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Q3 2021 Results

November 5, 2021

NYSE: EAF
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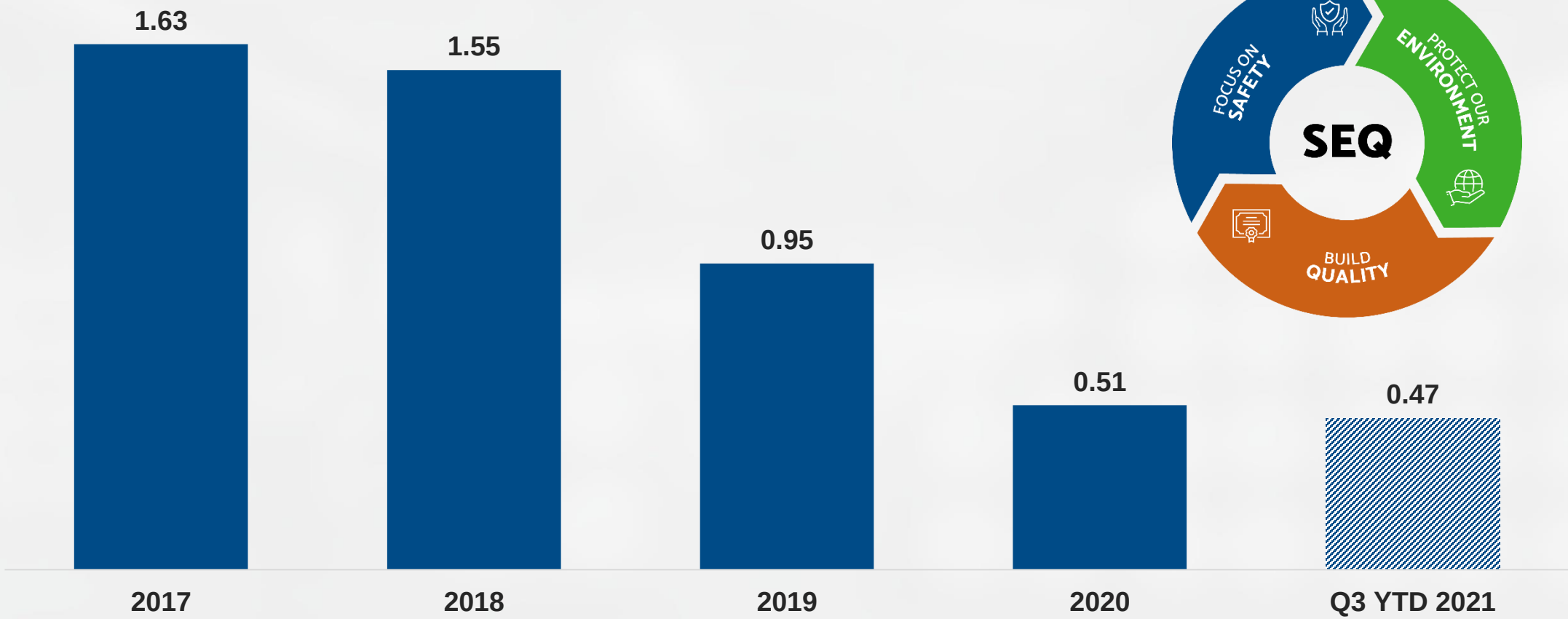
Forward-looking Statements

NOTE ON FORWARD-LOOKING STATEMENTS: This presentation and related discussions may contain forward-looking statements that reflect our current views with respect to, among other things, future events and financial performance. You can identify these forward-looking statements by the use of forward-looking words such as “will,” “may,” “plan,” “estimate,” “project,” “believe,” “anticipate,” “expect,” “foresee,” “intend,” “should,” “would,” “could,” “target,” “goal,” “continue to,” “positioned to,” “are confident,” or the negative versions of those words or other comparable words. Any forward-looking statements contained in this presentation are based upon our historical performance and on our current plans, estimates and expectations considering information currently available to us. The inclusion of this forward-looking information should not be regarded as a representation by us that the future plans, estimates, or expectations contemplated by us will be achieved. Our expectations and targets are not predictions of actual performance and historically our performance has deviated, often significantly, from our expectations and targets. These forward-looking statements are subject to various risks and uncertainties and assumptions relating to our operations, financial results, financial condition, business, prospects, growth strategy and liquidity. Accordingly, there are or will be important factors that could cause our actual results to differ materially from those indicated in these statements. We believe that these factors include, but are not limited to: the ultimate impact that the COVID-19 pandemic has on our business, results of operations, financial condition and cash flows; the cyclical nature of our business and the selling prices of our products may lead to periods of reduced profitability and net losses in the future; the possibility that we may be unable to implement our business strategies, including our ability to secure and maintain longer-term customer contracts, in an effective manner; the risks and uncertainties associated with litigation, arbitration, and like disputes, including the current stockholder litigation and disputes related to contractual commitments; the possibility that global graphite electrode overcapacity may adversely affect graphite electrode prices; pricing for graphite electrodes has historically been cyclical and the price of graphite electrodes may decline in the future; the sensitivity of our business and operating results to economic conditions and the possibility others may not be able to fulfill their obligations to us in a timely fashion or at all; our dependence on the global steel industry generally and the electric arc furnace steel industry in particular; the competitiveness of the graphite electrode industry; our dependence on the supply of petroleum needle coke; our dependence on supplies of raw materials (in addition to petroleum needle coke) and energy; our manufacturing operations are subject to hazards; changes in, or more stringent enforcement of, health, safety and environmental regulations applicable to our manufacturing operations and facilities; the legal, compliance, economic, social and political risks associated with our substantial operations in multiple countries; the possibility that fluctuation of foreign currency exchange rates could materially harm our financial results; the possibility that our results of operations could deteriorate if our manufacturing operations were substantially disrupted for an extended period, including as a result of equipment failure, climate change, regulatory issues, natural disasters, public health crises, such as the COVID-19 pandemic, political crises or other catastrophic events; our dependence on third parties for certain construction, maintenance, engineering, transportation, warehousing and logistics services; the possibility that we are unable to recruit or retain key management and plant operating personnel or successfully negotiate with the representatives of our employees, including labor unions; the possibility that we may divest or acquire businesses, which could require significant management attention or disrupt our business; the sensitivity of goodwill on our balance sheet to changes in the market; the possibility that we are subject to information technology systems failures, cybersecurity attacks, network disruptions and breaches of data security; our dependence on protecting our intellectual property; the possibility that third parties may claim that our products or processes infringe their intellectual property rights; the possibility that significant changes in our jurisdictional earnings mix or in the tax laws of those jurisdictions could adversely affect our business; the possibility that our indebtedness could limit our financial and operating activities or that our cash flows may not be sufficient to service our indebtedness; the possibility that restrictive covenants in our financing agreements could restrict or limit our operations; the fact that borrowings under certain of our existing financing agreements subject us to interest rate risk; the possibility of a lowering or withdrawal of the ratings assigned to our debt; the possibility that disruptions in the capital and credit markets could adversely affect our results of operations, cash flows and financial condition, or those of our customers and suppliers; the possibility that concentrated ownership of our common stock may prevent minority stockholders from influencing significant corporate decisions; the possibility that we may not pay cash dividends on our common stock in the future; the fact that our stockholders have the right to engage or invest in the same or similar businesses as us; the possibility that the market price of our common stock could be negatively affected by sales of substantial amounts of our common stock in the public markets, including by Brookfield Asset Management Inc. and its affiliates; the fact that certain provisions of our Amended and Restated Certificate of Incorporation and our Amended and Restated By-Laws could hinder, delay or prevent a change of control; the fact that the Court of Chancery of the State of Delaware will be the exclusive forum for substantially all disputes between us and our stockholders; and the loss of our status as a “controlled company” within the meaning of the New York Stock Exchange corporate governance standards, which will result in us no longer qualifying for exemptions from certain corporate governance requirements.

These factors should not be construed as exhaustive and should be read in connection with our other cautionary statements, including the Risk Factors sections included in our most recent Annual Report on Form 10-K and other filings with the Securities and Exchange Commission (the SEC). The forward-looking statements made in this presentation relate only to events as of the date on which the statements are made. We do not undertake any obligation to publicly update or review any forward-looking statement, except as required by law, whether as a result of new information, future developments or otherwise.

Prioritizing Safety – Continued YTD Improvement

Total Recordable Injury Rates[1]



[1] Total recordable injury rates measured per 200,000 hours worked.

Positive Industry Growth & Pricing

Steel Industry Fundamentals continued to improve in Q3

- Global steel production, excluding China, of ~218 million tons in Q3; up 15% year-over-year[1]
- Global steel manufacturing utilization rate, excluding China, was ~74% in Q3[2]
- Steel prices continue to be at or near record highs globally

Graphite Electrode Industry

- Graphite electrode and needle coke prices continue to increase with strong demand
- Current demand trends support significantly higher graphite electrode pricing in 2022
- Freight and energy costs increasing

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[1]Source: World Steel Association, October 26, 2021
[2]Source: World Steel Association and Metal Expert

Commercial Outlook Improving

- Market conditions **have continued to improve in 2021**
- **Accelerating demand for our products** resulting in strong sequential and year over year performance
- Expect 4th quarter realized **non-LTA prices to increase 7-9% over the third quarter** of 2021, with a larger sequential increase in 2022
- **Long-term agreement (LTA) sales volume and revenues estimates increased** for 2021:

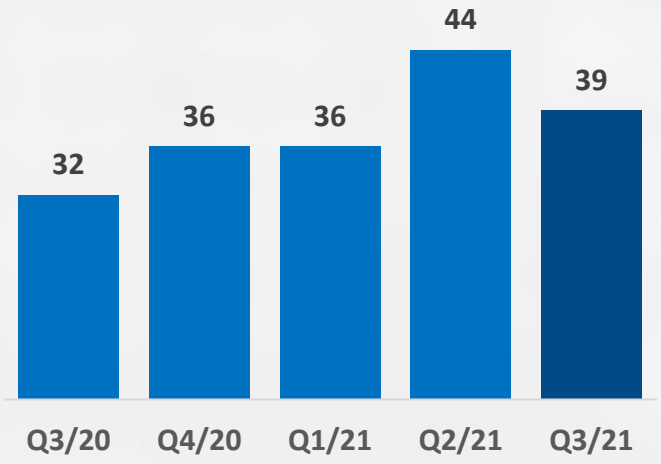
	2021	2022	2023 through 2024
Estimated LTA volume (thousands of MT's)	**106-110**	**95-105**	**35-45**
Estimated LTA revenue (millions of $'s)	**$1,000-$1,045**	**$910-$1,010**	**$350-$450[1]**

[1] Includes expected termination fees from a few customers that have failed to meet certain obligations under their LTAs.

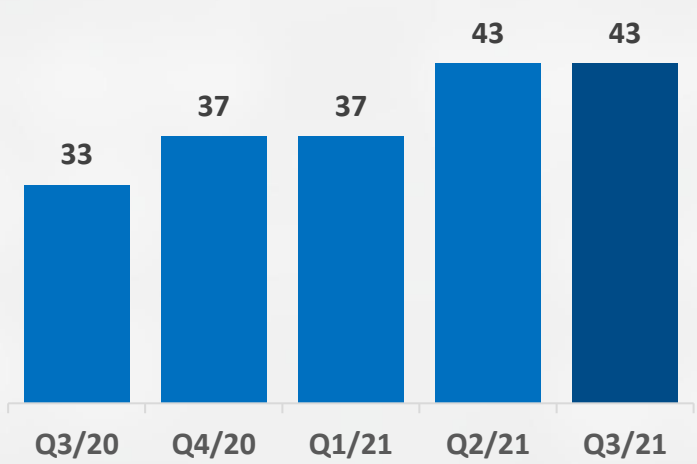
Strong Production and Sales Growth

- Production **up 22%,** Sales Volume **up 30%** and Net Sales **up 21%** vs. Q3 2020
- Focused on operational excellence as demand accelerates

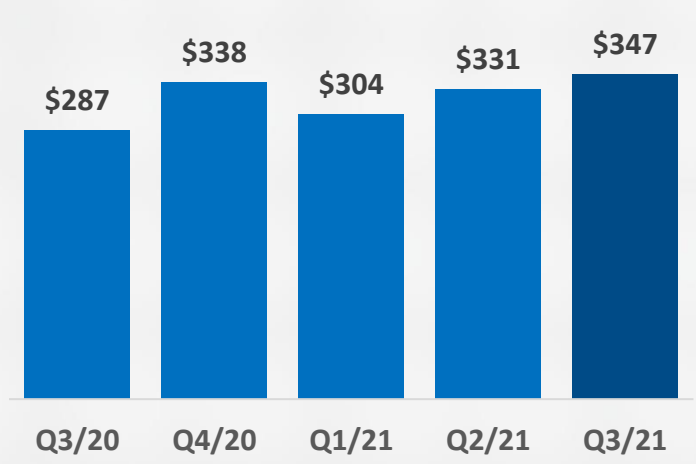
Production (000 MT)



Sales Volumes (000 MT)



Net Sales ($ Million)



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Sustainability Report Highlights Continued ESG Progress

Launched Second Annual Sustainability Report in September

Highlights of our 2020 Sustainability Report include:

- CEO Message and an Overview of our Material ESG Topics and Sustainability Strategy
- Workforce, Health and Safety and Talent Management
- Society and involvement with our Local Communities
- Products and Customers, focusing on Product Quality, Customer Service and Material Sourcing
- Environment, including Environmental Management, Energy, Emissions and Air Quality, Water and Waste



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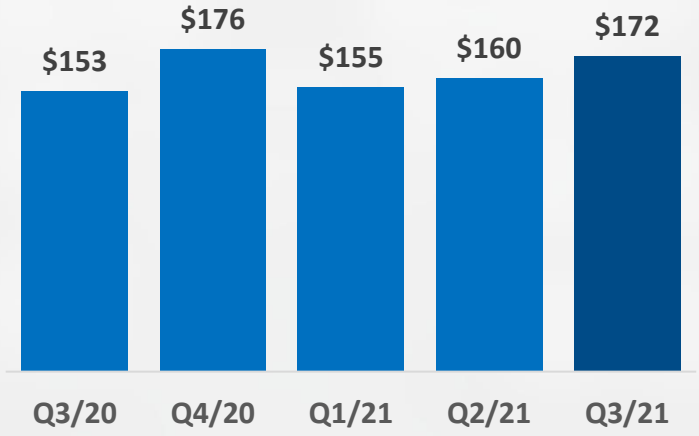
Robust Earnings and Cash Flow Improvement

- Continuing to deliver strong results in Q3 2021
  - EPS of **$0.45,** net income of **$120 million** and net income margin of **35%**
  - Adjusted EBITDA[1] of **$172 million** and adjusted EBITDA margin[2] of **50%**
  - Operating cash flow of **$134 million**, free cash flow of **$120 million** and adjusted free cash flow[3] of **$125 million**
  - **73%** of adjusted EBITDA[1] converted to adjusted free cash flow[1, 3]

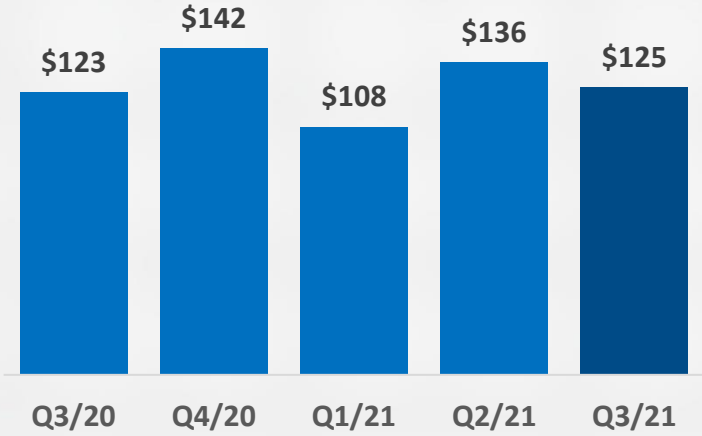
Adjusted Earnings Per Share [1]



Adjusted EBITDA ($ Million)[1]



Adjusted Free Cash Flow ($ Million)[3]



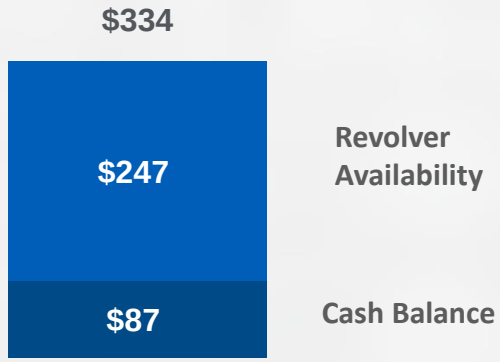
[1]Non-GAAP measure, see page 16 for reconciliation.
[2]Adjusted EBITDA margin is a non-GAAP measure that is calculated as adjusted EBITDA divided by net sales (Q3 2021 adjusted EBITDA of $172 million/Q3 2021 net sales of $347 million).
[3]Non-GAAP measures, see page 17 for reconciliation. Adjusted free cash flow conversion is calculated as adjusted free cash flow divided by adjusted EBITDA (Q3 2021 adjusted free cash flow of $125 million/Q3 2021 adjusted EBITDA of $172 million).

Balance Sheet Strength and Financial Flexibility

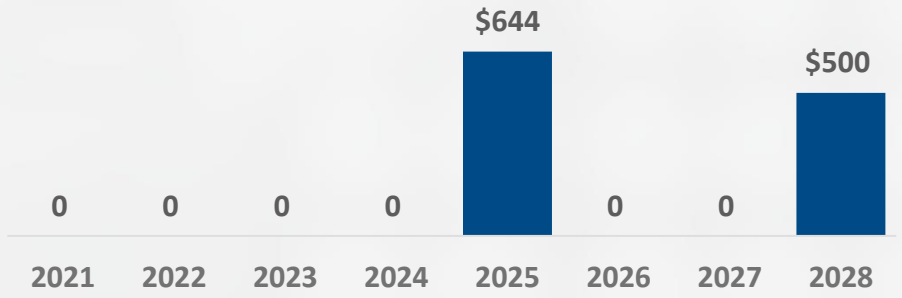
Strengthening Capital Structure through Significant Deleveraging

- Reduced debt by **$100 million** in Q3, **$300 million** Q3 YTD; continuing to decrease amount maturing in 2025
- **Total Debt / Adjusted EBITDA[1] 1.7x compared to 2.2x as of Q3 2020**
- Liquidity of **$334 million**

Liquidity ($ Million)



Debt Maturity Profile ($ Million)



[1]Non-GAAP measure, see page 16 for reconciliation; adjusted EBITDA in this calculation is on a trailing 12-month basis.

Delivering on Key Capital Allocation Priorities

Generate Meaningful Cash Flows

- Delivering strong cash flow in 2021
- Operating cash flow of $134 million and adjusted free cash flow[1] of $125 million
- Converted 73% percent of adjusted EBITDA[2] to adjusted free cash flow[1, 3]

Strong Balance Sheet for Operational and Strategic Flexibility

- Using majority of free cash flow in 2021 for debt reduction

Returning Capital to Shareholders

- Repurchased ~4.3 million shares of stock for $46 million in the third quarter

Reinvest in Productive, High-Quality, Low-Cost Operations

- Maintaining our assets and targeting operational improvements that generate high return on investment
- Continue to expect capital expenditures of $55 million – $65 million in 2021

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[1] Non-GAAP measure, see page 17 for reconciliation.
[2] Non-GAAP measure, see page 16 for reconciliation.
[3] Adjusted free cash flow conversion is calculated as adjusted free cash flow divided by adjusted EBITDA (Q3 2021 adjusted free cash flow of $125 million/Q3 2021 adjusted EBITDA of $172 million).

An Industry-Leading Producer of Graphite Electrodes

- ✓ **Graphite electrodes are a highly engineered, mission critical industrial consumable for electric arc furnace steel production, that constitute less than 5% of customer COGS**
  - EAF steelmaking long-term historical growth rate of about 3%[1], low capital and cost structure and flexible to operate
- ✓ **Sharp focus on providing services and solutions for electric arc furnace steel producers**
- ✓ **Sustainable competitive advantage from our low-cost structure**
  - Substantial vertical integration into petroleum needle coke
  - Efficient operation of three of the largest graphite electrode manufacturing facilities in the world
- ✓ **Consistent cash flow generation and commitment to strong balance sheet**
- ✓ ESG factors are a tailwind; EAF steelmaking produces **~75% less carbon dioxide emissions** than integrated steelmaking[2]









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[1] Source: World Steel Association
[2] Source: Steel Manufacturers Association

Disclosures

Non-GAAP Financial Measures

Investors are encouraged to read the information contained in this presentation in conjunction with the following information, the Forward-looking statements information on page 2 and the factors described under the “Risk Factors” section of the Company’s most recent Annual Report on Form 10-K and disclosure in the Company’s other SEC filings.

Adjusted EBITDA is a non-GAAP financial measure and the primary metric used by our management and our board of directors to establish budgets and operational goals for managing our business and evaluating our performance. We define adjusted EBITDA as EBITDA plus any pension and other post-employment benefit plan expenses, public offerings and related expenses, non-cash gains or losses from foreign currency remeasurement of non-operating assets and liabilities in our foreign subsidiaries where the functional currency is the U.S. dollar, related party Tax Receivable Agreement adjustments, stock-based compensation and non-cash fixed asset write-offs and Change in Control charges that were triggered as a result of the ownership of our largest stockholder falling below 30% of our total outstanding shares. For purposes of this section, a "Change in Control" occurred when Brookfield and any affiliates thereof ceased to own stock of the Company that constitutes at least thirty percent (30%) or thirty-five percent (35%), as applicable, of the total fair market value or total voting power of the stock of the Company. Adjusted EBITDA is the primary metric used by our management and our Board of Directors to establish budgets and operational goals for managing our business and evaluating our performance. We define EBITDA, a non-GAAP financial measure, as net income or loss plus interest expense, minus interest income, plus income taxes, and depreciation and amortization. We monitor adjusted EBITDA as a supplement to our GAAP measures, and believe it is useful to present to investors, because we believe that it facilitates evaluation of our period to period operating performance by eliminating items that are not operational in nature, allowing comparison of our recurring core business operating results over multiple periods unaffected by differences in capital structure, capital investment cycles and fixed asset base. Adjusted EBITDA margin is also a non-GAAP financial measure used by our management and our board of directors as supplemental information to assess the Company’s operational performance and is calculated as adjusted EBITDA divided by net sales. In addition, we believe adjusted EBITDA, adjusted EBITDA margin and similar measures are widely used by investors, securities analysts, ratings agencies, and other parties in evaluating companies in our industry as a measure of financial performance and debt service capabilities. We also monitor the ratio of total debt to trailing twelve month adjusted EBITDA, because we believe it is a useful and widely used way to assess our leverage.

We define adjusted net income, a non-GAAP financial measure, as net income or loss and excluding the items used to calculate adjusted EBITDA, less the tax effect of those adjustments. We define adjusted EPS, a non-GAAP financial measure, as adjusted net income divided by the weighted average of diluted common shares outstanding during the period. We believe adjusted net income and adjusted EPS are useful to present to investors because we believe that they assist investors’ understanding of the underlying operational profitability of the Company.

Free cash flow and adjusted free cash flow, non-GAAP financial measures, are metrics used by our management and our board of directors to analyze cash flows generated from operations. We define free cash flow as net cash provided by operating activities less capital expenditures. We define adjusted free cash flow as free cash flow adjusted by the Change in Control charges that were triggered as a result of the ownership of our largest stockholder falling below 30% of our total outstanding shares. We believe these free cash flow metrics are useful to present to investors because we believe that they facilitate comparison of the Company’s performance with its competitors. Free cash flow conversion and adjusted free cash flow conversion are also non-GAAP financial measures used by our management and our board of directors as supplemental information to evaluate the Company’s ability to convert earnings from our operational performance to cash. We calculate free cash flow conversion as free cash flow divided by adjusted EBITDA and adjusted free cash flow conversion as adjusted free cash flow divided by adjusted EBITDA.

Although EBITDA, adjusted EBITDA, adjusted EBITDA margin, adjusted net income, adjusted EPS, free cash flow, adjusted free cash flow, free cash flow conversion and adjusted free cash flow conversion and similar measures are frequently used by other companies, our calculation of these measures is not necessarily comparable to such other similarly titled measures of other companies. The non-GAAP presentations of EBITDA, adjusted EBITDA, adjusted EBITDA margin, adjusted net income, adjusted EPS, free cash flow, adjusted free cash flow, free cash flow conversion and adjusted free cash flow conversion are not meant to be considered in isolation or as a substitute for analysis of our results as reported under GAAP. When evaluating our performance, you should consider these measures alongside other measures of financial performance and liquidity, including our net income (loss) and cash flow from operating activities, respectively, and other GAAP measures.

Reconciliation to Adjusted Net Income

($ in thousands)	Sept 30, 2020	Dec 31, 2020	March 31, 2021	For the Three Months Ended June 30, 2021	Sept 30, 2021
Net income	$ 94,234	$ 125,096	$ 98,799	$ 28,165	$ 119,886
Adjustments (pre-tax):					
Pension and OPEB plan expenses [1]	583	4,430	431	430	434
Public offerings and related expenses [2]	-	260	422	241	-
Non-cash loss (gain) on foreign currency remeasurement [3]	798	1,738	(348)	2,255	(1,542)
Stock-based compensation [4]	764	778	768	550	262
Non-cash fixed asset write-off [5]	-	378	-	313	-
Related party Tax Receivable Agreement adjustment [6]	-	(17,744)	47	-	-
Change in control LTIP award [7]	-	-	-	73,384	-
Change in control stock-based compensation acceleration [7]	-	-	-	14,713	-
Total non-GAAP adjustments pre-tax	2,145	(10,160)	1,320	91,886	(846)
Income tax impact on non-GAAP adjustments	270	768	239	5,564	2
Adjusted net income	$ 96,109	$ 114,168	$ 99,880	$ 114,487	$ 119,038

(1) Service and interest cost of our OPEB plans. Also includes a mark-to-market loss (gain) for plan assets as of December of each year.
(2) Legal, accounting, printing and registration fees associated with public offerings and related expenses.
(3) Non-cash gains and losses from foreign currency remeasurement of non-operating assets and liabilities of our non-U.S. subsidiaries where the functional currency is the U.S. dollar.
(4) Non-cash expense for stock-based compensation grants.
(5) Non-cash fixed asset write-off recorded for obsolete assets.
(6) Non-cash expense adjustment for future payment to our sole pre-IPO stockholder for tax assets that are expected to be utilized.
(7) In the second quarter of 2021, we incurred Change in Control charges as a result of the ownership of our largest stockholder, Brookfield, moving below 30% of our total shares outstanding.

Reconciliation to Adjusted EPS

	For the Three Months Ended				
	Sept 30, 2020	Dec 31, 2020	March 31, 2021	June 30, 2021	Sept 30, 2021
Earnings per share	$ 0.35	$ 0.47	$ 0.37	$ 0.11	$ 0.45
Adjustments per share:					
Pension and OPEB plan expenses [(1)]	-	0.02	-	-	-
Public offerings and related expenses [(2)]	-	-	-	-	-
Non-cash loss (gain) on foreign currency remeasurement [(3)]	0.01	0.01	-	0.01	-
Stock-based compensation [(4)]	-	-	-	-	-
Non-cash fixed asset write-off [(5)]	-	-	-	-	-
Related party Tax Receivable Agreement adjustment [(6)]	-	(0.07)	-	-	-
Change in control LTIP award [(7)]	-	-	-	0.27	-
Change in control stock-based compensation acceleration [(7)]	-	-	-	0.06	-
Total non-GAAP adjustments pre-tax per share	0.01	(0.04)	-	0.34	-
Income tax impact on non-GAAP adjustments	-	-	-	0.02	-
Adjusted earnings per share	$ 0.36	$ 0.43	$ 0.37	$ 0.43	$ 0.45

(1) Service and interest cost of our OPEB plans. Also includes a mark-to-market loss (gain) for plan assets as of December of each year.
(2) Legal, accounting, printing and registration fees associated with public offerings and related expenses.
(3) Non-cash gains and losses from foreign currency remeasurement of non-operating assets and liabilities of our non-U.S. subsidiaries where the functional currency is the U.S. dollar.
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Reconciliation to Adjusted EBITDA

($ in thousands)	Dec 31, 2019	March 31, 2020	June 30, 2020	Sept 30, 2020	Dec 31, 2020	March 31, 2021	June 30, 2021	Sept 30, 2021	TTM Ended Sept 30, 2020	TTM Ended Sept 30, 2021
	For the Three Months Ended									
Net income	$ 174,922	122,268	$ 92,776	$ 94,234	$ 125,096	$ 98,799	$ 28,165	$ 119,886	$ 484,200	$ 371,946
Add:										
Depreciation and amortization	15,432	14,284	14,549	16,241	17,889	16,539	16,292	15,584	60,506	66,304
Interest expense	28,859	25,672	20,880	22,474	29,048	22,167	15,994	16,048	97,885	83,257
Interest income	(1,799)	(1,141)	(348)	(93)	(168)	(37)	(199)	(417)	(3,381)	(821)
Income taxes	7,285	23,946	19,788	18,104	13,833	16,257	7,765	21,920	69,123	59,775
EBITDA	$ 224,699	$ 185,029	$ 147,645	$ 150,960	$ 185,698	$ 153,725	$ 68,017	$ 173,021	$ 708,333	$ 580,461
Adjustments (pre-tax):										
Pension and OPEB plan expenses [1]	4,330	542	541	583	4,430	431	430	434	5,996	5,725
Public offerings and related expenses [2]	647	4	-	-	260	422	241	-	651	923
Non-cash loss (gain) on foreign currency remeasurement [3]	942	(3,461)	2,222	798	1,738	(348)	2,255	(1,542)	501	2,103
Stock-based compensation [4]	575	410	717	764	778	768	550	262	2,466	2,358
Non-cash fixed asset write-off [5]	-	-	-	-	378	-	313	-	-	691
Related party Tax Receivable Agreement adjustment [6]	3,393	(3,346)	-	-	(17,744)	47	-	-	47	(17,697)
Change in control LTIP award [7]	-	-	-	-	-	-	73,384	-	-	73,384
Change in control stock-based compensation acceleration [7]	-	-	-	-	-	-	14,713	-	-	14,713
Adjusted EBITDA	$ 234,586	$ 179,178	$ 151,125	$ 153,105	$ 175,538	$ 155,045	$ 159,903	$ 172,175	$ 717,994	$ 662,661

Total Debt / TTM adjusted EBITDA ratio calculation

Total Debt as of September 30, 2020 and 2021	$ 1,564,578	$ 1,127,540
Trailing Twelve Month (TTM) adjusted EBITDA	$ 717,994	$ 662,661
Total Debt to TTM adjusted EBITDA ratio	2.2	1.7

(1) Service and interest cost of our OPEB plans. Also includes a mark-to-market loss (gain) for plan assets as of December of each year.
(2) Legal, accounting, printing and registration fees associated with public offerings and related expenses.
(3) Non-cash gains and losses from foreign currency remeasurement of non-operating assets and liabilities of our non-U.S. subsidiaries where the functional currency is the U.S. dollar.
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(6) Non-cash expense adjustment for future payment to our sole pre-IPO stockholder for tax assets that are expected to be utilized.
(7) In the second quarter of 2021, we incurred Change in Control charges as a result of the ownership of our largest stockholder, Brookfield, moving below 30% of our total shares outstanding.

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Reconciliation to Free Cash Flow and Adjusted Free Cash Flow

($ in thousands)	June 30, 2020	Sept 30, 2020	Dec 31, 2020	March 31, 2021	For the Three Months Ended June 30, 2021	For the Three Months Ended Sept 30, 2021
Net cash provided by operating activities	$ 148,373	$ 129,009	$ 146,981	$ 122,425	$ 86,330	$ 134,256
Capital expenditures	(10,454)	(6,333)	(5,387)	(14,174)	(11,878)	(14,374)
Free cash flow	$ 137,919	$ 122,676	$ 141,594	$ 108,251	$ 74,452	$ 119,882
Change in control payment[1]					61,455	5,263
Adjusted free cash flow					$ 135,907	$ 125,145

(1) In the second quarter of 2021, we incurred pre-tax Change in Control charges of $88 million as a result of the ownership of our largest stockholder, Brookfield, moving below 30% of our total shares outstanding. Of the $88 million in pre-tax Change in Control charges, $73 million are cash and $15 million are non-cash. $61 million of the cash charges were paid in the second quarter of 2021 and $5 million of the cash charges were paid in the third quarter of 2021; an additional $7 million will be paid in subsequent quarters, as a result of the timing of related payroll tax payments.