RHI MAGNESITA

# The driving force of the refractory industry

## 2017 Full Year Results

March 2018

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# Agenda

| | |
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| 2 | Financial Results & Divisional Performance |
| 3 | Strategy |
| 4 | Investment Case |
| 5 | Q&A |

# Overview

# 2017 in review

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**c.€2.7bn** ▲ **11%**

2017 adjusted pro-forma revenue

**€304m** ▲ **39%**

2017 adjusted pro-forma EBITA

**1.9x** ▼ **0.5x**

Net Debt / adjusted pro-forma EBITDA

**11.4%** ▲ **230bps**

2017 adjusted pro-forma EBITA margin

**1.06** ▼ **0.68 days**

Lost time injury rate

**22.2%** ▼ **560bps**

Working capital intensity

# First 150 days: focus on integration whilst maintaining momentum

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## People & Culture

- Senior management and sales team in place and operating from Day 1
- Majority of organizational structures in place
- Roll-out of new Performance Management System
- Executive Management Team visits to all major plants within first 2 weeks after closing
- New corporate identity and culture reinforced through rebranding

## Process, Systems and Operations

- Ongoing alignment of all back-office IT systems
- “One face to the customer” in sales team, client service and invoicing established for all clients
- Fully integrated procurement and raw material sourcing teams
- Successful first negotiation with suppliers driven by higher purchasing volume
- Joint technical data sheets available on Day 1
- Synergy tracking and reporting system established to generate transparency and accountability
- Start of product transfers to optimize production network


**Breitenau, Austria**

**Shanghai, PR China**

**Eskisehir, Turkey**

**Contagem, Brazil**

# Financial Results

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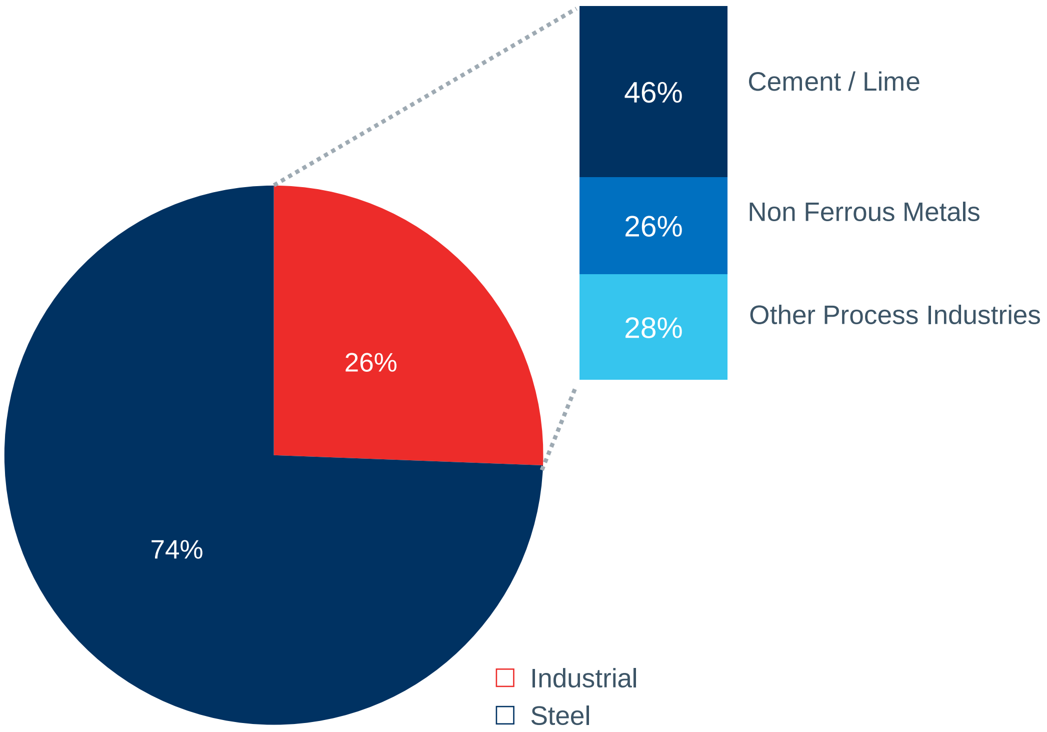
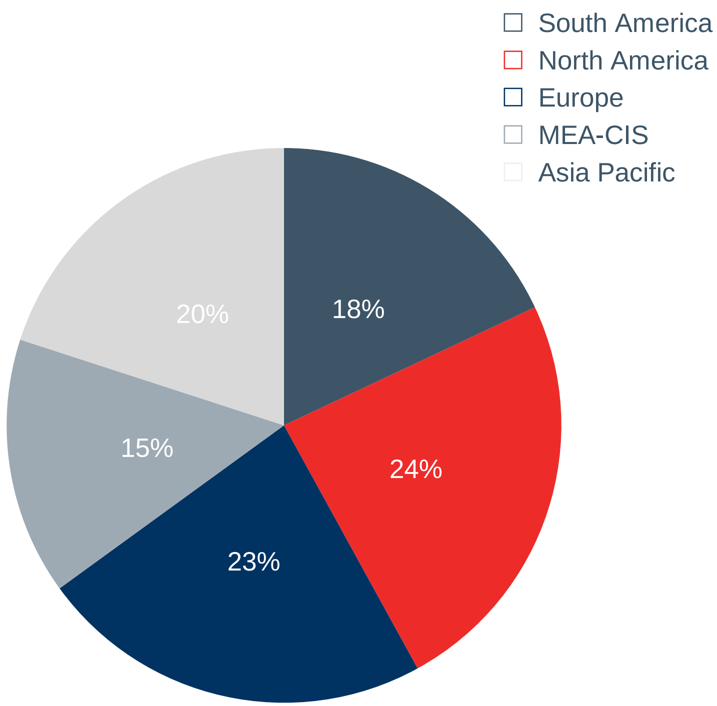
# Adjusted pro-forma revenue breakdown

## Total Revenue: c.**€2.7 bn**

### by Industry[1]



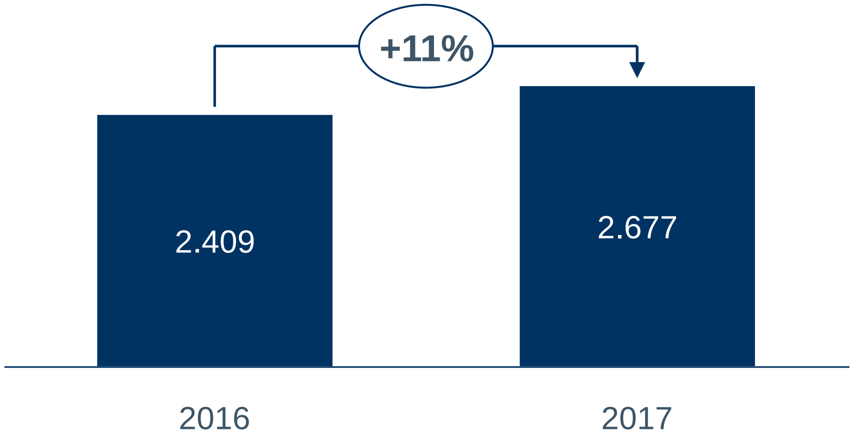

### by Geography



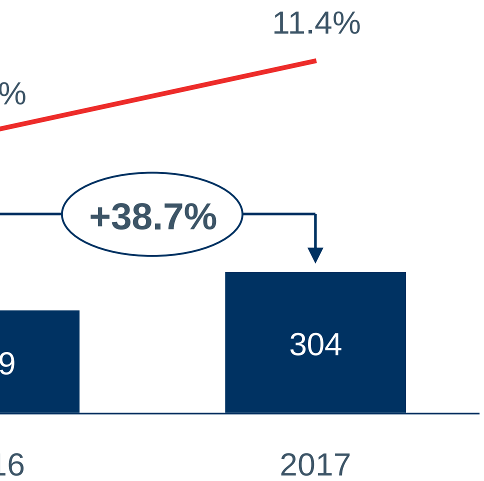

[1] Revenue split considers only refractory segments

# Adjusted pro-forma results

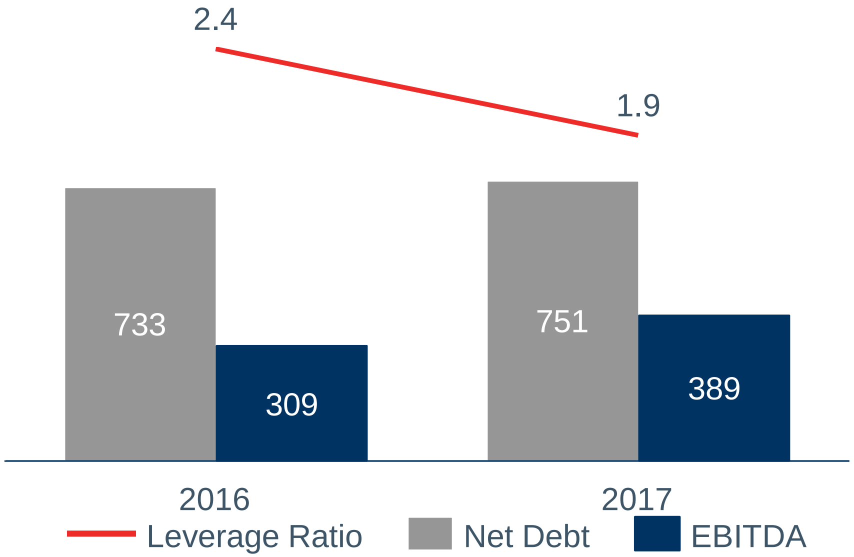
**Revenue** (€m)



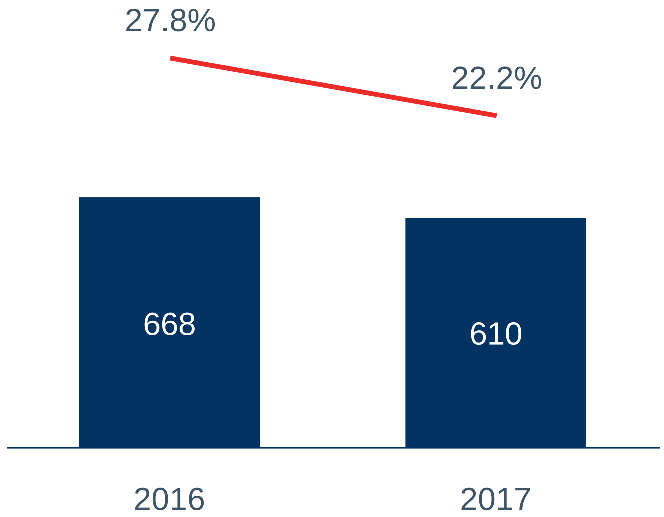

**EBITA** (€m)




**Leverage** (€m)



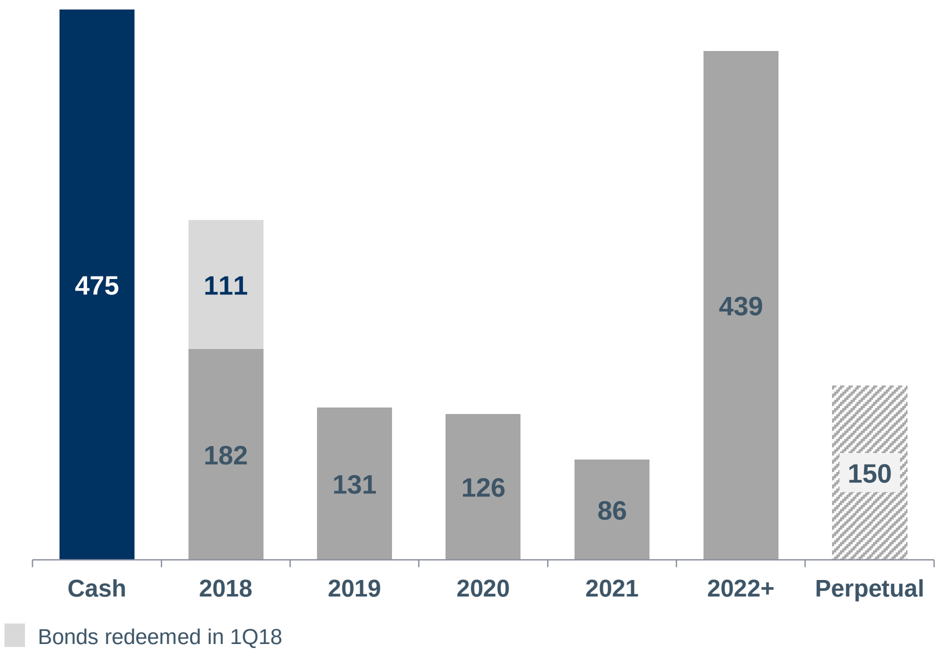

**Working Capital Intensity** (€m)



# Capital structure

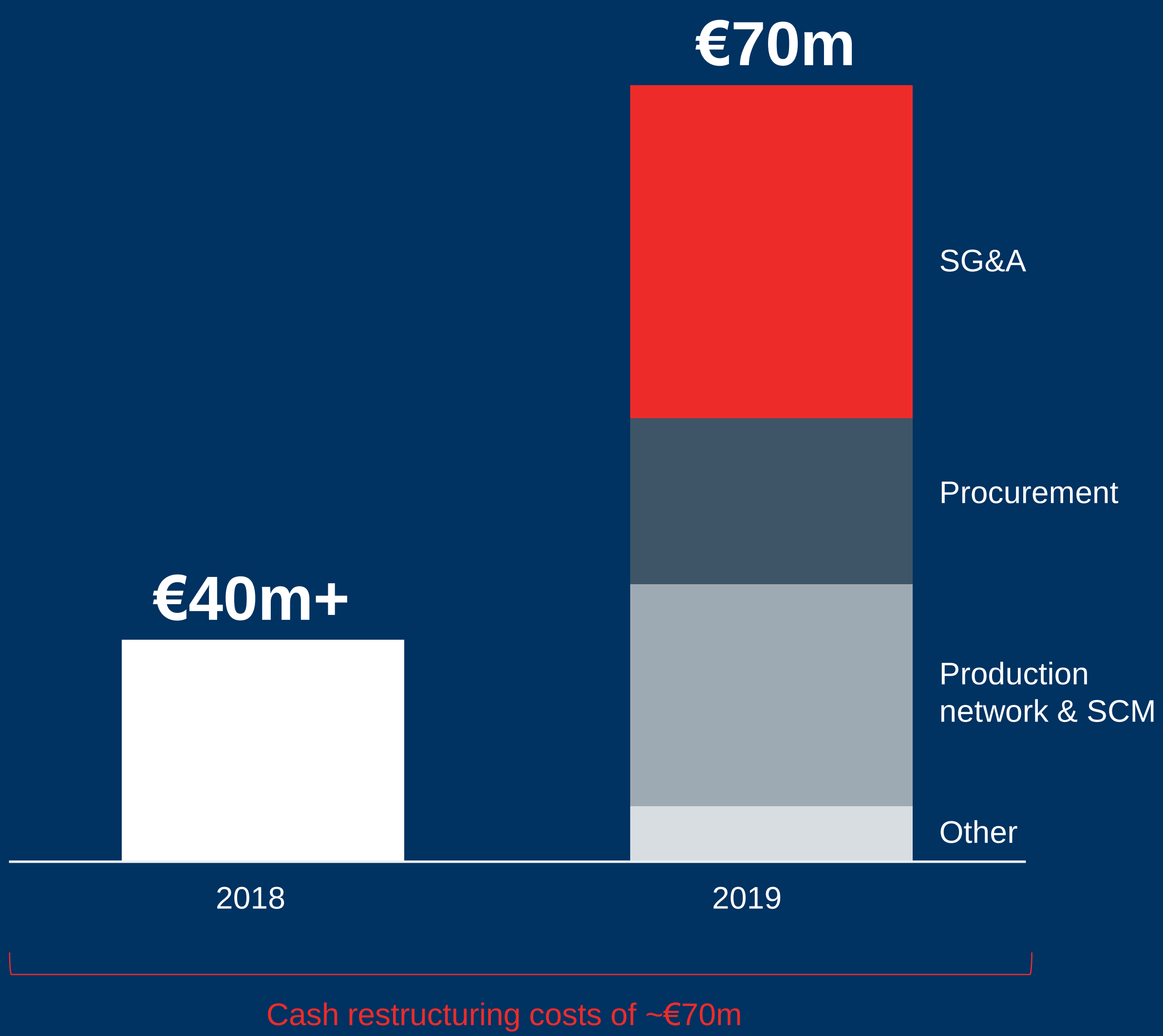
## Solid credit profile and commitment to de-leveraging current business

- Leverage at 1.9x, within our long-term target range
- Increase in liquidity with business disposals and working capital monetization
- Perpetual Bond partially redeemed in Jan18 ($70m) and 2020 Bond to be entirely redeemed ($63m) by March 31st, 2018




| Capitalization Table | € millions |
|---|---|
| Schuldscheindarlehen | 178 |
| Term Loan | 266 |
| Perpetual Bond | 215 |
| Other Loans & Facilities | 567 |
| **Total Gross Indebtedness** | **1,226** |
| Cash, Equivalents & Marketable Securities | 475 |
| **Net Debt** | **751** |
| **Leverage** | **1.9x** |

# Faster realization of synergies by one year




- At least €40m synergies in the 2018 P&L and €70m in synergies to be captured fully by 2019
- Expected total cash restructuring costs are projected to amount to ~€70m, with cash outflows disbursed throughout 2018
- Interest expenses to be reduced by at least €10m in 2018 and €20m in 2019 run-rate
- High volatility in global raw material markets pose additional risks and uncertainty, but also upsides

# Strategy

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# Build a global refractory leader with a differentiated customer proposition based on technology and cost competitiveness to ensure manufacturing of essential materials for the world

## Markets

**Worldwide presence** with strong local organizations and **solid market positions in all major markets**

## Competitiveness

**Cost competitive and safe production** network supported by **lowest cost G&A** services

## Portfolio

**Comprehensive refractory product portfolio** including basic, non-basic, functional products and services in **high performance segments**

## People

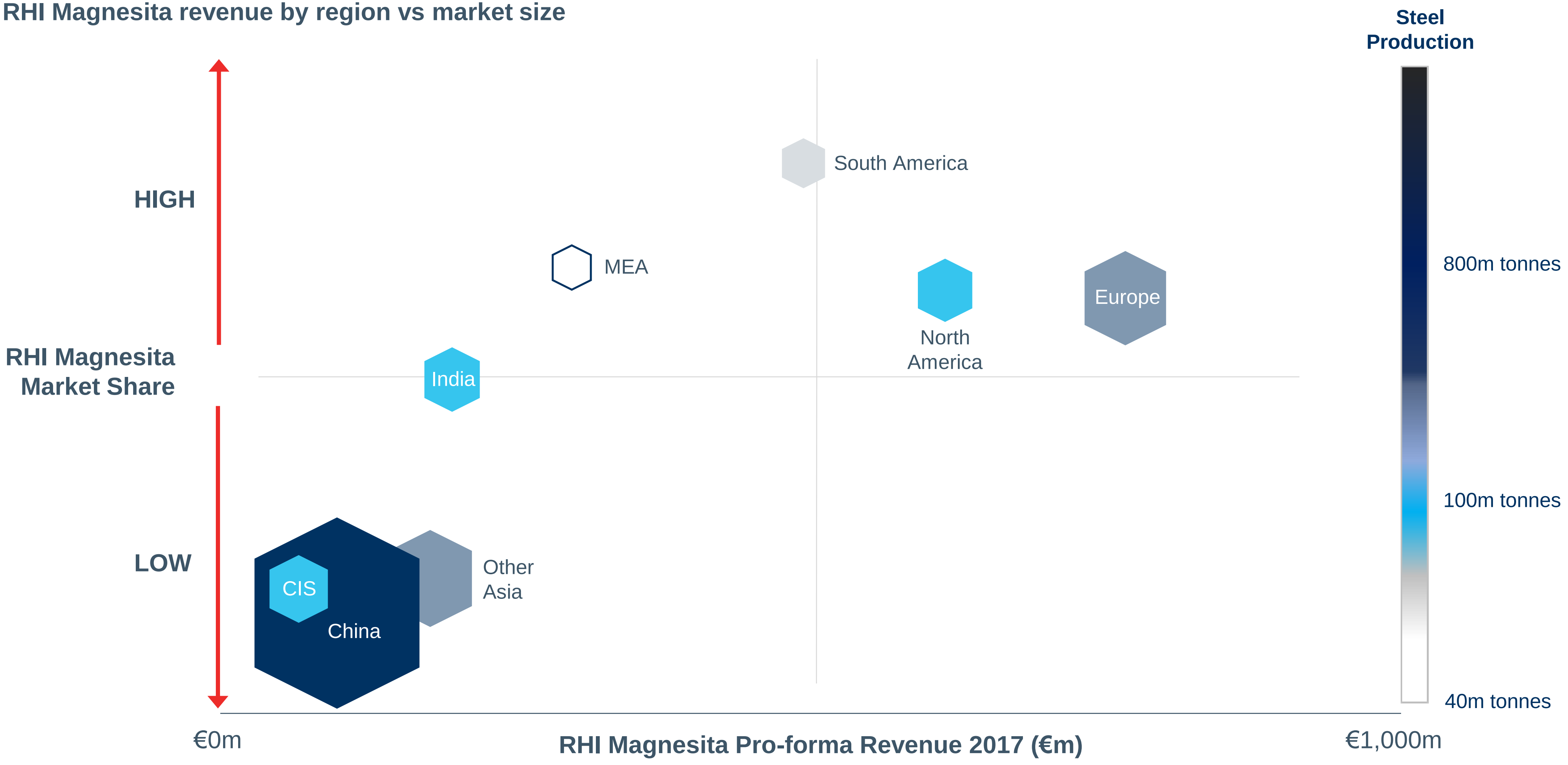
Hire, retain and motivate **talent** and nurture a **meritocratic, performance-driven, client-focused friendly culture**

## Technology

**Top solution provider** in the refractory industry with an extensive portfolio based on **innovative technologies and digitalization**

# High market share in Europe and Americas with opportunities to occupy 'white spaces' in India, China and CIS

## RHI Magnesita revenue by region vs market size



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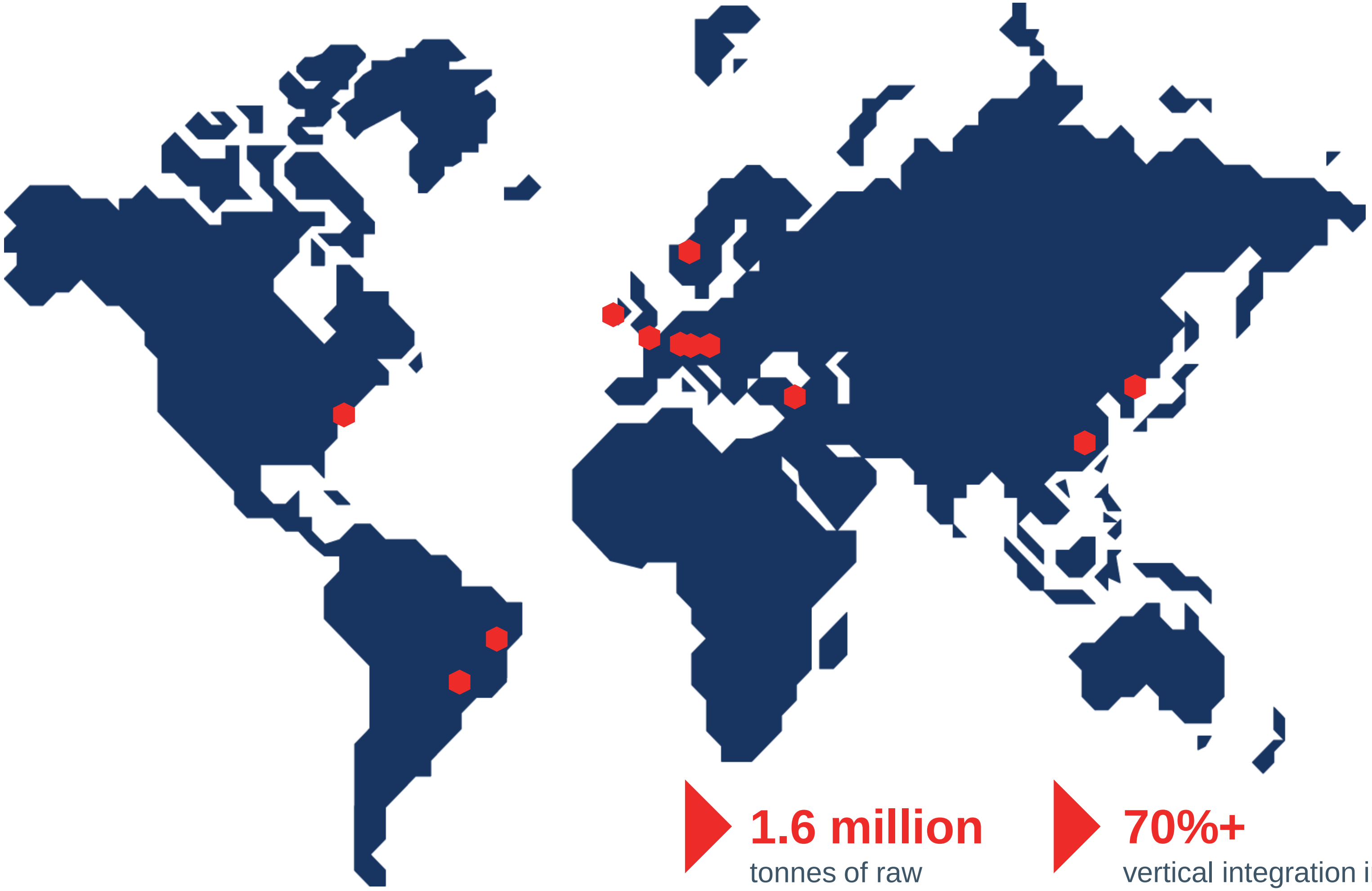
# Unrivalled competitive advantage through vertical integration, in multiple sites



Raw material sites

**1.6 million**
tonnes of raw materials produced per year

**70%+**
vertical integration in basic raw materials and 50%+ for all raw materials

| Certainty of supply | High quality materials | Cost competitiveness |
|---|---|---|

# Compelling investment case

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## 1 Solid strategy and competitive advantages

- Strong market position with 15% market share, clear leadership in Americas, Europe and Middle East with broadest value-added solution offering
- Opportunity to develop and leverage technology across regions and portfolio
- Highest level of vertical integration in the industry with unique mineral sources and 50%+ self-sufficiency in all raw materials

## 2 Rapid deleveraging and strong cash conversion

- Strong cash flow from operating business supported by synergies and organic growth opportunities
- Cash usage priority on deleveraging within 2 years to reach investment grade rating

## 3 Significant synergy potential

- At least €70m EBITA synergies in SG&A, procurement and production network by 2019
- Interest expenses to be reduced by at least €10m in 2018 and €20m in 2019 run-rate
- Additional “below the line” opportunities in working capital, capex and tax

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**Find out more at**
**rhimagnesita.com**