

VESUVIUS PLC

2018 FULL YEAR RESULTS

FEBRUARY 2019

LEADING THE WORLD OF MOLTEN METAL FLOW ENGINEERING



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AGENDA

VESUVIUS STRATEGY AND PERFORMANCE UPDATE

Patrick André, Chief Executive

FINANCIAL REVIEW

Guy Young, Chief Financial Officer

OUTLOOK

Patrick André, Chief Executive

Q&A

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VESUVIUS STRATEGY AND PERFORMANCE UPDATE



STRONG RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

Revenue

£1,798.0m

+6.8%

Reported change

+10.7%

Underlying change

Trading profit

£197.2m

+19.1%

Reported change

+24.1%

Underlying change

Return on sales

11.0%

+120bps

Reported change

+120bps

Underlying change

Headline EPS

49.6p

+21.9%

Net debt / EBITDA

1.0x

2017: 1.3x

Full year dividend

19.8p

+10.0%

STRONG OPERATIONAL PERFORMANCE IN 2018

- ✓ BOTH OUR FLOW CONTROL BUSINESS UNIT AND FOUNDRY DIVISION OUTPERFORMED UNDERLYING MARKETS

- ✓ WE SUCCESSFULLY RECOVERED THE IMPACT OF 2017'S TEMPORARY HEADWINDS
 - PRICE INCREASE INITIATIVES TO COVER RAW MATERIAL COST INCREASES

 - DEBOTTLENECKING OF OUR FLOW CONTROL EMEA MANUFACTURING CAPACITY

- ✓ IMPLEMENTATION OF OUR RESTRUCTURING PROGRAMMES FULLY ON TRACK, WITH £14M DELIVERED IN 2018

STRATEGY UPDATE

STRATEGY TO DELIVER LONG-TERM SUSTAINABLE AND PROFITABLE GROWTH

- **Confirmation of our five execution priorities**

1. Reinforce our technology leadership
2. Increase the penetration of our value-creating solutions
3. Capture growth in developing markets
4. Improve our cost leadership and margins
5. Develop our Technical Service offering

- **In 2018 we have started to accelerate the delivery of our strategy by:**

- Reinforcing our presence in the high-end, high quality segments of the steel and foundry markets
- Accelerating and intensifying our efforts to optimise our manufacturing cost base
- Adopting an entrepreneurial, decentralised, non-matrix organisation

CCPI ACQUISITION

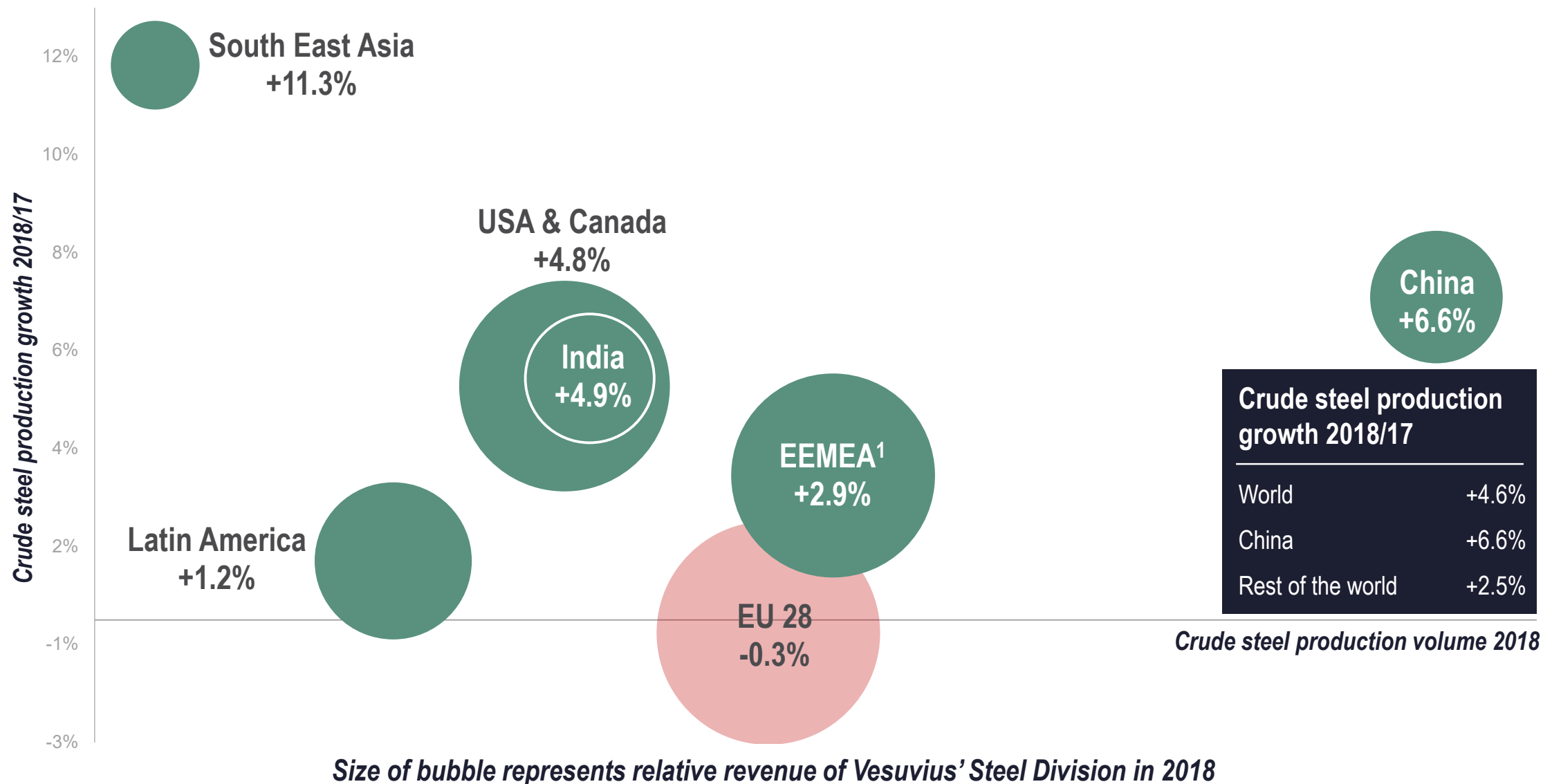
Transaction highlights

- US\$43.4m (£33.1 million) acquisition on a cash free debt free basis, funded from internal resources
- 8x 2018 EBITDA – significantly lower post synergies, to be realised during 2019-2020
- Signed on 27 February, with closing expected within the coming week
- Clear strategic rationale
 - Significantly expands Vesuvius' North American presence in refractories used in steel tundish applications
 - Increases Vesuvius' exposure to aluminium
- Accretive to Group return-on-sales even before synergies

CCPI overview

- A specialty refractory producer focused on tundish (steel continuous casting) applications (65% of sales) and aluminium (35% of sales)
- Unaudited 2018 revenue of US\$35.6m (£27.2m) and EBITDA of US\$5.4m (£4.2m)
- Two plants, with the steel business located in Ohio and the aluminium business located in North Carolina
- Key products include:
 - Monolithic refractories used in tundish applications
 - Precast shapes used in tundish applications
 - Refractory installation robots
 - Sensors for temperature measurement

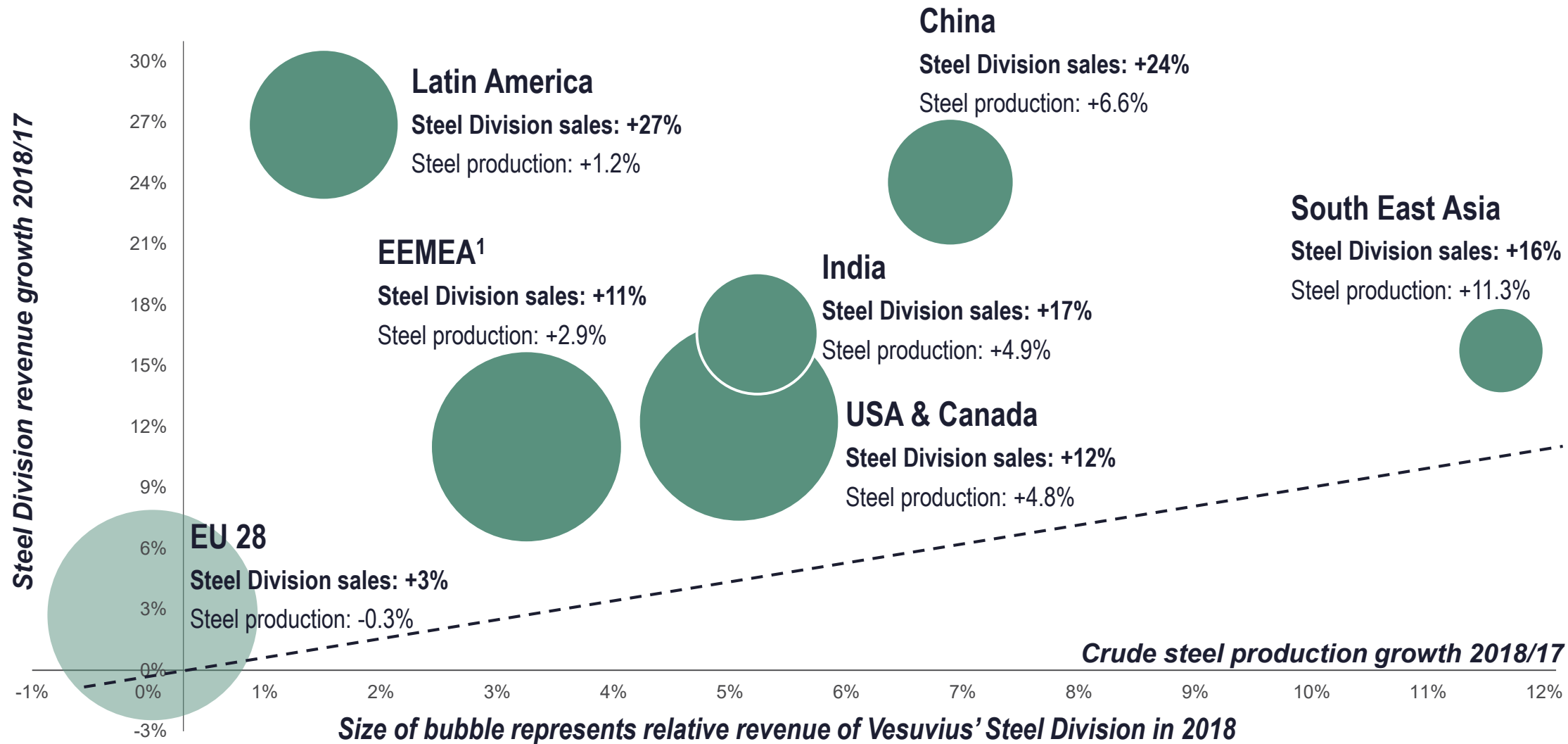
GLOBALLY FAVOURABLE ENVIRONMENT IN STEEL MARKETS



Notes: 1. Eastern Europe, Middle East (incl. Turkey) and Africa

STEEL DIVISION CONTINUES TO OUTPERFORM UNDERLYING MARKET

INCREASED PENETRATION OF OUR VALUE-CREATING SOLUTIONS AND PRICE INCREASES



Notes: 1. Eastern Europe, Middle East (incl. Turkey) and Africa

FLOW CONTROL OUTPERFORMANCE OF STEEL PRODUCTION

SUPPORTED BY POSITIVE PRODUCT MIX AND TECHNOLOGICAL LEADERSHIP

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CASE STUDY: FOOD PACKAGING INDUSTRY

ONE OF THE MAIN STEEL MILLS IN EUROPE

- Need to improve the quality of finished steel products and productivity yield to be able to supply “high technology steel” to the food packaging industry

Vesuvius was able to supply
a complete solution

COMPUTERISED FLOW MODELLING + HIGH PERFORMANCE CONSUMABLES



Advanced steel cans are produced from “high technology steel” because of the need to achieve a challenging combination of thin gauge and high rigidity / strength

VESUVIUS COMPLETELY REDESIGNED THE FLOW OF MOLTEN METAL INTO THE TUNDISH TO:

- Optimise the usage of Vesuvius’ consumables
- Allow the customer to produce “high technology steel” in a cost effective way

GLOBALLY FAVOURABLE ENVIRONMENT IN FOUNDRY END-MARKETS

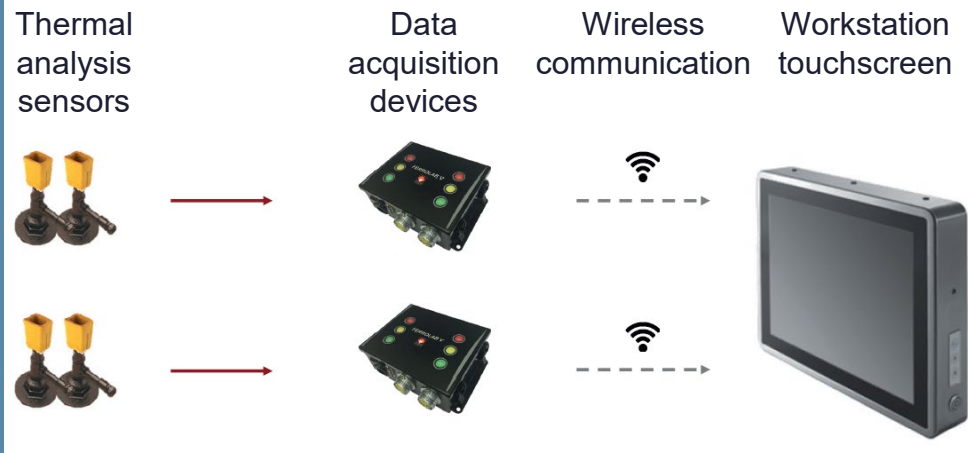
	General engineering and mining	Light vehicles*	Medium / heavy commercial vehicles*	Construction / agriculture equipment
EMEA				
US & CANADA				
CHINA				
INDIA				
LATIN AMERICA				

* Light vehicles and medium/heavy commercial vehicles production

FOUNDRY DIVISION'S OUTPERFORMANCE OF END-MARKETS SUPPORTED BY PRODUCT MIX AND INCREASED PENETRATION OF VALUE-CREATING SOLUTIONS

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SELECTED VALUE-CREATING SOLUTIONS LAUNCHED DURING 2018



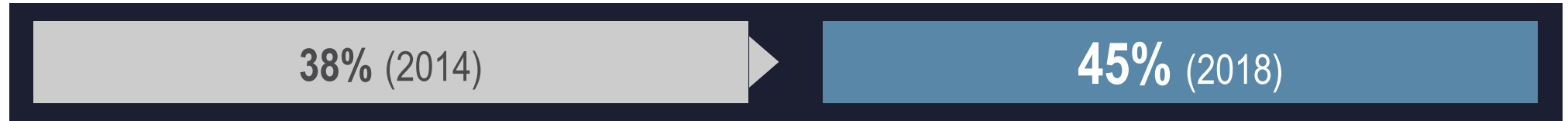
New temperature measurement and analysis instrument

developed by Digital Services business unit for foundry customers which allows tighter control of iron quality thus increasing uniformity of finished castings and reducing the number of waste castings



New high precision and sophisticated **feeding systems** with better dimensional accuracy for heavy commercial vehicles to improve yield and minimise defects

STRONG AND GROWING PRESENCE IN THE MOST DYNAMIC REGIONS FOR STEEL AND FOUNDRY



Revenue growth 2018/17

Steel Division



Foundry Division

(excl. Fused Silica)



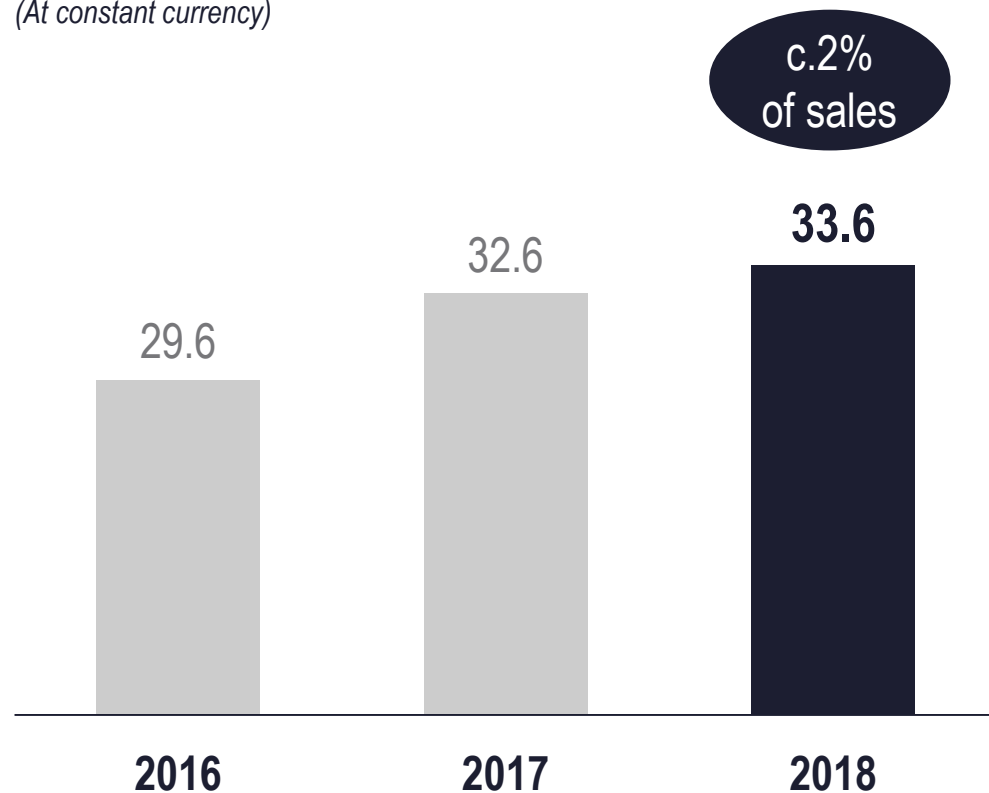
Temporary slowdown in growth due to priority given to customer credit risk management

INCREASED INVESTMENT TO SUPPORT NEW PRODUCT LAUNCHES

VESUVIUS TECHNOLOGICAL LEADERSHIP ENABLES OUTPERFORMANCE OF UNDERLYING MARKETS

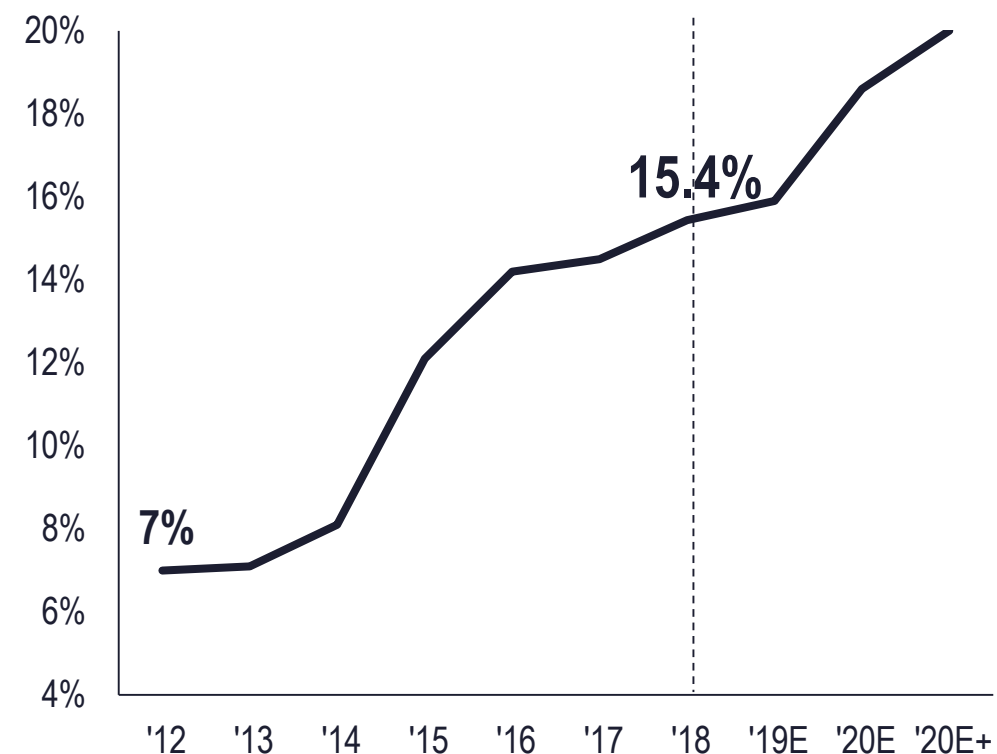
R&D EXPENDITURE*

(At constant currency)



* Including only core R&D spend and excluding technical marketing spend

NEW PRODUCT SALES¹ AS PERCENTAGE OF TOTAL SALES



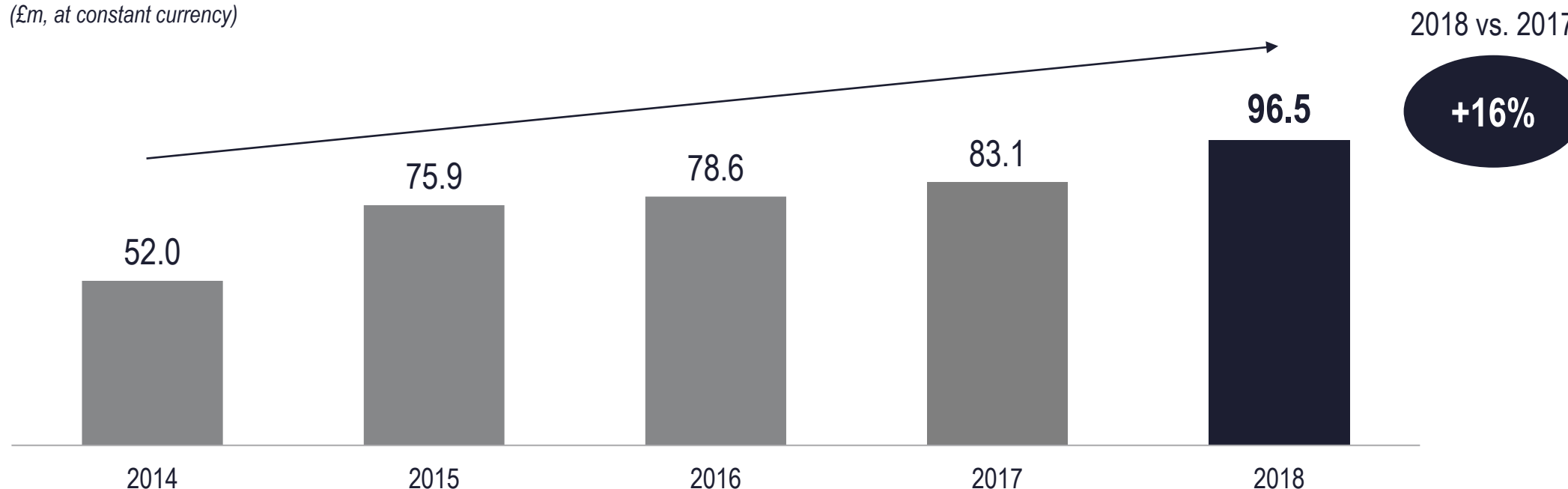
Note: 1. Product launches in the past 5 years

CONTINUED GROWTH OF OUR TECHNICAL SERVICE OFFERING

- Vesuvius continues to develop its Technical Service offering through the Digital Services business unit and digital services businesses within the Flow Control and Advanced Refractories business units
- Benefit of moving several of our key data capture and analysis technologies into the business units at the start of 2018 is evident from the increase in sales growth achieved during the year

TECHNICAL SERVICE OFFERING REVENUE

(£m, at constant currency)



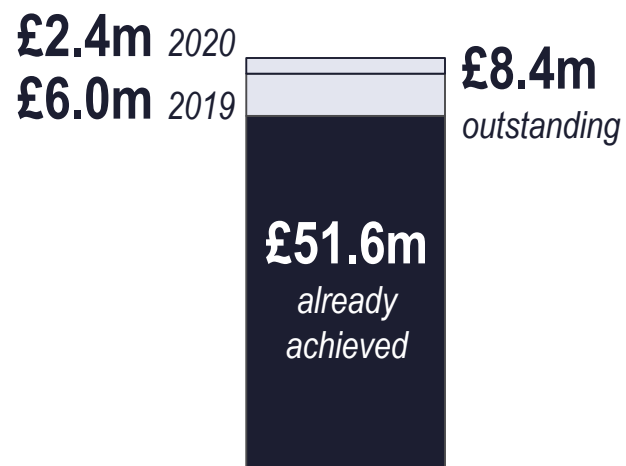
ONGOING RESTRUCTURING PROGRAMMES ON TRACK

ORIGINAL RESTRUCTURING PROGRAMME (2015 – 2020)

P&L costs
£75.0m

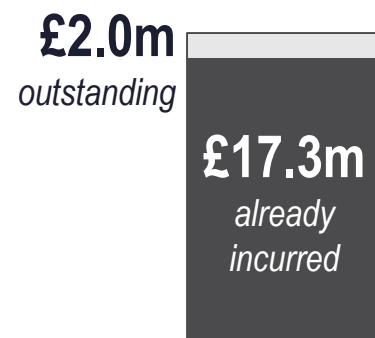


Savings
£60.0m / year

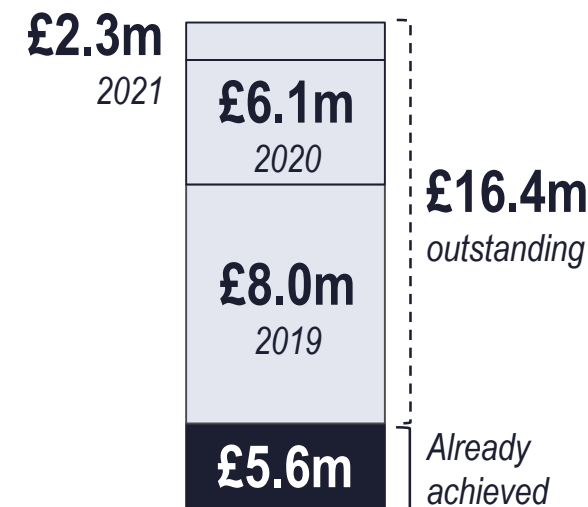


NEW RESTRUCTURING PROGRAMME (2018 – 2021)

P&L costs*
£19.3m



Savings
£22.0m / year



* £15m of capex will also be necessary for the implementation of the programme of which £2.1m have been accounted for at the end of 2018

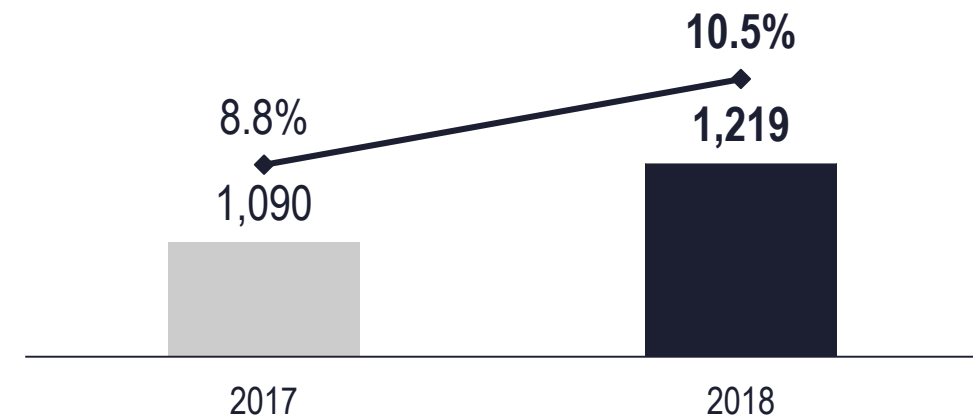
***We are engaged in studies to expand further our self-help restructuring programmes
The result of these studies is expected during the course of 2019***

DIVISIONAL PERFORMANCE STEEL

KEY FINANCIALS

£m	Reported			Underlying change
	2018	2017	Change	
Revenue	1,236.7	1,148.7	+7.7%	+11.9%
Trading profit	128.3	100.4	+27.9%	+32.6%
Return on Sales	10.4%	8.7%	+160bps	+160bps

Underlying revenue¹ / Return on Sales¹



2018 PERFORMANCE

Steel Division revenue was up 11.9% on an underlying basis, outperforming global steel production

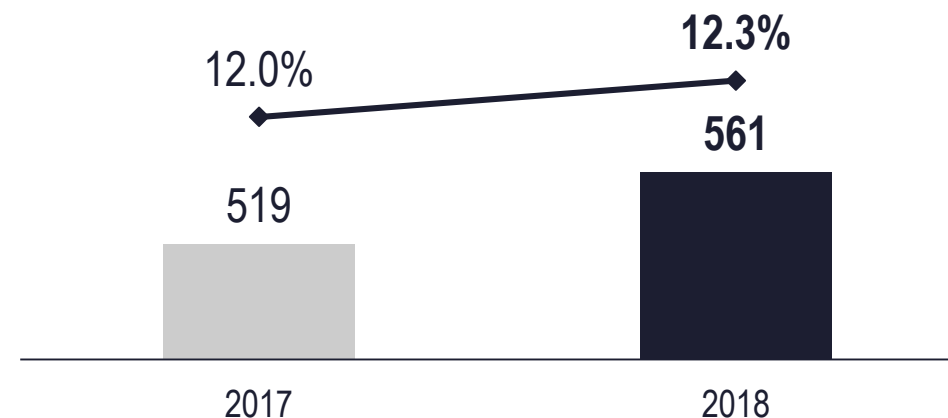
- 1) High exposure of Flow Control to the fastest growing segment of the steel market
- 2) Market share gains in Flow Control due to increased penetration of our value creating solutions and technological leadership
- 3) Selling price increases in both Flow Control and Advanced Refractories
- 4) Mitigated by a slight decrease in market share for Advanced Refractories where priority was given to selling price increases, in particular in EMEA and North Asia

DIVISIONAL PERFORMANCE FOUNDRY

KEY FINANCIALS

£m	Reported			Underlying change
	2018	2017	Change	
Revenue	561.3	535.2	+4.9%	+8.2%
Trading profit	68.9	65.1	+5.7%	+10.9%
Return on Sales	12.3%	12.2%	+10bps	+30bps

Underlying revenue / Return on Sales



2018 PERFORMANCE

Foundry Division revenue was up 8.2% on an underlying basis, outperforming foundry end-markets

- Market share gains in the key product lines of feeding systems, filters and coatings
- Overall profitability was however impacted by a time lag in passing on higher raw material prices to customers
- Fused Silica, a specialised product line, suffered from significant market weakness towards year end

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FINANCIAL REVIEW



INCOME STATEMENT

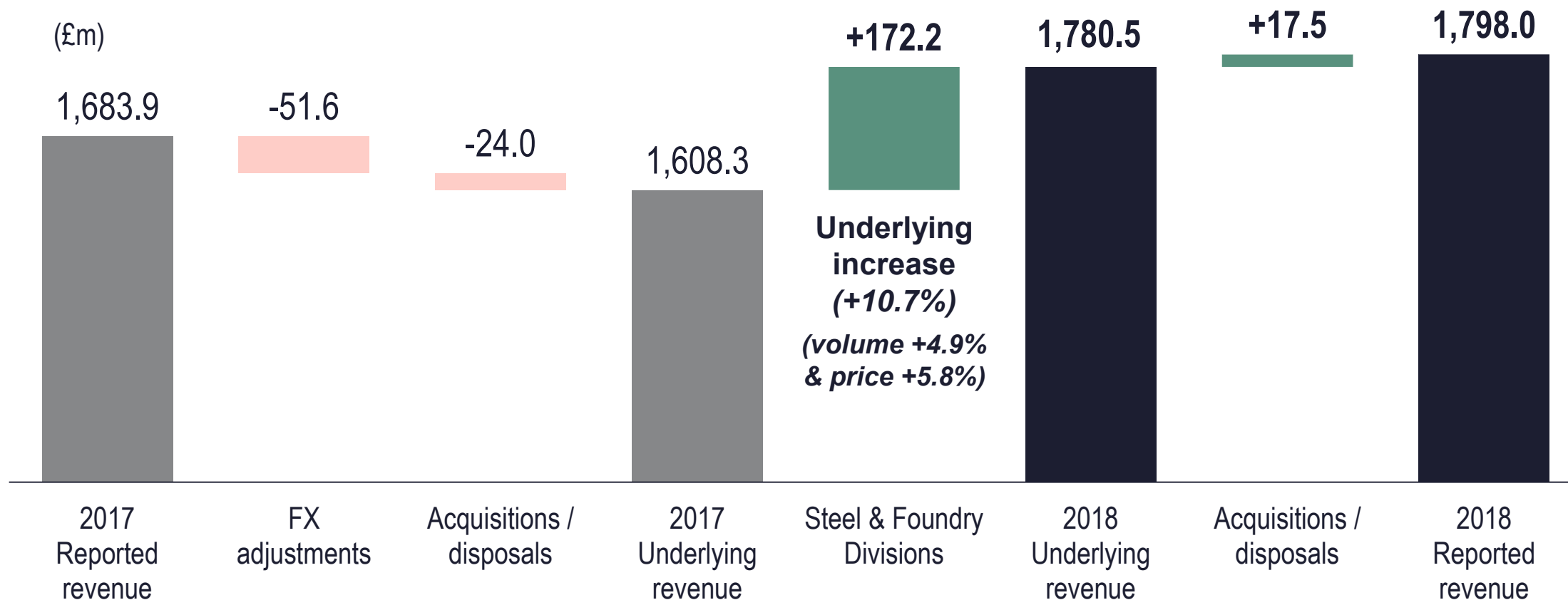
(£m unless indicated)	2018 Actual	2017 Actual	Change (%)	
			As reported	Underlying
Revenue	1,798.0	1,683.9	+6.8%	+10.7%
Trading Profit	197.2	165.5	+19.1%	+24.1%
ROS %	11.0%	9.8%	+120bps	+120bps
Post tax Share of JV Results	2.8	1.3		
Net Finance Costs	(11.1)	(13.9)		
Headline Profit Before Tax	188.9	152.9	+23.5%	
Effective Tax Rate	26.0%	24.0%		
Tax	(48.4)	(36.4)		
Non-Controlling Interest	(6.8)	(6.4)		
Headline Earnings	133.7	110.1	+21.4%	
Headline EPS (pence)	49.6	40.7	+21.9%	

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

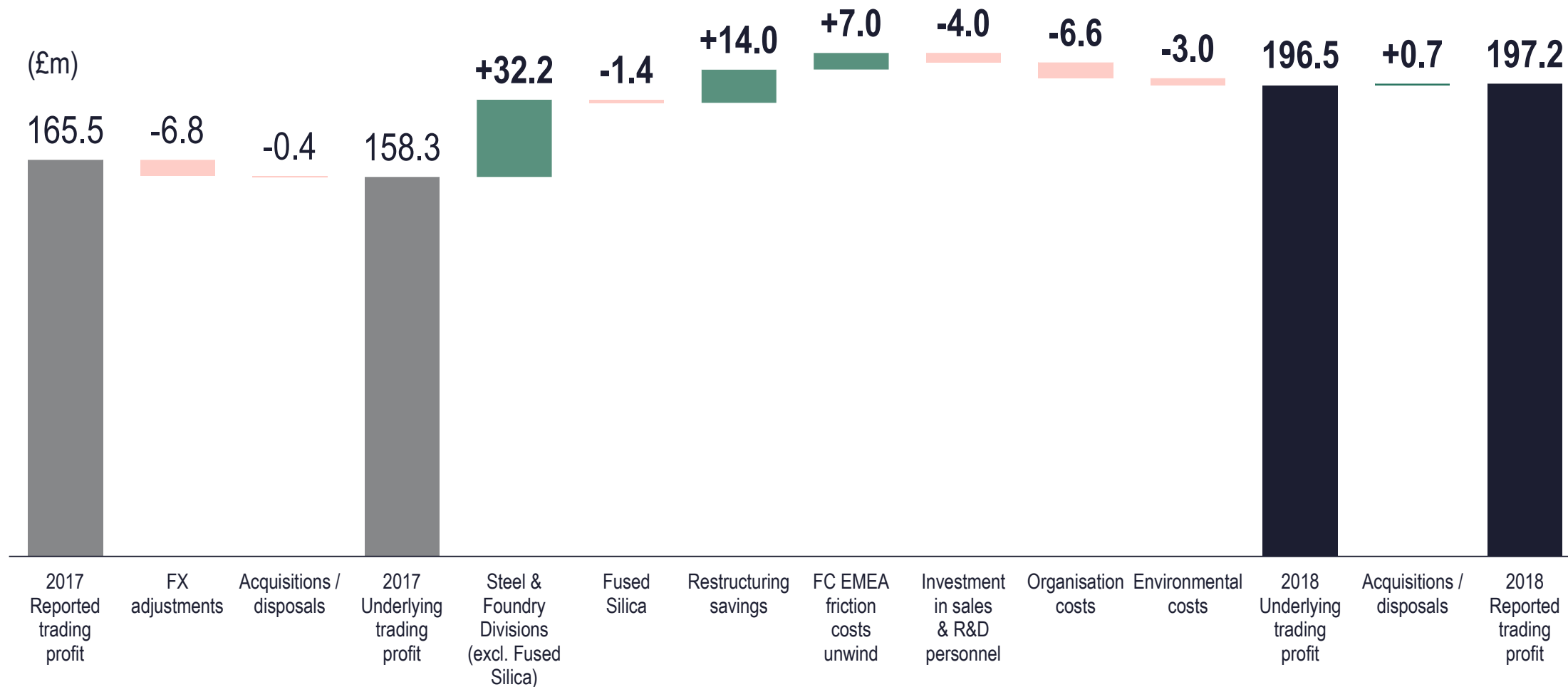
UNDERLYING VESUVIUS REVENUE UP 10.7%

- Revenue up £114.1m on a reported basis (+6.8%) and up £172.2m on an underlying basis (+10.7%)
- £51.6m decrease from FX due primarily to strengthening in Sterling against US Dollar as well as appreciation against developing markets currencies in which Vesuvius operates



UNDERLYING VESUVIUS TRADING PROFIT UP BY 24.1%

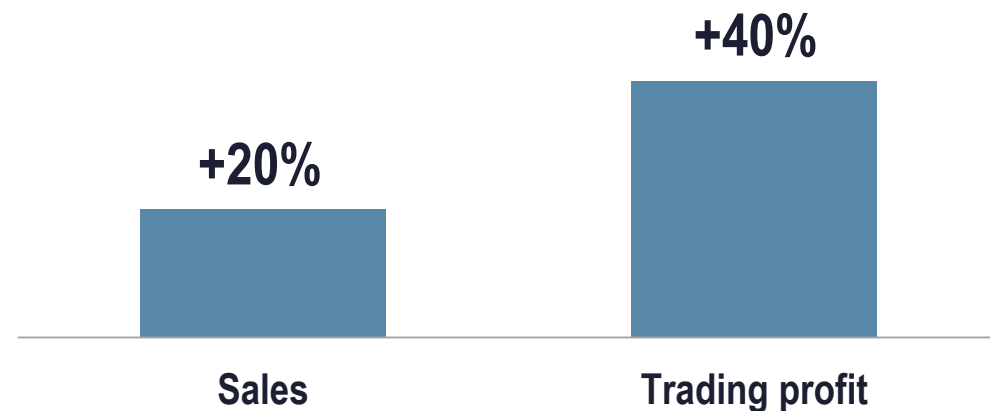
- Trading profit up £31.7m on a reported basis (+19.1%) and up £38.2m on an underlying basis (+24.1%)



WE HAVE BEEN ABLE TO SIGNIFICANTLY GROW SALES AND TRADING PROFIT DESPITE A BROADLY UNCHANGED ASSET BASE

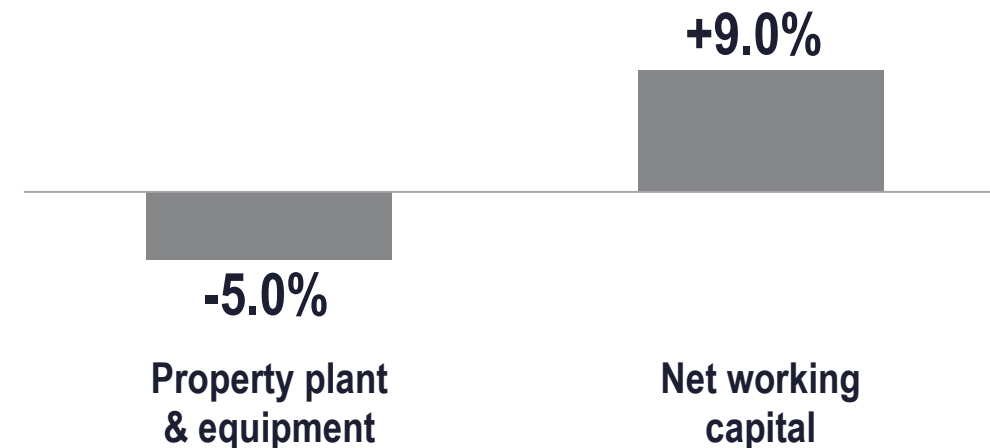
SALES AND PROFITABILITY

Change between 2015 – 2018 (constant currency)

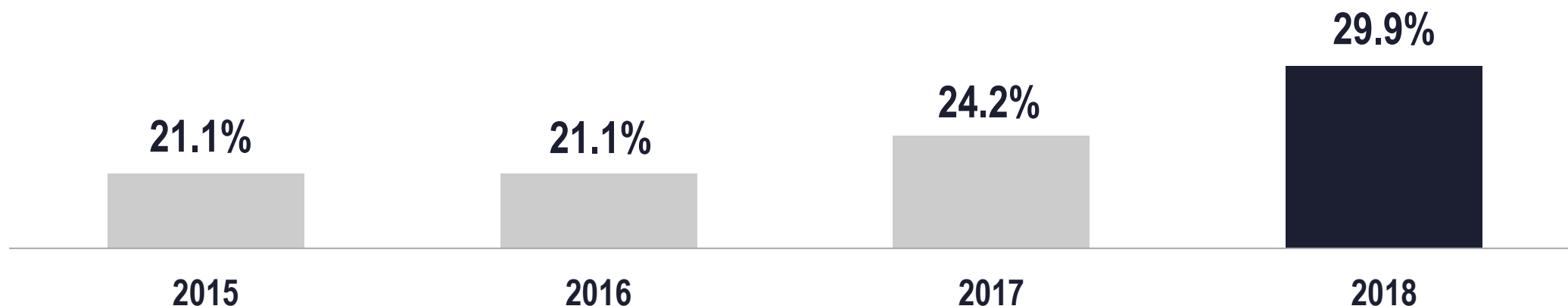


ASSET BASE (SELECTED ITEMS)

Change between 2015 – 2018 (constant currency)



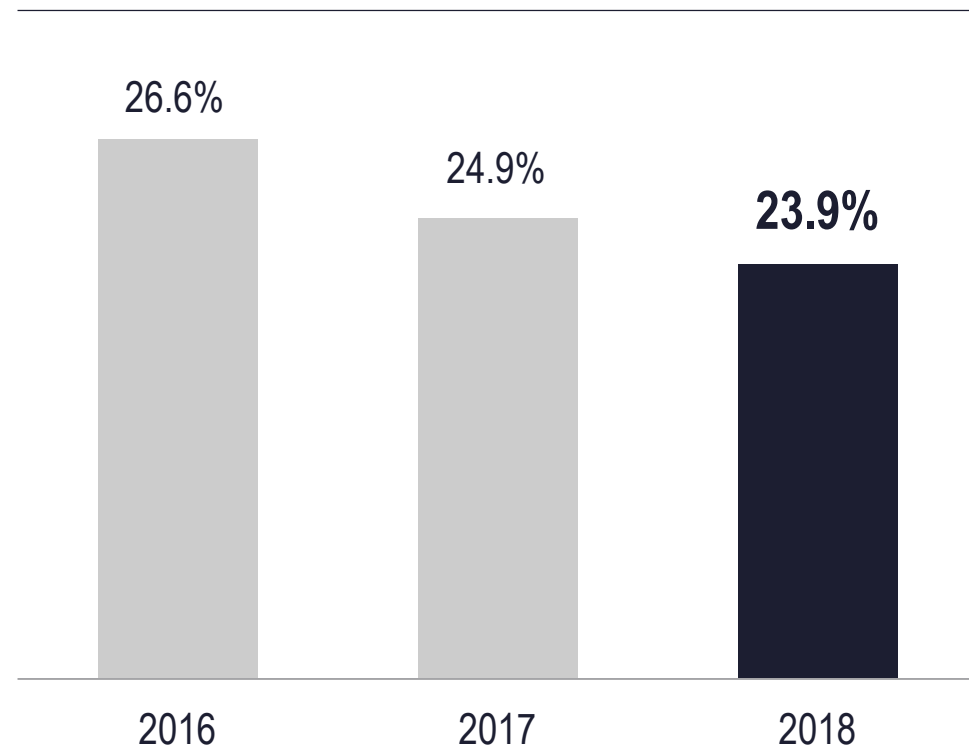
RETURN ON NET ASSETS (RONA)¹



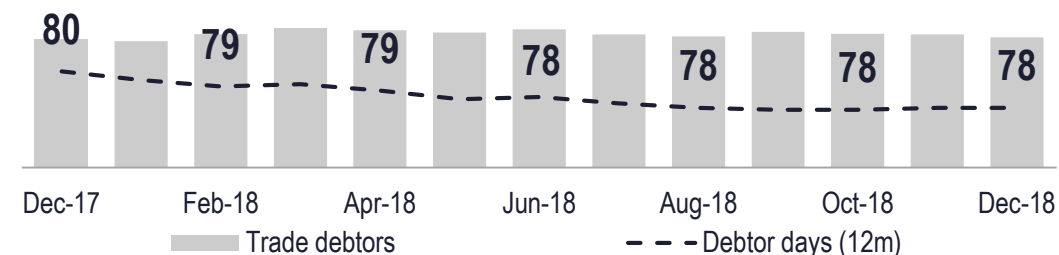
Note: 1. Calculated by dividing trading profit plus our share of post-tax profits from joint ventures by our average operating assets (property, plant and equipment, trade working capital, interests in joint ventures and associates, investments, and other operating receivables, payables and provisions)

TRADE WORKING CAPITAL PROGRESS

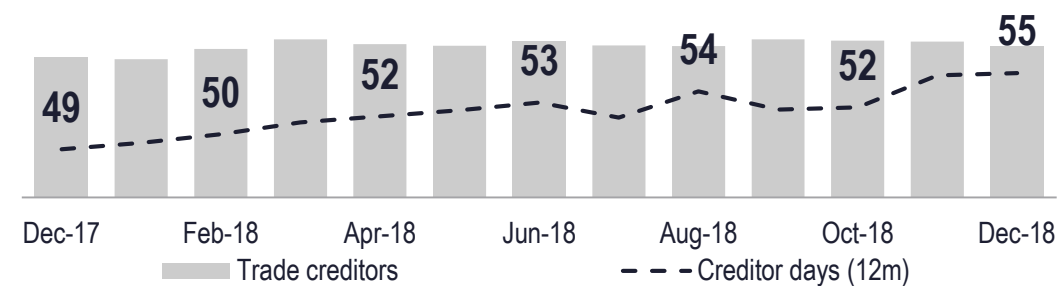
TRADE WORKING CAPITAL / REVENUE



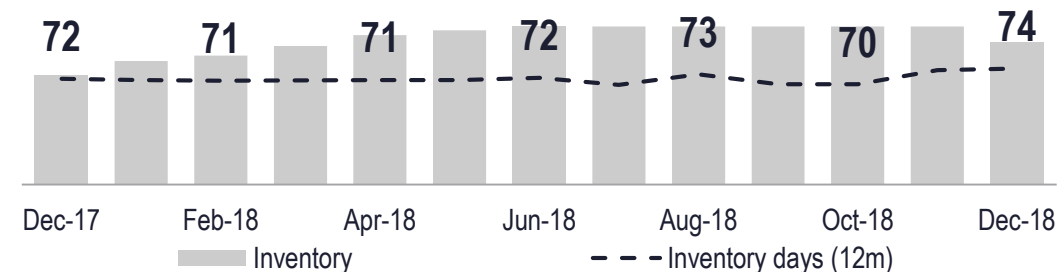
Trade debtors and debtors days



Trade creditors and creditor days

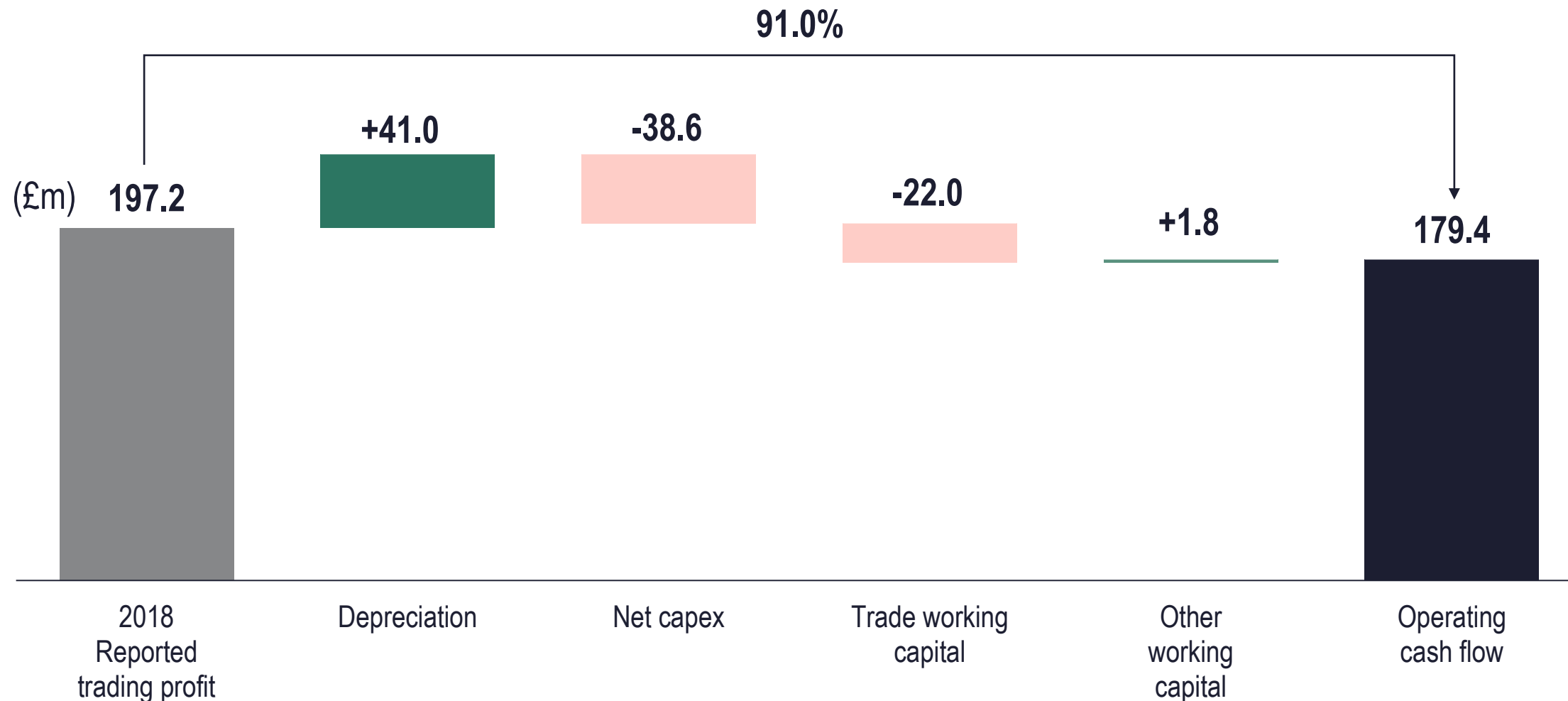


Inventory and inventory days



CASH FLOW PROGRESS

- Cash conversion of 91.0%. Lower than prior year due to expansion of trade working capital required to fund increased sales and higher capital expenditure



£248.0M NET DEBT AND 1.0x NET DEBT / LTM EBITDA

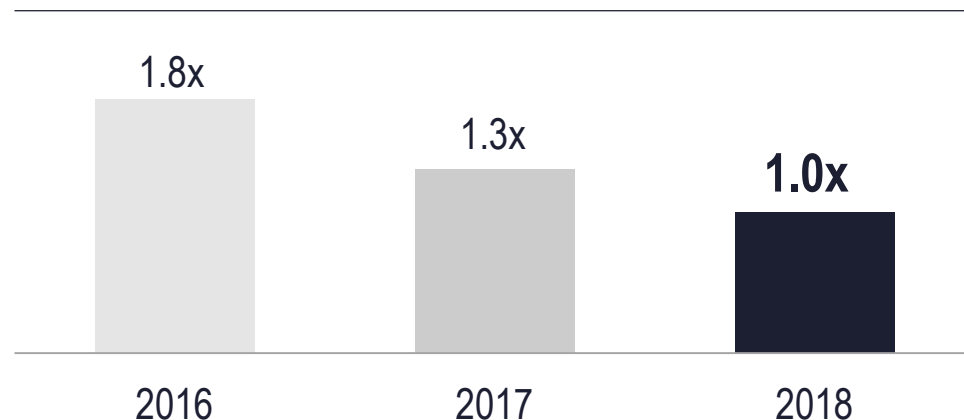
- Net debt down £26.3m at £248.0m at year end 2018
 - £179.4m operating cash flow generation from continuing operations offset by £41.8m income taxes, £50.0m dividend payment and £29.8m of other costs
- Strong balance sheet with Net Debt / LTM EBITDA at 1.0x



Note: 1. Major items are: treasury share purchase of £13.4m and non-cash FX revaluation of debt of £11.7m

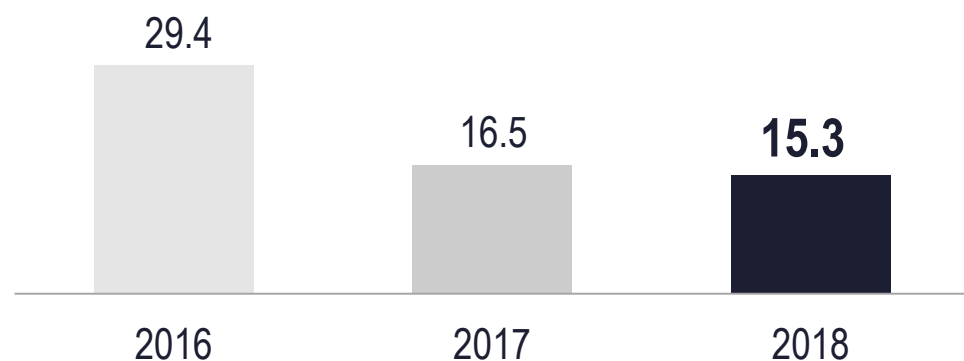
STRONG BALANCE SHEET WITH SIGNIFICANT LIQUIDITY

NET DEBT / EBITDA DEVELOPMENT

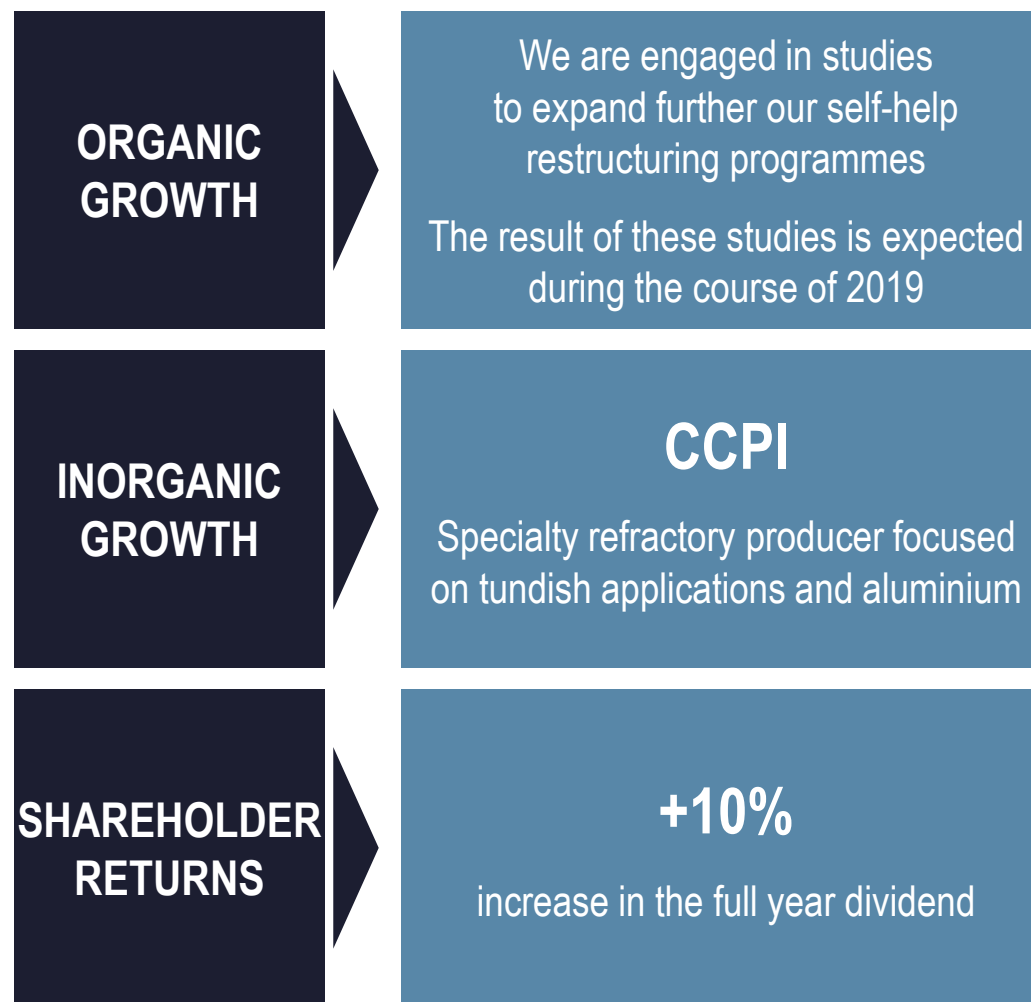


PENSION DEFICIT DEVELOPMENT

(£m)



CAPITAL ALLOCATION PRIORITIES



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OUTLOOK



OUTLOOK

- Despite a moderate slowdown in growth since the fourth quarter of 2018, we still expect our main Steel and Foundry markets to register a positive growth rate in 2019, albeit at a lower level as compared with the growth rates recorded in 2017 and 2018
- In this environment, we plan to continue growing our revenue and accelerate and intensify efforts to optimise our costs, to support our drive towards further profitable growth
- For these reasons, we are confident that, in comparison to 2018, further progress will be made in 2019

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Q&A



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APPENDIX



TAX UPDATE

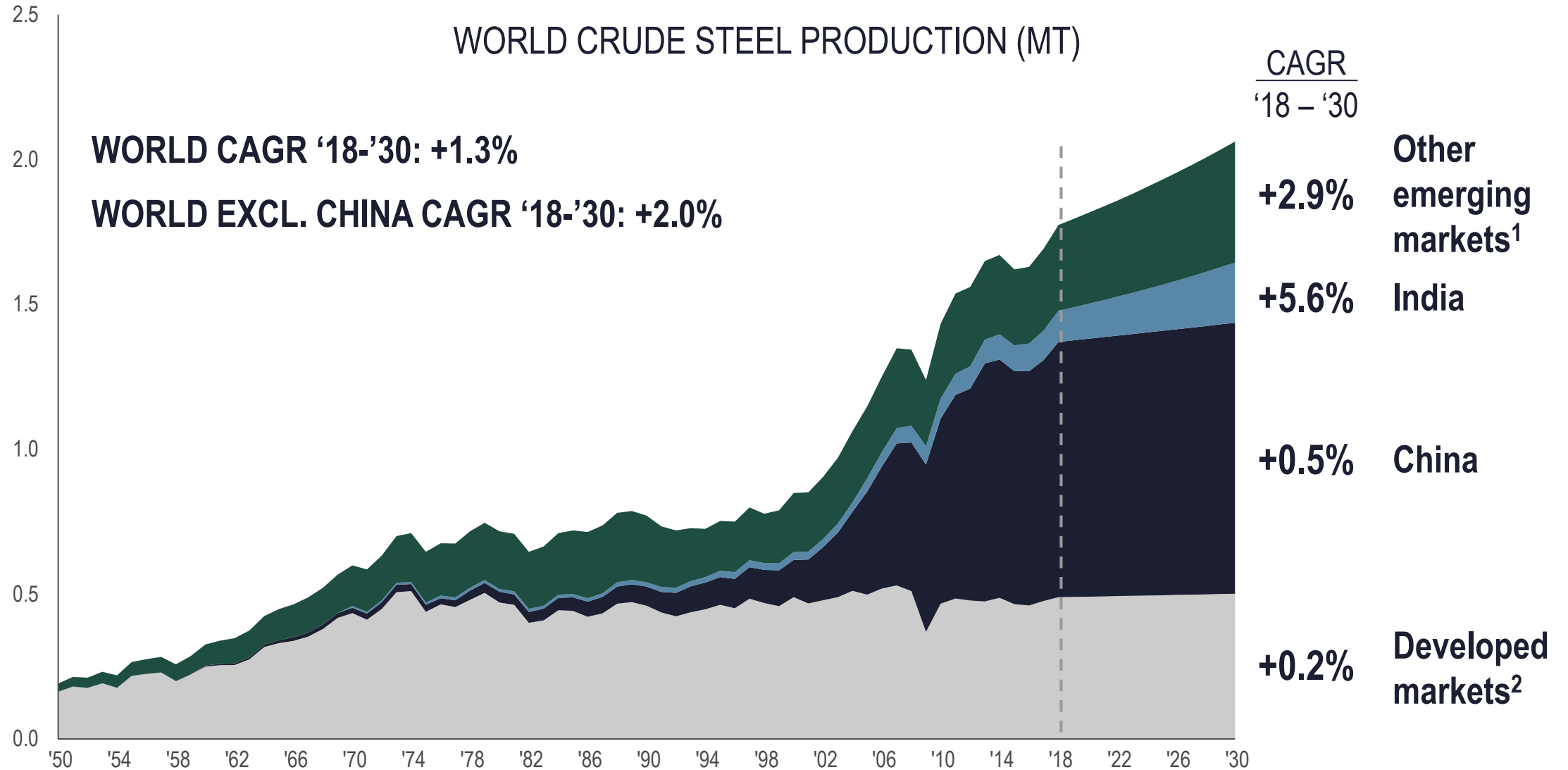
- The 2018 full year Group's effective tax rate on headline profits before share of JV income is 26.0%. This is in-line with the ETR reported at H1 2018, and 2% higher than ETR reported FY 2017 (i.e. 24.0%)
- The 2% increase versus 2017 level is due to the following reasons:
 - Utilisation of our US deferred tax asset through headline tax charge of £7.8m, of which £2.4m relates to the Global Intangible Low-Taxed Income ("GILTI") rules arising from the 2017 US tax reform
- Which has been offset by:
 - Favourable one-off litigation outcomes in India of £2.4m
 - Increased benefit of tax losses particularly in Italy and Australia of £3.5m
- The Group has recognised a further £39.5m of deferred tax asset on its balance in the US, reflecting the sustained profitability of the US operations
 - £32.2m in Separately Reported items in the Group Income Statement
 - £7.3m in the Group Statement of Comprehensive Income, as it relates to historical actuarial deficits
- We expect the Group's effective tax rate for 2019 onwards to be around 28%

WHAT WE DO

	Steel Division			Foundry Division
Product Lines	Steel Flow Control	Steel Advanced Refractories	Digital Services	Foundry Technologies
Revenue ⁽¹⁾ % of Group	37%	29%	2%	32%
Overview	Provides products, systems and services to regulate and protect the flow of steel in the continuous casting process	Installation expertise and materials that withstand extreme temperatures and offer corrosion resistance at customers' facilities	Provides products that enhance the control and monitoring of our customers' production processes	Improves casting quality and foundry process efficiency through the supply of products and application engineering to the global foundry industry
Products	 <p>Nozzles</p>  <p>Tube Changers</p>	 <p>Robotic spray lining system</p>  <p>Turbostop</p>	 <p>Probes and sensors</p>	 <p>Sleeves</p>  <p>Coatings</p>
End Markets	Steel	Steel Aluminium, other industries	Steel Foundry	General Engineering & mining Light vehicle Medium / heavy commercial vehicles Construction equipment / agriculture
Brand				

Note: 1. Based on FY 2018 underlying revenue

CRUDE STEEL PRODUCTION IS STRUCTURALLY GROWING



Sources: Historical data from World Steel Association. Forecasts are management estimates

Notes: 1. CIS, Middle East (incl. Turkey), Africa, Latin America and South East Asia

2. EU 28, USA, Canada and North Asia

5 YEAR HISTORY AT CONSTANT CURRENCY

	2014	2015	2016	2017	2018
Revenue (£m)	1,596.7	1,499.5	1,447.1	1,632.3	1,798.0
Steel	1,091.8	1,011.0	971.6	1,113.8	1,236.7
Foundry	504.9	488.5	475.5	518.6	561.3
Trading Profit (£m)	162.3	140.4	137.0	158.8	197.2
Steel	110.7	88.4	82.6	96.7	128.3
Foundry	51.5	52.1	54.4	62.1	68.9
Return on Sales	10.2%	9.4%	9.5%	9.7%	11.0%
Steel	10.1%	8.7%	8.5%	8.7%	10.4%
Foundry	10.2%	10.0%	11.4%	12.0%	12.3%

Notes:

All numbers shown at December 2018 average exchange rates

Steel Division includes Steel Flow Control, Steel Advanced Refractories and Digital Services

CURRENCY READY RECKONER

Dec-18		
Trading profit	Unit	Approximate change in annual profits (£m)
USD	1 cent	0.3
EUR	1 cent	0.3
INR	1 rupee	0.3
RMB	0.1 RMB	0.4
JPY	1 Yen	0.1
BRL	0.01 reais	0.2
ZAR	1 rand	-

- 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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LEADING THE WORLD OF MOLTEN METAL FLOW ENGINEERING

