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Q1 2020 Outokumpu Oyj Earnings Call

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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by, and welcome to the Outokumpu First Quarter 2020 Results. (Operator Instructions) I must advise you, the call is being recorded today, 6th of May 2020.

I would now like to hand the conference over to your first speaker today, Reeta Kaukiainen. Please go ahead.

Reeta Kaukiainen ***Outokumpu Oyj - EVP of Communications & IR***

Thank you, operator, and good afternoon on my behalf as well, and welcome to Outokumpu's first quarter earnings webcast. My name is Reeta Kaukiainen, and I'm the Head of the Outokumpu's Communications and Investor Relations. As usual, the results will be presented by our CEO, Roeland Baan; and CFO, Pia Aaltonen-Forsell.

But before I hand over to Roeland, I'd like to remind you that the presentation that we will be using today can be found on our website. And as always, we will be making forward-looking statements in this call. So please pay attention to the disclaimer that you see in the presentation.

But now I'll hand over to Roeland. Go ahead.

Roeland Ijsbrand Baan ***Outokumpu Oyj - President & CEO***

Thank you, Reeta. So before beginning with the earnings call itself, just one administrative matter. Today, will be my last earnings call as CEO of Outokumpu. And first of all, I would like to thank all of you for your support and time you spent on covering Outokumpu. I believe we have fundamentally changed the core of assets of our company for the last 4.5 years to indeed become the best value creator in the industry, something that is being confirmed by our last latest Q1 figures, by the way. Also with us is Heikki Malinen, the new CEO of the Outokumpu. Heikki is the perfect choice to guarantee continuity of our progression as he had been on the Outokumpu Board for the last 8 years. He knows the company inside out, and he subscribes to the strategy as we had set out. I would like to hand the floor to Heikki, so he can say a few words as well.

Heikki Malinen

Thank you, Roeland, and good afternoon and good morning. Thanks for the opportunity to say a few words. As said my name is Heikki Malinen, and I will be assuming the role of CEO here in about 10 days on May 16.

For me, first of all, it's a real honor and to have been appointed to this position. Also, I'm really excited about the opportunity to lead Outokumpu. Thanks to the transformation that Outokumpu has gone through under Roeland Baan's leadership, as Roeland just said, the company is in good shape with a strong balance sheet, world-class operations and a very skilled workforce. A bit about my background. I joined the Board of Outokumpu in April 2012 after the decision was taken to combine Outokumpu with Inoxum. I believe firstly that the experience I have provides me with a strong background for my new position. The bulk of my professional career had been spent in the process industry, primarily in the pulp and paper sector in various executive roles in Europe and in North America. The roles have included sales, operational improvement, strategy, M&A as well as leading business areas with full P&L responsibility. I also have 11 years of CEO experience, part of that running a listed company.

I look very much forward to meeting the analysts, investors and shareholders in the future as we get past this travel ban and other restrictions related to COVID-19. But anyway, now thank you for this opportunity, and I'd like to hand it back to Roeland and Pia to go through the results. Thanks.

Roeland Ijsbrand Baan ***Outokumpu Oyj - President & CEO***

Thanks, Heikki. First slide as well is our Vision 2020, best value creator in stainless steel by 2020 through customer orientation and efficiency. As I said before, we -- in these times in this environment, it makes no sense to show the figures that we had linked to this in 2016 as circumstances have changed. However, the relative performance and ambition doesn't change nor our conviction that we literally will be an (inaudible) in 2020 in that position. And as I said, the Q1 numbers are a very clear indication of that.

I would like to start with a few words on the COVID crisis itself, and how we have been tackling it. If you look at the 3 different areas where we have been looking at, the safety, operations and sales, first of all, we took our measures very early on. We started by the end of February already to implement a number of our measures like social distancing, like suspending travel, et cetera, et cetera and had everything fully implemented by the 15th of March, including remote working, et cetera. As a result, we have had altogether, since the start of this pandemic, we have had 18 cases in the entire company of 11,000 people. I think that there's a very clear sign of our operational capability and the speed with which we have been tackling this issue. We had, as a result, no impact on our operations whatsoever during Q1, apart from one week's closure of our service center in Italy, which was mandated by the government and not because of any other reason.

On the operations during our Q1, our mills have been operating normally. We have had no layoffs. We had no temporary layoffs. We have been operating actually at pretty good levels of production. If you look a little bit forward, then the Q2 order book looks still very decent, but we do expect that towards the end of the second quarter, some of these orders, although in the books might not materialize. And as a result, we have been negotiating with local governments as well as with our unions' and workers' councils already in agreement to go to temporary shutdowns if necessary.

So we have a great number of cost mitigating actions already on the shelf that we can pull off whenever we want. Part of this whole, of course, is cash. The whole story is about cash. Cash preservation and making sure that we, indeed, even in the current environment will still be able to reduce our net debt.

If we go to the next slide, responding. We do have a solid balance sheet. We have a total liquidity currently available to us of EUR 0.9 billion, almost EUR 1 billion of liquidity. Cash balance of over EUR 400 million and no significant debt maturities until 2022. Of course, you can ask, well, it's -- how do you react to this? How do you know what's going to happen? How do you know it's sufficient? We have done a number of iterations based on scenario-based financial planning. Scenarios we have used are the scenarios developed by McKinsey, where we have made as Draconian as possible by taking the deepest 2020 scenario they had and saying that is our base scenario, and then looking at not a V-shaped recovery, but the U-shaped recovery. So taking time of getting out of it. And all these iterations and all the planning that we have done with the cost reduction plans means that we will be, from a liquidity point of view in all scenarios, more than adequate. That said, we are eligible for government support. We have a strong focus on cash. We see another EUR 100 million coming out of our working capital. We have already cut our CapEx with EUR 40 million down to EUR 180 million and have further room if needed. And we foresee now EUR 40 million of proceeds from noncore asset sales.

So all in all, we are very confident that whatever this pandemic throws at us, we will come out with some pain. As everyone does, you can't deny that this is going -- it is something unpleasant, but we will come out strong. And we can address this further in the Q&A.

If we go to the results itself. The result was driven by seasonally higher volumes, which we had in our guidance. But I think one thing that we want to stress is our productivity. We had a record productivity throughout the company of more than 5% productivity gain. This is not a sort of -- how do you call this? A financial calculation, looks good on paper thing. This is hard savings. 5% productivity full productivity savings. What worked against us, biggest thing there is the mix. And In the mix are 2 elements, one is the COVID crisis, closed down almost all shipyards in the Far East, which is where most of the scrubber retrofits on the ocean-going vessels are being executed. And so as a result, this specific product, which is a large part of our high-end portfolio was just down significantly. And as a result, our mix was pretty much poorer than it was in the previous quarter.

If we go to the next one. By the way, I'm skipping over. EBITDA at EUR 106 million came in very strong for this quarter.

During the quarter, nickel -- declined nickel price. You know that nowadays, especially with so much of the sales going in the effective price rather than in the surcharge, the nickel price really doesn't do much for our profitability. It does mean that with lower nickel price, we are generally speaking more competitive against the imports.

And talking about imports, still in Q1, the imports were in Europe pretty high, 29% of consumption, down a little bit from the highs of 2019, where we reached 35%, but still high in historical terms. This is, to some extent, the effect of some of the importers trying to fill the quota early on as we are getting to the end of the quarter period at Q2. So we'll see that in Q2, some of the import pressure will ease up. And if you go to the U.S. and there clearly, you have seen the decline, especially since the enactment of Article 232, and we're now at a relatively comfortable 14% of total consumption.

Back to Europe. We do see an issue there that, of course, with demand being reduced overall, the safeguard quotas do not represent any more the reality of this market. We are working with the rest of the industry, including carbon and the European Commission to help in reviewing and revising the safeguards and have asked for a significant reduction in the ceiling of the quota. This is being worked on. And it's not an automatic thing, of course, it will have to be put into a proposal from the commission to the member states. We are working as well with the governments of the member states to make sure that we get a good outcome that will protect the industry. But in the case of stainless, specifically what has helped as well is, of course, we have the anti-dumping duties -- provisional antidumping duties imposed on hot-rolled stainless coming from China, Indonesia and Taiwan, still looking at the antisubsidy duties, which is an investigation that's going on as well, where we hope that there will be some decent support role. And then we have an investigation running through WTO on the legality of the import ban from Indonesia of the end of the nickel ore. So a lot is going on there. And we already see positive results, as I said, from the first provisional anti-dumping duties, but we expect more to come in support of our industry.

With that, I'll hand over to Pia to dig into the numbers in detail.

Pia Alexandra Aaltonen-Forsell *Outokumpu Oyj - CFO*

Thank you very much, Roeland. And I think from the KPI page -- thank you, Reeta, for the microphone. I hope you can all hear me well. I still have traumatic memory from the CMD line. So good. What you see here, obviously, is, I think, very noteworthy relating to the volumes. And I will just keep repeating that later when we discuss, for example, the impacts on the working capital. So just looking at the increase compared with Q4 '19, I think, is relevant then for further analysis. And you've seen that, that we've ended up sort of at a decent volume figure, still lower than a year ago. And as Roeland also stated, to some extent, especially relating to the progress also, already seeing some small impacts from the coronavirus situation.

Otherwise, you see here also our gearings still also showing a strong balance sheet as well as then our net debt figure at EUR 1.249 billion. And I will more certainly come back to that in a few pages.

So I think we can move on, Linda, to the next page, please. And this is now just to have a little bit of a tighter grip on the BA specific figures. Obviously, for BA Europe as well, you would see the big seasonal uptick comparing with a very low Q4 delivery number, now a typical seasonal uptick then from Q4 to Q1. And here then, you can see the negative impacts from the mix actually being quite significant. And then when you look at the other deltas in the result, you see that compared with Q4, they are actually pretty minor. So we have some net of timing and hedging impact. This is obviously predominantly timing. We had also, on a group level, the pattern where the timing impacts were negative. The hedging impacts were somewhat offsetting that being positive. And then you can also see sort of cost and others balancing out. So I would say, under the circumstances relating to the market and the environment where we are in at, a very satisfying result of EUR 67 million EBITDA.

So Linda, if we move on. A pleasure to show you BA Americas' results. The best quarter results we have seen since 2017 of EUR 20 million in the quarter. Particularly, of course, driven by very decent volumes. It's up to 168 kilotonnes from 134 in the fourth quarter. And here then, when you look at the other impacts, you can also see a bit of positive on the pricing and the mix as well as net of timing and hedging. And some of the costs here relate to the higher production level. And maybe I even want to comment the other because it's a bit bigger than usual. You may recall that in the fourth quarter, we talked about some positive sort of onetime or catch-up effects from the yearly closing. Well, obviously, then as a bridge now, those couple of million positive would now turn negative. And then this other also include some FX losses between Mexico and U.S.

With that said, I would quickly move over then to long products. I think what we also see in these numbers is the seasonal uptick in deliveries, so this is then contributing a bit positively to the result. And then primarily the impacts of timing and hedging here are again dragging down. So we can see that we continue to be very close here to a breakeven level. And I think when we discussed the market situation, we already commented last year that there was a pretty tight situation. And obviously, it's also visible here then in the figures for Q1.

And finally, ferrochrome, always a pleasure to talk about ferrochrome production results. And even here, you see deliveries up a little bit compared with a year ago. So we continue to have a very good operational performance, but you all know what the pricing levels have been for ferrochrome. So when we compare with a year ago, in particular, when we compared the results there, we are down. And then even compared here, there is a slight negative deviation from the price. And you have seen now the European benchmark price being out for Q2 at EUR 1.14 So now we have seen a slight increase in the price level, maybe reflecting the new market situation there.

Okay, but I promised to come back to the cash flow. So let's go to that page now. I think there's for sure a lot that could be said around that. And I'll focus first a bit on the working capital. So first of all, when you look here at the cash flow, it's not a mistake. It actually just happened this way that the EBITDA came in at EUR 106 million. And then at the same time, the negative cash flow impact from working capital was EUR 106 million. This was more a coincidence that the figures were exactly the same. But the underlying driver to the working capital increase, I would say, is significantly if not almost purely the much higher accounts receivable figure that we have at the end of the quarter. So when you look at the volume uptick from Q4 to Q1, it is extremely significant. Also, as part of the very stringent credit control we have now during this pandemic time period and the daily follow-up that we do with the overdues, I can only confirm that the Q1 end figure also relating to overdues, it was very well under control following the pattern from last year where we were really able to bring overdues down. So the increase in accounts receivable was purely relating to the higher delivery volumes. There were not as significant changes in payables or in inventories even though there were, let's say, some smaller deltas there. So that's really the first point there on inventories.

Then you can also see that we've had some payments on provisions and pensions, et cetera. And here, I think still it's valid to say, you remember we have talked about the German restructuring being quite a significant provision payout during 2020. And that was not yet prominent in Q1. We expect the first sort of major payment of about EUR 20 million in Q2 and then the full year forecast for that is still about EUR 50 million that we have talked about before. So that's not yet part of these figures here.

So overall then, the cash flow before financing activities was a negative of EUR 90 million. And I think when we talk about the cash flow going forward, also now mirroring only what Roeland already told you, we are expecting at least EUR 100 million of cash inflow this year from working capital. And then you may say, well, that's a tough start after a negative Q1. But actually, from my perspective, Q1 purely followed the seasonal pattern. Now with expected lower delivery volumes as per our report as well, it's clear that we will be able to have a very stringent working capital control. And I believe that we have all the actions in place to bring home that EUR 100 million at least, as we have foreseen as a full year figure there.

A bit on CapEx. You can see here the composition of the EUR 180 million that we currently estimate for the full year. And what we have really reduced is the sort of typical maintenance to kind of the lowest level that we could foresee reasonable. And we have also made some cuts into the other growth buckets that we've had here. You can see that we are continuing the strategic investment into Kemi deep mine almost as foreseen earlier. So we have not lost any speed or momentum in that investment to this -- in this plan.

I think there is maybe a little bit more to be said around the cash flow predominantly then from the sale of the non-core asset that we have talked about. But that's, of course, more something that we are foreseeing for the remainder of the year, and it's not visible yet in the Q1 cash flow.

Okay. Following then this cash flow, we can see the net debt figure on the next page. We are still sort of repeating, I would say, here in this graph just so that it's visible how much the IFRS 16 impact is. You remember that from last year, that was a pure accounting impact, not a cash impact as such. And it's not visible in the pre '19 figures. So just still visually here, sort of remind us of that, also showing that we have really kept on track and reduced the debt during the last years.

And I would then say, just looking forward, still repeating that I think these working capital reductions are well under their way. And in addition to that, Roeland has spoken to the important support that we could get from governments in terms of subsidies or support in case we need to take idle our capacity on a temporary basis or have some sort of other measures that relate, maybe short term work, for example. All of these have been planned, but also, I would say, a long -- a very long list of other responses from the cost side. So I think this is the way now to react and make sure that our cash preservation is the highest priority during these uncertain times.

And finally, I think my final page is then on the debt maturities. So there first, just a confirmation, we repaid the convertible bond of EUR 250 million in February. But we have taken a lot of other actions as well that I would like to briefly mention. One of them is a refinancing of a EUR 120 million pension loan that we completed during the first quarter, and that's obviously significant because the maturity of the new loan is 10 years. And with the refinancing, we were able to bring forward maturities of EUR 80 million that we would have had in the next 2 years. So this was one good step that we have taken in this time period. We have also, just from an operational perspective, decided that we want to have a clearly higher cash balance. You can see that already in our Q1 figures. So that's also one of those measures that we have taken based on the coronavirus situation.

And finally, I still wanted to comment the commercial paper market in Finland. Some of you are more familiar with that and might know that the market has been rather sluggish following the pandemic situation. But from our perspective, we have still been active in this market and since, really, sort of the outbreak also started to impact the markets in Europe, we have been able to issue more than EUR 80 million of new papers. So typically, you know that these are shorter durations typically, call it, between 1 and 3 months. But I think it just shows that the market is still open and kind of remains one of the tools that we have in our funding box.

So you see here as well our maturity profile compared with some of the profiles from previous years, I think we have a clear improvement here, which is also a very good position to be in during these times.

So with that said, thank you, and Roeland, back to you.

Roeland Ijsbrand Baan ***Outokumpu Oyj - President & CEO***

Thanks, Pia. So that brings us to the outlook for the second quarter. The preventative measures and lockdown related to COVID-19 pandemic are expected to have a significant impact on the stainless steel industry during 2020, and by the way, not only the steel industry, but the industry in general. As a result of the lower industrial production diminishing consumer spending, we're expecting demand for stainless steel is expected to decline from the first quarter. We expect our stainless steel deliveries in all business areas to decline (inaudible) 10% to 20% compared to first quarter of 2020. We -- given the uncertainty caused by the COVID-19 pandemic, we will not give quarterly guidance on adjusted EBITDA until further notice.

And with that, I hand back to Reeta.

Reeta Kaukiainen ***Outokumpu Oyj - EVP of Communications & IR***

All right. Thank you, Roeland. Operator, I think we are now ready for the Q&A.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) The first question on the line comes from the line of Seth Rosenfeld from Exane BNP.

Seth R. Rosenfeld ***Exane BNP Paribas, Research Division - Research Analyst***

If I may, I have a few with regards to the outlook for demand and product mix. And then if I can address one to the new CEO, please. With regards to demand as we go into Q2, can you give us a bit of color in terms of how much shipments have already fall -- or how many -- sorry, order intake has already fallen in April and whether at certain regions are out or underperforming others? I note that your guidance for shipments down 10% to 20% appears to be better than what we heard from your peer, Aperam, this morning, guiding to max down 25%. Any sense on your end, what could be benefiting Outokumpu and should we expect perhaps a degradation of mix in Q2 to contribute to that volume boost? I'll start there, please, if I can please come back for the question to Heikki later.

Roeland Ijsbrand Baan ***Outokumpu Oyj - President & CEO***

Yes. So we had a decent first quarter in line with the volume indications we are giving. And we still have an open order book for, let's say, orders in hand booked. It's better to avoid any outstanding orders in hand booked that will get us to the volume in that range of minus 10% to 20%. So all benefits of Outokumpu over the competitors, if they got it lower, I can't tell you. I don't know why they guided lower than we do. I know our guidance is modest. On the mix, no, we don't see a further deterioration compared to Q1. The shipyards in the Far East are going back slowly. I don't expect [selling it back] into the old mix, but definitely not a further deterioration.

Seth R. Rosenfeld ***Exane BNP Paribas, Research Division - Research Analyst***

That's great. And if I can address a question to the incoming CEO, Heikki. First, congratulations on the new role. I think that investors' number one concern with Outokumpu today remains the balance sheet. Can you please share your own personal thoughts on the state of Outokumpu's balance sheet and liquidity today? Are you comfortable with working stand going into an unprecedented period of market volatility? Or do you believe that more structural measures might be needed?

Heikki Malinen

Thanks for the congratulations, and thanks for the questions. I think, overall, in terms of, let's say, more specific plans on how we're going to move forward, I will address those more specifically when we come back in the future quarters. So I'll go into more detail in the next session. Just generally, as Roeland said, the Vision 2020 that the company has been working on, I think, sets the company in a relatively good position as we go into COVID. It will, of course, remains to be seen what the next months bring in terms of government restrictions and so forth. But I do believe that the company is in relatively good position, as Roeland already alluded to.

Operator

Youth next question today comes from the line of Alain Gabriel from Morgan Stanley.

Alain Gabriel ***Morgan Stanley, Research Division - Equity Analyst***

Yes. Just one follow-up question on Seth's view on -- Seth's question on Q2. Are you able to qualitatively give us some indication? Are you seeing any green shoots in any of your subsegments from your end markets? That's one.

And the second question is on ferrochrome. Have you seen any increased demand on your product given the outages in South Africa? How would you assess the current state of the ferrochrome market?

Roeland Ijsbrand Baan ***Outokumpu Oyj - President & CEO***

Okay. So the problem with your question on green shoots that we haven't seen yet the brown shoots. It has been very much in April business as usual. And as I said, our order book has been filling normally as well. If I look a bit further out, then not surprisingly, we see a slowdown on order intake from the automotive sector. And we are expecting that there will be some pressure as well on oil and gas. The good news is that oil and gas is a very small part of our portfolio. And even automotive is not deterring large part of the portfolio. As you know, we had a very well dispersed and balanced portfolio of products as well as end segments. So it's not as if these 2 sectors will have a disproportionate effect on our shipments.

On ferrochrome, we see, let's say, normal-ish demand of ferrochrome. Of course, there is less melting going on around the world of stainless steel. And as a result, the overall demand moving down somewhat. The shutdowns in South Africa have some impact, but don't forget that at the same time, there have been very large amounts of chrome ore sent to China, which can be melted there as well. So altogether, I would say it's a decent market. You see that in the pricing for the quarter, which was set at EUR 1.14 so up from the first quarter. But there is, of course, as everywhere caution about where we go from here.

Operator

The next question today comes from the line of Alan Spence from Jefferies.

Alan Henri Spence ***Jefferies LLC, Research Division - Equity Analyst***

I've got a few. So sorry for kind of bouncing around here. The first on ferrochrome, a good quarter on the cost side. You noted some lower maintenance costs. Are those something that will return in the second quarter? Or is that more structural? On CapEx, you mentioned that the reduction will not impact the investment into the Kemi deep's project, but you didn't mention the ferritics investment there. Is there any potential delay to when ferritics will ramp up? And lastly, just on...

Roeland Ijsbrand Baan ***Outokumpu Oyj - President & CEO***

Sorry, sorry. I missed it, delay on what?

Alan Henri Spence ***Jefferies LLC, Research Division - Equity Analyst***

Is there any delay to the ferritics investment when that will be ramping up in the U.S.?

And the last one on the working capital reduction, you sound quite confident on the EUR 100 million. And obviously, visibility is quite low for the second half of the year. Should we assume you might be able to achieve a large amount of that reduction in Q2 alone?

Roeland Ijsbrand Baan ***Outokumpu Oyj - President & CEO***

All right. So I'll take the ferrochrome -- and I'll let -- and the question on -- Pia can talk to CapEx or capital.

On ferrochrome, the maintenance difference, of course, is Q-on-Q as well. It's a bridge effect. So it's normal seasonal. And we -- so we expect that to be the same for Q2. We won't see a recurrence.

A lot of the vessel cost efficiencies come from things as better coke pricing. We have been able to secure better contracts. The efficiency in the operations, specific electricity consumption, et cetera. So those are part of our productivity numbers that I gave you, the 5%, that is clearly in ferrochrome as well. Yes.

Pia Alexandra Aaltonen-Forsell ***Outokumpu Oyj - CFO***

Thank you. Your second question was on the ferritic investment, and I think that the cut of CapEx cash out this year are, to some extent, impacting also those projects or that project. So you understand that predominantly, we are trying to operate also through sort of timing and scheduling, both of the assets, but also of the payments.

So I think we are still assessing at this point how much of a delay we could expect. But I would say with this first cut in Capex, there is a fair chance of some delay if we then go for further cuts, then the delay would be more significant. So at this point, obviously, we are talking about months, not sort of more than that.

And then working capital, I think your question was, first of all, what could we expect in Q2 and then maybe some more qualitative comments on the third. If we look at our plans right now with lower deliveries expected during the quarter and just the significance of the bonds receivable increase during Q1, I think that gives us a lot of tools to kind of change the tides already during Q2. Whether that would be really enough to sort of mitigate what was built up during Q1, I think that's sort of too much to say at this point, but at least sort of being able to turn the direction that is clearly possible and within our current plans.

And then how to react to the uncertainty and the situation going forward, I think the reason for being so confident on this is that it's so well anchored. This is maybe a bit of a Swedish word, sorry for that. But it's very well aligned with the S&OP planning and now as the situation is uncertain, even takes place on a daily level, just the realignment, the reiteration, the replanning as need be. So that gives us a very profound grip of the situation.

Alan Henri Spence ***Jefferies LLC, Research Division - Equity Analyst***

Okay. And if I can just have one follow-up question on the debt majority profile. Perhaps, if you could, Pia, talk about where you would like to see that in maybe 12 months. You do have quite a bit of liquidity, and you mentioned no real repayments till 2022, but that liquidity is currently scheduled to expire in 2022 and 2023, it has quite substantial repayments. Where would you like to see that profile shift?

Pia Alexandra Aaltonen-Forsell ***Outokumpu Oyj - CFO***

Yes. Well, I would say that since I started about a year ago, we have already sort of significantly expanding the maturity profile going from sort of very short-term funding into the 4-year EUR 400 million term loan, for example. And I think that's the direction I would like to see going forward that we are able to gradually and sort of in a controlled way expanding the weighted average maturities. So we are still, from my perspective, when I look at this, we are still with sort of rather high stacks for the year where we have the maturities.

So one example is now the EUR 120 million pension loan that is now for 10 years. That is, of course, sort of our very long part of this. So further extensions are needed, but we also just need to find the right balance with the pricing and the yields expected for that. So this environment right now, I think, is not the easiest one in terms of expanding the maturity profile. And this may lead to sort of a longer time period needed in order to get there. But the target is clearly there to still take, I would say, 2 or 3 more steps in that direction to really prolong similarly as we were able to prolong last summer.

Operator

The next question today comes from the line of Harri Taittonen from Nordea.

Harri Taittonen ***Nordea Markets, Research Division - Senior Director & Sector Coordinator***

I want a sort of clarification still on the average pricing. I mean you mentioned that most of the price erosion was related to price/mix. But is there -- what sort of changes were on a like-for-like basis and particularly in the contract prices for sort of the customer contract business? What are you seeing there?

Roeland Ijsbrand Baan ***Outokumpu Oyj - President & CEO***

Negligible. Contracts were rollover almost to the door. Pricing was probably down something like $20 on average in the U.S. and something similar EUR 10, EUR 15 on like-for-like in Europe. So very little effect from real pricing. It really is a mix. And as well, if you look at the relative mix, of course, if you have an increase in volume like we had in Q4 to Q1, then that was all predominantly in the, let's say, more standard qualities. So you have a higher representation of standards at lower margin any way than you would have from the higher margin side.

Harri Taittonen ***Nordea Markets, Research Division - Senior Director & Sector Coordinator***

Okay. And then just another question on the cost side, you talked about the improved or increased flexibility in the fixed cost side, if need be. But what are you seeing on the sort of the variable cost input cost levels and sort of the scrap collection and scrap ratio in the near-term compared to Q1?

Roeland Ijsbrand Baan ***Outokumpu Oyj - President & CEO***

Yes. So scrap ratios, scrap input has been high. We're running in -- again, like-for-like where we have the, let's say, the also next [of course], you're running at over 90% scrap. We still don't see a change in that. And of course, pricing is all dependent on the market at the moment. For now, the pricing -- the scrap pricing for Q2 is similar to the scrap pricing in Q1.

Harri Taittonen ***Nordea Markets, Research Division - Senior Director & Sector Coordinator***

Right, right. Good. Maybe just one more. You mentioned that it's -- working with the EU is not an automatic thing. And just wondering what in the sort of critical path, when should we see that proposals, go to commissions and the member states? So what are the critical dates in order for the quotas to be adjusted on time for the next period?

Roeland Ijsbrand Baan ***Outokumpu Oyj - President & CEO***

Exact dates for steps, I don't have for you. The discussion with Commissioner Hogan that we had earlier this year led to him starting the review earlier, the renewal was planned for June, we have started already in February. And that will mean that instead of coming out in October with the proposals to the member states, we now expect them to come out in June.

Of course, one reason why there are no fixed dates is that no one knows who will be (inaudible) when and how. And that does throw us behind the works. But we are in touch with the commission, with the working groups directly and through Eurofer, and we are pushing for quick resolution.

Operator

(Operator Instructions) The next question today comes from the line of Bastian Synagowitz from Deutsche Bank.

Bastian Synagowitz ***Deutsche Bank AG, Research Division - Research Analyst***

I have a couple of questions left, and my first one is actually one for Heikki as well. Heikki, you seem to be pretty happy with what you're taking over just from your comments. Are there any potentially larger strategic state changes you aim to be looking at, i.e., for example, any adjustments to the portfolio, just thinking about assets like Americas?

Heikki Malinen

Thank you for your question. A big question, obviously. The strategy that we have in place, I think, is very sound. I've been on the Board when we approved it. And if there are any new thoughts I have, and we'll come back to that later. But as I said, I think the strategy is the one that has been presented to you.

Bastian Synagowitz ***Deutsche Bank AG, Research Division - Research Analyst***

Okay. Then my second question is probably one for Pia. If I look at this waterfall chart on Americas, it seems like there has been a pretty large impact from other costs, almost EUR 10 million. Is this the FX impact you've been referring to? Or is there anything else in there?

Pia Alexandra Aaltonen-Forsell ***Outokumpu Oyj - CFO***

No, no. the FX impact came in that bucket, other. So the FX impact was negative, but it was in the bucket, other. So the cost is really more related to the increased level of production that we have seen.

Bastian Synagowitz ***Deutsche Bank AG, Research Division - Research Analyst***

Okay. So the FX impact was actually in this other bucket, okay, that was actually...

Pia Alexandra Aaltonen-Forsell ***Outokumpu Oyj - CFO***

It was in the other, yes. Yes.

Bastian Synagowitz ***Deutsche Bank AG, Research Division - Research Analyst***

Yes. Got it, okay.

Roeland Ijsbrand Baan ***Outokumpu Oyj - President & CEO***

That's negative.

Bastian Synagowitz ***Deutsche Bank AG, Research Division - Research Analyst***

Negative, right, exactly. Okay. Perfect. Then my last question is just on your guidance. I mean, so far, you've obviously been ever like only giving directional guidance, and it's probably fair that to say that in this market, anyone would have expected you to guide in principle down for the second quarter, just simply given what's going on out there, even though your trends seem to be slightly better. And for others, now the fact that you are not guiding down and withdraw even from giving any directional guidance, despite the fact that your volume volatility seems to be probably way less than your peers, almost suggest that you think that your numbers may be potentially flat to up, but you understandably may not have the conviction to really write that on paper or basically don't want to mislead the market. Is that observation fair? Because otherwise, I don't really understand why you would not at least guide directional, like you did in the past, like all of your peers, obviously, are still doing.

Roeland Ijsbrand Baan ***Outokumpu Oyj - President & CEO***

Well, I don't know if we should follow the markets fair enough that do not give numerical guidance. Of course, if your volume is down 10% to 20%, your EBITDA will be down. There's no way we can jack up our margins by 20% in this market. So the not wanting to give guidance is more a reflection of the uncertainty and as well to be more qualitative on the underlying factors. If you just shout out it will be lower, then it can be anything too negative, whereas if we give you more handle on what is the underlying reasons, for instance, recently acceptable diminishing of volumes. We talked about cost and pricing more, et cetera, to give you a better framing of where it will go.

Operator

(Operator Instructions) No further questions coming through the phone at this stage. Please continue.

Reeta Kaukiainen ***Outokumpu Oyj - EVP of Communications & IR***

All right. Thank you. Since there are no further questions on the line, I think it's time to conclude this call. Just reminding you that the second quarter results will be published on August 7 at (inaudible) But I'm sure we're meeting some of you or many of you virtually before that, if not in person. But now thank you all. Stay safe and healthy, and goodbye.

Operator

Thank you very much. That does conclude the conference for today. Thanks for participating. You may all disconnect.