Transcript for Outokumpu Q4 2024 results webcast

00:00:00 - 00:00:38
Linda Häkkilä: Hello all, and welcome to Outokumpu's Q4 2024 results webcast. My name is Linda Häkkilä and I'm the Head of Investor Relations here at Outokumpu. Today, as our main speakers, we have our CEO, Kati ter Horst, and our CFO, Marc-Simon Schaar. As per usual, we will first start with our presentations and after that, we are happy to answer your questions. Before we start with the presentation, I would like to remind you about the disclaimer as we might be making forward-looking statements. Now, without any further comments, I would like to hand over to our CEO.

00:00:39 - 00:01:50
Kati ter Horst: Thank you very much, Linda, and very warmly welcome everyone to our Q4 and full year 2024 result call. Before I continue to discuss the result in more detail, I would like to say a couple of opening words. In today's geopolitical situation and with the ongoing tariff discussions, they are creating a lot of uncertainty for companies, industries, and countries. That is, in general not good for the investment climate, nor for the economic growth in the world. Outokumpu is, of course, a global player in stainless steel production in Europe and North America. We are, in principle, clearly an advocate of free trade and fair competition. However, as Asian imports have increased significantly both in North America and in Europe, we do welcome the measures to establish a level playing field. Steels would also be seen as an infrastructure-critical industry worth protecting.

00:01:51 - 00:03:05
Kati ter Horst: Furthermore, Outokumpu is in a very key position. Outokumpu is the industry leader in sustainability and stainless steel is part of the solution for the green transition. For instance in electrification, transport, and energy. Let's now then move to discuss our result. To summarize the year 2024, our adjusted EBITDA totaled 177 million euros. The market conditions were difficult in terms of stainless steel deliveries and prices, but we kept our market position. Number one in Europe with 31 percent market share and the clear number two in North America with 24 market share during the year 2024. Then ferrochrome, this time actually contributed to 60 percent of our result and provided further stability. There's clearly more interest in our low-emission, geopolitically, well-located ferrochrome as the only producer in the EU area.

00:03:05 - 00:04:07
Kati ter Horst: Then we are clearly the industry leader in sustainability and safety. We are well on track with the emission reduction target, and our total recordable incident rate of 1.5 is really a world-class performance. Then, despite the weaker profitability, we did maintain the strongest balance sheet in the industry and returned 144 million of capital to our shareholders. Given the current situation, we have continued to work on measures to improve our profitability. During 2024, we reached a 101 million EBITDA run rate improvement, bringing the cumulative number to 287 million euros by the end of the year. We will deliver the targeted 350 million improvement target by the end of this year, including both commercial and cost-saving actions.

00:04:08 - 00:04:41
Kati ter Horst: One recent structural change that I could give us an example of is, for instance, the decentralization of the production of advanced material in Germany to Limburg, while we were then also at the same time closing the Hockenheim coal service center. This will deliver 50 million in savings during this year. Due to the delayed market recovery, we have decided on additional short-term cost-saving actions to protect our results and financial position. I move now to comment on that.

00:04:43 - 00:05:47
Kati ter Horst: We will deliver 50 million of short-term, cost-saving actions that will be coming into our result during 2025. This includes a range of measures from improvements in procurement, and operational efficiency to cutting discretionary spending and postponing some of the recruitments. We have also decided to limit this year's CapEx to 160 million. We will definitely continue to take care of the needed maintenance, but we are then somewhat delaying some of the more strategic investments. Before we take a more detailed look at Q4 and the full-year 2024 result, I would like to also comment on the market price development. As you can see from the left graph, market prices continued to decline in Europe during Q4, while prices stabilized in the Americas after a continuous decline since the beginning of 2023.

00:05:48 - 00:06:35
Kati ter Horst: At the same time, if you look at the right side of the picture, the LMEI nickel support prices decreased then towards the USD 1,500 level towards the end of the year. There are two key reasons for the

continued price pressure on the market. Firstly, the low demand reflects weak economic activity, low consumer confidence, and basically no growth in industrial production we know in Europe or the Americas. Secondly, low-priced Asian imports have been flooding the North American market and Europe, reaching 25 percent share in Europe and even 38 percent share in North America during the Q4.

00:06:36 - 00:07:28
Kati ter Horst: Next, I will then I'd like to comment a bit on our full year and Q4 results in more detail. If we compare 2024 to the previous year, our group deliveries decreased by six percent. There was a difference, however, between Europe and America, so the deliveries decreased by 11 percent in Europe and they increased by eight percent in the Americas, coming from a low level in 2023. European demand was historically low during 2024, even lower than during the COVID year of 2020. Profitability both in Europe and the Americas was negatively impacted by lower realized prices for stainless steel and unfavorable impacts from a tighter scrap market.

00:07:34 - 00:08:27
Kati ter Horst: What I would also like to note is that without the Finnish political strike impact, our result would have been around 240 million. If we then add the impact of the operational issues that we had during the first half of the year in the Americas, then we would have come to something like 280 million. Therefore, 100 million more than we are now reporting. These issues in the Americas have been solved. Let's then turn to look at the Q4 in isolation. The key message that we have here for Q4 is that the stainless steel market in Europe turned out to be weaker than we expected, both in terms of volumes and prices. Our deliveries in Europe decreased by nine percent and in the Americas by seven percent versus Q3.

00:08:28 - 00:09:24
Kati ter Horst: Realized prices were lower in Europe and relatively stable in the Americas. In addition, we had negative raw material impacts and our costs were higher, mainly due to the prolonged maintenance in Tornio as we communicated earlier. Then business area ferrochrome continued to perform very well in Q4 through their efficient production and energy optimization. After this, I would like to turn to discuss our sustainability performance. Outokumpu is the clear sustainability leader in our industry, and I'm extremely proud of that. We have by far the best safety performance in the global steel sector. Indeed, our total recordable incident frequency rate of 1.5 is a world-class level. Also, in the product global process industry.

00:09:24 - 00:10:34
Kati ter Horst: Then our high scrap rate at 95 percent is the key contributor to our low carbon footprint for stainless steel. We are tracking very well towards our SBT target, now reaching a 32 percent reduction in our emission intensity by the end of '24 compared to the 2016 baseline. Then, in line with our smart decarbonization strategy, we will reduce CO^2 emissions in ferrochrome production by gradually moving and replacing the fossil coke with bio-coke. To support this plan that was announced earlier, we have now decided to invest in bio-carbon production in Germany. To support Ferrochrome further, our chrome mining company will be carbon neutral by the end of 2025. We are also experiencing increasing customer demand and interest in low-emission minimized Outokumpu's circle green that we announced already more than a year ago.

00:10:35 - 00:11:05
Kati ter Horst: One note that I would like to also do here in the end is that in this geopolitical situation where we are, managing the supply chains has become even more critical. I would like to highlight in that regard that the Ecova has ranked Outokumpu among the top one percent of companies in the world assessed by the platinum rating. I would like to now hand to Marc-Simon Schaar to discuss further our financial strength.

00:11:06 - 00:12:07
Marc-Simon Schaar: Thank you, Kati. Good morning, good afternoon, everyone. Welcome also from my side to our webcast. In times of weak economic environment, securing the financial strength of a company is paramount. Kati already talked about us addressing our costs and earnings trajectory, and I will now continue with providing you an update on our financial position and liquidity at the end of last year. Let me then share with you the following overview. I must say, I am very pleased that our net debt decreased, quarter on quarter, to a level of 189 million euros, keeping our net debt to adjusted EBITDA ratio at 1.1. Here, please remember that our target is to stay at a leverage ratio of one during normal market conditions, from which we are currently far away.

00:12:08 - 00:13:15
Marc-Simon Schaar: Adjusted for the impact of the political strike in Finland during the first half of the year,

the leverage ratio would have even been below one. Due to swift measures to address the current market environment, we were able to improve our liquidity reserves to a strong level of 1.1 billion euros. At the same time, our 2024 annual CapEx was at 260 million euros. As Kati pointed out, we adjusted our CapEx plan for the financial year 2025 to 160 million euros, which decreases our phase two CapEx target by almost 50 million euros to a level of 550 million. During times like this, we must carefully manage our spending with a clear focus on smart capital allocation and especially the right timing of those. Let us now have a look at the performance of our business areas, starting with business area Europe.

00:13:18 - 00:14:22
Marc-Simon Schaar: In Europe, we were faced with tough market conditions towards the end of last year, which led to an unsatisfactory result. The deliveries of 287 kilotons in quarter four were the lowest amount at least since 2015 and 12 percent less than a year ago. While imports increased year on year, up to a level of 25 percent in the fourth quarter, compared to a level of only 19 percent during 2023, we were able to keep our market share relatively stable in Europe despite the political strike impact in Finland earlier in the year. Given the low demand and high import pressure, realized prices decreased quarter on quarter. At the same time, we had increased raw material costs due to the impact of higher prices from earlier periods when we had to replenish our supply chain following the political strike.

00:14:23 - 00:15:17
Marc-Simon Schaar: These higher costs negatively impacted our profitability in the fourth quarter. In addition, our fixed costs were higher, driven by the maintenance work which was concluded in the fourth quarter. Variable costs seasonally increased due to slightly elevated energy prices. Furthermore, we had fewer gains from a net of timing and hedging quarter on quarter. Now, looking at the market environment, the manufacturing industry remained in contraction with the PMI below 50. For a proper demand recovery, consumer confidence and industrial production need to improve. This requires a supportive and reliable investment climate, with competitive energy prices, lower interest rates, and overall more visibility.

00:15:18 - 00:15:59
Marc-Simon Schaar: Generally, investments are made with a long-term perspective in a stable and predictable investment environment. Therefore, from an industry perspective, the European demand situation in appliances, construction, chemicals, heavy industries and automotive had not improved yet, but the energy, marine, and mining sectors continued to run better. Additionally, we have seen distributors notably replenish their inventories. So far, the update on the business area, Europe, and let's move over now to the business area, Americas.

00:15:59 - 00:16:59
Marc-Simon Schaar: In the fourth quarter, the US manufacturing sector experienced a continued contraction. Overall, while there were signs of improvement in November, the manufacturing sector faced challenges throughout the quarter, including subdued demand, policy uncertainties, and inflationary pressure. In Mexico, the manufacturing sector also continues to face challenges, with a PMI below 50. Concerns in the automotive sector, rising insecurity, protectionist policies, and competition from Asia, with currently only minimal tariffs, are contributing factors. At the same time, imports into the North American market rose by three percentage points to 38 percent in the fourth quarter, double the level in 2020.

00:16:59 - 00:18:01
Marc-Simon Schaar: The imports were predominantly coming from Asia. While imports also increased year on year, we were able to keep our market share in North America stable at 24 percent. In this market environment, distributor inventories stayed at low levels, but given the low demand situation, their inventory days remained at a relatively high level. While the low demand situation was visible in all sectors, oil and gas continued to be on an okay level. As a result of that, and given the typical Q4 seasonality, our stainless steel deliveries decreased in Q4, while we maintained our market share as mentioned before. The negative impact from production and deliveries was offset by lower variable costs and a positive impact from a property tax settlement in the US.

00:18:03 - 00:19:03
Marc-Simon Schaar: Going forward, we expect the US market to be supported by increased domestic production and more infrastructure investments to come. Now let's continue with our business error, ferrochrome. While the ferrochrome market also remained challenging, I'm very pleased with the business area's improved result in quarter four, certainly benefiting from our unique, low-emission, European-based product. The main driver for the profitability improvement versus the third quarter was a strong cost performance in both variable and fixed costs. This was partially offset by a negative impact from lower internal deliveries, as we

have seen before. Overall, the market outlook for our unique ferrochrome remains positive and is even further supported and accelerated by the CBAM implementation starting in 2026.

00:19:05 - 00:20:06
Marc-Simon Schaar: In these times of political uncertainty, it is important to remember that we are the largest producer of ferrochrome in the Western world. Most of the world's ferrochrome production happens in BRICS countries. Then furthermore, I would like to highlight our announcement earlier in January that our mineral reserves estimates doubled based on our underground drilling results. The updated total estimated reserves correspond to a turnover of approximately 15 billion euros, based on January through September 2024 average prices. In this context, I would like to remind you that there is sufficient or availability until 2050 without any major investment needs in our chromite or mine in Kemi, Finland.

00:20:06 - 00:21:12
Marc-Simon Schaar: Now my final comments relate to our strong financial position. As mentioned earlier, I am happy to say that our net debt decreased quarter on quarter well below 200 million euros, supported by active working capital management, which we intensified after we saw the further weakening of the market. We will continue with our active working capital management and smart capital allocation, which is vitally important in the current market environment. The increase in net debt during the last year was mainly driven by soft earnings, including the unfortunate negative impact of 60 million euros from the political strike in Finland. Total capital returns to shareholders of 144 million euros, including both dividend payments and share buybacks and additional lease liabilities of 34 million euros for our three new line of vessels.

00:21:14 - 00:21:34
Marc-Simon Schaar: Especially during these times of a challenging market environment, we maintain our strong focus on and take decisive actions to keep or to compose financial condition healthy. With this financial update, I would like to thank you for your attention and hand over back to you, Kati.

00:21:35 - 00:22:24
Kati ter Horst: Thank you, Marc-Simon. Before we go forward, actually I would like to use the opportunity now a bit to update you also on the latest on the Finnish strike situation. One thing is that there are several strike warnings in different industries for the month of February but I would like to confirm that Outokumpu is not on any of these lists. Outokumpu is not expected to be affected by the strikes if they continue in February. Then the other I think important point is that these causes are continuing between the parties. Of course, as Outokumpu, we are hoping that an agreement can be reached soon. Then I would like to continue to discuss the proposals from the board.

00:22:24 - 00:23:23
Kati ter Horst: With our solid financial position and positive long-term outlook, we go to the next slide, where the board of directors of Outokumpu proposes a dividend of 26 euro cents per share for the year 2024, to be paid then in two installments. Let's then move as normal to the outlook and guidance for Q1. Group stainless steel deliveries in the first quarter, I expect to increase by 10 to 20 percent compared to the fourth quarter, including the impact of the one-week strike, while the pressure on realized stainless steel prices is expected to continue during the first quarter. Maintenance costs are forecasted to decrease by approximately 10 million euros in the first quarter compared to the fourth quarter.

00:23:24 - 00:24:19
Kati ter Horst: Then the one-week strike in Finland that happened in January, is expected to have an approximately 50 million negative impact on the adjusted EBITDA in the first quarter. Then the risk of further strikes causes uncertainty for Outokumpu's earnings development in the first quarter, and the impact of each additional week of strike is expected to be approximately negative 50 million euros on the adjusted EBITDA. Then with the current raw material prices, some raw material-related inventory and metal derivative losses are forecasted to be released in the first quarter. Our guidance for Q1 stands for adjusted EBITDA in the first quarter of 2025 is expected to be higher compared to the fourth quarter, and this guidance includes the impact of the one-week strike.

00:24:23 - 00:25:16
Kati ter Horst: While we are still at the low point of the cycle, I would also like to say that we do see some first signs of market recovery coming closer. However, in the meantime, we will need to continue to focus our profit improvement actions and we are also developing our future strategy. Then I would like to take up on two topics that we have communicated earlier today, where we said, firstly, that we have decided not to proceed with a

controlling capacity expansion in the US at this moment. I would like to clarify that this conclusion was made prior to the current tariff discussions. In principle, the tariffs and the planning would support domestic production in the Americas. We will, of course, continue to follow the situation.

00:25:16 - 00:26:04
Kati ter Horst: It's important to note that our type of investments are done long term. They are not depending on tariffs for one or two years or one term of a president. In any case, I would like to confirm that we see America as an attractive market. I will continue to explore growth opportunities there. We have also then today announced that we have finalized the feasibility study on SMR. Although the outcome was very encouraging and energy as such is a strategic topic for us, we do not see energy production as a core business for Outokumpu. Therefore we are looking for a partner that would be interested in investing in energy production next to our site in Tornio, Finland.

00:26:05 - 00:26:24
Kati ter Horst: Finally, I would like to very warmly welcome you to our capital markets day that will be then held on June 11th this summer. This concludes today's presentation. I guess then we are ready for the questions and answers. Let's start.

00:26:27 - 00:26:53
Computer voice: If you wish to ask a question, please dial pound key, five on your telephone keypad to enter the queue. If you wish to withdraw your question, please dial pound key, six on your telephone keypad. The next question comes from Ioannis Masvoulas from Morgan Stanley. Please go ahead. [silence 00:26:49-00:26:52]

00:26:53 - 00:27:40
Ioannis Masvoulas: Hello, thank you very much for the presentation. I have two questions from my side. The first thing is the US gold rolling investment that is not going ahead. This was arguably one of the most mature and capital-efficient growth options in your portfolio. As you indicated, the US market, in terms of the underlying fundamentals on the demand side and the supply deficit in the domestic market looks quite attractive as we've seen on the pricing side as well over the past few years as compared to other regions. Can you elaborate a bit more on the underlying reasons for your decision not to go ahead? Was it mostly a function of higher CapEx than you originally anticipated? Is it fair to say that without tariffs, project economics no longer look compelling? Maybe I'll stop here for the first one.

00:27:41 - 00:28:44
Kati ter Horst: Thank you for your question. Maybe I'll start on that. I think we have looked at the Americas market, how we see the demand developing, and how we see the demand-supply balance developing. I think one of our key conclusions was that we didn't, right at this moment, see that there would be enough room for additional expansion in controlling capacity. Then at the same time, we communicated that we have been working on debottling our current assets and doing smaller investments in the Americas and in Mexico. That has proceeded well. We have said that there would be 80,000 tons of additional capacity. For now, we have decided rather to do that than make a big investment in the current environment. Like I said, we are keeping the door open and we will continue to see if that moment is right later on. As well, we are looking at other growth options in the Americas and comparing them to each other.

00:28:46 - 00:29:13
Ioannis Masvoulas: Thank you for that. The second question is on Max Inox. You've got 250,000 tonnes of gold rolling capacity in Mexico that relies mostly on hot-rolled imports from your Calvert facility in the US. In a scenario where we see the US and Mexico erecting 25 percent tariffs on each other, how can you reposition the supply chain for Mexico so it can remain a competitive asset in the years to come?

00:29:14 - 00:30:11
Kati ter Horst: I would want to start by saying that there are no tariffs that Mexico has imposed now on the US. Our view is that the negotiators in the background are continuing. Mexico has kept itself quite calm in this situation. I find it from a starting point, difficult to imagine looking at how tight Mexico and the US are together in some of the very complex supply chains, for instance for the automobile industry, but for many other appliances as well, that this would be in the interest of Mexico. Then, should something happen, we will estimate and look at it but we have, of course, opportunities also to supply from Tornio or some other sources. However, we don't really see this now as a scenario that we would believe in. Let's put it like that without speculating more on it.

00:30:13 - 00:30:16
Ioannis Masvoulas: Okay, thanks very much. I'll go back to the queue. Thank you.

00:30:16 - 00:30:21
Kati ter Horst: Thank you. [silence 00:30:17-00:30:20]

00:30:21 - 00:30:28
Computer voice: The next question comes from Tristan Gresser from BNP Exane. Please go ahead.

00:30:30 - 00:30:44
Tristan Gresser: Hi. Thank you for taking my questions. Just to follow up on Mexico, can you tell us how much volumes you're shipping from Calvert to Mexico, how much then stays in Mexico, and how much you ship back to the US?

00:30:46 - 00:31:07
Kati ter Horst: It depends, of course, on how full we run in Mexico to start with. However, if we say that Mexico has a controlling capacity of about 250,000 tons, then we would be shipping for that kind of controlling taking place in Mexico, about 280,000 tons of hot-rolled material, right?

00:31:08 - 00:31:08
Marc-Simon Schaar: Yes.

00:31:09 - 00:31:27
Kati ter Horst: Then what comes back to the US also depends on the year, but it's a relatively small amount. We talk about it, then do 20,000 tons. If America's market is doing really well, it could be more, but it's a minor volume of what we control in Mexico.

00:31:29 - 00:31:36
Tristan Gresser: Okay, that's clear. The vast majority of your production in Mexico stays in Mexico.

00:31:36 - 00:31:40
Kati ter Horst: Yes, it depends on Mexican demand and the market situation, how much we bring there.

00:31:42 - 00:32:04
Tristan Gresser: All right, that's clear. Just coming back to your options, if Mexico were to retaliate, can you remind us what happened in 2018? At the time, you had the tariffs of Section 232, but did Mexico retaliate? Exactly how did you adjust your production? What really changed at the time for you in the region?

00:32:04 - 00:32:25
Marc-Simon Schaar: Kati, if I can take that question, in a way, yes. In the beginning, there were certain measures being put in place but then we have this melt and poor provision in place as well from the Americas and therefore not being affected.

00:32:27 - 00:32:29
Kati ter Horst: Basically, it was sold quite quickly.

00:32:29 - 00:32:32
Kati ter Horst: Yes. That was the point.

00:32:33 - 00:33:16
Tristan Gresser: Okay. Thank you for that. Then when we look at the US market in general, you mentioned the import pressure, but you also said that you are pulling this investment in the US. I think you also warn of potential demand destruction from the tariffs. I just wanted you to make it clear. Are those tariffs a positive for your business in the Americas and if 50 percent of the import volumes that used to come in the US were not paying the tariffs or not paying it? It should be a positive. Do you expect to see higher base prices like in 2018 or would you see the situation a bit differently from last time around?

00:33:16 - 00:33:34
Kati ter Horst: Let me comment like this. I'm not commenting on pricing and forward-looking, but let me

comment like this, yes, overall we do see the tariffs put to protect the American stainless steel market or steel market as positive for Outokumpu being a local producer. That is, I think, valid.

00:33:36 - 00:33:56
Tristan Gresser: All right. Then if we look at the margin progression in the US, would you expect to hit the 170 million target this year? Can we already see maybe a return in Q1 and Q2 of the margins of last year's levels? Is that fair?

00:33:57 - 00:34:28
Kati ter Horst: Yes, I don't want to speculate on that now. We have to remember that we come from low levels of demand and pricing as well. I think we need to also see in the US market, the industrial production investments picking up to support the demand. I think the tariffs could support local production and also will bring some inflation and price increase pressure to the market. That's how I would comment on it.

00:34:29 - 00:34:37
Marc-Simon Schaar: Particularly the Mexican market to recovery here. It's not so much about the US but the Mexican market.

00:34:38 - 00:34:49
Tristan Gresser: Okay. In terms of margin pressure, should you see any more squeeze into Q1 with the lags effect or is it more of a stable kind of development on the margin side?

00:34:51 - 00:35:12
Kati ter Horst: I think we said that there is still some price pressure. I could say that we also see our order books looking more positive, whether that is now replenishing of stocks, that starts to happen. When we really see the real demand coming in, is a bit difficult to say, but there are some positive signs.

00:35:14 - 00:35:38
Tristan Gresser: All right, that's it. That's clear. Just the last question. On Europe, would you expect to be a bit positive in Europe and kind of the same question as to the US? It looks like there would be some pressure on prices, but to have a more definite and precise vision on price is always a bit tricky. I'm curious to hear your thoughts if you think the division can turn a bit that positive as soon as you want.

00:35:40 - 00:35:57
Marc-Simon Schaar: Maybe I can take that. While we are not guiding specifically on a level, the only comment I really would like to make is that we see a notable improvement in European profitability going forward into Q1.

00:35:57 - 00:35:58
Tristan Gresser: All right, perfect.

00:36:00 - 00:36:00
Marc-Simon Schaar: Thank you.

00:36:00 - 00:36:01
Tristan Gresser: Thank you. Excellent.

00:36:01 - 00:36:01
Kati ter Horst: Thank you.

00:36:05 - 00:36:17
Computer voice: The next question comes from Anssi Raussi from SEB. Please go ahead. [silence 00:38:10-00:36:16]

00:36:17 - 00:36:49
Anssi Raussi: Thank you for the presentation and I have a few questions left. First, if I start with your Q1 guidance or your guiding somewhat, I would say exceptional volume growth for Q1 compared to the seasonality in recent years. Have you seen a clear uptick in underlying demand, or is it something else like inventory buildup in the US or just the extended maintenance breaks in the comparison period? Do you see something extraordinary here?

00:36:50 - 00:37:20
Kati ter Horst: I would comment, no, nothing extraordinary. I think seasonality-wise, it'd be coming from low levels. First of all, seasonality-wise it's a strong quarter. I think there is an impact of replenishing stocks from a low level starting to happen and then hopefully going forward, we will also see the kind of real demand coming through. That's a bit difficult still to estimate. As I said, some positive signs, at least if you look at our order book.

00:37:23 - 00:37:56
Anssi Raussi: Okay, got it. Then about your decision to cancel this gold rolling investment for now. You say here that these new tariffs could have an impact on your analysis but when do you plan to reassess this investment? Also, I think you mentioned that this decision to cancel this investment plan allows you to direct your capital into other areas. What areas are you seeing that would have a better return on capital?

00:37:57 - 00:38:11
Kati ter Horst: Let's answer like that that America's market continues to be interesting. We are also looking at other opportunities but also wider in the group and I would like to come back on that more in detail than during our capital markets day in June.

00:38:15 - 00:38:40
Anssi Raussi: Okay. Lastly, one simple question about your working capital in Q1 and the first half of 2025. Do you think that your current inventory levels are normal or maybe there's still some excess inventory? How do you see the situation? Of course, I'm thinking of your cash flows here.

00:38:40 - 00:39:21
Marc-Simon Schaar: For the fourth quarter, I would say that we had been somewhat preparing for a potential strike in Finland over there. Therefore, I would say that Q4 levels still had a level of improvement there. However, on the other side, as Katja also mentioned, we do see some more activity. In the first quarter, we expect working capital to pick up again in line with the sales activities, which we have.

00:39:24 - 00:39:26
Anssi Raussi: Okay. Thank you so much. That's all for me.

00:39:26 - 00:39:33
Kati ter Horst: Thank you. [silence 00:39:26-00:39:32]

00:39:33 - 00:39:39
Computer voice: The next question comes from Bastian Synagowitz from Deutsche Bank. Please go ahead.

00:39:41 - 00:40:04
Bastian Synagowitz: Hi. Good afternoon, and thanks for taking my questions. I've got a couple and I'll start off with volumes. Just looking at the 10 to 20 percent volume guidance, that's obviously a lot. Can you maybe give us a little bit of color on whether you're feeling more comfortable about the volume uplift in the first quarter in either the US or the Americas, or is this very similar to what you're seeing? That would be my first question.

00:40:05 - 00:40:12
Marc-Simon Schaar: I would say relatively seen, Bastian. We see it similar in both business areas.

00:40:14 - 00:40:50
Bastian Synagowitz: Okay, understood. Then just if we extrapolate that to the commercial side, I guess 10 to 20 percent volume uplift, that's a lot. I guess on the other side, when we look at prices, particularly into the late last year, they've been obviously under a lot of pressure, but it would be generally hard to imagine that there is a 10 to 20 percent uplift in volumes without at least some positive traction on the pricing as well. Do you start to see or feel more positive about the pricing side as well? Are there any actual tangible improvements you would already see in the first quarter at this point?

00:40:51 - 00:41:15
Kati ter Horst: We have given our pricing guidance, saying that the prices are still under pressure in Q1 in the guidance. We are not giving guidance on prices basically, and not on longer, so I can't really comment on that. I

think the only comment I gave earlier is that we see other books looking more positive. I think you need to then draw the conclusions from that.

00:41:17 - 00:41:37
Bastian Synagowitz: Okay, all right. We can put it the other way around. I guess if there's a 20 percent uplift in volumes if you can't capture it via pricing, I guess there would be a commercial issue. I guess from that, I would infer that there probably should have been a little bit of pricing power moving back to the mill side in Europe.

00:41:40 - 00:41:54
Kati ter Horst: So that we come on for more low levels and deals, of course, are made also a bit earlier. It's a bit difficult to comment without going into a pricing discussion, honestly.

00:41:56 - 00:42:19
Marc-Simon Schaar: To give a bit more color, Bastian, here as well. We talked about the order book, we then also talked a bit more outlook into the future. As Kati said, that is what you need to take into consideration. Also, this is driven by replenishment. We don't see a significant increase in the underlying end-user demand here, just to put things a bit into perspective.

00:42:20 - 00:42:54
Bastian Synagowitz: Understood. Okay, great. Then just following up briefly on the cost situation in Europe, I guess you mentioned that there has been a bit of a headwind here from the replenishment of inventory and input factors, probably after the strike, which has impacted Q4. I'm not quite clear. Is this a temporary headwind and more of a technical nature that will unwind into Q1 or the quarters ahead? It will be more of a tailwind from here. Or is the current level you've been running at more or less what you're seeing in the first quarter as well?

00:42:56 - 00:43:08
Marc-Simon Schaar: Very clearly one time in nature and then also for the first quarter and going forward and Tailwind.

00:43:09 - 00:43:37
Bastian Synagowitz: Understood, great. Then maybe coming back on tariffs here, you've been discussing the situation probably more from a US angle. Is there any major exposure you do have from shipping stainless steel into the US from the European sides as well, either Sweden, Finland, or Germany? Maybe you can update us. What is the actual volume exposure you do have? I'm thinking particularly about things like brighter yield, for example. Maybe you could help us there.

00:43:37 - 00:44:28
Kati ter Horst: Yes. The exposure from Tony's point of view, I could comment it like this. It's between one to two percent of our European sales depending on the year, so it's small. It's very small. There are some products that are under tariffs. Currently, some are not, kind of more alloys. Then I think the ruling now that came on under Section 232 is that when you have the exemptions, they are valid until they last. Then depending on the product category it could be that there are 12 months to go or five months to go or something like that. We will need to look at that but it's small. That impact is small on Outokumpu. Then I think the other side of the story is that when there are specialty products that are not made in the US and there's a need for those products, then customers will pay the tariffs.

00:44:30 - 00:44:33
Bastian Synagowitz: Okay, perfect. Thanks so much. I'll jump back into the queue.

00:44:35 - 00:44:35
Kati ter Horst: Thank you.

00:44:36 - 00:44:37
Marc-Simon Schaar: Thank you.

00:44:38 - 00:44:47
Computer voice: The next question comes from Krishan Agarwal from Citibank. Please go ahead. [silence 00:44:43-00:44:46]

00:44:47 - 00:44:48
Krishan Agarwal: Hi.

00:44:50 - 00:44:54
Marc-Simon Schaar: Krishan, sorry. It's very, very difficult to hear you, if at all.

00:44:56 - 00:44:57
Krishan Agarwal: Is it better now?

00:44:57 - 00:44:58
Marc-Simon Schaar: Yes, somewhat better. Thank you.

00:45:00 - 00:45:28
Krishan Agarwal: Okay. Two questions from my side. First, on the ferrochrome, you mentioned that there was a favorable impact on the electricity cost in Q4. Do you mind giving us a perspective if those gains on the cost base are sustainable or going ahead into Q1 or for 2025? Also, what are the pricing trends you are seeing in the ferrochrome, which probably would be applicable for the Q1 earnings?

00:45:30 - 00:46:28
Kati ter Horst: Maybe I can comment in general, and then Marc-Simon you can add if you want to. Maybe it's good to know that we have, of course, energy hedging at certain prices. Then we are using also energy on the spot market. That volatility of energy prices is quite volatile in Finland also because of the wind energy coming in, especially in the wintertime. Ferrochrome in the production with the three different furnaces we have has an excellent opportunity to balance and decide when they produce full and when are a bit lower level. That is what ferrochrome continues to do. Therefore, I think the type of energy cost we have now, we expect to be able to also achieve that now going forward.

00:46:28 - 00:47:17
Kati ter Horst: I think that's a good thing. Then looking at the ferrochrome market as such, I think I would like to make the note that we have started clearly to create our own ferrochrome market. One is because of the geopolitical location we have. The only ferrochrome producer in the EU area and some worries about some other producers and their capability to go forward, or then are they the right sources to source from? It could be one question. Then we have, of course, the lowest emission ferrochrome which is also valued. CBAM coming in '26 will support that further. Our pricing is a bit different than the overall ferrochrome pricing. I see that longer-term positive going forward.

00:47:21 - 00:47:50
Marc-Simon Schaar: Yes, maybe from my side to add here, energy optimization is an ongoing topic, as Kati said, due to the volatility over here and provides us with an advantage here on that side. Then on the pricing side, we don't give any forward guidance on pricing, but we see our overall ferrochrome business and financial performance, as solid and stable.

00:47:53 - 00:48:29
Krishan Agarwal: I understand. Thanks a lot for the color. The second question is more on the announcement around the nuclear SMR expansion. I reckon that it's early days because you're in the pre-feasibility stage. Is there any kind of color you would have in terms of what kind of timeline you are looking at for this particular expansion? Then in terms of how much of the proportion you could probably get from nuclear as part of your overall requirement. Then, more importantly, are there going to be any kind of subsidies from the government for this capacity expansion?

00:48:29 - 00:49:20
Kati ter Horst: Krishan, just to clarify, we are not doing the investment ourselves. We have done the feasibility study for SMR, looking at the land that we have now next to our Tornio site. The feasibility study outcome was very encouraging but as a new CEO also, I have made the strategic choice that we will not invest in energy production, although energy is a very strategic topic for us. Therefore, what we have said in a press release or investor release is that we are looking for someone else to invest in that. At the same time, we have broader options to develop the ecosystem around the Tornio site, but we are not planning to invest ourselves in energy production.

00:49:23 - 00:49:37
Krishan Agarwal: I understand. If I can push you a little bit on that, if you are looking for someone, what is the value proposition you are going to bring to the table? Is it the firm demand from your side or some kind of land availability or something like that?

00:49:37 - 00:49:53
Kati ter Horst: I would say that we have the land availability indeed. It could be used for that purpose. We have done a feasibility study. That's a good start for someone to look at it. We are the biggest electricity buyer in Finland. Those are the elements.

00:49:54 - 00:50:02
Krishan Agarwal: Okay, I understand. It's very clear. Thanks a lot. [silence 00:49:57-00:50:01]

00:50:02 - 00:50:11
Computer voice: The next question comes from Maxim Koga from Oddo BHF. Please go ahead. [silence 00:50:07-00:50:10]

00:50:11 - 00:50:42
Maxim Koga: Good afternoon. My first question is on import. In light of the ongoing review of the safeguard mechanism in Europe, which is set to expire at the end of March, have you already seen lower import pressure in Europe, as some distributors are reported to have already considerably reduced imports? Conversely, in the US, have you seen higher imports recently, given that some people, some distributors, and clients are set to work, to import stuff before the tariffs kick in March?

00:50:43 - 00:52:06
Marc-Simon Schaar: Yes. Maxim, thank you. On the imports in Europe, as we were reporting earlier, we have seen an increase in imports here yet we don't see any meaningful difference in the first quarter. However, I think it's also important to note that meanwhile, with this very low pricing environment, the pricing differential between both continents has become much smaller. That is probably as much as I want to say about that and not so much speculating way going going forward. There might be some analysts out there who have a forward-looking view on imports. Then on the higher imports in the North American market, of course, they have also increased substantially. We discussed now quite a lot around tariffs and I think as a matter of fact we do not know yet what the tariffs really will be. There are so many uncertainties around how they will be calculated, what they will be calculated, what's in, what's out, and so forth. We need more clarity around that one before we can make any qualified statement around that one.

00:52:08 - 00:52:34
Maxim Koga: Okay, fair enough. The second one is, can you give us a high-level implication for you or the troops in Ukraine? Both directly and indirectly, if Russia were able to return to commodity export markets? I think in the past you had sourced nickel, coal, and natural gas, probably from Russia. Is it possible to give any potential financial impact of normalization in this course going forward?

00:52:37 - 00:53:08
Kati ter Horst: One thing I would say, I don't think we would go back to sourcing anything from Russia. That's not our plan. I think that's one. Then, of course, we are hoping that if the war is over, the rebuilding of Ukraine would also provide some opportunities for us to support that. It would be in general good for Europe, for sure. I don't think there's really a way to estimate the financial impact of the outcome.

00:53:08 - 00:53:21
Marc-Simon Schaar: Yes, but it will be a positive element, as you said, definitely from an economic point of view as well. Besides, certainly a human point of view.

00:53:21 - 00:53:21
Kati ter Horst: Sure.

00:53:23 - 00:53:45
Maxim Koga: Okay. The last one is on the convertible bond you still have which is maturing this year. I think your plan was to settle it in shares, but you're still short of owning all the shares that you would need to do that.

Is there any plan to do another share buyback program in the coming months? Are you going to tackle the situation otherwise?

00:53:46 - 00:53:51
Marc-Simon Schaar: No, there are no plans yet. [silence 00:53:48-00:53:50]

00:53:51 - 00:53:52
Maxim Koga: Okay, thank you.

00:53:53 - 00:53:57
Marc-Simon Schaar: Welcome. [silence 00:53:54-00:53:58]

00:53:59 - 00:54:05
Computer voice: The next question comes from Ioannis Masvoulas from Morgan Stanley. Please go ahead.

00:54:07 - 00:54:32
Ioannis Masvoulas: Hello, yes. Just a couple of follow-ups. First on SMR. I appreciate that you're not looking to invest directly, and you're looking for a partner, but can you give us an idea of what proportion of your power consumption in Finland you expect to be sourced from SMR, assuming this project comes to fruition?

00:54:34 - 00:55:45
Kati ter Horst: To be honest, we are not assuming anything right now being sourced by SMR. We see it more as an opportunity, based on the feasibility study for someone to look at, I would be interested in that. I see it more as a kind of an element in the whole scope of Finland. There are a lot of data center types of projects that are being looked at. Some other investments are being looked at. Basically, Finland does need more capacity going forward. I think there are a lot of discussions going on how that would be built and how that would be financed. The Tornio area where we are has a lot of industry around it. There will be the Aurora connection on electricity networks with Sweden. I think there's a lot of interest in that area, and we are basically inviting interested parties to look at this site and the feasibility study we've done be interesting for someone. I believe that investments in that part of Finland could be attractive but we are not calculating on anything coming from that now in our case at the moment.

00:55:46 - 00:55:46
Marc-Simon Schaar: Correct.

00:55:48 - 00:55:55
Ioannis Masvoulas: Thanks very much. [silence 00:55:49-00:55:55]

00:55:55 - 00:56:01
Computer voice: The next question comes from Anssi Raussi from SEB. Please go ahead.

00:56:05 - 00:56:29
Anssi Raussi: One more from me. It's about your annual contracts. There have been some rumors that some end users of steel would like to negotiate lower volumes in their contracts, or even outsource their procurement. Have you seen any changes in your dynamics with your end-use customers in your annual contracts?

00:56:30 - 00:56:45
Marc-Simon Schaar: No, Anssi. We haven't seen anything like that. It is still the same setup and also in terms of volumes, no change to what has been communicated earlier.

00:56:48 - 00:56:54
Anssi Raussi: Okay, thanks. I guess nothing major regarding the pricing in these contracts.

00:56:55 - 00:56:55
Marc-Simon Schaar: No.

00:56:58 - 00:56:59
Anssi Raussi: Got it, thank you.

00:56:59 - 00:57:04
Marc-Simon Schaar: Thank you. [silence 00:57:01-00:57:03]

00:57:04 - 00:57:35
Kati ter Horst: Okay. It seems that we have come to the end of the Q&A session. Thank you for being so active. Thank you for your very good questions and thank you for being with us today. I very much look forward to seeing you in our next interim call or then indeed on our capital markets day on June 11th. I'll talk to you next time and have a nice day.

00:57:37 - 00:57:38
Marc-Simon Schaar: Thank you. Goodbye.