



# 2Q2019

EARNINGS  
PRESENTATION

This Earnings 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 Earnings Presentation to reflect subsequent events or circumstances.

This information corresponds to consolidated financial statements.



1

2Q 2019 Relevant Events

2

2Q 2019 and YTD Results Snapshot

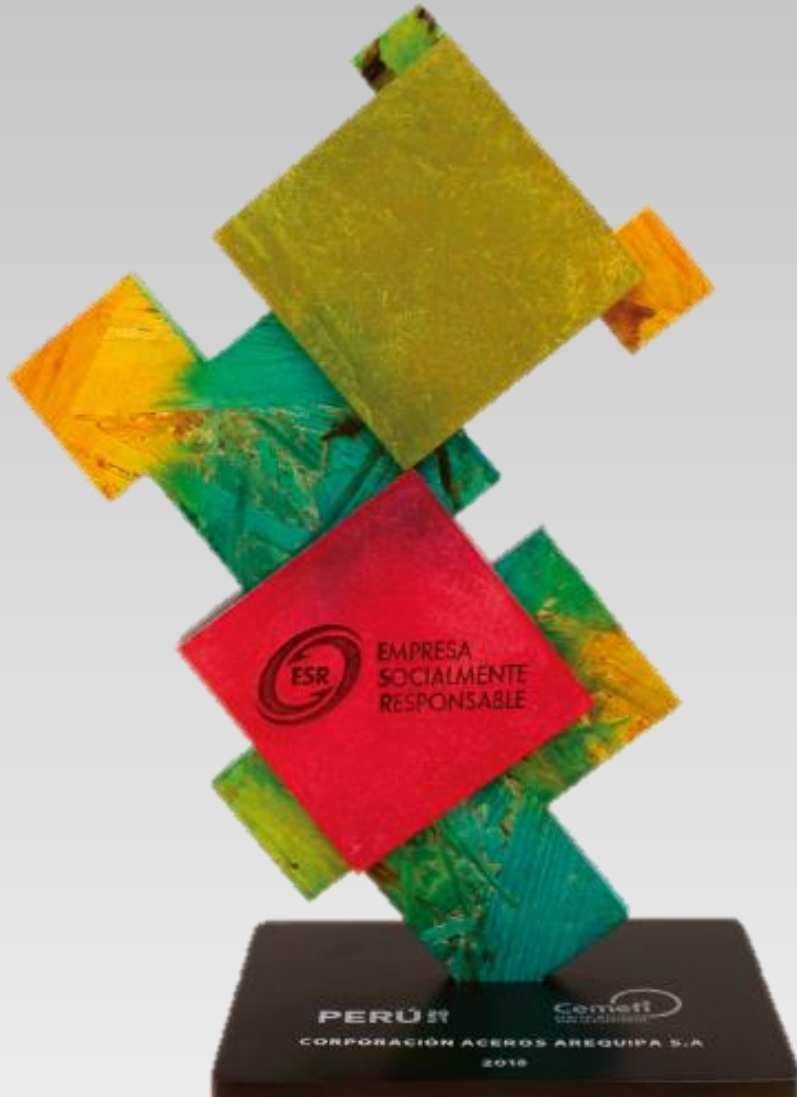
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Operational and Financial Results

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FY 2019 Guidance





## **New Melt Shop Project**

During the quarter the Company invested USD 23 million as part of its upcoming new melt shop. The construction of the facility, which will reach over 1.25 million tons of liquid steel capacity

## **Comasa Integration Process**

Following the acquisition of Comercial de Acero S.A. (Sep, 2018), Aceros Arequipa has completed a system-wise integration of Comasa's logistics and operations

## **Social Responsibility Recognition**

In May, the Company was granted the “Socially Responsible Company” (ESR) distinctive for a second consecutive year, recognizing our management's commitment with social, environmental and economic sustainability during 2018

## **International Quality Award**

In June, the Company achieved the silver award in the “International Quality Competition 2019” organized by the Pontifical Catholic University of Peru (PUCP) and The American Society of Quality (ASQ)



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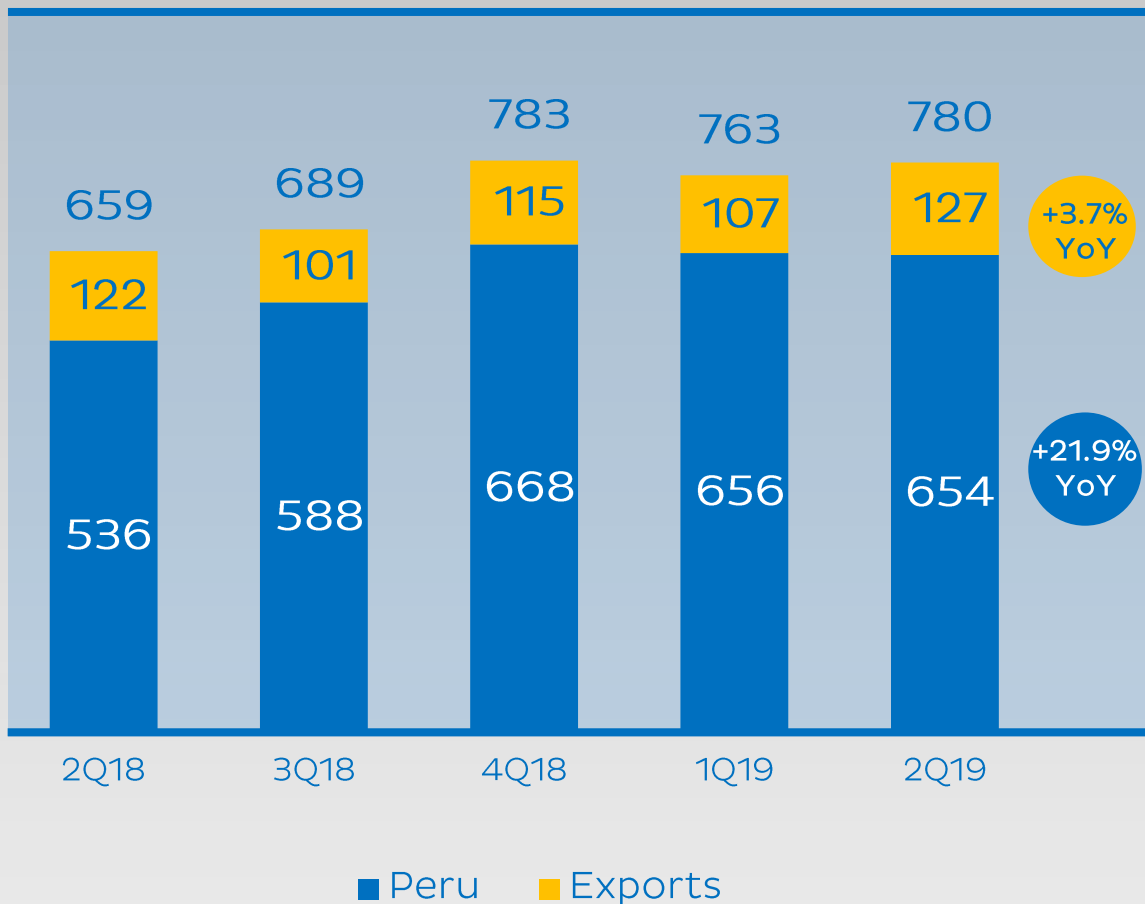
Revenue	<p><u>2Q 2019</u> <b>780.4</b></p> <p>▲ +121.8 YoY (+18.5%)</p>	EBITDA	<p><u>2Q 2019</u> <b>88.3</b></p> <p>Margin: <b>11.3%</b></p> <p>▲ +5.6 YoY (+6.8%)</p>
Gross Profit	<p><u>2Q 2019</u> <b>113.4</b></p> <p>Margin: <b>14.5%</b></p> <p>▲ +10.5 YoY (+10.2%)</p>	Capex	<p><u>2Q 2019</u> <b>182.8</b></p> <p>▲ +123.7 YoY (+209.4%)</p>
Operating Profit	<p><u>2Q 2019</u> <b>59.7</b></p> <p>Margin: <b>7.6%</b></p> <p>▲ +4.0 YoY (+7.2%)</p>	Net Debt	<p><u>as of June '19</u> <b>825.7</b></p> <p>x EBITDA: <b>2.30x</b></p> <p>▼ -15.0 YTD (-1.8%)</p>
Net Profit	<p><u>2Q 2019</u> <b>38.8</b></p> <p>Margin: <b>5.0%</b></p> <p>▲ +2.7 YoY (+7.6%)</p>		



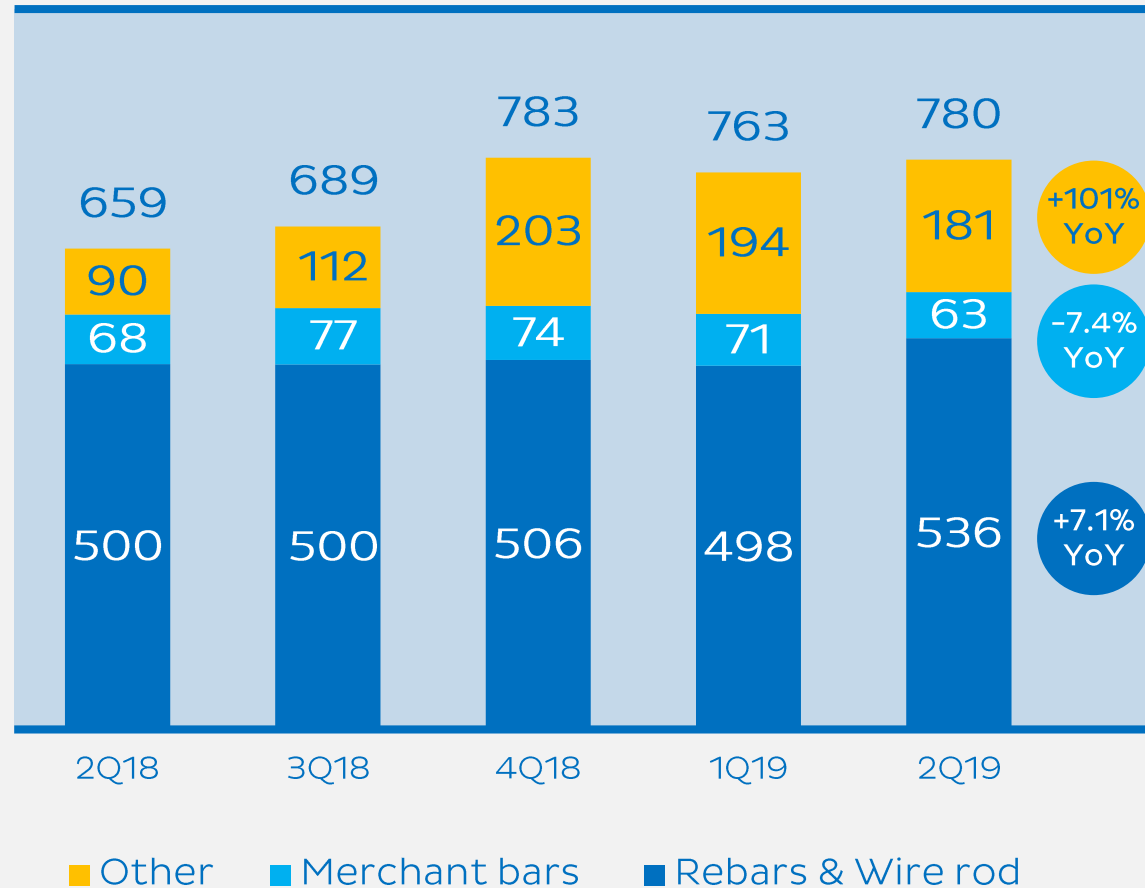
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Revenue was S/ 122 million higher (+19%) YoY, driven by local sales (+21.9% YoY), boosted by the takeover of Comasa

### Revenue (S/ million) by Destination



### Revenue (S/ million) by Product Category

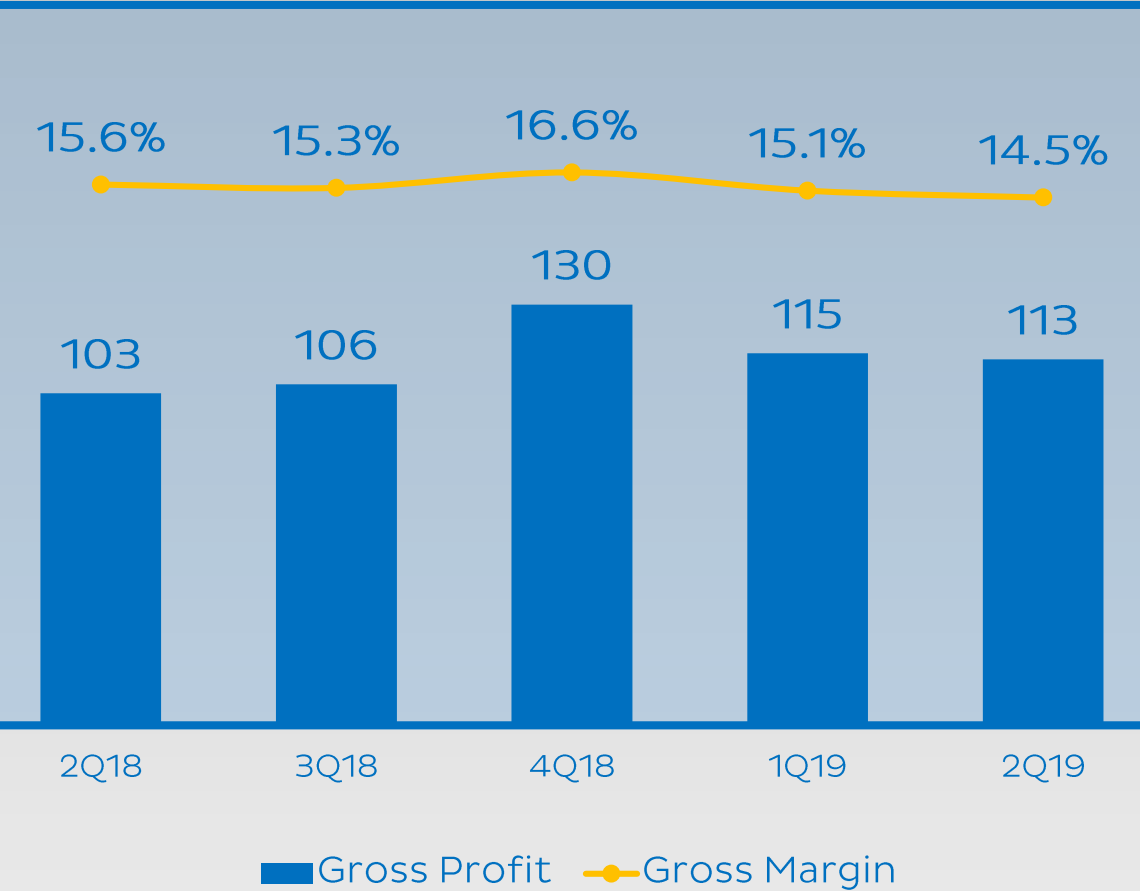




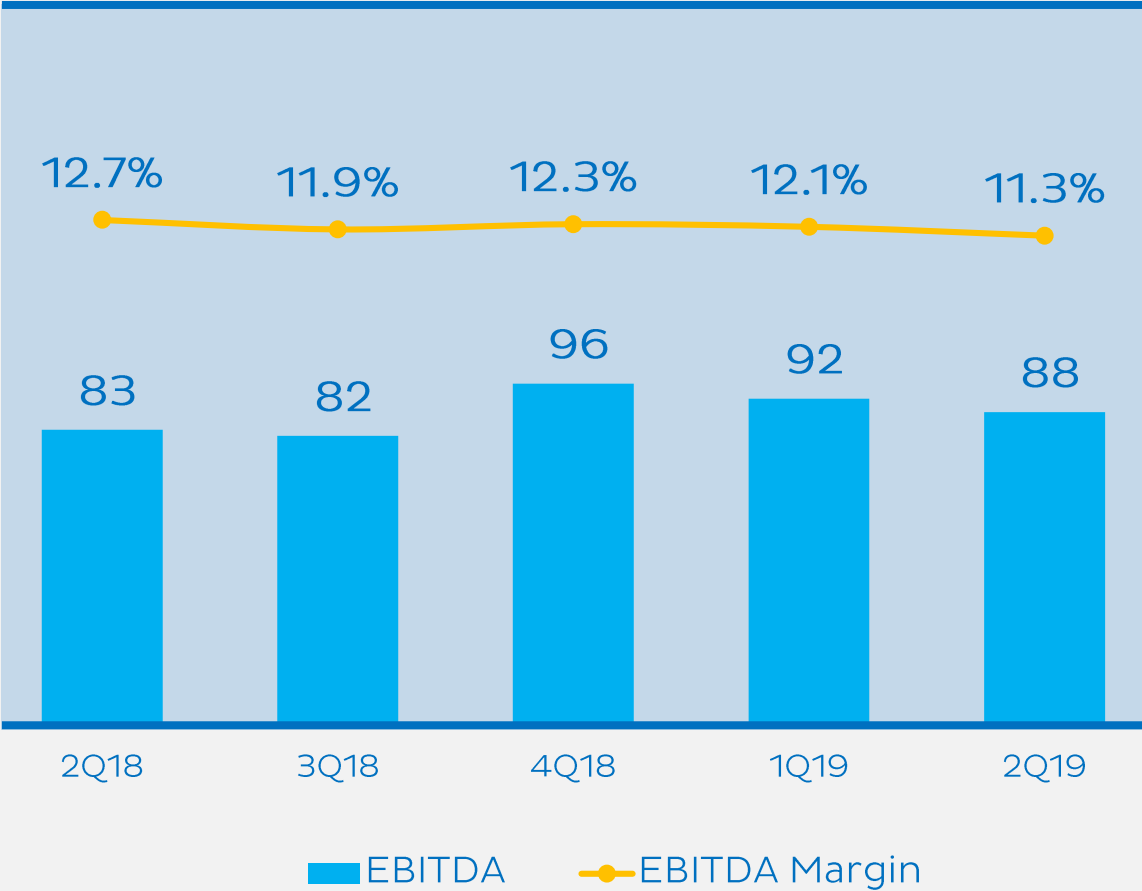
# Gross Profit was S/ 10.5 million higher (+10.2% YoY), while Gross Margin lowered to 15%



### Gross Profit (S/ million) / Gross Margin (%)



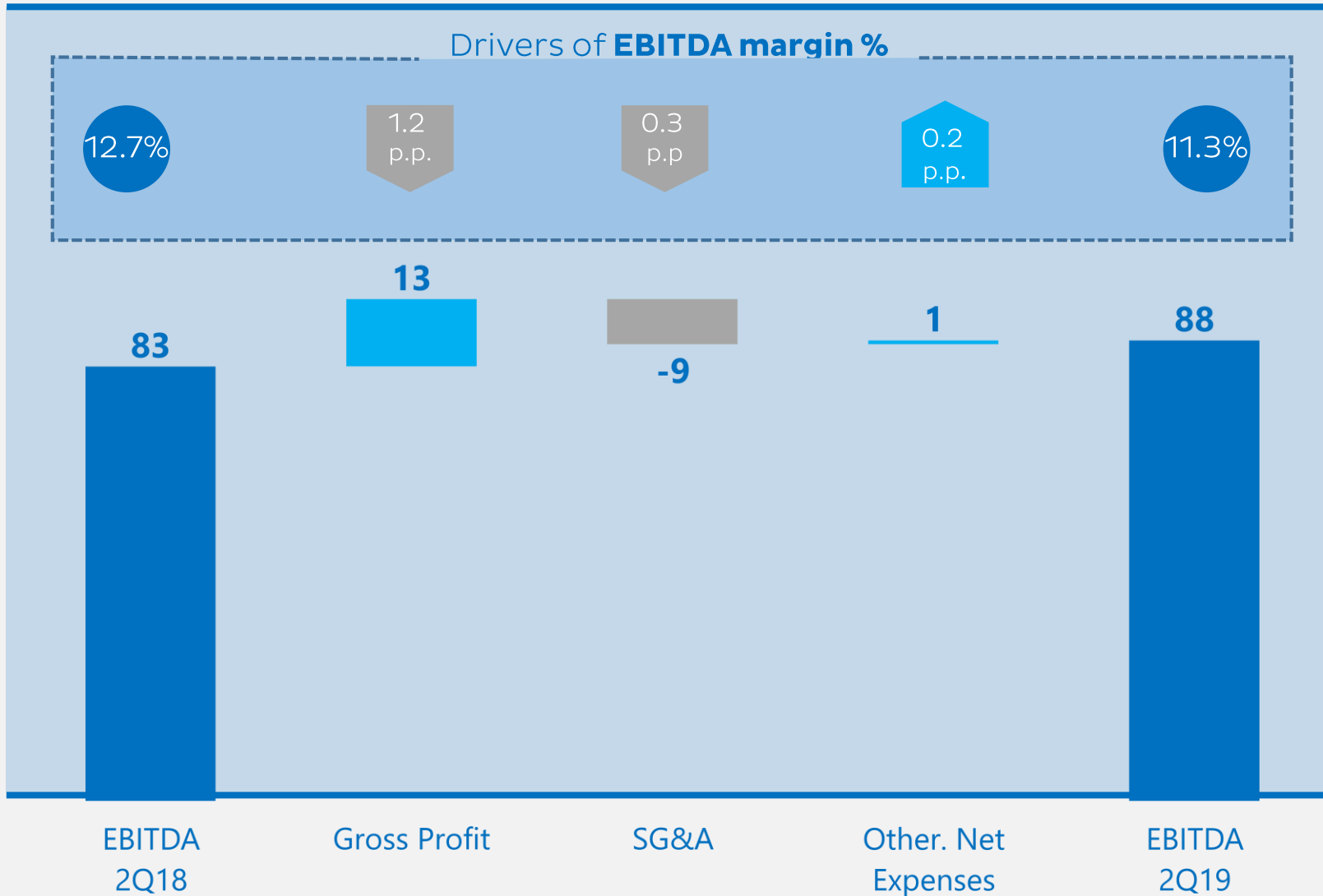
### EBITDA (S/ million) / EBITDA Margin (%)



Note: EBITDA for 1Q19 has been restated as it didn't consider the PPA ammortization of Comasa.

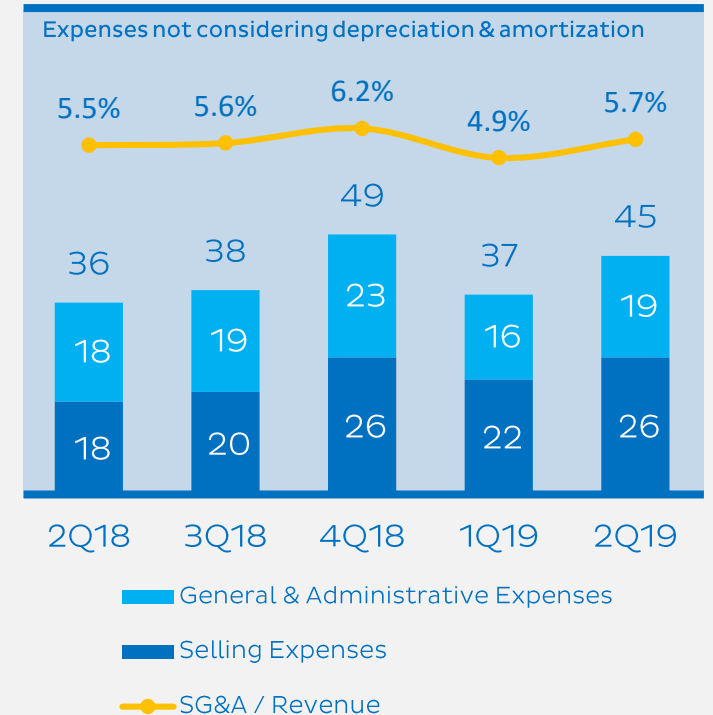
# EBITDA was S/ 88 million and increased S/ 5 million YoY due to a higher Gross Profit

## Main drivers of EBITDA YoY (S/ million)



- SG&A (excluding D&A) increased S/ 9 million YoY and represented 5.7% of Revenue
- Other net op. expenses (excluding asset sales) decreased due to lower non-recurring employee termination payments

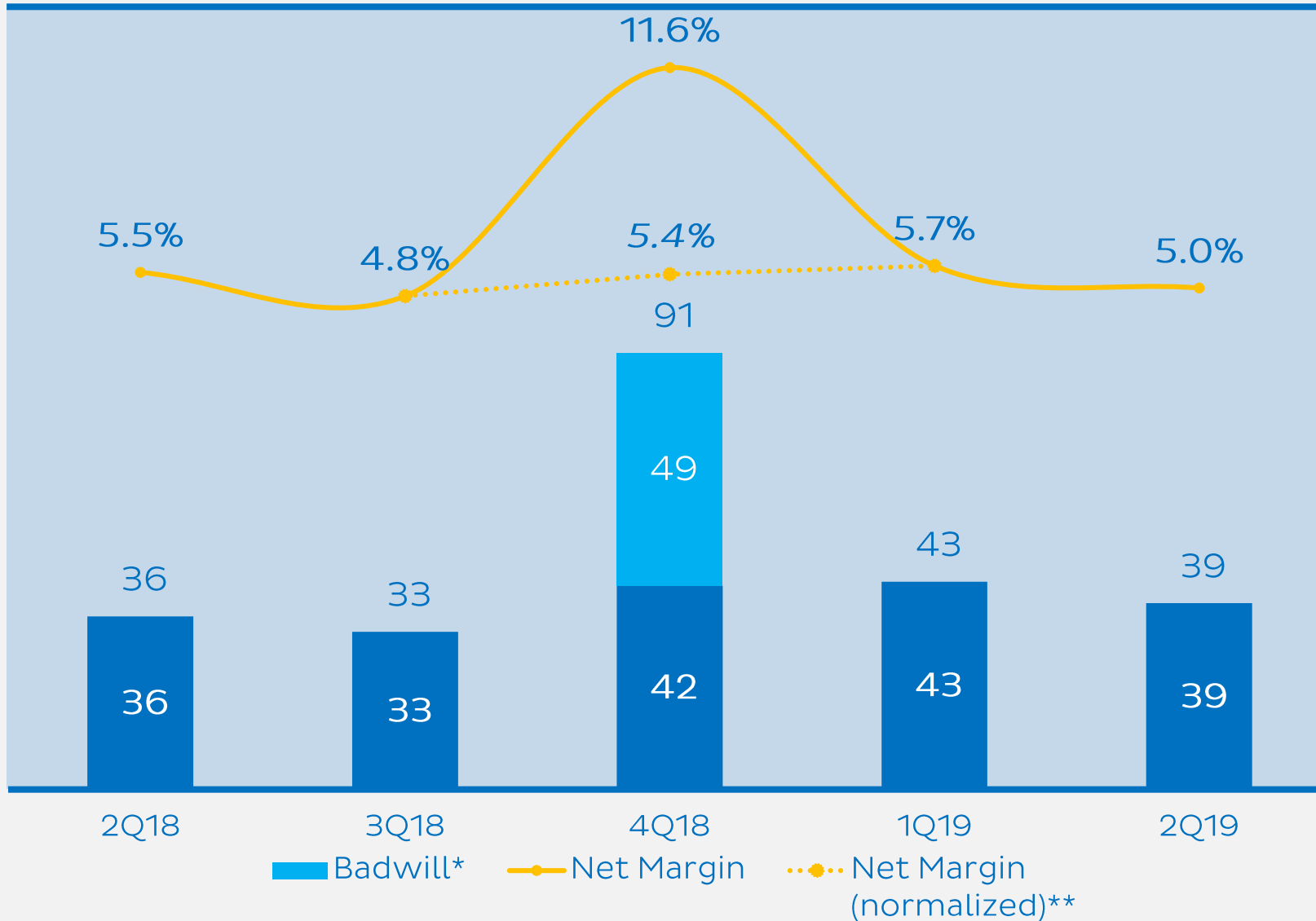
## SG&A Expenses (S/ million)



Note: (\*) Gross Profit and SG&A exclude Depreciation and Amortization.  
 (\*\*) Other Net Operating Expenses does no consider fixed asset sales and write-offs.

# Net Profit was S/ 39 million, S/ 3 million higher YoY, as a higher Operating Profit offsetted higher Net Financial Expenses

## Net Profit (S/ million) / Margin (%)



- **Net Financial Expenses increased S/ 1.3 million**
  - Higher Financial Expenses of S/ 2.4 million
  - Higher Financial Income of S/ 1.1 million
- **Income from investments in other Companies was S/ 2.0 million lower, as Comasa's results are now consolidated**

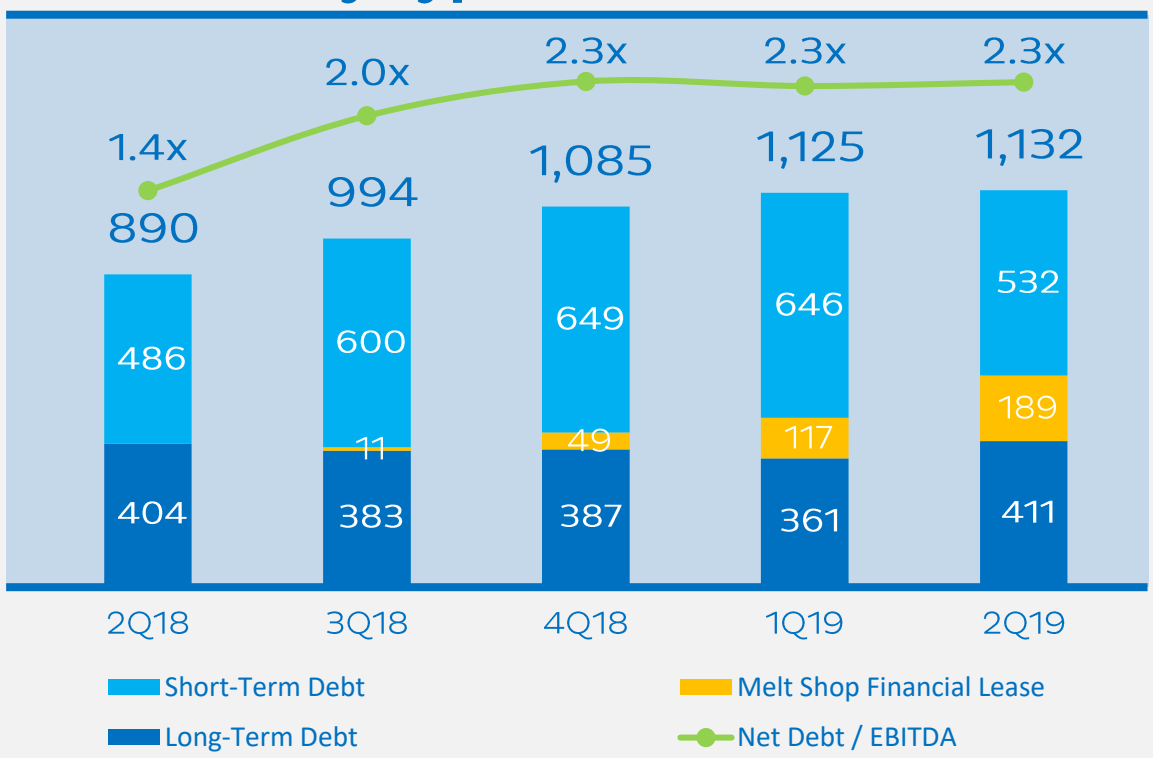
Note: (\*) Badwill originated after the Comasa takeover, net of deferred taxes. To be amortized in the following periods.  
 (\*\*) Net Margin excluding Badwill.



# Total debt increased due to scheduled financing for the new melt shop project



## Total Debt by Type (S/ million)

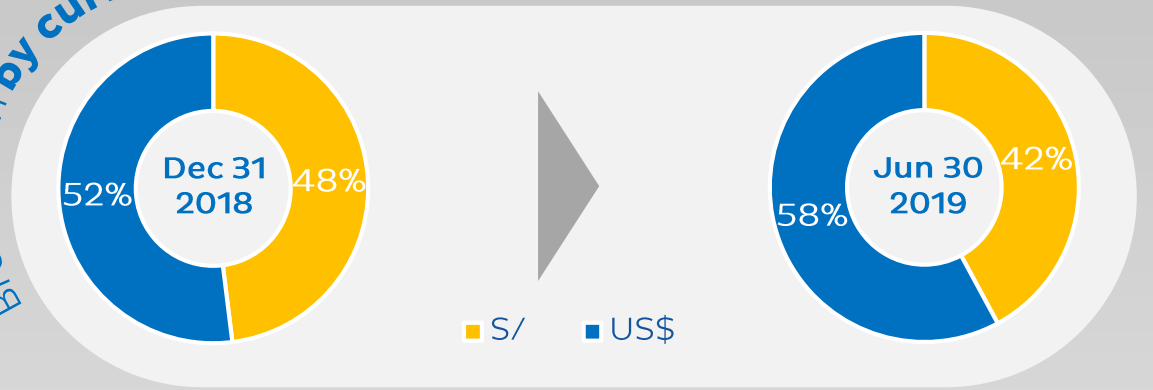


## Other Financial Ratios

Ratio	Value as of Jun 30 2019
Leverage (Total Liabilities / Shareholders' Equity)	0.90x
Financial Expenses Coverage (EBITDA / Fin. Expenses)	8.62x
Liquidity (Current Assets / Current Liabilities)	1.70x

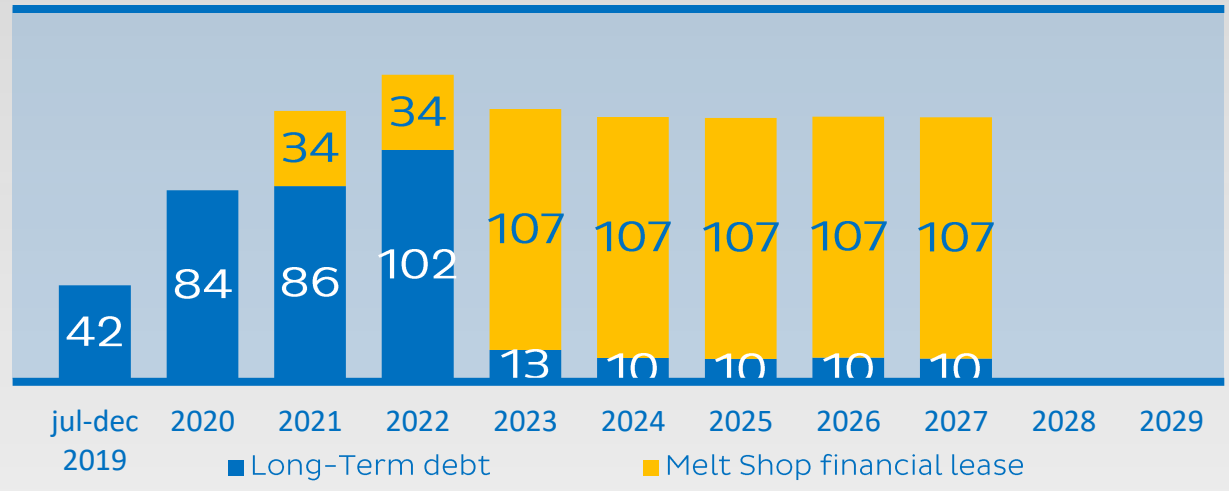
**Note:** (\*) Net Debt/EBITDA ratio does not consider full LTM EBITDA for Comasa as it was acquired on Sep 2018. As of June, Non Consolidated Net Debt/EBITDA ratio was 2.02x  
 (\*\*) The new melt shop financial lease limit, based on non consolidated financial statements, is 4.50x until 2020 and 3.50x starting 2021.

## Breakdown by currency



## Long Term Debt Amortization Schedule

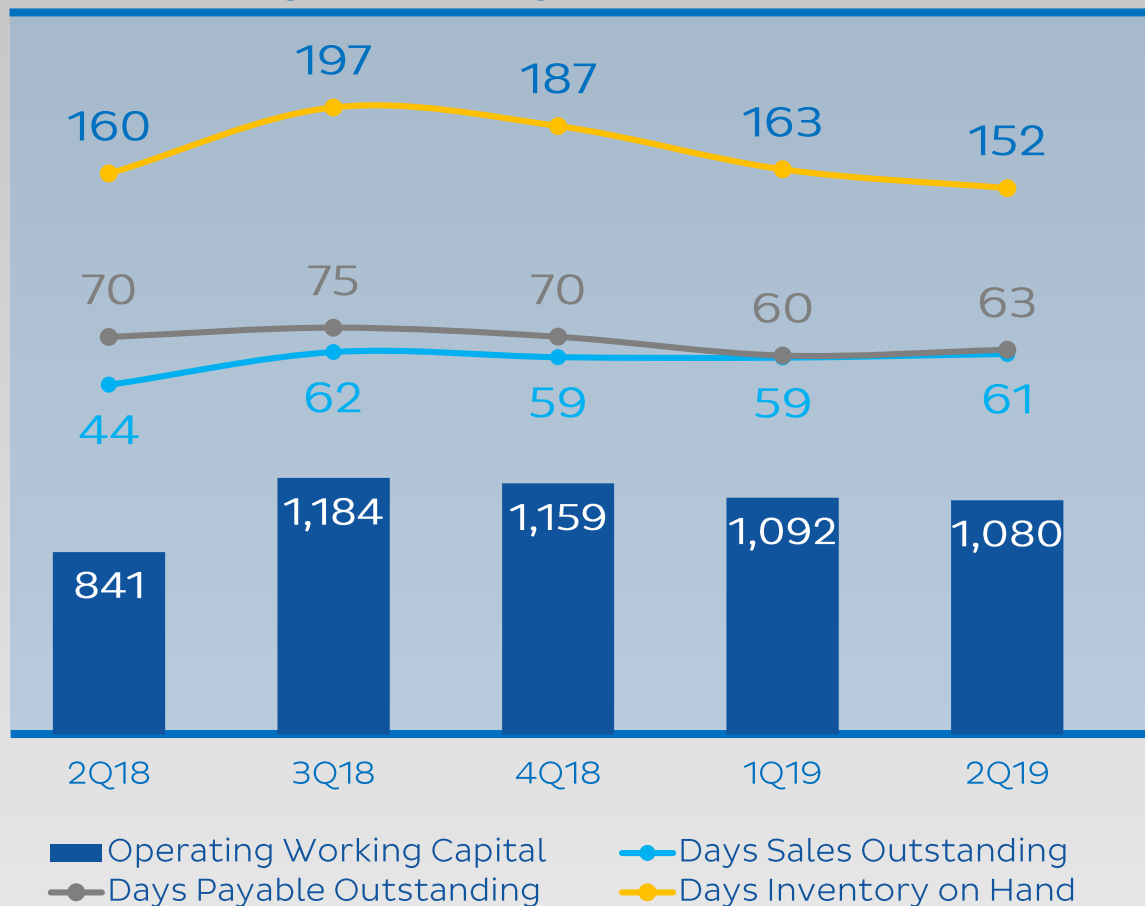
(estimated S/ million)



**Note:**  
 (1) Only showing debt with financial institutions. Does not consider Leasings with suppliers with a balance of S/ 30 million  
 (2) The amortization schedule of the new melt shop Financial lease considers the full disbursement of the financial lease.  
 (3) For illustration purposes USD / PEN = 3.35

# Operating Working Capital requirements were S/ 1 billion; CAPEX as of June 2019 was S/ 183 million

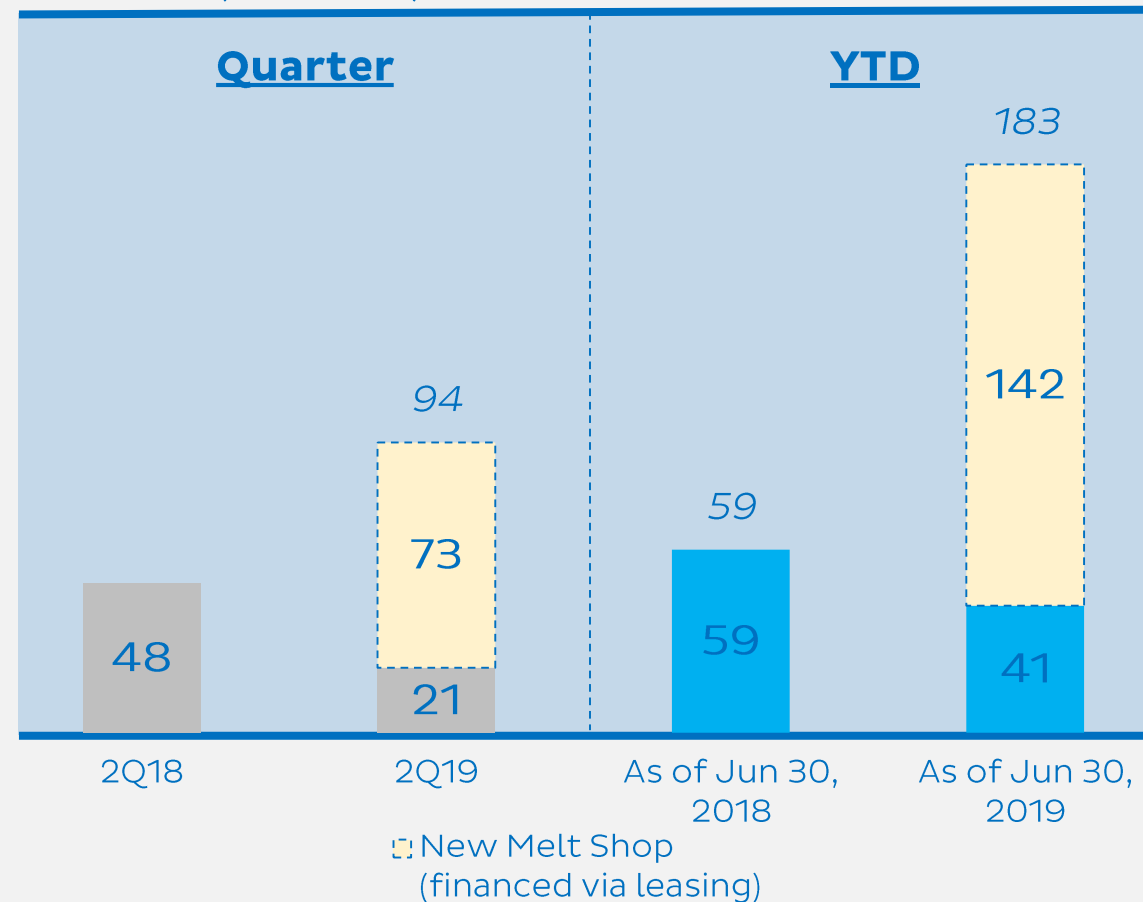
## Operating Working Capital (S/ million)



As of June 2019, Operating Working Capital requirements were lower vs December 2018 mainly due to a reduction of inventories

**Note:** Operating Working Capital excludes Cash and Equivalents, available for Sale Assets and Financial Liabilities.

## CAPEX (S/ million)



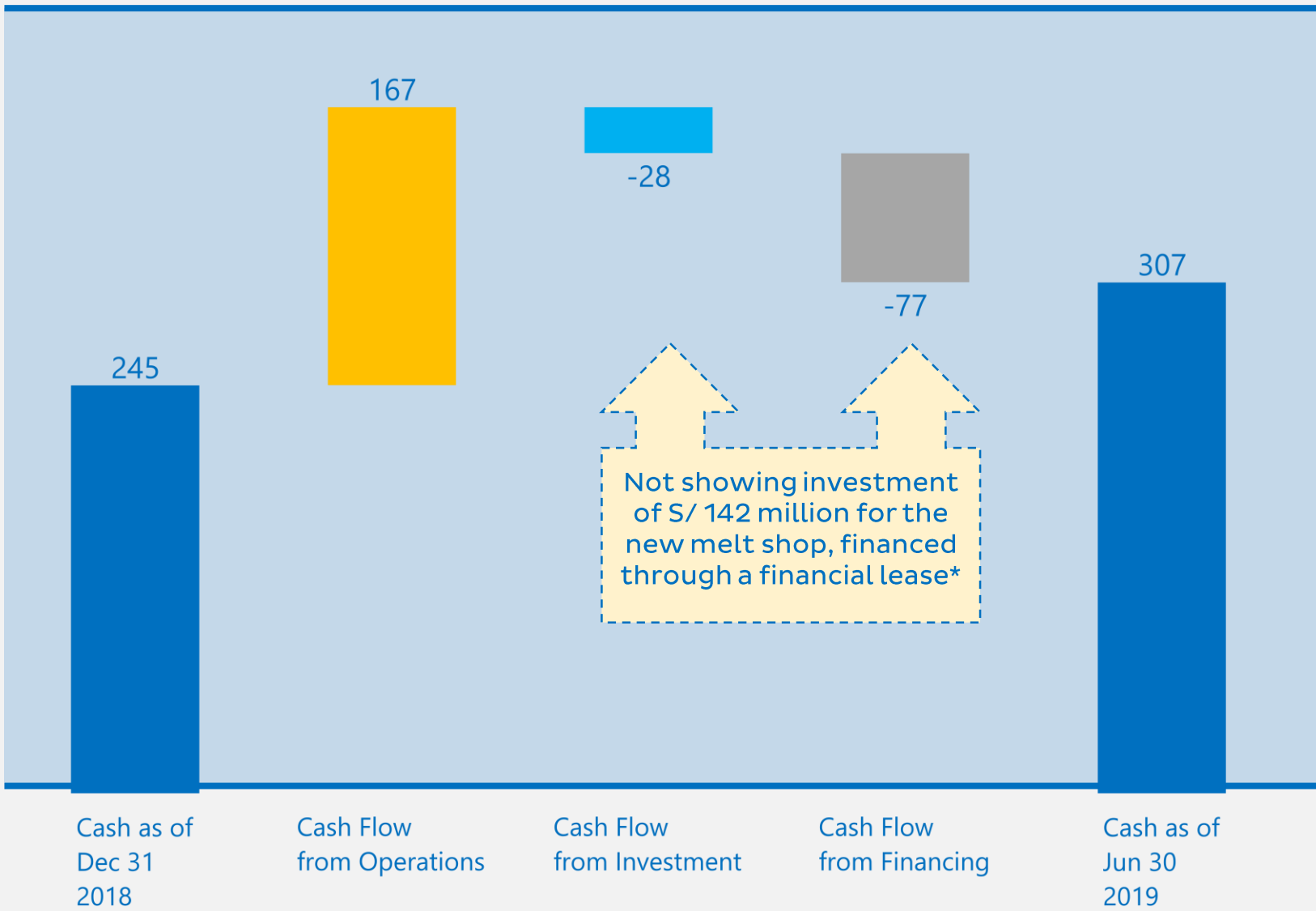
As of June 2019, CAPEX included disbursements for new warehouses in Bolivia, New Melt Shop, SAP S/4 Hana and ERP implementation in Comasa, upgrades to Rolling Mill and Tube Plant, fire suppression system, among other

**Note:** CAPEX in financial statements does not consider the melt shop project (US\$ 180 million), financed through a financial lease (balance as of June: S/ 188.6 million).

# The cash position was S/ 307 million, a S/ 62 million increase versus December 2018



## Cash flow generation as of June 2019 (S/ million)



### Cash and Equivalents increased S/ 62 million

- CF from Operations was positive mainly due to lower working capital requirements
- CF from Investment was negative mainly due to investments in fixed assets of S/ 41 million, partly offset by asset sales of S/ 7 million and interest received of S/ 6 million
- CF from Financing was negative due to debt service and dividend payments of S/ 27 million

Note: As of June 30 2019, total investment for the New Melt Shop reached S/ 191.3 million.





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	FY 2018	Guidance FY 2019
<b>Revenue Growth</b>	17.9%	8% - 12%
<b>EBITDA Margin</b>	12.9%	12% - 13%
<b>CAPEX (S/ million)</b>	262.4	600 - 760
<b>Dividends paid (S/ million)</b>	56.4 +40.6 YoY	60.0 +6.4% YoY
<b>EPS (S/)</b>	0.15 +34.9% YoY [Normalized]	>0.15

*Note:* Capex 2018 considers Comasa's acquisition of S/84.6 million. Meltshop project not included in cash flow statement. EPS based on a normalized Net Profit that excludes Badwill impact of S/ 48.5 million. Reported EPS for 2018 was S/ 0.20.



# Q&A



**MR.  
TULIO  
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**MR.  
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