



RHI MAGNESITA

REGULATORY NEWS

Acquisition of Resco Group

29. March 2024

RHI Magnesita announces its intention to acquire Resco Group, a US based producer of alumina monolithics and wide range of basic and non-basic refractories, for an enterprise value of up to \$430 million.

About Resco

Resco is a producer of shaped and unshaped refractories, including products for use in the petrochemical, cement, aluminium, and steel making industries. Resco operates seven plants and two raw material sites in the US and two plants in the UK and Canada. Resco's Rescobond and Rescocast brands are widely used in refining and petrochemical applications by global customers.

Resco is currently owned by Balmoral Funds, a \$1.5 billion assets under management California-based private equity RIA focusing on investments in industrials, business services, aerospace and logistics businesses with complex operations and/or ownership dynamics, such as corporate divestitures.

Resco recorded unaudited revenues of \$252 million in the year to 31 December 2023, with Profit before Tax of \$20 million and had Gross Assets of \$191 million at 31 December 2023.

Logic of the Acquisition

Currently approximately 50% of RHI Magnesita's US sales are not produced in the country. The Acquisition will increase RHI Magnesita's local production in the US and Canada by transferring significant volumes of production from non-US plants to the Resco production facilities in the US. Based on customer feedback, we are taking steps to improve supply chain security, reduce production lead times and stabilise working capital. This acquisition continues the Group's strategic growth trajectory in alumina-based refractories by providing US customers with an improved product offering.

Synergies will be created in the mid-term following the restructuring of the combined supply chain, which is expected to last approximately two years and will create one time costs of €60 million, including restructuring efforts in non-US plants. Synergies are expected to be generated through supply chain improvements, production network optimisation, working capital reduction, logistics efficiencies, supply integration, technology transfer, increased recycling opportunities and procurement savings.

Timing and financial impact

The acquisition is subject to customary closing conditions including merger control authority approval and is expected to be completed in H2 2024. In connection with the Acquisition, RHI Magnesita has agreed to pay a deposit of \$18 million, offsetable against the consideration payable, which shall be non-refundable in the event the deal does not complete. In addition, the Group has agreed to make certain ticker payments, related to the achievement of certain triggering events or completion conditions. The first of these is a monthly payment of \$2 million, running to a maximum of 18 months from signing, which will, to the extent payable, increase the consideration for the Acquisition on a dollar-for-dollar basis. There is another payment of \$12 million which is payable upon signing, but offsetable against the consideration payable at completion and fully refundable in the event the deal does not complete, unless certain conditions are met.

Following completion, Group gearing measured as a ratio of Net Debt to EBITDA is expected to increase by approximately 0.3x to 2.6x on a pro forma 2024 EBITDA basis (2023: 2.3x). This is consistent with previous guidance on leverage for M&A. The cash consideration for the Acquisition is expected to be approximately \$324 million (with an upper cap of approximately \$342 million if completion extends 18 months beyond signing) and will be funded by RHI Magnesita's existing liquidity, together with a new committed facility of €200 million. The Group had available liquidity of €1.3 billion at the 2023 year end and will continue to maintain a significant liquidity reserve going forwards.

Commenting on the Acquisition, Stefan Borgas, Chief Executive Officer of RHI Magnesita, said:

"I am pleased to report that the acquisition of Resco represents a step-change for our US business and our North American production footprint. The acquisition advances our 'local for local' production strategy and will shorten supply chains, improve our speed of reaction and increase the security of supply of refractories for our customers. We are listening to our customers and responding to their desires. Resco's main strengths are in the petrochemical, cement and aluminium industries, where RHI Magnesita has had very little business thus far, and its activities in steel making are complementary to those of RHI Magnesita. Resco operates seven refractory plants and two raw material sites, with two plants also located in the UK and Canada.

Resco has an excellent reputation with its customers and is a profitable and cash flow generative business which will make an important financial contribution to our Group. We have been nothing but impressed with the professional people that we have met throughout the entire Resco and Balmoral organisations, especially in operations and we are keen to welcome Resco into the RHI Magnesita Group and provide global career opportunities. I am confident that the combined team will set new industry standards."

A&O served as RHI Magnesita's legal advisor.

Conference call

A conference call for analysts will be held on Tuesday 2 April 2024 at 09:00 UK time (10:00 CET). The call can be accessed using the following link:

<https://www.netroadshow.com/events/login?show=63d2e2a7&confId=62970>

A replay will be available on the same link shortly after event.

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About RHI Magnesita

RHI Magnesita is a leading global supplier of high-grade refractory products, systems and solutions which are critical for high-temperature processes exceeding 1,200°C in a wide range of industries, including steel, cement, non-ferrous metals and glass. With a vertically integrated value chain, from raw materials to refractory products and full performance-based solutions, RHI Magnesita serves customers around the world, with around 16,000 employees in 47 production sites, 8 recycling facilities and more than 70 sales offices. RHI Magnesita intends to build on its leadership in revenue, scale, product portfolio and diversified geographic presence to expand further in high growth markets.

The Group maintains a premium listing on the Official list of the London Stock Exchange (symbol: RHIM) and is a constituent of the FTSE 250 index, with a secondary listing on the Vienna Stock Exchange (Wiener Börse). For more information please visit:

www.rhimagnesita.com

Definitions

“the Acquisition”	The Acquisition of Resco Group by RHI Magnesita for an enterprise value of up to \$430 million.
“M&A”	Mergers and acquisitions.
“Resco Group” or “Resco”	A group of companies carrying out the manufacturing and sale of refractory products in the US, UK and Canada. The holding company of Resco Group is Balmoral Refractories Holdings, Inc.
“RHI Magnesita” or “the Group”	RHI Magnesita N.V., including its subsidiary companies, as appropriate.
“UK”	United Kingdom of Great Britain and Northern Ireland.
“US”	United States of America.
