

# Growth, returns and cashflows



SPEAKER

Filip Platteeuw



# Horizon 2020 strategy financial targets



Delivered on financial targets



	2015 – 2020 Targets	2020 Values	2021 Values
Accelerating profitable growth	CAGR revenues of 7 %	7 %	9 %
	CAGR adj. EBITDA of 8 %	12 %	18 %
	Double adj. EBIT to € 0.5bn by 2020	Achieved in 2018	Tripled by 2021
High investments & strong returns	Group ROCE > 15 %	12.1 %	22.2 %

**Delivered on top-line growth ambition**

**Not at the detriment of margins**  
– double digit earnings growth

**Strong value creation** notwithstanding ROCE headwinds due to delayed capacity utilization in Rechargeable Battery Materials in China

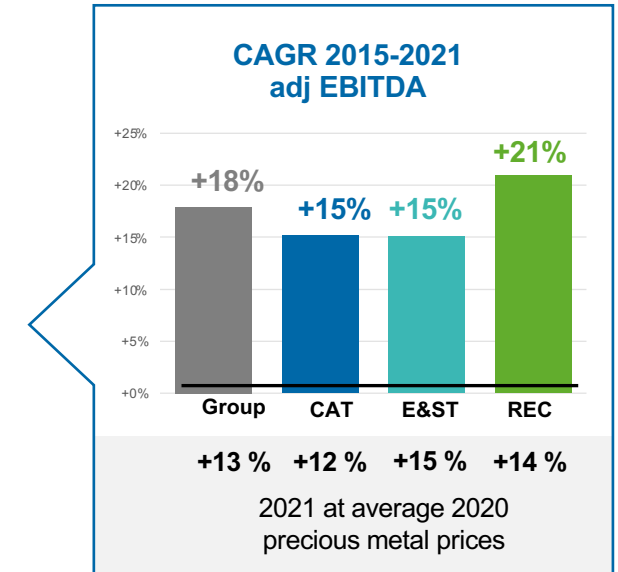
**Record 2021 results** with record precious metal prices as accelerator



# Horizon 2020 strategy drove step-change

Doubled in size : earnings, capital employed and value

	2015	STEP CHANGE	2021
Workforce ('000)	8.8	+ 26 %	11.1
Revenues (€ bn)	2.3	x 1.7	4.0
adj EBITDA (€ bn)	0.47	x 2.7	1.25
Average Capital Employed (€ bn)	2.2	x 2.0	4.4
Enterprise Value (€ bn)	4.5	x 2.1	9.6
Market Cap (€ bn)	4.2	x 2.1 ~ 15 % annual TSR	8.6



**Doubled size of the Group** driven by strong underlying market growth and accelerated by metal prices

**Substantial growth investments**, yet to generate full payback potential

**Strong double digit shareholder returns** (with increased volatility in recent years)

**Balanced earnings growth** across different business groups



Enterprise Value and Market Cap calculated end of calendar year  
 TSR = Total Shareholder Return = Market Cap accretion (eoy) + dividend payout  
 Workforce = fully consolidated entities

# Metal price assumptions going forward

## Anticipate non-linear price changes interlinked to the pace of electrification

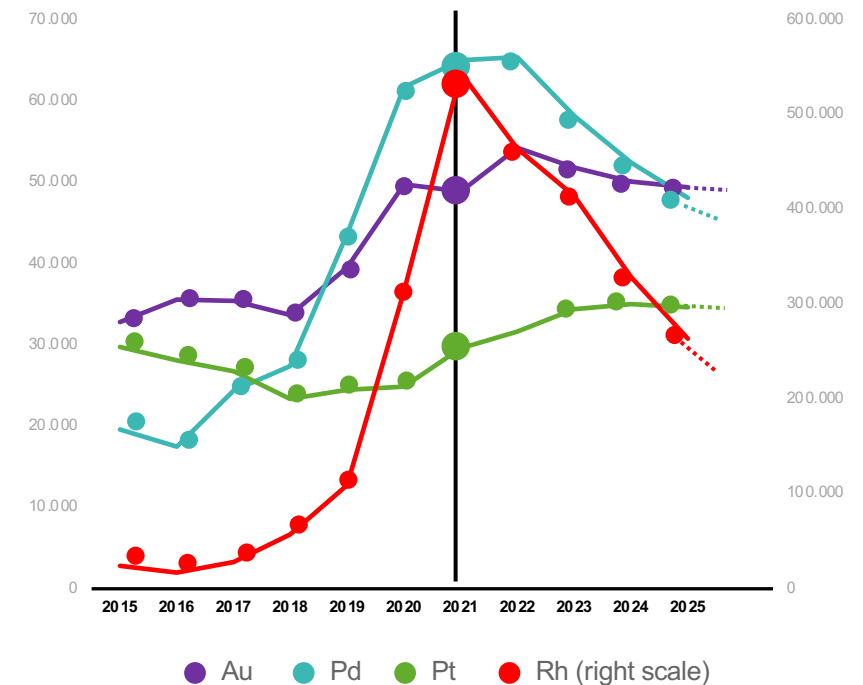
Strategy is *not* predicated on today's high precious metal prices

- Near-term structural supply/demand tightness to support prices
- Over time, gradually lower PGM demand for emission control applications
- Except for Pt, supported by a.o. fuel cell growth
- Two price sets considered : gradual PGM price normalization scenario vs stable pricing at comparable average 2020 levels\* (Recycling & Catalysis sensitivity)

Battery materials metals (Co, Ni & Li) simulated at 2021 average prices

- Probability of continued price volatility in view of emerging battery market characteristics
- Battery Recycling supply expected to become a stabilizing factor as from the end of the decade

Historical average precious metal prices & average third party projections (€/kg)



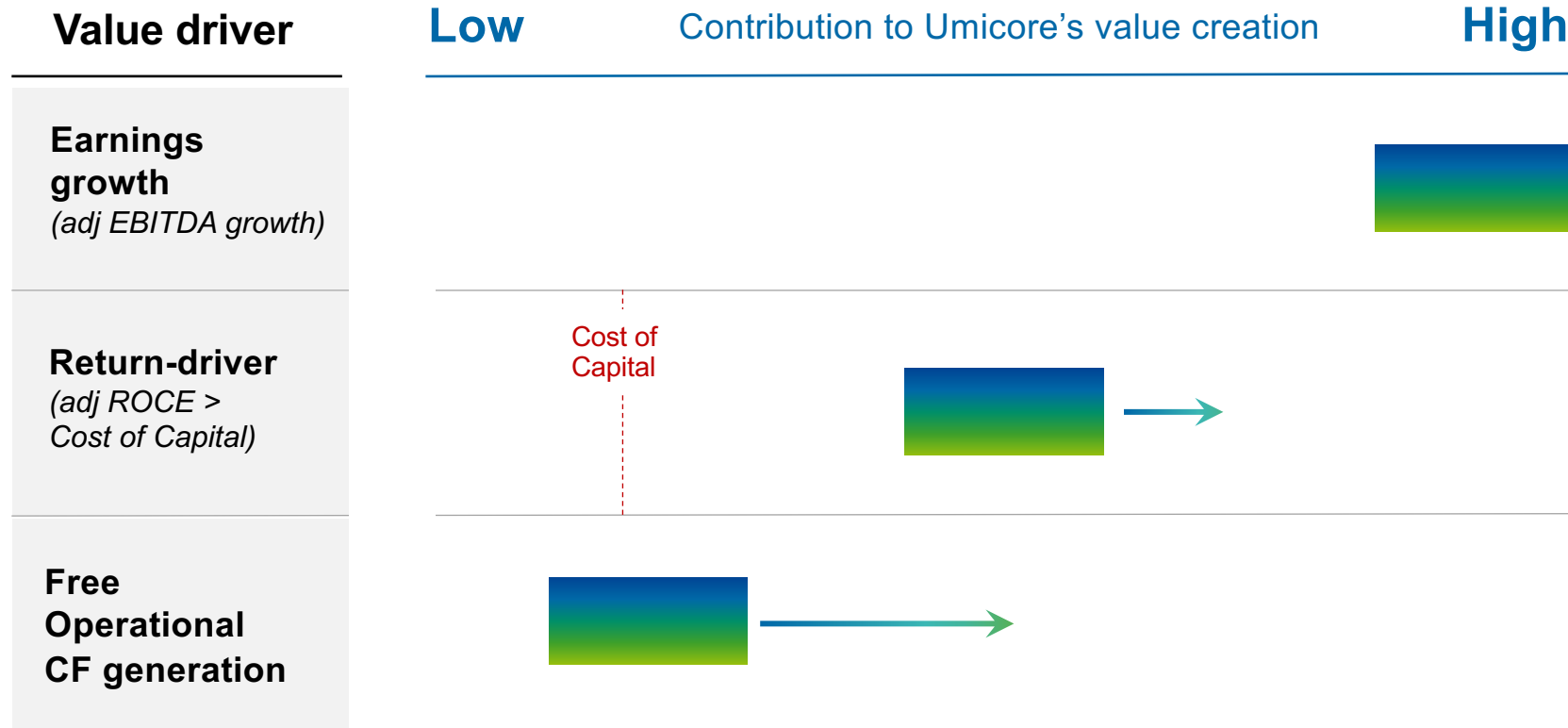
Based on following sources (May) : Barclays, BMO, BNP Paribas, BofA, Canaccord, CIBC, Credit Suisse, Desjardins, Deutsche, Goldman Sachs, HSBC, Jefferies, JP Morgan, Liberum, Macquarie, National Bank of Canada, Natixis, NBF, Raymond James, Royal Bank of Canada, Scotiabank, GBM, Stifel, UBS



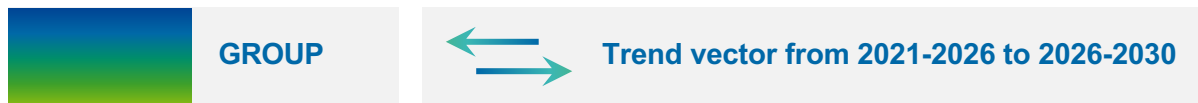
\* Au, Ag, Pt, Pd, Rh

# Differentiated sources of value creation

## Balancing growth, returns and cash flows for the Group



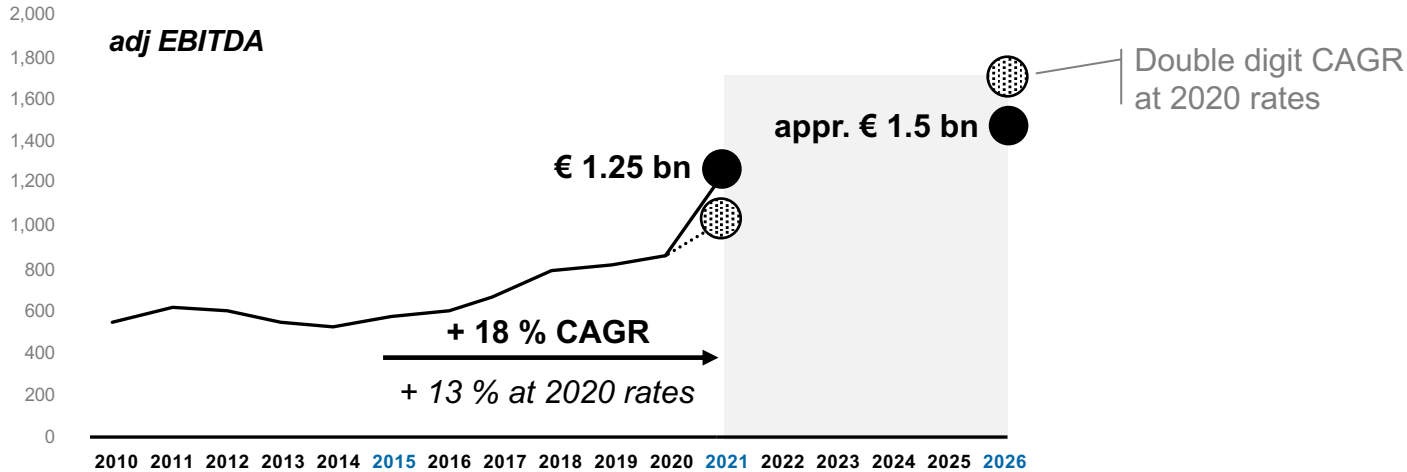
- **Attractive earnings growth** driven by Rechargeable Battery Materials & Battery Recycling Solutions
- Group growth rate depends on metal prices
- **Group returns above Cost of Capital across the plan** despite sizeable growth investments
- Reinvest significant free cash flows of Catalysis & Recycling in E&ST
- **Cash flow payback as from second half of decade**



# Umicore Group earnings growth ambition



## Secular earnings growth while maintaining attractive historical margins

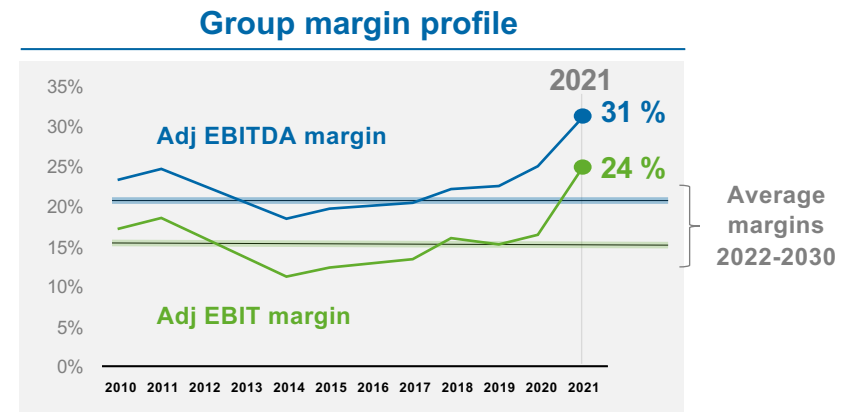


● 2021 actual reported adjusted EBITDA  
 ● 2026 assuming a gradual PGM price normalization scenario

● at aver 2020 PGM prices

- Ambitious 2026 growth plan with Rechargeable Battery Materials as transformative factor and growth in Catalysis**
- Growth expected to be non-linear and dependent on metal price trends**
- Substantial growth beyond 2026 from battery materials, battery recycling and fuel cells**
- Attractive Group margins in line with historic average (assuming normalized PGM prices)**

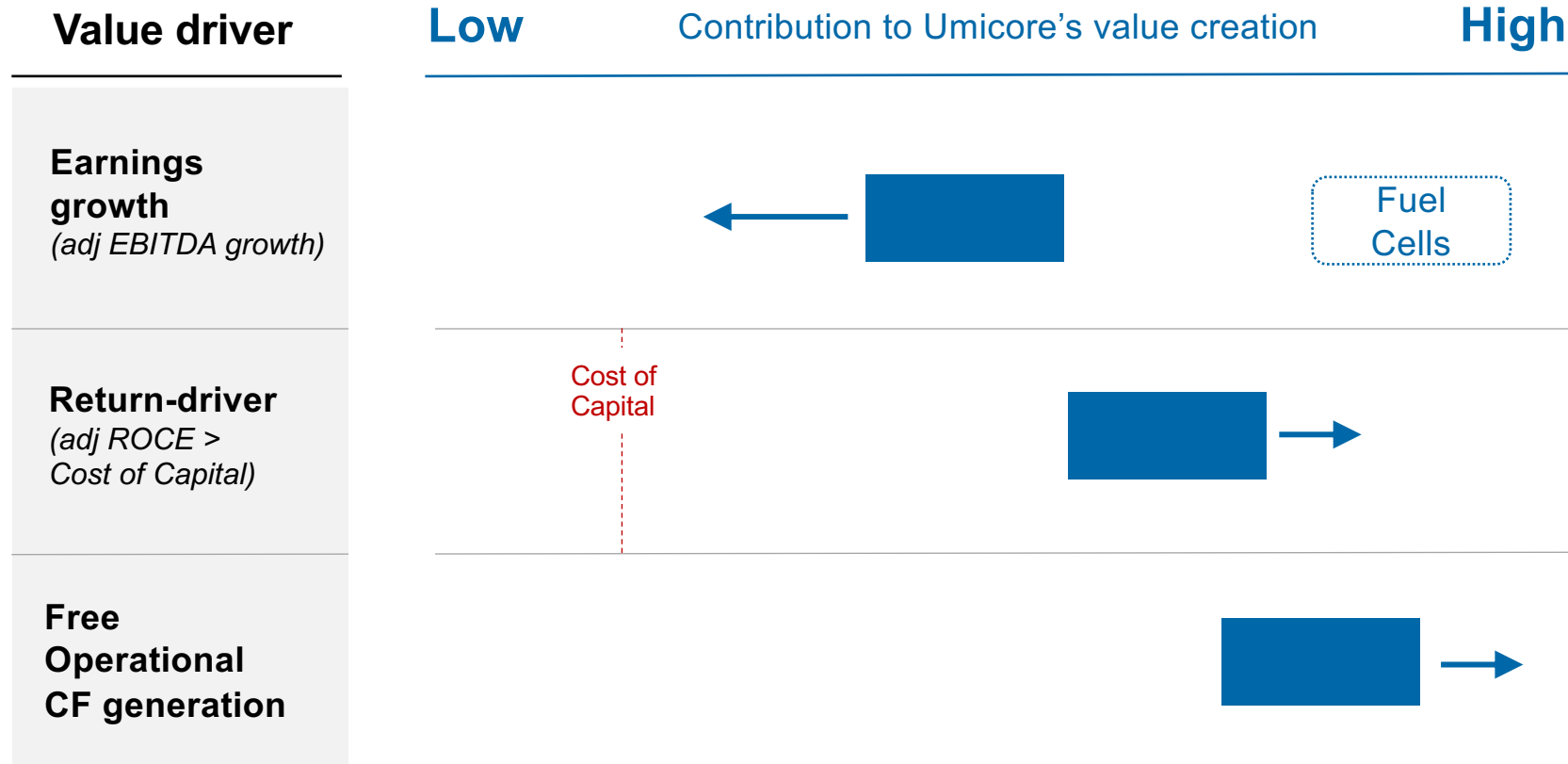
	2021	2026 ambition	2030 vision
<b>Revenues</b>	€ 4 bn	+ € 2.5 bn to € 3 bn vs 2021	+ € 2.5 bn to € 3 bn vs 2026
<b>adj EBITDA margin</b>	€ 1.25 bn 31 %	appr. € 1.5 bn > 20 %	> 20 %
<b>Phased growth conditional upon value creative returns from contracts</b>			



Group adj EBITDA includes Corporate adj EBITDA : from - € 52m in 2021 to appr - € 75m in 2026 and higher in 2030  
 All financial KPI's based on current Umicore reporting definitions

# Catalysis

## Balancing growth, returns and cash flows

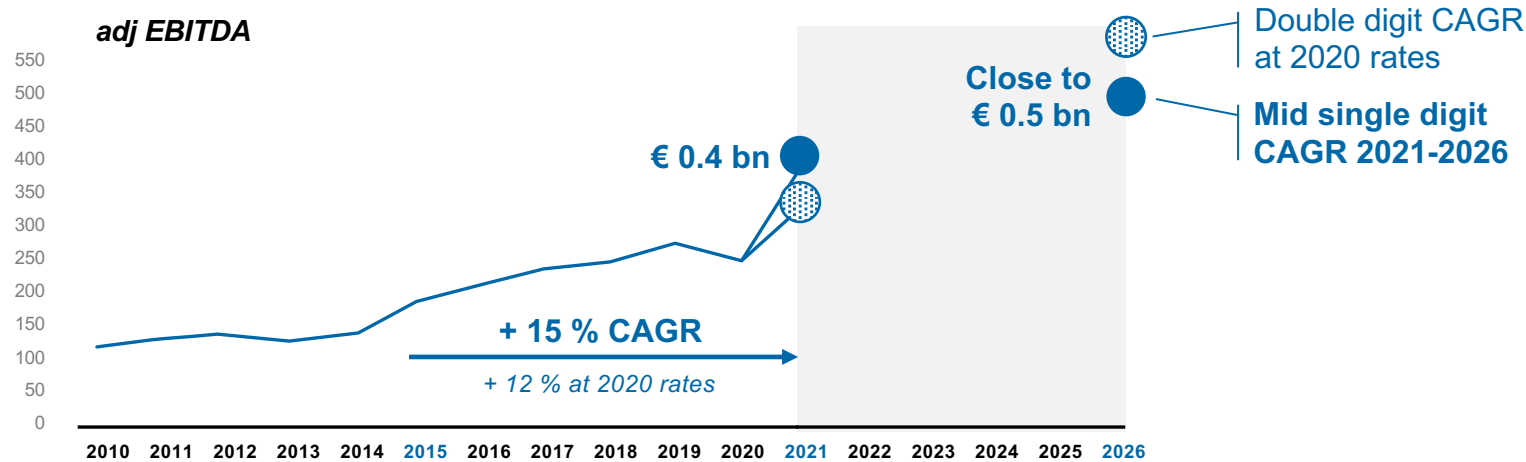


- Capture unprecedented value peak in Automotive Catalysts in the decade
  - Prepare growth acceleration in fuel cell catalysts after mid-decade
- 
- Reduction in Cap Empl in Automotive Catalysts to drive high(er) returns
  - Initial payback in fuel cells towards end of decade (lower capital intensity)
- 
- High free cash flows over the plan
  - Transition from growth to free cash flow focused business model in Automotive Catalysts



# Catalysis

Committed to capture medium-term growth while driving efficiency & cash



● 2021 actual reported adjusted EBITDA  
 2026 assuming a gradual PGM price normalization scenario

● at aver 2020 PGM prices

	2021	2026 ambition	2030 vision
<b>Revenues</b>	€ 1.69 bn	appr. € 2.0 bn	> 2021 and < 2026
<b>adj EBITDA</b>	€ 0.40 bn	close to € 0.5 bn	comparable vs 2026
<b>margin</b>	24 %	> 20 %	
<b>Fuel cell catalysts in % of adj EBITDA</b>	< 5 %	< 10 %	< 30%
			<b>Substantial fuel cell acceleration after 2030</b>

**Attractive medium-term growth** from car market recovery, final legislation cycle and HDD expansion

**Maintain margins above historical average** through continued operational efficiency focus

**Substantial free cash flows** accelerating as from mid-decade

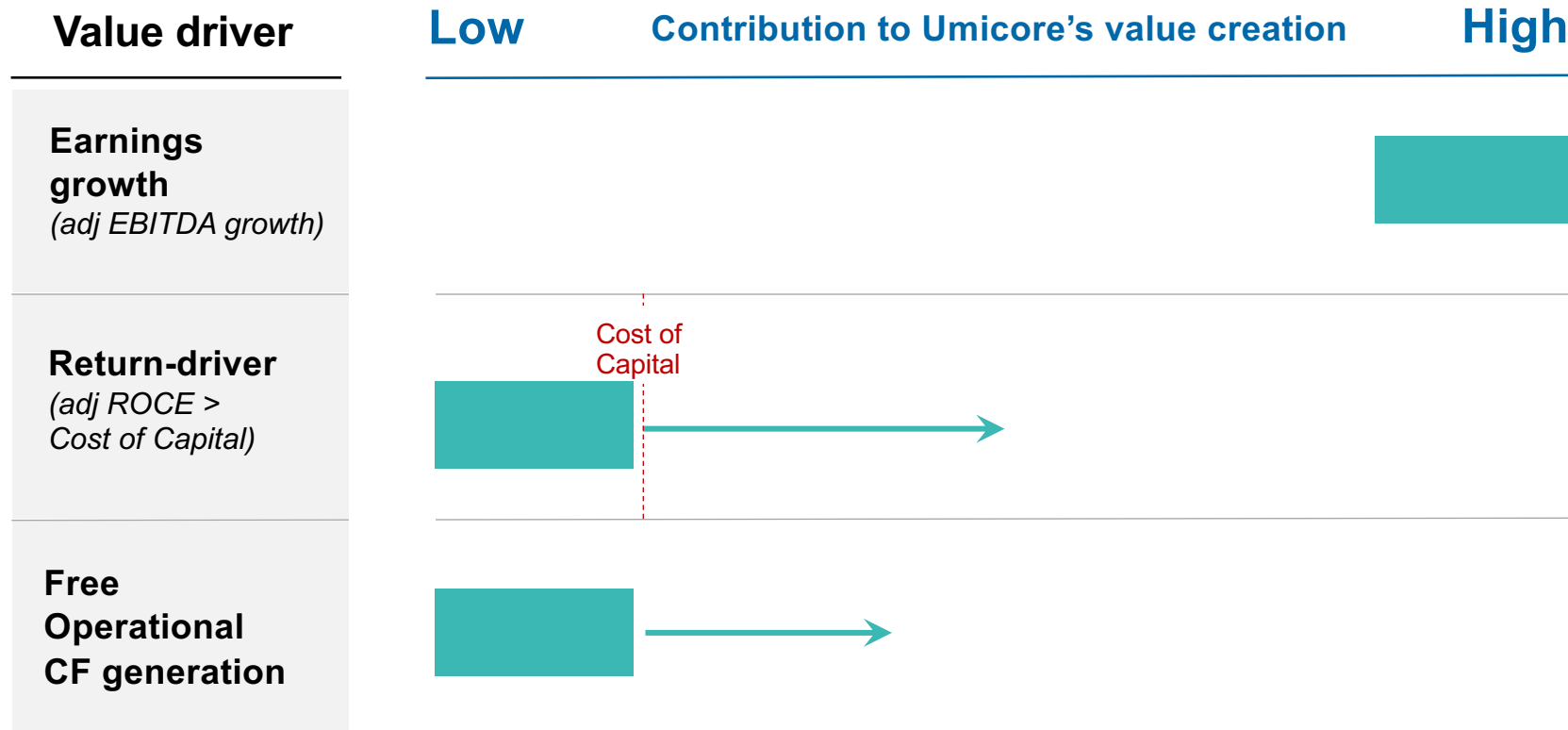
**Strong position in fuel cells** with meaningful growth contribution as from mid-decade and material contribution as from next decade





# E&ST

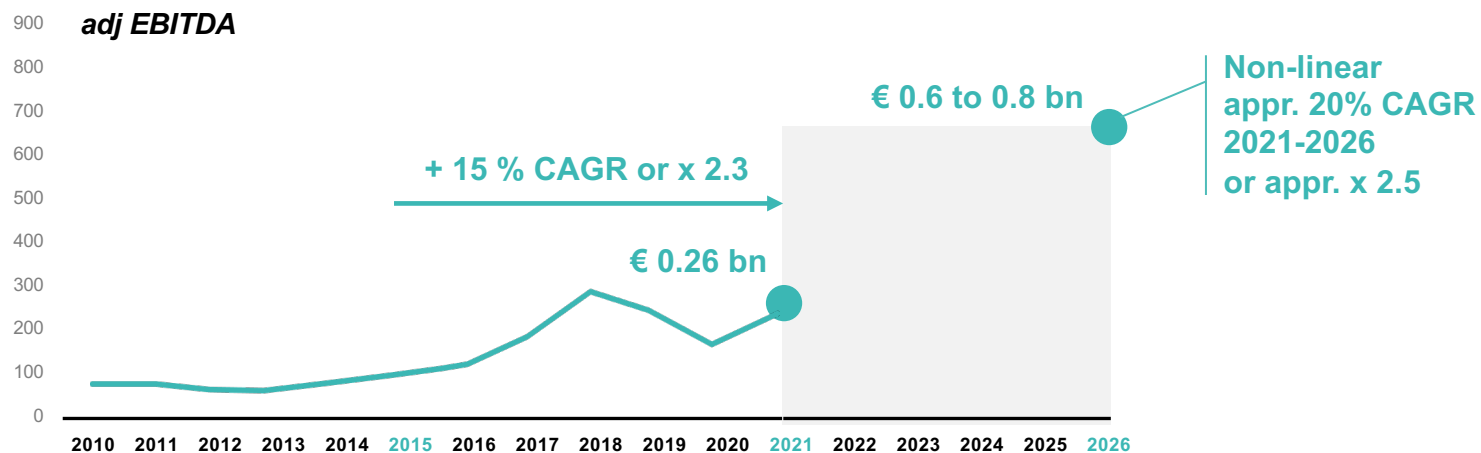
## Balancing growth, returns and cash flows



- Unprecedented transformational growth in Rechargeable Battery Materials
- Partial payback by 2026 from high growth investments in Rechargeable Battery Materials; becoming value creative shortly thereafter
- Significant upfront growth investments dampen free cash flows; strong free cash flows once new greenfield sites are ramped-up



## Rechargeable Battery Materials to drive transformative growth



**Step-change in revenues & earnings as from mid-decade** driven by Rechargeable Battery Materials

**Robust underlying EBITDA margins** despite impact from substantial upfront growth & start-up costs. Margin increase after 2026

**Material but phased investments conditional upon value creative returns**

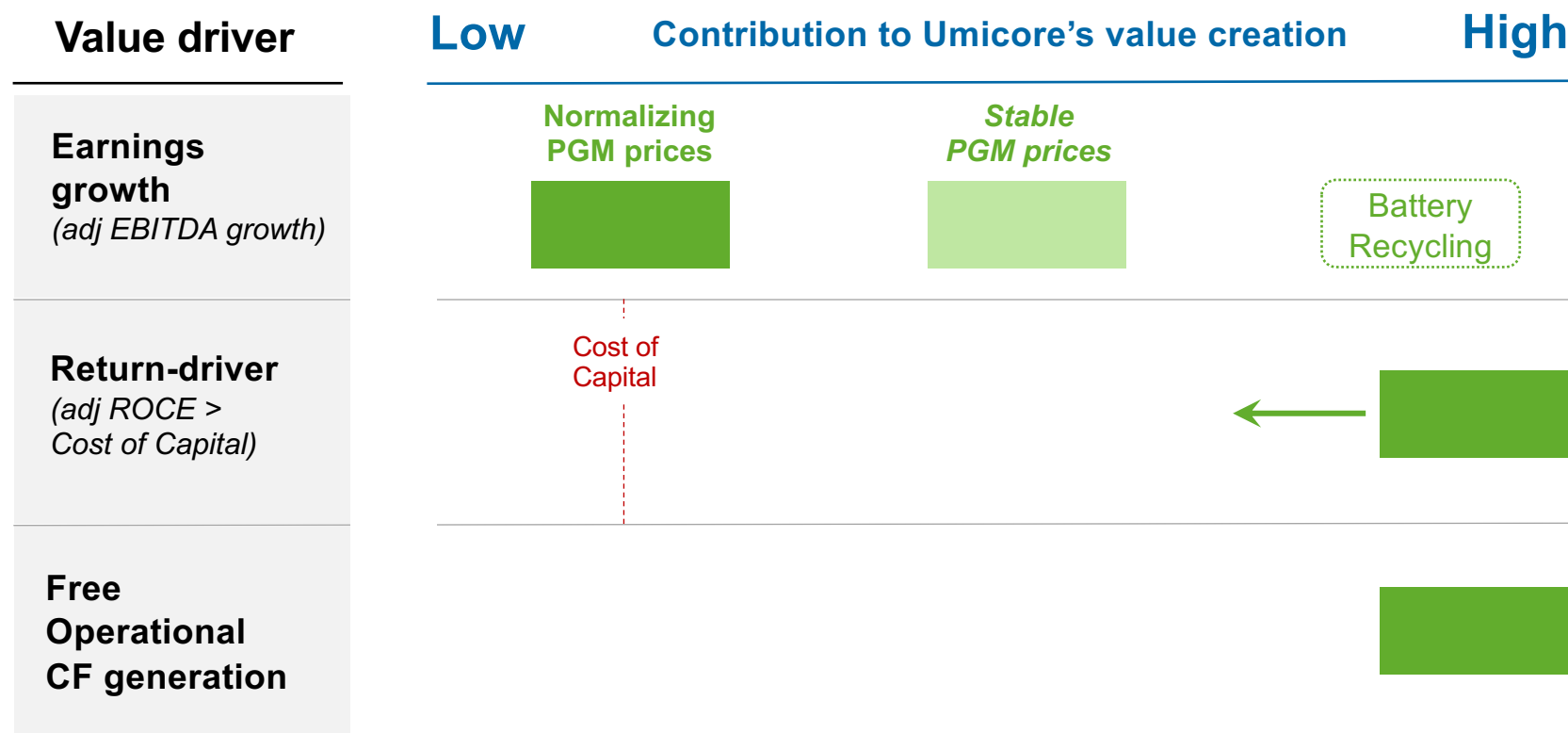
**Non-Rechargeable Battery Materials businesses target selective growth, maintaining + 20% adj EBITDA margins**

	2021	2026 ambition	2030 vision
<b>Revenues</b>	€ 1.17 bn	+ € 2.5 bn to € 3 bn vs 2021	+ € 2.5 bn to € 3.5 bn vs 2026
<b>adj EBITDA margin</b>	€ 0.26 bn 22 %	€ 0.6 to 0.8 bn < 20 %	higher vs 2026
<b>Phased growth conditional upon value creative returns from contracts</b>			



# Recycling

## Balancing growth, returns and cash flows



- Earnings path to depend on prevailing metal prices
- Initial battery recycling payback second half of decade

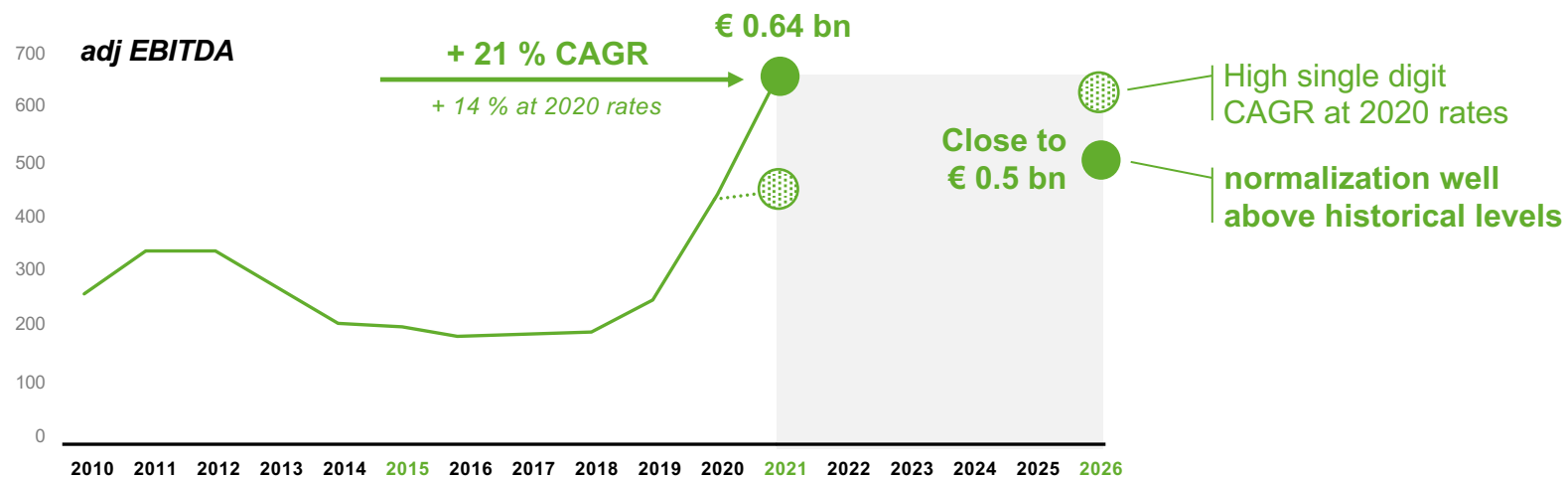
- Highly value creative returns across the plan (even with lower metal prices)
- Battery recycling capital investment to somewhat dilute returns

- Significant free cash flows despite important mid-decade battery recycling investments



# Recycling

## Strong margins, returns & cash flows and Battery Recycling kicking in mid-decade



● 2021 actual reported adjusted EBITDA  
● 2026 assuming a gradual PGM price normalization scenario

● at aver 2020 PGM prices

	2021	2026 ambition	2030 vision
<b>Revenues</b>	€ 1.11 bn	> € 1.0 bn	> € 1.0 bn
<b>adj EBITDA</b>	€ 0.64 bn	close to € 0.5 bn	< 40 %
<b>margin</b>	58 %	> 40 %	> 30 %
<b>Battery Recycling in % of adj EBITDA</b>	n.r.	< 10 %	Sizeable additional battery recycling growth potential

Earnings dependent on assumed metal prices but continue to generating superior margins even at normalized PGM prices

Includes substantial **Battery Recycling Solutions** - related development costs up to 2025

Includes one initial large-scale battery recycling plant, operational by 2026 with full contribution by end of the decade. Potential for additional growth

Substantial free cash flow generation, accelerating as from battery recycling plant commissioning

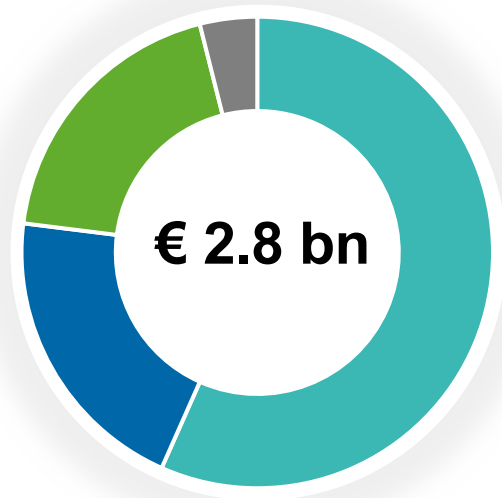




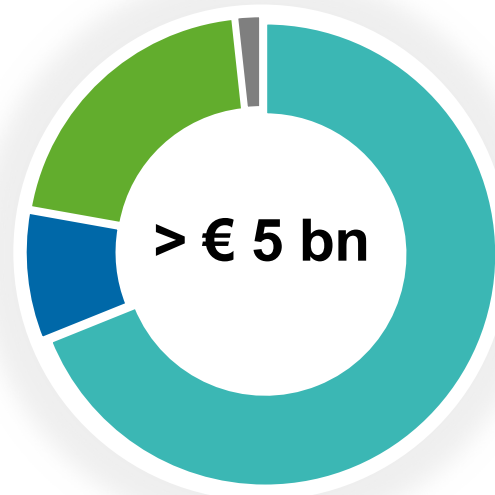
# Growth investments to accelerate

Over 3/4<sup>th</sup> of Group capex in battery materials, battery recycling & fuel cells

Capex 2015-2021



Capex 2022-2026\*



- Catalysis
- E&ST
- Recycling
- Corporate

Phased capex and conditional upon value creative returns

Bulk of Group capex oriented towards secular growth opportunities

Rechargeable Battery Materials & Battery Recycling Solutions most significant growth projects in 2022-2026

Lower share of capex in Catalysis notwithstanding initial fuel cell growth investments

Fuel cell capex as % of Catalysis	< 20 %
Rechargeable Battery Materials capex as % of E&ST	> 90 %
Battery Recycling Solutions capex as % of Recycling	appr. 50 %
<b>Total as % of Group total</b>	<b>&gt; 75 %</b>



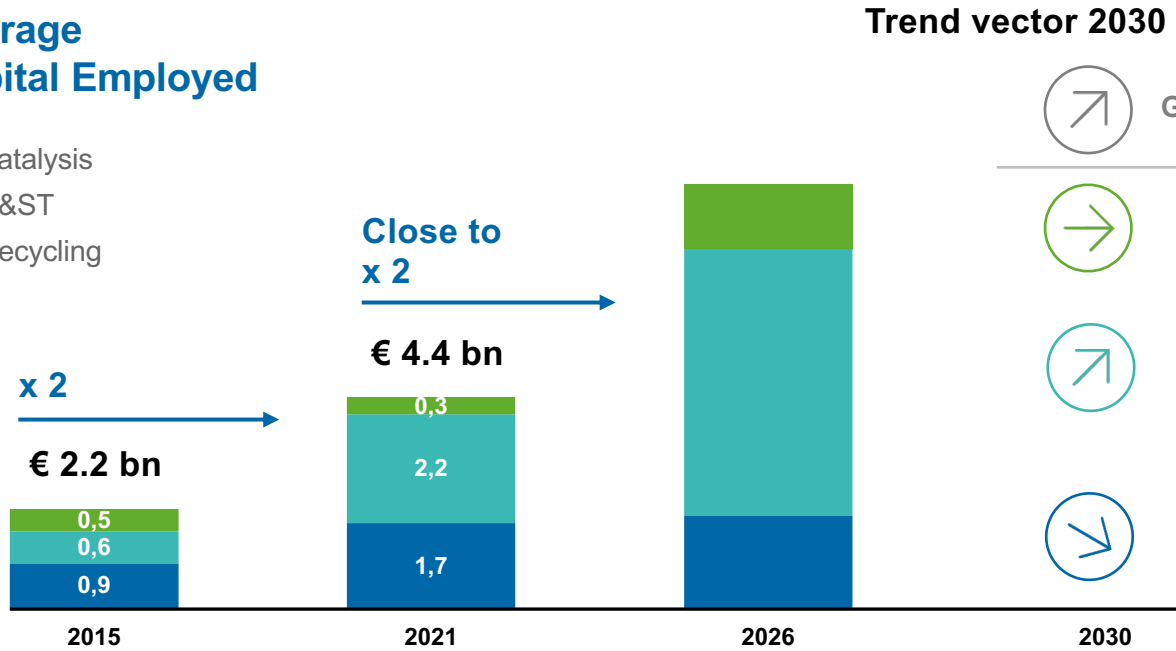
\* Net investments incl co-financing

# Capital allocation shift to accelerate

## Doubling of capital employed subject to value creative returns

### Average Capital Employed

- Catalysis
- E&ST
- Recycling



E&ST in % of average Group Cap Employed	2015 ~ 1/3rd	2021 ~ 50 %	2026 ~ 2/3rd	2030 > 2/3rd

**Close to doubling of average capital employed by 2026 (vs 2021) driven by Rechargeable Battery Materials & Battery Recycling Solutions**

### Catalysis

stable base up to 2026 (incl. fuel cell investments); significantly lower base as from mid-decade; substantial working capital release anticipated

### E&ST

grow to appr. 2/3<sup>rd</sup> of group capital base driven by Rechargeable Battery Materials expansion

### Recycling

increase in capital base through large scale Battery Recycling plant & ESG investments in Hoboken

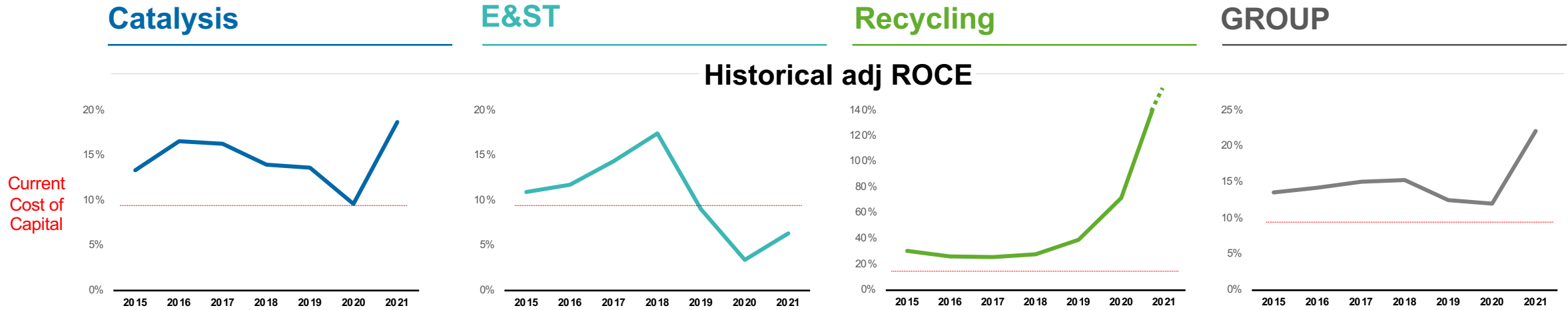
**Further growth beyond 2026** depending on growth pace in Rechargeable Battery Materials and Battery Recycling Solutions



Group totals include Corporate. Capital Employed sensitive to prevailing metal prices through NWC. Projections assume gradual normalization of PGM prices and battery material metal prices in line with 2021 average price.

# Capital allocation shift to accelerate

Group returns above cost of capital with some temporary dilution in E&ST



## Plan ambitions

2026 ambition ~ 20 %  
2030 vision > 20 %

Lower capital employed base drives higher returns

2026 ambition > 8 %  
2030 vision > 12.5 %

Near-term returns dampened by Rechargeable Battery Materials' growth costs and investments. Above cost of capital shortly after 2026

2026 ambition ~ 30 %  
2030 vision ~ 20 %

Highly value-creative returns on higher capital base incl. Battery Recycling; assumes normalized PGM prices

2026 ambition > 12.5 %  
2030 vision 15 %

Stay above cost of capital across the plan and create substantial value towards end of decade once mid-decade investments are ramped-up



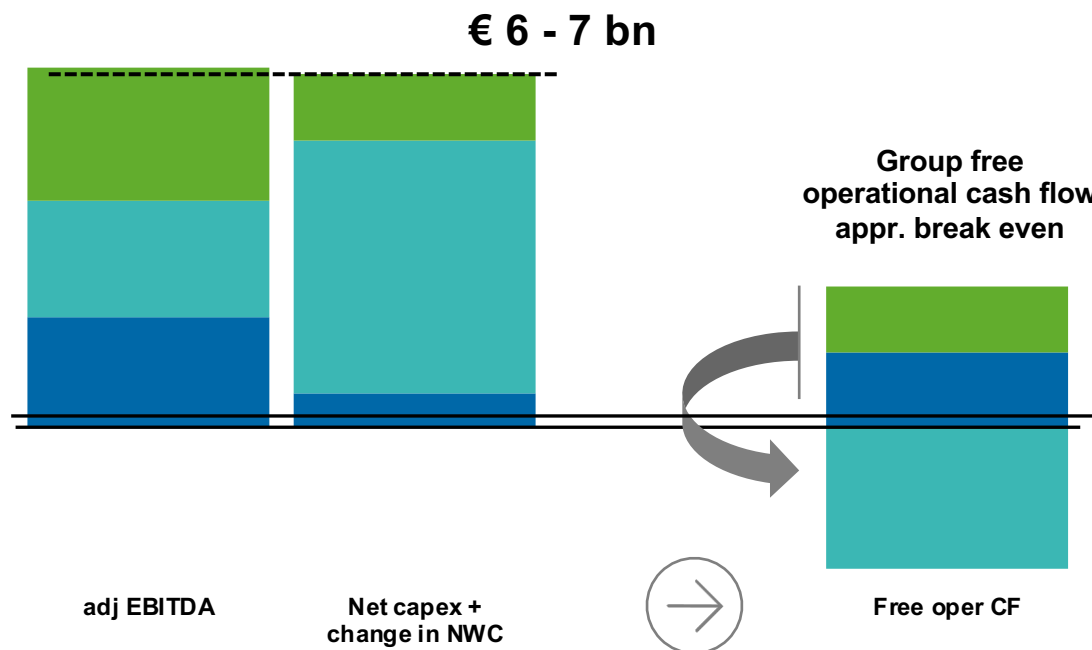
Capital Employed sensitive to prevailing metal prices through NWC

# Operational cash flow profile

## Substantial free cash flows in Catalysis & Recycling reinvested into E&ST

### Cumulative cash flows 2022 - 2026

- Catalysis
- E&ST
- Recycling



**Substantial free cash flows in Catalysis and Recycling Accelerating further beyond 2026**

**Reinvested in Rechargeable Battery Materials expansion**

**E&ST cash payback after capacity ramped-up (> 2026)**

**Potential for substantial operational free cash flows after 2026 depending on level of growth investments to accommodate post-2030 growth**



Group total includes Corporate  
 Free Operational CF defined as adj EBITDA – equity accounted contribution – Capex – change in NWC  
 Net capex includes co-financing



# Funding levers

## From full autonomous funding to co-funding partnership model

Policy unchanged :  
Maintain Investment Grade status

### Embedded in group strategy

### Optional

Embedded in group strategy				Optional	
<b>Strong free operational cash flow generation</b>	<b>ESG-focused debt funding appetite</b>	<b>Co-funding partnership model</b>	<b>Joint Venture investment sharing</b>	<b>Grants and other funding incentive mechanisms</b>	<b>Capital Market funding</b>
Catalysis & Recycling as strong free cash flow generators	Leverage on growing debt appetite & capacity in the market for ESG- and electrification-focused projects	Customers open to participate in operational funding in return for capacity assurances & technology commitment	Selective strategic JV set-ups allow to share the upfront investment burden in return for sharing the returns	Access substantial support funding for the electrification transformation as an established player with proven technology and industrialization skills	To accelerate Rechargeable Battery Materials expansion, conditional upon business & return visibility.



umicore<sup>®</sup>

materials for a better life