



VULCAN▲

INTERIM REPORT 2023

Disclaimer

The material contained in this document is a presentation of information about Vulcan Steel Limited's ("Vulcan") activities current as of 14 February 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

It has been an eventful first half of FY23 at Vulcan, including the purchase of Ullrich Aluminium, the largest acquisition our company has made in its history.

Our business performed well despite an expected more testing environment than our last financial year. Vulcan's 1H FY23 results still represent one of the best periods for our company after a record FY22. The team at Vulcan have the tools, skills and experience to thrive through challenging conditions on our journey of growth.

We are excited by the opportunities to create long-term value for all of our stakeholders.

01 / Overview

02 / Financials & Operations

03 / Outlook & Guidance

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01

Overview



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

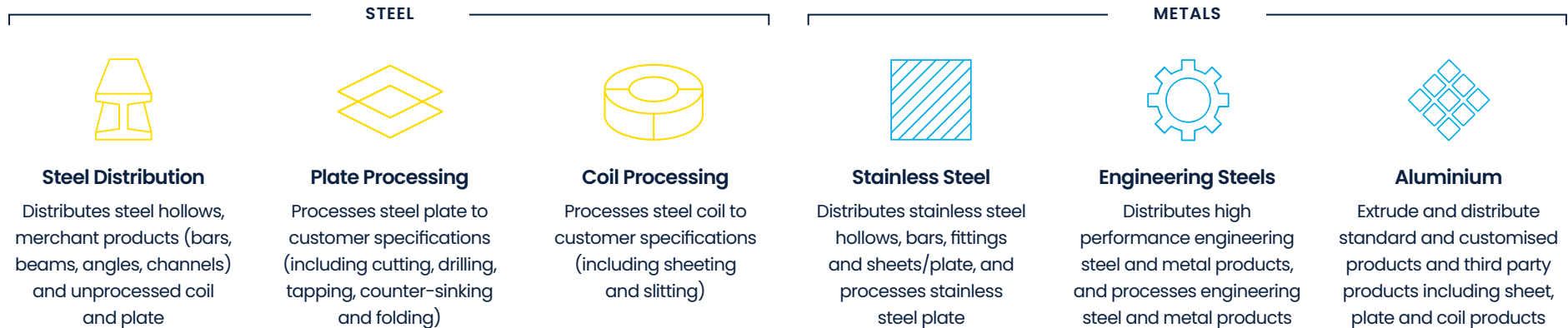
SALES VOLUME¹
127,354t
 -8% on 138,265 tonnes in 1H FY22

INTERIM DIVIDEND
 (TALLING NZ\$32m)
NZ 24.5c
 vs NZ27.5c in 1H FY22

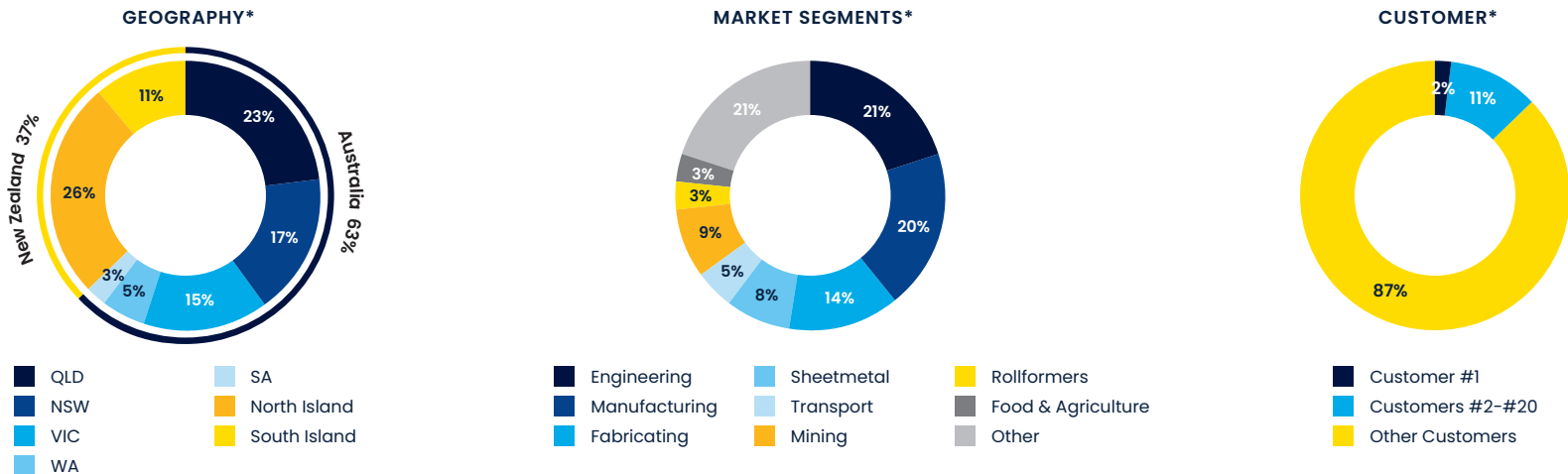
1. Included five months of aluminium contribution in 1H FY23. 2. m - millions. 3. Earnings before interest, tax, depreciation and amortisation. 4. 1H FY22: Statutory report included NZ\$16m offer costs. 5. IFRS 16 - New Zealand accounting recognition of right of use assets and corresponding liabilities 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.

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*

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

Aluminium Business Integration

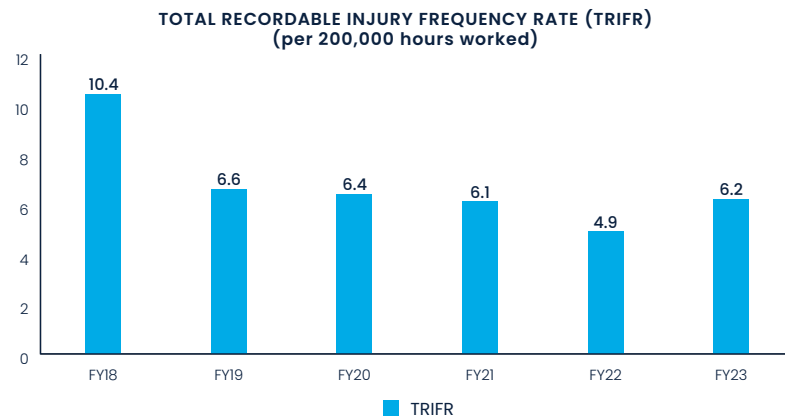
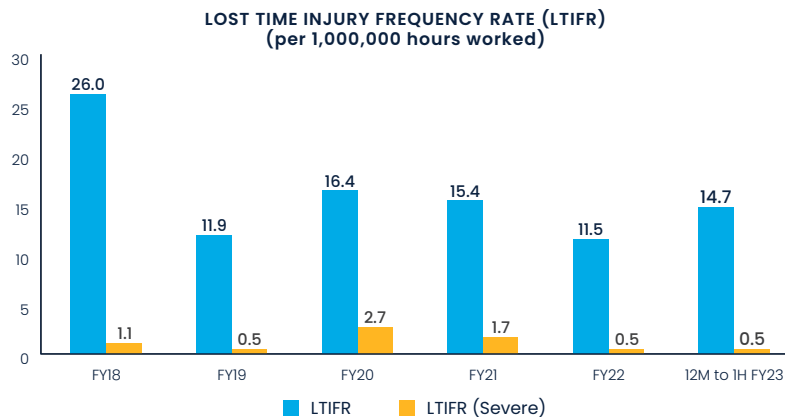


- We have made considerable progress in the integration of our aluminium business since acquisition
- A joint executive team was established immediately after Vulcan took ownership in August 2022
- Key employees have also been appointed to spearhead workstreams and identify ongoing opportunities
- We have completed the migration of our NZ aluminium business operating systems onto Vulcan's platforms – a critical milestone
- Targeting 4Q FY23 for our Australian aluminium business to be operating on Vulcan's platforms
- Our aluminium product procurement process and product offering are currently being streamlined which is anticipated to deliver positive benefits in FY24 and beyond
- Ongoing focus on the integration of our aluminium team into the Vulcan business model and company culture
- We remain confident for annualised synergy benefits to be in excess of NZ\$10m over the next few years

Health & Safety, Environment & Community

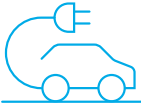
Health & Safety

- Committed to providing a safe and healthy work environment
- Trialling Inviol artificial intelligence assisted video technology to mitigate high risk events across a range of workspaces including the back of trucks, warehouses and manufacturing sites

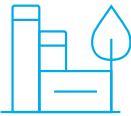


Environment

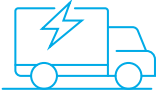
- Greenhouse gas CO2 emission of 9,164 tonnes in June year 2022
- Vulcan’s current initiatives:



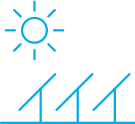
Shifting to hybrid cars




Monitoring supplier progress in green steel



Commenced trial of electric truck in 2H FY22



Solar rollout at various sites



The introduction of biofuel use over time

Community and Social

- Support to local community organisations - Halberg Youth Council, New Zealand Dance Company, Arts Centre Melbourne
- Workplace and personal support to all employees and immediate family

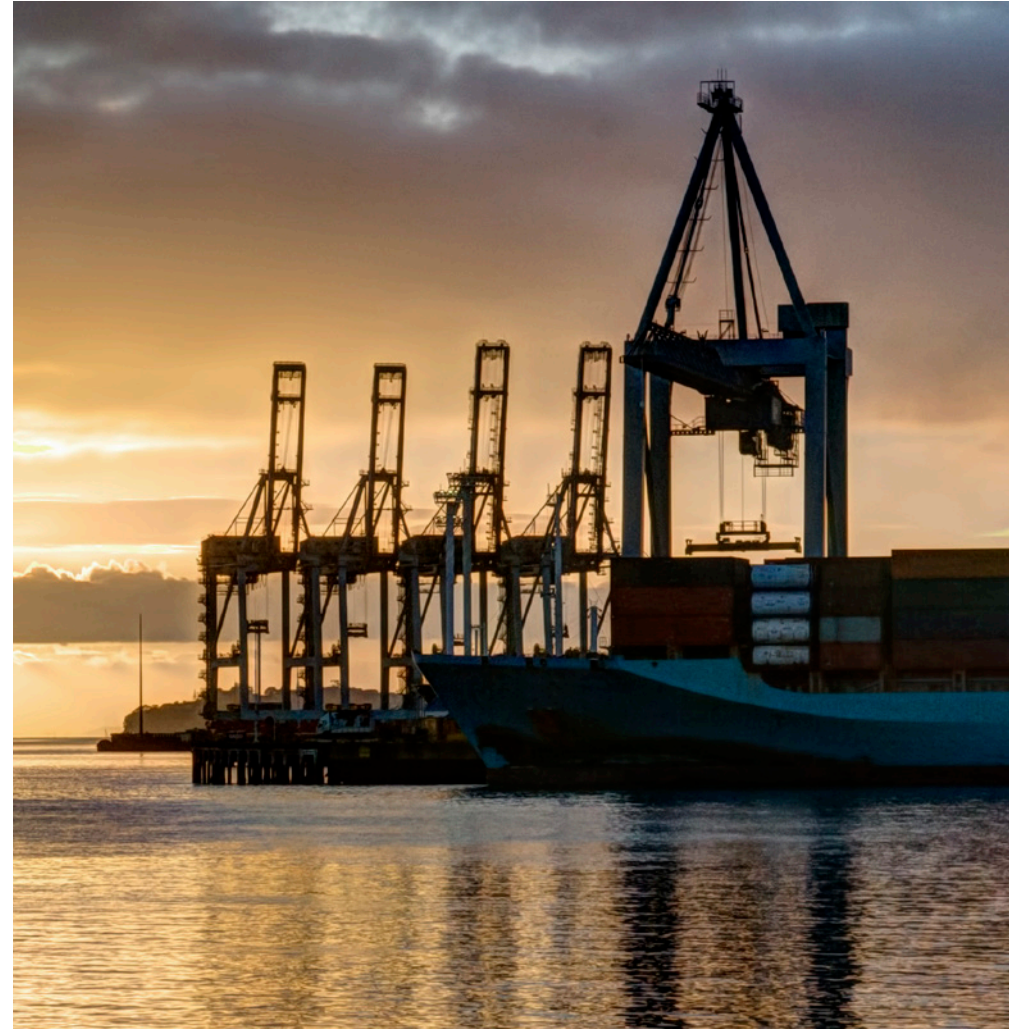
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Financials & Operations



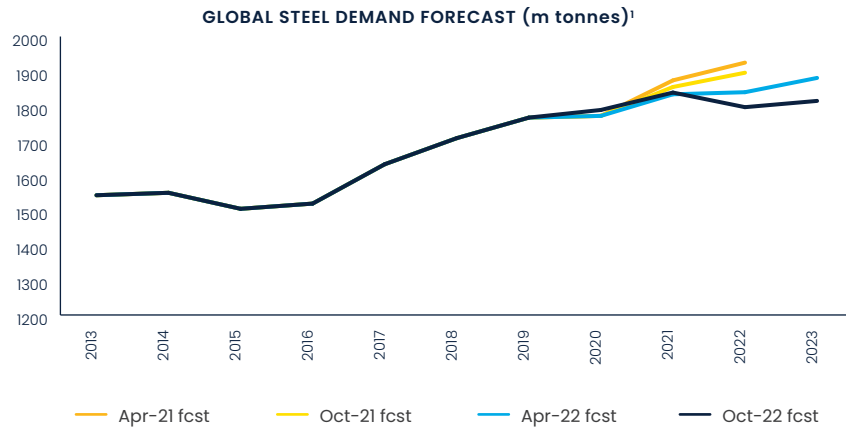
Operating Backdrop during 1H FY23

- 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

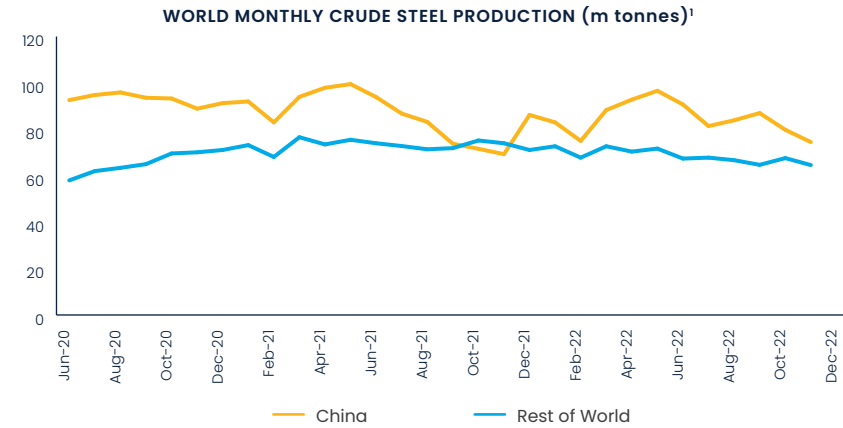


Global Sector Indicators

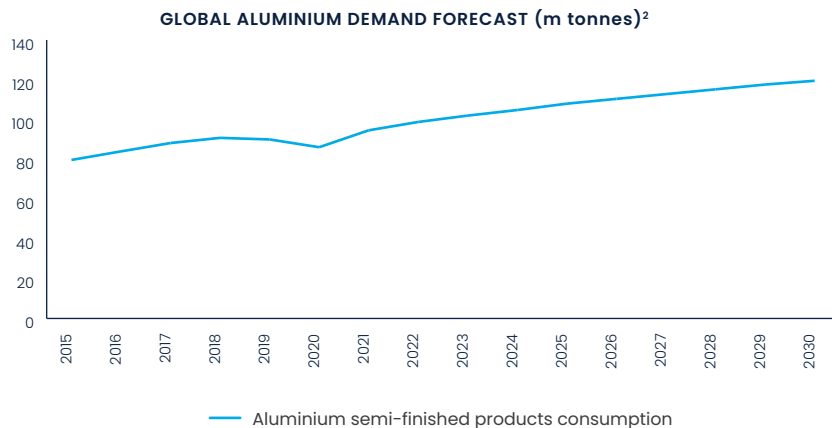
World steel demand growth is currently forecast to be modest



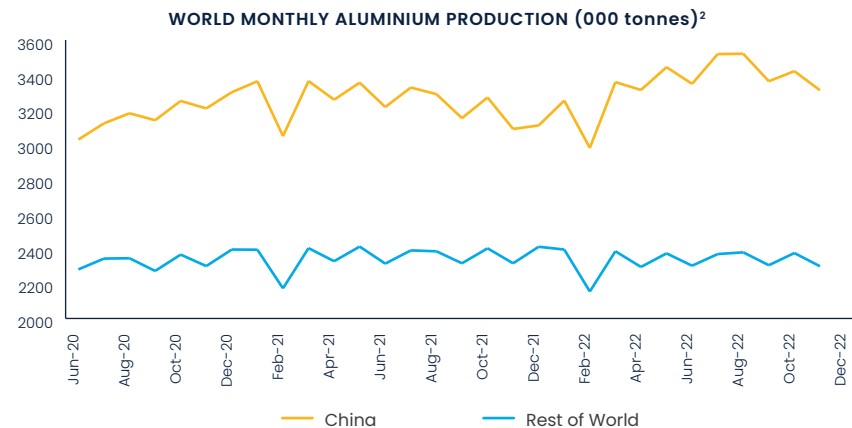
Short term steel production decline reflects economic conditions and seasonal factors



World aluminium demand growth is forecast to exceed 3% pa in the medium term

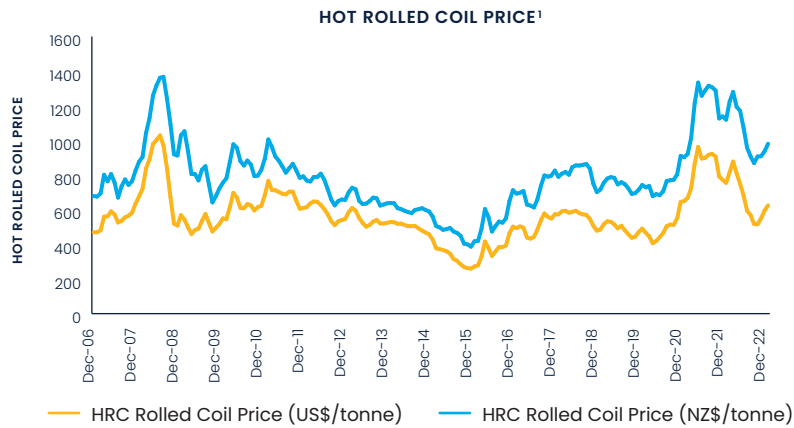


Short term aluminium production reflects demand conditions

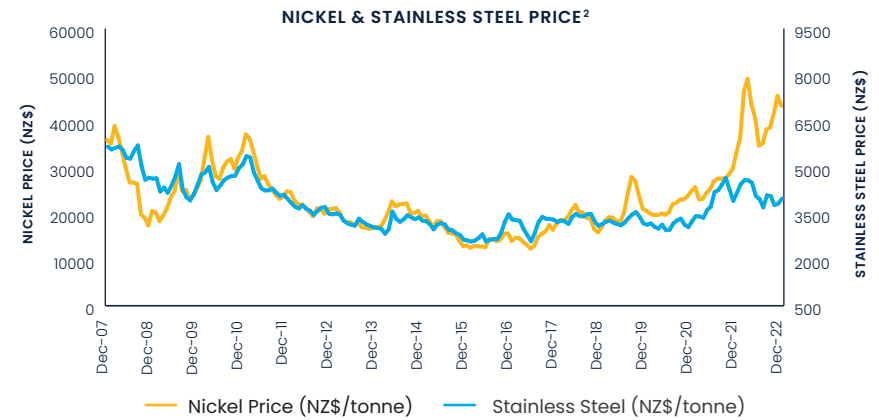


Steel, Stainless, Nickel, Aluminium & Freight Prices

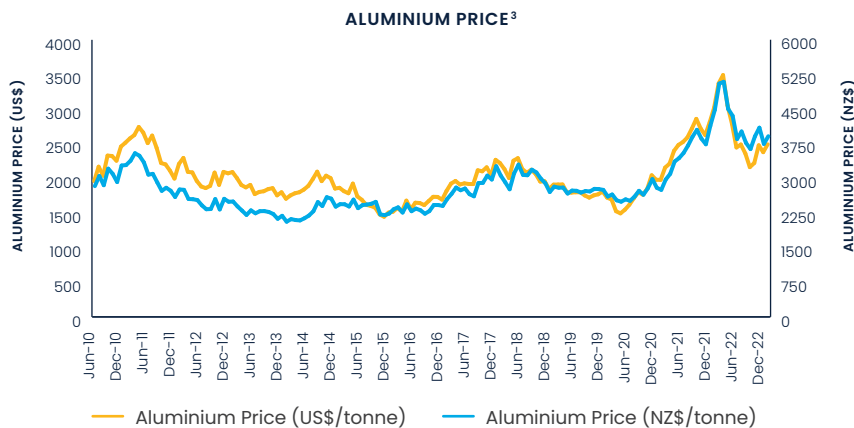
HRC price fell c20% in 1H FY23 compared with 2H FY22 average, but has recovered c7% since December 2022



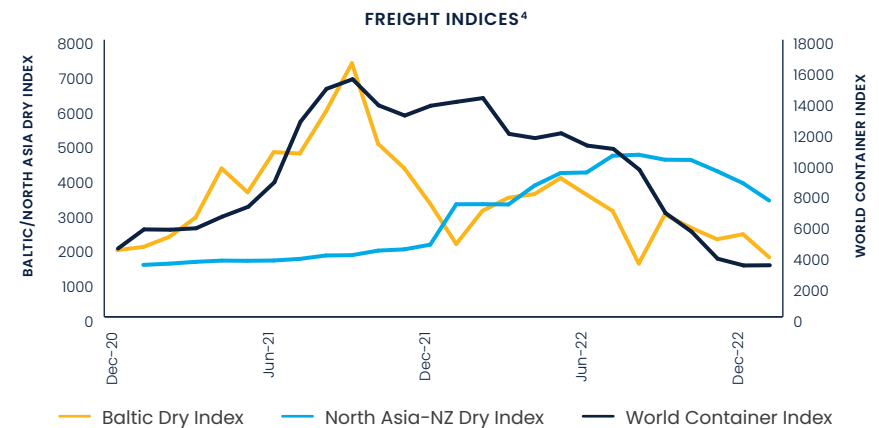
Nickel price remains elevated relative to stainless steel price



Aluminium price fell c14% in 1H FY23 compared with 2H FY22 average, and has recovered slightly recently

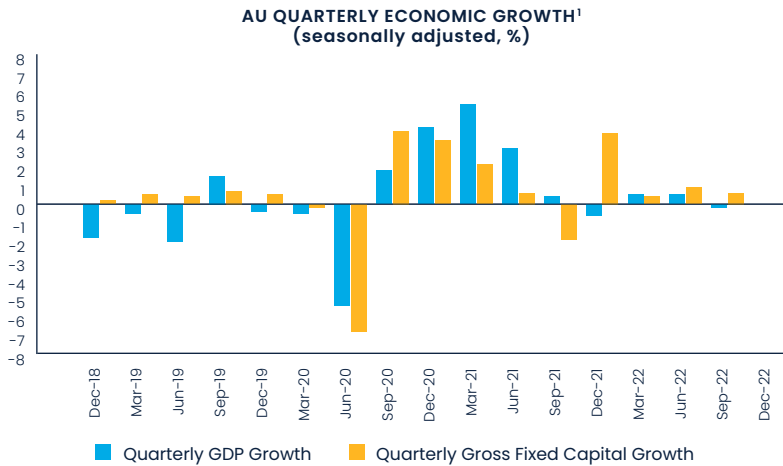


North Asia-NZ dry bulk freight cost remains above pre-COVID 19 period levels

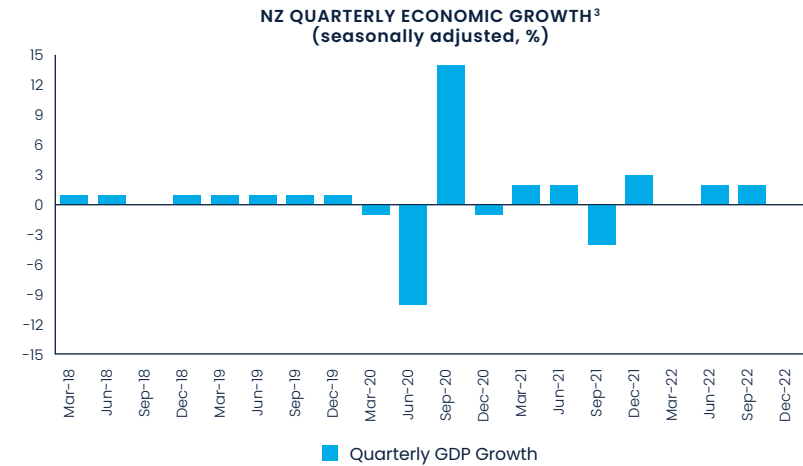


Australian and New Zealand Economic Trends

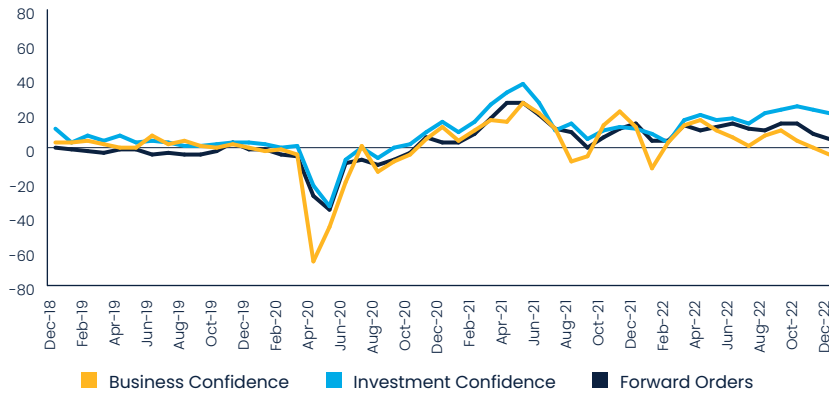
Australian Economic Activity



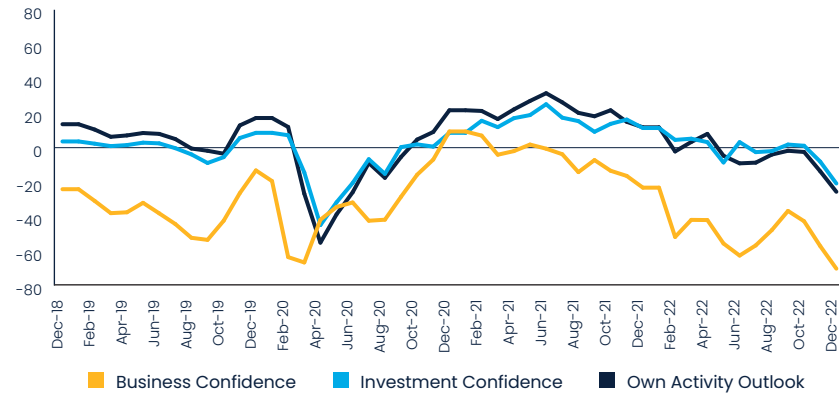
New Zealand Economic Activity



NAB BUSINESS CONFIDENCE SURVEY FOR AUSTRALIA²



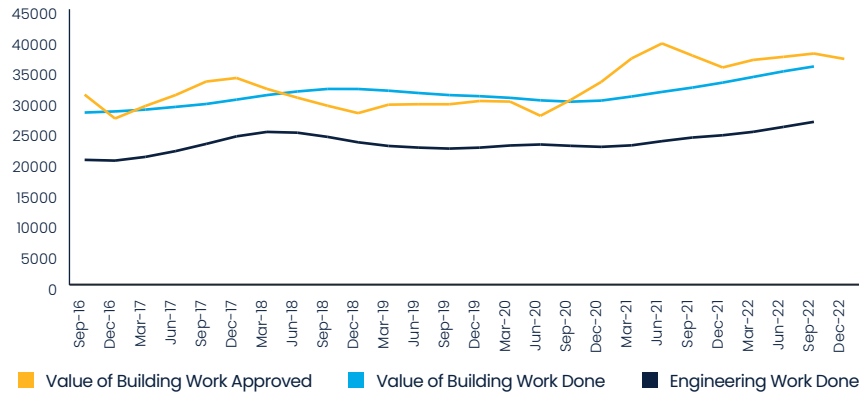
ANZ BUSINESS CONFIDENCE SURVEY FOR NZ⁴



Australian and New Zealand Building Activity

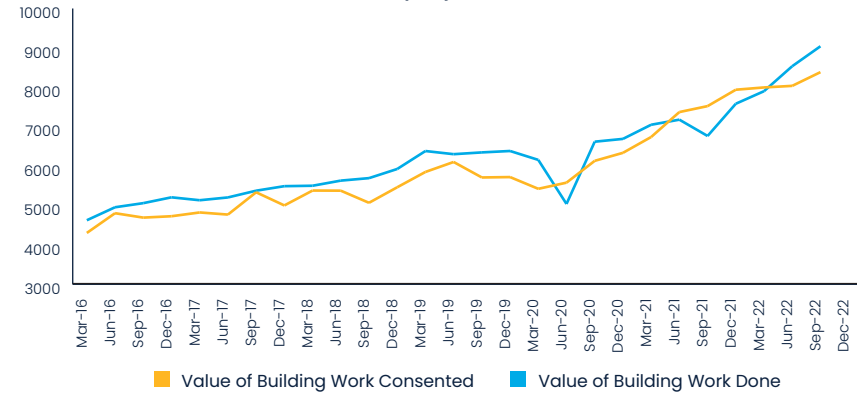
Australian Building Activity

AU CONSTRUCTION ACTIVITY - VALUE¹
(seasonally adjusted, A\$m)

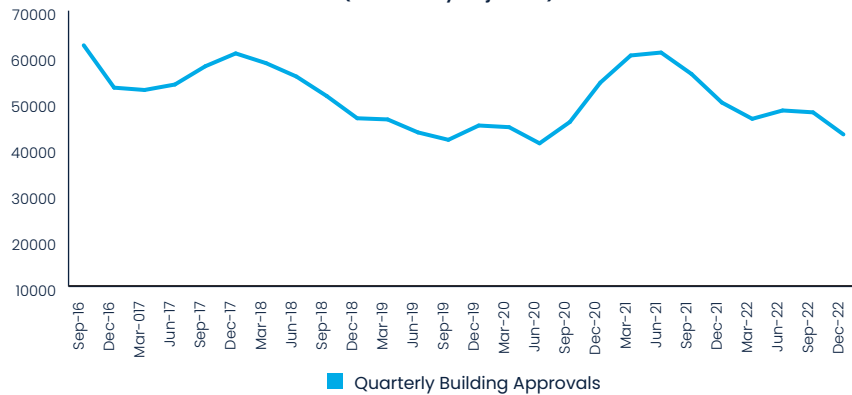


New Zealand Building Activity

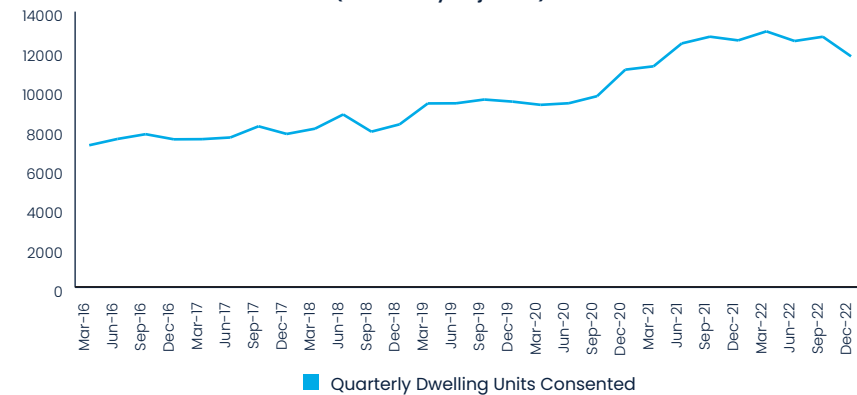
NZ QUARTERLY BUILDING ACTIVITY VALUE³
(seasonally adjusted, NZ\$m)



AU BUILDING ACTIVITY - DWELLINGS APPROVED²
(seasonally adjusted)



NZ BUILDING ACTIVITY - UNITS CONSENTED⁴
(seasonally adjusted)



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%

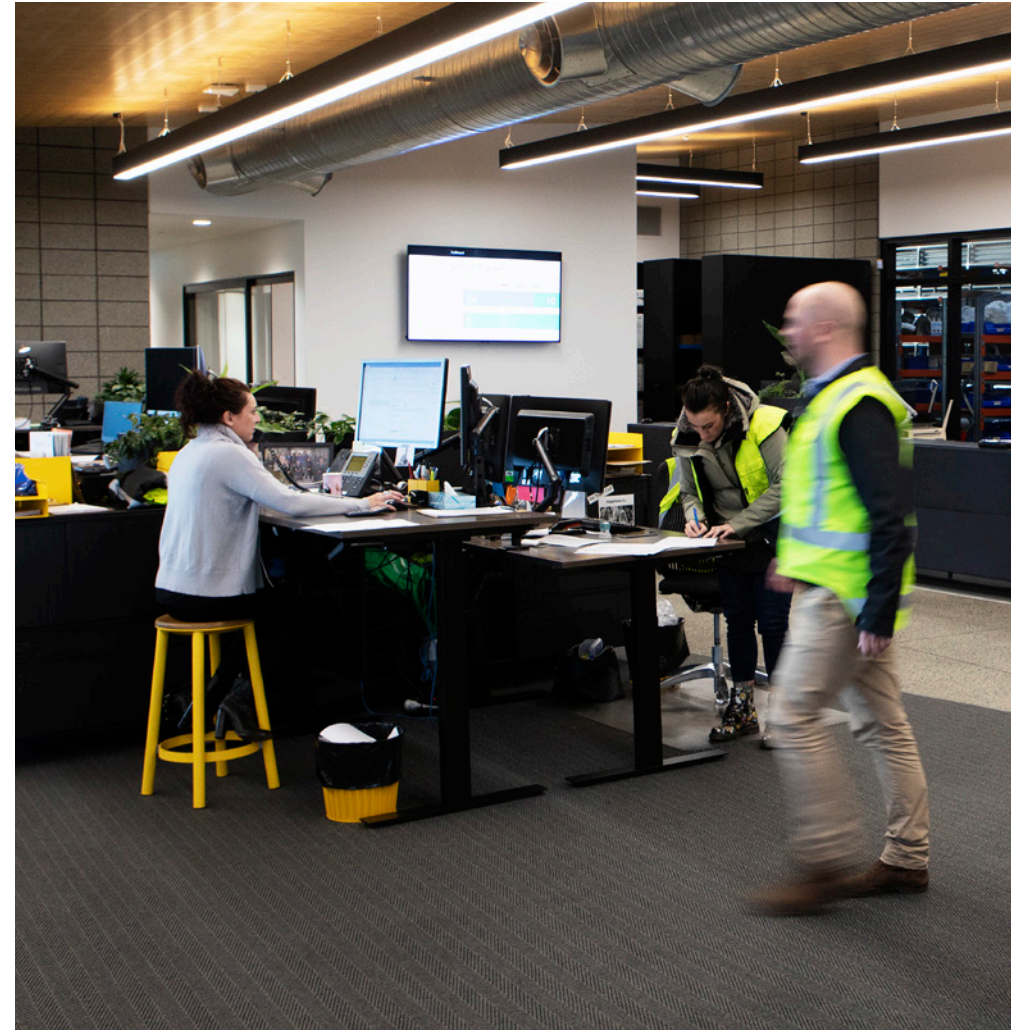
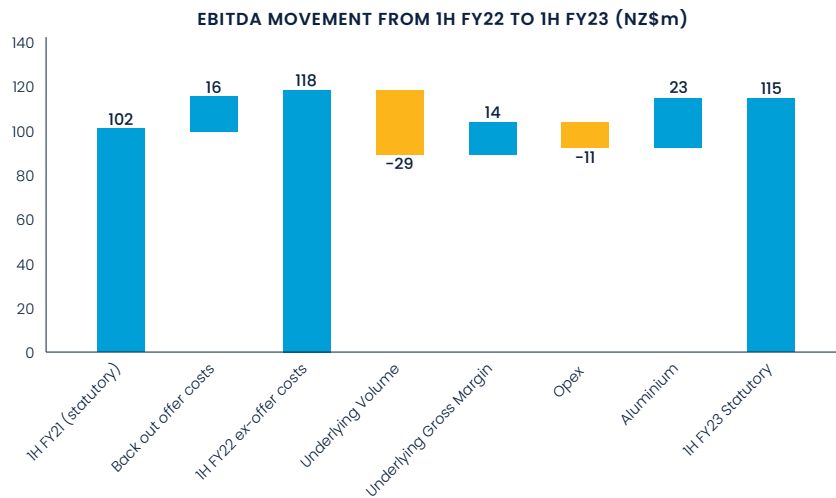
1. EBITDA - Earnings Before Interest, Tax, Depreciation and Amortisation.
2. EBIT - Earnings Before Interest and Tax.
3. NPAT - Net Profit After Tax.
4. Before significant items (offer costs in 1H FY22).
5. (EBITDA - lease payment - capital expenditure) / (EBITDA - lease payments).
6. Capital Employed = 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



Steel Segment, Steel GP\$/tonne

- Revenue increase was driven by 26% YoY product price inflation and 16% YoY decline in volume
 - Coil accounted for the majority of this volume decline
- Gross profit per tonne in 1H FY23 was up approximately 2% YoY compared with 1H FY22 but down 3.5% compared with full year FY22
- EBITDA decreased 24% YoY in 1H FY23 as a consequence of the decline in volume and increase in operating costs

(STEEL, MILLION NZ\$)	1H FY23	1H FY22	% Change
Revenue	316.5	300.3	5%
EBITDA ¹	64.3	84.5	-24%
Sales Volume (000 tonnes)	94.5	113.0	-16%
Revenue / Tonne (\$)	3,351	2,659	26%
EBITDA Margin ¹	20.3%	28.1%	-7.8%

1. Post IFRS 16 basis.



Metals Segment

- Revenue increase was driven by NZ\$134m first-time contribution from aluminium, and 28% YoY product price inflation and 11% YoY volume decline in pre-existing operations
- Gross profit per tonne for Metals improved 37% YoY in 1H FY23 due largely to a change in product mix following our aluminium business acquisition
- Aluminium contributed NZ\$23m to Metals Segment EBITDA in 1H FY23
- *Aluminium EBITDA will not be disclosed separately after FY23 on completion of our integration*

(METALS, MILLION NZ\$)	1H FY23	1H FY22	% Change
Revenue	321.4	162.7	98%
EBITDA ¹	66.6	44.3	50%
Sales Volume (000 tonnes)	32.9	25.3	30%
Revenue/Tonne (\$)	9,772	6,428	52%
EBITDA Margin ¹	20.7%	27.2%	-6.5%

¹. Post IFRS 16 basis.

Group OPEX

- Group OPEX increased by 56% YoY in 1H FY23
 - Aluminium business contributed approximately NZ\$30m
 - Material underlying inflation uplift on pre-existing operations including employee, freight and travel expenses
 - Business integration costs accounted for NZ\$1.5m in 1H FY23

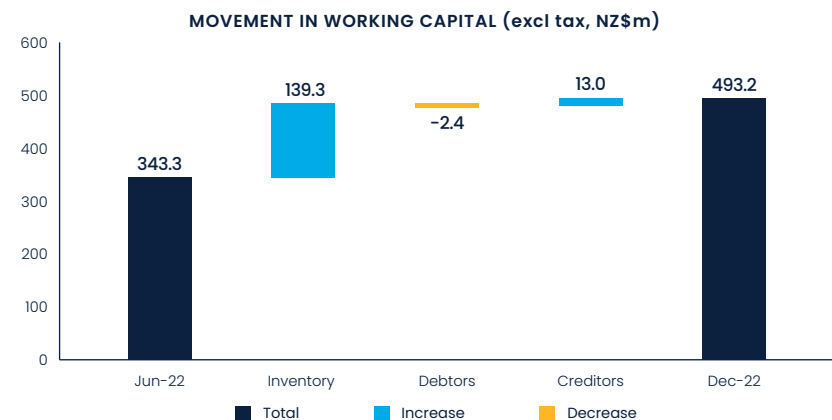
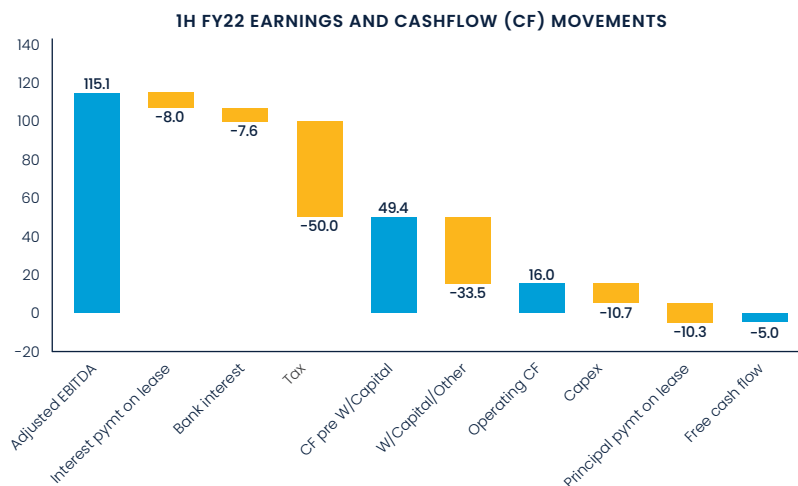
(OPEX , MILLION NZ\$)	1H FY23	1H FY22	% Change
Employee Benefits	70.7	47.3	50%
Selling & Distribution (S&D)	13.3	8.8	51%
Occupancy Costs	4.9	2.8	76%
General & Admin. (G&A)	25.1	14.1	78%
Operating Expenses^{1,2}	114.0	73.0	56%
Average employee numbers	1440	848	70%
Sales Volume (000 Tonnes)	127.4	138.3	-8%
Total OPEX/Tonne (\$)	895.4	528.0	70%

1. Exclude Depreciation & Amortisation.
2. Before significant items (offer costs in FY22).

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\$41 net debt was assumed as part of acquisition
- Capex was \$11m in 1H FY23. Retaining NZ\$25m - NZ\$27m capex guidance for FY23

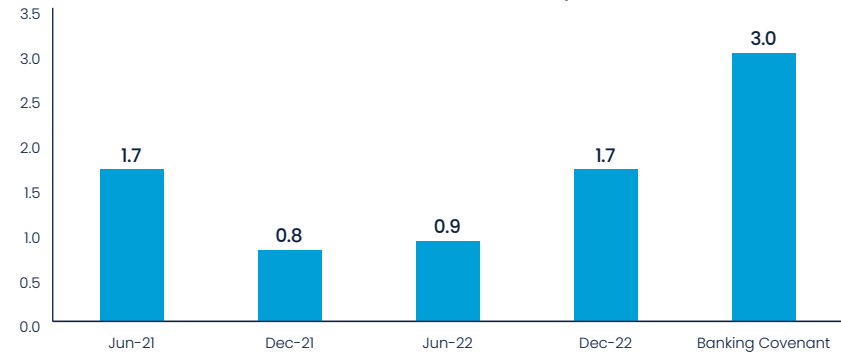
(MILLION NZ\$)	1H FY23	1H FY22	% Change
Receipts from customers	736.1	522.2	46%
Payments to suppliers & employees	-681.5	-456.8	49%
Interest paid	-7.6	-1.3	496%
Tax paid	-50.0	-22.8	119%
Lease interest paid	-8.0	-5.6	43%
Net cash flows from operating activities	16.0	35.6	55%
Capital expenditure	-10.7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



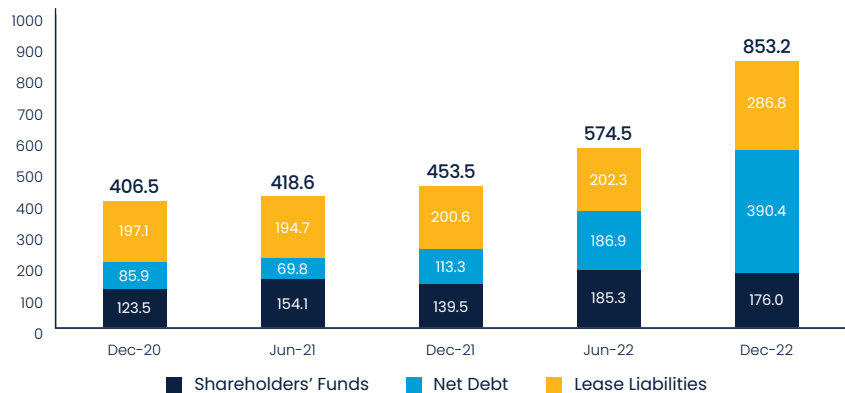
Balance Sheet Metrics & Dividend

- 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

NET DEBT COVER (Net debt/EBITDA, pre IFRS 16)



FUNDS EMPLOYED (NZ\$ million)



BANKING FACILITIES



03

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 northern region 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 have narrowed our FY23 EBITDA guidance range to NZ\$215m – NZ\$230m from previously NZ\$215m – NZ\$235m.
- Combined with depreciation and amortisation and funding costs, we expect NPAT to be between NZ\$95m and NZ\$109m from previously NZ\$93m – NZ\$107m.
- With the ongoing economic and market volatility, we will update our guidance as appropriate.

04

Q&A



05

Supplementary Information

Profit and Loss Segment Disclosure

POST IFRS 16 ¹ IN MILLION NZ\$	Steel			Metal			Corporate			Total		
	1HFY23	1HFY22	% Change	1HFY23	1HFY22	% Change	1HFY23	1HFY22	% Change	1HFY23	1HFY22	% Change
Revenue	316.5	300.3	5%	321.4	162.7	98%	0.0	0.0	-	638.0	463.0	38%
Adjusted EBITDA ²	64.3	84.5	-24%	66.6	44.3	50%	-15.7	-10.7	47%	115.1	118.1	-3%
Significant items	0.0	0.0		0.0	0.0		0.0	-15.8		0.0	-15.8	
EBITDA post IFRS 16 & significant items	64.3	84.5	-24%	66.6	44.3	50%	-15.7	-26.4	-41%	115.1	102.4	12%
Depreciation and amortisation (D&A)										-21.0	-13.3	
EBIT										94.1	89.0	6%
Finance costs										-17.4	-7.1	
PBT										76.7	81.9	-6%
Tax expense										-22.4	-28.0	
NPAT										54.4	54.0	1%
D&A of PPE and intangibles										-6.7	-4.3	
Amortisation of right of use assets										-14.3	-9.0	
Total D&A										-21.0	-13.3	58%
Finance income										0.0	0.0	
Finance charges on bank debt										-9.3	-1.5	
Finance charges on lease liabilities										-8.0	-5.6	
Finance charges										-17.4	-7.1	
Lease payments	-7.2	-6.7		-11.0	-5.1		-0.1	0.0		-18.3	-11.8	
EBITDA pre-IFRS 16	57.1	77.8	-27%	55.6	39.2	42%	-15.8	-10.7	48%	96.8	106.3	-9%
Sales (000 tonnes)	94.5	113.0	-16%	32.9	25.3	30%				127.4	138.3	-8%
Revenue/Tonne	3,351	2,659	26%	9,772	6,428	52%				5,009	3,348	50%
Gross Margin (%)	32.2%	39.9%	-765 bps	39.6%	43.8%	-426 bps				35.9%	41.3%	-534 bps
EBITDA Margin ²	20.3%	28.1%	-783 bps	20.7%	27.2%	-652 bps				18.0%	25.5%	-747 bps
EBIT Margin ²	18.0%	25.7%	-775 bps	16.7%	24.0%	-725 bps				14.7%	22.6%	-788 bps

1. NZ International Financial Reporting Standard (IFRS) 16 – accounting recognition of right of use assets and corresponding liabilities on leases adopted in FY20
2. Before significant items (offer costs in FY22)

Statutory and Non-GAAP Earnings

IN MILLION NZ\$ (UNLESS STATED)	Revenue		EBITDA		EBIT		NPAT		EPS (NZ cents)	
	1H FY23	1H FY22	1H FY23	1H FY22	1H FY23	1H FY22	1H FY23	1H FY22	1H FY23	1H FY22
Statutory basis	638.0	463.0	115.1	102.4	94.1	89.0	54.4	53.9	41.4	41.0
+ Offer costs	-	-	-	15.8	-	15.8	-	15.8	-	12.0
Adjusted basis before significant items	638.0	463.0	115.1	118.1	94.1	104.8	54.4	69.7	41.4	53.0
- Operating leases adjustment	-	-	-18.3	-11.8	-4.0	-2.9	2.8	2.0	2.2	1.5
Adjusted pre-IFRS16 basis	638.0	463.0	96.8	106.3	90.1	101.9	57.2	71.7	43.5	54.6

Balance Sheet

IN MILLION NZ\$	31 Dec 22	30 Jun 22	% Change
Trade and other receivables	154.8	157.2	-2%
Inventories	492.5	353.2	39%
Less trade and other payables	-154.1	-167.1	-8%
Working capital excluding tax items	493.2	343.3	44%
Tax payable	-7.7	-29.7	-74%
Working capital	485.5	313.6	55%
Property, plant equipment	79.9	56.2	42%
Intangibles	16.8	12.8	31%
Right-of-use assets	261.7	180.7	45%
Other assets and liabilities	9.2	11.2	-17%
Lease liabilities	-286.8	-202.3	42%
Net banking debt	-390.4	-186.9	109%
Net assets/Shareholders funds	176.0	185.3	-5%

Vulcan's Business

Our business model at a glance...



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

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