



# Update on SGL Carbon

## Investor & Analyst Call

Torsten Derr, CEO

Michael Majerus, CFO

Thomas Dippold, Member of the Board of Management

Wiesbaden, November 2, 2020

# Welcome and Agenda

Introduction incoming CFO Thomas Dippold

Recent developments

The way forward



AGENDA

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# Agenda

## Introduction incoming CFO Thomas Dippold



# Incoming CFO Thomas Dippold



- Born and raised in Bamberg, southern Germany
- Overall **23 years experience in various finance roles**, with particular **focus on successful operational and financial restructuring and turnaround situations**
  - Most recently CFO of stock exchange-listed Schaltbau Holding AG
  - CFO at Faber-Castell AG, Stein (D)
  - CFO at Semikron International in Nürnberg (D)
  - Various Finance roles at Schott AG in Mainz (D) and Singapore
  - Started professional career at HSBC in Düsseldorf and London in Reporting functions, followed by Consulting Services for Finance and Controlling roles
- Studied and completed Business Administration degrees in Bamberg (D), Mainz (D) and Austin, Texas (USA)



"I am fascinated by the Company's materials portfolio and competence and aim to support SGL Carbon's turnaround and sustainable path to profitability based on my restructuring expertise"



# Agenda

## Recent developments



# Recent developments

**1** Developing new 5 year plan

**2** Solid operational and cash development in Q3 – adjustment in net profit guidance for 2020

# Recent developments

## 1 Developing new 5 year plan

### Mid term prospects for certain markets have changed considerably

- Automotive:
  - Industry on the whole challenged – new drives, new competitors, increased pressure from legislation
  - Automotive customer reduced focus on lightweight construction
  - Carbon fiber composites adoption in automotive slower and lower than initially planned (Moses Lake CF capacity was built for the i3, a car that has the entire chassis made of CFRP)
- Aerospace:
  - Particularly civil aviation is extensively affected by ongoing Corona related travel restrictions
  - Market not expected to recover to 2019 levels before 2024/2025, which considerably depresses new built rates in airplanes
- Wind Energy:
  - Strong growth in market and for SGL large-tow carbon fiber
  - Lower margin expectations compared to automotive and aerospace

# Recent developments

## 1 Developing new 5-year plan

### Key impacts

- Impairment charge
  - Lower expected future cash flows in the Business Unit CFM compared to the last 5-year plan
  - Non-cash impairment charge in the amount of €80-100m to be recorded in non-recurring items in Q4/2020
- Restructuring
  - Expected one-off costs associated with restructuring: approx. €40m in total
    - A little more than half to be provisioned for and recorded in non-recurring items in Q4/2020
    - Greatest portion anticipated to be cash effective in 2021



# Recent developments

## 2 Solid operational and cash development in Q3 – adjustment in net profit guidance for 2020

- Group sales approx. €220-230m compared to €210m in Q2/2020
- Group operating recurring EBIT approx. €13-15m, up substantially from €2m in Q2/2020
- Plus positive one-time effects of approximately €9m recorded in Q3/2020 in recurring EBIT
- Cash on hand as of September 30, 2020 at €167m and thus substantially higher than at end 2019 (€137m)
  - Supported by effective spend discipline
  - Implemented one-time additional funding measures will lead to further cash inflow in Q4/2020
  - Providing ample liquidity for payment of Moses Lake purchase price (USD 62m) in Q4/2020 and upcoming restructuring activities
- Net profit guidance for 2020 affected by restructuring provisions and impairment losses – now expecting minus €130-150m
- Guidance for 2020 for Group sales and Group operating recurring EBIT confirmed

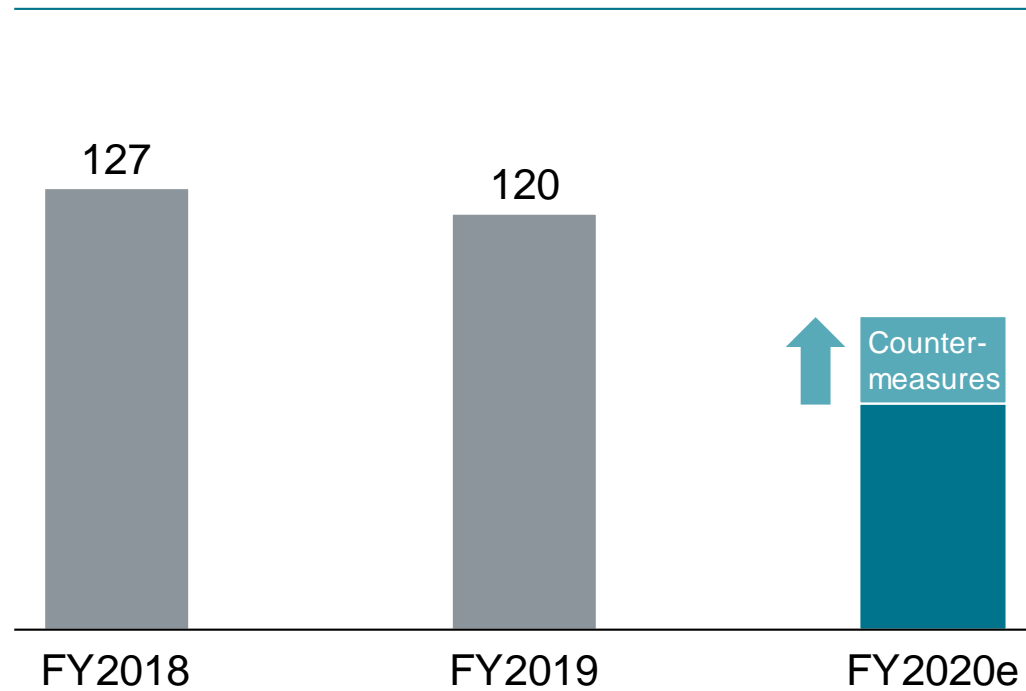
# Agenda

## The way forward

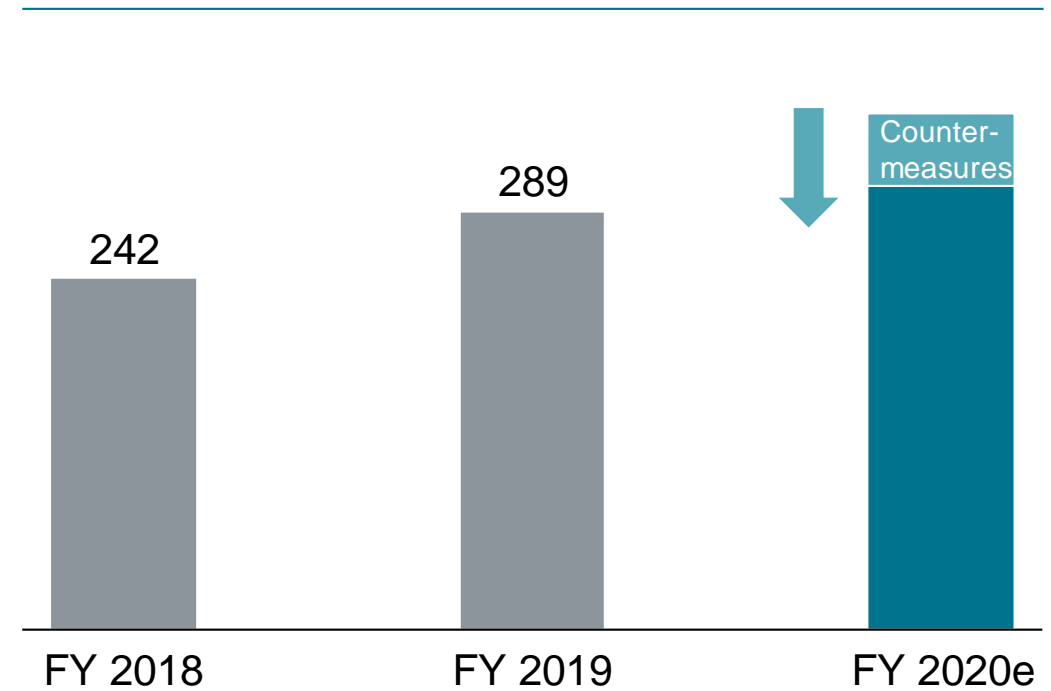


# Negative KPI developments in 2020 mitigated by countermeasures, however effects are one-time and insufficient for turnaround

EBITDA, in €m



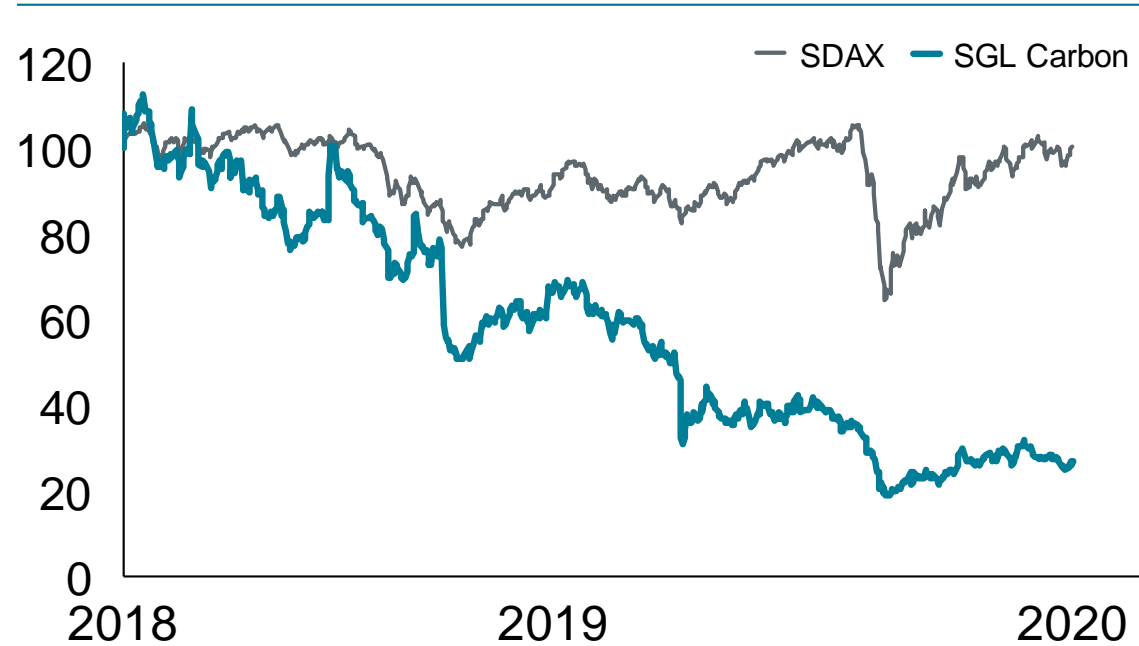
Net Debt, in €m



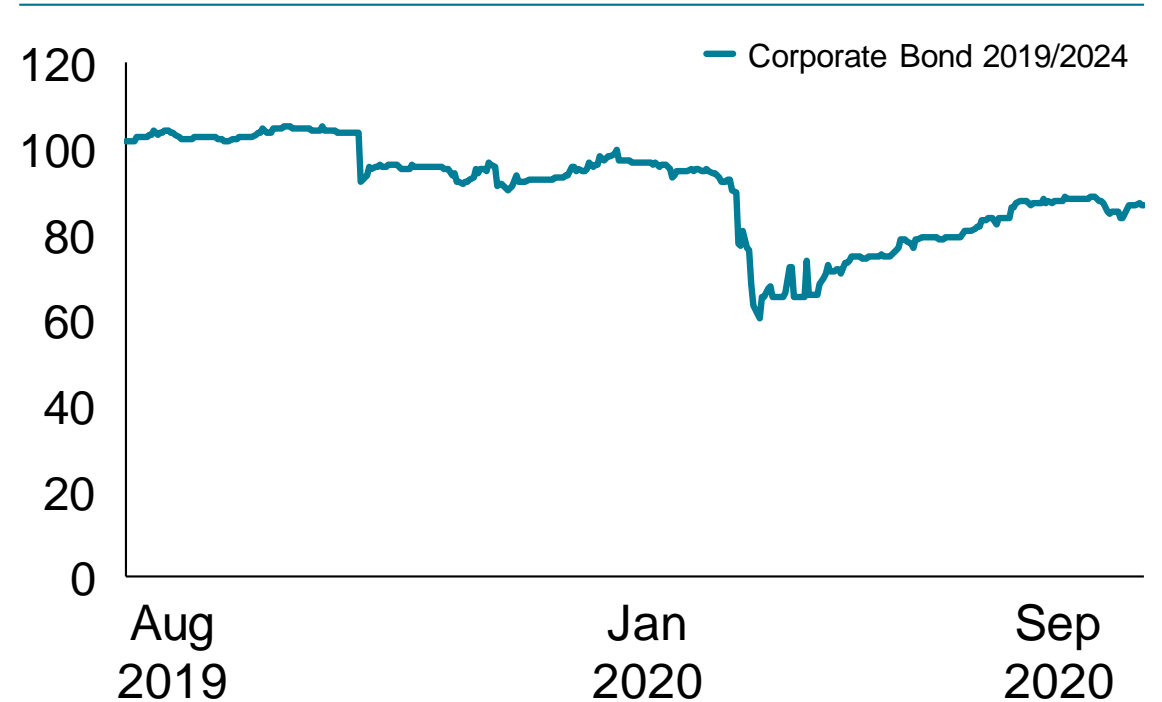
Scale 2020 is indicative

# SGL Carbon's share and bond prices show negative performance

Relative performance of SGL Carbon shares, indexed Jan 2018=100



Absolute performance of corporate bond since issuance



## How we performed

Share price dropped by 75% over 3 years, corporate bond price by 14% since issuance and as low as 40% during the beginning of the Corona crisis

Long-term growth forecast failed for years

# New leadership has decades of experience in restructuring

**Dr. Torsten Derr, CEO**



- 20 years industry experience
- 4 turnarounds in past 15 years

**Thomas Dippold, incoming CFO**

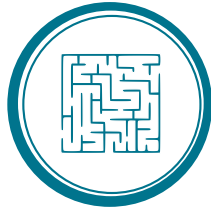


- 16 years experience in restructuring
- 3 turnarounds

## First observations



**Lack of financial rigor** and prioritization



**High complexity** (sites, products, customers)



**Over-administration** (~20 corporate functions, complex guidelines)



**No full P&L accountability** in Business Units

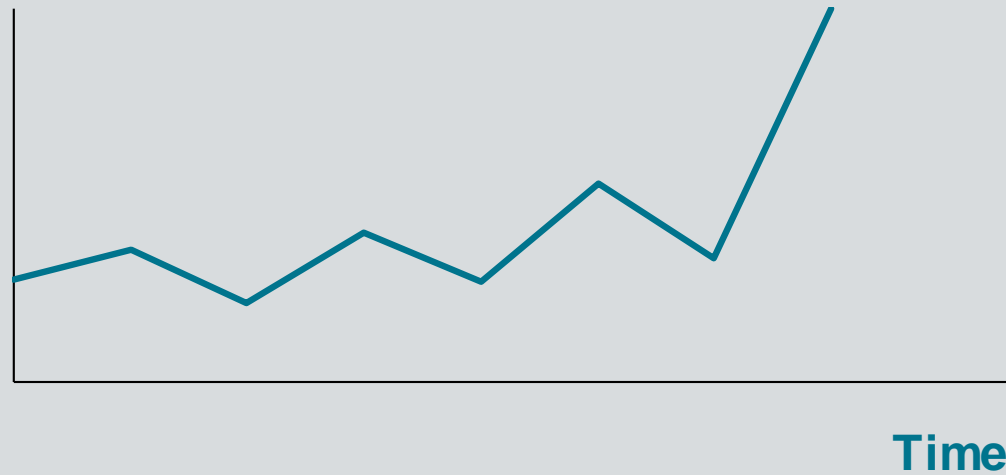


**Culture** – focus on perfecting technology instead of improving profitability

# SGL Carbon's value creation journey rests on two pillars

## This is what we will talk about today

### Cash generation



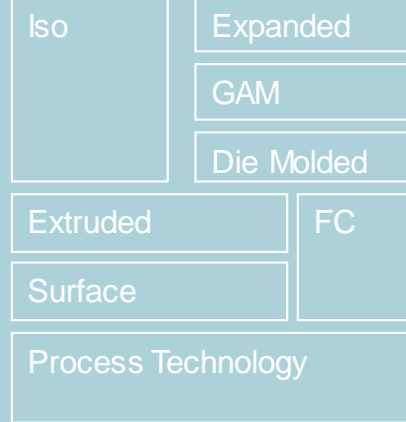
### Comprehensive restructuring

- All businesses
- All functions

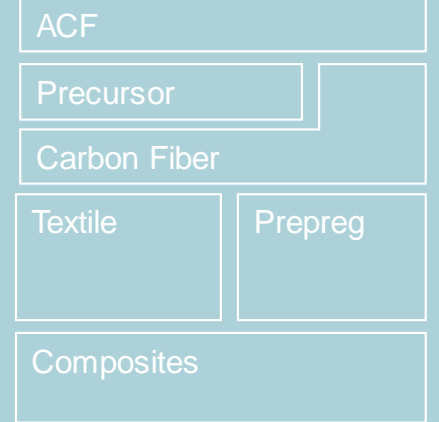
2020-22

## This is what we will talk about next year

### Graphite Specialties



### Composites



### Strategic review

- Growth potential?
- Ability to differentiate?
- Market leading positions

2021

# What we will do

## Priorities

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**1** New organization

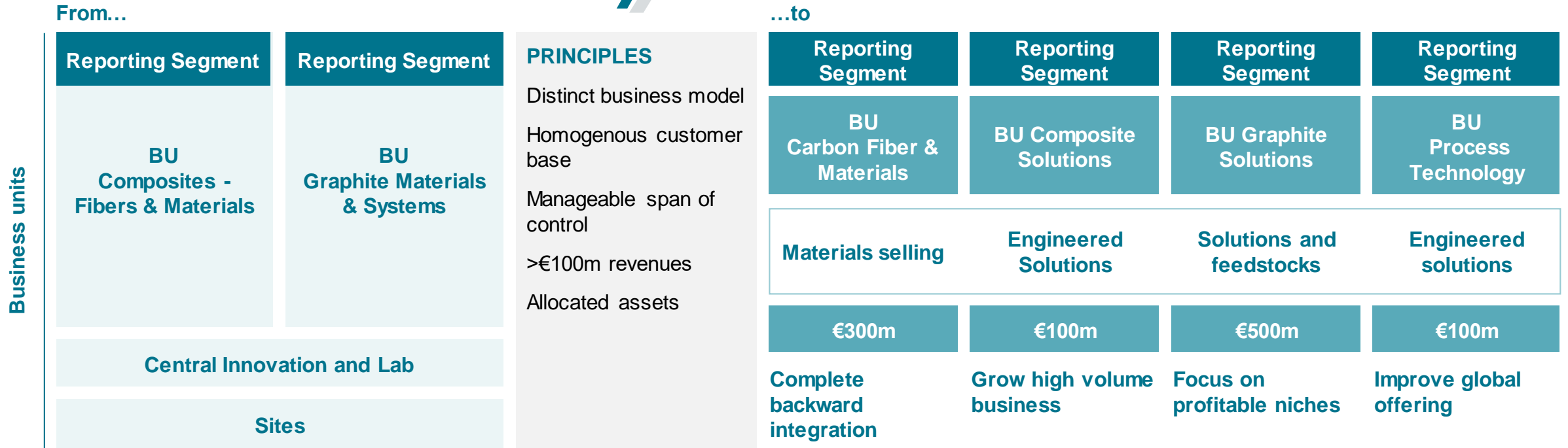
**2** Cost cutting

**3** Spend discipline

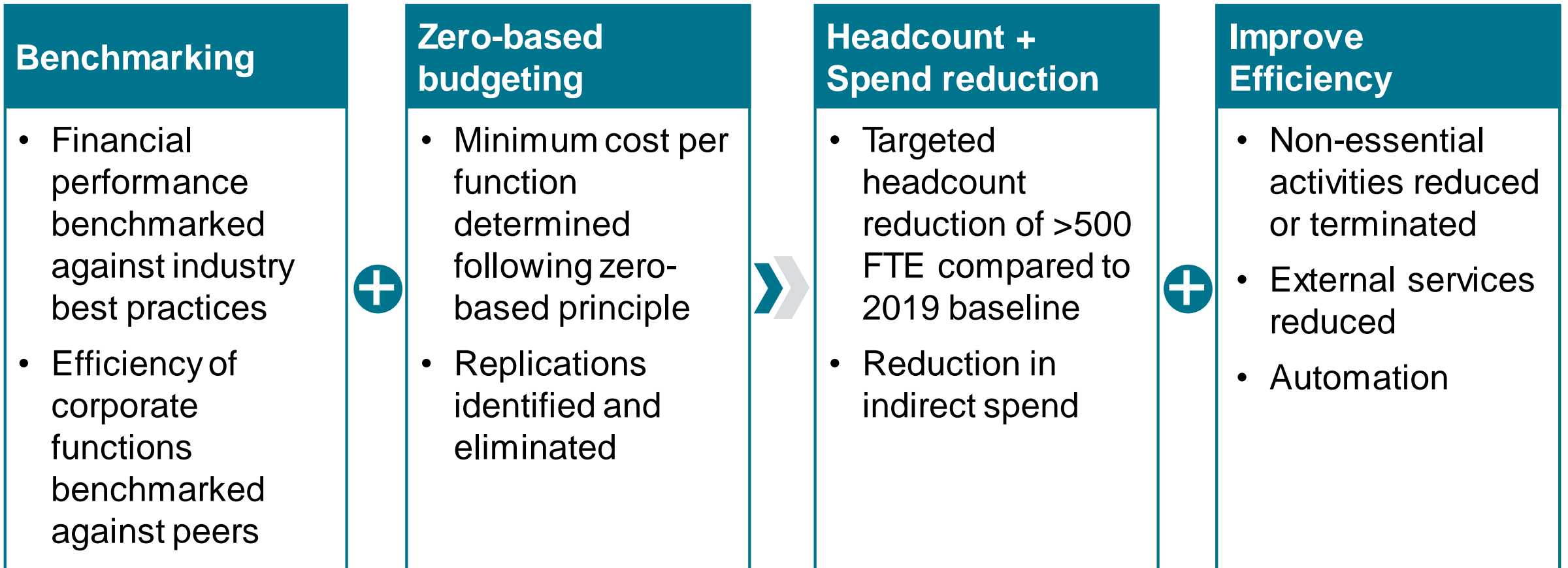
**4** Capital discipline



# 1. New Organization enhances transparency, management rigor and efficiency



## 2. Comprehensive review of all businesses and functions leads to reduced cost



### 3. Decisive initiatives increased spend control

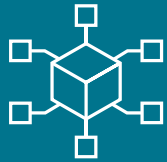


**Spend control tower**  
Every purchase order checked

**Hiring freeze**  
Board approval required

**CAPEX discipline**  
Rigorous funnel approach

## 4. Strengthen capital discipline



### Establish Capital Structure



### Define Financial Policies



### Deliver ROCE improvement

#### Key Priorities

- Be **cash positive** (“stop the bleeding”)
- **Reduce net debt** to reasonable level
- **Reverse unsustainable capital structure** with restructuring and with strategic review in 2021
- **Question cash-burning** entities and businesses
- Businesses compete for a **fixed capex budget**
- Strengthen **project approval process**
- Improve **working capital management**
- Maintain sufficient **liquidity headroom**
- **Stop unprofitable** projects/activities
- Focus on **investments with near-term payback**
- Be **cost efficient**
- Generate enough cash flow to **self-fund moderate growth** path and pay a modest dividend

# Restructuring delivers rapid and sustainable improvement while safeguarding selective growth options

## New operating model



New organization and management

Clear responsibilities

Incentives to be aligned to cash generation

Rigorous consequence management

Safeguarding selective growth options

## Improve performance



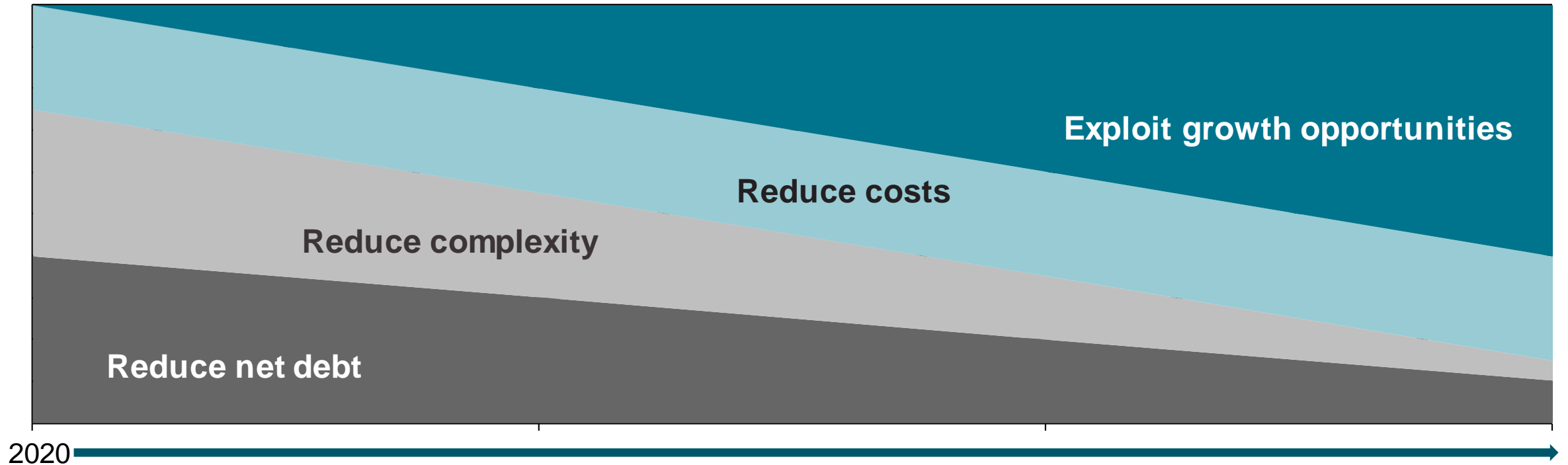
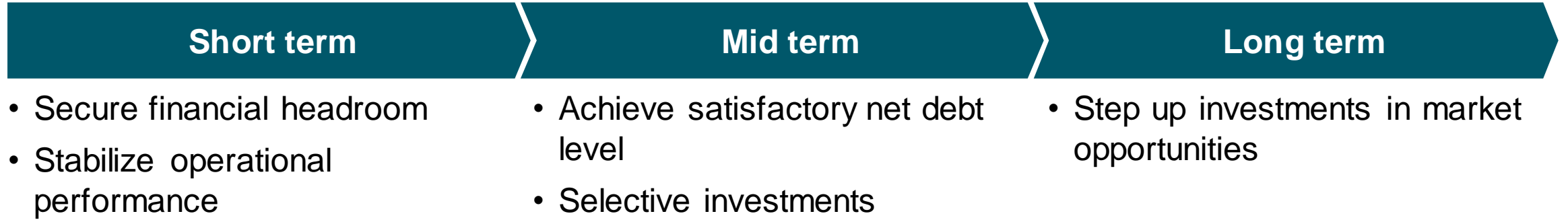
>€100m recurring savings<sup>1</sup> from 2023 onwards

>500 individual measures identified

>500 reduction in FTE<sup>1</sup>

<sup>1</sup> Compared to base year 2019

# Recap: Focus now on performance, later on profitable growth



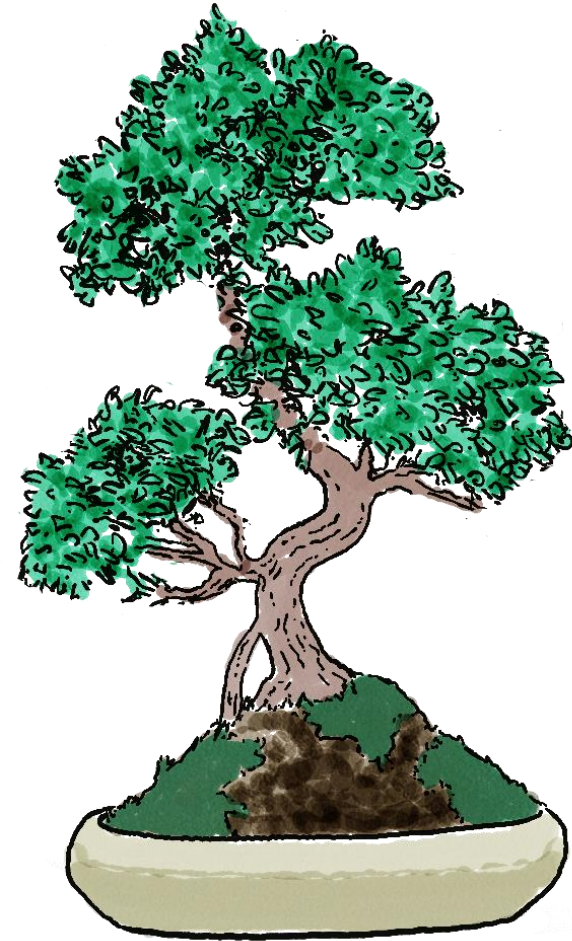
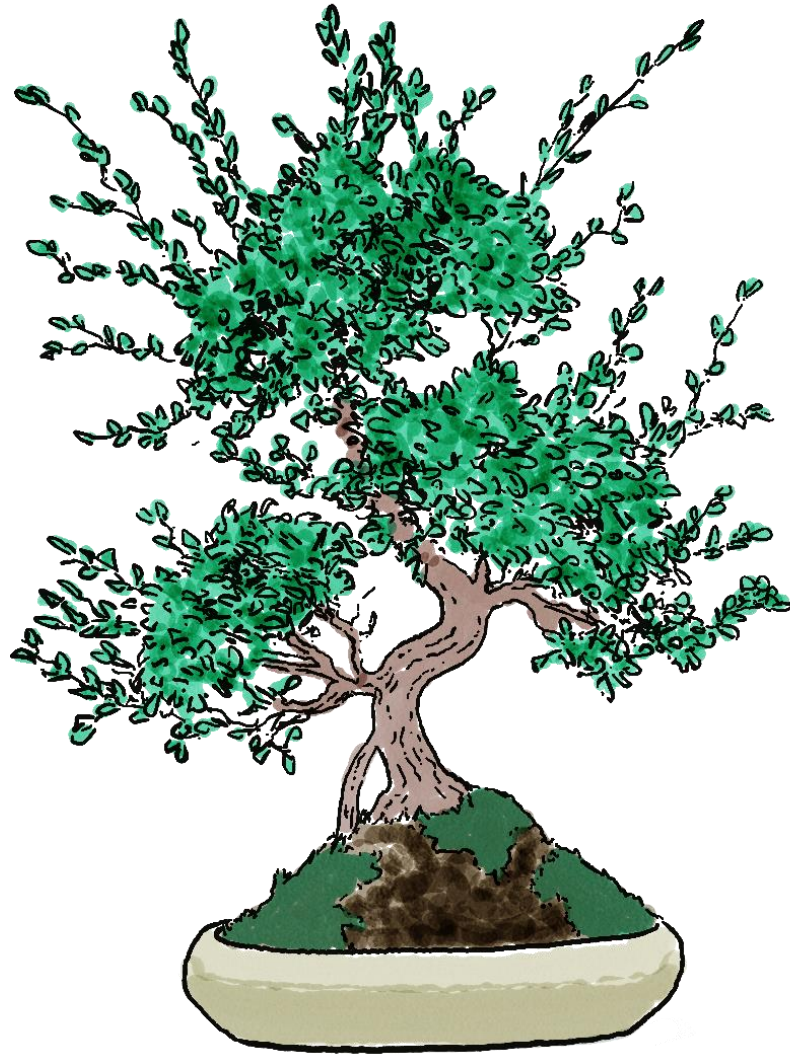
**Thank you for your attention!**  
**We will now take your questions**



# Back-up



# Bonsai – our transformation



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