



# Q1 2020 Results

Analysts' and Investors' Conference

May 4, 2020

Gisbert Rühl | CEO

Dr. Oliver Falk | CFO

John Ganem | Member of the Management Board



# 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.

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

# Agenda

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

# 01 Details of Q1 2020

	Q1 2020	Q1 2019	Delta	
Shipments (Tto)	1,365	1,499	-8.9%	Weakness of automotive, machinery and energy sectors, first tangible effects of the COVID-19 pandemic
Sales (€m)	1,448	1,703	-14.9%	Volume driven yoy and lower price level
Gross profit (€m)	285	303	-5.7%	Gross profit decline less pronounced due to higher margins
EBITDA (€m)	21	34	-36.5%	Volume driven yoy and windfall losses in the US mitigated by lower OPEX
Oper. CF (€m)	-97	-229	+132	Substantial increase yoy due to strict NWC management
Net financial debt (€m)	563	820	-31.3%	Net debt significantly below Q1 2019 due to relatively less NWC build-up
Digital sales in Q1	35%	27%	+8%pts	Increased use of our digital tools and applications especially since beginning of the crisis

# 01 COVID-19 pandemic as huge opportunity

## Impact



- **Demand** started to **decline** in the second half of March
- Slump in **demand of about 30%** in April, currently not worsening
- Minor impact on the **supply side in Europe**
- 90% of **branches** still **operational**, major closures only in France
- Negative impact on result, but **strong cash flow from operating activities** through strict NWC-management

## Opportunity



- Additional **restructuring** measures with further consolidation of sites initiated to support €100m efficiency target
- Accelerating speed to **digitally transform** Klöckner & Co into an AI-driven platform business with fully automated core-processes
- **Increasing investments** to scale XOM Materials
- Evaluation of increasing **consolidation opportunities**

# 01 Digitalization with accelerating speed



- Advanced digitalization **clear advantage in COVID-19 crisis**
  - Digital share of sales expanded with increasing speed to **35%** (Q1 2019: 27%)
  - Immediate switch to **home office** and ability to **collaborate digitally** created leading edge over competition
- AI-driven application **Kloeckner Assistant** to fully automate sales process
  - Threshold of **500 customers** reached
  - **Successful launch** in Germany, Netherlands, USA and Becker Stahl-Service in Q1
  - Rollout in Austria, Belgium and UK in Q2



- Scaling from the **sell-side** progressing fast:
  - Already around **70 suppliers** under contract, approximately **25,000 products** live and about **1,000 customers** registered
  - Onboarding of **eShops** continuously increasing, vendors strongly demanding to go live
- Scaling from the **buy-side** started:
  - XOM **eProcurement** solution to automate procurement processes initially went live and first RFQs successfully processed

# 01 Value creation through increasing returns and platform growth

klöckner & co

Platform orchestrating  
physical business of  
Klöckner & Co

Opportunity

The AI-driven Kloeckner Assistant and XOM eProcurement and all other new applications make up the **operating core** of Klöckner & Co, replacing a large part of our current organization. Based on this digital foundation Klöckner & Co will be capable of generating **increasing returns** and **growth potential** through consolidation.

XOM  
MATERIALS

Platform orchestrating  
transactions between  
industry participants

Opportunity

XOM Materials has the potential to create **significant value** by **connecting players** from across the industry on a single digital platform. Buyers can access more sellers and products, sellers can access more buyers, and both can access value-added services ranging from financing and insurance to materials modifications and logistics.



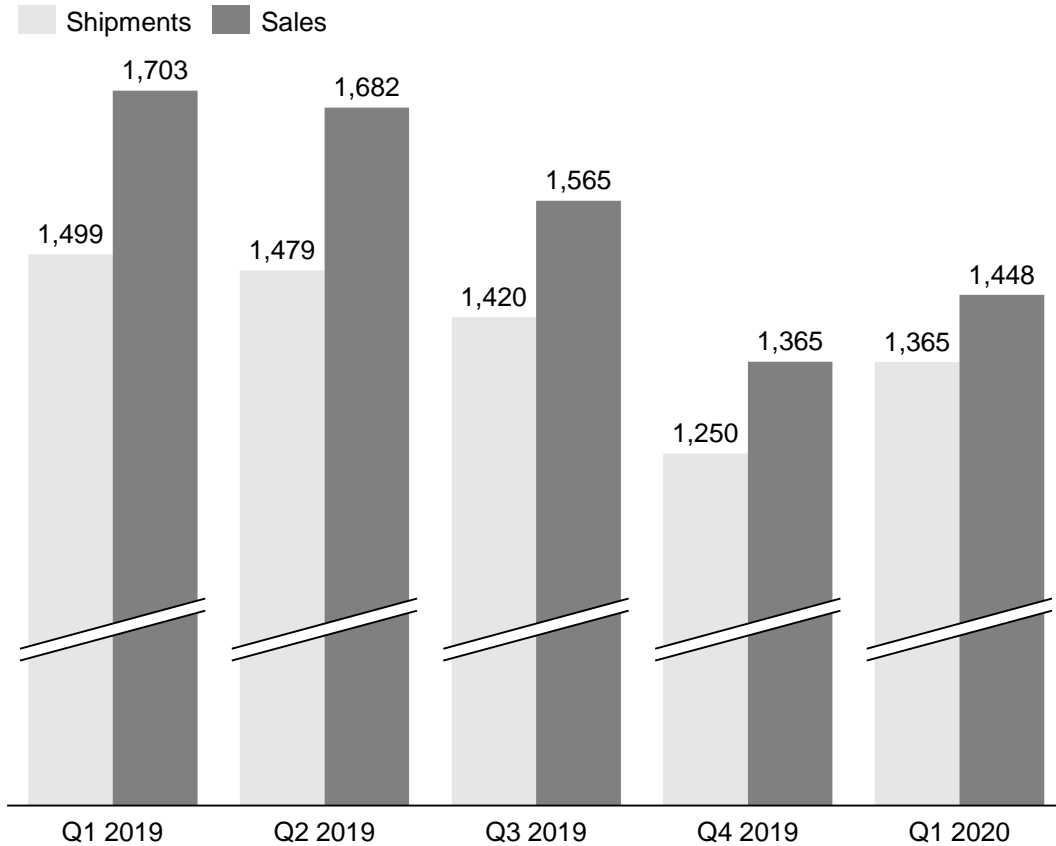
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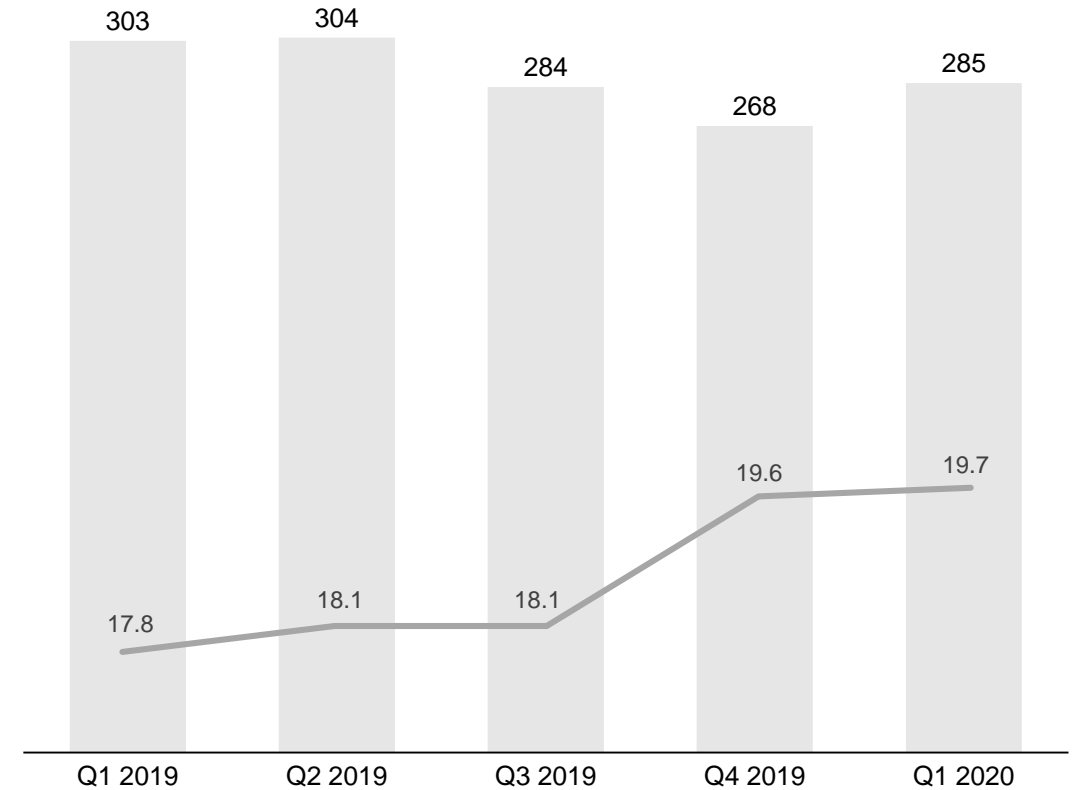


## 02 Shipments, Sales and Gross profit

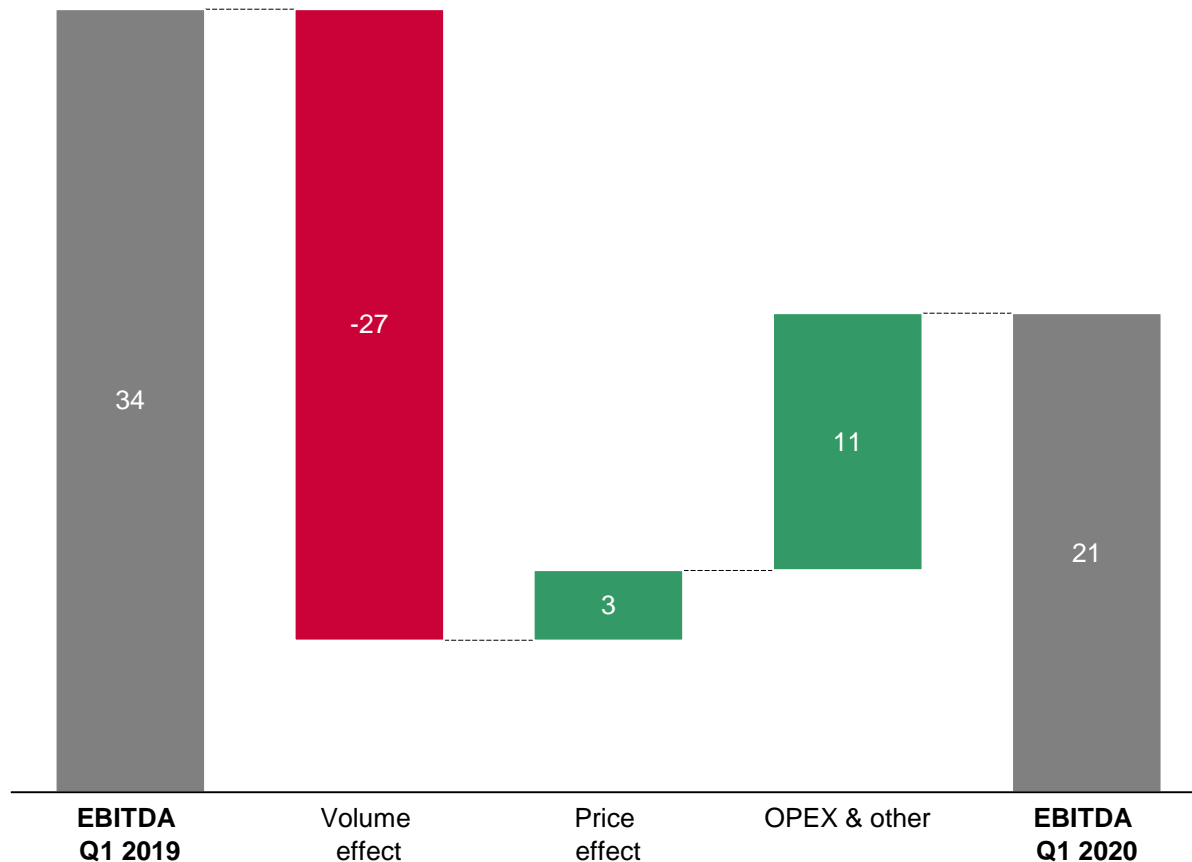
### Shipments (Tto) & Sales (€m)



### Gross profit (€m) & Gross margin (%)



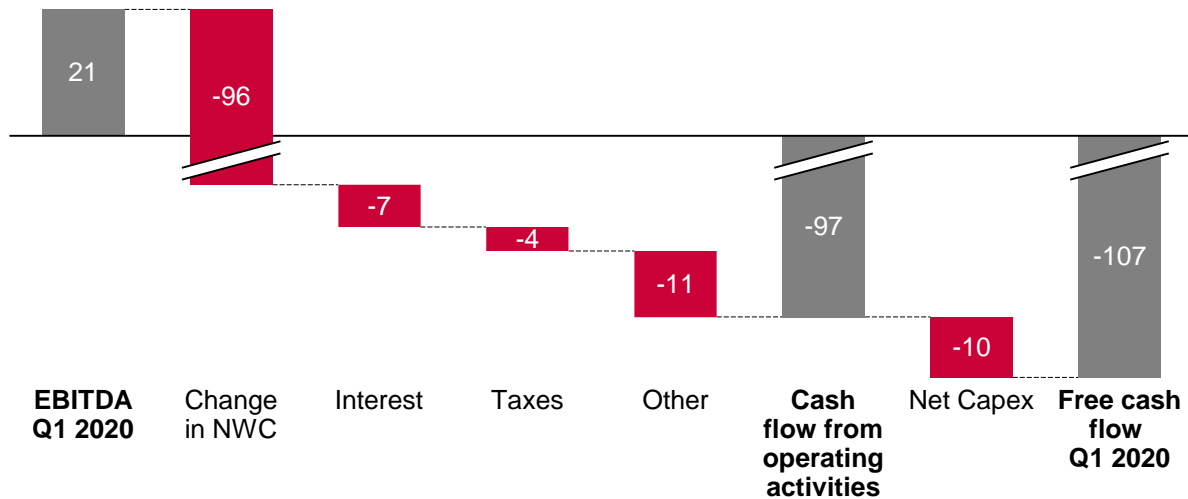
## 02 EBITDA (€m) in Q1 2020



- Strong negative **volume effect** mainly due to continued weakness of automotive, machinery and energy sectors, especially in Germany and the USA
- First noticeable impact of **COVID-19 pandemic** at the end of the quarter
- Minor positive **price effect** due to margin over volume strategy at Kloeckner Metals Distribution Europe, partly offset by negative windfall effects in the USA
- **OPEX** decreased mainly driven by lower personnel expenses and shipping cost

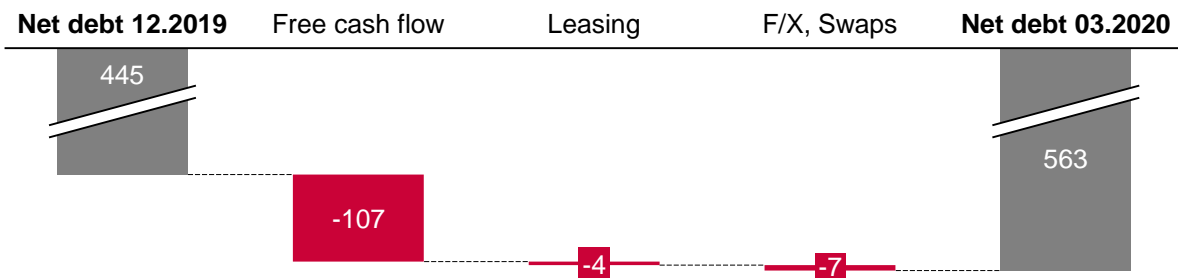
## 02 Cash flow and net debt development

### Cash flow Q1 2020 (€m)



- **Net working capital** seasonally increased by €96m
- **Other** (€-11m) includes changes in other operating assets and liabilities, e.g. accrued employee bonuses, etc.
- **Cash flow from operating activities** of €-97m
- **Free cash flow** of €-107m

### Net financial debt 12.2019 vs. 03.2020 (€m)



- **Net financial debt** increased driven by NWC build-up from €445m to €563m

## 02 Maturity profile – well-balanced & diversified funding portfolio

Facility	Committed (€m)	Drawn amount (€m, IFRS*)	
		Q1 2020	FY 2019
Syndicated Loan	300	0	0
ABS Europe	300	136	115
ABS/ABL USA	502	143	124
Convertible 2016 <sup>1)</sup>	148	142	142
Bilateral Facilities <sup>2)</sup>	174	64	42
Leases	199	199	205
<b>Total Debt</b>	<b>1,623</b>	<b>684</b>	<b>628</b>
Cash		121	183
<b>Net Debt</b>		<b>563</b>	<b>445</b>

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

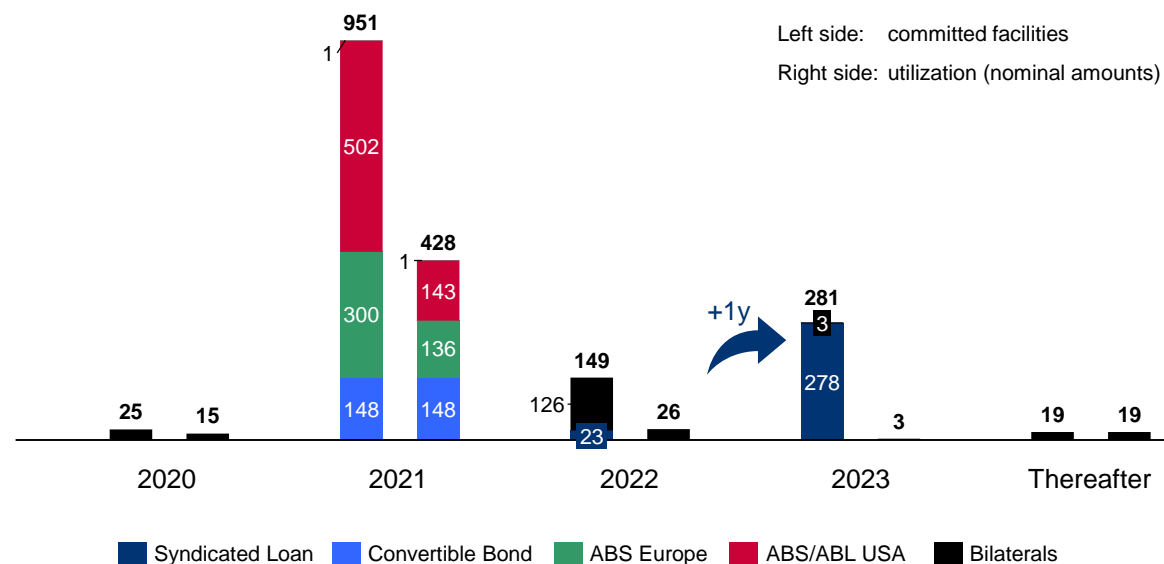
1) Principal €148m, equity component €18m at issuance (September 8, 2016).

2) Mainly Switzerland.

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

€m	Q1 2020
Adjusted equity	1,204
Net debt	563
Gearing <sup>3)</sup>	47%

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



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## 03 Outlook

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- Considerable decline in **shipments** and **sales** qoq
- **EBITDA** expected to be negative (low double-digit million euro range), but **cash flow from operating activities** expected to be positive



- Considerable **burden on earnings** foreseeable
- However, positive **cash flow from operating activities** expected

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## 04 Quarterly and FY results

(€m)	Q1 2020	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
<b>Shipments (Tto)</b>	<b>1,365</b>	<b>1,250</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>5,648</b>	<b>6,107</b>	<b>6,135</b>	<b>6,149</b>	<b>6,476</b>
<b>Sales</b>	<b>1,448</b>	<b>1,365</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>6,315</b>	<b>6,790</b>	<b>6,292</b>	<b>5,730</b>	<b>6,444</b>
Sales (currency effect)	30	24	38	50	61	28	2	-89	-114	-70	-45	13	19	173	-172	-83	-50	556
<b>Gross profit</b>	<b>285</b>	<b>268</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>1,158</b>	<b>1,328</b>	<b>1,316</b>	<b>1,315</b>	<b>1,237</b>
% margin	19.7	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
<b>EBITDA bef. material special effects</b>	<b>21</b>	<b>11</b>	<b>28</b>	<b>51</b>	<b>34</b>	<b>30</b>	<b>59</b>	<b>84</b>	<b>56</b>	<b>33</b>	<b>47</b>	<b>63</b>	<b>77</b>	<b>124</b>	<b>229</b>	<b>220</b>	<b>196</b>	<b>86</b>
Material special effects	0	-8	-7	31	0	0	0	-2	0	0	0	0	0	15	-2	0	0	-42
<b>EBITDA rep.</b>	<b>21</b>	<b>3</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>139</b>	<b>227</b>	<b>220</b>	<b>196</b>	<b>24</b>
% margin	1.5	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	1	2	1	3	1	-8	-5	-3	-2	1	1	5	-9	-3	-1	10
<b>EBIT</b>	<b>-13</b>	<b>-35</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>2</b>	<b>141</b>	<b>130</b>	<b>85</b>	<b>-350</b>
Financial result	-9	-9	-11	-11	-10	-10	-8	-10	-7	-9	-8	-8	-8	-41	-34	-33	-33	-49
<b>EBT</b>	<b>-22</b>	<b>-44</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>-39</b>	<b>107</b>	<b>97</b>	<b>52</b>	<b>-399</b>
Income taxes	1	-7	1	-9	-1	-5	-8	-18	-7	29	-4	-9	-10	-16	-38	5	-14	50
<b>Net income</b>	<b>-21</b>	<b>-51</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>-55</b>	<b>69</b>	<b>102</b>	<b>38</b>	<b>-349</b>
Minority interests	0	1	0	0	0	0	0	0	0	0	1	1	0	1	0	1	1	-2
<b>Net income KCO</b>	<b>-21</b>	<b>-51</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>-56</b>	<b>69</b>	<b>101</b>	<b>37</b>	<b>-347</b>
<b>EPS basic (€)</b>	<b>-0.21</b>	<b>-0.51</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>-0.56</b>	<b>0.68</b>	<b>1.01</b>	<b>0.37</b>	<b>-3.48</b>
<b>EPS diluted (€)</b>	<b>-0.21</b>	<b>-0.51</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>-0.56</b>	<b>0.66</b>	<b>0.96</b>	<b>0.37</b>	<b>-3.48</b>
<b>Net debt</b>	<b>563</b>	<b>445</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>445</b>	<b>383</b>	<b>330</b>	<b>444</b>	<b>385</b>
<b>NWC*)</b>	<b>1,228</b>	<b>1,119</b>	<b>1,356</b>	<b>1,406</b>	<b>1,525</b>	<b>1,277</b>	<b>1,495</b>	<b>1,446</b>	<b>1,344</b>	<b>1,132</b>	<b>1,282</b>	<b>1,306</b>	<b>1,296</b>	<b>1,119</b>	<b>1,277</b>	<b>1,132</b>	<b>1,120</b>	<b>1,128</b>

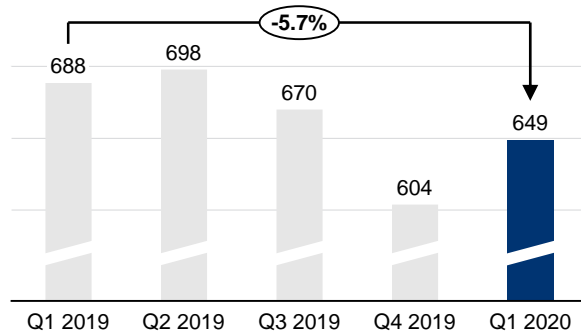
\*) Since 2018 including supplier bonus receivables and contract assets.



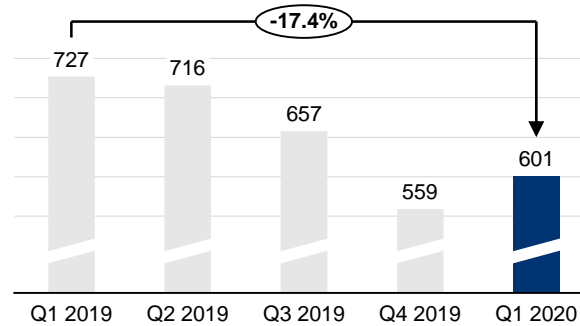
# 04 Segment performance

KM US

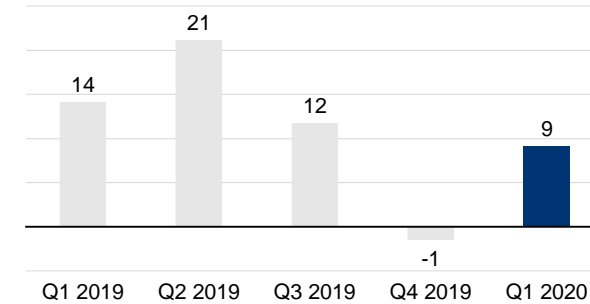
Shipments (Tto)



Sales (€m)

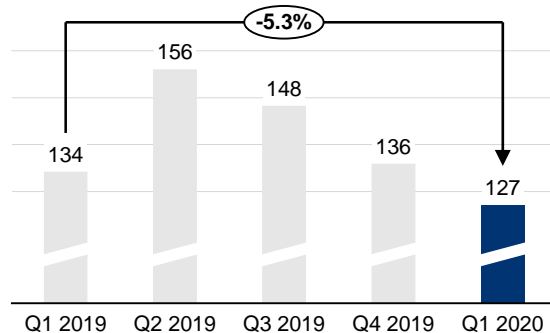


EBITDA adj. (€m)

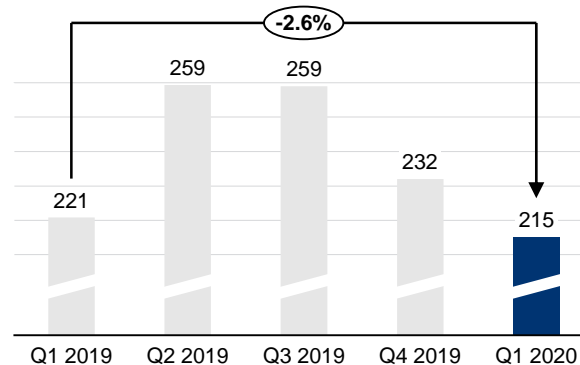


KM Switzerland

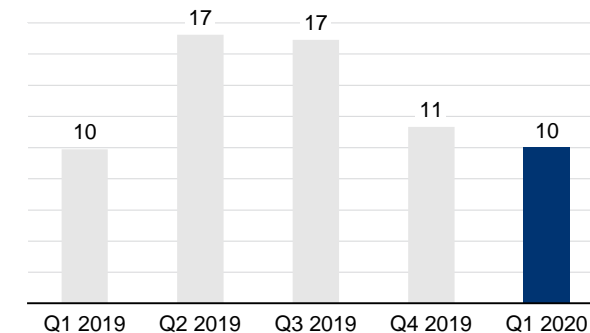
Shipments (Tto)



Sales (€m)



EBITDA adj\* (€m)



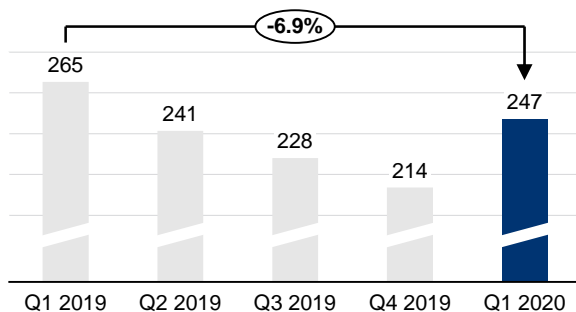
\*) adjusted in Q4 2019 by the gain on sale of the site in Switzerland.

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".

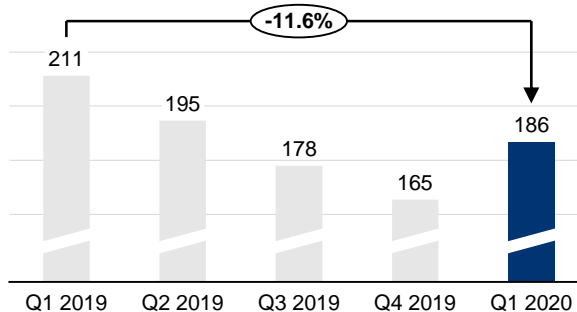
# 04 Segment performance

KM Services

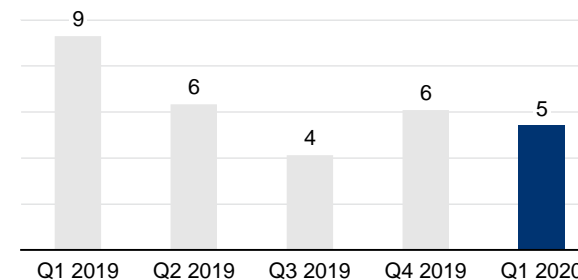
Shipments (Tto)



Sales (€m)

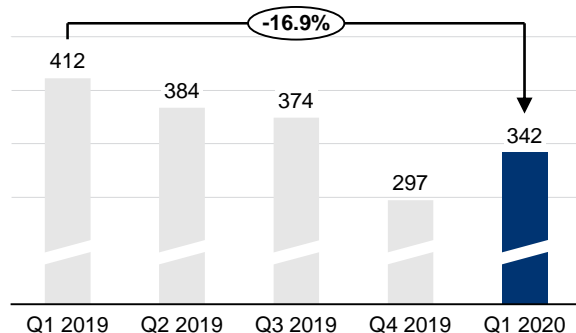


EBITDA adj (€m)

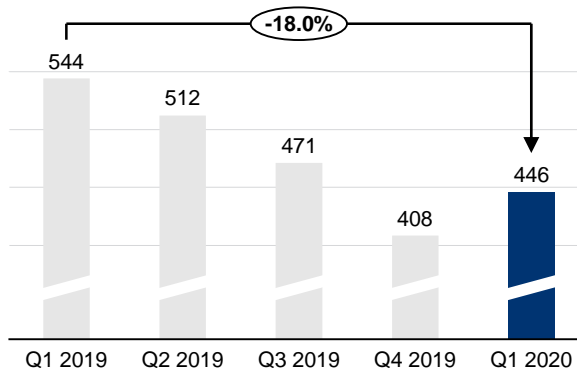


KM Distribution

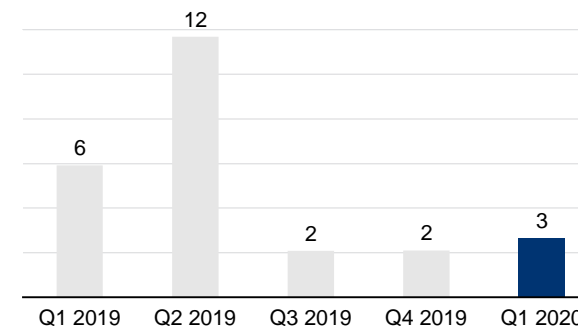
Shipments (Tto)



Sales (€m)



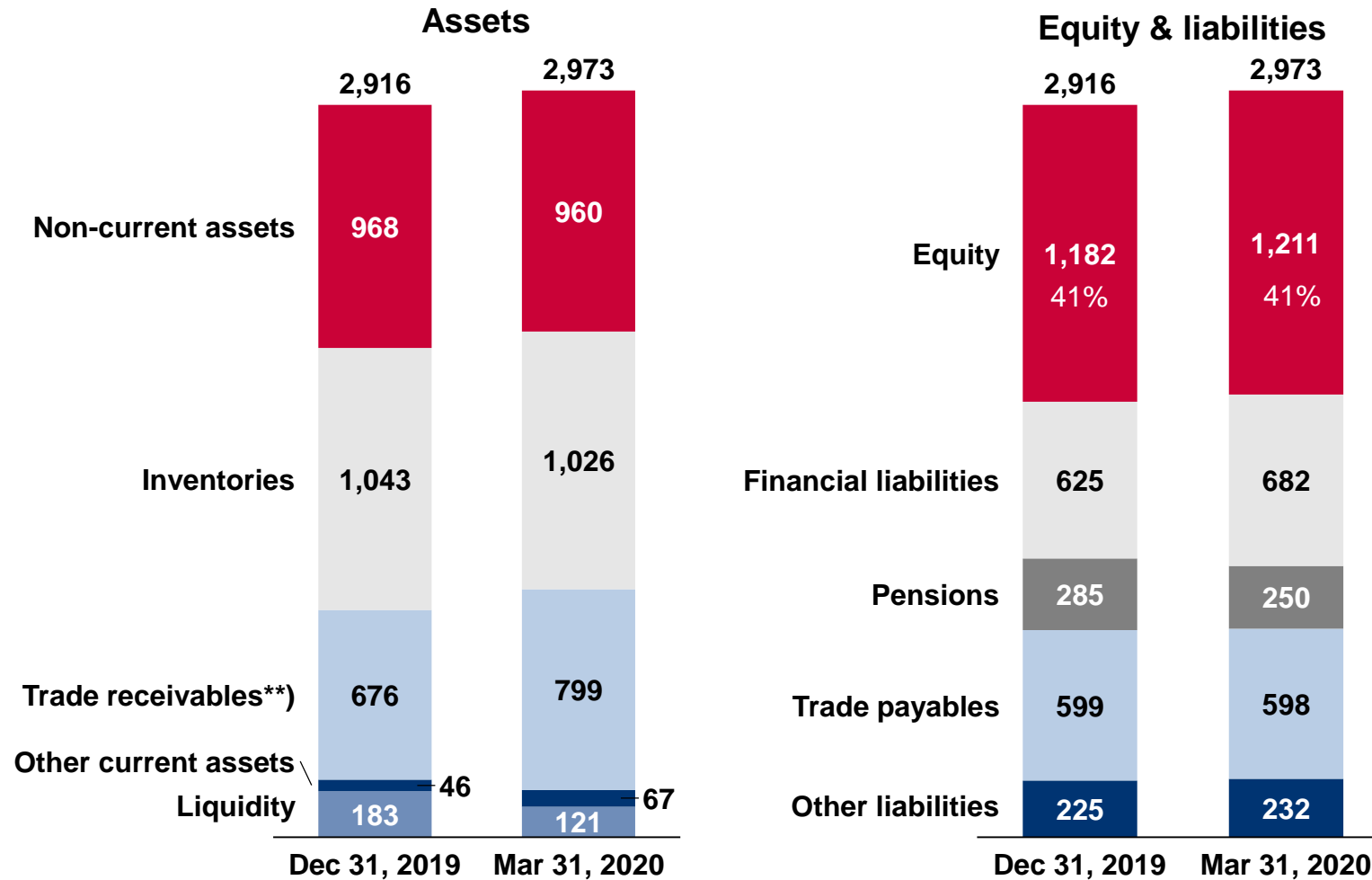
EBITDA adj\* (€m)



\*) adjusted for restructuring expenses in Q2, 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".

## 04 Strong balance sheet



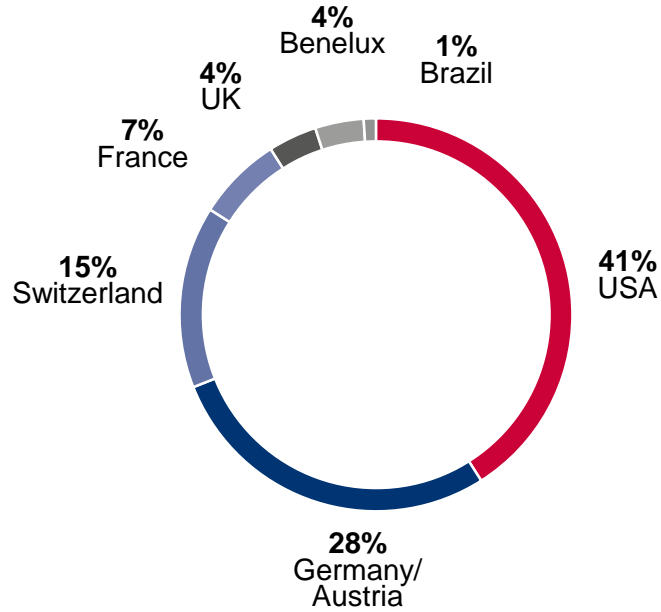
- **Equity ratio** further healthy at 41%
- **Net debt** of €563m
- **Gearing**\*) at 47%
- **NWC** at €1,228m (FY 2019: €1,119m)

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

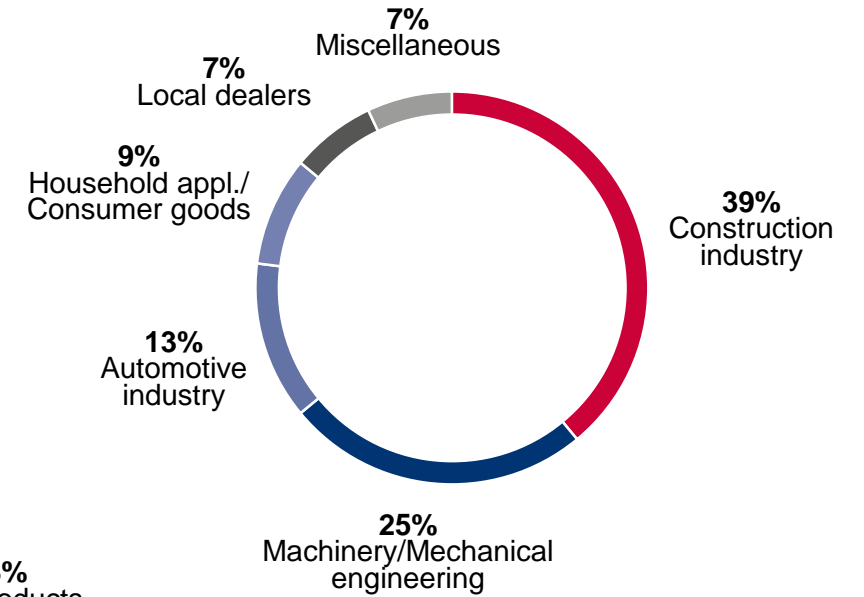
\*\*\*) incl. contract assets and supplier bonuses

# 04 Sales by markets, products and industries

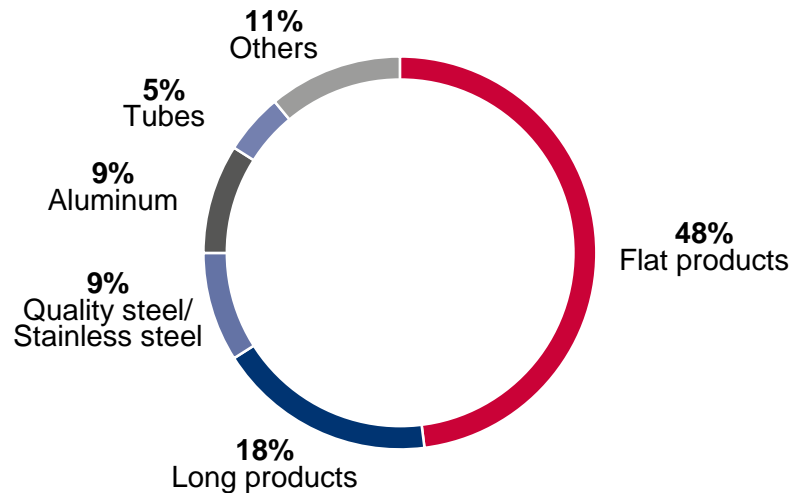
Sales by markets



Sales by industries



Sales by products

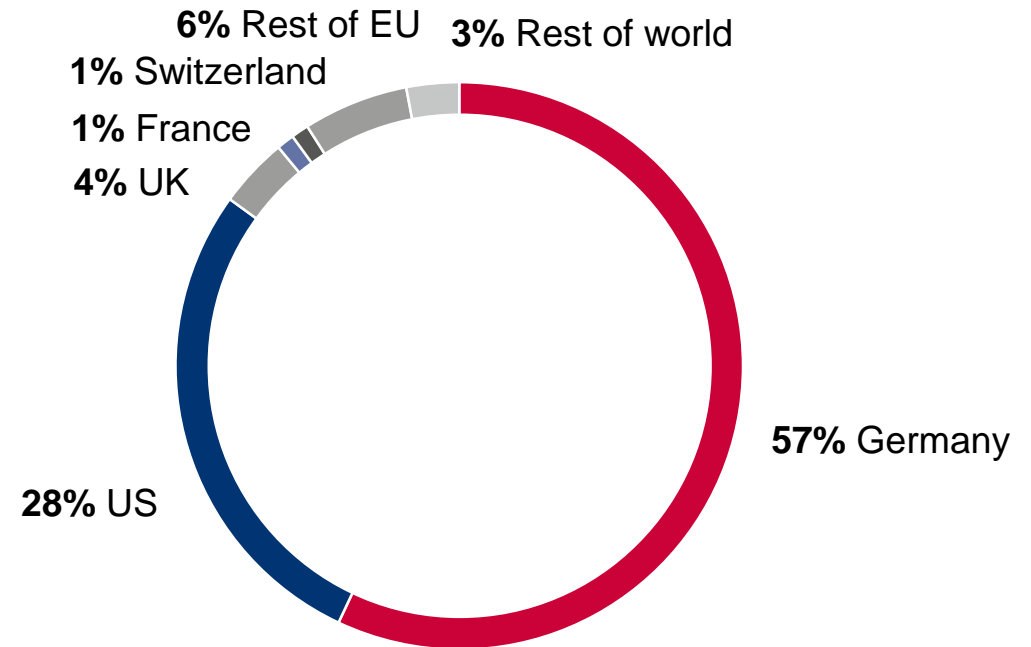


As of December 31, 2019.

## 04 Current shareholder structure

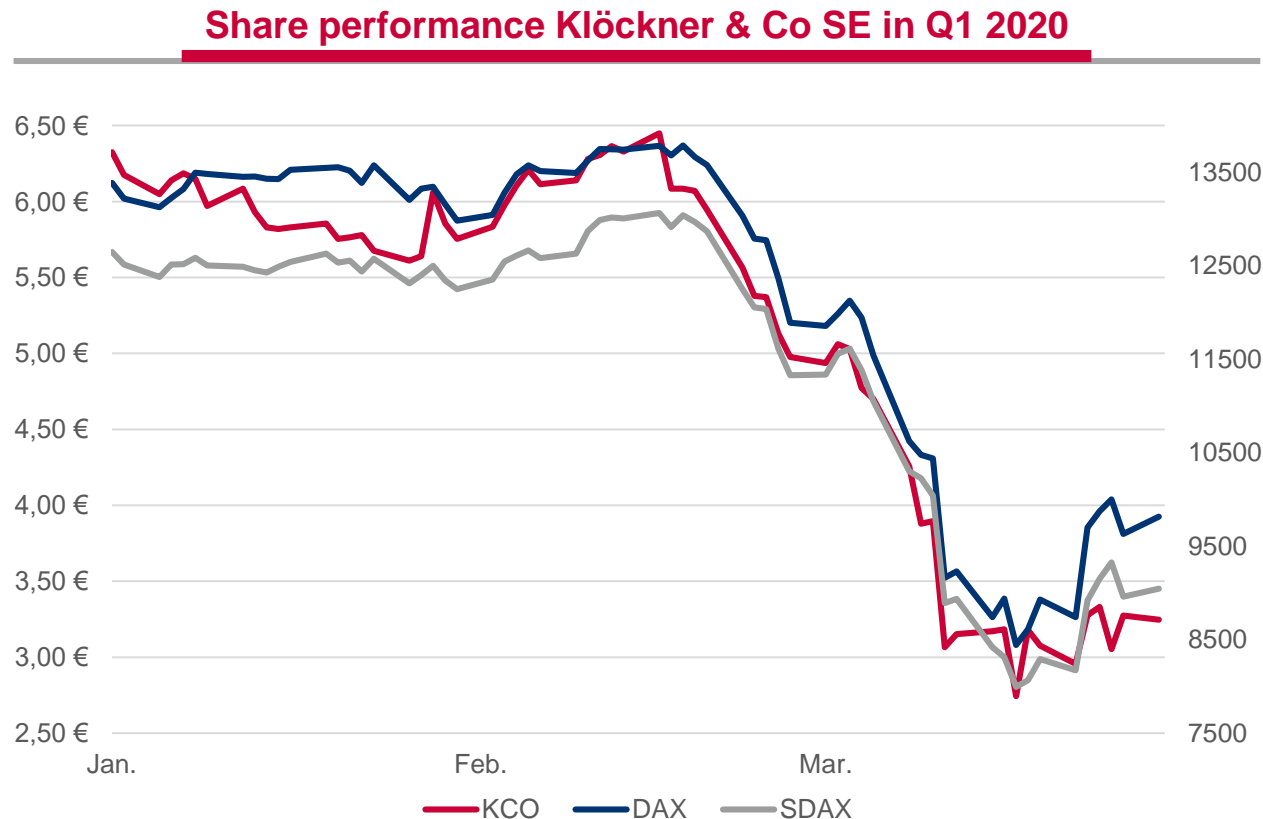
### Geographical breakdown of identified institutional investors

- 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.

## 04 Share price performance in Q1 2020



- Klöckner & Co share moved sideways at the beginning of Q1 2020, reaching its high of €6.45 on February 17
- The share price then dropped sharply with escalation of COVID-19 crisis and reached its lowest level of €2.74 on March 18
- In the second half of March the share price moved sideways while recovering slightly
- The share closed at €3.25 on March 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 and 2018 fiscal year**
- Proposal to the Annual General Meeting (virtual): No dividend payment due to earnings in 2019\*)

Dividend payment per share	2006	2007	2008 -	2010	2011 -	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 (virtual) on May 20, 2020.

## 04 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.



## Contact details

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## Financial calendar

May 20, 2020      Virtual Annual General Meeting 2020

August 14, 2020      Half-yearly financial report 2020

November 3, 2020      Q3 quarterly statement 2020