



PRESS AND INVESTOR ANNOUNCEMENT

Q3 2024 results

Befesa achieves solid Q3 with double-digit adjusted EBITDA growth amidst challenging market

- **Q3 2024 adjusted EBITDA** at €49 million, reflecting a strong year-on-year performance; 9M adjusted EBITDA at €152 million, showing continued growth.
- **Robust performance in the Steel Dust** segment in Europe and the USA, despite weak steel markets.
- **FY2024 guidance** at €210-€215 million, within previous range of €205-€235, based on expected robust Q4 performance.
- **Zinc price hedging** extended to Q2 2026 at favourable prices, enhancing earnings visibility.
- **Strong Operating Cash Flow** in Q3 up 62% and 39% in 9M driven by strong cash conversion.
- **Strategic focus** on deleveraging and approved growth projects, aiming for a leverage ratio between x2.0 and x2.5 beyond 2025.

Luxembourg, 31 October 2024 - Befesa S.A. ("*Befesa*"), the leading provider of hazardous waste recycling services enabling the circular economy within the steel and aluminium industries, today announced financial results for the third quarter of 2024, demonstrating resilience amid a challenging macroeconomic environment. **Total revenue** increased by 1% to €915 million in 9M (9M 2023: €904 million) and by 2% to €294 million in Q3 (Q3 2023: €289 million). The increase in revenue was primarily driven by higher Salt Slags activity. Befesa achieved double-digit **adjusted EBITDA** growth of 11% to €152 million in 9M (9M 2023: €137 million) and by 16% to €49 million in Q3 (Q3 2023: €42 million).

Business segment performance

Befesa's **Steel Dust** segment delivered a robust performance in Q3 2024, driven by solid volumes in Europe and the USA. The segment benefitted from favourable zinc treatment charges and lower input costs for coke and energy. In terms of volumes, the throughput of electric arc furnace (EAF) steel dust was stable at 889 kt in 9M 2024, with an average capacity utilisation of around 69%.

European operations delivered particularly positive results, with plants operating at high-capacity utilisation rates of around 90%. This achievement comes despite reduced steel production and scheduled maintenance shutdowns. We anticipate strong volumes in Q4.

In **the USA**, the steel dust recycling plants maintained good utilisation levels of around 70%, similar to previous quarters, and operational improvements are on track delivering higher EBITDA per tonne. The zinc refining operations in the USA are in the final stage of the ramp up and turnaround process, focusing on cost reduction. As expected, there will be a negative contribution from the zinc refining in 2024.

In **Asia**, volumes decreased due to a strike in Turkey and low utilisation in China. However, with the conclusion of the strike in Turkey, we anticipate a strong Q4 with secured volumes.

Befesa's operations in China continue the same tone seen in the first half of the year, delivering breakeven results in a very challenging economic environment. Befesa is pausing its expansion plan in China, which included a third EAF steel dust recycling plant in Guangdong province, until further notice. This decision allows Befesa to focus resources on more immediate growth opportunities.

The **Aluminium Salt Slags** segment faced challenges in Q3 2024, primarily due to the weak European automotive industry affecting demand for secondary aluminium. This, coupled with scheduled plant maintenance shutdowns, impacted volumes during the quarter. Despite these obstacles, Befesa achieved solid Salt Slag volume growth, with plants maintaining high utilisation rates. Befesa achieved improvements in recycled volumes of aluminium salt slags, which increased by 23% to 318 kt in 9M 2024 and to 97 kt Q3 2024 (+12% yoy), with an average capacity utilisation of around 90% (+17% yoy). Secondary aluminium alloys volumes also increased to 128 kt in 9M 2024 (+2% yoy), with a drop in Q3 2024 to 37kt (-3% yoy), and an average capacity utilisation of around 84%.

On **base metal prices**, 9M 2024 LME zinc price averaged €2,472 per tonne, which was stable yoy, following a mini rally in May 2024 (9M 2023: €2,493 per tonne). The lower aluminium LME price negatively impacted the Salt Slags recycling business. Aluminium metal margin suffered strong compression during the period caused by a weak European automotive industry. The **zinc treatment charge** for 2024 was settled at \$165 per tonne, marking a reduction of 40% from the previous year and exerting a positive influence through reduction of costs associated with zinc processing.

Operating Cash Flow increased by 62% to €48 million in Q3 and by 39% to €118 million in 9M 2024, principally driven by a strong cash conversion.

Strategic initiatives and hedging

During Q3, Befesa successfully extended its zinc price hedging programme beyond Q2 2026 at favourable prices, providing substantial earnings visibility for the coming years. The company's hedging strategy, targeting 60% to 75% of zinc equivalent volume, has proven effective in mitigating zinc price volatility.

Asier Zarraonandia, CEO of Befesa, said: "Befesa has delivered solid Q3 results, demonstrating our resilience in a challenging market. Our Steel Dust Recycling business in Europe and the USA performed strongly, underpinned by our resilient business model and successful zinc hedging strategy, which is now secured beyond Q2 2026. This performance, coupled with a positive Q4 outlook, allows us to expect full-year adjusted EBITDA in the range of €210-€215 million. Looking ahead, we are focused on deleveraging and executing the approved expansion projects at our Palmerton and Bernburg plants. These projects will allow us to capture growth in our key markets."

Outlook

Befesa continues to advance its strategic growth projects. The expansion of the Palmerton plant in the USA is progressing as planned, with the first kiln already in hot commissioning, a phase in which the plant is tested whilst in operation. For the remainder of 2024, Befesa anticipates continued robust performance in its Steel Dust Recycling business, with particularly strong volumes anticipated in Q4. The company expects **its full-year adjusted EBITDA to be between €210 and €215 million**, reflecting this optimistic Q4 performance.

Befesa is optimistic about its prospects for 2025, anticipating strong double-digit EBITDA growth. This positive outlook is underpinned by several favourable factors, including improved zinc hedging level, expected higher volumes in US recycling operations, reduced costs in zinc refining, and reduced coke prices. Despite some uncertainties (e.g. zinc TC, zinc prices, and secondary aluminium margins), this disciplined approach to capital allocation supports Befesa's strategic initiatives and positions the company well for continued success.

Befesa also maintains its commitment to disciplined capital management and deleveraging, targeting a leverage ratio of x3.0 by year-end 2024 and x2.5 by year-end 2025. Growth capex will focus on early cash flow projects, including the Palmerton plant expansion in the USA and the Bernburg expansion in Germany, both considered low-risk projects.

Key figures

in €m	9M 2023	9M 2024	Change	Q3 2023	Q3 2024	Change
Revenue	904.2	914.8	+1.2%	288.7	293.7	+1.7%
Adj. EBITDA	136.7	151.7	+11.0%	42.0	48.7	+15.9%
Net profit	27.6	25.0	-9.3%	7.3	5.0	-32.2%
EPS (€)	0.69	0.62	-9.3%	0.18	0.12	-32.2%
Operating cash flow ¹	84.9	118.3	+39.4%	29.5	47.9	+62.5%
Net debt	633.4	662.1	+4.5%	633.4	662.1	+4.5%
Net leverage ²	x3.38	x3.36		x3.38	x3.36	

¹ Operating cash flow calculated as adjusted EBITDA +/- working capital change - taxes paid. Interest paid are reclassified in Financing cash flow for 2023 and 2024 figures.

² Net leverage calculated as net debt over adjusted EBITDA

Webcast

Befesa will host a webcast on its Q3 2024 results at 9.00 CET on 31 October 2024. Further details, a replay and other events are available on Befesa's website: www.befesa.com

Financial calendar

The financial calendar for 2025 is available in the Investor Relations / Investor's Agenda section of Befesa's website. For more information, please visit www.befesa.com

About Befesa

Befesa is a leading player in the circular economy, providing environmental, regulated services to the steel and aluminium industries with facilities located in Germany, Spain, Sweden, France, as well as in Turkey, South Korea, China and the US. Through its two business units, Steel Dust and Aluminium Salt Slags recycling services, which are a critical part of the circular economy, Befesa manages and recycles around 1.9 million tonnes of residues annually, with a production of around 1.7 million tonnes of new materials, which Befesa reintroduces in the market, reducing the consumption of natural resources. Further information is available on the Company's website: www.befesa.com

Investor Relations

Email: irbefesa@befesa.com

Phone: +49 2102 1001 0

Media Relations

Richard Rigby

Email: richard.rigby@kekstcnc.com

Phone: +44 7970 767607