

VESUVIUS PLC

Half year 2021 Results

29 July 2021

LEADING THE WORLD OF MOLTEN METAL FLOW ENGINEERING



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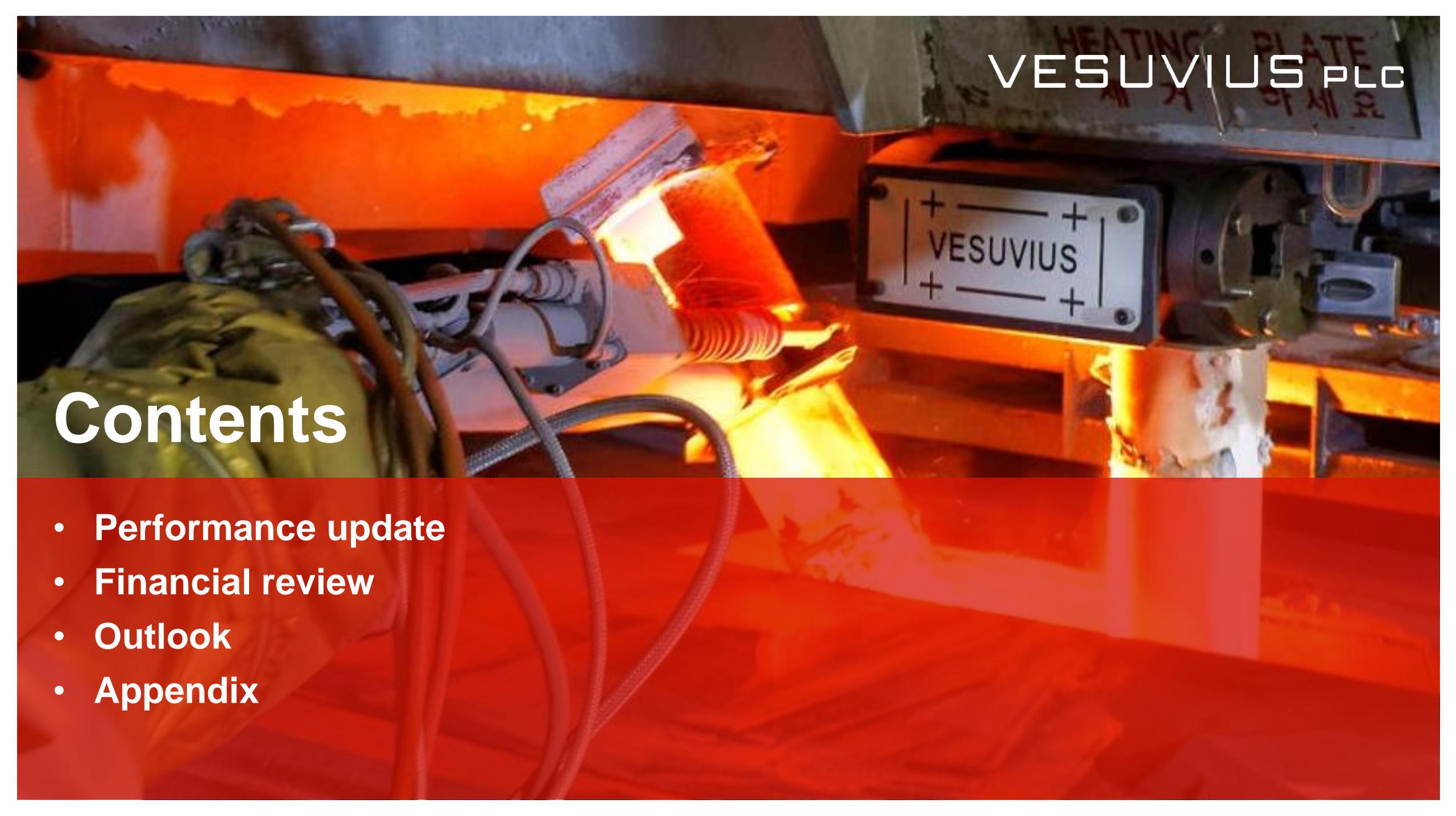
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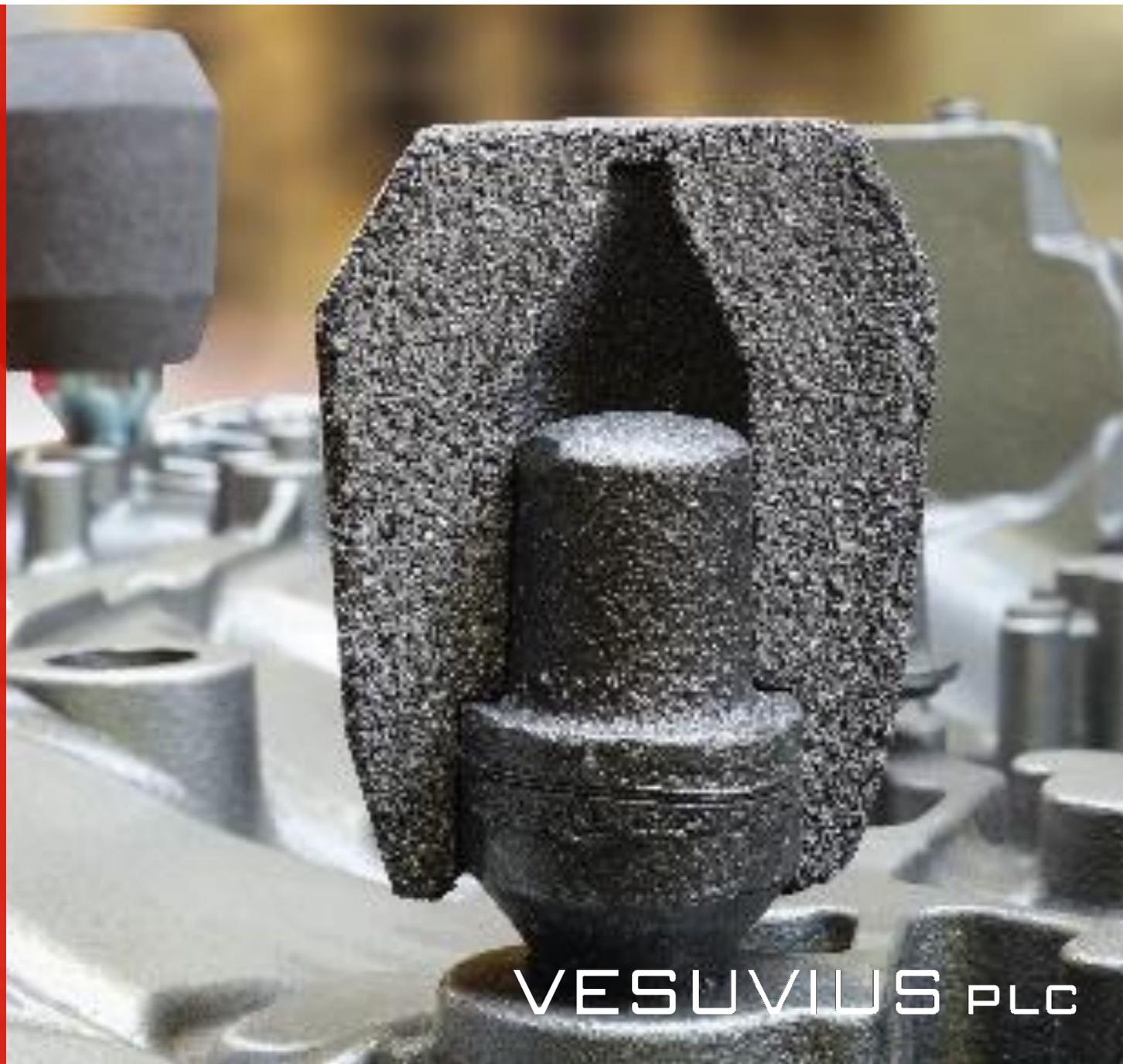
The background image shows an industrial setting with a glowing orange-red heat source, possibly a furnace or a large pipe. A label with the word 'VESUVIUS' is visible on a metal component. The overall scene is dimly lit, with the primary light source being the intense heat of the machinery.

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Contents

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Performance update



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Summary financials

Revenue

£808.1m

+12%
Reported change

+18%
Underlying change

Trading profit

£73.3m

+43%
Reported change

+54%
Underlying change

Return on sales

9.1%

+200 bps
Reported change

+220 bps
Underlying change

Headline EPS

17.9p

+54%

Net debt / EBITDA

1.1x

Dec 2020: 1.2x

Cash conversion

52%

H1 2020: 137%

Proposed interim dividend of 6.2p (3.1p in 2020)

Successful implementation of our growth strategy

- **Strong commercial performance in Flow Control and Foundry, outperforming underlying markets**
 - Priority given to profitability over volumes in Advanced Refractories
- **Strategic capacity expansion in Flow Control to support growth and market share gains**
- **Continued focus on technological leadership to support growth**
 - 12 new products launched in H1 2021, as a result of our decision to maintain R&D investment during the pandemic in 2020
- **Further improvement of working capital efficiency**
 - Trade working capital/sales improved to 20.7% at June 2021 (12m average), versus 23.2% at December 2020 and 24.6% at June 2020
- **Further strengthening of balance sheet**
 - Improvement in our Net debt/EBITDA to 1.1x at June 2021, versus 1.2x at December 2020
 - Refinanced our revolving credit facility, which was increased in size from £300m to £385m
- **Sales price increases compensated for raw material cost inflation but could not fully mitigate in H1 the excess freight costs due to worldwide supply chain disruptions**
 - £10.3m trading profit headwind in H1

Further progress on our ESG agenda in H1 2021



Progressive switch to renewable electricity

- Four manufacturing sites converted to renewable electricity in H1
- These sites represent c.19% of our Scope 2 emissions, and c.5% of our total Scope 1 and 2 emissions

Systematic use of internal carbon pricing to assess decisions

- We have integrated carbon pricing (€30/t CO₂ in 2021) into our capex analysis which supports the selection of more environmentally friendly production processes when investing in capacity increases

Reinforced R&D effort to develop products that improve the sustainability of our customers

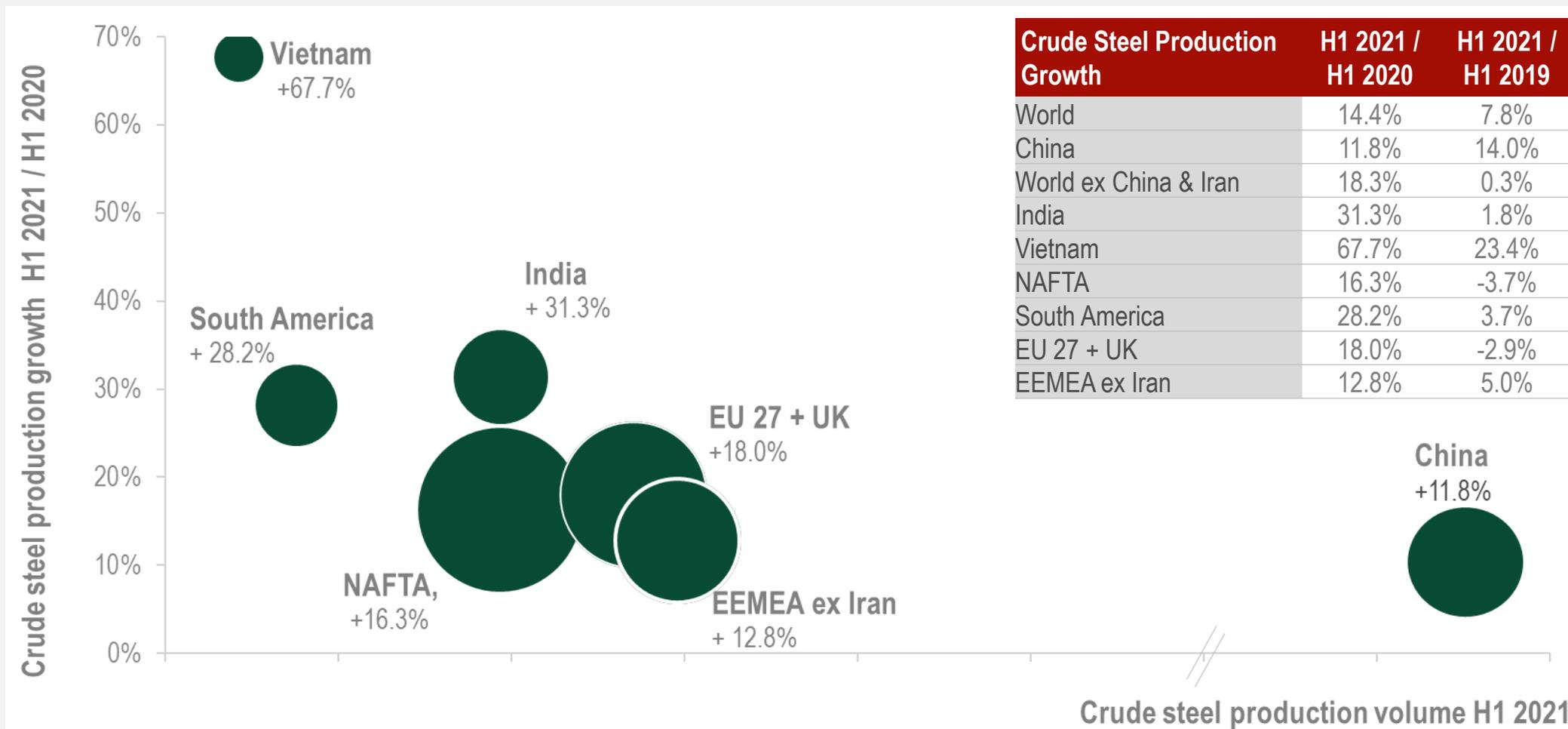
- Increased R&D focus on products that help our customers improve their environmental footprint



Improved ESG rating

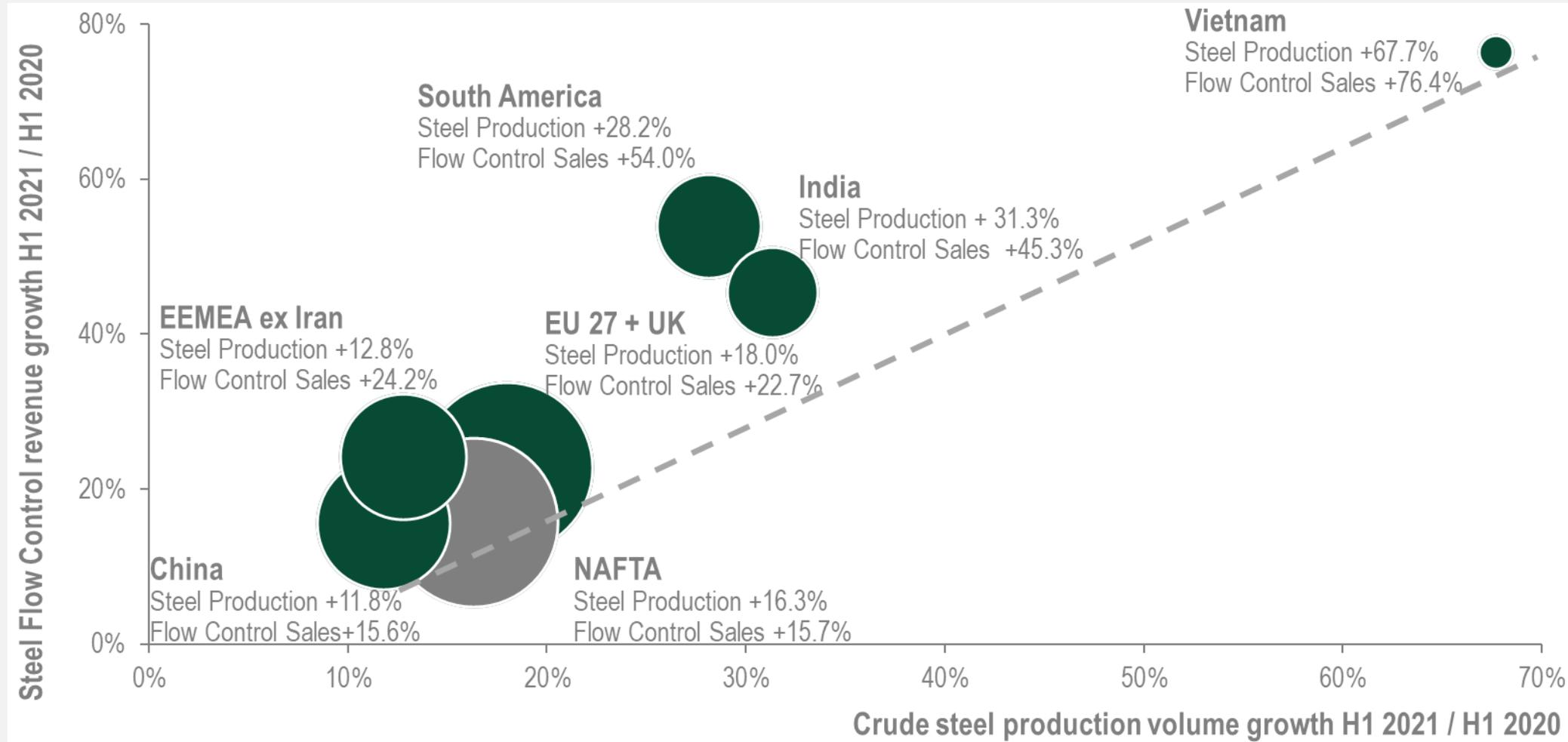
- MSCI ESG rating upgraded to 'A' from 'BBB' in June 2021

World steel production – recovery across all regions



Size of bubbles represent relative revenue of Vesuvius' Steel Division in H1 2021

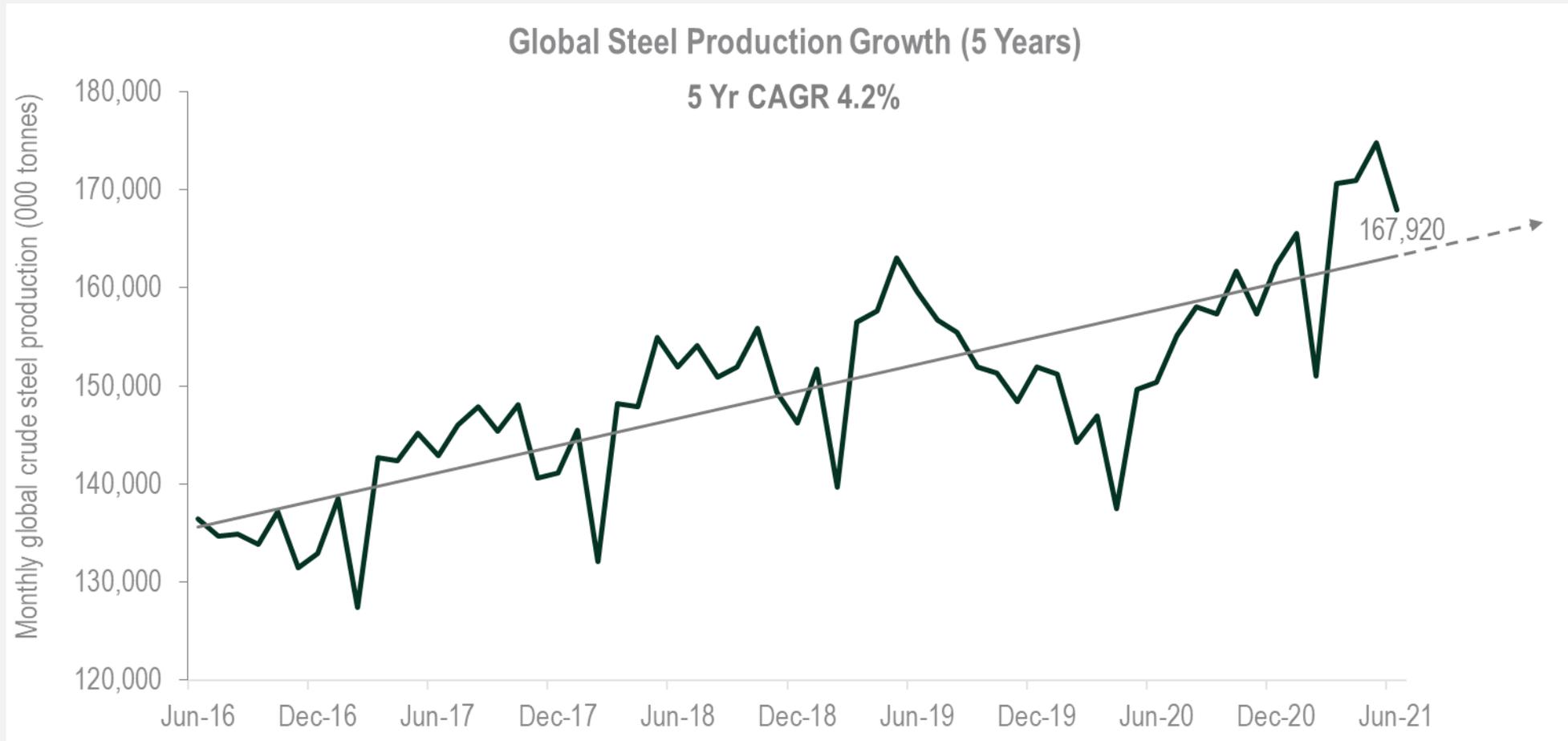
Steel Flow Control strongly outperformed steel production growth



Size of bubbles represent relative revenue of Steel Flow Control in H1 2021

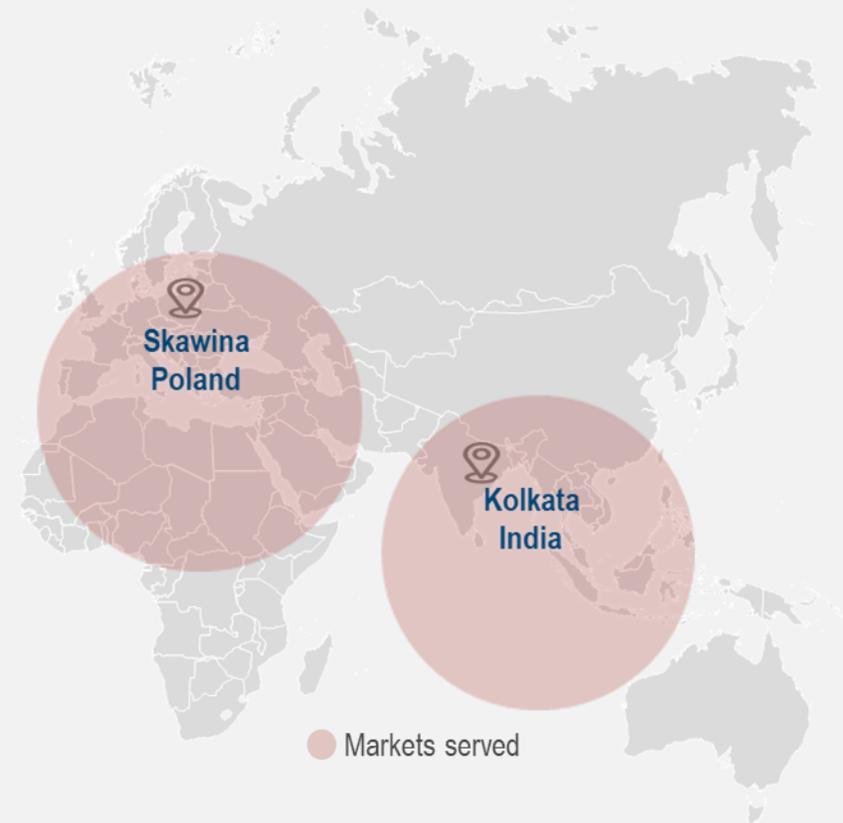
● Sales volume growth exceeding market growth ● Sales volume growth below market growth

Steel remains a structurally growing market



Expansion of Steel Flow Control capacity to support organic growth and market share gains

- **Strategically important £28m programme of capacity expansions planned in Steel Flow Control**
- New capacity will be operational from late 2022
- Investments support ongoing and future organic growth and market share gains
- Capacity expansion in our Skawina Poland plant to serve EMEA, and in particular fast-growing markets in EEMEA
 - +35% expansion in EMEA Viso capacity
 - +100% expansion in EMEA Slide gate capacity
- +50% expansion in Viso capacity in Kolkata, India to serve the fast growing markets of India and South East Asia



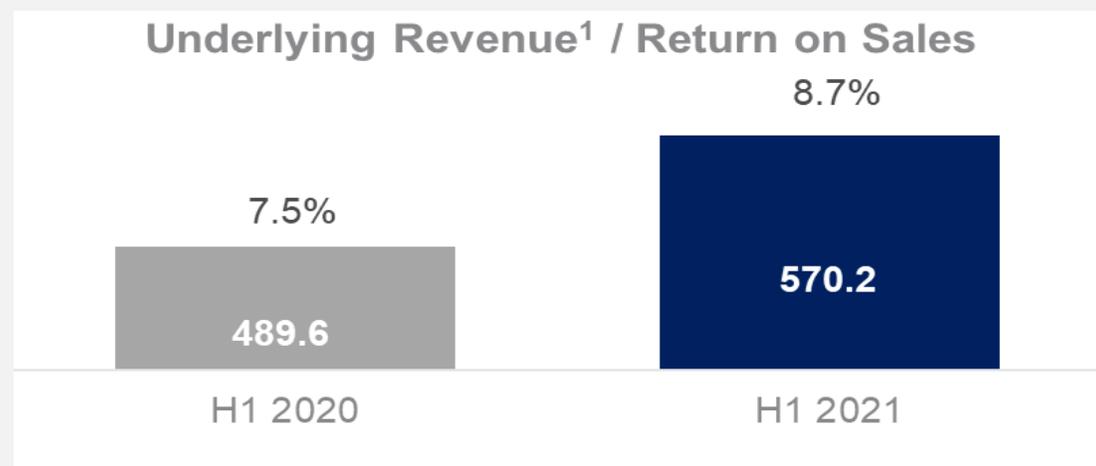
Divisional performance: Steel

H1 2021 performance

- 21% growth in underlying Steel Flow Control sales, which outperformed steel production growth both in China and in the world excluding China
- Steel Flow Control sales growth has benefited from new product launches, underlining the benefits of maintaining our industry-leading R&D investment during 2020
- £28m capacity expansion in Steel Flow Control in Asia and EMEA to support ongoing and future organic growth and market share gains
- Lower growth in Advanced Refractories overall reflects our continued prioritisation of profitability over volumes

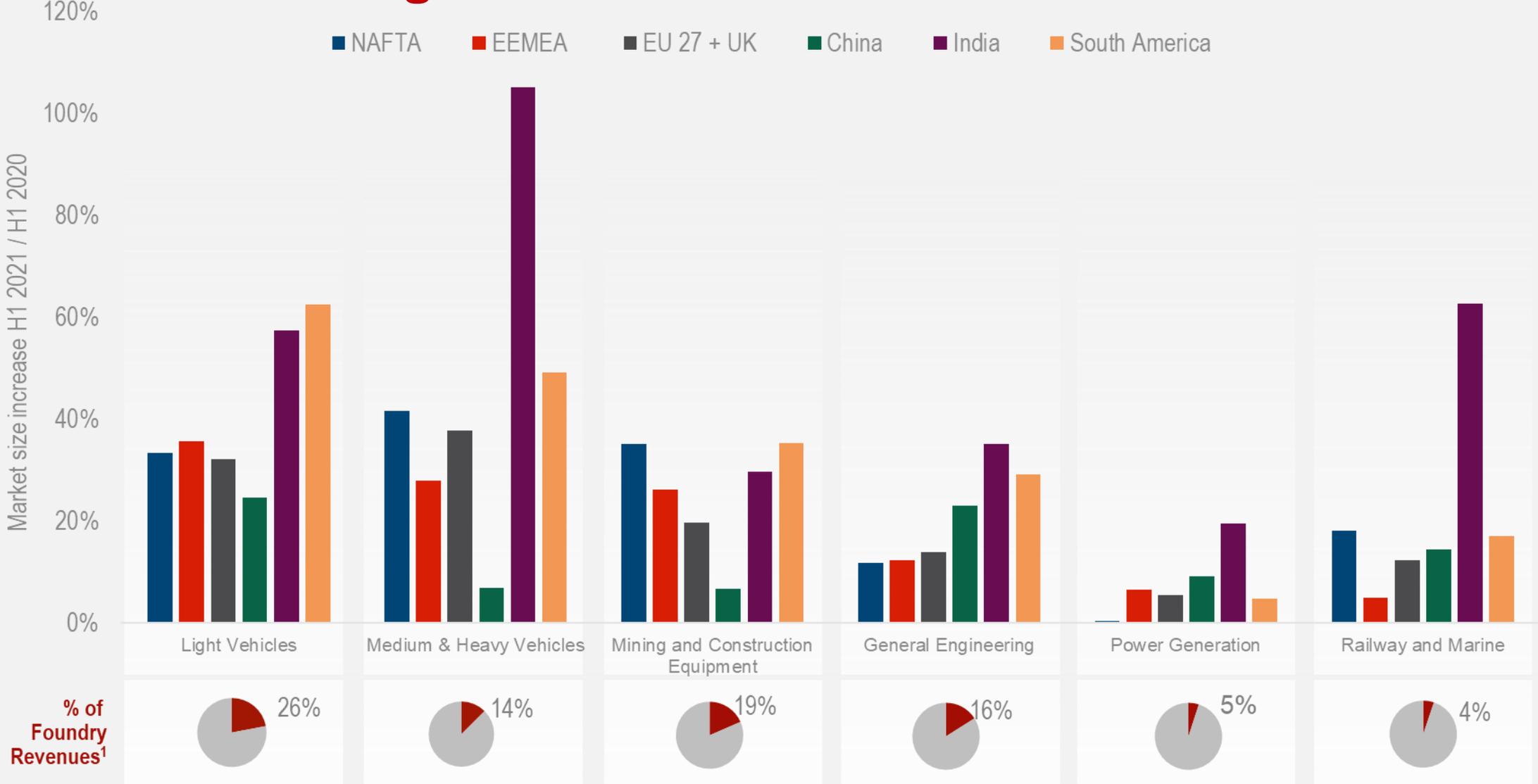
Key Financials

	Reported			Underlying change
	H1 2021	H1 2020	Change	
Flow Control	315.5	274.4	15%	21%
Adv Refractories	238.6	228.8	4%	9%
Sensors & Probes	16.2	13.1	24%	35%
Total	570.3	516.3	10%	16%
Trading Profit	49.4	38.9	27%	35%
Return on Sales	8.7%	7.5%	110 bps	120 bps



Note 1: H1 2021 underlying financials are the same as reported numbers and H1 2020 underlying financials have been adjusted for the effects of currency translations.

Foundry end-market volumes: Recovery across all end-markets and regions



Note: 1: The remainder of Foundry sales are generated from other end-markets.
 Market data sources: IHS data for vehicles, Oxford Economics for all other markets.

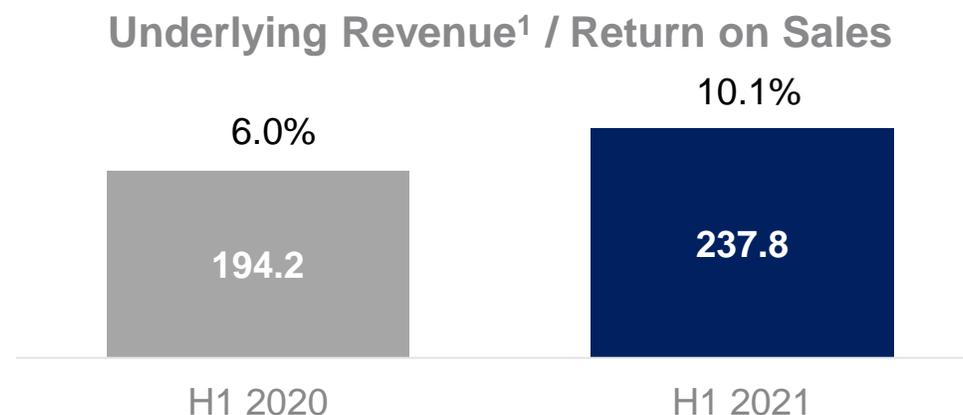
Divisional performance: Foundry

H1 2021 performance

- 22% growth in underlying Foundry sales, supported by strong rebound of all end markets from their pandemic lows
- Strong growth and market share gains in fast growing markets such as China, India and South America
- Foundry sales growth has benefited from new product launches

Key Financials

	Reported			Underlying change
	H1 2021	H1 2020	Change	
Revenue	237.8	203.7	17%	22%
Trading Profit	23.9	12.2	96%	119%
Return on Sales	10.1%	6.0%	410 bps	450 bps



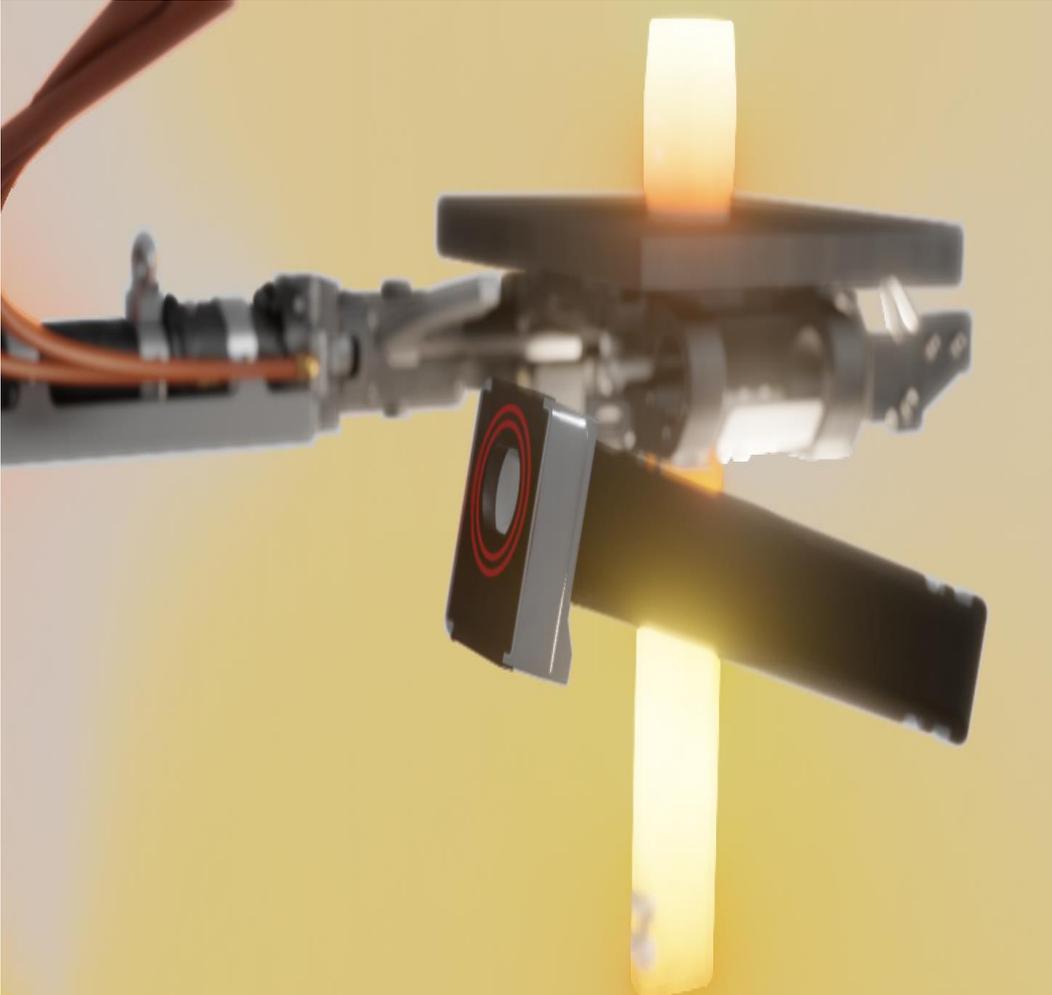
Note 1: H1 2021 underlying financials are the same as reported numbers and H1 2020 underlying financials have been adjusted for the effects of currency translations.

Industry-leading R&D investment

- **Industry-leading R&D investment reinforcing our technology leadership**
 - £14.8m spent on R&D in H1 2021, up from £13.6m in H1 2020
- **12 new product launches in H1 2021, more than in the whole of 2020**
 - Made possible as a result of our decision to maintain industry-leading R&D investment during the pandemic in 2020
 - On track to hit our target of 22 new product launches in 2021

- 
- **Supports our market share gain ambitions and margin improvement objectives**

Value-creating solutions: Steel Flow Control – Air-Shield Technology



Vesuvius air-Shield is a technology that creates a better seal between the two plates of our slide gate mechanism, which controls the flow of molten steel

- Increases yield: Reduces frequency of tube changes by reducing clogging and surface damage, extending tube life
- Improves quality:
 - Improves steel flow stability by reducing clogging and managing the argon flow necessary to maintain backpressure
 - Minimises inclusions in the steel

Value-creating solutions: Advanced Refractories – Basilite QuickStart



Energy-efficient tundish lining spray product, developed by Vesuvius to be used on “QuickStart” heating cycle

- The typical 2-2.5 hour drying cycle is not needed which delivers the following benefits:
 - Increases productivity and tundish availability
 - Reduces energy usage and consequently reduces costs and carbon dioxide emissions

Value-creating solutions through improved sustainability: Foundry – SEMCO Formaldehyde-free coating



Refractory coating for moulds and cores that delivers improved environmental performance for our customers

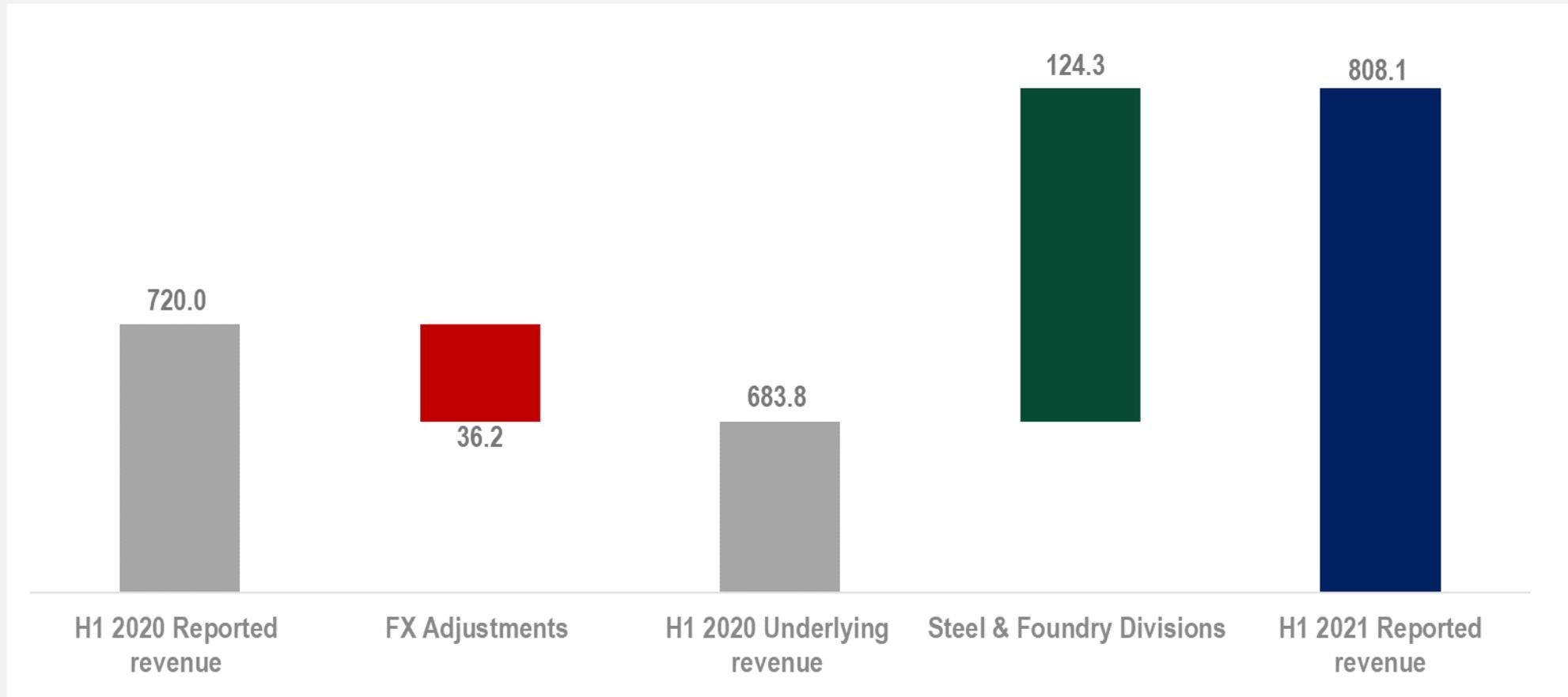
- Reduces casting scrap and rework
- Enables application consistency
- Removal of formaldehyde-releasing biocides
- Helps our Foundry customers reduce emissions of harmful substances and comply with strict environmental regulations

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Financial review

Strong recovery in sales

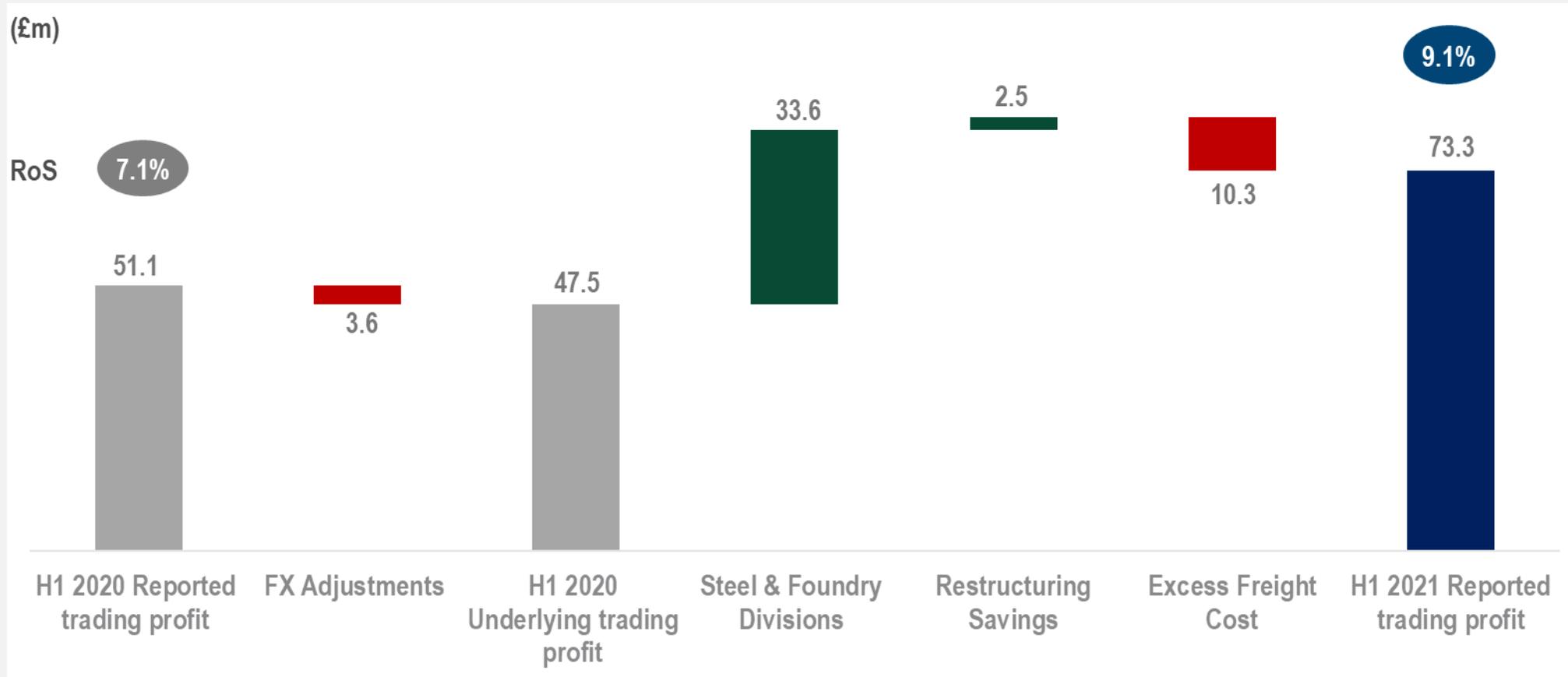
Group revenues up 12.2% on a reported basis (+18.2% on an underlying basis).



Trading profit up 54.4% on an underlying basis

Trading profit up 43.4% on a reported basis (+54.4% on an underlying basis).

Return-on-sales increased by 200bps (+220bps on an underlying basis).



Income statement

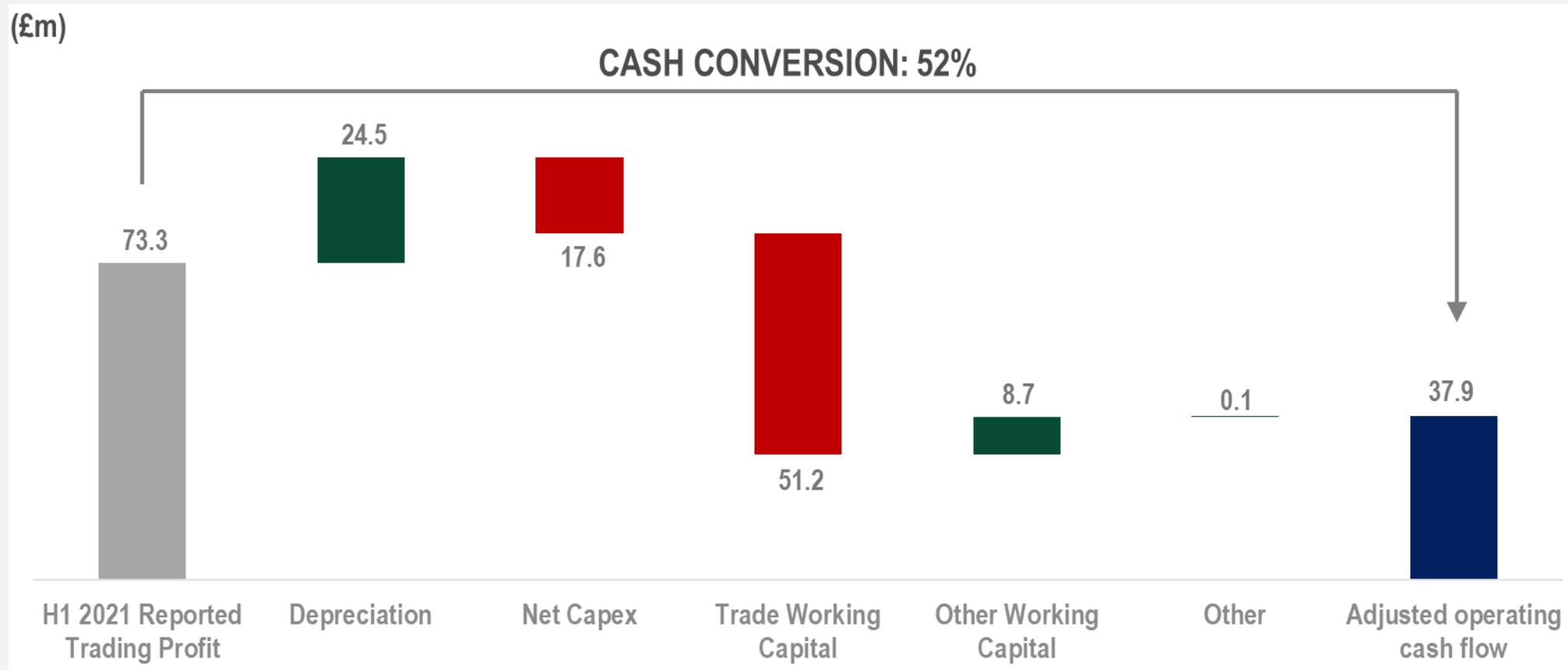
	H1 2021	H1 2020	Change (%)	
(£m unless indicated)	Actual	Actual	As reported	Underlying ¹
Revenue	808.1	720.0	12.2%	18.2%
Trading Profit	73.3	51.1	43.4%	54.4%
Return on Sales (ROS %)	9.1%	7.1%	200 bps	220 bps
Post tax Share of JV Results	0.6	0.7		
Net Finance Costs	-3.6	-5.9		
Headline Profit Before Tax	70.3	45.9	53.2%	
Effective Tax Rate ²	26.5%	27.2%		
Headline Tax	-18.5	-12.3		
Non-Controlling Interest	-3.3	-2.3		
Headline Earnings	48.5	31.3	55.0%	
Headline EPS (pence)	17.9	11.6	54.3%	

Notes: 1. Underlying basis is at constant currency and excludes separately reported items and the impact of acquisitions and disposals.

2. Income tax associated with headline performance, divided by the headline profit before tax and before the Group's share of post-tax profit of joint ventures.

Cash conversion lower at 52% due to investment in trade working capital

Cash conversion in H1 2021 of 52%, naturally lower than 137% in H1 2020, due to growth in trade working capital resulting from recovery in business activity.

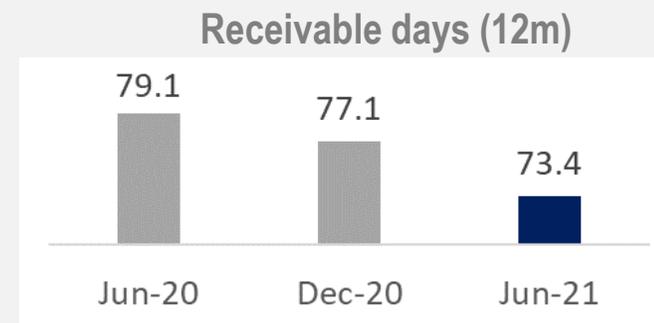
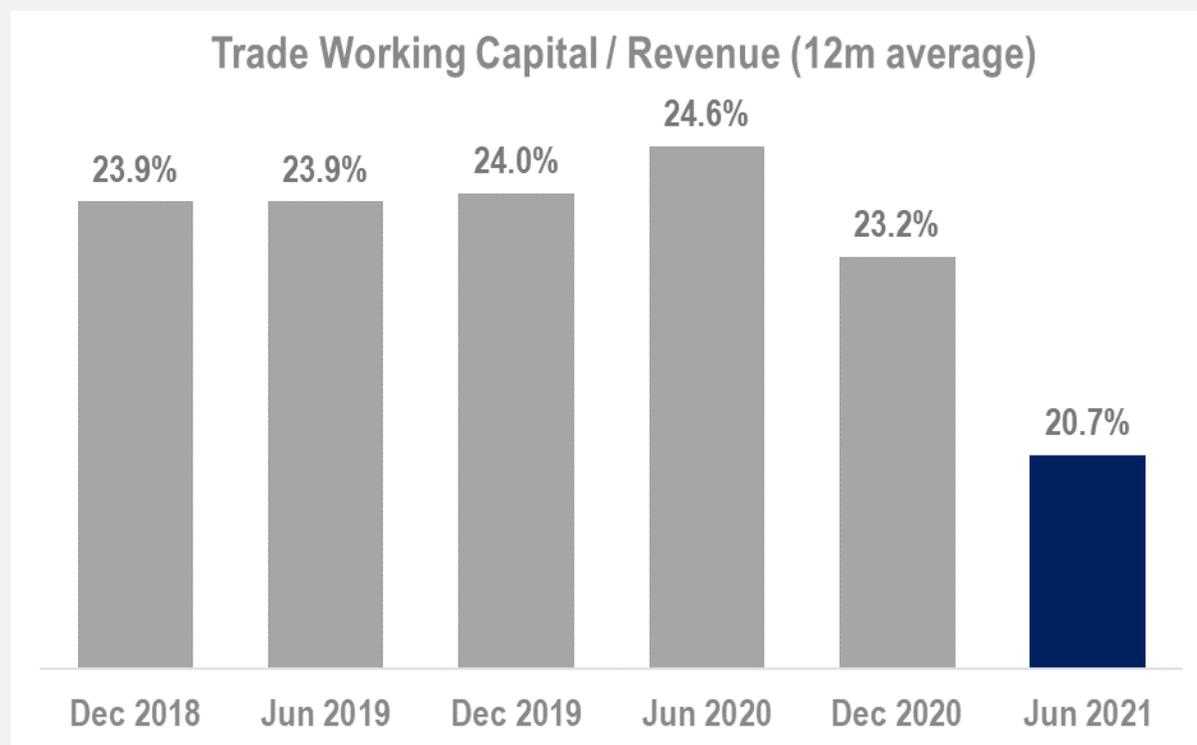


Net capex is net of proceeds from sale of property, plant and equipment.

Working capital efficiency continues to improve

Our continued strong focus on working capital has resulted in our average trade working capital / sales for the prior 12 months improving further to 20.7% at June 2021.

Inventory days will increase as we build-up raw material and finished goods inventories in anticipation of a further recovery in end markets.

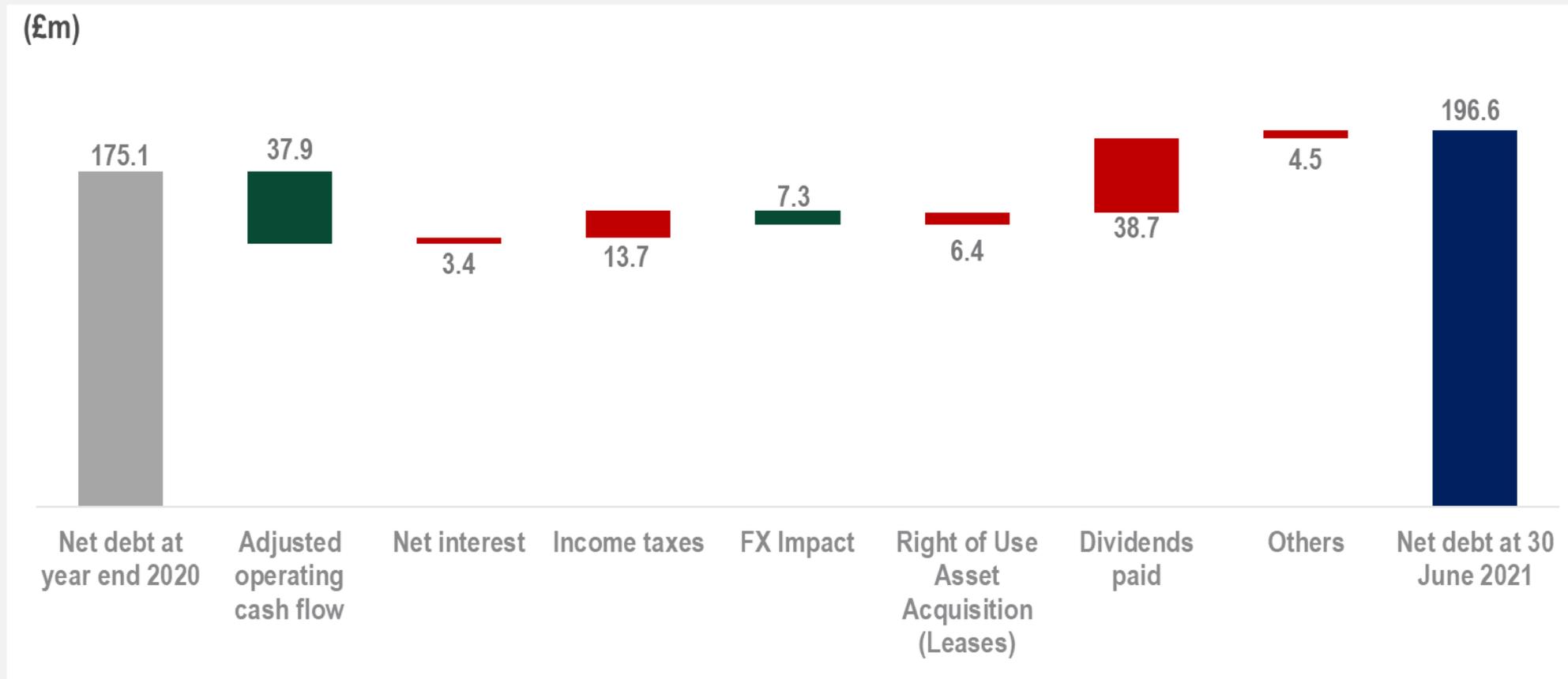


Trade Working Capital shown in constant currency.

£196.6m net debt and 1.1x net debt¹ / LTM EBITDA

Net debt at 30 June 2021 increased to £196.6m, from £175.1m at the end of 2020.

The £38.7m final dividend payment for 2020 was the key driver of this increase.



Note 1: Net debt / EBITDA ratios are post IFRS-16.

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Outlook

Outlook

Vesuvius delivered a strong commercial performance in H1 2021, supported by the continued improvement in end markets and market share gains in Steel Flow Control and Foundry. While we continue to experience inflationary pressure in certain raw materials and freight, this will be offset in H2 through incremental selling price increases currently being implemented. Consequently, trading profit in the second half is expected to be similar to the first half. Overall, our expectation for the full year is unchanged.

Looking beyond the ongoing transition period of the pandemic recovery, we expect continuing structural growth in our end markets of steel and foundry to present attractive organic growth opportunities, supported by the strategic expansion of our Steel Flow Control production capacities in Asia and EMEA.

We remain confident that we will deliver further meaningful improvement in our financial performance in the coming years, based on our optimised manufacturing footprint, our ongoing R&D investment and new product pipeline, as well as our entrepreneurial and decentralised business model.

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Appendix



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Liquidity increased post RCF refinancing

Available committed liquidity of £488.5m

- Our available committed liquidity would have been £488.5m at 30 June 2021, when adjusted to reflect the increase in size of our new RCF, compared to £437.3m at 31 December 2020

Successful refinancing of revolving credit facility (“RCF”)

- Increased in size from £300m to £385m, with a maturity date of 5 July 2025 and an option to extend this by 1 year
- An accordion feature allows for an additional £100m of future borrowing, subject to our lending banks obtaining credit approvals at that time

Currency ready reckoner

Jun 2021			
Currency	Unit	Approximate change in annual profit (£m)	Currency % of total TP
USD	1 cent	0.25	24.1%
EUR	1 cent	0.11	8.7%
INR	1 rupee	0.17	11.5%
RMB	0.1 RMB	0.36	21.9%
JPY	1 Yen	0.07	6.8%
BRL	0.1 reais	0.13	6.6%
ZAR	1 rand	0.002	2.9%

Rule of thumb for impact of a movement in currency against sterling (1 unit change)

- Amounts shown are movements for each currency
- Works both for strengthening and weakening of currencies

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