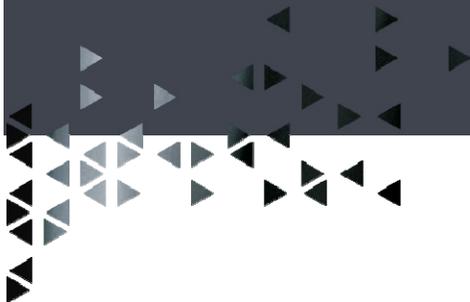




# SCHMOLZ + BICKENBACH

Q1 2020 Results – Investors' & Analysts' Conference Call

Lucerne, May 6, 2020



SCHMOLZ + BICKENBACH  
Group



# Disclaimer

## Forward-looking statements

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# Content

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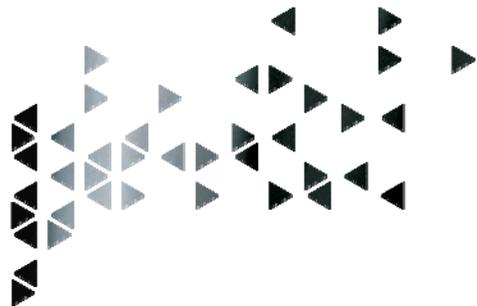
**01** Business Review Q1/20

**02** Financial Performance Q1/20

**03** Outlook 2020

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# 01 Business Review Q1/20



# Business Environment heavily clouded by COVID-19

- ▶ Financial restructuring through capital increase and refinancing improved financial solidity
- ▶ Take-off 2020 characterized by an improving order book and a subdued positive sales growth
- ▶ COVID-19 market deterioration led to a significant demand drop and price erosion towards quarter-end
- ▶ All key end user markets affected by automotive industry shutdown
- ▶ Production cuts and short time work ring fenced a further drop in profitability and liquidity
- ▶ COVID-19 governmental aid instruments considered to the extent possible
- ▶ Transformation and restructuring measure milestones on track to achieve potential
  
- ▶ Outlook 2020: Due to COVID-19 no reliable estimate for adjusted EBITDA possible

## Weak Market Conditions leave their Marks on KPI's

<b>Sales volume</b>	<b>457 kilotons</b>	<b>-17.1%</b> (551 kilotons)
<b>Revenue</b>	<b>EUR 705 million</b>	<b>-20.3%</b> (EUR 884 million)
<b>Adj. EBITDA</b>	<b>EUR -6.1 million</b>	<b>EUR 42.2 million</b> in Q1/19
<b>Group result (EAT)</b>	<b>EUR -42.3 million</b>	<b>EUR 0.7 million</b> in Q1/19
<b>Free cash flow</b>	<b>EUR -87.3 million</b>	<b>EUR -23.7 million</b> in Q1/19

# Price Environment overall downward along with Activity

Commodity prices (Ytd development in local currency)	Nickel	-20%	
	Scrap (Germany)	-6%	
	Ferrochrome	+4%	
	Oil	-67%	
VDMA order entry	-3%	Jan-Feb 20 vs. Jan-Feb 19	
Light vehicle production:	EU	-21%	Q1 20 vs. Q1 19
	USA	-3%	Jan-Feb 20 vs. Jan-Feb 19
	China	-49%	Q1 20 vs. Q1 19

- ▶ Activity significantly down by auto shut down from Asia to Europe coupled with a massive oil price shock

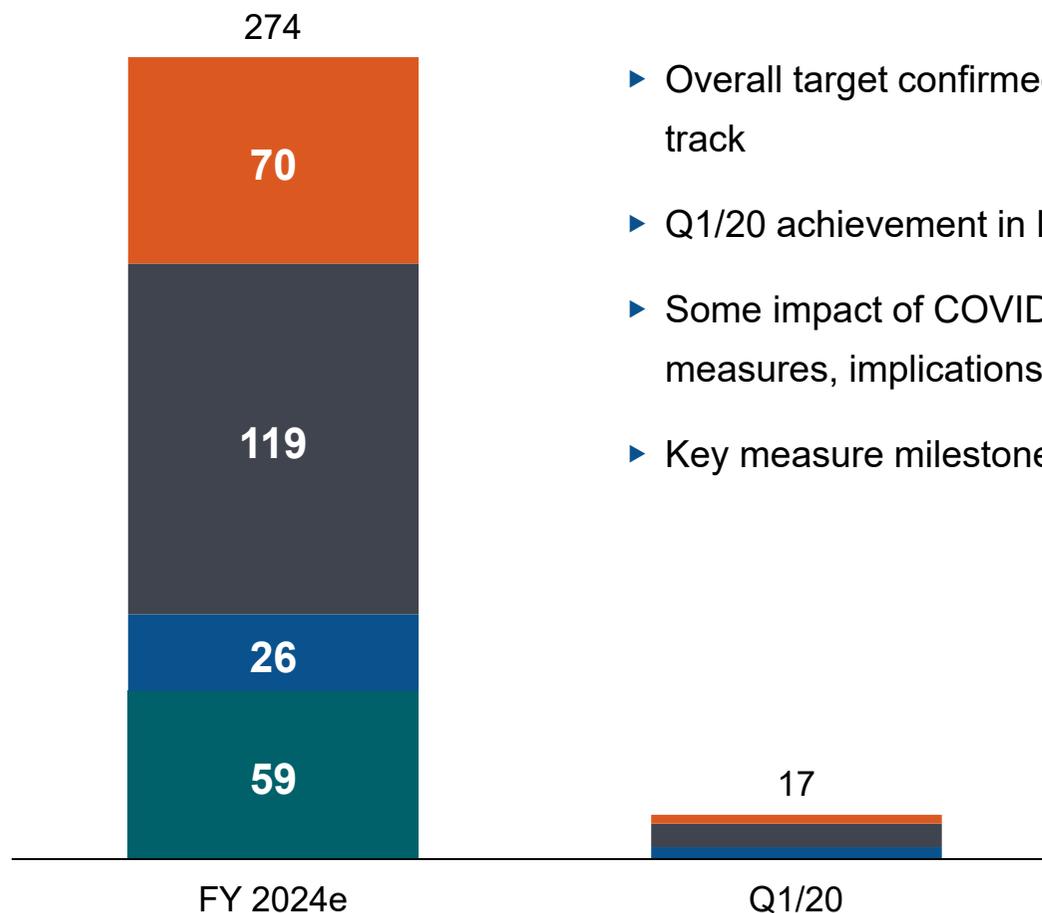
Sources: LME, BDSV, ICDA (International Chromium Development Association), WTI, VDMA, LMC Automotive, China Association of Automobile Manufacturers (CAAM) and U.S. Bureau of Economic Analysis

# Progress and Status of Restructuring Measures

Structural measures	Operational Excellence measures	Strategic Capex projects	Additional measures
<ul style="list-style-type: none"><li>• Reduction of DEW central functions</li><li>• Strategic sales-up program at Finkl in progress</li><li>• Closure of rolling mill of Ascometal in Dunkirk</li></ul>	<ul style="list-style-type: none"><li>• Ramp-up of measures along plan</li><li>• Continuous improvement programs in all operating areas</li></ul>	<ul style="list-style-type: none"><li>• Commissioning of Swiss Steel walking beam furnace</li><li>• Installation of Nadcap-certified heat treatment at Ugitech on track</li></ul>	<ul style="list-style-type: none"><li>• Overarching workstreams established</li><li>• Functional and turnaround expert teams progressing on detailing and validating project potentials</li></ul>

- ▶ Transformation office established
- ▶ Project management tool implemented tracking more than 250 measures
- ▶ Close monitoring of progress on a bi-weekly basis per Business Unit

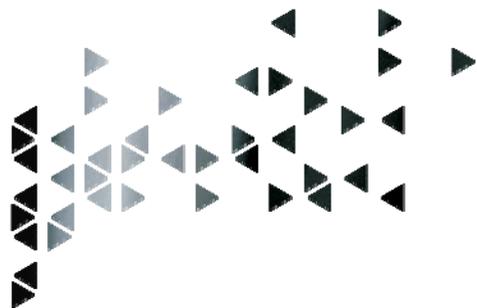
# Restructuring Measures Tracking



- ▶ Overall target confirmed – measures almost on track
- ▶ Q1/20 achievement in line with plan
- ▶ Some impact of COVID-19 on Q1 volume based measures, implications more critical in Q2
- ▶ Key measure milestone achievement as planned

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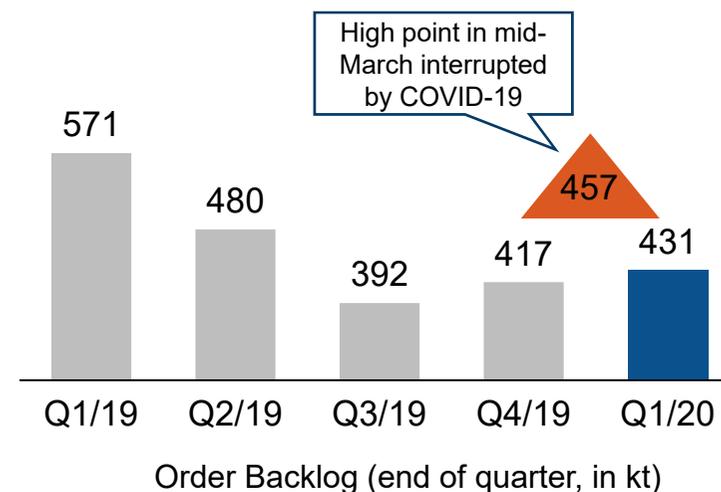
# 02 Financial Performance Q1/20



# COVID-19 drastically interrupted Cautious Recovery

<b>Order Backlog</b>	<b>431 kilotons</b>	<b>-24.5%</b> vs. end Q1/19 (571 kilotons)
<b>Crude Steel Production</b>	<b>525 kilotons</b>	<b>-11.3%</b> vs. Q1/19 (592 kilotons)
<b>Sales Volume</b>	<b>457 kilotons</b>	<b>-17.1%</b> vs. Q1/19 (551 kilotons)

- ▶ Order book improved compared to Q4/19 but increasing rescheduling in the second half of March
- ▶ Reduced crude steel production adjusted to lower demand through short work and other measures
- ▶ Sales volume down by 17.1% predominantly driven by automotive industry shut down coupled with oil price shock

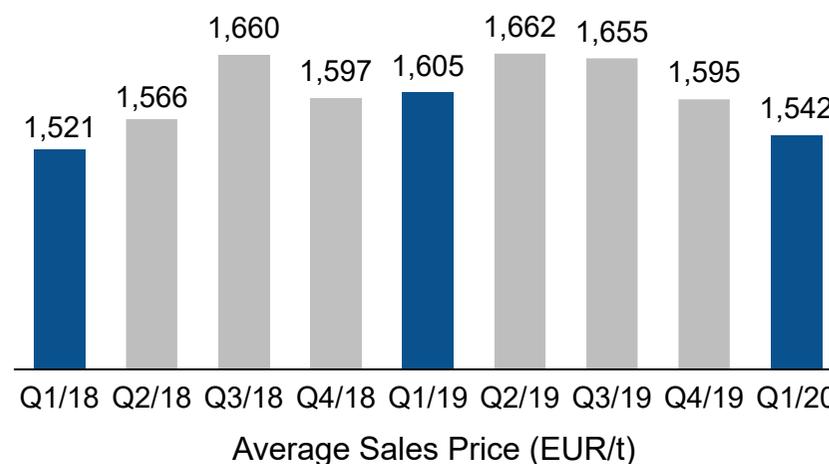


# Average Sales Price Impacted by Product Mix

in EUR/t	Q1/20	Δ in % vs Q1/19
<b>Average Sales Price (ASP)</b>	<b>1,542</b>	<b>-3.9</b>
<b>Quality &amp; Engineering</b>	<b>915</b>	<b>-13.5</b>
<b>Stainless</b>	<b>3,101</b>	<b>-0.3</b>
<b>Tool</b>	<b>2,867</b>	<b>-7.1</b>

in EUR million	Q1/20	Δ in % vs Q1/19
<b>Revenue</b>	<b>705</b>	<b>-20.3</b>
<b>Quality &amp; Engineering</b>	<b>306</b>	<b>-31.5</b>
<b>Stainless</b>	<b>285</b>	<b>-3.6</b>
<b>Tool</b>	<b>96</b>	<b>-15.7</b>

- ▶ Base prices under pressure – soft demand and increasing competition in Quality & Engineering Steel
- ▶ Weakening price trend also due to lower alloy surcharges
- ▶ Average sales price supported by higher share of Stainless steel



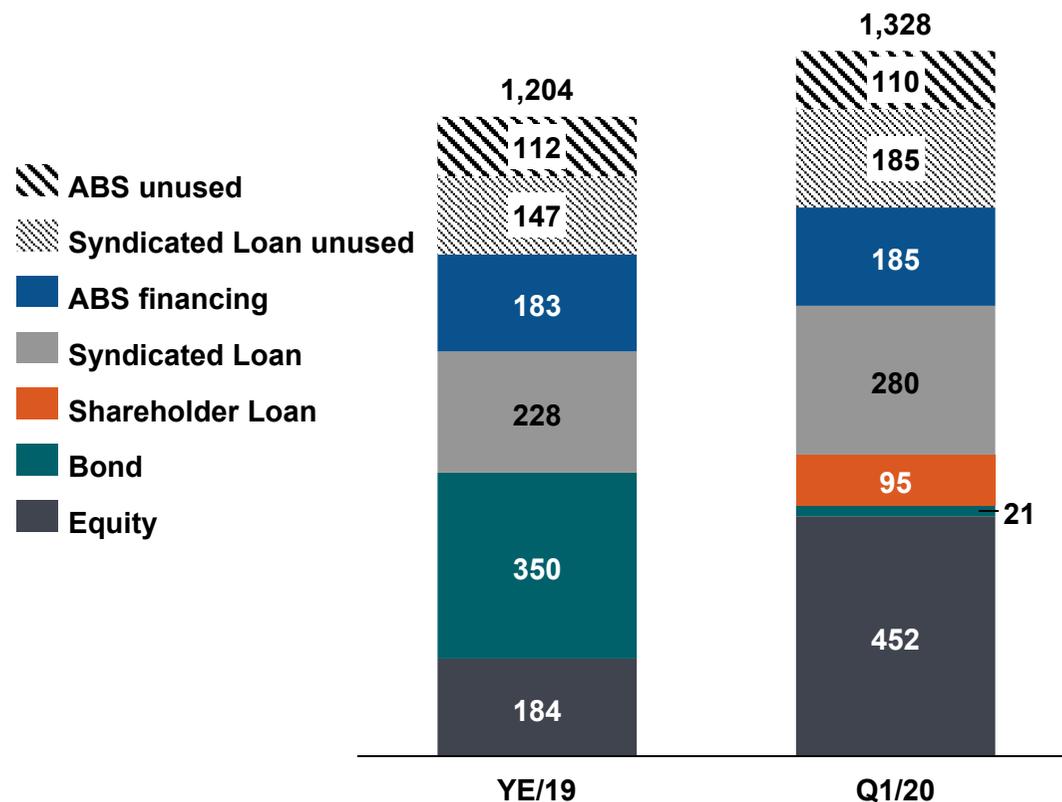
## Profitability significantly impacted

<b>Adjusted EBITDA</b>	<b>EUR –6.1 million</b>	<b>EUR 42.2 million in Q1/19</b>
<b>– EUR/t</b>	<b>EUR –13.3/t</b>	<b>EUR 76.6/t in Q1/19</b>
<b>– margin</b>	<b>–0.9%</b>	<b>4.8% in Q1/19</b>
<b>EBIT</b>	<b>EUR –31.7 million</b>	<b>EUR 13.3 million in Q1/19</b>
<b>Group Result</b>	<b>EUR –42.3 million</b>	<b>EUR 0.7 million in Q1/19</b>

- ▶ Several counter measures started including
  - short term work
  - reduction of discretionary spend
- ▶ Cost relief achieved from energy and electrodes
- ▶ One-time effects of EUR 1.5 million for turnaround consulting
- ▶ D&A additionally includes an impairment of EUR 4.0 million for Ascometal

# Financial Restructuring improved Solidity

Financing Structure (EUR million)



- ▶ Additional credit lines of EUR 185 mn (shareholder and syndicated loan)
- ▶ Maturity extension achieved from 2022 to 2025
- ▶ Net Debt reduced from EUR 798 mn to EUR 609 mn
- ▶ Equity ratio improved from 9.6% to 22.9%

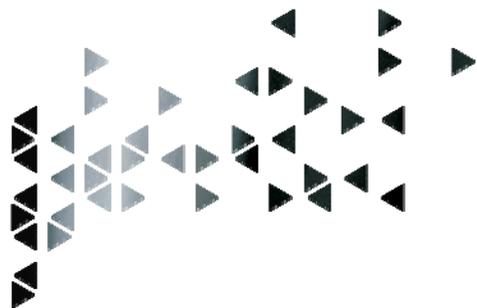
## Liquidity Management on Track

<b>Net Working Capital (NWC)</b>	<b>EUR 862 million</b>	<b>EUR 989 million</b>	<b>in Q1/19</b>
<b>Free Cash Flow</b>	<b>EUR –87.3 million</b>	<b>EUR –23.7 million</b>	<b>in Q1/19</b>
<b>Net Debt</b>	<b>EUR 609 million</b>	<b>EUR 798 million</b>	<b>YE/19</b>
<b>Equity Ratio</b>	<b>22.9%</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
- ▶ Governmental aid instruments considered to the extent possible

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# 03 Outlook



# Signs of Market Recovery at the Beginning of 2020 – Visibility deteriorated in Recent Weeks

## View on macroeconomic developments and steel industry

- ▶ Extremely low visibility with regards to global GDP growth in the year 2020 after the recent outbreak of COVID-19 and the negative impact on market sentiment
- ▶ Stabilization of the market environment at the beginning of the year, but recovery protracted
- ▶ Normalization of customer inventories reflected in a slight improvement in order intake and order backlog in January and February
- ▶ Uncertainty in our end markets remains high
- ▶ (Long) Steel industry remains under intense pressure in a more severe and longer-than-usual cyclical downturn

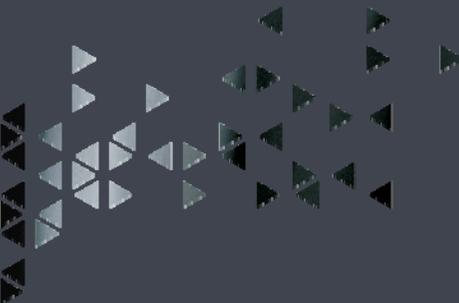
# Outlook and Priorities For 2020

## Priorities for the Group

- ▶ Short-term liquidity protection measures in order to safely overcome the COVID-19 crisis
- ▶ Consistent implementation of the turnaround plan
- ▶ Main measures: transformation and restructuring of Ascometal, turnaround of Finkl Steel, restructuring of Steeltec as well as personnel measures and operational improvements at DEW

## Guidance for full-year 2020

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



## Q & A



# Financial Calendar and Contact

Date	Event
May 6, 2020	Interim Report Q1 2020, Media and Investor Conference Call
August 12, 2020	Interim Report Q2 2020, Media and Investor Conference Call
November 11, 2020	Interim Report Q3 2020, Media and Investor Conference Call

## Contacts

### **Daniel Geiger**

Vice President Investor Relations, CSR,  
Corporate Accounting & Communications  
Phone +41 41 581 4160  
d.geiger@schmolz-bickenbach.com

### **Vera Sokulskyj**

Senior Manager Investor Relations & CSR  
Phone +41 41 581 4124  
v.sokulskyj@schmolz-bickenbach.com