Umicore H1 2020 performance

31 July 2020
Overview

COVID-19 outbreak and Umicore’s response
H1 2020 business review
Outlook
H1 2020 financial review
Wrap up
Q&A
COVID-19 outbreak: impact on auto-industry

H1 2020 YoY evolution of passenger car production across all powertrains (source: IHS & Umicore - 20/07/2020)

H1 2020 global car production down 35% YoY
COVID-19 outbreak: impact on EV sales

H1 2020 YoY evolution of BEV and pHEV car sales (source: EV Volumes)

China

Europe

Global market

*Pre-buying in June 2019 due to lower subsidy regime as of July 2019
Immediate measures in response to COVID-19

Keeping our people healthy and ensuring safe working conditions

Strict hygiene and precautionary measures

Dedicated task force to monitor operations globally

Preserving cash

Reduce costs (e.g. production capacity adjusted and use of temporary unemployment measures where applicable)

Optimize working capital

Delay investments except for EHS and strategic projects

Reduced dividend of € 0.375 per share for the full year 2019
Longer-term measures in response to COVID-19

Assessing production footprint and asset utilization

- Consolidation of North American automotive catalyst production activities in Burlington, Canada
- Discontinuation of automotive catalyst production in Tulsa, USA
- Additional cash and non-cash adjustments may be required in H2

Strengthening of funding structure and increasing liquidity

- Additional funding: placement of € 500 m convertible bond and € 125 m loan from EIB
- Strong balance sheet with ample liquidity (€ 1.2 bn cash and equivalents + ~ € 1bn additional committed undrawn credit lines)
- Well-balanced LT debt profile with no material maturities prior to 2023
Key figures H1 2020

- **REVENUES**: €1.6 bn, -4% YoY
- **Adjusted EBIT**: €243 m, Stable YoY
- **Free Operating Cash Flow**: €108 m
- **Adjusted NET PROFIT (Group share)**: €148 m, Adjusted EPS €0.62, Interim dividend of €0.25 per share
- **Adjusted EBITDA**: €376 m, +5% YoY
- **Net debt**: €1,349 m
- **Net debt / LTM Adj. EBITDA**: 1.75x
- **CAPEX**: €152 m
- **ROCE**: 10.9%

**Strong performance in Recycling offset COVID-19 impact in Catalysis and E&ST**
Automotive Catalysts
Widespread car OEM production shutdowns and car sales plunging
Severe impact on revenues and volumes
Further outperformance of LDV market in China
HDD less down than market given higher demand for China V technologies

Precious Metals Chemistry
Revenues down due to COVID-19 impact on automotive industry
Continued strong demand for pharmaceutical ingredients and fuel cell catalysts

Catalysis H1 2020 performance
Revenues -20% and Adj. EBIT -75%; severe impact from COVID-19 and related car OEM production shutdowns
E&ST H1 2020 performance

Revenues -8%; Adj. EBIT -47%; severe COVID-19 impact and higher fixed costs

Rechargeable Battery Materials
- Overall volumes of cathode materials lower YoY and materially lower than expected due to COVID-19
- Higher fixed costs related to recent and ongoing expansions
- Significant negative operating leverage
- Positive contribution of Kokkola activities acquired in Dec. ’19
- Construction of Nysa plant delayed due to COVID-19 restrictions; commissioning planned in H1 2021

Cobalt & Specialty Materials
- Most end-markets impacted by COVID-19
- Lower cobalt and nickel prices impacted refining & recycling activities

Electroplating recorded slightly higher revenues; revenues in Electro-Optic Materials were roughly stable
Recycling H1 2020 performance
Revenues +40%; Adj. EBIT +150%; increased volumes, higher metal prices and favorable supply mix

Precious Metals Recycling

- Higher processed volumes (vs. extended maintenance in H1 19)
- Higher metal prices
- Robust supply conditions and optimization of input mix

Increased Jewelry & Industrial Metals revenues

Substantial earnings contribution from Precious Metals Management
Environmental focus on the Hoboken plant

Lead in blood children

Multiple years of decreases with 2019 readings historically low, well below 5µg/dl norm

Unexpected increase in July 2020 readings, despite dust emissions well below the legal norm

Root-cause investigations ongoing, exploring solutions, including the possibility of making an offer to buy certain houses closest to the plant

Fire incidents

Fire in lead refinery in March 2020

Small fire on the roof of a waste water treatment section in July

Root-cause investigations ongoing, increased focus on prevention and fire protection

Continue to dedicate substantial investments to the environment and intensify the investment program launched several years ago to further reduce emissions.

Reinforce internal organization and further strengthen emergency planning to protect the environment and to minimize the impact on the community. Safe operations remain our top priority.
2020 outlook

Given the current evolution of the pandemic and the uncertainty it creates in Umicore’s key end-markets, it remains impossible to provide a reliable quantified outlook for 2020.

Notwithstanding the very limited market visibility, Umicore continues to expect its **full year adjusted EBIT to be below the levels reached in 2019.**

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**CATALYSIS**

2020 Adj. EBIT expected well below levels of 2019

H2 revenues and Adj. EBIT well above H1 levels, based on a scenario of 25% drop in global car production in 2020

**ENERGY & SURFACE TECHNOLOGIES**

2020 Adj. EBIT expected well below levels of 2019

H2 Adj. EBIT likely below H1 levels as inventory corrections in the rechargeable battery supply chain are expected to exacerbate the impact of weak trading conditions across business units

**RECYCLING**

2020 Adj. EBIT expected well above levels of 2019

H1 performance not to be extrapolated to H2:

- 4-week planned maintenance shutdown (PMR)
- Seasonality effects in other businesses
Long-term growth drivers remain intact

**ENERGY & SURFACE TECHNOLOGIES**

COVID-19 stimuli plans aimed at a ‘green recovery’ in China and Europe

China: Extension of NEV subsidy plan from 2020 until end 2022 and confirmation of increased mandatory NEV credit targets for 2021-2023

Europe: EU recovery plan predicated on European Green deal, including ambition towards zero-emission mobility. Stimuli packages in several countries (Germany, France, Spain) with subsidies for electrified vehicles

**CATALYSIS**

Tightening emission norms continue to be on the agenda in key regions, confirming the need for more complex automotive catalyst technologies going forward

**RECYCLING**

Resource scarcity and complexity of materials

Path towards a more circular economy
H1 2020 financial review
Recycling results offset impact of automotive industry downturn on Catalysis and E&ST

Adjusted EBIT at € 243 million, in line with H1 19

Stellar Adjusted EBIT growth in Recycling offset by decreases in Catalysis and E&ST

€ 16 million higher D&A charges year on year from recent investments & acquisition

Increased Adjusted EBIT margin, supported by higher Recycling margin

Adjusted EBITDA increasing 5%

Strong operating cash flow with second highest half year Adjusted EBITDA contribution of recent years

High Adjusted EBITDA margin further increased in H1 20
Pronounced offsetting operating leverage effects
Negative in Catalysis and E&ST vs positive in Recycling

H1 YoY evolution

Group
- Revenues -4%
- Adj. EBITDA +5%
- Adj. EBIT +1%
## Full P&L

<table>
<thead>
<tr>
<th>Million €</th>
<th>H1 2020</th>
<th>H1 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted EBIT</td>
<td>243.0</td>
<td>239.6</td>
</tr>
<tr>
<td>- Net finance cost</td>
<td>(44.5)</td>
<td>(39.2)</td>
</tr>
<tr>
<td>- Adjusted Tax</td>
<td>(47.5)</td>
<td>(46.2)</td>
</tr>
<tr>
<td>Adjusted net result</td>
<td>151.1</td>
<td>154.1</td>
</tr>
<tr>
<td>- Minorities</td>
<td>(2.7)</td>
<td>(3.1)</td>
</tr>
<tr>
<td><strong>Adjusted net result Group share</strong></td>
<td><strong>148.4</strong></td>
<td><strong>151.0</strong></td>
</tr>
<tr>
<td><strong>Adjusted EPS</strong></td>
<td>0.62</td>
<td>0.63</td>
</tr>
<tr>
<td>Adjustments to net result Group share</td>
<td>(57.5)</td>
<td>(2.7)</td>
</tr>
<tr>
<td><strong>Net result Group share</strong></td>
<td>90.9</td>
<td>148.3</td>
</tr>
</tbody>
</table>

- **Stable Adjusted net Group result and Adjusted EPS, reflecting stable operating income**
- **Higher interest charges on the back of higher financial debt, partly offset by lower forex costs**
- **Stable adjusted tax charge and stable effective adjusted group tax rate (24.3%)**
- **Substantial adjustments in response to COVID-19**
EBIT adjustments

<table>
<thead>
<tr>
<th>Description</th>
<th>H1 2020</th>
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</thead>
<tbody>
<tr>
<td>Restructuring-related charges</td>
<td>(30.9)</td>
</tr>
<tr>
<td>Selected non-current asset impairments</td>
<td>(31.5)</td>
</tr>
<tr>
<td>Other adjustments</td>
<td>(9.9)</td>
</tr>
<tr>
<td><strong>Total EBIT adjustments</strong></td>
<td><strong>(72.3)</strong></td>
</tr>
<tr>
<td>Adjustment to tax result</td>
<td>13.6</td>
</tr>
<tr>
<td>Adjustment to minorities</td>
<td>1.2</td>
</tr>
<tr>
<td><strong>Net adjustments (Group Share)</strong></td>
<td><strong>(57.5)</strong></td>
</tr>
</tbody>
</table>

EBIT adjustments of - € 72 million:

- Reflects impact of COVID-19
- Combination of:
  - impact from restructuring measures (€ 31 million); and
  - impairment of selected non-current assets (€ 31 million)
- € 48 million non-cash charges, € 24 million cash-nature items
- Additional sizeable adjustments may be required in H2 2020
Increase in free operating cash flows

Cash flow from operations before changes in working capital up at € 347 million

Increase in cash working capital of € 72 million mostly driven by higher precious metal prices

Cash working capital increase in Catalysis and Recycling, partly offset by decrease in E&ST

Free cash flow from operations up at € 108 million

More than double last year’s number

Capex delayed in view of market context (€ 152 million vs € 241 million in H1 19)
## Net cash flow bridge

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount (€ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cashflow from operations</td>
<td>275</td>
</tr>
<tr>
<td>Capex &amp; capitalized development expenses</td>
<td>167</td>
</tr>
<tr>
<td>Free Operational Cashflow</td>
<td>108</td>
</tr>
<tr>
<td>Taxes paid</td>
<td>28</td>
</tr>
<tr>
<td>Net interest paid</td>
<td>28</td>
</tr>
<tr>
<td>Conversion right of convertible bond recognized in equity</td>
<td>50</td>
</tr>
<tr>
<td>Net acquisition amount treasury shares</td>
<td>29</td>
</tr>
<tr>
<td>Other</td>
<td>21</td>
</tr>
<tr>
<td>Decrease in reported net financial debt</td>
<td>94</td>
</tr>
</tbody>
</table>

Free operating cashflow of €108 million translating in similar decrease in reported net financial debt (€94 million) versus start of the year.

Includes €50 million portion of convertible bond accounted for as equity.

Combined cash out related to net interest charges and taxes below level of H1 19.

Benefiting from absence of final 2019 dividend payout.
Further strengthening and diversification of funding base

Stable net financial debt of € 1,349 m, slightly below the level of end 2019

Corresponds to robust credit ratios:
- Net debt / LTM Adjusted EBITDA ratio of 1.75x
- Net gearing ratio of 34%

Further extended strong liquidity base in June:
- € 125 m 8-year EIB loan
- € 500 m 5-year convertible bond
- € 1.2 bn cash on balance sheet at 30 June in addition to appr. € 1 bn of committed undrawn credit lines
Wrap-up

Umicore’s priority remains to keep its employees healthy and ensure safe working conditions.


Resilient H1 20 results, in most challenging context ever faced, highlight merits of complementarity of activities within portfolio.

Portfolio of complementary activities, prudent liquidity management and disciplined investment approach make Umicore well equipped to maintain its strategic course and emerge stronger from this crisis.

Long-term strategic drivers remain intact, supporting growth opportunities in clean mobility and recycling.
Financial calendar

21 August 2020  Ex-interim dividend trading date
24 August 2020  Record date for the interim dividend
25 August 2020  Payment date for the interim dividend