Umicore Capital Markets Day 2025

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Rigorous capital deployment and solid cash generation

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Good afternoon, everyone. For the last session of the day, I would like to walk you through the financials of our plan. Now, I'm very excited about this plan as it is a clear path towards solid profitability, strong cash flows and consistent value creation. This is a plan is based around rigorous capital deployment, performance management, people and culture and partnerships.

If you look at capital allocation, this is where we are applying a more balanced approach. We are allocating capital between the foundation business and Battery Materials. If you look at Battery Materials, this is where we are very disciplined, we limit the Capex to the existing customer commitments. Across the Group, we leverage on the existing footprint, we look at increasing utilization rate of the existing assets.

Looking at performance, this is where we continue to embed the operational efficiencies across every part of the organization. This will help us to reinforce the industry leading position of the foundation businesses, but also to make sure that we recover to a maximum extent the value in Battery Materials.

People and culture. This is where we continue to drive on our performance culture. We have that mindset of continuous improvement in the organization and this is what is helping us further improve from the performance side.

Looking at partnerships, this is where we see an opportunity to explore if we can accelerate the value recovery, in particular in the Battery Materials Solutions space.

Now, based on those pillars, we are confident that we will maintain a strong, solid balance sheet and that we will contain the leverage of the Group.

If you look at Umicore and the historical performance, we can build on a consistent, strong financial performance. If you look at the years 2018 until 2024, we have consistently delivered EBITDA exceeding €750 million. In certain years, in particular in 2021 to 2023, we have benefited from exceptional metal markets. In 2021-2022, we had the peak of palladium and rhodium prices. In 2022-2023, we had the peak of lithium prices at a moment where we were not transactionally hedging yet lithium. So those have contributed over past. But independent of those tailwinds, we consistently performed strong. We have EBITDA margins exceeding 20%. We have a return on capital employed exceeding the cost of capital. Here, I have to acknowledge 2024 has been a difficult year. We have taken an impairment that also contributed to that return on capital employed in 2024.

Looking at this plan, the full focus is on cash flow generation and on value recovery in Battery Materials. Our ambitions target an EBITDA of €1 billion to €1.2 billion by 2028. This is strongly supported by the resilient and well-performing foundation business, but also by the value recovery in Battery Materials on the back of the strong commercial agreements. That focus on operational performance will further drive the EBITDA margin. We expect an EBITDA margin exceeding 23%, which is a step-up versus 2024, and which is well in line with historical performance.

We are applying a strict approach looking at capital allocation. This is helping us in generating that free cash flow, €1 billion to €1.2 billion between 2025 and 2028. 2025 will be a year where the free cash flow generation is under pressure, given that we are finalizing the investments in Battery Materials. But as from 2026, this is where we anticipate and we expect the free cash flow to turn positive again. That combination of performance management and rigorous capital deployment will drive the returns on capital employed, exceeding 15%, which is very attractive and which is clearly creating value for our shareholders.

Looking at the foundation business, this is where the full focus is on strong cash flow generation. Here, we are supporting that cash flow generation through operational excellence, but also looking at some selective growth investments. If I look at the revenues between 2024 and 2028, we expect those to grow from

€3.1 billion to €3.3 billion. In Catalysis the market of internal combustion engines is declining, but looking at the value per platform, it is increasing on the back of the more stringent emission legislation. But also we expect to gain market share. And we have the growth in Precious Metals Chemistry and in Fuel Cells.

Looking at Recycling, we expect revenues to slightly decrease from €900 million to €800 million. This is entirely on the back of some of the favorable hedges rolling off in 2024 and moving into 2025. In Specialty Materials, we expect the growth on the back of those high technology markets. Overall, if you look at the foundation business, this is where we expect an EBITDA margin exceeding 25%. Truly industry leading if you look at this performance.

Free cash flow before Capex across the foundation businesses will be between €3 billion to €3.2 billion. We are investing close to €1 billion in the foundation businesses. Majority of that is linked to maintenance. We have a program in Recycling that helps us to widen the operational window, to process more complex feed, to increase the yields and to reduce the throughput times. This is a program where we will invest €300 million primarily between 2027 and 2028 with an overall of €400 million. This will help us to make significant step-up in EBITDA generation as from the end of the decade when this investment is up and running.

Looking at Catalysis we are investing in Fuel Cells and at the same time we are finalizing the investment. The plant will be up and running in 2026. This year, we need about €20 million to €25 million to complete that investment. In Specialty Materials, we will grow and heavily based on the existing footprint, so minor investment needed to support that growth. Overall, strong free cash flow, €2 billion to €2.2 billion between 2025 and 2028.

What is also really exciting, if we look at the foundation business, is that the return on capital employed will exceed 30%. This truly shows that Umicore is the best to operate those circular businesses.

Battery Materials, this is where we have a solid path to value recovery, and fully supported by the strong commercial agreements that we have concluded over the past years. The revenues of 2024 are around €400 million. On the back of those commercial agreements, we expect revenues to increase close to €1.1 billion by 2028.

We also understand looking at the market, maybe some – not all of our customers will be entirely there and we take a realistic and cautious approach. So looking at the EBITDA, what we did is we started from the take-or-pay thresholds and we simulated different scenarios, anticipating and incorporating scenarios of volume shortfalls - where this would that land us, and then looking at take or pays and see where would that land us. This would land us to an EBITDA between €275 million and €325 million. This is not including any upside from any diversification. So this will generate a free cash flow exceeding €100 million by 2028.

You have heard the intermediate proof points - looking at 2026, this is where we expect the EBITDA to turn positive. In 2027, this is where the EBIT will turn positive and also the free cash flow will turn positive. By 2028, the ROCE in this business will be around 9%.

At capital deployment, here we are rigorous and strict. Versus the previous plan that we referred to in October 2023, when we announced the investment in Canada, we generated net cash savings of €1.2 billion. This comes primarily from a Capex reduction of €1.4 billion, which is driven by Battery Materials, where we reduced Capex by €800 million. In Battery Materials, we have paused the investment in Canada and we have relocated successfully the contract with the customer towards Korea, where through debottlenecking investments, we are able to absorb this. Across the footprint, we are minimizing the Capex to an absolute minimum, and as such, we get to an €800 million of Capex saving in Battery Materials.

At Battery Recycling, this is where we have cut the Capex. The market is developing slowly, it's not developing in line with what we anticipated. Looking at the foundation business, this is where across the board we have been scrutinizing and we have been able to reduce with about 10% across the foundation business, further helping to reduce Capex with €100 million.

We have a joint venture with PowerCo, a strong commitment from both parties. We also are committed to set up non-recourse debt financing. This is where the process takes time, there's a lot of due diligence involved and this is where we will add another €200 million in equity contributions while we are completing that project financing. So overall, this brings us to €2.1 billion of investments between 2025 and 2028. As you can see in this graph, well balance between the Battery Materials business and the foundation business.

Performance management has been a hot topic within Umicore in particular in 2024, and it will remain a hot topic. I'm really proud of what we achieved as a team with the colleagues looking at the efficiency savings that we have generated in 2024. We achieved over €100 million of efficiency savings using different levers, looking at top line, but also looking at the cost basis.

Some examples, if you look at Recycling, we have been basically looking at data science and process technology in order to improve the first-time pass yields of certain flows. Meaning that we reduce the reprocessing loops and as such also reduce cost in order to extract metals. Looking at Catalysis, this is where we have been able to reduce the throughput times on coating lines, which helps us to release working capital, release cash. But also looking at the utilization of the assets, we are optimizing utilization by consolidating footprint, looking at coating capacity, but also looking at test center capacity. Then with the latest emission legislation coming up, this is also where we have been streamlining the organization.

For 2025, we are committed to deliver this again. We are looking at efficiency savings of €100 million. A significant part of that is already secured through the rightsizing, the restructuring exercise that we have announced in November, and that we are completing by the end of this month. If we look at Battery Materials for instance, we have rightsized the organization in China, which helps us to reduce the breakeven point and also make sure that the local operations are cash positive and create that optionality for the future.

We have the ambition to repeat time after time. From 2026 to 2028, we are anticipating to offset inflation year-after-year through gross efficiency savings of €50 million to €75 million per year.

We also increased the visibility on future earnings. We have a structural exposure primarily linked to platinum group metals and precious metals that we have hedged for a substantial part until 2028.

Now just as a clarification, if you talk about the structural exposure, Geert highlighted the recycling model where we recover metals and where we contractually agree on the recovery rate. If you're able to recover more, we have metal gains. Those metal gains if we bring them to the market, this is what creates that structural exposure, this is what creates that potential tailwinds depending on the volatility or depending on the level of the metal prices.

Moving forward, we want to have that visibility on cash flows, while we're investing in Battery Materials - where we're finalizing that and while Battery Materials is ramping up. This is where we have hedged that structural exposure linked to precious metals and platinum group metals at historically attractive prices.

The remaining sensitivity. If you look at 2028 and you would assume that metal prices, PMs and PGMs, would move with 10%, this would result in an EBITDA impact of €25 million versus the overall EBITDA of €1 billion to €1.2 billion, so about 2%, which is significantly different from what we have seen in past. We are reducing the ability to benefit from the upside. But what is important for us is that we are protecting the balance sheet from the potential downside.

For completion I also want to highlight that looking at the recycling activities, we have minor and base metals that we process where we also have some exposure. At the same time then looking at the application side, those metals are used in a wide range of applications and prices go up and down. Typically, what we see is a more balancing effect. But just for completeness, I do want to highlight this.

We are starting from a strong balance sheet and we are strongly committed to keep a strong balance sheet. Looking at the start of the year, we had €2 billion cash on balance, strong liquidity and on top of that, we also have access to committed, undrawn credit facilities exceeding €1.1 billion.

Looking at the long-term debt, we have €2.8 billion of long-term debt with well spread maturities. In 2025, we have the convertible bonds that is maturing in June and that we will repay out of the cash position. Apart from that, there's no immediate refinancing needs. Again, a very well spread debt profile. Looking at the cost of debt, 85% of the debt instruments are at fixed rate. So, meaning that we have a good visibility on future cost of debt. And looking at the average cost of debt, we will be hovering around 3.5% throughout the period.

Leverage has increased at the end of the year, we are now at 1.9, not exceptional if you look at it from a historical perspective. We have also highlighted with the negative free cash flow in 2025, while we are finalizing the investments, the leverage will be peaking at a level of around 2.5 times and we expect this peak in 2025 and 2026. At the same time, on the back of the strong free cash flow generation in the Group, the leverage will come down. It will come down to levels below 2 times and this is a mid-term capital structure that we feel comfortable with. This plan also takes into account the dividend policy, which is a stable to rising dividend, starting from a new baseline, the new baseline that we announced being €0.50 gross per share.

Key takeaways - We see a plan with strong profitability, with excellent margins and excellent returns. We have a strict approach on capital allocation, which supports those strong solid free cash flows, and we are convinced that we will maintain a robust balance sheet. Bringing this all together, we are confident on the financial trajectory moving forward.