

A GLOBAL LEADER IN METAL FLOW ENGINEERING

## Results for the year ended 31 December 2013

4 March 2014

VESUVIUS PLC

# Disclaimer

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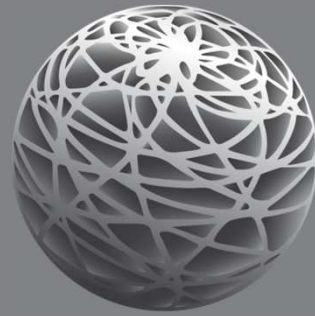
# Agenda

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- 1. Operational Review - François Wanecq
- 2. Financial Review - Chris O'Shea
- 3. Strategy and Outlook - François Wanecq
- 4. Q&A





A GLOBAL LEADER IN METAL FLOW ENGINEERING

## Operational Review

François Wanecq, Chief Executive

VESUVIUS PLC

# Highlights

- Revenue of £1,511m, down 2.4%; 0.8% on an underlying basis<sup>(1)</sup> (2012: £1,548m)
- Trading profit<sup>(2)</sup> of £140.0m, up 6.6% on a reported basis, 10.9% on an underlying basis<sup>(1)</sup> (2012: £131.3m<sup>(4)</sup>)
- Return on sales<sup>(2)</sup> improved by 80 basis points to 9.3%; a 100 basis point improvement on an underlying basis<sup>(1)</sup>
- Significant realignment of portfolio including disposal of Precious Metals Processing division and exit from non-core low-margin businesses
- Share repurchase programme of £30m completed in September 2013
- Year-end net debt<sup>(2)</sup> reduced to £256m: positive operating cashflow<sup>(2)</sup> of £150m, cash conversion rate of 107%
- Headline<sup>(3)</sup> earnings per share of 31.9 pence; up 18.1% (2012: 27.0 pence<sup>(4)</sup>)
- Final dividend of 10.25 pence per share recommended

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

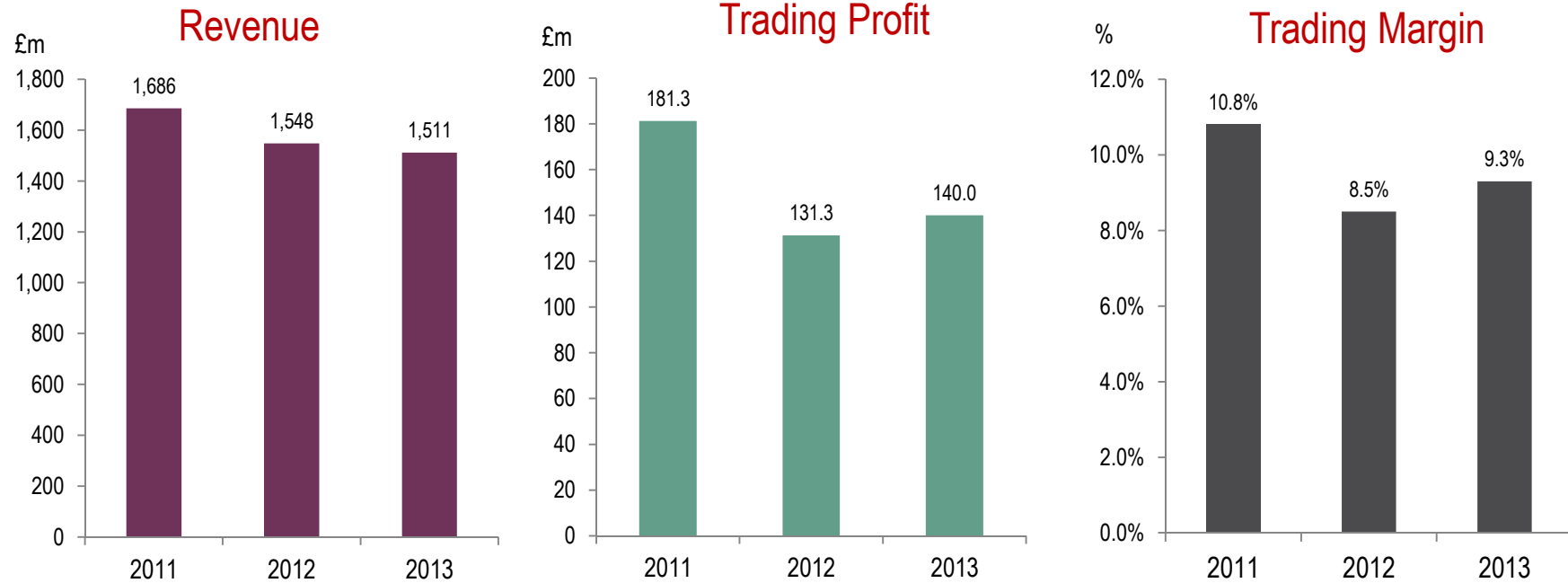
<sup>(2)</sup> For definitions of non-GAAP measures, refer to note 18 of the financial statements

<sup>(3)</sup> Headline results refer to continuing operations and exclude separately reported items

<sup>(4)</sup> 2012 results have been restated as a result of IAS 19 (Revised) Employee Benefits. Refer to note 1.7 of the financial statements



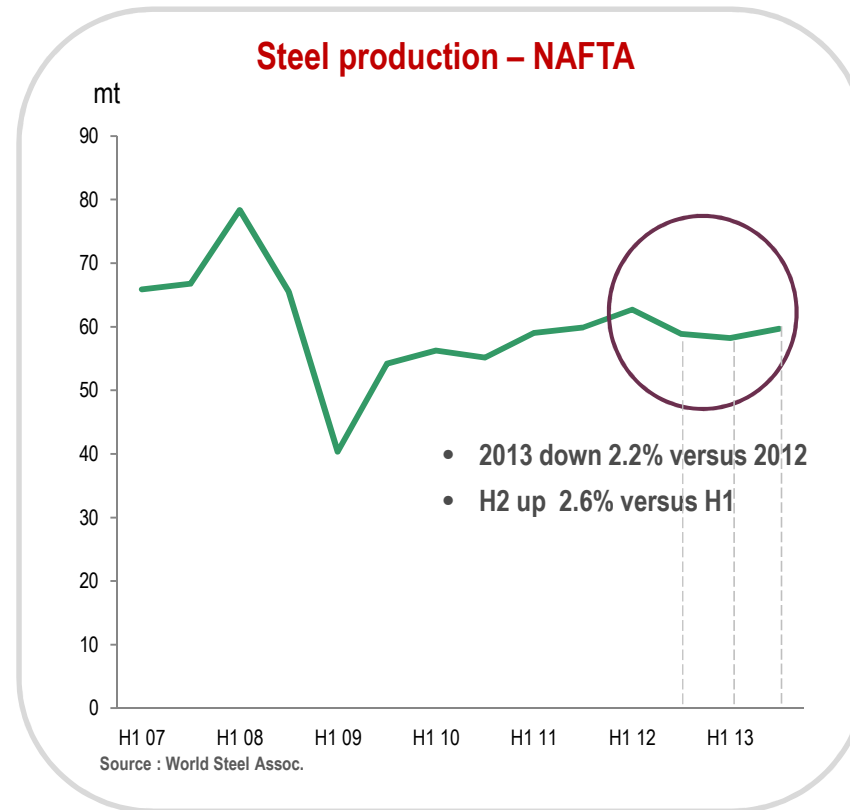
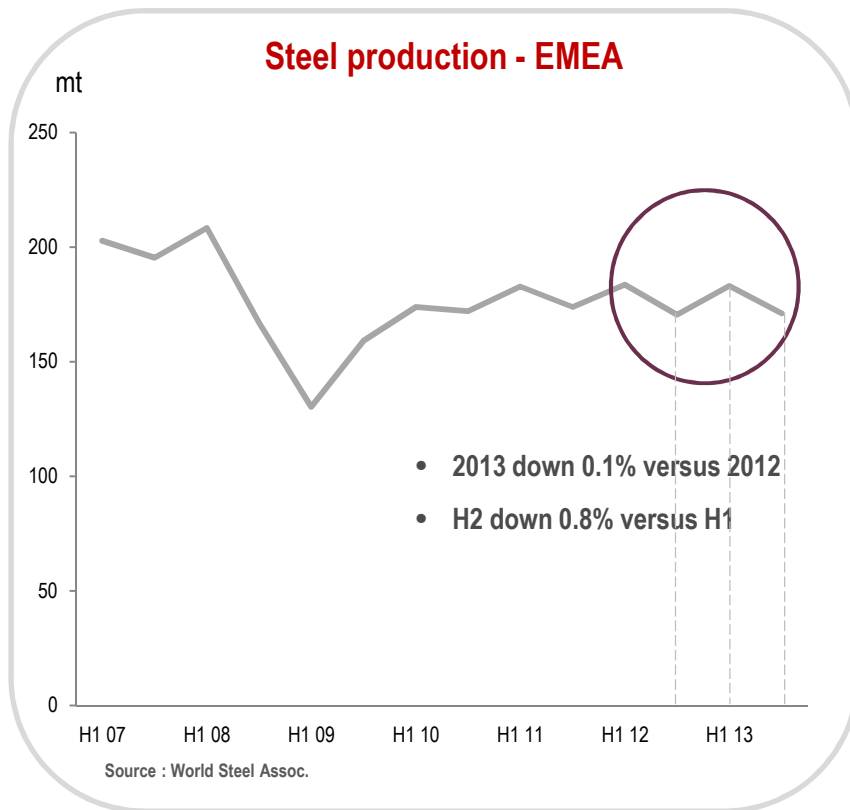
# 2013 Performance



- Revenue and Trading Profit still below levels of 2011 but profitability significantly improved versus 2012
- Benefits from self-help measures clearly visible; 80 bps improvement delivered despite subdued market activity



# Steel markets

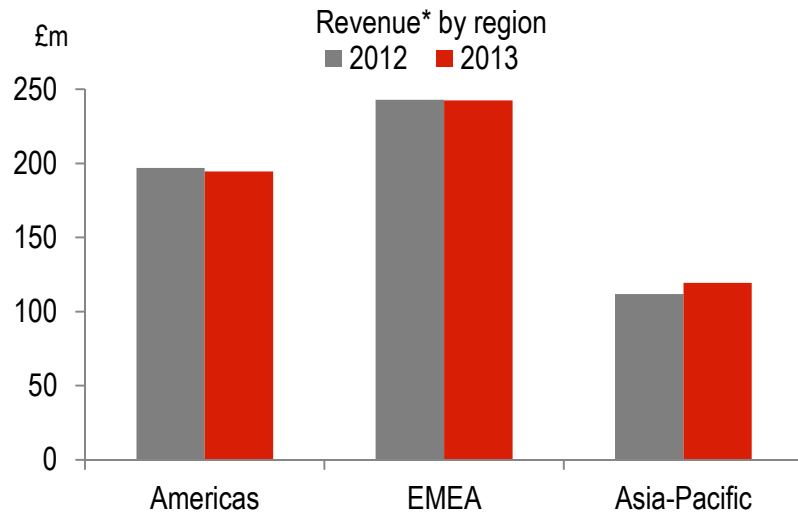


- Steel production down year-on-year in our 2 biggest markets



# Trading review: Steel division revenue

## Steel Flow Control



### Americas:

- Broadly in line with steel market trend
- Reported revenues hampered by strong sterling

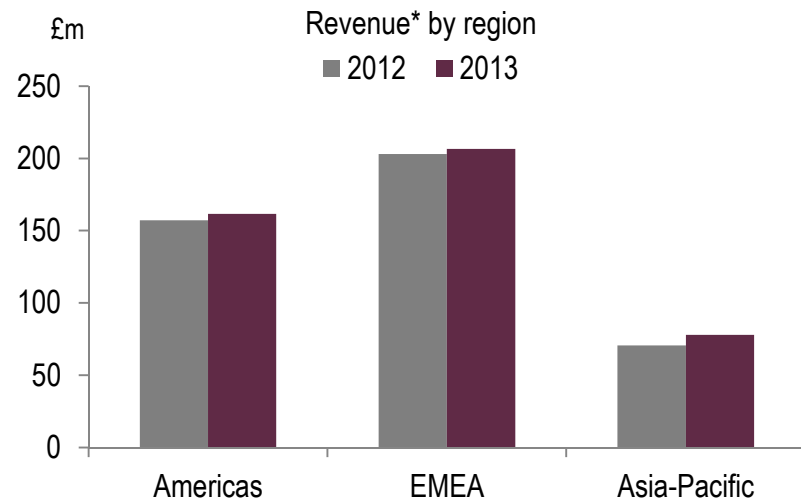
### EMEA:

- Increased sales in the Middle East & UK
- Strong sales of fluxes through Metallurgica

### Asia-Pacific:

- New capacity in India requiring Vesuvius' high quality products
- Increased penetration in South Korea

## Advanced Refractories



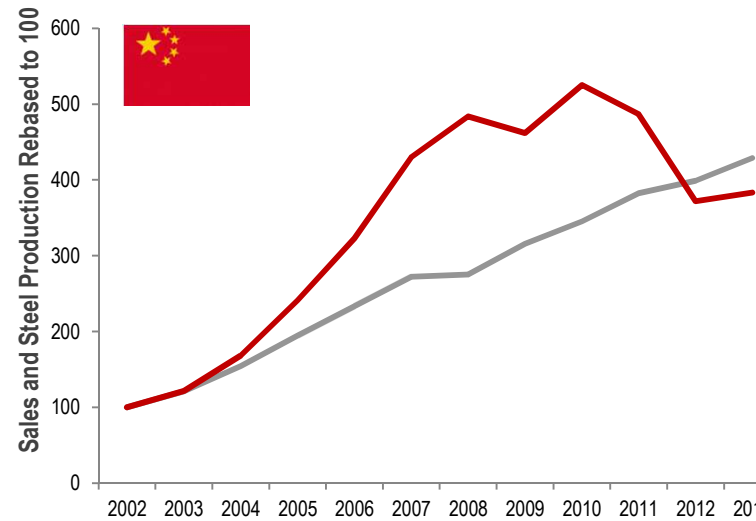
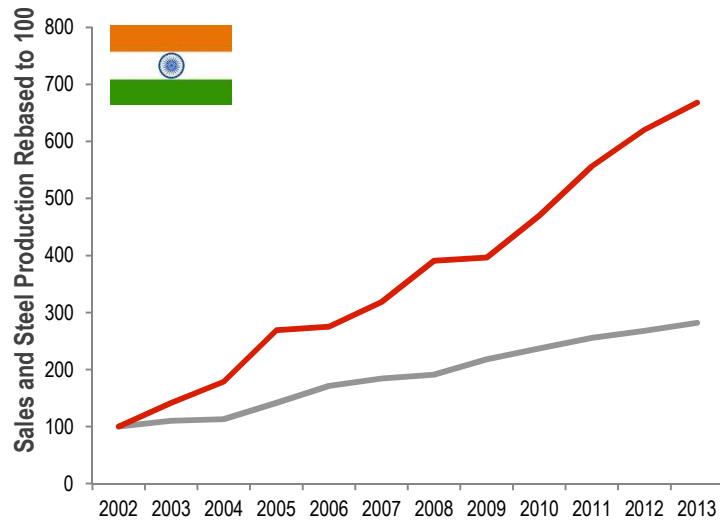
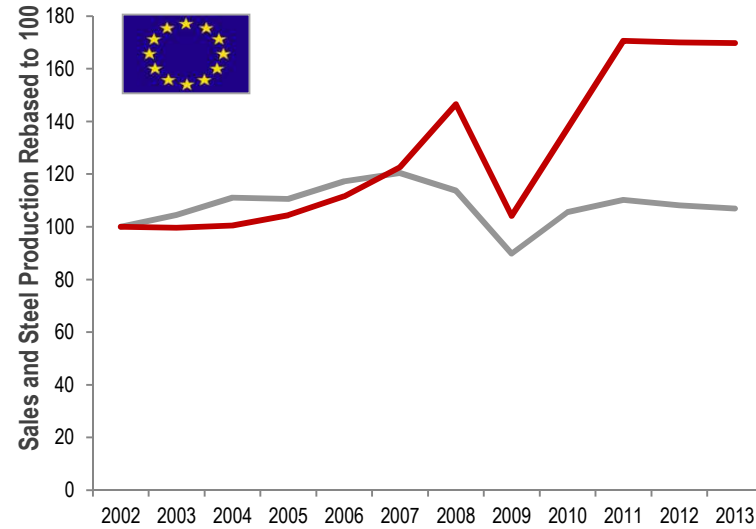
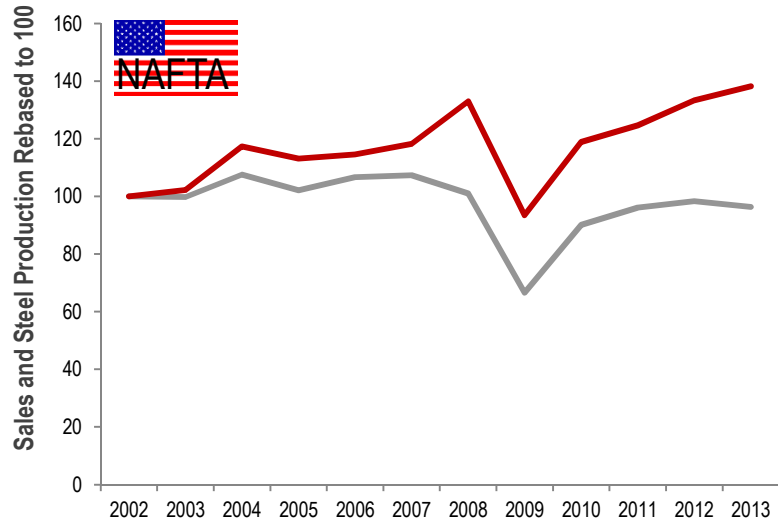
- Strategic exit from low margin businesses recently completed:
  - **Americas** – Canadian installation business
  - **EMEA** – VGT-Dyko brick business
  - **Asia-Pacific** – Andreco-Hurll construction business
- Underlying revenues increased versus 2012 in all regions

\*On an underlying basis: at constant currency and excluding the impact of acquisitions and disposals





# Steel: Outperforming the underlying markets



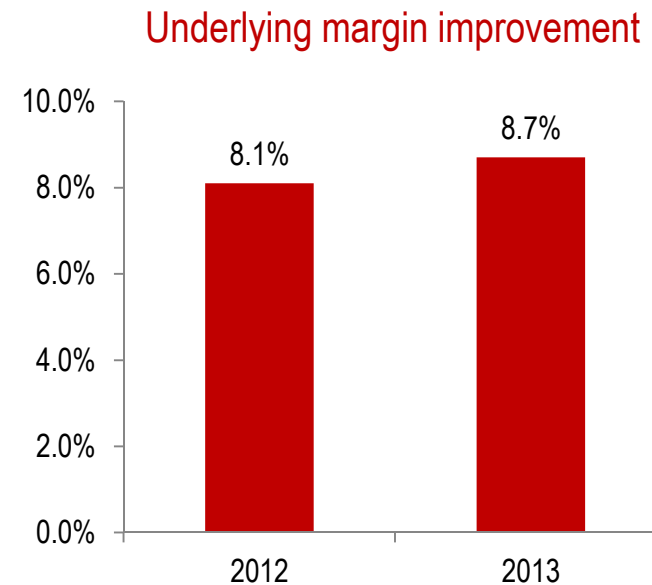
— Vesuvius Sales Value  
— Steel Production Volumes

Source WSA for steel production volumes, Vesuvius internal data for Vesuvius sales  
 Note 2002 figures are rebased to 100



# Trading review: Steel division margins

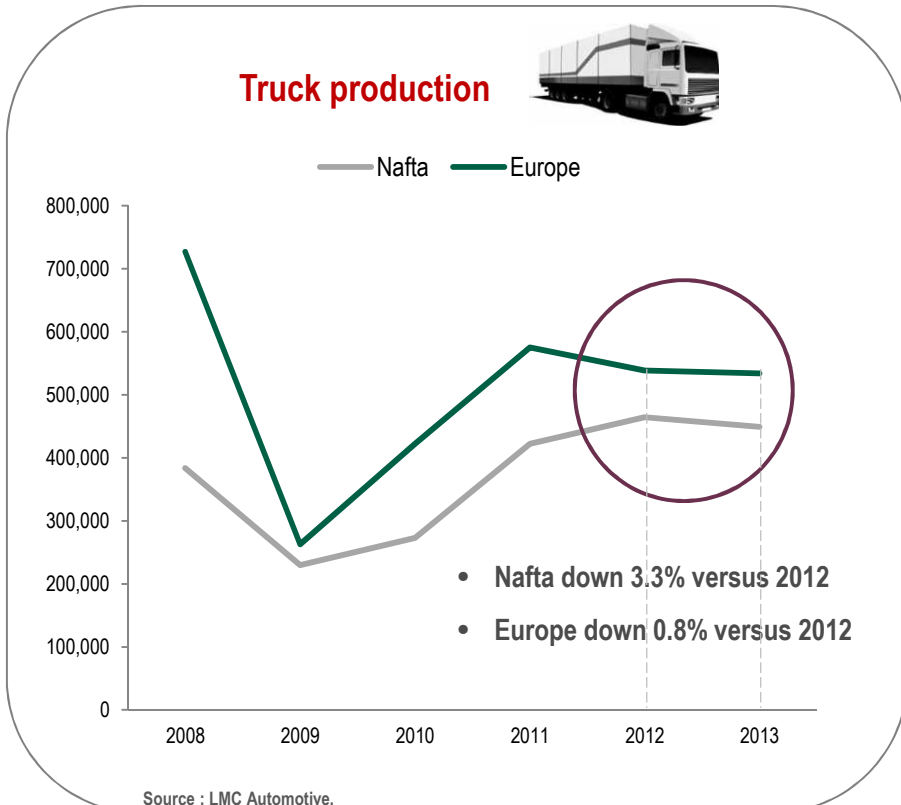
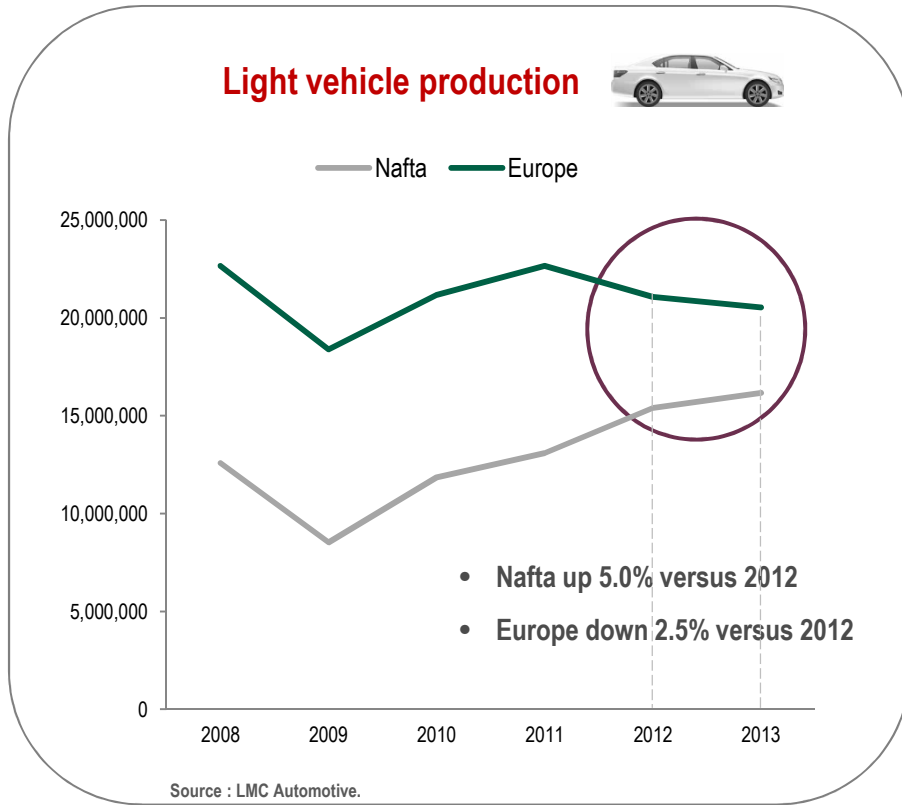
£m	2013	2012	Y-o-Y change	Underlying change
<b>Revenue</b>				
Steel Flow Control	555.7	540.9	+2.7%	+0.7%
Advanced Refractories	461.8	476.4	-3.1%	+3.5%
<b>Total Revenue</b>	<b>1,017.5</b>	<b>1,017.3</b>	<b>+0.0%</b>	<b>+1.9%</b>
<b>Total Trading Profit</b>	<b>88.7</b>	<b>83.1</b>	<b>+6.7%</b>	<b>+9.9%</b>
<b>Trading Margin %</b>	<b>8.7%</b>	<b>8.2%</b>	<b>+50bps</b>	<b>+60bps</b>



- Underlying trading profit up 9.9% reflecting self-help actions, including:
  - Disposal of low-margin businesses
  - Focus on inventory management
  - Lean manufacturing programme
- Underlying margin improvement of 60 basis points



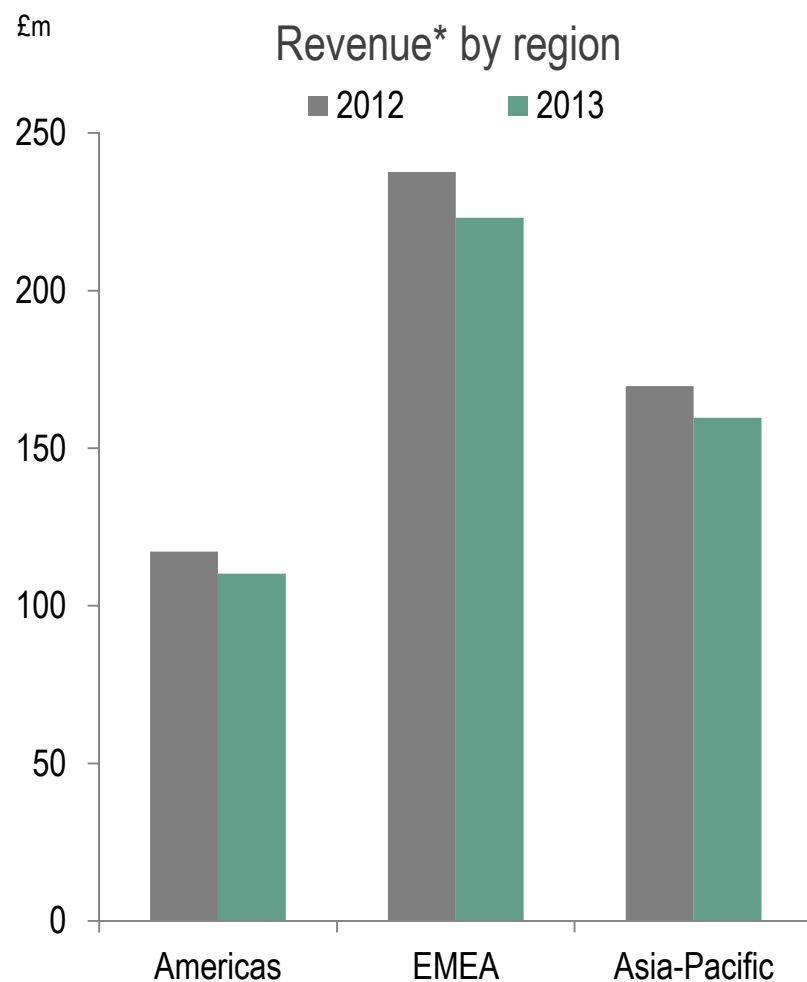
# Foundry markets



- Truck and Light Vehicle markets represent approximately 40% of Foundry product line sales
- Other end-markets include mining, railways, construction and agriculture
- Mining and US railroad sectors experienced significant difficulties in 2013



# Trading review: Foundry revenue



## Revenues lower than 2012 across the division

### Americas:

- Difficulty in US railroad and mining sector
- NAFTA truck production down 3%

### EMEA:

- European vehicle production volumes decreased

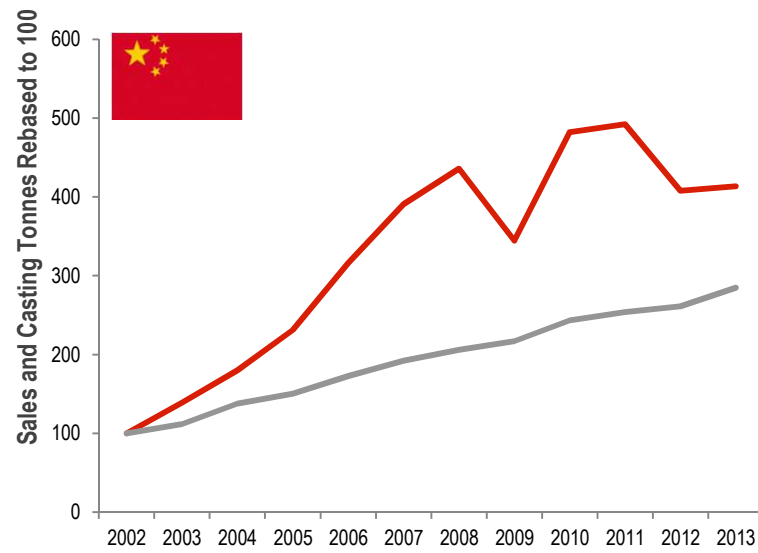
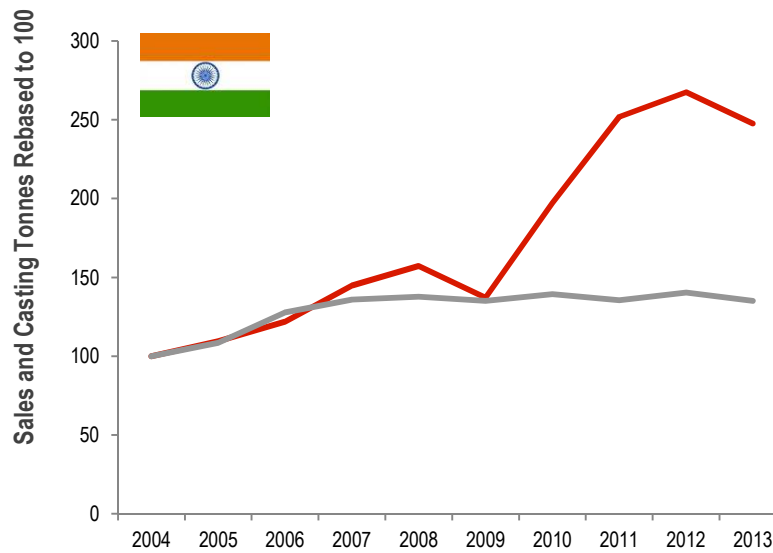
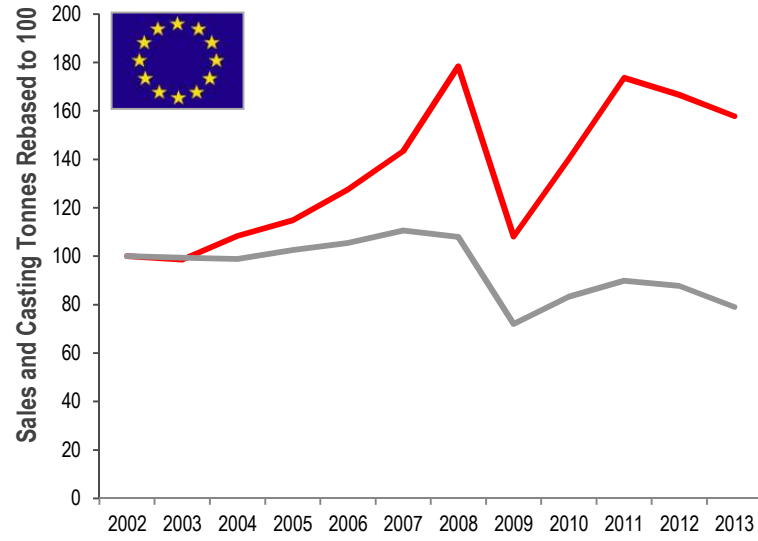
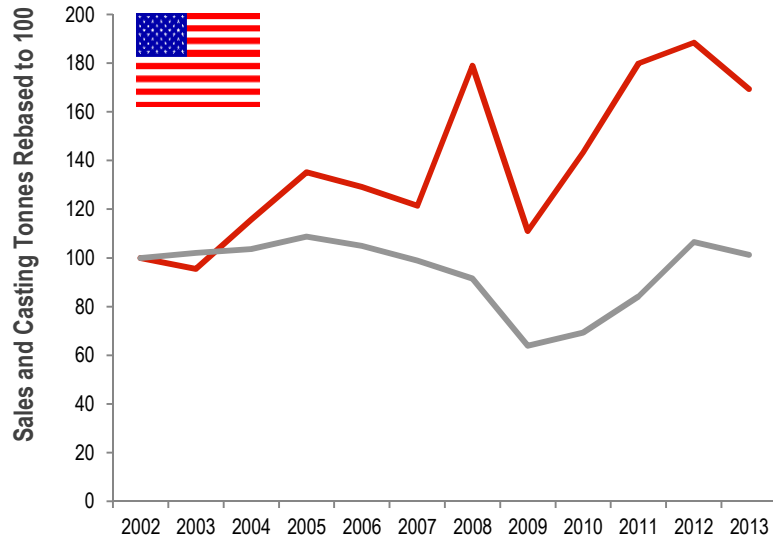
### Asia-Pacific:

- Japanese and Indian car production lower
- Investment in Australian mining industry suspended

*\*On an underlying basis: at constant currency and excluding the impact of acquisitions and disposals*



# Foundry: Outperforming the underlying markets



— Vesuvius Sales Value  
— Casting Tonnes

Source Modern Casting and Vesuvius estimates for casting tonnes, Vesuvius internal data for Vesuvius sales  
 Note 2002 figures are rebased to 100

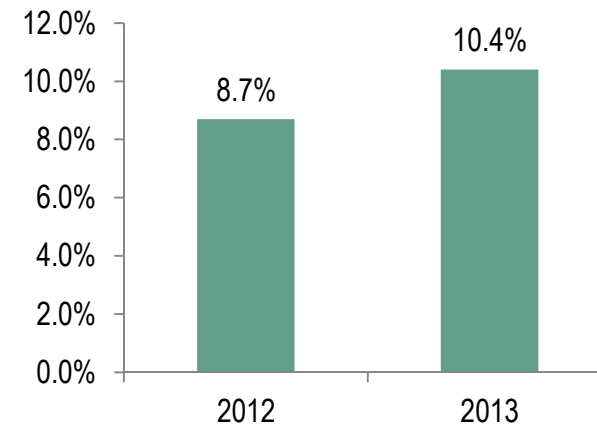


# Trading review: Foundry division margins



## Underlying margin improvement

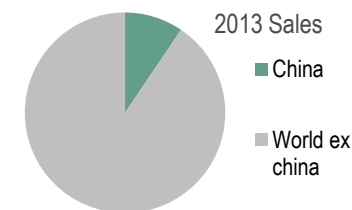
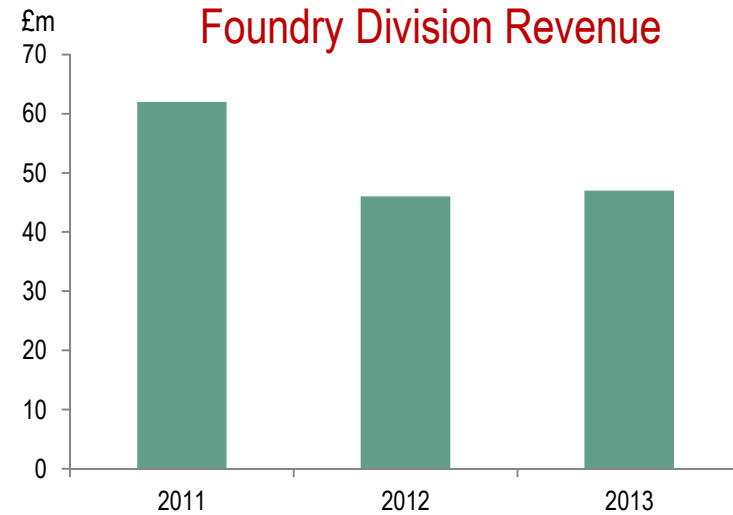
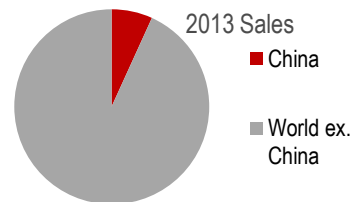
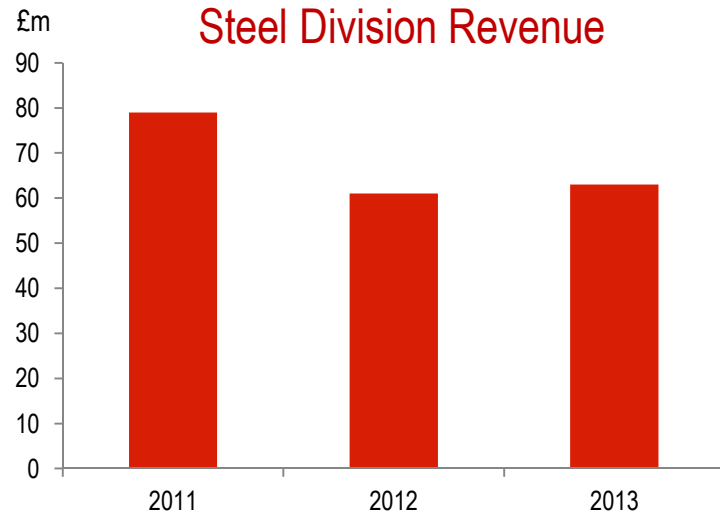
£m	2013	2012	Y-o-Y change	Underlying change
Revenue	493.0	530.2	-7.0%	-6.0%
Trading Profit	51.3	48.2	+6.4%	+12.6%
Trading Margin %	10.4%	9.1%	+130bps	+170bps



- Underlying trading profit up 12.6% on reduced revenues reflecting self-help actions, including:
  - Restructuring of Fused Silica product line
  - Focus on inventory management
  - Lean manufacturing programme
- Underlying margin improvement of 170 basis points



# Our presence in China



- Sales in China represent less than 10% of revenue in both divisions
- Recent management change in China has realigned local focus on quality and improved profitability
- Steel – growth opportunity from restructuring of Chinese steel industry and shift from long to flat steel production
- Foundry – growth opportunity as Chinese foundry industry becomes more competitive and increases its focus on quality



# 2013 Trading Summary

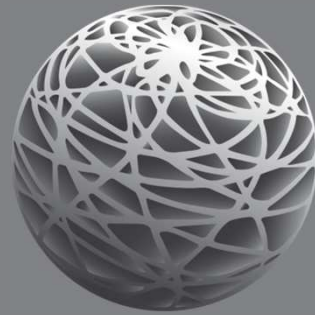
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- Market conditions have remained challenging, continuing from reduced activity levels seen in second half of 2012
- Internal focus has been on self-help programmes and a disciplined approach to implementing our strategy
- Margin recovery successfully initiated, despite unfavourable economic environment







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## Financial Review

Chris O'Shea, CFO

VESUVIUS PLC

# Income statement – Headline results

	2013	2012 <sup>(1)</sup>	Year on Year Change	
	£m	£m	As reported	Underlying <sup>(2)</sup>
<b>Revenue</b>	<b>1,511</b>	1,548	-2.4%	-0.8%
<b>Trading Profit</b>	<b>140.0</b>	131.3	+6.6%	+10.9%
<b>Trading margin %</b>	<b>9.3%</b>	8.5%	+80bps	+100bps
<b>Net finance costs</b>	<b>(17.3)</b>	(21.7)		
<b>Share of JV</b>	<b>2.5</b>	0.1		
<b>Profit before Tax</b>	<b>125.2</b>	109.7		
<b>Effective tax rate %</b>	<b>26.5%</b>	27.0%		
<b>Tax</b>	<b>(32.5)</b>	(29.6)		
<b>Non-controlling Interest</b>	<b>(5.0)</b>	(5.1)		
<b>Earnings</b>	<b>87.7</b>	75.0	+16.9%	+22.2%
<b>Earnings per share (p)</b>	<b>31.9</b>	27.0	+18.1%	+23.4%

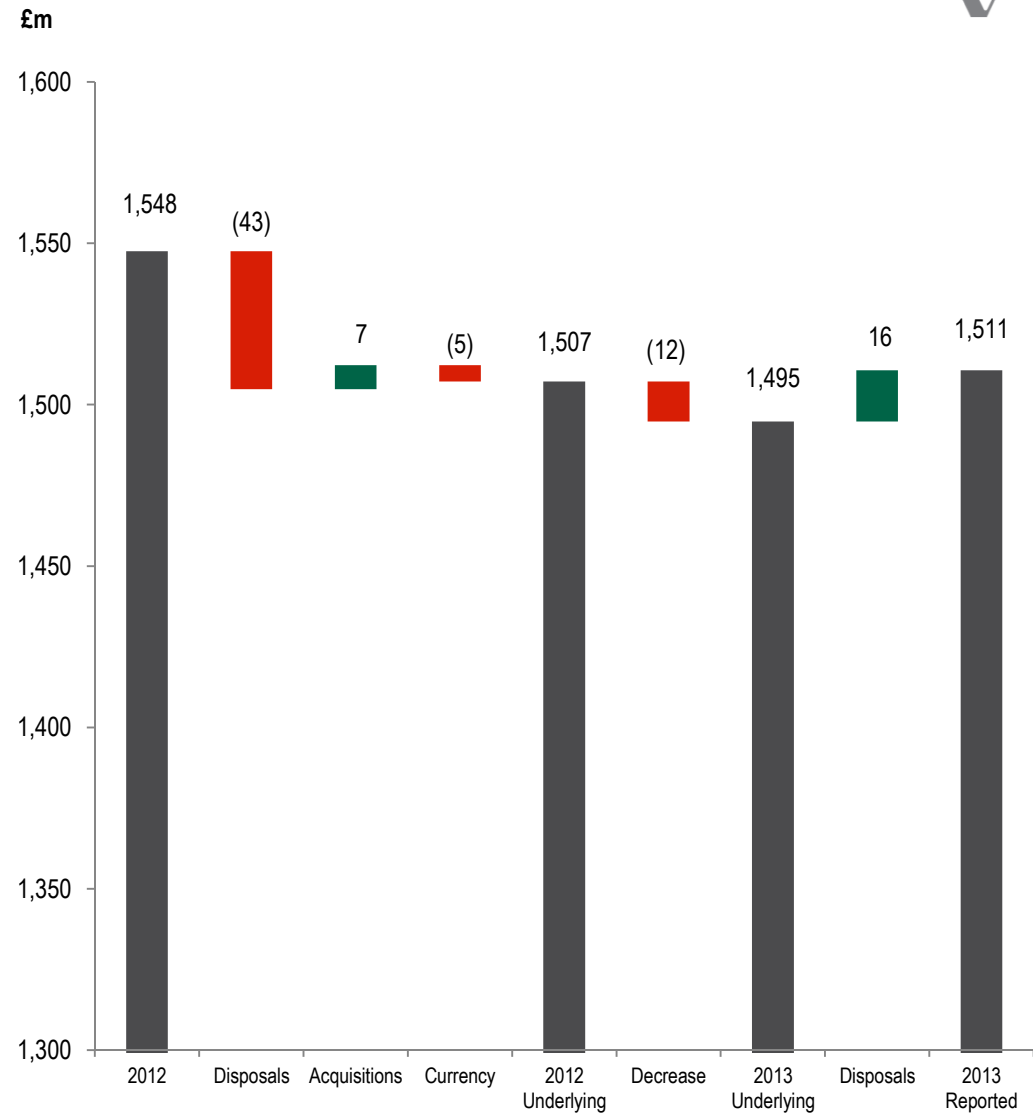
<sup>(1)</sup> 2012 results have been restated as a result of IAS 19 (Revised) Employee Benefits.

<sup>(2)</sup> Underlying basis is at constant currency and excludes separately reported items and the impact of acquisitions and disposals



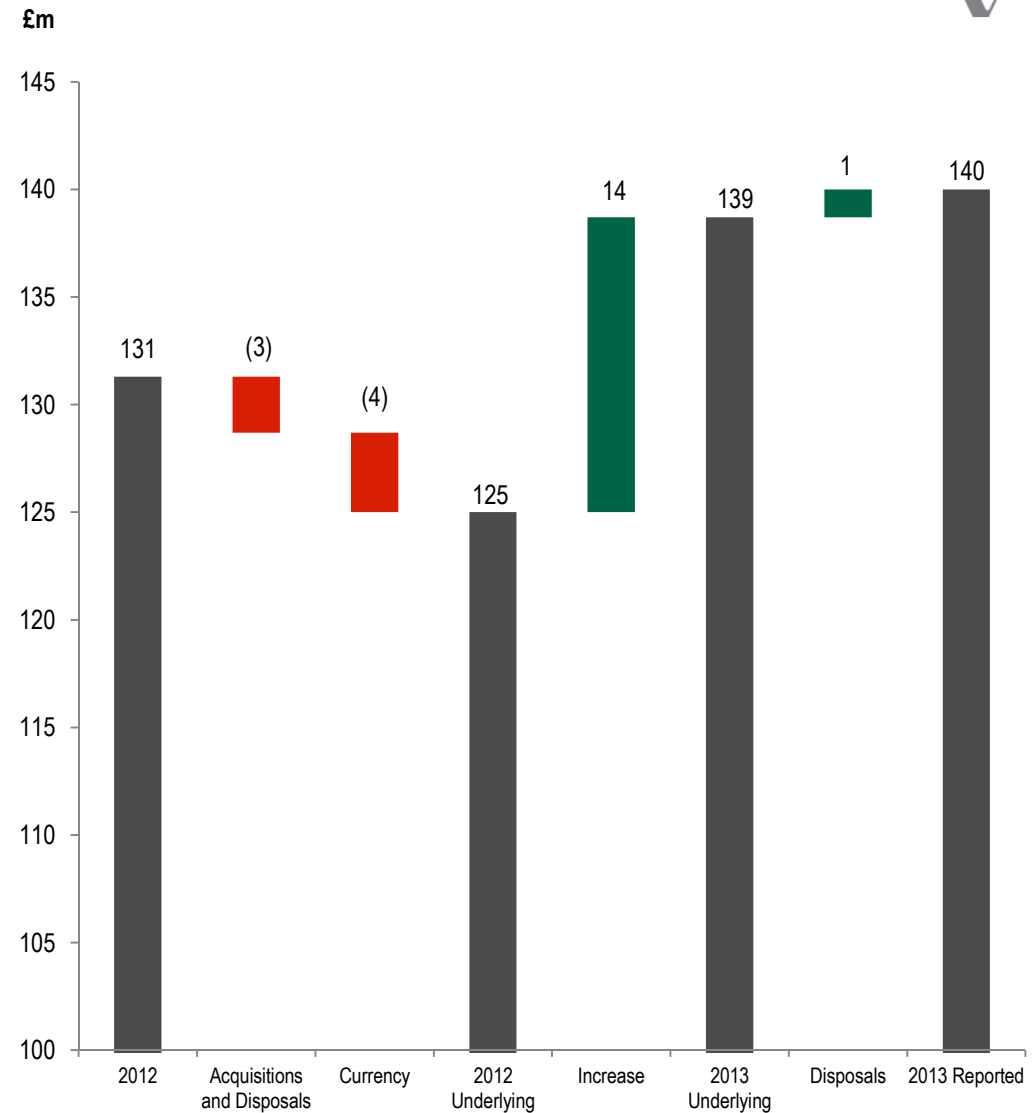
# Revenue progression

- Revenue down 2.4% on 2012
  - Underlying revenue 0.8% lower
- Disposals in line with strategy to exit low-margin businesses
  - 2013 revenue from disposed businesses of £15.8m
- Muted currency impact in full year driven by H1 FX rates
  - Significant devaluations seen in H2



# Trading profit progression

- Trading profit increased by 6.6%
  - Underlying profit increased by 10.9%
- Continued improvement in Metallurgica performance
- 2013 profits from disposed businesses of £1.3m
- Muted currency impact in full year driven by H1 FX rates
  - Significant devaluations seen in H2





# Currency



FX movements in income statement muted by 2 factors:

- Relatively benign FX environment in H1
- Mix of strengthening of currencies (USD, EUR, RMB)
  - partially offsetting weaker currencies (BRL, INR, JPY, ZAR)

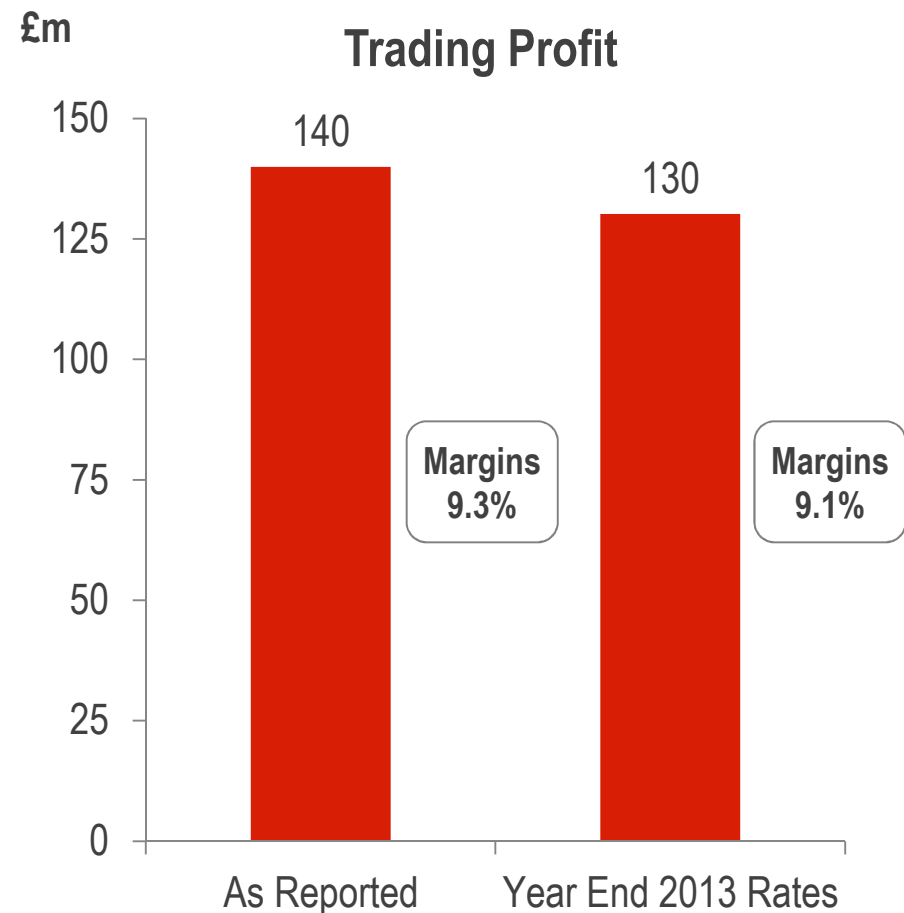
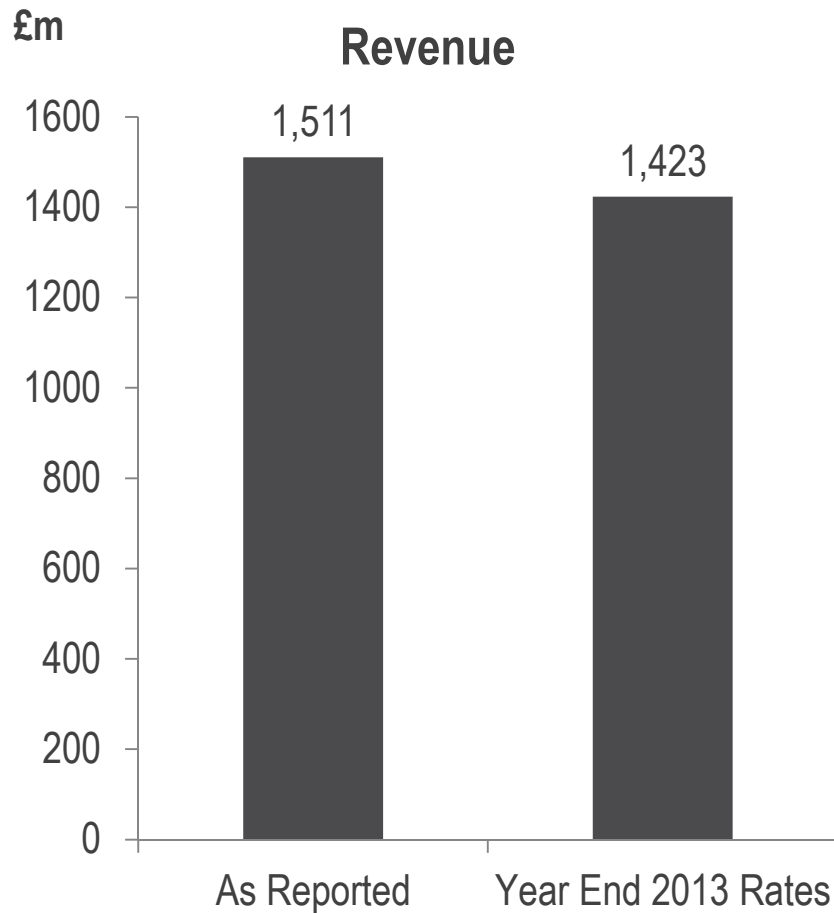
However effects of averaging lost as we enter 2014

- Sterling strengthening against all major currencies as we come into 2014

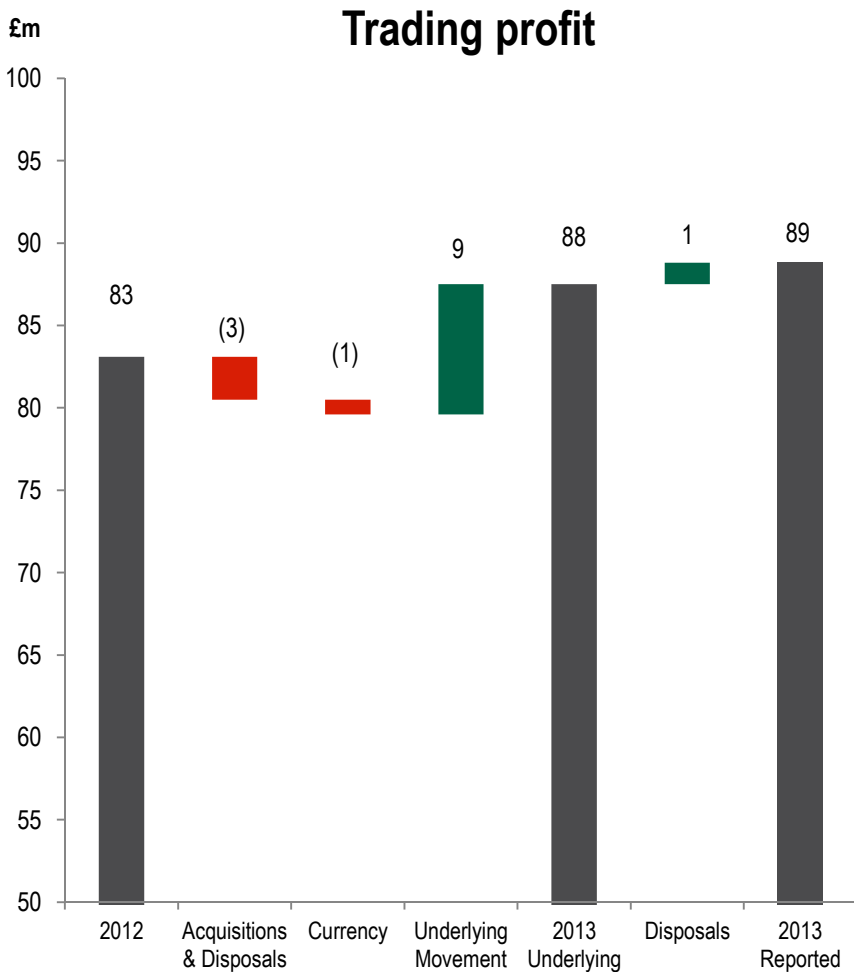
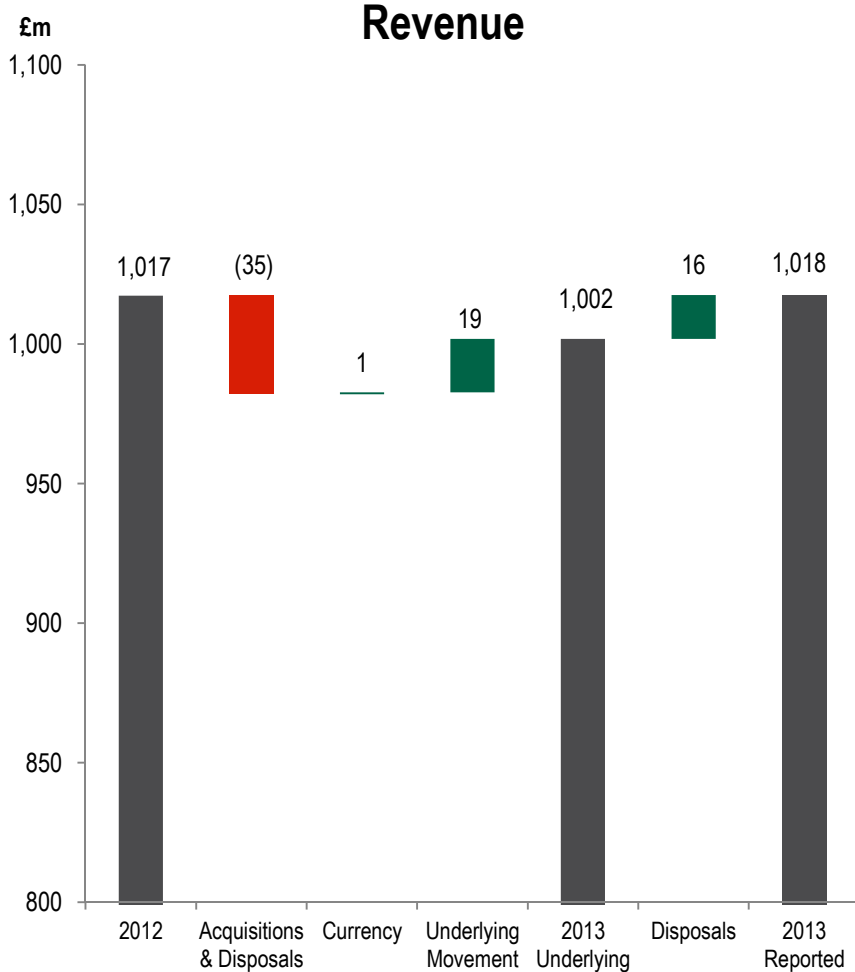
	2012 Average Rates	2013 Average Rates	2013 v 2012 Average Rates	2013 Year End Rates	2013 Year End v 2013 Average Rates
USD	1.5847	1.5638	+1.32%	1.6556	5.9%
EUR	1.2336	1.1776	+4.54%	1.2045	-2.3%
BRL	3.0977	3.3747	-8.94%	3.9102	-15.9%
INR	84.5829	91.5828	-8.28%	102.316	-11.7%
JPY	126.386	152.520	-20.68%	174.334	-14.3%
RMB	9.9987	9.6139	+3.85%	10.0225	-4.3%
ZAR	12.99	15.0314	-15.72%	17.2961	-15.1%



# Currency – impact on 2013 results

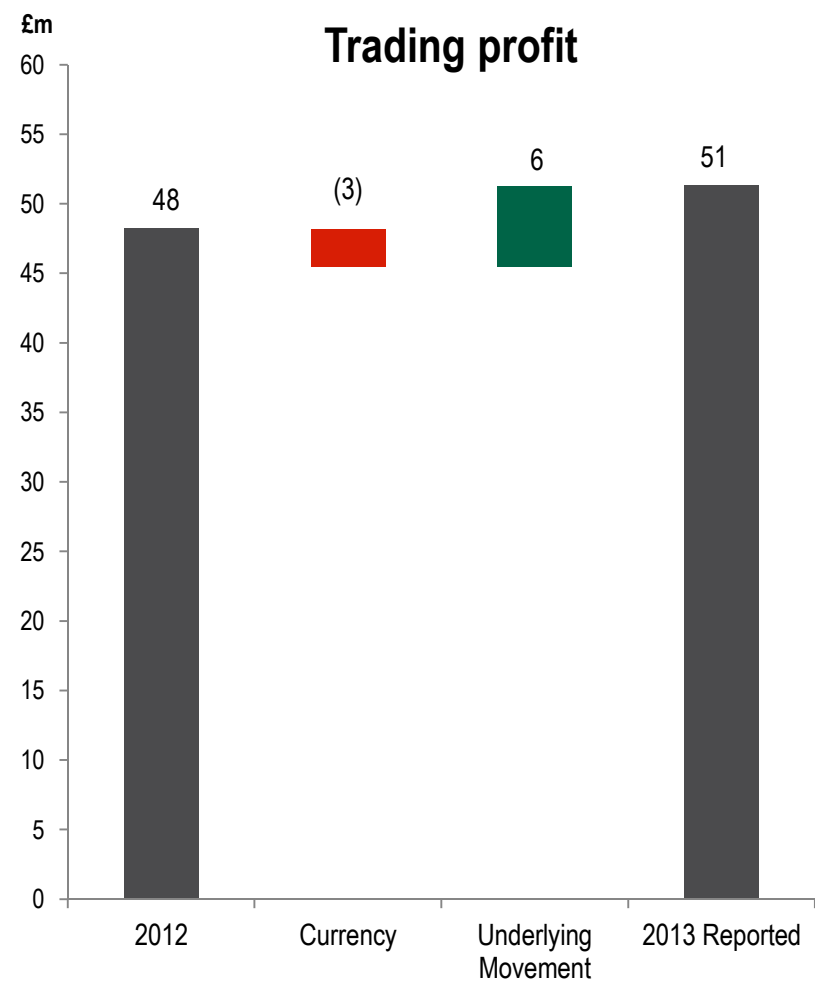
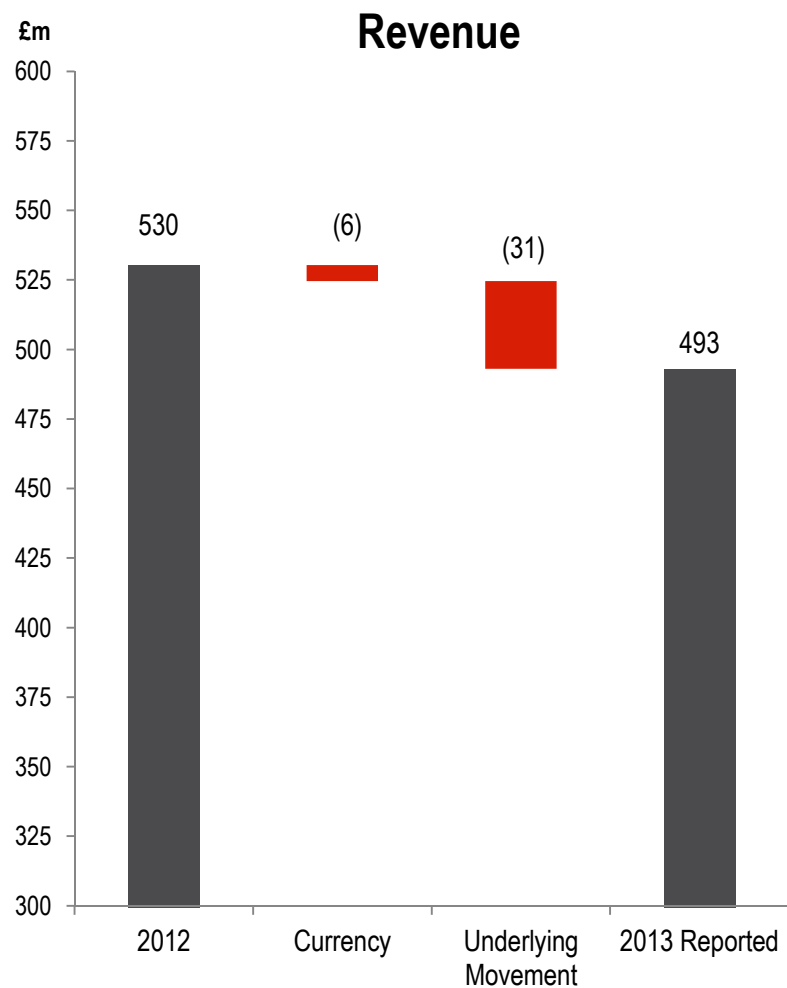


# Steel Division Performance



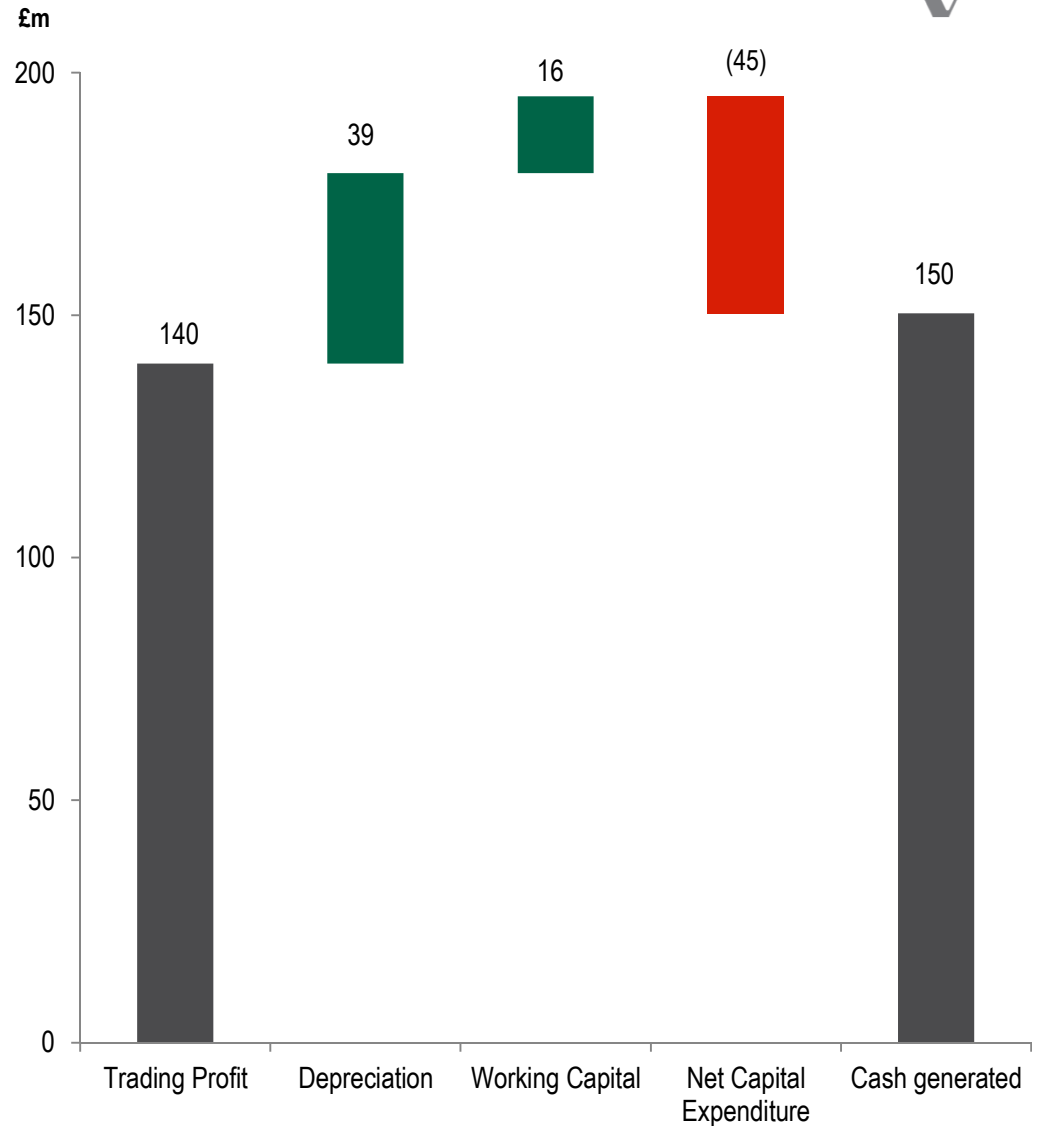


# Foundry Division Performance



# Operating cash flow - continuing operations

- Cash generated represents 107% of Trading Profit
- Improvement in working capital performance
  - 24.7% (12 month average)
    - 26.6% Dec 2012
    - 25.8% June 2013
- Inventory reduction programme progress continues
  - 77 days (12 month average)
    - 85 days Dec 2012
    - 81 days June 2013
- Capital expenditure of c. 3% of revenue in line with full year expectations

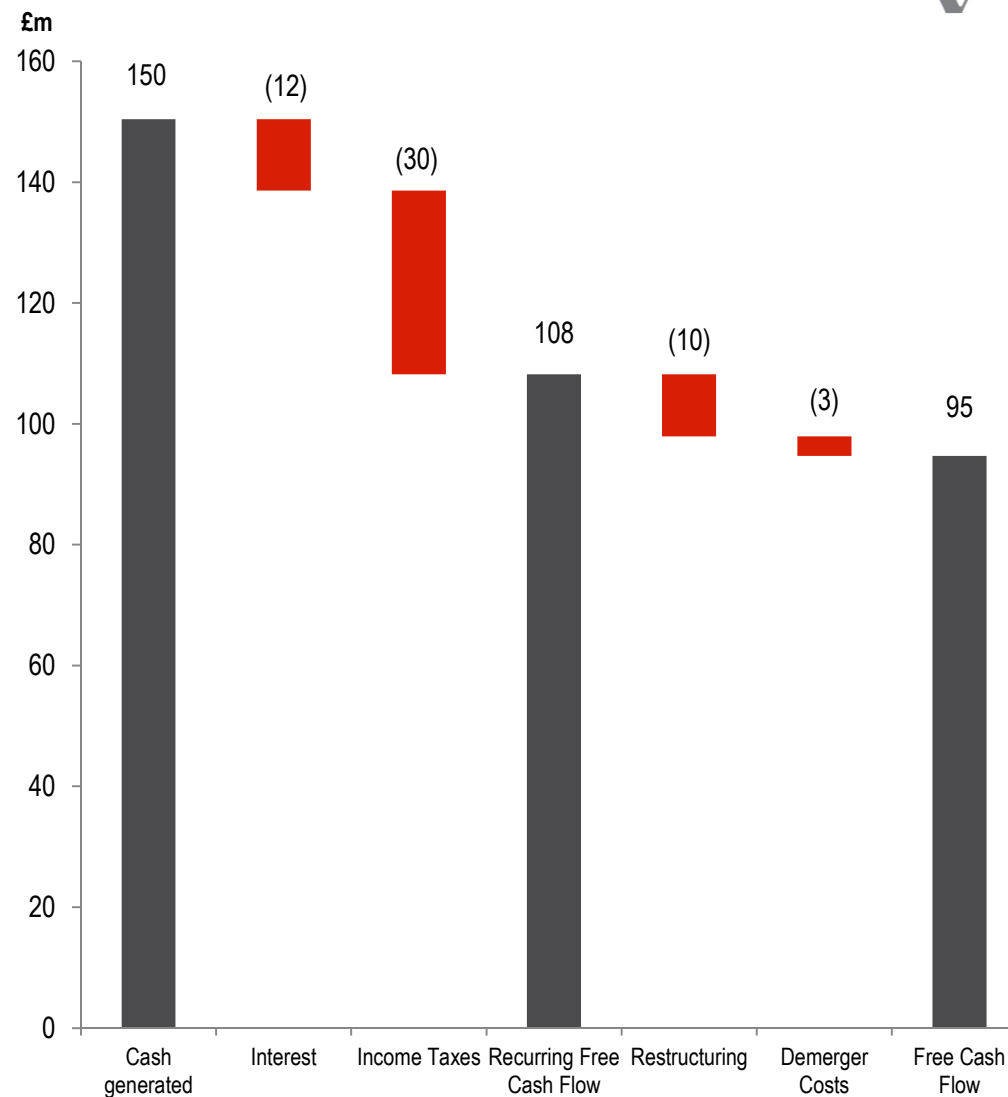


# Free cash flow from continuing operations

Recurring Free Cash Flow represents 124% of Headline Earnings

One off items include:

- Restructuring
  - Total cash spend of £10m
  - £13m provision remaining - c.£9m expected to be spent in 2014
  
- Demerger costs
  - £3m cash spend
    - all costs now met



# Net debt

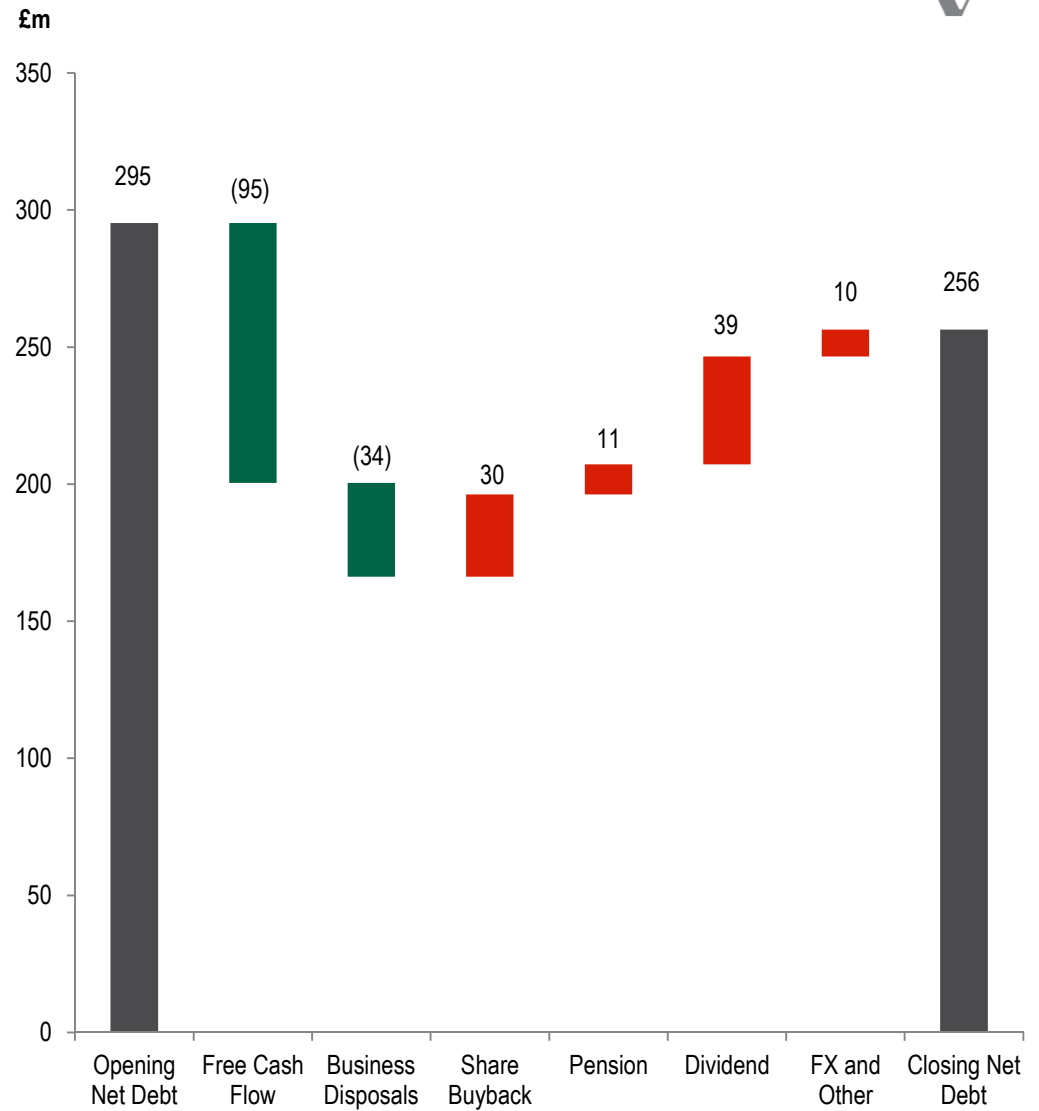
13% reduction in Net Debt to £256m

Disposal of European Precious Metals Processing completed at end May

- Gross proceeds €57m
- Net profit on disposal of £19m

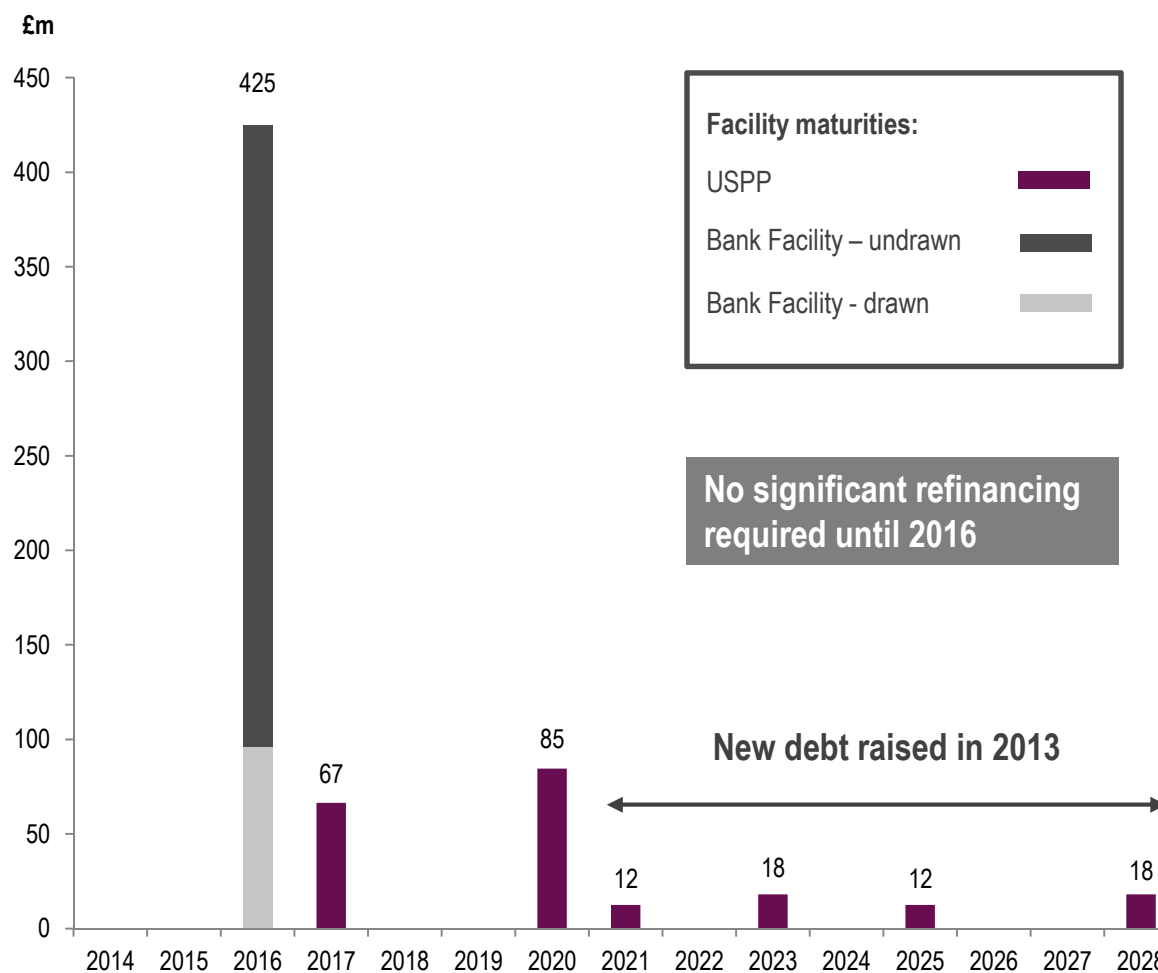
Share buy-back programme completed

- Returned £30m of proceeds of PMP disposal
- 7.3m shares purchased at 412.59 pence per share



# Debt Facilities

- New US Private Placement loan notes issued in Dec 2013
- Notes denominated in Euro and US Dollar, maturing between 2021 and 2028
  - \$101m equivalent
- Weighted average maturity of committed facilities
  - 4.0 years
- Undrawn committed facilities at 31 December 2013
  - £329m



# Pensions update

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- Total net deficit of all Group post-retirement plans at £48m at 31 December 2013 (2012: £69m)
- UK defined benefit Plan fully funded as at 31 December 2012 (last triennial valuation)
  - Results from 10 years de-risking initiatives, including £320m pensioner buy-in in 2012, and Company top-up contributions
  - Annual £4.7m cash contribution to Plan ceased in July 2013
  - Voluntary contributions of £2m per annum from January 2014
- IAS19 (revised) adopted - prior year comparators re-stated
  - Impact on 2012 : trading profit reduced by £1.7m of admin costs; interest charge reduced by £0.5m
  - Admin costs in 2013 of £1.5m
  - Net interest cost in 2013 of £1.8m (2012: £0.1m); increase mainly due to lower interest credit arising from the reduced opening UK plan surplus



# Dividend

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- Proposed final dividend of 10.25 pence per share
  - Increase of 7.9% on 2012 final dividend of 9.5 pence
- Full year dividend of 15.00 pence per share
  - Increase of 5.3% on Vesuvius' share of Cookson full year 2012 dividend of 14.25 pence
- £70.7 million total cash returned to shareholders for 2013
  - 2013 Interim Dividend                      £13.0m
  - 2013 Final Dividend                        £27.7m
  - Share buyback                                £30.0m



# Financial strategy

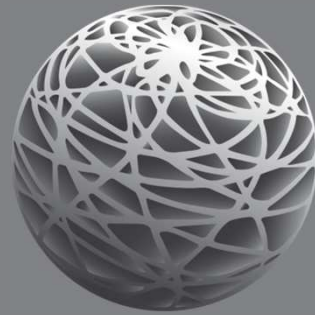
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- Financial flexibility essential
- Conservative balance sheet stewardship
- Focus on cash generation
- Cost control
- Efficient working capital management
- Improve returns







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## Strategy and Outlook

François Wanecq, Chief Executive

VESUVIUS PLC

# Five strategic pillars

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• Maintain technology leadership

• Increase penetration of value creating solutions

• Capture growth in developing markets

• Improve cost leadership

• Build technical services offering

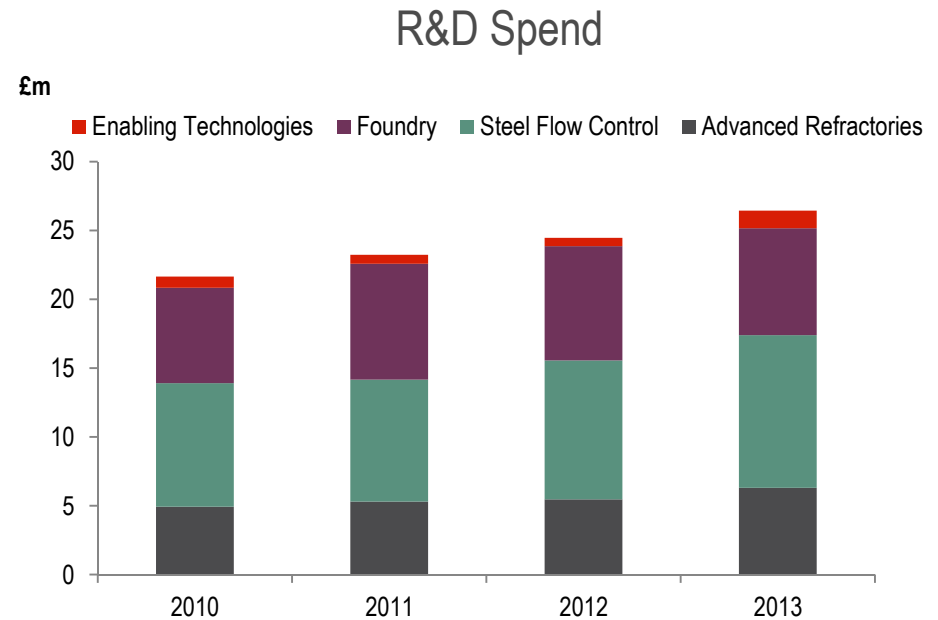


# Maintain technology leadership



## Progress in 2013:


- Increased R&D investment has seen
  - 27 invention patents
  - 124 patents filed, and
  - 189 patents granted in 2013
- Appointment of new CTO
- Construction of new global R&D centre for Foundry in Enschede, Netherlands



Foundry R&D facility, Enschede



# Increase penetration of value creating solutions



Successfully commissioned the first robotic handling operation for Hyundai in Korea

Awarded the full equipment of a major steel plant in Spain with new SERT stopper rigging




Progress in 2013



ELBY™ ladle bottom gaining traction in Europe and Asia

Lavagard trough runners



# Capture growth in developing markets



New Advanced Refractories plant commissioned in Ras al Khaima, UAE \$25m added sales capacity

Building of new Foundry plant in Changshu, China, to be commissioned in H1 2014 and replace two old factories in Liuhe and XianFan



## Progress in 2013



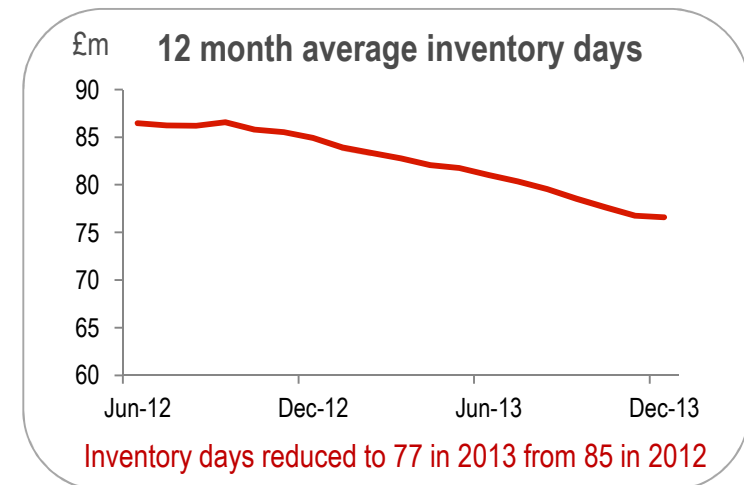
New Viso mix plant in Rio de Janeiro, Brazil, to take advantage of local raw materials

Extension of Viso plant in Trinec, Czech Republic £20m additional sales capacity



# Improve cost leadership

- Launch of our group Quality program
- Extension of Lean Manufacturing throughout the Group
- Inventory reduction from 85 to 77 days (12 month average)
- Continued transfer of headcount towards low cost countries



# Build Technical Services offering

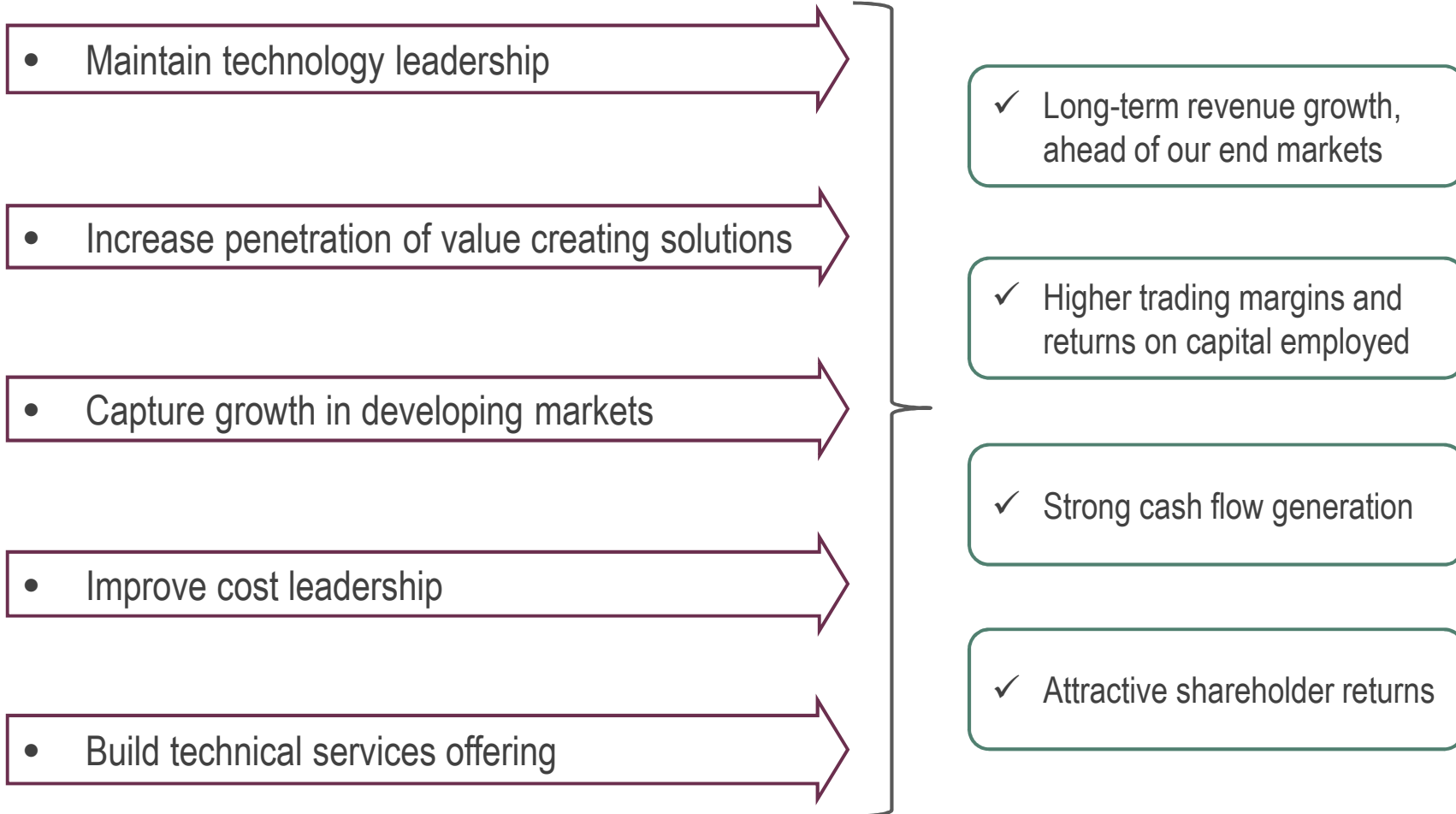


## Progress in 2013:

- Longer-term vision
- Internal R&D development leading to industrial testing in H1 2014
- Acquisition opportunities being evaluated

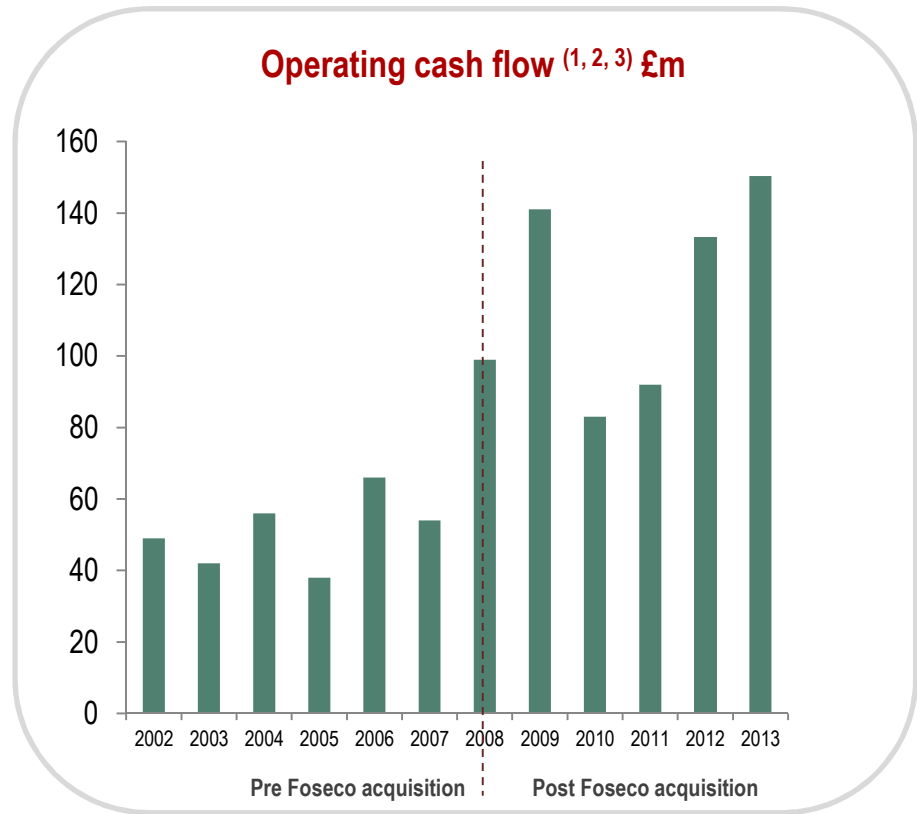
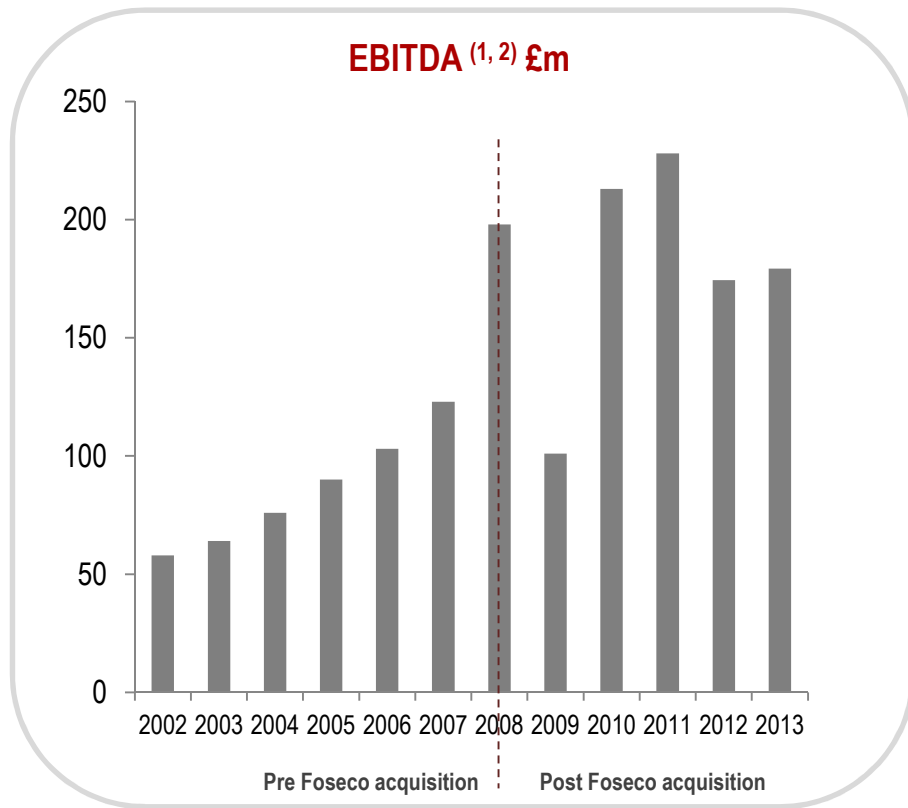


# Strategy





# Confirmed resilient profit and strong cash flow generation



(1) Company data as reported, excluding Precious Metals Processing  
 (2) 2012 results have been restated as a result of IAS 19 (Revised) Employee Benefits  
 (3) Cash flow from operations before interest and tax and after capital expenditure



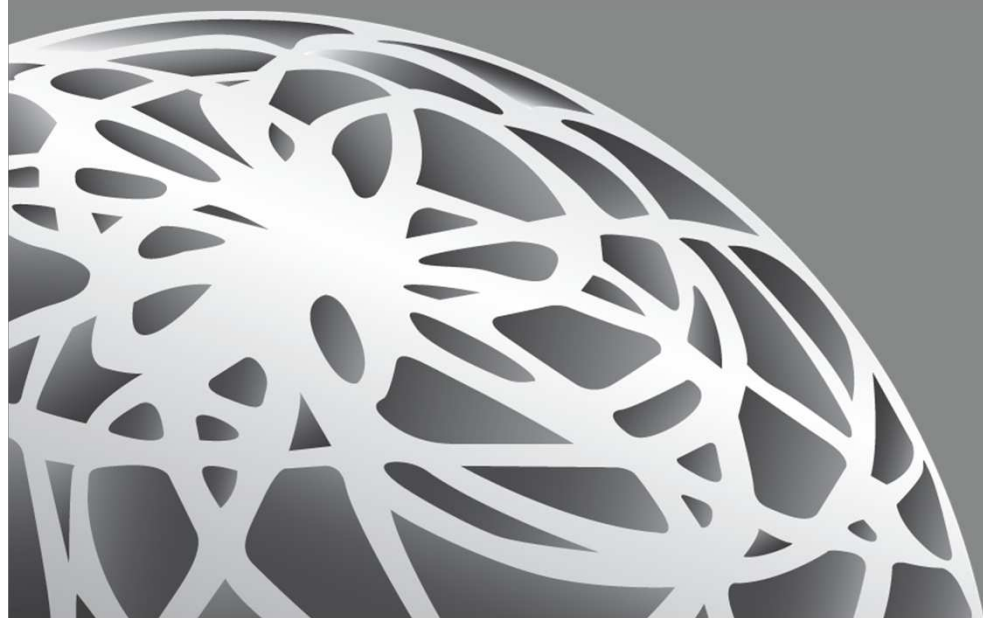
# Outlook

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- Expect underlying trading environment during 2014 to be broadly similar to that in 2013
- If recent strength of Sterling continues it will have a negative impact on our reported growth in 2014
- Progressing with our plan to improve operational efficiency in all segments
- Primary objectives for the medium-term:
  - improve margins further
  - increase our effort in research and development
  - sustain our global leadership in core businesses
  - further develop our penetration in China
  - retain strong balance sheet to keep our financial flexibility
  - progress our overall strategy of providing superior technical products and services for the steel and foundry industries



VESUVIUS PLC



## 5 year history at constant currency<sup>(1)</sup>

	2009	2010	2011	2012	2013
<b>Revenue</b>	<b>1,134</b>	<b>1,444</b>	<b>1,616</b>	<b>1,543</b>	<b>1,511</b>
Steel	760	951	1,039	1,018	1,018
Foundry	374	493	577	525	493
<b>Trading Profit</b>	<b>61.6</b>	<b>161.7</b>	<b>171.7</b>	<b>127.6</b>	<b>140.0</b>
Steel	49.3	97.5	100.7	82.2	88.7
Foundry	12.3	64.2	71.0	45.4	51.3
<b>Margins</b>	<b>5.4%</b>	<b>11.2%</b>	<b>10.6%</b>	<b>8.3%</b>	<b>9.3%</b>
Steel	6.5%	10.3%	9.7%	8.1%	8.7%
Foundry	3.3%	13.0%	12.3%	8.7%	10.4%

(1) All numbers shown at December 2013 full year average exchange rates

(2) Assumes £14 million corporate costs in 2009 – 2011; actual corporate costs included for 2012 and 2013



## Currency – Ready Reckoner

Currencies	Approximate Change in profits
US Dollar	£0.4 million
Euro Brazilian Real Indian Rupee Chinese Renminbi	£0.2 million
Japanese Yen South African Rand	£0.1 million

- Rule of thumb for impact of a 1% movement in currency against sterling
  - Amounts shown are movements for each currency
  - Works both for strengthening and weakening of currencies

