



# **SCHMOLZ + BICKENBACH**

Q2 2018 Results – Investors' & Analysts' Conference Call

Lucerne, August 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 H1 2018

**02** Financial Performance Q2 2018

**03** Outlook

---

# 01 Business Review H1 2018



## Strong Performance in the First Half-Year

<b>Sales volume</b>	<b>1,125 kilotons</b>	<b>+17.3%</b>
<b>Revenue</b>	<b>EUR 1,737.2 million</b>	<b>+23.4%</b>
<b>Adj. EBITDA</b>	<b>EUR 155.2 million</b>	<b>+14.0%</b>
<b>Group result</b>	<b>EUR 96.1 million</b>	<b>EUR 26.5 million H1 2017</b>
<b>Free cash flow</b>	<b>EUR –170.9 million</b>	<b>EUR –24.3 million H1 2017</b>

All figures include results of Business Unit Ascometal for five months, fully consolidated as of February 1, 2018

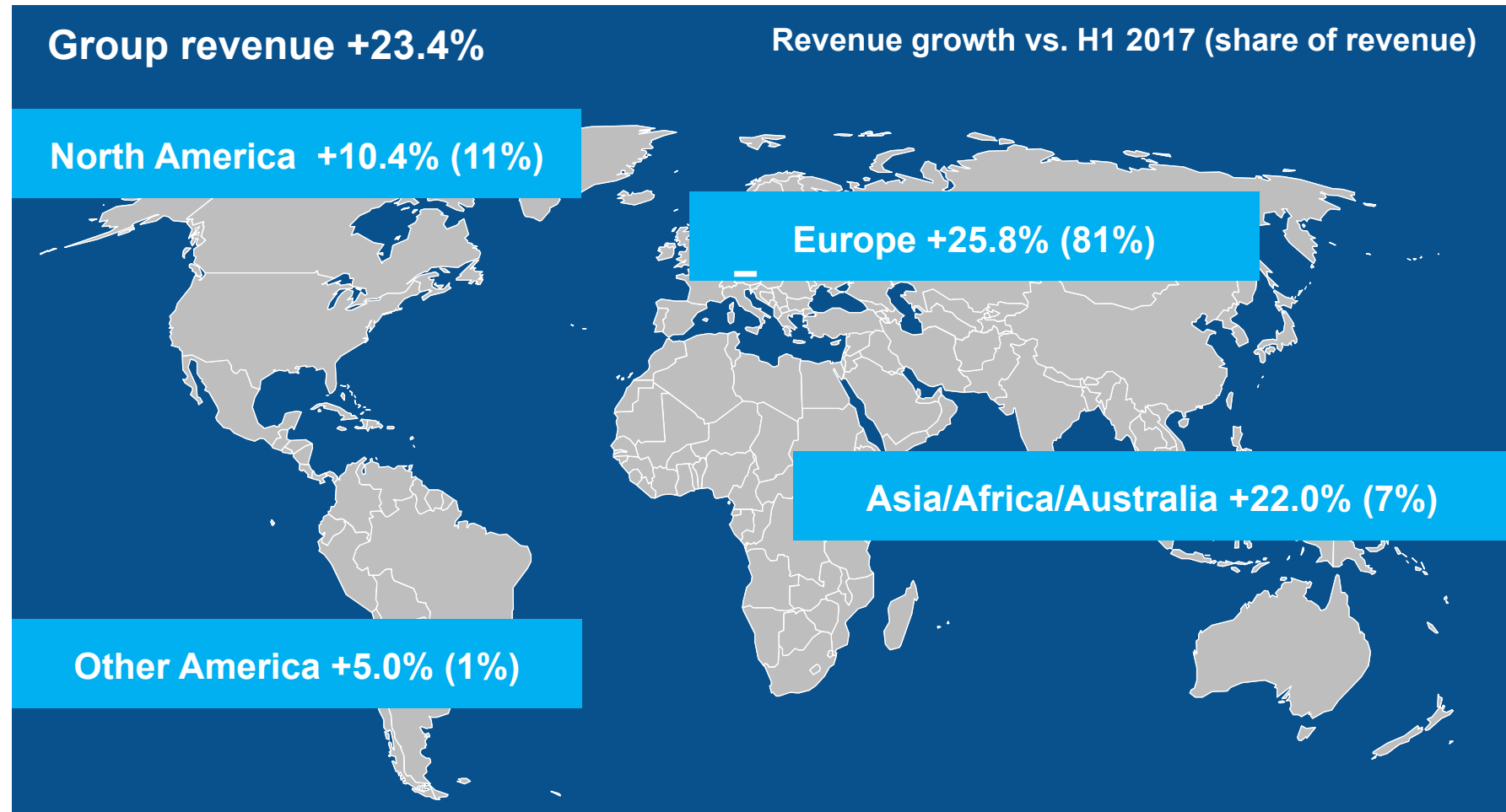


## Market Environment Remained Supportive in H1 2018

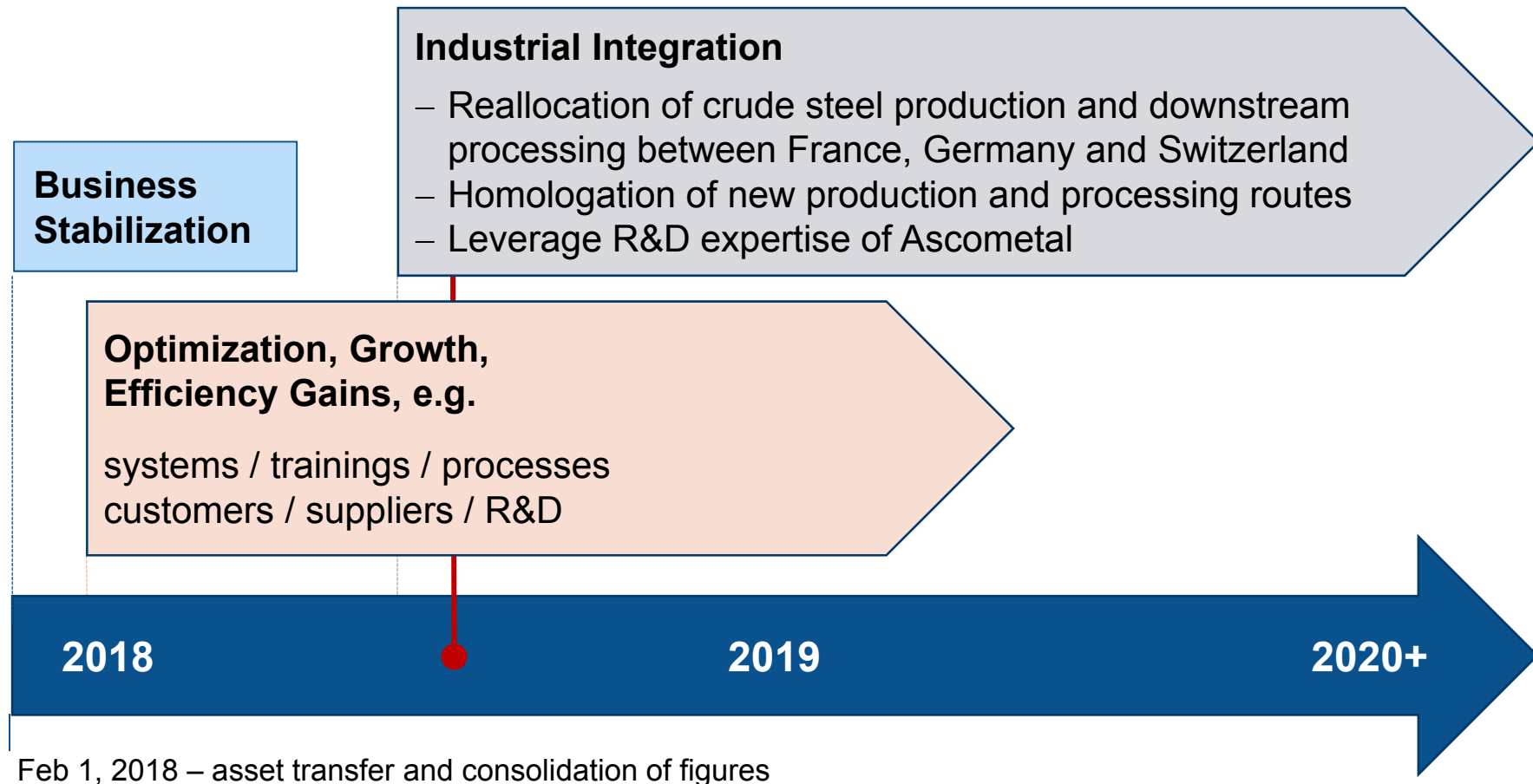
Commodity prices vs. Q1 2018 (quarterly averages in USD per ton)	Nickel	+9%
	Scrap (FOB Rotterdam)	–3%
	Ferrochrome	+2%
Oil price per barrel (WTI)	USD 74	+14% vs. end Q1/18 (USD 65)
VDMA order Jan–Apr 2018	+4% vs. Jan–Apr 2017	
New passenger car registrations (EU)	+3% in H1 2018 vs. H1 2017	
North American rotary rig counts	1,219 end Q2/18	vs. 1,127 end Q1/18

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

# Ascometal Acquisition Drives Double-Digit Growth in Europe



# Ascometal Integration Timeline – Execution on Track





# Encouraging / Significant Progress in the Integration of Ascometal – Overview on Work Streams

## Examples

### Industrial

- ▶ **Review industrial concept**
- ▶ Cooperation across BUs growing
- ▶ **Operational surveys and KPI reviews done; mid- and long-term targets set**
- ▶ Prioritized investments approved

### Procurement

- ▶ Purchasing setup complete
- ▶ **Return to normal payment terms**
- ▶ Ferroalloys incorporated in existing S+B frame contracts
- ▶ Electrode supply secured
- ▶ Scrap supply in optimization

### Commercial

- ▶ **Most Ascometal sales entities integrated into S+B entities**
- ▶ Joint presence at flagship trade fair «wire» 2018 in Dusseldorf, Germany

### Communication

- ▶ Day 1 communication: CEO video, printed materials
- ▶ Integrated into S+B communication landscape
- ▶ Corporate design applied
- ▶ Internet presence updated and linked to Group

### Legal

- ▶ Legal structure
- ▶ Formal transfer of assets, Intellectual Property
- ▶ Formal transfer of Ascometal's foreign subsidiaries
- ▶ **Roll-out compliance**

### Finance

- ▶ S+B Group reporting cycle and requirements adopted
- ▶ **Reporting software rolled out**
- ▶ Acq. accounting completed
- ▶ AM integrated into ABS program
- ▶ Manual cash pooling with S+B established

### Information Tech.

- ▶ Ascometal in Group firewall
- ▶ Access to active directory, intranet, mail addresses
- ▶ **SAP landscape for invoicing, controlling and accounting + SAP transition to 5 entities**
- ▶ Ascovall carve-out
- ▶ BPC Integration

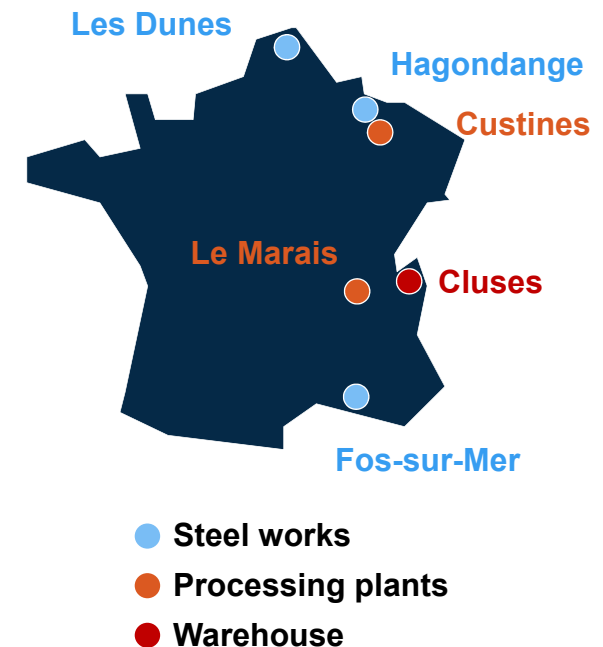
### Human Resources

- ▶ H&S campaign on world safety day
- ▶ ~ 50 authorized recruitments
- ▶ **transfers of colleagues from AM to S+B Fr / UGI**
- ▶ Set-up of worker's councils in each company
- ▶ Group agreements signed: e.g. Participation



# Short-term Measures Agreed to Improve Operational Performance at Ascometal

- ▶ Operational performance of Ascometal **can be significantly improved** – especially sites in Fos-sur-Mer, Hagondange and Les Dunes
- ▶ 13 major **investment projects** / EUR 6.7 million **approved to facilitate mitigation of operational issues**
- ▶ **KPIs** for all sites **defined**: safety, quality, volumes, on-time delivery, productivity, net working capital, and profitability
- ▶ Implementation of industrial concept: decisions to be made based on **achievement of KPIs**
- ▶ **Management team completed** – experienced CEO Ascometal hired as of August 1 – focus on operational improvement



---

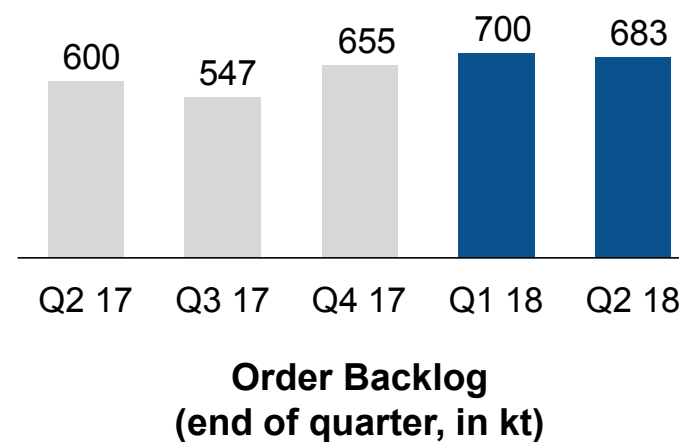
## 02 Financial Performance Q2 2018



# Growth of Production and Sales Volumes Driven by Ascometal

<b>Crude Steel Production</b>	<b>650 kilotons</b>	<b>+21.5%</b> vs. Q2/17 (535 kilotons)
<b>Sales Volume</b>	<b>580 kilotons</b>	<b>+23.4%</b> vs. Q2/17 (470 kilotons)
<b>Order Backlog</b>	<b>683 kilotons</b>	<b>+13.8%</b> vs. end Q2/17 (600 kilotons)

- ▶ Sales volume ex-Ascometal flat vs. Q2 2017:  
2% volume growth offset by optimization of Steeltec's product portfolio
- ▶ High order backlog +14% compared to Q2 2017:  
slightly lower vs. Q1 2018 going into seasonally weaker third quarter and prudent order intake



# Strong Pricing Environment Persisted

## Revenue

**EUR 908.3 million**

**+29.8%** vs. Q2/17 (EUR 699.8 million)

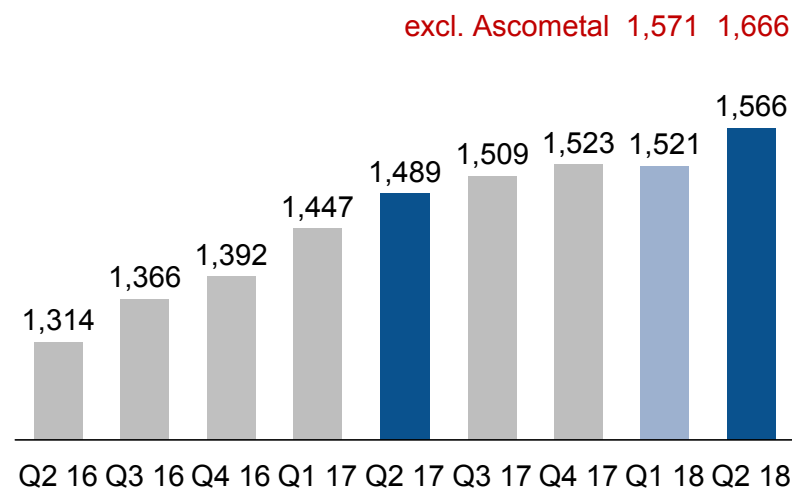
- ▶ Ascometal acquisition, higher base prices and scrap/alloy surcharges

## Average sales price

**EUR 1,566/t**

**+5.2%** vs. Q2/17 (EUR 1,489/t)

- ▶ Year-on-year sales prices up in an overall favourable pricing environment
- ▶ Further sales price increases of 3.0% vs. Q1 2018 despite higher share of Q & E steel in Q2 2018 (Q1: AM consolidated for 2 months, Q2 for 3 months)



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



## Adjusted EBITDA Grew in Double Digits

<b>Adjusted EBITDA</b>	<b>EUR 84.9 million</b>	<b>+22.0%</b> vs. Q2/17 (EUR 69.6 million)
<b>– EUR/t</b>	<b>EUR 146/t</b>	<b>–1.4%</b> vs. Q2/17 (148)
<b>– margin</b>	<b>9.3%</b>	<b>9.9%</b> in Q2/17

- ▶ Double-digit growth of adjusted EBITDA fuelled by better prices and cost savings
- ▶ Shift in product mix impacted EBITDA per ton

<b>EBITDA</b>	<b>EUR 81.8 million</b>	<b>+20.8%</b> vs. Q2/17 (EUR 67.7 million)
---------------	-------------------------	--

- ▶ Adjustments of EUR 3.1 million integration costs

<b>Group Result</b>	<b>EUR 37.1 million</b>	<b>EUR 10.0 million in Q2/17</b>
---------------------	-------------------------	----------------------------------

- ▶ Tax rate at 18.1% compared to expected long-term effective tax rate of 26%

## Lower Cash Flow Due to Increased NWC Needs and Acquisition of Ascometal

### Net working capital

**EUR 1,017 million**

**+12.1%** compared to end Q1/18

- ▶ Net working capital increased to EUR 1'017 million from EUR 907 million at end Q1 2018
- ▶ NWC up as a result of strong demand situation and ramp-up at Ascometal

### NWC / Revenue

**28.0%**

**27.4%** end Q1/18

- ▶ NWC contribution from Ascometal
- ▶ Stock-up for summer months

### Free Cash Flow

**EUR –68.2 million**

**EUR 7.1 million** in Q2/17

- ▶ Increase in NWC, further purchase price payments for Ascometal

### Investments

**EUR 20.8 million**

**+51.8%** vs. Q2/17 (EUR 13.7 million)

- ▶ Investments above previous year period, mainly for DEW, Swiss Steel and Ugitech investments
- ▶ Expected capex 2018 approx. EUR 140 million



# EUR 150 million Bond Tap – Increased Financial Headroom

## Net debt

**EUR 626 million** end Q2/18

**EUR 557 million** end Q1/18

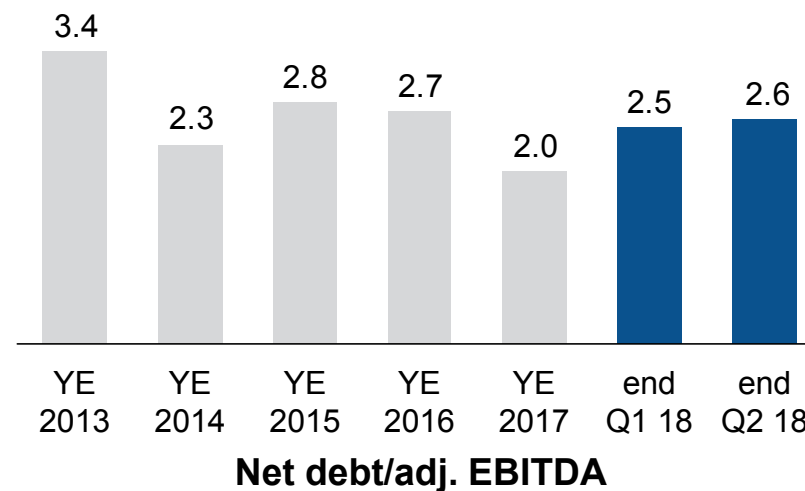
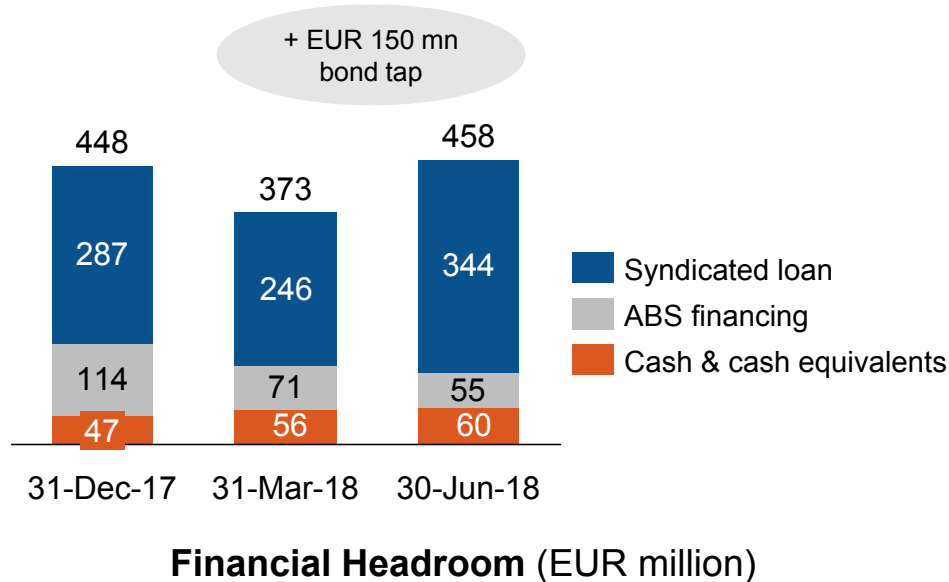
- Higher net debt due to net working capital increase in absolute terms

## Leverage

**2.6** end Q2/18

**2.5** end Q1/18

- Acquisition-related increase in leverage, still at a comfortable level





## 03 Outlook

---



# Trade Barriers, Protectionism and Tariffs – Limited Impact so far, but a Significant Threat to the Steel Industry

- ▶ Limited direct impact on S+B Group from US tariffs on steel imports – less than 3% of Group sales volume (< 50 kt) exported to the United States
- ▶ Potential impact of provisional safeguard measures on steel implemented by the European Union for S+B's Swiss operations, not quantifiable at this time
- ▶ Key issues:
  - provisional measures turning into permanent measures?
  - status of Switzerland?
- ▶ Biggest risk for the global economy / steel industry:  
escalation of trade tensions into a trade war with negative impact on global economic growth



# Outlook For Full-Year 2018

## **Supportive market environment expected**

- ▶ Political risks increased in recent weeks – trade barriers, punitive tariffs and countermeasures
- ▶ Despite this, synchronized global economic upswing is largely intact so far
- ▶ Currently no signs of fundamental weakness in our end markets
- ▶ Further volume growth expected in the special long steel industry in 2018
- ▶ Strong order backlog at the end of H1 2018, although seasonally lower than at end Q1 2018
- ▶ Raw material prices to remain volatile, but at high levels
- ▶ Risk of cost inflation (e.g. energy) in a strong economic environment

## **Guidance for full-year 2018 raised**

**SCHMOLZ + BICKENBACH expects an adjusted EBITDA in a range between EUR 230 million and EUR 250 million**

(before EUR 200 million to 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
November 8, 2018	Interim Report Q3 2018, Media and Investor Conference Call
March 13, 2019	Annual Report 2018, Media and Investor Conference, Zurich

---

## 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)