

Press Release

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Klöckner & Co consistently implements Group strategy in challenging environment

- Operating income (EBITDA) of €131 million before material special effects (H1 2022: €423 million)
- Positive cash flow from operating activities of €96 million considerably above prior-year period (H1 2022: €1 million)
- Progress in strategy implementation with successful completion of the acquisition of National Material of Mexico and introduction of Nexigen® Data Services
- EBITDA of €220 million to €280 million before material special effects and significantly positive cash flow from operating activities expected for full year 2023*

Duisburg, Germany, August 2, 2023 – Klöckner & Co generated sales of €4.0 billion in the first half of 2023 (H1 2022: €5.0 billion). Operating income (EBITDA) before material special effects in the first six months of fiscal year 2023 amounted to €131 million (H1 2022: €423 million). In the second quarter of 2023, despite ongoing macroeconomic challenges and a sharp steel price correction, Klöckner & Co generated EBITDA of €63 million before material special effects (Q2 2022: €222 million), which is within the guidance range. Net income amounted to €4 million in the first six months of the current fiscal year (H1 2022: €323 million). Basic earnings per share consequently came to €0.04 (H1 2022: €3.18).

In the first half of 2023, through proactive net working capital management, Klöckner & Co generated a significantly positive cash flow from operating activities of €96 million, thus exceeding the figure for the prior-year period (H1 2022: €1 million). Net working capital decreased relative to June 30, 2022, from €2.2 billion to €1.7 billion. Free cash flow amounted to €63 million in the first six months of the year, compared to a free cash flow of €20 million in the first half of 2022.

Guido Kerkhoff, CEO of Klöckner & Co SE: “Despite a challenging environment, we have successfully advanced the implementation of our Group strategy. With the completion of the acquisition of National Material of Mexico, we have significantly expanded our product and service portfolio and paved the way for sustainable growth in the North American market. At the same time, we continue to work hard to decarbonize the steel industry. The launch of the Nexigen® Data Services technology solution for instance is an important milestone, providing our customers with smart and digital management of their product emissions.”

Major progress in implementation of the “Klöckner & Co 2025: Leveraging Strengths” Group strategy

On August 1, 2023, Klöckner & Co successfully completed the acquisition of National Material of Mexico through its US subsidiary Kloeckner Metals Corporation. The acquisition significantly expands Klöckner & Co’s business in North America and strengthens its position with ten additional sites throughout Mexico, where the most important automotive and industrial customers are located. In the future, the combined company will also serve the exclusive market for electrical steel. This product is an important component of electric car engines and transformers with correspondingly high growth potential.

Klöckner & Co is also making great progress in the establishment of sustainable business models and the decarbonization of the steel industry. Partnerships with the Salzgitter Group and the GMH Group secure large future supply quantities of CO₂-reduced steel. This will enable Klöckner & Co to significantly increase the availability of green steel for its customers. The quantities are sold under umbrella of the Nexigen® brand which bundles transparent, CO₂-reduced solutions in the area of materials, operations and logistics, for which Klöckner & Co has developed its own categorizations for CO₂-reduced products.

Following the introduction of the Nexigen® PCF Algorithm, which can be used to determine the Product Carbon Footprint (PCF) for almost all of the Company’s approximately 200,000 products, Klöckner & Co took another decisive step in the second quarter of 2023: Nexigen® Data Services is a technology solution that allows customers to view their emissions history for products purchased from Klöckner & Co. The tool also suggests greener product alternatives and shows the associated reduction potential. In this way, Klöckner & Co supports its customers in building sustainable supply chains and in achieving their decarbonization goals.

Outlook*

Klöckner & Co expects demand to recover sequentially as the year progresses and is now forecasting a slight increase in Group shipments for the full year. Due to the significant steel price correction during the second quarter and the resulting overall lower average price level compared with the same period of the prior-year, the Company continues to forecast a significant decline in sales for the fiscal year 2023. Despite the challenging macroeconomic environment, Klöckner & Co expects EBITDA in the range of €40 million to €80 million before material special effects in the third quarter of 2023 and €220 million to €280 million for the year as a whole. In addition, Klöckner & Co continues to anticipate a strong and significantly positive cash flow from operating activities in fiscal year 2023, although below the previous year's level.

*) The forecast has been prepared assuming the closing of the acquisition of National Material of Mexico on August 1, 2023.

Key figures

Shipments and income statement		Q2 2023	Q2 2022	Variance	HY1 2023	HY1 2022	Variance
Shipments	Tto	1,158	1,226	- 68	2,371	2,484	- 113
Sales	€ million	1,967	2,580	- 613	4,043	5,018	- 975
Gross profit	€ million	335	508	- 173	692	990	- 298
Gross profit margin	%	17.0	19.7	- 2.7%p	17.1	19.7	- 2.6%p
Earnings before interest, taxes, depreciation and amortization (EBITDA)	€ million	62	223	- 161	110	477	- 367
EBITDA before material special effects	€ million	63	222	- 159	131	423	- 292
EBITDA margin	%	3.2	8.6	- 5.4%p	2.7	9.5	- 6.8%p
EBITDA margin before material special effects	%	3.2	8.6	- 5.4%p	3.2	8.4	- 5.2%p
Earnings before interest and taxes (EBIT)	€ million	32	191	- 159	45	415	- 370
Earnings before taxes (EBT)	€ million	24	188	- 164	27	404	- 377
EBT before material special effects	€ million	21	187	- 166	48	350	- 302
Net income	€ million	12	151	- 139	4	323	- 319
Net income attributable to shareholders of Klöckner & Co SE	€ million	12	149	- 137	4	317	- 313
Earnings per share (basic)	€	0.12	1.50	- 1.38	0.04	3.18	- 3.14
Earnings per share (diluted)	€	0.12	1.36	- 1.24	0.05	2.88	- 2.83

Cash flow statement		Q2 2023	Q2 2022	Variance	HY1 2023	HY1 2022	Variance
Cash flow from operating activities	€ million	31	262	- 231	96	1	95
Cash flow from investing activities	€ million	- 25	- 20	- 5	- 33	19	- 52
Free cash flow ^{*)}	€ million	6	242	- 236	63	20	43

Balance sheet		June 30, 2023	Dec. 31, 2022	June 30, 2022	Variance June 30, 2023 vs. Dec. 31, 2022	Variance June 30, 2023 vs. June 30, 2022
Net Working Capital ^{**)}	€ million	1,696	1,789	2,239	- 93	- 543
Net financial debt	€ million	596	584	903	12	- 307
Gearing ^{***)}	%	31.2	29.8	43.9	1.4%p	- 12.7%p
Equity	€ million	1,929	1,968	2,078	- 39	- 149
Equity ratio	%	50.4	51.0	44.5	- 0.6%p	5.9%p
Total assets	€ million	3,826	3,859	4,665	- 33	- 839

Employees		June 30, 2023	Dec. 31, 2022	June 30, 2022	Variance June 30, 2023 vs. Dec. 31, 2022	Variance June 30, 2023 vs. June 30, 2022
Employees as of the end of the reporting period		7,230	7,304	7,228	- 74	2

*) Free cash flow = Cash flow from operating activities + cash flow from investing activities.

**) Net working capital = Inventories + trade receivables + contract assets + supplier bonus receivables /. trade liabilities /. contract liabilities /. advance payments received.

***) Gearing = Net financial debt / (Consolidated equity /. non-controlling interests /. goodwill resulting from acquisitions subsequent to May 23, 2019).

About Klöckner & Co:

Klöckner & Co is one of the largest producer-independent distributors of steel and metal products and one of the leading steel service companies worldwide. Based on its distribution and service network of around 160 sites in 13 countries, Klöckner & Co supplies more than 90,000 customers. Currently, the Group has around 7,700 employees. Klöckner & Co generated sales of some €9.4 billion in fiscal year 2022. With the expansion of its portfolio of carbon-reduced materials, services and logistics options under the new Nexigen® umbrella brand, the company is underscoring its role as a pioneer of a sustainable steel industry. At the same time, Klöckner & Co leads the way in the steel industry's digital transformation and has set itself the target of digitalizing and largely automating its supply and service chain. In this way, the Company aims to develop into the leading one-stop shop for steel, other materials, equipment and processing services in Europe and the Americas.

The shares of Klöckner & Co SE are admitted to trading on the regulated market segment (Regulierter Markt) of the Frankfurt Stock Exchange (Frankfurter Wertpapierbörse) with further post-admission obligations (Prime Standard). Klöckner & Co shares are listed in the SDAX® index of Deutsche Börse.

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