



GrafTech International Ltd.

Stock Pitch Presentation

Darren Nguyen

Company Overview



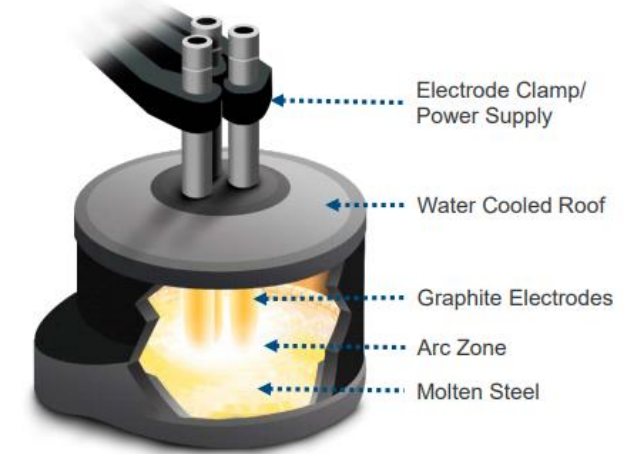
- **Company:**
 - GrafTech International Ltd. (NYSE: EAF)
- **Industry leading producer of Graphite Electrodes:**
 - Significant Cash flow generation with Strong liquidity and Balance sheet
 - 130+ years of R&D
 - Sustainable competitive advantage
- **History:**
 - Became a public company in 1995 via an IPO
 - Acquired by Brookfield Asset Management in August 2015
 - One again, became a public company in April 2018 via an IPO
- **Key competitors:**
 - Fangda Carbon New Material technology Co. Ltd., Graphite India Limited, Jilin Carbon Co. Ltd, Show Denko K.K.



- Recommendation: BUY
- Target Price: \$19.55 (According to the Discounted Free Cash Flows Model for Intrinsic Value)
- Currently Valued at \$11.83
- **Graphite electrodes are a highly engineered, mission critical industrial consumable**
- **Low-cost structure ensures a sustainable competitive advantage**
- **Consistent cash flow generation and commitment to strong balance sheet**

1. UHP Graphite Electrodes

- Highly-engineered and mission-critical industrial consumable
- No known substitute
- Electric arc furnace production yields 75% less carbon emission than traditional methods.
- Major steel makers (incl. U.S. Steel) are investing in electric arc furnace technology



2. Petroleum Coke Needle

- Main raw material used in the electrodes
- By-product of the oil refining process
- Alternative uses: Lithium-ion batteries
 - Market increase by 30% and constitutes 10% of the total demand for needle coke



Financial Analysis and prioritizing balance sheet strength



- Production and Sales:**

- +13%, +12%, +18% in production, sales volume, and net sales respectively from Q3FY20 to Q4FY20

- Earnings and Cash flow**

- EPS of \$1.62; P/E = 7.3x
- EBITDA of \$659 million
- Free Cash flow of \$528 million
- 80% of Adjusted EBITDA converted to Free Cash Flow

- Strengthened capital structure in 2020**

- Reduced debt by ~\$400 million
- Improved debt maturity profile
- Increased liquidity to \$392 million

- Long-term Agreements**



· **long term agreement (LTA) sales volume and revenues estimates** for 2021 through 2024 are:

	<u>2021</u>	<u>2022</u>	<u>2023 through 2024</u>
Estimated LTA volume (thousands of MT's)	98-108	95-105	35-45
Estimated LTA revenue (millions of \$'s)	\$925-\$1,025	\$910-\$1,010	\$350-\$450 ⁽¹⁾

- **Steel prices continue to increase globally**
 - Increase in steel production
- **Pressure for environmentally friendlier steel production**
- **Increasing use of graphite in Lithium-ion batteries**
 - Demand for needle coke is growing rapidly due to EV/Lithium-ion batteries



- **Steel industry fundamentals improved in Q4 2020:**
 - Global steel production, excluding China, of ~211 million tons in Q4; up 11% sequentially vs. Q3
 - Global steel manufacturing utilization rates (excluding China) improved to over 72% in Q4, from just over 60% in Q3
 - Steel prices continue to increase globally
- **Graphite Electrode Industry:**
 - Graphite electrode industry follows steel industry trends at a lag
 - Expect positive impact to graphite electrode market if steel industry strength continues
 - Graphite electrodes represent only ~1-5% of steel production COGS

- **EAF Steel Making Advantages:**

- 75% less carbon emissions
- Among the world's largest recycling industries

- **Building safe and efficient operations**

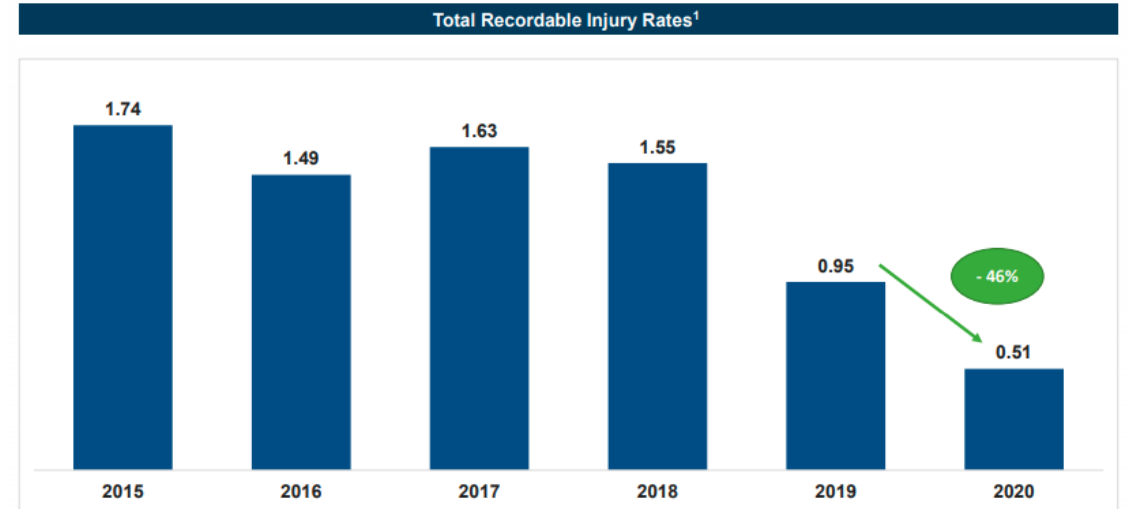
- - 46% in Total recordable injury rate

- **Waste Management**

- Waste inventories
- Facilities sold more than 70,000 MT of waste materials for beneficial reuse
- Hydrocarbon vapours capture

- **Emissions Management and Air Quality**

- Control technology on equipment – limiting air emissions that enter the environment



- **Majority Holder divestment**
 - Brookfield Asset management trying to exit the investment
 - Puts pressure on share prices as BAM periodically sells big blocks
- **Debt**
 - Leveraged balance sheet
 - \$1.42 billion in long-term debt, \$131 thousand in short-term debt and \$145 million in Cash (FY2020)
 - Reduced debt by ~\$400 million
- **Cyclical**
 - Market prices of graphite electrode averages between \$4.0k and \$4.6k
 - Lowest cost producers in the industry
- **Take-or-pay contracts**
 - Contracted to sell 100k, 95k and 35-45k metric tonnes in 2021, 2022, and 2023 respectively
 - COVID-19 impacts

- **Generating meaningful cash flows**
 - Stronger operating cash flow in 2021
 - High percentage of Adjusted EBITDA to free cash flow
- **Continuing to boost balance sheet strength to allow for operational and strategic flexibility**
 - Use of free cash flow for debt reduction
 - Preserving flexibility through the cycle
- **Reinvesting for future higher returns**
 - Maintaining productive, high quality, low cost operations
 - Capital expenditures of \$55 million - \$65 million in 2021



President & CEO – David J. Rintoul

- Appointed 2018
- President of U.S. Steel Tubular Products
- Senior Vice President of United States Steel Corporation (U.S. Steel)
- Various Roles in U.S. Steel

Majority Shareholder

- Brookfield Asset Management Inc. (55.29%)
- Others include: Vanguard Group Inc, BlackRock Inc., Rothschild Asset Management Inc., River Road Asset Management LLC, and Yacktman Asset Management Lp.

Brookfield

Governance

- Board of directors consists of nine directors
- five are independent under NYSE definitions

- ✓ Graphite electrodes are a **highly engineered, mission critical industrial consumable**
 - Only 1-5% of electric arc furnace steelmaking COGS
 - EAF has a sharp focus on providing services and solutions for electric arc furnace steel producers
- ✓ Low-cost structure ensures a **sustainable competitive advantage:**
 - Efficient operation of three of the largest graphite electrode manufacturing facilities in the world
- ✓ **Consistent cash flow generation** and commitment to strong balance sheet

Five-Minute Q&A