



# Q2 2020 Results

Analysts' and Investors' Conference

August 14, 2020

Gisbert Rühl | CEO

Dr. Oliver Falk | CFO

John Ganem | Member of the Management Board

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

# 01 Details of Q2 2020

	<b>Q2</b> 2020	<b>Q2</b> 2019	<b>Delta</b>	
Shipments (Tto)	1,070	1,479	-27.6%	Impact of COVID-19 and related lockdown measures
Sales (€m)	1,171	1,682	-30.4%	Volume driven paired with lower price level
Gross profit (€m)	226	304	-25.4%	Volume driven gross profit decline, less pronounced due to higher margins yoy
EBITDA (€m)	11	51	-78.9%	COVID-19 impact mitigated by (1) digital capabilities, (2) lower OPEX and (3) performance in construction; EBITDA reported of -€61m
Oper. CF (€m)	98	140	-42	Substantially positive due to strict NWC management
Net financial debt (€m)	476	684	-30.4%	Net debt significantly down yoy due to NWC release
Digital sales in Q2	38%	29%	+9%pts	Positively impacted by crisis: increase with accelerating speed

# 01 Project “Surtsey” – Utilizing COVID-19 crisis

## Scope

- Driving efficiency through **digitalization** and **restructuring**
- **Kloeckner Assistant**, **XOM eProcurement** and other AI-driven tools to automate core processes

## Measures

- Reducing overall workforce by **>1,200 employees (50% due to advanced digitalization)**
- **Closure of 19 sites** as part of network optimization initiatives

## Costs & timing

- Special material effects of around €80m, thereof ~80% personnel related
- Immediate **execution started**, main project to be **finished by Q1 2021**

EBITDA contribution of **>€100m** and digital sales share increase to **>50%** already by end of 2021

# 01 Automation of core processes progressing



## COVID-19 crisis as accelerator

- Digital sales share improved with increasing speed to **38%** (Q2 2019: 29%)

## Kloeckner Assistant automating sales process and turning every customer into a digital customer

- **First version running** in nearly all country organizations
- Application already processed a **sales volume of >€80m from >1,300 customers**
- Extension with **RFQ**-functionality started and **MATCH!**-functionality as basis for intelligent product identification is to be rolled out in H2

## Scaling of XOM Materials through eProcurement (buy-side) and eShop (sell-side) progressing

- **>70 suppliers** signed and **>50 suppliers** live, **>27,000 products** on offer and **~1,200 customers** registered

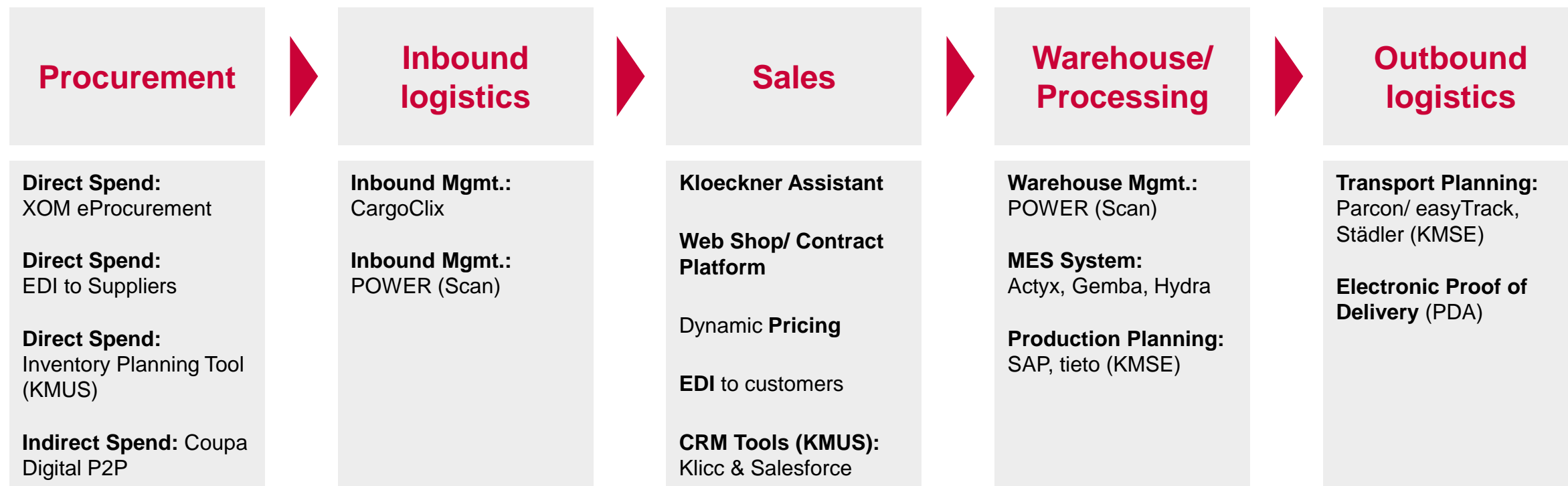
## XOM eProcurement solution to automate procurement process further advanced

- Klöckner & Co already using the application for a large part of the European procurement
- Marketing of the application to **customers** starting at the end of the year



# 01 Accelerating transformation to platform company

## Digital tools across the value chain



Lower variable costs enable exponential growth also through acquisitions

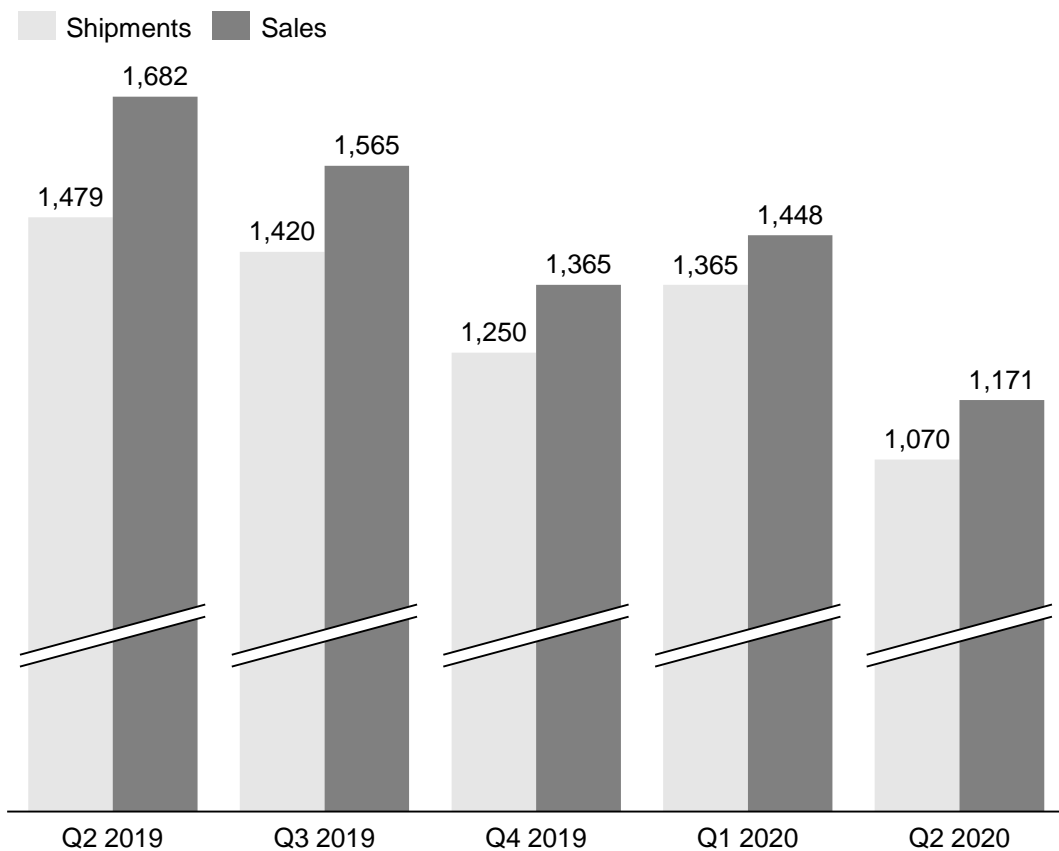
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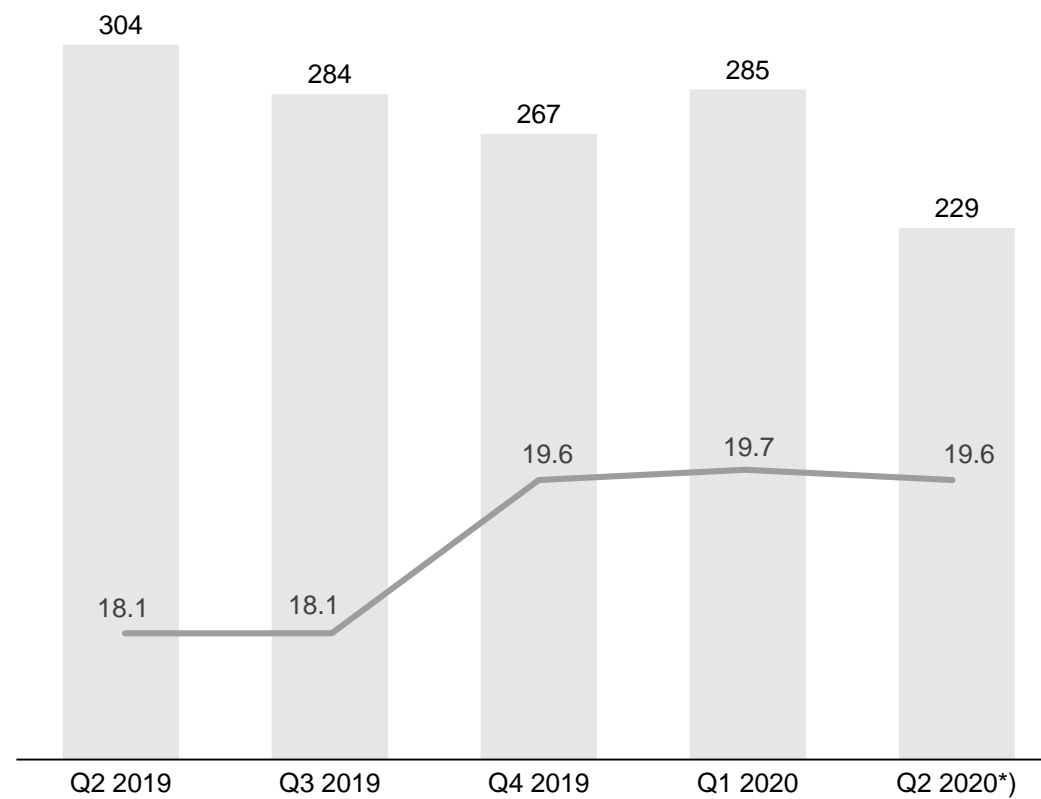


## 02 Shipments, Sales and Gross profit

### Shipments (Tto) & Sales (€m)

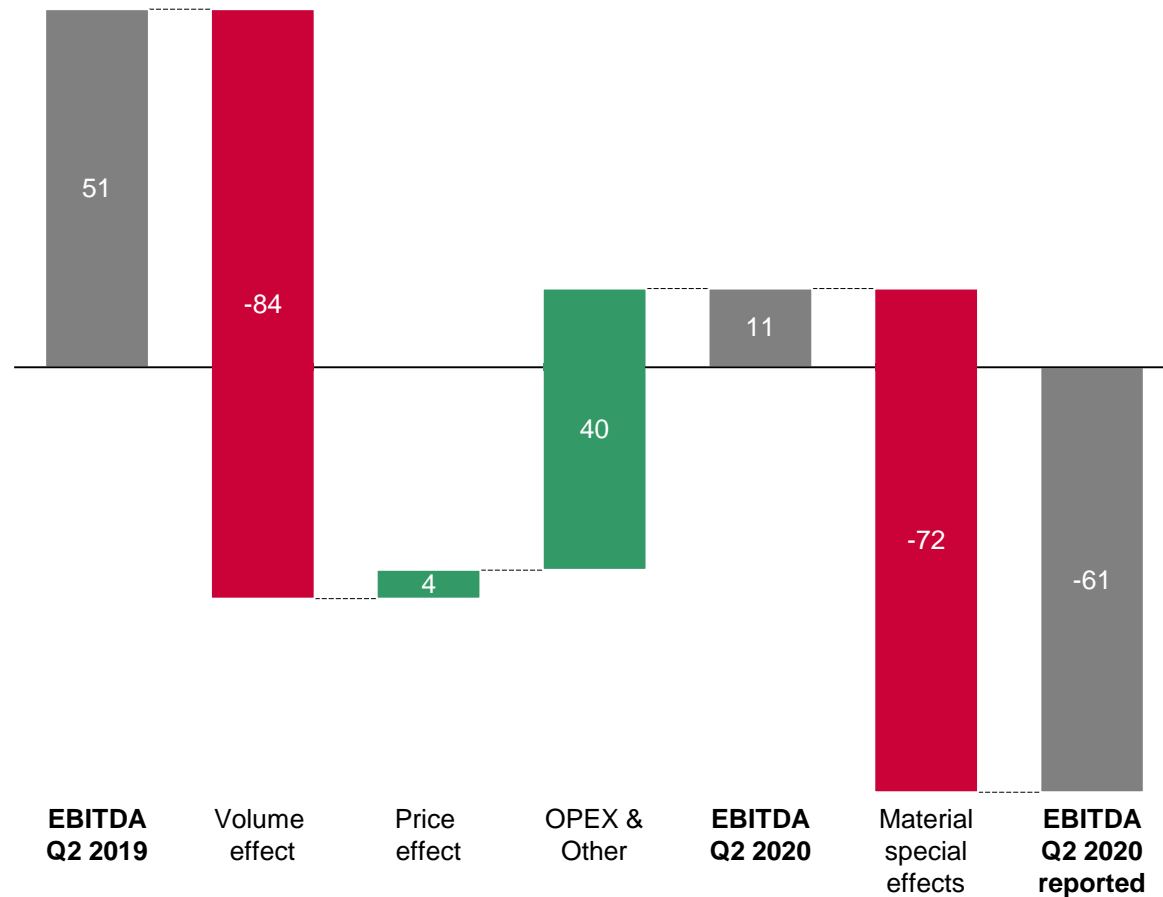


### Gross profit (€m) & Gross margin (%)



\*) Before material special effects.

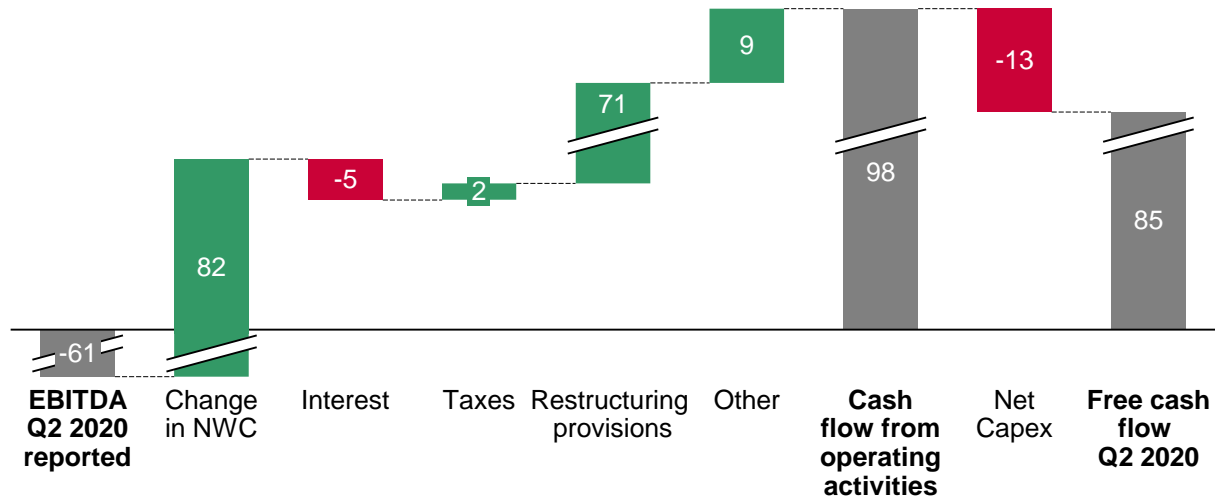
## 02 EBITDA (€m) in Q2 2020



- Substantial negative **volume effect** mainly due to COVID-19 pandemic and continued weakness of automotive, machinery and energy sectors, especially in Germany and the USA
- Minor positive **price effect** due to margin over volume strategy at Kloeckner Metals Distribution Europe
- **OPEX** decreased mainly driven by lower personnel expenses and shipping cost due to lower output and lay-off effects
- **Material special effects** resulting from project “Surtsey” for severances and site closure expenses

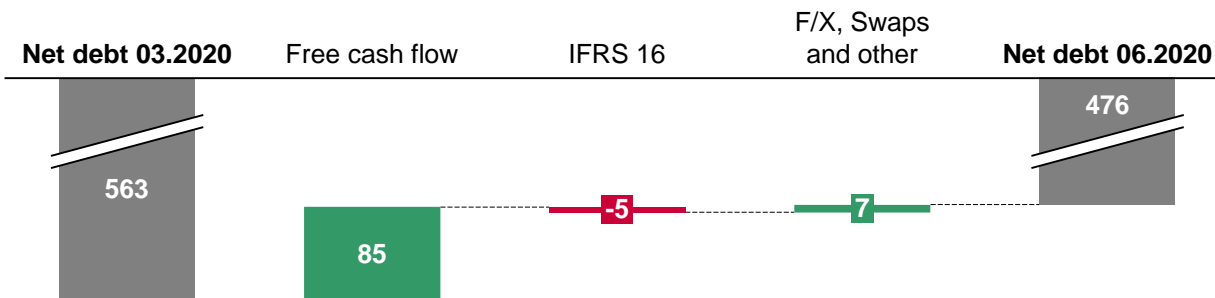
## 02 Cash flow and net debt development

### Cash flow Q2 2020 (€m)



- **Net working capital** release of €82m
- **Other** (€9m) includes changes in other operating assets and liabilities
- **Cash flow from operating activities** of €98m
- **Free cash flow** of €85m

### Net financial debt 03.2020 vs. 06.2020 (€m)



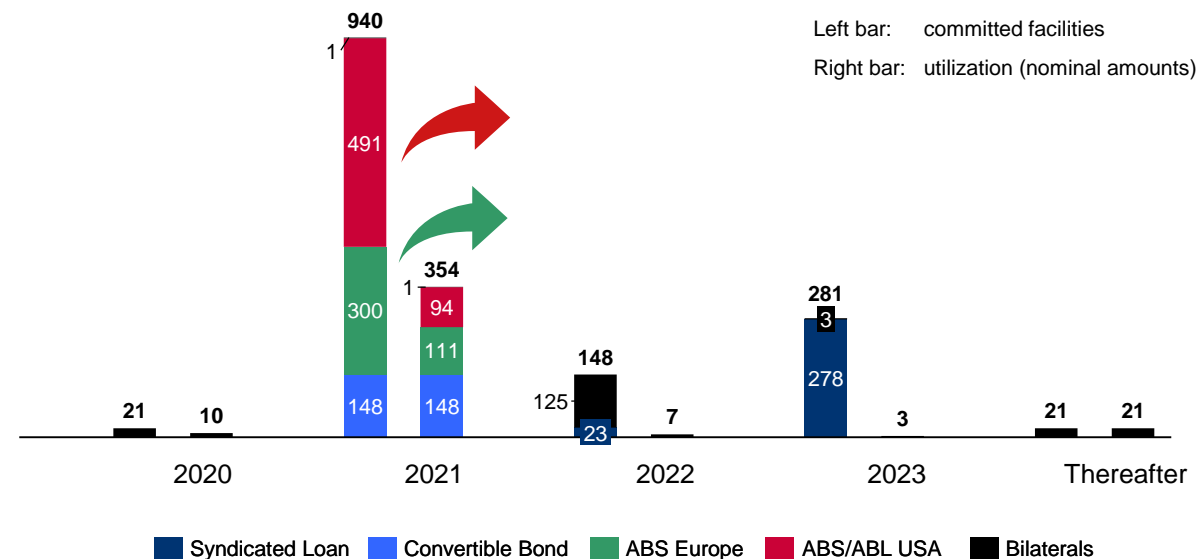
- **Net financial debt** decreased from €563m to €476m driven by considerable NWC release

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

Facility	Committed (€m)	Drawn amount (€m, IFRS*)	
		Q2 2020	FY 2019
Syndicated Loan	300	0	0
ABS Europe	300	112	115
ABS/ABL USA	491	94	124
Convertible 2016 <sup>1)</sup>	148	144	142
Bilateral Facilities <sup>2)</sup>	171	42	42
Leases	189	189	205
<b>Total Debt</b>	<b>1,599</b>	<b>581</b>	<b>628</b>
Cash		105	183
<b>Net Debt</b>		<b>476</b>	<b>445</b>

€m	Q2 2020
Adjusted equity	1,041
Net debt	476
Gearing <sup>3)</sup>	45.7%

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



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

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

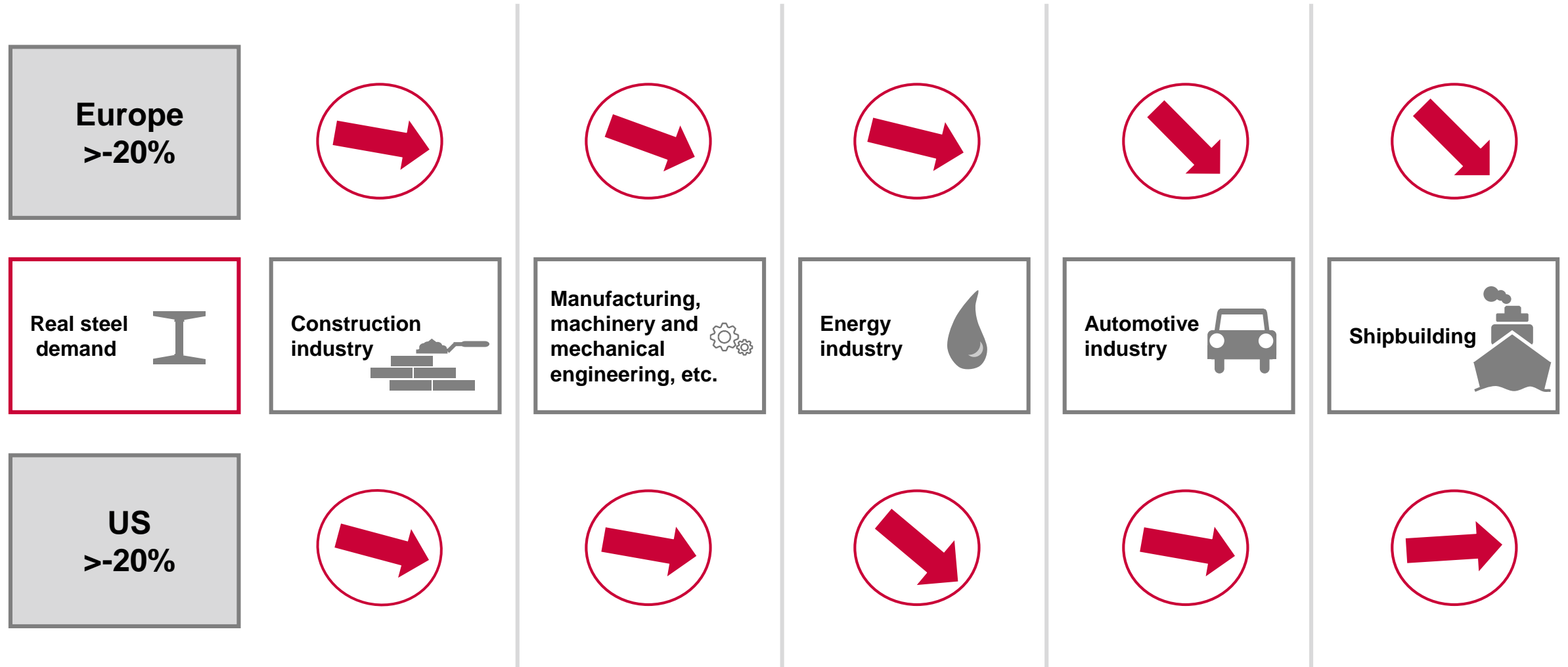
2) Mainly Switzerland.

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

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## 03 Region specific business outlook 2020



## 03 Outlook

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- Considerable increase in **shipments** and **sales** qoq
- **EBITDA** before material special effects of €15-25m expected



- Considerable decrease in **shipments** and **sales** yoy
- **EBITDA** before material special effects of €50-70m expected
- Positive **cash flow from operating activities**

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## 04 Quarterly and FY results

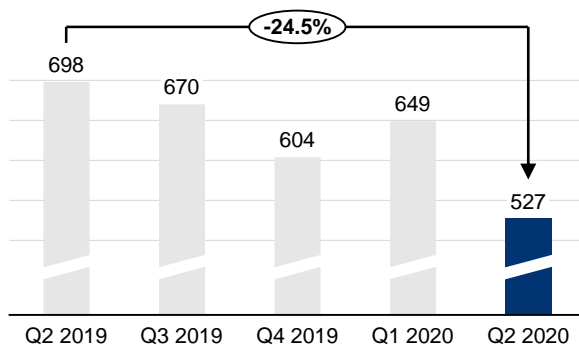
(€m)	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015
<b>Shipments (Tto)</b>	<b>1,070</b>	<b>1,365</b>	<b>1,250</b>	<b>1,420</b>	<b>1,479</b>	<b>1,499</b>	<b>1,398</b>	<b>1,519</b>	<b>1,605</b>	<b>1,584</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>1,171</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)	21	30	24	38	50	61	28	2	-89	-114	-70	-45	13	19	173	-172	-83	-50	556
<b>Gross profit</b>	<b>226</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	19.3	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>11</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	72	0	-8	-7	31	0	0	0	-2	0	0	0	0	0	15	-2	0	0	-42
<b>EBITDA rep.</b>	<b>-61</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	-5.2	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	1	2	1	3	1	-8	-5	-3	-2	1	1	5	-9	-3	-1	10
<b>EBIT</b>	<b>-109</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	-7	-9	-9	-11	-11	-10	-10	-8	-10	-7	-9	-8	-8	-8	-41	-34	-33	-33	-49
<b>EBT</b>	<b>-116</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	5	1	-7	1	-9	-1	-5	-8	-18	-7	29	-4	-9	-10	-16	-38	5	-14	50
<b>Net income</b>	<b>-111</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	0	1	0	0	0	0	0	0	0	0	1	1	0	1	0	1	1	-2
<b>Net income KCO</b>	<b>-111</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>-1.11</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>-1.11</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>476</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>1,135</b>	<b>1,228</b>	<b>1,119</b>	<b>1,356</b>	<b>1,407</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.

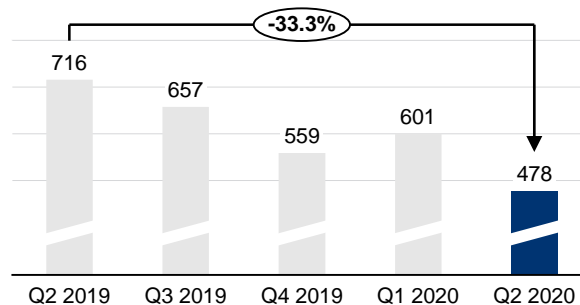
# 04 Segment performance

KM US

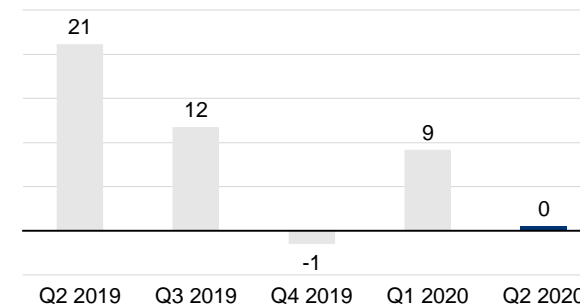
Shipments (Tto)



Sales (€m)

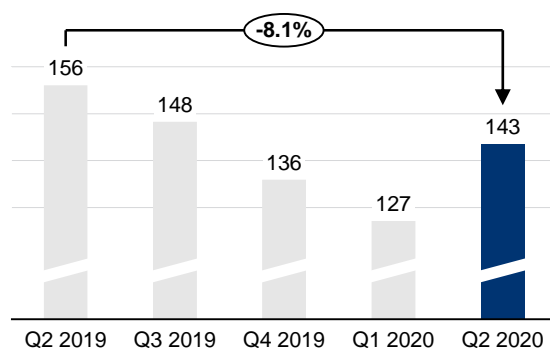


EBITDA adj.\*) (€m)

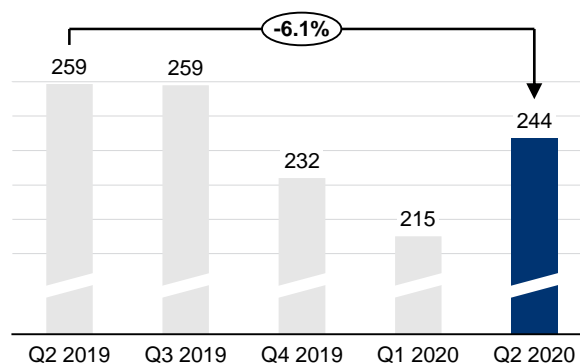


KM Switzerland

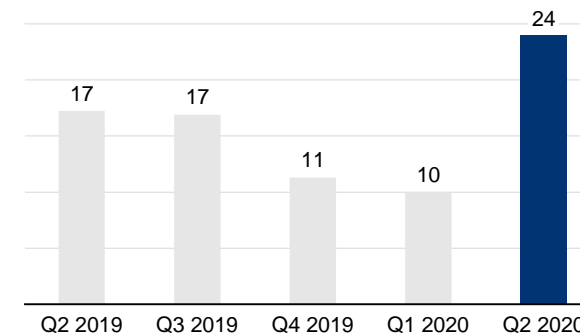
Shipments (Tto)



Sales (€m)



EBITDA adj.\*) (€m)



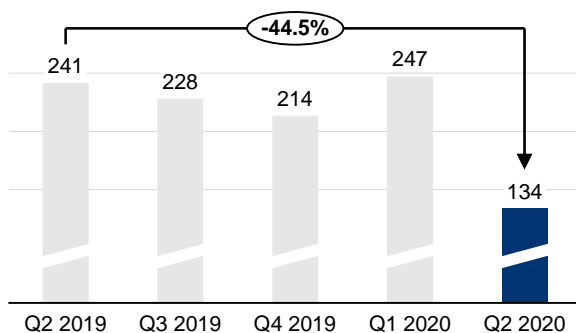
\*) Adjusted in Q4 2019 by the gain on sale of the site in Switzerland and in Q2 2020 by restructuring in the USA.

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".

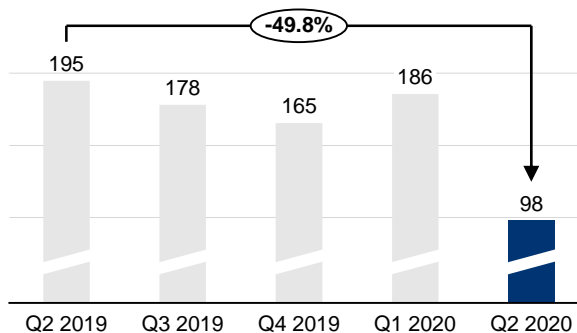
# 04 Segment performance

KM Services

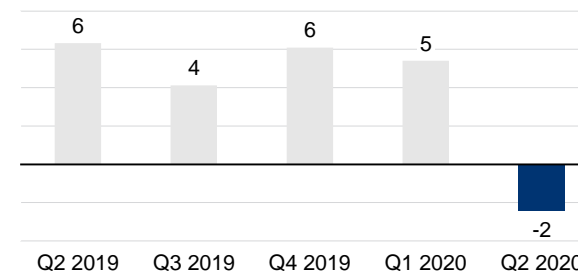
Shipments (Tto)



Sales (€m)

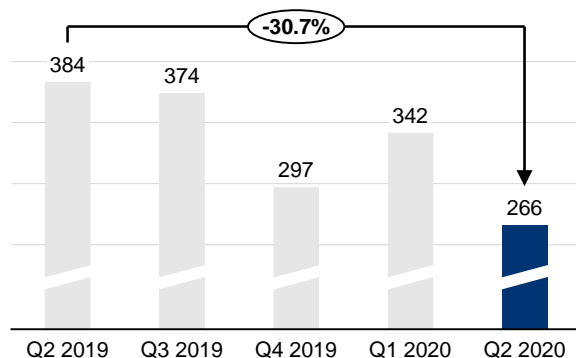


EBITDA adj.\*) (€m)

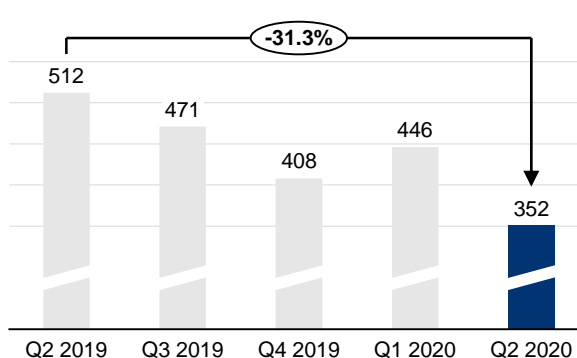


KM Distribution

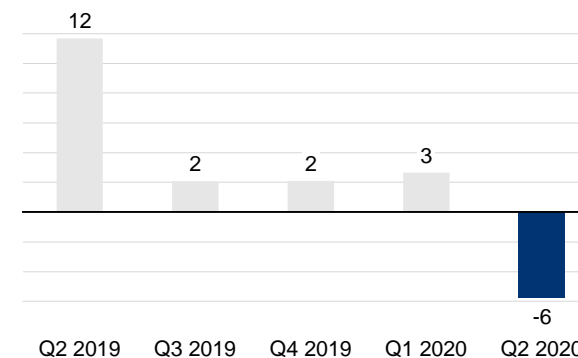
Shipments (Tto)



Sales (€m)



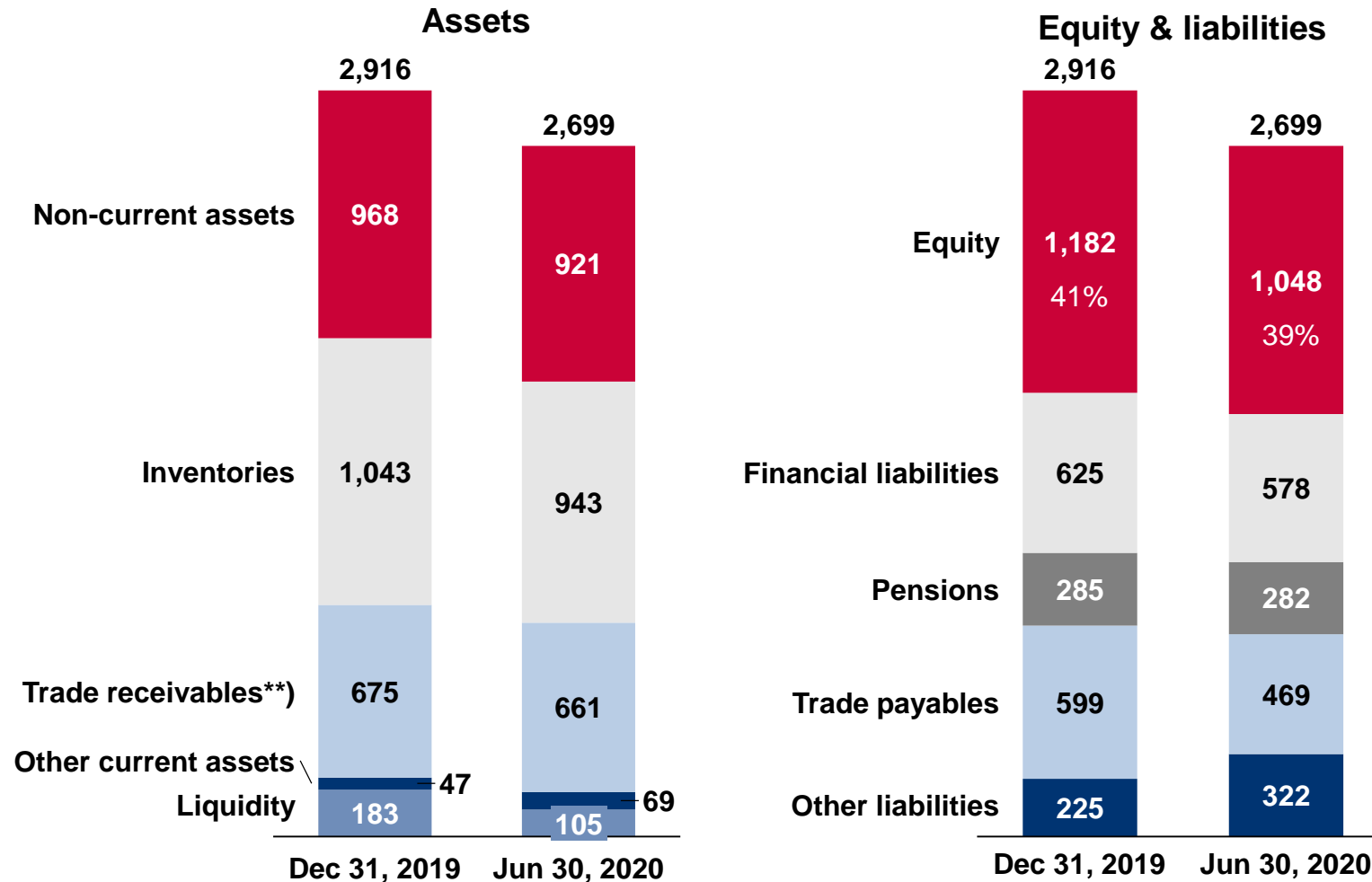
EBITDA adj.\*) (€m)



\*) Adjusted for restructuring expenses in Q2, Q3, Q4 2019 as well as in Q2 2020 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



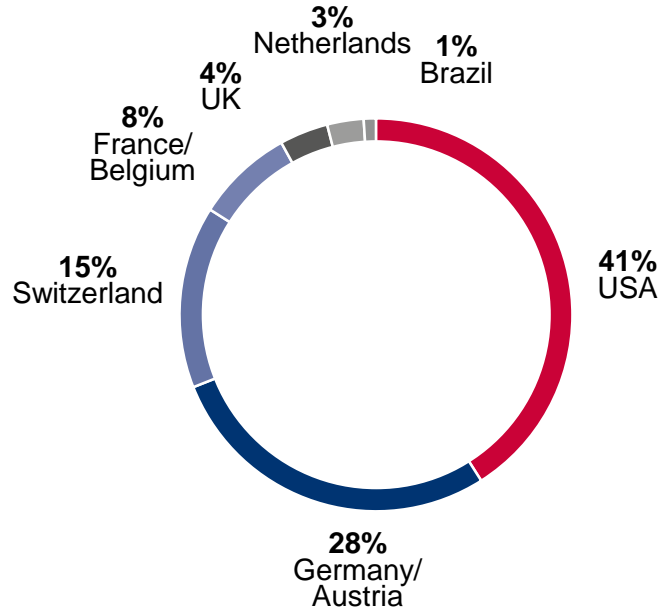
- **Equity ratio** further healthy at 39%
- **Net debt** of €476m
- **Gearing**<sup>\*)</sup> at 46%
- **NWC** at €1,135m (FY 2019: €1,119m)

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

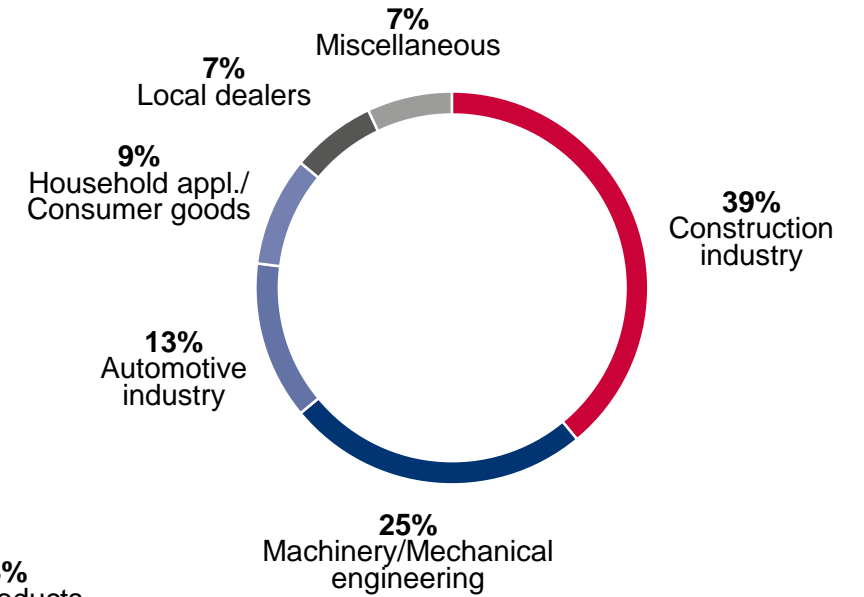
<sup>\*\*)</sup> Incl. contract assets and supplier bonuses.

# 04 Sales by markets, products and industries

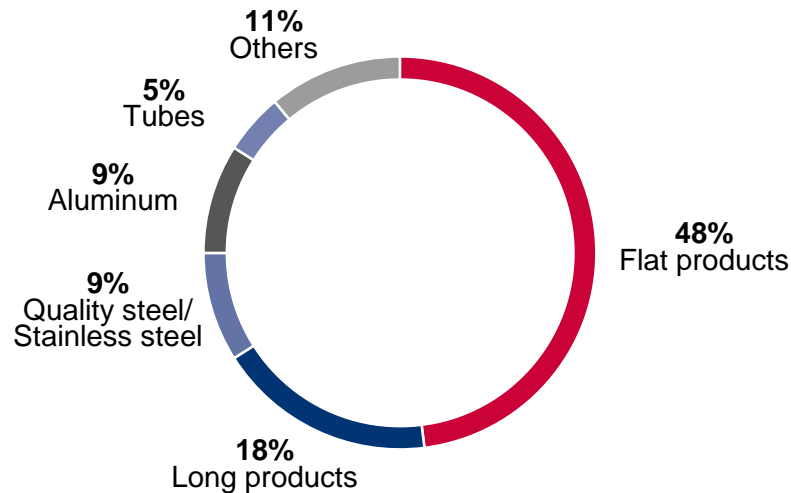
Sales by markets



Sales by industries



Sales by products

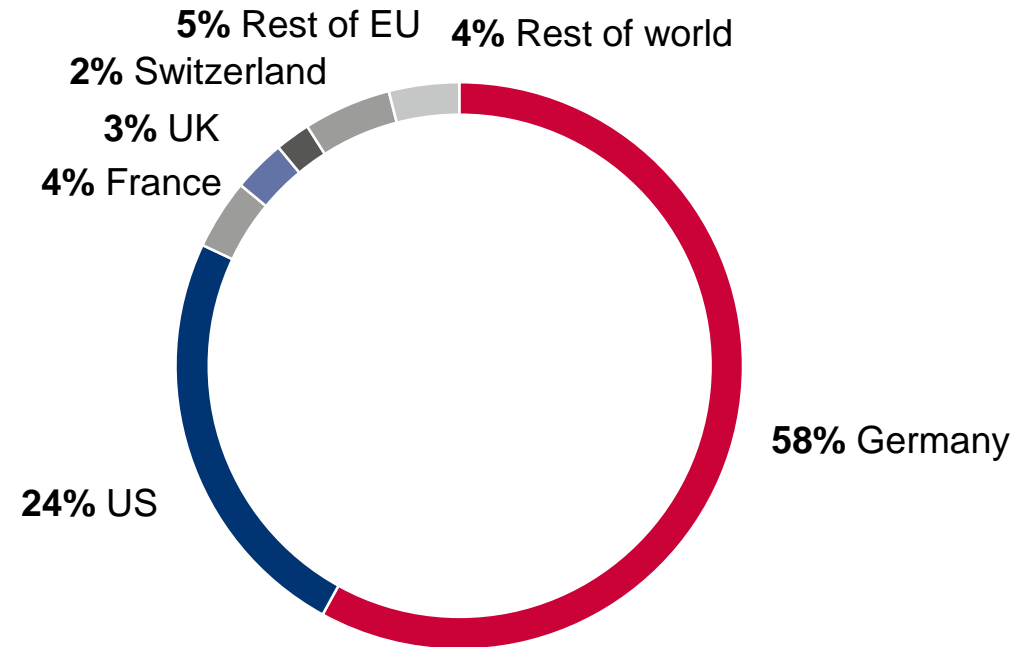


As of December 31, 2019.

## 04 Current shareholder structure

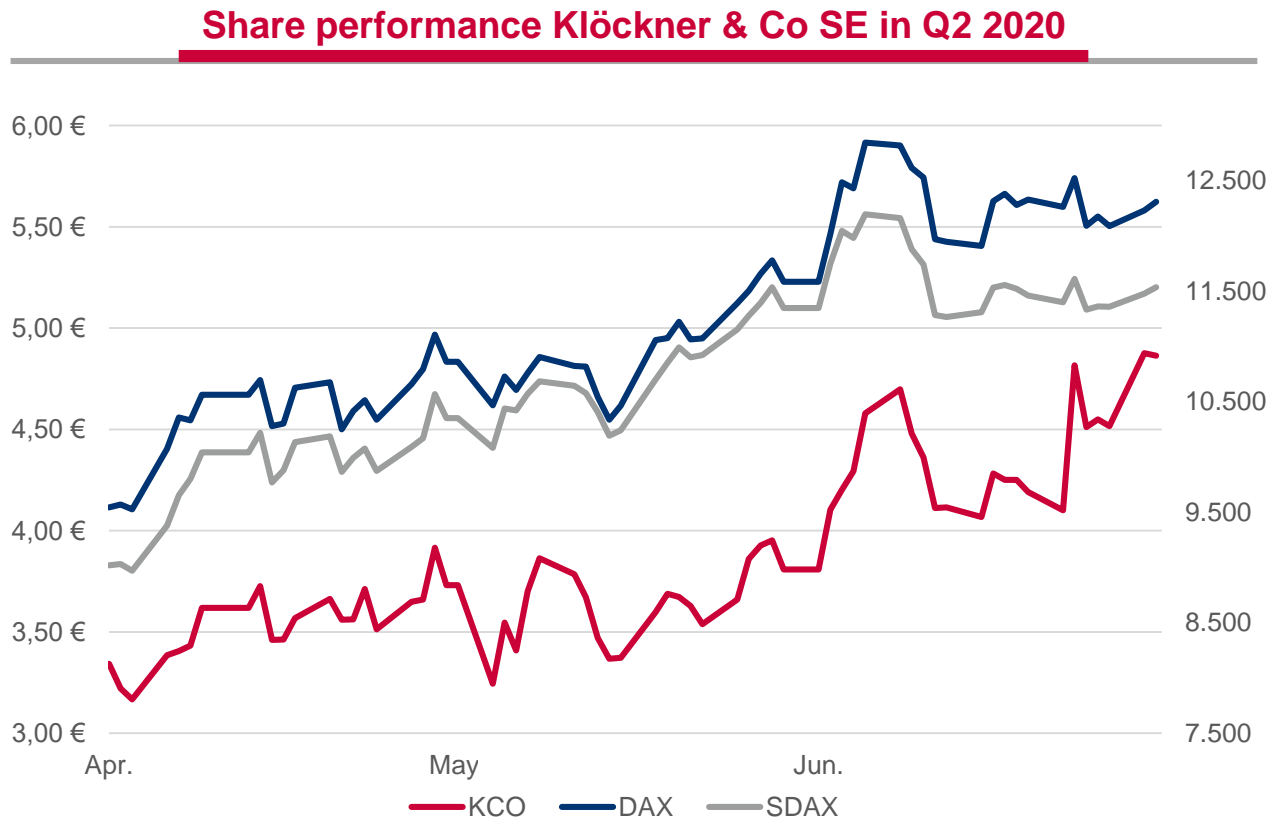
### Geographical breakdown of identified institutional investors

- Identified institutional investors account for 59%
- German investors incl. retail dominate
- Top 10 shareholdings represent around 49%
- Retail shareholders represent 29%



As of July 2020.

## 04 Share price performance in Q2 2020



- In the second quarter the capital markets were shaped by high volatility due to the COVID-19 pandemic
- The Klöckner & Co share followed a sharp recovery path during this period, marking its lowest level of €3.17 on April 3 and reaching its high of €4.87 on June 29

## 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**
- 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	-



## 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 our greenhouse gas emissions.

## Contact details

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## Financial calendar

November 3, 2020	Q3 quarterly statement 2020
March 10, 2021	Annual Financial Statement 2020
April 29, 2021	Q1 quarterly statement 2021
May 12, 2021	Annual General Meeting 2021
August 13, 2021	Half-yearly financial report 2021
November 3, 2021	Q3 quarterly statement 2021