

# BEFESA



## Third Quarter 2018 Presentation

November 22, 2018

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Q3/9M figures contained in this presentation have not been audited or reviewed by external auditors.

This presentation includes Alternative Performance Measures (APMs), including EBITDA, Adjusted EBITDA, Adjusted EBITDA margin, EBIT, Adjusted EBIT, Adjusted EBIT margin, net debt and capital expenditures which are not measures of liquidity or financial performance under International Financial Reporting Standards (IFRS). These non-IFRS measures should not be considered in isolation or as an alternative to results from operating activities, cash flow from operating, investing or financing activities, or other financial measures of our results of operations or liquidity derived in accordance with IFRS. We include APMs in this presentation because we believe that they are useful measures of our performance and liquidity. Other companies, including those in our industry, may calculate similarly titled financial measures differently than we do. Because all companies do not calculate these financial measures in the same manner, our presentation of such financial measures may not be comparable to other similarly titled measures of other companies. These APMs are not audited. All amounts are stated in million euros (€ million) unless otherwise indicated.



CEO since 2000

**Javier Molina**

CEO

- Leading the company since 1994



CFO since 2014

**Wolf Lehmann**

CFO; including responsibilities for Operational Excellence and IT

- 20+ years in finance and operational leadership roles
- 50/50 General Electric / Private Equity



Since 2008

**Rafael Pérez**

Director of Investor Relations & Strategy

- Director of Investor Relations and Strategy of Befesa since 2008

9M 2018: EBITDA €128.9m (+2%); Adj. EBIT: €107.9m (+2%)

Q3 2018: €40.0m EBITDA (-7%); Adj. EBIT: €33.6m (-9%); down €3m;  
Blended zinc price decrease of €180/t partially offset by volume growth

9M 2018 with strong net profit of €62.9m (+81%)

Guidance 2018 confirmed & concretized: EBITDA at €174-176m (2017: €172m);  
net profit significantly higher at €83-85m (2017: €49m) which would result in  
higher dividend payment

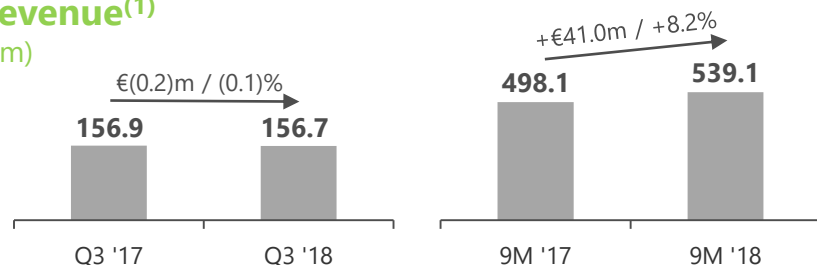
Execution of organic growth projects on track

Developing 1<sup>st</sup> steel dust recycling plant in China;  
Start of operations expected for H2 2020

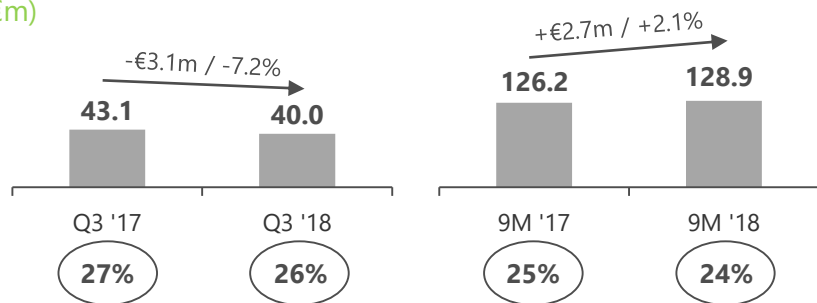
Befesa enters SDAX ten months after listing on 24 September 2018

### 9M Earnings +2%, in line with guidance & on track for €174-176m EBITDA 2018

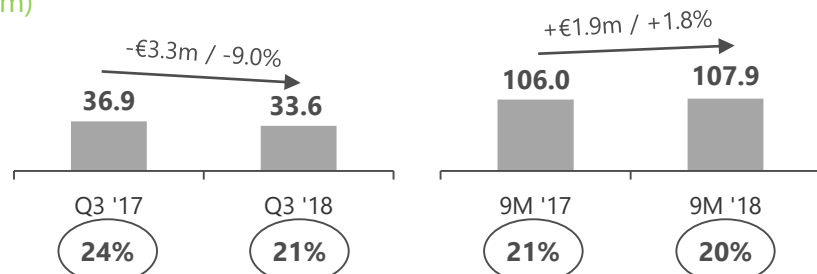
#### Revenue<sup>(1)</sup> (€m)



#### EBITDA and % margin (€m)



#### EBIT and % margin (€m)



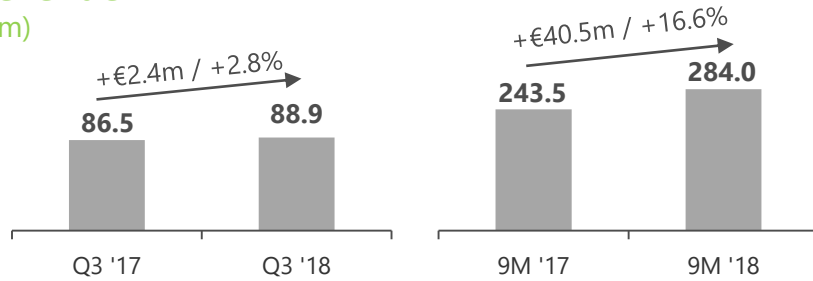
#### Highlights

- **9M 2018: EBITDA at €129m (+2.1%); Adj. EBIT at €108m (+1.8%)**
- **Q3 2018 revenue flat at €157m on a comparable basis;** primarily due to:
  - Lower volumes in 2<sup>nd</sup> Aluminium segment (-20% YoY); stoppages to implement new furnaces (Bilbao & Barcelona), which will improve earnings going forward
  - **Lower prices: blended zinc** from €2,187 to €2,006 (-8.3%) YoY; **alu alloys** from €1,762 to €1,689, (-4.1%)
  - Partially offset by **higher volumes** in **Steel Dust Services**; +1.9% steel dust throughput; +5.3% WOX sold volumes
- **Despite challenging price trend, Q3 2018 EBITDA at €40.0m (-7.2%) / 26% EBITDA margin; Adj. EBIT at €33.6m (-9.0%) / 21% EBIT margin**
- **Strong 9M net profit of €62.9m (+€28.2m or +81%) on track for significantly improved net profit for 2018 of €83-85m and corresponding improved EPS and dividend distribution**

**9M 2018: +4% EBITDA / +6% EBIT, growth driven by higher EAFD throughput;  
Q3 earnings (-€4m) driven by zinc price decrease partially offset by volume**

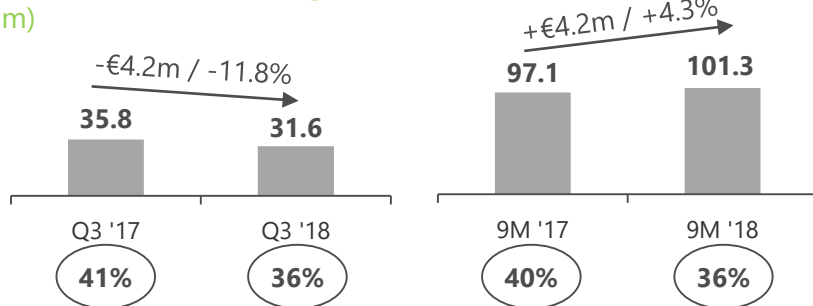
### Revenue

(€m)



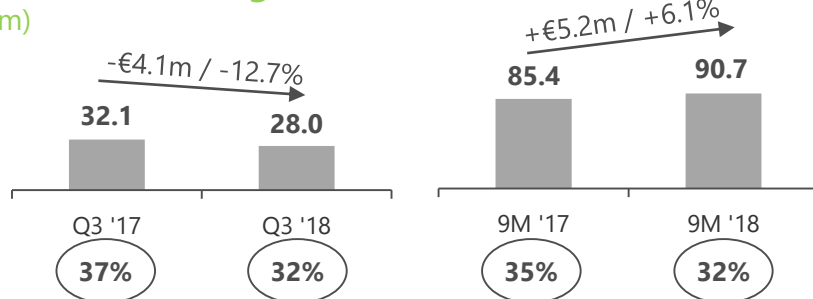
### EBITDA and % margin

(€m)



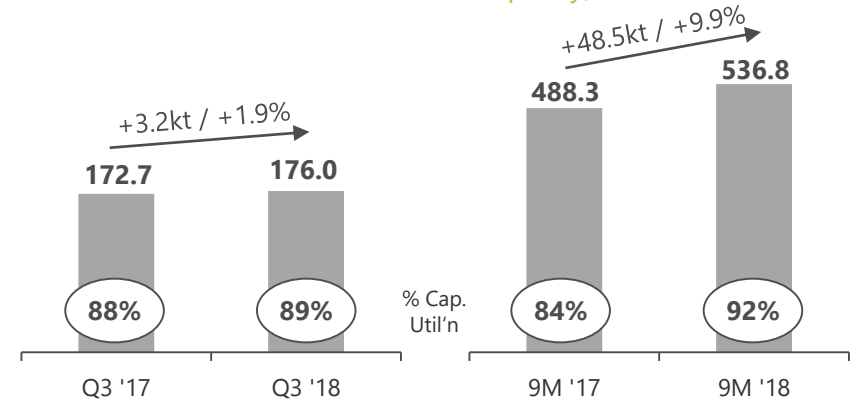
### EBIT and % margin

(€m)



### EAFD Throughput & Capacity Utilization

(thousand tons, % of annual installed capacity)



### Prices

(€ per ton)

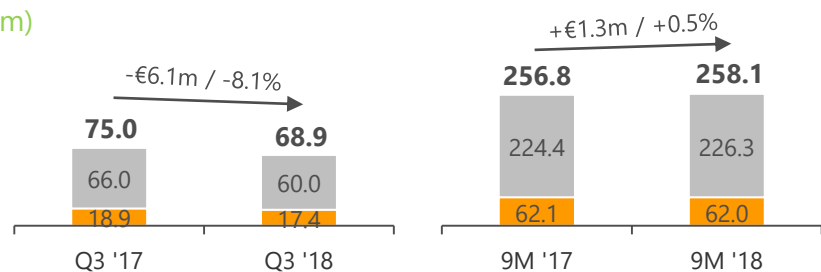
	Q3 2017	Q3 2018	% Var.	9M 2017	9M 2018	% Var.
Befesa blended(*) zinc price (€/t)	2,187	2,006	-8%	2,125	2,168	+2%
LME avg. price (€/t)	2,522	2,182	-13%	2,499	2,523	+1%

(\*) Blended rate between hedged prices and average spot prices, weighted by the respective hedged and non-hedged volumes, reflecting the effective price to Befesa.

**Q3 2018: EBITDA €7.9m (+10%); EBIT €5.5m (+22%) driven by improved metal margin in 2nd Aluminium partially offset by reduced aluminium alloy prices**

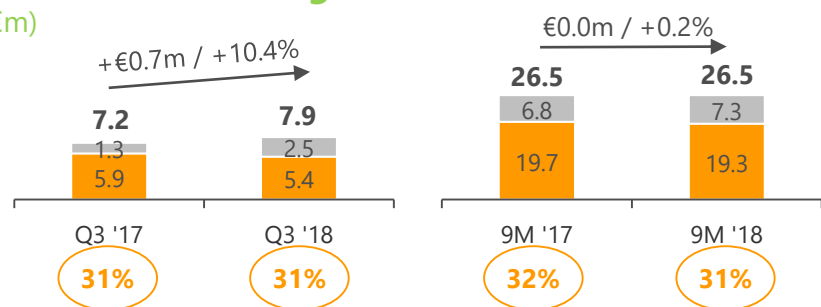
### Revenue<sup>(1)(2)</sup>

(€m)



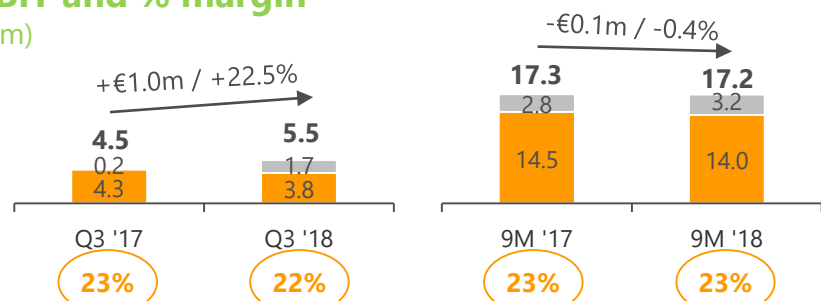
### EBITDA and % margin<sup>(3)</sup>

(€m)



### EBIT and % margin<sup>(3)</sup>

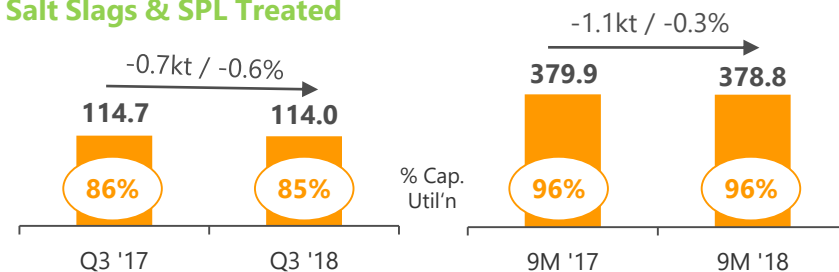
(€m)



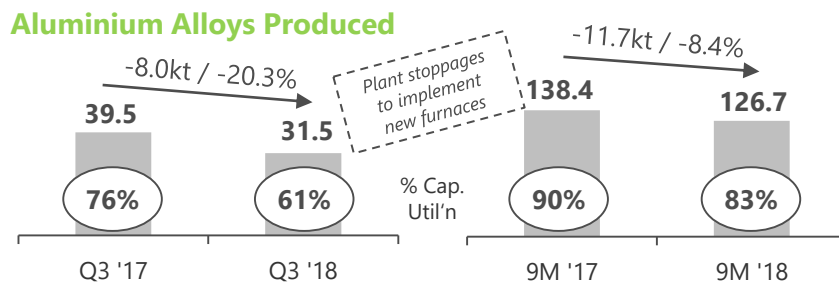
### Volumes & Capacity Utilization

(thousand tons, % of annual installed capacity)

#### Salt Slags & SPL Treated



#### Aluminium Alloys Produced



### Prices

(€ per ton)

	Q3 2017	Q3 2018	% Var.	9M 2017	9M 2018	% Var.
Aluminium alloy avg. price (*) (€/t)	1,762	1,689	-4.1%	1,770	1,783	+0.7%

(\*) Aluminium Scrap and Foundry Ingots Aluminium pressure diecasting ingot DIN226/A380 European Metal Bulletin Free Market Duty paid delivered works.

■ Salt Slags sub-segment  
■ Secondary Aluminium sub-segment

### Hedging program in place covering up to July 2021: improving visibility of earnings and cash flows for the next 3 years

#### Market Zinc Price vs. Zinc Hedge

(€/ton)



- Hedges in place **up to and including July 2021**
- **Increased volume coverage;** Higher volume of 7.7 kt/month or 92.4 kt/year (vs previous 6.1 kt/month or 73.2 kt/year) **approx. 70%** of zinc equivalent payable output
- **Strong hedge price levels** of €2,306/t in 2019, €2,245/t in 2020, and €2,230/t in H1 2021

Period	Average hedged price €/t	Zinc content hedged (tons)
2017	€1,876	73,200
2018	€2,051	92,400
2019	€2,306	92,400
2020	€2,245	92,400
H1 2021	€2,230	46,200

- Using recent October ~**€2,300 LME market price** also for the **remaining months in 2018** for the un-hedged expected volumes (~30%), **blended average zinc price would translate in 2018 to ~€2,190**; vs. €2,160 in 2017
- Hedging **without** Befesa providing any **collateral; no margin calls**

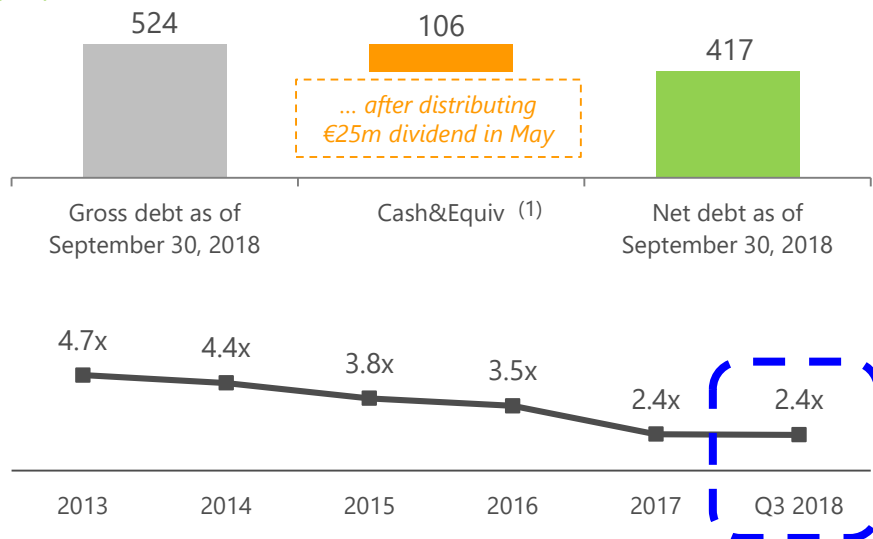


**Leverage of 2.4x at Q3 2018 close**

**→ Interest cost reducing by 25bps to Euribor+250bps by end of November**

### Net Debt and Leverage Rate Evolution

(€m)

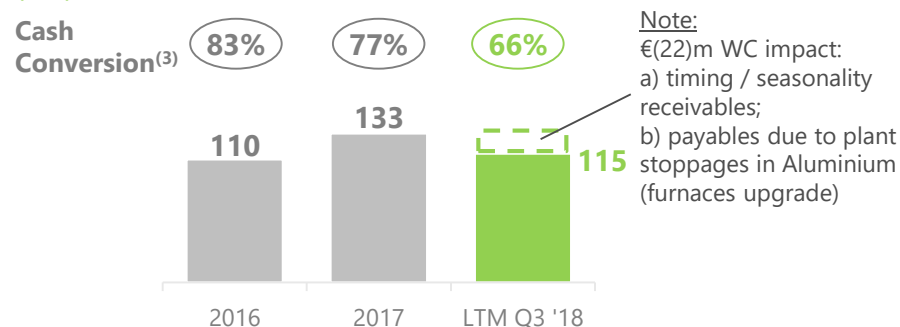


### Credit Ratings for Befesa S.A.

	Oct '17 (Pre-IPO)	Latest (YE '17)
Moody's	B2	Ba3 (outlook positive)
S&P	B	BB- (outlook stable)

### Free Cash Flow<sup>(2)</sup>

(€m)



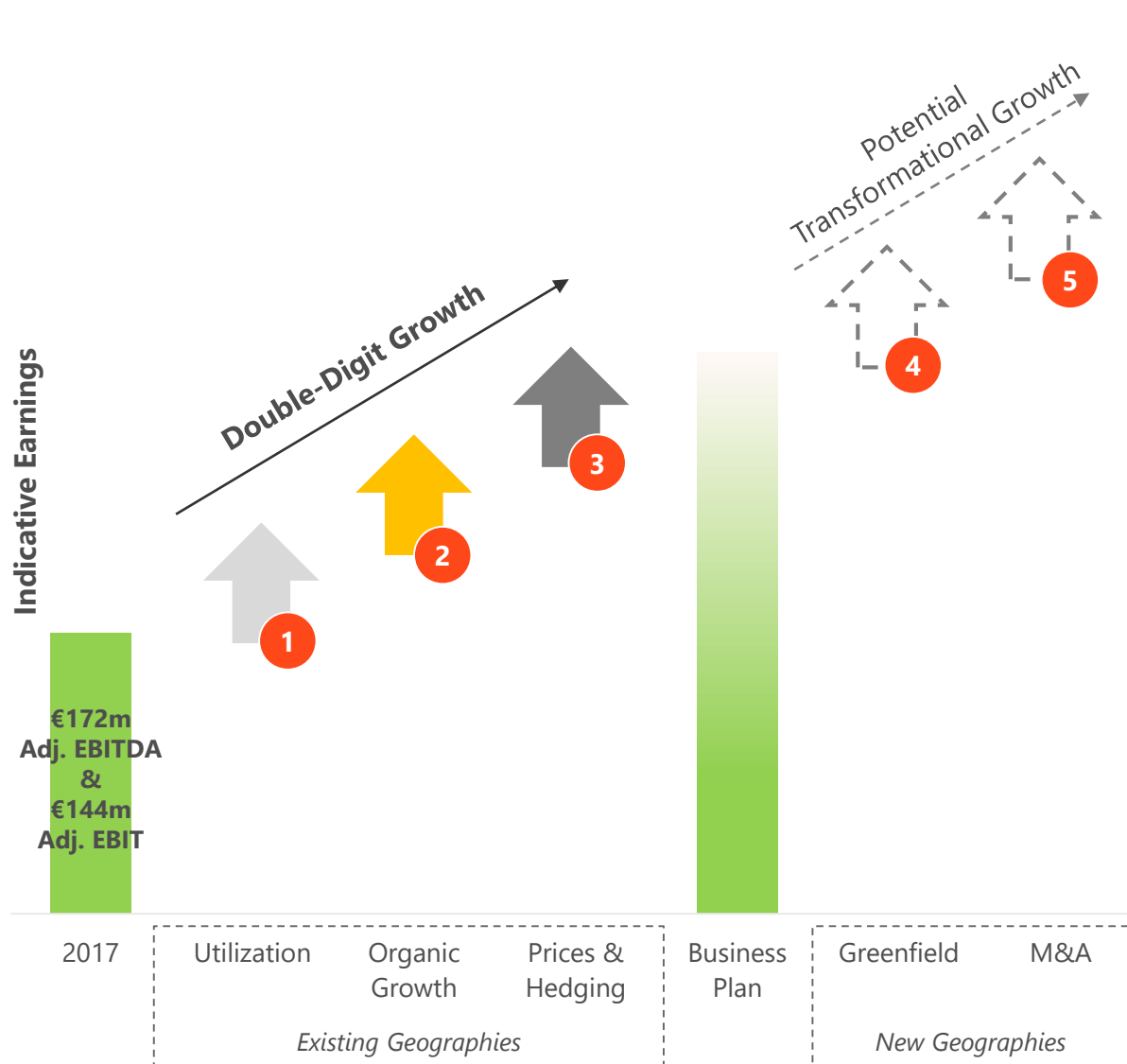
- **9M 2018: Operating Cash Flow** impacted by WC trend; Receivables due to seasonality; Payables due to Q3 scheduled Aluminium plant stoppages (furnace upgrades)
- **Cash stable at €106m at Q3 2018 close** after paying in 9M 2018: interests of €12.6m, taxes of €16.2m, cash CapEx of €27.2m, and €25m dividend distribution in May
- **Interest rate further reducing by 25 bps** from **Euribor +275 bps** to **+250 bps** from end of November; **annual interest expenses further reducing by €1.3m**
- **Solid free cash flow** generation run rate due to low maintenance requirements **providing funds for growth & reduction of leverage**

(1) Cash&Equiv. of €106.0m includes €0.4m of Other current financial assets

(2) Free Cash Flow is based on management accounts and is calculated as EBIT + Depreciation & Amortization (D&A) +/- WC change – maintenance capex – taxes

(3) Cash conversion = FCF / (Reported Adjusted EBIT + Adjusted D&A)

### Accelerated top- and bottom-line growth through a well-defined strategy



- 1 Utilization**
  - Increase plant utilization of prior year growth investments mainly Steel Dust Korea
- 2 Organic Growth**

2018 Focus:

  - Steel Dust:
    - Expand Turkey +45kt
    - Korea washing plant
  - Aluminium Salt Slags:
    - Change to tilting furnaces
    - Expand Hannover +40kt
- 3 Prices & Hedging**
  - 2018: 92.4kt at €2,051
  - 2019: 92.4kt at €2,306
  - 2020: 92.4kt at €2,245
  - H1 '21: 46.2kt at €2,230
- 4 Greenfield**
  - Monitoring growth opportunities and regulatory framework in new geographies, e.g. South East Asia, **China**, Russia
- 5 M&A Opportunities**

**Signed agreement with Jiangsu Changzhou Economic Development Zone and purchasing land use right; Developing 1st steel dust recycling plant ...**



- ✓ Chinese government continues to strengthen environmental regulations
- ✓ Steel dust has been classified as hazardous waste
- Steel production from Electric Arc Furnaces growing and estimated to reach ~200 million tons by 2030

**... Befesa investing in proven state-of-the-art 110,000 tons facility;  
Expecting to complete ramp up of operations in H2 2020**

### Financial Calendar

✓ **Thursday, November 22, 2018:**  
Publication of Statement Q3 2018 & Analyst Call

**Thursday, March 21, 2019:**  
Publication of Annual Report 2018 & Analyst Call

**Thursday, May 9, 2019:**  
Publication of Statement Q1 2019 & Analyst Call

**Wednesday, June 19, 2019:**  
Annual General Meeting in Luxembourg

**Friday, July 26, 2019:**  
Publication of Interim Report H1 2019 & Analyst Call

**Thursday, October 31, 2019:**  
Publication of Statement Q3 2019 & Analyst Call

#### IR Contact

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### Meet Befesa ...

✓ **October 1, 2018 - Berenberg**  
Milan, Berenberg Milan Seminar

✓ **November 15, 2018 - Goldman Sachs**  
London, Global Natural Resources Conference

**December 3-6, 2018 - Berenberg**  
London, Pennyhill European Conference

**January 10-11, 2019 - Oddo BHF**  
Lyon, Oddo BHF Forum

**January 14-16, 2019 - Commerzbank**  
New York, German Investment Seminar

**February 5-6, 2019 - HSBC**  
Frankfurt, ESG Investor Conference

**February 6-7, 2019 - Santander**  
Madrid, Annual Investor Conference

**March 15, 2019 - Citi**  
London, 13<sup>th</sup> Annual Business Services Conference

**May 21-23, 2019 - Berenberg**  
New York, Berenberg US Conference 2019