

# BE Q3

## BE GROUP INTERIM REPORT JANUARY – SEPTEMBER 2013

Kimmo Väkiparta, President and CEO  
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## Q3 – Better result than last year

### Financial highlights

- Shipped tonnage decreased 6%
- Net sales decrease of 10%
- Operating result of SEK 13 M (6)
- Underlying operating result of SEK 18 M (15)
- The Board of Directors will recommend a rights issue of approx. SEK 150 M. The rights issue will be fully guaranteed and will be concluded latest during the first quarter 2014.



## Market situation

- Continued tough market
- Demand in Sweden largely on Q2-level after vacation
- Some improvements seen in Finland
- Some recovery in steel prices during the quarter

## Operational highlights

- Change of Group organization in order to streamline operations and increase market focus on core operations
- Actions initiated during beginning of the year will reduce number of FTE's with 140
- Good impact from own initiatives
- Improvements for Other Units
- Focused cost control
- Divestment of Chinese operations completed

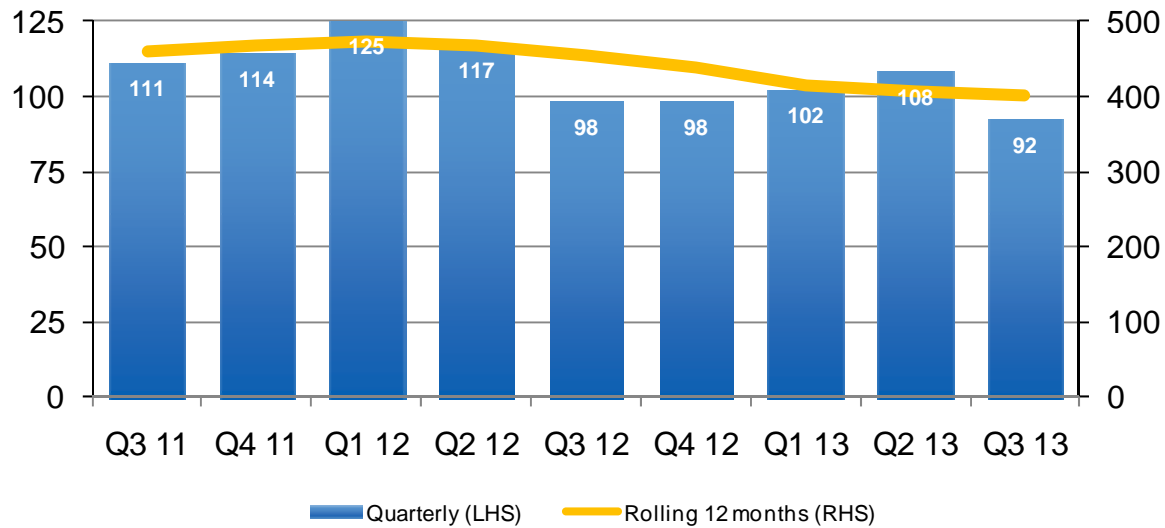
# FINANCIALS IN DETAIL

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# Seasonal impact during beginning of Q3

## Tonnage ('000 tons)

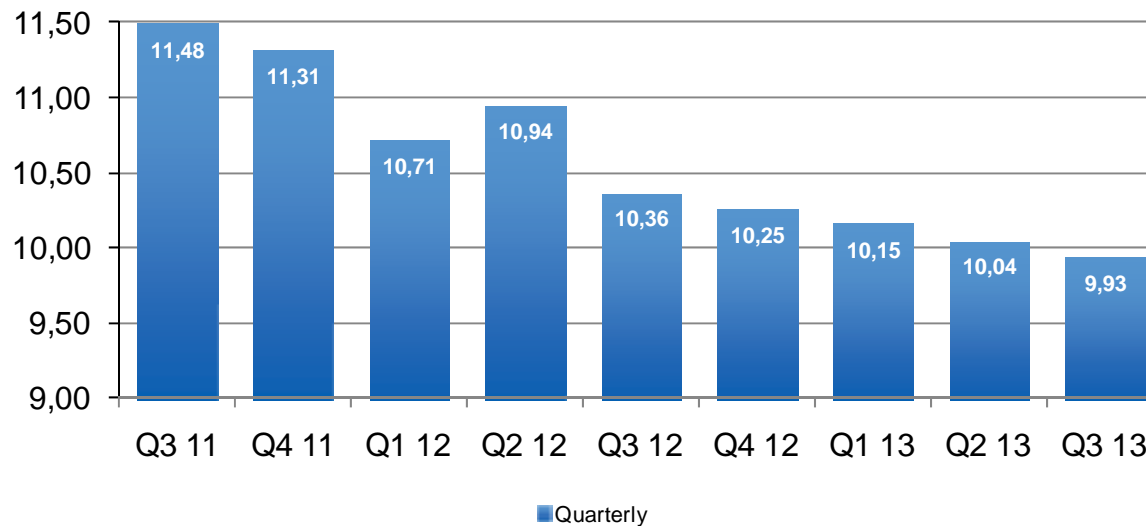


- Tonnage 6% down vs last year
  - Sweden -16%
  - Finland +/-0%
  - Other Units +21%
- Vacation period longer than normal



# Price sentiment becoming more stable

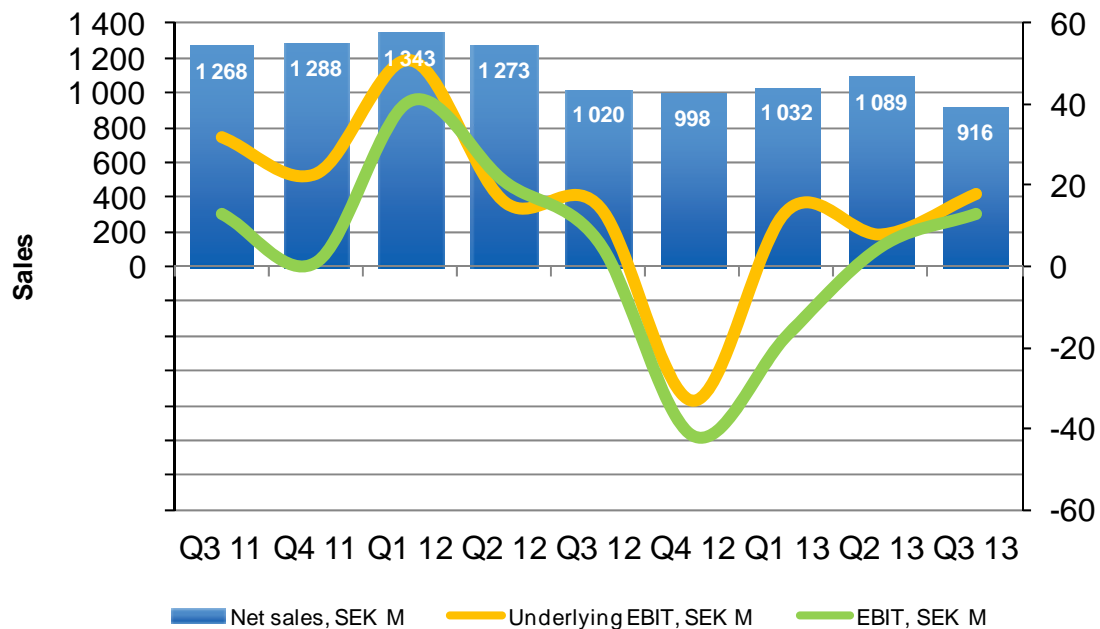
## Average sales price (SEK/kg)



- Q3 average sales price decreased 6% vs Q3 2012 and 1% vs Q2 2013
- Price decline supported by lower share of sales from Sweden
- Signs of increasing prices towards end of quarter

# Positive trend in EBIT development continues

Sales, EBIT and uEBIT (SEK M)



- Net sales 10% down
  - Tonnage -6%
  - Price/mix -6%
  - Currency +2%
- EBIT margin 1.4% (0.6) and uEBIT margin 2.0% (1.5)
- Cost reductions and own initiatives are having impact
- EBIT increased to SEK 13 M (6) and uEBIT to SEK 18 M (15)
- Gross margin improvements



## Q3 – EBIT above last year

SEK M	Q3 2013	Q3 2012	Change	Q2 2013
Net sales	<b>916</b>	1,020	-104	<b>1,089</b>
Underlying EBIT	<b>18</b>	15	3	<b>8</b>
<i>% of Sales</i>	<b>2.0%</b>	1.5%	0.5%	<b>0.8%</b>
Inventory gains/losses	<b>-5</b>	-9	4	<b>-3</b>
Non-recurring items	-	-	-	-
EBIT	<b>13</b>	6	7	<b>5</b>
<i>% of Sales</i>	<b>1.4%</b>	0.6%	0.8%	<b>0.5%</b>
Earnings before tax	<b>2</b>	-5	7	<b>-5</b>
Earnings continuing operations	<b>1</b>	-5	6	<b>-7</b>
Earnings discontinued operations	<b>-2</b>	-85	83	<b>-1</b>
Net earnings	<b>-1</b>	-90	89	<b>-8</b>
EPS (SEK)	<b>-0.02</b>	-1.83	1.81	<b>-0.16</b>



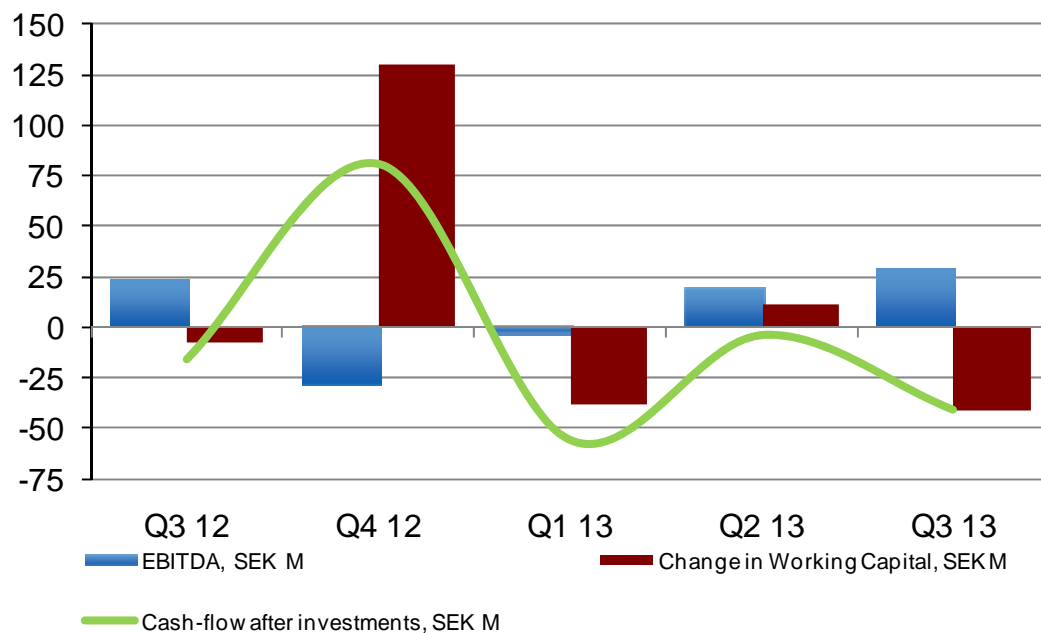
## Q1-Q3 – Weak demand compensated by lower costs

SEK M	Sep YTD	Sep YTD	Change
	2013	2012	
Net sales	<b>3,037</b>	3,636	-599
Underlying EBIT	<b>40</b>	82	-42
<i>% of Sales</i>	<b>1.3%</b>	2.3%	-1.0%
Inventory gains/losses	<b>-10</b>	-14	4
Non-recurring items	<b>-29</b>	0	-29
EBIT	<b>1</b>	68	-67
<i>% of Sales</i>	<b>0.0%</b>	1.9%	-1.9%
Earnings before tax	<b>-36</b>	37	-73
Earnings continuing operations	<b>-30</b>	27	-57
Earnings discontinued operations	<b>-6</b>	-98	92
Net earnings	<b>-36</b>	-71	35
EPS (SEK)	<b>-0.73</b>	-1.44	0.71
Cash-flow after investments	<b>-101</b>	-81	-20
Net debt	<b>884</b>	851	33
Net debt / Equity	<b>139%</b>	120%	19%



# Working capital in good control

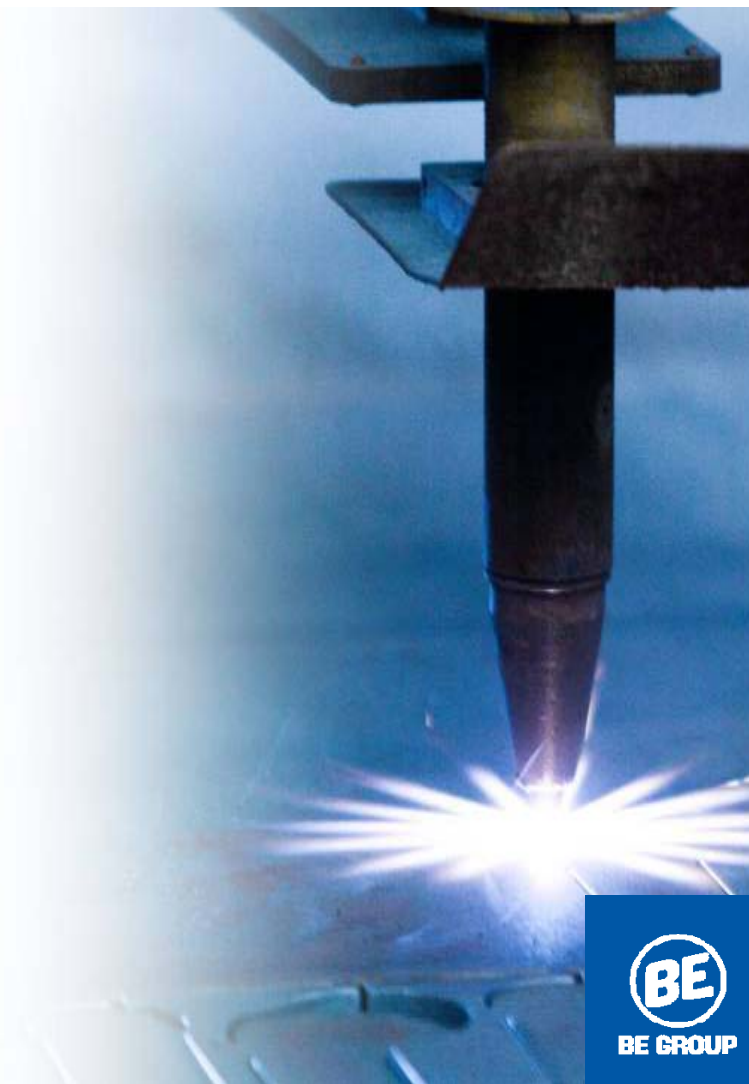
## Cash-flow (SEK M)



- Q3 cash-flow was as normal affected by negative seasonality impact
- Cash-flow from operating activities SEK -34 M (-7)
- Investments of SEK 12 M (10)
- Working capital tied-up 11% (12)
- Net debt of SEK 884 M (851) – gearing 139% (120%)
- A number of operational activities ongoing to reduce net debt

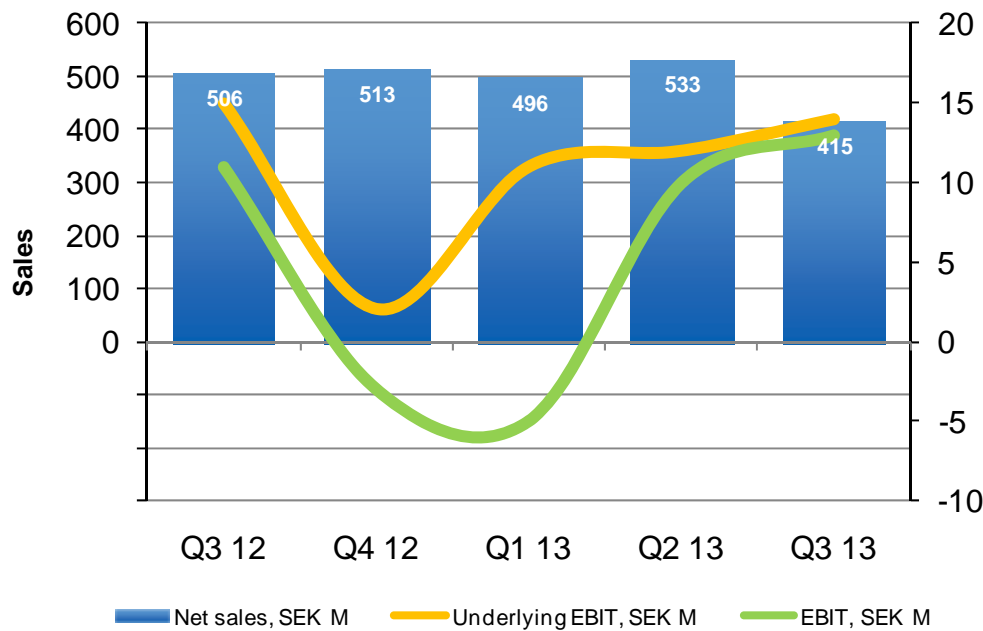
# BUSINESS AREAS STATUS Q3 2013

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# BA Sweden – EBIT above last year despite lower sales

Sales, EBIT and uEBIT (SEK M)

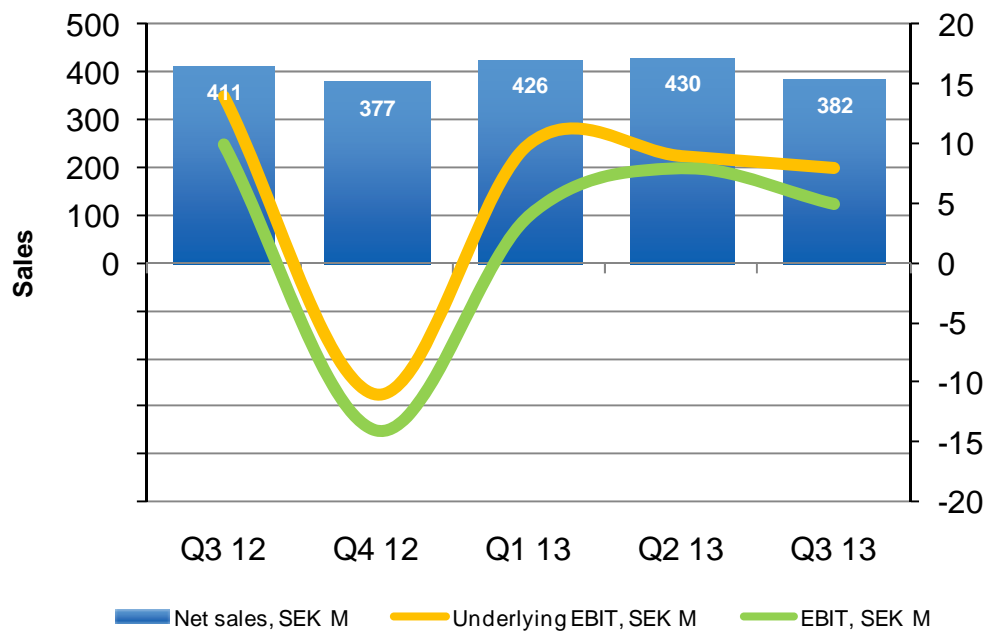


- Prices slightly down vs last year and Q2
- Net sales decreased by 18% and tonnage decreased by 16% vs last year
- Continued improved gross margin and lower cost level
- EBIT of SEK 13 M (11) and uEBIT of SEK 14 M (15)
- EBIT margin of 3.1%



# BA Finland – Cost reductions mitigate lower sales

Sales, EBIT and uEBIT (SEK M)

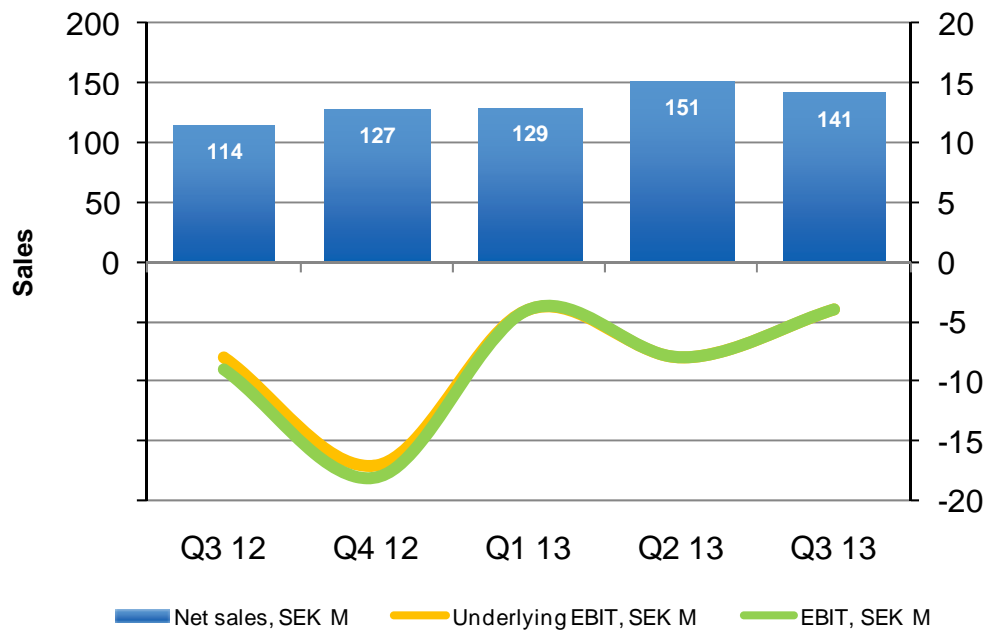


- Net sales decreased by 7% vs last year
- Tonnage was in line with last year
- Sales prices without currency effects down 9% vs Q3 2012 and down 2% vs Q2 2013
- EBIT of SEK 5 M (10) and uEBIT of SEK 8 M (14)



# Other Units – Positive development

Sales, EBIT and uEBIT (SEK M)

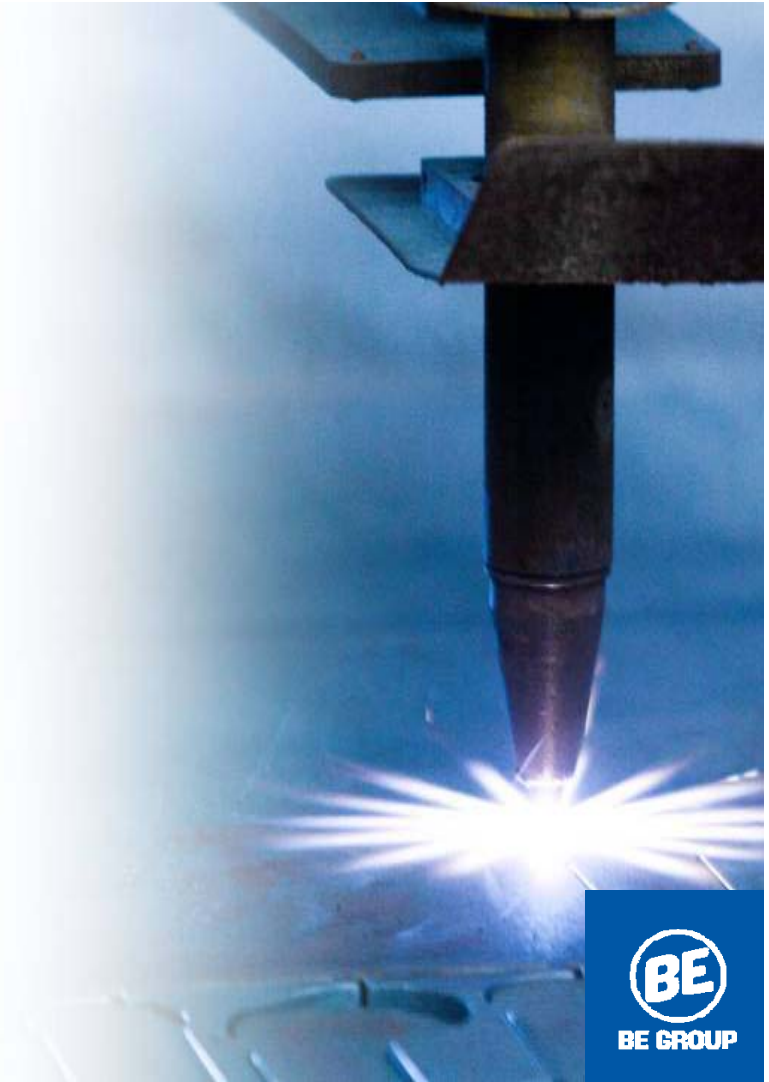


- Net sales increased by 24% and tonnage increased by 21% vs last year
- Increased margin despite continued price pressure in Central Europe
- EBIT of SEK -4 M (-9), mainly from BE Group Produktion
- Continued work with improving profitability in Poland
- Czech Republic (classified as discontinued operation) shows improvement due to structural changes and efficiency work



# OUTLOOK

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## Current business situation and outlook

- Demand during Q4, up to the seasonal downturn, will largely remain on post vacation levels
- Customers are currently positive with regards to 2014
- Sales prices expected to rise somewhat during Q4 due to higher steel prices
- Implemented efficiency improvements will continue to strengthen our competitiveness, entailing a leverage effect in an improved economic situation





## Current focus areas

- Generate growth with customer and supplier cooperation
- Improve capacity utilization
- Improve cost control even more
- Efficient working capital utilization
- Improve earnings in Other Units from current platform



## **Our vision**

**BE Group shall be the most:**

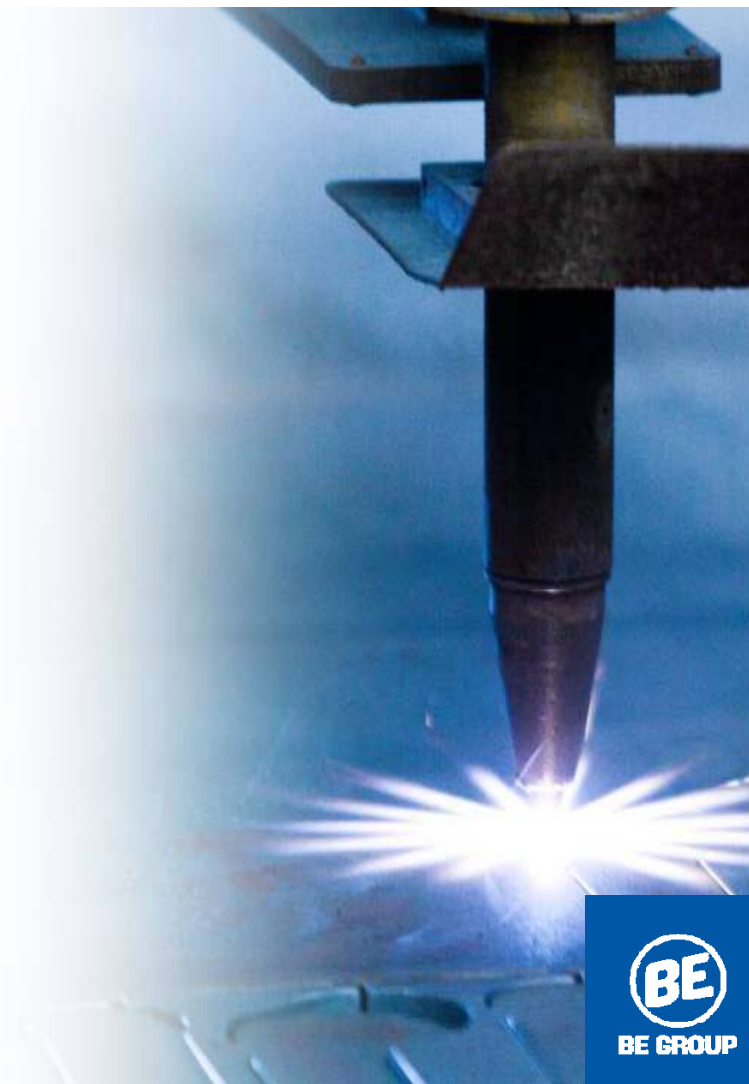
- Professional**
- Successful**
- Respected**

**steel service company**



# APPENDIX FINANCIAL INFORMATION

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## Appendix: Financial summary

	2012				2013			Full year	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	2011	2012
Tonnage	125	117	98	98	102	108	<b>92</b>	469	438
Net Sales	1,343	1,273	1,020	998	1,032	1,089	<b>916</b>	5,392	4,634
Underlying EBIT	51	16	15	-33	14	8	<b>18</b>	157	49
<i>% of Sales</i>	3.8%	1.2%	1.5%	-3.3%	1.4%	0.8%	<b>2.0%</b>	2.9%	1.1%
EBIT	41	21	6	-42	-17	5	<b>13</b>	128	26
<i>% of Sales</i>	3.1%	1.7%	0.6%	-4.2%	-1.7%	0.5%	<b>1.4%</b>	2.4%	0.6%
Earnings cont. operations	24	8	-5	-39	-24	-7	<b>1</b>	55	-12
Earnings disc. Operations	-5	-8	-85	-1	-3	-1	<b>-2</b>	-35	-99
Net earnings	19	0	-90	-40	-27	-8	<b>-1</b>	20	-111
Earnings/share <sup>1</sup>	0.38	0.01	-1.83	-0.81	-0.54	-0.16	<b>-0.02</b>	0.41	-2.25
Cash-flow <sup>2</sup>	-31	-34	-16	81	-56	-4	<b>-41</b>	76	0
Working Capital <sup>3</sup>	473	493	446	325	378	389	<b>411</b>	430	325
Underlying EBITA(%)	4.1%	1.6%	1.8%	-2.8%	1.8%	1.1%	<b>2.4%</b>	3.2%	1.4%
Underlying ROOC(%)	26.9%	9.2%	9.3%	-16.7%	11.2%	7.3%	<b>12.3%</b>	19.6%	8.3%

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<sup>1</sup> Earnings per share after dilution

<sup>2</sup> Cash-flow after investments

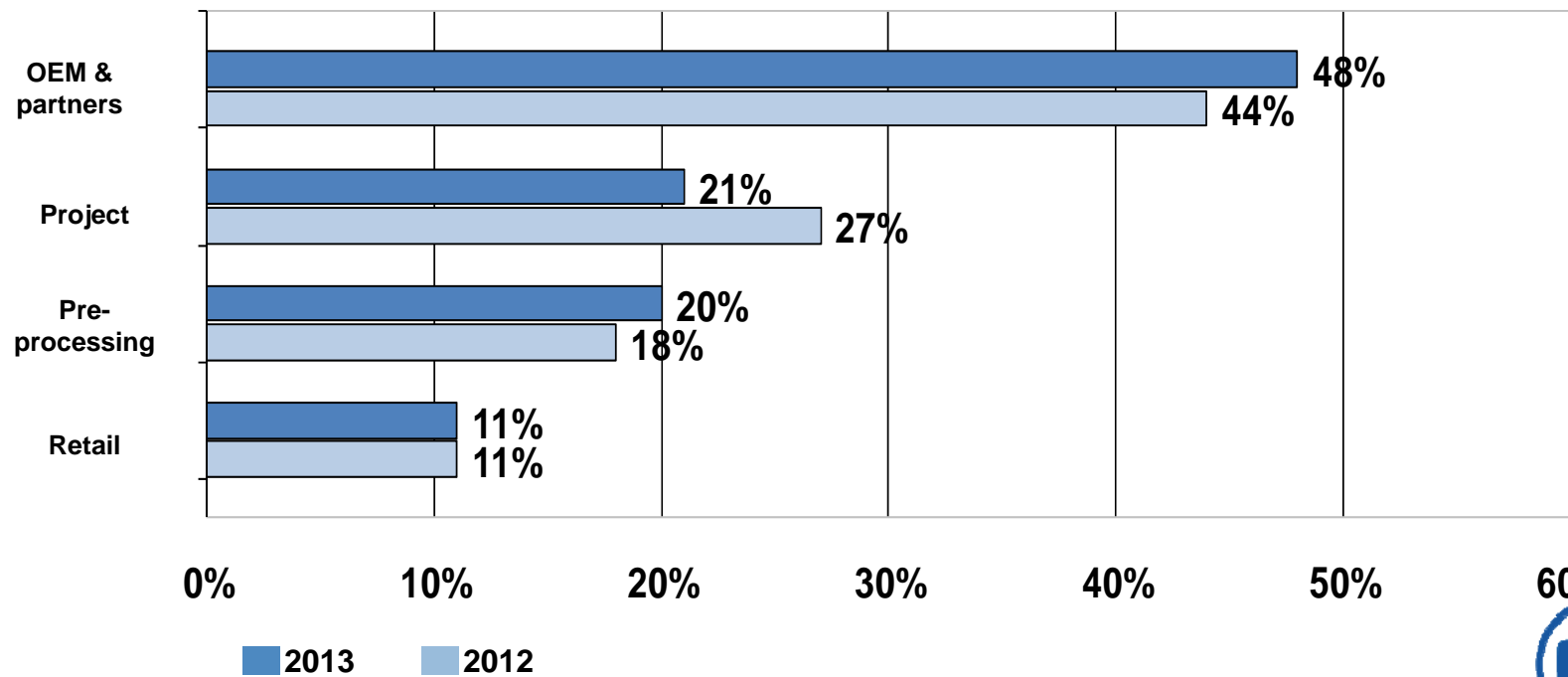
<sup>3</sup> Period end working capital



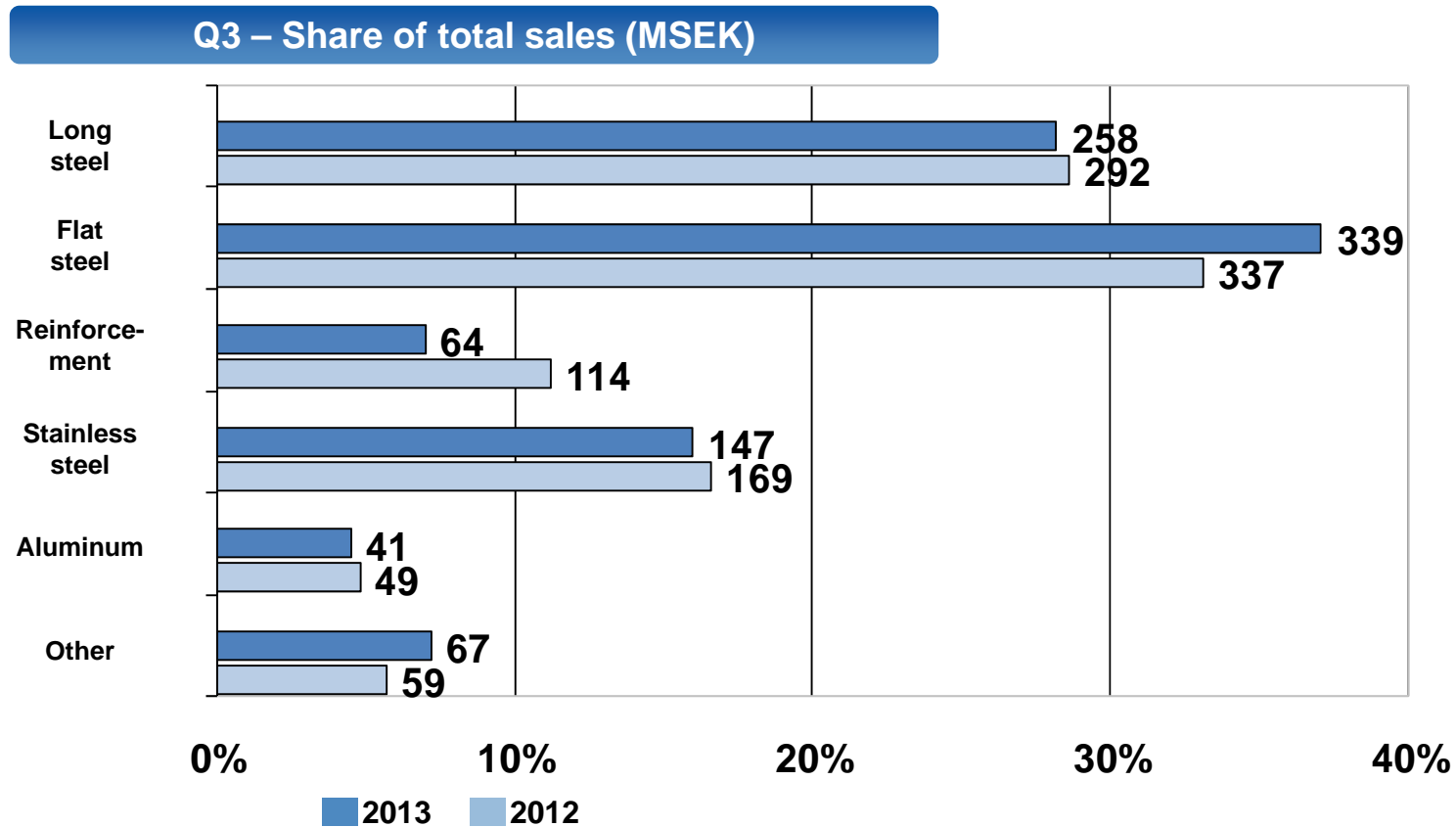
**BE GROUP**

# Appendix: Sales per customer segment

Q3 – Share of total sales (%)



## Appendix: Sales per product area



# Appendix: Sales per channel

Q3 – Share of total sales (MSEK)

