

BEFESA

Q1 2024

Earnings Presentation

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First quarter 2024 figures are unaudited.

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Today's presenters



Javier Molina
Executive Chair

Leading Befesa
for >20 years



Asier Zarraonandia
CEO

>20 years with Befesa



Rafael Pérez
CFO

>15 years with Befesa



01 / Highlights

Quarter on quarter improvement since Q3 despite weak zinc price environment

Revenue
€298 million

-7% yoy / +8% QoQ

- Lower zinc and alu prices
- + Favourable zinc treatment charges (TC)
- + Higher zinc hedging price

Adjusted EBITDA
€49 million

-3% yoy / +7% QoQ

- Lower zinc and alu prices
- + Favourable zinc treatment charges (TC)
- + Higher zinc hedging price
- + Lower energy prices
- + Productivity and savings

Operating cash flow
€15 million

-27% yoy / -77% QoQ

- Lower earnings
- + Lower tax payments

Growth



- Palmerton refurbishment: On track to capture growth in 2025



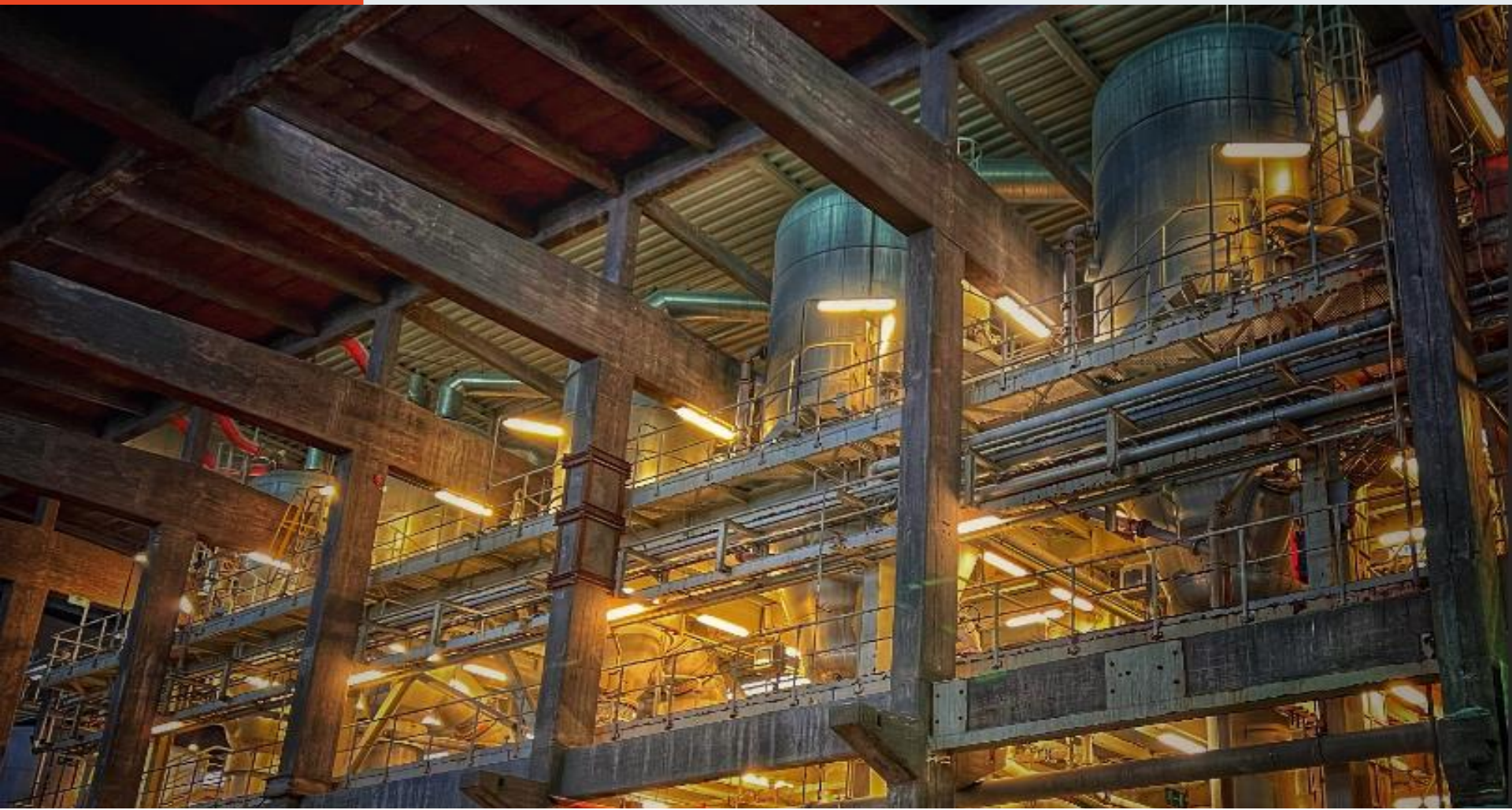
- Guangdong: Monitoring market development; Cautiously progressing



- Bernburg expansion: Moving forward with permits and commercial contracts

Outlook

- 2024 guidance of €195m to €235m EBITDA, +7% to +29% yoy (2023: €182m)
- Mid-term: Decarbonisation and EV trends driving mid-term growth



02 / Business & financial results

EBITDA

Total Adjusted EBITDA at €49m in Q1 2024, QoQ improvement of 7%.
 However, still -3% yoy driven by lower zinc LME prices and aluminium metal margin partially compensated by favourable zinc TC, improved volumes & hedges, and lower energy prices

Adjusted EBITDA¹ Q1 2023 to Q1 2024



¹ Q1 2024: €24.6m reported Total EBIT + €20.7m D&A = €45.3m reported Total EBITDA + €3.3m adjustments = €48.6m adjusted Total EBITDA
 Q1 2023: €29.1m reported Total EBIT + €20.2m D&A = €49.3m reported Total EBITDA + €0.8m adjustments = €50.1m adjusted Total EBITDA

Steel Dust Recycling Services

Adjusted EBITDA at €36m in Q1 2024, QoQ improvement of 12%.

However, -3% yoy driven by lower zinc LME prices partially compensated by favourable zinc TC, improved volumes & hedges, and lower coke price

Adjusted EBITDA Q1 2023 to Q1 2024



		Q1 2023	Q1 2024	yoy change
Revenue	€m	216.3	188.0	-13%
Adjusted EBITDA	€m	37.0	36.0	-3%
Adjusted EBITDA margin	%	17.1	19.2	
Steel dust throughput	Kt	287	303	+6%
Plant utilisation	%	69	71	
WOX sold	Kt	100	100	0%
Zinc LME	€/t	2,916	2,256	-23%
Zinc hedging	€/t	2,330	2,467	+6%
Zinc blended ¹	€/t	2,633	2,400	-9%
Zinc TC	\$/t	274	165	-40%

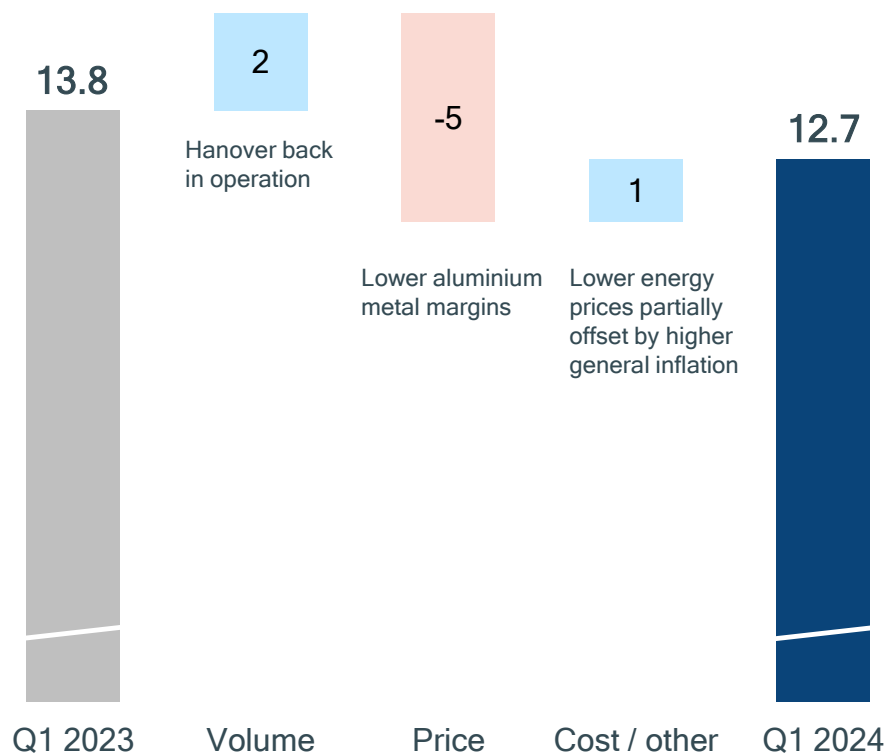
¹ Blended rate between hedged prices and average spot prices, weighted by the respective hedged and non-hedged volumes, reflecting the effective price to Befesa

Aluminium Salt Slags Recycling Services

EBITDA at €13m in Q1 2024, QoQ improvement of 5%.

However, -8% yoy driven by lower aluminium metal margin partially compensated by improved volumes (Hanover) and lower energy prices

EBITDA Q1 2023 to Q1 2024



		Q1 2023	Q1 2024	yoy change
Revenue ¹		106.0	111.5	+5%
– Salt Slags	€m	20.8	27.2	+31%
– Secondary Alu		95.9	98.3	+3%
EBITDA		13.8	12.7	-8%
– Salt Slags	€m	6.6	9.9	+50%
– Secondary Alu		7.2	2.9	-60%
EBITDA margin (Salt Slags)	%	31.6	36.2	
Salt Slags & SPL treated	Kt	82	111	+35%
Salt Slags utilisation	%	71	95	
Alu alloys produced	Kt	44	44	+2%
Secondary Alu utilisation	%	86	87	
Aluminium FMB ²	€/t	2,301	2,277	-1%

¹ Total revenue is after intersegment eliminations (Q1 2023: €10.6m; Q1 2024: €14.1m)

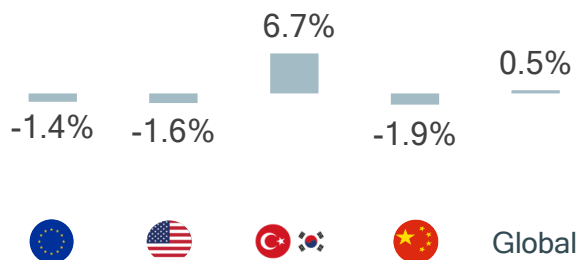
² Aluminium scrap and foundry ingots aluminium pressure diecasting ingot DIN226/A380 European Metal Bulletin free market duty paid delivered works

Key volume drivers & impact on Befesa: Q1 2024

Key volume drivers

% vs prior year

Crude steel production¹



Car sales^{1,2}



Befesa's volumes



- European Steel Dust plants at solid levels despite yoy lower crude steel production
- Aluminium salt slags volumes grew yoy mainly driven by Hanover back in operation



- EAF steel dust volumes solid yoy; operational performance improving gradually
- Average plant utilisation of around 70%



- EAF steel dust throughput increased yoy; Plants running at normal levels



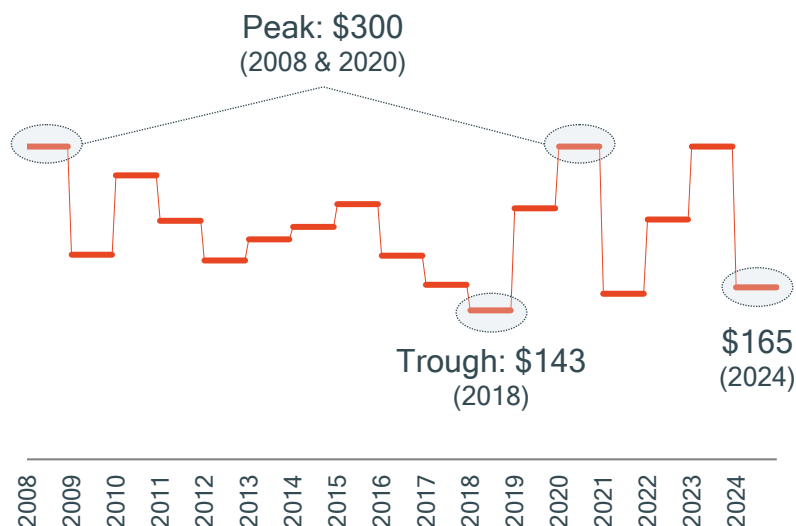
- EAF steel dust throughput affected by weak real estate
- Plant utilisation of around 60% in Jiangsu; Henan ramping up

¹ % yoy evolution of crude steel based on Q1 figures

² Production of new passenger cars for China; Registrations of new passenger cars for EU based on Q1 figures

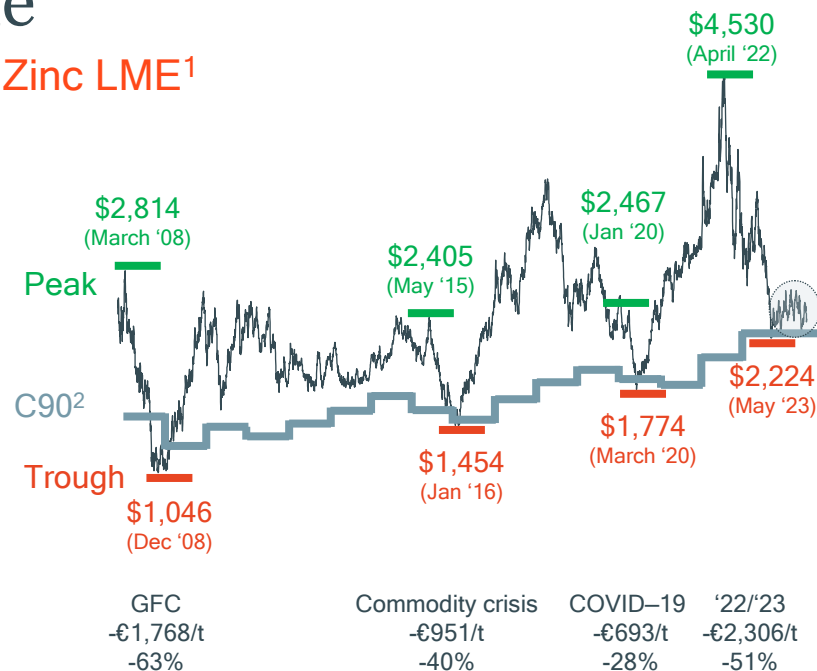
Zinc TC settled at \$165/t for 2024 (vs \$274/t in 2023) will drive 2024 earnings; However, zinc LME price environment remains volatile

Zinc TC



- Zinc TC for 2024 settled at \$165/t, -40% or -\$109/t yoy (2023: \$274/t)
- Zinc TC as % of \$LME at 7% (Q1 2024), lower versus last 10/15-year average at around 10%
- Each \$10/t zinc TC variation impacts €2–2.5m FY EBITDA

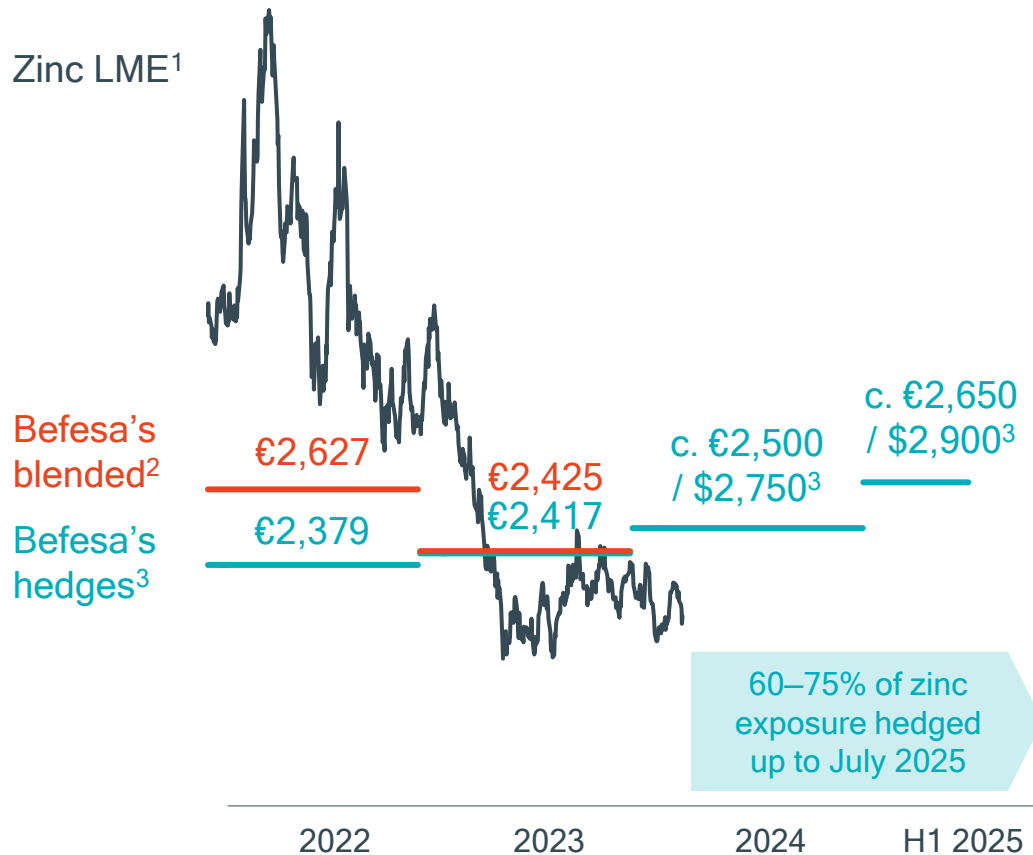
Zinc LME¹



- In 2023, zinc LME prices decreased by >50% from \$4,530/t peak (April'22) to \$2,224/t trough (May'23); One of the largest decreases in the last 15 years
- Zinc LME price environment has remained volatile since then, trading between \$2,300/t and \$2,600/t
- Each \$100/t zinc LME price variation impacts €7–8m FY EBITDA

¹ London Metal Exchange (LME) zinc daily cash settlement prices, US\$ per tonne

Befesa's hedging strategy provides price visibility and lowers impact from zinc price volatility



- Befesa's hedging strategy unchanged
 - 1–3 years forward
 - Targeting 60% to 75% of zinc equivalent volume
 - Befesa providing no collateral
- Befesa's hedging strategy has proven **successful** providing **price visibility** and **lowering impact** from zinc price volatility
- Befesa with 60–75% of its zinc exposure **hedged** up to July 2025
- For the **unhedged** portion: **each \$100/t change** in zinc LME price represents **€7–8m impact** on FY EBITDA

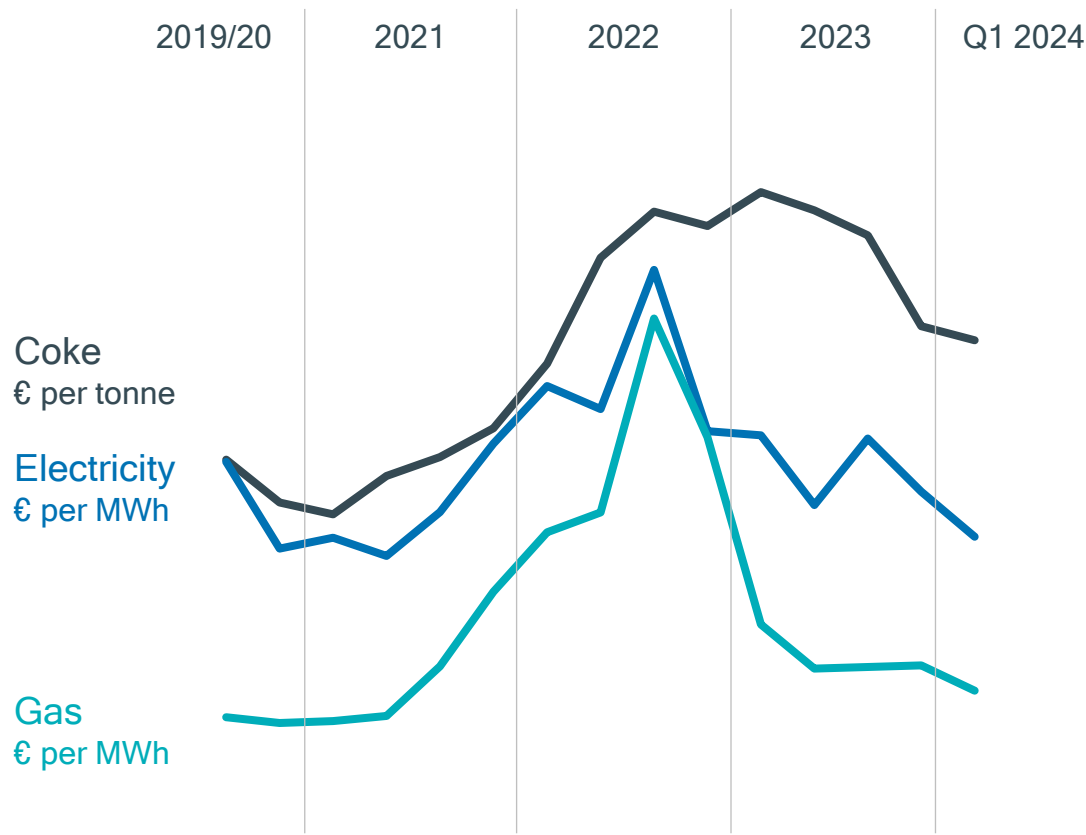
¹ London Metal Exchange (LME) zinc daily cash settlement prices

² Zinc blended prices are averages computed based on the monthly effective LME zinc and hedging prices weighted with the respective hedged and non-hedged volumes

³ Assumes FX €/€ of 1.10 for 2024, and 2025

Coke price continued further normalisation in Q1; Gas & electricity prices stabilised around 2021 levels

Befesa's energy price evolution by source



Coke

- Befesa's coke price continued further normalisation in Q1'24 to levels below the 2022 average price (-25% yoy; -3% vs Q4'23)
- However, Q1'24 price still >40% above 2019–2021 average price level

Electricity

- Electricity prices decreased further in Q1'24 (-28% yoy, -16% vs Q4'23) to around levels of 2020/2021

Gas

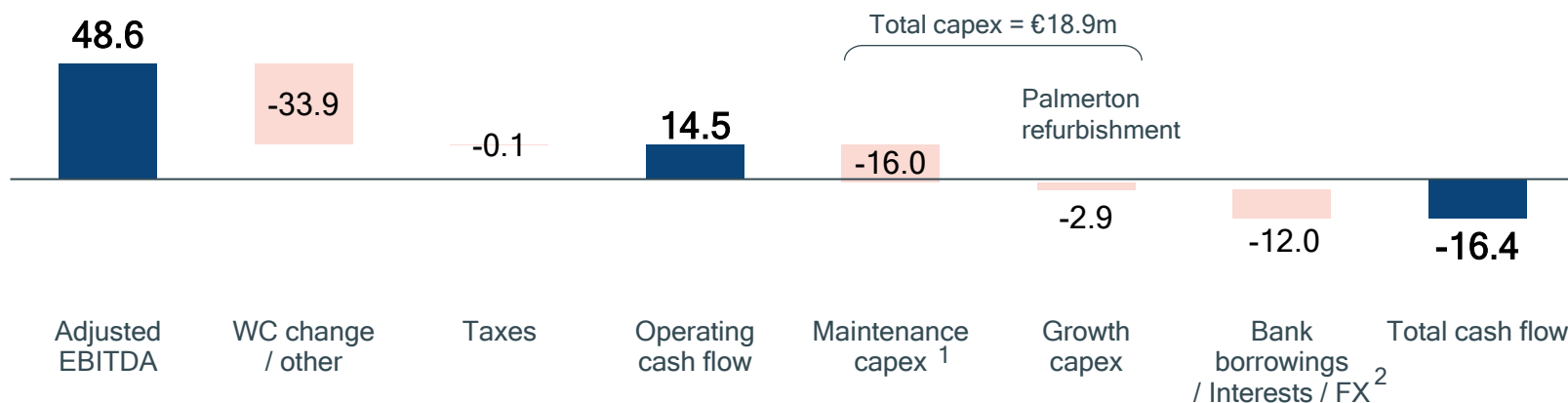
- Gas prices decreased further in Q1'24 (-42% yoy, -22% vs Q4'23) and stabilised around average levels of 2021

Cash flow, net debt & leverage

Cash on hand at €90m providing >€150m liquidity;

Net debt increased to €622m mainly explained by the decrease in cash balance; Net leverage of x3.45

Adjusted EBITDA to Total cash flow Q1 2024



€m	31.12.2023	31.03.2024	change yoy
LTM Adjusted EBITDA	182.0	180.4	-0.8%
LTM Operating cash Flow	147.4	142.2	-3.6%
Gross debt	710.8	712.1	+0.2%
Cash on hand	106.7	90.3	-15.3%
Net debt	604.0	621.7	+2.9%
Net leverage	x3.32	x3.45	

¹ Includes investments required to maintain or replace assets as well as those related to productivity, compliance and IT

² Mainly includes cash bank inflows/outflows from bank borrowings and other liabilities, financial interests paid, and the effect of foreign exchange rate changes on cash



03 / Outlook & growth

Guidance 2024

	<p>Lower-end: €195m +€13m / +7% yoy</p>	<p>Upper-end: €235m +€53m / +29% yoy</p>									
<p>EBITDA</p>	<ul style="list-style-type: none"> • Lower end: Zinc prices continue at Q1 average of c. \$2,450/t for the rest of the year; Zinc refining and China operations still at breakeven levels; Coke price recovering at slow pace; Aluminium metal margin depressed • Upper end: Zinc prices increasing to \$2,600-\$2,700/t for the rest of the year; China momentum accelerates; Coke price reducing rapidly to Q1'22 levels • Key EBITDA sensitivities: <table border="0" data-bbox="618 685 1700 799"> <tr> <td></td> <td style="text-align: center;">Steel</td> <td style="text-align: center;">Alu Salt Slags</td> </tr> <tr> <td style="text-align: center;">+/- €100/t Zinc LME price</td> <td style="text-align: center;">+/-€7 to 8m</td> <td style="text-align: center;">-</td> </tr> <tr> <td style="text-align: center;">+/- €100/t Aluminium FMB price</td> <td style="text-align: center;">-</td> <td style="text-align: center;">+/-€1.5 to 2m</td> </tr> </table>			Steel	Alu Salt Slags	+/- €100/t Zinc LME price	+/-€7 to 8m	-	+/- €100/t Aluminium FMB price	-	+/-€1.5 to 2m
	Steel	Alu Salt Slags									
+/- €100/t Zinc LME price	+/-€7 to 8m	-									
+/- €100/t Aluminium FMB price	-	+/-€1.5 to 2m									
<p>Capex</p>	<ul style="list-style-type: none"> • Total capex of c. €120-€140m: - €85-€95m growth (Palmerston refurbishment; Guangdong; Europe) - €35-€45m regular maintenance / US operational excellence / IT / Compliance 										
<p>Cash flow, cash position and net leverage</p>	<ul style="list-style-type: none"> • c. -€60m to -€50m total cash flow¹ • c. €45-55m cash position at year end • Net leverage at around x3.5 	<ul style="list-style-type: none"> • c. -€5m to +€5m total cash flow¹ • c. €95-105m cash position at year end • Net leverage at around x2.7 									

¹ Total cash flow after capex and dividend payout

Positive mid-term outlook; balancing capex across markets with different dynamics



Favourable decarbonisation and EV macro trends:

- Shift towards EAF steel mills will increase the generation of steel dust
- Transition to EV will drive higher aluminium demand



Globally balanced in core businesses



€110–€135m additional EBITDA



Low risks & high returns



Rigorous execution and monitoring timing

Well defined growth roadmap in execution

- **Market fundamentals remain strong and favourably support Befesa's business model & growth plan**



Decarbonisation trend will drive increase of EAF steel production in the key markets where Befesa operates



EV trend will drive demand for aluminium in Europe & the US as the auto industry looks for light-weight solutions

- **Befesa is adapting capex deployment to market dynamics**

	Project	Capex / Run-rate EBITDA €m	Status			
 <p>Moving fast to capture strong growth of US steel market by '25/26</p>	<p>1 Zinc refining</p> <p>2 Palmerton refurbishment</p>	<p>110–120 / 35–45</p>	<p> Turnaround on track; Focus on improving profitability</p> <p> EPC contract signed; Works ongoing</p>			
	 <p>Monitoring development of weak real estate market; Growth opportunity remains attractive</p>			<p>3 1st kiln Guangdong</p> <p>4 2nd kiln Jiangsu</p> <p>5 2nd kiln Guangdong</p>	<p>115–125 / 30–35</p>	<p> Cautiously progressing; Supply agreements ongoing</p> <p> Subject to 1st kiln Jiangsu loading</p> <p> Subject to 1st kiln Guangdong progress</p>
 <p>New capacity planned for Steel Dust & Alu Salt Slags to maintain 40–50% market share</p>		<p>6 EAF dust recycling plant</p> <p>7 WOX washing plant</p> <p>8 2nd Aluminium expansion</p> <p>9 Salt slags recycling plant</p>	<p>105–115 / 30–35</p> <p>80–90 / 15–20</p>	<p> Planned in 2026</p> <p> Planned in 2026</p> <p> Permits & commercial contracts ongoing</p> <p> Land lot location and permits ongoing</p>		
		<p>● Steel Dust ● Alu Salt Slags</p>				

Palmerton plant refurbishment progressing well to seize market growth in 2025

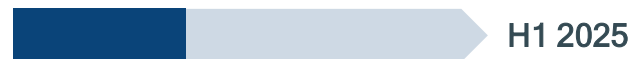


Plant overview



- 2 kilns with c. 163 kt → 220 kt (post-refurbishment) EAF steel dust recycling capacity
- Producing WOX as a marketable product

Indicative timing and status



- ✓ EPC contract signed
- > Works ongoing

Timing confirmed:

Phase I: completed by H2 2024

Phase II: completed by H1 2025

Key financials



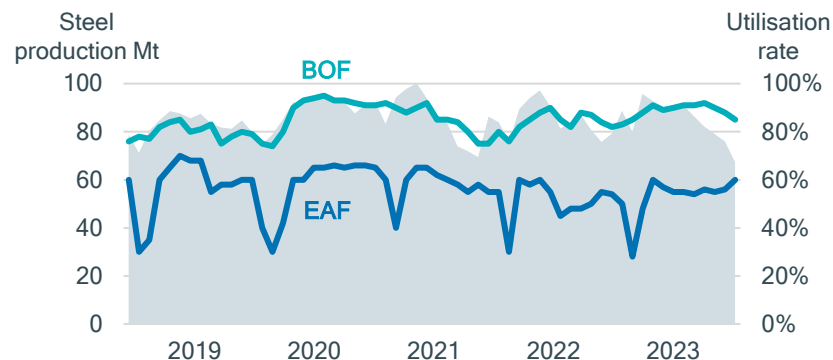
- Capex: €60–€70 million
- EBITDA run-rate: €25–€30 million
- Payback: 2–3 years; IRR: >30%



Growth opportunity in China is attractive and Befesa's plan is being adapted to current market challenges

Challenging market environment in the short term

- Crude steel production in 2023 stable yoy
- EAF mills running at 55–60% versus BOF at 80–90%, due to real estate crisis → reducing steel dust generation



EAF will grow in China

- EAF penetration expected to grow to 20% by 2030
- >60 Mt new EAF capacity announced / underway



- Environmental regulation launched 2016/17
- Getting stricter but following a two-step approach



- Commercial office since 2008
- Jiangsu started in 2021, Henan in 2023

Befesa's growth plan in China remains attractive

Cautiously progressing in Guangdong province:

- €45–€50m capex deployment likely in 2024/25, subject to ongoing negotiations with local steelmakers
- €8–€12m EBITDA run-rate; 4–5 years payback; >20% IRR

Bernburg expansion: Moving forward with permits and commercial contracts



Plant overview



- Expand alu alloy production capacity at existing Bernburg plant from current 75 kt to 135 kt (+60 kt)
- 2 rotary furnaces (and 2 holding furnaces)
- Total 2nd Alu capacity from 205 kt to 265 kt
- 30 new direct jobs

Indicative timing and status



- ✓ Existing contract with Novelis signed in July 2023; Expansion contract to be signed in April 2024
- > Working with German authorities to get permits; Targeting Q4 2024 to obtain final permits

2025: 12-month construction; 2026: 6-month ramp up

Key financials



- Capex: c. €30m (100% self-funded)
- EBITDA run-rate: €5m to €6m (c. 20% margin)
- IRR: 16%; Payback: c. 5 years



04 / Appendix & Investor's agenda

Key financials Q1 2024 vs 2023

(€m, unless otherwise stated)

	Steel Dust	Salt Slags	Secondary Aluminium	Corporate & eliminations	Total Befesa
Revenue¹ <i>yoy change</i>	188.0 -28.3 / -13.1%	27.2 +6.4 / +30.6%	98.3 +2.5 / +2.6%	-15.2 -4.2 / -	298.3 -23.7 / -7.3%
Reported EBITDA <i>yoy change</i>	32.8 -4.2 / -11.5%	9.9 +3.3 / +49.6%	2.9 -4.4 / -60.4%	-0.2 +1.3 / -	45.3 -4.4 / -8.1%
Reported EBITDA margin % <i>yoy change</i>	17.4% +32 bps	36.2% +460 bps	2.9% -463 bps	- -	15.2% -13 bps
Adjusted EBITDA² <i>yoy change</i>	36.0 -1.0 / -2.7%	9.9 +3.3 / +49.6%	2.9 -4.4 / -60.4%	- -	48.6 -1.5 / -3.1%
Adjusted EBITDA margin % <i>yoy change</i>	19.2% +206 bps	36.2% +460 bps	2.9% -463 bps	- -	16.3% +72 bps

¹ Total revenue in Aluminium Salt Slags Recycling Services amounted to €111.5m (Q1 2023: €106.0m) after intersegment eliminations of €14.1m (Q1 2023: €10.6m)

² Q1 2024: €24.6m reported Total EBIT + €20.7m D&A = €45.3m reported Total EBITDA + €3.3m adjustments = €48.6m adjusted Total EBITDA

Operational data Q1 2024 vs 2023 – Steel Dust Recycling Services

	Q1 2023	Q1 2024	<i>yoy change</i>
EAF steel dust throughput (kt)	287.1	303.1	+16.0 / +5.6%
EAF steel dust avg. capacity utilisation (%)	68.8%	70.9%	+210 bps
Waelz oxide (WOX) sold (kt)	99.8	100.0	+0.2 / +0.2%
Zinc LME price (€/t)	2,916	2,256	-660 / -22.6%
Zinc hedging price (€/t)	2,330	2,467	+137 / +5.9%
Zinc blended price¹ (€/t)	2,633	2,400	-232 / -8.8%

¹ Blended rate between hedged prices and average spot prices, weighted by the respective hedged and non-hedged volumes, reflecting the effective price to Befesa

Operational data Q1 2024 vs 2023 – Aluminium Salt Slags Recycling Services

	Q1 2023	Q1 2024	<i>yoy change</i>
Salt slags & SPL treated (kt)	82.3	111.3	+29.0 / +35.2%
Salt slags & SPL avg. capacity utilisation (%)	71.0%	95.2%	+2,420 bps
Aluminium alloys produced (kt)	43.7	44.3	+0.7 / +1.5%
Secondary alu avg. capacity utilisation (%)	86.4%	87.0%	+59 bps
Aluminium alloy FMB price ¹ (€/t)	2,301	2,277	-24 / -1.0%

¹ Aluminium scrap and foundry ingots aluminium pressure diecasting ingot DIN226/A380 European Metal Bulletin free market duty paid delivered works

Investor's agenda

Financial calendar

Annual General Meeting
20 June 2024

H1 2024 Interim Report & Conference Call
25 July 2024

Q3 2024 Statement & Conf. Call
31 October 2024

Next investor conferences

May / June 2024

New York - Berenberg European Conference 2024
23 May - Berenberg

Kepler Cheuvreux ESG Conf. (virtual)
29 May - Kepler Cheuvreux

Boston - Stifel Cross Sector Insight Conf.
5 June - Stifel

Berenberg Chief Sustainability Officer (CSO) Conference (virtual)
11 June - Berenberg

London - ODDO BHF London Forum
27 June - ODDO BHF

Q3 2024

London - 4th Stifel London Industrials Conf.
4 & 5 September - Stifel

London - Citi's Growth Conference 2024
18 & 19 September - Citi

Munich - 13th Baader Investment Conf.
23-26 September - Baader

Stockholm - Berenberg Stockholm Seminar
17 September - Berenberg

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