



SCHMOLZ + BICKENBACH

Q3 2017 Results – Investors & Analysts Conference Call

Lucerne, November 9, 2017



SCHMOLZ + BICKENBACH
Group



Disclaimer

Forward-looking statements

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01 Business Review Q3 2017



Continued Positive Momentum

► Normal Seasonality in Q3 – Momentum Resumed After Summer Break

- Market conditions similar to the first six months
- No signs of weakness in our end markets
- Prudent order intake
- Results below first / second quarter due to usual slowdown in business activity
- Sales volume impacted by product portfolio restructuring and shortage in transportation capacity

► Profitability Supported By Higher Sales Prices

- Average sales price rose by 10.5% driven by robust demand and better raw material prices
- Sales volume increased by 3.6% – revenue with double-digit growth rate versus Q3 2016
- Adj. EBITDA rose to EUR 38.0 million from EUR 31.8 million in Q3 2016 (+19.5%)

► Further Structural Improvements

- Production Steeltec in Sweden closed, agreed social plan at Steeltec Germany
- Sales & Services in Chile and JV in China operational
- New business model for Sales & Services in Germany operational
- Performance improvement measures on track

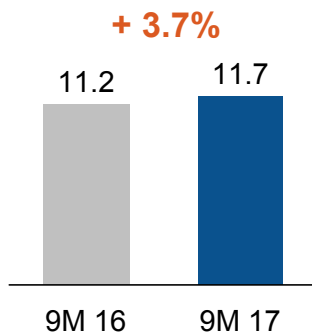


Market Environment with Further Positive Development

► Strong Demand in Europe

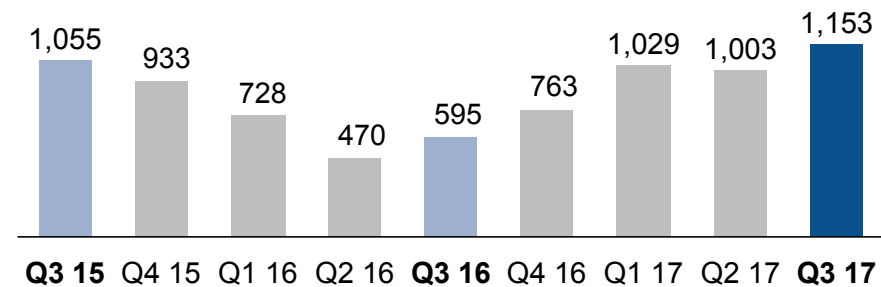
- European automotive industry in upswing
- Mechanical & plant engineering robust
- Oil & Gas industry with strong growth y-o-y but limited impulses

New Passenger Car Registrations EU (in million)

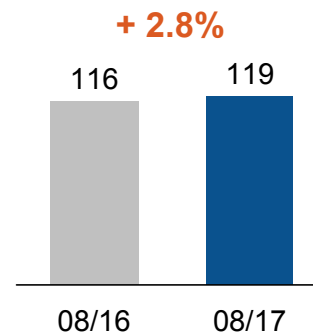


Sources: ACEA (European Automobile Manufacturers Association)

Baker Hughes North American Oil & Gas Rotary Rig Counts (quarterly average)



Mechanical Engineering Production in Germany (Index, 2010 = 100%)



Sources: Bloomberg, German Federal Statistics Office (Sep 17)



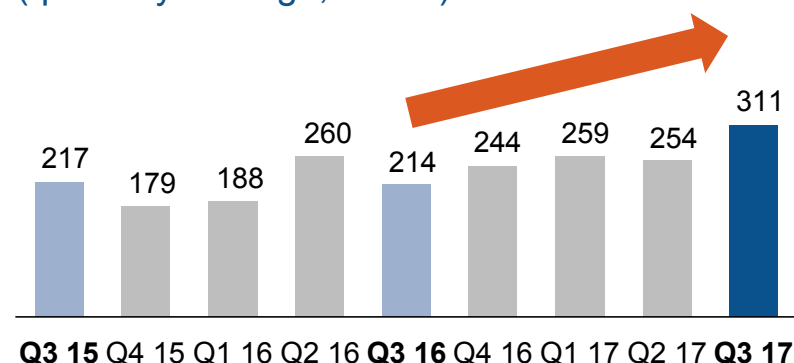
Raw Materials Volatile, Sales Volume and Prices in Uptrend

► Raw Material Prices Volatile

- Positive momentum ongoing
- High volatility, especially for nickel

Change (in USD/t)	vs Q3 16	vs Q2 17
Scrap	+45%	+23%
Nickel	+3%	+14%
High Carbon Ferrochrome	+45%	–7%

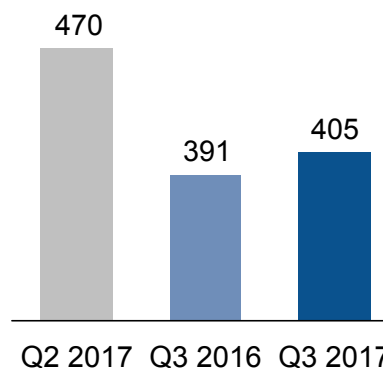
Steel Scrap Rotterdam fob
(quarterly average, USD/t)



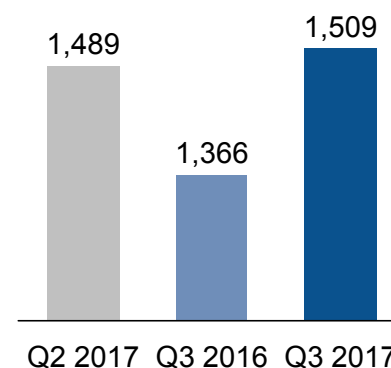
► Sales Volume and Prices Up

- Volume improved vs. Q3 16
- Seasonally lower vs. Q2 17 – maintenance / repair period
- Unfavorable impact from:
 - Limited transportation capacity (6 kt)
 - Product portfolio restructuring (Steeltec, 10 kt)
- Average sales price +10.5% y-o-y

Sales Volume
(kilotons)



Average Sales Price
(EUR /t)



Sales Volume Strong in Stainless and Quality & Engineering, Order Backlog Normalizing Along With Selective Order Intake

► Quality & Engineering Steel, Stainless Steel Increased

- Strength in European automotive industry
- Quality & Engineering with stronger increase in Q3 – equipment ramp up issues in Q3 16

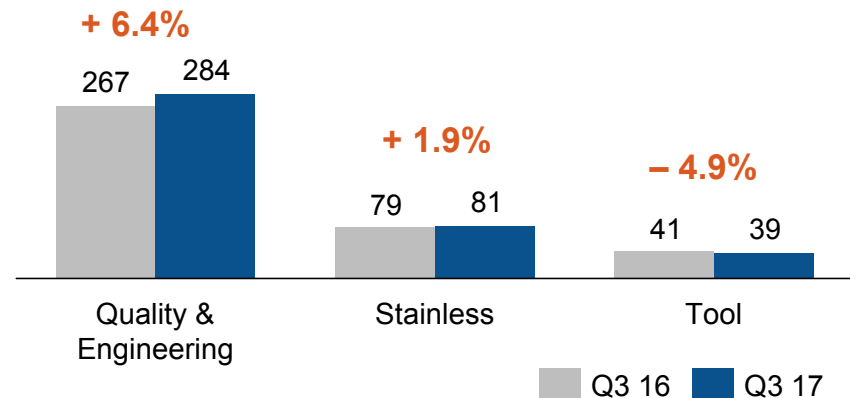
► Weakness In Tool Steel Sales

- Healthy price development
- Differentiated demand by product category

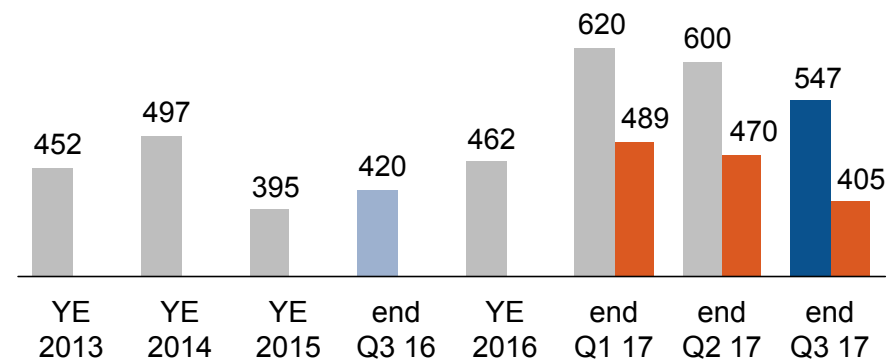
► Order Backlog Seasonally Lower vs. End Q1/Q2

- Backlog at favorable level to achieve efficient production
- More restrictive order intake to ensure good delivery performance

Sales Volume by Product Group (kt)



Order Backlog (kt) / Sales Volume (kt)



02 Financial Performance Q3 2017

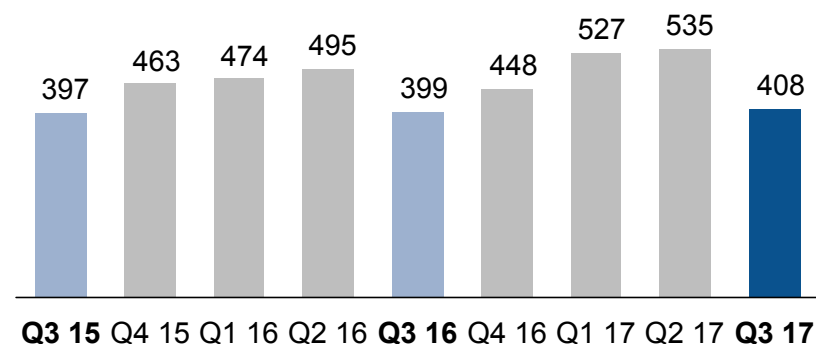


Seasonality Mirrored in Production and Sales Volume

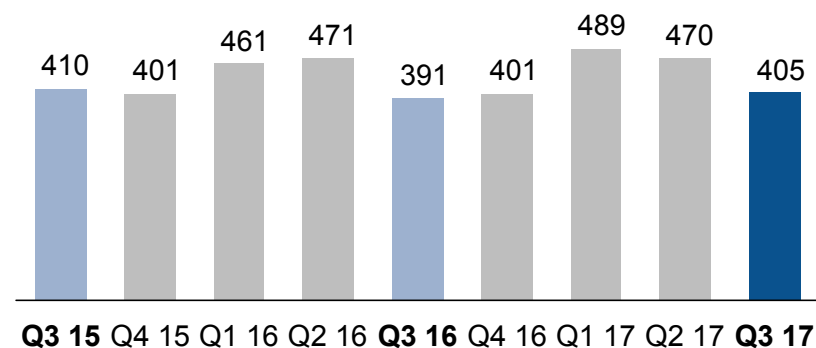
► Production & Sales Volume up y-o-y

- Crude steel production increased by 2.3% compared to Q3 16
- Production lower than in Q2 17 due to seasonal maintenance works during summer holiday period
- Sales volume +3.6% y-o-y despite 16 kt impact in Q3 17 through product portfolio restructuring and transport capacity limitations

Crude Steel Production (kt)



Sales Volume (kt)



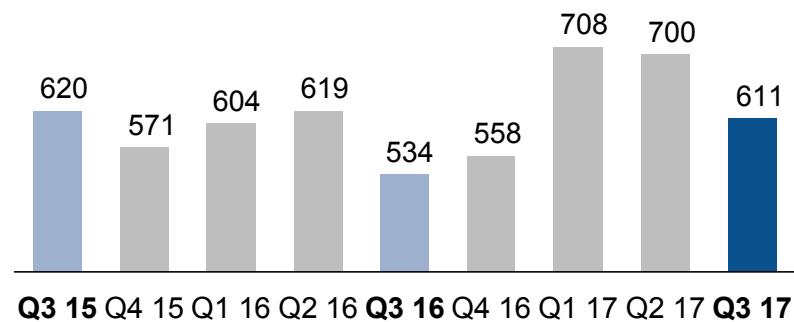
Revenue Growth Driven by Prices

► Revenue Growth of 14.4% y-o-y

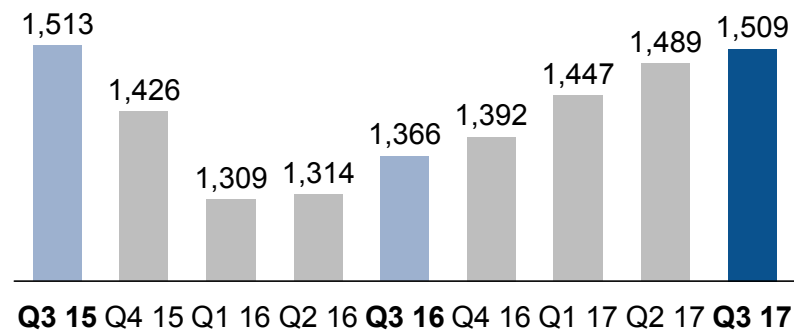
► Improved Sales Prices – Back to Level of Q3 15

- Quarterly sales price further increased in Q3 17 compared to Q3 16
- Prices up for 6th quarter in a row
- Higher base prices and raw material prices
- Q3 impacted by unit / product mix

Revenue (EUR million)



Average Sales Price (EUR/t)

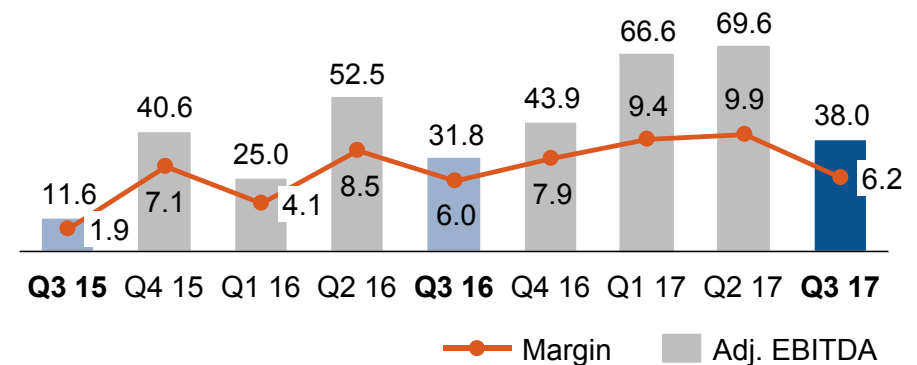


EBITDA Growth Supported by Continuing Performance Improvement Measures

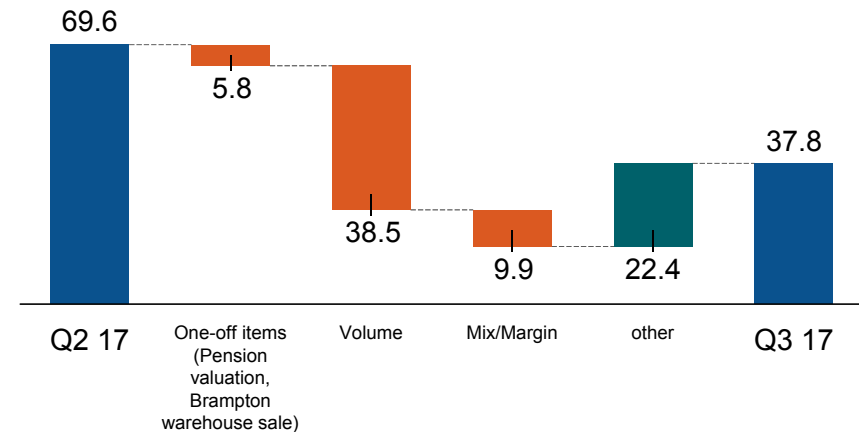
► EBITDA and EBITDA Margin Improved y-o-y, yet Significantly Impacted by Seasonality versus Q2 2017

- Higher sales prices vs previous years' periods
- Weaker vs Q1, Q2 – lower volumes and higher share of Quality & Engineering steel
- EUR 5 million sustainable cost savings achieved in Q3; 9M total at EUR 23 million

Adj. EBITDA / margin (EUR million / %)



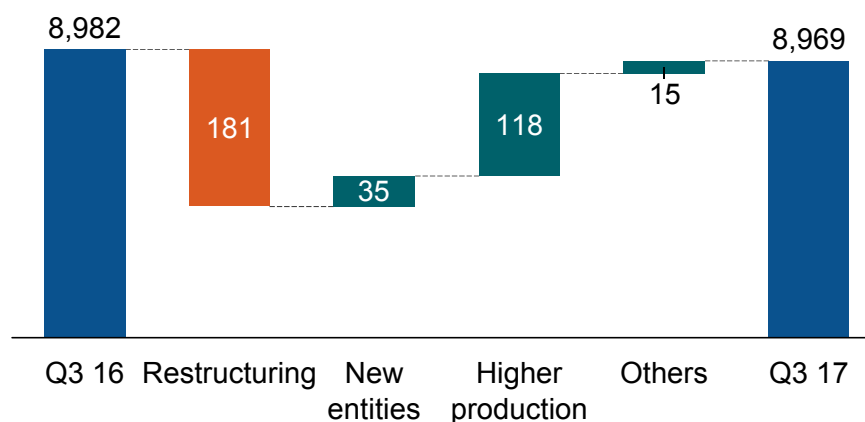
Adj. EBITDA Q3 17 vs Q2 17 (EUR million)



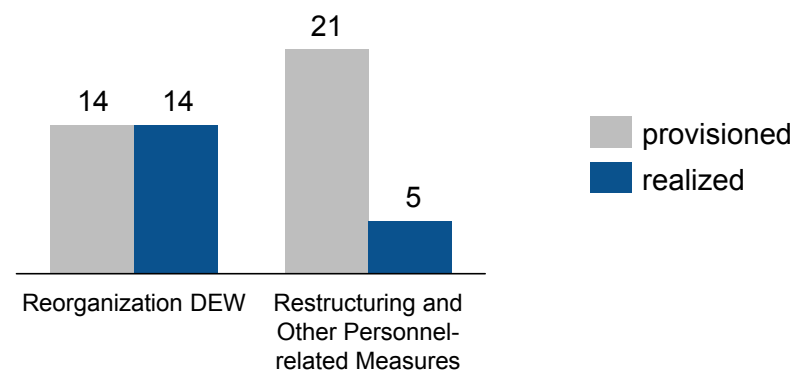
Restructuring Progressing

- ▶ **New Sales Organization at DEW and Consolidation in Germany Fully Operational**
- ▶ **Restructuring of Steeltec on Track and Well-Advanced**
 - Installation of equipment transferred from Boxholm to Düsseldorf largely completed
 - Property in DK sold, cash-in Q4 (EUR 5.6 mn)
- ▶ **Productivity Improvement Proceeding**
 - Headcount shift away from structurally challenged BUs:
 - 181 reduced in Germany
 - + 118 at production sites in France and N. America
 - + 35 new entities (JV China, Service Center Chile)
 - Further reduction of 70 positions until year-end 2017

Headcount Development



Provisions for Restructuring & Reorganization ¹⁾



¹⁾ See presentation FY 2016 results p14



Improvement of Capital Structure on Track

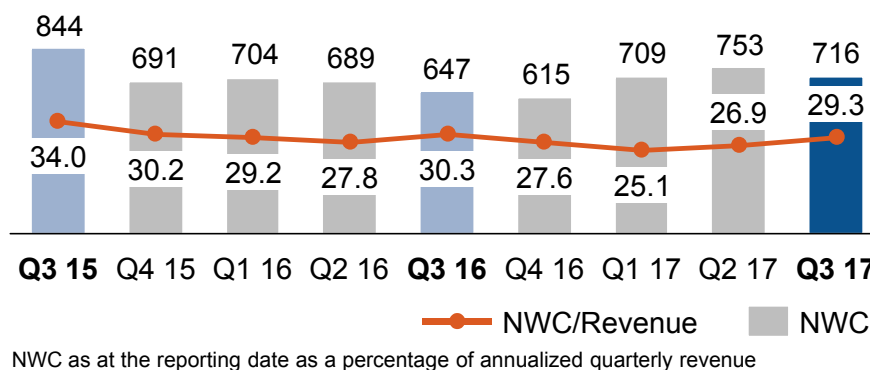
► Positive Free Cash Flow

- FCF at EUR 27.0 mn (Q3 16: EUR 56.8 mn)
- Net Working Capital seasonally down by EUR 36 mn, ratio up by 2.4%-points
- Capex YTD at EUR 53 mn
- Capex FY 2017e at approx. EUR 105 mn
- Cash-neutral: investments in Texas and China more than offset by cash-in from disposals in Canada and Denmark

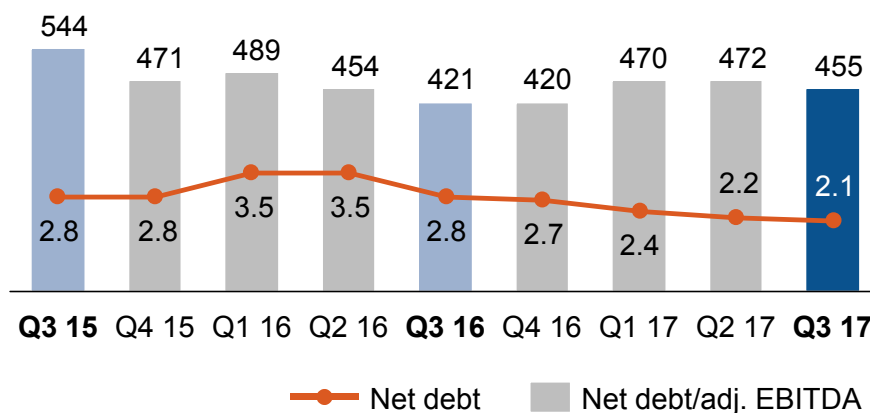
► Further Improvement of Financial Leverage

- Net debt decreased compared to Q2 17
- Leverage (net debt / adj. EBITDA) fell to a record low of 2.1x

NWC / NWC/Revenue last 3M (EUR million / %)



Net Debt / ND/adj. EBITDA (EUR million / ratio)



03 Outlook 2017



Outlook For Full-Year 2017 Confirmed

► Current Business Conditions Support Further Growth

- Synchronized global economic upswing is largely intact, no signs of weakness in customer industries
- Still strong order backlog after first nine months
- Internal improvement / restructuring measures almost completed
- Political and macroeconomic risks remain high
- Raw material price volatility to remain high

► Significant Risks From Cost Inflation

- Rising costs for graphite electrodes and refractories

Outlook for Full-Year 2017

SCHMOLZ + BICKENBACH expects an adjusted EBITDA in a range between EUR 200 million and EUR 220 million



Q & A Session



Appendix



Nickel Price Development – 1 Year



Source: Bloomberg, LME Nickel USD/mt



Nickel Price Development – 10 Years



Source: Bloomberg, LME Nickel USD/mt



Financial Calendar and Contact

Date	Event
March 8, 2018	Annual Report 2017, Media and Investor Conference, Zurich
April 26, 2018	Annual General Meeting, KKL, Lucerne
May 8, 2018	Interim Report Q1 2018, Media and Investor Conference Call
August 8, 2018	Interim Report Q2 2018, Media and Investor Conference Call
November 8, 2018	Interim Report Q3 2018, Media and Investor Conference Call

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