



VESUVIUS PLC

# Full Year 2021 Results

03 March 2022

Think beyond. Shape the future.

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# Contents

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VESUVIUS PLC

Performance  
update



# Solid set of results in 2021

## Revenue

**£1,643m**

**+13%**  
Reported change

**+18%**  
Underlying change

## Trading profit

**£142.4m**

**+40%**  
Reported change

**+50%**  
Underlying change

## Return on sales

**8.7%**

**+170 bps**  
Reported change

**+190 bps**  
Underlying change

## Headline EPS

**35.3p**

**+52%**

## Net debt / EBITDA

**1.4x**

Dec 2020: 1.2x

## Trade working capital / sales

**20.9%**

2020: 23.2%

**Proposed full year dividend of 21.2p (+22% versus 2020)**

# Successful implementation of our growth strategy

## Cost inflation fully passed through by year-end

### ▪ Strong commercial performance

- Sales growth of c.21% and strong margin recovery in Steel Flow Control, with material market share gains
- Sales growth of c.20% in Foundry achieved despite the weak automotive end markets

### ▪ Inflationary headwind fully eliminated by year-end due to successfully implemented price increases

- Cost inflation in 2021 fully passed through by year-end in all three business units, but £14m net inflation headwind for the full-year, due to timing differences between cost and price increases

### ▪ Delivery of strategic growth initiatives

- Successful acquisition of the business of Universal Refractories reinforces our presence in the fast-growing Electric Arc Furnace sector in the USA
- Strategic capacity expansion in Flow Control in Asia and EMEA is on track to be operational from end 2022

### ▪ Continued focus on technological leadership to support growth

- 27 new products launched in 2021, more than double the number launched in 2020

### ▪ Further improvement of working capital efficiency

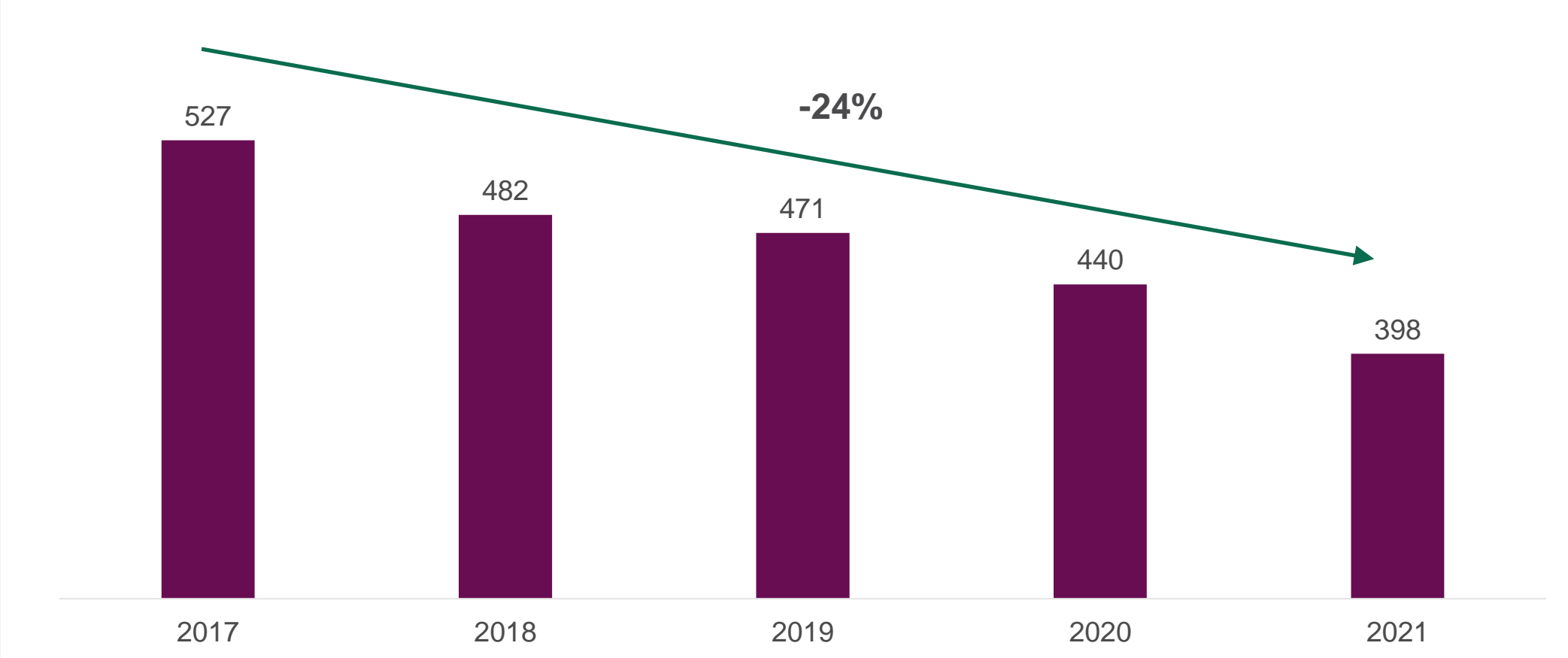
- Trade working capital/sales improved to 20.9% at Dec. 2021 (12m average), versus 23.2% at Dec. 2020

# Significant progress in our sustainability roadmap

KPI	Target	2021 vs 2019
<b>Safety</b> Lost Time Injury Frequency Rate (per million hours worked)	<1	1.06
<b>Energy Consumption</b> Energy consumption per metric tonne of product packed for shipment	10% reduction by 2025 (vs 2019)	-9.0%
<b>CO<sub>2</sub> Emission</b> Energy CO <sub>2</sub> e emissions per metric tonne of product packed for shipment	10% reduction by 2025 (vs 2019)	-16.5%
<b>Waste Water</b> Waste water per metric tonne of product packed for shipment	25% reduction by 2025 (vs 2019)	-2.8%
<b>Solid Waste</b> Solid waste (hazardous and sent to landfill) per metric tonne of product packed for shipment	25% reduction 2025 (vs 2019)	-21.8%
<b>Recycled Material</b> Recycled materials from external sources	7% to be used by 2025	6.2%
<b>Gender Diversity</b> Female representation in Top Management (GEC plus key direct reports)	30% by 2025	21%
<b>Compliance Training</b> Percentage of targeted staff completing Anti-Bribery and Corruption training	At least 90% annually	100%
<b>Supply Chain</b> Sustainability assessments of raw material suppliers	50% of Group spend by the end of 2023	52%

# 24% reduction in carbon dioxide equivalent emissions since 2017

Kilograms CO<sub>2</sub>e per metric tonne of product packed for shipment



CO<sub>2</sub>e: carbon dioxide equivalent



# Further progress on our ESG agenda

WE SUPPORT



## Progressive switch to renewable electricity

- More than 50% of our electricity came from non-carbon emitting sources in 2021

## Systematic use of internal carbon pricing to assess capex decisions

- Carbon pricing integrated into our capex analysis which supports the selection of more environmentally friendly production processes
- The internal cost of carbon is reviewed annually and will be set at €90/t CO<sub>2</sub> in 2022

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

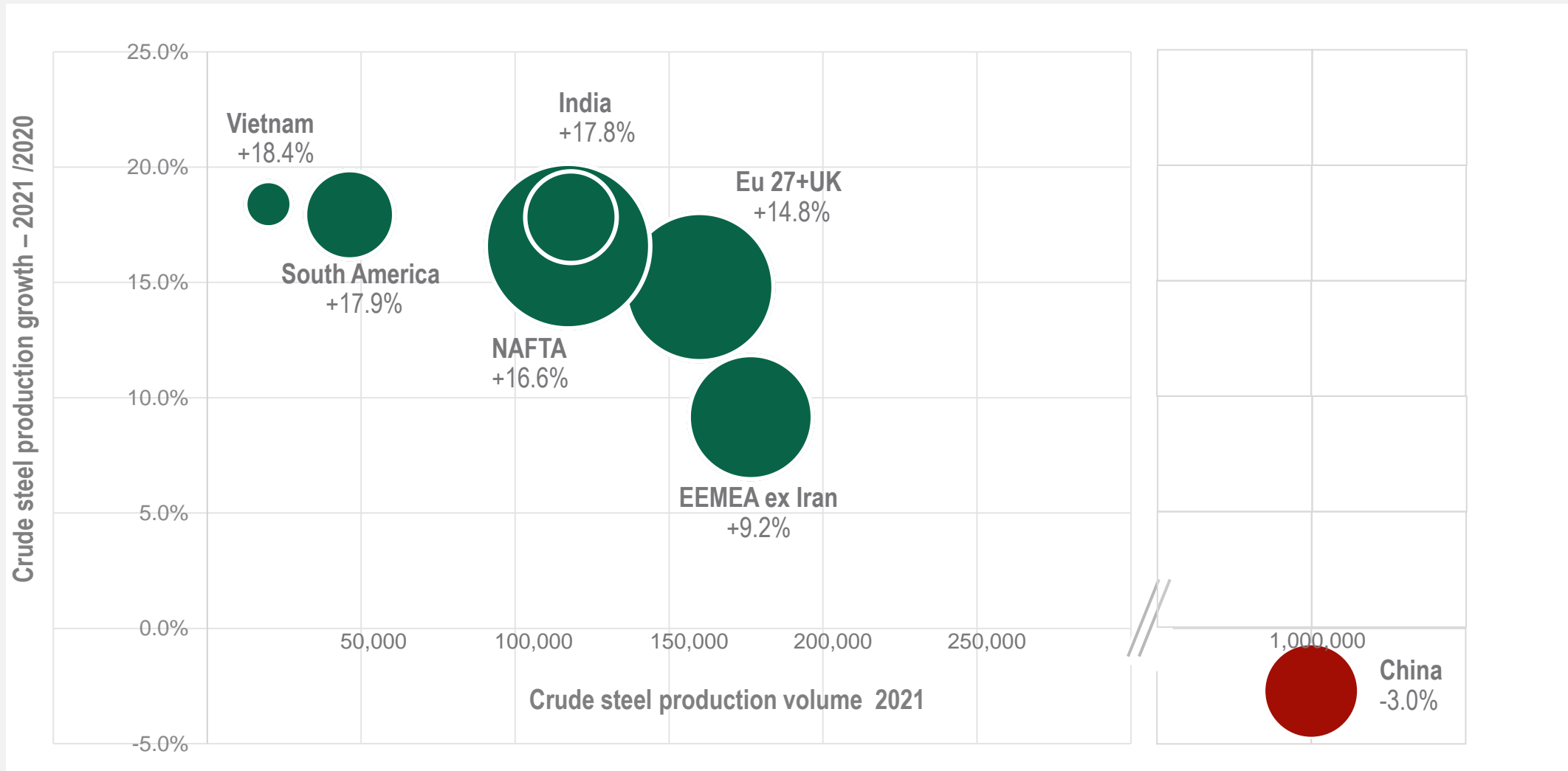
- Increased R&D focus on products that help our customers improve their environmental footprint
- 80% of our new product development projects in 2021 targeted products with market leading sustainability outcomes

## Improved ESG rating

- MSCI ESG rating upgraded from 'BBB' to 'A'
- Ecovadis rating progressed from silver to gold

VESUVIUS

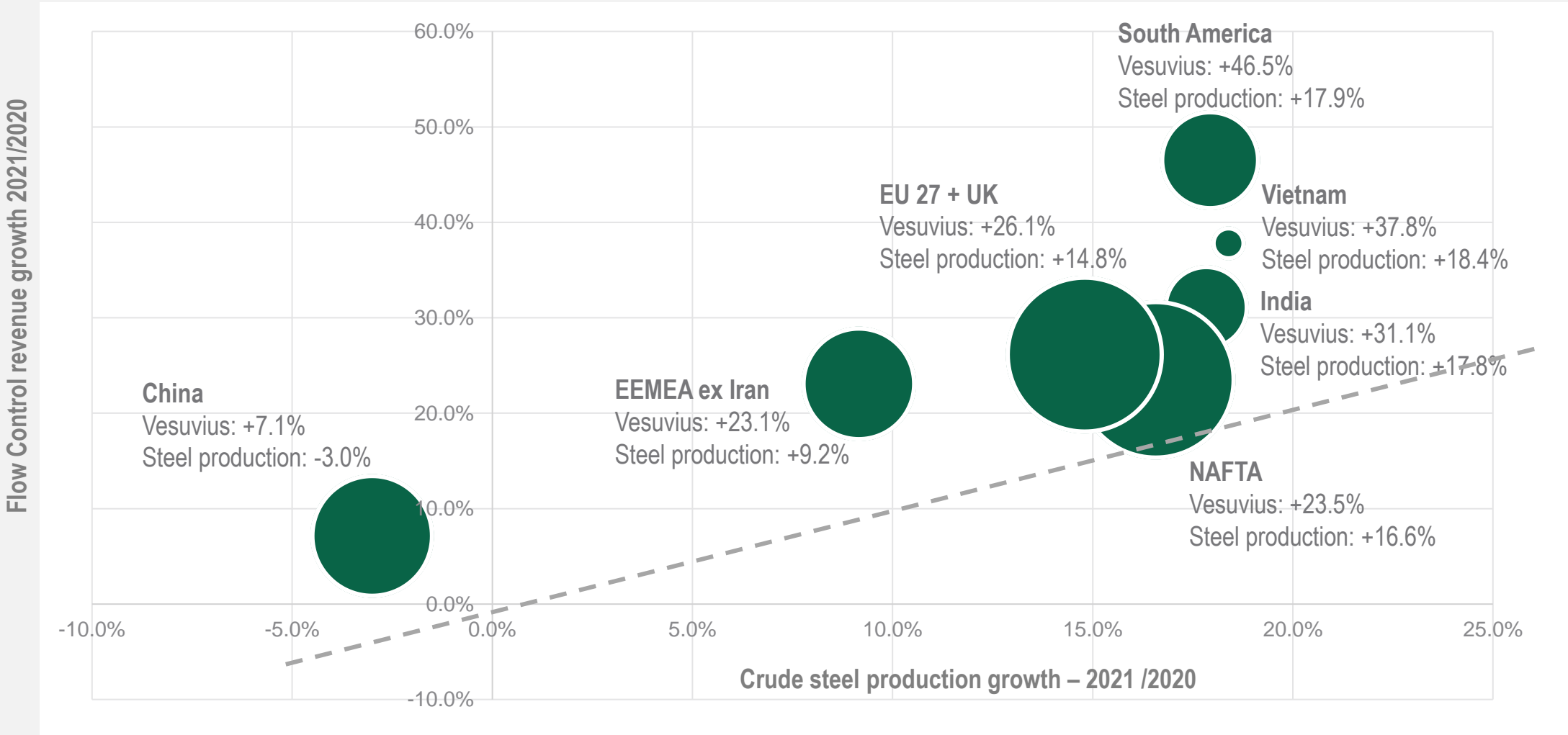
# World steel production: positive recovery in the world outside of China



Size of bubble represents relative revenue of Vesuvius' Steel Division in 2021.

# Flow Control sales strongly outperformed the steel market in all regions

Flow Control sales volume grew by 21% versus steel production growth of 13% in the world excluding China and Iran.



Size of bubble represents relative revenue of Vesuvius' Flow Control in 2021.

# Acquisition of Universal Refractories business

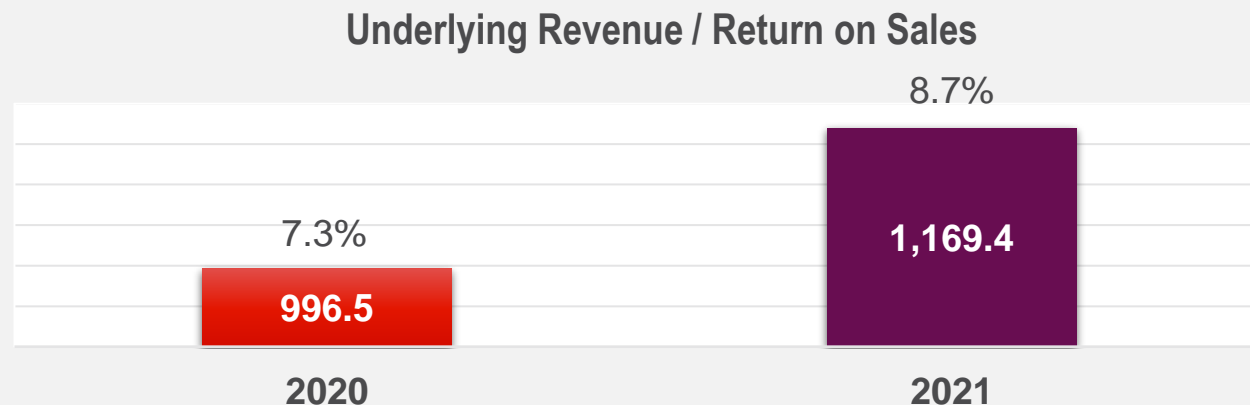
- In December 2021, we acquired Universal Refractories, Inc. (“Universal”), a specialty refractory producer in the USA
- Universal reinforces Advanced Refractories’ core tundish business and expands our presence amongst electric arc furnace (“EAF”) steel producers in North America, while also further strengthening our Foundry business
- The transaction valued Universal at US\$57.1 million (£42.6 million) on a cash and debt free basis
- Universal's unaudited revenue and EBITDA in the trailing 12 months prior to the acquisition were \$40.5m and \$8.6m, respectively
- The acquisition will generate attractive synergies and will be accretive to Group return-on-sales even before synergies are considered
- We are targeting net synergies of c.\$4.5m, which will be fully delivered by year-end 2023

# Divisional performance: Steel

## 2021 performance

- 21% growth in Flow Control sales, which outperformed steel production growth both in China and in the world excluding China
- Strong R&D pipeline with 14 new product launches during 2021 and more to come in 2022
- Capacity expansion in Flow Control in Asia and EMEA on track to be operational from late 2022
- Limited growth in Advanced Refractories due to prioritisation of price rises over volumes
- Raw material and freight inflation fully eliminated by year-end in both Flow Control and Advanced Refractories

Steel Division	2021	2020	Change (%)	Underlying change (%)
Flow Control	648.7	561.3	+16%	+21%
Advanced Refractories	489.1	458.6	+7%	+11%
Sensors & Probes	33.7	25.5	+32%	+43%
<b>Total Revenue</b>	<b>1,171.5</b>	<b>1,045.4</b>	<b>+12%</b>	<b>+17%</b>
<b>Total Trading Profit</b>	<b>102.1</b>	<b>76.4</b>	<b>+34%</b>	<b>+42%</b>
<b>Total Return on Sales</b>	<b>8.7%</b>	<b>7.3%</b>	<b>+140 bps</b>	<b>+150 bps</b>

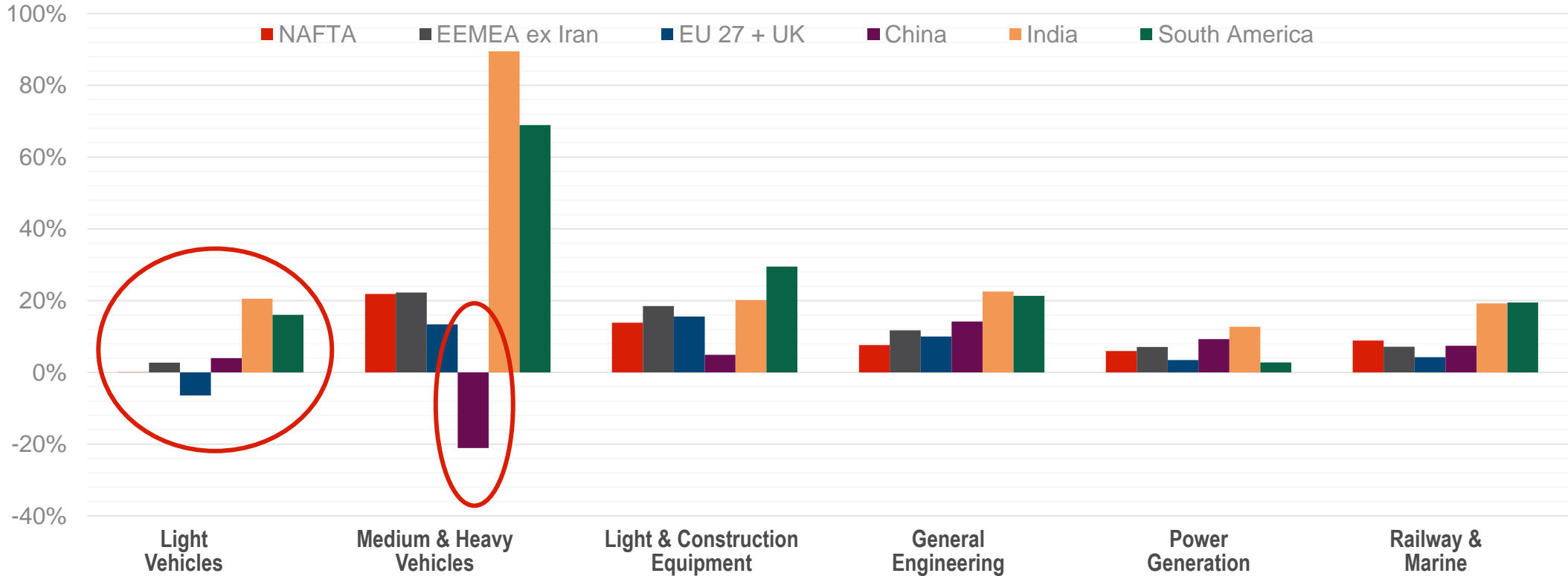


Note 1: 2021 underlying financials have been adjusted for Universal acquisition. 2020 underlying financials have been adjusted for the effects of currency translation.

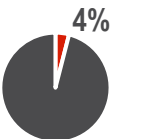
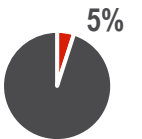
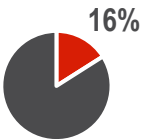
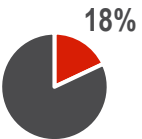
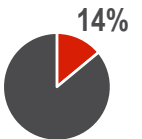
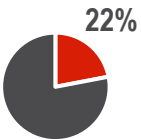


# Only partial recovery of Foundry markets as automotive disappointed

Volume growth in Foundry end markets - 2021 vs 2020



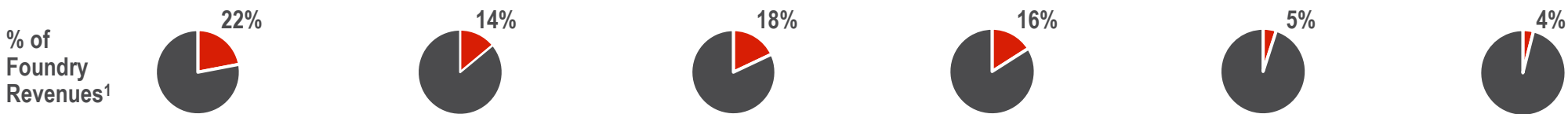
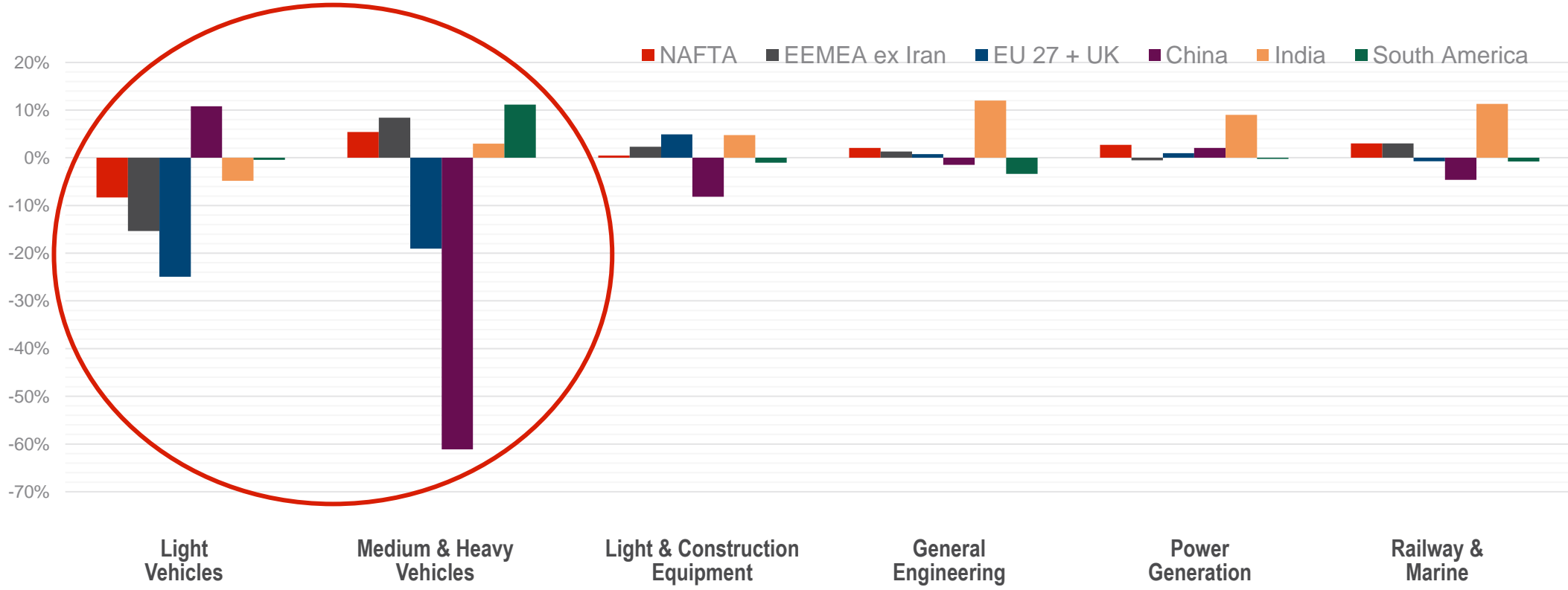
% of Foundry Revenues<sup>1</sup>



Note: 1. The remainder of Foundry sales are generated from other end-markets

# H2 more difficult for Foundry end markets, especially for automotive

Volume growth in Foundry end markets - H2 2021 vs H1 2021



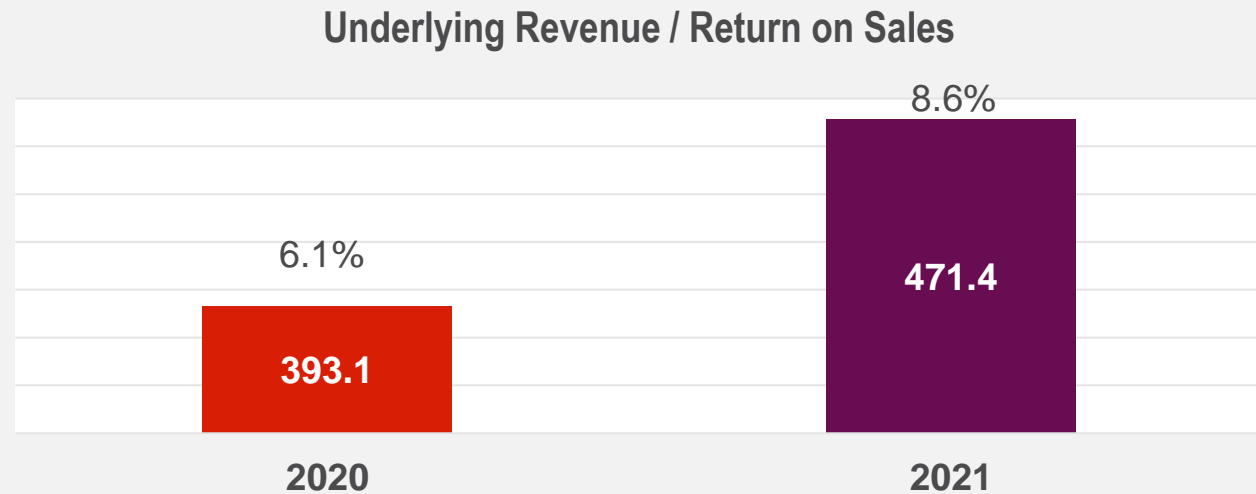
Note: 1. The remainder of Foundry sales are generated from other end-markets

# Divisional performance: Foundry

## 2021 performance

- 20% growth in underlying Foundry sales, despite the weak automotive end market, impacted by persistent semi-conductor shortages
- Strong growth and market share gains in fast growing markets such as China, India and South America
- Temporary factors delayed a fuller margin recovery:
  - Further slow down of automotive markets in H2
  - Time lag between price and cost increases
  - Operational issues at two important plants in Germany and the USA

Foundry	2021	2020	Change (%)	Underlying change (%)
Revenue	471.4	412.9	+14%	+20%
Trading Profit	40.4	25.0	+61%	+79%
Return on Sales	8.6%	6.1%	+250bps	+280bps



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

# Industry-leading R&D investment supports our market share gain and margin improvement objectives

- £30.3m spent on R&D in 2021, up from £26.7m in 2020
- 27 new product launches in 2021, more than double the number launched in 2020
- Increased R&D focus on products helping our customers improve their environmental footprint

## Steel Flow Control

- New generation of Tundish shroud which delivers productivity benefits to our customers, while also delivering positive sustainability benefits through reducing refractory usage

## Advanced Refractories

- Baselite QuickStart, an energy-efficient tundish lining that increases productivity while also reducing energy costs and CO<sub>2</sub> emissions

## Foundry

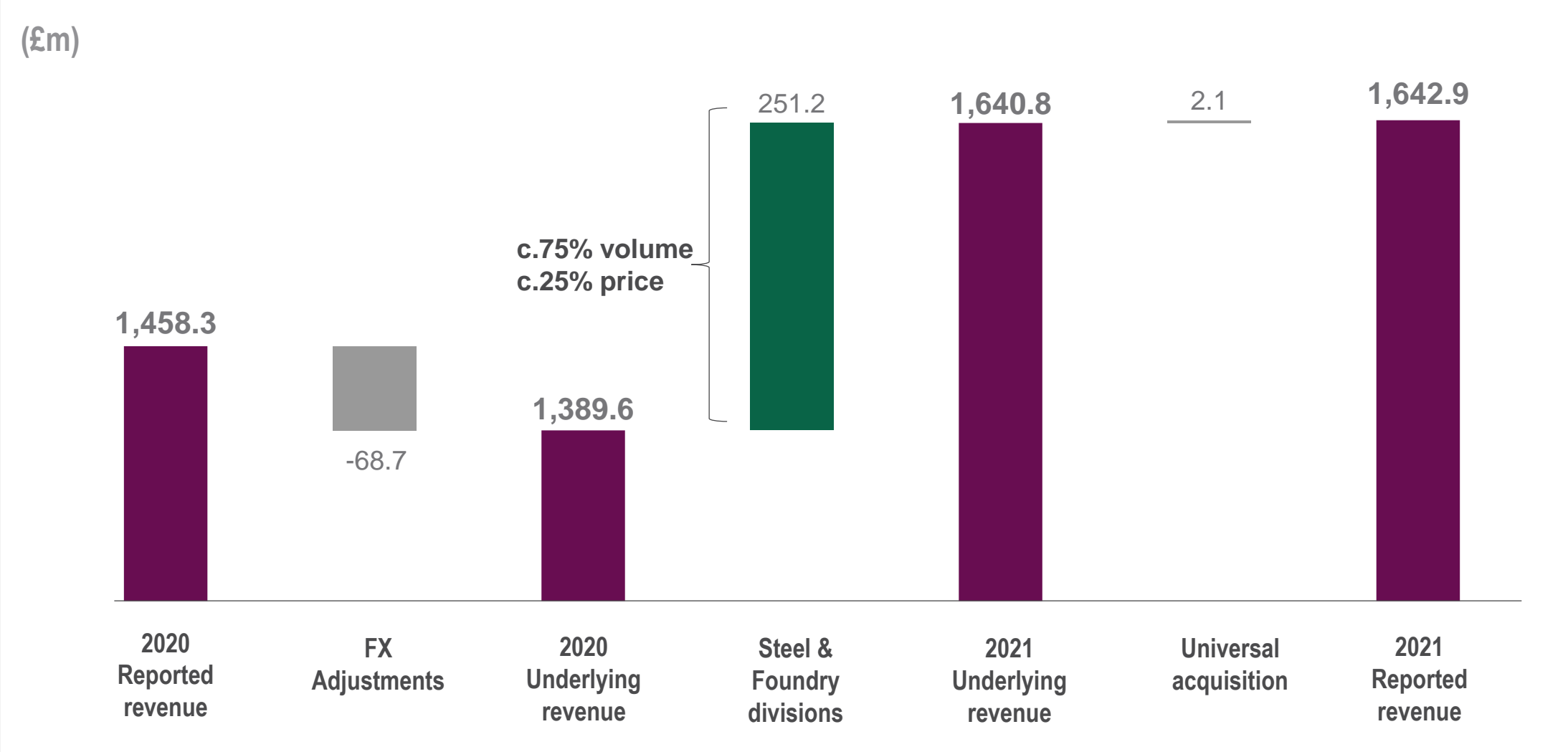
- SEMCO formaldehyde-free coating, which helps our customers reduce emissions of harmful substances generated in the casting process

# Financial review



# Strong recovery in sales

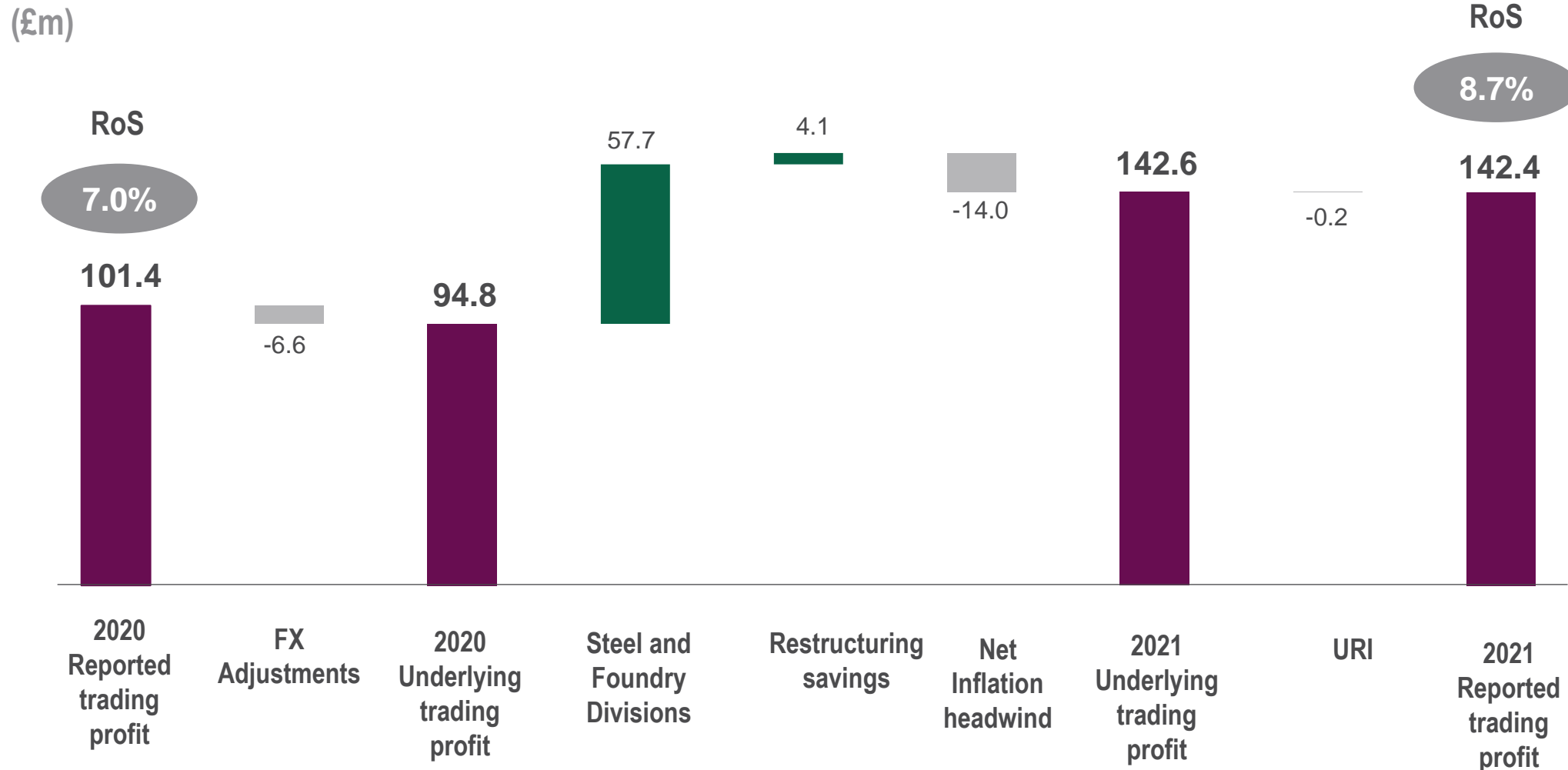
Group revenues up 13% on a reported basis (+18% on an underlying basis).



# Trading profit up 50% on an underlying basis

Trading profit up 40% on a reported basis (+50% on an underlying basis).

Return-on-sales increased by 170bps (+190bps on an underlying basis).



# Income statement

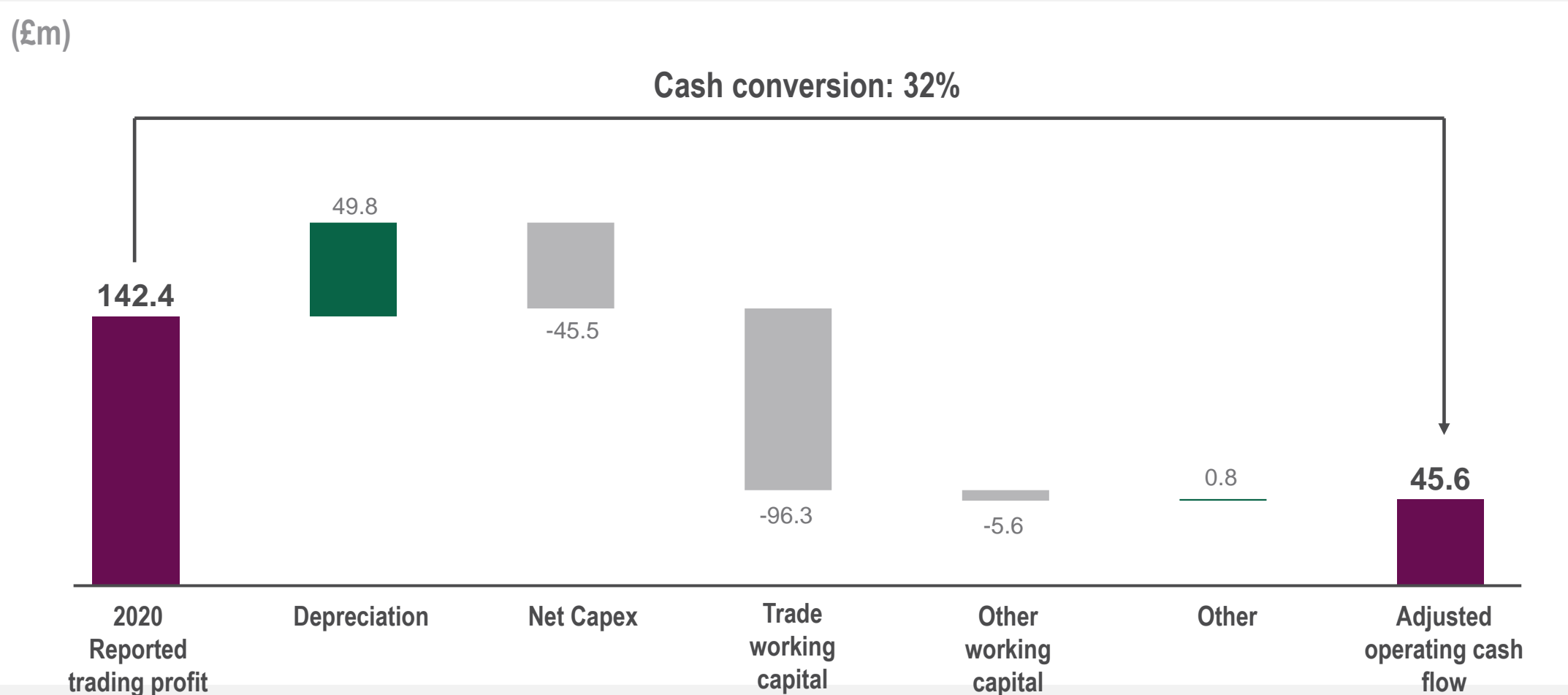
(£m unless indicated)	2021	2020	Change (%)	
	Actual	Actual	As reported	Underlying <sup>1</sup>
Revenue	1,643	1,458	+13%	+18%
Trading Profit	142.4	101.4	+40%	+50%
Return on Sales (ROS %)	8.7%	7.0%	+170 bps	+190 bps
Post tax Share of JV Results	1.3	1.1		
Net Finance Costs	-6.4	-10.9		
<b>Headline Profit Before Tax</b>	<b>137.3</b>	<b>91.6</b>	<b>+50%</b>	
Effective Tax Rate <sup>2</sup>	26.4%	26.9%		
Headline Tax	-35.9	-24.4		
Non-Controlling Interest	-5.8	-4.5		
<b>Headline Earnings</b>	<b>95.6</b>	<b>62.7</b>	<b>+53%</b>	
<b>Headline EPS (pence)</b>	<b>35.3</b>	<b>23.2</b>	<b>+52%</b>	

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 32% due to investment in trade working capital

Cash conversion in 2021 of 32%, naturally lower than 171% in 2020, due to growth in trade working capital resulting from recovery in business activity.

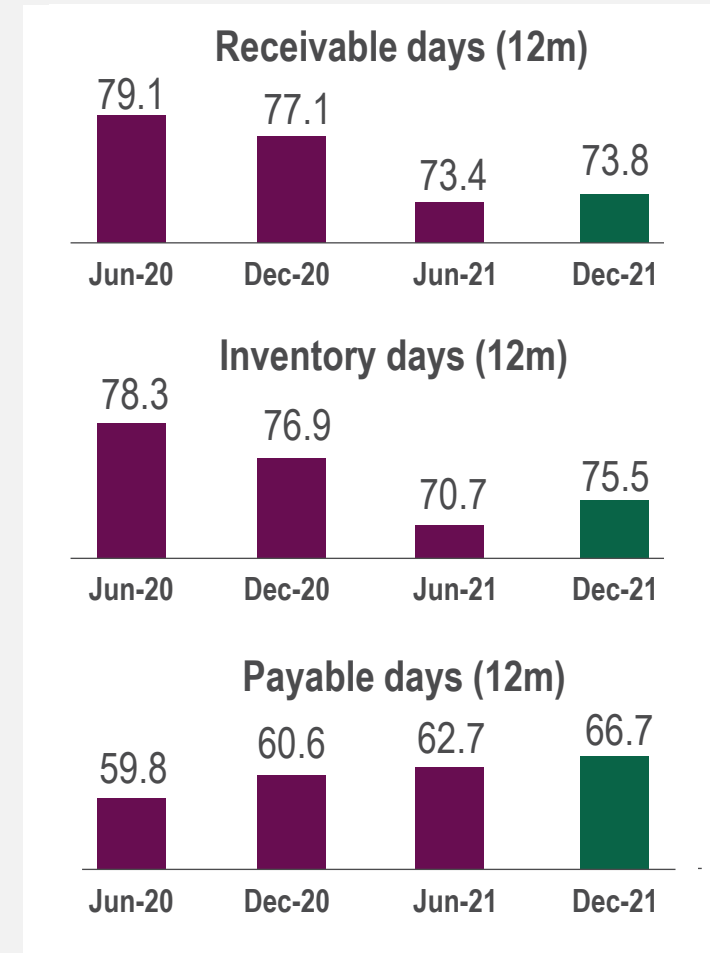
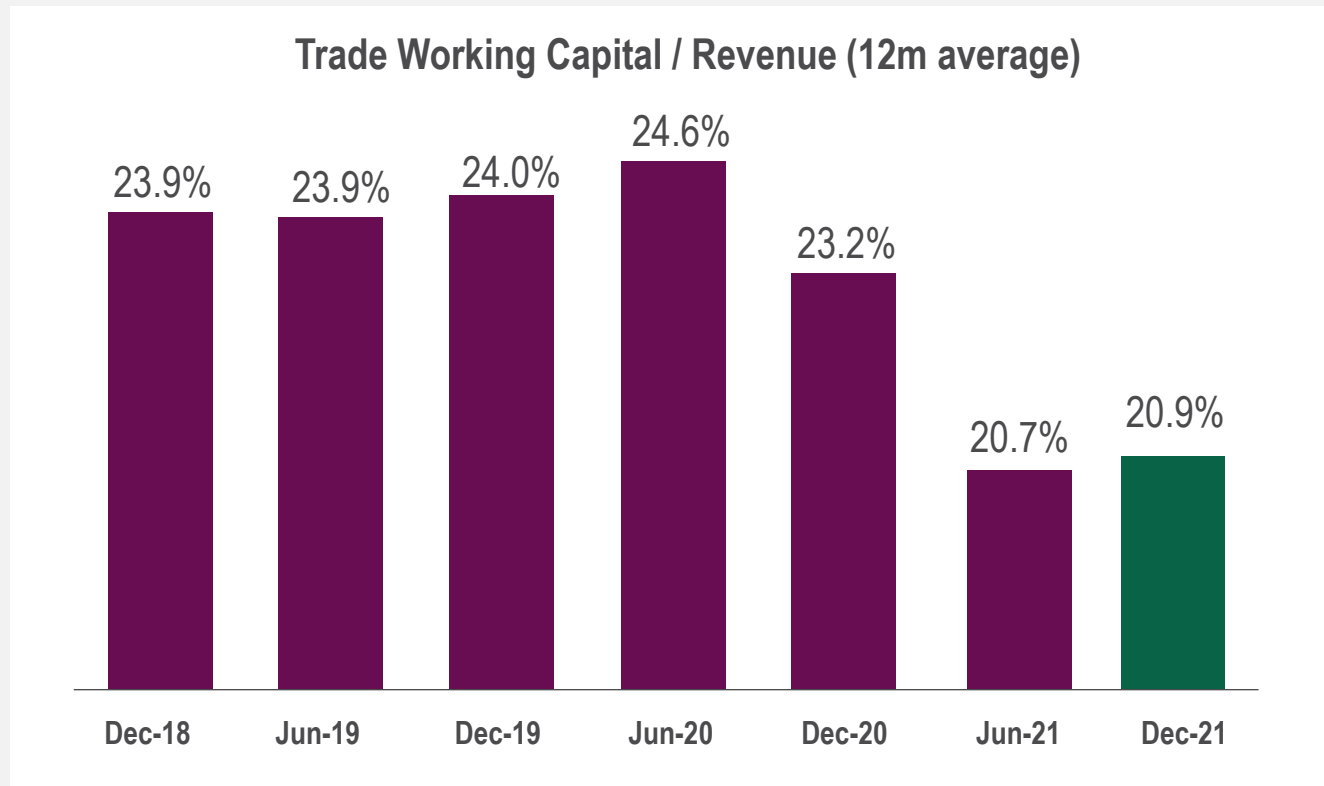


Net capex is net of proceeds from sale of property, plant and equipment.

# Working capital efficiency continues to improve

Average trade working capital / sales for the prior 12 months improved further to 20.9% at December 2021.

Inventory days decreased versus the prior year, but increased during H2 from a low point in June, as we built-up raw material and finished goods inventories to mitigate the risk of customer disruptions as a result of ongoing global supply chain and logistics challenges.

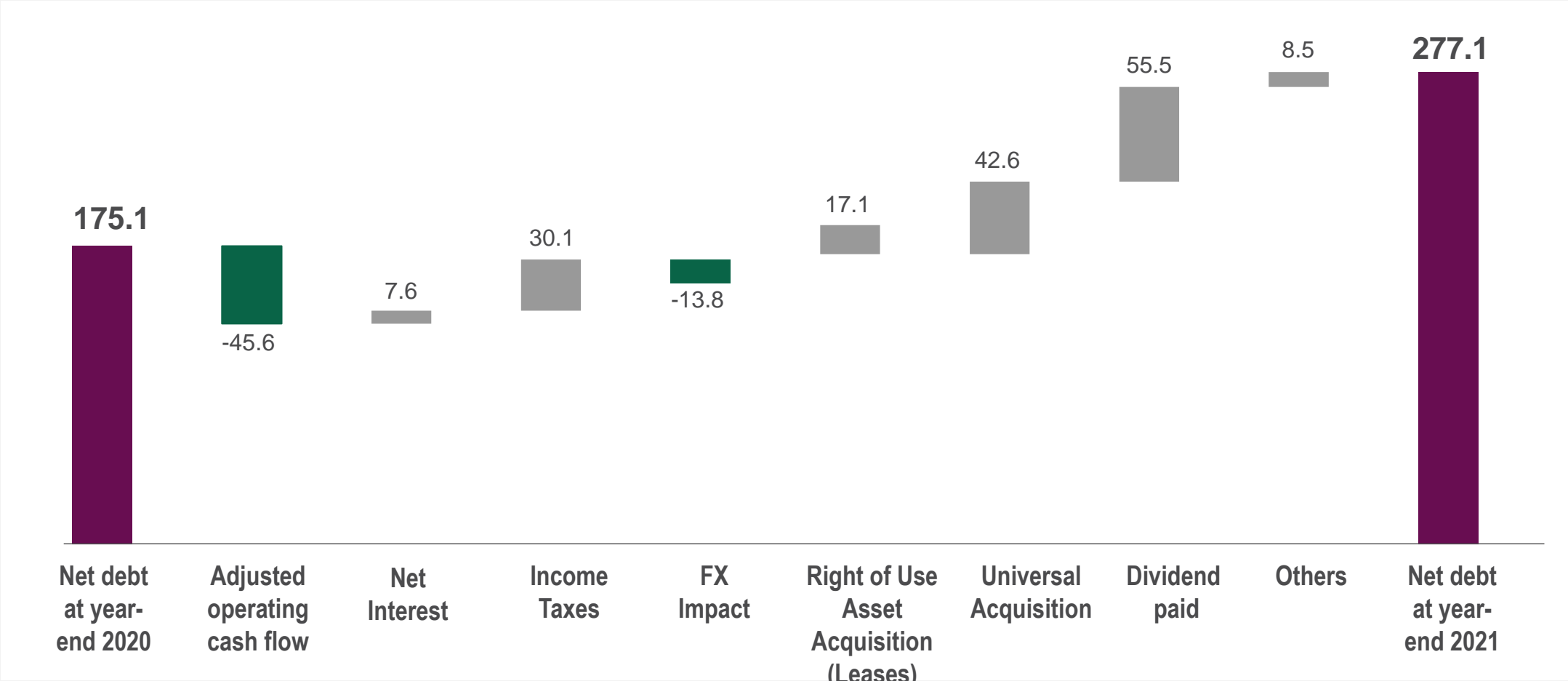




# £277m net debt and 1.4x net debt<sup>1</sup> / LTM EBITDA

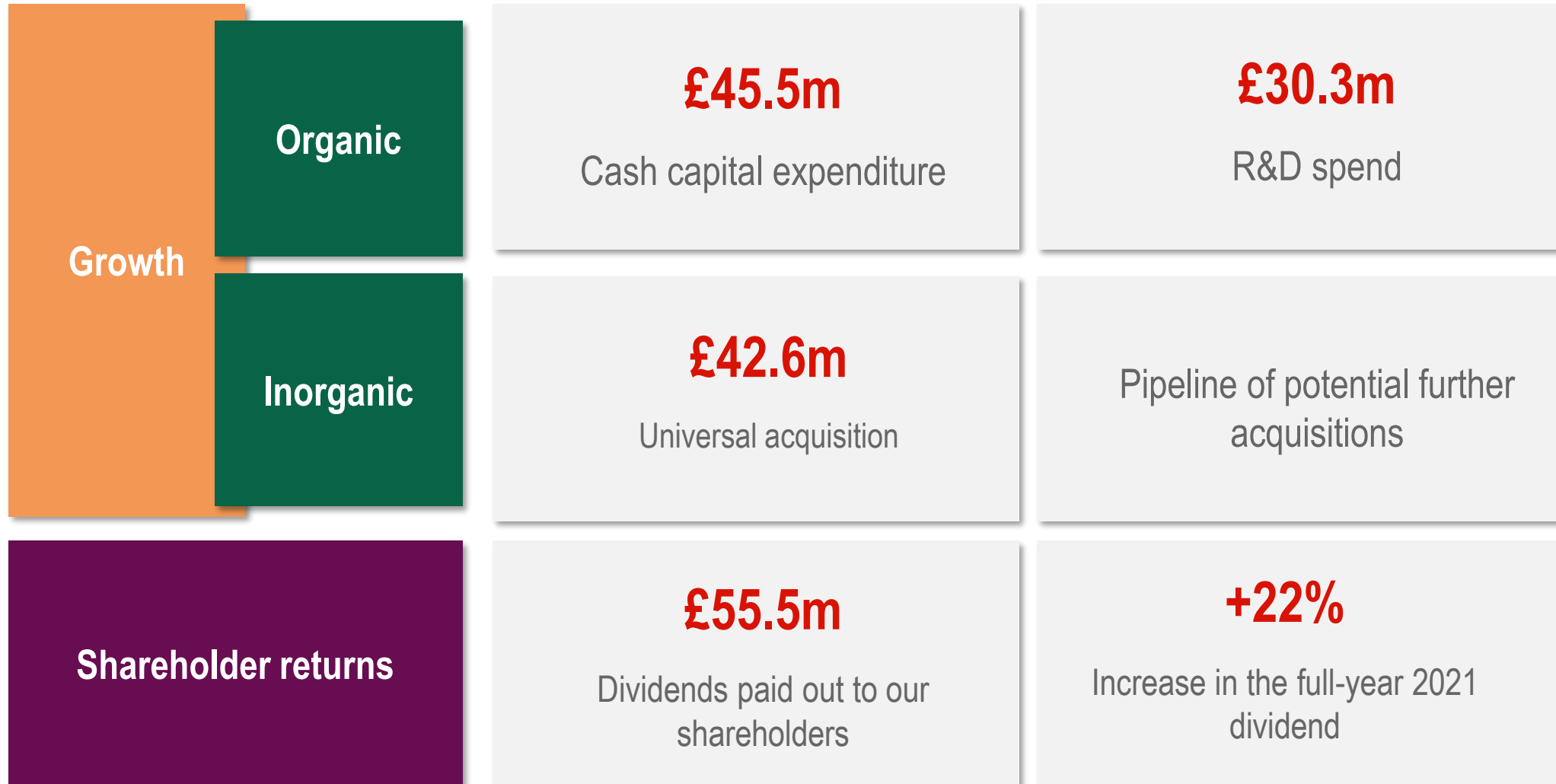
Net debt at 31 December 2021 increased to £277.1m, from £175.1m at the end of 2020.

The acquisition of Universal and the investment in working capital were the key drivers of this increase.



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

# Capital allocation during 2021



# Outlook

# Outlook

- Both our end markets of Steel and Foundry remain positively oriented at the start of 2022
- In 2021, Vesuvius demonstrated its ability to successfully pass-through cost inflation through price increases and will continue to do so in 2022, as necessary
- Strategic R&D and capacity investments are proceeding as planned and will support market share gains going forward
- While we remain concerned about the potential direct and indirect impacts of recent geopolitical events, which have led us to suspend our deliveries to Russian customers for the duration of hostilities, we are nevertheless confident that the Group will deliver a significant improvement in financial performance in 2022

VESUVIUS PLC



# Appendix

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## Financial summary (reported)

	2021 (£m)	2020 (£m)	Year-on-year change	Underlying change <sup>(1)</sup>
Revenue	1,642.9	1,458.3	+13%	+18%
Trading Profit <sup>(2)</sup> (EBITA)	142.4	101.4	+40%	+50%
Return on Sales <sup>(2)</sup>	8.7%	7.0%	+170 bps	+190 bps
Operating Profit	132.7	74.3	+79%	
Headline Profit Before Tax <sup>(2)</sup>	137.3	91.6	+50%	
Profit Before Tax	127.6	64.5	+98%	
Profit	107.9	45.8	+136%	
Headline Earnings <sup>(2)</sup>	95.6	62.7	+53%	
Headline EPS <sup>(2)</sup> (pence)	35.3	23.2	+52%	
Statutory EPS (pence)	37.7	15.3	+146%	
Adjusted operating cash flow <sup>(2)</sup>	45.6	172.9	-74%	
Cash generated from operations	82.9	193.7	-57%	
Net Debt <sup>(2)</sup>	277.1	175.1	+58%	
Dividend (pence per share)	21.2p	17.4p	+22%	

<sup>(1)</sup> Underlying basis is at constant currency and excludes separately reported items and the impact of acquisitions and disposals.

<sup>(2)</sup> For definitions of non-GAAP measures, refer to Note 16 in the Condensed Group Financial Statements within the full year results RNS.

## 5 year history at constant currency

	2016	2017	2018	2019	2020	2021
<b>Revenue (£m)</b>	<b>1,368.4</b>	<b>1,540.1</b>	<b>1,687.7</b>	<b>1,593.2</b>	<b>1,389.6</b>	<b>1,642.9</b>
Steel	919.3	1,051.5	1,161.1	1,113.8	996.5	1,171.5
Foundry	449.1	488.6	526.6	479.4	393.1	471.4
<b>Trading Profit (£m)</b>	<b>130.0</b>	<b>150.1</b>	<b>182.9</b>	<b>164.9</b>	<b>94.8</b>	<b>142.4</b>
Steel	79.0	92.5	124.8	116.0	76.4	102.1
Foundry	51.0	57.6	63.0	54.2	22.6	40.4
<b>Return on Sales (%)</b>	<b>9.5%</b>	<b>9.7%</b>	<b>10.8%</b>	<b>10.3%</b>	<b>6.8%</b>	<b>8.7%</b>
Steel	8.6%	8.8%	10.3%	9.9%	7.2%	8.7%
Foundry	11.4%	11.8%	12.0%	11.3%	5.7%	8.6%



# Currency ready reckoner

Dec 2021		
Currency	Unit	Approximate change in profit (£m)
USD	1 Cent	0.31
EUR	1 Cent	0.03
INR	1 Rupee	0.17
RMB	0.1 RMB	0.36
JPY	1 Yen	0.06
BRL	0.1 Reais	0.20
ZAR	1 Rand	0.002

## 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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