



# Exane Basic Materials Conference 2020

London/Duisburg, April 1, 2020

Dr. Oliver Falk | CFO



# Disclaimer

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This presentation contains forward-looking statements which reflect the current views of the management of Klöckner & Co SE with respect to future events. They generally are designated by the words “expect”, “assume”, “presume”, “intend”, “estimate”, “strive for”, “aim for”, “plan”, “will”, “endeavor”, “outlook” and comparable expressions and generally contain information that relates to expectations or goals for economic conditions, sales proceeds or other yardsticks for the success of the enterprise. Forward-looking statements are based on currently valid plans, estimates and expectations and are therefore only valid on the day on which they are made. You therefore should consider them with caution. Such statements are subject to numerous risks and factors of uncertainty (e. g. those described in publications) most of which are difficult to assess and which generally are outside of the control of Klöckner & Co SE. The relevant factors include the effects of reasonable strategic and operational initiatives, including the acquisition or disposal of companies or other assets. If these or other risks and factors of uncertainty occur or if the assumptions on which the statements are based turn out to be incorrect, the actual results of Klöckner & Co SE can deviate significantly from those that are expressed or implied in these statements. Klöckner & Co SE cannot give any guarantee that the expectations or goals will be attained. Klöckner & Co SE – notwithstanding existing legal obligations – rejects any responsibility for updating the forward-looking statements through taking into consideration new information or future events or other things.

In addition to the key figures prepared in accordance with IFRS and German-GAAP respectively, Klöckner & Co SE is presenting non-GAAP key figures such as EBITDA, EBIT, Net Working Capital and net financial liabilities that are not a component of the accounting regulations. These key figures are to be viewed as supplementary to, but not as a substitute for data prepared in accordance with IFRS. Non-GAAP key figures are not subject to IFRS or any other generally applicable accounting regulations. In assessing the net assets, financial position and results of operations of Klöckner & Co SE, these supplementary figures should not be used in isolation or as an alternative to the key figures presented in the consolidated financial statements and calculated in accordance with the relevant accounting principles. Other companies may base these concepts upon other definitions. Please refer to the definitions in the annual report.

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.

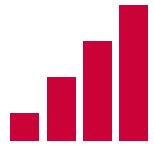
Evaluating statements are unified and are presented as follows:

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

# Agenda

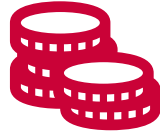
1. **Overview**
2. Covid-19-pandemic
3. Update on strategy
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# 01 Klöckner & Co SE at a glance



**6.3** € billion

SALES  
FY 2019



**5.6** million tons

SHIPMENTS  
FY 2019



**124** € million

EBITDA\*)  
FY 2019



**~160**

LOCATIONS



**13**

COUNTRIES



**200,000** PRODUCTS



**60**

SUPPLIERS



**>100,000**

CUSTOMERS

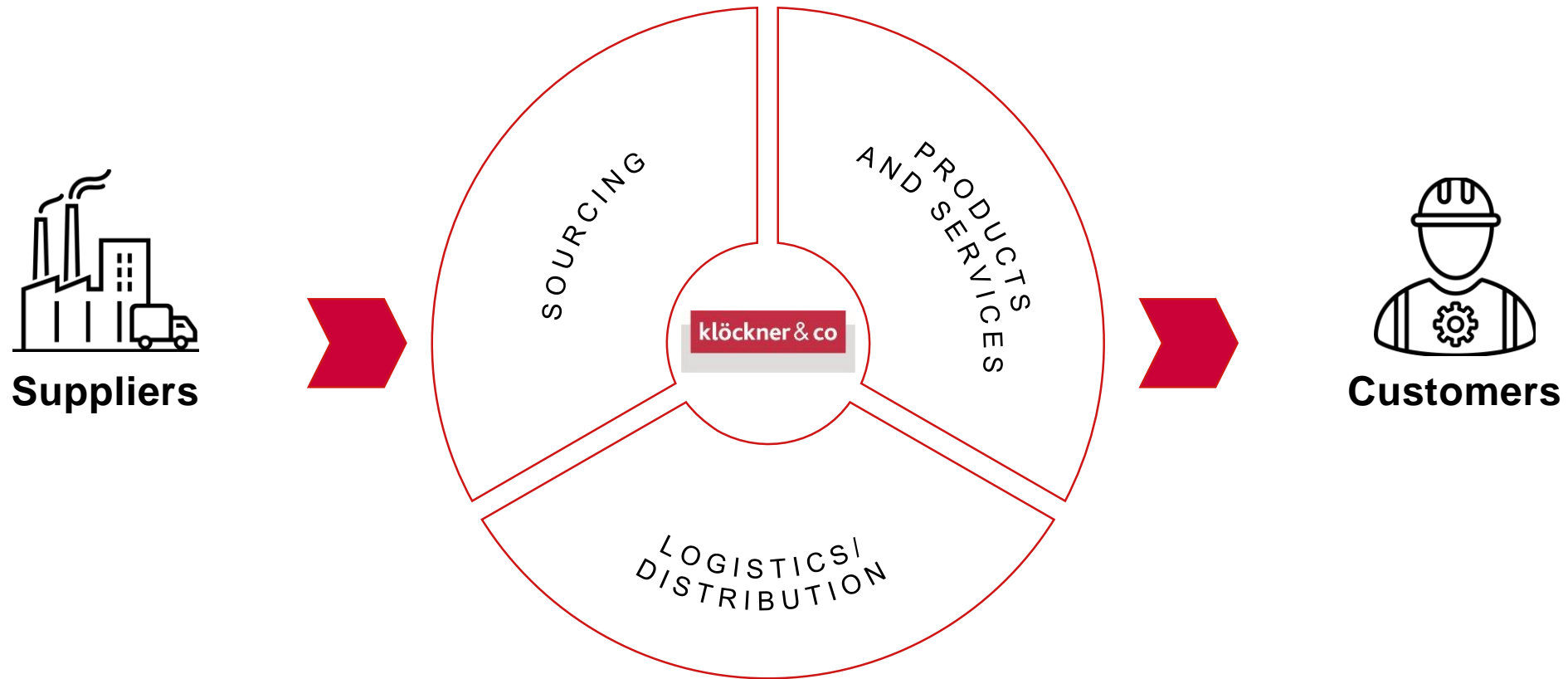


**~8,300**

EMPLOYEES

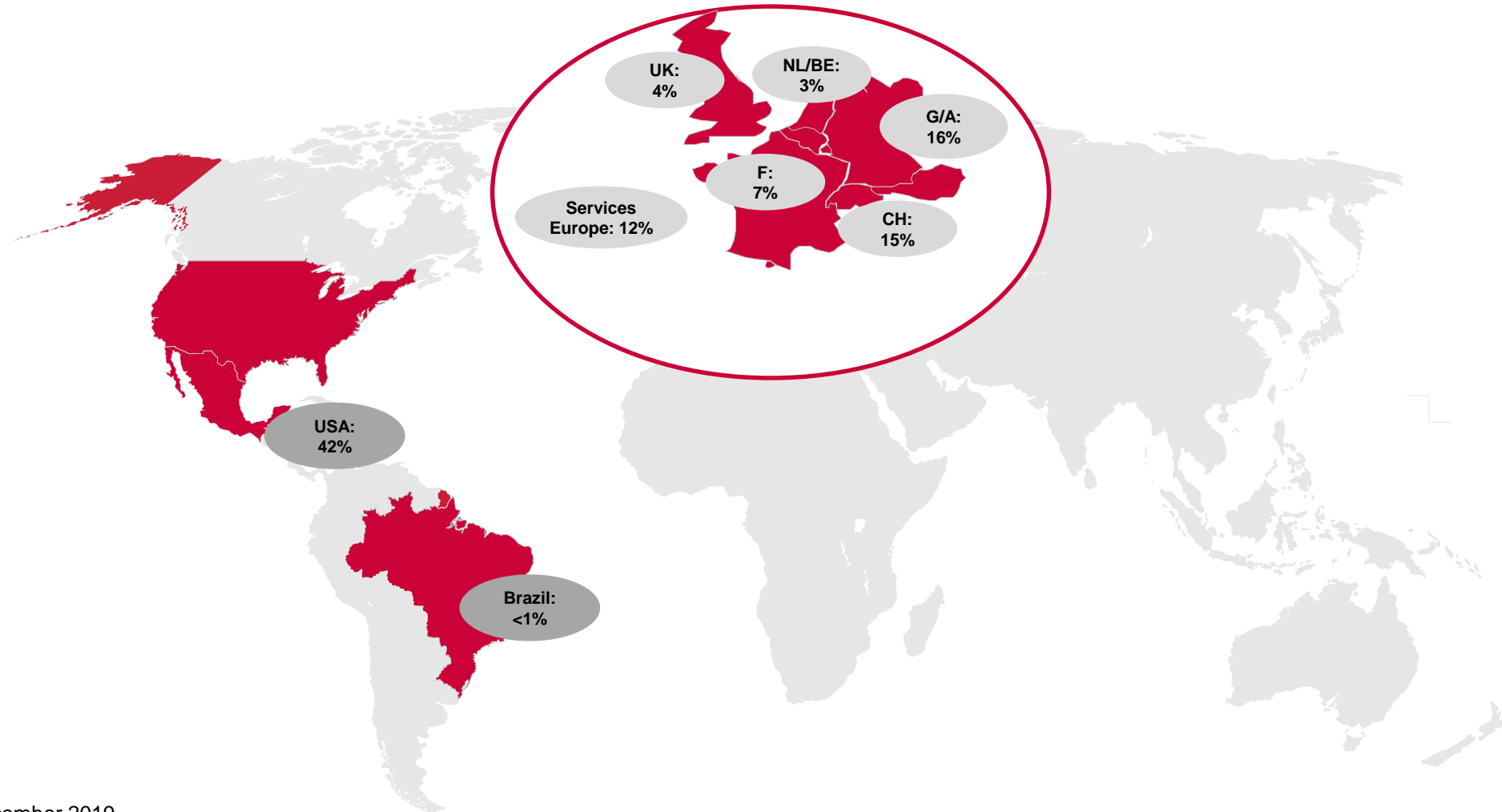
\*) Before material special effects.

# 01 Everything from one source



**Klöckner & Co value chain**

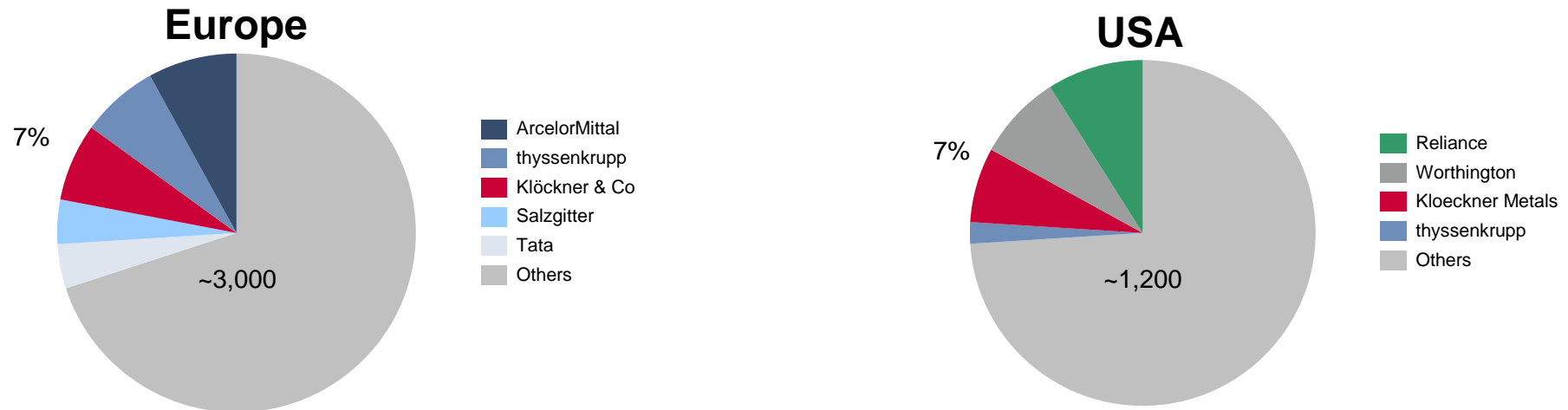
# 01 Global reach – local presence



Sales; as of December 2019.

# 01 Market shares of Klöckner & Co 2019

## Leading player in fragmented markets



Source: Eurometal, Purchasing Magazine, Service Center News, MSCI.

# Agenda

1. Overview
- 2. Covid-19-pandemic**
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## 02 Summary on Covid-19-pandemic and KCO measures\*)

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### Impact

- Limited impact until mid of March with stable supply-side
- Muting demand since mid of March and heavy demand-sided impacts expected going forward
- Previous FY guidance (considerable increase of EBITDA yoy) therefore not maintainable
- Confident to reach lower end of Q1 guidance (EBITDA of €20-30m), despite rising headwinds

### Measures

- Activation of emergency plans and crisis committees (Group & country level)
- Separation of shifts and home-office solutions (wherever possible)
- Digitalization strategy paying-off (fast, reliable, capable of acting)
- Particular challenge: Different countries and jurisdictions in terms of level of crisis/countermeasures
- Short-time work initiated and shut-down of sites in France where necessary
- Multilocal business (160 sites) gives valuable flexibility
- Diversified funding portfolio and NWC-management as significant reserves
- Preparation for time after crisis and rebound

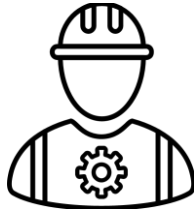
\*) as of April 1, 2020.

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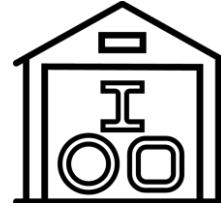
## 03 The fundamentals of steel distribution remain challenging

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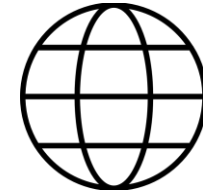
### Customers

- Generally **not bound to any supplier** because of the generic nature, especially of commodity steel (low switching costs)
- Often **under price pressure**, especially where steel is making up a major part of their costs



### Competition

- Steel distribution **markets remain fragmented**
- Competition mainly on **price and availability**
- **Mill-backed distributors** in Europe have a market share strategy in order to **utilize assets** instead of focusing on profitability



### Global Steel Markets

- Global steel demand is expected to **grow slowly** going forward
- **Overcapacity** in the steel industry spread across the world, but most pronounced in China, is **likely to stay** for the foreseeable future

## 03 What are the shortcomings of the steel and metal distribution business?



### Supply chain

Current steel distribution **supply chain is linear**: suppliers produce steel and distributors process and deliver material to downstream manufacturers. Orders mostly made by phone, fax and email with many manual steps required to process an order

→ Long delivery times, incorrect deliveries and high inventory levels



### Transparency

**Flow of information is interrupted** several times. Thus there are no effective information and data on inventory and lead times available which makes the entire supply chain highly **intransparent**

→ Steel is unnecessarily shipped around and suppliers, distributors and manufacturers need to stock material to balance out the non-transparency of demand, supply and prices



### Steel prices

Steel industry suffers furthermore from **overcapacities** on the production but also on the distribution level. This leads in combination with changing trade-measures to **very volatile prices**

→ Most distributors making profits when prices moving up and making losses when prices heading down

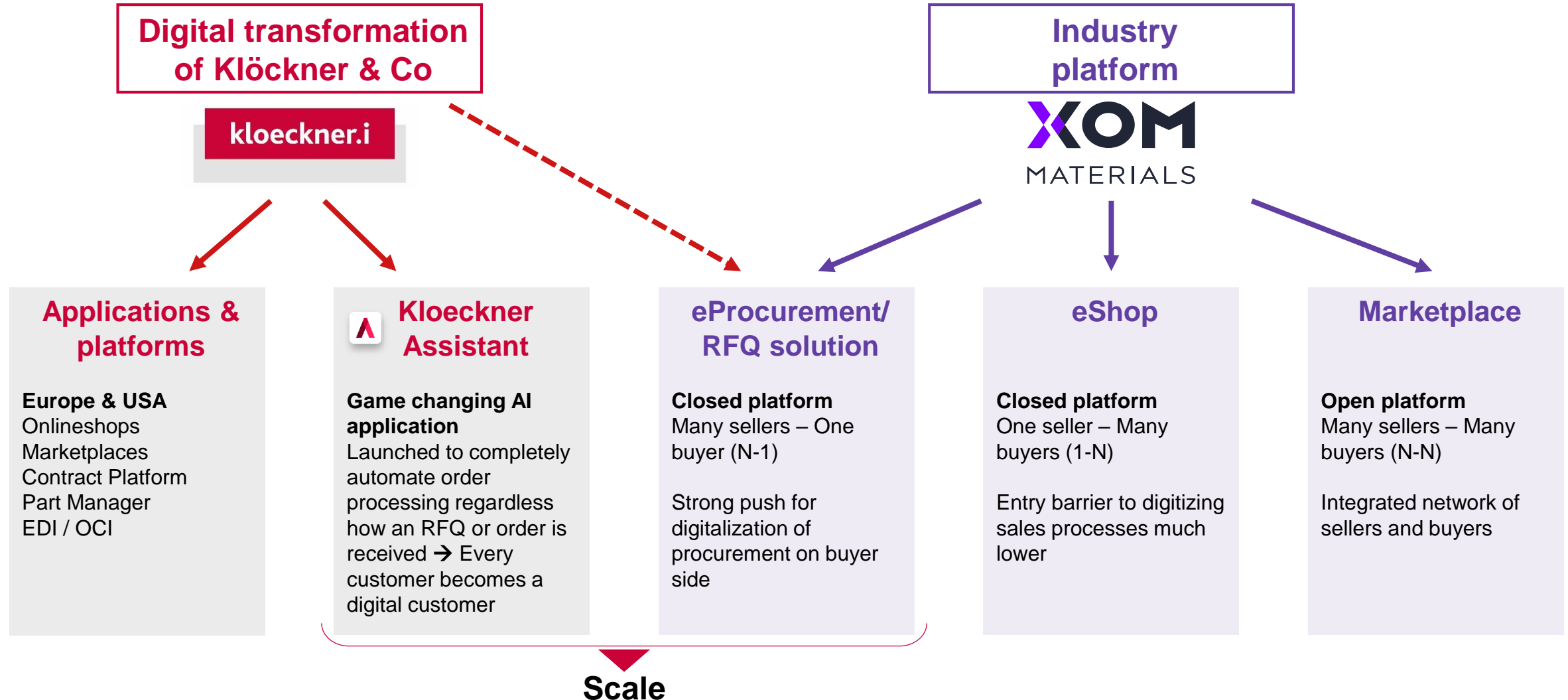


### Margins

Besides volatile prices, **margins** especially for commodity steel products are generally **low** due to high overcapacities at all levels. Hence, almost all competitors want to expand their higher value-added business

→ Prices for higher value-added business coming increasingly under pressure as well

## 03 Digital transformation and platform business



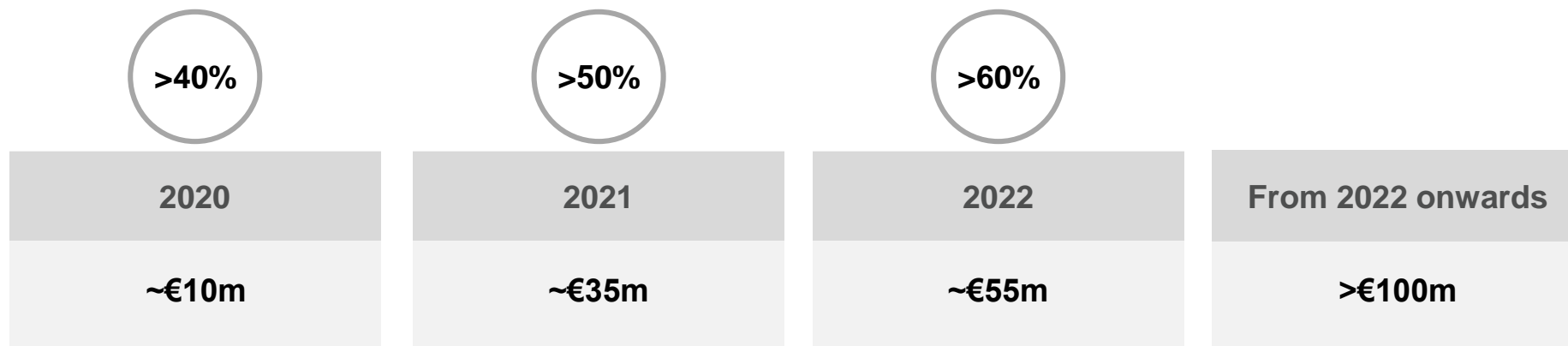
## 03 Expected growth and efficiency gains through increasing digitalization

### Ambitious digitalization targets by 2022

- **>60%** digital sales share
- EBITDA contribution of at least **€100m** through\*):
  - Sales growth
  - Market share increase
  - Gross profit optimization / FTE
  - FTE

### Enablers

- Kloeckner Assistant
- XOM eProcurement solution
- Other digital applications & measures



\*) Incremental effects.

## 03 Scale drives value creation of XOM Materials



- XOM Materials has continued its rapid growth path: **64** suppliers under contract with approximately **22,000** products and about **700** customers registered
- Integration of **eShop** and **eProcurement** solutions to scale **Marketplace**
  - **eShops** connecting **1** seller to **n** buyers
  - **eProcurement** connecting **n** sellers to **1** buyer
  - **Marketplace** connecting **n** sellers to **n** buyers
- Scaling effect drives **value creation** of XOM Materials



# Agenda

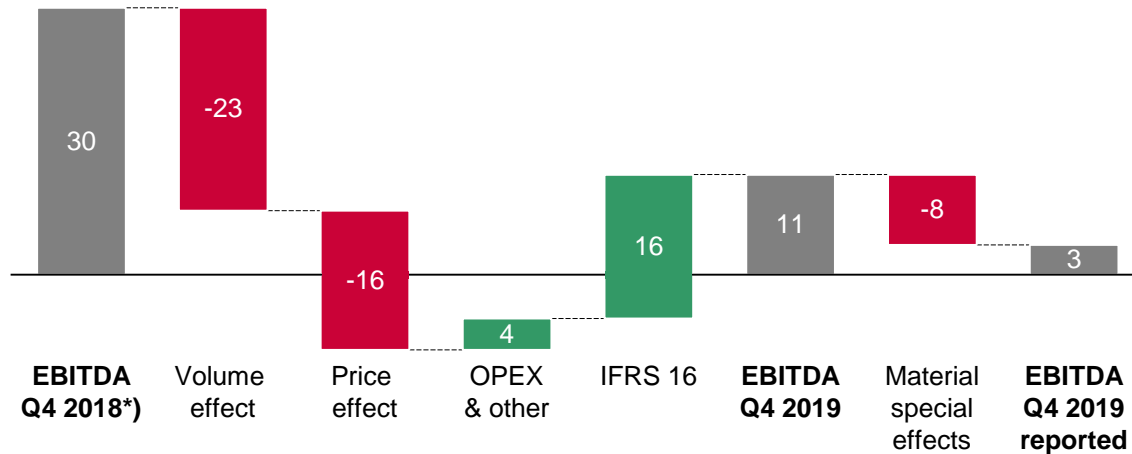
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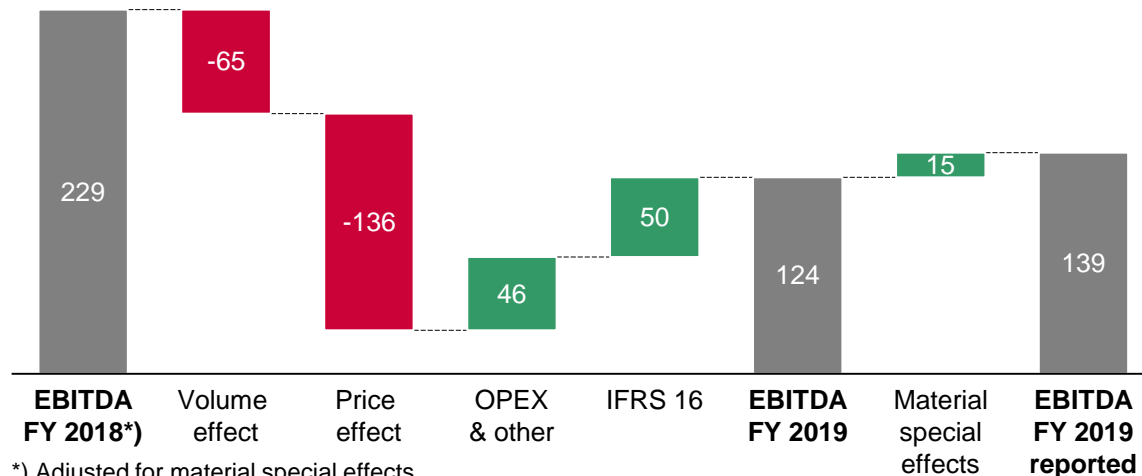
## 04 Details of FY 2019

	<b>FY</b> 2019	<b>FY</b> 2018	<b>Delta</b>	
<b>Shipments (Tto)</b>	<b>5,648</b>	<b>6,107</b>	<b>-7.5%</b>	Structural issues in Germany's auto industry, weak demand from mechanical engineering and shift in portfolio in France & UK
<b>Sales (€m)</b>	<b>6,315</b>	<b>6,790</b>	<b>-7.0%</b>	Weaker volumes yoy and decreasing prices
<b>Gross profit (€m)</b>	<b>1,158</b>	<b>1,328</b>	<b>-12.8%</b>	Substantial windfall losses mainly in the US, weaker volumes
<b>EBITDA (€m)</b>	<b>124</b>	<b>229</b>	<b>-46.0%</b>	Reported EBITDA of €139m incl. material special effects of €15m
<b>Oper. CF (€m)</b>	<b>204</b>	<b>60</b>	<b>+€144m</b>	Strong increase due to strict NWC management
<b>Net financial debt (€m)</b>	<b>445</b>	<b>383</b>	<b>+16.2%</b>	Ambitious target reached (€250m net debt excl. leases)
<b>Digital sales in Q4</b>	<b>32%</b>	<b>25%</b>	<b>+7%pts</b>	Especially driven by Switzerland and USA

## 04 EBITDA (€m) in Q4 and FY 2019



- Negative **volume** and **price effect** of in total €39m mainly due to yoy negative windfall effects in the US and the weaker market especially in Germany (automotive and machinery)
- **OPEX** decreased mainly driven by lower personnel expenses and shipping cost
- **Material special effects:** Sale of a site in Switzerland (€7m) and restructuring at KMDE (€-15m)

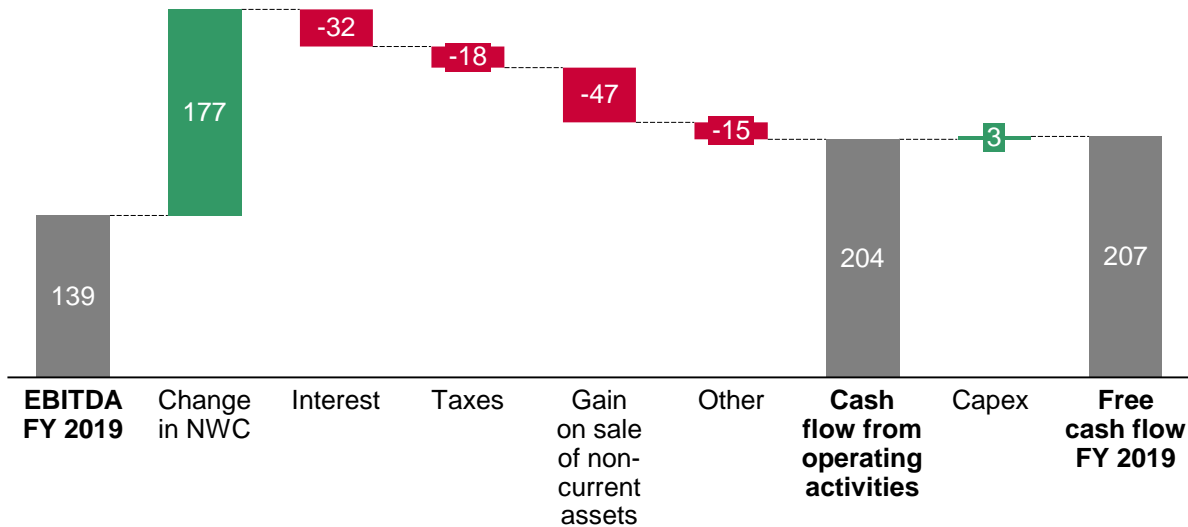


\*) Adjusted for material special effects.

- Negative **volume and price effects** due to negative windfall effects in the US and a weaker market in Germany (automotive and machinery)
- **OPEX** decreased mainly driven by lower personnel expenses
- **Material special effects:** Sale of sites in London and Switzerland (€43m) and restructuring expenses (€-27m)

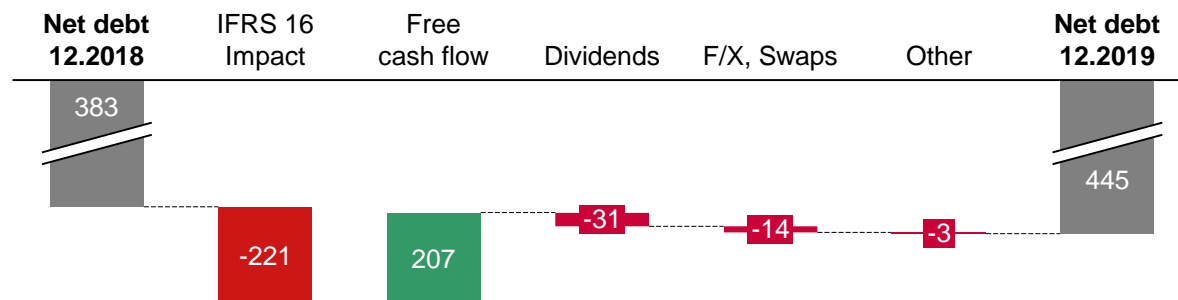
## 04 Cash flow and net debt development

### Cash flow FY 2019 (€m)



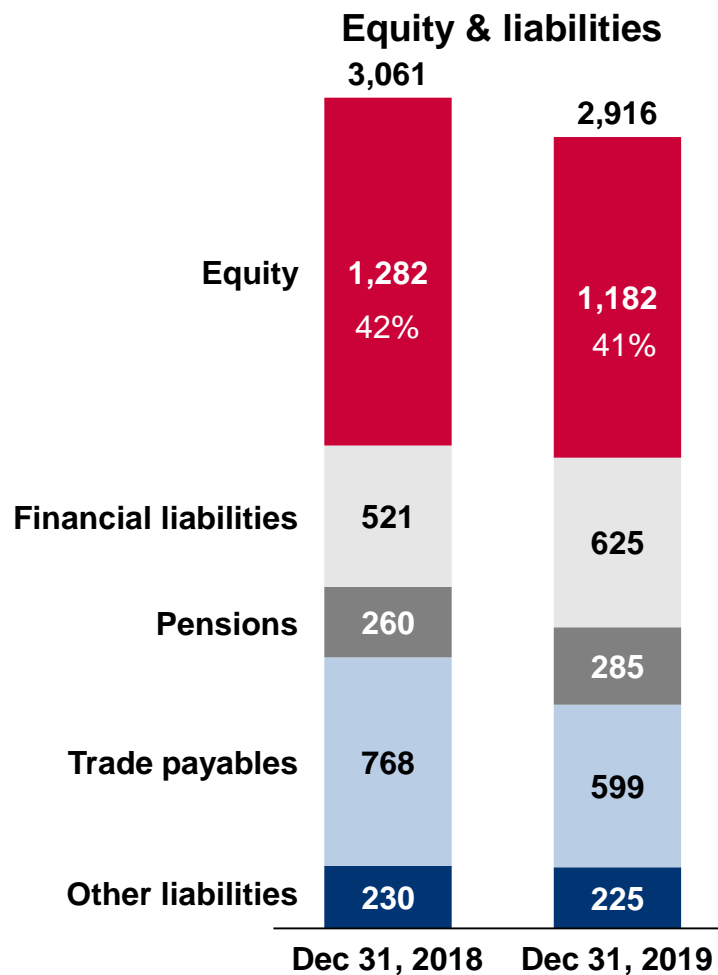
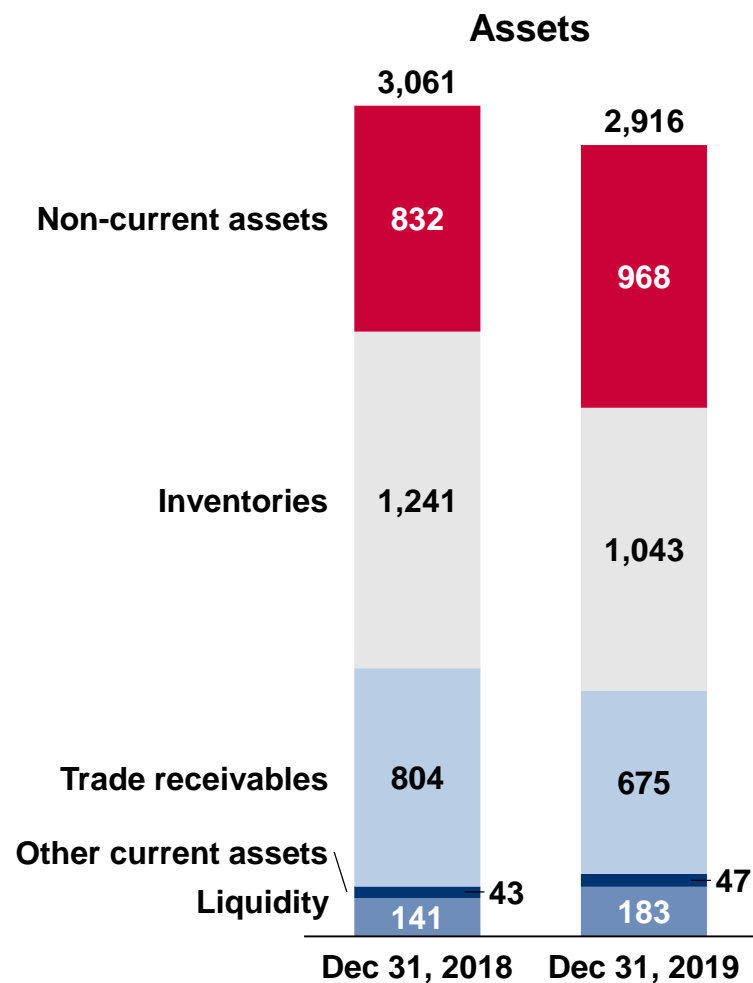
- Strong **net working capital** release of €177m due to tight management
- **Gain on sale of non-current assets** include the sale of site in London (€36m) and Switzerland (€7m)
- **Cash flow from operating activities** of €204m
- Positive **free cash flow** of €207m

### Net financial debt 12/2018 vs. 12/2019 (€m)



- Higher **net financial debt** driven by the implementation of IFRS 16 – Leases, partly offset by positive **free cash flow**

## 04 Strong balance sheet



- **Equity ratio** further healthy at 41%
- **Net debt** of €445m incl. IFRS 16 Leases (impact of €199m)
- **Gearing\***) at 38%
- **NWC** at €1,119m (FY 2018: €1,277m)

\*) 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*)	
		FY 2019	FY 2018
Syndicated Loan	300	0	0
ABS Europe	300	115	110
ABS/ABL USA	490	124	172
Convertible 2016 <sup>1)</sup>	148	142	138
Bilateral Facilities <sup>2)</sup>	170	42	78
Leases <sup>3)</sup>	205	205	26
<b>Total Debt</b>	<b>1,613</b>	<b>628</b>	<b>524</b>
Cash		183	141
<b>Net Debt</b>		<b>445</b>	<b>383</b>

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

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

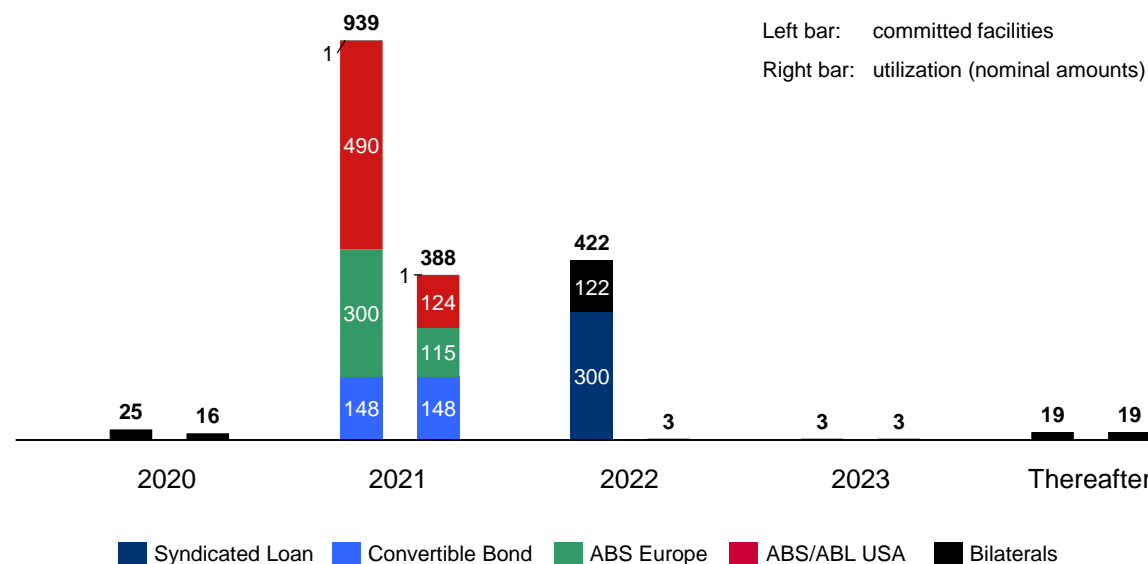
2) Mainly Switzerland.

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	FY 2019
Adjusted equity	1,176
Net debt	445
Gearing <sup>4)</sup>	38%

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



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## 05 Outlook

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**EBITDA** expectation of €20m-€30m before material special effects



Against the background of the impact of the global **COVID-19** pandemic on the economy, the previous expectation\*) cannot longer be maintained. Given the upcoming challenges posed by the spread of **COVID-19** the economic impact of the pandemic can neither be adequately determined nor reliably quantified at this stage\*\*)

\*) Expectation for fiscal year 2020 published in the Group forecast by Klöckner & Co SE ("Klöckner & Co") on March 10, 2020.

\*\*) For further information please review the Ad-hoc Announcement, released on March 25, 2020.

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## 06 Quarterly and FY results

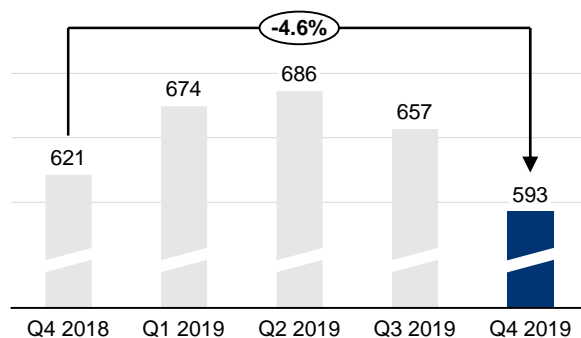
(€m)	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015
Shipments (Tto)	1,250	1,420	1,479	1,499	1,398	1,519	1,605	1,584	1,443	1,539	1,572	1,582	5,648	6,107	6,135	6,149	6,476
Sales	1,365	1,565	1,682	1,703	1,619	1,754	1,789	1,628	1,485	1,565	1,640	1,602	6,315	6,790	6,292	5,730	6,444
Sales (currency effect)	24	38	50	61	28	2	-89	-114	-70	-45	13	19	173	-172	-83	-50	556
Gross profit	268	284	304	303	301	332	364	331	300	310	339	367	1,158	1,328	1,316	1,315	1,237
% margin	19.6	18.1	18.1	17.8	18.6	18.9	20.3	20.4	20.2	19.8	20.6	22.9	18.3	19.6	20.9	22.9	19.2
EBITDA rep.	3	21	82	34	30	59	82	56	33	47	63	77	139	227	220	196	24
% margin	0.2	1.3	4.9	2.0	1.9	3.4	4.6	3.4	2.2	3.0	3.9	4.8	2.2	3.3	3.5	3.4	0.4
EBITDA rep. (curr. eff.)	1	1	2	1	3	1	-8	-5	-3	-2	1	1	5	-9	-3	-1	10
EBIT	-35	-13	49	2	8	38	60	35	9	25	41	54	2	141	130	85	-350
Financial result	-9	-11	-11	-10	-10	-8	-10	-7	-9	-8	-8	-8	-41	-34	-33	-33	-49
EBT	-44	-24	37	-9	-2	30	51	28	1	17	33	46	-39	107	97	52	-399
Income taxes	-7	1	-9	-1	-5	-8	-18	-7	29	-4	-9	-10	-16	-38	5	-14	50
Net income	-51	-23	28	-10	-7	22	33	21	30	13	24	36	-55	69	102	38	-349
Minority interests	1	0	0	0	0	0	0	0	0	1	1	0	1	0	1	1	-2
Net income KCO	-51	-23	28	-10	-7	22	33	21	30	12	23	36	-56	69	101	37	-347
EPS basic (€)	-0.51	-0.23	0.28	-0.10	-0.07	0.22	0.33	0.21	0.30	0.12	0.23	0.36	-0.56	0.68	1.01	0.37	-3.48
EPS diluted (€)	-0.51	-0.23	0.27	-0.10	-0.07	0.21	0.31	0.20	0.28	0.12	0.22	0.34	-0.56	0.66	0.96	0.37	-3.48
Net debt	445	634	684	820	383	569	552	472	330	435	486	475	445	383	330	444	385
NWC*)	1,119	1,356	1,406	1,525	1,277	1,495	1,446	1,344	1,132	1,282	1,306	1,296	1,119	1,277	1,132	1,120	1,128

\*) Since 2018 including supplier bonus receivables and contract assets.

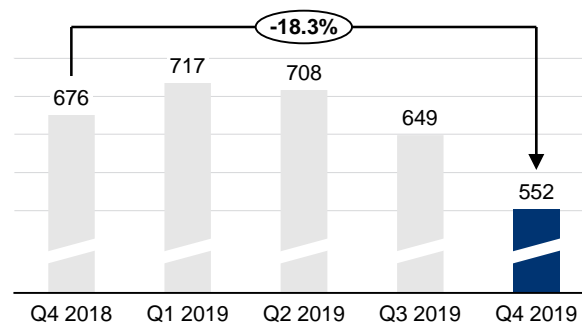
# 06 Segment performance

KM US

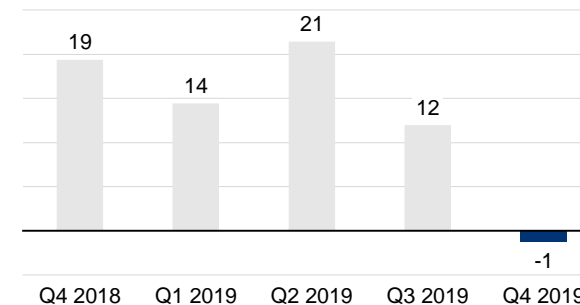
Shipments (Tto)



Sales (€m)

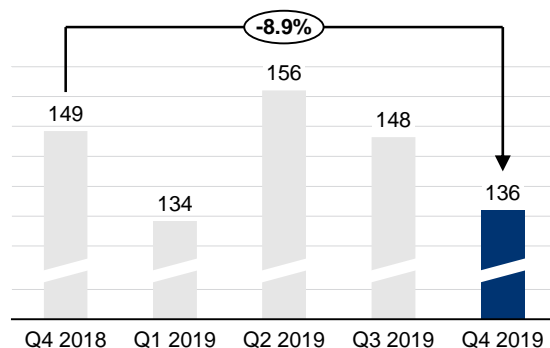


EBITDA adj. (€m)

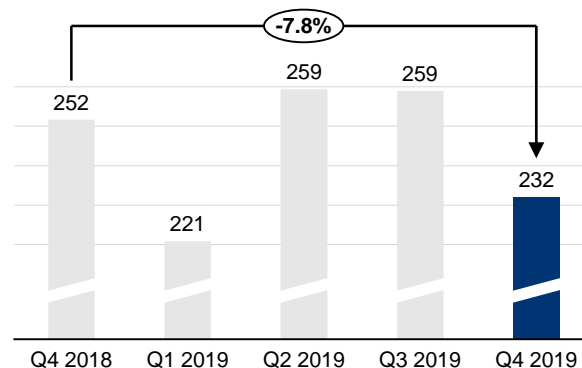


KM Switzerland

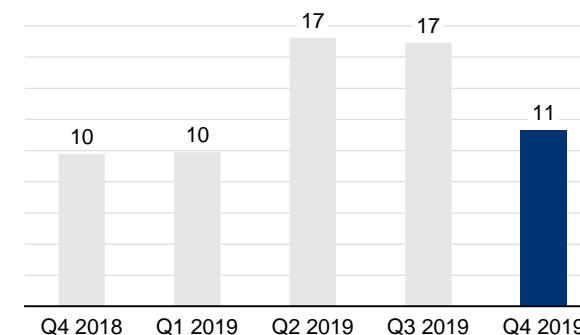
Shipments (Tto)



Sales (€m)



EBITDA adj (€m)\*



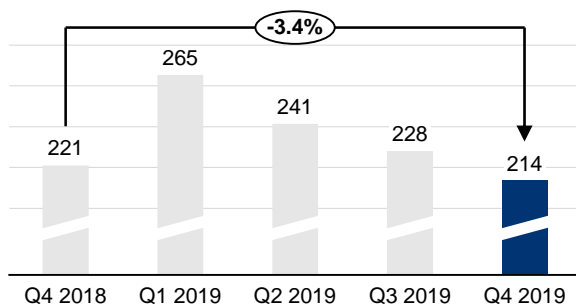
\*) adjusted in Q4 2019 by the gain on sale of the site in Switzerland.

Minor adjustments in segment reporting: New structure of the segment "Holding and other group companies" (previously including other activities such as the Brazilian distribution business, XOM Materials, kloeckner.i, kloeckner.v and the Dutch metering business). As of January 1, 2020, the Brazilian distribution business is assigned to the segment "Kloeckner Metals US" and the metering business to the segment "Kloeckner Metals Distribution Europe".

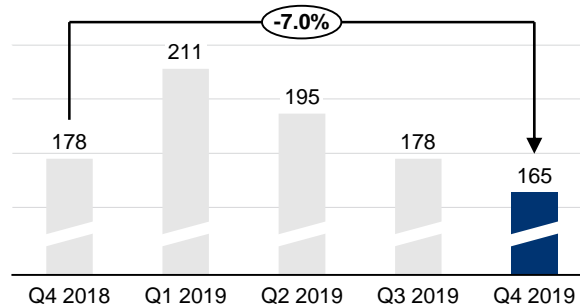
# 06 Segment performance

KM Services

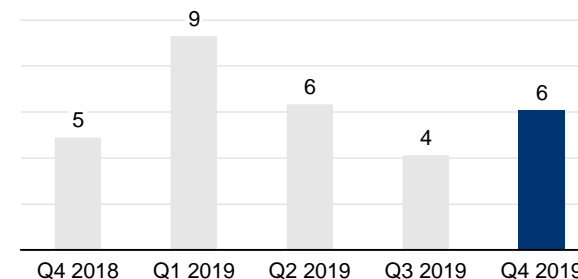
Shipments (Tto)



Sales (€m)

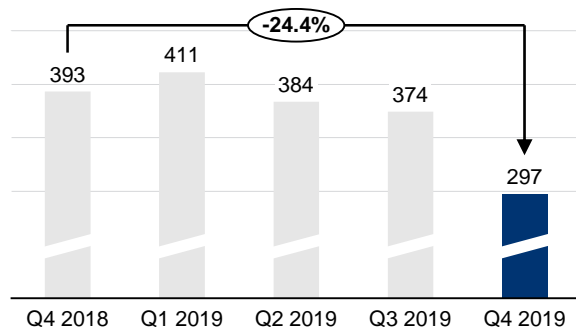


EBITDA adj (€m)

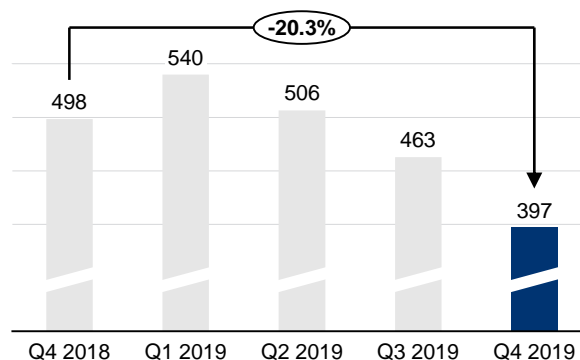


KM Distribution

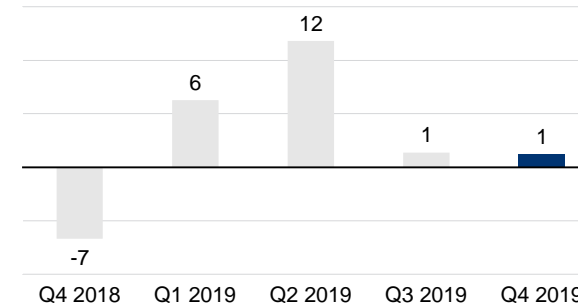
Shipments (Tto)



Sales (€m)










EBITDA adj\* (€m)



\*) adjusted for restructuring expenses in Q2, Q3 and in Q4 2019 and for a gain on the sale of a site in London in Q2 2019.

Minor adjustments in segment reporting: New structure of the segment "Holding and other group companies" (previously including other activities such as the Brazilian distribution business, XOM Materials, kloeckner.i, kloeckner.v and the Dutch metering business). As of January 1, 2020, the Brazilian distribution business is assigned to the segment "Kloeckner Metals US" and the metering business to the segment "Kloeckner Metals Distribution Europe".

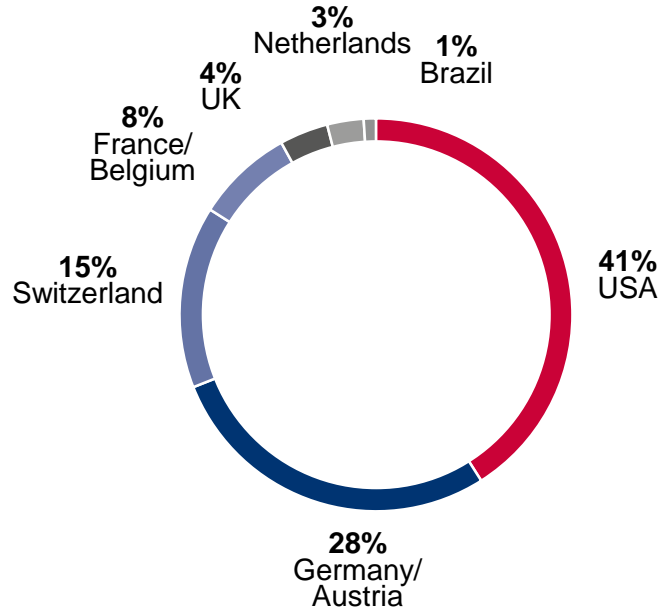
## 06 IFRS 16 impact

IFRS 16 effect in 2019			
Key Figure	€m	Tendency	Comment
Sales	-		No impact
OPEX	50		Recognition of lease expenses as depreciation and interest costs; exception: short-term leases and low-value assets, remaining material costs
EBITDA	50		Lower leasing expenses
D&A	50		Capitalized operating-lease-assets as new depreciation incl. Impairments (€3m)
EBIT	-		Depreciation and interest instead of operating lease expense
Financing costs	5		Interest cost included in financing costs
Operating and Free Cash flow	45		Principal payments on IFRS 16 lease liabilities included in Cash flow from financing activities

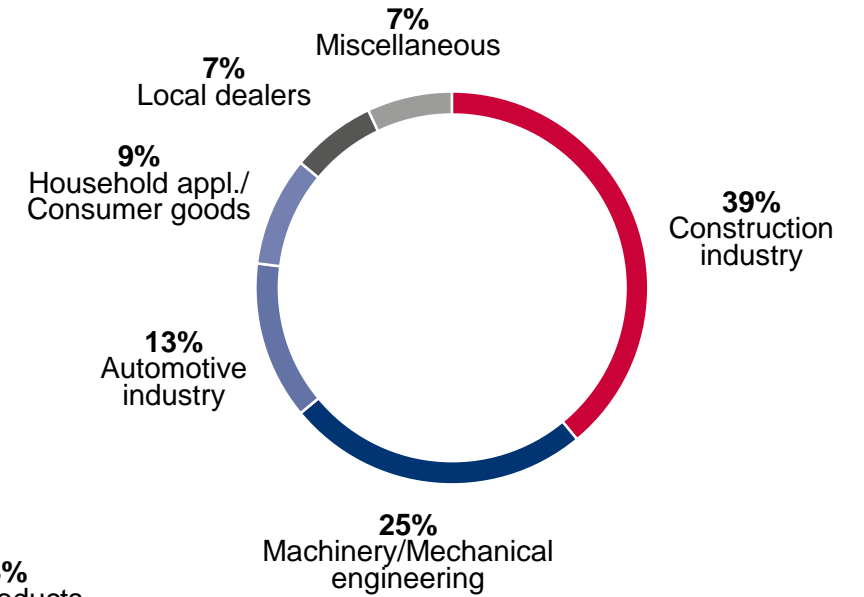
Main impact consists of considerable **EBITDA and Free Cash flow increase**

# 06 Sales by markets, products and industries

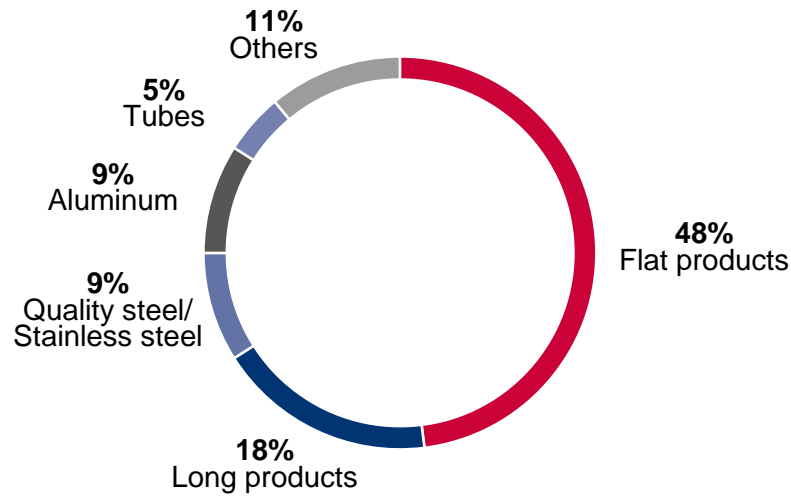
Sales by markets



Sales by industries



Sales by products

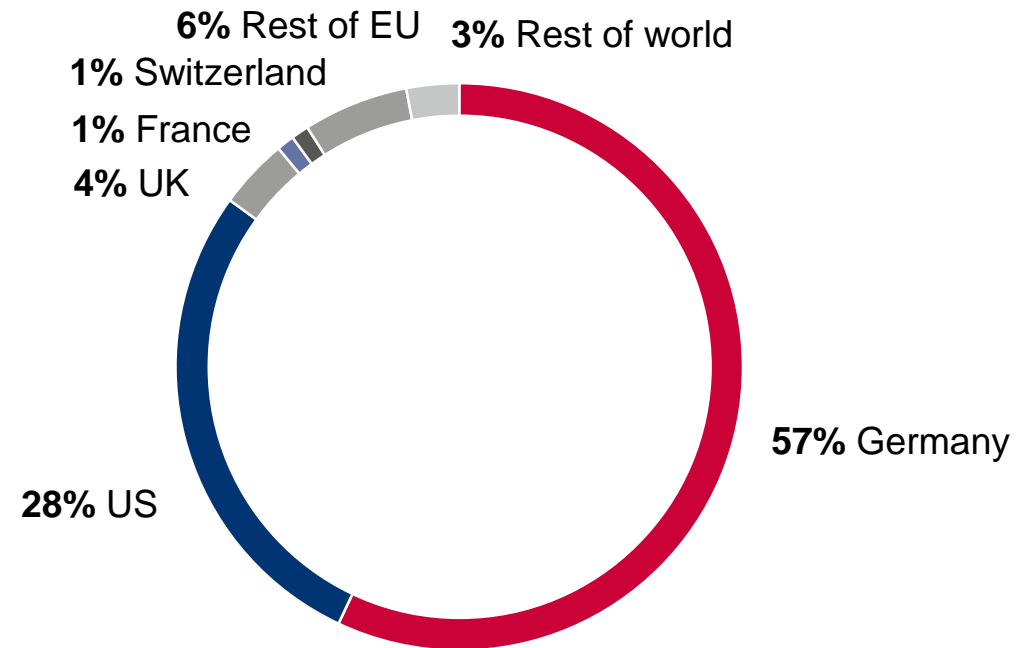


As of December 31, 2019.

## 06 Current shareholder structure

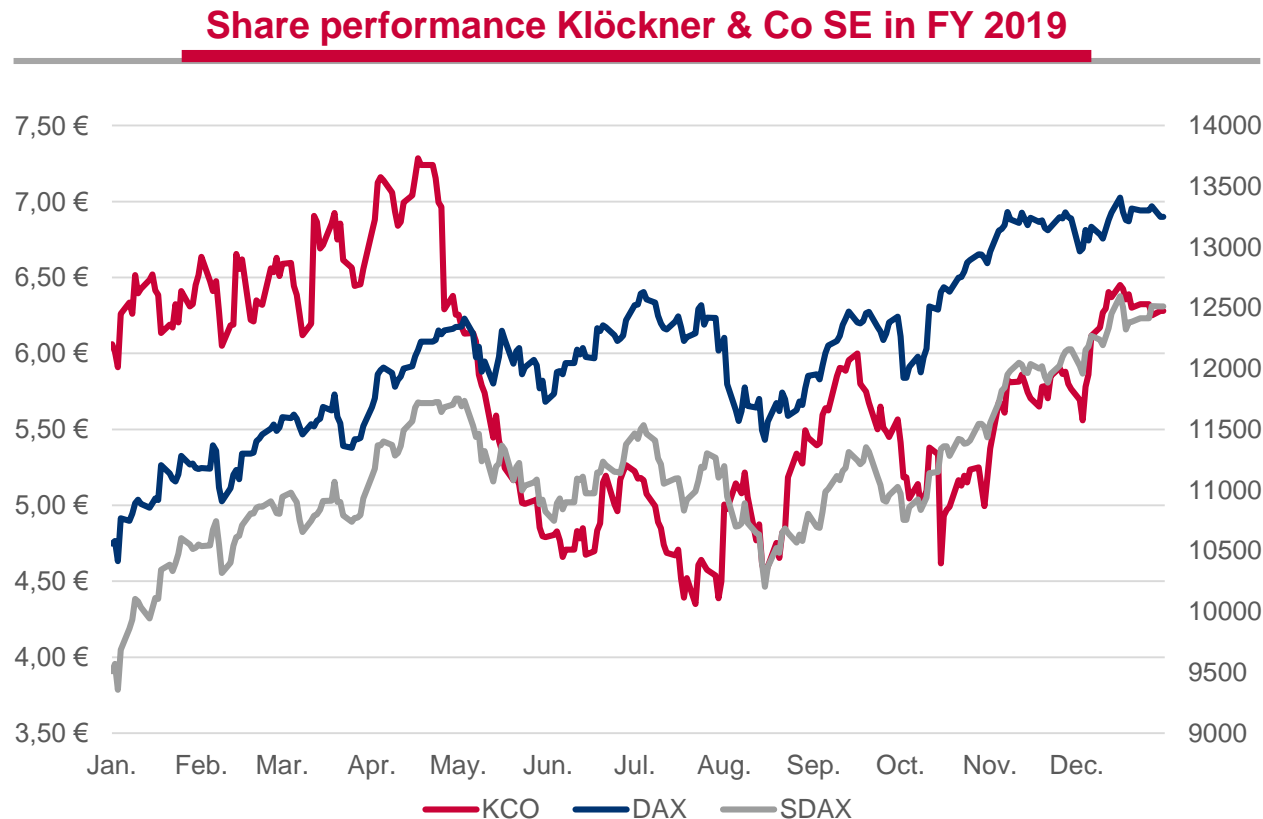
### Geographical breakdown of identified institutional investors

- Identified institutional investors account for 62%
- German investors incl. retail dominate
- Top 10 shareholdings represent around 49%
- Retail shareholders represent 27%



As of December 2019.

## 06 Share price performance in FY 2019



- Klöckner & Co share put in a positive performance at the beginning of 2019, reaching its high for the year of €7.29 on April 17
- The share price then dropped sharply in a downward trend and reached its lowest level of €4.35 on July 22
- It began to recover in the second half of the year and increased strongly
- The share closed at €6.28 on December 30

## 06 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	2019
	€0.80	€0.80	-	€0.30	-	€0.20	-	€0.20	€0.30	€0.30	-*)

\*) Proposal to the Annual General Meeting on May 20, 2020.



## 06 Sustainability strategy



EMPLOYEES

A **qualified** and **motivated workforce** is vital to our success

Our working environment is characterized by long-term security, supportiveness, professionalism and mutual respect



RESPONSIBLE CONDUCT

**Compliance** constitutes the basis of corporate responsibility

Integral part of our corporate culture is compliance on the part of our employees and business partners



ENVIRONMENT

We contribute to **protecting the environment**

We consider it our duty to counter climate change and its related risks



DIGITALIZATION

We are advancing the **internal cultural change**

Our measures aim at anchoring modern, digital ways of working and thinking in the company



CUSTOMERS

We prioritize high levels of **customer satisfaction** and enhancement of our **customer focus**

We always conceptualize products and services, sales channels and innovations from the customer perspective

**BUSINESS AMBITION FOR 1.5°C**  

As one of the very first companies in Germany, Klöckner & Co steps up to global frontrunners of climate change engagement and aligns its business to the UN Global Compact “Business Ambition for 1.5°C”. We intend to act even more responsibly and take appropriate measures helping to limit the global temperature rise to 1.5°C by reducing its greenhouse gas emissions

## 06 Current shareholder structure

Voting Rights Announcements according to WpHG (Security Trading Act\*)

Date of publication	Subject to compulsory notification	Portion of voting stock
09/02/2016	Swoctem GmbH / Friedhelm Loh	25.25%
04/03/2015	Franklin Mutual Series Funds	3.07%
17/05/2019	Franklin Mutual Advisors, LLC **)	5.00%
22/05/2019	Claas Edmund Daun	3.05%
22/11/2019	Dimensional Holdings Inc.	3.14 %

\*) The table lists all shareholders holding 3 % or more voting rights in Klöckner & Co SE due to the most recent voting rights notification as of March 31, 2020 (Section 33 German Securities Trading Act (WpHG) respectively section 21 WpHG former version). Apart from the voting rights held by the shareholder itself, also voting rights attributed to him pursuant to section 34 WpHG (respectively section 22 WpHG former version) are included in the calculation of the share of voting rights. The table only contains the respective parent company being subject to the notification obligation, even if it made a notification also on behalf of any of its subsidiaries. Financial instruments according to Section 38 WpHG are not included in the table.

\*\*) Including attributed voting rights held by Franklin Mutual Series Funds.

## Contact details

Felix Schmitz

Head of Investor Relations,  
Internal Communications & Sustainability

Phone: +49 203 307 2295

Fax: +49 203 307 5025

Email: [felix.schmitz@kloeckner.com](mailto:felix.schmitz@kloeckner.com)

Internet: [www.kloeckner.com](http://www.kloeckner.com)



## Financial calendar

May 4, 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