



RHI MAGNESITA

Q3 2021 Trading update and acquisition of SÖRMAS

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RHI Magnesita N.V.
("RHI Magnesita" or the "Company" or "Group")
**Q3 2021 TRADING UPDATE
AND
ACQUISITION OF SÖRMAŞ**

RHI Magnesita today issues its trading statement in respect of the three-month period to 30 September 2021.

Trading update

Demand has continued to be strong for both the Steel and Industrial businesses, with the Group's raw material assets and refractory plants operating at high capacity utilization and order book visibility extending into the first quarter of 2022.

Whilst the Group saw improved earnings momentum in September, benefiting from higher prices, profitability in Q3 was in line with H1 2021 due to the impact of further increases in costs.

In addition, sales volumes for high margin refractories mainly for use in non-ferrous metals projects were impacted by lower output from the Group's Radenthein plant in Austria, where the temporary closure of one tunnel kiln for unscheduled maintenance during the quarter will adversely impact H2 2021 EBITA by around €8 million. The plant is now fully operational.

Prices for magnesite-based raw materials in Q3 were in line with the first half of 2021.

Responding to supply chain challenges

The supply chain position remains challenging in all territories with the Group seeing further increases in the cost of sea freight and demurrage, together with rising energy and consumables costs. Supply chain delays caused by low freight reliability impacted production schedules and deliveries and there was continued use of air freight when necessary to ensure customer supply.

Price increases

In response to higher costs, the Group has implemented significant customer price increases, with a forecast revenue benefit from agreed increases of €100 million so

far in 2021. Further price increases are being negotiated, with a potential additional revenue benefit of up to €30 million in 2021.

Whilst these increases are being achieved without loss of market share and will support the Group's profitability in Q4, higher pricing is mostly applied to new orders and there is a time delay before margins can be restored to prior levels.

Inventory and logistics management

Inventory levels were increased in Q3 in response to the reduced reliability of the global logistics industry and potential for disruption to the supply of raw materials. Additional people and systems resources have been dedicated to managing logistics and other areas of increasing cost pressure. Improvements in delivery reliability and reductions in production backlog have already been achieved.

Production optimisation plan

Investments to upgrade the production network are progressing and are on track to significantly improve the Group's cost position and delivery capabilities as new facilities ramp up in 2022.

A new container rail terminal was commissioned at the European dolomite hub in Hochfilzen (Austria) in August and an upgraded tunnel kiln for production of fired dolomite products commenced operation at Valenciennes (France) in September. Mining of dolomite raw material at Hochfilzen is expected to begin in Q4 2021 and the new rotary kiln at the site will ramp up output in 2022.

New capacity for the non-ferrous metal and glass markets was commissioned in Radenthein in Q3 allowing the closure of another site in Europe and further capacity for these markets will be available in Contagem (Brazil) from the second half of 2022. Capacity expansion at Urmitz (Germany) to supply functional products to the global market, and high performing mixes to European customers, is on-track to ramp up in the first half of 2022. The new magnesite raw material plant in Brumado (Brazil) is scheduled for commissioning by the end of H1 2022.

The planned closure of the Mainzlar plant (Germany), which serves customers in high-margin markets similar to those supplied by Radenthein, has been postponed until the end of 2022 to assist in the fulfilment of customer deliveries during the current period of high demand and during the ramp up of new capacity at Radenthein and Contagem (Brazil).

China raw material supplies

In Q4, power shortages in China could increase the cost of externally purchased magnesite based raw materials and impact their availability. Production at RHI Magnesita sites and customer demand in China may also be affected. The Group is examining alternative supply routes to mitigate this risk.

2021 guidance

Third quarter profitability was weaker than forecast but momentum improved in September as the benefits of price increases took effect. Achieving full year guidance for EBITA of €310 million requires a strong performance in the fourth quarter, which is supported by the normal seasonal uplift in cement but is also subject to the agreement of further price increases which are currently being negotiated with customers. Full year EBITA could therefore be between €280 and €310 million, depending on the successful realization within the fourth quarter of the latest round of price increases and any further increases in costs.

Financial position

The Group's liquidity position remains strong. Net Debt : EBITDA is expected to remain at a temporarily higher level of around 2.0x at the 2021 year end due to lower profitability in Q3 and increased inventory levels to mitigate supply chain disruption. This includes €96 million of proceeds from the disposal of the Group's interest in the Magnifin joint venture, which is expected to complete on 1 December 2021, in line with previous guidance. Gearing is expected to reduce in 2022 due to the combined effect of higher revenues and profits following price increases implemented in 2021, lower costs as benefits from the Production Optimisation Plan ramp up and lower capex as the projects are completed.

Acquisition of SÖRMAŞ

In line with its stated strategy to grow in geographies where it is currently under-represented, RHI Magnesita has agreed to acquire an 85.22% stake in SÖRMAŞ

Söğüt Refrakter Malzemeleri Anonim Şirketi ("SÖRMAŞ"), a producer of refractories for the cement, steel, glass and other industries in Turkey, for a consideration of €38.8 million in cash. The acquisition will significantly expand the Group's locally manufactured product portfolio and serve as a production hub and platform for business growth in Turkey and the wider region. With an enlarged product portfolio, further potential exists from the opportunity to deliver full-line service solutions to customers in Turkey.

SÖRMAŞ recorded underlying EBITDA of €6.4 million in the year to 31 December 2020 and had Gross Assets of €27.7 million and net cash of €3.7 million at 31 December 2020. The vendors of the 85.22% stake are entities controlled by Dr. Orhan Karabuda and Prof. Dr. Zihni Cüneyt Karabuda and connected persons, and employees of SÖRMAŞ. The acquisition is subject to competition authority clearance and is expected to complete in H1 2022.

Outlook

Stefan Borgas, Chief Executive Officer, said: "Demand remains strong and we have made good progress on our network optimization and capital projects in the year to date. During the current period of supply chain disruption, we are focused on delivering for our customers, who recognize that pricing needs to be increased to account for the higher costs affecting refractory producers worldwide. We have taken action to mitigate these additional costs and our medium-term prospects are well supported by our structural cost reduction programme and investments in technology, solutions, recycling and growth in new markets. Progress against our strategic plan is demonstrated today by the acquisition of SÖRMAŞ in Turkey which will provide a new platform for growth in the region."

Conference call

A conference call will be hosted at 8:15am UK time to discuss the trading update and can be accessed either by the [webcast](#) or through the below conference details:

Dial in	+44 20 3936 2999
Access code	061015
Playback facility	+44 20 3936 3001
Playback access code	306407

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About RHI Magnesita

RHI Magnesita is the 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 12,000 employees in 28 main production sites 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

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