



# INVESTORS PRESENTATION

December 2019



This Presentation may contain forward-looking statements concerning management's current expectations for future operating and financial performance, based on assumptions currently believed to be valid and recent acquisitions, its financial and business impact, management's beliefs and objectives with respect thereto. Forward-looking statements are all statements other than statements of historical facts. The words "anticipates", "may", "can", "plans", "believes", "estimates", "expects", "projects", "intends", "likely", "will", "should", "to be", and any similar expressions or other words of similar meaning are intended to identify those assertions as forward-looking statements. It is uncertain whether the events anticipated will transpire, or if they do occur what impact they will have on the results of operations and financial condition of Aceros Arequipa whether individually or as a consolidated Company. Aceros Arequipa and its subsidiaries do not undertake any obligation to update the forward-looking statements included in this Presentation to reflect subsequent events or circumstances.

**1** **Peru** Indicators

**2** **Company** Overview

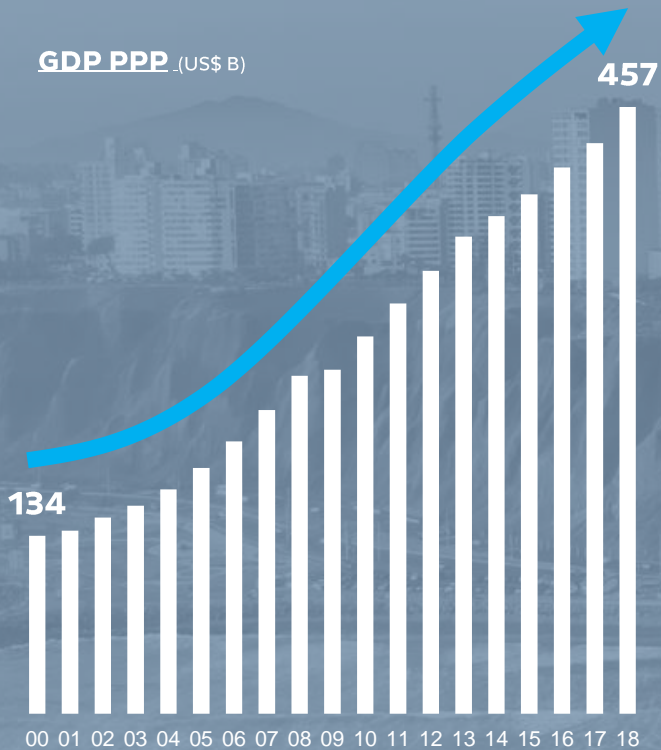
**3** **Market & Business** Overview

**4** **Financial** Highlights

**5** **Corporate**  
Governance

# PERU, AN ECONOMY FILLED WITH OPPORTUNITIES

## CONSISTENT **GROWTH** FOR OVER TWO DECADES



	CAGR '00-'18
<b>PERU</b>	<b>7.0%</b>
BOLIVIA	6.4%
COLOMBIA	5.9%
CHILE	5.8%
ECUADOR	5.6%
BRAZIL	4.3%

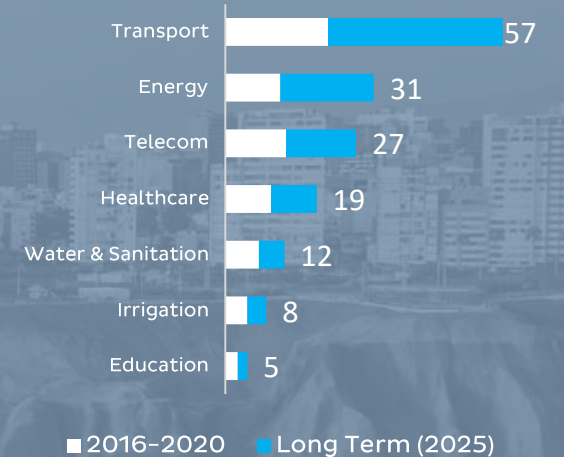
SOURCE: IMF  
PPP: Purchasing Power Parity

## MACROECONOMIC **STABILITY**

CREDIT RATING	S&P	FITCH	MOODY'S
CHILE	A+ STABLE	A+ STABLE	Aa3 NEGATIVE
<b>PERU</b>	<b>BBB+ STABLE</b>	<b>BBB+ STABLE</b>	<b>A3 STABLE</b>
MEXICO	BBB+ NEGATIVE	BBB+ STABLE	A3 STABLE
COLOMBIA	BBB NEGATIVE	BBB STABLE	Baa2 STABLE
URUGUAY	BBB STABLE	BBB- STABLE	Baa2 STABLE
BRAZIL	BB- STABLE	BB NEGATIVE	Ba2 NEGATIVE

## LONG-TERM **UPSIDE**

### INFRASTRUCTURE GAP (US\$ 160 B)



SOURCE: ASSOCIATION FOR THE PROMOTION OF NATIONAL INFRASTRUCTURE (AFIN)

### Upcoming major projects

- Hydroelectric power plants (US\$6.4B)
- Lima Metro Line #2 (US\$5.3B)
- Southern Gas Pipeline (US\$4.6B)
- Peripheral Ring Road (US\$2.0B)
- Airport expansion (US\$1.5B)

SOURCE: APOYO

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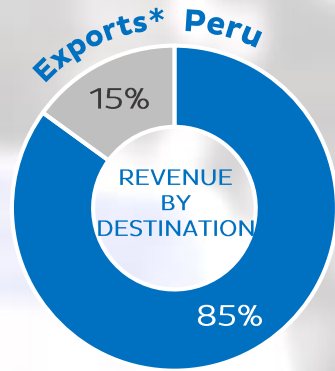
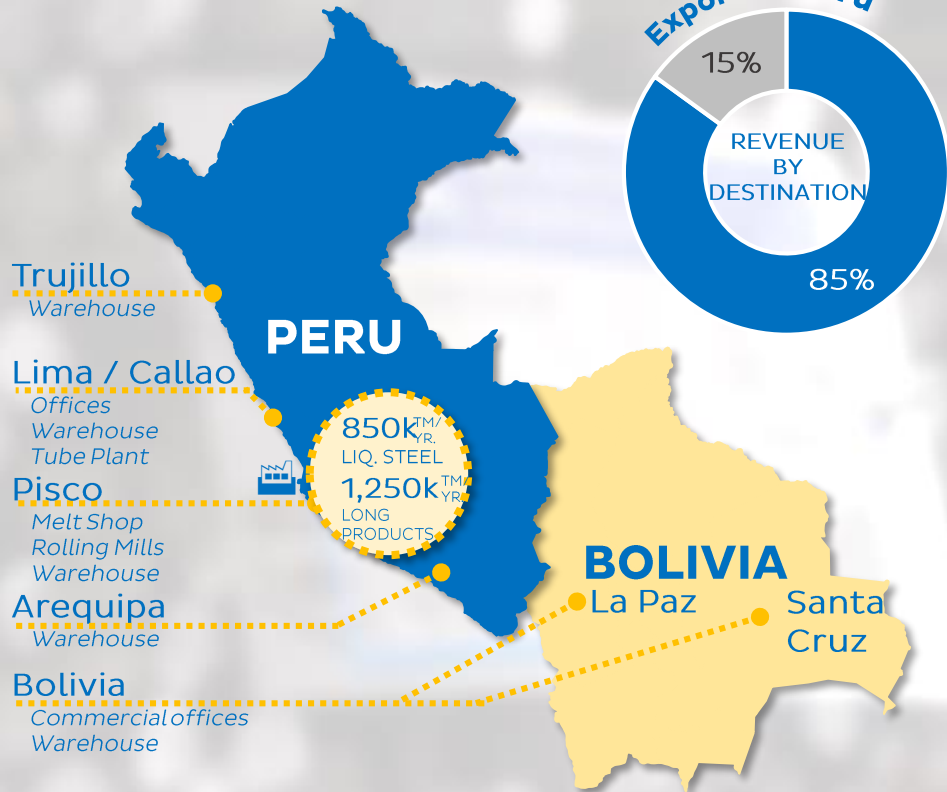
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#1 player in the Peruvian steel market with a growing regional footprint...



\*Exports: mainly to Bolivia, USA, Colombia, Brazil, Chile, Panama and Argentina.

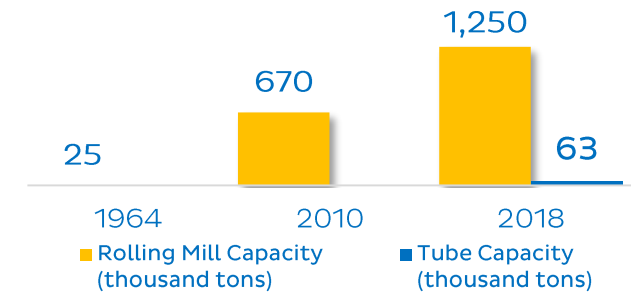
...serving all market segments with a **broad product portfolio**

PRODUCED ----- IMPORTED



A story defined by growth through **timely investments**

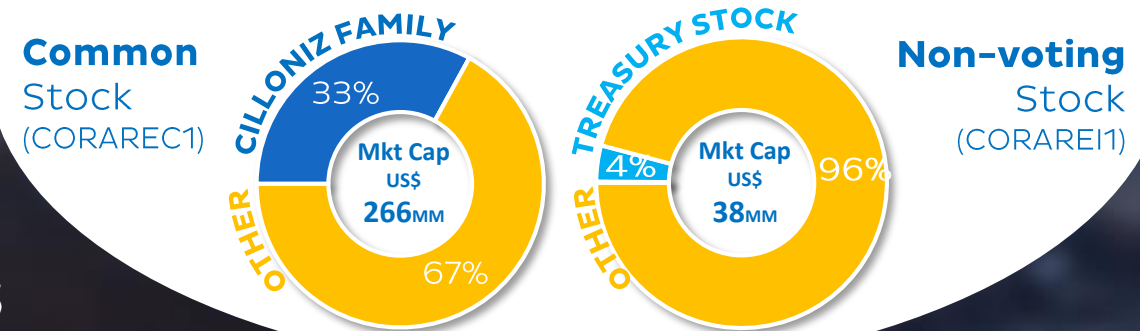
- 2013:** New Rebar Rolling Mill in Pisco
- 2016:** Production consolidation in Pisco
- 2018:** Acquisition of Comasa and its Tube capacity; **New Tube plant in Callao**
- 2020:** New Melt-Shop



\*\*Includes angles, flats, rounds, squares and steel channels. Some merchant bars are imported.  
 \*\*\*The Company began its Tube production in November 2018. Some Tube varieties are still imported.

## Trading on the Lima Stock Exchange with two different stocks

**Total Market Cap** US\$ 304 million



## SUBSIDIARIES / AFFILIATES

<b>99.99%</b>	<b>99.00%</b>	<b>99.92%</b>	<b>99.90%</b>	<b>99.99%</b>	<b>33.65%</b>	<b>33.65%</b>	<b>10.00%</b>
COMERCIAL DEL ACERO	ACEROS DEL ALTIPLANO	RANSPORTES BARCINO S.A.	TSC innovation.	ACERO INSTALADO	INMOBILIARIA COMERCIAL DEL ACERO ARGENTINA S.A.	INMOBILIARIA COMERCIAL DEL ACERO CAJAMARQUILLA S.A.	celepsa
Steel products trader Steel services supplier	Bolivian Scrap Supplier and strategic comercial arm of The Company	Local and regional cargo transportation	Value-added design and engineering services for the construction industry	Value-added on-site installation services for the construction industry	Real Estate Company	Real Estate Company	02 Hydroelectric power plants
Revenue 2018: S/ 484 MM	Revenue 2018: S/ 65 MM	Revenue 2018: S/ 25 MM			21,279 m2 Note: Pre-Acquisition Real Estate spin-off of Comercial del Acero	24,865 m2 Note: Pre-Acquisition Real Estate spin-off of Comercial del Acero	1. El Platanal 220MW 2. Marañón 18.4MW

Not included as part of the consolidated financial statements.

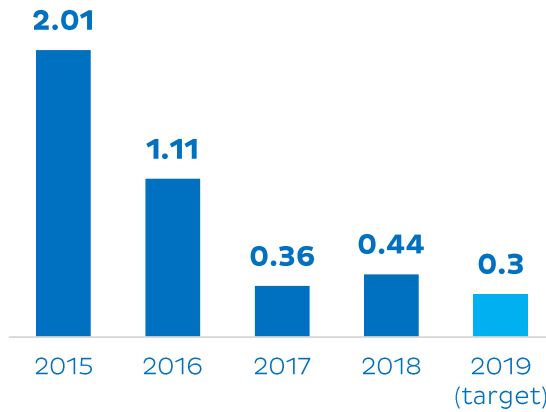
# Safety is our priority



**OHSAS 18001**  
certified since 2010

Our goal is to have **zero accidents** in our operations

**Accident rate**  
(frequency index x severity index)



# Strong focus on Quality Management



**ISO 9001**  
certified since 1997



We have an integrated management system



Our products have Peruvian, Brazilian and Bolivian quality certificates



**INACAL**  
Instituto Nacional de Calidad

Peru



Brasil



Colombia



Our metallurgical testing laboratory received an ISO/IEC 17025 accreditation, allowing us to issue quality certificates in a timely manner

# Reduced environmental impact



**ISO 14001**  
certified since 2010

We are continuously investing in new technologies to **reduce our environmental impact**



One example is the AA **“eco-block”**. Using melt-shop slag, we are producing blocks that can be used for the construction of walls and roads

# Socially responsible



**Socially Responsible Company Award**  
(2018 / 2019)



In 2018 and 2019, we received the “Socially Responsible Company” award, recognizing our management’s commitment with social, environmental and economic sustainability



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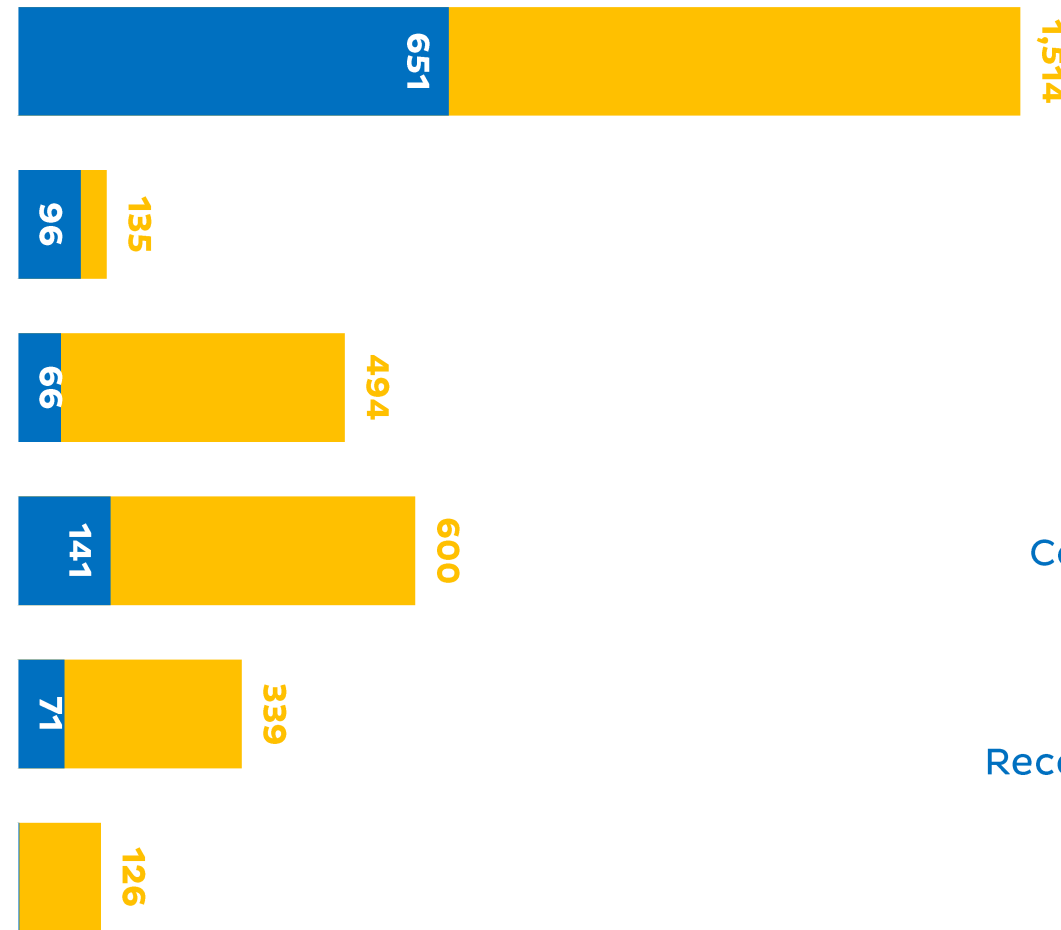
# Leading Peruvian Steel Company with strong Upside Potential

Sustained **Leadership** in all core lines....



**Total 2018 Peruvian Steel Market** 3,208k tons

**AA Local Volume** 1,244k tons



...with **growth potential** in **total market**

**Value-added services** enrich and differentiate our value proposition of Rebar & Wirerod

New Melt-Shop (2020) will allow us to produce **Round Bars used for Grinding Mining Balls** at competitive costs and to provide **new product presentations**

Comasa's recent acquisition (2018) will generate **market synergies** to boost **growth in sheets & coils and tubes**

Recent investment in a **Tube plant** (2018) will allow us to consolidate our leadership

SOURCE: Company estimates based on imports, production and other public information. AA Local Volume considers FY 2018 figures of Comasa.

**SELF-CONSTRUCTION**

Homebuilding & domestic metalwork



**CONSTRUCTION COMPANIES**

Whole-range building



**INDUSTRY**

Industrial products & equipment



**MINING**

Consumables for crushing and mine support



✓ **Better reach to Self-Construction** through nationwide distribution capabilities and partnerships with small retailers

✓ **Value-added services** to provide efficiencies and minimize costs for construction companies

✓ **Comasa acquisition**  
i) Increased our market presence in the industrial segment  
ii) Complemented our portfolio and services with a steel center and tube plant

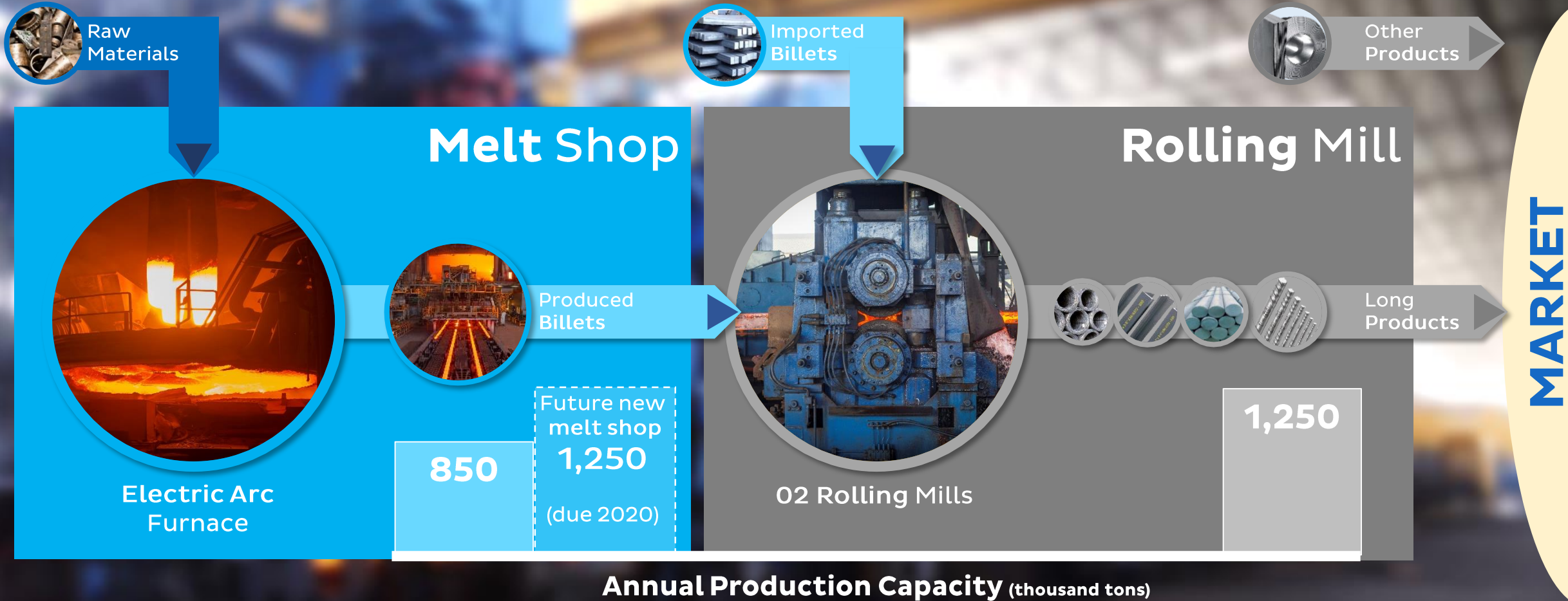
✓ **New melt-shop (2020) Opens a new market:** Round balls for grinding mining balls

**TSC**innovation.  
Design and BIM services for construction companies and industrial clients

**ACEDIM**  
Cut & bend steel products for construction

**ACERO INSTALADO**  
On-site Rebar & Wirerod Installation service





**State-of-the-art** equipment makes ours one of the most efficient plants in the region



**Track Record of strategic investments**



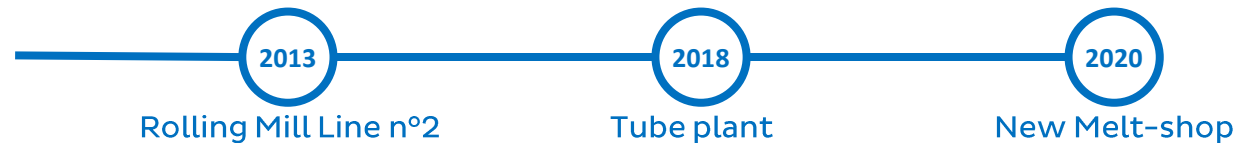
**Largest long-steel products producer** in Peru



**Product availability** vs importers



**Competitive energy costs**



# RAW MATERIALS FLEXIBILITY



## Further initiatives & developments

**New Melt-Shop** will require less shredded scrap and be able to use more HMS



Investment in regional **scrapyards**



**Self-supply of raw minerals** through iron mining claims



Investment in **Pig Iron production** capacity



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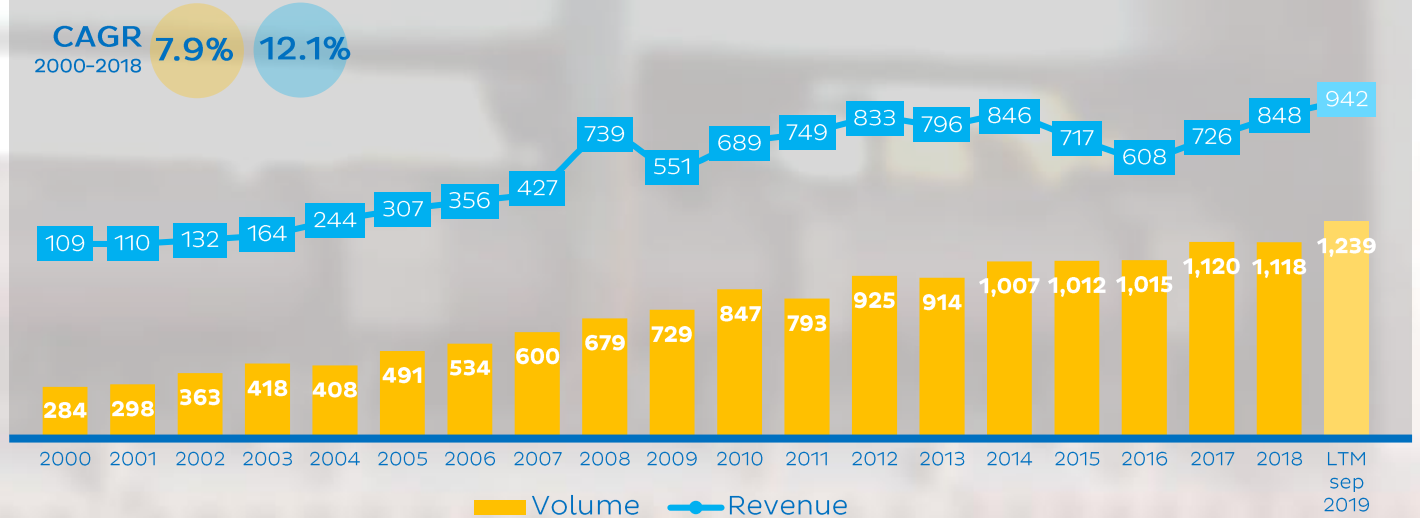
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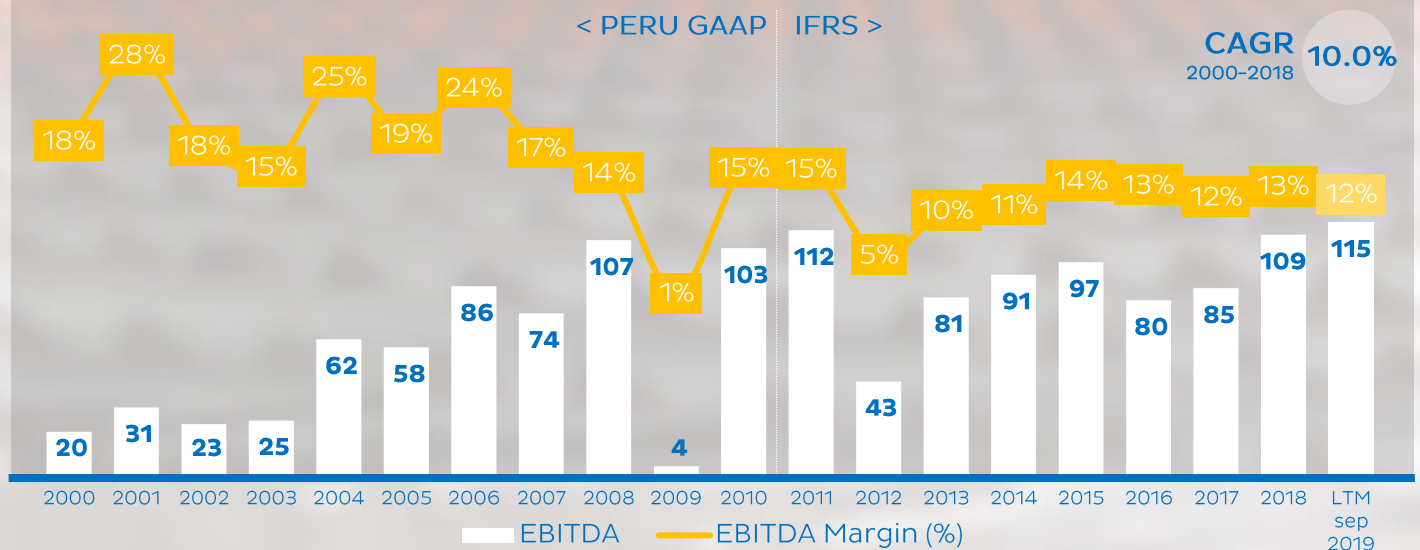
A track record of **growth and value generation...**

...supports our **target of 80% EBITDA increase for the next 4 years...**

## Volume (thousand tons) & Revenue (US\$ million)



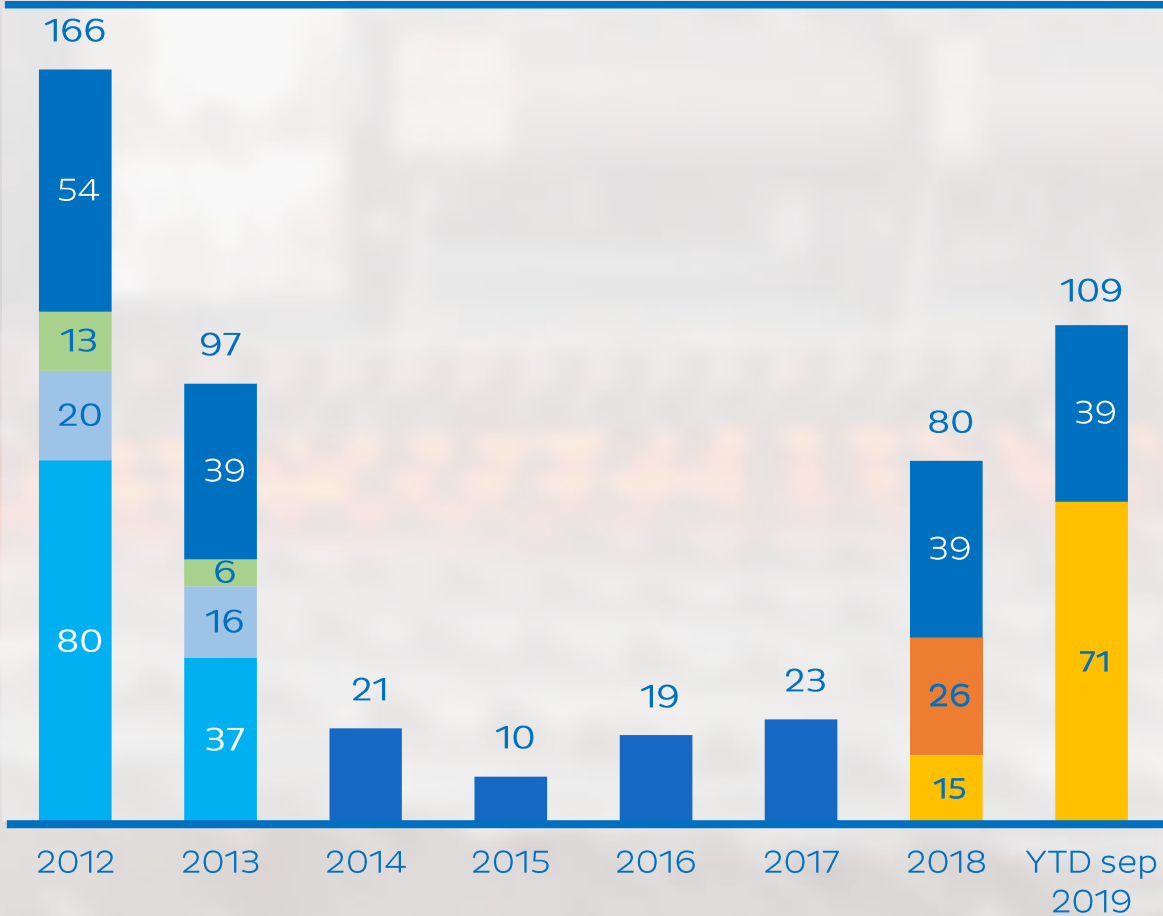
## EBITDA (US\$ million) & EBITDA margin (%)



\*Starting 2011, the Company reports under IFRS, previously it reported under Peru GAAP

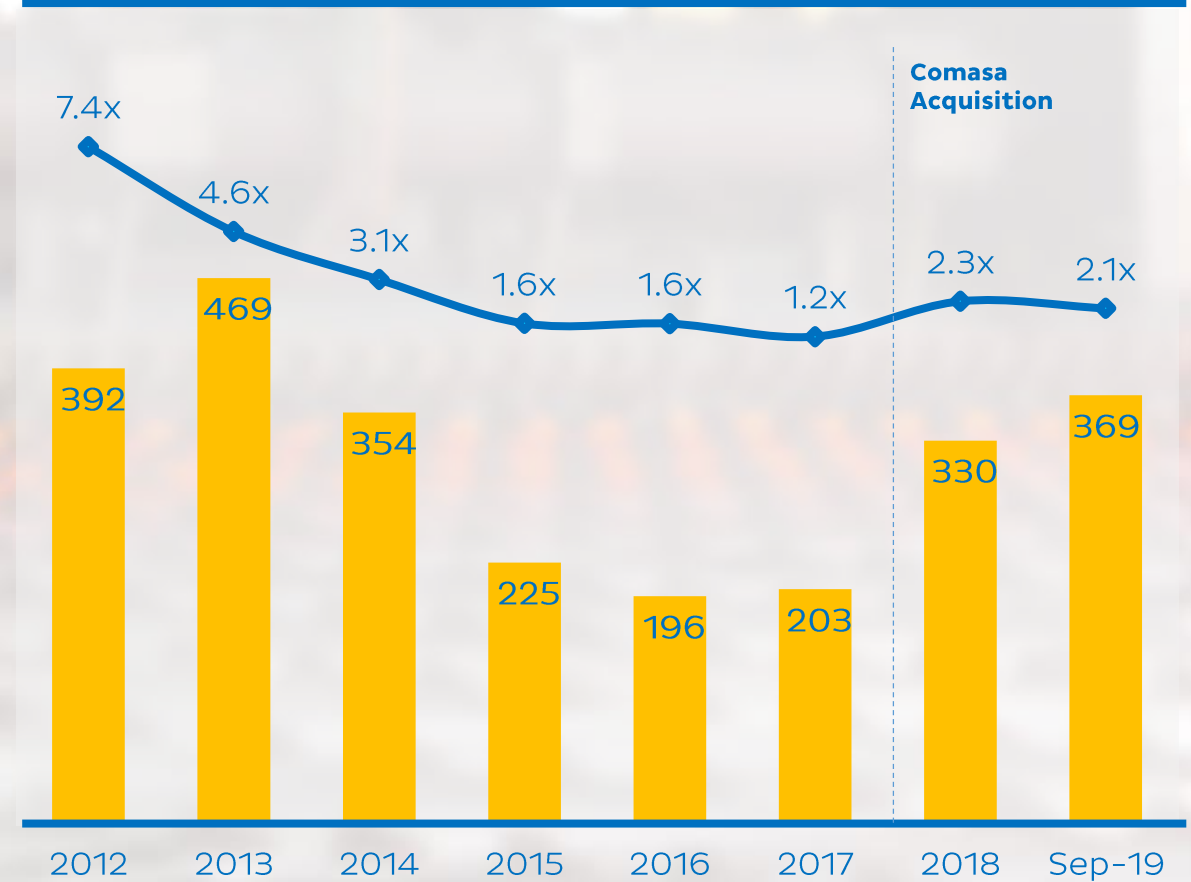
# ...while continuing to implement a roadmap of timely investments...

**CAPEX** (US\$ million)



- Rolling mill - Line N°2
- Warehouses (Pisco)
- SAP - ERP
- New Melt-Shop

**Total Debt** (US\$ million) & **Net debt / EBITDA** (US\$ million)



- Total Debt
- ◆ Net debt / EBITDA



# Growth strategy for the next ten years

2018



Tube Plant



Tecnología y Soluciones Constructivas (TSC)



COMASA



Corporación Aceros Arequipa  
Projects

2019



Rolling Mill Line 1  
modernization  
(Merch. Bars + Round  
Bars)



Distribution Center  
Bolivia Santa Cruz /  
La Paz



International  
Scrapyards



Subsidiaries

2020-22



New Melt-Shop



Distribution  
Center in  
Lurin, Lima

2023-28



Mini Blast  
Furnace –  
Pig Iron  
capacity



Rolling Mill  
Line 3

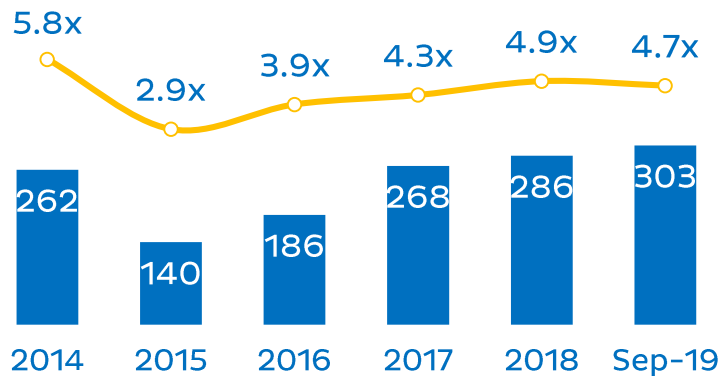


continued to trade at attractive multiples as of June 2019

**Dividend payout policy of 40% of annual net profit**

Amount is fully paid after two advance payments of 10% and 24% during the period

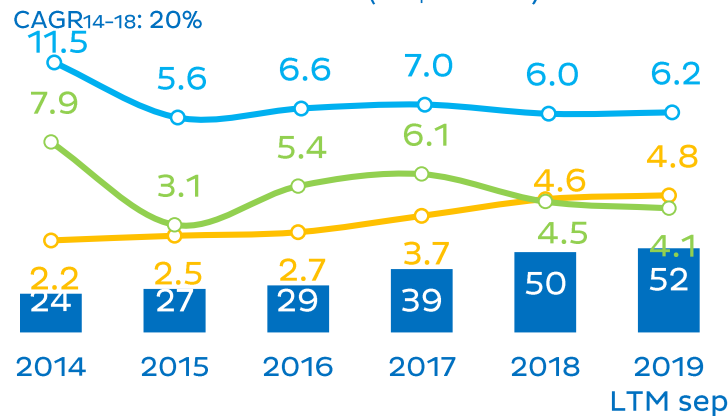
## Market Valuation (US\$ million)



Market Cap EV/EBITDA

Note: Market Cap does not consider Treasury stock

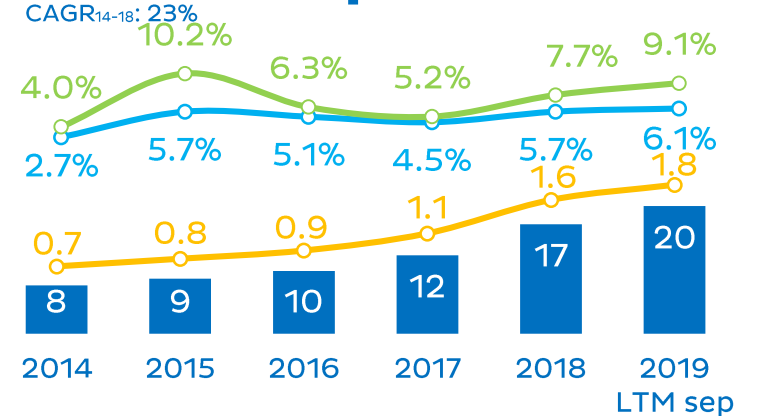
## Net Profit (US\$ million)



Net Profit EPS (US\$ cents) P/E Common Shares P/E Non-voting Shares

Note: Net Profit of 2018 not considering badwill

## Dividends paid (US\$ million)



Dividends Paid Dividends / share (US\$ cents) Div. Yield (Non-voting shares) Div. Yield (Common shares)

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# Corporate Governance



**Ricardo Cillóniz C.**

CHAIRMAN

MBA - Michigan State University



**Tulio Silgado**

CEO

Kellogg School of Management



**Ricardo Guzmán**

CFO, IRO

MBA - University of Chicago Booth School of Business

## Board Members

\*Independent

Ricardo **Cillóniz C.** (P)  
Fernando **Carbajal\*** (VP)  
José Antonio **Baertl**  
Pedro **Blay**  
Ricardo **Bustamante**  
Renee **Cillóniz**

Giselle **Ferrand\***  
Manuel **Montori\***  
Enrique **Olazabal\***  
Pablo **Peschiera**  
Diego **Urquiaga\***  
Andreas **Von Wedemeyer**

## Management Team



**Ricardo Guzmán**  
CFO, IRO

**Humberto Barragán**  
Internal Audit

**Marcelo Zevallos**  
Human Resources

**Fernando Bustamante**  
Strategy & Risks

**Ricardo Cillóniz R.**  
Projects & Mining

**Augusto Cornejo**  
Production

**Francisco Alayza**  
Legal

**Diego Arróspide**  
Strategic Sourcing

**Rafael Cáceres**  
Sistemas

**Tulio Silgado**  
CEO

**Ricardo Cillóniz C.**  
Executive President

**Mariana Talavera**  
Supply Chain

**Gonzalo Arróspide**  
Commercial

# Corporate Governance



Fair treatment

Dividend Policy  **40%** of Net Profit After advancements of 10% & 24%



Shareholder Meeting Regulations



Corporate Information Policy





3 Special Comitees

ETHICS	AUDIT & RISK MANAGEMENT	HUMAN RESOURCES
--------	-------------------------	-----------------



Risk Management Policy

Big 4 Audit Firms Can be appointed **5 years**

12 members  **17%** Women  **44%** Independent

# ¿Why Aceros Arequipa?

**1** Market leader in Peru, with local & regional upside



**Market Growth**  
infrastructure gap in Peru is still high



**Market Share Gain**

- New products
- Synergies of recent & potential acquisitions
- Value-added services

**2** Efficient Operational Model



**Nationwide distribution**  
with increasing reach to other countries



**State of the art-equipment**

- Tube plant (2018)
- Rolling mill (2013)



**#1 Scrap buyer in Peru**, an atomized market with low volatility



**Further investments**

- Melt-Shop
- Scrapyards
- Pig Iron Capacity

**3** Track record of growth and value creation



**Sustained growth**  
CAGR '00-'18  
Revenue: 12%  
EBITDA: 10%



**Attractive valuation metrics**

**4** Solid professional team in an efficient structure



**Focus on people** counting with a qualified team of professionals

## Our mid-term goals (2022)

# +80% EBITDA

# x2 Enterprise Value



**INVESTORS  
PRESENTATION**

December 2019