

Materials Services

Equity Story

November 2023

engineering.tomorrow.together.



Executive board with strong business acumen

Martin Stillger

Chairman of the Executive Board
since 2019

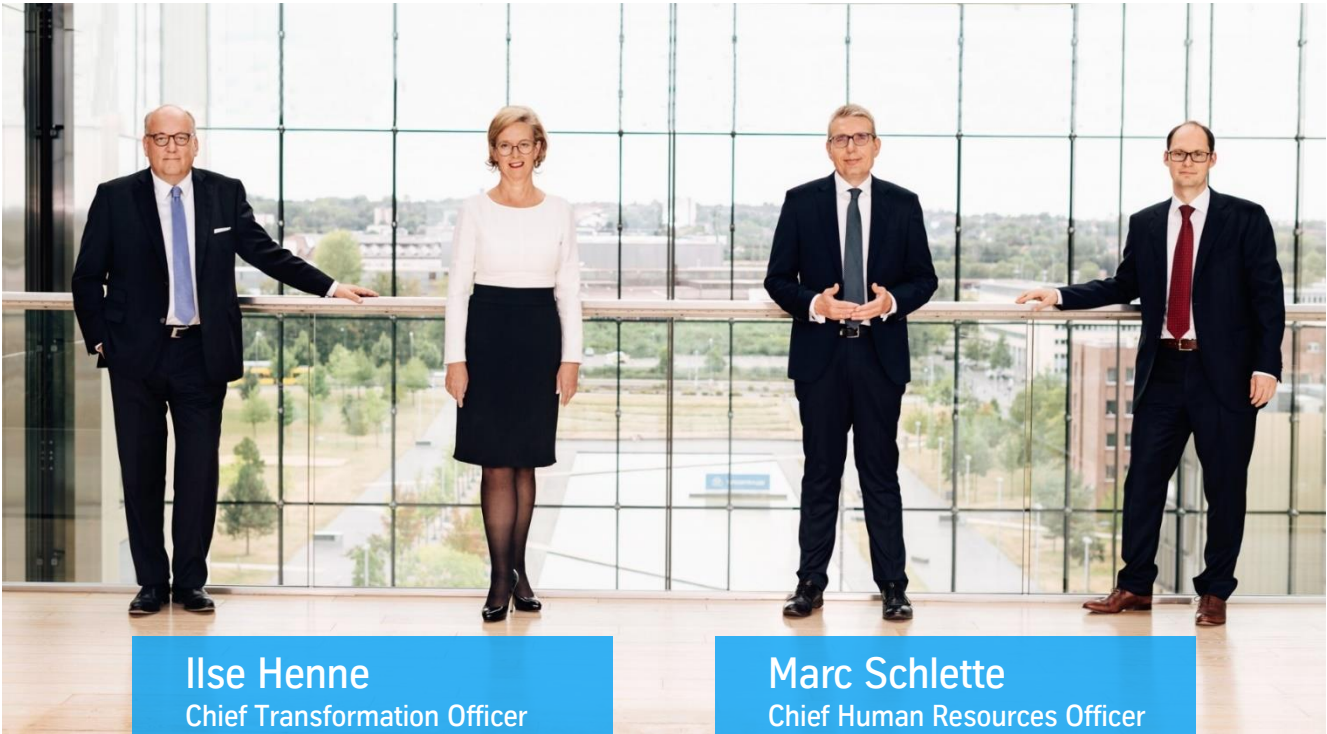
>30

Extensive experience in business management within and outside thyssenkrupp

Many years of expertise in the materials and services business

2008

As sales expert strongly involved in the design of the holistic integrated customer management



Ilse Henne

Chief Transformation Officer
since 2019

Years of industry experience

>20

Extensive international experience in corporate management within thyssenkrupp

With thyssenkrupp since

1999

Broad background with master's degrees in linguistics, literature, and business administration

Driven by the concept of change

Marc Schlette

Chief Human Resources Officer
since 2020

>5

Many years of experience in human resources management within and outside thyssenkrupp

2013

Successful management of labor relations and resolution of labor conflicts

Strong relations to trade unions

Daniel Wodera

Chief Financial Officer
since 2019

>20

Restructuring and turnaround of the stainless steel business (AST)

Leading financial responsibilities in multiple businesses at thyssenkrupp since 2008

2001

Driver of multiple cost saving and performance programs with significant impact



One of the world's leading mill-independent materials distributors and service providers

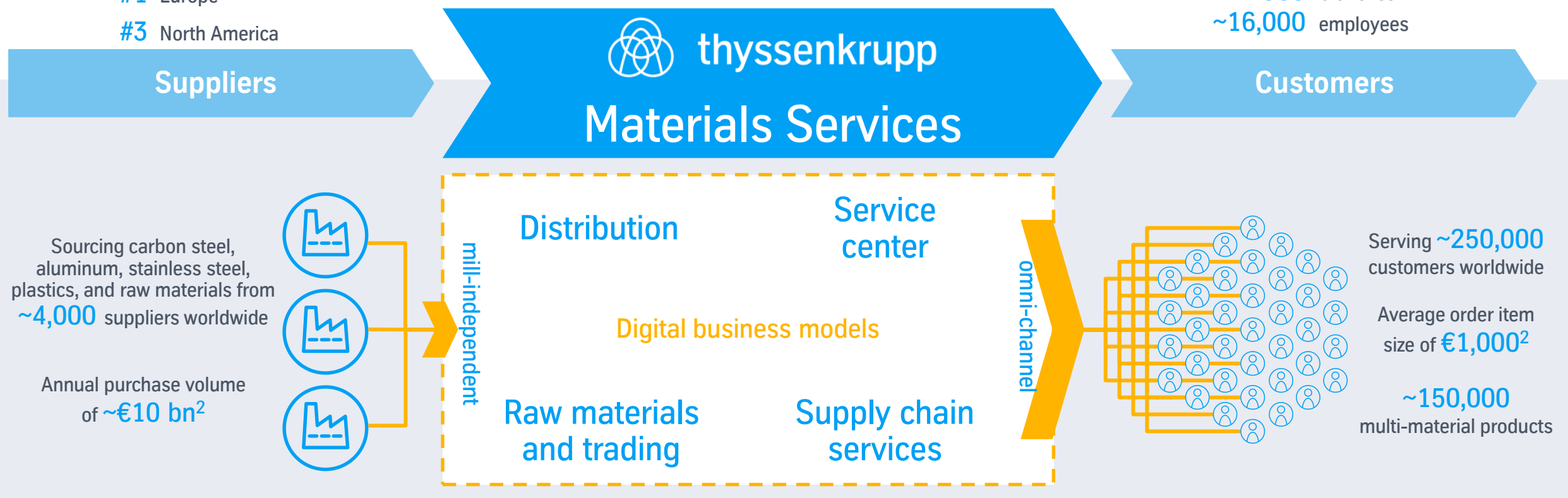
Materials Services fuels global industry by orchestrating material supply chains between suppliers and customers

Materials distributor rankings¹

- #1 Germany
- #1 Europe
- #3 North America

Geographic presence

30+ countries
~380 branches
~16,000 employees

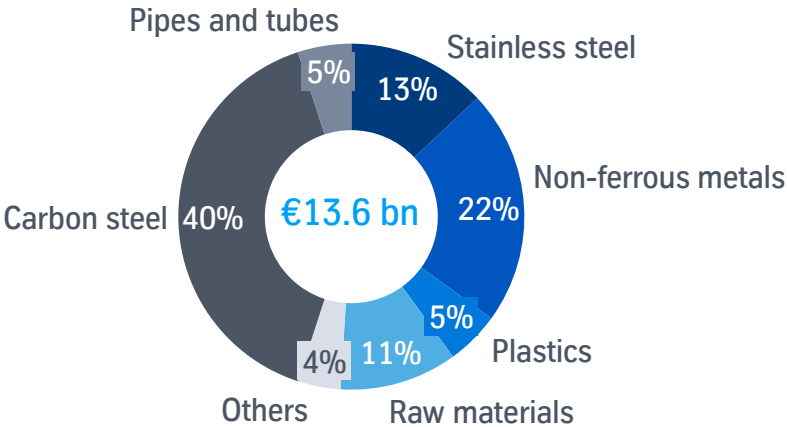


1. Mill-independent materials distributors | 2. At normalized price level

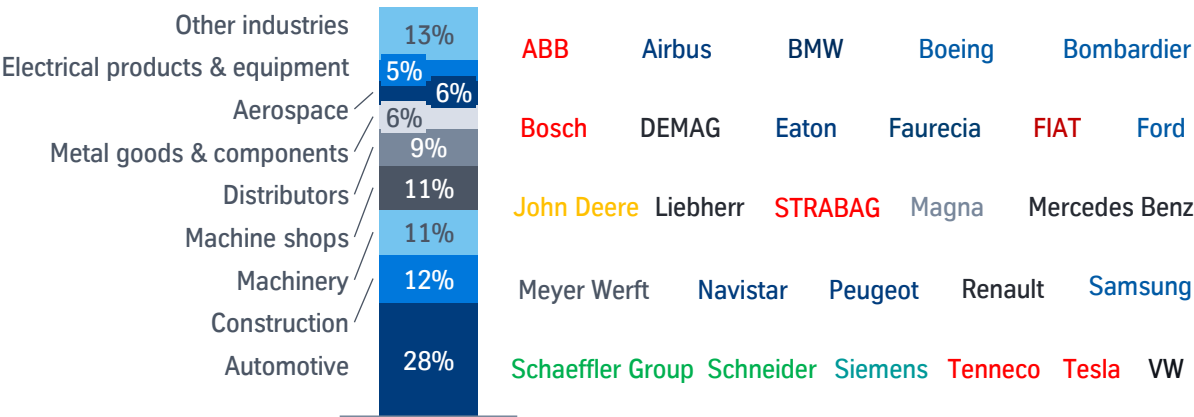


Diversified portfolio of materials, end markets and attractive geographic regions

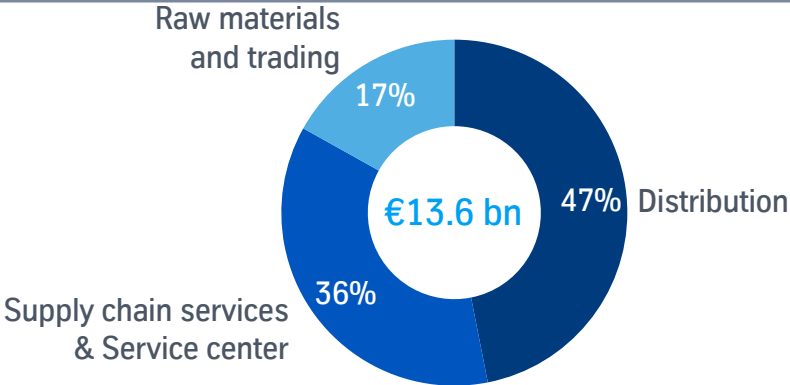
Flexible multi-material portfolio



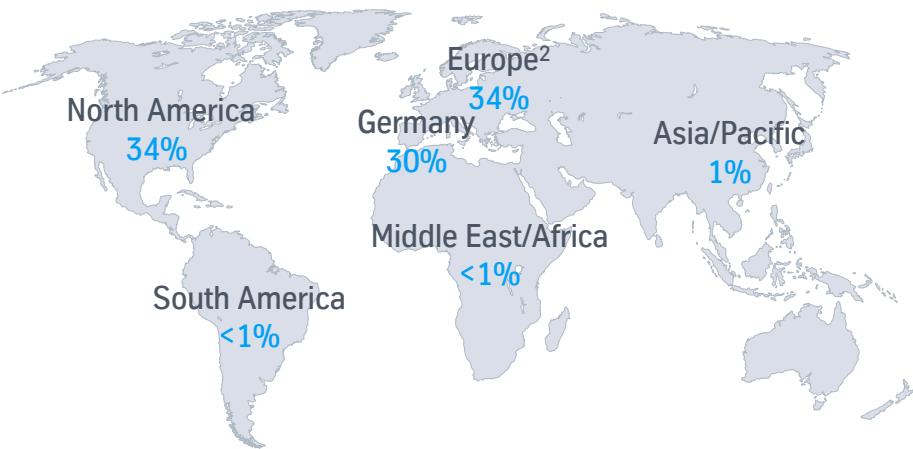
Serving diversified end markets¹ (exemplary customers)



Sales diversified across business models



With global footprint focused on Europe and North America¹



Note: Based on Sales FY 22/23 | 1. Excluding Materials Trading and Mill Services | 2. Excluding Germany



Normalization of market conditions leading to NWC-release and upside for cash flow

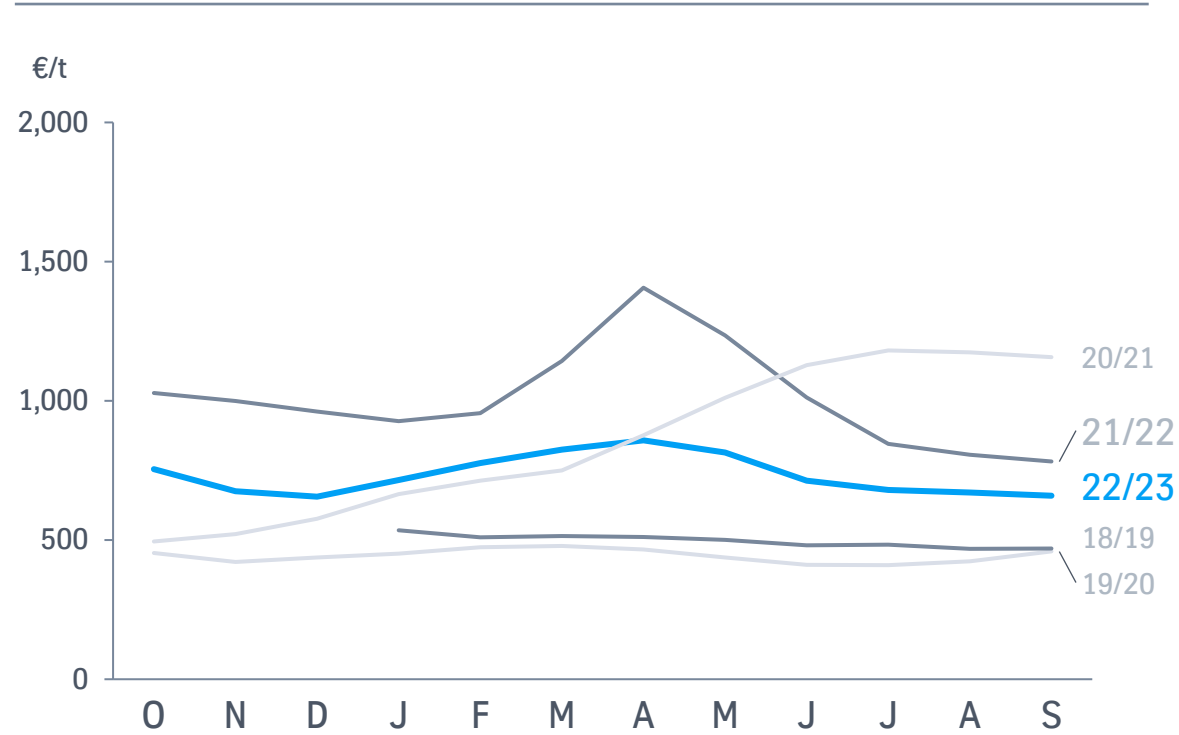
	FY 18/19	FY 21/22	FY 22/23	FY 23/24E		Mid-term target FY 24/25E
Shipments ¹ k tons	5,784	4,951	4,522	↗	• Up from very low level	>6,000
Sales € mn	12,357	16,444	13,613	→		
Gross margin in % of sales	12.0%	14.8%	12.6%	↗	• Normalization of gross margin	
EBIT adjusted € mn	101	837	178	↗	• Underlying earnings quality better, performance initiatives pay off	
<i>EBIT adjusted</i> <i>in % of sales</i>	<i>0.8%</i>	<i>5.1%</i>	<i>1.3%</i>			2-3%
ROCE	2.2%	24.7%	5.6%	↗		>9%
BCF € mn	33	422	313	↗	• Continuously tight NWC management	>200
CCR	0.3	0.5	1.5	→		~0.8 ³
						Targets confirmed

1. Only Materials Stockholding and Processing; excl. mainly direct-to-customer business | 2. Treated as CAPEX and negative Business Cash Flow according to thyssenkrupp definition | 3. Multi-year average



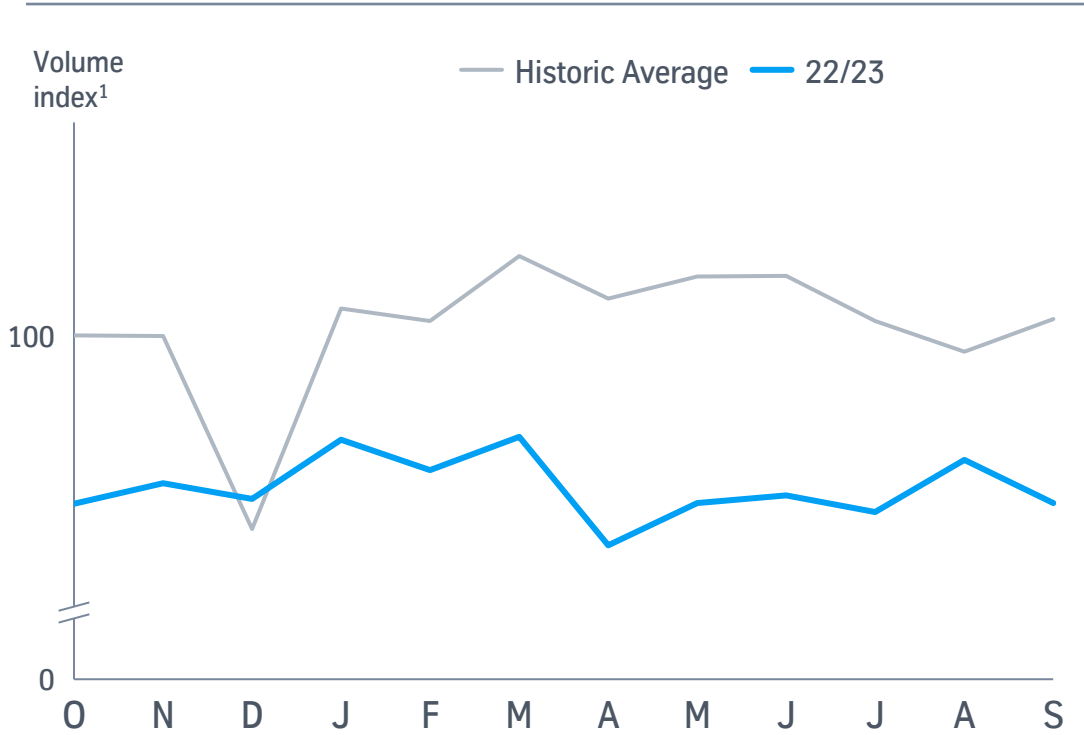
Declining volumes and prices characterized the 22/23 financial year

Purchase price for sample product
Hot Rolled Coil (HRC)/ Germany - CRU



Strong price decrease in FY 22/23, due to normalization of prices vs. FY 21/22 & 20/21

Shipments ex stock

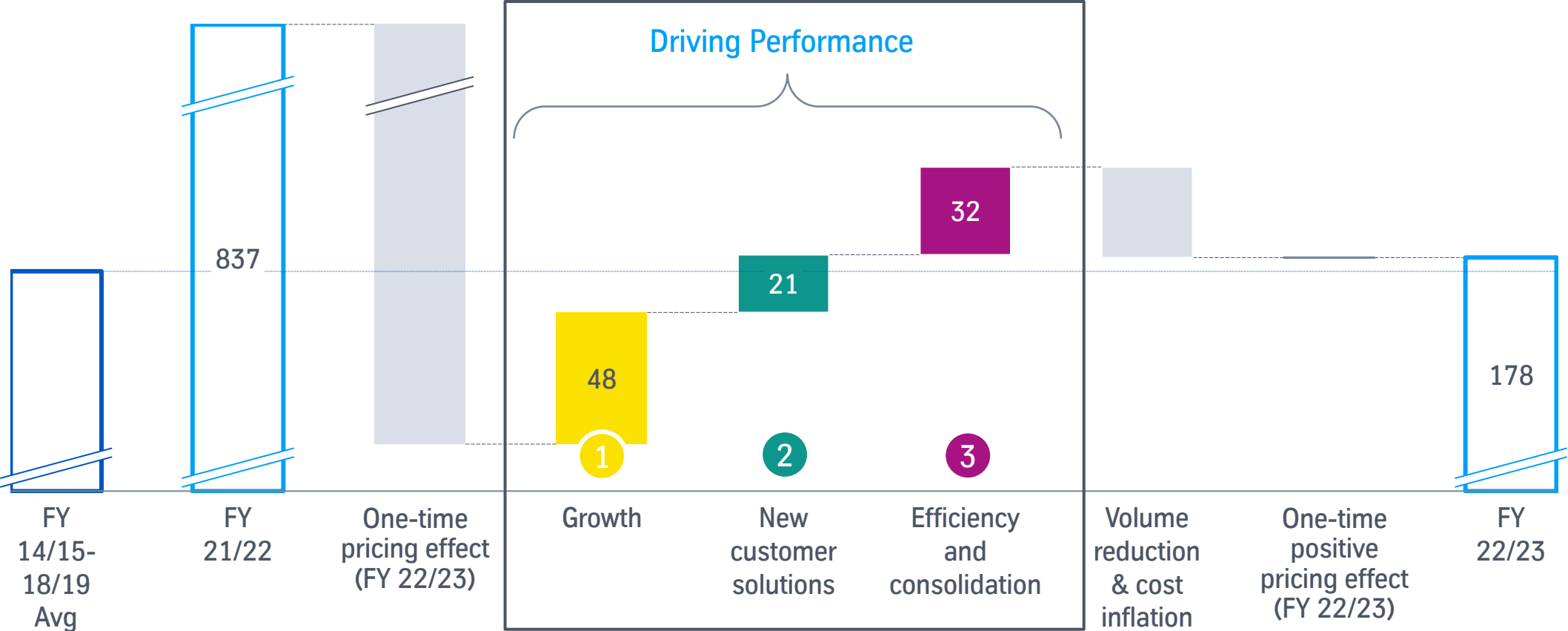


Overall volumes still below pre-COVID level and also below prior FY

1. 100 = average shipments ex stock per month in the years FY 14/15 - FY 17/18 | 2. Standard deviation of each month excluding December



In spite of very challenging market environment MX realized normalized adj. EBIT on historical average level
(in € mn)



Values for comparable portfolio



Progress in FY 22/23 along major value levers to push financial performance and better cope with volatility

1

Growth

- Wide range of measures, from sales initiatives to investments in new machinery and sites
- Top measures by effect 22/23
 - Utilization and expansion of service center sites in USA
 - Extension of contract service in US
 - Implementation of Alloys and Metals desk USA
 - EV Market: Sales Push Aluminum, Stainless & Carbon
- ~€45 mn of total capex invested in growth projects (thereof ~80% in NA)
- Major NA projects sig. above Materials Services' target margin

Net incremental EBIT
~€48 mn

2

New customer solutions

- Further expansion of supply chain business including new contracts with control tower solutions
- Innovation culture & ecosystem set up
 - Incubation of digital business and innovation activities via Shark Tank
 - Push digital improvements with ramping up Materials Services' own IT-hub in India
 - Important milestones reached FY 22/23: e.g., Carbon Credit Desk (sale of carbon certificates) and foundation of additive manufacturing Joint Ventures Pelagus
- Development of sustainable products & services, e.g. carbon footprint calculator

Net incremental EBIT
~€21 mn

3

Efficiency and consolidation

- Continuous performance optimization of core businesses via purchasing optimization, operational excellence, network consolidation, complexity reduction
- Restructuring plan nearly completed

Restructuring Roadmap
FTEs / share of total target

Period	19/20	20/21	21/22	Act. 22/23	Way to go	Target
Share of total target	36%	40%	20%	4%	~1%	2.540

- Further streamlining of portfolio:
 - Closure of small-scale businesses
 - Sale of loss-making business in France

Net incremental EBIT
~€32 mn



Flexible and agile in turbulent markets

External challenges



Turbulent market



Disruption in supply chain



Cost inflation



Fluctuation in demand and prices

Management actions

Leaner, fast, more focused organization

- Closed 25% locations, restructured 2,540 FTE
- Flexible workforce able to react to changing demand

Broad supplier base

- Consistent delivery record, kept supply chain alive, delivered what we promised
- Further customer solutions ensuring supply chain resilience

Pricing power and cost pass-through ability

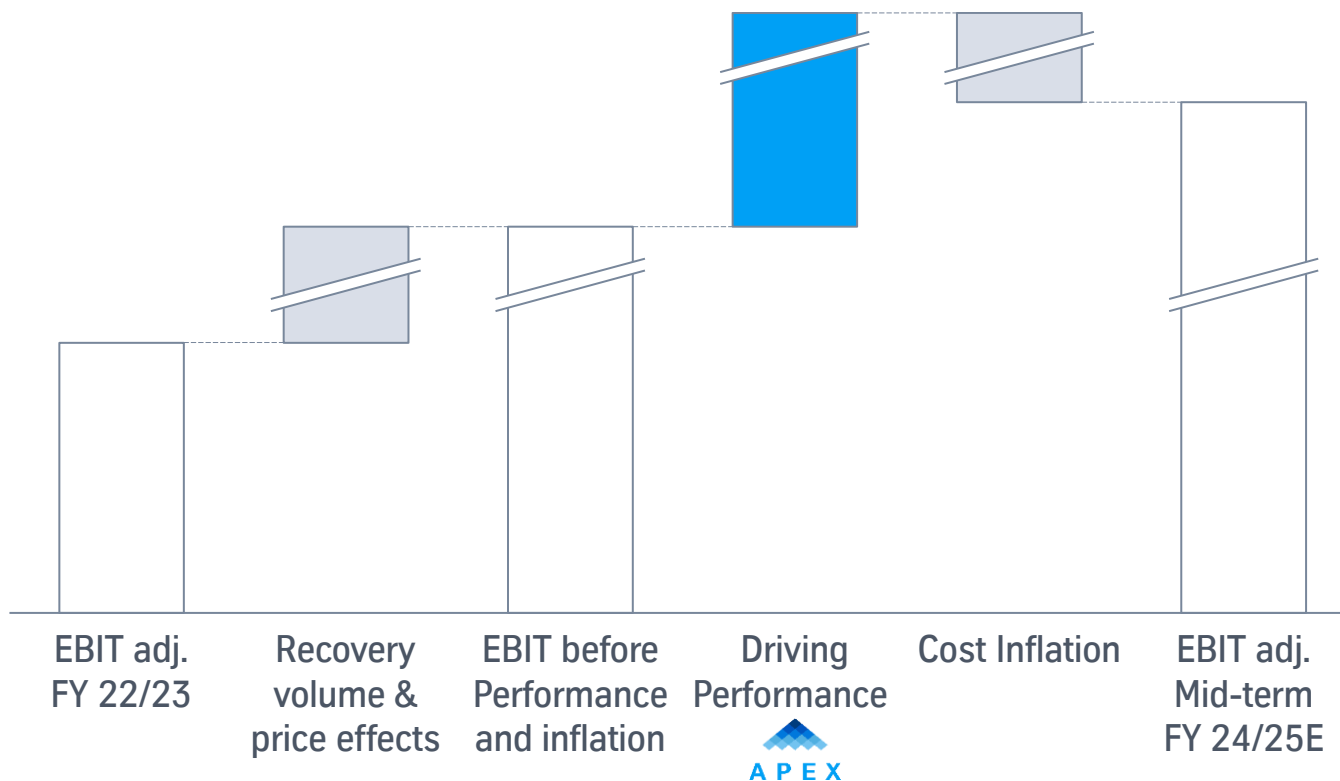
- Pass on higher costs to customers (e.g., transportation, energy)

Asset-light model

- Benchmark performance in network capital efficiency
- Ability to release cash from NWC very short-term



Mid-term targets confirmed - growth, new solutions and strong efficiency gains drive performance



	Mid-term target FY 24/25E
Shipments ¹ k tons	>6,000
EBIT adjusted in % of sales	2–3%
ROCE	>9%
BCF € mn	>200
CCR ²	~0.8

1. Only materials stockholding and processing; excluding mainly direct-to-customer business | 2. Multi-year average



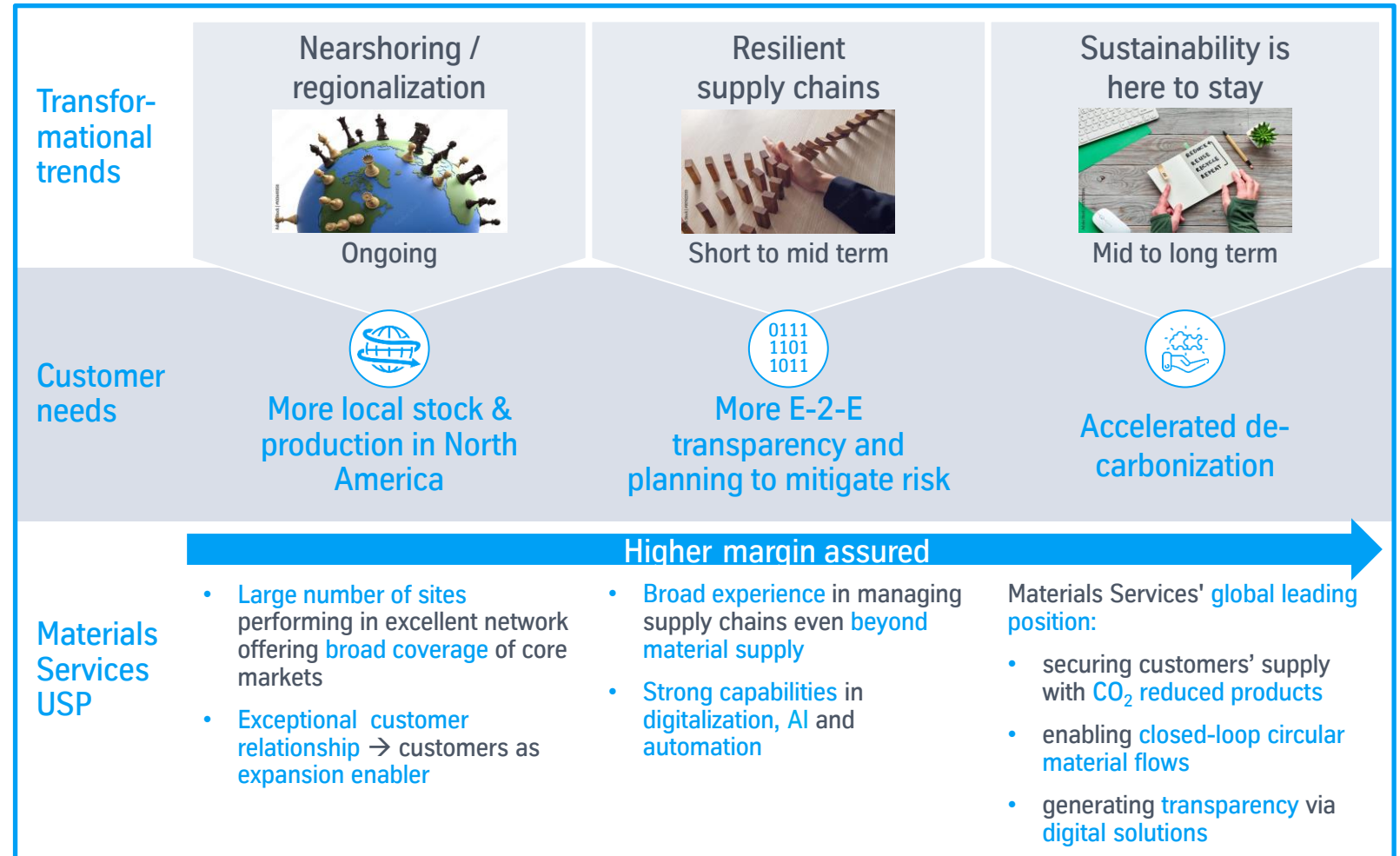
Materials Services - highlights

- 1** | **Market leader profiting from customer trends**
Nearshoring, supply chain resilience and sustainability
- 2** | **Growth in North America**
Leverage profitable organic and inorganic growth opportunities
- 3** | **Improved cost basis in Europe**
Consolidation, digitalization, automation
- 4** | **New customer solutions in digital supply chain management and sustainability**
Growth strategy “Materials-as-a-Service” – higher customer retention and higher margins
- 5** | **Rock solid cash flow**
ROCE >9%, while delivering consistent cash flow (avg. CCR of ~0.8)



1 Answering customer needs based on market-leading positions in Europe and North America

Mill-independent materials distributor rankings



2 Service center growth in North America to meet more localized production



Kenosha (WI)

- Expansion of processing capability
- Operational Q3 FY 23/24



Sinton (TX)

- New service center on site of new steel mill
- Ground-breaking completed Q4 FY 21/22
 - Operational Q1 FY 23/24



San Luis Potosí (MEX)

- New site with aluminum blanking capability to extend market leader position in automotive industry
- Ground-breaking Q1 FY 22/23
- Operational Q2 FY 23/24



1st wave done



- 4 projects operational

2nd wave well underway

- 3 projects in finalization of construction
- Start of operations in Q3 FY 23/24

3rd wave in planning

- Invested ~€30 mn in FY 22/23 to almost finalize construction of 2nd wave of growth investments
- ~€110 mn add. approved invest, of which 90% have been spent with expected ROCE >14%

- Materials Services outperforming North America materials market by ~2% in long-term; further positive effects from projects' ramp up yet to come



3 Improved cost basis in Europe

Optimized network through **digitally driven consolidation and modernization**
– closing of ~40 locations in Europe since FY 18/19 completed

Modernized locations in Western Germany & the Netherlands, Eastern Germany;
new show case hub Northern Germany fully operational

Restructuring overall target of ~2,540 FTE almost completed (~99%)
Further potential until FY 25/26 in validation

Additional **performance optimization** under way






- Improved ERP system to strengthen **digital back bone** and increasingly drive leveraging of network and inventories
- Continuous improvement in Operational Excellence

Continuation of **active portfolio management**: planned sale or close of businesses in Western Europe in FY 23/24



4 New customer solutions open additional market and growth potentials

Recent examples...

	<ul style="list-style-type: none"> • Cloud-based software for sales forecasting • Data preparation in the form of a data hub • Emission tracking as a development stage 	PCF Calculator 	<ul style="list-style-type: none"> • Calculator calculates exact CO2e emissions for each customer order cradle to gate
	<ul style="list-style-type: none"> • Production Digitization Project Business with Software as a Service • Increase in productivity, process stability and quality for customers, among other things 	Voluntary carbon trading desk	<ul style="list-style-type: none"> • Companies have the opportunity to balance their unavoidable emissions via the Voluntary Carbon Credit Desk and contribute to their climate targets
	<ul style="list-style-type: none"> • Anonymized trading platform • Complement to existing online stores • Decoupling from MX business, as competitor products are also traded 	Control tower solutions	<ul style="list-style-type: none"> • Successful contracting of new Control tower solutions – won against traditional 3rd party logistic providers
	<ul style="list-style-type: none"> • Digital platform for on demand manufacturing utilizing additive manufacturing network • Focus on maritime industry 	ESG supply chain risk management I	<ul style="list-style-type: none"> • Continuous risk evaluation & monitoring for all suppliers according SCA standards (German Supply Chain Act)



5 Rock solid cash flow in up and down markets

Cash conversion rate of $\sim 0.8^2$

Low capex requirements at $\sim 1.2\%^3$ of sales

Asset light business model

$\sim 80\%$ of capital employed in distribution business is net working capital

Temporary impact¹

Rising prices

Declining prices

EBIT



Net working capital



Business cash flow



Cash conversion rate



1. Represents temporary impact to key financial metrics in a rising / declining price environment for materials distribution business | 2. Multi-year average | 3. Includes capitalization of operating leases (IFRS 16) – normalized level



Materials Services: Growing, profitable, cash generator

- **Leading materials distributor and service provider** across Europe and North America with ~250,000 customers
- Industry leader providing **new services and products** such as supply chain optimization and new sustainable materials
- Deliver **above-market growth** through organic and inorganic opportunities, especially in North America
- Significantly **improved cost basis** in Europe through digitally driven internal footprint consolidation and operational efficiency measures
- Achieve **ROCE >9% in the mid-term** with efficient use of net working capital
- **Provider of a positive cash flow** to its shareholders even in years of downturns or strong price induced NWC increases with expected average business cash flow **above €200 mn** for the upcoming years



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