

Ternium S.A.  
Form 6-K  
April 26, 2017

**FORM 6 - K**

**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**Report of Foreign Private Issuer**

**Pursuant to Rule 13a - 16 or 15d - 16 of  
the Securities Exchange Act of 1934**

**As of 4/25/2017**

**Ternium S.A.**

(Translation of Registrant's name into English)

**Ternium S.A.  
29 Avenue de la Porte-Neuve – 3rd floor**

**L-2227 Luxembourg**

**(352) 2668-3152**

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(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or 40-F.

Form 20-F  Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12G3-2(b) under the Securities Exchange Act of 1934.

Yes  No

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):

**Not applicable**

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The attached material is being furnished to the Securities and Exchange Commission pursuant to Rule 13a-16 and Form 6-K under the Securities Exchange Act of 1934, as amended.

This report contains Ternium S.A.'s press release announcing first quarter 2017 results.

## SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TERNIUM S.A.

By: /s/ Pablo Brizzio  
Name: Pablo Brizzio  
Title: Chief Financial Officer

By: /s/ Daniel Novegil  
Name: Daniel Novegil  
Title: Chief Executive Officer

Dated: April 25, 2017

**Sebastián Martí**

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**Ternium Announces First Quarter 2017 Results**

Luxembourg, April 25, 2017 – Ternium S.A. (NYSE: TX) today announced its results for the first quarter period ended March 31, 2017.

*The financial and operational information contained in this press release is based on Ternium S.A.'s operational data and consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS) and presented in U.S. dollars (USD) and metric tons.*

**Summary of First Quarter 2017 Results**

Steel Shipments (tons)	2,475,000	2,378,000	4%	2,431,000	2%
Iron Ore Shipments (tons)	863,000	855,000	1%	834,000	3%
Net Sales (USD million)	2,040.1	1,849.6	10%	1,655.5	23%
Operating Income (USD million)	364.2	246.7	48%	202.4	80%
EBITDA <sup>1</sup> (USD million)	464.8	350.6	33%	303.0	53%
EBITDA per Ton <sup>2</sup> (USD)	187.8	147.4		124.7	
EBITDA Margin (% of net sales)	22.8%	19.0%		18.3%	
Equity in Results of Non-Consolidated Companies	21.4	6.5		2.4	
Net Income (USD million)	310.4	144.8		123.6	
Equity Holders' Net Income (USD million)	261.3	118.4		94.4	
Earnings per ADS (USD)	1.33	0.60		0.48	

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- EBITDA of USD464.8 million in the first quarter 2017, 33% higher sequentially, mainly as a result of higher EBITDA per ton and shipments.
  - Earnings per American Depositary Share (ADS)<sup>3</sup> of USD1.33 in the first quarter 2017, a sequential increase of USD0.73 per ADS.
  - Capital expenditures of USD83.9 million in the first quarter 2017, down from USD100.4 million in the fourth quarter 2016.
  - Net debt position of USD0.9 billion at the end of March 2017, stable compared to the end of December 2016 and equivalent to 0.5 times net debt to last twelve months EBITDA.

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<sup>1</sup> EBITDA in the first quarter 2017 equals operating income of USD364.2 million adjusted to exclude depreciation and amortization of USD100.6 million.

<sup>2</sup> Consolidated EBITDA divided by steel shipments.

<sup>3</sup> Each American Depositary Share (ADS) represents 10 shares of Ternium's common stock. Results are based on a weighted average number of shares of common stock outstanding (net of treasury shares) of 1,963,076,776.

Ternium's operating income in the first quarter 2017 was USD364.2 million, a USD117.4 million increase compared to operating income in the fourth quarter 2016 due to higher operating margin<sup>4</sup> and shipments. Operating margin increased sequentially mainly as a result of USD46 higher steel revenue per ton, and stable operating cost per ton<sup>5</sup>. Shipments were 97,000 tons higher compared to the fourth quarter 2016, mainly as a result of a 138,000-ton increase in Mexico partially offset by a 32,000-ton seasonal decrease in the Southern Region.

Compared to the first quarter 2016, the company's operating income in the first quarter 2017 increased USD161.8 million, with higher operating margin and slightly higher shipments. Operating margin in the first quarter 2017 increased year-over-year principally due to a USD143 higher steel revenue per ton partially offset by a USD86 higher steel operating cost per ton. Steel revenue per ton increased as a result of higher realized steel prices in all of Ternium's markets. The increase in operating cost per ton was mainly related to higher raw material and purchased slab costs. Shipments were 44,000 tons higher compared to the first quarter 2016, mainly as a result of a 66,000-ton increase in Mexico partially offset by a 14,000-ton decrease in the Southern Region.

The company's net income in the first quarter 2017 was USD310.4 million, compared to USD144.8 million in the fourth quarter 2016. The USD165.6 million increase in net income was mainly due to the above mentioned higher operating income, an unusually low effective tax rate and higher earnings of non-consolidated companies, partially offset by higher net financial expenses. Effective tax rate in the first quarter 2017 was significantly reduced by the non-cash effect on deferred taxes of a 10% appreciation of the Mexican peso against the US dollar during the period.

Relative to the prior-year-period, net income in the first quarter 2017 increased by USD186.8 million mainly due to higher operating income, a lower effective tax rate and higher earnings of non-consolidated companies, partially offset by higher net financial expenses.

## **Outlook**

After a 9% sequential increase in steel shipments in Mexico in the first quarter 2017, Ternium anticipates further growth in shipments during the second quarter of the year, driven mainly by healthy industrial customer demand, especially in the automotive and household appliances industries. A restocking in the construction-related value chain will also contribute to this expected increase in shipments. The company anticipates sequential and year-over-year increases in shipments in Argentina in the second quarter 2017, supported primarily by agroindustry and public infrastructure investment.

Ternium expects to maintain in the second quarter 2017 its strong operating income level of the first quarter, with higher shipments and a slightly lower operating margin. Cost per ton will sequentially increase, principally as a result of the pass-through to the company's cost of sales of higher slab and coal prices. On the other side, higher revenue per ton will partially offset this increase in costs, mainly due to higher realized prices in Mexico in connection with the usual lag effect of regular price resets contained in industrial customer sales contracts.

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<sup>4</sup> Operating margin is equal to revenue per ton minus operating cost per ton.

<sup>5</sup> Operating cost per ton is equal to cost of sales plus SG&A, divided by shipments.

## Analysis of First Quarter 2017 Results

**Net gain attributable to Ternium's equity owners** in the first quarter 2017 was USD261.3 million, compared to net gain attributable to Ternium's equity owners of USD94.4 million in the first quarter 2016. Including non-controlling interest, net gain for the first quarter 2017 was USD310.4 million, compared to net gain of USD123.6 million in the first quarter 2016. Earnings per ADS in the first quarter 2017 were USD1.33, compared to earnings per ADS of USD0.48 in the first quarter 2016.

**Net sales** in the first quarter 2017 were USD2.0 billion, or 23% higher than net sales in the first quarter 2016. The following table outlines Ternium's consolidated net sales for the first quarter 2017 and the first quarter 2016:

	Net Sales (million USD)		
Mexico	1,299.8	990.5	31%
Southern Region	511.4	464.1	10%
Other Markets	223.9	196.0	14%
Total steel products net sales	2,035.0	1,650.6	23%
Other products <sup>1</sup>	5.0	4.4	14%
Intersegment eliminations	(62.6)	(43.4)	

<sup>1</sup> The item "Other products" primarily includes pig iron.

**Cost of sales** was USD1.5 billion in the first quarter 2017, an increase of USD209.6 million compared to the first quarter 2016. This was principally due to a USD189.7 million, or 20%, increase in raw material and consumables used, mainly reflecting higher iron ore, coking coal, energy and purchased slabs costs, and a 2% increase in steel shipments volume; and to a USD19.9 million increase in other costs, mainly including a USD17.6 million increase in labor cost and a USD1.1 million increase in services and fees.

**Selling, General & Administrative (SG&A) expenses** in the first quarter 2017 were USD172.3 million, or 8.4% of net sales, an increase of USD8.3 million compared to SG&A expenses in the first quarter 2016, mainly due to higher services and fees expenses, labor costs and taxes and contributions (other than income tax).

**Operating income** in the first quarter 2017 was USD364.2 million, or 17.8% of net sales, compared to operating income of USD202.4 million, or 12.2% of net sales, in the first quarter 2016. The following table outlines Ternium's operating income by segment for the first quarter 2017 and first quarter 2016:



	<b>Intersegment</b>							
	<b>Steel segment</b>		<b>Mining segment</b>		<b>eliminations</b>		<b>Total</b>	
Net Sales	2,040.1	1,655.1	62.6	43.8	(62.6)	(43.4)	2,040.1	1,655.5
Cost of sales	(1,514.2)	(1,283.0)	(48.6)	(48.0)	66.4	44.2	(1,496.4)	(1,286.8)
SG&A expenses	(169.9)	(161.3)	(2.3)	(2.7)	-	-	(172.3)	(164.0)
Other operating (expense) income , net	(7.4)	(1.0)	0.2	(1.4)	-	-	(7.2)	(2.3)

**Steel reporting segment**

The steel segment's operating income was USD348.5 million in the first quarter 2017, an increase of USD138.7 million compared to the first quarter 2016, reflecting higher net sales partially offset by higher operating cost.

Net sales of steel products in the first quarter 2017 increased 23% compared to the first quarter 2016, reflecting a higher revenue per ton and a 44,000 ton increase in shipments. Revenue per ton increased 21% reflecting higher steel prices in Ternium's main markets. Shipments increased 2% year-over-year in the first quarter 2017 mainly due to higher shipments in Mexico, partially offset by lower shipments in the Southern Region and in Other Markets.

	Net Sales (million USD)			Shipments (thousand tons)			Revenue / ton (USD/ton)		
Mexico	1,299.8	990.5	31%	1,663.0	1,596.6	4%	782	620	26%
Southern Region	511.4	464.1	10%	545.1	559.0	-2%	938	830	13%
Other Markets	223.9	196.0	14%	266.7	274.8	-3%	839	713	18%
Total steel products	2,035.0	1,650.6	23%	2,474.8	2,430.5	2%	822	679	21%
Other products <sup>1</sup>	5.0	4.4	14%						