



VESUVIUS PLC

Half Year 2022 Results

28 July 2022

Think beyond. Shape the future.

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Performance update



Strongest ever half year performance

Revenue	Trading Profit	Return on Sales
£1,016m	£127.4m	12.5%
+26% Reported change	+74% Reported change	+340 bps Reported change
+21% Underlying change	+69% Underlying change	+350 bps Underlying change
Headline EPS	Net debt / EBITDA	Trade working capital / sales
31.4p	1.3x	22.8%
+75%	Dec 21: 1.4x	Dec 21: 20.9%

Interim dividend: 6.5p (+5% versus H1 2021)

Net debt / EBITDA ratios are post IFRS-16.

Full mitigation of inflationary pressures and market share gains

- **Inflationary pressures mitigated in full through adjusted selling prices to cover cost increases**
 - Adjustment of selling prices and successful recovery of cost inflation incurred in 2021 and 2022 in both the Steel and Foundry divisions
- **Market share gains in both Steel and Foundry divisions supported volumes despite difficult market conditions**
 - Steel Division volumes grew +2% in the world excluding China and Iran vs. a 4% decline in steel production
 - Foundry division volumes declined only c.3% despite continued significant weakness in vehicle markets
- **Return on sales increased to 12.5% in H1 2022, +350bps versus H1 2021**
 - Steel Division return on sales improved by 500 bps to 13.7%
 - Foundry return on sales declined as compared to H1 2021 but achieved meaningful recovery compared to H2 2021, due to price increases and operational improvements at two important plants in Germany and the USA
- **Confirmation of the long-term profitability potential of our activity and the relevance of our technology-driven business model**



Strategic initiatives are on track to support future growth

Universal Refractories integration

- Performance remains ahead of our expectations
- Consolidation of both Advanced Refractories and Foundry production lines will drive synergy realisation during 2022 and 2023

Flow Control capacity expansion

- Strategic capacity expansion in Asia and EMEA on track (Isostatic products, Slide Gates and Fluxes)
- Additional capacity supports outperformance of steel production growth in key growth regions of EEMEA, India and South East Asia

Increased customer penetration of robotics solutions

- Flow Control robotic casting technology (“RCT”) customer installations projected to double by 2025
- Advanced Refractories successfully developing and rolling out its own robotics solutions
- Robotics solutions provide safety, cost and reliability advantages to customers driving consumable sales and customer loyalty

Industry-leading robotic solutions

New Flow Control robotics solution for ladle make-up area

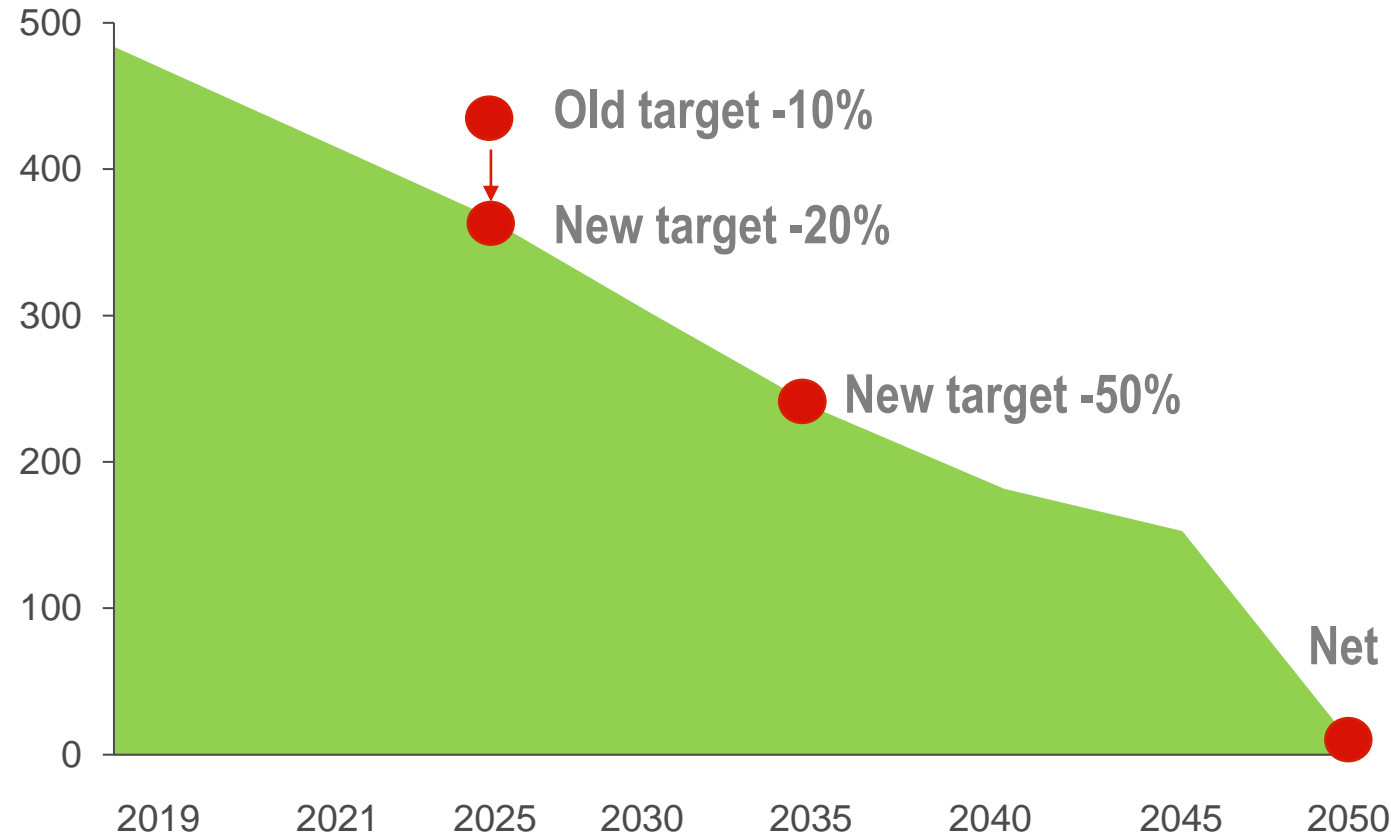


New Advanced Refractories high-speed robotic gunning solution for Basic Oxygen Furnace



We have upgraded our carbon footprint reduction target for 2025 to 20% and set an ambitious target of 50% reduction by 2035

Target emission intensity (Kg CO₂e per tonne of product packed for shipment)



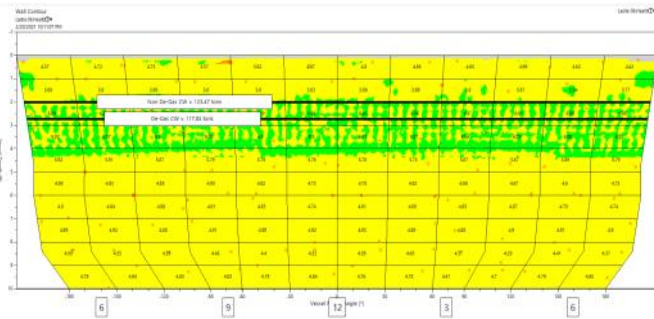
Roadmap to net zero

- Initial target of -10% by 2025 was exceeded in 2021
- 2025 target now upgraded to -20%
- New 2035 target of a 50% reduction
- Detailed roadmap to 2025 and beyond
 - Process and plant optimisation
 - Progressive move to non-CO₂ emitting electricity
 - Investment in solar
 - Technology development to replace natural gas in ceramics firing

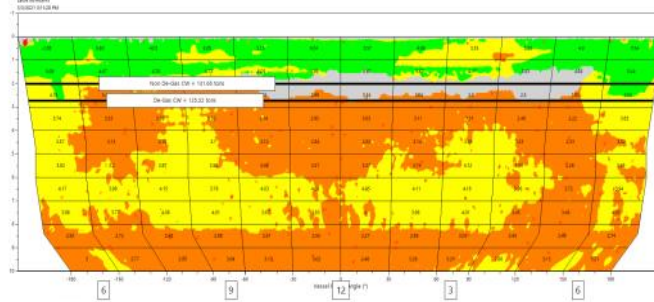
Notes: CO₂ compared to base line 2019, scopes 1 and 2

Supporting the efforts of our customers to improve their CO₂ footprint

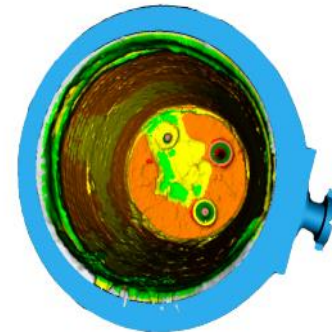
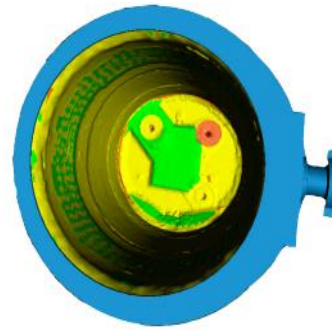
- Our products drive efficiency in manufacturing, which help reduce our customers' global carbon emissions



Ladle scan at zero heats



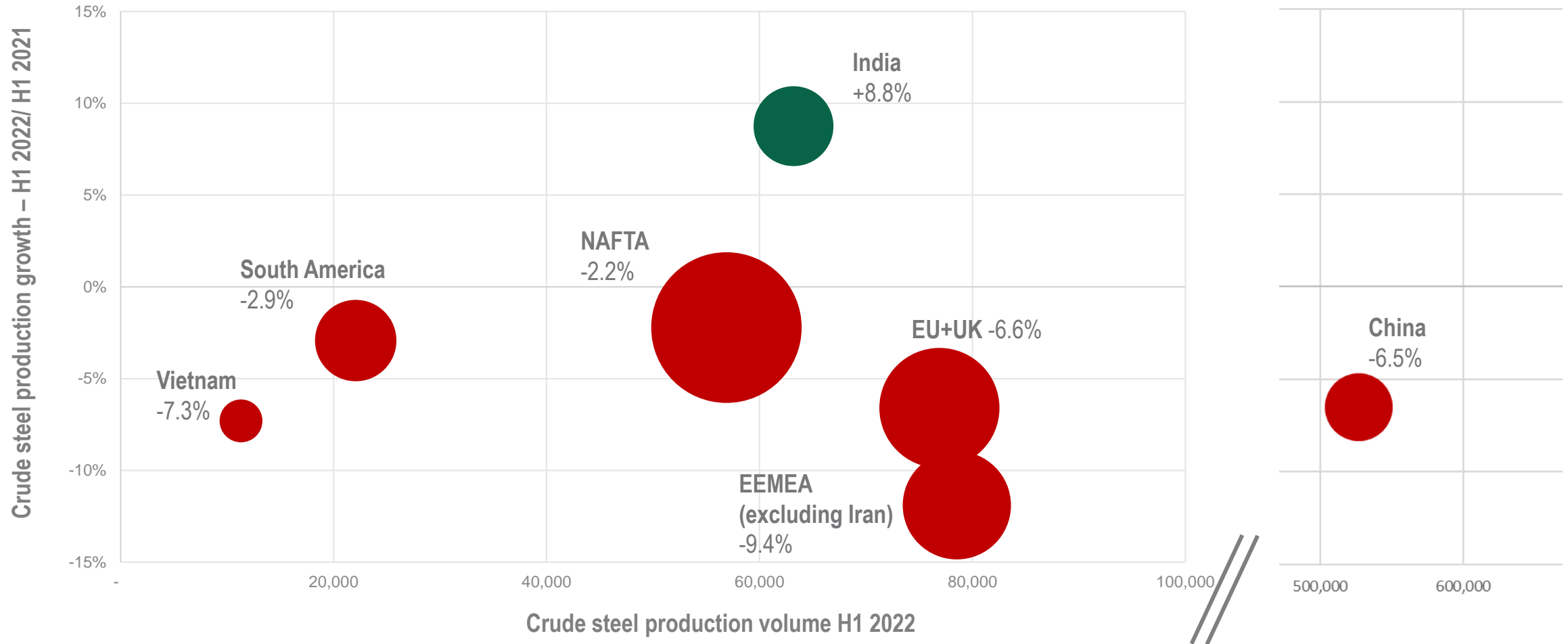
Ladle scan at 43 heats



Case study: Lasers measurement of refractory wear in ladles

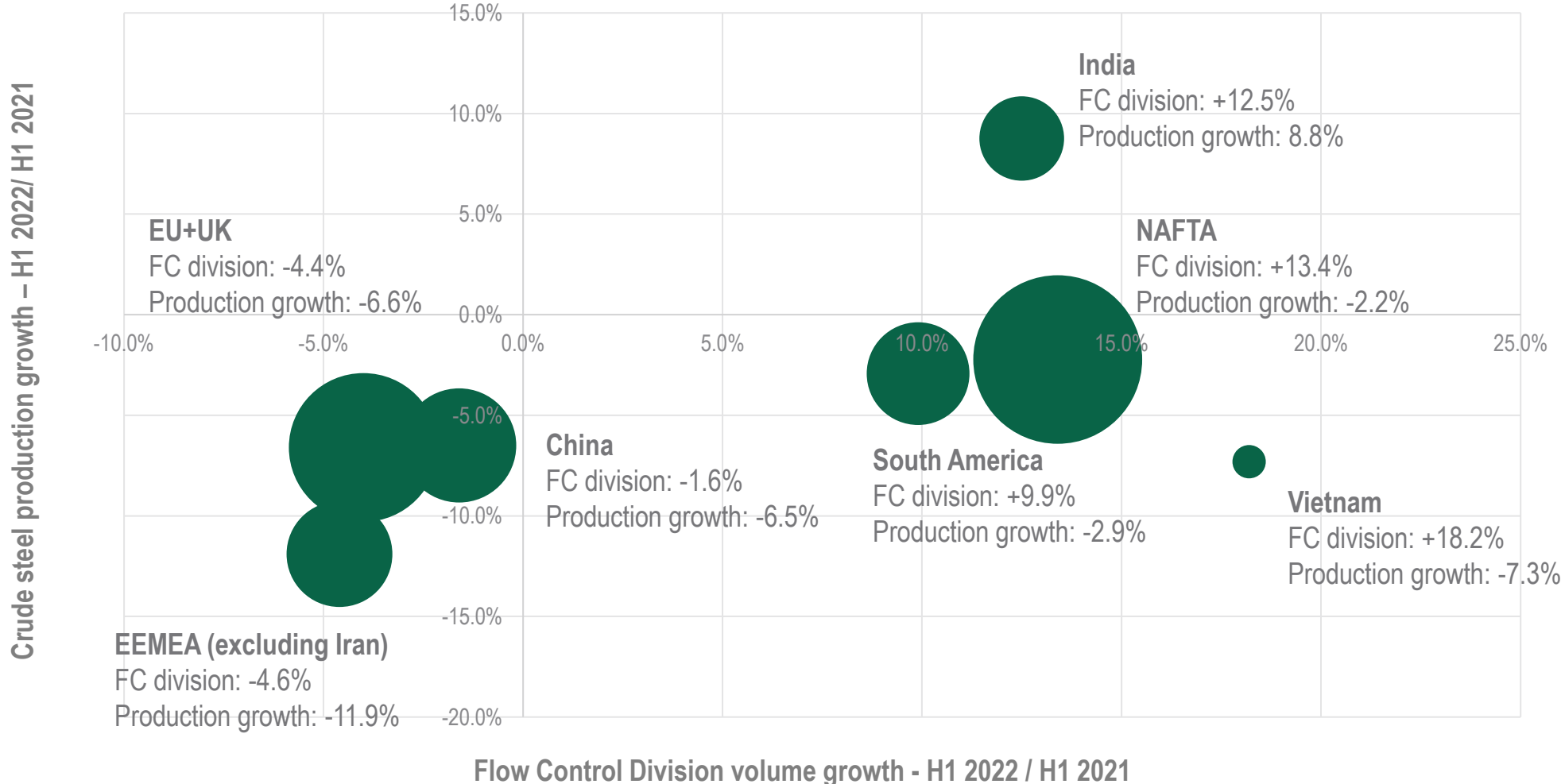
- Project: to increase EAF steel-plant capacity and refractory-lining lifetime, while reducing energy consumption and CO₂ emissions per tonne
- By monitoring the ladle available volume with our laser, our customer achieved
 - Steel production output +1.75%
 - Reduced refractory consumption -5.7%
- Carbon Benefits:
 - 0.86% reduction in CO₂ per ton of steel (**6.1ktonnes** per annum for customer from improved efficiency)
 - 0.4 ktonnes** CO₂ reduction per annum for customer from reduced refractory usage

World steel production: Declines in all regions except India



Size of bubble represents relative revenue of Vesuvius' Steel Division in H1 2022.

Flow Control volumes again significantly outperformed the underlying steel market due to technological differentiation



Size of bubble represents relative revenue of Vesuvius' Flow Control Division sales in H1 2022.



Divisional performance: Steel

H1 2022 performance

- Flow Control continued to gain market share through technological differentiation
- Advanced Refractories regained market share lost in 2021, when we were a first mover in raising prices
- Steel Division trading profit achieved a record level of £101.7m in H1 2022
- Return on sales expanded +500bps, driven by successful recovery of 2021 cost headwinds and a positive mix effect due to higher Flow Control sales

Steel Division	H1 2022	H1 2021	Change (%)	Underlying change (%)
Steel Flow Control Revenue	402.6	315.5	+28%	+25%
Steel Advanced Refractories Revenue	320.8	238.6	+34%	+24%
Steel Sensors & Probes Revenue	20.6	16.2	+27%	+22%
Total Revenue	744.0	570.2	+30%	+25%
Total Trading Profit	101.7	49.4	+106%	+97%
Total Return on Sales	13.7%	8.7%	+500bps	+500bps

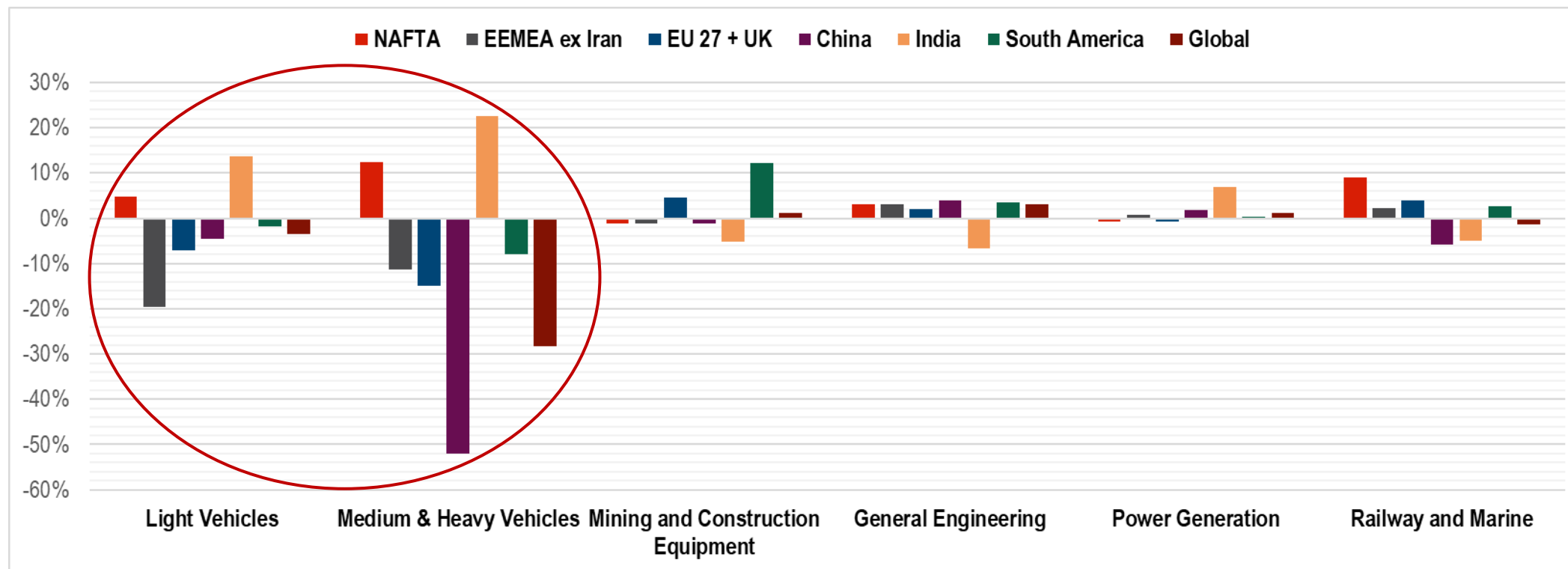
Underlying Revenue / Return on Sales



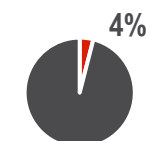
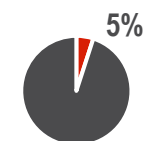
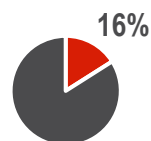
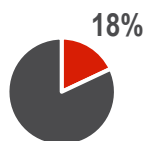
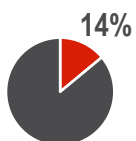
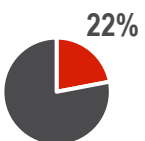
Note 1: H1 2022 underlying financials have been adjusted for Universal acquisition. H1 2021 underlying financials have been adjusted for the effects of currency translation.

Volume decline in Foundry Division due to continued weakness in automotive end markets

Volume growth in Foundry end markets – H1 2022 vs H1 2021



% of Foundry Revenues¹



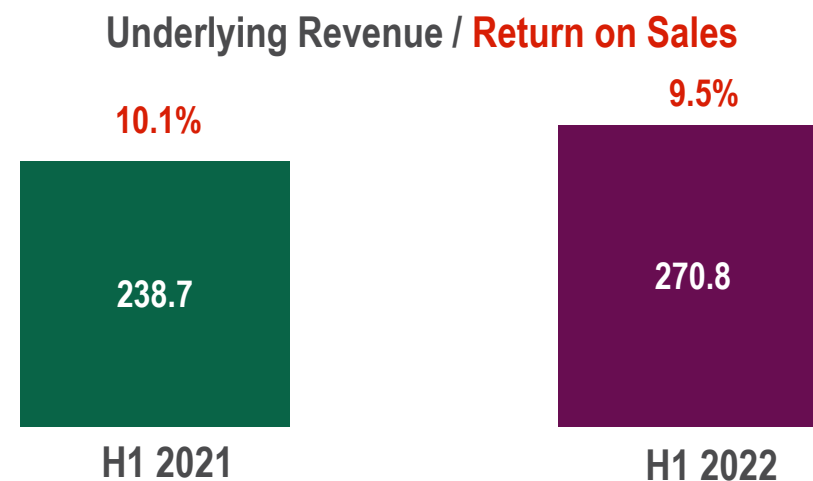
Note: 1. The remainder of Foundry sales are generated from other end-markets

Divisional performance: Foundry

H1 2022 performance

- Improved trading profit due to successful price increases fully compensating for cost increases
- Return on sales decline as compared with H1 2021 resulting from 3% volume declines due to continued weakness in automotive markets
- But higher return on sales versus H2 2021 (+240bps) due to price increases and resolution of operational issues in Germany and USA

Foundry	H1 2022	H1 2021	Change (%)	Underlying change (%)
Revenue	271.8	237.8	+14%	+13%
Trading Profit	25.7	23.9	+7%	+9%
Return on Sales	9.5%	10.1%	-60bps	-40bps



Note 1: H1 2022 underlying financials have been adjusted for Universal acquisition. H1 2021 underlying financials have been adjusted for the effects of currency translation.



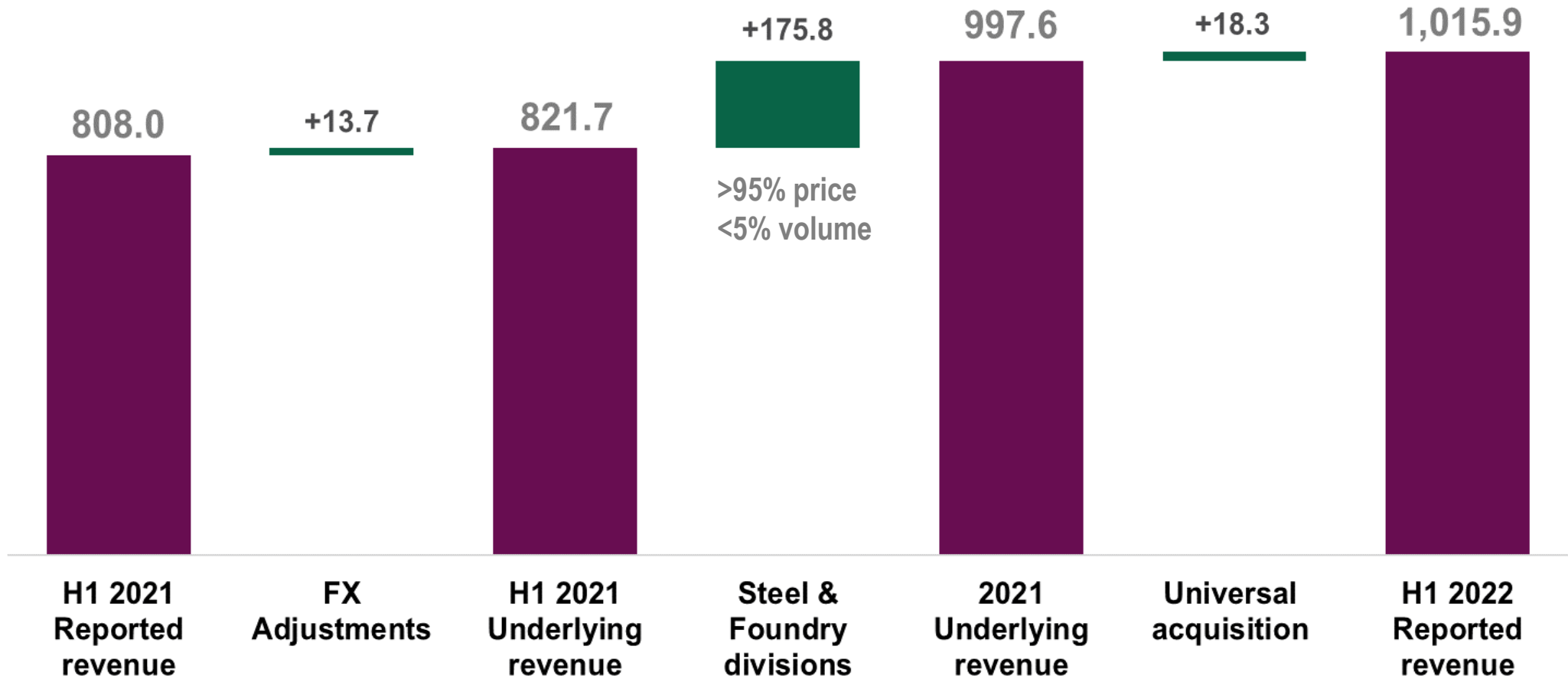
Financial review



Sales growth driven by price rises to offset inflation

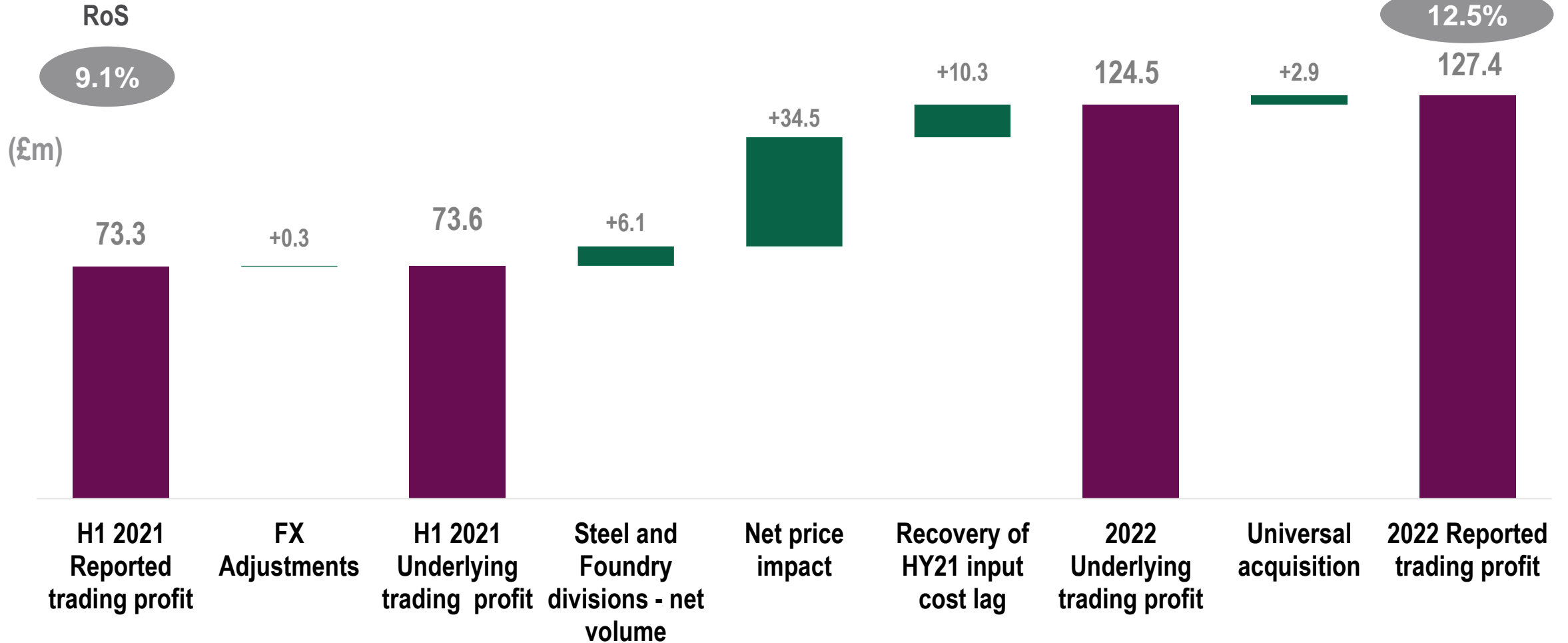
Group revenues up 26% on a reported basis (+21% on an underlying basis).

(£m)



Trading profit up +69% on an underlying basis

Trading profit up 74% on a reported basis (+69% on an underlying basis).
Return-on-sales increased by +340bps (+350bps on an underlying basis).



Income statement

	H1 2022	H1 2021	Change (%)	
	Actual	Actual	As reported	Underlying ¹
(£m unless indicated)				
Revenue	1,016	808	+26%	+21%
Trading Profit	127.4	73.3	+74%	+69%
Return on Sales (ROS %)	12.5%	9.1%	+340bps	+350bps
Post tax Share of JV Results	1.0	0.6		
Net Finance Costs	-6.6	-3.6		
Headline Profit Before Tax	121.8	70.3	+73%	
Effective Tax Rate ²	27.5%	26.5%		
Headline Tax	-33.2	-18.5		
Non-Controlling Interest	-3.9	-3.3		
Headline Earnings	84.7	48.5	+75%	
Headline EPS (pence)	31.4	17.9	+75%	

Notes: 1. Underlying basis is at constant currency and excludes separately reported items and the impact of acquisitions and disposals.

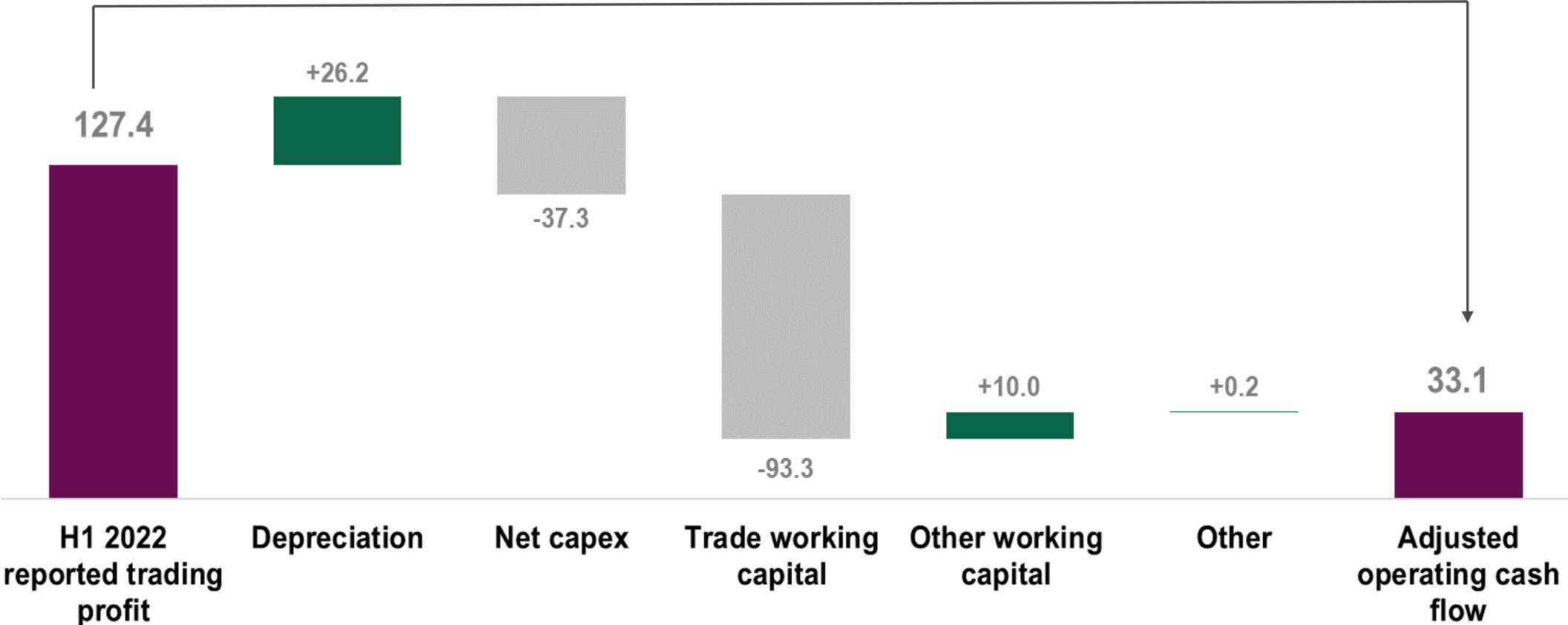
2. Income tax associated with headline performance, divided by the headline profit before tax and before the Group's share of post-tax profit of joint ventures.

Cash conversion at 26% due to investment in trade working capital

Cash conversion in H1 2022 of 26%, due to investment in trade working capital.

(£m)

Cash conversion: 26%



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

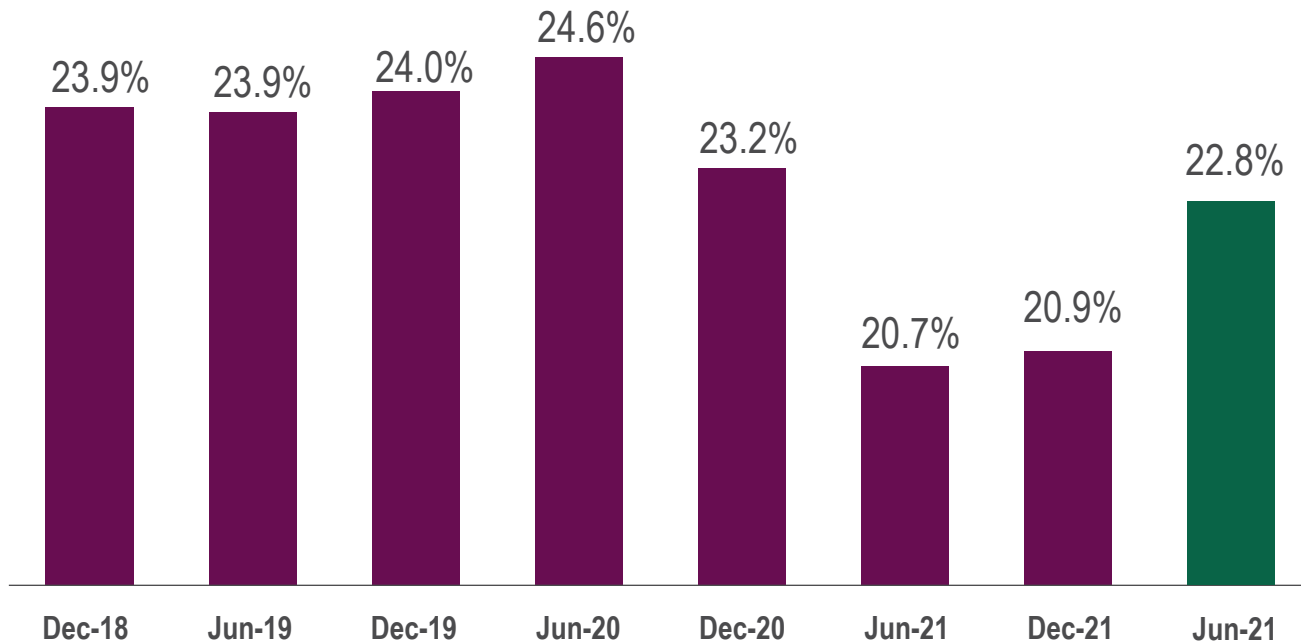
Inventories have peaked and will reduce in the coming months

We have continued to see working capital growth in early 2022, largely driven by higher inventories.

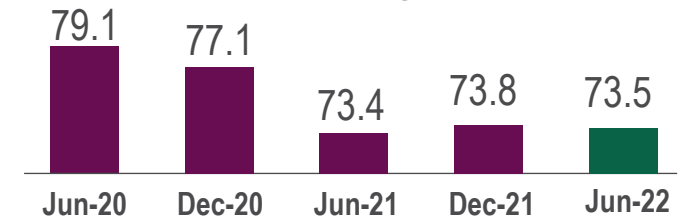
Trade working capital / sales increased to 22.8% (12m average) versus 20.9% at year-end 2021.

A reduction of working capital is contingent on an improved supply chain, which is not expected until late in 2022 or early 2023

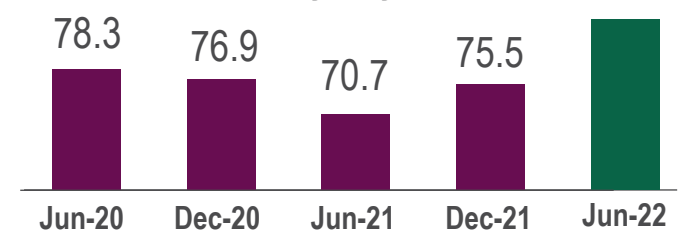
Trade Working Capital / Revenue (12m average)



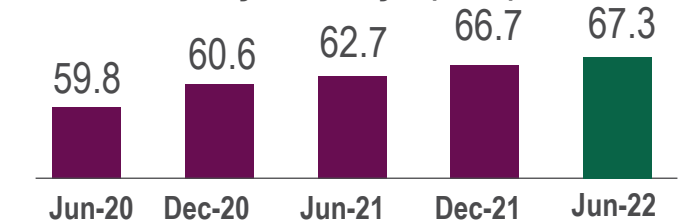
Receivable days (12m)



Inventory days (12m)



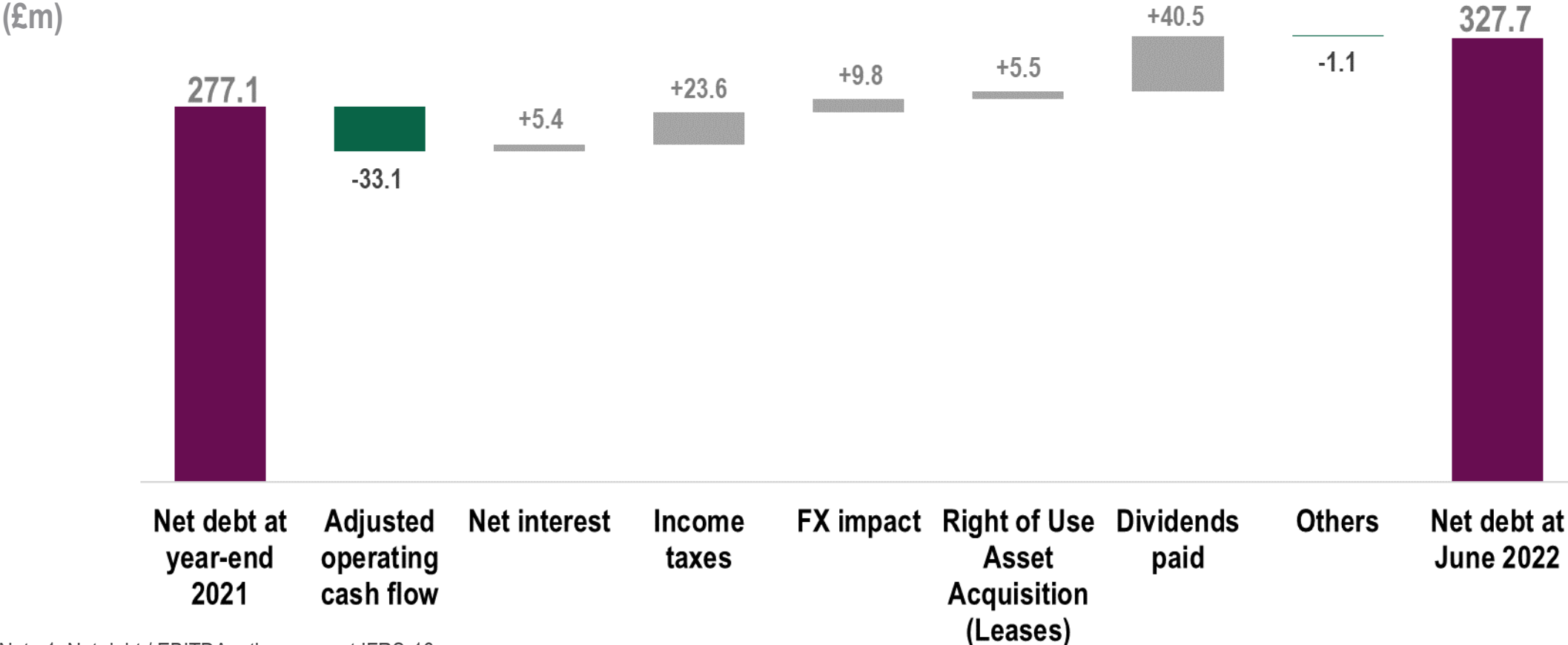
Payable days (12m)



£327.7m net debt and 1.3x net debt¹ / LTM EBITDA

Net debt at 30 June 2022 increased to £327.7m, from £277.1m at the end of 2021.

The 2021 final dividend and the investment in working capital were the key drivers of this increase.



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

Outlook



Outlook

- In the coming months, we expect a further deterioration of our market environment. Vesuvius is, however, well prepared to confront this temporary slowdown thanks to our lean, entrepreneurial and decentralised organisation. This, together with the positive results of the first half, make us confident that full year Group trading profit (EBITA) will be towards the top end of the range of current analysts' expectations
- Beyond the current temporary slowdown of activity, we remain fully confident in the longer-term growth potential of both our Steel and Foundry end markets and are continuing at pace the implementation of our expansion programme through capital investments, in particular in Flow Control.

Note: 1. The range of analyst expectations as at 25 July 2022 for 2022 Trading Profit (EBITA) is between £155m and £199m compiled by Vesuvius

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Appendix

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Currency ready reckoner

June 2022		
Currency	Unit	Approximate change in trading profit (£m)
USD	1 Cent	1.0
EUR	1 Cent	0.2
INR	1 Rupee	0.2
RMB	0.1 RMB	0.3
JPY	1 Yen	0.05
BRL	0.1 Reais	0.4
ZAR	1 Rand	0.003

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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