

VESUVIUS PLC

2019 FULL YEAR RESULTS

FEBRUARY 2020

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

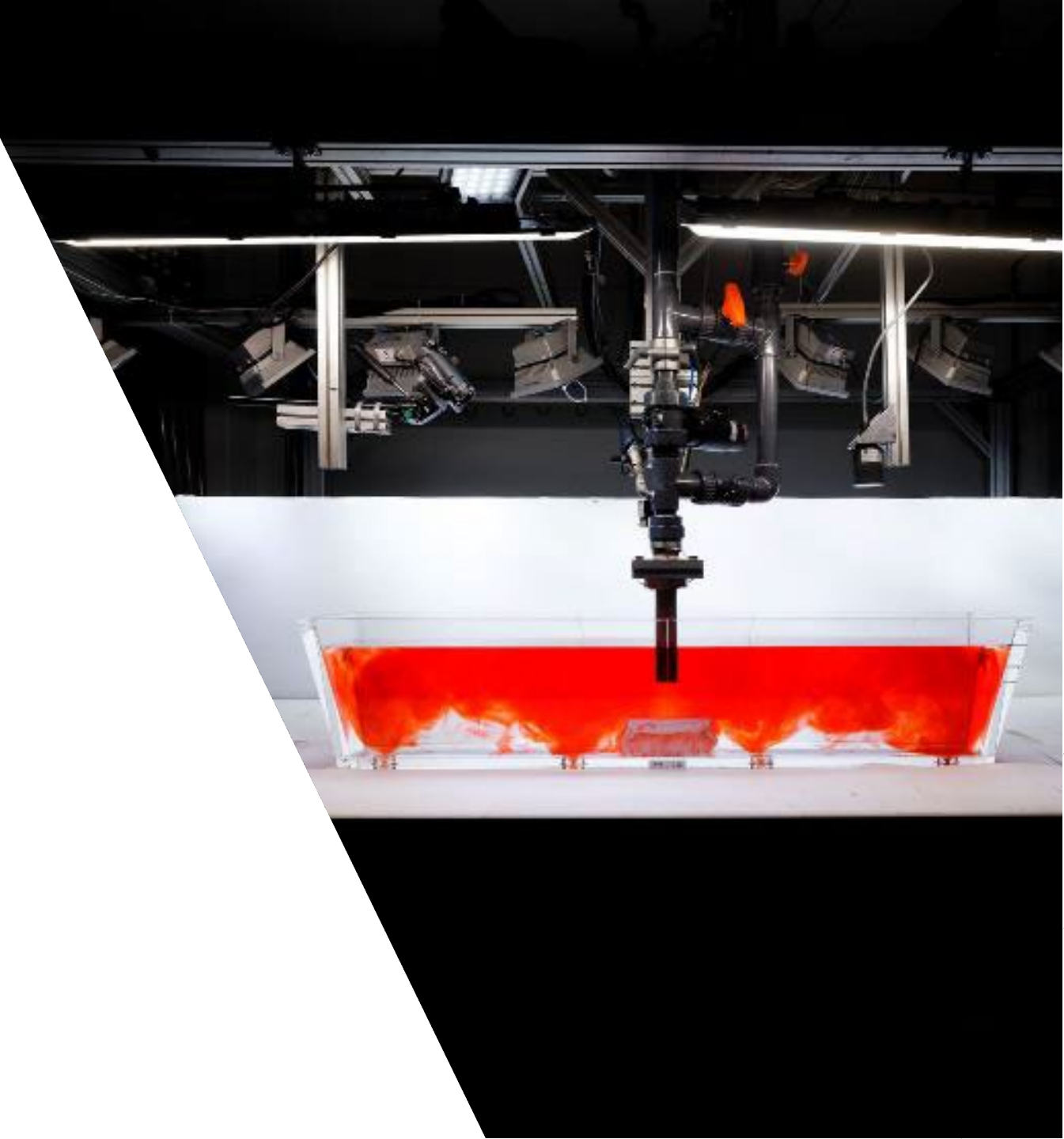
OUTLOOK

Patrick André, Chief Executive

Q&A

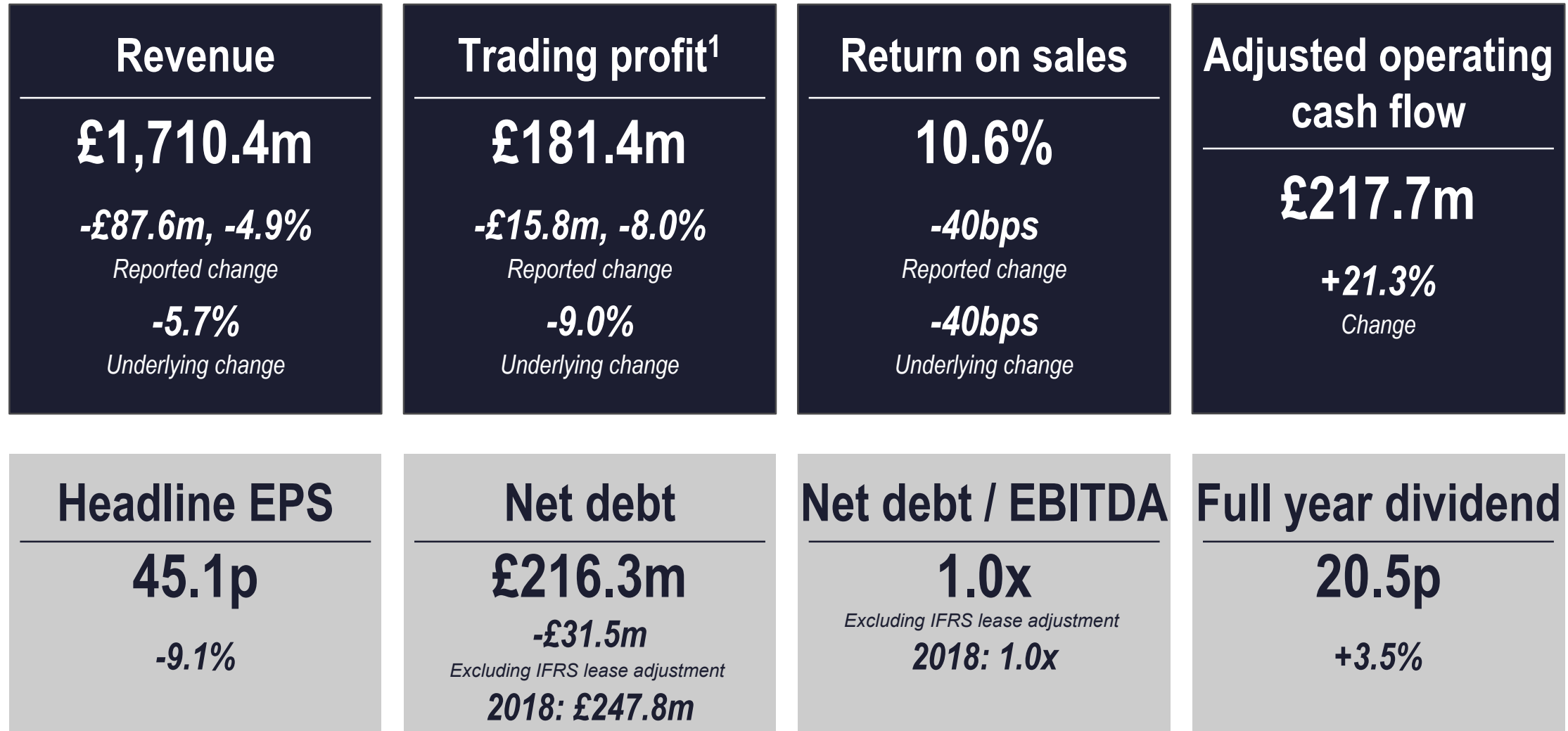
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VESUVIUS STRATEGY AND PERFORMANCE UPDATE



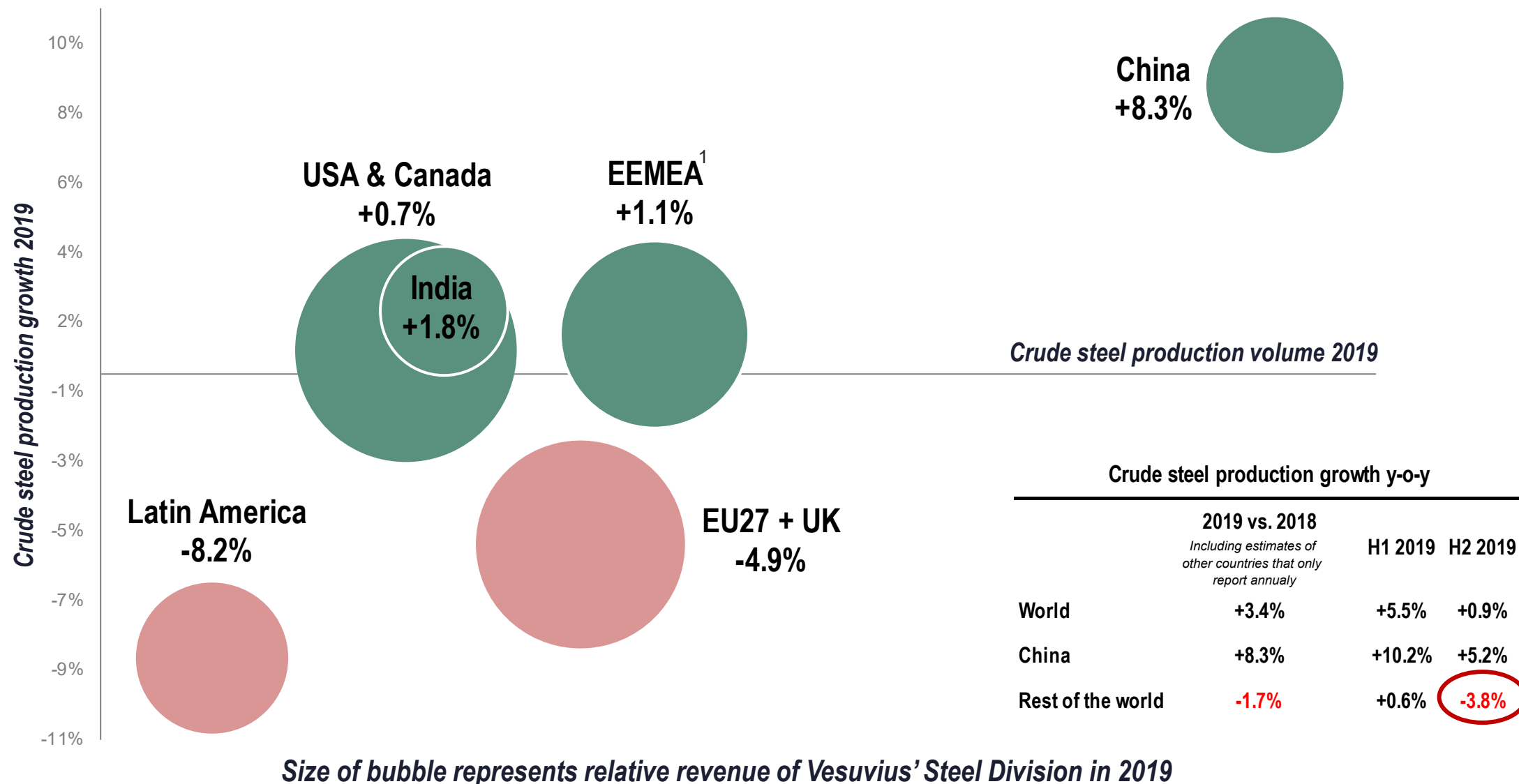
RESILIENT FINANCIAL RESULTS AND STRONG CASH FLOW DESPITE CHALLENGING MARKET CONDITIONS

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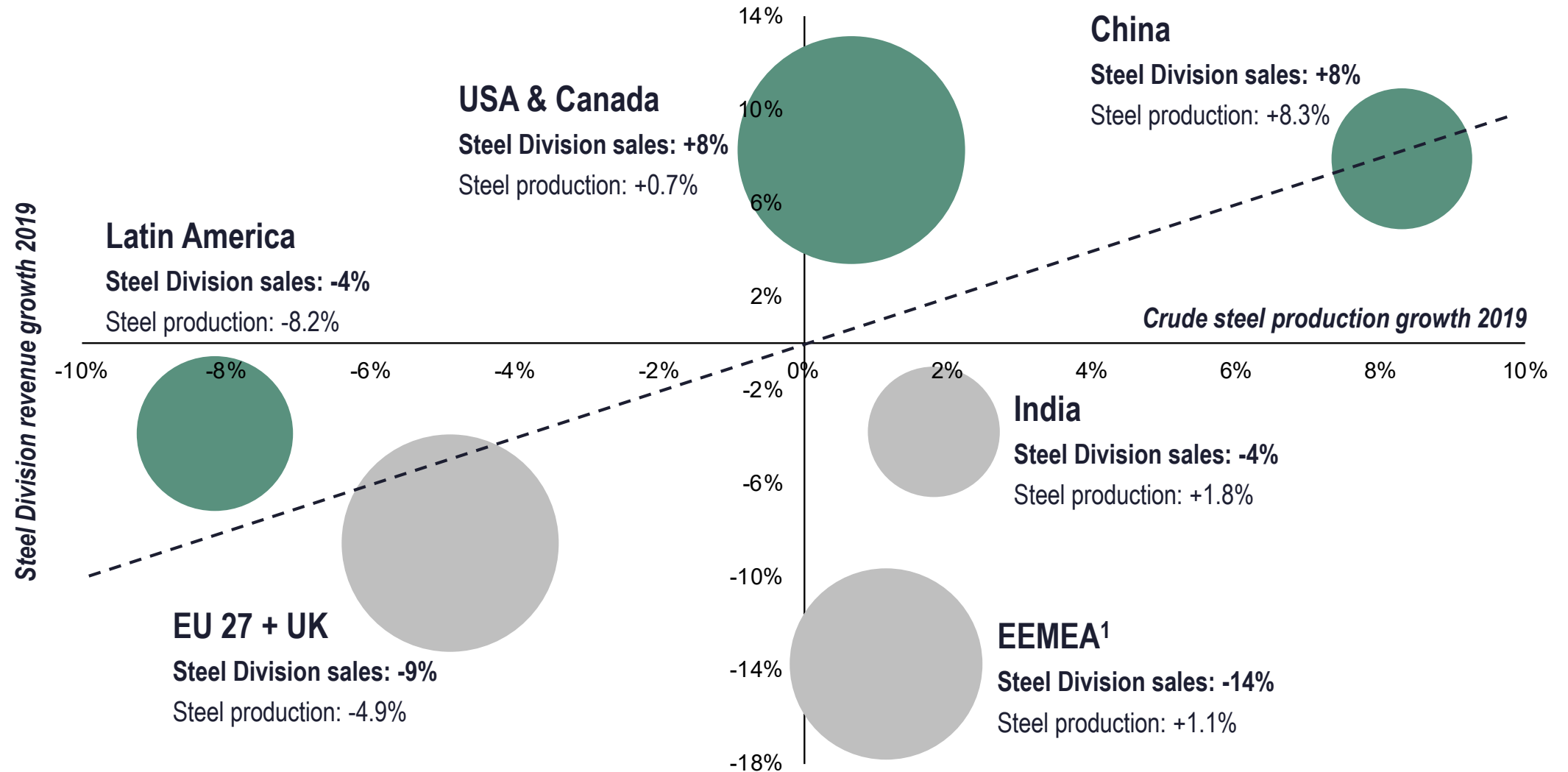
Notes: Percentage change figures are 2019 versus 2018
1. EBITA

CHALLENGING ENVIRONMENT IN STEEL MARKETS OUTSIDE CHINA



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

STEEL DIVISION PERFORMANCE VS. REGIONAL STEEL VOLUMES



Size of bubble represents relative revenue of Vesuvius' Steel Division in 2019

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

CHALLENGING ENVIRONMENT IN FOUNDRY END-MARKETS IN 2019

	General engineering and mining	Light vehicles*	Medium / heavy Commercial vehicles*	Construction / agriculture equipment
EMEA				
NAFTA				
CHINA				
INDIA				
SOUTH AMERICA				
NORTH ASIA				

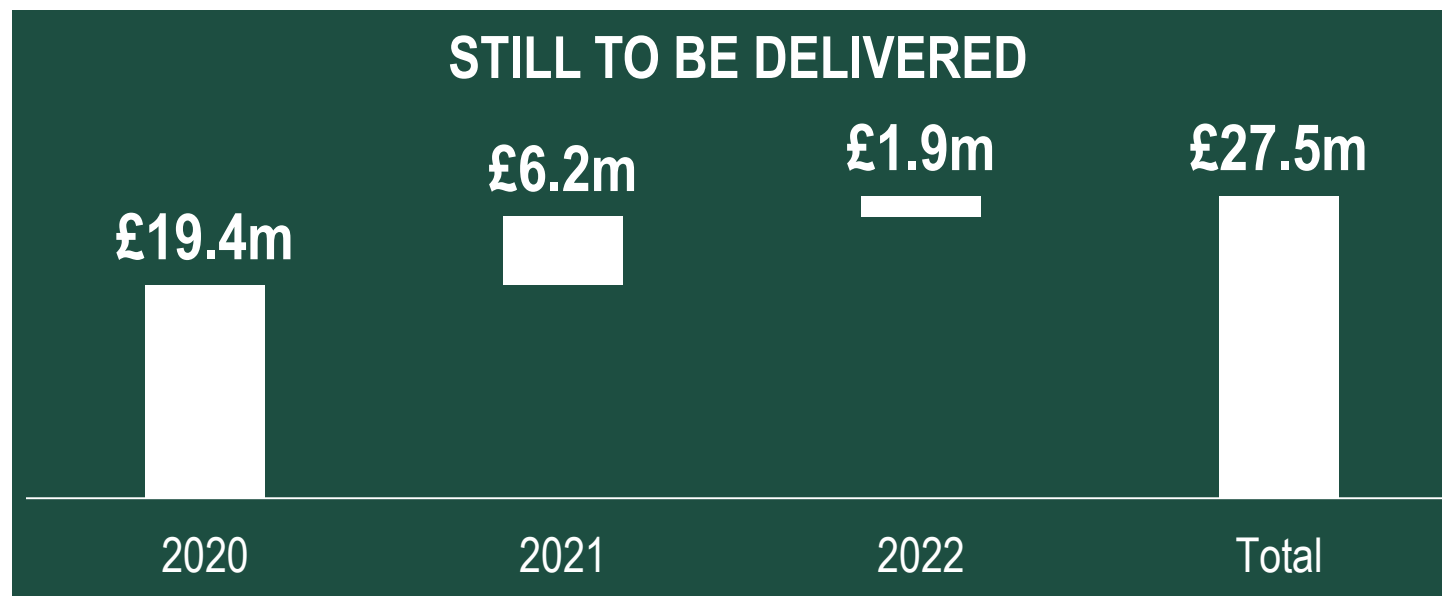
In-line with the experience of our Steel Division, Foundry end markets also worsened progressively throughout the year

* Production volumes

INTENSIFIED RESTRUCTURING EFFORTS WERE FUNDAMENTAL IN ADAPTING OUR BUSINESS TO THE CHALLENGING ENVIRONMENT

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RECURRING RESTRUCTURING SAVINGS



- £16.4m of recurring savings delivered in 2019 (£14.0m in 2018)
- Eight plant closures without reducing production capacity
- As compared with the previously announced restructuring programmes, we are going to deliver an additional £3.0m of recurring savings supported by £7.2m of one-off cash costs
- All one-off cash costs related to our restructuring programmes have been charged by the end of 2019, with the exception of £2.1m which will be incurred by 2021

ACCELERATING EFFORTS TO EXTEND OUR TECHNOLOGY LEADERSHIP POSITION

ACCELERATION OF OUR R&D EFFORTS



- ✓ Opening of Flow Control's new R&D centre in Suzhou, China
- ✓ Expansion of our mechatronics technology centre in Ghlin, Belgium
- ✓ Expansion of Advanced Refractories' R&D centre in Vizag, India

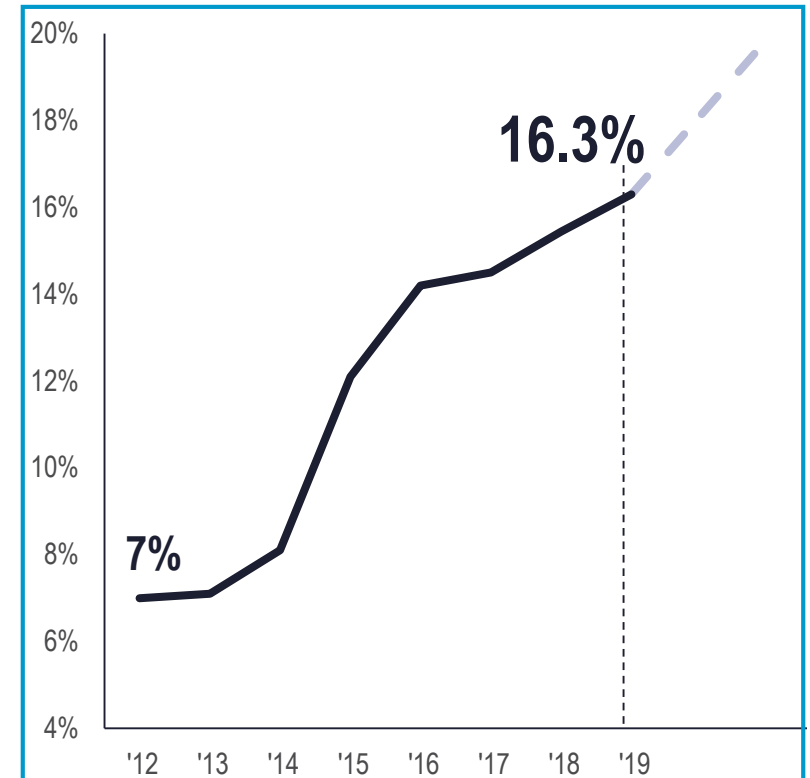
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SUCCESSFUL
NEW PRODUCT
LAUNCHES IN 2019

> 15

NEW PRODUCT
LAUNCHES PLANNED
IN 2020

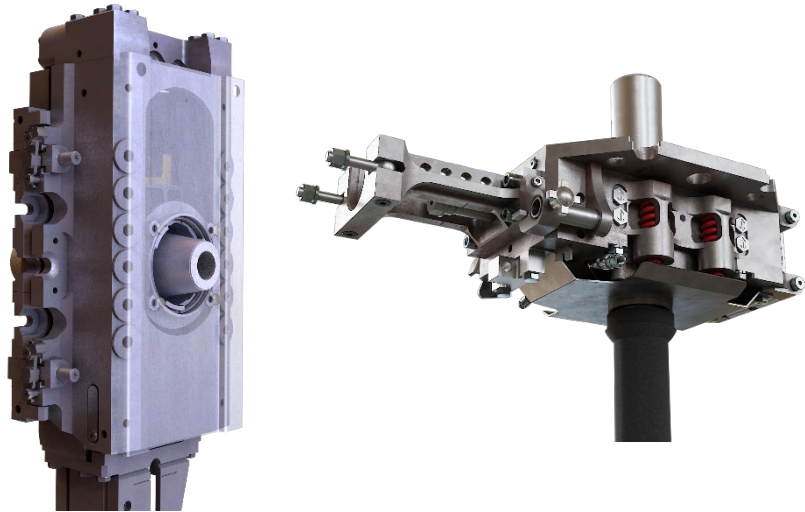
NEW PRODUCTS¹ AS A
PERCENTAGE OF SALES
INCREASED TO 16.3%
FROM 15.4% IN 2018



Note: 1. Product launches in the past 5 years

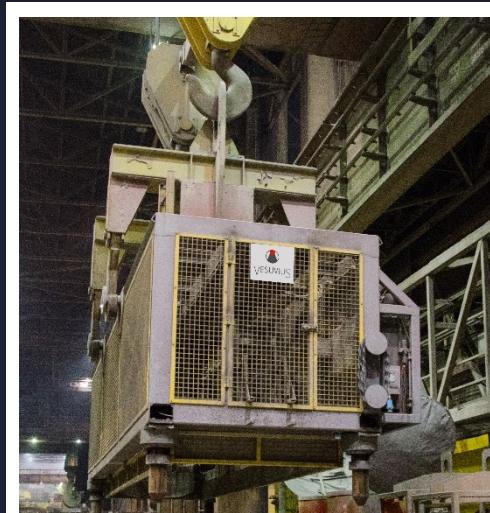
CONTINUED FOCUS ON VALUE-CREATING SOLUTIONS: STEEL

LAUNCH OF OUR NEW GENERATION
OF LADLE SLIDE GATE PLATES
AND SYSTEMS AND NEW HIGH
PERFORMANCE TUNDISH SLIDE GATES



Enhanced performance and significant improvements
in safety during installation and operation

INCREASED PENETRATION OF OUR
ROBOTIC INSTALLATION AND LASER
MEASUREMENT CAPABILITIES



- We gained our first important mechatronics customer in China in 2019
- We now have more than nine active mechatronics projects ongoing worldwide

CONTINUED FOCUS ON VALUE-CREATING SOLUTIONS: FOUNDRY

LAUNCH OF OUR NEW COATING FOR THE LATEST ENGINE TECHNOLOGY



- ✓ Improved inner cleanliness of the casting helping automotive foundries meet the increasingly challenging quality demands of the next generation emissions-reduced and performance-enhanced engines

LAUNCH OF A UNIQUE FEEDING SYSTEM TECHNOLOGY FOR ALUMINIUM CASTING



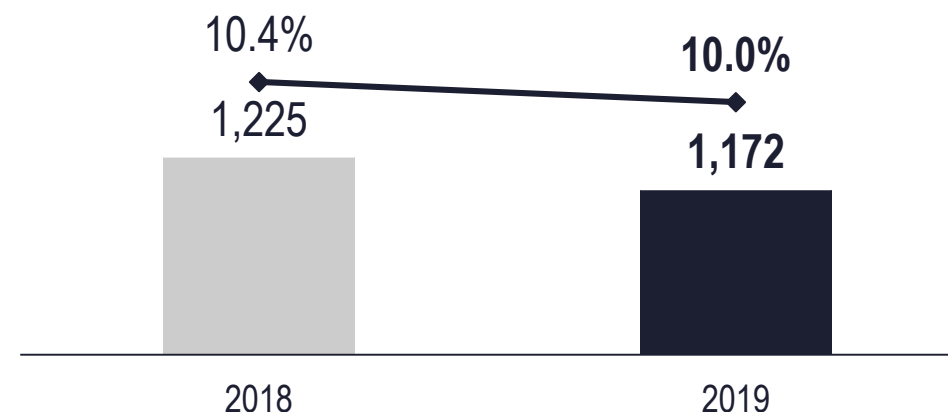
- ✓ Improved casting yield
- ✓ Produces lower emissions during the casting process

DIVISIONAL PERFORMANCE STEEL

KEY FINANCIALS

£m	Reported			Underlying change
	2019	2018	Change	
Revenue	1,195.3	1,236.7	-3.3%	-4.4%
Trading profit	120.1	128.3	-6.5%	-7.7%
Return on Sales	10.0%	10.4%	-40bps	-40bps

Underlying revenue¹ / Return on Sales¹



2019 PERFORMANCE

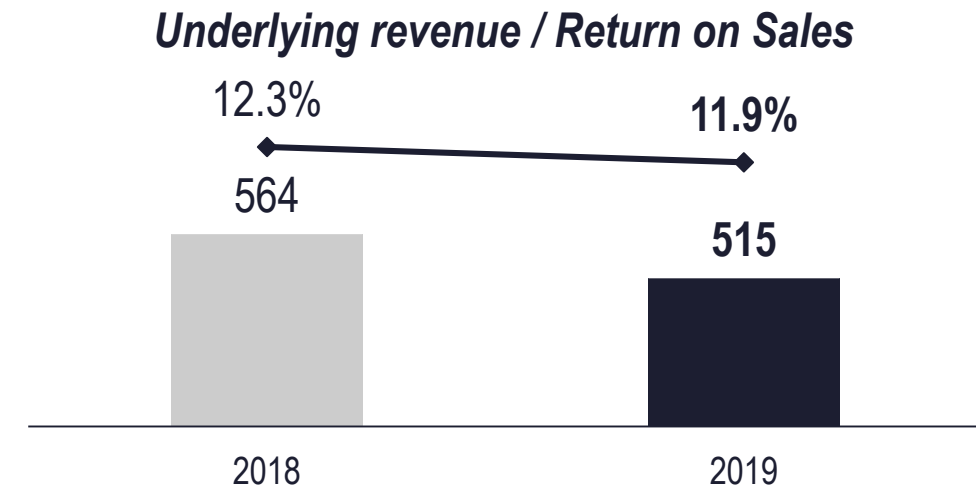
Steel Division revenue was affected by a significant deterioration in steel markets outside of China

- 1) Challenging environment due to multiple factors: market slowdown; destocking; 'high technology' segment of the steel market more affected than construction steel; regional mix; external regulatory environment disrupting trade flows and loss of market share in India (regained at the end of 2019)
- 2) Mitigated by an acceleration and intensification of our restructuring efforts including six plant closures in NAFTA and EMEA and by the launch of new products
- 3) Positive impact of the CCPI acquisition

DIVISIONAL PERFORMANCE FOUNDRY

KEY FINANCIALS

£m	Reported			Underlying change
	2019	2018	Change	
Revenue	515.1	561.3	-8.2%	-8.7%
Trading profit	61.3	68.9	-11.0%	-11.3%
Return on Sales	11.9%	12.3%	-40bps	-40bps



2019 PERFORMANCE

Foundry Division revenue was affected by weakness in light vehicle and truck production, a decline in construction / agricultural equipment end markets and a reduction in activity in general engineering and mining in most regions

- Revenue declined in most regions, due to weakness across most end markets
- Prices have now been fully adjusted to compensate for historical raw material cost increases
- Two plants closures, although implementation of restructuring actions in EMEA has been slower than planned. Corrective actions are underway

REINFORCED AND MORE DIVERSE LEADERSHIP TEAM



Karena Cancilleri
*President of
Foundry Division*
Since October 2019



Thiago Avelar
*President of
Advanced Refractories*
Since January 2020



Tanmay Ganguly
*President of
Flow Control*
From April 2020

INTENSIFICATION OF OUR EFFORTS ON SUSTAINABILITY

- ✓ **We have intensified our efforts to reduce energy consumption per metric tonne of product manufactured**
 - Commitment to reduce by a further 10% by 2024, after the reduction of 10% already achieved since 2014

- ✓ **Our biggest contribution to reducing global emissions comes from the work we do with our customers to develop products and solutions to improve their productivity, driving efficiency and reducing the environmental impact of their operations**

- ✓ **We believe that personal growth and job satisfaction of our employees is key to the success and growth of our business**
 - In 2019 we launched the Group's first global employee culture and engagement programme

- ✓ **We have increased the focus of our community activities on two areas we are especially passionate about**
 - Educational opportunities for children and young people in less developed countries and from disadvantaged backgrounds
 - Encouraging more girls and women into scientific and technical fields of education

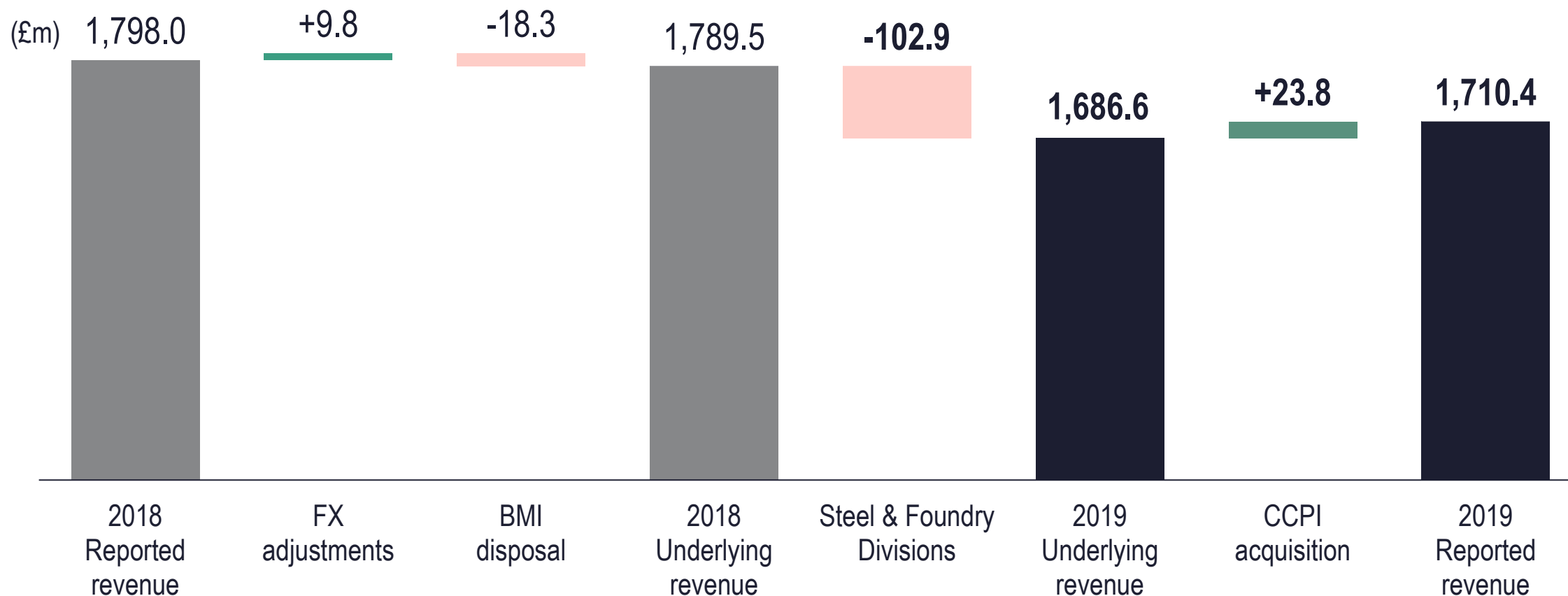
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FINANCIAL REVIEW



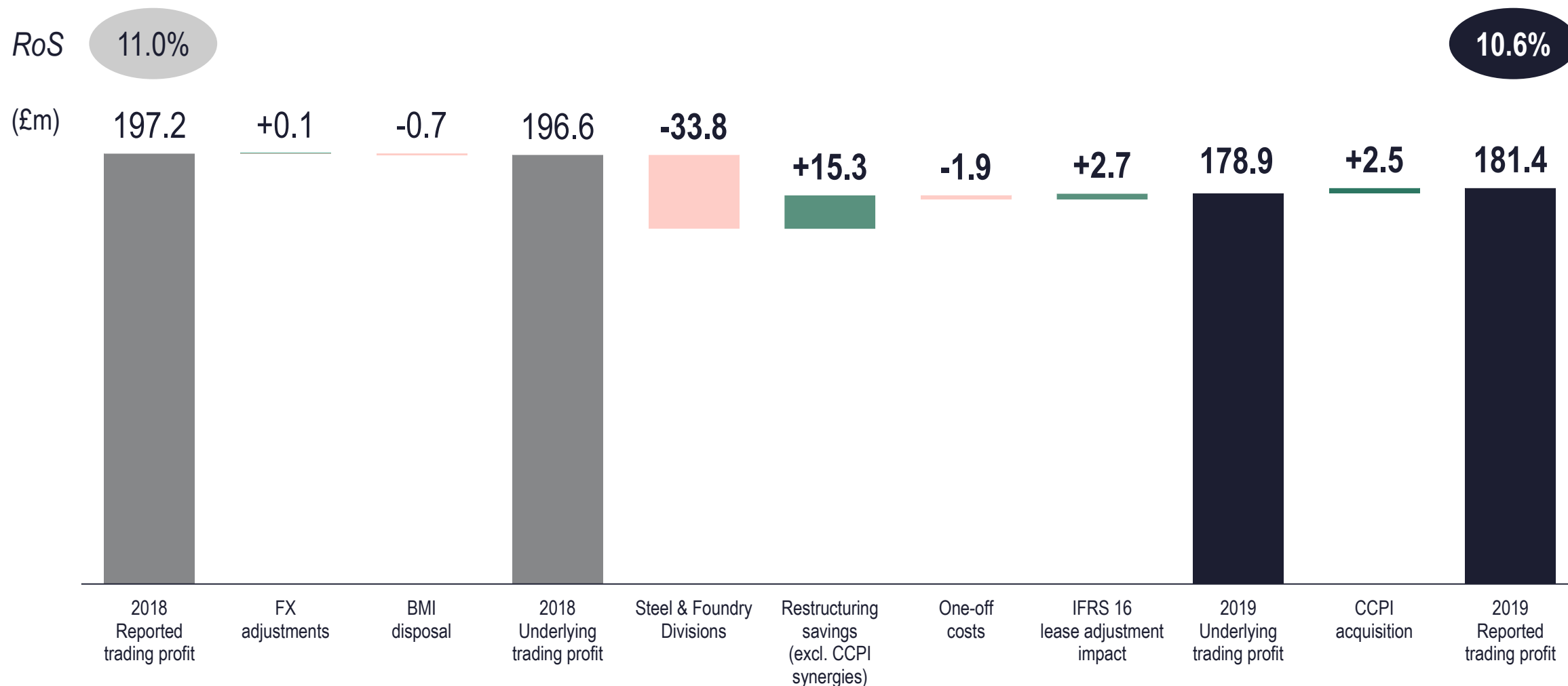
UNDERLYING REVENUE DOWN 5.7% REFLECTING WEAKNESS IN GLOBAL STEEL AND FOUNDRY MARKETS

- Revenue down £87.6m on a reported basis (-4.9%) and down £102.9m on an underlying basis (-5.7%)



RESILIENT RETURN ON SALES AT 10.6%

- Trading profit down £15.8m on a reported basis (-8.0%) and down £17.7m on an underlying basis (-9.0%)



INCOME STATEMENT

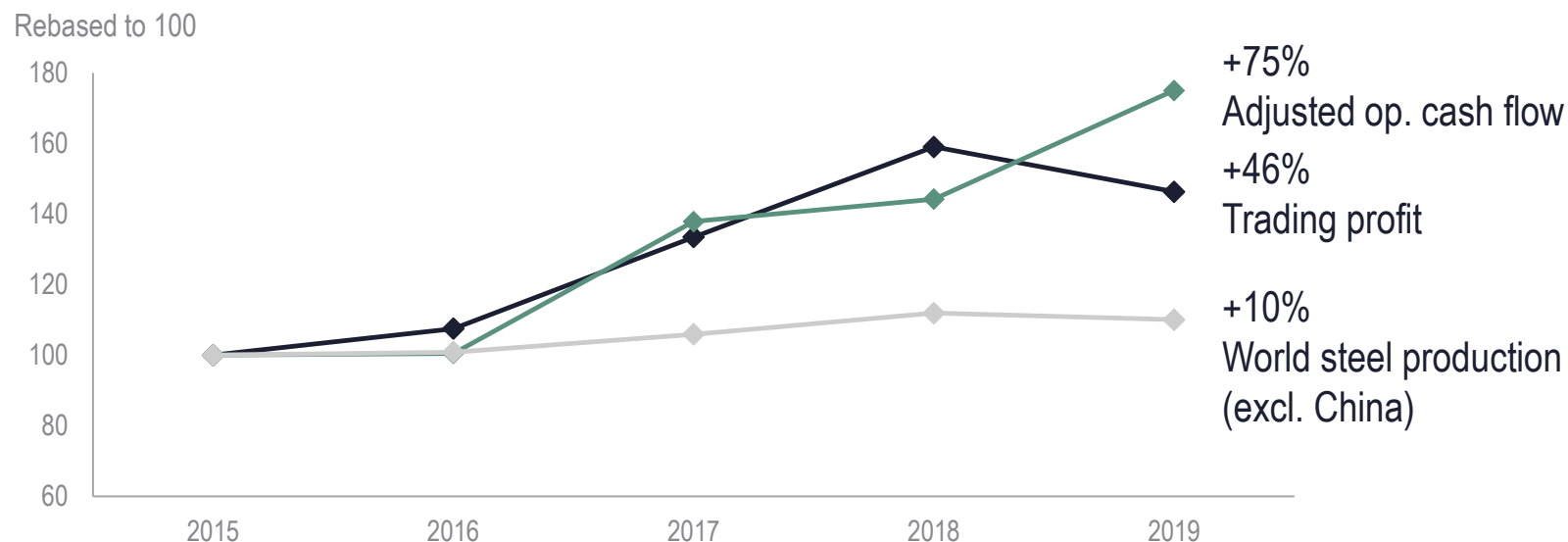
(£m unless indicated)	2019 Actual	2018 Actual	Change (%)	
			As reported	Underlying
Revenue	1,710.4	1,798.0	-4.9%	-5.7%
Trading Profit	181.4	197.2	-8.0%	-9.0%
ROS %	10.6%	11.0%	-40bps	-40bps
Post tax Share of JV Results	1.0	2.8		
Net Finance Costs	(11.0)	(11.1)		
Headline Profit Before Tax	171.4	188.9	-9.3%	
Effective Tax Rate	25.7%	26.0%		
Tax	(43.8)	(48.4)		
Non-Controlling Interest	(6.2)	(6.8)		
Headline Earnings	121.4	133.7	-9.2%	
Headline EPS (pence)	45.1	49.6	-9.1%	
Dividend (pence)	20.5	19.8	+3.5%	

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

THROUGH THE CYCLE STRONG CASH GENERATION

- Since 2015, world steel production excl. China has grown 10% (CAGR 2015-2019 of 2.4%) and over the same period we have succeeded in growing our trading profit by 46% and our adjusted operating cash flow by 75%
- We remain confident in our 2018 Capital Markets Day forecast that world steel production excluding China will grow at a CAGR of approximately 2% between 2018-2030

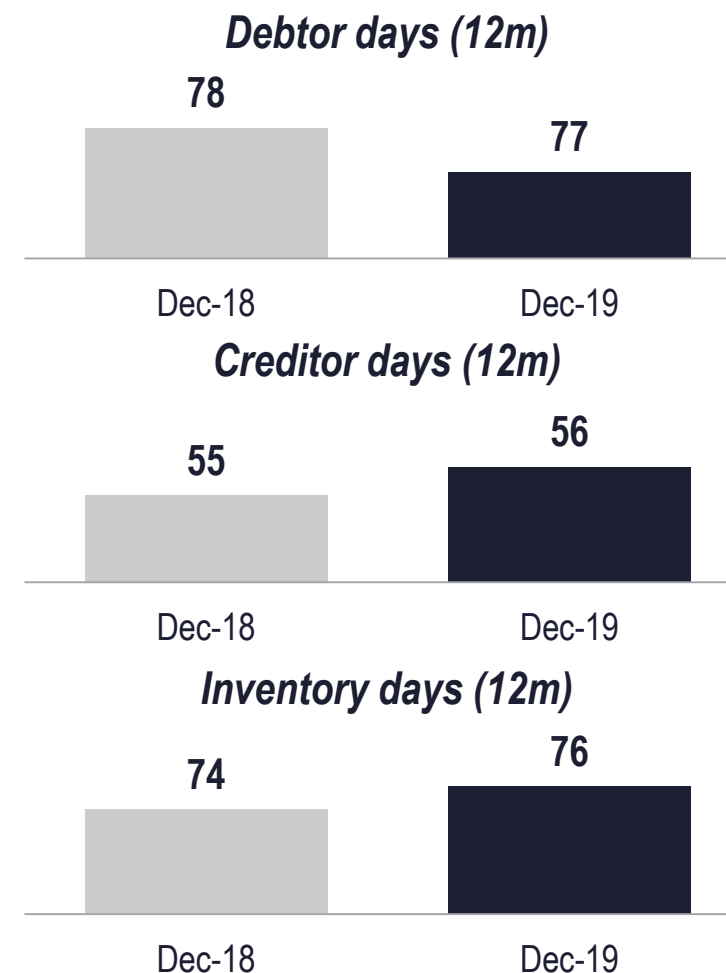
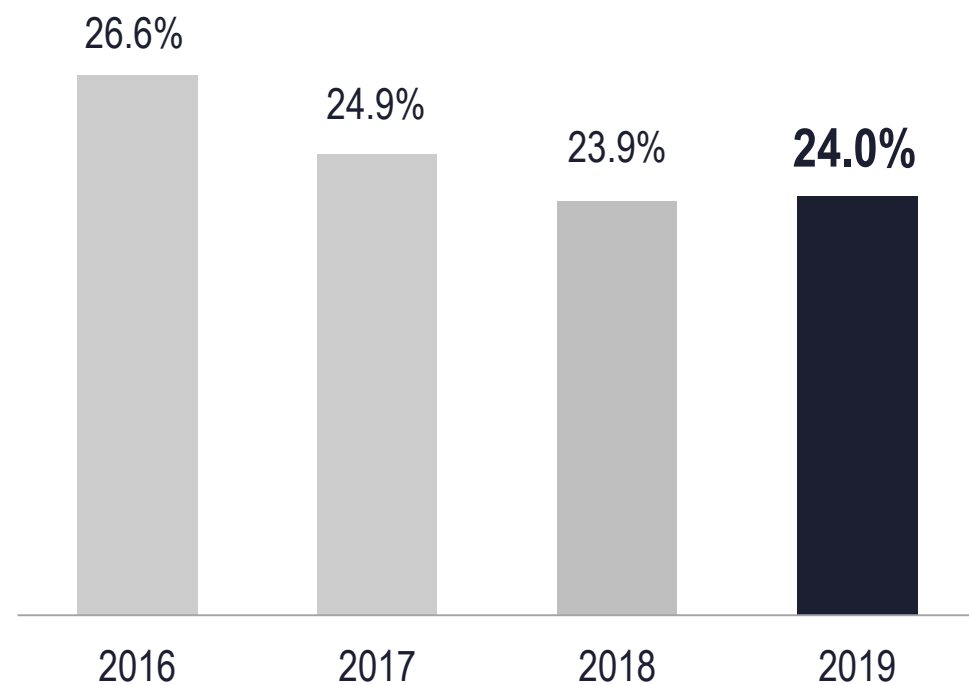


£m, reported	2015	2016	2017	2018	2019	2015-19
Trading profit	124.0	133.3	165.5	197.2	181.4	46%
Adjusted op. cash flow	124.4	125.0	171.5	179.4	217.7	75%
World steel production (excl. China)	793,663	800,431	840,504	888,373	873,558	10%

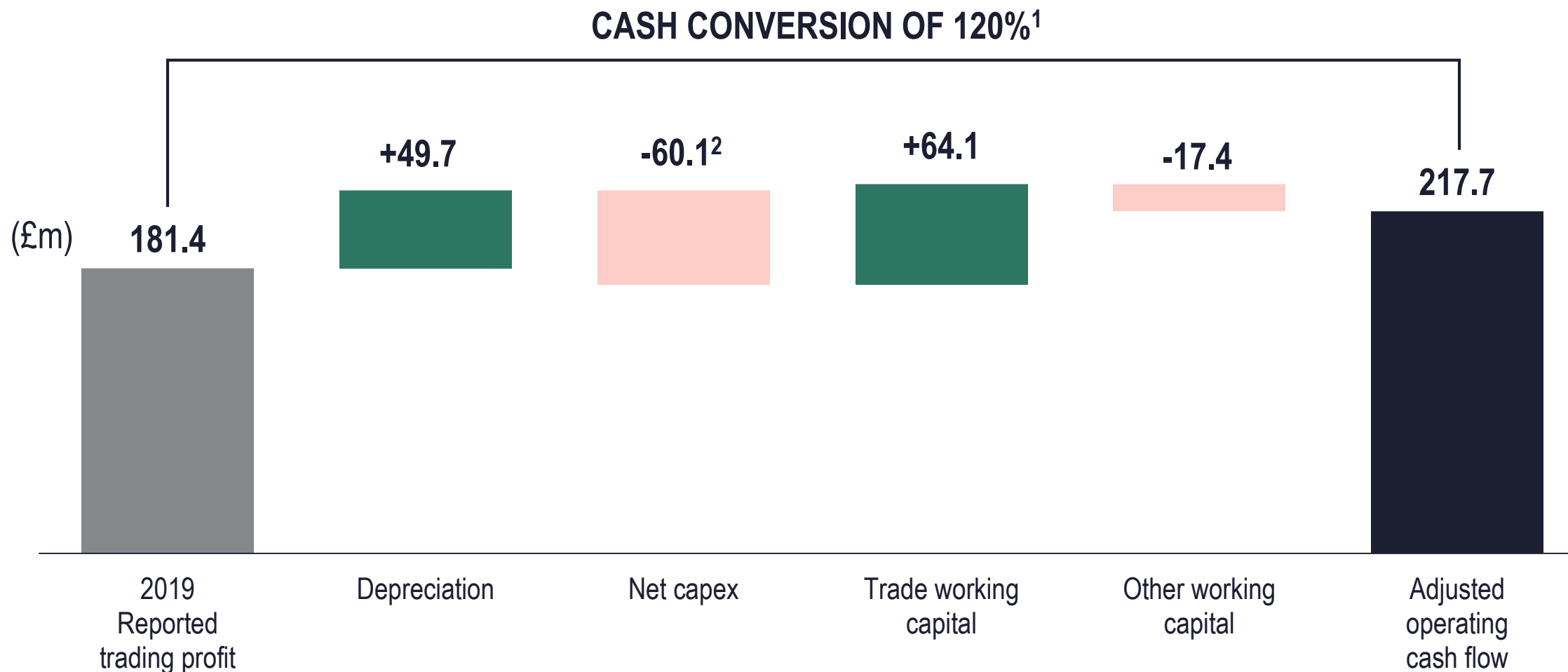
TRADE WORKING CAPITAL PROGRESS

- Stable working capital / revenue ratio in 2019 despite the market slowdown, due to strong discipline in manufacturing network to adjust production to sales without building significant excess inventory

TRADE WORKING CAPITAL / REVENUE



OPERATING CASH FLOW INCREASED BY 21.3% TO £217.7M

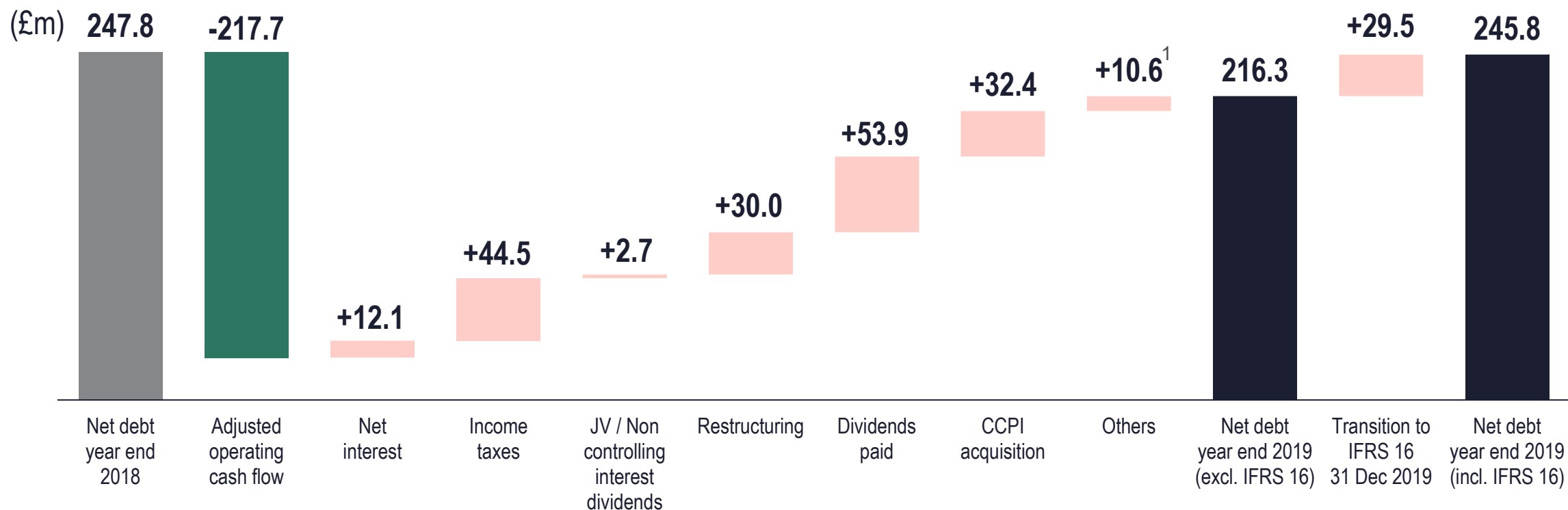


Notes: 1. Excluding the impact of the IFRS 16 adjustment, cash conversion would have been 113%

2. Net of proceeds from sale of property, plant and equipment

£245.7M NET DEBT AND 1.1x NET DEBT / LTM EBITDA

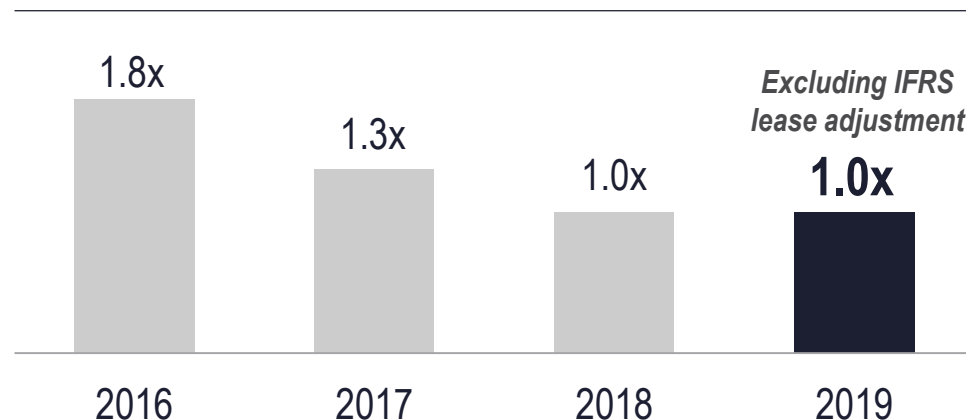
- Net debt down £2.0m at £245.8m at year end 2019
 - £217.7m operating cash flow generation from continuing operations offset by £44.5m income taxes, £53.9m dividend payment, £32.4m acquisition of CCPI and an adjustment of £29.5m to reflect the reclassification of leases under the IFRS 16



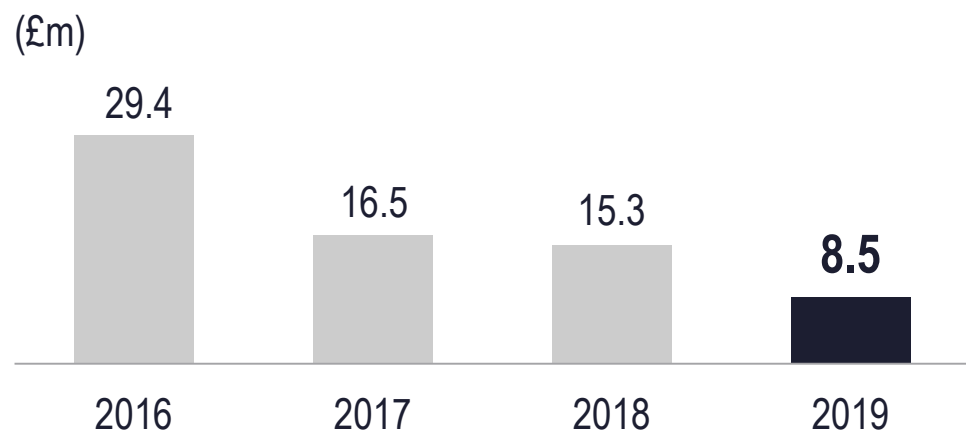
Net debt down from £247.8m last year to £216.3m, on a like-for-like basis excluding IFRS 16 leases

STRONG BALANCE SHEET WITH SIGNIFICANT LIQUIDITY

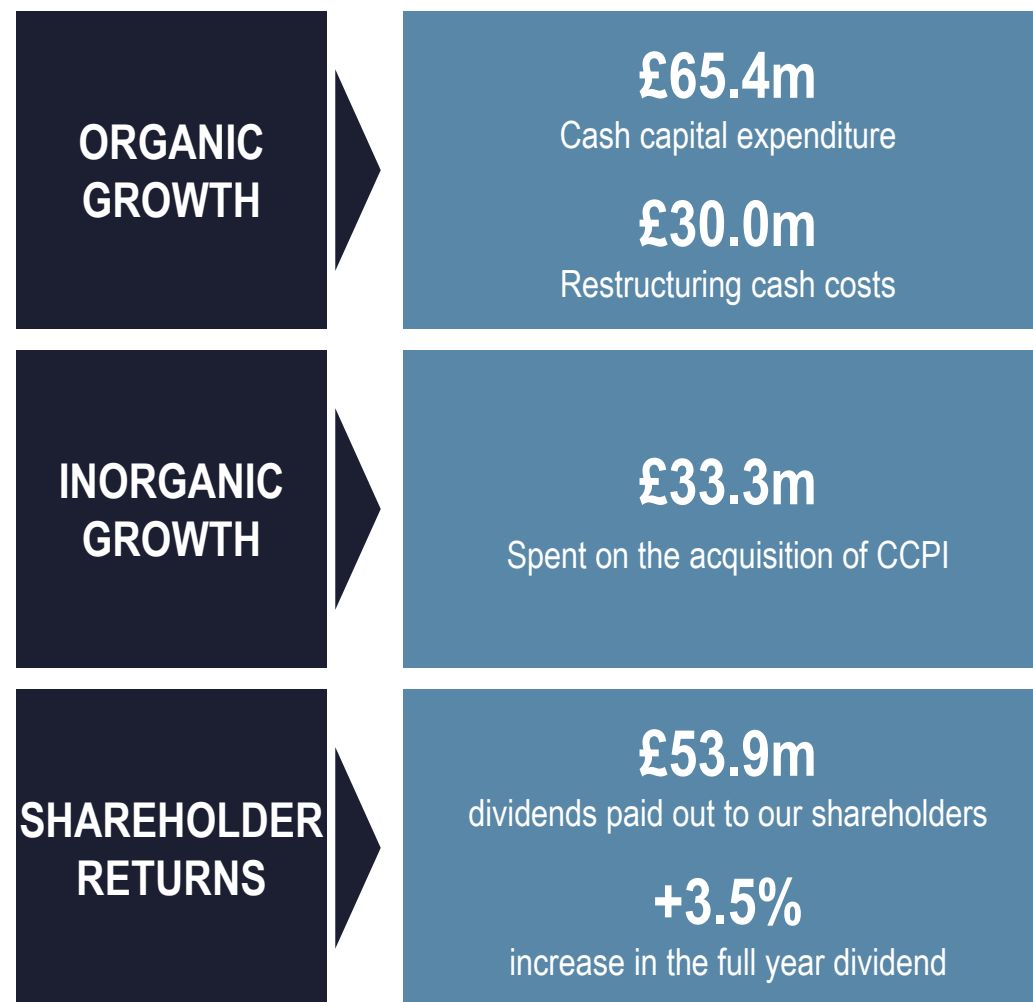
NET DEBT / EBITDA DEVELOPMENT



PENSION DEFICIT DEVELOPMENT



CAPITAL ALLOCATION IN 2019



VESUVIUS PLC

OUTLOOK



OUTLOOK

- Our two main end markets of Steel and Foundry were especially weak during the fourth quarter of 2019 and we expect this abnormally low level of activity to continue at least in Q1 2020 and to weigh on performance in H1 2020
- The potential impact of the Covid-19 health crisis is difficult to assess at this time but is likely to have a temporary negative impact on our end markets
- However, there are some signals indicating that the destocking phase experienced in H2 2019 is maturing and may shortly be coming to an end
- Thanks to our restructuring efforts, our reinforced emphasis on innovation in the service of our customers, and our dedicated workforce, Vesuvius is ideally positioned to benefit from the normalisation in our end markets as this occurs

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Q&A



VESUVIUS PLC

APPENDIX



IMPACT OF NEW ACCOUNTING STANDARDS

IFRS 16 Leases has had the following impact after transition (Year ended 31 December 2019)












	Previous lease accounting, £m	After application of IFRS16, £m	Net impact, £m		
Income statement	Revenue	-	-		
	Depreciation	-	(10.6)		
	Other operating costs	(13.3)	-		
	Headline operating profit	(13.3)	(10.6)		
	Finance charges	-	(1.6)		
	Profit before tax	(13.3)	(12.2)		
Cash flow	Headline operating profit	(13.3)	2.7		
	Depreciation	-	10.6		
	Operating cash flow	(13.3)	-		
	Repayment of lease liabilities	-	(13.3)		
	Financing cash flow	-	(13.3)		
Net cash flow	(13.3)	(13.3)	-		
Balance sheet at 31 Dec 19	31 Dec 2018	IFRS 16 impact	1 Jan 2019	31 Dec 2019	
	Right of use assets	4.4	33.6	38.0	34.4
	Trade and other receivables	3.3	(3.3)	-	-
	Provisions	(2.5)	2.5	-	-
	Lease liabilities	(3.9)	(32.8)	(36.7)	(33.3)

Of the £33.3m finance lease liabilities as at 31 December 2019, £3.8m would have existed under previous lease accounting and £29.5m have arisen owing to the transition to IFRS 16 Leases.

TAX UPDATE

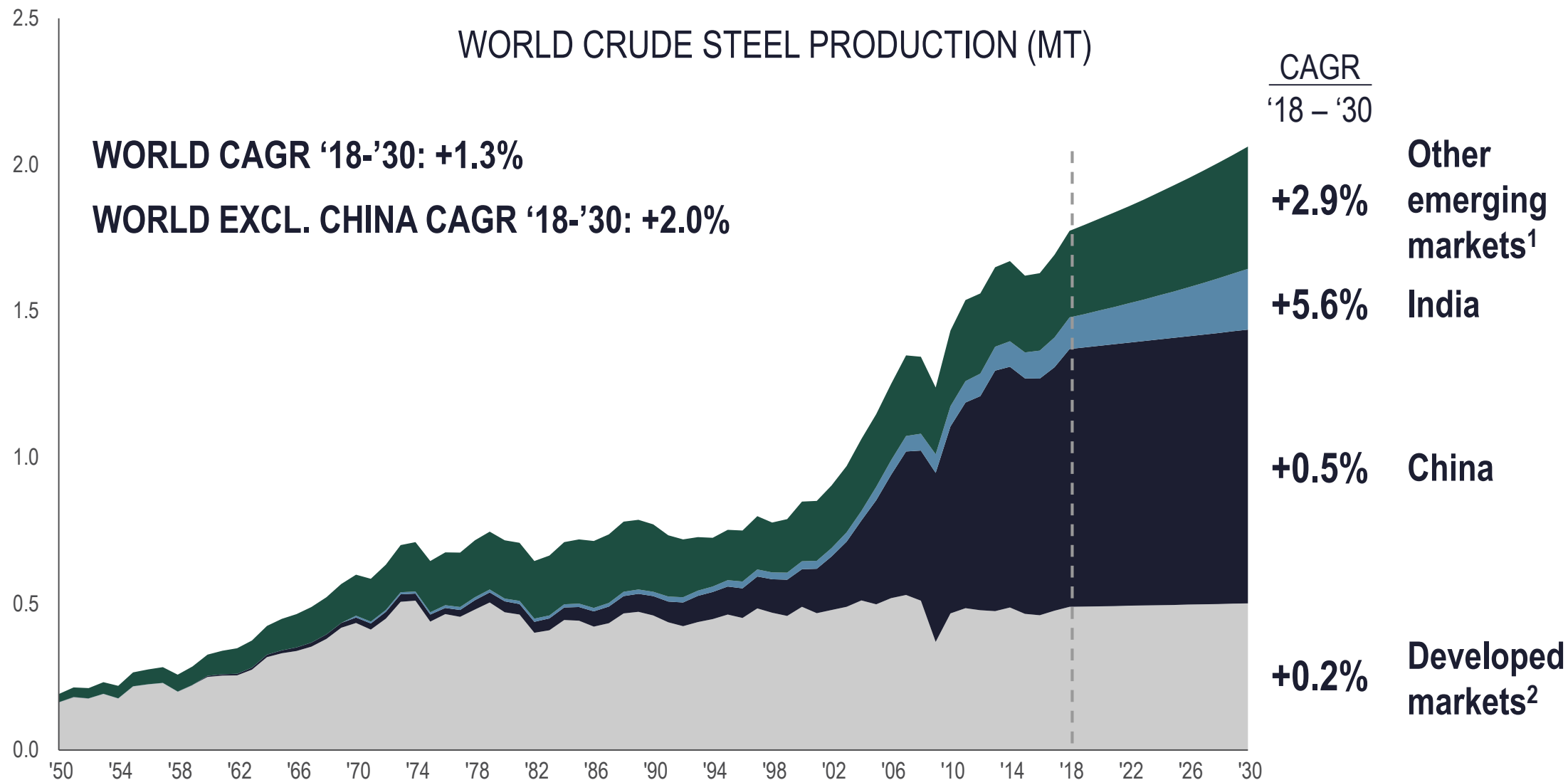
- The Group's Effective Tax Rate ("ETR"), based on the income tax costs associated with headline performance of £43.8m (2018: 48.4m), was 25.7% (2018: 26.0%)
- The guidance issued at the 2019 H1 results stated a forecast ETR of 28.0% for the full period. The reduction in the ETR for the 2019 year is driven by the following major movements:
 - the impact of the reduction in the Indian corporate income tax rate announced in September 2019
 - a reduction in our Mexican corporate income tax as a result of taxable foreign exchange losses and changes in the geographic mix of realised profits
- We expect the Group's effective tax rate on headline profit before tax and before the share of post-tax profits from joint ventures to be between 26% and 27% in 2020

WHAT WE DO

	Steel Division			Foundry Division
Product Lines	Steel Flow Control	Steel Advanced Refractories	Steel Digital Services	Foundry Technologies
Revenue ⁽¹⁾ % of Group	37%	31%	2%	30%
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 2019 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

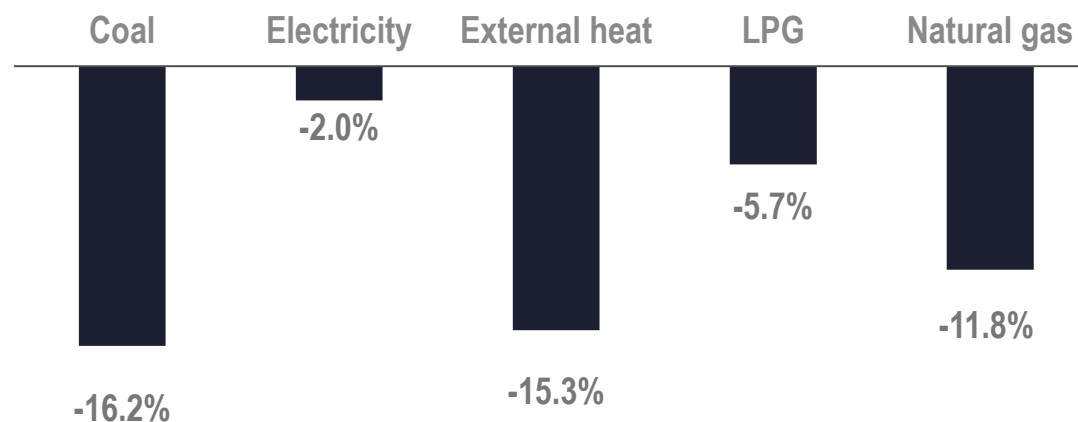
SUSTAINABILITY

REDUCING OUR CUSTOMERS' ENVIRONMENTAL FOOTPRINT:

- Vesuvius delivers a wide range of solutions that help our customers improve the productivity of their operations and reduce the environmental footprint of their processes
- Vesuvius contributes to the reduction of customers' energy usage and subsequent CO₂ emissions through insulating materials, metal flow management, facilitating extended manufacturing sequences (meaning less reheat) and reduce downtime
- We enable our customers to produce higher quality steel and lighter, more complex castings which support improved fuel efficiency in their end products

REDUCING OUR OWN ENVIRONMENTAL FOOTPRINT:

Change in fuel consumption for the main fuels across the Group in 2019



10.8% reduction in total fuel consumption⁽¹⁾

12.0% reduction in global greenhouse gas emissions⁽²⁾

Notes:

(1) Total reflects those fuels identified, not total consumption of all fuels in the Group as data for some minor forms of fuel are not currently collated.

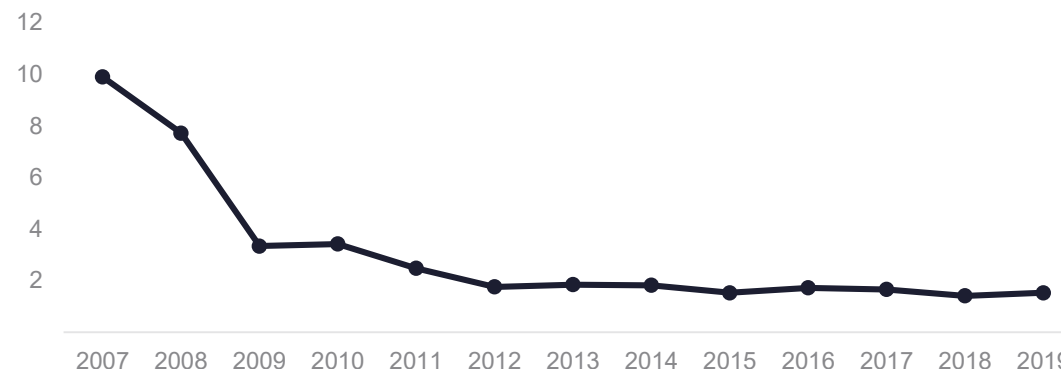
(2) kg of CO₂e.

HEALTH AND SAFETY

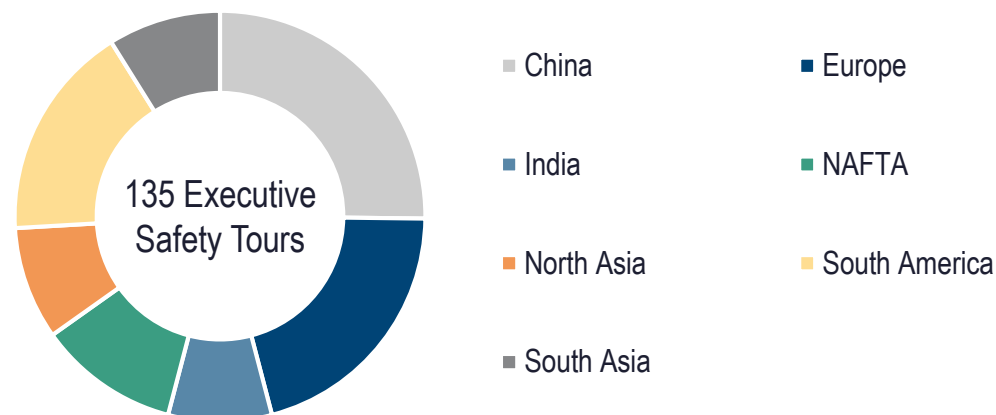
HEALTH AND SAFETY PERFORMANCE IS LINKED TO THE REMUNERATION OF BUSINESS UNIT MANAGEMENT

- We are committed to rapidly evolve towards a global best in class organisation in terms of safety
- Several new initiatives were launched in 2019 to enable us to reach this objective
 - Our new independent Group safety audit team is now fully operational, auditing each of our locations at least once a year
- Despite the intensification of our efforts, we are not satisfied with our safety results in 2019
 - Our Lost Time Injury Frequency Rate increased in 2019 to 1.5 LTIs per million hours worked versus 1.3 in 2018, although it remains lower than the 2017 and 2016 level of 1.6 and 1.7, respectively
- We will strive to make significant progress in 2020 and resume our journey towards our goal of zero accidents

Lost time injuries per million hours worked



Executive Safety Tours carried out in 2019



PEOPLE AND COMMUNITY

PEOPLE ARE AT THE CENTRE OF OUR BUSINESS

- Our objective is to support and drive a high-performance culture by truly engaged employees
- Our training programmes include:
 - Advance:** First generation management development
 - Wings:** Middle Management development programme
 - Ascent:** High potential and senior leadership development programme
 - Heat:** Technical training in the products of Vesuvius
- We also offer an international scholarship programme to assist children of Vesuvius employees finance higher education

VESUVIUS IN THE LOCAL COMMUNITY

- We have decided to focus our corporate social responsibility activities on two key areas:
 1. Supporting educational opportunities for disadvantaged children and young people in less developed countries
 2. Encouraging more girls and women into scientific/ technical fields of education
- Selected activities in the local community from 2019:
 - 
Turkey: Visited Gebze Women’s Prison to support a programme for mothers to stay in touch with their children; donated products to their kindergarten
 - 
India: Employees took part in the ‘Runathon of Hope’ funding surgical procedures, building sanitary facilities and school educational kits
 - 
France: Employees took part in the annual ‘Pink October’ Breast Cancer awareness
 - 
USA: Raised funds and employees volunteered at Harvest for Hunger, Cleveland Food Bank

5 YEAR HISTORY AT CONSTANT CURRENCY

£m	2015	2016	2017	2018	2019
Revenue	1,514.3	1,447.1	1,643.0	1,807.8	1,710.4
Steel	1,023.0	971.6	1,121.6	1,243.6	1,195.4
Foundry	491.3	475.5	521.4	564.2	515.1
Trading profit	142.5	137.0	159.8	197.3	181.4
Steel	89.9	81.1	97.3	128.1	120.1
Foundry	52.6	55.9	62.5	69.2	61.3
Return on sales	9.4%	9.3%	9.7%	10.9%	10.6%
Steel	8.8%	8.3%	8.7%	10.3%	10.0%
Foundry	10.7%	11.8%	12.0%	12.3%	11.9%

Notes:

All numbers shown at December 2019 average exchange rates

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

CURRENCY READY RECKONER

Dec-19		
Trading profit	Unit	Approximate change in annual profit (£m)
USD	1 Cent	0.6
EUR	1 Cent	0.1
INR	1 Rupee	0.2
RMB	0.1 RMB	0.4
JPY	1 Yen	0.1
BRL	0.01 Reais	0.2
ZAR	1 Rand	0.0

- 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

VESUVIUS PLC

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LEADING THE WORLD OF MOLTEN METAL FLOW ENGINEERING

