



Event Title: Vesuvius Plc- Spring Trading Update 2026

Date: May 28, 2026

Audio Duration: 00:25:47

Executives:

Patrick André - Chief Executive Officer

Mark Collis - Chief Financial Officer

Operator:

Good day, ladies and gentlemen, and welcome to the Vesuvius Plc - Spring 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 CEO of Vesuvius, and I'm joined this morning in the call by Mark Collis, our Chief Financial Officer.

So today, I will update you about our trading performance over the first four months of this year. Most important message is that steel markets are confirming their improvement and their positive momentum in the world outside of China, Russia, Iran, and Ukraine, with a growth of 2.5% over last year during the first quarter, accelerating to 2.9% at the end of April.

The Foundry markets, as far as they are concerned, remain more or less stable as compared with last year, with a positive situation in India and China, but markets remaining relatively soft in the rest of the world, with no sign for the time being of significant improvement. In this commercial background, we maintain successfully our priority on pricing discipline with positive pricing developments over the first few months of the year, both for the Steel and for the Foundry division, more than offsetting the evolution of cost base.

Our volumes were positively oriented in the Foundry division. In the Steel division, however, beginning of the year, our volumes were slightly lower than last year, mostly due to two reasons.



One is the fact that some important customers where we had 100% market share in North America closed around mid-last year, so the comparison H1 over H1 is, of course, slightly negative. And the second reason is that we had operational issues, internal operational issues in some of our operations, mostly in North America to a lesser extent in India, but mostly in North America beginning of this year. These internal operational issues have been corrected, understood, corrected and will not impact the rest of the year.

Our cost reduction program is successfully proceeding as planned. We still expect to deliver at least £10 million of recurring net cash savings in 2026, and our objective of a cumulative £55 million of net cash savings by 2028 remains completely on track and will probably be slightly exceeded.

The integration of the Morgan Crucible division, which we acquired end of last year, is proceeding very smoothly and successfully. We have started to generate significant synergies as planned, and we expect from today not only to achieve fully the synergies which we expected to deliver at the time of acquisition, but probably to slightly exceed those synergies.

We had good work on cash management and a good focus on cash management. Our leverage remains under control, as we speak, stable as compared with the end of last year. But considering the good work ongoing, we remain confident that the leverage will progressively decline during the second half of the year to an overall reduction this year as compared with last year.

Our revenue, up to date, is only slightly ahead of last year on a constant currency basis due to the operational issues that I mentioned earlier. However, even if we remain mindful of the Middle East conflict impact and despite the operational issues, which I mentioned, considering the confirmed positive trends in our market, and in particular in steel, our full-year expectation remains unchanged as compared with our previous guidance.

I now propose to open the floor for questions. So please, if you could proceed.

Operator:

If you have dialed in to the call and would like to ask a question, please signal by pressing star one. We'll pause for a moment to assemble the queue.

Your first question comes from the line of Stephan Klepp from BNP Paribas. Your line is open.

Stephan Klepp:

Yes, hi, good morning. Can we talk about your guidance again and about the issues that you had?

I mean, we talked about this this morning already, but can you talk about what really went wrong in terms of your internal value chain and the production, and will that not eat into the guidance, or can you make up for the loss of production or is it basically eating into your buffer that you had with the guidance anyhow?

Patrick André:

So our internal operational issues in North America were mostly related to quality issues of faulty raw materials, which was not detected early enough and impacted the production. Fortunately, our quality wall operated very well, so no customer was impacted. But the time to correct this faulty raw material issue to source other raw material, and to restart production correctly, we lost a significant percentage of the capacity for this particular product line, which is an important one for us in North America, for several months beginning of this year. So this resulted in a temporary but not recoverable loss of production capacity for some months, which prevented us from delivering all of the demand which was addressed to us. Some of our customers could postpone the delivery, and this will be recovered in the coming weeks and months. Some other customers, because they are running full speed, have to find alternatives. The temporary loss of market share will be recovered, but some sales will not be recovered; it's a one-off impact. I hope it answered your question. This, of course, had a negative one-off trading profit impact on our results. Despite this, we maintained our full-year guidance, which simply means that we would have been, I would say, even more comfortable maintaining our guidance if these operational issues would not have happened.

Stephan Klepp:

Okay, understood. So in other words, there's a little bit... you had an H2 bias before, now the H2 bias for execution is a little bit stronger because of these issues, right?

Patrick André:

Yes, and also because of the confirmed positive trends in our market, you remember when we discussed a few weeks ago, a few months ago, that we were not counting on the European improvements to happen... that we were counting on it to happen rather towards the end of this year, we are already seeing some positive trends in the European market. And it is now confirmed that the new European quota system will be in place from the 1st of July, which is, I would say, on the positive side of our previous assessment in terms of timing range. So we believe the situation in Europe is improving probably faster than what we had in mind some time ago.

Stephan Klepp:

Perfect. Very helpful. Thank you.

Operator:

Your next question comes to the line of Harry Philips from Peel Hunt. Your line is open.

Harry Philips:

Good morning, everyone. Just a question on Foundry and it being flat through the period and slightly down in Europe and North America.

If we could... if you just go through the geographies in a little more detail, because general industrial sort of seems to be a little bit better reflecting PMIs and general commentary from peers, broad peers through this reporting season. So I'm just slightly surprised to see Europe down, unless that's, I'm guessing that has to be down to auto primarily. So, is it possible to sort of give an outline as to where Foundry is, maybe [indiscernible] , and it is just mainly sort of also headwinds?

Patrick André:

Thank you. It's a very, very good question to understand what happened. So when we look on a regional basis, you have two regions which are going quite well, which are India and China. And in fact, the reason why they are doing quite well is because these two regions not only have remained retained a good domestic market, but in the case of foundry products, castings are exporting more and more to the rest of the world. And what we see in the rest of the world so far is that even in some regions, some manufacturing activity is getting better; we see this manufacturing activity being more and more assembly with the components, including castings, coming more and more, being more and more imported. When you look at some of the Chinese automotive transplant, for example, there are more assembly plants than full automotive plants importing a significant part of their components, including castings, from overseas. So you have at the same time a kind of an apparent manufacturing improvement in some regions. But when you look at our level of what is important for us, which is not, for example, the final automotive production, but the castings products used in the automotive, we see imports from India and China gathering momentum.

What is happening in this background is that we now see, and it's typically the case in North America, some protection measures being implemented not only vis-à-vis automotive, for example, but vis-à-vis components used to produce and to manufacture an automotive with countries requiring a higher and higher level of value added being realized in the country for the automotive or any other goods being considered as being really manufactured in the country. Mexico has in the framework of their discussion with the US. Mexico is now also introducing tariffs vis-à-vis some parts used in automotive. And so this is the reason why in North America in particular, we have a reasonable hope that there should be some improvements in the North American market for foundry going forward because these type of measures going one level further are being progressively implemented. Europe, for the time being, is not doing anything, so we have some first-level protection measures, but we don't have yet protection measures for the components being used in manufacturing activity.

What is interesting is that the debate is starting to shift in Europe, with the new industrial act having been the draft, the proposal of a new industrial act starting to tackle these issues a little bit, following the North American playbook. And there is a probability that over the coming years, but it will be slow in Europe as usual, Europe could start to protect also the Tier 2, Tier 3 suppliers to manufacturing activity.

And that this could lead to an improvement in the foundry market in Europe. But for the time being, Europe remains completely open to the import of castings, the same is the same for South America. So I don't expect short-term, meaning in the next year, significant improvement in Europe and South America. North America could be on an improving trend for foundry going forward, thanks to the measures currently being introduced.

Sorry for the long answer, but I think it was a very good and important question which we follow closely to assess the foundry markets in the different regions going forward.

Harry Philips: Thank you. And then just one possibly for Mark, just thinking about the profit bridge for the current year, particularly with those operational issues in North America. I mean, if I remember correctly, so the FX headwind you anticipated was sort of four or five, cost savings, 10. But obviously, sort of performance-related pay, sort of taking quite a lot of pass away, you've gotten Morgan contribution. So is there any sort of major change in any of those sort of particular parts, Mark?

Mark Collis: No, nothing particularly. So you're right, FX was four, and it's now five. So that takes consensus down from 170 to 169. We think the supply chain issues will have cost us about 4 million of TP in the first half, but what we're seeing obviously is a better market backdrop generally. So we think we'd recover that four in the full year, either through price or volume. Hence, we're comfortable to maintain guidance at that level. So I guess the challenge for us there will be, this is all obviously driving the first half waiting because we've got the... you've obviously got the supply chain issues, but you've also got the need to reinstate the variable compensation, which was, if you remember, 9 million for the full year, of which we'll end up accruing four and a half in the first half. So it's going to... it's adding to the H1, H2 weighting.

Harry Philips: So maybe referring back to Stephan's point, just it'd be fascinating to know which obviously won't give us what level of contingency you have in there, but as I say, I doubt you're provide us with that, unfortunately.

Mark Collis: Correct.

Harry Philips: Thanks a lot.

Patrick André: Thank you.

Operator: As a reminder, if you wish to ask a question, please press star followed by one on your telephone and wait for your name to be announced. That is star one if you wish to ask a question.

And your next question comes from the line of Tom Elgar from Deutsche Numis. Your line is open.

Tom Elgar:

Hi, guys. Firstly, can we just dig a little bit more into the North American steel market? Domestic production data we're seeing looks good, weekly production is kind of in that mid single digit, high single digit range from AISI. With the customer closures you've talked about, can you help us think about how should we be bridging this underlying kind of domestic production picture to your performance? I guess to dig into that market share dynamics question, is there anything we need to be thinking about before kind of extrapolating that performance kind of further out once we've annualized the customer closures? That's the first question.

Patrick André:

So the North American steel production is clearly now increasing. You remember last year, it was more or less a wash, with an improvement in the U.S. being more or less compensated by a decline in Mexico and Canada. So it was kind of a left pocket, right pocket gain. Now it's changing.

Overall, the North American steel production, Mexico plus US plus Canada consolidated, is increasing 3.5% over last year as compared with over the first four months of the year. So we have a positive fund, and we expect this positive fund, clearly a positive fund, to be maintained. So globally, the market is growing now in North America, and we expect the outcome of the ongoing discussion for renegotiation of the USMCA to result in an even more globally protected North American market, with probably even Mexico being included in Fortress North America, if I may call it like that. So we see a positive trend starting, and we are quite confident that it will be confirmed going forward for steel production.

Now, how to relate that to ourselves? It's a complex relationship because we don't have the same market share at all customers. I mentioned earlier that around the end of H1 last year, three important plants, important for us plants in the U.S., closed, where we had 100% market share. The steel which was being produced in those plants is now being produced by other plants in North America, where our market share was lower than 100%. So, of course, if the steel is being produced in a plant where we had 60% market share, whereas it was issued to be produced in a plant where we had 100% market share, this mechanically results in a consolidated loss of market share for Vesuvius. It's not that we lost market share at a given customer against somebody else, it's simply a customer mix issue which on a global basis result in an apparent loss of market share. This is by definition a one-off phenomena because this, for example, the H2 comparison is much less unfavorable because those plants were closed in H2 last year. So on the comparison basis, the negative impact is a one-off and will disappear over time. I don't know if I'm clear if it answers your question.

Tom Elgar:

No, that's clear. Just a second question from me, just on mix, just how has that stopped the year, particularly in steel? Have you seen this move in places like North America if that production picture is picking up slightly?



Patrick André: In terms of product mix, you mean?

Tom Elgar: Yes, I mean like flow control, like margin mix yourselves as well. Those dynamics.

Patrick André: No, we had some, remember some trading down of product last year when the market was difficult. We don't see that anymore now. I would even say that in Europe, where the trading down impact was the most important last year, we are doing quite well in flow control in Europe. What we were expecting is happening, so now that customers are ramping up in Europe in preparation for the new quota system, which will be introduced on the 1st of July, of course, maintaining a good operating efficiency, running as close as possible to their maximum capacity, becomes more and more important. And as a consequence, the quality of the flow control products that they are using remains more and more important for them in terms of value-in-use. So we have the performance of workflow control operations in Europe at the beginning of the year is better than expected, I would say. We have good expectations, but it's even better than expected. And this is completely in line with the improvements of the overall European steel market, which we had planned and which is now happening, and which will accelerate in H2.

Harry Philips: Brilliant. Thank you.

Operator: Your next question comes from the line of Jamie Murray from Bank of America. Your line is open.

Jamie Murray: Hey, guys. Thanks for taking my question. If I could just ask a follow-on question about the European steel tariffs, which expects to be effective in July. Have you guys started seeing any changes in customer behavior ahead of the implementation? And how do you see volumes evolving after implementation in terms of speed and scale? Thank you.

Patrick André: We have seen several customers preparing for a ramp-up of production in Europe in the months to come. You may have seen in the news that ArcelorMittal is restarting some operations in Poland, in Spain, in France, in Fos. And you have other examples of customers clearly anticipating the improvements of demand addressed to European-based steel producers in H2 by ramping up already now, starting to prepare for the reopening of some of the capacity in Europe. So this is clearly apparent, and we have ourselves increasing our own capacity in Europe by staffing, increasing the staffing of some of our operations, so that we can run more shifts in some of our plants, and to make us able to meet what we believe will be an improvement in demand in the coming months.

Jamie Murray: Great, thanks.



Operator: As a reminder, if you wish to ask a question, please press star followed by one on your telephone and wait for your name to be announced.

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

Patrick André: Thank you very much. I would like to thank you all for attending our call this morning. We remain as usual with Mark and Rachel at your disposal should you have any questions. And we wish you all a very good day. Goodbye.