

VULCAN

ULLRICH ALUMINIUM
ACQUISITION

22 July 2022



Disclaimer

The material contained in this document is a presentation of information about Vulcan Steel Limited's ("Vulcan") and Ullrich Aluminium Limited's ("Ullrich") activities current as of 22 July 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

Transaction Summary

Rationale

Industry and Ullrich Business Overview

Integration, Synergies and Financial Impact

Funding and Dividend Payout Policy

Transaction Summary

The acquisition of Ullrich significantly adds to the network reach and scale of Vulcan in its goal to become the leading steel and metal products distributor and value added processor in Australasia.

Transaction

- Vulcan has signed a conditional sale and purchase agreement with Gilbert Ullrich, the owner founder of Ullrich Aluminium Company Limited (“Ullrich”) to acquire 100% of Ullrich at a projected book equity value (net tangible assets, NTA) of NZ\$131m¹ (A\$118m). This is subject to finalisation of accounts for the period 1 April to 31 July 2022 and precedent conditions by 16 September 2022.
- The equivalent enterprise value is NZ \$165m (A\$149m) based on NZ\$34m (A\$31m) net debt assumed by Vulcan as part of the acquisition, excluding NZ\$79m capitalised lease obligations. On Ullrich’s March year-ended 2021 and 2022 earnings, this represents 7.2x and 4.3x pre-IFRS 16 EBITDA² multiple, respectively.
- Adjusting for the working capital to be reduced which will be funded by a deferred settlement of NZ\$20m for the transaction in 1H 2023, the effective adjusted enterprise value is NZ \$145m (A\$131m). On Ullrich’s March year-ended 2021 and 2022 earnings, this represents 6.3x and 3.8x pre-IFRS 16 EBITDA multiple, respectively.

Rationale

- Ullrich is an aluminium distribution focused business. With 60 years’ operating history, the company is regarded as one of the leading downstream participants in Australasia. In the financial years ended 31 March 2021 and 2022, the company recorded NZ\$215m and NZ\$270m in revenue, respectively, and NZ\$32m (NZ\$23m pre-IFRS 16) and NZ\$49m in EBITDA (NZ\$39m pre-IFRS 16), respectively.
- The aluminium distribution market is an opportunity which Vulcan has been considering for many years. Ullrich’s platform and network combined with Vulcan offer significant potential synergies.

Funding

- The acquisition of Ullrich will be fully debt funded.
- On completion of the settlement (excluding the NZ\$20m working capital deferred payments in 2023) on 16 September 2022, Vulcan’s post transaction financial position remains strong, with a proforma Net Debt/EBITDA of 1.44x in FY22.

Impact on Earnings & Payout

- Eleven months of consolidated earnings and accretive to Vulcan’s NPAT and earnings per share in FY23
- To provide more details at FY22 result on earnings and synergies
- 60%-80% dividend payout policy retained.

Remaining Conditions

The acquisition is subject to various conditions including no material adverse change prior to completion of the transaction, finalisation of lease terms, stock take and fixed asset review, and accounts for the period 1 April to 31 July 2022.

A compelling investment opportunity

Ullrich is an integrated distribution-centric operator with a large sales network, together with extrusion facilities and fabrication operations.

- A well-established and a strong industrial brand in aluminium with scale across Australia and New Zealand
- Complementary to Vulcan's stainless product offering
- Alignment between Vulcan and Ullrich company culture
- A customer-centric service model which includes ownership of truck fleet operated by employee drivers
- Site optimisation and productivity gain opportunity
- Further enhances the potential for additional hybrid sites and cross selling collaboration, especially in stainless and aluminium products
- Margin enhancement opportunity
- Optimisation of aluminium stock range to improve working capital efficiency
- The introduction of value added processing opportunity for aluminium
- Earnings and shareholder value accretive

23,000t¹

Tonnes of aluminium products sold in FY22
(+7.6% cagr FY18-22)

10-12%

Pre-COVID-19 ROCE² FY18-20
(Return on Capital Employed)

1.0x

Acquisition Price/ NTA
(subject to account finalisation and acquisition accounting standards)

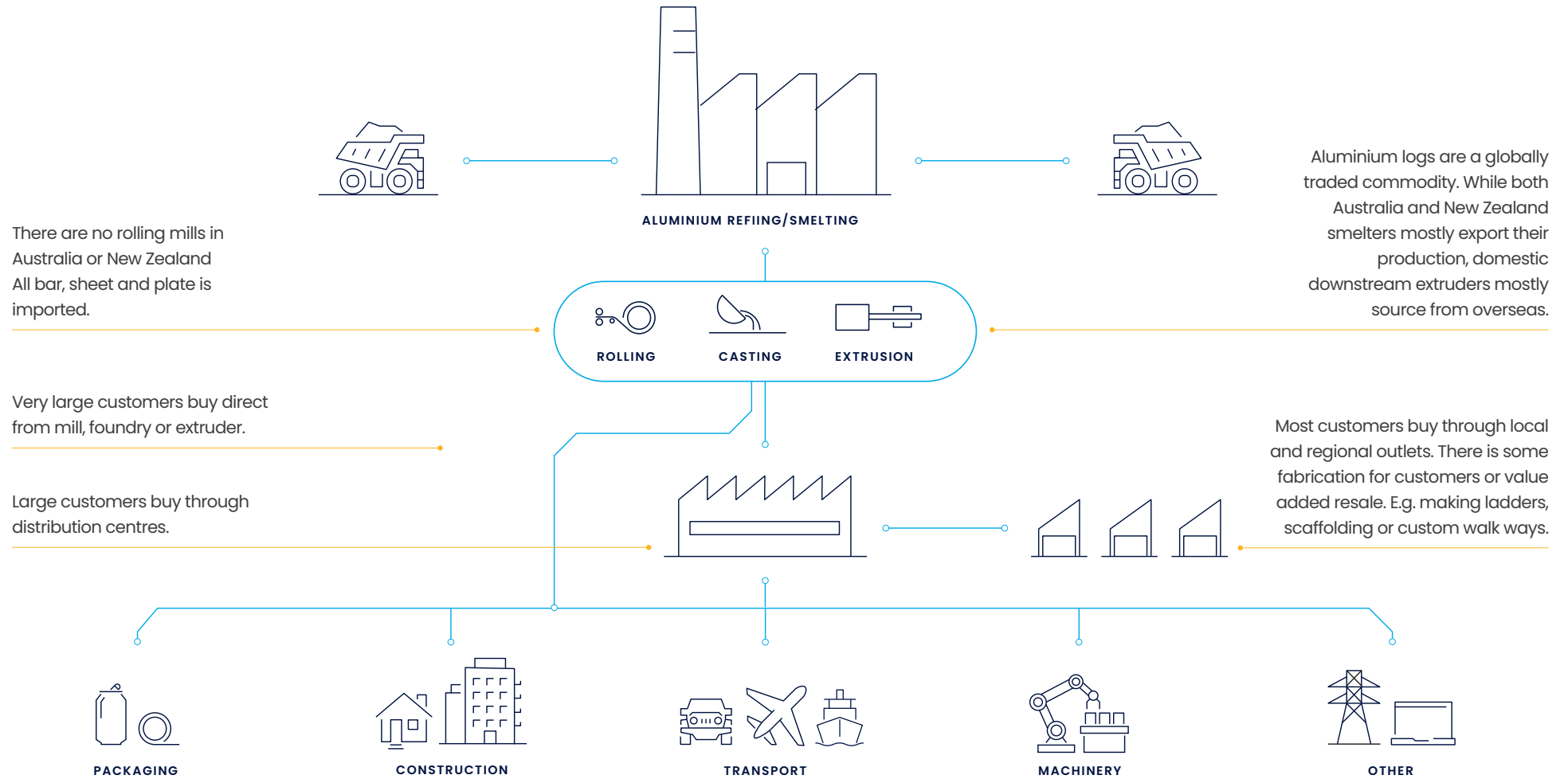
Overview

Industry & Ullrich Business

Wide, pure-play, value

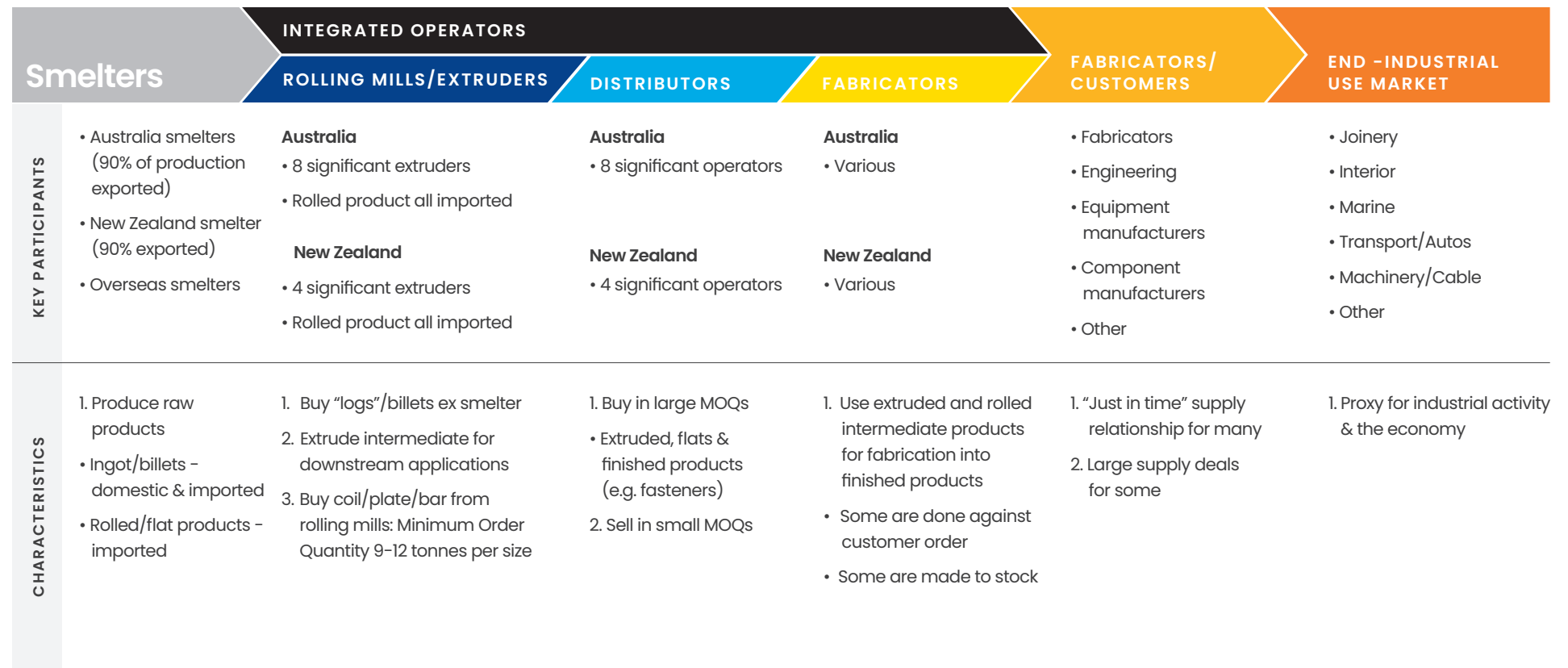


The aluminium industry value chain



Ullrich is well positioned in the aluminium supply chain as an integrated distributor

Ullrich is a distributor with extrusion and fabrication operations.



Overview of Ullrich's business

Ullrich is an integrated distribution-centric operator with a large sales network, together with extrusion facilities and fabrication operations.

- Ullrich has a well-established and a strong industrial brand in aluminium with scale across Australia and New Zealand
- The company has diversified end market exposure with a focus on industrial and manufacturing applications and small to medium sized customers. In March year ended 2022, Ullrich top-20 customers accounted for c10% of group revenue.
- End market uses of Ullrich's products include transport, marine, access equipment, seating, buildings and architectural related applications, fasteners as well as window and door joinery
- For 31 March year ended 2022, Ullrich sold approximately 23,000 tonnes*, achieved NZ\$270m in sales, NZ\$49m in EBITDA (NZ\$39m pre-IFRS 16 basis) and NZ\$36m EBIT (NZ\$35m pre-IFRS 16 basis)
- The company employs more than 600 staff and operates in 43 locations across Australia (25) and New Zealand (18)

\$39m

NZ\$ in pre-IFRS 16 EBITDA
IN FY22

600+

Employees across
Australasia

43

Locations across
Australasia

Ullrich has a diverse product range



Scaffolding and Ladders

- Ullrich fabricates its own scaffolding and ladders in 3 New Zealand and 4 Australian distribution centres for sale as standard stocked items in their 17 New Zealand and 24 Australian branches



Architectural

- Windows and doors are the largest applications of aluminium extrusions and a focus for most players
- 'Architectural' includes windows plus partition and cladding systems, display cases, signs and is considered higher margin but high cost of sale/cost to serve. This is not a focus for Ullrich.



Transport

- Truck and ute bodies, and marine applications are areas of relative strength for Ullrich and recent growth



Fabrication

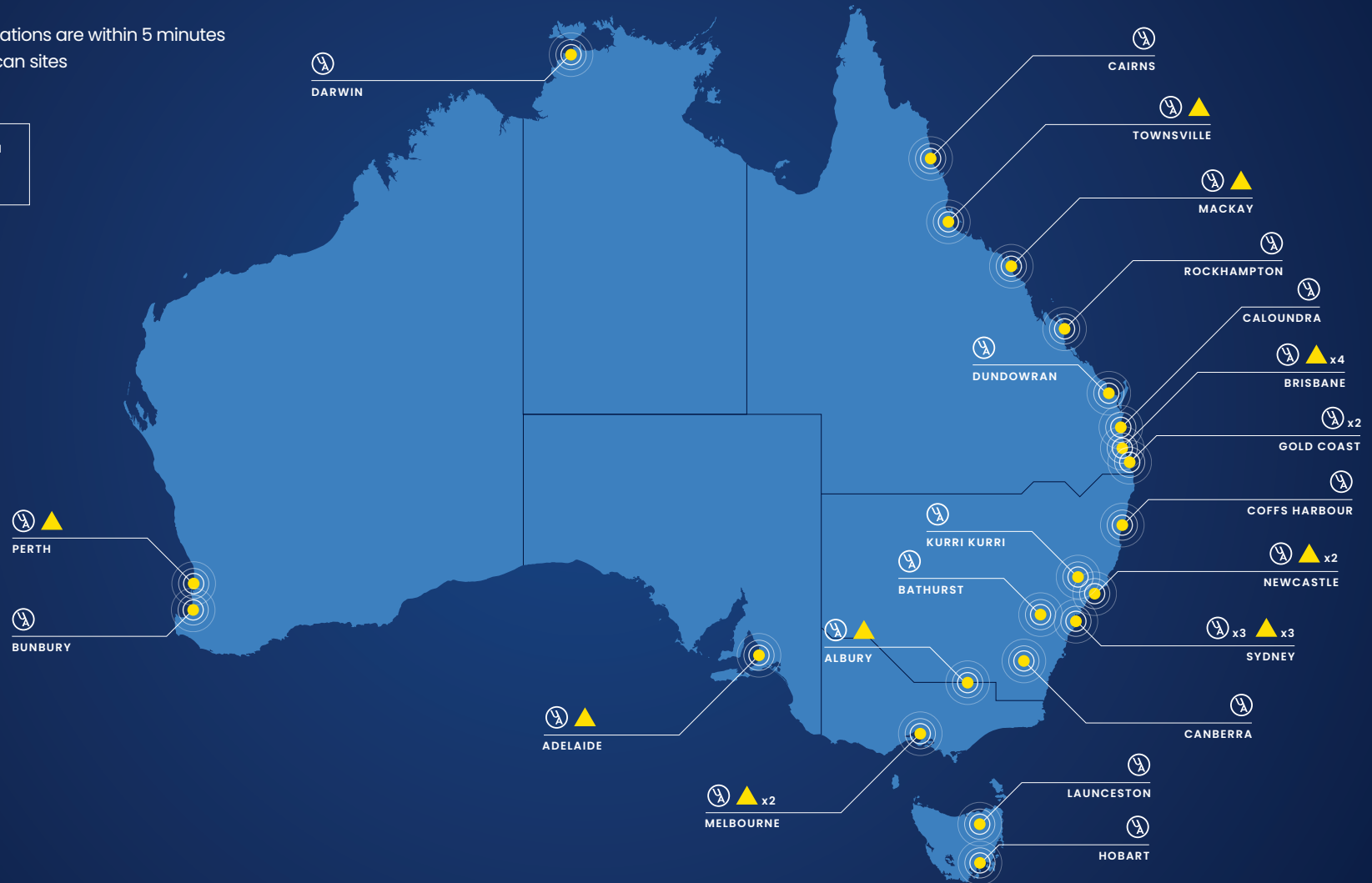
- Fabricates for customers to order. This is low capital intensity, low tech folding/cutting/routing/drilling/welding/riveting.

Operational Overlap

Vulcan and Ullrich location overlap in Australia

- 7 out of 25 Ullrich locations are within 5 minutes drive of existing Vulcan sites

 ULLRICH ALUMINIUM
 VULCAN

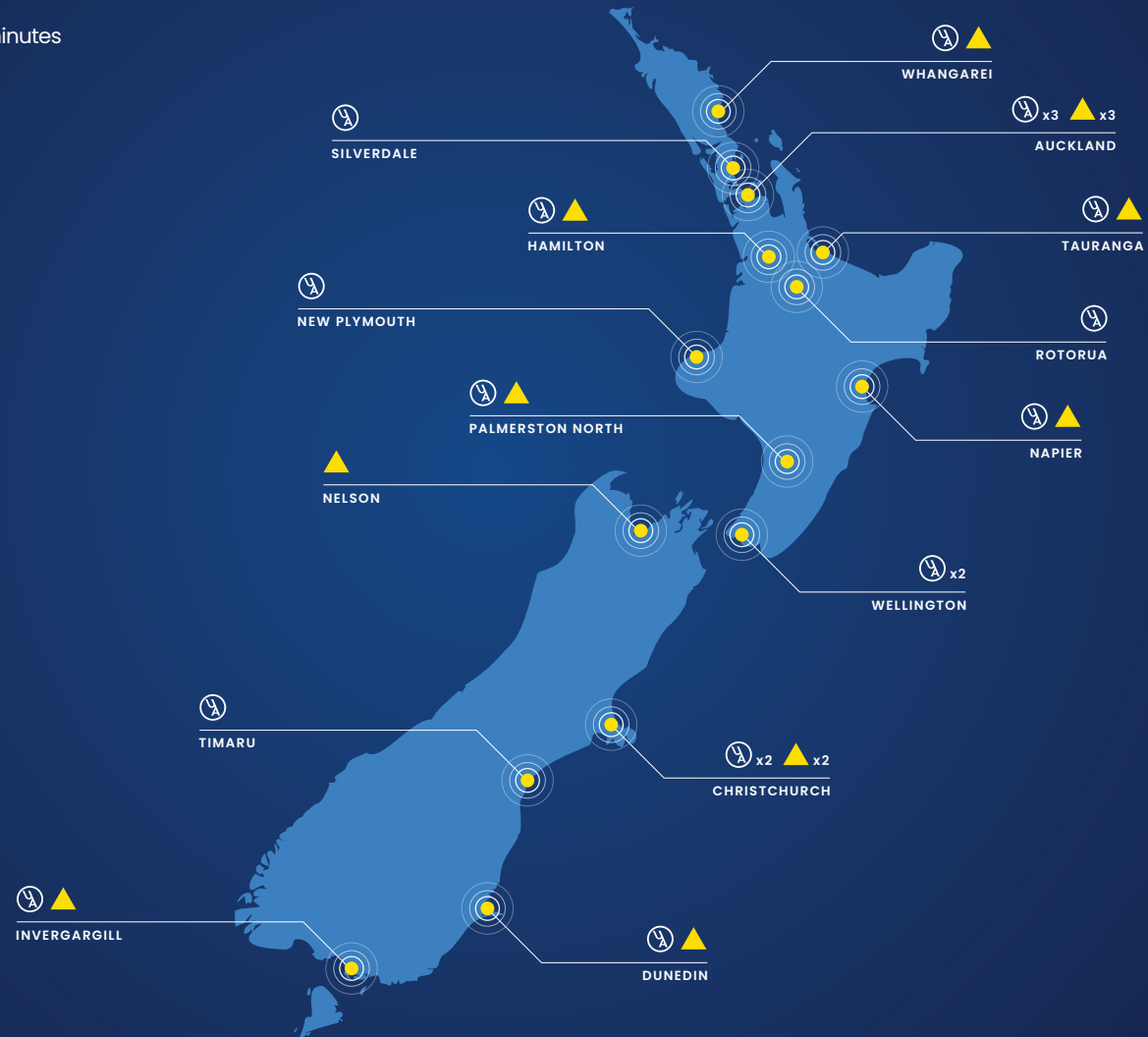


Operational Overlap

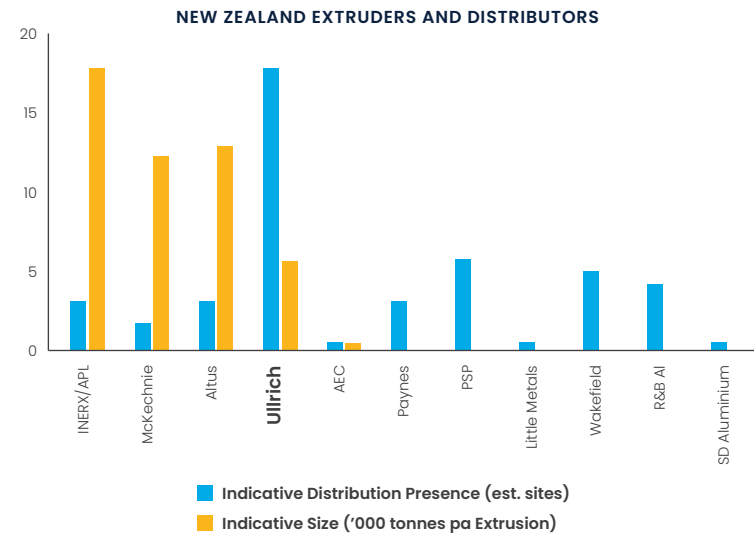
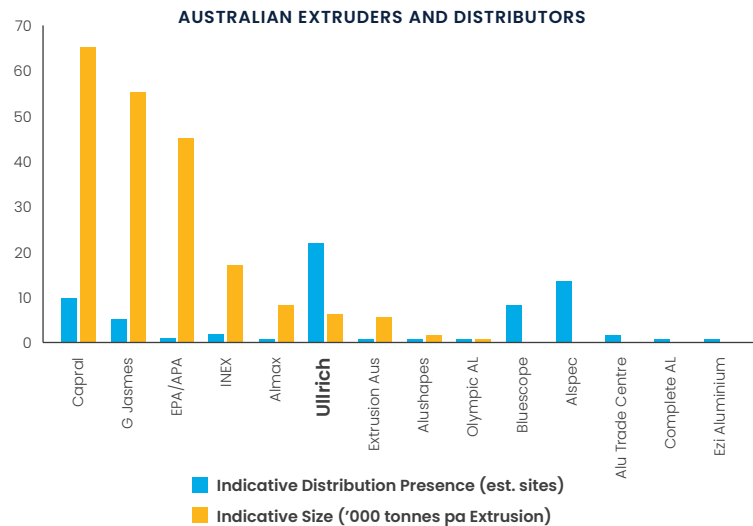
Vulcan and Ullrich location overlap in New Zealand

- 6 out of 18 Ullrich locations are within 5 minutes drive of existing Vulcan sites

ULLRICH ALUMINIUM
VULCAN



Ullrich has the widest aluminium distribution footprint in Australasia and is a meaningful extruder

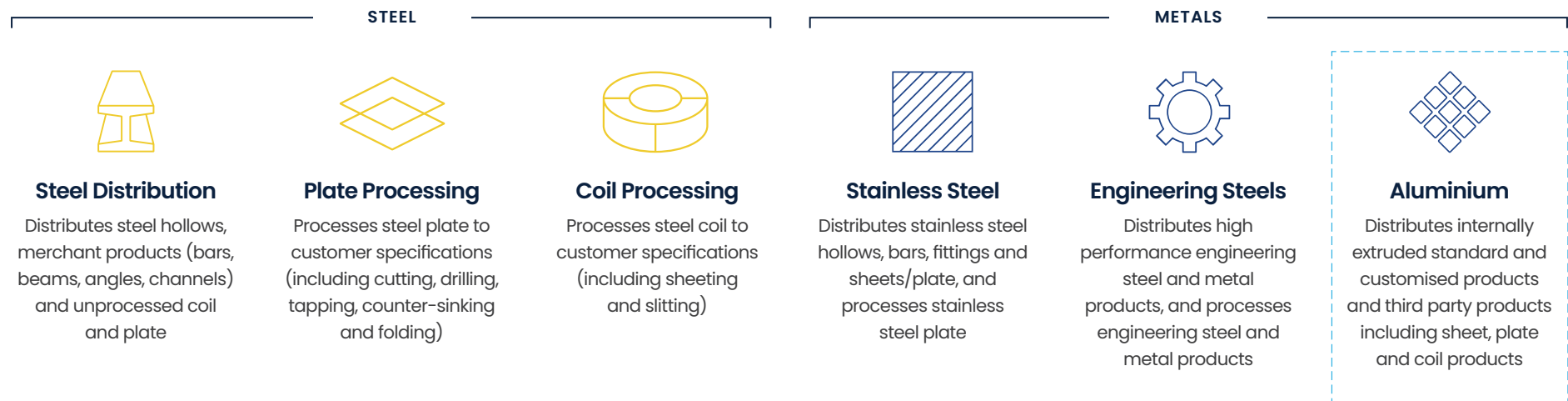


- Based on estimates by Strategy and Execution Limited, Ullrich has the widest network footprint for aluminium products in Australia with a focus on the industrial market
- Capral is an extruder, focused on long run high volume high efficiency production for sales to large stockists and end users
- Ullrich supplements its own extruded products by buying from other large suppliers in Australia
- G James, APA/EPA, INEX, Alspec are focused on window and door systems and architectural market

- New Zealand has proportionately more domestic extrusion compared to imported products, architectural systems and prefabricated windows and doors
- Ullrich does have a window system offering (in Queensland), but does not supply in New Zealand at this time. The company has a stronger focus on industrial applications rather than windows, doors and architectural market.
- The company has the widest network footprint for aluminium products in New Zealand
- INEX, McKechnie and Altus are all window and door systems focused

Aluminium - a new & complementary vertical to Vulcan's service offering

Aluminium has been on Vulcan's watchlist in our long term growth strategy. Vulcan is the only Australasian-wide, pure-play, value added steel distributor and processor.

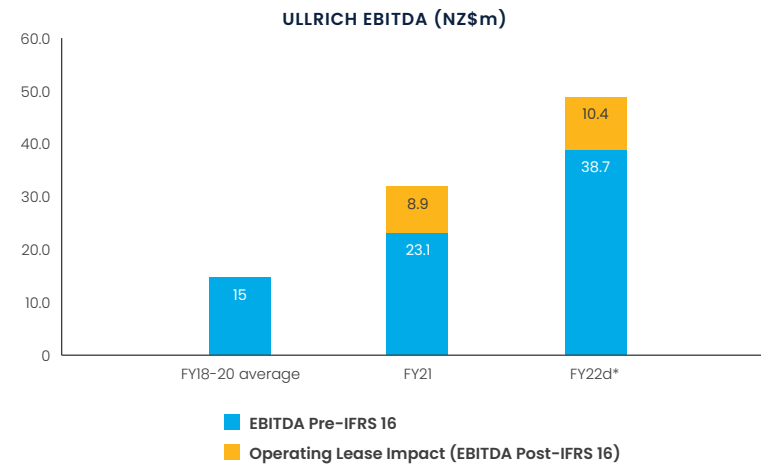
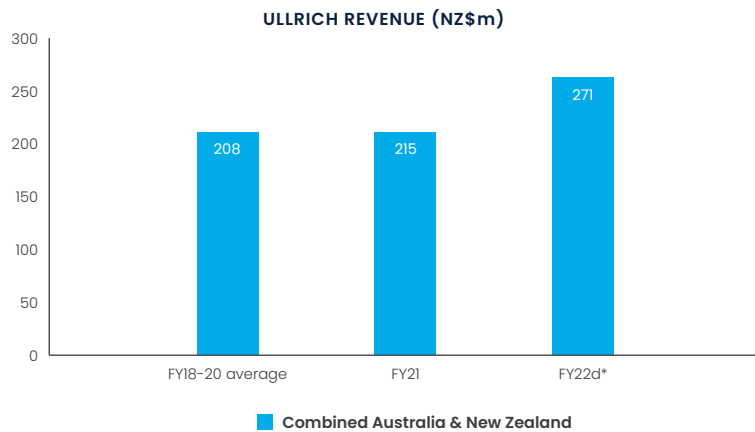


12k Vulcan has c12,000 annual active trading customers across Australia and New Zealand

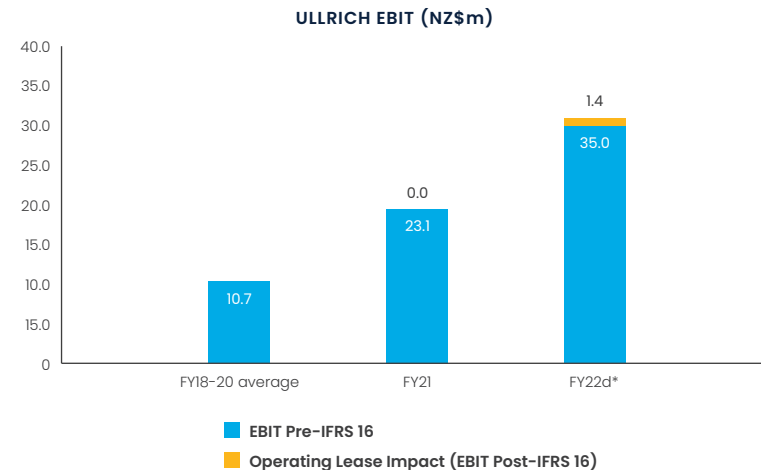
Ullrich has c20,000 annual active trading customers that operate across a diverse range of industries **20k**

More than 20% of these customers trade with both Vulcan and Ullrich, especially in stainless steel and aluminium

Ullrich pre-COVID-19 earnings metric was the reference for our acquisition value

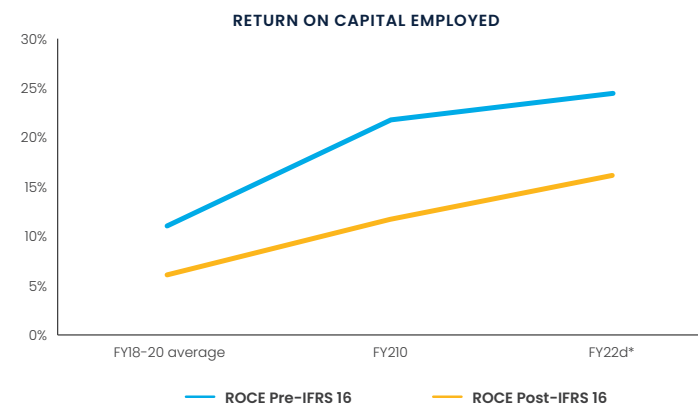
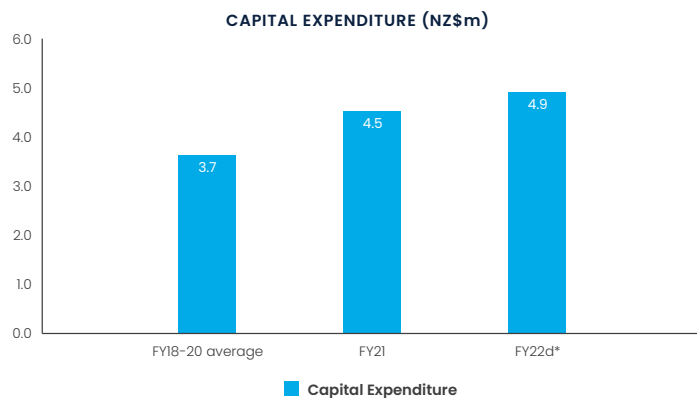
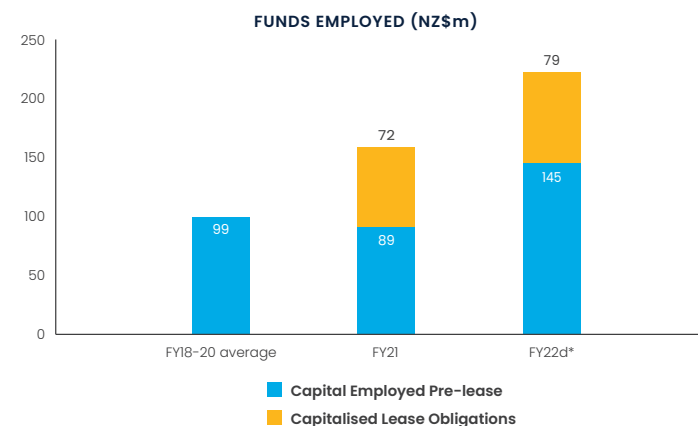
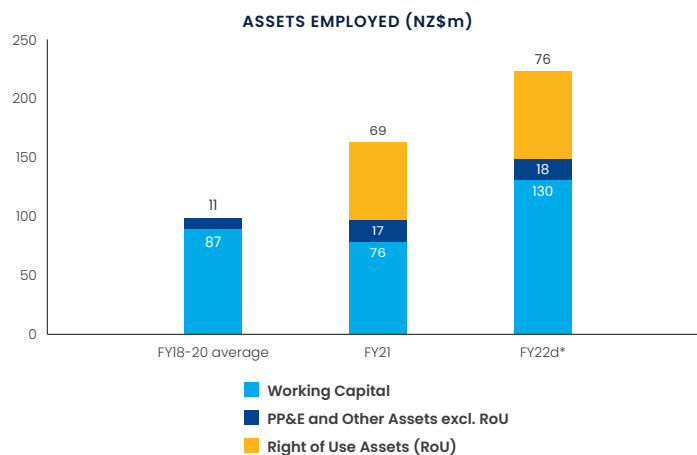


- Vulcan focused on pre-COVID-19 periods as the basis in assessing mid-cycle earnings and the underlying value of the business
- Steady revenue and earnings between FY18-FY20 (March year end)
- Ullrich EBITDA and EBIT in FY22 leveraged off higher aluminium price during the period



Ullrich return on capital was between 10-12% prior to COVID-19 period

- Higher assets employed in FY22 reflect higher aluminium price and higher stock volume
- This was funded by higher debt level
- Capex was relatively steady at NZ\$4m-NZ\$5m pa in the last three years
- Return on capital employed pre-IFRS 16 has ranged between 10-12% in pre-COVID-19 period



An agile integration strategy



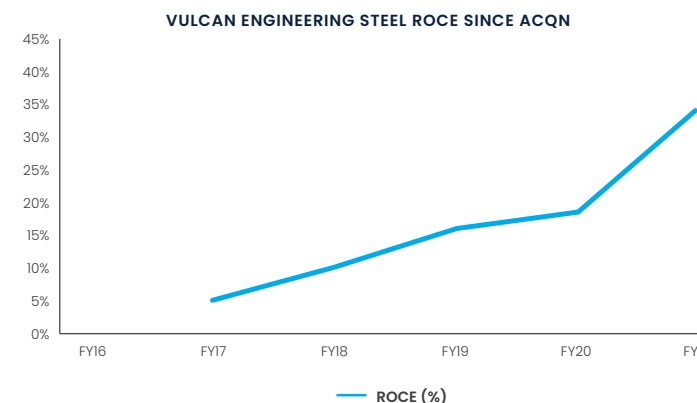
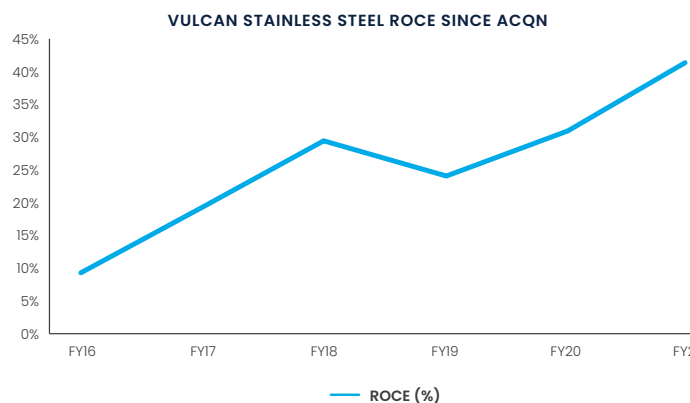
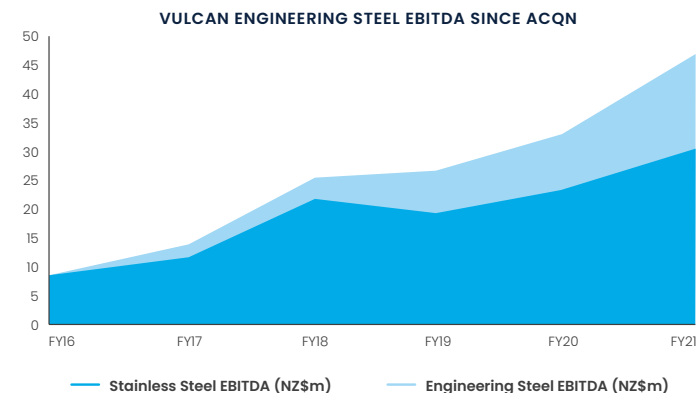
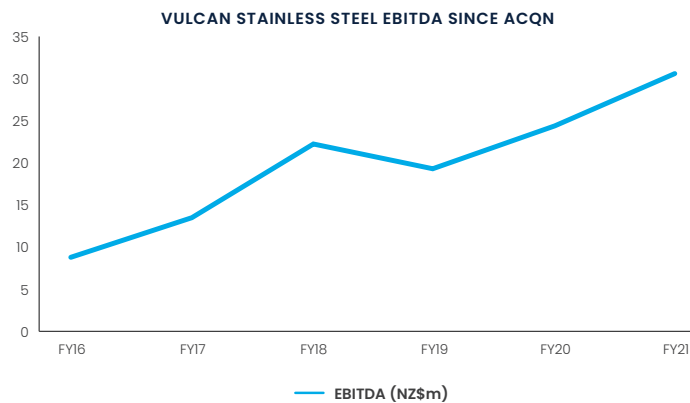
- The Ullrich brand will be retained to become Vulcan Ullrich Aluminium
- Vulcan Ullrich Aluminium will be part of Vulcan's Metals division
- In line with our past acquisitions including Sandvik Australasia (stainless steel) in 2014, Global Metal/Interloy (engineering steel) in 2017 and Horan Steel in 2018, we will adopt an agile approach to our integration programme
- A steering committee has been established to support the integration process, with involvement from leaders from the aluminium division and as well as the wider Vulcan group
- Staff and customer communication is an immediate priority with an action planning process commencing in parallel
- This process will work through all identified issues and systematically analyse initiatives needed
- Action plans will be assessed for quality of synergies and placed on a project timeline before being approved by the steering committee

Areas of synergy and improvement



Expect material upside from a successful integration

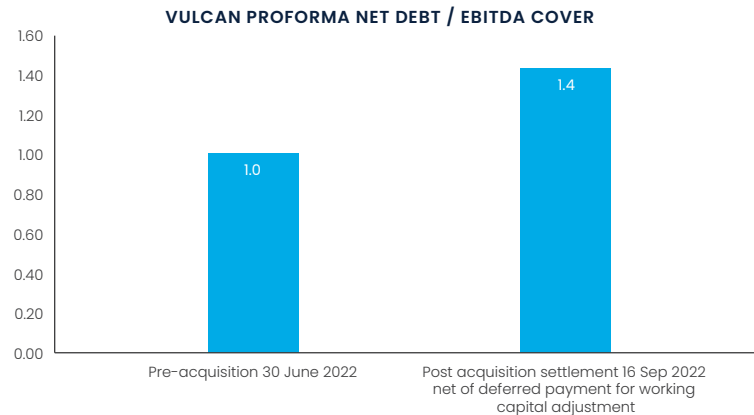
- We are at the formative stage of our integration process and intend to provide more details on earnings and synergies at the full year result on 24 August 2022
- Vulcan expects the Ullrich acquisition to be NPAT and earnings per share accretive in FY23 pre synergies
- The performance achieved by the company's stainless steel and engineering steel units post Vulcan's acquisition of those businesses are useful reference of the potential upside from synergies, operational improvement, and the company's track record in acquisition over time (see charts)



The transaction will be fully debt-funded

Funding

- The effective NZ\$145m acquisition price (including debt assumed but excluding the NZ\$20m deferred settlement payment for working capital) will be fully debt-funded
- On completion of the settlement (excluding the working capital adjustment payments in 2023) on 16 September 2022, Vulcan proforma net debt to EBITDA cover based on trailing 12 months earnings to 30 June 2022 is projected to be approximately 1.4x
- 60%–80% dividend payout policy retained



Q&A



VULCAN.

VULCAN.CO