

# BEFESA



## Preliminary Full Year 2017 Earnings & Roadshow

March, 2018

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2017 are preliminary unaudited figures since Audit is still in process.  
No material changes are expected.



**CEO since 2000**

**Javier Molina**

**President and CEO**

- Became President of Abengoa's Environmental Services Division in 1994



**CFO since 2014**

**Wolf Lehmann**

**CFO; including responsibilities for Operational Excellence and IT**

- 20+ years in operational and finance leadership roles
- 50/50 General Electric / Private Equity



**Since 2008**

**Rafael Pérez Gómez**

**Director of Corporate Strategy and Investor Relations**

- Director of Corporate Strategy and Investor Relations of Befesa Group since 2008

**Continued double-digit growth in revenue and earnings driven by strong volumes, favorable prices and operational excellence in both core businesses**

**Profitability improved to 20% Adjusted EBIT Margin <sup>(1)</sup> (compared to 17% in 2016A)**

**Strong cash generation and reduced leverage<sup>(2)</sup> further down to x2,4 (compared to x3,5 in YE 2016)**

**Hedging program extended through swaps to Jan 2021  
improving visibility of earnings and cash flows for the next ~3 years**

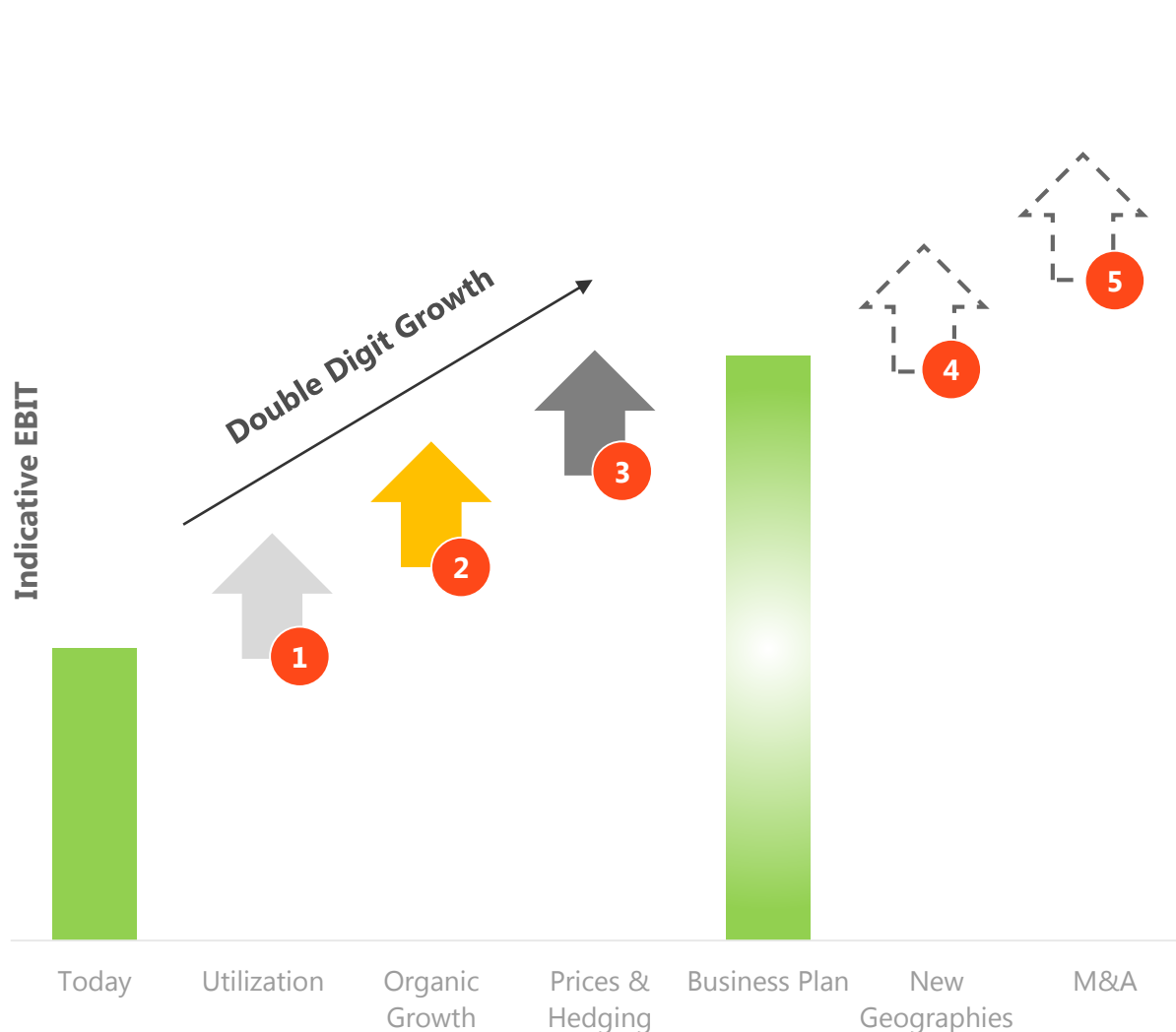
**New capital structure<sup>(3)</sup> lowers interest costs and debt service by approx. 60% ...  
improved credit ratings assigned to Befesa of Ba3 / BB- Moody's / S&P**

**Focus on implementing the next set of organic growth initiatives to continue the company's successful development in 2019 & beyond**

(1) Adjusted EBIT / Revenue as of Dec. 31, 2017. (2) Leverage calculated as Net Debt / Adjusted EBITDA. Leverage at year-end 2017 is calculated using Adjusted EBITDA as of Dec. 31, 2017

(3) New Capital structure in place since December 7, 2017.

### Accelerated top- and bottom-line growth through a well-defined strategy



- 1 Utilization**
  - Increase plant utilization of prior year growth investments ... mainly Steel Dust Korea
- 2 Organic Growth**

2018 Focus:

  - Steel Dust:
    - Expand Turkey +45kt
    - Korea Washing Plant
  - Alu Salt Slags:
    - Change to Tilting Furnaces
    - Expand Hannover +40kt
- 3 Prices & Hedging**
  - 2018: 92.4kt at €2,051
  - 2019: 92.4kt at €2,306
  - 2020: 92.4kt at €2,245
- 4 New Geographies**
  - Monitoring growth opportunities and regulatory framework in new geographies, e.g. China, South East Asia, Russia
- 5 M&A Opportunities**

**1**

**Update since IPO**

**2**

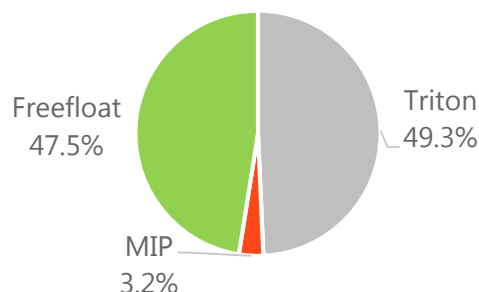
**Preliminary FY 2017 Trading Update**

**3**

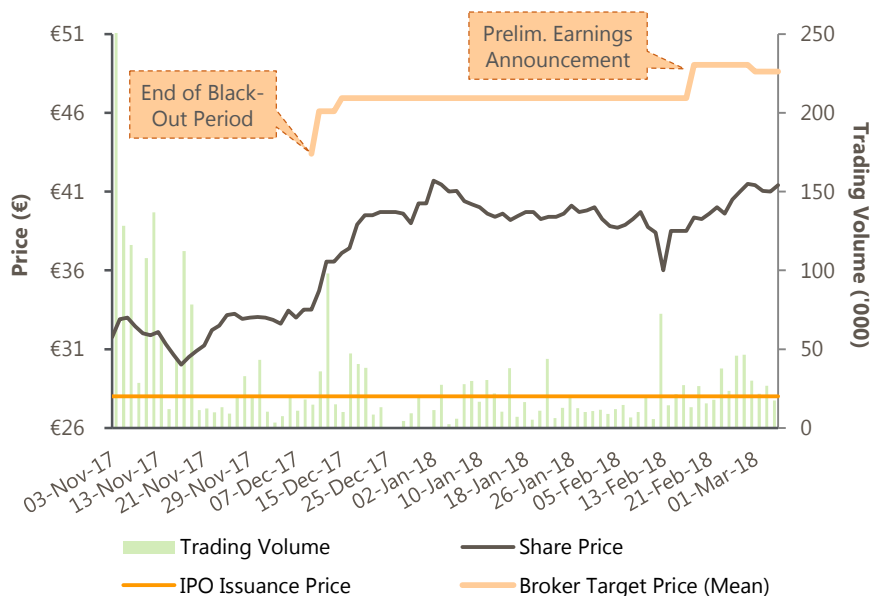
**Appendix**  
(Befesa Investment Highlights)

Befesa's share price has developed positively since the IPO with still significant value upside when comparing to peers

### Ownership post IPO<sup>(1)</sup>



### Share Price since IPO

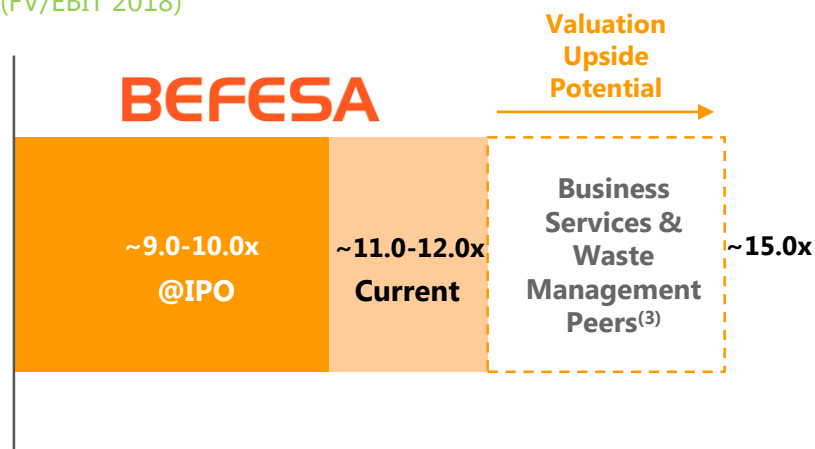


### Key Highlights

- **c. +50%** share price increase since IPO backed by **strong operational performance**
- Still significant **share price upside potential** to broker target price
- **Strong** broker **consensus** with **all brokers** giving a **buy recommendation** (7 in total)<sup>(2)</sup>
- **Additional upside** from **extended hedging activity** and **new growth project**

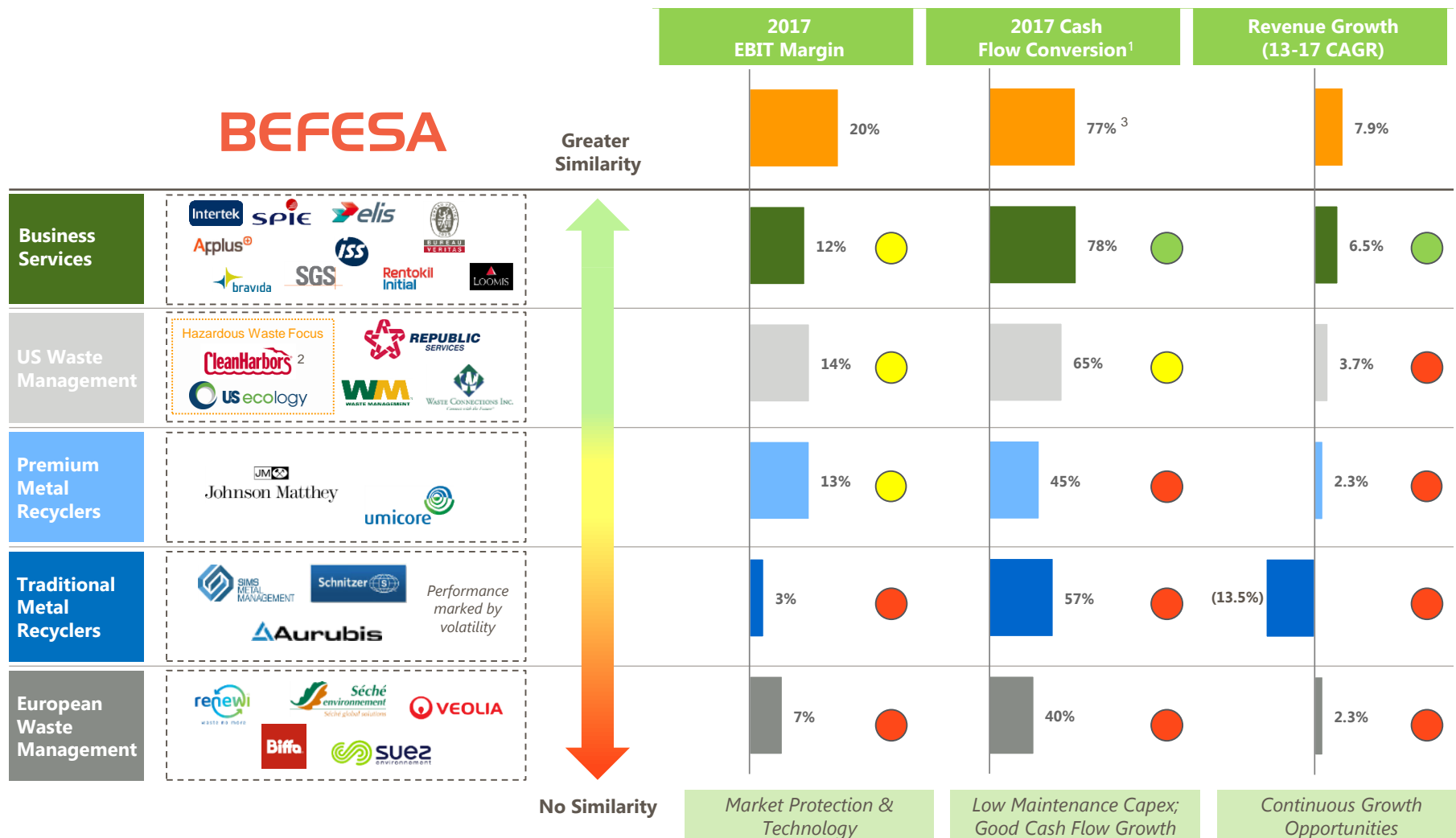
### Valuation Upside

(FV/EBIT 2018)





Befesa's strong service based business model results in superior financial performance closest to Premium Business Services and US Waste Manag. players



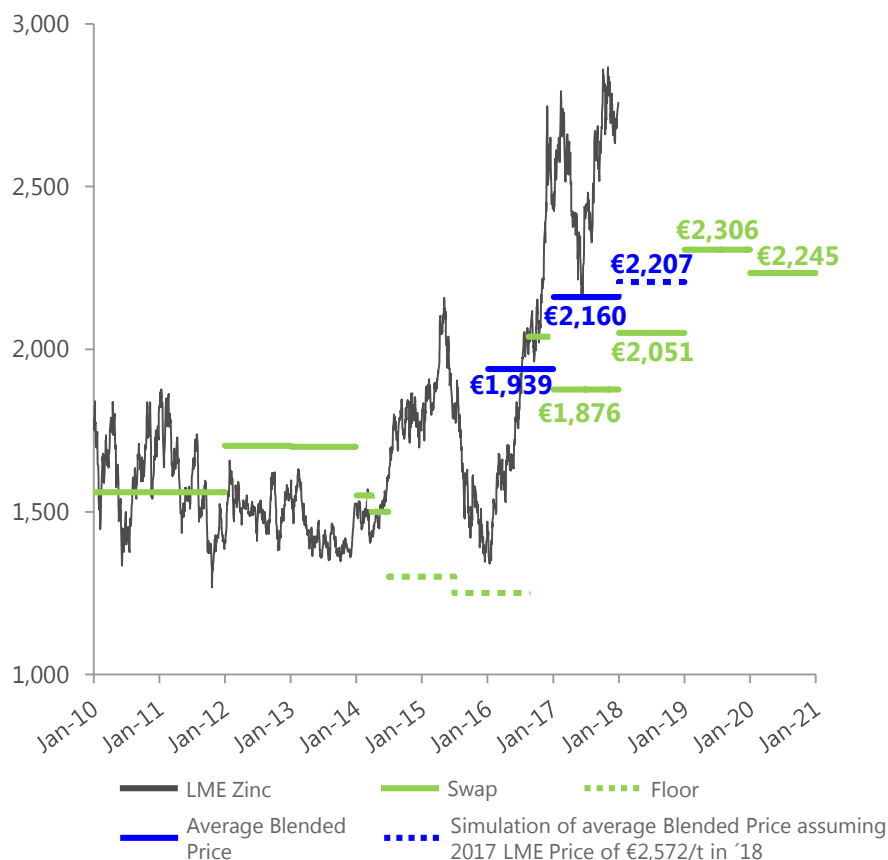
1. Defined as (Adj. EBITDA – Capex) / Adj. EBITDA. 2. 2018E Margins used for Clean Harbors given ongoing restructuring. 3. Cash conversion = (Adj. EBITDA +/- WC change – maintenance capex – taxes) / Adj. EBITDA. Source: Factset, as of 15-February-2018. Figures represent median of peers for each of the segments. The financial data presented with respect to other companies has been compiled by Factset from the publicly available information of the respective companies. Befesa has not independently verified the financial information of such other companies and these companies may calculate similarly titled financial measures differently than Befesa does. Befesa's presentation of such financial measures may therefore not be comparable to other companies' similarly titled measures and analysts should use caution when making such comparisons.



### Hedging extended through swaps to cover full year 2020 ... Improving visibility of earnings and cash flows for the next 3 years

#### Market Zinc Price vs. Zinc Hedge

(€/ton)



- **Extended** hedging period **to fully cover 2020**
- **Increased volume coverage ...**  
Higher volume of 7.7 kt/month or 92.4kt/year (vs previous 6.1 kt/month or 73.2 kt/year) ... **approx. 70%** of zinc equivalent payable output
- **Strong hedge price levels** of €2,306/t in 2019 and €2,245/t in 2020

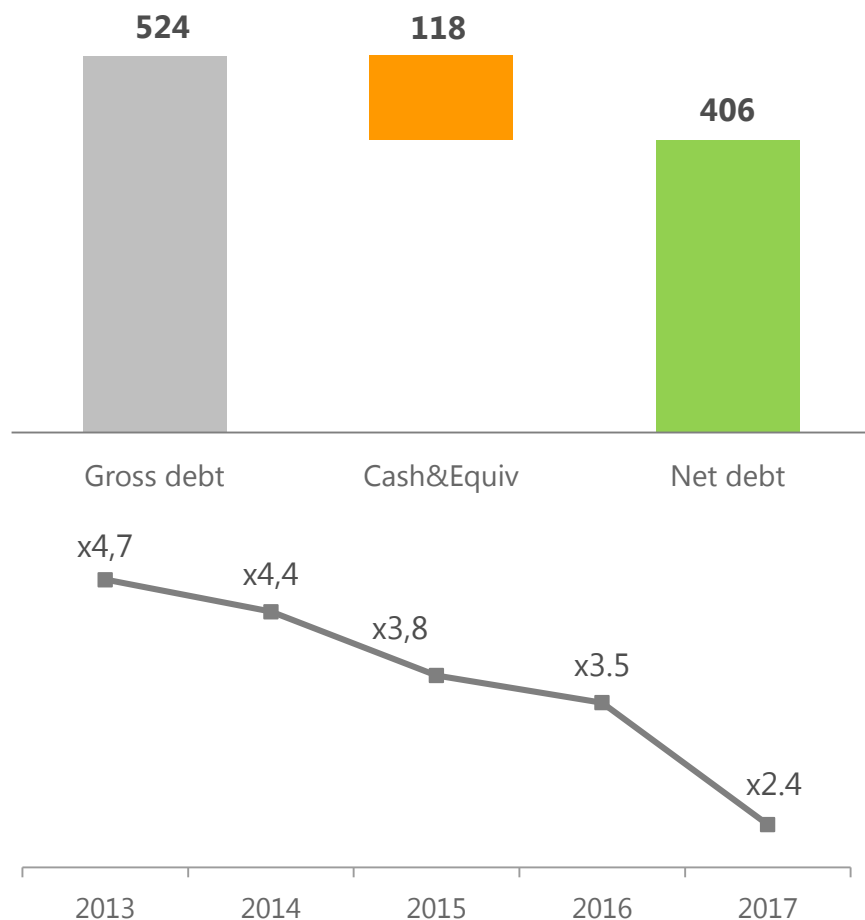
Period	Swap average price €/t	Zinc content hedged
2017	€1,876	73,200 tons
2018	€2,051	92,400 tons
2019	€2,306	92,400 tons
2020	€2,245	92,400 tons

- Using the 2017 average LME market price (€2,572) for **2018** for the un-hedged expected volumes (~30%) ... the **blended** average zinc price **would translate to ~€2,207** per ton ... 2017 blended avg. zinc price at €2,160 per ton.
- Hedging **without** Befesa providing **collateral / no margin calls**

**Net debt of ~€406m ... reduced leverage further down to x2.4 at '17 close ...**  
**Continued Strong Cash Flow Generation of ~€56m ...**  
**New capital structure resulting in ~60% lower financial costs**

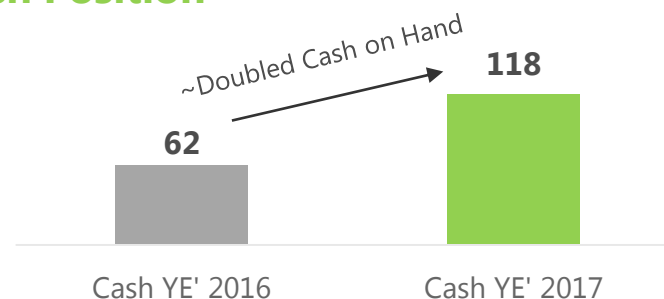
### Net Debt and Leverage<sup>(1)</sup>

(€m)



### Cash Position<sup>(1)</sup>

(€m)



### New Capital Structure

- **Moody's and S&P assigned improved credit ratings for Befesa S.A. of Ba3 / BB- ... both 2 notches up from B2 / B**
- €636m New Senior Facilities Agreement in place since December 7, 2017:
  - **€526m Term Loan B – covenant lite;**  
**3M Euribor + 2.75% / no floor;**  
**5 year term; all bullet / no amortization;**
  - €75m RCF ... Euribor + 2.50% / no floor;
  - €35m Guarantee Line; max 1.75%
- **Variable to fix interest swap** on 60% of the new term loan B (€316m of €526m)
- **Reduced annual run rate of interest costs and debt service by approx. 60%**

### Financial Calendar

✓ **Monday, February 19, 2018:**  
Publication of Preliminary Earnings Full Year 2017

**Thursday, March 15, 2018:**  
Publication of Report Full Year 2017 & Analyst Call

**Thursday, April 26, 2018:**  
Annual General Meeting in Luxembourg

**Thursday, May 24, 2018:**  
Publication of Statement Q1 2018 & Analyst Call

**Friday, July 27, 2018:**  
Publication of Interim Report H1 2018 & Analyst Call

**Thursday, Nov 22, 2018:**  
Publication of Statement Q3 2018 & Analyst Call

### Meet Befesa ...

✓ **January 8-9, 2018 - Commerzbank**  
New York, German Investment Seminar

**March 8, 2018 - Citibank**  
London, Global Resources Conference

**March 16, 2018 - Citibank**  
London, Pan-European Business Services Conference

**June 6-8, 2018 - Deutsche Bank**  
Berlin, dbAccess Berlin Conference

**June 11-13, 2018 - Stifel**  
Boston, 2018 Cross Sector Insight Conference

**Sept 11-13, 2018 - JP Morgan**  
London, Small and Mid Caps Europe

**Sept 24-26, 2018 - Berenberg & Goldman Sachs**  
Munich, German Corporate Conference

1

**Update since IPO**

2

**Preliminary FY 2017 Trading Update**

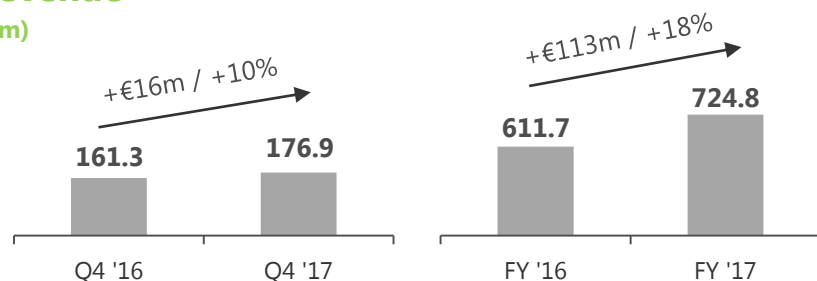
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**Appendix**  
(Befesa Investment Highlights)

Continued solid growth in revenue, earnings and profitability driven by strong volumes, favorable prices and operational excellence

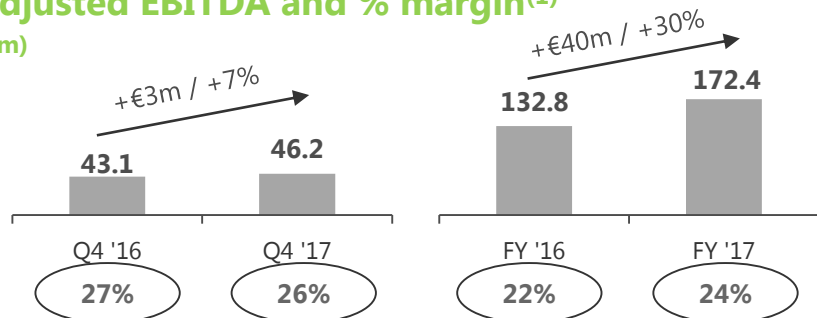
### Revenue

(€m)



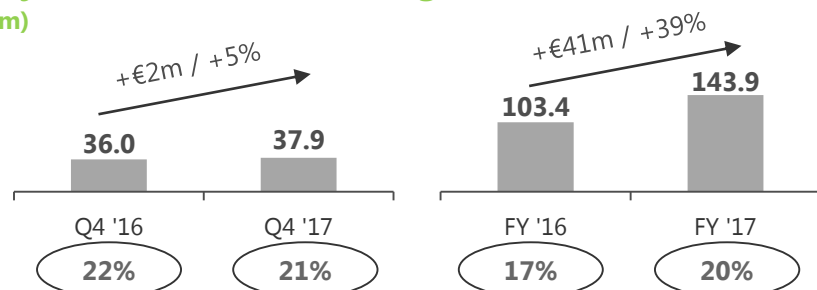
### Adjusted EBITDA and % margin<sup>(1)</sup>

(€m)



### Adjusted EBIT and % margin<sup>(1)</sup>

(€m)



### Highlights

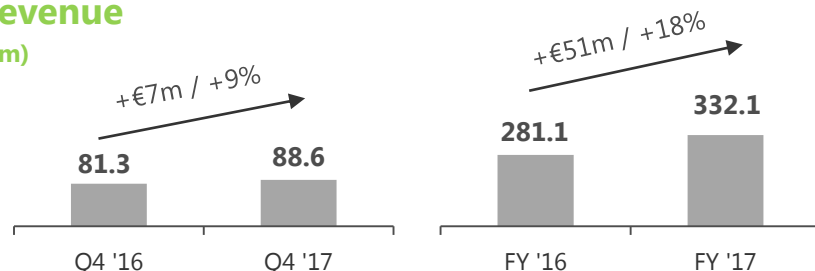
- **Preliminary FY '17 Revenue** increased **+€113m / +18% YoY** ... primarily due to:
  - **higher volumes in both core segments**  
+12% steel dust throughput / +4% salt slags & SPL recycled
  - **higher prices** for both **zinc** (blended zinc price increased 11% YoY) and **aluminium alloys** (average market prices +9% YoY)
- **Preliminary FY '17 Earnings** increased to **€172m / +30% YoY Adjusted EBITDA (24% of revenue)** ... **€144m / +39% YoY Adjusted EBIT (20% of revenue)** ... driven by strong volumes in both core segments, favorable zinc and aluminium prices and cost efficiencies from operational excellence initiatives

(1) Adjusted EBIT(DA) have been calculated based on the reported operating result adjusted for holding, restructuring and other one-time effects; Adjusted EBIT(DA) margin is calculated as the ratio of Adjusted EBIT(DA) to Revenue.

**YoY increase in revenues & earnings driven by higher EAFD throughput, Waelz oxide volumes, favorable zinc price and operational excellence**

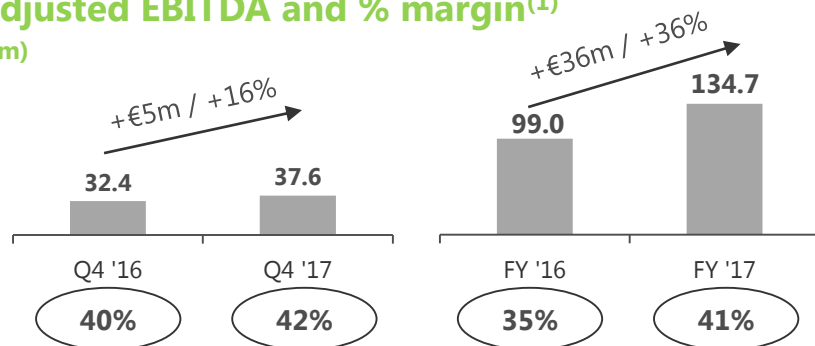
### Revenue

(€m)



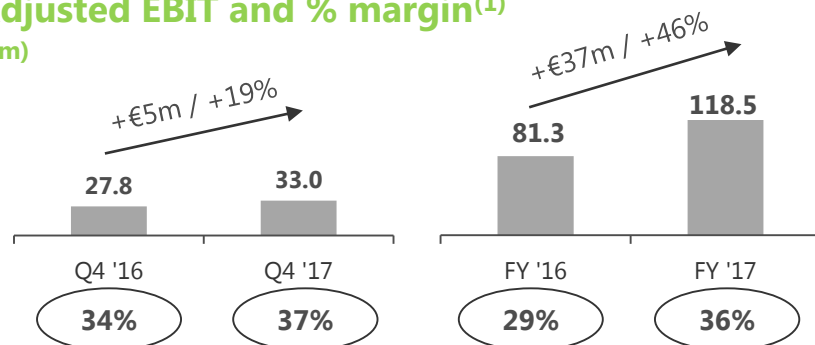
### Adjusted EBITDA and % margin<sup>(1)</sup>

(€m)



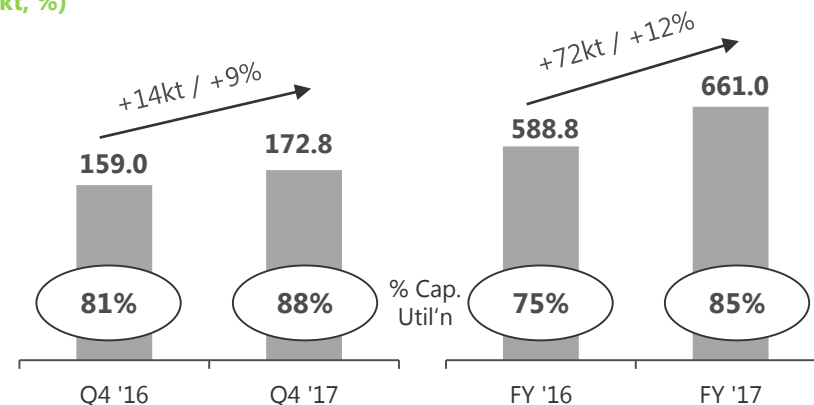
### Adjusted EBIT and % margin<sup>(1)</sup>

(€m)



### EAFD Throughput & Capacity Utilization

(kt, %)



### Prices

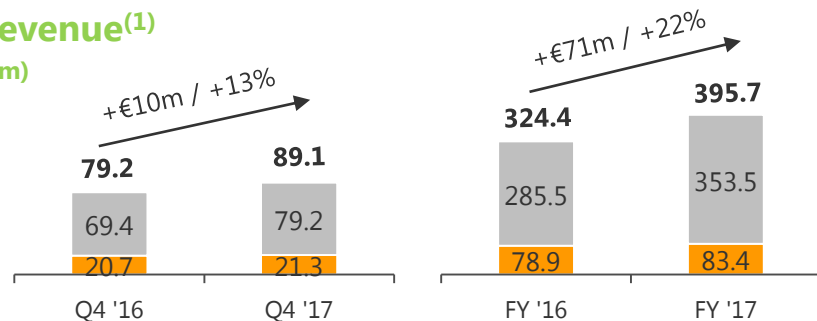
	Q4 2016	Q4 2017	% Var.	FY 2016	FY 2017	% Var.
Befesa blended (*) zinc price (€/t)	2,162	2,210	+2%	1,939	2,160	+11%
LME avg price (€/t)	2,338	2,723	+16%	1,893	2,572	+36%

(\*) Blended rate between hedged prices and average spot prices, weighted by the respective hedged and non-hedged volumes, reflecting the effective price to Befesa.

**Growth in revenues & earnings driven by good volumes, increasing alu alloy prices, and operational excellence**

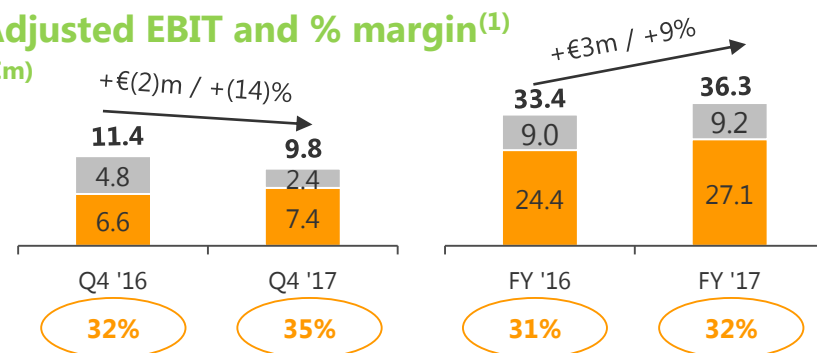
### Revenue<sup>(1)</sup>

(€m)



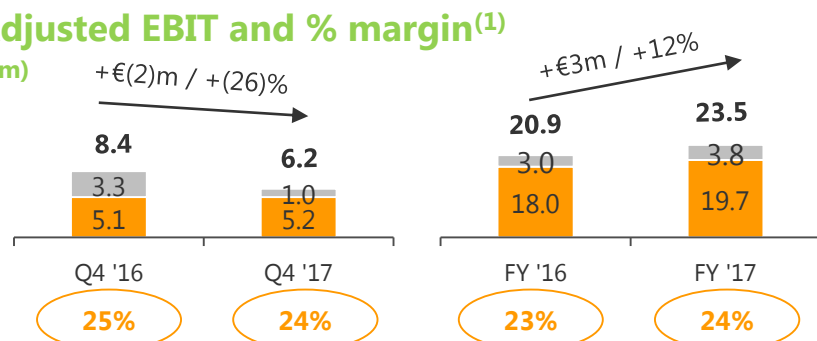
### Adjusted EBIT and % margin<sup>(1)</sup>

(€m)



### Adjusted EBIT and % margin<sup>(1)</sup>

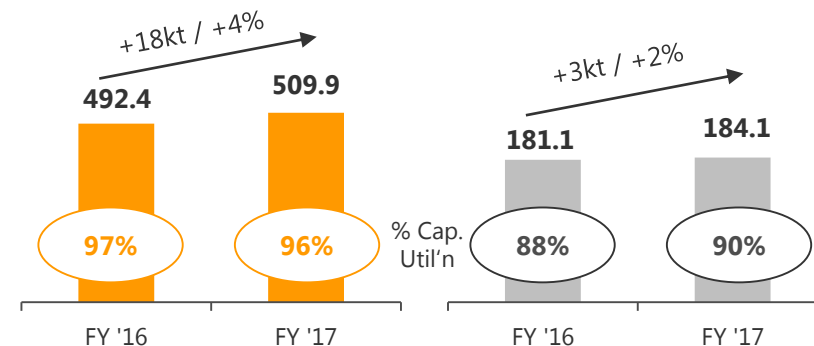
(€m)



### Volumes & Capacity Utilization

Salt Slags & SPL Treated (kt)

Alu Alloys Produced (kt)



### Prices

	Q4 2016	Q4 2017	% Var.	FY 2016	FY 2017	% Var.
Alu alloy avg. price (*) (€/t)	1,591	1,753	+10%	1,618	1,766	+9%

(\*) Aluminium Scrap and Foundry Ingots Aluminium pressure diecasting ingot DIN226/A380 European Metal Bulletin Free Market Duty paid delivered works.

■ Salt Slags sub-segment  
■ Secondary Aluminium sub-segment



1

**Update since IPO**

2

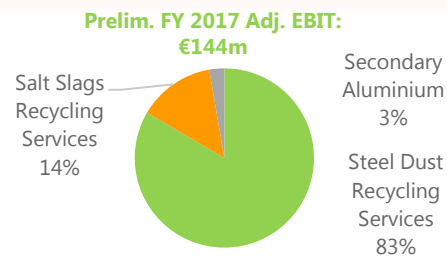
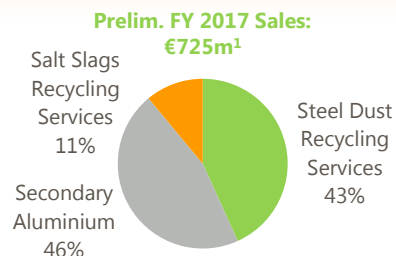
**Preliminary FY 2017 Trading Update**

3

**Appendix**  
(Befesa Investment Highlights)

### Befesa – European market leader in providing mission critical hazardous waste recycling services to the steel and aluminium industry

#### BEFESA



More than 90% of EBIT generated from two core >20% EBIT margin operations with low capital intensity

#### Steel Dust Recycling Services<sup>2</sup>



Position in Europe (c.45–50% Market Share) and Asia<sup>4</sup>

36%

Adj. EBIT Margin (Prelim. FY 2017)<sup>2</sup>

Relationships  
>15yrs



voestalpine

GLENCORE

nyrstar

#### Aluminium Salt Slags Recycling Services



Position in Europe in Salt Slags (c.45–50% Market Share)

24%

Adj. EBIT Margin in Salt Slags (Prelim. FY 2017)<sup>3</sup>

Relationships  
>15yrs



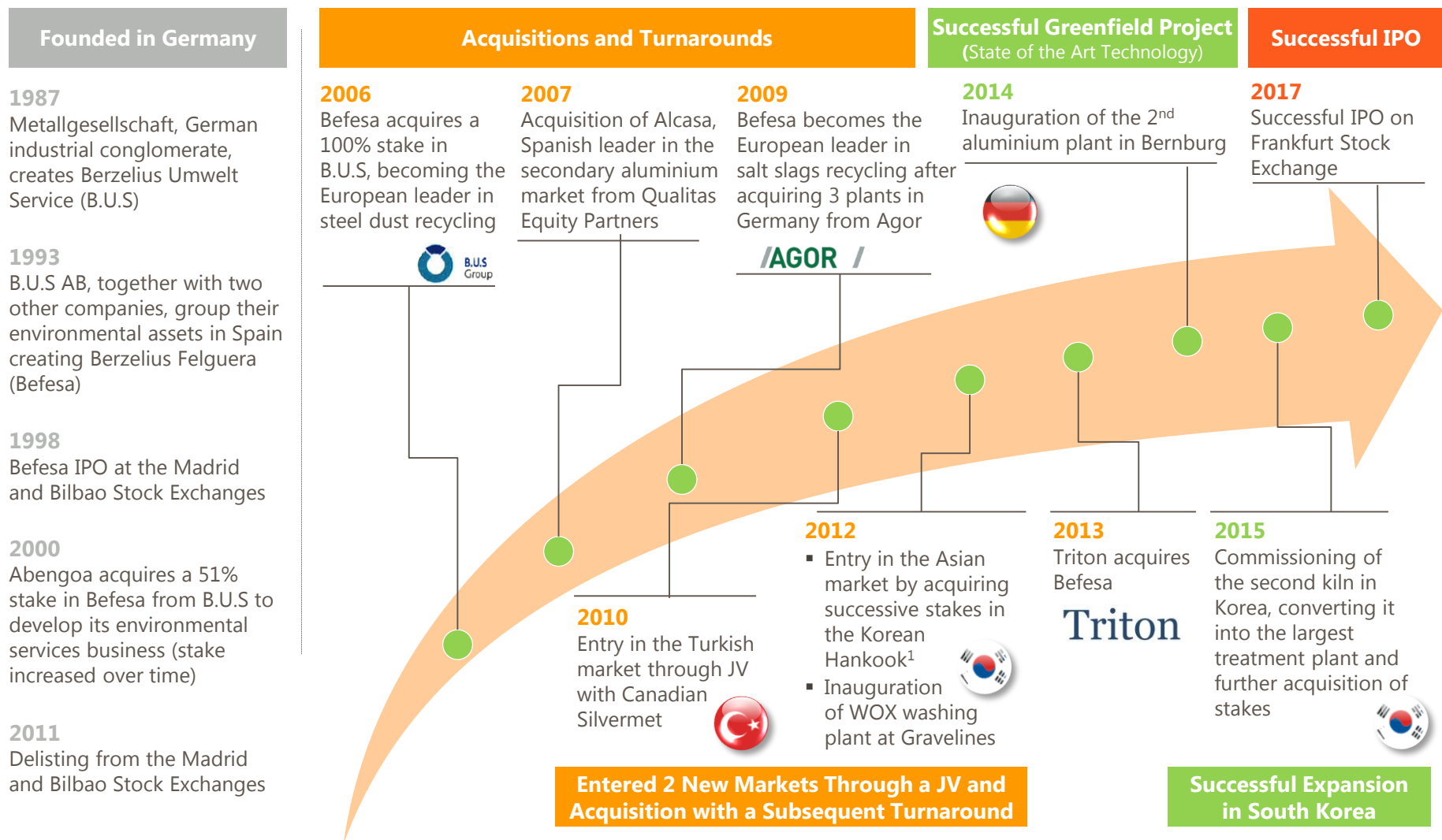
REAL ALLOY

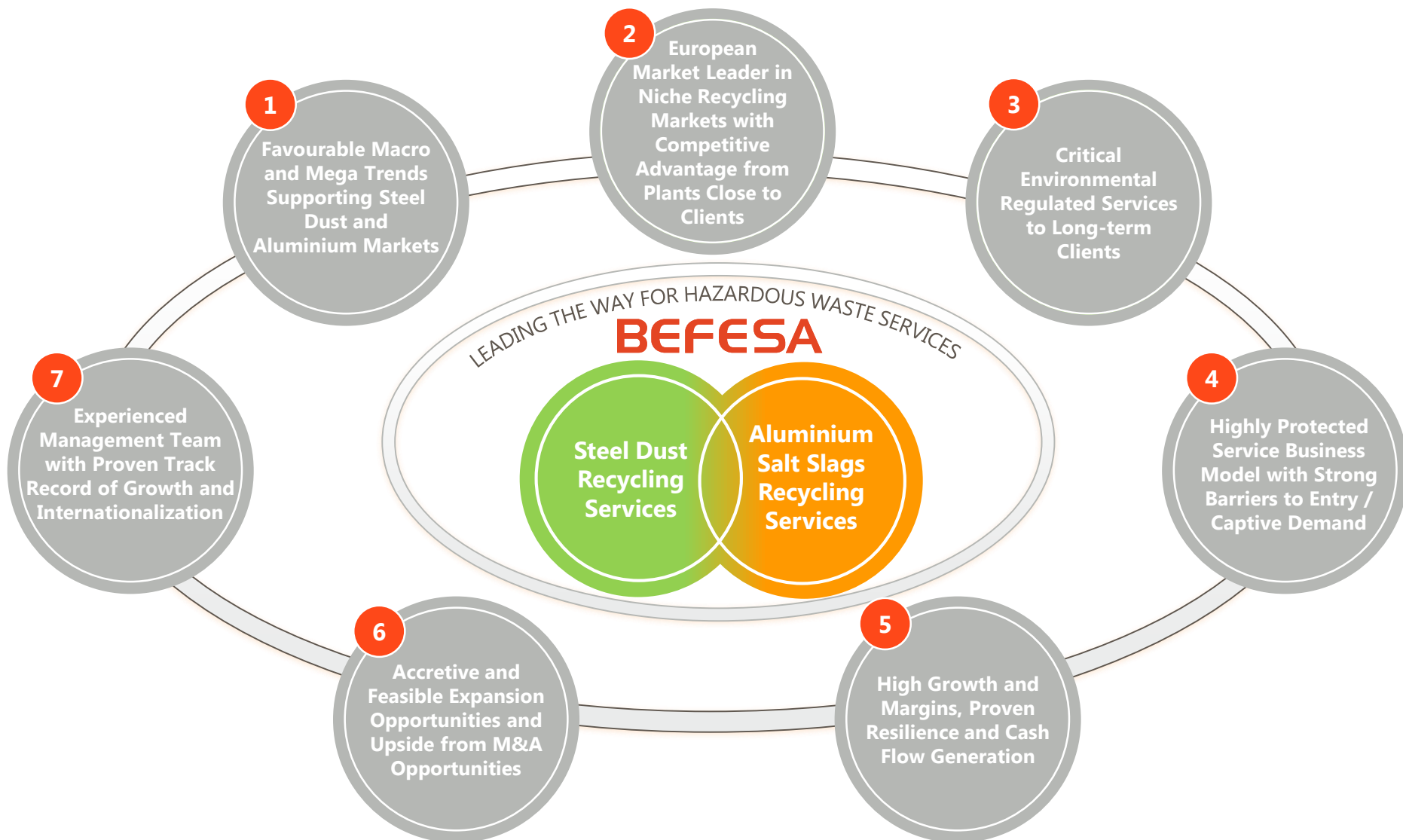


Source: Company information, International Consulting Firm based on i.a. World Steel Association's Steel Statistical Yearbooks, WBMS, industry research, expert Interviews.

(1) Excluding internal sales; sales split is calculated on revenues including internal revenues. (2) Including stainless steel. (3) Including recycling of Spent Pot Linings (SPLs) which is a hazardous waste generated in primary aluminium production. (4) Excluding China.

### Befesa has grown successfully through organic initiatives and acquisitions



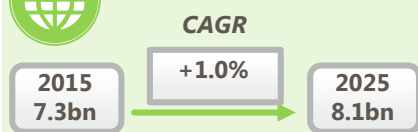


**Growing global middle class coupled with evident sustainability trends will further enhance the demand for steel and aluminium production and subsequent waste recovery globally**

### Favorable Macro and Mega Trends...



#### Population Growth



Global Population



#### Booming Middle Class



Middle-Class  
(% of Global Population)

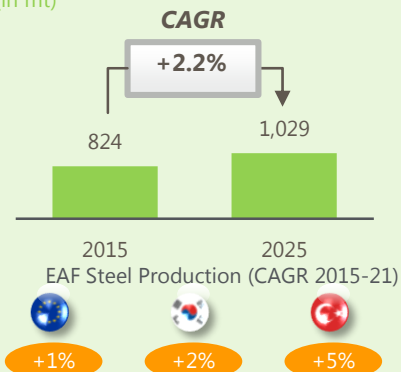


#### Growing Industrialisation

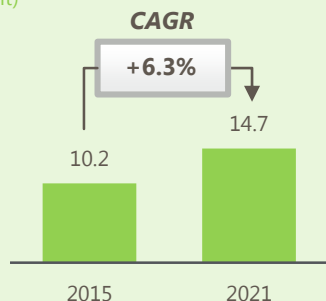
From 2005–2014  
manufacturing activities were  
enhanced across the world

### ...Driving Increasing Demand...

#### Global Steel Demand<sup>1</sup> (in mt)



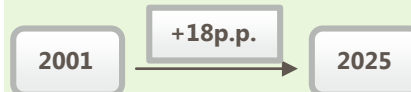
#### Global Secondary Alu Production (in mt)



### ...Combined with Favorable Industry Trends...

#### Steel Dust More Valuable

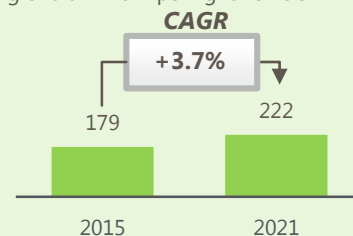
Use of zinc for galvanization/total zinc consumption (%)



Increased galvanization of steel driven by automotive and construction industry, leads to **increased zinc content in scrap**

#### More Aluminium Scrap

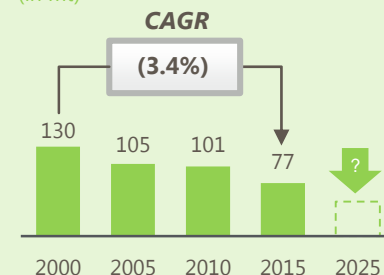
Kg of aluminium per light vehicle



Higher usage of aluminium in light vehicles drives aluminium demand increasing future scrap

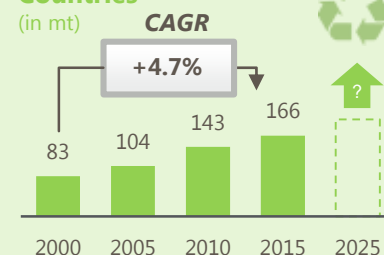
### ...Supported by Increasing Trend Towards Recycling

#### Landfilled Waste in OECD Countries (in mt)



Driven by environmental regulations and increasing landfill costs

#### Recycled Waste in OECD Countries (in mt)



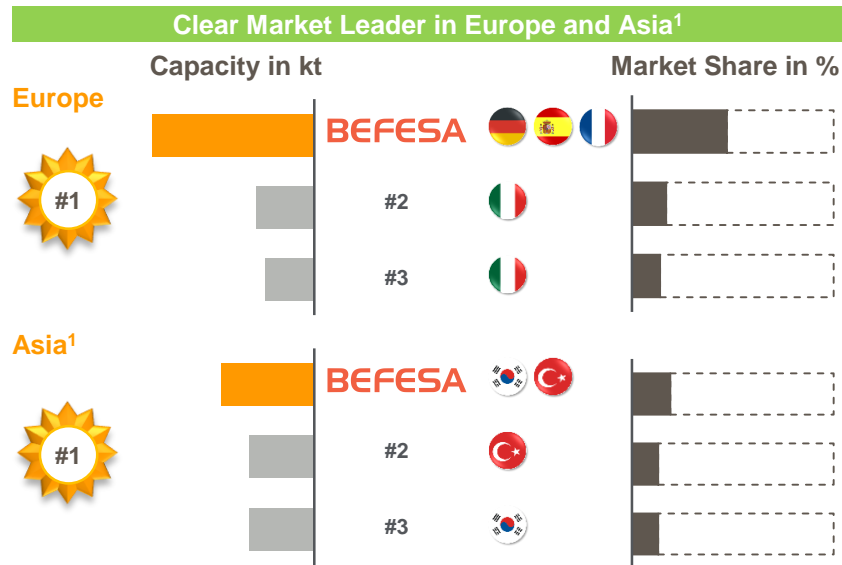
Especially hazardous waste contains valuable metals

Supported by Favorable and Strictly Enforced Environmental Regulations

**Befesa is the market leader in steel dust and salt slags recycling services with a competitive advantage due to its close proximity to key clients**

### Established Market Leader

#### Steel Dust Recycling Services

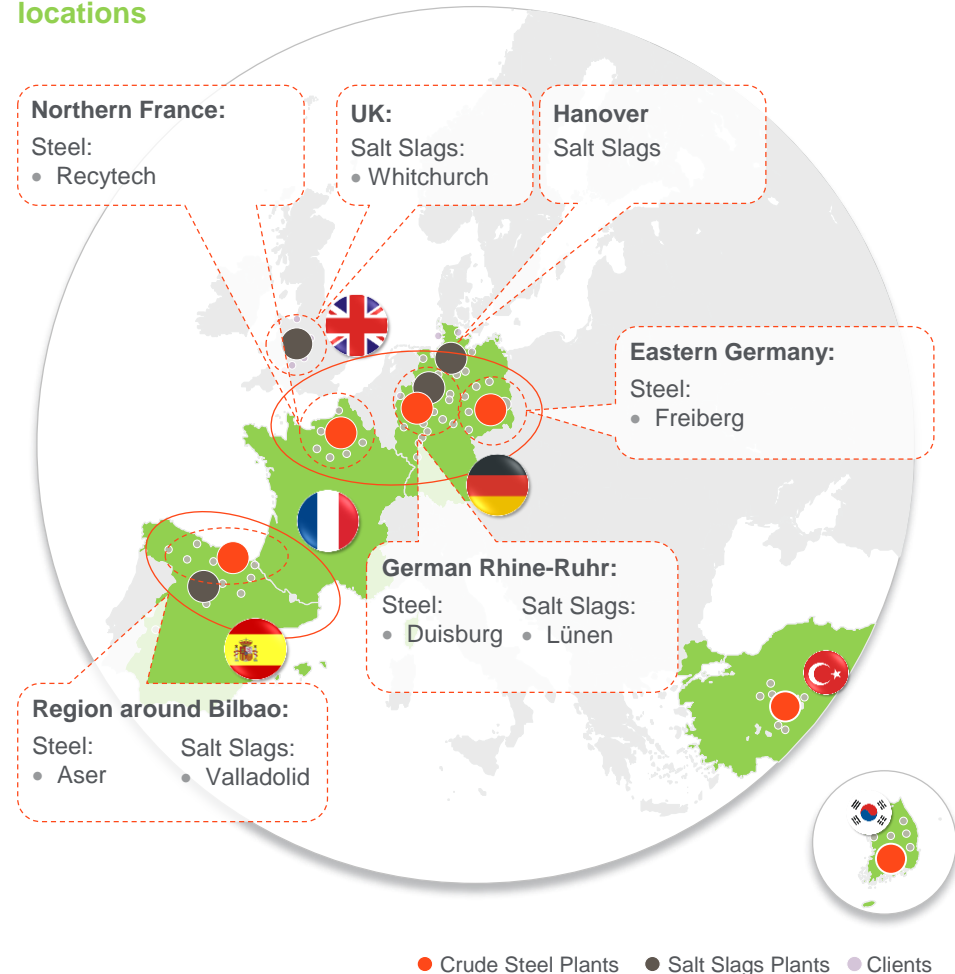


#### Salt Slags Recycling Services

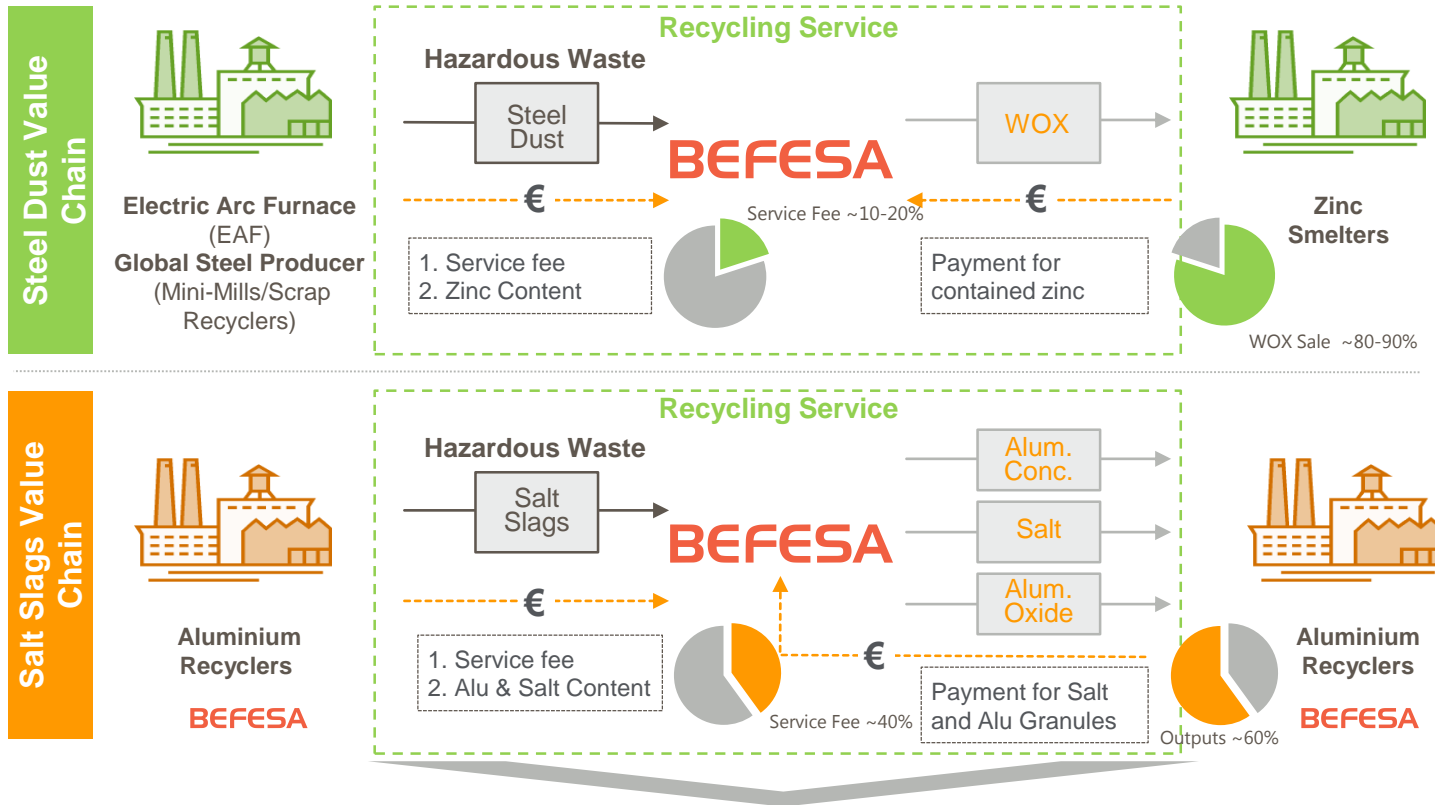


### Proximity to Clients Provides Strong Competitive Advantage

Each Befesa plant usually collects waste from at least 10-15 client locations



Befesa offers a crucial service taking care of highly regulated hazardous waste in the value chain of secondary steel and aluminium producers



### Consequences of Non-Compliance

- Major European steel producer struggles with large plant (producing 8% of European steel) due to breaching environmental regulations (contamination of environment)
- Court ordered to partly shut down the plant
- Owner prompted to invest \$3.8bn to bring the plant back to required standards

- In 2002 the owners of a metal foundry in Italy faced prison time for illegal transport and landfilling of hazardous waste

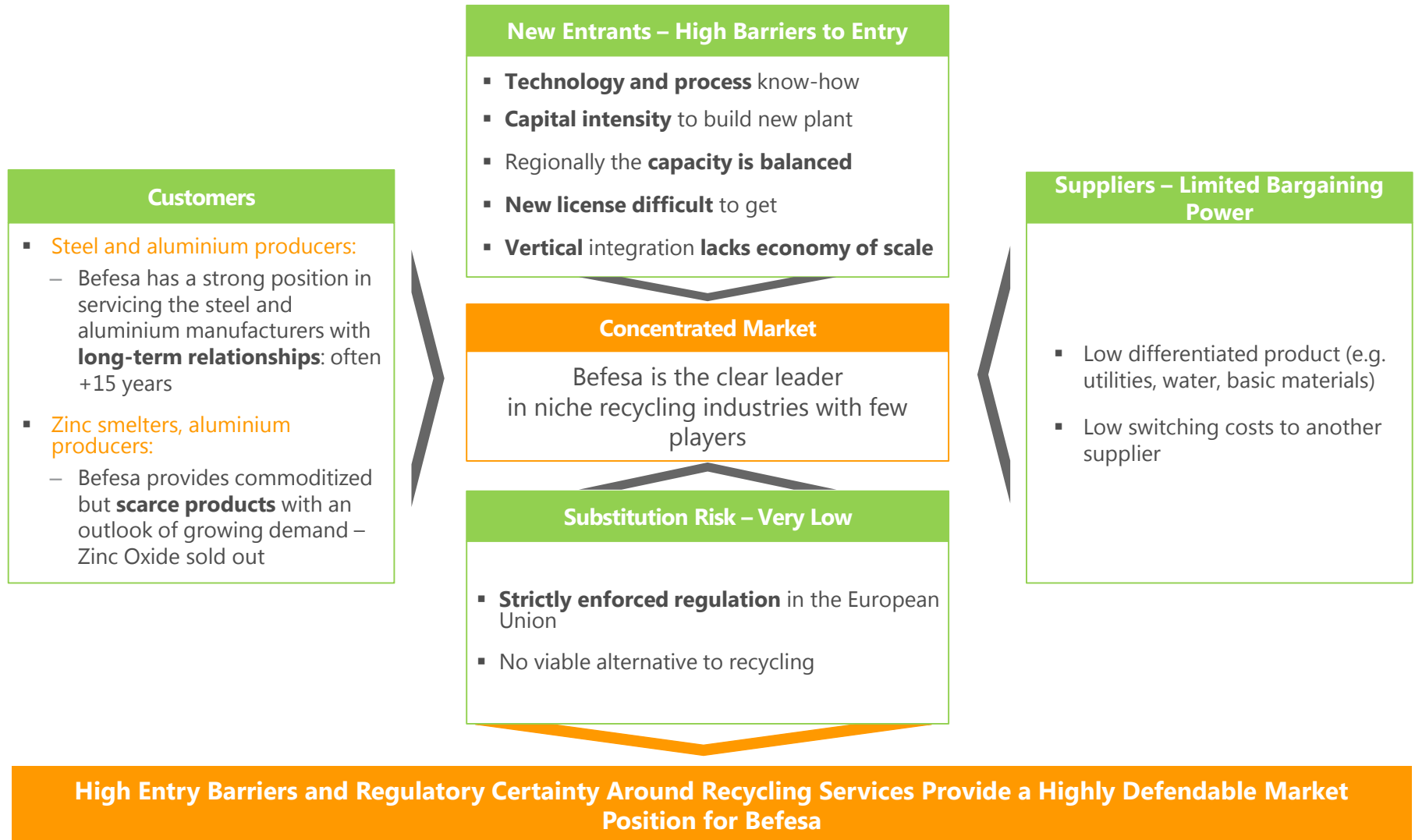
- In 2004 a big aluminium refinery in Italy abandoned 450kt of hazardous waste in the open air over half an hectare
- More than 10 years later the local administration is still collecting funds to proceed to the removal and cleaning of the area

- Befesa collects and recycles hazardous waste from steel producers and aluminium recyclers
- Recycling is mandatory for Befesa's clients due to environmental regulations
- Befesa takes off and effectively takes care of environmental liability for their clients
- Without timely and regulatory compliant offtake of hazardous waste clients face risk of complete shut-down of production as well as severe penalty payments
- Befesa therefore offers a critical element of its clients value chain

- In 2011 a big producer of aluminium alloys in Spain was involved in the transport without authorisation and illegal landfilling of 1.5kt of salt slags on a vacant lot
- Befesa was ultimately contracted to treat the waste properly

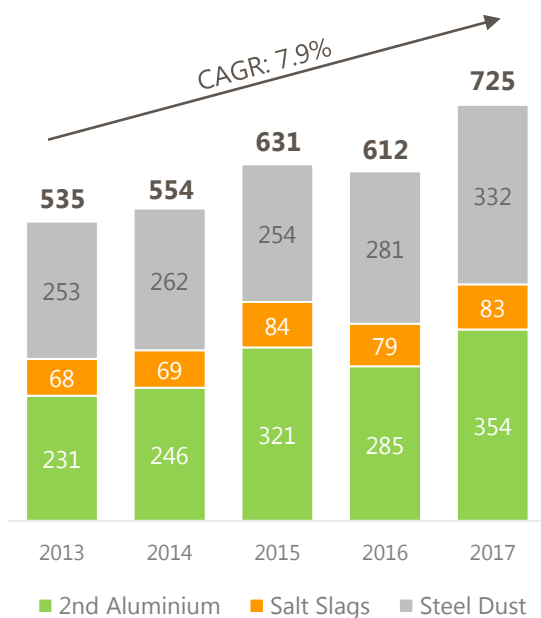


### Befesa's services business is inherently protected by high barriers to entry



### Attractive growth track record with stable margins and strong cash generation

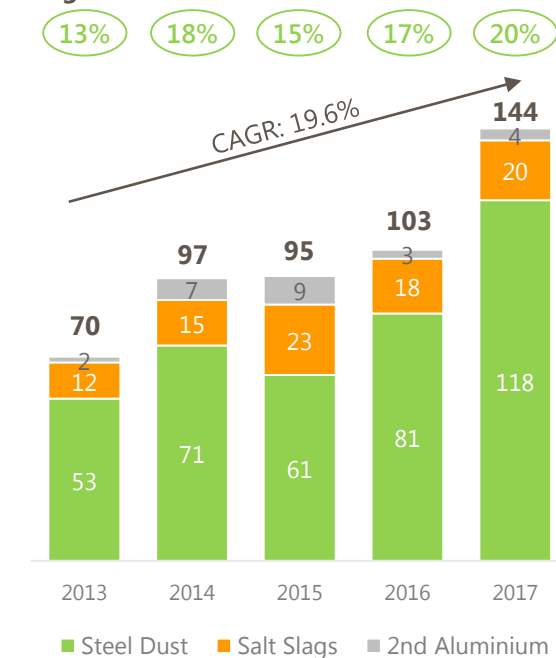
#### Sales<sup>1</sup> (€m)



**Robust sales growth underpinned by sustainable increase in volumes and acceleration in growth in 2017**

#### Adj. EBIT (€m)

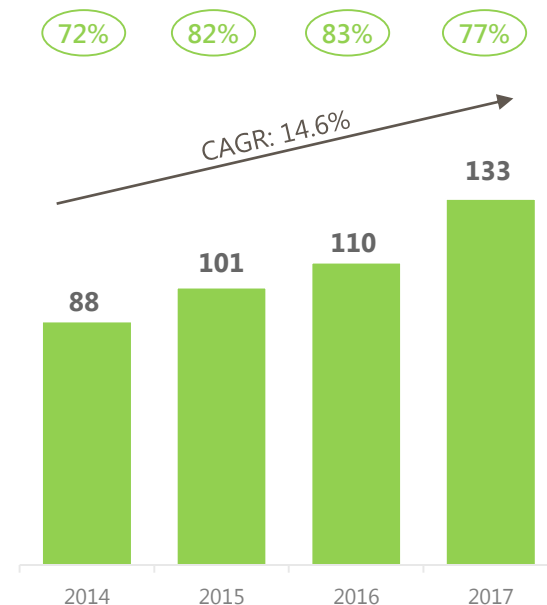
##### Margin



**Low capital intensity exemplified by low, stable D&A and high Adj. EBIT margin**

#### Free Cash Flow<sup>2</sup> (€m)

##### Cash Conversion<sup>3</sup>

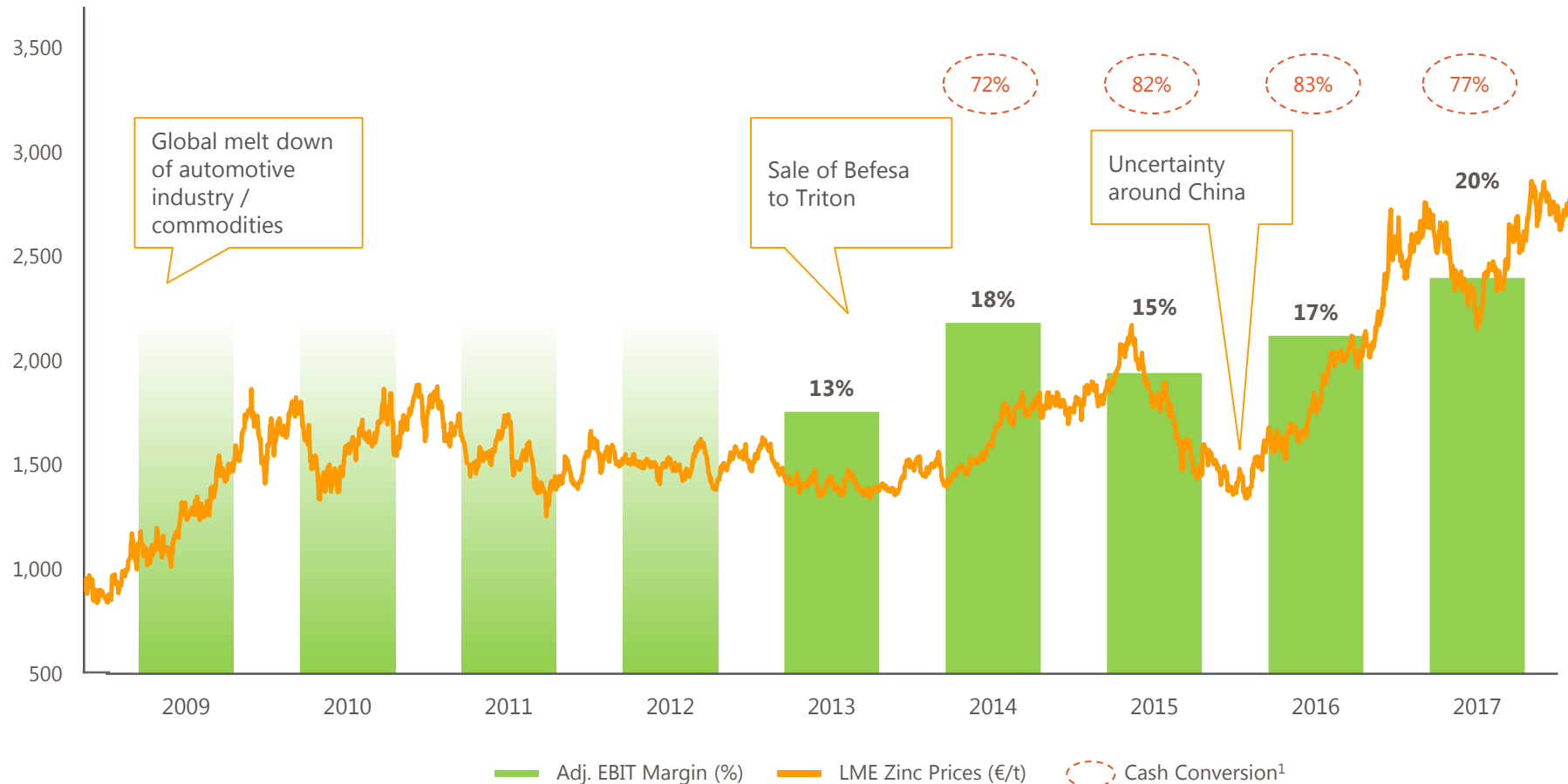


**Strong and stable free cash flow generation due to low maintenance requirements providing funds for growth**

**Proven margin stability despite volatile commodity prices – testament to successful service-focused business model and prudent hedging policy**

### Adj. EBIT Margin / Zinc Price

(in %, €/t)



## Befesa is a service company managing and reducing exposure to commodity prices

### Portfolio Mix

- Steel Dust Recycling Services and Aluminium Salt Slags Recycling Services **with limited correlation**
- In 2015–2017 zinc and aluminium prices have shown **inverse margin trends**

### Collection Fee

- Steel dust collection fee (~10-20% revenues) **influenced inversely by zinc prices**
- Salt slags collection fee (~40% revenues) **uncorrelated to aluminium prices**

### Salt Slags

- **Low to no commodity risk** as recycled aluminium concentrates used for own production and only recycled salt sold externally (~20% of segment revenues)

### Secondary Aluminium

- **“Natural hedge”** as aluminium is both an input (COGS) and an output (sales). Further, own secondary production highly complementary to salt slags business

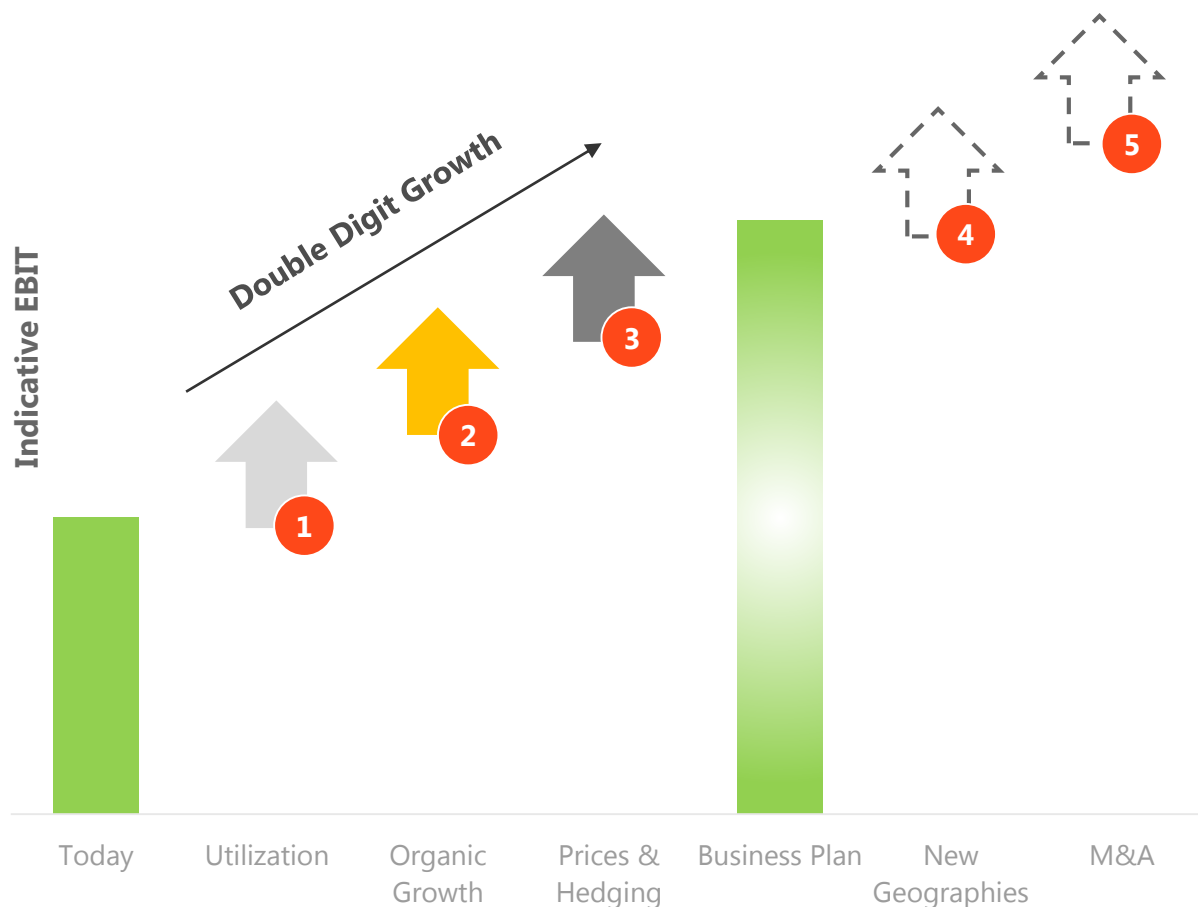
### Zinc Floor

- **Marginal cost of mines has been steadily increasing** as old low cost mines are shut down; floor price for zinc (reduces volatility) further supported by supply/demand shortages
- Zinc price floor estimated to be around €2,000-2,100 per ton for next years

### Hedging

- Befesa reduces earnings variability by buying floors and swaps (24-48 months out) providing for minimum **floor EBIT with additional upside**
- Zinc price volatility: Average inter annual swings of ~10-12% since 2008

### Accelerated top- and bottom-line growth through a well-defined strategy



- 1 Utilization**
  - Increase plant utilization of prior year growth investments ... mainly Steel Dust Korea
- 2 Organic Growth**

2018 Focus:

  - Steel Dust:
    - Expand Turkey +45kt
    - Korea Washing Plant
  - Alu Salt Slags:
    - Change to Tilting Furnaces
    - Expand Hannover +40kt
- 3 Prices & Hedging**
  - 2018: 92.4kt at €2,051
  - 2019: 92.4kt at €2,306
  - 2020: 92.4kt at €2,245
- 4 New Geographies**
  - Monitoring growth opportunities and regulatory framework in new geographies, e.g. China, South East Asia
- 5 M&A Opportunities**

Senior management team delivering results through long standing industry expertise, entrepreneurial spirit and focus on operational excellence as well as governance and compliance processes



**Javier Molina**  
President and CEO

CEO since 2000

Has run Befesa for >15 Years  
Became President of Abengoa's  
Environmental Services Division in  
1994



**Wolf Lehmann**  
CFO; including responsibilities for Operational Excellence and IT

CFO since 2014

20+ years in operational and  
finance leadership roles  
50 /50 General Electric/ Private  
Equity



**Asier Zarraonandia**  
Vice President  
Steel Dust Recycling  
Services

16 years with Befesa

Has run the Steel Dust Recycling  
Services Business for >10 Years



**Federico Barredo**  
Vice President  
Aluminium Salt Slags  
Recycling Services

25 years with Befesa

Has run the Aluminium Salt Slags  
Recycling Service Business for >15  
Years

### Key Achievements/Track Record



Extensive experience in steel and  
aluminium recycling business



Strong performance results through  
focus on operational excellence



Building strong business  
foundation of ESG, compliance  
and health & safety processes



Successful international  
expansion



Track record of successful  
acquisitions and turnarounds  
(BUS, Agor, Alcasa, Hankook,  
Silvermet etc.)



Experience in developing greenfield  
projects (South Korea, Gravelines,  
Bernburg)