



# Capital Markets Day 2015

The “New LANXESS” - focus on the financial perspective

Michael Pontzen, CFO

Cologne, November 6<sup>th</sup> 2015

**LANXESS**  
Energizing Chemistry

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# Agenda

- **The “New LANXESS”:**  
**Businesses that provide resilience, cash generation and growth**
- Financial principles to create value

# Our businesses



Advanced  
Intermediates



Performance  
Chemicals



High  
Performance  
Materials



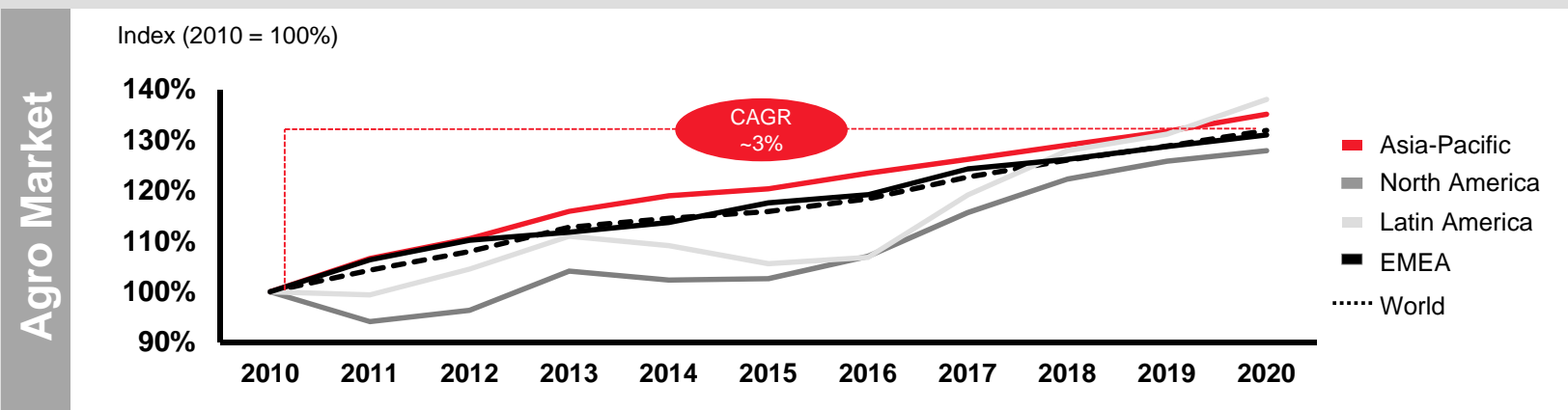
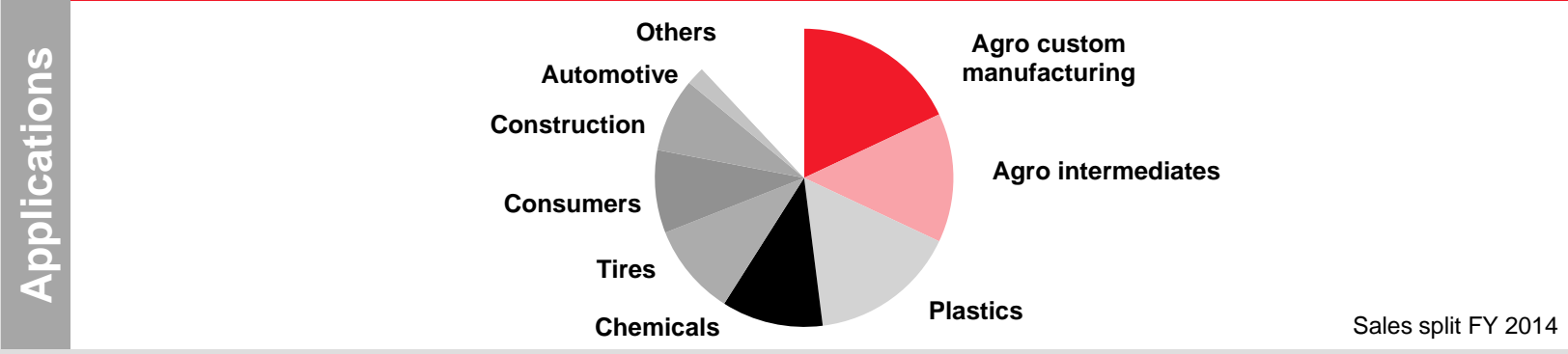
# Our businesses: Resilient, cash generating and well positioned in growing markets



# Advanced Intermediates: Diverse and growing end markets

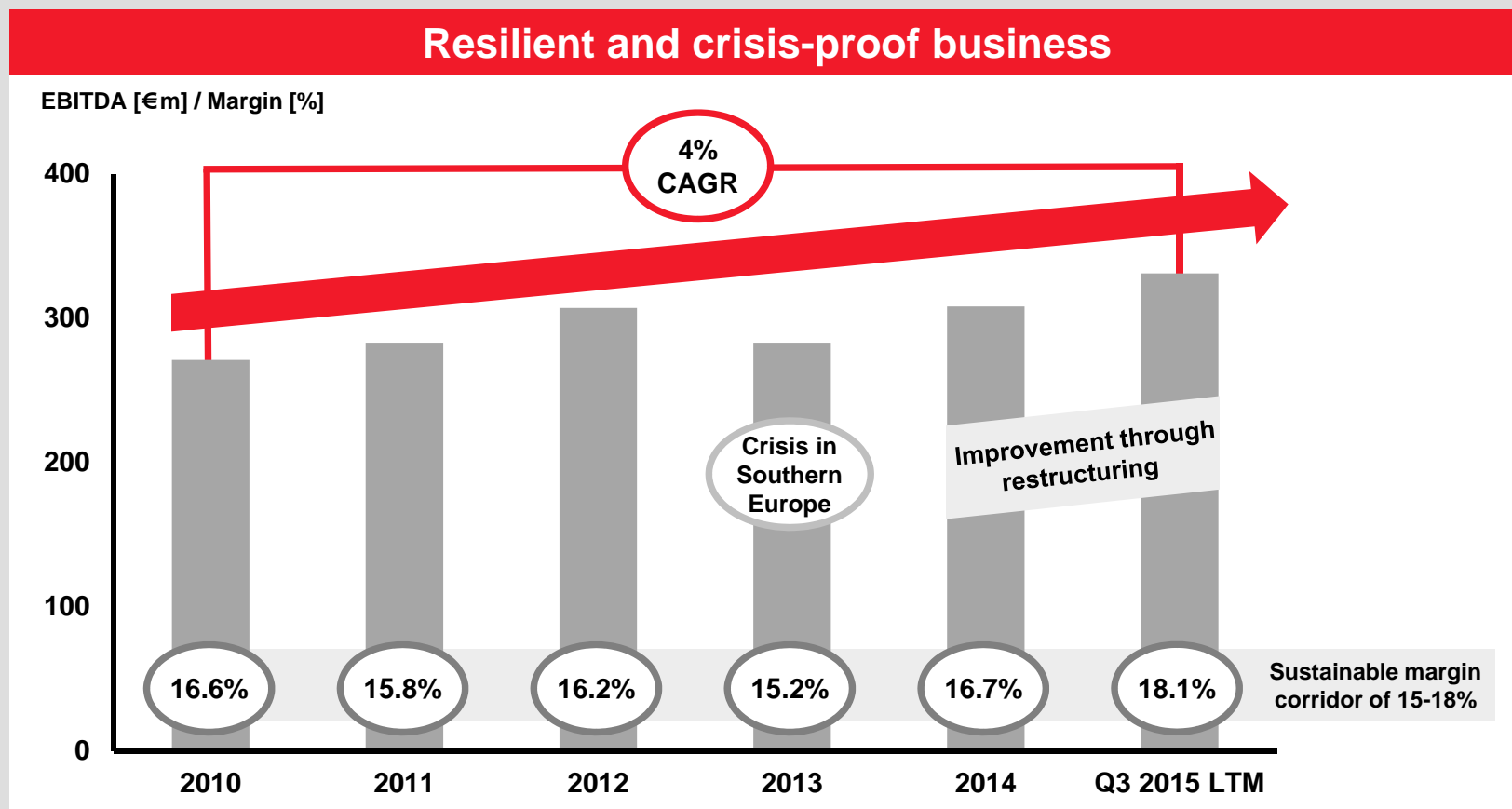


## Diverse and growing end markets



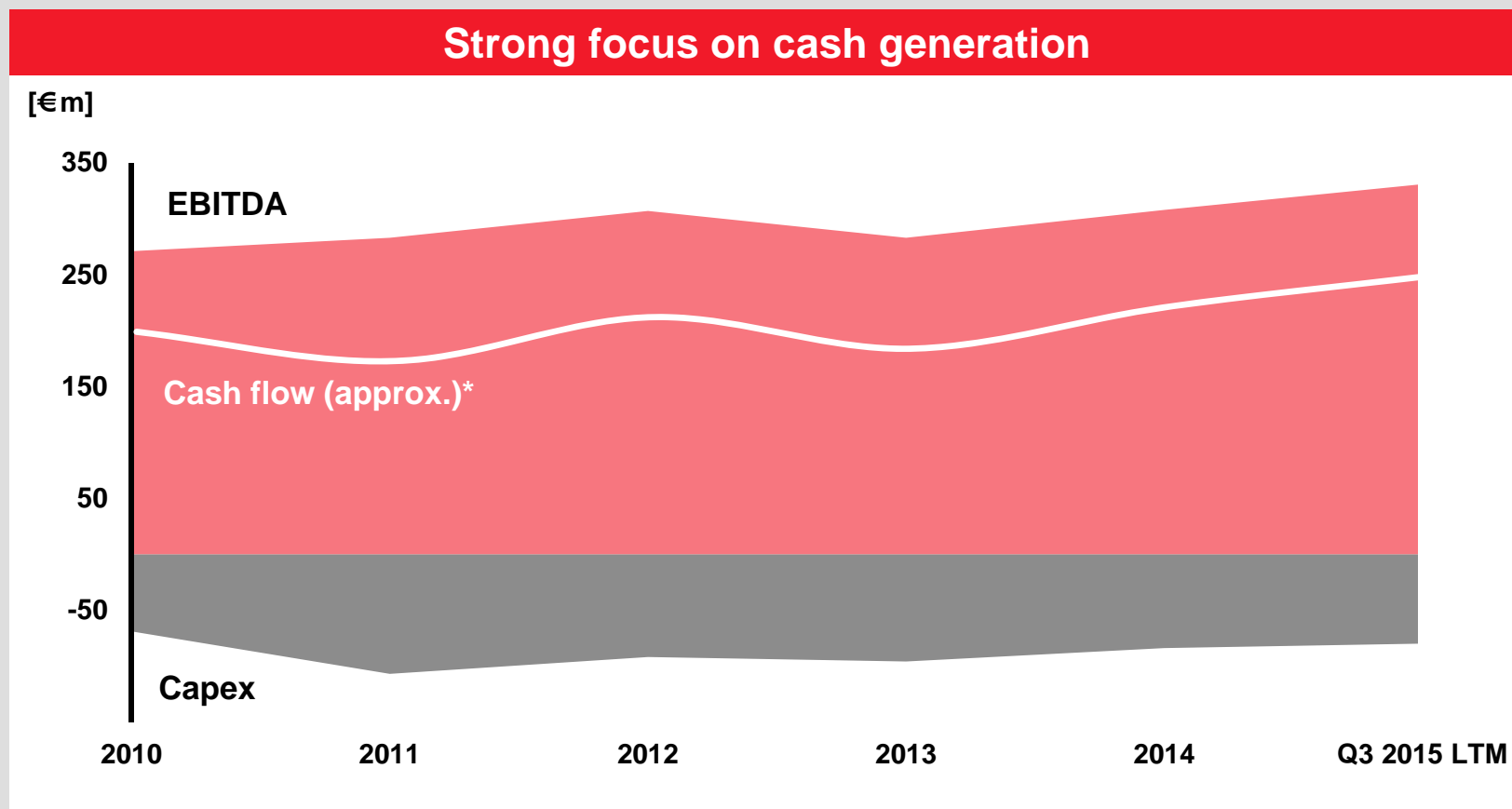
Source market development: IHS Global Insight 2015

# Advanced Intermediates: Resilient and sound business platforms



all reference to EBITDA is EBITDA pre exceptionals

# Advanced Intermediates: Strong cash generation through asset efficiency and lean business set-up



\* before changes in working capital and M&A / all reference to EBITDA is EBITDA pre exceptionals



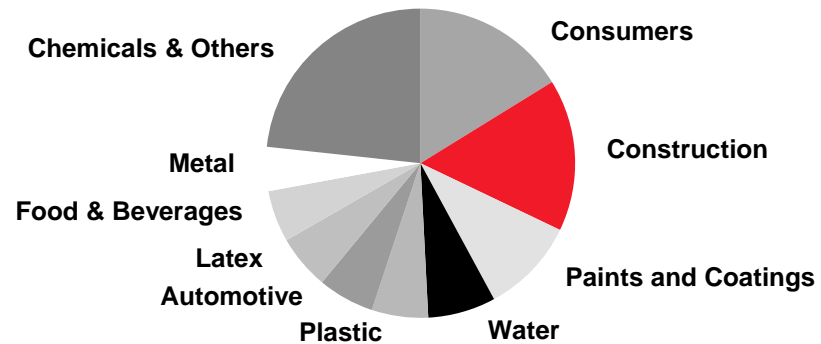
# Performance Chemicals: Five solution-providing businesses with unique positions and diverse end market



Performance  
Chemicals

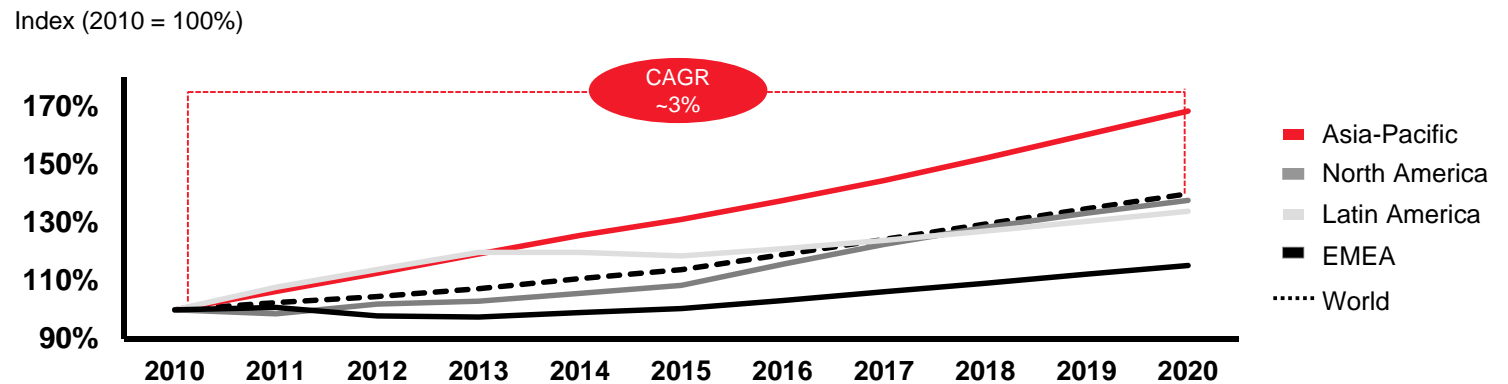
## Diverse and growing end markets

Applications



Sales split FY 2014

Construction



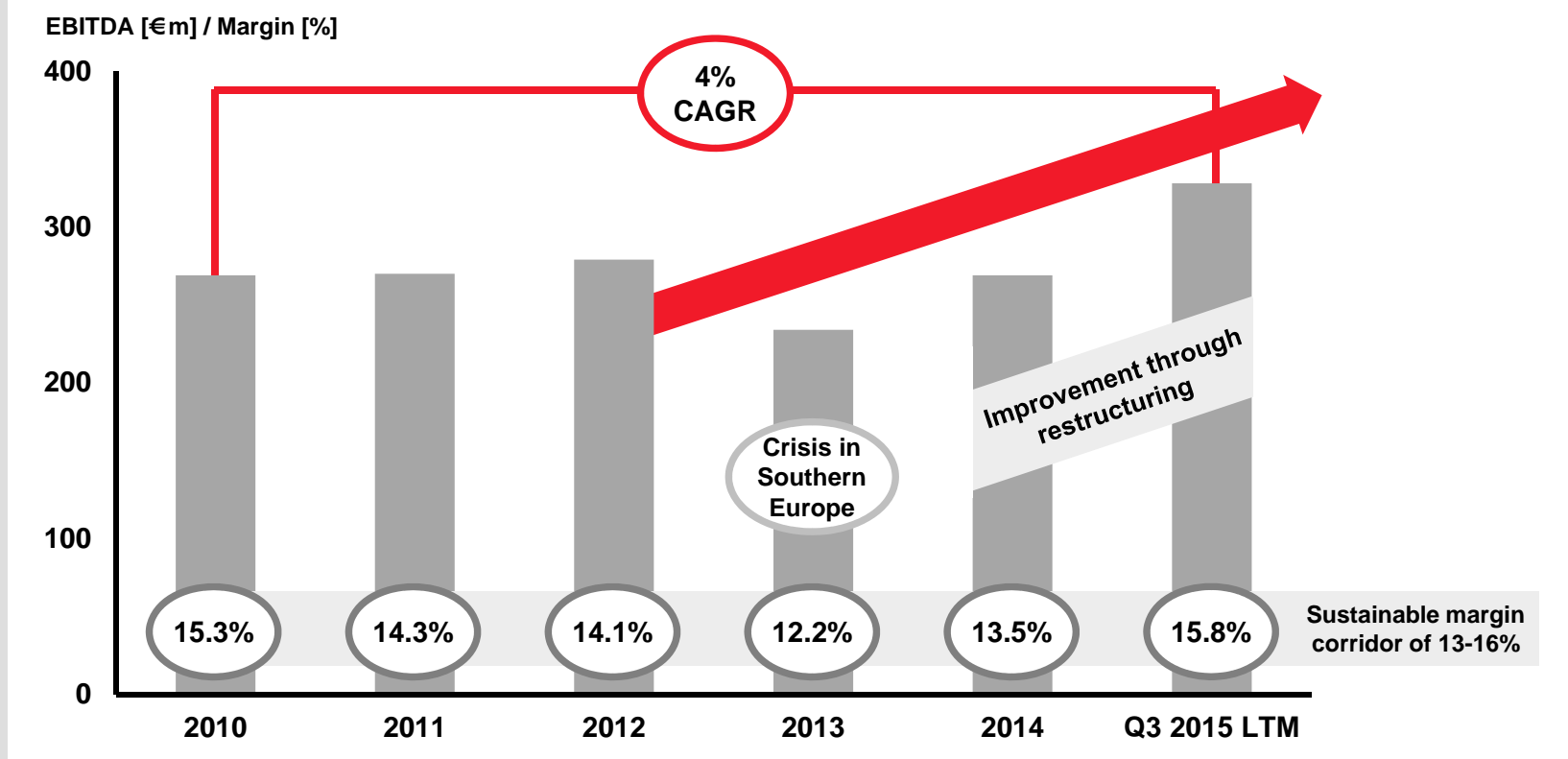
Source market development: IHS Global Insight 2015

**LANXESS**

# Performance Chemicals: Reliable performance with upside potential

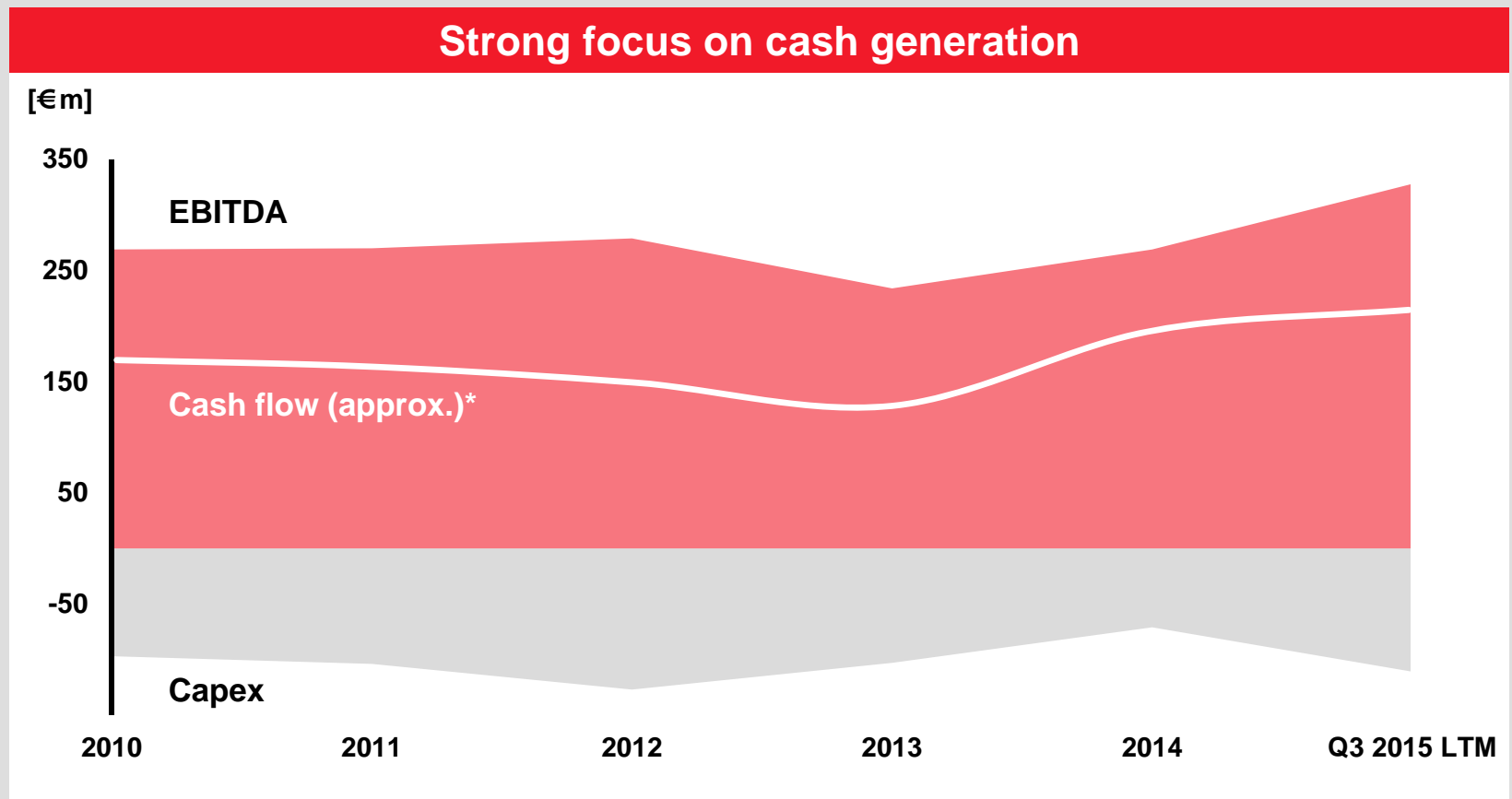


## Well balanced portfolio of solution provider businesses



all reference to EBITDA is EBITDA pre exceptionals

# Performance Chemicals: Considerable cash generation based on good mix of solution focused businesses



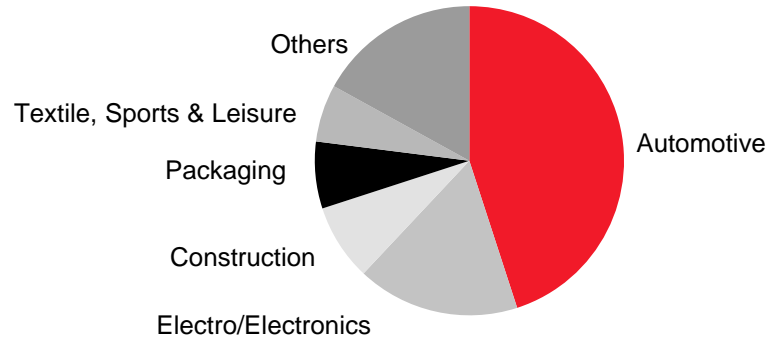
\* before changes in working capital and M&A / all reference to EBITDA is EBITDA pre exceptionals

# High Performance Materials: Attractive growth in engineering plastics for automotive applications



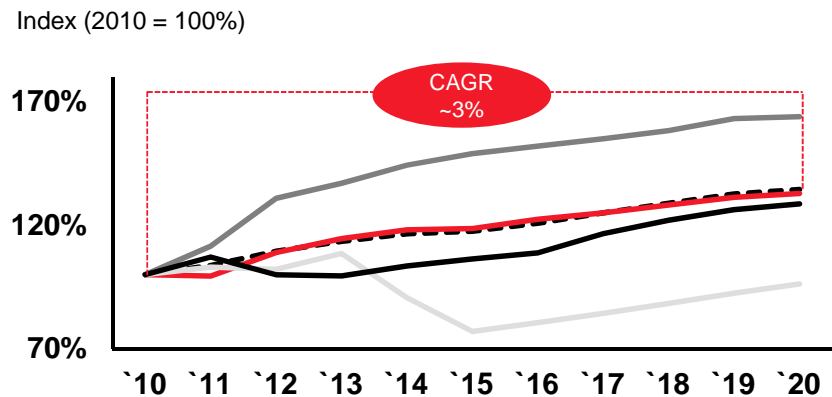
## Growing end markets

Applications



Sales split FY 2014

Car Market



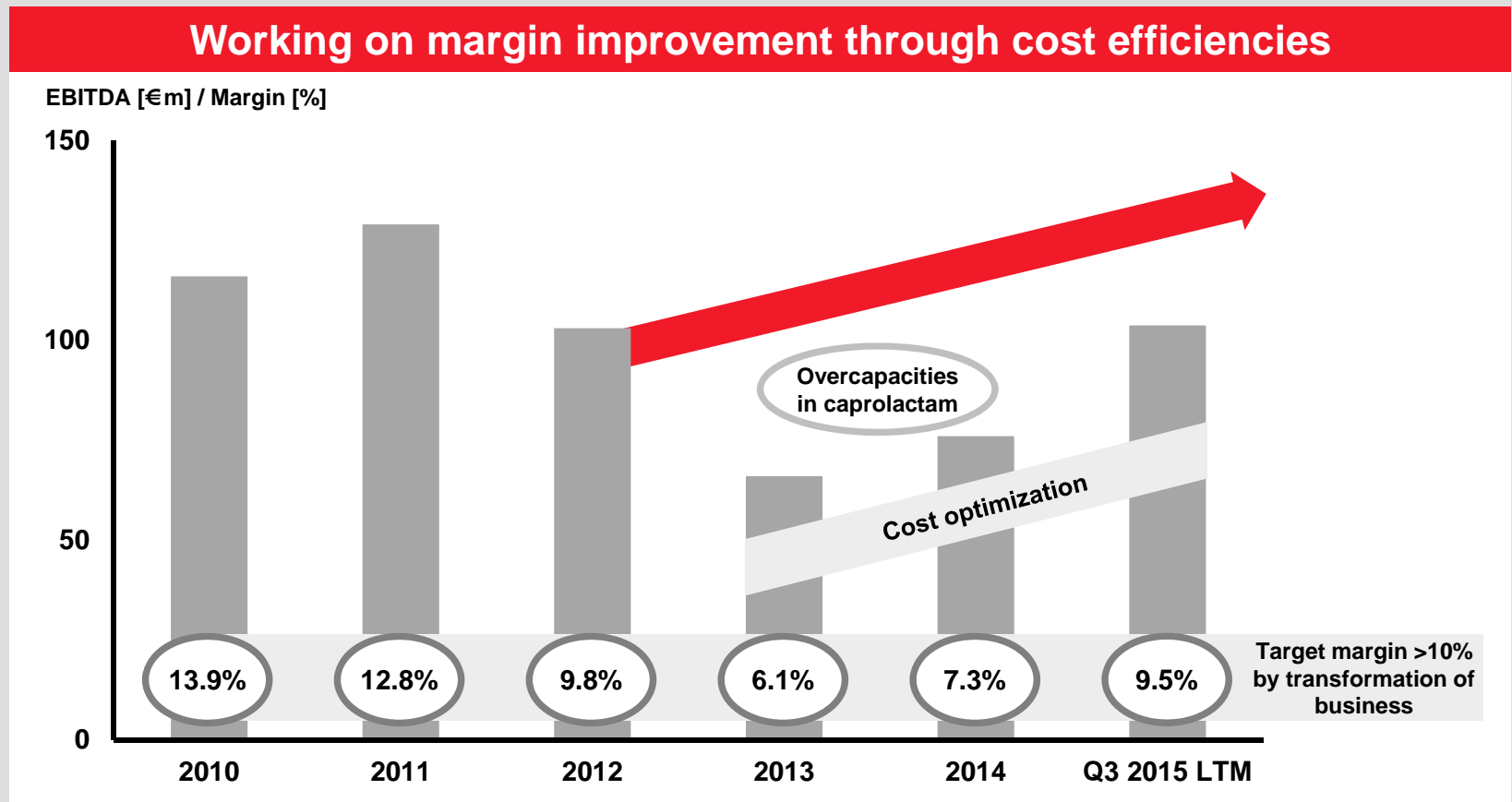
**Global demand growth for engineering plastics\*:** ~5%

**Growth for engineering plastics in automotive applications\*:** ~7%

Legend: Asia-Pacific (red), Latin America (light grey), North America (dark grey), EMEA (black), World (dotted)

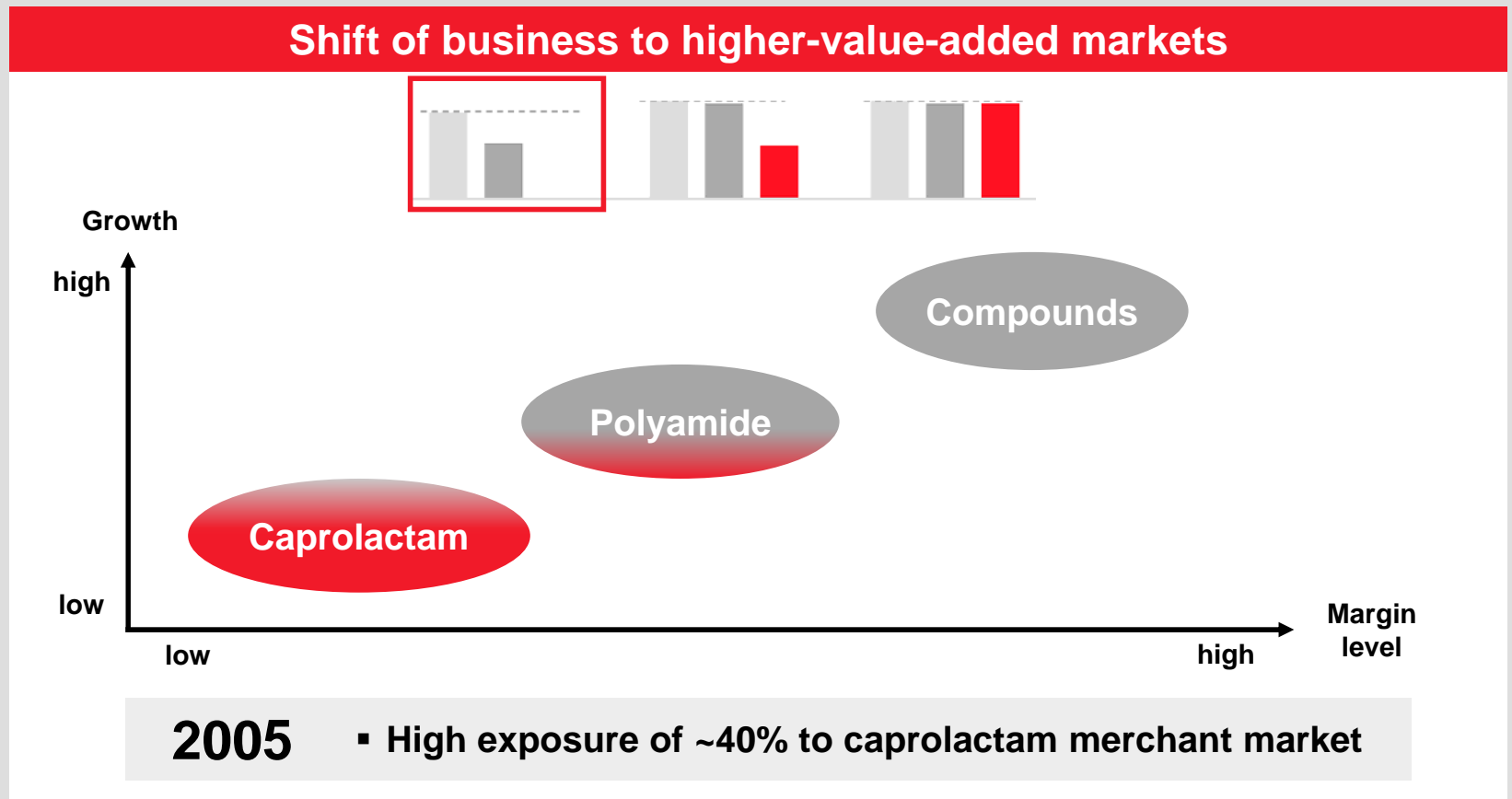
Source market development: LMC Automotive 2015, IHS Global Insights, AMI Plastics, PCI Nylon, Plastics Europe 2014 / \*CAGR 2015-2020

# High Performance Materials: Downstream investments will improve margins and facilitate future resilience

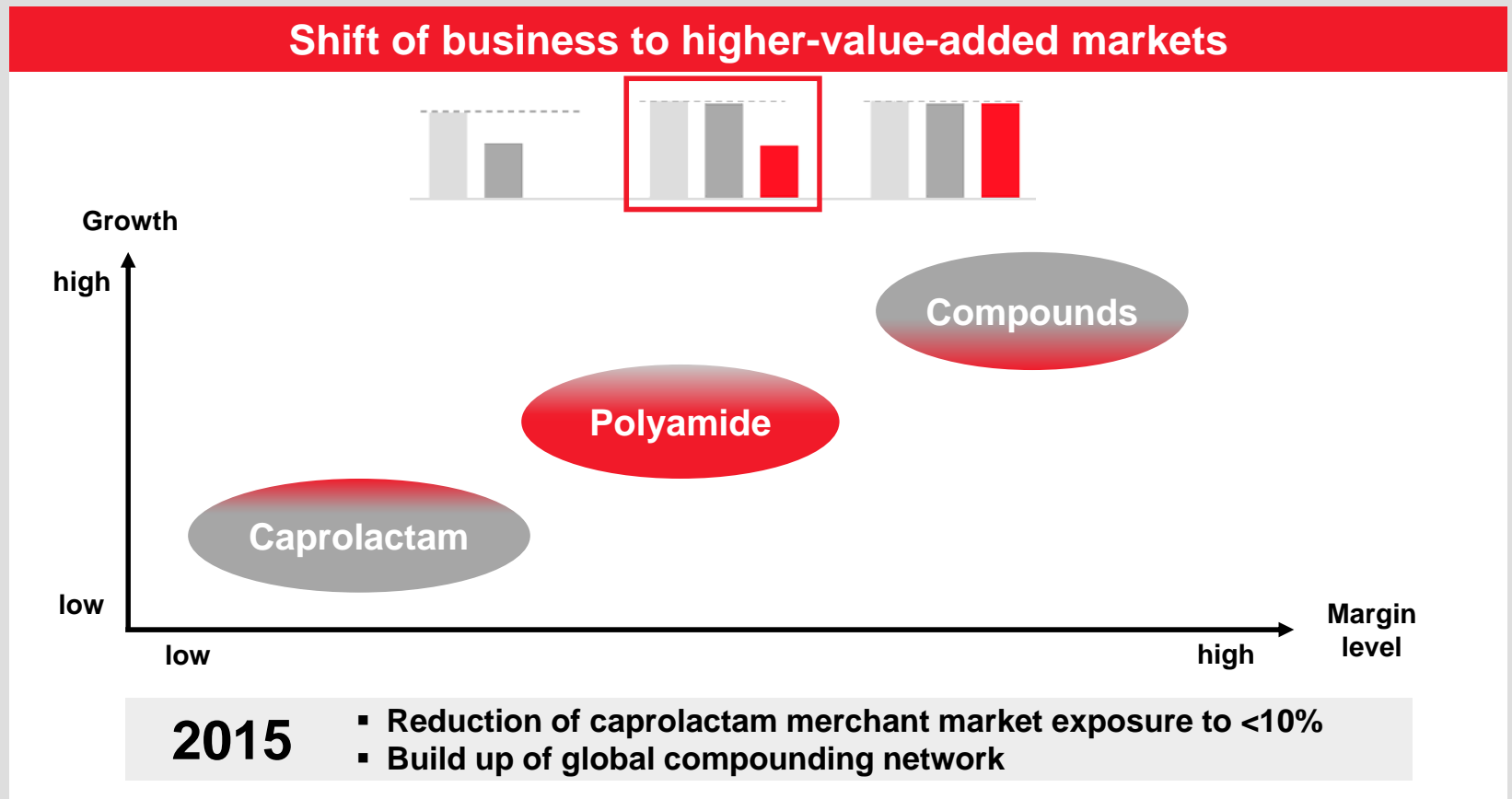


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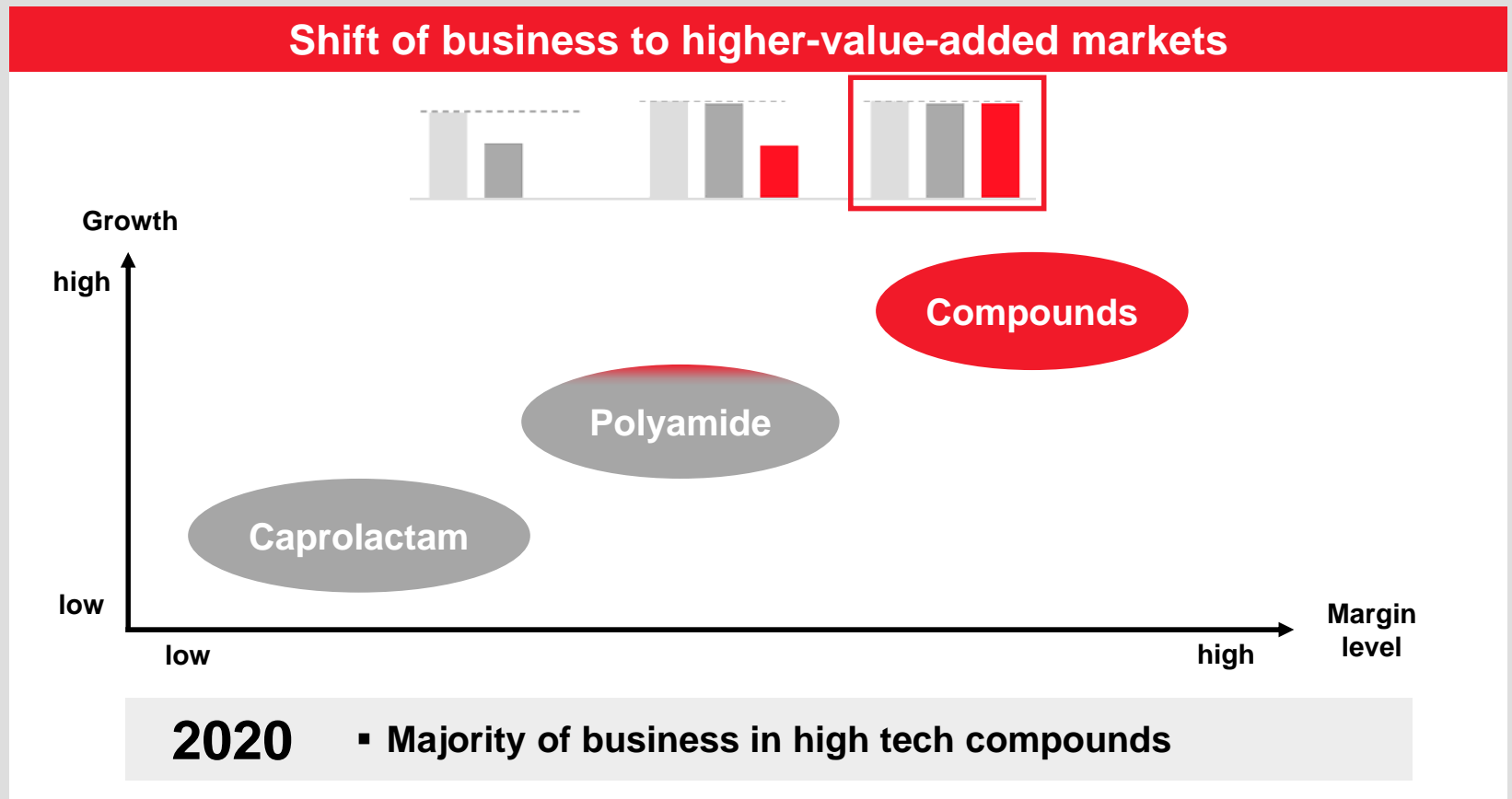
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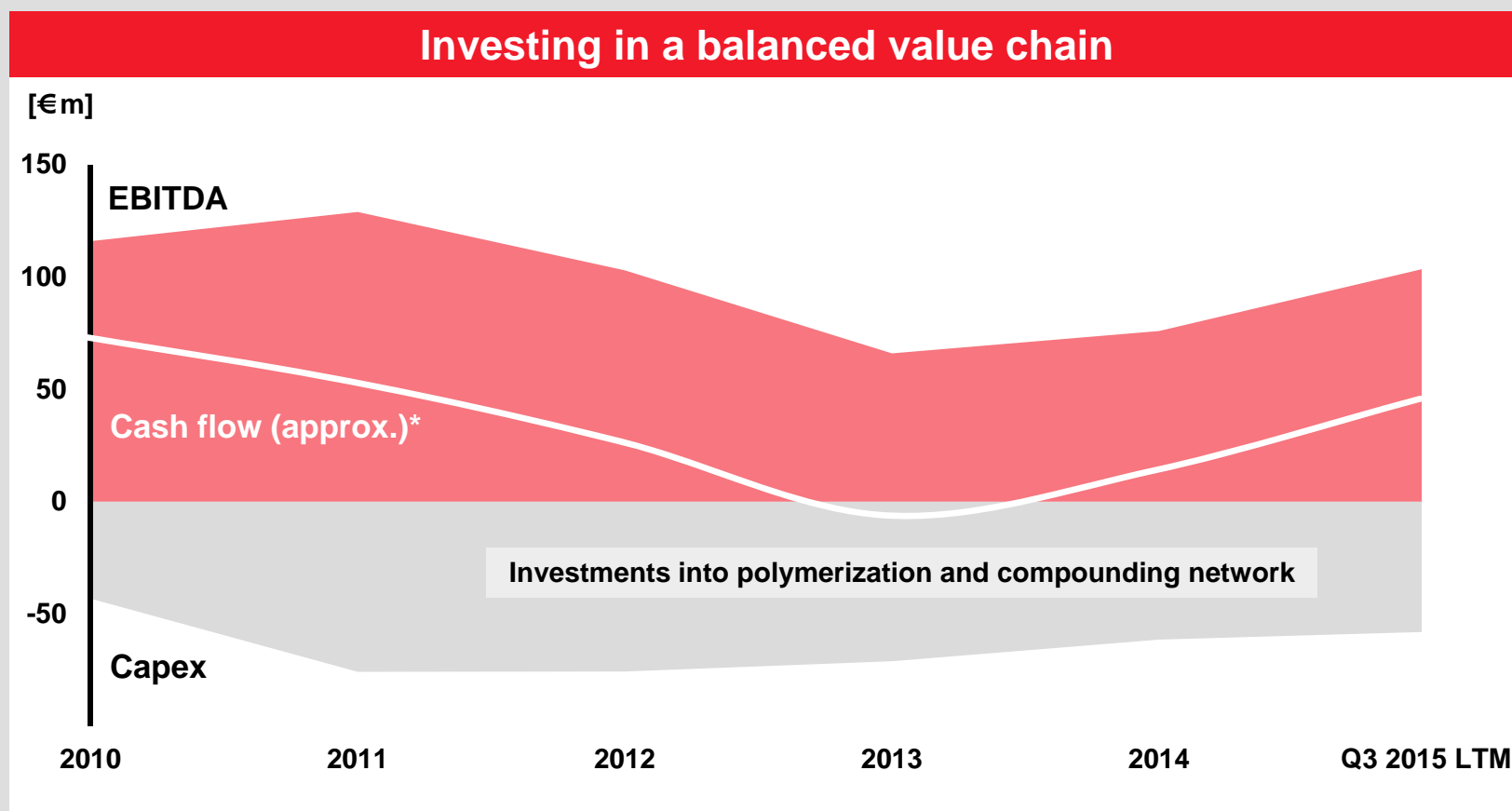


# High Performance Materials: Downstream investments will improve margins and facilitate future resilience



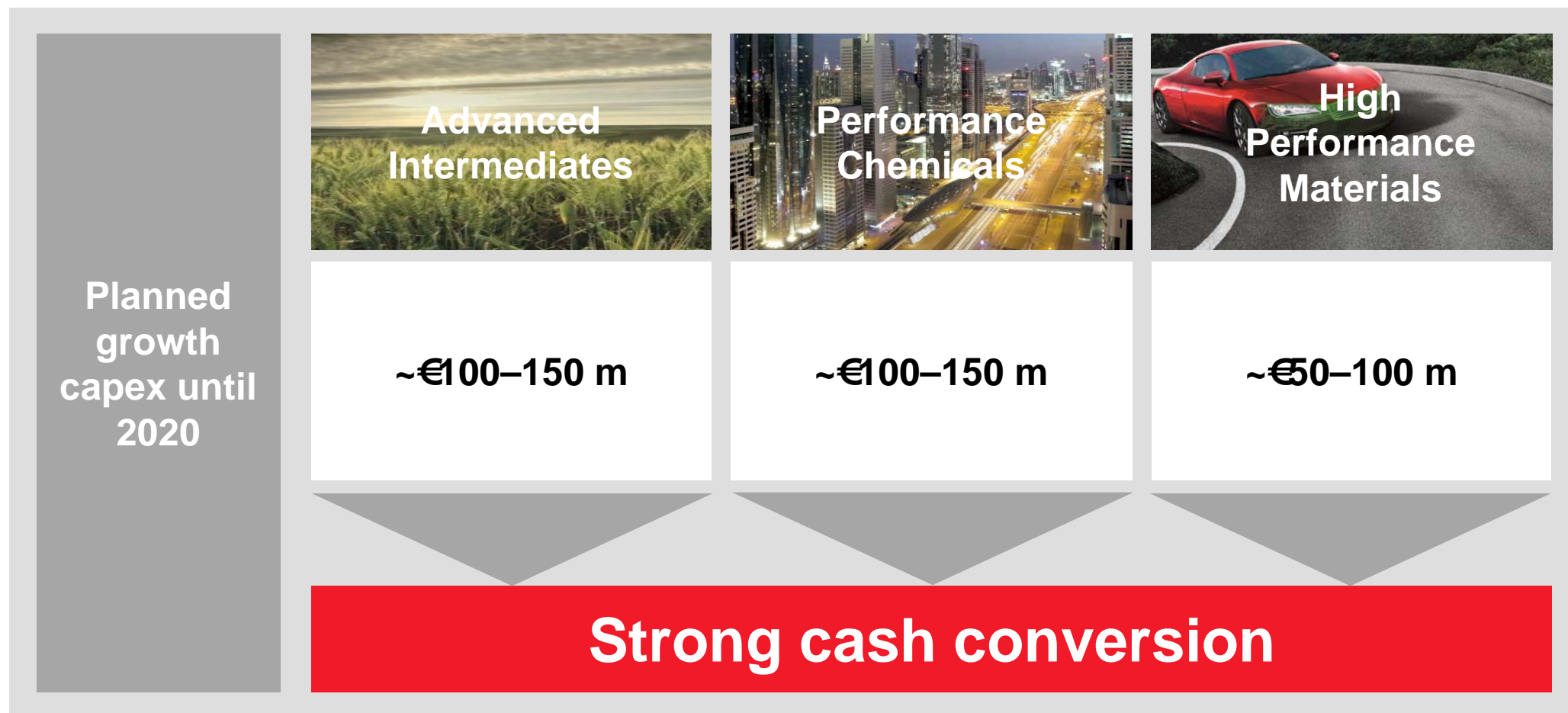


# High Performance Materials: Investment strategy sets the stage for future improvement in cash generation






\* before changes in working capital and M&A / all reference to EBITDA is EBITDA pre exceptionals

# Capex spent with strong cash conversion potential



# Our businesses: resilient, cash generating and well positioned in growing markets

Strong businesses	 Advanced Intermediates	 Performance Chemicals	 High Performance Materials
Resilience (EBITDA margin)	<ul style="list-style-type: none"> <li>Proven level of 15-18%</li> <li>Margin volatility of ~2-3% pts</li> </ul>	<ul style="list-style-type: none"> <li>Sustainable at 13-16%</li> <li>Margin volatility of ~2-3% pts</li> </ul>	<ul style="list-style-type: none"> <li>Target margin &gt;10%, resilience moving forward with transformation of business</li> </ul>
Cash generation	<ul style="list-style-type: none"> <li>Attractive cash generation through technology leadership and efficient business set-up</li> </ul>	<ul style="list-style-type: none"> <li>Considerable cash generation based on good mix of solution focused businesses</li> </ul>	<ul style="list-style-type: none"> <li>Cash generation will improve with a more balanced value chain and shift to higher-margin businesses</li> </ul>
Growth	<ul style="list-style-type: none"> <li>Growth slightly above GDP</li> </ul>	<ul style="list-style-type: none"> <li>Growth with GDP</li> </ul>	<ul style="list-style-type: none"> <li>Growth above GDP</li> </ul>
<p style="text-align: center;"><b>Valuable businesses with resilience, cash generation and growth opportunities</b></p>			

# Agenda

- The “New LANXESS”:  
Businesses that provide resilience, cash generation and growth
- **Financial principles to create value**

# CFO principles: Creating value by managing costs, focusing on cash generation and rigorously managing debt

**Cost optimization**

**Debt management**

**Cash control**

**Foster growth with  
clear investment principles**

**Improve cash flow**

**Maintain investment grade rating**

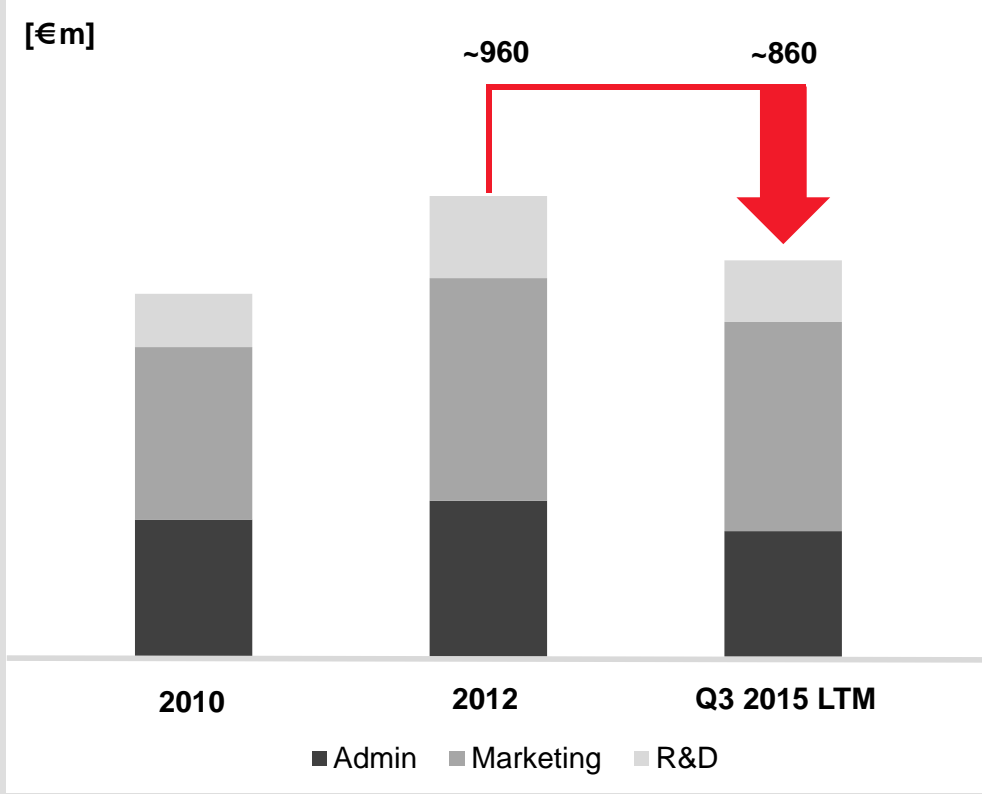
**Strong team as foundation for success**



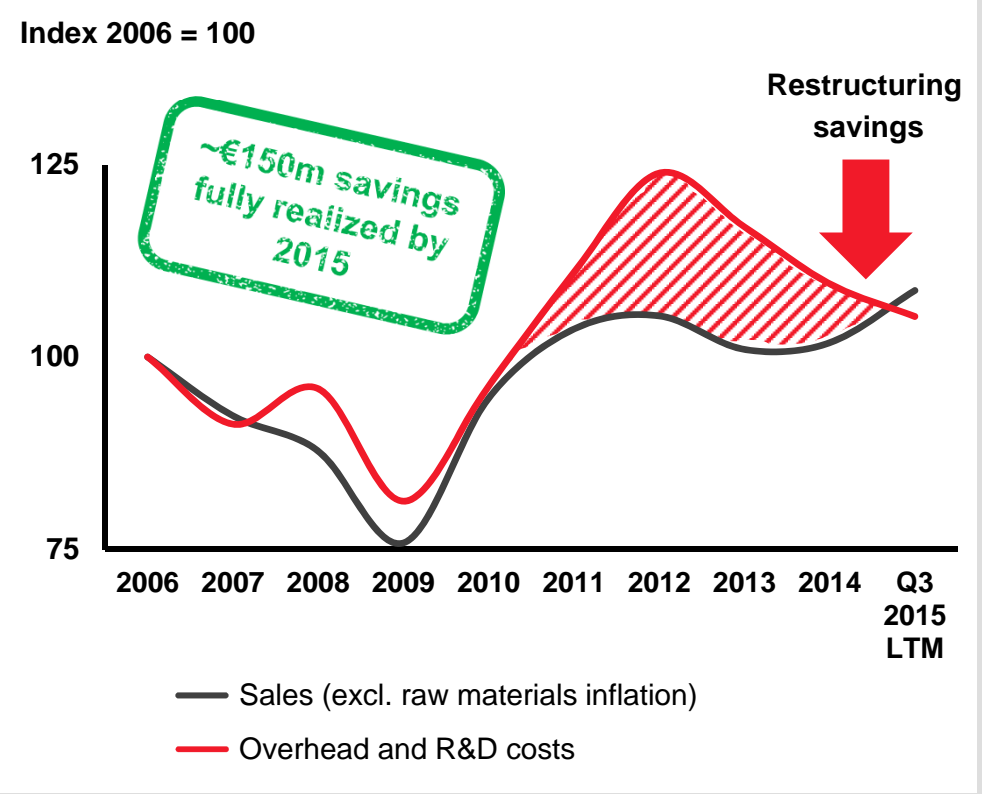
# Visible improvement of SG&A and R&D costs through our Phase I restructuring



## Visible reduction in overheads despite inflation

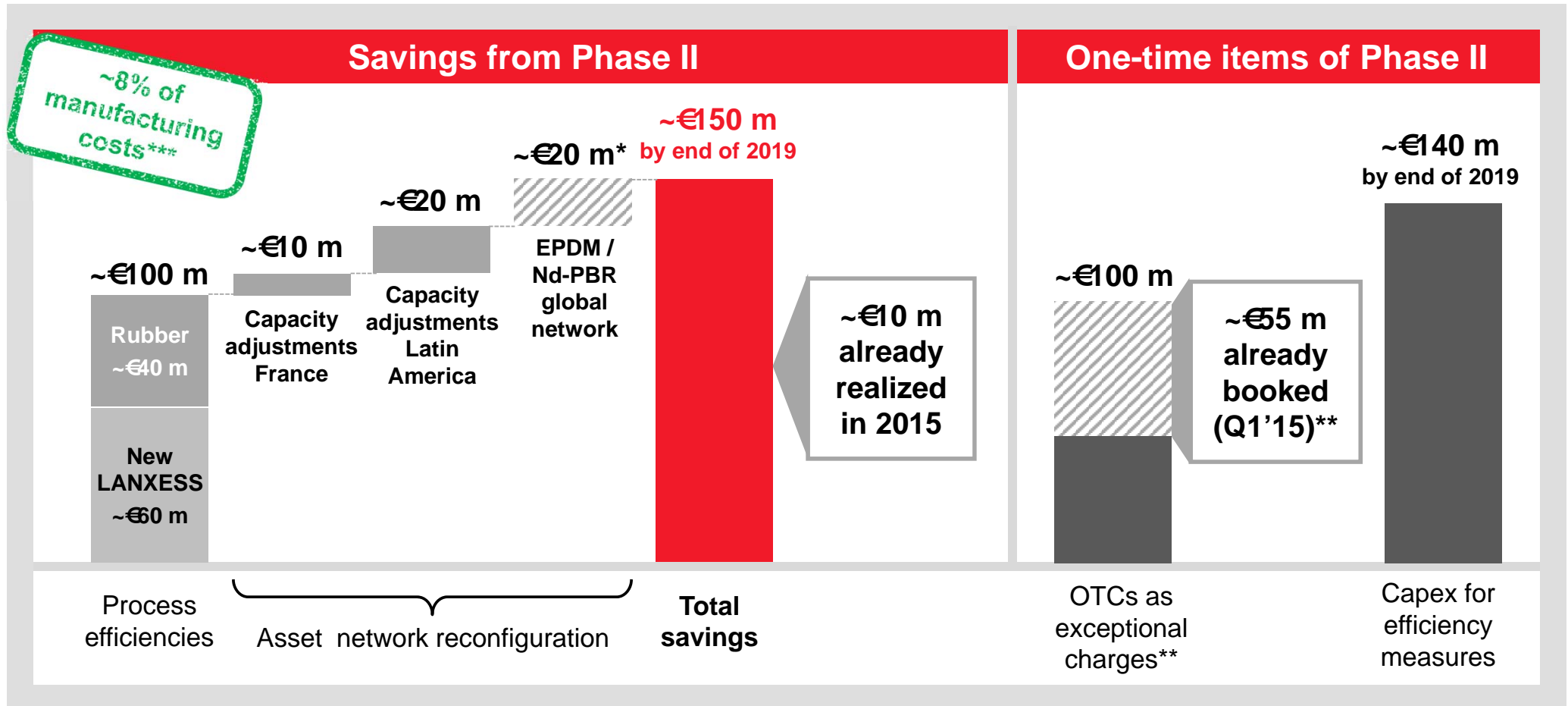
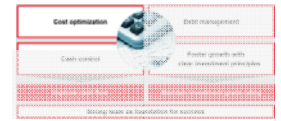


## Overheads and sales in line again



Based on annual and interim reports

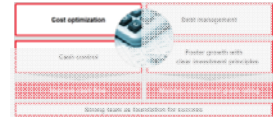
# ~€150 m savings from Phase II – from process efficiencies and asset network reconfiguration



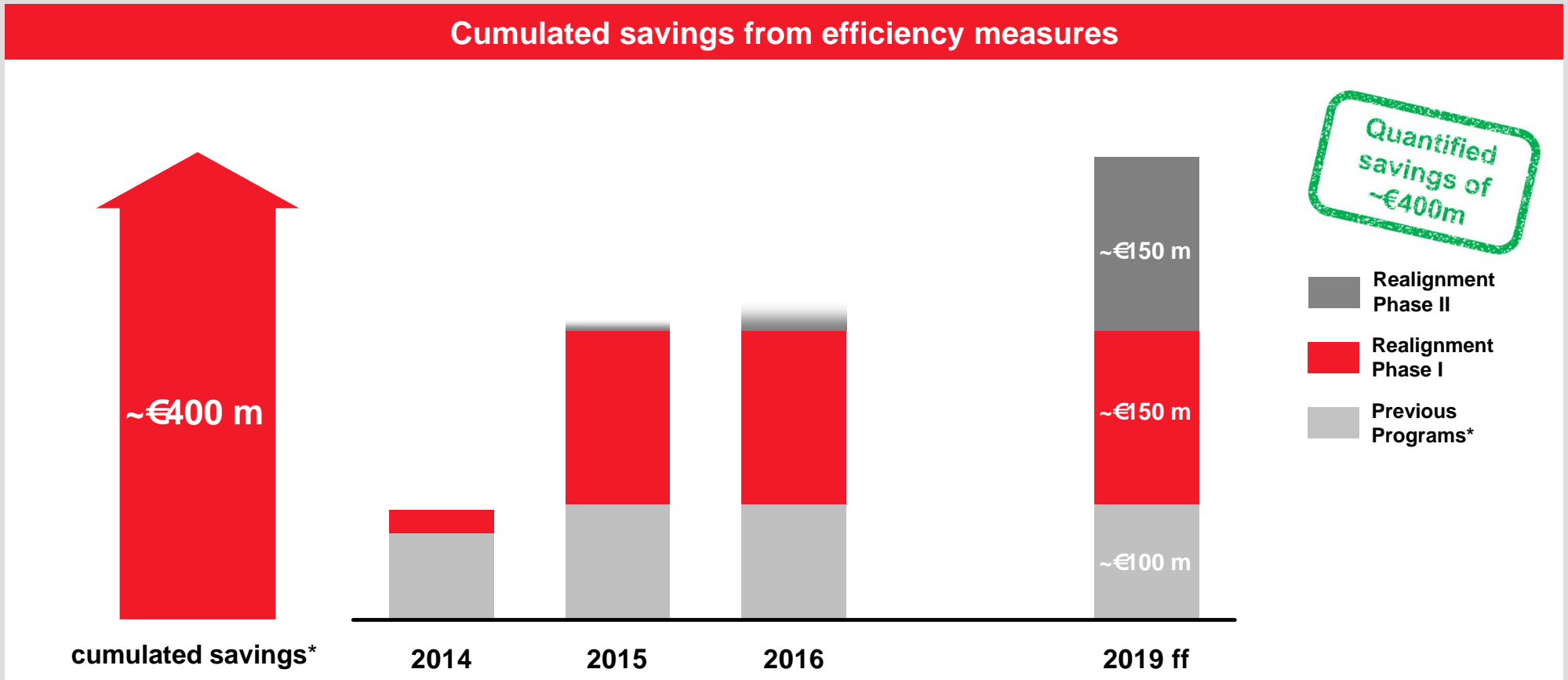
\* €20 m savings from the EPDM and Nd-PBR reconfiguration already communicated in March 2015

\*\* OTCs include ~€55 m already communicated and booked (Marl / Nd-PBR reconfiguration) / \*\*\* Cost base 2014 without depreciation and amortization

# Quantified savings of ~€400 m from efficiency programs



Cumulated savings from efficiency measures



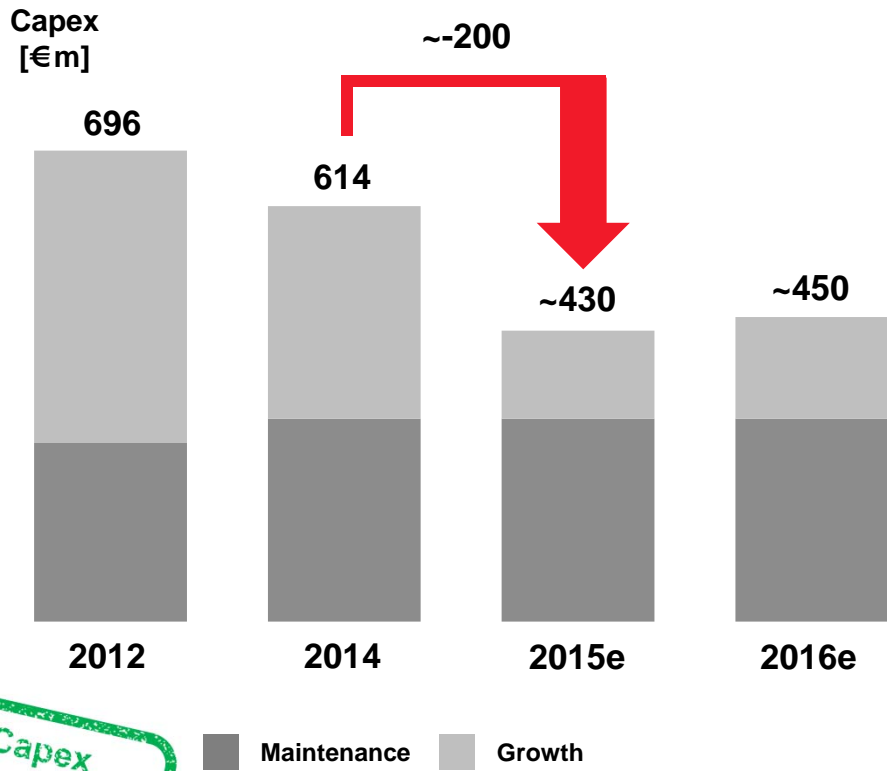
\* vs. 2013 / previous programs include Advance, cost base comparison Advance vs. 2012



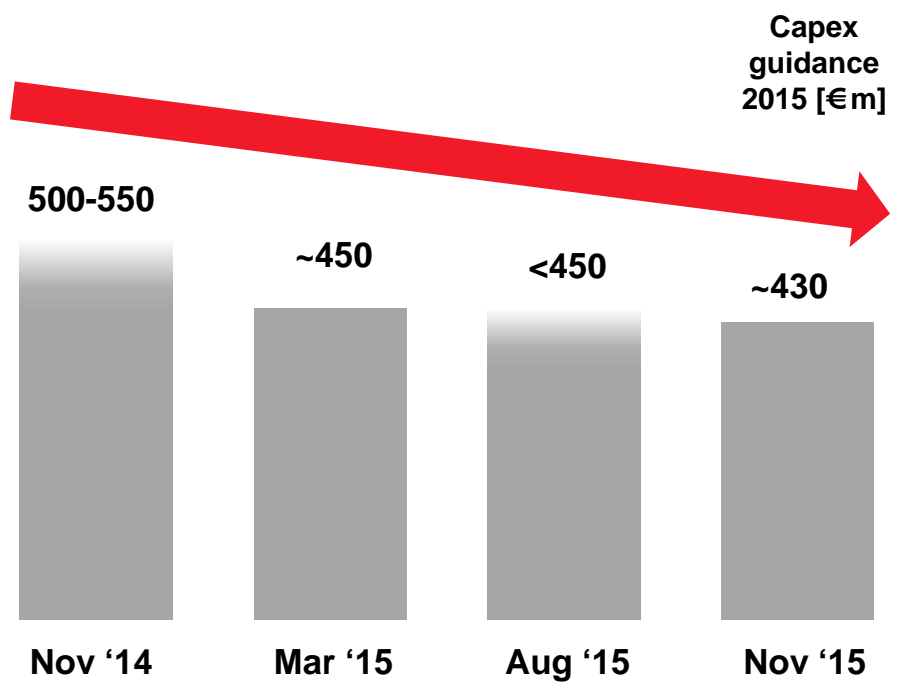
# Capex cycle ends – now cash control on capex established again



## Capex cycle ends...



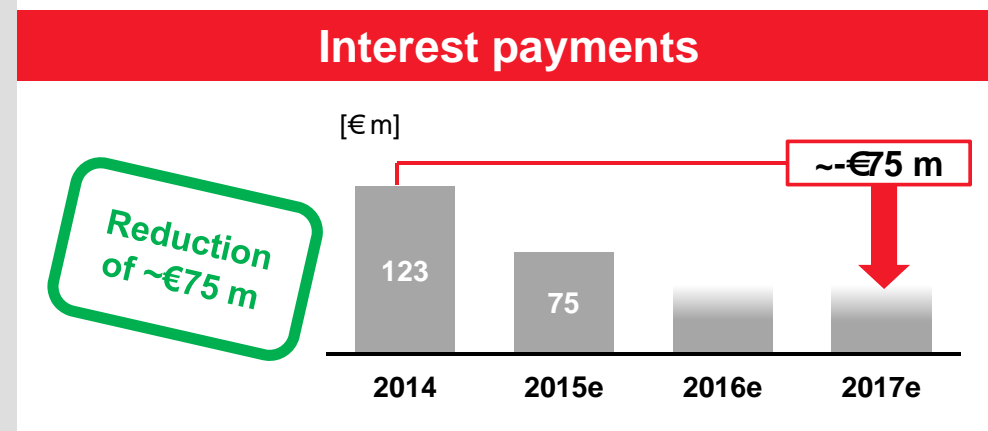
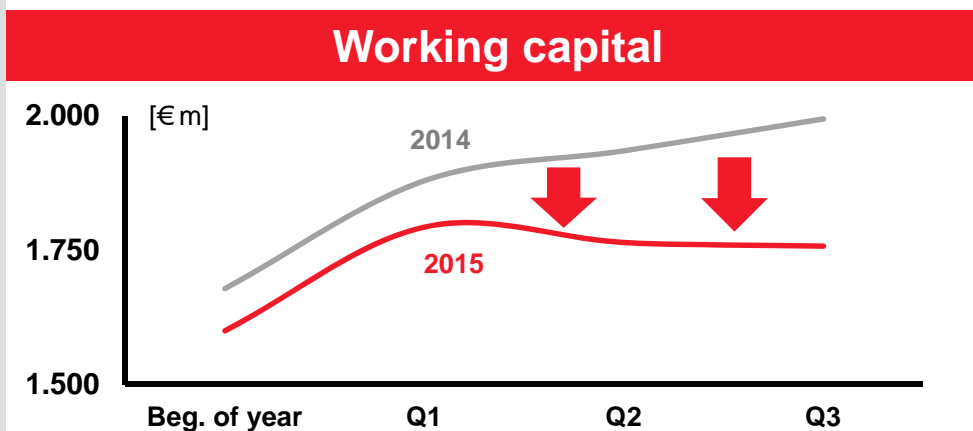
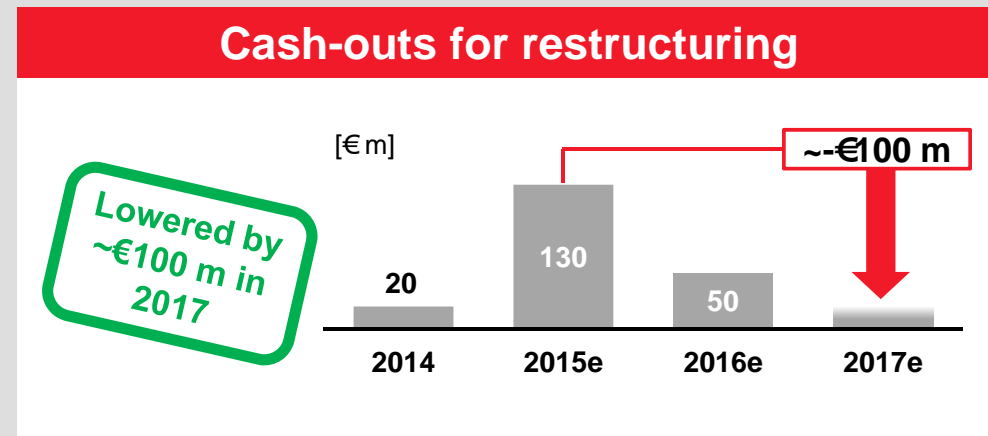
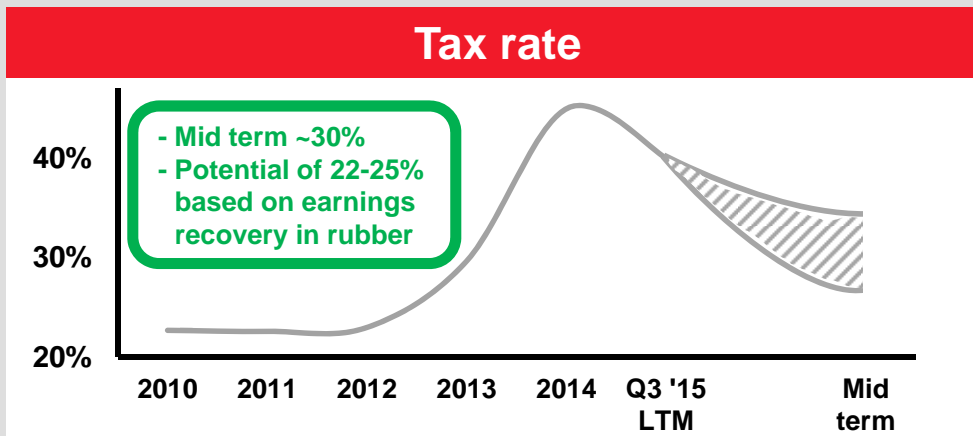
## ...in addition cash control on operational basis



## Capex continuously controlled and optimized

# Looking into the details

## – controlling cash on all levels



# Actively managing debt – prudent financial control



## Prudent financial control on risk management and financing



**Financial debt**

**Liquidity**

**Pensions**

**Leasing**

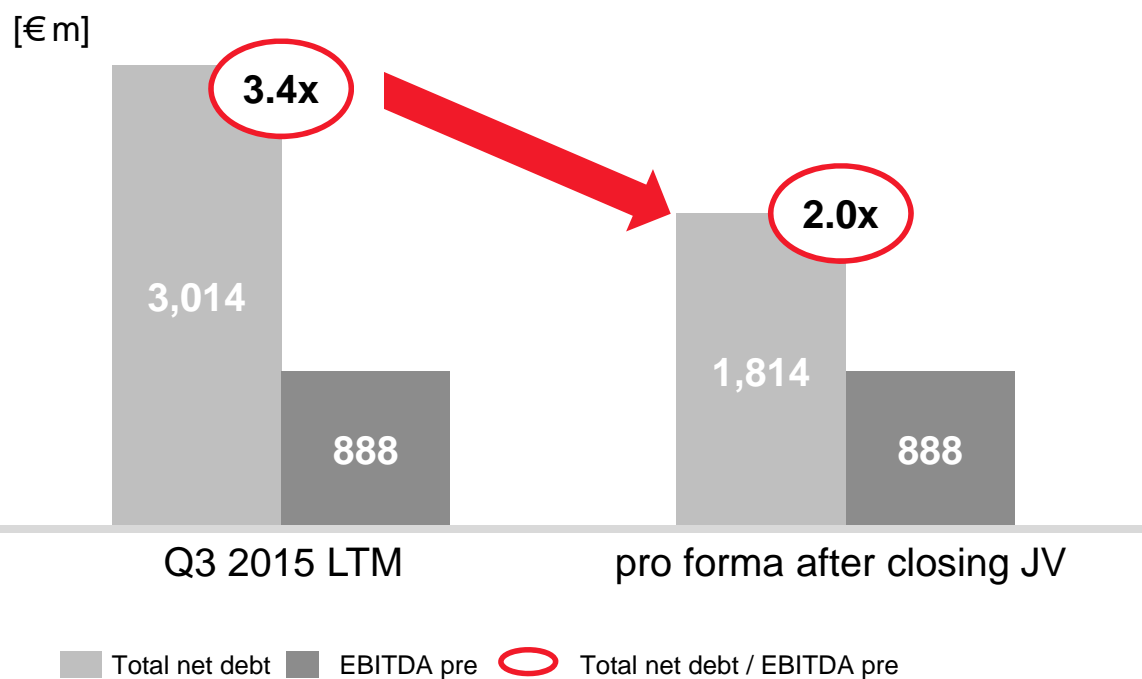
**Rating**



# Proceeds of ~€1.2 bn from JV will lead to improved financial profile and flexibility



## Improved financial profile



## Significant reduction in total net financial debt

## Credit outlook lifted to positive by Standard & Poor's

"JV transaction, combined with continued prudent financial policy and improving operating performance, will likely reduce leverage [...] with potential for rating upgrade over next 12 months [...]"



"The joint venture is credit positive for Lanxess"

## Clear commitment to investment grade rating

Total net debt includes: Net financial debt and pensions liabilities as of September 30<sup>th</sup>, 2015 / operating leases as of December 31<sup>st</sup> 2014

# CFO financial principles to create value

## Cost optimization

Quantified savings of  
~€400 m

Fully  
realized by  
end of 2019

## Debt management

Total net debt / EBITDA  
target 2–2.5x

Realized  
in 2016

## Cash control

Control cash-outs in capex,  
interests, restructuring, tax  
and working capital

## Foster growth

Fact based  
investment principles

Improve free cash flow

Maintain investment grade rating

Strong team as foundation for success





# Appendix

## Financial details on Phase II

Detailed table to summarize financial impact of restructuring Phase II

	2015	2016	2017	2018	2019	Total
[€m] P&L expense (OTC)	~60	~30	~10			~100
[€m] Cash-out (OTC)	~5	~50	~20	~15		~90
[€m] Capital Invest	by 2019					~140
[€m] Cost reduction	~10	~20	~40	~40	~40	~150

Includes €20 m savings from the EPDM and Nd-PBR reconfiguration already communicated in March 2015 / OTCs include ~€55 m already communicated and booked in 2015 (Marl / Nd-PBR reconfiguration) / OTC = one-time-costs booked as exceptionals