

**RHI Magnesita N.V.**

("RHI Magnesita" the "Company" or the "Group")

**Q1 2023 TRADING UPDATE**

RHI Magnesita, the leading global supplier of high-grade refractory products, systems and solutions, today provides an update on trading for the three months to 31 March 2023 ('Q1').

**Q1 trading**

The momentum of improving EBITA and EBITA margins established in 2022 continued through the first quarter as lower cost inflation offset an expected reduction in sales volumes.

Refractory sales volumes in the first quarter were 8% lower than Q1 2022, in line with management expectations and overall market demand. As anticipated, steel and cement demand outside of India and China softened due to a slowdown in construction activity, whilst demand in the Industrial Projects segment remained strong.

Prices of magnesite-based raw materials remained at relatively low levels throughout Q1, with the Group's vertical integration margin remaining largely unchanged from the low level of H2 2022.

Refractory margins were resilient due to slower cost escalation, based on lower freight and purchased raw material costs, despite higher energy costs. Profitability was supported by the benefits of the Group's strategic sales and cost reduction initiatives, the contribution from recent acquisitions in Türkiye and India, together with geographic and product diversification. EBITA margins in Q1 were ahead of guidance of approximately 10% for 2023 but pricing pressure is anticipated in the remainder of the year as input costs reduce for refractory producers globally.

**Financial position**

Net debt to EBITDA reduced to 2.2x after the successful placing on 5 April of 15.7 million new shares in RHI Magnesita India Ltd, to raise €101 million via a Qualified Institutional Placement ("QIP") in India. Including a 12-month historic pro forma EBITDA contribution from businesses acquired during the period and the proceeds of the QIP, pro forma leverage was 2.1x EBITDA.

The Group was able to reduce gearing due to strong operating cash flows and through the proceeds of the QIP, whilst continuing to execute on its inorganic growth strategy. Total investments in M&A of €155 million were completed during Q1 2023, including the acquisitions of the Indian refractory business of Dalmia Bharat Refractories Limited and Hi-Tech Chemicals Limited, and a €5 million investment in MCi Carbon, Australia.

Working capital levels were broadly unchanged from 31 December 2022 as the Group continues to prioritise security of supply for its customers in order to support recent market share gains.

The Group continues to retain robust liquidity of approximately €1.2 billion. This follows the April 2023 placement of €170 million of ESG-linked Schuldschein bonds and the refinancing of a €150 million Term Loan with UniCredit Bank Austria AG. The Term Loan was increased in size from its previous level of €115 million, extended to 2026 and is also now ESG-linked. Both sources of funding were secured at competitive rates of interest.

**M&A progress**

The acquisitions of Dalmia OCL and Hi-Tech completed in India during Q1 increased the Group's local market share from around 20% to 30% and represent significant progress in the strategic goal to grow in markets in which the Group is under-represented, including in India, China and Türkiye. The Group has now secured new production capacity and a geographically distributed plant network in India, which is expected to be the highest growth refractory market globally. RHI Magnesita will now also be able to supply products more competitively throughout India from low-cost local facilities, as well as pursuing export opportunities in the West Asia and Africa regions. Margins in the India business unit are expected to be diluted during the integration phase as synergies ramp up and market demand grows to fully utilise the newly acquired plant capacity.

The acquisition of a 65% stake in Jinan New Emei, China for a cash consideration of €40 million was agreed on 13 January and completed on 28 April 2023. The acquisition of Dalmia GSB Refractories, Germany for a cash consideration €13 million was agreed on 29 March and completed on 28 April 2023.

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On 21 April 2023, the Group announced the acquisition of Seven Refractories for a cash consideration of €93 million, with completion expected in the second half of 2023.

The M&A pipeline remains robust as the Group continues to demonstrate momentum and leadership in the ongoing consolidation of the refractory industry, in markets and products where the Group is under-represented.

#### **Outlook**

Order book trends suggest the potential for a gradual recovery in steel customer demand in the short term, although the outlook for end markets and customer volumes remains uncertain and a significant recovery in volumes is not expected, in line with most economic forecasts globally.

On the basis that customer demand continues to recover over the coming months and if pressure on pricing is limited to the passing on of cost normalisation, the Board is confident in the Group's ability to achieve its current guidance for FY 2023.

Leverage measured as a ratio of net debt to EBITDA is expected to remain above 2.0x as the Group further executes on its M&A pipeline.

Stefan Borgas, Chief Executive Officer, said: "RHI Magnesita benefited from resilient pricing in the first quarter as we fulfilled orders placed in Q4 2022 during the peak inflationary period. Our improved refractory-margin performance benefits from the investments we have made to rationalize our network and leaves us well placed to meet expectations for the year. Signs of a recovery in short-term demand are visible in our order book and whilst our industry remains exposed to volatility in end markets, we still assume that no major recession will occur globally. We have continued to make steady progress in M&A as we identify value-adding opportunities to grow our business through consolidation in key target geographies and product areas, whilst carefully managing our balance sheet."

#### **Conference Call**

A conference call will be hosted at 8:15am UK time to discuss the trading update:

Dial in	+44 203 936 2999 or 0800 358 1035 (UK only)
Access code	328251
Webcast and playback facility	<a href="#">LINK</a>

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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 13,500 employees in 33 main production sites and more than 70 sales offices. RHI Magnesita intends to leverage its leadership in terms of revenue, scale, product portfolio and diversified geographic presence to target strategically those countries and regions benefitting from more dynamic economic growth prospects.

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 prime segment of the Vienna Stock Exchange (Wiener Börse). For more information please visit: [www.rhimagnesita.com](http://www.rhimagnesita.com)

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