



3Q2019

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 3Q 2019 Relevant Events
- 2 3Q 2019 and 9M 2019 Results Snapshot
- 3 Operational and Financial Results
- 4 FY 2019 Guidance



New Melt Shop Project

During the quarter the Company invested S/ 94 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









Investor Relations web portal revamp and launch

The new site includes updates on quarterly reports, financial statements, corporate presentations, IR events, among other useful information. Access: <https://investors.acerosarequipa.com/en>







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P&L FIGURES

	<u>3Q 2019</u>	<u>9M 2019</u>
Revenue	818.5  +129.7 YoY (+18.8%)	2,361.8  +355.5 YoY (+17.7%)
Gross Profit	129.2 Margin: 15.8%  +23.5 YoY (+22.2%)	357.9 Margin: 15.2%  +32.8 YoY (+10.1%)
EBITDA	104.4 Margin: 12.8%  +23.2 YoY (+28.6%)	284.8 Margin: 12.1%  +21.7 YoY (+8.3%)
Net Profit	49.1 Margin: 6.0%  +16.3 YoY (+49.8%)	131.1 Margin: 5.6%  +10.3 YoY (+8.5%)

BALANCE SHEET FIGURES

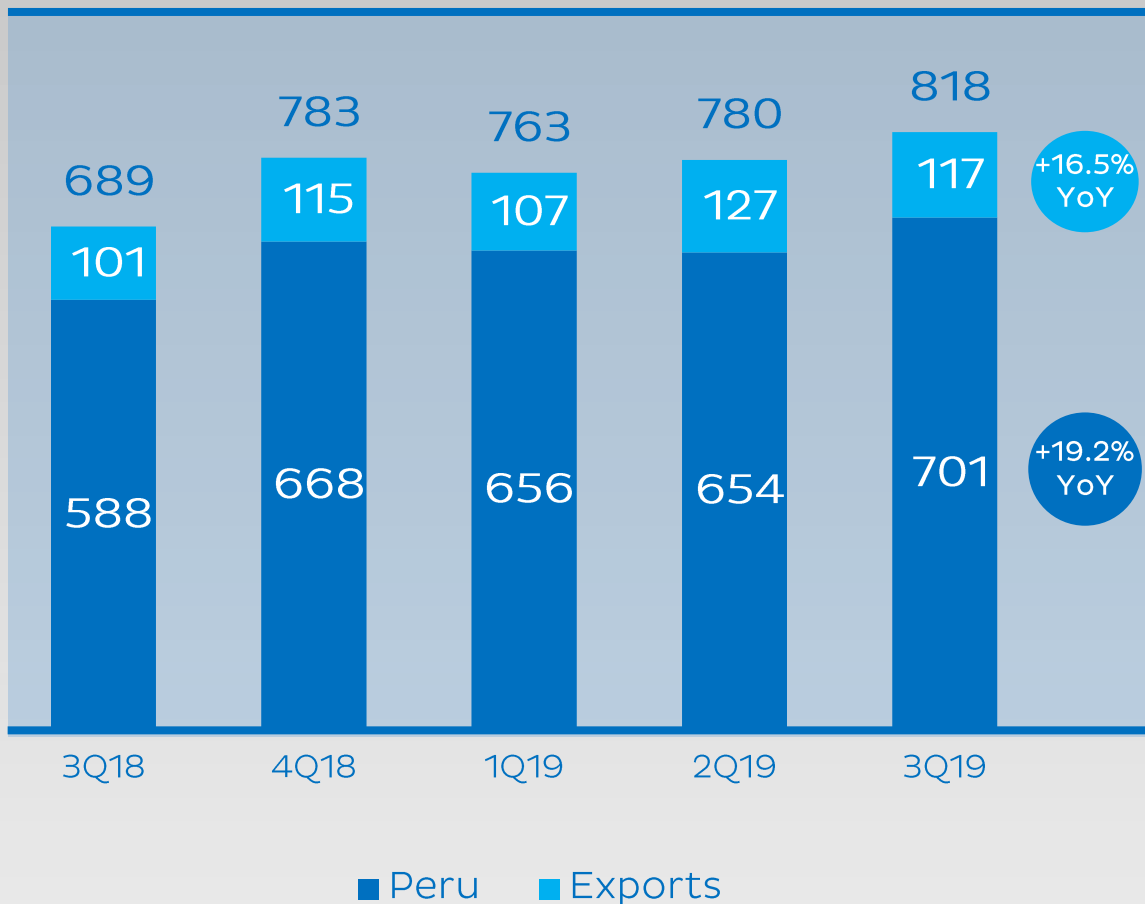
	<u>3Q 2019</u>	<u>9M 2019</u>
Capex	202.2  +99.8 YoY (+97.4%)	366.5  +214.9 YoY (+142.7%)
Working Capital	930.0  -229.1 YTD (-19.8%)	
<i>As of September 2019</i>		
Net Debt	810.5 x EBITDA: 2.11x  -30.2 YTD (-3.6%)	
<i>As of September 2019</i>		



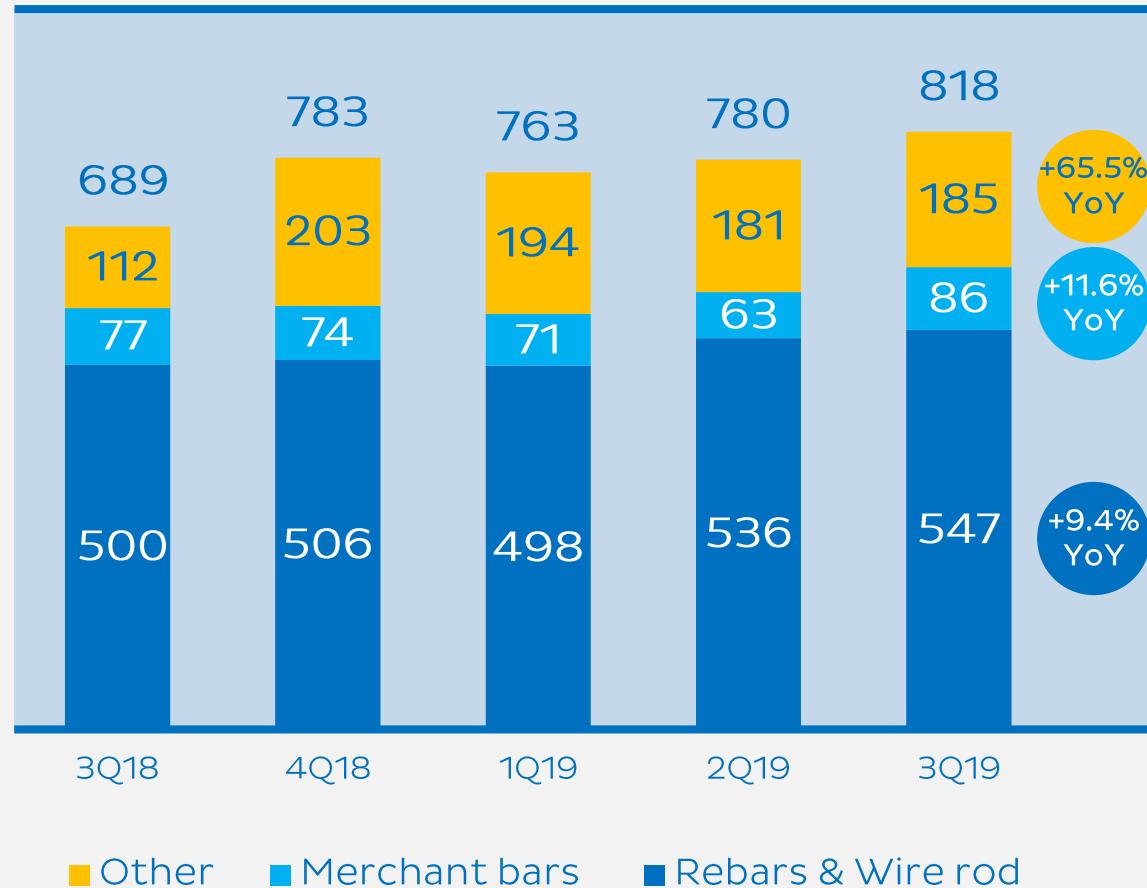
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Revenue was S/ 130 million higher (+19%) YoY driven by the Comasa takevoer and the Rebar & Wire rod category

Revenue (S/ million) by Destination



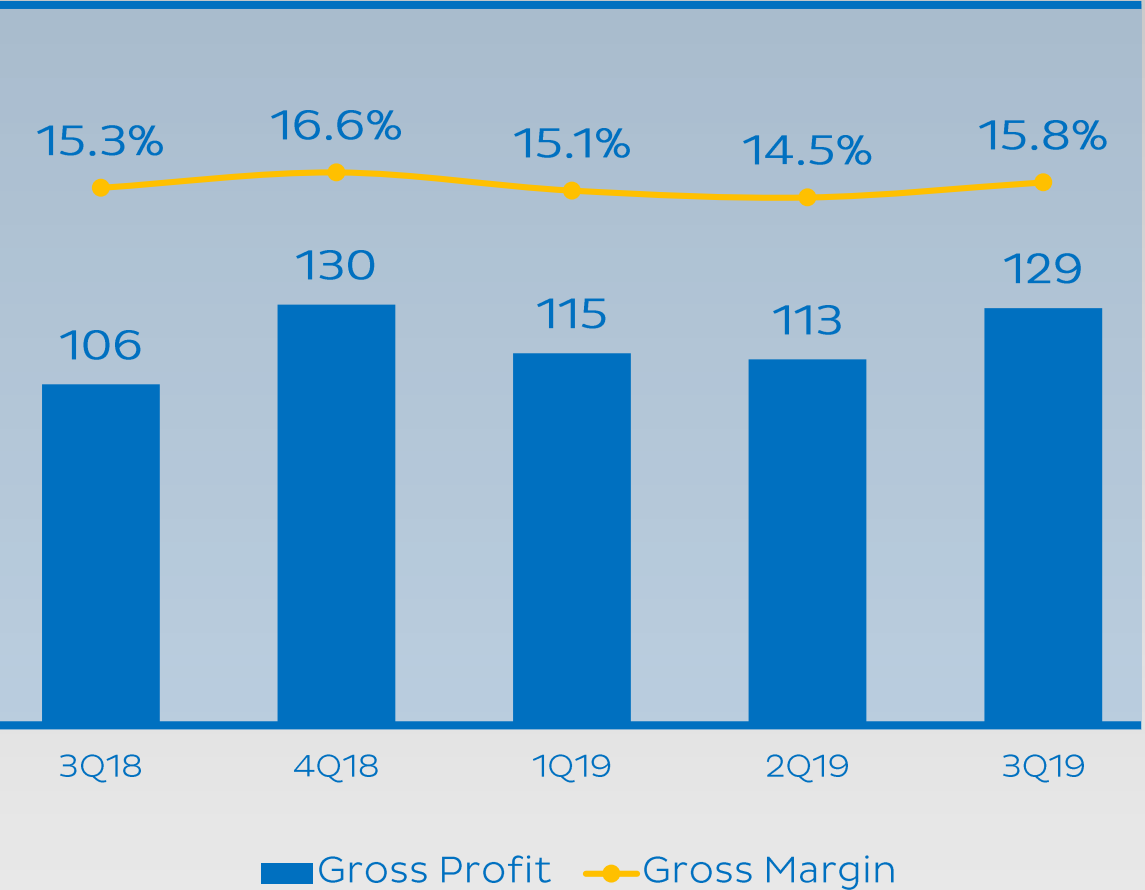
Revenue (S/ million) by Product Category



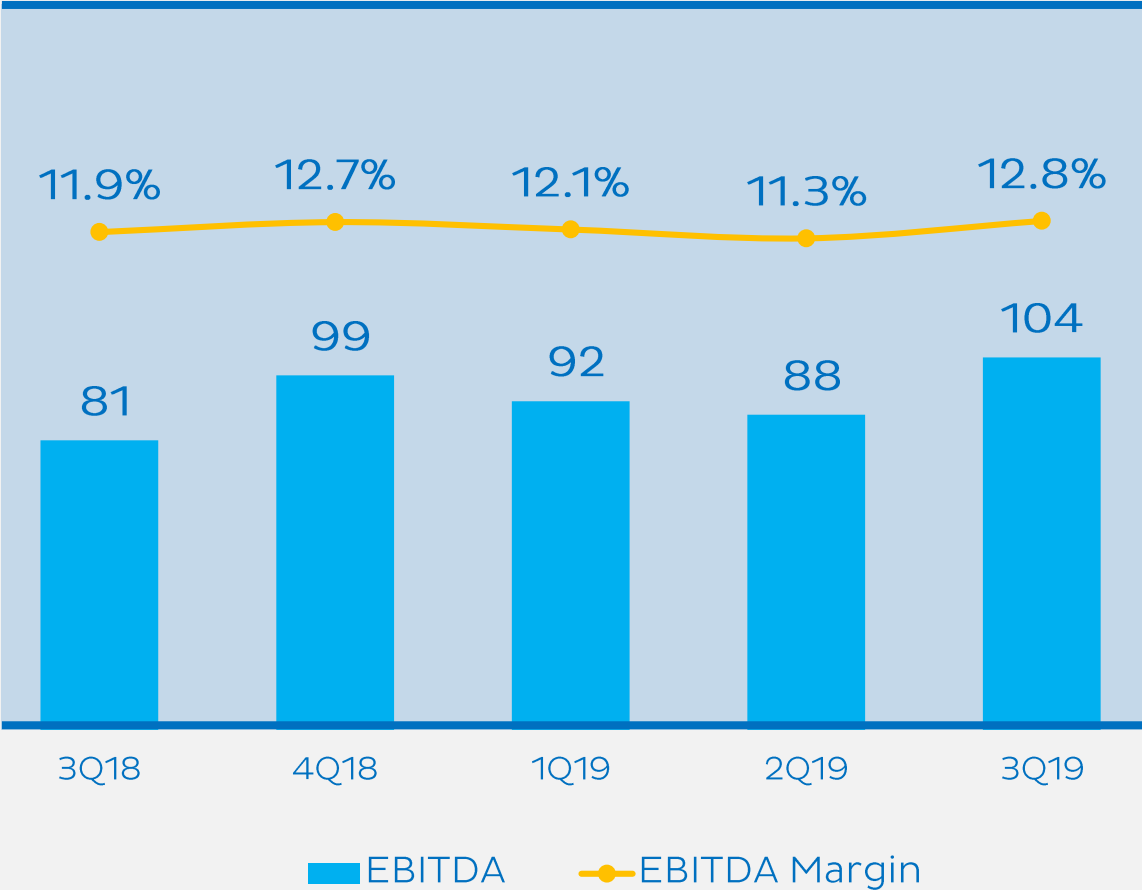
Gross Profit was S/ 24 million higher (+22% YoY), while Gross Margin increased to 16%



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



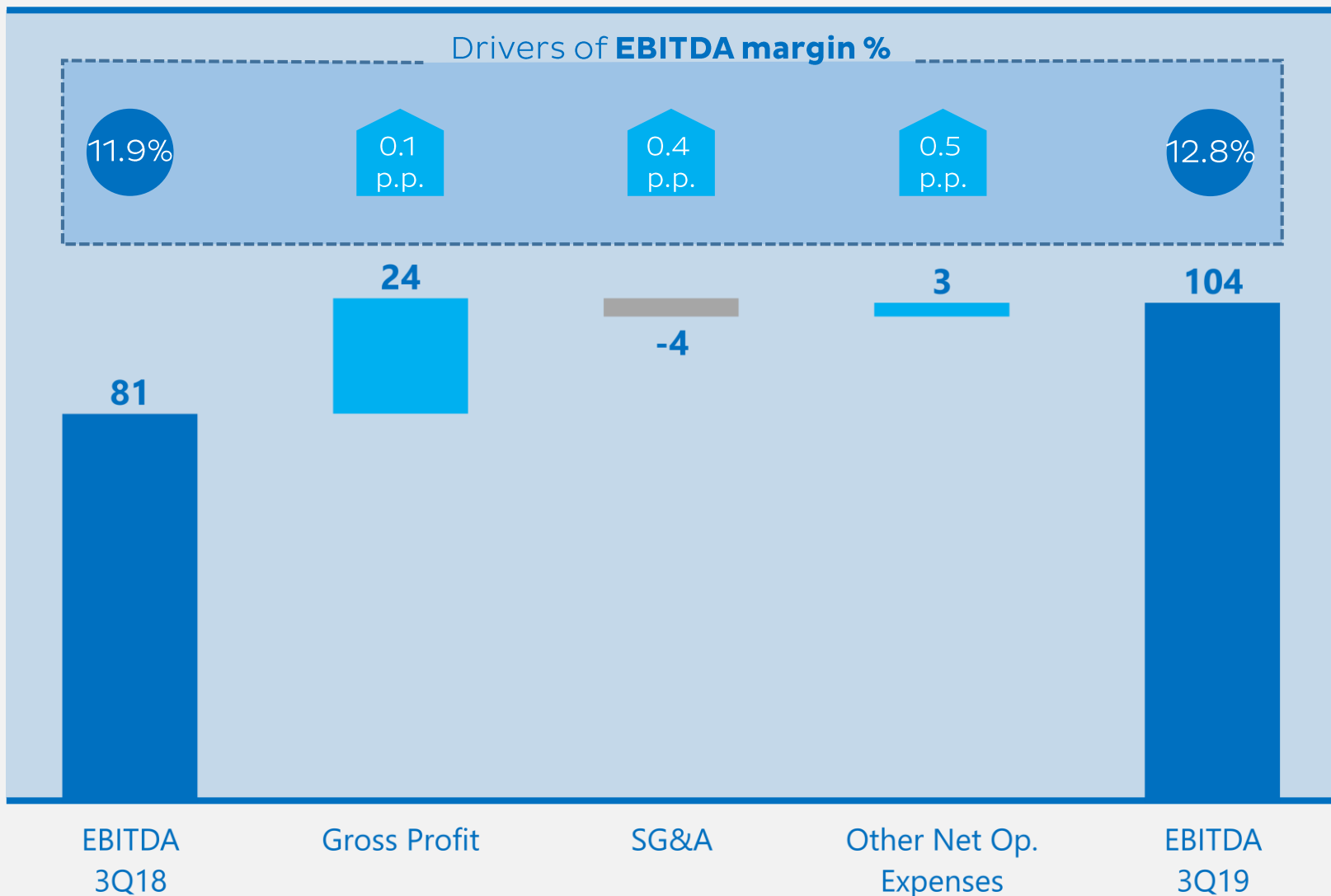
EBITDA (S/ million) / **EBITDA Margin** (%)



Note:
 3Q18 EBITDA have been restated by -S/ 0.5 million to exclude asset sales.
 4Q18 and 1Q19 EBITDA have been restated as it didn't consider the PPA ammortization of Comasa.

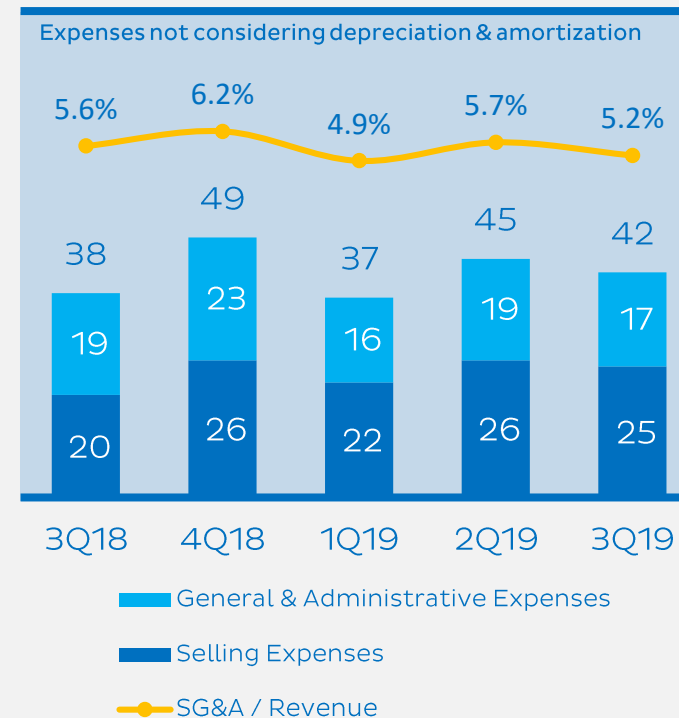
EBITDA jumped to S/ 104 million, driven by a higher Gross Profit

Main drivers of EBITDA YoY (S/ million)



- SG&A (excluding D&A) increased S/ 4 million YoY and represented 5.2% of Revenue
- Other net op. expenses (excluding asset sales) decreased due to lower legal advisory expenses and provisions regarding the Comasa acquisition

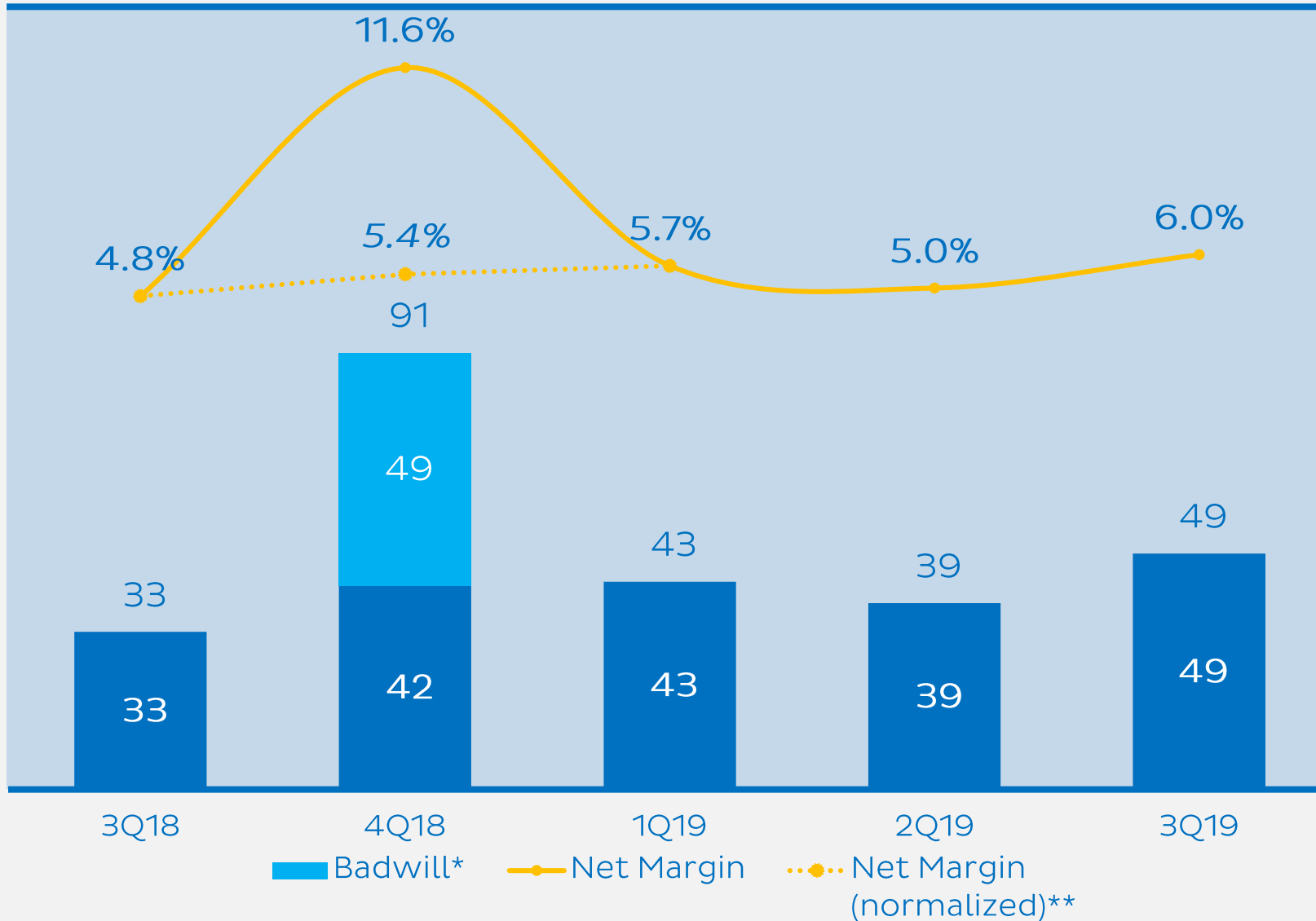
SG&A Expenses (S/ million)



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/ 49 million, S/ 16 million higher YoY, due to higher Operating Profit offseting negative Exchange Rate Differences

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

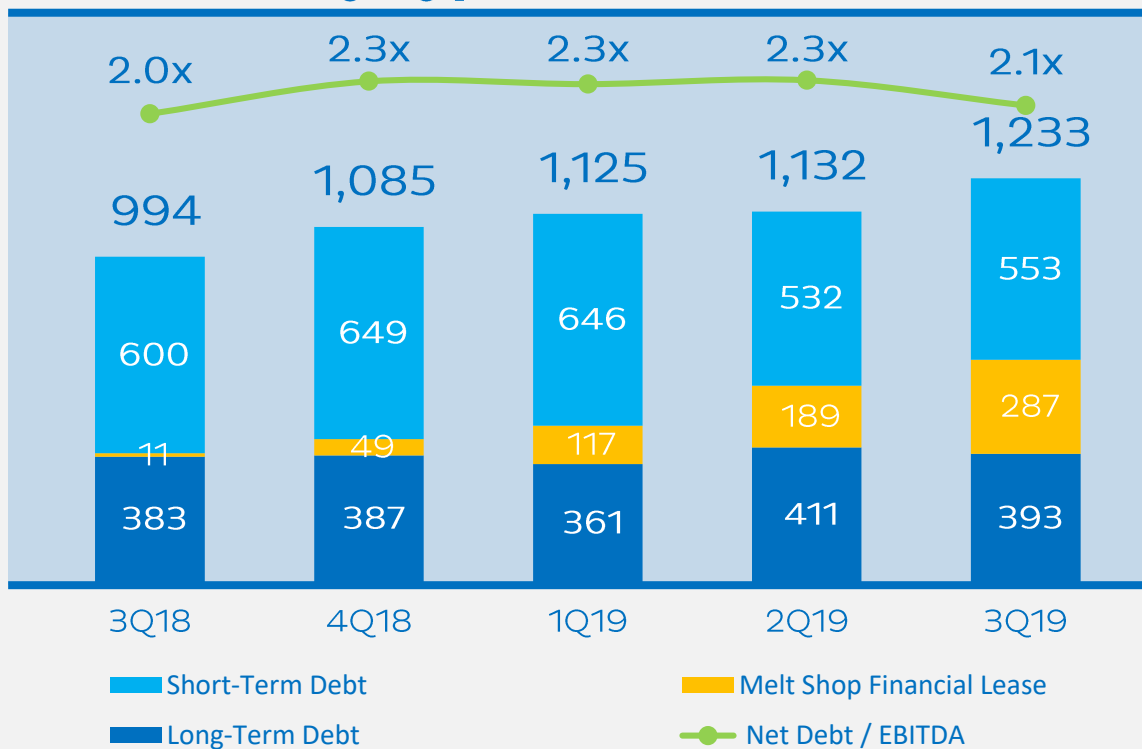


- Higher Operating Profit of S/ 23 million
- Net Financial Expenses remained flat
- Income from investments in other Companies was S/ 0.7 million lower, as Comasa's results are now consolidated
- Exchange Rate Differences were negative S/ 2.3 million

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 new melt shop project financing

Total Debt by Type (S/ million)



Other Financial Ratios

Value as of Sep 30 2019

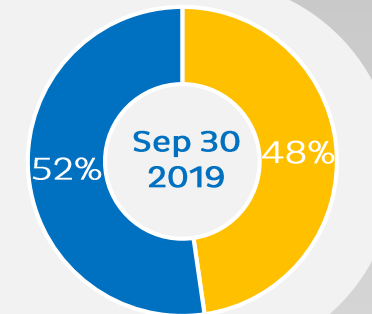
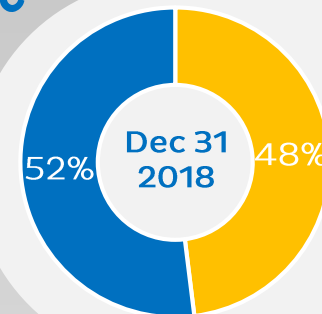
Leverage (Total Liabilities / Shareholders' Equity) 0.95x

Financial Expenses Coverage (LTM EBITDA / LTM Fin. Expenses) 8.58x

Liquidity (Current Assets / Current Liabilities) 1.61x

Note: (**) The new melt shop financial lease limit, based on non consolidated financial statements, is 4.50x until 2020 and 3.50x starting 2021.

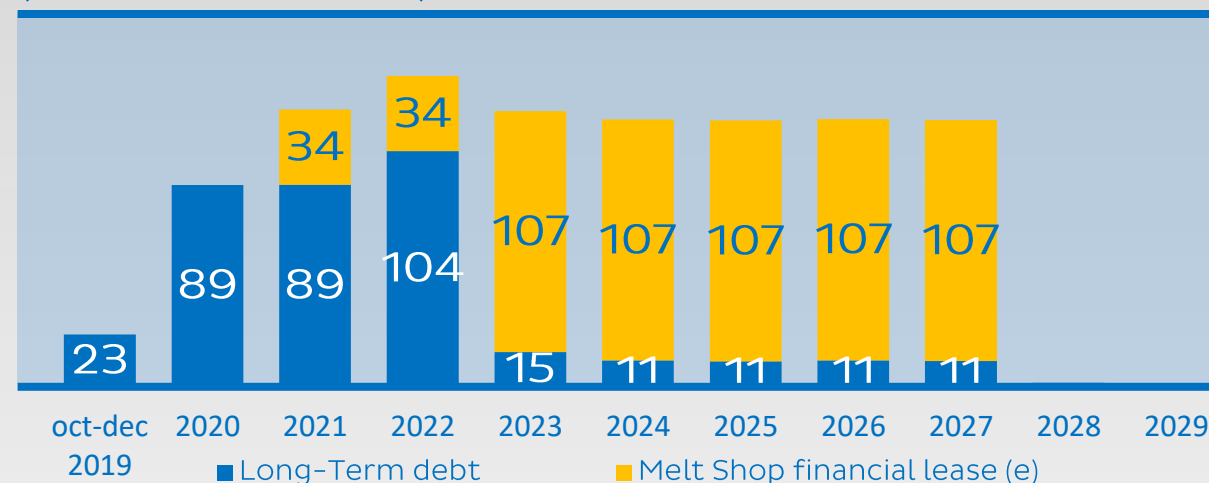
Breakdown by currency



■ S/ ■ US\$

Long Term Debt Amortization Schedule

(estimated S/ million)

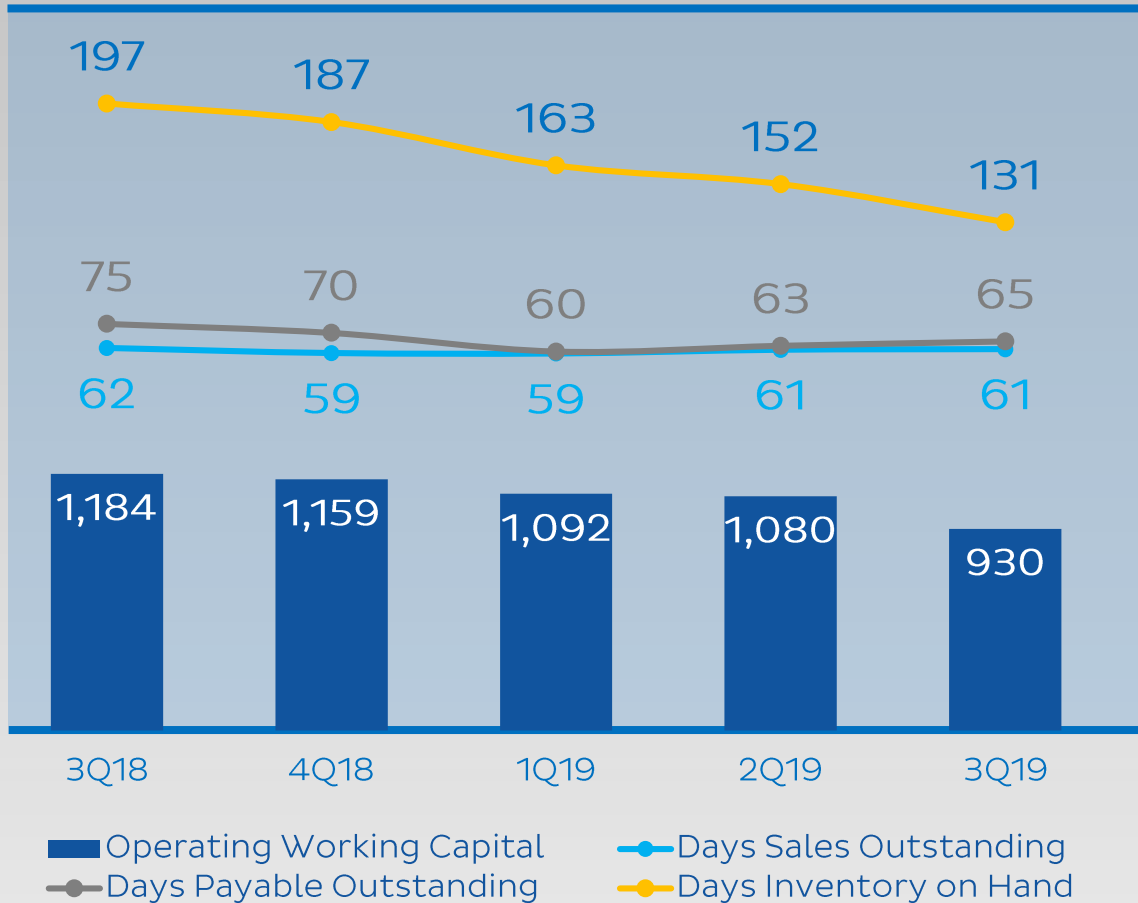


Note:

- (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

Lower Working Capital requirements of S/ 930 million; CAPEX as of September 2019 was S/ 366 million

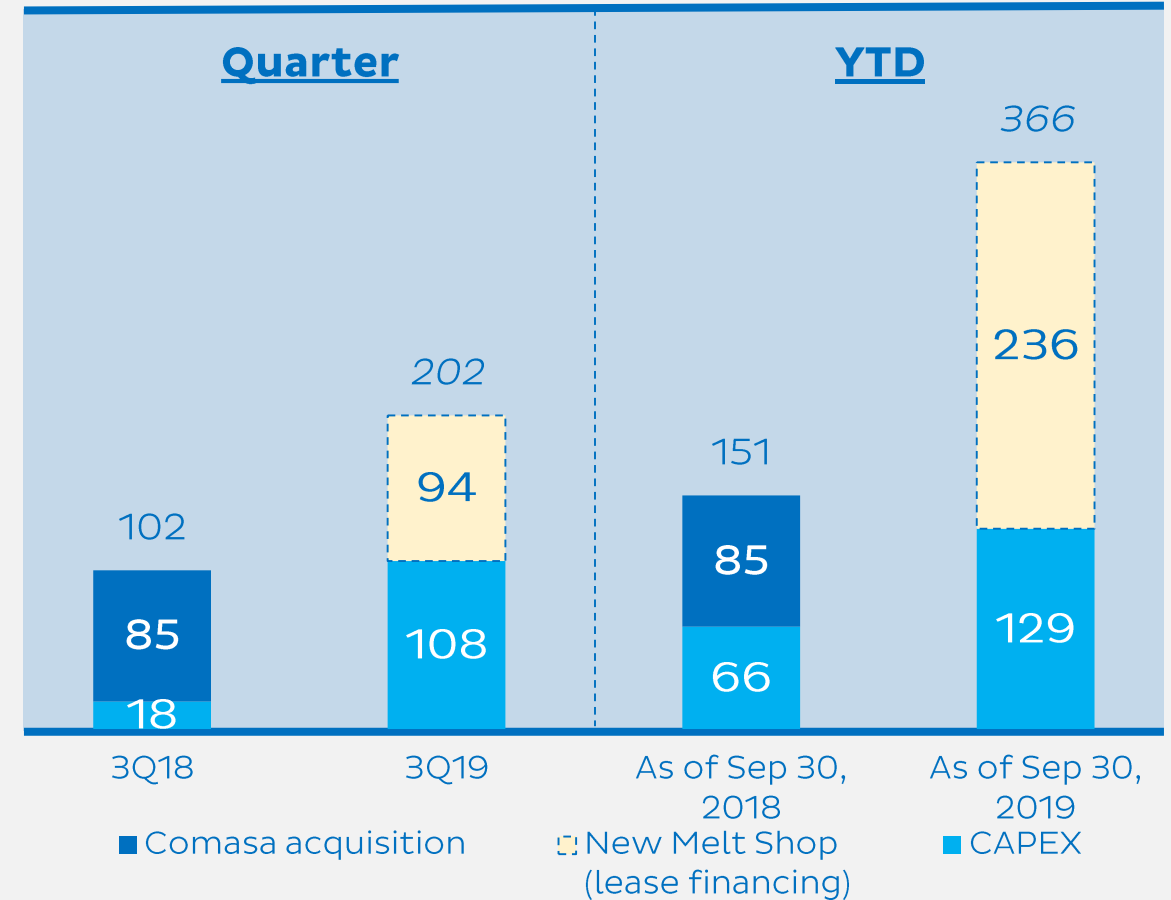
Operating Working Capital (S/ million)



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

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

CAPEX (S/ million)



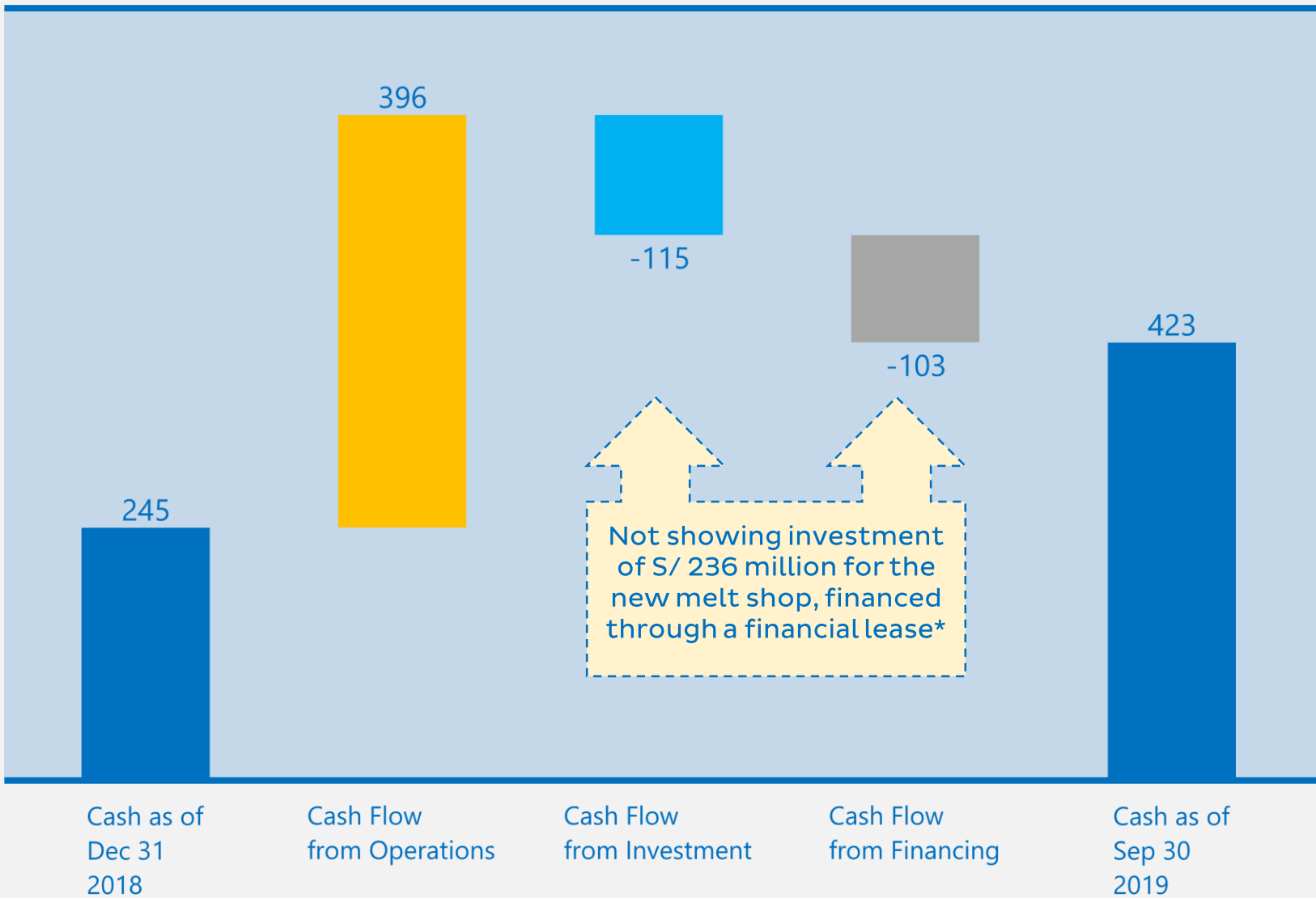
As of September 2019, CAPEX mainly included investments in land in the new warehouse in Lurin district, new warehouses in Bolivia, new Melt Shop, upgrades to Rolling Mill, among other

Note: CAPEX in financial statements does not consider the melt shop project (US\$ 180 million), financed through a financial lease (balance as of September: S/ 287.2 million).

The cash position was S/ 423 million, a S/ 178 million increase versus December 2018



Cash flow generation as of September 2019 (S/ million)



Cash and Equivalents increased S/ 178 million

- CF from Operations was positive mainly due to EBITDA generation and lower working capital requirements
- CF from Investment was negative mainly due to investments in fixed assets of S/ 129 million, partly offset by interests received of S/ 9 million and asset sales of S/ 5 million
- CF from Financing was negative due to debt service and dividend payments of S/ 43 million

Note: As of September 30 2019, total investment for the new Melt Shop reached S/ 285 million.



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	FY 2018	Guidance FY 2019
Revenue Growth	17.9%	11% - 13%
EBITDA Margin	12.9%	12% - 13%
CAPEX (S/ million)	262.4	600 - 650
Dividends paid (S/ million)	56.4 +40.6 YoY	70.6 +25% YoY
EPS (S/)	0.15 +34.9% YoY [Normalized]	>0.16

Note: Capex 2018 considers Comasa's acquisition of S/84.6 million and the Meltshop project, which is 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



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