



# Stifel Industrials Conference. New York, NY.

June 2017



**Ferroglobe**

# Forward-Looking Statements

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# Ferroglobe: The Global Leading Producer of Silicon Metal, Silicon-based Alloys, and Manganese-based Alloys

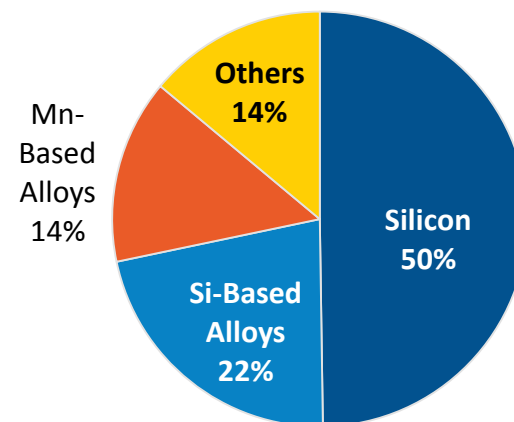
- World's largest producer of silicon metal & silicon-based alloys, and a leading manganese-based alloys producer, headquartered in London
- Low-cost structure built on vertically integrated supply chain including ownership of key raw materials

Electrometallurgy	<ul style="list-style-type: none"> <li>■ Diversified production base with 26 production centers across five continents</li> <li>■ Uniquely positioned in the industry to service customers with broadest geographic reach and breadth of product offering</li> <li>■ Portfolio provides economies of scale and acts as a natural hedge against currency fluctuations</li> </ul>
Mining	<ul style="list-style-type: none"> <li>■ Metallurgical quality, low-ash coal mines in the U.S.</li> <li>■ Quartz mining operations in Spain and South Africa</li> </ul>
Energy	<ul style="list-style-type: none"> <li>■ 14 total hydroelectric plants: Spain (12) and France (2)</li> </ul>
Solar Tech.	<ul style="list-style-type: none"> <li>■ Experienced R&amp;D team with track record of developing next generation technology</li> <li>■ Photovoltaic solar-grade silicon metal technology developed by Ferroglobe</li> </ul>

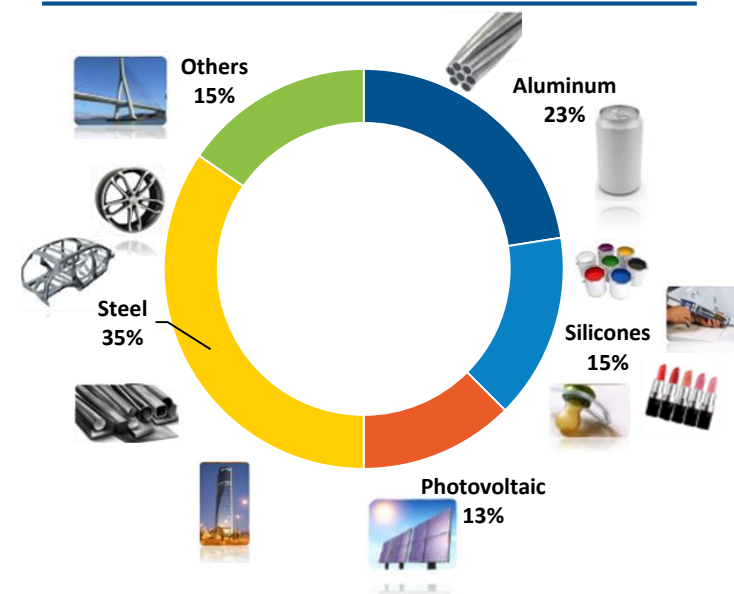
## Summary Financials (Incl. Hydro Assets)

(US\$ millions)	2013A	2014A	2015A	2016A	2017 Q1A
Sales	\$2,192	\$2,272	\$2,040	\$1,556	\$388.2
Adj. EBITDA	\$ 264	\$351	\$295	\$70.5	\$26.6

## Revenue by Product

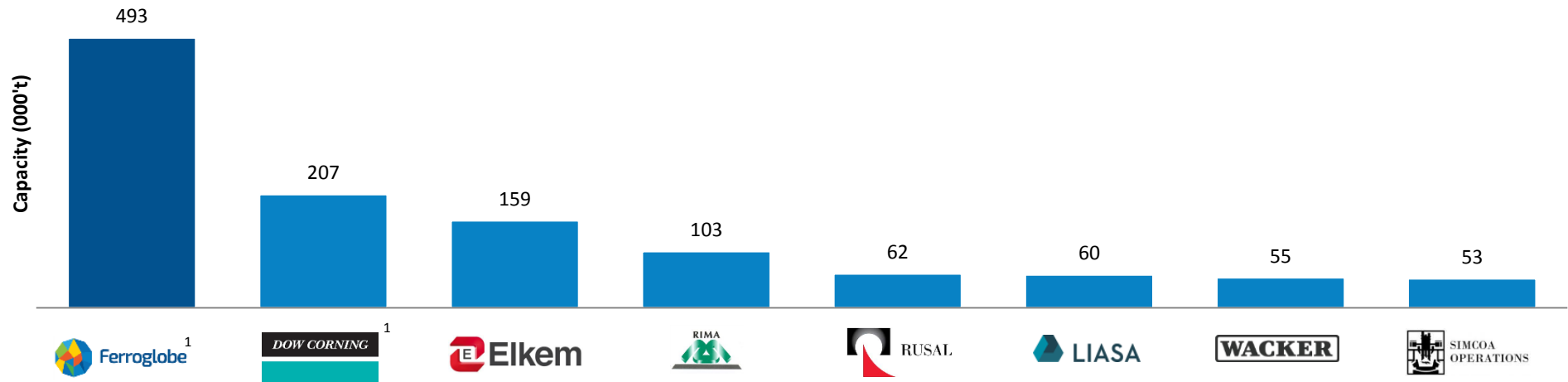


## Exposure to Diverse End Markets

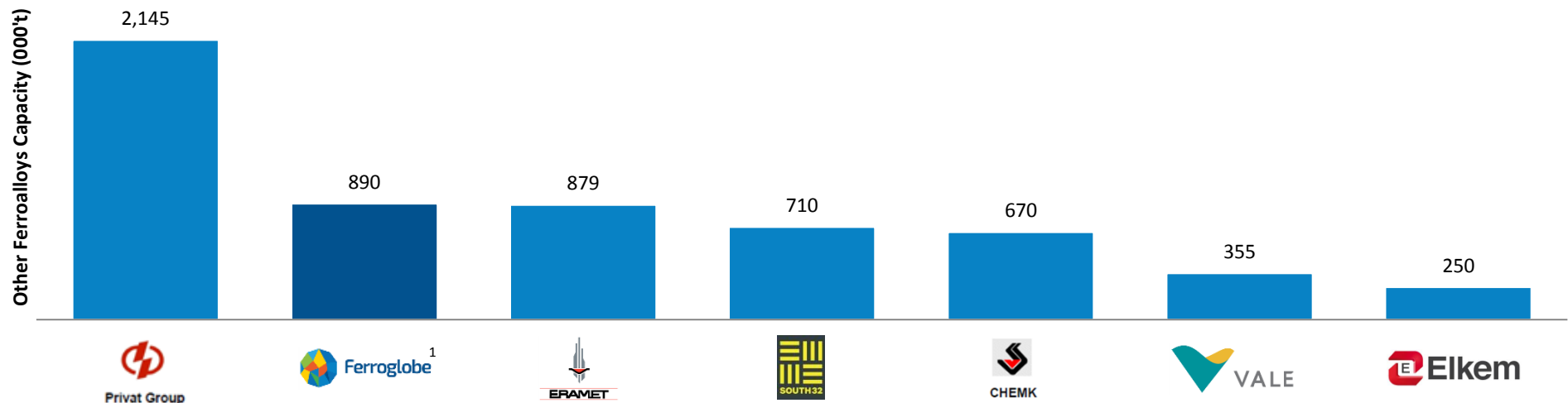


# Global Leader in Production of Silicon Metal, Silicon-Based Alloys and Manganese-Based Alloys

## The Leading Player in Silicon Metal ...



## ... And One of the Leading Ferroalloys Producers











Source: CRU

<sup>1</sup> Includes attributable output and capacity from wholly-owned plants and joint ventures.

# Diversified Product Portfolio with High Quality Customer Base

## Summary of Capacity by Product

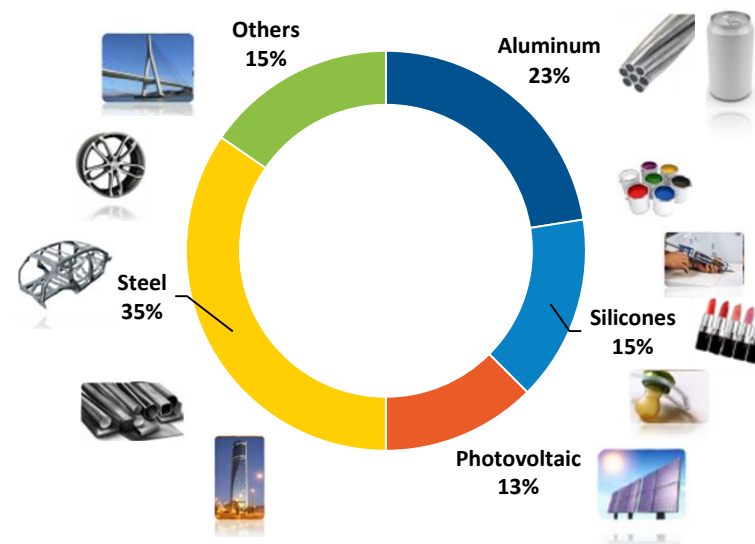
	Silicon Metal	FeSi / Other Silicon based alloys	Silicon-Manganese	Ferro-Manganese	Silica Fumes	Total
Ferroglobe Market Position	1	2	Top 3	Top 4	1	-
 Ferroglobe	493	467	230	194	99	1,482
 Privat Group	-	120	1,120	450	-	2,145
 SOUTH32	-	-	130	380	-	510
 ERAMET	-	-	400	479	-	879
 VALE	-	-	192	165	-	355
 CHEMK	-	500	170	-	-	670
 Elkem	159	250	-	-	95	487
 DOW CORNING	207	-	-	-	120	327

Captive capacity

## High Quality Customers



## Exposure to Diverse End Markets

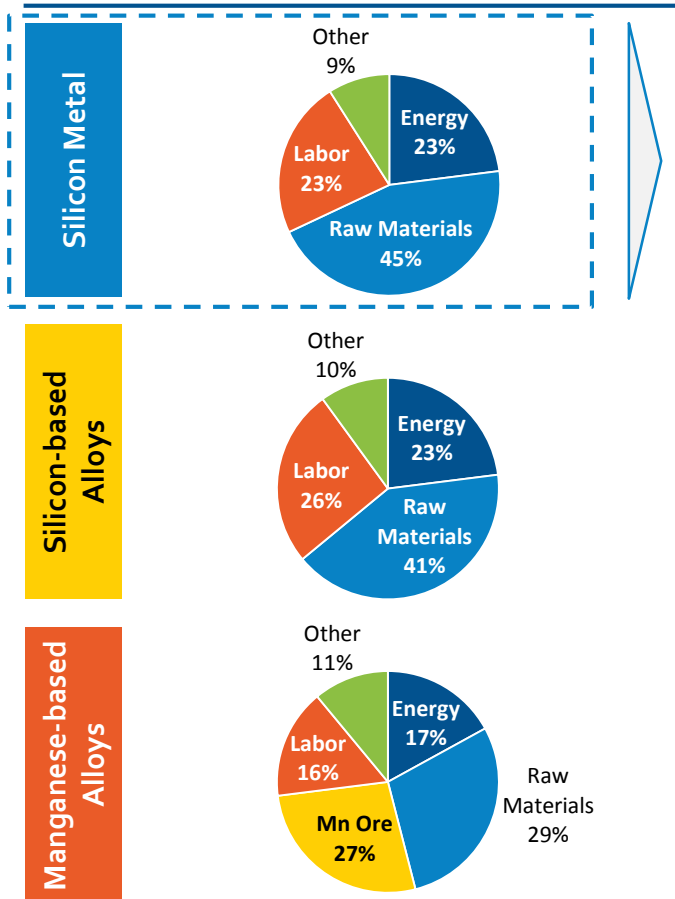




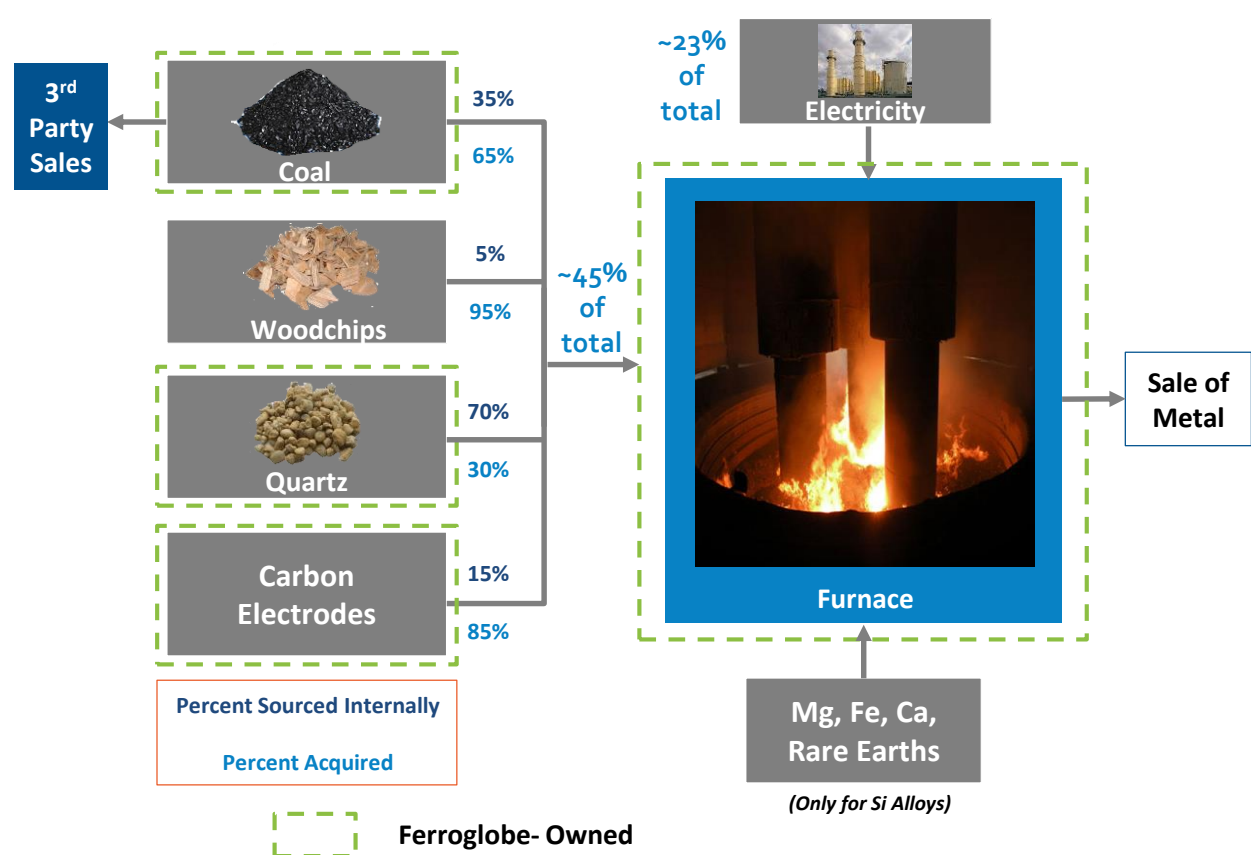
# Ferroglobe Benefits from Low Cost Structure Built Upon Vertically Integrated Supply Chain

- Power is the single largest contributor to production cost across products
- Ferroglobe benefits from vertical integration and attractive power contracts, which allows company to maintain a low cost structure to ensure through-the-cycle profitability
  - Ownership of critical, high quality raw material sources, including quartz, woodchips, low ash coal, and energy
  - Power contracts in key regions at rates significantly below spot utility rates
- While not vertically integrated in manganese ore, Ferroglobe has the ability to pass-through cost of manganese ore directly to customers

## Summary of Cost Components

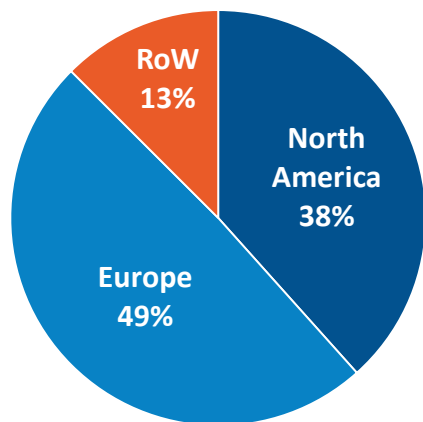


## Overview of Silicon Production Process

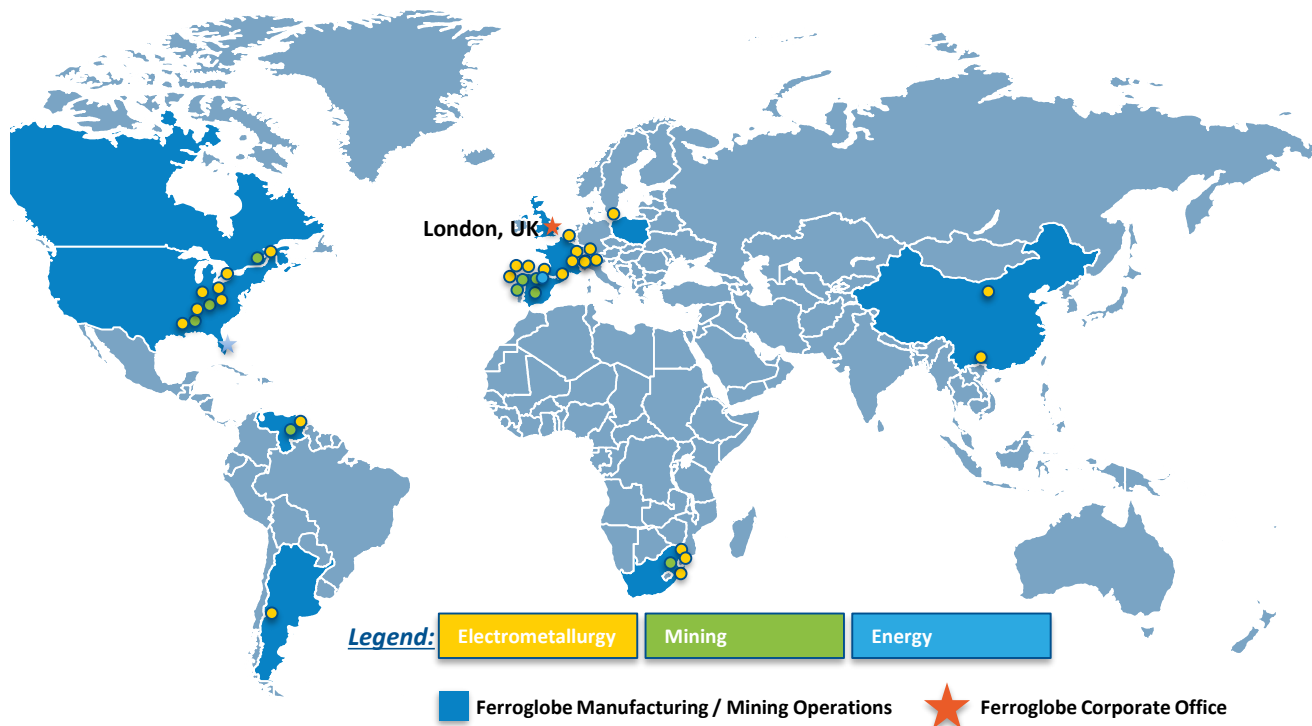


# Unparalleled Global Reach and Breadth of Product Offering Allows Ferroglobe to Efficiently and Uniquely Serve a Global Customer Base

## YTD Revenue by Geography



## Global Footprint



## Capacity by Geography

(000, mt)	Europe	North America	South America	Africa	Asia	Total
Silicon	195	195	0	67	36	493
Ferrosilicon / Foundry Alloys	214	127	0	90	0	431
Manganese-based Alloys	424	0	0	0	0	424
Other Silicon-Based Alloys	15	0	21	0	0	36
<b>Total</b>						<b>1,383</b>

# Continue to see supportive trends across key end markets

## Aluminum / Auto



### Recent Trends:

- During Q1-17, vehicle sales were weaker in the USA and Brazil. USA was (-1.5%) in Q1-17
- Auto sales were strongest in India (+11.1%), Europe (+8.2%) and Japan (+7.8%)
- China remained the world's largest single-country car market (up 5.7%)



## Steel and Specialty Metal



### Recent Trends:

- Crude steel production is up 5.7% in Q1-17 y/y
- World steel capacity utilization reached a two-year high in March
- North American crude steel production (+7.1%), while Europe was up (+3.8%) during the quarter



## Chemicals / Silicones

### Recent Trends:

- North American market is running strong with both participants running at capacity
- Chemical sector will follow GDP growth projected at 1.7% in Eurozone for 2017



## Polysilicon / Electronics

### Recent Trends:

- North American volumes of electronic and PV materials severely hampered by Chinese dumping actions against polysilicon; volumes down from 2016
- In Europe, solar growth will support polysilicon industry which is projected to grow 8% worldwide in 2017





# First quarter of 2017 confirms expectations

Improving price environment &  
decisive market *leadership*

*(ASP increase vs Q4 2016)*

- Mn alloys +46%
- Si alloys +10%
- SiM flat

*Actions* taken  
delivering results

- Marketing focus
- Financial discipline
- Production allocation
- Synergies

EBITDA  
+ 257% vs  
Q4 2016

EBITDA  
margin  
x3.6

Working  
capital  
reduction

Net debt  
stable

Leveraging *diversified*  
product and market portfolio

- Remarkable Mn alloys performance
- Identifying tight markets

# Update on corporate matters

## Antidumping and Countervailing Duties

- Favorable first milestones from both the U.S. and Canada cases. Respective government agencies have decided to move forward with their investigations
- Impact on market prices pending final determination

## Sale of Spanish Hydro-Electric Assets

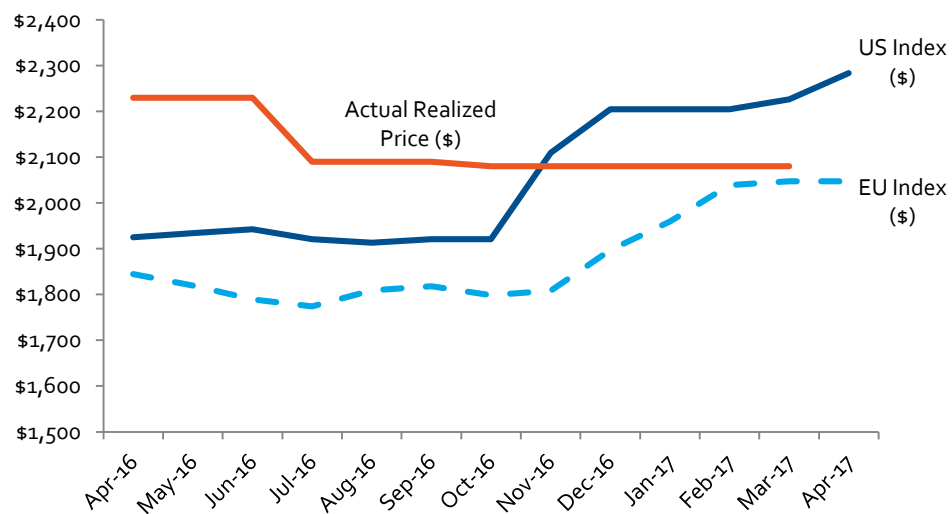
- Progress made during the quarter to gain further support
- Filed all necessary requests with relevant government bodies
- Started the required internal administrative procedures (i.e., corporate restructuring)

## Internal control

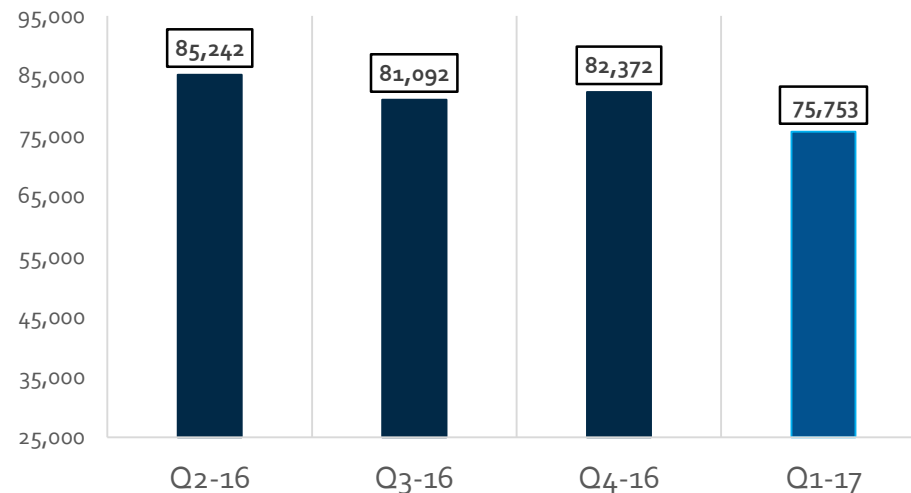
- Audit process has revealed material weaknesses in internal control procedures
- Remediation is taking place with decisive action from management

# Silicon metal snapshot

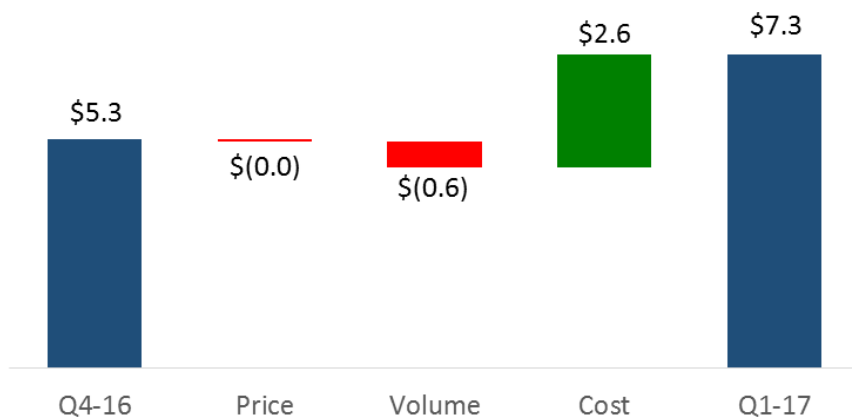
## Pricing Trends



## Volume Trends



## Sequential Quarter Product EBITDA Contribution (\$m)

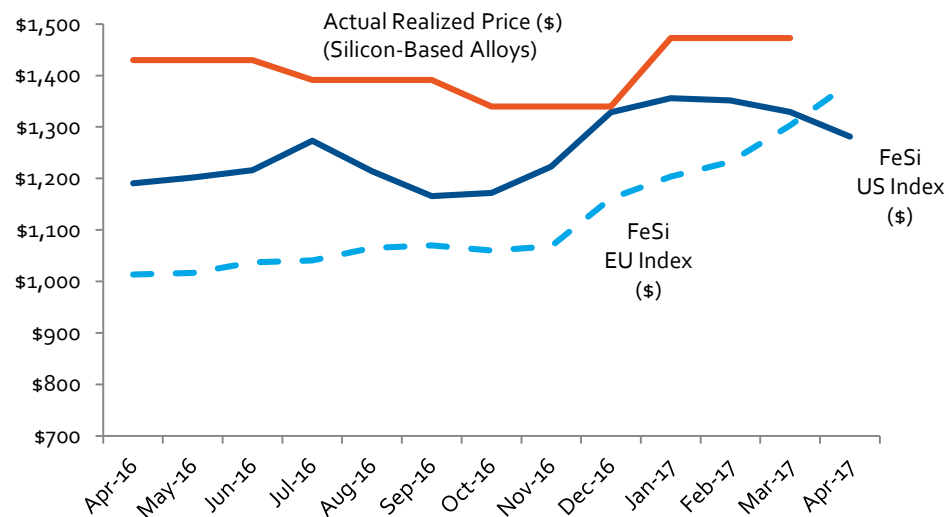


## Commentary

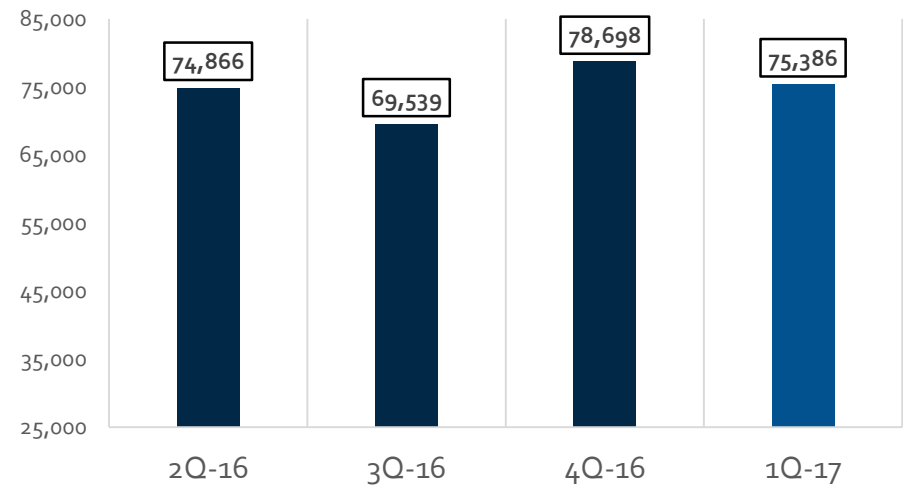
- Now-resolved strike at one of the largest customers in U.S. resulting in reduced volumes and a delay in price rebound - expect to gradually recover sales volume in 2Q-17 and benefit from price reversion.
- European plants faced with increased costs, primarily driven by seasonally higher power rates. Improved plant utilization and increased efficiency helped reduce North American costs.

# Silicon based alloys snapshot

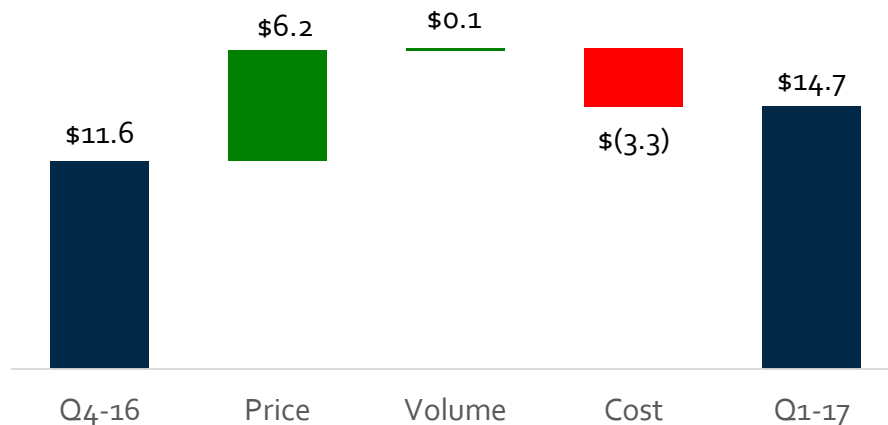
## Pricing Trends



## Volume Trends



## Sequential Quarter Product EBITDA Contribution (\$m)

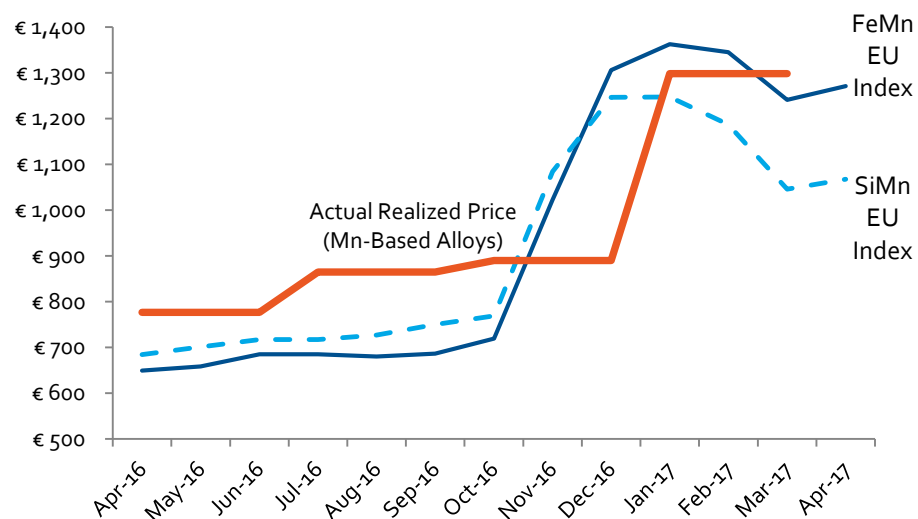


## Commentary

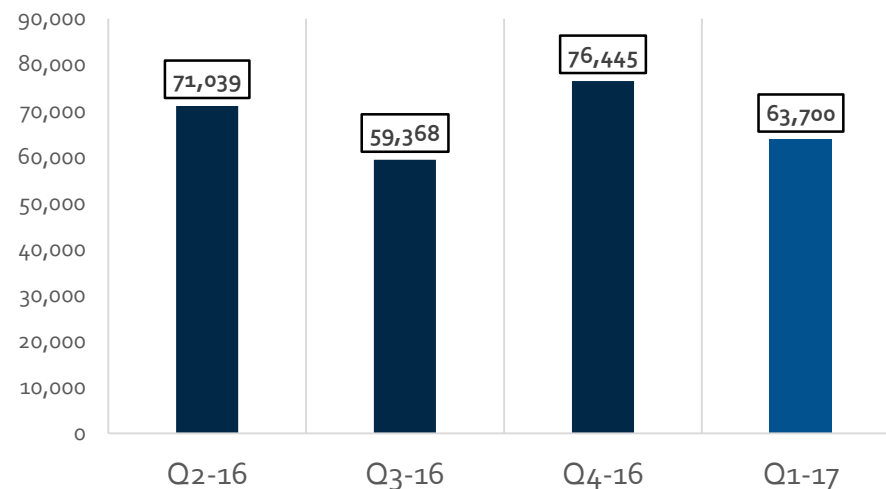
- Increased steel production and tightening of supply resulted in strong fundamentals for ferrosilicon market.
- Converted a furnace in Spain from silicon to ferrosilicon during the quarter.
- Higher power rates in Spain had a negative impact on costs.
- Idling of Venezuela plant impacted volumes, though not margins.

# Manganese based alloys snapshot

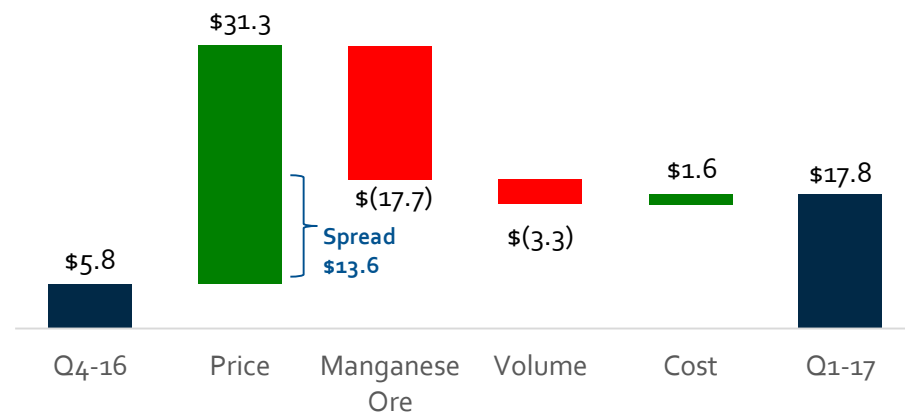
## Pricing Trends



## Volume Trends



## Sequential Quarter Product EBITDA Contribution (\$m)



## Commentary

- Volatility in manganese ore cost continued, spreads have increased and remain solid into Q2.
- Deliberate decision to avoid the purchase of high-priced ore in order to maintain margins: negative effect on volumes in Q1.
- Volume and price improvement in the higher grade products, resulting in higher margins.

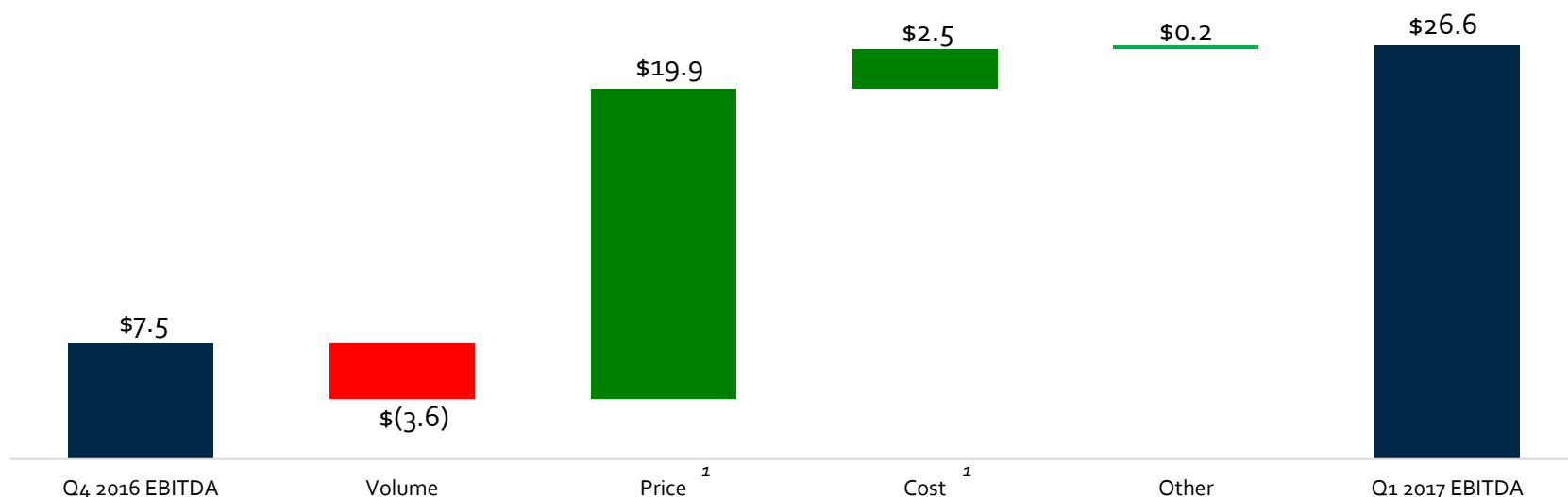


# Significant margin improvement has enhanced operating results

## Ferroglobe Actions Leading to Results

- Commercial strategy has captured the recovery of the market and should yield additional results in coming quarters
- Financial discipline has focused the organization on productivity and cash management
- Realizing benefits of synergies captured in 2016
- Business has normalized
  - ✓ Idling of certain facilities has been executed
  - ✓ Financial adjustments minimized
  - ✓ Streamlined production plans to optimize utilization rates; including the conversion of furnaces to optimize on market opportunities
  - ✓ Overhead costs have leveled off

## Sequential Quarter EBITDA Contribution (\$m)



Note:

<sup>1</sup> Net of \$17.7mm manganese ore cost

# Delivering immediate value for shareholders and positioning for the long term

## 1Q-17 Performance

- ❖ EBITDA of \$26.6 million for the quarter<sup>1</sup>; +257% vs adjusted EBITDA of \$7.5 million in Q4 2016
- ❖ Including non-core Energy division, EBITDA would have reached \$30.9 million, +368% compared with \$6.6 million in 4Q 2016
- ❖ Continued to reduce working capital. Improvement of \$18 million in the quarter; total working capital reduction of more than \$200 million since December 2015
- ❖ Balance sheet strength maintained:
  - Net debt of \$407 million at end of 1Q; stable versus end of 2016, in spite of “one-off” disbursements of \$24 million
  - Liquidity of \$315 million at end of 1Q

## Remain Focused on Delivering Long-Term Value

- ❖ Business decisions, including M&A and CapEx, are made with a focus on financial metrics
  - Immediately accretive transactions
- ❖ Conservative capital structure — position company to pursue growth opportunities
  - Successful refinancing has simplified the debt structure and improved the solvency with regard to covenants
  - Focus on deleveraging the balance sheet
  - Cycle leverage target of below 2x
- ❖ Continue to pursue cost improvements through technical performance, portfolio optimization and streamlining of SG&A

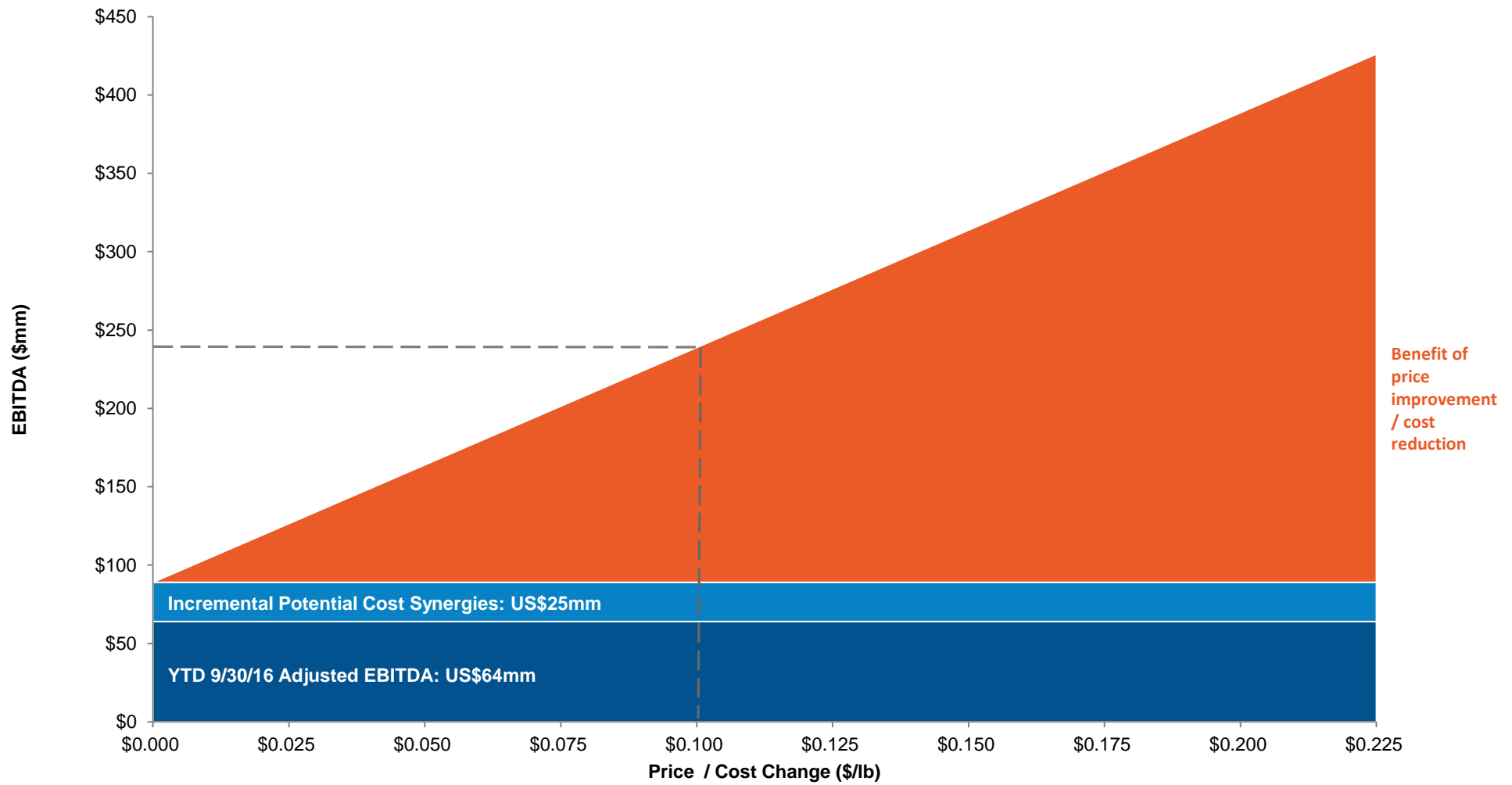
Source: Company information

<sup>1</sup> Reported EBITDA, which excludes non-core Energy division. Reported and adjusted EBITDA are identical in Q1 2017, as there are no “non-recurrent” items

<sup>2</sup> Free cash flow defined as “Net cash provided by operating activities” minus “Payments for property, plant and equipment.”

# ...Enhancing Ferroglobe's Upside to Expected Price Recovery

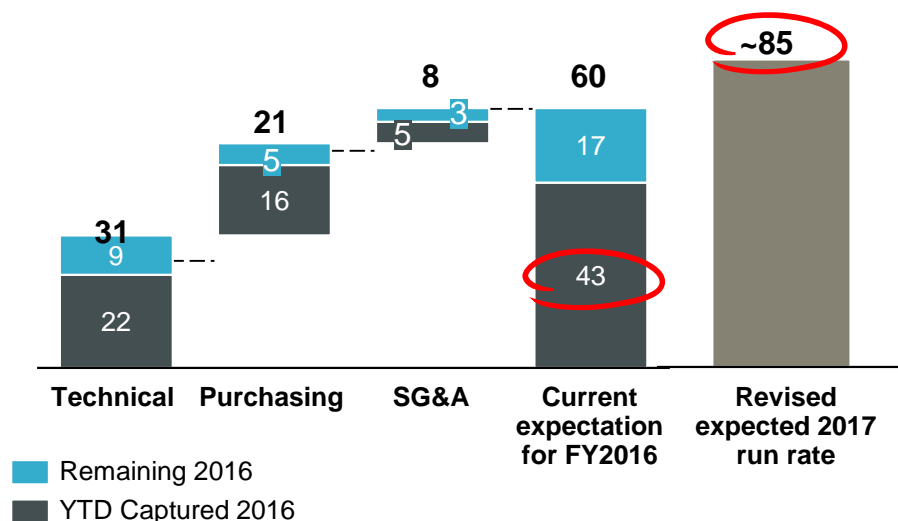
Every \$0.01 / lb Change in Silicon Prices Could Impact any Future EBITDA by up to ~\$15m



Note: EBITDA unadjusted for hydro sale. Sensitivity based on capacity of company plants not currently idled for silicon and silicon-based alloy production and excludes ferrosilicon capacity in Venezuela (96kt).

# Strong progress on synergies: run-rate potential increased to \$85m

Total operational synergies captured (M\$)



- **Run-rate synergy potential updated: ~\$85 million**

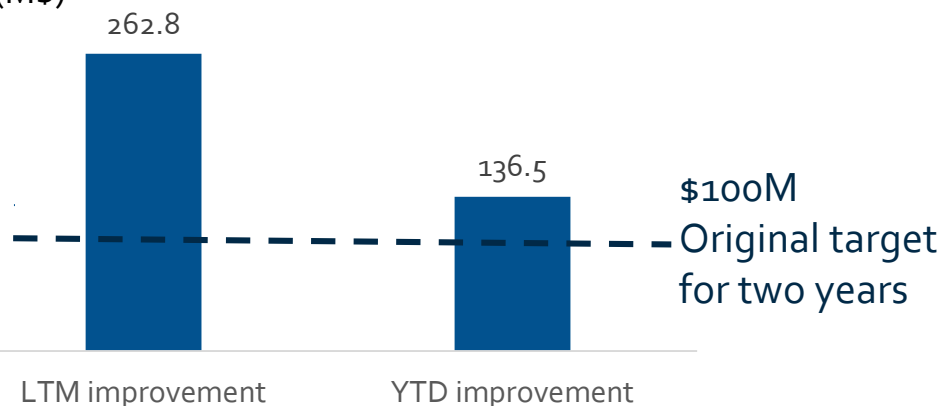
- 33% above initial estimation of \$65 M

- **Fast implementation:**

- 69% of total potential captured in first year
- 50% of total potential already captured

- **Synergies captured through a variety of initiatives in the technical, purchasing and SG&A areas**

Working capital improvement (M\$)



- **Initial target of \$100M for two years, exceeded in 9 months**

- **\$83M captured through specific A/R initiatives:**

- DSO reduced from 53 to 43 days
- Factored 20% of A/R

- **\$33M of inventory reductions**

# 1Q-17 key performance indicators and overview

Key performance indicators	Q1 2017	Q4 2016	FY 2016
Sales (\$m)	388.2	386.8	1,555.7
Operating Profit (\$m)	-0.6	-244.9	-375.6
Profit Attributable to the Parent (\$m)	-6.6	-242.0	-338.4
Adjusted EBITDA (\$m)	26.6	7.5	63.6
Adjusted EBITDA Margin	6.8%	1.9%	4.1%
Working capital (\$m)	350.5	368.4	368.4
Free Cash Flow <sup>1</sup> (\$m)	-11.2	17.9	72.7

<sup>1</sup> Free cash flow defined as "Net cash provided by operating activities" minus "Payments for property, plant and equipment."  
Source: Company information



# Balance sheet summary

(\$mm)	Q1 2017 <sup>1</sup>	12/31/2016
Total Assets	2,012	2,019
Net Debt <sup>2</sup>	407	405
Book Equity	903	892
Net Debt <sup>2</sup> / Total Assets	20%	20%
Net Debt <sup>2</sup> / Capital <sup>3</sup>	31%	31%

## Notes

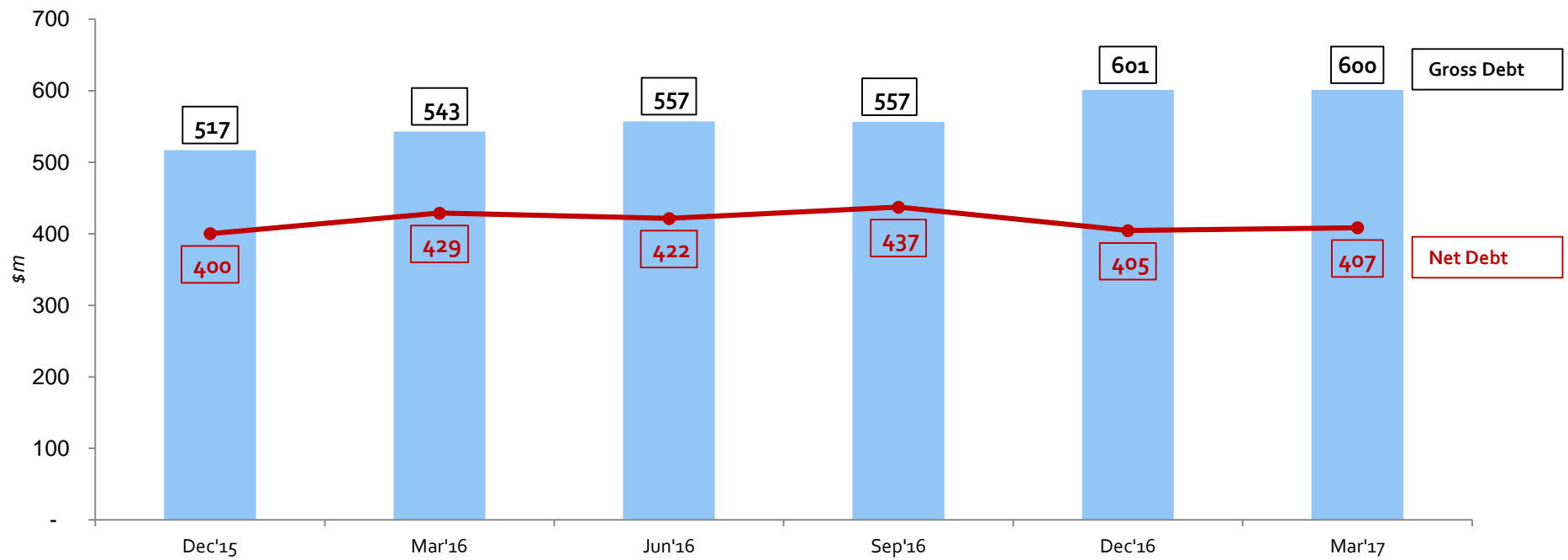
<sup>1</sup> Financial results are unaudited

<sup>2</sup> Net Debt includes finance lease obligations

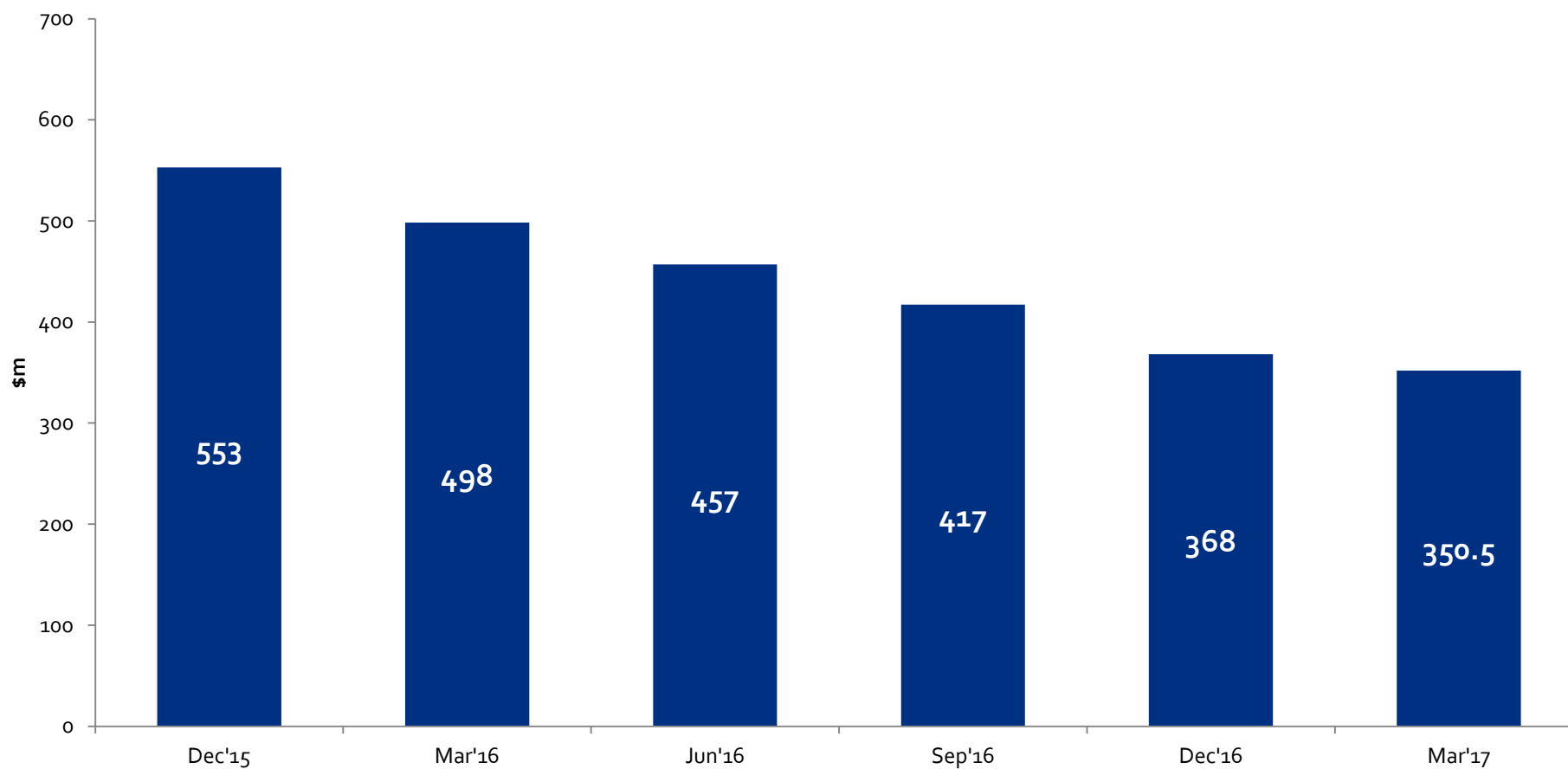
<sup>3</sup> Capital is calculated as book equity plus net debt

# Debt evolution (\$m)

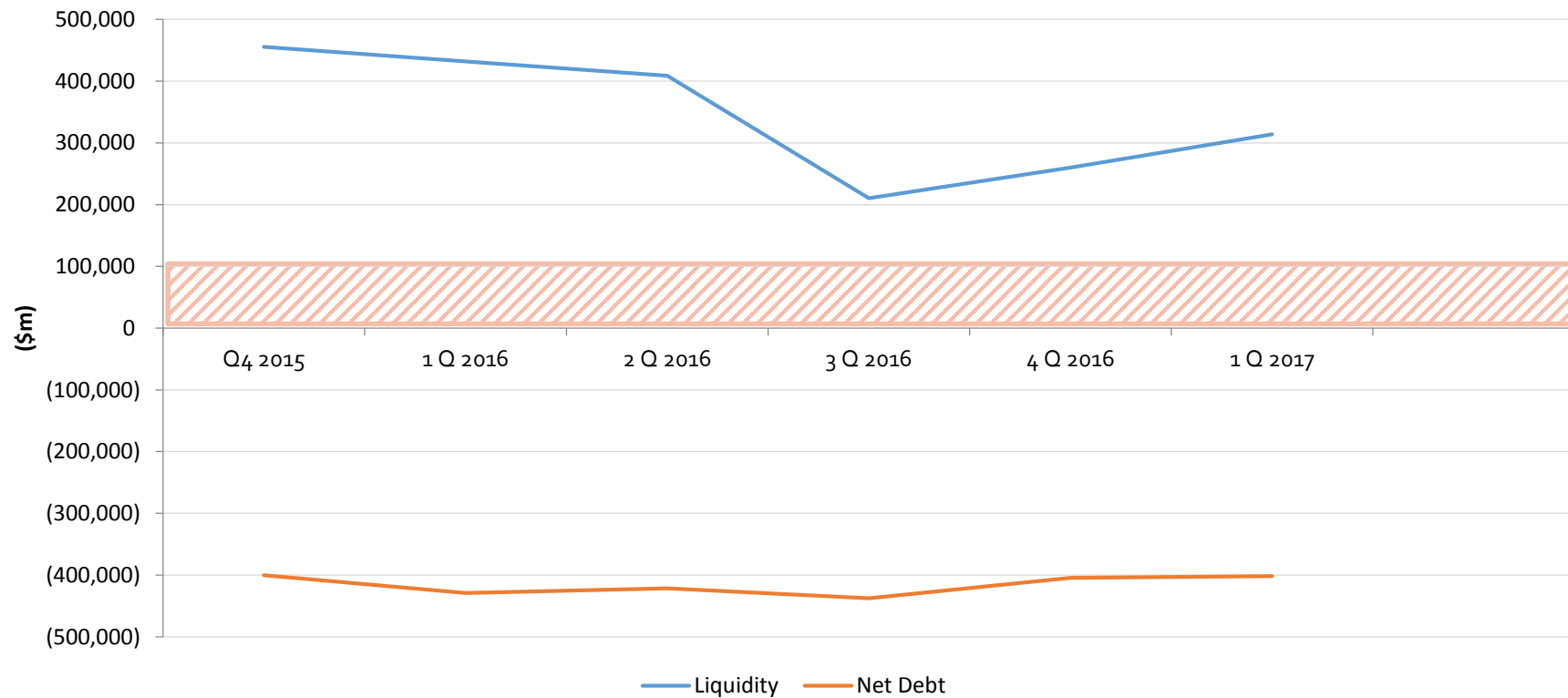
## Quarterly debt evolution



# Working capital evolution (\$m)



# Liquidity



\$100m represents minimum cash required to operate given cash trapped in certain locations

# Concluding Remarks

**Supportive market  
environment: past  
inflection**

**Business well-positioned:  
cost structure and  
commercial strategy**

**Positive outlook for  
remainder of 2017**





Ferroglabe



Appendix

# Experienced Management and Operating Team



## **Javier Lopez Madrid, Executive Chairman**

- Formerly Executive Vice Chairman of Ferroglobe
- CEO of Grupo Villar Mir since 2002
- Vice-Chairman and CEO of Grupo FerroAtlántica since 1992
- Began career as investment banker in London with Schroders and Salomon Brothers



## **Pedro Larrea, Chief Executive Officer**

- Chairman and CEO of Grupo FerroAtlántica since 2011
- Chairman and CEO of Endesa Latinoamerica, the biggest power company in Spain and Latin America
- Partner in charge of energy sector in PwC consulting division, and consultant at McKinsey & Company
- Previously member of various Boards of Directors of public companies listed in the U.S. (Enersis, Endesa Chile)
- Technical and business background: MSc in Mining and Energy, and MBA from INSEAD



## **Joe Ragan, Chief Financial Officer**

- Chief Financial Officer of Globe Specialty Metals since 2013
- Previous roles include:
  - Chief Financial Officer of Boart Longyear
  - Chief Financial Officer of GTSI Corporation
  - Various international and domestic finance positions at PSEG, AES, and Deloitte
- Earned a BS in Accounting from The University of the State of New York, a Master's degree in Accounting from George Mason University

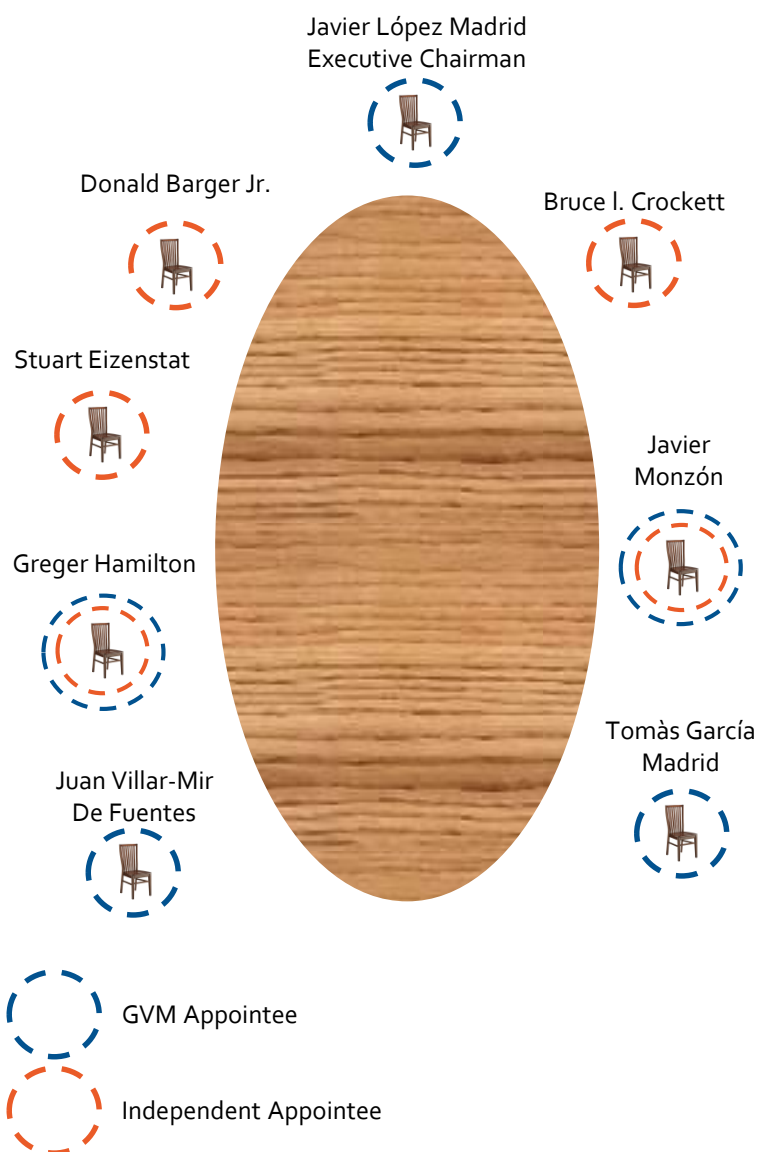


## **Alan Kestenbaum, Senior Advisor**

- Over 25 years' experience in metals trading, distribution, finance and manufacturing
- Founded Globe Specialty Metals through the roll-up of global silicon assets and subsequently led Globe Specialty Metals through its IPO on the NASDAQ and several key acquisitions and divestitures including FerroAtlántica merger
- Founded leading international metals trader, Marco International, in 1985 and led its expansion into China and the former Soviet Union
- Began career in metals with Glencore and Philip Brothers in New York

# Strong Corporate Governance with an On-Going Commitment to Best Practices

## Overview of Ferroglobe's Board of Directors



## Summary of Key Corporate Governance Protections

Board of Directors	<ul style="list-style-type: none"> <li>Ferroglobe Board of Directors consists of nine Directors                             <ul style="list-style-type: none"> <li>Three directors that were designated by Globe Specialty Metals who qualify as independent directors</li> <li>Five directors that were designated by Grupo Villar Mir, one of which must qualify as independent</li> </ul> </li> <li>Until Grupo Villar Mir owns less than 15% of Ferroglobe, Grupo Villar Mir has the right to nominate a number of directors equal to its percentage interest multiplied by the number of Directors (rounded up) and; provided, however, that Grupo Villar Mir will be reduced to one Director less than a majority of the Board following Grupo Villar Mir owning less than 50% of Ferroglobe</li> <li>Until Grupo Villar Mir no longer has the right to designate a majority of Ferroglobe's Board, the independent Globe Specialty Metals' designees shall have exclusive right to nominate their replacements for election at annual shareholder meetings</li> </ul>
Supermajority Matters	<ul style="list-style-type: none"> <li>As long as Grupo Villar Mir owns greater than 15% of Ferroglobe, Board action to approve the following matters requires a vote of two-thirds of the entire Board                             <ul style="list-style-type: none"> <li>Change of control, or sale of assets, or redomiciling into a different jurisdiction (other than sale of 100% of equity to third party; same per share consideration)</li> <li>Extraordinary dividend / distributions</li> <li>Extraordinary purchase, repurchase, or redemption of shares</li> <li>Appointment or removal of any member of the Board, other than in accordance with shareholder agreements</li> <li>Alteration, amendment or repeal of any provision of organizational documents in a manner inconsistent with agreed governance structure</li> <li>Increase or decrease the size of the Board</li> <li>First three years after merger close: (a) removal without cause of Executive Chairman; and (b) appointment or election of a replacement Executive Chairman</li> <li>If Board cannot agree to consensus replacement for Executive Chairman within 90 days after Executive Chairman resigns, is removed or otherwise is unable to serve during first three years, actions that require majority vote plus Executive Chairman (see below) flip to supermajority approval</li> </ul> </li> </ul>
Majority Vote Plus Executive Chairman Approval	<ul style="list-style-type: none"> <li>During three years post-closing, Board action to approve matters below requires majority vote including approval of Executive Chairman                             <ul style="list-style-type: none"> <li>Incurrence of indebtedness in excess of US\$300 million in respect of any single transaction or in a series of transactions</li> <li>Issuance of shares or other equity interests in excess of US\$300 million in respect of any single transaction or in a series of related transactions</li> <li>Enter into any transaction with any affiliate of Ferroglobe or any its subsidiaries, including Grupo Villar Mir and its affiliates (except that the approval of any Grupo Villar Mir Designee is not required for any transaction with Grupo Villar Mir or any of its affiliates and the approval of the Executive Chairman is not required for any transaction, agreement or arrangement with the Executive Chairman or any of its affiliates)</li> <li>Creation of a committee of the Board or delegation of authority to any committee of the Board</li> </ul> </li> </ul>