

**SCHMOLZ + BICKENBACH**  
**Investor Presentation**  
**Q2/H1 2015 Results**  
Emmenbrücke, 25 August 2015





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- 1 BUSINESS OVERVIEW Q2/H1 2015**
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# 1 BUSINESS OVERVIEW Q2/H1 2015



## Closing of sale of specific distribution units

- » Closing on 22 July 2015
- » The transaction obtained full clearance (without conditions) of the European anti-trust authorities.
- » In 2014, the divested activities achieved revenues of ca. EUR 600 million, EBITDA of ca. EUR 7 million, and employed around 1 000 professionals
- » The agreed enterprise value for the steel distribution units was EUR 88.6 million. The preliminary purchase price (equity value) amounts to EUR 56.6 million (max. amount) and will be finally known after discussion between the parties
- » On 22 July 2015, JACQUET METAL SERVICE paid an amount of EUR 48.6 million
- » The closing implies that from now on SCHMOLZ + BICKENBACH and the specific distribution units are operationally and legally independent although they are allowed to use the trademark SCHMOLZ + BICKENBACH for a limited time period



# Operational overview Q2 2015

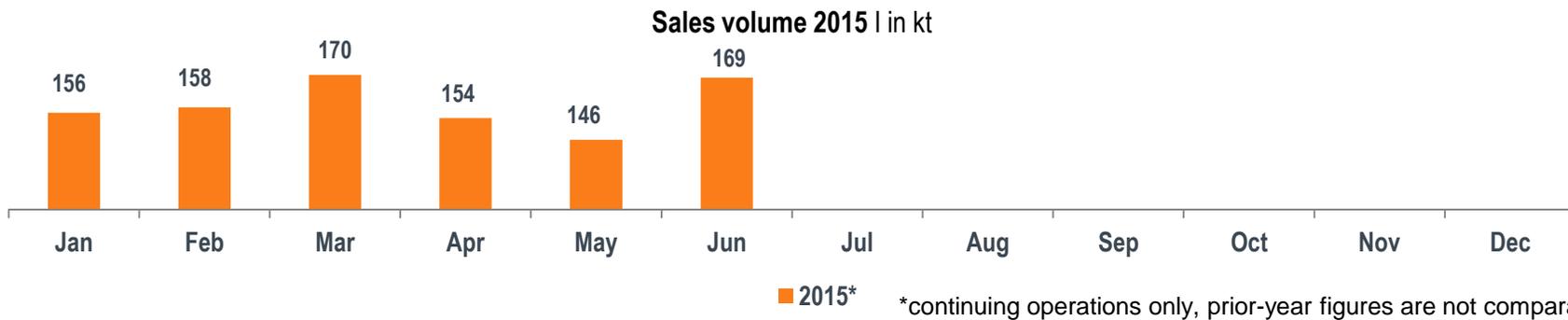
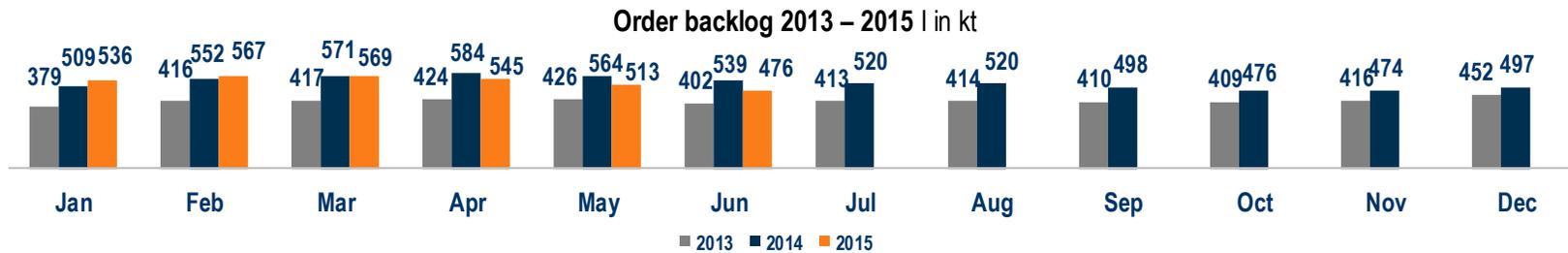
## Markets and prices

- » Order intake decreased slightly, order backlog 11.6% below prior year
- » Customer industries: automotive still with strong demand, engineering lowered expectations to no-growth-scenario, significantly lower oil price leads to substantial decrease in active rig count (fracking)
- » Persisting pressure on base prices
- » Nickel price with downwards trend since September 2014

## Operational development (continued operations)

- » Sales volume decreased by 2.3% (11 kt) to 469 kt (Q2 2014: 480 kt)
- » Revenue decreased by 2.2% to EUR 723.2 m (Q2 2014: EUR 739.1 m)
- » Gross margin improved to 38.2% (Q2 2014: 38.0%)
- » EBITDA decreased by 17.0% to EUR 58.0 m (Q2 2014: EUR 69.9 m) but improved compared to Q1 2015 (EUR 54.5 m)
- » EBITDA margin decreased to 8.0% (Q2 2014: 9.5%) but also improved compared to Q1 2015 (7.1%)

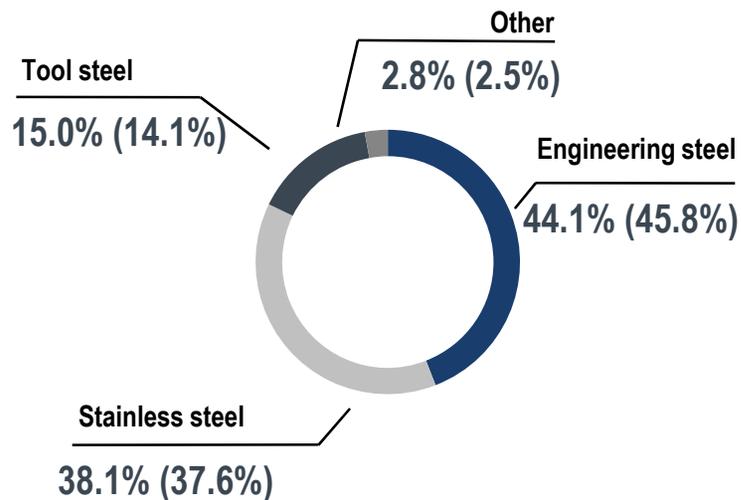
# Order intake, order backlog and sales volume



\*continuing operations only, prior-year figures are not comparable

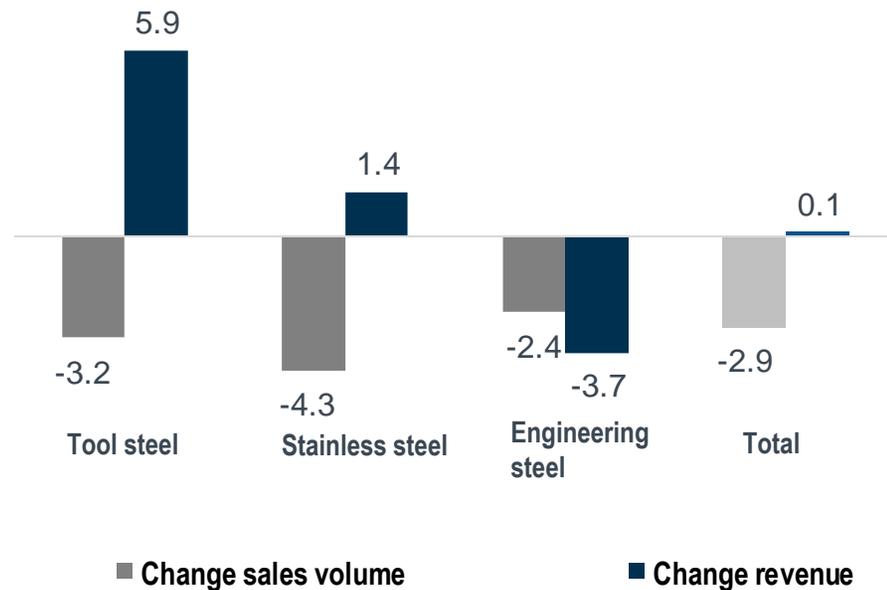
# Sales volume and revenue by product groups

Revenue\* split by product groups



H1 2015 (H1 2014 in brackets)\*

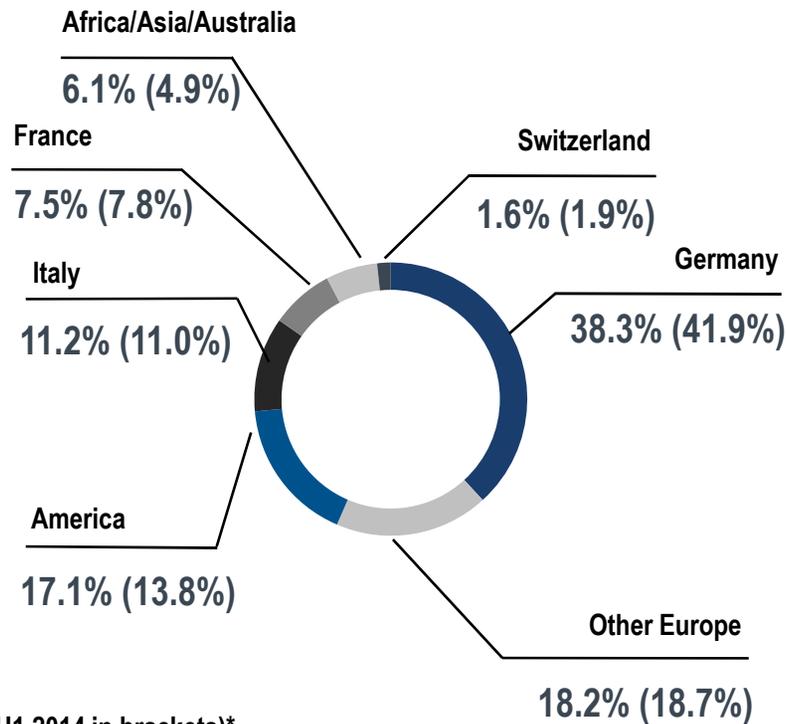
Change in sales volume\* and revenue\* (H12015 to H1 2014) | in %



- » Better product mix with higher portion of tool steel and stainless steel revenues
- » Revenue increased slightly despite lower sales volume due to product mix and appreciation of USD against EUR

\*continuing operations, 2014-figures have been adjusted accordingly

## Revenue by regions



H1 2015 (H1 2014 in brackets)\*

- » Revenue share of Germany decreased due to appreciation of USD against EUR and thereby higher share of the Americas

\*continuing operations, 2014-figures have been adjusted accordingly



## **2 FINANCIAL PERFORMANCE Q2/H1 2015**



## Result of operations – key figures

in EUR m	H1 2015	H1 2014	Change on prior year (%)	Q2 2015	Q2 2014	Change on prior year (%)
Sales volume (kt) <sup>1)</sup>	952	980	-2.9	469	480	-2.3
Revenue <sup>1)</sup>	1 488.9	1 487.5	0.1	723.2	739.1	-2.2
Adjusted EBITDA <sup>1)</sup>	117.5	133.8	-12.2	61.1	71.2	-14.2
Adjusted EBITDA margin (%) <sup>1)</sup>	7.9	9.0	-110 bp	8.4	9.6	-120 bp
Operating profit before depreciation and amortisation (EBITDA) <sup>1)</sup>	112.5	130.8	-14.0	58.0	69.9	-17.0
EBITDA margin (%) <sup>1)</sup>	7.6	8.8	-120 bp	8.0	9.5	-150 bp
Operating profit (loss) (EBIT) <sup>1)</sup>	49.1	73.8	-33.5	27.6	41.3	-33.2
Earnings before taxes (EBT) <sup>1)</sup>	26.4	49.6	-46.8	17.4	32.2	-46.0
Earnings after taxes from continuing operations	12.2	33.5	-63.6	10.3	22.2	-53.6
Net income (loss) (EAT)	-117.6	35.2	nm	4.8	22.8	-78.9

» Net income includes EAT from continuing operations as well as from discontinued operations; discontinued operations burdened by impairments of EUR –126.7 m

Financial Performance

1) Continuing operations, 2014-figures have been adjusted accordingly

## Revenue by division

	H1 2015	H1 2014	Change on prior year (%)	Q2 2015	Q2 2014	Change on prior year (%)
Production <sup>1)</sup>	1 382.4	1 388.7	-0.5	666.5	690.3	-3.4
Sales & Services <sup>1)</sup>	293.0	246.1	19.1	145.7	123.7	17.8
SCHMOLZ + BICKENBACH Group <sup>1) 2)</sup>	1 488.9	1 487.5	0.1	723.2	739.1	-2.2

- » *Production* division: revenue in H1 2015 decreased by 0.5% to EUR 1 382.4 m compared to H1 2014. Better product mix and the appreciation of USD and CHF against the EUR nearly compensated volume losses
- » *Sales & Services* division: significant increase in revenues by 19.1% to EUR 293.0 m due to higher sales volumes and positive translation effects from USD into EUR accounts

1) Continuing operations, 2014-figures pro-forma

2) Group figures include Other and consolidation/eliminations

## EBITDA and EBITDA margin by division

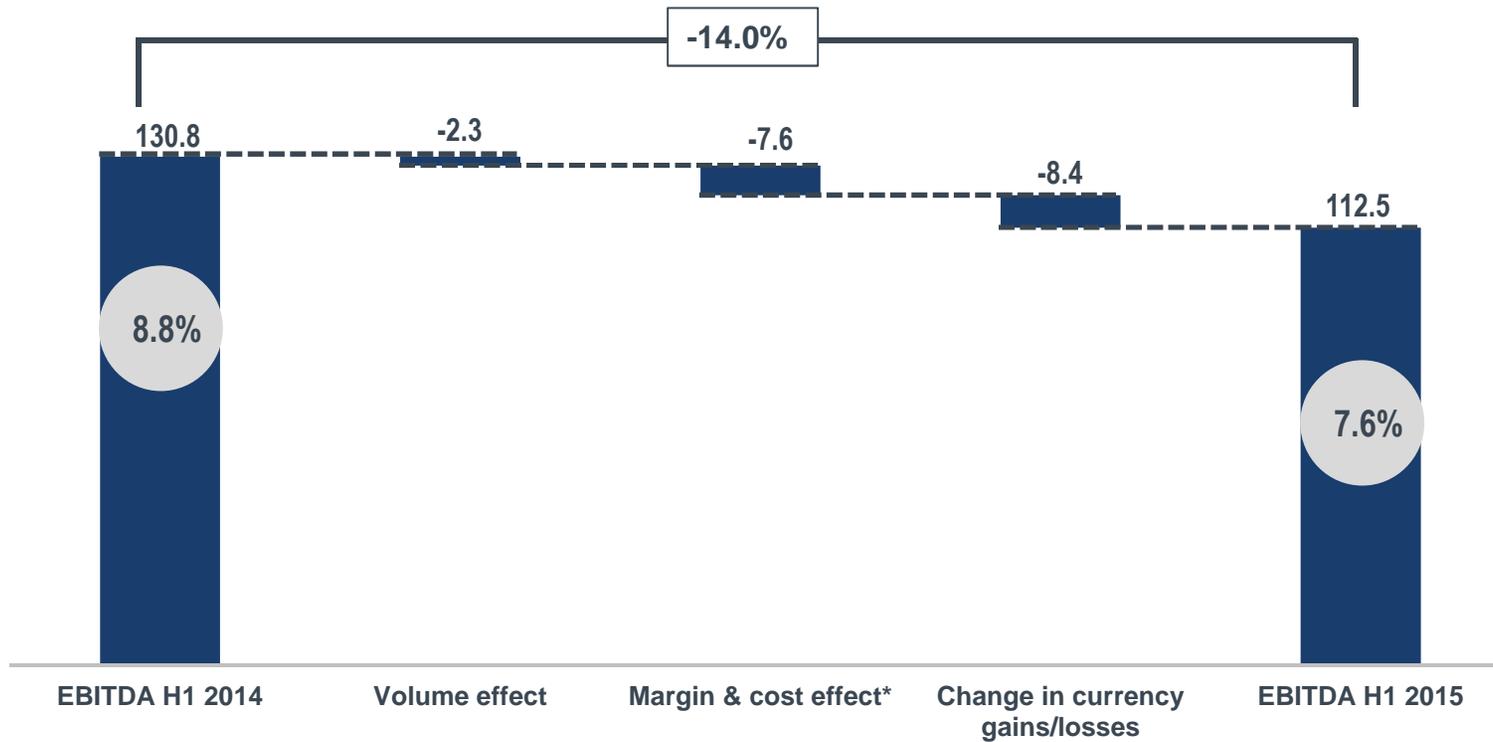
EBITDA	H1 2015	H1 2014	Change on prior year (%)	Q2 2015	Q2 2014	Change on prior year (%)
Production <sup>1)</sup>	111.3	124.4	-10.5	59.9	65.6	-8.7
Sales & Services <sup>1)</sup>	11.1	12.5	-11.2	5.7	6.1	-6.6
SCHMOLZ + BICKENBACH Group <sup>1)2)</sup>	112.5	130.8	-14.0	58.0	69.9	-17.0

EBITDA margin	H1 2015	H1 2014	Change on prior year	Q2 2015	Q2 2014	Change on prior year
Production <sup>1)</sup>	8.1	9.0	-90 bp	9.0	9.5	-50 bp
Sales & Services <sup>1)</sup>	3.8	5.1	-130 bp	3.9	4.9	-100 bp
SCHMOLZ + BICKENBACH Group <sup>1)2)</sup>	7.6	8.8	-120 bp	8.0	9.5	-150 bp

1) Continuing operations

2) Group figures include Other and consolidation/eliminations

# EBITDA significantly affected by lower margins and change in currency gains and losses

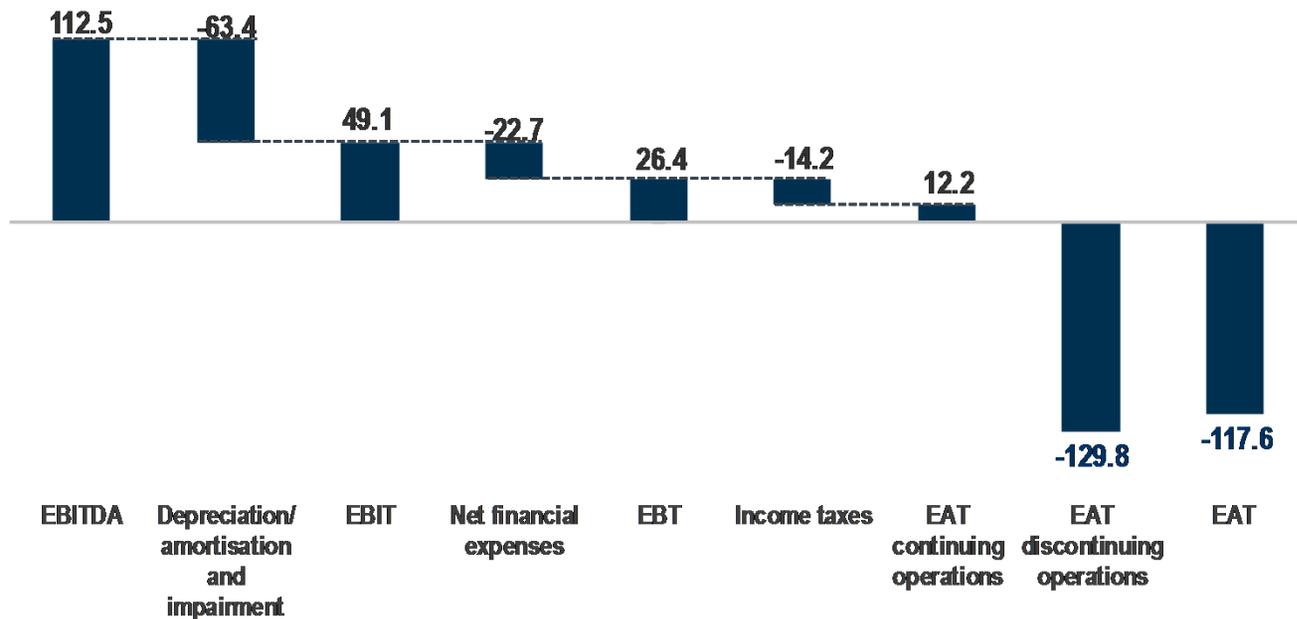


\* Excluding change in currency gains/losses

Financial Performance

# Impairments led to negative EAT

Breakdown of results 1.1. - 30.06.2015 | in EUR m



- » Net financial expenses decreased by EUR 1.5 m or 6.2% to EUR 22.7 m (H1 2014: EUR 24.2 m)
- » Impairments on discontinued operations (EUR 126.7 m) led to significantly negative EAT

Financial Performance



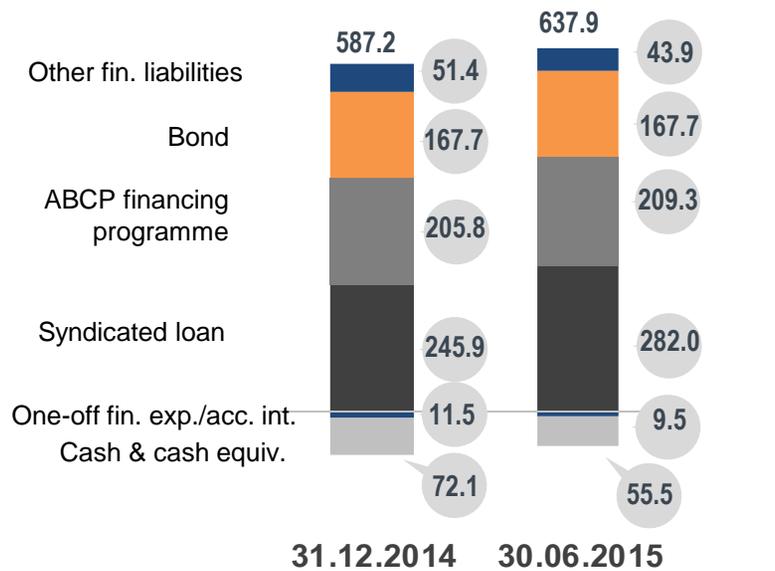
## Financial position: key figures

		30.6.2015	31.12.2014	Change on 31.12.2014 in %	30.6.2014
Shareholders' equity	EUR m	814.5	900.9	-9.6	900.7
Equity ratio	%	32.9	35.9	-300 bp	35.7
Net debt	EUR m	637.9	587.2	8.6	633.7
Net debt/Adjusted EBITDA <sup>1)</sup>	factor	2.7	2.2	-	3.5
Net working capital (NWC)	EUR m	928.9	992.3	-6.4	1 068.8
NWC/Revenue <sup>2)</sup>	%	32.1	29.7	240 bp	36.2
		1.1.-30.6.2015	1.1.-30.6.2014	Change on prior year in %	
Financial result	EUR m	-22.7	-24.2	-6.2	1) LTM 2) Annualised
Investments	EUR m	77.5	30.7	152.4	
Free cash flow	EUR m	-7.9	-0.8	>100	

- » The impairments of EUR –126.7 m on the discontinuing operations had to be recognised with signing, while the assets remain in the balance sheet until closing on 22 July 2015; this led to a temporarily reduced equity ratio
  - » After closing and assuming all other parameters remain unchanged, a recovery of the equity ratio is assumed
- Financial Performance

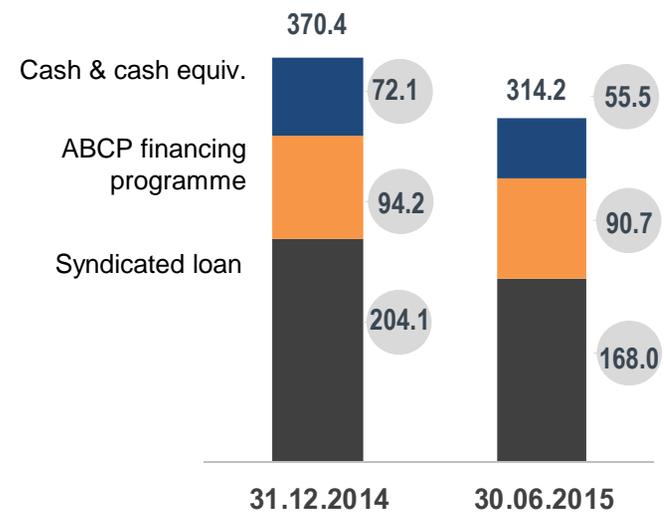
# Net debt and financial headroom

**Net debt** | in EUR m



- Cash and cash equivalents
- One-off financing expenses / accrued interest
- Other financial liabilities
- Bond
- ABCP financing programme
- Syndicated loan

**Financial headroom** | in EUR m



- Cash and cash equivalents
- ABCP financing programme
- Syndicated loan



# **3** OUTLOOK AND GUIDANCE 2015



## Outlook 2015

- » Global economic growth expectations\* lowered to between 2.8% and 3.5% expected, USA 2.0% – 3.1%, but Eurozone only 1.4% – 1.5%
- » World Steel Association significantly lowered expectations, general steel consumption expected to grow by only 0.5% (previously 2.0%), most important steel consumers with partially significantly lower growth rates than 2014 (Asia 0.6%, Europe 2.1%, NAFTA -0.9%)
- » Economic environment for SCHMOLZ + BICKENBACH with mixed signals, steel demand in the relevant markets raises concerns
- » Customer industries: global automotive industry expected to grow by ca. 2%, engineering lowered expectations to no-growth-scenario
- » Oil price unlikely to reach previous levels, on average only USD 50 per barrel expected; constant decline in fracking business with significant impact on North American business units
- » Experts do not expect the Swiss franc to weaken significantly against the Euro

\* Source: IMF, OECD and World Bank



## Measures in response to current challenges

- » **Impacts from the Swiss franc appreciation:** SCHMOLZ + BICKENBACH's Swiss entities are currently implementing mitigation actions: adjustments in the personnel area, stretching/shifting of capex, negotiating purchasing conditions, enlargement of already existing cost measures, increase of cost awareness
- » **Impacts of declining fracking business due to low oil price:** Finkl Steel is evaluating and implementing mitigation actions: lowering costs by further improving efficiency (sales network, warehouses, headcount, insourcing of maintenance), approaching new customer industries
- » **Improvement of net working capital management:** concrete reduction measures identified by all business units; improvement target rolled-out to the business units to improve NWC by EUR 100 m\* (based on 2014 figure) with target mid-2016; new KPI concept to be implemented in reporting tools; training of involved employees to start in September

\* Assuming stable raw material prices and exchange rates



## Guidance 2015 – unchanged since adjustment after disposal of specific distribution units

	2014 reported	Initial guidance 2015 (as at 12 March 2015)	Guidance 2015 (as at 19 May 2015)	Guidance 2015 (as at 25 August 2015)
<b>Sales volume</b>	2 135 kilotonnes	Should roughly match the 2014 level	Should roughly match the 2014 level less non mill-own volumes from specific distribution units (ca. 300 kilotonnes)	<b>Should roughly match the 2014 level less non mill-own volumes from specific distribution units (ca. 300 kilotonnes)</b>
<b>Reported EBITDA</b>	EUR 252.6 m	EUR 210 m – EUR 250 m	EUR 190 m – EUR 230 m (continuing operations, currently lower end of guidance likely)	<b>EUR 190 m – EUR 230 m (continuing operations, currently lower end of guidance likely)</b>
<b>CAPEX</b>	EUR 100.8 m	Around EUR 150 m, due to one-off effects in the amount of EUR 44 m	Around EUR 150 m, due to one-off effects in the amount of EUR 44 m	<b>Around EUR 150 m, due to one-off effects in the amount of EUR 44 m</b>



# Q&A

## THANK YOU FOR YOUR ATTENTION

# 4 APPENDIX

# Nickel price development

Nickel price development 2005 – 2015 | in USD



Source: Steel Business Briefing

Appendix

# Nickel price development January 2014 – August 2015

Nickel price development 1.1.2014 – 7.8.2015 | in USD / ton

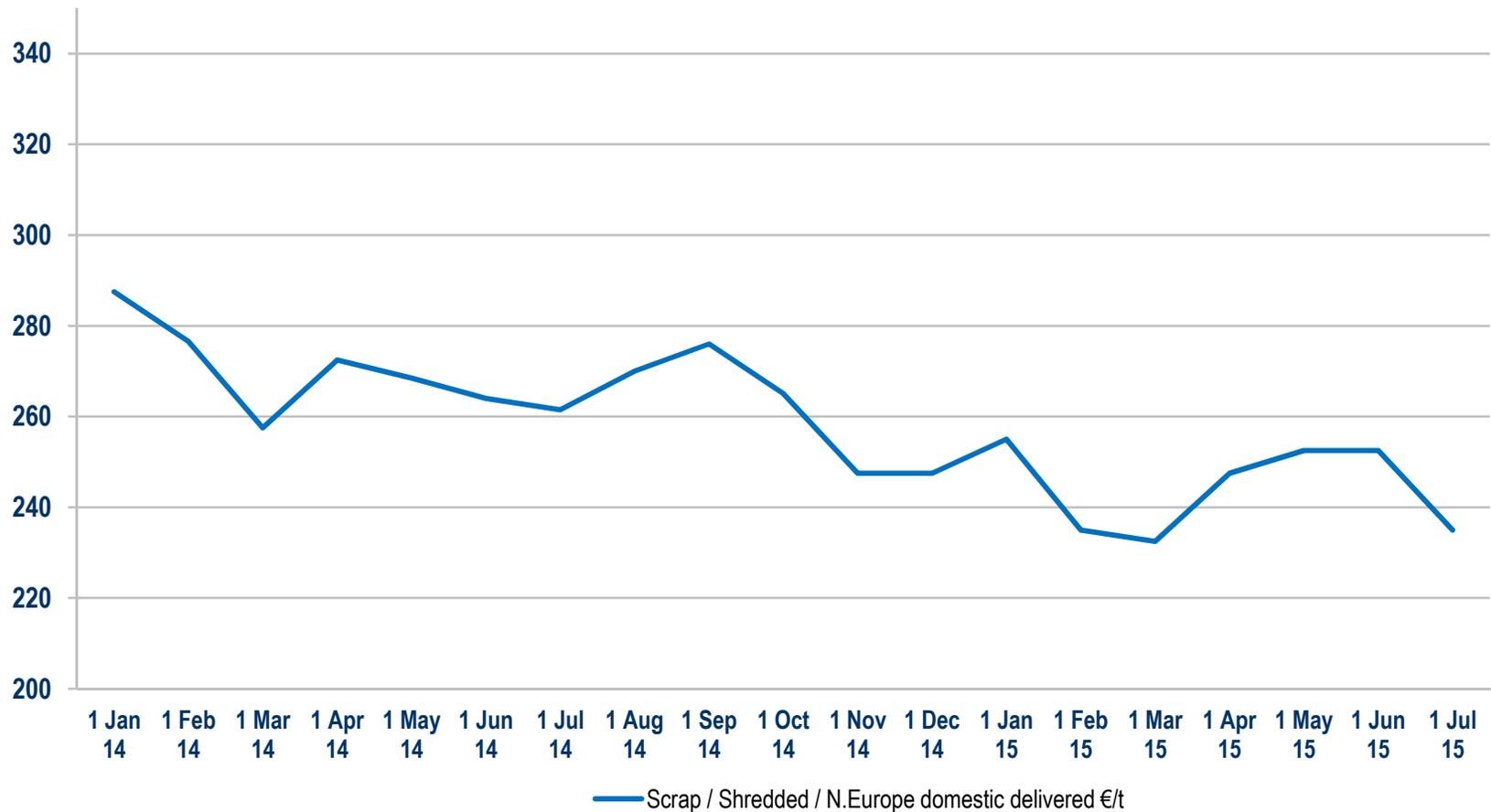


Source: Steel Business Briefing

Appendix

# Scrap price development

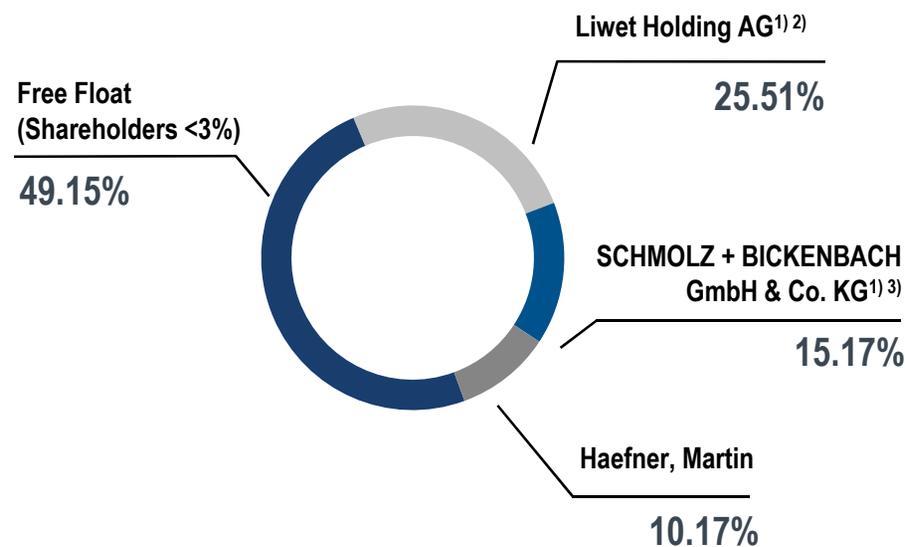
Scrap price development January 2014 – July 2015 | in EUR/t



Source: Steel Business Briefing

Appendix

## Swiss listed company with supportive anchor shareholder



Shareholder Structure as of 30 June 2015

Key facts	
ISIN	CH0005795668
Securities symbol	STLN
Type of security	Registered share
Trading currency	CHF
Listing	SIX Swiss Exchange
Membership in indices	SPI, SPI Extra, SPI ex SLI, Swiss All Share Index
Number of shares	945 000 000
Nominal value in CHF	0.50

- 1) Form a group according to stock exchange act.
- 2) Renova group company, the shares held by Venetos Holding AG were transferred to Liwet Holding AG in Zurich as a result of a merger.
- 3) Indirectly via subsidiaries SCHMOLZ + BICKENBACH Beteiligungs GmbH and SCHMOLZ + BICKENBACH Holding AG.



## Financial calendar and contact details Investor Relations

Date	Event
10 September 2015	Commerzbank Sector Week Conference, Frankfurt a. M.
<b>12 November 2015</b>	<b>Q3 Report 2015, Media Call, Investor Call</b>

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**Thank you for your attention**