



# Capital Markets Update: Project Brenntag „Deep Dive“

Essen, 4 November 2020

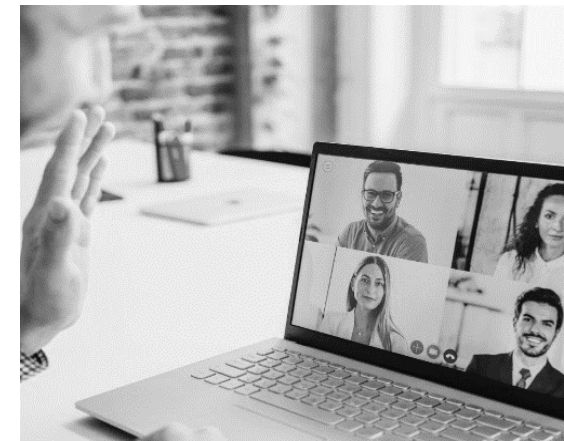
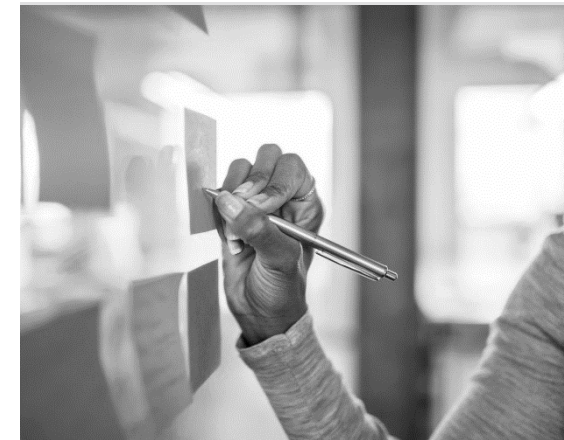
# Disclaimer

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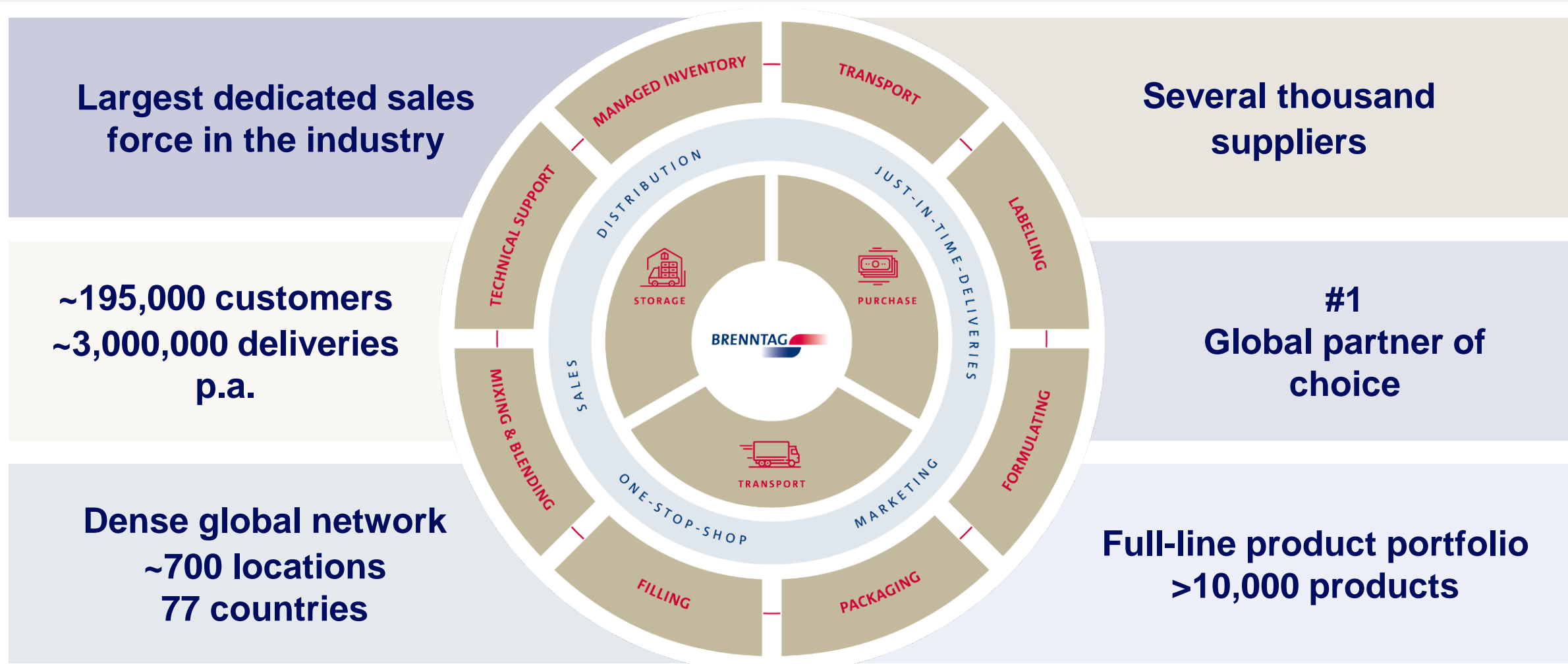
*This presentation may contain forward-looking statements based on current assumptions and forecasts made by Brenntag AG and other information currently available to the company. Various known and unknown risks, uncertainties and other factors could lead to material differences between the actual future results, financial situation, development or performance of the company and the estimates given here. Brenntag AG does not intend, and does not assume any liability whatsoever, to update these forward-looking statements or to conform them to future events or developments. Some information contained in this document is based on estimates or assumptions of Brenntag and there can be no assurance that these estimates or assumptions are or will prove to be accurate.*

## Capital markets update

**THE GLOBAL MARKET  
LEADER**

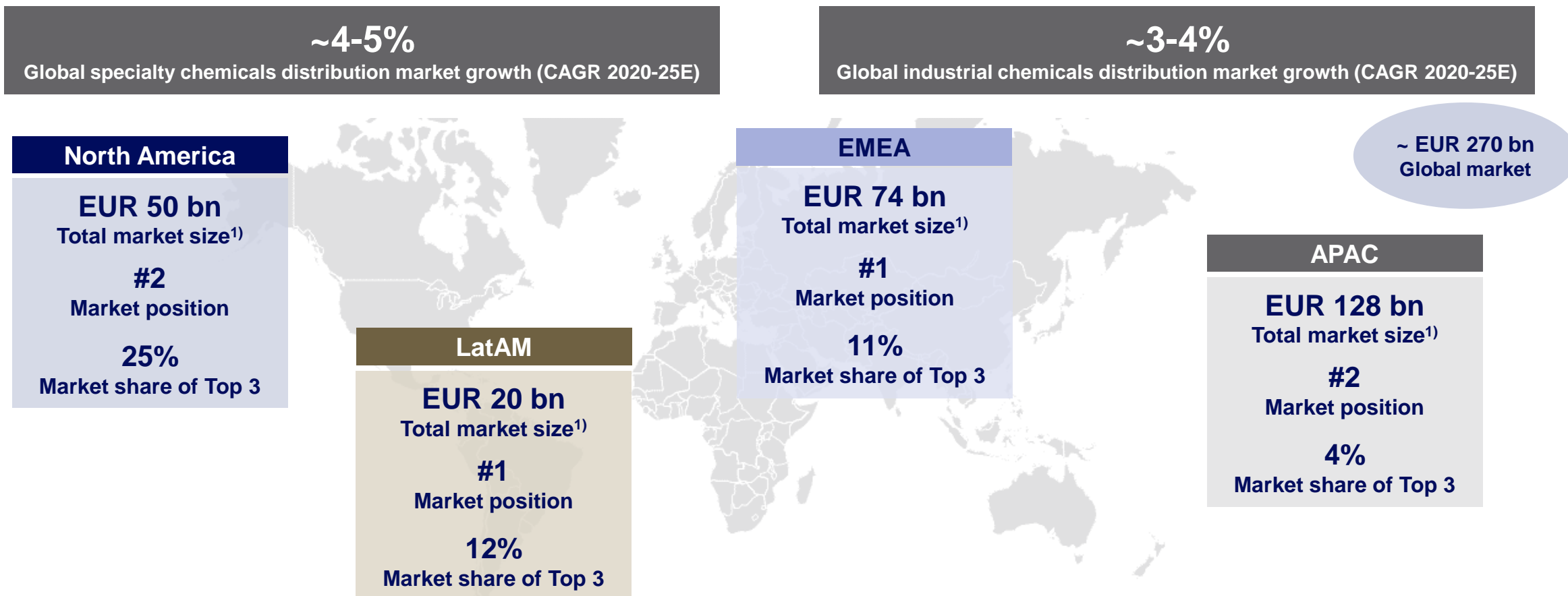


# Brenntag – Global market leader in chemicals and ingredients distribution



# Brenntag – Leading in a large, growing and fragmented market

## Global chemicals distribution market overview



1) Chemical Distribution Market size 2019  
Source: BCG Chemical Distribution market model April 2020



## 2020 Year-to-date: Snapshot

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**New operating model with two global divisions announced**

**Publication of strong H1 and Q3 results with positive operating EBITDA development**

**Strong delivery on cash flow**

**Release of new forecast for FY2020**

**Resilient performance during COVID-19**

**Announcement of new management board structure & members**

## Building on a strong foundation

**Global market  
leader in an  
attractive market**

**Broadest portfolio  
and global reach**

**In-depth know-how  
and passionate  
team**

**Solid financial  
track record**

**And... Brenntag has significant untapped potential to unlock**

# Project Brenntag addresses areas of improvement based on stakeholder feedback

## Suppliers



**Sharpen profile towards channel needs**

## Customers



**Emphasize tailor-made market approach**

## Employees



**Further promote execution and performance culture**

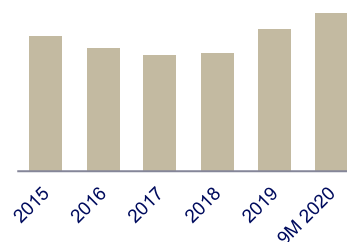
## Growth



**Foster profitable growth**

## Costs

Conversion ratio



**Reignite conversion ratio expansion**

## Capital Markets



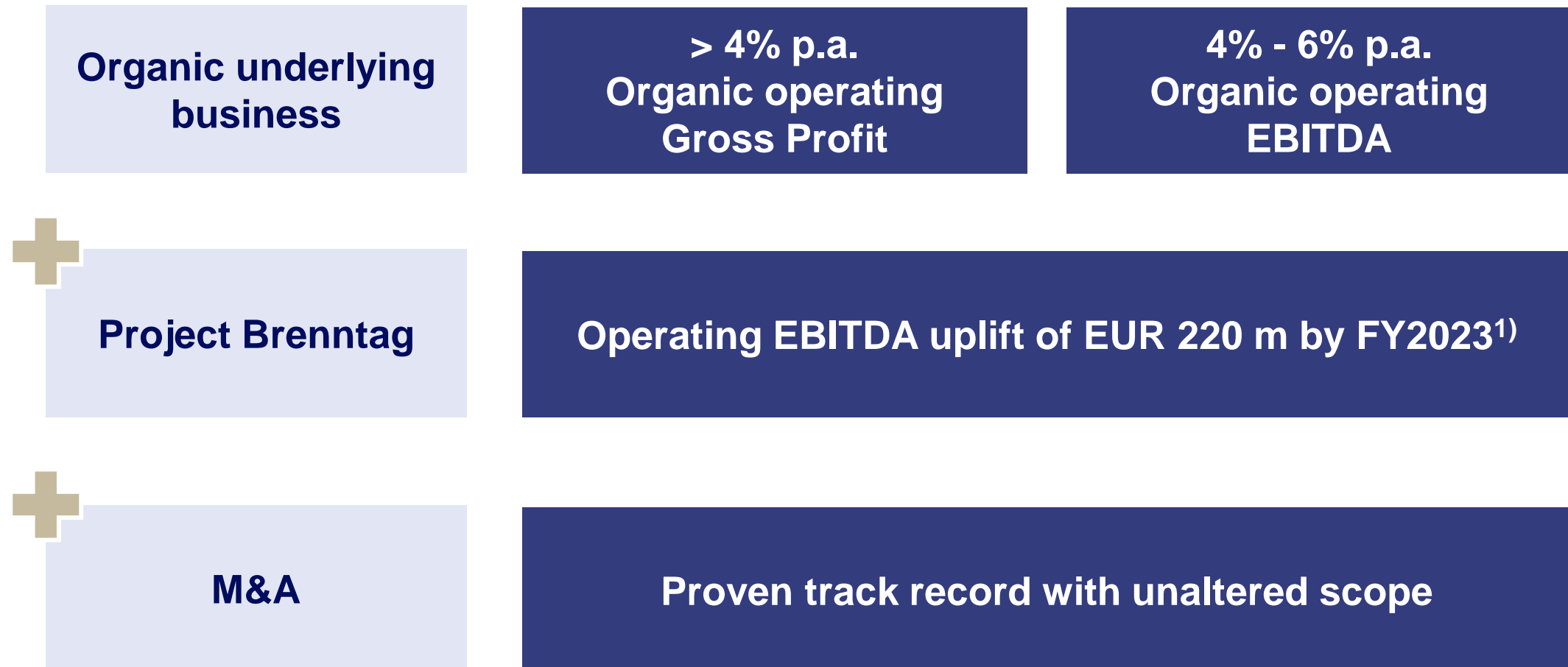
**Focus on value creation**



# Project Brenntag: Delivering sustainable organic earnings growth



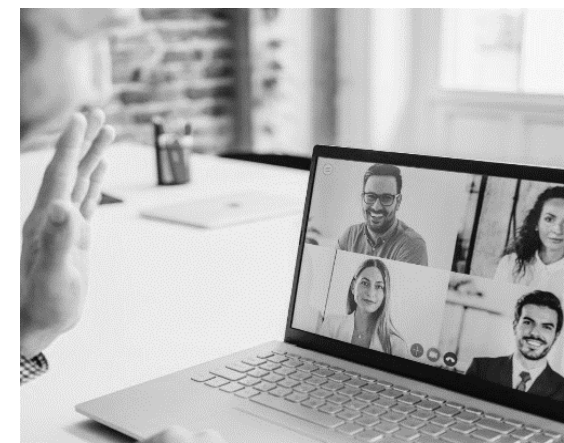
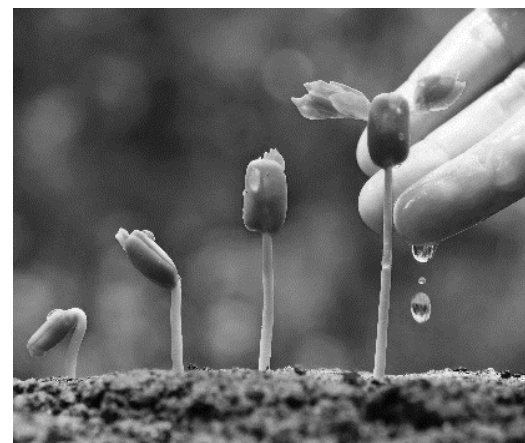
# Medium term guidance



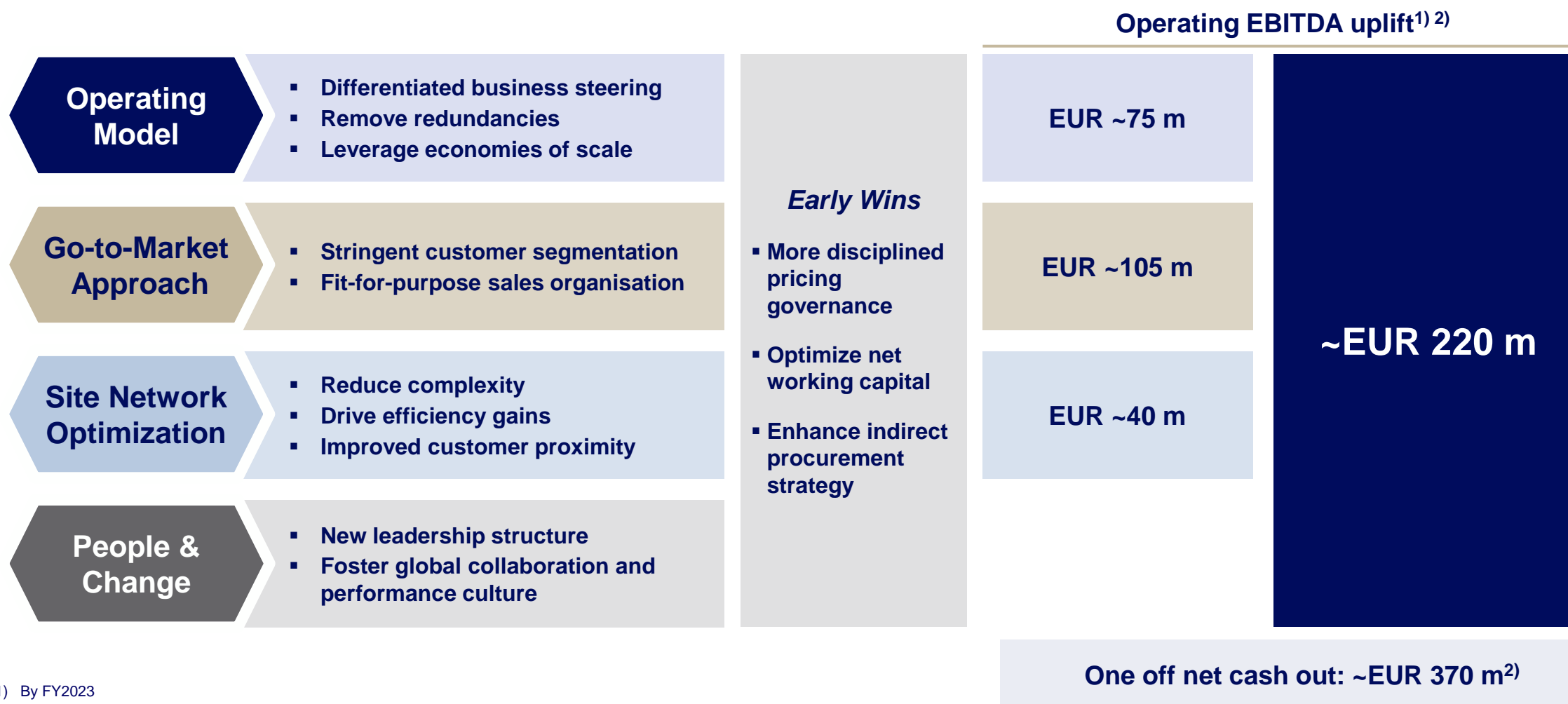
1) Based on management estimates  
Brenntag AG – Capital Markets Update | 4 November 2020

## Capital markets update

# PROJECT BRENNTAG: A COMPREHENSIVE TRANSFORMATION PLAN



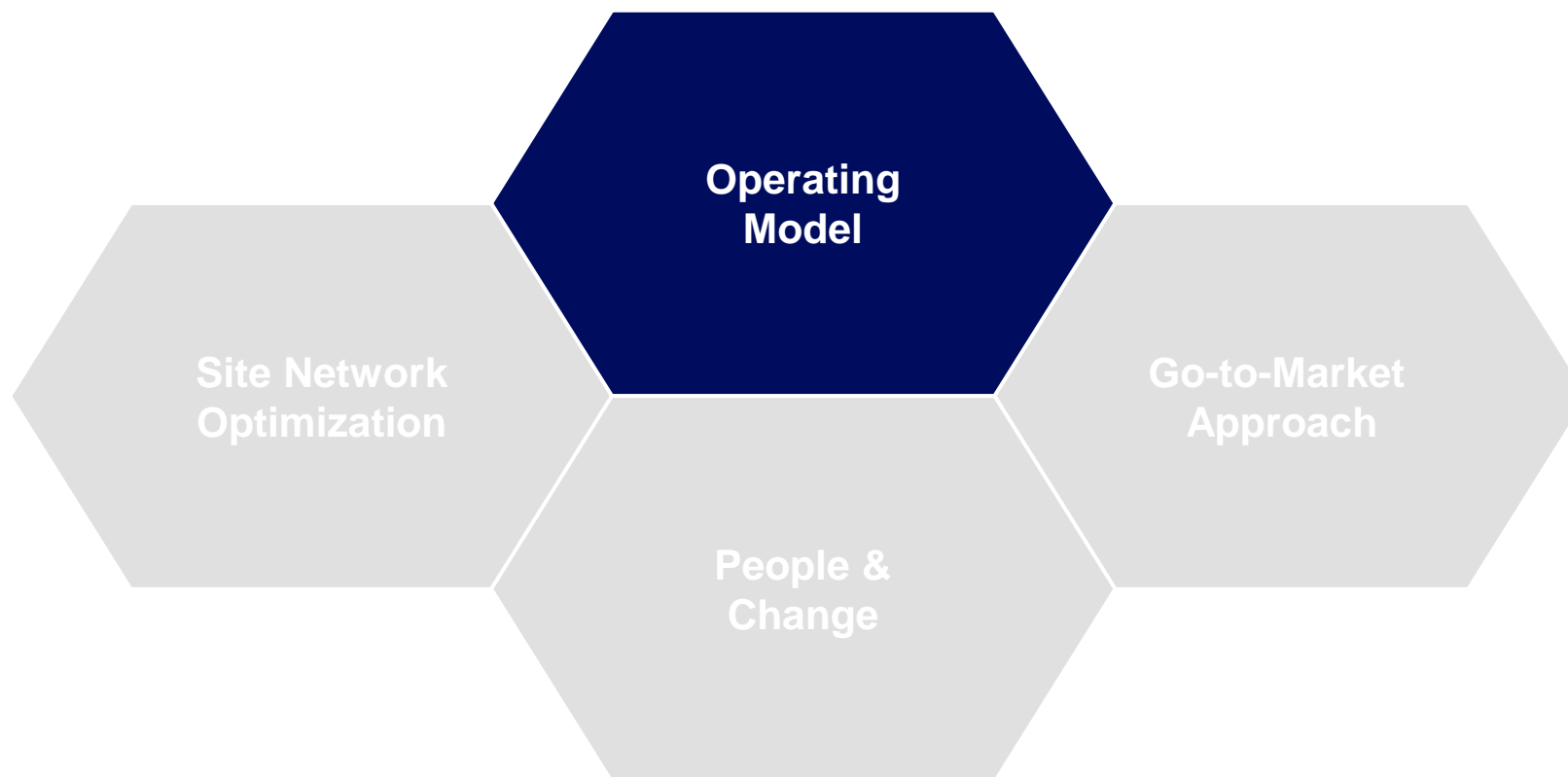
# Project Brenntag: Clear & measureable benefits for organic earnings growth



1) By FY2023

2) Based on management estimates

# Project Brenntag: A comprehensive transformation plan





# Sharpened operating model

## Corporate



- Drives strategic agenda
- Defines governance, policies and standards
- Steers global functions and business services

## Brenntag Essentials



## Brenntag Specialties



## Supported by Business Services

**Centers of  
Excellence**

**Shared Services**

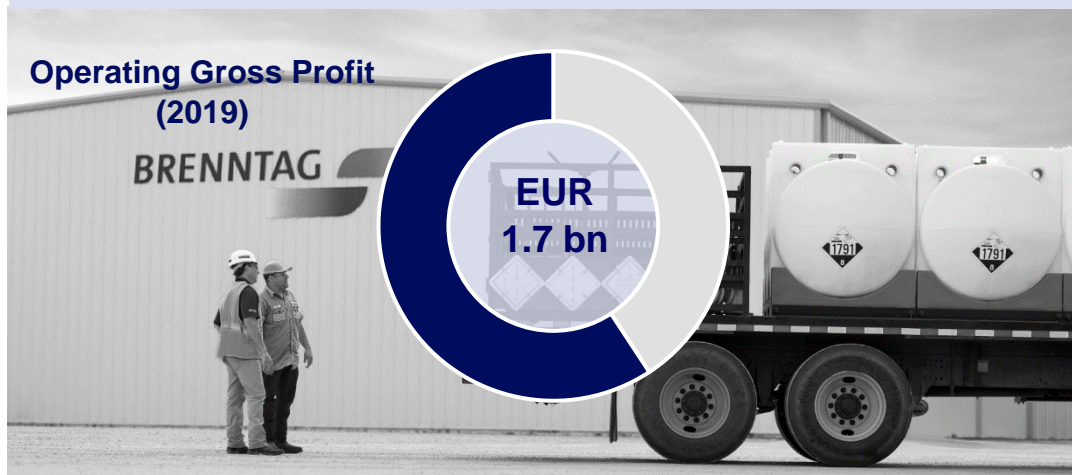
**Business Partners**

# Two global divisions aligned with business partners' needs and differentiated business steering



## BRENNTAG ESSENTIALS

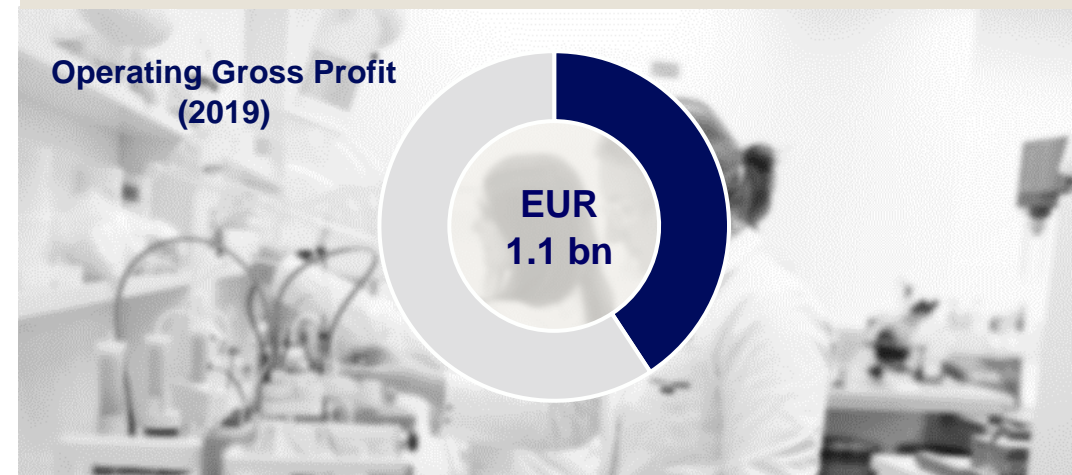
### *Regional logic*



*Agile, lean, and most efficient partner of choice  
for suppliers and customers*

## BRENNTAG SPECIALTIES

### *Industry logic*



*Global specialties leader in selected focus  
industries*

# Introducing our management board members



**Christian Kohlpaintner**  
*CEO*



**Georg Müller**  
*CFO*



**Steven Terwindt**  
*COO Essentials*



**Henri Nejade**  
*COO Specialties*

Prior  
Experience



# BRENNTAG ESSENTIALS

Operating  
Model

## Global platform, local reach

### KEY METRICS



**EUR 7.1 bn**

Sales (2019)

**EUR 1.7 bn**

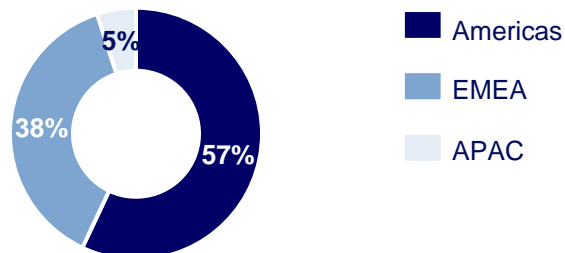
Operating Gross Profit (2019)

**33-35%**

Conversion Ratio

### REGIONS

Operating GP by regions (EUR m, 2019)<sup>1)</sup>



### PRODUCTS

#### Key product families:

- Solvents (e.g., acetone)
- Acids and Lyes (e.g., HCl)
- Hydrocarbons

### CHARACTERISTICS

**High volume delivery**

**Cross-industry products and local market know-how**

**Consistent cash generation**

**Strong brand & high barriers to entry**

**Global asset base**

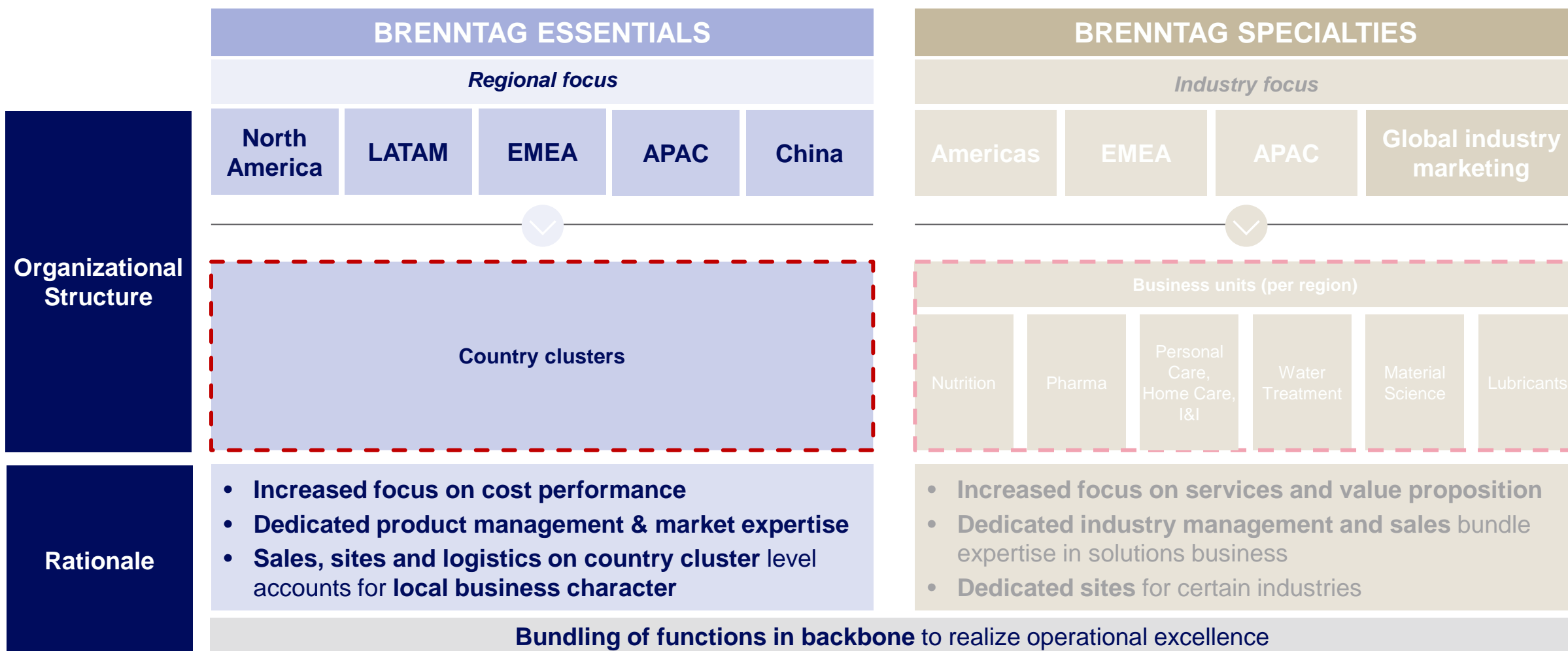
**Business-oriented infrastructure**

1) Chart excluding <EUR 0.1bn New acquisitions and inter company margins

## BRENNTAG ESSENTIALS

Operating  
Model

# Differentiated steering of Brenntag Essentials & Brenntag Specialties





**BRENNTAG ESSENTIALS**

Operating  
Model

# Customers and suppliers have varying service requirements

		BRENNTAG ESSENTIALS	BRENNTAG SPECIALTIES
Customers	Characteristics	Leverage cost advantage and scale	Provide tailored solutions
	Decision maker	Purchased on competitive offering	Purchased mainly on performance
	Competitive differentiation	Procurement	Product owner
Suppliers	Footprint	Low cost, local execution excellence	Application technology labs, know-how and value added services
	Supplier strategy	Best at sub-country and local level	Best by region
	Competitive differentiation	Respond to market share ambitions	Brand awareness and value proposition
		Supply chain excellence and bulk-breaking capabilities	Technical application, formulation and regulatory know-how

**BRENNTAG ESSENTIALS**

Operating  
Model

**Agile, lean, and most efficient partner of choice in local geographies**

**Ambitions – What the Brenntag Essentials team wants to accomplish**

**One-stop-shop for  
suppliers**

**Lowest cost to serve**

**Highest  
safety + compliance  
standards**

**Operational  
excellence**

**Customer Service  
Excellence**

**Digital Services;  
online ordering and  
delivery tracking**

**#1 at local level**

## BRENNTAG SPECIALTIES

Operating  
Model

# Industry solutions at the core

## KEY METRICS



**EUR 5.3 bn**

Sales (2019)

**EUR 1.1 bn**

Operating Gross Profit (2019)

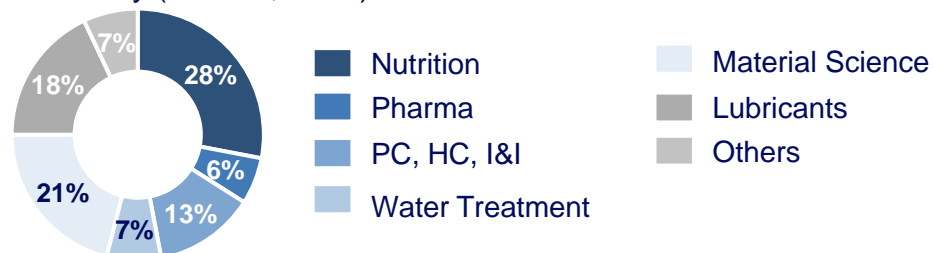
**41-43%**

Conversion Ratio



## FOCUS INDUSTRIES

GP by focus industry (EUR m, 2019)



## CHARACTERISTICS

**Strong customer  
relationships**

**Application and  
formulation expertise**

**Innovation capabilities**

**Regulatory expertise**

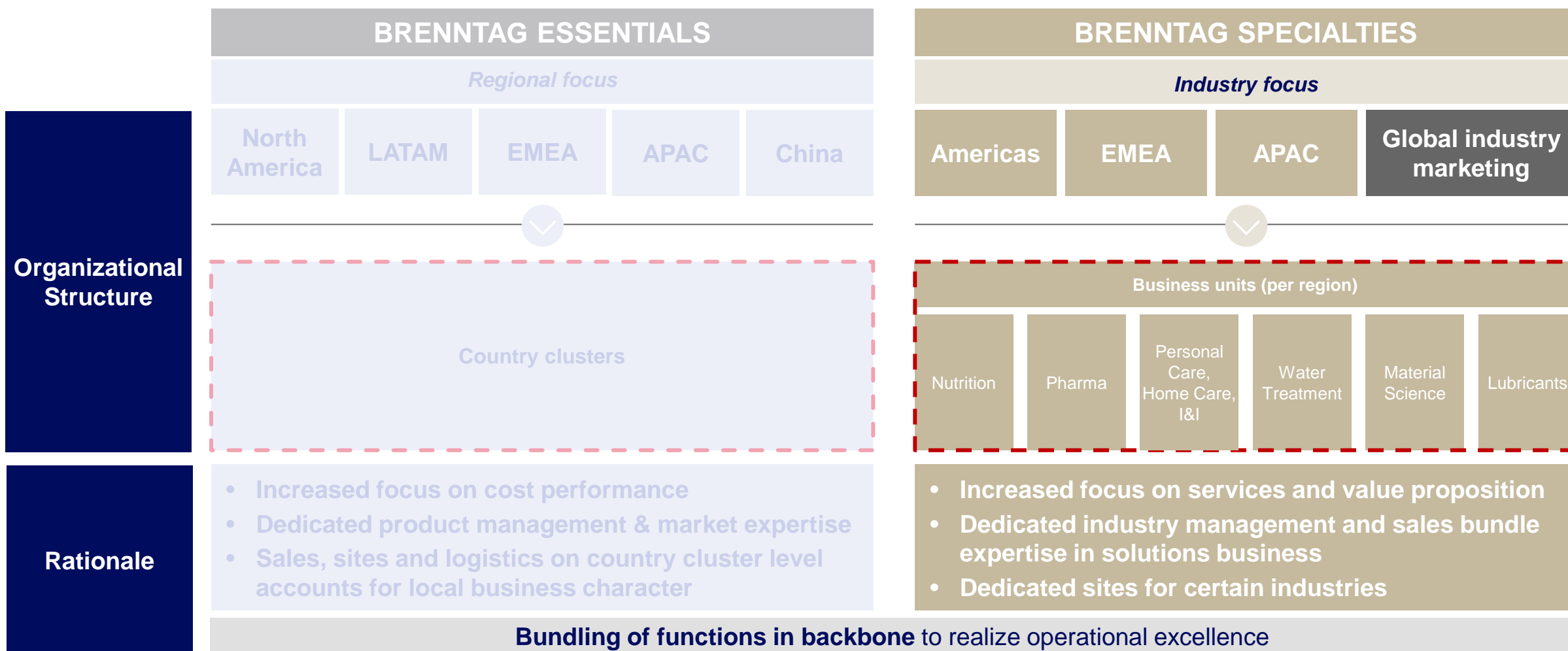
**Industry focus**

**Brand awareness**

## BRENNTAG SPECIALTIES

Operating  
Model

# Differentiated steering of Brenntag Essentials & Brenntag Specialties



**BRENNTAG SPECIALTIES**

Operating  
Model

# Customers and suppliers have varying service requirements

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# BRENTAG SPECIALTIES

Operating Model

## Clear focus on highly attractive industries

		Growth momentum	Cross-regional platform	Solutions potential	Critical mass
	Specialty market size (EUR bn) <sup>1)</sup>	<i>Positive underlying growth in end industries</i>	<i>Global reach but industry-focused delivery</i>	<i>Value-added solutions and technical expertise</i>	<i>Brenntag already with industry-critical mass</i>
Nutrition <sup>2)</sup>	~50	●	●	●	●
Pharma	~105	●	●	●	●
Personal Care, Home Care, I&I	~60	●	●	●	●
Material Science <sup>3)</sup>	~190	●	●	●	●
Water Treatment	~10	●	●	●	●
Lubricants	~120 <sup>4)</sup>	●	●	●	●

1) Refers to underlying end market size 2019 (as per IHS Specialty Chemical Update Program 2020)

2) Consisting of Food & Nutrition and Animal Nutrition

3) Consisting of Coatings & Construction and Polymers & Rubber

4) Excluding base oils

GDP+
  GDP++
  GDP+++

Strong
  Medium

# Global specialties leader in selected focus industries

## Ambitions – What we want to accomplish

**Distributor of choice  
for specialty suppliers**

**Recognized global #1  
solutions provider**

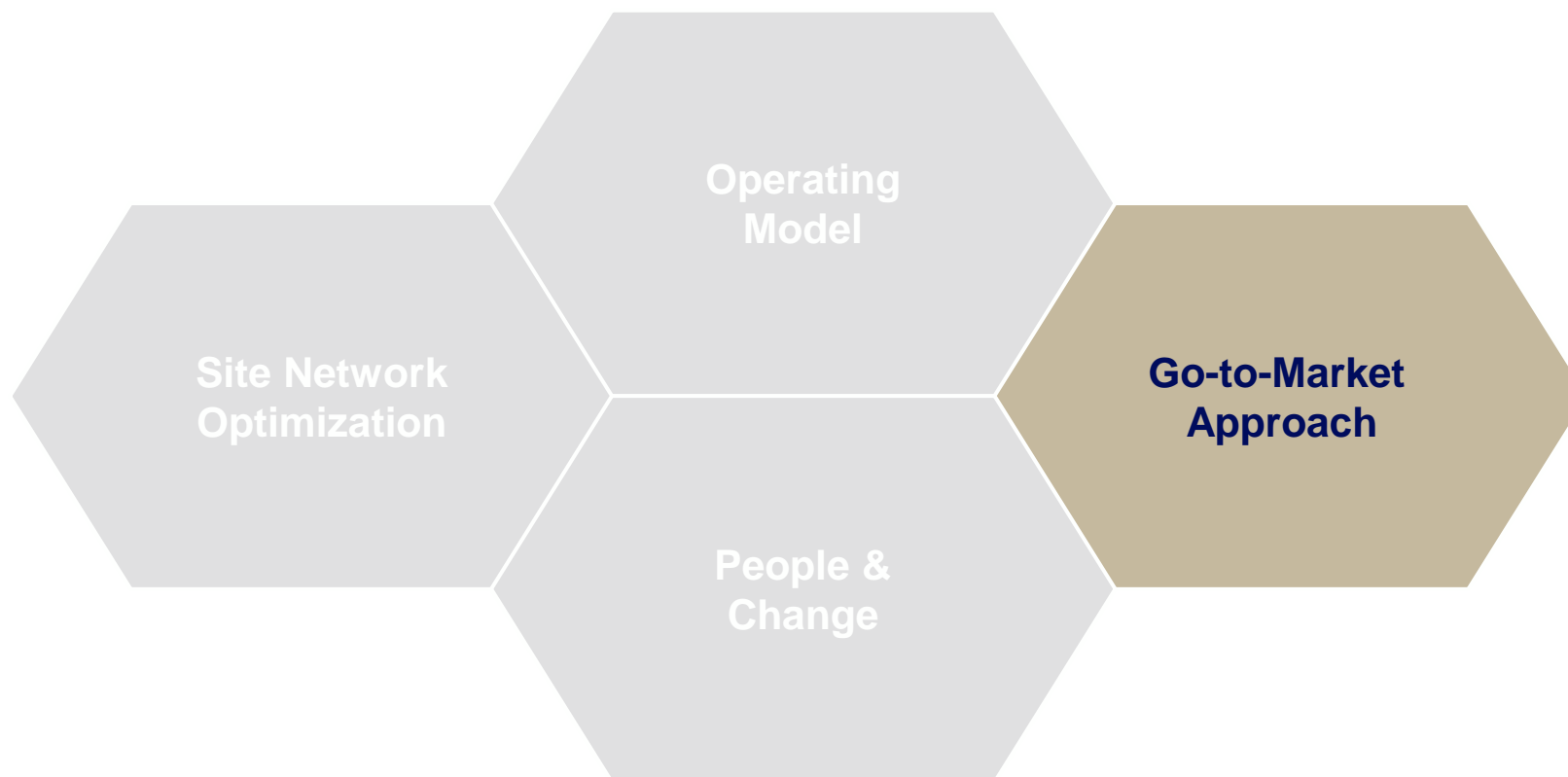
**Organic top line growth  
>GDP+**

**Broader market  
penetration**

**Leverage full potential of  
product portfolio**

**Differentiated position  
vs. specialty-focused  
competitors**

# Project Brenntag: A comprehensive transformation plan



# Stringent customer segmentation and differentiated deployment of our sales force

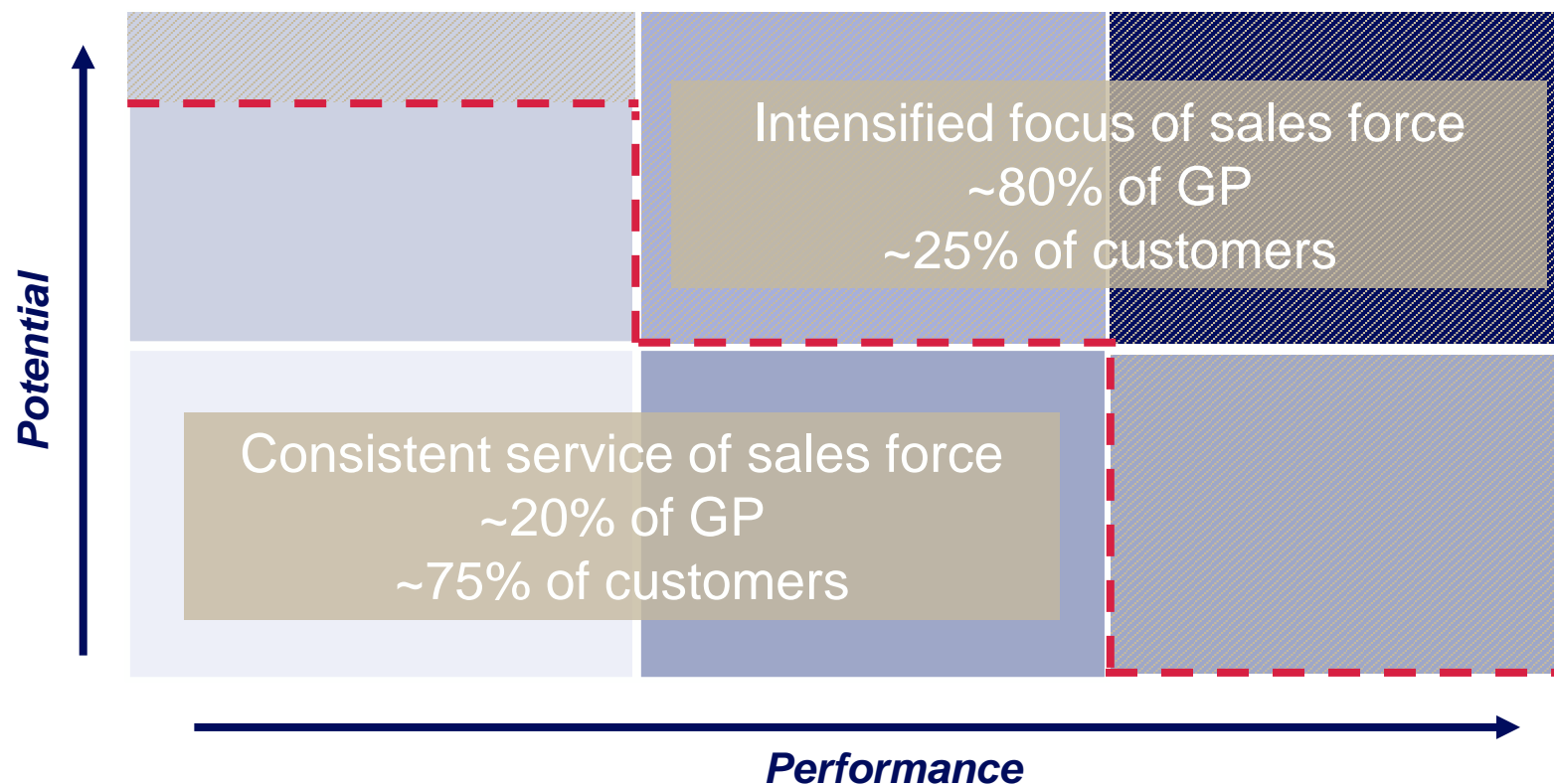
## Key objectives

Best-in-class front-end with clear roles, lean setup and high agility

Focus on high-value customers by improved resource deployment & harmonized customer segmentation

Cross-selling, organic growth and monetization of value-added services via differentiated and focused approach

Leverage global expertise via cross-regional collaboration and best practice sharing



## Two complementary industry champions



### BRENNTAG ESSENTIALS

### BRENNTAG SPECIALTIES

### Benefits for our business partners

- Superior **global reach**
- **Regional leadership**
- Local **customer proximity**
- Local **market know-how**
- **Lean & agile** business

- **Tailored solutions** and **value-added services** for our customer's end-products
- **Increased** and more **focused customer interaction**
- Global **best practice sharing** of industry specific know-how

**Both divisions address attractive markets and will equally contribute to strengthening Brenntag's global market leading position in specialties and full-line chemical distribution**



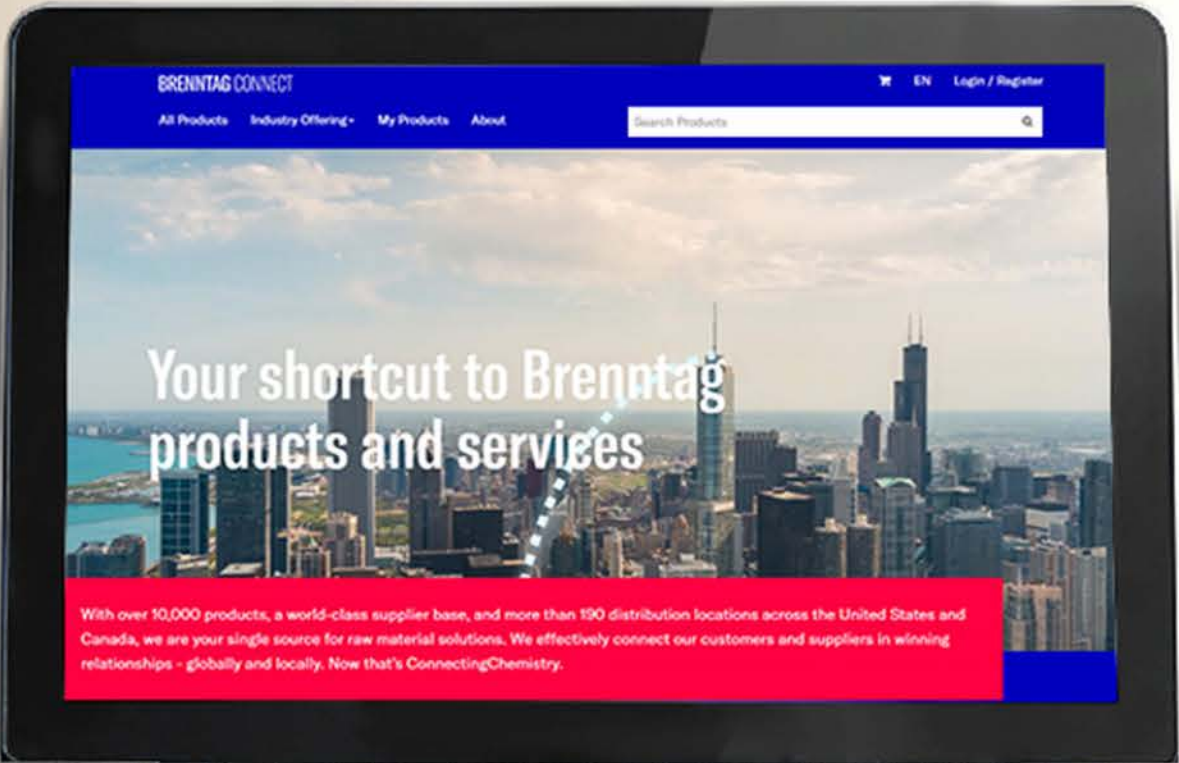
E-Commerce  
live in 12  
countries



20%  
Active users



5%  
Placing Orders  
Online  
In North America



Place and track  
orders online



Hassle free  
document  
downloads



One click  
re-ordering



Order and  
Invoice history

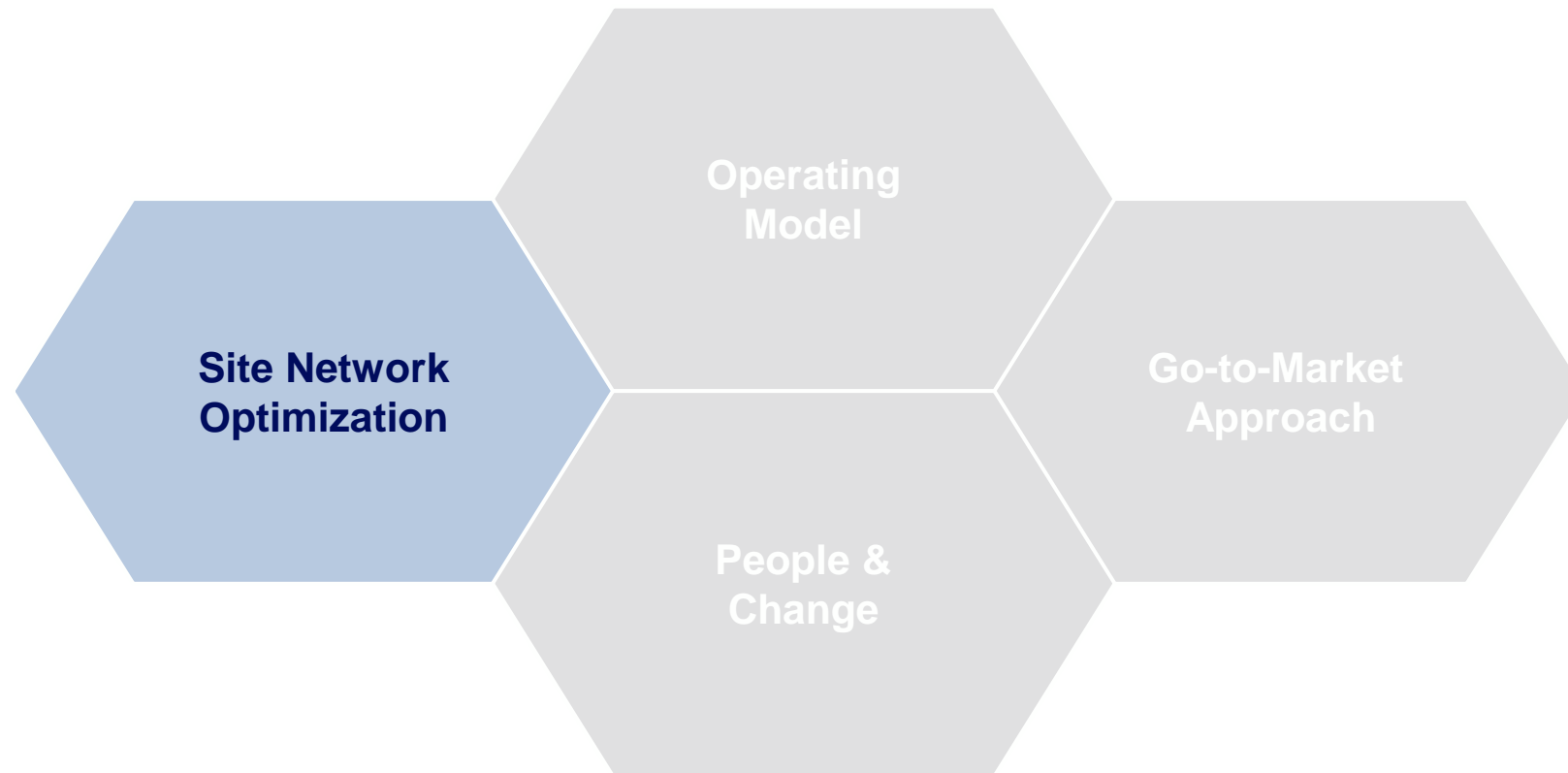


Product search &  
Recommendation  
engine



Lab connect and  
technical service

# Project Brenntag: A comprehensive transformation plan



Site Network Optimization

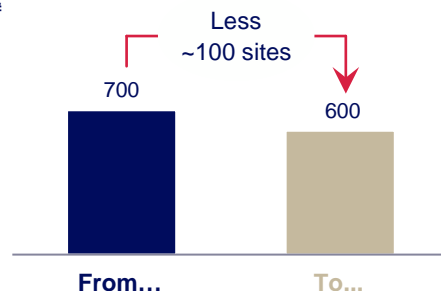
# Optimized footprint will increase efficiency

- 1 Reduce overlaps in geographies
- 2 Develop mega sites to drive scale efficiency
- 3 Close white spots in network
- 4 Adapt to regulatory changes
- 5 Fully-leverage cross-border flows
- 6 Optimize inventory / customer proximity & service level



Reducing complexity brings us closer to our customers and has a positive impact on our carbon footprint

Number of sites  
#



Improvement potential by optimizing site network along clusters

Reduce Complexity

Increase  
avg. volume per site

Improved transport  
planning and bundling/  
automation in sites

# Future network setup



**Leveraging #1 market position**



**Asset light model with low operating cost**



**Increase Competitiveness**



**Enhancing value-added services**



**Improving customer service levels**



**Larger sites will enable scale efficiencies and higher degrees of automation while reducing inventories and complexities**

**Sites will be brought to scale, replacing costly and underutilized site**

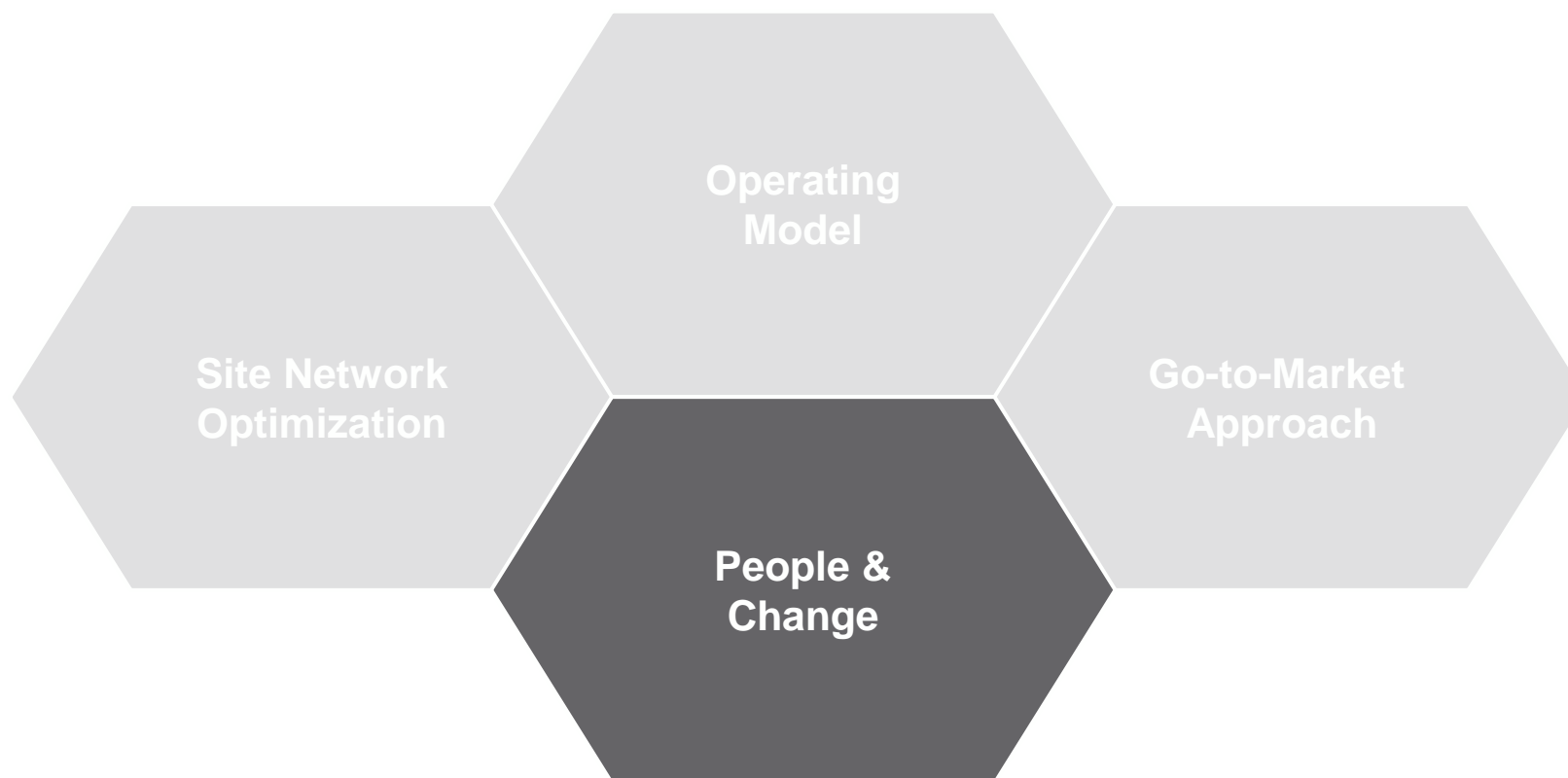
**Operate at low cost while serving customers with increased on time service levels**

**Increased focus on capabilities and product handling, mixing, blending and formulation**

**Hub & spoke system to ensure a seamless customer experience with short delivery times**



# Project Brenntag: A comprehensive transformation plan



## Execution focused culture to drive performance and value creation



**Passion and competence** of our people made us the global market leader

**Clearly defined roles, responsibilities and accountabilities**

Strong focus on **performance** and its individual recognition

Leadership competencies focused on **execution skills, growth and transformation capabilities**

With our new **global leadership team (GLT)** and focus on **people**, we will **unlock Brenntag's true potential**

# New management board setup

## New function & strategic directions of the Board

Joint global perspective

Strategic steering &  
business development

Stringent decision-  
making

Execution focused  
mind-set



## New Management Board Members

**Christian Kohlpaintner**  
*CEO*

**Georg Müller**  
*CFO*

**Steven Terwindt**  
*COO Essentials*

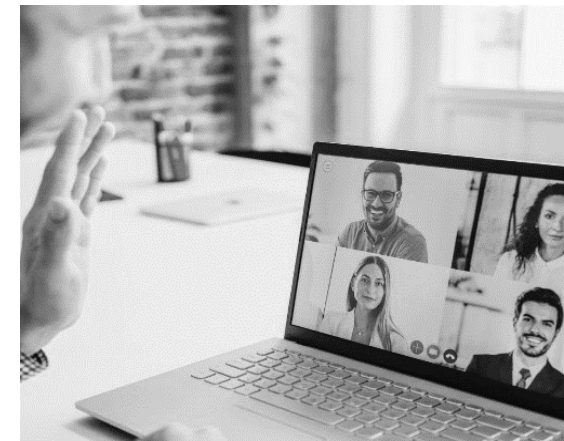
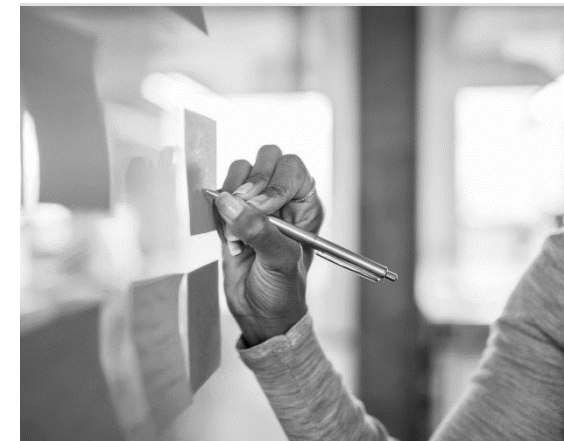
**Henri Nejade**  
*COO Specialties*

*CTO*



# Capital markets update

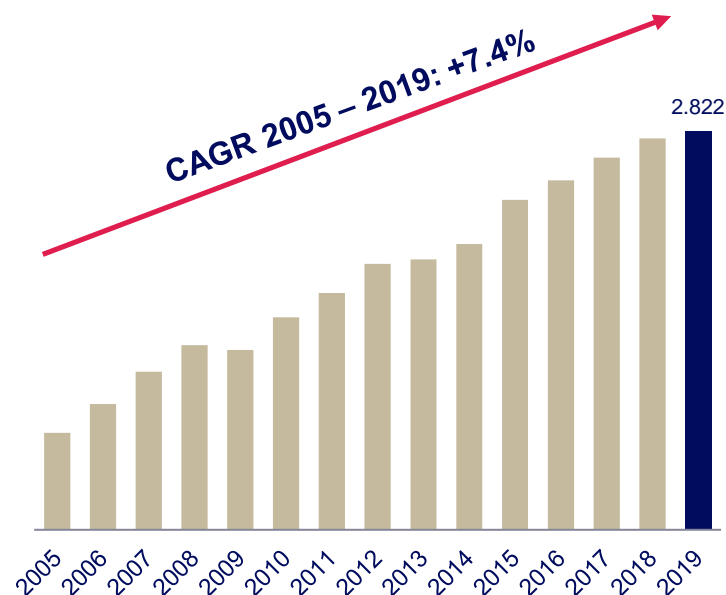
## FINANCIAL IMPACT & OBJECTIVES



# Sound financial trajectory: Resiliency and growth

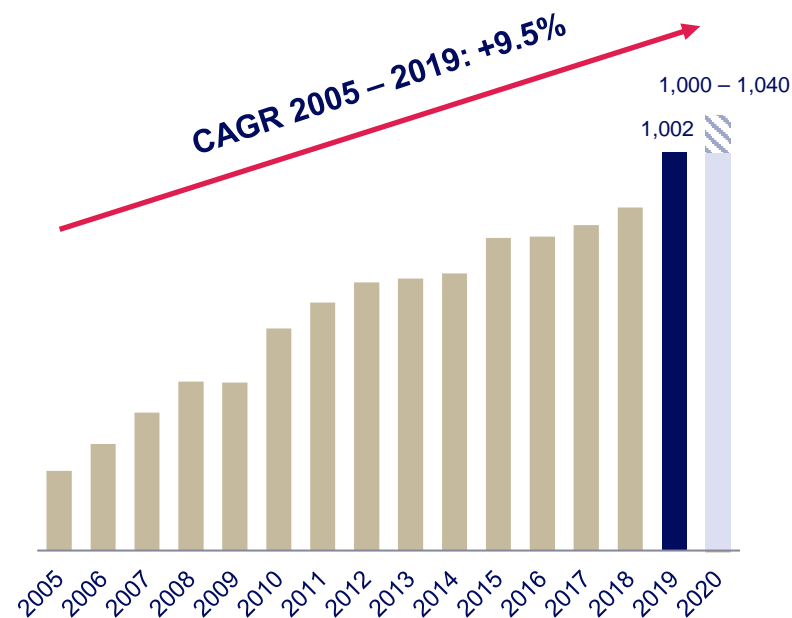
## OPERATING GROSS PROFIT

in EUR m



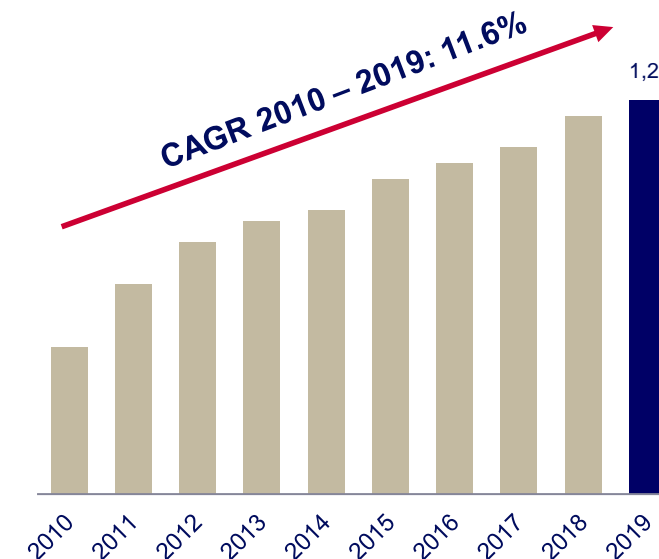
## OPERATING EBITDA

in EUR m



## DIVIDEND

in EUR per share



# Brenntag: Resilient and highly cash generative business model

**~EUR 600 m  
avg. Free Cashflow  
generation p.a.  
(2017-2019)<sup>1)</sup>**

**~EUR 804 m YTD  
Sep. 2020, so far  
best Free Cashflow  
year ever**

**Asset light  
1.6%  
Capex as percentage  
of sales (2019)**

**35.5%  
Conversion ratio<sup>2)</sup>  
(2019)**

**Self funded  
M&A**

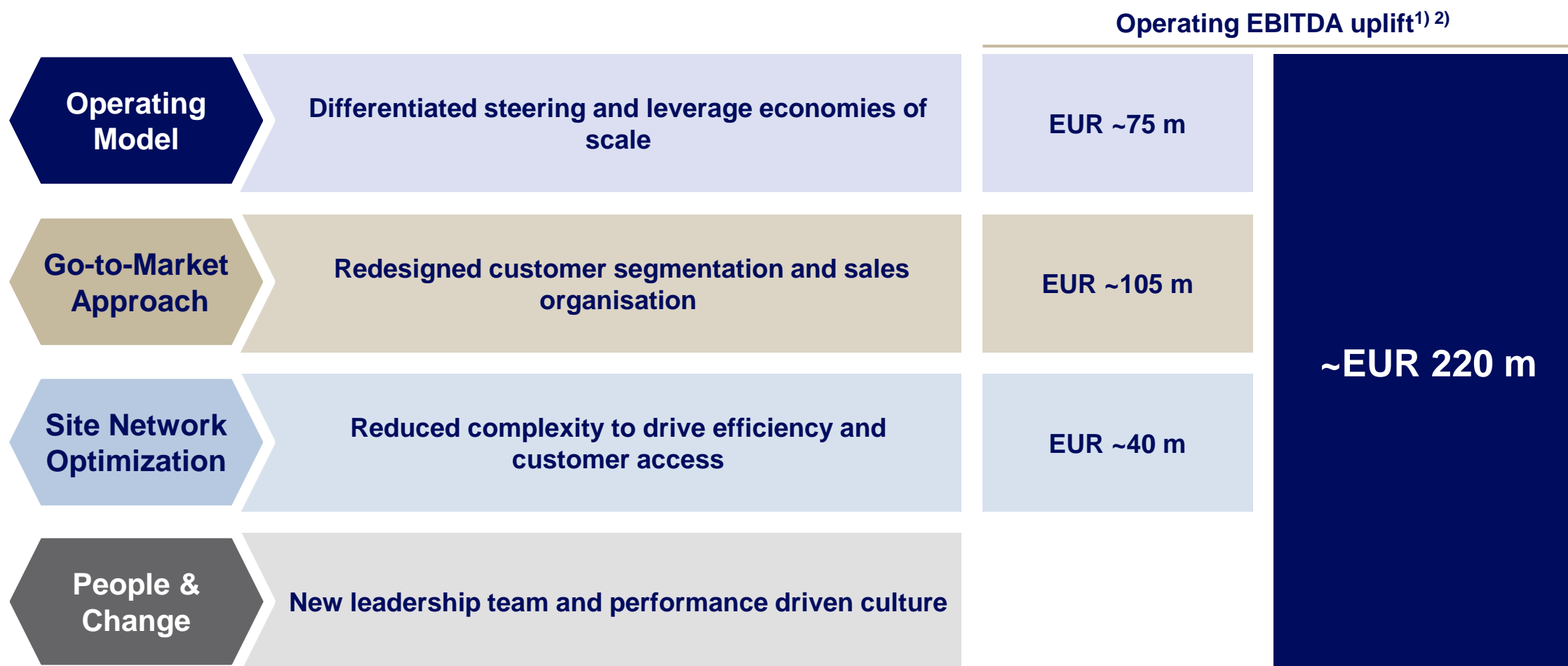
**7.0x  
Working Capital Turn  
(2019)**

1) FCF definition: Op. EBITDA less other additions to PPE/intangible assets (capex) +/- changes in working capital less principal and interest payments on lease liabilities

2) Conversion Ratio calculated as op. EBITDA / op. Gross Profit

# Project Brenntag:

## Focusing on delivery of significant operating EBITDA uplift by 2023



1) By FY2023

2) Based on management estimates

# Project Brenntag: P&L Perspective



**EBITDA impact from  
Operating Gross Profit  
growth**

~EUR 40 m<sup>1)</sup>

**EBITDA impact from  
expenses reduction**

~EUR 180 m<sup>1)</sup>

**Total Operating EBITDA  
impact**

~EUR 220 m<sup>1)</sup>



# Tangible early wins already identified



## Pricing

### **Improve discipline**

Long-tail products, negative margins, minimum margins

## Indirect Spend

### **Optimize terms and tools**

Short-term plan and three-year roadmap

## Net Working Capital

### **New governance structure**

Escalation process for low performing countries

# Project Brenntag unlocks significant efficiency gains

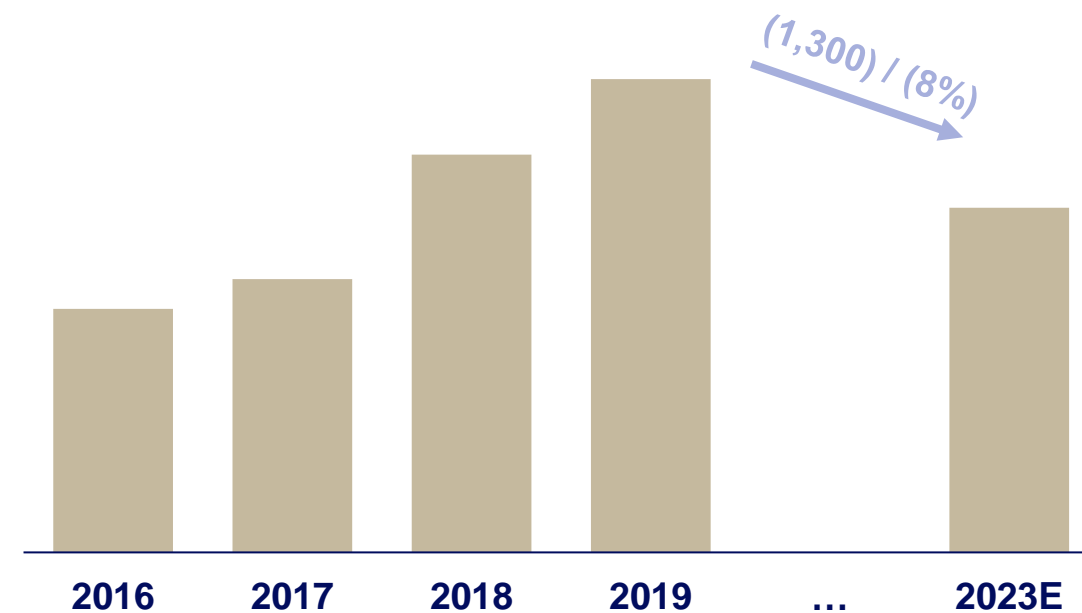
Reduced overlap between functions

Harmonization

Efficiency gains



## Headcount





# Financial prerequisites for organic earnings growth and Project Brenntag

Organic underlying business	<p><b>Capex:</b> About stable on 2019 levels</p>	<p><b>Additional ERP investments</b> (current expectation: EUR 200 m over 3 years in total)</p>
 Project Brenntag	<p><b>EUR 370 m</b> Net cash out in form of P&amp;L expense below Operating EBITDA as well as net Capex</p>	
 M&A	<p><b>EUR 200-250 m</b> p.a. earmarked</p>	

# Mid term growth ambition is targeted at 2023 timeframe and consists of several building blocks



1) Based on management estimates

# New operating model will be fully reflected in divisional reporting

## Brenntag Essentials



**EUR 7.1 bn**

Sales (2019)

**EUR 1.7 bn**

Operating Gross Profit (2019)

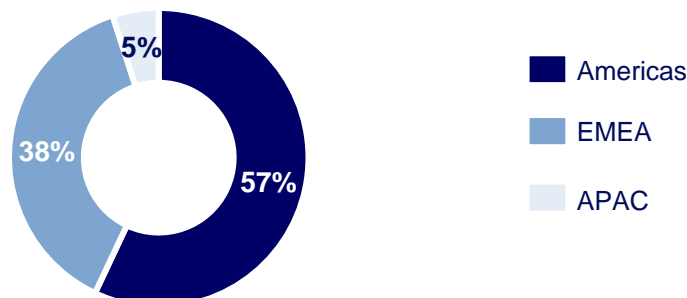
**33-35%**

Conversion Ratio



## REGIONAL SPLIT

Operating GP by regions (EUR m, 2019)<sup>1)</sup>



1) Excluding <EUR 0.1bn new acquisitions and inter company margins

## Brenntag Specialties



**EUR 5.3 bn**

Sales (2019)

**EUR 1.1 bn**

Operating Gross Profit (2019)

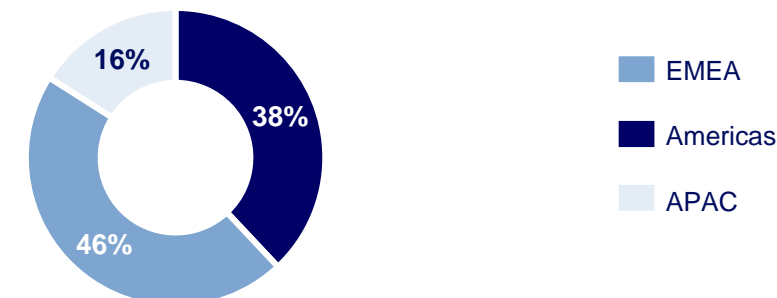
**41-43%**

Conversion Ratio

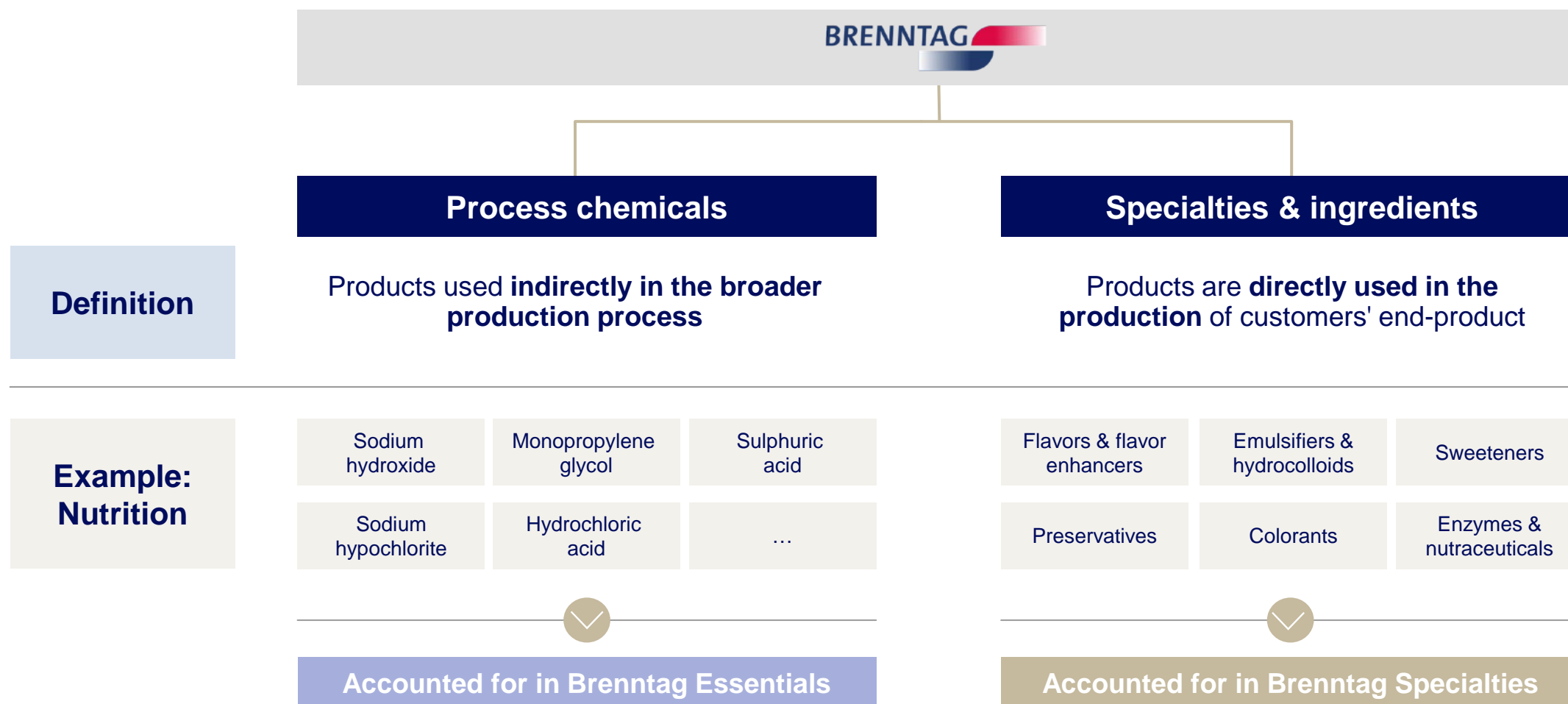


## REGIONAL SPLIT

Operating GP by regions (EUR m, 2019)<sup>1)</sup>



# Clear assignment and accounting for products according to industry needs



# Clear definition of Brenntag Essentials and Brenntag Specialties



# Project Brenntag: External reporting will reflect divisional steering approach

## Reporting Structure as from Q1 2021

Group Reporting	Reporting Structure as from Q1 2021	
	Gross Profit	Operating EBITDA
		WC Turn
Divisional Reporting	Reporting Structure as from Q1 2021	
	Brenntag Essentials	Brenntag Specialties
Regional Reporting	Reporting Structure as from Q1 2021	
	Americas, EMEA, APAC	Americas, EMEA, APAC

# Dividend policy and leverage commitment unchanged



## Dividend policy

**35-50%**  
of consolidated profit after tax attributable  
to shareholders as annual dividend

## Leverage target

**Maintaining target leverage of ~2.0x**



## Brenntag: Delivering on our objectives

**Significant EBITDA uplift opportunity**

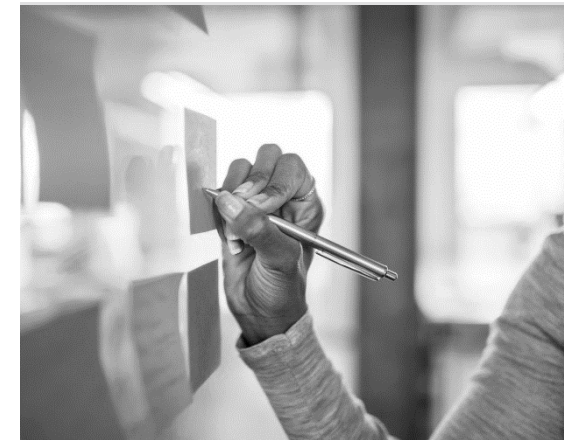
**New reporting structure**

**New mid term targets**

**Capital allocation framework**

# Capital markets update

## KEY TAKEAWAYS AND NEXT STEPS



## The "One Brenntag" approach to benefit both divisions



**Full transparency of  
divisional  
performance**

**Brenntag brand  
reputation**

**Leveraging full size  
and reach  
to benefit suppliers**

**Cross-selling  
opportunity**

**Lean and efficient  
corporate centre and  
business services**

**Shared innovation in  
digital and  
sustainability**

# The next steps





## Project Brenntag – The path to success

**Channel partner of  
choice for suppliers**

**Differentiated strategic  
steering**

**Customer-centric  
approach**

**Re-define and sharpen  
full-liner positioning**

**Functional excellence  
and fit for purpose  
organization that  
leverage scale**

**Clear accountabilities  
and targets**

**DELIVERING SUSTAINABLE ORGANIC EARNINGS GROWTH**

# Capital Markets Update: Project Brenntag „Deep Dive“

A photograph of a modern, multi-story office building with a glass facade and a prominent Brenntag sign on the roof. The building is surrounded by green trees, and the sky is clear and blue. The image is used as a background for the main title and subtitle.

**Project Brenntag:  
Delivering sustainable organic earnings growth**