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# **Umicore Full Year 2023 results**

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## Umicore Full Year 2023 results

**Operator:** Hello, and welcome to the Umicore full year 2023 results call. My name is Laura, and I will be your coordinator for today's event. Please note, this call is being recorded. And for the duration of the call, your lines will be on listen-only. However, you will have the opportunity to ask questions at the end of the call. This can be done by pressing star one on your telephone keypad to register your question. If you require assistance at any point, please press star zero and you will be connected to an operator. Today, we have the CEO, Mathias Miedreich; and CFO, Wannes Peferoen as our presenters.

I will now hand you over to your host, Mathias Miedreich, to begin today's conference. Thank you.

**Mathias Miedreich:** Good morning, and welcome to the presentation of Umicore's 2023 results, as announced by the operator. I am here today, as usual, with our CFO, Wannes Peferoen, and we will share the presentation and Q&A together.

If we go to the agenda of today, it follows our usual structure. We will start with 2023 highlights, give you then a deep dive into our business groups that is followed by a more detailed review of the '23 financials by Wannes, and then we will conclude the session with an outlook wrap-up and Q&A. So let us start with the highlights of 2023.

2023 was a successful year for Umicore, where we have been able to demonstrate, again, agility and resilience in a tough environment. It was also a year that concluded our preparation for the volume ramp-up in Battery Materials that is starting now in 2024 as well as it was the year for us to confirm and further precise key assumptions for our RISE strategy. And with that, replacing planning with facts and data like the strong order book for Battery Materials and the reduced funding needs to execute that order book.

Revenues decreased in '23, mainly impacted by the metal price environment, and we will come back in more detail to that later. Our profitability remained on a high level with a 25% EBITDA margin, showing the very good ability of Umicore to counteract versus the headwinds in PGM prices inflation and also some reduced volumes in some of our end markets.

Very notably, we have unlocked strong cash flows in 2023, applying a very strict working capital management in all units, especially in Catalysis and Recycling, and this resulted in a very healthy operational cash generation with a cash conversion rate of 125% from EBITDA to operational cash flow in '23 versus 73% in the year before.

At the same time, you will have noticed that we have been significantly stepping up our growth investments as planned with all capacity extension programmes for Battery Materials ramping up on track and with more than – or nearly doubling the amount of CapEx that we are spending. And those two developments, doubling the CapEx and having more cash flows was extremely good because we could fully compensate that additional CapEx through organic cash flows. And that's exactly how our growth model is built.

Finally, I want to mention that we have been working in '23 also very intensively on ways to further boost and accelerate the more mid and long-term EBITDA and cash flow generation, while also reducing volatility from PGM pricing. I think that's a key point forward.

We call this initiative the Efficiency for Growth programme. And I will now hand over to Wannes, who had already preannounced a little bit of that in our half year results, but now will give you more details on this very important programme for Umicore.

**Wannes Peferoen:** Thank you, Mathias, and good morning to you all. Mathias talked to the strong margins and the strong balance sheet of the Group, which are a clear illustration of the financial discipline we apply.

Now given the context of the market headwinds, we have been further reinforcing the financial discipline across the Group. In October last year, we shared the revised needs for net capital expenditures between now and '26. And over the past year, we also stepped up the forward hedging of the precious metals exposure in order to increase the visibility of the future earnings and cash flows. I will come back to this later.

Now, last summer, we also kicked off a programme across the company called Efficiency for Growth, which focus on identifying and implementing efficiency improvements across the different businesses and functions. The programme targets recurring improvements to EBITDA through top line growth and cost optimisations and also improvements to working capital needs.

Our teams have identified over 350 initiatives, which are expected to create a €70 million EBITDA impact in '24 and more than €100 million from '25 onwards. The initiatives cover amongst others, volume-based pricing, leveraging on centralised procurement, standardising operations to increase flexibility between plants, digitalisation and automation in manufacturing and administration, streamlining and prioritisation of our project portfolios in IT, R&D and maintenance.

So as you can hear, the different initiatives will bring more focus and synergies across the Group. And this bridges well to the next topic that Mathias will cover.

**Mathias Miedreich:** Yeah. Thank you, Wannes. And exactly some update now on the refined structure of the Group. We have, as previously announced, now implemented refined business segmentation in Umicore since the beginning of this year going from three to four business groups. And while there is no change for Catalysis & Recycling, the former E&ST perimeter is now split into two business groups: first, the Battery Materials. And obviously, as we have discussed many, many times, our target is to give more clarity and transparency on the business dynamics and the growth evolution forward.

But with that also, we will be exposing more as we think the secure and resilient nature of our Battery Material business model, especially if you compared with other market participants. And at the same time, this setup will allow the management team to apply full focus and dedication to execute the growth strategy and ramp up for Battery Materials.

Now secondly, Specialty Materials. This business group is mainly concentrating the Umicore businesses with a non-auto context, non-auto end markets. And also here, it gives focus and exposure for management to nurture this business in its own market context. So after this introduction of the highlights, let us now deep dive in the different businesses still in the structure as we had it before, and we will start with E&ST.

When we look at E&ST, the business group that we have been now had for a while, and especially the Battery Materials business. 2023 was the final year to prepare the growth ramp-up for Battery Materials that is now starting in '24 and to set up the right structure with a dedicated business group, as just explained.

And as we had promised now two years ago, we have been reshaping the Battery Materials business in all of its aspects from customer base to technology, from capacity expansion to funding. In that sense, we see 2024 as the year of rebirth of the Umicore Battery Materials business. It marks, if you want, the start of Umicore Battery Materials 2.0.

Now looking back to 2023, we have achieved all major steps and milestones that we had targeted, securing the assumptions in our plan, as I said previously, with facts and data. The focus is now on execution to ramp up the volumes and to continuously work on efficiencies in CapEx and OpEx using also the efficiency for growth framework that has been introduced by Wannex to drive sustainable EBITDA growth forward.

In addition, we are also confident that the unique and resilient business model of UBM will start to stick out from competition, especially in the current more volatile environment for electrification. Globally, we come back to that in our guidance for that new business group.

To summarise, 2024 can be considered, as just said, as the birth year of Umicore Battery Materials 2.0, that will, as we ramp up, grow faster than the market on the back of a strong order book with superior profitability and with a robust funding plan in place for the needed CapEx forward.

But before we look into 2024, let us share how '23 looked like in the previous setup of E&ST. Revenues of E&ST in '23 have decreased year-on-year, while the adjusted EBITDA margin has increased to 24.6%. In Rechargeable Battery Materials, RBM, at that time, revenues were down versus '22, reflecting the lower non-recurring lithium effect and reduced volumes of some legacy contracts.

Earnings were slightly above last year despite increased spending on growth preparation R&D as they were supported by substantial one-off effects of lower cost, mass production test runs and valuation of battery material scrap.

And just to clarify, mass production test runs, they are needed to validate the launch of new product and processes, and they are especially frequent in years of greenfield start-ups in 2022. As you remember, we had started up Nysa, and we had this cost. But then in 2023, not anymore to that extent.

I want also to remind everyone of the composition of the revenues in RBM. Now important when we have a separate reporting on that segment. There is a split between the CAM revenues, those are cathode active material that are one-to-one function of the CAM volumes. And there is a second element, the refining revenue that is an upstream revenue that is a function of an active make-or-buy decision that Umicore takes.

And this upstream flexibility is a great asset for us as we can always optimise profitability by choosing the best mix between make-and-buy, depending on the market conditions.

So in addition, let us now also look to the business units that are in the future part of the Specialty Materials business group. And I will also make some comments just as a reminder, on the end markets that those businesses are serving. So Cobalt & Specialty Materials, with the

end markets of the two materials industry, industrial catalysts, superalloys, and ingredients for pigments and paints.

In 2023, we saw a combination of slowdown in demand in the CSM end markets as well as a further decline in cobalt and nickel pricing, leading consequently to a decline in the year-on-year performance.

Metal Deposition Solutions, the end markets here are the electronics and semiconductor industry, optics industry as well as the jewellery industry. And in MDS, as we call it, we had revenues with 2023 being the year to successfully introduce a new platinum-based electrolytes in the portable electronics market, a key success, especially in the plating of smartphone contact systems that we also think is a great asset into the future.

Electro-Optic Materials, finally, with the end markets of optics, telecommunication and space power, here, we saw a good increase in revenues versus the year before, driven by space power applications and optics.

Let us now move to the Catalysis business group. And before we dive into the segment specifics, let's look to the market as usual. So here, we can state that in '23, we saw an increase in global internal combustion engine car production of 8% in comparison to a weaker '22. And this mainly is driven by the effect of now largely unblocked supply chains in the automotive sector and the consequent catch-up effect of volumes.

Gasoline and diesel light-duty production was, in particular, well up in Europe, North America and China. And finally, also the heavy-duty diesel segment recorded a significant increase in production, mainly in China and Europe as well with a good growth forward.

Now for Catalysis, that is resulting into a record performance again. So consecutive third year where Catalysis is posting a record performance with revenues up and EBITDA increasing by more than 4% year-on-year, resulting in increased margins. And this performance uplift is driven by an accelerated work on operational efficiency.

Again, the Efficiency for Growth or how we call the EFG really pays out here, especially into the future as well as by higher volumes. And strict working capital management coming back to what I said in the beginning, has unlocked a very substantial cash flows in line with the plan because we have always said that Catalysis and Recycling will be the key cash providers for our growth forward, and that works pretty well.

In Automotive Catalysts, sales and volumes are up versus the previous year and the business unit was especially strong in the European market, outperforming in the passenger car as well as in the heavy-duty diesel segment and with that, increasing market share further in that region also according to our plan.

PMC, Precious Metals Chemistry was impacted by a lower demand in some end markets, while the business unit, Fuel Cell & Stationary Catalysts had a very good traction in securing business for hydrogen electrolyzers. And as you know, we do hear not only the catalyst for fuel cells, but also for the electrolyzers, and that's also one of the reasons why last year we had honour to break the ground for our fuel cell and electrolyser catalyst plant in China as a further capacity extension.

Now on the next page, as usual, we want to give you some more insights in our very successful Automotive Catalysts business and to explain a little bit why we have such a good position. So first of all, the first important data point is the fact that we have been able to even further increase our exposure to what we call the longevity segments of the market.

I remind this is the heavy-duty diesel and the light-duty gasoline part of the market that will really be there on the long run, even if you look into hybridization, etc., which is now representing 84% of our automotive catalyst revenues. And the second important fact is that we have a very healthy regional split of our revenues in this light-duty gasoline segment with Europe, China and America, well balanced, providing an excellent platform for the business forward.

Now finally, let's move to the Recycling Business Group. And even though it needs probably no repetition, I would quickly talk about the PGM price environment that came down significantly in '23 and posed a serious headwind to our business with average rhodium rates down by 58% or more than 58%, and palladium 38%. And that recalls the importance of strict cost and efficiency management to counter this effect.

Now in this challenging context, the Recycling Business Group continued to deliver a strong performance in '23 with revenues above €1 billion and EBITDA of €372 million. And those results are well above the pre-2020 levels, the year in which the rhodium price started to peak and with that demonstrating the resilience of this Umicore Recycling business model.

The countermeasures that the teams have taken versus this decreased PGM price environment were three-fold. First of all, to optimise the input streams and maximise the PGM density. Secondly, to focus on operational excellence and cost reduction in manufacturing. And finally, an accelerated forward hedging strategy to protect our future earnings. And that's the important point that Wannes will talk more about it in the financial section just in a second.

And finally, two more things that I wanted to highlight. In Battery Recycling, we are continuing to prepare for the capacity expansion and significant wrap up with currently being in the finalisation of the site selection for that ramp-up. And secondly, our Precious Metal Management business unit for them in '23 was a year, where, again, they have been able to demonstrate also the strength of this side of the unique Umicore metals management system in volatile market environment resulting in a significant higher results contribution year-on-year.

And with that, details on the businesses, I hand over to Wannes to give more insights on the financials.

**Wannes Peferoen:** Okay. Thank you, Mathias. Let me start the financial review with the year-over-year bridge of the top line and the earnings of the Group.

Revenues amounted to €3.9 billion, which is 7% down versus previous year, and which is primarily reflecting the decline in PGM prices and the reduced non-recurring lithium margin effect in '23.

The adjusted EBITDA reached €972 million, which is €179 million below previous year. The decline of PGM prices resulted in a headwind of more than €150 million, in particular in Recycling, and to a lesser extent, in Catalysis.

Cost inflation created another €50 million year-over-year headwind. The different initiatives to increase operational efficiencies supported EBITDA and the working capital across the different businesses.

Now the EBITDA margin of the Group remains high at 25% with every business group performing well above the RISE 2030 target of 20%. And the ROCE of the Group, as we mentioned earlier, reached 13.5% well in value creative territory.

Now if you look at the consolidated P&L, depreciation and amortisation increased to €298 million, resulting in an adjusted EBIT of €674 million versus €865 million in '22. Adjusted net finance cost decreased to €110 million, reflecting lower forex-related costs while the net financing costs remained stable.

The average cost of gross debt remained at a reasonable level of 3.3%. The cost of debt is expected to remain well under control, considering the maturities and the conditions of the existing instruments and the recently secured funding instruments.

The lower taxable profit resulted in an adjusted tax charge of €121 million. The effective or the adjusted effective tax rate for the Group increased slightly to 21.6% versus 20% last year. And then the adjusted net profit group share amounted to €447 million, which resulted in an adjusted EPS of €1.86.

The adjustments had a negative impact on EBIT of €82 million and are spread across the different business groups. The adjustments are mainly related to divestments of historic activities, streamlining the footprint in Catalysis and the technology portfolio in E&ST. And finally, also some updates on environmental provisions related to legacy items.

Now moving to the cash flow generation in the Group. As shown on the green line in the top graph, the net working capital need for the Group decreased to €346 million. Next to declining PGM prices, the operational efficiencies and strict inventory management in Catalysis resulted in a 50% improvement of the cash conversion cycle.

In Energy & Surface Technologies, net working capital remained stable year-over-year. The inventory growth in preparation of the ramp-up in CAM volumes was offset by the decreasing battery metal prices. The substantial reduction in net working capital, combined with a solid EBITDA led to an increase of cash flow from operations to €1.2 billion.

Capital expenditures, including capitalised development expenses increased to €885 million. Energy & Surface Technologies accounted for more than two-thirds of the Group's CapEx, driven by the expansion of the European footprint in Battery Materials.

Now even when considering the step-up in CapEx, the free operating cash flow continues to remain very strong at a level of €332 million.

In the next slide, you can see the net cash flow bridge, which shows that the net financial debt at the end of '23 increased with €162 million and now amounts to €1.3 billion. This will result in a leverage ratio of 1.3 times last 12 months adjusted EBITDA. The Group continues to have a strong balance sheet, and we expect to stay well within investment-grade territory.

The free operating cash flow of €332 supported the funding of taxes, dividends and equity injection into IONWAY.

In December, Umicore successfully signed a new five-year revolving credit facility of €600 million under the sustainability-linked loan format with a solid pool of international banks. This RCF replaces the €495 million RCF expiring in '25 and comes in addition to the existing €500 million sustainability RCF contracted in '21.

Early February, Umicore concluded an eight-year loan agreement with the European Investment Bank for €350 million, supporting the financing of our R&D activities at attractive conditions. As shared in October last year, we confirm that the total net capital expenditures for the Group between '22 and '26 are expected to amount to €3.8 billion. This takes into account the non-refundable capital grants, the partial funding of IONWAY through non-recourse debt, the disciplined phasing of capacity expansion in line with customer contracts and orders, and the improved utilisation of existing assets in Asia and an optimised asset-light upstream model. The net capital expenditures, including the contribution to IONWAY, amounted to €922 million in '23.

Now as we highlighted earlier, during '23, we entered into forward contracts, locking in larger shares and longer periods of the strategic metal exposures at historically attractive prices. The graphs on this slide show a significant increase of the future hedges, in particular, for rhodium and palladium.

This metal hedging approach enables us to protect future cash flows from volatility in metal prices, and as such, provides better visibility on our future earnings.

Here, I would like to conclude the section on the financial performance and I hand it back to Mathias.

**Mathias Miedreich:** Thank you very much, Wannes, and I also want to highlight, again, especially the topic on the increased visibility of the precious metal price environment through the hedging. This is really also a strong addition to our 2030 RISE strategy, and I'm very happy that we have been able to secure that last year.

Now looking to our progress on sustainability. '23 was also a year with a good and very good progress in our decarbonisation roadmap, with now 41% global use of renewable energy compared to a 35% baseline in '21. And in Europe, it is even close to 60%.

And with this development, we can confirm that we are well on track for our 2025 target to be at 100% renewable energy use, and last year, we have also unveiled the Umicore Climate Transition Plan that underlines our commitment to climate action resilience and transparency. And with that, we feel very comfortable that our sustainable element of the growth forward is secured.

Now with that deep dive on the businesses in '23, let's come to outlook of 2024.

So let me start with Battery Materials. And here, in Battery Materials, as we said, we wanted to give to the market as good as possible outlook because it's the first time that we give this guidance. And in that sense, we are defining it in a way that we are expecting revenues in the range of €575 million to €675 million and an adjusted EBITDA margin of around 22%.

Let me make three comments to that. The first one is this 22% of EBITDA should also be understood as a reconfirmation of our guidance on the post-2026 EBITDA margins of more than 25%. We are fully on track with our planning in this regard.



Second remark. On the revenues, I also want to remind everybody that this revenue guidance, in our definition of revenues, is excluding the value of the Battery Metals like nickel-cobalt, lithium and manganese.

And the third comment would be that the revenues and earnings are expected to be weighted in H2 '24 as a reflection of the ramp-up profile of the new customer contracts. And with that, the birth year of Umicore Battery Materials 2.0 is happening now as we had hoped for. So that's very good.

Secondly, on Catalysis, the adjusted EBITDA is anticipated to be slightly below the levels of the previous record years, close to current market expectations. And maybe a comment to that. With this outlook, we are continuing to be the significant about - above the historic levels on such a plateau that we are now trying to push into the future with all of the good elements that we have laid out in 2023 and the years before.

Recycling. In Recycling, we expect that 2024 adjusted EBITDA will be below the level of previous year, but still well above the pre-2020 levels and in line with the current market expectations. And here also a comment that due to the shutdown, as we usually have a maintenance shutdown scheduling, the solid underlying performance is particularly shifted in H2 2024 as a function of the shutdown or maintenance shutdown of the smelter in Hoboken in H1.

Finally, Specialty Materials. The 2024 adjusted EBITDA for Specialty Materials is expected to be somewhat below the level of the previous year. Now on top of that, it is anticipated - we anticipate that corporate cost will be €15 million to €20 million lower in '24 versus '23. That is already to be understood as one consequence of our efficiency for growth programme and all things together. And based on the above, we expect the Group's adjusted EBITDA for the full year '24 to be in the range of €900 million to €950 million.

Now before we go to the Q&A session, last page on wrap-up. So if you would only remember three things from that presentation, then I would ask you to remember first that Umicore delivered a strong cash flow performance in 2023 with strong margins in a tough year, confirming the unique business model in the different segments of Umicore.

Secondly, that 2023 was the year of reshaping Battery Materials. Battery Materials 2.0 has been born and is now setting the base for the ramp-up and growth starting in 2024.

And finally, that Umicore is well equipped for 2024 and beyond, applying financial discipline and accelerated efficiencies in the execution of our 2030 RISE strategy.

With that, we finish the first part of the session. And now I hand over back to the moderator for Q&A.

## Questions and Answers

**Operator:** Thank you very much. Ladies and gentlemen, as a reminder, if you would like to ask a question, please press star one on your telephone keypad. Thank you. We'll pause for just a moment to give a chance for everyone to queue in. Thank you so much. We'll take our first question from Tristan Lamotte with Deutsche Bank. Please go ahead.

**Tristan Lamotte (Deutsche Bank):** Hi. Three questions, please, all quite related. I calculate an EBITDA around €138 million for Battery Materials for 2023, given the comments that EBITDA will be at a similar level year-on-year. Could you confirm that's in the right ballpark? And could

you also provide the base for Battery Materials revenue for 2023? You've guided to growth. Would it be fair to assume growth in line with the EV market at around 20% for 2024.

Second question is around the one-off in Battery Materials. I was wondering if you could quantify roughly the size of those one-offs and the proportion of EBITDA. And the third question is on the relative size of the CAM revenues versus the refining revenues in Battery Materials with, say, 15% of EBITDA for refining be a reasonable assumption? Thanks very much.

**Mathias Miedreich:** Yeah. Thank you very much, very relevant question. Let me start with the last one, then I'll go to the first one, and Wannes will cover the middle one. So on the refining revenues, please understand this is a commercially sensitive topic because it's part of our business model that we don't feel comfortable to share.

The important message that we wanted to bring through is that the refining revenue will always be optimised based on profitability and not for revenue. And that's kind of the moving part in the puzzle. But we will not disclose the split unfortunately of those.

Now looking to the guidance of Battery Materials with the math that you have just made, so please understand that we have tried to make a maximum clarity very early in the year. Normally, Umicore is not giving a quantitative guidance so early in the year. We normally do that in April or in July, but we felt it is necessary to give a range, and you should take it as it is. It is a range today that we will be further trying to narrow once we go alongside in the year and looking to growth.

Now we don't know what will be the growth of this year of the market. But if you refer to, as a comparison, the last year, market growth in Battery Materials, we are more than confident that we will outperform that market growth with our volume growth forward. Yes, Wannes, on the one-offs?

**Wannes Peferoen:** So looking at the one-offs in Battery Materials, I think there's a few moving parts. I mean, first of all, with the lithium margin that was substantial in '22 and that started fading out in '23. This is something we can get grasp, let's say, the magnitude if we look at the revenue bridge you can see that a substantial part of that is linked to the lithium margin that has been fading out moving from '22 and '23.

Then looking at the cost side, we highlighted that we have the mass production test runs that we had in '22, in particular, linked to the ramp up of the Nysa lines. And this is something that reduced in '23 after that ramp up in '22.

And then looking at the valuation of the battery scraps, that's something that was also linked to those mass production test runs. So in '22, the output of the test runs scraps were written off as we didn't see an immediate opportunity to valorise those. While in the course of '23, we were able to develop, I mean, adequate routes to recover the value, and as such, that also contributed.

So I think those are the big moving parts if you look year-over-year, '22 and '23. I think it's important to highlight those moving parts. At the same time, I think what we also want to do looking forward is setting the baseline from '24, what is driving the performance and giving that - those insights.

**Operator:** Thank you. We'll now take our next question from Sebastian Bray with Berenberg. Your line is open. Please go ahead.

**Sebastian Bray (Berenberg):** Hello, everyone. Good morning, and thank you for taking my questions. I have three, please. The first one is on what has changed versus six to eight months ago in terms of your own expectations. I can see that cobalt prices have come under significant pressure. And if I take a step back, it looks as if implicitly the guidance for Energy & Surface Technologies for 2024 EBITDA is around €50 million to €60 million below consensus expectations. Could you confirm this? And has the only thing that has changed for this segment relative to your initial expectations for '24, whatever they may have been, the cobalt price? I'll pause and then ask the other questions in turn.

**Mathias Miedreich:** Yes. So it's a very relevant topic. So I detailed several elements to it. The first one is that the underlying raw material prices have a different effect to the different parts of our business and indeed in the CSM business, especially. There is a relatively direct correlation of profitability to those prices and cobalt, and nickel prices have been going down because nickel is also an element that is used in the chemistries going forward. So you're right with your assumption, and you are also right to read it in a way that the former E&ST performance, if you want, it would be more in the range of 2023.

So yes, there is this gap to the current consensus. That's what I confirm. Now what has not changed in our assumptions is everything around the Battery Materials business. And if you recall, we have been looking at the half year results to a battery material result above the last year that has been achieved. And going forward in 2024, the composition we see as a complete different structure, right?

We are ramping up now a business. It's a rebirth, as I said many times in my speech before, where the new contracts are ramping up and the volumes are driving our profitability, and the impact of those one-time effects that Wannes has been talking about is largely faded out. So it's a complete new business set up that we have been trying to guide in the best way in our outlook so far.

**Sebastian Bray:** That's helpful. And the second question is just on the consensus leading out to 2026, and it relates to how the JV with VW has accounted for. I have the feeling looking at consensus EBIT, but the working assumption for many analysts for '26 is just to pro rata consolidate Umicore share of revenue and EBIT for this JV? Is that a reasonable thing to do for '26 awaiting further clarity on what happens? Or is it 100% sure that this will end up in an associate's line that is not added to EBIT that comes after it.

**Wannes Peferoen:** Yeah. So to be frank, to be direct, I've not looked too much into how the consensus is built up around the IONWAY joint venture. At the same time, if you look at how we will do it, it's indeed accounted under the equity method, but then the income from the JV will be included in the EBIT and EBITDA performance indicators that we published.

**Mathias Miedreich:** Yes. And no, and there is - I would say, to directly answer your question, there is - we don't see that this would change and we will - it would be part of our EBITDA. There's one important thing to mention and that we had announced earlier as well. There is a certain time in '25, '26, where the volumes of PowerCo will be directly served by Umicore while the IONWAY ramp up capacities are built up.

And during that time, of course, that's normal revenue and EBITDA line that we are reporting. But that's just a bridging and kind of risk mitigation if there should be any timing delays for the joint venture capacities. And that was what we have said it before. So no, I think there's no change to our planning in how to account the revenues with, ultimately, Volkswagen.

**Sebastian Bray:** That's helpful. And just to double check here. The Capital Markets Day 25% EBITDA that is pro rata consolidating the sales from VW JV and the EBITDA? Or it's just taking the EBITDA contribution and allowing that to raise the margins as well?

**Wannes Peferoen:** It's the second one, indeed, so it's consolidating the EBITDA versus the revenues generated at Umicore level.

**Sebastian Bray:** I see. In other words, if we were to do a pro rata consolidation, the margin target would actually be lower. So let's say, we take - we multiply the JVs by 51% and add them back in, actually, it's not a 25% margin target. Is that right or -

**Wannes Peferoen:** Yes, you would see that effect. But again, I think the effect is something, which will become more visible from '26 onwards as the IONWAY joint venture starts to ramp up in the first year. That's not something that is driving the equation.

**Sebastian Bray:** That's understood. I appreciate you taking time here. But just to clarify, in 2026, a reasonable base case modelling assumption is to pretend that Umicore is still servicing the VW JV out of its own fully consolidated production?

**Mathias Miedreich:** Sorry, could you repeat the last topic, what should be assumed? We didn't totally get it.

**Sebastian Bray:** I appreciate it's early, but as a reasonable base case for 2026, Wannes, I believe you alluded to this, we can assume that Umicore is servicing the JV out of its own fully consolidated production?

**Wannes Peferoen:** Yes. Okay. Understood. Yes, that's correct. And second remark I wanted to make to your previous math that you made on the non-consolidation of revenues. Please also note that we guide for an EBITDA margin larger than 25%. That's an important notion I wanted to make.

**Sebastian Bray:** That's helpful. Thank you for taking my questions.

**Operator:** Thank you. And we'll now take our next question from Chetan Udeshi with JP Morgan. Your line is open. Please go ahead.

**Chetan Udeshi (JP Morgan):** Yeah. Hi. Good morning. Firstly, I have to acknowledge that your guidance is very precise. It's like €50 million delta for full year, given all the uncertainties that you have talked about, also given the second half phasing. So it's just interesting to me how precise the guidance is, but just it's an observation. I was just following up on your previous comment and I appreciate you don't want to give us a split of RBM between CAM and the refining part.

But I mean, can you sort of point us to some sort of goalpost in terms of how big the relative revenues are within your guidance? Is CAM clearly more than half of that number? Because I would have thought your refining business typically is serving your captive CAM business. So maybe the revenues are not that high, but I might be wrong. So any sort of just colour on the relative size of new businesses will be useful.

The second question, I was just looking at your R&D spending in the E&ST business in 2023. And it seems in second half, for instance, you've seen almost a €30 million, €40 million reduction in absolute R&D spend. How much of this is actually the one-off impact that you mentioned, which is associated with the validation for the mass production versus how much of this is more rationalizing? And I'm just curious why would you rationalise the spend on E&ST. One can understand more in Catalyst, given that with E&ST - sorry, not E&ST, the Battery Materials, you're still sort of ramping up that business. And clearly, I guess, aim is to at the forefront in terms of technology roadmap. Maybe any colour there would be useful.

And last question, just is the €800 million CapEx, the right ballpark for 2024? And what is the D&A that we should have for 2024? Thank you very much.

**Mathias Miedreich:** Yeah. Thank you, Chetan. Very good questions. So first, let me direct to your comment on why were we're so precise in our guidance. So that should be also understood as a result of the - our intent, first of all, to be as transparent as we can. And secondly, why can we be so sure about it? It's because we have a major difference compared to the past, which is the increased hedging. If you have seen the slides of Wannes, where we are significantly upselling, especially rhodium and palladium to nearly three quarters of the expected volumes, that gives us much more clarity in the planning forward, and that's what we want to achieve to have a more stable result as we, in the Battery Materials business, are also trying to always make sure that we are not linked to the effects of the metal price variations going into the future.

Now the second - your first question on the refining of - refining versus CAM, here it is important to mention - so we will not give you a number, but I can reassure you that, of course, the CAM portion is significantly larger than the refining portion. And it's not to be understood that we have a refining business that we sell to the outside world. It is a captive refining business for UBM, but it depends on - and maybe, if needed, Wannes can give more explanations to the exact accounting to it.

But there is - if we are refining upstream materials ourselves, there is a revenue that we are recognising. If we are buying metal salts, we don't have the revenue, but only a cost in our bill of material, which we will, as we said, we're able to do that based on the market conditions always to optimise our profitability. And that's how it should be understood. It's not to say that there is a big refining business besides the CAM business. It's an internal measure to optimise results.

And with that, I hand over to Wannes for the other two questions.

**Wannes Peferoen:** Yes. So maybe let me first come back to your question on R&D and the fluctuation, I would say, over the different periods in the year. What you see in R&D underlying is indeed also the MPTR rents for the mass production test runs, but also looking at qualification runs and the cost that entails. So that is explaining some of those seasonalities within some of those fluctuations across the year.

Now looking at CapEx. So you asked for a certain CapEx guidance for '24. I mean if you look at our plan, we expect for CapEx in '24 to be in the same order of magnitude as we had in '23.

And then looking at depreciation and amortisations, how that would evolve going into '24, given all of the new ramp-up that is happening. This is where we expect depreciation, amortisations to increase with about, let's say, 10% versus the level of '23.

**Chetan Udeshi:** Thank you.

**Wannes Peferoen:** You're welcome.

**Operator:** Thank you. We'll now move on to our next question from Riya Kotecha with Bank of America. Your line is open. Please go ahead.

**Riya Kotecha (Bank of America):** Hi. Morning. I've got three questions, please, related to RBM. My first is on the guide for '24. With EBITDA guided as flat and Wannes now mentioning that D&A is expected to be higher year-on-year, is it then fair to assume that actually EBIT and EPS is much lower into '24 for RBM?

My second question is on how exposed the company is to the underlying EV market. And within that range of revenues, is the lower end of €575 million is protected by some minimum offtake? Are we still exposed to underlying EV market volumes here?

And my third question is just taking a step back, how should we think about profit growth in this division over 2024 to 2026 as this year despite volumes expected to be above the EV market, profits have crashed, and you've got another greenfield project ramping up in 2026? So when do you expect the inflection in EBIT in this division? Thanks.

**Mathias Miedreich:** Okay. Thank you, Riya. I will take the two and three, and then Wannes will talk about EBIT and D&A, etc. So EV market, so we - I want to differentiate between this year and maybe the future or the near future. In this year, we are - as we have said, it's basically a new business that is ramping up with a strong order book. So that means in a ramp up year, you have, of course, the risk of volatility because our customers could have problems in the ramp up, etc., but it's less a function of the EV market. It's more a function of the technical performance of the different ramp ups that are happening.

And there is also a part of our business that is going into China. As we have said, into Chinese EVs that will be delivered to Europe, which I think are currently the big winners in all of these discussions.

Now going forward, if we look into a more mid-term exposure to volatilities, of course, we have, for our contracts, the take-or-pay conditions that we have laid out. But there's another important risk mitigation factor that I wanted to mention is that when we look to our North American business that we had announced, we have as the key customer that was also officially announced, BMW, and we can also confirm that the models of BMW - actually, if you look to any impact that you might have from presidential election in the US, let's put it like this, on IRA or some people speculate around it, that wouldn't impact Umicore because anyway, those models that our products go into, they are not from a price point of view - from a market price point of view, they have not been planned to be IRA compliant.

And also, these are the models that our customers are exporting all over the world. So I think that's also a very reassuring fact going forward.

Now your question, I want to be precise on the coverage of - are we covered in terms of take-or-pay? In this year, in the ramp up, I say for the part of our business that has take-or-pay contracts, we said the Chinese doesn't have, Chinese contract. But the other ones, yes. But in the year of ramp up, the bandwidth of coverage is bigger that's also normal because the ramp up can always be a little bit more fluctuating. But overall, we feel confident than the volumes that we have planned will also materialise.

Now second question or third question is on the profitable growth forward. And you know that - maybe I will give you some data points for the math. So we are guiding for 22% EBITDA margin this year. And you can also see that we have a good increased capacity utilisation, but it is not a fully utilised setup yet. And as our business is basically a function of utilisation automatically into 2025, when you imply a higher utilisation rate with the ramp up - the contracts that now ramp up in '24 being at full rate in '25, you can calculate what will be the consequence out of that. So that makes us - gives us a good confidence on the growth of profits, going forward.

Now for the third question EBITDA, etc., I hand over to Wannes.

**Wannes Peferoen:** Okay. So looking at EBITDA in Battery Materials, I mean, as we indicated, it's early in the year to give already a precise guidance. So this is why we prefer to create a range. At the same time, looking at that range, we can say that it's roughly in line with '23.

Now looking at the question on EBIT and D&A. On D&A, I've indicated the overall expected increase. If you look at the total level versus '23, where we expect an increase of about 10%, and obviously, this is primarily in Battery Materials, given that the focus of the investment is in Battery Materials.

So that D&A would indeed increase in Battery Materials. So looking or bringing it back to EBIT level, this will weigh in on EBIT. At the same time, I think, we can confirm that the EBIT is expected to stay in positive territory.

**Riya Kotecha:** Thank you. Thanks.

**Wannes Peferoen:** You're welcome.

**Operator:** Thank you. And we'll now our next question from Geoff Haire with UBS. Your line is open. Please go ahead.

**Geoffery Haire (UBS):** Yeah. Good morning, and thanks for the presentation. I just had a few questions, if you could help me with them. First of all, on the hedging that you've done, longer term in Recycling, does that mean that going forward, the Recycling business is not going to see the same level of profitability at peak metal prices than it has in the past? Because you've done so much long-term hedging So that's one question.

Secondly, just on RBM, I just wonder if you could clarify, is the Kokkola refining complex for the supply of cobalt materials, is that within RBM? Or does that still sit within Cobalt & Specialty Materials? And if it sits within Cobalt & Specialty Materials, when you take product from that into RBM. Does that come at cost or at price? Those are my questions. Thank you.

**Mathias Miedreich:** Yeah. Thank you, Geoff. Let me immediately react on the second one. It's actually not the fact that it's in CSM. We have the full activities in Kokkola, so the refining and

the precursor pCAM activity is consolidated in UBM. So there is no transfer price or any type of setup. It's fully part of that business. And for hedging, I give it to Wannes.

**Wannes Peferoen:** Yes. So bringing it back to the recycling business, yes, you are correct. I mean looking at the peak profitability that we have seen, this is something we do not expect to come back. Also, if you look at the drivers, the drivers were primarily the peak in prices for rhodium and palladium. I mean, you have seen the evolution of rhodium and palladium, it has come down on average to 60% and 40%, respectively.

And if you look at the key applications of rhodium and palladium, it is very much linked to and very uniquely driven by Automotive Catalysts. And we know about the internal combustion engine is not a market that we expect to grow substantially in volume or to further decline basically over time.

So this is where we have confidence that the metal price will not necessarily go back to previous levels and where the levels that we have been able to secure or from a historical perspective, are still very interesting, so this is where we have decided to increase the hedging in particular for rhodium and palladium, which secures the future earnings, future cash flows and brings also more visibility to the results.

**Mathias Miedreich:** Yes, and if I want to add, that's a deliberate decision that we take because we - as Wannes said, we are judging the upside potential lower than the downside risk. And the downside risk for us, it is important with our plan forward that we have a stable view on cash flows because we want to make sure that, as we have said in our plan, use as much as possible organic cash flows to secure our growth forward. And this, I think, is an excellent move that we now did to have that secured while giving up on an opportunity that is very unlikely to materialise. So we think it's a great deal.

**Geoff Haire:** Okay. Thank you. Can I just ask one other question? I forgot I wanted to ask. The other question was around pricing. We've seen a number of EV OEMs reducing pricing, and certainly in the UK, a number of OEMs are offering 0% APR if you buy EVs. How do you deal with OEMs reducing their prices of the selling product and perhaps coming back to you and asking for lower pricing in materials that you're putting in? What is the - how do you protect yourself in that negotiation?

**Mathias Miedreich:** Yeah, actually, it's actually true. We see a lot of inflow of those requests and we really like those requests because you know that our revenue - and that's what I - that's why I pointed it out in the beginning, our revenue definition and, consequently, also the underlying EBIT - EBITDA is excluding the metals. So we are not interested to have a certain metals at a certain price or a certain metals even in our battery chemistry.

So the feedback and what we're doing with the OEMs that want to reduce their costs is to work on chemistries that use less of those critical metals or no metals at all. So for example, our cobalt-less technology that we are developing, the HLM technology, which replaces nickel by manganese, we have seen indeed quite an uptake in interest - by the way, also on the mid-nickel high-voltage technology that reduces nickel.

So that is a great driver for us to potentially even have a margin up because we can offer to our customers a significant reduce of, I don't know, 10%, 20%, 30% of cathode cost through the use of less or different materials. And if we can increase by 2%, 3% or whatever, 5% our



transformation technology premium, that's still a very good win-win deal. So indeed, that has been significantly increasing over the last six months to have these discussions, and we are very much welcoming them. And it's again a great news that we have such a business model that is not dependent on the metals itself.

**Geoff Haire:** But if you have a platform that you're already supplying into and the OEM comes back to you and says, we need to cut the cost here because we're cutting our price, do they not have to retest with a new cathode so you have to do through that process? Or how does that work?

**Mathias Miedreich:** Yeah. And so in principle, our contracts, as we said, long term, they have average eight years' duration and have fixed pricing, so that means if an OEM comes back and say, hey, I want to reduce the price, we are always reactive to that and we're trying to implement a new, as I said, different technologies that need to then be validated and need to be brought into the platform. So it's not - it will not happen overnight. That's also clear, but it's also a protection mechanism for us because we can plan better for the business years to come.

**Geoff Haire:** Okay. Thank you.

**Operator:** Thanks. That's all the questions that we have for today. I will now hand it back to Mathias for closing remarks. Thank you.

**Mathias Miedreich:** Very good. Thank you very much for the good questions, good discussions, and looking forward to hopefully see many of you during our London roadshow next week, Paris road show and also here in Brussels. Thank you very much. And have a great weekend when it comes.

[END OF TRANSCRIPT]