

RHI Magnesita – adapting to a post-COVID-19 environment

WU Wien, Competence Center for Emerging Markets & CEE

Vienna, 28th September 2020

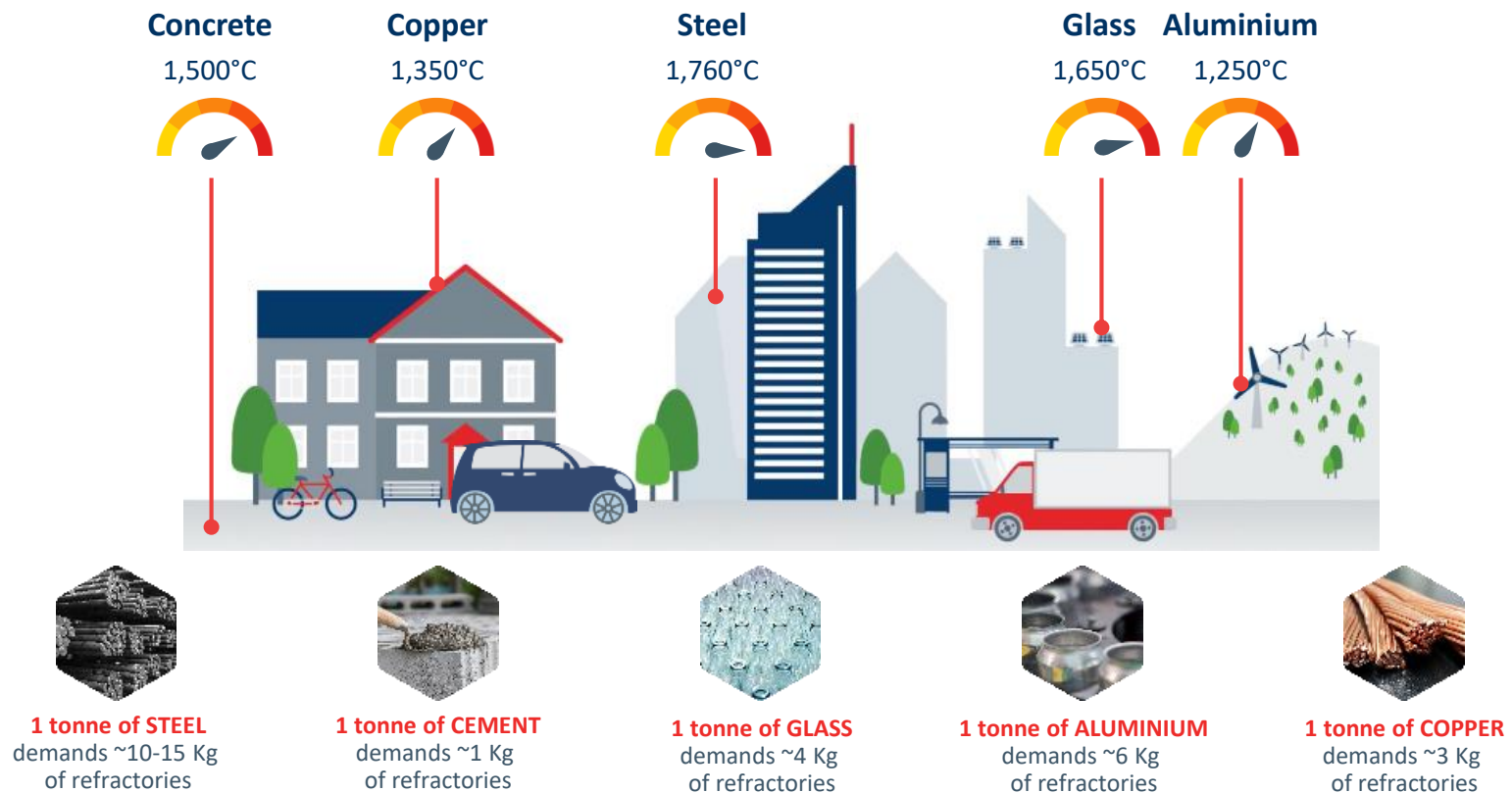


RHI Magnesita is the world leader in refractories

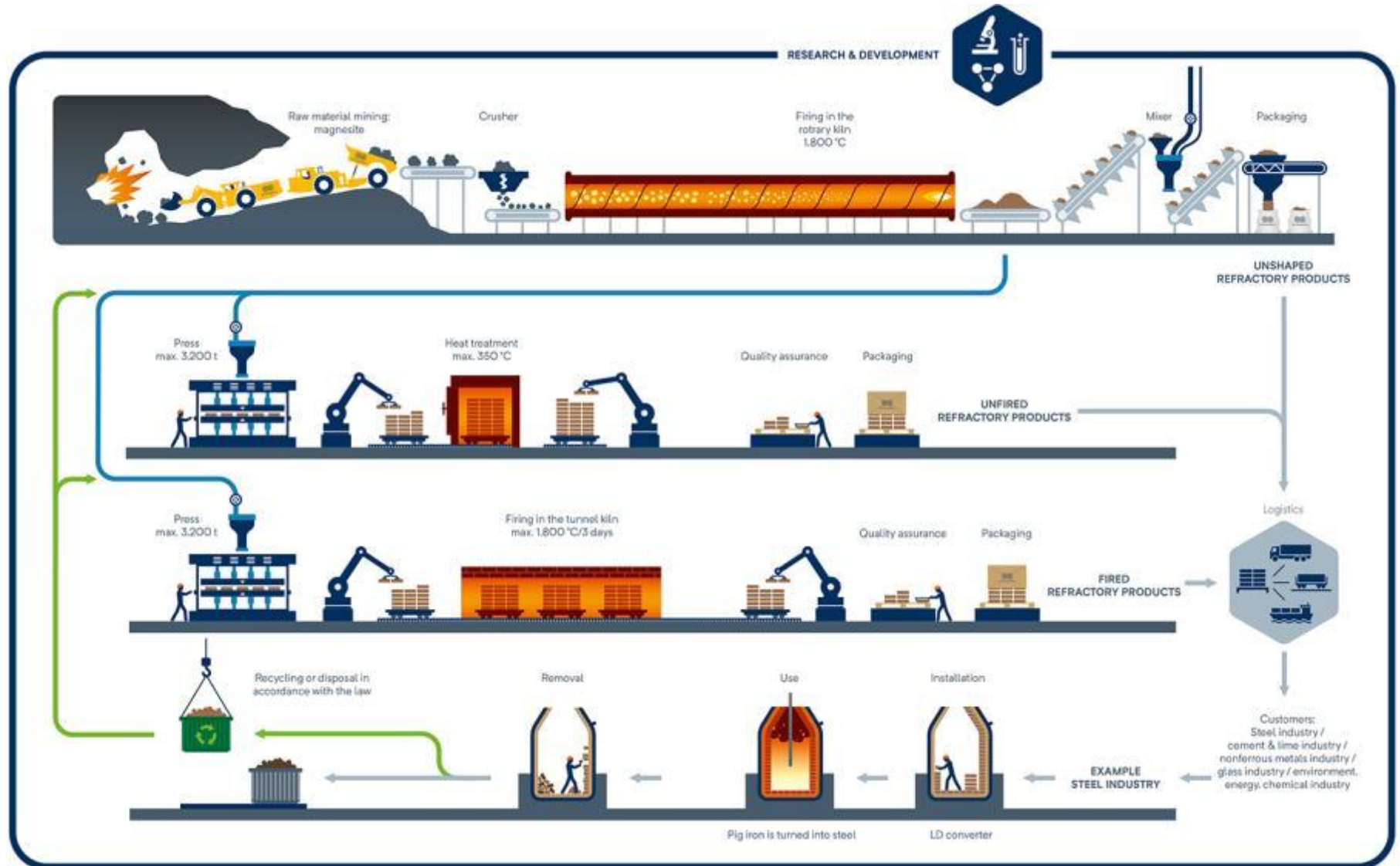
Headquartered in Austria and listed on the London Stock Exchange



Refractories are indispensable for high-temperature processes exceeding 1,200°



The refractory world of RHI Magnesita



A complex range of tailored refractory products are required for each application

Bricks



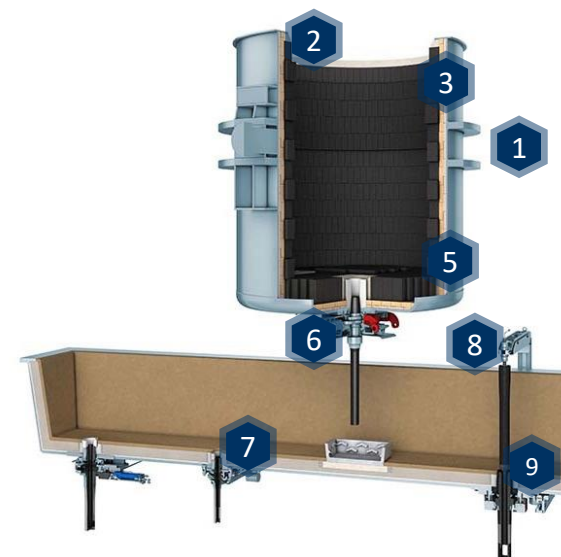
Monolithics and pre casts



Functional products



Example of refractory application for steel ladle



Digital Solutions

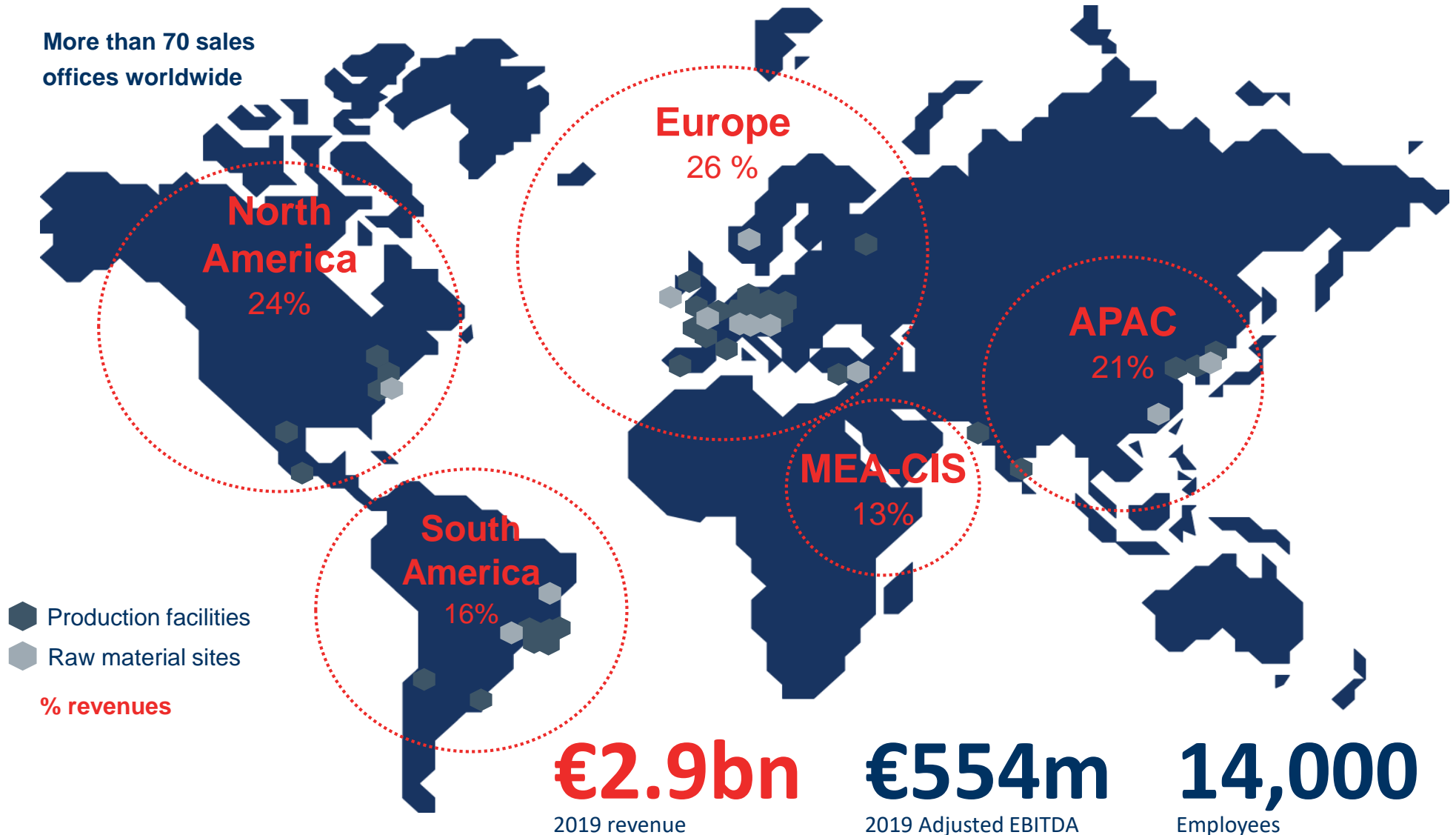


Systems & Machinery



Optimally positioned to reach customers everywhere

More than 70 sales
offices worldwide



Assumptions for Environment Post-COVID-19



Recession



A global recession in 2020 (-8% to -12%) with slower recovery leading to a **“smaller world”** for 18-36 months



Connectivity



Digitalization has received significant impulse leading to a **“new connectivity”** - less personal contacts but more data interfaces.



Travel



Traveling will remain difficult for some time. This promotes digital connectivity. Fewer trips, but perhaps longer ones.



Regionalization



Globalization to be tailed back. **Regionalization** boosted. Adapting production network to be accelerated. **Decentralized operational decision taking.**



Volatility



Volatility higher than ever. Need to be more flexible and **variabilize our cost base.**

Project Immunity: Necessity & Chance

We need to build an adaptable organization, being able to react quickly to the volatile economy to create sustainable value.

Mission & Target

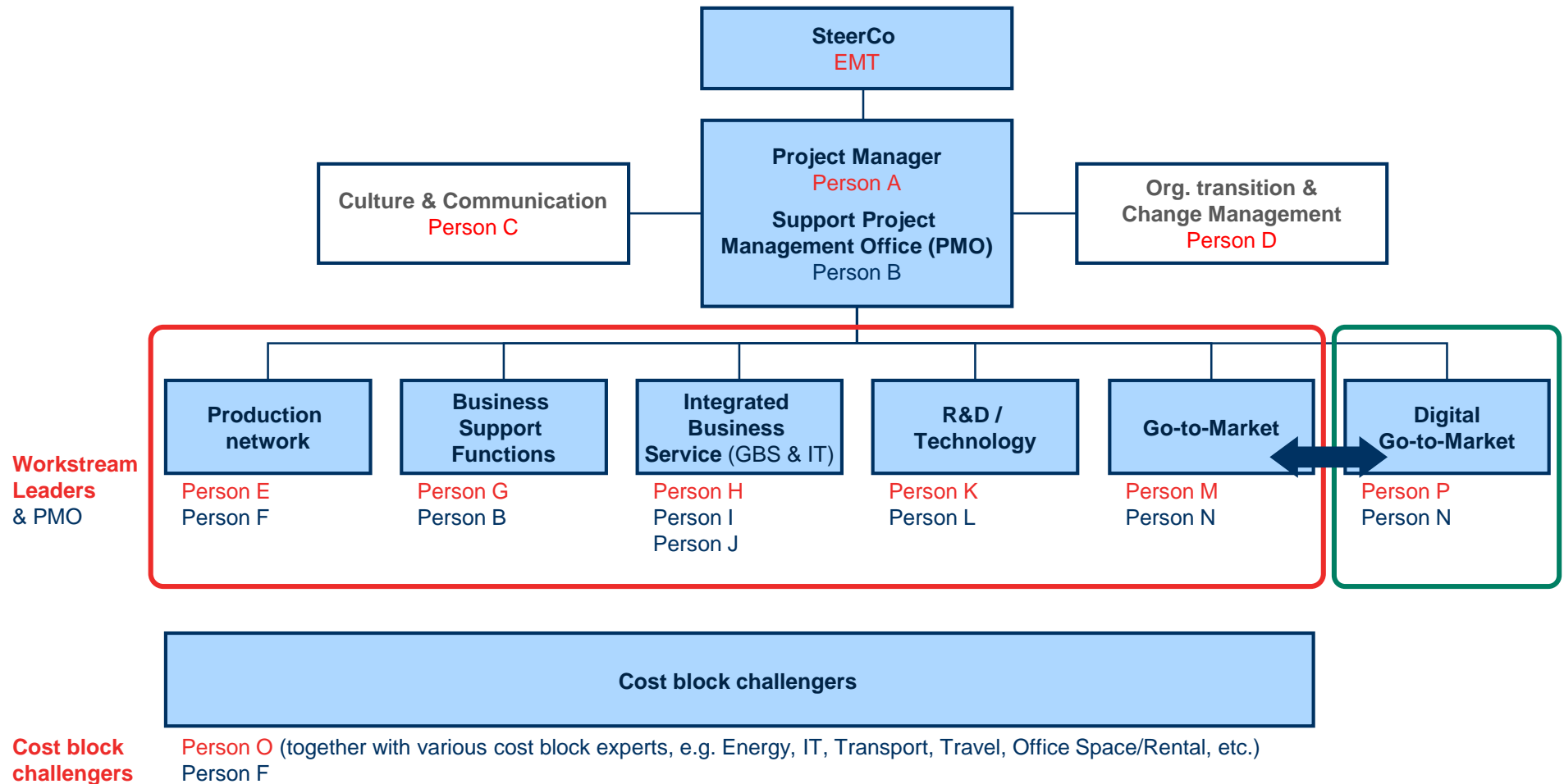
Reduce
fixed costs

- Company's fixed costs of €XXX million need to be reduced by €XXX million to maintain a stable profitability profile
- Permanent elimination of fixed costs, and variabilization

Driving
lessons
learned from
crisis

- Sharpen and accelerate our strategy execution and implement it with more speed, possible additional investments, adapted focus and concentration of resources
- Consider streamlining and automating processes by applying digital tools such as touchpoints with the company and to our customers.

Fully dedicated project team to execute Project Immunity

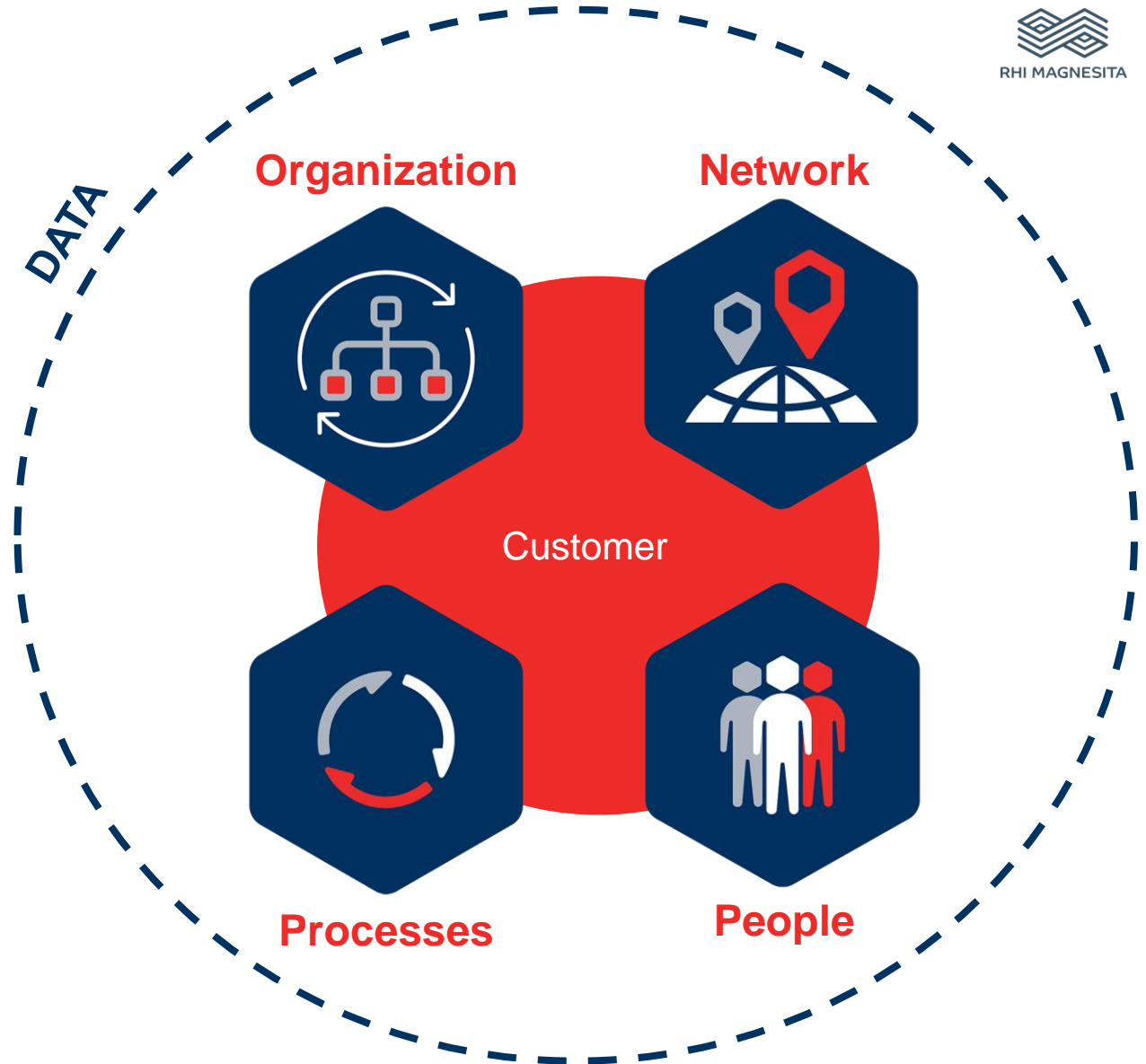


We need to adapt...

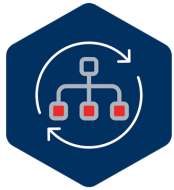
Necessity & Chance

We need to build an adaptable organization, being able to react quickly to the volatile economy to create sustainable value.

#comebackstronger



Value Drivers for Project Immunity



Organization

- Middle Management streamline (CEO-2 and CEO-3)
- Resizing organization in line with market demand
- Service level adjustment (along organizational units)
- Make use of labour arbitrage out of regionalisation



Processes

- Process Streamline & Process and Data Governance structure
- Process standardization and GBS
- Process automation & Robotic Process Automation (RPA)
- Digital working tools & Service level adjustment (along process)



People

- Digital working infrastructure
- Individual Flex-time agreement
- Large scale flexibilization by outsourcing
- Non-Personal cost through remote working (travel, office...)



Network

- Further refine production footprint by closing, mothballing or selling
- Increase utilization of remaining plants and optimize volume-swing concept
- Elimination of fixed cost and production-associated SG&A (cost allocation)
- Variabilization of fixed costs with optimum level over the demand cycle

Value Drivers to deliver our € **XX**m target

- A Business Model & Service Levels**
Reshaping organization and processes to new environment
- B Process Streamlining & IBS Transfer**
Define split of activities remaining in retained functions and IBS
- C Digitalization**
Identify potential digital tools and automation
- D Variabilization**
Identify potential to variabilise fixed costs (e.g. outsourcing)
- E Discretionary**
Non-personnel related costs (e.g.travel, offices)
- F Network Optimization**
Optimize production footprint according to the business volume

CEO-2 leaders
(supported by
Project Immunity)
will use these
Value Drivers
to **deliver the**
€ **XX**m target
and **develop**
next levels of
the organization.

Overview of refined savings potentials, underlying actions and implementation costs



Value driver		Underlying actions	Implement in		Benefits in		Implementation cost		
			2020	2021	2020	2021	OPEX	CAPEX	Severance
[all figures in € m]									
A	Business Model & Service Levels		• Streamlining of organization CEO-1,2,3,4		<div>Confidential</div>				
B	Process Streamlining, Bundling & IBS		• Increasing share of IBS • Optimization of E2E processes						
C	Digitalization		• Securing low-code automation potential • Digital projects						
D	Variabilization		• Outsourcing of non-core activities, e.g. Maintenance, Molds						
E	Discretionary		• Rental cost reduction • Energy cost reduction • Travel cost reduction						
F	Production Network		• Plant closures (or mothballing) • Stop of production lines • Product transfers						
	Implementation Risk Adjustment (20%)								
Σ	Total								

Confidential

Project Immunity – achievements & BEYOND*

Network optimization program set up

Significant volume-independent barebone plant savings have been committed for Americas and Europe
Savings tracking for barebone initiative

Top-down approach

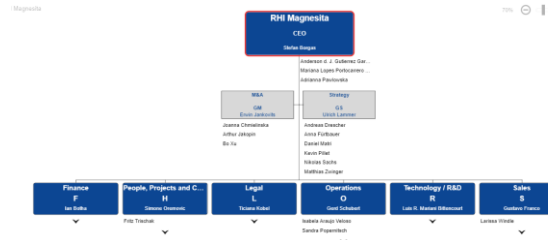
- Detailed knowledge of plants and local specifics used to commit 9% sustainable FTE reduction in Europe and Americas resulting from efficiency improvements
- Reduction of employees independent of volume and despite shifts of production from other plants due to closures

Sustainable/recurring savings commitment

Location	Baseline FTE	Sustainable FTE reduction (from maintenance)	% reduction of FTE	Average FTE cost of reduced FTE	Sustainable savings
Europe	18	1.6	9%	72k €	115k €
Americas	45	4.1	9%	58k €	237k €
Total	63	5.7	9%	65k €	352k €
Europe	18	1.6	9%	72k €	115k €
Americas	45	4.1	9%	58k €	237k €
Total	63	5.7	9%	65k €	352k €

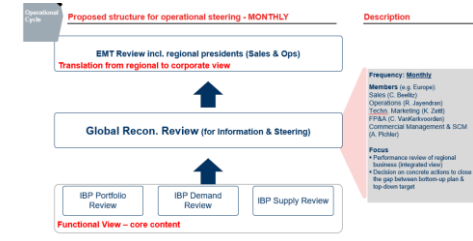
- Holistic approach for new production footprint to adapt to future demands
- plants investigated for expansion, for closure

New Organization implemented



- Org. Manager go-live Aug. 1
- Reshaping organization to new environment & true P&L accountability in regions

Management Governance defined



- Delegation of authorities to Regional Leadership Teams
- Enable local and fast decisions close to our customers

Cost-to-Serve analyzed

Driving additional efficiency through a targeted GTM approach: 4 steps



- Increasing cost-to-serve transparency
- Identifying areas across business with high sales & service invest

PDG / E-2-E processes established

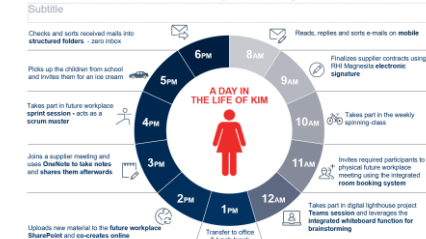
Labor arbitrage gains lead to competitive cost structures; add. efficiency improvements required for next quartile
Process performance peer comparison – Process cost analysis [extract]

Process Step	Comparison of RHI and peers	Cost	Cost per unit	Cost per unit (RHI)	Cost per unit (Peers)
Process Step 1	Cost per unit (RHI) vs. Cost per unit (Peers)	Cost per unit (RHI)	Cost per unit (Peers)	Cost per unit (RHI)	Cost per unit (Peers)
Process Step 2	Cost per unit (RHI) vs. Cost per unit (Peers)	Cost per unit (RHI)	Cost per unit (Peers)	Cost per unit (RHI)	Cost per unit (Peers)
Process Step 3	Cost per unit (RHI) vs. Cost per unit (Peers)	Cost per unit (RHI)	Cost per unit (Peers)	Cost per unit (RHI)	Cost per unit (Peers)
Process Step 4	Cost per unit (RHI) vs. Cost per unit (Peers)	Cost per unit (RHI)	Cost per unit (Peers)	Cost per unit (RHI)	Cost per unit (Peers)

- Reinforce end-to-end process responsibility with a designated Process & Data Governance organization

New ways of working considered

Characteristics of the future way of working



- Three core elements of the future way of working (1) Leadership & Culture (2) Collaboration Tools & Technology Enablers (3) Office space

Get in touch

Project Immunity

Kranichberggasse 6
1120 Vienna Austria

E-mail: immunity@rhimagnesita.com
rhimagnesita.com

Important notice:

These materials do not constitute or form part, or all, of any offer of invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, any securities in any jurisdiction in which such solicitation, offer or sale would be unlawful, nor shall part, or all, of these materials form the basis of, or be relied on in connection with, any contract or investment decision in relation to any securities.

These materials contain forward-looking statements based on the currently held beliefs and assumptions of the management of RHI Magnesita N.V. or its affiliated companies, which are expressed in good faith and, in their opinion, reasonable. These statements may be identified by words such as "expectation" or "target" and similar expressions, or by their context. Forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual results, financial condition, performance, or achievements of RHI Magnesita N.V. or its affiliated companies to differ materially from the results, financial condition, performance or achievements express or implied by such forward-looking statements. Given these risks, uncertainties and other factors, recipients of this document are cautioned not to place undue reliance on these forward-looking statements. RHI Magnesita N.V. or its affiliated companies disclaims any obligation to update these forward-looking statements to reflect future events or developments.

