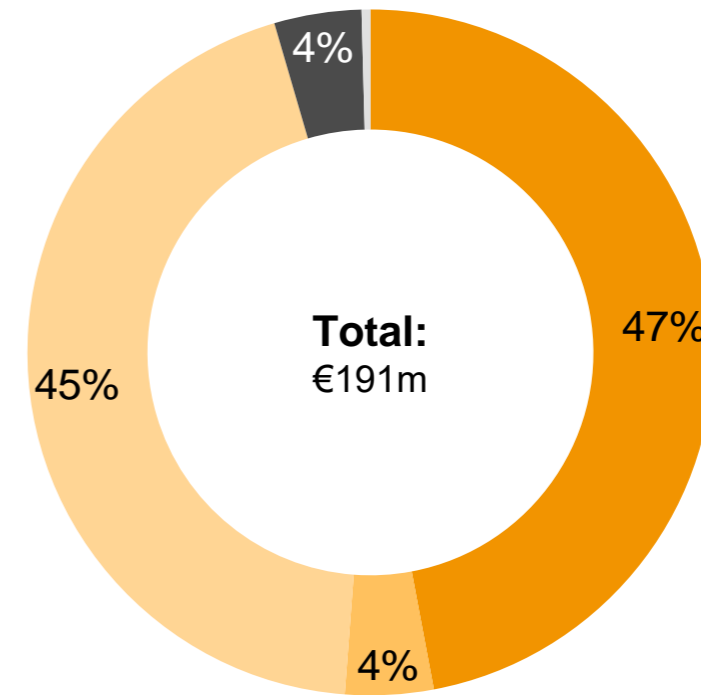
October 29, 2020

# Q3 2020 Results – Sales and EBITDA Breakdown

## Q3 2020 Sales



## Q3 2020 EBITDA



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



## Q3 2020 Results – P&L

In €m	Q3 2020	Q3 2019	% YoY	Q2 2020	% QoQ
Sales	1,183	1,268	-7	1,072	10
EBITDA	191	273	-30	105	81
EBITDA margin	16.1%	21.5%	-	9.8%	-
EBIT	91	137	-34	2	>100
EBIT margin	7.7%	10.8%	-	0.2%	-
Net income for the period	68	86	-22	5	>100
EPS in €	1.30	1.67	-22	0.07	>100
Capital expenditures	45	88	-48	40	14
Depreciation / amortization	100	136	-26	104	-3
Net cash flow	296	176	68	137	>100

## Q3 2020 Results – Overview by Business

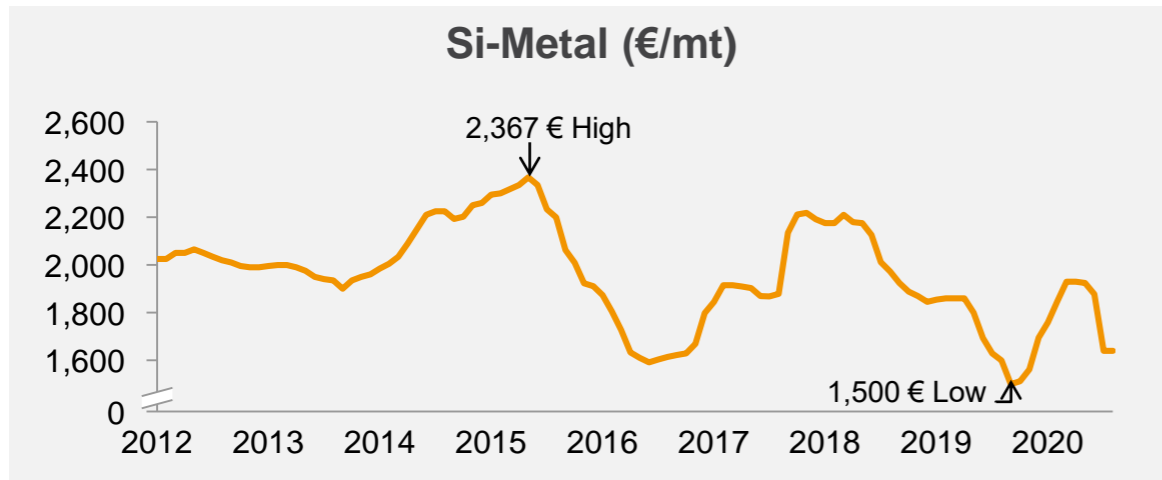
In €m / %	Sales					EBITDA					EBITDA Margin (%)		
	Q3 2020	Q3 2019	% YoY	Q2 2020	% QoQ	Q3 2020	Q3 2019	% YoY	Q2 2020	% QoQ	Q3 2020	Q3 2019	Q2 2020
<b>Chemicals</b>	<b>945</b>	1,029	-8	894	6	<b>184</b>	183	0	143	29	<b>19.4</b>	17.8	16.0
SILICONES	<b>548</b>	633	-14	533	3	<b>91</b>	127	-29	68	33	<b>16.5</b>	20.1	12.8
POLYMERS	<b>340</b>	335	2	298	14	<b>85</b>	49	75	59	45	<b>25.0</b>	14.5	19.8
BIOSOLUTIONS	<b>57</b>	61	-6	63	-9	<b>8</b>	7	10	16	-49	<b>14.0</b>	12.0	25.1
POLYSILICON	<b>211</b>	206	2	153	39	<b>8</b>	85	-91	-35	n.a.	<b>3.7</b>	41.2	-23.0
Others	<b>29</b>	37	-22	31	-5	<b>-1</b>	4	n.a.	-2	60	<b>-2.7</b>	10.5	-6.5
Consolidation	<b>-3</b>	-5	42	-4	38	<b>0</b>	1	100	0	0	<b>-</b>	-	-
<b>WACKER Group</b>	<b>1,183</b>	<b>1,268</b>	-7	<b>1,072</b>	10	<b>191</b>	<b>273</b>	-30	<b>105</b>	81	<b>16.1</b>	<b>21.5</b>	<b>9.8</b>

# Strong Rebound of Global PV Markets in 2021 Expected

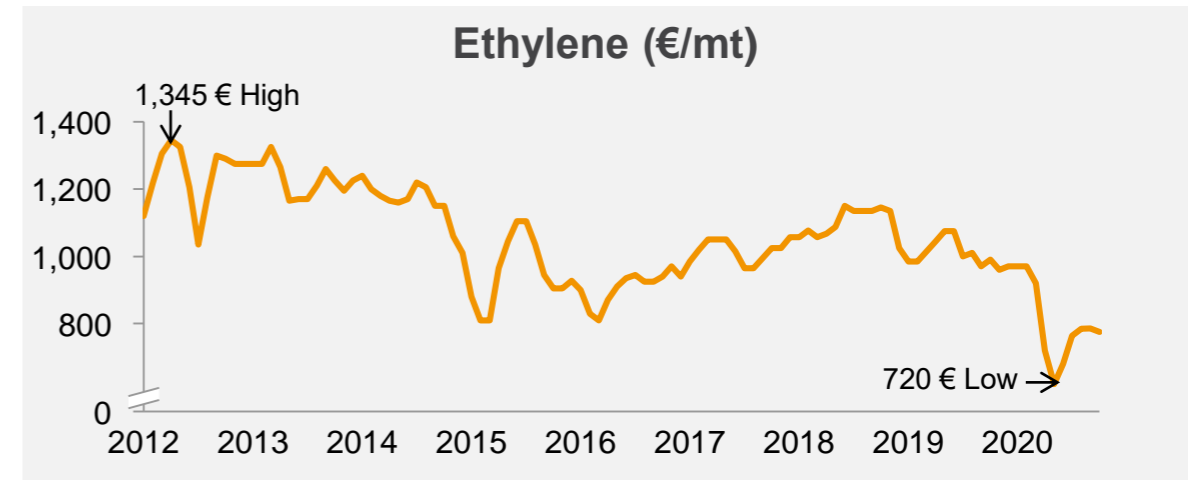
Country	2016	2017	2018	2019	2020	2021e
Germany	1.5	1.8	3.0	4.0	4.0 – 5.0	4.0 – 5.0
Spain	0.1	0.1	0.4	4.7	3.5 – 4.5	4.0 – 5.0
Europe other	4.8	4.9	8.1	13.0	11.0 – 13.0	14.0 – 18.0
<b>Europe total</b>	<b>6.4</b>	<b>6.8</b>	<b>11.5</b>	<b>21.7</b>	<b>18.5 – 22.5</b>	<b>22.0 – 28.0</b>
Australia	0.8	1.3	3.8	5.0	4.0 – 5.0	4.0 – 6.0
China*	32.5	52.8	44.3	30.2	30.0 – 35.0	40.0 – 50.0
India	4.3	9.6	8.5	7.3	5.0 – 7.0	9.0 – 11.0
Japan	8.4	7.4	7.0	7.5	6.0 – 7.0	6.0 – 7.0
USA	14.8	10.6	10.6	13.3	16.0 – 19.0	18.0 – 22.0
Rest of Americas	3.0	3.4	6.0	7.5	6.5 – 7.5	8.0 – 10.0
Rest of World	7.7	8.1	13.3	26.0	24.0 – 27.0	33.0 – 36.0
<b>Total</b>	<b>78 GW</b>	<b>100 GW</b>	<b>105 GW</b>	<b>120 GW</b>	<b>110 – 130 GW</b>	<b>140 – 170 GW</b>

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

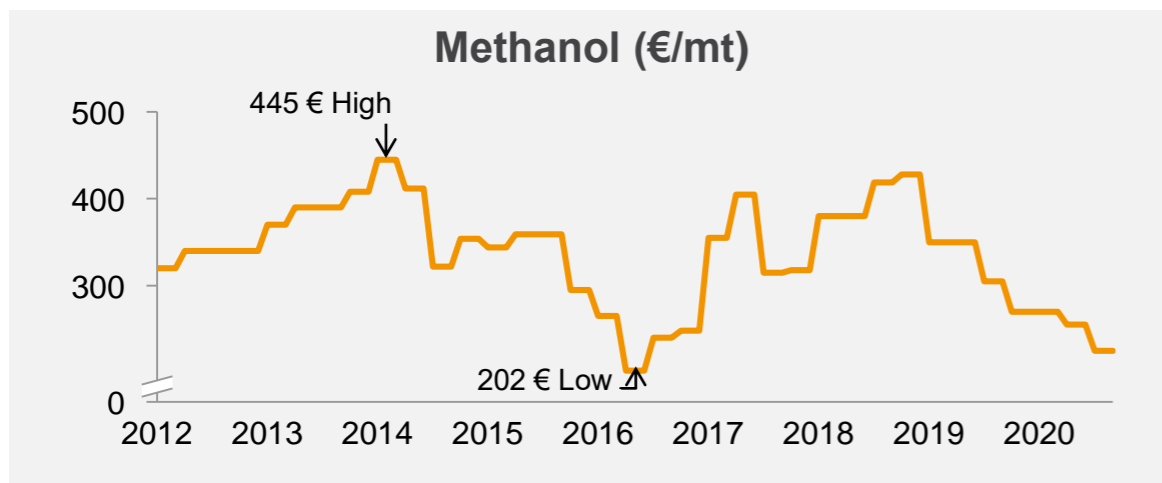
# Raw Material Prices with Volatile Development



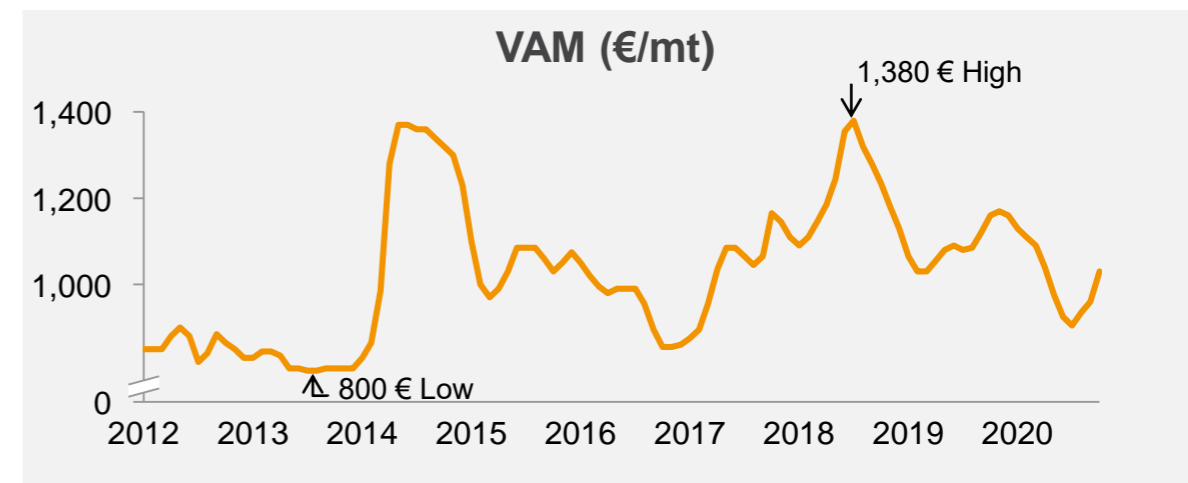
Source: CRU, Si-Metal Spot FD Europe



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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## Additional Information



<b>ISIN</b>	DE000WCH8881
<b>WKN</b>	WCH888
<b>Deutsche Börse</b>	WCH

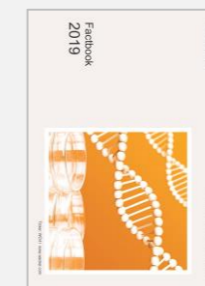
## Financial Calendar

<b>12/17/20</b>	Virtual CMD Series: SILICONES & POLYMERS
<b>03/16/21</b>	FY 2020 Results
<b>04/29/21</b>	Q1 Results 2021
<b>05/12/21</b>	Annual Shareholders' Meeting
<b>07/29/21</b>	Q2 Results 2021
<b>10/28/21</b>	Q3 Results 2021

## Publications



CUSTOMER  
MAGAZINE



FACTBOOK



SUSTAINABILITY  
REPORT



SQUARE  
APP