

# Lenzing Investor Presentation

Results 01-06/2023 – August 02, 2023

# Advancing Circularity

**Lenzing**

Innovative by nature

# Disclaimer

- The information contained in this document has not been independently verified and no representation or warranty expressed or implied is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of this information or opinions contained herein.
- Certain statements contained in this document may be statements of future expectations and other forward looking statements that are based on management's current view and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements.
- None of Lenzing AG or any of its affiliates, advisors or representatives shall have any liability whatsoever (for negligence or otherwise) for any loss howsoever arising from any use of this document or its content or otherwise arising in connection with this document.
- Certain figures in this presentation have been rounded in accordance with commercial principles and practice. Such figures that have been rounded in various tables may not necessarily add up to the exact total given in the respective table.
- Definition and further details on the calculation of financial key indicators can be derived from the Half-Year Report and the Annual Report. These reports are also available online on the website of the Lenzing Group [www.lenzing.com](http://www.lenzing.com) in the section "Investors".

# Today's agenda

Topic	Presenter
1 Executive Summary	<ul style="list-style-type: none"><li>• Stephan Sielaff, CEO</li></ul>
2 Market update	<ul style="list-style-type: none"><li>• Stephan Sielaff, CEO</li></ul>
3 Financials	<ul style="list-style-type: none"><li>• Nico Reiner, CFO</li></ul>
4 Outlook	<ul style="list-style-type: none"><li>• Stephan Sielaff, CEO</li></ul>
5 Q&A	<ul style="list-style-type: none"><li>• Stephan Sielaff, CEO</li><li>• Nico Reiner, CFO</li></ul>

# Strengthened liquidity, deleveraged, and good progress on profitability enhancement

## Key developments & strategic highlights

- Fiber demand with signs of improvements vs. H2 2022 while prices remain under pressure
- Raw material and energy costs have further decreased as expected but remain on elevated levels
- EUR > 70 mn cost reduction program and strengthening of sales activities are on track
- Liquidity strengthened and deleveraged with successful completion of EUR 392 mn capital increase and proactive extension of EUR 249 mn upcoming debt amortizations

## 01-06/2023 financial results

- Recovery in volumes compared to H2 2022 in line with market recovery, prices remain under pressure, however, positive impact of cost decreases and the valuation of biological assets benefiting EBITDA
  - Revenue slightly decreased to EUR 1,250 mn (vs. EUR 1,294 mn in pre crisis H1/2022)
  - EBITDA reached EUR 137<sup>1</sup> mn in H1/2023 (vs. EUR 189 mn in pre crisis H1/2022)
    - EBITDA increased to EUR 107<sup>1</sup> mn in Q2/2023 (vs. EUR 30<sup>1</sup> mn in Q1/2023)
  - Net result after minorities and hybrid bond was negative at EUR -104 mn (vs. EUR 63 mn in pre crisis H1/2022)
  - Free cash flow significantly increased in Q2/2023 to EUR -33 mn (vs. EUR -132 mn in Q1/2023)

**Assuming a continued market recovery in the current financial year, the Lenzing Group keeps expectation of EBITDA in 2023 to be in a range of EUR 320 mn to EUR 420 mn<sup>2</sup>**

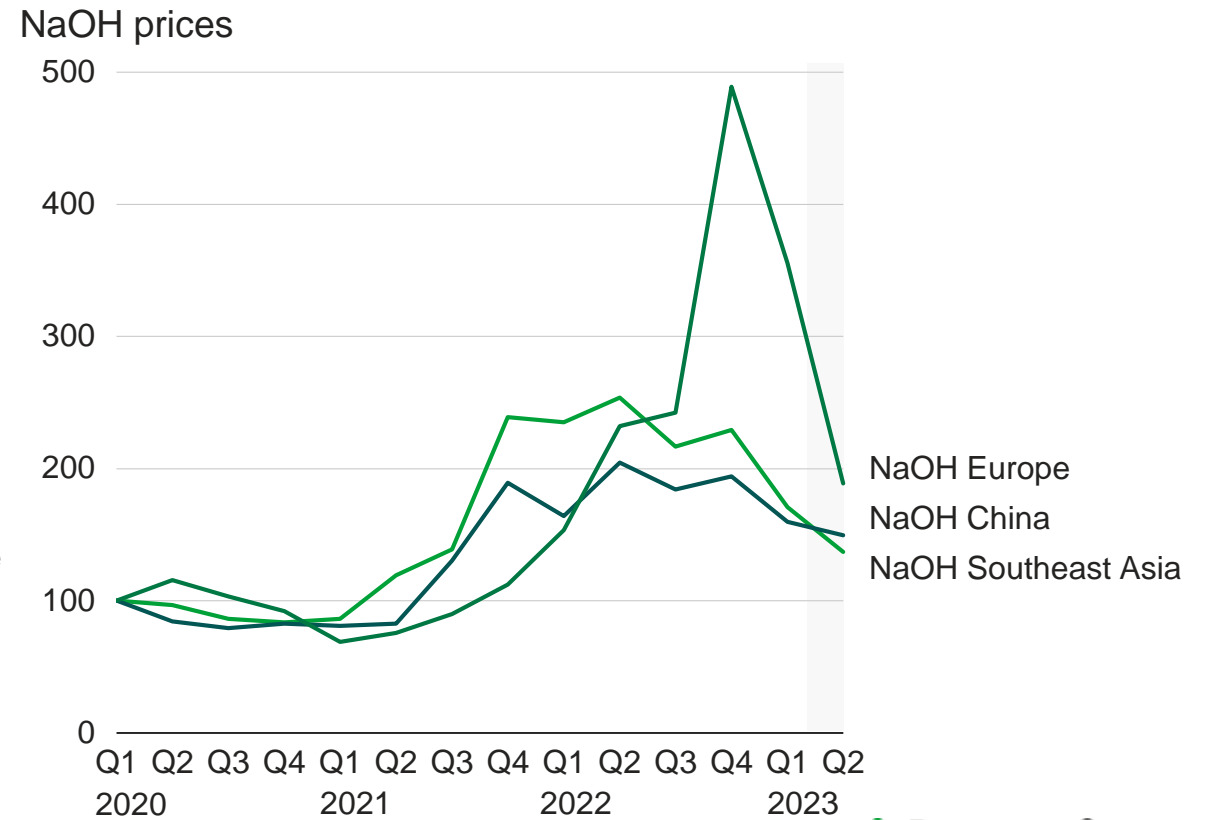
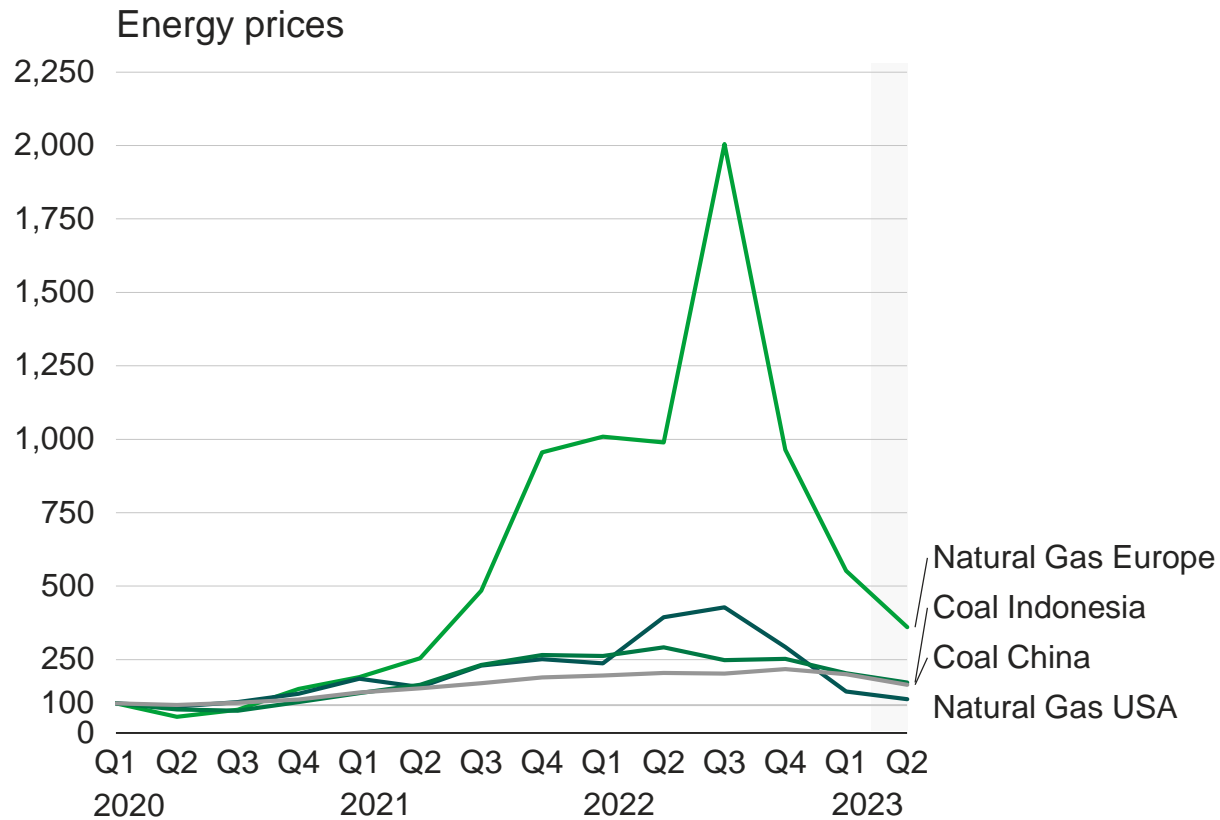
# Market update



# In Q2 2023 energy and NaOH costs came further down but remain elevated vs. 2020 especially in Europe

Development of selected energy and NaOH market prices, 2020-Q2/2023

Indexed, Q1 2020 = 100



NOTE: All prices indexed based on reported currency

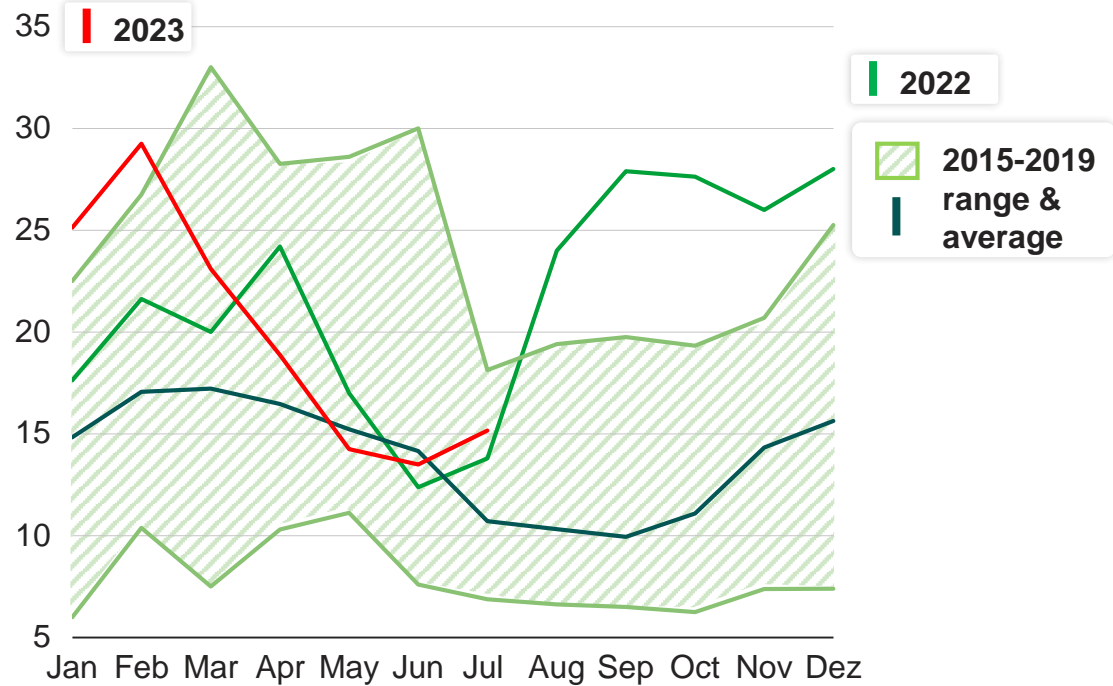
SOURCE: IHS Markit; CCFG; Argus; ICE; NYMEX

[www.lenzing.com](http://www.lenzing.com)

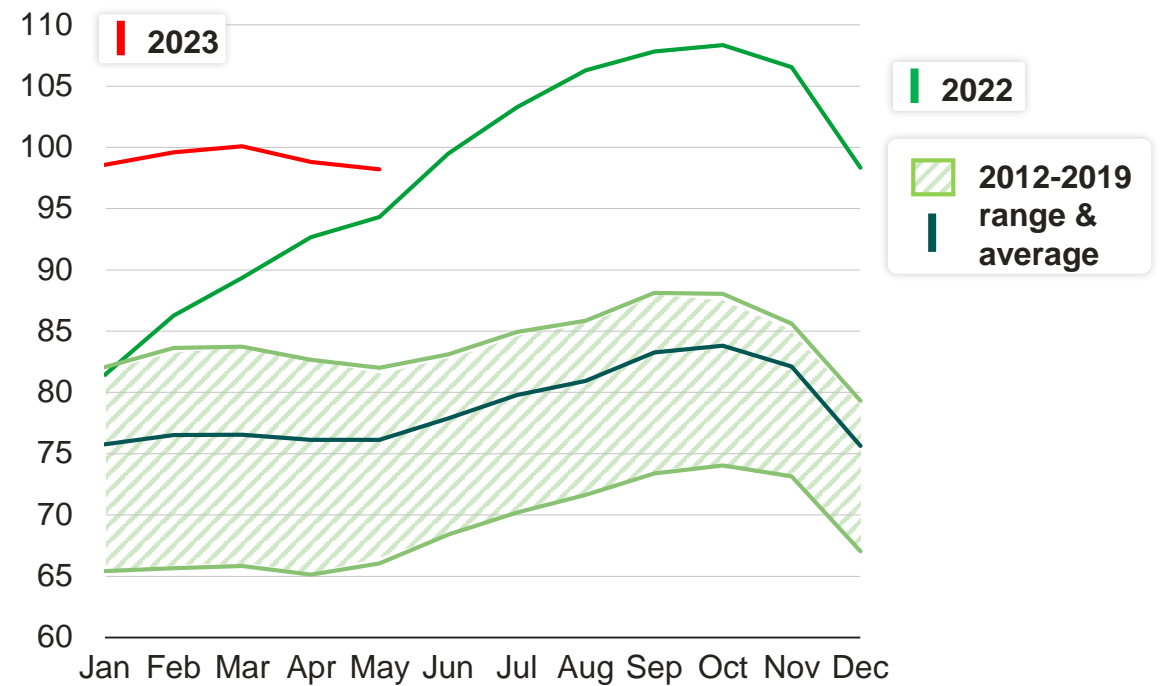
# Chinese viscose inventories are back under control, but downstream inventories remain elevated

Non-exhaustive

China VSF inventories, Inventory days



US apparel inventories<sup>1</sup> (retail and wholesale), USD bn



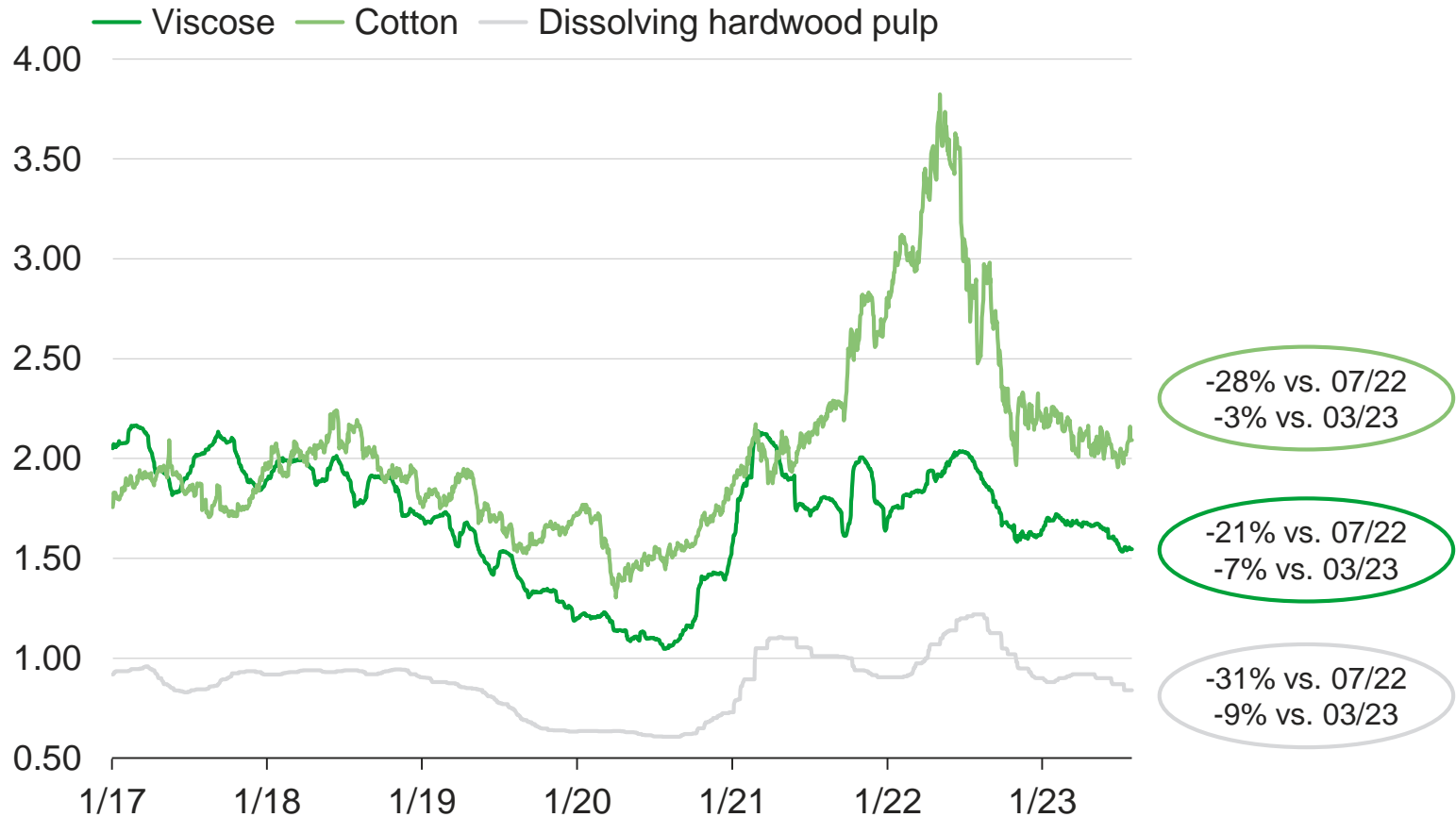
NOTE: 1 Including inventories in both retail and wholesale. Retail inventories for NAICS 448 (Clothing and clothing access. Stores), wholesale inventories for NAICS 4243 (Wholesale of Apparel, Piece Goods & Notions). Not adjusted for seasonal variation and trading-day differences. In current prices  
[www.lenzing.com](http://www.lenzing.com)  
 1 August 2023 - 7

SOURCE: CCFG, US Census (accessed July 27, 2023)

# In 2023, fiber and pulp prices oscillated in a rather narrow range, but with a downward trend

## Fiber prices in China

USD/kg, excl. VAT



### Viscose

- Chinese VSF prices followed the declining DWP price from early May

### Cotton

- The price volatility as well as the stocks built up last year at high prices remain challenging for cotton buyers

### Dissolving hardwood pulp

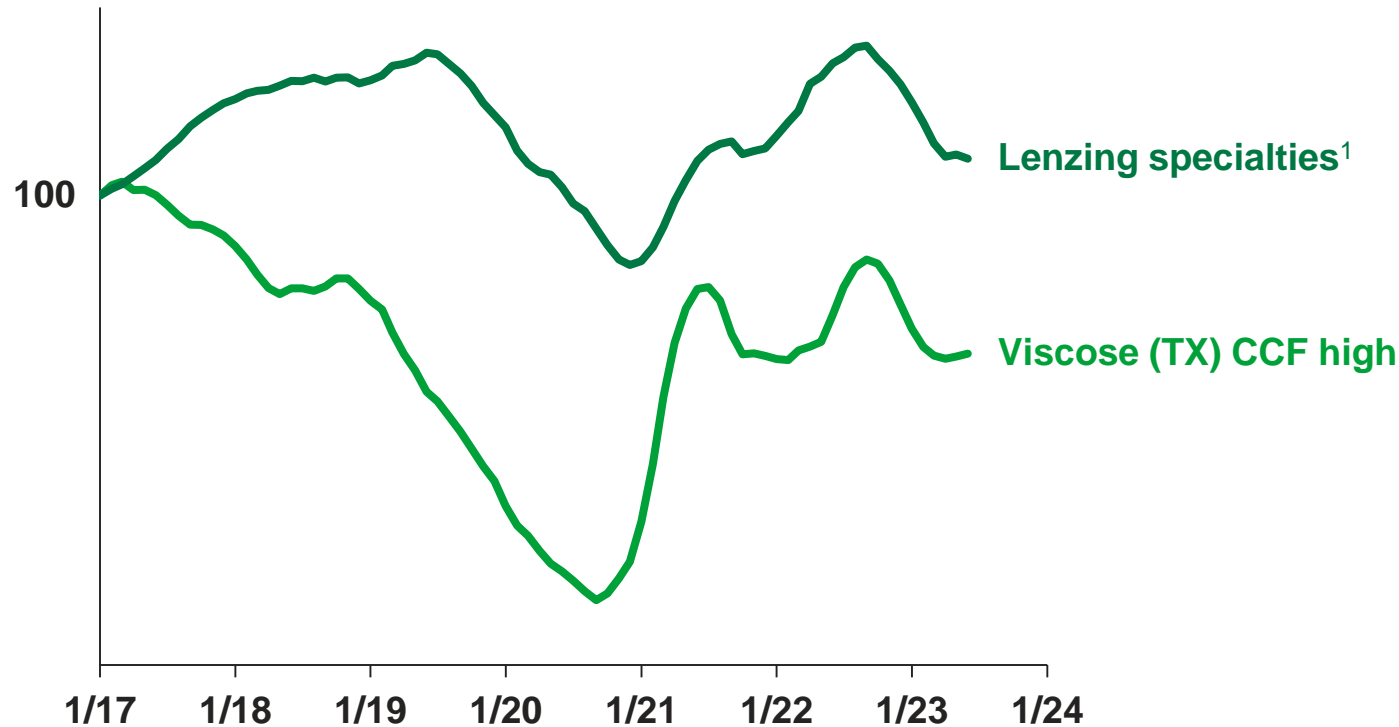
- DWP started to decline early May amid dwindling paper pulp prices



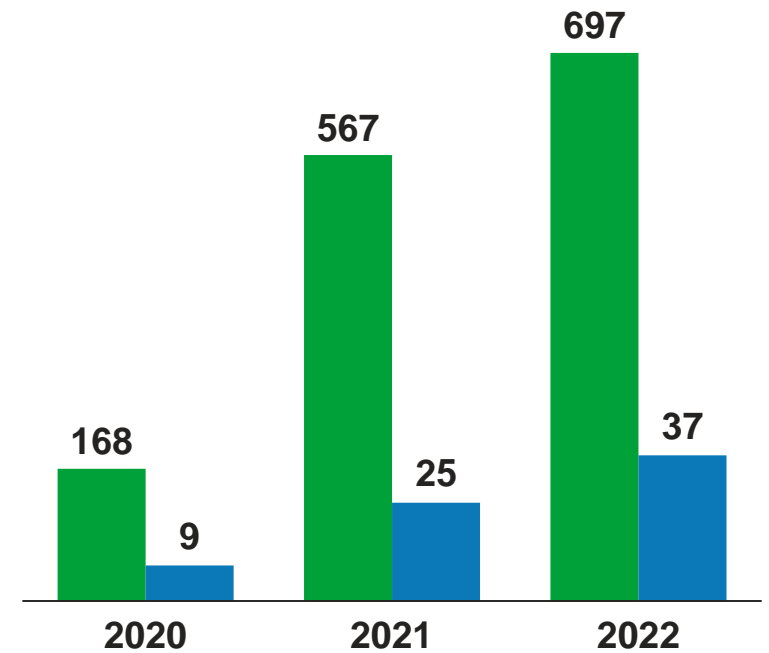
# Lenzing's specialty fibers increased premium until 2019 and could maintain it at solid level since, supported by strong branding

## Cellulosic fiber prices in China

6-months average, percent from January 2017, converted at constant FX rates



## Overview of co-branding programs



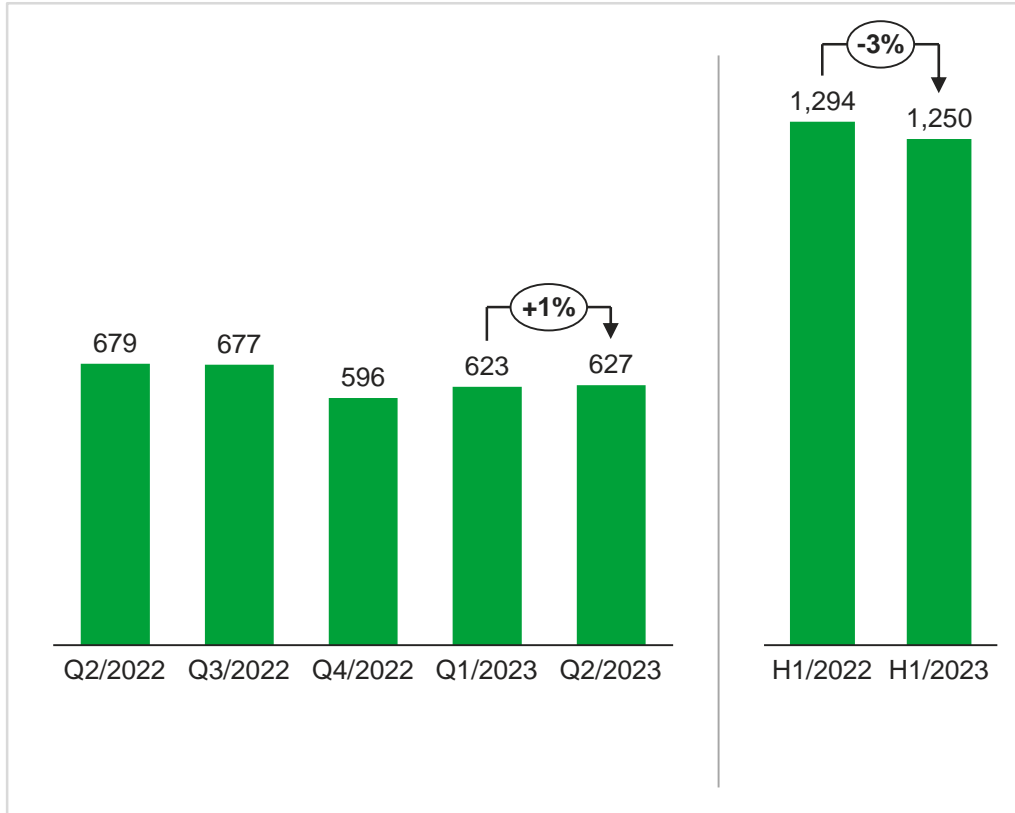
1) Lenzing's specialties: LENZING™ Lyocell, LENZING™ Modal, LENZING™ Specialty Viscose  
 SOURCE: CCFG; CCA; Lenzing  
[www.lenzing.com](http://www.lenzing.com)

# Financials

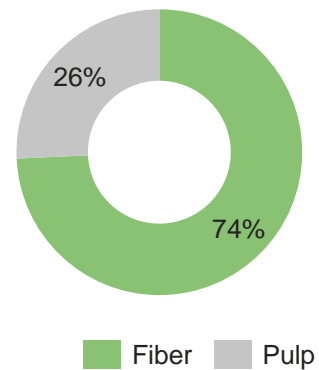


# Group EBITDA with clear increase vs. Q1 2023

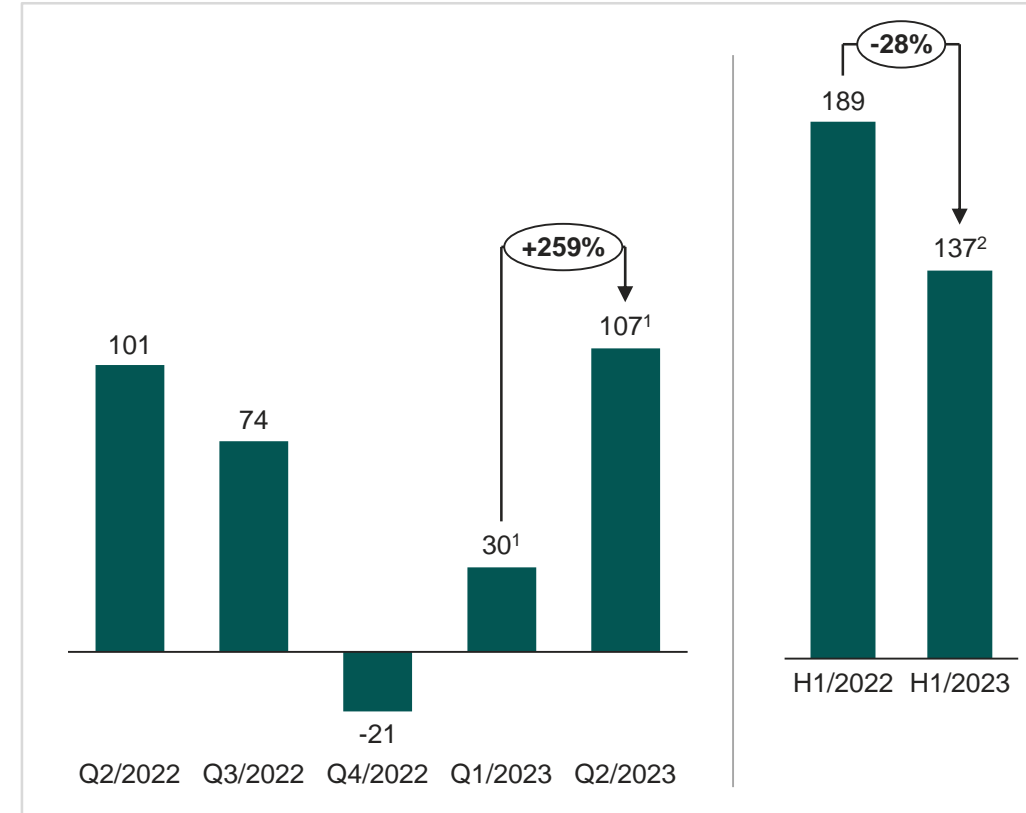
Group revenue in EUR mn



Revenue split H1/2023



EBITDA in EUR mn

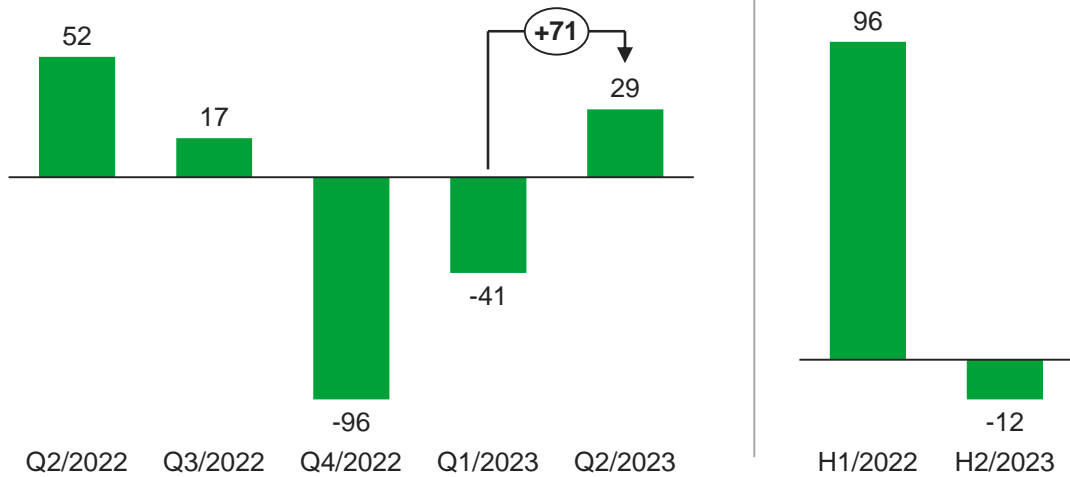


1) Includes positive biological asset valuation impact of EUR 17.6 mn in Q1/2023 and EUR 24.9 mn in Q2/2023

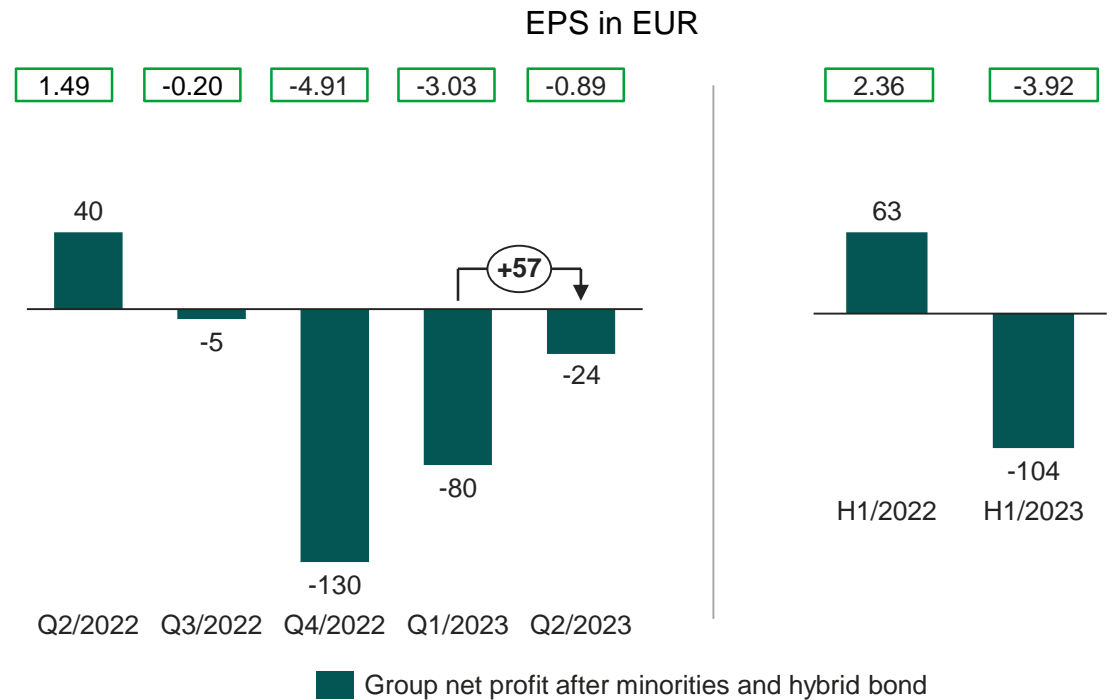
2) Includes positive biological asset valuation impact of EUR 42.5 mn

# EBIT increased to EUR 29 mn in Q2 2023

EBIT in EUR mn

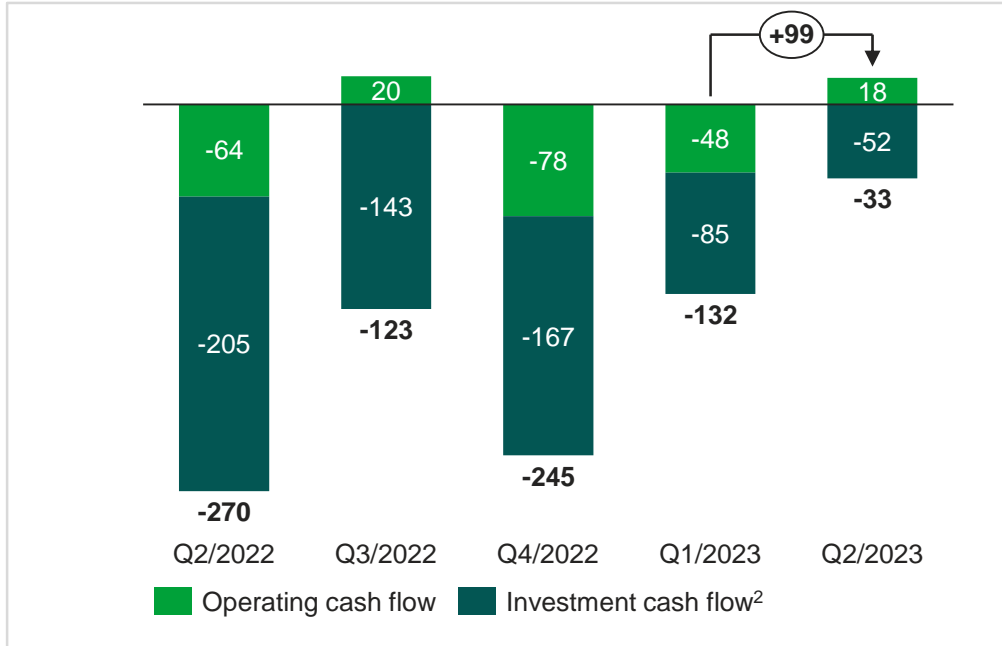


Group net profit after minorities and hybrid bond, in EUR mn



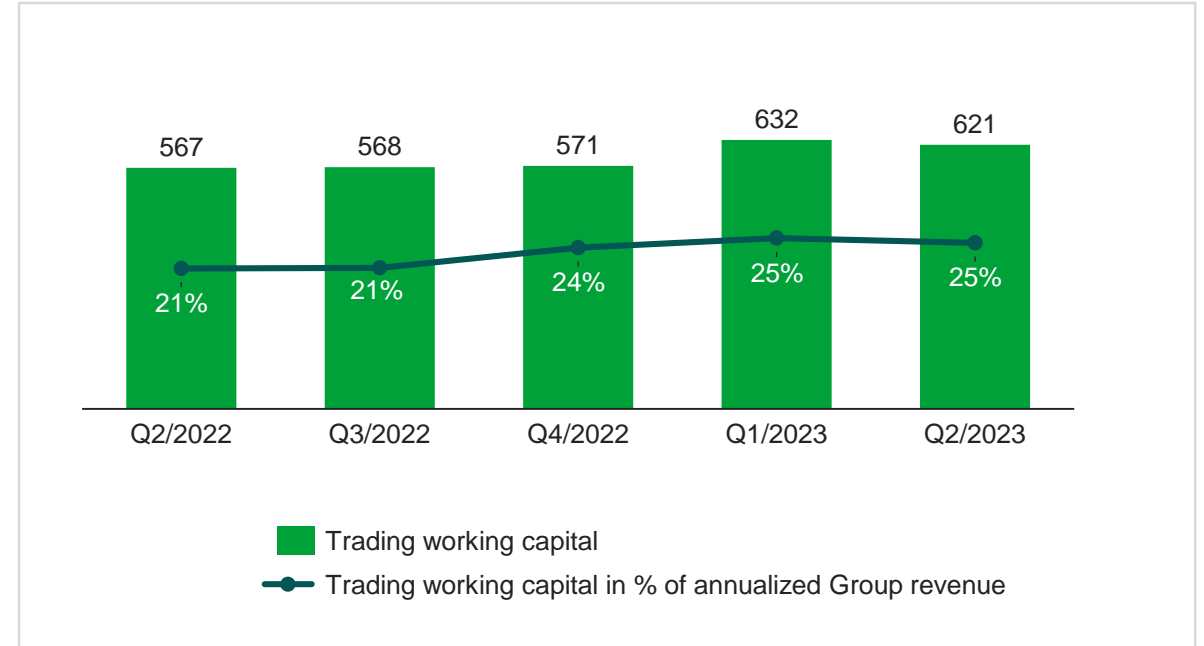
# Free Cash Flow significantly improved in Q2 2023, trading working capital came down

Free cash flow<sup>1</sup>, in EUR mn



- Operating cash flow positive
- Investment cash flow with continued reduction in Q2 2023

Trading working capital<sup>3</sup>, in EUR mn

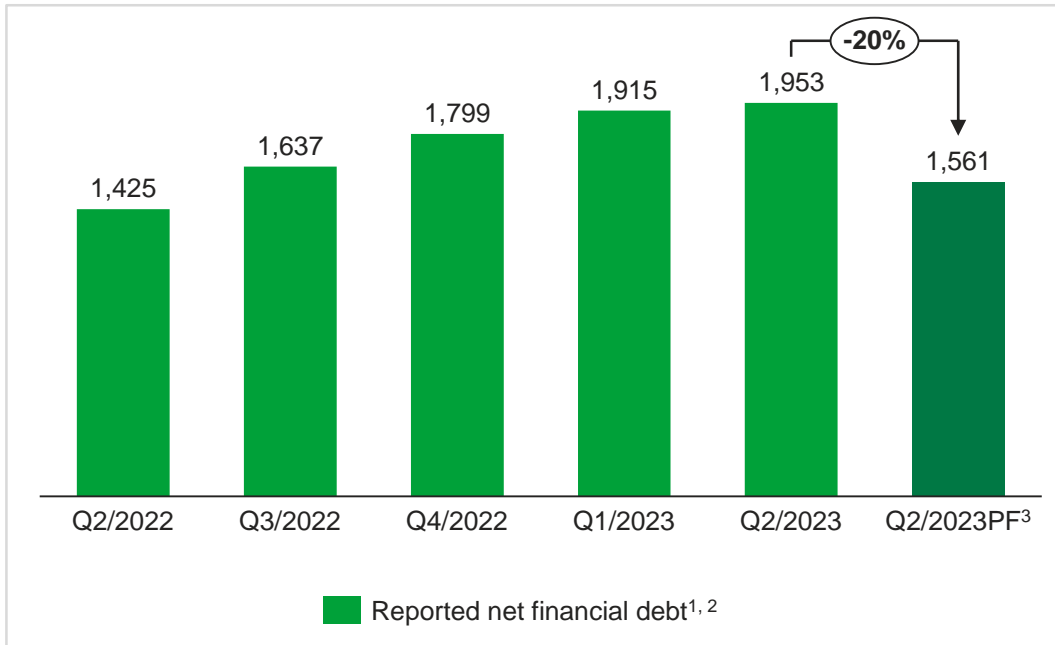


- Slight decrease of trade receivables and increase of trade payables in Q2/2023 vs. Q1/2023
- Inventories with slight increase in Q2/2023 vs. Q1/2023

1) Cash flow from operating activities + investment cash flow 2) CAPEX less proceeds from the sale of intangible assets, property, plant and equipment and biological assets; 3) Inventories + trade receivables – trade payables

# Net financial debt at EUR 1.56 bn after capital increase

Net financial debt<sup>1,2</sup>, in EUR mn



Balance sheet metrics

According to IFRS (EUR mn)	30 Jun. 2023	31 Dec. 2022	Change in %
<b>Total assets</b>	5,490.7	5,525.0	(0.6)
<b>Liquid assets<sup>4</sup></b>	341.5	453.3	(24.7)
<b>Total liabilities</b>	3,568.6	3,499.1	2.0
<b>thereof financial liabilities</b>	2,435.9	2,322.2	4.9
<b>Adjusted equity<sup>5</sup></b>	2,010.5	2,088.6	(3.7)
<b>Adjusted equity ratio (%)</b>	36.6	37.8	-
<b>Net gearing (%)<sup>2</sup></b>	97.1	86.2	-
<b>Net financial debt<sup>2</sup></b>	1,953.0	1,799.4	8.5

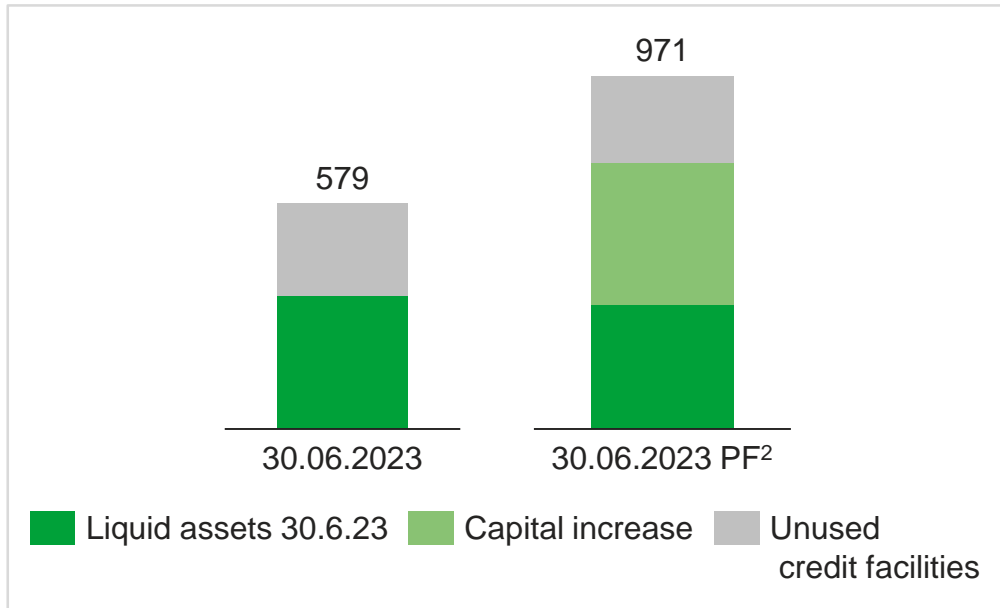
According to IFRS (EUR mn)	30 Jun. 2023	31 Dec. 2022	Change in %
<b>Total liquidity cushion</b>	578.7	685.5	(15.6)
<b>thereof liquid assets<sup>4</sup></b>	341.5	453.3	(24.7)
<b>thereof unused credit facilities</b>	237.2	232.3	2.1

- Since the quarter-end Lenzing has raised EUR 392 mn of net proceeds via a rights issue to strengthen balance sheet and liquidity position and to provide sufficient flexibility to further support 'Better Growth' strategy and cash generating, profitable growth
- Net financial debt position materially improved at EUR 1,561 mn Pro Forma for capital increase, with continued deleveraging trajectory expected over the remainder of 2023
- Capital increase, together with expected market recovery, will support Lenzing's path to net leverage ratio target of <2.5x

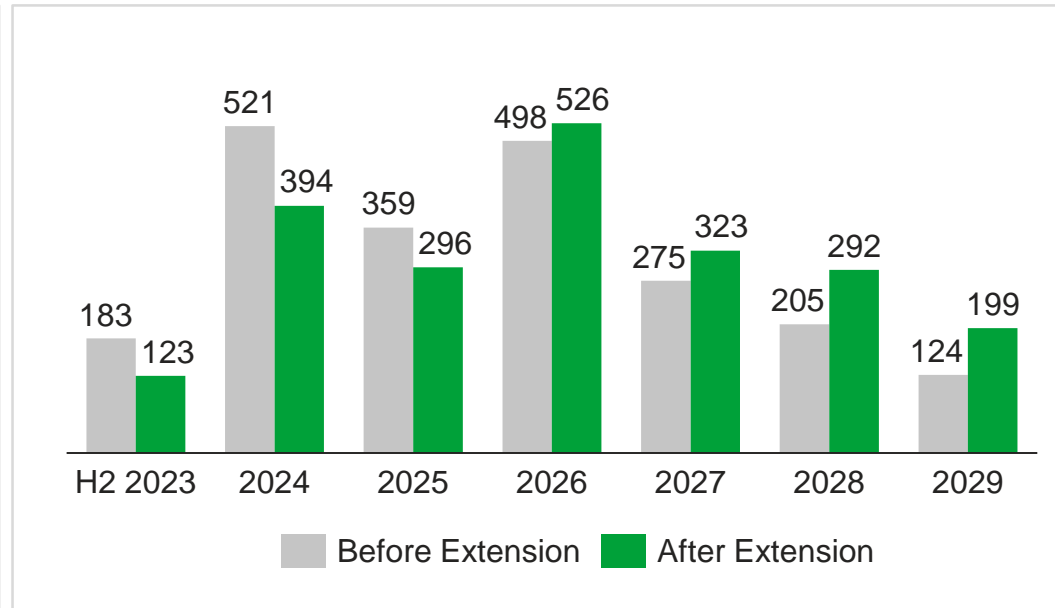
1) Fully consolidated Brazil JV debt included  
 2) Net financial debt excluding lease liabilities  
 3) Pro forma for capital increase  
 4) Including cash and cash equivalents, liquid securities and liquid bills of exchange  
 5) Including government grants less proportional share of deferred taxes on government grants  
[www.lenzing.com](http://www.lenzing.com)

# Liquidity cushion close to EUR 1 bn after capital increase; extension of EUR 249 mn debt maturities

Liquidity cushion, EUR mn



Debt maturities as of 30.6.2023<sup>1</sup>, EUR mn



- Solid liquidity position after capital increase consisting of liquid assets and undrawn credit facilities
- Capital increase with positive impact of EUR 392 mn on liquidity cushion
- EUR 249 mn of upcoming debt amortizations have been proactively extended beyond 2025

1) Outstanding debt maturities as of 30.6.2023, excl. leasing liabilities and at current FX rates, 2) Pro forma for capital increase

# Outlook

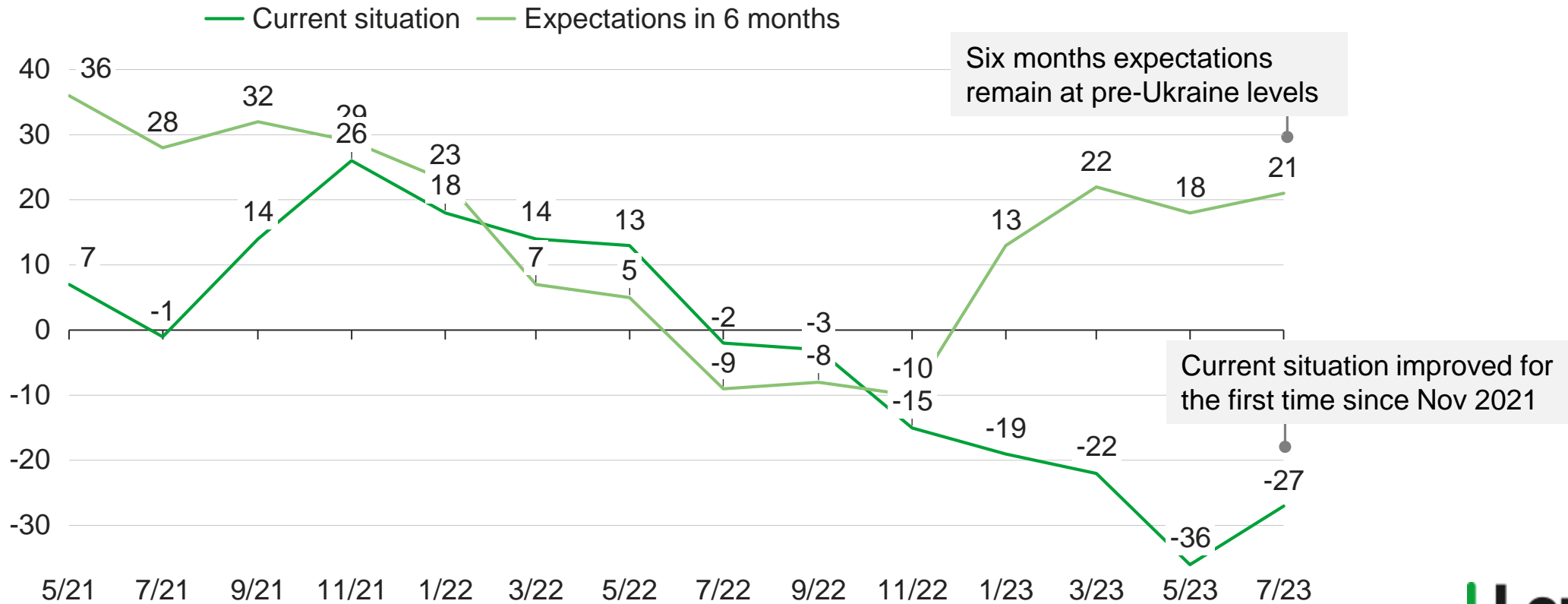




# Current sentiment in textiles improved for the first time since 2021; six-months expectations continue to remain on the positive side

TX industry sentiment by survey date, balance index

Percent of respondents, balance between good vs. poor







SOURCE: 21<sup>st</sup> ITMF Global Textile Industry Survey (July 2023)

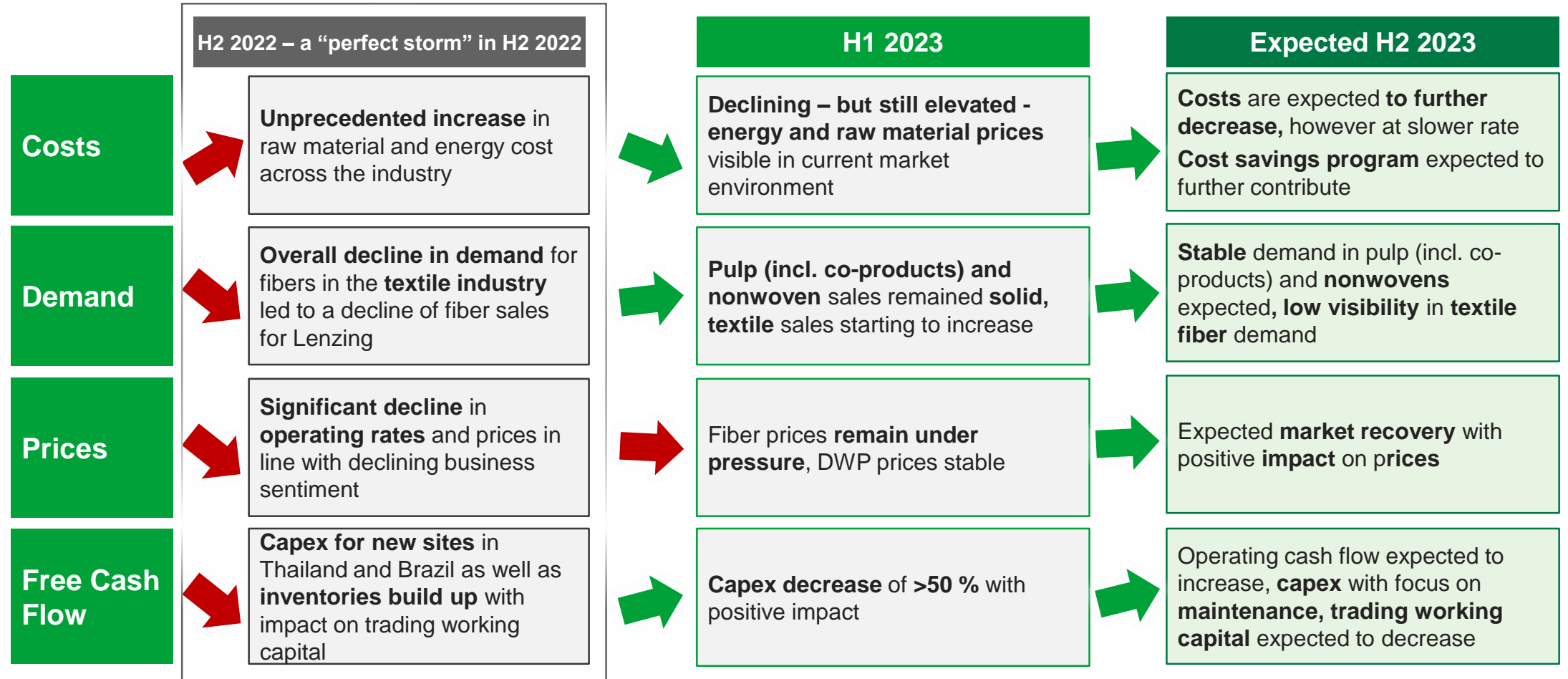
[www.lenzing.com](http://www.lenzing.com)

1 August 2023 - 17

# TX brands/retailers remain cautious, visibility continues to be low

Company	Date	Quotes recent trading updates
	July 12, 2023	"It's early state and <b>we do not have the full visibility</b> ... expect to end more like in the lower half of the guided range for the quarter and then <b>further acceleration in the H2</b> . We <b>still look at</b> some sort of <b>elevated inventories</b> right now... for the H2, we expect inventories to normalizing." <b>co-CEO About You</b>
	June 29, 2023	"I think it's clear to see that the <b>inventory levels are going down</b> , but both of course, <b>from selling more</b> or productive stock, <b>but also buying less</b> ." <b>CFO H&amp;M Group</b>
	June 1, 2023	"...strong growth in our direct-to-consumer channel tempered by wholesale revenue as <b>retailers remain cautious on orders, especially in the US</b> . Wholesale sales in the region were down as planned, ...as <b>retailers continue to take a cautious approach</b> due to the <b>elevated levels of inventory industry-wide</b> ." <b>CFO PVH</b>
	May 25, 2023	"We <b>remain focused in fiscal 2023 on moderating buys</b> , leaning further into our responsive levers, and continuing to <b>integrate the inventory</b> that was placed in pack and <b>hold in fiscal 2022 into future assortments</b> ." <b>CFO Gap Inc.</b>

# After the “perfect storm” built up in H2 2022, first signs of recovery in H1 2023, further improvements in H2 expected



# Lenzing is uniquely positioned to take full advantage of market rebound

## Best positioned in terms of megatrends

- Benefitting from increased sustainability awareness
- Growing demand for WBCF<sup>1</sup> due to the widening of the cellulosic gap driven by cotton supply constraints

## Fast growing market demand

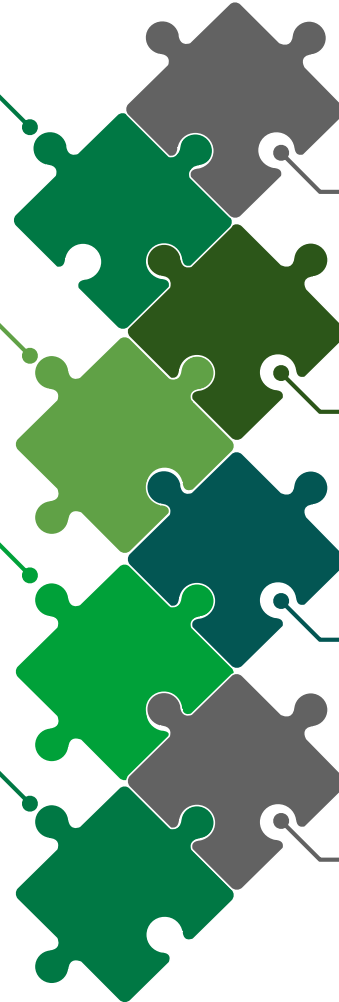
- Demand for WBCF<sup>1</sup> expected to grow at ~4-6% p.a.
- Lyocell market forecast growth at >20% p.a.

## Shifting portfolio further towards specialty

- All Lenzing sites planned to produce specialty fibers by Q4 2023
- Strong demand for LENZING™ ECOVERO™ and TENCEL™ branded modal fibers

## Backward integration

- ~95%<sup>2</sup> backward integrated in dissolving wood pulp following the completion of the DWP plant in Brazil



## Strongest brand portfolio

- High brand awareness driven by the right mix of well-known premium brands and customer centric approach

## Operational and sustainable improvements

- Significant cost savings program well underway
- Successful implementation of capex and working capital improvement measures

## Enhance Lyocell capacity

- Fully participating in growth of the most attractive segment of WBCF market with the new Lyocell plant in Thailand

## Two new plants completed and ramped-up

- Normalised capex levels due to the two new plants in 2022 being fully invested and ramped up

Source: Company information

<sup>1</sup> Wood-based cellulosic fibers; <sup>2</sup> As of 2022A, nominal capacity

# Lenzing on the pink carpet with Barbie

Selected circularity, fiber and brands highlights in 2023 so far



Lenzing and partners reach milestone to develop **circular-based fashion collection** for Filippa K

Internationally renowned marine research institute reaffirms **biodegradability** of **cellulose-based fibers**

Lenzing and partners launch **Austria's largest textile recycling project**



VEOCEL™ upgrades **lyocell shortcut** fiber offering for the **flushable market**

Launch of **carbon neutral<sup>1</sup> VEOCEL™ Viscose fibers** will support carbon reduction targets of partners and brands

VEOCEL™ partners with NEUTROGENA® to produce **home-compostable makeup removal wipes**



Lenzing and NFW partner provide **sustainable leather alternatives** for fashion

Lenzing and KARL MAYER GROUP collaborate to empower **sustainable and aesthetic innovations** in **flat and warp knits**

Lenzing also offers **locally produced TENCEL™ fibers** to **Chinese customers** for the first time

Lenzing reveals **collaboration** with Nicola Coughlan by designer Wiederhoeft for **Barbie premiere**



...and much more!

1) Carbon neutrality is achieved by balancing remaining GHG emissions through verified compensation measures (e.g., reforestation) and by retiring carbon credits so that the impact of global warming from human-related industrial and agricultural activities is calculated to zero.  
[www.lenzing.com](http://www.lenzing.com)

# Lenzing keeps cautious optimism for second half of 2023

## Lenzing expects improving operating performance leading to increased EBITDA for H2 2023

- Slow but continued demand recovery accompanied by raw material and energy cost decreases in H1 2023
- Whilst visibility remains restricted, further upside is expected in H2 2023 compared to H1 2023:
  - Recently completed expansion projects and conversions to specialties expected to significantly contribute
  - EUR > 70 mn global cost reduction program and measures to strengthen sales activities with further positive impact
  - Costs are expected to further decrease, however, at slower rate
  - Stable demand in pulp (incl. co-products) and nonwovens expected, low visibility in textile fiber sales

**Assuming a continued market recovery in the current financial year, the Lenzing Group keeps expectation of EBITDA in 2023 to be in a range of EUR 320 mn to EUR 420 mn**

Thank You

**for your  
attention!**

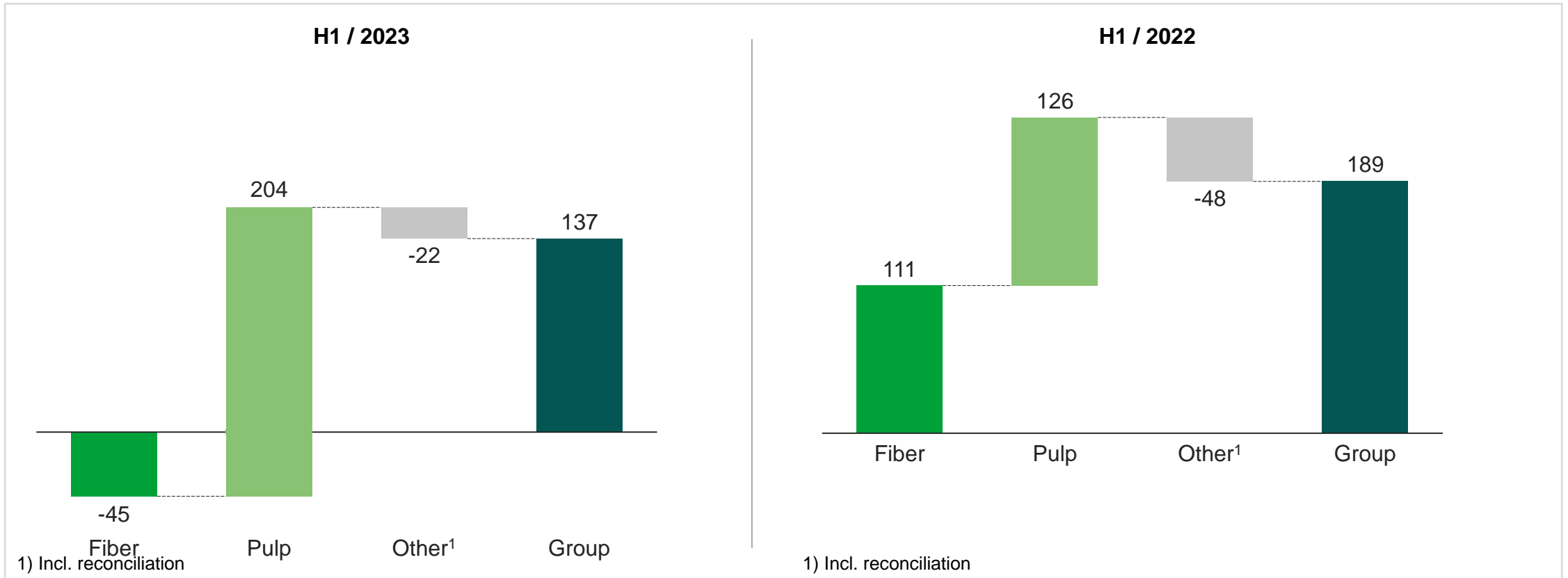
# Backup





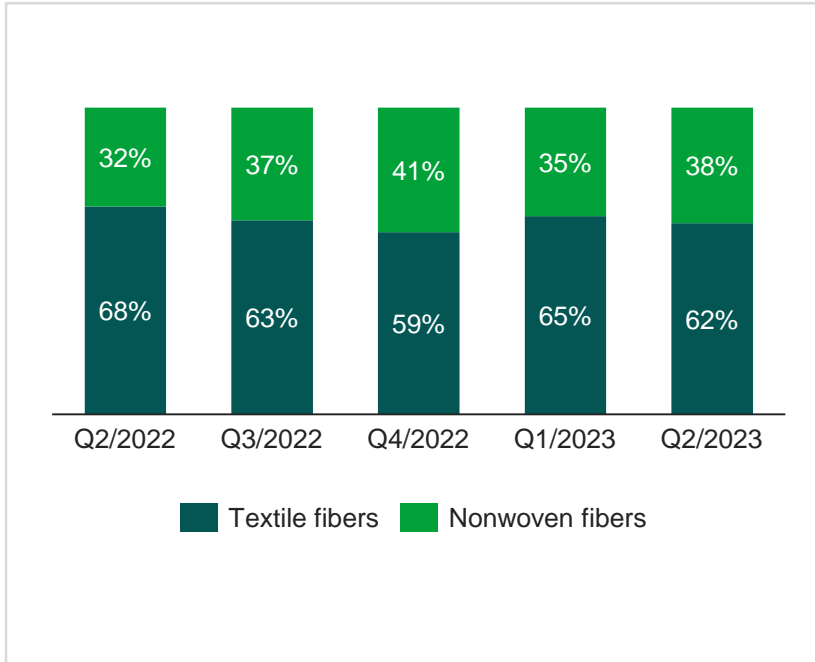
# EBITDA per division

EBITDA per Division in EUR mn

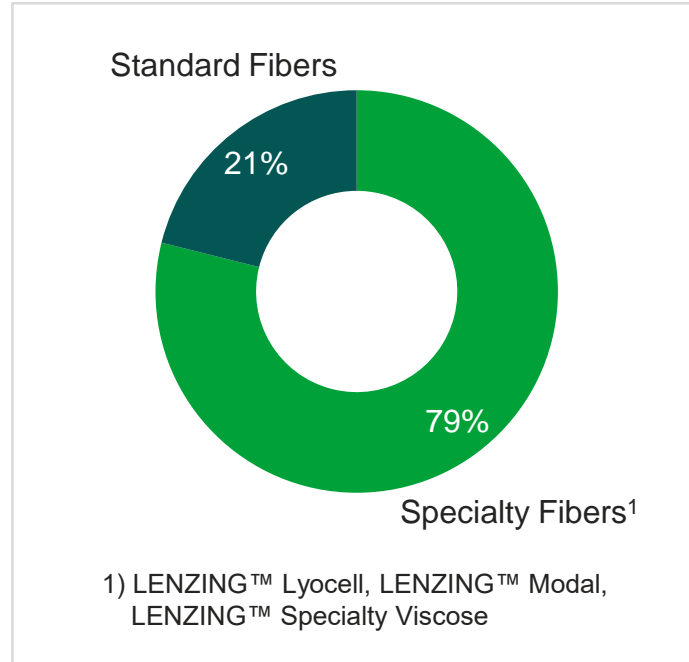


# Fiber revenue breakdown

Fiber revenue by application, %



Specialties share of fiber sales in Q2-2023



# Quarterly P&L development

MEUR	Q2 2023	Q1 2023	Q2 2022	Delta Q2 YoY	Delta Q2 % YoY
<b>Revenues</b>	<b>627,1</b>	<b>623,1</b>	<b>678,6</b>	<b>-51,5</b>	<b>-7,6%</b>
Cost of Sales	-502,4	-562,0	-524,4	22,0	-4,2%
<i>% of Revenue</i>	-80,1%	-90,2%	-77,3%		
<b>Gross Profit</b>	<b>124,7</b>	<b>61,1</b>	<b>154,3</b>	<b>-29,5</b>	<b>-19,2%</b>
<i>% of Revenue</i>	19,9%	9,8%	22,7%		
Selling Expenses	-67,2	-65,8	-75,3	8,1	-10,7%
<i>% of Revenue</i>	-10,7%	-10,6%	-11,1%		
Administrative Expenses	-29,1	-34,4	-37,8	8,7	-23,1%
<i>% of Revenue</i>	-4,6%	-5,5%	-5,6%		
R&D Expenses	-6,2	-4,1	-7,0	0,8	-10,8%
<i>% of Revenue</i>	-1,0%	-0,7%	-1,0%		
Other Operating Income	14,8	10,1	18,4	-3,7	-19,8%
Other Operating Expenses	-7,6	-8,4	-0,6	-7,0	> +100,0%
<b>EBIT</b>	<b>29,4</b>	<b>-41,4</b>	<b>52,0</b>	<b>-22,6</b>	<b>-43,5%</b>
<i>% of Revenue</i>	4,7%	-6,6%	7,7%		
Depreciation & Amortization	77,4	71,1	48,9	28,5	58,2%
<b>EBITDA</b>	<b>106,8</b>	<b>29,7</b>	<b>100,9</b>	<b>5,9</b>	<b>5,8%</b>
<i>% of Revenue</i>	17,0%	4,8%	14,9%		
Financial Result	-31,2	-32,9	6,5	-37,7	< -100,0%
Income Taxes	1,0	9,3	-20,3	21,3	< -100,0%
<b>Net Income / Loss</b>	<b>-0,8</b>	<b>-64,9</b>	<b>38,2</b>	<b>-39,0</b>	<b>&lt; -100,0%</b>
<b>Attributable to:</b>					
Shareholders of Lenzing AG	-23,7	-80,5	39,8	-63,4	< -100,0%
Share planned for hybrid capital owners	7,2	7,2	7,2	0,0	0,0%
Non-controlling interests	15,7	8,4	-8,8	24,5	< -100,0%

# Topline Breakdown H1 2023 vs H1 2022

Revenue from external customers by products and services	EUR mn	
	01-06/2023	01-06/2022
Wood-based cellulosic fibers	882.4	1,080.0
Co-products of fiber production	30.4	30.6
Mechanical and plant engineering, engineering services and others	14.6	7.1
<b>Division Fiber</b>	<b>927.5</b>	<b>1,117.6</b>
Pulp	247.2	83.5
Biorefinery-products and energy	60.1	76.0
Wood and other	13.6	14.2
<b>Division Pulp</b>	<b>321.0</b>	<b>173.7</b>
Others	1.8	2.3
<b>Revenue as per consolidated income statement</b>	<b>1,250.2</b>	<b>1,293.6</b>

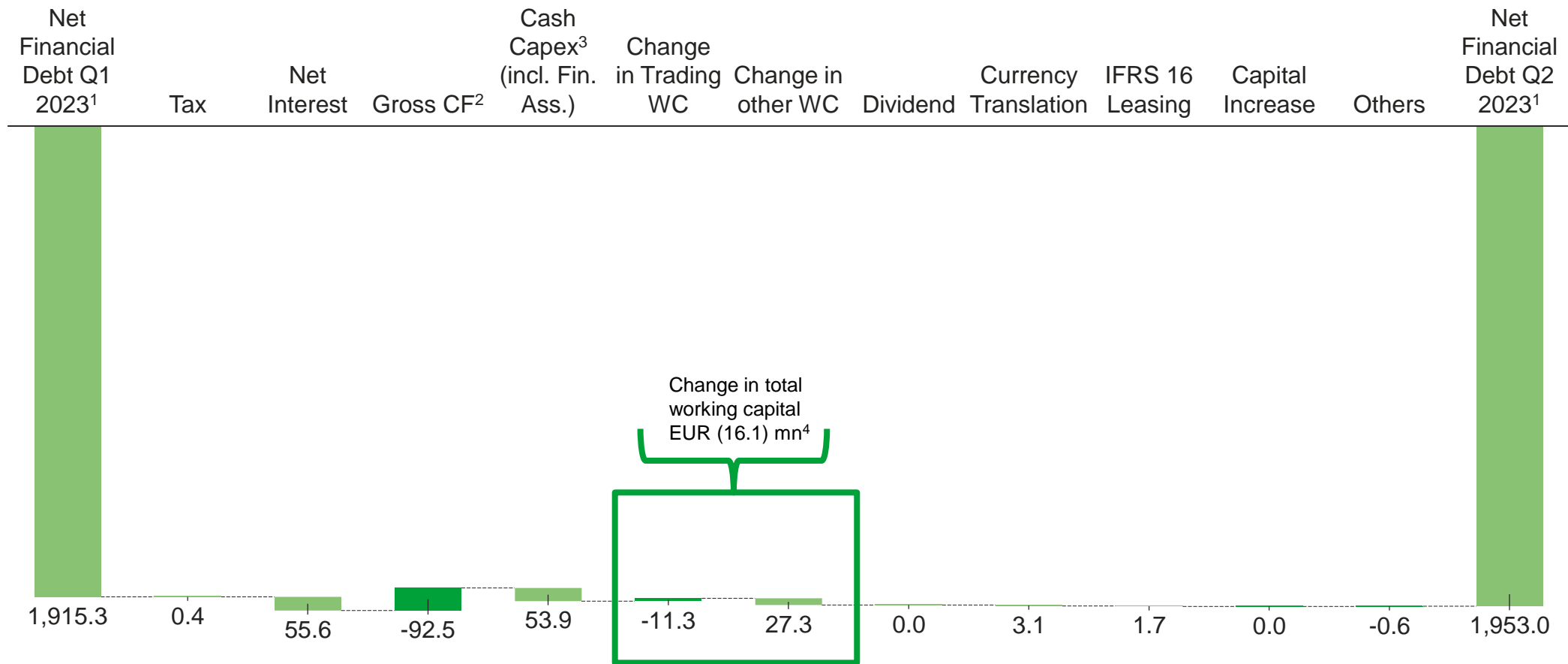
# Quarterly cash flow development

(EUR mn)	Q2/2023	Q1/2023	Change Q2/Q1 (%)	Q2/2022	Change Q2/Q2 (%)
<b>Gross cash flow (after taxes and interest)</b>	<b>36.5</b>	<b>(55.8)</b>	-	<b>83.7</b>	<b>(56.4)</b>
Change in total working capital <sup>1</sup>	(18.0)	8.1	-	(148.1)	(87.9)
<b>Operating cash flow</b>	<b>18.5</b>	<b>(47.7)</b>	-	<b>(64.5)</b>	-
Investment cash flow <sup>2</sup>	(51.6)	(84.6)	(39.0)	(205.3)	(74.9)
<b>Free cash flow</b>	<b>(33.1)</b>	<b>(132.3)</b>	<b>(75.0)</b>	<b>(269.7)</b>	<b>(87.7)</b>

1) Including trading and other working capital

2) CAPEX less proceeds from the sale of intangible assets, property, plant and equipment and biological assets

# Q2-2023: Net debt bridge



1) Net financial debt excluding lease liabilities

2) Gross cash flow before taxes and interest

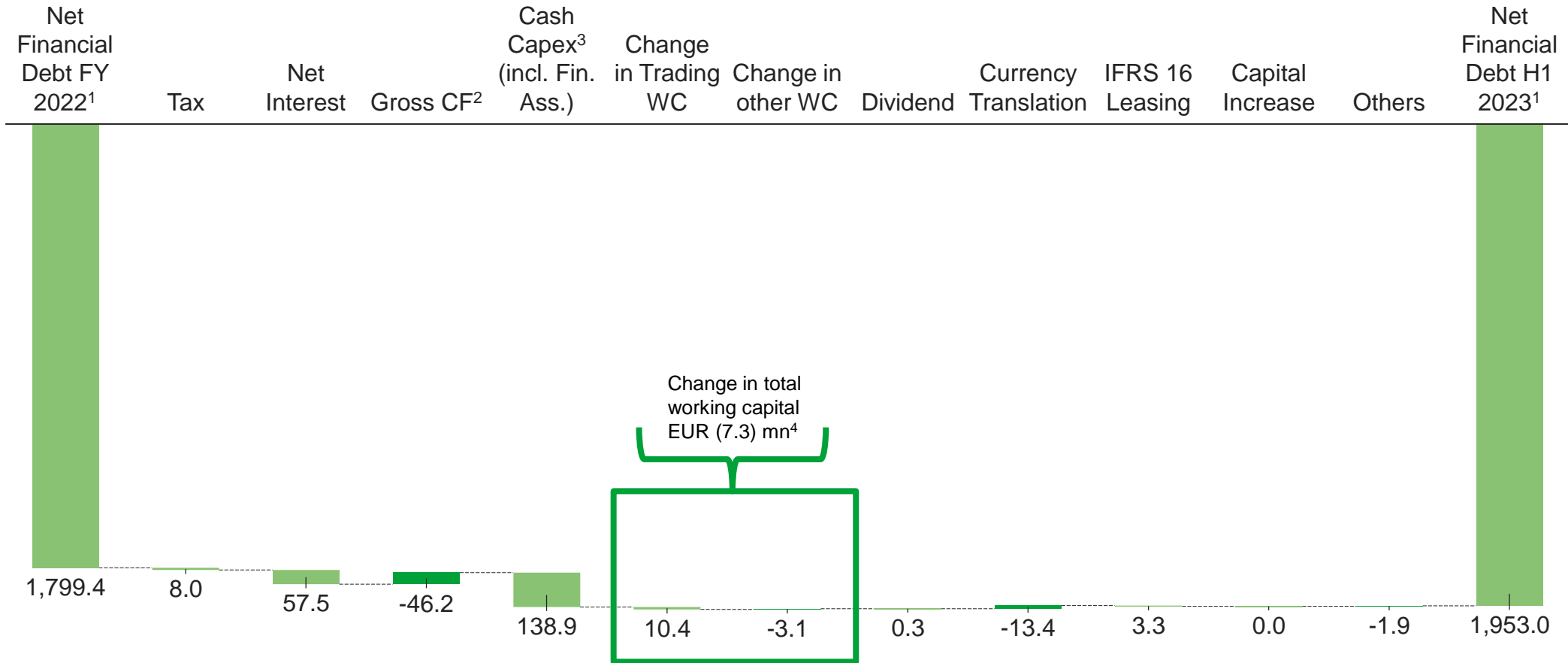
3) Including CAPEX of EUR (51.8) mn and financial assets of EUR (2.1) mn

4) Change in total working capital EUR (18.0) mn (according to cash flow statement)

Adjustment change in liquid bills of exchange EUR 1.9 mn

Change in total working capital adj. EUR (16.1) mn (according to net debt)

# H1-2023: Net debt bridge



1) Net financial debt excluding lease liabilities

2) Gross cash flow before taxes and interest

3) Including CAPEX of EUR (136.5) mn and financial assets of EUR (2.4) mn

4) Change in total working capital EUR (9.9) mn (according to cash flow statement)

Adjustment change in liquid bills of exchange EUR 2.6 mn

Change in total working capital adj. EUR (7.3) mn (according to net debt)

# Contact and financial calendar

## Investor contact

**Sébastien Knus**

VP Capital Markets

Phone: +43 7672 701 3599

E-mail: [s.knus@lenzing.com](mailto:s.knus@lenzing.com)

## Visit our IR website

<https://www.lenzing.com/investors/>

## Visit our SRI sites

<https://www.lenzing.com/sustainability>

## Financial calendar

Annual results 2022	March 9, 2023
79 <sup>th</sup> Annual General Meeting	April 19, 2023
Results 01-03/2023	May 3, 2023
<b>Half-year results 2023</b>	<b>August 2, 2023</b>
Results 01-09/2023	November 3, 2023

## Connect with us

<https://www.facebook.com/LenzingGroup>

<https://at.linkedin.com/company/lenzinggroup>

<https://twitter.com/LenzingAG>