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FULL YEAR 2025 VESUVIUS PLC EARNINGS CALL

EVENT DATE/TIME: March 12, 2026 / 9:00AM UTC

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- **Patrick Andre** *Vesuvius plc - Chief Executive Officer, Executive Director*
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- **Andrew Douglas** *Jefferies - Analyst*
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PRESENTATION

Patrick Andre *Vesuvius plc - Chief Executive Officer, Executive Director*

2025 results presentation. My name is Patrick Andre. I'm the chief executive of Vivis, and to my left with me this morning is Mark Collis, our Chief Financial Officer.

I will start with some updates on our performance during the year. Then Mark will give you some more details on our financials. I will conclude at the end of the meeting with some perspectives on the year 2026 and beyond before opening the floor for questions.

Our performance for the full year was in line with expectations. Our revenues slightly increased by 0.7% on a like for like basis with a limited headline price increase and market share gains compensating market declines in both steel and foundry.

Our trading profit, however, declined 17% on a like for like basis as compared with last year as the return to a positive net pricing performance in the second half of the year and the successful implementation of our cost cutting program could not fully compensate for the negative net pricing and mixed impact experienced during the first half of the year.

Our return on sales decreased by 170 basis points as compared with last year on a like for like basis. As expected the completion of our capital investment program, the acquisitions of Piromet and MMS the completion of our second share buyback program increased slightly our net debt to a BDR ratio to 2 on a pro forma basis as compared with last year.

Our leverage, however, remains within our target range and is expected to decrease significantly this year with the end of those one-off cash outflows and the improvement of our trading profits. This made the board confident to propose a final dividend for the year of 16.5p per share, bringing the total dividend for the year to 23.6p per share, representing an increase of 0.4% as compared with last year.

Both the steel and the foundry markets were challenging in 2025, particularly in the EU plus UK accounted for 80% of the consolidated decline in the group's trading profit last year, meaning the rest of the world declined by only 20%.

In steel, global production volumes declined 1.9%, mostly driven by China. However, our steel division was able to compensate this decline with overall market share gains supported in particular by a strong performance in Asia, not only in India, but also in China.

Also very important, the steel division was able to re-establish a clearly positive net pricing performance in the second half of the year. This positive pricing performance is expected to be maintained in 2026. The foundry markets also declined in 2025, but we were able to partially compensate this with significant market share gains in all regions.

Net pricing in Foundry also improved significantly during the second half of the year, even if it remained very slightly negative. Our groupwide cost savings program delivered above expectations with GBP17.8 million in-year savings and an exit run rate at the end of the year of GBP37.4 million, keeping us firmly in line to deliver on our target of GBP55 million recurring savings by 2028.

We maintain our research and development, investment, and focus despite the market difficulties. We were able to further increase our new product sales ratio in 2025 with the introduction of 24 new products during the year.

The completion in 2025 of our capacity expansion program will not only benefit our free cash flow generation going forward but also positions us very well for the future recovery expected in our markets. And last important point, the integration of our newly acquired businesses MMS and Piromet is proceeding very well, with already a significantly positive impact on our results expected in 2026.

Let's now have a look in more details at the performance of our steel division. If we start with the steel market. You can see on this slide how the steel production evolved during the year. The size of the bubbles as usual is proportional to the sales of our own steel division in each of those regions.

The steel pollution worldwide declined by 1.9%, driven by a very significant 4.4% decline in China. However, And despite a further increase of steel exports from China, steel production outside of China. Actually increased by 1.3% as steel demand outside of China is progressively gaining momentum.

This steel production growth outside of China is for the time being mostly concentrated in India and Southeast Asia. Steel production growth in North America last year remained limited as growth in the US was mostly compensated by declines in Mexico and Canada.

And steel production in the UK and the EU actually declined by 3.5% during the year. However, we now expect the dynamism of steel production outside of China to progressively expand beyond India and Southeast Asia as positive structural changes are underway in the steel market.

First, new European Union regulations are being introduced which should have a very positive impact on steel production in the EU. The carbon border adjustment mechanism introduced the beginning of this year will progressively increase CO2 costs for steel importers in the EU, eliminating the current cost disadvantage of domestic producers.

But even more important, The EU has introduced a draft legislation to implement as from this year a quota system for all steel imports into the EU, not only from China, with quotas fixed at a significantly lower level than current imports.

Considering the strong support enjoyed by this draft legislation both with the member states and with the parliament, this new quota system is expected to be effective by the end of summer this year. Second, we expect Chinese steel exports to progressively reduce or at worst stabilize.

Around 90 new protection measures against unfair steel imports have been introduced in 2025, and new ones are being planned in 2020. These measures are being introduced not only by advanced economies as the EU or the US, but also by many and more and more emerging economies. In effect, doors are progressively closing to Chinese steel exports.

In parallel, the Chinese government is taking action to curtail excess production and capacities. A new export license regime for steel has recently been introduced by the Chinese authorities. This year, as from January 1. Controls of export taxes payments have been reinforced, and rules to approve new capacities and promote the retirement of obsolete capacities have been tightened.

Due to these structural changes, we expect positive development in the steel markets outside of China, with the year 2026 expected to be a transition year to accelerated recovery as from 2027. In 2025, each of the flow control and advanced refractories business units gained market share overall thanks to a very good performance in Asia.

The strong performance in Asia was achieved not only in India, where we benefited from the global market growth, but also. In China, Where we increased our volumes by 3.7% in a declining market thanks to our technology leadership. The division also gained market share in thanks to good performance in the EU plus UK.

However, the division experienced a limited and temporary erosion of market share in the Americas, mostly due to one-off events with the closure or strong reduction of activity of some plants where we had a very high market share in Canada and the US and continued customer destocking in Argentina.

To be noted As you can see there that as a result of our diversification efforts over the past years, the steel division now sells more in each of Asia and the Americas than in India. It was completely different a few years ago.

The steel divisions revenue grew slightly last year with stable volumes and a modest positive headline pricing. This positive headline pricing and a good delivery of our cost savings program were not sufficient, however, to compensate for the negative net pricing and mixed experience during the first half, especially in India.

As well as some one-off operational issues in North America. As a result, the division's trading profit declined 18.3% on a like for like basis, with accounting for close to three quarters of this decline. Again, being the main issue, the rest of the world doing relatively well.

The division's performance improved in the second half as positive net pricing was clearly reestablished, and this positive net pricing again is fully expected to be maintained in 2026. Operational issues in North America are being resolved and are now mostly over, paving the way for the expected ramp up of our production in this America's region later this year.

The negative mixed effect in anemia is also now stabilized and is expected to reverse progressively when production and steel capacity utilization will improve in the anemia region. Our global cost savings program will also continue to deliver in 2026 and will impact positively the result of the division. For all these reasons, we expect the division's results to improve as from this year.

Let's now turn to the foundry division. As you can see on this slide, foundry markets remain challenging in 2025 in all regions, with a very important exception, Asia, with India and China doing quite well. The decline was particularly important in the EU plus UK and South America. Which together represented 40% of the division sales last year.

Europe continued to experience a deindustrialization trend, and South America was impacted by an increase in Chinese casting imports. India and China's market, now representing together around 22% of our sales, performed very well. This was not sufficient, however, to compensate the weakness in Europe and South America due to our geographic mix.

We made good progress during the year in our strategy to increase our exposure to the faster growing non-ferrous market and to decrease our exposure to the EU plus UK market. Regarding non-ferrous. To which we now dedicate more than 50% of our research and development efforts in the Foundry division.

We could complete in November the acquisition of the Molten Metal Systems division of Morgan exclusively focused on the non-ferrous markets. Thanks to this acquisition, which now positions Vesuvius as the world leader in the robs market, the percentage of orphan resales in non-ferrous is expected to reach 27% in 2026 as compared with 21% in 2025.

And this acquisition will also positively impact the Foundry division's results as from this year thanks to significant cost and revenue synergies. In parallel, we are accelerating even further our development in India and in China with our sales in those countries growing by 20% and 7% respectively in 2025, and we expect this strong growth to continue going forward.

As a result, the foundry division's exposure to EU plus UK is decreasing progressively. And reached 32% in 2025 as compared with 37% 5 years ago. It is expected to decline further in 2026 and in the future. Despite market share gains in all regions and a strong performance in India and China, revenues of the Foundry divisions declined 1.5% last year on a like for like basis.

Trading profit declined 11.2% also on a like for like basis. India and South America accounted for more than 100% of this trading profit decline, meaning our trading profits in the rest of the world actually increased in 2025. The division also registered very good progress in its cost savings program during the year, and this is expected to continue in 2026.

The full year integration of MMS and associated synergies will also positively impact the division in 2026. As a result, We are expecting a significant improvement in the Foundry division's results this year in 2026. We maintained in 2025 our industry leading investment in research and development at around 2% of our sales despite the difficult market conditions. This R&D spend, as is fully expensed in RPNL.

This allowed us to increase again our new product sales ratio during the year, defined as the percentage of our sales realized with products which didn't exist five years ago. We could launch 24 such new products in 2025, reinforcing our technology leadership in the market.

Thanks to the productivity of our R&D organization, we maintain a full pipeline of new products to be progressively introduced this year and in the following years. We also continue to experience success in the rollout of our robotics and mechatronic solutions.

Those robotics and mechatronic solutions improve the safety, the productivity, and the quality. Or for customers operations. They also drive recurring sales of consumables refractories through long-term contracts.

We are now combining those robotics and mechatronic solutions with our laser scanning technology and AI to help our customers optimize their refractory usage and their steel yield. We are also strengthening our partnerships with the main steel manufacturing

OEMs.

To embed our proprietary technology into upcoming new greenfield plants, driving market share growth. Our safety performance remained strong and industry leading in 2025 despite the negative impact of our Turkish acquisition, which we are now fully aligning to the Vesuvius Group safety standards.

The safety of our employees and of our customers employees remains the number one priority of, and our ultimate objective is to become a zero accident company. We also achieved good progress in our sustainability agenda with a 31% reduction of our CO2 intensity as compared with our base year 2019.

This far exceeds the targets that we have set ourselves in 2019 of a 20% reduction by 2025. This was achieved through a combination of improved energy efficiency in all our plants and the gradual shifting away from CO2 emitting energy sources in favor of non-emitting ones. We have now set ourselves a new intermediary target in our journey to net zero with an objective of 50% reduction by 2035.

And I will now hand over to Mark, who will give you more information on our financials in 2025.

Mark Collis *Vesuvius plc - Chief Financial Officer, Executive Director*

Thank you Patrick, and good morning everyone.

Starting with the revenue bridge, my key message that we have once again grown our market share in what have been challenging end markets. Increasing and maintaining market share ensures we are well positioned when growth returns to our end markets.

Now looking at the bridge, revenue in 2024 was GBP1.82 billion, and after adjusting for the stronger pound, our restated underlying revenue would be GBP1.775 billion. You will note the volume impact is relatively small at GBP4.2 million, but this masks a revenue increase from market share gains of 1.6%, offset by a market decline on a weighted average basis of around 0.8%. This weakness was driven mainly in the European Union, where steel markets declined by 4% and foundry markets declined by 5%. This contrast with India, where steel and foundry markets grew between 5% and 10% and with other regions which were broadly stable.

Looking at the price component, you will see an increase, but as always, we explained it is only relevant to look at net pricing as we aim to adjust our selling prices for changes in raw materials and other costs. I will therefore cover the pricing impact when talking you through the trade in profit bridge.

You will see the benefit of our two acquisitions which have had an in-year revenue impact of GBP22.5 million. Piromet, which serves our steel customers in the faster growing Mina region, was acquired on the March 1. An [MS] which serves our faster growing non-ferrousus Foundry customers, which was acquired in mid-November.

The annualized revenues of these acquisitions would be GBP57.9 million if they had been in place for the full year. To summarize then, on a like for like basis, which excludes the benefit of acquisitions and the impact of ForEx, our revenue increased by 0.6%, despite a 0.8% reduction in our Foundry and steel and markets.

And now turning to trade in profit. You can see this has been a very challenging year, but one should look beyond 2025 and consider what this might mean for the years ahead. Firstly, it is predominantly a challenge for the EMEA markets, accounting for 80% of the trading profit reduction, and secondly, we are well ahead of our cost restructuring target.

As Patrick has outlined, the environment in Europe is going to change, and an optimized cost base will serve us well when growth returns. Now focusing on the bridge, starting on the left, the four-year currency impact was a headwind of GBP9.7 million. An adjustment to this gives a trading profit of GBP178.3 million and a Raise of 10%. The volume and mixed delta is due to two factors.

Firstly, the decline in the European market for both steel and foundry as mentioned earlier. Secondly, and linked to this, in the steel division we have experienced the trading down to lower margin products, which is a feature of customers operating plants at lower capacity. At a lower capacity, the products they use do not need to be as durable and therefore they utilize less expensive products given the shorter still sequences.

It's important to know that we did not see a worsening of mix in the second half and perhaps more importantly, we could expect to see both volume and mix improve once plant utilization in Europe increases. This should occur with the introduction of EU trade protection measures later this year.

Pricing was an important topic in H1, and you may remember we experienced net negative pricing performance for the first time in a few years. In H1 we did not decrease price, but we were unable to fully offset the cost inflation that we experienced in EMEA and in China.

The good news is that we delivered on our promise to rectify this and we were able to re-establish our position of covering all costs and achieve a small surplus in the second half. We expect to achieve net positive pricing performance in '26 and we'll be carefully managing costs and price to enable this.

The other positive is the performance achieved in our cost reduction program. Here we have delivered GBP17.8 million of permanently lower costs, taking the total to over GBP30 million since 2024. Meaning that we have delivered on our original target one year ahead of plan.

As well as the benefit of Piromet and MMS on the bridge, you'll note we have had the impact of some production inefficiencies and the benefit of reduced management incentives. The latter is due to the lower level of trading profit. The production inefficiencies relate to two main areas.

Firstly, some unforeseen challenges that we experienced on our site rationalization program. An example would be where we shifted foundry activities from Germany and experienced both a productivity and some quality issues.

Secondly, we decided to increase our production capacity in the US and in Mexico to benefit from increased steel production, as well as mitigate the impact of tariffs. These impacts are one-off in nature and will not repeat in 2026.

Finally, within the other bucket, there were net positive one-offs in 2024, including commercial settlements and insurance recoveries which did not repeat to the same extent in 2025. So to quickly summarize, it's been a difficult year, but we have adapted well, but more importantly positioned ourselves for a recovery in the not too distant future.

Looking at the income statement, I've already covered the trading elements, so I'll address finance costs and minority interests. The finance costs, there is a slight increase reflecting the higher leverage following our capacity investments, acquisitions and share buyback program.

Within the net interest charge, we also benefit from the reversal of accrued interest following a successful resolution of a tax matter. This had a benefit of one-off, to interest net costs of GBP2.5 million. As a reminder, our technical guidance notes within these slides include some, amongst other things, an estimate of the interest charged for '26.

By minority interest, the charge is somewhat complicated. It reflects stable trading profit from our Indian businesses, with the profit being held back by the new capacity bought on stream, and of course, the impact of the MMS acquisition where we acquired 75% of MMS and used the equity of [Viseco] India, which reduced our ownership.

Given the complexity this year, we have provided guidance within the minority for the minority interests in the technical section. Our four year headline EPS was 34.2%, which was down 17.7% on a like for like basis, reflecting the lower trading profit but also benefiting from the lower number of shares.

And finally, turning to the dividend, the board has approved a small increase of 0.4% to 23.6p per share for the full year, reflecting both a degree of cautiousness given the current political climate, but also the faith we have in our business model and the medium-term outlook for steed and foundry markets. While we are making slower progress on working capital than we would like, we maintain our objective to reduce our working capital intensity to 21%.

At the end of the year we saw the unwind of the seasonal impact of H1, but also overcame challenges in the first half to maintain a respectable position of 23.4%. It should be noted that this measure is on a 12 month rolled in average basis and as such, we encourage our business to manage working capital all year round and not just at the half year and the full year.

Our working capital position is reasonable, especially given that we have a strong position in flow control. Where our business model means we hold a level of inventory at customer locations. That said, we will continue to focus on this area. Not just because of the benefit to our cash flow, but because it's about building our operational discipline, and I believe we will see other benefits as we strive towards this target.

As a reminder, Vesuvius generates strong and consistent cash flows, and in the last 3 years, that has enabled us to fund GBP100 million worth of additional capacity investments, complete two acquisitions, and fund GBP100 million of share buybacks, all with a moderate increase in leverage.

Our cash flow conversion has improved slightly from 69% to 75%, but we should see a marked improvement in 26% and further improvements in the years ahead. Our CapEx is now coming down as guided, a reduction of GBP15 million from '24 to '25, and it will come down to between GBP70 million and GBP75 million in '26, as previously stated.

And we are targeting further reductions in working capital. As you can see from the bridge, we maintained our absolute level of trade working capital. There have been some outflows of other working capital. But this is mainly due to two factors.

Firstly, the year-over-year reduction in incentive accruals of around GBP4 million due to decline in training profit, and secondly, delays in the recovery of VAT in Mexico and Brazil. Also around GBP4 million. We would expect both of these areas to be positive in 2026.

So turning to the net debt and leverage. Oops, sorry wait a minute. So turning to net debt and leverage, both have seen an increase in the period. And were mainly due to the completion of our second share buyback program, where we deployed GBP35 million in the year and the acquisition of Piromet and MMS.

Combining the above with our free cash flow for the year and the maintenance of our progressive dividend. Our net debt now sits at GBP452 million, with performer leverage at 2 times. This is at the top end of our preferred range of 1 times to 2 times.

As previously mentioned, CapEx will come down, and notwithstanding the current uncertainties, we expect our trading profit to increase in 2026 and therefore we'll start to see leverage reduced towards the second half of the year.

Before I hand back to Patrick, I would like to give you an update on our cost reduction program.

Firstly, we are making good progress. As already mentioned, we have delivered almost GBP18 million of in-year savings, well ahead of what we guided to at the start of the year. Savings under this program in the last 2 years are over GBP30 million which means we are 1 year ahead of our original plan.

Unfortunately these savings have been offset by market declines, but the important point is they are structural and permanent and will not reverse when market activity picks up. So why are we confident the savings are permanent and what do they represent?

Under plant footprint optimization, we have trimmed our footprint, either reducing or closing some of our smaller, less efficient plants. This exercise saw us taking action in Belgium, Italy, Turkey, South Africa, Malaysia, and in the US.

Under automation in 2025, we completed projects costing $3 million in a year, which have resulted in a headcount reduction of around 90 people. There are more projects in progress and we expect to complete one of our biggest in 206, which is the major automated central warehouse, our flagship plant in Skvina, Poland.

Under OpEx we are particularly focused on Europe. Reducing both our sales overhead in our foundry organization and our finance organization, the latter being the direct benefit from the implementation of our ERP rollout program.

You'll note that we are now targeting at least GBP55 million of cash cost savings by '28, which means we have a further GBP25 million to achieve over the next three years. For now we are guiding to GBP10 million, but based on previous performance, we may do better as we progress through the year.

The GBP10 million will include the full year benefit of the savings made through 2025 and of course new initiatives we will launch in 2026. Our plan for the next 3 years consists of fully identified projects and therefore we approach '26 with a solid pipeline and feel confident in our ability to deliver.

So with that, thank you, and now back to Patrick for the outlook and the closing remarks.

Patrick Andre *Vesuvius plc - Chief Executive Officer, Executive Director*

Thank you, Mark.

The impact of the recent events in the Middle East remains obviously difficult to assess, but at this stage, we still anticipate that 2026 will mark a transition to recovery in the steel and Foundry markets, with in particular the impact of trade protection measures in steel starting to have a meaningful impact on our steel markets as from the latter part of the year.

In 2026, our performance will benefit from the continued execution of our cost reduction program, from the full year contribution of our recent acquisitions, and from some modest volume growth. On this basis, We expect our cash flow to grow in 2026 both from improved trading profits and from investment CapEx returning to a normalized level, both of which will also reduce leverage.

Whilst we are mindful of the current geopolitical uncertainty, Absent an extended disruption, we continue to expect to deliver profit growth in 2026 in line with expectations on a constant currency basis. In the medium term, we continue to target a return on sale of 12.5%. Also, delivery, along with our free cash flow target has been held back by the extended weakness in our markets.

However, With the prospect of more favorable market conditions as from 2027 and the support of our ongoing self-help measures, we still believe that our business model has the potential to reach a return on sales targets and to generate significant free cash flow.

Thank you very much for your attention. I now propose to open the floor for questions.

QUESTIONS AND ANSWERS

Unidentified Participant

(inaudible - microphone inaccessible) please, just in terms of the, situation in India, just trying to get the comment around obviously FIL percentage declining, but just in terms of the underlying performance in in in India, how are you doing notwithstanding that minority line, are you making progress or not, and then how much sort of capacity utilization are you currently utilizing and how much more scope have you got there, secondly, just on the MMS synergies, just thinking about how they might sort of come through.

This year and next and then lastly just a couple of the sort of operational issues you alluded to, we we should expect those to be corrected in the current year and then alongside that more sort of in terms of sort of compensation accrual or whatever the correct phrase is these days, just how should we think about those as a headwind in the current year, given a level of profitability.

Patrick Andre *Vesuvius plc - Chief Executive Officer, Executive Director*

Thank you. Regarding India, to cut a long story short, our businesses are performing very well in India, both Foundry and Steel. By the way, you have, we operate through two listed subsidiaries in India, so it's very transparent. You can have direct access on the internet. To the results of our Indian subsidiaries separated between Steel and Foundry because these are two different entities and you will see that our entities are doing very well, a good level of profitability.

It's not only top-line. We are doing very well in profitability in India and we intend to continue to do well in India because we are not in a commoditized. Of the Indian market, we are in the value-added part of the Indian Indian market. We are growing through technology, so we are going with good margins and with good profitability, and we see no specific end in sight for this successful business model. Where are we in terms of capacity? You know that we have recently invested in new capacity in India at the pace at which we are progressing.

Which is good news. I think that we should be able to fill the new capacity that we have recently invested in India in flow control by 2028 to 2029 and in advanced refractory, I would say 2029, '30 or something like that. And so we are already studying, which is again a very good news because it's an illustration of our success in India, the possibility to increase production in flow control in particular further beyond what we already invested a couple of years ago.

The good news is that we can do that at very limited cap. With one or around GBP5 million CapEx, we can increase very significantly in the row field expansion of flow control capacity in India to give us headroom beyond 2,829, so we don't see any obstacle, including no CapEx hurdle or the CapEx wall or whatever hurdle to our expansion in India.

Regarding to remind a few figures, when we acquired it's GBP8 million business on a yearly basis. We were planning to generate 50% of that for GBP4 million synergies. Our latest estimates are higher than that, so we We believe that we will deliver more than GBP4 million synergies through the integration of and the timing of delivery is 24 months.

It's between now and the end of '27, with already this year some synergies being delivered, mostly in which is the quickest to implement, and the manufacturing synergies will be delivered progressively between now and the end of 2027 to reach a final number which we are confident today will be above the GBP4 million that we took into account at the time of the acquisition.

The operational issues are now mostly behind us, so our team has been doing a good job, is continuing to do a good job, and those operational issues are mostly behind us, but I know if you want to add something, Mark.

Mark Collis *Vesuvius plc - Chief Financial Officer, Executive Director*

I mean, yeah, we touched on it, so the foundry issue is probably around GBP2.5 million, which is really just from the transferring of production from higher cost countries like Germany. So in line with our strategy. But clearly when you do a lot of rationalization in one year you have the occasional hiccup and that's really what we experienced, but, as Patrick said, well behind us now.

And the the ramp up in the US and Mexico is very much a tactical because you've seen obviously steel production go up in the US, and equally, it just gives us further protection against tariffs. So we've basically meant that we import less from Europe which where obviously there's still some tariff challenges between Europe and the US.

And just on the, did you want me to just touch on the other points that you raised, so. First, in the minority interest, recognize that those are in INR. So when the rupee strength when the rupee weakens, that has an impact in terms of the overall minority interest charge. And to your point on incentives, so obviously this is the second tough year, so you'd expect management incentives to come down.

So the reduction this year from '24 into '25 is GBP4 million. The headwind, assuming that we achieve our target, which effectively is close to consensus, would be about GBP9 million. All of that's reflected in our keeping guidance in line with consensus.

Andrew Douglas *Jefferies - Analyst*

Good morning gentlemen, it's Andrew Douglas from Jefferies. Three questions please.

Can you talk about the, speed in which you can ramp up, if we get through all the nonsense in the Middle East over the next few weeks, months, we've got a potentially very attractive, improvement in the second half of '26 into '27. Can you talk about your customer ramp up and your ramp up and how long that may take?

My understanding is it's roughly 3 months, but saying that, I just sit in an office in London, so I don't really know. And the second thing is, you're kind of broadly assuming 1%, volume growth in your, guidance, for this year. Can you just let us know, was that higher 2 weeks ago, 3 weeks ago, before we had the Middle East, challenges?

I'm just trying to figure out the 1%. Whether that's a prudent number or whether there's a bit more behind that, and then, last but by no means least, and Harry's just stole my thunder, can you remind us, the market share losses in America, you said that they were one-off, have they unwound, or is it just that they don't.

Thank you.

Patrick Andre *Vesuvius plc - Chief Executive Officer, Executive Director*

So still ramp up in Europe in particular, we are very flexible, so we have invested significantly in our operations over the years and now we have a strong Flexibility to ramp up our operations simply by adding more shifts in our operations. We are preparing to do that, by the way, already as we speak, and we have organized our operations in a way that around one month we can significantly ramp up our activities and our level of production in the EU, when EU steel production will start to recover.

So our operations are much more flexible than they used to be because we have been organizing the management of our employees in a way to keep the competence needed by developing the (inaudible) balance of our employees and what would have taken us 4- or 6-months a few years ago can now be done in 1 month in terms of ramp ramp up possibilities. So it's a good advantage that we have in Europe.

The 1% volume growth was not changed a few days ago following the gulf. It was a discussion that we had some months ago between ourselves what was a reasonable assumption. One of the important points is when exactly during the year will the new trade measures in Europe become operational, and then you have different visions when some of our colleagues at [Euro fair] expected them to be effective from the July 1.

If they are right, then our 1% could be a little bit conservative. I can only agree, but we always take a little bit of caution on safety margins and we see more likely that this will be implemented from the latter part of the year. Mostly Q4 maybe more Q4 than Q3, so we decided to base our guidance on what you may consider as a conservative assumption, but I think that we see that as a normally cautious 1% volume growth assumption.

The market share loss in the Americas, these are mostly one-off. So you have on one hand some plants which have closed, or those ones are one-off which will not recur because they are closed. They will not reopen, most probably, but it's done. You have de-stocking in Argentina. This will reverse because the de-stocking in Argentina is good news because it means that our customers in Argentina had a habit of building huge stocks of refractories because they were never sure when they could get hard currency out of the country because we sell in hard currency.

In Argentina, so now that the economic situation is normalizing in a positive way in Argentina, customers there feel less of a need to have precaution precautionary stocks, so they have destocked, but now they are reaching a normal level, so we should have a positive. Impact in the course of 2026. Canada, where we have some very high market shares curtailing production, it's more of a geopolitical issue.

The ability of our Canadian customers to ramp back up production will be heavily dependent on the outcome of the renegotiation of US MCA which will take place, as this year, but all in all, we don't expect that it will be a recurring event. This very slight loss of market share in the Americas should not happen again in 2026 and beyond. We don't see that as likely.

Thomas Elgar *Deutsche Bank AG - Analyst*

I think it might be me next, Tom Elgar from Deutsch -- couple from me, can we just on the bridge, like cut it a different way I think we've obviously had the 25 color around the reduction in EMEA. If we think about the '26 year-on-year in EMEA, what are the assumptions there in terms of trading profit?

And then secondly, I mean, are there any pre-buying effects or influences that you are seeing or considering around the amount of legislation that is coming in, from CBAM. And in Europe as well, just potential for the market to move perhaps quicker or slower, any risks or opportunities around that from a customer perspective.

And then, thirdly, just on picking up on the robotics piece as well, you talk about the greenfield opportunities there are all the opportunities greenfield or the retrofit market in terms of getting into existing brownfield. I mean, obviously with the opportunity to have longer-term contracts and drive market share gains from the consumer's perspective, clearly. That should be a positive focus, so could you just remind us around how you're approaching that from a strategy perspective?

Patrick Andre *Vesuvius plc - Chief Executive Officer, Executive Director*

I will, I will let, Mark answer the first question. I will answer the two last ones. This legislation to these trade protection measures have been talked about for years, as you know. It has been a very long process, maturation, a very long maturation process. Our vision today is that the risk that those would not be implemented is very low. And all the events, the recent events of the world, rather increase the probability that they will be implemented even further.

Or maybe even that there will be new measures being introduced in the same direction over the coming years, for example, that the European Union will introduce quotas for steel. But one of the things which is now under discussion is if the European Union should not do like the US is doing, also looking at steel containing goods imports, so a washing machine or when we import a washing machine in the US today, you are being taxed based on the steel content of this washing machine.

It's not the case yet with this new legislation in the EU, but you already have talk about expanding the scope of these trading measures, not only to the import of steel, but to the import of steel containing goods in some respects aligning the playbook of the US. So the trend of legislation is clear, and I don't see anything in the current geopolitical event which would decrease the probability that it will be implemented. It's rather the other way around.

We are, we see more and more trade barriers, and especially in the steel sector. You know that the steel is not affected by the recent decision of the Supreme Court. The tariffs struck down by the Supreme Court are not the steel tariffs, which have a different legal foundation than the ones having been struck down by the Supreme Court. So tariffs still are clearly here to stay on a long-term basis, and we see that more and more in more and more countries worldwide. So in my opinion, relatively few uncertainty about this.

Your point about the mechatronics robotics, clearly we have. We are very interested and we have a strong focus on new projects, and I think the majority of new projects, new greenfield projects coming on stream, are using our technology, not 100%. We are aiming for 100%, but the majority of them are using our technology. We have a new plant which will start in Mexico soon with our technology. A new plant will start in Sweden with our technology.

We are in negotiations with new important greenfield projects also both in Europe and in the US with our technology. Green field we are doing well, but brownfield is obviously an area of focus. We have already a significant pipeline of brownfield products, and the fact, one of the differences for brownfield is that we need our customers to have a little bit of money to invest in their existing operations. And the fact that steel prices.

Even if steel prices do not have a direct impact on us, unfortunately sometimes, but we are influenced by steel volumes more than by steel prices. But the fact that steel prices are going up is improving the financial situation of our customers, so it gives them more leeway to invest in the modernization of their operations. We have seen our customers over the past 18 months up until the end of last year being for some of them relatively cash strapped.

And having to reduce their overall CapEx not only for robotics but generally speaking to reduce their CapEx. The fact that now the financial situation of the non-Chinese steel producers is improving for this brown field project is good news because we expect that it will give them more financial resources to implement what they have been thinking about for some time. And which they could not do up until now because of a lack of financial resources.

The first question.

Mark Collis *Vesuvius plc - Chief Financial Officer, Executive Director*

Yeah, so I think first of all, if you step back and just look at our kind of global assumptions, we're saying 1% volume plus maybe a little bit of price mixed benefit, but we're talking very small numbers in terms of our working assumptions. And we're assuming broadly price to cover cost inflation.

And that's for the group as a whole, which obviously includes the likes of India and the US where you see, so you can get a sense that we're taking quite a cautious view on Europe. So if I look at specifically at Europe.

Although we expect some benefit from the trade protection measures, we're not really factoring that in any great amount into our full year. And pricing obviously this year we suffered the hit in H1, we're assuming that we're going to just cover cost across the year, so we're not really taking any benefit from mix.

I think if we, if and when we start to see that progress through the year, then that would be the time for us to think a bit differently about Europe, but for now we just want to keep it at a sensible level and I think, behind that as Patrick is implied, we are cautious and I think for the last 2- or 3-years, obviously, everybody in the industrial world has tried to predict a second half recovery and we just don't want to be in that place where we try and predict it and it doesn't happen, so we just want to keep things at a sensible level.

Jonathan Hurn *Barclays Bank - Analyst*

Good good morning. Hi, it's Jonathan Hearne from Barclays. I have three questions as well, please. Firstly, can I just come back to this, capacity expansion you have in the business? Obviously that's completed, you're saying that's not going to get filled, probably for the next couple of years. Can you just give us a feel for the level of, overhead under absorption that's currently running in the business, there, please? That was the first one.

The second one was just on Foundry. Obviously the mix is changing geographically, and you've highlighted that. Can you just give us a rough feel for the profitability by regions, within Foundry? And then the third one, I suppose quite short-term, is just on freight rates and just where you are on that. Are you hedged? Is there going to be any impact coming through, in '26 from the, obviously the issues that we're having in the Middle East and the follow through from that.

Patrick Andre *Vesuvius plc - Chief Executive Officer, Executive Director*

Yeah. I will let Mark answer the first question.

We have invested in a new capacity, mostly in India. We had historical capacities in Europe which were not completely filled. We expect this to improve going forward. So we have available capacity in Europe which we expect will be gradually better and better utilized over the next couple of years. We have adapted in Europe the staffing of this capacity to limit the negative fixed cost absorption impact that you were mentioning.

And at the same time built in flexibility to add one shift, two shifts to our operations in a quick way when the market deserves. So we expect the negative fixed cost absorption even in Europe and still to be limited even this year and even more in the following years.

In Foundry we are doing the same thing. And we are also limiting the negative fixed rate absorption by adapting our staffing of the plants to the level of demand in India, in flow control, we already, we are going very fast in terms of growth. We already have no negative fixed cost absorption problem in flow control.

Our problem is more to add new capacity as rapidly as possible and in advanced repertory we just completed the investment last year. The commissioning was last year, so at the beginning we had some fixed cost absorption you cannot fill. Fortunately we don't fill all the. In 6 months.

Otherwise we would need to have the CapEx every 6 months, but I think that as from this year, as from '26, we will reach a good level of utilization of our new capacities also in advanced re-factories. So I don't expect significant fixed cost absorption issue this year, neither in India nor in Europe.

The profitability per region, so we are not giving specific number, but what is important is that we have no region where we are losing money. So otherwise we would not be in this region. We are not there for the top-line. We are there for profit. So there is no region where we are losing money in Foundry, this being said, there are regions which used to have a very high level of profit, which have now a significantly lower level of profit, mostly Europe, India, and South America.

So we have had a declining trend, still positive but declining trend of profits in India and South America over the past couple of years. And conversely, in the other regions in the rest of the world and in particular in Asia, we have a stable or growing trend of profit and as I mentioned during the presentation in the world outside of EMEA and South America, our profit increased in last year despite the difficult environment we are in the world which represents 60% of ourselves.

We increased profit on 60% of our sales, but we had a significant decline of profit on 40% of our sales, which are I and South America. So we are working simultaneously first to stem the decline and go back on the increasing trend in EMEA and South America, but also to accelerate even more the growth of our profit in the other 60%.

Which are by the way, representing 60% last year, but it will be more than 60% in '26 and more and more over time. We are trying to accelerate even more. You've seen that last year we grew 20% in India, 7% in China, so we are making a lot of efforts to grow in this other part of the world.

Mark Collis *Vesuvius plc - Chief Financial Officer, Executive Director*

And yeah, and so your question on absorption, so I mean the issue for us is clearly, is clearly Europe. And you can see if you think about the volume on the bridge of GBP30 million, 65% of that is Europe. We describe it as volume and mix, so there's parts of that is trading down and part of that is pure volume under absorption.

It's hard to get very precise on the split between the two, but, broadly speaking I would think it's roughly 50-50, would be how I would, how I'd portray it, so you could say the under absorption impact this year is around GBP10 million. Which obviously is the, is the, both the 10 of volume and the 10 of product mix are the things that you would like to see recover if if Europe picks up.

Jonathan Hurn *Barclays Bank - Analyst*

(inaudible) freight rates.

Mark Collis *Vesuvius plc - Chief Financial Officer, Executive Director*

Freight rates.

Jonathan Hurn *Barclays Bank - Analyst*

Freight rates in terms of any impact from that.

Patrick Andre *Vesuvius plc - Chief Executive Officer, Executive Director*

Freight rates we are monitoring on a daily basis as you can imagine because there is news every day, if not twice a day. For all freight rates will be a path through. We have no we we don't have any disruption. The only place where you have the highest risk of disruption is in India with gas, as you've read the news, the Indian government is putting everybody more or less under allocation for gas, including our customers.

So we'll see what will happen in the coming days and weeks, but freight, there is no sign of disruption. We have no problem of getting hold of the product we need. Simply red freights are increasing, but for us it will be a pass through. We will pass this. We are already passing this through the price of our finished product.

Unidentified Participant

(inaudible) JP Morgan. I've got two, I think. The first is just on the EU restrictions and quotas, obviously that's going to be a net positive for the group, but is there anywhere we should think about a bit of a headwind offsetting a little bit of that, I know China's a small part, but I'm thinking Southeast Asia, India, Turkey, where you might be benefiting from exporters currently, so just any views there on maybe the other side of that equation.

And then the second is just on, the Middle East. I think the direct impacts are clear, but just the indirect side, I mean. Do many of the European steel manufacturers relay on, sort of energy from there and and sort of, do you think there's some disruption risk there and then also just thinking about working capital as as well and sort of that focus on intensity, how do you balance that with maybe having to build some buffer stocks I guess if there is a bit of supply chain disruption.

Thank you.

Patrick Andre *Vesuvius plc - Chief Executive Officer, Executive Director*

It's a very good question, your question about the EU quotas. Even if China is not today a very important direct importer of steel into the EU, we believe that at the end of the day it's mostly China who will suffer if I may absorb this reduction in quotas, this installation of new quotas import in the EU, because those countries which are for the time being importing steel into the EU are themselves putting in place restrictions to import of other types of steel.

So at the end of the day, our most likely scenario is a scenario where the Increase of steel production in the EU or in North America. The main compensation will be a decrease of steel exports from China. You may have steel, by the way, that already at the beginning of the year you have a declining trend of steel exports from China, to be confirmed, you cannot extrapolate with two months, but you already have at the beginning of this year a change of trend in Chinese net steel exports.

So we don't expect significant headwinds elsewhere. The impact of the Middle East on the European steel difficult to predict, but one point blast furnaces not only in Europe but anywhere are not particularly influenced by what is happening in the Middle East because they are not using gas, they are not using electricity. They are even producing electricity for many of them.

So all the blast furnace based producers and the EU has still a lot of blast furnace-based producers, those ones have no reason to be particularly impacted. On the contrary, it may give them some advantage vis vis vis a vis some electric furnace producers. So the ones to watch are.

The electric [arc] furnace-based producers, depending on how electricity prices would be impacted or not that in Europe it's a very complex topic because the link between electricity prices and gas prices, there is a link even if. From a physical point of view, gas-based electricity generation is only a relatively small part of electricity production in the EU.

The way regulation will be applied and implemented will play a role, but there are no objective reasons why. There are no physical reasons why electricity prices should be dramatically impacted by the rise in gas prices only on a marginal basis, not on an average price basis.

And so seen from today, especially because the EU system is a quota system, it's not a tariff system, it's a quota system saying you cannot import more than x into the EU. We do not see as from today again to be revised in the coming months, but we do not see with information in our possession today why there will be a significant disruption in steel production in the EU unless the conflict in the Middle East will go to a completely different level. But based on what is happening today, we don't really see that.

Mark Collis *Vesuvius plc - Chief Financial Officer, Executive Director*

So on working capital, I think both of us feel that even today we still hold too much finished goods and too much raw materials. It's a constant [bugbear] to when you go around the plants, you always feel that they've got too much of the same thing.

So we're not seeing any drive to have that increase today. I think the only caveat would be if customers get nervous, particularly in Europe, and they want to have more flow control products on site, for us that would be a good investment in working capital if that's where the demand is, because that just gives us continuity of supply and makes us harder to swap out with other customers, so I still think that we have a high level of confidence we'll get the intensity down this year.

Mark Fielding *RBC Capital Markets Inc - Analyst*

Mark Fielding from RBC, can I firstly follow-up on working capital actually, just in terms of, as you said, not making quite the progress you hoped towards the 21% target at present, so when do you think you will get there, I suppose, just, what is the timeline and maybe just a bit more detail on what are the barriers so far.

And then secondly, quite a simple modeling question, which is in the GBP6 million profit benefit from acquisitions you've talked about for this year, does that include some of those synergies that we talked about, and if so, how much, within that.

And then thirdly, a slightly bigger picture question also tying to those sorts of re-affirmed longer-term targets. I mean, 12.5% margin, we're some way off that at present. What level of volume. And potentially price mix recovery does the business need to see, given that you have done better on the cost saving side than you thought.

Mark Collis *Vesuvius plc - Chief Financial Officer, Executive Director*

I do work in capital, so and synergies, so on the working capital. The challenges we are by design a decentralized organization with plant management and region RVPs being fully empowered to make all their decisions, and in terms of how to run the business, so what we, and our systems are not where they need to be, and we're getting there, but they're not quite where they need to be today.

So you, to get the number down requires you to be everywhere around the business to insist on better practices, we can't just flick a switch and suddenly have everyone start doing things in the way they should do, and that's the challenge, so the challenge is really having an SNAP system that is consistent for every single plant and region around the world which gives people stronger visibility on whether the right things are being produced and the right, reorder points are being used for raw materials, so it's a hard task.

And the systems need to come on board for us really to see the improvement, so I think we're still targeting 21% over the next couple of years, but it's hard yards to get, to get to that point. I think just on your point on the synergies, we've -- we are basically focused on OpEx savings this year for MS and the real savings which would be around the manufacturing footprint would take place in '27, so there's a small amount of synergy in the, in that GBP6 million number. And the bulk of the synergies will come through in '27, obviously we'll be working hard to try and get it ahead and do it in '26, but we're not factoring that into our guidance at this stage.

Patrick Andre *Vesuvius plc - Chief Executive Officer, Executive Director*

Regarding our long-term target, obviously this supports that there will be a recovery in our market, but again, what we see today really makes us believe that this recovery in our markets, in steel markets in particular outside of China, are on their way. So the structural elements are. Falling into place for this recovery and in the mid-term, in the coming few years when this new regulation will progressively produce its full effect that for example is gradually ramping up.

It introduced as from January this year, but the screw has been tightened year after year. The quota system. The fact that North America for the protection of the US may well extend at some point to North America. You have important new greenfield plant projects being planned in North America. You have one started in Mexico. You have Hyundai planning a new greenfield steel plant in Louisiana for 2029.

So all this goes in the direction of a reinforcement of steel production in two of these regions which are very important for us, North America and the EU plus UK. So this makes us again, we don't have a crystal ball. Many things can happen, but based on the market analysis and market data that we have today, this makes us reasonably confident that the conditions will be there in terms of volume, in terms of price, because the re-establishment of a positive net pricing is not a one-off.

It's more the negative net pricing of the first half which was a one-off, but we are back in normal territory of positive net pricing. Mix will come back, we believe, but first mix never went away in those regions. Where steel producers needed to operate at normal capacity, we had this mixed negative phenomenon, mostly in Europe, where because of the very difficult situation our customers had to operate well below capacity, so either the margin for errors or margin of inefficiencies in their plant now that they will be willing to operate closer to the nameplate capacity of their operations.

The value we use of our products, for most sophisticated products, becomes very significant, so we are quite confident that the negative mix impact will gradually reverse, especially in Europe. So all this, when you put that together in the medium term, this is why we continue to believe in the fact that we have the potential to achieve those targets.

Any further questions?

Thank you very much. If there is no further question, I would like to thank you for your attention today and wish you a very good day.

Thank you very much to all of you. Goodbye.

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