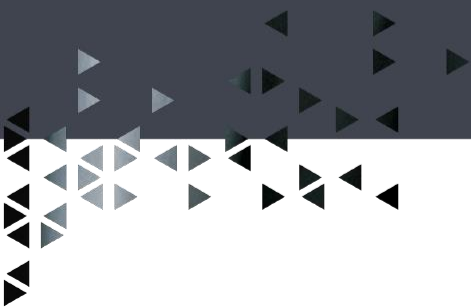




# **SCHMOLZ + BICKENBACH**

Q2 2020 Results – Investors' & Analysts' Conference Call

Lucerne, August 12, 2020



# 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

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**01** Business Review Q2/20

**02** Financial Performance Q2/20

**03** Outlook 2020



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# 01 Business Review Q2/20



# Effects of COVID-19 Spread over All Key End User Markets

- ▶ Mechanical & Engineering affected since April on top of Automotive; Oil & Gas still down
- ▶ Counteractions included prolonged production cuts and extended short time work; reduction of personnel being considered and already implemented at Corporate Center
- ▶ Additional impairments of EUR 82.3 million at DEW and EUR 3.7 million at Ascometal
- ▶ Transformation program on track to achieve key milestones
- ▶ Josef Schultheis appointed as member of the Executive Board to strengthen powerful transformation organization
- ▶ Adaptation of financing to COVID-19 well underway with backstop facility through anchor shareholder BigPoint
- ▶ Very slow demand return translating into shy increase in customer activity (automotive, defense); cautious recovery at a low level expected to begin materializing in Q4/20
- ▶ Outlook 2020: Due to COVID-19 no reliable estimate for adjusted EBITDA possible



# Josef Schultheis Appointed as CRO to the Executive Board

- ▶ Graduation in industrial engineering (mechanical engineering)
- ▶ 30 years experience in management and consulting, operational restructuring, liquidity management and financing negotiations
- ▶ S+B to use his experience as CRO to drive the transformation even more intensively
- ▶ He will contribute to counter the drastic effects of the COVID-19 crisis more effectively



# COVID-19 Mirrored in KPI's

<b>Sales volume</b>	<b>301 kilotons</b>	<b>–38.1% (486 kilotons)</b>
<b>Revenue</b>	<b>EUR 470 million</b>	<b>–41.8% (EUR 808 million)</b>
<b>Adj. EBITDA</b>	<b>EUR –45.8 million</b>	<b>EUR 40.5 million</b> in Q2/19
<b>Group result (EAT)</b>	<b>EUR –159.1 million</b>	<b>EUR –13.6 million</b> in Q2/19
<b>Free cash flow</b>	<b>EUR –1.9 million</b>	<b>EUR 59.2 million</b> in Q2/19



# Car Production in Europe Reaching Historical Lows

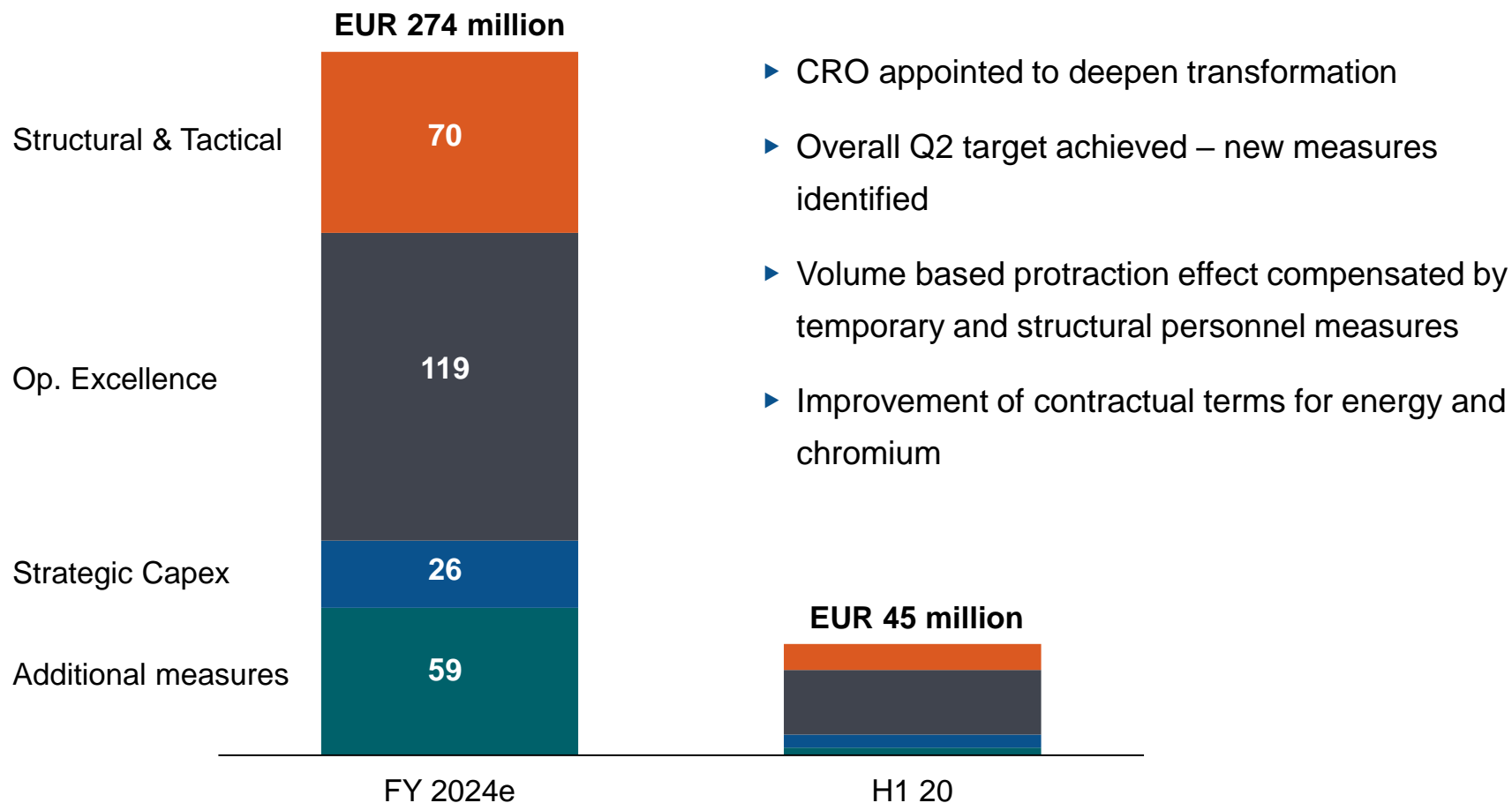
Commodity prices (Q2 development in local currency)	Nickel	+14%
	Scrap (Germany)	+4%
	Ferrochrome	+5%
	Oil	+39%
VDMA order entry	-31%	Q2 20 vs. Q2 19
Light vehicle production:		
Europe*	-63%	Q2 20 vs. Q2 19
USA	-69%	Q2 20 vs. Q2 19
China	+6%	Q2 20 vs. Q2 19

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

\* includes 17 European countries: Germany, France, Spain, Great Britain, Italy, Austria, Belgium, Finland, Netherlands, Portugal, Sweden, Czech Republic, Hungary, Poland, Romania, Slovakia and Slovenia



# Despite COVID-19 Transformation on Track



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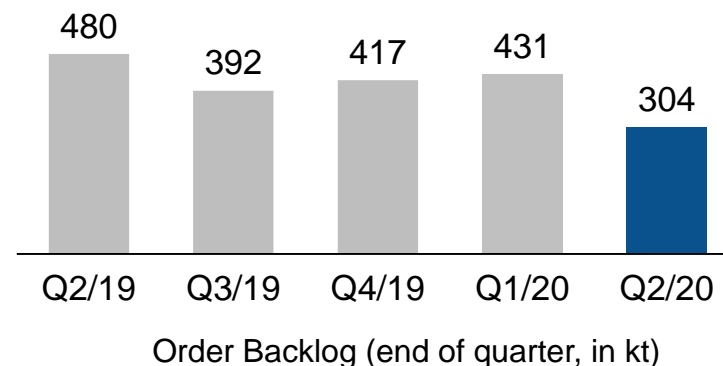
## 02 Financial Performance Q2/20



# Demand Down to a Historical Low, but Bottom Reached

<b>Order Backlog</b>	<b>304 kilotons</b>	<b>–36.7%</b>	<b>vs. end Q2/19 (480 kilotons)</b>
<b>Crude Steel Production</b>	<b>332 kilotons</b>	<b>–34.4%</b>	<b>vs. Q2/19 (506 kilotons)</b>
<b>Sales Volume</b>	<b>301 kilotons</b>	<b>–38.1%</b>	<b>vs. Q2/19 (486 kilotons)</b>

- ▶ Order book at historical low, indication that trough has passed
- ▶ Reduced crude steel production aligned with lower demand through short time work
- ▶ Sales volume down by 38.1% driven by shut downs in Automotive industry and weak demand from Mechanical and Engineering as well as Oil & Gas

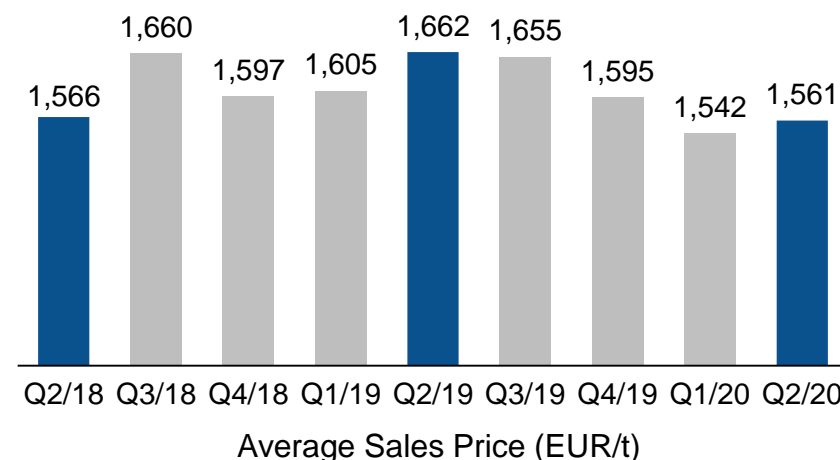


# Average Sales Price Impacted by Market

in EUR/t	Q2/20	$\Delta$ in % vs Q2/19
Average Sales Price (ASP)	1,561	-6.1
Quality & Engineering	916	-13.5
Stainless	2,882	-7.3
Tool	2,700	-15.5

in EUR million	Q2/20	$\Delta$ in % vs Q2/19
Revenue	470	-41.8
Quality & Engineering	190	-50.1
Stainless	192	-33.6
Tool	12	-34.2

- ▶ Base prices under pressure due to soft demand especially in Quality & Engineering Steel
- ▶ Lower alloy surcharges especially for tool steels
- ▶ Average sales price supported by higher share of Stainless Steel



# Negative EBITDA Despite Strong Counter Measures

Adjusted EBITDA	EUR –45.8 million	EUR 40.5 million in Q2/19
– EUR/t	EUR –152.2/t	EUR 83.3/t in Q2/19
– margin	–9.7%	5.0% in Q2/19
EBIT	EUR –159.6 million	EUR 2.3 million in Q2/19
Group Result	EUR –159.1 million	EUR –13.6 million in Q2/19

- ▶ Strong counter measures
  - Short term work extension
  - Reduction of discretionary spend
  - Cost relief achieved from energy and electrodes
  - Restructuring tariff negotiations at DEW advanced, personnel reduction at Corporate Center executed
- ▶ One-time effects of EUR 7.9 million for restructuring measures
- ▶ D&A additionally includes an impairment of EUR 86.0 million for DEW and Ascometal

# Successful Cash Preservations Measures Stabilized Free Cash Flow

<b>Net Working Capital (NWC)</b>	<b>EUR 820 million</b>	<b>EUR 938 million</b>	<b>in Q2/19</b>
<b>Free Cash Flow</b>	<b>EUR –1.9 million</b>	<b>EUR 59.2 million</b>	<b>in Q2/19</b>
<b>Net Debt</b>	<b>EUR 625 million</b>	<b>EUR 798 million</b>	<b>YE/19</b>
<b>Equity Ratio</b>	<b>14.9%</b>	<b>9.6%</b>	<b>YE/19</b>

- ▶ Significantly reduced NWC with ongoing initiatives, mainly through inventory reduction
- ▶ CAPEX for FY will be substantially below prior years with a further focus on potential reductions
- ▶ Additional cash measures initiated to safeguard financial headroom
- ▶ State loan in France received. Further loans in France, Switzerland and Germany at advanced stage
- ▶ Backstop facility provided by the anchor shareholder BigPoint Holding AG to finance growth when demand picks up

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# 03 Outlook



# Signs of Limited Market Recovery in Q4/20

## Market

- ▶ Improving sentiment at customers, esp. in automotive industry (stocks in supply chain at very low levels)
- ▶ Continued poor visibility and high uncertainty
- ▶ Normalization with slow ramp-up of market and very unusual protracted recovery

## Priorities for the Group

- ▶ Adaptation of working point and transformation plan to the COVID-19 situation
- ▶ Reinforcing execution of the transformation with the new CRO on board
- ▶ Adapt the long term financing concept to the COVID-19 situation

## Guidance for full-year 2020

Due to COVID-19 no reliable estimate for adjusted EBITDA possible







## Q & A



# Financial Calendar and Contact

Date	Event
August 12, 2020	Interim Report Q2 2020, Media and Investor Conference Call
November 11, 2020	Interim Report Q3 2020, Media and Investor Conference Call

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