



Ferroglobe Reports Results for Second Quarter of 2018

August 21, 2018

Sales of \$583 Million; Net Profit of \$66 Million, Adjusted EBITDA of \$86 Million

- Sales of \$583.0 million, an increase of 4.0% from \$560.7 million in Q1 2018
- Net profit of \$66.0 million, or \$0.39 on a fully diluted per share basis, a 85.4% increase from a net profit of \$35.6 million, or \$0.21 per share, in the prior quarter. Adjusted net profit of \$25.7 million, or \$0.14 on a fully diluted per share basis, a 22.9% decrease compared to adjusted net profit of \$33.3 million, or \$0.19 on a fully diluted per share basis, in the prior quarter
- Reported EBITDA of \$130.9 million, an increase of 40.0% compared to reported EBITDA of \$93.5 million in Q1 2018
- Adjusted EBITDA of \$86.3 million, a decrease of 3.7% compared to \$89.6 million adjusted EBITDA in Q1 2018.

LONDON, Aug. 21, 2018 (GLOBE NEWSWIRE) -- Ferroglobe PLC (NASDAQ:GSM) ("Ferroglobe" or the "Company"), the world's leading producer of silicon metal, and a leading silicon-and manganese-based specialty alloys producer, today announced results for the second quarter of 2018.

In Q2 2018, Ferroglobe posted a net profit of \$66.0 million, or \$0.39 per share on a fully diluted basis. On an adjusted basis, Q2 2018 net profit was \$25.7 million, or \$0.14 per share on a fully diluted basis.

Q2 2018 reported EBITDA was \$130.9 million, up from \$93.5 million in the prior quarter. On an adjusted basis, Q2 2018 EBITDA was \$86.3 million, down 3.7% from Q1 2018 adjusted EBITDA of \$89.6 million. The Company reported adjusted EBITDA margin of 14.8% for Q2 2018, compared to adjusted EBITDA margin of 16.0% for Q1 2018. Year-to-date (H1 2018) adjusted EBITDA was \$175.9 million, up 135% from the same period in 2017.

The differences between reported and adjusted figures derive from the bargain purchase gain that has been recorded as a result of the Company's acquisition of manganese alloys plants at Mo I Rana, Norway and Dunkirk, France.

During the second quarter, cash flow used for operations was \$4.6 million, with working capital increasing by \$70.0 million during the period. As a consequence, net debt was \$475.3 million as of June 30, 2018, up from \$449.3 million as of March 31, 2018.

Sales in Q2 2018 totaled \$583.0 million, up 4.0% from \$560.7 million in Q1 2018. During Q2 2018, the average selling prices for:

- Silicon metal increased by 0.4% to \$2,773/MT in Q2 2018, as compared to \$2,762/MT in Q1 2018;
- Silicon-based alloys decreased by 2.4% to \$1,908/MT in Q2 2018, as compared to \$1,956/MT in Q1 2018; and
- Manganese-based alloys decreased by 5.2% to \$1,304/MT in Q2 2018, as compared to \$1,375/MT in Q1 2018.

While sales volumes of:

- Silicon metal experienced a 6.2% decrease quarter-over-quarter,
- Silicon-based alloys experienced a 2.5% increase quarter-over-quarter, and
- Manganese-based alloys experienced a 51.0% increase quarter-over-quarter.

	Quarter Ended June 30, 2018	Quarter Ended March 31, 2018	Quarter Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Shipments in metric tons:					
Silicon Metal	85,913	91,615	82,881	177,528	158,634
Silicon-based Alloys	78,214	76,328	70,913	154,542	146,299
Manganese-based Alloys	107,457	71,176	64,403	178,633	128,103
Total shipments*	271,584	239,119	218,197	510,703	433,036
Average selling price (\$/MT):					
Silicon Metal	\$ 2,773	\$ 2,762	\$ 2,210	\$ 2,767	\$ 2,148
Silicon-based Alloys	\$ 1,908	\$ 1,956	\$ 1,586	\$ 1,932	\$ 1,528
Manganese-based Alloys	\$ 1,304	\$ 1,375	\$ 1,308	\$ 1,332	\$ 1,303
Total*	\$ 1,943	\$ 2,092	\$ 1,741	\$ 2,013	\$ 1,688
	Quarter Ended June 30, 2018	Quarter Ended March 31, 2018	Quarter Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017

Average selling price (\$/lb.):					
Silicon Metal	\$ 1.26	\$ 1.25	\$ 1.00	\$ 1.26	\$ 0.97
Silicon-based Alloys	\$ 0.87	\$ 0.89	\$ 0.72	\$ 0.88	\$ 0.69
Manganese-based Alloys	\$ 0.59	\$ 0.62	\$ 0.59	\$ 0.60	\$ 0.59
Total*	\$ 0.88	\$ 0.95	\$ 0.79	\$ 0.91	\$ 0.77

* Excludes by-products and other

"This was a solid quarter for Ferroglobe, culminating a first half of the year which confirms the improved fundamentals of our business and validates the positive momentum in the markets we are serving," said Pedro Larrea, CEO of Ferroglobe. "In the year to date we have significantly increased volumes and selling prices and our EBITDA has more than doubled compared with the same period last year. The steel industries in North America and Europe - the main end markets for most of our alloys - are experiencing strong demand and high capacity utilizations in the wake of recent trade protection measures. Prices of our products have remained broadly stable overall, and current supply/demand dynamics in our industry should support continued healthy pricing."

Cash flow generation impacted by acquisition related working capital

During the second quarter, cash flows used for operations was \$4.6 million, the main driver being a working capital increase of \$70.0 million during Q2 2018. Approximately half of that increase is from the recently acquired manganese-alloy plants that have built their operating working capital, with a further increase from seasonally high raw materials and finished products inventories in the rest of our operations.

Ferroglobe's net debt was \$475.3 million as of June 30, 2018, up from \$449.3 million as of March 31, 2018. The increase in net debt is mainly due to the \$70 million working capital increase noted above. Excluding the acquisition impact of the manganese-alloy plants, net debt has decreased by \$1.6 million as compared with December 31, 2017.

"We continue to be focused on cash generation and deleveraging the balance sheet," said Phillip Murnane, Ferroglobe's CFO. "Although the first half of the year has required meaningful cash investment in working capital for the new manganese assets, we have a rigorous cash generation initiative in place that will provide significant cash flow release in the second half of the year."

The Company has declared an interim dividend

Ferroglobe's Board of Directors has declared an interim dividend of \$0.06 per share, further reflecting its confidence in the underlying strength of Ferroglobe's business and long-term outlook. The dividend will have a record date of September 5, 2018 and a payment date of September 20, 2018.

Adjusted EBITDA:

	Quarter Ended June 30, 2018	Quarter Ended March 31, 2018	Quarter Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Profit (loss) attributable to the parent	\$ 67,438	\$ 36,680	\$ 2,859	\$ 104,118	\$ (3,695)
Loss attributable to non-controlling interest	(1,408)	(1,066)	(1,859)	(2,474)	(3,420)
Income tax expense (benefit)	14,302	15,668	(1,949)	29,970	(3,163)
Net finance expense	14,412	13,156	14,547	27,568	27,517
Financial derivatives (gain) loss	(2,832)	1,765	4,071	(1,067)	4,071
Exchange differences	8,708	(729)	(7,263)	7,979	(7,243)
Depreciation and amortization charges, operating allowances and write-downs	30,309	28,016	26,401	58,325	53,623
EBITDA	130,929	93,490	36,807	224,419	67,690
Non-controlling interest settlement	—	—	1,751	—	1,751
Power credit	—	—	(3,696)	—	(3,696)
Long lived asset charge due to reclassification of discontinued operations to continuing operations	—	—	2,608	—	2,608
Accrual of contingent liabilities	—	—	6,400	—	6,400
Bargain purchase gain	(44,633)	—	—	(44,633)	—
Share-based compensation	—	(3,886)	—	(3,886)	—
Adjusted EBITDA	\$ 86,296	\$ 89,604	\$ 43,870	\$ 175,900	\$ 74,753

Adjusted profit attributable to Ferroglobe:

	Quarter Ended June 30, 2018	Quarter Ended March 31, 2018	Quarter Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Profit (loss) attributable to the parent	\$ 67,438	\$ 36,680	\$ 2,859	104,118	\$ (3,695)
Tax rate adjustment	(11,404)	(742)	(1,645)	(12,146)	126
Non-controlling interest settlement	—	—	1,191	—	1,191

Power credit	—	—	(2,513)	—	(2,513)
Long lived asset charge due to reclassification of discontinued operations to continuing operations	—	—	1,773	—	1,773
Accrual of contingent liabilities	—	—	4,352	—	4,352
Bargain purchase gain	(30,350)	—	—	(30,350)	—
Share-based compensation	—	(2,642)	—	(2,642)	—
Adjusted profit attributable to the parent	\$ 25,684	\$ 33,296	\$ 6,017	58,980	\$ 1,234

Adjusted diluted profit per share:

	Quarter Ended June 30, 2018	Quarter Ended March 31, 2018	Quarter Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Diluted profit (loss) per ordinary share	\$ 0.39	\$ 0.21	\$ 0.02	\$ 0.60	\$ (0.02)
Tax rate adjustment	(0.07)	—	(0.01)	(0.07)	—
Non-controlling interest settlement	—	—	0.01	—	0.01
Power credit	—	—	(0.01)	—	(0.01)
Long lived asset charge due to reclassification of discontinued operations to continuing operations	—	—	0.01	—	0.01
Accrual of contingent liabilities	—	—	0.03	—	0.03
Bargain purchase gain	(0.18)	—	—	(0.18)	—
Share-based compensation	—	(0.02)	—	(0.02)	—
Adjusted diluted profit per ordinary share	\$ 0.14	\$ 0.19	\$ 0.05	\$ 0.33	\$ 0.02

Conference Call

Ferroglobe management will review the second quarter results of 2018 during a conference call at 9 a.m. Eastern Time on Wednesday, August 22, 2018.

The dial-in number for participants in the United States is 877-293-5491 (conference ID 6293829). International callers should dial +1 914-495-8526 (conference ID 6293829). Please dial in at least five minutes prior to the call to register. The call may also be accessed via an audio webcast available at <https://edge.media-server.com/m6/p/5bqj5wmw>

About Ferroglobe

Ferroglobe is one of the world's leading suppliers of silicon metal, silicon-based specialty alloys, and ferroalloys serving a customer base across the globe in dynamic and fast-growing end markets, such as solar, automotive, consumer products, construction and energy. The Company is based in London. For more information, visit <http://investor.ferroglobe.com>.

Forward-Looking Statements

This release contains "forward-looking statements" within the meaning of U.S. securities laws. Forward-looking statements are not historical facts but are based on certain assumptions of management and describe the Company's future plans, strategies and expectations. Forward-looking statements often use forward-looking terminology, including words such as "anticipate", "believe", "could", "estimate", "expect", "forecast", "guidance", "intends", "likely", "may", "plan", "potential", "predicts", "seek", "will" and words of similar meaning or the negative thereof.

Forward-looking statements contained in this press release are based on information currently available to the Company and assumptions that management believe to be reasonable, but are inherently uncertain. As a result, Ferroglobe's actual results, performance or achievements may differ materially from those expressed or implied by these forward-looking statements, which are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors that are, in some cases, beyond the Company's control.

Forward-looking financial information and other metrics presented herein represent the Company's goals and are not intended as guidance or projections for the periods referenced herein or any future periods.

All information in this press release is as of the date of its release. Ferroglobe does not undertake any obligation to update publicly any of the forward-looking statements contained herein to reflect new information, events or circumstances arising after the date of this press release. You should not place undue reliance on any forward-looking statements, which are made only as of the date of this press release.

Non-IFRS Measures

EBITDA, adjusted EBITDA, adjusted diluted profit (loss) per ordinary share and adjusted profit (loss) are non-IFRS financial metrics that, we believe, are pertinent measures of Ferroglobe's success.

Ferroglobe has included these financial metrics to provide supplemental measures of its performance. The Company believes these metrics are important because they eliminate items that have less bearing on the Company's current and future operating performance and highlight trends in its core business that may not otherwise be apparent when relying solely on IFRS financial measures.

INVESTOR CONTACT:

Ferroglobe PLC and Subsidiaries
Unaudited Condensed Consolidated Income Statement
(in thousands of U.S. dollars, except per share amounts)

	Quarter Ended June 30, 2018	Quarter Ended March 31, 2018	Quarter Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Sales	\$ 582,977	\$ 560,704	\$ 425,810	\$ 1,143,681	\$ 821,847
Cost of sales	(343,817)	(320,678)	(250,279)	(664,495)	(491,417)
Other operating income	8,511	6,786	4,008	15,297	5,637
Staff costs	(88,743)	(82,423)	(74,168)	(171,166)	(140,653)
Other operating expense	(75,384)	(70,862)	(65,009)	(146,246)	(125,133)
Depreciation and amortization charges, operating allowances and write-downs	(30,309)	(28,016)	(26,401)	(58,325)	(53,623)
Bargain purchase gain	44,633	—	—	44,633	—
Other gain (loss)	2,752	(37)	(3,555)	2,715	(2,591)
Operating profit	100,620	65,474	10,406	166,094	14,067
Net finance expense	(14,412)	(13,156)	(14,547)	(27,568)	(27,517)
Financial derivatives gain (loss)	2,832	(1,765)	(4,071)	1,067	(4,071)
Exchange differences	(8,708)	729	7,263	(7,979)	7,243
Profit (loss) before tax	80,332	51,282	(949)	131,614	(10,278)
Income tax (expense) benefit	(14,302)	(15,668)	1,949	(29,970)	3,163
Profit (loss) for the period	66,030	35,614	1,000	101,644	(7,115)
Loss attributable to non-controlling interest	1,408	1,066	1,859	2,474	3,420
Profit (loss) attributable to the parent	\$ 67,438	\$ 36,680	\$ 2,859	\$ 104,118	\$ (3,695)
EBITDA	\$ 130,929	\$ 93,490	\$ 36,807	\$ 224,419	\$ 67,690
Adjusted EBITDA	\$ 86,296	\$ 89,604	\$ 43,870	\$ 175,900	\$ 74,753
Weighted average shares outstanding					
Basic	171,987	171,977	171,947	171,982	171,947
Diluted	172,127	172,215	172,047	172,144	171,947
Profit (loss) per ordinary share					
Basic	\$ 0.39	\$ 0.21	\$ 0.02	\$ 0.61	\$ (0.02)
Diluted	\$ 0.39	\$ 0.21	\$ 0.02	\$ 0.60	\$ (0.02)

Ferroglobe PLC and Subsidiaries
Unaudited Condensed Consolidated Statement of Financial Position
(in thousands of U.S. dollars)

	June 30, 2018	March 30, 2018	December 31, 2017
ASSETS			
Non-current assets			
Goodwill	\$ 203,717	\$ 204,537	\$ 205,287
Other intangible assets	57,897	61,774	58,658
Property, plant and equipment	947,229	980,101	917,974
Non-current financial assets	116,974	147,744	89,315
Deferred tax assets	3,972	6,581	5,273
Non-current receivables from related parties	2,332	2,464	2,400
Other non-current assets	18,887	32,125	30,059
Total non-current assets	1,351,008	1,435,326	1,308,966
Current assets			

Inventories	532,574	493,108	361,231
Trade and other receivables	151,062	142,641	111,463
Current receivables from related parties	5,550	8,841	4,572
Current income tax assets	10,405	6,524	17,158
Current financial assets	854	897	2,469
Other current assets	18,283	16,095	9,926
Cash and cash equivalents	155,984	197,669	184,472
Total current assets	874,712	865,775	691,291
Total assets	\$ 2,225,720	\$ 2,301,101	\$ 2,000,257

EQUITY AND LIABILITIES

Equity	\$ 1,004,125	\$ 979,504	\$ 937,758
Non-current liabilities			
Deferred income	5,387	7,321	3,172
Provisions	78,767	82,957	82,397
Bank borrowings	108,143	71,242	-
Obligations under finance leases	61,078	68,101	69,713
Debt instruments	340,564	341,036	339,332
Other financial liabilities	42,138	58,288	49,011
Other non-current liabilities	21,178	64,457	3,536
Deferred tax liabilities	64,689	64,733	65,142
Total non-current liabilities	721,944	758,135	612,303
Current liabilities			
Provisions	22,563	30,162	33,095
Bank borrowings	1,241	850	1,003
Obligations under finance leases	13,024	13,478	12,920
Debt instruments	10,936	2,735	10,938
Other financial liabilities	54,158	91,243	88,420
Payables to related parties	17,599	10,671	12,973
Trade and other payables	276,289	298,438	192,859
Current income tax liabilities	4,210	5,889	7,419
Other current liabilities	99,631	109,996	90,569
Total current liabilities	499,651	563,462	450,196
Total equity and liabilities	\$ 2,225,720	\$ 2,301,101	\$ 2,000,257

Ferroglobe PLC and Subsidiaries

Unaudited Condensed Consolidated Statement of Cash Flows

(in thousands of U.S. dollars)

	Quarter Ended June 30, 2018	Quarter Ended March 31, 2018	Quarter Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Cash flows from operating activities:					
Profit (loss) for the period	\$ 66,030	\$ 35,614	\$ 1,000	\$ 101,644	\$ (7,115)
Adjustments to reconcile net profit (loss) to net cash (used) provided by operating activities:					
Income tax expense (benefit)	14,302	15,668	(1,949)	29,970	(3,163)
Depreciation and amortization charges, operating allowances and write-downs	30,309	28,016	26,401	58,325	53,623
Net finance expense	14,412	13,156	14,547	27,568	27,517
Financial derivatives (gain) loss	(2,832)	1,765	4,071	(1,067)	4,071
Exchange differences	8,708	(729)	(7,263)	7,979	(7,243)
Bargain purchase gain	(44,633)	—	—	(44,633)	—
Share-based compensation	33	699	—	732	—
Other adjustments	(2,752)	37	3,556	(2,715)	2,592
Changes in operating assets and liabilities					
(Increase) decrease in inventories	(59,050)	(107,481)	(11,943)	(166,531)	(4,835)
(Increase) decrease in trade receivables	(19,257)	(513)	9,456	(19,770)	13,221
Increase in trade payables	476	70,375	(8,943)	70,851	9,213
Other	6,817	(49,770)	(506)	(42,953)	(35,051)
Income taxes paid	(14,186)	(9,982)	(3,919)	(24,168)	(6,216)

Interest paid	(2,957)	(17,301)	(4,378)	(20,258)	(14,107)
Net cash (used) provided by operating activities	(4,580)	(20,446)	20,130	(25,026)	32,507
Cash flows from investing activities:					
Payments due to investments:					
Other intangible assets	(2,221)	(703)	—	(2,924)	(410)
Property, plant and equipment	(29,778)	(22,531)	(14,319)	(52,309)	(26,681)
Other	(8)	—	—	(8)	(14)
Disposals:					
Other non-current assets	12,734	—	—	12,734	—
Other	1,904	4,010	—	5,914	—
Acquisition of subsidiary	—	(20,379)	—	(20,379)	—
Interest and finance income received	2,273	79	211	2,352	564
Net cash used by investing activities	(15,096)	(39,524)	(14,108)	(54,620)	(26,541)
Cash flows from financing activities:					
Dividends paid	(10,321)	—	—	(10,321)	—
Payment for debt issuance costs	—	(4,476)	(3,078)	(4,476)	(13,555)
Repayment of other financial liabilities	(33,096)	—	—	(33,096)	—
Proceeds from debt issuance	—	—	—	—	350,000
Increase/(decrease) in bank borrowings:					
Borrowings	37,668	182,364	30	220,032	31,455
Payments	—	(106,514)	(15,300)	(106,514)	(387,680)
Proceeds from stock option exercises	240	—	—	240	—
Other amounts paid due to financing activities	(4,648)	(2,987)	(10,694)	(7,635)	(17,905)
Net cash (used) provided by financing activities	(10,157)	68,387	(29,042)	58,230	(37,685)
Total net cash flows for the period	(29,833)	8,417	(23,020)	(21,416)	(31,719)
Beginning balance of cash and cash equivalents	197,669	184,472	193,031	184,472	196,982
Exchange differences on cash and cash equivalents in foreign currencies	(11,852)	4,780	13,550	(7,072)	18,298
Ending balance of cash and cash equivalents	\$ 155,984	\$ 197,669	\$ 183,561	\$ 155,984	\$ 183,561

 [Primary Logo](#)

Source: Ferroglobe PLC