

# Third Quarter 2022 Results

November 21, 2022

## **Forward-Looking Statements**

This presentation may include forward-looking statements. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms as “believe”, “expect”, “anticipate”, “may”, “assume”, “plan”, “intend”, “will”, “should”, “estimate”, “risk” and or, in each case, their negative, or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts and include statements regarding the Company’s intentions, beliefs or current expectations concerning, among other things, Vallourec’s results of operations, financial condition, liquidity, prospects, growth, strategies and the industries in which they operate. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. These risks include those developed or identified in the public documents filed by Vallourec with the French Financial Markets Authority (Autorité des marchés financiers, or “AMF”), including those listed in the “Risk Factors” section of the Registration Document filed with the AMF on April 19, 2022, under filing number n° D.22-0305. Readers are cautioned that forward-looking statements are not guarantees of future performance and that Vallourec’s or any of its affiliates’ actual results of operations, financial condition and liquidity, and the development of the industries in which they operate may differ materially from those made in or suggested by the forward-looking statements contained in this presentation. In addition, even if Vallourec’s or any of its affiliates’ results of operations, financial condition and liquidity, and the development of the industries in which they operate are consistent with the forward-looking statements contained in this presentation, those results or developments may not be indicative of results or developments in subsequent periods.



1. Highlights of the Third Quarter
2. Strategy Execution: New Vallourec Plan
3. Market Environment and Business Development
4. Q3 2022 Results
5. FY 2022 Outlook and Key Takeways

# 1. HIGHLIGHTS OF THE THIRD QUARTER



## Solid Q3 performance

- ▶ Q3 EBITDA of €198 million, +55% year-over-year, and +24% quarter-over-quarter
- ▶ Positive trajectory of worldwide Tube business, especially in the U.S.
- ▶ Iron Ore mine production of 1.5mt; civil works for restoration of core Cachoeirinha pile completed\* and request to release pile registered

## Positive market dynamics

- ▶ Continued positive OCTG price dynamics in the U.S. and in the Middle East
- ▶ Ongoing supportive long-term E&P fundamentals with positive trends for energy security
- ▶ Pricing initiatives more than offsetting inflationary effects

## 2022 financial objectives confirmed

- ▶ Group: Reiterate FY 2022 objectives
  - EBITDA expected in a range of €650 to €750 million
  - Positive Free Cash Flow in H2, driven by expected strong Q4 performance
- ▶ Mine production to continue in Q4 22/Q1 23 with c.1.2mt per quarter (c.55% capacity utilization\*\*) using alternative waste piles

## New Vallourec plan on track with new initiatives added

- ▶ Social plan agreements finalized in Germany, France and UK, substantially de-risking New Vallourec plan
- ▶ On track to generate €230 million recurring EBITDA uplift with full effect starting Q2 2024
- ▶ New Vallourec plan initiatives to be implemented in other regions, starting with Brazil

\* Civil works related to restoration of minimum safety factor completed

\*\* Full year capacity of 8.7mt, pro-rata share for quarters

## **2. STRATEGY EXECUTION: NEW VALLOUREC PLAN**

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**Cycle-proof:  
Positive FCF\* even at  
bottom of cycle**



**Value over Volume:  
Rationalize portfolio to drive  
profitable growth**



**Best-in-class profitability:  
Close margin gap with peers over the cycle**

## Completed / In Execution

### Financial restructuring (completed)

- ▶ €1.7bn debt reduction
- ▶ Refinanced legacy debt with 5-year maturity notes
- ▶ Received committed €462m RCF facility

Mid 2021

### New Vallourec transformation (in execution)

- ▶ Closure of German assets, transfer of O&G volumes to Brazil (+€130 million EBITDA)
- ▶ Streamline Overhead (+€100 million EBITDA)

May 2022

### Vallourec New Energies (initiated)

- ▶ Identify and exploit opportunities in areas like carbon capture, geothermal and hydrogen storage

2022 onwards

2021 onwards

### Simplification of corporate structure (ongoing)

- ▶ Acquisition of minority interests in Group's strategic assets VSB, Vallourec Star and VAM USA in 2021 leading to full ownership of Brazilian and North American assets
- ▶ Disposal of non-core assets e.g. Valinox Nucleaire, Vallourec Bearing Tubes in 2021/22

End 2022/23

### New Vallourec plan initiatives to be implemented in other regions (launched)

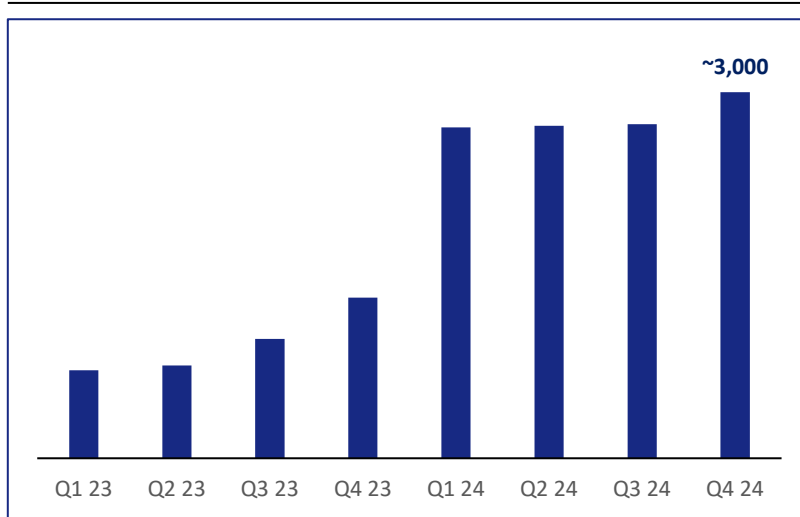
- ▶ Harvest full potential of Brazilian tube business
- ▶ Drive performance in Asia
- ▶ Increase production in the U.S. and Saudi Arabia

Further initiatives added to the New Vallourec plan

# GERMAN PLANT CLOSURES AND GLOBAL OVERHEAD REDUCTION UPDATE



Cumulative Global Headcount Reduction\*



- ▶ Social plan agreements finalized in Germany, France and UK
- ▶ Major milestone achieved, substantially de-risking New Vallourec plan
- ▶ Financial impact in line with assumptions embedded in Q2 forecast
- ▶ Teams can now fully focus on operational execution

**New Vallourec plan remains on track to generate €230m run-rate EBITDA improvement (and +€20m CAPEX reduction) with full effect starting Q2 2024**



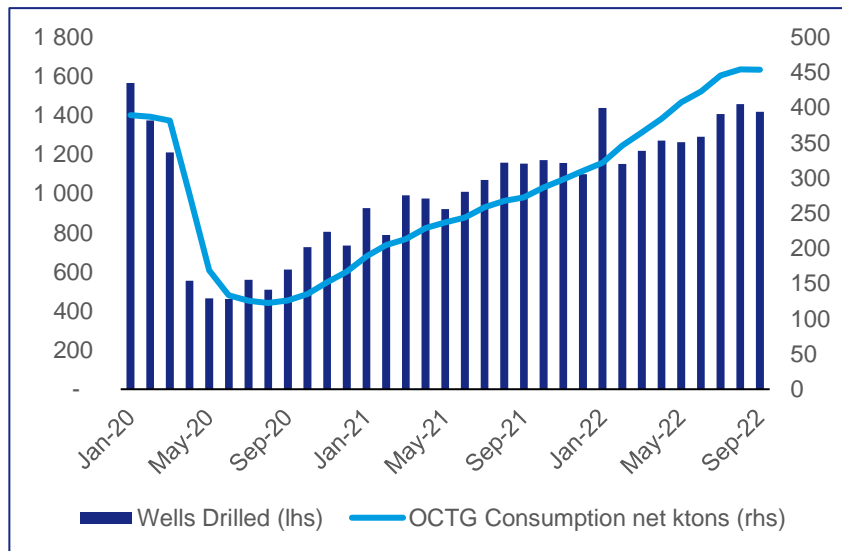
## **3. MARKET ENVIRONMENT AND BUSINESS DEVELOPMENT**

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# SUPPORTIVE TUBE BUSINESS ENVIRONMENT

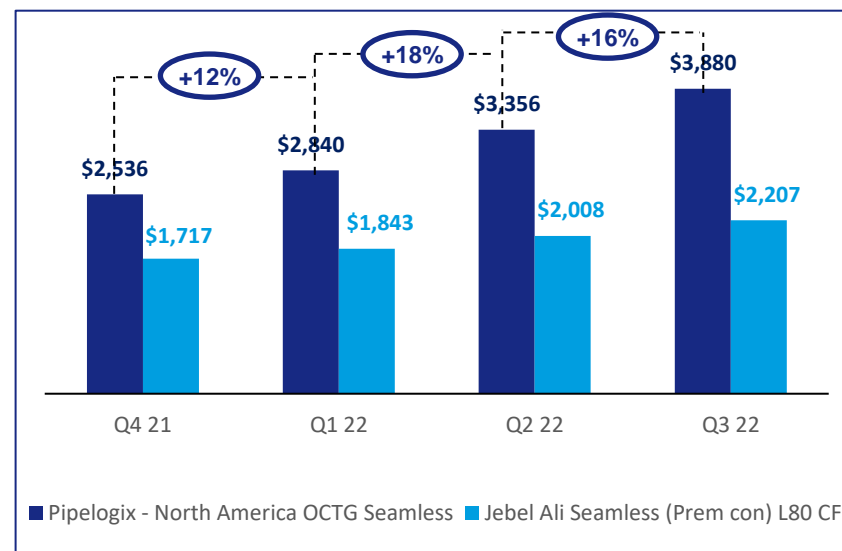


### US Well Count and OCTG Consumption per Rig



Source: Factset - BTU Analytics, Preston Pipe (September 2022)

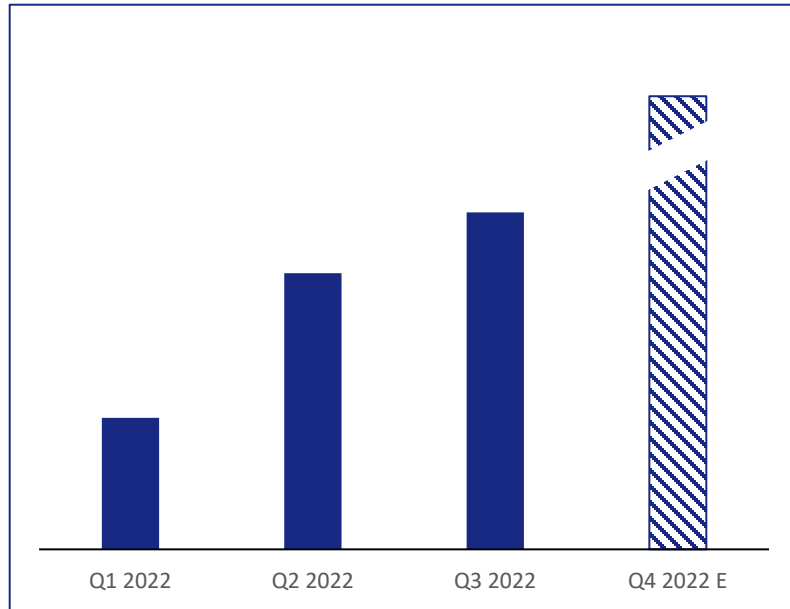
### OCTG Price Evolution



Source: Rystad (September 2022), Pipe Logix (September 2022)

**Strong increase in drilling activity, favorable OCTG price development**

## 2022 Tubes EBITDA per ton (€/t)



## New pricing actions drive profitability

- ▶ **2022 EBITDA reflects pricing policies implemented since Q2 2022 with a shorter lead time in the US**
  - Comprehensive review of Company-wide pricing strategies implemented since Q2 2022
  - New focus on value over volume
  - Priority on high margin products

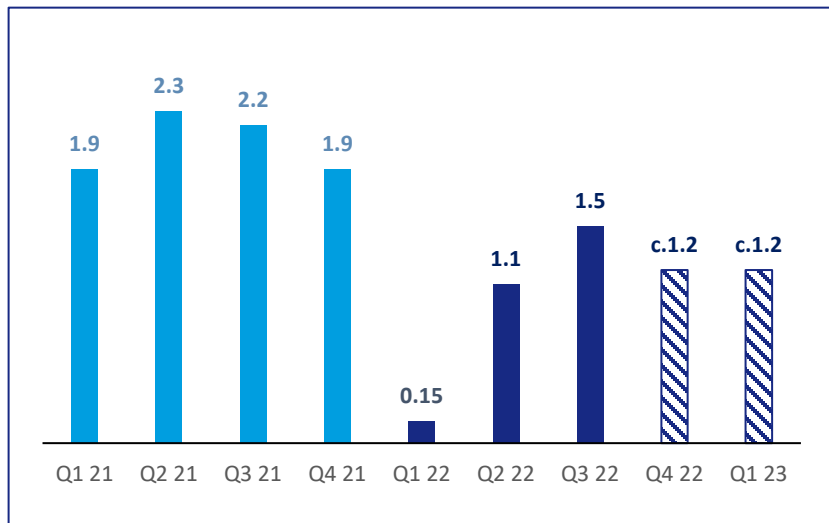
## Profitable new business wins

- ▶ **10-year Long Term Agreement with Saudi Aramco**
  - Vallourec Saudi Arabia to increase production to support 3 call-offs in 2022 to be delivered in 2023
- ▶ **Long Term Agreement with ADNOC**
  - Increased call-offs to support ambitious production plan
- ▶ **Long Term Agreement with Petrobras**
  - Including 18" seamless which will be produced in Brazil

**Significant increase in Tubes profitability – New Vallourec plan uplift is incremental**

# MINE BUSINESS DEVELOPMENT

Q1 2021 – Q1 2023 Mine Production (million tons)



**Production to continue in Q4 22/Q1 23 at c.55% capacity utilization\***

Restoration Progress “Cachoeirinha” Pile



**Civil works related to restoration of Cachoeirinha pile finalized\*\*, request to release pile registered**

\* Full year capacity of 8.7mt, pro-rata share for quarters

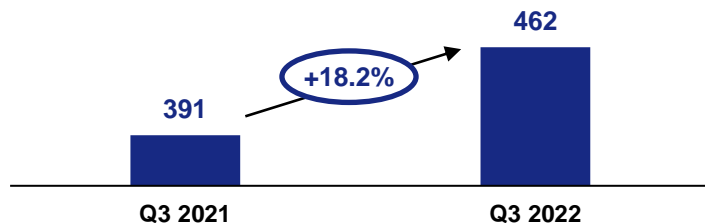
\*\* Civil works related to restoration of minimum safety factor completed

## **4. Q3 2022 RESULTS**

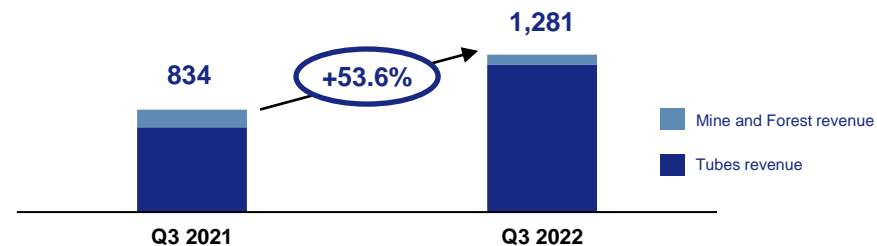
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# Q3 2022 KEY FIGURES

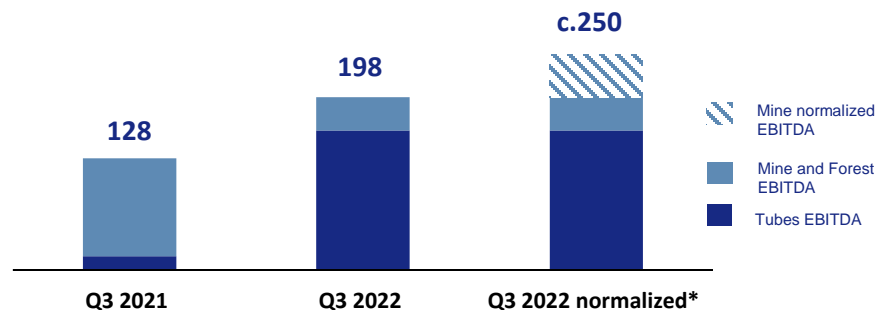
## TUBES VOLUMES (k tons)



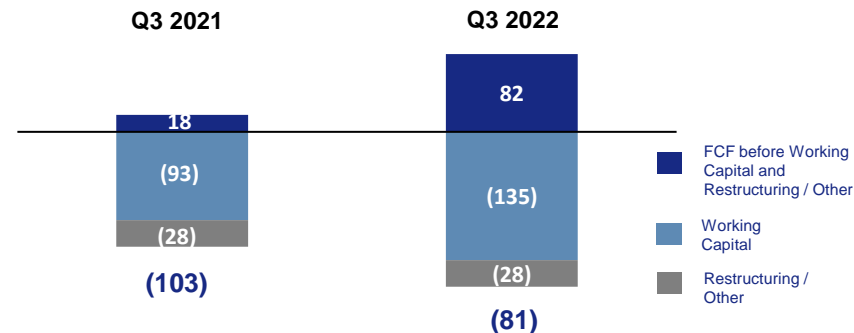
## REVENUE (€ million)



## EBITDA (€ million)



## FREE CASH FLOW (€ million)



**Revenue and EBITDA driven by profitable tube business**  
**Continued investment in working capital to drive growth**

\* Normalized EBITDA means adjusted for the mine at full production and actual iron ore prices for Q3 2022

# Q3 2022 FINANCIAL HIGHLIGHTS



## ▶ EBITDA of €198 million, margin 15.4%

- **€278 million Industrial margin, or 22% of revenue**
  - Highly favorable Oil & Gas market in North America and Middle East
  - Negative impact from iron ore mine year-on-year
- **Sales, general and administrative costs (SG&A) at €77 million**
  - 6% of revenue versus 9% in Q3 2021

## ▶ Financial income at €(30) million versus €(36) million

- **Net interest expenses in Q3 2022 at €(25) million, reflecting the new balance sheet structure**

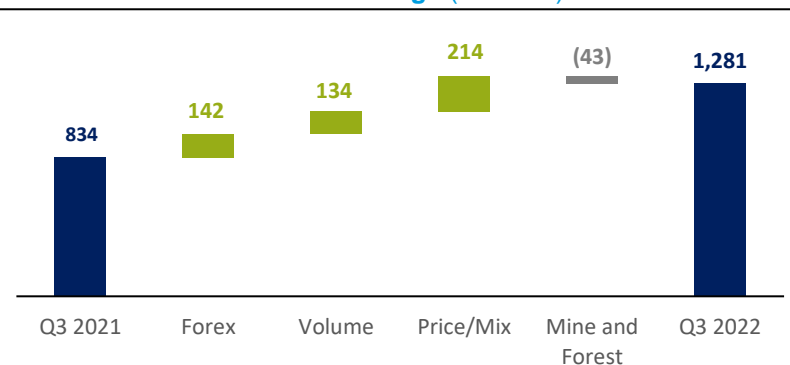
## ▶ Income tax at €(53) million compared to €(41) million in Q3 2021 reflecting both corporate tax as well as changes in deferred taxes

## ▶ Additional items below EBITDA

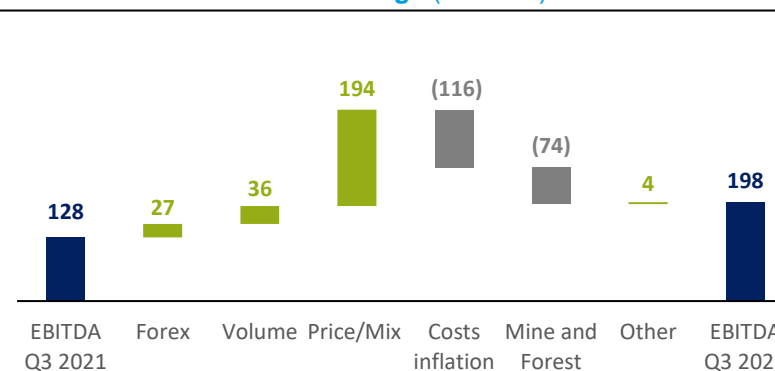
- **Asset disposal, restructuring and other €(51) million mainly related to adaptation measures in Germany**

## ▶ Positive net income Group share at €6 million

### Q3 2021 – Q3 2022 Revenue bridge (€ million)



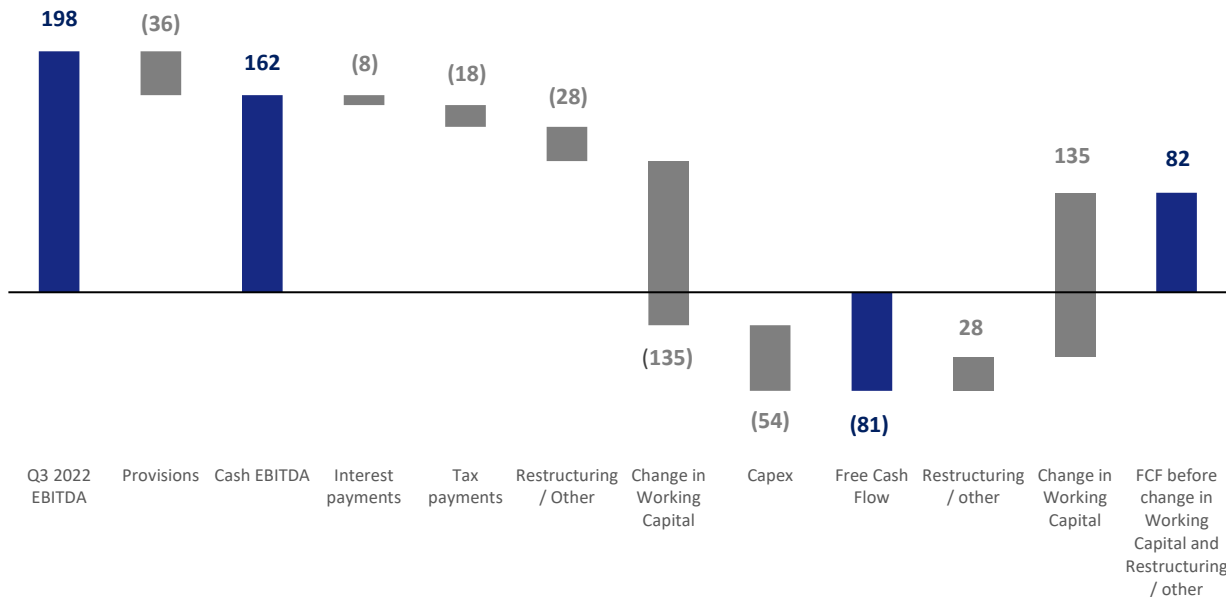
### Q3 2021 – Q3 2022 EBITDA bridge (€ million)



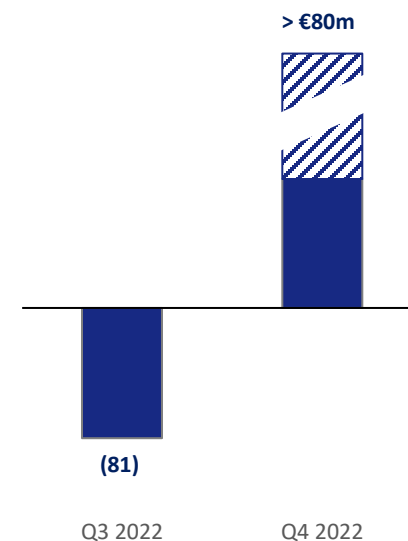
# CASH FLOW Q3 2022



## Q3 2022 EBITDA to FCF bridge (€ million)



## Q3 and Q4 2022 Free Cash Flow (€ million)



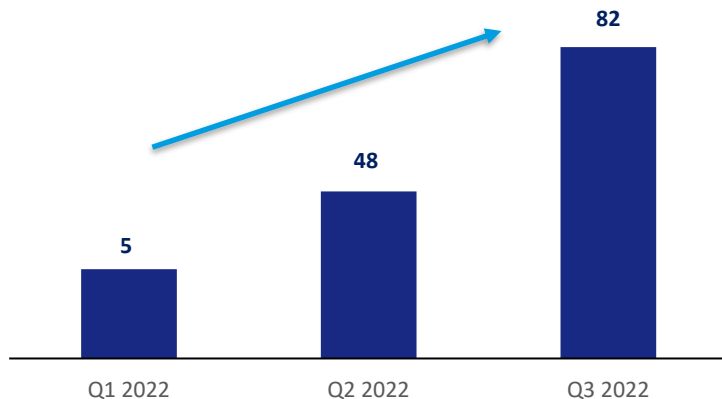
**Free Cash Flow before working capital and restructuring/other at €82 million**  
**Positive Free Cash Flow in H2, driven by expected strong Q4 performance**



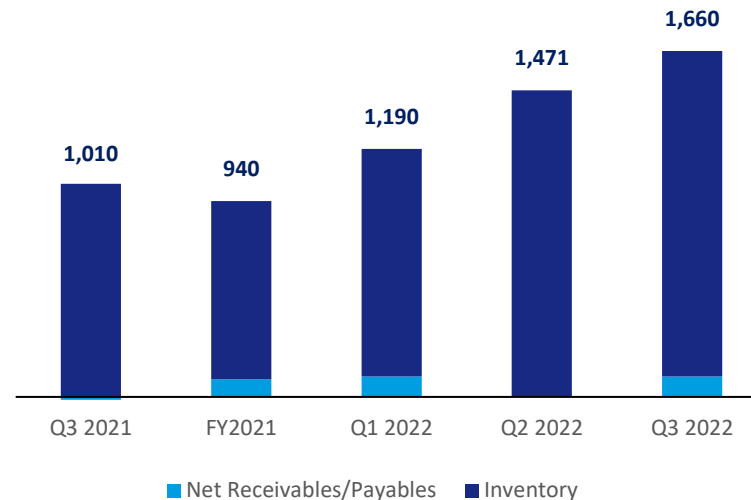
# FOCUS ON CASH FLOW AND WORKING CAPITAL



### FCF before Working Capital and Restructuring/Other (€ million)



### Progression of Working Capital\* (€ million)

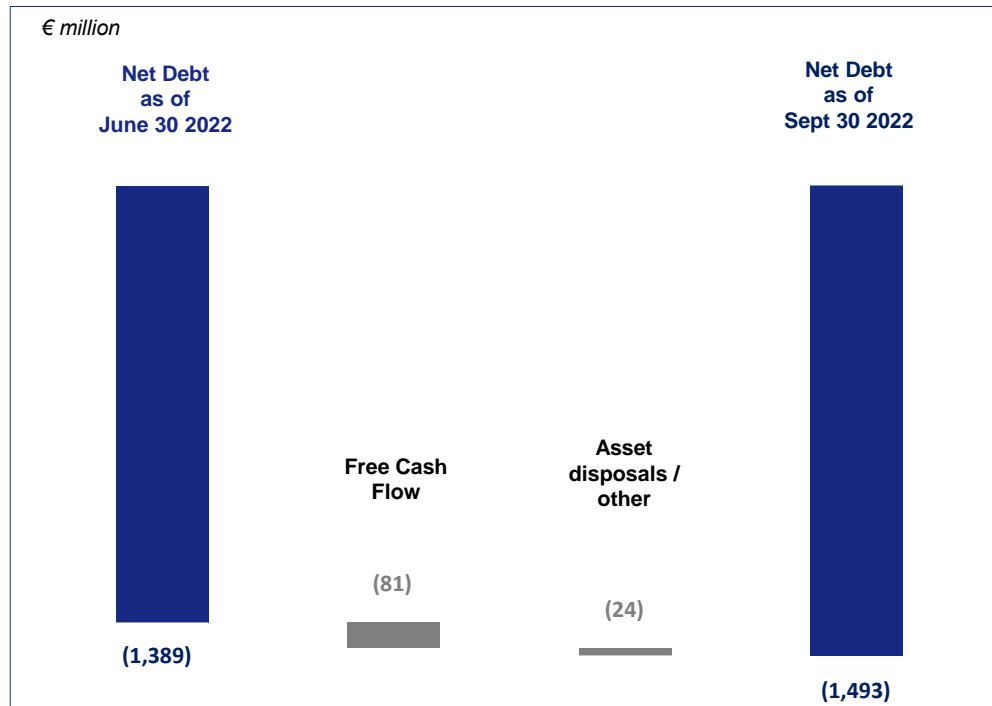


**Improving ongoing cash generation**  
**Restructuring cash out and Capex temporarily above trend**

**Investment in working capital reflects business growth**

\*Working Capital defined as Inventory plus net trade receivables and trade payables (excluding provisions) at balance sheet forex

# NET DEBT AND LIQUIDITY



▶ **Liquidity position as of September 30 2022 of €703 million:**

- ▶ Cash of €291 million
- ▶ Revolving Credit Facility of €462 million o/w €412 million unutilized

▶ **Liquidity position as of November 21 2022:**

- ▶ Fully repaid utilized Revolving Credit Facility
- ▶ Closed \$210 million asset-backed loan with 5-year tenor provided by a group of four top ranked international banks

▶ **Maturity**

- ▶ Loans: €1,023 million bonds June 2026, €262 million PGE June 2027
- ▶ Liquidity: €462 million RCF June 2026, \$210 million ABL November 2027

**Net debt increase reflects investment in working capital; Year-end net debt projected to decline from current levels  
Very strong liquidity, no upcoming maturities**

# NEW REPORTING SEGMENTATION FY 2022 ONWARDS



## Results, Assets and Liabilities by Operating Segment FY 2021\*

<i>in € million</i>	Tubes	Mine and Forest	Holding companies and others	Inter-segment transactions	Total
<b>INCOME STATEMENT</b>					
Revenue	3,030	469	186	(243)	3,442
EBITDA	148	358	(16)	2	492
Depreciation of industrial assets	(178)	(10)	(14)	0	(202)
Impairment of assets and goodwill	(5)	0	0	0	(5)
Assets disposals, restructuring costs and non-recurring items	52	40	(4)	0	89
<b>Operating income (loss)</b>	<b>18</b>	<b>388</b>	<b>(33)</b>	<b>2</b>	<b>374</b>
<b>BALANCE SHEET</b>					
Non-current assets	1,878	265	79	0	2,222
Current assets	1,456	142	101	(164)	1,535
Cash and cash equivalents	451	37	658	(526)	619
Assets held for sale and discounted operations	331	11	30	0	372
<b>Total Assets</b>	<b>4,115</b>	<b>455</b>	<b>868</b>	<b>(690)</b>	<b>4,748</b>
<b>CASH FLOWS</b>					
Property, plant and equipment, intangible assets and biological assets	92	39	9	0	140

**New segmentation another step towards shareholder-oriented reporting\*\***

\* Preliminary, unaudited

\*\* The current segmentation can be found on page 196, note 2.1 of the 2021 Universal Registration Document

## **5. FY 2022 OUTLOOK AND KEY TAKEWAYS**

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# TUBE BUSINESS ENVIRONMENT



## NORTH AMERICA

- ▶ Highly favorable market conditions to continue through year-end and into 2023
- ▶ OCTG market very tight in terms of available supply

Q4 2022



2023



## EUROPE-AFRICA & MIDDLE EAST- ASIA

- ▶ Oil & Gas in Middle East and Asia: ongoing volume recovery in the coming quarters especially in dynamic Middle East markets; progressive recovery in pricing power
- ▶ Higher energy costs in Europe impacting GDP growth



## SOUTH AMERICA

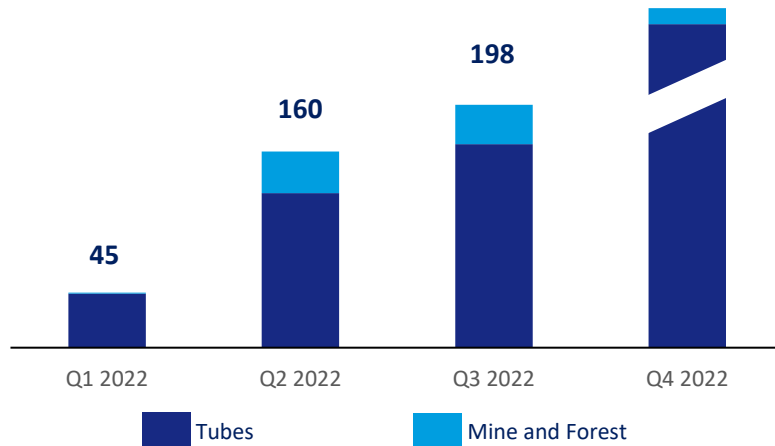
- ▶ Oil & Gas: prices and volumes expected to increase
- ▶ Industry: neutral volume outlook; price increases fully offsetting cost inflation



**Overall positive market environment for tube business  
Vallourec less exposed to European Industrial environment from 2024 onwards**

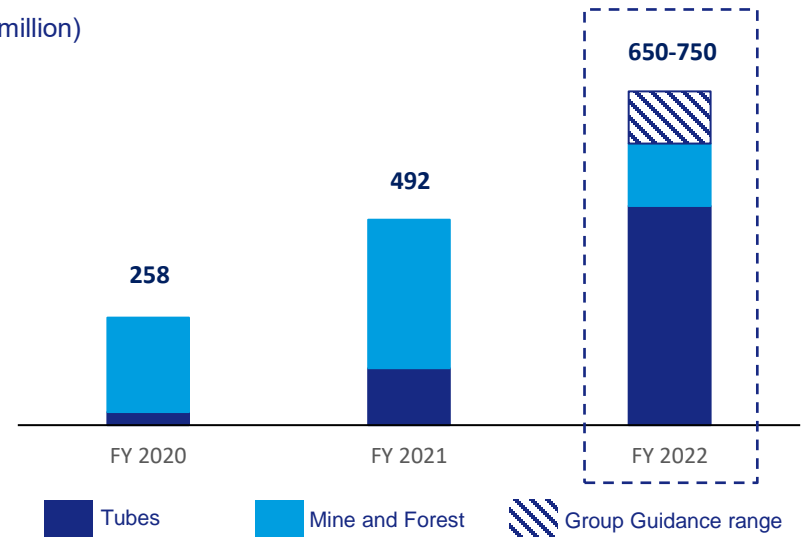
## Quarterly 2022 EBITDA improvement driven by Tube business

(€ million)



## FY 2022 EBITDA €650 to €750 million

(€ million)



**Strong pick up in tubes profitability, mine below potential in 2022**

## KEY TAKE AWAYS

- ▶ **Another quarter-on-quarter increase in EBITDA in Q3 driven by tube business**
- ▶ **Mine continues to operate in Q4 and Q1 2023, albeit below full capacity; works related to restoration of Cachoeirinha pile completed\* and request to release pile registered**
- ▶ **FY 2022 EBITDA guidance confirmed, and H2 Free Cash Flow expected to be positive driven by expected strong Q4 performance**
- ▶ **New Vallourec transition fully on track and significantly de-risked, with firm social agreements in France, Germany and the UK**
- ▶ **New Vallourec plan initiatives to be implemented in other regions**



\* Civil works related to restoration of minimum safety factor completed

# APPENDICES

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# Q3 2022 P&L



<i>In € million</i>	<b>Q3 2022</b>	<b>Q3 2021</b>	Change
<b>Revenues</b>	<b>1,282</b>	<b>834</b>	<b>53.7%</b>
Cost of sales	(1,004)	(627)	60.1%
<b>Industrial Margin</b>	<b>278</b>	<b>207</b>	<b>34.3%</b>
<i>(as a % of revenue)</i>	21.7%	24.8%	(3.1)p.p.
Sales, general and administrative costs	(77)	(75)	2.7%
<i>(as a % of revenue)</i>	(6.0)%	(9.0)%	(3)p.p.
Other	(3)	(4)	na
<b>EBITDA</b>	<b>198</b>	<b>128</b>	<b>€70m</b>
<i>(as a % of revenue)</i>	<b>15.4%</b>	<b>15.3%</b>	<b>0.1p.p.</b>
Depreciation of industrial assets	(47)	(43)	9.3%
Amortization and other depreciation	(11)	(10)	na
Impairment of assets	-	-	-
Asset disposals, restructuring costs and non-recurring items	(51)	(3)	na
<b>Operating income (loss)</b>	<b>89</b>	<b>72</b>	<b>€17m</b>
Financial income/(loss)	(30)	(36)	16.7%
<b>Pre-tax income (loss)</b>	<b>59</b>	<b>36</b>	<b>€23m</b>
Income tax	(53)	(41)	29.3%
Share in net income/(loss) of equity affiliates	(1)	(1)	na
<b>Net income</b>	<b>6</b>	<b>(6)</b>	<b>€12m</b>
Attributable to non-controlling interests	-	1	na
<b>Net income, Group share</b>	<b>6</b>	<b>(7)</b>	<b>€13m</b>
<b>Net earnings per share</b>	<b>0.03</b>	<b>(0.03)</b>	<b>na</b>

na = not applicable

# REVENUE BREAKDOWN – Q3 2022

## REVENUE BY REGION

<i>In € million</i>	Q3 2022	As % of revenue	Q3 2021	As % of revenue	Change
Europe	141	11.0%	139	16.6%	1.7%
North America (Nafta)	546	42.6%	215	25.8%	153.4%
South America	277	21.7%	302	36.2%	(8.1)%
Asia and Middle East	224	17.5%	142	17.0%	58.2%
Rest of the world	93	7.2%	37	4.4%	154.1%
<b>Total</b>	<b>1,281</b>	<b>100%</b>	<b>834</b>	<b>100%</b>	<b>53.6%</b>

## REVENUE BY MARKET

<i>In € million</i>	Q3 2022	As % of revenue	Q3 2021	As % of revenue	Change
Oil & Gas	794	62.0%	408	48.9%	94.4%
Petrochemicals	113	8.8%	48	5.7%	136.1%
<b>Oil &amp; Gas, Petrochemicals</b>	<b>907</b>	<b>70.8%</b>	<b>456</b>	<b>54.7%</b>	<b>98.8%</b>
Mechanicals	154	12.0%	130	15.6%	18.4%
Automotive	21	1.6%	24	2.8%	(10.8)%
Construction & Other	171	13.3%	194	23.3%	(12.0)%
<b>Industry &amp; Other</b>	<b>346</b>	<b>27.0%</b>	<b>348</b>	<b>41.7%</b>	<b>(0.5)%</b>
<b>Power Generation</b>	<b>28</b>	<b>2.2%</b>	<b>30</b>	<b>3.6%</b>	<b>(5.7)%</b>
<b>Total</b>	<b>1,281</b>	<b>100%</b>	<b>834</b>	<b>100%</b>	<b>53.6%</b>

# BALANCE SHEET AS AT SEPTEMBER 30<sup>TH</sup>, 2022



In € million

Assets	09/30/2022	12/31/2021	Liabilities	09/30/2022	12/31/2021
			Equity - Group share *	1,767	1,763
			Non-controlling interests	44	45
			<b>Total equity</b>	<b>1,811</b>	<b>1,808</b>
			<b>Shareholder loan</b>	<b>-</b>	<b>-</b>
Net intangible assets	41	45	Bank loans and other borrowings (A)	1,375	1,387
Goodwill	42	38	Lease debt (D)	56	33
Net property, plant and equipment	1,972	1,666	Employee benefit commitments	85	14
Biological assets	66	38	Deferred taxes	28	29
Equity affiliates	32	35	Provisions and other long-term liabilities	428	140
Other non-current assets	213	162	<b>Total non-current liabilities</b>	<b>1,972</b>	<b>1,603</b>
Deferred taxes	221	239	Provisions	213	40
<b>Total non-current assets</b>	<b>2,587</b>	<b>2,223</b>	Overdraft and other short-term borrowings (B)	409	190
Inventories	1,561	856	Lease debt (E)	22	15
Trade and other receivables	808	541	Trade payables	709	457
Derivatives - assets	21	4	Derivatives - liabilities	117	19
Other current assets	260	133	Other current liabilities	281	242
Cash and cash equivalents (C)	291	619	<b>Total current liabilities</b>	<b>1,751</b>	<b>963</b>
<b>Total current assets</b>	<b>2,941</b>	<b>2,153</b>	Liabilities held for sale and discontinued operations	8	374
Assets held for sale and discontinued operations	14	372	<b>Total equity and liabilities</b>	<b>5,542</b>	<b>4,748</b>
<b>Total assets</b>	<b>5,542</b>	<b>4,748</b>			

<b>Net debt (A+B+C)</b>	<b>1,493</b>	<b>958</b>	<b>* Net income (loss), Group share</b>	<b>(444)</b>	<b>40</b>
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<b>Lease debt (D+E)</b>	<b>78</b>	<b>48</b>
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# INDEBTEDNESS

<i>In € million</i>	09/30/2022
Bond issue – maturing in June 2026	1,143
PGE	218
RCF	50
ACC ACE	306
Other	67
<b>TOTAL GROSS FINANCIAL INDEBTEDNESS</b>	<b>1,784</b>
Cash	291
<b>TOTAL NET FINANCIAL INDEBTEDNESS</b>	<b>1,493</b>

▶ Euronext Paris: ISIN code: FR0013506730,  
Ticker: VK  
USA: American Depositary Receipt (ADR) - ISIN  
code: US92023R4074, Ticker: VLOWY

▶ **Investor Relations Contact - Vallourec Group**

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- [www.vallourec.com](http://www.vallourec.com)

▶ **Financial calendar:**

- March 2, 2023 – Publication of Q4 and full-year 2022 results

▶ **Conference and roadshow**

- January 5 to 10, 2023 - Oddo BHF Forum 2023 (Lyon)
- March 28, 2023 – Bank of America Energy & Utilities Conference (London)