

# Presentation of the Q3/2020 results

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October 22, 2020

SSAB

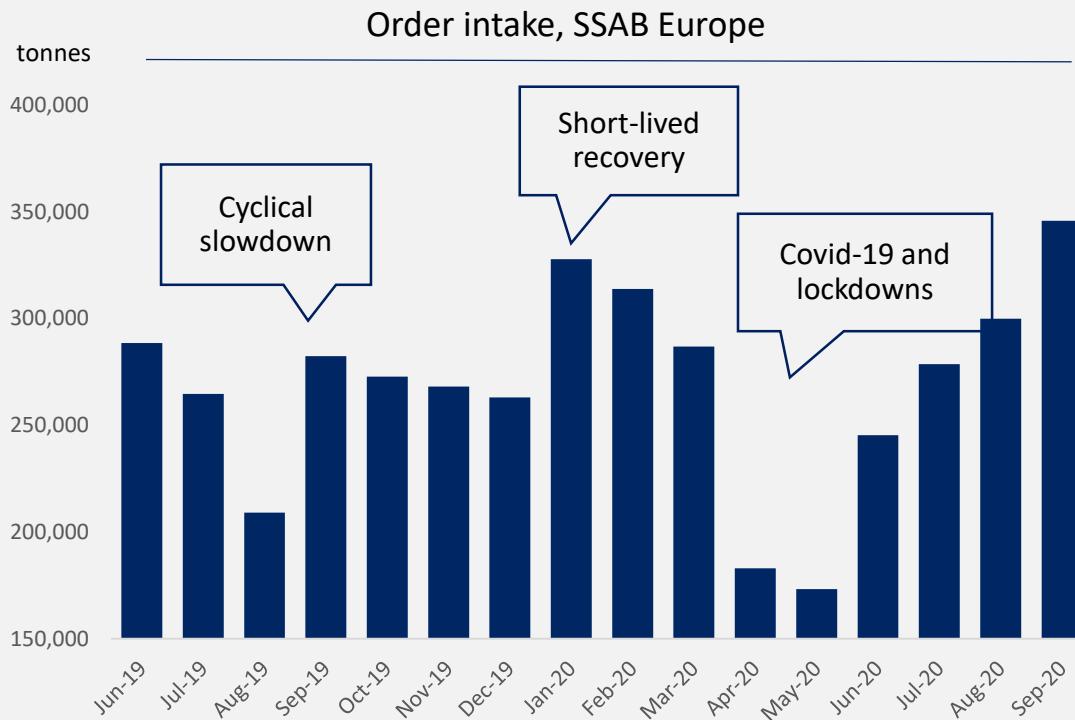
# Agenda

- ▶ Q3/2020 in brief
- ▶ Financials
- ▶ Outlook and summary
- ▶ Q&A



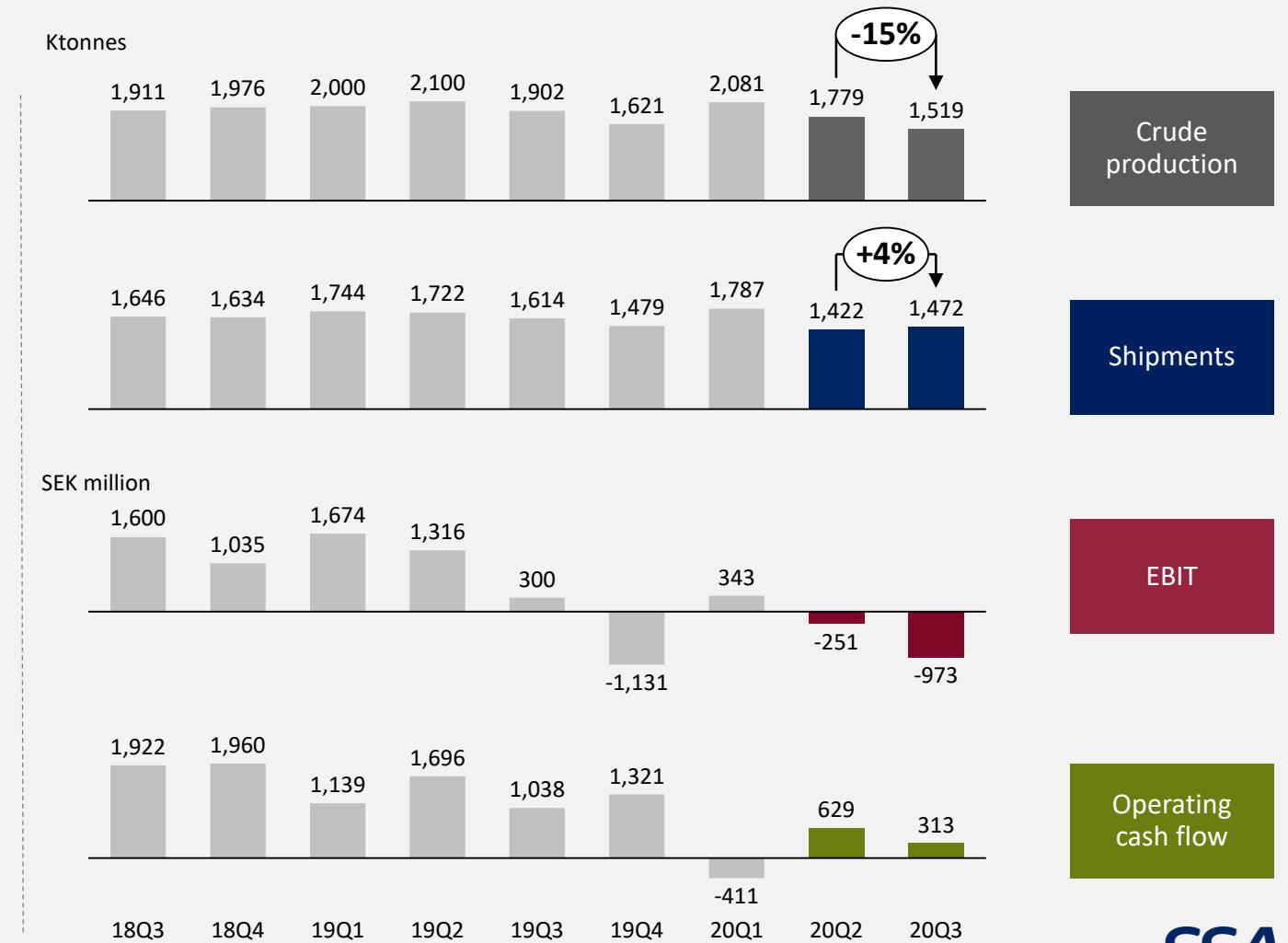
# Q3/2020 in brief

# Volatile market conditions since mid-19



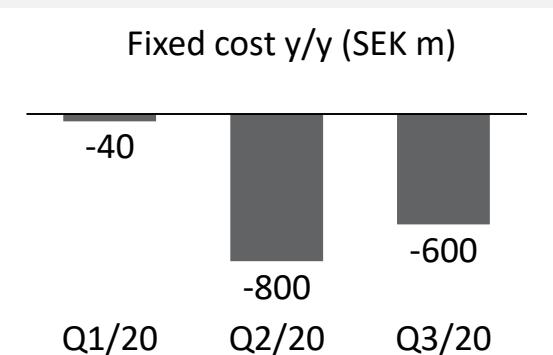
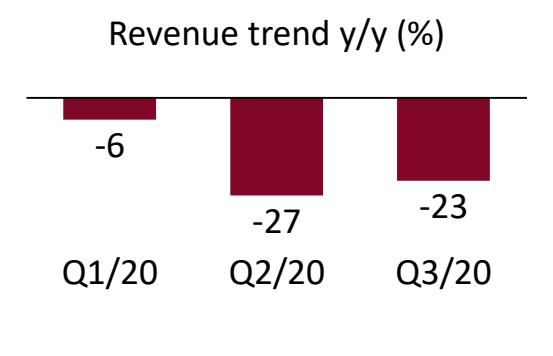
# Q3/20 – Low demand and planned maintenance

- ▶ Shipments remained at low level
- ▶ Low capacity utilization
  - One BF idled in Raahe
  - Adjustment to lower demand in SSAB Special Steels' mill in Oxelösund
- ▶ Annual planned maintenance in all three steel divisions – impact SEK -670m
- ▶ EBIT SEK -973m (300) in Q3
- ▶ Operating cash flow supported by release of working capital



# Managing the downturn

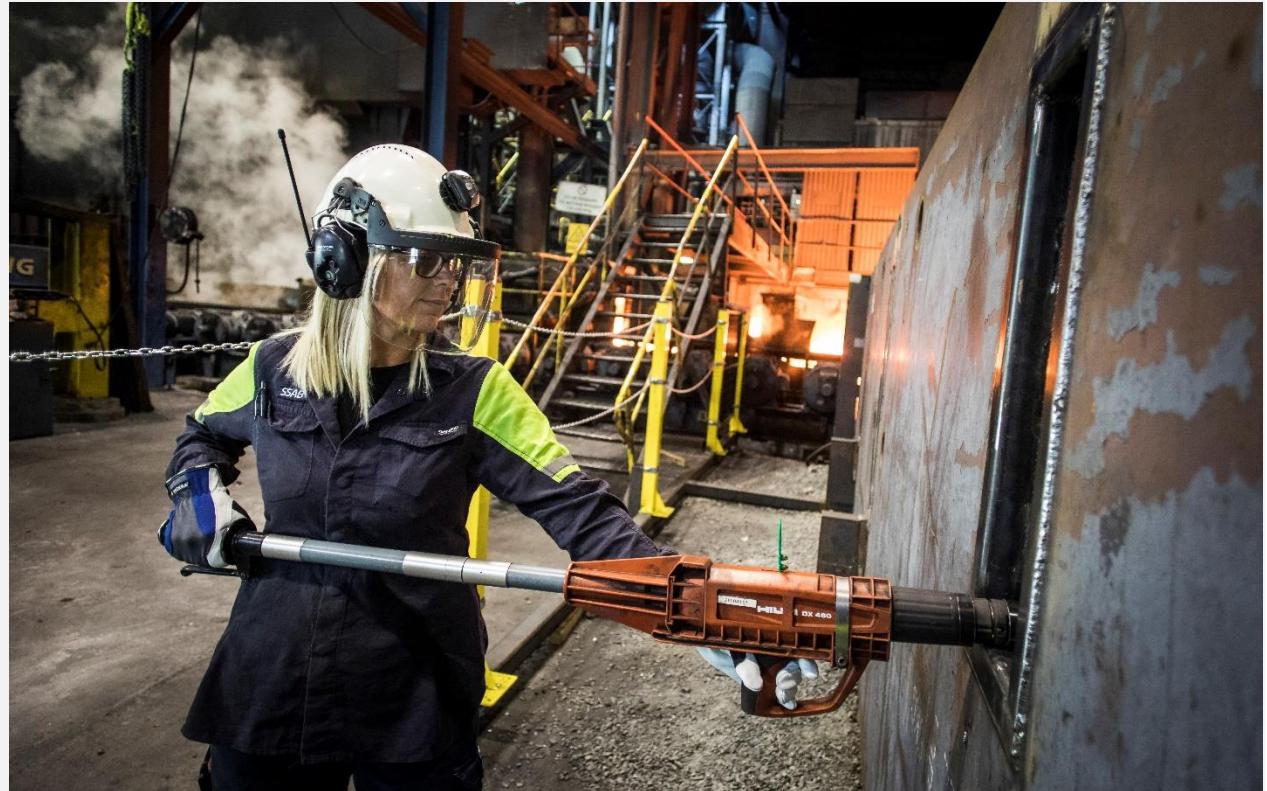
- Extensive cost savings:
  - Short-time work and time banks
  - Avoided summer seasonal workers
  - Reduction of external services
  - Maintenance conducted by own personnel
- Strategic direction intact:
  - Develop own channels – stocks, Tibnor, RC
  - Improving product mix – example CC
  - Global business in high strength steels – growth in Latin America and Asia



- Some of the cost savings continue into Q4
- Strong balance sheet, liquid assets and committed credit lines at comfortable level of SEK 20bn (as of Sep 30)
- Planned maintenance done in Q3 – positioned for ramp-up when demand improves

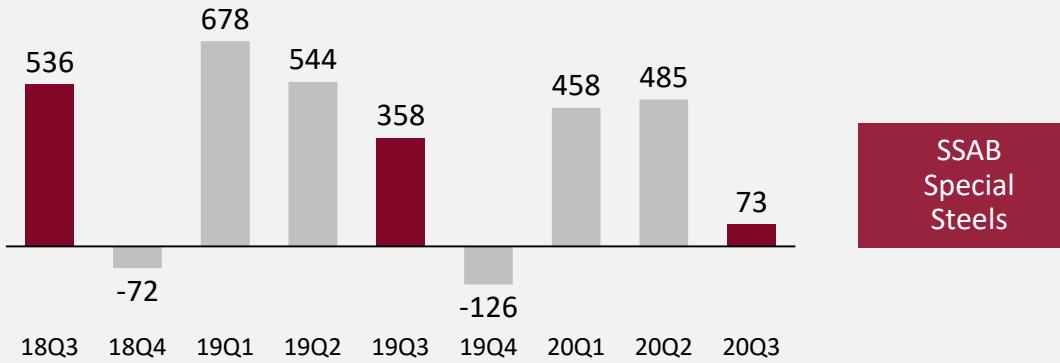
# Impact of Covid-19 on SSAB's operations

- ▶ Avoided Covid-19 issues in conjunction to the extensive annual planned maintenance – good cooperation with suppliers
- ▶ Several measures taken to safeguard the health and safety of our personnel
  - Work from home
  - Travel restrictions
  - Restriction on face-to-face meetings
  - Contingency plans for critical operations
- ▶ Focus to secure supply chain, only minor disturbances during the first nine months

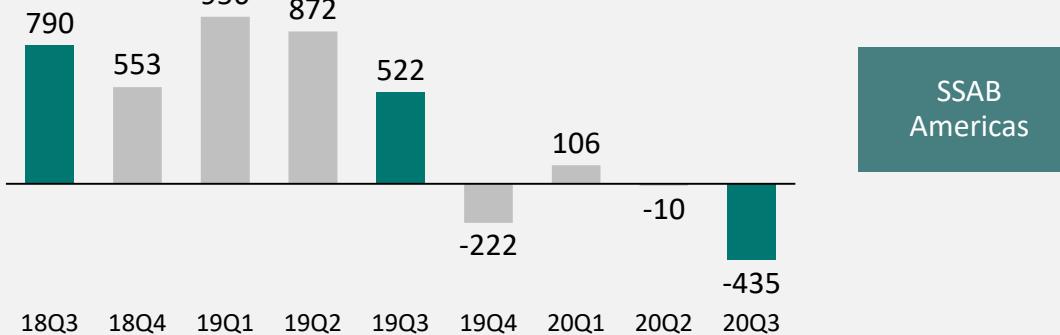


# Operating profit by division

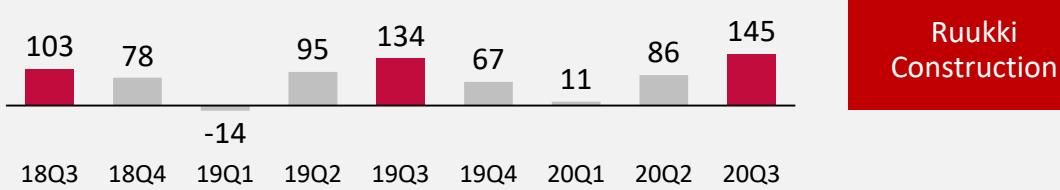
SEK million



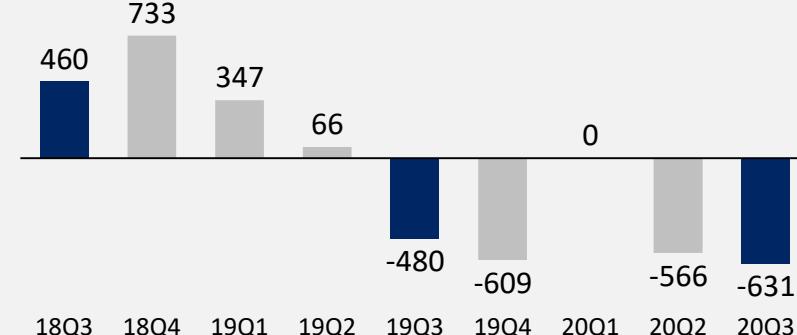
SSAB  
Special  
Steels



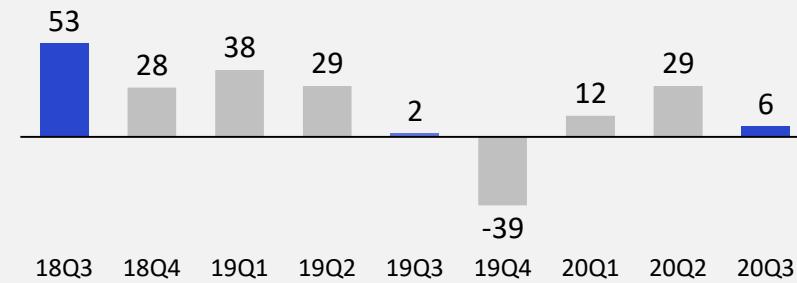
SSAB  
Americas



Ruukki  
Construction



SSAB  
Europe

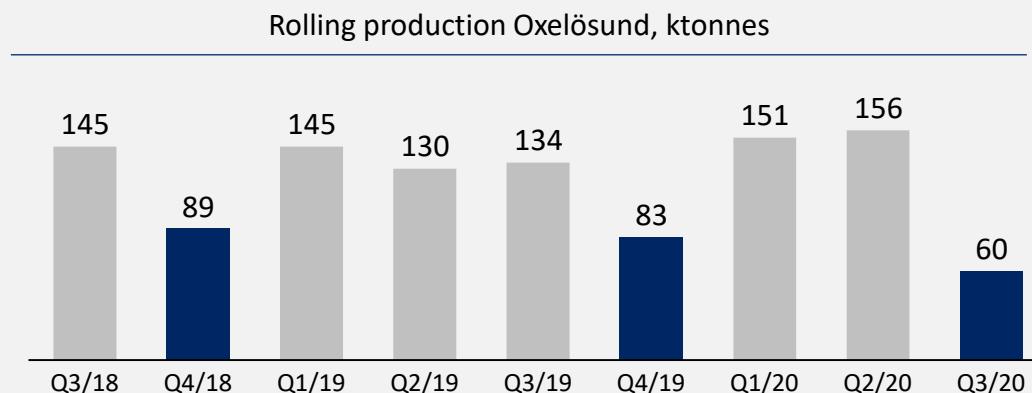
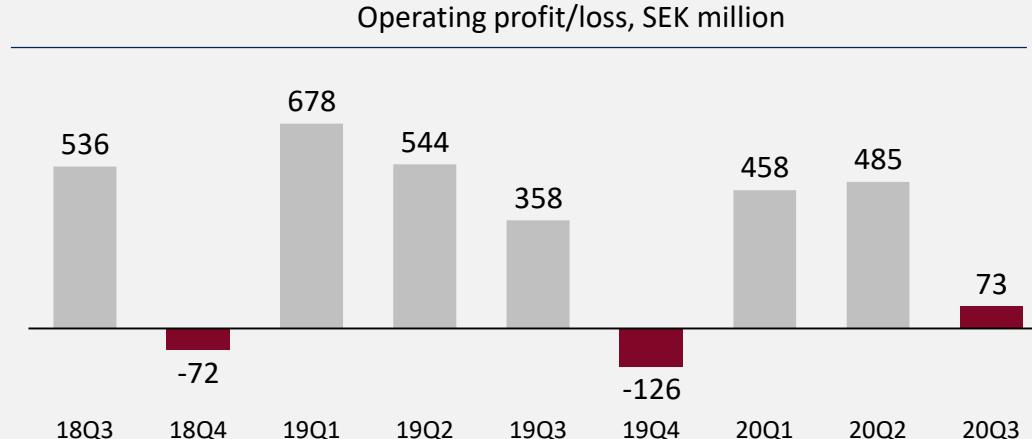


Tibnor

# SSAB Special Steels

## Operating result held up well for a maintenance quarter

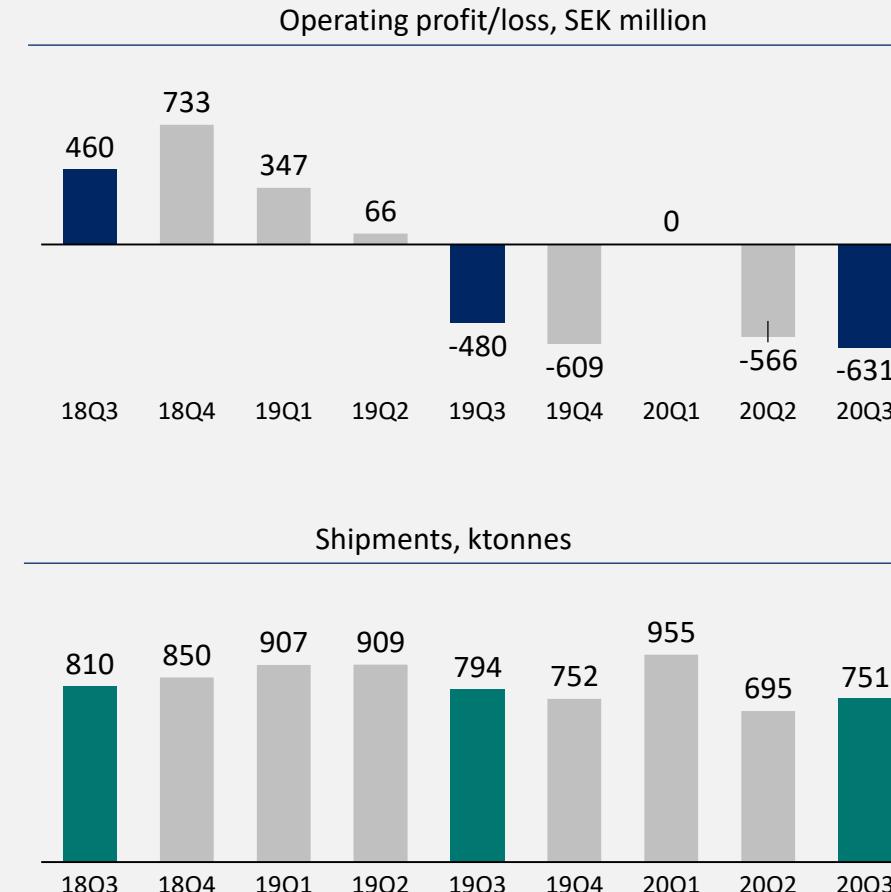
- ▶ Shipments impacted by weak market
- ▶ Planned maintenance of SEK -250m
- ▶ Better performance than previous maintenance quarters – despite lower rolling production in Oxelösund
- ▶ Positive effects from cost savings – fixed cost SEK -100m vs. Q3/19
- ▶ Market focus reduces volatility:
  - Stock sales more stable and more profitable than OEM-sales
  - Growth in markets outside of EU and the US
  - Services sales less impacted



# SSAB Europe

## Weak market conditions

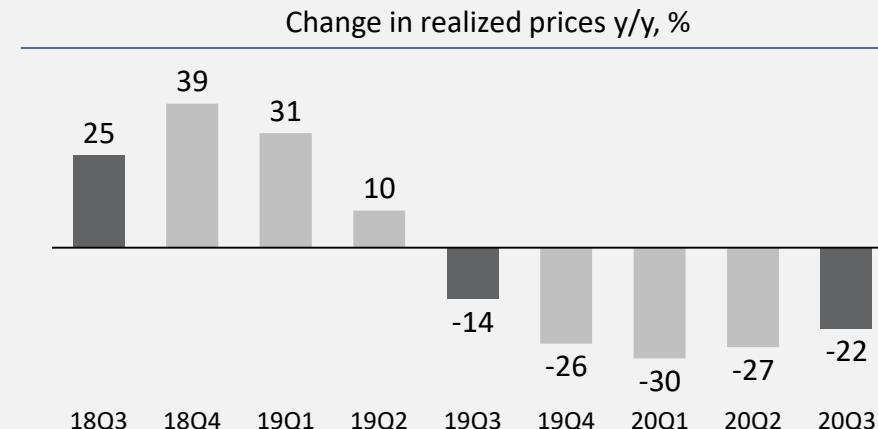
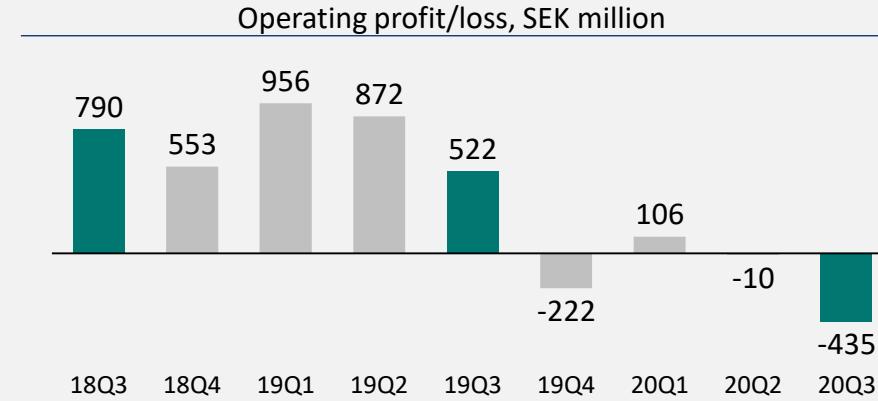
- ▶ Low shipments, recovery in September
- ▶ Planned maintenance of SEK -250m
- ▶ Positive effect from cost savings – fixed cost SEK -300m vs. Q3/19
- ▶ One of the blast furnaces in Raahe idled for most of Q3, restarted in mid-September



# SSAB Americas

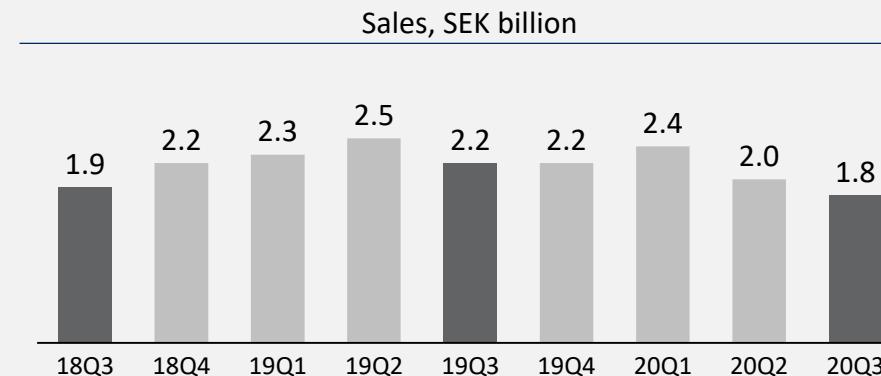
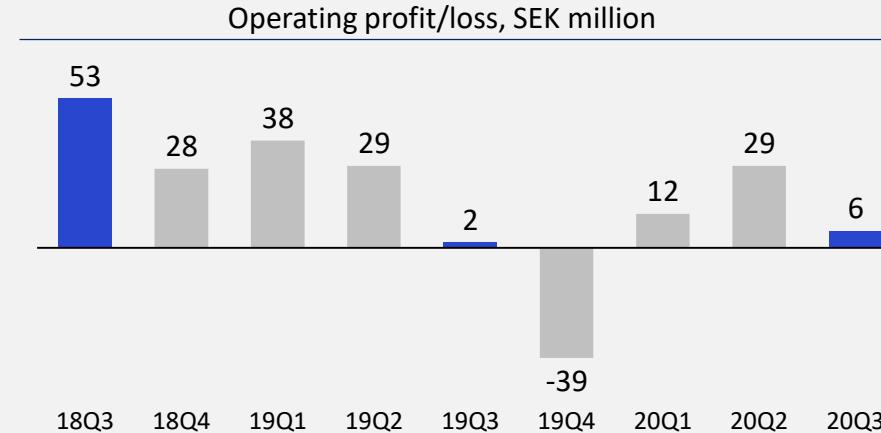
## Weak market conditions

- ▶ Sales margin impacted by low demand
- ▶ Planned maintenance SEK -170m
- ▶ Positive effects from cost savings – fixed cost SEK -150m vs. Q3/19



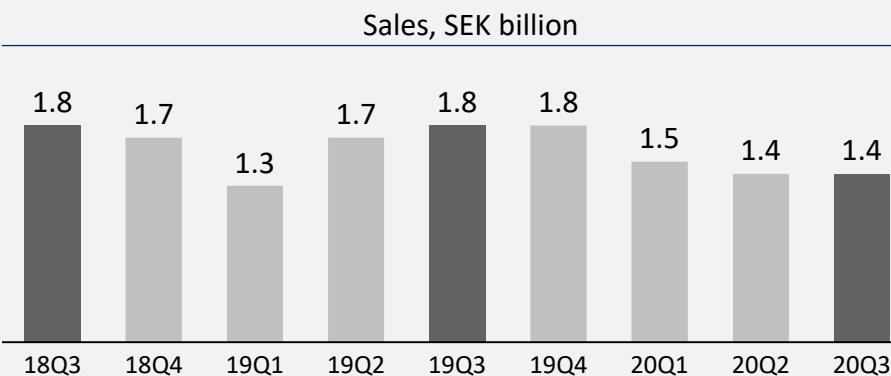
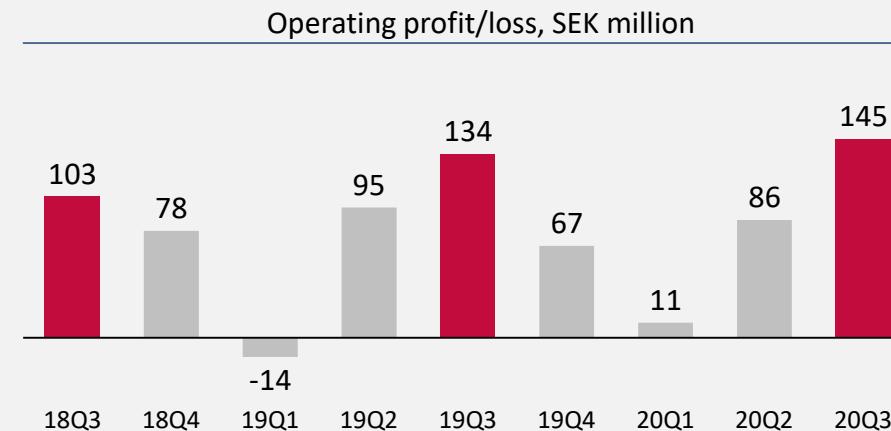
# Tibnor

- ▶ Demand impacted by the lower economic activity
- ▶ Sales decreased by 20% vs. Q3/19
- ▶ The restructuring program and additional cost measures offset the weak market – earnings in line with Q3/19



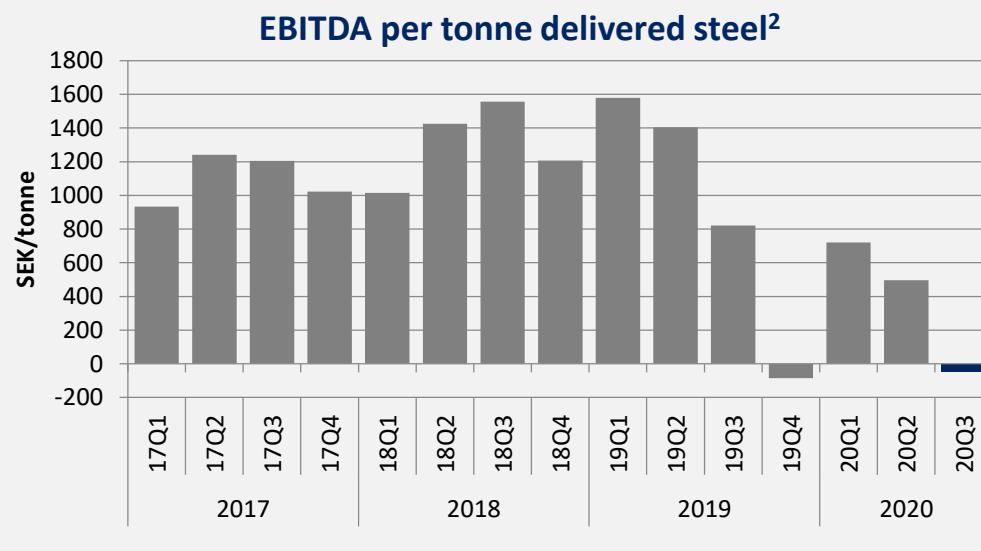
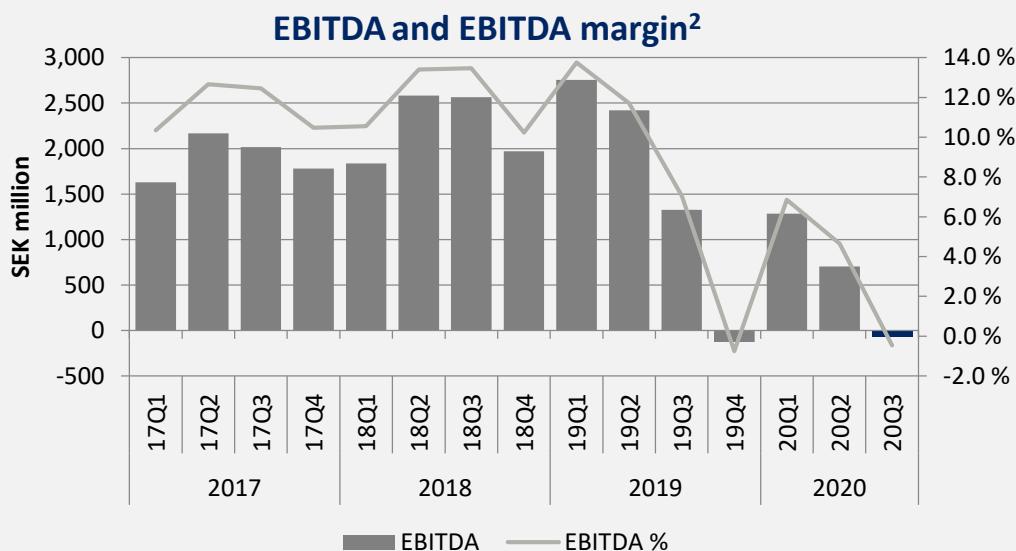
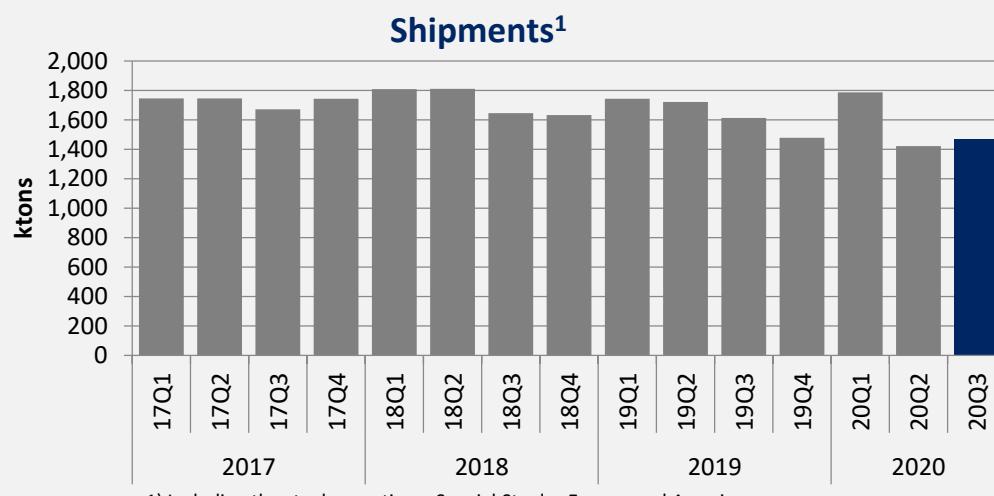
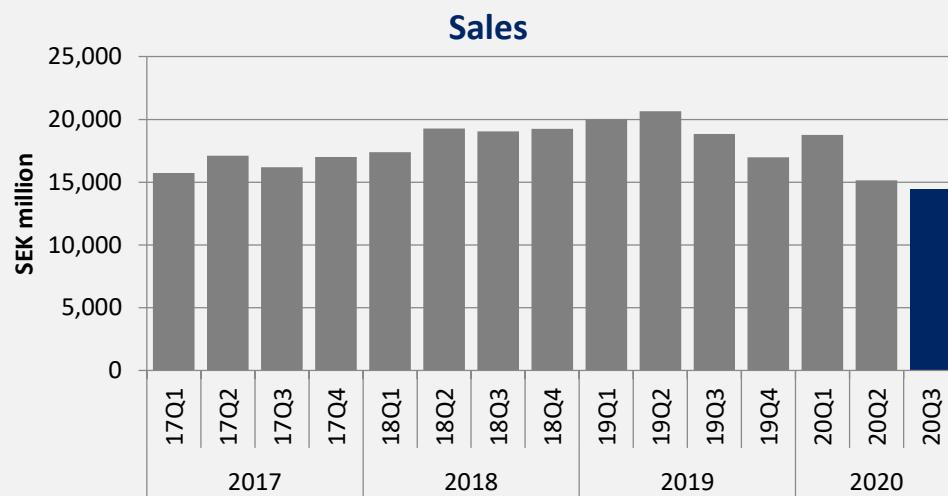
# Ruukki Construction

- ▶ Focus on product business has clearly improved margins
- ▶ The project business, Building Systems, was divested in Q2
- ▶ Comparable revenue on stable level
- ▶ Good underlying demand



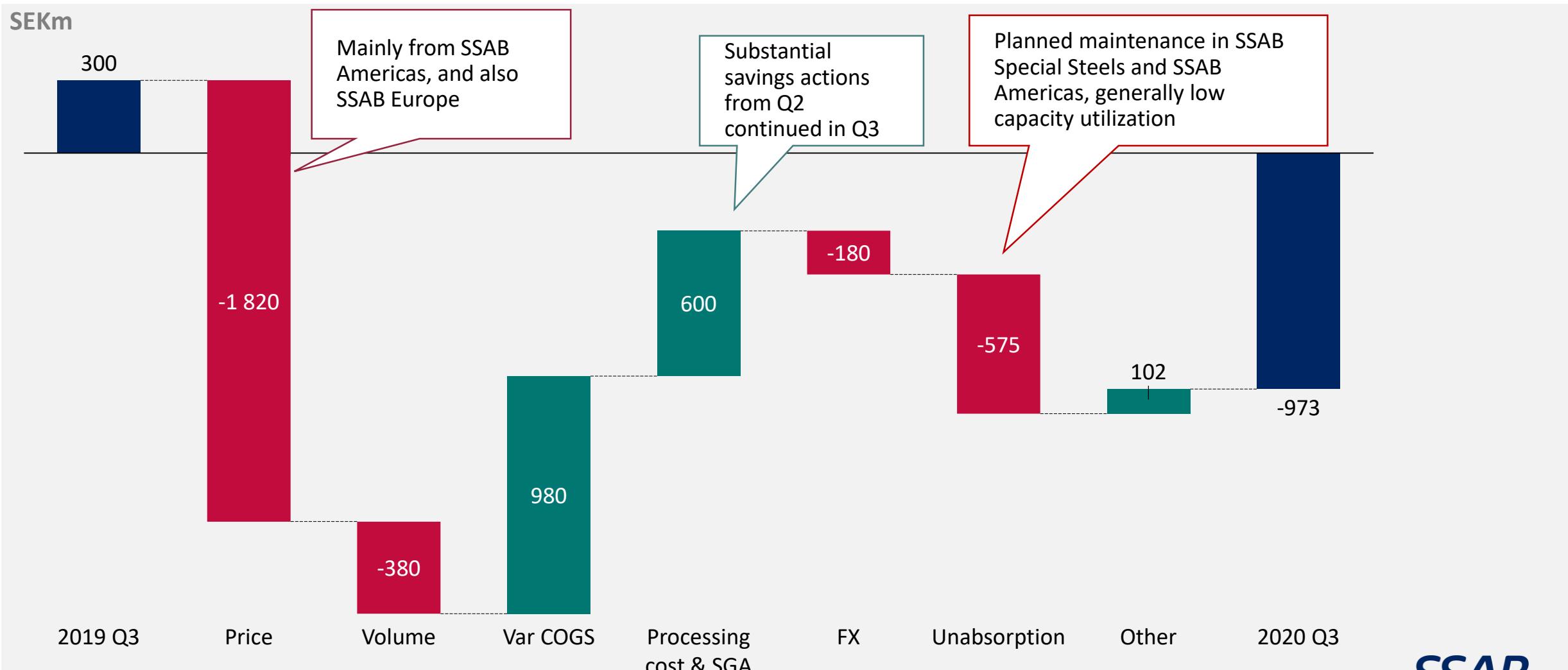
# Financials

# Lower shipments and production – positive effects from savings



# Change in operating profit

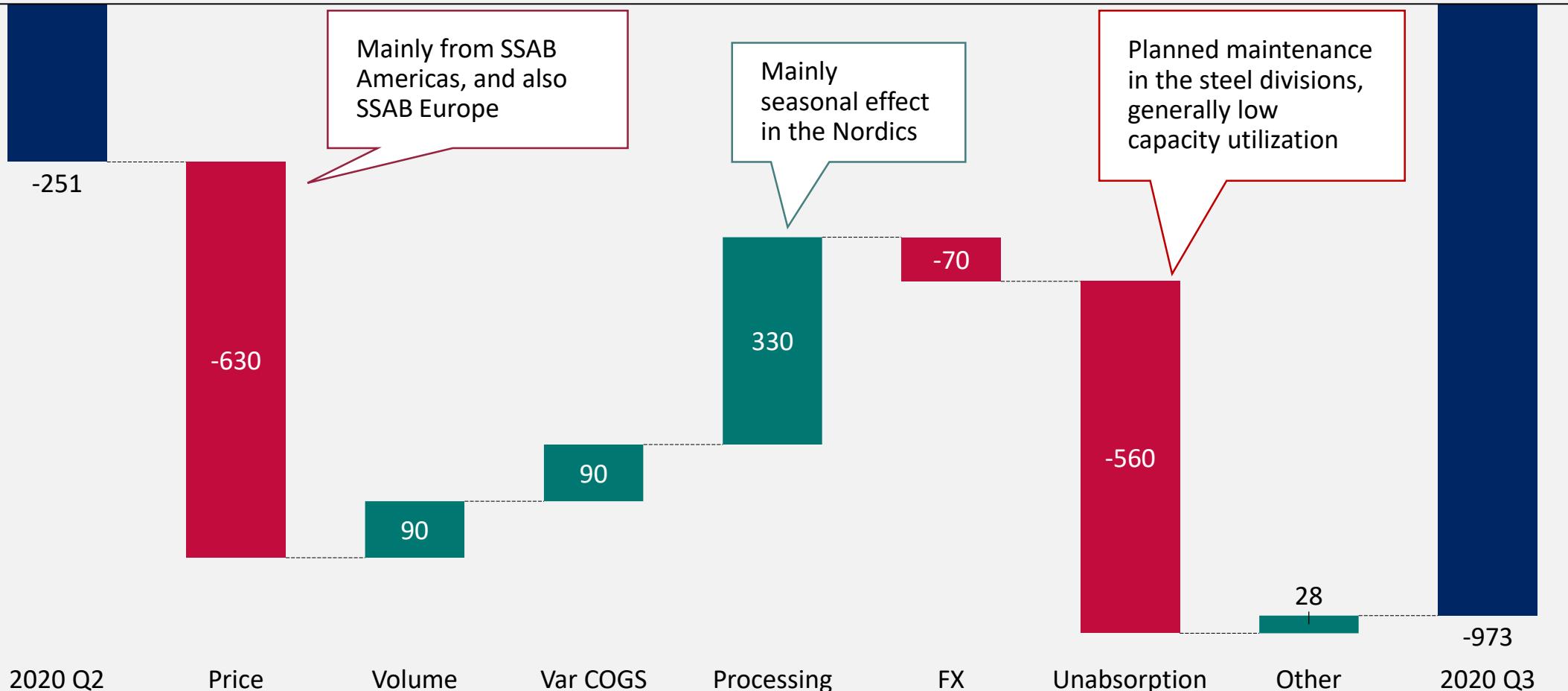
## Q3/2020 vs. Q3/2019



# Change in operating profit

## Q3/2020 vs. Q2/2020

SEKm



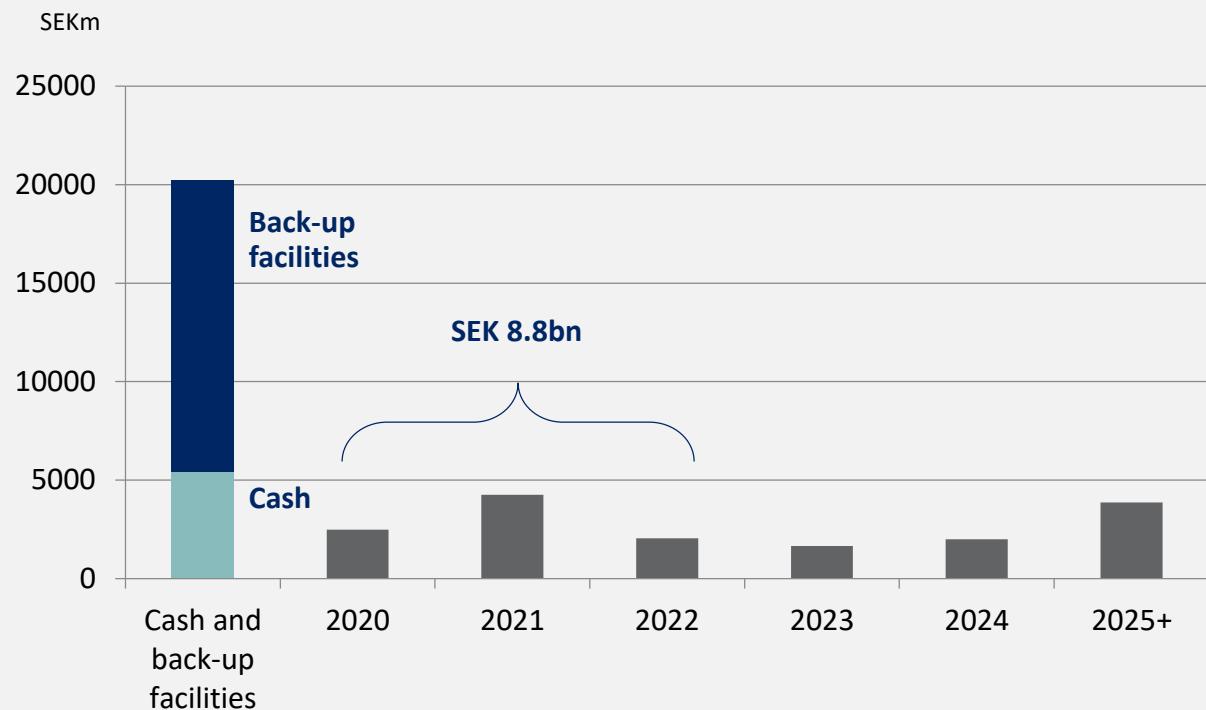
# Cash flow supported by release of working capital

SEKm	Q3/2020	Q3/2019	Q2/2020	2019
EBITDA	-66	1 177	705	6,177
Change in working capital	699	205	237	896
Maintenance expenditure	-332	-456	-381	-1,875
Other	11	113	68	-4
<b>Operating cash flow</b>	<b>313</b>	1 038	629	5,194
Financial items	-164	-140	-202	-432
Taxes	3	-262	-173	-1,315
<b>Cash flow from current operations</b>	<b>151</b>	636	254	3,447
Strategic capital expenditure	-75	-235	-230	-1,035
Acquisitions of shares and operations	-43	-3	-82	-1,221
Divestments of shares and operations	-1	-	106	118
<b>Cash flow before dividend</b>	<b>32</b>	398	48	1,309
Dividend paid to shareholders	-	-	-	-1,545
Dividend, non-controlling interest	-4	0	-	-7
Acquisition, non-controlling interest	-	-	-	-46
<b>Net cash flow</b>	<b>27</b>	398	48	-289

# Maturity profile and net debt

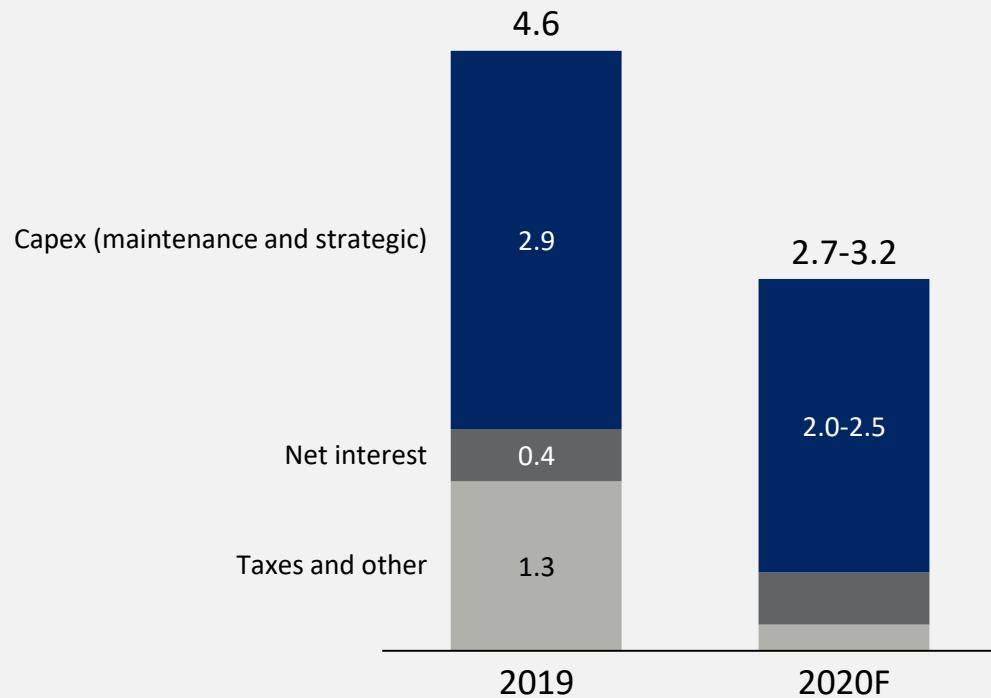
- ▶ Net debt amounted to SEK 12,926m (11,424m)
- ▶ Net gearing was 22% (18%)
- ▶ Duration of the loan portfolio was 4.9 (7.0) years
- ▶ Liquid assets and committed credit lines at comfortable level of SEK 20 billion (as of Sep 30) – corresponds to 31% of rolling 12 month revenue
- ▶ Most maturities in 2020 refers to commercial papers

**Maturity profile Q3/2020**



# Cash needs of the business

- ▶ Total cash needs\* estimated at SEK 2.7-3.2 billion in 2020, unchanged to earlier forecast
- ▶ Projects postponed:
  - Capacity expansion in Mobile
  - Start of Oxelösund conversion
- ▶ Slight increase in interest paid
- ▶ Lower taxes paid expected in 2020 (2019 unusually high due to lag in the US)



\*Cash needs defined as capex, interest paid and taxes paid. Excluding working capital

# Higher prices for iron ore, lower for coking coal

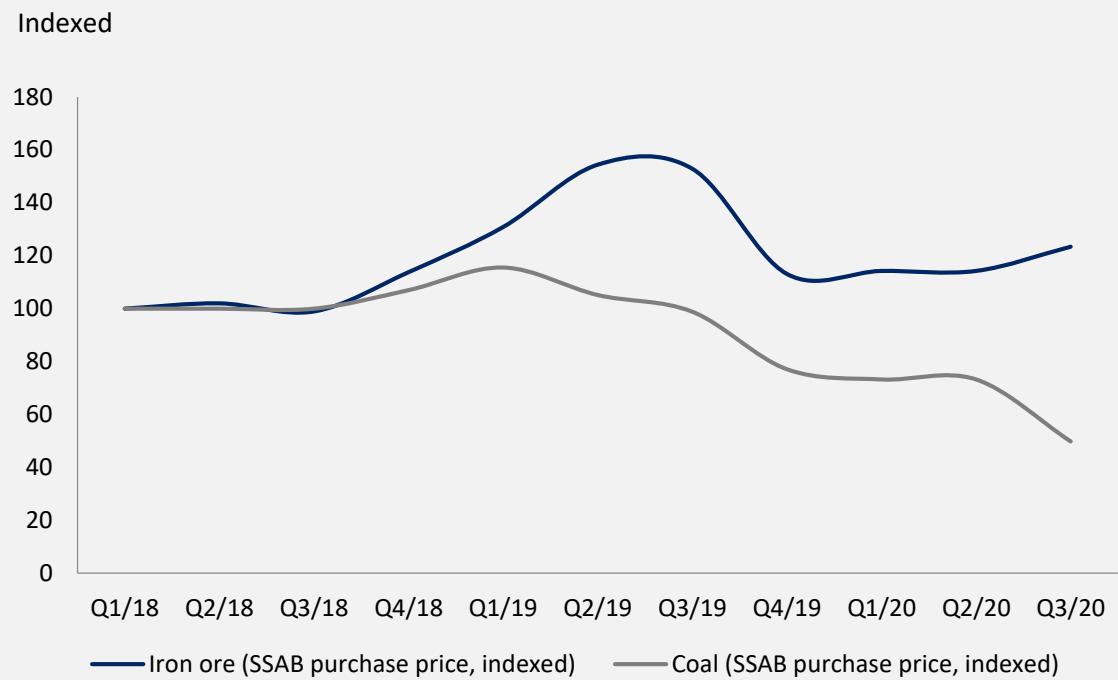
## Iron ore

- ▶ Average pellet purchase price in Q3/20 was 8% higher in terms of SEK (+17% in USD) vs. Q2/20
- ▶ Iron ore spot prices started to increase in May and moved upwards during Q3

## Coking coal

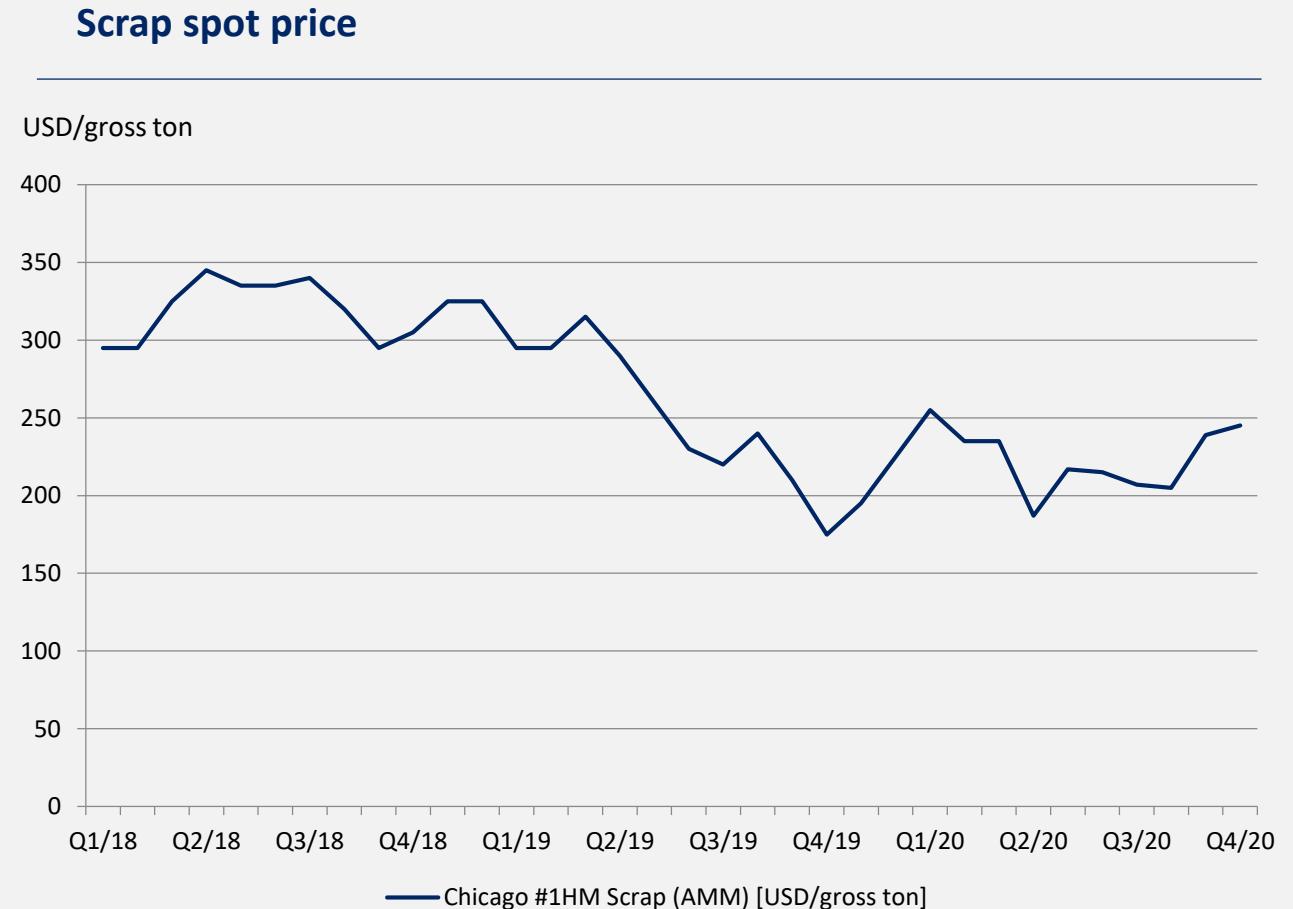
- ▶ Average coking coal purchase price in Q3/20 was 32% lower in terms of SEK (-26% in USD) vs. Q2/20
- ▶ Coal spot prices decreased during the quarter

## SSAB's purchase price, coking coal and iron ore



# Scrap spot prices increased in September

- ▶ SSAB's average purchase price for scrap in Q3/20 was 4% lower (in terms of USD) vs. Q2/20
- ▶ Scrap spot prices in US started to increase in September and stabilized in October



Source: AMM

# Major planned maintenance outages in 2020

- The Group's total maintenance cost in 2020 forecasted at SEK 805 (previous forecast SEK 900m and in 2019 SEK 1,135m)
- Somewhat lower cost than forecasted in Q3 in all three divisions

SEKm	Q1/20	Q2/20	Q3/20	Q4/20	2020	2019
SSAB Special Steels	-	-	250	-	250	300
SSAB Europe	-	-	250	85	335	420
SSAB Americas	-	50	170	-	220	415
Total	-	50	670	85	805	1,135

Note: The estimates shown in table includes direct maintenance cost and cost of lower capacity utilization (under absorption), but excludes lost margins.

# Outlook and summary

# SSAB's climate goals approved by the Science Based Targets initiative

- ▶ SSAB is committed to reducing its greenhouse gas (CO<sub>2</sub>e) emissions by 35% by 2032 (based on 2018 figures).
  - The goal applies to both direct and indirect emissions (Scope 1 and 2)
  - In line with the objective of keeping global warming well below 2°C
- ▶ Objective is scientifically based and in line with the Paris Agreement
- ▶ SSAB's aims to be the first to offer the market fossil-free steel in 2026



# Hybrit: Start up of world unique pilot plant

- ▶ The world unique pilot plant for fossil-free steel, producing sponge iron (DRI/HBI), was started up in Luleå, Sweden
- ▶ First using natural gas and then hydrogen to be able to compare production results
- ▶ The Swedish Energy Agency granted the joint venture SEK 22m for a study to establish the prerequisites for the demonstration plant



# SSAB's outlook for main customer segments Q4/2020

Segment	Q4/2020	Comments	Strong	Healthy	Weak
Heavy Transport		<ul style="list-style-type: none"> <li>▶ Some recovery of heavy truck production</li> <li>▶ Low activity in the US, e.g. rail cars</li> </ul>			
Automotive		<ul style="list-style-type: none"> <li>▶ Recovery in production</li> <li>▶ Underlying structural growth in AHSS</li> </ul>			
Construction Machinery		<ul style="list-style-type: none"> <li>▶ Relatively low production levels in main markets, especially Lifting</li> <li>▶ Some improvement compared to Q3</li> </ul>			
Material Handling		<ul style="list-style-type: none"> <li>▶ Mining operations continue at a fairly stable level</li> </ul>			
Energy		<ul style="list-style-type: none"> <li>▶ Low activity in oil and gas</li> <li>▶ Wind power and transmission more stable</li> </ul>			
Construction		<ul style="list-style-type: none"> <li>▶ Stable underlying demand, seasonal slow down</li> </ul>			
Service Centers		<ul style="list-style-type: none"> <li>▶ Generally cautious sentiment</li> <li>▶ Low inventory levels in the US</li> </ul>			

# SSAB's outlook for Q4/2020

- ▶ In Q4 demand for steel is expected to recover somewhat following two weak quarters
  - However, the increased spread of Covid-19 in particular is creating major uncertainties
  - Normal seasonal slowdown is expected towards the end of Q4
- ▶ Shipments for all steel divisions are expected to increase somewhat vs. Q3
- ▶ Prices realized during Q4/20 (compared to Q3/20) are expected to be:
  - SSAB Europe: somewhat lower, because of a weaker product mix in Q4
  - SSAB Special Steels: relatively stable
  - SSAB Americas: relatively stable

## Volume outlook

Business segment	Volume trend Q4/20 vs. Q3/20	
SSAB Special Steels	↗	Demand expected to recover somewhat, but seasonal slowdown at the end of Q4
SSAB Europe	↗	
SSAB Americas	↗	

# Summary

- ▶ Lower demand and planned maintenance weighed on earnings in Q3
- ▶ Fixed costs reduced by over SEK 600m vs. Q3/19 and SEK 1.5bn YTD
- ▶ Demand picked up towards the end of Q3, especially in Europe and the activity level is expected to improve slightly in Q4
- ▶ SSAB continues to focus on developing the special steels business and the transition to fossil-free steel



# Questions & Answers

# Appendix

# Summary of Q3/2020

Earnings impacted negatively by lower demand, and planned maintenance outages

- ▶ Sales were down 23% vs. Q3/19, driven by lower prices and shipments
- ▶ EBIT of SEK -973 (300) million, down SEK 1,273m
  - Steel market continued to suffer from lower economic activity due to Covid-19
  - Planned maintenance breaks lowered the result
- ▶ Operating cash flow of SEK 313 (1,038)m, lower result
- ▶ Net debt SEK 12,926 (11,424)m
- ▶ Gearing ratio was 22% (18%)
- ▶ Earnings per share SEK -0.72 (0.03)

## Key figures (SSAB Group)

SEKm	Q3/2020	Q3/2019	Q2/2020	2019
Sales	<b>14,481</b>	18,840	15,155	76,485
EBITDA <sup>1)</sup>	<b>-66</b>	1,327	705	6,375
EBIT <sup>1)</sup>	<b>-973</b>	300	-251	2,159
Operating cash flow	<b>313</b>	1,038	629	5,194
Net debt	<b>12,926</b>	11,424	12,782	11,696
Net debt/equity ratio (%)	<b>22</b>	18	21	19
Profit after tax <sup>1)</sup>	<b>-734</b>	184	-280	1,279
Earnings per share, SEK	<b>-0.72</b>	0.03	-0.28	1.04
Shipments, ktonnes	<b>1,472</b>	1,614	1,422	6,560

1) Excluding items affecting comparability.

# SSAB Special Steels

Demand continued weak, planned maintenance outage impacted negatively

- Demand continued to be impacted by the Covid-19
  - Also seasonally lower demand due to summer vacation period
  - Heavy Transport recovered somewhat from Q2, but Construction Machinery customer segment remained cautious
- Shipments were down 13% vs. Q3/19, and down 3% vs. Q2/20
- EBIT of SEK 73m, down SEK 285m vs. Q3/19, and SEK 412m vs. Q2/20
  - Planned maintenance outages (in 2019 in Q4), lower production
  - Lower shipments, lower prices, currency effects
  - + Lower raw material costs
- Several measures taken to reduce costs continued during Q3

## Key figures

SEKm	Q3/2020	Q3/2019	Q2/2020	2019
Sales	3,569	4,509	3,983	18,495
EBITDA	228	509	639	2,081
EBIT	73	358	485	1,454
Shipments, ktonnes	259	299	266	1,224



# SSAB Europe

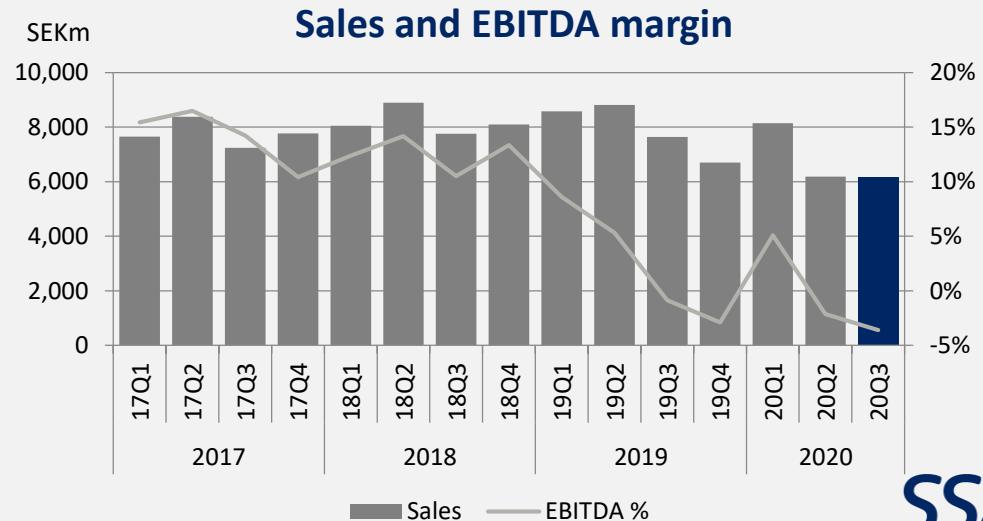
Result declined mainly due to low demand, prices and low production rate

- Demand improved from Q2 in Automotive and Heavy Transport segments, but from very low level
  - Stable development in the Construction segment in the Nordic region
  - Steel Service Centers remained cautious
- Shipments were down 5% vs. Q3/19, but increased by 8% vs. Q2/20
- EBIT was SEK -631m, down SEK 151m vs. Q3/19
  - Lower prices and volumes
  - Low production rate and capacity utilization
  - + Cost savings
- EBIT was down SEK 65m vs. Q2/20
- Several measures taken to lower costs
  - BF in Raahe idled from mid-April until mid-September
  - Short-time work allowances and temporary layoffs

## Key figures

SEKm	Q3/2020	Q3/2019	Q2/2020	2019
Sales	6,153	7,637	6,189	31,730
EBITDA	-221	-67	-133	945
EBIT 1)	-631	-480	-566	-677
Shipments, ktonnes	751	794	695	3,362

1) Excluding depreciation/amortization on surplus values on intangible and tangible fixed assets related to the acquisition of Rautaruukki.



# SSAB Americas

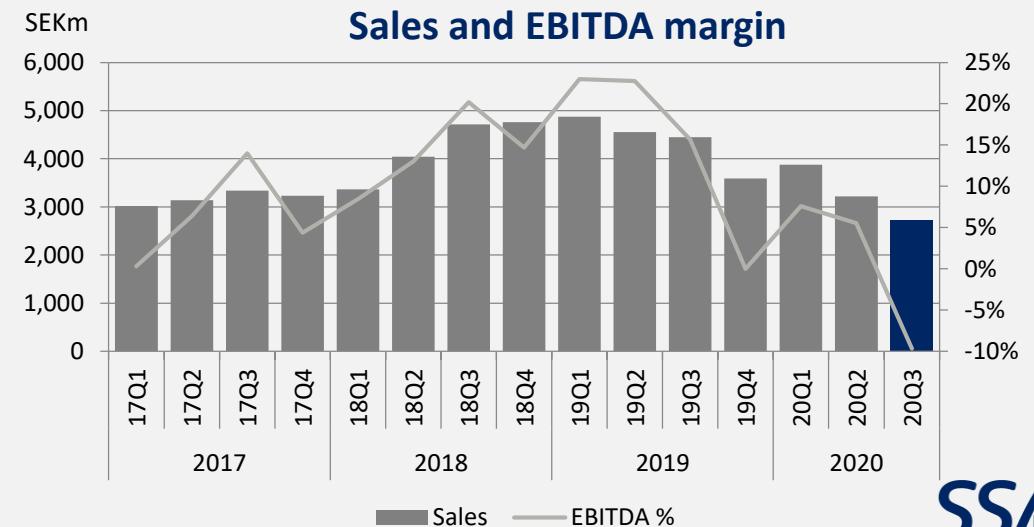
Result decreased from mainly due to lower prices and planned maintenance outage

- Demand continued to be impacted by Covid-19
- Shipments were down 11% vs. Q3/19 and remained flat vs. Q2/20
  - Shipments to Energy segment, Infrastructure and Service Centers increased
- EBIT was SEK -435m, down SEK 957m vs. Q3/19
  - Lower prices and volumes
  - Planned maintenance outage
  - + Cost savings
- EBIT was down SEK 425m vs. Q2/20

## Key figures

SEKm	Q3/2020	Q3/2019	Q2/2020	2019
Sales	2,715	4,446	3,219	17,460
EBITDA	-263	697	178	2,852
EBIT 1)	-435	522	-10	2,128
Shipments, ktonnes	462	521	460	1,974

1) Excluding depreciation/amortization on surplus values on intangible and tangible fixed assets related to the acquisition of IPSCO.



# Tibnor

- Market was characterized by the slowdown, especially in OEMs and their subcontractors
  - Demand vs. Q2 was seasonally lower
- Sales were down 20% vs. Q3/19 and down 14% vs. Q2/20
- EBIT was SEK 6m, slightly up from Q3/19
  - Lower volumes and prices
  - + Cost savings from restructuring program and additional measures taken due to the market situation
- EBIT was down SEK 23m vs. Q2/20
- The implementation of the cost restructuring program is according to plan, with annual savings impact of SEK 200m
  - Full run rate from H2/20 onwards

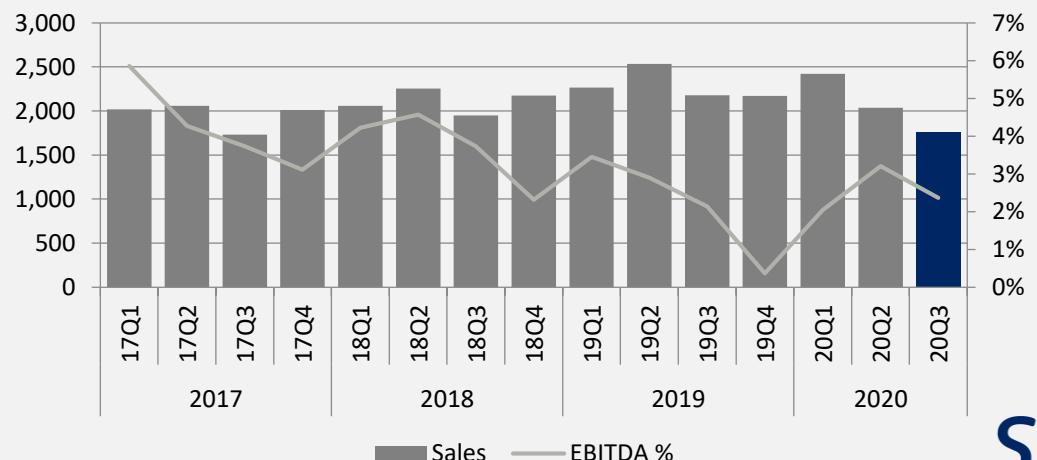
## Key figures

SEKm	Q3/2020	Q3/2019	Q2/2020	2019
Sales	1,752	2,179	2,037	9,149
EBITDA	42	47	65	206
EBIT 1)	6	2	29	30
Shipments (ktonnes)	172	190	190	786

1) Excluding depreciation/amortization on surplus values on intangible and tangible fixed assets related to the acquisition of Rautaruukki.

SEKm

## Sales and EBITDA margin



# Ruukki Construction

- Demand was at good level supported by seasonality
  - But somewhat negatively impacted by Covid-19 in Central and Eastern Europe, Baltics and Norway
- Sales down by 22% vs. Q3/19 – sales stable on comparable basis
- EBIT was SEK 145m, up SEK 11m vs. Q3/19, and up SEK 59m vs. Q2/20 mainly due to seasonality
- Building Systems divested and not included in figures as of May 2020

## Key figures

SEKm	Q3/2020	Q3/2019	Q2/2020	2019
Sales	1,391	1,794	1,439	6,510
EBITDA	185	179	128	466
EBIT 1)	145	134	86	283

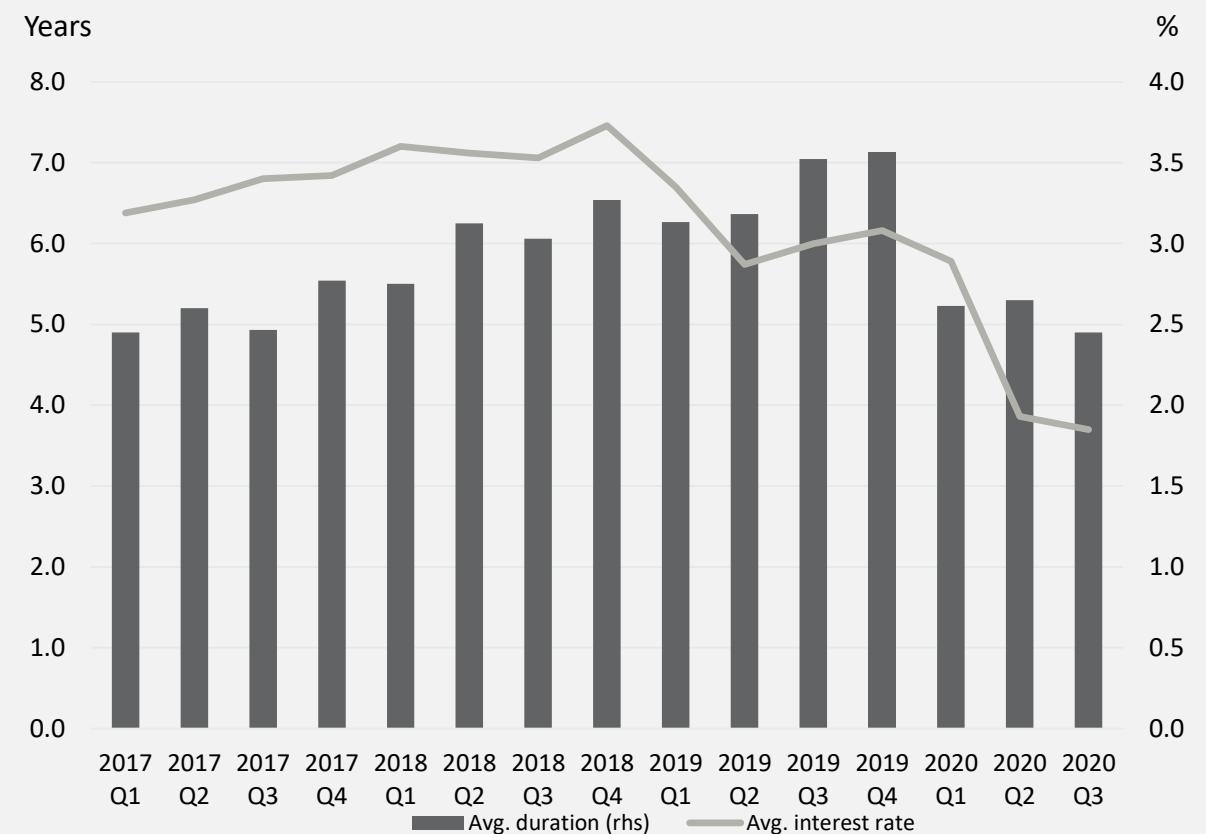
1) Excluding depreciation/amortization on surplus values on intangible and tangible fixed assets related to the acquisition of Rautaruukki.



# Debt portfolio duration and interest rate

- Duration of the loan portfolio was 4.9 (7.0) years
- Averaged fixed interest term was 0.9 (1.1) years
- Average interest rate was 1.85% (3.0%)

Debt cost and duration



# SSAB



*A stronger,  
lighter and more  
sustainable world*