



# **SCHMOLZ + BICKENBACH**

Q4/FY 2017 Results – Investors' & Analysts' Conference

Zurich, March 8, 2018



SCHMOLZ + BICKENBACH  
Group



# Disclaimer

## Forward-looking statements

This presentation contains forward-looking statements about developments, plans, intentions, assumptions, expectations, convictions, possible impacts or the description of future events, outlooks, revenues, results or situations, for example. These are based upon the company's current expectations, convictions and assumptions, but could materially differ from any future results, performance or achievements. We are providing this communication as of the date hereof and do not undertake to update any forward-looking statements contained herein as a result of new information, future events or otherwise.



# Content

---

**01** Business Review / Figures FY 2017

**02** Financial Performance Q4 2017

**03** Acquisition of Ascometal

**04** Outlook 2018

---

# 01 Business Review / Figures FY 2017

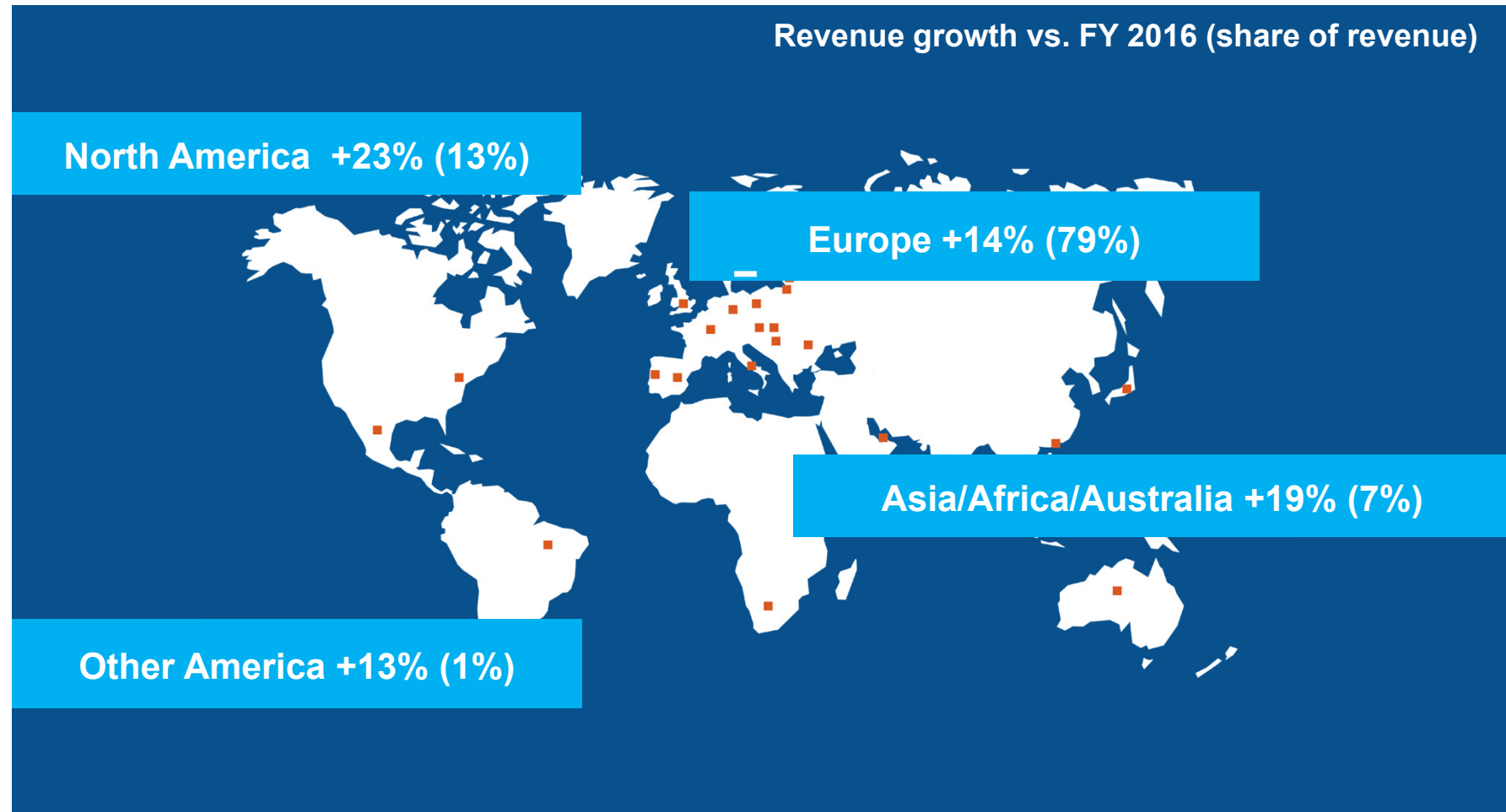


## 2017 – A Successful Year for SCHMOLZ + BICKENBACH

<b>Sales volume</b>	<b>1,797 kilotons</b>	<b>+4%</b>
<b>Revenue</b>	<b>EUR 2.68 billion</b>	<b>+16%</b>
<b>Adj. EBITDA</b>	<b>EUR 223 million</b>	<b>+45%</b>
<b>Group result</b>	<b>EUR 45.7 million</b>	<b>FY 2016 negative</b>
<b>Free cash flow</b>	<b>EUR 16.3 million</b>	<b>–82%</b>

All figures compared to FY 2016

## Double-digit Revenue Growth in All Regions



## Quality & Engineering and Stainless Steel with Highest Growth Rates – Sales Prices Increased Double-digit

### Sales volume by product group

Quality & Engineering (~ 70%*)	+6%
Stainless (~ 20%*)	+2%
Tool (~ 10%*)	-1%

\* % of total Group sales volume

### Average sales prices

Total	EUR 1,490/t	+11.0%
Q & E	EUR 901/t	+13.4%
Stainless	EUR 2,889/t	+14.0%
Tool	EUR 2,656/t	+4.2%

All figures compared to FY 2016



## Favorable Market Development Supported a Strong Annual Result

New passenger car registrations (EU)	15.1 mn	+3%	vs. FY 2016 (14.6 mn)	➔
North American rotary rig counts	1,144	+20%	vs. FY 2016 (952)	➔
Oil price per barrel	USD 60	+9%	vs. year-end 2016 (USD 55)	➔
Mech Eng production Germany	+3% in real terms in 2017 vs. FY 2016			➔
Scrap price (USD/ton)	+26%	vs. year-end 2016		➔
Nickel price (USD/ton)	12,260	+20%	vs. year-end 2016 (10,205)	➔

Sources: ACEA, Baker Hughes, WTI, VDMA, Platts, LME, ICDA (International Chromium Development Association)





# Significant Progress in Strategy Execution

## Performance Improvement Program Finalized

- ▶ 2016/2017: Permanent cost savings of EUR 72 million (EUR 30 million in 2017)
- ▶ Net working capital efficiency further improved (4.6 percentage points vs 2015, 2.0 PP vs. 2016)

## Restructuring Progressed

- ▶ **BU Steeltec:** closed production at Boxholm (Sweden), equipment transferred to Düsseldorf (Germany) and Gebze (Turkey)
- ▶ **Sales & Services:** Merger of German S&S organization with Steeltec and Ugitech sales branches in Germany; asset sales in Canada and Denmark

## Reorganization & Enablers Implemented

- ▶ **Reorganization of DEW** – successfully implemented
- ▶ **Group-wide CRM tool** – went live in Germany & France

# Significant Progress in Strategy Execution *(continued)*

## Sales Footprint Expanded / Optimized

- ▶ Established new sales entities in Chile and Argentina, warehouse in India
- ▶ JV Shanghai Xinzheng Precision Bars Co. Ltd. with Tsingshan in China operational
- ▶ Sales office in Malaysia closed

## Growth Investments Launched

- ▶ Walking beam furnace and Garrett coilers at BU Swiss Steel: CHF 49 million
- ▶ Nadcap oven + stacker crane at BU Ugitech: EUR 17 million

## Refinancing Done

- ▶ **EUR 200 million 5.625%** 2017-2022 bond issued, EUR 375 million revolving credit facility and EUR 300 million ABS program renegotiated and extended to 2022; EUR 7 million lower interest payments

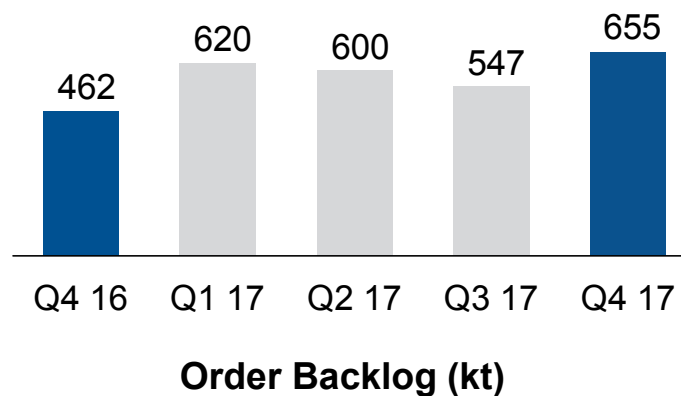
## 02 Financial Performance Q4

---



## Production and Sales Volumes Increased on Good Demand

<b>Crude Steel Production</b>	<b>467 kilotons</b>	<b>+4.2%</b>	<b>vs. Q4/16 (448 kilotons)</b>
<b>Sales Volume</b>	<b>433 kilotons</b>	<b>+8.0%</b>	<b>vs. Q4/16 (401 kilotons)</b>
<b>Order Backlog</b>	<b>655 kilotons</b>	<b>+41.8%</b>	<b>vs. end Q4/16 (462 kilotons)</b>



## Average Sales Price Rose for 7<sup>th</sup> Consecutive Quarter

### Revenue

**EUR 659 million**

**+18.1%** vs. Q4/16 (EUR 558 million)

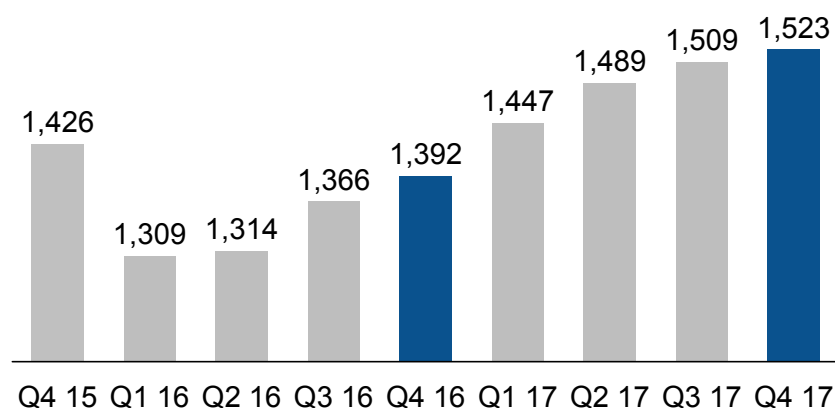
- Driven by volumes, base prices and higher alloy surcharges due to rising prices for raw materials

### Average sales price

**EUR 1,523/t**

**+9.4%** vs. Q4/16 (EUR 1,392/t)

- Successful price negotiations with customers in Q4



**Average Sales Price (EUR/t)**



## Adjusted EBITDA with Double-digit Growth

<b>Adjusted EBITDA</b>	<b>EUR 48.5 million</b>	<b>+10.5%</b>	<b>vs. Q4/16 (EUR 43.9 million)</b>
<b>– EUR/t</b>	<b>EUR 112/t</b>	<b>+2.3%</b>	<b>vs. Q4/16 (109.5)</b>
<b>– margin</b>	<b>7.4%</b>		<b>vs. 7.9% in Q4/16</b>

- ▶ Adjusted EBITDA mirrors favourable market conditions and strategic progress
- ▶ EBITDA adjustments of 4.7 million, EUR 7.8 million in the full-year, including EUR 4 m for Ascometal acquisition costs

<b>Group Result</b>	<b>EUR 26.2 million</b>	<b>vs. EUR –44.1 million in Q4/16</b>
---------------------	-------------------------	---------------------------------------

- ▶ Group result includes two one-time tax benefits:
  - EUR 14.6 million from tax reform in the United States
  - EUR 5.4 million from recognizing deferred tax assets on tax loss carry forwards at Ugitech
- ▶ 31% lower interest expenses on financial liabilities of EUR 6.2 million vs. EUR 9.0 million in Q4 16 due to successful refinancing



# Successful NWC Management in a Good Market Environment

## Free Cash Flow

**EUR 13.6 million**

**+42%**

vs. Q4/16 (EUR 9.6 million)

- ▶ Strong operational performance
- ▶ Cash inflow from sale of property in Denmark

## Investments

**EUR 49.9 million**

**+19%**

vs. Q4/16 (EUR 42.0 million)

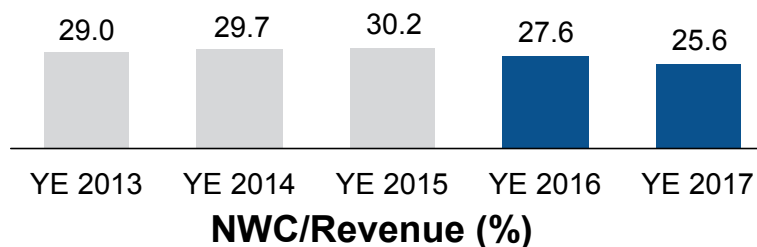
- ▶ FY 17 investments at 103.2 million vs. EUR 100.8 million in FY 2016
- ▶ Normal seasonality with higher costs in Q4/17 – maintenance period
- ▶ Higher maintenance and first payments for big strategic investments at Swiss Steel and Ugitech

## NWC / Revenue

**25.6% at year-end 2017**

**27.6% at year-end 2016**

- ▶ Net working capital increased by EUR 70.0 million compared to year-end 2016
- ▶ Structural improvements in NWC management in the last few years



## Leverage at 10-years Low

### Net debt

**EUR 442 mn** at year-end 2017    **EUR 420 million** at year-end 2016

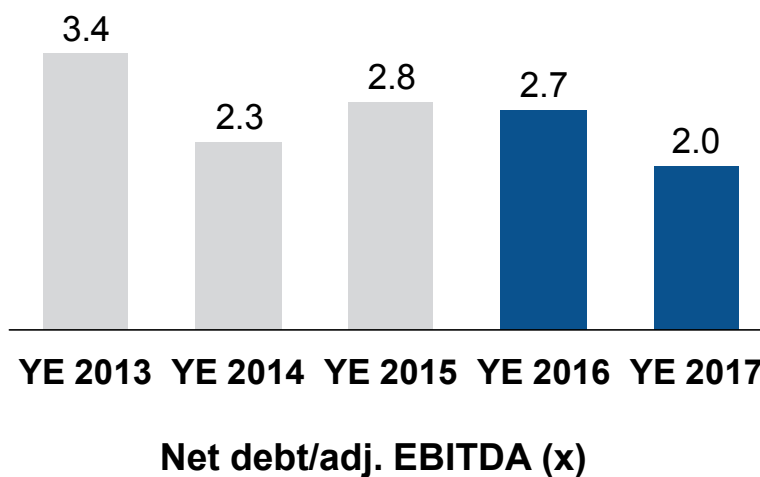
- ▶ Higher net debt due to net working capital increase in absolute terms
- ▶ NWC rose on the back of higher inventories, production volumes and prices

### Leverage

**2.0** at year-end 2017

**2.7** at year-end 2016

- ▶ Leverage (net debt / adj. EBITDA) at 10-year low despite higher net debt





## 03 Acquisition of Ascometal

---



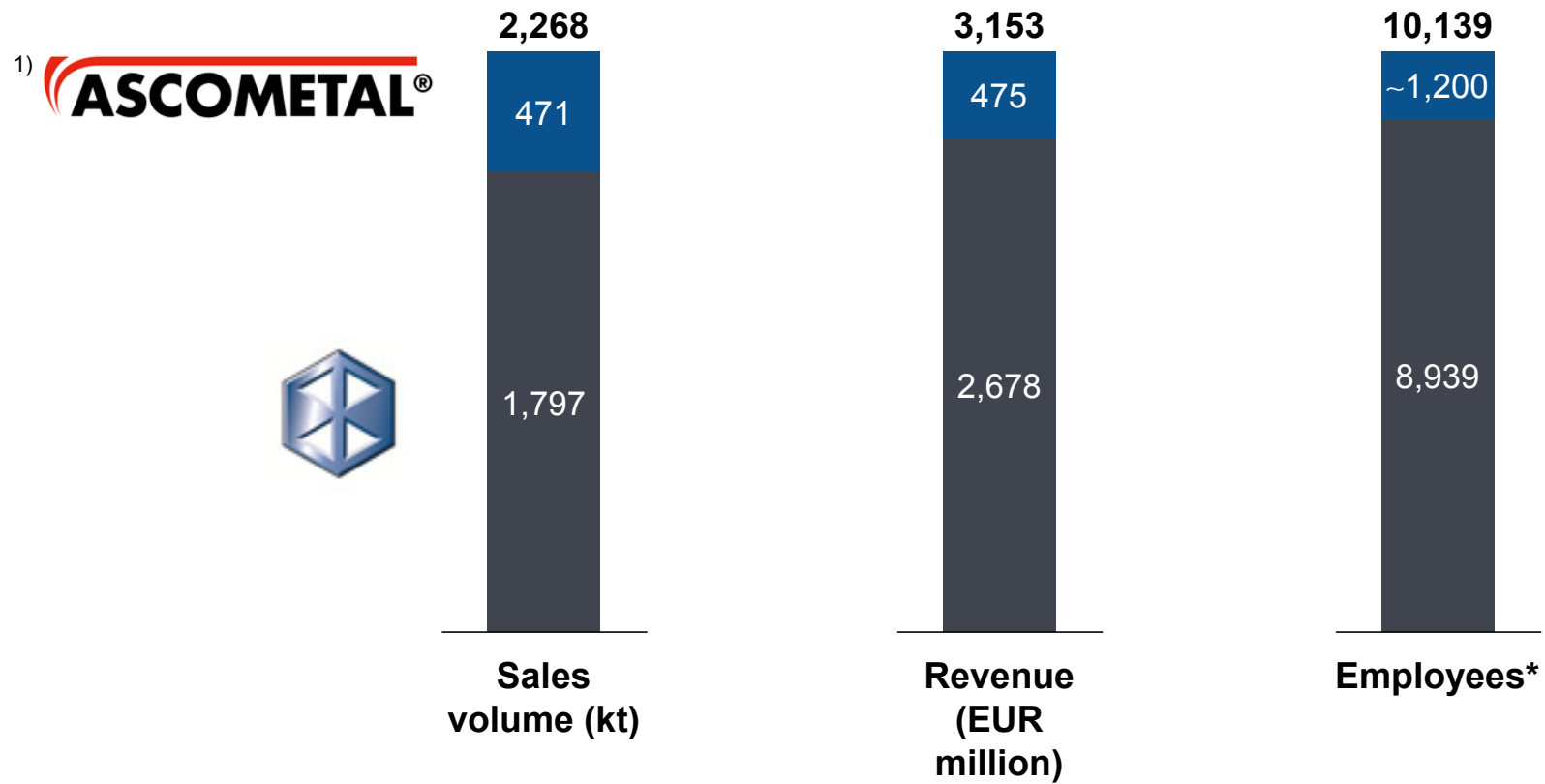
# Key Investment Considerations

- ▶ Acquisition in line with **SCHMOLZ + BICKENBACH's strategy**
- ▶ Creates a **new European leader** for Quality & Engineering long steel products
- ▶ **Best assets** of Ascometal selected / retained – asset deal structure of the transaction
- ▶ **Significant increase of market share** in O&G, Bearings and Automotive segments
- ▶ Further **growth opportunities** in those attractive segments
- ▶ **Complementarity** of Ascometal with S+B strategy – specific expertise at Asco level
- ▶ **Improvement of cost structure** – higher capacity utilization throughout the enlarged Group
- ▶ **Substantial cost synergies of EUR 40 million/year** expected – immediate implementation potential
- ▶ Further expansion into **France**, at a time when the country is **showing a strong growth** (+1.9% GDP in 2017) and strong potential going forward
- ▶ **Manageable risk, high reward** acquisition – attractive financials; clear roadmap for integration, growth and restructuring



# Ascometal Adds 26% to Group Sales Volume

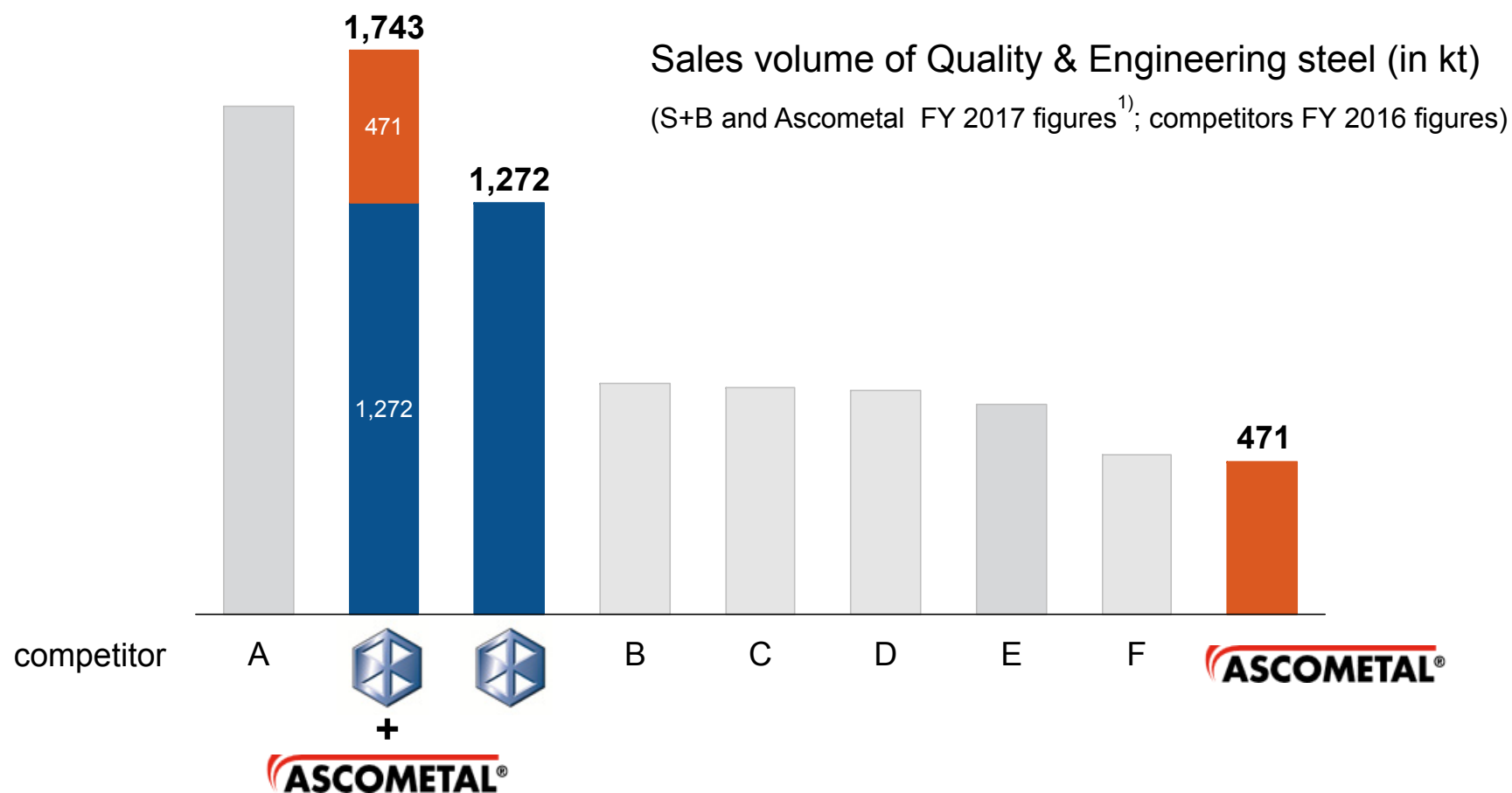
Full-year figures 2017<sup>1)</sup>



<sup>1)</sup> Ascometal: unaudited figures full-year 2017

\* Ascometal: permanent contracts

# A New European Leader for Quality & Engineering Long Steel Products

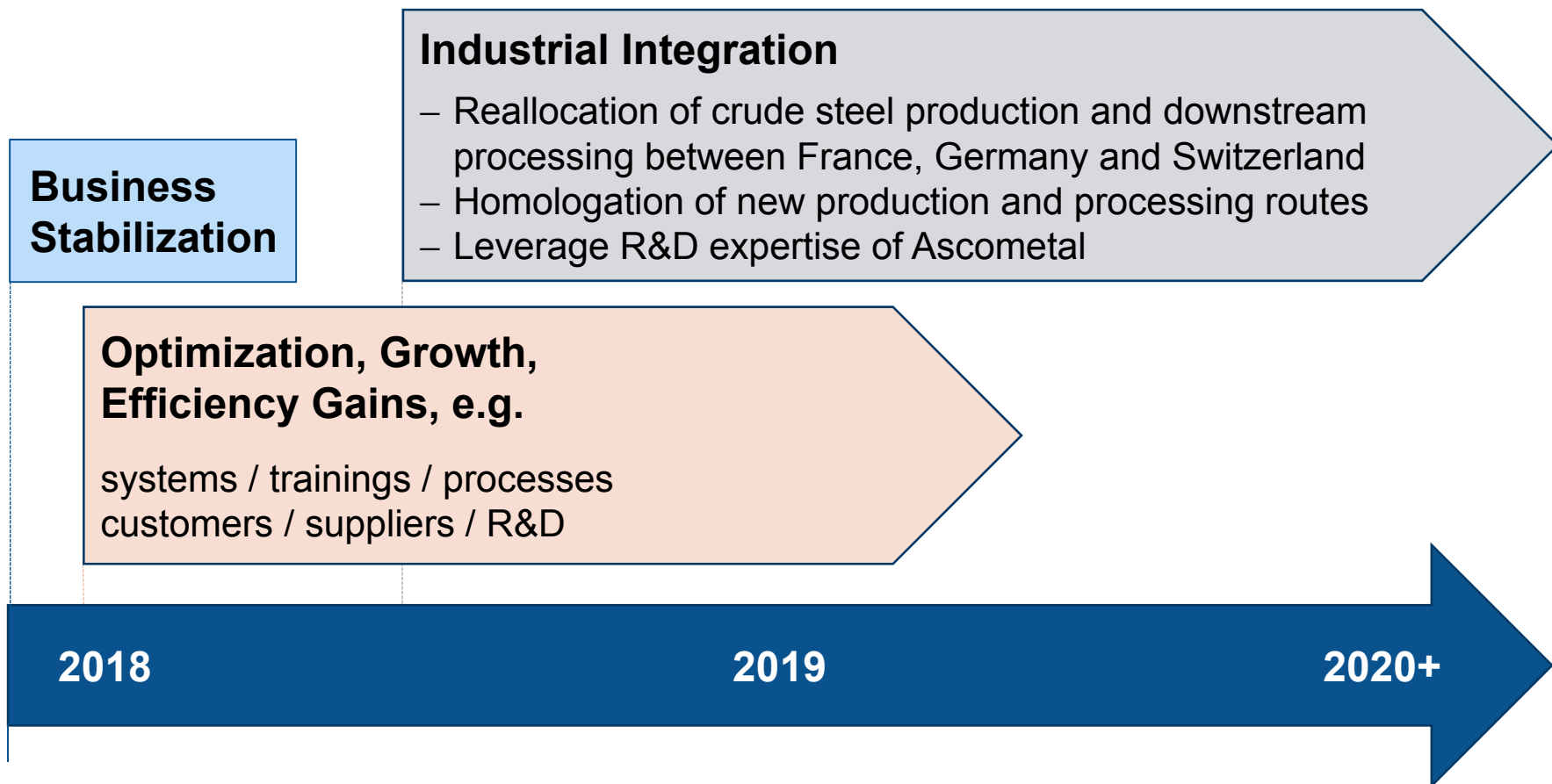


<sup>1)</sup> Ascometal: unaudited figures full-year 2017

Source: S+B, Ascometal, SMR

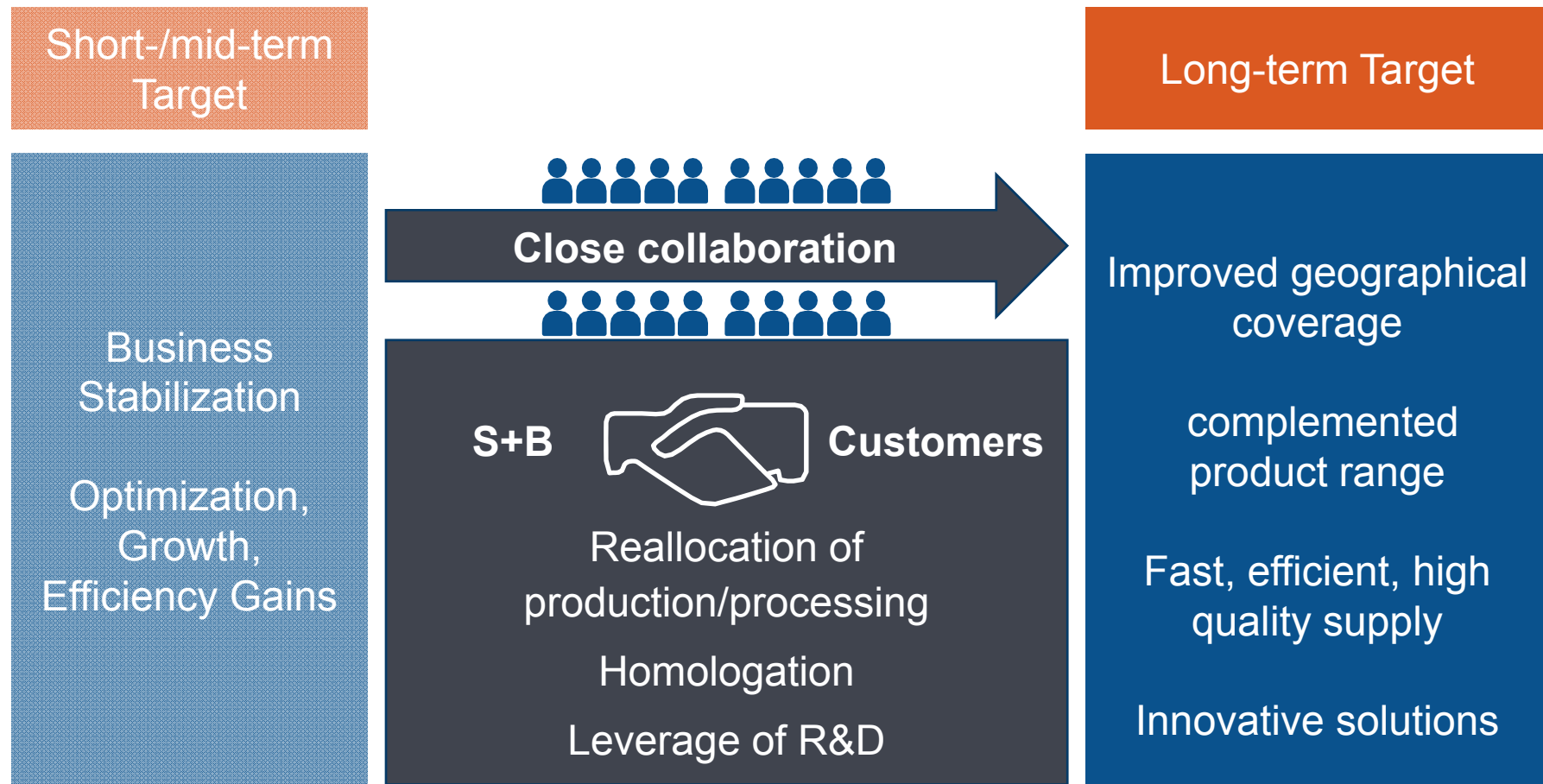


# Integration Timeline – Three Phases, Successfully Started



Feb 1, 2018 – asset transfer and consolidation of figures

# Customer in Focus During Industrial Integration



## Expected Financial Impact of Ascometal on Group Figures

<i>Expected one-time impacts</i>	<b>2018</b>	<b>2019</b>	<b>2020/2021</b>
Cash consideration	~ EUR 50 million	–	–
Additional investments (CAPEX)	~ EUR 20 million	~ EUR 50 million	~ EUR 40 million
Additional NWC	~ EUR 70 million	~ EUR 10 million	–
Leverage / Net Debt	Standard & Poor's, Moody's confirmed rating, total Group leverage < 3.0 x <b>total expected financial commitment EUR ~240 million</b>		
Normalized EBITDA impact	break-even	positive	positive
One-off EBITDA impact <sup>1)</sup>	positive	-	-

<sup>1)</sup> Net effect consisting mainly of goodwill and one-off restructuring expenses  
All information status as of March 8, 2018

---

## 04 Outlook 2018





# Outlook For Full-Year 2018

## ► Supportive business environment

- Synchronized global economic upswing largely intact
- No signs of weakness in customer industries at the beginning of 2018
- Further volume growth expected in the special long steel industry in 2018
- Strong order backlog at year-end 2017
- Electrodes supply secured, higher costs fully absorbed
- Raw material price volatility to remain high, but so far positive for the business
- Risk of cost inflation (e.g. labor) in a strong economic environment

## Outlook for Full-Year 2018

**SCHMOLZ + BICKENBACH expects an adjusted EBITDA in a range between EUR 200 million and EUR 230 million**

## Q & A



---

# 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
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

---

## Contact

Dr Ulrich Steiner

Vice President Corporate Communications & Investor Relations

Phone +41 41 581 4120

[u.steiner@schmolz-bickenbach.com](mailto:u.steiner@schmolz-bickenbach.com)