

A GLOBAL LEADER IN METAL FLOW ENGINEERING

2018 Half Year Results

26 July 2018
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Chief Executive

VESUVIUS PLC

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Agenda

- Performance Update
- Financial Review
- Outlook





Performance Update



Strong results for the half year ended 30 June 2018

Revenue

£897.0m

+7.9%

Reported change

+12.1%

Underlying change

Trading profit

£99.6m

+15.4%

Reported change

+20.3%

Underlying change

Return on sales

11.1%

+70bps

Reported change

+80bps

Underlying change

Working capital to revenue ratio

24.1%

H1 2017: 26.2%

Net debt / EBITDA

1.3x

H1 2017: 1.6x

Interim dividend

6.00p

+9.1%

Note: Percentage change figures are H1 2018 versus H1 2017

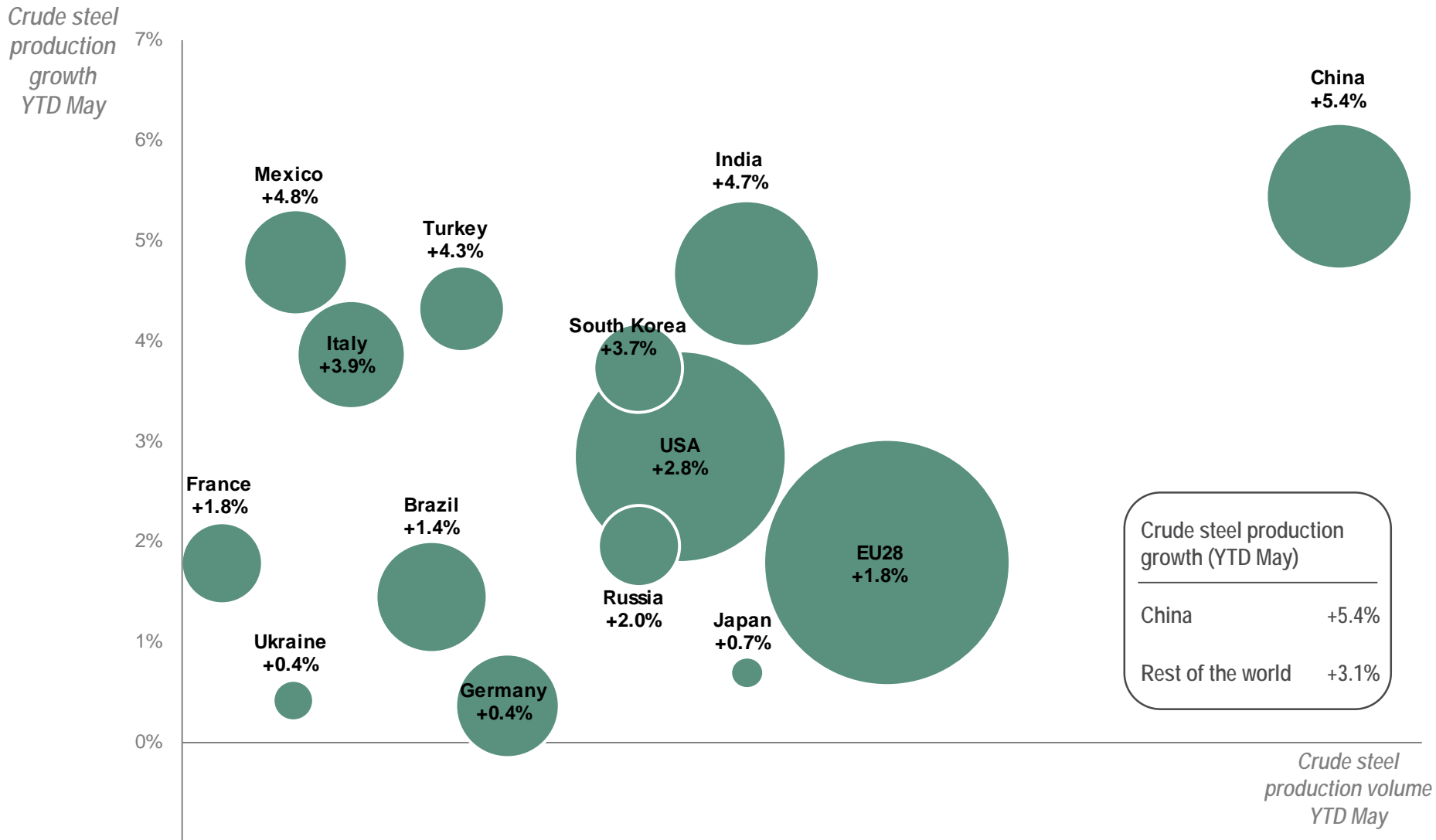


Continued operational momentum

- ✓ Key steel and foundry end markets favourable in H1 2018 and remain positively oriented
- ✓ Raw material cost inflation successfully addressed through sales price increases
- ✓ Elimination of Flow Control intercompany supply headwind
- ✓ Implementation of previously announced restructuring programmes on track
- ✓ Increase in targeted annual savings from the new restructuring programme announced in March, from £15m p.a. to £22m p.a.



Positive trends in steel markets



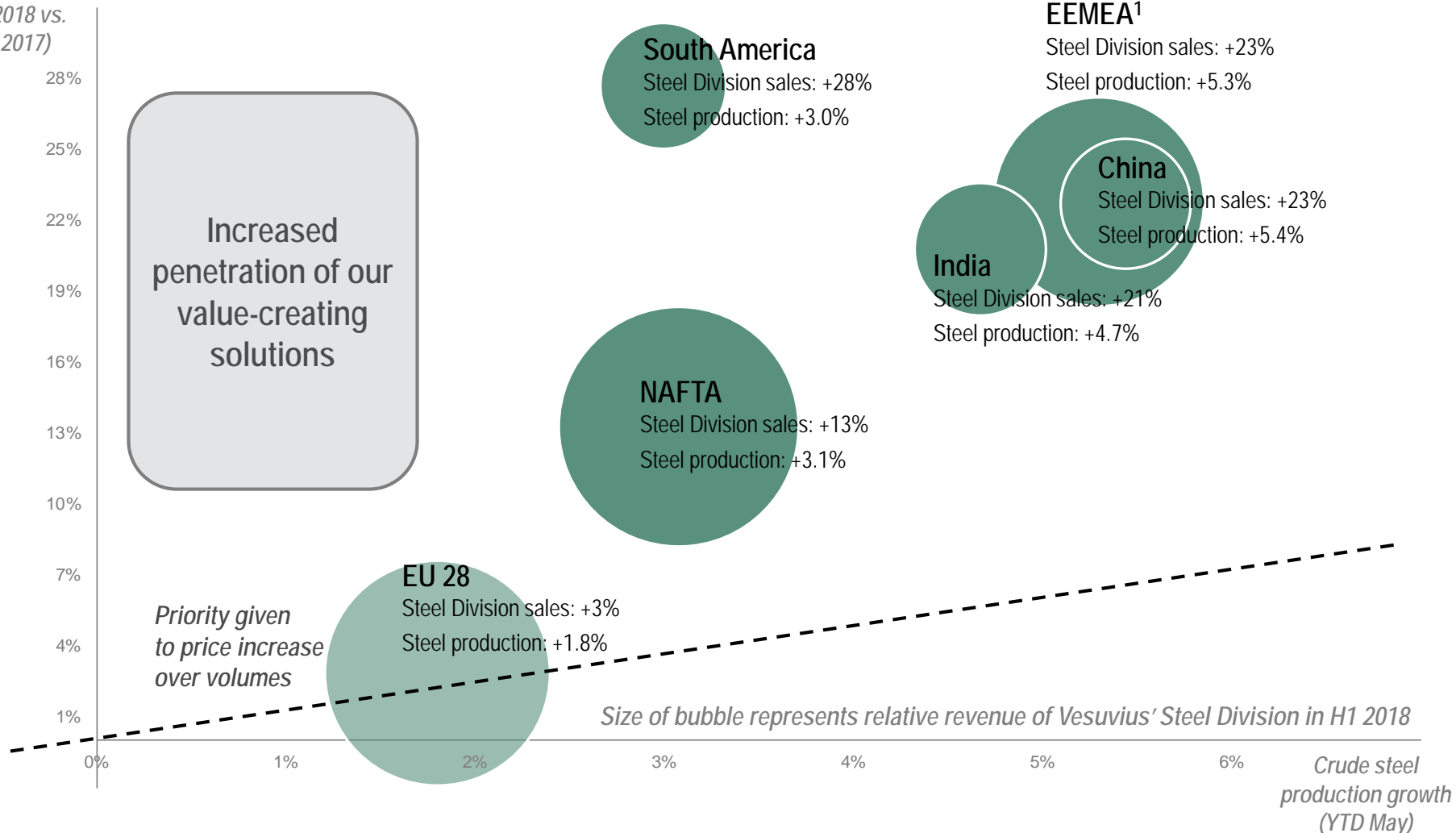
Size of bubble represents relative revenue of Vesuvius' Steel Division in H1 2018



Steel Division continues to outperform underlying market growth



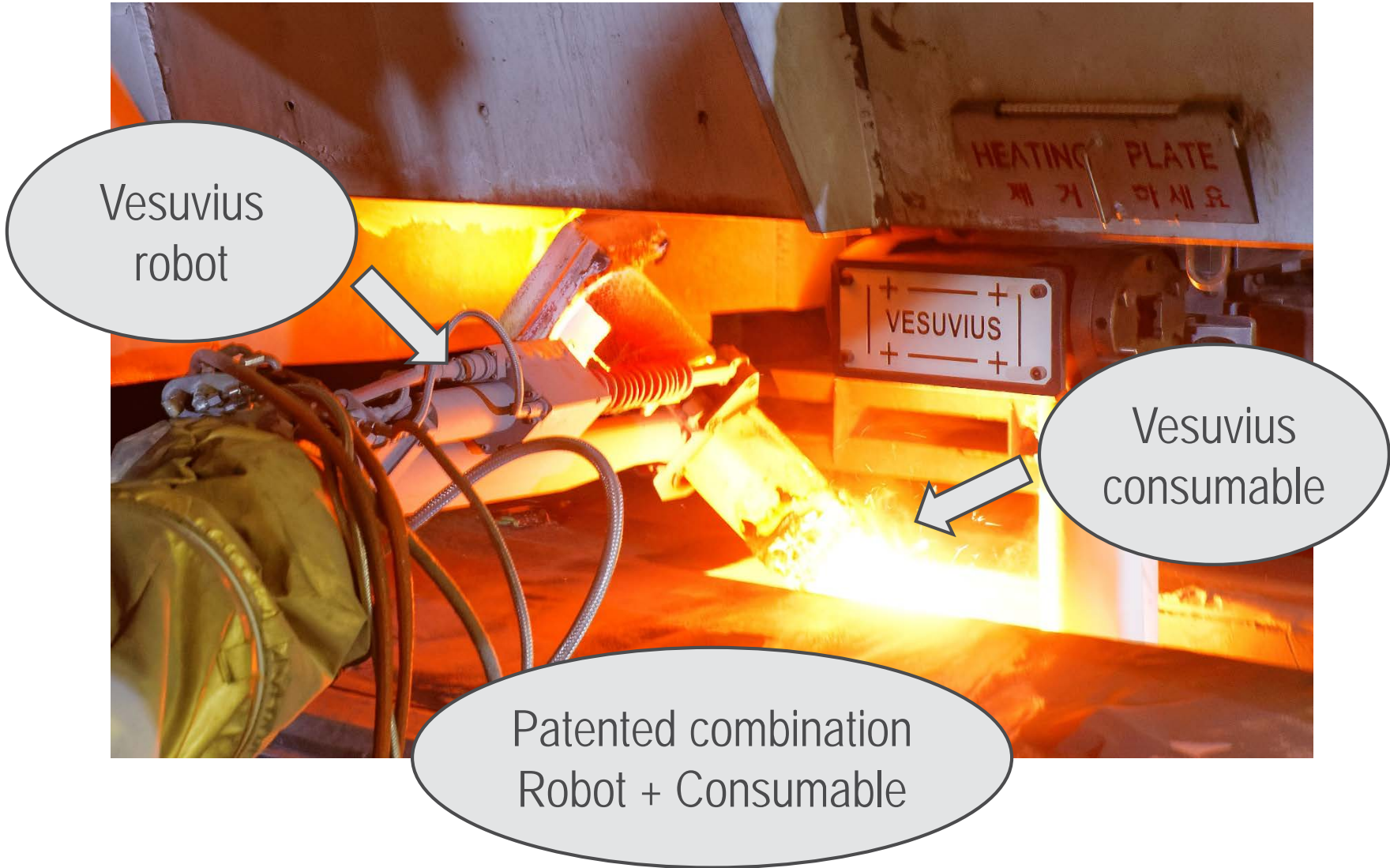
Steel Division
revenue growth
(H1 2018 vs.
H1 2017)



Note 1: Eastern Europe, Middle East and Africa



Combined robot and refractory consumable offering at North Asian customer



Positive H1 2018 momentum in majority of Foundry end markets

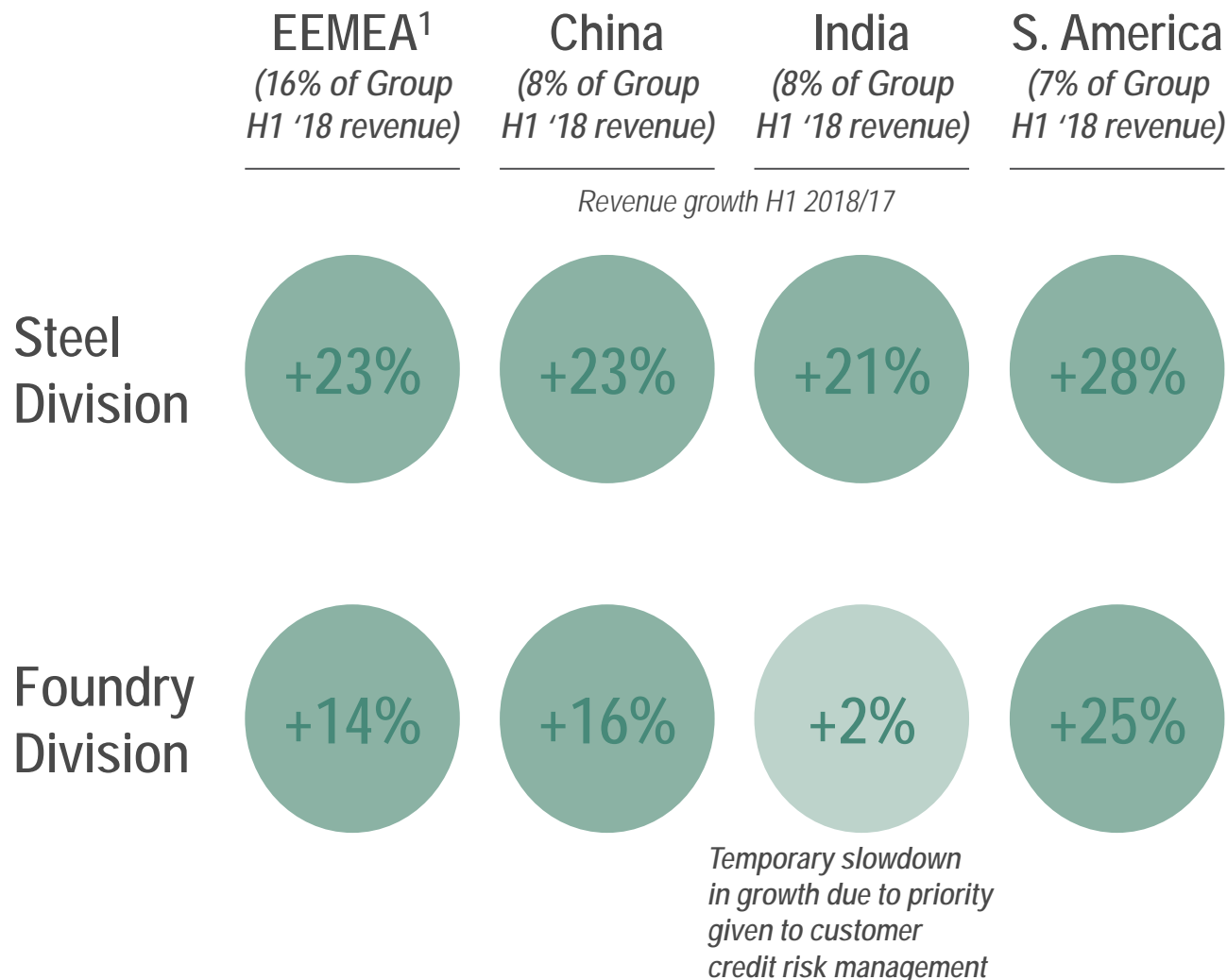
	<u>General engineering and mining (45% of Foundry)</u>	<u>Light vehicles production (24% of Foundry)</u>	<u>Medium / heavy commercial vehicles (16% of Foundry)</u>	<u>Construction equipment / agriculture (15% of Foundry)</u>
EMEA	→	→	→	→
NAFTA	→	→	→	→
China	→	→	→	→
India	→	→	→	→
South America	→	→	→	→

- Strong performance of the Foundry Division with underlying sales growth of **10.2%** outperforming end markets
- Increased penetration of value-creating solutions



Example: FEEDEX VAK patented feeder sleeves

Acceleration of our strategy to penetrate key developing markets



- Increasing penetration in key developing markets
 - Key developing markets² now account for **39%** of sales, up from 30% in 2014
- Increasing investment in local sales and marketing resources

Note 1: Eastern Europe, Middle East and Africa

Note 2: EEMEA, China, India and S. America

Acceleration of our R&D efforts to support long-term profitable growth

● Flow Control ● Advanced Refractory ● Foundry



- We are increasing capacity to tap into the highest quality talent pool worldwide, especially in Asia



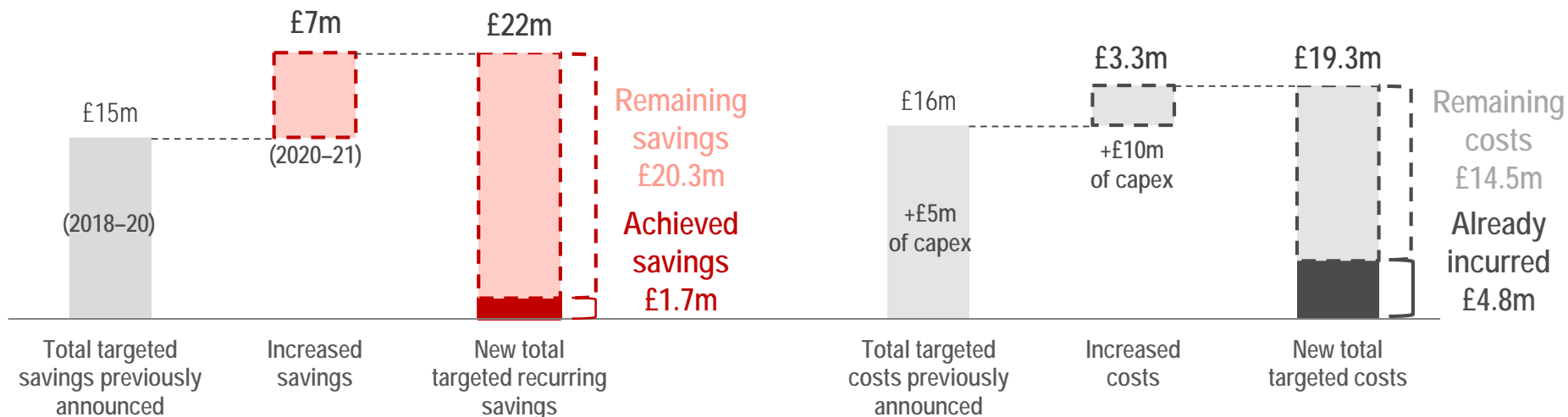
Restructuring on track and new programme expanded by £7m

- On track delivery of both original and new restructuring programmes
- Three European plant closures announced in July 2018 as part of the new restructuring programme
- Targeted savings from new programme increased by £7m to be delivered in 2020 - 2021
 - Further operational and cost efficiencies in Advanced Refractories NAFTA, Flow Control NAFTA and Foundry Europe
 - One-off cash cost of £3.3m and £10m of associated capital expenditure
- Additional focus on operational excellence and continuous improvement across manufacturing operations
 - Empowered, accountable result-oriented P&L managers
 - Decentralised, proactive, entrepreneurial business organisation (no matrix)



Overview of restructuring programmes

Expansion of the new restructuring programme by £7m



Original restructuring programme (2015 – 2020)



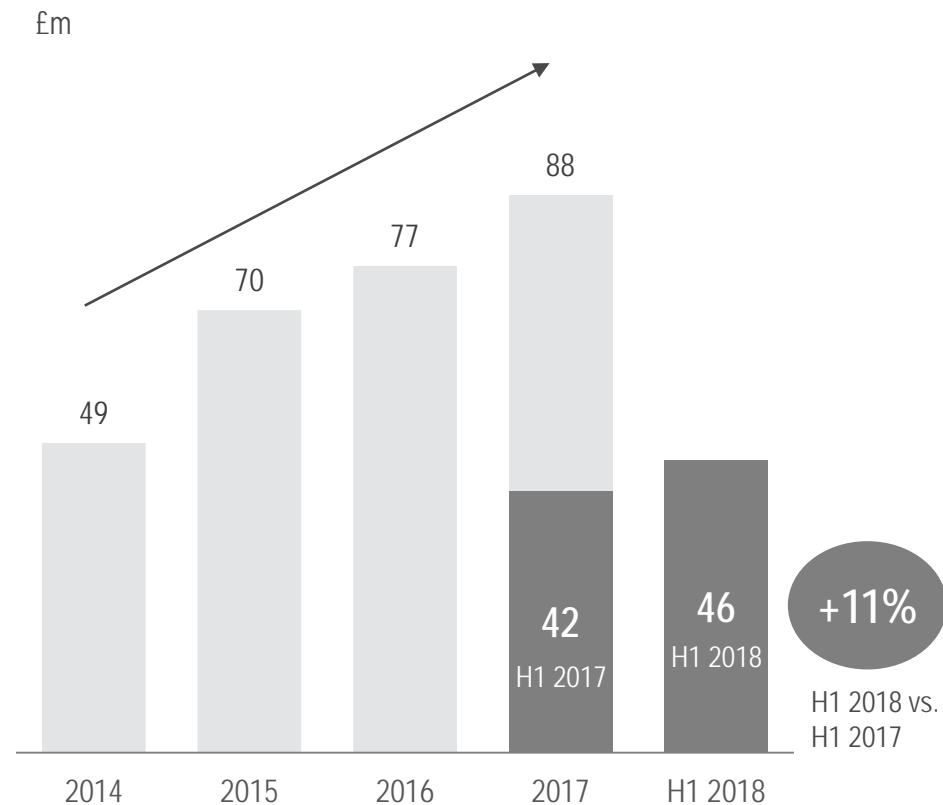
Continued development of our Technical Services offering

- Flow Control developing value-creating solutions around the continuous casting process, leveraging the Sapotech investment
- Advanced Refractories developing its combined refractory, robotics and laser offering
- New product development in the Digital Services business unit



Example: Next generation oxygen probes

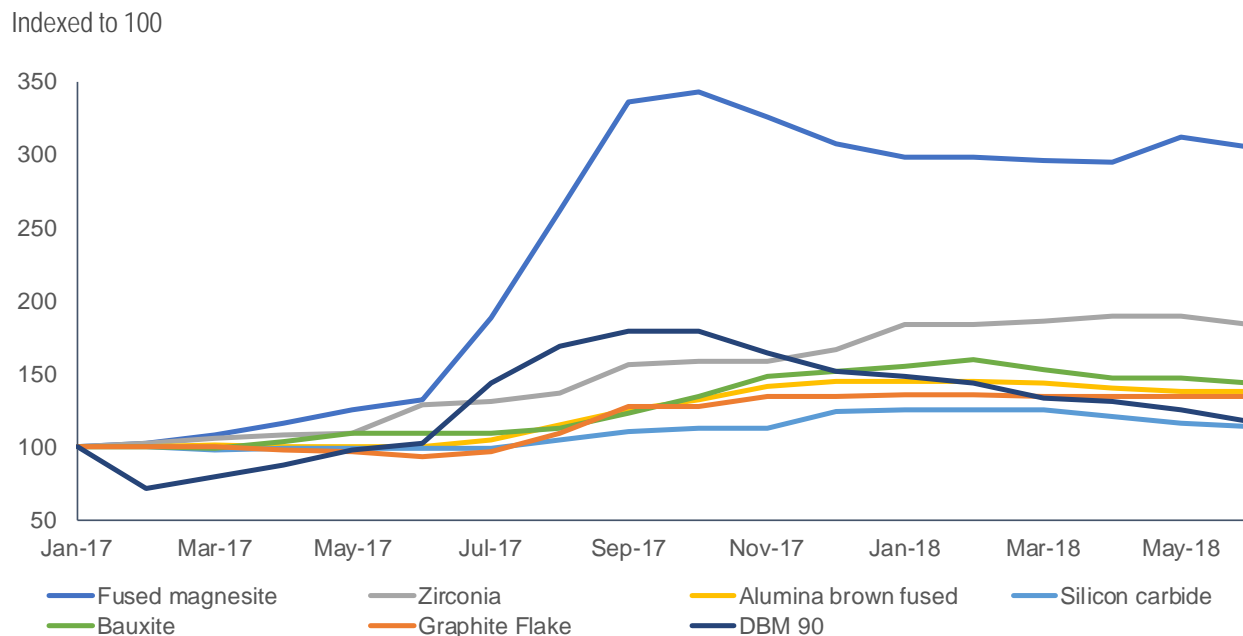
Technical Services offering reported revenue



Successful pass through of raw material price inflation

- Pass through of raw material price inflation from 2017 has been successful overall
 - Particular success in the Steel Division
 - In Foundry, some raw material price inflation still to be recovered in certain end markets
- Prices of most raw materials have been stable or declining in H1 2018, with the exception of Zirconia

Market price development of key raw materials





H1 2018 Divisional Performance

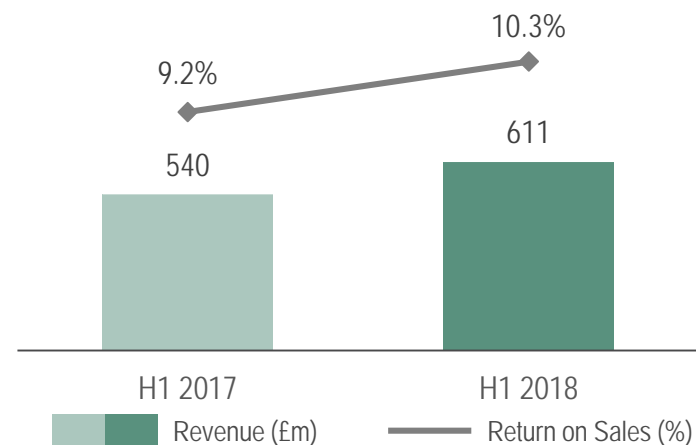


Divisional performance

Steel Division key financials

£m	Reported			Underlying change
	H1 2018	H1 2017	Change	
Revenue	610.9	562.7	+8.6%	+13.1%
Trading profit	63.0	51.7	+21.7%	+26.5%
Return on Sales	10.3%	9.2%	+110bps	+110bps

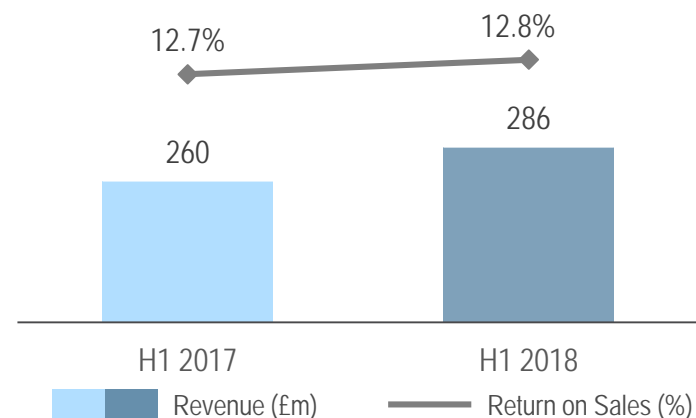
Underlying revenue / Return on Sales



Foundry Division key financials

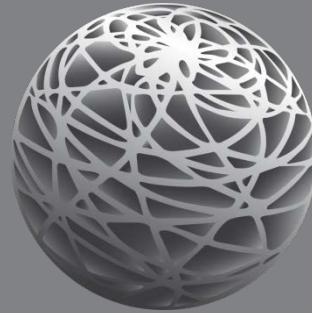
£m	Reported			Underlying change
	H1 2018	H1 2017	Change	
Revenue	286.1	268.8	+6.4%	+10.2%
Trading profit	36.6	34.6	+5.9%	+11.0%
Return on Sales	12.8%	12.9%	-5bps	+10bps

Underlying revenue / Return on Sales



Notes: Steel Division includes Flow Control, Advanced Refractories and Digital Services.

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



A GLOBAL LEADER IN METAL FLOW ENGINEERING

Financial Review

Guy Young
Chief Financial Officer

VESUVIUS PLC

Income statement

(£m unless indicated)	H1 2018 Actual	H1 2017 Actual	Change (%)	
			As reported	Underlying
Revenue	897.0	831.5	+7.9%	+12.1%
Trading Profit	99.6	86.3	+15.4%	+20.3%
ROS %	11.1%	10.4%	+70bps	+80bps
Post tax Share of JV Results	2.6	0.4		
Net Finance Costs	(4.8)	(7.3)		
Headline Profit Before Tax	97.4	79.4	+22.7%	
Effective Tax Rate	26.0%	28.0%		
Tax	(24.6)	(22.1)		
Non-Controlling Interest	(4.1)	(4.0)		
Headline Earnings	68.7	53.3	+28.9%	
Headline EPS (pence)	25.4	19.7	+28.9%	

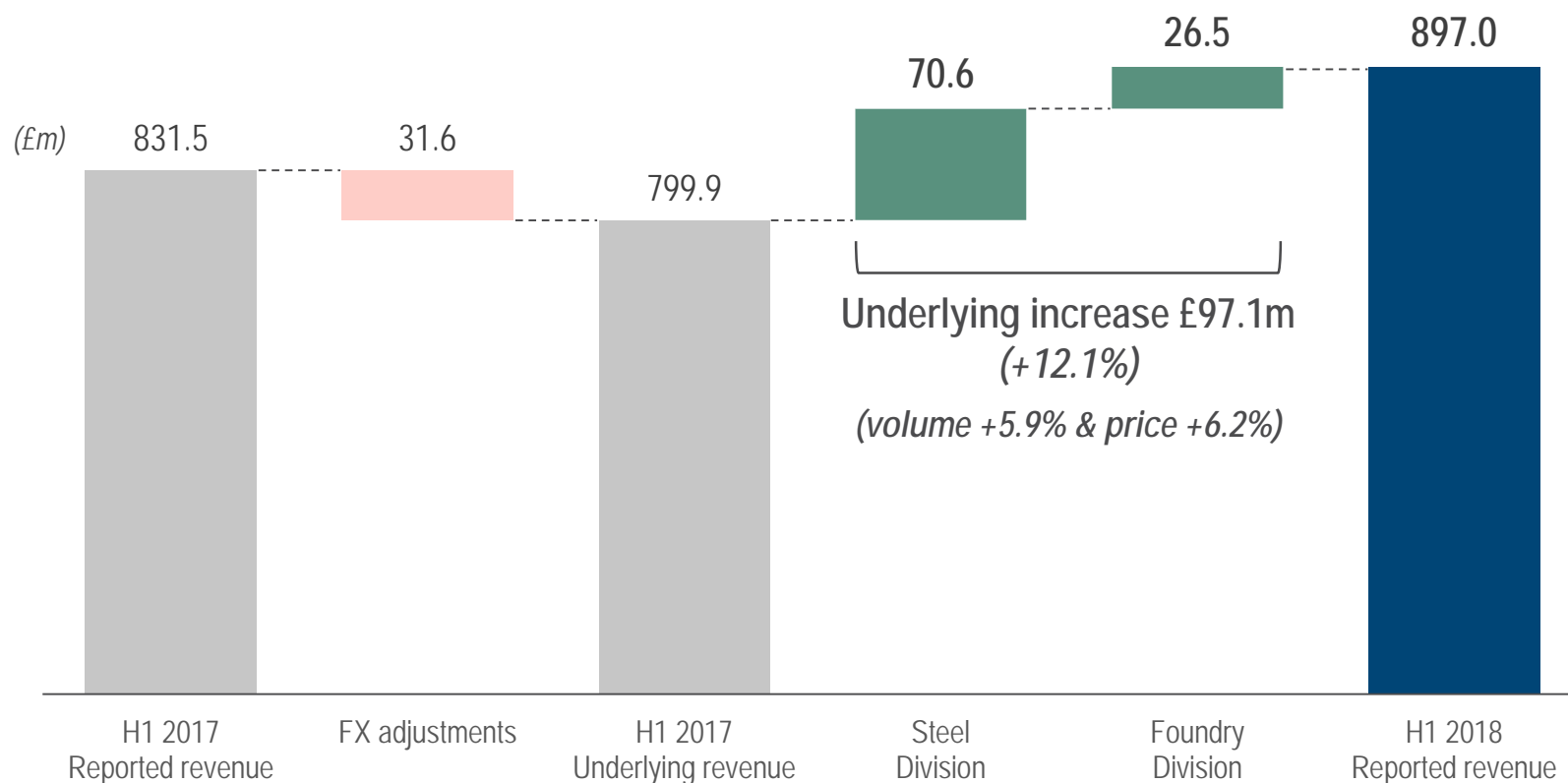
Notes:

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

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

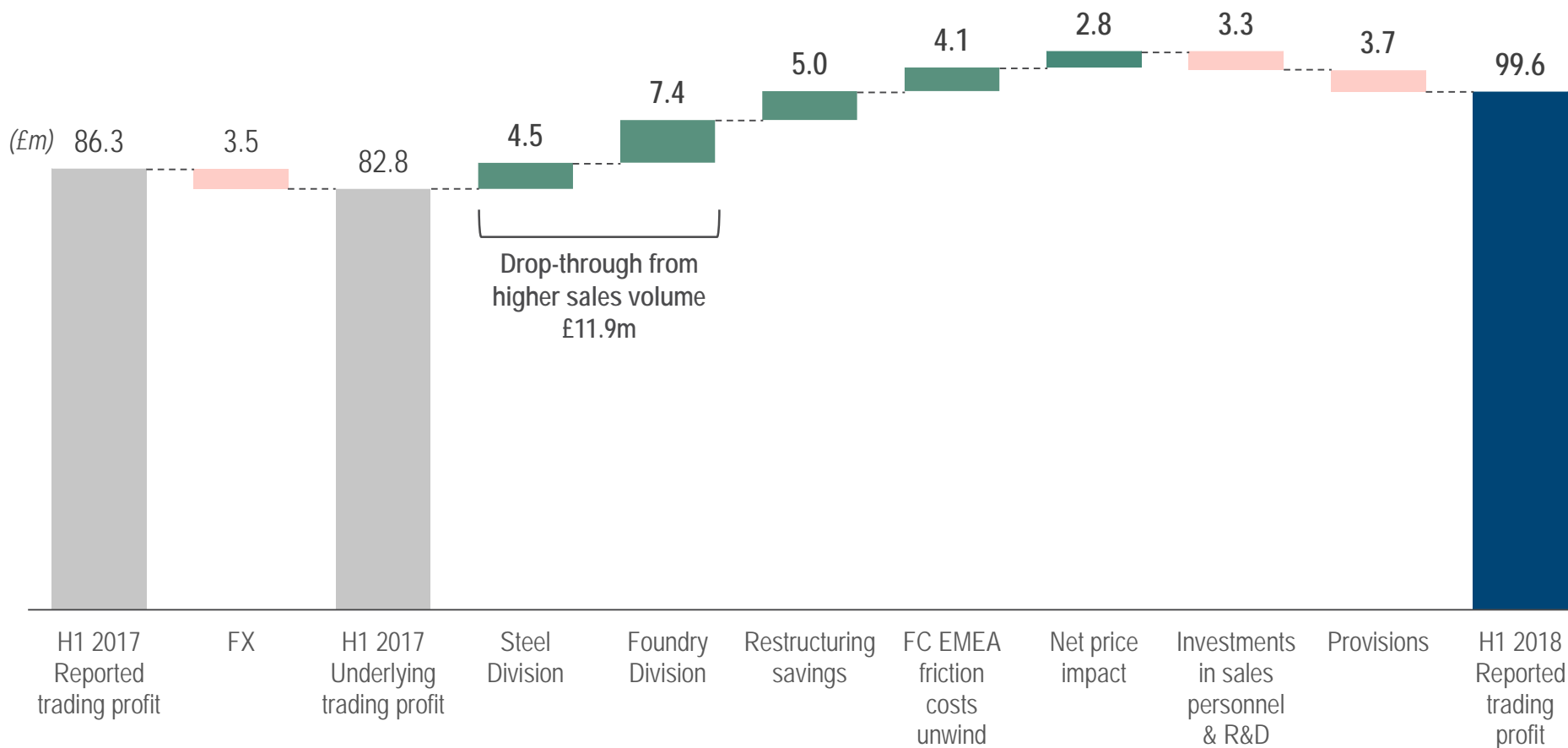
Underlying Vesuvius revenue up 12.1%

- Revenue up £65.5m on a reported basis (+7.9%) and up £97.1m on an underlying basis (+12.1%)
- £31.6m decrease from FX due to GBP being stronger on average in H1 2018 versus H1 2017



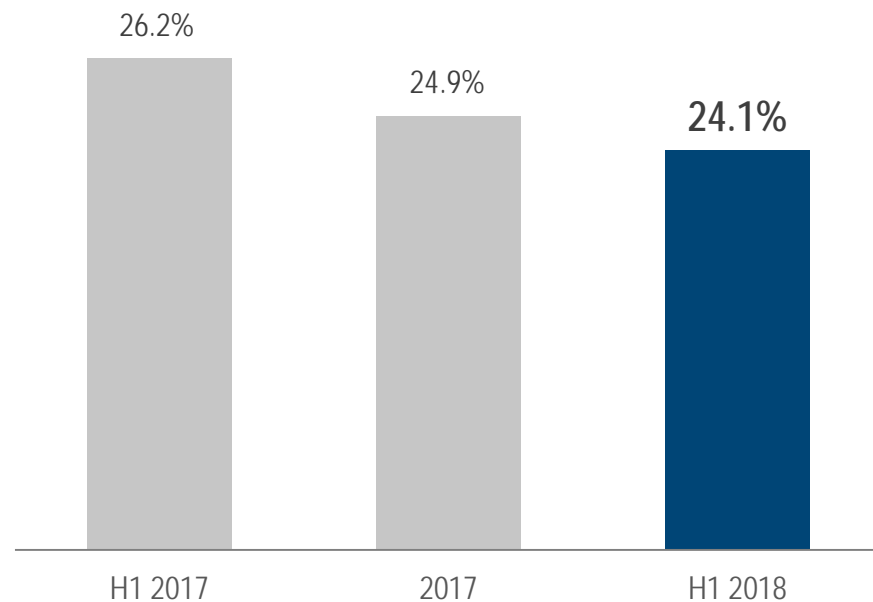
Underlying Vesuvius trading profit up by 20.3%

- Trading Profit up £13.3m on a reported basis (+15.4%) and up £16.8m on an underlying basis (+20.3%)

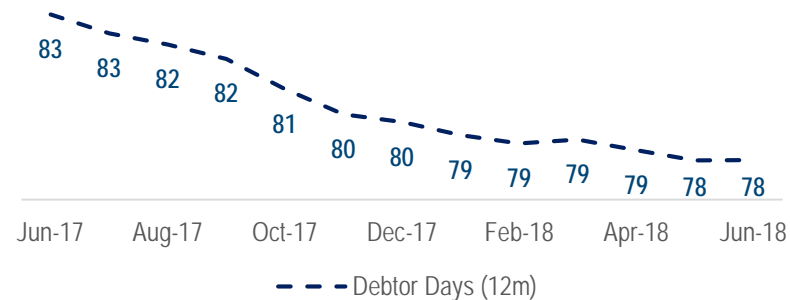


Trade working capital progress

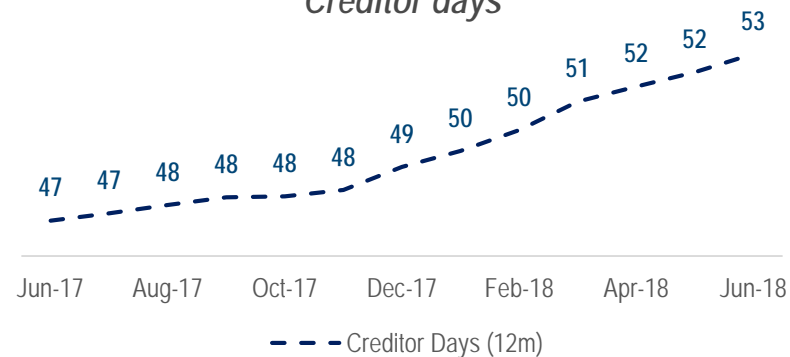
Trade working capital / Revenue



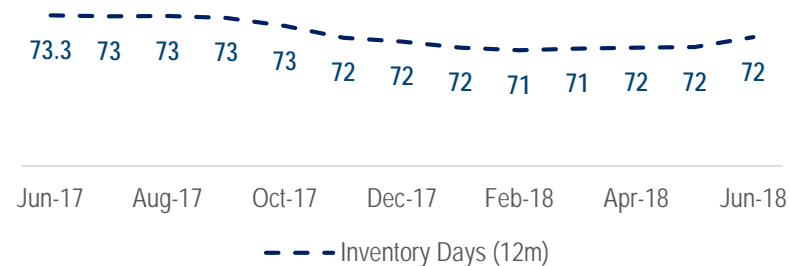
Debtors days



Creditor days

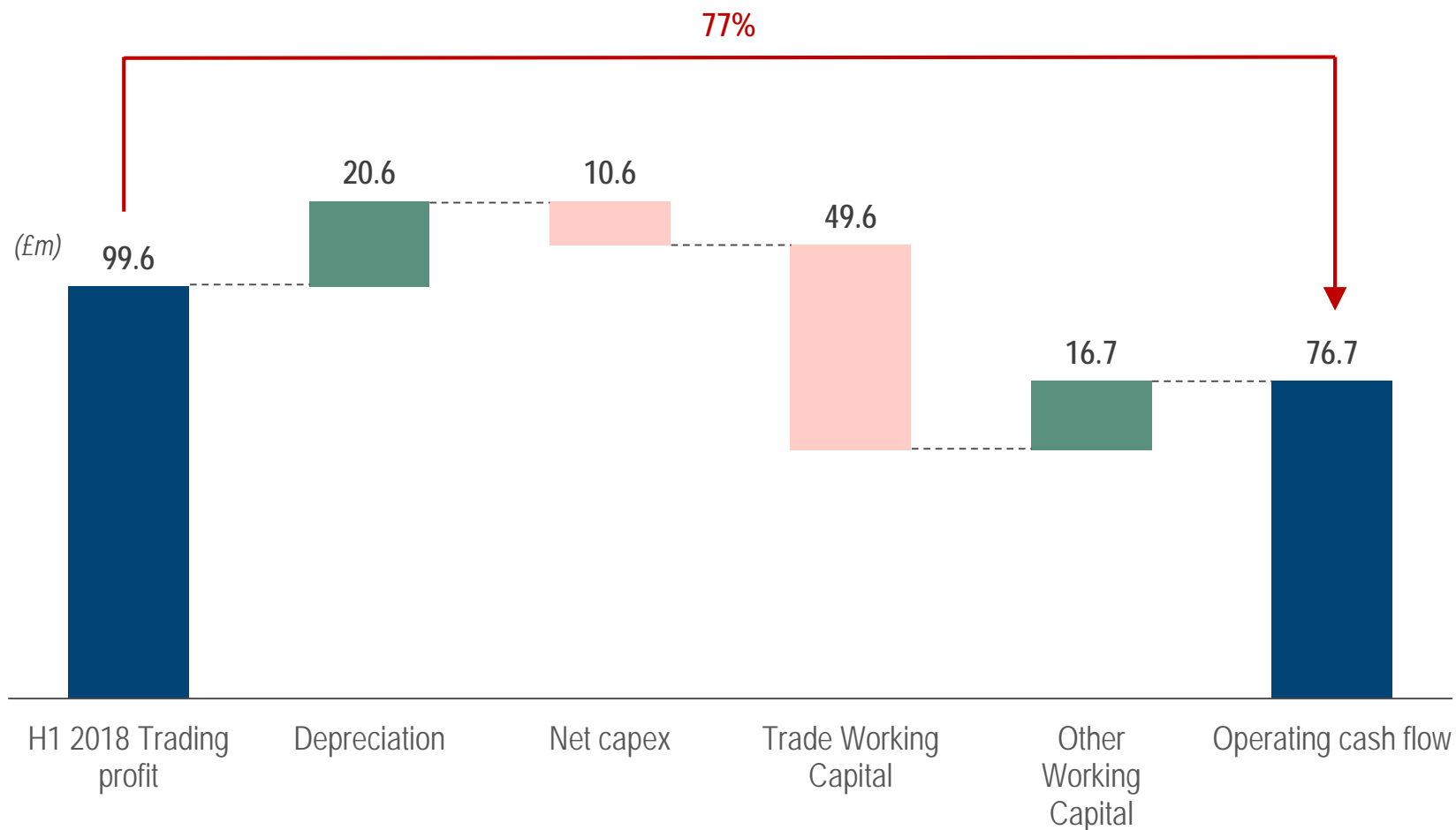


Inventory days



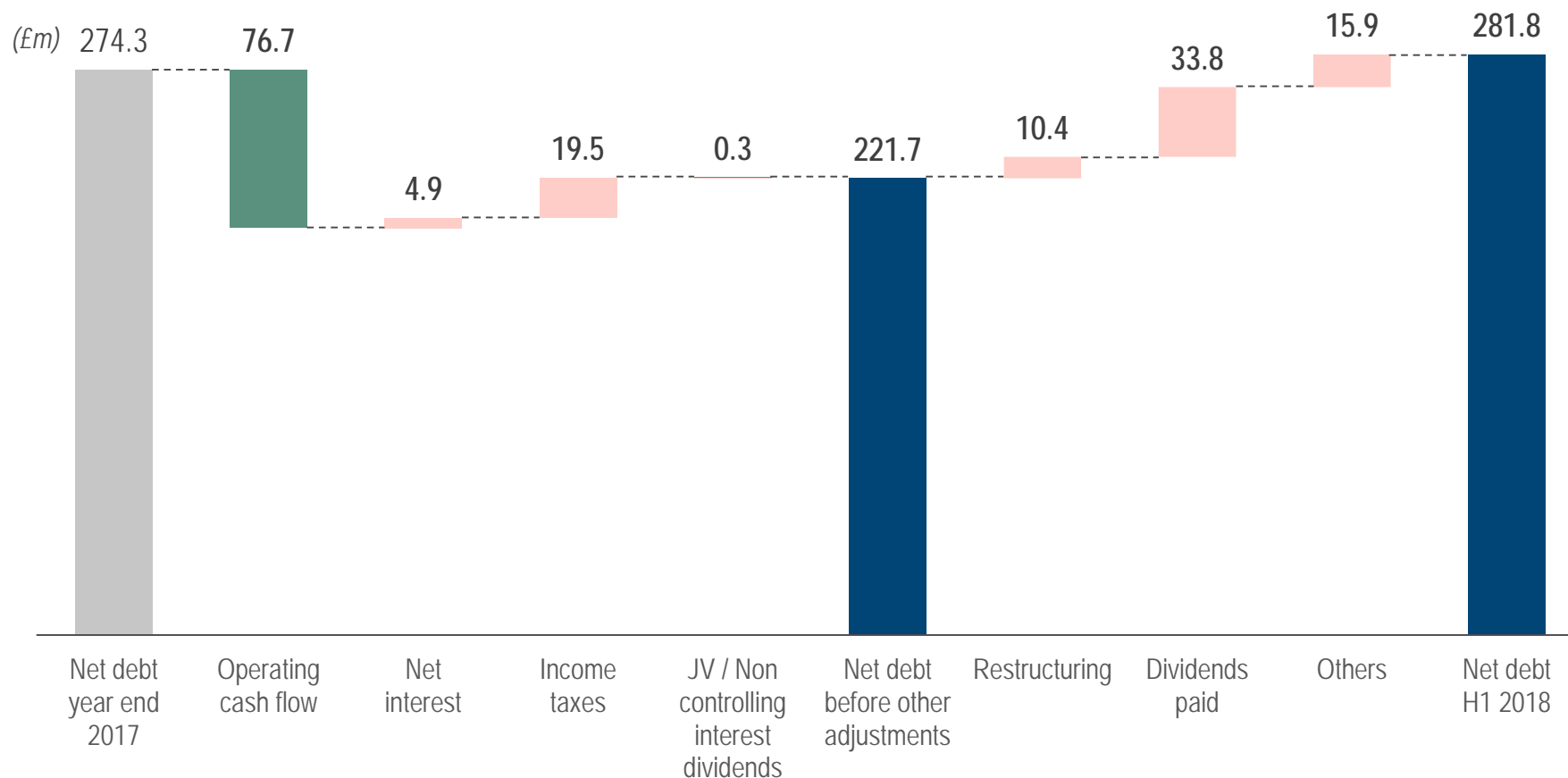
Cash flow progress

- Cash conversion broadly in line with half year 2017 end level. Less than 100% due to expansion of trade working capital required to fund increased sales and summer inventory build-up



£281.8m Net Debt and 1.3x Net Debt / LTM EBITDA

- Net debt up £7.5m at £281.8m, versus £274.3m at year end 2017
 - £76.7m operating cash flow generation from continuing operations offset by £19.5m income taxes, £33.8m dividend payment and £15.9m of other costs
- Strong balance sheet with Net Debt / LTM EBITDA at 1.3x





Outlook



Positive market outlook in H2 2018

Steel Division

- We are cautiously optimistic for H2 2018 as steel production remains positively oriented worldwide
- We believe the upside to US steel production volumes due to the section 232 tariffs is c.7 - 9m tonnes by 2022 – c.9% - 11% growth from c.82m tonnes produced in 2017
 - Positive for Vesuvius given our strong presence in the US but limited impact in 2018

Foundry Division

- We expect the majority of Foundry end markets to continue their positive momentum in H2 2018
- Some softening of light vehicle production is expected in the US and North Asia
- Temporary impact in H2 2018 of WLTP (Worldwide Harmonised Light Vehicle test) on European light vehicle production?

Potential global trade restrictions

- We expect the potential trade restrictions between US and China and/or Europe to have minimal direct impact on Vesuvius results given our high level of geographical diversification and local production close to end customers

Outlook

- We are cautiously optimistic regarding H2 2018 performance as the environment in our key end markets remains positive
- This strength in underlying markets and our continuing implementation of self-help measures underpins our confidence that our full year trading profit (EBITA) will be marginally above the current consensus market expectation of c.£189m⁽¹⁾
- Looking beyond 2018, we believe in our ability to deliver further organic improvement in our profit margins as we implement our strategy and deliver on our restructuring programmes

(1) Compiled from analyst notes for Trading Profit (EBITA) before separately reported items, as at 25 July 2018





Q&A





Appendix



Currency Ready Reckoner

Jun-18		
Trading profit	Unit	Approximate change in annual profits (£m)
USD	1 cent	0.4
EUR	1 cent	0.4
INR	1 rupee	0.2
RMB	0.1 RMB	0.4
JPY	1 Yen	0.1
BRL	0.01 reals	0.1
ZAR	1 rand	0.4

- 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