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SSAB.ST - Q3 2018 SSAB AB Earnings Call

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## PRESENTATION

**Per Hillström** - *SSAB AB (publ) - Head of IR*

Good morning. Welcome to the presentation of the SSAB Q3 report. With us today here is our President and CEO, Martin Lindqvist; and also CFO, Håkan Folin.

I am Per Hillström, Head of IR at SSAB. And the agenda is as follows: we have -- we'll start with Martin here commenting on Q3 in short and performance by division, Håkan will cover financials and then Martin comes back, a few words on the outlook, and then we close with questions, both here in Stockholm from the audience and also from the phone lines. Instruction will be given later on.

Okay, so by that, please Martin, take the stage.

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**Martin Lindqvist** - *SSAB AB (publ) - President, CEO & Director*

So, good morning. The super summary of the quarter, I would say that demand in Europe, good, on good levels. In North America, for heavy plate, very strong. Demand for Special Steels, also very strong.

I think we saw the effects -- the lag in the P&L in the U.S. We see now good volumes, good margins over scrap, strong market. And as you might know, we have also gone out earlier this week and introduced another price increase from 1st of January with 40 bags per tonne in -- for standard plate in North America.

I think we are on our way to strengthen the balance sheet. We had a decent cash flow -- a decent net cash flow. We ended the quarter with the 17% net gearing. We will continue to generate decent cash flow and gradually continue to strengthen the balance sheet.



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We had some production problems during Q3. We had the fire in Hämeenlinna at end of Q2 that affected Q3. We also had problems with one of -- with the blast furnace down in Oxelösund where the bricks were worn out much earlier than anyone could have guessed, which cost us production and outage of 2 weeks. We had some other production-related problems. We had problems with lightning in Borlänge also, but I will come back to that.

Given what we see in the market and what we look and when it comes to Q&T, we have a fairly good view longer-term than the next quarter or Q4. We see a very strong demand for Q&T, and we have altogether in SSAB, 9 quenching lines. We have 4 in Oxelösund, 1 in Borlänge, 2 in Raahe and 2 in Mobile.

And when we invested in Mobile in the quenching -- the second quenching, what we internally called QL6. We decided to do it in phases and what we are now doing is during the second phase of that investment, and that is really taking away bottlenecks, so we can go from capacity in Mobile 300,000 tonnes Q&T up to 400,000 tonnes of Q&T.

So it is volume-related, not total volume, but we will continue to shift the mix. So less standard plate and more Q&T and that is purely market-driven. We are today, full in our quenching lines, and when we look forward, we will need this and this will be up and running 2021.

We will still meet the targets we have for 2020 when it comes to Q&T, and we are ahead of those targets, but after that, we need this as well. So 50% roughly is volume and 50% is the cost efficiency in this investment.

And it is a strategic investment but the payback time from decision, and the decision was taken late last night, is less than 4 year. So we spent some money and Håkan will come back to that 2019, 2020 and beginning of 2021. And then after this line is commissioned, the payback time will be very short.

And you see the graph, I mean, we are driving a lead in the global Q&T market. So this is a next natural step. It has nothing to do with trade barriers or anything. This is long-term demand, a long-term interest of our products.

Moving into Q3. U.S., I said, strong demand from both end users and distributors, low inventories, spot prices stabilizing at high levels and then moving up into Q1.

Northern Europe, I would say, good demand continued. Normal seasonality. July is always slower in the Nordic region; and August, as you know, in Continental Europe.

Inventory's in balance. Normal imports, spot prices rose somewhat during the quarter. So fairly good market picture and that is what we expect also a fairly okay market moving into Q4, but I will come back to that.

If we look at the segments, they are either strong or healthy at decent levels. Heavy Transport, good demand in Europe, especially heavy truck. What we have seen in U.S., we have seen that railcars and barges has started to move up again from very low levels.

Automotive, of course, some hesitation in mature markets, but we also see the underlying growth in advanced high-strength steels. And as you know, we are only in that small segment, the high cold-rolled martensitic steel is up to 200-megapascal and that is a structured growth that we see.

Construction Machinery, at high levels both in Europe and U.S., Material Handling also quite okay. Energy, solid demand from wind energy, and higher activity or high activity in oil and gas in U.S.

Construction, yes, the big infrastructure projects in Europe, positive. We see somewhat uncertainty, you could say in residential in Scandinavia but that is a segment where we are less exposed to. So housing is not big at all for Ruukki construction.



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And then Service Centers, relatively low inventories. Some hesitation as always, both in U.S. and Europe for year-end planning. But, as said, underlying demand, good, with maybe the exception of Turkey and Middle East for Q&T where there is some hesitation. But underlying demand good.

If we look at the key figures, we had an EBIT of SEK 1.6 billion. It's up SEK 511 million compared to Q3. We had higher prices met by higher raw materials' costs, of course, but better margins. And we also suffered from production disruptions, both in Europe and partly also in Oxelösund.

Decent operating cash flow and net gearing was 17% and -- compared to 27% a year ago and 20% at the end of Q2. So we are in that pace of strengthening the balance sheet.

If you look at the divisions, Special Steels, as said, strong demand in all markets with the exception of Turkey and Middle East. EBIT of SEK 536 million, higher prices or higher margins, and then the unplanned outage or the stoppage of the blast furnace in Oxelösund that cost us SEK 100 million during Q3.

Shipments up compared to Q3 but seasonally, of course, lower as we always see compared to Q2.

Europe, good demand, underlying demand. EBIT down compared to Q3. We had higher prices and also higher raw materials, but we suffered from these production disruptions that led to lower shipments.

We had problems within Ukraine and Luleå that was installed in the hot end. We were not able to get it up and running according to plans. We lost production up in Luleå.

We have problem with a shear, a new shear in the Continuous Annealing Line, a very important bottleneck for us. We lost production there in Borlänge. And we had problems with lightning strikes and so on, forest fires, during Q3 and impossibilities to shipment here.

So we lost volumes, and I think the market is not worse than it were here, so we lost definitely some volumes in Europe and that affected the result.

Americas, strong demand continued. Spot plate prices at a very good level. Margins over scrap at good levels. EBITDA, SEK 474 million compared to Q3 and that is due to higher margins. And shipments, up slightly compared to Q2 and Q3 last year.

If we look at Tibnor, I would say stable demand in the Nordic region. Sales increased but the volumes were fairly the same compared to Q3 last year, lower than Q2 but that is seasonality. So I would say an okay quarter in Tibnor.

If we take a look at Ruukki Construction, seasonally good demand as always in Q3, but in Russia, the demand weakened also in Q3. Sales were up, EBIT on the same level.

The core parts of SSAB -- Ruukki Construction for SSAB, residential roofing and components did good. Less so in Russia and less so in building systems. Building systems was a drop profit-wise in Q3. We knew that because we have the order book. Looking forward, we have a much stronger order book. And as we wrote in the report, we have signed a contract to sell this during Q4 and Håkan will come back to these effects in his presentation.

So I would say roofing components quite okay. Russia, not so good. Building systems, a dip in Q3.

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### **Håkan Folin** - SSAB AB (publ) - Executive VP & CFO

Thank you. Good morning, everyone, as usual, go through some of the financials and given what Martin presented earlier, I will spend a little bit more time talking about our investment levels, both historic and also what we plan for going forward.

But starting with an overview and comparing especially Q3 this year with Q3 last year. We then see a sales improvement of 18% compared to Q3 last year, driven by clearly higher prices and also FX given the weaker Swedish krona we have.

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On EBITDA level, we see an increase compared to last year with 27%, and we are now at an EBITDA margin of about 13%.

And if we look down here on EBITDA per tonne delivered steel, we were actually above SEK 1,500 per tonne delivered steel, which is the highest level that we've been to, well during the 3 years you see on the chart, but definitely since the merger between SSAB and Ruukki.

The only area then, where we actually did not perform better than in Q3 last year if in terms of shipments where Americas was up slightly, Special Steels was up as much as 9%, but Europe clearly down. And given the size of the European division on total level, we were slightly lower in terms of shipments.

If we go into the details then and zoom-in on the EBIT between Q3 this year and last year, we see that we improved from slightly below SEK 1,100 million with SEK 500 million up to SEK 1,600 million. And the main driver for this is the increased prices.

Americas, of course, playing a big portion here, but also Special Steels, we have seen a definitely better pricing for us than we saw 1 year ago. Also Europe had slightly higher prices.

So SEK 1.5 billion in the EBIT improvement coming from prices. Slightly down on volumes, just like I explained last year, it varies between the divisions but, all in all, SEK 100 million negative impact for the group.

And then on cost side, on variable cost, almost SEK 1 billion negative impact and here basically all the main raw material, iron ore, coking coal and scrap, are up compared to last year. And this impact is spread fairly evenly between the 3 steel divisions.

Somewhat higher fixed costs year-over-year driven by general cost increase, we have a very high activity level in the mill and when we have -- excuse me, when we have some of these production stabilities -- or instabilities, as Martin mentioned, that also tend to drive a little bit more fixed cost, where we need to do a little bit more maintenance, and where we cannot run as efficient as we want.

On the FX side, we have a tailwind here of SEK 250 million, that's coming basically from the weaker Swedish krona. So when we sell in dollar and euro and we translate it back, we get this positive impact.

On unabsorption, we were running basically at the same level Q3 this year as last year. We're running at lower level in Europe but actually at a high level and special steel given than last year we had the yearly maintenance outage in Oxelösund, so in Q3; this year we will have it in Q4 instead. But, all in all then, an improvement of SEK 500 million.

If we instead compare it to previous quarter, we are roughly on the same level, SEK 1,630 million versus SEK 1,600 million.

Also here we see an improvement on the price side, close to SEK 700 million and when we only compare Q3 to Q2, this is very much extent driven by SSAB Americas.

Negative volume coming both from Europe, as we talked about before, but also compared to last quarter, also Special Steels had somewhat lower volumes also impacted by the European slowdown.

Raw materials side, variable cost not a huge difference compared to last quarter. Fixed costs clearly positive and this is the usual yearly lower fixed cost level we have where we have the dissolution of vacation reserves in the Nordic countries. And overall in Q3, we tend to have a lower activity level in terms of spending fixed cost.

FX, somewhat of a headwind, close to SEK 100 million. And then unabsorption, given the maintenance outage, and especially as I say, Europe, we were running at a lower level in Q3 versus Q2.

Then as Martin mentioned, we have it down here in the small footnote, excluding items affecting comparability, it's actually only one item and it is this divestment of Ruukki Construction in Russia of SEK 213 million.



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The vast majority of this is FX impact, so every month, we revalue the shares in the different subsidiaries we have. That's not taken over the P&L. It's impacting the equity but it's coming through the other comprehensive income. But when we divest a company then we have to flush it through the P&L as well, so out of this SEK 213 million, the vast majority has already impacted equity, but now has to go through the P&L, and obviously, there is no cash flow impact. So we have classified this as an item affecting comparability.

If we then move into the cash flow. Operating cash flow's strong, SEK 1.9 billion. It's SEK 300 million higher than what we had in Q3 last year. And we also have a net cash flow in the quarter of SEK 1.7 billion, helping us to continue to reduce our net gearing.

And if we look at some of the details where this cash flow is coming from, EBITDA of SEK 2,350 million. Some build up of working capital, although when we look at working capital over sales and we look at it rolling 12, we continue to reduce that, which has been, as we talked about before, one of our key priorities.

We spent around SEK 500 million on maintenance CapEx. This other item here is what I just talked about, the Ruukki Construction, which is not cash flow impacting then.

So operating cash flow SEK 1.9 billion. Then we have in total financial items, taxes and strategic CapEx of around SEK 200 million, leaving us -- sorry, SEK 250 million, leading us then to the net cash flow of SEK 1.7 billion.

We continue a bit on the cash flow side, and we look at the trend, the rolling 12 months' trend of operating cash flow, and we have looked at this one a few times before. And we have, since a year back, we have basically established a new level of being at or above SEK 6 billion in operating cash flow.

Now we were actually even at SEK 7 billion when you looked at the latest rolling 12 months. And our clear ambition and our clear belief is that we will continue to generate very solid cash flow going forward as well.

We talked about some issues we had in this quarter. We see a potential to further improve our profitability going forward.

We are fairly well invested, I will come back to that shortly because we will increase our investment level somewhat. We're working on reducing working capital, I would say. That is developing according to plan. We think we still can do more.

Given that we are lowering our net debt continuously, we will and we see that already now, that we have lower interest costs. And then we will have a tax rate of around 20%.

And adding all this up, we are confident that we will continue to generate very solid cash flows going forward as well.

If I then dive into a little bit more on the investment side and what we have here is a chart from 2008 up until rolling 12 months now.

The investment level in SSAB -- and before 2014, we have also added back the Ruukki figures to make it comparable. What we see when we take a 10-year average is that we've been spending around SEK 2.7 billion in CapEx, which is very much in line with our depreciation level.

In the early years here, you saw that we had significantly higher CapEx, driven by that we were making relinings of the 2 blast furnaces in Raahe, Oxelösund as well. And we also spent money on our strategic growth program here, the QL6 investment in Mobile where we took the first big step and now we're adding some smaller to debottleneck it a bit.

So we were at -- even some years at close to SEK 5 billion in CapEx combined. A bit lower than for a few years, a little higher in '15 when we did the Luleå relining and then a little bit lower in the last few years as well.

But '16 to '18, we haven't done any relining, we haven't spent too much on strategic CapEx, but we have continued to do the normal maintenance CapEx required in order to give the -- yield the right prerequisite for operations to run production.



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Going forward, then, what we have said before is that we will have a CapEx level of around SEK 2 billion, considering what we presented today in terms of the Mobile investment, and we have also previously announced that we will, in order to increase efficiency in our Tubular operations, we will spend around SEK 300 million on that.

We will increase our investment level in the coming few years from the SEK 2 billion level to more somewhere around SEK 2.5 billion.

However, given what I just showed before on the cash flow, even though we will increase investment somewhat, we will still continue to lower our net debt in the coming years as well.

A few words then on the balance sheet side, looking at our maturity and our net debt, we -- as said, we decreased our net debt, we are now down at SEK 10.2 billion. We also decreased the net gearing down to 17%. It's down 10 percentage point. If we look 1 year back, it's down 3 percentage point compared to the end of Q2.

Maturity-wise, we have, on average, 6.1 years maturity profile. And if we look at what we have remaining in '18, '19 and '20, that is less than SEK 7 billion then for the coming 9 quarters, which means that we have a very -- what's the word to use, very comfortable maturity profile going forward.

We are and we have done that in Q3. We'll do it going forward as well, either repay or try to move the maturities out in time to clean up as much as possible basically, but this is very much under control right now.

So I will not spend more time on this, but I will move into raw material side instead. For iron ore and for coking coal, in Q3, prices were very stable I would say. Our purchase prices were slightly lower on iron ore side 3%, 6% in dollars. They were basically stable coking coal, slightly down in dollar, but really very much stable development in Q3.

What we have seen now in the beginning of Q4 is that, especially in coking coal but also in iron ore, spot prices have started moving upwards somewhat. On the coking coal side, we buy the majority in Q2 and in Q3. And then we have the winter stockage up in Luleå and in Raahe, so we don't buy that much in Q4. So even if coking coal prices will increase somewhat, that will not have a big impact for us.

In the U.S. then, where we buy spot and where we buy scrap, spot prices decreased in Q3. That's what you see on the chart and our average purchase prices also decreased and naturally were 8% lower in Q3 compared to Q4.

Also here, and you see it on the chart, we have seen a little uptick now going into Q4, which is quite typically in the seasonal pattern in the U.S. where it gets harder to collect the scrap during the winter time, and then we usually see somewhat higher price. Martin?

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### **Martin Lindqvist** - SSAB AB (publ) - President, CEO & Director

So looking at the Q4 then. When we look at the steel divisions we expect to continue to see strong demand for heavy plate in North America. We expect to see good demand in Europe, but as always, there will be a seasonal effect end of December. And the strength of that seasonal effect will, of course, partly depend on the price expectations going into Q1. So how much will steel Service Centers and distributors lower their inventories? That's still out for the jury to decide, but the inventory levels in the distribution or in the supply chains are not on a high level.

If you look at high-strength steels and especially Q&T, we expect the demand to continue to be strong. And if we look at prices, somewhat higher prices in Americas for Q4, somewhat higher prices in Special Steels, and I would say stable underlying prices in Europe but you will also see that seasonal effect when we -- prices will seasonally go down because we will sell less and less painted material, and so that will have an effect on the total prices, but the underlying prices, product to product, we expect to be stable during Q4.

So to sum it up, I think Americas, good results, strong result, good volume growth, good prices for, let's say, the Special Steels. Positive outlook as well for Europe but a normal seasonality -- year-end seasonality.

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What we focus on right now is production stability and production stability is very important also for safety. When we run a stable production, we also have much better safety figures. We work a lot with preventive actions. We work a lot more focused on preventive maintenance. We do better risk analysis when it comes to R&C CapEx and so on. So there's a lot of things going on to improve this production stability.

We also focus a lot short-term, midterm, long-term on our program for continuous improvement, so SSAB One. So I think this will help us to come back to a better level when it comes to production stability. And right now we are at that level.

We will continue -- even though we will increase investments a bit with this investment in Mobile over the coming years, we will continue to focus on debt reduction. And I think we should, regardless of business cycle, have a very strong balance sheet. And that will also give us flexibility to invest or look at opportunities without having any restrictions in the balance sheet, so we can take decisions like the investment in Mobile, when we feel that the market is there and will be there long-term, then we can afford it without thinking so much about it.

So the strong balance sheet will give us opportunity to continue to develop this company.

With that, Per, should we open up for questions?

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### QUESTIONS AND ANSWERS

**Per Hillström** - SSAB AB (publ) - Head of IR

Yes, yes, please. And then we can start here from the floor in Stockholm and please present you by name and company here. So we have a couple of questions already, here I think, so please can we have a microphone?

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**Ola Soedermark** - Kepler Cheuvreux, Research Division - Equity Research Analyst

Ola Soedermark, Kepler Cheuvreux. Europe was a little bit weaker than the market had expected, and you explained it why the level volumes were lower. Assuming that everything had been running as planned, and you indicated that we had -- could have seen volumes in the same range as last year, is that -- that this also means that the profitability had been roughly at the same level as last year, around SEK 1 billion on EBITDA?

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**Martin Lindqvist** - SSAB AB (publ) - President, CEO & Director

Well, higher volumes would give higher profitability. I don't really see any market-related things that would have prevented us from having a good volume development. So it was -- I mean to put it bluntly, it was internally, production problems. I mean the fire in Hämeenlinna, well of course, I mean, you can never foresee that. Lightning strikes, you can't do much about it. But also ramping up those 2 investments, the crane in Luleå, we could have done it better; the Continuous Annealing Line, the Flying Shear, we could have been a bit smarter. So yes, we could have volume-wise in Europe, done better. So we were not restricted by customers or markets, we were restricted by internal issues, so -- and external issues not related to the market.

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**Ola Soedermark** - Kepler Cheuvreux, Research Division - Equity Research Analyst

And given what you're saying now, that means that the markets are -- highlighting that the markets are quite good in Europe. And when you are looking into Q1, I know that it's a little bit early, but what's your feeling about the U.K. market?





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**Martin Lindqvist** - SSAB AB (publ) - President, CEO & Director

The only feeling I have longer than Q4 is for Special Steels and there, we see the underlying drivers, and we have talked about them before, lightweighting, reducing weight, increasing payload, reducing lifeline and so on. So there we see -- I mean, and we look at different penetration grades as we have discussed Q&T contra versus a standard plate. So there we see a long-term growth. Where the European market will end in Q1, that's too early to say. But Q4, looking okay.

**Johannes Grunselius** - Handelsbanken Capital Markets AB, Research Division - Research Analyst

Johannes Grunselius, Handelsbanken. So I just want to hear your thoughts about your exposure to Automotive at the moment. I mean we've seen a lot of evidence that this -- the market out of -- for Automotive in general is deteriorating and the market is really, really concerned about this theme. So could you help us -- again, remind us about the total exposure and how you see your niches in Automotive, please?

**Martin Lindqvist** - SSAB AB (publ) - President, CEO & Director

Historically, we are focusing on a tiny part of the Automotive steel market. I would say somewhere around or below -- just below 5%. So we are only in these advanced cold-rolled martensitic steel grades for safety details. And in that market globally, I don't know, but I would guess that we have a market share of maybe 5% or something. So -- I mean, we are -- it is important for SSAB Europe, it is important for us, but we have very good products, the martensitic steel, that are excellent for cold rolling. I mean you have talked about it before, you have the same weight as press hardness, an example, the same energy absorption but at the different cost. So we see structurally that the interest for these kind of advanced steel grades due to lightweighting and safety and fuel efficiency, and so on, is increasing. And also when it comes to new types of cars, they are excellent for battery protection, is one example. So structurally we see an increasing interest for these kind of advanced cold-rolled products. Then where the total Automotive market will go, going forward, I don't have a clear -- very clear view on that.

**Johannes Grunselius** - Handelsbanken Capital Markets AB, Research Division - Research Analyst

Sure, but it sounds that even if this market will be very bad in 2019, you will hold up quite well or show stability in these niches.

**Martin Lindqvist** - SSAB AB (publ) - President, CEO & Director

Well, I think, I mean Automotive is, obviously a huge market, but we are also there focusing, like we do -- I mean plate is a huge market globally as well, but we are only in a small, small part of plates. So you can say there are some similarities in that aspect, if you compare advanced high-strength martensitic steels to Q&T. So there is underlying -- there are underlying drivers for these type of products, but doesn't necessarily have a very strong correlation to the total market, if you understand what I mean.

**Johannes Grunselius** - Handelsbanken Capital Markets AB, Research Division - Research Analyst

And then I have a couple of questions on your new CapEx guidance. You're indicating now rather SEK 2.5 billion compared to SEK 2 billion, am I right that the change is all due to growth CapEx? And you also mentioned the U.S. investment gave us some help how we should be thinking about the value creation? But can you remind us about the tube -- the investments in the tube business, how you look upon that one?

**Martin Lindqvist** - SSAB AB (publ) - President, CEO & Director

First of all, we are not at all expanding total volumes. What we are doing is continuously shifting the mix. So in Mobile, as an example -- or, there will be no more volumes coming out, but it will be less standard plate and more Q&T. The investment in the tube factory -- tube factories, it is not about increasing volumes, it's about changing the supply set ups. So we are closing one factory and we are consolidating factories, so we are closing the factory in -- what's the name?



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**Håkan Folin** - SSAB AB (publ) - Executive VP & CFO

Lappohja.

**Martin Lindqvist** - SSAB AB (publ) - President, CEO & Director

Lappohja, Lappvik, and moving that production to Hämeenlinna where we already have a tube factory and that will save a lot of money for us in transport and so on. So we will have a bigger tube factory. We will build out the tube factory in Hämeenlinna and close the one in Lappohja, so that is about cost efficiency -- mainly about cost efficiency, partly about volumes.

**Johannes Grunselius** - Handelsbanken Capital Markets AB, Research Division - Research Analyst

Could you just remind us about that investment? I know there's been a separate press release, but remind us? And also how we should think about payback on that investment?

**Håkan Folin** - SSAB AB (publ) - Executive VP & CFO

The investment was around SEK 300 million. And I -- if I recall correctly, I don't think we stated a payback on that one. But it's a very good investment as well, I would say in line with what we presented earlier today.

**Christian Kopfer** - Nordea Markets, Research Division - Senior Analyst of Metals, Mining & Oil and Sector Coordinator

It's Christian Kopfer from Nordea. On Americas, firstly, you said that you saw lower scrap prices sequentially in the quarter, right? And I just made a very quick calculation, correct me if I'm wrong, but it seems like operational cost came up somewhat rather than came -- rather than down. So did you see a full effect from scrap -- lower scrap prices already or should those be seen in Q4?

**Håkan Folin** - SSAB AB (publ) - Executive VP & CFO

No, that goes fairly quickly the scrap prices. It takes roughly 1 month, so I would say, you have seen most of it in Q3, yes. If prices continue now to go up, yes, beginning of October, or maybe October, we will still have the lower scrap prices. But if -- as we saw on the chart if the increase continues then from November, December we will have higher scrap prices.

**Christian Kopfer** - Nordea Markets, Research Division - Senior Analyst of Metals, Mining & Oil and Sector Coordinator

But was it something else then that kept operational costs pretty much stable in Q3 versus Q2 in Americas, per tonne?

**Håkan Folin** - SSAB AB (publ) - Executive VP & CFO

No, nothing. I would say we have to look into that. I can look into that and come back to you but nothing I can think of.

**Christian Kopfer** - Nordea Markets, Research Division - Senior Analyst of Metals, Mining & Oil and Sector Coordinator

Okay, fine. And then you mentioned some SEK 280 million in underabsorption costs. So was that more or less only Europe, or...

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**Håkan Folin** - SSAB AB (publ) - Executive VP & CFO

Yes, more or less, partly special steel, as well given we had this blast furnace we had to stop for 2 weeks, but mostly Europe. And in Europe, it was both -- we had planned maintenance out at -- in Europe as well in Q3, which we guided for, of course. So it was both the planned one and then also what Martin mentioned before, that we were not running production as we wanted to.

**Christian Kopfer** - Nordea Markets, Research Division - Senior Analyst of Metals, Mining & Oil and Sector Coordinator

All right. So how much would you say was unexpected underabsorption costs, approximately was it 50% of this, or...

**Håkan Folin** - SSAB AB (publ) - Executive VP & CFO

Something like that.

**Christian Kopfer** - Nordea Markets, Research Division - Senior Analyst of Metals, Mining & Oil and Sector Coordinator

Okay, fine. And on the Special Steels, I mean you are delivering very good on -- in -- on the volume side here. And are you close to being -- or taking into -- under consideration to open up the smallest blast furnaces?

**Martin Lindqvist** - SSAB AB (publ) - President, CEO & Director

That is not the matter of producing Q&T. We have -- I mean the bottlenecks in Q&T production is in the Q&T lines, and that's why we took this decision. We will still -- without this decision, we will still, because this will come onstream in 2021, we will still meet the 2020 targets and we have also the possibility production-wise to overachieve the 2020 target. But when we look ahead and see the possibilities in different markets, different segments, better penetration, discuss with customers, we think it is a very good idea to do these investments of 1 billion in Mobile. And as said, it's not only -- it is increasing volumes with 100,000 tonnes by opening up bottlenecks. So 50% of the return is from increased volumes but roughly 50% is also by decreased costs. So...

**Christian Kopfer** - Nordea Markets, Research Division - Senior Analyst of Metals, Mining & Oil and Sector Coordinator

But then about the smaller blast furnace in Oxelösund, we will actually start that now during Q4. It's not because we can increase Q&T capacity or we want to increase total output. But during the summer of 2019, we will have a so-called midterm repair in the -- one of the blast furnaces in Raahe. Summer 2020, we will have a midterm repair on the other blast furnace in Raahe. And then, of course, we have to close them down for roughly 2 months, and we, obviously, lose a lot of slab production capacity during those months, so in June and July '19 and '20. And, therefore, we will now -- actually already in Q4, we will start blast -- the smaller blast furnace in Oxelösund, not to increase the total output but in order to support when we are doing this midterm repair.

**Håkan Folin** - SSAB AB (publ) - Executive VP & CFO

That just keeps the balance.

**Christian Kopfer** - Nordea Markets, Research Division - Senior Analyst of Metals, Mining & Oil and Sector Coordinator

And then transfer it down again in Q1?



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**Håkan Folin** - SSAB AB (publ) - Executive VP & CFO

No, we will actually run it all the way until we have this -- up until after 2020.

**Martin Lindqvist** - SSAB AB (publ) - President, CEO & Director

And as you know, the 2 blast furnaces in Raahe are much bigger than the small one in Oxelösund. So we will do this to keep the slab balance in -- keep the slab balance and be able to continue to deliver even though we have big outages. And I mean in the old SSAB or in the old Ruukki, we would have typically during a period like this, bought slabs externally.

**Håkan Folin** - SSAB AB (publ) - Executive VP & CFO

And now, we can manage it now, internally.

**Christian Kopfer** - Nordea Markets, Research Division - Senior Analyst of Metals, Mining & Oil and Sector Coordinator

And on -- just to clarify on the vacation reserve, was that around SEK 300 million in the quarter?

**Håkan Folin** - SSAB AB (publ) - Executive VP & CFO

Yes.

**Christian Kopfer** - Nordea Markets, Research Division - Senior Analyst of Metals, Mining & Oil and Sector Coordinator

Okay. And then finally from me then, your financials looks better and better and -- but share price has come down a lot. Are you considering to invest in your own company via share buybacks?

**Martin Lindqvist** - SSAB AB (publ) - President, CEO & Director

This is not an AGM, so..

**Christian Kopfer** - Nordea Markets, Research Division - Senior Analyst of Metals, Mining & Oil and Sector Coordinator

Right. But what would you -- I mean, if you're just talking about the bases, not immediately.

**Martin Lindqvist** - SSAB AB (publ) - President, CEO & Director

No, but I think what we are focusing on is running the company and strengthening the balance sheet. Then the owners decide what we do with that balance sheet. But our focus is to continue to strengthen the balance sheet. And I think we should be -- regardless of business cycle, we should have a strong balance sheet, and we should be able to do things that we believe will develop this company long-term without any -- I mean we sat here a couple of years ago and had a completely different discussion, and I don't want to have that discussion with you guys again, even though it was a nice discussion, but -- so yes.

**Per Hillström** - SSAB AB (publ) - Head of IR

Okay, then thank you for that. We can move to the phone lines. So I will ask the operator now to please present the instructions.

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**Operator**

(Operator Instructions) And we have a first question from the line of Alain Gabriel of Morgan Stanley.

**Alain Gabriel** - Morgan Stanley, Research Division - Equity Analyst

Two questions from my side. First one is a follow-up on the previous questions on the stoppages in steel Europe, the unplanned stoppages. Can we put a dollar amount or a SEK amount on the foregone earnings in Q3, the foregone profits not just the cost underabsorption, but the foregone earnings as a result of the one-off unplanned stoppages there? And that would be very helpful in looking at the bridges, Q3 versus Q4. And the second question is on the raw material prices. I believe you do typically negotiations in November or December, to lock-in some pellet prices and coking coal for the winter period. How are those negotiations looking, directionally at least, versus what you have locked-in for this year?

**Martin Lindqvist** - SSAB AB (publ) - President, CEO & Director

We'll start with the first question. I won't give you an exact number, but I mean Håkan mentioned the underabsorption and the portion of it being due to production stability. And then you can also see, I mean there is no real reason -- market-related reason why the volumes should be 8%, 9% lower than Q3 last year. So you get the -- some kind of feeling at least for the effect in Europe.

**Håkan Folin** - SSAB AB (publ) - Executive VP & CFO

On the raw material side, I'm not sure 100% sure if I understood your question, but basically for iron ore, we have 2 supply contracts, one with LKAB and one with Severstal, they are both valid up until the end of March 2019. But the prices are, over time, following the market index. On the coking coal side, there we also have typically either quarterly or monthly pricing agreements. What I said or I tried to explain for our purchases in Q4 is that we buy the majority of our coking coal in Q2 and Q3. And then we have winter stockages up in Luleå and Raabe because the big ships, they cannot go there in the wintertime due to the ice situation. So it's not tactical planning or trying to get the best or lowest coking price, it's just a matter of the physical situation up north in Sweden and Finland. So what I said was that even if coking coal prices go up, it's not that we have locked-in prices, but it's a matter of they've already done the majority of the purchases to get the volumes delivered before the ice settles up north.

**Operator**

Our next question comes from the line of Seth Rosenfeld of Jefferies.

**Seth R. Rosenfeld** - Jefferies LLC, Research Division - Equity Analyst

Just a couple of points on the Americas' operations, please. When you think about volumes for the fourth quarter, and clearly seasonally see some weakness in demand in the U.S. in Q4. How should we expect the maintenance outage to impact that? Would we expect normal seasonality were you've able to build some inventories preemptively, or would you expect a greater than normal decline Q-over-Q? And then secondly, can you speak a little bit about your metal spread expectations going into Q4, clearly, scrap has picked up modestly in October expectation for another increase in November. Is there a bit of a lag in your price realizations as well that could lead to stable margins or should we expect some pressure due to the raw materials?

**Martin Lindqvist** - SSAB AB (publ) - President, CEO & Director

No, but I mean we don't expect to see anything else than normal seasonality anywhere. But what we have, we have had, in the beginning of Q4, this semiannual maintenance outage in Montpelier So we were down -- I can't remember, if it was a couple of weeks in beginning of October, and that mill is now up and running and slightly I must say ahead of plans. So we don't -- that will, of course, to some extent, impact, of course, as it



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always did when you have an outage. But anything else than normal seasonality in North America, we don't expect, we see a continued strong demand, and we have very a healthy order book and long lead times.

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**Seth R. Rosenfeld** - *Jefferies LLC, Research Division - Equity Analyst*

And with regard to price realizations and impact on metal spread with rising scrap costs?

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**Håkan Folin** - *SSAB AB (publ) - Executive VP & CFO*

Yes, on the -- on our own prices, we said we will have slightly higher realized prices in Q4 than in Q3. I mean the majority, if you compare it to Q2 and Q3, you saw a very big uptick in prices in North America, you will not have the same uptick, but you will have a slight uptick on price levels in Q4. And then where scrap ends up, just -- it's up slightly now in October. Where it will go November, December, I think that remains to be seen. So in terms of how that will impact our spread, I think it's too early to say.

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**Operator**

Our next question comes from the line of Ioannis Masvoulas of Macquarie.

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**Ioannis Masvoulas** - *Macquarie Research - Analyst*

A few questions from my side. The first on capital allocation. Are you considering any other investments beyond the Q&T and tubes investment plans you have announced over the next, let's say, a couple of years? And are you also considering M&A opportunities? Or the focus is now clearly on the organic CapEx potential? And within that, just in terms of this 4-year payback in Q&T, what's your assumption on the start-up? Are you looking for early 2021, which gives you about 3 years of production to hit the -- to achieve the payback? And maybe a second question, in terms of the...

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**Martin Lindqvist** - *SSAB AB (publ) - President, CEO & Director*

If I can take them one at a time, please. The capital investments, I mean Håkan has said that we expect to be around the 2.5. So I mean we have -- we'll keep the R&C investments, we will probably have some -- we will have, as we talked about, a midterm repair in Raahe, and '19 and '20, we will do this investment in Mobile. So, I mean, that's what we foresee. And then continue with the R&C investments and maintaining CapEx. When it comes to M&A, an opportunistic view. If something would come up, a small part that would fit our strategy, we would definitely take a look. Will we do any major, huge acquisitions? I can't really see that because there are no other steel companies that would suit us. But if something came up that would strengthen us in global Q&T or on our home markets, we would definitely take a look, that's for sure. But in order to be able to do that, we are not planning anything like that. But in order to be able to do that, that requires a strong balance sheet.

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**Ioannis Masvoulas** - *Macquarie Research - Analyst*

Okay. And maybe a second question on the blast furnace repairs, that you mentioned, over the next couple of years. What sort of P&L and CapEx impact are we -- should we be factoring-in?

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**Martin Lindqvist** - *SSAB AB (publ) - President, CEO & Director*

I don't have the exact figures, but -- I mean, what you do, as you know, I mean you build a blast furnace and then you run it for 15 years or you run it for close to 20 years and then you do a midtime repair and -- I mean, a big relining that we just did in Luleå and that we have done, that Håkan



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showed, in Raahe and the 2 blast furnaces in Raahe is maybe, I don't know, SEK 800 million to SEK 1 billion, a midtime repair is much lower than that.

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**Håkan Folin** - SSAB AB (publ) - Executive VP & CFO

And the big relining in Luleå was in total close to SEK 1 billion and when we take this midterm repair, they are not even 1/3 of that, maybe 1/3 to 1/4 of that.

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**Ioannis Masvoulas** - Macquarie Research - Analyst

And maybe just a last question on the restart of the smaller blast furnace. What sort of impact are you expecting on the unit cost, once this is up and running?

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**Martin Lindqvist** - SSAB AB (publ) - President, CEO & Director

The unit cost? I mean, in total, it is a bit more expensive to run a small blast furnace than a big plus furnace. Of course the cost -- unit cost in Oxelösund will go down. But overall, I would say, a slight increase because of productivity, a small blast furnace, as I said, is less efficient than a bigger one. So I mean, as you know, blast furnaces, I mean, the scale - the correlation between scale and cost is quite strong. The smaller, the more -- the less cost-effective. Not huge differences, but on the margin differences. But it is at least as we think about it, it's much better to do this than to buy slabs externally or to cut sales.

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**Operator**

Our next question comes from the line of Carsten Riek of UBS.

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**Carsten Riek** - UBS Investment Bank, Research Division - Executive Director, Head of European Steel Research and Equity Analyst, European Steel Research

Two questions from my side, both on the U.S. business. The first one is on the sustainability of the plate prices in the U.S. What we have seen in the numbers is that the HRC or the spreads between HRC and plates, are now at the highest since 2015. We all know that usually HRC and plates are running in tandem. So how sustainable, in your opinion, is -- are the current prices. Especially against the background that the operational issues at Nucor and ArcelorMittal's plate facilities seem to be fixed? That's the first one.

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**Martin Lindqvist** - SSAB AB (publ) - President, CEO & Director

First of all, what we have seen in the last couple of years is hot-rolled coil prices, even from time to time, being higher than plate prices and that's the -- not the normal. So when we look into Q4 and look into Q1, I mean we said we will see slightly higher plate prices in our P&L. And then we were out this Monday, I think, or Tuesday, and increased the prices in Q1 with USD 40 per tonne followed by Nucor and I read this morning as well, by ArcelorMittal. How will that play out during the first half of next year? To be honest, I don't really know, I don't have that in my order book. I don't have that visibility. But the underlying demand, if you look at the segments, consuming plate is looking good. And if you look at the import volumes, there is still import, but they are on much lower levels than when they peaked, and we saw a lot of Asian material and other material coming in. So I would say the balance looks quite okay, going forward as well, but what will that mean for prices? I don't have that visibility longer than Q4 and the start of Q1 with the price increases.





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**Håkan Folin** - SSAB AB (publ) - Executive VP & CFO

There's also been some changes on the hot-rolled coil versus the plate market. On hot-rolled coil, you have actually seen some new investment and new capacity in North America or in U.S. coming online with Big River steel. But on the plate side, it's actually the other way around, ArcelorMittal have closed the line that was actually roughly 5% of the total market. So the supply side has developed a bit differently for hot-rolled coil versus plate, the last few years as well.

**Carsten Riek** - UBS Investment Bank, Research Division - Executive Director, Head of European Steel Research and Equity Analyst, European Steel Research

Okay, that helps. The other question I have is on the CapEx plan you announced for Mobile and, of course, capital allocation is key for the sector, especially nowadays. I'm a bit puzzled about the payback and maybe you can help me on that because if I look at the SEK 1 billion investment, and I look at the shift in volumes from 0.3 million to 0.4 million tonnes, so we are talking about 100,000 tonnes more in Q&T, that would imply, at least on the back of the envelope, an EBITDA per tonne on those volumes of about -- of more than SEK 2,500 per tonne. That seems to me quite ambitious, to be fair, especially when we look at the Americas business in total and see that over the past, at least pretty much 2 -- 3.5 years, you returned an EBIT until the end of the second quarter 2018 of SEK 1.2 billion EBIT only and you've spent now SEK 1 billion potentially for the Mobile expansion.

**Martin Lindqvist** - SSAB AB (publ) - President, CEO & Director

To answer your question, the SEK 1 billion, which is a lot of money, is 50% -- roughly 50% calculated on better margins for Q&T or the margin difference for Q&T and the standard plate. And for Q&T, we have used figures that we are very comfortable with. And roughly the other 50% is reduced costs.

**Håkan Folin** - SSAB AB (publ) - Executive VP & CFO

I think Carsten, you were talking about the result that you have seen in Americas division. But the Special Steels products, even if they are produced in Mobile, they're actually sold and you get the result in the Special Steels division. So it's not really relevant to look at the Americas division because that's the standard plate. But the Q&T products, the increase will actually be happening in the Special Steels division, not in Americas.

**Carsten Riek** - UBS Investment Bank, Research Division - Executive Director, Head of European Steel Research and Equity Analyst, European Steel Research

Okay, understood. It would be helpful for us if we could get a split because it's for us extremely difficult to have a look at these businesses, not having the split between Americas and the specialty steel and the rest. You fly blind, let's face it.

**Martin Lindqvist** - SSAB AB (publ) - President, CEO & Director

But, I mean, as said, 50% roughly cost decreases or efficiencies, lower cost than 50% roughly, volumes. And I feel very confident when I say that this is -- has a payback time of slightly less than 4 years from yesterday evening.

**Operator**

Our next question comes from the line of Cedar Ekblom of Bank of America Merrill Lynch.

**Cedar Ekblom** - BofA Merrill Lynch, Research Division - Analyst

My questions have all been answered.



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**Operator**

Our next question comes from the line of Bastian Synagowitz of Deutsche Bank.

**Bastian Synagowitz** - Deutsche Bank AG, Research Division - Research Analyst

I have 3 quick ones left. Just firstly, you talked about iron ore costs being down but it seems only that their premium, you had to increase again further. Is this something, which you would start to see in the fourth quarter? Or will we rather see the effects in your P&L in the first quarter, given the time lag, until you realize these costs? And secondly, you obviously announced the plans on the Q&T expansion. Can you just give us any understanding on whether the SEK 1 billion will be evenly split over the years, '19 to '21? And then are there also any other potential strategic projects you're still basically looking into, and which you may have in the pipeline? And could you then lastly, briefly just confirm as well whether the 2 repairs you've got upcoming in Raahe in the next 2 years are fully baked into the SEK 2.5 billion CapEx guidance? And then my very last question, just on the Ruukki business...

**Martin Lindqvist** - SSAB AB (publ) - President, CEO & Director

Hold on a bit here. You're -- we are not so intelligent, we cannot remember all of this.

**Martin Lindqvist** - SSAB AB (publ) - President, CEO & Director

I remember the second question, I guess that's for me. But I would say roughly on that investment, roughly, very rough figure:, 50%, 2019; 30%, 2020; 20%, 2021. Veery rough figures. And then I leave the rest to Håkan, he has a better memory than me.

**Håkan Folin** - SSAB AB (publ) - Executive VP & CFO

On the iron ore pellets, that premium has gone up during the year. So I would say the last 1.5 years, or so. And we have already seen an increase in our iron ore costs based on that before. If the pellet premium continued to go up, sure, then we will see further increase, but what I showed on the slide was that was our purchase cost and those were actually basically neutral in Q3 versus Q2. And as you know, there is approximately 1 quarter of delay for the iron ore from when we purchased this until it hits the P&L. So it's not -- you're not going to see a huge difference in Q4, no.

**Bastian Synagowitz** - Deutsche Bank AG, Research Division - Research Analyst

Okay. So it would be Q1 in that case, okay, very clear. Then just following up on CapEx again. The 2 repairs you have and you mentioned for Raahe, in 2019, 2020, are those fully baked into the SEK 2.5 billion CapEx guidance? I would think probably yes for '19 but also for '20?

**Håkan Folin** - SSAB AB (publ) - Executive VP & CFO

Yes, they're all baked into that rough level of around SEK 2.5 billion.

**Bastian Synagowitz** - Deutsche Bank AG, Research Division - Research Analyst

Got it. Okay. And then just my very last question was just briefly on Ruukki. Could you remind us of the residual book value of Ruukki -- of the Ruukki business in your accounts just given the impairment you've made and it was only a relatively small portion of the business.



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**Martin Lindqvist** - SSAB AB (publ) - President, CEO & Director

You mean the Russian business?

**Bastian Synagowitz** - Deutsche Bank AG, Research Division - Research Analyst

Exactly. The Russian business, obviously, there was an impairment related to, as what I understood, just the Russian component of Ruukki, but obviously, that was only the smaller share. So what is the residual book value of Ruukki, would you still have on your...

**Martin Lindqvist** - SSAB AB (publ) - President, CEO & Director

On the whole Ruukki Construction?

**Bastian Synagowitz** - Deutsche Bank AG, Research Division - Research Analyst

Correct, just roughly.

**Martin Lindqvist** - SSAB AB (publ) - President, CEO & Director

I don't have this on the top of my head actually. We can follow up on this.

**Operator**

Our next question comes from the line of Oskar Lindstrom of Danske Bank.

**Oskar Lindstrom** - Danske Bank Markets Equity Research - Senior Analyst

Four questions from me, and I'll take them one at a time to give you time to answer. The first one is on Europe, I mean, the production issues that you listed affected the third quarter. I mean, is that production running well now?

**Martin Lindqvist** - SSAB AB (publ) - President, CEO & Director

Yes.

**Oskar Lindstrom** - Danske Bank Markets Equity Research - Senior Analyst

So we're back to normal, sort of, i.e...

**Martin Lindqvist** - SSAB AB (publ) - President, CEO & Director

Yes.



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**Oskar Lindstrom** - Danske Bank Markets Equity Research - Senior Analyst

Okay, good. Second question is on the Mobile investment. Is that going to have any negative impact on volumes during the time of the investments, i.e., longer maintenance stops or such things?

**Martin Lindqvist** - SSAB AB (publ) - President, CEO & Director

No.

**Oskar Lindstrom** - Danske Bank Markets Equity Research - Senior Analyst

And the third question is on the special steel volume development, which has been going very well. You have a strategic target to hit 1.35 million tonnes by 2020. You're getting pretty close to that already.

**Martin Lindqvist** - SSAB AB (publ) - President, CEO & Director

Yes.

**Oskar Lindstrom** - Danske Bank Markets Equity Research - Senior Analyst

Does not mean you should be sort of plateauing at 1,350 up to 2020 or you...

**Martin Lindqvist** - SSAB AB (publ) - President, CEO & Director

No, but I mean, the target as such, would not hinder us from continuing to develop this business. And we said that we had the capacity to reach that target and over -- and also overachieve that target. Now we'll take the next up with the investment in Mobile. So Håkan showed the figures from 2008, and I've said that before. I mean we probably overinvested at that time, but now we have hopefully learned something from that as well. So we take it step-wise when we need the capacity and today we are running fully Mobile for Q&T and we need more capacity and then we let the market become the -- I mean, decide when to do these investments. But there are other possibilities to debottleneck. So what it's all about is, I said many times now, it's not about increasing the total volume out of SSAB but continue to shift the mix towards special steels and Q&T and reduce the mix or the part that is more standardized steel.

**Oskar Lindstrom** - Danske Bank Markets Equity Research - Senior Analyst

So but just going back to Special Steels' volume in, let's say, 2019, I mean do you have capacity to produce more than 1,350 already in 2019, for example? Is that...

**Martin Lindqvist** - SSAB AB (publ) - President, CEO & Director

Yes.

**Oskar Lindstrom** - Danske Bank Markets Equity Research - Senior Analyst

Okay. Great. Well just one more question then is on imports into Europe. I mean the -- I think it was the European Steel Association requested tariffs against Turkish or quotas, I believe, against Turkish imports. And then there's the whole question of sort of making the temporary tariffs into sort of long-term. What's happening with the European trade policy on steel?

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**Martin Lindqvist** - SSAB AB (publ) - President, CEO & Director

I'm not 100% updated. I should probably be, being on the board of Euro Fair, but I'm not. But what I see and what we see is that we don't see much of that into our home market, the Nordic region. And we don't need that either with our more advanced products on Continental Europe. Sorry, I'm not up to speed when it comes to import from Turkey into Southern Europe and the effects of this.

**Oskar Lindstrom** - Danske Bank Markets Equity Research - Senior Analyst

But you're not feeling any pressure from non-European imports competing against your products in Europe?

**Martin Lindqvist** - SSAB AB (publ) - President, CEO & Director

No. Well, there is always competition, of course, but I wouldn't say that anything abnormal, no, but there is always competition.

**Oskar Lindstrom** - Danske Bank Markets Equity Research - Senior Analyst

Yes, but there's no change, so that more volumes have started to find their way into the European market? I mean in any sense...

**Martin Lindqvist** - SSAB AB (publ) - President, CEO & Director

Not what we have seen so far. How will it look in the future? Impossible to answer, I think. But n,o, no big shifts in any direction, so far at least.

**Operator**

Our last question comes from the line of Luc Pez of Exane.

**Luc Pez** - Exane BNP Paribas, Research Division - Stock Analyst

Would it be possible to -- bit of clarification as to what you would target as a working capital to sales over time, given the fact that, obviously, you've been outperforming with regards to your ability to better control working capital requirement in this quarter once again. Should we think 22%, such as the figure we can see on the 12 months' rolling basis is the, let's say, the new normal? Or do you see room to further improve, when I look at the inventory as a percentage of sales?

**Martin Lindqvist** - SSAB AB (publ) - President, CEO & Director

No, but you should not see this as the new normal. I think this is a every day -- I mean this is continuous improvement. So, of course, there was a lot of things, as we have said before, I mean after the acquisition of Ruukki, we focused on synergies, manning, flexibility, and those issues, I mean, are not so much to be honest on working capital. Working capital efficiency is always important, and as Håkan pointed out, there is more to do but more, call it, continuous improvements all of the time. So you should not expect us to stay on this level. You should expect ask us to continue to become better and better.



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**Håkan Folin** - SSAB AB (publ) - Executive VP & CFO

And if we have seen the last, since we really started with this during 2016, Q3, Q4, we have seen a very good development, I would argue. And I -- unfortunately, I would like to, but I wouldn't dare drawing the trend line continuing in that pace. But still, as Martin said, small improvements quarter-over-quarter, year-over-year, that's really what we are aiming for.

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**Luc Pez** - Exane BNP Paribas, Research Division - Stock Analyst

So you don't want to commit on a, let's say, medium-term target here?

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**Martin Lindqvist** - SSAB AB (publ) - President, CEO & Director

No, the only thing we commit is become better day-by-day. So I think it's impossible to give a target because we have internal targets, of course, but not in absolute terms but rather in net working capital over sales. And, I mean, we have targets for every year, every quarter, where we should be. So -- but the day we say that now we are perfect and here we will stay, then I think we are making a big mistake.

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**Operator**

Thank you. As we have no further questions, I'll turn the call to our speakers. Please go ahead.

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**Per Hillström** - SSAB AB (publ) - Head of IR

Okay. Thank you. Do we have any final question from the audience here? Okay. By that, we thank you for the attention, and wish you a nice Friday.

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**Martin Lindqvist** - SSAB AB (publ) - President, CEO & Director

Thank you very much.

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**Håkan Folin** - SSAB AB (publ) - Executive VP & CFO

Thank you.

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**Operator**

That concludes our call. Thank you for attending. Participants, you may disconnect your lines.

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