

SGL Carbon's business performance after nine months confirms the announced stabilization and investment year

- Continued very strong sales and earnings development of the business units Graphite Solutions, Process Technology and Composite Solutions
- Development of demand in Carbon Fibers remains unsatisfactory also in Q3 2023
- Decline in sales and earnings of Carbon Fibers can almost be compensated by the other three business units

Due to the better-than-expected sales and earnings development of the business units Graphite Solutions, Process Technology and Composite Solutions, SGL Carbon's consolidated sales for the first nine months amounted to €821.7 million (9M 2022: €853.9 million) and were only slightly (3.8%) below the previous year's level. As a result, the continued weak business development of the Carbon Fibers unit can almost be compensated at group level. Accordingly, the adjusted EBITDA of the Group also decreased only slightly by 4.5% to €130.0 million (9M 2022: €136.1 million).

Graphite Solutions (GS) is the Group's largest sales driver after nine months in 2023 with a 9.4% increase in sales to €418.4 million (9M 2022: €382.5 million). The rise in sales is based on business with customers from the semiconductor industry and here in particular on the high demand for graphite components for the silicon carbide-based semiconductor business. Overall, sales in the Semiconductor and LED market segment rose by 38.5% to €189.0 million in the first nine months of 2023.

The two business units Process Technology (PT) and Composite Solutions (CS) developed above expectations. With an increase in sales of 24.3%, PT contributed €95.7 million and CS €114.3 million (+3.0%) to the group's sales. CS was able to fully compensate the loss of sales due to the divestment of the business in Gardena (USA). Overall, the sales of the three business units GS, PT and CS increased by €57.9 million in a nine-month comparison. In contrast, sales and result of the Carbon Fibers (CF) business unit declined. Due to the continued insufficient demand from the wind industry, CF's sales decreased by €89.4 million or 33.2% to €179.6 million (9M 2022: €269.0 million). In the previous year, CF still benefited from the profitable automotive business in the first six months before the i3 contract ended as planned in the first half of 2022.

Earnings situation

The sales development is also reflected in SGL Carbon's adjusted EBITDA (EBITDApre). Compared to the first nine months of the previous year, adjusted EBITDA was 4.5% lower at €130.0 million (9M 2022: €136.1 million). The development of the adjusted EBITDA of GS, PT and CS had a positive effect, whereas CF burdened the earnings development.

Changes in volume and product mix led to a stronger increase in adjusted EBITDA at GS of 18.5% to €99.5 million (9M 2022: €84.0 million) compared to sales growth (+9.4%). PT also performed positively, with adjusted EBITDA more than doubling to €17.0 million (9M 2022: €7.5 million). CS also made a positive contribution to the Group's adjusted EBITDA with an increase of €1.8 million (+12.2%) to €16.6 million (9M 2022: €14.8 million). On the other hand, the adjusted EBITDA of CF decreased significantly from €42.7 million to €3.2 million after nine months in 2023. Due to the lack of demand from the wind industry, the production capacity utilisation of CF dropped, so that production capacities had to be reduced and idle capacity costs burdened the result.

Taking into account depreciation and amortisation of €43.3 million, adjusted EBIT (EBITpre) after nine months amounted to €86.7 million (9M 2022: €92.2 million). The one-off effects and non-recurring items not included in the adjusted EBIT in the first nine months totalled minus €47.2 million, of which €44.7 million resulted from the impairment in the CF at the end of the first half of the year. EBIT decreased accordingly from €100.0 million to €39.5 million.

Including the slightly weaker financial result of minus €24.7 million (9M 2022: minus €22.7 million) and the income tax of €9.0 million (9M 2022: €7.8 million), the consolidated result for the first nine months 2023 amounts to €5.3 million (9M 2022 €70.6 million).

Net financial debt and equity

Based on the re-financing completed in the 2nd and 3rd quarters of 2023, including the issuance of a convertible bond (€118.7 million), the drawdown of an existing term loan (€75 million) and the early repayment of the corporate bond (outstanding nominal value €240.0 million), financial debt (nominal) decreased to €316.0 million as at 30 September 2023 (31.12.2022: €398.1 million). Including cash and cash equivalents of €149.4 million, net financial debt also decreased slightly by 2.5% to €166.6 million (31.12.2022: €170.8 million).

Free cash flow after nine months in financial year 2023 amounts to €35.0 million and is significantly higher than the previous year's figure (€22.7 million). This was achieved despite investments of €59.1 million, which far exceeded depreciation and amortisation, and which SGL Carbon primarily used to expand production capacities for graphite components used in the semiconductor industry. Besides internal funding, customer prepayments were used for this investments, of which almost €40 million were collected already in the current financial year and are to be used quickly for further capacity expansion.

Despite the impairment in Carbon Fibers of €44.7 million in H1 2023, shareholders' equity increased slightly to €599.1 million as at 30 September 2023 (31.12.2022: €569.3 million). This corresponds to an equity ratio of 42.5% (31.12.2022: 38.5%).

Based on the business performance in the first nine months 2023 and the currently prevalent market environment, SGL Carbon confirms its sales and earnings forecast 2023 and expects adjusted EBITDA to be rather at the lower end of the given range. Following strong sales and earnings growth in the last two years, the company had forecasted Group sales at the previous year's level and adjusted EBITDA (EBITDApre) between €160 million and €180 million for the stabilisation and investment year 2023.

Further details on business development and outlook can be found in the Group interim statement on the first nine months of 2023.

Key figures for the first none months 2023

in € million	9M 2023	9M 2022	Changes	Changes in %
Group sales	821.7	853.9	-32.2	-3.8%
Graphite Solutions	418.4	382.5	35.9	9.4%
Process Technology	95.7	77.0	18.7	24.3%
Carbon Fibers	179.6	269.0	-89.4	-33.2%
Composite Solutions	114.3	111.0	3.3	3.0%
Corporate	13.7	14.4	-0.7	-4.9%
EBITDApre*	130.0	136.1	-6.1	-4.5%
Graphite Solutions	99.5	84.0	15.5	18.5%
Process Technology	17.5	7.5	10.0	>100%
Carbon Fibers	3.2	42.7	-39.5	-92.5%
Composite Solutions	16.6	14.8	1.8	12.2%
Corporate	-6.8	-12.9	6.1	-47.3%
EBITDApre margin (in %)	15.8%	15.9%		-0.1%-points
Net result (attributable to the shareholders of the parent company)	5.3	70.6	-65.3	-92.5 %
Free cash flow	35.0	22.7	12.3	54.2 %
	Sep. 30, 2023	Dec. 31, 2022	Change	Change in %
Equity ratio (in %)	42.5%	38.5%		4.0%-points
Net financial debt (in € million)	166.6	170.8	-4.2	-2.5%
ROCE (EBITpre) (in %)	10.2%	11.3%		-1.1%-points

* EBITDApre (adjusted EBITDA): Earnings before interest, taxes, depreciation and amortization adjusted for one-off effects and non-recurring items.

About SGL Carbon

SGL Carbon is a technology-based company and a world leader in the development and production of carbon-based solutions. Its high-quality materials and products made from specialty graphite, carbon fibers and composites serve many industries that are shaping the trends of the future: climate friendly mobility, aerospace, solar and wind energy, semiconductors, and LEDs as well as the production of lithium-ion batteries, fuel cell and other energy storage systems. In addition, SGL Carbon develops solutions for chemical and industrial applications.

In 2022, SGL Carbon SE generated sales of approx. 1.1 billion euros. The company has approx. 4,760 employees at 29 locations in Europe, North America, and Asia.

Further information on SGL Carbon can be found at www.sgllcarbon.com/press.

Important note:

To the extent that our press release contains forward-looking statements, the latter are based on information that is available at present and on our current forecasts and assumptions. Forward-looking statements, by their very nature, entail known as well as unknown risks and uncertainties that may lead to actual developments and events differing substantially from the forward-looking assessments. Forward-looking statements must not be understood to be guarantees. Instead, future developments and events depend on a large number of factors; they comprise various risks and imponderables and are based on assumptions that may possibly turn out not to be appropriate. These include unforeseeable changes to fundamental political, economic, legal and societal conditions, particularly in the context of our main customers' industries, the competitive situation, interest and exchange rate trends, technological developments as well as other risks and uncertainties. We perceive additional risks e.g. in pricing developments, unforeseeable events in the environment of companies acquired and Group member companies as well as in current cost savings programs from time to time. The SGL Carbon assumes no obligation and does not intend to adjust or otherwise update these forward-looking statements either.

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