



# Q1 2021

## Results presentation

11 May 2021

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# Leader in Circular Economy

The Group contributes to the 17 United Nations Sustainable Development Goals



## Environment



### Leader in Circular Economy

- +90% recycled content rate of our products
- +80% reuse of generated waste

### Climate Change

- Acerinox committed to achieve carbon neutrality by 2050
- 30% lower direct emissions than stainless steel average

### All factories have the ISO 14001

Intensity of CO2 emissions (scope 1 + 2) has been reduced by 2% compared to the first quarter of 2020 (-4% compared to the previous quarter).

## Social



### High-quality Employment

- 98% of employees have permanent contract

### Promoting Inclusion

- 64 nationalities in +50 countries on 5 continents
- Plants employ 242 people with a disability

### Safety & Health as a priority

The accident frequency index (LTIFR) accumulated in this first quarter represents a reduction of 45.6% compared to 2020

## Governance



## and sustainable finance

### Creation of a Sustainability Commission within the Board of Directors

### Directors

- 12 Directors (8 Independent, 3 Proprietary, 1 Executive)
- 33% women
- 41 meetings held in 2020

During Q1, the achievement of the 2020 objectives related to green loans with BBVA, Sabadell and Caixabank have been confirmed

## Sustainable



## stainless steel

### Acerinox business model based on ECO-EFFICIENCY

Producing more with less

### Stainless Steel contributes to Sustainable Development

- Non-polluting and Non-toxic
- Reusable and 100 % recyclable
- Durable and long life cycle
- Withstands fire & acid
- Hygienic and aesthetic
- Corrosion & abrasion resistant

# Well positioned to benefit from a stronger market



## Q1 Market Highlights

- Stronger market conditions than in Q4 2020
- Stainless demand continues to improve in all markets
- High Performance Alloys (HPA) recovering

### USA

- Strong market conditions
- Flat products apparent demand increases 5% QoQ
- Inventories and imports remain at low levels
- Prices increasing

### Europe

- Flat products apparent demand increases 14% QoQ
- Imports down but still remain high
- EU announced pre-disclosure for anti-dumping duties in CR to India and Indonesia

### Asia

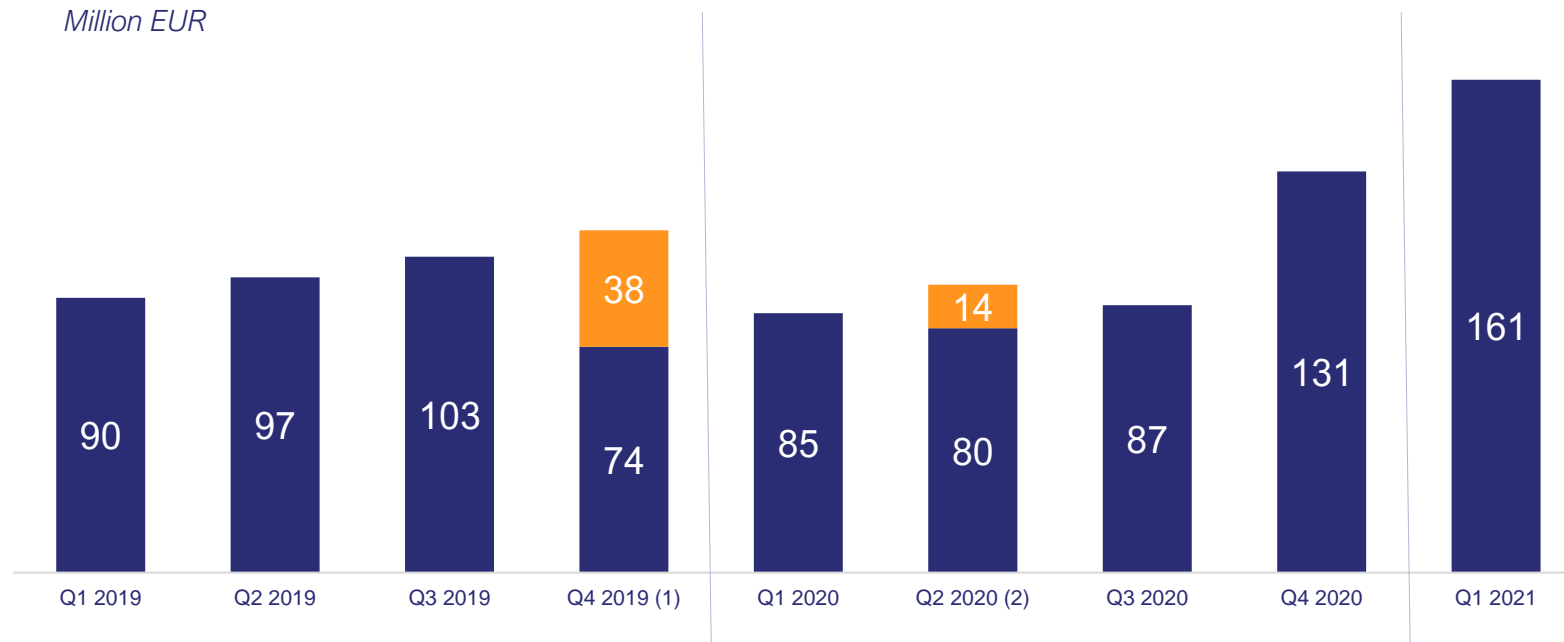
- The recovery of the Chinese market has eased pressure in the region and in the global market
- Latent overcapacity remains
- Removal of 13% of export rebates in China

## Q1 Acerinox Highlights



- **Q1 Production:**
  - +9% melting production QoQ
  - +12 melting production YoY
- **Strongest Q1 EBITDA**, 161 million EUR, since Q1 2017
  - +23% QoQ
  - +90% YoY
- The Stainless steel division posted a strong quarter with EBITDA of 152 million EUR
- Order books are recovering in HPA. Profitability will lag due to later cycle nature of the business
- Net Working Capital increased by 153 million EUR driven by seasonality and stronger market conditions
- Comfortable net debt position of 756 million EUR
- The General Shareholders' Meeting held on April 15 has approved the distribution of a dividend of 0.50 euros / share

# Solid and consistent EBITDA throughout the quarters



(1) 38 million EUR for the lay offs in Spain

(2) 14 million EUR for the expenses of the purchase of VDM

# Q1 – A strong start to 2021

**Our hard work in 2020** means we are **well positioned** to benefit from stronger market conditions in 2021

**EBITDA of 161 million EUR** the strongest since Q1 2017

**Operating Cash Flow of 23 million EUR** in Q1

**Net debt under control** at 756 million EUR, notwithstanding a significant 153 million EUR increase in NWC

<i>Million EUR</i>	Q1 2021	Q1 2020	Q4 2020	% Q1 21 / Q1 20	% Q1 21 / Q4 20
Net Sales	1,441	1,159	1,217	24%	18%
Adjusted EBITDA	161	85	131	90%	23%
Adjusted EBITDA margin	11%	7%	11%		
<b>EBITDA</b>	<b>161</b>	<b>85</b>	<b>131</b>	<b>90%</b>	<b>23%</b>
EBITDA margin	11%	7%	11%		
EBIT	117	44	86	164%	36%
EBIT margin	8%	4%	7%		
Results before Taxes and Minorities	106	41	70	155%	52%
<b>Results after Taxes and Minorities</b>	<b>78</b>	<b>28</b>	<b>19</b>	<b>177%</b>	<b>319%</b>
<b>Operating cash flow (before investments)</b>	<b>23</b>	<b>-36</b>	<b>254</b>	<b>---</b>	<b>-91%</b>
Net Financial Debt	756	854	772	-11%	-2%

# Stainless steel figures Q1 2021

<i>Million EUR</i>	Q1 2021	Q1 2020	Q4 2020	% Q1 21 / Q1 20	% Q1 21 / Q4 20
Melting production (thousand Mt)	650	599	601	9%	8%
Net sales	1,273	1,159	1,067	10%	19%
Adjusted EBITDA	152	85	116	80%	31%
Adjusted EBITDA margin	12%	7%	11%		
<b>EBITDA</b>	<b>152</b>	<b>85</b>	<b>116</b>	<b>80%</b>	<b>31%</b>
EBITDA margin	12%	7%	11%		
Amortization and Depreciation	-37	-41	-38	-9%	-2%
EBIT	115	44	79	159%	46%
EBIT margin	9%	4%	7%		
<b>Operating cash flow (before investments)</b>	<b>25</b>	<b>-36</b>	<b>242</b>	<b>---</b>	<b>-90%</b>



**Strong EBITDA** of 152 million EUR in Q1

**25 million EUR of operating cash flow** despite working capital built

**Our efficiency, flexibility and agility** means that the Group was well placed to benefit immediately from the improvement in market conditions

# High Performance Alloys figures Q1 2021



**Environment improved in Q1...**  
**... but the impact on P&L will be skewed towards H2**

Order book recovering

EBITDA of 10 million EUR

**VDM integration** remains on track and should accelerate in 2021

**Synergies ahead of schedule**

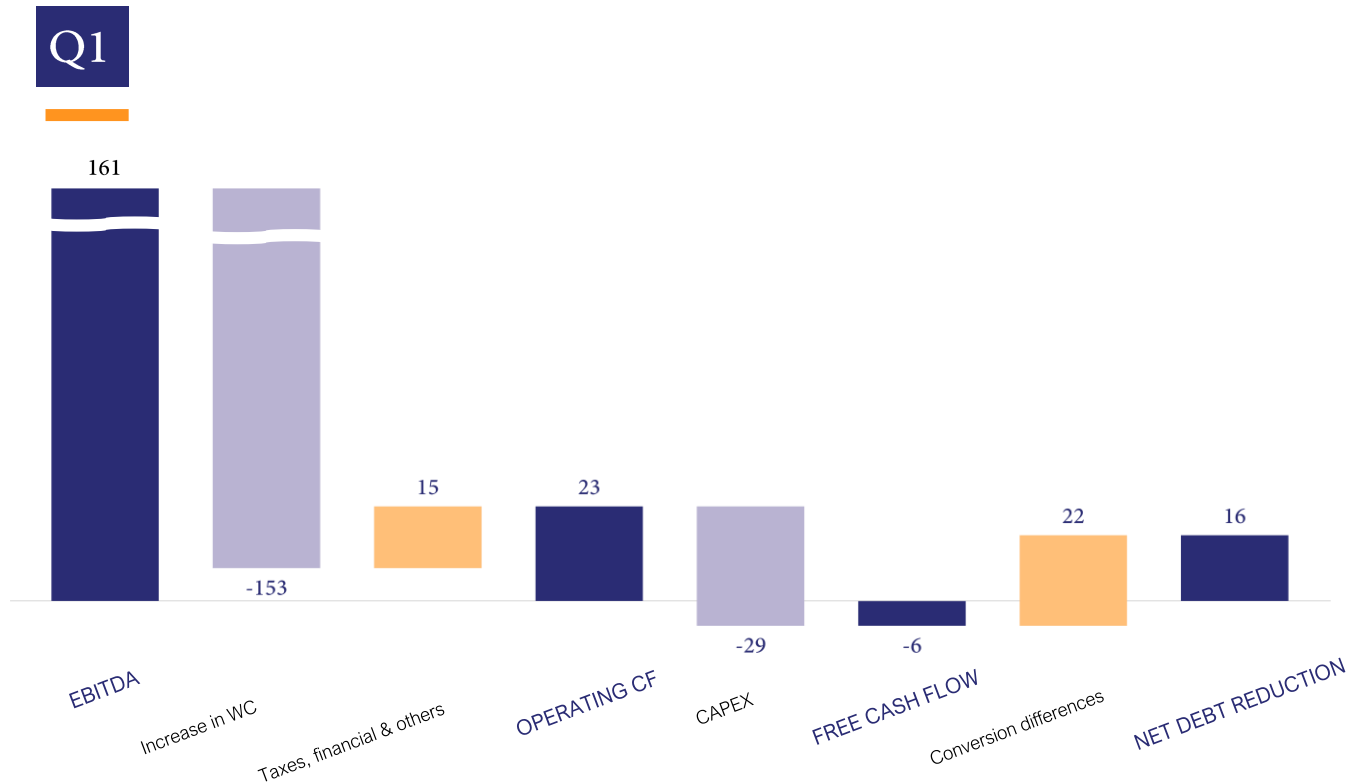
Million EUR	Q1 2021	Q1 2020 <sup>(1)</sup>	Q4 2020	% Q1 21 / Q1 20	% Q1 21 / Q4 20
Melting production (thousand Mt)	18	19	13	-5%	43%
Net sales	167	205	150	-18%	12%
Adjusted EBITDA	10	20	15	-52%	-38%
Adjusted EBITDA margin	6%	10%	10%		
<b>EBITDA</b>	<b>10</b>	<b>20</b>	<b>15</b>	<b>-52%</b>	<b>-38%</b>
EBITDA margin	6%	10%	10%		
Amortization and Depreciation	-5	-6	-6	-1%	-2%
EBIT	4	14	10	-71%	-57%
EBIT margin	2%	7%	6%		
<b>Operating cash flow (before investments)</b>	<b>-1</b>	<b>-30</b>	<b>12</b>	<b>97%</b>	<b>---</b>

<sup>(1)</sup> January and February proforma, before the acquisition of VMD Metals



# Operating cashflow positive notwithstanding temporary NWC build

Million EUR



We maintain FCF focus as a priority to enable us to allocate capital in the best possible way for the business and for shareholders

- Operating Cash Flow **23 million EUR**
- **NWC build** of 153 million EUR driven by **seasonality and improved market conditions**
- **Solid CAPEX** of 29 million EUR in Q1
- We remain very **comfortable** with the Group **net debt position** and options for **capital allocation**

# Outlook & conclusions

- 1 **Q1 has seen a strong start to the year**
- 2 **FCF positive** but significant short term NWC build
- 3 **Stainless Steel strong order books** to remain into Q2
- 4 The market for **HPA has improved** but the benefit to the P&L will be skewed towards H2
- 5 **NWC should be released** through H2 2021 enhancing future FCF generation
- 6 **Q2 EBITDA should be stronger** than Q1





# Q&A

11 May 2021





VALUE CREATION FOR ALL STAKEHOLDERS

# Acerinox

a value for the future

# Acerinnox Investment Opportunity: A Value for the Future

1  Global Leader in Stainless Steel and High Performance Alloys

2  Highest Quality Standards



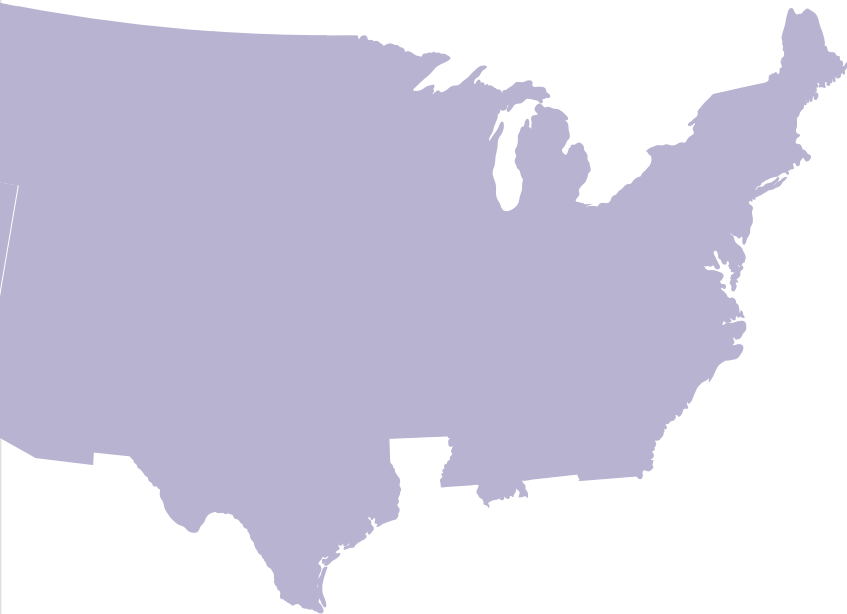
3  Solid Long Term Strategy

4  Attractive Resilient Investment Opportunity

5  Diversification Strategy resulting in High Growth and Significant Value Added

# 1. Global Leader in Stainless Steel and High Performance Alloys

## Clear Leader in Stainless Steel in USA



President Biden Plan to Build a **Modern, Sustainable Infrastructure and an Equitable Clean Energy Future** could represent impressive demand for our products:

- Build a **Modern Infrastructure**
- Achieve a **Carbon Pollution-Free Power** Sector by 2035
- Make Dramatic **Investments in Energy Efficiency** in Buildings, including Completing 4 Million Retrofits and Building 1.5 Million New Affordable Homes
- Pursue a Historic Investment in **Clean Energy Innovation**
- Advance **Sustainable Agriculture and Conservation**
- Secure Environmental **Justice and Equitable Economy** Opportunity



**c50%**

of our sales in America

**c35%**

market share in the US

**We melt 50%**

of the US production

Year 2020

# 1. Global Leader in Stainless Steel and High Performance Alloys



**26%**

Market share in the EU



**13%**

Market share worldwide

Year 2020

## Leaders in High Performance Alloys in EU

High Performance Alloys will also benefit from infrastructure investments programs



## 2. Highest Quality Standards



### High Sustainable Products With No Alternative Substitution

Acerinox recycled content ratio in 2019 was > 90%



**Profitable**



**Aesthetic**



**Corrosion resistant**



**Reusable**



**Hygienic**



**100% recyclable**



**Long lasting**



**Efficient & Versatile (mechanical qualities)**

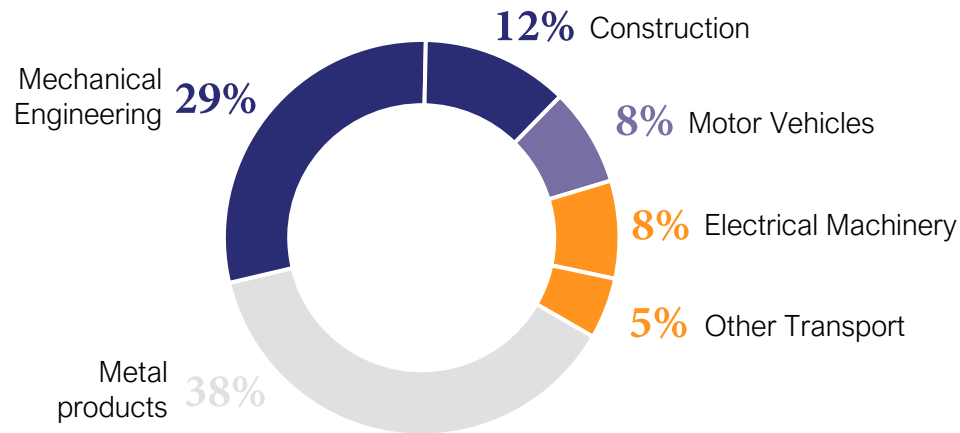


## 2. Highest Quality Standards

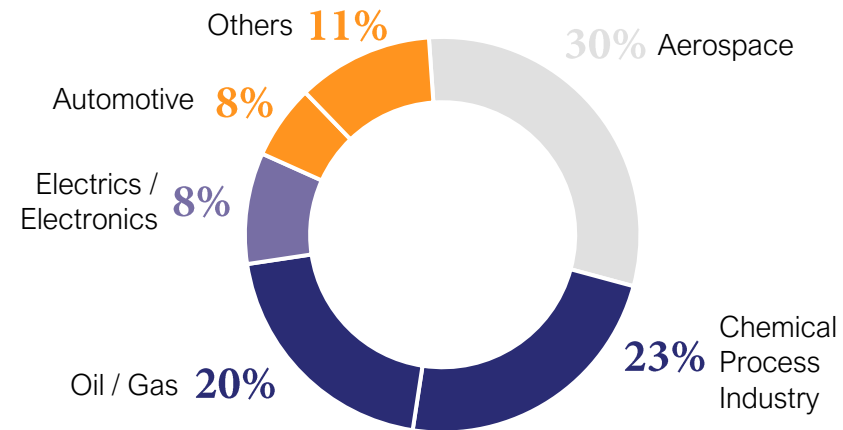
### Diversified End Users: One Stop Shop

Sophisticated products with high growth potential

#### Stainless Steel:



#### High Performance Alloys



CAGR 2000 – 2019<sup>(1)</sup>:

**c. +6%**

World Demand (2019):

**44.3 million tons**

CAGR 2010 – 2018 <sup>(2)</sup>:

**c. 4%**

World Demand (2018):

**313 thousand tons**

Sources: ISSF; SMR;

<sup>1</sup> Calculated for Market Demand of Stainless Steel

<sup>2</sup> Calculated for Market Demand for Specialty Alloys (excl. Seamless Tube)

## 2. Highest Quality Standards

Present In Every Aspect Of Life



### Transport

**High Resistance to Corrosion, Withstand High Temperatures and Pressures and High Mechanical Performance**

- Containers, tanks and trailer
- Aviation. Aerospace. Nautical
- Exhaust systems of hybrid and plug-in hybrid vehicles
- Vehicles



### Food & beverages

**Hygienic and Clean Material, Ideal for the Production, Handling and Transport of Food**

- Containers, tanks
- Fishing boats
- Conservation
- Manufacturing
- Handling and transportation



### Homes and restaurants

**Resistance to Rust, ease with which it can be Cleaned, Becoming Essential in Modern Design (cutlery)**

- Washing machines
- Refrigerators
- Pots and pans
- Industrial kitchens
- Cutlery
- HD Disc and electronics

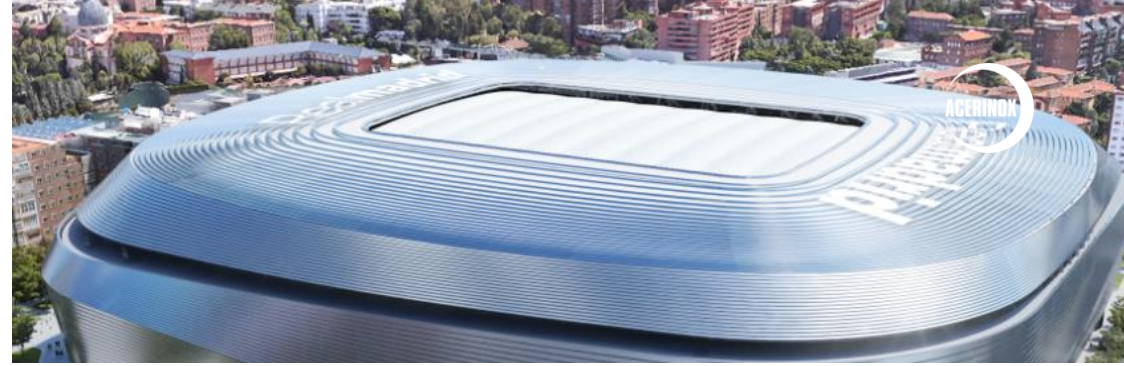


### Medical services & Pharma Industry

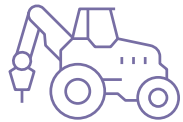
**Stops the spread of bacteria on its surface. Highly hygienic. To be meticulously disinfected in hospitals and health centers**

- Medical equipment and furniture
- Medical components
- Implants, prostheses
- Surgical instruments

## 2. Highest Quality Standards



Sophisticated Products Require Best In Class Materials



### Infrastructures and construction

**Chosen as structural steel to prevent rusting and corrosion from carbonation. Nickel alloys resistant to high temperatures and corrosion**

- Industrial furnaces
- 18-metre cupola of the Louvre in Abu Dhabi
- Ventilation equipment
- Structural elements
- Bridges and structures in contact with water



### Energy

**Present in the Obtaining and Distribution of Hydrocarbons and Biofuels. Essential in Ethanol Production**

- Welding additives and consumables for chemical and petrochemical plants
- Photovoltaic panels
- Thermal power plant salt tanks



### Art

**Refurbish historic works, turned to this material on many occasions, especially in sculpture**

- Atomium in Brussels
- Cloud Gate sculpture, Chicago
- Access to the Bilbao Metro (design by Norman Foster)



### Architecture

**Important in the construction of buildings and large works. Resistance to corrosion and excellent mechanical properties. Low maintenance. Clean**

- Urban furniture
- Building facades
- Interior decoration
- Facade and the roof of the new Santiago Bernabéu Stadium

## 2. Highest Quality Standards



### Stainless Steel And High Performance Alloys: Sustainable Products



#### Water

**Minimal corrosion, does not contaminate the water and does not require any extra covering. Permits design corrections and modifications *in situ*. Adaptable to all kinds of shapes.**

- Pumps and valves
- Washing systems
- Tanks
- Chemical treatment operations



#### Electrical machinery

**Needs for longevity, off-site credibility and potential corrosion resistance. Environmental friendly.**

- Residential energy storage system
- Electrical enclosure
- Modular bus stations



#### Facilitate life and adaptation

**Increasing presence in life and becoming essential. Friendly and smooth texture. Hygienic. Easy to clean.**

- Sinks and showers
- Beds frames
- Stainless steel handrail
- Chair adapted (swimming pool)
- Lift adapted



#### Other

**Excellent workability, corrosion resistance, formability, weldability for over half a century**

- Urban waste sorting/recovery container
- Floors for bumper cars
- Bread moulds
- Stainless weldable sandwich with 3D-profiled core

# 3. Solid Long Term Strategy

## Our Long Term Strategy Remains Intact



# 3. Solid Long Term Strategy



## Mision

**Create high performance materials** for a sustainable society



## Vision

**Become a global customer centric supplier** through innovation in sustainable Stainless Steel and High Performance Alloys solutions

## Values



**Safety**



**Sustainability**



**Employer of choice**



**Integrity**



**Commitment**



**Long-term focus**



**Excellence**



**Innovation**



**Quality**



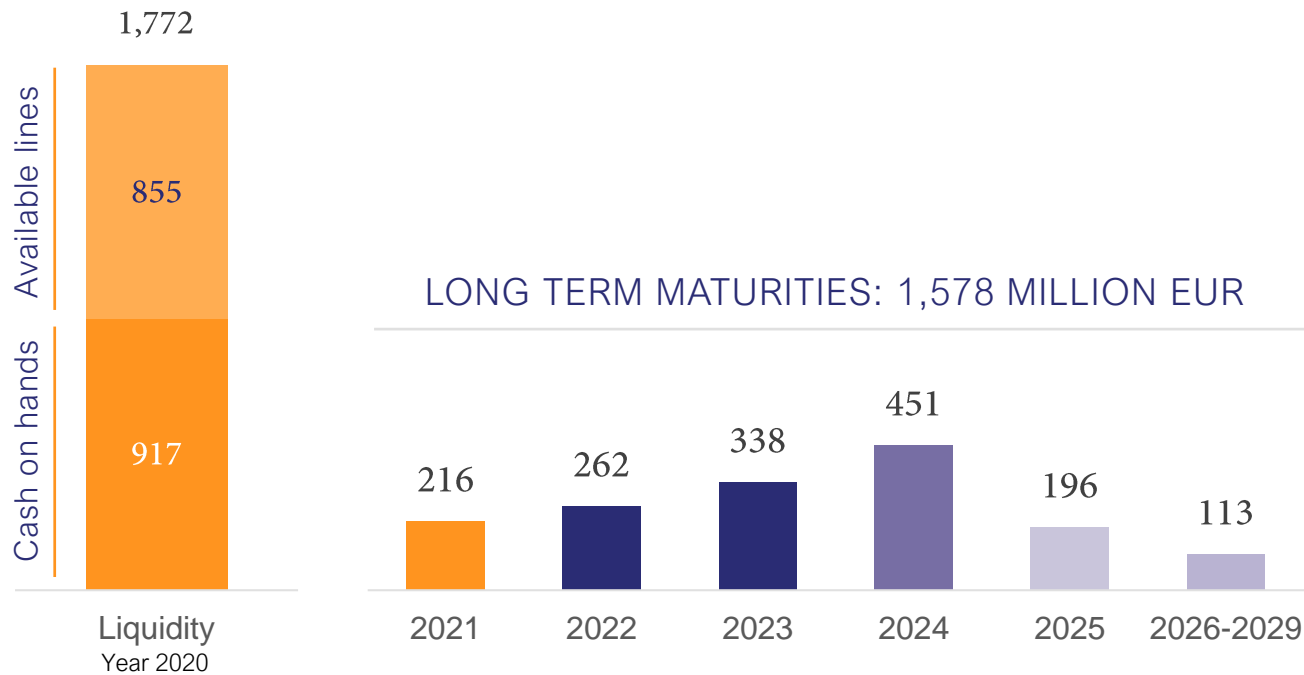
# 3. Solid Long Term Strategy

## Strong Balance Sheet Despite Covid-19 Disruption

### Extremely liquid

#### Liquidity Position (€m)

Liquidity remains best in class, fully covering all maturities



#### Net Debt

Robust balance sheet

- **Net Financial Debt** of €772m
- **Weighted Cost** of Term Debt of 1.5%
- **ND / LTM EBITDA** of 2.0x
- **Gross Debt** of €1.7b
  - **97% of it free** of covenants on results
- **Immediate liquidity** corresponding to cash of €917m

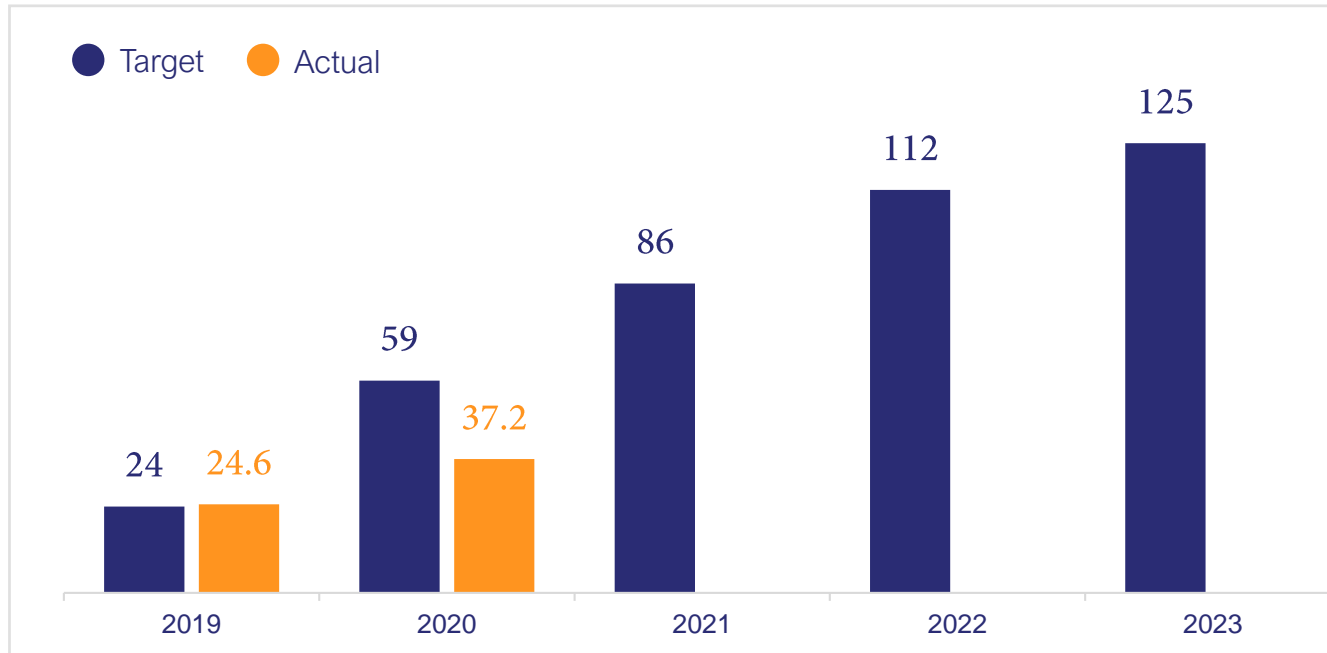
Year 2020

# 3. Solid Long Term Strategy

## Constantly Improving

**Production:** Quality, melting shop yields and efficiency in production materials

**Supply chain:** Delivery on time



### Excellence 360°

- **Digitalization** and 360° planning
- **Cost reduction** programs
- Prioritize **quick return** investments
- Optimize the **commercial network**



# 4. Attractive Resilient Investment Opportunity

Agile Measures to the COVID Outbreak Have Ensured Resiliency

## We Prepared Early and Acted Decisively



**Safety** and prevention measures



**Our management** team took Acerinox through 2008/2009 successfully and efficiently



**Fixed costs** reduction and variabilisation



**Massive liquidity**, 1.8 billion euros, covering maturities until 2029



**Refinancing** to anticipate future renewals and extend maturities



**Operating performance**, cost control, capital allocation and FCF focus



Secured the **supply chain**

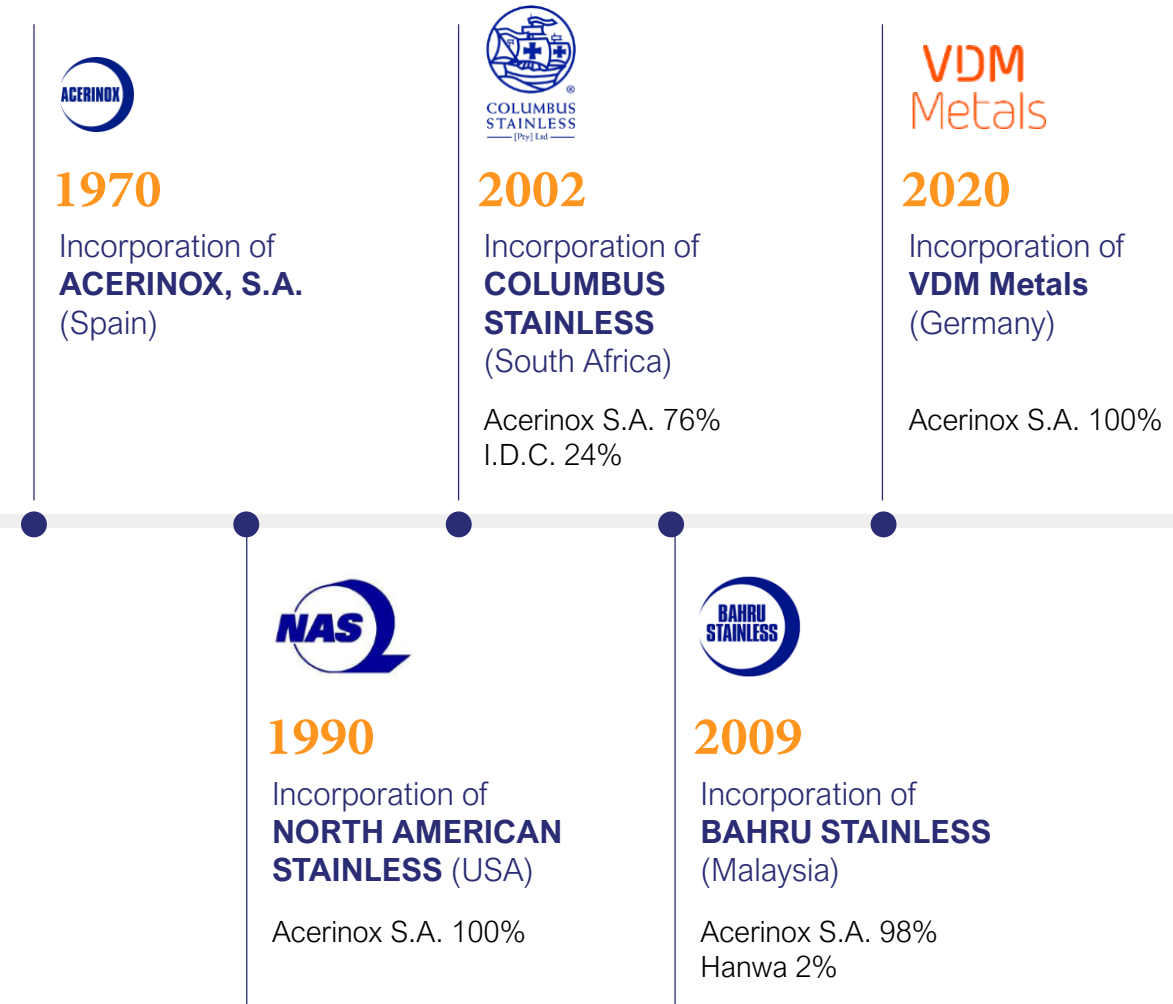


**Strong track record on consistent financial performance**, over-performing our main European peers in 12M 2020:

- +37% adjusted EBITDA than peer 1
- +26% adjusted EBITDA than peer 2

# 5. Adding Value Through Diversification

## Ongoing Growth



Main Acerinox Shareholders	%	Since
Corporación Financiera Alba, S.A .	18.96%	2001
Nippon Steel Stainless Steel Corp.	15.49%	1970
Industrial Development Corp. (I.D.C.)	3.04%	2002
Bravo Andreu, Daniel	3.00%	2020

# 5. Adding Value Through Diversification

## Production Sites

### Stainless Steel Division



#### Kentucky



##### Flat product

- Melting Shop
- Hot Rolling Shop
- Cold Rolling Shop

##### Long product

- Hot Rolling
- Finished Product



#### Ponferrada & Igualada



##### Long product

- Hot Rolling
- Finished Product



#### Campo de Gibraltar



##### Flat product

- Melting Shop
- Hot Rolling Shop
- Cold Rolling Shop



#### Middelburg



##### Flat product

- Melting Shop
- Hot Rolling Shop
- Cold Rolling Shop

### High Performance Alloys

VDM  
Metals



##### Flat product

- Melting Shop
- Hot Rolling Shop
- Cold Rolling Shop

##### Long product

- Hot Rolling
- Finished Product



#### Johor



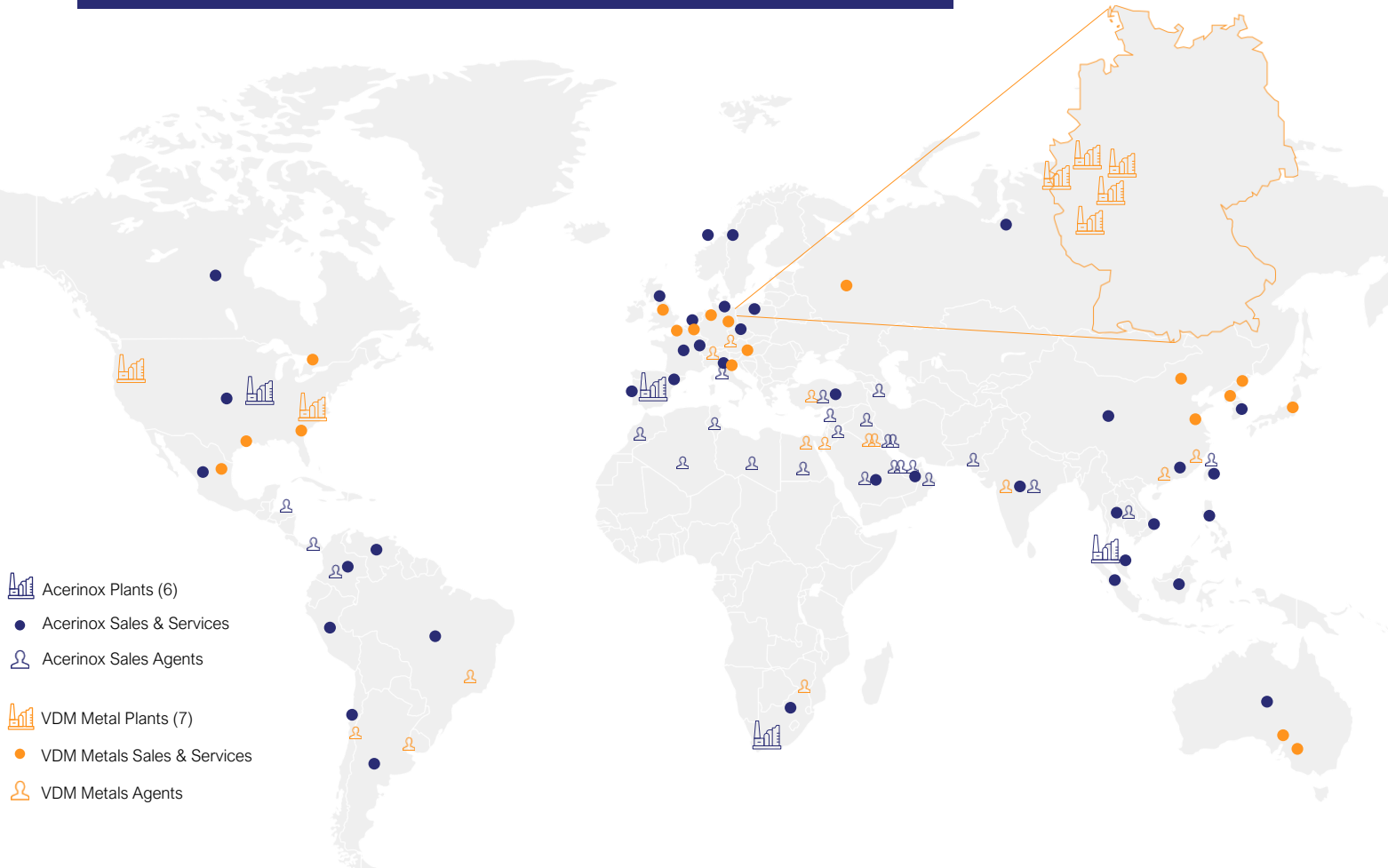
##### Flat product

- Cold Rolling Shop

# 5. Adding Value Through Diversification

## Strong Global Presence

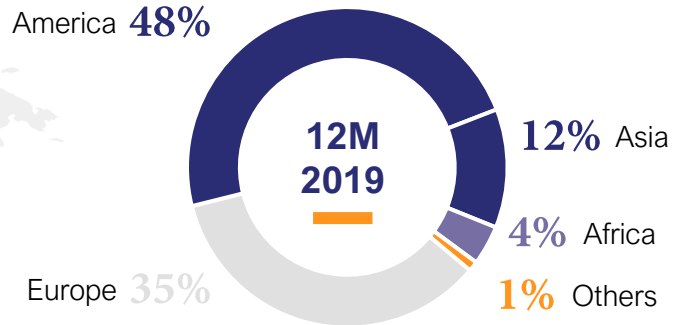
### Combined Global Footprint and Sales by Region



### Acerinox

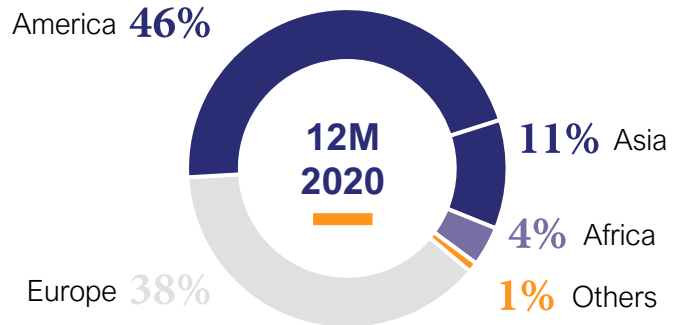
#### 12M 2019

America **48%**



#### 12M 2020<sup>(1)</sup>

America **46%**



Source: <sup>1</sup> Acerinox including VDM Metals

# 5. Adding Value Through Diversification

A Leader In Stainless And HPA



# 5. Adding Value Through Diversification

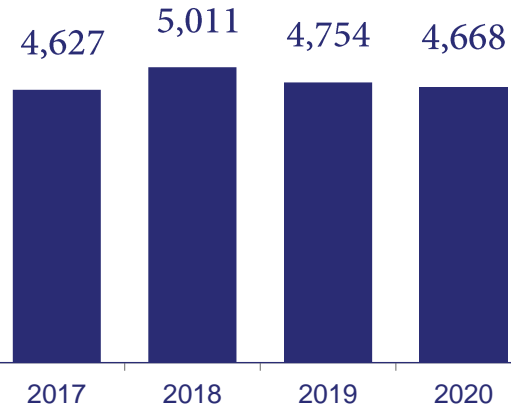
## Solid Revenue And Earnings Growth

### Consolidated group figures

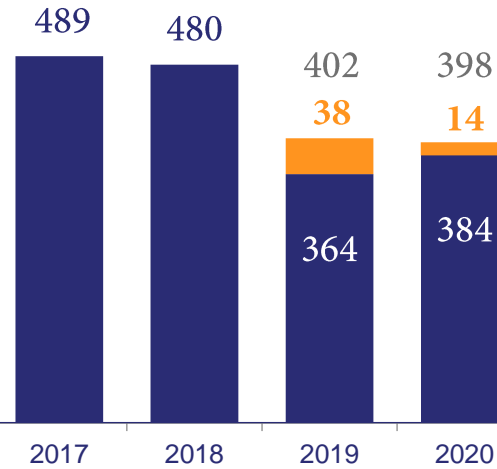
Million EUR



**Sales**



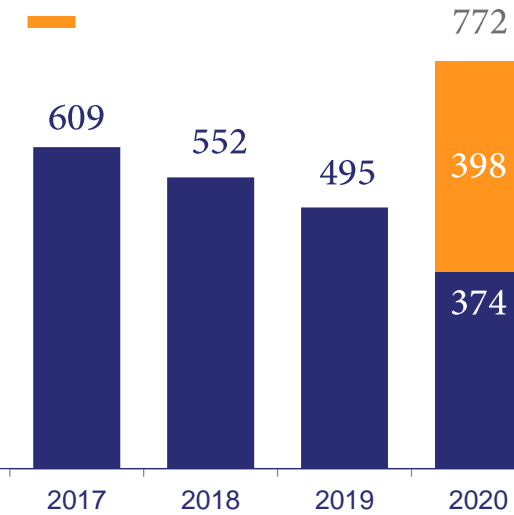
**EBITDA**



**2019:** 38 million EUR for the lay offs in Spain  
**2020:** 14 million EUR for the expenses of the purchase of VDM



**Net Financial Debt**



**2020:** 398 million EUR of debt related to VDM acquisition

## 5. Adding Value Through Diversification

### Strong Cash Generation

### Consolidated Group figures

Million EUR

	Jan - Mar 2020	Ap - Jun 2020	Jul - Sep 2020	Oct - Dec 2020	Jan - Dec 2020	Jan - Dec 2019
<b>EBITDA</b>	<b>85</b>	<b>80</b>	<b>87</b>	<b>131</b>	<b>384</b>	<b>364</b>
<b>Changes in working capital</b>	-97	63	74	183	223	96
<b>Changes in operating working capital</b>	-65	50	65	186	236	44
Inventories	9	95	92	27	223	2
Trade debtors	-47	93	-1	38	83	41
Trade creditors	-27	-139	-26	122	-70	0
<b>Other adjustments to working capital</b>	-32	13	9	-3	-13	52
Acerinox Europa lay-offs	-26	0	0	0	-26	---
Others	-6	13	9	-3	13	52
<b>Income tax</b>	-23	-3	-49	-24	-99	-116
<b>Financial expenses</b>	-3	-9	-13	-11	-36	-15
<b>Other adjustments to the result</b>	3	-20	-8	-26	-51	29
<b>OPERATING CASH FLOW</b>	<b>-36</b>	<b>111</b>	<b>91</b>	<b>254</b>	<b>421</b>	<b>359</b>
<b>Payments for VDM acquisition</b>	-313	0	0	0	-313	---
<b>Payments for investments on fixed assets</b>	-23	-27	-29	-19	-99	-128
<b>FREE CASH FLOW</b>	<b>-373</b>	<b>84</b>	<b>62</b>	<b>235</b>	<b>8</b>	<b>231</b>
Dividends and treasury shares	0	0	0	-135	-135	-184
	0	0	0	4	4	0
<b>CASH FLOW AFTER DIVIDENDS</b>	<b>-373</b>	<b>84</b>	<b>62</b>	<b>103</b>	<b>-123</b>	<b>47</b>
Conversion differences	13	-16	-31	-35	-70	10
Net financial debt acquired from VDM	0	-85	0	0	-85	---
<b>Variation in net financial debt</b>	<b>-360 ↑</b>	<b>-17 ↑</b>	<b>31 ↓</b>	<b>68 ↓</b>	<b>-278 ↑</b>	<b>57 ↓</b>

(\*) These figures do not coincide with the balance sheet items due to the purchase of VDM



VALUE CREATION FOR ALL STAKEHOLDERS

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Contact: [inversores@acerinox.com](mailto:inversores@acerinox.com)