

voestalpine Group successfully on course with “Strategy 2020” – profitability targets remain unchanged

voestalpine AG is seeing the first fruits of its strategy launched in December 2012 for the period up to 2020. The Group’s development, based on innovation-driven differentiation in demanding customer industries and accelerated internationalization in markets outside Europe, is progressing according to plan. Profitability targets remain consistently as planned. The only modification to the core targets is the revenue figures, with the original target of EUR 20 billion in 2020 no longer being realistic in view of the continuing critical global economic framework conditions. According to current planning and assuming an average annual growth rate of five percent, revenue should amount to EUR 15 billion.

In view of the permanently changing market environment, voestalpine has reexamined the Group targets adopted in 2012 for the period to 2020. “We will continue to grow more strongly in the most technologically sophisticated and demanding segments and further extend the value chain to the end consumer in order to stake out an even more clearly differentiated position in the market over the long term. As in the past, the focus is not purely on increasing revenue, but rather on increasing profitability in terms of value-enhancing growth which will serve to secure our earnings leadership. The strategy of focusing on the promising mobility sector, the drive to expand our presence in global growth markets, as well as the continuation of our innovation offensive and the development of pioneering products and services to which this leads, remain unchanged,” says Wolfgang Eder, Chairman of the Management Board of voestalpine AG.

Profitability targets for 2020 as planned

Despite an economic environment which continues to be challenging, voestalpine is on target to reach its profitability goals for 2020. In the past business year 2014/15, the EBITDA margin at 13.7% (2020 target: 14%), the EBIT margin at 7.9% (2020 target: 9%) and the ROCE (Return on Capital Employed) at 10% (2020 target: 15%) were all developing as planned. With regard to the EBITDA margin in particular, the target of 14% has almost already been reached.

New revenue target for 2020: EUR 15 billion

At EUR 11.2 billion, voestalpine Group’s revenue for the business year 2014/15 was the only figure which was lower than had been expected in 2012. On the one hand, this development is the result of global economic growth over the past three years which was significantly lower than anticipated in 2012, and on the other, a consequence of the huge slump in raw materials prices (by 65% both for iron ore and coal compared to 2012, for example). Taken together, these effects alone “cost” over EUR 3 billion in revenue growth when projected to 2020. In addition, acquisitions have been deliberately more selective in response to global overheating in the M&A market. Following the strategic goal of adjusting the product portfolio through divestments (e.g. the Flamco Group and voestalpine Polynorm Plastics) has also resulted in a decline in consolidated revenue. In view of the changed framework conditions, average annual revenue growth projected to 2020 (based on revenue for the business year 2014/15) is being revised from 5.7% to 5%; in absolute figures this means a revision of target revenue from EUR 20 billion to EUR 15 billion.

Competitive advantages through combined materials and processing expertise

The Group target for raising the share of processing operations to 75% compared to traditional steel production remains unchanged by 2020. The Group's downstream activities currently contribute over 70% of Group revenue; "only" 30% is still generated in steel production, in which voestalpine is a global leader in terms of quality and the power to innovate. "Steel will continue to remain the core material base for the Group in the future. At the same time, however, we will use more other metals such as titanium and aluminum in our processing activities. The combination of material and processing expertise has been an increasingly important factor in our success over the past years, and one on which we plan to build more strongly," says Eder. Although voestalpine will construct neither automobiles nor airplanes in future, in terms of innovation it will set a clear focus on product and system solutions for these technology-intensive industries. The concept of products including components for automotive body construction, engine mounts, and turbine components for aircraft, as well as complete rail and turnout systems for railway infrastructure around the world, is an important driver of growth, especially in the customer segment of mobility.

Mobility as a core growth area

Targeted with contributing 50% of overall revenue, it is the future mobility industry (automotive, railway, and aviation) which continues to enjoy the greatest priority for voestalpine in the coming years. Solid demand in the NAFTA region and rising living standards in Asia promise continued favorable development. "We also want to extend our expertise in future material technologies, such as powder metallurgy and nickel-based technologies, in order to be at the cutting-edge of developments in new production processes, such as additive manufacturing," explains Eder.

Driving internationalization in the NAFTA region and China

At regional level, voestalpine is consistently following its internationalization strategy with a focus on the NAFTA region (Canada, the USA, and Mexico) and Asia, with the aim of increasing the share of revenue generated outside the EU from its current level of 25% to 40% by 2020. "Rolling out our key technologies in growth markets, and not least as we support our European customers, is the most important strategic goal. At the same time, assuming predictable economic and political framework conditions, we also want to strengthen and develop our European sites as the know-how and innovation basis for the Group," explains Eder. The planned tripling of revenue in the NAFTA region from its current level of EUR 1 billion to EUR 3 billion in the future remains unchanged. With an investment volume of EUR 550 million, the direct reduction plant in Texas, USA, which will be operational in 2016, is the largest foreign investment ever undertaken by voestalpine, and the largest investment made by an Austrian company in the USA. It will produce two million tons of HBI (hot briquetted iron) annually, thereby making a key contribution to this revenue growth in the NAFTA region. In China, where four of the ten new voestalpine Group plants planned for 2020 are already in operation, revenue should increase from its current level of EUR 300 million to EUR 800 million.

The voestalpine Group

The voestalpine Group is a steel-based technology and capital goods group that operates worldwide. With around 500 Group companies and locations in more than 50 countries and on all five continents, the Group has been listed on the Vienna Stock Exchange since 1995. With its top-quality products, the Group is one of the leading partners to the automotive and consumer goods

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industries in Europe and to the oil and gas industries worldwide. The voestalpine Group is also the world market leader in turnout technology, special rails, tool steel, and special sections. In the business year 2014/15, the voestalpine Group reported revenue of EUR 11.2 billion and an operating result (EBITDA) of EUR 1.5 billion; it had around 47,500 employees worldwide.

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