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Executives:

Patrick André - Chief Executive Officer

Mark Collis - Chief Financial Officer

Operator:

Good day, ladies and gentlemen, and welcome to the Vesuvius Plc Trading Update.

At this time, all participants are in listen-only mode. Later, we will conduct a question-and-answer session through the phone lines, and instructions will follow at that time. I would like to remind all participants that this call is being recorded.

I will now hand over to the CEO of Vesuvius Plc, Patrick André, to open the presentation. Please go ahead.

Patrick André:

Good morning, everyone. My name is Patrick André. I'm the Chief Executive Officer of Vesuvius. I'm joined this morning by Mark Collis, our Chief Financial Officer.

Today, we will talk about our trading performance from the 1st of July to the 31st of October this year and our outlook going forward. The main message is that our key end markets of steel and foundry remain stable at a low level for the past few months, but that for the first time in quite a long time, we start having some clear signs of better mid-term prospects for this market.

I start with the Steel market, where the steel production outside of China increased only 0.5% over the beginning of the year. So the level remained quite subdued outside of India, of course, which keeps growing at a good pace. But this 0.5% would have been three times higher at 1.7%. So the Chinese net steel exports had remained stable. In fact, the increase close to 10%, that's the reason why the steel production outside of China grew only 0.5%, but it shows that the underlying steel consumption in the world outside of China is quite healthy as we speak. It's been hidden for the time being by the... it has been hidden by the increase in Chinese net steel exports. But when these Chinese net steel exports start stabilizing or declining, the positive impact on steel production outside of China could be quite significant, and it's quite important for Vesuvius, considering that we are doing more than 90% of our sales outside of China. And we have now clear signs that on a mid-term perspective, not short-term and not in

the next six months or 12 months, but mid-term, the prospects of these net steel exports from China stabilizing or even declining are getting much better.

First, because you have a very large number of countries having taken measures to prevent these imports of Chinese steel. You have more than 60 countries now in the world having taken some kind of restriction measures against steel exports. And also, the Chinese government itself is taking more and more measures to restrict and limit steel production in China.

One of the more positive measures that have been announced very recently is the one by the European Union, which should have a very positive impact mid-term on steel production in the EU, probably an increase of more than 10 billion tons, which could bring the utilization rate in Europe from the current low of 65% to close to 85%. So short-term stable at a low level for the steel market, but clearly some light now at the end of the tunnel, the horizon is probably around 12 months from now.

The foundry end markets are also stabilized at a low level, but we also believe that going forward at some point, the decline of interest rates should have a positive impact sometime in 2026 on the end consumption of the industry, consuming the castings of our customers. So, in this short-term, still difficult environment, during H2 so far, the Vesuvius Group was broadly in line in terms of revenue with our expectations, and this is thanks to continuing market share gains in both the steel division and the foundry division. At the same time, and this is quite important considering what we discussed in the first half, we were quite successful in passing price increases in line with our objectives, which enables us in the second half of the year to fully compensate, even a little bit more than compensate for cost increasing, including salary inflation. Our net price effect for the full year will still be negative, but less than it was in the first half, meaning that we are starting to catch up, and we will continue to catch up in 2026.

On the cost side, we continue to deliver fully on our cost savings plan. We will deliver this year £18 million of recurring cash cost savings. So broadly in line with what we did during the first half, it was £10 million in the first half, £18 million for the full year, and we confirm that our objective to exceed £55 million of recurring cash cost savings cumulative for our program by 2028. We are clearly on track now to not only reach but probably exceed this objective. Only one negative, we had during the second half was temporary manufacturing issues in our foundry division, which will cost us £2 to £3 million in our trading profits in H2. These are temporary in nature, linked to the restructuring and some ramp-up difficulties in some of the plants which have been receiving the production of some other plants which we have closed. We are in good way to solve these issues. We believe that these issues will be solved by the end of the year, so there should be no impact on 2026. So despite the short-term difficult



environment, thanks to our efforts in terms of both cost and pricing. We anticipate trading profits for the full year to be broadly in line with our previous guidance.

I will now open the floor for questions.

Operator: Thank you. If you were dialed into the call and would like to ask a question, please signal by pressing star and then one on your telephone keypad. We will pause for a moment to assemble the queue.

Your first question comes from the line of Lush Mahendrarajah of JP Morgan. Your line is now open.

**Lushanthan
Mahendrarajah:**

Morning, guys. Thanks for taking my questions. I've got two, I think. Firstly, on price cost, that's improved in the second half, but also just wanting to know about the mix as well. I think in the first half, you guys talking about some customers maybe reducing their sort of quality or go down the sort of the mix side of it. I just wonder if that's also improved in the second half as well?

And then the second question is on India, good growth still there. One of your competitors was talking about taking market share. I'm just wondering what you're saying there in terms of market share dynamics. Is that for both of you, taking a share from others, or exactly what's happened there? Thank you.

Patrick André:

Thank you, Lush. In terms of price, your first question, I think that we are successfully... we have been successfully passing price increases. Normal price increases to start catching up with the negative effects of the first half. And this has been true everywhere in the world, including in India. The only place in the world where it's more difficult is remain China. But China, if I may, we stopped the bleeding. We have not started catching up yet, but we intend to do that in 2026. But everywhere else in the world, including in India, we have been passing price increases or, in various degrees, but it has been working quite positively, with sometimes difficult discussions. But, I think, our customers understand that at some point, costs have to be covered.

Regarding the mix impact, we have not seen any further deterioration since the beginning of the second half. Even some customers are now starting to ask some questions about did they made the right decision or not. We remain of the firm opinion that, especially when production will start to ramp up in the world outside of China and when our customers will need and will be willing to operate closer to capacity with a higher utilization rate, that this negative mixed impact of the first half will gradually reverse. It will not happen overnight in two weeks, but over the next six to 12 months, in the course of 2026, I'm convinced that this mixed effect will gradually reverse, and we are seeing the first signs of that.



Regarding India, it's clear that I would say not all players have been as disciplined as we have in terms of pricing. I think that each company has its own strategy. But as far as we are concerned, we believe that moderate and reasonable to cover our cost price increases are necessary.

It's not our strategy to gain market share on price, and so we leave that to others. And we will continue to manage our pricing proactively everywhere, including in India, because we believe it is the right thing to do.

Lushanthan Mahendrarajah:

Thank you.

Operator:

Again, if you'd like to ask a question, please press star followed by one on your telephone keypad. That's star followed by one on your telephone keypad.

Your next question comes from the line of Andrew Douglas of Jefferies. Your line is now open.

Andrew Douglas:

Good morning, guys. Thank you for your time. I was just wondering if you guys have modeled what 85% capacity utilization in European steel would actually mean for your business and your ability to ramp up to what will potentially be some pretty good growth in Europe. We've spent a lot of time reducing our capacity in Europe. Are you guys ready for a ramp-up?

The second question is on year-end leverage. I think that year-end leverage is going to be still below 2, but if you could just confirm that? And if you could just give us some help in understanding what next year's leverage looks like, given MMS comes in, but it's £20 million and some additional equity, but if you could just help us model that?

And then the last question is on market share in advanced refractories and flow control. It feels like most regions are seeing market share gain. If you could just give us a bit more detail on what you're seeing there, that would be great. Thank you.

Patrick André:

Thank you, Andrew. So in terms of impact, of course, it's difficult to model. But order of magnitude, an increase of 10 to 15 million tons of production in Europe would simply, in terms of direct impact, increase our trading profit by a little bit over £5 million. At the same time, this is only the direct impact because when producers produce closer to their full capacity at high utilization rates, the reliability performance of flow control products in particular becomes even more important than usual. So, people, customers want to minimize the incident, so they give priority even more than usual to the quality and performance of the product. So this indirect impact would probably amplify the positive direct impact of this. So £5 millionish is probably an underestimation of the positive impact of a higher level of production in the EU would



have a lower trading profit. On the second question, I will let Mark answer. I will get back to the third one on market share.

Mark Collis:

Hi Andrew. So leverage this year. So x MMS, it's in the low 1.9s. And then with MMS on a pro forma basis, it's just slightly above 1.92, 1.93 with the pro forma benefit MMS. And if you did it on a raw basis, you're broadly at 2 with MMS.

If you don't take into account the, trading earnings that you get, because the acquisition obviously will take place, if we're fingers crossed, tomorrow, So, and what that basically assumes is a further reduction in working capital where we are from today, which we're confident on, and the level of profit obviously that we've effectively guided to. So, I think we're fairly comfortable with a raw leverage of 2 and a pro forma leverage of just a tad over 1.9. For next year, we're obviously not giving guidance, but I think what we can say is that we would expect to make further progress in working capital. The CapEx is now solidly down at the kind of £70 million mark, so somewhere between £65 and £75 million as CapEx. I think we're comfortable with that now. We're definitely seeing the end of the CapEx project. And the profit, I think broadly in line with consensus, if you take all of those things for next year, I'd be thinking about 1.5, 1.6 would be my gut-filled today.

Andrew Douglas:

Very kind. Thank you.

Patrick André:

And on your last question, Andrew, regarding the market share. Generally speaking, the steel division as a whole have been gaining market share in both regions. Advanced refractory has been regaining some market share. You remember, over the past two, three years, we had lost some market share in both North America and Europe. We are now regaining some of this market share, but our objective in advanced refractory is not that much to gain a lot of market share. We are regaining a bit as a factual, but it's mostly what we had lost over the past two years, And our objective in advanced refractory is profitability improvement, not that much gaining market share. We have no intention of growing excessively at the expense of profitability in advanced refractory.

In flow control, we are continuing to grow, which is slowly but surely, on average, everywhere. It will be also the case this year with some differences between regions. We'll probably lose a little bit of market share in North America this year, mostly because of the closure of three plants of Cleveland-Cliff, where we had close to 100% market share, so there is a mechanical product mix impact there. But on average worldwide, we will continue to gain market share; that's the case in Asia, that's the case in Europe, and in South America. So, we have some years which are more stronger than others, but on average, we continue to gain market share and flow control because there is clearly one of our objectives.



Andrew Douglas: That's very kind. Thank you, guys.

Operator: The next question comes from the line of Stephan Klepp of BNP Paribas. Your line is now open.

Stephan Klepp: Hi, good morning. It's Stephan from BNP Paribas. I would like to talk about your improvement in Europe, what you have been flagging to. So how quick... if European steel production is improving, how quick would we see that in your numbers?

And related to that, with the production having been so muted in Europe, where are the inventory levels of your clients with regard to refractories? Are they low? Are they high? Is there a restocking need?

The second question then would be your networking capital. I mean, Mark, you said it's going to further progress in 2026, but if markets are starting in Europe to pick up again, is it really reasonable to assume that networking capital can be further reduced?

Patrick André: First, inventories are low. Today, inventories of more or less everything are low in Europe, be it inventories of refractories or refractories of steel. There is clearly no excess inventory anywhere, neither in steel nor in refractories. What it means is that the day markets improve, you will probably have a double impact, not only the positive impact of improved end demand. But also some type of restocking at some points, to which will, as always, in this cycle, amplify the move. But for the time being, the level of inventories are quite low, as we know, as we have no indication whatsoever, that is to the contrary.

How quick could that be? I think it's important to find the right balance. I think there are clear positive signs, but based on experience, considering the time needed for the European Union to transform a project into a decision on the ground, and there will be, in line with most external observers, it's probably around mid-2026 that we will start to see the real impact on the ground. 9 to 12 months from now, but it's not far away. And all signs are that there is strong support for these measures from the member states and the parliament. So we reasonably expect that we should see a positive impact as from the second half of '26. But of course, the biggest impact would be in '27. So full-year impact should be in 2027. On the working capital, I'll hand it over to Mark.

Mark Collis: Yes. Hi Stephan. So I think what progress in working capital means for us is the reduction in intensity. So we're still sticking by our capital markets day target, which says that we'll gradually move from where we started in '23 at about 24.5% down to a long-term permanent percentage of 21%. Now, this year, we're not going to get down to... we're actually going to go up slightly, partly due to PiroMet and partly due to the way the time, the way the year's played out. So we'll probably be around 23.5%, although we will reverse the absolute level of working capital that we had at a half year



quite significantly by the end of the year, which is obviously going to help leverage. So, the progress that I refer to really is ongoing improvements in the intensity. Obviously, then, the absolute level of working capital, as you know, is a feature of the level of revenue. So, I guess when I say it will help our leverage, it will make it better than it could otherwise be if we didn't have that intensity target.

Stephan Klepp: No, perfect. Understood. Thank you so much, guys.

Operator: Your next question comes from the line of Harry Phillips of Peel Hunt. Your line is now open.

Harry Phillips: Good morning, everyone. A couple of questions, please. Just on the foundry sort of temporary issues, if you could just elaborate on that a little more as to what they are? Just the certainty with which you have around them being temporary.

And then secondly, just thinking about recovery, and I know you've talked through drop through rates before, but just clearly with such lean cost bases and sort of prolonged action on the cost base, there must be a tipping point at which you get very good initial drop through, and then there's a point in time where you have to put some sort of infrastructure back in to facilitate that continued growth. So just some thoughts around that would be very helpful, please.

Patrick André: Thank you, Harry. On your first point, it's relatively simple. Some products which were previously produced in one of the plants that we closed at the beginning of the year are now produced, manufactured in different plants. And those plants have quality issues to manufacture these products. So this translates into... this has translated over the past few months in an abnormally high reject rate because we have quality walls, so we don't send... we send only good products to our customers. So due to this necessary quality wall to protect our customers, we've had a reject rate in those plants significantly higher normal and what we used to have before. We are now correcting and fine-tuning the manufacturing process in those receiving plants to bring these reject rates lower. We are on good track to do that. We believe that we will be back to a normal production process and normal quality performance and reject rates by the end of the year. This is what we feel that this should not be a repeat for the year 2026.

On the drop through, we are quite positive about the drop through and the limits that you mentioned in your question. In fact, it's very far away because we have been automating a lot of our plants, reducing fixed costs, and we have free capacity available in all places which are susceptible to growth. We just finished a new capacity investment in both flow control and advanced refractory in India, so we are fully equipped to face the growth of India going forward. We have capacity available despite the restructuring in Europe, so we are fully equipped to ramp up our production in Europe when it will be necessary. We have been debottlenecking over the past 18



months of production capacities in North America, in the U.S., and in Mexico. So we are also fully equipped without needing any kind of incremental fixed cost or whatever to face positively the coming increase in steel production or in casting production in North America.

So everywhere we are in very good battle order to benefit from the growth of our market when this will materialize. And the threshold above which we will need to add significant fixed cost is quite far away, in fact. The first one, and it's not even significant because the first place where we will need to invest a bit more will be in India, despite the fact that we just recently invested there because we are growing rapidly. And we are already starting the engineering studies for a further expansion of our Kolkata plant in India.

But we are talking very small number, less than £5 million, for the further bottlenecking of our Kolkata plants. So in fact, we are very, very well positioned in terms of fixed costs to face the growth of our market, not only for the next two years, but for the next five to ten years.

Harry Phillips:

That's excellent. Thanks very much indeed.

Operator:

Again, if you'd like to ask a question, please press star followed by one on your telephone keypad. That's star followed by one on your telephone keypad. We will pause for a moment to assemble the queue.

There are no further questions on the conference line. I will now hand over to the management for closing remarks.

Patrick André:

Thank you very much to all of you for taking the call today and for your questions. We remain, as usual, at your disposal, and we hope to see you all at our full-year results on the 12th of March 2026. Thank you very much, and have a nice day.