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K+S Aktiengesellschaft

Bank of America

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K+S at a Glance

K+S Group financials 2019

Revenues
€ 4.07 billion

EBITDA
€ 640 million

EBITDA-Margin
16%

Earnings after taxes, adj.
€ 78 million

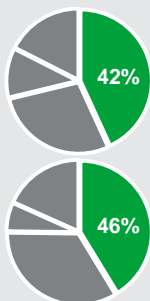
OU Europe+: Revenues: € 2.54 billion; EBITDA: € 437 million; Margin: 17%

OU Americas: € 1.53 billion; EBITDA: € 230 million; Margin: 15%

Customer Segments



Agriculture

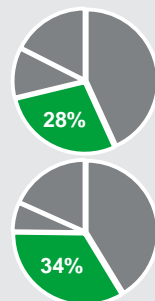


Revenues
€ 1.72 billion

EBITDA
€ 295 million
Margin 17%



Industry

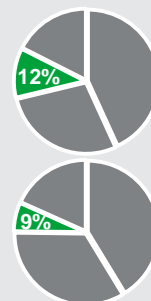


Revenues
€ 1.15 billion

EBITDA
€ 218 million
Margin 19%



Consumers

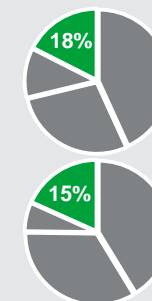


Revenues
€ 0.48 billion

EBITDA
€ 60 million
Margin 12%



Communities



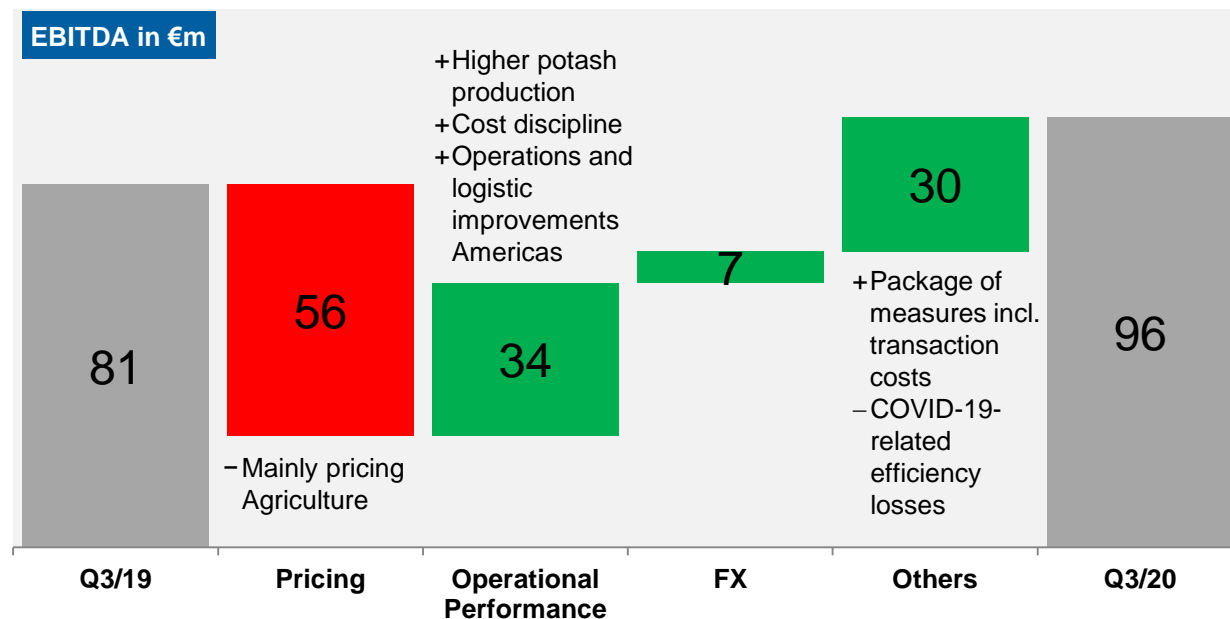
Revenues
€ 0.72 billion

EBITDA
€ 94 million
Margin 13%

Q3/20 EBITDA significantly improved YoY

Highlights

- Q3/20 EBITDA increased to €96m (Q3/19: €81m)
- COVID-19:** Minor efficiency losses
- One-off benefit from package of measures in Q3/20
- Adj. net profit** affected by non-cash impairment of ~€2bn



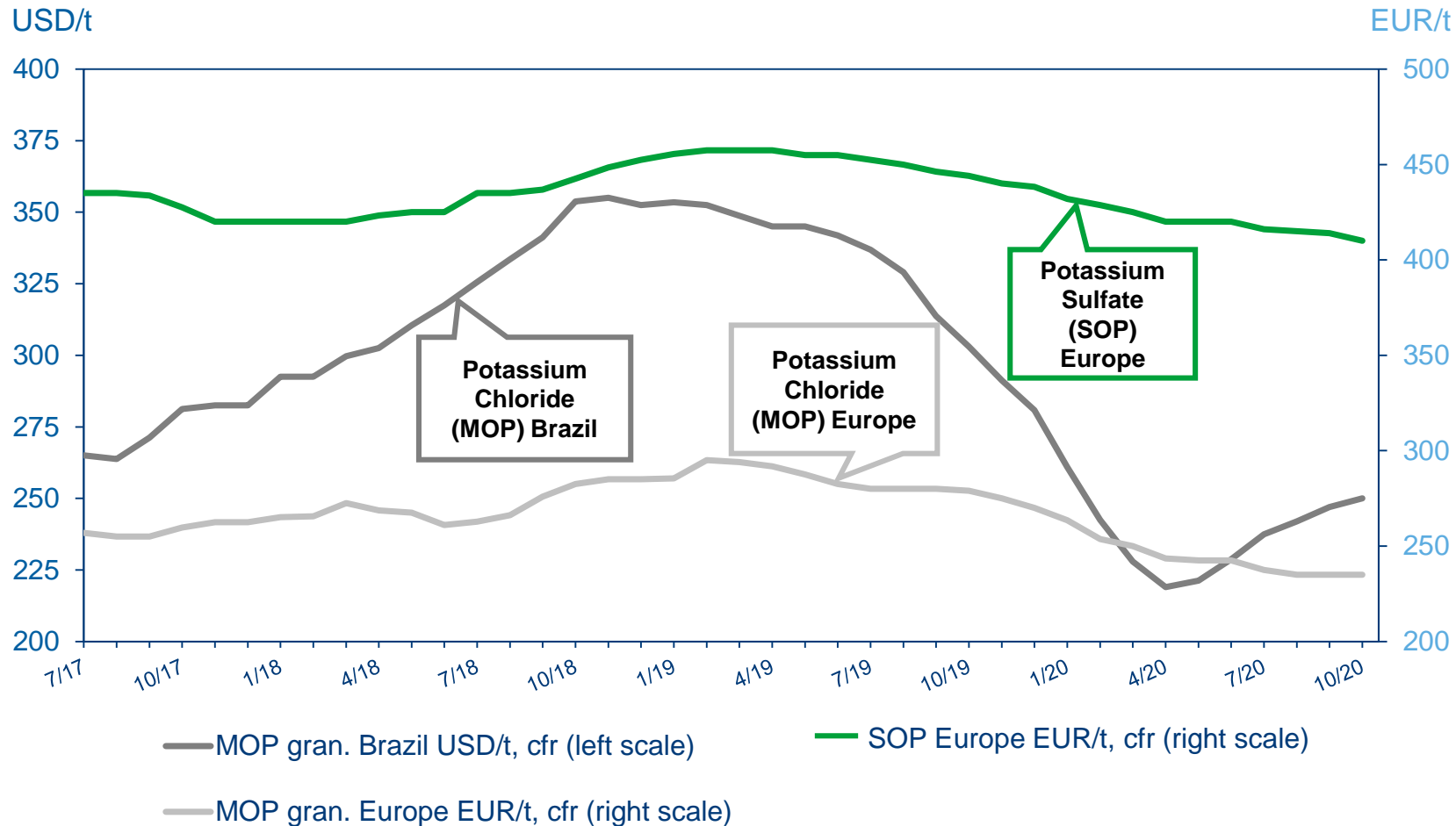
Financials

€ million	Q3/2019	Q3/2020	%
Revenues	905	822	-9
<i>t/o Europe+</i>	621	563	-9
<i>t/o Americas</i>	283	258	-9
D&A	107	102	-4
EBITDA	81	96	+19
<i>t/o Europe+</i>	67	85	+26
<i>t/o Americas</i>	25	24	-4
Adj. net profit	-42	-1,975	-
Adj. EPS (€)	-0.22	-10.32	-
Operating cash flow	-8	5	-
Adj. FCF	-131	-116	-11
CapEx	144	136	-6
NFD/EBITDA (LTM)	4.3x	5.7x	-

Customer Segment Agriculture



Stable specialty business and regional diversification paying-off



Q3/2020

- Price recovery in Brazil continued on the back of very strong demand despite strong supply
- Improved demand in SEA
- This also alleviates pressure from European market

Outlook

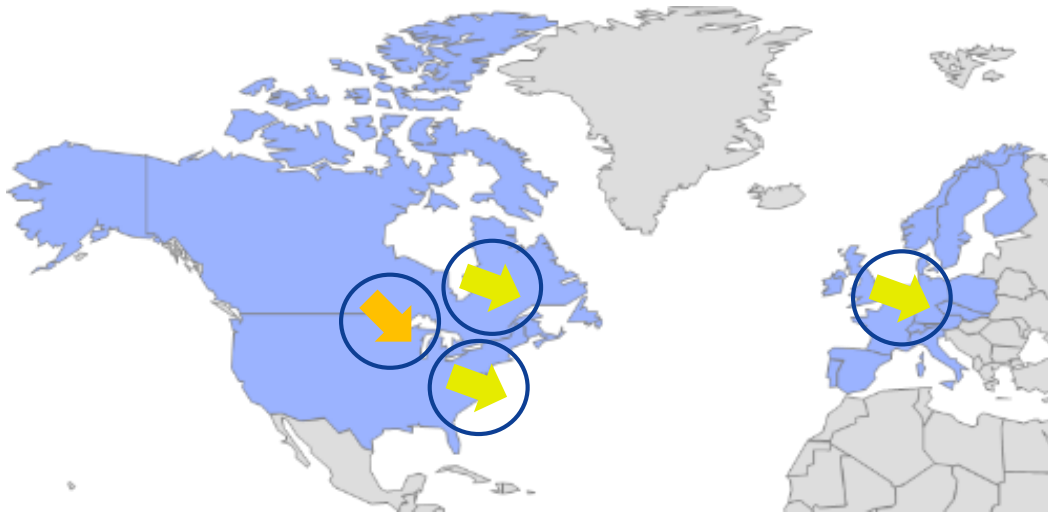
- Price recovery in Brazil expected to continue
- Producers widely committed until at least the end of the year

Source: FMB Argus Potash

Trading update: Communities



Pricing trends for next winter season



Q3/20 update:

- Sales volume ~30% below previous year.
- Weak early-fills business due to high customer inventory levels
- However, multi-year contracts helped us prevent stronger price declines
- Some contracts in higher price regions (e.g. Canada) already settled end of 2019

Outlook:

- For Q4/20, we expect average prices to decline slightly to moderately YOY across all regions
- Expected sales volumes ~ 8 million tonnes for 2020 (Ø-year: 12.5 – 13.0 million tonnes)

Current Trading Customer Segments Industry + Consumers

Industry



- Stable demand of animal nutrition products.
- Demand for products for the oil and gas and chemical industries declined.
- Lower demand from the food service and food processing industries in the wake of the corona pandemic.

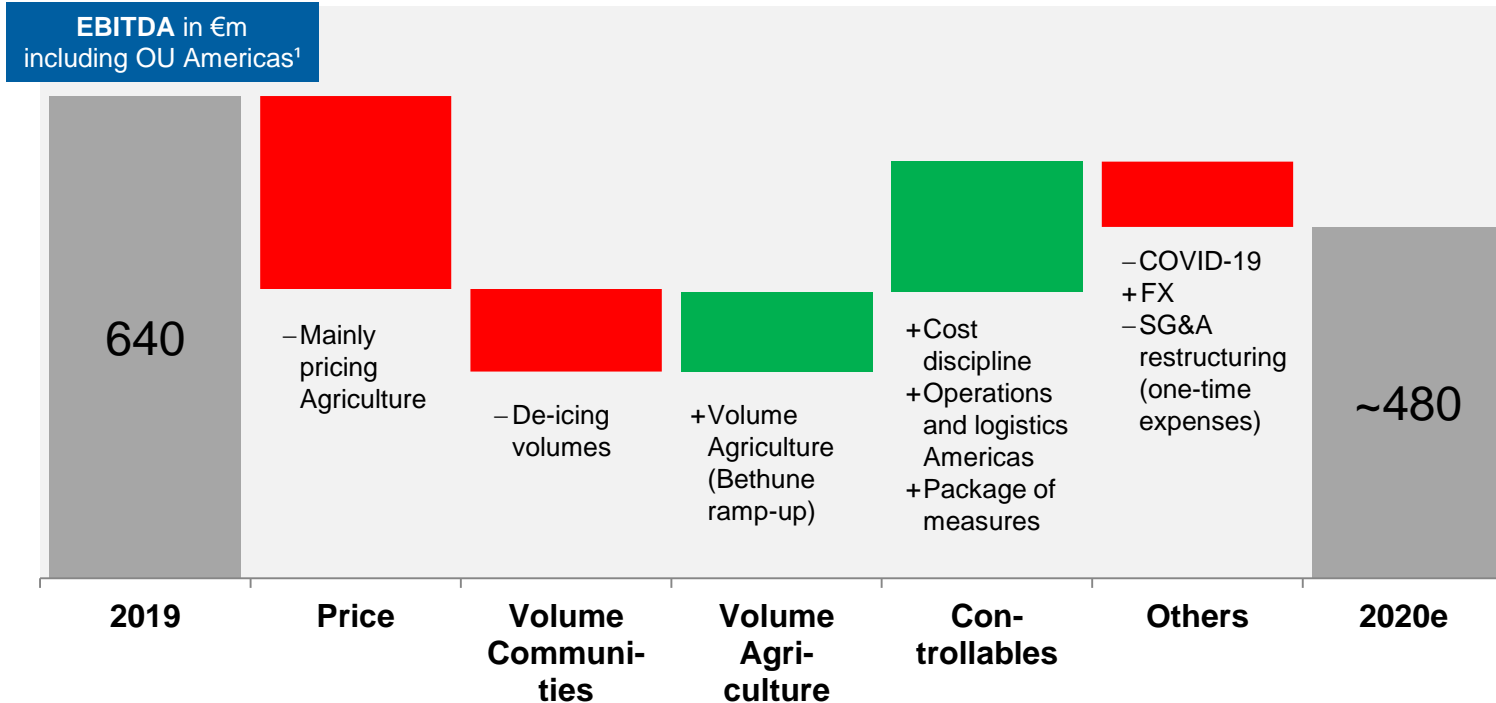
Consumers



- Strong demand for “stay-at-home products”, e.g. table salt, water softening and pool salt on the back of the corona pandemic.
- Trend to premium products with higher margins
- Good progress in the rollout of the German premium table salt brand Saldoro®.

Robustness of the business proven during corona pandemic with categories balancing each other out

Outlook 2020 for EBITDA confirmed



Main assumptions

- FY/20 Agriculture ASP expected to be slightly above Q3/20 level (€225/t)
- FY/20 Agriculture sales volume expected to be >7mt (2019: 6.3 mt)
- FY/20 Communities sales volume of 8 mt (normal year 12.5-13.0 mt); normal winter conditions in Q4
- COVID-19-related efficiency losses and project costs compensated by positive effects from package of measures; larger unforeseeable effects not assumed (e.g. shutdown)

We expect free cash flow to be at **break even**



K+S Cleans Up Balance Sheet

- Potash prices expected to continue to rise in the short and medium term
- Long-term assumptions for potash prices and cost of capital were adjusted
- Higher market risk premium increasing WACC
- Non-cash impairment losses on assets of around EUR 2 billion

Signing achieved for complete OU Americas sale



Key data of the signed agreement:

- Buyer: Stone Canyon Industries Holdings LLC, Mark Demetree and affiliates
- Gross proceeds: USD 3.2 bn
- EV/EBITDA: 12.5x 2019 EBITDA of USD 257m
- Closing timeline: Summer 2021
- Exp. net proceeds: €~2.5bn after tax (currency risk fully hedged)

K+S investment case: Lean and more efficient K+S with solid financials



Mega trends intact

→ Products to secure world nutrition



Financial and administrative restructuring

→ More room to maneuver



Focus on cash and value generation

→ Gain value for our shareholders



Optimized production footprint

→ Positive free cash flow at all sites



Ambitious sustainability goals

→ Secure license to operate



Sustainable growth with specialties

→ Less dependent on MOP

Q&A

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Housekeeping items / Financial calendar

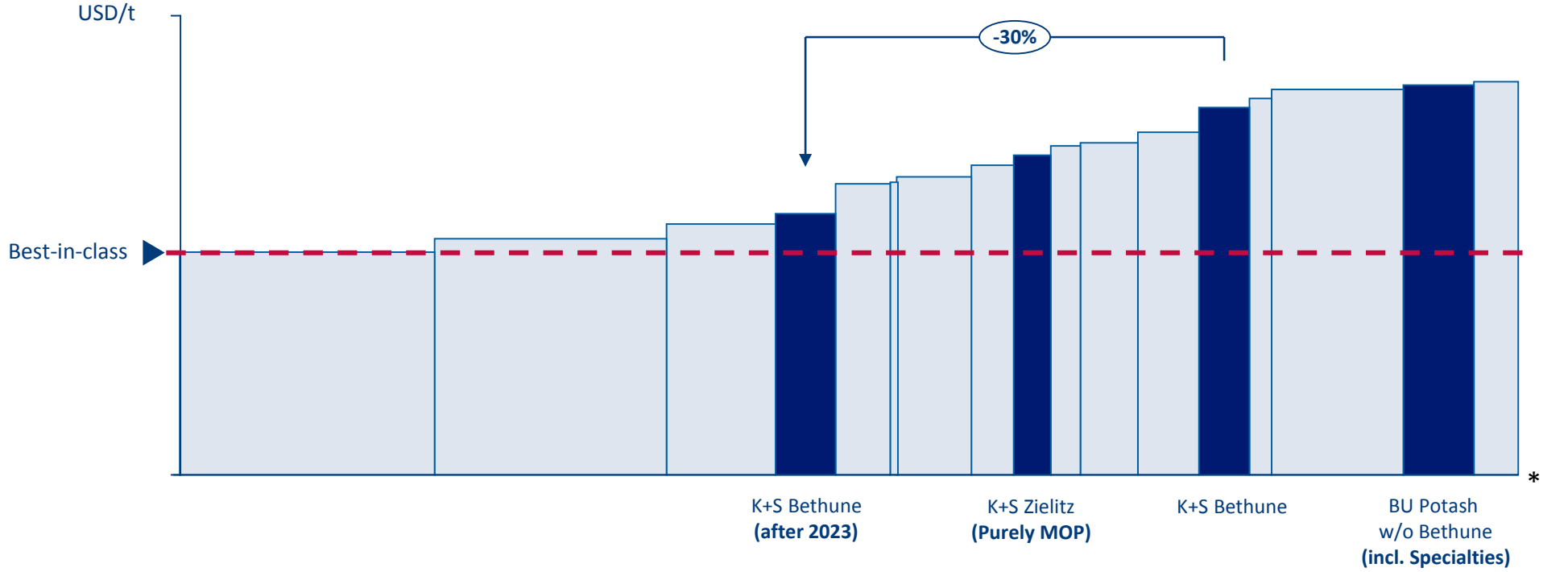
Additional information on FY 2020 outlook

- Tax rate: 3-5%
- Financial result: ~€-140m-€-150m
- CapEx: significantly up
- D&A: ~€450m
- Reconciliation (EBITDA): €-90m to €-110m

Financial calendar

Baader Virtual Roadshow	18-19 Nov 2020
DZ Bank Equity Conference 2020 Virtual	24 Nov 2020
European Credit Conference 2020	24-25 Nov 2020
Kepler Cheuvreux Digital Roadshow Madrid	26 Nov 2020

Site costs (FOB) in comparison (2020)



Source: CRU Report 2016, K+S

* column width = production capability in million tonnes

The Bethune ramp-up to 2.86 million tons in the mid 2020s (production capability) significantly improves K+S's competitive position.

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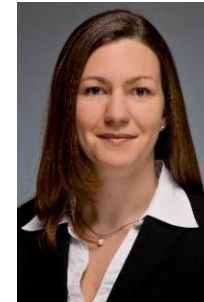
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