

# The driving force of the refractory industry

**Company presentation**



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# Refractories are critical to all high-temperature industrial processes

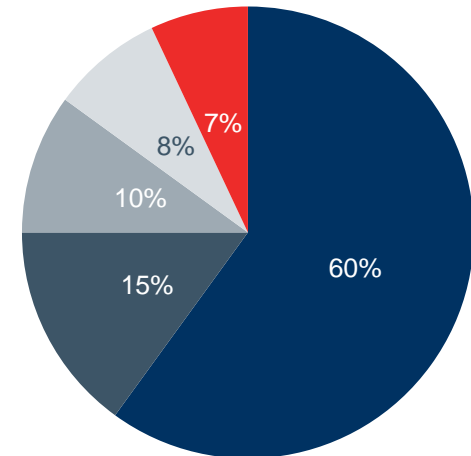


- Refractories are critical consumable or investment goods for high-temperature manufacturing processes
- Fireproof materials consumed whilst protecting clients' production processes, retaining physical and chemical characteristics when exposed to extreme conditions
- Critical, yet represent less than 3% of COGS in steel manufacturing and less than 1% in other applications

## Main end markets

€20 billion worldwide industry

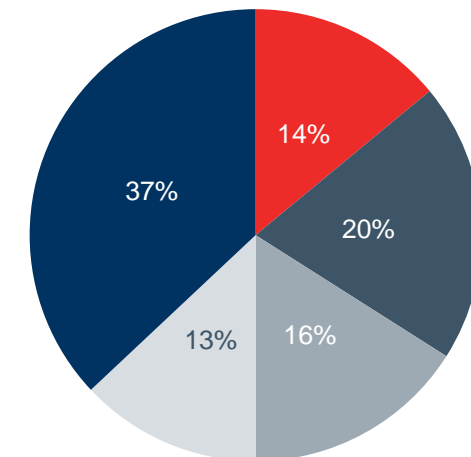
- Steel
- Energy, chemicals
- Nonferrous metals
- Cement
- Glass



Source: Company estimates

## Global refractory industry

- RHI Magnesita
- 4-6 segment companies
- 10-20 regional companies
- 100-200 small local companies
- 1000+ Chinese companies



Source: Company estimates of market share in US\$

# Refractories are continuously consumed during finished goods production



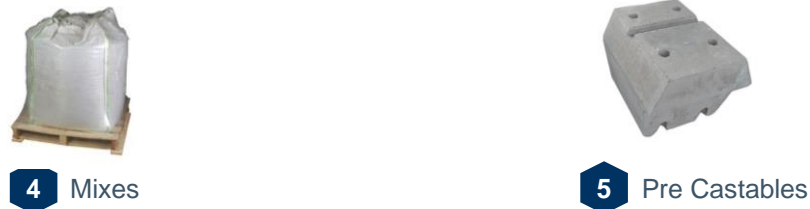
Key industries	Applications	Replacement	Costs	Refractory characteristics
Steel	Basic oxygen-, electric arc furnace casting ladles 	20 minutes to 2 months	~3.0%	<b>Consumable product</b>  Systems and solutions for complete refractory management  Demand correlated to output  <b>Investment goods</b>  Longer replacement cycles  Customized solutions based on the specific requirements of various industrial production processes  Complete lining concepts including refractory engineering  Wide areas of application  Project driven demand cycles
Cement/Lime	Rotary Kiln 	Annually	~0.5%	
Nonferrous metals	Copper-converter 	1 – 10 years	~0.2%	
Glass	Glass furnace 	Up to 10 years	~1.0%	
Energy/ Environmental/ Chemicals	Secondary reformer 	5 – 10 years	~1.5%	

# A complex range of tailored refractory products are required for each application

## Bricks



## Monolithics and pre casts



## Functional products



## Example of refractory application for steel ladle



**+Systems and machinery**

# RHI Magnesita is the world leader in refractories and a truly global company



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**€2.7bn**

2017 pro-forma revenue

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**10,000**

Customers served globally

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**14,000**

Employees spread  
over 37 countries

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**35**

Main production sites across  
16 countries

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**180**

Countries shipped worldwide

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**10**

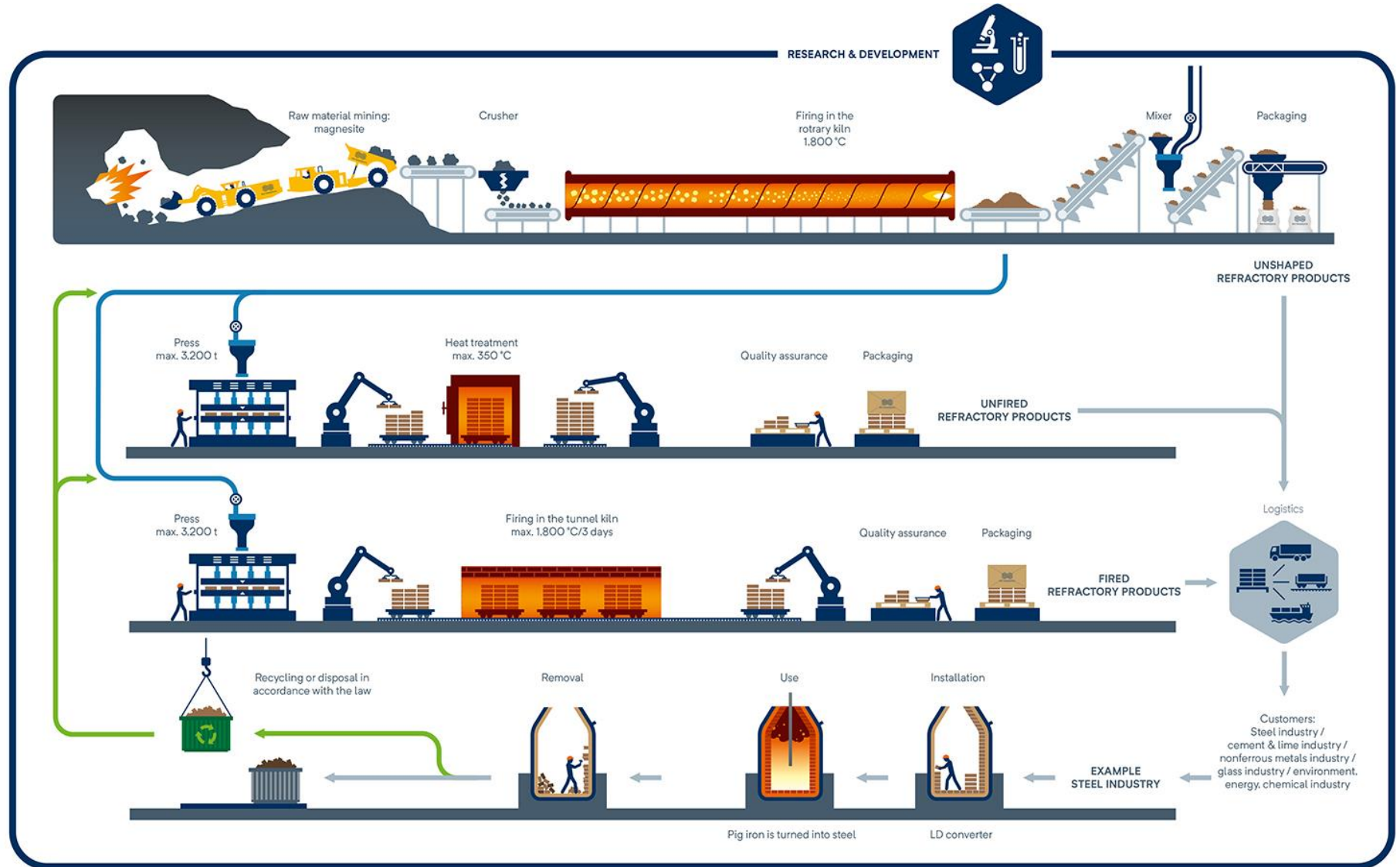
Main raw material sites  
in 4 continents

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**>€37m**

Annual investment in Research

# The refractory world of RHI Magnesita



# Serving blue chip clients in every industry

## Steel



## Cement



## Glass



## Metals



Serving 1060 of 1250 plants<sup>1</sup>

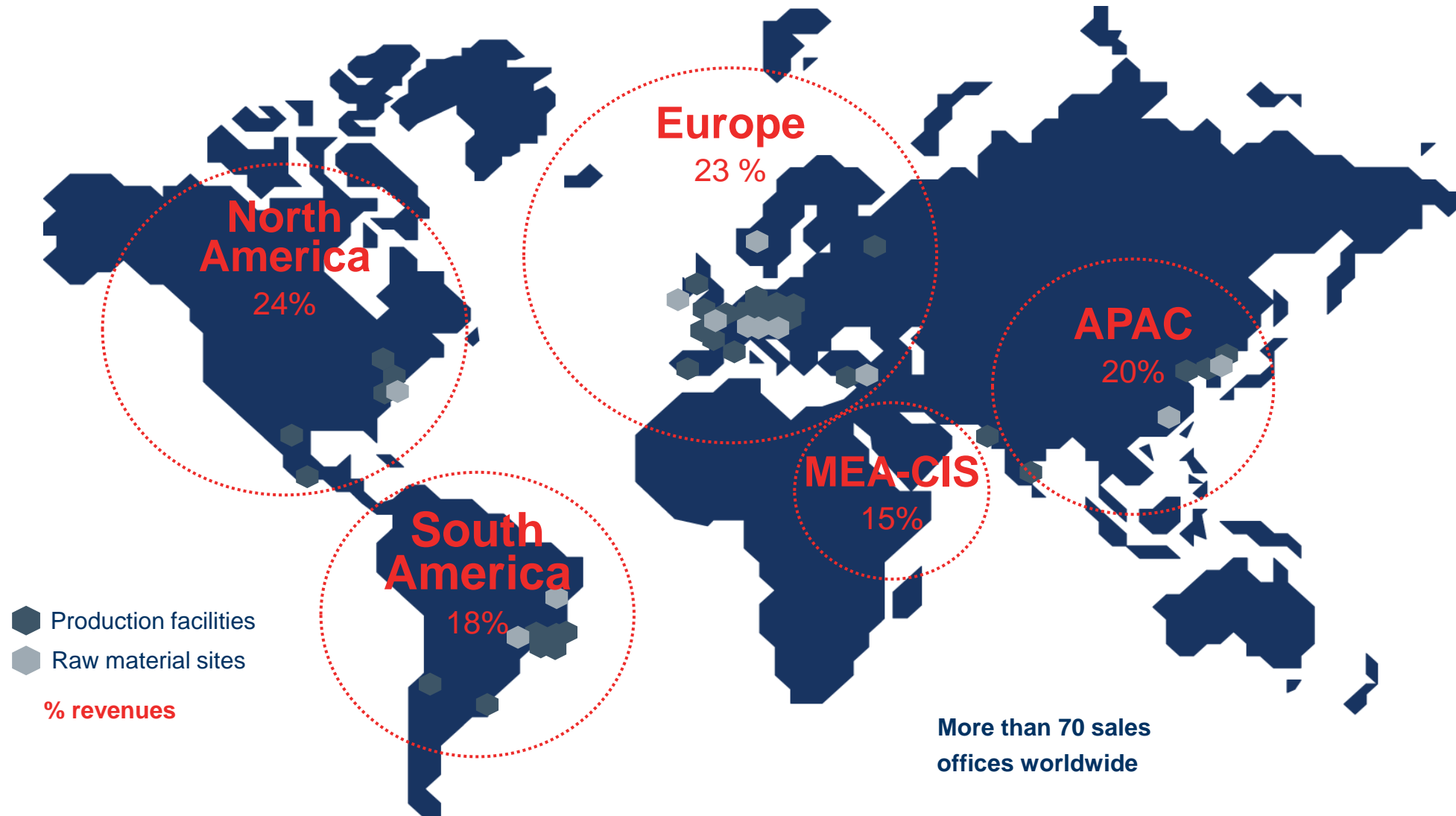
Serving 1376  
of 1537 plants<sup>1</sup>

Serving 800  
of 900 plants<sup>1</sup>

Serving 650  
of 2000 plants<sup>1</sup>

<sup>1</sup>ex-China

## Optimally positioned to reach customers everywhere



# Experienced management team with solid financial and strategic background



Executive Management Team	Joined	Background
<b>Stefan Borgas</b> <i>CEO</i>	2016	<ul style="list-style-type: none"> <li>Former CEO of Israel Chemicals Ltd and Lonza Group</li> <li>Several management positions at BASF</li> </ul>
<b>Octavio Lopes</b> <i>CFO</i>	2012	<ul style="list-style-type: none"> <li>Former CEO of Magnesita and Equatorial Energia</li> <li>Several management positions at GP Investments</li> </ul>
<b>Luis R. Bittencourt</b> <i>CTO</i>	1989	<ul style="list-style-type: none"> <li>Former R&amp;D and raw material VP of Magnesita</li> <li>BA in mining engineering (UFMG), MS degree in metallurgical engineering (University of Utah) and PhD in ceramic engineering (University of Missouri)</li> </ul>
<b>Gerd Schubert</b> <i>COO</i>	2017	<ul style="list-style-type: none"> <li>Former COO of Pfeiderer S.A.</li> <li>Global Operations Director at Ferro Deutschland GmbH and Ferro Spain</li> </ul>
<b>Reinhold Steiner</b> <i>CSO</i>	2012	<ul style="list-style-type: none"> <li>Former CSO Steel Division of RHI</li> <li>Former CEO of Chtpz Group</li> </ul>
<b>Thomas Jakowiak</b> <i>Integration</i>	2000	<ul style="list-style-type: none"> <li>Former CSO Industrial Division of RHI</li> <li>Several leadership positions at RHI</li> </ul>
<b>Simone Oremovic</b> <i>Human Resources</i>	2017	<ul style="list-style-type: none"> <li>19 years of experience in leadership positions in HR, among other fields at GE, Telekom Austria, IBM and Shire/Baxter</li> </ul>
<b>Luiz Rossato</b> <i>Corporate Develop.</i>	2008	<ul style="list-style-type: none"> <li>Former Legal Council, M&amp;A and Institutional VP of Magnesita</li> <li>General Counsel of the Year 2012 by International Law Office</li> </ul>

# Premium UK listing and corporate governance

## Listing in the UK underscores the RHI Magnesita's international scope

- ❑ Listed in the Premium Market in the London Stock Exchange
- ❑ Strong commitment and full adherence to the UK corporate governance code
- ❑ Majority independent Board targetted
- ❑ No controlling shareholder (or shareholder agreement)



## Highly valued board members with accretive multi-disciplinary experience

### Executive Directors

**Stefan Borgas** / DE – CEO  
**Octavio Lopes** / BR – CFO

### Non-Executive Directors<sup>1</sup>

**Herbert Cordt** / AT – Chairman  
**David Schlaff** / AT  
**Stanislaus zu Sayn-Wittgenstein** / DE  
**Fersen Lambranh** / BR

#### Independent:

**Jim Leng** / UK – Senior Independent Director  
**Ms Celia Baxter** / UK – Chair Remuneration Committee  
**John Ramsay** / UK – Chair Audit Committee  
**Andrew Hosty** / UK  
**Wolfgang Ruttenstorfer** / AT  
**Karl Sevelde** / AT  
 One position to be nominated

### Board Committees

Remuneration

Corporate  
Responsibility

Nomination

Audit &  
Compliance

<sup>1</sup>An additional six Non-Executive Directors shall be appointed by employee representatives from various EEA Member States

# A strategic combination that captures synergies and drives efficiencies



## Establish leading market position



- Complementary asset portfolio
- Transaction to support regional growth in several markets, especially in the United States and Asia
- Strengthening competitive position against consolidating Chinese refractory industry

## Leverage technology capabilities



- Enhanced value-added products and tailored solutions best fitting customer needs in every market
- Strong, globally recognized brands associated with high-quality products and services
- Innovative technology and best in class R&D

## Strengthen geographic cluster



- Valuable assets enhancing combined global footprint
- Economies of scale in important operations
- Increased proximity to customers, shorter lead-times, and lower inventory in the chain

## Retain raw material integration



- Global raw material network to smooth out demand volatility and reduce capital requirements and logistic costs
- Highest level of vertical integration in the industry with unique raw material sources ensures best product quality

**Capture synergies and drive cost efficiencies**

# The industry's largest dedicated research team, pushing the boundaries of what is possible



We drive innovation in every aspect of our business, from materials, robotics and Big Data, to bespoke new business models and efficient new processes, under extreme conditions.

## Refractories

- Development and optimization of refractory products and manufacturing processes
- Market driven project portfolio
- Plant technical support and quality control

## Mineral

- Increase ore recovery, maximize mine useful life and minimize environmental impacts
- Development of high quality, low cost raw material sources

## Basic research

- Basic research ensuring technology leadership
- Strong focus on innovation

## Recycling

- Green technology applied to reprocessing, sorting and reutilization of recycled raw material

**Global research team of 270+ employees, of which 98 have masters and PhDs, working out of 2 research hubs and 2 centers**



# On-site technical experts consult, develop and deliver innovative solutions directly to clients



**340+ technical engineers across 90 countries**, working on-site with clients to provide custom-made solutions, installation support, recycling, post-mortem analysis and more.

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## A combination of...



High quality raw materials



Continuous investments in R&D



World-class products



On-site technical consulting

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## ...ensures customers

- ☐ Improve efficiency
- ☐ Improve quality
- ☐ Increase productivity
- ☐ Reduce costs
- ☐ Reduce working capital
- ☐ Reduce energy and other raw materials consumption

Build a global refractory leader with a distinctive 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**

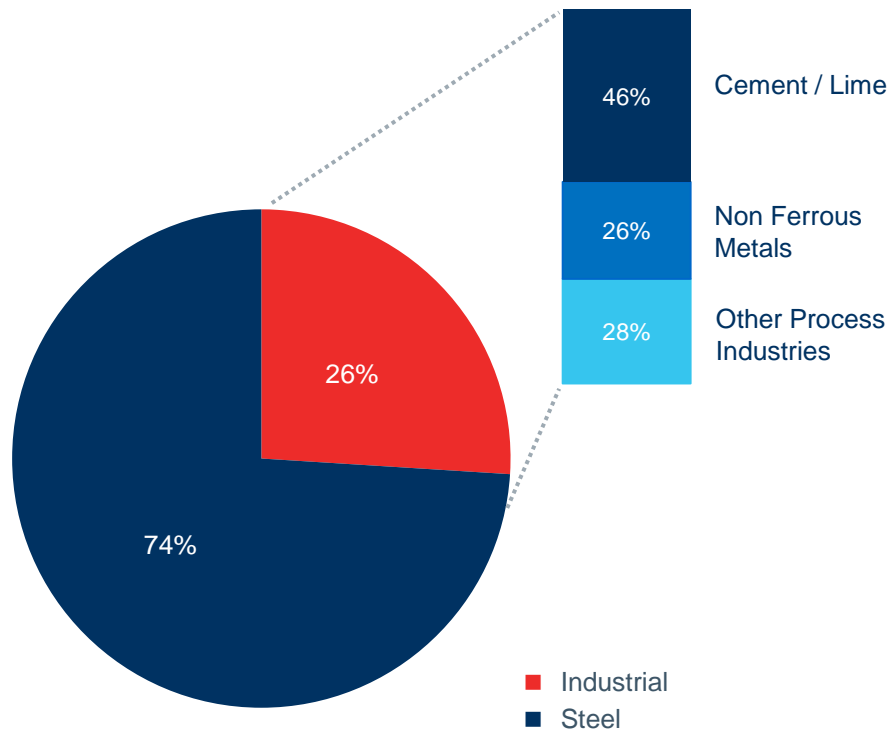


## Technology

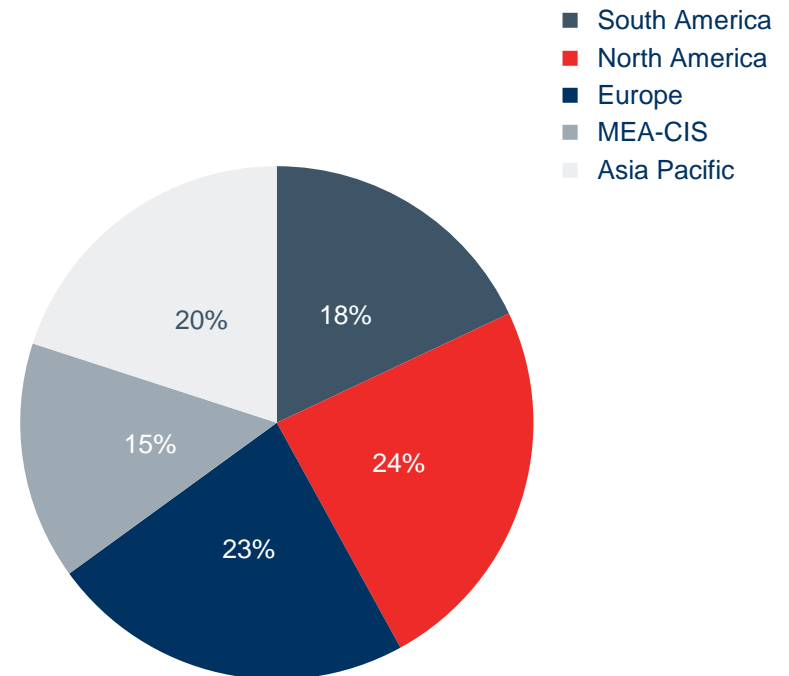
**Top solution provider** in the refractory industry with an extensive portfolio based on **innovative technologies and digitalization**

# Pro-forma financials

## Revenue<sup>1</sup> by Industry

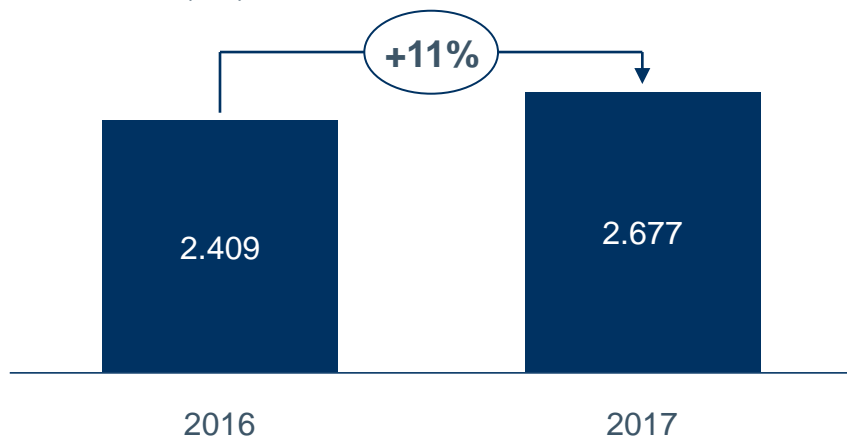
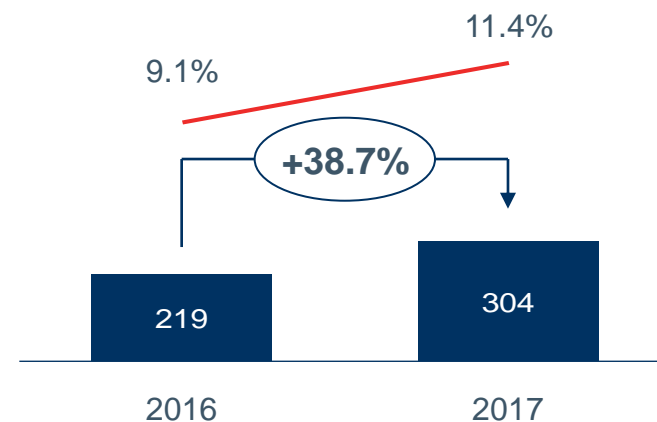
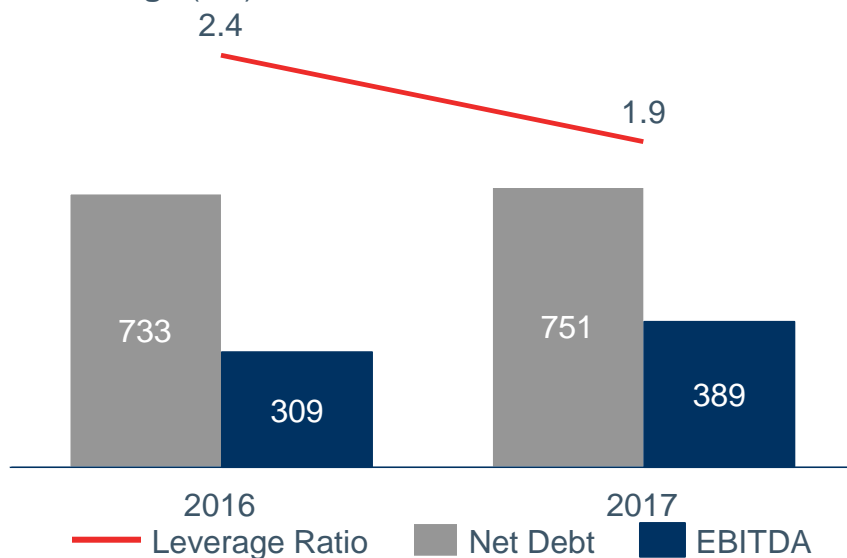
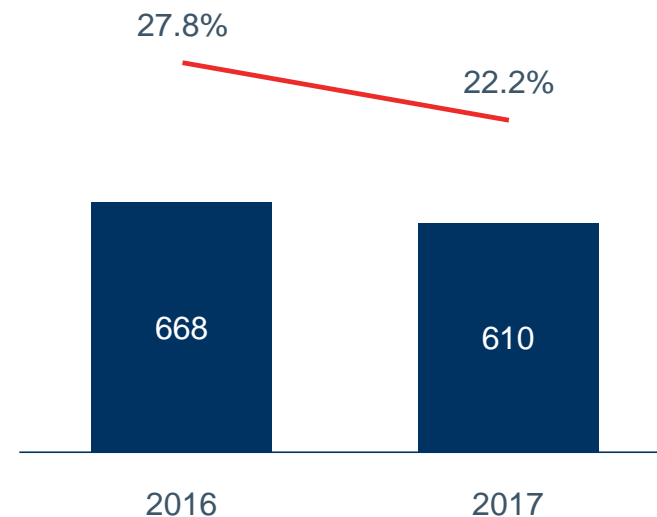


## Total Revenue by Geography



<sup>1</sup> Revenue split considers only refractory segments and does not take into account the effect of any divestitures.

# Adjusted pro-forma results

**Revenue (€m)****EBITA (€m)****Leverage (€m)****Working Capital Intensity (€m)**

# Selected financial highlights

€m	Reported 2016	Reported 2017	Adjusted Pro- forma 2016 <sup>1</sup>	Adjusted Pro- forma 2017 <sup>1</sup>	% Δ
Revenue	1,651	1,946	2,409	2,677	11.1%
CoGS	(1,295)	(1,486)	(1,822)	(1,999)	9.7%
Gross Profit	356	461	587	678	15.5%
SG&A	(140)	(293)	(382)	(400)	4.6%
Other Inc/Exp	(0)	(125)	-	(0)	-
EBIT	116	43	205	278	35.7%
Amortization	(10)	(14)	(14)	(26)	80,3%
EBITA	127	57	219	304	38.7%
Depreciation	(55)	(60)	(90)	(85)	(6,1%)
EBITDA	181	117	309	389	25.6%

## Adjusted pro-forma analysis

### Revenue:

- Consolidated: +11.1%
- Steel Division: +14.3%
- Industrial Division: +2.7%

### CoGS:

- CoGS growth below revenue growth, despite raw material price increase in China

### SG&A:

- SG&A dilution of 100bps, from 15.9% to 14.9% of revenue

### EBITA:

- up 39%, with margin expanding 230bps, from 9.1% to 11.4%

### Dividend:

- €0.75 per share (€33.6m), to be paid on 2 July 2018

1: Adjusted pro-forma results were prepared as if the combined Group had already existed since January 1, 2016 and before the impact of Items such as: divestments, restructuring expenses, merger-related adjustments and other non-merger related other income and expenses, which are generally non-recurring. More details on page 8.

## Get in touch

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