



SCHMOLZ + BICKENBACH

Q2 2019 Results – Investors' & Analysts' Conference Call

Lucerne, August 7, 2019



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 Q2 2019

02 Financial Performance Q2 2019

03 Outlook FY 2019

01 Business Review Q2 2019



Profit down but Cash Flow Up in a Deteriorating Business Climate

- ▶ Global economy continued to lose momentum in Q2 2019
- ▶ Trade conflicts and political uncertainties weighed heavily on steel markets
- ▶ Demand from the automotive industry further weakening as the quarter progressed
- ▶ Other end markets started to soften – namely mechanical & plant engineering
- ▶ Downtrend in order income and order backlog continued, slowing towards quarter-end
- ▶ Destocking progressing, normalization expected towards end of the year
- ▶ Volumes, revenue and EBITDA down year-on-year
- ▶ Strong free cash flow and net debt reduction through tight inventory management



Earnings Burdened by Weak Market Environment

Sales volume	486 kilotons	–16.2% vs. Q2/18 (580 kilotons)
Revenue	EUR 808 million	–11.1% vs. Q2/18 (EUR 908 million)
Adj. EBITDA	EUR 40.5 million	–52.3% vs. Q2/18 (EUR 84.9 million)
Group result (EAT)	EUR –13.6 million	EUR 37.1 million in Q2/18
Free cash flow	EUR 59.2 million	EUR –68.2 million in Q2/18
Net debt	EUR 709 million	EUR 752 million end Q1/19

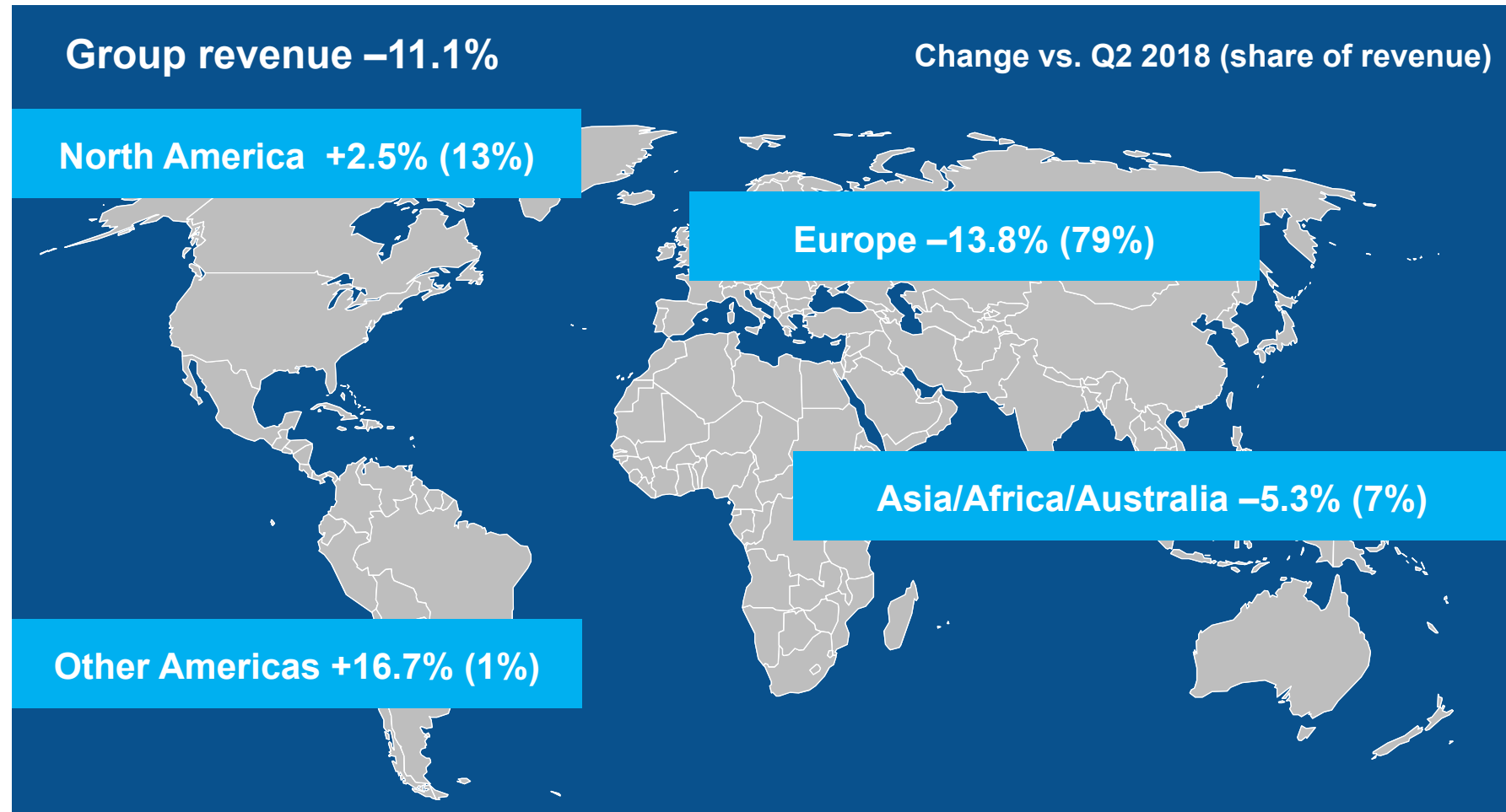


Commodity Prices and Industry Indicators Moving Down

Commodity prices vs. Q1 2019 (quarterly averages in USD per ton)	Nickel	–1%
	Scrap (FOB Rotterdam)	–4%
	Ferrochrome	–9%
Oil price per barrel (WTI)	USD 60 +9% vs. Q1/19 (quarterly averages)	
VDMA order entry	–8%	Q2/19 vs. Q2/18
New passenger car registrations (EU)	–3.1%	H1/19 vs. H1/18
Total passenger car production:	Q2/19 vs. Q2/18:	
Germany	–13.7%	
USA	–10.2%	
China	–19.3%	

Sources: ACEA, WTI, VDMA, Platts, LME, ICDA (International Chromium Development Association), VDA, China Association of Automobile Manufacturers (CAAM) and U.S. Bureau of Economic Analysis

Revenue Lower in Almost All Key Regional Markets



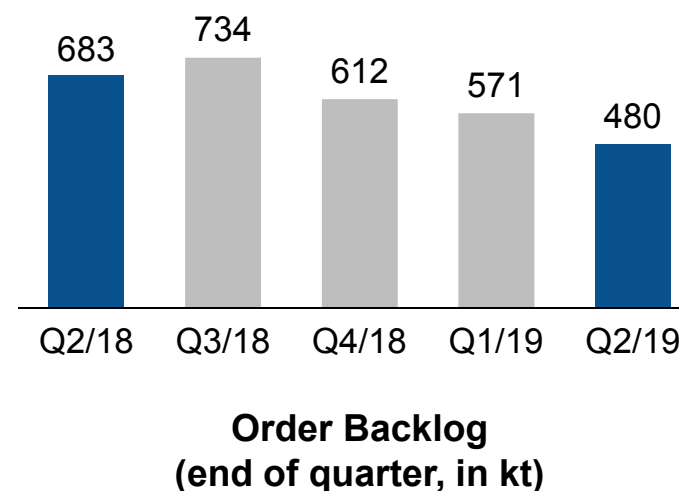
02 Financial Performance Q2 2019



Production, Sales Volume and Order Backlog Declined

Crude Steel Production	506 kilotons	–22.2% vs. Q2/18 (650 kilotons)
Sales Volume	486 kilotons	–16.2% vs. Q2/18 (580 kilotons)
Order Backlog	480 kilotons	–29.7% vs. end Q2/18 (683 kilotons)

- ▶ Sales volume down by 16.2%
 - Pronounced weakness in demand from the automotive industry
 - Other industrial end-use markets softening
 - 20% lower volumes in quality & engineering product group
 - Stainless and tool steel only slightly lower: broader diversification across end-use industries
- ▶ Reduced crude steel production to adjust to lower demand and to decrease inventories
- ▶ Order backlog 30% below Q4/18 and 16% below Q1/19, reflecting soft markets



Average Sales Price Rises on Favorable Product Mix

Revenue

EUR 807.6 million

–11.1% vs. Q2/18 (EUR 908.3 million)

- Low sales volume not compensated by higher prices

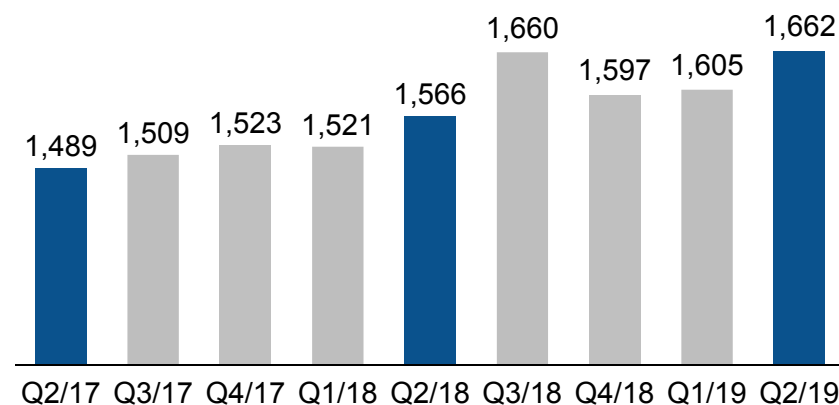
Average sales price (ASP)

EUR 1,662/t

+6.1% vs. Q2/18 (EUR 1,566/t)

- Average sales prices up – favorable product mix

- Larger share of higher-priced stainless and tool steels in total sales volume
- Base prices under pressure – soft demand and increasing competition



Average Sales Price (EUR/t)



Adjusted EBITDA and Group Result Below Previous-Year

Adjusted EBITDA	EUR 40.5 million	–52.3% vs. Q2/18 (EUR 84.9 million)
– EUR/t	EUR 83/t	–42.9% vs. Q2/18 (EUR 146/t)
– margin	5.0%	9.3% in Q2/18
EBITDA	EUR 28.0 million	–65.8% vs. Q2/18 (EUR 81.9 million)

- ▶ Adj. EBITDA below previous year – low sales volume outweighs lower production costs
- ▶ One-time effects of EUR 12.5 million predominantly for restructuring measures at Ascometal

Group Result	EUR –13.6 million	EUR 37.1 million in Q2/18
---------------------	--------------------------	----------------------------------

- ▶ Tax expenses of EUR 5.8 million

Successful Working Capital Management Bears Fruit – Significant Free Cash Flow Generation

Free Cash Flow

EUR 59.2 million

EUR –68.2 million in Q2/18

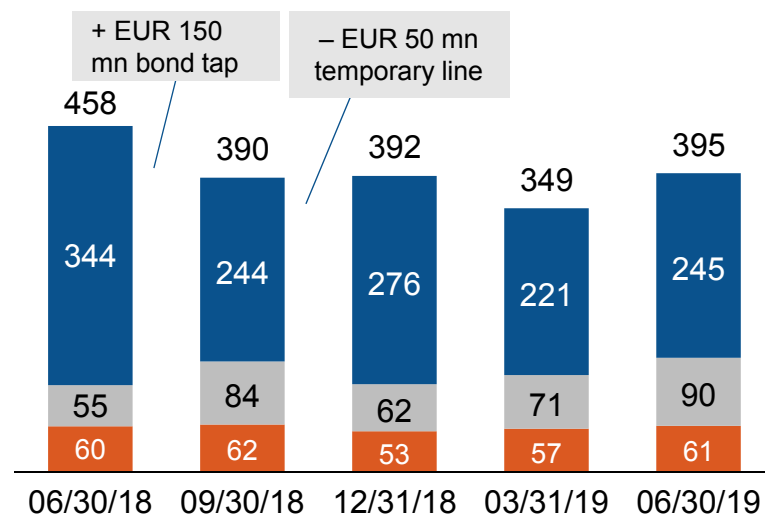
Net debt

EUR 709 million EUR 752 end Q1/19 / EUR 655 million YE18

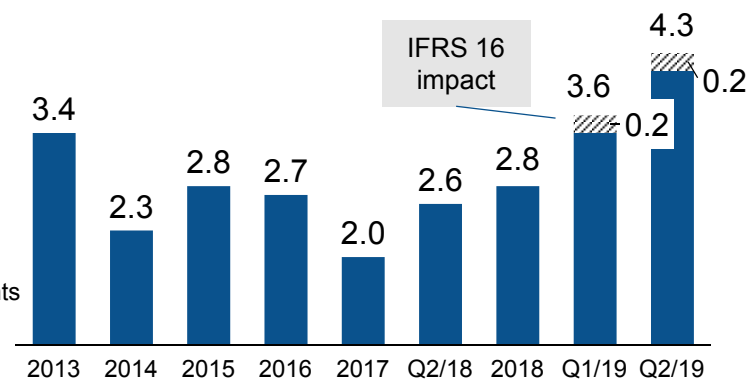
► Impact from first-time application of IFRS 16: net debt EUR 59 million and leverage 0.2 points

Leverage

4.3 (excl. impact from IFRS 16: 4.1) **2.8** year-end 2018



Financial Headroom (EUR million)



Net debt/adj. EBITDA (LTM)



03 Outlook



Considerable Uncertainties Will Shape the Further Business Performance in 2019

View on macroeconomic developments and steel industry

- ▶ Visibility with regard to future business development is unusually low
- ▶ Both a marked recovery and a sustained economic slowdown as possible scenarios in the second half of 2019
- ▶ Disruptive macro-economic developments may accelerate downward trend
- ▶ S+B does not expect demand to recover before year-end 2019

Outlook and Priorities For Remainder of 2019

Priorities for the Group

- ▶ Strengthen Balance Sheet to safeguard entrepreneurial freedom
- ▶ Stringent focus on managing / reducing costs
- ▶ Push/accelerate industrial integration of Ascometal
- ▶ Implement measures to turn around Finkl Steel
- ▶ Execute continuous improvement measures to offset cost inflation (energy, salaries)
- ▶ Normalize working capital investments

Guidance for full-year 2019

Adjusted EBITDA is expected to be between **EUR 130 million and EUR 170 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
August 7, 2019	Interim Report Q2 2019, Media and Investor Conference Call
November 12, 2019	Interim Report Q3 2019, 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