

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

ASX/NZX/Media Release

14 February 2023

Vulcan FY23 half year result

Vulcan an Australasian-wide industrial product distributor and value-added processor announced today the company's financial performance for the six months ended 31 December 2022 (**1H FY23**).

- Adjusted EBITDA was NZ\$115 million (**m**), down 3% from NZ\$118m in 1H FY22
- Adjusted NPAT NZ\$54m, down 22% from NZ\$70m in 1H FY22
- Reported EBITDA was NZ\$115m, up 12% from NZ\$102m in 1H FY22
- Reported NPAT of NZ\$54m, in line with the level recorded in 1H FY22
- Revenue of NZ\$638m, up 38% from NZ\$463m in 1H FY22

For 1H FY23, Vulcan reported an adjusted interim EBITDA of \$115m (down 3% year-on-year) and an adjusted interim NPAT of NZ\$54.4m (down 22% year-on-year). The addition of 5 months trading of the newly acquired aluminium business partially offset weaker volumes in pre-existing businesses, increasing operating cost pressures and higher financing charges.

In million NZ\$ (unless stated)	Post-IFRS 16 ⁴			Pre-IFRS 16 ⁵		
	1H FY23	1H FY22	% Change	1H FY23	1H FY22	% Change
Adjusted EBITDA ^{2,3}	115.1	118.1	-3%	96.8	106.3	-9%
Adjusted NPAT ^{1,3}	54.4	69.7	-22%	57.2	71.7	-20%
Reported EBITDA ²	115.1	102.4	12%	96.8	90.6	7%
Reported NPAT ¹	54.4	53.9	1%	57.2	55.9	2%
Dividend (NZ cents per share)	24.5	27.5	-11%	24.5	27.5	-11%

¹NPAT - Net Profit After Tax

² EBITDA - Earnings Before Interest, Tax, Depreciation and Amortisation

³ Adjusted for significant items - 1H FY23: gain on acquisition, 1H FY22: offer costs for the public listing of the company

⁴ New Zealand IFRS 16 – accounting recognition of right of use assets and corresponding liabilities on leases adopted in FY20

⁵ New Zealand International Accounting Standard 17 – accounting treatment of leases prior to the introduction of IFRS 16 in FY20

Commenting on the results, Vulcan's Managing Director and CEO Rhys Jones said,

“As signalled with our FY22 results in August last year, we expected the 2023 financial year to be more challenging. Trading in 1H FY23 reflected ongoing normalisation from the previous peak demand period during FY22 arising from COVID-19, and weakness in Australian and New Zealand economic conditions. Revenue in 1H FY23 was up 38% year-on-year due to higher product costs and selling prices and from our recently acquired aluminium business. This is despite a 15% year-on-year decline in sales volume.

“Our customer engagement was positive. Active trading accounts¹ in our pre-existing business were up 1% in 1H FY23 compared with 2H FY22, while our DIFOT² improved slightly to 97%. The progress made in the integration of our aluminium business has also been encouraging.

“The focus remains on continuing to improve our high service level across Vulcan's growing and diverse customer base in a cost and capital efficient manner.

“Accordingly, our Board has declared a fully imputed and fully franked 24.5 NZ cents per share Interim dividend.”

¹ Active trading accounts – the number of customers that have traded with Vulcan at least once in the six-month period.

² DIFOT – Delivered-In-Full-On-Time is a measurement of delivery performance in customer order.

Outlook and earnings guidance

The demand conditions observed in 1H FY23 are not expected to materially improve in 2H FY23 across the Australian and New Zealand markets.

Based on current monetary policy settings, current business confidence levels 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 Vulcan's operating cost base across Australia and New Zealand.

Vulcan's aluminium business has performed better in 1H FY23 than its initial expectations. The company's goal is to maintain the present momentum in the remainder of FY23.

The demand for steel and metal products globally in calendar year 2023 is expected to increase from levels observed in calendar year 2022, as business activity in China begins to recover from COVID-19.

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 (pre-IFRS 16 EBITDA of between NZ\$180m and NZ\$200m). We expect FY23 NPAT to be between NZ\$95m and NZ\$109m from previously NZ\$93m and NZ\$107m. With the ongoing economic and market volatility, we will update our guidance as appropriate.

Half year results webcast

Vulcan's management will present the company's result for the half year ended 31 December 2022 at 10.30am NZDT (8.30am AEDT) today, Tuesday 14 February 2023, via webcast.

The webcast is available from Vulcan's website at www.vulcan.co/investor.

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 1,450 staff across the company's Steel and Metals divisions.