

SGL Carbon: Improved profitability despite slightly lower sales

- Improvement in EBITDA margin from 15.8% to 16.3% in nine-month comparison, despite slight decline in sales (-4.8%)
- Ongoing weak demand at Carbon Fibers continues to impact consolidated sales and profitability
- Equity ratio increased to 43.3%. Capital expenditure of €66.5 million with continued positive free cash flow of €15.5 million
- Outlook for 2024 confirmed

Weak demand in some of our customer markets is increasingly hindering SGL Carbon's sales growth. After nine months in 2024, SGL Carbon generated sales of €781.9 million, which was slightly below the prior-year level at minus 4.8% (9M 2023: €821.7 million). Adjusted for currency and structural effects, Group sales decreased by 3.6%. Adjusted EBITDA, an important key figure for the Group, remained at a comparable level of €127.6 million in the reporting period (9M 2023: €130.0 million). Despite the slight decrease in sales, the adjusted EBITDA margin improved from 15.4% in Q1 and 16.7% in Q2 to 16.9% in Q3 and amounted to 16.3% after nine months (9M 2023: 15.8%). The reasons for the improved adjusted EBITDA margin are, in particular, product mix effects in the Graphite Solutions and Process Technology business units. By contrast, the ongoing weakness in demand and the associated price pressure for carbon and textile fiber products in the Carbon Fibers business unit continued to weigh on the Group's sales and earnings development.

“Even with our diversified product portfolio, we can no longer completely withdraw from the generally weak economic environment. In addition, there was a decline in demand for specialty graphite products for the semiconductor industry in the third quarter. In particular, our products for the manufacture of silicon carbide-based semiconductors are suffering from the restrained demand for electric vehicles on the customer side,” explains CEO Dr. Torsten Derr. “While the last 18 months were characterized by enormous demand for silicon carbide semiconductors and insufficient production capacities, the market has cooled down significantly. Due to a lack of demand from the automotive industry, our semiconductor customers have significantly reduced order volumes. We do not expect to see a significant upturn in demand for our specialty graphite products until the sales figures for electric vehicles pick up again.”

Based on the adjusted EBITDA of €127.6 million and taking into account depreciation and amortization of €41.0 million (9M 2023: €43.3 million) and one-off effects as well as non-

recurring items of minus €18.3 million (9M 2023: minus €47.2 million), EBIT after nine months of 2024 will be €68.3 million (9M 2023: €39.5 million). The one-off effects and non-recurring items result, among other things, from the restructuring measures at Carbon Fibers and the Battery Solutions business line as well as from expenses for a strategy project. When comparing with the previous year, it should be noted that the first nine months of 2023 were disproportionately affected by an impairment loss on the assets of Carbon Fibers (€44.7 million).

Development of the business units

After nine months in 2024, sales in the **Graphite Solutions** business unit stagnated at €412.5 million, the same level as in the prior-year period (9M 2023: €418.4 million). While sales in this business unit had still grown slightly by 1.3% in the first half of 2024, the slowdown in demand in the Semiconductor & LED market segment weighed on Q3 2024. The reason for the weakening demand for our graphite products is the significantly lower-than-expected decline in electric vehicles, which in particular use silicon carbide semiconductors. Our products are needed to manufacture silicon carbide-based semiconductors, meaning that the market development of these semiconductors has a direct impact on our business. Looking at the first nine months of 2024 as a whole, slight sales increases in the Semiconductor & LED and Automotive & Transport market segments were offset by the decline in demand in the other market segments.

Adjusted EBITDA at Graphite Solutions increased by 4.8% to €104.3 million (9M 2023: €99.5 million) despite the lower level of sales. This is mainly due to the change in the product mix compared with the first nine months of the previous year. Despite the decline in demand in Q3 2024, overall production capacity used for our silicon carbide semiconductor customers was higher than in the previous year. Accordingly, the adjusted EBITDA margin improved year-on-year to 25.3% (9M 2023: 23.8%).

Process Technology generated sales of €106.2 million and continued its positive business performance with an 11.0% increase in sales in a nine-month comparison. This is also reflected in the adjusted EBITDA, which increased from €17.5 million in the same period of the previous year to €25.6 million (+46.3%). Higher capacity utilization and positive product mix effects led to an improvement in the adjusted EBITDA margin from 18.3% in the first nine months of 2023 to 24.1% in the reporting period.

The **Carbon Fibers** business unit's sales for the first nine months of 2024 amounted to €157.1 million, significantly below the figure of €179.6 million for the prior-year period. The decline is due in particular to the continued weak demand from the wind industry and to the increasing competitive pressure resulting from global overcapacities for carbon and textile fibers.

Idle production capacities and the associated lack of fixed cost absorption as well as declining margins for commodity products led to a further deterioration in the adjusted EBITDA of the Carbon Fibers. The adjusted EBITDA of the Carbon Fibers business unit fell to minus €7.9 million in the first nine months of 2024 (9M 2023: €3.2 million). It should be noted that the adjusted EBITDA of the Carbon Fibers business unit includes an earnings contribution of €11.6 million from the joint venture BSCCB, which is accounted for At-Equity (9M 2023: €14.1 million). Excluding this contribution from the At-Equity accounted BSCCB, the adjusted EBITDA of Carbon Fibers would have been minus €19.6 million (9M 2023: minus €10.5 million).

SGL Carbon assumes that demand for carbon fibers will not recover in the coming months and that the realizable prices for these products will remain at a low level beyond 2025. Therefore, SGL Carbon anticipates that the expected improvement in sales and earnings for the Carbon Fibers segment will be delayed and is revising its existing mid-term planning for this segment. Due to the expected deviation, an ad hoc impairment test is currently being carried out. This indicates a non-cash impairment charge of €60–80 million, which will be recognized in Q4 2024. The structured transaction process initiated for Carbon Fibers is still ongoing.

Sales in the **Composite Solutions** business unit amounted to €95.8 million in the first nine months of 2024, down 16.2% (9M 2023: €114.3 million). The decline is due in particular to the early termination of a project-related supply contract with an automotive customer. Furthermore, the lower sales figures for electric vehicles are also having an impact on Composite Solutions.

Adjusted EBITDA in Composite Solutions fell from €16.6 million in the prior-year period to €10.7 million (minus 35.5%), due in particular to lower volumes. The adjusted EBITDA margin weakened accordingly to 11.2% (9M 2023: 14.5%).

Debt, equity and capital expenditure

Net financial debt as of September 30, 2024 increased slightly by 6.9% to €123.8 million (December 31, 2023: €115.8 million). The leverage ratio remained unchanged at 0.7. Due to the positive net result of €32.8 million, the equity ratio increased slightly to 43.3% compared to December 31, 2023 (41.1%).

Capital expenditure in the first nine months of 2024 amounted to €66.5 million (9M 2023: €59.1 million) and was thus higher than depreciation and amortization of €41.0 million (9M 2023: €43.3 million).

Outlook

Macroeconomic conditions, lower than expected sales volumes in some customer groups and price pressure for commodity products are increasingly hindering SGL Carbon's growth ambitions. Thomas Dippold, CFO of SGL Carbon, explains: "Due to the diverse and diversified industrial applications of our products and our strict cost management, we continue to expect to achieve our guidance for 2024 at the lower end of the range of €160–170 million. The coming months will not be easier. We need to prepare for a flat demand development in some of our sales markets."

Further details on business performance in the first nine months of 2024 can be found in the quarterly statement on our website.

Key figures for the first nine months of 2024

(in € million)	9M 2024	9M 2023	Change	Change in %
Group sales	781.9	821.7	-39.8	-4.8%
Graphite Solutions	412.5	418.4	-5.9	-1.4%
Process Technology	106.2	95.7	10.5	11.0%
Carbon Fibers	157.1	179.6	-22.5	-12.5%
Composite Solutions	95.8	114.3	-18.5	-16.2%
Corporate	10.3	13.7	-3.4	-24.8%
EBITDApre*	127.6	130.0	-2.4	-1.8%
Graphite Solutions	104.3	99.5	4.8	4.8%
Process Technology	25.6	17.5	8.1	46.3%
Carbon Fibers	-7.9	3.2	-11.1	--
Composite Solutions	10.7	16.6	-5.9	-35.5%
Corporate	-5.1	-6.8	1.7	-25.0%
EBITDApre margin (in %)	16.3%	15.8%		+0.5%-pts
Net result (attributable to shareholders of the parent company)	32.8	5.3	27.5	>100%
Free cash flow	15.5	35.0	-19.5	-55.7%
	Sep. 30, 2024	Dec. 31, 2023	Change	Change in %
Equity ratio (in %)	43.3%	41.1%		2.2%-pts
Net financial debt (in € million)	123.8	115.8	8.0	6.9%
ROCE (EBITpre) (in %)	11.1%	11.3%		-0.2%-pts

* 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. Further developments in these areas demand more intelligent, more efficient, networked and sustainable solutions. This is where the entrepreneurial vision of SGL Carbon evolves around: contributing to a smarter world.

In 2023, SGL Carbon SE generated sales of 1.1 billion euros. The company has approx. 4,800 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.

SGL Carbon SE

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