METINVEST

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Metinvest announces financial results for 2019

Metinvest B.V., the parent company of a vertically integrated group of steel and mining companies (jointly referred to as "Metinvest" or "the Group"), has released its audited IFRS consolidated financial statements for the 12 months ended 31 December 2019

Summary - production results	FY2019	FY2018	Change, y-o-y	
			kt	%
Crude steel	**7,578**	**7,323**	**255**	**3%**
Azovstal	4,016	4,082	-66	-2%
Ilyich Steel	3,562	3,241	321	10%
Iron ore concentrate	**29,028**	**27,353**	**1,675**	**6%**
Northern GOK	12,245	10,660	1,585	15%
Ingulets GOK	12,344	12,278	66	1%
Central GOK	4,439	4,415	24	1%
Coking coal concentrate	**2,961**	**2,683**	**278**	**10%**
United Coal	2,961	2,683	278	10%

Summary - financial results	FY2019	FY2018	Change, y-o-y	
			US$ mn	%
Income statement highlights				
Revenues	10,757	11,880	-1,123	-9%
Adjusted EBITDA	1,213	2,513	-1,300	-52%
Margin	11%	21%		-10 pp
Net profit	341	1,188	-847	-71%
Margin	3%	10%		-7 pp
Cash flow highlights				
Net cash from operations	814	1,103	-289	-26%
Net cash used in investing activities	-943	-430	-513	>100%
Net cash used in financing activities	123	-643	766	-
CAPEX	1,055	898	157	17%

Summary - financial results	31.12.2019	31.12.2018	Change, YTD	
			US$ mn	%
Total debt	3,032	2,743	289	11%
Cash and cash equivalents	274	280	-6	-2%
Net debt	2,758	2,463	295	12%
Net debt/EBITDA	2,3x	1,0x		1,3x

Operational highlights

- Completed major CAPEX projects, including Azovstal's major overhaul of blast furnace (BF) no. 3 with the simultaneous installation of the pulverised coal injection (PCI) unit, as well as Ilyich Steel's reconstruction of the hot strip mill (HSM) 1700.
- Acquired stakes in two Ukrainian metallurgical coke producers, including a 23.71% stake in Southern Coke and a 49.37% interest in Dnipro Coke.

ESG highlights

- As of 2019, Metinvest received an MSCI ESG Rating of 'B' *. MSCI ESG Research provides MSCI ESG Ratings on global public and a few private companies on a scale ranging from 'AAA' ("leader") to 'CCC' ("laggard"), according to exposure to industry-specific ESG risks and the ability to manage those risks relative to peers.

- Set a new record for the Group during the period in terms of environmental CAPEX investments, which exceeded US$155 mn.

Debt management highlights

- In September, Fitch and S&P upgraded Metinvest's credit ratings to 'BB-' and 'B', respectively, both with a 'stable' outlook. Currently, Fitch's rating is two notches above Ukraine's sovereign level and S&P's is in line with it. In November, Moody's charged its outlook on Metinvest's corporate family rating to 'positive', affirming its 'B3' rating, which is capped by Ukraine's long-term foreign currency bond ceiling.

- Completed a successful debut dual-currency eurobond offering, issuing a US$500 mn 10-year tranche at 7.75% per annum and a EUR300 mn long 5-year tranche at 5.625% per annum. This effectively extended the maturity of US$440 mn of eurobonds due in 2023 by 6.5 years and reduced refinancing risks. The net proceeds from the deal amounted to some US$350 mn.

- Repaid ahead of schedule US$75 mn of its pre-export finance (PXF) facility, following which the remainder due under the facility is US$406 mn.

- Fully settled the remaining balance for the acquisition of the 24.77% stake in the Pokrovske coal business.

- Secured a nine-year buyer credit facility of EUR34.4 mn for the HSM 1700 reconstruction at Ilyich Steel. The facility is covered by an Austrian export credit agency (ECA) guarantee issued by Oesterreichische Kontrollbank Aktiengesellschaft (OeKB), while ODDO BHF Aktiengesellschaft acted as the sole lender.

- Attracted, after the reporting period, a buyer credit facility of EUR24.4 mn for up to 11 years for the construction of an air separation unit and vaporisation station at Ilyich Steel. The facility is covered by a French ECA guarantee issued by Bpifrance Assurance Export, while Raiffeisen Bank International acted as the sole lender.

Commenting on the results, **Yuriy Ryzhenkov, Chief Executive Officer of Metinvest**, said:

"Steel markets saw the rapid advance of adverse developments during the second half of the year. As a result, the steel pricing environment in the fourth quarter of 2019 was the weakest since 2016, which, coupled with high raw material costs, hit global steelmakers in general, and Metinvest in particular. Nonetheless, the Group was prepared and had all necessary measures in place to face the challenges posed by the business cycle. This was made possible due to our vertically integrated business model, highly experienced team and the unwavering support of our stakeholders.

In terms of operational performance, we delivered respectable results for the year. Steel production increased by 3% and the share of steel products in the metal mix reached 86%, up 5 percentage points year-on-year. Iron ore concentrate production rose by 6% year-on-year and coking coal output climbed by 10%. However, the steel market downturn in the fourth quarter significantly affected the Group's steel output volumes, metal and iron ore product mix, as well as financial performance. Not least, the Ukrainian currency saw an unprecedented 12% appreciation against the US dollar in the second half of the year, increasing our production costs and reducing our export competitiveness. Consequently, revenues declined by 9% year-on-year to US$10,757 million and EBITDA by 52% year-on-year to US$1,213 million. All of our EBITDA in 2019 was provided by the Mining segment, which balanced the negative results of the steelmakers.

In response to the sharp decline in profitability, we have launched a cost-optimisation programme across the Group and enhanced our already strong focus on operational improvements. Consequently, we were able to more than double the effect of operational efficiency improvements from 2018 to US$63 million in 2019. We intend to improve these results in the coming years, as it is critical to our long-term ability to compete on a cost basis with leading global steelmakers.

We continued to invest in the future of the business and implement the Technological Strategy 2030. In 2019, we fulfilled our investment programme for the year, completing several major projects with an immediate positive impact on our output volumes, product portfolio, production costs and the environment. Total capital expenditures reached a five-year high of US$1,055 million. Amid the uncertain outlook for 2020, we intend to prioritise the completion of ongoing projects, environmental investments and crucial maintenance, while continuing design development of projects in the pipeline to be ready to launch them as soon as markets improve.

Last year, we also carried out the successful extension of the maturity of our eurobonds, ensuring a sustainable longer-term capital structure. We secured US$350 million of net proceeds from this offering, which together with a working capital release of US$163 million, provided us with financing options during the market downturn. We continue to review all options to further extend debt maturities.

Last but not least, the year 2019 saw Metinvest make important progress on its strategic priority of enhancing the sustainability of its operations. Moving closer to our zero-injury target, we undertook initiatives across our enterprises that resulted in major reductions in lost-time incidents, achieving the lowest rates in five years. Our environmental CAPEX this year hit a record high, exceeding US$155 million.

I believe the negative market developments during the second half of 2019 only proved our strength as a team, and we were able to act resolutely to keep our strategic priorities on track. I would like to thank our shareholders, lenders, investors, employees, partners and communities for their support. By strengthening the ties between us, we can overcome the challenges before us.”

https://metinvestholding.com/en/media/news/metinvest-announces-financial-results-for-2019