GRAFTech International

BMO Capital Markets
29th Global Metals & Mining Conference

February 24 - 25, 2020



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,” “intend,” “should,” “would,” “could,” “target,” “goal,” “continue to,” “positioned to,” "are confident", "remain solid", "remain positive", "remain optimistic" or the negative version 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 in light of 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 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 initiative to secure and maintain longer-term customer contracts, in an effective manner; 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 ("EAF") 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; the possibility that 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, 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 tax legislation could adversely affect us or our stockholders; 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 highly 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 certain of 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; 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 our status as a "controlled company" within the meaning of the New York Stock Exchange (“NYSE”) corporate governance standards, which allows us to qualify for exemptions from certain corporate governance requirements.

These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements, including the Risk Factors section of our Annual Report on Form 10-K and other filings with 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.

A Leading Supplier of Graphite Electrodes to EAF Steelmakers

- ☑ Graphite Electrodes are a mission critical, highly engineered consumable for the growing EAF market
- ☑ High capacity, low cost, high quality production
- ☑ Substantial vertical integration provides security of supply and sustainable competitive advantage
- ☑ Long-term contracts provide profitability, stability and visibility
- ☑ Generating meaningful cash flows; prioritizing shareholder returns and debt repayments

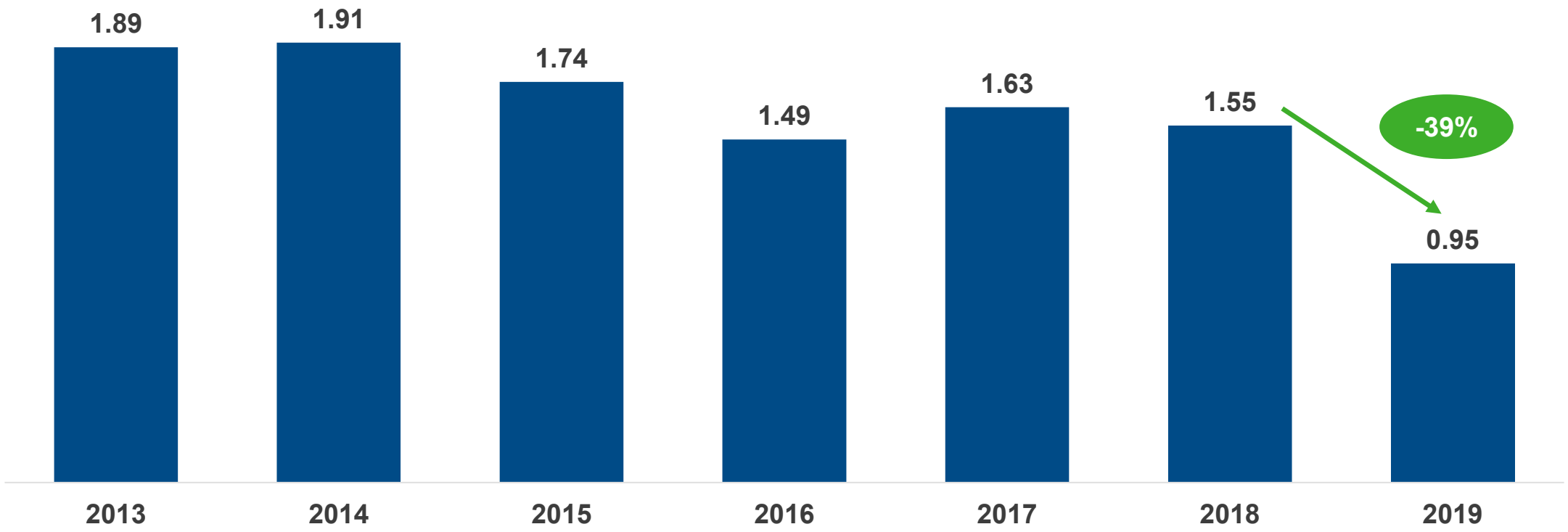
Global Network of Production and Sales



GRAFTech International

Building Safe and Efficient Operations

Total Recordable Injury Rates[1]



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

Recent Market Trends

Market Conditions

- Global crude steel production (ex-China) down ~2% in 2019[1]
- Customers are destocking graphite electrodes; expect conditions to improve in H2/20
- Long-term EAF outlook remains strong

Vertical Integration Provides Competitive Advantage

- Wholly-owned Seadrift subsidiary offers secure, high-quality supply of petroleum needle coke
- Internal needle coke production is cost advantaged relative to third party needle coke

Long-term Contracts

- Majority of GrafTech volumes sold on long-term contracts
- Offer customers security of high quality supply; offer profitability and visibility of cash flows

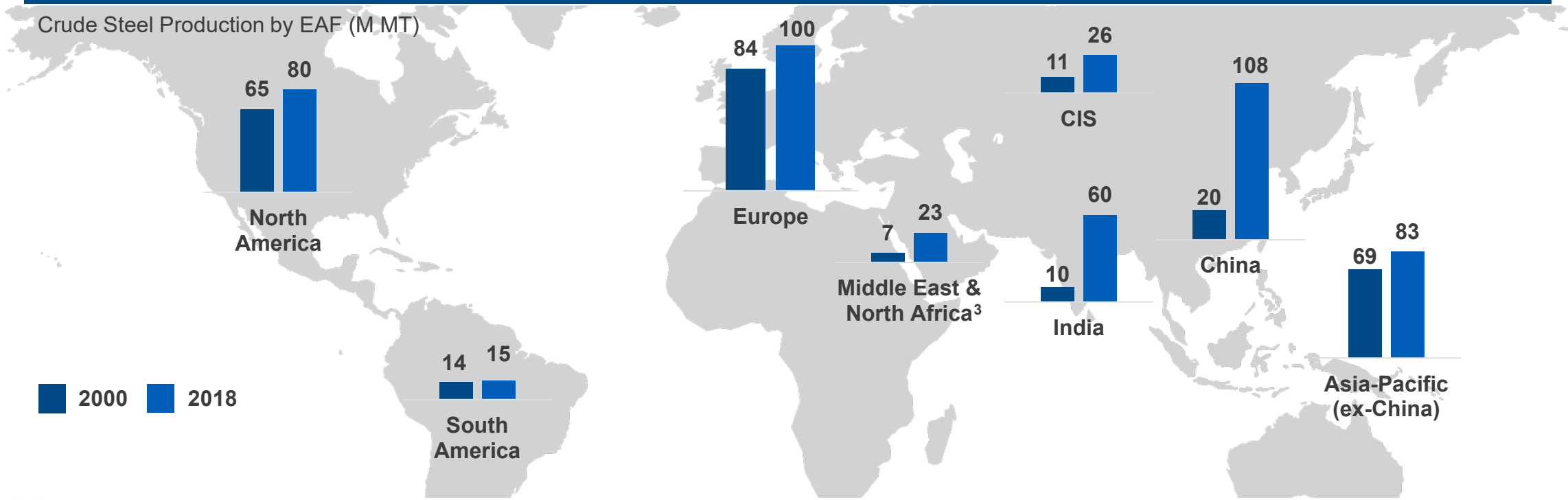


[1] Source: World Steel Association press release dated January 27, 2020.

Global Shift to EAF Steel Production

- EAF steelmakers continue to take market share from integrated steelmakers due to better cost structure and lower environmental footprint
- EAF accounts from 47% of the global steel production outside of China, up from 37% in 1984[1]
- In 2018, Chinese steel production was approximately 12% EAF; China's stated objective is to move to 20% EAF steel production by 2025[2]

Global Growth of EAF Steel Production, 2000 to 2018[1]

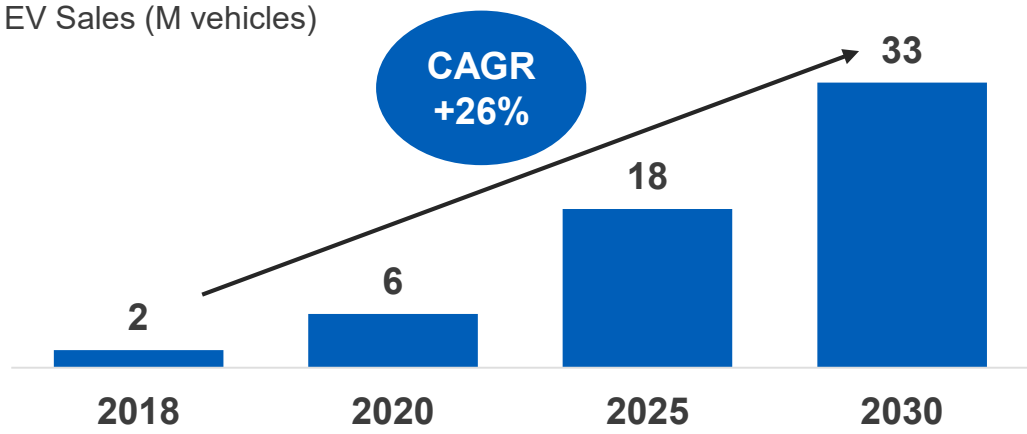


[1] Source: World Steel Association Steel Statistical Yearbook 2019. [2] Source: China's Ministry of Industry and Information Technology (MIIT), September 2019. [3] Excludes Iran.

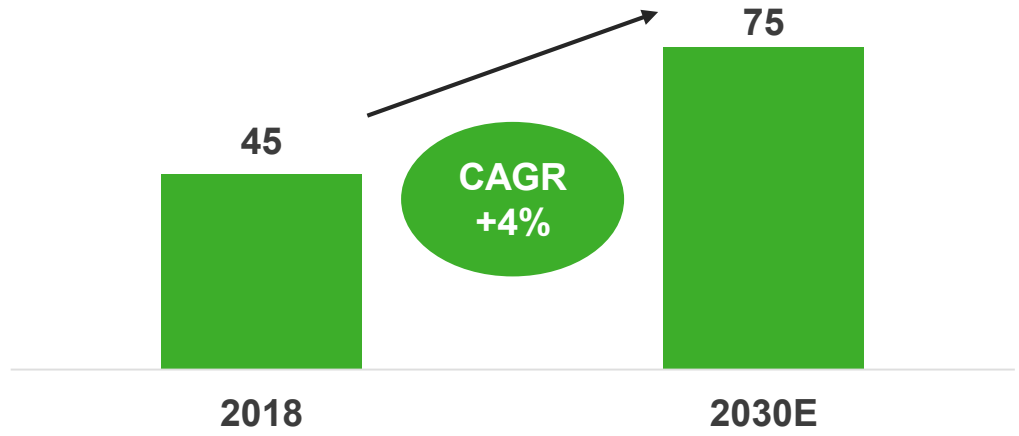
Growing Needle Coke Use in Electric Vehicles

- Graphite is a key material in anodes for lithium-ion batteries
- Two types of graphite are used in anodes: synthetic (e.g. needle coke) and natural
- Synthetic graphite is advantaged in terms of charging rate and capacity

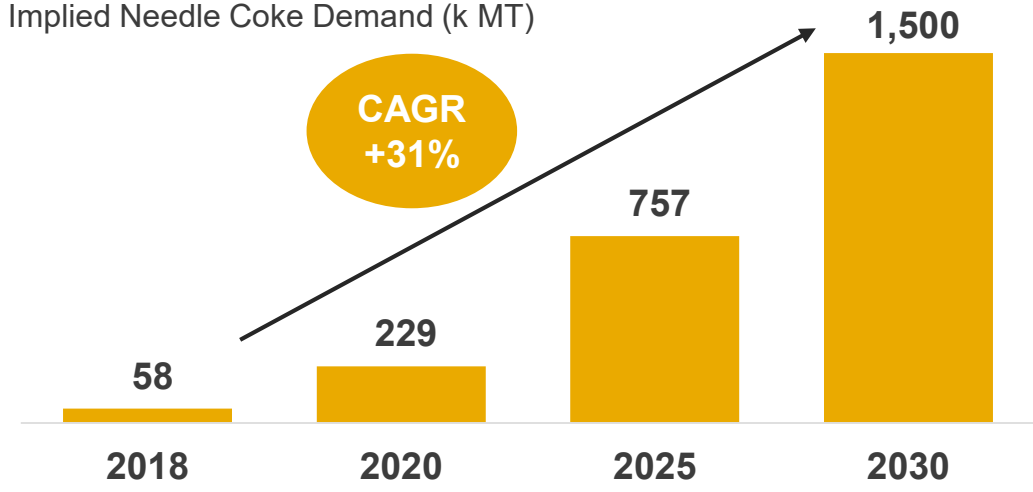
Increasing electric vehicle sales[1]…



…and increasing EV battery pack size[2]



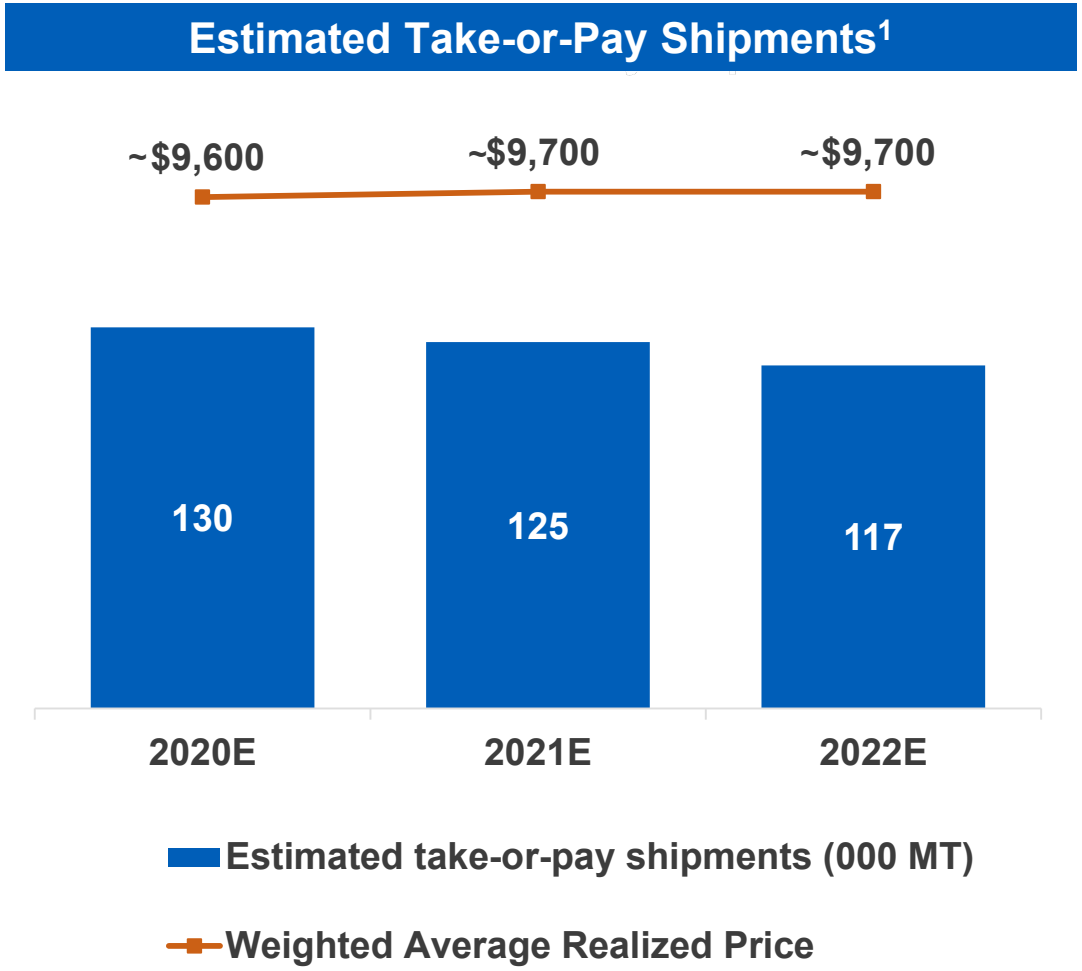
…are driving incremental demand for needle coke[3]



[1] Source: IEA Global EV Outlook 2019, assumes the mid-point of the "New Policies" and "EV30@30" Scenarios. [2] Source: IEA Global EV Outlook 2019. [3] Source: IEA Global EV Outlook 2019 for electric vehicle sales and battery back capacity, also assumes ~0.8kg anode material per kWh of battery pack capacity, anode material is assumed to be approximately 50/50 synthetic and natural graphite, with a yield of 50%.

Long-Term Contracts Provide Profitability and Visibility

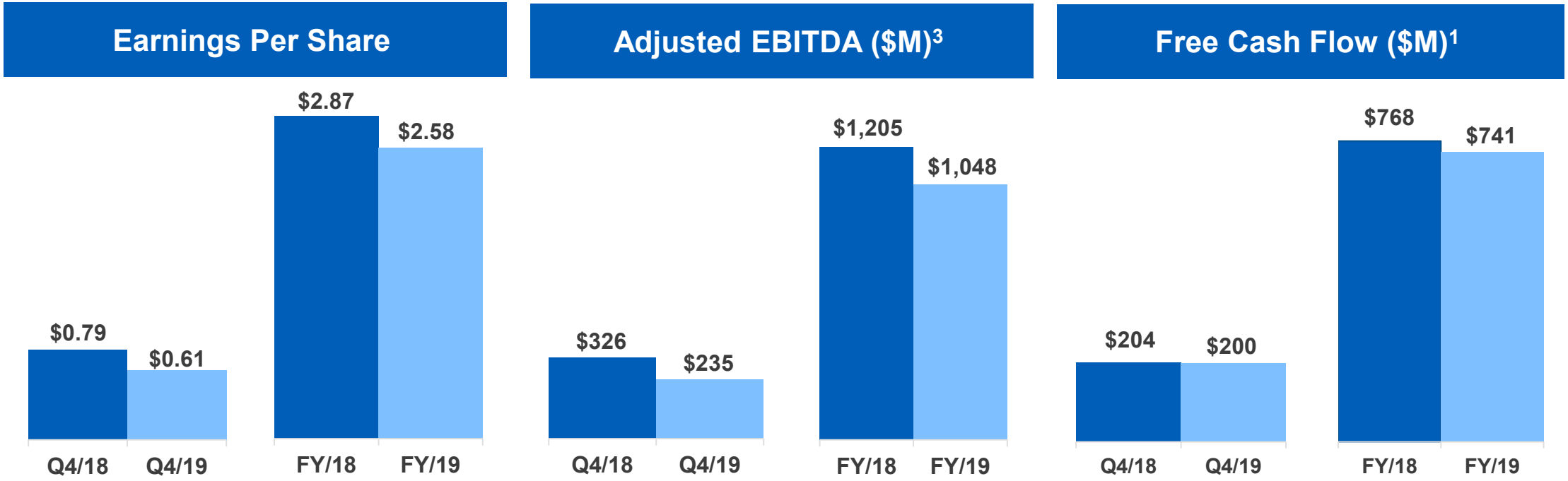
- Substantial vertical integration supports long-term, take-or-pay contracts
  - Minimal customer concentration; >100 global customers
  - On average, customers are strong credit counterparties; credit protections in place in some instances
- Seadrift coke cost advantage and focused cost controls drive strong financial performance on contracted tons
- 2020 estimated shipment volumes[1] are below the mid-point of contracted volumes due to:
  - Fixed share contracts with volume ranges
  - Financial distress and/or operating difficulties at certain customers



[1]Contracts have fixed prices and either fixed volumes (83% of the portfolio) or a specified volume range (17% of the portfolio). Due to contracts with a specified volume range, the aggregate difference between the volume midpoint and the minimum or maximum volumes across our cumulative portfolio of take-or-pay contracts is approximately 5,000 MT per year in 2020-2022.

Strong Cash Flow Generation

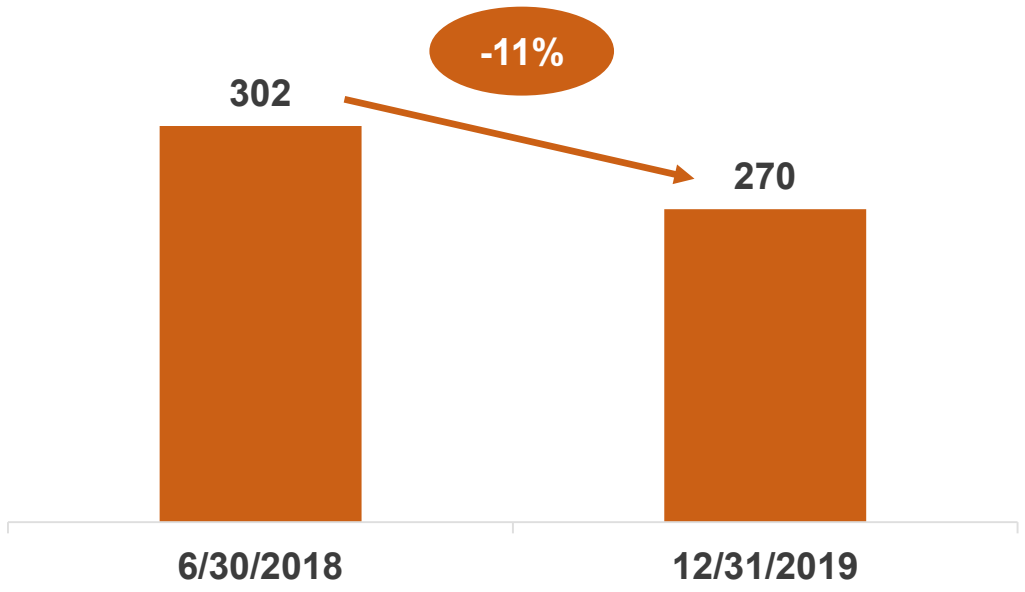
- Q4/19 Free cash flow (FCF)[1] was similar to the prior year period as favorable working capital changes partially offset lower volumes and higher costs
- FY 2019 Free Cash Flow[1] of $741 million represents more than 20% of market capitalization as of December 31, 2019[2]



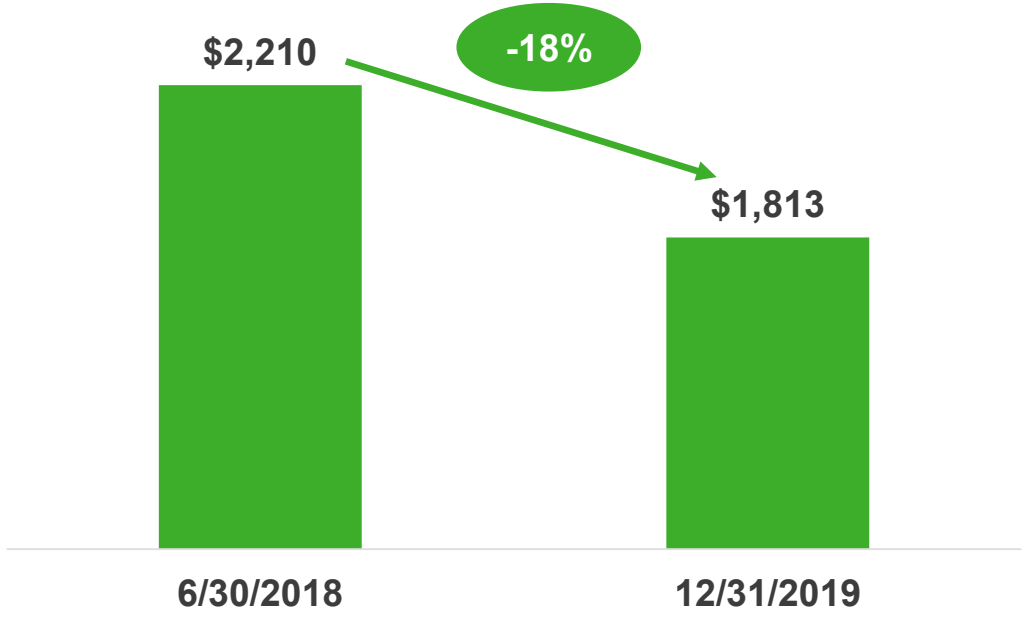
[1]Non-GAAP measure, see page 20 for reconciliation. [2]Market capitalization of $3.1B is based on 270M shares outstanding with a share price of $11.62 as of December 31, 2019. [3]Non-GAAP measure, see page 19 for reconciliation.

Shareholder Returns and Debt Repayment

Shares Outstanding (M)



Total Debt ($M)



- Shareholder returns and debt repayment continue to be the key priorities
- In 2020, we expect to use 50-60% of cash for debt repayment with the balance for shareholder returns[1]

Since our IPO we have reduced debt by 18% and repurchased 11% of shares outstanding

[1] Any dividends or share repurchases are subject to the discretion and approval by the Board of Directors and may vary in amounts from prior periods due to circumstances considered by the Board of Directors at the time of such approval.

Shareholder Returns and Debt Repayment Remain Key Priorities

Generate meaningful cash flows and preserve liquidity

- As of 12/31/19, total liquidity was approximately $328M[1] including $81M in cash and cash equivalents
- 2019 Free cash flow[2] of $741M

Reinvest in the business to maintain productive, high quality, low cost operations

- Focus on maintaining the assets and operational improvements that generate high returns on investment
- Expect capital expenditures of $60M – $70M in 2020

Return capital to shareholders

- Primarily regular quarterly dividends and share repurchases[3]

Adjust the capital structure to allow for operational and strategic flexibility

- Monitor and adjust balance sheet to preserve flexibility though the cycle
- Continue to repay debt and maintain strong liquidity

[1] Liquidity includes available revolver capacity and cash and cash equivalents. [2] Non-GAAP measure, see page [20] for reconciliation. [3]Any dividends or share repurchases are subject to the discretion and approval by the Board of Directors and may vary in amounts from prior periods due to circumstances considered by the Board of Directors at the time of such approval.

Key Investment Highlights

- ☑ Graphite electrodes are a highly engineered, mission critical industrial consumable
- ☑ Operating three of the largest graphite electrode manufacturing facilities in the world
- ☑ Vertical integration into petroleum needle coke provides sustainable competitive advantage
- ☑ Commercial strategy focused on stable, long-term agreements
- ☑ Committed to returning cash to shareholders while maintaining a healthy balance sheet

Petroleum Needle Coke



Key raw material

Ultra High Power Electrodes



No substitute

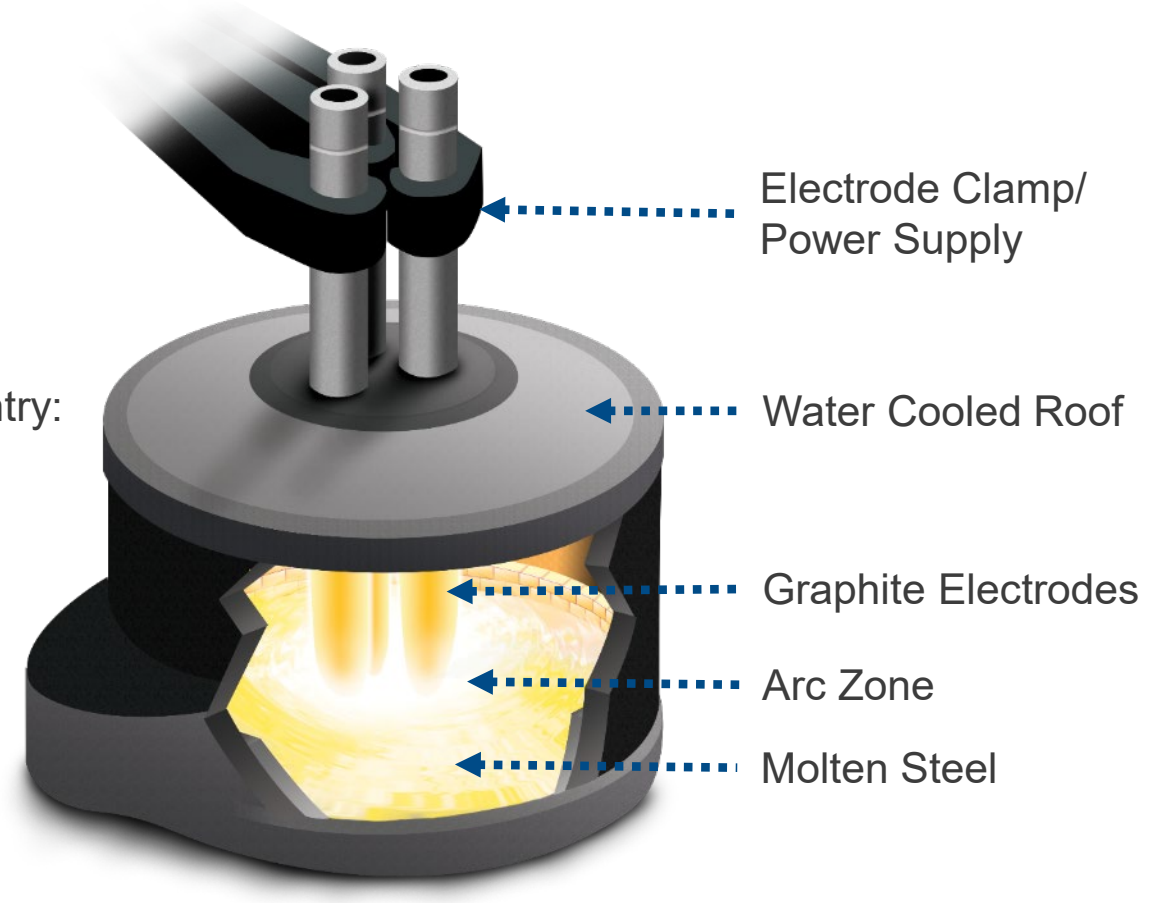
EAF Steelmaking



Appendix

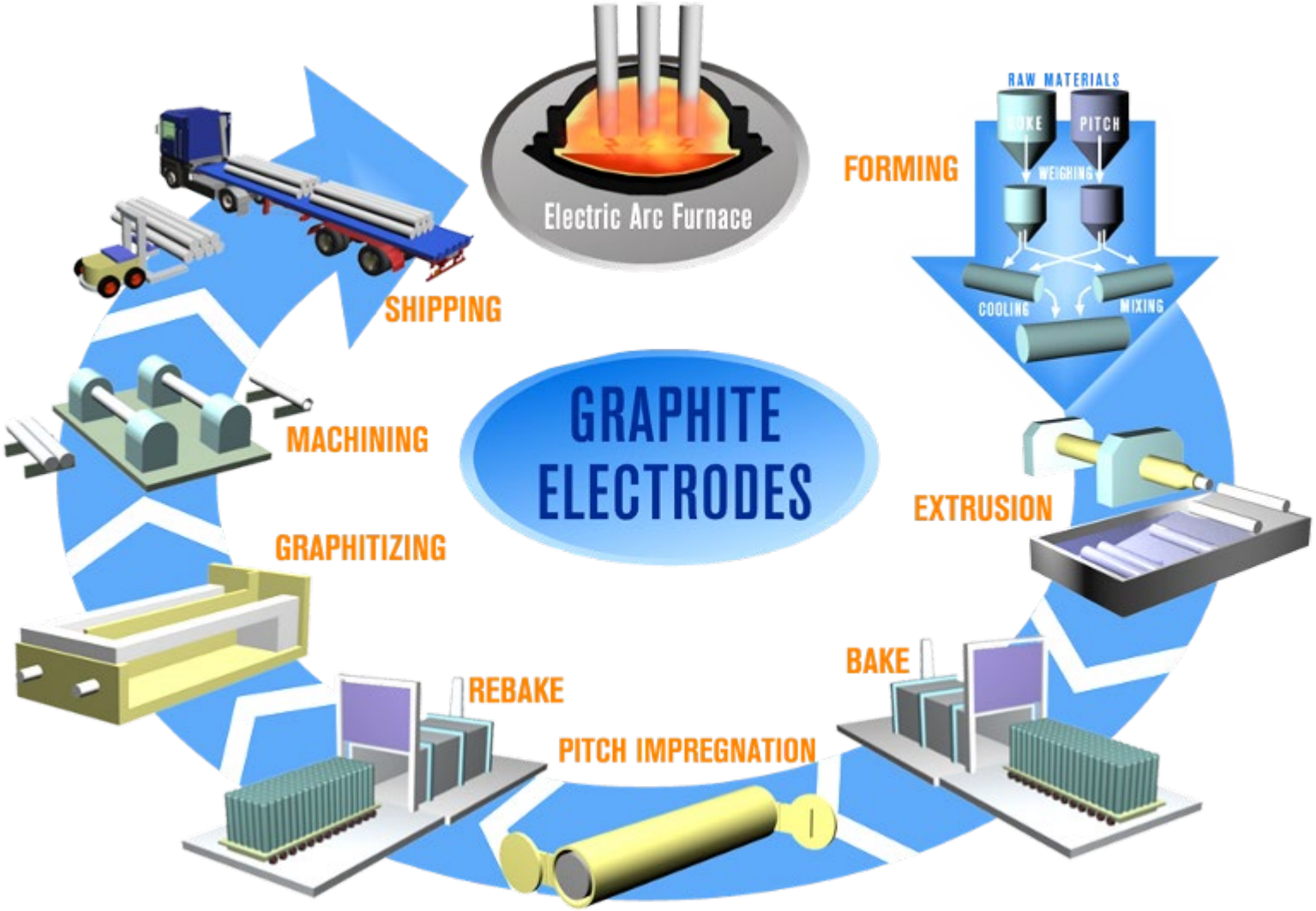
Graphite Electrodes – Mission Critical for EAF Steelmaking

- Conducts electricity to melt scrap metal
- Highly engineered
  - 130+ years of R&D and technical know-how
  - ~200 granted patents and patents pending
  - Dedicated team of scientists
- The graphite electrode market has high barriers to entry:
  - Difficult to produce
  - Requires extensive product/process knowledge
  - High initial capital investment
- 3-6 months to produce; 8-10 hours to consume
- Approximately 1-5% of steel production cost

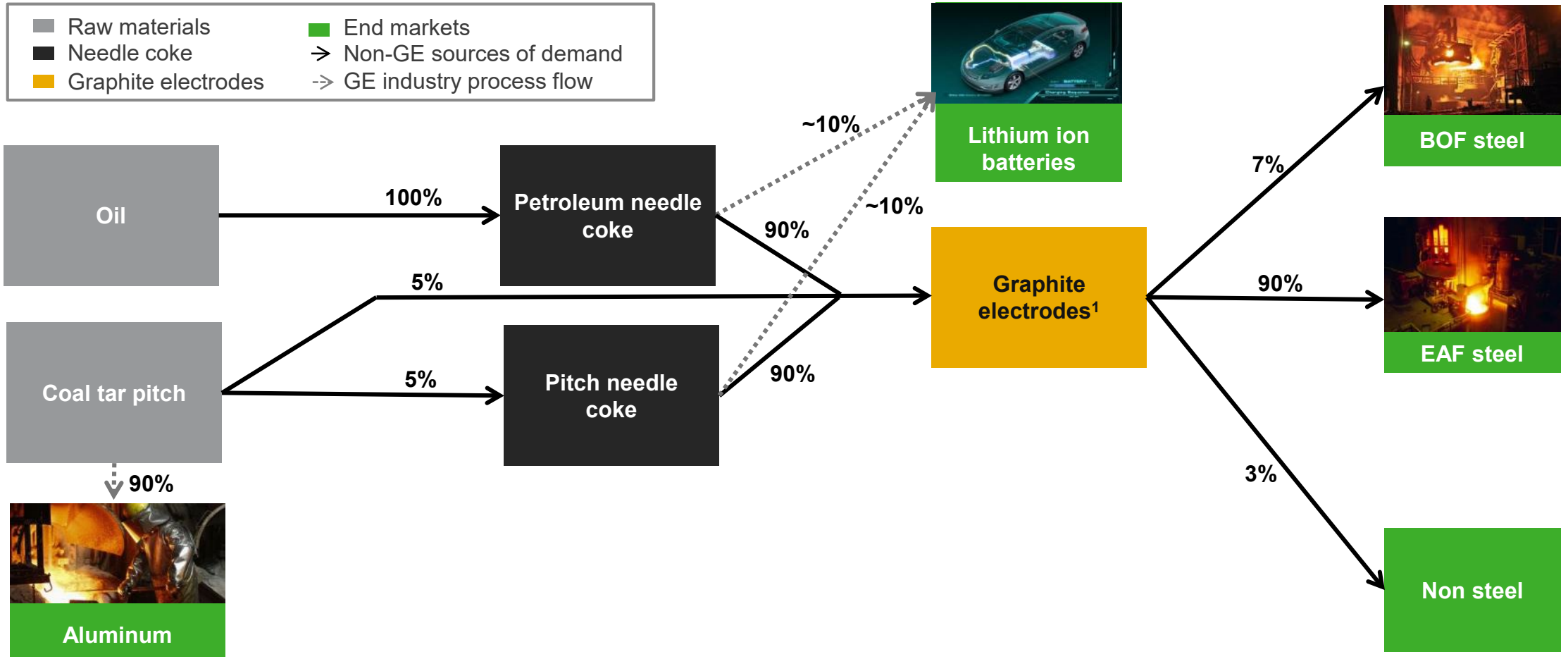


No known substitute for graphite electrodes in EAF process

Graphite Electrode Manufacturing Process



Supply Chain Overview



Electrode production globally (ex. China) is focused on the manufacture of ultra-high power (UHP) electrodes for EAFs, while the majority of Chinese production is of ladle electrodes for BOFs

Source: GrafTech estimates [1] Graphite electrode sales represent sales outside of China

Disclosures

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 slide 2 and the factors described under the “Risk Factors” section of the Company’s annual report on Form 10-K and disclosure in the Company’s other SEC filings.

We refer to Adjusted EBITDA from continuing operations in these slides as Adjusted EBITDA, which 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 from continuing operations as EBITDA from continuing operations plus any pension and other post-employment benefit plan expenses, initial and follow-on public offering expenses, non-cash gains or losses from foreign currency remeasurement of non-operating liabilities in our foreign subsidiaries where the functional currency is the U.S. dollar, related party Tax Receivable Agreement expense, stock-based compensation and non-cash fixed asset write offs. We define EBITDA from continuing operations, a non-GAAP financial measure, as net income or loss plus interest expense, minus interest income, plus income taxes, discontinued operations and depreciation and amortization from continuing operations. We monitor Adjusted EBITDA from continuing operations 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. In addition, we believe Adjusted EBITDA from continuing operations 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.

Free cash flow, a non-GAAP financial measure, is a metric 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 believe free cash flow is useful to present to investors because we believe that it facilitates comparison of the Company’s performance with its competitors.

Although Adjusted EBITDA from continuing operations, free cash flow 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 Adjusted EBITDA from continuing operations and free cash flow 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 EBITDA from Cont'g Operations

	For the Three Months Ended December 31,		For the Year Ended December 31,	
	2019	2018	2019	2018
Net income	174,922	229,632	744,602	854,219
Add:				
Discontinued operations	—	254	—	(331)
Depreciation and amortization	15,432	18,667	61,819	66,413
Interest expense	28,859	34,674	127,331	135,061
Interest income	(1,799)	(589)	(4,709)	(1,657)
Income taxes	7,285	12,670	98,225	48,920
EBITDA from continuing operations	224,699	295,308	1,027,268	1,102,625
Adjustments:				
Pension and OPEB plan expenses (1)	4,330	2,415	6,727	3,893
Initial and follow-on public offering expenses (2)	647	8	2,056	5,173
Non-cash loss (gain) on foreign currency remeasurement (3)	942	(809)	1,784	818
Stock-based compensation (4)	575	495	2,143	1,152
Non-cash fixed asset write-off (5)	—	3,819	4,888	4,882
Related party Tax Receivable Agreement expense (6)	3,393	24,677	3,393	86,478
Adjusted EBITDA from continuing operations	234,586	325,913	1,048,259	1,205,021

(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 the initial and follow-on public offerings.
(3) Non-cash (gain) loss from foreign currency remeasurement of non-operating 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 for future payment to our sole pre-IPO stockholder for tax assets that are expected to be utilized.

Reconciliation to Free Cash Flow

(in thousands)	For the Three Months Ended December 31, 2019	2018	For the Year Ended December 31, 2019	2018
Net cash provided by operating activities	220,544	224,359	805,316	836,603
Capital expenditures	(20,050)	(20,589)	(64,103)	(68,221)
Free cash flow	**200,494**	**203,770**	**741,213**	**768,382**