

BEFESA to acquire **AZR** AMERICAN
ZINC RECYCLING
creating a global leader
in EAFD recycling

June 2021

Transaction highlights

- Today, 16 June 2021, **Befesa** signed the **acquisition of 100% of American Zinc Recycling (AZR)'s recycling assets** for a **purchase price of \$450m** – implying an **attractive c. 6x post near-term synergies EBITDA acquisition multiple**, about **half of Befesa's current 2021E trading multiple** of c. 13x
 - **AZR** is a **US market leader¹⁾ in recycling electric arc furnace steel dust (EAFD)** with c. 620kt EAFD capacity; Similar to Europe, a **highly-regulated, mature market**; full-service model incl. **collection fees**
 - Through this acquisition, **Befesa becomes a global leader¹⁾ in EAFD recycling** with c. **1.7 million tons combined EAFD capacity**, and a **geographically diversified and balanced footprint** in Europe, Asia and the US across **12 facilities**
 - **Funding** is scheduled through a mix of
 - **accelerated equity offering** (up to c. 5.9m shares as per authorized capital), and
 - pre-approved **term loan B (TLB) add-on** (€90m), thus **ensuring leverage neutral**
 - **Highly accretive** transaction for Befesa shareholders with **strong expected returns** achievable within first 3 years of combination:
 - **> €300m value** creation;
 - **Strong double-digit EPS** accretion;
 - **ROIC >> Befesa's WACC**
 - **Transaction expected to close in Q3'21**, subject to antitrust approval and other customary closing conditions
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- As part of this transaction, Befesa signed the acquisition of a minority 6.9% stake in a US **strategic zinc refining plant** for a purchase price of \$10m, and **secured an option** for the acquisition of the **remaining 93.1% stake upon fulfilment** of two-phased **operational and financial milestones** of the zinc refining plant

1) Source: Own estimate based on recycling capacity, including Befesa's first two EAFD recycling plants in China

Acquiring 100% of recycling assets upfront; incremental add-on option for new zinc refining plant (ramping up)

AZR is one of the largest EAFD recycler in North America¹⁾ with 4 plants with c. 620kt total capacity

EAFD recycling assets

1 Barnwell, SC



165kt

2 Rockwood, TN



147kt

3 Calumet, IL



142kt

4 Palmerton, PA



163kt

X EAFD annual nameplate recycling capacity

X Special High-Grade Zinc (SHG) annual nameplate production capacity

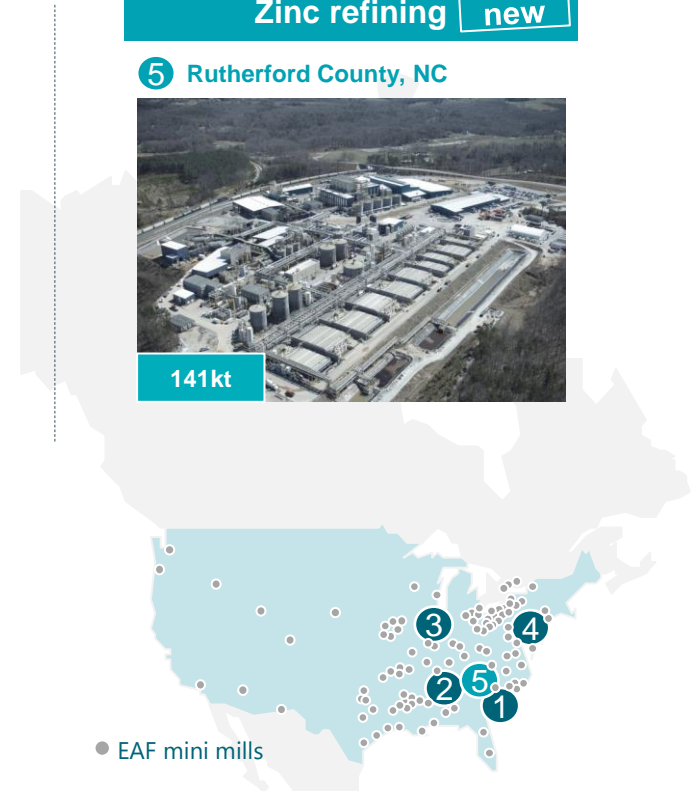
Add-on option

Zinc refining new

5 Rutherford County, NC



141kt



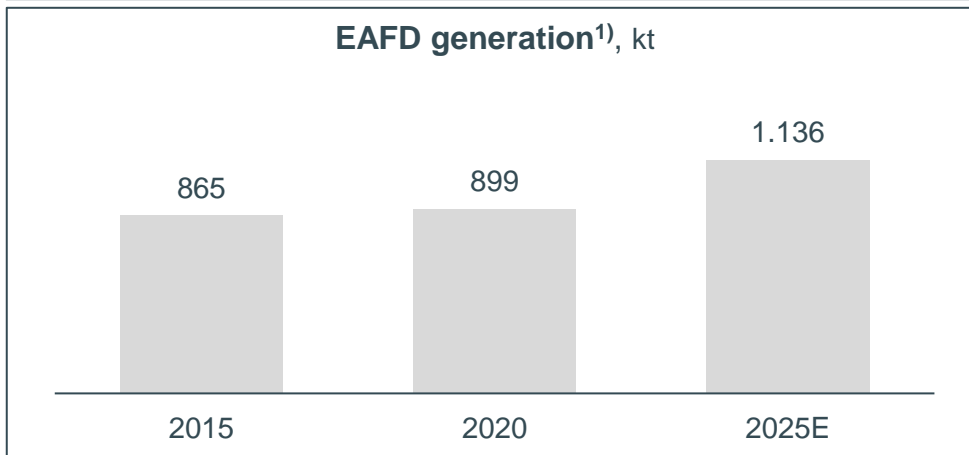
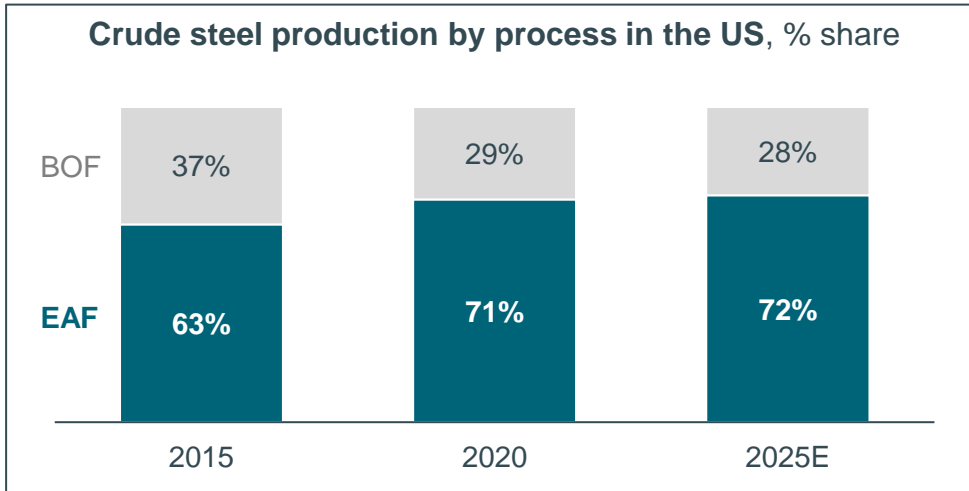
● EAF mini mills

AZR's EAFD recycling plants are centrally located close to the major US EAF steel mini mills

1) Source: Own estimate based on recycling capacity

Decarbonization driving further growth of EAF steel production in the US

EAF method expected to grow further to >70% share by 2025



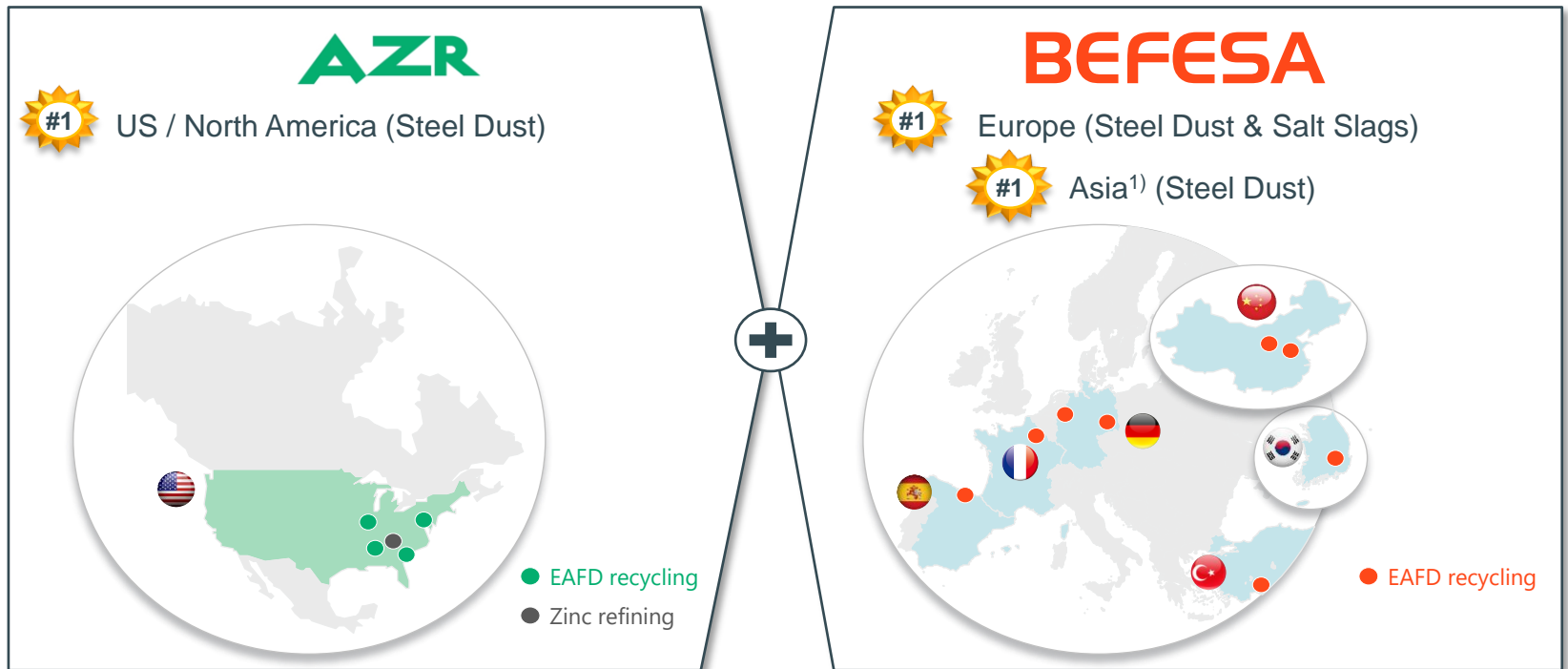
Source: worldsteel; Citi Research; International Energy Agency (IEA); Own estimates

1) Estimate assuming c. 17.5 kg of EAFD generated per tonne of crude steel output

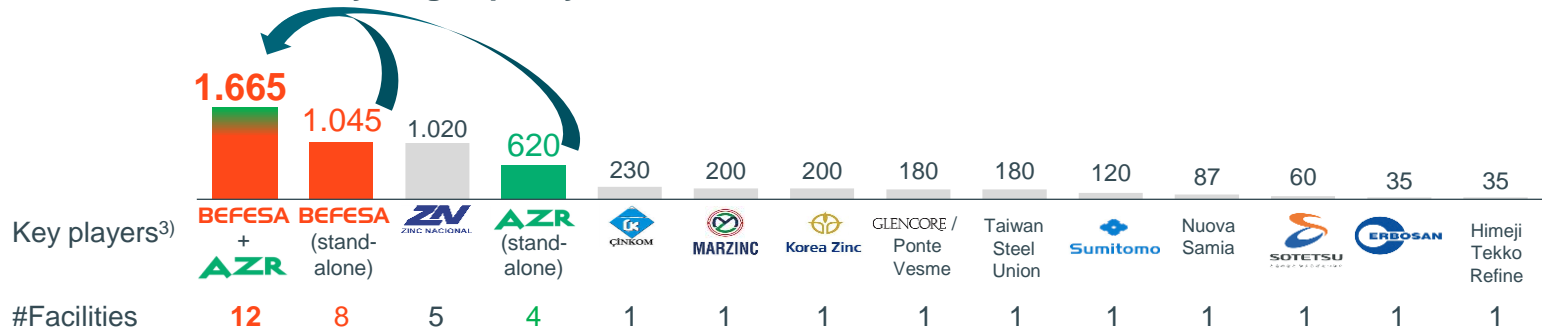
2) "Iron and Steel Technology Roadmap" study by IEA, October 2020

- US has one of the **largest and growing markets of EAF steelmakers globally**
- **EAF is a prevailing steelmaking method in the US** and is expected to continue to **grow further > 70% share driven by decarbonization trend**
- Secondary steelmaking (**EAF**) **consuming only 1/7 of CO₂/ton of steel²⁾** vs. primary steelmaking BOF (basic oxygen furnace)

A global leader¹⁾ in EAFD recycling

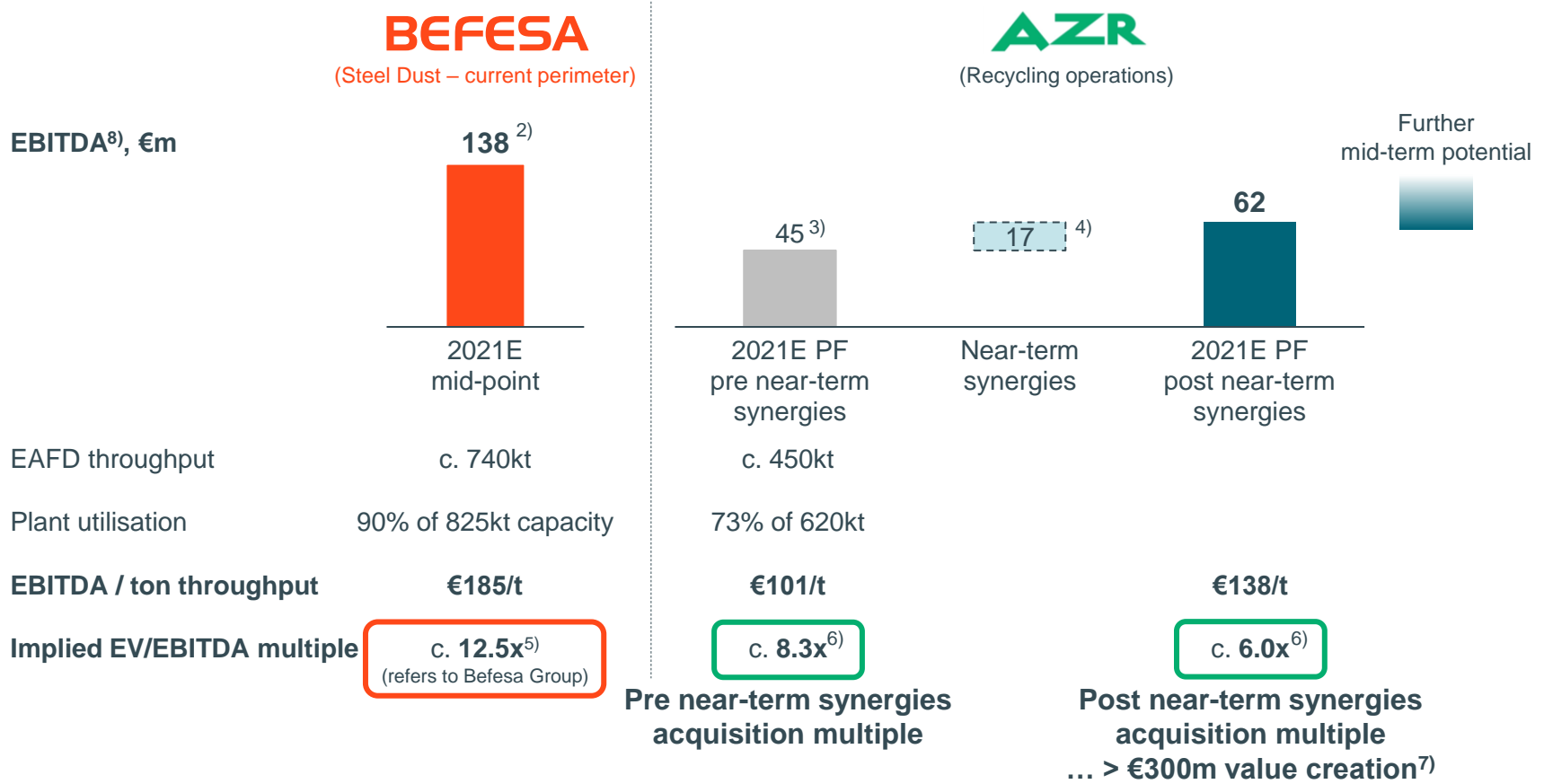


EAFD annual installed recycling capacity^{1) 2)}, kt



1) Source: Own estimate based on recycling capacity; 2) Based on Company's public reports and presentations; 3) Using Waelz technology

Attractive acquisition multiple with additional upside potential – 2021E pro forma view¹⁾



1) 2021E PF figures presented across this presentation are to illustrate the effects of the transaction as if AZR had been part of the Befesa group as of 1 January 2021 and assuming that all near-term synergies were achieved already in 2021. Thus, 2021E PF view does not represent an update of Befesa's FY'21 Guidance provided on 27 April '21
 2) Befesa's Steel Dust business calculated as 78% (last-three-year average, 2018–2020) of total Befesa's EBITDA 2021E of €177.5m (mid-point of €165–190m guidance)
 3) Includes €13m PF adjustment computed as difference between Befesa's vs. AZR's uncompetitive hedging prices for 2021 (Befesa: €2,150/t or \$2,580/t at FX 1.20; AZR: \$2,399/t or €1,999/t), x 83kt hedged by AZR
 4) For illustrative purposes, PF assumes pre-tax near-term synergies of c. \$20m, or €17m at FX\$/€ 1.20 expected to be achieved within first three years of combination
 5) Befesa's FV/EBITDA 2021E multiple of 12.5x calculated based on a share price of €58.45 (L10 day avg. as of 15 Jun'21) and €191m EBITDA (consensus average as of 15 Jun'21)
 6) Based on a purchase price for AZR Recycling of \$450m, or €375m at FX\$/€ 1.20
 7) Expected to be achieved within first three years of combination; 8) Both Befesa and AZR financials shown are based on IFRS

Strong near- & mid- term synergy potential identified

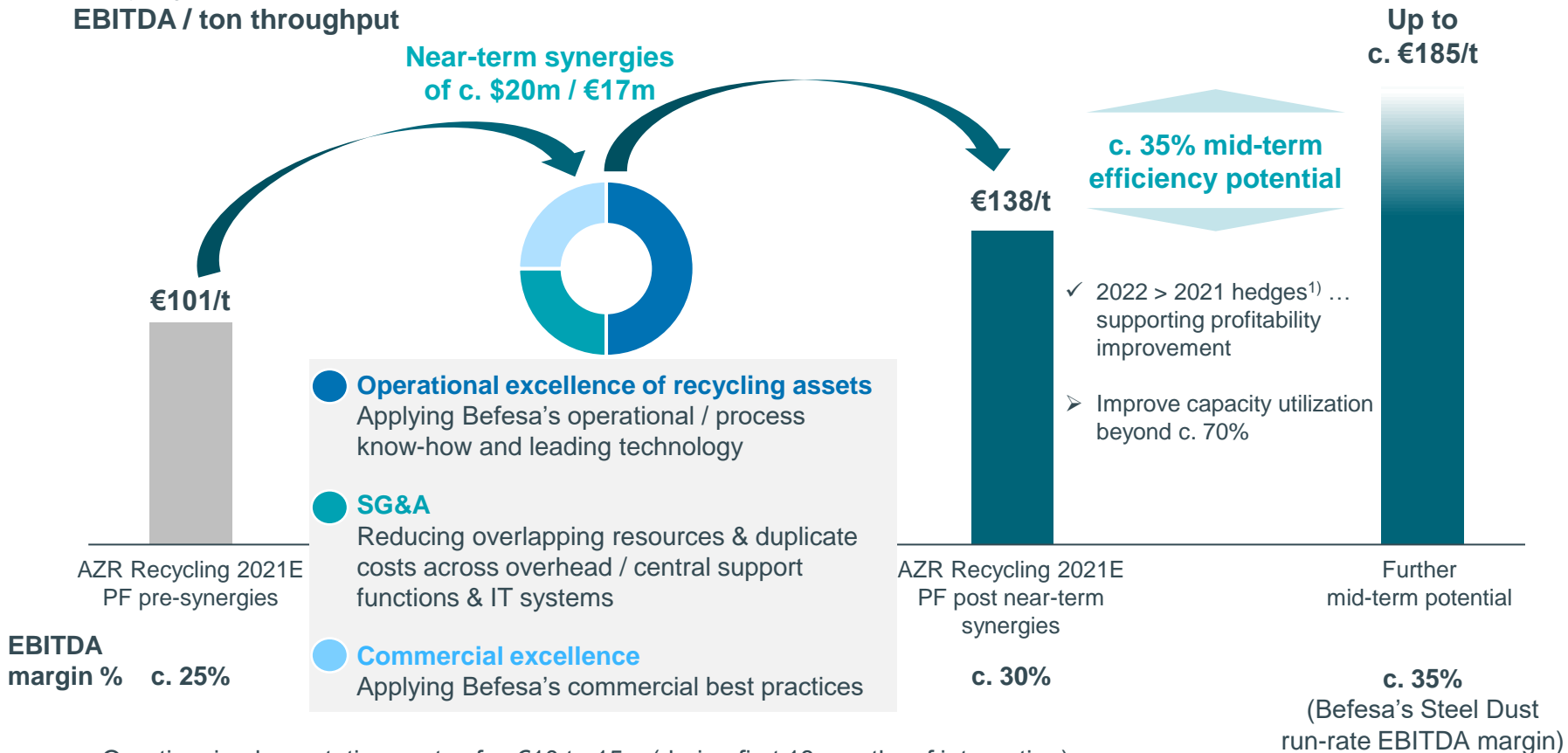
Total pre-tax near-term synergies of c. \$20/€17m expected within first three years of combination

AZR

(Recycling operations)

EBITDA / ton throughput

Near-term synergies
of c. \$20m / €17m



One-time implementation costs of c. €10 to 15m (during first 18 months of integration)
applying Befesa's proven operational excellence rigor with on average < 2-year payback

1) AZR has hedged at \$2,767/t for 2022 vs. AZR 2021 Pro Forma hedges at c. €2,150/t (or \$2,580/t at FX \$/€ 1.20) → +\$187/t on c. 83kt hedged = c. \$15.5m / €12.9m

Leverage-neutral transaction with expected strong double-digit EPS accretion¹⁾

Funding of transaction (at closing)

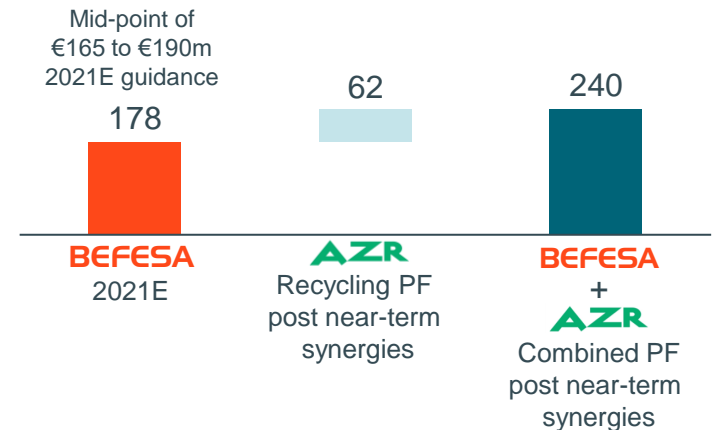
Total price, \$m



- **Funding** is scheduled through a mix of
 - **accelerated equity offering** (up to c. 5.9m shares as per authorized capital); and
 - €90m pre-approved **term loan B (TLB) add-on**
- Contingent FX hedging in place

Financial profile – 2021E Combined Pro Forma³⁾

EBITDA, €m



Targeting leverage-neutral acquisition funding

1) Expected to be achieved within first three years of combination

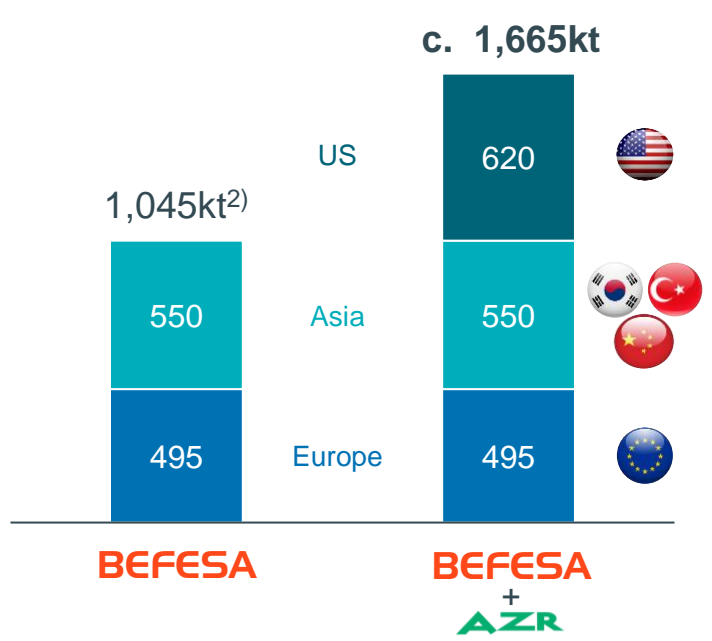
2) Excludes one-time transaction expenses

3) For illustrative purposes, Pro Forma includes AZR's new improved hedging program and near-term synergies

Befesa's FY 2021 Guidance remains unchanged until further notice

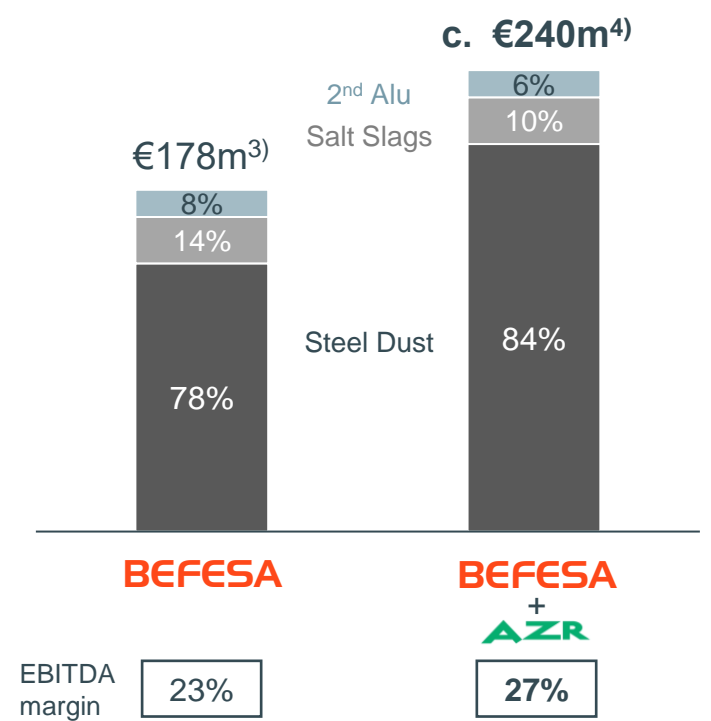
Diversifying the highest margin business unit and further improving Befesa's overall profitability

EAFD recycling capacity¹⁾



Diversifying towards a globally well-balanced European / Asian / US footprint

EBITDA by segment



Befesa's overall profitability improving by growing the highest margin Steel Dust business unit

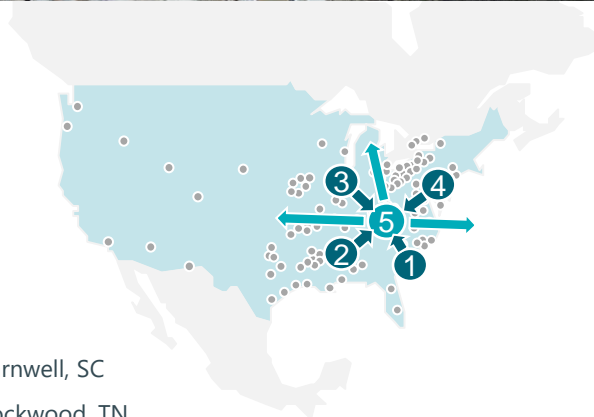
1) Company's information
 2) 1,045kt EAFD recycling capacity includes 220kt from the first two plants in China (Jiangsu & Henan provinces) scheduled to ramp up operations in 2021
 3) €178m represents the mid-point of Befesa's FY 2021 guidance provided on 27 April 2021; Percentages are based on L3Y average financials
 4) c. €240m represents the sum of a) Befesa standalone of €178m (mid-point of FY 2021 guidance) and b) AZR Recycling FY 2021E PF of €62m, post near-term synergies

AZR's zinc refining asset: strategic integration opportunity to support EAFD recycling operations in the US



Plant footprint

- Close proximity to AZR recycling plants, at Rutherford County, NC
- Applies new solvent extraction technology for zinc refining
- Restarted operations in 2020; Ramping up; Capacity to produce c. 141kt pure zinc (SHG) per year



- 1 Barnwell, SC
- 2 Rockwood, TN
- 3 Calumet, IL
- 4 Palmerton, PA
- 5 Rutherford County, NC

- EAF mini mills
- ➡ WOX
- ➡ SHG

Strategic rationale

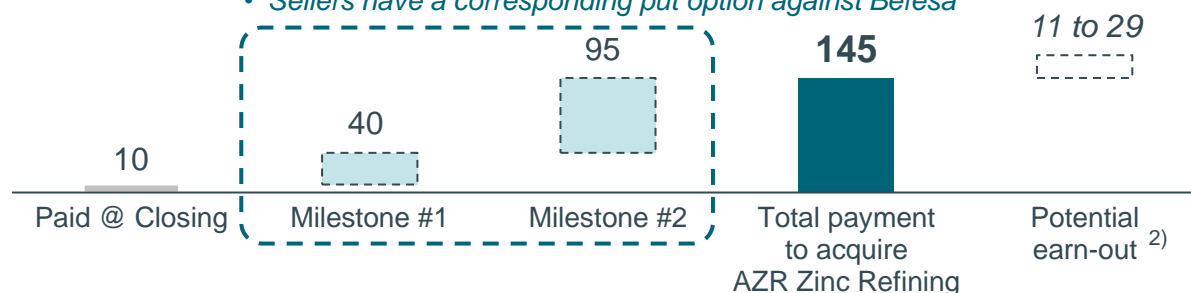
- Process WOX from all AZR recycling plants into pure zinc (SHG)
- WOX purchased from AZR recycling at market prices
- Address shortage of zinc refining capacity in the US/North America
- Supports AZR to become vertically-integrated:
 - Closed-loop, end-to-end, 100% green to AZR's EAF steel clients
 - Reduces exposure to zinc treatment charge volatility
- No change in Befesa's global strategy

Secured option to acquire AZR's zinc refining asset only upon fulfilling operational & financial performance milestones

Payment schedule to acquire AZR's zinc refining asset¹⁾, \$m

\$135m for remaining 93.1% stake in AZR's zinc refining asset:

- Only upon fulfillment of 2-phased operational and financial milestones of new solvent extraction technology
- Max. time frame: 31 December 2023
- Payable in cash or Befesa common shares
- Sellers have a corresponding put option against Befesa



Performance milestones:

1) Conversion cost	≤ \$0.44/lb.	≤ \$0.40/lb.	\$0.36 to \$0.35/lb.
2) Capacity utilisation	≥ 85.0%	≥ 92.5%	96.0% to 100.0%
Cumulative stake in AZR's zinc refining	6.9%	34.5%	100.0%
AZR's zinc refining EBITDA, \$m			c. \$20 to \$25

Total purchase price represents c. 7x estimated EBITDA³⁾ acquisition multiple

1) Milestone-based purchase prices subject to certain possible adjustments

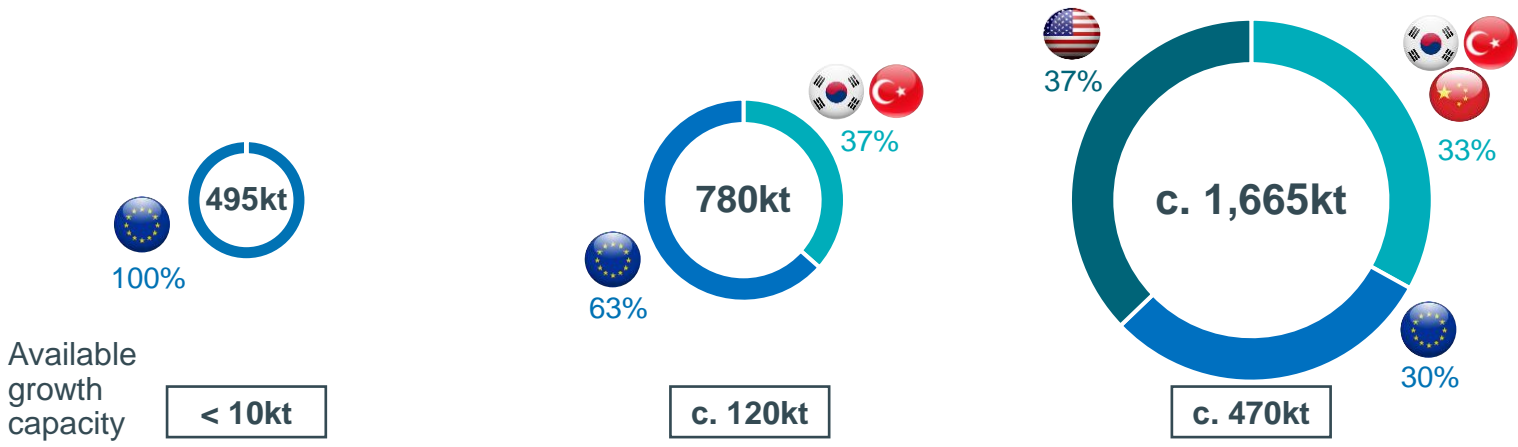
2) Max. time frame for the potential earn out is 31 December 2023

3) EBITDA of \$20 to \$25m, expected to be achieved within first 3 years after Closing

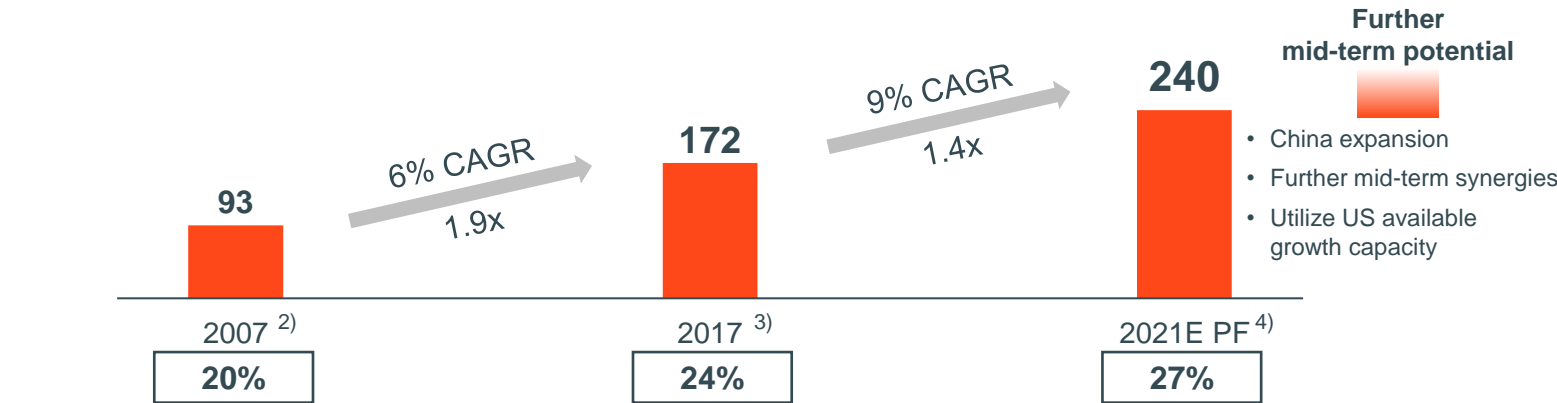
The acquisition of AZR's recycling business represents a key step on Befesa's accelerated growth path ...



Befesa's EAFD recycling capacity



Total EBITDA & EBITDA margin



1) Source: Own estimate based on recycling capacity; 2) 2007 actuals PF for the non-core Industrial Environmental Solutions business divested in 2016; 3) 2017 adjusted for one-time IPO-related costs; 2017 reported EBITDA of €153m; 4) 2021E Combined PF incl. AZR's new improved hedging program and near-term synergies for illustrative purposes

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