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Press Releases

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KLÖCKNER&CO SE: COSTS SHARPLY REDUCED, GROSS PROFIT MARGIN IMPROVED, BUT EARNINGS IN THE FIRST THREE MONTHS LOWER YEAR-ON-YEAR DUE TO CYCLICAL WEAK DEMAND. SECOND-QUARTER EBITDA EXPECTED TO BE €35 MILLION TO €45 MILLION.

- Turnover down 11.4% to 1.6 million tons and sales down 16.5% to approximately €1.6 billion
- Gross profit of €303 million down 11.9% on the prior-year figure (€344 million) due to lower turnover and prices; gross profit margin improved from 17.7% to 18.6%
- EBITDA, at €29 million, down 35% on prior-year figure (€44 million) due to shortfall in gross profit, despite €26 million cost reduction
- Net income of €–16 million compared with €–12 million in the prior-year period
- Basic earnings per share €–0.16 compared with €–0.11 in the prior-year quarter
- Restructuring program largely completed following withdrawal from Eastern Europe
- European ABS-program extended early
- Q2 EBITDA expected to be €35 million to €45 million

Figures relate to first three months of 2013 relative to first three months of prior year.

Duisburg, May 8, 2013 – The first three months saw turnover decline by 11.4% due to very weak demand and portfolio streamlining in Europe as well as less working days in Europe and the US. Sales declined even more steeply by 16.5% due to lower price level. The resulting €41 million decrease in gross profit was partly offset by €26 million in cost savings. It was thus possible to limit the decline in operating income (EBITDA), which was down from €44 million in the prior-year period to €29 million.

Gisbert Rühl, Chairman of the Management Board of Klöckner & Co SE: “We are doing all we can to brace ourselves against the latest dip in the European market. By effecting major cost cuts, we halted the decrease in EBITDA at €29 million. We are pleased to see that our restructuring measures are thus working to full effect, which means that we are sustainably very well positioned.”

Turnover, sales and earnings well below prior year, restructuring measures showing visible impact Group turnover in the first three months of 2013, at 1.6 million tons, was 11.4% down on the prior-year period (1.9 million tons). Adjusted for the low-margin operations discontinued in the restructuring program, the decrease would have been 8.1%.

Turnover in the Europe segment was 15.8% down on Q1 2012 due to the ongoing difficult economic environment, the long winter, the effects of portfolio streamlining and comparably less working days. Excluding the portfolio streamlining effects, turnover went down by 10.1% against a market drop of 14%.

Turnover in the Americas segment declined by 4.8% year-on-year. The decline in turnover in the US, at 3.5%, was nevertheless smaller than that across the market as a whole, which contracted by 6.6% due to ongoing uncertainties caused by the fiscal and budget problems. Adjusted for the effect of less working days in Q1 2013, turnover in the US is approximately on prior year’s level.

Group sales in the first three months of 2013, at approximately €1.6 billion, were 16.5% down on the prior-year period. Mirroring the trend in turnover and sales, gross profit was down by 11.9% to €303 million and therefore also well below the prior-year figure of €344 million. The fall in gross profit was partly offset by cost cuts totaling €26 million, of which €10 million were attributable to lower turnover and €16 million to the restructuring program. In the first quarter, therefore, the Klöckner & Co 6.0 restructuring program already contributed additional €12 million to EBITDA versus prior year (€16 million through cost cuts less €4 million of gross profit forgone on discontinued low-margin business). The gross profit margin rose accordingly by almost one percentage point from 17.7% to 18.6%.

It was thus possible to limit the decline in EBITDA, which was down from €44 million in the prior-year period to €29 million, and reach the lower end of the forecast range of €30 million to €40 million.

The Group's net loss for the first quarter of the fiscal year was €16 million (Q1 2012: net loss of €12 million). Basic earnings per share was €–0.16 compared with €–0.11 in the prior-year quarter.

Very strong equity base maintained Total assets increased by 5.1%, largely due to a seasonal increase in receivables. The equity ratio consequently fell slightly from 39% to 37%. Net financial debt showed a seasonal increase relative to the year-end, going up by €60 million to €482 million. Gearing (net debt/equity) was stabilized at a low level of 35%. Cash resources remain very solid at €663 million. Also our financing position is very robust. End of April our European ABS-program with a volume of €360 million has been extended early on to May 2016.

Restructuring program largely completed In light of the further sharp decline in European steel demand and the uncertain outlook, Klöckner & Co on several occasions substantially expanded the restructuring program launched in September 2011. Besides cutting administration and sales overhead, the restructuring measures focus on closing unprofitable sites and discontinuing low margin business activities. Since its inception in September 2011, the program has already led to the closure, or in Eastern Europe the sale, of 50 locations and a reduction in the workforce by some 1,600. The measures still to be implemented in our French country organization will likewise be completed in the second quarter once the legal requirements are in place.

In total, Klöckner & Co expects that the restructuring measures will contribute an additional €60 million to EBITDA in the current fiscal year against prior year and another €40 million in 2014, of which €12 million were already attained in the first quarter of 2013. The workforce will be reduced in the course of the measures by over 1,800 or 16% and the number of branches reduced from 290 to approximately 230.

Outlook Klöckner & Co expects a slight upturn in demand in the second quarter compared with the prior quarter. However, this rise is based primarily on the seasonal improvement in weather conditions and less on a general recovery in underlying demand. The latter will remain largely absent due to increased economic worries in Europe in the spring as well as unresolved fiscal and budget problems in the US. Accordingly, the rise in operating income (EBITDA) will also be moderate, ranging between €35 million to €45 million. As in the previous quarter, the restructuring program, which is now almost fully implemented will make a significant contribution, thereby cushioning the impact of the decline in turnover and earnings due to macro economic conditions.

As Klöckner & Co currently sees no signs of what was originally a widely anticipated pick-up in steel demand in the second half of the year, the full-year guidance for EBITDA of €200 million in 2013 is looking increasingly unrealistic.

Gisbert Rühl: “Hopes of the widely expected economic recovery in the second half of the year are fading. In light of this, it is looking increasingly unrealistic that we will attain our €200 million EBITDA guidance. Even without a recovery, though, we are well-positioned to further boost profitability with self-help measures. Our strong balance sheet and solid financing, will give us the necessary leeway.”

About Klöckner & Co: Klöckner & Co is the largest producer-independent distributor of steel and metal products and one of the leading steel service center companies in the European and American markets combined. The core business of Klöckner & Co is the warehousing and distribution of steel and non-ferrous metals as well as the operation of steel service centers. Based on the Group's distribution and service network, more than 160,000 customers are supplied through around 240 locations in 17 countries. Currently Klöckner & Co employs around 10,000 employees. The Group had sales of around €7.4 billion in fiscal 2012.

The shares of Klöckner & Co SE are admitted to trading on the regulated market segment (Regulierter Markt) of the Frankfurt Stock Exchange (Frankfurter Wertpapierbörse) with further post-admission obligations (Prime Standard).
Klöckner & Co shares are listed in the MDAX®-Index of Deutsche Börse.

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