

11 November 2024

RHI Magnesita N.V.

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

Q3 2024 TRADING UPDATE

Strong execution in exceedingly challenging demand environment

RHI Magnesita, the leading global supplier of heat management solutions, today provides an update on trading for the three-month period ended 30 September 2024 ('Q3').

Q3 trading

Revenues in the nine months to 30 September were in line with the prior year period, with the contribution from M&A offsetting expected softness in pricing and lower sales volumes than expected, due to ongoing weak customer demand. Customer demand remains subdued in all markets except India.

Q3 year-to-date sales volumes including M&A increased by 3% year-on-year. Q3 2024 sales volumes were up 2% on Q2 2024.

Pricing pressure continued in Q3 as forecast, with year-to-date pricing now 4% lower compared to the prior year, in line with guidance for a decline of up to 5% in 2024, reflecting lower input costs for the industry with competitors becoming increasingly aggressive on pricing as a result.

Whilst year on year input costs are lower, some externally purchased raw material costs have increased during H2 due to higher prices for both alumina based material and electrofused magnesia, with additional increases announced by suppliers for 2025. This will increase cost of goods sold in Q4 and 2025. A price increase programme has been implemented to maintain margins.

Adjusted EBITA in Q3 was in line with the levels reported in Q1 and Q2, as cost saving initiatives and operational efficiencies offset lower refractory prices and fixed cost under-absorption, to deliver an Adjusted EBITA margin slightly higher than the 11.0% guided for the full year. The EBITA margin contribution from vertical integration remained at a record low of 0.8% whilst refractory margins remained at record highs.

Strong operational delivery combined with new product offerings

4PRO - more than products and services

RHI Magnesita has continued to upgrade its customer offering with advanced products, automation and sustainability options being made available via tailored and digitalised solutions contracts. Re-branded under '4PRO', the new offering is gaining traction with customers seeking efficiency gains and quality improvements across all regions.

Green steel contract wins

The Group is continuing to win further new business with OEMs for refractory applications in green steel production. Such contracts represent material new project revenue and validation of the Group's strategy to position itself as the leading supplier of refractory linings and services for Direct Reduction, Open Bath, Electric Arc and Basic Oxygen furnaces, which are expected to be essential for the large-scale adoption of green steel production globally.

Customers respond positively to the continuous improvement of the offering as measured by net promoter scores and PIFOT ("Produced in full and on time") metrics, which increased to record highs in Q3.

Process optimisation

A restructuring and upgrade of the Group's shared service centre network is being implemented with the aim of delivering further service improvements for customers, broader career opportunities for employees and SG&A savings for the company. To achieve this, RHI Magnesita is transferring the majority of its global shared services operations to Capgemini, a global leader in process design, digital transformation and shared services operations. Capgemini's operations will support the Group in the implementation of the new ERP system which is scheduled to take place between mid 2025 and

mid 2027.

M&A update

No new M&A transactions were agreed or completed during Q3.

The Group's intended acquisition of Resco Group for an enterprise value of up to 430 million, remains subject to Second Phase Review by US merger control authorities. Completion of the transaction is now expected to occur in Q1 2025.

M&A transactions completed in 2023 are broadly on track to achieve the 2024 guidance of €80 million contribution to Group Adjusted EBITDA.

Financial position

Cash conversion remained strong at 96% in the year to date, as further modest working capital reductions were realized, mainly resulting from lower input costs. Working capital intensity increased to 26% ahead of the seasonal uplift in Q4 cement sales but is on track to reduce to the guided level of approximately 24% by the year end.

Net debt remained at a similar level to that reported at the 2024 Half Year results. Gearing measured as a ratio of net debt to Adjusted EBITDA is expected to be within the target range of 2.0-2.5x at the year end.

2024 outlook

Sales volume guidance for 2024 was previously for the base business to remain flat, with M&A increasing shipped volumes by up to 10%. Following weaker than expected demand, sales volumes are now expected to be around 5% higher in 2024 compared to the prior year, including the contribution from M&A and with a slight decline in the base business.

An increase in profitability and margins in Q4 is expected due to normal seasonality of the cement business, the timing of project deliveries in the Industrial segment and cost benefits from efficiency programmes.

Whilst 2024 revenues and profits have been severely impacted by continued weak customer demand, a strong focus on execution has enabled the preservation of EBITA margins slightly above guidance of 11.0% in the year to date.

Adjusted EBITA for 2024 is expected to be between €400 million and €410 million, taking into account year-to-date performance and no further customer delays in deliveries scheduled for Q4.

Supported by favourable foreign exchange movements, Adjusted EPS is expected to be in line with the current analyst consensus of €5.00 per share.

The Group remains well positioned for a recovery in customer production volumes whenever it may occur. Such a change has the potential for significant upside from operational gearing and recovered raw material margin contribution.

Stefan Borgas, Chief Executive Officer, said:

"RHI Magnesita has delivered another resilient performance in difficult market conditions in the midst of a global industrial recession, now in its third year. A strong step-up in earnings is required in the fourth quarter to achieve EBITA guidance. Such step-up was expected earlier but has repeatedly been delayed due to very weak customer demand. The normal seasonal upturn in cement and the timing of key industrial project deliveries however support a stronger Q4 compared to the first nine months of the year.

In India, mid-term demand outlook looks now a notch softer than expected six months ago. Outside of India, we are not seeing any catalyst for a near-term recovery in customer demand. The restructuring of heavy industry and the construction sector inside China will take time, meanwhile structural oversupply is likely to continue to impact global steel markets negatively.

RHI Magnesita's strategy to seek earnings growth through value-accretive M&A and improved operational performance does not rely on organic growth in our underlying markets. We see a broad addressable market and long lasting opportunity to continue our inorganic growth strategy, without adding new greenfield capacity to a global market which is already over-supplied, even in the few growth geographies."

Conference Call

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

Dial in	+44 20 3936 2999
Access code	646752
Webcast and playback facility	https://www.investis-live.com/rhimagnesita/6712513eb2cedb000e3a34c9/lwpfg

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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 over 20,000 employees in 67 main production sites (including raw material sites), 12 recycling facilities 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 is listed within the Equity Shares (Commercial Companies) category ("ESCC") of 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.rhimaginesita.com

About 4PRO: Advancing sustainability and innovation in refractory solutions

RHI Magnesita, the global leader in refractory products and solutions, proudly introduces "4PRO", a new refractory solutions contract model. The transformative business model is designed to lead high-temperature industries like steel, cement, glass, non-ferrous metals towards a sustainable and technologically advanced future through a more holistic and contemporary approach.

Reflecting RHI Magnesita's mission to master heat for enabling modern industries to build a sustainable world, 4PRO goes beyond traditional refractory offerings. With this new approach, the company delivers advanced, high-performance solutions while addressing critical sustainability needs through innovation and strategic partnerships.

The 4PRO model encompasses four key pillars that guide RHI Magnesita's commitment to excellence and responsibility:

- **Performance:** Pushing the boundaries of innovation and resilience by designing products and services that withstand extreme temperatures, enhancing operational efficiency and durability.
- **Partnership:** Strengthening collaborative relationships with clients and industry stakeholders to drive change, exchange knowledge, and redefine the future.
- **People:** Upholding a commitment to safety, continuous development, and corporate social responsibility, fostering an environment where our people can thrive.
- **Planet:** Actively pursuing a sustainable world through low-carbon initiatives and circular economy principles that reduce environmental impact and promote resource efficiency.

Under 4PRO, RHI Magnesita offers a comprehensive suite of sustainable, technology-driven products and services that are tailored to meet evolving industrial challenges. Each solution category - from Sustainable Products and Robotics to Systems, Sensors, and Digital Solutions - has been designed to deliver tangible performance benefits while contributing to sustainability and operational excellence. By integrating recycled materials, automation, real-time monitoring, and digital platforms, RHI Magnesita supports industries in optimizing high-temperature processes with greater efficiency and lower environmental impact. Further reinforcing its sustainability leadership, RHI Magnesita's Decarbonization and Green Steel Solutions are pivotal for customers working toward climate goals. Through innovations such as carbon capture pilots, low-carbon materials, and refractory solutions that support emission reductions, RHI Magnesita is setting the standard for a greener industrial future.

Read more here: <https://www.rhimaginesita.com/4PRO/>

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