



Vulcan Steel Limited ("Vulcan")

ASX/NZX Release

12 April 2022

Vulcan to present at the ASX CEO Connect Virtual Conference

Please find attached a copy of Vulcan's presentation (ASX: VSL, NZX: VSL) for the ASX CEO Connect Virtual Conference on Tuesday 12 April.

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

<https://www2.asx.com.au/investors/investment-tools-and-resources/events/ceo-connect>

ENDS

Kar Yue Yeo
Investor and media contact
Email: karyue.yeo@vulcan.co
Phone: +64 9 273 7214

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 29 logistics and processing facilities employing over 800 staff across the company's Steel and Metals divisions.



VULCAN

ASX CEO CONNECT CONFERENCE

12 April 2022

Disclaimer

The material contained in this document is a presentation of information about Vulcan Steel Limited's ("Vulcan") activities current as of 10 February 2022.

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

It has been a historic first half of FY22, including our listing on the ASX and NZX.

While our listing could be seen as the completion of a journey, we view it as part of a longer sustained journey, the beginning of the next chapter. The arctic tern on the cover of this report represents this. Breeding in the Arctic and wintering in the Antarctic the arctic terns travel 70,000 km annually.

Like the arctic tern, Vulcan takes a long term view, quietly achieving what seems impossible. We are spreading our wings setting off on the next stage of our voyage!

Overview

Financials

Outlook and Guidance

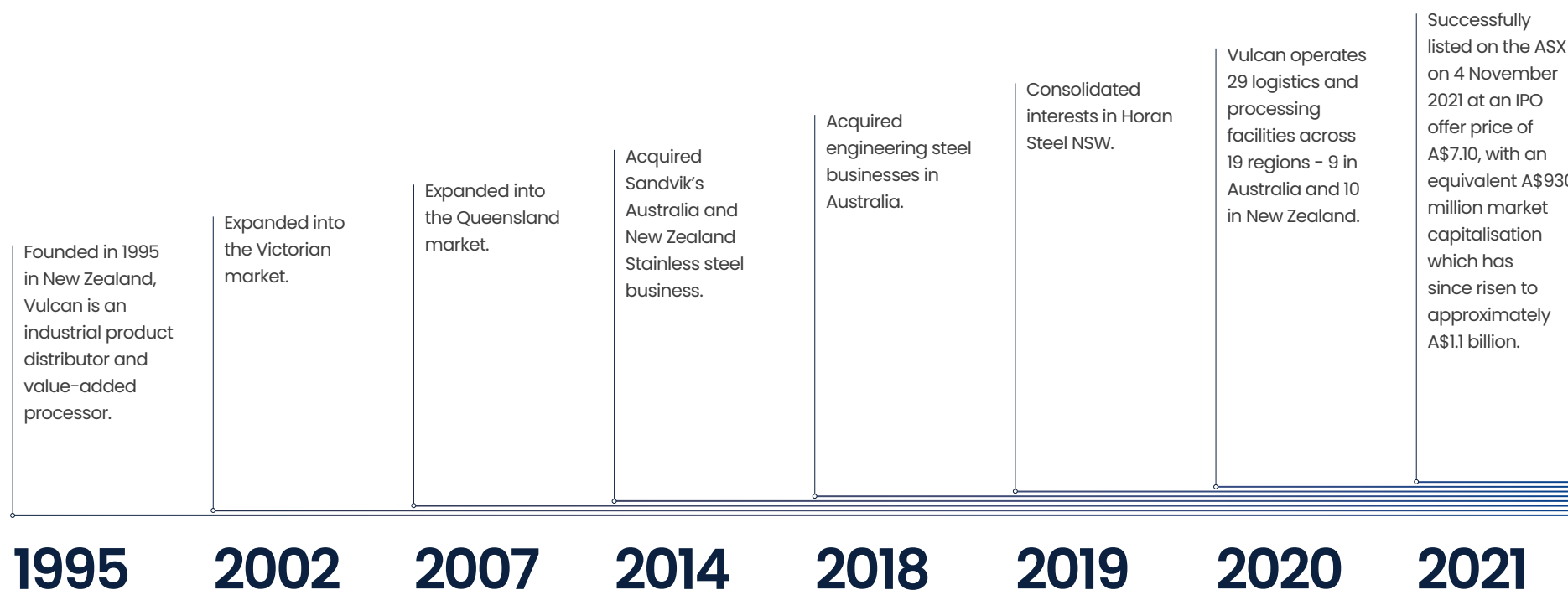
Q&A

Overview

A yellow Vulcan truck is parked in a warehouse. The truck has "VULCAN" written on its side and "DAF 75.360" on the front. In the foreground, there are large, coiled metal pipes or hoses, some of which are out of focus. A safety sign is visible on a pillar in the background.

Vulcan Steel's (Vulcan) History

The journey so far...



A Recap on Vulcan's Business

Vulcan is the only Australasian-wide, pure-play, value added steel distributor and processor.

STEEL



Steel Distribution

Distributes steel hollows, merchant products (bars, beams, angles, channels) and unprocessed coil and plate.



Plate Processing

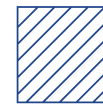
Processes steel plate to customer specifications (including cutting, drilling, tapping, counter-sinking and folding).



Coil Processing

Processes steel coil to customer specifications (including sheeting and slitting).

METALS



Stainless Steel

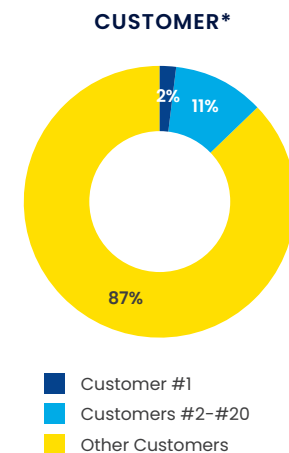
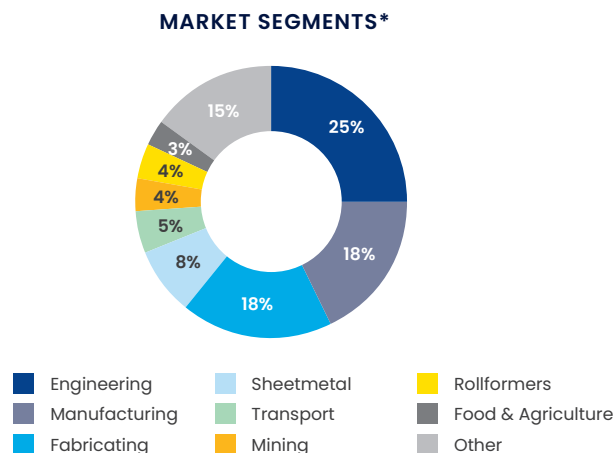
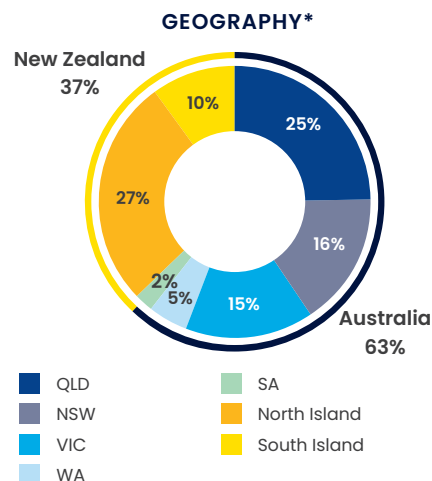
Distributes stainless steel hollows, bars, fittings and sheets/plate, and processes stainless steel plate.



Engineering Steels

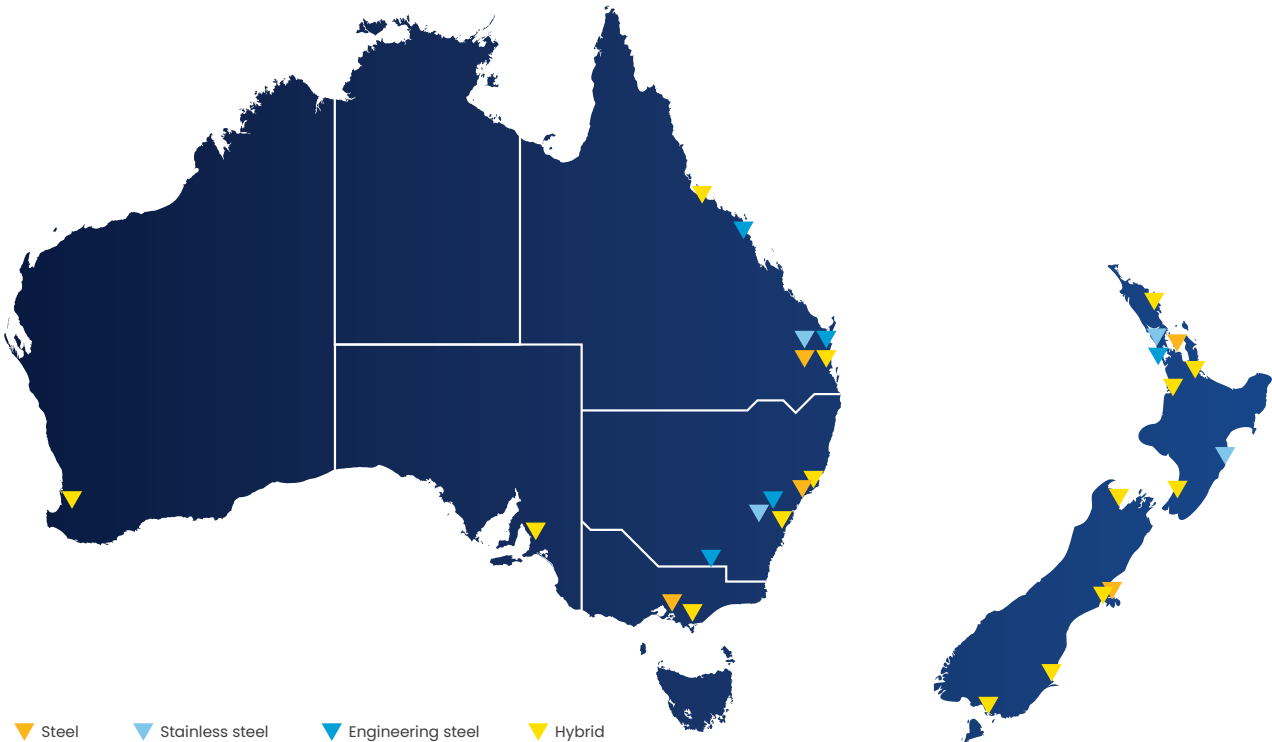
Distributes high performance engineering steel and metal products, and processes engineering steel and metal products.

c. 7,000 monthly active trading accounts who operate across a range of end-markets



A Recap on Vulcan's Business continued

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



	STEEL	PLATE PROCESSING	COIL PROCESSING	STAINLESS STEEL	ENGINEERING STEELS
New Zealand	National footprint	National footprint	National footprint	National footprint	National footprint
Australia	Competes selectively ¹	Competes selectively ¹	Competes selectively ¹	National footprint	National footprint

1. Competes selectively means that Vulcan services certain locations only.

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Sites across Australia and New Zealand, strategically located to serve the local customer base

800+

Company Employees

12k

Active Customers

A Recap on Vulcan's Business continued

Our business model at a glance...



1. Relates to both Australia and New Zealand in FY21A.

Growth Strategy



Winner – 2021 New Zealand Deloitte Top 200 Awards for Best Growth Strategy which recognises company for outstanding growth performance

Growth Initiatives Update

As outlined in Vulcan's prospectus (15 October 2021), the company commenced the implementation of several business improvement opportunities with potential to increase its annual run-rate revenue by up to NZ\$60m over 36 months based on prevailing market demand, costs, and pricing conditions.

These initiatives are expected to begin delivering revenue in FY23.

Financials





1H FY22 Performance Highlights

REVENUE NZ\$463m¹ +35% on NZ\$344m 1H FY21	GROSS MARGIN 41.3% +6.1% on 35.2% in 1H FY21	ADJUSTED EBITDA² (EXCLUDING OFFER COSTS) NZ\$118m (NZ\$106m pre-IFRS 16 ^{3,4} basis) +98% on NZ\$60m in 1H FY21	ADJUSTED NPAT⁵ (EXCLUDING OFFER COSTS) NZ\$70m (NZ\$72m pre-IFRS 16 basis) +139% on NZ\$29m in 1H FY21	ADJUSTED EPS⁶ (EXCLUDING OFFER COSTS) NZ 53.0c (NZ 54.6c pre-IFRS 16 basis) +139% on 22.2 NZ cents in 1H FY21
OPERATING CASH FLOW (INCLUDING OFFER COSTS) NZ\$36m -45% on NZ\$65m in 1H FY21	CUSTOMERS TRANSACTED WITH VULCAN⁷ 12,014 +201 or 1.7% on 2H FY21	SALES VOLUME 138,265 t +10% on 126,196 tonnes in 1H FY21	SUCCESSFULLY LISTED ON THE ASX & NZX 1-in-5 of our 842 staff bought shares from the public offer	INTERIM DIVIDEND (TALLING NZ\$36m) NZ 27.5c Record date 11 March 2022 Payable on 8 April 2022

1. m - millions. 2. Earnings before interest, depreciation and amortisation. 3. IFRS 16 - New Zealand accounting recognition of right of use assets and corresponding liabilities on leases adopted in FY20. 4. Pre-IFRS 16 - NZ International Accounting Standard 17 - accounting treatment of leases prior to the introduction of IFRS 16 in FY20. 5. Net profit after tax. 6. Earnings per share. 7. Based on customers that transacted with Vulcan at least once in the relevant period.

Operating Backdrop during 1H FY22

- Australia and New Zealand activity level
 - good momentum after the easing of COVID-19 restrictions in October 2021
- Global & local market conditions
 - World steel production declined
 - Global steel prices & freight rates peaked in mid-to-late 2H 2021
- Interest rates have begun to rise
- Weaker Australian Dollar and NZ Dollar against the US Dollar since October 2021



Group Financial Performance

- Revenue driven by 10% year-on-year (YOY) volume growth and 23% YOY product price inflation in 1H FY22
- Gross margin improved 6.1% YOY to 41.3% in 1H FY22
- Gross margin improvement and productivity gain led to 8.1% YOY increase in EBITDA margin to 25.5% in 1H FY22
- The YOY decline in 1H FY22 operating cash flow was due to increased investment in inventory
- Rolling 12-months ROCE lifted to 35.9% in 1H FY22 from 23.9% in FY21
- Dividend 27.5 NZ cps

MILLION NZ\$	1H FY22	1H FY21	% CHANGE
Revenue	463.0	344.1	+34.5%
Adjusted EBITDA ^{1,4}	118.1	59.7	+97.7%
Adjusted EBIT ^{2,4}	104.8	45.4	+130.6%
Adjusted NPAT ^{3,4}	69.7	29.1	+139.2%
Reported NPAT ³	53.9	29.1	+85.1%
Earnings per share (cents) ⁴	53.0	22.2	+139.2%
Operating cashflow (OCF) ⁴	51.5	64.7	-20.5%
Adjusted cash conversion ⁵	85%	78%	+7.5%
Net Bank Debt	113.3	69.8	
Capital Employed ⁶	453.5	418.6	+8.3%
ROCE ⁷	35.9%	23.9%	+12.0%
Dividend per share (cents)	27.5	-	-

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 FY22).

5. (EBITDA - lease payment - capital expenditure) / (EBITDA - lease payments).

6. Capital Employed = Equity + Net Bank Debt + Capitalised Lease Obligations.

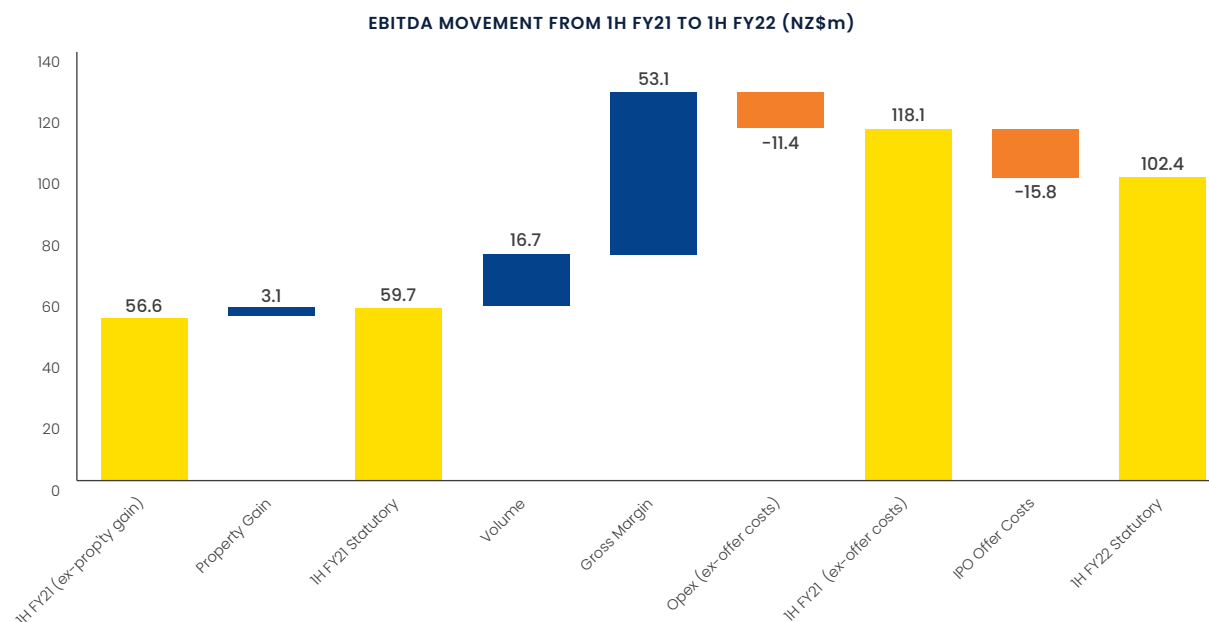
7. 1H FY21 ROCE is based on FY21 outlined in prospectus.

PRE IFRS 16 ⁸ (MILLION NZ\$)	1H FY22	1H FY21	% CHANGE
Adjusted EBITDA	106.2	48.3	+119.9%
Adjusted EBIT	101.8	43.1	+136.1%
Adjusted NPAT	71.7	31.5	+127.3%

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.

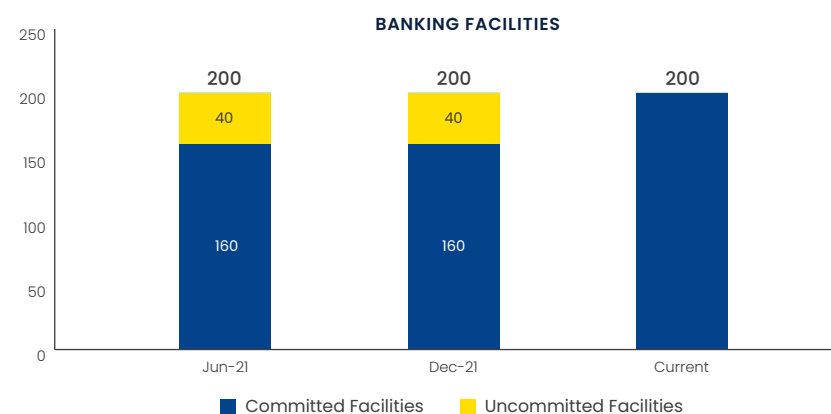
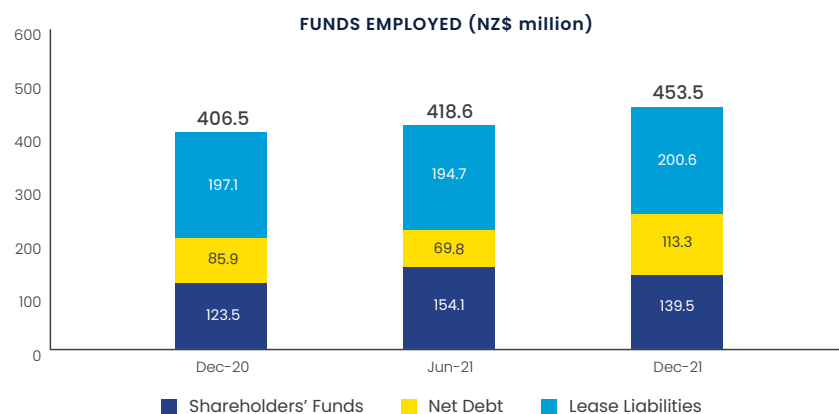
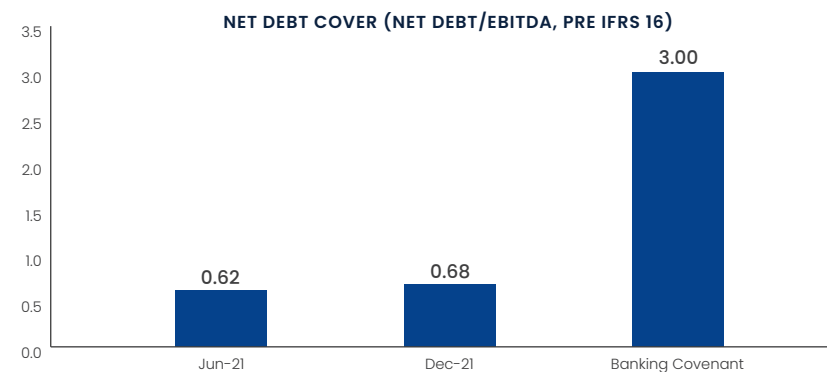
Group Financials – Key drivers of EBITDA change

- Volume growth contributed \$17m YOY
- Margin growth contributed \$53m YOY
- Net OPEX in 1H FY21 included \$3.1m gain on property sale. Gross OPEX in 1H FY22 was up \$8m YOY.
- IPO offer costs incurred for public listing were \$15.8m



Balance Sheet Metrics & Dividend

- Strong balance sheet position to execute on growth strategy and maintain our 60%-80% annual dividend payout policy
- Banking facilities of NZ\$200m are now on a fully committed basis



Outlook & Guidance



Outlook & Guidance

Outlook

- Australia and New Zealand activity level
 - Positive outlook medium term but new COVID-19 waves since December 2021 could disrupt activity in the short term
- Global & local market conditions
 - Global steel demand projected to remain positive
 - Uncertainty over global steel production level in 2022
 - Global steel prices & freight rates have declined from their recent peaks but remain elevated
- Rising interest rates may temper economic activity and investment appetite
- Weaker Australian Dollar and New Zealand Dollar since October 2021 are stimulatory for export sectors but would increase imported material prices including steel products

Earnings Guidance

Overall, following the conclusion of stronger than expected trading since Vulcan's last trading update in early December 2021 and reflecting the ongoing COVID-19 uncertainty, Vulcan is increasing its proforma post-IFRS 16 EBITDA guidance by approximately 11% at the mid-point to NZ\$194m–NZ\$204m from previously \$174m–\$184m, and proforma post IFRS 16 NPAT guidance by approximately 15% at the mid-point to NZ \$107m–NZ\$114m from previously \$93m–\$100m.

POST IFRS 16 MILLION NZ\$	PRO FORMA* EBITDA		PRO FORMA* NPAT	
	Post-IFRS 16	Pre-IFRS 16	Post-IFRS 16	Pre-IFRS 16
New Guidance Range**	194–204	170–180	107–114	111–118
Previous Guidance	174–184	150–160	93–100	97–104
Dollar Change***	20	20	14	14
% Change ***	11%	13%	15%	14%

* Pro forma financial information as described in Vulcan's Prospectus which was included to enable readers to examine what the company considers to be its underlying financial performance of the business presented on a consistent basis.

** Subject to ongoing risks outlined in the Company's Prospectus lodged on 15 Oct 2021.

*** Compared with previous guidance range, at the mid-point.

Q&A



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