

Aperam S.A.



ISIN: LU0569974404 Land: Luxembourg

Nachricht vom 29.07.2020 | 07:00

Second quarter 2020 results: Resilient results despite the COVID induced demand drop

Aperam S.A. / Key word(s): Quarter Results
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 29-Jul-2020 / 07:00 CET/CEST

Luxembourg, July 29, 2020 (07:00 CET) - Aperam (referred to as "Aperam" or the "Company") (Amsterdam, Luxembourg, Paris, Brussels: APAM, NYRS: APEMY), announced today results for the three months ending June 30, 2020.

Highlights

Health and Safety: LTI frequency rate of 0.6x in Q2 2020 compared to 1.9x in Q1 2020

Steel shipments of 376 thousand tonnes in Q2 2020, 14% decrease compared to steel shipments of 438 thousand tonnes in Q1 2020

EBITDA of EUR 49 million in Q2 2020, compared to EUR 70 million in Q1 2020

Net income of EUR 21 million in Q2 2020, compared to EUR 29 million in Q1 2020

Basic earnings per share of EUR 0.27 in Q2 2020, compared to EUR 0.36 in Q1 2020

Cash flow from operations amounted to EUR 57 million in Q2 2020, compared to EUR 63 million in Q1 2020

Free cash flow before dividend of EUR 34 million in Q2 2020, compared to EUR 18 million in Q1 2020

Net financial debt of EUR 123 million as of June 30, 2020, compared to EUR 108 million as of March 31, 2020

Strategic initiatives

Leadership Journey(R)² Phase 3: The annualized gains reached EUR 21 million in Q2 2020. Aperam realized cumulative annualized gains of EUR 171 million at the end of Q2 2020, compared to the target of EUR 200 million by the end of 2020

Prospects

EBITDA in Q3 2020 is expected to remain at a comparable level versus Q2 2020

Net financial debt is expected to reach its seasonal peak in Q3 2020

Timoteo Di Maulo, CEO of Aperam, commented:

"I'm proud to report that we have kept our workforce on our sites safe throughout the COVID crisis in the second quarter, thanks to our strict protocols and the full collaboration of our people. Our flexible and resilient business model enabled us to cope well with the sudden demand drop. Strict cost management across all divisions, stable contribution from Alloys and a good performance in Brazil allowed us to remain profitable and cash generative. Although demand has started to recover, we expect it to remain clearly below the historical normal level. Unrevised safeguard quotas that continue to support excessive imports pose another strong headwind. We therefore expect the coming quarter to remain as challenging as this one was."

Financial Highlights (on the basis of financial information prepared under IFRS)

(in millions of Euros, unless otherwise stated)	Q2 20	Q1 20	Q2 19	H1 20	H1 19
Sales	818	1,049	1,090	1,867	2,268
Operating income	14	34	59	48	105
Net income attributable to equity holders of the parent	21	29	57	50	82
Basic earnings per share (EUR)	0.27	0.36	0.69	0.63	0.99
Diluted earnings per share (EUR)	0.27	0.36	0.69	0.63	0.99
Free cash flow before dividend and share buy-back	34	18	72	52	96
Net Financial Debt (at the end of the period)	123	108	176	123	176
EBITDA	49	70	95	119	176
EBITDA/tonne (EUR)	130	160	204	146	182
Steel shipments (000t)	376	438	465	814	966

Health & Safety results

Health and Safety performance based on Aperam personnel figures and contractors' lost time injury frequency rate was 0.6x in the second quarter of 2020 compared to 1.9x in the first quarter of 2020.

Financial results analysis for the three-month period ending June 30, 2020

Sales for the second quarter of 2020 decreased by 22% to EUR 818 million compared to EUR 1,049 million for the first quarter of 2020. Steel shipments decreased from 438 thousand tonnes in the first quarter of 2020, to 376 thousand tonnes in the second quarter of 2020.

EBITDA decreased during the quarter to EUR 49 million from EUR 70 million for the first quarter of 2020. Volumes in both Europe and Brazil were substantially impacted by the COVID induced demand drop. Prices remained under pressure. Lower raw material prices caused negative inventory valuation effects. The gains from the Leadership Journey(R) were not sufficient to offset these negative factors.

Depreciation and amortization was EUR (35) million for the second quarter of 2020.

Aperam had an operating income for the second quarter of 2020 of EUR 14 million compared to an operating income of EUR 34 million for the previous quarter.

Financing costs including the FX and derivatives result for the second quarter of 2020 were positive at EUR 9 million, including cash cost of financing of EUR (2) million and exceptional interest income of EUR 15 million in Brazil for PIS/Cofins tax credits related to prior periods.

Income tax expense for the second quarter of 2020 was EUR (2) million.

The Company recorded a net income of EUR 21 million for the second quarter of 2020.

Cash flows from operations for the second quarter of 2020 were positive at EUR 57 million, with a working capital increase of EUR 37 million. CAPEX for the second quarter was EUR (23) million.

Free cash flow before dividend for the second quarter of 2020 amounted to EUR 34 million.

During the second quarter of 2020, the cash returns to shareholders amounted to EUR 37 million, consisting fully of dividend.

Operating segment results analysis

Stainless & Electrical Steel⁽¹⁾

(in millions of Euros, unless otherwise stated)	Q2 20	Q1 20	Q2 19	H1 20	H1 19
Sales	632	827	842	1,459	1,773
EBITDA	43	53	79	96	131
Depreciation, amortisation & impairment	(28)	(30)	(30)	(58)	(60)
Operating income	15	23	49	38	71
Steel shipments (000t)	364	426	440	790	919
Average steel selling price (EUR/t)	1,678	1,876	1,856	1,785	1,864

(1) Amounts are shown prior to intra-group eliminations

The Stainless & Electrical Steel segment had sales of EUR 632 million for the second quarter of 2020. This represents a 24% decrease compared to sales of EUR 827 million for the first quarter of 2020. Steel shipments during the second quarter were 364 thousand tonnes, a decrease of 15% compared to shipments of 426 thousand tonnes during the previous quarter. The COVID induced demand drop caused volumes in Europe to decline substantially despite lower import pressure. The COVID crisis also negatively impacted volumes in Brazil in a seasonally stronger quarter. Average steel selling prices for the Stainless & Electrical Steel segment decreased by 11% compared to the previous quarter.

The segment generated EBITDA of EUR 43 million for the second quarter of 2020 compared to EUR 53 million for the first quarter of 2020. The negative volume impact was not fully compensated by a less negative inventory valuation effect from raw material pricing and Leadership Journey(R) gains.

Depreciation and amortisation expense was EUR (28) million for the second quarter of 2020.

The Stainless & Electrical Steel segment had an operating income of EUR 15 million for the second quarter of 2020 compared to an operating income of EUR 23 million for the first quarter of 2020.

Services & Solutions⁽¹⁾

(in millions of Euros, unless otherwise stated)	Q2 20	Q1 20	Q2 19	H1 20	H1 19
Sales	310	450	453	760	973
EBITDA	5	9	16	14	32
Depreciation & amortisation	(4)	(3)	(4)	(7)	(6)
Operating income	1	6	12	7	26
Steel shipments (000t)	132	186	182	318	396
Average steel selling price (EUR/t)	2,212	2,331	2,374	2,281	2,341

(1) Amounts are shown prior to intra-group eliminations

The Services & Solutions segment had sales of EUR 310 million for the second quarter of 2020, representing a decrease of 31% compared to sales of EUR 450 million for the first quarter of 2020. For the second quarter of 2020, steel shipments were 132 thousand tonnes compared to 186 thousand tonnes during the previous quarter. The Services & Solutions segment had lower average steel selling prices during the period compared to the previous period.

The segment generated EBITDA of EUR 5 million for the second quarter of 2020 compared to EBITDA of EUR 9 million in the first quarter of 2020. EBITDA decreased mainly due to a significant 29% drop in volumes quarter on quarter that was not compensated by a less negative inventory valuation effect and Leadership Journey(R) gains.

Depreciation and amortisation was EUR (4) million for the second quarter of 2020.

The Services & Solutions segment had an operating income of EUR 1 million for the second quarter of 2020 compared to an

operating income of EUR 6 million for the first quarter of 2020.

Alloys & Specialties⁽¹⁾

(in millions of Euros, unless otherwise stated)	Q2 20	Q1 20	Q2 19	H1 20	H1 19
Sales	142	155	156	297	309
EBITDA	11	9	12	20	24
Depreciation & amortisation	(1)	(3)	(2)	(4)	(4)
Operating income	10	6	10	16	20
Steel shipments (000t)	9	9	9	18	19
Average steel selling price (EUR/t)	16,038	16,572	16,122	16,311	15,705

(1) Amounts are shown prior to intra-group eliminations

The Alloys & Specialties segment had sales of EUR 142 million for the second quarter of 2020, representing a decrease of 8% compared to EUR 155 million for the first quarter of 2020. Steel shipments were stable during the second quarter of 2020 at 9 thousand tonnes. Average steel selling prices were lower during the quarter.

The Alloys & Specialties segment achieved EBITDA of EUR 11 million for the second quarter of 2020 compared to EUR 9 million for the first quarter of 2020. The increase in EBITDA was due to a combination of stable volumes, a less negative raw material induced inventory valuation effect and the disappearance of COVID related costs from temporary plant closures that impacted the previous quarter.

Depreciation and amortisation expense for the second quarter of 2020 was EUR (1) million.

The Alloys & Specialties segment had an operating income of EUR 10 million for the second quarter of 2020 compared to an operating income of EUR 6 million for the first quarter of 2020.

Recent developments

On May 6, May 28, and June 2, 2020, Aperam announced shareholding notifications by Société Générale SA for crossing upwards and downwards the 5% voting rights threshold with reference to Transparency Law.

On June 30, 2020, Aperam strengthened its liquidity profile by closing an additional bank credit line for a total commitment of EUR 100 million valid until June 30, 2021. In the context of COVID-19 outbreak, this financing contract is guaranteed by the "Office du Ducreire Luxembourg".

New developments

On July 29, 2020, Aperam published its Half-Year Report for the six month period ended June 30, 2020. The report is available in the Luxembourg Stock Exchange's electronic database OAM on www.bourse.lu and on www.aperam.com under Investors > Investors Essentials > Financial Reports section.

Investor conference call / webcast

Aperam management will host a conference call / webcast for members of the investment community to discuss the second quarter 2020 financial performance at the following time:

Date	New York	London	Luxembourg
Wednesday, July 29, 2020	08:00 am	01:00 pm	02:00 pm

Link to the webcast: https://channel.royalcast.com/webcast/aperam/20200729_1/

The dial-in numbers for the call are: international +44 (0) 20 3003 2666 ; USA +1 212 999 6659 . The conference password is

Aperam.

A replay of the conference call will be available for one year at https://channel.royalcast.com/webcast/aperam/20200729_1/

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About Aperam

Aperam is a global player in stainless, electrical and specialty steel, with customers in over 40 countries. The business is organised in three primary operating segments: Stainless & Electrical Steel, Services & Solutions and Alloys & Specialties.

Aperam has a flat Stainless and Electrical steel capacity of 2.5 million tonnes in Brazil and Europe and is a leader in high value specialty products. In addition to its industrial network, spread over six production facilities in Brazil, Belgium and France, Aperam has a highly integrated distribution, processing and services network and a unique capability to produce stainless and special steels from low cost biomass (charcoal made from its own FSC-certified forestry).

In 2019, Aperam had sales of EUR 4,240 million and steel shipments of 1.79 million tonnes with an average carbon footprint of 0.48 tons of CO₂ per ton of slabs, making it the world's lowest CO₂ footprint stainless steel producer.

For further information, please refer to our website at www.aperam.com

Forward-looking statements

This document may contain forward-looking information and statements about Aperam and its subsidiaries. These statements include financial projections and estimates and their underlying assumptions, statements regarding plans, objectives and expectations with respect to future operations, products and services, and statements regarding future performance. Forward-looking statements may be identified by the words "believe," "expect," "anticipate," "target" or similar expressions. Although Aperam's management believes that the expectations reflected in such forward-looking statements are reasonable, investors and holders of Aperam's securities are cautioned that forward-looking information and statements are subject to numerous risks and uncertainties, many of which are difficult to predict and generally beyond the control of Aperam, that could cause actual results and developments to differ materially and adversely from those expressed in, or implied or projected by, the forward-looking information and statements. These risks and uncertainties include those discussed or identified in Aperam's filings with the Luxembourg Stock Market Authority for the Financial Markets (Commission de Surveillance du Secteur Financier). Aperam undertakes no obligation to publicly update its forward-looking statements or information, whether as a result of new information, future events, or otherwise. In particular, the length and severity of the recent COVID-19 (coronavirus) outbreak, including its impacts in the sector, macroeconomic conditions and in Aperam's principal local markets may cause our actual results to be materially different than those expressed in our forward-looking statements.

APERAM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in million of EURO)	June 30, 2020	March 31, 2020	June 30, 2019
ASSETS			
Cash & cash equivalents (C)	263	297	189
Inventories, trade receivables and trade payables	662	641	747
Prepaid expenses and other current assets	81	85	84
Total Current Assets & Working Capital	1,006	1,023	1,020
Goodwill and intangible assets	435	445	491
Property, plant and equipment (incl. Biological assets)	1,524	1,555	1,598
Investments in associates, joint ventures and other	4	4	34
Deferred tax assets	121	126	163
Other non-current assets	58	70	80

Total Assets (net of Trade Payables)	3,148	3,223	3,386
LIABILITIES AND SHAREHOLDERS' EQUITY			
Short-term debt and current portion of long-term debt (B)	18	40	190
Accrued expenses and other current liabilities	347	274	303
Total Current Liabilities (excluding Trade Payables)	365	314	493
Long-term debt, net of current portion (A)	368	365	175
Deferred employee benefits	145	146	146
Deferred tax liabilities	122	124	129
Other long-term liabilities	43	45	56
Total Liabilities (excluding Trade Payables)	1,043	994	999
Equity attributable to the equity holders of the parent	2,101	2,225	2,383
Non-controlling interest	4	4	4
Total Equity	2,105	2,229	2,387
Total Liabilities and Shareholders' Equity (excluding Trade Payables)	3,148	3,223	3,386
Net Financial Debt (D = A+B-C)	123	108	176

APERAM CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

(in million of EURO)	Three Months Ended			Six Months Ended	
	June 30, 2020	March 31, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Sales	818	1,049	1,090	1,867	2,268
EBITDA (C = A-B)	49	70	95	119	176
<i>EBITDA margin %</i>	6.0%	6.7%	8.7%	6.4%	7.8%
Depreciation, amortisation & Impairment (B)	(35)	(36)	(36)	(71)	(71)
Operating income (A)	14	34	59	48	105
<i>Operating margin %</i>	1.7%	3.2%	5.4%	2.6%	4.6%
Financing costs, net	9	(7)	(6)	2	(20)
Income before taxes	23	27	53	50	85
Income tax benefit (expense)	(2)	2	4	-	(3)
<i>Effective tax rate %</i>	8.3%	(8.0)%	(8.0)%	(0.4)%	3.7%
Net income attributable to equity holders of the parent	21	29	57	50	82
Basic earnings per share (EUR)	0.27	0.36	0.69	0.63	0.99
Diluted earnings per share (EUR)	0.27	0.36	0.69	0.63	0.99
Weighted average common shares outstanding (in thousands)	79,816	79,816	81,583	79,816	82,554
Diluted weighted average common shares outstanding (in thousands)	80,218	80,076	82,644	80,218	82,895

APERAM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(in million of EURO)	Three Months Ended			Six Months Ended	
	June 30, 2020	March 31, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Operating income	14	34	59	48	105
Depreciation, amortisation & Impairment	35	36	36	71	71
Change in working capital	(37)	(21)	32	(58)	13
Income tax (paid) / refund	2	(3)	-	(1)	2
Interest paid, (net)	(1)	(1)	(2)	(2)	(3)
Other operating activities (net)	44	18	(28)	62	(20)
Net cash provided by operating activities (A)	57	63	97	120	168
Purchase of PPE, intangible and biological assets (CAPEX)	(23)	(45)	(26)	(68)	(73)
Other investing activities (net)	-	-	1	-	1
Net cash used in investing activities (B)	(23)	(45)	(25)	(68)	(72)
Proceeds (payments) from payable to banks and long term debt	(22)	(45)	(91)	(67)	63
Purchase of treasury stock (share buy back)	-	-	(93)	-	(93)
Dividends paid	(37)	(32)	(39)	(69)	(72)
Other financing activities (net)	(3)	(2)	(2)	(5)	(4)
Net cash provided by (used in) financing activities	(62)	(79)	(225)	(141)	(106)
Effect of exchange rate changes on cash	(6)	(17)	-	(23)	-
Change in cash and cash equivalent	(34)	(78)	(153)	(112)	(10)
Free cash flow before dividend and share buy-back (C = A+B)	34	18	72	52	96

Appendix 1a - Health & Safety statistics

Health & Safety Statistics	Three Months Ended		
	June 30, 2020	March 31, 2020	December 31, 2019
Frequency Rate	0.6	1.9	1.9

Lost time injury frequency rate equals lost time injuries per 1,000,000 worked hours, based on own personnel and contractors.

Appendix 1b - Key operational and financial information

Quarter Ending June 30, 2020	Stainless & Electrical Steel	Services & Solutions	Alloys & Specialties	Others & Eliminations	Total
Operational information					
Steel Shipment (000t)	364	132	9	(129)	376
Average steel selling price (EUR/t)	1,678	2,212	16,038		2,113

Financial information					
Sales (EURm)	632	310	142	(266)	818
EBITDA (EURm)	43	5	11	(10)	49
Depreciation & Amortisation (EURm)	(28)	(4)	(1)	(2)	(35)
Operating income / (loss) (EURm)	15	1	10	(12)	14

Quarter Ending March 31, 2020	Stainless & Electrical Steel	Services & Solutions	Alloys & Specialties	Others & Eliminations	Total
Operational information					
Steel Shipment (000t)	426	186	9	(183)	438
Average steel selling price (EUR/t)	1,876	2,331	16,572		2,332
Financial information					
Sales (EURm)	827	450	155	(383)	1,049
EBITDA (EURm)	53	9	9	(1)	70
Depreciation & Amortisation (EURm)	(30)	(3)	(3)	-	(36)
Operating income / (loss) (EURm)	23	6	6	(1)	34

Appendix 2 - Terms and definitions

Unless indicated otherwise, or the context otherwise requires, references in this earnings release report to the following terms have the meanings set out next to them below:

Average steel selling prices: calculated as steel sales divided by steel shipments.

Cash and cash equivalents: represents cash and cash equivalents, restricted cash and short-term investments.

CAPEX: relates to capital expenditures and is defined as purchase of tangible assets, intangible assets and biological assets.

EBITDA: operating income before depreciation, amortisation and impairment expenses.

EBITDA/tonne: calculated as EBITDA divided by total steel shipments.

Financing costs: Net interest expense, other net financing costs and foreign exchange and derivative results.

Free cash flow before dividend and share buy-back: net cash provided by operating activities less net cash used in investing activities.

Gross financial debt: long-term debt plus short-term debt.

Liquidity: Cash and cash equivalent and undrawn credit lines.

LTI frequency rate: Lost time injury frequency rate equals lost time injuries per 1,000,000 worked hours, based on own personnel and contractors.

Net financial debt: long-term debt, plus short-term debt less cash and cash equivalents.

Net financial debt/EBITDA or Gearing: Refers to Net financial debt divided by last twelve months EBITDA calculation.

Shipments: information at segment and group level eliminates inter-segment shipments (which are primarily between Stainless & Electrical Steel and Services & Solutions) and intra-segment shipments, respectively.

Working capital: trade accounts receivable plus inventories less trade accounts payable.

¹ The financial information in this press release and Appendix 1 has been prepared in accordance with the measurement and recognition criteria of International Financial Reporting Standards ("IFRS") as adopted in the European Union. While the interim financial information included in this announcement has been prepared in accordance with IFRS applicable to interim periods, this announcement does not contain sufficient information to constitute an interim financial report as defined in International Accounting Standard 34, "Interim Financial Reporting". Unless otherwise noted the numbers and information in the press release have not been audited. The financial information and certain other information presented in a number of tables in this press release have been rounded to the nearest whole number or the nearest decimal. Therefore, the sum of the numbers in a column may not conform exactly to the total figure given for that column. In addition, certain percentages presented in the tables in this press release reflect calculations based upon the underlying information prior to rounding and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers. This press release also includes Alternative Performance Measures ("APM" hereafter). The Company believes that these APMs are relevant to enhance the understanding of its financial position and provides additional

information to investors and management with respect to the Company's financial performance, capital structure and credit assessment. These non-GAAP financial measures should be read in conjunction with and not as an alternative for, Aperam's financial information prepared in accordance with IFRS. Such non-GAAP measures may not be comparable to similarly titled measures applied by other companies. The APM's used are defined under Appendix 2 "Terms & definitions".

² The Leadership Journey(R) is an initiative launched on December 16, 2010, and subsequently accelerated and increased, to target management gains and profit enhancement. The third phase of the Leadership Journey(R) - the Transformation Program - is targeting cumulated annualized EBITDA gains of EUR 200 million by year end of 2020.

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