

# INVESTORS AND CAPITAL MARKETS DAY

October 15-16, 2015





# 2015: the great paradox

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CFO of Acerinox

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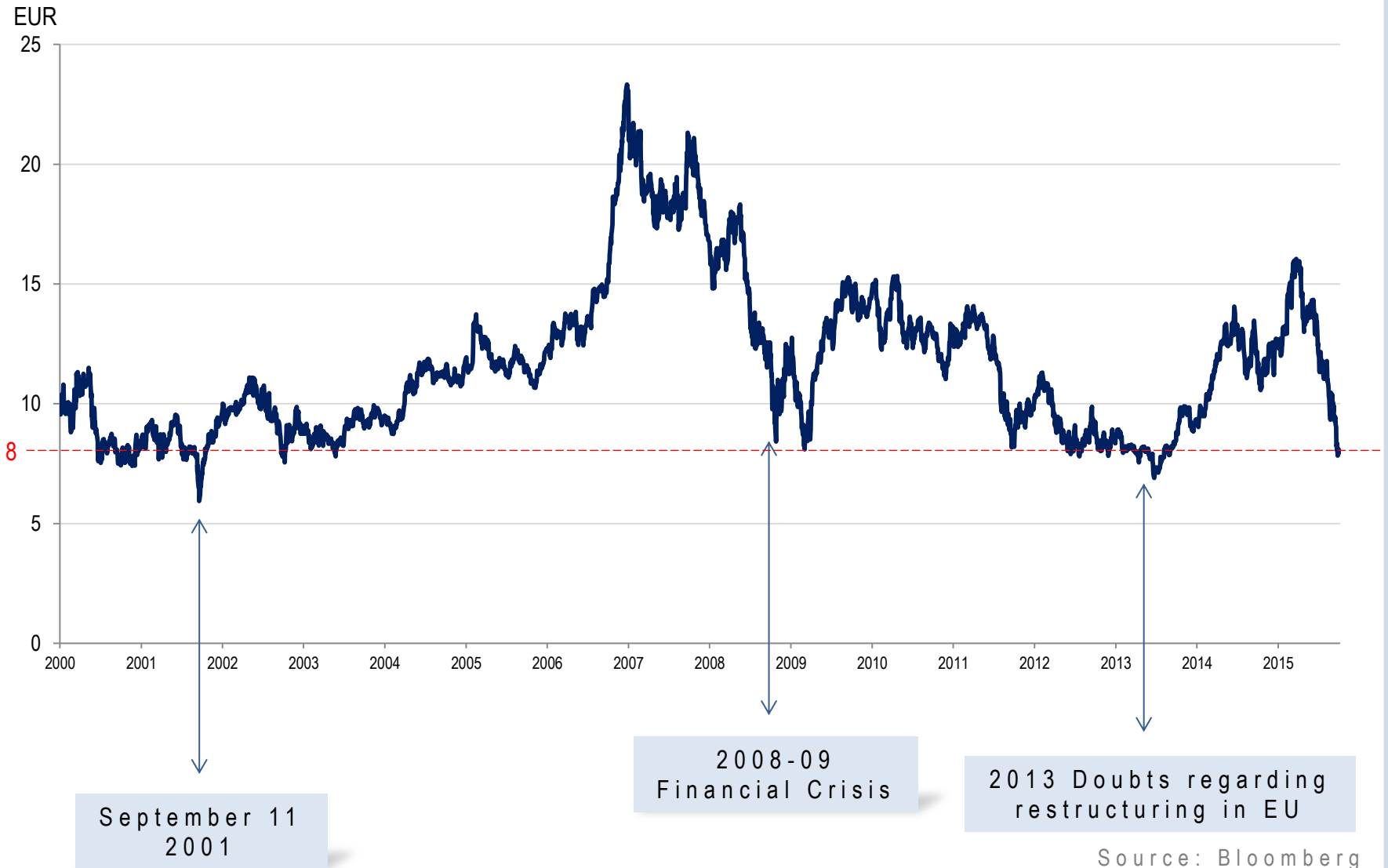
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# PARADOX I

**Acerinox stock has experienced  
an excessive correction**

# ACERINOX SHARE PERFORMANCE

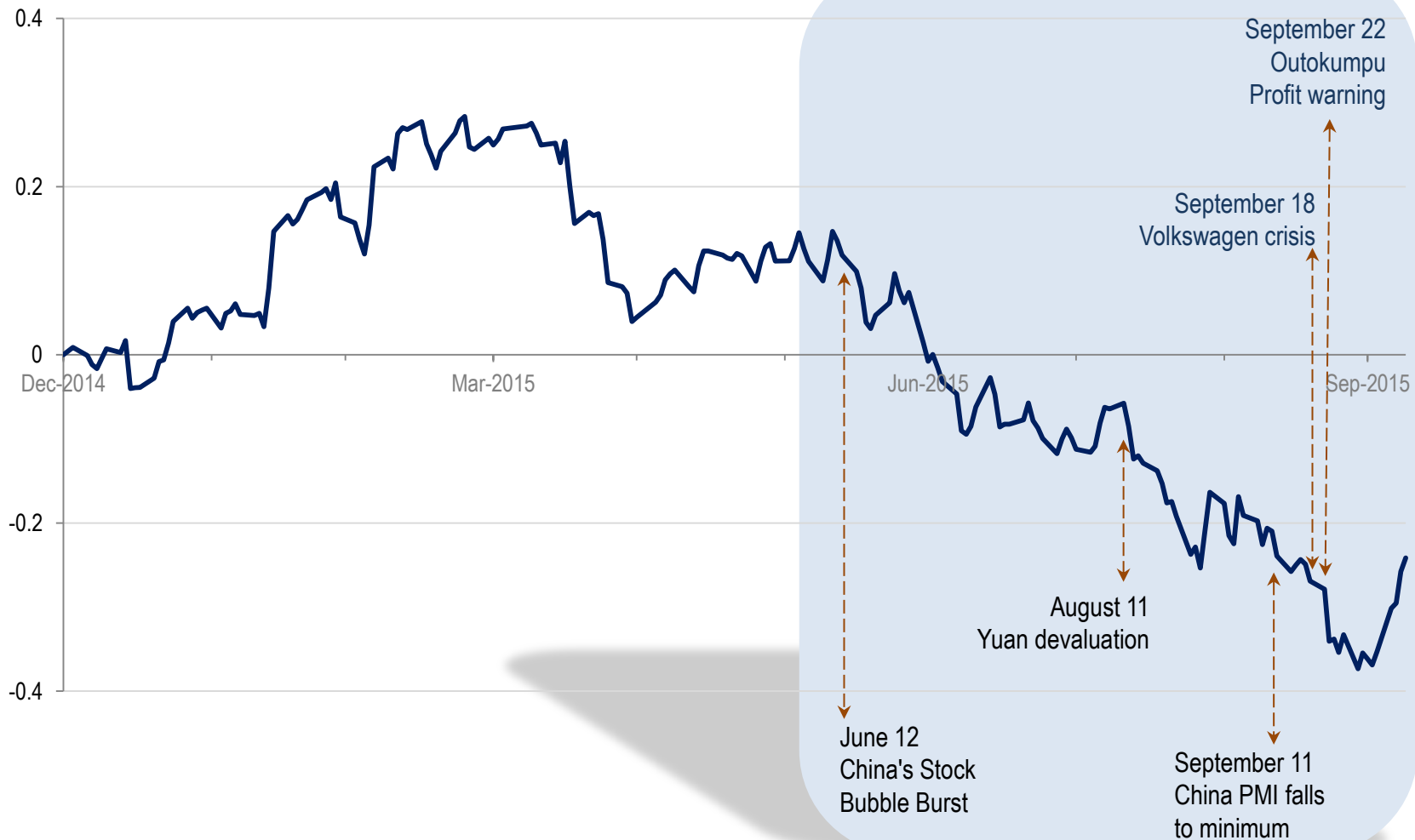
Since 2000



Source: Bloomberg

# ACERINOX SHARE PERFORMANCE HAS BEEN SHAKEN BY EXTERNAL FACTORS SINCE JUNE

2015 upto October 8



## Paradox I

Acerinox stock has experienced an  
excessive correction...

## PARADOX II

... even though it is stronger after the  
crisis...

# IMPROVEMENT PLANS

2008-2014

**FIXED COSTS REDUCTION: 110 million EUR / year**

Personnel expenses: 54 million EUR / year

Maintenance: 45 million EUR / year

Others: 11 million EUR / year



# IMPROVEMENT PLANS

2008-2014

## VARIABLE COSTS REDUCTION

TARGET ACHIEVED:

2009-2010 **Excellence Plan I**

73%

97 Million EUR / year

2011-2012 **Excellence Plan II**

59%

52 Million EUR / year

2013-2014 **Excellence Plan III**

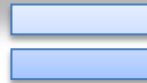
88%

53 Million EUR / year

# EXCELLENCE PLAN IV 2015 – 2016

TARGET 2015-2016  
**70 million EUR**

ACHIEVED up to June '15: **57%**



**38 million EUR**

Chemical  
composition

Inventories

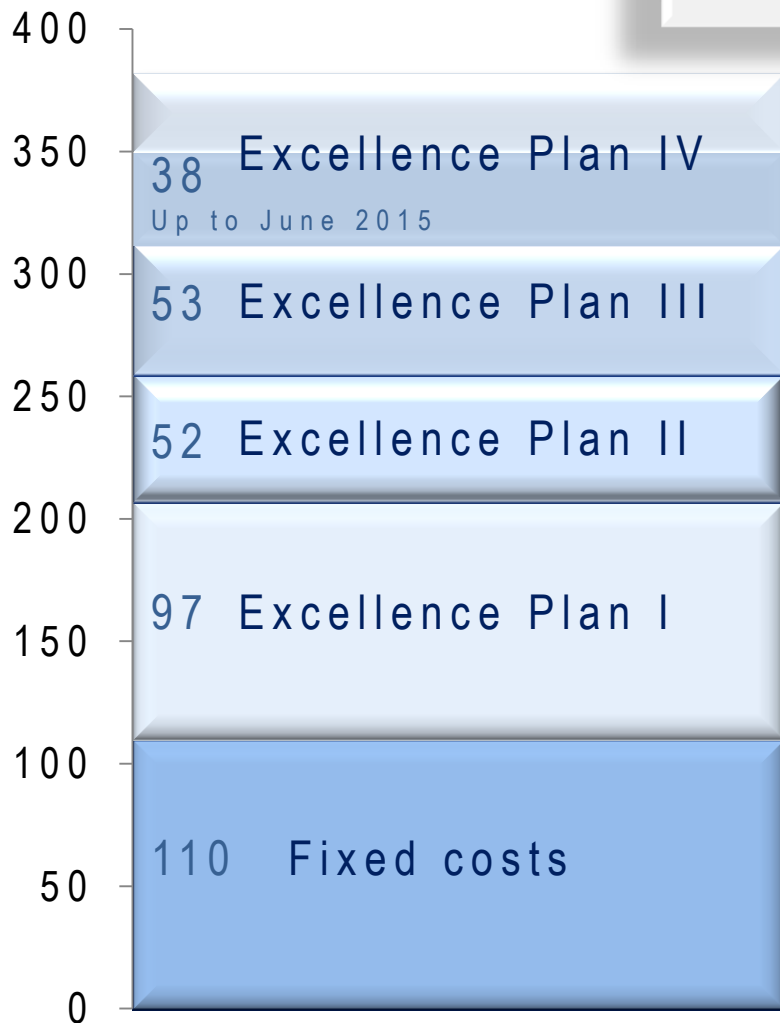
Delivery  
times

Bahru  
Stainless

# IMPROVEMENT PLANS

**We have found new levels of efficiency and keep on improving**

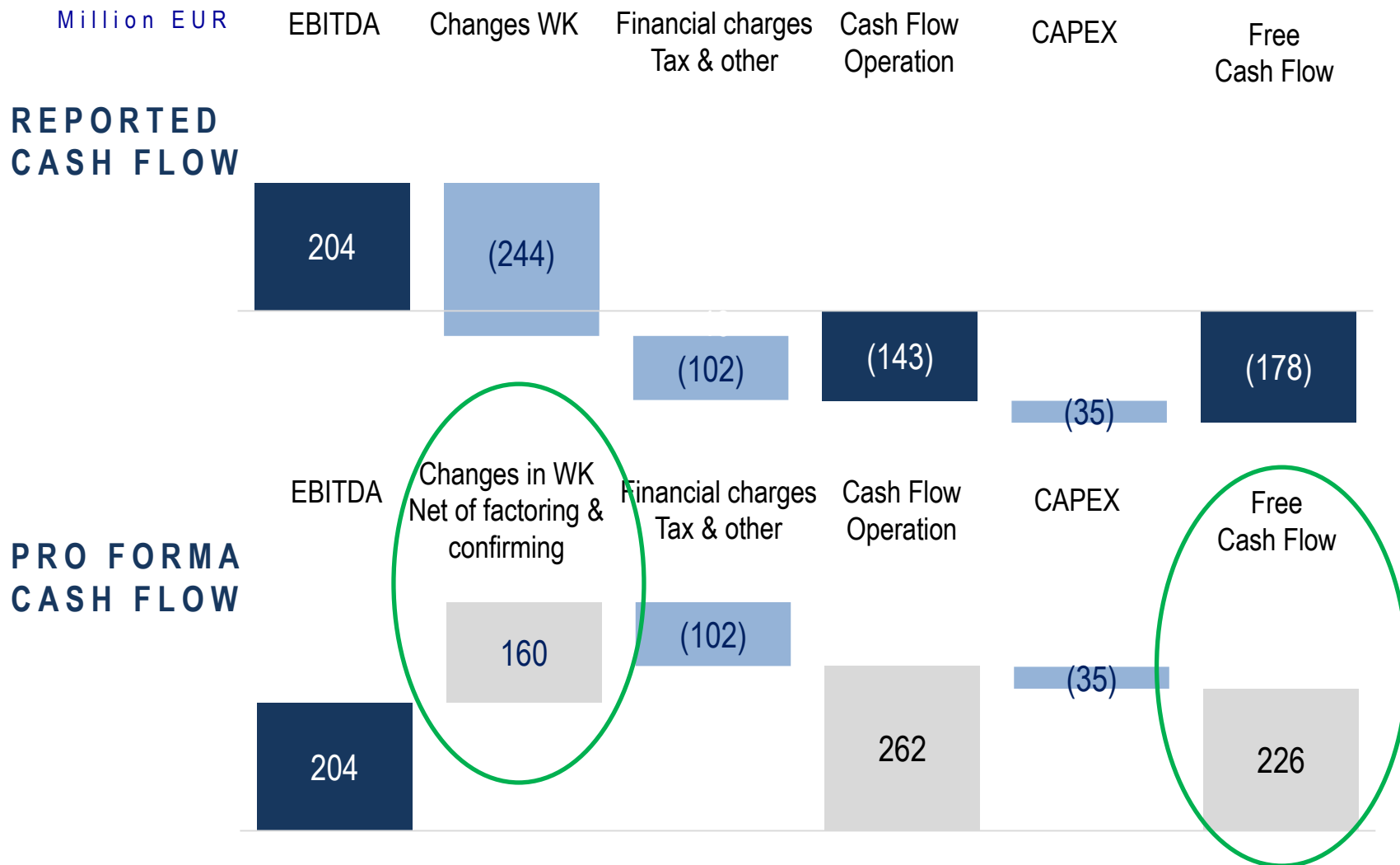
Million EUR



In 2014 we achieved better EBITDA % than in 2007 with similar tons but lower base prices ( $\pm 240$  EUR-USD/Mt) (excluding raw materials distortion)

	2007	2014
Melting prod (Mt)	2,310	2,325
EBITDA %	9.5	10.4
Price (EUR/Mt)	1,350	1,107
Price (USD/Mt)	1,634	1,402

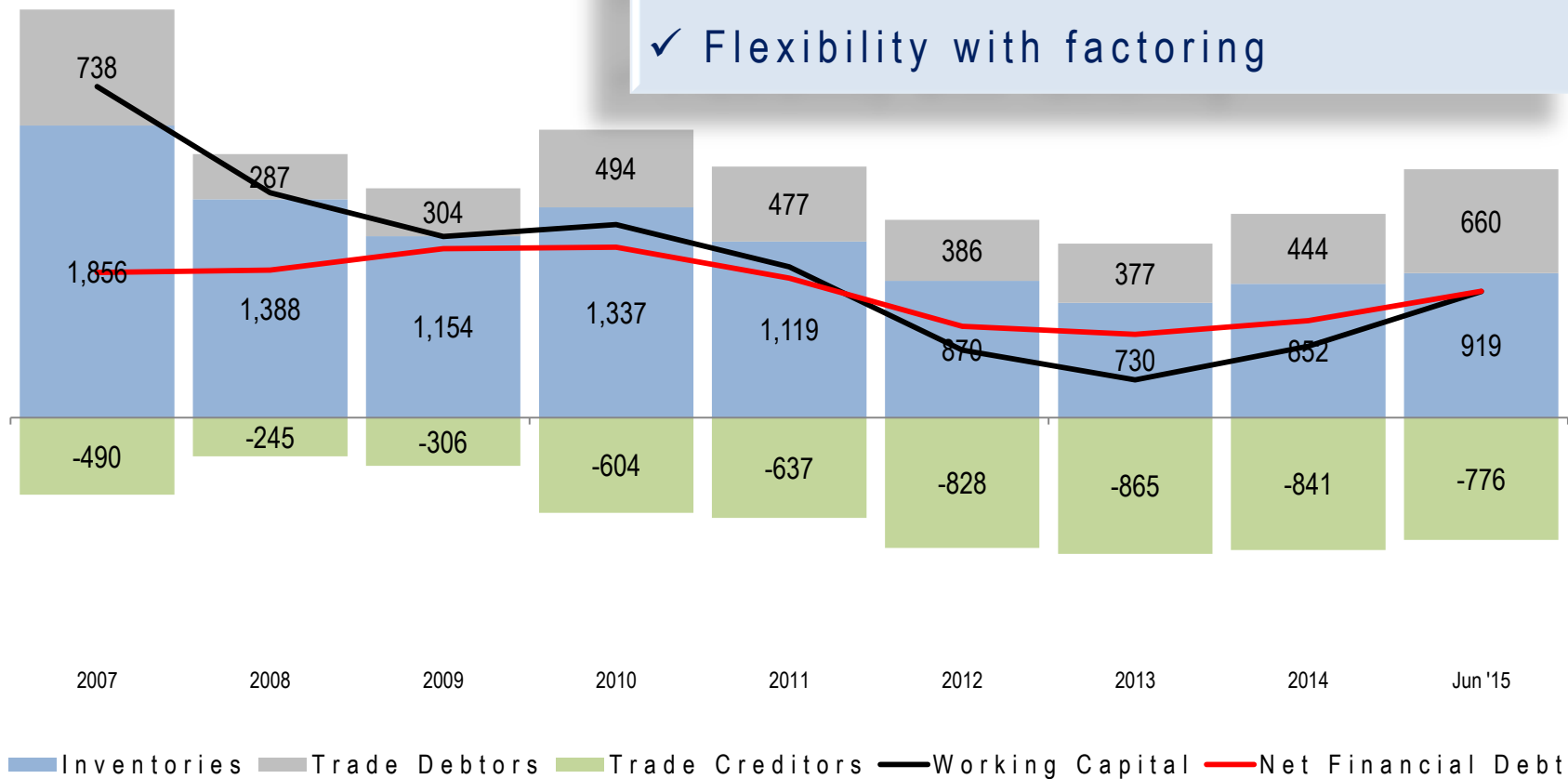
# POSITIVE CASH FLOW GENERATION IN H1 2015 EXCLUDING WORKING CAPITAL TOOLS



# FOCUS IN IMPROVING WORKING CAPITAL: 1.7 billion EUR reduction since 2007

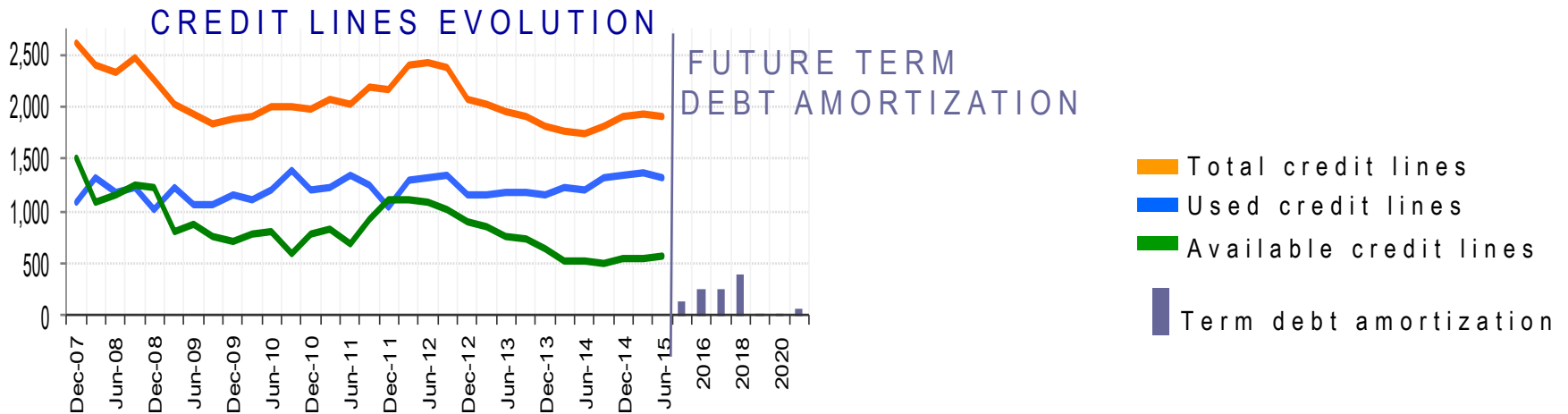
- ✓ Inventory reduction (-36% in tons)
- ✓ Extend payment term with suppliers
- ✓ Flexibility with factoring

Million EUR



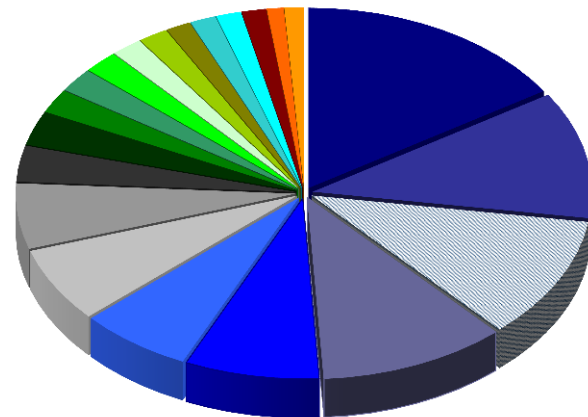
# STRONG BALANCE SHEET

Million EUR



Net debt stabilized at  $\pm$  800 million EUR  
 Cost of term debt 2.7%  
 Diversified funding sources

## MAIN FINANCING SOURCES



## Paradox I

Acerinox stock has experienced an  
excessive correction...

## Paradox II

... even though it is stronger after the  
crisis...

## **PARADOX III**

**...and we keep on being the  
benchmark player in the industry:  
the premium remains justified...**

# MAIN REASONS FOR THE PREMIUM (I)

✓ Already commented

- ✓ Best and most efficient plant in the world
- ✓ Market leadership in USA
- ✓ Wide range of products
- ✓ Ongoing cost savings
- ✓ Financial strength



## MAIN REASONS FOR THE PREMIUM (II)

- Best geographical asset distribution
- Smart investing in growing markets
- New level of competitiveness in Acerinox Europa
- Flexibility of Columbus
- Future growth in Bahru Stainless
- Increasing capacity utilization
- Stable shareholders
- Consistent strategy

# ACERINOX AND PEERS

Million EUR

H1 2015

	Acerinox	AMERICAN		EUROPEAN	
		1	2	1	2
Net sales	2,315	3,062	1,910	1,827	3,462
EBITDA	204	135	82	222	120
EBIT	121	36	-2	152	-36
Result before Taxes	96	-278	-2	129	-111
Result after Taxes	64	-324	-6	97	-102
Net debt	801	2,116	1,135	406	2,116

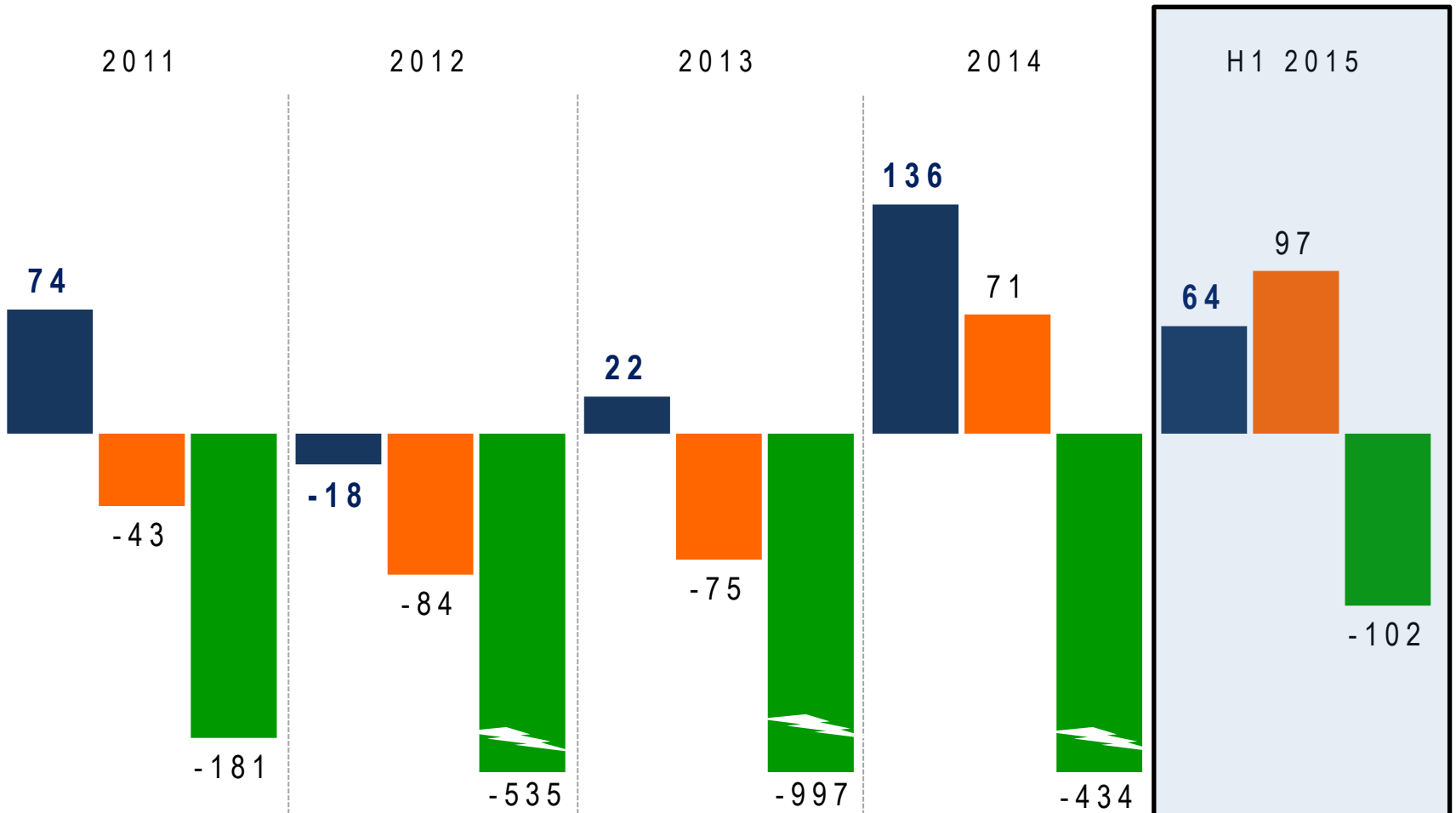
BLUE FIGURES: STAINLESS STEEL DATA  
 GREEN FIGURES: COMPANY/GROUP DATA

# ACERINOX AND MOST COMPARABLE PEERS

Million EUR

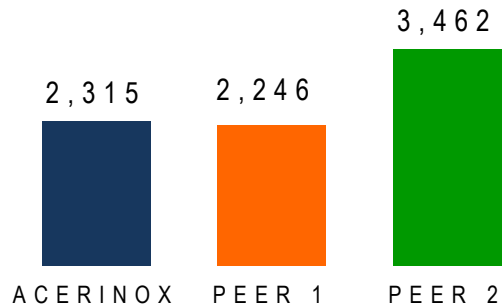
## Result after taxes and minorities

● ACERINOX ● PEER 1 ● PEER 2

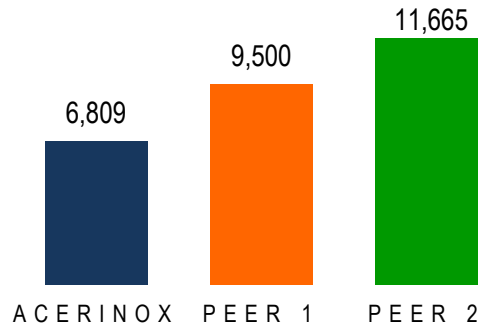


# ACERINOX AND MOST COMPARABLE PEERS H1 2015

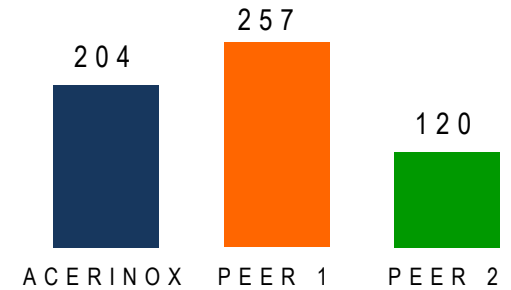
**Net sales**  
Million EUR



**No. Employees**



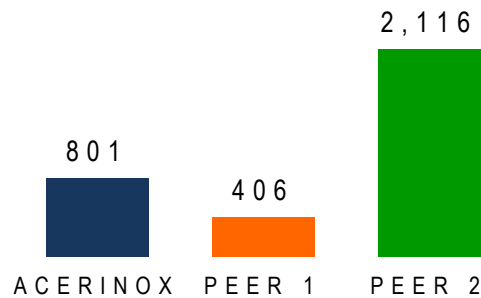
**EBITDA**  
Million EUR



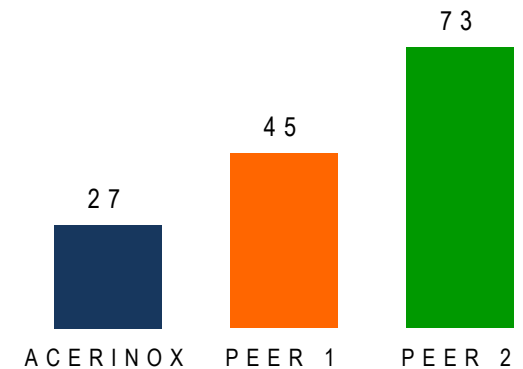
**EBITDA**  
annualized/employee  
EUR



**Net Financial Debt**  
Million EUR



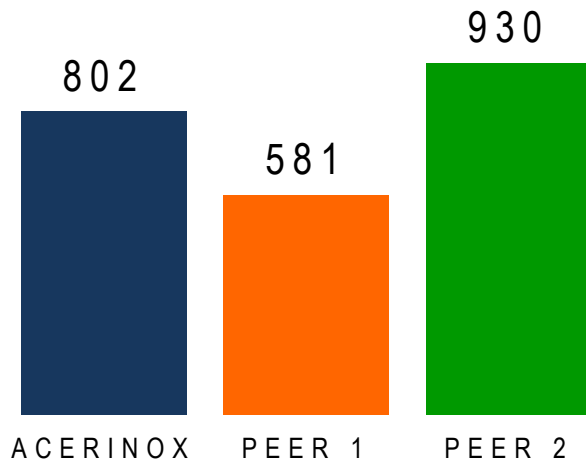
**Financial expenses**  
(million EUR)



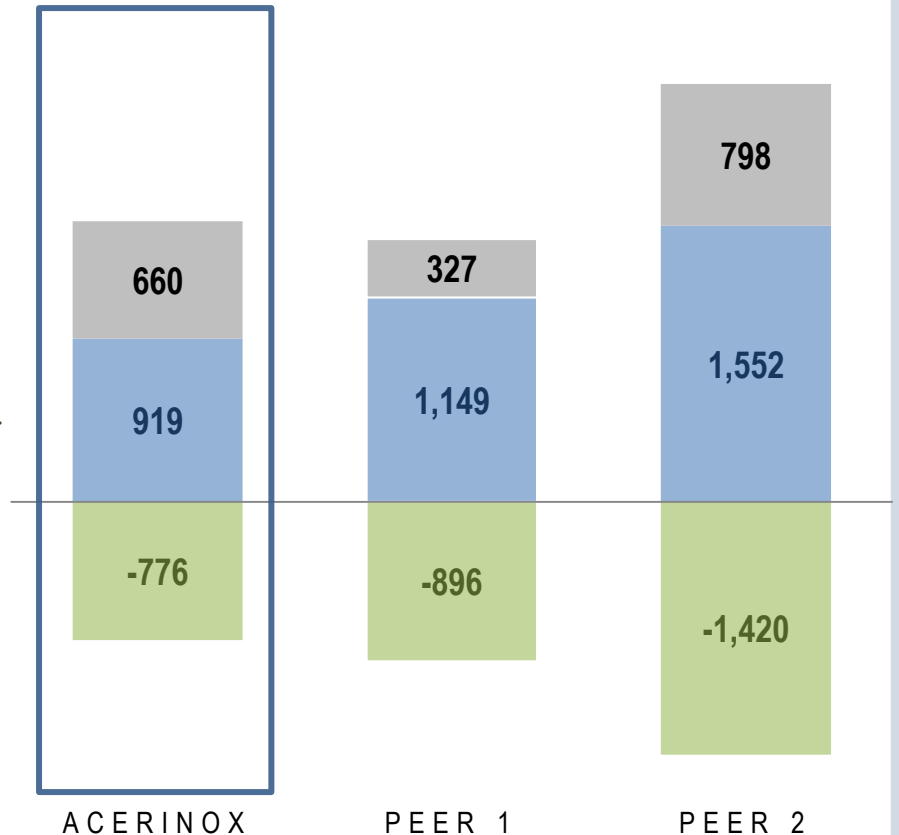
# ACERINOX AND MOST COMPARABLE PEERS H1 2015

## Working Capital

Million EUR



■ Inventories ■ Trade debtors ■ Trade creditors



## Paradox I

Acerinox stock has experienced an  
excessive correction...

## Paradox II

... even though it is stronger after the  
crisis..

## Paradox III

... and we keep on being the benchmark player  
in the industry: the premium remains  
justified

## **PARADOX IV**

**...and market fundamentals are robust...**

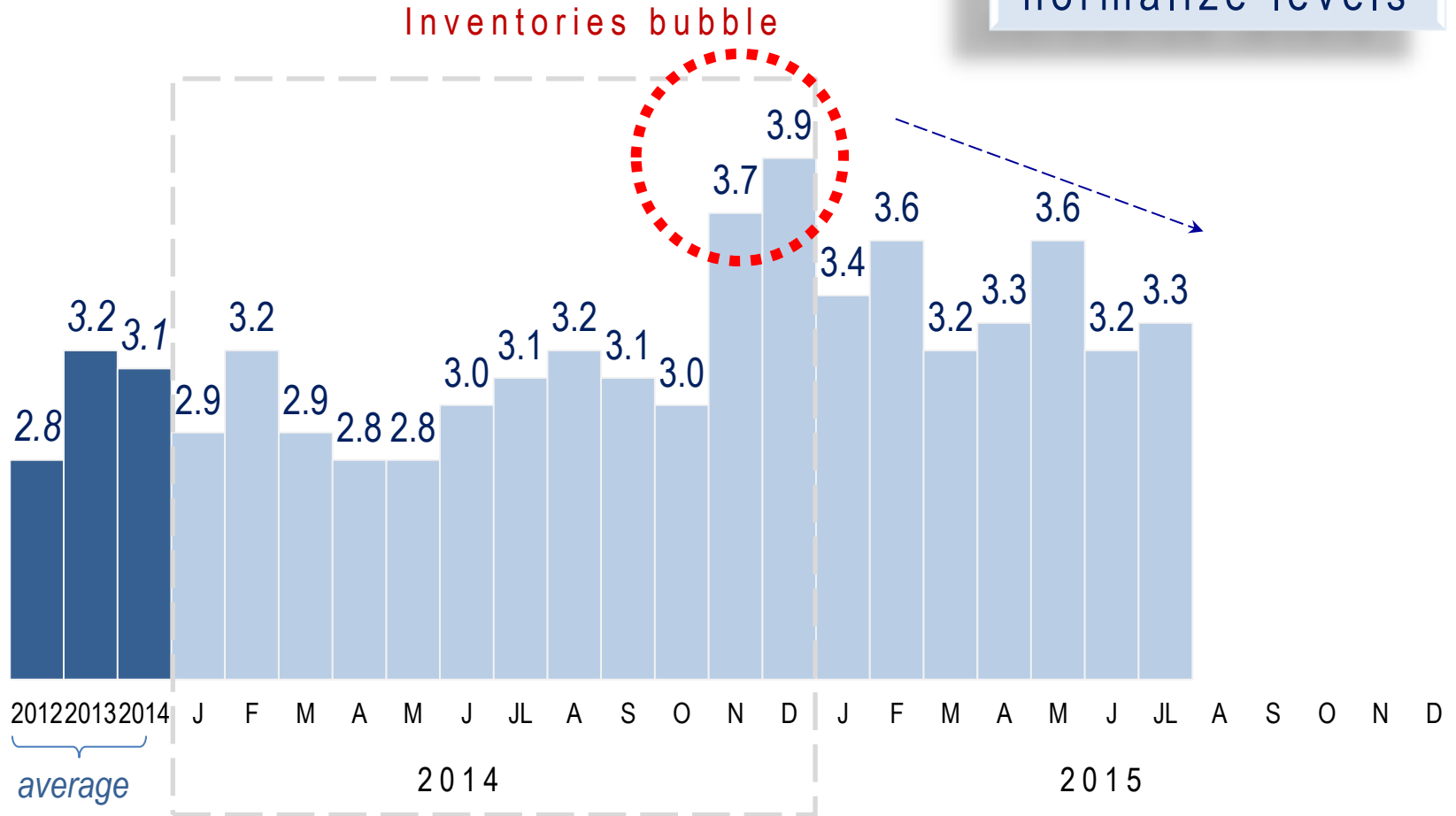
**(just the momentum is weak)**

# STAINLESS STEEL INVENTORIES AT DISTRIBUTORS



Months of rotation

2015 tendency:  
normalize levels

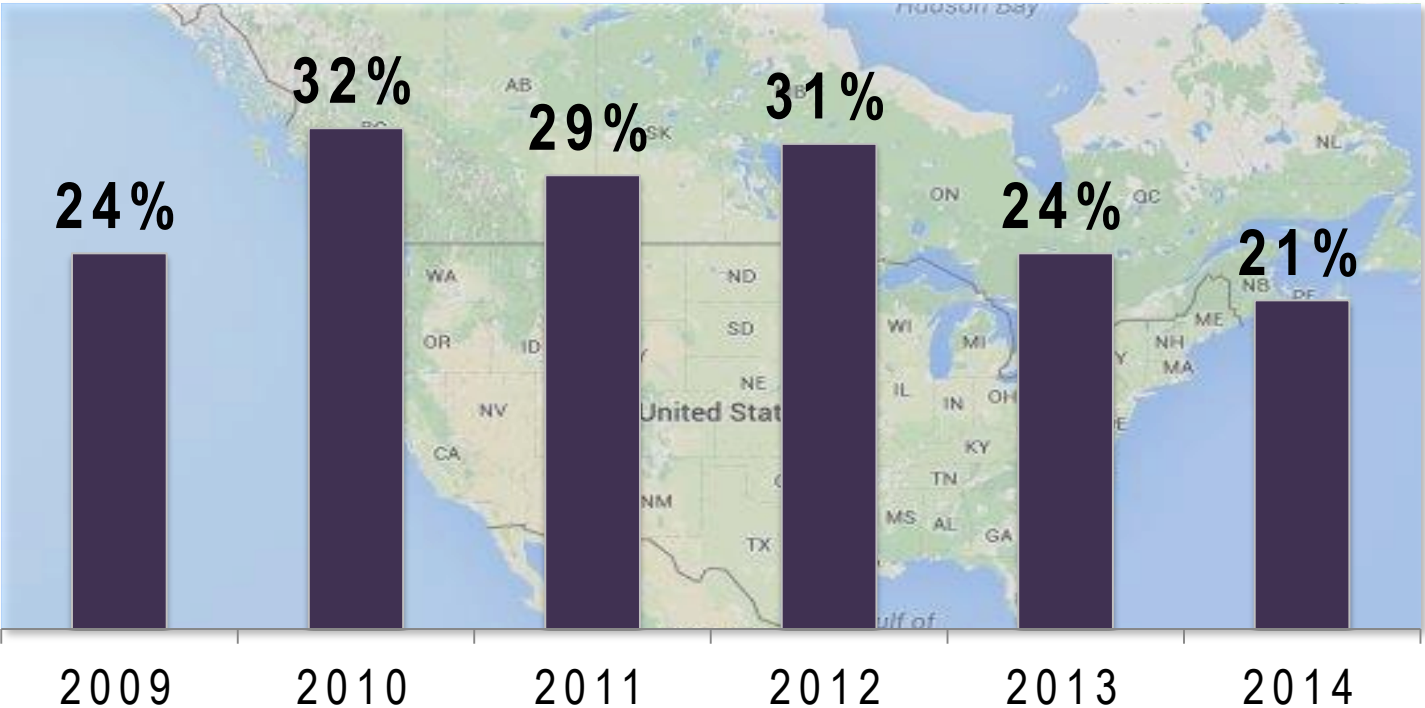


Source: MSCI

# FLAT PRODUCT IMPORTS



## IMPORT PENETRATION

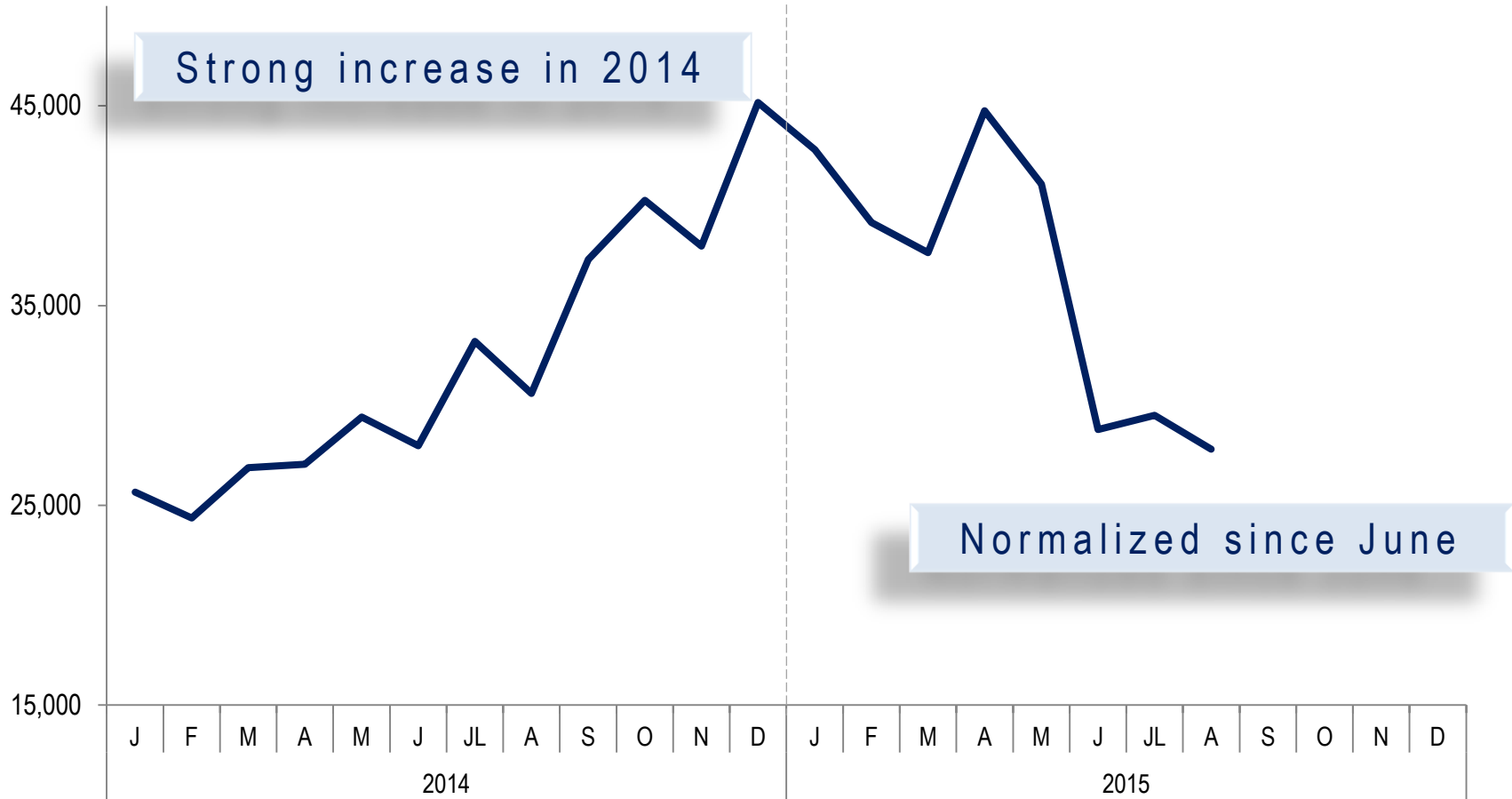




# COLD-ROLLED IMPORTS



M t

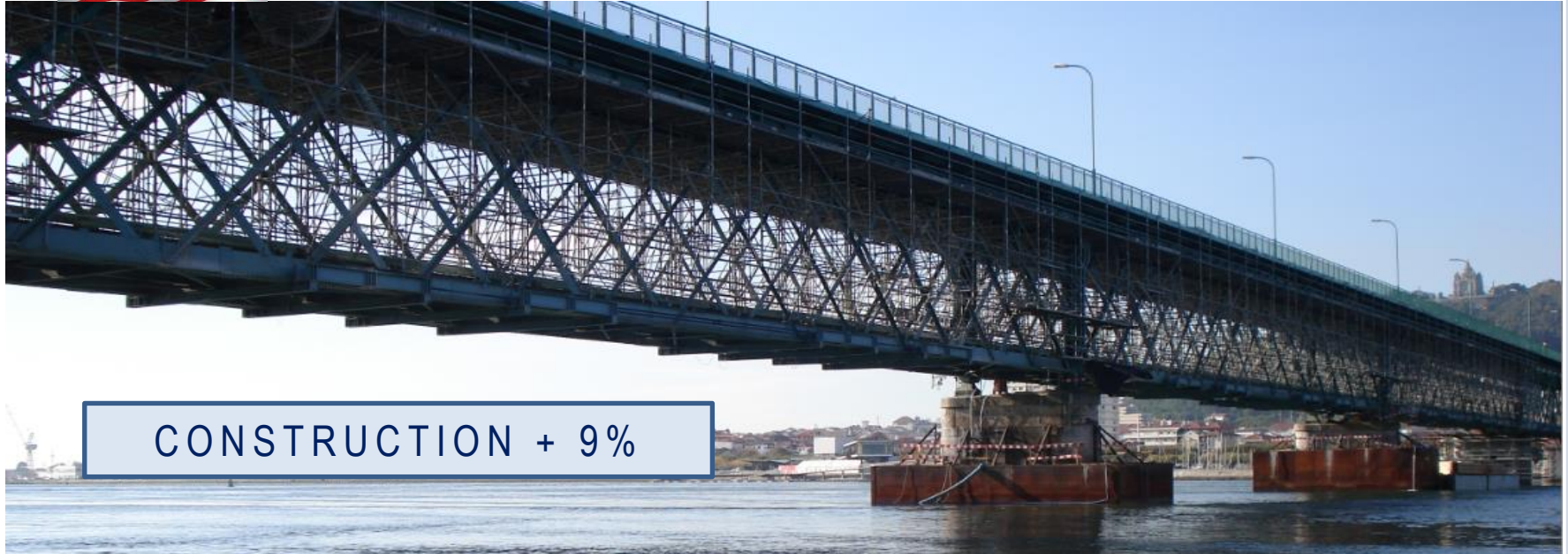


Source: US Dept. Commerce

# ROBUST REAL DEMAND IN THE UNITED STATES



Source: US Census Bureau, % variation year to July 15/14



CONSTRUCTION + 9%



AUTO +4%



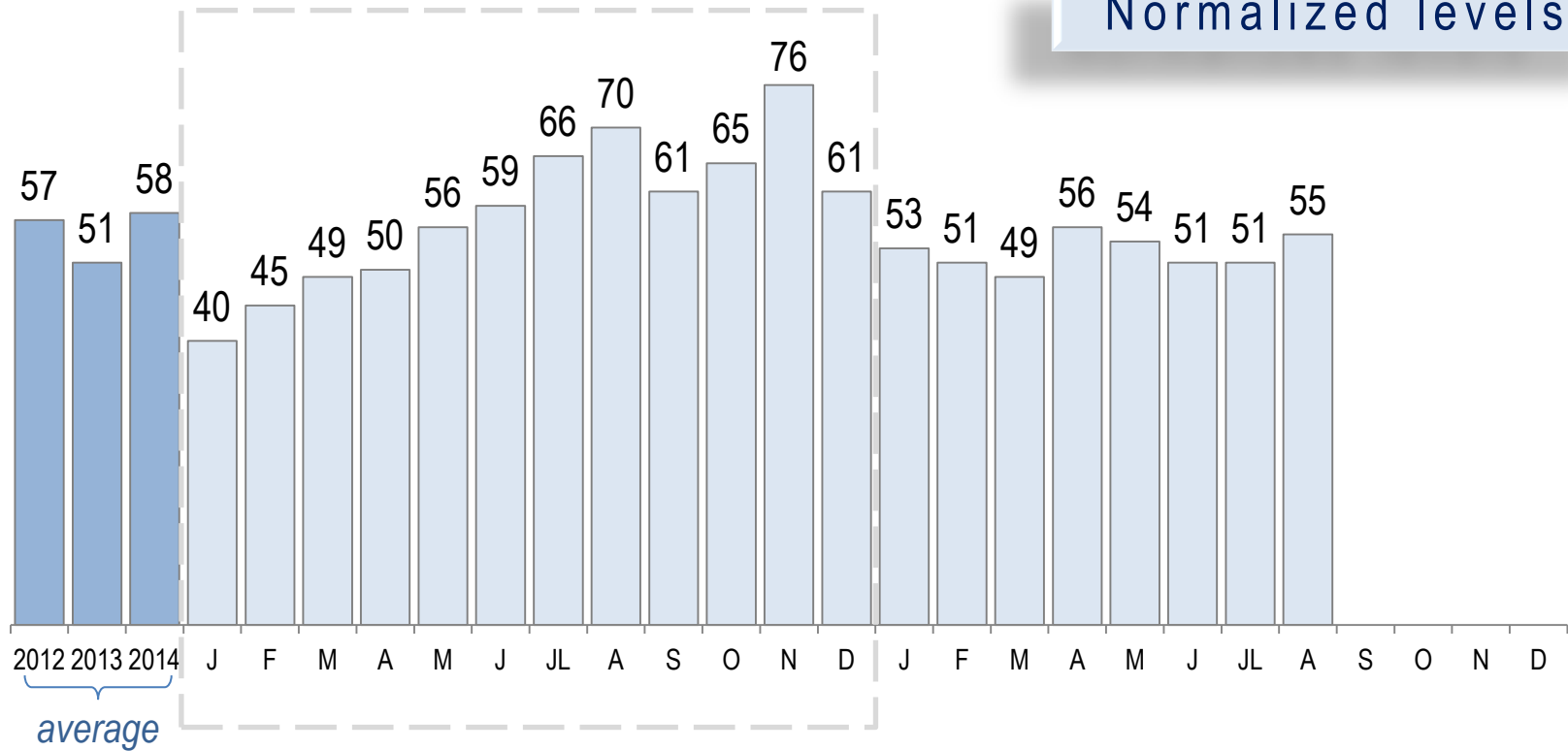
HOUSEHOLD APPLIANCES +6%

# STAINLESS STEEL INVENTORIES OF COLD-ROLLED



Days of rotation  
Reference: Germany

Normalized levels

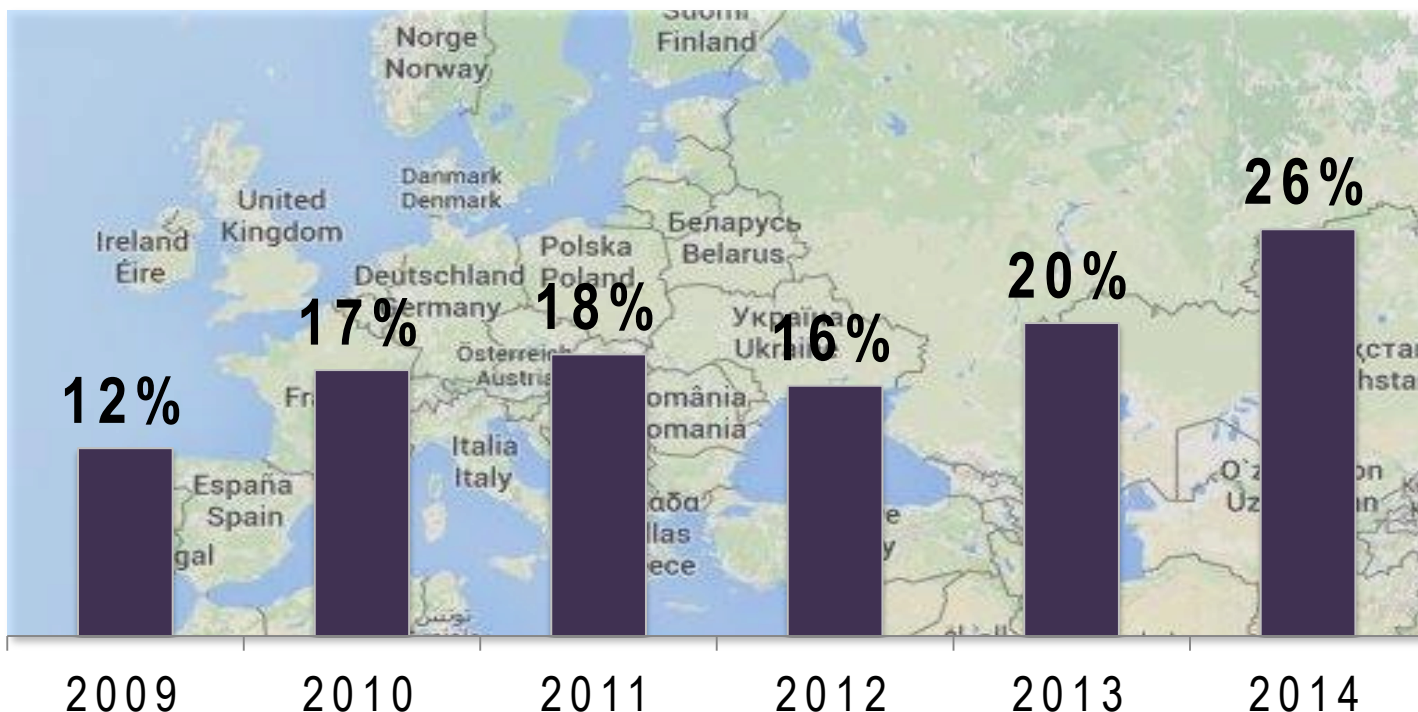


Source: EHV

# FLAT PRODUCT IMPORTS



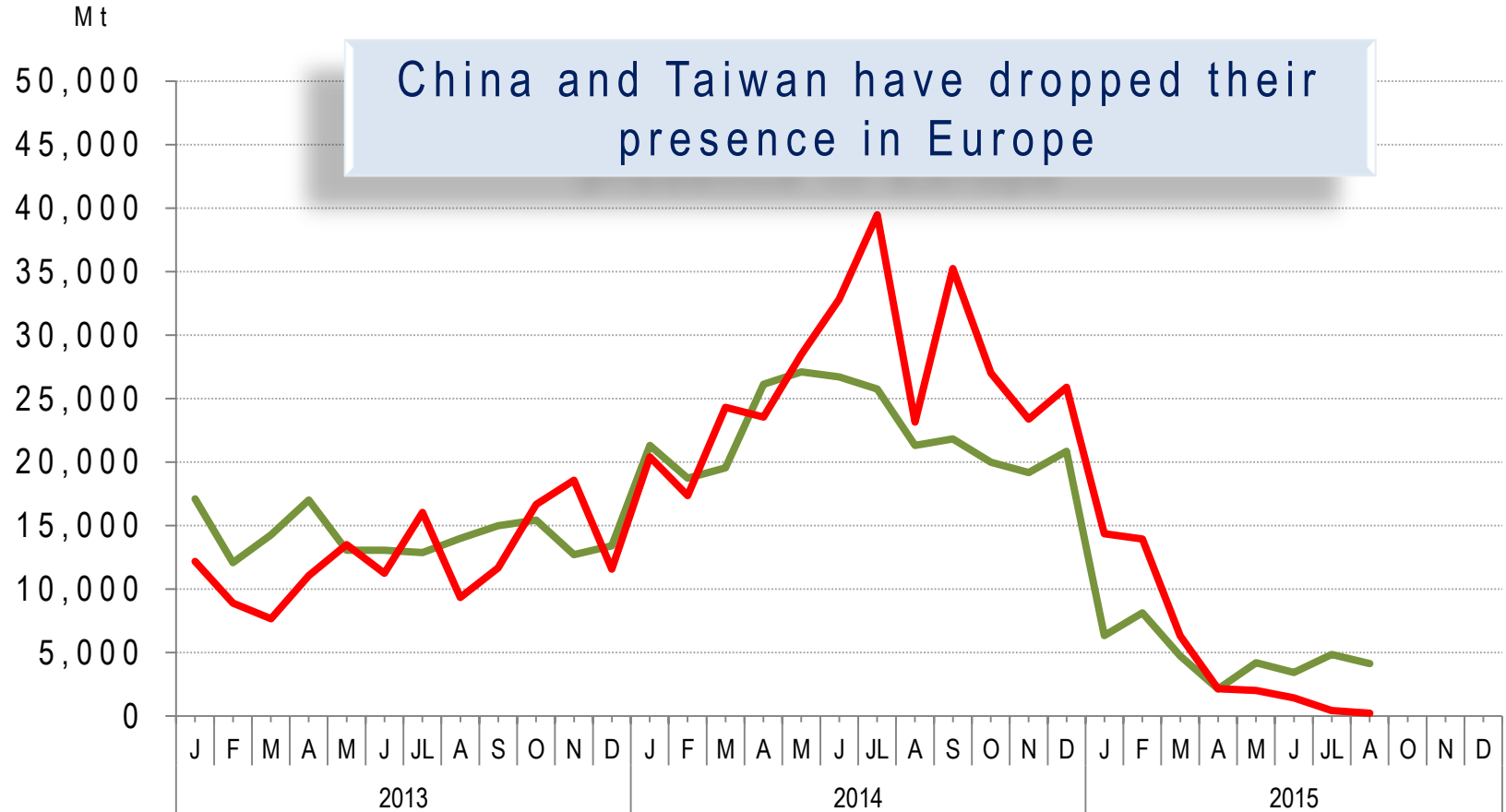
## IMPORT PENETRATION



# COLD-ROLLED IMPORTS: CHINA & TAIWAN



— Taiwan — China, P. Republic



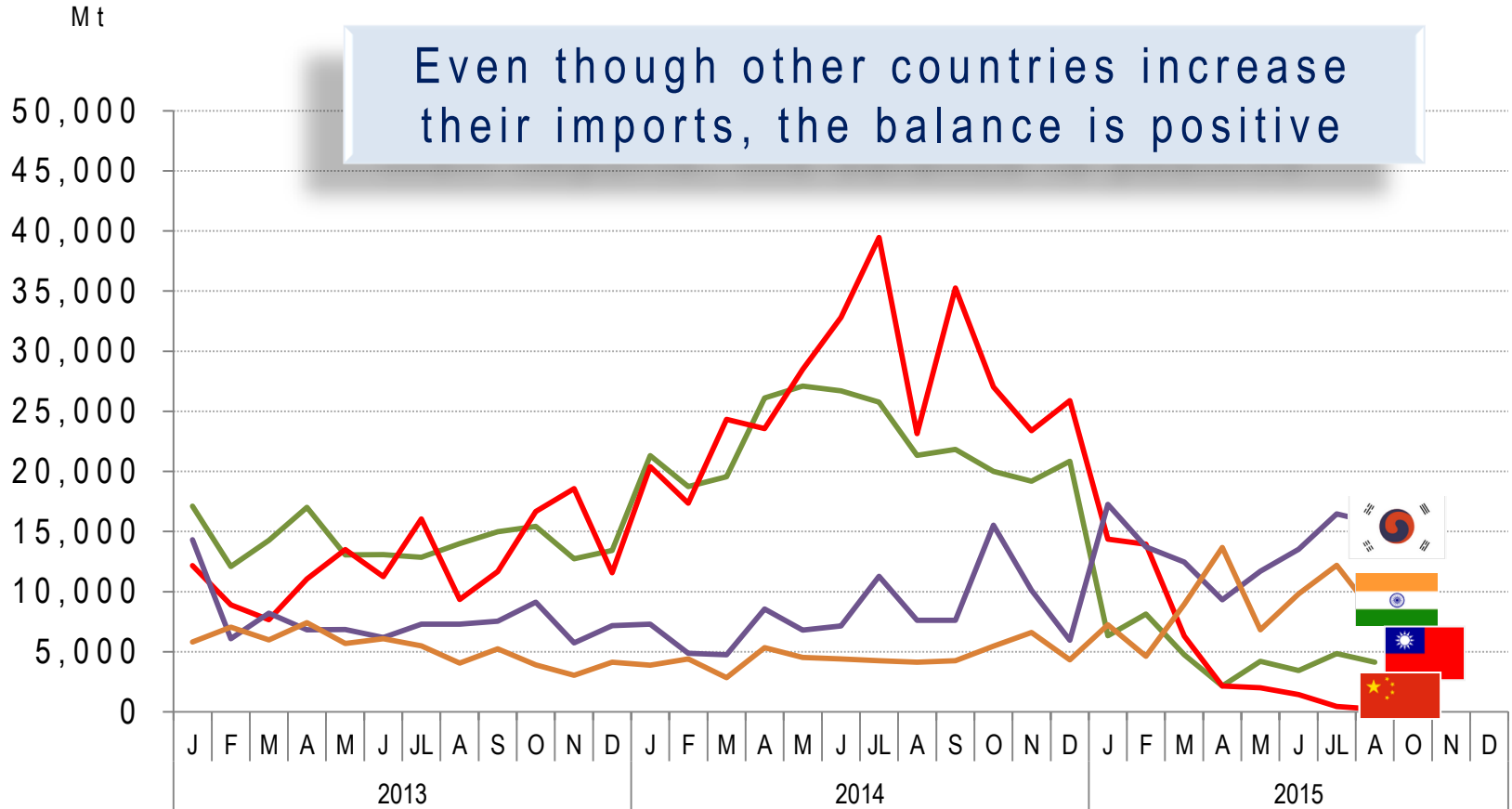
Source: EUROFER

# COLD-ROLLED IMPORTS: MAIN COUNTRIES



- Taiwan
- China, P. Republic
- South Korea
- India

Even though other countries increase their imports, the balance is positive

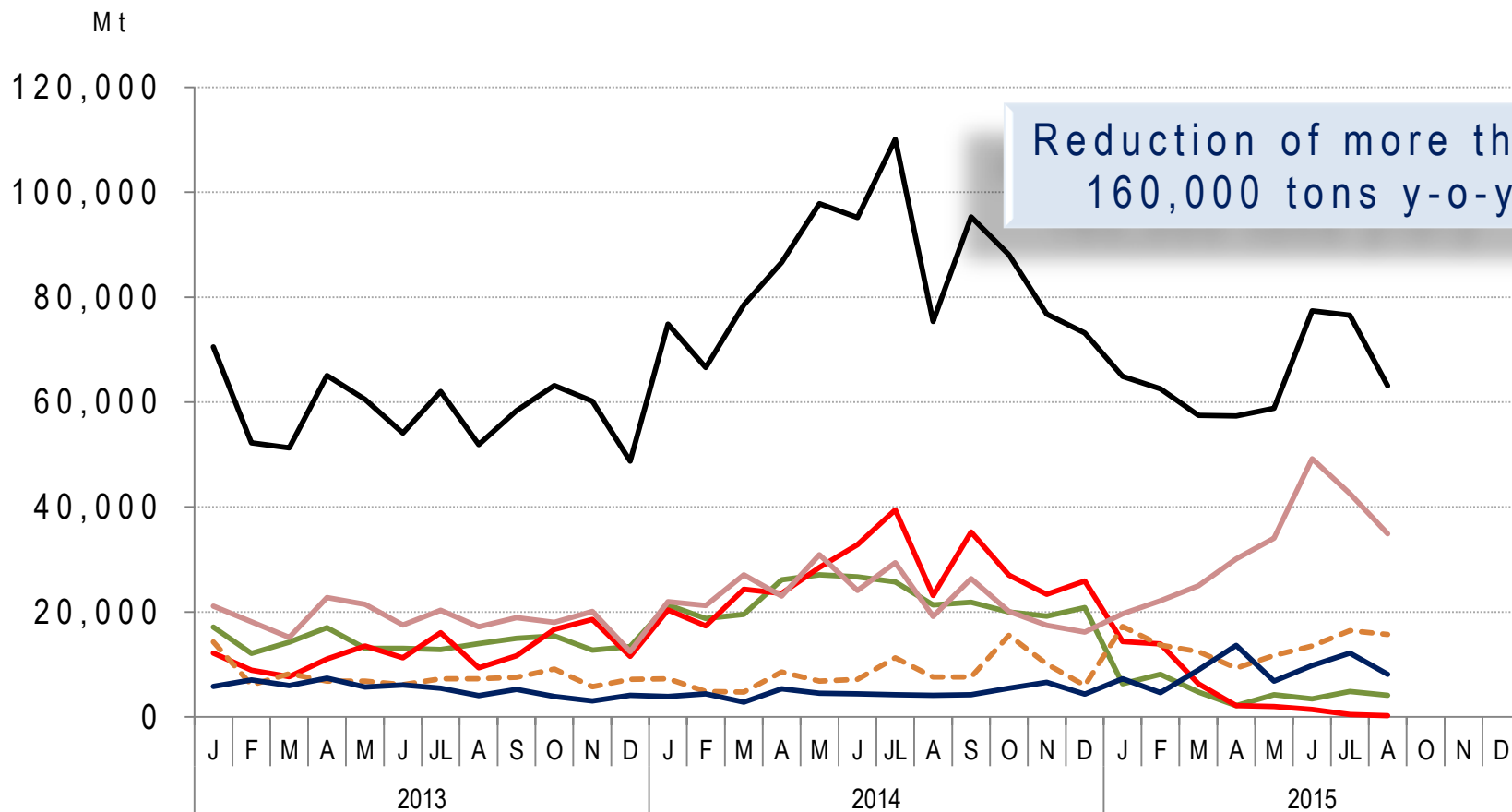


Source: EUROFER

# COLD-ROLLED IMPORTS



- Taiwan
- China, P. Republic
- South Korea
- India
- Total
- Other



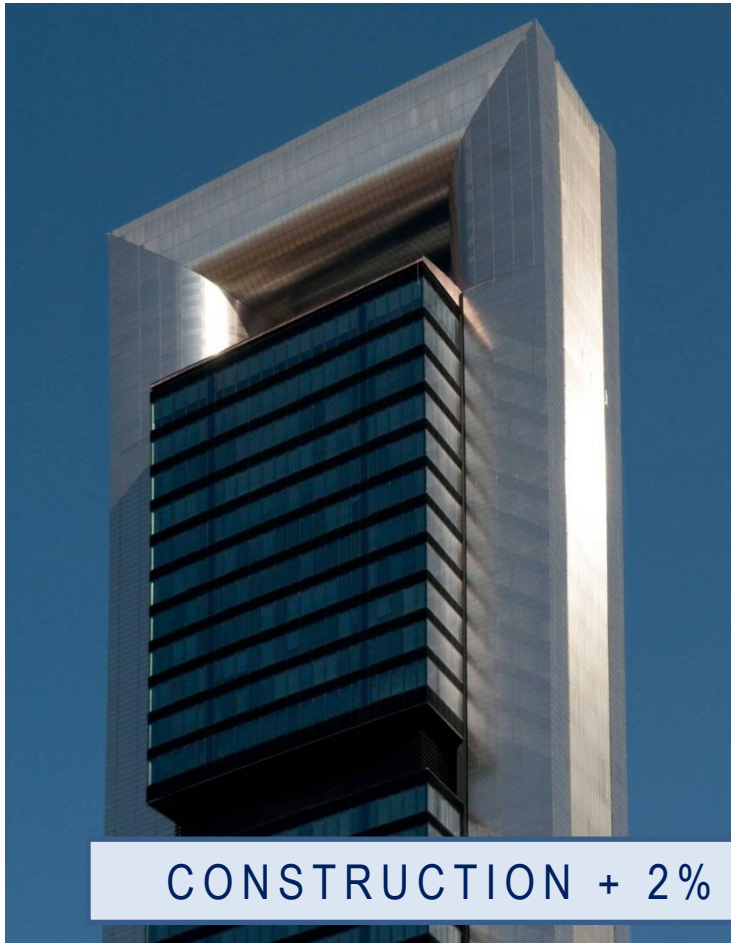
Reduction of more than 160,000 tons y-o-y

Source: EUROFER

# RECOVERY OF THE DEMAND IN EUROPE



Source: EUROFER, estimated figures for 2015



CONSTRUCTION + 2%



AUTO +5%

HOUSEHOLD  
APPLIANCES  
+ 3%





# THE GREAT PARADOX

ACERINOX  
STRENGTH

BENCHMARK  
IN THE  
STAINLESS

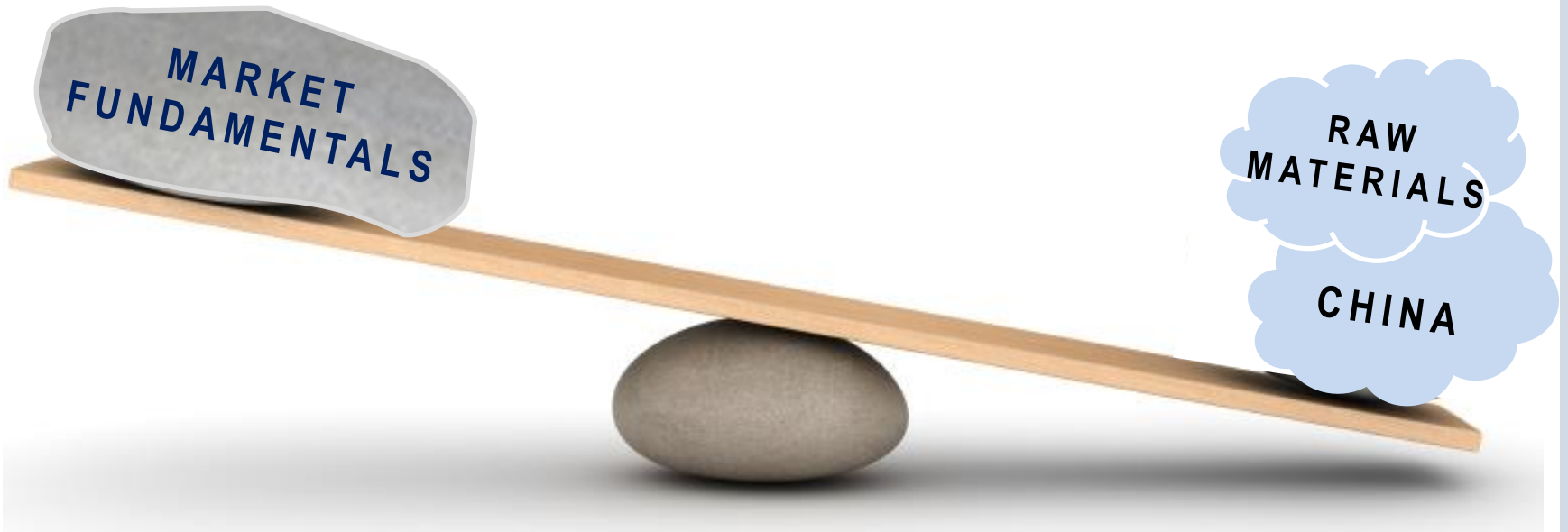
GOOD  
FUNDAMENTALS  
OF THE  
MARKET



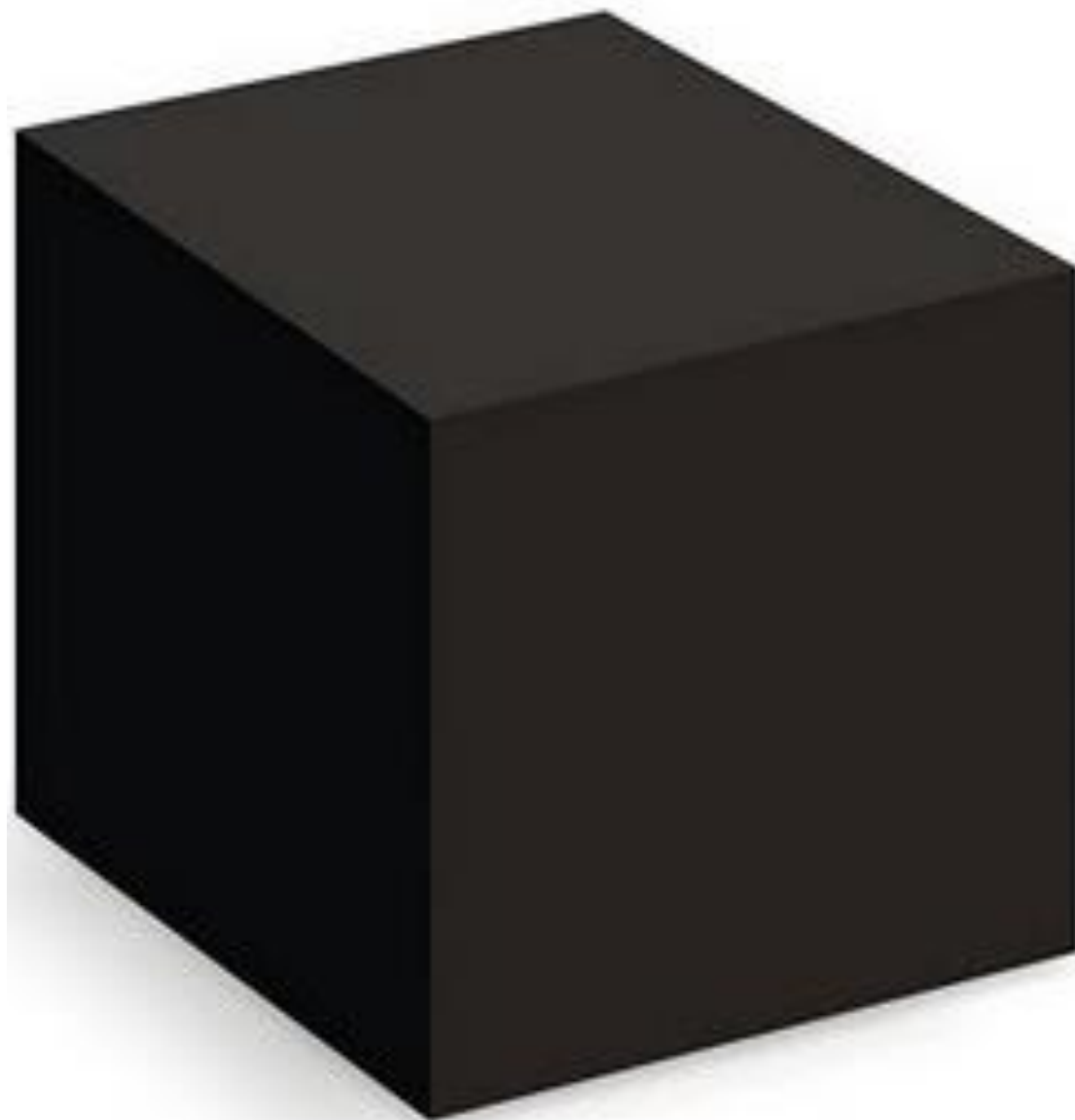
Why is the  
momentum  
weak?

CERTAINTIES

UNCERTAINTIES



CHINA



CHINA



**The lack of visibility and the uncertainties  
of what is behind the slowdown are  
eclipsing positive facts**

## CHINA: POSITIVE INPUTS



Shanxi Taigang sanction for pollution (29-Apr)

**China's stainless flat steel exports down 19% y-o-y (June)**

MIIT tightens the requirements of energy to promote energy efficiency and is stricter in emission standards (27-may)

Baosteel Stainless may switch to a cost pricing method, namely, negotiating its selling price with buyers on the basis of production costs. (10-sep)

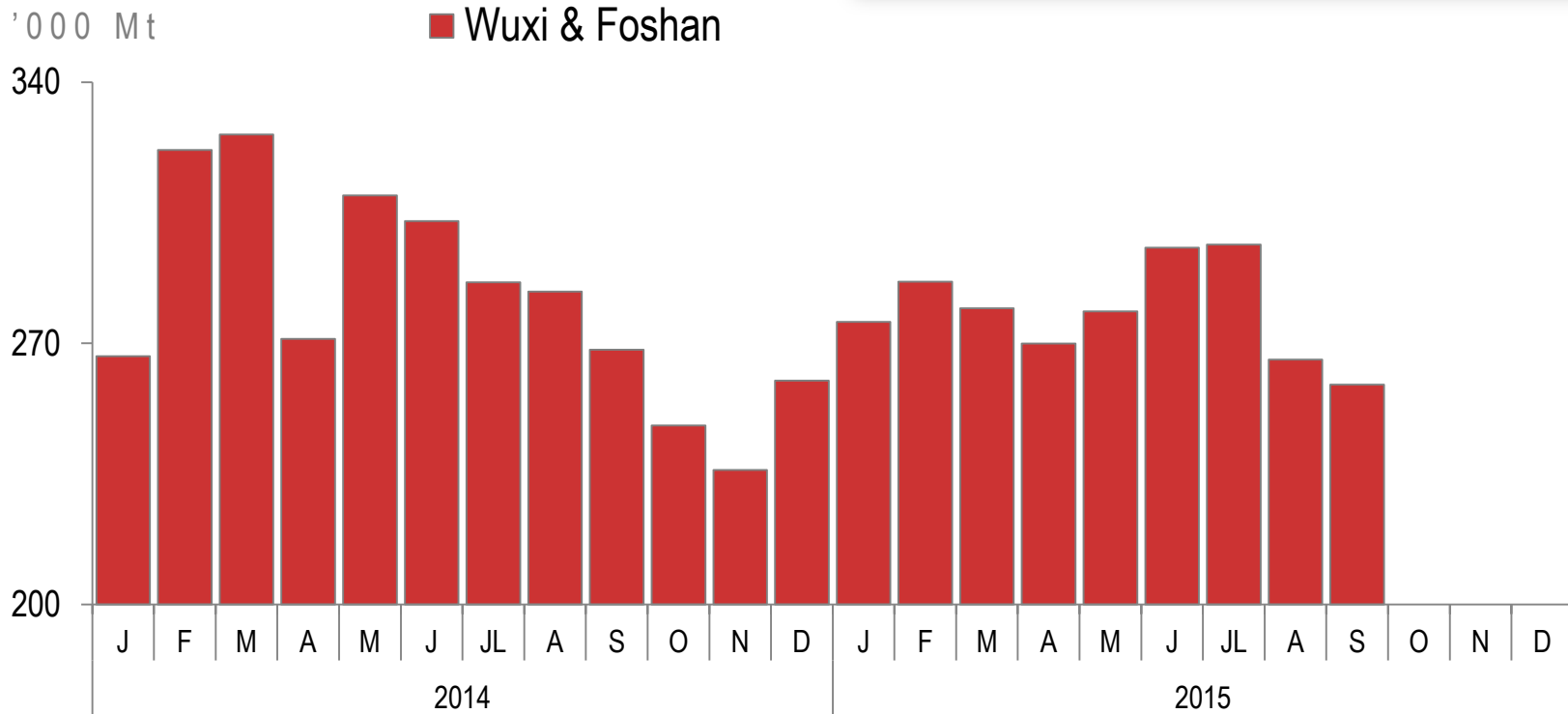
Chinese stainless production increase 0.7% in H1

Source: Platts, ISSF

# CHINA: STAINLESS STEEL INVENTORIES



Normal levels of stocks

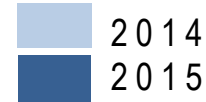


Source: 51BxG

# CHINA: STAINLESS STEEL



'000 Mt



## Melting production

10,687 10,759



H1

**PRODUCTION  
FLAT**

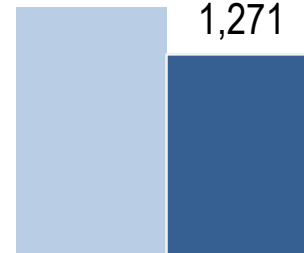
**ESTIMATED DOMESTIC  
CONSUMPTION  
INCREASE**

3.9%

± 600  
FY '15

## Exports

1,568 1,271



H1

± 300  
H1 '15

**REDUCTION IN  
EXPORTS**

Source: ISSF

# Over reaction in the nickel sentiment





# NICKEL: HISTORICAL PRICE IN THE L.M.E.

Up to Sept, 2015

- ✓ Nickel price at historical minimum...
- ✓ ...but stainless production at historical maximum

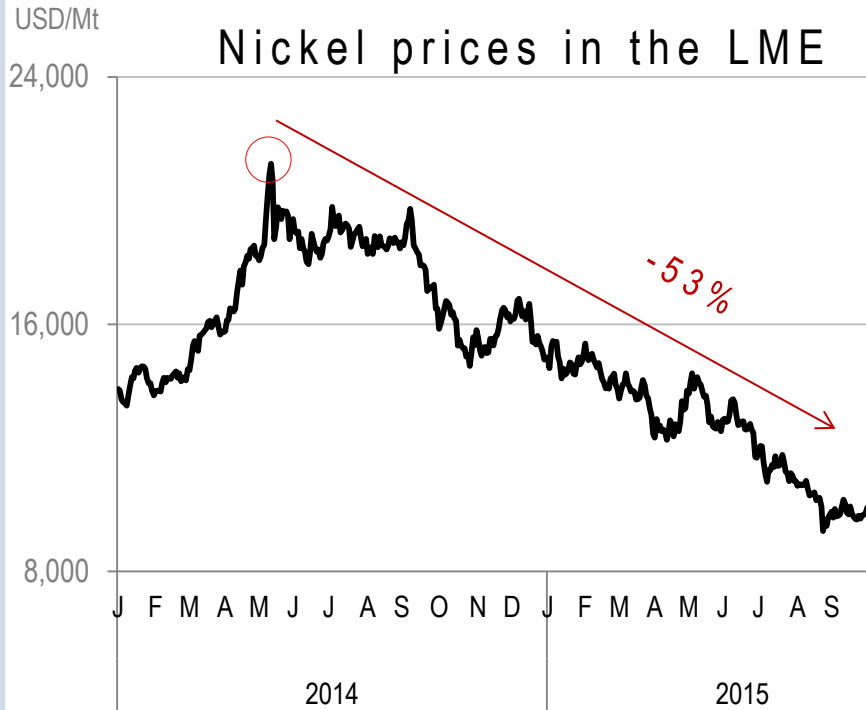
*"60% of nickel industry is making cash losses" (Norilsk)*



Source: Bloomberg

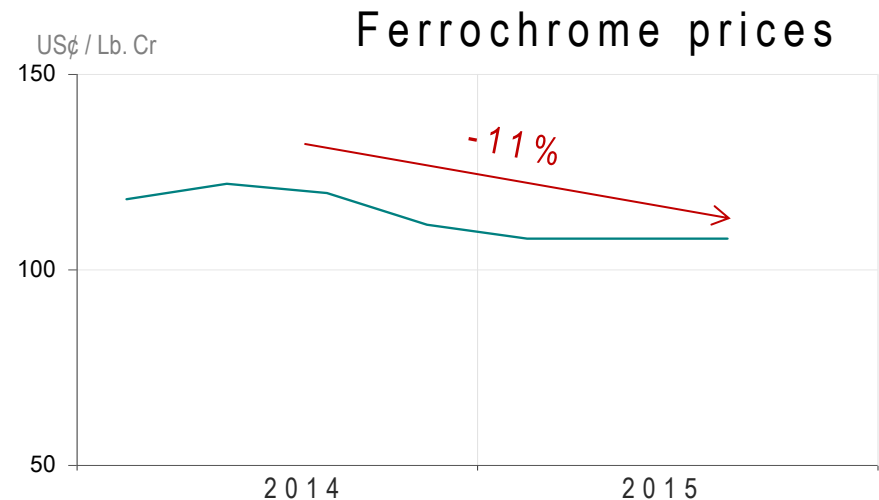
# NICKEL AND FERROCHROME PRICES

Up to Sept 30, 2015



Nickel has corrected since Sept 2014 due to:

- Strong USD
- Over concern on the slowdown in Chinese growth rates



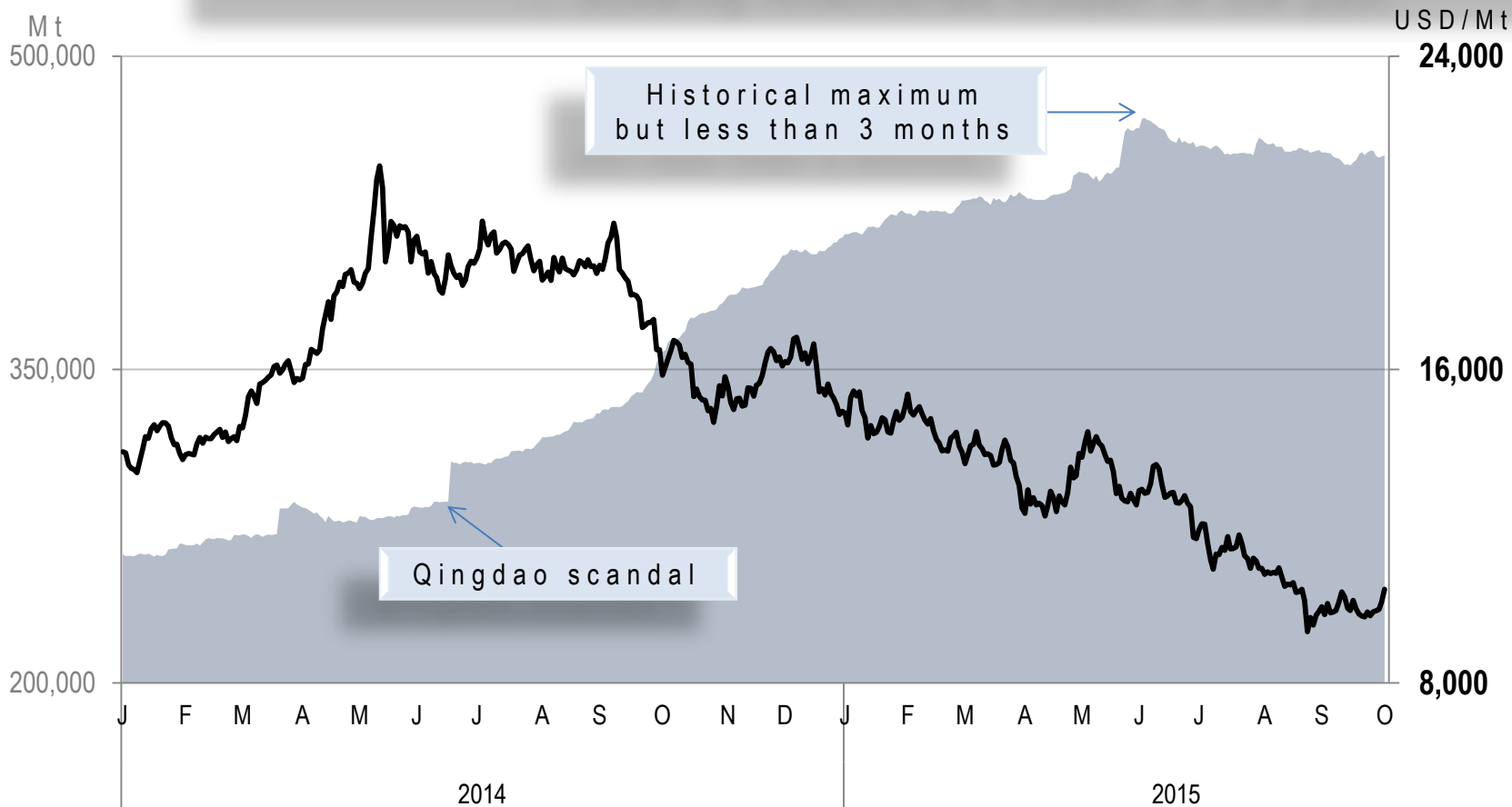
But the different trend in nickel and ferrochrome demonstrate the speculative pressure on nickel price

Source: Bloomberg, MB

# NICKEL: INVENTORIES AND PRICES IN THE L.M.E.

Up to Sept 30, 2015

Nickel inventories in the LME warehouses reached their peak in June 2015...  
... showing inventories hidden in the past



Source: Bloomberg

# REASONS FOR OUR CALM

- High cost nickel producers are forced to cut production
- Chinese NPI production is in decline as a consequence of:
  - price
  - cost of production with Philippine ore
  - tightening environmental regulation in China
- *"Real demand for primary nickel is expected to reach record high of 1.31 million Mt in 2015"* (ERAMET)
- Limited downside risk from these levels
- Just with some indications of nickel price stabilization, the stainless market shall reactivate



# SOONER THAN LATER THE LOGIC WILL PREVAIL



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