



Vulcan Steel Limited (Vulcan), ASX: VSL, NZX: VSL

ASX/NZX Release

7 March 2023

Vulcan to present at the ASX CEO Connect Virtual Conference

Please find attached a copy of Vulcan's presentation for the ASX CEO Connect Virtual Conference on Tuesday, 7 March 2023.

Vulcan's presentation is scheduled to commence at 1:20pm NZ time (11:20am AEDT).

Investors can access Vulcan's virtual session at the following web link:

<https://events.blackthorn.io/en/90h3Je6/asx-ceo-connect-march-2023-4a4b2eYnjc/overview>

ENDS

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This announcement was authorised by Vulcan Board of Directors

About Vulcan

Founded in 1995, Vulcan is an Australasian-wide industrial product distributor and value-added processor with 72 logistics and processing facilities employing 1,440 staff across the company's Steel and Metals divisions.



VULCAN▲

ASX CEO CONNECT CONFERENCE 2023

Disclaimer

The material contained in this document is a presentation of information about Vulcan Steel Limited's ("Vulcan") activities current as of 7 March 2023.

It is provided in summary form and does not purport to be complete. It should be read in conjunction with Vulcan's periodic reporting and other announcements lodged with the Australian Securities Exchange (ASX) and New Zealand Stock Exchange (NZX).

This document contains projections and other forward-looking statements, current intention, opinion and predictions regarding the Company's present and future operations, possible future events and future financial prospects. These represent Vulcan's assumptions and views, including expectations and projections about Vulcan's business, the industry in which it operates and management's own beliefs and assumptions. While these statements reflect expectations at the date of this document, they are, by their nature, not certain and are susceptible to change. Such matters require subjective judgement and analysis and may be based on assumptions which are incorrect.

They may also be based on factors which are subject to significant uncertainties and contingencies which may be outside the control of Vulcan and are provided only as a general guide or statement and should not be relied upon as an indication or guarantee (expressed or implied) of future performance. Except as required by applicable law or the ASX and NZX Listing Rules, Vulcan disclaims any obligation or undertaking to publicly update such forward-looking statements.

This document is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor.

Unless otherwise stated, financials (including comparatives) reflect the adoption of IFRS 16 Leases. This presentation contains non-IFRS financial measures to assist readers of this document to assess the underlying financial performance of Vulcan. The non-IFRS financial measures in this presentation were not subject to a review or an audit by Deloitte.

Agenda

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02 / Overview

03 / Financials

04 / Outlook & Guidance

05 / Q&A

01

Introduction



Introduction

Vulcan is an industrial distributor and processor of steel and metal products across Australia and New Zealand



Listed on the ASX and NZX sixteen months ago on 4 November 2021

Added to the MSCI Global Small Cap Index for Australia in May 2022.

Added to the S&P/NZX 50 Index in December 2022.

FTSE Russell announced the inclusion of Vulcan into FTSE Asia Pacific ex-Japan and China Small Cap Index for Australia for March 2023.



Vulcan's Total Shareholder Return since listing

On Australian Dollar basis, our market capitalisation has risen by 18% (A\$170m) based on the offer price at listing to A\$1.10 billion¹.

On NZ Dollar basis, our market capitalisation has risen by 22% (NZ\$231m)¹ from NZ\$976m to NZ\$ 1.21bn¹.

In addition, we declared A\$77m (NZ\$85m) in dividends for FY22.



We achieved NPAT of NZ\$142m in FY22 before significant items² and NZ\$54m in the first half of 2023 financial year

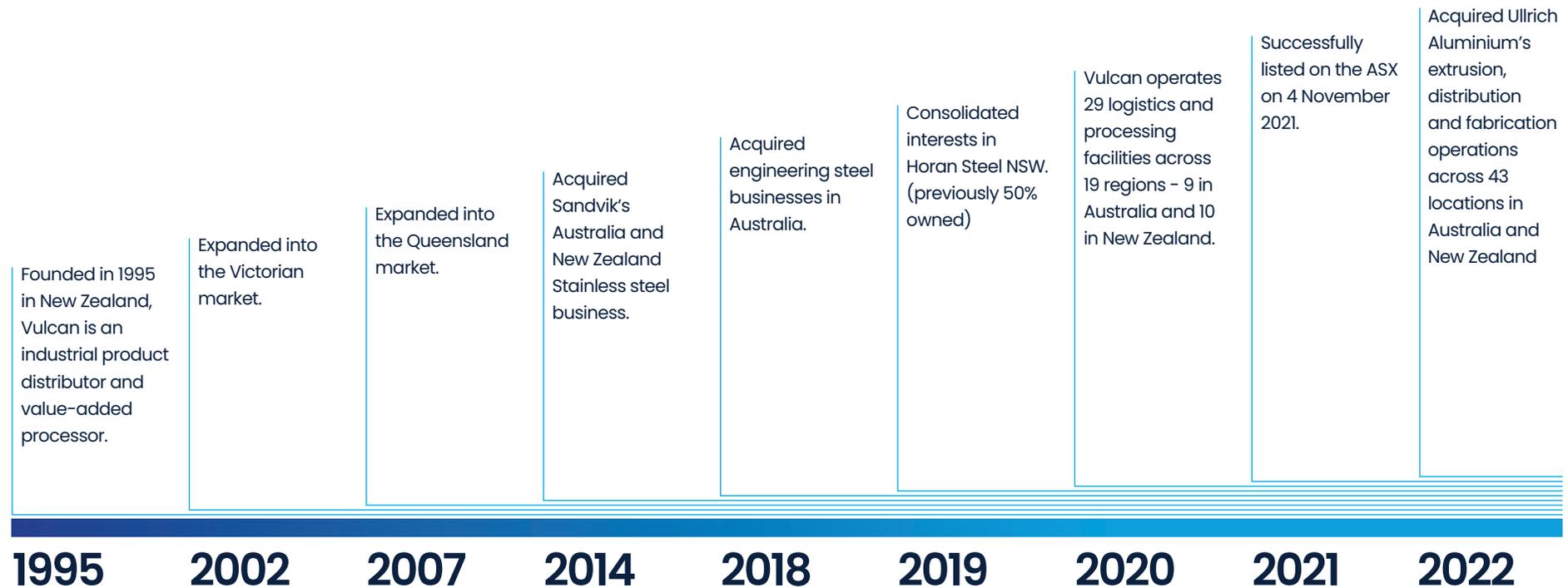
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Overview



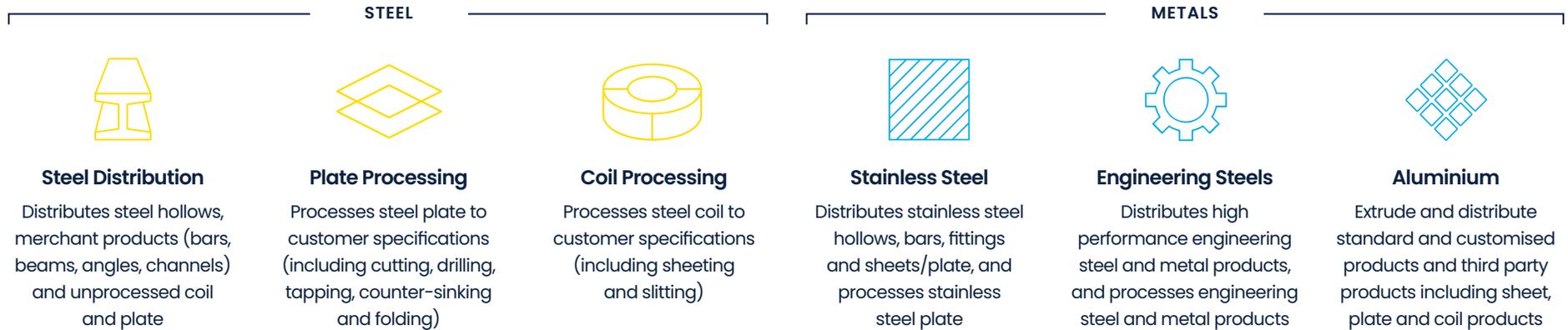
Vulcan's History

The journey so far...

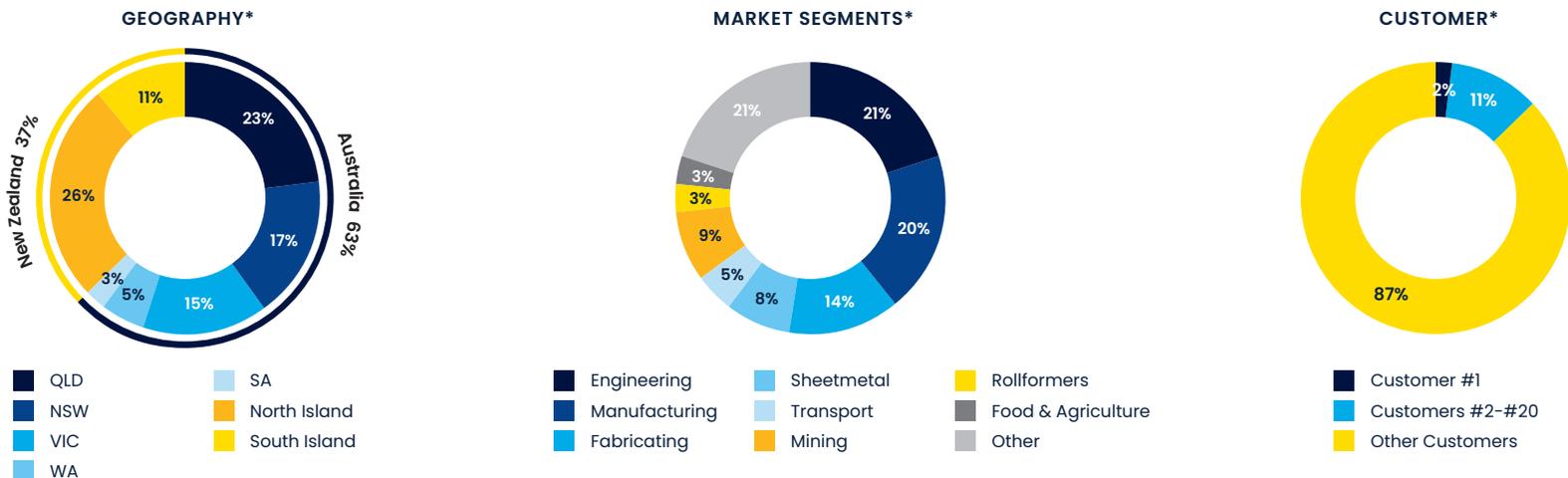


Vulcan's Business

Vulcan recently added aluminium to the company's steel & metals distribution and processing services offering



c. 7,000 monthly active trading accounts (excluding aluminium customers) which operate across a range of end-markets



Vulcan's Business continued

Trans-Tasman positions with a national footprint and significant scale drive operating leverage and supply chain capability



72

SITES STRATEGICALLY LOCATED TO SERVE THE LOCAL CUSTOMER BASE

1440

COMPANY EMPLOYEES

12k

ACTIVE CUSTOMERS*

Vulcan's Business

Our business model at a glance...



1. Relates to both Australia and New Zealand in 1H FY23 (excludes aluminium operations)

Growth Strategy & Update

 <h3>Brownfield expansion</h3> <ul style="list-style-type: none"> • Strong track record in brownfield expansions - additional sites identified for expansion • Focus on new customer wins and increase share of wallet 	 <h3>Entry into new geographies</h3> <ul style="list-style-type: none"> • Expanded into 10 regional markets through greenfield initiatives across Australasia • New opportunities identified to expand footprint within Australasia 	 <h3>Expansion of product and/or service offering</h3> <ul style="list-style-type: none"> • Successfully introduced and cross sell 2 major product categories in the last 7 years • Recently added aluminium products into our offering • Considering opportunities in other steel segments 	 <h3>Mergers and Acquisitions</h3> <ul style="list-style-type: none"> • Acquired and successfully integrated 11 businesses since 1995 • Acquired Ullrich Aluminium in August 2022 • Opportunities for further consolidation 	 <h3>Business improvement initiatives</h3> <ul style="list-style-type: none"> • Ongoing focus on productivity gain to offset cost inflation • 11 of 17 growth initiatives previously identified are now in revenue generation phase, and are delivering strong revenue run rate due to higher product prices • Ongoing focus on lifting customer engagement and volumes
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- Recipient of Deloitte Top-200 2022 Awards in December 2022 for New Zealand Company of the Year, recognising our employees for outstanding performance and long history of value creation
- Strategy is focused on the creation of sustainable long term shareholder value

03

Financials



1H FY23 Performance Highlights

REVENUE¹

NZ\$638m²

+38% on NZ\$463m in 1H FY22

GROSS PROFIT \$/TONNE¹

+30%

1H FY23 on 1H FY22

GROSS MARGIN

35.9%

-5.4% on 41.3% in 1H FY22

ADJUSTED EBITDA^{1,3}
(EXCLUDING SIGNIFICANT ITEMS⁴)

NZ\$115m

(NZ\$97m pre-IFRS 16^{5,6} basis)

-3% on NZ\$118m in 1H FY22

ADJUSTED NPAT⁵
(EXCLUDING SIGNIFICANT ITEMS)

NZ\$54m

(NZ\$57m pre-IFRS 16 basis)

-22% on NZ\$70m in 1H FY22

OPERATING CASH FLOW¹

NZ\$16m

vs NZ\$36m in 1H FY22

CUSTOMERS TRANSACTED
WITH VULCAN⁷

11,941

+1% on 11,839 in 1H FY22

SALES VOLUME¹

127,354t

-8% on 138,265 tonnes in 1H FY22

INTERIM DIVIDEND
(TOTALLING NZ\$32m)

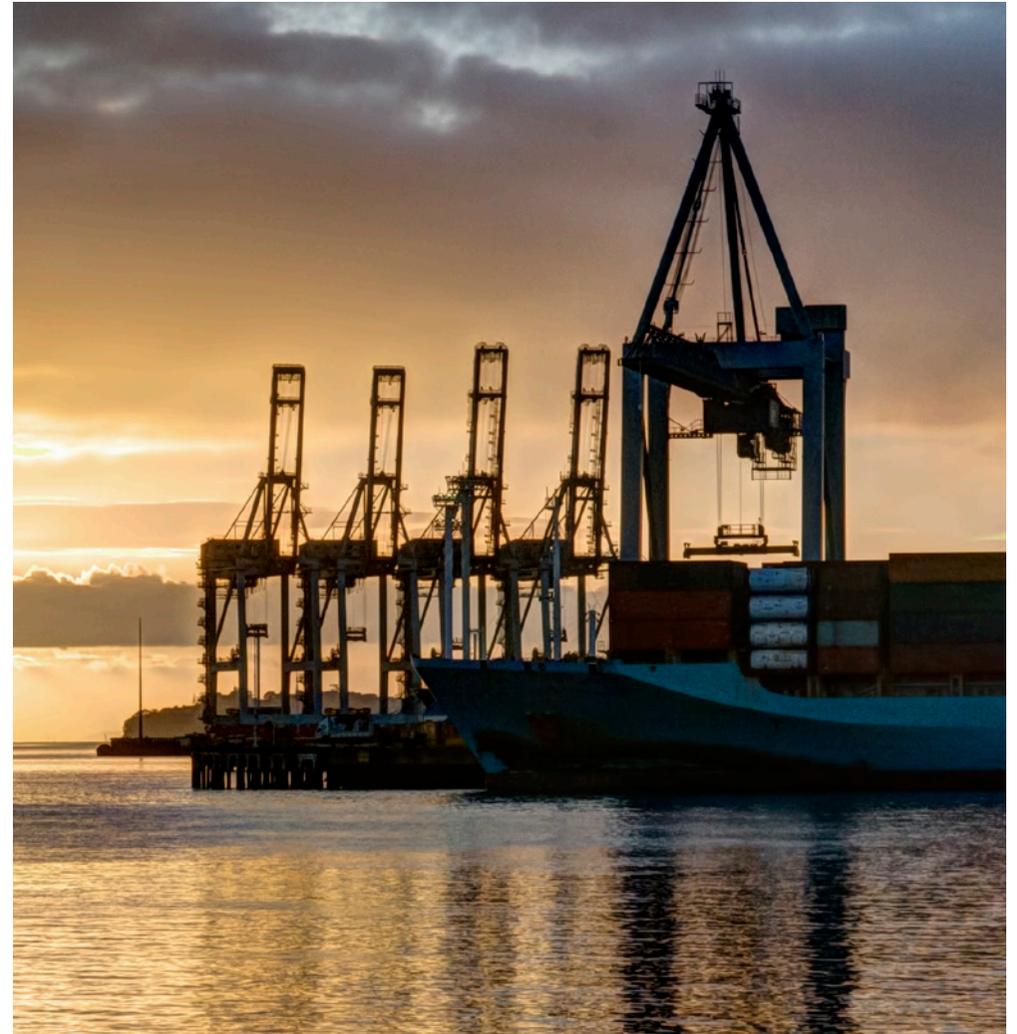
NZ 24.5c

vs NZ27.5c in 1H FY22

1. Included five months of aluminium contribution in 1H FY23. 2. m - millions. 3. Earnings before interest, tax, depreciation and amortisation. 4. 1H FY22: Statutory report included NZ\$16m offer costs. 5. IFRS 16 - New Zealand accounting recognition of right of use assets and corresponding liabilities on leases adopted in FY20. 6. Pre-IFRS 16 - NZ International Accounting Standard 17 - accounting treatment of leases prior to the introduction of IFRS 16 in FY20. 7. Based on customers that transacted with Vulcan at least once in the relevant period, and excludes aluminium customers.

Context for 1H FY23 Operations and Results

- Australia and New Zealand activity level
 - Normalisation from previous peak demand period in FY22 relating to COVID-19 compounded by weaker economic conditions
 - Some weather-related disruption to market activity in Australia
 - Destocking activity among market participants
- More restrictive interest rate environment, especially in New Zealand
- Stronger Australian Dollar and NZ Dollar against the US Dollar since October 2022
- Inflation pressure on operating costs
- Acquired Ullrich Aluminium in August 2022, with business integration now underway



Group Financial Performance

- Revenue lift in 1H FY23 included first-time contribution from our acquired aluminium business and 9% year-on-year (YoY) increase in our Steel and other Metals operations
- Excluding aluminium, overall average revenue per tonne was up 28% YoY in 1H FY23, while volume declined by 15% YoY
- Underlying active trading accounts in 1H FY23 improved since FY22
- Overall gross profit dollar per tonne improved 30% due to more favourable revenue mix. Overall gross margin percentage declined 5.4% YoY to 35.9% in 1H FY23 due to higher product costs and selling prices
- Adjusted EBITDA was down slightly in 1H FY23, with the decline in pre-existing operations offset by NZ\$23m contribution from our acquired aluminium business
- The YoY decline in 1H FY23 operating cash flow was due to increased investment in inventory
- Rolling 12-months ROCE declined to 24.0% in 1H FY23 from 35.9% in 1H FY22 due to the acquisition of our aluminium business, the timing of working capital movements and lower earnings in our Steel and Metals businesses

MILLION NZ\$	1H FY23	1H FY22	% Change
Revenue	638.0	463.0	+37.8%
Adjusted EBITDA ^{1,4}	115.1	118.1	-2.5%
Adjusted EBIT ^{2,4}	94.1	104.8	-10.2%
Adjusted NPAT ^{3,4}	54.4	69.7	-22.0%
Reported NPAT ³	54.4	53.9	+0.8%
Earnings per share (cents) ⁴	41.4	53.0	-22.0%
Operating cashflow (OCF) ⁴	16.0	51.4	-69.0%
Adjusted cash conversion ⁵	75%	85%	-10.7%
Net Bank Debt	390.4	186.9	109%
Capital Employed ⁶	853.2	574.5	+48.5%
ROCE ⁷	24.0%	35.9%	-12.0%
Dividend per share (cents)	24.5	27.5	-11%

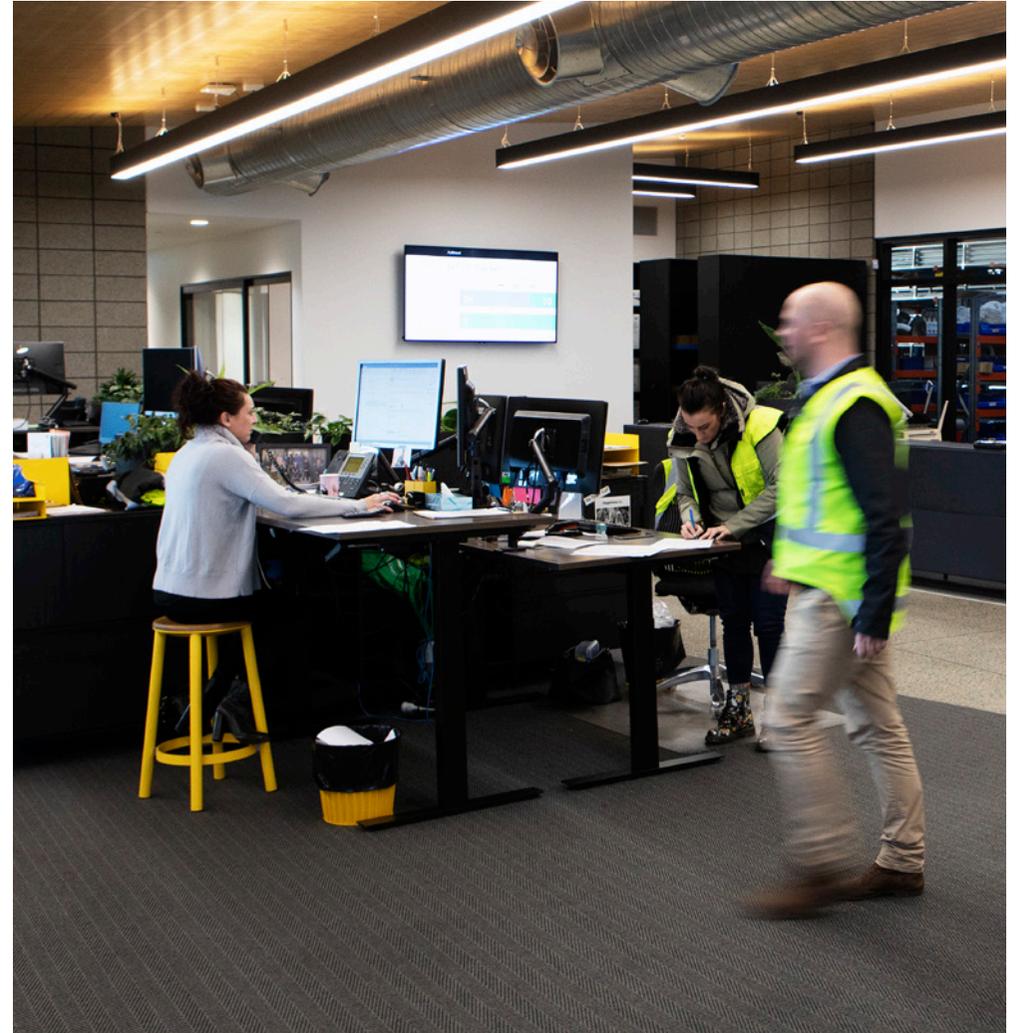
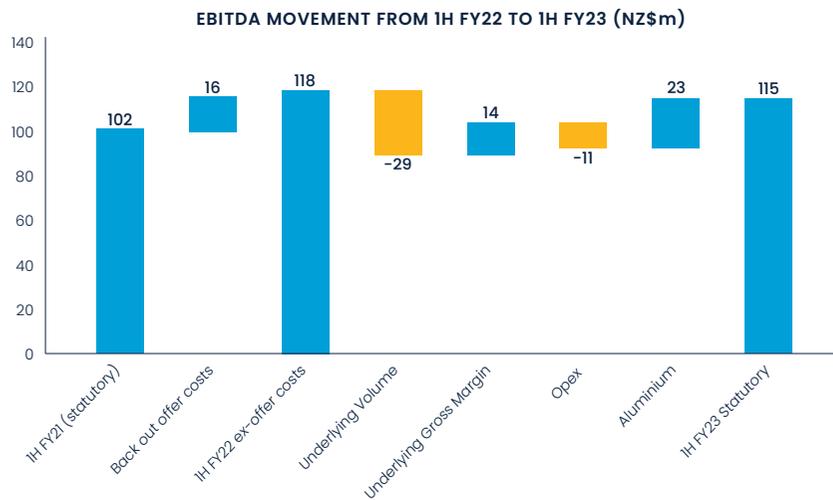
1. EBITDA - Earnings Before Interest, Tax, Depreciation and Amortisation.
2. EBIT - Earnings Before Interest and Tax.
3. NPAT - Net Profit After Tax.
4. Before significant items (offer costs in 1H FY22).
5. (EBITDA - lease payment - capital expenditure) / (EBITDA - lease payments).
6. Capital Employed = Equity + Net Bank Debt + Capitalised Lease Obligations.
7. EBIT used in this calculation is based on rolling 12 months basis.

PRE IFRS 16 ^{4,8} (MILLION NZ\$)	1H FY23	1H FY22	% Change
Adjusted EBITDA	96.8	106.3	-8.9%
Adjusted EBIT	90.1	101.9	-11.6%
Adjusted NPAT	57.2	71.7	-20.2%

8. New Zealand International Accounting Standard 17 - accounting treatment of operating leases and finance leases prior to the introduction of International Financial Reporting Standard 16 in FY20.

Key drivers of EBITDA change

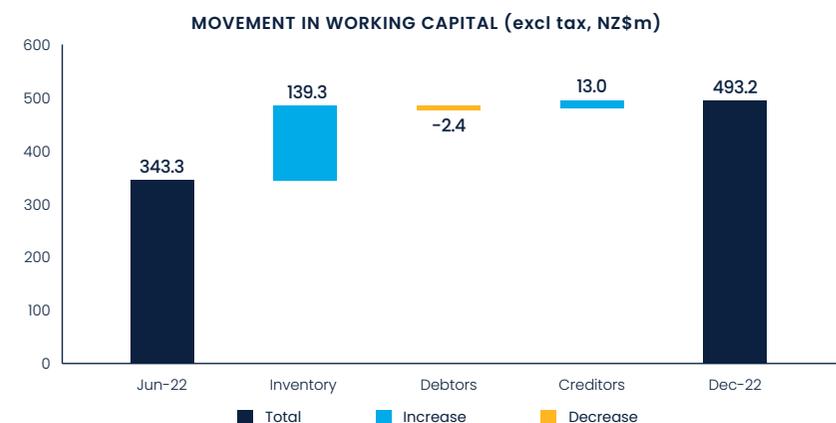
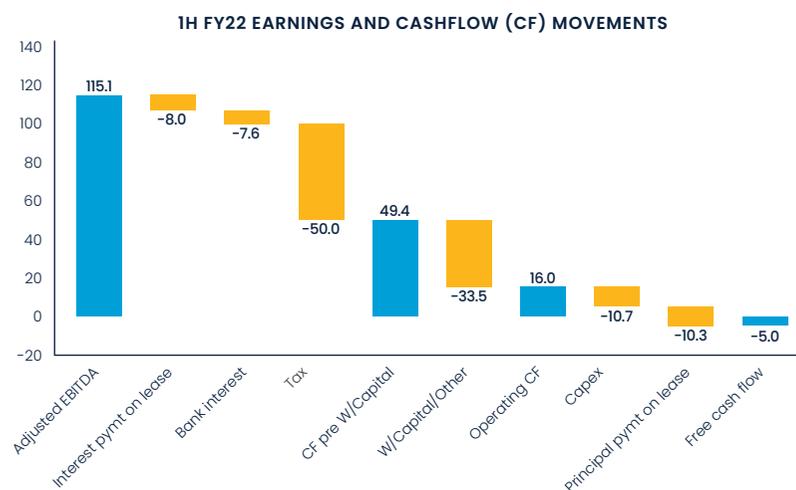
- Underlying volume change (excluding aluminium) contributed NZ\$29m decline YoY
- Margin growth contributed NZ\$14m increase YoY
- Underlying Gross OPEX (excluding aluminium business) in 1H FY23 was up NZ \$11m YoY
- Aluminium business contributed NZ\$23m in 1H FY23



Cashflow & Working Capital

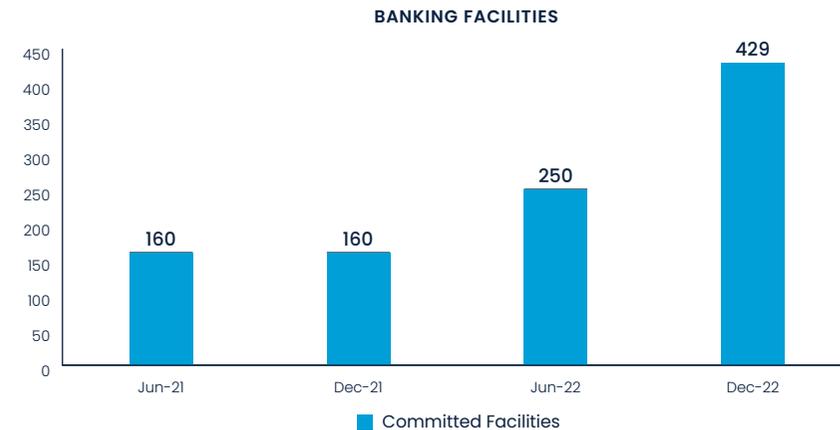
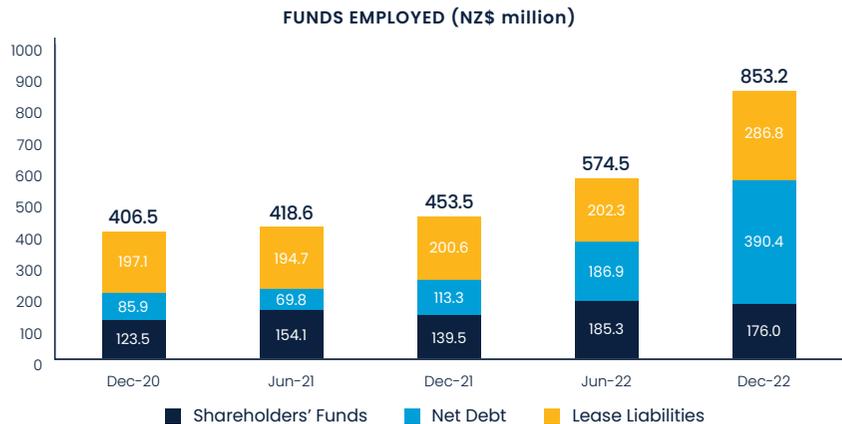
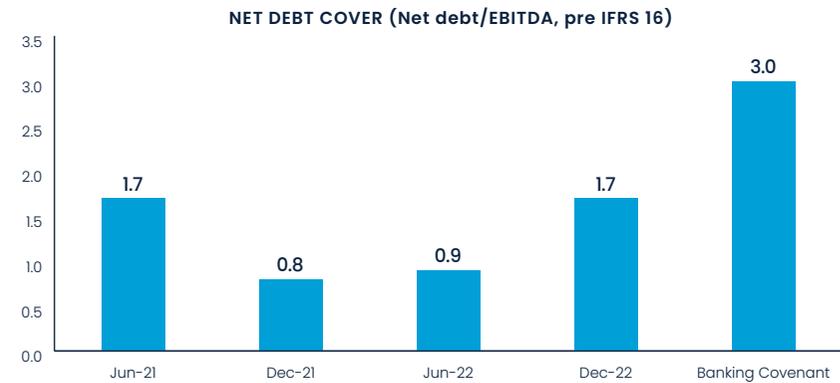
- Cash generated from earnings were applied toward:
 - Higher payments for inventory received in 1H FY23
 - Higher tax payments in 1H FY23 which were related to terminal payments for higher FY22 earnings and FY23 provisional tax payments
 - Increased funding costs which were due to higher debt level and interest rate increases
- Our aluminium business acquisition
 - NZ\$108m cash paid to vendor in 1H FY23
 - Further payments totalling NZ\$20m to be made in 2H FY23
 - NZ\$41m net debt was assumed as part of acquisition
- Capex was \$11m in 1H FY23. Retaining NZ\$25m - NZ\$27m capex guidance for FY23

(MILLION NZ\$)	1H FY23	1H FY22	% Change
Receipts from customers	736.1	522.2	46%
Payments to suppliers & employees	-681.5	-456.8	49%
Interest paid	-7.6	-1.3	496%
Tax paid	-50.0	-22.8	119%
Lease interest paid	-8.0	-5.6	43%
Net cash flows from operating activities	16.0	35.6	55%
Capital expenditure	-10.7	-5.3	102%
Business acquisition	-149.2	-	-
Lease liability payments	-10.3	-6.2	66%
Dividends	-49.3	-68.0	-28%



Balance Sheet Metrics & Dividend

- Remain financially well-positioned to execute on growth opportunities
- 60%–80% annual dividend payout policy retained
 - Declared 1H FY23 dividend 24.5 NZ cents is fully franked and imputed
- Bank facilities of NZ\$429m as at 31 December 2022
 - Continue to optimise the cost of carrying excess unutilised debt facility and maintain sufficient flexibility for growth opportunities



04

Outlook & Guidance



Outlook & Guidance

Outlook

- As outlined in August last year with our full year FY22 results, we expected the present financial year to be more challenging as the market begins to normalise from peak demand trading conditions arising from COVID-19, and as economic headwinds including higher interest rates begin to impact on the wider economy and our business
- While we are encouraged by our margin performance, the demand conditions observed in 1H FY23 are not expected to materially improve in 2H FY23 across the Australian and New Zealand markets
- With current monetary policy settings, current business conditions and the uncertainty surrounding New Zealand's national election in October 2023, there are risks of further weakening in the New Zealand economy
- The recent weather-related events in the North Island of New Zealand may cause ongoing disruption to trading activity in the short term
- There remains ongoing inflation pressure on our operating cost base across Australia and New Zealand.
- The demand for steel and metal products globally in 2023 is expected to increase from levels observed in 2022, as business activity in China begins to recover from COVID-19
- Our aluminium business has performed well. Our goal is to maintain the present momentum in the remainder of FY23

Earnings Guidance

- Based on current view of market conditions and recent trading, we are reiterating our full year earnings guidance released at our 1H FY23 results, which is an EBITDA range of NZ\$215m – NZ\$230m and a NPAT range of NZ\$95m – NZ\$109m.
- With the ongoing economic and market volatility, we will update our guidance as appropriate.

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Q&A



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