

voestalpine Texas: Sale of majority stake to ArcelorMittal

voestalpine has been exploring strategic options for its direct reduction plant in Texas, USA, for the past year, and is now selling 80 percent of its shares ArcelorMittal. The enterprise value for 100% of the shares in voestalpine Texas is approximately EUR 900 million (USD one billion). Taking into account the expected debt development of voestalpine Texas as of today, the transaction will lead to a cash inflow in the amount of the equity value for 80% of the shares in voestalpine Texas of approximately EUR 610 million (approximately USD 680 million) at closing and thus to a significant reduction of the net financial debt of the voestalpine Group. This partnership also secures a long-term agreement for the Group to annually supply 420,000 tons of the hot briquetted iron (HBI) produced at the plant. This provides the basis for further decarbonization of steel production at Linz and Donawitz (greentec steel). In addition, the partnership reduces the high spot market risk for the quantities not required. The HBI plant has an annual production capacity of around two million tons.

The HBI plant in Texas was announced in 2012 and started operating four years later. The costs of construction amounted to around EUR 870 million (USD 1.012 billion at the exchange rate valid at the time). It was necessary to make unplanned write-offs totaling EUR 372 million in 2019 and 2020 in response to the difficult market environment. Over the past years, the voestalpine subsidiary has succeeded in gradually stabilizing the business model as well as the product and customer structure.

“This transaction secures our supply of HBI over the long term, allows us to develop the business model in Texas together with our partner, and to continue with our promising decarbonization and green steel production plans. Furthermore, the purchase price is significantly higher than the carrying amount. The accounting profit from the transaction is expected to amount to approximately EUR 280 million (approximately USD 310 million), of which the majority will be reported in net income in the 2021/22 financial statements,” says Herbert Eibensteiner, CEO of voestalpine AG. The precise impact on the results will only be clear on closing, which is expected to take place in two or three months. Irrespective of this transaction, the company's outlook for the 2021/22 financial year will be raised from an EBITDA of previously up to EUR 2.2 billion to slightly below EUR 2.3 billion.

HBI remains a key component in decarbonization

voestalpine has developed a clear plan to decarbonize steel production with greentec steel. Once an electric arc furnace goes into operation at each of the Linz and Donawitz sites in early 2027, carbon emissions can be significantly reduced, by around 30%. This represents almost 5% of Austria's annual carbon emissions. “The raw materials plan continually being developed by voestalpine, which is based on scrap, liquid pig iron, and HBI, also enables the future production of green high-tech steels for immediate and future use in sectors including the automotive and railway industries,” says Eibensteiner.

Producing high-quality steel grades using reduced or zero emission production processes is one of the greatest technological challenges faced by steel manufacturers in converting to green steel

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production. A market for this more environmentally friendly steel is emerging; voestalpine will supply its customers in the premium segment of this market with innovative product solutions.

Plans for carbon-neutral steel production using green hydrogen by 2050

From today's standpoint, the long-term mission of the steel and technology Group is carbon-neutral steel production using green hydrogen, for which it is already undertaking intensive research into promising breakthrough technologies. "Our work is focused on scenarios, allowing us to make the optimal decision at the right time," stresses Eibensteiner. Steel production at voestalpine is set to be completely climate-neutral by 2050.

The voestalpine Group

voestalpine is a globally leading steel and technology group with a unique combination of materials and processing expertise. voestalpine, which operates globally, has around 500 Group companies and locations in more than 50 countries on all five continents. It has been listed on the Vienna Stock Exchange since 1995. With its premium products and system solutions, it is a leading partner to the automotive and consumer goods industries as well as the aerospace and oil & gas industries; it is also the world market leader in railway systems, tool steel, and special sections. voestalpine is fully committed to the global climate goals, and its greentec steel program represents a clear plan for decarbonizing the production of steel. In the business year 2020/21, the Group generated revenue of EUR 11.3 billion, with an operating result (EBITDA) of EUR 1.1 billion; it had about 48,700 employees worldwide.

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