

Evonik acquires PeroxyChem for US\$625 million

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- Strengthening of growth segment Resource Efficiency
- Expansion of high-margin specialty applications for hydrogen peroxide
- Strong-growth and stable financing business with attractive free cash flow generation

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Essen, Germany. Evonik Industries AG has signed an agreement with One Equity Partners to acquire US-based PeroxyChem for US\$625 million. PeroxyChem is a manufacturer of hydrogen peroxide (H₂O₂) and peracetic acid (PAA) and is well positioned in high-margin specialty applications.

"PeroxyChem will significantly strengthen our growth segment Resource Efficiency," says Christian Kullmann, Chairman of the Executive Board of Evonik. "We are expanding our portfolio of environmentally friendly and high-growth specialty applications. Furthermore, we are getting an attractive business characterized by above-average growth, moderate capital intensity and low cyclicality."

„We are excited about the opportunity to join forces with Evonik and make our successful business even stronger. The complementary fit of the two businesses will unlock new and attractive growth opportunities for our customers and employees“, says Bruce Lerner, President and CEO of PeroxyChem.

The H₂O₂ and PAA markets are characterized by versatile applications and above-average growth rates – especially for specialty applications with average annual market growth of around 6 percent. PeroxyChem leverages its H₂O₂ and PAA to focus on sophisticated, less cyclical markets in the environmental, food safety and electronics semiconductor industries. The US-based company already generates approximately three-quarters of its earnings with specialty applications in these segments.

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Supervisory Board
Bernd Tönjes, Chairman
Dr. Werner Müller, Honorary Chairman
Executive Board
Christian Kullmann, Chairman
Dr. Harald Schwager, Deputy Chairman
Thomas Wessel, Ute Wolf

Registered Office is Essen
Register Court Essen Local Court
Commercial Registry B 19474

"PeroxyChem is highly profitable. With an adjusted EBITDA margin of about 20 percent, profitability is constantly above Evonik's current group margin", says Ute Wolf, Chief Financial Officer of Evonik. "As a strong-growing and stable financing business, it also generates an attractive free cash flow."

PeroxyChem expects revenues of approximately US\$300 million and an adjusted EBITDA of around US\$60 million for the 2018 fiscal year. This corresponds to an attractive EBITDA margin of around 20 percent. Evonik expects synergies across the combined global business of US\$20 million due to the complementary fit in operations, logistics, expansion of the product portfolio and launch of new technologies. Synergies should be fully realized by 2022.

The purchase price (enterprise value) including synergies is about 7.8 times the annual adjusted EBITDA, or 10.4 times before synergies. The transaction is scheduled to be completed by mid-2019, subject to approval by the appropriate authorities.

The acquisition is likely to have a positive impact on Evonik's adjusted earnings per share and free cash flow as early as the first full year after closing. Financing has been secured via cash and committed credit facilities.

H₂O₂ and PAA acid are both oxidants with multiple application fields, whether as a bleaching agent in the pulp industry, as a disinfectant for food processing or for wastewater treatment. Water is the only byproduct following the reaction of H₂O₂ which makes its use highly environmentally friendly. Thanks to its product properties, hydrogen peroxide is increasingly used in attractive high-tech applications such as semiconductor manufacturing medical applications and spacecraft technology. Logistics, long-term customer relationships and diverse end-use applications make the business resilient.

PeroxyChem, with roots going back over 100 years, is an innovative producer of H₂O₂ and PAA. The company is headquartered in Philadelphia, Pennsylvania, and employs approximately 600 people worldwide with eight production sites located mainly in North America but also Germany, Spain and Thailand.

Evonik with its Business Line Active Oxygens also has decades of experience in the production of hydrogen peroxide and related products. With 13 production facilities across the globe, the company is one of the world's largest producers.

A presentation including more details can be found on our website: www.evonik.com/investor-relations/

Evonik will be hosting an Analyst & Investor call on Thursday, November 8, 2018, 11.00 am (CET).

Company information

Evonik is one of the world leaders in specialty chemicals. The focus on more specialty businesses, customer-orientated innovative prowess and a trustful and performance-oriented corporate culture form the heart of Evonik's corporate strategy. They are the lever for profitable growth and a sustained increase in the value of the company. Evonik benefits specifically from its customer proximity and leading market positions. Evonik is active in over 100 countries around the world with more than 36,000 employees. In fiscal 2017, the enterprise generated sales of €14.4 billion and an operating profit (adjusted EBITDA) of €2.36 billion.

Disclaimer

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