Q2 2019 Results

Analysts' and Investors' Conference

July 31, 2019

Gisbert Rühl | CEO

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Rounding differences may occur with respect to percentages and figures.

The English translation of the Annual Report and the Interim Statement are also available, in case of deviations the German versions shall prevail.

Evaluating statements are unified and are presented as follows:

+/- 0-1%	stable
+/- >1-5%	slight
+/- >5%	considerable

Agenda

1. **Highlights and update on strategy**
2. Financials
3. Outlook
4. Appendix

01 Details of Q2 2019

	Q2 2019	Q2 2018	Delta	
Shipments (Tt)	**1,479**	**1,605**	**-7.9%**	Shipments considerably below last year's level due to weak auto-business, negative market sentiment in Germany and portfolio changes in France
Sales (€m)	**1,682**	**1,789**	**-6.0%**	Sales decreased substantially due to decreasing volumes
Gross profit (€m)	**304**	**364**	**-16.4%**	Gross profit down due to negative windfalls in the US, margin pressure and weak volumes in Germany
EBITDA (€m)	**51**	**85**	**-39,6%**	EBITDA reported amounted to €82m incl. material special effects of €31m
Oper. CF (€m)	**140**	**-12**	**+€152m**	Cash flow from operating activities improved strongly due to strict NWC management
Digital sales	**29%**	**20%**	**+9%pts**	Digital sales share up mainly due to successful new features and strong expansion in the USA

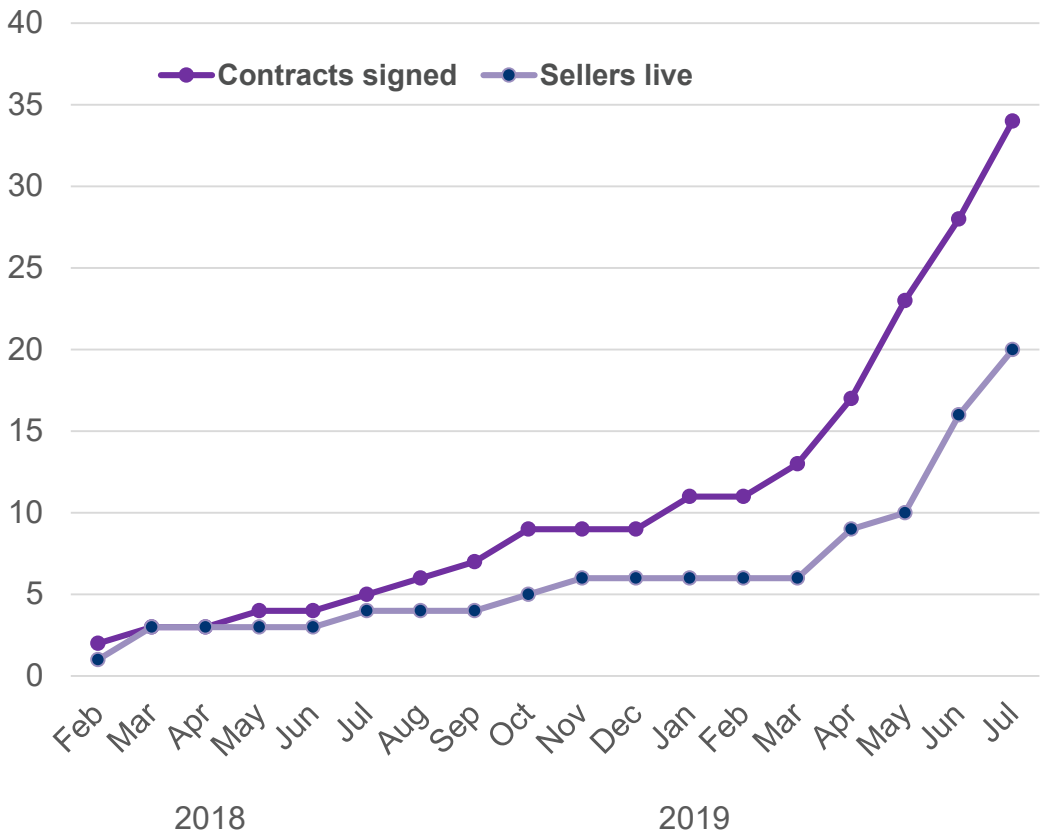
01 Update on digitalization: kloeckner.i & XOM Materials

- **Sales share** via digital channels increased from 20% in Q2 2018 to **29%** in Q2 2019
- Successful **digital consulting business** – first project with DAX30-company completed – many more projects in the pipeline
- **>30** merchants under contract at Kloeckner Marketplace – well known Wire & Fencing company Vandeloo as newest vendor partner

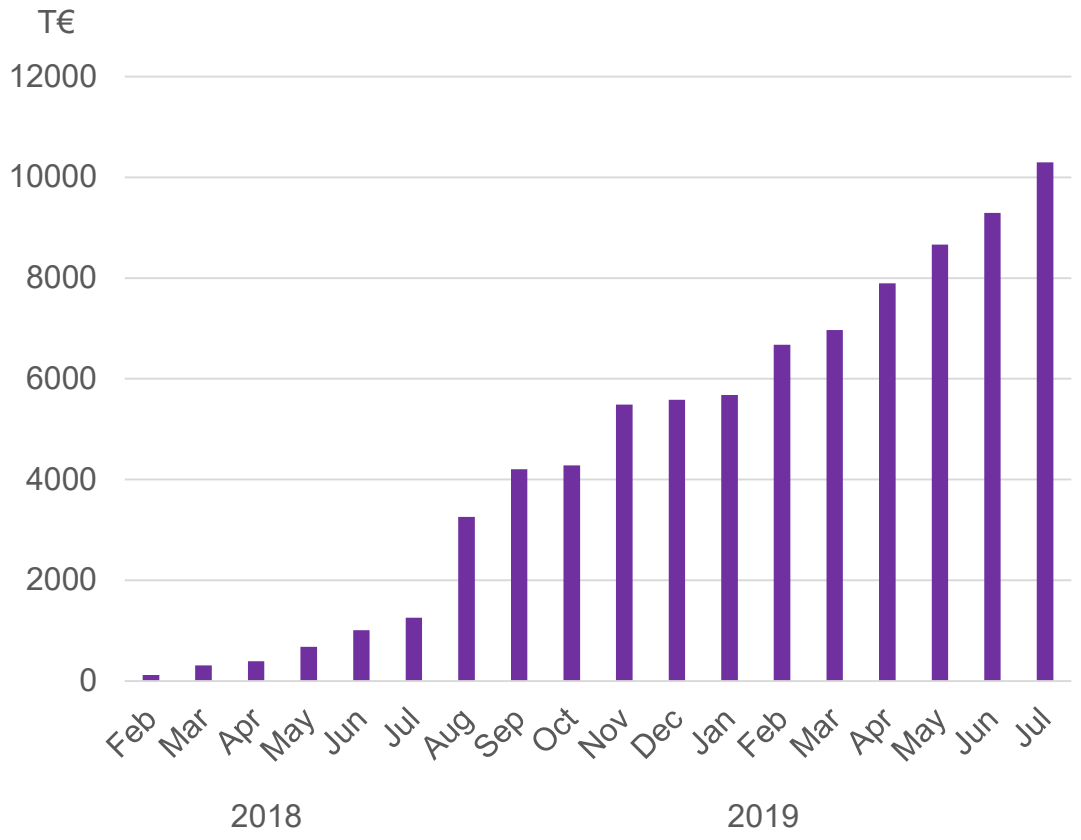
- **34** vendors under contract, **>300** registered customers and **7,200** products
- Large **international steel producer Severstal** onboarded
- **Increasing market reach:** Vendors combining overall revenue of **€37bn**
- **After going live** in **USA** further US-vendor leads added to the pipeline
- Expansion of product offerings in **plastics**
- **Next steps**: Integration of 3rd party platform, e.g. for transport and credit risk insurance

01 Strongly increasing number of sellers will push GMV further

Contracts and sellers



GMV



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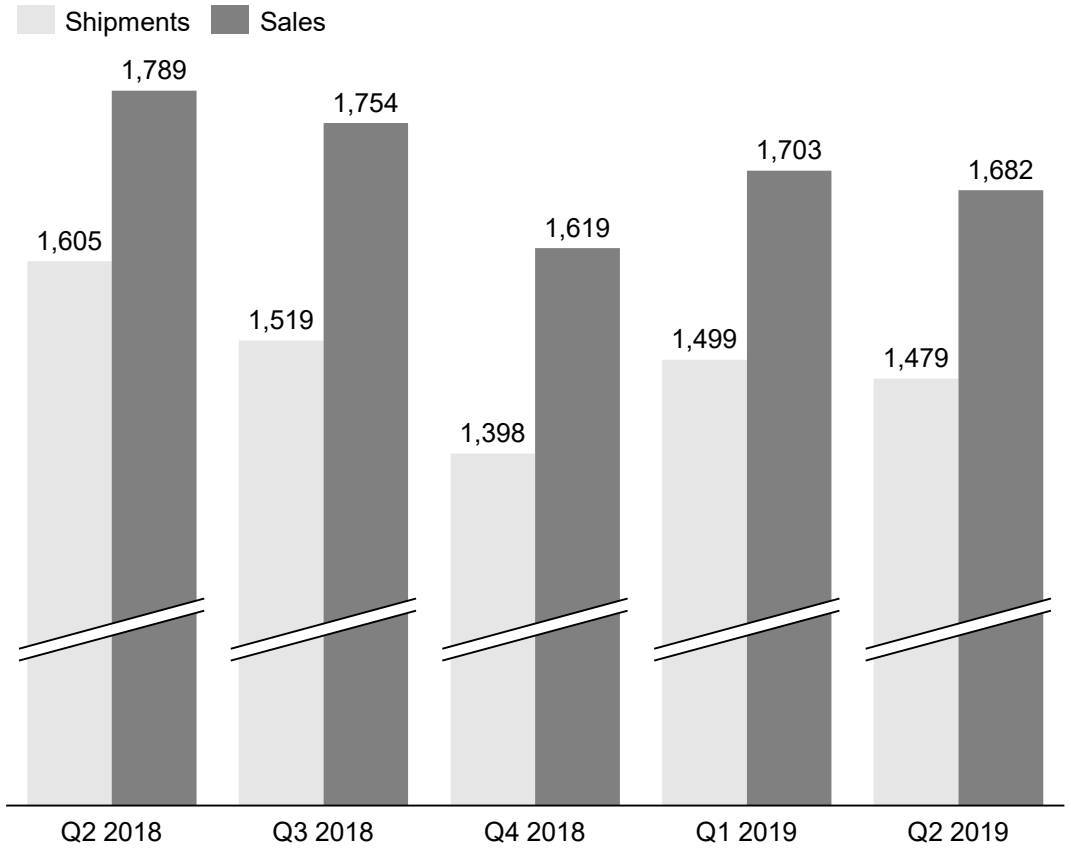
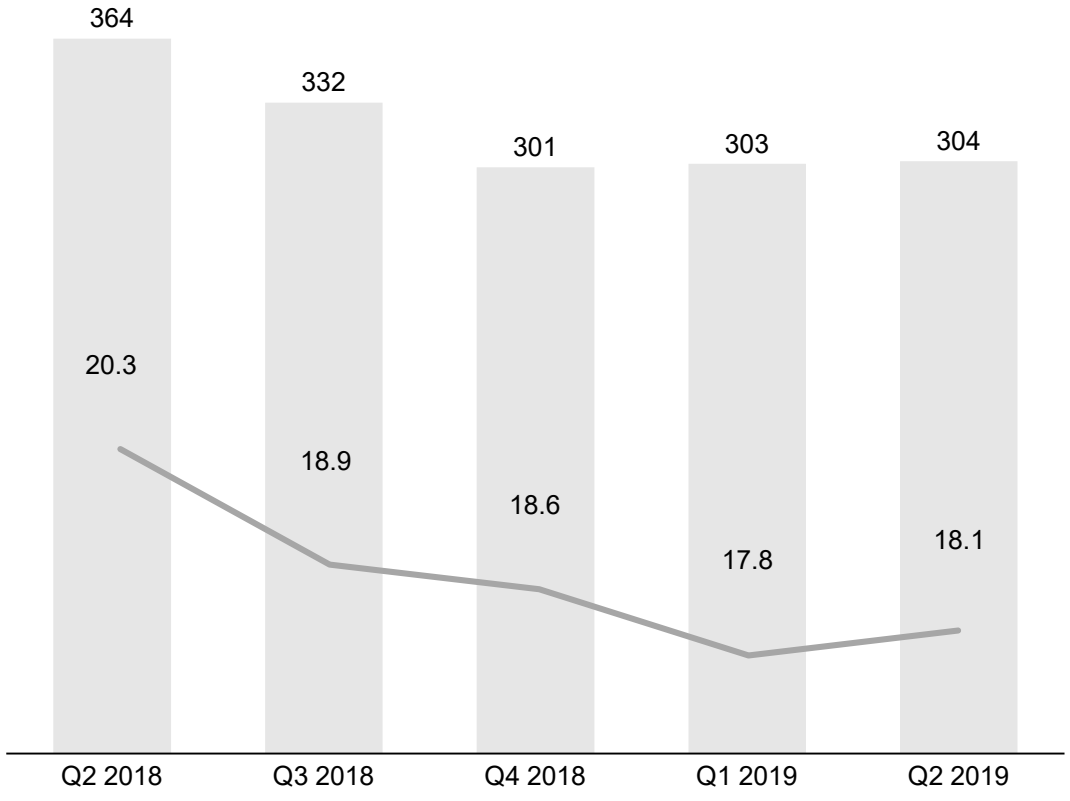
02 Shipments/ sales and gross profit

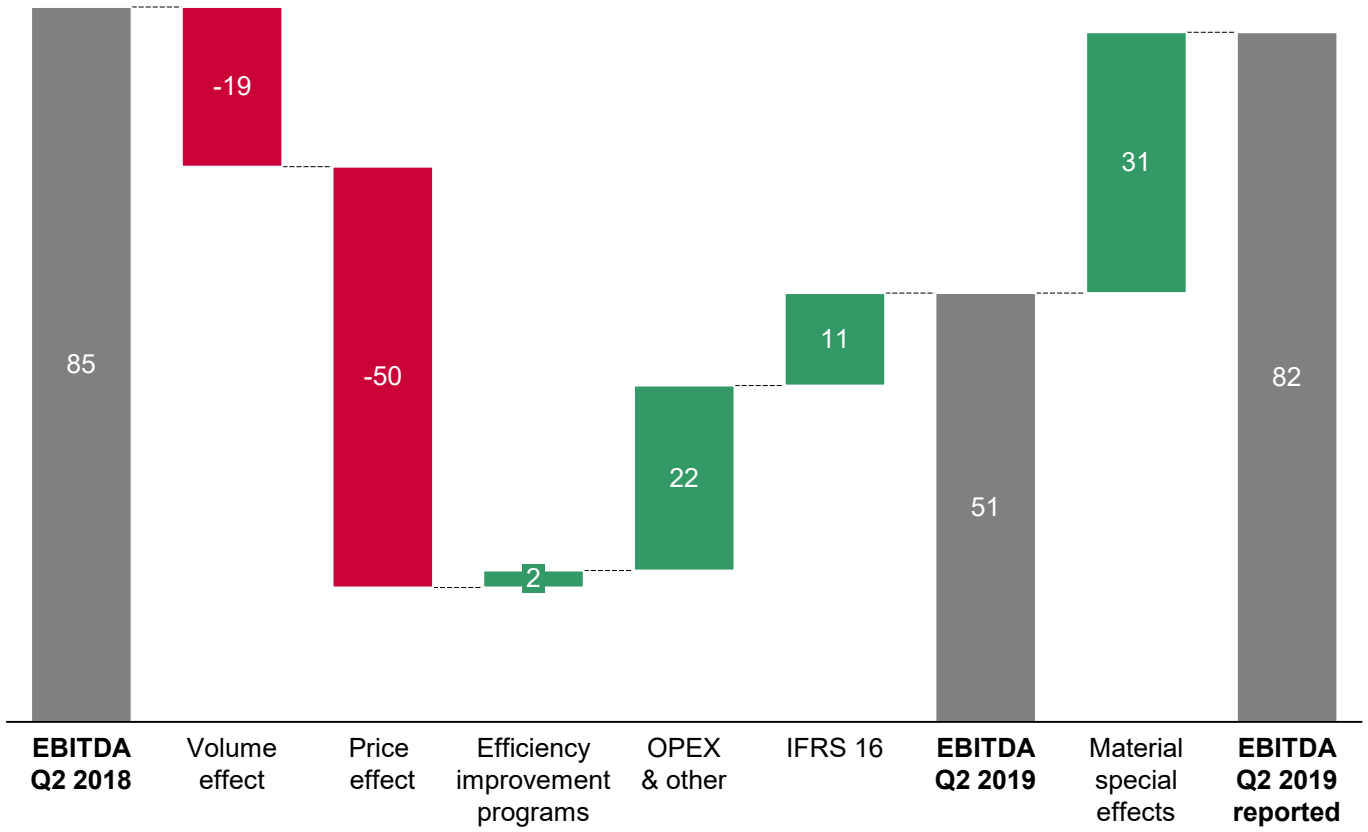
Shipments (Tto)/ sales (€m)



Gross profit (€m)/ gross margin (%)



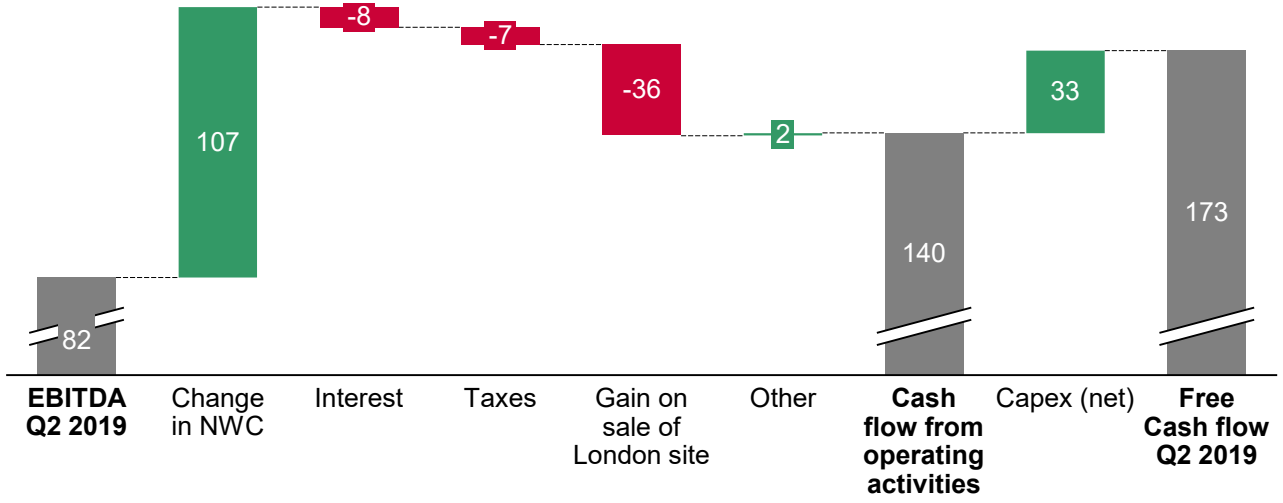
02 EBITDA in Q2 2019



- Negative **volume** and **price effect** of in total €69m mainly due to yoy negative windfall effects in the US, weaker automotive business and weaker market sentiment in Germany
- Main driver for **OPEX** improvement were lower personnel expenses
- **Material special effects**: €36m gain through property sale in London, -€5m restructuring costs
- **EBITDA margin** before material special effects of 3.0%

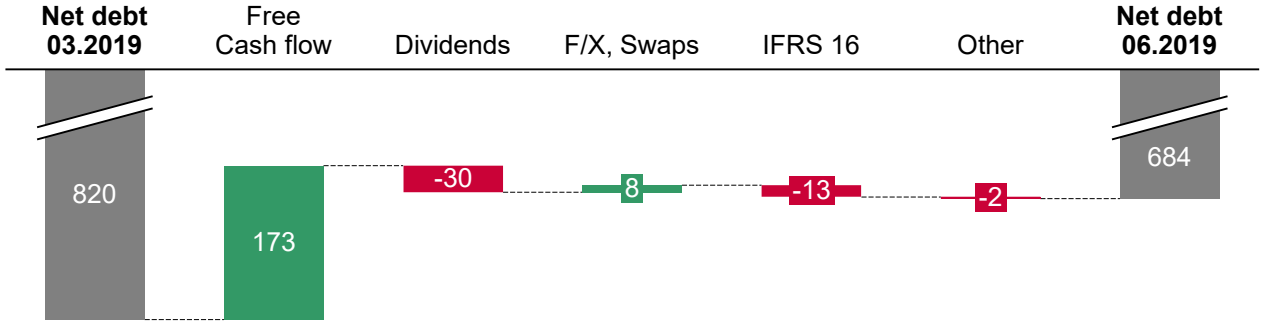
02 Cash flow and net debt development

Cash flow Q2 2019 (€m)



- **Strict NWC management** ends up in significant NWC decrease
- **Net capex** of €33m include proceeds from sale of London site

Net financial debt 03.2019 vs. 06.2019 (€m)



- **Net financial debt decreased** from €820m to €684m driven by NWC and cash proceeds from the sale of the London site

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03 Region specific business outlook 2019

Europe <1%	→	→	→	→	→
Real steel demand	**Construction industry**	**Manufacturing, machinery and mechanical engineering, etc.**	**Energy industry**	**Automotive industry**	**Shipbuilding**
US <1%	→	→	→	→	→

03 Outlook

Q3 2019

Slightly higher **sales** anticipated (qoq)

EBITDA expected to be between €25m and €35m

FY 2019

Shipments and **sales** are expected to slightly decline yoy

EBITDA expectation of €140m-€160m before material special effects

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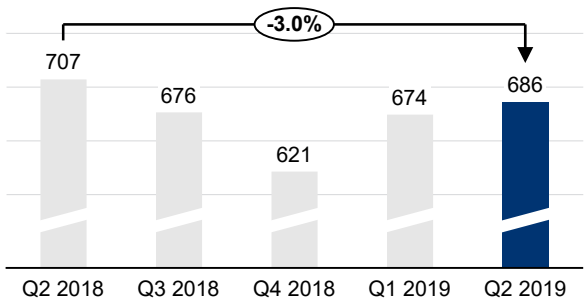
04 Quarterly and FY results

(€m)	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014
Shipments (Ttons)	**1,479**	**1,499**	**1,398**	**1,519**	**1,605**	**1,584**	**1,443**	**1,539**	**1,572**	**1,582**	**1,450**	**1,500**	**1,643**	**1,556**	**6,107**	**6,135**	**6,149**	**6,476**	**6,598**
Sales	**1,682**	**1,703**	**1,619**	**1,754**	**1,789**	**1,628**	**1,485**	**1,565**	**1,640**	**1,602**	**1,397**	**1,430**	**1,517**	**1,386**	**6,790**	**6,292**	**5,730**	**6,444**	**6,504**
Sales (currency effect)	50	61	28	2	-89	-114	-70	-45	13	19	-3	-18	-31	2	-172	-83	-50	556	28
Gross profit	**304**	**303**	**301**	**332**	**364**	**331**	**300**	**310**	**339**	**367**	**319**	**329**	**362**	**304**	**1,328**	**1,316**	**1,315**	**1,237**	**1,261**
% margin	*18.1*	*17.8*	*18.6*	*18.9*	*20.3*	*20.4*	*20.2*	*19.8*	*20.6*	*22.9*	*22.8*	*23.0*	*23.8*	*22.0*	*19.6*	*20.9*	*22.9*	*19.2*	*19.4*
EBITDA rep.	**82**	**34**	**30**	**59**	**82**	**56**	**33**	**47**	**63**	**77**	**37**	**71**	**72**	**16**	**227**	**220**	**196**	**24**	**191**
% margin	*4.9*	*2.0*	*1.9*	*3.4*	*4.6*	*3.4*	*2.2*	*3.0*	*3.9*	*4.8*	*2.6*	*5.0*	*4.8*	*1.2*	*3.3*	*3.5*	*3.4*	*0.4*	*2.9*
EBITDA rep. (curr. eff.)	2	1	3	1	-8	-5	-3	-2	1	1	0	-1	-1	0	-9	-3	-1	10	1
EBIT	**49**	**2**	**8**	**38**	**60**	**35**	**9**	**25**	**41**	**54**	**-4**	**48**	**49**	**-8**	**141**	**130**	**85**	**-350**	**98**
Financial result	-11	-10	-10	-8	-10	-7	-9	-8	-8	-8	-10	-8	-7	-8	-35	-33	-33	-49	-59
EBT	**37**	**-9**	**-2**	**30**	**51**	**28**	**1**	**17**	**33**	**46**	**-14**	**40**	**42**	**-16**	**107**	**97**	**52**	**-399**	**39**
Income taxes	-9	-1	-5	-8	-18	-7	29	-4	-9	-10	2	-9	-9	2	-38	5	-14	50	-17
Net income	**28**	**-10**	**-7**	**22**	**33**	**21**	**30**	**13**	**24**	**36**	**-12**	**31**	**33**	**-14**	**69**	**102**	**38**	**-349**	**22**
Minority interests	0	0	0	0	0	0	0	1	1	0	0	0	1	0	0	1	1	-2	0
Net income KCO	**28**	**-10**	**-7**	**22**	**33**	**21**	**30**	**12**	**23**	**36**	**-12**	**31**	**32**	**-14**	**69**	**101**	**37**	**-347**	**22**
EPS basic (€)	**0.28**	**-0.10**	**-0.07**	**0.22**	**0.33**	**0.21**	**0.30**	**0.12**	**0.23**	**0.36**	**-0.13**	**0.31**	**0.32**	**-0.14**	**0.68**	**1.01**	**0.37**	**-3.48**	**0.22**
EPS diluted (€)	**0.27**	**-0.10**	**-0.07**	**0.21**	**0.31**	**0.20**	**0.28**	**0.12**	**0.22**	**0.34**	**-0.13**	**0.31**	**0.32**	**-0.14**	**0.66**	**0.96**	**0.37**	**-3.48**	**0.22**
Net debt	**684**	**820**	**383**	**569**	**552**	**472**	**330**	**435**	**486**	**475**	**444**	**438**	**435**	**383**	**383**	**330**	**444**	**385**	**472**
NWC	**1,386**	**1,501**	**1,229**	**1,467**	**1,428**	**1,318**	**1,132**	**1,282**	**1,306**	**1,296**	**1,120**	**1,197**	**1,168**	**1,134**	**1,229**	**1,132**	**1,120**	**1,128**	**1,321**

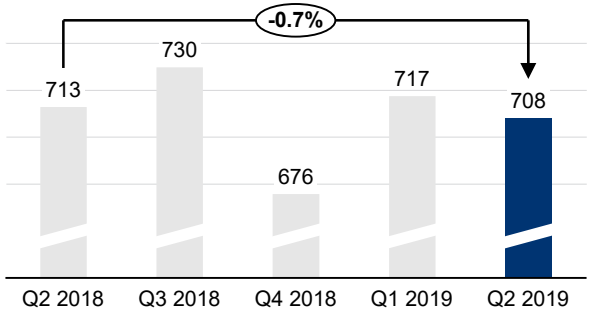
04 Segment performance

KM US

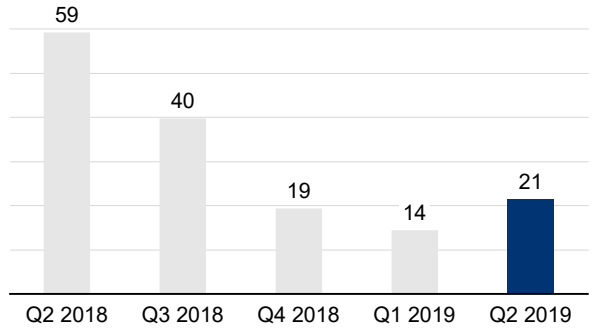
Shipments (Tto)



Sales (€m)

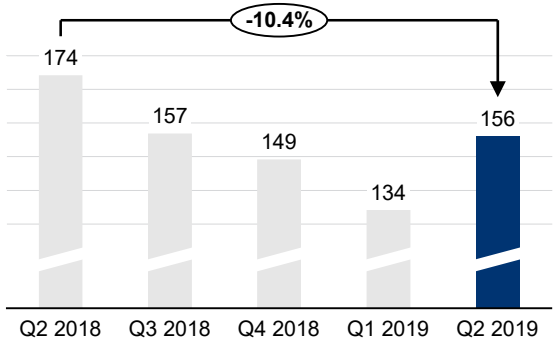


EBITDA adj*) (€m)

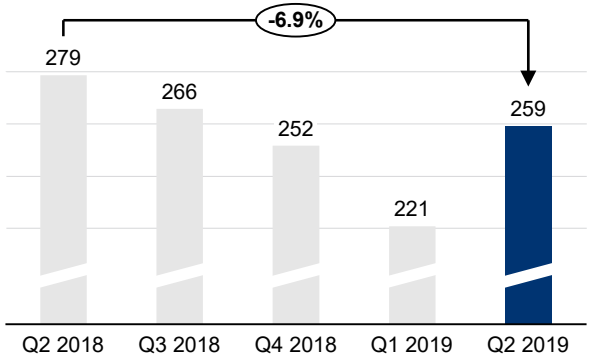


KM Switzerland

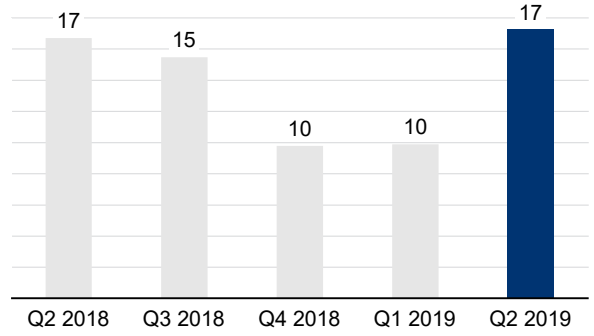
Shipments (Tto)



Sales (€m)



EBITDA adj**) (€m)

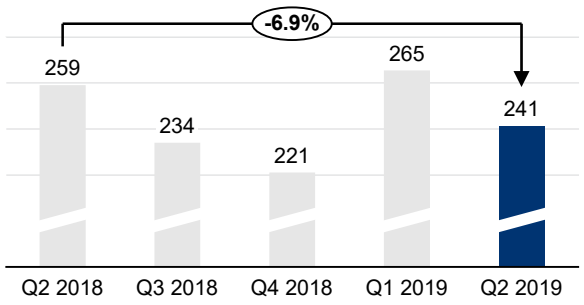


*) adjusted for Deepwater Horizon Oil Spillage Claim Settlement gain in Q2 2018.
**) adjusted for BPO expenses in Q2 2018.

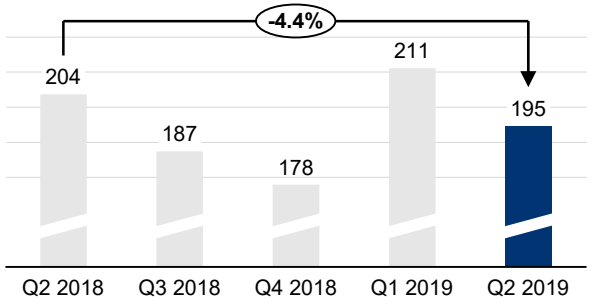
04 Segment performance

KM Services

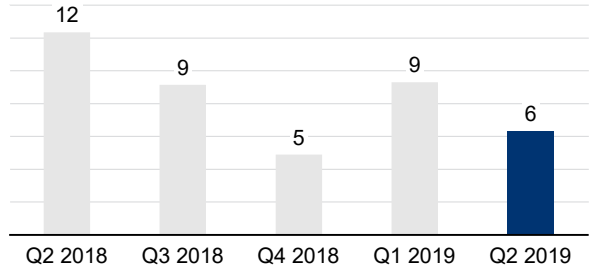
Shipments (Tto)



Sales (€m)

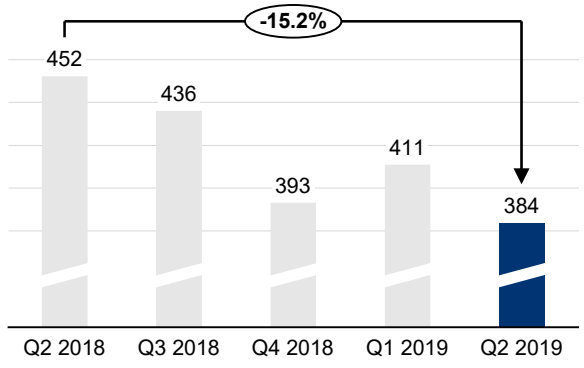


EBITDA adj (€m)

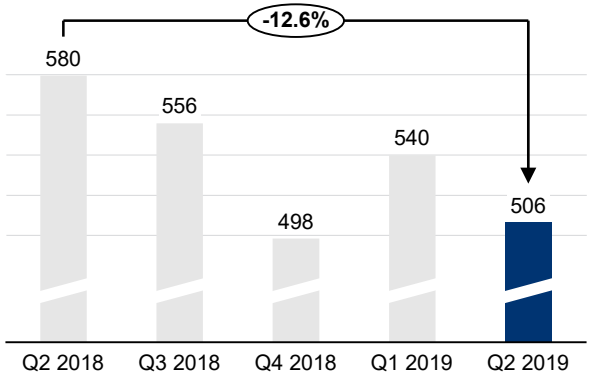


KM Distribution

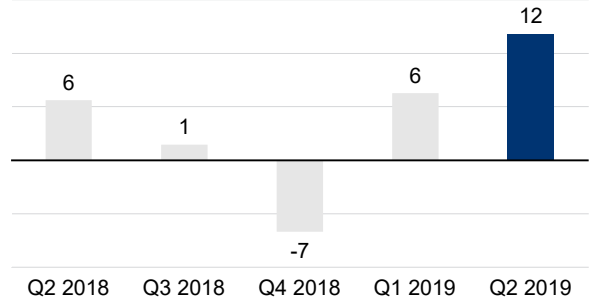
Shipments (Tto)



Sales (€m)

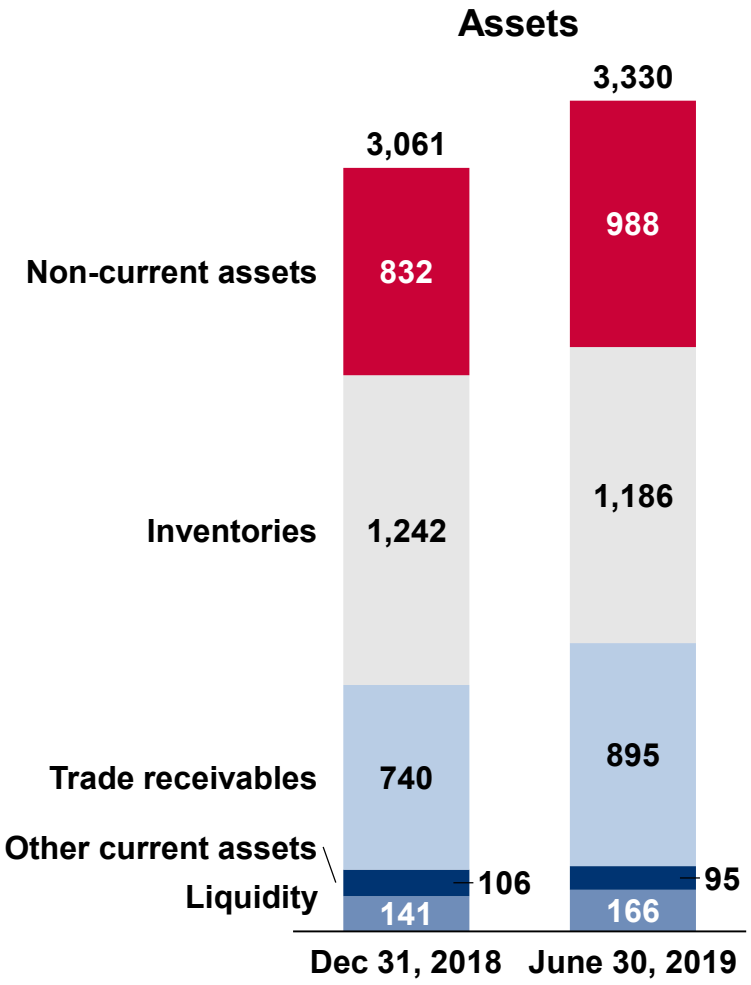


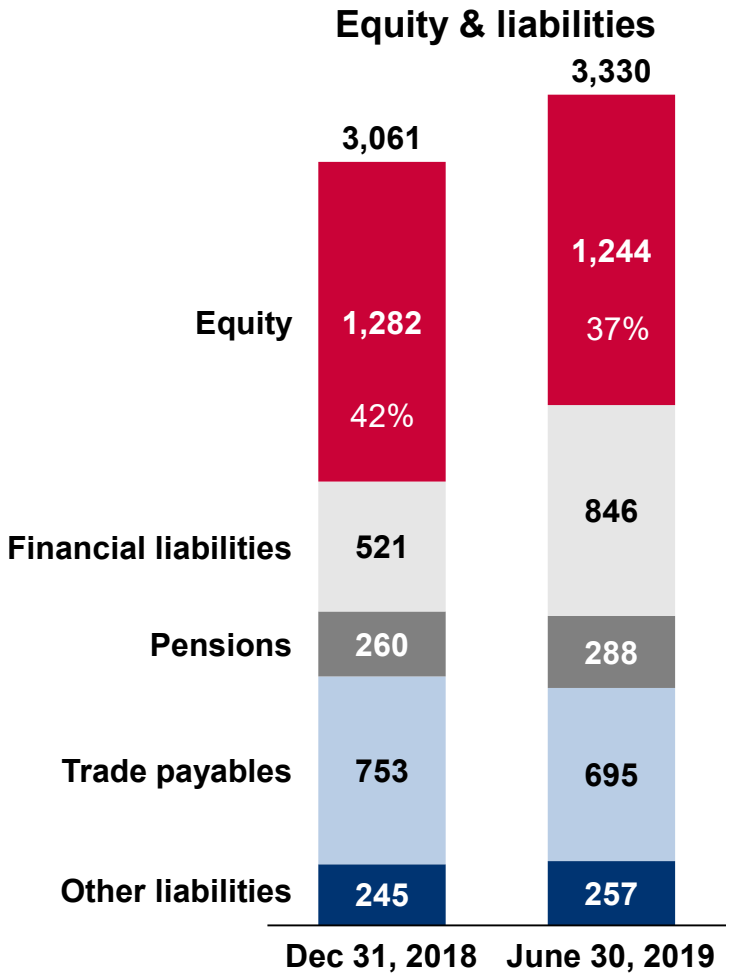
EBITDA adj*) (€m)



*) adjusted for BPO expenses in Q2 2018 and severances and gain on sale of London site in Q2 2019

04 Strong balance sheet





- **Equity ratio** further healthy at 37%
- **Net debt** of €684m incl. IFRS 16 Leases (impact of €194m)
- **Gearing***) at 55%
- **NWC** at €1,386m (FY2018: €1,229m)

*) Gearing = Net debt/Equity attributable to shareholders of Klöckner & Co SE less goodwill from business combinations subsequent to May 23, 2019.

04 Maturity profile – well-balanced & diversified funding portfolio

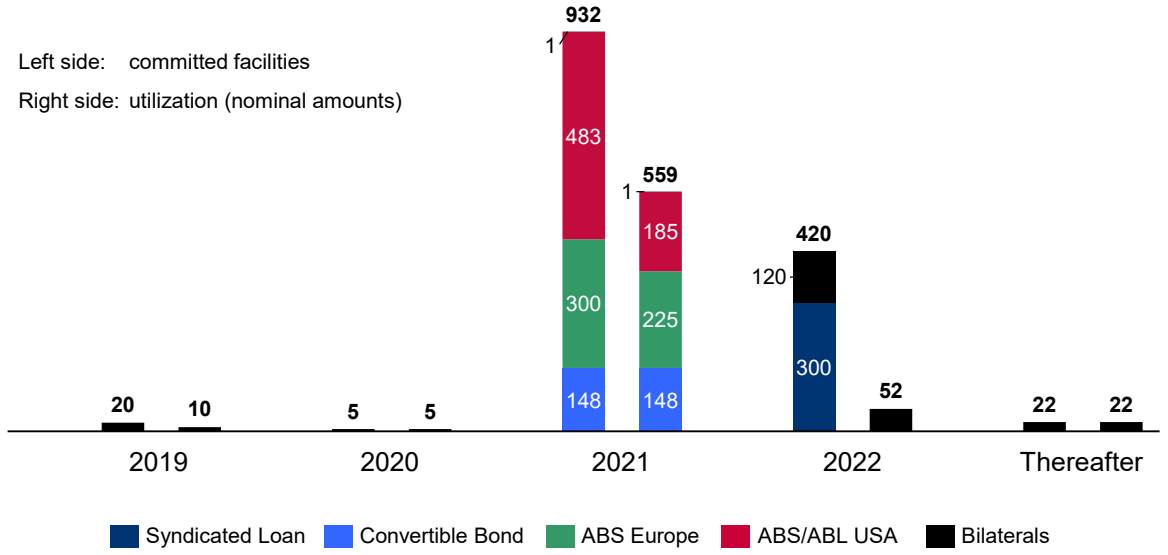
Facility	Committed (€m)	Drawn amount (€m, IFRS*)	
		Q2 2019	FY 2018
Syndicated Loan	300	0	0
ABS Europe	300	225	110
ABS/ABL USA	483	185	172
Convertible 2016 [1)]	148	140	138
Bilateral Facilities [2)]	168	90	78
Leases [3)]	210	210	26
Total Debt	**1,609**	**850**	**524**
Cash		166	141
Net Debt		**684**	**383**

*) Including interest accrued, excluding deferred transaction costs.

1) Principal €148m, equity component €18m at issuance (September 8, 2016).
2) Mainly Switzerland.
3) First time application of IFRS 16 in Q1 2019. FY 2018 as reported (based on IAS 17 and not adjusted for IFRS 16).
4) Adj. equity: Equity attributable to shareholders of Klöckner & Co SE less goodwill from acquisitions subsequent to May 23, 2019. Covenant level €600m.
Gearing: Net debt/adj. equity. Covenant level 165%.

€m	Q2 2019
Adjusted equity [4)]	1,237
Net debt	684
Gearing [4)]	55%

Maturity profile of financial instruments (excl. leasing) in €m



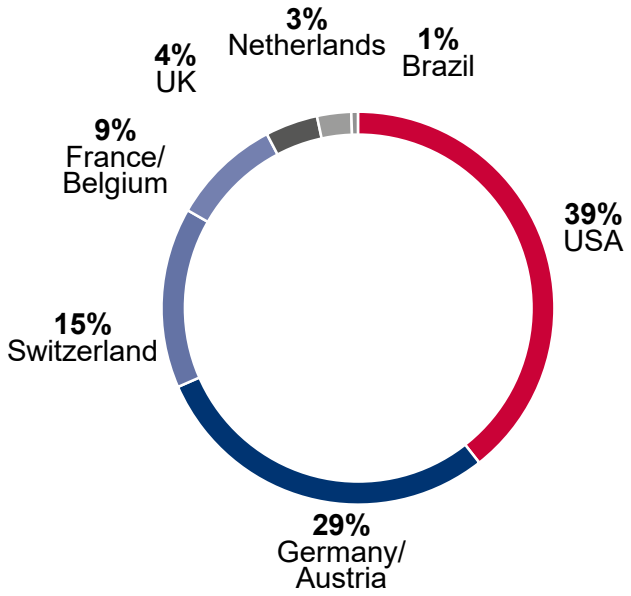
04 IFRS 16 impact

IFRS 16 effect in 2019 (estimates)			
Key Figure	**€m**	**Tendency**	**Comment**
Sales	-	→	No impact
OPEX	~45 – 50	↘	Recognition of lease expenses as depreciation and interest costs; exception: short-term leases and low-value assets, remaining material costs
EBITDA	~45 – 50	↗	Lower leasing expenses
D&A	~40 – 45	↗	Capitalized operating-lease-assets as new depreciation
EBIT	~5	↗	Depreciation and interest instead of operating lease expense
Financing costs	~6 – 8	↗	Interest cost included in financing costs
Operating and free cash flow	~40 – 45	↗	Principal payments on IFRS 16 lease liabilities included in cash flow from financing acitivties

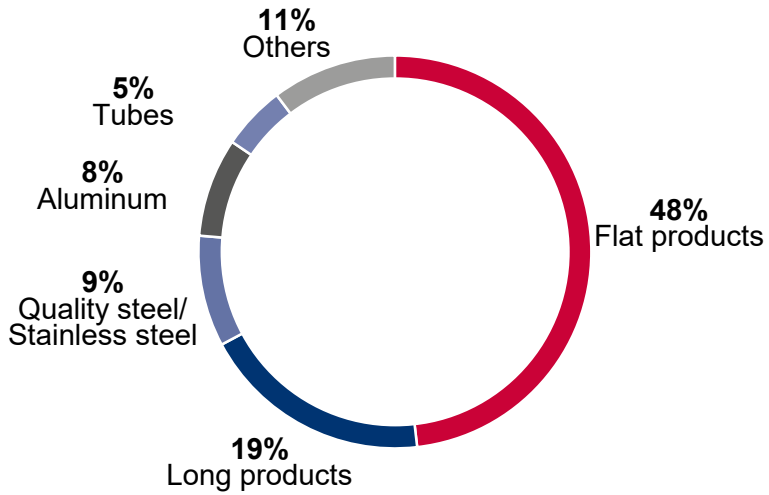
Main impact consists of considerable **EBITDA and free cash flow increase**

04 Sales by markets, products and industries

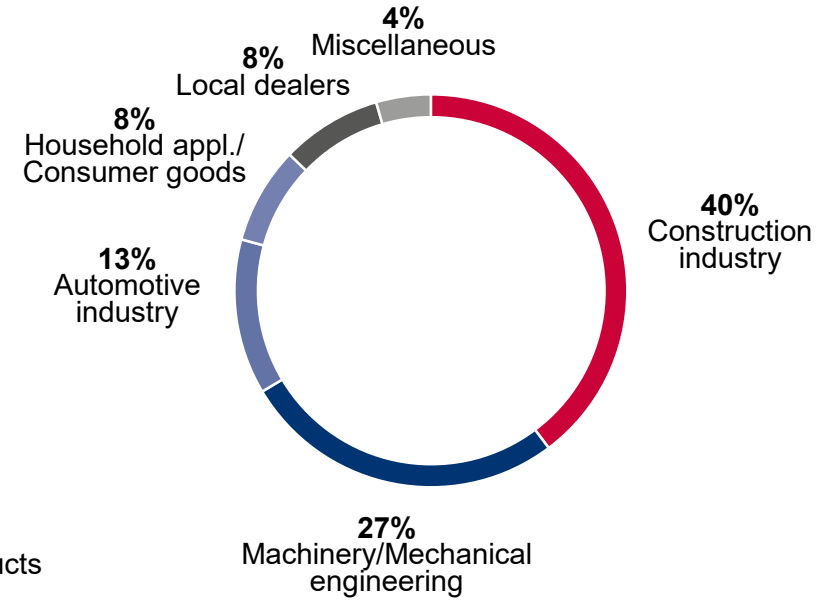
Sales by markets



Sales by products



Sales by industry

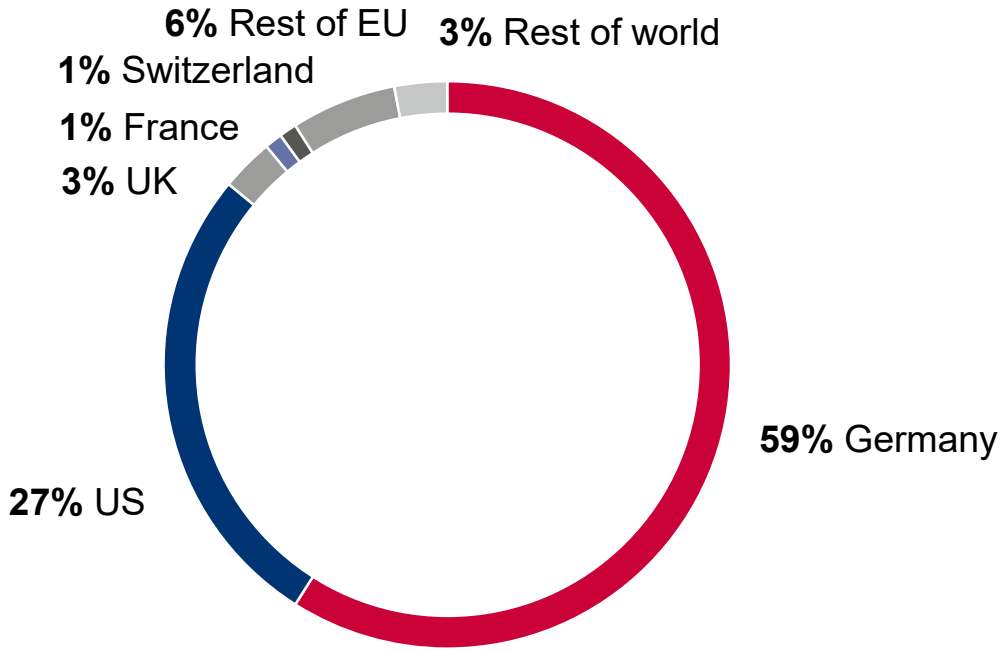


As of December 31, 2018.

04 Current shareholder structure

Geographical breakdown of identified institutional investors

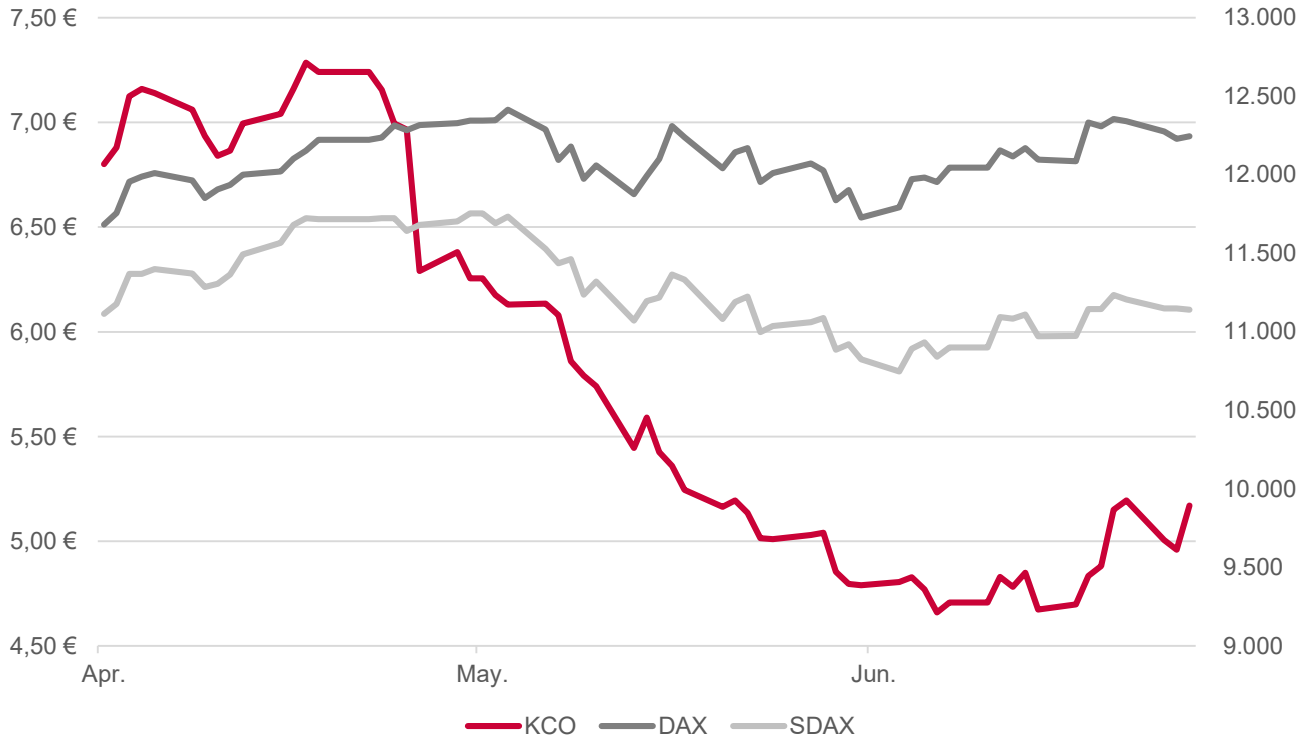
- Identified institutional investors account for 65%
- German investors incl. retail dominate
- Top 10 shareholdings represent around 53%
- Retail shareholders represent 29%



As of June 2019.

04 Share price performance in Q2 2019

Share performance Klöckner & Co SE in Q2 2019



- In the second quarter of 2019 the Klöckner & Co share price improved firstly and reached its quarterly high at €7.29 on April 17
- The share price decreased sharply after the release of the ad hoc-announcement on April 25 and fell gradually to its quarterly low of €4.66 on June 6
- In second half of June it could improve again. The share went out of trading at a price of €5.27 on June 28

04 Dividend policy

Dividend policy

In general, Klöckner & Co SE follows a **dividend policy** of distributing **30% of net income** before special items.

Given the **volatility** of our business model, a sustainable **dividend payment** can not be guaranteed. If there is a **possibility of dividend distribution**, we would pay it for the **benefit of our investors**.

- Compliance with the dividend policy of €0.80 per share for the years 2006 and 2007
- Suspension of the dividend policy for the financial year 2008 in view of the beginning of the **Euro crisis** and no dividend payment
- **Due to earnings** no dividend payment in 2009
- **Inclusion** of our general dividend policy in financial year 2010 with a dividend of €0.30 per share
- **Due to earnings** no dividend payment in 2011, 2012 and 2013 as well as in 2015
- **Full distribution** of net profit for the financial year 2014 (€0.20 per share)
- Dividend payment of €0.20 per share in 2016 and **€0.30 per share for the 2017 fiscal year**
- **Dividend payment per share for the 2018 fiscal year: €0.30**

	2006	2007	2008-2009	2010	2011-2013	2014	2015	2016	2017	2018
Dividend payment per share	€0.80	€0.80	-	€0.30	-	€0.20	-	€0.20	€0.30	€0.30

04 Sustainability strategy

EMPLOYEES

A **qualified** and **motivated** workforce of **employees** who feel at ease in the workplace pave the way for us to generate **added value.**

RESPONSIBLE CONDUCT

An **integral part** of our corporate culture is **compliance** on the part of our employees and business partners, constituting the **basis of corporate responsibility.**

ENVIRONMENT

One of the **greatest challenges** of our times is **climate change**, and we consider it our duty to counter related risks with a suitable **contribution** to **protecting the environment.**

DIGITALIZATION

In many cases today's tasks have increased in **complexity**. The measures developed by us therefore aim at anchoring **modern, digital ways of working and thinking** in the company and thus to advance the **internal cultural change.**

CUSTOMERS

The **high level of customer satisfaction** - which we aim to continue improving - is a key **competitive advantage** for us. Therefore we always conceptualize **products and services, sales channels and innovations** from the customer perspective.

Contact details

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Financial calendar

October 30, 2019	Q3 quarterly statement 2019
March 10, 2020	Annual financial statements 2019
May 5, 2020	Q1 quarterly statement 2020
May 20, 2020	Annual General Meeting 2020
August 14, 2020	Half-yearly financial report 2020
November 3, 2020	Q3 quarterly statement 2020