



# Investor & Analyst Conference Call

Dr. Torsten Derr (CEO) and Thomas Dippold (CFO)

Wiesbaden | March 25, 2021

# Agenda

1. Recent Developments
2. FY2020 Results
3. Restructuring Program
4. Outlook 2021
5. New Mid-Term Plan
6. Summary
7. Backup

# 1 Recent Developments

# SGL Carbon – Transformation on track!

## Highlights 2020 & Guidance 2021

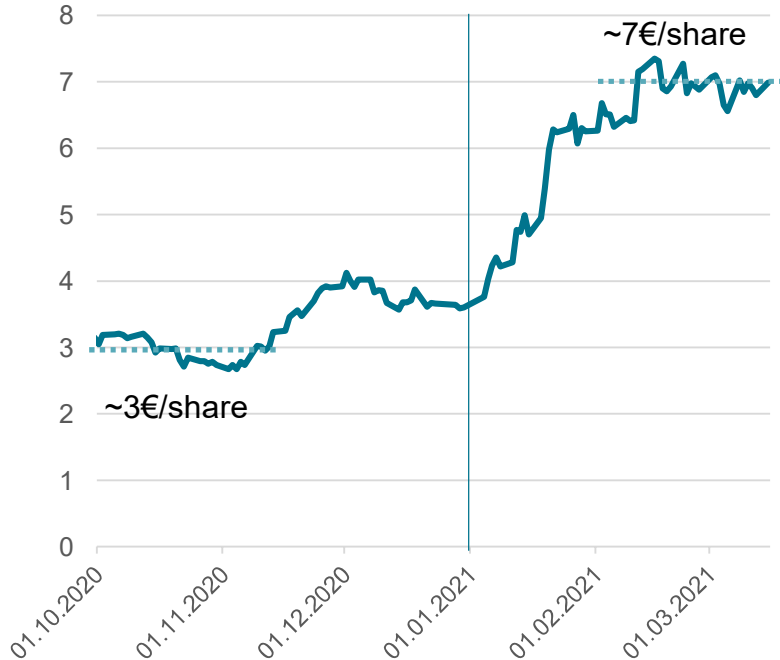
<b>Our Environment</b>	<ul style="list-style-type: none"><li>• Business negatively impacted by Covid-19</li><li>• Semiconductors, China and carbon fibers for wind industry performed well</li></ul>
<b>Our Highlights</b>	<ul style="list-style-type: none"><li>• Covid-19: Limited impact on our employees &amp; no shut-down of sites</li><li>• New &amp; transparent organization</li><li>• Restructuring program above plan</li></ul>
<b>Our Financials</b>	<ul style="list-style-type: none"><li>• -15% sales &amp; over-proportional EBITDA decline</li><li>• Strong FCF improvement, net financial debt unchanged (despite BMW payment)</li><li>• Impairment of 107 mEUR in BU CFM</li></ul>
<b>Our Guidance '21</b>	<ul style="list-style-type: none"><li>• Sales growth: mid single-digit percentage</li><li>• EBITDApre growth: 10 – 30%</li><li>• Net result: -20 mEUR to break-even</li></ul>

## New Board of Management



# Share price more than doubled last 6 months & Regular entry in SDAX

## Share price SGL Carbon (in EUR)



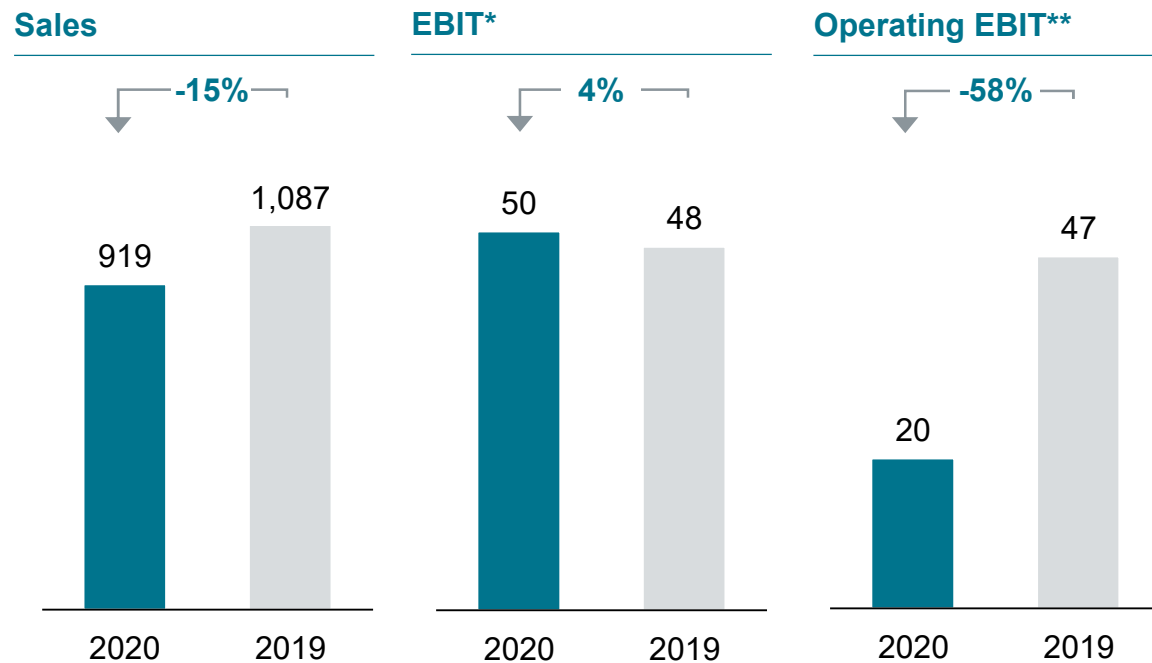
## Re-Entry on March 22, 2021



# 2 FY2020 Results

# Covid hit topline – Countermeasures helped Operating EBIT to stay slightly positive

## Key figures 2020 (in mEUR)



\* before non-recurring items; \*\* before non-recurring and one-off items

## Key developments

### Sales

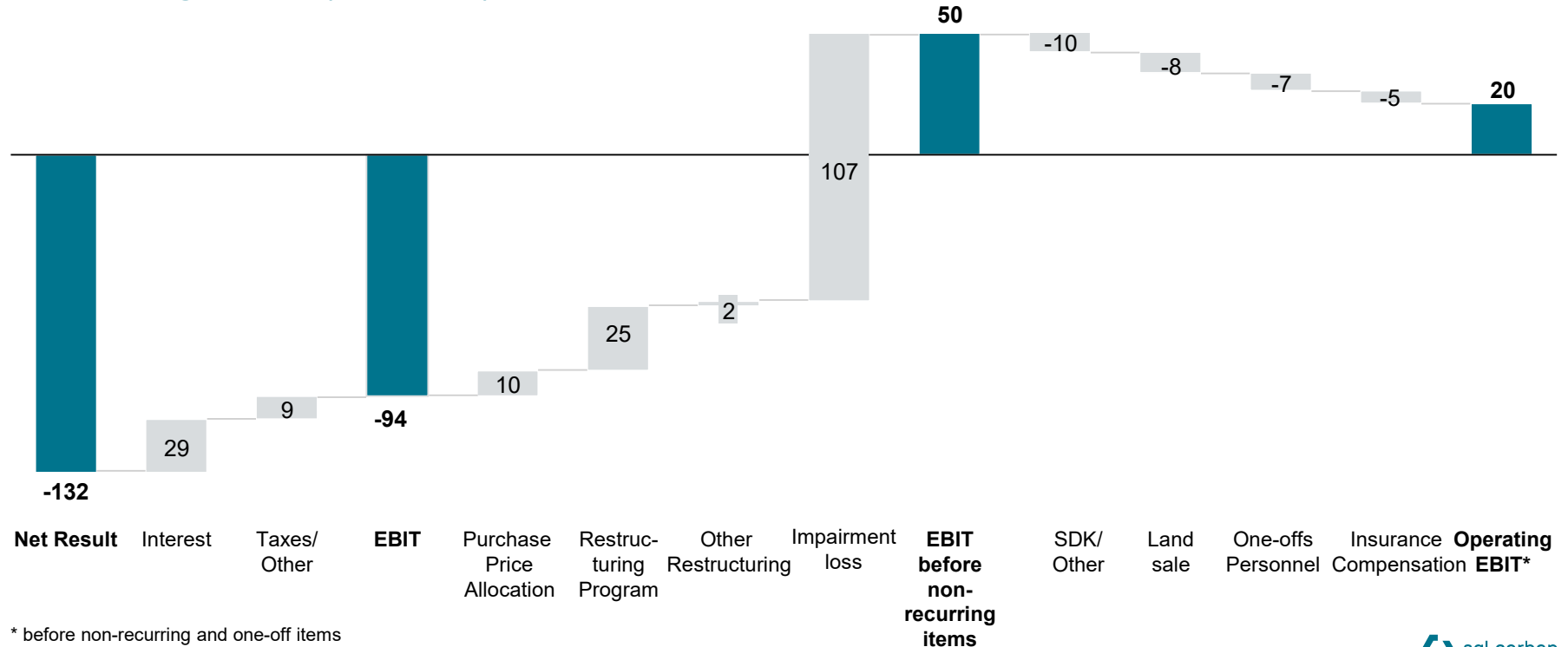
- 15% below 2019 due to Covid downturn and expected lower GAM-business
- Recovery in second half of 2020

### EBIT

- 4% higher than 2019 due to several one-off countermeasures like land sale and SDK compensation
- Recurring operating EBIT significantly below PY

# SGL Carbon with slightly positive Operating EBIT in 2020

## EBIT bridge 2020 (in mEUR)



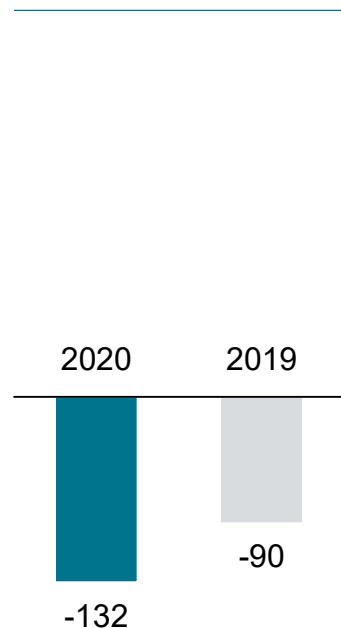
\* before non-recurring and one-off items



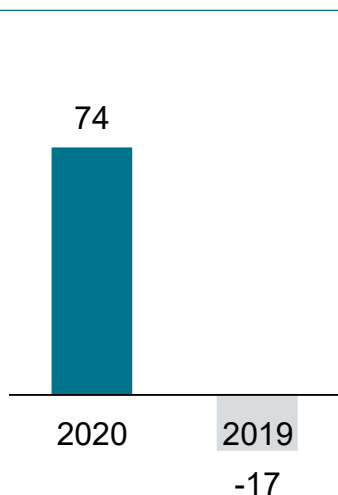
# Strong cash development due to one-offs, reduced CAPEX & strict working capital management

## Key figures 2020 (in mEUR)

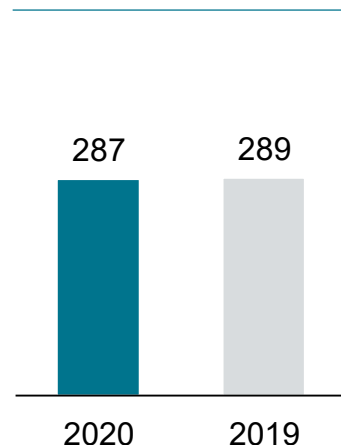
### Net result



### Free cash flow (FCF)\*



### Net debt



\* continuing operations

## Key developments

### Net result

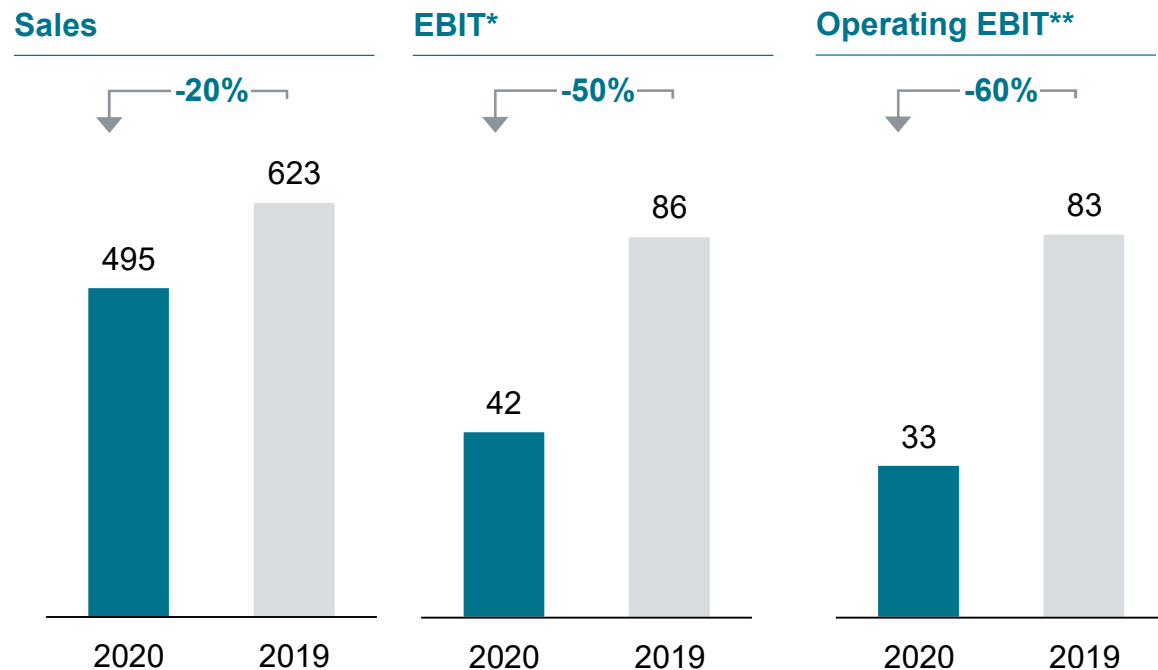
- With -132 mEUR at upper end of guidance
- Impairment and restructuring costs main effects for loss

### Free cash flow/Net debt

- First positive FCF since seven years
- Several cash generating effects contributed
- Net debt slightly reduced despite BMW payment

# BU Graphite Materials & Systems suffered from lower GAM business and overall market downturn

## Key figures 2020 (in mEUR)



\* before non-recurring items; \*\* before non-recurring and one-off items

## Key developments

### Sales

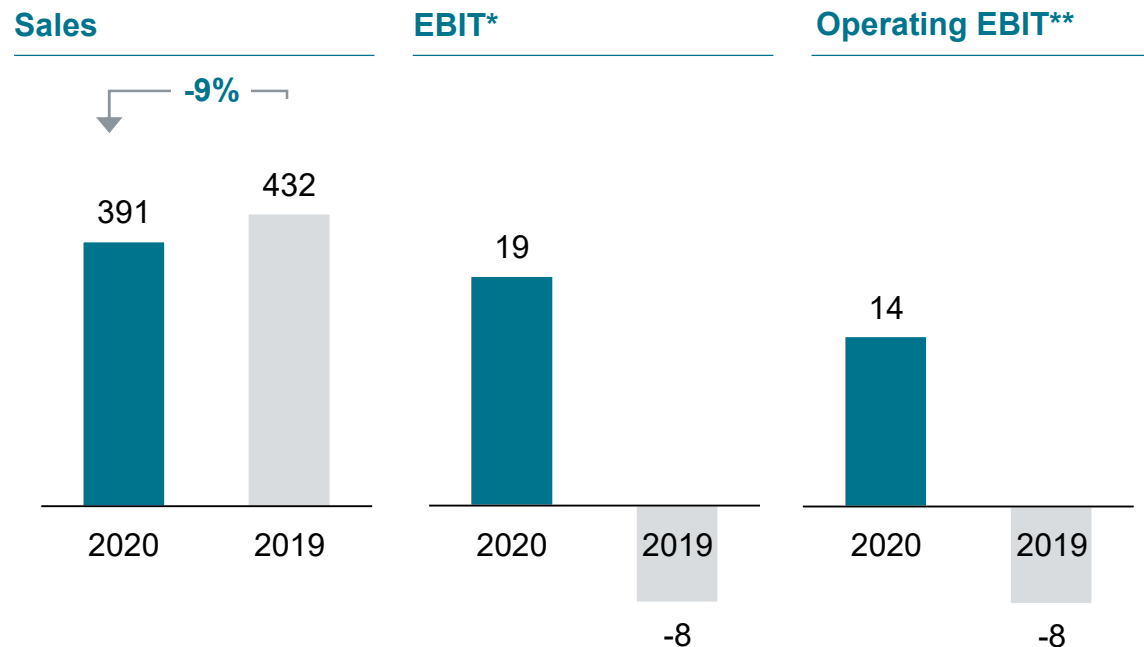
- Sales reduction caused by (expected) lower GAM business and overall Covid-related slow market development

### EBIT

- Due to high fix cost portion and loss of high margin GAM business, EBIT was hit over-proportional
- Countermeasures helped to compensate EBIT drop

# BU Composites – Fibers & Materials overcame market drop and achieved operative turnaround

## Key figures 2020 (in mEUR)



\* before non-recurring items; \*\* before non-recurring and one-off items

## Key developments

### Sales

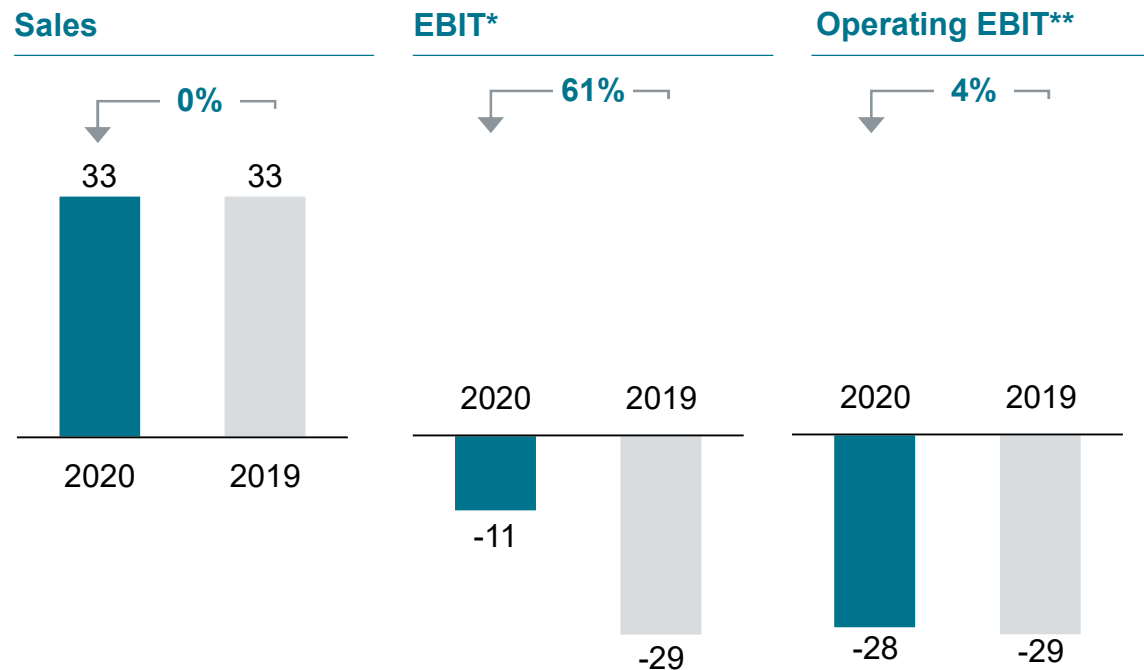
- Market downturn in Automotive and Aerospace compensated by market penetration in Wind

### EBIT

- Despite low margin Wind business, EBIT improved strongly
- Operative improvements and price increases led to increased margins

# BU Corporate with stable development and strong one-off result

## Key figures 2020 (in mEUR)



\* before non-recurring items; \*\* before non-recurring and one-off items

## Key developments

### Sales

- Sales remained stable, SDK exit compensated with SDK settlement payment

### EBIT

- One-off EBIT measures and overall cost savings improved EBIT vs. 2019

# Net loss at the upper end of the guidance

## Group income statement (in mEUR)

	2020	2019
Sales revenue	919.4	1,086.7
<b>EBITDA before non-recurring items</b>	<b>123.5</b>	120.0
<b>Operating EBIT before non-recurring items</b>	<b>19.5</b>	46.6
One-off effects	30.7	1.8
<b>EBIT before non-recurring items</b>	<b>50.2</b>	48.4
Non-recurring items	-143.9	-82.7
<b>EBIT</b>	<b>-93.7</b>	<b>-34.3</b>
Net financing result	-29.4	-38.9
<b>Results from continuing operations before income taxes</b>	<b>-123.1</b>	<b>-73.2</b>
Income tax expense, non controlling interests and income from discontinued operations	-9.1	-16.8
<b>Consolidated net result attributable to shareholders of parent company</b>	<b>-132.2</b>	<b>-90.0</b>

## Key drivers

- Net sales decline by 15%, mainly Corona-driven and lower GAM business
- Operating EBIT declined by 58% due to lower sales (Corona, GAM)
- EBIT before non-recurring items slightly improved due to one-off effects such as real estate sales, SDK
- Reported EBIT including impairment and restructuring charges
- In summary, net loss of a three digit mEUR figure

# Balance sheet ratios deteriorated mainly due to negative result

## Key figures and ratios (in mEUR)

	31.12.2020	31.12.2019
Equity ratio (in %)	17.5	27.8
Total liquidity	141.8	137.1
Net financial debt	286.5	288.5
Gearing (net debt/equity)	1.30	0.69
Leverage ratio (net debt/EBITDA*)	2.3	2.4
ROCE <sub>EBIT*</sub> (in %)	4.5	3.9

## Key drivers

- Equity ratio declined strongly due to impairment
- Liquidity slightly improved
- Lower net financial debt despite 62 mUSD purchase price payment to BMW for the Moses Lake site
- Gearing increased mainly as a result of the lower equity

\* before non-recurring items

# First positive Free cash flow since seven years due to one-offs

## Cash flow (in mEUR)

<i>continuing operations</i>	<b>2020</b>	<b>2019</b>
<b>Cash flow from operating activities</b>	<b>104.0</b>	<b>61.9</b>
<i>Capital expenditures in property, plant, equipment and intangible assets</i>	-55.8	-95.1
<i>Cash flow from other investing activities<sup>1</sup></i>	25.5	15.9
<b>Cash flow from investing activities</b>	<b>-30.3</b>	<b>-79.2</b>
<b>Free cash flow</b>	<b>73.7</b>	<b>-17.3</b>
Free cash flow from discontinued operations	-1.9	-9.4

## Key drivers

- Operating cash flow improved due to working capital reduction and payment from SDK
- Capital expenditure slightly below guidance and well below prior year level
- Main capex projects in 2020:
  - Increase of production capacity for fuel cell components
  - Increase of production capacities for battery cases
  - Investment in environmental footprint
- Strong improvement of FCF by more than 90 mEUR compared to prior year

<sup>1</sup>dividend payments and capital repayments from investments accounted for At-Equity, payments for the acquisition / disposal of subsidiaries, net of cash, proceeds from sale of intangible assets and property, plant and equipment

# 3 Restructuring Program



# First step in restructuring: The company culture!

Business  
first

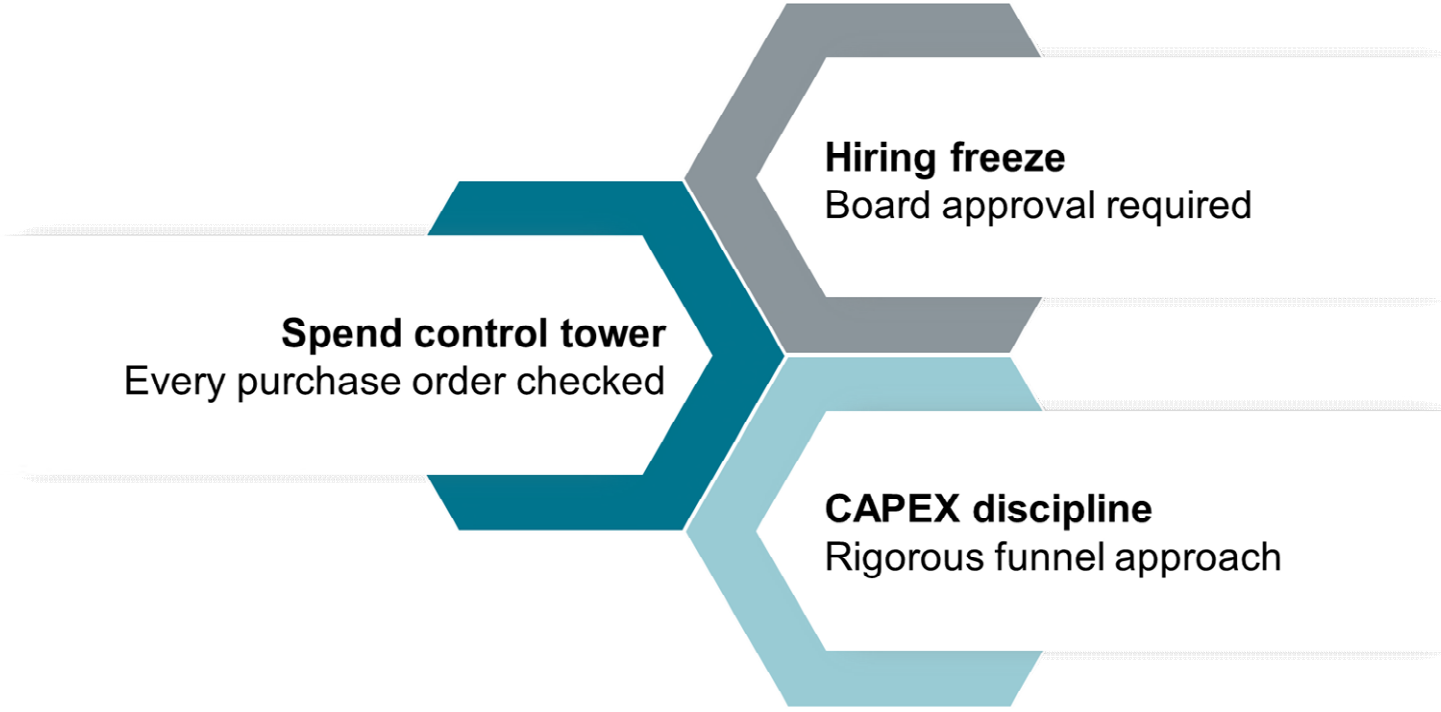
Keep it  
simple

Deliver  
on promises

Act fast,  
think different

Formula Carbon

# Decisive initiatives with immediate P&L contribution

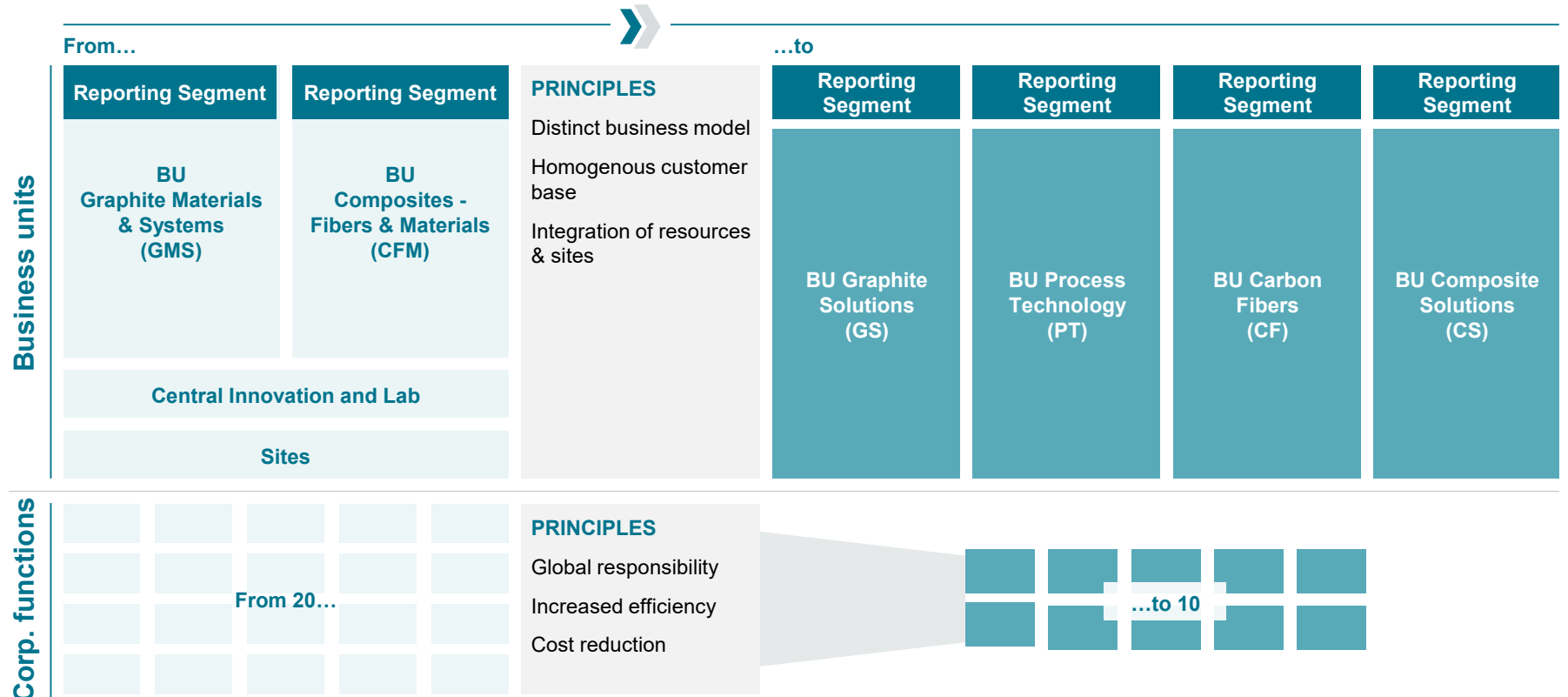


**Spend control tower**  
Every purchase order checked

**Hiring freeze**  
Board approval required

**CAPEX discipline**  
Rigorous funnel approach

# New organization enhances transparency & management rigor



# SGL Carbon's transformation slightly ahead of plan

## Status 31.12.2020

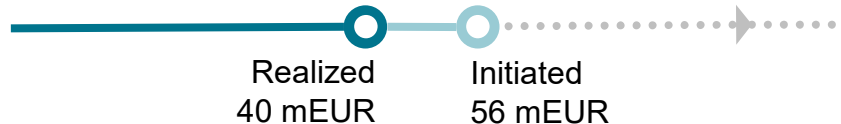
## Target

Implementation of Initiatives



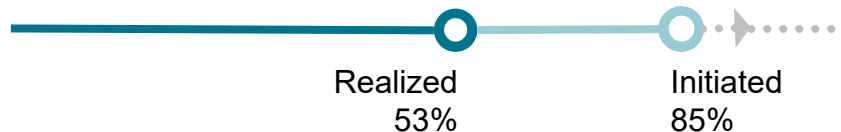
>700 Initiatives

Recurring savings



>100 mEUR

Headcount reduction



>500 FTE

# 4 Outlook 2021

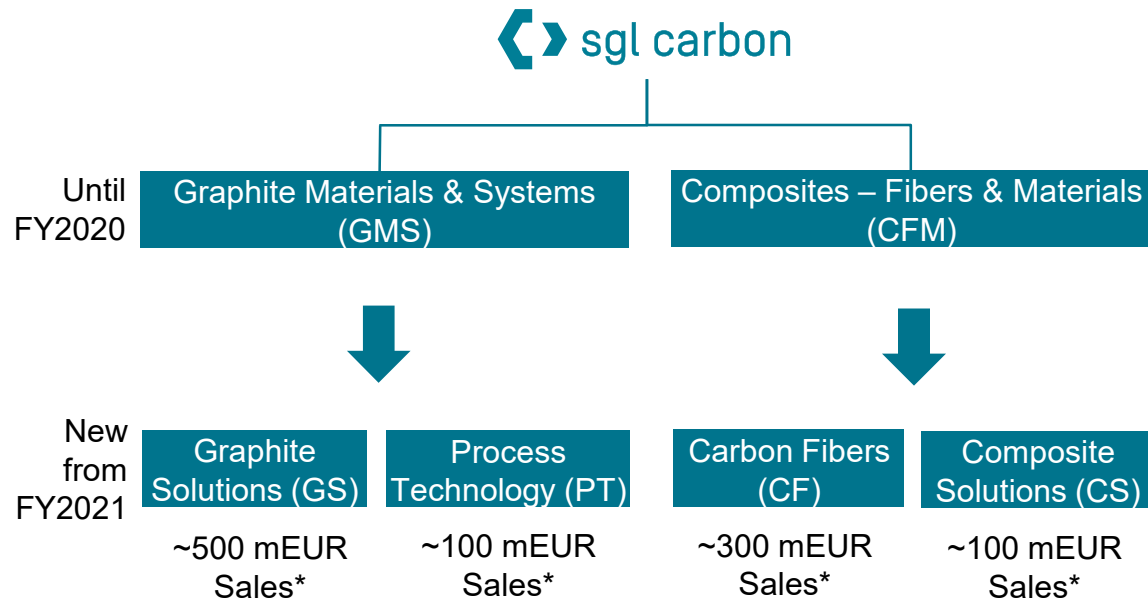
# SGL Carbon to report EBIT / EBITDA pre-exceptionals

## Definition of exceptionals (for 2021)

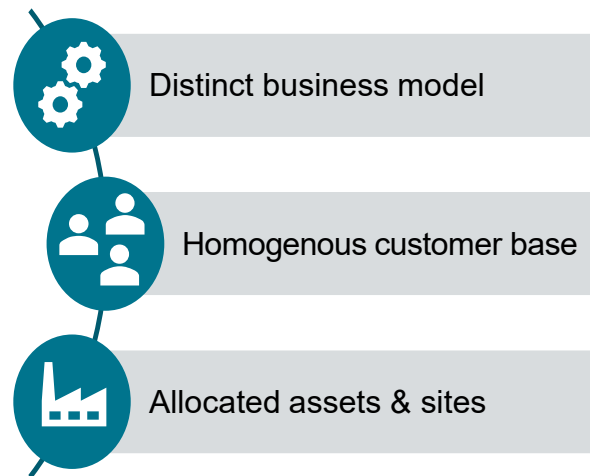
- Depreciation in accordance with IFRS:
  - straight-line depreciation including the effects of impairment (IAS 36)
  - purchase price allocations (IFRS 3)
  - depreciation on assets held for sale in accordance with IFRS 5
- Restructuring expenses
- Proceeds from the sale of land and buildings
- Proceeds from insurance claims, provided they are not counterbalanced by any offsetting items during the reporting period
- Other material one-off impacts, which are not reflecting the underlying business development

# SGL Carbon with improved market focus in four new business units

## New business unit structure



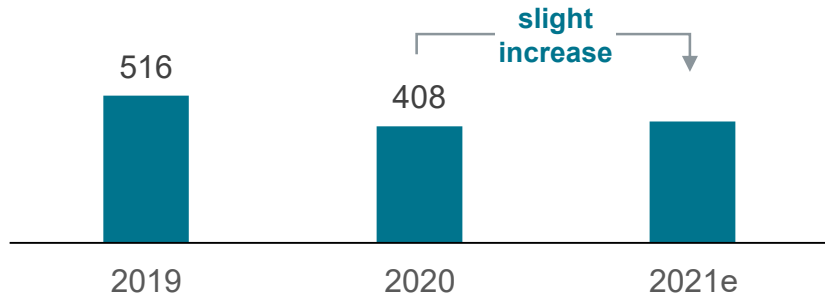
## Rationale



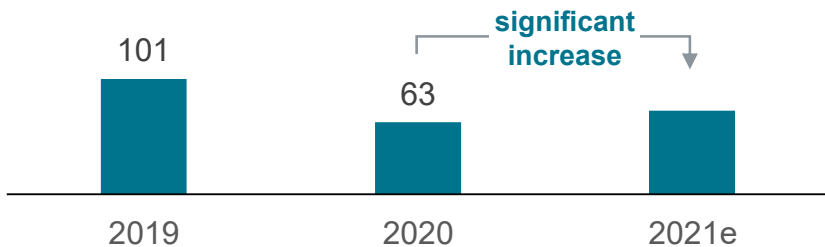
\* Sales for new business unit structure indicative for FY2021

# BU Graphite Solutions (GS) – Market to recover in 2021

## Sales (in mEUR)



## EBITDApre (in mEUR)



## Key drivers

- Business is late cyclical
  - Semiconductor business remains strong
  - Industrial business still weak
- EBITDA impact overproportional compared to sales
- Semiconductors & China will drive the business
- Growth opportunities
  - Graphite anode material for Li-ion batteries for EV
  - Gas diffusion layer for fuel cell
- EU battery funding (IPCEI) of 42.9 mEUR



# SGL Carbon – 42.9 mEUR funding for graphite anode materials in batteries

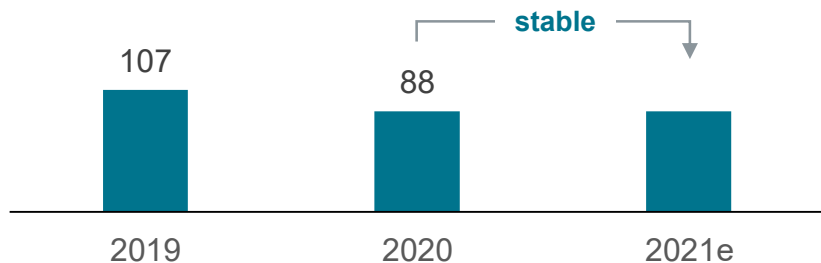
## What is IPCEI?

- Important Project of Common European Interest
- Project “European Battery Innovation”
  - Setup value chain for EV battery infrastructure in EU
  - 2.9 bnEUR funding to 42 direct participants
- SGL = European producer of graphite anode material
- SGL to receive 42.9 mEUR funding until 2028

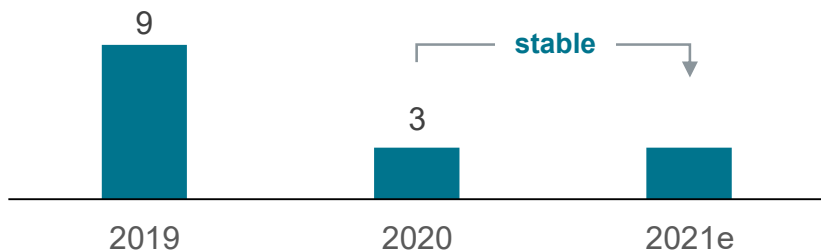


# BU Process Technology (PT) – Dependent on chemical industry

## Sales (in mEUR)



## EBITDApre (in mEUR)

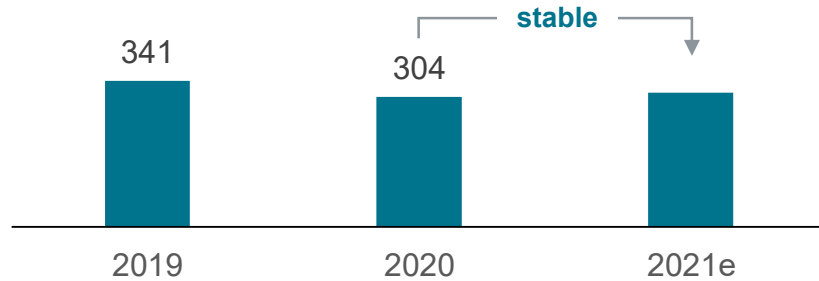


## Key drivers

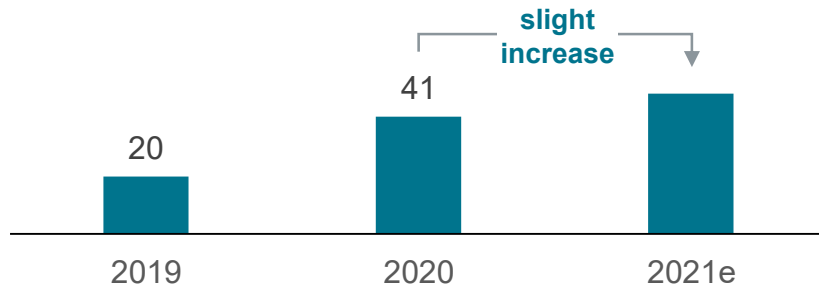
- New business unit head
- Production of graphite equipment (i.e. heat exchanger, synthesis systems)
- SGL Carbon is technology leader
- Business driven by economic development of chemical industry
  - Growth
  - Maintenance shutdowns
- Recovery expected in 2022

# BU Carbon Fibers (CF) – Undergoing a technical transformation

## Sales (in mEUR)



## EBITDApre (in mEUR)

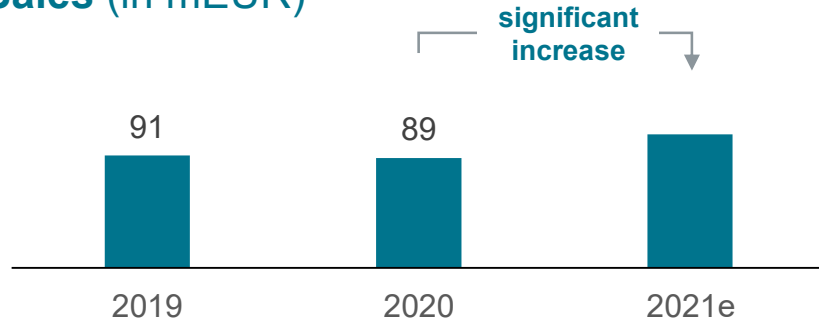


## Key drivers

- New business unit head
- Management in subclusters
  - upstream (carbon fiber)
  - downstream (prepreg, fabrics)
- Carbon fiber plants at full capacity to satisfy BMW i3 and wind demand
- Improvement of fiber value chain
  - Industrialization of Lavradio precursor
  - Increasing use of our own precursor to fully load our carbon fiber capacities
- Prepare for expected end of contract of BMW i3

# BU Composite Solutions (CS) – Strong sales increase driven by Automotive results into upside potentials

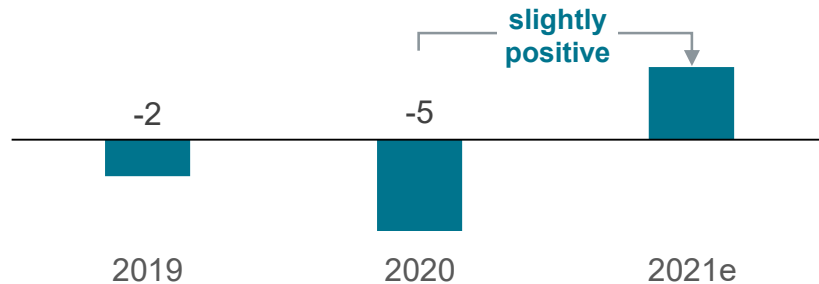
## Sales (in mEUR)



## Key drivers

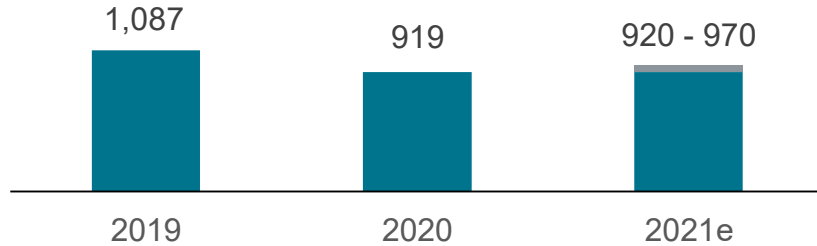
- New business unit head
- Turnaround expected in 2021
- High-end automotive business with high volumes
- Start of serial production of battery enclosures for eTruck
  - Components from Ried/Ort, Austria
  - Assembly in Arkadelphia, USA

## EBITDApre (in mEUR)

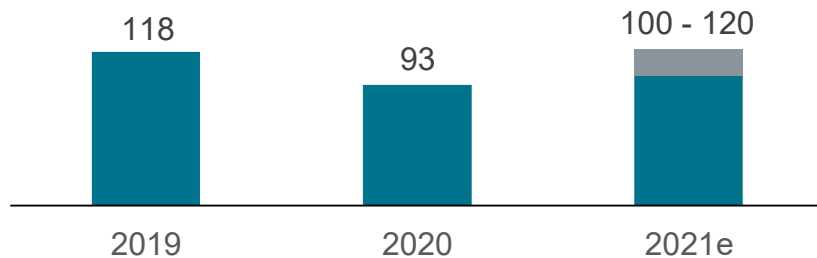


# SGL Carbon – Focus on profitability rather than sales growth in 2021

## Sales (in mEUR)



## EBITDApre (in mEUR)



## Key drivers

- Restructuring project
  - Well on track
  - Pipeline filled with new ideas
- EBITDA 2021: One-offs from 2020 replaced by operative improvements
- Uncertainty on overall market environment due to pandemic situation

# Preview Q1/2021 – Positively impacted by one-off effect in BU GS

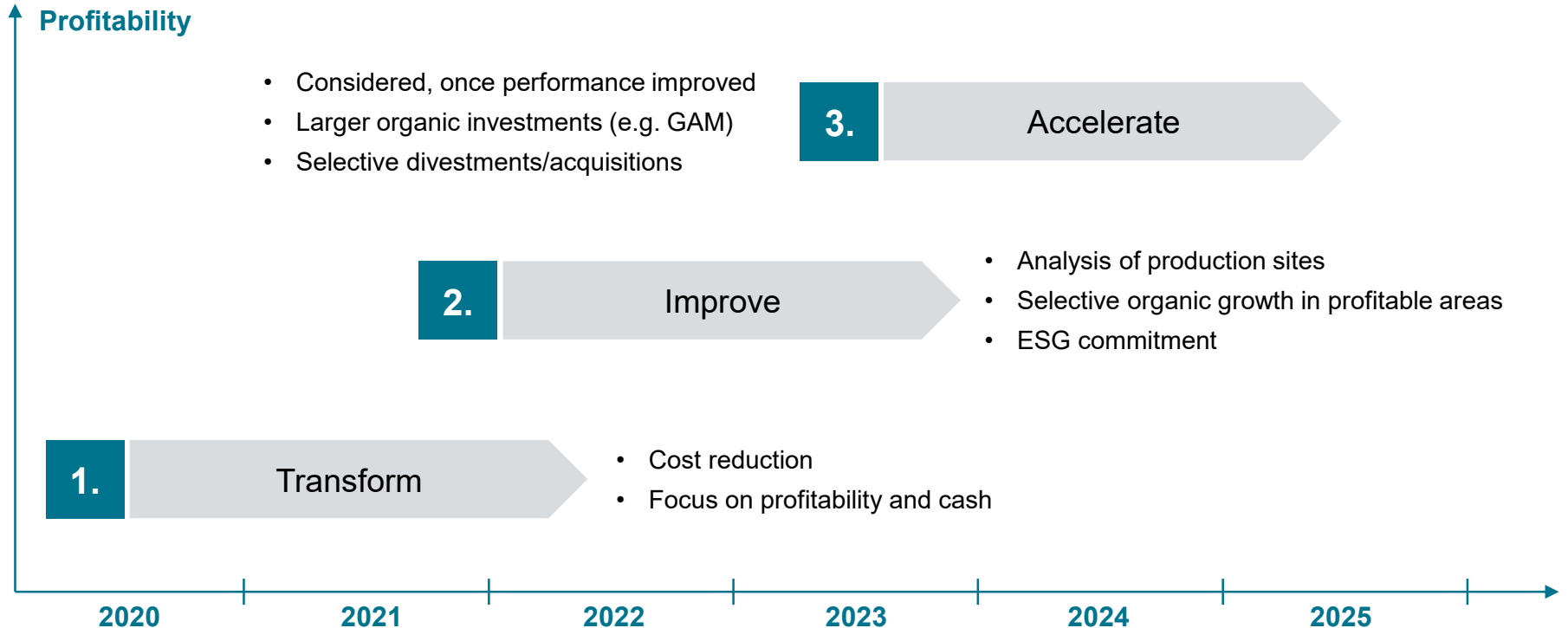
## Early contract termination & compensation

- Ongoing negotiations with customer to prematurely terminate contract for graphite tubes used in nuclear power plants
- SGL Carbon is expecting a one-off payment of a low double-digit mEUR amount
- Majority of the amount to enhance earnings in Q1/2021
- On a full year view, compensation of the one-off payment due to lower sales and earnings in the next quarters.
- Overall, slightly positive P&L impact in FY2021



# 5 New Mid-Term Plan

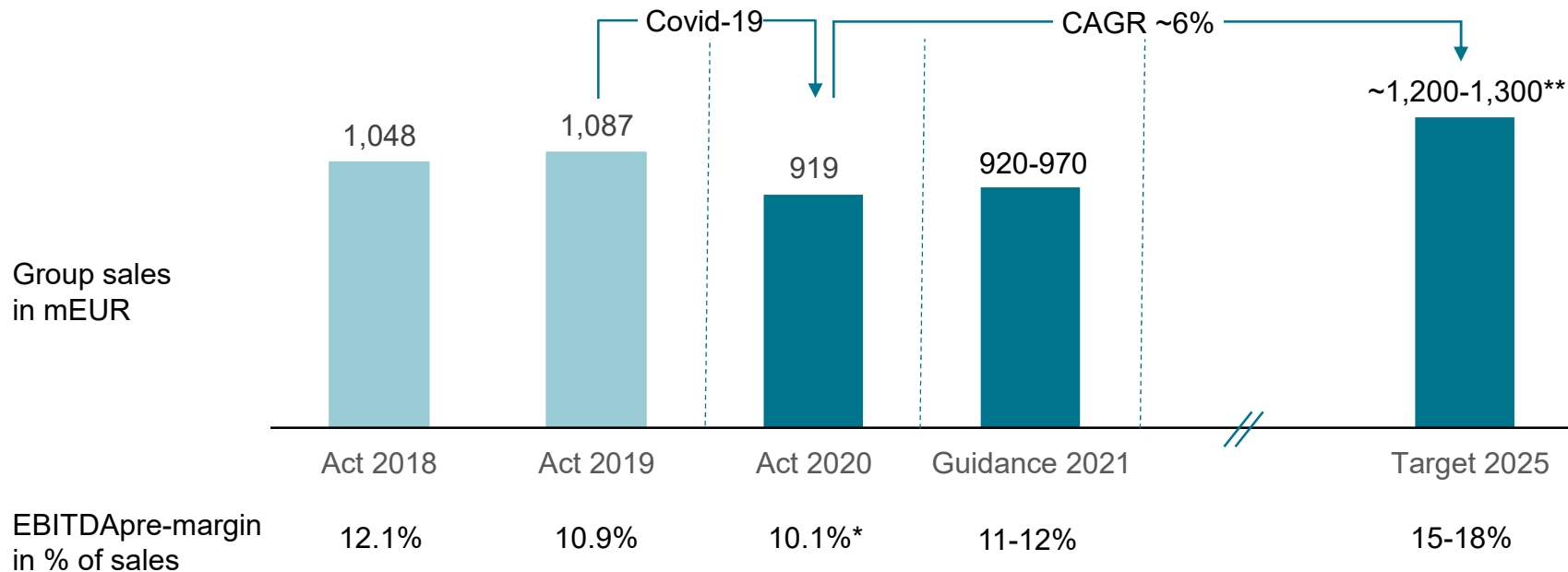
# SGL Carbon roadmap – Step-by-step approach to create value





# Focus on Profitability – Planning excluding larger investment projects e.g. in GAM

## Group Sales & EBITDA margin, 2018 - 2025



\* Excluding one-off effects, i.e. land sale; \*\* excluding any large future projects

# Financial mid-term targets resulting from bottom-up planning

## Financial targets in new mid-term plan

ROCE*	≥10%
Leverage ratio**	≤ 2.5
Sales growth CAGR***	Single-digit
Consolidated net result (cont. operations)	Positive
Free cash flow	Positive
EBITDApre-margin on sales	≥ 15%

## Details

- Targeted leverage ratio expected to be reached in next two years
- Sales growth assumption
  - based on customer analysis in terms of profitability
  - excluding any major growth project
- Net result expected to become positive from 2022 onwards

\* Based on EBIT before non-recurring items; \*\* net financial debt to EBITDA before non-recurring items; \*\*\* based on the period 2021-2025

# 6 Summary

# SGL Carbon's transformation right on track – key takeaways

1. Corona year 2020 impacted by restructuring, impairment, acquisition of 49% BMW stake in JV

2. EBITDA & cash 2020 improved by one-offs – recovery of underlying business expected 2021

3. Transformation project on track – more than 100 mEUR recurring savings confirmed

4. EU IPCEI grant of 42.9 mEUR received for development of graphite material for EV batteries

5. Solid liquidity



# Q&A

# Financial calendar and IR contact details

## Financial calendar

May 12, 2021

- Report on the first quarter 2021
- Conference call for analysts and investors

May 21, 2021

- Annual General Meeting

August 12, 2021

- Report on the first half of 2021
- Conference call for analysts and investors

November 11, 2021

- Report on the first nine months 2021
- Conference call for analysts and investors

## Contact

### Investor Relations

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# 7 Backup

# New BU structure – strong positioning and promising drivers

## Graphite Solutions (GS)



- Isostatic and extruded graphite & machined parts
- Gas diffusion layer (fuel cell)
- Graphite anode material (LiB)

~500 mEUR sales

### Main growth drivers

- Fuel cell and Li-ion batteries
- Semiconductors and LED
- Automotive industry

## Process Technology (PT)



- Graphite heat exchangers, service and parts
- Synthesis systems
- PTFE products

~100 mEUR sales

- Chemical and petrochemical industry

## Carbon Fibers (CF)



- Textiles and precursor
- Carbon fibers
- Prepregs

~300 mEUR sales

- Wind energy
- Automotive

## Composite Solutions (CS)



- Composites parts
- Wet friction applications
- Thermal insulation

~100 mEUR sales

- Automotive (lightweight and electro mobility)
- Commercial Aerospace

New BU structure implemented on Jan 1<sup>st</sup>, 2021; Financial reporting in the new structure from Q1/2021 onwards



# Business units impacted by Covid-19

## FY2020 vs FY2019

### Sales (in mEUR)



### EBITDApre\* (in mEUR)



### Sales

- PT, GS strongly impacted due to pandemic economic slow down
- CF: strong wind business could compensate partly for slow-down in other business
- CS: new projects able to nearly compensate for shut-downs in Q2

### EBITDA

- PT and GS decline, due to lower sales
- CF improvement due to efficiency measures initiated in 2019
- CS decline due to automotive shut-down in Q2

\*before non-recurring and one-offs items; BU Corporate not shown

# FY2020 KPI's for modelling purposes in the new structure

## Retrospective adjustment to new BU structure

	2020				
Sales	Q1	Q2	Q3	Q4	FY
Graphite Solutions	111.7	101.5	94.8	99.5	407.5
Process Technology	23.0	21.9	20.4	22.9	88.2
Carbon Fibers	81.7	64.9	76.8	80.5	303.9
Composites Solutions	23.0	16.5	21.2	27.9	88.6
Corporate	7.4	4.9	13.8	5.1	31.2
<b>SGL Carbon</b>	<b>246.8</b>	<b>209.7</b>	<b>227.0</b>	<b>235.9</b>	<b>919.4</b>

	2020				
Operating EBIT before non-recurring items	Q1	Q2	Q3	Q4	FY
Graphite Solutions	14.3	8.8	4.4	3.1	30.6
Process Technology	0.2	-0.3	0.2	1.1	1.2
Carbon Fibers	4.6	-0.8	7.0	6.8	17.6
Composites Solutions	-1.9	-6.1	-0.9	-2.0	-10.9
Corporate	-3.8	-6.3	-3.3	-5.6	-19.0
<b>SGL Carbon</b>	<b>13.4</b>	<b>-4.7</b>	<b>7.4</b>	<b>3.4</b>	<b>19.5</b>

	2020				
EBITDA pre-exceptionals	Q1	Q2	Q3	Q4	FY
Graphite Solutions	20.8	15.4	13.3	13.6	63.1
Process Technology	0.7	0.4	0.7	1.6	3.4
Carbon Fibers	10.3	5.2	12.9	13.0	41.4
Composites Solutions	-0.8	-4.7	0.5	0.3	-4.7
Corporate	-2.0	-3.3	-1.2	-3.9	-10.4
<b>SGL Carbon</b>	<b>29.0</b>	<b>13.0</b>	<b>26.2</b>	<b>24.6</b>	<b>92.8</b>

**Important Note**

This presentation contains statements relating to certain projections and business trends that are forward-looking, including statements with respect to SGL Group's outlook and business development, including developments in SGL Group's Composites - Fibers & Materials and Graphite Materials & Systems businesses, expected customer demand, expected industry trends and expected trends in the business environment, statements related to SGL Group's cost savings programs. You can generally identify these statements by the use of words like "may", "will", "could", "should", "project", "believe", "anticipate", "expect", "plan", "estimate", "forecast", "potential", "intend", "continue" and variations of these words or comparable words. These statements are not historical facts, but rather are based on current expectations, estimates, assumptions and projections about SGL Group's businesses and future financial results, and readers should not place undue reliance on them. Forward-looking statements do not guarantee future performance and involve risks and uncertainties. These risks and uncertainties include, without limitation, changes in political, economic, legal and business conditions, particularly relating to SGL Group's main customer industries, competitive products and pricing, the ability to achieve sustained growth and profitability in SGL Group's Composites - Fibers & Materials and Graphite Materials & Systems businesses, the impact of any manufacturing efficiencies and capacity constraints, widespread adoption of carbon fiber products and components in key end-markets of the SGL Group, including the automotive and aviation industries, the inability to execute additional cost savings or restructuring measures, availability of raw materials and critical manufacturing equipment, trade environment, changes in interest rates, exchange rates, tax rates, and regulation, available cash and liquidity, SGL Group's ability to refinance its indebtedness, development of the SGL Group's pension obligations, share price fluctuation may have on SGL Group's financial condition and results of operations and other risks identified in SGL Group's financial reports. These forward-looking statements are made only as of the date of this document. SGL Group does not undertake to update or revise the forward-looking statements, whether as a result of new information, future events or otherwise.