

Q&A

Sale of majority stake of HBI-plant in Texas

Why are you selling your HBI-plant in Texas?

Since start of production of our HBI-facility in Texas, we consumed internally only a limited portion of the annual production volume of around 2 million tons. We sold the majority of the HBI on the market. This merchant HBI-business brought a lot of volatility into our earnings, not least because of the changes on the global steel markets in the last years. As it was not our strategy to be a merchant HBI-producer, we developed options to stabilize and improve the HBI-business model.

One of the preferred solutions was to find a partner, using the HBI internally and therefore reducing the merchant HBI-business, while keeping access to the HBI-volumes we need internally.

Your peers mention DRI/HBI as major pillar of decarbonization of their steel production. Are you losing a strategic asset by selling the majority stake?

Decarbonization is a top priority at voestalpine. We developed a plan we call “greentec steel”. This is a step-by-step plan, ensuring the best available technology at every step.

In the first step, we replace two blast furnaces by electric-arc-furnaces. Start of operations of these furnaces is planned for 2027. For running those two furnaces, we need approximately 400.000 tons of HBI. This volume is secured via the long term supply agreement with ArcelorMittal. The remaining input materials are to a large extent scrap and to a low extent hot metal.

For total decarbonization of the steel production, we expect new technologies like Hyfor or Susteel to develop to industrial scale medium term.

In any case, it is not our strategy to stay in the merchant HBI business for further decades.

At what price are you selling your Texas-plant?

The enterprise value for the asset is EUR 900 million / USD 1,000 million

Debt like items (such as working capital) are EUR 135 million / USD 150 million

Reducing the enterprise value by debt-like items results in an equity value of around EUR 765 million / USD 850 million

The 80%-stake of equity value therefor has a value of around EUR 610 million / USD 680 million

It is important to mention, that we will know the final figures only at the closing of the transaction. We expect closing to be in a few months' time. The development of the debt-like items until then are affecting the final values.

Why are you selling the asset debt free?

This procedure has technical advantages for both parties in the process.

The effects on the voestalpine balance sheet are independent from the approach.

Texas LLC has no pension obligations.

Only debt-like items, which are part of the operational business (such as working capital) are included in the enterprise value.

What is the expected implication on your results?

We will see a cash-inflow of around EUR 610 million. This will reduce our net debt in the same amount and improve our gearing ratio.

On earnings, we will see a positive effect from an accounting profit (revaluation of the asset) in an amount of approximately EUR 280 million.

We are going to report Texas LLC under "discontinued operations" in our upcoming results. This line will contain the net profit of Texas LLC as well as the accounting profit.

These effects will be reported after closing of the transaction, what we expect in the next months.

Nevertheless, we are reporting our BY 2021/22 results on June 8th, right in-between signing and closing of the transaction. In the annual report of BY 2021/22 we will report Texas LLC under "discontinued operations". Not the total accounting profit can be shown in the annual report. This is because IFRS demands a revaluation of the asset at a "fair value approach". This approach is not identical to the transaction-valuation.

What is the implication for the BY 2021/22 results?

There is no cash flow effect from the transaction per 31.03.2022 and therefore no effect on the net debt and gearing ratio.

We will report Texas as discontinued operations. This means we are subtracting the turnover as well as results categories like EBITDA, EBIT etc. from the group figures. We will report Texas LLC in one single line “results of discontinued operations”. This shows the net profit of Texas LLC as well as the accounting profit from the IFRS fair value revaluation for 100% of Texas. The accounting profit in the annual report will most probably contain a large portion of the above-mentioned figure of EUR 280 million.

What is the implication from reporting Texas LLC under discontinued operations in the BY 2021/22 results?

We do not have the final BY 2021/22 – results yet, but approximate figures for Texas LLC, which have to be deducted from the group figures, are expected as follows:

Sales:	around EUR 600 million
EBITDA:	around EUR 35 million
EBIT:	around breakeven
Earnings before tax:	around breakeven
Net profit:	will include a part of the accounting profit. This valuation is not final at this stage.

What is the current book value of Texas LLC in the voestalpine balance sheet

The book value of Texas LLC was around EUR 450 million in BY 2020/21.

Does this transaction influence your guidance for BY 2021/22?

This transaction does not affect our EBITDA-guidance.

Nevertheless, we will see an accounting profit in the net profit of voestalpine Group and therefor in the EPS for BY 2021/22.

Apart from the transaction, we updated our guidance for the BY 2021/22 in the adhoc-statement, sent out on April 14th 2022 from originally “up to EUR 2.2 billion” to “slightly below EUR 2.3 billion” due to strong operational performance in the 4th quarter of BY 2021/22.