



# **Q3 2019 RESULTS PRESENTATION**

*4 NOVEMBER 2019*



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## THIRD QUARTER PERFORMANCE

### Q3 MARKET HIGHLIGHTS

- X Seasonal slowdown
- X Nickel price increase not reflected in stainless transaction prices in EU and Asia
- X Intensification of macro uncertainties
- Europe
- X High import penetration
- X Weak apparent demand
- X Base prices remain low
- USA
- X Weak apparent demand
- ✓ Prices stable
- ✓ Imports remain at low levels
- Asia
- X Ongoing oversupply
- X Prices remain weak

### Q3 ACERINOX HIGHLIGHTS

- ✓ NAS very robust
- X Very challenging environment elsewhere
- X Q3 Production:
  - 5% melting production QoQ
  - 12% melting production YoY
- Slight improvement vs Q2:
- ✓ +7% EBITDA QoQ
- X -33% EBITDA YoY
- X Downward inventory adjustment of 9 million euros
- ✓ Sell of California warehouse EBITDA impact 7 million euros
- ✓ Working Capital lower again QoQ
- ✓ Strong free cash flow generation
- ✓ Debt fell by €59 million despite returns to shareholders



# MARKET PERFORMANCE

## NICKEL

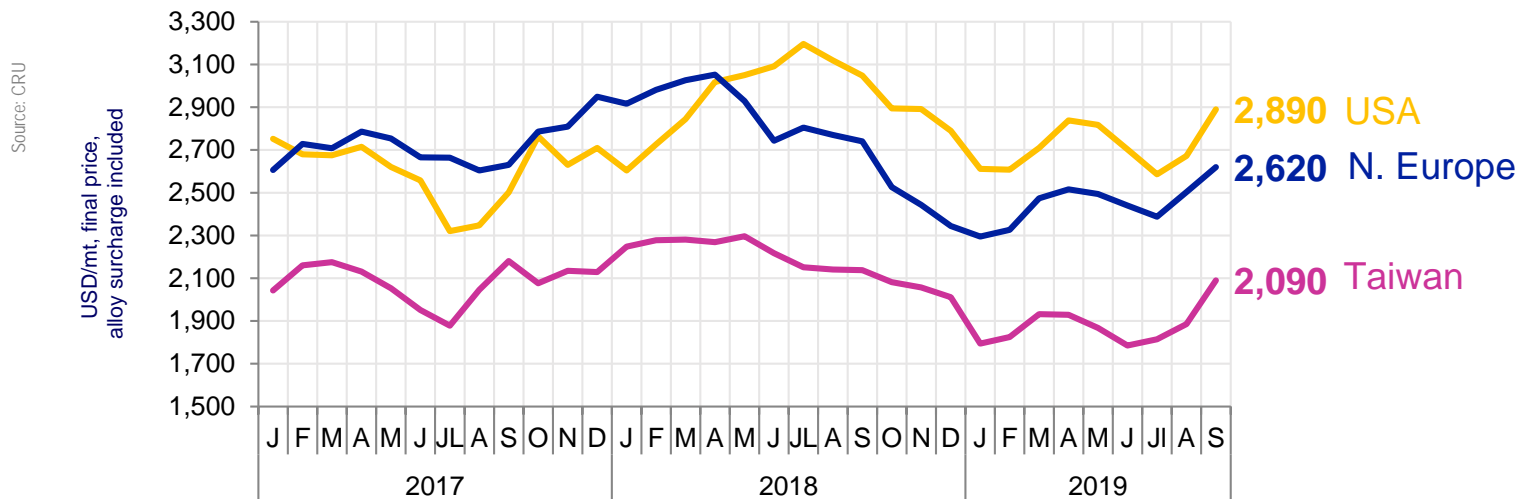


## FERROCHROME

Source: Metal Bulletin



## STAINLESS STEEL COLD ROLLED SHEET PRICES AISI 304 2.0 mm



## Q3 2019: MAIN FINANCIAL FIGURES

Figures in million €

	Q1 2019	Q2 2019	Q3 2019	Variation Q3 vs Q2	9M 2018	9M 2019	Variation
<b>Net Sales</b>	1,202	1,240	1,220	-2%	3,872	3,661	-5%
<b>EBITDA</b>	90	97	103	7%	422	290	-31%
<b>EBIT</b>	45	54	59	10%	296	159	-46%
<b>Results before Taxes and Minorities</b>	45	53	60	12%	293	158	-46%
Results after Taxes and Minorities	33	37	44	19%	221	113	-49%
<b>Free Cash Flow (before dividends)</b>	17	22	80	264%	57	119	109%
Net Financial Debt	573	642	582	-9%	666	582	-13%
<b>No of employees</b>	6,768	6,836	6,809	0%	6,828	6,809	0%

Q3 Strong FCF generation: €80 million

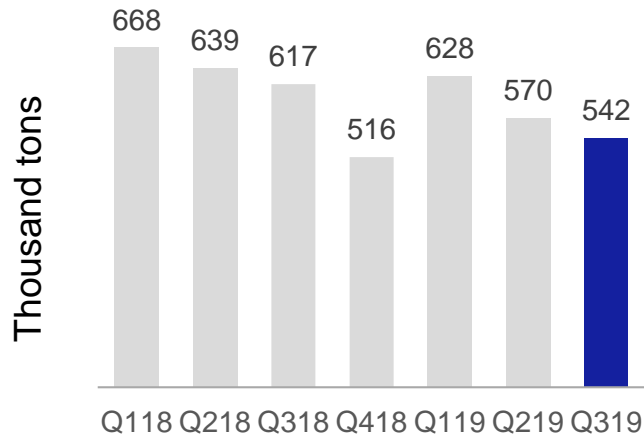
Reduction of net financial debt by €59 million

Q3 EBITDA one offs:  
€-9 million inventory adjustment  
€+7 million sell of California warehouse

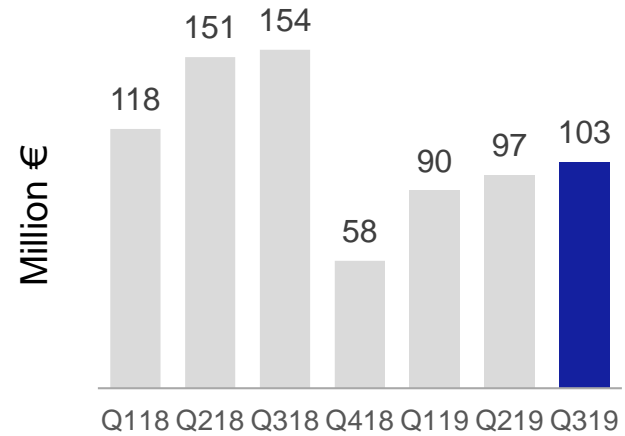
Strong performance in a weaker environment

# QUARTERLY PERFORMANCE

## MELTING PRODUCTION

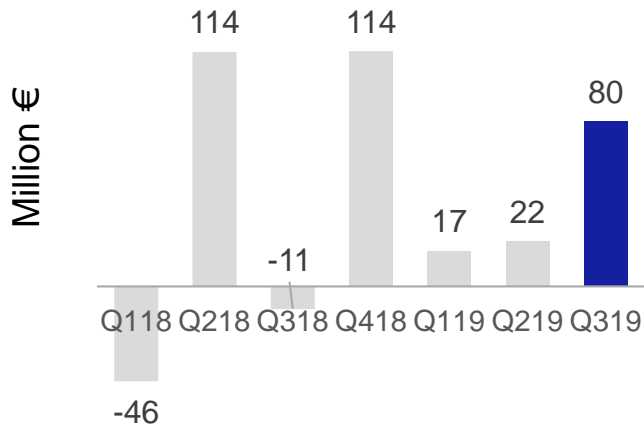


## EBITDA

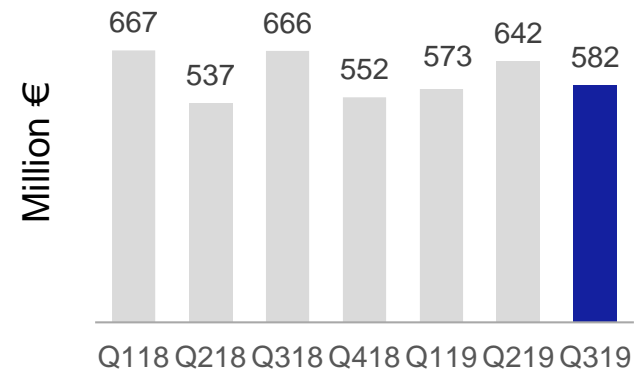


## FREE CASH FLOW

(Before dividends)



## NET FINANCIAL DEBT





# CASH FLOW

Millones EUR		Jan - Mar 2019	Apr - Jun 2019	Jul - Sep 2019	Jan - Sep 2019	Jan - Dec 2018	Jan - Sep 2018
Million €	<b>EBITDA</b>	90	97	103	290	480	422
	Changes in working capital	4	8	40	52	-87	-188
	Changes in operating working capital	-47	8	38	-1	-74	-192
	- Inventories	-32	8	-9	-33	-28	-132
	- Trade debtors	-51	-42	63	-30	27	-106
	- Trade creditors	36	42	-15	63	-73	46
	Others	51	-1	2	52	-14	4
	Income tax	-26	-50	-24	-100	-81	-76
	Financial expenses	0	-5	-6	-11	-15	-15
	Others	-21	8	1	-12	30	14
	<b>OPERATING CASH FLOW</b>	<b>47</b>	<b>57</b>	<b>114</b>	<b>218</b>	<b>326</b>	<b>157</b>
	Payments for investments on fixed assets	-30	-35	-34	-99	-155	-100
	<b>FREE CASH FLOW</b>	<b>17</b>	<b>22</b>	<b>80</b>	<b>119</b>	<b>171</b>	<b>57</b>
	Dividends and treasury shares	-49	-81	-54	-184	-128	-125
<b>CASH FLOW AFTER DIVIDENDS</b>	<b>-32</b>	<b>-59</b>	<b>26</b>	<b>-65</b>	<b>43</b>	<b>-68</b>	
Conversion differences	11	-10	34	35	14	11	
<b>Variation in net financial debt</b>	<b>-21 ↑</b>	<b>-69 ↑</b>	<b>59 ↓</b>	<b>-30 ↑</b>	<b>57 ↓</b>	<b>-57 ↑</b>	

# OUTLOOK

▪ Prices stable at a low level in Europe and Asia

▪ Macro uncertainties intensify and visibility remains weak

▪ Despite seasonal slowdown, the US will remain very robust

**Q4 EBITDA IS  
EXPECTED TO  
BE SIMILAR TO  
Q3 19**

**Despite the traditional slowdown in Q4 and a very challenging global market, Q4 EBITDA should be similar to Q3**



A stylized world map in shades of blue and grey. Numerous location pins are scattered across the map, each containing the ACERINOX logo. A horizontal grey bar is overlaid across the middle of the map, serving as a background for the text.

THANK YOU

Q&A

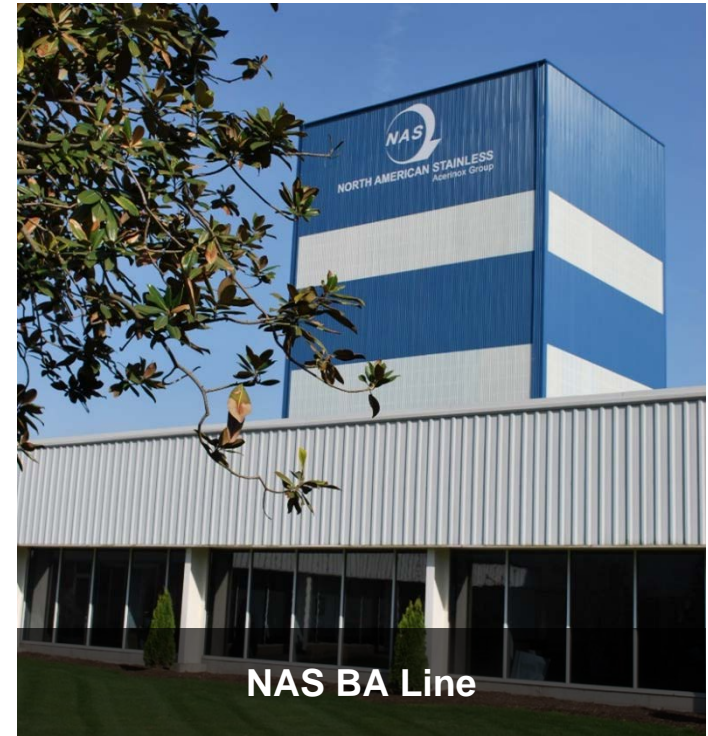


Q3 2019 RESULTS PRESENTATION

# APPENDIX



**Acerinox Europa AP Line**



**NAS BA Line**



## ACERINOX: GLOBAL PLAYER

- Spanish multinational company
- Fully dedicated to stainless steel
- Net sales: EUR 5,011 million (2018)
- Among largest producers in the world with 3.5 million tons of melting capacity
- 6 factories in 4 continents
- 6,709 professionals in 5 continents
- Presence in 40 countries worldwide with sales in 80 countries



# HISTORY

1970, incorporation of ACERINOX, S.A.(Spain)

1990, incorporation of NORTH AMERICAN STAINLESS (USA)

100% Acerinox S.A.

2002, incorporation of COLUMBUS STAINLESS (South Africa)

Acerinox, S.A.	76%
I.D.C.	24%

2009, incorporation of BAHRU STAINLESS (Malaysia)

Acerinox, S.A.	98%
Hanwa (Metal One Corp)	2%



## MAIN ACERINOX SHAREHOLDERS

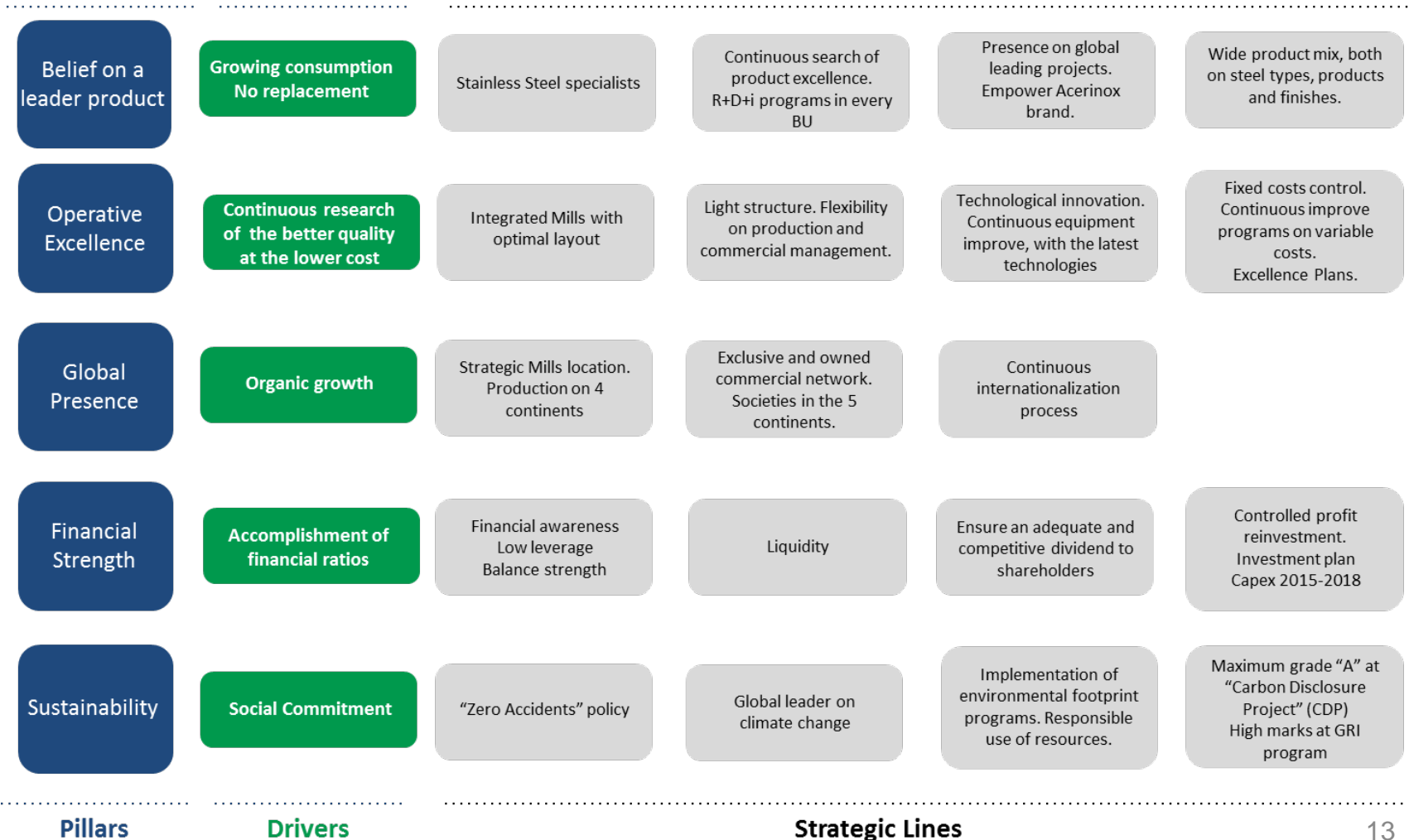
Corporación Financiera Alba, S.A.	18.96%
Nippon Steel Stainless Steel Corp.	15.49%
Feynman Capital S.L. (OMEGA)	9.88%
Sanderson Asset Management LLP	3.09%
Industrial Development Corp. (I.D.C.)	3.04%

Source: CNMV



# ACERINOX PRINCIPLES AND VALUES

## VISION





# ACERINOX PRODUCTION CAPACITY

Million mt

(\*) Once it's completed

## ACERINOX EUROPA FULLY INTEGRATED PLANT

Melting	1.1
Hot Rolling	0.9
Cold Rolling	0.7
Long Prod.	0.2

## NORTH AMERICAN STAINLESS FULLY INTEGRATED PLANT

Melting	1.4
Hot Rolling	1.2
Cold Rolling	0.8
Long Prod.	0.2



## BAHRU STAINLESS

Melting (*)	1.0
Hot Rolling (*)	1.0
Cold Rolling (*)	0.6



## COLUMBUS STAINLESS FULLY INTEGRATED PLANT

Melting	1.0
Hot Rolling	1.0
Cold Rolling	0.5

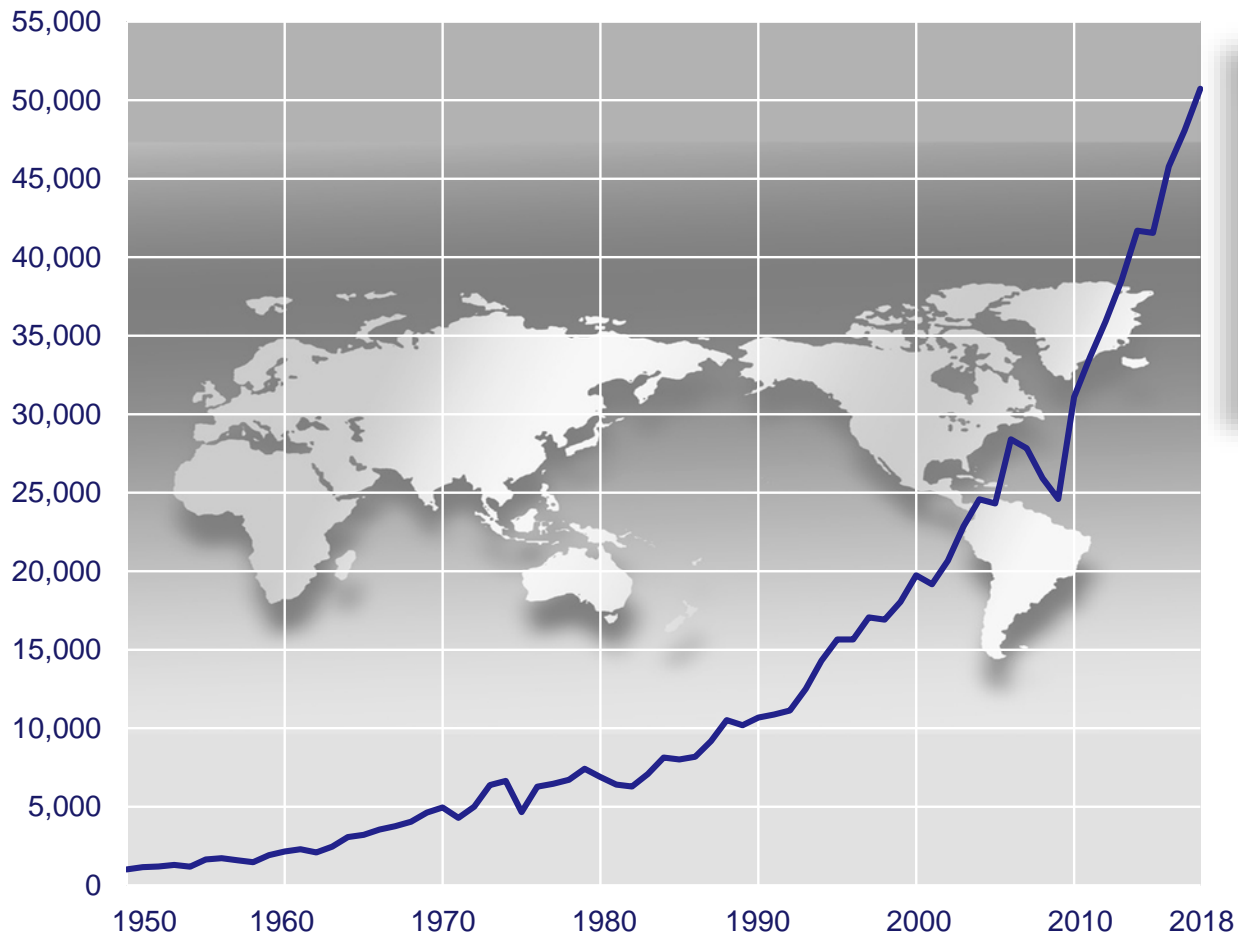


COLUMBUS STAINLESS [Pty] Ltd



# STAINLESS STEEL WORLD PRODUCTION

Thousand mt



World production of Stainless Steel in 2018:

**50.7 million mt**

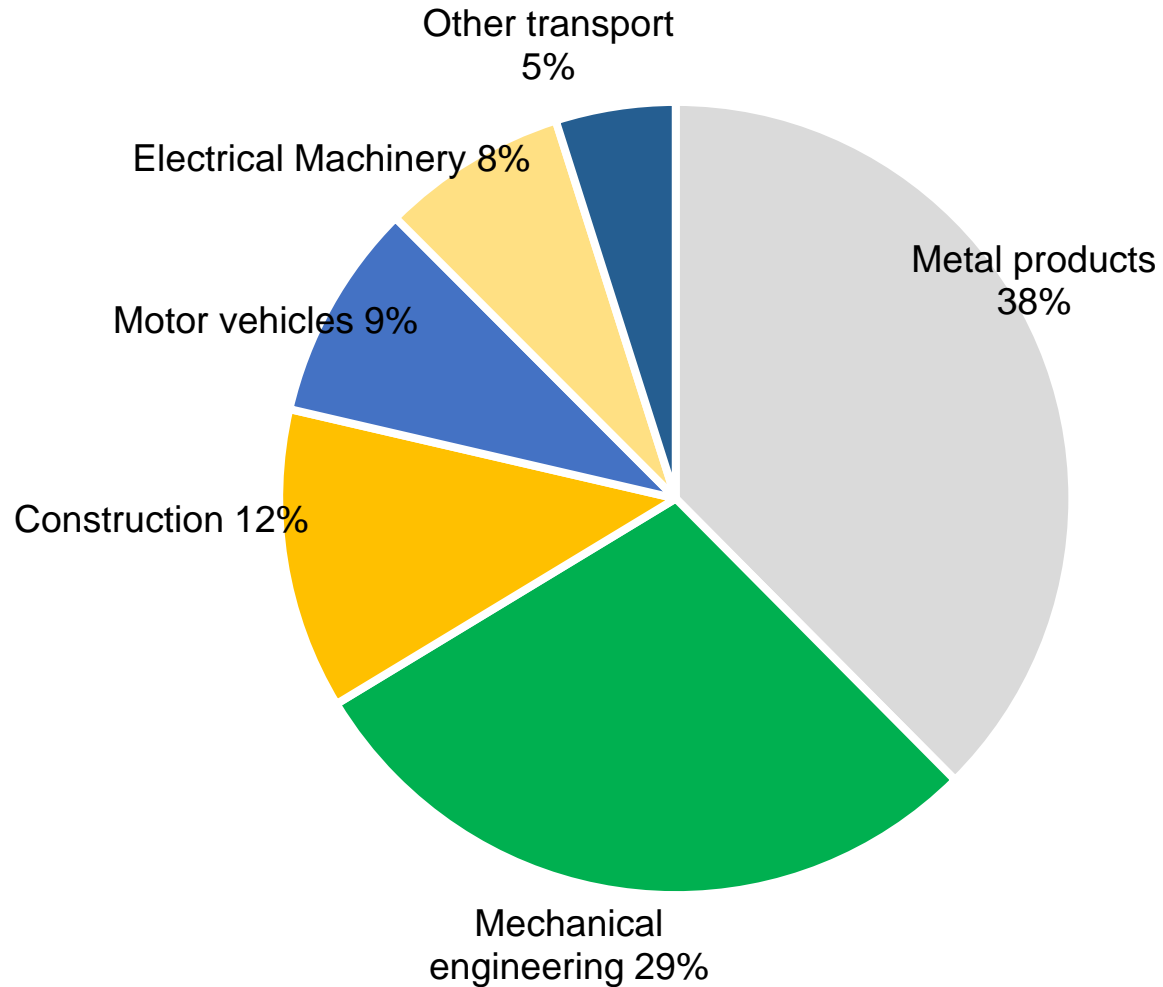
(+5.5% over 2017)

Compound annual growth rate 1950 – 2018:

**+ 5.9%**



# STAINLESS STEEL USE PER SECTOR, 2018



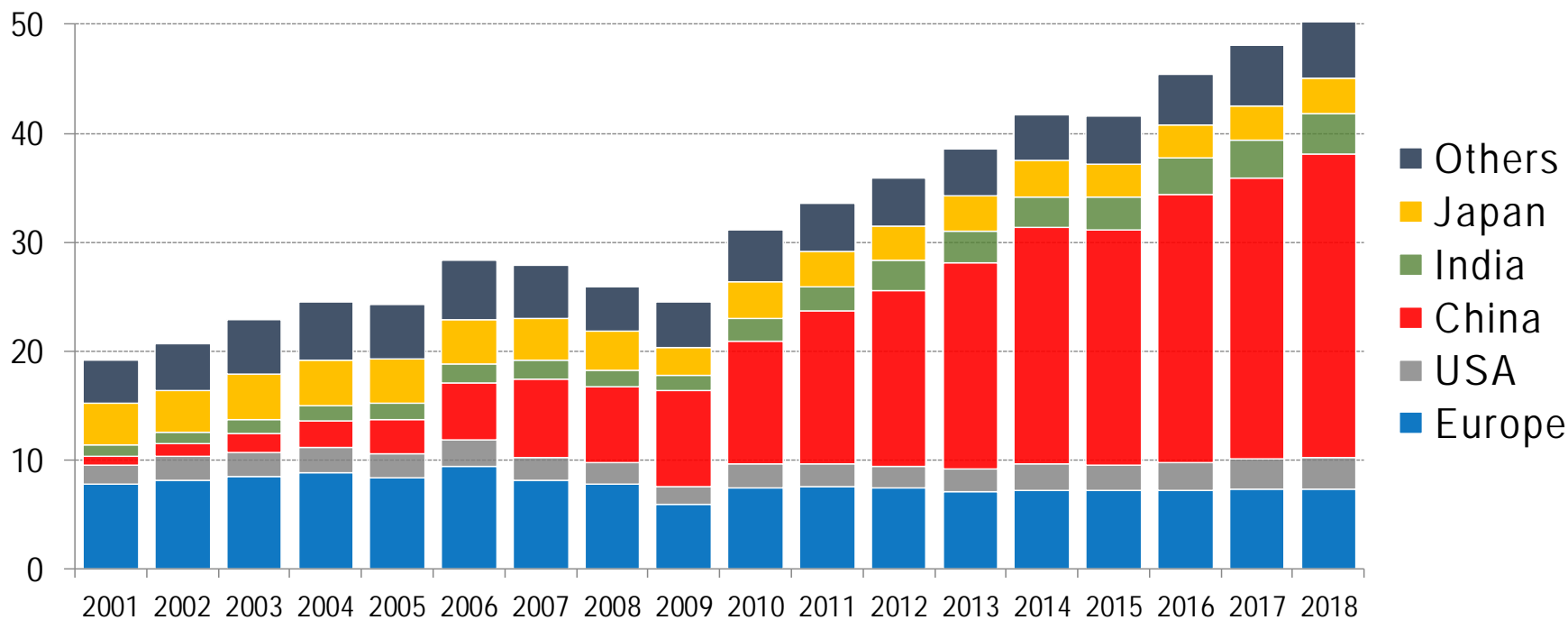
Source: ISSF



# STAINLESS STEEL WORLD PRODUCTION

Million mt

China accounts for 55% of world production in 2018



Others: Brazil, Russia, S. Africa, S. Korea, Indonesia

Source: ISSF



# ACERINOX PRODUCTION

Thousand mt

## MELTING SHOP

-10% over 9M 2019  
-12% over Q3 2018



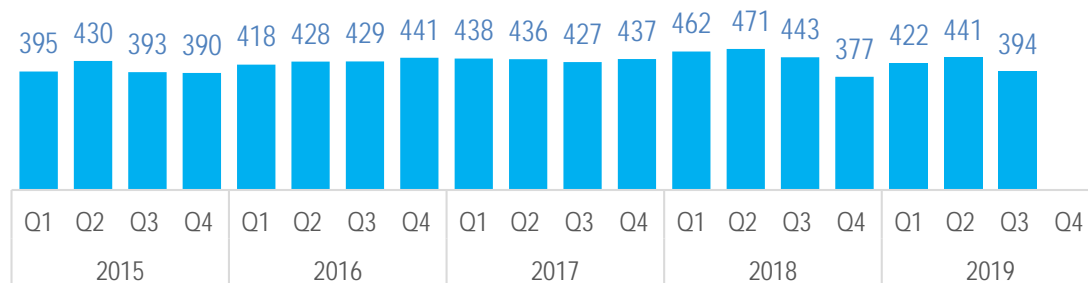
## HOT ROLLING

-9% over 9M 2019  
-10% over Q3 2018



## COLD ROLLING

-9% over 9M 2019  
-11% over Q3 2018





## Q3 2019 RESULTS PRESENTATION

# BALANCE SHEET

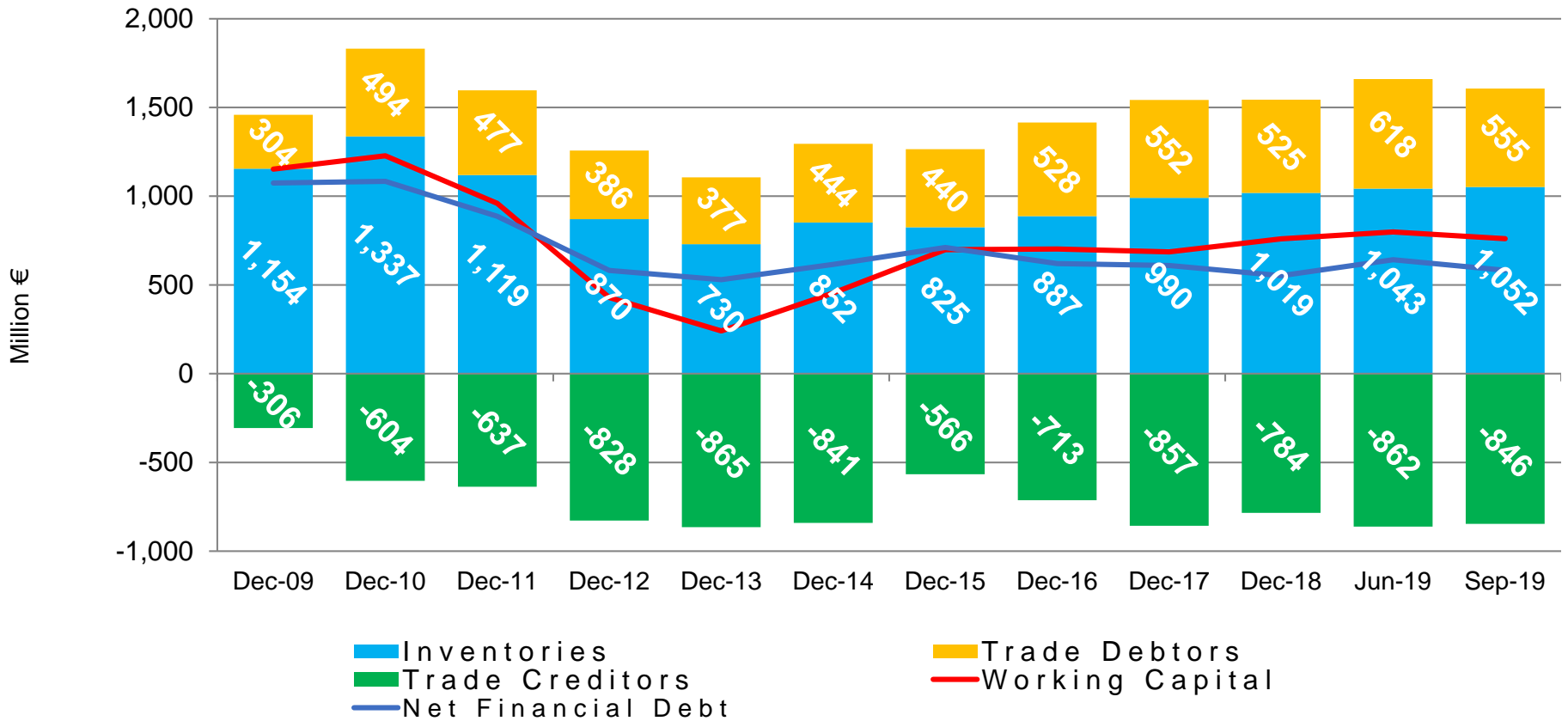
### ASSETS

Million €	Sep-19	2018	Sep-18	Variation
<b>Non-current assets</b>	<b>2,192</b>	<b>2,134</b>	<b>2,119</b>	<b>3%</b>
<b>Current assets</b>	<b>2,644</b>	<b>2,474</b>	<b>2,644</b>	<b>7%</b>
- Inventories	1,052	1,019	1,122	3%
- Debtors	606	590	736	3%
<i>Trade debtors</i>	555	525	658	6%
<i>Other debtors</i>	51	65	78	-21%
- Cash	933	850	769	10%
- Other current assets	53	15	17	249%
<b>TOTAL ASSETS</b>	<b>4,836</b>	<b>4,608</b>	<b>4,763</b>	<b>5%</b>

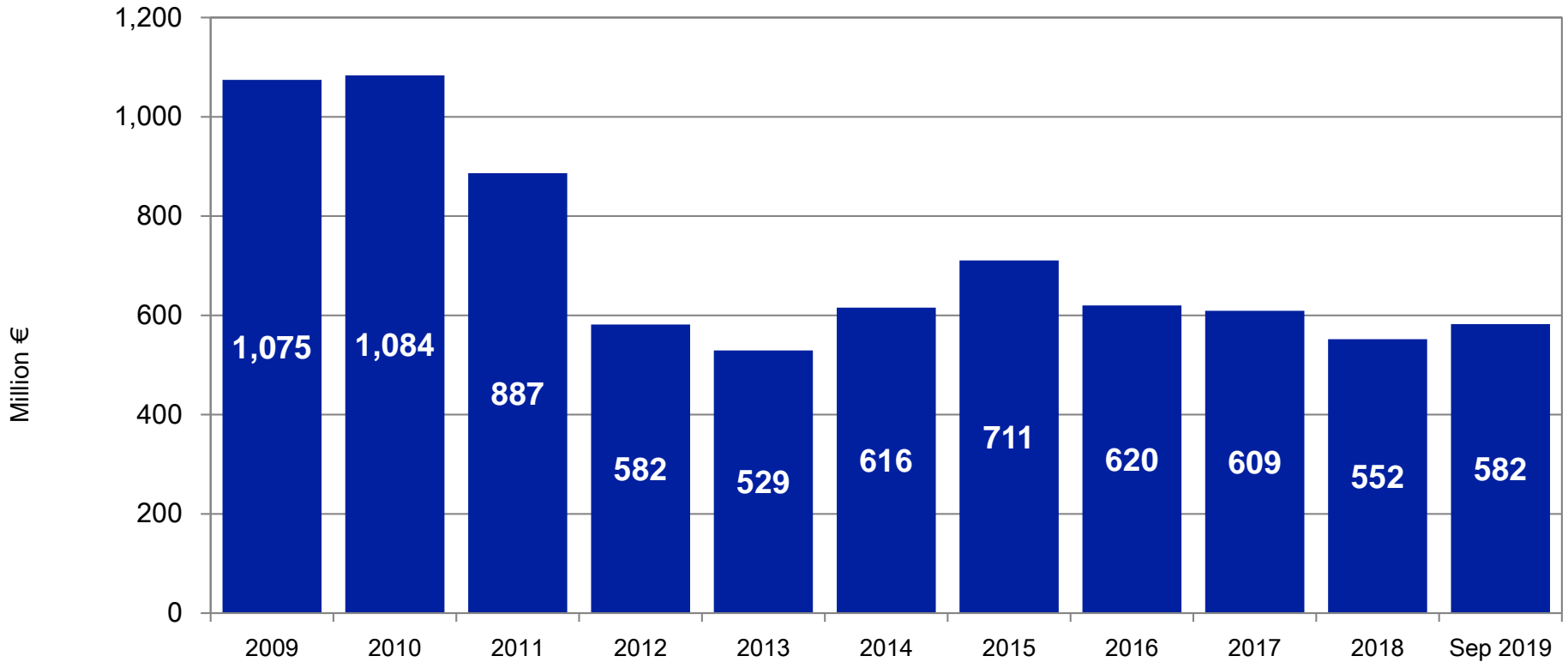
### LIABILITIES

Million €	Sep-19	2018	Sep-18	Variation
<b>Equity</b>	<b>2,168</b>	<b>2,119</b>	<b>2,104</b>	<b>2%</b>
<b>Non-current liabilities</b>	<b>1,309</b>	<b>1,226</b>	<b>1,300</b>	<b>7%</b>
- Interest-bearing loans and borrowings	1,110	1,026	1,091	8%
- Other non-current liabilities	198	200	209	-1%
<b>Current liabilities</b>	<b>1,359</b>	<b>1,262</b>	<b>1,359</b>	<b>8%</b>
- Interest-bearing loans and borrowings	405	376	344	8%
- Trade creditors	846	784	902	8%
- Other current liabilities	108	102	112	5%
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>4,836</b>	<b>4,608</b>	<b>4,763</b>	<b>5%</b>
Net Financial Debt	582.39	552.07	666.07	
Operating Working Capital	760.25	759.57	877.97	

# WORKING CAPITAL



# NET FINANCIAL DEBT

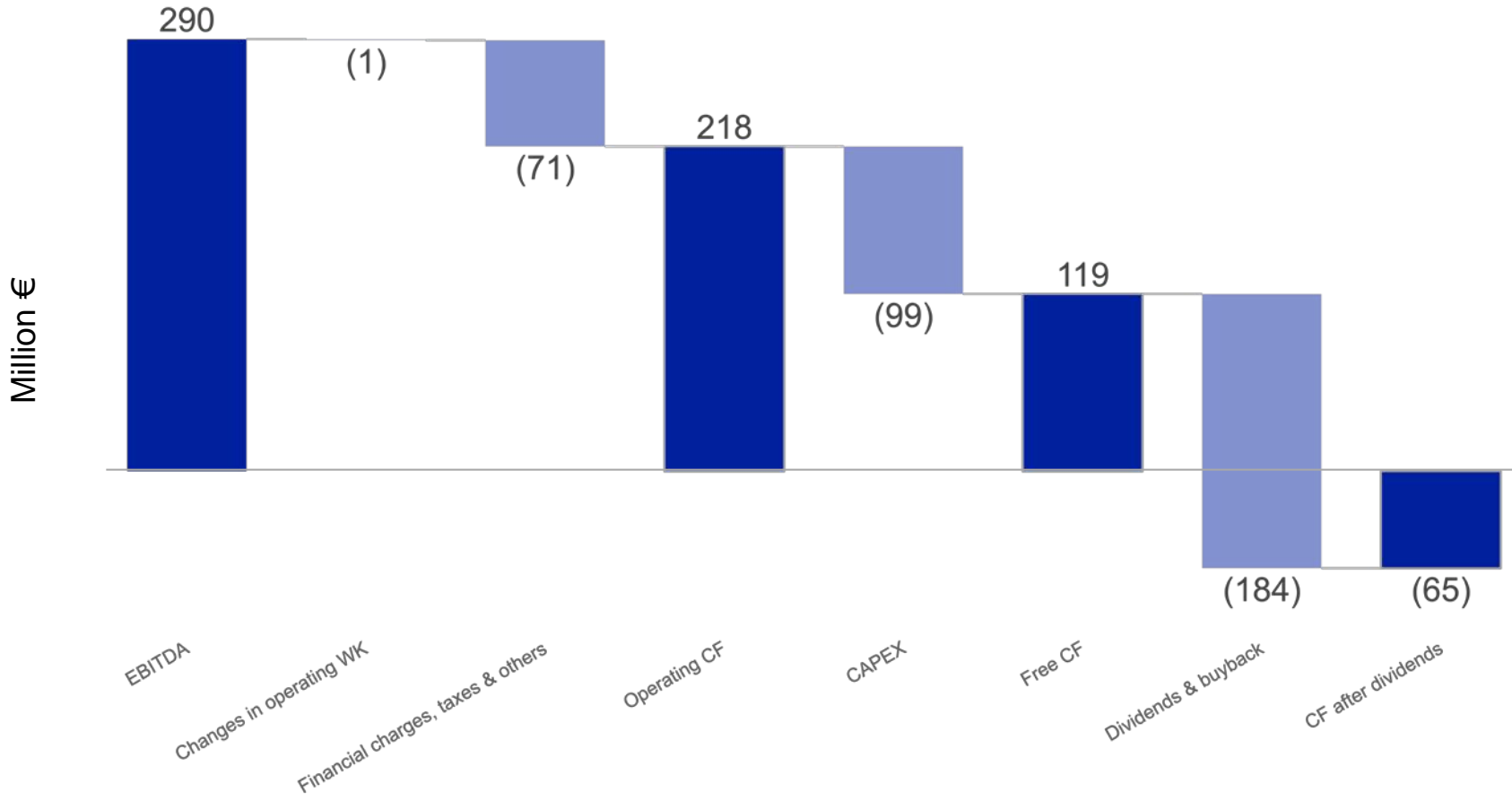


Gearing	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Sep 2019
	61.3%	56.3%	47.1%	33.9%	34.1%	33.2%	35.1%	28.6%	30.9%	26.0%	26.9%

NFD / LTM EBITDA	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Sep 2019
	-5.63	2.84	2.60	2.94	2.32	1.36	2.48	1.88	1.25	1.15	1.68



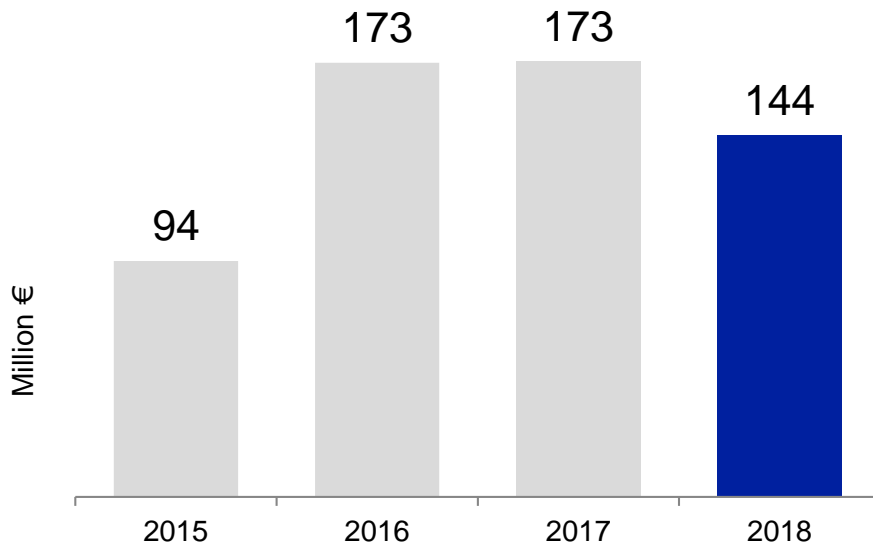
# 9M CASH FLOW





# CAPITAL ALLOCATION

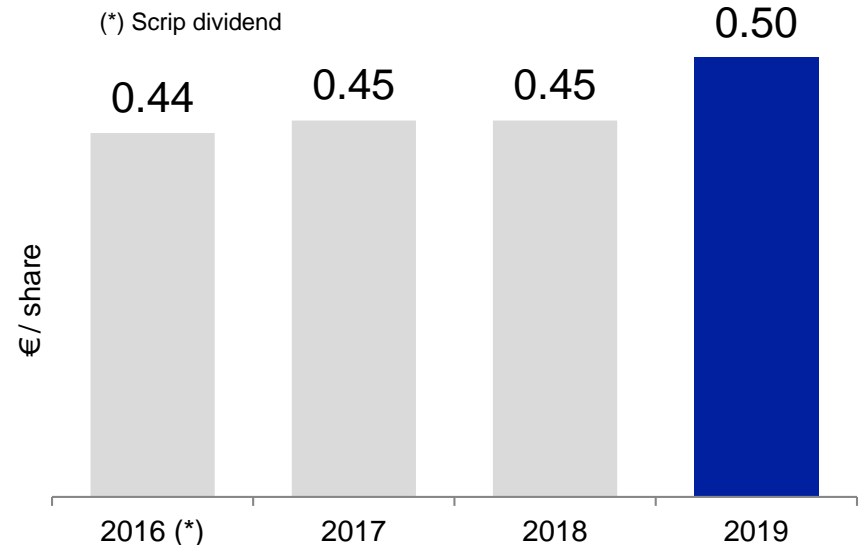
## CAPEX



### CAPEX IN PROGRESS:

- Coil build up line - NAS
- Ladle furnace - Acerinox
- Ladle furnace - Columbus
- Slitter line - Columbus

## RETURN TO SHAREHOLDERS



**DIVIDEND INCREASE 11%**

**SHARE BUYBACK PROGRAMME:**

**PHASE I: 2%**

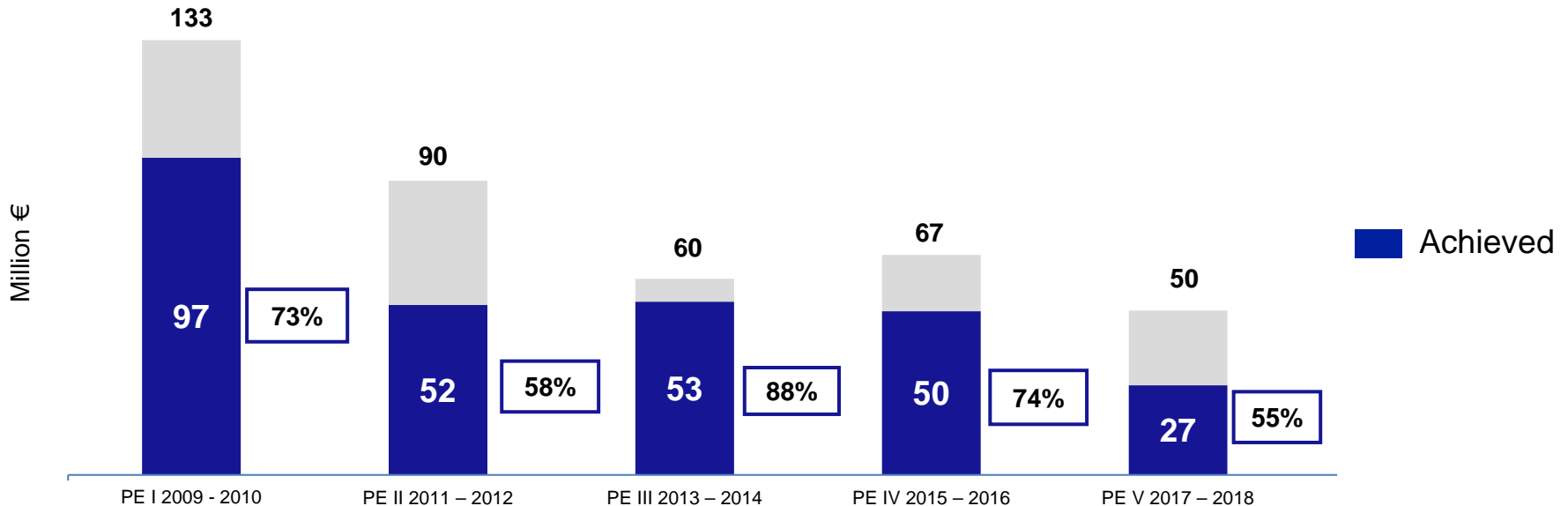
# EXCELLENCE PLAN V

## 2017-2018 EXCELLENCE PLAN V

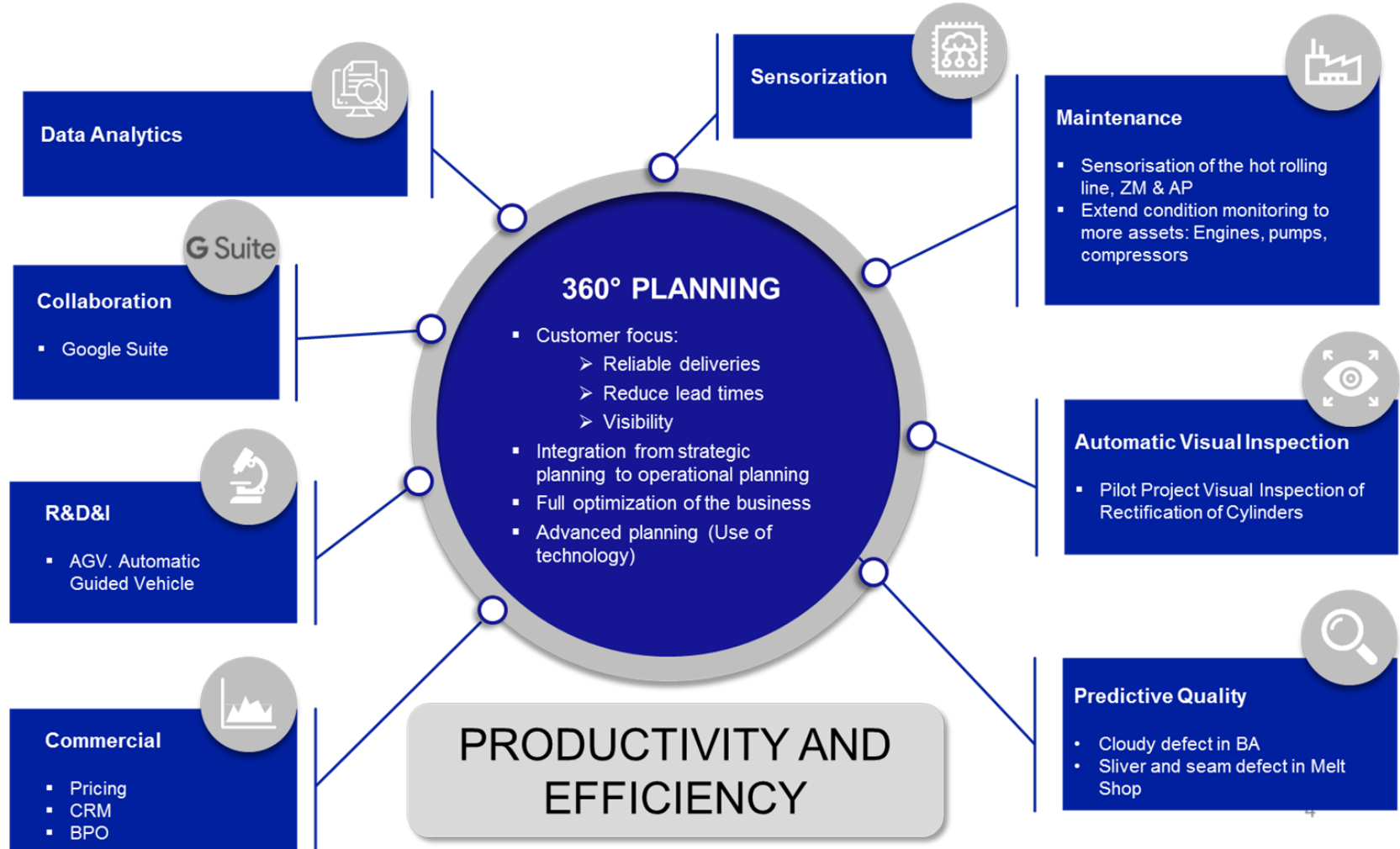
**Target : 50 million EUR Achieved: 55%, 27 million EUR**

5 chapters: Operations, Working Capital, Personnel, Commercial and Supply Chain

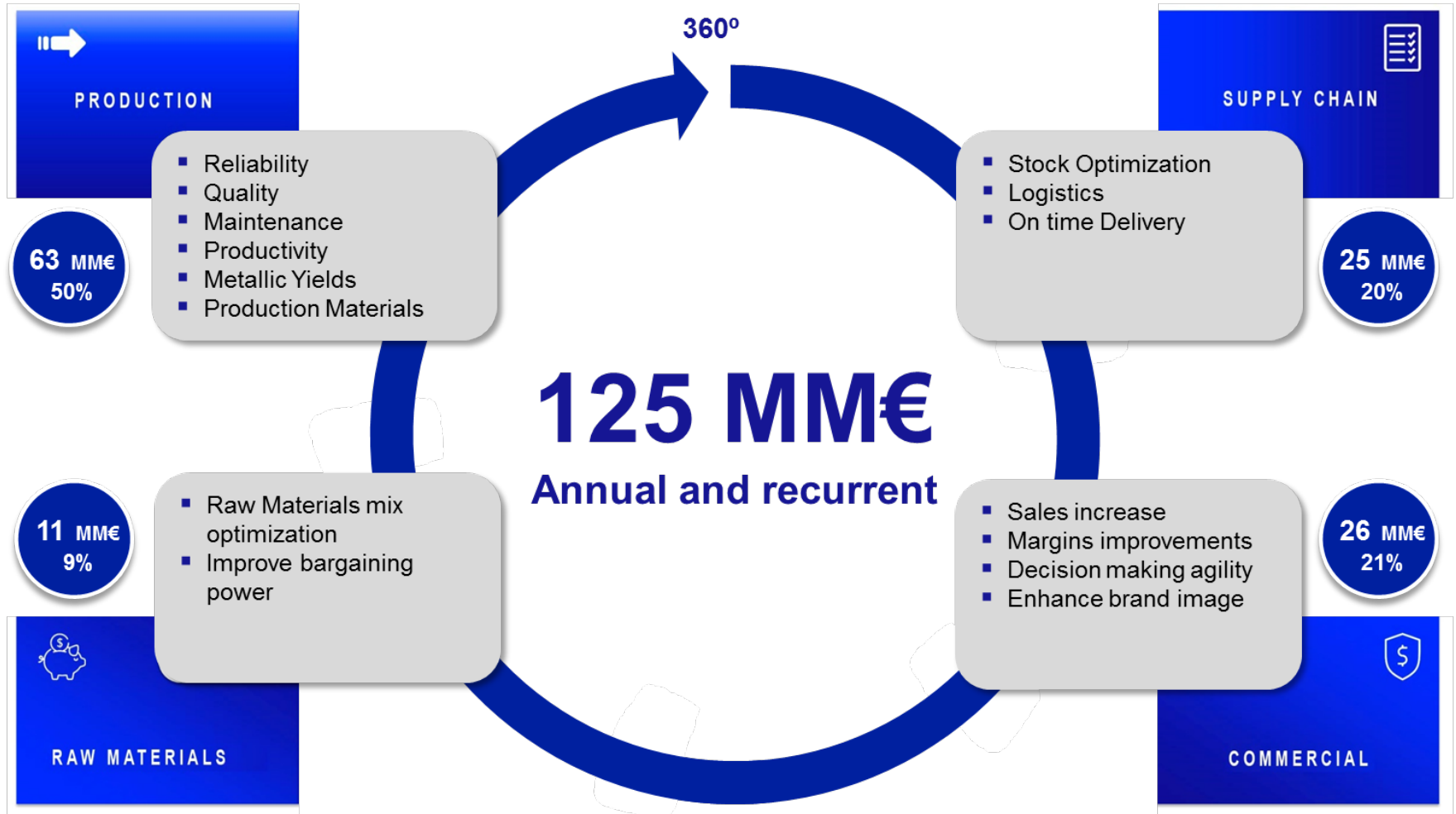
- Focused on operational excellence
- Best practices in each business unit
- Management and control tool



# THE NEXT STEP: EXCELLENCE 360°



# EXCELLENCE 360°





## Q3 2019 RESULTS PRESENTATION

A world map is centered on the slide, rendered in a dark blue color. Numerous location pins are scattered across the map, each featuring the ACERINOX logo. A semi-transparent grey horizontal band is overlaid across the middle of the map, serving as a background for the "THANK YOU" text.

**THANK YOU**