

European Carbon Steel

Leaving a deep valley slowly behind. Early-cycle plays most favoured

Steel | Sector Forecast

■ Steel recovery post Covid-19 shock continues, but market does not account for it:

We continue to see positive signs of the steel market recovery in Europe, driven by increasing end customer demand, negative steel price differences to Asian markets (hence a low level of imports) and a disciplined ramp-up of idled capacity, helped by the continuation of furlough schemes throughout Europe. We think these factors will drive utilization rates in Europe to 66% in CY'21. In such an environment, we prefer early-cycle names, such as O/P-rated ArcelorMittal, Salzgitter and Kloeckner. Interestingly, the market sentiment remains cautious on European steel stocks, which in our view creates opportunities as a recovery is not priced in. On the back of our revised bulks and steel prices (see: ["Bulk Forecasts: Recovery to lift coal and support iron ore"](#)), we up MT's TP to US\$22/sh (from \$20/sh) and keep our O/P rating. We increase the TP of KCO to €6.6/sh (from €6.2/sh) on better pricing and remain O/P. We lower our TP for TKAG slightly to €9.4/sh (from €10/sh) as we lower earnings in Steel Europe but retain our O/P.

■ China steel consumption to remain high in 2021: Despite signs of stagnation, we think China's steel consumption will remain largely unchanged in 2021 y/y, driven by strong construction as governmental stimulus is likely to spill over into 2021, especially in 1H'21. We increase our China steel consumption forecast to just over 1bn tonnes for 2020 and 2021 but see those levels as peak demand, which will be difficult to sustain as we expect China's per capita consumption to increase to about 710kg – the second highest globally and 80-120% above Europe and North America. As such, our mining team increases iron ore prices (CN 62% CFR) to US\$104/t in 2020 and \$105/t in 2021.

■ Steel prices in Europe continue to rise: Given higher raw material prices and improving utilization rates in the sector, we increase our steel prices (HRC) by €16/t or 3% to €489/t in 2021 and by €6/t (+1%) to €486/t in 2022. Assuming no second lockdown in Europe, we expect further steel price recovery as Europe's current steel price base is still at a cUS\$50/t discount to China and level with the steel prices in North America.

■ How to position taking 3Q'20 earnings season into account? We believe the current valuation of the steel sector, especially the operationally geared stocks such as ArcelorMittal, Salzgitter and Kloeckner, is appealing. Market sentiment is still negative but could swing quickly, with steel companies likely to guide for earnings improvements over the next six months due to improving volumes and (unlike in 3Q) margin spreads, which could drive an equity rally. While ThyssenKrupp is a late-cycle play, the restructuring story could gather pace with the announcement of 4Q numbers (Nov 19). We not only expect the announcement of new financial targets but also an update on the restructuring process.

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Figure 1: EU Steel – Changes to ratings and target prices: ArcelorMittal most preferred

	Rating	CCY	New Target Price	Old Target Price	% Change	New FY1 EBITDA	Old FY1 EBITDA	% Change	New FY2 EBITDA	Old FY2 EBITDA	% Change
ArcelorMittal	O	US\$	22	20	10%	3,488	3,042	15%	6,377	5,690	12%
ThyssenKrupp	O	€	9.4	10.0	-6%	-560	-549	-2%	925	1,031	-10%
Klöckner & Co	O	€	6.6	6.2	6%	95	59	60%	168	165	2%

Source: Credit Suisse estimates

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Investment summary

After a period of uncertainty and negative earnings momentum in the European steel sector, we think it is time to get involved in the sector again. We point towards three indicators why we believe EU steel stocks are likely to rally in the next six months: 1) increasing end customer demand, which will drive utilization rates in the EU steel sector to over 65% in CY'21E (from 60% in 2020E); 2) negative steel price differences to the Asian markets and hence a low level of imports; and 3) a disciplined ramp-up of temporarily idled capacity, helped by the continuation of furlough schemes throughout Europe. Valuation, especially for the operationally levered early-cycle steel stocks, looks appealing with ArcelorMittal, Salzgitter and Kloeckner discounting levels of profitability lower than our FY21 forecasts, and well below normalised levels.

On the back of stronger iron ore and coking coal price estimates by our mining team for 2021 and 2022 – mainly driven by China's stagnating but still strong appetite for steel – and due to the continuation of the recovery of the utilization rates in the sector, we increase our steel prices (HRC) by €16/t or 3% to €489/t in 2021 and by €6/t (+1%) to €486/t in 2022. In such an environment, we prefer early-cycle names such as ArcelorMittal, Salzgitter and Kloeckner. Interestingly, market sentiment has remained cautious on European steel stocks, which in our view creates opportunities as a recovery is not priced in and the market sentiment in steel is still negative. However, we believe that is likely to change as we approach the 3Q earnings season and, based on our estimates, companies could be more upbeat with regards to earnings guidance for 4Q'20 and 1Q'21, which could trigger the market to rethink its positioning in steel.

The key risk to earnings recovery, in our view, remains a second lockdown in Europe, which we currently do not assume as our base scenario.

Figure 2: Summary of assumption changes

	New Estimates				Old Estimates				% Change			
Steel Prices	2020E	2021E	2022E	2023E	2020E	2021E	2022E	2023E	2020E	2021E	2022E	2023E
EU HRC (€/t)	440	489	486	456	437	472	480	466	1%	3%	1%	-2%
EU Rebar (€/t)	464	479	491	485	447	494	521	515	4%	-3%	-6%	-6%
Raw Materials	2020E	2021E	2022E	2023E	2020E	2021E	2022E	2023E	2020E	2021E	2022E	2023E
Iron Ore (62% Fe, \$/t)	105	105	83	63	89	81	70	60	17%	30%	18%	4%
Coking Coal (\$/t)	137	138	145	155	124	130	145	150	11%	6%	0%	3%
EU Shredded Scrap (\$/t)	252	269	275	275	229	269	275	275	10%	0%	0%	0%
Volumes (mt)	2020E	2021E	2022E	2023E	2020E	2021E	2022E	2023E	2020E	2021E	2022E	2023E
EU Production	138	151	157	161	148	162	169	173	-7%	-7%	-7%	-7%
% y/y	-14%	9%	4%	3%	-8%	9%	4%	3%				
EU Consumption	143	157	161	163	153	168	173	175	-7%	-7%	-7%	-7%
% y/y	-18%	10%	3%	1%	-12%	10%	3%	1%				

	New Estimates				Old Estimates				% Change			
Steel Prices	Q3'20	Q4'20E	Q1'21E	Q2'21E	Q3'20	Q4'20E	Q1'21E	Q2'21E	Q3'20	Q4'20E	Q1'21E	Q2'21E
EU HRC (€/t)	433	424	471	484	406	436	447	464	7%	-3%	5%	4%
EU Rebar (€/t)	454	448	460	460	420	428	438	485	8%	5%	5%	-5%
Raw Materials	Q3'20	Q4'20E	Q1'21E	Q2'21E	Q3'20	Q4'20E	Q1'21E	Q2'21E	Q3'20	Q4'20E	Q1'21E	Q2'21E
Iron Ore (62% Fe, \$/t)	119	115	110	110	90	85	85	85	32%	35%	29%	29%
Coking Coal (\$/t)	121	135	145	145	105	115	140	140	15%	17%	4%	4%
EU Shredded Scrap (\$/t)	259	260	250	275	220	210	250	275	18%	24%	0%	0%

Source: Credit Suisse estimates

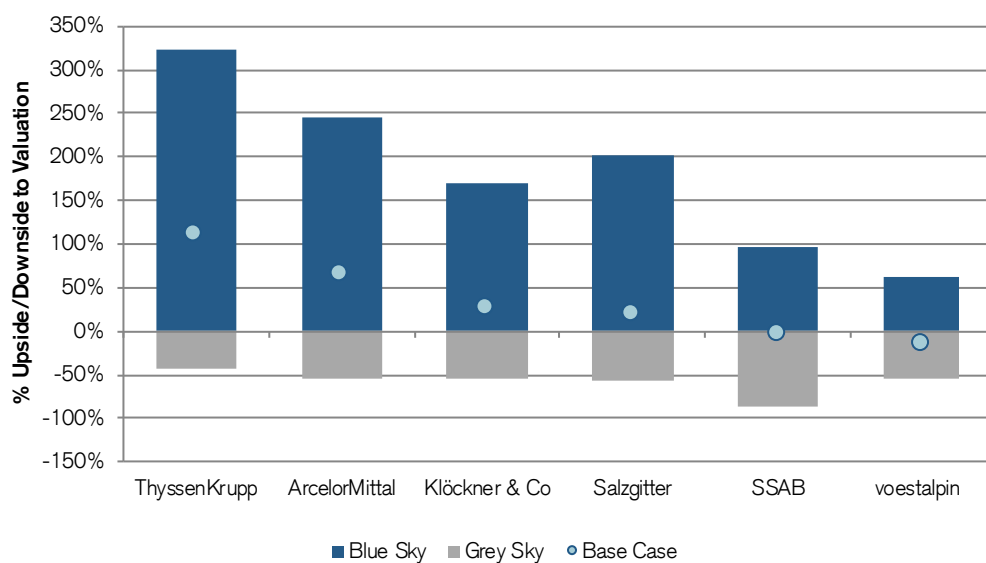
Figure 3: Summary of company earnings changes

Figure 6: Summary of company earnings changes										
		New Estimates			Old Estimates			% Change		
Sales	Units	FY1	FY2	FY3	FY1	FY2	FY3	FY1	FY2	FY3
ArcelorMittal	US\$m	52,065	64,154	67,409	50,498	58,948	62,707	3%	9%	7%
ThyssenKrupp	€m	28,210	29,697	31,394	28,050	28,792	30,953	1%	3%	1%
voestalpine	€m	12,203	12,481	12,636	12,354	12,677	12,885	-1%	-2%	-2%
SSAB	SEKm	63,554	68,638	70,859	62,634	67,099	69,799	1%	2%	2%
Klöckner & Co	€m	5,206	5,687	5,921	5,310	5,847	6,107	-2%	-3%	-3%
Salzgitter	€m	6,784	7,790	8,034	6,846	7,927	8,359	-1%	-2%	-4%
EBITDA	Units	FY1	FY2	FY3	FY1	FY2	FY3	FY1	FY2	FY3
ArcelorMittal	US\$m	3,488	6,377	8,379	3,042	5,690	7,518	15%	12%	11%
ThyssenKrupp	€m	-560	925	1,819	-549	1,031	1,887	-2%	-10%	-4%
voestalpine	€m	768	1,352	1,545	787	1,443	1,668	-2%	-6%	-7%
SSAB	SEKm	2,567	5,201	6,938	2,590	5,299	7,056	-1%	-2%	-2%
Klöckner & Co	€m	95	168	187	59	165	184	60%	2%	2%
Salzgitter	€m	129	419	559	135	436	611	-4%	-4%	-9%

			New	Old		New	Old		New	Old	
	Rating	CCY	Target Price	Target Price	% Change	FY1 EBITDA	FY1 EBITDA	% Change	FY2 EBITDA	FY2 EBITDA	% Change
ArcelorMittal	O	US\$	22	20	10%	3,488	3,042	15%	6,377	5,690	12%
ThyssenKrupp	O	€	9.4	10.0	-6%	-560	-549	-2%	925	1,031	-10%
voestalpine	U	€	19	19	0%	768	787	-2%	1,352	1,443	-6%
SSAB	N	SEK	29	29	0%	2,567	2,590	-1%	5,201	5,299	-2%
Klöckner & Co	O	€	6.6	6.2	6%	95	59	60%	168	165	2%
Salzgitter	O	€	17	17	0%	129	135	-4%	419	436	-4%

Source: Credit Suisse estimates. voestalpine FY1 refers to FY20/21

We make minor adjustments to earnings across the board, except for ArcelorMittal where higher iron ore and coking coal assumptions are a positive given vertical integration. As a result, we raise our MT TP to \$22/sh (from \$20/sh) with minor adjustments also for our TK and KCOG target prices.

Figure 4: EU Carbon Steel: Credit Suisse order of preference

Source: Credit Suisse estimates. Priced as of 28 September

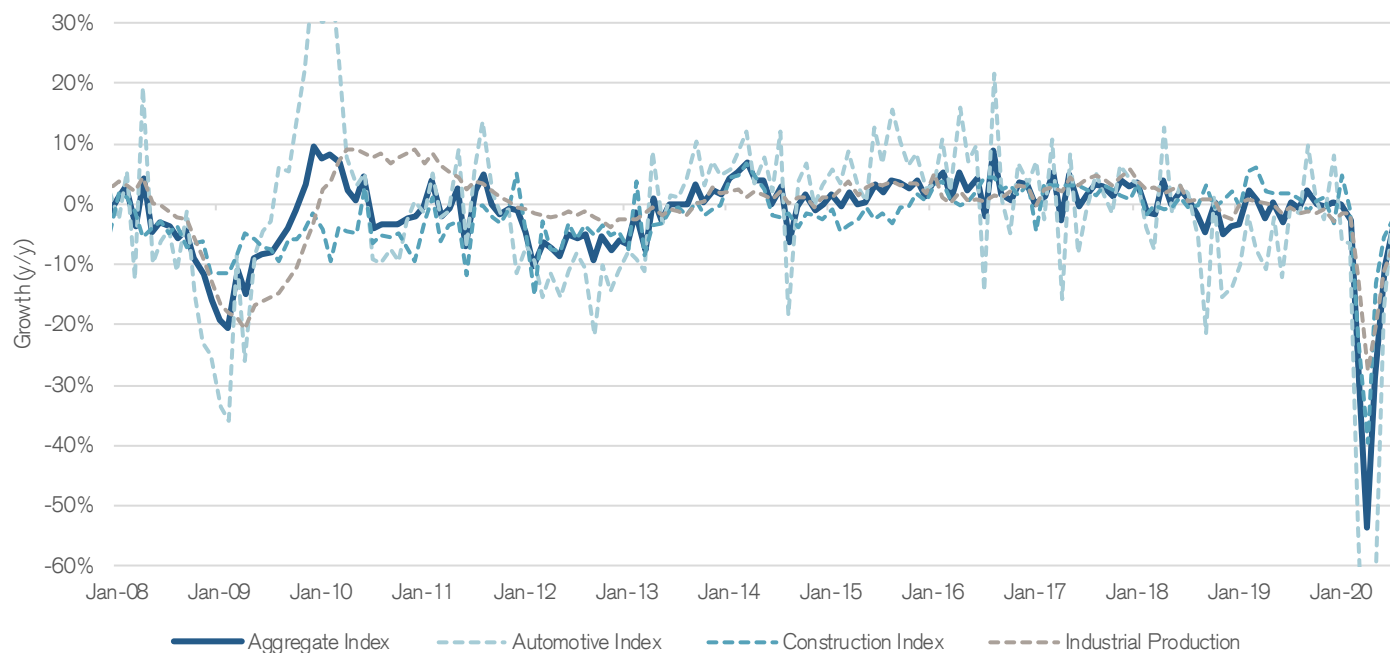
Figure 5: EU Carbon Steel: Blue Sky and Grey Sky scenarios

	Currency	Current share price	Base Case TP	Up/(Downside) to current price	Blue Sky (Fair Value)	Up/(Downside) to current	Grey Sky (Fair Value)	Up/(Downside) to current
ThyssenKrupp	EUR	4.4	9.4	112%	18.7	323%	2.5	-44%
ArcelorMittal	USD	13.4	22.0	65%	46.0	244%	6.0	-55%
Klöckner & Co	EUR	5.2	6.6	28%	13.9	169%	2.3	-55%
Salzgitter	EUR	14.2	17.0	20%	43.0	203%	6.0	-58%
SSAB	SEK	29.7	29.0	-2%	58.0	96%	4.0	-87%
voestalpine	EUR	22.2	19.0	-14%	36.0	62%	10.0	-55%

Source: Refinitiv, Credit Suisse estimates. Priced as of 28 September

European underlying demand – back on its feet but still wobbly

European steel demand has been recovering from an almost total standstill in April, with the biggest recovery rates in the automotive sector. Industrial production has been slower to recover than the construction or automotive sectors but has seen less of the sharp decrease in April either. We believe the recovery will continue, despite the risk of a second lockdown in Europe, even though we believe the manufacturing sector would be better prepared than at the beginning of the year.

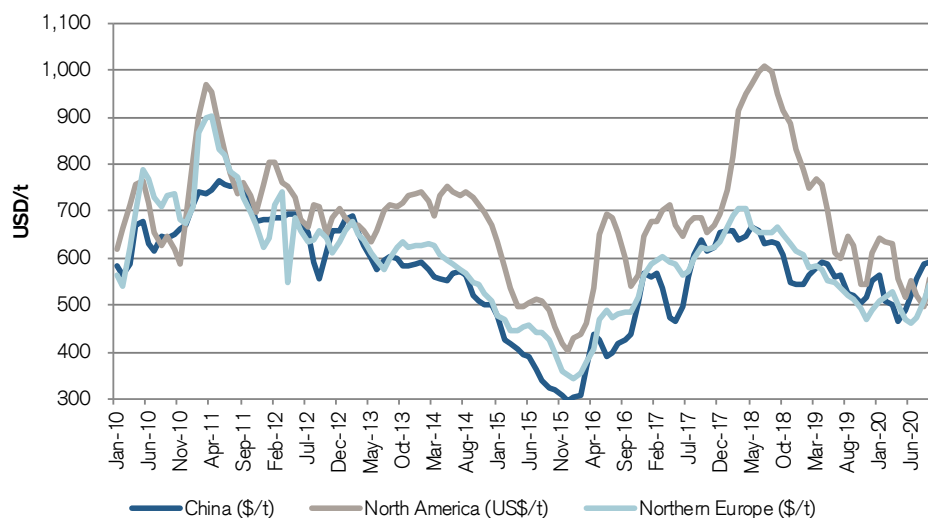
Figure 6: EU demand indices: a V-shaped rebound, but resetting at a lower base with further improvement expected from August

Source: Refinitiv, Credit Suisse Research

German and French automotive production in August were down 35% and 19% respectively, this has recovered as we come out of the seasonal summer weakness. Some of our steel companies stressed during our Steel & Mining conference that the order visibility is still limited until the year-end (especially in the car sector) but all companies were surprised by the better-than-expected return of the order volume post July.

Prices & Raw Materials

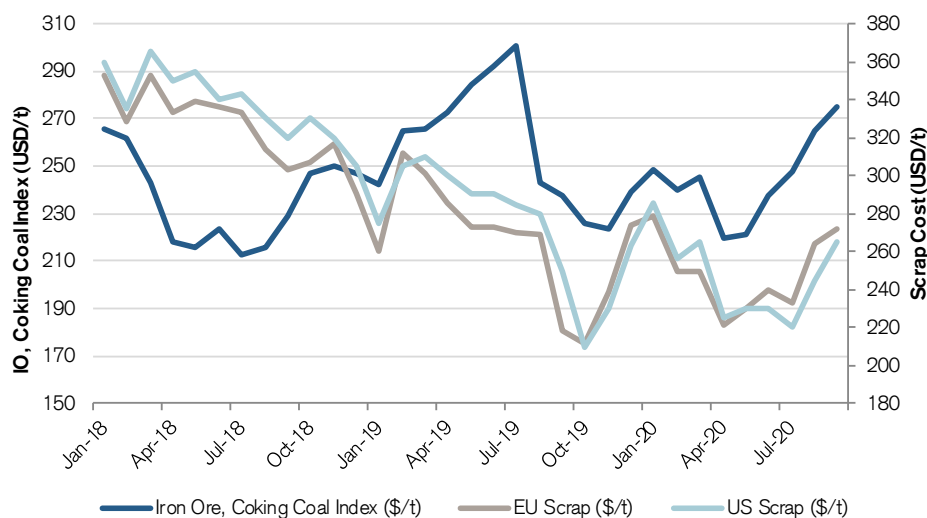
Figure 7: China steel prices at a premium to Europe and N. America for the first time since 2012...



Source: CRU, Credit Suisse Research

Through Q2'20, we saw a trend of strengthening Chinese prices coupled with falling prices in the US and Europe (driven by much stronger underlying demand in China). This trend is now reversing, as we have seen several price hikes in the US sticking in the market through September, with European prices also finding a floor in June.

Figure 8: ...as iron ore and coking coal outperformed steel scrap prices



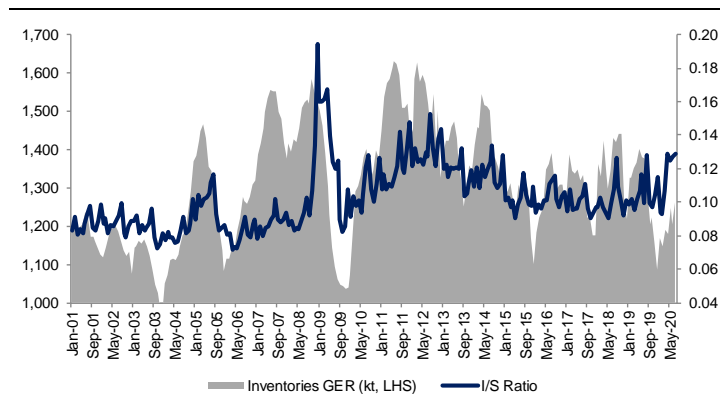
Source: CRU, Refinitiv, Credit Suisse Research

Western steel prices are finally starting to move in the same direction as raw material prices: iron ore has been moving up consistently alongside the China steel price since April while scrap prices also moved up from July. We have seen European margins creep up through Q3 while US margins improved significantly in September; these are unlikely to be clearly visible in Q3 numbers given lags in pricing making their way onto the P&L for companies, but we think commentary from companies could be decidedly more positive on margins at Q3 results heading into Q4.

Inventory & Trade – supportive for steel production bounce back

Neither inventory data nor net imports into Europe currently represent a threat to a recovery in steel production in Europe, in our view.

Figure 9: German steel inventories below average...

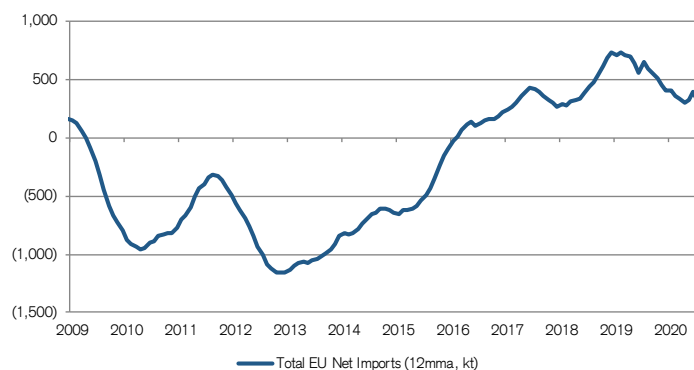


Source: CRU, Worldsteel, Eurofer, Credit Suisse Research

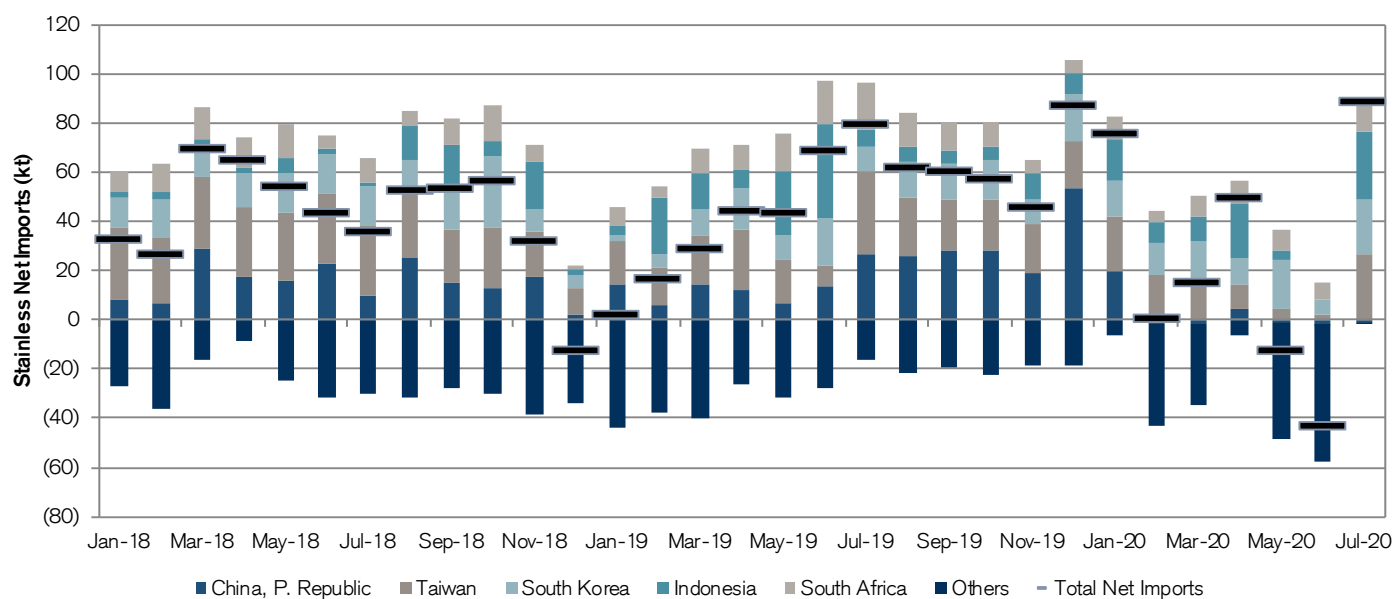
Inventories in Germany have been ticking up through the year but remain low relative to history for this period of the year (July inventories are generally the seasonal peak). While inventories are fairly high relative to shipments, steel demand continues to recover. We think the current I/S ratio can hold through Q3, implying a continued restock, as there is clearly still space for absolute inventory build. In 4Q'20 we expect the I/S ratio to drop sharply as traders usually destock, providing a good base for the steel production recovery in Europe to continue in 2021.

EU net import data for July showed a sharp tick up m/m (875kt vs. 267kt in June), though this was well below the level seen in July 2019 (nearly 2,000kt). Hence, import pressure continues to ease on a 12mma basis. Part of the m/m increase was driven by the stainless sector, where the reset of safeguard quotas led to a 130kt m/m increase in net imports (mainly from Asia).

Figure 10: ...and EU net imports on a negative trend since 2018

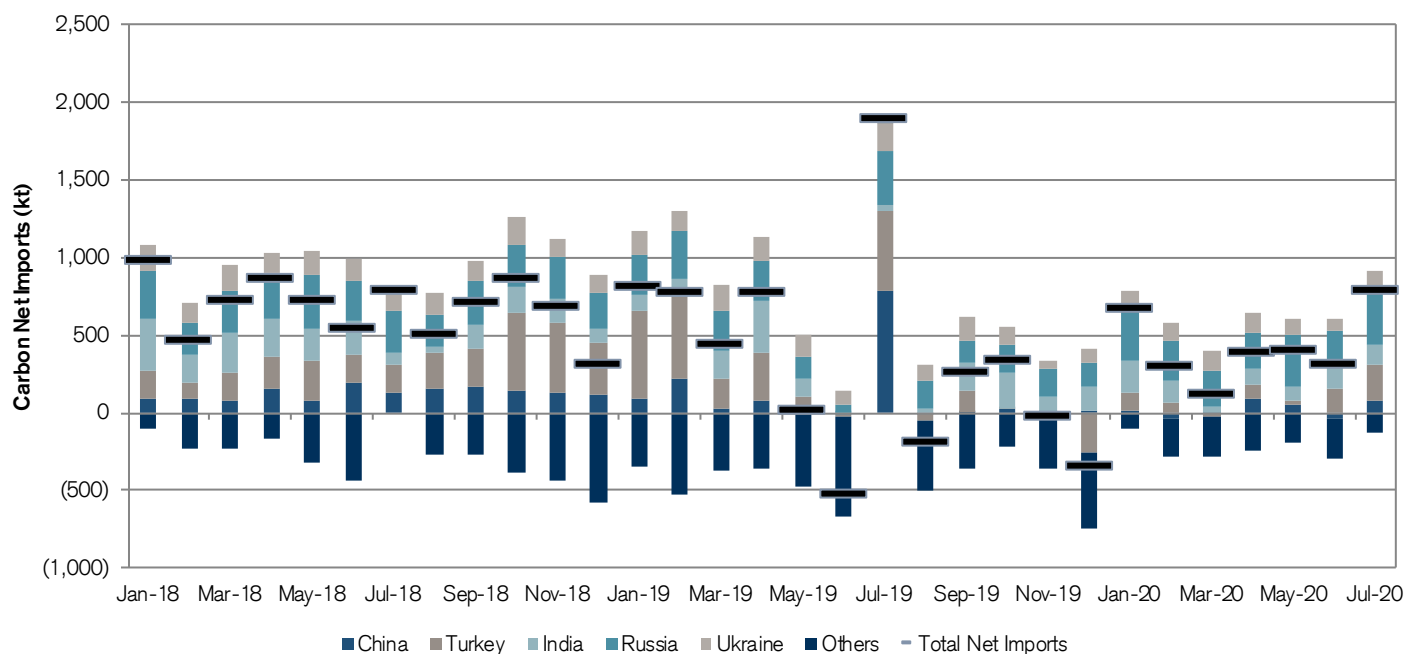


Source: Eurofer, Credit Suisse Research

Figure 11: Stainless net imports into Europe by country (kt)

Source: Eurofer, Credit Suisse Research

There has been less caution over carbon steel imports, though these also took a material step up in July with incrementally higher imports from Russia and Turkey in particular (indeed, as we have flagged before, product from Turkey is often based on Russia substrate). Given Russian producers currently hold a competitive advantage via their iron ore vertical integration, this is an ongoing risk into Q4 in our view, and we might expect some companies to point to import pressure in their Q3 earnings statements.

Figure 12: Carbon net imports into Europe by country (kt)

Source: Eurofer, Credit Suisse Research

Summary of supply/demand and pricing changes

Figure 13: Summary of crude steel production supply/demand changes

Crude Steel Production	New Forecasts					Old Forecasts				Change		
mn metric tonnes	2019	2020E	2021E	2022E	2023E	2020E	2021E	2022E	2023E	2020E	2021E	2022E
EU	161	138	151	157	161	148	162	169	173	-7%	-7%	-7%
y/y (%)		-14%	9%	4%	3%	-8%	9%	4%	3%			
Other Europe	36	34	37	37	38	34	37	37	38	0%	0%	0%
y/y (%)		-4%	9%	0%	1%	-4%	9%	0%	1%			
Russia/CIS	104	96	106	109	113	90	101	105	108	6%	5%	4%
y/y (%)		-8%	10%	4%	3%	-14%	12%	4%	3%			
North America	116	98	102	106	109	104	109	113	116	-6%	-6%	-6%
y/y (%)		-16%	4%	4%	3%	-10%	4%	4%	3%			
South America	41	38	41	44	46	33	37	40	42	13%	11%	11%
y/y (%)		-9%	9%	6%	6%	-19%	11%	6%	6%			
China	993	1,050	1,040	1,025	983	980	970	960	947	7%	7%	7%
y/y (%)		6%	-1%	-1%	-4%	-1%	-1%	-1%	-1%			
World total	1,858	1,811	1,877	1,882	1,859	1,752	1,814	1,833	1,842	3%	3%	3%
y/y (%)		-3%	4%	0%	-1%	-6%	4%	1%	0%			
World ex-China	865	761	837	857	876	772	844	872	894	-1%	-1%	-2%
y/y (%)		-12%	10%	2%	2%	-11%	9%	3%	3%			

Source: WSA, Credit Suisse estimates

Figure 14: Summary of steel consumption supply/demand changes

Crude Steel App. Consumption	New Forecasts					Old Forecasts				Change		
mn metric tonnes	2019	2020E	2021E	2022E	2023E	2020E	2021E	2022E	2023E	2020E	2021E	2022E
EU	174	143	157	161	163	153	168	173	175	-7%	-7%	-7%
y/y (%)		-18%	10%	3%	1%	-12%	10%	3%	1%			
Other Europe	39	35	39	40	41	35	39	40	41	0%	0%	0%
y/y (%)		-9%	10%	3%	2%	-9%	10%	3%	2%			
Russia/CIS	63	57	64	66	67	51	59	61	62	11%	8%	8%
y/y (%)		-10%	12%	3%	2%	-19%	16%	3%	2%			
North America	160	134	142	146	149	140	149	153	156	-5%	-5%	-5%
y/y (%)		-17%	6%	3%	2%	-12%	6%	3%	2%			
South America	38	34	38	40	43	30	34	36	38	14%	12%	12%
y/y (%)		-10%	10%	7%	7%	-21%	12%	7%	7%			
China	941	1,018	1,015	992	948	950	940	930	918	7%	8%	7%
y/y (%)		8%	0%	-2%	-4%	1%	-1%	-1%	-1%			
World total	1,858	1,811	1,877	1,882	1,859	1,752	1,814	1,833	1,842	3%	3%	3%
y/y (%)		-3%	4%	0%	-1%	-6%	4%	1%	0%			
World ex-China	917	793	862	890	910	802	874	902	923	-1%	-1%	-1%
y/y (%)		-14%	9%	3%	2%	-13%	9%	3%	2%			

Source: WSA, Credit Suisse estimates

China – steel consumption unlikely to be that resilient post 2022E

While the governmental stimulus program in China in 2020 once again surprised the markets and is likely to keep China steel consumption at about 1bn tonnes in 2021, we think the impact of government stimulus and a strong construction sector can roll over into next year. The magnitude of the impact such stimulus programs have is fading and it does not alter our view that China's steel consumption will fall already over the next 5 years. We adjust our steel consumption in China for the next 3 years by c7% due to the effects of the government's stimulus programs, now forecasting demand to stay around 1bn t/y until 2022, after which we expect China's steel consumption to moderate.

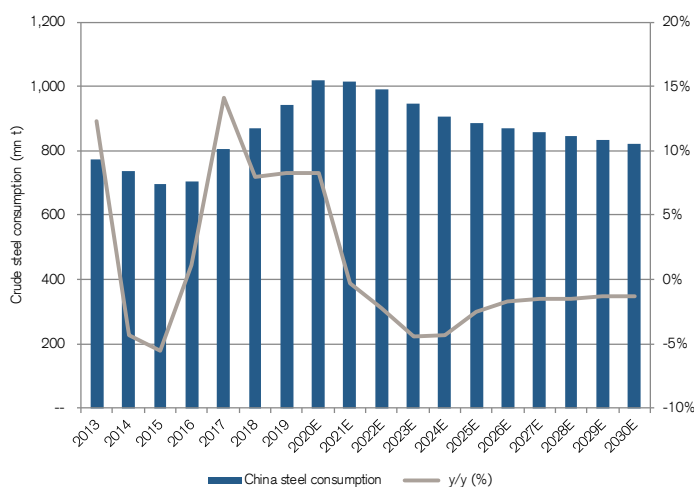
Figure 15: Adjusting China's steel demand by c7% over the next three years

Crude Steel Production		New Forecasts					Old Forecasts				Change		
mn metric tonnes	2019	2020E	2021E	2022E	2023E	2020E	2021E	2022E	2023E	2020E	2021E	2022E	
China	993	1,050	1,040	1,025	983	980	970	960	947	7%	7%	7%	
y/y (%)		6%	-1%	-1%	-4%	-1%	-1%	-1%	-1%				
World total	1,858	1,811	1,877	1,882	1,859	1,752	1,814	1,833	1,842	3%	3%	3%	
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Crude Steel App. Consumption		New Forecasts					Old Forecasts				Change		
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China	941	1,018	1,015	992	948	950	940	930	918	7%	8%	7%	
y/y (%)		8%	0%	-2%	-4%	1%	-1%	-1%	-1%				
World total	1,858	1,811	1,877	1,882	1,859	1,752	1,814	1,833	1,842	3%	3%	3%	
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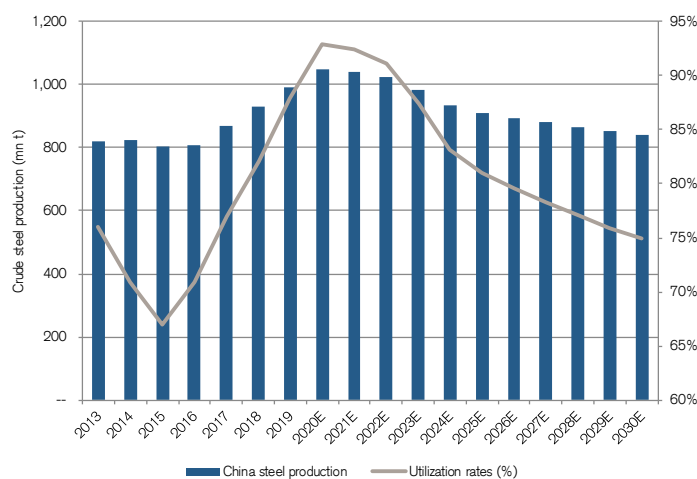
Source: Worldsteel, Credit Suisse estimates

Figure 16: China's steel consumption to peak in 2020/21E...

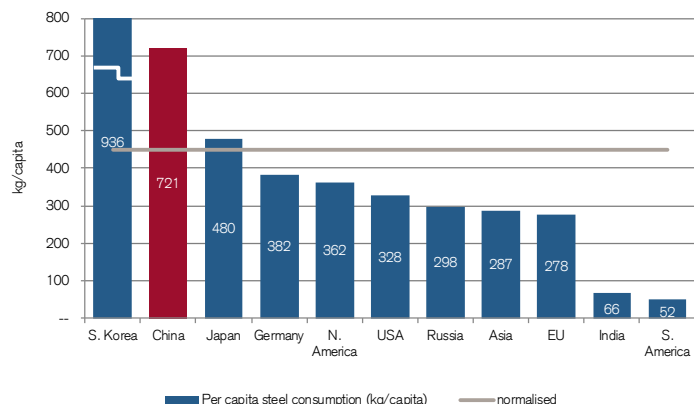


Source: Worldsteel, Credit Suisse estimates

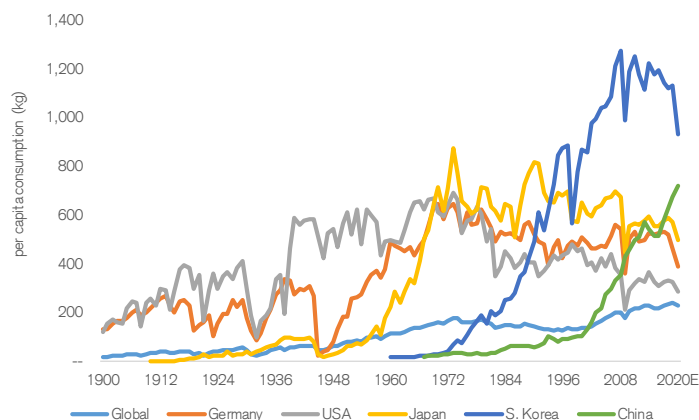
Figure 17: ...along with crude steel production in China



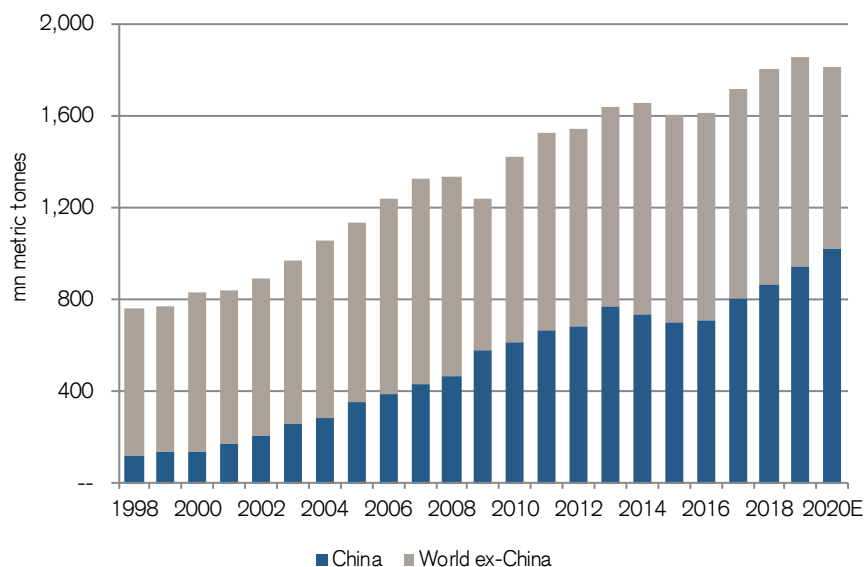
Source: Worldsteel, Credit Suisse estimates

Figure 18: China's per capita consumption c50-120% above levels in Japan, Germany and the US...

Source: Worldsteel, World Bank population data, Credit Suisse estimates

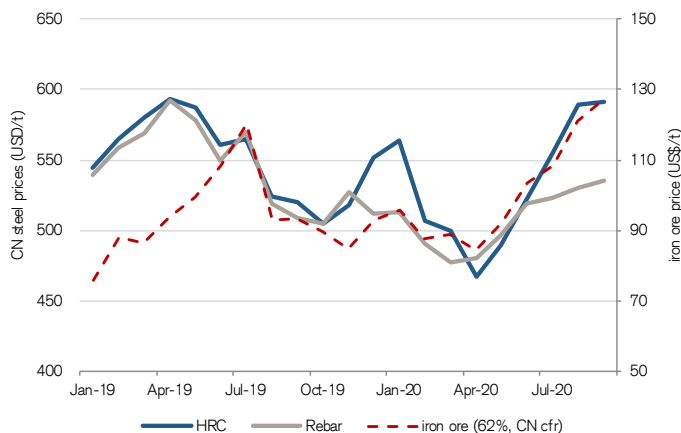
Figure 19: ...with more than 20 years of exceptional growth...

Source: Worldsteel, ESCS, US Census Bureau, ISSP, Credit Suisse estimates

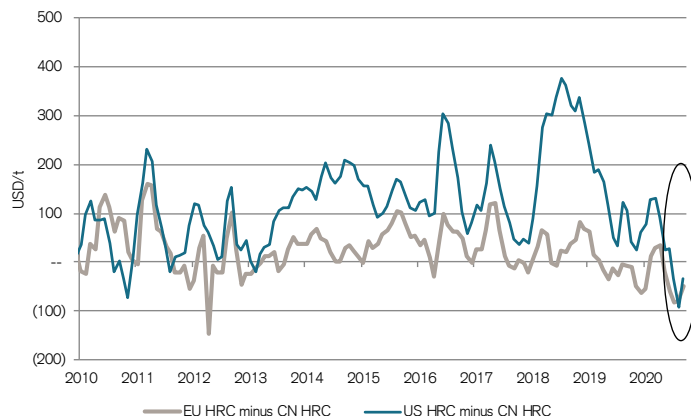
Figure 20: ...making China responsible for c60% of global steel demand in 2020

Source: Worldsteel, Credit Suisse estimates

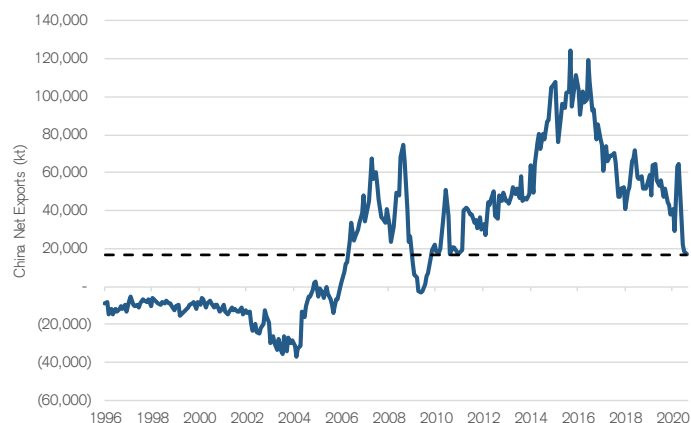
The high dependency on blast furnace in the steel production process (>85% vs globally c50%) makes China's steel sector vulnerable to higher iron ore prices as it makes its steel products less competitive on the global markets – a trend that we saw particularly during 2020. Together with the increasing trade restrictions, China's steel net exports are currently at the lowest level since 2010/2012, with an annualized run rate of <15m t per annum in July and August.

Figure 21: Iron ore prices have driven China's domestic steel prices...

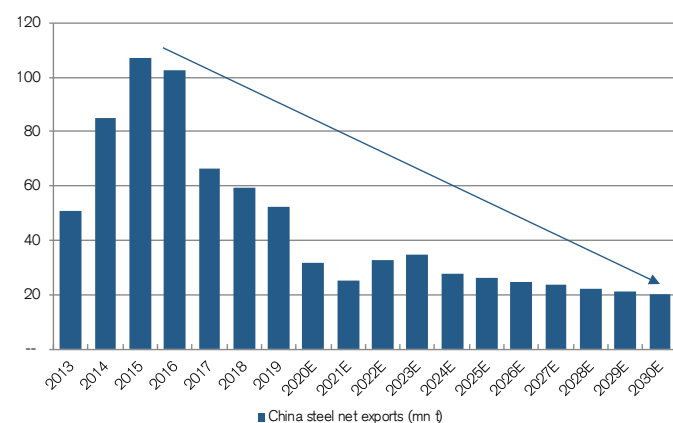
Source: CRU, Thomson Reuters Eikon

Figure 22: ...which are at the biggest premium to N. Europe and the US in over 10 years

Source: CRU, Thomson Reuters Eikon

Figure 23: China's steel net exports at the lowest level since 2010 (annualized)...

Source: China Customs

Figure 24: ...and look set to normalize at around 20m t/y long-term

Source: China Customs, Credit Suisse estimates

Higher for longer iron ore prices drive our European steel price adjustments

Following the bulks price adjustments by our Australian mining team (see Figure 25), we lift our HRC steel price for 2021 and 2022 by €16/t and €6/t to €489/t and €486/t, reflecting the stronger cost base supported by a continued EU steel production recovery and hence utilization rate. By 2022, we forecast utilization rates in the European steel sector to reach 69% putting it c9 percentage points above our 60% estimate for 2020.

Figure 25: Higher for longer raw materials prices will lift steel price base in 2021E and 2022E

<u>Annual</u>												
	New Estimates				Old Estimates				% Change			
Steel Prices	2020E	2021E	2022E	2023E	2020E	2021E	2022E	2023E	2020E	2021E	2022E	2023E
EU HRC (€/t)	440	489	486	456	437	472	480	466	1%	3%	1%	-2%
EU Rebar (€/t)	464	479	491	485	447	494	521	515	4%	-3%	-6%	-6%
Raw Materials	2020E	2021E	2022E	2023E	2020E	2021E	2022E	2023E	2020E	2021E	2022E	2023E
Iron Ore (62% Fe, \$/t)	105	105	83	63	89	81	70	60	17%	30%	18%	4%
Coking Coal (\$/t)	137	138	145	155	124	130	145	150	11%	6%	0%	3%
EU Shredded Scrap (\$/t)	252	269	275	275	229	269	275	275	10%	0%	0%	0%
<u>Quarterly</u>												
	New Estimates				Old Estimates				% Change			
Steel Prices	Q3'20	Q4'20E	Q1'21E	Q2'21E	Q3'20	Q4'20E	Q1'21E	Q2'21E	Q3'20	Q4'20E	Q1'21E	Q2'21E
EU HRC (€/t)	433	424	471	484	406	436	447	464	7%	-3%	5%	4%
EU Rebar (€/t)	454	448	460	460	420	428	438	485	8%	5%	5%	-5%
Raw Materials	Q3'20	Q4'20E	Q1'21E	Q2'21E	Q3'20	Q4'20E	Q1'21E	Q2'21E	Q3'20	Q4'20E	Q1'21E	Q2'21E
Iron Ore (62% Fe, \$/t)	119	115	110	110	90	85	85	85	32%	35%	29%	29%
Coking Coal (\$/t)	121	135	145	145	105	115	140	140	15%	17%	4%	4%
EU Shredded Scrap (\$/t)	259	260	250	275	220	210	250	275	18%	24%	0%	0%

Source: CRU, Refinitiv Eikon raw material prices, Credit Suisse estimates

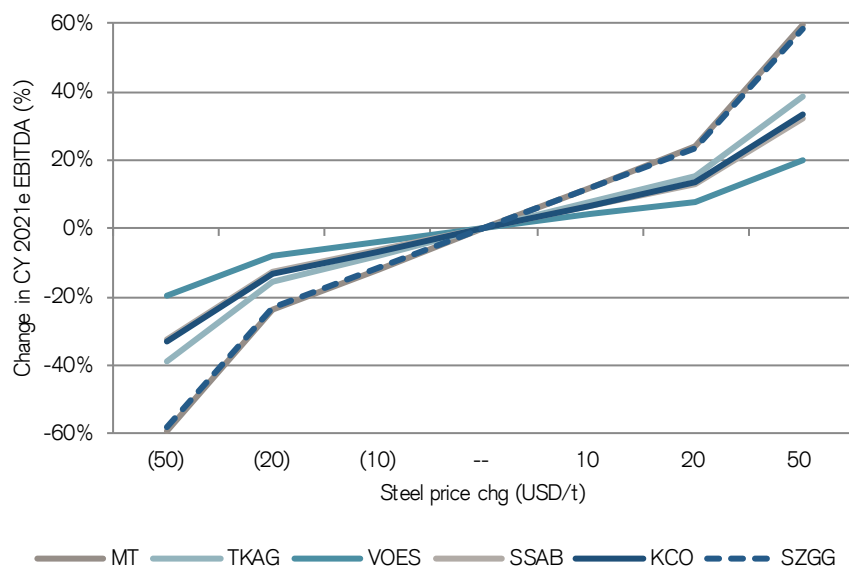
Figure 26: EU steel price forecast changes: Lifting HRC prices for 2021E and 2022E by 3% and 1% vs previous estimates

In EUR/t	2016	2017	2018	2019	2020E	2021E	2022E	2023E	2020E	%	2021E	%	2022E	%	2023E	%
<u>Flat Products</u>																
HRC	411	532	561	482	440	489	486	456	4	1%	16	3%	6	1%	(9)	-2%
y/y %		29%	6%	-14%	-9%	11%	-1%	-6%								
CRC	514	636	651	570	529	580	577	548	2	0%	16	3%	6	1%	(9)	-2%
y/y %		24%	2%	-12%	-7%	10%	-1%	-5%								
HDG	551	685	696	615	570	621	618	588	1	0%	16	3%	6	1%	(9)	-2%
y/y %		24%	2%	-12%	-7%	9%	0%	-5%								
Plates	473	578	611	565	494	552	550	520	(4)	-1%	19	4%	9	2%	(7)	-1%
y/y %		22%	6%	-8%	-13%	12%	-1%	-5%								
<u>Long Products</u>																
Rebar	437	499	557	513	464	479	491	485	18	4%	(16)	-3%	(30)	-6%	(30)	-6%
y/y %		14%	12%	-8%	-9%	3%	3%	-1%								
In EUR/t	10'20	2Q'20	3Q'20	4Q'20E	1Q'21E	2Q'21E	3Q'21E	4Q'21E	4Q'20E	%	1Q'21E	%	2Q'21E	%	3Q'21E	%
<u>Flat Products</u>																
HRC	470	434	433	424	471	484	498	501	(13)	-3%	24	5%	20	4%	10	2%
y/y %		-8%	0%	-2%	11%	3%	3%	1%								
CRC	559	525	517	515	563	576	589	593	(13)	-2%	24	4%	20	4%	10	2%
y/y %		-6%	-2%	0%	9%	2%	2%	1%								
HDG	600	570	554	556	603	616	630	633	(13)	-2%	24	4%	20	3%	10	2%
y/y %		-5%	-3%	0%	9%	2%	2%	1%								
Plates	519	485	483	488	535	548	561	565	(10)	-2%	27	5%	23	4%	13	2%
y/y %		-7%	0%	1%	10%	2%	2%	1%								
<u>Long Products</u>																
Rebar	484	472	454	448	460	460	497	497	20	5%	22	5%	(25)	-5%	(30)	-6%
y/y %		-2%	-4%	-1%	3%	0%	8%	0%								

Source: CRU, Credit Suisse estimates

ArcelorMittal, Salzgitter and Kloeckner all have high operational leverage to steel price changes (see graph below) and hence we expect that the market will play those stocks predominantly into an upcoming earnings recovery. TKAG also has high leverage relative to our base case forecasts, though this is driven by weak earnings from underperforming assets weighing on our group forecasts.

Figure 27: Steel price sensitivity to EBITDA

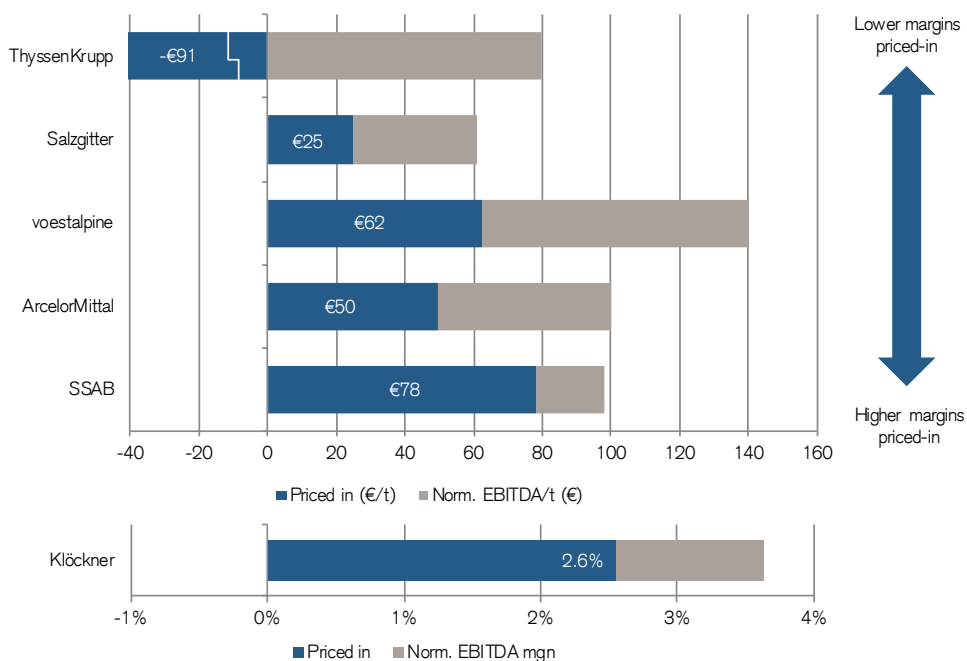


Source: Credit Suisse estimates

Valuation – Market prices in a gloomy scenario

From an EBITDA per tonne perspective, ThyssenKrupp still stands out as offering the deepest value in our coverage, although we think investors remain cautious on whether restructuring measures will be enough to restore normalised earnings. voestalpine screens as relatively cheap, but similarly we think the late-cycle exposure means normalised earnings are further away than for other names and the value opportunity is not as great as for ThyssenKrupp. SSAB screens as relatively more expensive, supporting our Neutral rating.

Figure 28: EU Carbon Steel: priced-in EBITDA/t



Source: Company data, Refinitiv, Credit Suisse estimates. Priced as of 28 September

Credit Suisse vs. Consensus

We are materially above consensus for ArcelorMittal on FY2 EBITDA, and think the market underestimates the spread recovery (though our numbers don't yet reflect the EBITDA reduction from the US deal with CLF). We are slightly below consensus for SSAB in absolute terms. Consensus has also yet to correct up for KCO FY1 EBITDA following recent updated guidance from the company.

Figure 29: Credit Suisse vs consensus

ArcelorMittal (US\$m)	FY1			FY2		
	CSe	Consensus	% diff	CSe	Consensus	% diff
Sales	52,065	53,098	-2%	64,154	60,028	7%
Adj. EBITDA	3,488	3,348	4%	6,377	5,427	18%
EPS (rep.)	(1.61)	(1.60)	-1%	1.90	1.06	80%
ThyssenKrupp (€m)						
Sales	28,210	28,650	-2%	29,697	30,464	-3%
Adj. EBIT	(1,781)	(1,624)	-10%	(295)	(303)	3%
EPS (rep.)	19.9	19.0	5%	(1.1)	(0.8)	-43%
voestalpine (€m)						
Sales	10,756	10,954	-2%	12,203	12,277	-1%
Adj. EBITDA	768	830	-7%	1,352	1,354	0%
EPS (rep.)	(0.66)	(0.75)	11%	1.59	1.33	19%
SSAB (SEKm)						
Sales	63,554	64,299	-1%	68,638	70,976	-3%
Adj. EBIT	(866)	(718)	-21%	1,768	2,566	-31%
EPS (rep.)	(1.58)	(0.84)	-87%	0.77	1.67	-54%
Klöckner (€m)						
Sales	5,206	5,246	-1%	5,687	5,915	-4%
Adj. EBITDA	95	20	368%	168	177	-5%
EPS (rep.)	(1.13)	(1.57)	28%	(0.05)	0.03	n/m
Salzgitter (€m)						
Sales	6,784	7,221	-6%	7,790	8,007	-3%
Adj. EBT	(239)	(219)	-9%	46	81	-43%
EPS (rep.)	(3.17)	(3.90)	19%	0.53	0.96	-45%

Source: IBES Consensus, Credit Suisse estimates

Comps

Figure 30: Global Steel Comps: EU Carbon Steel at a discount to North and South America

COMPANY		Local FX	MktCap	EV	MktCap	Current	Target	Rating	P/E		EV/EBITDA		Div. Yld	FCF Yld	FCF Yld	Net Debt	ND/EBITDA	EBITDA	
Ticker	Name		Local	Local	USD	Price	Price		FY1	FY2	FY1	FY2	FY1	FY1	FY2		FY1	FY1	FY2
			mn	mn	mn	(local)	(local)		x	x	x	x	%	%	%		(local)	(local)	(local)
MT.N	ArcelorMittal	USD	14,745	32,026	14,745	13.4	22.0	O	-14.9	7.0	9.0	5.0	0%	7%	-1%	7,510	2.2	3,488	6,377
TKAG.DE	ThyssenKrupp	EUR	2,755	5,369	3,215	4.4	9.4	O	0.9	-5.3	-9.5	7.0	0%	-170%	-37%	-6,077	n.m.	-560	925
VOES.VI	voestalpine	EUR	3,962	9,277	4,623	22.2	19.0	U	-33.6	14.0	12.1	6.7	1%	-1%	7%	3,909	5.1	768	1,352
SSABa.ST	SSAB	SEK	29,954	41,512	3,315	29.7	29.0	N	-23.8	31	16.2	8.0	0%	1%	1%	11,053	4.3	2,567	5,201
KCOGn.DE	Klöckner & Co	EUR	515	1,165	601	5.2	6.6	O	-9.9	-105	11.8	7.0	0%	28%	-9%	320	3.4	95	168
SZGG.DE	Salzgitter	EUR	853	3,692	996	14.2	17.0	O	-4.5	27	28.8	9.1	0%	-24%	1%	661	5.1	129	419
European Carbon Steel Aggregate									15.2	14.1	13.8	5.9	0%	-16%	-4%		1.7		
ACX.MC	Acerinox	EUR	1,919	2,828	2,240	7.1	8.2	N	63.2	10.6	9.0	6.5	7%	6%	2%	908	2.8	327	468
APAM.AS	Aperam	EUR	1,918	2,132	2,238	24.0	27.0	N	36.4	15.3	9.7	6.7	7%	8%	4%	62	0.3	219	326
OUT1V.HE	Outokumpu	EUR	919	2,336	1,072	2.2	2.2	U	-9.9	28	11.1	6.8	0%	1%	-19%	1,123	5.4	208	357
European Stainless Steel Aggregate									-491.6	13.9	10.1	6.6	6%	6%	-1%		2.9		
CMC.N	Commercial Metals Co.	USD	2,455	3,037	2,455	20.6	25.0	O	8.8	8.2	4.8	4.4	2%	28%	10%	598	1.0	630	650
NUE.N	Nucor Corporation	USD	13,934	16,423	13,934	46.3	48.0	N	18.5	18.2	7.9	8.3	3%	7%	-2%	2,368	1.1	2,063	2,057
STLD.OQ	Steel Dynamics, Inc.	USD	6,307	7,971	6,307	30.0	30.0	N	13.3	13.6	7.8	7.6	3%	-7%	-1%	1,859	1.8	1,047	1,105
STLC.TO	Stelco Holdings Inc.	CAD	966	833	722	10.9	12.0	N	159.3	11.1	10.3	5.8	0%	-5%	6%	-90	-1.1	85	140
X.N	United States Steel Corp.	USD	1,671	5,057	1,671	7.6	3.0	U	-1.3	-3.4	-15.4	17.8	1%	-76%	-35%	3,554	-10.5	-340	325
N. America Aggregate									71.3	22.6	9.6	7.9	3%	0%	-2%		2.4		
CSNA3.SA	Companhia Siderurgica Nacional	BRL	21,840	53,206	3,857	15.7	11.5	N	-122.6	5.3	7.7	7.1	0%	10%	7%	31,005	4.4	7,056	7,301
GGBR4.SA	Gerdau	BRL	35,329	46,523	6,239	20.5	26.0	O	17.9	11.0	7.8	6.3	1%	5%	6%	11,401	1.9	6,045	7,084
TX.N	Ternium	USD	3,749	6,302	3,749	19.1	17.0	N	34.9	7.7	6.1	4.2	0%	7%	11%	1,335	1.3	1,022	1,416
USIM5.SA	Usiminas	BRL	9,905	15,205	1,749	10.1	12.0	N	-21.7	11.0	7.9	5.7	0%	3%	9%	3,853	2.0	1,962	2,468
S. America Aggregate									46.1	7.8	6.9	6.1	0%	7%	8%		2.5		
0347.HK	Angang Steel Company Ltd	HKD	26,452	43,269	3,413	2.1	3.0	O	12.3	11.5	6.3	6.3	2%	-9%	8%	15,588	2.5	6,189	6,022
600019.SS	Bao Steel	CNY	110,243	142,584	16,157	5.0	6.7	O	13.8	11.0	4.9	4.4	4%	-20%	14%	37,936	1.3	29,977	32,196
004020.KS	Hyundai Steel Co.	KRW	3,276,094	13,765,069	2,801	24,550	30,000	O	-38.0	17.6	8.2	6.6	3%	8%	8%	10,339,704	6.2	1,662,327	1,975,545
0581.HK	China Oriental	HKD	6,701	8,597	865	1.8	3.1	O	2.9	2.7	1.9	2.0	8%	-8%	-17%	1,830	0.4	4,145	4,731
JNSP.BO	Jindal Steel & Power Ltd	INR	187,203	524,337	2,535	183.9	250.0	O	17.7	11.2	5.3	4.6	0%	22%	26%	318,269	3.4	94,562	101,141
JSTL.BO	JSW Steel Ltd	INR	665,746	1,169,631	9,016	277.1	200.0	O	16.6	18.1	12.0	11.0	1%	-4%	-2%	490,464	5.1	96,630	107,554
0323.HK	Maanshan Iron & Steel Co Ltd	CNY	18,725	25,357	2,744	1.8	3.3	O	8.1	7.6	4.8	4.5	5%	41%	22%	5,218	1.0	5,029	4,957
005490.KS	POSCO	KRW	17,132,213	23,824,196	14,646	196,500	240,000	O	17.9	8.1	4.4	3.3	5%	18%	19%	6,411,906	1.2	5,307,777	6,630,392
SAIL.BO	SAIL	INR	147,464	577,872	1,997	35.7	24.0	N	387.3	5.1	9.3	5.5	0%	-3%	15%	441,073	7.0	63,396	103,208
TISC.BO	Tata Steel Ltd	INR	406,607	1,349,574	5,507	361.0	365.0	O	7.2	6.8	7.7	6.0	2%	16%	-2%	927,969	5.4	172,998	227,804
BSL.AX	BlueScope Steel	AUD	6,756	6,721	4,785	13.4	13.6	O	26.6	12.4	7.0	4.8	1%	8%	12%	100	0.1	979	1,395
SGM.AX	Sims Metal Management	AUD	1,615	1,839	1,144	8.0	8.3	N	33.8	17.4	6.4	5.0	1%	12%	7%	137	0.5	274	336
Asia Aggregate									15.1	10.2	6.1	5.3	3%	2%	10%		2.7		

Source: Company data, Credit Suisse estimates. Priced as of 28 September

ArcelorMittal

Earnings momentum is returning; time to get involved

Steel

MT

Target price (12M, US\$)

22.00

Outperform^[M]

- **Benefits of vertical integration to last into 2021:** With the outlook for next year's iron ore price becoming increasingly positive (with China steel production continuing on 2020 levels), we remain positive on ArcelorMittal given its significant vertical integration. This is not yet fully priced in by the market, in our view. While investors' interest in iron ore pure-plays remains high (e.g. Rio Tinto), we note there has been some negative sentiment towards ArcelorMittal given volatility and uncertainty over the steel outlook. However, as the underlying demand recovery becomes increasingly clear and steel spreads start to normalise, we think investors will start to recognize again not only the material earnings benefits that the mining division offers (5th largest IO miner in the world, covering c60% of steelmaking needs) but also the upside from an earnings recovery in the carbon steel sector. We raise our FY20-22E EBITDA forecasts by 11-15% driven by higher IO prices and lift our TP to \$22/sh (from \$20/sh).
- **Capital returns moving back into focus post-CLF news flow:** The key takeaway from our recent steel & mining conference from MT was a clear change in messaging away from growth investment and towards deleveraging and shareholder returns. Although investors were cautious on the timeline, we think the CLF deal will lift sentiment and tackle the skepticism around MT's shareholder return strategy. While we do not yet incorporate this into our model, we view the news as a clear positive (see our report [MT is getting serious over capital returns strategy](#), 28 Sept) with a buyback of up to \$500m already announced.
- **Catalysts:** News flow on asset divestments or Ilva (decision expected by November). An announcement of details on another cost optimisation program improving asset quality by closing inefficient high cost operations and moving those capacities to lower cost plants could help convince the market of the company's new cash return strategy as it would signal the growth strategy is over. Further steel price hikes in the US, EU also positive.
- **Risks:** Secondary lockdowns in Europe and elsewhere impacting demand.
- **Valuation:** We retain our TP methodology (blend of DCF and FY21 EV/t EBITDA/t) but raise our TP to \$22/sh (from \$20/sh) as a result of our earnings upgrades. The shares currently trade on 5.0x FY21E EBITDA, compared to the sector average of 5.9x.

Previous target price (12M, US\$)	20.00
Price (28 Sep 20, US\$)	13.37
Market Cap (US\$ m)	14,744.6
Enterprise value (US\$ m)	31,559.2
[V] = Stock Considered Volatile (see Disclosure Appendix)	

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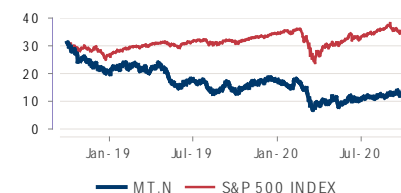
tom.zhang@credit-suisse.com

Financial and valuation metrics

Year	12/19A	12/20E	12/21E	12/22E
Revenue (US\$ m)	70,615.0	52,065.4	64,154.2	67,409.4
EBITDA (US\$ m)	5,195.0	3,487.7	6,377.1	8,378.8
Adjusted net income (US\$ m)	-250.00	-955.29	2,081.11	3,674.03
CS EPS (adj.) (US\$)	-0.25	-0.90	1.90	3.36
Prev. EPS (US\$)	-	-1.43	1.39	2.71
ROIC (%)	1.9	2.6	5.7	8.9
P/E (adj.) (x)	-54.2	-14.9	7.0	4.0
P/E rel. (%)	-255.1	-56.7	33.7	22.3
EV/EBITDA (x)	6.4	9.0	5.0	3.6
Dividend (12/20E, US\$)	0.00	Net debt/equity (12/20E, %)		20.6
Dividend yield (12/20E, %)	0.0	Net debt (12/20E, US\$ m)		7,509.6
BV/share (12/20E, US\$)	32.5	IC (12/20E, US\$ m)		44,041.2
Current WACC (%)	9.9	EV/IC (12/20E, (x))		0.7
Free float (%)	63.5	Number of shares (m)		1,102.8

Source: Company data, Refinitiv, Credit Suisse estimates

Share price performance



The price relative chart measures performance against the S&P 500 INDEX which closed at 3351.6 on 28/09/20. On 28/09/20 the spot exchange rate was US\$1.17/Eu 1.- Eu.86/US\$1

Performance	1M	3M	12M
Absolute (%)	5.5	25.9	-6.1
Relative (%)	10.0	18.3	-18.7

ArcelorMittal (MT.N)

Price (28 Sep 2020): US\$13.37

Target Price: (from 20.00) 22.00

Analyst: Carsten Riek

Rating: Outperform [V]

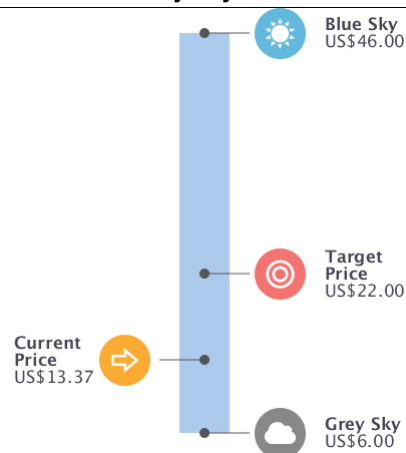
Income statement (US\$ m)	12/19A	12/20E	12/21E	12/22E
Revenue	70,615	52,065	64,154	67,409
EBITDA	5,195	3,488	6,377	8,379
Depr. & amort.	(3,067)	(3,000)	(3,075)	(3,075)
EBIT	2,128	488	3,302	5,304
Net interest exp.	(607)	(479)	(452)	(452)
Associates	347	392	476	534
PBT	823	(410)	2,716	4,776
Income taxes	(459)	(545)	(543)	(955)
Profit after tax	364	(955)	2,173	3,821
Minorities	(63)	8	(91)	(147)
Preferred dividends	-	-	-	-
Associates & other	(551)	(8)	0	0
Net profit	(250)	(955)	2,081	3,674
Other NPAT adjustments	(2,204)	(762)	0	0
Reported net income	(2,454)	(1,718)	2,081	3,674
Cash flow (US\$ m)	12/19A	12/20E	12/21E	12/22E
EBIT	2,128	488	3,302	5,304
Net interest	(1,652)	(1,289)	(1,062)	(1,062)
Cash taxes paid	(459)	(545)	(543)	(955)
Change in working capital	2,197	914	(1,361)	(286)
Other cash and non-cash items	3,803	3,889	3,075	3,075
Cash flow from operations	6,017	3,456	3,411	6,076
CAPEX	(3,572)	(2,400)	(3,600)	(3,600)
Free cashflow to the firm	2,445	1,056	(189)	2,476
Acquisitions	-	-	-	-
Divestments	-	-	-	-
Other investment/(outflows)	(252)	132	0	0
Cash flow from investments	(3,824)	(2,268)	(3,600)	(3,600)
Net share issue/(repurchase)	(90)	750	0	0
Dividends paid	(332)	(103)	0	(700)
Issuance (retirement) of debt	1,262	(999)	(1,880)	(1,038)
Other financing	(326)	0	0	0
Cashflow from financing	514	(352)	(1,880)	(1,737)
Changes in net cash/debt	784	1,835	(189)	1,777
Net debt at start	10,129	9,345	7,510	7,699
Change in net debt	(784)	(1,835)	189	(1,777)
Net debt at end	9,345	7,510	7,699	5,922
Balance sheet (US\$ m)	12/19A	12/20E	12/21E	12/22E
Assets				
Total current assets	28,616	24,613	25,679	26,945
Total assets	87,908	79,972	82,039	84,364
Liabilities				
Total current liabilities	21,287	18,040	19,813	20,055
Total liabilities	47,425	43,441	43,335	42,539
Total equity and liabilities	87,908	79,972	82,039	84,364
Per share	12/19A	12/20E	12/21E	12/22E
No. of shares (wtd avg.) (mn)	1,013	1,064	1,093	1,093
CS EPS (adj.) (US\$)	(0.25)	(0.90)	1.90	3.36
Prev. EPS (US\$)	-	(1.43)	1.39	2.71
Dividend (US\$)	0.00	0.00	0.19	0.67
Free cash flow per share (US\$)	2.41	0.99	(0.17)	2.27
Key ratios and valuation	12/19A	12/20E	12/21E	12/22E
Growth/Margin (%)				
Sales growth (%)	(7.1)	(26.3)	23.2	5.1
EBIT growth (%)	(71.5)	(77.1)	577.1	60.6
Net income growth (%)	(104.2)	(282.1)	317.9	76.5
EPS growth (%)	(104.3)	(263.9)	312.0	76.5
EBITDA margin (%)	7.4	6.7	9.9	12.4
EBIT margin (%)	3.0	0.9	5.1	7.9
Pretax profit margin (%)	1.2	(0.8)	4.2	7.1
Net income margin (%)	(0.4)	(1.8)	3.2	5.5
Valuation				
EV/Sales (x)	0.5	0.6	0.5	0.4
EV/EBITDA (x)	6.4	9.0	5.0	3.6
EV/EBIT (x)	15.7	64.7	9.6	5.7
Dividend yield (%)	0.00	0.00	1.42	5.03
P/E (x)	(54.2)	(14.9)	7.0	4.0
Credit ratios (%)				
Net debt/equity (%)	23.1	20.6	19.9	14.2
Net debt to EBITDA (x)	1.8	2.2	1.2	0.7
Interest coverage ratio (x)	3.5	1.0	7.3	11.7

Source: FTI, Company data, Refinitiv, Credit Suisse Securities (EUROPE) LTD. Estimates

Company Background

ArcelorMittal is the world's largest global steel producer, with crude steel production of 92.5mt and shipments of 83.9mt in 2018. It produces a range of finished steel products and is partly vertically integrated into both iron ore (60%) and coal (10%).

Blue/Grey Sky Scenario



Our Blue Sky Scenario (US\$)

(from 43.00) 46.00

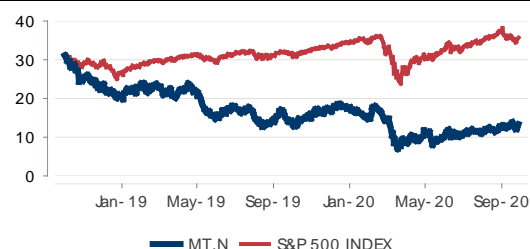
In our Blue Sky scenario, we raise our shipment growth forecasts by 1pp across each division and raise steel EBITDA spreads by \$30/t in the short term (\$10/t normalised). We raise mining EBITDA margins by 5pp, increase short-term NWC and capex requirements and raise our terminal growth rate assumption to 1%. Finally, we add in value for Essar which is not recognised in our base case model. This gives our Blue Sky valuation of \$46/share.

Our Grey Sky Scenario (US\$)

(from 3.00) 6.00

In our Grey Sky scenario, we assume a deterioration of global steel markets. We cut our shipment growth forecasts by 1pp across each division and lower steel EBITDA spreads by \$40/t in the short-term (\$15/t normalised). We lower mining EBITDA margins by 5pp, but reduce NWC and capex requirements in the short term. This gives our Grey Sky valuation of \$6/share.

Share price performance



The price relative chart measures performance against the S&P 500 INDEX which closed at 3351.6 on 28/09/20

On 28/09/20 the spot exchange rate was US\$1.17/Eu 1.- Eu.86/US\$1

ArcelorMittal earnings changes

ArcelorMittal is a clear beneficiary of raw material price inflation, in our view, given its degree of vertical integration. The company produces roughly 56mt of iron ore and 5.5mt of coking coal, and this is the primary driver of our earnings upgrades (slightly offset by weaker volume assumptions). The impact of this is spread across Mining (third-party sales), and Brazil and ACIS, where we see a higher degree of internal raw material consumption. We therefore raise our FY20-22 EBITDA forecasts by 11-15%.

Figure 31: ArcelorMittal earnings changes summary

(US\$m)	New Estimates			Old Estimates			Changes		
	2020	2021	2022	2020	2021	2022	2020	2021	2022
Group Sales	52,065	64,154	67,409	50,498	58,948	62,707	3%	9%	7%
Group Adj. EBITDA	3,488	6,377	8,379	3,042	5,690	7,518	15%	12%	11%
NAFTA	486	1,147	1,712	544	1,233	1,728	-11%	-7%	-1%
Brazil	718	879	1,314	609	720	1,032	18%	22%	27%
Europe	654	2,138	3,430	613	2,436	3,514	7%	-12%	-2%
ACIS	123	682	864	101	521	736	22%	31%	17%
Mining	1,647	1,690	1,219	1,314	940	668	25%	80%	83%
Eliminations	(140)	(160)	(160)	(140)	(160)	(160)	0%	0%	0%
Group Adj. EBIT	488	3,302	5,304	42	2,615	4,443	n/m	26%	19%
Net Income (Rep.)	(1,718)	2,081	3,674	(2,286)	1,517	2,965	-25%	37%	24%
EPS (Rep.)	(1.61)	1.90	3.36	(2.15)	1.39	2.71	-25%	37%	24%

Source: Credit Suisse estimates

ArcelorMittal valuation

We retain our valuation methodology, blending our FY21E EV/t EBITDA/t and our base-case DCF models. As a result of our earnings upgrade, we increase our TP to \$22/sh (from \$20/sh).

Figure 32: ArcelorMittal valuation methodology

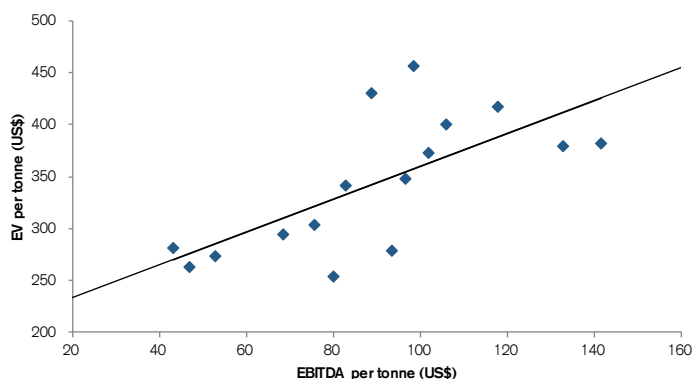
	Fair Value (USD)		Weight	Fair Value		Weight	Price target	
							in USD/sh	in EUR/sh
DCF upside	46	0%						
DCF base	20	100%		20	50%			
DCF downside	6	0%						
FY21E EV per tonne / EBITDA per tonne				24	50%		22	19

Source: Credit Suisse estimates

Figure 33: Base-case DCF scenario valuation

USD mn	2015	2016	2017	2018	2019	2020E	2021E	2022E	2023E	2024E	Norm
Sales	63,578	56,791	68,679	76,033	70,615	52,065	64,154	67,409	65,894	65,462	69,334
y/y %	-20%	-11%	21%	11%	-7%	-26%	23%	5%	-2%	-1%	
EBITDA adj	5,230	6,254	8,408	10,264	5,195	3,488	6,377	8,379	8,430	8,155	9,612
EBITDA mgn	8%	11%	12%	13%	7%	7%	10%	12%	13%	12%	14%
EBIT	(4,162)	4,160	5,434	6,538	(627)	(282)	3,302	5,304	5,355	5,080	6,537
EBIT mgn	-80%	67%	65%	64%	-12%	-8%	52%	63%	64%	62%	68%
Tax on EBIT (20%)	832	(832)	(1,087)	(1,308)	125	56	(660)	(1,061)	(1,071)	(1,016)	(1,307)
EBIT net of taxes	(3,329)	3,328	4,347	5,230	(502)	(226)	2,642	4,243	4,284	4,064	5,229
D&A	7,956	2,926	2,974	3,609	4,994	3,092	3,075	3,075	3,075	3,075	3,075
Change in NWC	(389)	(1,023)	(1,873)	(4,384)	2,197	914	(1,361)	(286)	204	37	--
Ex-interest relevant cash-out	354	(1,988)	(566)	(24)	845	495	(610)	(610)	(610)	(610)	(610)
Capex	(2,707)	(2,444)	(2,818)	(3,305)	(3,572)	(2,400)	(3,600)	(3,600)	(3,450)	(3,100)	(3,075)
FCF	1,884	799	2,064	1,126	3,963	1,875	146	2,822	3,503	3,466	4,619
WACC	9.9%	9.9%	9.9%	9.9%	9.9%	9.9%	9.9%	9.9%	9.9%	9.9%	
Discount factor						1	0.91	0.83	0.75	0.69	
PV of FCF						1,875	132	2,337	2,639	2,376	
NPV (2020-2024)	9,360										
Terminal growth	0%										
Terminal value	29,105										
% of NPV in terminal value	76%										
Enterprise value	38,465										
Net debt	(7,699)										
Pensions	(7,343)										
Minorities (BV)	(1,962)										
Non-core assets	--										
Total equity value (USDm)	21,461										
# of shares outstanding	1,093										
Fair value (USD per share)	20										

Source: Company data, Credit Suisse estimates

Figure 34: EV per tonne/EBITDA per tonne regression

Source: Credit Suisse research

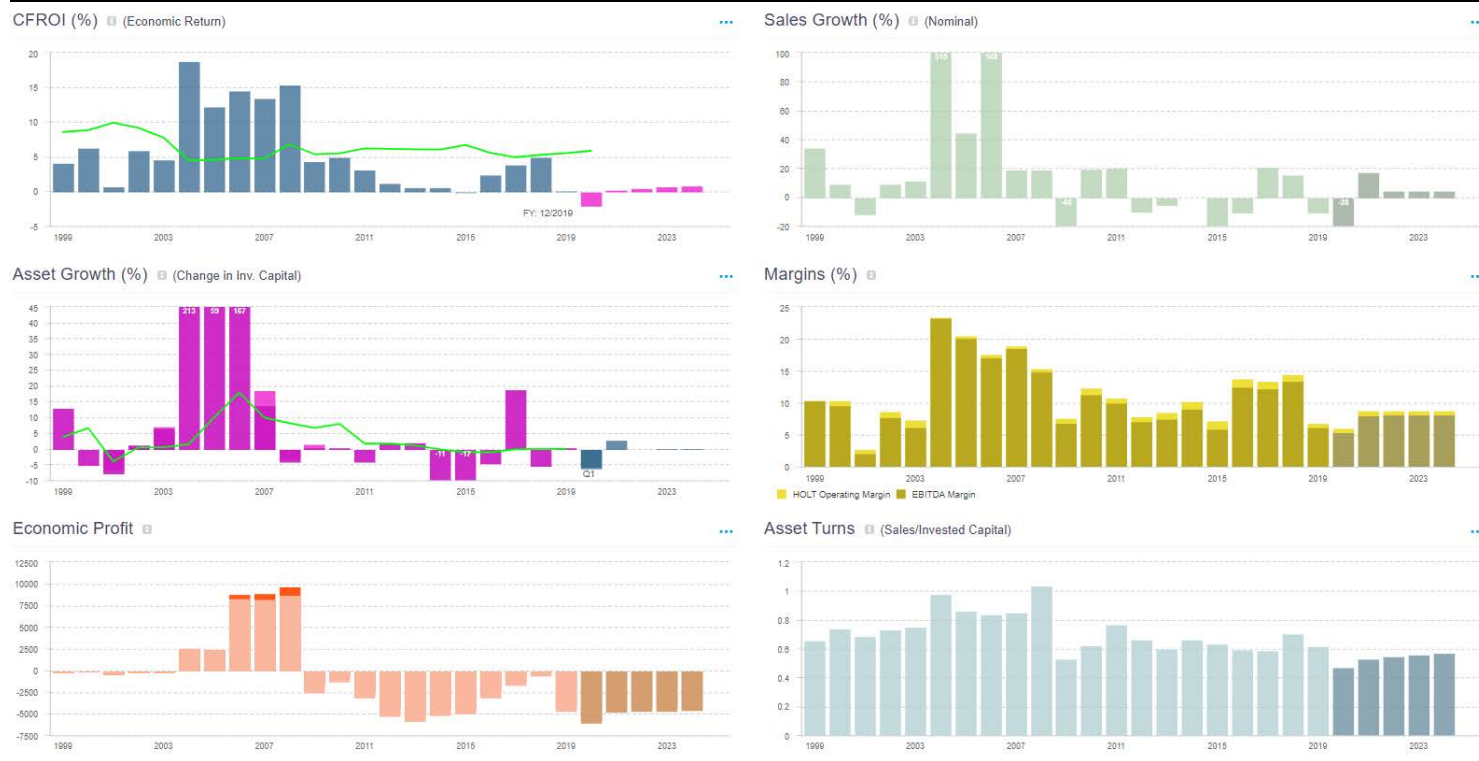
Figure 35: EV per tonne/EBITDA per tonne valuation

FY 2021	US\$m
Group EBITDA/t (US\$)	84
EV/t (US\$)	331
EV	43,777
- minus net debt	(7,699)
- minus pensions	(7,343)
- minus minorities	(1,962)
Equity value	26,773
# Shares	1,093
Warranted Price (US\$)	24

Source: Credit Suisse estimates

Credit Suisse HOLT®: What's Priced In

Figure 36: CS HOLT: What's Priced In Scenario



Source: Credit Suisse HOLT

Taking IBES forecasts for 2020-21, we find the market is pricing in EBITDA margins remaining flat out to 2025, effectively keeping CFROI® levels around 0% for the foreseeable future. We think this scenario is too pessimistic given indications of an improving steel market and cost savings that can be made permanent as we exit the COVID-19 pandemic.

ThyssenKrupp

Deep value case, but positive catalysts earliest at the end of CY2020

Steel

TKAG.DE

Target price (12M, €)

9.40

Outperform^[M]

- **Still positive on the restructuring case, though catalysts will likely take time to materialize:** We remain Outperform on ThyssenKrupp, highlighting the financial firepower the group now has following the successful Elevator Technology transaction and the increased flexibility on its restructuring program. However, we recognize the current global situation has seen a slowdown in news flow on divestments or partnerships and we do not expect key catalysts until end of CY'2020. In the meantime, investors will continue to look for progress in the restructuring of the group's "Multi tracks" business unit and reassurance on sustainable FCF excluding net working capital (NWC) impacts after the company guided to an implied €1-2bn negative FCF for Q4. We reduce our FY21E EBITDA by 10% largely on Steel Europe earnings (partly offset by a better automotive demand recovery) and as a result lower our TP slightly to €9.4/sh (from €10/sh).
- **Our long-term investment case remains unchanged:** A successful restructuring of underperforming businesses can bring sustainable EBITDA of ~€2bn as early as 2023, in our view, and generate normalised FCF of ~€600m (yield of 11%). We think the market remains cautious given a lack of clarity on the timeline for the "multi-tracks" businesses, though we are reassured by recent CFO commentary that the process 'will not take 2-3 years'.
- **Catalysts:** Financial targets with Q4 results in November. News flow on asset divestments or partnerships in the multi-tracks segment. Continued recovery in European automotive markets.
- **Risks:** Potential concerns over how long financial reserves could last if negative FCF cannot be turned around through 2021 and there is no news flow on asset restructuring.
- **Valuation:** We retain our valuation methodology (blend of DCF and EV/t EBITDA/t models) but lower our target price to €9.40. The shares currently trade on 7x FY21E EBITDA but only 3.7x FY22E EBITDA, suggesting the market still remains skeptical about medium-term earnings improvement.

Previous target price (12M, €)	10.00
Price (28 Sep 20, €)	4.43
Market Cap (€ m)	2,755.3
Enterprise value (€ m)	5,338.6
[M] = Stock Considered Volatile (see Disclosure Appendix)	

Research Analysts

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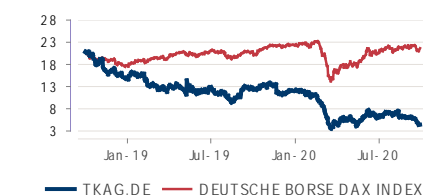
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Financial and valuation metrics

Year	9/19A	9/20E	9/21E	9/22E
Revenue (€ m)	41,996.0	28,209.9	29,696.9	31,394.0
EBITDA (€ m)	1,956.0	-560.2	924.6	1,818.8
Adjusted net income (€ m)	66.30	2,936.39	-517.93	119.68
CS EPS (adj.) (€)	0.11	4.71	-0.83	0.19
Prev. EPS (€)	-	4.60	-0.69	0.29
ROIC (%)	7.5	-22.3	-2.4	4.7
P/E (adj.) (x)	41.6	0.9	-5.3	23.0
P/E rel. (%)	246.5	4.5	-35.4	178.8
EV/EBITDA (x)	8.4	-9.5	7.0	3.7
Dividend (09/20E, €)	0.00	Net debt/equity (09/20E, %)		-42.2
Dividend yield (09/20E, %)	0.0	Net debt (09/20E, € m)		-6,076.7
BV/share (09/20E, €)	22.5	IC (09/20E, € m)		8,328.7
Current WACC (%)	9.5	EV/IC (09/20E, (x))		0.6
Free float (%)	58.2	Number of shares (m)		622.5

Source: Company data, Refinitiv, Credit Suisse estimates

Share price performance



The price relative chart measures performance against the DEUTSCHE BORSE DAX INDEX which closed at 12870.9 on 28/09/20. On 28/09/20 the spot exchange rate was €1/Eu 1.- Eu.86/US\$1

Performance	1M	3M	12M
Absolute (%)	-26.4	-29.9	-65.6
Relative (%)	-25.1	-34.5	-69.6

ThyssenKrupp (TKAG.DE)

Price (28 Sep 2020): €4.426

Target Price: (from 10.00) 9.40

Analyst: Carsten Riek

Rating: Outperform [V]

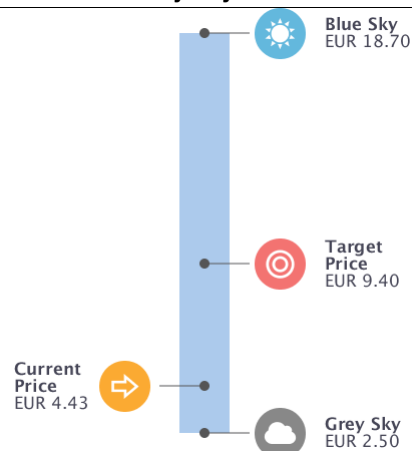
Income statement (€ m)	9/19A	9/20E	9/21E	9/22E
Revenue	41,996	28,210	29,697	31,394
EBITDA	1,956	(560)	925	1,819
Depr. & amort.	(1,155)	(1,221)	(1,219)	(1,219)
EBIT	801	(1,781)	(295)	599
Net interest exp.	(355)	(317)	(274)	(257)
Associates	-	-	-	-
PBT	446	(2,099)	(568)	342
Income taxes	(176)	(124)	171	(103)
Profit after tax	270	(2,188)	(398)	240
Minorities	(45)	(28)	(36)	(36)
Preferred dividends	-	-	-	-
Associates & other	(159)	5,153	(84)	(84)
Net profit	66	2,936	(518)	120
Other NPAT adjustments	(370)	9,468	(196)	(196)
Reported net income	(304)	12,404	(714)	(76)
Cash flow (€ m)	9/19A	9/20E	9/21E	9/22E
EBIT	801	(1,781)	(295)	599
Net interest	355	317	274	257
Cash taxes paid	284	60	(171)	103
Change in working capital	109	(2,457)	(311)	(105)
Other cash and non-cash items	(1,477)	135	733	220
Cash flow from operations	72	(3,726)	230	1,074
CAPEX	(1,409)	(1,162)	(1,236)	(1,216)
Free cashflow to the firm	(1,337)	(4,888)	(1,006)	(142)
Acquisitions	-	-	-	-
Divestments	87	16,941	0	0
Other investment/(outflows)	(10)	(170)	(100)	(100)
Cash flow from investments	(1,332)	15,609	(1,336)	(1,316)
Net share issue/(repurchase)	0	0	0	0
Dividends paid	(93)	0	0	0
Issuance (retirement) of debt	2,100	(674)	(1,745)	(1,350)
Other financing	(80)	(507)	0	0
Cashflow from financing	1,927	(1,181)	(1,745)	(1,350)
Changes in net cash/debt	(1,644)	10,323	(1,106)	(242)
Net debt at start	2,602	4,246	(6,077)	(4,971)
Change in net debt	1,644	(10,323)	1,106	242
Net debt at end	4,246	(6,077)	(4,971)	(4,729)
Balance sheet (€ m)	9/19A	9/20E	9/21E	9/22E
Assets				
Total current assets	21,161	29,003	26,622	25,158
Total assets	36,474	41,654	39,389	38,022
Liabilities				
Total current liabilities	17,727	13,407	13,170	11,844
Total liabilities	34,254	27,248	25,661	24,335
Total equity and liabilities	36,474	41,654	39,389	38,022
Per share	9/19A	9/20E	9/21E	9/22E
No. of shares (wtd avg.) (mn)	623	623	623	623
CS EPS (adj.) (€)	0.11	4.71	(0.83)	0.19
Prev. EPS (€)	-	4.60	(0.69)	0.29
Dividend (€)	0.00	0.00	0.00	0.15
Free cash flow per share (€)	(2.15)	(7.85)	(1.61)	(0.23)
Key ratios and valuation	9/19A	9/20E	9/21E	9/22E
Growth/Margin (%)				
Sales growth (%)	1.1	(32.8)	5.3	5.7
EBIT growth (%)	(44.5)	(322.4)	83.4	303.3
Net income growth (%)	(77.5)	4328.9	(117.6)	123.1
EPS growth (%)	(77.5)	4328.9	(117.6)	123.1
EBITDA margin (%)	4.7	(2.0)	3.1	5.8
EBIT margin (%)	1.9	(6.3)	(1.0)	1.9
Pretax profit margin (%)	1.1	(7.4)	(1.9)	1.1
Net income margin (%)	0.2	10.4	(1.7)	0.4
Valuation	9/19A	9/20E	9/21E	9/22E
EV/Sales (x)	0.4	0.2	0.2	0.2
EV/EBITDA (x)	8.4	(9.5)	7.0	3.7
EV/EBIT (x)	20.5	(3.0)	(22.0)	11.3
Dividend yield (%)	0.00	0.00	0.00	3.39
P/E (x)	41.6	0.9	(5.3)	23.0
Credit ratios (%)	9/19A	9/20E	9/21E	9/22E
Net debt/equity (%)	191.3	(42.2)	(36.2)	(34.5)
Net debt to EBITDA (x)	2.2	10.8	(5.4)	(2.6)
Interest coverage ratio (x)	2.3	(5.6)	(1.1)	2.3

Source: FTI, Company data, Refinitiv, Credit Suisse Securities (EUROPE) LTD. Estimates

Company Background

ThyssenKrupp is a Germany-based industrial conglomerate operating through six business segments: Steel Europe, Materials Services, Elevator Technology, Components Technology, Industrial Solutions and Marine Systems.

Blue/Grey Sky Scenario



Our Blue Sky Scenario (€)

(from 19.00) 18.70

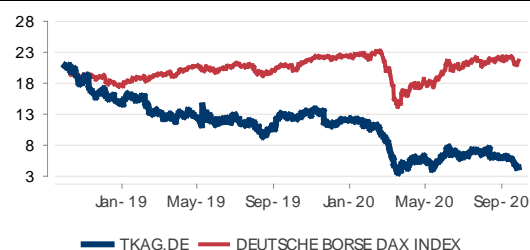
In our Blue Sky scenario, in Steel Europe we raise our shipment growth forecast by 1pp and our short-term EBITDA spreads by €30/t (€20/t normalised). For the other divisions we raise our EBITDA margin assumptions by 1pp. We assume increased short-term capex and NWC requirements and raise our long-term growth rate assumption to 2%. This gives our blue-sky warranted price at €18.7/sh.

Our Grey Sky Scenario (€)

(from 3.00) 2.50

In our Grey Sky scenario we lower our steel shipments forecast by 1pp and lower EBITDA spreads by €30/t. We cut our EBITDA margin assumptions by 1pp for other divisions. We also assume reduced near-term NWC and capex, as well as more stringent corporate cost cutting. We lower our long-term growth rate assumption to 0%. This gives our grey sky warranted price of €2.5/sh.

Share price performance



The price relative chart measures performance against the DEUTSCHE BORSE DAX INDEX which closed at 12870.9 on 28/09/20
On 28/09/20 the spot exchange rate was €1/Eu 1.- Eu.86/US\$1

ThyssenKrupp earnings changes

We revise down our earnings forecasts by 10% in FY20/21 driven by weakness in Steel Europe, as shipments are expected to be lower and commentary from our recent Steel & Mining conference indicated some softness in the European plate market. This is partly offset by better earnings in Materials Services (on windfall gains from higher steel prices) and Automotive Technology (commentary at our conference suggested the automotive market has picked up more quickly than previously expected, which should be evident in calendar Q4 earnings).

Figure 37: ThyssenKrupp earnings changes summary (per share data in €)

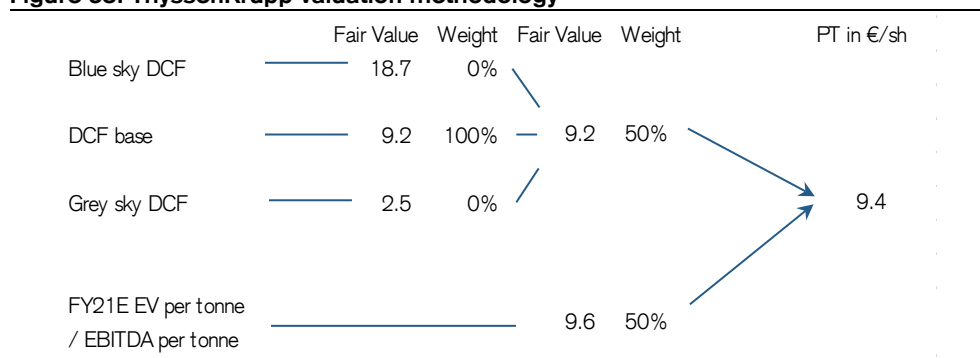
(€m)	New Estimates			Old Estimates			Changes		
	FY19/20	FY20/21	FY21/22	FY19/20	FY20/21	FY21/22	FY19/20	FY20/21	FY21/22
Group Sales	28,210	29,697	31,394	28,050	28,792	30,953	1%	3%	1%
Steel Europe	7,024	7,572	8,037	7,014	7,279	7,845	0%	4%	2%
Materials Services	11,183	11,427	12,236	11,033	10,815	11,987	1%	6%	2%
Automotive Technology	4,566	4,896	5,092	4,566	4,896	5,092	0%	0%	0%
Industrial Components	2,131	2,279	2,371	2,131	2,279	2,371	0%	0%	0%
Plant Technology	2,837	2,952	3,054	2,837	2,952	3,054	0%	0%	0%
Marine Systems	1,596	1,603	1,635	1,596	1,603	1,635	0%	0%	0%
Corp/Consol	(1,127)	(1,032)	(1,032)	(1,127)	(1,032)	(1,032)	0%	0%	0%
Group Adj. EBITDA	(560)	925	1,819	(549)	1,031	1,887	-2%	-10%	-4%
Group Adj. EBIT (€m)	(1,781)	(295)	599	(1,770)	(189)	667	-1%	-56%	-10%
Steel Europe	(1,066)	(210)	410	(1,050)	(83)	449	n/m	-153%	-9%
Materials Services	(145)	121	218	(149)	112	247	3%	8%	-12%
Automotive Technology	(225)	(5)	52	(225)	(17)	52	0%	73%	0%
Industrial Components	152	188	212	152	188	212	0%	0%	0%
Plant Technology	(224)	(73)	17	(224)	(73)	17	0%	0%	0%
Marine Systems	10	15	22	10	15	22	0%	0%	0%
Corp/Consol	(283)	(331)	(331)	(283)	(331)	(331)	0%	0%	0%
Net Income (Rep.)	12,404	(714)	(76)	12,421	(625)	(14)	0%	-14%	-437%
EPS (Rep.)	19.91	(1.15)	(0.12)	19.94	(1.00)	(0.02)	0%	-14%	-437%

Source: Credit Suisse estimates

ThyssenKrupp valuation

We retain our valuation methodology, blending our FY21E EV/t EBITDA/t and our base-case DCF models. As a result of our earnings downgrade in FY21E, we lower our TP to €9.4/sh (from €10/sh).

Figure 38: ThyssenKrupp valuation methodology

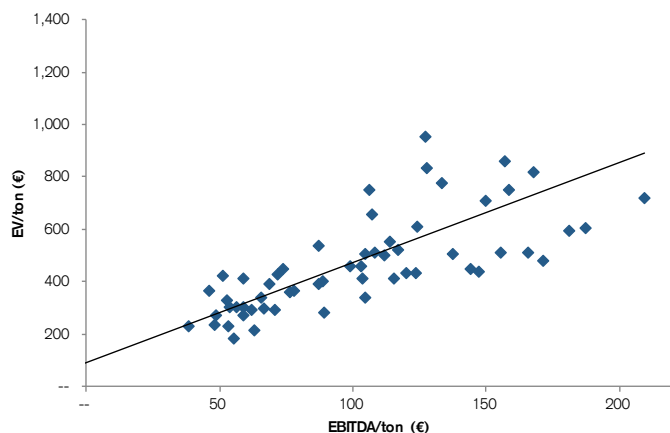


Source: Credit Suisse estimates

Figure 39: Base-case DCF scenario valuation

EUR mn	2016	2017	2018	2019	2020E	2021E	2022E	2023E	2024E	2025E	Norm
Sales	39,263	41,447	41,535	41,996	28,210	29,697	31,394	31,383	31,431	32,129	35,800
y/y %	-8%	6%	0%	1%	-33%	5%	6%	0%	0%	2%	
EBITDA adj	2,634	2,783	2,536	1,956	(560)	925	1,819	2,029	2,028	1,968	2,064
EBITDA mgn	7%	7%	6%	5%	-2%	3%	6%	6%	6%	6%	6%
EBIT adj.	1,469	1,721	1,444	801	(1,781)	(295)	599	810	808	749	844
EBIT mgn	4%	4%	3%	2%	-6%	-1%	2%	3%	3%	2%	2%
Tax on EBIT (30%)	(441)	(516)	(433)	(240)	534	88	(180)	(243)	(243)	(225)	(253)
EBIT net of taxes	1,028	1,205	1,011	561	(1,247)	(206)	420	567	566	524	591
D&A	1,152	1,022	1,092	1,155	1,221	1,219	1,219	1,219	1,219	1,219	1,219
Change in NWC	845	(772)	(424)	109	(2,457)	(311)	(105)	98	(73)	(244)	--
Ex-interest relevant cash-out	(1,172)	339	380	(1,386)	(1,468)	(280)	(280)	--	--	--	--
Capex	(1,216)	(1,368)	(1,372)	(1,409)	(1,162)	(1,236)	(1,216)	(1,216)	(1,216)	(1,216)	(1,219)
FCF	637	426	687	(970)	(5,112)	(814)	38	669	496	283	591
WACC	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%	
Discount factor						1.00	0.91	0.83	0.76	0.70	
PV of FCF						(814)	35	558	378	197	
NPV (2021-2025)	353										
Terminal growth	1%										
Terminal value	4,428										
% of NPV in terminal value	93%										
Enterprise value	4,782										
Net cash (CSe)	6,077										
Pensions	(8,245)										
Plus deferred tax assets	1,384										
NPV of service costs	2,121										
Minorities	(415)										
Non-core assets	--										
Total equity value (EURm)	5,704										
# of shares outstanding	623										
Fair value (EUR per share)	9.2										

Source: Company data, Credit Suisse estimates

Figure 40: EV per tonne/EBITDA per tonne regression

Source: Credit Suisse research

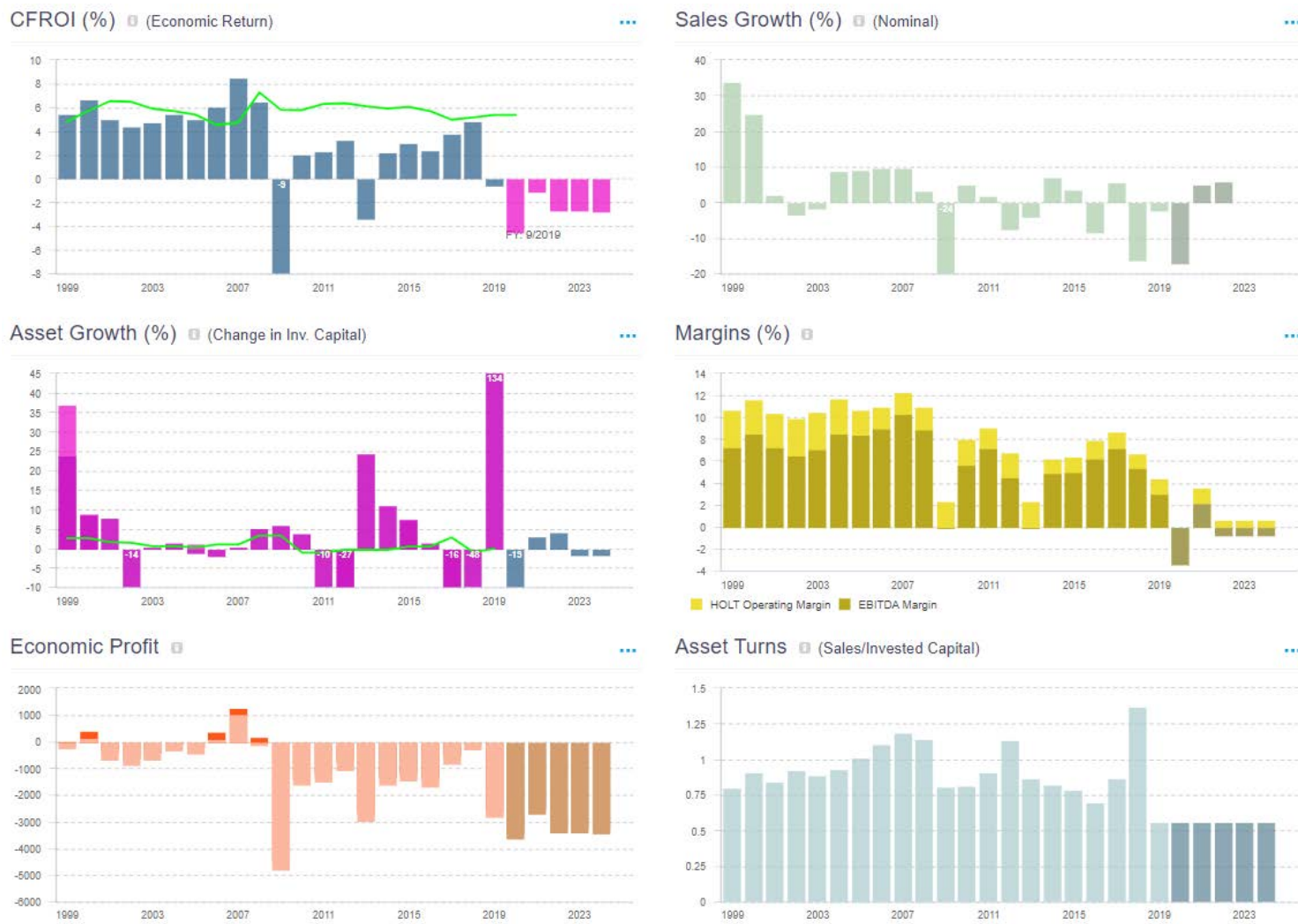
Figure 41: EV per tonne/EBITDA per tonne valuation

	€m		€m
FY21 Steel Europe EBITDA	254	Materials Services	1,757
Shipments (kt)	9,716	Automotive Tech	1,725
EBITDA/t	26	Industrial Comp	1,777
Steel Europe EV/t	122	Plant Tech	(172)
Capacity (kt)	14,500	Corporate / Consol	(1,764)
Steel Europe EV	1,766	FY21 Non-Steel EV	3,323
		Group EV	5,090
		Net cash (CSe)	6,077
		Pensions	(8,245)
		Plus deferred tax assets	1,384
		NPV of service costs	2,121
		Minorities	(415)
		Non-core assets	--
		Equity Value	6,012
		# shares	623
		Implied Share Price (€)	9.6

Source: Credit Suisse estimates

Credit Suisse HOLT: What's Priced In

Figure 42: CS HOLT: What's Priced In Scenario



Source: Credit Suisse HOLT

We look at HOLT's TKAG Elevator Pro-Forma scenario to consider market expectations. Feeding in a discount rate flat from 2019 and our continuing-operations sales growth and EBITDA forecasts for 2020/21, we find the market is pricing in a very pessimistic scenario with EBITDA margins returning to negative territory and staying there until 2025. This means CFROI remains negative (despite the recovery from COVID-19 impacts and underlying business restructuring), which suggests the market could be positively surprised going forward.

voestalpine

Hard to turn more positive, given late-cycle character and balance sheet risks

Steel

VOES.VI

Target price (12M, €)

19.00

Underperform

- **Still too early for late-cycle names:** We have seen relatively high investor interest in voestalpine in recent months given operational quality, but still prefer the operational leverage that other names offer as demand continues to improve in Europe and globally. Although automotive demand is improving, we remain bearish on the aerospace and O&G markets, and think as the visibility on a sustainable recovery becomes clearer, investors will become increasingly willing to look at more operationally geared companies, with fewer simply opting for the lower risk of operational quality. We revise our EBITDA forecasts down slightly (2-7% over the next three years) driven by lower volume expectations, partly offset by higher iron ore prices given voestalpine is partially vertically integrated.
- **Balance sheet risks still look high from potential impairments:** As flagged in our [review report](#), voestalpine has one of the more highly levered balance sheets in the sector (we expect FY21 net debt/EBITDA of >5x and gearing at 72%), and we believe investors have not paid much attention to this despite a general preference for strong balance sheets during crisis periods. Although the debt terms are not especially stringent, this risk is exacerbated by the possibility of future impairments, in our view. The company took €400m of impairments in FY20, but given the macro weakness and level of growth capex seen in the past decade, further impairments cannot be ruled out, in our view, potentially leading to further book equity writedowns.
- **Catalysts:** Q2 results on 10 November where we see some improvement in earnings vs. the Q1 trough, though outlook statements could remain muted. Ad-hoc impairment announcements are possible if economic conditions remain weak.
- **Risks:** Underlying improvement for aerospace or O&G markets (where voestalpine is comparatively more exposed than peers).
- **Valuation:** We retain our €19 TP which is based on the average of our DCF and FY21E EV/t EBITDA/t models. The shares trade at 6.7x FY22E EBITDA vs the sector on 5.9x.

Price (25 Sep 20, €)	21.66
Market Cap (€ m)	3,867.4
Enterprise value (€ m)	9,234.5

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Financial and valuation metrics

Year	3/20A	3/21E	3/22E	3/23E
Revenue (€ m)	12,717.2	10,755.9	12,203.0	12,480.6
EBITDA (€ m)	1,264.5	768.2	1,351.6	1,544.7
Adjusted net income (€ m)	141.74	-117.92	283.17	424.21
CS EPS (adj.) (€)	0.79	-0.66	1.59	2.38
Prev. EPS (€)	-	-0.60	1.96	2.90
ROIC (%)	4.4	-0.5	4.2	5.8
P/E (adj.) (x)	27.3	-32.8	13.7	9.1
P/E rel. (%)	316.5	-201.6	127.3	108.7
EV/EBITDA (x)	7.2	12.0	6.7	5.6
Dividend (03/21E, €)	0.20	Net debt/equity (03/21E, %)		73.0
Dividend yield (03/21E, %)	0.9	Net debt (03/21E, € m)		3,908.9
BV/share (03/21E, €)	29.4	IC (03/21E, € m)		9,265.6
Current WACC (%)	8.2	EV/IC (03/21E, (x))		1.0
Free float (%)	70.2	Number of shares (m)		178.5

Source: Company data, Refinitiv, Credit Suisse estimates

Share price performance



The price relative chart measures performance against the VIENNA SE AUSTRIAN TRADED IDX Index which closed at 2124.1 on 25/09/20. On 25/09/20 the spot exchange rate was €1/Eu 1.- Eu.86/US\$1

Performance	1M	3M	12M
Absolute (%)	4.0	13.1	1.4
Relative (%)	9.7	18.6	31.1

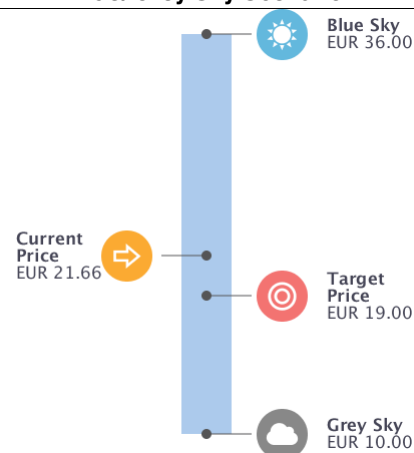
voestalpine (VOES.VI)Price (25 Sep 2020): **€21.66**Target Price: **19.00**Analyst: **Carsten Riek**Rating: **Underperform**

Income statement (€ m)	3/20A	3/21E	3/22E	3/23E
Revenue	12,717	10,756	12,203	12,481
EBITDA	1,265	768	1,352	1,545
Depr. & amort.	(869)	(830)	(830)	(830)
EBIT	396	(62)	522	715
Net interest exp.	(141)	(131)	(130)	(123)
Associates	-	-	-	-
PBT	255	(193)	392	592
Income taxes	14	48	(98)	(148)
Profit after tax	269	(145)	294	444
Minorities	8	27	(11)	(20)
Preferred dividends	-	-	-	-
Associates & other	(134)	0	0	0
Net profit	142	(118)	283	424
Other NPAT adjustments	(364)	0	0	0
Reported net income	(222)	(118)	283	424
Cash flow (€ m)	3/20A	3/21E	3/22E	3/23E
EBIT	396	(62)	522	715
Net interest	(141)	(131)	(130)	(123)
Cash taxes paid	14	48	(98)	(148)
Change in working capital	434	(106)	(107)	(46)
Other cash and non-cash items	602	830	830	830
Cash flow from operations	1,304	580	1,017	1,228
CAPEX	(748)	(600)	(750)	(800)
Free cashflow to the firm	556	(20)	267	428
Acquisitions	(11)	0	0	0
Divestments	44	0	0	0
Other investment/(outflows)	109	0	0	0
Cash flow from investments	(607)	(600)	(750)	(800)
Net share issue/(repurchase)	(5)	0	0	0
Dividends paid	(243)	(40)	(40)	(99)
Issuance (retirement) of debt	374	(211)	0	(400)
Other financing	(500)	0	0	0
Cashflow from financing	(374)	(251)	(40)	(499)
Changes in net cash/debt	(33)	(60)	227	329
Net debt at start	3,816	3,849	3,909	3,682
Change in net debt	33	60	(227)	(329)
Net debt at end	3,849	3,909	3,682	3,352
Balance sheet (€ m)	3/20A	3/21E	3/22E	3/23E
Assets				
Total current assets	6,098	5,517	6,051	6,043
Total assets	14,968	14,157	14,611	14,574
Liabilities				
Total current liabilities	4,001	3,585	3,785	3,802
Total liabilities	9,353	8,800	9,000	8,617
Total equity and liabilities	14,968	14,157	14,611	14,574
Per share	3/20A	3/21E	3/22E	3/23E
No. of shares (wtd avg.) (mn)	179	179	179	179
CS EPS (adj.) (€)	0.79	(0.66)	1.59	2.38
Prev. EPS (€)	-	(0.60)	1.96	2.90
Dividend (€)	0.20	0.20	0.50	1.00
Free cash flow per share (€)	3.12	(0.11)	1.50	2.40
Key ratios and valuation	3/20A	3/21E	3/22E	3/23E
Growth/Margin (%)				
Sales growth (%)	(6.2)	(15.4)	13.5	2.3
EBIT growth (%)	(65.2)	(115.5)	947.5	37.0
Net income growth (%)	(79.1)	(183.2)	340.1	49.8
EPS growth (%)	(79.3)	(183.2)	340.1	49.8
EBITDA margin (%)	9.9	7.1	11.1	12.4
EBIT margin (%)	3.1	(0.6)	4.3	5.7
Pretax profit margin (%)	2.0	(1.8)	3.2	4.7
Net income margin (%)	1.1	(1.1)	2.3	3.4
Valuation	3/20A	3/21E	3/22E	3/23E
EV/Sales (x)	0.7	0.9	0.7	0.7
EV/EBITDA (x)	7.2	12.0	6.7	5.6
EV/EBIT (x)	23.1	(150.0)	17.3	12.2
Dividend yield (%)	0.92	0.92	2.31	4.62
P/E (x)	27.3	(32.8)	13.7	9.1
Credit ratios (%)	3/20A	3/21E	3/22E	3/23E
Net debt/equity (%)	68.6	73.0	65.6	56.3
Net debt to EBITDA (x)	3.0	5.1	2.7	2.2
Interest coverage ratio (x)	2.8	(0.5)	4.0	5.8

Source: FTI, Company data, Refinitiv, Credit Suisse Securities (EUROPE) LTD. Estimates

Company Background

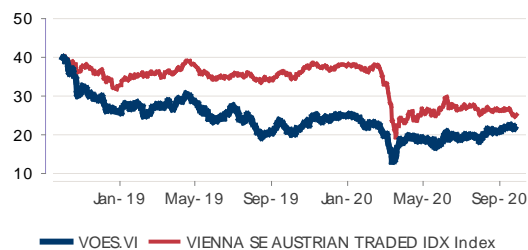
Voestalpine AG is an Austria-based producer of steel and steel products. It operates worldwide through four operating segments: Steel, High Performance Materials, Metal Engineering and Metal Forming.

Blue/Grey Sky Scenario**Our Blue Sky Scenario (€)****(from 40.00) 36.00**

We raise steel spreads by €30/t & other segment EBITDA margins by 2pp each. We raise our steel shipment growth forecasts by 1pp in the near-term and our other segment top-line growth forecasts by 5pp. We also assume increased near-term capex spend and net working capital build, and raise our long-term growth assumption to 2%. This gives us a Blue Sky valuation of €36/sh.

Our Grey Sky Scenario (€)**(from 11.00) 10.00**

We lower our steel spreads by €30/t & €20/t for the near- and long-term respectively. We reduce shipment forecasts by 1pp and assume other segments see a 5% decline in top-line and a 2pp decline in near-term EBITDA margins (1pp on a normalised basis). We also assume reduced near-term capex spend & NWC build, corporate cost cuts and long-term growth of 0%. This gives us a Grey Sky valuation of €10/sh

Share price performance

The price relative chart measures performance against the VIENNA SE AUSTRIAN TRADED IDX Index which closed at 2124.1 on 25/09/20
On 25/09/20 the spot exchange rate was €1/Eu 1.- Eu.86/US\$1

voestalpine earnings changes

We revise down our earnings forecasts slightly by 2-7% over FY21-23, driven by lower shipment expectations (and slightly offset by higher raw material costs given voestalpine is partly vertically integrated into iron ore). We remain slightly below the midpoint of FY21 guidance (EBITDA of between €600m-1bn) given voestalpine is more late-cycle exposed and we think certain end-markets (especially aerospace and O&G) will remain weak over the next six months.

Figure 43: voestalpine earnings changes summary (per share data in €)

(€m)	New Estimates			Old Estimates			Changes		
	FY20/21	FY21/22	FY22/23	FY20/21	FY21/22	FY22/23	FY20/21	FY21/22	FY22/23
Group Sales	10,756	12,203	12,481	10,808	12,354	12,677	0%	-1%	-2%
Steel	3,606	4,045	4,149	3,659	4,199	4,351	-1%	-4%	-5%
HPM	2,631	2,920	3,008	2,631	2,920	3,008	0%	0%	0%
Metal Engineering	2,721	2,966	3,025	2,721	2,966	3,025	0%	0%	0%
Metal Forming	2,327	2,723	2,805	2,327	2,723	2,805	0%	0%	0%
Other	(530)	(451)	(506)	(530)	(454)	(512)	0%	0%	1%
Group Adj. EBITDA	768	1,352	1,545	787	1,443	1,668	-2%	-6%	-7%
Steel	265	508	615	283	599	738	-6%	-15%	-17%
HPM	224	350	391	224	350	391	0%	0%	0%
Metal Engineering	245	326	363	245	326	363	0%	0%	0%
Metal Forming	140	272	280	140	272	280	0%	0%	0%
Other	(105)	(105)	(105)	(105)	(105)	(105)	0%	0%	0%
Group Adj. EBIT (€m)	(62)	522	715	(43)	613	838	-42%	-15%	-15%
Net Income (Rep.)	(118)	283	424	(107)	349	517	-10%	-19%	-18%
EPS (Rep.)	(0.66)	1.59	2.38	(0.60)	1.96	2.90	-10%	-19%	-18%

Source: Credit Suisse estimates

voestalpine valuation

We retain our valuation methodology, blending our FY21E EV/t EBITDA/t and our base-case DCF models.

Figure 44: voestalpine valuation methodology

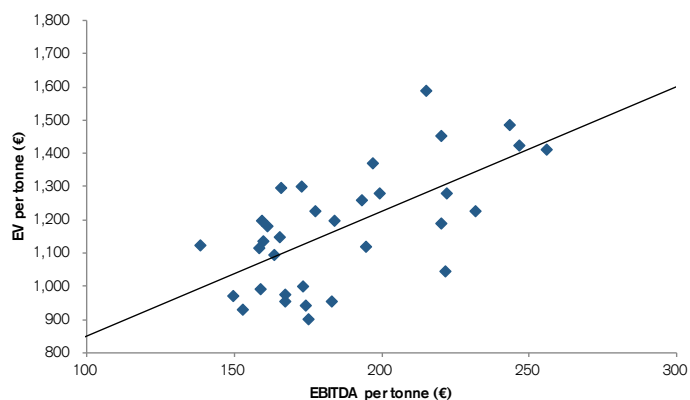
	Fair Value	Weight	Fair Value	Weight	PT in EUR/sh
DCF upside	36	0%			
DCF base	22	100%	22	50%	
DCF downside	10	0%			
FY21E EV per tonne / EBITDA per tonne			16	50%	
					19

Source: Credit Suisse estimates

Figure 45: Base-case DCF scenario valuation

EUR mn	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E	Norm
Sales	11,069	11,295	12,898	13,561	12,717	10,756	12,203	12,481	12,636	12,851	13,935
y/y %	-1%	2%	14%	5%	-6%	-15%	13%	2%	1%	2%	
EBITDA adj	1,446	1,541	1,954	1,925	1,265	768	1,352	1,545	1,628	1,642	1,896
EBITDA mgn	13%	14%	15%	14%	10%	7%	11%	12%	13%	13%	14%
EBIT adj.	814	823	1,205	1,139	396	(62)	522	715	799	812	1,046
EBIT mgn	7%	7%	9%	8%	3%	-1%	4%	6%	6%	6%	8%
Tax on EBIT (25%)	(204)	(206)	(301)	(285)	(99)	15	(130)	(179)	(200)	(203)	(261)
EBIT net of taxes	611	617	904	855	297	(46)	391	536	599	609	784
D&A	695	717	774	786	1,271	830	830	830	830	830	850
Change in NWC	114	(99)	(427)	(137)	434	(106)	(107)	(46)	(29)	(55)	--
Ex-interest relevant cash-out	(128)	5	23	59	(184)	--	--	--	--	--	--
Capex	(1,284)	(1,068)	(850)	(1,046)	(748)	(600)	(750)	(800)	(800)	(800)	(850)
FCFF	7	173	423	517	1,070	78	365	520	600	584	784
WACC	8.2%	8.2%	8.2%	8.2%	8.2%	8.2%	8.2%	8.2%	8.2%	8.2%	
Discount factor						1.00	0.92	0.85	0.79	0.73	
PV of FCF						78	337	444	473	426	
NPV (2021-2025)	1,759										
Terminal growth	1%					Rf rate	3%		Beta	1.18	
Terminal value	7,347					Eq. prem.	5%		Tax rate	25%	
% of NPV in terminal value	81%					Debt premium	2%				
Enterprise value	9,106					Target debt-to-equity	50%		WACC	8.2%	
Net debt	(3,849)										
Pensions	(1,278)										
Minorities	(137)										
Non-core assets	--										
Total equity value (EURm)	3,842										
# of shares outstanding	179										
Fair value (EUR per share)	22										

Source: Company data, Credit Suisse estimates

Figure 46: EV per tonne/EBITDA per tonne regression

Source: Credit Suisse estimates

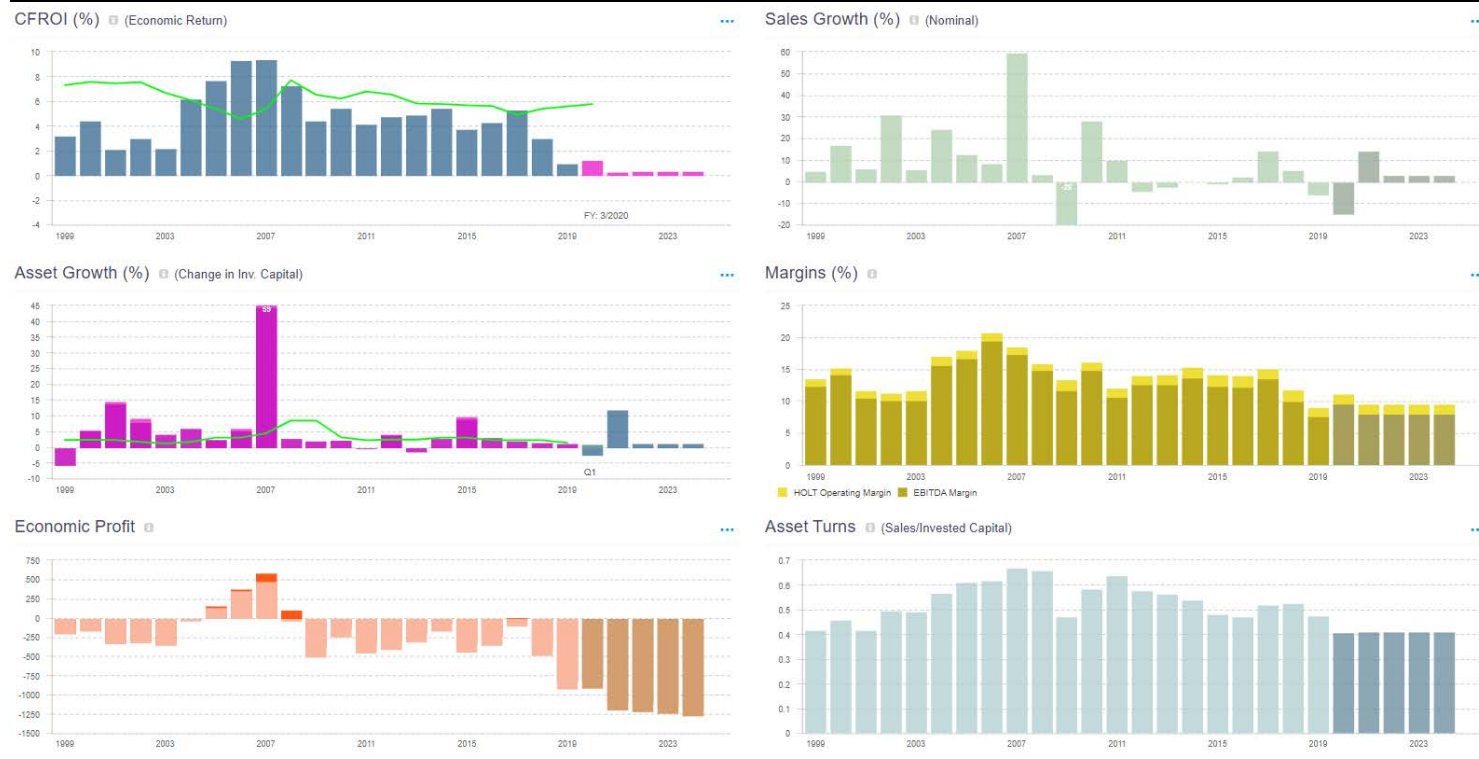
Figure 47: EV per tonne/EBITDA per tonne valuation

	€m		€m
FY21E EBITDA/t (€)	130	Metal Forming EBITDA	140
Implied EV/t (€)	964	Metal Forming EV (6.5x)	908
Capacity (ktpa)	8,210	Corp / Consol EBITDA	(105)
Implied Steel, HPM, Eng. EV	7,913	Corp / Consol EV (6x)	(630)
		Group EV	8,190
		Net debt	(3,909)
		Pensions	(1,352)
		Minorities	(106)
		Non-core assets	--
		Total equity value	2,823
		# shares	179
		Warranted Price (€)	16

Source: Credit Suisse estimates

Credit Suisse HOLT: What's Priced In

Figure 48: CS HOLT: What's Priced In Scenario



Source: Credit Suisse HOLT

Taking IBES forecasts for 2020, we find the market prices in a reversal in EBITDA margins back to 2019-levels of profitability, with economic profit remaining in negative territory. While we think voestalpine earnings do recovery in the longer term, we think better leverage to the early recovery exists elsewhere in our coverage given voestalpine is mostly late-cycle exposed.

SSAB

Market too constructive on earnings recovery, while plate market remains subdued

Steel

SSABa.ST

Target price (12M, Skr)

29.00

Neutral

- **Near-term plate market and margin risks...** We trim our FY20-22E EBITDA forecasts by 1-2% taking into account lower shipment forecasts, and flag again margin risks in Q3 given the lag on steel prices and iron ore costs making their way onto the P&L. We remind investors that most of SSAB's business in Europe is run on quarterly or spot contracts and there are no raw materials pass-through clauses. Commentary at our recent steel & mining conference suggested special steel demand remained robust, but there was some softness in plate markets (in the US in particular, given the O&G slowdown and sluggish demand in heavy transport, construction and machinery). Credit Suisse 2021 and 2022 EBITDA forecasts for SSAB are 16% and 7% below consensus estimates (Reuters).
- **... offset long-term ESG prospects and a deleveraging story:** With growing investor interest in sustainability, we continue to view SSAB as our top ESG pick given clear partnerships and government support already in place and with a viable green energy plan (close proximity to hydroelectricity). We also see further debt reduction going forward, with SSAB already holding a comparably strong balance sheet within our coverage, which could fund a return to dividends as early as next year. However, near-term earnings risks are likely to weigh on the stock, hence we retain our Neutral rating.
- **Catalysts:** Improving end market demand in plate (e.g. in shipbuilding, which was flagged as an especially weak area) and potential fiscal stimulus policies focused on infrastructure.
- **Risks:** Impairment announcements (we remind investors that intangibles make up a third of total assets and hence goodwill writedowns could have a major impact on book equity).
- **Valuation:** We retain our valuation methodology, blending our DCF and EV/t EBITDA/t models, and keep our SEK29/sh target price. The shares trade at 8x FY21E EBITDA, which looks expensive vs. the long-term historical average of 6.4x, though we don't expect earnings to return to "pre-COVID" normalised levels until 2022.

Price (28 Sep 20, Skr)	29.65
Market Cap (Skr m)	29,954.1
Enterprise value (Skr m)	41,552.8

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Financial and valuation metrics

Year	12/19A	12/20E	12/21E	12/22E
Revenue (Skr m)	76,485.0	63,554.2	68,638.0	70,859.2
EBITDA (Skr m)	6,375.0	2,567.2	5,201.3	6,937.6
Adjusted net income (Skr m)	1,397.82	-1,280.95	999.19	2,341.84
CS EPS (adj.) (Skr)	1.36	-1.24	0.97	2.27
Prev. EPS (Skr)	-	-1.22	1.04	2.37
ROIC (%)	2.8	-1.2	2.1	3.9
P/E (adj.) (x)	21.8	-23.8	30.6	13.0
P/E rel. (%)	115.7	-106.4	167.8	82.1
EV/EBITDA (x)	6.5	16.2	8.0	5.8
Dividend (12/20E, Skr)	0.00	Net debt/equity (12/20E, %)		18.8
Dividend yield (12/20E, %)	0.0	Net debt (12/20E, Skr m)		11,052.7
BV/share (12/20E, Skr)	56.9	IC (12/20E, Skr m)		69,804.7
Current WACC (%)	9.1	EV/IC (12/20E, (x))		0.6
Free float (%)	77.8	Number of shares (m)		1,029.8

Source: Company data, Refinitiv, Credit Suisse estimates

Share price performance



The price relative chart measures performance against the STO OMX INDEX which closed at 1834.6 on 28/09/20. On 28/09/20 the spot exchange rate was Skr10.55/Eu 1.- Eu.86/US\$1

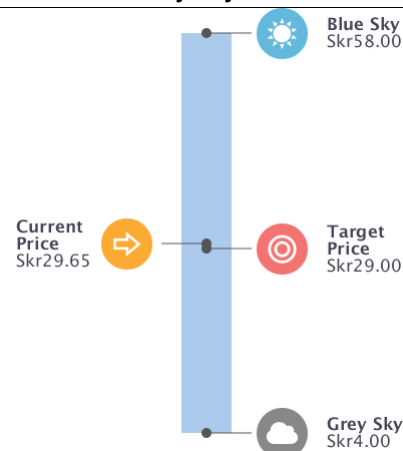
Performance	1M	3M	12M
Absolute (%)	5.2	15.6	7.6
Relative (%)	1.9	5.4	-3.8

SSAB (SSABa.ST)Price (28 Sep 2020): **Skr29.65**Target Price: **29.00**Analyst: **Carsten Riek**Rating: **Neutral**

Income statement (Skr m)				
Revenue	12/19A	12/20E	12/21E	12/22E
	76,485	63,554	68,638	70,859
EBITDA	6,375	2,567	5,201	6,938
Depr. & amort.	(3,394)	(3,433)	(3,433)	(3,433)
EBIT	2,981	(866)	1,768	3,505
Net interest exp.	(537)	(466)	(467)	(482)
Associates	-	-	-	-
PBT	2,444	(1,332)	1,302	3,023
Income taxes	(839)	85	(227)	(635)
Profit after tax	1,605	(1,247)	1,075	2,388
Minorities	(16)	(16)	(16)	(16)
Preferred dividends	-	-	-	-
Associates & other	(191)	(18)	(59)	(30)
Net profit	1,398	(1,281)	999	2,342
Other NPAT adjustments	(678)	(342)	(211)	(105)
Reported net income	720	(1,623)	789	2,237
Cash flow (Skr m)				
EBIT	2,981	(866)	1,768	3,505
Net interest	(537)	(466)	(467)	(482)
Cash taxes paid	(843)	85	(227)	(635)
Change in working capital	896	676	(843)	(288)
Other cash and non-cash items	2,844	3,093	3,354	3,373
Cash flow from operations	5,341	2,522	3,586	5,473
CAPEX	(2,939)	(2,225)	(3,420)	(3,420)
Free cashflow to the firm	2,402	297	166	2,053
Acquisitions	-	-	-	-
Divestments	118	293	0	0
Other investment/(outflows)	(1,129)	0	0	0
Cash flow from investments	(3,950)	(1,932)	(3,420)	(3,420)
Net share issue/(repurchase)	0	0	0	0
Dividends paid	(1,552)	(4)	0	(1,030)
Issuance (retirement) of debt	1,747	2,000	0	0
Other financing	(616)	(973)	0	0
Cashflow from financing	(421)	1,023	0	(1,030)
Changes in net cash/debt	(2,177)	(441)	166	1,023
Net debt at start	8,435	10,612	11,053	10,887
Change in net debt	2,177	441	(166)	(1,023)
Net debt at end	10,612	11,053	10,887	9,864
Balance sheet (Skr m)				
Assets	12/19A	12/20E	12/21E	12/22E
Total current assets	33,424	31,644	33,061	34,452
Total assets	93,979	91,634	92,826	94,128
Liabilities	12/19A	12/20E	12/21E	12/22E
Total current liabilities	20,118	17,748	18,157	18,237
Total liabilities	33,562	32,882	33,269	33,348
Total equity and liabilities	93,979	91,634	92,826	94,128
Per share				
No. of shares (wtd avg.) (mn)	1,030	1,030	1,030	1,030
CS EPS (adj.) (Skr)	1.36	(1.24)	0.97	2.27
Prev. EPS (Skr)	-	(1.22)	1.04	2.37
Dividend (Skr)	0.00	0.00	1.00	0.98
Free cash flow per share (Skr)	2.33	0.29	0.16	1.99
Key ratios and valuation				
Growth/Margin (%)	12/19A	12/20E	12/21E	12/22E
Sales growth (%)	2.1	(16.9)	8.0	3.2
EBIT growth (%)	(51.7)	(129.0)	304.2	98.2
Net income growth (%)	(69.0)	(191.6)	178.0	134.4
EPS growth (%)	(69.0)	(191.6)	178.0	134.4
EBITDA margin (%)	8.3	4.0	7.6	9.8
EBIT margin (%)	3.9	(1.4)	2.6	4.9
Pretax profit margin (%)	3.2	(2.1)	1.9	4.3
Net income margin (%)	1.8	(2.0)	1.5	3.3
Valuation				
EV/Sales (x)	0.5	0.7	0.6	0.6
EV/EBITDA (x)	6.5	16.2	8.0	5.8
EV/EBIT (x)	13.9	(48.0)	23.4	11.5
Dividend yield (%)	0.00	0.00	3.37	3.30
P/E (x)	21.8	(23.8)	30.6	13.0
Credit ratios (%)				
Net debt/equity (%)	17.6	18.8	18.3	16.2
Net debt to EBITDA (x)	1.7	4.3	2.1	1.4
Interest coverage ratio (x)	5.6	(1.9)	3.8	7.3

Company Background

SSAB AB is a Sweden-based company primarily engaged in the development, manufacturing & marketing of high strength steel products. The company operates through five segments: Europe, Americas, Special Steels, Tibnor (Distribution) and Ruukki Construction.

Blue/Grey Sky Scenario**Our Blue Sky Scenario (Skr)****(from 57.00) 58.00**

We assume €40/t & \$50/t EBITDA uplift for Europe/Special Steels & Americas respectively for our specific forecast periods (€20/t and \$30/t on a norm. basis). We raise margin forecast for Tibnor & Ruukki by 1pp and growth forecasts by 1pp for Europe, Special Steels and long-term growth, and 2pp for other divisions. We also assume accelerated NWC build and capex spend in the short-term. Our DCF-based warranted price in this scenario is SEK 58/sh.

Our Grey Sky Scenario (Skr)**4.00**

We assume €40/t & \$50/t EBITDA decline for Europe/Special Steels & Americas respectively for our specific forecast periods (€30/t and \$40/t on a norm. basis). We lower margin forecast for Tibnor & Ruukki by 1pp and reduce short-term growth forecasts by 2pp (long-term growth by 1pp). We also assume accelerated NWC release, lower capex spend and corporate cost cutting. Our DCF-based warranted price in this scenario is SEK 4/sh.

Share price performance

The price relative chart measures performance against the STO OMX INDEX which closed at 1834.6 on 28/09/20
On 28/09/20 the spot exchange rate was Skr10.55/Eu 1.- Eu.86/US\$1

Source: FTI, Company data, Refinitiv, Credit Suisse Securities (EUROPE) LTD. Estimates

SSAB earnings changes

We revise down our earnings slightly on lower shipment expectations as well as taking into account some more cautious recent commentary on plate markets (both in the US and Europe), though this is offset in part by continued resilient special steel demand. We bring our FY20-22 EBITDA forecasts down by 1-2%. We remain very cautious on Q3 results given the timing lag on iron ore and steel prices which mean we could see a sharp margin contraction, though this is expected to reverse into Q4 as the current pricing strength will be reflected on the P&L.

Figure 49: SSAB earnings changes summary (per share data in SEK)

(SEK/m)	New Estimates			Old Estimates			Changes		
	2020	2021	2022	2020	2021	2022	2020	2021	2022
Group Sales	63,554	68,638	70,859	62,634	67,099	69,799	1%	2%	2%
Special Steel	16,335	17,687	18,056	16,210	17,135	17,495	1%	3%	3%
Europe	27,164	29,762	29,942	26,008	28,598	29,640	4%	4%	1%
Americas	13,214	13,521	14,984	13,568	13,591	14,625	-3%	-1%	2%
Tibnor	8,430	9,430	9,693	8,401	9,396	9,729	0%	0%	0%
Ruukki Construction	5,729	6,244	6,374	5,729	6,244	6,374	0%	0%	0%
Eliminations	(7,319)	(8,007)	(8,190)	(7,282)	(7,866)	(8,064)	-1%	-2%	-2%
Group Adj. EBITDA	2,567	5,201	6,938	2,590	5,299	7,056	-1%	-2%	-2%
Special Steel	2,100	2,045	2,075	2,089	2,001	2,030	1%	2%	2%
Europe	(466)	1,373	2,370	(438)	1,467	2,434	-6%	-6%	-3%
Americas	760	1,242	1,936	766	1,287	2,031	-1%	-4%	-5%
Tibnor	211	330	339	210	329	341	0%	0%	0%
Ruukki Construction	372	437	446	372	437	446	0%	0%	0%
Eliminations	(410)	(225)	(229)	(410)	(221)	(225)	0%	-2%	-2%
Group Adj. EBIT (€m)	(866)	1,768	3,505	(843)	1,866	3,623	-3%	-5%	-3%
Special Steel	1,470	1,415	1,445	1,459	1,371	1,400	1%	3%	3%
Europe	(2,126)	(287)	710	(2,098)	(193)	774	-1%	-49%	-8%
Americas	36	518	1,212	42	563	1,307	-14%	-8%	-7%
Tibnor	35	154	163	34	153	165	2%	1%	-1%
Ruukki Construction	189	254	263	189	254	263	0%	0%	0%
Eliminations	(470)	(285)	(289)	(470)	(281)	(285)	0%	-1%	-1%
Net Income (Rep.)	(1,623)	789	2,237	(1,602)	865	2,331	-1%	-9%	-4%
EPS (Rep.)	(1.58)	0.77	2.17	(1.56)	0.84	2.26	-1%	-9%	-4%

Source: Credit Suisse estimates

SSAB valuation

We retain our valuation methodology, blending our FY21E EV/t EBITDA/t and our base-case DCF models.

Figure 50: SSAB valuation methodology

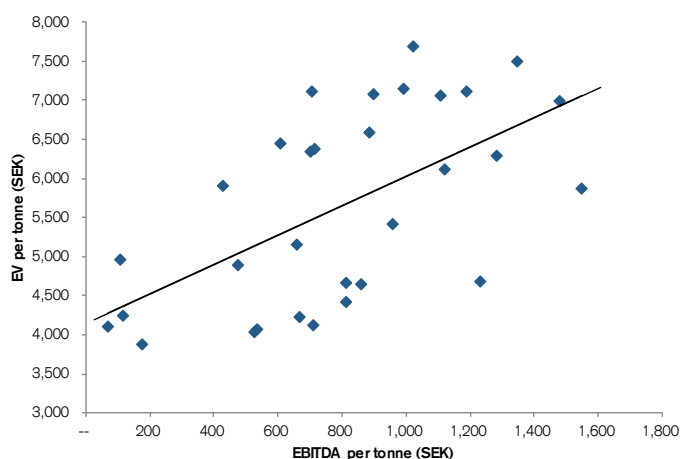
	Fair Value	Weight	Fair Value	Weight	PT in SEK/sh
DCF upside	58	0%			
DCF base	27	100%	27	50%	
DCF downside	4	0%			
2021E EV per tonne / EBITDA per tonne			30	50%	29

Source: Credit Suisse estimates

Figure 51: Base-case DCF scenario valuation

SEK mn	2015	2016	2017	2018	2019	2020E	2021E	2022E	2023E	2024E	Norm
Sales	56,864	55,354	66,059	74,941	76,485	63,554	68,638	70,859	70,621	69,844	75,744
y/y %	19%	-3%	19%	13%	2%	-17%	8%	3%	0%	-1%	
EBITDA adj	3,593	4,951	7,591	8,952	6,375	2,567	5,201	6,938	7,737	7,396	7,922
EBITDA mgn	6%	9%	11%	12%	8%	4%	8%	10%	11%	11%	10%
EBIT	726	2,106	4,759	6,173	2,981	(866)	1,768	3,505	4,304	3,963	5,122
EBIT mgn	1%	4%	7%	8%	4%	-1%	3%	5%	6%	6%	7%
Tax on EBIT (21%)	(152)	(442)	(999)	(1,296)	(626)	182	(371)	(736)	(904)	(832)	(1,076)
EBIT net of taxes	574	1,664	3,760	4,877	2,355	(684)	1,397	2,769	3,400	3,131	4,046
D&A	2,867	2,845	2,832	2,779	3,394	3,433	3,433	3,433	3,433	3,433	2,800
Change in NWC	1,987	(661)	303	(967)	896	676	(843)	(288)	164	137	--
Ex-interest relevant cash-out	(36)	(250)	368	450	(439)	(310)	(22)	(1)	--	--	--
Investing cash flow	(2,546)	(1,326)	(1,603)	(2,451)	(2,939)	(2,225)	(3,420)	(3,420)	(3,420)	(3,120)	(2,800)
FCF	2,846	2,272	5,660	4,688	3,267	890	546	2,493	3,577	3,581	4,046
WACC	9.1%	9.1%	9.1%	9.1%	9.1%	9.1%	9.1%	9.1%	9.1%	9.1%	
Discount factor						1.00	0.92	0.84	0.77	0.70	
PV of FCF						890	500	2,093	2,752	2,524	
NPV (2020-2024)	8,759										
Terminal growth	0%										
Terminal value	28,607										
% of NPV in terminal value	77%										
Enterprise value	37,366										
Net debt	(11,053)										
Pensions	(431)										
Actuarial gains/losses											
Minorities (BV)	(115)										
Non-core assets	--										
Total equity value (SEKm)	25,767										
# of shares (m; Class A)	304										
# of shares (m; Class B)	726										
A-Share Premium	14%										
Implied stock price (A share)	27										
Implied stock price (B share)	24										

Source: Company data, Credit Suisse estimates

Figure 52: EV per tonne/EBITDA per tonne regression

Source: Credit Suisse estimates

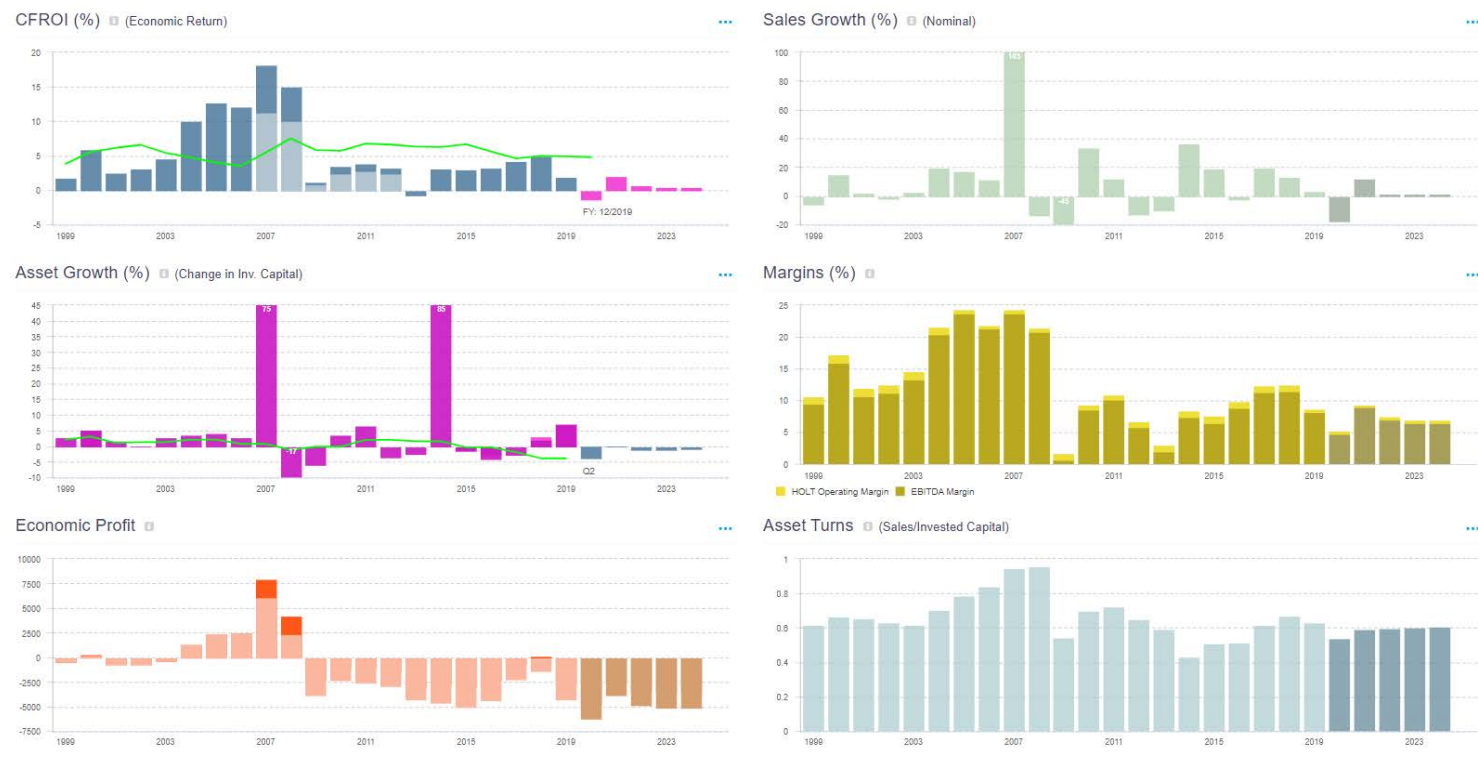
Figure 53: EV per tonne/EBITDA per tonne valuation

	SEKm
2021E EBITDA/t (SEK)	806
Implied EV/t (SEK)	5,736
Capacity (ktpa)	6,950
Implied EV	39,867
Net debt	(11,053)
Pensions	(431)
Actuarial gains/losses	--
Minorities (BV)	(115)
Non-core assets	--
Total equity value	28,268
# of shares (m; Class A)	304
# of shares (m; Class B)	726
A-Share Premium	14%
Implied stock price (A share)	30
Implied stock price (B share)	26

Source: Credit Suisse estimates

Credit Suisse HOLT: What's Priced In

Figure 54: CS HOLT: What's Priced In Scenario



Source: Credit Suisse HOLT

Our market-price scenario takes IBES forecasts for 2020-21, and then assumes a small reversal in EBITDA margins towards 6.5%, which would be consistent with the average since 2008. We think this valuation appears fair, as CFROI levels rebound into positive territory from 2021 but struggle to move higher in the near-term. Upside to European and US plate demand could allow positive CFROI momentum to continue into 2022 and in this case, we could see upside for valuation as well.

Salzgitter

Poised for an earnings recovery in 2021

Steel

SZGG.DE

Target price (12M, €)

17.00

Outperform^[M]

- **Operational leverage to a market recovery:** Salzgitter has underperformed peers since the market troughed in mid-March, but we think this should reverse as Salzgitter earnings recover along with the broader market. While the company has a relatively high fixed cost base, in our view, this also means the company is more levered to stronger pricing and volumes. In addition, the company maintains a healthy balance sheet compared to peers and we see long-term upside if the company were to streamline its conglomerate structure. We lower our earnings forecasts slightly (4-9% over the next three years), largely on lower volume expectations, but maintain our €17/sh TP and Outperform rating.
- **Longer term, we flag significant upside potential** if the company can divest underperforming assets; our Blue Sky valuation is €43. The current structure with Plate/Section, Mannesmann and Technology is complex, in our view, especially taking into account SZG's market cap. The Technology division has required significant restructuring in recent years, while we see limited synergies with Salzgitter's 'core' materials business. Although the company has announced no specific plans to divest these businesses, our Blue Sky SOTP implies that they could be worth nearly €1.2bn, which could be used to help fund the sizeable pension liability.
- **Catalysts:** In the near term, continued volume improvement and stronger end-market demand (e.g. in EU construction). Longer term: News flow on streamlining the corporate structure or higher carbon costs, as Salzgitter has already bought most allowances needed until 2030. Additionally, any significant progress on the group's "green energy plans".
- **Risks:** Further capex plans (Salzgitter has spent ~€400m on growth capex since 2015, which we think has been received negatively by many investors). News on the DRI feasibility study is expected at the latest by March 2021. In addition, if secondary lockdowns emerge and affect steel demand into 2021, operational leverage could work against the company's earnings.
- **Valuation:** Our €17 is based on the average of our DCF and EV/t EBITDA/t models (in line with the rest of our coverage universe).

Price (28 Sep 20, €)	14.20
Market Cap (€ m)	853.4
Enterprise value (€ m)	3,728.6
[M] = Stock Considered Volatile (see Disclosure Appendix)	

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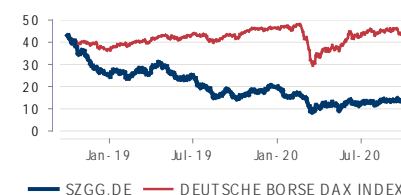
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Financial and valuation metrics

Year	12/19A	12/20E	12/21E	12/22E
Revenue (€ m)	8,547.3	6,783.5	7,790.1	8,033.5
EBITDA (€ m)	510.9	129.3	419.3	559.0
Adjusted net income (€ m)	113.20	-171.41	28.54	124.18
CS EPS (adj.) (€)	2.09	-3.17	0.53	2.30
Prev. EPS (€)	-	-3.09	0.75	2.98
ROIC (%)	5.8	-3.5	2.4	5.4
P/E (adj.) (x)	6.8	-4.5	26.9	6.2
P/E rel. (%)	40.2	-21.4	178.9	48.0
EV/EBITDA (x)	7.0	28.8	9.1	6.4
Dividend (12/20E, €)	0.00	Net debt/equity (12/20E, %)		24.2
Dividend yield (12/20E, %)	0.0	Net debt (12/20E, € m)		660.7
BV/share (12/20E, €)	50.2	IC (12/20E, € m)		3,386.9
Current WACC (%)	8.8	EV/IC (12/20E, (x))		1.1
Free float (%)	58.4	Number of shares (m)		60.1

Source: Company data, Refinitiv, Credit Suisse estimates

Share price performance



The price relative chart measures performance against the DEUTSCHE BORSE DAX INDEX which closed at 12870.9 on 28/09/20. On 28/09/20 the spot exchange rate was €1/Eu 1.- Eu.86/US\$1

Performance	1M	3M	12M
Absolute (%)	4.4	13.4	-8.7
Relative (%)	5.6	8.8	-12.7

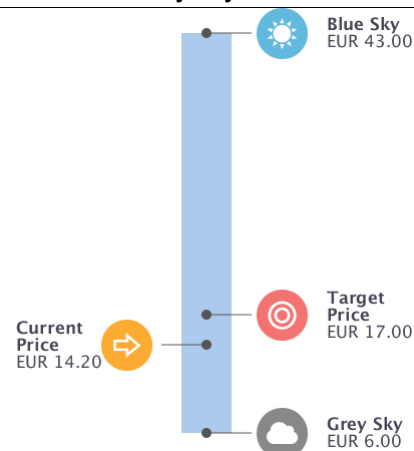
Salzgitter (SZGG.DE)Price (28 Sep 2020): **€14.2**Target Price: **17.00**Analyst: **Carsten Riek**Rating: **Outperform [V]**

Income statement (€ m)	12/19A	12/20E	12/21E	12/22E
Revenue	8,547	6,784	7,790	8,034
EBITDA	511	129	419	559
Depr. & amort.	(345)	(301)	(301)	(301)
EBIT	166	(172)	119	258
Net interest exp.	(65)	(68)	(72)	(75)
Associates	-	-	-	-
PBT	101	(239)	46	183
Income taxes	16	72	(14)	(55)
Profit after tax	117	(168)	32	128
Minorities	(4)	(4)	(4)	(4)
Preferred dividends	-	-	-	-
Associates & other	0	0	0	0
Net profit	113	(171)	29	124
Other NPAT adjustments	(354)	0	0	0
Reported net income	(241)	(171)	29	124
Cash flow (€ m)	12/19A	12/20E	12/21E	12/22E
EBIT	166	(172)	119	258
Net interest	15	12	8	7
Cash taxes paid	(50)	72	(14)	(55)
Change in working capital	99	123	(105)	112
Other cash and non-cash items	20	101	301	301
Cash flow from operations	251	136	308	623
CAPEX	(444)	(350)	(300)	(300)
Free cashflow to the firm	(194)	(214)	8	323
Acquisitions	-	-	-	-
Divestments	-	-	-	-
Other investment/(outflows)	140	0	0	0
Cash flow from investments	(305)	(350)	(300)	(300)
Net share issue/(repurchase)	-	-	-	-
Dividends paid	(30)	0	0	(5)
Issuance (retirement) of debt	271	0	0	200
Other financing	(47)	(80)	(80)	(82)
Cashflow from financing	195	(80)	(80)	113
Changes in net cash/debt	(198)	(294)	(72)	235
Net debt at start	168	367	661	733
Change in net debt	198	294	72	(235)
Net debt at end	367	661	733	497
Balance sheet (€ m)	12/19A	12/20E	12/21E	12/22E
Assets				
Total current assets	4,519	3,882	4,026	4,366
Total assets	8,618	8,030	8,173	8,513
Liabilities				
Total current liabilities	2,225	2,005	2,116	2,133
Total liabilities	5,679	5,304	5,414	5,631
Total equity and liabilities	8,617	8,030	8,173	8,513
Per share	12/19A	12/20E	12/21E	12/22E
No. of shares (wtd avg.) (mn)	54	54	54	54
CS EPS (adj.) (€)	2.09	(3.17)	0.53	2.30
Prev. EPS (€)	-	(3.09)	0.75	2.98
Dividend (€)	0.00	0.00	0.10	0.20
Free cash flow per share (€)	(3.58)	(3.96)	0.15	5.97
Key ratios and valuation	12/19A	12/20E	12/21E	12/22E
Growth/Margin (%)				
Sales growth (%)	(7.9)	(20.6)	14.8	3.1
EBIT growth (%)	(63.6)	(203.1)	169.1	117.9
Net income growth (%)	(64.4)	(251.4)	116.6	335.2
EPS growth (%)	(62.4)	(251.4)	116.6	335.2
EBITDA margin (%)	6.0	1.9	5.4	7.0
EBIT margin (%)	1.9	(2.5)	1.5	3.2
Pretax profit margin (%)	1.2	(3.5)	0.6	2.3
Net income margin (%)	1.3	(2.5)	0.4	1.5
Valuation				
EV/Sales (x)	0.4	0.5	0.5	0.4
EV/EBITDA (x)	7.0	28.8	9.1	6.4
EV/EBIT (x)	21.5	(21.7)	32.1	13.8
Dividend yield (%)	0.00	0.00	0.70	1.41
P/E (x)	6.8	(4.5)	26.9	6.2
Credit ratios (%)				
Net debt/equity (%)	12.5	24.2	26.6	17.3
Net debt to EBITDA (x)	0.7	5.1	1.7	0.9
Interest coverage ratio (x)	2.5	(2.5)	1.6	3.4

Source: FTI, Company data, Refinitiv, Credit Suisse Securities (EUROPE) LTD. Estimates

Company Background

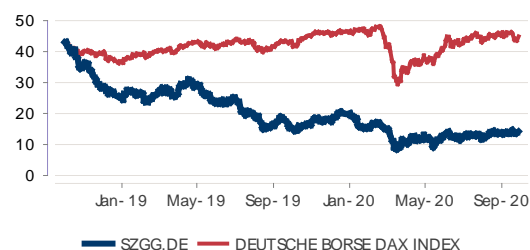
Salzgitter is a steel and technology company headquartered in Lower Saxony, Germany. The group is primarily formed of five divisions: Strip Steel, Plate/Section Steel, Mannesmann (Steel Tubes), Trading and Technology.

Blue/Grey Sky Scenario**Our Blue Sky Scenario (€)****43.00**

Our Blue Sky scenario is based on a normalised earnings SOTP model, assuming Salzgitter can dispose of its Plate/Section, Mannesmann and Technology businesses at normalised valuations (and hence we remove any conglomerate discount on the SOTP). This gives our Blue Sky valuation of €43/sh.

Our Grey Sky Scenario (€)**6.00**

In our Grey Sky DCF model we assume steel demand weakness in the medium-term and model a €10/t decrease in EBITDA/t spreads alongside a 200bps EBITDA margin contraction for non-steel businesses. We lower our terminal growth rate assumption to -1%, partly offset by lower NWC and capex requirements in the near-term. This gives our Grey Sky valuation of €6/sh.

Share price performance

The price relative chart measures performance against the DEUTSCHE BORSE DAX INDEX which closed at 12870.9 on 28/09/20
On 28/09/20 the spot exchange rate was €1/Eu 1.- Eu.86/US\$1

Salzgitter earnings changes

We revise down our earnings forecasts slightly (4-9% over 2020-22) driven by lower shipment volumes. We think Q3 EBITDA moves back to positive territory (€10m) before a more material recovery into Q4. Strength in the trading division (driven by windfall gains on higher steel prices) is not enough to offset weakness elsewhere, in our view, especially in Mannesmann where the outlook for energy remains bleak.

Figure 55: Salzgitter earnings changes summary (per share data in €)

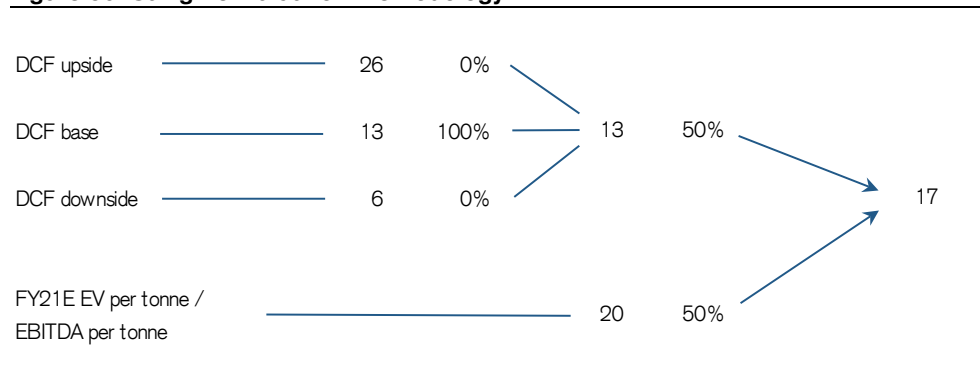
(€m)	New Estimates			Previous Estimates			% Change		
	2020	2021	2022	2020	2021	2022	2020	2021	2022
Group Sales	6,784	7,790	8,034	6,846	7,927	8,359	-1%	-2%	-4%
Group Adj. EBITDA	129	419	559	135	436	611	-4%	-4%	-9%
Group Adj. EBIT (€m)	(172)	119	258	(166)	135	311	-4%	-12%	-17%
Group Adj. EBT	(239)	47	183	(233)	64	236	-3%	-27%	-22%
Strip Steel	(125)	7	123	(114)	53	183	-10%	-87%	-33%
Plate & Section	(77)	(31)	(6)	(78)	(45)	(4)	2%	32%	-25%
Mannesmann	(48)	(24)	(12)	(51)	(20)	(13)	4%	-16%	9%
Trading	(17)	53	24	(19)	33	18	12%	60%	29%
Technology	(4)	20	29	(4)	20	29	0%	0%	0%
Other / Participations	33	20	25	33	23	22	0%	-12%	13%
Net Income (Rep.)	(171)	29	124	(167)	41	161	-2%	-29%	-23%
EPS (Rep., €/sh)	(3.17)	0.53	2.30	(3.09)	0.75	2.98	-2%	-29%	-23%

Source: Credit Suisse estimates

Salzgitter valuation

We retain our valuation methodology, blending our FY21E EV/t EBITDA/t (capturing near-term earnings momentum) base-case DCF (capturing the longer-term fundamental value of the equity).

Figure 56: Salzgitter valuation methodology



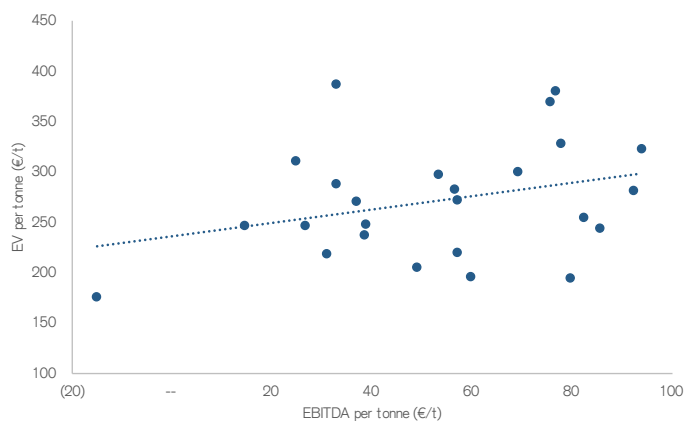
Source: Credit Suisse estimates

Figure 57: Base-case DCF scenario valuation

EUR mn	2016	2017	2018	2019	2020E	2021E	2022E	2023E	2024E	2025E	Norm
Sales	7,893	8,990	9,278	8,547	6,784	7,790	8,034	7,916	7,846	7,983	8,940
y/y %	-7%	14%	3%	-8%	-21%	15%	3%	-1%	-1%	2%	
Adj. EBITDA	451	741	797	511	129	419	559	498	391	399	725
EBITDA mgn	6%	8%	9%	6%	2%	5%	7%	6%	5%	5%	8%
Adj. EBIT	109	399	457	166	(172)	119	258	197	90	98	424
EBIT mgn	1%	4%	5%	2%	-3%	2%	3%	2%	1%	1%	5%
Tax on EBIT (30%)	33	120	137	50	(51)	36	77	59	27	29	127
EBIT net of taxes	77	280	320	116	(120)	83	181	138	63	69	297
D&A	342	342	340	345	301	301	301	301	301	301	301
Change in NWC	87	(425)	(125)	99	144	(102)	112	30	1	(50)	--
Ex-interest relevant cash-out	(215)	78	(7)	(309)	--	--	--	--	--	--	--
Capex	(348)	(297)	(343)	(444)	(350)	(300)	(300)	(300)	(300)	(300)	(301)
FCF	(58)	(23)	185	(194)	(25)	(18)	294	169	65	20	297
WACC	8.8%	8.8%	8.8%	8.8%	8.8%	8.8%	8.8%	8.8%	8.8%	8.8%	
Discount factor						1.00	0.92	0.84	0.78	0.71	
PV of FCF						(18)	270	142	50	14	
NPV (2021-2025)	459										
Terminal growth	0%										
Terminal value	2,213										
% of NPV in terminal value	83%										
Enterprise value	2,673										
Net debt; CSe	(413)										
Pensions	(2,201)										
NPV of pension costs in EBITDA	340										
DTAs in pension provisions	309										
Minorities (BV)	(17)										
Non-core assets	--										
Total equity value (EURm)	690										
# of shares outstanding	54										
Fair value (EUR per share)	13										

Source: Company data, Credit Suisse estimates

Figure 58: EV per tonne/EBITDA per tonne regression



Source: Credit Suisse estimates

Figure 59: EV per tonne/EBITDA per tonne valuation

2021	€m		€m
Steel EBITDA/t (€)	37	Mannesmann EV	111
EV/t (€)	253	Trading EV	428
Steel EV	1,870	Technology EV	238
		Other/Participations EV	438
		Group EV	3,085
		Net debt; CSe	(413)
		Pensions	(2,201)
		NPV of pension costs in EBITDA	340
		DTAs in pension provisions	309
		Minorities (BV)	(17)
		Non-core assets	--
		Total equity value (EURm)	1,102
		# of shares outstanding	54
		Fair value (EUR per share)	20

Source: Credit Suisse estimates

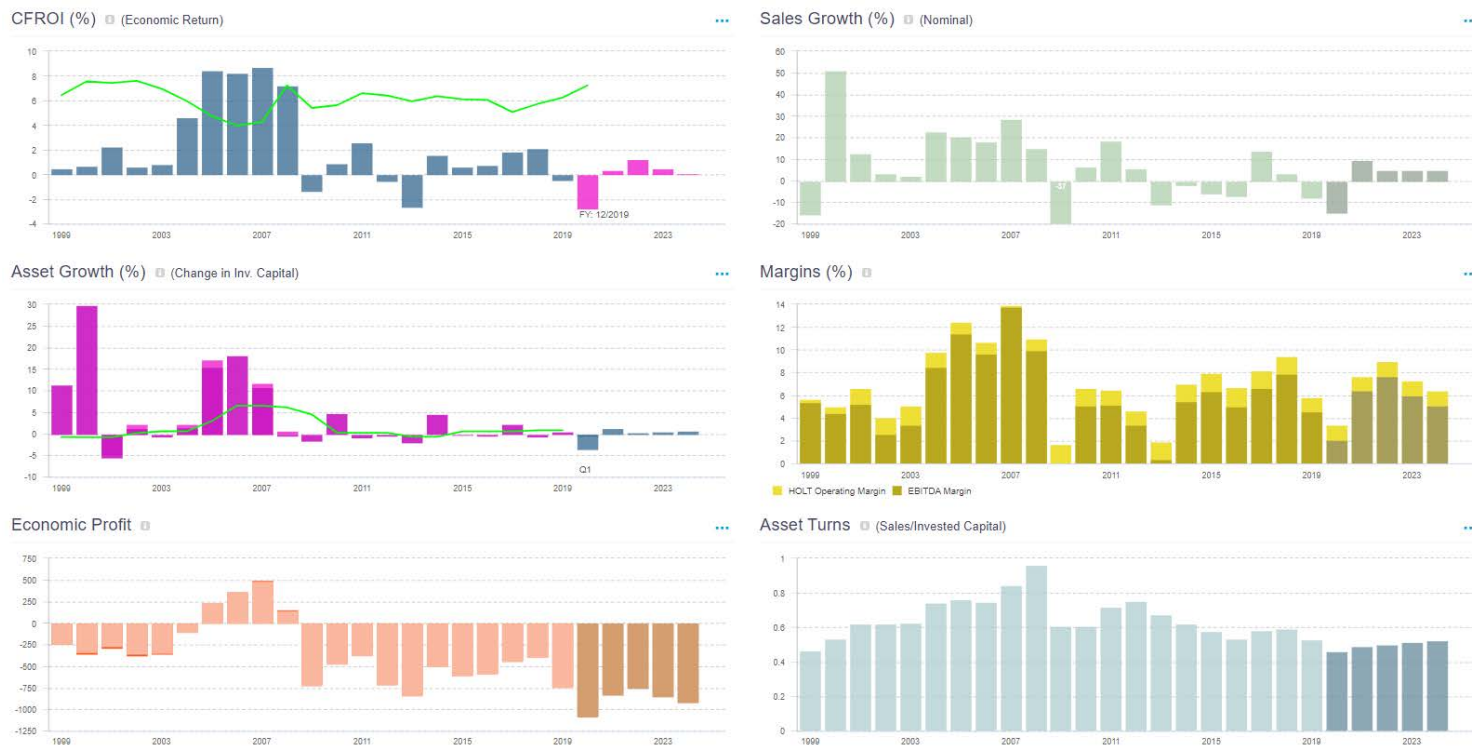
Figure 60: Blue Sky SOTP

EURm	EBITDA norm	EV/EBITDA Multiple	Est. EV	Comments
Strip Steel	345	5.5x	1,898	Weighted avg. EV/EBITDA of ArcelorMittal, ThyssenKrupp, voestalpine
Plate & Section Steel	63	5.0x	315	Weighted avg. EV/EBITDA of ArcelorMittal, ThyssenKrupp, SSAB
Mannesmann	72	6.0x	432	Weighted avg. EV/EBITDA of voestalpine, Vallourec, Tubacex
Trading	70	7.0x	490	Weighted avg. EV/EBITDA of Kloeckner, BE Group, Schnitzer Steel
Technology	75	6.0x	450	EV/EBITDA of Krones
Other (excl. Aurubis)	--	6.0x	--	Avg. of operating units
Total	625	5.7x	3,585	
Net debt			(434)	
Pensions			(2,201)	
Plus deferred tax assets			340	
NPV of service costs			309	
Minorities			(17)	
Aurubis Stake			720	
Non-core assets			--	
Equity value			2,301	
# of shares (m)			54	
Implied stock price			43	

Source: Company data, Credit Suisse estimates

Credit Suisse HOLT: What's Priced In

Figure 61: CS HOLT: What's Priced In Scenario



Source: Credit Suisse HOLT

Above we show IBES forecasts for 2020-22 before a fade in EBITDA margins into 2024 with a steady improvement in asset turns as utilisation rates move back up. We highlight the particularly high discount rate that Salzgitter attracts in the HOLT framework largely due to its outstanding pension liability; efforts by the company to address this could materially benefit valuation in our view.

Klöckner & Co

Higher steel prices and flexibility of cost base positive for earnings recovery

Steel

KCOGn.DE

Target price (12M, €)

6.60

Outperform^[M]

- **Attractive end market mix and leverage to steel price inflation:** Klöckner (KCO) has been the strongest performer in our coverage since the market trough in mid-March (up 90% since), though this momentum has turned in the last few months (second worst performer amongst European carbon steels on a one- and three-month basis). We think this pullback is unjustified as we are now in a period of demand recovery and steel price inflation, as evidenced by the company's recent guidance upgrade driven in part we think by windfall gains in the US. We forecast continued steel price strength into late 2021 driven by high raw material costs and improving volumes, and KCO offers direct exposure into this theme. We raise our 2020 adjusted EBITDA forecast by €40m (to €95m) and hence increase our TP to €6.6/sh (from €6.2/sh).
- **Klöckner is the most levered to construction among its peers** (~40% exposure). Although we are starting to see other areas of demand start to come back (e.g. automotive), there is less visibility on this than in construction, in our view, which has remained robust through the downturn and could benefit from more government-spending-driven demand going forward.
- **Catalysts:** Small acquisitions could be a catalyst if clear synergies exist (as management noted, the acquisition of Becker Stahl came after the global financial crisis, for example). The company has already guided on Q3 EBITDA (3rd Nov) and has given implied Q4 guidance, but colour on how much of this earnings strength is driven by underlying reasons (as opposed to windfall gains) could be a catalyst.
- **Risks:** Any larger M&A could be perceived as a risk given Klöckner is still one of the more levered steel names. Other risks include further steel price weakness if real demand fails to recover or we see a slowdown in fiscal stimulus targeting construction.
- **Valuation:** We raise our TP slightly to €6.6/sh (from €6.2/sh) given our earnings upgrade but retain our methodology blending DCF and FY21E EV/EBITDA models.

Previous target price (12M, €)	6.20
Price (28 Sep 20, €)	5.17
Market Cap (€ m)	515.2
Enterprise value (€ m)	1,127.4
[V] = Stock Considered Volatile (see Disclosure Appendix)	

Research Analysts

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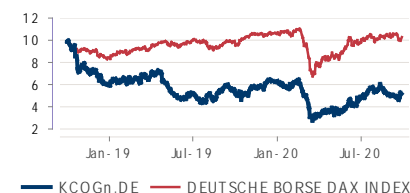
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tom.zhang@credit-suisse.com

Financial and valuation metrics

Year	12/19A	12/20E	12/21E	12/22E
Revenue (€ m)	6,314.7	5,206.0	5,686.8	5,920.6
EBITDA (€ m)	124.0	95.4	168.1	186.9
Adjusted net income (€ m)	-63.84	-52.19	-4.90	6.37
CS EPS (adj.) (€)	-0.64	-0.52	-0.05	0.06
Prev. EPS (€)	-	-0.77	-0.07	0.04
ROIC (%)	-0.7	-0.9	1.9	2.9
P/E (adj.) (x)	-8.1	-9.9	-105.0	80.9
P/E rel. (%)	-47.8	-47.2	-698.4	627.5
EV/EBITDA (x)	10.3	11.8	7.0	6.0
Dividend (12/20E, €)	0.00	Net debt/equity (12/20E, %)		29.9
Dividend yield (12/20E, %)	0.0	Net debt (12/20E, € m)		319.7
BV/share (12/20E, €)	10.7	IC (12/20E, € m)		1,390.6
Current WACC (%)	7.8	EV/IC (12/20E, (x))		0.8
Free float (%)	71.7	Number of shares (m)		99.8

Source: Company data, Refinitiv, Credit Suisse estimates

Share price performance



The price relative chart measures performance against the DEUTSCHE BORSE DAX INDEX which closed at 12870.9 on 28/09/20. On 28/09/20 the spot exchange rate was €1/Eu 1.- Eu.86/US\$1

Performance	1M	3M	12M
Absolute (%)	1.7	6.2	-5.2
Relative (%)	2.9	1.6	-9.2

Klöckner & Co (KCOGn.DE)

Price (28 Sep 2020): €5.165

Target Price: (from 6.20) 6.60

Analyst: Carsten Riek

Rating: Outperform [V]

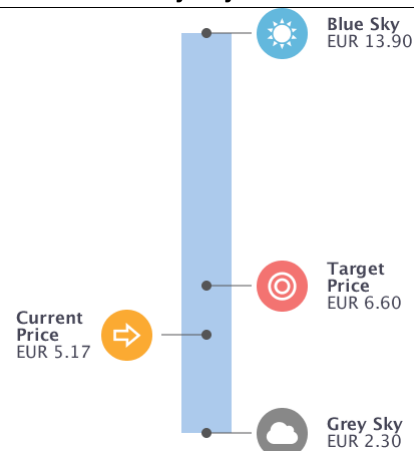
Income statement (€ m)	12/19A	12/20E	12/21E	12/22E
Revenue	6,315	5,206	5,687	5,921
EBITDA	124	95	168	187
Depr. & amort.	(133)	(130)	(130)	(130)
EBIT	(9)	(35)	38	57
Net interest exp.	(41)	(39)	(44)	(46)
Associates	-	-	-	-
PBT	(50)	(73)	(6)	11
Income taxes	(16)	48	2	(3)
Profit after tax	(66)	(25)	(4)	7
Minorities	(1)	(1)	(1)	(1)
Preferred dividends	-	-	-	-
Associates & other	3	(26)	0	0
Net profit	(64)	(52)	(5)	6
Other NPAT adjustments	8	(60)	0	0
Reported net income	(56)	(113)	(5)	6
Cash flow (€ m)	12/19A	12/20E	12/21E	12/22E
EBIT	(9)	(35)	38	57
Net interest	(32)	(39)	(44)	(46)
Cash taxes paid	(18)	48	2	(3)
Change in working capital	163	174	(103)	(18)
Other cash and non-cash items	101	58	130	130
Cash flow from operations	204	207	23	119
CAPEX	(52)	(60)	(70)	(70)
Free cashflow to the firm	152	147	(47)	49
Acquisitions	0	0	0	0
Divestments	55	0	0	0
Other investment/(outflows)	0	0	0	0
Cash flow from investments	3	(60)	(70)	(70)
Net share issue/(repurchase)	0	0	0	0
Dividends paid	(31)	0	0	0
Issuance (retirement) of debt	(132)	0	84	0
Other financing	(6)	0	0	0
Cashflow from financing	(169)	0	84	0
Changes in net cash/debt	(66)	147	(47)	49
Net debt at start	400	467	320	367
Change in net debt	66	(147)	47	(49)
Net debt at end	467	320	367	318
Balance sheet (€ m)	12/19A	12/20E	12/21E	12/22E
Assets				
Total current assets	1,923	1,789	1,978	2,071
Total assets	2,916	2,697	2,826	2,859
Liabilities				
Total current liabilities	826	719	768	794
Total liabilities	1,734	1,627	1,760	1,785
Total equity and liabilities	2,916	2,698	2,827	2,860
Per share	12/19A	12/20E	12/21E	12/22E
No. of shares (wtd avg.) (mn)	100	100	100	100
CS EPS (adj.) (€)	(0.64)	(0.52)	(0.05)	0.06
Prev. EPS (€)	-	(0.77)	(0.07)	0.04
Dividend (€)	0.00	0.00	0.00	0.05
Free cash flow per share (€)	1.53	1.47	(0.47)	0.49
Key ratios and valuation	12/19A	12/20E	12/21E	12/22E
Growth/Margin (%)				
Sales growth (%)	(7.0)	(17.6)	9.2	4.1
EBIT growth (%)	(106.4)	(275.4)	210.1	49.4
Net income growth (%)	(192.3)	18.3	90.6	229.9
EPS growth (%)	(192.3)	18.3	90.6	229.9
EBITDA margin (%)	2.0	1.8	3.0	3.2
EBIT margin (%)	(0.1)	(0.7)	0.7	1.0
Pretax profit margin (%)	(0.8)	(1.4)	(0.1)	0.2
Net income margin (%)	(1.0)	(1.0)	(0.1)	0.1
Valuation				
EV/Sales (x)	0.2	0.2	0.2	0.2
EV/EBITDA (x)	10.3	11.8	7.0	6.0
EV/EBIT (x)	(138.1)	(32.6)	30.9	19.8
Dividend yield (%)	0.00	0.00	0.00	0.97
P/E (x)	(8.1)	(9.9)	(105.0)	80.9
Credit ratios (%)				
Net debt/equity (%)	39.5	29.9	34.4	29.6
Net debt to EBITDA (x)	3.8	3.4	2.2	1.7
Interest coverage ratio (x)	(0.2)	(0.9)	0.9	1.2

Source: FTI, Company data, Refinitiv, Credit Suisse Securities (EUROPE) LTD. Estimates

Company Background

Klöckner is a Germany-based metal distribution and services company operating primarily in Europe/Switzerland and the US. The group sold 6.1mt / €6.8m in 2018, most of which was steel with a small portion of aluminium/other metals.

Blue/Grey Sky Scenario



Our Blue Sky Scenario (€)

(from 13.20) 13.90

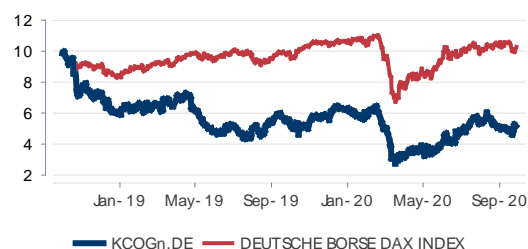
In our Blue Sky scenario, we assume a 1pp increase in shipments & sales, alongside a 1pp / 0.5pp increase in margins for the short and long term, respectively. We also assume increased short-term NWC build and capex spend, and raise our long-term growth assumption to 2%. This gives our Blue Sky valuation of €13.9/share.

Our Grey Sky Scenario (€)

(from 2.10) 2.30

In our Grey Sky scenario, we assume a 5pp decrease in shipments & sales, alongside a 1pp decline in margins. We reduce our short-term NWC requirements and capex spend, and assume a 0% long-term growth rate. This gives our Grey Sky valuation of €2.3/share.

Share price performance



The price relative chart measures performance against the DEUTSCHE BORSE DAX INDEX which closed at 12870.9 on 28/09/20
On 28/09/20 the spot exchange rate was €1/Eu 1.- Eu.86/US\$1

Klöckner earnings changes

We raise our EBITDA forecasts by ~€40m for 2020 on the back of better-than-expected volumes and pricing, as well as cost-cutting measures driven by the company's "Project Surtsey". We now look for Q3 adjusted EBITDA of €35m, partly driven by windfall gains given strong pricing momentum in the US, which fades into Q4. We therefore expect FY20 adjusted EBITDA of €95m, which is at the top end of company guidance (reported EBITDA of €23m given restructuring costs incurred in Q2). For 2021/22 we make minor changes, with shipment weakness offset by better pricing and inventory gains.

Figure 62: Klöckner earnings changes summary

EURm	New estimates			Old estimates			Revisions (%)		
	2020E	2021E	2022E	2020E	2021E	2022E	2020E	2021E	2022E
Revenues	5,206	5,687	5,921	5,310	5,847	6,107	-2%	-3%	-3%
Europe	3,038	3,373	3,485	3,091	3,441	3,594	-2%	-2%	-3%
Switzerland	804	893	923	817	911	953	-2%	-2%	-3%
Services EU	620	689	712	630	703	735	-2%	-2%	-3%
Distribution EU	1,615	1,791	1,849	1,644	1,828	1,905	-2%	-2%	-3%
US	2,168	2,314	2,436	2,218	2,406	2,514	-2%	-4%	-3%
EBITDA rep	23	168	187	(13)	165	184	n/m	2%	2%
Europe	8	143	149	(4)	139	152	n/m	3%	-1%
Switzerland	41	45	46	42	46	48	-2%	-2%	-3%
Services EU	14	41	50	14	42	51	-3%	-2%	-3%
Distribution EU	(47)	57	53	(60)	52	52	n/m	10%	2%
US	40	50	63	17	51	58	143%	-1%	9%
Other/Eliminations	(25)	(25)	(25)	(25)	(25)	(25)	0%	0%	0%
EBIT (rep)	(121)	38	57	(157)	35	54	n/m	9%	5%
Net income (rep)	(113)	(5)	6	(138)	(7)	4	n/m	n/m	52%
Net income (adj)	(52)	(5)	6	(77)	(7)	4	n/m	n/m	52%
EPS (rep)	(1.13)	(0.05)	0.06	(1.38)	(0.07)	0.04	n/m	n/m	52%

Source: Credit Suisse estimates

Klöckner valuation

We retain our valuation methodology, blending our FY21E EV/EBITDA (capturing near-term earnings momentum) base-case DCF (capturing the longer-term fundamental value of the equity) models. As a result of stronger 2020E earnings (and subsequently better cash flow and debt reduction), we raise our TP to €6.6/sh (from €6.2/sh).

Figure 63: Klöckner valuation methodology



Source: Credit Suisse estimates

Figure 64: EV/EBITDA valuation

EV/EBITDA 1y fwd	
Historical Average	6.7x
2021E EBITDA	168
Warranted EV	1,128
Net debt/(cash)	(320)
Pensions	(285)
Minorities (BV)	(8)
Non-core assets	--
Total equity value (EURm)	515
# of shares outstanding	100
Warranted Share Price (EUR)	5.2

Source: Credit Suisse estimates

Figure 65: Base-case DCF scenario valuation

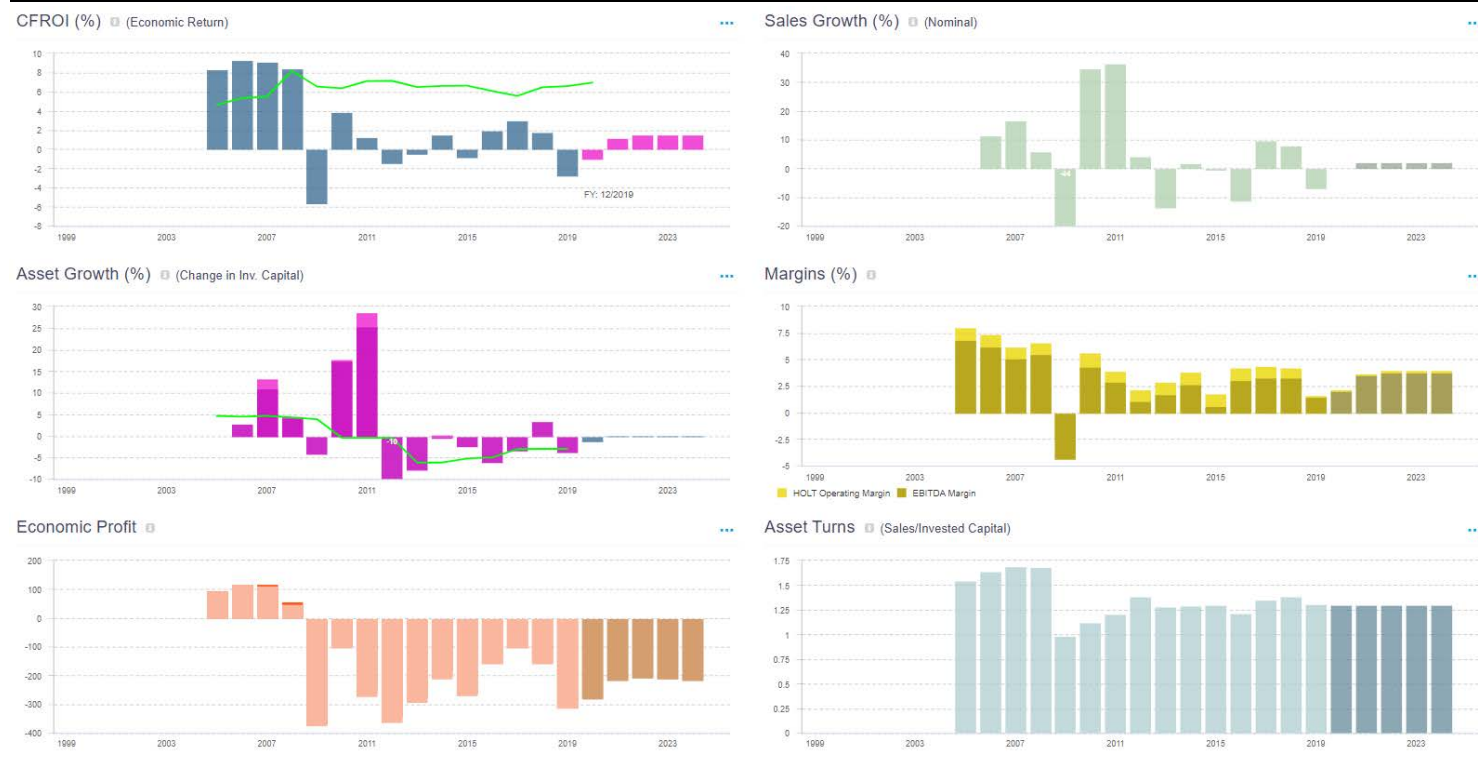
EUR mn	2016	2017	2018	2019	2020E	2021E	2022E	2023E	2024E	2025E	Norm
Sales	5,730	6,292	6,790	6,315	5,206	5,687	5,921	5,942	5,986	6,135	6,576
y/y %	-11%	10%	8%	-7%	-18%	9%	4%	0%	1%	2%	
EBITDA adj	196	220	229	124	95	168	187	171	172	192	243
EBITDA mgn	3%	4%	3%	2%	2%	3%	3%	3%	3%	3%	4%
EBIT	85	130	141	2	(121)	38	57	41	42	62	163
EBIT mgn	1%	2%	2%	0%	-2%	1%	1%	1%	1%	1%	2%
Tax on EBIT (30%)	(26)	(39)	(42)	(1)	36	(11)	(17)	(12)	(13)	(19)	(49)
EBIT net of taxes	60	91	99	1	(85)	27	40	28	29	44	114
D&A (incl. impairments)	110	90	86	137	144	130	130	130	130	130	80
Change in NWC	(61)	(97)	(106)	183	174	(103)	(18)	(5)	(8)	(25)	--
Ex-interest relevant cash-out	(14)	(13)	(2)	(47)	--	--	--	--	--	--	--
Capex	(80)	(82)	(65)	(52)	(60)	(70)	(70)	(70)	(70)	(70)	(80)
FCF	15	(12)	12	222	174	(17)	82	83	82	78	114
WACC	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%	
Discount factor						1.00	0.93	0.86	0.80	0.74	
PV of FCF						(17)	76	72	65	58	
NPV (2021-2025)	254										
Terminal growth	1%										
Terminal value	1,159										
% of NPV in terminal value	82%										
Enterprise value	1,413										
Net debt/(cash)	(320)										
Pensions	(285)										
Minorities (BV)	(8)										
Non-core assets	--										
Total equity value (USDm)	801										
# of shares outstanding	100										
Fair value (EUR per share)	8.0										

Rf rate	3%	Beta	1.03
Eq. prem.	5%	Tax rate	30%
Debt premium	2%		
Target debt-to-equity	50%	WACC	7.8%

Source: Company data, Credit Suisse estimates

Credit Suisse HOLT: What's Priced In

Figure 66: CS HOLT: What's Priced In Scenario



Source: Credit Suisse HOLT

In our market-priced-in scenario above we assume a steady recovery in EBITDA margins towards 4% (in-line with historic average) along with flat asset turns and a slight recovery in sales growth from 2021 onwards. This brings CFROI back to positive territory, but not yet back close to the discount rate. However, expectations on the speed of this recovery would be cautious relative to our view on steel pricing momentum (and the windfall gains that KCO can reap on the back of this), hence we remain positive on the equity story.

Appendix

Figure 67: Credit Suisse Global Steel production by region

Global Steel Supply (Crude Steel Production)													
mn metric tonnes	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E	2023E	2024E	2025E
EU	166	169	166	162	168	168	161	138	151	157	161	166	167
y/y (%)	-1%	2%	-2%	-2%	4%	0%	-4%	-14%	9%	4%	3%	3%	1%
Other Europe	39	38	36	38	42	42	36	34	37	37	38	38	39
y/y (%)	-3%	-1%	-7%	5%	12%	1%	-16%	-4%	9%	0%	1%	2%	2%
Russia/CIS	108	106	102	102	101	101	104	96	106	109	113	116	118
y/y (%)	-2%	-2%	-4%	1%	-1%	0%	3%	-8%	10%	4%	3%	3%	1%
North America	119	121	111	111	116	121	116	98	102	106	109	111	113
y/y (%)	-2%	2%	-8%	0%	5%	4%	-4%	-16%	4%	4%	3%	2%	2%
South America	46	45	44	40	44	45	41	38	41	44	46	48	50
y/y (%)	-1%	-2%	-3%	-8%	9%	3%	-8%	-9%	9%	6%	6%	4%	4%
China	822	822	804	808	871	928	993	1,050	1,040	1,025	983	935	911
y/y (%)	12%	0%	-2%	0%	8%	7%	7%	6%	-1%	-1%	-4%	-5%	-3%
India	81	87	89	95	101	109	111	98	99	104	110	114	120
y/y (%)	5%	7%	2%	7%	6%	8%	2%	-12%	0%	6%	5%	4%	5%
Japan	111	111	105	105	105	104	99	86	91	92	93	93	94
y/y (%)	3%	0%	-5%	0%	0%	0%	-5%	-14%	6%	1%	1%	0%	0%
Asia (excl. CN, JP, IND)	110	119	115	116	126	136	132	126	137	139	141	144	147
y/y (%)	-1%	8%	-3%	1%	9%	8%	-3%	-5%	9%	1%	2%	2%	2%
ROW	49	50	49	50	56	62	64	48	74	69	64	69	72
y/y (%)	6%	4%	-3%	3%	10%	11%	3%	-25%	56%	-7%	-6%	8%	4%
World total	1,650	1,669	1,620	1,627	1,730	1,817	1,858	1,811	1,877	1,882	1,859	1,836	1,831
y/y (%)	6%	1%	-3%	0%	6%	5%	2%	-3%	4%	0%	-1%	-1%	0%
World ex-China	828	847	816	819	859	888	865	761	837	857	876	901	920
y/y (%)	0%	2%	-4%	0%	5%	3%	-3%	-12%	10%	2%	2%	3%	2%

Source: WSA, Credit Suisse estimates

Figure 68: Credit Suisse Global Steel consumption by region

Global Crude Steel Apparent Consumption													
mn metric tonnes	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E	2023E	2024E	2025E
EU	153	160	164	170	176	185	174	143	157	161	163	165	166
y/y (%)	2%	5%	2%	4%	4%	5%	-6%	-18%	10%	3%	1%	1%	1%
Other Europe	38	38	42	43	45	39	39	35	39	40	41	42	43
y/y (%)	9%	1%	10%	1%	5%	-13%	0%	-9%	10%	3%	2%	2%	2%
Russia/CIS	70	65	58	55	61	60	63	57	64	66	67	69	71
y/y (%)	1%	-7%	-11%	-4%	10%	-2%	6%	-10%	12%	3%	2%	4%	2%
North America	147	165	153	147	157	159	160	134	142	146	149	151	153
y/y (%)	-3%	12%	-7%	-4%	7%	1%	1%	-17%	6%	3%	2%	1%	1%
South America	51	49	43	37	39	43	38	34	38	40	43	45	47
y/y (%)	6%	-3%	-12%	-14%	5%	8%	-11%	-10%	10%	7%	7%	5%	4%
China	771	738	697	705	805	869	941	1,018	1,015	992	948	908	885
y/y (%)	12%	-4%	-6%	1%	14%	8%	8%	8%	0%	-2%	-4%	-4%	-2%
India	78	86	95	95	93	107	111	92	96	101	106	112	117
y/y (%)	0%	10%	10%	0%	-2%	15%	4%	-18%	5%	5%	5%	5%	5%
Japan	70	73	67	67	71	72	70	61	65	66	67	67	67
y/y (%)	3%	4%	-8%	0%	5%	2%	-2%	-13%	7%	2%	2%	0%	0%
Asia (excl. CN, JP, IND)	158	173	177	188	178	183	179	165	180	185	188	191	193
y/y (%)	3%	9%	2%	6%	-5%	3%	-2%	-8%	9%	3%	1%	1%	1%
ROW	100	106	106	104	92	86	82	72	82	85	86	88	89
y/y (%)	-2%	5%	1%	-2%	-12%	-6%	-5%	-12%	14%	3%	2%	2%	2%
World total	1,638	1,653	1,603	1,613	1,718	1,802	1,858	1,811	1,877	1,882	1,859	1,836	1,831
y/y (%)	6%	1%	-3%	1%	7%	5%	3%	-3%	4%	0%	-1%	-1%	0%
World ex-China	867	916	906	908	913	933	917	793	862	890	910	929	946
y/y (%)	1%	6%	-1%	0%	1%	2%	-2%	-14%	9%	3%	2%	2%	2%

Source: WSA, Credit Suisse estimates

Figure 69: Credit Suisse Global Steel trade by region

Global trade flows - Net Imports (Exports) of finished and semi-finished steel													
mn metric tonnes	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E	2023E	2024E	2025E
EU	(13)	(9)	(2)	8	8	17	13	5	7	4	2	(1)	(1)
Other Europe	(1)	(0)	7	5	3	(4)	3	1	2	3	3	3	3
Russia/CIS	(38)	(41)	(44)	(47)	(40)	(41)	(41)	(39)	(42)	(44)	(46)	(47)	(47)
North America	28	44	42	37	42	39	44	36	40	40	40	40	40
South America	5	4	(0)	(3)	(4)	(2)	(3)	(4)	(4)	(4)	(4)	(4)	(4)
China	(51)	(85)	(107)	(103)	(66)	(59)	(52)	(32)	(25)	(33)	(35)	(27)	(26)
India	(3)	(1)	6	(0)	(8)	(2)	--	(7)	(2)	(3)	(3)	(3)	(3)
Japan	(40)	(38)	(38)	(37)	(34)	(32)	(29)	(25)	(26)	(26)	(26)	(26)	(26)
Asia (excl. CN, JP, IND)	49	54	62	72	52	47	47	39	42	46	46	46	46
ROW	52	55	57	54	36	25	18	24	8	16	22	18	17
World total (net)	(12)	(16)	(17)	(14)	(12)	(14)	--	--	--	--	--	--	--
World ex-China	39	69	90	88	54	45	52	32	25	33	35	27	26

Source: WSA, Credit Suisse estimates

Figure 70: Credit Suisse Global Steel capacity by region

Global Crude Steel Capacity													
mn metric tonnes	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E	2023E	2024E	2025E
EU	237	230	230	227	227	227	228	228	228	228	228	228	228
y/y (%)	1%	-3%	0%	-1%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Other Europe	56	57	61	61	61	61	61	62	62	62	62	62	62
y/y (%)	1%	2%	6%	0%	0%	0%	0%	2%	0%	0%	0%	0%	0%
Russia/CIS	147	149	150	150	150	152	153	154	158	159	159	159	159
y/y (%)	3%	1%	1%	0%	0%	1%	1%	1%	3%	0%	0%	0%	0%
North America	156	159	157	156	156	157	157	158	161	163	163	163	163
y/y (%)	-4%	2%	-1%	-1%	0%	1%	0%	0%	2%	1%	0%	0%	0%
South America	67	67	68	73	73	74	75	75	75	75	75	75	75
y/y (%)	0%	1%	1%	7%	0%	1%	1%	1%	0%	0%	0%	0%	0%
China	1,082	1,159	1,199	1,140	1,131	1,131	1,130	1,130	1,125	1,125	1,125	1,125	1,125
y/y (%)	9%	7%	3%	-5%	-1%	0%	0%	0%	0%	0%	0%	0%	0%
India	106	114	120	122	130	137	141	147	151	158	163	168	175
y/y (%)	9%	7%	6%	2%	6%	6%	3%	4%	3%	5%	3%	3%	4%
Japan	130	130	126	126	125	123	122	120	119	119	119	119	119
y/y (%)	0%	0%	-2%	0%	-1%	-1%	-1%	-1%	-1%	0%	0%	0%	0%
Asia (excl. CN, JP, IND)	179	183	182	187	191	195	203	205	205	205	205	205	205
y/y (%)	10%	2%	-1%	3%	2%	2%	4%	1%	0%	0%	0%	0%	0%
ROW	106	117	119	120	124	124	127	128	129	129	129	129	129
y/y (%)	15%	10%	2%	1%	3%	0%	2%	1%	1%	0%	0%	0%	0%
World total	2,265	2,365	2,412	2,363	2,368	2,381	2,396	2,407	2,414	2,424	2,429	2,434	2,441
y/y (%)	6%	4%	2%	-2%	0%	1%	1%	0%	0%	0%	0%	0%	0%
World ex-China	1,184	1,206	1,213	1,223	1,237	1,250	1,266	1,278	1,289	1,299	1,304	1,309	1,316
y/y (%)	3%	2%	1%	1%	1%	1%	1%	1%	1%	1%	0%	0%	1%

Source: WSA, Credit Suisse estimates

Valuation, Methodology and Risks

Target Price and Rating

Valuation Methodology and Risks: (12 months) for ArcelorMittal (MT.N)

Method: Our Outperform rating and \$22/sh target price are based on the average of our fundamental DCF valuation and our EV per tonne / EBITDA per tonne analysis, which captures the current phase of the cycle. For the former we assume a 9.9% WACC and 0% terminal growth to give a valuation of \$20/sh. For the latter, we simply regress historical datapoints and apply our FY20 earnings forecasts to derive a fair value of \$24/sh. Given the upside potential indicated by our target price, we rate the stock Outperform.

Risk: Risks to our Outperform rating and \$22/sh target price include: a further deterioration in the global economy due to COVID-19; rising raw material costs without offsetting steel price hikes, leading to continued margin compression; and an increase in capex spend and other cash outflow reducing FCF.

Target Price and Rating

Valuation Methodology and Risks: (12 months) for Klöckner & Co (KCOGn.DE)

Method: Our valuation methodology combines our base case DCF model and EV/EBITDA valuations. The former captures intrinsic valuation over an extended period of time; we use a 7.8% WACC and 1% terminal growth with a fair value of 8.0/sh. For our EV/EBITDA valuation, we use a 6.7x multiple (derived from the long-term historical average) which captures the cyclicity of earnings and share price performance, and gives a fair value of 5.2/sh. The average of these gives our target price of 6.6/sh. Given the upside potential indicated by our target price, we rate the shares Outperform.

Risk: Risks to our Outperform rating and €6.6/sh target price include: a further deterioration of global steel prices could pressure profitability into 2021E. Digitisation could lead to margin deterioration if benefits are fully passed on to customers. Large shareholders, including Loh (c.25%), could increase/sell down their stakes.

Target Price and Rating

Valuation Methodology and Risks: (12 months) for SSAB (SSABa.ST)

Method: Our target price of SEK29/sh is based on an equal-weighted average of our DCF and FY21E EV per tonne / EBITDA per tonne valuations. For our DCF we assume a 0% terminal growth rate and a 9.1% WACC to give a DCF valuation of SEK27/sh. Our EV per tonne / EBITDA per tonne valuation is SEK 30/sh. Given earnings risks and relatively unattractive valuation we rate the stock Neutral.

Risk: Upside risks to our Neutral rating and SEK29/sh TP include more rapid cost-cutting than we currently assume or a tapering in the global impact of COVID-19. Downside risks include further demand deterioration due to COVID-19; a rapid reversal of recent European capacity cuts; a deterioration in specialty steel demand (especially in North America); the EU commission further diluting antidumping duties; a goodwill impairment in the event of continued margin pressure which could lead to a writedown of equity.

Target Price and Rating

Valuation Methodology and Risks: (12 months) for Salzgitter (SZGG.DE)

Method: Our 17/sh target price is based on the average of our DCF model (assuming a WACC of 8.8% and 0% terminal growth, with a warranted price of 16/sh) and a FY21E EV/t EBITDA/t model (warranted price of 19/sh). Given the relative upside potential indicated by our target price, we rate the shares Outperform.

Risk: Key risks to our €17/sh target price and Outperform rating include further macroeconomic weakness, potentially driven by second waves of COVID-19 infections in Europe. An increase in capex spending is another risk, as we think recent investment decisions have been received poorly by the market.

Target Price and Rating

Valuation Methodology and Risks: (12 months) for ThyssenKrupp (TKAG.DE)

Method: Our Outperform rating and 9.4/sh target price are based on the average of our base case DCF and EV per tonne / EBITDA per tonne valuation methodologies. Our DCF model (using an 8.7% WACC and a 1% terminal growth; valuation of 9.2/sh) captures the intrinsic value of the companies cash flows, while EV per tonne / EBITDA per tonne (valuation of 9.6/sh) captures the current phase of the cycle. The relative value upside means we rate the stock Outperform.

Risk: Risks to our Outperform rating & €9.4/sh target price include a failure to close the elevator deal in the near term. In the medium-term there are risks over execution of restructuring, or macro risks if the recent COVID-19 outbreak continues to negatively affect markets.

Target Price and Rating

Valuation Methodology and Risks: (12 months) for voestalpine (VOES.VI)

Method: Our €19 target price is based on our base-case DCF model (reflecting fundamental cash returns; using a 1% terminal growth rate and an 8.2% WACC, giving a valuation of €22/sh) and EV per tonne/EBITDA per tonne valuations (reflecting the current phase of the cycle; fair value at €16). Given the late cycle exposure and comparatively stretched valuation we rate the equity Underperform.

Risk: Risks to our Underperform rating and €19 target price include: a significant near-term reduction in capex, rapid impact of cost-cutting measures, a reversal of weakness in HPM order books.

Companies Mentioned (Price as of 28-Sep-2020)

(ACX.MC, €7.094)
 (000898.SZ, Rmb2.59)
 (0347.HK, HK\$2.08)
 (APAM.AS, €23.97)
 (MT.N, \$13.37, OUTPERFORM[V], TP \$22.0)
 (600019.SS, Rmb4.95)
 (BSL.AX, A\$13.07)
 (0581.HK, HK\$1.8)
 (CMC.N, \$20.62)
 (CSNA3.SA, R\$15.74)
 (GGBR4.SA, R\$20.54)
 (004020.KS, W23,850)
 (JSTL.BO, Rs277.1)
 (JNSP.BO, Rs183.9)
 (KCOGn.DE, €5.17, OUTPERFORM[V], TP €6.6)
 (0323.HK, HK\$1.79)
 (600808.SS, Rmb2.68)
 (NUE.N, \$46.27)
 (OUT1V.HE, €2.207)
 (005490.KS, W194,000)
 (SAIL.BO, Rs35.7)
 (SSABa.ST, Skr29.65, NEUTRAL, TP Skr29.0)
 (SZGG.DE, €14.2, OUTPERFORM[V], TP €17.0)
 (SGM.AX, A\$7.87)
 (STLD.OQ, \$29.98)
 (STLC.TO, C\$10.89)
 (TISC.BO, Rs360.95)
 (TX.N, \$19.1)
 (TKAG.DE, €4.43, OUTPERFORM[V], TP €9.4)
 (X.N, \$7.58)
 (USIM5.SA, R\$10.14)
 (VOES.VI, €22.19, UNDERPERFORM, TP €19.0)

Disclosure Appendix**Analyst Certification**

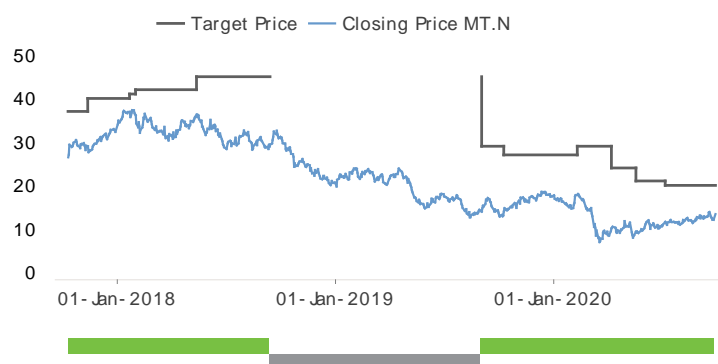
Carsten Riek, Tom Zhang, CFA, Conor Rowley and Chintan Khmar each certify, with respect to the companies or securities that the individual analyzes, that (1) the views expressed in this report accurately reflect his or her personal views about all of the subject companies and securities and (2) no part of his or her compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report.

3-Year Price and Rating History for ArcelorMittal (MT.N)

MT.N	Closing Price	Target Price	
Date	(US\$)	(US\$)	Rating
11-Oct-17	26.47	37.00	O
13-Nov-17	29.02	40.00	
22-Jan-18	36.94	41.00	
01-Feb-18	36.12	42.00	
14-May-18	36.30	45.00	
14-Sep-18	29.39		NC
03-Sep-19	13.96	29.00	O *
10-Oct-19	14.00	27.00	
10-Feb-20	17.79	29.00	
07-Apr-20	10.09	24.00	
18-May-20	9.35	21.00	
06-Jul-20	11.59	20.00	

* Asterisk signifies initiation or assumption of coverage.

Effective July 3, 2016, NC denotes termination of coverage.

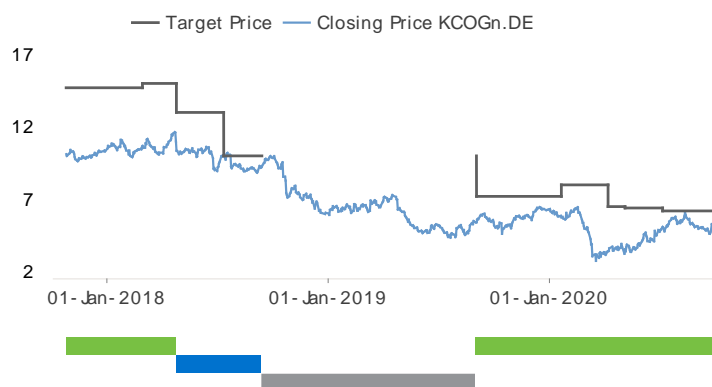


3-Year Price and Rating History for Klöckner & Co (KCOGn.DE)

KCOGn.DE	Closing Price	Target Price	
Date	(€)	(€)	Rating
26-Oct-17	10.10	14.70	O
01-Mar-18	10.67	15.00	
26-Apr-18	10.34	13.00	N
13-Jul-18	10.02	10.00	
14-Sep-18	9.29		NC
03-Sep-19	5.41	7.20	O *
21-Jan-20	5.75	8.00	
07-Apr-20	3.41	6.50	
05-May-20	3.55	6.40	
06-Jul-20	5.09	6.20	

* Asterisk signifies initiation or assumption of coverage.

Effective July 3, 2016, NC denotes termination of coverage.

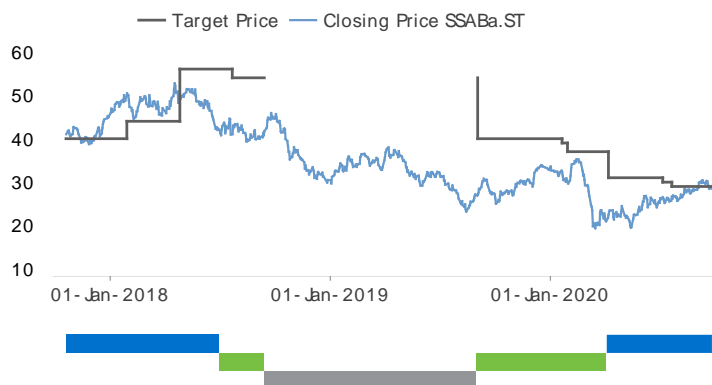


3-Year Price and Rating History for SSAB (SSABa.ST)

SSABa.ST	Closing Price	Target Price	
Date	(Skr)	(Skr)	Rating
20-Oct-17	41.03	40.00	N
29-Jan-18	50.42	44.00	
27-Apr-18	48.93	56.00	
02-Jul-18	41.79	56.00	O
23-Jul-18	41.03	54.00	
14-Sep-18	41.77		NC
03-Sep-19	27.06	40.00	O *
21-Jan-20	32.30	39.00	
30-Jan-20	30.07	37.00	
07-Apr-20	22.46	31.00	N
06-Jul-20	26.51	30.00	
21-Jul-20	26.65	29.00	

* Asterisk signifies initiation or assumption of coverage.

Effective July 3, 2016, NC denotes termination of coverage.

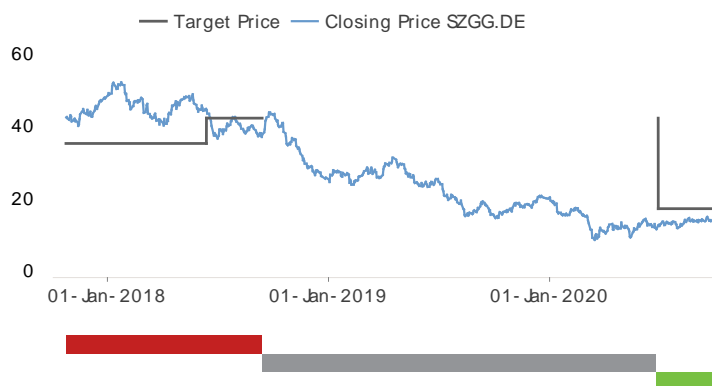


3-Year Price and Rating History for Salzgitter (SZGG.DE)

SZGG.DE	Closing Price	Target Price	
Date	(€)	(€)	Rating
25-Oct-17	42.15	35.00	U
14-Jun-18	44.23	42.00	
14-Sep-18	37.47		NC
29-Jun-20	12.37	17.00	O *

* Asterisk signifies initiation or assumption of coverage.

Effective July 3, 2016, NC denotes termination of coverage.

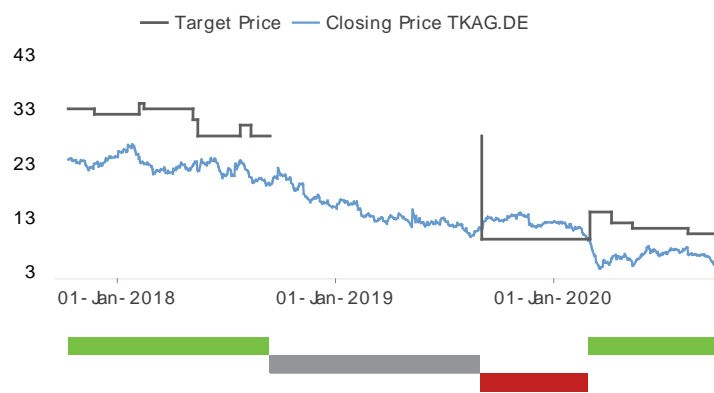


3-Year Price and Rating History for ThyssenKrupp (TKAG.DE)

TKAG.DE	Closing Price	Target Price	
Date	(€)	(€)	Rating
11-Oct-17	23.61	33.00	O
24-Nov-17	22.86	32.00	
07-Feb-18	24.03	34.00	
15-Feb-18	22.79	33.00	
08-May-18	22.55	31.00	
16-May-18	21.49	28.00	
26-Jul-18	23.45	30.00	
13-Aug-18	20.30	28.00	
14-Sep-18	18.96		NC
03-Sep-19	10.62	9.00	U *
02-Mar-20	8.52	14.00	O
07-Apr-20	5.44	12.00	
12-May-20	4.11	11.00	
13-Aug-20	6.21	10.00	

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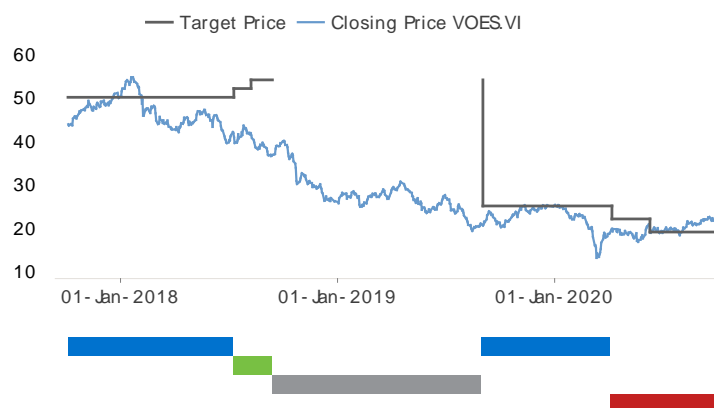


3-Year Price and Rating History for voestalpine (VOES.VI)

VOES.VI	Closing Price	Target Price	
Date	(€)	(€)	Rating
05-Oct-17	43.81	50.00	N
11-Jul-18	40.86	52.00	O
09-Aug-18	41.30	54.00	
14-Sep-18	36.75		NC
03-Sep-19	20.50	25.00	N *
07-Apr-20	19.74	22.00	U
10-Jun-20	19.53	19.00	

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Underperform/Sell*	12%	(20% banking clients)
Restricted	2%	

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