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Umicore
2026 Half-Year Results

Earnings Call – Transcript

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PRESENTATION:

Bart Sap: Good morning to all. And welcome to our H1 2026 earnings call. Let's open this presentation with a personal note for our CFO, Wannes Peferoen, for whom it will be the last earnings call. Wannes, on behalf of Umicore, I'd like to express my sincere thanks for all your investment and dedication over many years at Umicore. We've worked together in different moments throughout our career. I've always valued our collaboration. I wish you the very best in what is to come. And first of all, some well-deserved time off with your close ones.

Wannes Peferoen: Thank you, Bart.

Bart Sap: As also announced in April, Lily Liu will succeed Wannes as of August 1. Lily is leaving this call in Wannes's capable hands. She's, of course, following this very closely, and those who participate in our roadshow next week will get to meet her. So once again, also a very warm welcome to you, Lily.

Now let's have a look at our H1 performance and where we stand today. I'm really pleased with the broad-based earnings uplift that we delivered in H1 2026, primarily driven by strong business execution and efficiency. Underlying earnings were up strongly in the double digits. Earnings growth also benefited from a metal price tailwind, particularly pronounced in Q1 2026. This tailwind came from a broad basket of metals.

In addition to that, our drive for efficiency had an even greater impact on earnings growth. This is something we are really proud of as a management team. So thank you to our teams for their remarkable efforts. These results provide us with confidence to upgrade our full year 2026 adjusted EBITDA guidance to slightly more than EUR 1 billion, while previous guidance provided in April was to approach EUR 1 billion.

Let me also draw your attention to our midterm strategic framework highlighted at the bottom of this slide. Our trajectory today shows indeed that we are well on track with our core midterm plan. We delivered increased margins, stronger returns, improved cash generation and a robust balance sheet.

Our H1 2026 performance and numbers, now on the next slide. We have revenues growing 7% to EUR 1.9 billion. Earnings growth outpaced revenue growth and adjusted EBITDA increased 33% year-on-year. We delivered remarkable adjusted EBITDA margin accretion of about 600 basis points to 30.2% in H1 2026.

The ROCE follows suit with a 660-basis point increase year-on-year to 23%. Cash conversion of earnings increased sharply as well with a free operating cash flow of EUR 295 million versus an outflow in H1 2025. Strong adjusted EBITDA growth allowed to achieve a significantly lower leverage ratio year-on-year to 1.52x, well within target. In short, these numbers reflect strong momentum, greater underlying business activity and sustained efficiency, further supported by a favorable metal price environment.

Let's now go through the business groups performance, and we start this time with Catalysis. A quick overview of market dynamics first. Overall, and as anticipated, global internal combustion engine production in H1 2026 was EUR 1.5 million lower year-on-year.

The global decline was driven by the light-duty vehicle market, so the passenger cars, production dropped 4% year-on-year. You will notice mixed regional trends. The slowdown in China and Europe was only partially offset by stable to growing production in North America and South America.

Looking at HDD (heavy-duty diesel) production, Europe was flat and China increased slightly. India and Thailand, on the other hand, delivered combined a 16% increase in production.

Now on to performance in Catalysis on the next slide. Very solid set of numbers, largely driven by sustained operational excellence. Automotive Catalysts, earnings up on broadly stable revenues year-on-year. Umicore did outperform the light-duty vehicle market as well as the HDD market with strong volumes.

Precious Metals Chemistry delivered materially higher revenues and earnings. Sustained demand levels across inorganic chemicals and homogeneous catalysts were further supported by a favorable PGM price environment.

Fuel Cells & Stationary Catalysts. The segment was weaker year-on-year overall, yet we saw different trends between the Fuel Cell Catalysts and the Stationary Catalyst divisions.

So on Fuel Cell Catalysts, a lower adjusted EBITDA due to lower hydrogen technology adoption in China. We see some delay there. Yet at the same time and on a positive note, we start production at our new proton exchange membrane catalyst plant in Changshu, China. This brings, of course, some start-up costs.

Then on Stationary Catalysts, volumes remain strong as demand for backup power solutions for data centers continues to grow. As you know we are very well positioned to further capture the growth in this market segment.

On Catalysis, I do want to highlight the long-term trajectory of the segment which you see in the chart at the bottom right, steadily growing revenues over the long term with improving adjusted EBITDA margins. Adjusted EBITDA margins reached a remarkable 28.3% in H1 2026.

Operational excellence remains our core focus, and Catalysis is a great example for that.

Recycling now, with another outstanding performance. Metal prices overall continued to increase in H1 2026 versus 2025. This was most prominent in Q1. We saw continued high volatility overall in 2026, and Umicore benefited from a broad basket of metals, so not only PGM and precious metals, but also minor and specialty metals. The Recycling segment performance was stellar. Our revenues increased, yet most remarkably, we had significant adjusted EBITDA margin accretion to 52%. And also here, you can see an attractive return profile of the recycling segment over time.

First, Precious Metals Refining. Revenues were broadly in line with H1 2026. We successfully managed the anticipated maintenance shutdown of the Hoboken plant. And as a reminder, 2025 was a year without a shutdown. Adjusted EBITDA was higher, the favorable metal prices and mix did offset lower volumes and lower average hedging prices versus 2025.

Then Jewelry & Industrial Metals, very high volumes on the back of high gold and silver prices, the over-the-counter business successfully captured the momentum even longer than what we had anticipated before. Demand for gold and silver bars was strong, mostly in the first quarter, combined with robust demand in the luxury end market. This resulted in sharply higher revenues and adjusted EBITDA.

On Precious Metals Management, sustained volatility and high prices offered ideal market conditions for trading and Precious Metals Management captured that momentum. Before diving into the Specialty Materials results, I would like to come back to a statement made by Veerle Slenders, our EVP Specialty Materials, during our Capital Markets Day in London last year. She described Specialty Materials as the hidden gem of Umicore. Over the past year, we have worked to increase the visibility of these activities, and we will continue to do so.

In the first half of 2026, Specialty Materials delivered an excellent performance, benefiting from favorable market dynamics while leveraging its strong position in structurally growing technology-driven end markets. These businesses are creating tangible value in an increasingly connected and geopolitically complex world, supported by our unique metals expertise and closed-loop business model. So more to come here.

Now back to the numbers. In H1 2026, revenues and adjusted EBITDA were up strongly year-on-year in the double digits with significant margin accretion.

In Cobalt & Specialty Materials, we delivered a material increase in revenue and earnings year-on-year on the back of strong cobalt momentum. Efficiency benefits also contributed to the earnings growth. The business is looking at Tungsten as part of our closed-loop business model, another example of a metal affected by the geopolitical situation.

In Electro-Optic Materials, demand for substrates and high-purity chemicals for space applications and data communications was again strong. The combination of high germanium demand and export controls as well as the broader market conditions remain supportive for our closed-loop refining and recycling services. Here again, operational excellence also contributed to the material increase in adjusted EBITDA.

Looking ahead, we will keep diversifying our customer base in these growing end markets.

In Metal Deposition Solutions, revenues increased year-on-year on the back of solid demand for semiconductors and industrial applications. Growth was only partially offset by softer demand in the decorative applications.

Now on Battery Materials Solutions. In Battery Cathode Materials, revenues increased, yet volumes remained in line with last year. As a result, the year-on-year increase mainly relates to take-or-pay compensations related to contractual volumes. In H1 2026, adjusted EBITDA reached EUR 19 million compared to minus EUR 15 million last year. Going forward, we will keep our disciplined approach for this business.

Battery Recycling Solutions. As we said before the lithium-ion recycling opportunity is expected to materialize from the middle of the next decade. In the meantime we continue to optimize our processes and technologies. In this context, earnings contribution was negative as anticipated. We remain very diligent here on execution and cost management. I'll now hand over the floor to Wannes for the financial review.

Wannes Peferoen: Thank you, Bart. And good morning, everyone. As you heard from Bart, we delivered a strong first half with a significant improvement in EBITDA, margin, cash generation and returns. I will start with the overall performance of the group.

Adjusted EBITDA increased 33% to EUR 577 million as a result of three key drivers, first, broad-based growth in volumes and activity; second, ongoing top line and efficiency measures; and third, favorable prices for precious metals and minor metals like cobalt. All three drivers made an equal contribution, and they more than offset inflation. The EBITDA margin increased from 24% to 30%.

We also delivered strong cash generation. Cash flow from operations was EUR 565 million compared to EUR 260 million last year. Working capital represented a cash outflow of EUR 132 million, mainly reflecting higher activity levels and higher metal prices, in particular in Catalysis.

CapEx was EUR 130 million, up from EUR 109 million last year. This is mainly due to the planned maintenance shutdown in Precious Metals Refining as well as some selective growth investments. After CapEx and capitalized development costs, free operating cash flow amounted to EUR 295 million compared to a cash outflow of EUR 54 million last year. Free operating cash flow was largely absorbed by taxes, net interest, dividend payments and equity injection into Ionway and other associates.

In January this year, Umicore contributed EUR 175 million in equity to Ionway. Net debt increased EUR 151 million to EUR 1.5 billion. The leverage ratio improved slightly from 1.6 times to 1.5 times.

Now looking at the consolidated P&L. I already covered EBITDA, so jumping to EBIT. Adjusted EBIT increased 47% to EUR 442 million as a result of strong operational performance and continued efficiency measures. Adjusted net finance charges were EUR 80 million, down from EUR 102 million last year. This was mainly due to lower foreign exchange losses, partly offset by the impact of interest rate changes. The adjusted tax charge was EUR 78 million, up from EUR 64 million last year, reflecting higher profit before tax.

The adjusted effective tax rate decreased from 31.7% to 21.3%. Adjusted net result group share was EUR 273 million, up from EUR 135 million last year. And adjusted earnings per share doubled to EUR 1.14. Adjustments had a negative impact of EUR 34 million, largely related to restructuring programs and environmental provisions. Net result group share was EUR 240 million compared to EUR 137 million last year.

Finally, return on capital employed improved significantly from 16.4% to 23%, supported by strong EBIT in the first half and continued capital discipline. Now turning to the balance sheet. Our liquidity remains strong with a cash position of EUR 1.8 billion and continued access to EUR 1.1 billion of undrawn credit facilities and commercial paper. Gross debt was EUR 3.2 billion and the cost of debt increased to 3.5%. Group equity amounted to EUR 2.45 billion, corresponding to a net gearing ratio of 38.1%.

We continue to hedge precious metals in order to reduce volatility, increase visibility on future cash flows and protect future earnings. At the end of June, we had forward contracts in place, covering part of our expected exposure for precious metals up to 2030. This includes meaningful coverage for gold, platinum, silver, palladium and rhodium up to and including '29.

There was limited additional hedging this half due to minimal counterparty interest and a strong backwardation. We also maintained energy hedges for a significant portion of our European electricity and natural gas. So we are also reasonably well protected from rising energy prices. So to conclude, we had an excellent first half.

We delivered broad-based earnings growth with adjusted EBITDA up 33%, a margin of 30%, strong cash conversion and a robust balance sheet. The foundation business performed well and we continue to exercise discipline on costs, capital and cash.

Bart, before handing it over for the outlook, today is my last earnings call for Umicore, and I would like to thank you for your trust, your engagement and your constructive dialogue over the past four years. You, being the investors and the analysts, next to you, Bart. It has been a privilege to interact with you and to be the CFO of Umicore. I leave the company in good hands with Bart and Lily, and I wish them the team at Umicore every success going forward. And Bart, here, I hand it over to you for the outlook.

Bart Sap: Well thank you for your kind words, Wannes.

Let's now talk about the outlook for the rest of the year. In short, as said, we are increasing our adjusted EBITDA guidance to slightly above EUR 1 billion. The upgrade is based on the confidence provided by strong results in the first half of 2026.

Please keep in mind two assumptions, stable metal prices versus June 2026 and no major deteriorations in the macro environment which we all know remains volatile. Looking now at each business segment.

In Catalysis, we have strong ongoing momentum, and we expect 2026 adjusted EBITDA to be in line with our record high of 2025 on the back of our excellent positioning and sustained operational efficiencies.

In Recycling, given remarkable performance in H1 2026, full year 2026 adjusted EBITDA is likely to be significantly above 2025. Yet keep in mind that H2 will be lower than H1 as exceptional conditions are not expected to continue beyond H1. Specialty Materials, full year 2026 expected significantly above year-on-year, yet with a slowdown in H2 versus H1.

Specialty Materials is expected to continue to benefit from supportive margins for cobalt products, although the performance uplift from H1 2026 should further moderate into H2. In addition, performance should be supported by healthy demand for germanium products and resilient activity across end markets. Overall, the business is really well positioned to capture high-quality growth opportunities going forward.

In Battery Materials, the importance of take-or-pay mechanisms is increasing, as we said previously in a context where the volume trajectory is expected to be stable year-on-year. As such, we continue to focus on executing our midterm plan while navigating volatile and competitive market dynamics. This requires continuous rigorous capital allocation and cost base reductions.

Then on corporate costs and CapEx. We remain selective and disciplined on both fronts. Corporate costs. We continue to invest in AI-driven solutions to further enhance operational excellence. Capital expenditures are expected to be in line with 2025 including selective high-quality growth investments in our foundation businesses.

So to summarize on the outlook, we're confident in our ability to continue executing our plan. H2 will not be as high as H1, yet full year 2026 is expected to be a strong year overall.

A few words of conclusions now before the Q&A. Looking at the first semester, two things really stood out to me. a broad-based earnings growth driven by strong execution. This led to high margin accretion year-on-year. Importantly, we were disciplined in our spending. We delivered strong cash generation and maintained a robust balance sheet. And as we move forward, we remain firmly convinced of two realities. First, our circular multi-metal platform is unique and well positioned as it continues to benefit from the growing strategic momentum behind critical raw materials. Secondly, volatility is the new normal of the world we operate in, yet Umicore is built for change. As such, we will continue delivering value through a clear set of priorities, disciplined execution and strong customer focus. And with that, we can go to the Q&A.

QUESTION & ANSWER:

John Campbell: I was interested to learn a little bit more about the fact you're exploring further opportunities towards tungsten. Can you elaborate on exactly what kind of opportunities you're looking at? What is the rationale, et cetera? And are these opportunities maybe that you see in the U.S.? Or would that be mostly in Europe? Thank you.

Bart Sap: Yes. So thank you, John, for that question. I mean tungsten is somewhat part of our portfolios, and we see actually tungsten coming in with some raw material streams that we have. Today we are starting to valorize tungsten while we did not do it before. For instance, coming from our filter cakes, and this is something that we're now further investigating. At the same time we have a strong flow sheet in Poland, where we will be able to recover that.

So this is what we are referring to. And as we further develop our capabilities, more there could be more to come. Of course, everything depends on the further evolution of the tungsten price. So it's more Europe oriented, not so much U.S. at this point in time.

John Campbell: Thank you.

Operator: Your next question comes from the line of Georgina Fraser with Goldman Sachs. Please go ahead.

Georgina Fraser: Thank you very much good morning Bart and Wannes. My question is related to your Battery Materials segment. Bart, earlier this year, you were quite vocal about the need for Europe to seek partnership with Chinese battery producers. There have been several partnerships announced between European auto OEMs and suppliers with Chinese players in recent months. I was just wondering how you're seeing the landscape evolving and whether there's any new opportunities coming up for value recovery in your Battery Materials segment. Thank you.

Bart Sap: Thank you, Georgina. Very clear question. And I can confirm that indeed, the momentum in Europe is warming up in that respect. I mean there's indeed a more significant interest, especially for, let's say, new platforms looking at Europe. So yes, that trend is definitely there. We always said that partnerships is what we are looking at, next to our own midterm plan.

So we'll continue to further explore these options. And if there would be something to announce, of course, we'll come back to you in due time. But in general, I would say that the ecosystem indeed is evolving in the right direction.

Georgina Fraser: Thank you.

Operator: Your next question comes from the line of Christian Faitz with Kepler Cheuvreux. Please go ahead.

Christian Faitz: Yes thanks good morning Bart. And Wannes, all the best for your future ventures. And also congrats to Umicore on the results. I have also a question on the Battery Material Solutions business. Maybe a bit more mid- to long term. When would you see actual underlying demand returning? And can you describe a bit the current situation? Is it that your target market, i.e., the higher value added European vehicles are just not selling? Or are they also switching to cheaper cathode active material at this point in time? Thanks very much.

Bart Sap: Yes. Thank you for your questions, Christian. And also thank you for having attention for the full team here because indeed, they all do great work, sometimes even in the background. Now on Battery Cathode Materials, I think we indicated earlier that for the time being, the importance of take-or-pay is higher than what you would have wanted it to be when we were showing our trajectory at the CMD in 2025.

Of course, that's why we have the already the take-or-pay provisions which we will continue to enforce and continue to stand by. Now if you refer more to technology, I think a lot has been said around, of course, the adoption of LFP, and we do see indeed some players really working on that and the market share in Europe for LFP is increasing.

At the same time we also see a very strong trend and a much more clear trend which is firming up also over the last months in the mid-nickel high voltage, where we do believe that we have good solutions going forward. And at the right nickel content, meaning nickel sufficiently low, this is definitely a contender for locally produced --

against locally produced LFP. So yes, there, we do see potential, and I think we have a good set of technologies to serve that market.

Operator: Your next question comes from the line of Sebastian Bray with Berenberg. Your line is open.

Sebastian Bray: Hello good morning and thank you for taking my question. It's on the metals pricing dynamic as we move into '27. I have two parts. The first is on cobalt. It's very unusual to see a spot price of a metal literally flat as a straight line since last December. Is anything going on here where the informal market has a very different price? And what do you think is happening for '27? And if I might expand the theme of pricing, at current hedge levels, what would be the price impact for the recycling segment? Is it positive or neutral for '27? Thank you.

Bart Sap: Okay. Thank you, Sebastian. I will start with the cobalt market maybe and then Wannes, if you could do the recycling segment. Yes, on the cobalt market, you know that the cobalt price, of course, is through a price discovery mechanism. So that's basically on feedback, let's say, the metal transactions for cobalt as market participants see those substantiated with underlying trading transactions.

Now the cobalt market is much more than just the metal price. It's a matter of refinery income that you have. And on the other hand, the premiums on the end product that you sell. So basically, the refining charge and the premium, they constitute the revenue pool. And I think for our activities, that revenue pool is the most important indicator of the margin that you can make.

Now there has been a momentum late '25, early 2026, that allowed us - given those market circumstances - to really lock in a part of that revenue pool, and this is part of the strong benefit that you have seen in H1 2026 that lock in, of course, and these exceptional metals we have is somewhat reducing in the second half of the year and expecting it to be normalizing into 2027.

Wannes Peferoen: Okay. And then looking at the Recycling segment and the hedge levels that we have for the precious metals, looking at '26 this year was the year where we still had a substantial roll-off versus last year. Looking at '27, this is where the price levels are more or less in line with what we see in '26. So basically, the impact for Recycling segment moving into next year would be neutral.

Operator: Your next question comes from the line of Martijn den Drijver with ABN AMRO. Please go ahead.

Mutlu Gundogan: Good morning gentlemen. One question on Catalysis. You've won market share in H1. You won market share in 2025. Can you elaborate a little bit on your recent platform win, so late 2025 and 2026, and thus your market share expectations going forward? And that would obviously be for LDV, but also HDD, please?

Bart Sap: Yes. So on the market share in Catalysis, I think you are right. And of course, it depends a bit on the different markets that we're looking at. You're right that we have been gaining market share and that you see that in the numbers.

I think what you also see in the numbers is our strong position with local Chinese OEMs which are still exporting quite a bit of volumes out of China, allowing our Chinese activities actually to continue to run at a very high level despite lower ICE sales in that market. If we look at Euro 7, as mentioned before we were successful in gaining platforms, and this is that you start seeing true, of course.

It all depends ultimately also on the sales that the actual cars do depending on different customers that we have, and there's always some variation. But right now it looks strong. And if you then indeed see to the overall market development, it indeed seems the case that we're still outperforming in terms of volume the market which is supporting our results next to, of course, the high focus on operational excellence and efficiency.

Operator: Your next question comes from the line of Tristan Lamotte with Deutsche Bank. Please go ahead.

Tristan Lamotte: Hi I'm interested in some of the faster-growing areas of your business. I was wondering if you could just give a little bit of detail on your total exposure in areas like germanium, so sales or EBITDA and then also semiconductors, what your kind of total exposure is there? And then just coming back on Battery

Materials, you have a target of at least EUR 275 million by 2028. And that's obviously a very large step-up from where we are now. So I'm just wondering if there's a scenario where you don't make that and the level of confidence now as it stands. Thank you.

Bart Sap: Yes. Maybe I can start with Battery Cathode Materials. Looking at the plan that we have ahead of us. So as we shared with the capital -- or during the Capital Market Day, this plan is very much supported by the long-term agreements that we have with a few customers. And it's also on the back of that ramp-up volume program that is included in that contract, and it is protected by the take-or-pay clause.

So that's basically the underlying foundation of the plan and that we still deem feasible. Yes. Indeed. And next to that, as mentioned already as well we continue to focus on customer diversification. We had some first that we announced last year, of course, with our Korean customer, and we continue to grow there.

Now as, let's say, to the other strong growing business, we always said that, for instance, for Specialty Materials, for instance, specifically then mainly also in the field of electric optical materials that we see a very strong CAGR of 10% plus. We continue to stand by that. Even -- momentum is even potentially even stronger than how we saw it. We see areas indeed in -- so Electro-Optic Materials. We also see the stationary catalyst market still as an interesting market where we also foresee continued growth.

Now -- saying the exact number on the exposure, I don't have it top of mind, but it's clear that in this geopolitical context, where critical raw materials for sectors like defense, but also data centers, et cetera, several metals are gaining into importance. So if you look at the basket of metals in Hoboken, but also in Specialty Materials, right, you'll see that they all have been supporting undercurrent today for that metal price, and that's also, therefore an indirect exposure to that end application.

But rest assured, areas, as you mentioned, we are further exploring those and see how we can further leverage our unique business model across business groups to further extract value. So I would say more to come there, but too early to now fully quantify it at this moment in time.

Operator: Your next question comes from the line of Thea Badaro with BNP Paribas. Please go ahead.

Thea Badaro: Good morning all. I have a question on your Stationary Catalyst business. We now have a bit more color on the size and the profitability of one of your closest peers in this division. Could you maybe help us understand how meaningful this business is for you? Any indication could be really helpful.

Bart Sap: Yes. Well I mean we have seen indeed maybe more broadly the stationary market warming up, and we have seen one of our industry players also making a significant acquisition in that field, more specifically around Cormetech. We intend to grow that business.

Let's say, it's definitely not yet at the level, let's say, of a PMR or ACC, that's for sure. But we do see a potential to more than double the EBITDA going forward. And we will do that actually in a very capital disciplined way. We are working out these plans more concretely, and we'll be coming back to the market in due time. But definitely, we see it as a good growth opportunity next to elect optic materials. And that could be sizable, especially towards the end of the decade going into 2031.

Operator: Your next question comes from the line of Chetan Udeshi with JP Morgan. Please go ahead.

Chetan Udeshi: I had a few questions. The first one is, when I look at the consensus right now for H2, it's sort of somewhere around EUR 465 million. You delivered EUR 577 million. I understand the sort of one-off nature with cobalt and refining. But I'm just curious, how do you think about that second half consensus given the magnitude of decline versus first half which actually looks quite steep.

I mean if I take consensus 465 by two times two, you start with a number of 930 which is below this year going into next year. So how does market get a comfort that next year would not be a down year? Is there something that we should keep in mind which can move the numbers next year? That's the first question I have.

And the second question, I think I asked this maybe a year back. You mentioned something about critical minerals and trade conflict. Have you seen any change in your recycling business model because of that in the sense, most of your business today is spot contracts. Are you seeing customers willing to probably lock in capacities for certain metrics for a longer duration of time meaning you get some sort of business model concept also starting to emerge in the recycling business? Thank you.

Wannes Peferoen: Okay. I'll give it a go, Chetan. So first of all, looking at the second half consensus, I would say that we feel comfortable with the order of magnitude that we see today in the consensus. If you look at the underlying dynamics, as we explained, the first half was exceptionally strong.

I mean and what we see is that, in particular, in Specialty Materials in cobalt, there was an exceptional benefit looking at the cobalt dynamics but also looking at Jewelry & Industrial Metals and Precious Metals Management. Also here, we have very favorable conditions, looking at price volatility and looking at the interest for the over-the-counter recycling business.

So yes, there was some exceptional support in the first half which explains why we can’t extend it or extrapolate it into the second half. At the same time then looking at the second half, is this a good basis to extrapolate into '27? We typically also have some seasonality across the business and in particular, in Catalysis. So that's something where I would say H2 is impacted by some of that seasonality, in particular in Catalysis. So to be taken into account when you use H2 as a basis for next year.

Maybe then looking at your question around critical materials in minor metals. Given the geopolitical tension pressure, we do see that customers are really interested in securing supply and/or willing to finance not only the supply, but also the expansion of capacity.

So looking at some of the CapEx that we have ahead of us this year, what we call selective growth opportunities, this is linked very concretely to, for instance, germanium capacity that we're building out, also in Stationary Catalysts, there is interest from customers to secure capacity looking at the infrastructure that is being built. So here, customers are willing to prepay not only product materials, but also looking at investments in order to secure capacity. So that is an interesting dynamic in the market that we're facing.

Bart Sap: That's right, Wannes. And of course, more specifically around Precious Metals Refining, as you asked, today, I mean save the hedges that we do, and it's often with a physical counterparty that we do hedges, of course, the market remains on the sales side rather spot driven, especially if you talk on the typical PM and PGM metals.

Now of course, on the supply chain, we always have a combination of spots and evergreen and very long-term contracts. So that mix has not evolved substantially, I would say. At the same time we will underline to what Wannes said, I think some sectors are really waking up to the criticality of some metals in their applications. I'm thinking data centers and others. And I would assume that they indeed will have to wake up. I mean who has these units and how can we secure those is definitely something that could have further potential going forward.

Operator: Your next question comes from the line of Helena Xu with Jefferies. Please go ahead.

Helena Xu: I have a question on Specialty Materials with regards to germanium. You had a really good run in H1 with healthy demand. And my question is how much of the current strength in germanium do you see is more of a scarcity pricing versus how much of this is your position in refining and recycling? Thank you.

Bart Sap: I think that's an excellent question. And I think when we refer to the strong run in H1 for Specialty Materials, especially around that cobalt momentum that we have seen which we will think will start to normalize in second half and then going into 2027. Now on germanium, as we have marked this business as one of the high-quality growth business, where we indeed in certain segments of that market see CAGRs well north of 10% due to market dynamics.

Now if you look at production capacity in the West, I mean really from an end-to-end recycling, refining, metal production, but also then really towards the end application lenses, substrate, et cetera, et cetera, I think we have a really strong position. And it's not just a metal price scarcity drive.

If you also then look at the sales side, I think customers are willing to lock in longer term. So it's also a technology transformation expansion that we see. But it's true that, of course, today with the export limits out of China or de facto no germanium leaving China, the supply-demand equation has substantially changed. And of course, we are able to also benefit from that yet with a focus on the long term. That's how we try to do it.

Operator: Your next question comes from the line of Mazahir Mammadli with Rothschild & Co Redburn. Please go ahead.

Mazahir Mammadli: Thank you. I was just wondering, at a high level, how is your thinking about the metals price hedging evolved given that your CapEx need in Battery Materials has dropped substantially. And on Battery Materials, how do we explain the kind of apparent disconnect between the relatively strong EV sales in Europe and the underlying performance of the CAM sales volume? Thank you.

Bart Sap: Yes. Well let me start with Battery Materials. That I would say it all has to do with the platforms to which we have been qualifying for and have been linked to. So as you know we have an enlarged exposure and we built capacity, especially for Western battery makers here in Europe. We all know that, that ramp-up is slower than anticipated.

Now as such, therefore in the shorter term because these qualifications in terms of batteries and vehicle testing, of course, take quite some time. You see that effect now into our numbers. Now as -- or in our shipments. As mentioned before we continue to focus on customer diversification. I also mentioned during the question of Georgina that we see an increased momentum around Europe as well with more interest.

So I would anticipate that this trend will continue. And as I said before when we have new contracts that we would win, we will come back to the market and explain. And that, of course, would then change that volume trajectory going forward.

Wannes Peferoen: Yes. And then looking at the hedging policy, I mean you referred to the CapEx needs in Battery Materials. And indeed, with those projections in the past that we had, that's where we started to lift some of the hedges going forward in order to reduce volatility, secure future earnings.

Today, we continue to adhere to that policy in a sense that it continues to protect our earnings, gives visibility. But also what we do is, of course, we take into account where are the prices from historical view or the prices attractive from a historical view. So that's a key element. And next to that, we also hedge up to, let's say, maximum 60%, 80% depending on how far you go out which still leaves also room for upside in case metal prices would further increase.

Operator: Your next question comes from the line of Stijn Demeester with ING. Please go ahead.

Stijn Demeester: Yes good morning thanks for taking the question. I have two actually. On Battery Materials, what's the actual volume outlook for 2027? Because if the platforms you're exposed to are slow to ramp up this year, why would they recover next year as the market is now basically flooded with new model launches? And a small one on recycling. What's the potential of a shutdown in '27? And lastly, also from my end, all the best Wannes.

Bart Sap: Well for '27, I would say it's too early looking at the volume outlook. At the same time again, referring to the CMD, we mapped out the volume trajectory looking at what has been contracted. But we also highlighted that we do see some slower take-up with those key customers, and that's what then needs to be compensated to the take-or-pay. So again, the exact volume outlook, the effective volumes is somewhat higher, somewhat difficult to project. But again, we have the trajectory, as you said, in the CMD.

Now looking at the recycling shutdown, this is where typically there is a lead time between 12 to 14 months in between shutdowns. So again, we would expect shutdown in the course of next year.

Operator: Your next question comes from the line of Ranulf Orr with Citi. Please go ahead.

Ranulf Orr: Hi good morning thanks for taking my questions. Two, please. Firstly, just on Catalysts and -- just on Automotive Catalysts really, where do you see the long-run normalized EBITDA margin for that business? That would be super helpful to give some thoughts. And secondly, just on Battery Materials and the 2028 targets. If you maintain the current proportion of earnings from take-or-pay compensation that you have today, so if that ratio was the same in 2028, would you be able to hit that target? That would be my two. Thank you.

Bart Sap: Yes. So maybe looking at Catalysis, this is where -- what we have projected in the CMD was adjusted EBITDA margin of 25%. Today we are performing stronger, but that's what we at least anticipated. I think the question was on the trajectory, Wannes. The trajectory going out for Catalysis, I think that's Ranulf's question. So I mean I think today, I think we continue to see a strong momentum in Catalysis here as well. We assume that, that market will stay strong for us all the way to 2030.

Now today, we have, of course, some benefit, as always, also from the metal price here because we always indicated that 25% of the metal price uplift on platinum, palladium and rhodium is coming from that segment. So I would assume the margins to remain very strong. indicating the exact margin, probably it's too soon for that.

On the proportion of the take-or-pay, right? Now I mean we always said that the EUR 275 million, EUR 325 million was a mix of, on the one hand, expected volume delivery and contractual take-or-pays. This statement has not changed, right? So if that proportion changes, yes, okay. The variability between those two numbers could change somewhat.

But in essence, the take-or-pays have been built in such a way that if the volumes are not there, that will deliver a similar amount of EBITDA. So we indeed would continue to stand by that 275 million, EUR 325 million by sticking to our contracts and of course, then further enforcing our contractual rights if need be.

Operator: Thank you, everyone. And we have no further questions at this time. I would like now to hand back to Bart Sap.

Bart Sap: Yes. So thank you everyone, for attending the call. Once more, I would like to reiterate that we are very pleased with our 2026 H1 results. As mentioned, they're broad-based and broad-based, I mean across all financial metrics as well as across all our activities and businesses.

I would explicitly like to thank once more Wannes, but also the broader teams at Umicore. The results also show the transformation which we are doing, much more focused on what truly matters, efficiency driven, but also you start to see that we're starting to focus again on high-quality organic growth. And this is what you can further expect of us also going forward.

Now with that, I look forward to meeting many of you next week during our roadshow in London and of course, also later on here in Belgium. So all have a wonderful day. And talk to you soon.