



# Q3 2019 Results

Analysts' and Investors' Conference

October 30, 2019

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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 Q3 2019

	Q3 2019	Q3 2018	Delta	
Shipments (Tto)	1,420	1,519	-6.5%	Negative market sentiment especially in Germany and in the US as well as portfolio changes in France
Sales (€m)	1,565	1,754	-10.8%	Weaker volumes and in addition lower price level
Gross profit (€m)	284	332	-14.6%	Negative windfall effects in the US, margin pressure and weaker volumes
EBITDA (€m)	26	59	-56.7%	Reported EBITDA of €21m incl. material special effects of -€4.8m
Oper. CF (€m)	82	-5	+€87m	Strict NWC management
Digital sales	30%	22%	+8%pts	Expansion in the USA

# 01 Update on digitalization: kloeckner.i & XOM Materials



- Digital **sales share** further increased to **30%** (Q3 2018: 22%) – corresponds to a tripling within the last three years
- Game changing **AI** project **Kloeckner Assistant** launched to completely automate order processing regardless how an RFQ or order is received → every customer becomes a digital customer
  - At least **€100m efficiency gains** expected (FY2022)
  - **Prototype** in the US already **up and running**

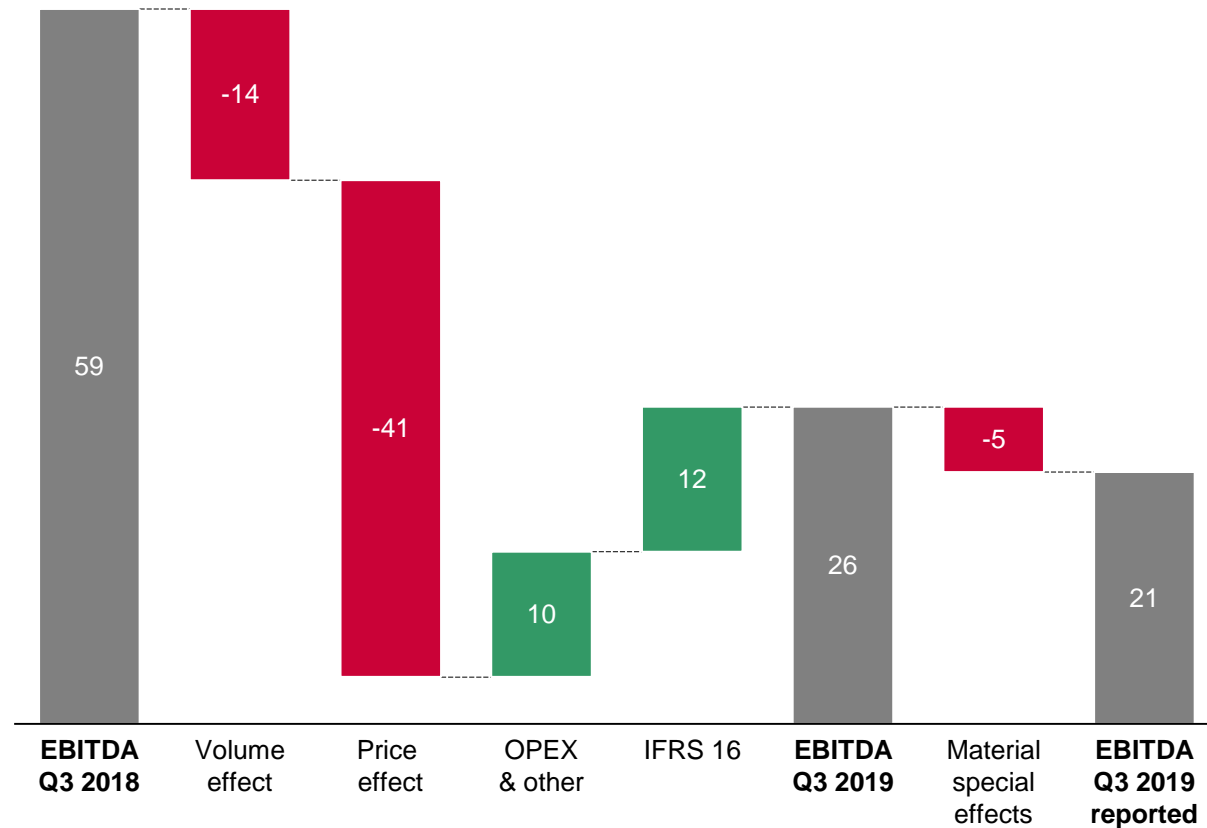
- **43** vendors under contract, **>450** registered customers and **>10,400** products
- Increasing **Iberian footprint** with ten vendors from Spain
- Two **strategic investors** with convertible loans locked-in
- Expansion of product offerings in **plastics** and extended product portfolio with **marketplace, eShops and eProcurement solutions**



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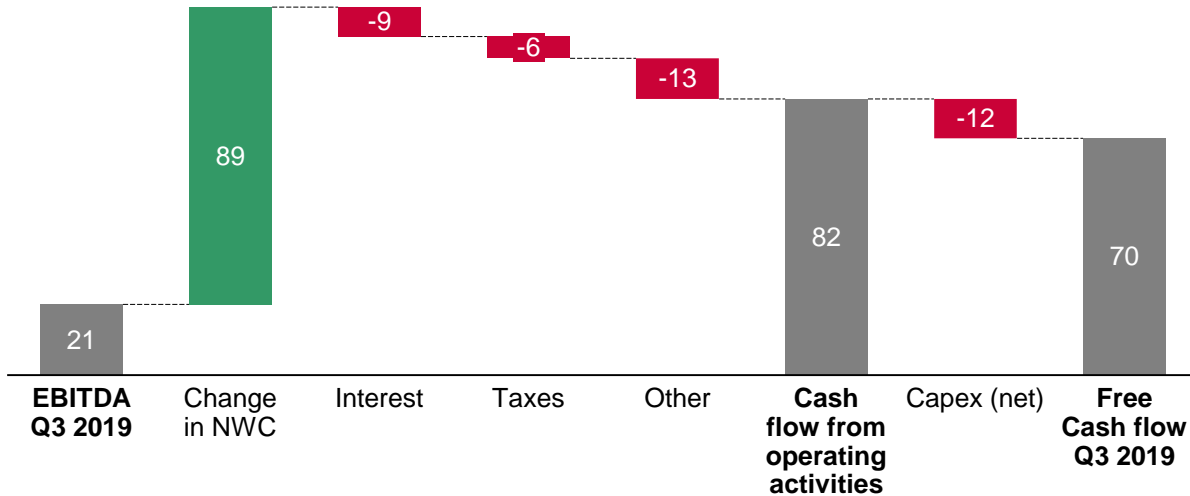
## 02 EBITDA (€m) in Q3 2019



- Negative **volume** and **price effect** of in total €55m mainly due to yoy negative windfall effects in the US, weaker automotive and machinery business and negative market sentiment in Germany and in the US
- Main driver for **OPEX** improvement were lower personnel expenses
- **Material special effects**: €2m gain from insurance compensation in the US, €7m restructuring costs (France and Holding)
- **EBITDA margin** before material special effects of 1.6%

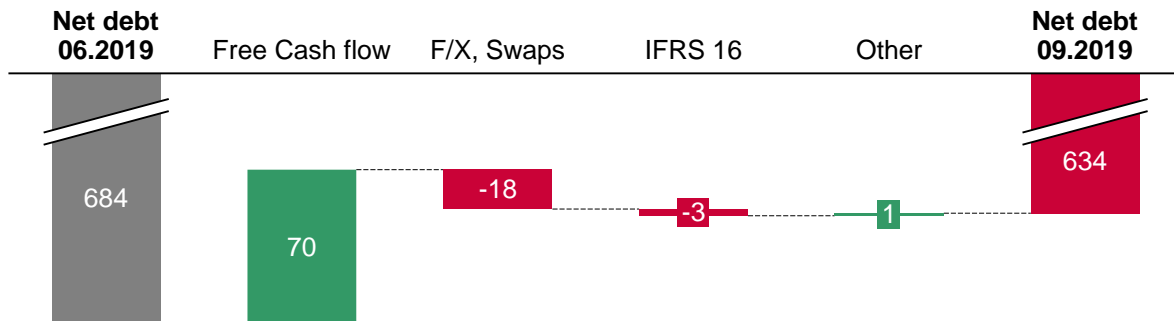
## 02 Cash flow and net debt development

### Cash flow Q3 2019 (€m)



- **Strict NWC management** results in significant NWC decrease
- **Other** of -€13m include changes in other operating assets and liabilities (mainly supplier bonuses)

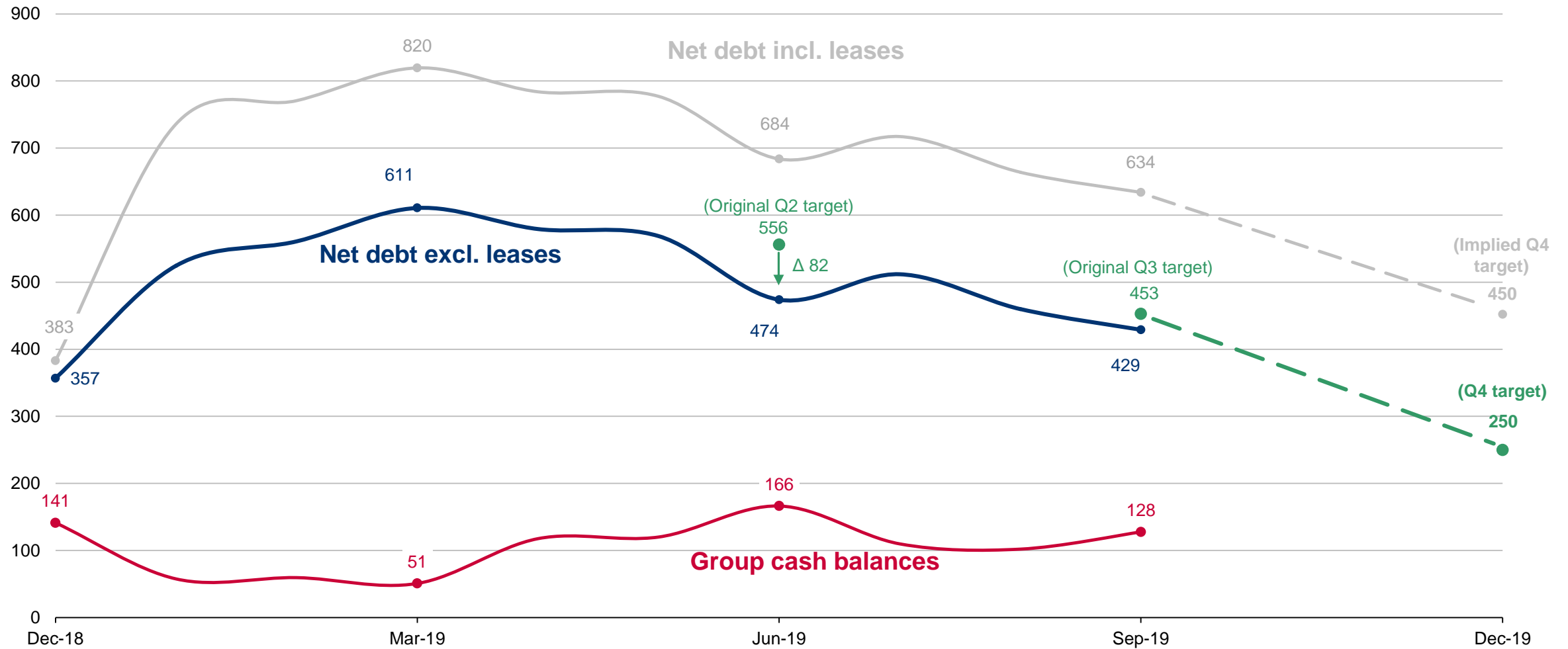
### Net financial debt 06.2019 vs. 09.2019 (€m)



- **Net financial debt decreased** from €684m to €634m driven by strict NWC management



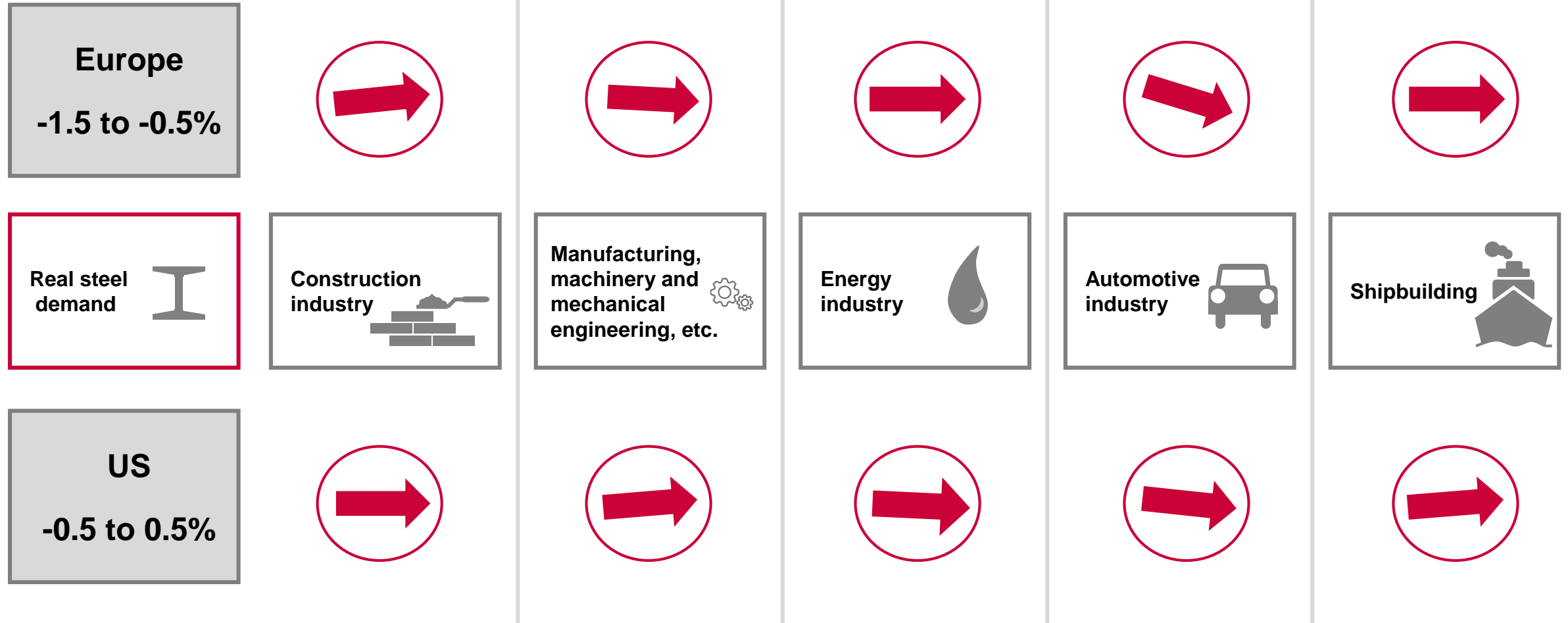
## 02 Cash and net debt development (€m)



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4. Appendix

## 03 Region specific business outlook 2019



## 03 Outlook

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

**EBITDA** expectation of €120m-€130m before material special effects

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4. **Appendix**

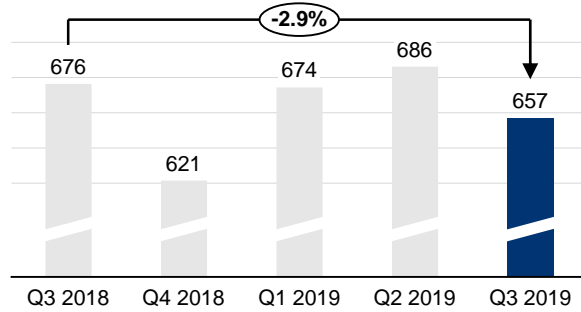
## 04 Quarterly and FY results

(€m)	Q3 2019	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	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014
<b>Shipments (Tto)</b>	<b>1,420</b>	<b>1,479</b>	<b>1,499</b>	<b>1,398</b>	<b>1,519</b>	<b>1,605</b>	<b>1,584</b>	<b>1,443</b>	<b>1,539</b>	<b>1,572</b>	<b>1,582</b>	<b>1,450</b>	<b>1,500</b>	<b>1,643</b>	<b>6,107</b>	<b>6,135</b>	<b>6,149</b>	<b>6,476</b>	<b>6,598</b>
<b>Sales</b>	<b>1,565</b>	<b>1,682</b>	<b>1,703</b>	<b>1,619</b>	<b>1,754</b>	<b>1,789</b>	<b>1,628</b>	<b>1,485</b>	<b>1,565</b>	<b>1,640</b>	<b>1,602</b>	<b>1,397</b>	<b>1,430</b>	<b>1,517</b>	<b>6,790</b>	<b>6,292</b>	<b>5,730</b>	<b>6,444</b>	<b>6,504</b>
Sales (currency effect)	38	50	61	28	2	-89	-114	-70	-45	13	19	-3	-18	-31	-172	-83	-50	556	28
<b>Gross profit</b>	<b>284</b>	<b>304</b>	<b>303</b>	<b>301</b>	<b>332</b>	<b>364</b>	<b>331</b>	<b>300</b>	<b>310</b>	<b>339</b>	<b>367</b>	<b>319</b>	<b>329</b>	<b>362</b>	<b>1,328</b>	<b>1,316</b>	<b>1,315</b>	<b>1,237</b>	<b>1,261</b>
% margin	18.1	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	19.6	20.9	22.9	19.2	19.4
<b>EBITDA rep.</b>	<b>21</b>	<b>82</b>	<b>34</b>	<b>30</b>	<b>59</b>	<b>82</b>	<b>56</b>	<b>33</b>	<b>47</b>	<b>63</b>	<b>77</b>	<b>37</b>	<b>71</b>	<b>72</b>	<b>227</b>	<b>220</b>	<b>196</b>	<b>24</b>	<b>191</b>
% margin	1.3	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	3.3	3.5	3.4	0.4	2.9
EBITDA rep. (curr. eff.)	1	2	1	3	1	-8	-5	-3	-2	1	1	0	-1	-1	-9	-3	-1	10	1
<b>EBIT</b>	<b>-13</b>	<b>49</b>	<b>2</b>	<b>8</b>	<b>38</b>	<b>60</b>	<b>35</b>	<b>9</b>	<b>25</b>	<b>41</b>	<b>54</b>	<b>-4</b>	<b>48</b>	<b>49</b>	<b>141</b>	<b>130</b>	<b>85</b>	<b>-350</b>	<b>98</b>
Financial result	-11	-11	-10	-10	-8	-10	-7	-9	-8	-8	-8	-10	-8	-7	-34	-33	-33	-49	-59
<b>EBT</b>	<b>-24</b>	<b>37</b>	<b>-9</b>	<b>-2</b>	<b>30</b>	<b>51</b>	<b>28</b>	<b>1</b>	<b>17</b>	<b>33</b>	<b>46</b>	<b>-14</b>	<b>40</b>	<b>42</b>	<b>107</b>	<b>97</b>	<b>52</b>	<b>-399</b>	<b>39</b>
Income taxes	1	-9	-1	-5	-8	-18	-7	29	-4	-9	-10	2	-9	-9	-38	5	-14	50	-17
<b>Net income</b>	<b>-23</b>	<b>28</b>	<b>-10</b>	<b>-7</b>	<b>22</b>	<b>33</b>	<b>21</b>	<b>30</b>	<b>13</b>	<b>24</b>	<b>36</b>	<b>-12</b>	<b>31</b>	<b>33</b>	<b>69</b>	<b>102</b>	<b>38</b>	<b>-349</b>	<b>22</b>
Minority interests	0	0	0	0	0	0	0	0	1	1	0	0	0	1	0	1	1	-2	0
<b>Net income KCO</b>	<b>-23</b>	<b>28</b>	<b>-10</b>	<b>-7</b>	<b>22</b>	<b>33</b>	<b>21</b>	<b>30</b>	<b>12</b>	<b>23</b>	<b>36</b>	<b>-12</b>	<b>31</b>	<b>32</b>	<b>69</b>	<b>101</b>	<b>37</b>	<b>-347</b>	<b>22</b>
<b>EPS basic (€)</b>	<b>-0.23</b>	<b>0.28</b>	<b>-0.10</b>	<b>-0.07</b>	<b>0.22</b>	<b>0.33</b>	<b>0.21</b>	<b>0.30</b>	<b>0.12</b>	<b>0.23</b>	<b>0.36</b>	<b>-0.13</b>	<b>0.31</b>	<b>0.32</b>	<b>0.68</b>	<b>1.01</b>	<b>0.37</b>	<b>-3.48</b>	<b>0.22</b>
<b>EPS diluted (€)</b>	<b>-0.23</b>	<b>0.27</b>	<b>-0.10</b>	<b>-0.07</b>	<b>0.21</b>	<b>0.31</b>	<b>0.20</b>	<b>0.28</b>	<b>0.12</b>	<b>0.22</b>	<b>0.34</b>	<b>-0.13</b>	<b>0.31</b>	<b>0.32</b>	<b>0.66</b>	<b>0.96</b>	<b>0.37</b>	<b>-3.48</b>	<b>0.22</b>
<b>Net debt</b>	<b>634</b>	<b>684</b>	<b>820</b>	<b>383</b>	<b>569</b>	<b>552</b>	<b>472</b>	<b>330</b>	<b>435</b>	<b>486</b>	<b>475</b>	<b>444</b>	<b>438</b>	<b>435</b>	<b>383</b>	<b>330</b>	<b>444</b>	<b>385</b>	<b>472</b>
<b>NWC</b>	<b>1,325</b>	<b>1,386</b>	<b>1,501</b>	<b>1,229</b>	<b>1,467</b>	<b>1,428</b>	<b>1,318</b>	<b>1,132</b>	<b>1,282</b>	<b>1,306</b>	<b>1,296</b>	<b>1,120</b>	<b>1,197</b>	<b>1,168</b>	<b>1,229</b>	<b>1,132</b>	<b>1,120</b>	<b>1,128</b>	<b>1,321</b>

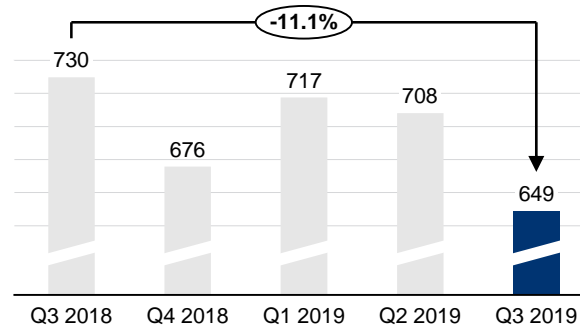
# 04 Segment performance

KM US

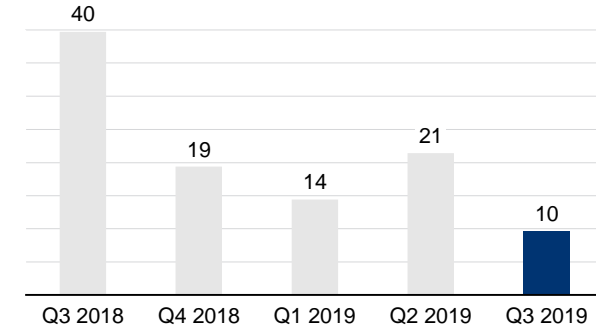
Shipments (Tto)



Sales (€m)

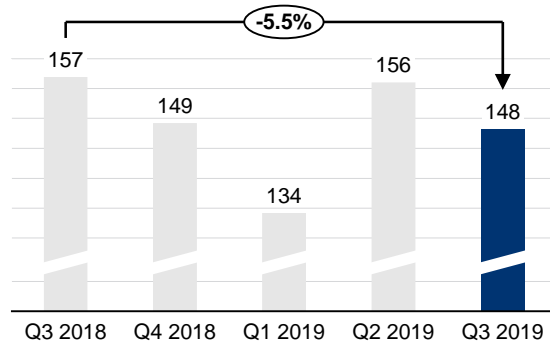


EBITDA adj\*) (€m)

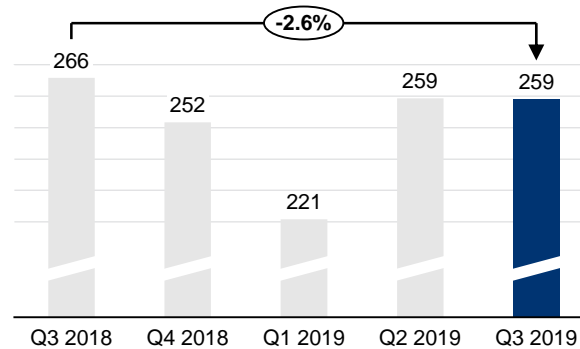


KM Switzerland

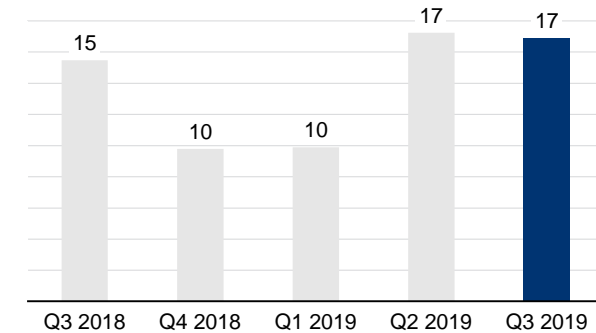
Shipments (Tto)



Sales (€m)



EBITDA (€m)

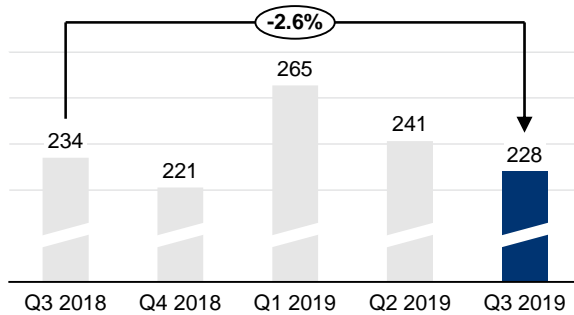


\*) adjusted for insurance compensation in Q3 2019.

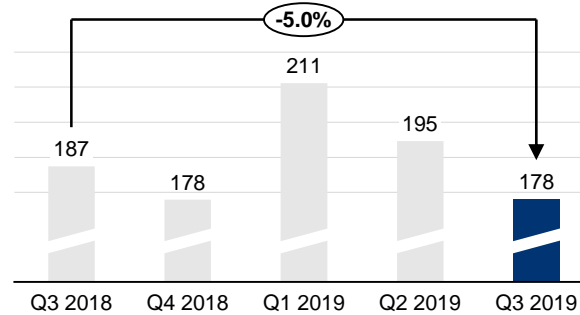
# 04 Segment performance

KM Services

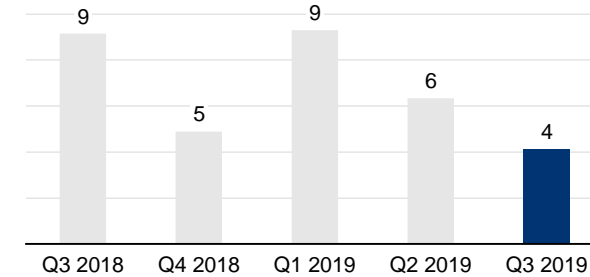
Shipments (Tto)



Sales (€m)

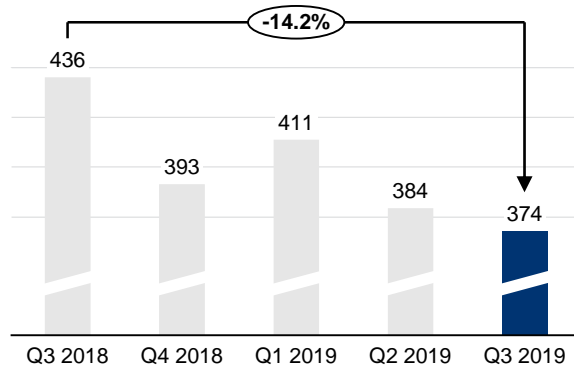


EBITDA adj (€m)

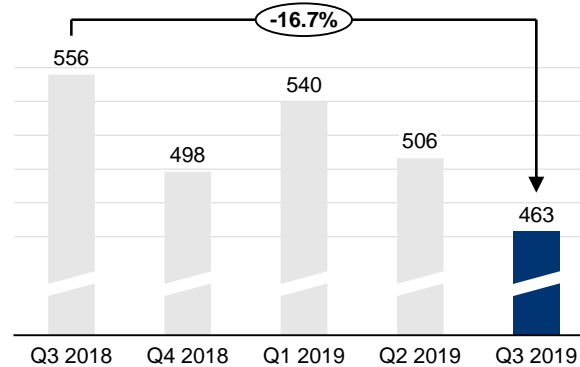


KM Distribution

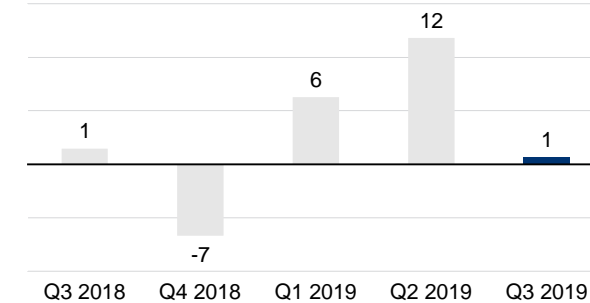
Shipments (Tto)



Sales (€m)



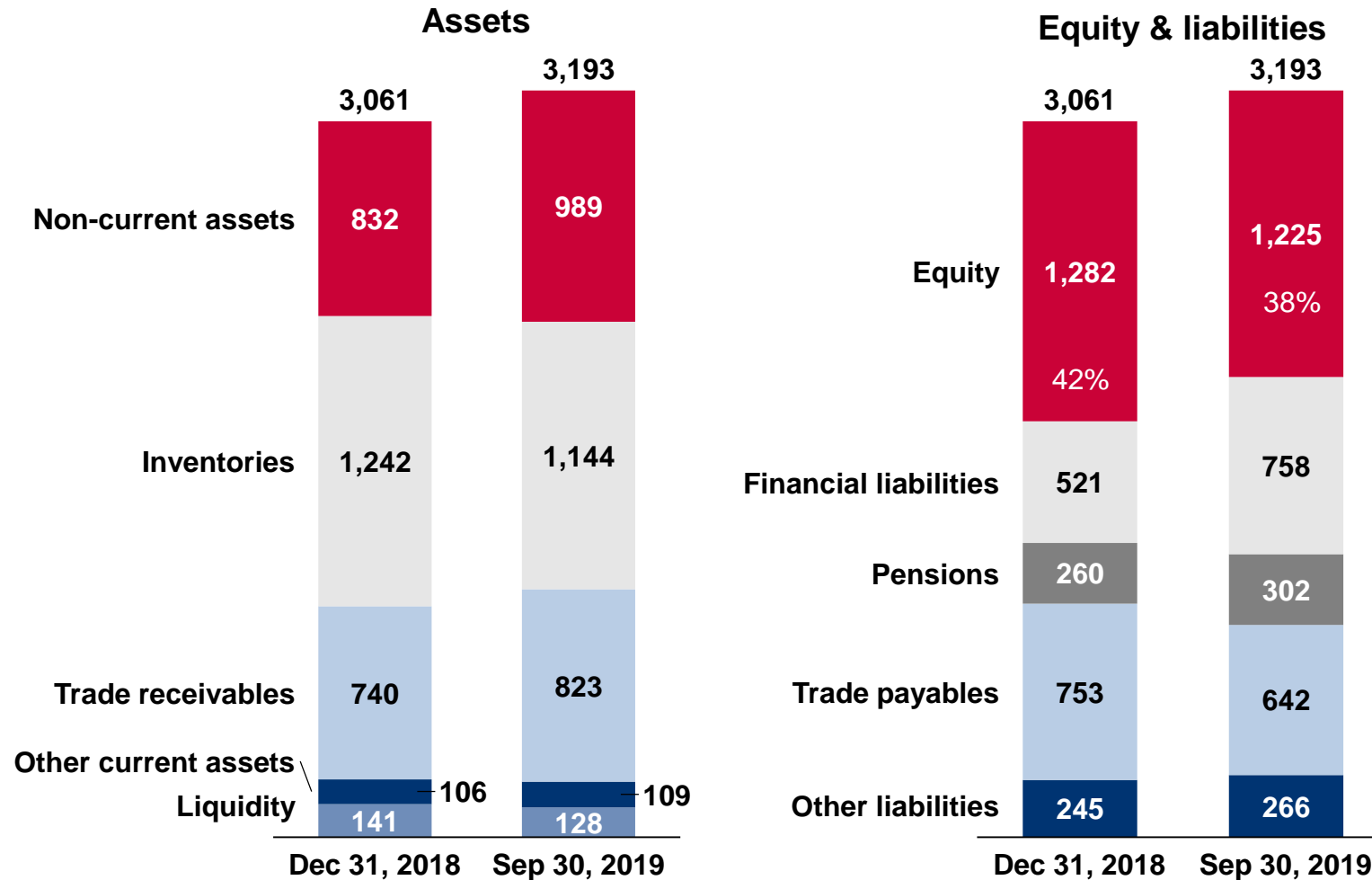
EBITDA adj\* (€m)



\*) adjusted for restructuring expenses in Q2 and in Q3 2019 and for a gain on the sale of London site in Q2 2019.



## 04 Strong balance sheet



- **Equity ratio** further healthy at 38%
- **Net debt** of €634m incl. IFRS 16 Leases (impact of €178m)
- **Gearing\*** at 52%
- **NWC** at €1,325m (FY 2018: €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*)	
		Q3 2019	FY 2018
Syndicated Loan	300	0	0
ABS Europe	300	160	110
ABS/ABL USA	505	178	172
Convertible 2016 <sup>1)</sup>	148	140	138
Bilateral Facilities <sup>2)</sup>	171	79	78
Leases <sup>3)</sup>	204	204	26
<b>Total Debt</b>	<b>1,628</b>	<b>761</b>	<b>524</b>
Cash		128	141
<b>Net Debt</b>		<b>634</b>	<b>383</b>

\*) Including interest accrued, excluding deferred transaction costs.

1) Principal €148m, equity component €18m at issuance (September 8, 2016).

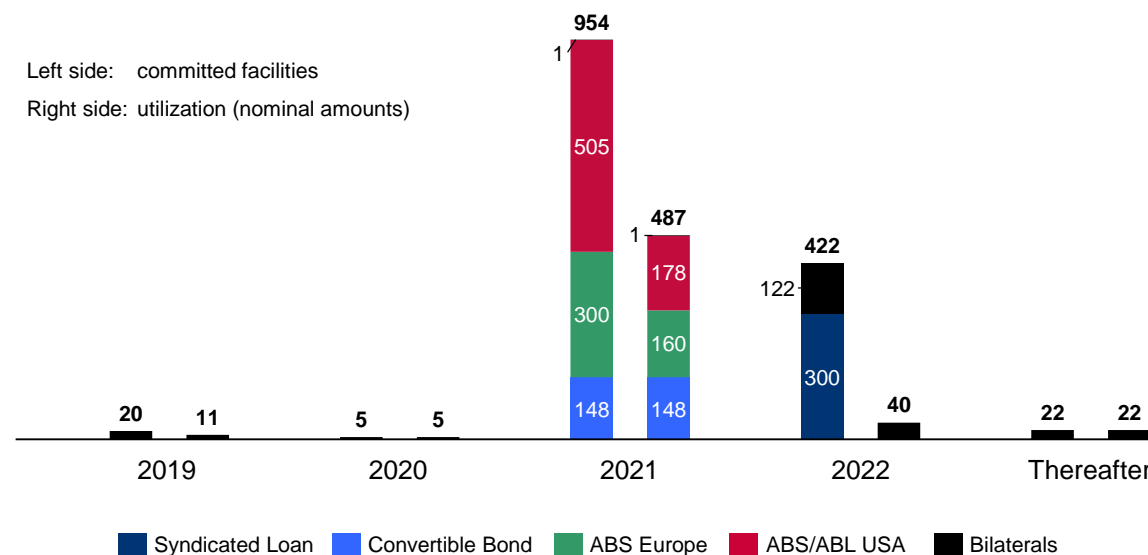
2) Mainly Switzerland.

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








€m	Q3 2019
Adjusted equity	1,217
Net debt	634
Gearing <sup>4)</sup>	52%

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



## 04 IFRS 16 impact

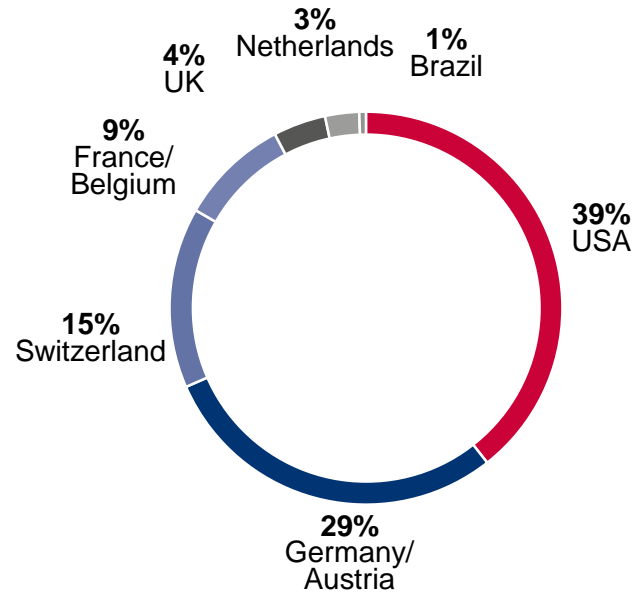
### IFRS 16 effect in 2019 (estimates)

Key Figure	€m	Tendency	Comment
Sales	-		No impact
OPEX	~45		Recognition of lease expenses as depreciation and interest costs; exception: short-term leases and low-value assets, remaining material costs
EBITDA	~45		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		Interest cost included in financing costs
Operating and Free Cash flow	~40		Principal payments on IFRS 16 lease liabilities included in Cash flow from financing activities

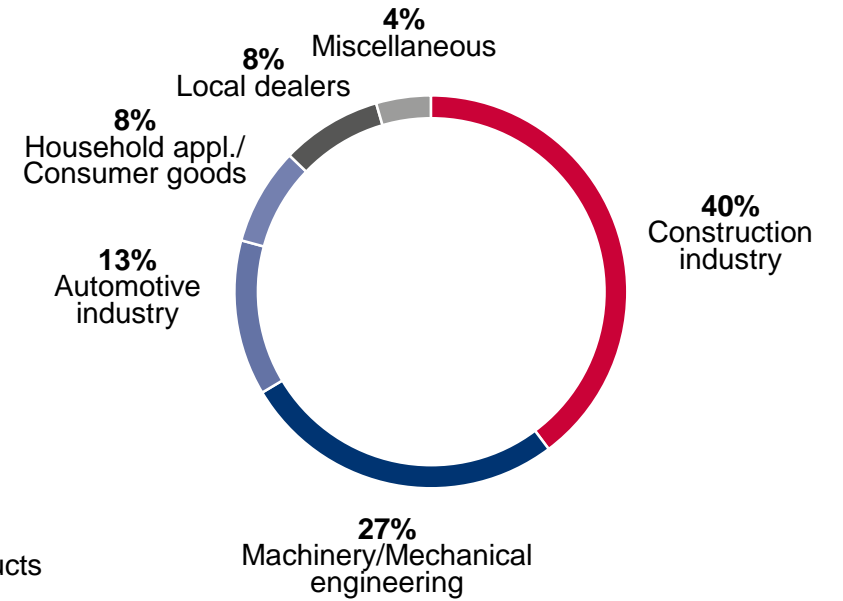
Main impact consists of considerable **EBITDA and Free Cash flow increase**

# 04 Sales by markets, products and industries

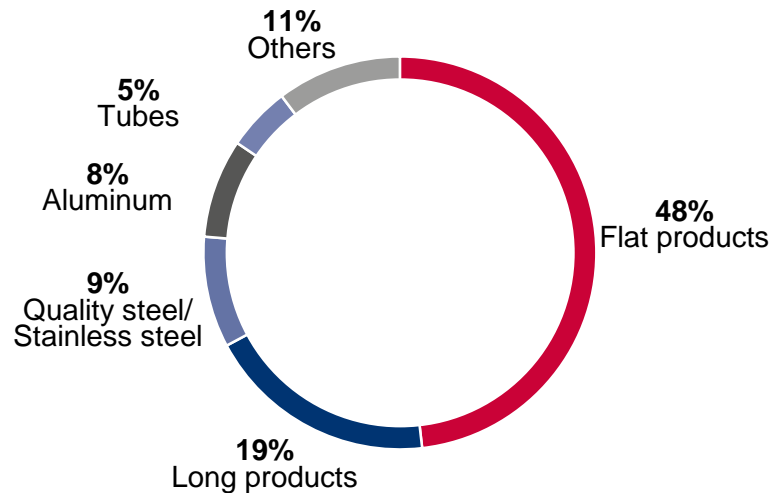
Sales by markets



Sales by industry



Sales by products

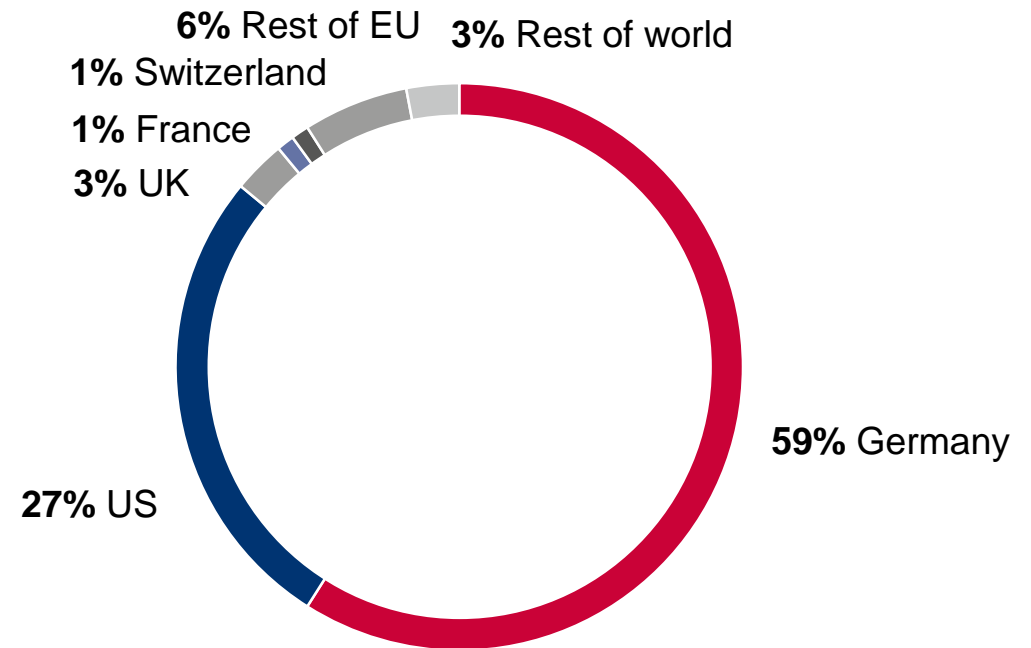


As of December 31, 2018.

## 04 Current shareholder structure

### Geographical breakdown of identified institutional investors

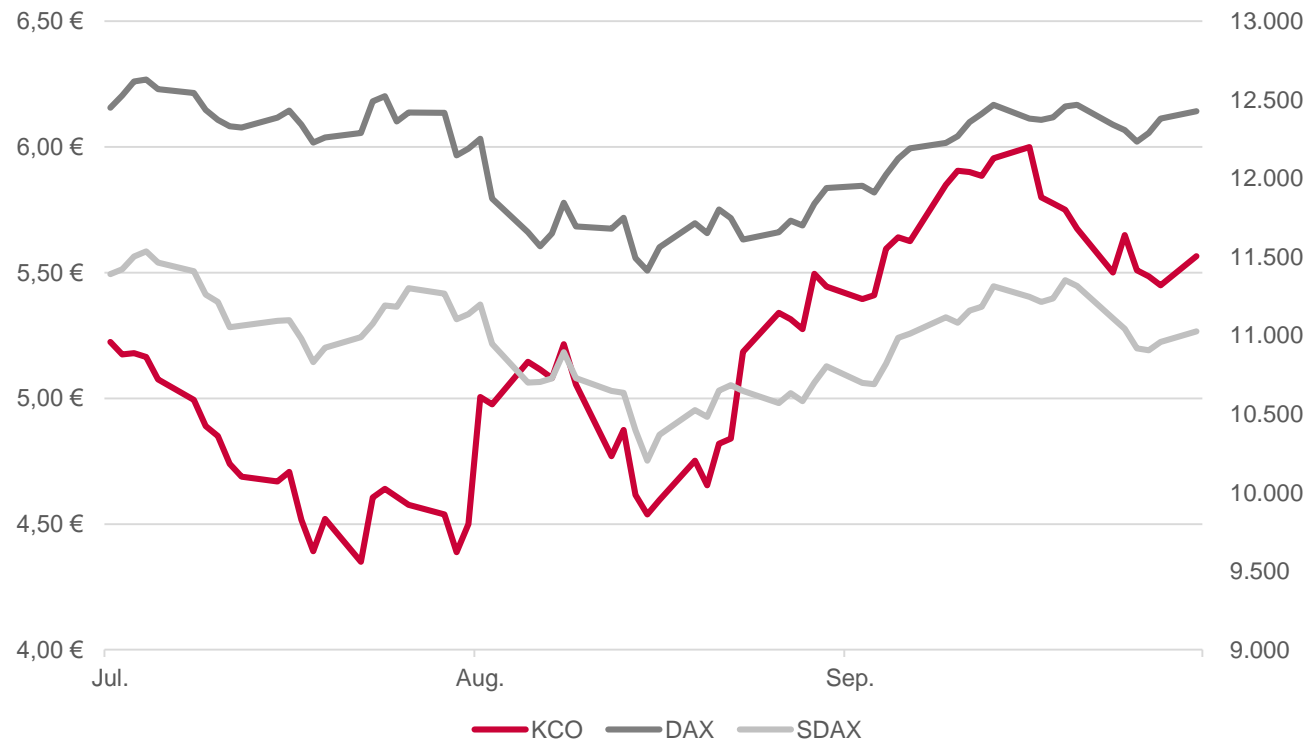
- Identified institutional investors account for 65%
- German investors incl. retail dominate
- Top 10 shareholdings represent around 53%
- Retail shareholders represent 29%



As of June 2019.

## 04 Share price performance in Q3 2019

### Share performance Klöckner & Co SE in Q3 2019



- In the third quarter of 2019 the Klöckner & Co share price reached its quarterly low at €4.35 on July 22
- In second half of August it could improve again and reached its quarterly high at €6.00 on September 16
- The share went out of trading at a price of €5.57 on September 30

## 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**

### Dividend payment per share

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

## 04 Sustainability strategy

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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

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