Transcript for "Outokumpu Q4 / 2023"

00:00:00 - 00:00:49
Linda: Hello all, and welcome to the Outokumpu's full-year 2023 results webcast. My name is Linda Häkkilä, and I'm the Head of Investor Relations here at Outokumpu. With me today, as our main speakers, we have our CEO Heikki Malinen, and our CFO Pia Aaltonen-Forsell. The year 2023 was good for us. We delivered a strong cash flow and kept our balance sheet strong. Today, as per usual, we will first present you with some slides and after that, we are happy to answer your questions. Before we continue with the presentation, I would like to remind you about the disclaimer as we might be making forward-looking statements. Now, without any further comments, I would like to hand over to our CEO.

00:00:50 - 00:01:53
Heikki: Thank you, Linda. Good afternoon. Good morning to everybody. Welcome also on my behalf to Outokumpu's 2023 and Q4 webcast. Great to have so many of you join us today. As Linda said, 2023 was a good year for Outokumpu. We made a lot of progress on many fronts in terms of executing our ambitious strategy. Today, I'm really pleased to show you the main conclusions and outcomes of all the work we did in the Outokumpu team. Obviously, we know all that. We are living through fairly turbulent times in history, but in spite of this volatility and turbulence, Outokumpu as a corporation made good progress moving forward, almost like a freight train. Now then moving on to the slides. Let's start with the first slide showing the main number. As you can see, our adjusted EBITDA for the whole year was €517 million.

00:01:53 - 00:03:05
Heikki: If we put this into perspective, we had the two COVID years where we made over a billion in EBITDA. Looking further into our past, over the last 10 years, this was the fourth-best year. Overall, a good outcome. The year 2023 was a story of really two halves. The first half of the year was still fairly robust. The economy was still moving forward, but in the second half, we clearly see monetary policy starting to bite. High-interest rates were starting to slow down the economy. Of course, we saw that in the demand for our products. Now, if you look at the year, given the economic backdrop, we have had our own challenges. I have to say that as a company and as a team, we've taken decisive and swift action to take corrective measures, particularly when it came to managing our costs, managing our own production, and really trying to activate sales and marketing as best as we could. I think overall, I'm really pleased with what the Outokumpu team was able to accomplish.

00:03:05 - 00:04:10
Heikki: As I said, as an outcome, good result, and strongest balance sheet in the industry, especially in these times when monetary policy is tied, interest rates are high, it feels very good to have a balance sheet where net debt is negative. I really don't need to worry about refinancing like I did some years ago when we had over a billion in net debt. Our safety performance was extraordinarily good. I'll come back to that in a moment. We also made good progress on many dimensions of sustainability. Then moving on to the next page, a few words about the markets. On the left-hand side, you can see the usual slide on market prices. Again, let me remind all of you, this is based on CIU data. It is directional. I think you should not look at I think the actual data points, but more at the direction and the different elements of the curve.

00:04:11 - 00:05:11
Heikki: I think on the left-hand side for stainless, interestingly, you can see that on the light blue line, which is the one in the middle, you can see that trough point which was somewhere around June or July of last year. That is when we felt that the market really had bottomed as far as price is concerned. Then we saw the movement up during the course of Q3 into Q4. Then prices have been fairly stable over the last few months. Although, as you know, we've said that from the standpoint of our realized prices, due to the certain delay and then invoicing, of course, that price rise comes into the system with some delay. We had the trough in July in Europe. Looking then at the United States market, the US market, that light or dark blue line on the top, the price level is still fairly healthy. Although we've seen a gradual moderation taking place during the course of 2023.

00:05:11 - 00:06:20
Heikki: Unfortunately, China's situation from a pricing standpoint continues to be fairly tough. The economy seems to be still in a deflationary situation, whereas the other global economies have been struggling with inflation. A very different story there. On the right-hand side, we have the nickel price. I said we've seen a lot of volatility. These are quarterly rolling prices. They don't really give you the day-to-day variability or volatility we see in nickel. Last year, we had our moments when nickel really went up and down quite a lot. Interestingly though, if you look at the last three months let's say from October or so forward until today, nickel has been fairly stable at around $16,000 per ton. Give or take $600 around that. Overall, nickel has stabilized. Some

people may have said that nickel is going to fall in Q4 a lot. Here we are. We're still at 16,000, which I think is a positive effect to note.

00:06:20 - 00:07:25
Heikki: On the scrap market, we've seen some tightness. You could ask, why is the scrap market then tight? If the overall stainless market has been softer, there are probably a couple of things. One probably main reason could simply be that manufacturing activity overall is quite low. As people are not replacing their dishwashers and so forth, you're lacking that normal circular flow. Hopefully, that will also change and improve as the economy then gradually really starts to recover. Then if we look at the 2023 figures, and here on the right-hand side, you can see the bridge. You see this fantastic result we made in 2022. Record outcome. Then 517, of course, when you compare that, you say, "Wow, what a big drop." We still have to put 2021 and 2022 into its own perspective. As I said, I do personally feel that 2023 was a good outcome.

00:07:25 - 00:08:26
Heikki: Our delivery is low compared to the previous year. We're down by nine percent. We did a lot of efforts to maintain good sales. In spite of that, deliveries were minus nine. Then the second red bar, you can see the impact of declining prices. Particularly in Europe, it did quite significantly impact the financial result. We had some net of timing and hedges which were positive on the green side, cost reduction measures. Ferrochrome fell a bit due to market conditions. Then we ended up with the result, as I mentioned. I said I do feel that had we not taken all the I would say pretty rapid and strong actions, the result would have been different. This is an outcome of many, many, many things that our folks have done both here in Europe and in North America.

00:08:27 - 00:09:29
Heikki: Then if we look at the fourth quarter, let me start, first of all, on the left-hand side with deliveries, it's interesting if you look at the level of volume for the third quarter and the fourth quarter. We're about 450kt or 450,000 tons. This actually is very close to what we saw during COVID times. The market really weakened quite substantially. If we look at the whole year, my guess is we probably ended up in '23, maybe even a tad lower than 2020, the COVID year. I guess the Central Banks with the very significant tightening of financial markets, they're really intended to slow down the economy. I think here you can see a result. Clearly, Central Bank policy is working, as that is the intention. On the bottom left-hand side, you can see our EBITDA on a quarterly basis, 72 million with a volume of 450.

00:09:30 - 00:10:38
Heikki: Then if you, for example, look at the Q4 2020, there we made 78 with a volume of 523. With 73,000 tons less, we were pretty much at the same result. In many ways, our relative performance as a company has improved. On the right-hand side, you then can see the bridge from 51 in Q3 to 72 in the fourth quarter. A couple of things from the fourth quarter, we did see some pickup in demand. I think most notable things here, I would say are the lower timing losses. We had a bunch of them in the third quarter. We had less in the fourth quarter. That's why you have the green bar up. Then we did have a fair amount of maintenance, both in Europe and in Ferrochrome also, and somewhat in the United States. Personally, if I look at it, a lot of the maintenance ended up hitting a Q4. Given where we are in the cycle, I think it was good that we had a bunch of this maintenance work happening now. At least it's done.

00:10:38 - 00:11:36
Heikki: We don't need to come back to those things, hopefully in the near future. That was the fourth quarter. Pia, when it's her turn, she will then take a more deeper dive into the more finesse of the numbers. Let me say a few words about sustainability ESG, a couple of numbers, which I'm extremely proud about. Of course, you know safety at Outokumpu is a very important thing. It's always the number one on our agenda. If you look at the highlights of 2023, clearly, our total recordable injury frequency rate was at 1.5. This is a world-class result for 2023. Just looking at many other companies when they ask around, other CEOs, what is their total recordable, in the process industry, I often hear numbers, let's say, between two, two and a half, even up to four.

00:11:36 - 00:12:49
Heikki: With a one and a half, I would claim compared to many process industry companies, this is a stellar number. I said, if you look at the history, this is a result of many, many, many years of hard work and the work continues.The objective is to have no accidents. Outokumpu is very deeply ingrained in the circular economy. One element of that is that we try to continuously look for ways to further increase the amount of recycled content. Obviously, the objective here is to be sustainable as possible and reduce our CO2 emissions. Last year in '23, we achieved a recycled rate of 95 percent. This is an all-time record. The year before we were at 94. In 2020, we got to 93. Ninety-five really is a very, very strong number. Then what we like to do nowadays, we also

talk about our handprint. You have the footprint but then you have the handprint. How much emissions do you overall avoid on the planet if our customers use our stainless steel vis-à-vis some other products?

00:12:49 - 00:13:49
Heikki: Compared to the industry average, by using Outokumpu products, our customers were able to cut emissions by 12 million tonnes. Our work actually is leading to a lot of good things for the planet. Twelve million tonnes is a big number. Now, a few words about our emissions, our CO2 journey. Obviously, we were the first company in the stainless steel industry to commit to SBTi 1.5 degrees. I'm very proud to represent the first company to make that commitment. On this journey, compared to 2016, we are approximately about a 27 percent reduction in CO2 and the work continues. To achieve the SBTi target. We need to reduce our emissions by 42 percent by the end of this decade. On the left-hand side, you can see both the direct, indirect and upstream emissions of Outokumpu.

00:13:50 - 00:14:44
Heikki: We talk about scope 1 , scope 2 , and scope 3 . One little fact I want to mention is that in the dark blue area, which is the scope 1 or the direct emissions that actually includes ferrochrome. If you remember, ferrochrome is a part where most of our emissions are coming from because we use a lot of coke as a reductant. In our business, because we actually own the ferrochrome plants, those ferrochrome emissions are embedded in our direct emissions. Other companies who buy the ferrochrome, for them, those same emissions are in their scope 3 missions or other upstream emissions in that green area. Just to make a clear distinction why our blue is higher, we happen to own the asset of ferrochrome ourselves.

00:14:45 - 00:15:39
Heikki: Now, as part of the journey, if you remember, a year ago in August, we proudly announced that we are bringing to the market a product called Circle Green. This is a product where basically our emissions have fallen to 500kg of CO2. On the left-hand side, you can see all the fantastic logos of companies, world-class operators who have made a commitment to stop buying from Outokumpu . I won't go through the logos. You know these companies. You know their reputation and their commitment to carbon reduction and sustainability. The work continues. We are doing active marketing and selling. Every time I present this, you will see more and more logos. The journey continues. We are in a pole position in our industry with the lowest CO2 product available on the market. Circle Green.

00:15:42 - 00:16:45
Heikki: Then we have one slide today on CBAM. Many of you probably know this and have studied CBAM. We still thought that as it's a new thing, maybe it's worth just one or two minutes to explain to those who don't follow the industry that much what is really going on here. As you know, we have a very fundamental issue that at Outokumpu, we have very low emissions that we continue further to reduce them. We have a number of other competitors, primarily in Asia, which basically have very high emissions. If we are doing like one to 1.7 tons of CO2 per ton of stainless, these companies have five, six, seven, maybe even higher amount of CO2. They're emitting a lot of carbon. For Outokumpu's standpoint, the issue is we invest a lot to reduce our emissions. Then these companies bring their products to Europe or the United States, but Europe in this circumstance, and they compete against us with very high emitting products.

00:16:46 - 00:17:47
Heikki: To mitigate this or to combat this, the European Union has introduced the carbon border adjustment mechanism. This is a duty mechanism to stop carbon leakage. Under the EU's plans, the system will now start coming into place. First of all, for a couple of years, this will be practice on paper. Then gradually, the duty comes into play. For Outokumpu, of course, this is very important. We take carbon reduction seriously. Especially what I'm really happy about is that we have the, first of all, only chromium mine in Europe. Our ferrochrome has absolutely the lowest CO2 content on the planet. For us, of course, it gives us a competitive advantage when we can use our own low CO2 ferrochrome. When this CBAM then into comes into place, it gives us further advantages.

00:17:49 - 00:19:01
Heikki: As part of the sustainability journey, we also focus a lot on our supply chain. Our plan has been to work systematically across our whole supply chain and foster and develop partnerships that aim to not only improve our, let's say, ESG standards, but also then to cut emissions further. I won't go through the list of the different partnerships we've fostered and created in 2023. As you can see from the nice photo with Juergen Pulaski, who is the owner of the family company CRONIMET, that we have formed a very strong relationship with CRONIMET, a partnership that really aims at further taking out emissions from the scrap supply chain. Let's

say, a thing I want to mention was the acquisition of about 10 percent share in the Nickel Junior mine in Canada. We've been systematically looking around the planet for nickel sources, which potentially have very, very low carbon intensity or CO2 intensity when the actual mineral is refined.

00:19:01 - 00:19:58
Heikki: We found FPX Nickel in Canada. I'm very pleased that the owners of the junior mine then decided to take Outokumpu on board on their journey as they develop this very, very interesting asset in Canada. These are just a couple of examples of what we're doing in the supply chain and the work continues. Then let's jump to a whole different topic. That is the United States and cold rolling. If we look at last year, of course, the big news for Outokumpu was the question of hot rolling. It had been a fundamental issue we needed to solve one way or another. As you know, and you heard from our previous announcements, I was, of course, very, very pleased when we were finally able to find a solution that really takes away the hot-rolling question for a long time. We now have an agreement with AM/NS until 2051.

00:19:58 - 00:21:08
Heikki: We don't need to worry about this matter. We have a strong, uh, competent partner, AM/NS, with whom we're working. They're next to us in Calvert. Hot rolling will not be the area where we need to put capital in the coming years. However, we do have 950,000 tons, even almost a million tons of melt capacity in Calvert. Historically, since the merger of 2012 with Inoxum, we have had a deficit where we're cold rolling short, so to speak. We have almost 1,000,950 capacity to melt, but we don't have enough capacity to cold roll all of that. So somehow we need to solve that. We have kicked off a project to systematically analyze what is the best way on how we can close that gap. We do see that the American market, of course, the US market is very exciting for us. It's a growing market, many, many, many elements from geopolitics to the US, to stimulating its economy, to being very dynamic. All of these are driving stainless steel demand.

00:21:08 - 00:22:14
Heikki: Within about a year, we believe within the next 12 months we foresee to then make a decision on how we go forward. We will keep you up to date as the year progresses on how our thinking evolves. As I said, within about a year, we foresee that we will then be in a position to make a decision on how to move forward. Stay tuned and keep following how our US-Mexico journey progresses. Then finally, before I hand the presentation to Pia, let me just say a few words about shareholder returns. You remember that in June of 2022, when we had our CMD, we announced or the board made a decision to modify our financial policy with respect to dividend. We stated at that time that our plan is really to focus on improving increasing shareholder returns, and that with respect to the dividend, we are aiming to maintain a stable and gradually growing dividend.

00:22:14 - 00:23:38
Heikki: Last year, we paid €25 cents, what I would call base dividend and then we paid $0.10 on top of that, an extraordinary dividend for a total of 35. With respect to this base dividend, we are now increasing that by €1 cent from 25 to 26 for fiscal year '23. Given what the share price was on Monday, that gives about a 6.6 percent dividend yield, which we think is competitive in the marketplace. We hope that is going to be pleasing to our shareholders. In addition to that, of course, we continue with our share buyback. Last year in 2023, we returned €70 million back to shareholders through share repurchases. We are very focused on improving our shareholder returns. It's on my mind constantly. The whole team will do their best to meet these targets going forward. With those introductory words, let me hand it over to Pia. Today we are going to have a bit of a different setup here. Pia will be joining via video. She's not standing next to me, as usual, but I hope everything will go well. Pia, handing it over to you. Thank you.

00:23:39 - 00:24:40
Pia: Thank you, Heikki. Good morning, good afternoon, ladies and gentlemen. I do hope you are all keeping safe and well. Heikki, of course, a pleasure talking about shareholder returns. I can ensure that those also stand on a solid basis in our balance sheet and from a financial perspective. If we could move maybe two slides, one more please, and I can just start by reemphasizing the basis also for the shareholder returns in our balance sheet. At this point in time, we are net debt free. We actually have negative net debt. We further improve that during the year where we actually paid out both the base dividend, the extraordinary dividend, and the share buybacks for €70 million. I do think we have a good standing here. Our cash position was strong and our liquidity reserves were up to 1.3 billion.

00:24:40 - 00:25:54
Pia: How is that possible? Of course, the operating performance stands a basis there. We have continued our capital discipline. I will talk you through some more details, but obviously, our annual CapEx has kept well

within those boundaries that we set when we started the strategy phase two that we are now working on. Perhaps if we move to the next slide, I can take you through my only table format presentation today. Just to highlight a few key topics really from a P&L and balance sheet perspective. First of all, the basis for all of these figures is one of the best years still in Outokumpu's history in terms of adjusted EBITDA at €517 million, as Heikki has just talked about. That's a starting point in a year where steel volumes were maybe a bit subdued, particularly in Americas, as you can also see from these group-level figures here. When we then consider the net result and the EPS, there was one item or adjustment item that was fairly significant.

00:25:54 - 00:27:15
Pia: It does relate to what Heikki was talking about, the major agreement that we reached in Americas relating to hot rolling. In relation to that, we reassessed some of the cash flows. We have also then booked an impairment loss of 264 million. Obviously, for those of you familiar with accounting practices, you know that these are non-cash items. This is purely an accounting item, but obviously, it does impact here the net result, as well as the earnings per share, as well as the return on capital employed. In the absence of those, I think the figures would have looked much more reasonable. There is one item from the P&L that I want to highlight that's maybe not in this already detailed table. That is our interest expense, along with overall the net financial expense that ended up at, let's say, roughly €37 million worth of expense of last year. I still recall a couple of years back with a higher debt burden, how we were approaching and hoovering the 100 million mark in terms of expenses. I just want to highlight as that as being one of the contributors that has certainly also enabled the shareholder returns to now stay and improve further.

00:27:17 - 00:28:22
Pia: From this slide, of course, I would like to pay some attention as to the operating cash flow, but I think I will have a chance in some of the next slides to talk more about that. Maybe we will take the opportunity to go to the next slide now and talk a bit about our strategy execution. We are well on our way on the strategy phase two. From a margin improvement perspective, I just put here still on the slide also what we achieved in strategy phase one. We achieved 260 million worth of run rate improvements. Now, we are really well up to speed with strategy phase two. We are already cumulatively, actually fairly close to our initial target of 200 million worth of margin improvement. The external environment has been challenging, and particularly the lower price level in Europe has wiped out some of the benefits just in terms of then looking at our overall result. It's clear that we will need to keep on working.

00:28:22 - 00:29:22
Pia: I think we have a really good pipeline of plans, so we will continue pushing for this, even though we are already close to the target. I also want to say that we have done some projects in phase two. You may recall that for the Americas, we said that we would read up to 80 kilotons of capacity expansion with very modest investments. We also said that we do throughput optimization in business area Europe. Both of those, kind of the background work, the enablers, and the investments have proceeded well, but we are still waiting to see the commercial benefits of those. Those are not yet in the figures here. There is another important part of our strategy phase two, and that relates to sustainability. I will choose today to talk about energy efficiency, which is a good mix of profitability elements and, of course, as well CO2 reduction. If we could take the next slide please?

00:29:23 - 00:30:24
Pia: Energy efficiency improvements are additional targets that we put into this phase of the strategy on the back of the energy crisis that occurred in Europe earlier. These are holistically and for the longer term as well very good targets for us because we are using a lot of energy in our production. You recall our very ambitious target to improve our energy efficiency by eight percent until the end of 2024. I just want to say at least I am overwhelmed and so positive by the really good response we got from within our organization. We have some important projects here that require CapEx, and where simply the throughput time will be taking a little bit longer than what we initially thought. We will not be quite up to the 600-gigawatt hours worth of savings by the end of 2024, but we will overshoot the target by the time we're done.

00:30:24 - 00:31:44
Pia: We already got €10 million worth of improvements into our results in 2023. Overall, I'm still really happy with this. This does give me a chance to talk still a little bit more about energy and energy costs and about our position there. If we could please take the next slide. This is a slide we have shown before. That was also on the back of the energy crisis in Europe, comparing price levels in different countries. I still want to reassure my best understanding of looking into the energy markets is that the Nordic energy markets still have a very beneficial balance of hydropower, of nuclear. We have a good base energy as a starting point. We do have important

projects in terms of wind, also solar. The renewable energy part is also being built up. After the start of the third reactor of [inaudible 00:31:34] three, the energy balance situation in Finland is basically again, or the energy balance is again restored.

00:31:44 - 00:32:47
Pia: However, towards the end of 2023, we had some remarkably cold weather, some really cold spells. It was seriously cold here. On top of that, some of the nuclear assets, for example, were under maintenance. There were days when the electricity prices locally were quite peaking. This is maybe in the future, what we will see that there will be occasional peaks because of the extreme conditions. That is why Outokumpu's policy to hedge energy is important. We are only to a limited extent dependent on the spot market of the day. For example, right now, when it comes to the winter of 2024, we have in Europe hedged about 80 percent. We are still considering some additional deals. When it comes to the full year of 2024, we have hedged about 70 percent in Europe. That makes us, let's say, less vulnerable to any sort of daily movement.

00:32:47 - 00:33:53
Pia: We have also taken as a part of our toolbox flexibility and optimization of our energy consumption. Happy maybe to talk more about that at another location, but now I want to go just a little bit still into the BA result. Let's talk on the next page about BA Europe first, please. In 2023 was really a story of seeing the low point in terms of the market but only also seeing a slow recovery after that. If you compare our results in BA Europe in Q4 with Q3, you will see that we had a little bit of an uptick already in the results from prices improving, but it was maybe still a fairly modest improvement overall. If we consider the current price levels of, for example, energy, production cost broadly with the scrap market tightening as well as Heikki has talked about. It's clear that we have only seen a part of the recovery until now.

00:33:53 - 00:35:00
Pia: I won't repeat what Heikki said about the macro situation but, clearly, there is really a link here, particularly on the more consumer-oriented segments. When we talk maybe about the more commodity consumer-oriented segments, demand is still impacted by consumer confidence not being restored. We have low distributor inventories, but we don't really quite see the restocking yet. On the other hand, if we talk about more industrial customer segments, energy, oil and gas, many others, here we can see more activity. We see an improved order intake as well, in terms of our more specialized advanced materials portfolio or products. Clearly, it's a little bit a mixed picture at the moment. Probably we have to wait until interest rates, uh, get lower until we will really see the consumer boost coming up. You can see this also in our guidance for the volumes increasing as well seasonally into the first quarter.

00:35:00 - 00:35:51
Pia: Maybe still just one or two more words about the fourth quarter. Uh, we did indeed have a fairly maintenance-heavy quarter also in BA Europe. I would dare to say there were a couple of these that were more one of nature. We're taking care of some things, for example, in Torneo that I think should be fixed for a fairly long period of time right now. Then I want to give some credit to the team here in BA Europe. I think that strategy phase two, throughput optimization also included improvements in supply chains and reductions in inventory, etc.. I think the team here has done a really good job with that. That actually helped also in Q4 to reduce timing losses a bit compared with what we had actually foreseen initially. Good job here by the team.

00:35:53 - 00:36:59
Pia: Thank you. I would then move on to the next page in BA Americas. Here, year 2023 was the year of distributed stocking. Even in the absence of a clear restocking signal, we can still I think conclude that inventories are at a low level. We did see some softening in the market really towards the end of the year. If we look at order intake right now, I think it is somewhat improving. I think it just shows that we are not anymore in this destocking period. Then let's see when the restocking really would start. Really important, of course, for us, is more, longer-term considerations that Heikki has spoken about and assessing our controlling capacity for the longer term. Maybe that's all. I will move on to Ferrochrome. A ferrochrome has been impacted by the lower demand for stainless steel, certainly in the second half.

00:36:59 - 00:38:13
Pia: We do have one of the furnaces on a longer shutdown right now to reflect this weaker market situation. We are also a bit reducing our inventories here. All in all, of course, that did make the year 2023 more challenging. The team has done a good job in terms of the other operational targets that we have, and particularly the targets also for carbon reduction. I think we are in a good position here, keeping our costs, and keeping our sustainability commitments, and then ready for when the market will turn for the better. I would then move to

my final slide for today, which is really on this operating cash flow and related topics. Maybe I will start by saying that particularly in Q4, we were able to bring home a lot of working capital improvements. They did relate to inventories where I gave some credit to BA Europe team in particular. I would say also broadly, we were able to keep a good control of the working capital in the fourth quarter. If you look at the full year, you see that it's slightly down compared with the previous year.

00:38:14 - 00:39:11
Pia: I would say good work here. Looking then at the cash flow from CapEx, we had a quite big part of the annual CapEx of 170 million coming in the fourth quarter. I think it's also visible when you look at those bars on the right-hand side, where you see that a fairly big part of what we did as CapEx in '23 was focused on what we classify as maintenance. What that means is that according also with our strategy phase two, we are focusing here on strengthening our core. As I said, there were pretty many things that we were looking at and fixing into the fourth quarter. From OpEx side maintenance costs, were all in all of maybe 15 million quarter on quarter but there were also quite a few CapEx things put in during the quarter. Both in cash flow and then in terms of the annual CapEx, I think visible here.

00:39:11 - 00:40:18
Pia: Maybe more importantly now, looking at this good performance, you might ask that, what do you think about Q1? How does this continue? I think we have a good momentum right now for still keeping working capital tight under control. A typical seasonal pattern would be some investment in working capital in Q1. I think it will be modest. That's probably not going to be any significant amount of building up. We do have some of the provisions relating to restructuring from last year where we will have cash-outs during the first quarter. I just wanted to say, that's probably in the range of tens of millions. Maybe something to take into account here. Maybe with those years, final remarks from my side, I would just say, we have had a strong operating cash flow, even in this year, which ended from a market perspective on a bit lower level. I think we are in a good position now should the market rebound. With those words, Heikki, back over to you, please.

00:40:20 - 00:41:39
Heikki: Thank you. Thank you, Pia. Am I on? Excellent. I'm back here. Thank you Pia for those confident words about how the company is progressing. Let me focus then on a couple of more slides from my side. At the end, I usually like to give you a bit of a, you know, a bigger picture perspective here on the situation in the old company and the industry. Obviously, from our standpoint, given our strong position and given where we are in the cycle, I would say mentally as the new year starts, we are preparing for the next upturn. We're in a very strong position. The whole Outokumpu team is gearing up for the eventual move upward in the cycle. Now, a slide here for your consideration. Let's see if I can make that flip exactly here. I wanted to share with you this one slide that a little bit talks about opening opportunities, positives, and then uncertainties. A couple of commentaries on how I see the situation based on the data available that's coming in. If you think about it from the standpoint of positives, we are at peak rates.

00:41:39 - 00:42:30
Heikki: Fed funds, 5.3 European rates fairly high. I think there's no indication that rates would be really going up anymore from here. We are at peak rates and the trajectory of rates eventually during the course of 2024 is going to be downward. We don't know the trajectory and the speed. They came up very rapidly. Highest interest rate increase, probably ever in the shortest amount of time. How we come down remains to be seen. Anyway, we are at peak rates. I've been trying to a little bit think about, is there any parallel to the past? While, of course, we know that forecasting is difficult, and especially the future. I looked at some data from 2016 and '17. If you remember, 2016 was an election year in the United States.

00:42:30 - 00:43:21
Heikki: Exactly at this point in time in Q1, the US started to cut rates. The dollar started to devalue quite a lot, as we headed into the autumn of 2016 before the election, and then gradually the commodity cycle started to pick up. After the US cut rates, China followed fairly quickly, and then the cycle turned. You remember, for us, 2017 was an interesting year as well. Who knows how the future will prevail? I do think that there are some interesting parallels, just in terms of the positioning of rate structures where the cycle is and also what the currency markets are looking for or looking at, and the demand-supply balance. Let's see. I do think that we may be close to some turning point here.

00:43:21 - 00:44:22
Heikki: For that reason, we do believe, that there is a fairly good chance that the macrocycle will start to improve in 2024. If we just look at the order inflow during the first weeks of January, we do see that orders are

coming in. It's not like a massive big start in the first weeks of January. Still orders are clearly starting to flow in. We do believe global trade will accelerate as we head into the latter part of 2024. We know that we've now had inventory destocking I would say from about August 2022 onward. If you just calculate, that's almost as 18, 19 months of inventory reduction. Last year, you may recall, I said at Q2 results that we had calculated that in the United States, probably inventories were mathematically achieving a replenishment point sometime in May of 2023.

00:44:23 - 00:45:17
Heikki: Then basically, inventories have continued to come down. How much inventory is there left in the supply chain? It raised the question when the cycle turns, when the demand picks up, what is the starting point in inventory among our customers' distributors and their customers? Let's see. I think just mathematically it would seem that inventory levels down the supply chain must be fairly low. Pia talked about the structural advantages of electricity prices. I think this is a given where the rest of Europe is at the moment, following the Ukraine-Russia War and the fact that there's no more gas coming from Russia. I think that does put Finland and Sweden in a fairly nice structural position with respect to electricity prices, and not forgetting that our electricity to by and large is carbon-free.

00:45:18 - 00:46:18
Heikki: On the uncertainties, of course, we see the situation in Red Sea still evolving. Where will it go from here? Not sure, but we do see, of course, from the maritime traffic that a lot of cargo from Asia to Europe actually is going via South Africa. I've seen some news that's about two weeks to the ocean time. We know that sea freights have risen over 100 to 150 percent since the middle of January when you look at, for example, Asia, Europe cargo costs. I just happened to talk to one very large retailer CEO a while back, and he told me that, for them, it isn't like a two-week delay from Asia. It's actually four weeks. There is congestion in ports and that basically leads to even more delays. Why am I telling you this? In our business, it's relevant to understand what are the amounts of imports of stainless steel coming from Asia with the CBAM question.

00:46:18 - 00:47:08
Heikki: Then on top of that, the logistics issue is potential bottlenecks there that should keep, at least for the time being, imports from Asia into Europe at modest levels. I talked about the speed and magnitude of US rate cuts. We'll see what happens. I'm optimistic. Hopefully, things will move in a positive direction quickly. China stimulus, they did not take any massive steps in July as we had been assuming. Eventually, of course, China will need to stimulate its economy and get things going. Then on CBAM, of course, I think net positive for us, however, at the end of the day remains to be seen, what the level of duties are going to be and how effective are they in the end? Anyway, I think the decision from the EU is a very positive factor indeed.

00:47:09 - 00:48:05
Heikki: With those general big-picture comments, let me just summarize or read actually to you the outlook for the first quarter. The group stainless steel deliveries in the first quarter are expected to increase by five to 15 percent compared to the fourth quarter. The market environment started to weaken at the end of the fourth quarter for business area Americas. In Europe, a slow recovery is expected to continue. Also, scrap market has recently tightened. Ferrochrome production is running at about 80 percent of its full capacity, as one of the three Ferrochrome furnaces, and one of the two sintering plants were closed in January 2024 due to weak ferrochrome market conditions. Our maintenance costs in the first quarter are expected to decrease by approximately €20 million compared to the fourth quarter. With current raw material prices, some raw material-related inventory and metal derivative losses are expected to be realized in the first quarter.

00:48:05 - 00:48:49
Heikki: When you add all of this together, our guidance for Q1 2024 is that our adjusted EBITDA in the first quarter of 2024 is expected to be at a similar level compared to the fourth quarter. That is the information package for you. My last slide before we go into Q&A is simply to show you these fantastic awards we are getting on sustainability. Of course, I'm super happy with the equities platinum rating because only one percent of the top companies who actually compete for this get platinum. Outokumpu is among the top ones. Thank you. Now, I guess I'll hand it back to the operator for Q&A.

00:48:54 - 00:49:20
Moderator: If you wish to ask a question, please dial Pound Key five on your telephone keypad to enter the queue. If you wish to withdraw your question, please dial Pound Key six on your telephone keypad. The next question comes from Ioannis Masvoulas from Morgan Stanley. Please go ahead.

00:49:23 - 00:49:50
Ioannis: Hello. Thank you very much for the presentation. A few questions from my side. First, on the regional outlook, you guided for a group outlook overall of flattish EBITDA for Q1 despite the seasonally higher volumes. On a regional basis, can you perhaps talk about what you expect on ASP both in Europe and the Americas? Within that, is it fair to expect Europe to be EBITDA positive again in the first quarter?

00:49:53 - 00:51:08
Pia: Hi, Ioannis. I think, first of all, seeing the rebound of Europe from Q3 to Q4, I think it's fair to assume that we are continuing on somewhat of an improvement trajectory. As you have seen, prices in Europe were slightly improving quarter on quarter from Q3 to Q4. I think as an overall market dynamic, we are still on that slight upward trajectory, just looking at what we know today, in terms of order intake, if you look at market data from the US, you can see a little bit the opposite. You can see based on recent market data, that there was a bit of pressure on the prices towards the end of the year and early in this year. I wouldn't talk about any significant differences there, but nonetheless, the dynamic is a little bit different. I think one of the key topics to consider on top of the pricing, the volumes, is the scrap market tightness, and how that will play out. That puts some pressure on the margin in case that realizes.

00:51:11 - 00:51:33
Ioannis: Very clear. Thank you for that. Second question, you talked about the Red Sea situation and mentioned the trade frictions that you're seeing, but has there been any positive effect in terms of any opportunistic restocking among some of your customers or any improved price momentum in Europe when you look at your most recent orders?

00:51:34 - 00:52:06
Heikki: I don't want to comment on the pricing for the first quarter at this stage. It's really too early to go into that. I think if you look at the types of orders which are coming in, I think what we can see is they're coming from many customers. That probably indicates more restocking still for the time being. Not like big volumes, but many customers buying smaller amounts. That would indicate to me early signs of restocking.

00:52:09 - 00:52:40
Ioannis: Very clear. Thank you. The last one for me on the business area Ferrochrome. You have mentioned material destocking in Q4, which aided the profitability, but can you comment on whether that continues into the first quarter of '24? Also what was driving the positive pricing in Q4? As you shown your EBITDA bridge, I thought that the pricing was relatively stable during the quarter. Thank you.

00:52:41 - 00:53:34
Pia: Thanks, Ioannis. I think when it comes to Ferrochrome pricing, there are maybe a few different mechanisms at play there. Currency differences could also play into that in the end. I think that's sort of all I can say about the pricing dynamic. We had part of the maintenance really affecting our production. That gave us some opportunity to offload some of the inventory during the quarter. We are having a longer-term shutdown now of one of the furnaces, so our production is lower but we are not having specific maintenance work during the quarter. I think there could be a gradual reduction of the inventories, but maybe not with that big impact, really then as to the absorption of fixed cost.

00:53:36 - 00:53:38
Ioannis: Very clear. Thank you very much.

00:53:39 - 00:53:39
Heikki: Thank you.

00:53:45 - 00:53:51
Moderator: The next question comes from Anssi Raussi from SEB. Please go ahead.

00:53:54 - 00:54:31
Anssi: Thank you, and thank you for being here for the presentation. If I still continue on business area ferrochrome, and maybe the outlook for the full year in 2024, you cut your capacity by 20 percent. I think your delivery volumes have already been below eight percent for some time now compared to production capacity. How much of savings do you think this capacity cut will bring in starting from Q1?

00:54:34 - 00:55:05
Pia: Hi, Anssi. I think there's a reason also why we haven't specifically highlighted the saving amount there. It is important to have the right balance between input and output. We will have some fixed cost savings. The fixed cost per ton in terms of the furnaces is not that significant. I don't think there is an amount that we would have communicated, but we are not talking about high two-digit millions.

00:55:09 - 00:55:31
Anssi: Thanks. That's clear. About your Q1 guide, have you included any, let's say, extraordinary items? Do you see that the high electricity spot prices would have a significant impact, or, for example, strikes in Finland or anything like that?

00:55:33 - 00:56:33
Pia: Thanks. That's a really good question. The strikes that already occurred were a part of. We knew about them when we made the forecast. Those were there. Now, I think there is already talk about new strikes and there's some uncertainty. Of course, there is a risk if there would be a significant amount of new strikes. Those are not a part of the forecast. Nonetheless, those that occurred are already in there. We hope that this situation would somehow come down and there would be other ways of solving than these strikes. Nonetheless, you asked about one of the items. I think there was more one of the items in the fourth quarter. We had especially in the maintenance really some higher one of topics during the fourth quarter. We have more of the regular rhythm of maintenance. No big stops planned, uh, there in the first quarter.

00:56:33 - 00:57:26
Pia: When it comes to electricity, then I said we have hedged more than 80 percent, in the first half. The hedging levels are good. I would say to my understanding as high as they should be when we enter such a quarter. We also have the optimization or flexibility in place, if we would have days like the 5th of June when prices were really very high, I would say outrageously high, of course. We do not have, I think a need to plan in our forecast for really consuming at those extreme peaks. I hope that gave a little bit of color. The main impact of the forecast, it's the higher volume. It's how the prices are developing and then it's the scrap market tightness.

00:57:30 - 00:57:38
Anssi: That's helpful. Maybe. could you give us an estimate of the impacts of the first strike in Finland as you mentioned that one?

00:57:40 - 00:57:57
Pia: I don't have a figure that we would have communicated, but certainly, it's millions. We are trying to balance the lack of production still with other measures during the rest of the quarter, so as to minimize those impacts.

00:57:59 - 00:58:01
Anssi: Thanks. That's all from me.

00:58:09 - 00:58:16
Moderator: The next question comes from Tristan Gresser from BNP Paribas Exane. Please go ahead.

00:58:18 - 00:58:50
Tristan: Thank you for taking my questions. Let's start with the US. In your presentation, you flagged that the market has softened and we've seen oil prices fall. Base prices have reportedly held up and there is now some talk of restocking. Is the market still in contraction now or have things improved over the past months? As we've seen it in the past as well, the US market tends to react and recover a bit faster than Europe. Do you believe that could still be the case?

00:58:51 - 01:00:06
Heikki: Tristan, hi. How are you doing? It's an interesting question. Overall, of course, the US has been I think surprised us positively throughout the whole year. Shouldn't follow what the newspapers are writing because they've been really calling the recession now for, I guess, two years. As I think I talked about the restocking in Europe, of course, here we have a lot of customers. In the US, we have two dozen maybe large distributors as the primary clientele base. I would say that probably the sentiment among the larger distributors is a tad more positive coming into Q4 than it would have been somewhere in August or September of last year. I think that we are seeing a reasonably good order inflow. Again, we had such a couple of very, very strong years. Still, I would

say compared to the speed we've had in the more recent past, I would say stabilizing and maybe a tad improving, but not yet rebound. I said tad improving.

01:00:09 - 01:00:46
Tristan: That's helpful. My second question is on the raw material headwinds. I think initially, you were expecting some negative impact in Q4, and we've seen nickel prices fall. It looks pretty straightforward. You did manage to avoid any inventory losses or maybe the split is different. What catch-up effect do you expect in Q1? You flag some losses. In terms of scale, trying to wrap my head around that and with the guidance, any color there would be great. Thank you.

01:00:46 - 01:02:00
Pia: Thanks, Tristan. Fair question. Absolutely. We were expecting a modest negative in the fourth quarter from timing and hedging. It turned out to be fairly neutral. I think as well, I don't expect a backlash or in that sense kind of a rebound. I think while we managed well in the fourth quarter, was really the pattern of buying and selling and managing to reduce our inventory. Having this healthy throughput helps as well, even though we have a fairly long supply chain. It does help in terms of controlling any losses in inventory. I think that with somewhat improved volumes as well, I think we are able to manage. It's not a backlash. It's not a rebound in that sense, but it is indeed still, I would say just from an overall, momentum or sentiment perspective. I think there is a risk of us seeing some pressure on the timing. We wouldn't talk about it unless it would be at least some tens of millions, but it's probably not a high number.

01:02:05 - 01:02:31
Tristan: That's helpful. Maybe just a quick follow up then. The reason you're not guiding for, I think you have in the past of at least stable higher EBITDA in Q1, it's not being driven by this uncertainty on potential raw material losses, but more tied to the scrap element you mentioned. Is that the right way to understand it?

01:02:31 - 01:02:39
Pia: Yes. In combination with how the sales prices are developing, It's kind of the rhythm of the two.

01:02:42 - 01:02:44
Tristan: That's really helpful. Thank you.

01:02:45 - 01:02:46
Pia: Thank you.

01:02:53 - 01:02:58
Moderator: The next question comes from Patrick Mann from Bank of America. Please go ahead.

01:03:00 - 01:04:06
Patrick: Good day, Heikki and Pia. Thank you very much for the presentation. Two questions from me. One, can you just talk a little bit about what you're seeing in the scrap market, that it's tight, given that, Europe, the demand is still fairly weak? Just maybe explain what's tightening the scrap market or what you think is driving that. Then the second question, I know it's in the US and the possible investment in cold rolling. I know you've now concluded this agreement. I think it's till 2051 on the hot rolling side. How do you think about committing more capital to the US when you don't have control over that hot rolling mill? I'm just thinking now, in the terms of the contract, a little bit more onerous, we had an impairment. In the future, is there not the risk that you commit capital and then the contract becomes more onerous or less favorable, let's say? We end up impairing it again. Maybe the return is not as good as you think or how do you think about that or think about that risk? Thank you very much.

01:04:08 - 01:05:12
Heikki: Thank you, Patrick. Thanks for those two questions. Maybe I start with this scrap market. Indeed, I think it is a bit surprising that the scrap market is tight, given that the standard of the stainless market has been fairly soft. So are the circumstances. We are able to get all the scrap we need. If I just look at the availability of scrap for Outokumpu, as you know, we have now this partnership with CRONIMET. If we need scrap, we get it. There's no supply issue per se. Clearly, from the standpoint of pricing of scrap, the ultimate holders of that scrap, there are probably hundreds of even, I don't know, thousands of companies out there deep in the supply chain who are providing that scrap. That pipeline is not feeding as much. Maybe there is scrap down there somewhere and they just don't want to sell until prices, they believe prices are going to go higher. I cannot say that for sure.

01:05:13 - 01:06:26
Heikki: I just looked at one data piece on German, for example, chemical industry utilization or production levels vis-à-vis the past. I think it was down 26 percent. Manufacturing activity in Central Europe in some areas is very weak. Also, if consumers are not replenishing their goods because consumer credit is so expensive, then the natural flow of scrap is getting tighter. I really don't have any other data to share with you. It's probably some of those three things. We've seen in the past that when things change, they can change rapidly. That is the situation at the moment. Now then to your second question about cold rolling and the AM/NS agreement, so we've shared with you in detail what the deal with Ammon's is. From our standpoint, I said we're very pleased with the arrangement. It takes us well into the future. We're now living 2024. Let's say we get the cold rolling up in some years' time.

01:06:26 - 01:07:40
Heikki: We still have well into 2050, 2051, that's a long time, to depreciate and run a cold rolling science. I don't know what the risk would be for us from the standpoint of the hot running. Now, of course, you know, if AM/NS had a major production failure, then, of course, we would have a problem. That could happen even if we owned the hot rolling ourselves. I don't see that as an issue. As I said, we have a good working relationship with AM/NS. They listen to our needs and we work together to solve problems. I don't see the risk of committing capital into the US. Now, I just want to say that the US have been very explicit many times that if I just look at geopolitics, I believe actually that we are moving into a deglobalized world. Some people disagree with me. That's anyway how I read the tea leaves. We are in a unique position as a company to be so well located in the US. I'm very pleased with that position, and we intend to take full advantage of our unique position in this very attractive market.

01:07:43 - 01:07:44
Patrick: Got it. Thank you very much.

01:07:53 - 01:07:59
Moderator: The next question comes from Maxim Kogge from ODDO BHF. Please go ahead.

01:08:00 - 01:08:33
Maxim: Good afternoon, all of you. It was striking to see import pressure in Europe fall so much in Q4, close to 10 percent tailwind for the market. Still, you didn't benefit from that at all. Your shipments were flat. I think that will be the same for your competitors. Do you expect this tailwind somehow to crystallize this year now? Do you see this 10 percent market share as sustainable, given the inquiry that is still ongoing? That would be my first question.

01:08:33 - 01:09:33
Heikki: Thank you, Maxim. I think I've said before, in many respects, it was a bit surprising that import levels were so low, in particular, given how Asia is. We've seen that the macro data from China real estate market, etc., which is like a fourth of China's economy, how weak it's been. We have not seen those imports coming. There could be a multitude of reasons why customers are not buying. It could relate to CBAM. Of course, CBAM will be a major headwind for companies with high emissions into Europe. Now we have the Red Sea issue that probably isn't greasing the wheels on imports into the European market either. As I said, the European economy is weak in many areas. Services seem to be fairly strong in some areas. Manufacturing and buying durable goods in particular with expensive credit is weak.

01:09:33 - 01:10:23
Heikki: By the way, I think some of our customers, especially the SMEs, the small and medium-sized companies are probably also having some issues with credit availability. Working capital financing is probably fairly expensive. You don't want to frontload your inventory by buying ahead of potential demand pickup until you really see the customers ordering. That would be my read on why demand was weak and why the imports didn't really trigger more orders for us. I said, when the cycle turns, I think it'd be quite interesting because the supply chain will be fairly empty if imports are impacted by the Red Sea situation. I said, we're here to supply our customers whenever they really want to place orders.

01:10:25 - 01:10:47
Maxim: Continuing on the import topic. previously, you had highlighted the industry's efforts to include not only scope 1 but also scope 3 emissions into the cyber mechanism, given how critical it is for the stainless steel

industry. Are you still confident that this will be the case? Is it still being discussed? It would make a big difference for your industry.

01:10:48 - 01:11:33
Heikki: I hope it will all be a positive outcome, I think as always with these situations, Europe, of course, it's a sum of many different countries that have very different objective functions at times. I'm hoping that, in the end, the outcome will cover everything. This will be a very positive for us. We, for example, don't know ultimately what the so-called duty is going to be on CBAM. If that number is very, very small, CBAM will be more of a bureaucratic thing and not have a financial cost. I think the most important is what will be ultimately the duty on the carbon. That remains to be then ultimately seen.

01:11:35 - 01:12:05
Maxim: Perhaps the last one. Some of your competitors have developed quite significant alloy activities, high-performance alloy activities. This has been rewarded in the surprise recently with some acquisitions. You had in the past highlighted the outlines of some ambitions, and notably cobalt alloys. How do you view this market now? Are you going to accelerate the expansion in that area, given you sound financial structure?

01:12:06 - 01:13:24
Heikki: I think from the standpoint of our business, of course, within BA Europe, we have what we call the advanced materials business line. The core asset, of course, there is the Avista mill in Sweden. Then we have Nibi, Dagger Force, and de Limburg in Germany. That is the advanced materials ecosystem or supply chain within the Outokumpu family. We are systematically developing new products with higher nickel content. We are having very good success in selling those with high margins into the oil and gas industry, into heat exchangers, and the hydrogen market, etc.. We are also looking at new interesting segments where we have not operated, but I can't really share more about that. I would say in the near term, our growth will be primarily driven organically. As I said, when we look at the more visible growth initiatives, it is solving the Calvert problem, or if I call the problem the Calvert an opportunity that lies ahead of us, that is really we need to get that first solved. Then the other area that you're referring to will be more of organic journey for the shorter medium term.

01:13:26 - 01:13:27
Maxim: Now, that's very clear. Thank you.

01:13:35 - 01:13:41
Moderator: The next question comes from Bastian Synagowitz from Deutsche Bank. Please go ahead.

01:13:43 - 01:14:02
Bastian: Good afternoon all. Thanks for taking my questions. My first question is a quick one, actually, on maintenance, where you said that you don't need any further breaks near term, but I guess they usually have some in the back end of each year. Just to understand, is there anything we should be factoring in or will you actually not have any material maintenance later on in 2024? That's my first question.

01:14:03 - 01:14:36
Pia: Thanks, Bastian. We will still come back to that in later guidance. I think what I can say for sure, it's not going to be early in the year. I would expect either in Q3 or Q4 that we will still have some of the maintenance. This is related to his earlier comment that we really want to be in shape for the upturn. That's why we are still considering some of the timings. Usually, we have had some stops both on one of the Ferrochrome furnaces as well as then on our bigger sites towards the end of the year.

01:14:39 - 01:15:14
Bastian: Got you. Thank you for that. Then my second one is on strategy and CapEx. Could you briefly confirm your CapEx budget for 2024? Are we around the 200 million level? I guess if you keep talking about projects and the cold rolling project in particular, is there a moment when we may see you taking a leap on the CapEx side beyond the 200 million threshold that you've been committing to so far? If so, could that even happen before 2025 and 2026, given your sound financial situation? I guess if these are must-do and high-return projects, why would you be waiting?

01:15:15 - 01:15:48
Pia: Absolutely. Bastian, thanks very much. As Heikki was describing, we are now assessing opportunities in America and we do think that the timeline we set for ourselves is to really come back with clarity on that within

a year's time. I think when we have clarity on that, that could obviously then trigger investment decisions that might be more significant in nature. We stay committed to these 200 million now for the year 2024. We are still aligned with phase two of the strategy at this point in time.

01:15:50 - 01:15:52
Bastian: Got you. Very clear. Thank you.

01:15:59 - 01:16:05
Moderator: The next question comes from Moses Ola from JP Morgan. Please go ahead.

01:16:09 - 01:16:36
Moses: Hi. Good afternoon everyone. Thank you very much for taking my question. My first question, please, is just on the Q1 guidance. You don't really break down the shipment guidance by region, but could you just perhaps maybe speak to the strategy in the US in 2024 with pricing coming a bit lower? Is there perhaps an opportunity to offset this with higher volumes? That's my first question.

01:16:40 - 01:17:01
Pia: Moses, thanks. It's an intriguing question because I think the pricing dynamic and the volume dynamic, of course, to some extent go hand in hand. I don't think that we have been so specific on the pricing looking forward. I have to say we'll have to wait to see the actual results to comment on that more.

01:17:05 - 01:17:25
Moses: Thank you. My second question is on ferrochrome. You've taken volumes out of the market. I believe some of your peers did as well in the previous quarter. Do you now view the market is quite balanced here or do you still see potential for more supply to come out of the market?

01:17:27 - 01:18:30
Heikki: Maybe if I can maybe start with that. I think when you look at ferrochrome globally, a lot has to do also with what's happening in China and what their production and consumption are. In Q4, the spot market for ferrochrome was quite weak. There wasn't really a lot of buying activity happening in Q4. I think we will need to see a more global rebound in the industry to start seeing that pick up. Don't forget about a good part of that ferrochrome is used by us internally. Then the residual we sell outside. When we reduce production, it's primarily you know of course with respect to that residual part. I think if I look at the stainless market, it looks a bit more stable than the ferrochrome at the moment. That would be my read on where we are just now.

01:18:32 - 01:18:53
Moses: Thank you very much. Then finally, from me, just the strategy on excess shareholder returns in 2024. The balance sheet remains net cash. It seems any further investment decisions or at least a year away. Perhaps what could we expect maybe on the potential for a top-up to the existing share buyback?

01:18:56 - 01:19:18
Pia: Moses, thanks very much. It is, of course, a question that we continue to assess, but that's a question we probably need to come back to later. Just in terms of reaching the number of shares that would be required for the convertible, I think we would still be some 10 to 11 million shares short, for that after this current program is concluded.

01:19:22 - 01:19:23
Moses: Thank you very much.

01:19:28 - 01:19:34
Moderator: The next question comes from loannis Masvoulas from Morgan Stanley. Please go ahead.

01:19:37 - 01:20:09
Ioannis: Thanks very much. I just had one follow-up question actually, on more this question around the buyback. If we look at the balance sheet today, again, net cash position, is there an absolute level of net cash that you're willing to build as you are working towards an eventual decision on the US cold rolling expansion? Is there no really hard number from your perspective? Clearly, that has big implications for the buyback prospects. Thank you.

01:20:10 - 01:21:46

Pia: It does. The financial target that we set out there was to keep leverage below one times. We are very, very, very, very safe and secure vis-à-vis that. Historically, if I look at cash balances in Outokumpu, we used to have maybe 200, €250 million as a typical, how much we needed in terms of managing daily fluctuations and just being comfortable in terms of operating flows. Clearly, we are some 100 millions above that right now, but we do have the convertible that is then having the due date in July of 2025. We also still have one part of a very long-term loan that we have taken for the DeepMind expansion project. I think, let's say also on the financial structure side, we have maybe a few elements that we could consider how we move them and when, in terms of finding the optimal solution. I think it ties nicely together here that we have a strong cash balance just given, maybe from a macro perspective still awaiting those positive signals that might be out there to actually materialize. I'm pretty comfortable where we are right now. I think we've also done a good job in terms of just optimizing what is financial expense, so that we also get some returns, if we have good cash balances.

01:21:48 - 01:21:49
Moses: Perfect. Thanks very much. Thank you.

01:21:55 - 01:22:01
Moderator: The next question comes from Maxim Kogge from ODDO BHF. Please go ahead.

01:22:03 - 01:22:29
Maxim: Just the last question on my side. Sorry. Regarding the immediate investment and especially against the backdrop of tight scrap markets, do you see it as an opportunity to lower your purchasing cost in terms of scrap or perhaps to access better grades of scraps? Now that the deal is closed, can you talk a little bit more about the synergies you understood in that respect?

01:22:31 - 01:23:41
Heikki: Thank you Maxim for the question on the [inaudible 01:22:33-01:22:34] partnership. If you look at our cost structure, of course, raw materials are 60 percent. Scrap is a vital part of our sustainability journey with 90 percent recycled content. The underlying thought here with CRONIMET is that we are working closely together and we're working systematically to find ways how to create value. Value comes from better inventory and from better planning. It comes from our ability to more finitely, get the type of scrap we need for each melt. A lot of this value, it's difficult maybe to put a euro number on it, but it does concretely develop our business. It's impossible to say over the longer term, whether you actually ultimately how much of a relative benefit you get on the price. Markets are competitive and transparent, but I think it's more from the fact that we're just going to run the whole supply chain much more efficiently and have the right stuff in the right place at the right time. That in itself is already a value worth capturing.

01:23:44 - 01:23:45
Maxim: Thank you very much.

01:23:53 - 01:24:00
Moderator: There are no more questions at this time, so I hand the conference back to the speakers for any closing comments.

01:24:01 - 01:24:58
Heikki: Once again, thank you for spending an hour and 30 minutes with us here at Outokumpu. To recap, first of all, for us at Outokumpu, 2023 was a good year. We ended up with a solid EBITDA result, as you saw our cash flow in the fourth quarter in particular, we had a nice strong finish. We end the year with a really strong balance sheet. We have negative net debt. It's an extremely strong position to move forward as the cycle then turns. On the second note, I want to make a comment back to our dividend policy and paying the proposal to the board to the AGM €26 cents, a dividend yield of over six percent based on Monday's share price, and €70 million worth of share buybacks. I hope that demonstrates management's commitment to delivering on our promise and commitment to good shareholder returns.

01:24:58 - 01:25:32
Heikki: Then finally, I try to give you the big picture read that management has on where the macroeconomy is and how we see the potential cycle turning here. I can tell you our whole team at Outokumpu is very committed to getting ready, that when the cycle turns, we will be there to supply our customers better than ever. With those words, I wish all of you a very, very continuation of this winter. Hopefully, it doesn't get too cold where you are located. Pia, Linda, and I look forward to seeing you then in the early days of May. Take care.