

Vulcan Steel Limited (Vulcan)

ASX/NZX/Media Release

29 August 2023

Vulcan achieves sound financial returns in a challenging year

Vulcan (ASX: VSL, NZX: VSL), an Australasian-wide industrial product distributor and value-added processor has announced its results for the financial year ended 30 June 2023 (FY23).

- Return on capital employed of 21%, equivalent to 32% on a pre-NZ IFRS 16 basis⁴, the second highest for the company in the last 10 years
- Reported NPAT of NZ\$88m*, down 29% from NZ\$124m in FY22
- Reported EBITDA NZ\$209m, down 7% from NZ\$224m in FY22
- Adjusted NPAT NZ\$95m, down 33% from NZ\$142m in FY22
- Adjusted EBITDA NZ\$219m, down 10% from NZ\$243m in FY22
- 30.5 NZ cents per share final dividend, bringing the total dividend declared for FY23 to 55.0 NZ cents per share

In million NZ\$ (unless stated)	Post-IFRS 16 ⁴			Pre-IFRS 16		
	FY23	FY22	% Change	FY23	FY22	% Change
Reported NPAT ¹	88	124	-29%	94	128	-27%
Reported EBITDA ²	209	224	-7%	171	200	-15%
Adjusted NPAT ^{1,3}	95	142	-33%	101	146	-31%
Adjusted EBITDA ^{2,3}	219	243	-10%	181	218	-17%
Dividend (NZ cents per share)	55.0	65.0	-15%	55.0	65.0	-15%

¹NPAT - Net Profit After Tax

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

³Adjusted for significant items - FY23: integration costs, FY22: offer costs for the public listing of the company

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

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

“FY23, compared to FY22, was a more challenging year for Vulcan, following major tailwinds that benefited our business in FY22. Economic conditions, especially in New Zealand, progressively softened during FY23. As previous indirect boost from COVID-19 policy responses abated, customers reduced stock holdings. Further, significantly higher interest rates impacted on business activity and investment appetite. High inflation added to the pressure on business costs.

“Despite this difficult environment, our overall operational performance has remained strong. This has enabled Vulcan to continue to deliver a high 32% return on capital employed in FY23 on a pre-NZ IFRS 16 basis. Our net debt has also decreased further to NZ\$328m at 31 July from NZ\$340m at 30 June 2023.

“Market conditions remain uncertain and may potentially weaken further in the near term. However, we are encouraged by the progress we have made in our business improvement programme including for our aluminium unit, which positions us well to capitalise on the opportunities in the market and an uplift in the cycle.”

*m - million

Outlook

Economic uncertainty and inflationary pressure are likely to be ongoing throughout the financial year ending 30 June 2024 (FY24). With monetary policy settings in Australia and New Zealand expected to stay restrictive, the economies are likely to remain subdued in the near term. In New Zealand, a weak outlook for the dairy sector in the next twelve months could weigh on spending in the rural economy. In addition, the political uncertainty over the country's national election in October 2023 is adding to the challenges for businesses planning for investments.

Based on World Steel Association forecasts, the demand for steel globally in 2023 and 2024 is expected to increase from the levels observed in 2022, although this hinges on the economic recovery of major economies, including China.

Inflationary pressure will continue to impact on the company's operating cost base across Australia and New Zealand. Rental increases are also placing upward pressure on costs, which impacts on earnings through depreciation and interest expenses under NZ IFRS 16 (accounting for leases).

Notwithstanding the economic environment, Vulcan remains focused on growing the company's customer base. The effort invested in customer engagement during FY23 is beginning to translate into increased numbers of active trading accounts (ATAs). The company's monthly ATAs for its pre-existing business divisions averaged approximately 3% higher in May to July 2023, compared with the same period in 2022.

Further, the benefits from the company's Aluminium integration programme should become more evident in Vulcan's financial performance in the second half of FY24.

It is intended that the company will provide a trading update at its annual meeting of shareholders in November 2023.

The company will host a conference call to discuss the FY23 results.

Webcast and conference call details

Date Wednesday, 29 August 2023

Time 10:30am NZT, 8:30am AEST

Webcast <https://webcast.openbriefing.com/vsl-fyr-2023/> (listen mode only)

An online archive of the webcast event will be available approximately four hours after the webcast

Conference Call Conference call participants can register for dial-in details at <https://registrations.events/direct/OCP61085>

ENDS

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*m - million



This announcement was authorised by Vulcan’s 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 approximately 1,360 employees across the company’s Steel and Metals divisions.

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