A Closer Look at Thyssenkrupp: Strategy, Steel, and the Future

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Executive Summary

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SITUATION

- Thyssenkrupp, a legacy conglomerate with exposure to cyclical industries, faced persistent profitability issues and balance sheet strain.
- Despite being one of Europe's top steel producers, the group was weighed down by underperforming segments and legacy liabilities.
- Post-pandemic recovery presented a window for strategic restructuring and green transformation leadership.

REVENUES	NET PROFIT	EBITDA MARGIN
€35 Bn	**- €1.5 Bn**	**1.41%**
-6.65% YoY	-37.6% YoY	-68.79% YoY

COMPLICATION

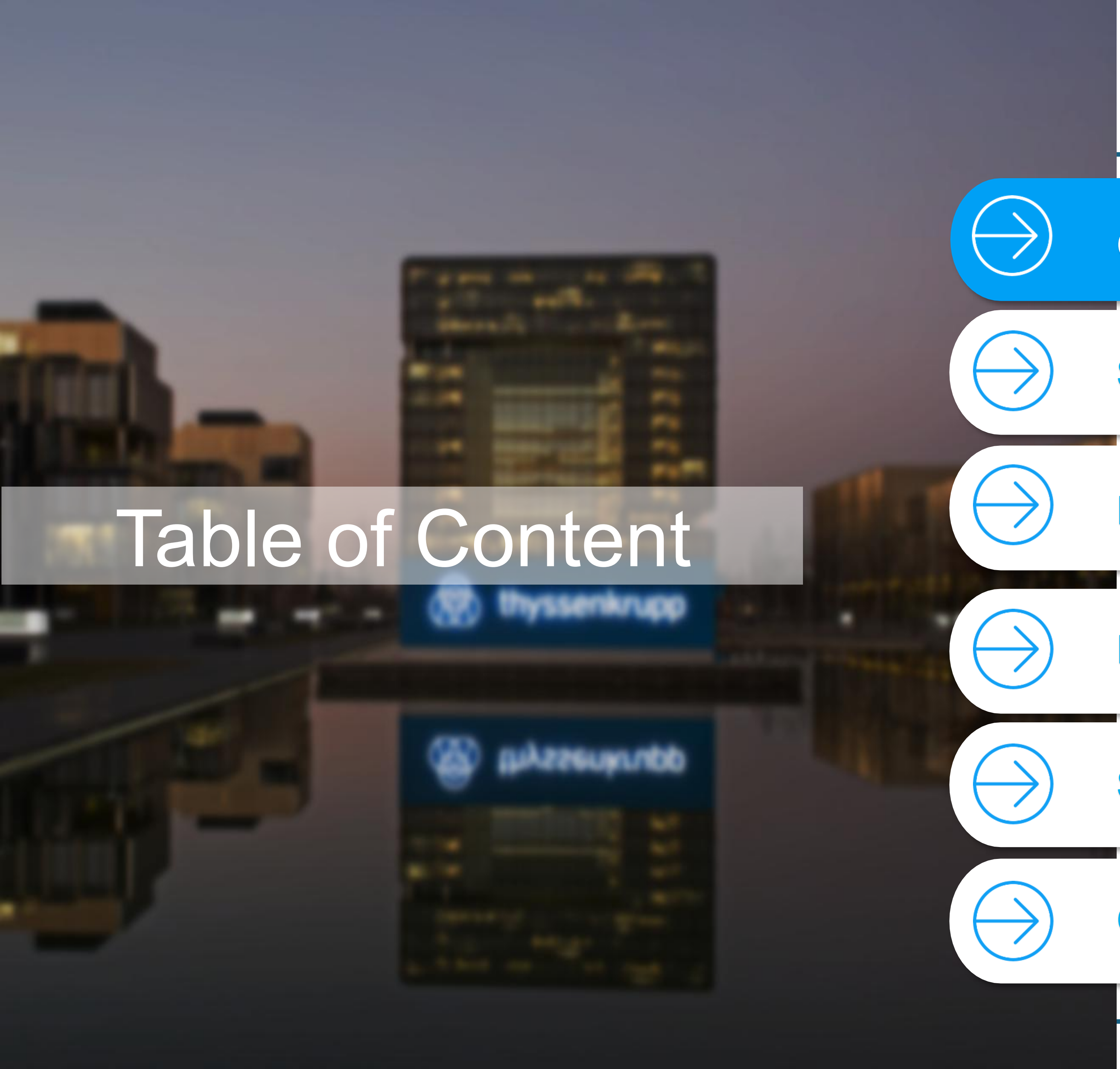
- Legacy cost structures, slow divestment of non-core units, and elevated energy input costs hampered margin recovery.
- Green transformation required substantial upfront CAPEX amid macro uncertainty.
- Market consolidation in European steel intensified competition and squeezed pricing power

RESOLUTION

- Strategic asset sales (e.g., Elevator) enabled deleveraging and liquidity boost; net debt nearly eliminated by 2025.
- Core segments repositioned around sustainability (green steel, hydrogen, defense).
- Initiated spin-off of Steel Europe and deepened partnerships (e.g., EPCG JV) to unlock value.

NEXT STEPS

1. Complete 50:50 Steel Europe JV with EPCG and decouple liabilities
2. Scale tk Nucera's electrolyzer business for green hydrogen deployment.
3. Expand Marine Systems' defense footprint in Europe
4. Rationalize cost base in Materials Services through automation
5. Prioritize CAPEX in decarbonization and Steel 4.0
6. Launch performance benchmarking for all remaining business units



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German Steel Industry Landscape & TKSE Positioning (2024)

Set Strategic Priorities: Decarbonize, Reduce Energy Costs, and Evaluate Portfolio/Spin-off Options

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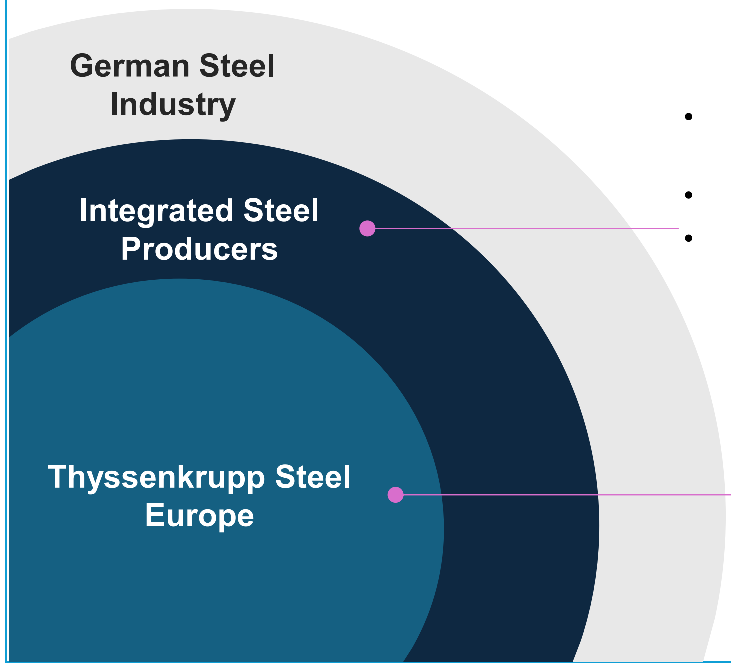
Germany is one of the top steel producers in Europe, and the sector is strategically important, especially for: automotive manufacturing, machinery, construction and infrastructure



- One of Europe's largest steel producers
- Critical for industrial value chains (e.g., auto, construction)
- About 40 million tons crude steel per year

- Vertically integrated mills (mining → processing)
- Own R&D for green steel
- Facing toughest transition pressures (energy + CO_2)

- Largest integrated player in Germany
- Core asset under strategic review (possible spin-off)
- Key player in green hydrogen steel pilot projects (H2Steel)

Category	**Trends and Challenges**
Global Market	Overcapacity, price pressure from Asia (especially from China)
Sustainability	Green transition, hydrogen-based decarbonization
Regulation	EU Emissions Trading Scheme (ETS) tightening, CO_2 compliance costs
Cost Pressure	High electricity/gas prices in Germany
Structure Shift	Consolidation, M&A trends (e.g., Liberty Steel talks)

Source : State-of-Steel-Report.pdf | COMMODITIES 2025: European steel faces decarbonization hurdles, sluggish demand | S&P Global

Competitive Landscape, Market Concentration & M&A

EU steel industry competitive analysis and market structure

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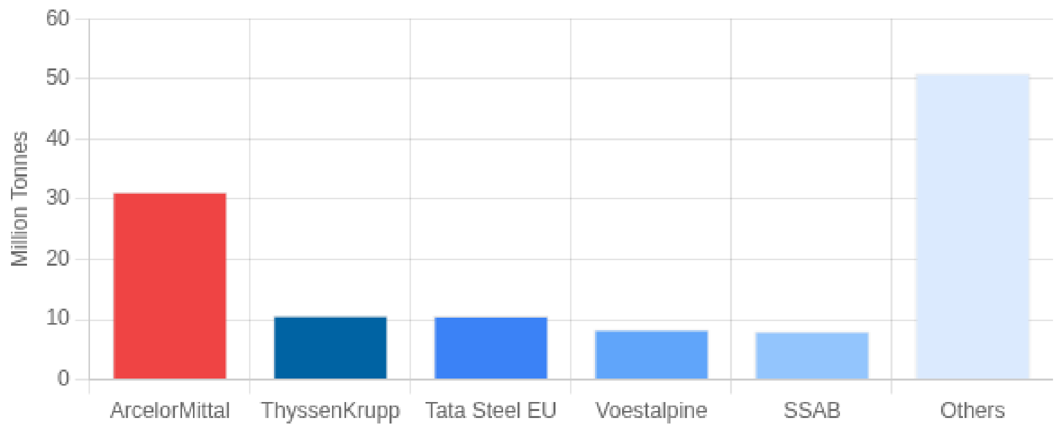
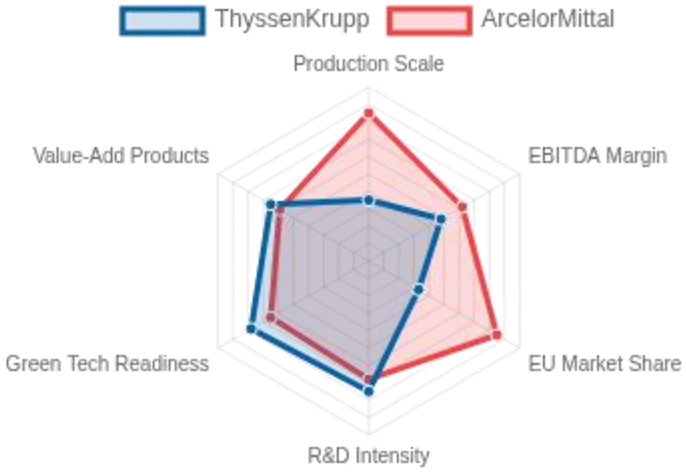
CR3 RATIO	CR5 RATIO	HHI INDEX	M&A ACTIVITY
42.7%	**58.2%**	**876**	**+24%**
Top 3 producers	Top 5 producers	Moderately concentrated	**YoY increase**

Top EU Steel Producers (2024)



Company	Production (Mt)	EU Share	Growth
ArcelorMittal	31.2	25.3%	+8.3%
ThyssenKrupp	10.7	8.7%	-6.7%
Tata Steel EU	10.6	8.5%	-3.4%
Voestalpine	8.4	6.8%	-1.2%

ThyssenKrupp vs. ArcelorMittal (2024)



Recent M&A & Strategic Partnerships

- ThyssenKrupp - EPCG: 20% stake acquisition (Q3 2024), targeting 50:50 JV in Steel Europe
- ArcelorMittal - Nippon: JV expansion in EU flat steel market
- Green Steel Consortium: H2-DRI technology partnership includes 4 major EU producers
- Market Consolidation: Smaller players increasingly targeted for acquisition

Source : TOP-30 largest steel producers in the world: industry leaders in 2024 | *https://www.linkedin.com/posts/steeldataturkey_arcelormittal-thyssekrupp-voestalpine-activity-7340628378258960385-9mMJ/*

Thyssenkrupp Segment Overview – Sales, EBIT & Strategic Positioning

Prioritize Profit-Driving Segments and Leverage Strategic Strengths for Growth & Transformation

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	AT AUTOMOTIVE TECHNOLOGY	DT DECARBON TECHNOLOGIES	MX MATERIALS SERVICES	SE STEEL EUROPE	MS MARINE SYSTEMS
Sales	€7.5 bn	€3.8 bn	€12.1 bn	€10.7 bn	€2.1 bn
EBIT	€266 mn	€29 mn	€178 mn	€319 mn	€73 mn
	One of the leading suppliers (e.g. high-tech components and systems) and engineering partners to the international auto industry	Leading businesses with key technologies to enable Green Transformation at our customers across industries	One of the world's leading mill-independent materials distributors and service providers with ~250,000 customers	Largest integrated European steel mill strategically located in the center of Europe with a future leading role in decar-bonization of the steel industry	Industry leading Maritime Portfolio

Source: Reporting and Publications

Thyssenkrupp Business Segments and Strategic Milestones

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Align Portfolio with Future Trends: Decarbonization, Defense, and Selective Divestments

Thyssenkrupp's business activities are bundled in five segments: .

Segment	Description	Example
Material Services	Global material distribution & logistics	Steel and non-ferrous metals for manufacturers
Steel Europe	Flat carbon steel, especially for automotive	Car body steel sheets
Automotive Technology	Components like axles, steering, and dampers	BMW or VW chassis systems
Decarbon Technologies	Hydrogen electrolysis, carbon-neutral plants	Water splitting systems for green H_2
Marine Systems	Submarines, naval vessels, marine electronics	German Navy submarines (e.g. Type 212CD)

EU blocks proposed merger with Tata Steel Europe

Sale of Elevator Technology Division for €17.2 billion

Investments and partnerships in green hydrogen and low-carbon steel

Strategic review of the Steel Europe business continues

2019

2020

Consideration of spinning off Steel Europe

2021

Collapse of acquisition talks with Liberty Steel Group

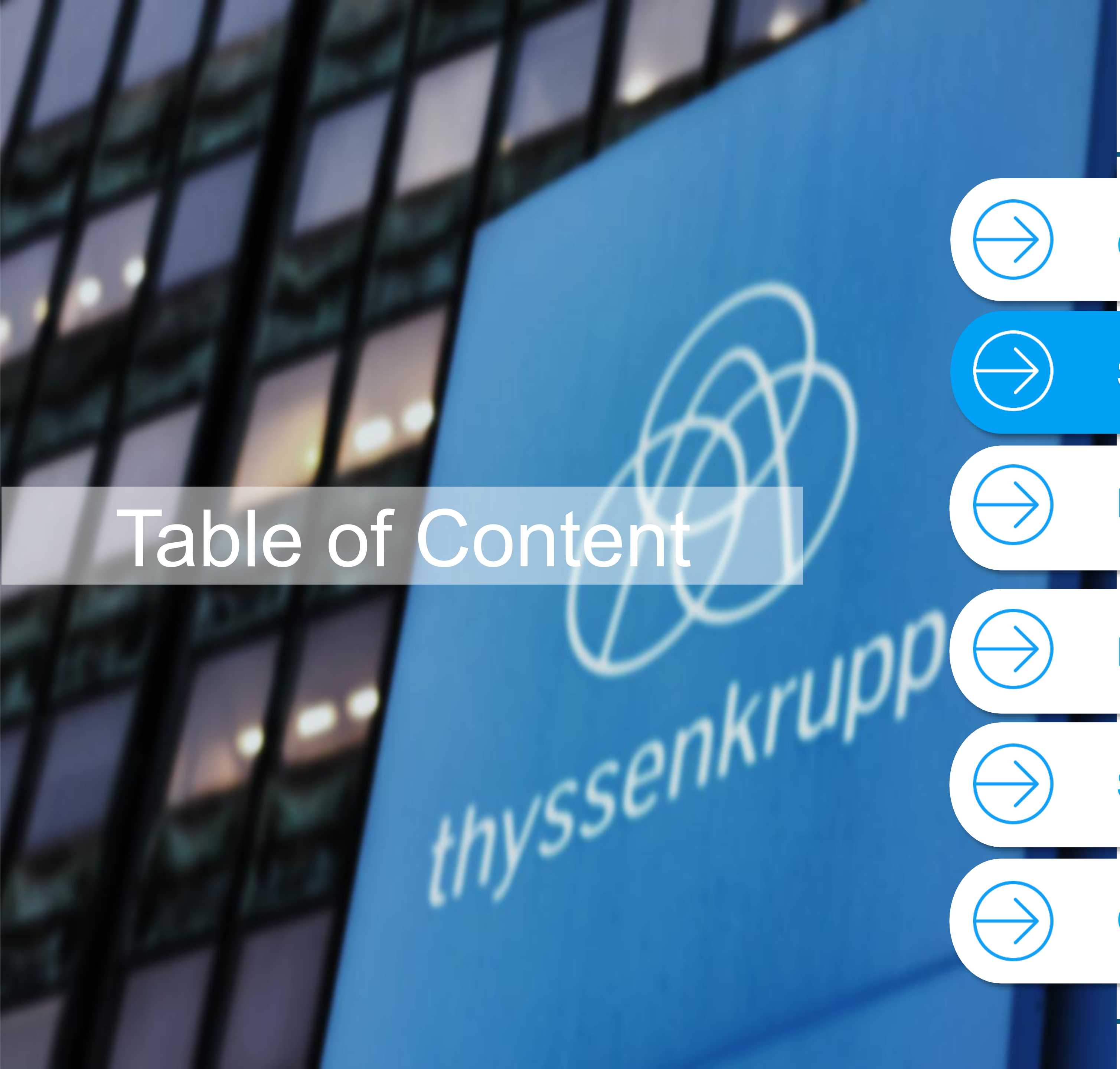
2022

2023

The IPO of thyssenkrupp nucera, a milestone on developing green technology

2024

Note: The buyer of elevator division was a group led by Advent International and Cinven, together with co-investor RAG-Stiftung (the German coal-mining foundation)



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Strategic realignment

Realigning Investment Strategies to Secure Sustainable Growth

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Shifts in Investment Strategies:

From Diversified Conglomerate to Focused Portfolio

Business Transformation Goal: ThyssenKrupp aimed to transform from a complex, highly indebted conglomerate into a sustainable, high-performing company with lean management and a clear portfolio.

Multi Tracks Segment Dissolution: The “Multi Tracks” segment, housing businesses with uncertain ownership structures, was dissolved by fiscal year 2023/2024 after divestments, including mining, infrastructure, and stainless-steel businesses.

Business Reallocation: Remaining businesses from Multi Tracks, such as Automation Engineering, Springs & Stabilizers, and Forged Technologies, were integrated into the Automotive Technology segment.

Emphasis on Green Transformation and Decarbonization:

Decarbonization Efforts: ThyssenKrupp is investing in green technologies and projects like “tkH2Steel” to achieve climate-neutral steel production by 2050

Business Restructuring: ThyssenKrupp is exploring standalone solutions and partnerships for its Steel Europe and Marine Systems segments

Steel Europe Restructuring: ThyssenKrupp sold a 20% stake in Steel Europe to EPCG and is in discussions for a further 30% to form a 50:50 joint venture

Source: Reporting and Publications, *Press Releases*

Need for the shift:

Drivers and Rationale for Strategic Shifts

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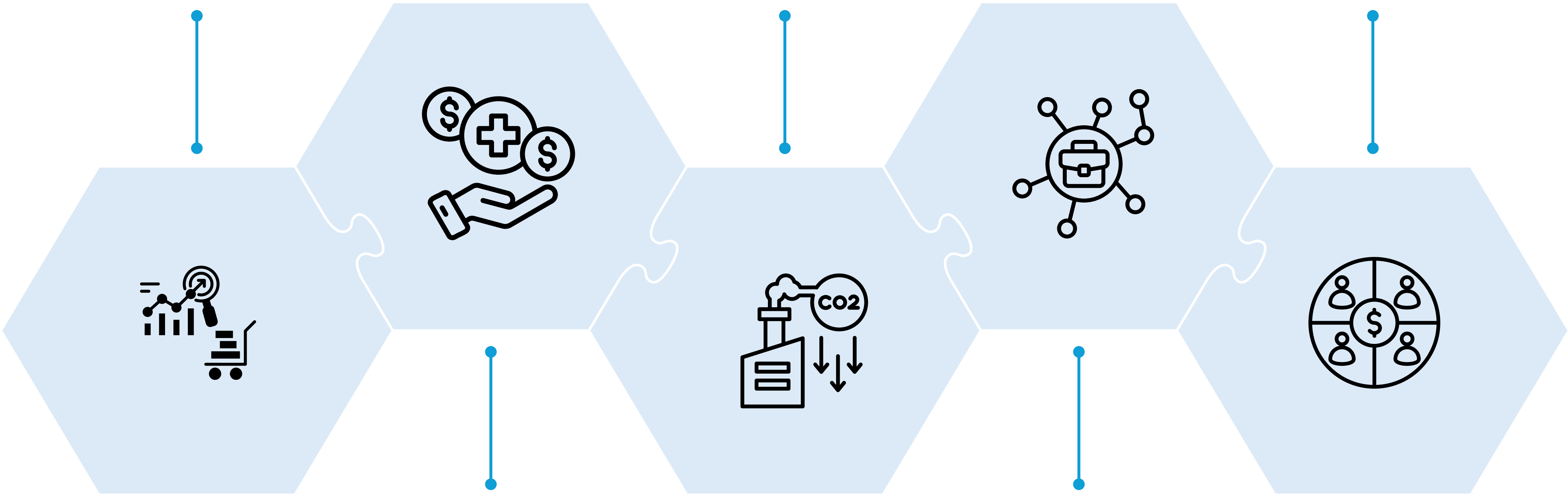
Challenging Market Situations

Decarbonization Imperative

Share holder value



Financial health

Portfolio Complexity

Source: Reporting and Publications, Press Releases

Transformation

Evolution of investment decisions

Early Phase: (FY 2019/2020 - 2020/2021)

Early Phase Focus: Restructuring, long-term strategy formulation (Steel Strategy 20-30), and modernization of production networks

Key Investments: New walking beam furnaces and a new continuous casting line

Decision on Steel Business: Termination of the sale process in February 2021, paving the way for independent development

Middle Phase (FY 2021/2022 - 2022/2023):

Decarbonization Progress: Significant progress in decarbonization efforts, including state aid approval for the "tkh2steel" project and the establishment of the de-carbon technologies segment

Business Restructuring: Discussions and preparations for standalone solutions for marine systems and steel Europe gained momentum

Company Focus: Focus on performance, structural improvement, and targeted growth initiatives

Current Phase (FY 2023/2024 - 2024/2025

Financial Performance: Repaid outstanding bonds, achieving a debt-free status

Operational Efficiency: Implemented the APEX performance program to enhance profitability

Portfolio Adjustments: Executed portfolio adjustments, including selling a stake in steel Europe and preparing for a marine Systems spin-off

Source: Reporting and Publications, Press Releases

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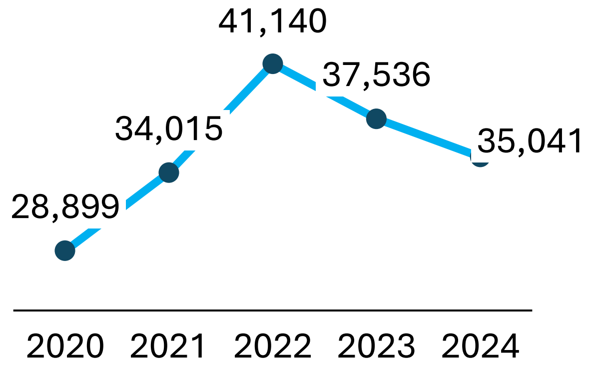
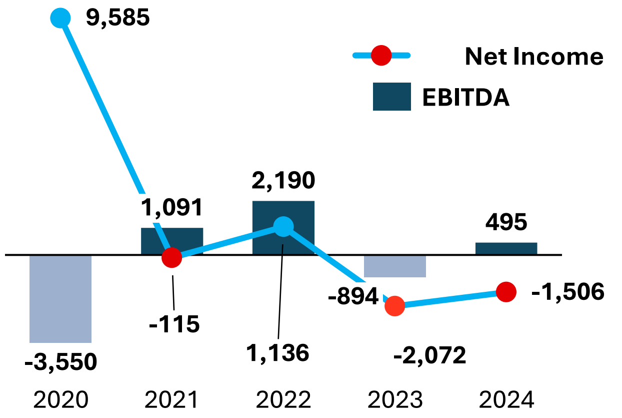
Financial Overview: 2020–2024

Assess Trends in Revenue, Profitability, and Balance Sheet Stability

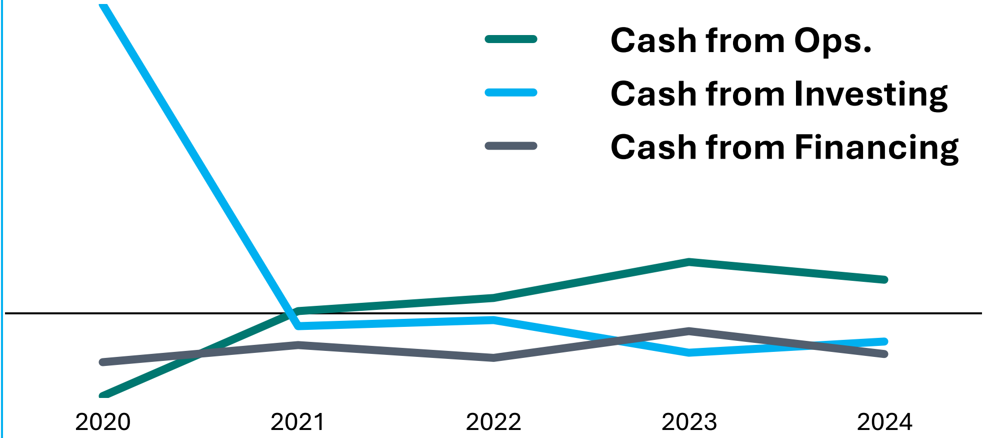
Revenue



EBITDA



Cashflows



Balance Sheet

Assets (€M)					
Key Highlights	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**
Total Current Assets	25,989	26,209	26,331	23,330	20,918
Net Property, Plant & Equipment	6,319	6,513	6,748	4,954	4,403
Total Assets	36,490	36,811	37,492	32,603	29,333

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Liabilities (€M)					
Key Highlights	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**
Total Current Liabilities	11,497	13,347	13,387	12,428	11,852
Long-term Debt	4,782	3,291	2,289	758	126
Long-term Leases	521	493	497	555	524
Total Liabilities	26,316	25,966	22,750	19,911	18,975

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Equity (€M)					
Key Highlights	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**
Retained Earnings	1,472	1,771	4,777	2,972	1,004
Total Equity	10,174	10,845	14,742	12,692	10,358
Total Liabilities And Equity	36,490	36,811	37,492	32,603	29,333

Source: Reporting and Publications

Operational Efficiency and Profitability

Evaluate Cost Structure and Asset Utilization to Drive Margin Expansion

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Margin Analysis

Gross Margin

11.65%

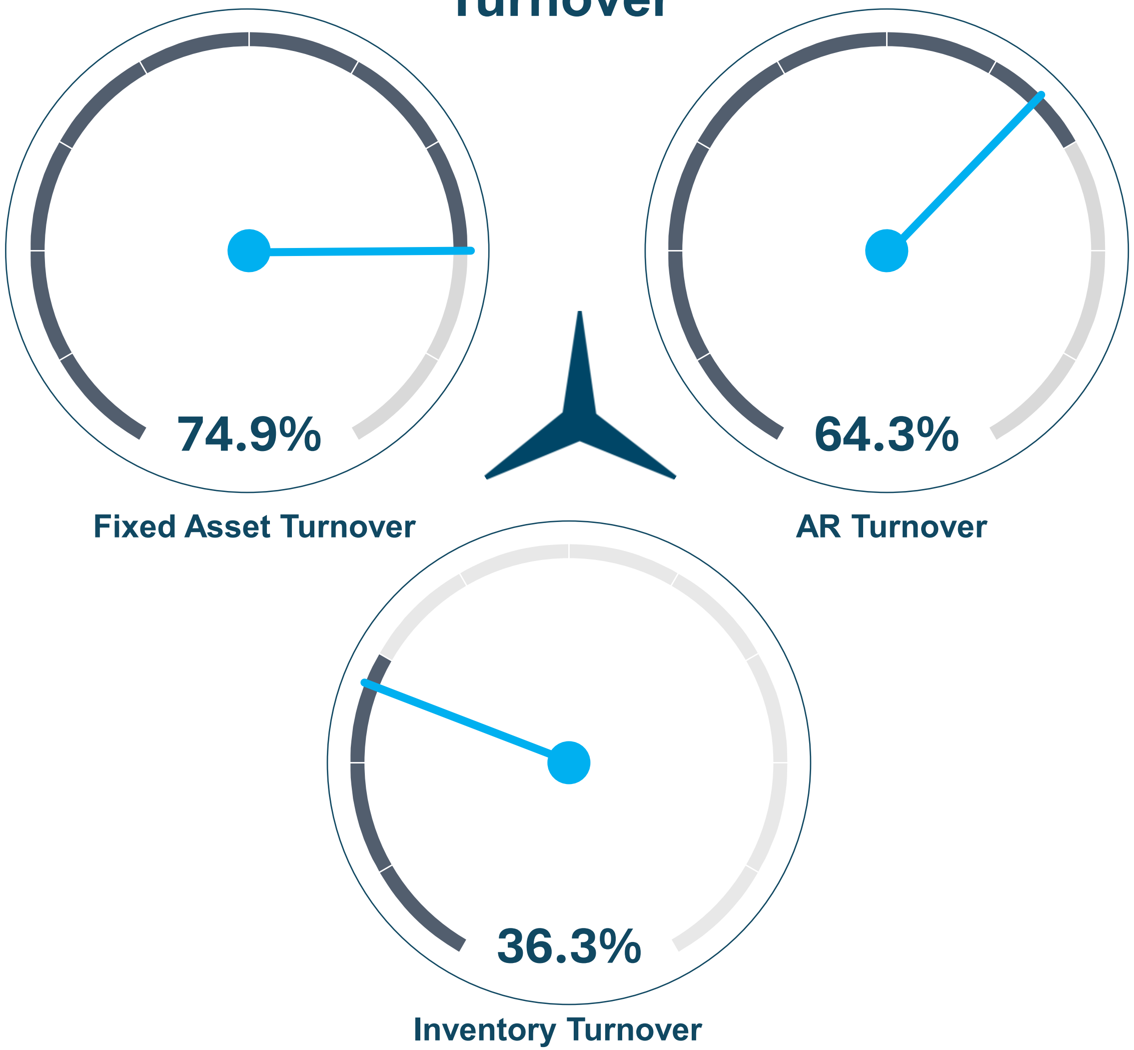
SG&A Margin

12.06%

EBITDA Margin

1.41%

Turnover



Source: Reporting and Publications

Liquidity & Working Capital Efficiency

Strengthen Cash Conversion and Long-Term Solvency to Enhance Financial Flexibility

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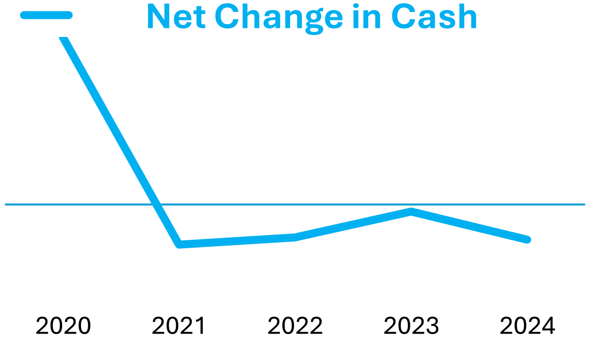
Working Capital

Current Ratio → **1.77**

Quick Ratio → **0.94**

Net Change in Cash



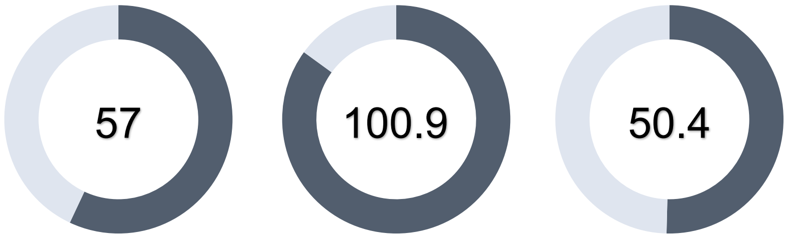
Cash Year 2024

In – 1,353 Million

Out – 2,769 Million

Cash Conversion

Days



DSO + DSI − DPO =

107.4

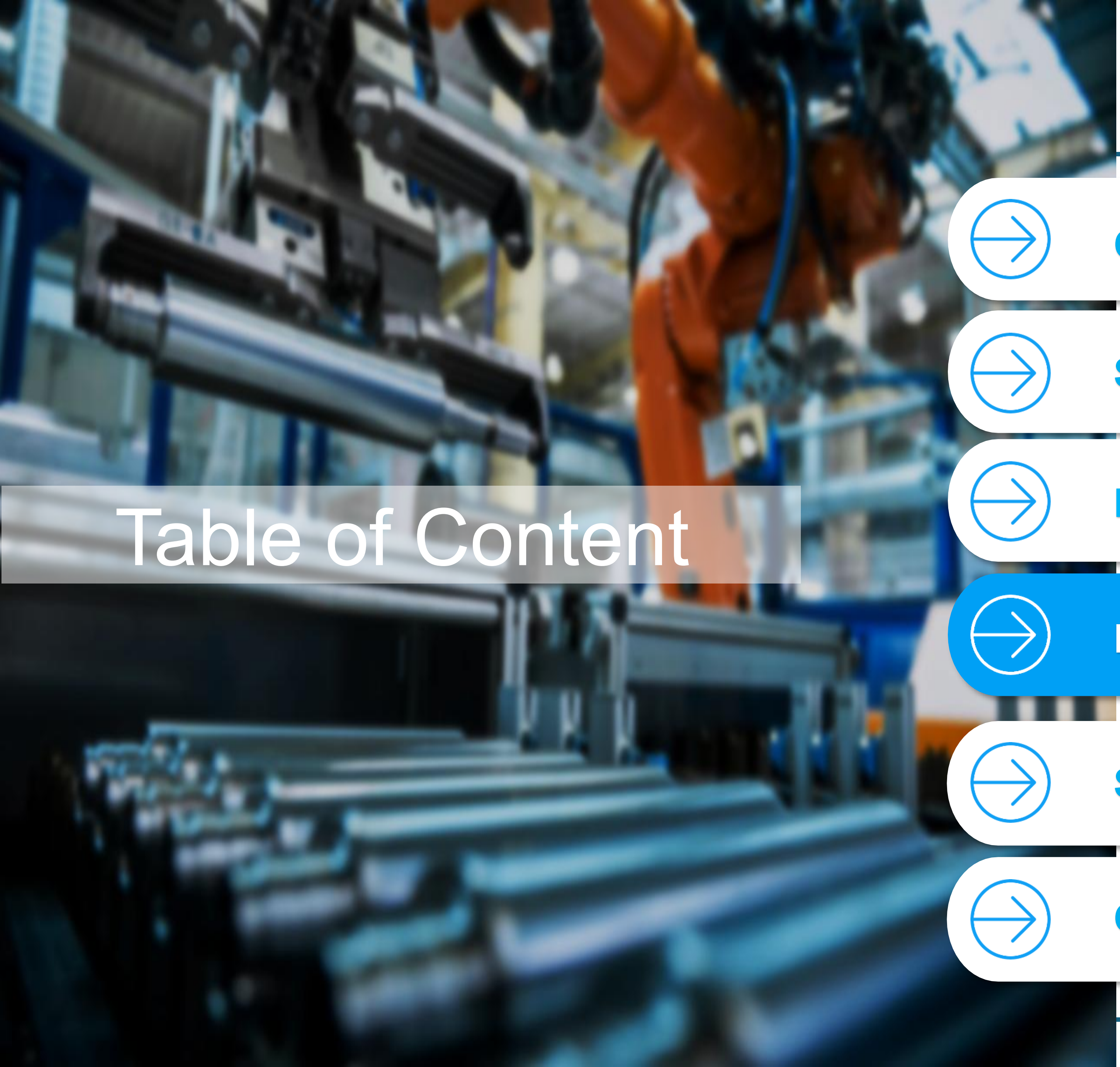
Cash Conversion Cycle

Long Term Liquidity

DEBT / Equity = **14.22 %**

Total Liabilities / Total Assets = **64.69 %**

Source: Reporting and Publications



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Thyssenkrupp's Financial Reset: From Indebted Conglomerate to Focused Industrial Group

Dramatic shift in Thyssenkrupp's financial health and portfolio focus, primarily driven by the Elevator sale.

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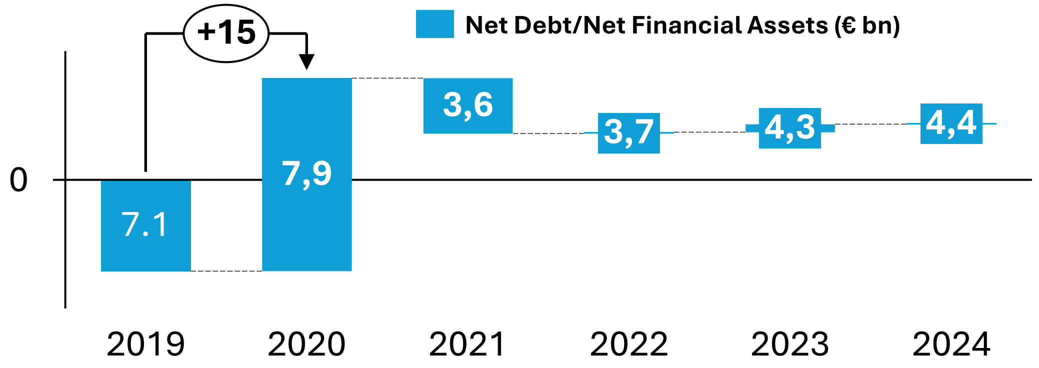
Change in Net Financial Assets driven by the sale of the Elevator Technology

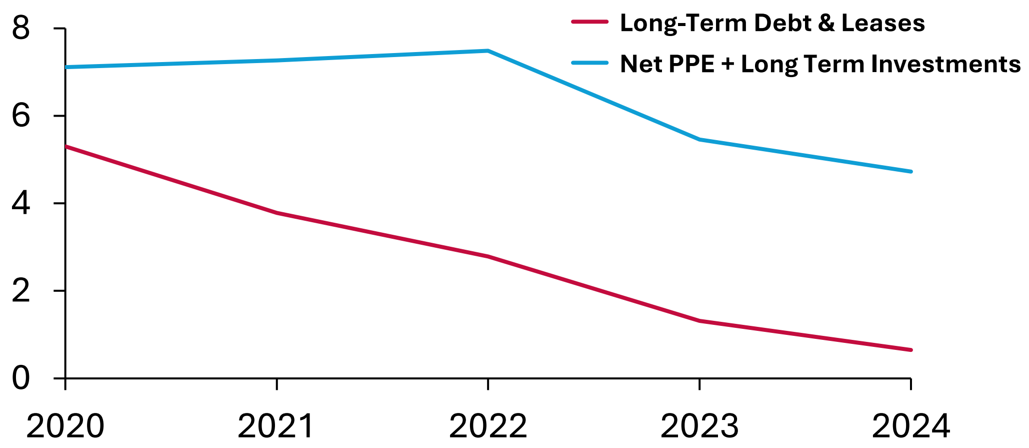


The €17.2 billion sale of the Elevator Technology business in fiscal year 2020 was the single most significant financial event, injecting approximately €15 billion in cash after a strategic reinvestment for a minority stake.

Strategic Allocation of Proceeds: The funds were primarily used to:

- Repay substantial financial debt, including a €750 million note due in November 2020.
- Establish a contractual trust agreement (CTA) to cover significant pension obligations, which totaled €16 billion.
- Provide capital for selective development and restructuring of the remaining core businesses.

Long-Term Assets vs Long-term Debt Trend Line (€ bn)



- **The sharp decline in the Long-Term Debt line** from 2020 to 2024 is a direct consequence of the €17.2 billion Elevator Technology sale in fiscal year 2020.

- This strategic deleveraging culminated in the repayment of the company's last outstanding bond in February 2025, positioning Thyssenkrupp to be "largely free from bank and capital market debt.“

- **The Long-Term Assets line shows initial stability from 2020 to 2022.**

- The subsequent decline from 2022 to 2024 indicates ongoing portfolio streamlining and divestment of non-core assets in order to focus on a leaner, more specialized portfolio, emphasizing high-growth, future-oriented areas like green technologies

Source: Reporting and Publications, FinancierWorldwide, Press Releases

Capital Reset and Reinvention: Cash Flow Evolution Through Strategic Actions

Post-divestment cash surge enabled operational recovery and reinvestment, highlighting the critical role of free cash flow in long-term transformation.

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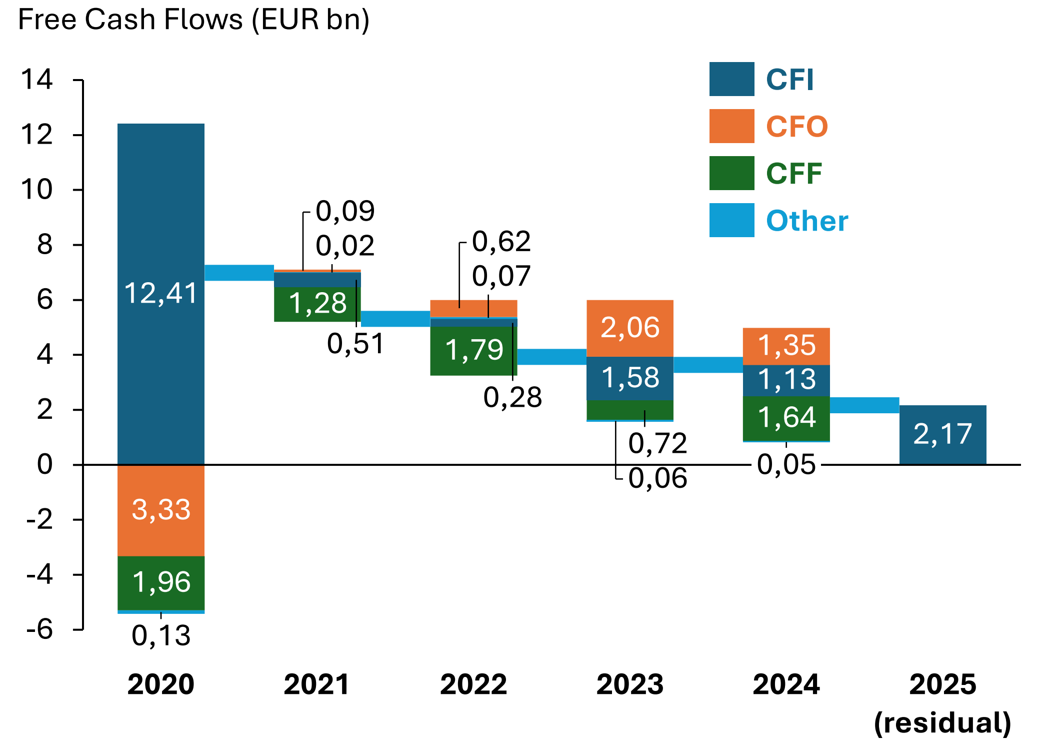

FY 2020: **Financial Reset through Divestment**: The Elevator Technology divestment fundamentally reshaped the cash position.

FY 2021: **Operational Recovery & Stabilization:** Cash flow improved significantly, driven by a strong rebound in operational performance, demonstrating the initial benefits of the strategic focus and market recovery.

FY 2022: **Investments and Debt Servicing:** Substantial investments in ongoing transformation projects and continued large-scale debt repayments led to a temporary negative overall free cash flow.

FY 2023: **Fueling Growth & Deleveraging:** Free cash flow returned to positive territory, significantly bolstered by the successful growth in green technologies thyssenkrupp nucera IPO

FY 2024: **Strategic Portfolio Management & Future Investments:** Continued positive free cash flow, supported by ongoing portfolio optimization (e.g., stake sale in Steel Europe, Electrical Steel India divestment), providing liquidity for future-oriented capital expenditures necessary for the green transformation..

Significance

Thus, Thyssenkrupp has improved cash generation from operations since 2020. However, the later years reveal the impact of market challenges and ongoing strategic capital expenditures, underscoring the importance of cash flow for funding ongoing transformation.

Source: Reporting and Publications, Press Releases

Strategic Turnaround: From Restructuring to Sustainable Profitability

Thyssenkrupp's transformation led to consistent top-line growth and sustained EBIT recovery, despite volatile market conditions.

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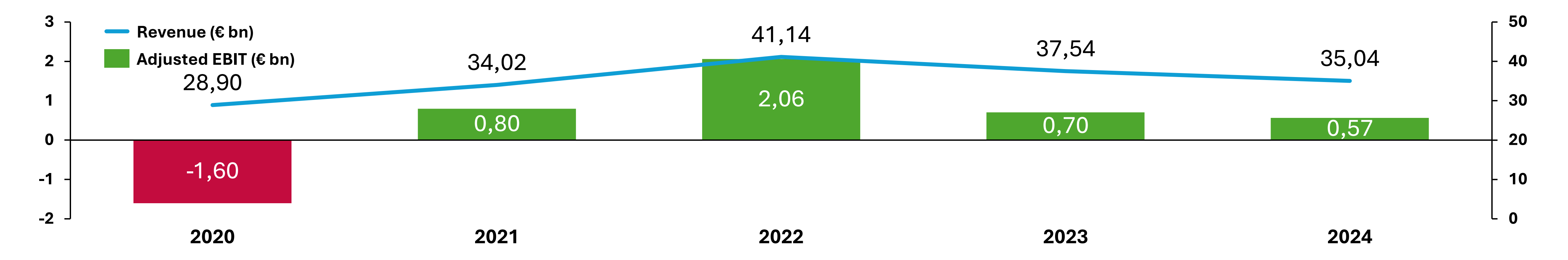


1 FY2020

Resilience Amidst Crisis & Restructuring

Despite a challenging economic backdrop (COVID-19) and active portfolio restructuring (Elevator sale), the focus remained on stabilizing core operations, reflected in initial Adjusted EBIT figures.

2 FY2021-FY2022

Strong Operational Rebound & Peak Performance

Revenue showed a robust recovery, but more critically, Adjusted EBIT saw a disproportionately strong improvement and peaked in FY2022 signifying enhanced operational efficiency and a successful turnaround in core industrial businesses during favorable market conditions.

3 FY2023-FY2024

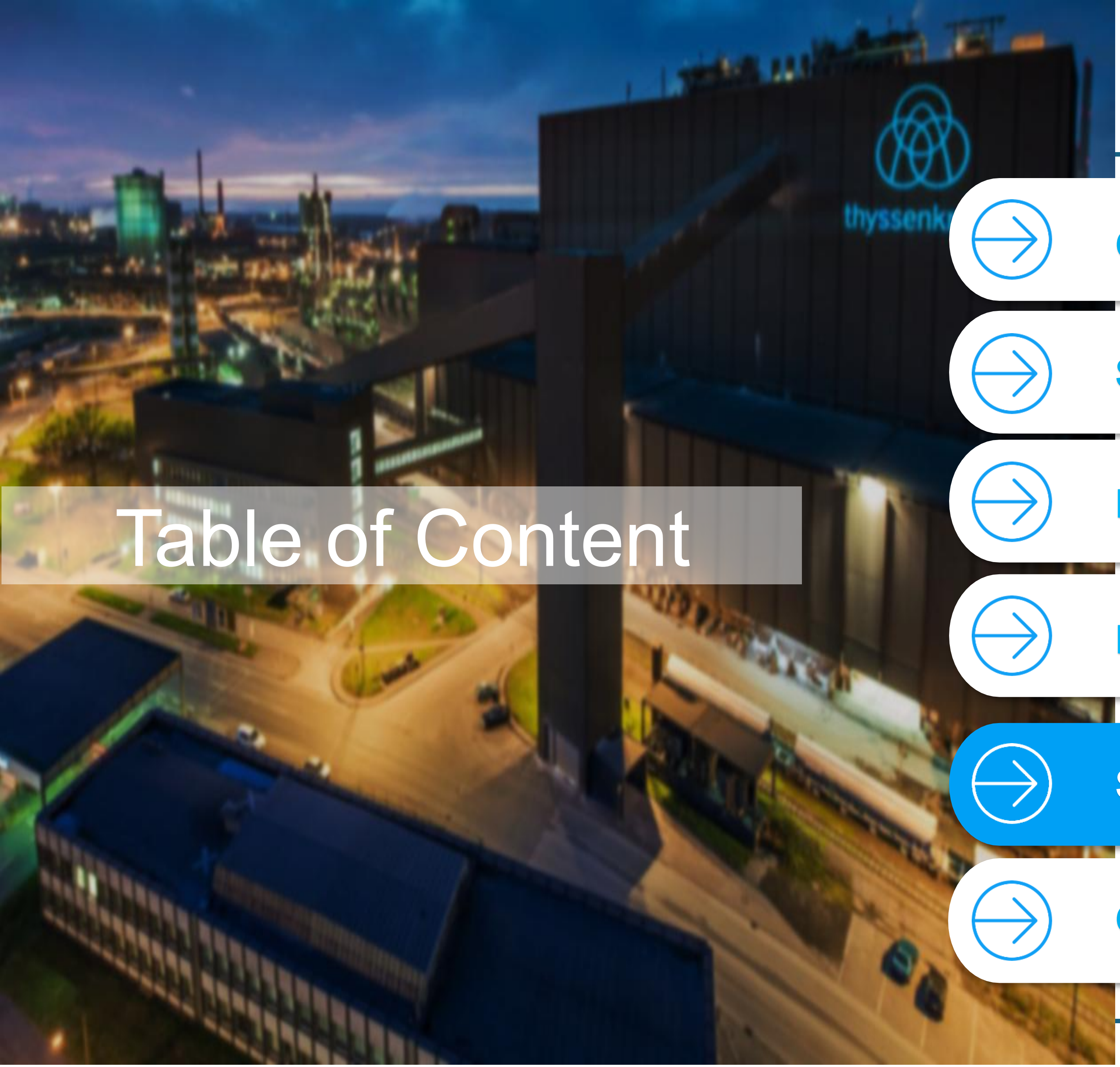
Navigating Headwinds & Strategic Reinvestments

Despite pressures from market challenges, portfolio streamlining, and future-focused investments on short-term profitability and revenues, the sustained positive Adjusted EBIT highlights the improved profitability of core businesses and the impact of ongoing efficiency efforts.

Overall Strategic Implications

Post-sale, Thyssenkrupp significantly improved operational profitability, shifting from deep losses to consistent positive Adjusted EBIT, even amidst portfolio shifts and economic challenges. This demonstrates strong cost discipline and value creation within its transformed structure. The enhanced operational strength now provides the financial headroom to pursue capital-intensive strategic initiatives like decarbonization and innovation.

Source: Reporting and Publications, Press Releases



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Steel division role

Delivering Value: Tangible and Intangible Benefits by Steel Division

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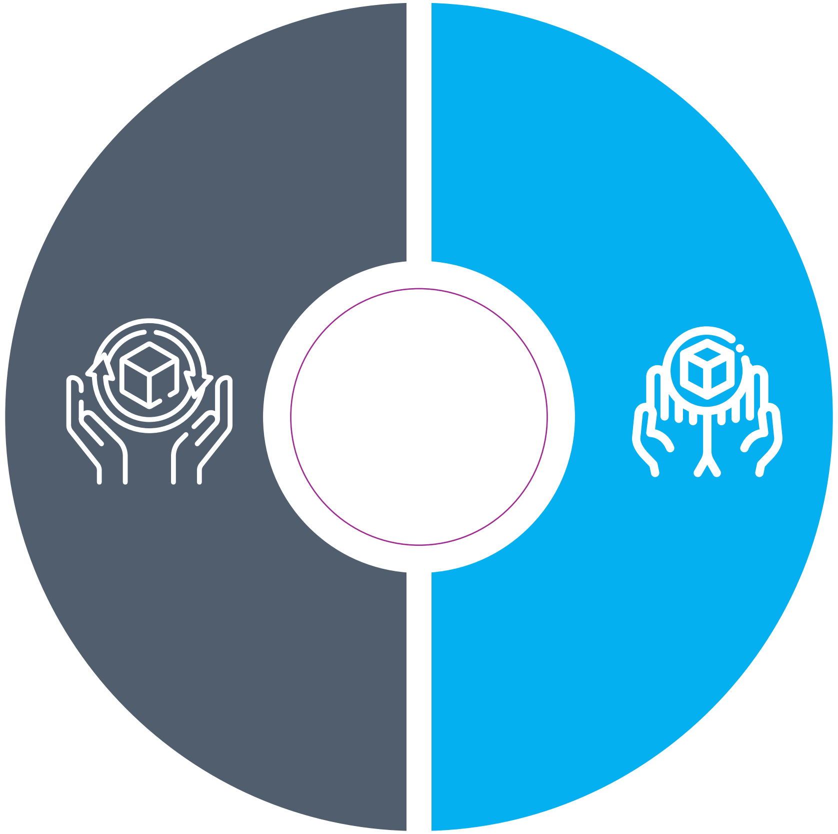
Tangible:

- **Sales Performance:** €12,375 million in sales in fiscal year 2022/2023
- **Profitability:** Adjusted EBIT was €320 million in fiscal year 2022/2023, contributing to the group's €703 million
- **Financial Target:** "Steel Strategy 20-30" aims ~€200 million p.a. in EBIT and BCF and ~€400 million p.a. from portfolio optimization



In - Tangible:

- **Brand and Reputation:** Leader in climate-neutral steel production, recognized for its "green transformation"
- **Product Innovation:** Develops high-tech steels for e-mobility and lightweight construction
- **Network and Collaborations:** Participates in the "Carbon2Chem" project with ThyssenKrupp Uhde and thyssenkrupp nucera

Source: Reporting and Publications, Press Releases

Steel Division Outlook

Steel 4.0: Green Products, Smart Processes, and Global Synergies

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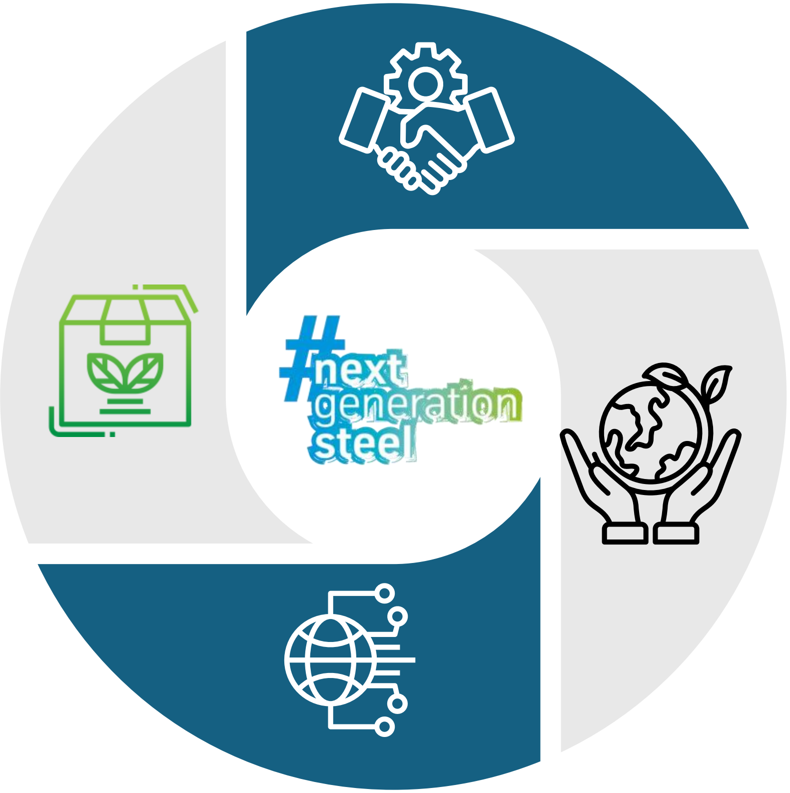
Green Steel Products:

Customer demand for climate-friendly steel products due to decarbonization targets. Thyssenkrupp Steel aims to pioneer climate-neutral steel production. Blue mint® Steel, ThyssenKrupp Steel's first certified CO2-reduced product, is available.

Strategic Partnerships:

ThyssenKrupp Steel partners with Volkswagen Group, Hydnum Steel, and Siemens Energy to develop and supply green steel and advanced materials.



Digitalization:

Digital Transformation Goal aims to achieve "Steelworks 4.0" through automation and digitalization of all processes. Digitalization optimizes production, logistics, and maintenance through real-time data collection and evaluation

Sustainability (Green Transformation):

Thyssenkrupp Steel aims to achieve complete climate neutrality by 2045, including Scope 3 emissions. The company will also expand its climate-friendly materials, including the existing bluemint® Steel, a CO2-reduced product.

Steel Division's Vision & Roadmap

Strategic Outlook: Positioning the Steel Division for a Sustainable Future

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Road Map

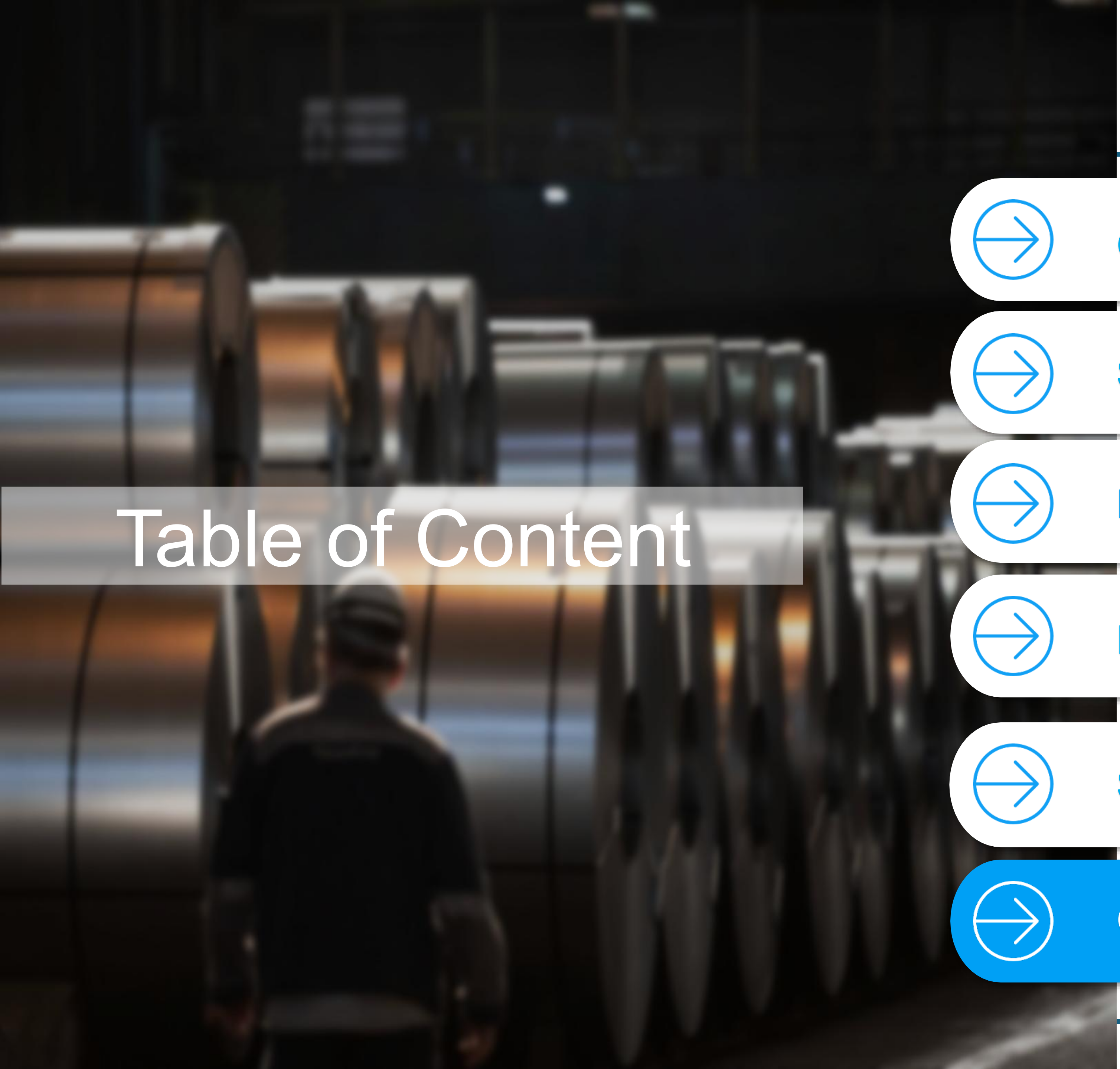
- **Business Strategy:** Streamlining the portfolio, exploring a standalone solution for Steel Europe, and implementing the APEX performance program to enhance operational performance and achieve positive earnings
- **Sustainability Efforts:** Committed to becoming a pioneer in climate-neutral steel production through investments in green technologies and developing green products
- **Financial Goals:** Aiming for reliable earnings and cash flow, positive free cash flow before M&A, and reliable dividend payments in the long term

Challenges

- **Market Conditions:** Weak markets, high macroeconomic uncertainty, declining customer demand, and volatile prices
- **Economic Impact:** Valuation slump due to market conditions and high energy costs
- **Green Transformation Challenges:** High costs, limited green hydrogen availability, high electricity prices, lack of offtake agreements, and partial transition of blast furnaces
- **Operational Risks:** Adjusting production capacity due to market conditions, impairment losses, and supply chain disruptions
- **Impact of Geopolitical Conflicts:** Geopolitical conflicts, such as the war in Ukraine, are affecting supply chains and impacting production and sales volumes

Forecasted Contribution

- **Fiscal Year 2024/2025 Projection:** Steel Europe's sales are expected to be 0% to +3% compared with the prior year, and its Adjusted EBIT is projected to be between €250 million and €500 million
- **Contribution to Group Target:** Steel Europe's performance is expected to contribute substantially to the group's adjusted EBIT target
- **Long-Term Targets:** Increasing shipment volumes to around 11 million tons, achieving an Adjusted EBIT margin of 6-7%, and reaching an adjusted EBITDA per ton of around €100 over the steel cycle



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Thyssenkrupp Strategy 2024+: Growth, Green Transformation & Agile Group Structure

Execute Value-Driven Capital Allocation, Segment Growth, and Sustainability Leadership

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Reinforcing the "Group of Companies" Model

- **Ambition:** Evolve into an agile industrial group with autonomous units.
- **Purpose:** Unlock business potential through tailored growth and capital strategies.
- **Outlook:** Further restructuring and partnerships to strengthen competitiveness.

Disciplined Capital Allocation & Outlook

- **Financial Discipline:** Strong balance sheet enables disciplined, return-focused capital allocation
- **M&A Strategy:** Shifting toward opportunistic acquisitions and value-driven structural moves
- **Outlook:** Navigating volatility with agility as focus moves from restructuring to execution.

Leading the Green Transformation

- **Decarbonization:** Targeting CO_2-neutral steel production by 2045, led by Steel Europe
- **Green Investment:** DRP in Duisburg marks a key step toward hydrogen-based green steel
- **Hydrogen Leadership:** tkNucera aims to lead globally in green hydrogen via electrolysis tech.

Driving Growth in Core Industrial Businesses

- **Marine Systems:** Positioned for growth with a strong order book and expanded defense capabilities
- **Multi Tracks:** Enhancing performance and exploring structural options to unlock segment value
- **Strategy:** Driving growth through innovation and megatrends in energy and defense.

Thank You !