

# VULCAN.

## PROSPECTUS

**VULCAN STEEL LIMITED**

(NZBN 9429038466052,  
ARBN 652 996 015).

Initial Public Offering of fully  
paid ordinary shares at an  
Offer Price per Share of A\$7.10

CREDIT SUISSE 

 UBS

Joint Lead Managers

# Important notice

## OFFER

This Prospectus is issued by Vulcan Steel Limited (NZBN 9429038466052, ARBN 652 996 015) ("**Company**" or "**Vulcan**") and Vulcan Sale Company Limited (NZBN 9429049523409, ARBN 652 961 209) ("**SaleCo**") for the purpose of Chapter 6D of the *Corporations Act 2001* (Cth) ("**Corporations Act**"). The Offer contained in this Prospectus is an initial public offering to acquire fully paid ordinary shares in the Company ("**Shares**"). See Section 7 for further information on the Offer, including details of the securities that will be sold under this Prospectus.

## LODGEMENT AND LISTING

This Prospectus is dated 15 October 2021 ("**Prospectus Date**") and was lodged with the Australian Securities and Investments Commission ("**ASIC**") on that date.

The Company will apply to the Australian Securities Exchange ("**ASX**") within seven days of the Prospectus Date, for its admission to the Official List and quotation of Shares (under the code "VSL"). The Company will also apply for listing with NZX Limited ("**NZX**") as a foreign exempt issuer and for quotation of the Shares on the NZX Main Board (under the code "VSL"). None of ASIC, ASX, NZX nor any of their respective officers takes any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

## EXPIRY DATE

This Prospectus expires on the date which is 13 months after the Prospectus Date ("**Expiry Date**"). No Shares will be sold on the basis of this Prospectus after the Expiry Date.

## NOTE TO APPLICANTS – NOT INVESTMENT ADVICE

The information contained in this Prospectus is not investment or financial product advice and has been prepared as general information only. It does not consider the investment objectives, financial situation or particular needs of any prospective investor.

It is important that you read this Prospectus carefully and in full before deciding whether to invest in the Company. If you have any questions, you should consult your accountant, financial advisor, stockbroker, lawyer or other professional advisor before deciding whether to invest in Shares.

In particular, you should consider the basis of preparation and best estimate assumptions underlying the Pro Forma Historical Financial Information (see Section 4) and the risk factors (see Section 5) that could affect the business, financial condition and financial performance of the Company, including macroeconomic and market condition risks arising from the ongoing global COVID-19 pandemic.

No person named in this Prospectus, nor any other person, guarantees the performance of the Company, the repayment of capital by the Company or the payment of a return on the Shares.

## THE COMPANY AND SALECO ARE NEW ZEALAND COMPANIES

The Company and SaleCo are each a company incorporated in New Zealand. As such, each is subject to New Zealand law including the Companies Act.

Once admitted to the Official List, the Company will also be subject to the requirements of the ASX Listing Rules. There are certain differences between New Zealand law and Australian law that prospective investors in Australia should be aware of. Refer to Section 9.8.3 for further information.

## EXPOSURE PERIOD

The Corporations Act prohibits the Company and SaleCo from processing Applications in the seven-day period after the Prospectus Date ("**Exposure Period**"). The Exposure Period may be extended by ASIC by up to a further seven days.

The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds. The examination may result in the identification of deficiencies in this Prospectus, in which case any Application may need to be dealt with in accordance with Section 724 of the Corporations Act. Applications received during the Exposure Period will not be processed until after the expiry of that period. No preference will be conferred on Applications received during the Exposure Period.

## NO COOLING-OFF RIGHTS

Cooling-off rights do not apply to an investment in Shares sold under this Prospectus. This means that, in most circumstances, you cannot withdraw your Application once it has been accepted.

## OBTAINING A COPY OF THIS PROSPECTUS

During the Exposure Period, an electronic version of this Prospectus (without an Application Form) will be available at <https://events.miraqle.com/vulcan-ipo> for Australian and New Zealand resident investors only. Application Forms will not be made available until after the Exposure Period has expired.

During the Offer Period, this Prospectus is available to Australian and New Zealand resident investors in electronic form at <https://events.miraqle.com/vulcan-ipo>. The Offer constituted by this Prospectus in electronic form at <https://events.miraqle.com/vulcan-ipo> is available only to persons within New Zealand and Australia. The Prospectus is not available to persons in other jurisdictions (including the United States) in which it may not be lawful to make an invitation or offer. If you access the electronic version of this Prospectus, you should ensure that you download and read the Prospectus in its entirety.

You may obtain a paper copy of this Prospectus (free of charge), before the Closing Date, by telephoning the Vulcan IPO Offer Information Line on 1800 881 047 (within Australia) 8.30am to 5.30pm (AEDT), Monday to Friday. If you are eligible to participate in the Offer and are calling from outside Australia, you should call +61 1800 881 047 from 8.30am to 5.30pm (AEDT), Monday to Friday.

Applications for Shares may only be made during the Offer Period by completing an Application Form attached to or accompanying this Prospectus, in its paper form, or in its electronic form, which must be downloaded in its entirety from the Offer website (<https://events.miraqle.com/vulcan-ipo>).

The Corporations Act prohibits any person from passing the Application Form on to another person unless it is attached to a paper copy of the Prospectus or the complete and unaltered electronic version of this Prospectus.

Refer to Section 7 for further information.

## STATEMENTS OF PAST PERFORMANCE

This Prospectus includes information regarding the past performance of Vulcan. Investors should be aware that past performance should not be relied upon as being indicative of future performance.

## FINANCIAL INFORMATION

Section 4 sets out in detail the Financial Information referred to in this Prospectus and the basis of preparation of the Financial Information.

All references to FY19, FY20, FY21, FY21F and FY22F appearing in this Prospectus are to the financial years ended 30 June 2019, 30 June 2020 and 30 June 2021 and to the forecast financial years ending on 30 June 2021 and 30 June 2022 respectively, unless otherwise indicated. The Prospectus also includes references to 1H22 and 2H22 which refer to the six months ended 31 December 2021 and the six months ending on 30 June 2022 respectively.

The Historical Financial Information is presented on both an actual and pro forma basis and has been prepared in accordance with the New Zealand equivalents to the International Financial Reporting Standards (NZ IFRS) and in accordance with the recognition and measurement principles of the New Zealand Generally Accepted Accounting Practice (NZ GAAP), which are consistent with the International Financial Reporting Standards (IFRS) and Vulcan's accounting practices. Vulcan's significant accounting policies are described in Appendix A.

The Prospectus also includes Forecast Financial Information based on the best estimate general and specific assumptions of the Board. The basis of preparation and presentation of the Forecast Financial Information, to the extent applicable, is consistent with the basis of preparation and presentation of the Historical Financial Information. The Forecast Financial Information presented in this Prospectus is presented on a pro forma basis and is unaudited. The Financial Information has been prepared on a going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

Investors should note that certain financial data included in this Prospectus is not recognised under NZ IFRS and is classified as "non-IFRS financial information" under Regulatory Guide 230 "Disclosing non-IFRS financial information" published by ASIC. The Company believes that this non-IFRS financial information provides useful information to users in measuring the financial performance and condition of Vulcan. The non-IFRS financial measures do not have standardised meanings under NZ IFRS, and therefore may not be comparable with similarly titled measures presented by other entities, nor should these be interpreted as an alternative to other financial measures determined in accordance with IFRS. Investors are cautioned not to place undue reliance on any non-IFRS financial information, ratios and metrics included in this Prospectus.

The Financial Information is presented in an abbreviated form. It does not include all of the presentation and disclosures required by NZ IFRS and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act or New Zealand law.

The financial information in this Prospectus should be read in conjunction with, and is qualified by reference to, the risk factors as contained in Section 5, the assumptions outlined in Section 4.8 and other information in this Prospectus.

All financial amounts contained in this Prospectus are expressed in New Zealand dollars, unless otherwise stated. Any discrepancies between totals and sums of components in tables, figures and components contained in this Prospectus are due to rounding.

#### INVESTIGATING ACCOUNTANT'S REPORT ON FINANCIAL INFORMATION AND FINANCIAL SERVICES GUIDE

The provider of the Investigating Accountant's Report on Financial Information is required to provide Australian retail clients with a financial services guide in relation to the review under the Corporations Act ("**Financial Services Guide**"). The Investigating Accountant's Report and accompanying Financial Services Guide are provided in Section 8.

#### FORWARD-LOOKING STATEMENTS

This Prospectus contains certain forward-looking statements and comments about future events, including in relation to the Company's businesses, plans and strategies, and expected trends in the industry sector in which the Company currently operates. Forward-looking statements also include prospective financial information for the Company. Forward-looking statements can generally be identified by the use of forward-looking words

including "expect", "anticipate", "likely", "intend", "should", "could", "may", "predict", "plan", "propose", "will", "believe", "forecast", "estimate", "consider", "target" and other similar words that involve risks and uncertainties. Indications of, and guidance or outlook on, future earnings or financial position or performance are also forward-looking statements.

These forward-looking statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, at the Prospectus Date, are expected to take place. Neither the Company nor SaleCo undertakes to, and does not intend to, update or revise any forward-looking statements, or publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

Forward-looking statements involve inherent risks and uncertainties, both general and specific, and there is a risk that the forward-looking statements will not be achieved. A number of important factors could cause the Company's actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in the forward-looking statements, and many of these factors are beyond the Company's and SaleCo's control. Forward-looking statements should be read in conjunction with, and are qualified by reference to, the risk factors as set out in Section 5, the best estimate general and specific assumptions contained in the Financial Information as set out in Sections 4.8.1 and 4.8.2, the sensitivity analysis as set out in Section 4.10, and other information in this Prospectus. Nothing in this Prospectus is a promise or representation as to the future and past performance is not a guarantee of future performance. Statements or assumptions in this Prospectus as to future matters may prove to be incorrect. None of the Directors, the directors of SaleCo or the Joint Lead Managers make any representation or warranty as to the accuracy of any forward-looking statements or assumptions. Circumstances may change and the contents of this Prospectus may become outdated as a result. Investors are cautioned not to place undue reliance on the forward-looking statements in this Prospectus.

#### MARKET AND INDUSTRY INFORMATION

This Prospectus contains statistics, data and other information relating to markets, market sizes, market shares, market positions and other industry data pertaining to the Company's business and markets ("**Industry Data**"). Unless otherwise indicated, such information is based on a market study ("**Independent Market Report**") that the Company commissioned from the National Institute of Economic and Industry Research Pty Ltd ("**NIEIR**"), as well as the Company's analysis of such information. In addition, the Company understands from NIEIR that the Independent Market Report includes, or is otherwise based on information obtained from various data collection agencies, industry associations and publicly available sources. The Independent Market Report was prepared in June 2021, and the data presented in the Independent Market Report for the financial years ending 30 June 2021 and 30 June 2022 reflect forecasts made at that time.

While the Independent Market Report provides that the views, opinions, forecasts and information contained in it are based on information reasonably believed by NIEIR in good faith to be reliable, it has not independently verified or audited the information or material obtained from third parties. In addition, the Company, SaleCo or the Joint Lead Managers have not independently verified, and cannot give any assurances as to the accuracy and completeness of, the Industry Data contained in this Prospectus that has been extracted or derived from the Independent Market Report. Accordingly, the accuracy and

# Important notice Continued

completeness of such information is not guaranteed. In addition to the Industry Data, this Prospectus uses third-party data, estimates and projections. There is no assurance that any of the third-party data, estimates or projections contained in this Prospectus will be achieved. The Company has not independently verified such information. Estimates involve risks and uncertainties and are subject to change based on various factors, including those described in the risk factors set out in Section 5.

Investors should note that market data and statistics are inherently predictive and subject to uncertainty and not necessarily reflective of actual market conditions.

## SELLING RESTRICTIONS

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make that offer or invitation. No action has been taken to register or qualify the Shares or the Offer, or to otherwise permit a public offering of Shares, in any jurisdiction outside Australia and New Zealand. The distribution of this Prospectus outside New Zealand and Australia (including electronically) may be restricted by law and persons who come into possession of this Prospectus outside Australia and New Zealand should observe any relevant restrictions. Any failure to comply with these restrictions may constitute a violation of applicable securities laws.

This Prospectus may not be released to US wire services or distributed in the United States. This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. Any securities described in this Prospectus have not been, and will not be, registered under the US Securities Act and may not be offered or sold in the United States except in transactions exempt from, or not subject to, registration under the US Securities Act and applicable US state securities laws.

See Section 9.12 for more detail on selling restrictions that apply to the Offer in jurisdictions outside Australia and New Zealand.

## IMPORTANT NOTICE TO NEW ZEALAND INVESTORS

This Offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the *Corporations Act 2001* (Cth) and regulations made under that Act. In New Zealand, this is subpart 6 of Part 9 of the *Financial Markets Conduct Act 2013* and Part 9 of the *Financial Markets Conduct Regulations 2014*.

This Offer and the content of this Prospectus are principally governed by Australian rather than New Zealand law. In the main, the *Corporations Act 2001* (Cth) and the regulations made under that Act set out how the Offer must be made.

There are differences in how financial products are regulated under Australian law. For example, the disclosure of fees for managed investment schemes is different under the Australian regime.

The rights, remedies, and compensation arrangements available to New Zealand investors in Australian financial products may differ from the rights, remedies, and compensation arrangements for New Zealand financial products.

Both the Australian and New Zealand financial markets regulators have enforcement responsibilities in relation to this Offer. If you need to make a complaint about this Offer, please contact the Financial Markets Authority, New Zealand (<http://www.fma.govt.nz>). The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of Australian financial products is not the same as for New Zealand financial products.

If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

The Offer may involve a currency exchange risk. The currency for the financial products is not New Zealand dollars. The value of the financial products will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant.

If you expect the financial products to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

If the financial products are able to be traded on a financial product market and you wish to trade the financial products through that market, you will have to make arrangements for a participant in that market to sell the financial products on your behalf. If the financial product market does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market and the information available to you about the financial products and trading may differ from financial product markets that operate in New Zealand.

A copy of this Prospectus, other documents relating to the Offer and a copy of the Constitution have been, or will be, lodged with the New Zealand Companies Office and are, or will be, available at [www.business.govt.nz/disclose](http://www.business.govt.nz/disclose) (offer number OFR13181).

## DEFINED TERMS, ABBREVIATIONS AND TIME

Defined terms and abbreviations used in this Prospectus have the meaning set out in the Glossary in Appendix B or are defined in the context in which they appear.

Unless otherwise stated or implied, references to times in this Prospectus are AEDT.

## PRIVACY

By completing an Application Form to apply for Shares, you are providing personal information (as defined under the Privacy Act) to the Company and SaleCo through the Share Registry, which is contracted by the Company and SaleCo to manage Applications. The Company, SaleCo and the Share Registry on behalf of the Company and SaleCo, may collect, hold and use that personal information in order to process your Application, service your needs as a Shareholder, provide facilities and services that you request and carry out appropriate administration. Some of this personal information is collected as required or authorised by certain laws including the *Income Tax Assessment Act 1997* (Cth) and the Corporations Act.

If you do not provide the information requested in the Application Form, the Company, SaleCo and the Share Registry may not be able to process or accept your Application.

Your personal information may also be provided to the Company's and SaleCo's Shareholders, agents and service providers on the basis that they deal with that information for the purposes for which the information was collected by the Company, SaleCo or the Share Registry on behalf of the Company and SaleCo and in accordance with the Privacy Policy and applicable laws. The Shareholders, agents and service providers of the Company and SaleCo may be located outside Australia and New Zealand, where your personal information may not receive the same level of protection as that afforded under Australian and New Zealand law. The types of agents and service providers that may be provided with your personal information and the circumstances in which your personal information may be shared are:

- the Share Registry for ongoing administration of the Shareholder register, including incidental matters such as communications in relation to the Offer;
- the Joint Lead Managers to assess your Application;
- printers and other companies for the purpose of preparation and distribution of statements and for handling mail;



- market research companies for the purpose of analysing the Shareholder base and for product development and planning; and
- legal and accounting firms, auditors, contractors, consultants and other advisors for the purpose of administering, and advising on, the Shares and for associated actions.

The circumstances in which your personal information may be provided to the Company's Shareholders includes providing information to Company Shareholders in respect of the Company's Shareholder register. If an Applicant becomes a Shareholder, the Corporations Act or Companies Act (as applicable) requires the Company to include information about the Shareholder (including name, address and details of the Shares held) in its Shareholder register.

The information contained in the Shareholder register must remain there even if that person ceases to be a Shareholder. Information contained in the Shareholder register is also used to facilitate dividend payments and corporate communications (including the Company's financial results, annual reports and other information that the Company may wish to communicate to its Shareholders) and compliance by the Company with legal and regulatory requirements.

An Applicant has a right to gain access to the information that the Company and the Share Registry hold about that person, subject to certain exemptions under law. A fee may be charged for access. Access requests must be made in writing or by telephone call to the Company's registered office or the Share Registry's office, details of which are disclosed in the Corporate directory on the inside back cover of this Prospectus. Applicants can obtain a copy of the Privacy Policy by visiting the Company's website <https://vulcan.co/privacy-policy/>.

By submitting an Application, you agree that the Company, SaleCo and the Share Registry may communicate with you in electronic form or contact you by telephone in relation to the Offer. The personal information collected by the Company and SaleCo in connection with your Application may be used in accordance with this disclosure and as set out in the Privacy Policy. To the extent of any inconsistency, the more permissive provisions apply.

You may request access to your personal information held by or on behalf of the Company or SaleCo and you may correct the personal information held by or on behalf of the Company or SaleCo about you. You may be required to pay a reasonable charge to the Share Registry in order to access your personal information. You can request access to your personal information by writing to or telephoning the Share Registry as follows:

Email: [registrars@linkmarketservices.com.au](mailto:registrars@linkmarketservices.com.au)

Telephone: +61 1300 554 474

## PHOTOGRAPHS AND DIAGRAMS

Photographs and diagrams used in this Prospectus that do not have descriptions are for illustration only and should not be interpreted to mean that any person shown in them endorses this Prospectus or its contents or that the assets shown in them are owned by the Company or SaleCo. Diagrams and maps used in this Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the Prospectus Date.

## INTELLECTUAL PROPERTY

This Prospectus may contain trademarks of third parties, which are the property of their respective owners. Third-party trademarks used in this Prospectus belong to the relevant owners and use is not intended to represent sponsorship, approval or association by or with us.

## COMPANY WEBSITE

Any references to documents included on the Company's website at <https://vulcan.co/> are for convenience only, and none of the documents or other information available on the Company's website is incorporated into this Prospectus by reference.

## DISCLAIMER

No person is authorised to give any information or make any representation in connection with the Offer which is not contained in this Prospectus. Except as required by law, and only to the extent so required, none of the Company, the Directors, SaleCo or its directors or the Joint Lead Managers nor any other person warrants or guarantees the future performance of the Company, or any return on any investment made pursuant to this Prospectus. You should rely only on information in this Prospectus when deciding whether to invest in Shares.

As set out in Section 7.11.3, it is expected that the Shares will be quoted on the ASX and NZX on a conditional and deferred basis on or around 4 November 2021. To the maximum extent permitted by law, (on behalf of itself and Vulcan, its group companies and SaleCo), the Share Registry and the Joint Lead Managers disclaim all liability, whether in negligence or otherwise, to persons who trade Shares before receiving a holding statement, even if that person received confirmation of allocation from the Vulcan IPO Offer Information Line or confirmed their firm allocation through a Broker.

UBS AG, Australia Branch and Credit Suisse (Australia) Limited have acted as Joint Lead Managers to the Offer, Forsyth Barr Group Limited and Ord Minnett Limited have acted as Co-Lead Managers to the Offer and Crestone Wealth Management Limited and JBWere Limited have acted as Co-Managers to the Offer. The Joint Lead Managers, Co-Lead Managers and Co-Managers have not authorised, permitted or caused the issue, lodgement, submission, dispatch or provision of this Prospectus and there is no statement in this Prospectus which is based on any statement made by them or by any of their respective affiliates, directors, officers, employees, agents or advisors. To the maximum extent permitted by law, the Joint Lead Managers and each of their respective affiliates, directors, officers, employees, agents and advisors expressly disclaim all liabilities in respect of, make no representations regarding, and take no responsibility for, any part of this Prospectus other than references to their respective names and addresses and make no representation or warranty as to the currency, accuracy, reliability or completeness of this Prospectus.

## QUESTIONS

If you have any questions about how to apply for Shares, call your Broker or the Vulcan IPO Offer Information Line on 1800 881 047 (within Australia) from 8.30am to 5.30pm (AEDT), Monday to Friday. If you are eligible to participate in the Offer and are calling from outside Australia, you should call +61 1800 881 047 from 8.30am to 5.30pm (AEDT), Monday to Friday. Instructions on how to apply for Shares are set out in Section 7 of this Prospectus and on the back of the Application Form.

If you have any questions about whether to invest in the Company, you should seek professional advice from your accountant, financial advisor, stockbroker, lawyer or other professional advisor before deciding whether to invest in Shares.

## UNDERWRITING

The Offer is managed and fully underwritten by the Joint Lead Managers.

**This document is important and should be read in its entirety.**



# Contents

Important notice .....	IFC
Key Offer statistics and important dates .....	6
Chairman's letter .....	8
1 Investment overview .....	10
2 Industry overview .....	35
3 Company overview .....	53
4 Financial information .....	73
5 Key risks .....	105
6 Key people, interests and benefits .....	116
7 Details of the Offer .....	134
8 Investigating Accountant's Report .....	148
9 Additional information .....	156
Appendix A: Significant accounting policies .....	179
Appendix B: Glossary .....	186
Corporate directory .....	IBC







# Key Offer statistics and important dates

KEY OFFER STATISTICS	
Offer Price <sup>1</sup>	A\$7.10 per share
Total proceeds from the transfer of Shares under the Offer <sup>1</sup>	A\$371.6 million
Total number of Shares available under the Offer	52.3 million
Total number of Shares on issue at Completion of the Offer	131.4 million
Total number of Shares held by the Existing Shareholders at Completion of the Offer	79.1 million
Indicative market capitalisation <sup>2</sup>	A\$933.0/NZ\$975.8 million
Pro forma net debt including lease liabilities (post NZ IFRS 16)	NZ\$314.5 million
Enterprise Value at Completion of the Offer <sup>3</sup>	NZ\$1,290.4 million
Enterprise Value/pro forma FY22F EBITDA <sup>4</sup>	8.8x
Enterprise Value/pro forma FY22F EBIT <sup>4</sup>	10.8x
Indicative market capitalisation/pro forma FY22F NPAT <sup>4</sup>	13.2x
Annualised pro forma FY22F dividend yield <sup>4,5</sup>	4.5% – 6.0%

Notes:

1. Total proceeds raised of A\$371.6 million under the Offer is calculated as the total number of shares to be sold and transferred by SaleCo multiplied by the Offer Price of A\$7.10. All Applicants who are allocated Shares under the Offer may apply to settle their Shares on the NZX in New Zealand dollars with the New Zealand branch of the Share Registry as outlined in Section 7.
2. Indicative market capitalisation calculated as total number of Shares on issue at Completion of the Offer multiplied by the Offer Price of A\$7.10 and also shown on a New Zealand currency equivalent basis applying a NZD:AUD exchange rate of 0.9561 as published on the RBNZ website as at 6 October 2021.
3. Enterprise value calculated as the sum of the indicative market capitalisation of NZ\$975.8 million plus pro forma net debt including lease liabilities (post NZ IFRS 16) of NZ\$314.5 million.
4. Metrics calculated using the New Zealand currency equivalent indicative market capitalisation and Enterprise Value shown above, based on a NZD:AUD exchange rate of 0.9561 as published on the RBNZ website as at 6 October 2021.
5. Assumes a 60-80% payout ratio of pro forma FY22F NPAT, which is subject to the discretion of the Board in accordance with the dividend policy set out in Section 4.11.



## IMPORTANT DATES

Prospectus Date	Friday, 15 October 2021
Broker Firm Offer Opening Date	Monday, 25 October 2021
Broker Firm Offer Closing Date	Tuesday, 2 November 2021
Expected commencement of ASX and NZX trading on a conditional and deferred settlement basis	Thursday, 4 November 2021
Settlement of the Offer (ASX)	Friday, 5 November 2021
Settlement of the Offer (NZX)	Monday, 8 November 2021
Transfer of Securities and the last day of conditional trading on the ASX and NZX (" <b>Completion</b> ")	Monday, 8 November 2021
Expected dispatch of holding statements	Tuesday, 9 November 2021
Trading on a normal settlement basis on ASX and NZX	Wednesday, 10 November 2021

## Dates may change

This timetable is indicative only and may change without notice. Unless otherwise indicated, all times are stated in Australian Eastern Daylight Savings Time. The Company, SaleCo and the Joint Lead Managers reserve the right to vary any and all of the above dates and times without notice including, subject to the ASX Listing Rules and the Corporations Act, to close the Offer early, to extend a closing date, or to accept late applications or bids, either generally or in particular cases, or to cancel or withdraw the Offer before Settlement, in each case without notifying any recipient of this Prospectus or Applicants. Offers may be made and may be open for acceptances, under this Prospectus either generally or in particular cases, including until Completion or, subject to the Corporations Act, thereafter, at the discretion of the Directors.

If the Offer is cancelled or withdrawn before the allocation of Shares, then all Application Monies will be refunded in full (without interest) as soon as possible in accordance with the requirements of the Corporations Act. Investors are encouraged to submit their Applications as soon as possible after the Offer opens.

## How to invest

Applications for Shares can only be made by completing and lodging an Application Form. Instructions on how to apply for Shares are set out in Section 7 and on the back of the Application Form. Use the phone number below and operating hours (8.30am to 5.30pm AEDT) for all references to the Offer Information Line in this Prospectus.

## Questions

Call the Offer Information Line on 1800 881 047 (within Australia) and +61 1800 881 047 (outside Australia) from 8.30am until 5.30pm (AEDT), Monday to Friday (excluding public holidays). If you are unclear in relation to any matter or are uncertain as to whether Shares are a suitable investment for you, you should seek professional guidance from your stockbroker, accountant, lawyer, financial adviser or other independent professional adviser before deciding whether to invest.

## Chairman's letter

Vulcan operates as a key link in the steel value chain between steel producers and bulk traders, and end-users.

**RUSSELL CHENU**  
Chairman



## Dear Investor,

On behalf of the Directors, I am pleased to offer you the opportunity to become a Shareholder in Vulcan Steel Limited ("**Vulcan**" or the "**Company**").

Vulcan was founded by Peter Wells in 1995 in Auckland and has a proud history. Vulcan has evolved significantly since inception, both organically and through acquisitions, to become the only Australasian-wide, pure-play<sup>1</sup>, value-added steel distributor and processor. Vulcan has grown to generate NZ\$731.5m pro forma revenue and NZ\$129.7m pro forma EBITDA in FY21.

Vulcan operates as a key link in the steel value chain between steel producers and bulk traders, and end-users. The Company's operations are underpinned by a network of 29 operating sites across Australia and New Zealand which are strategically located to serve the local customer base. Vulcan continuously strives to achieve best-in-class operational excellence in inventory management, processing capabilities, management of overheads and customer service. Vulcan has fostered a flat organisational structure and an egalitarian culture, which empowers managers with autonomy and decision-making responsiveness. The Company's culture and commitment to customer satisfaction are exemplified by its ~98% distribution delivery in full, on time ("**DIFOT**") in FY21.

Vulcan's operational excellence has translated into strong financial performance, including EBITDA margins of 17.7%, return on capital employed ("**ROCE**") of 23.9%, and cash flow conversion of 94.9% in FY21. Subject to the discretion of the Board, Vulcan's strong cash flows will be used to fund its future growth initiatives as well as support an intended future payout ratio of 60% to 80% of statutory net profit after tax ("**NPAT**"), adjusted for significant items approved by the Board.

Vulcan's CEO, Rhys Jones, has an extensive and successful history in the steel industry. Rhys leads Vulcan's experienced and committed senior management team who have a demonstrated track record of delivering growth. The past and future success of Vulcan is underpinned by the collective performance of the entire team, and I would like to acknowledge all of our 842 team members' ongoing commitment to Vulcan and our customers.

The majority of the existing shareholders of Vulcan ("**Existing Shareholders**") have held shares for 15 years or more, and the funds raised by this Offer will enable them to partially realise their investment in Vulcan. Additionally, ASX and NZX listings will provide Vulcan with access to equity capital markets, give our employees an opportunity to further participate in the ownership of the Company and provide a liquid market for its Shares. At the Completion of the Offer, New Shareholders will represent approximately 39.8% of the Shares outstanding and the Existing Shareholders will retain a majority shareholding of 60.2% of the Shares outstanding, reflecting their strong support of the Company. The Existing Shareholders have entered into escrow agreements in relation to their Shares held at Completion of the Offer until the release of the FY22 results.<sup>2</sup>

This Prospectus contains detailed information about Vulcan, the Offer, the industry in which it operates, its financial and operating performance as well as key risks associated with an investment in Vulcan. Some of the key risks are further described in Section 5 and include, amongst other things, the level of demand for steel, fluctuations in steel prices, COVID-19 and associated Government restrictions and general investment risks.

I encourage you to read this Prospectus carefully, and in its entirety, before making your investment decision.

This Offer provides an opportunity for you to share in Vulcan's exciting future. On behalf of the Directors, I look forward to welcoming you as a Shareholder of Vulcan.

Yours sincerely,



Russell Chenu

Chairman and Independent Non-Executive Director  
Vulcan Steel Limited

1. A 'pure-play' company is a company that specialises in and focuses on one line of business.  
2. Certain other key shareholders and management will be subject to an extended escrow period until the release of the FY23F results (see section 4 for further information).



# 1 / Investment overview

# 1 Investment overview

## 1.1. Introduction

Topic	Summary	Further information
<b>What is Vulcan?</b>	<ul style="list-style-type: none"> <li>Vulcan is the only Australasian-wide, pure-play, value-added steel distributor and processor. Vulcan operates as a key link in the steel value chain between steel producers and end-users.</li> <li>Vulcan distributes steel products, including carbon steel, stainless steel and engineering steel to a diversified customer base including customers in engineering, manufacturing, fabricating, transport, mining and a broad range of other market segments. Vulcan also provides value-added processing services for steel coils, steel plate, stainless steel and engineering steel. Vulcan cuts, drills, slits and shapes for fabrication, assembly or downstream processing by customers.</li> <li>Vulcan was founded by Peter Wells in 1995 in Auckland, and has grown significantly over the last 26 years, both organically and through acquisitions.</li> <li>Vulcan has 29 operating sites across Australia and New Zealand, which are strategically located to serve the local customer base. Vulcan had 842 employees at 30 June 2021 and served an average of 7,000 active trading accounts each month in FY21.</li> <li>Vulcan generated NZ\$731.5m pro forma sales and NZ\$129.7m pro forma EBITDA in FY21.</li> </ul>	<b>Section 3.1</b>
<b>What are Vulcan's business segments?</b>	<p>Vulcan operates through two business segments – Steel and Metals.</p> <ul style="list-style-type: none"> <li>The <b>Steel</b> segment consists of: <ul style="list-style-type: none"> <li>– <b>steel distribution:</b> distribution of steel hollows, merchant products and sheets/plates;</li> <li>– <b>plate processing:</b> processing of steel plate to customer specifications; and</li> <li>– <b>coil processing:</b> processing of steel coil to customer specifications.</li> </ul> </li> <li>The <b>Metals</b> segment consists of: <ul style="list-style-type: none"> <li>– <b>stainless steel:</b> distribution and processing of stainless steel hollows, bars, fittings and sheets/plate; and</li> <li>– <b>engineering steel:</b> distribution and processing of high-performance engineering steel and metal products.</li> </ul> </li> </ul>	<b>Section 3.1.3</b>
<b>Why is the Offer being conducted?</b>	<p>The Offer is being conducted to:</p> <ul style="list-style-type: none"> <li>allow Existing Shareholders to realise a portion of their investment in Vulcan;</li> <li>provide a liquid market for the Shares and an opportunity for other investors (beyond the Existing Shareholders) to invest in Vulcan; and</li> <li>provide Vulcan with access to capital markets to enable additional financial flexibility to pursue growth opportunities.</li> </ul>	<b>Section 7.1.2</b>

# 1 Investment overview Continued

## 1.2. Key industry features

Topic	Summary	Further information
<b>What industries does Vulcan operate in?</b>	<ul style="list-style-type: none"> <li>Vulcan operates in the Australasian steel distribution industry. Steel distributors play an important role in the steel supply chain, acting as intermediaries between steel producers and end-users. As an aggregator of downstream demand, steel distributors are able to accommodate a wide range of order sizes and supply products with short lead times.</li> <li>Steel distributors add value to customers by: <ul style="list-style-type: none"> <li>reliably maintaining sufficient stock availability across a broad range of products;</li> <li>utilising specialised equipment to process products to meet customers' specific requirements;</li> <li>minimising significant material loss for customers when processing steel; and</li> <li>providing 'just in time' delivery of products.</li> </ul> </li> <li>In Australia, total steel consumption is expected to grow at a CAGR of 1.9% between FY20 and FY22F, underpinned by a strong pipeline of civil infrastructure projects and growing output from the manufacturing and mining sectors<sup>3</sup>.</li> <li>In New Zealand, total steel consumption is expected to grow at a CAGR of 3.1% between FY20 and FY22F, driven predominantly by anticipated increased demand from all areas of construction<sup>4</sup>.</li> </ul>	Section 2.1
<b>What are the key end-markets of the industry?</b>	<ul style="list-style-type: none"> <li>The key end-markets of steel in Australia are the construction, manufacturing and mining sectors, which are respectively expected to account for 67%, 18% and 9% of total volumes in FY22F<sup>5</sup>.</li> <li>The key end-markets of the steel distribution industry in New Zealand are the construction and manufacturing sectors, which are respectively expected to account for 60% and 28% of total volumes in FY22F<sup>6</sup>.</li> </ul>	Section 2.1.2
<b>Who are the market participants?</b>	<ul style="list-style-type: none"> <li>Vulcan primarily competes with steel distributors with a national footprint in Australia and New Zealand.</li> <li>In Australia, the steel distributors with a national footprint include Vulcan, InfraBuild, BlueScope, Southern Steel and United Group. In stainless steel, Australia's distributors with a national footprint include Vulcan, Atlas Steels, Midway Metals and Stirlings Performance Steels. In engineering steel, Australia's distributors with a national footprint include Vulcan and Voestalpine.</li> <li>In New Zealand, the steel distributors with a national footprint are Vulcan, Steel &amp; Tube, Fletcher Steel, United Industries and Asmuss. New Zealand's distributors of stainless steel with a national footprint include Vulcan, Steel &amp; Tube and Wakefield Metals, while New Zealand's distributors of engineering steel with a national footprint include Vulcan, Steel &amp; Tube, Fletcher Steel and Wakefield Metals.</li> </ul>	Section 2.1.3

3. NIEIR, ANZ Steel Volume Data (2021). Note the data presented for FY21F and FY22F reflects forecasts prepared by NIEIR in June 2021.

4. NIEIR, ANZ Steel Volume Data (2021). Note the data presented for FY21F and FY22F reflects forecasts prepared by NIEIR in June 2021.

5. NIEIR, ANZ Steel Volume Data (2021). Note the data presented for FY21F and FY22F reflects forecasts prepared by NIEIR in June 2021.

6. NIEIR, ANZ Steel Volume Data (2021). Note the data presented for FY21F and FY22F reflects forecasts prepared by NIEIR in June 2021.

Topic	Summary	Further information
What are the key drivers of the industries in which Vulcan operates?	<ul style="list-style-type: none"> <li>Demand for steel in Australasia is expected to be driven primarily by construction and manufacturing activity in Australia and New Zealand, as well as mining activity in Australia.</li> </ul> <p><b>Construction activity in Australia and New Zealand</b></p> <ul style="list-style-type: none"> <li>The Australian and New Zealand construction industry is divided into three segments: <ul style="list-style-type: none"> <li><b>engineering/infrastructure construction:</b> civil infrastructure construction and industrial projects;</li> <li><b>non-residential construction:</b> construction of offices, industrial premises, shops, hotels, hospitals and entertainment facilities; and</li> <li><b>residential construction:</b> construction of houses, flats, units, townhouses and apartments (including multi-storey).</li> </ul> </li> <li>Australia's construction industry is expected to deliver A\$241 billion of work done<sup>7</sup> in 2022F<sup>8</sup>. Total work done is expected to grow at a CAGR of 1.0% from 2020–2022F, largely driven by strong growth in engineering/infrastructure construction activity<sup>9</sup>.</li> <li>New Zealand's construction industry is expected to reach NZ\$33.2 billion of construction investment in FY22F<sup>10</sup>. Total construction investment is expected to grow at a CAGR of 6.5% from FY20–FY22F, driven by growth in all construction segments, including robust growth in residential construction<sup>11</sup>.</li> </ul> <p><b>Manufacturing activity in Australia and New Zealand</b></p> <ul style="list-style-type: none"> <li>Australia's manufacturing industry output is expected to reach A\$117 billion in 2022F, representing a CAGR of 4.0% from 2020–2022F<sup>12</sup>.</li> <li>New Zealand's manufacturing industry output is expected to reach NZ\$35.7 billion in 2022F, representing a CAGR of 5.5% from 2020–2022F<sup>13</sup>.</li> </ul> <p><b>Mining output in Australia</b></p> <ul style="list-style-type: none"> <li>Australia's mining industry output is expected to reach A\$133 billion in 2022F, representing a CAGR of 8.6% from 2020–2022F<sup>14</sup>.</li> </ul>	Section 2.2

7. 'Work done' is a project management and reporting technique measuring the full value of the costs incurred, regardless of payment or receipt.

8. ACIF, Australian Construction Market Report (May 2021).

9. ACIF, Australian Construction Market Report (May 2021).

10. NIEIR, ANZ Steel Volume Data (2021). Note the data presented for FY21F and FY22F reflects forecasts prepared by NIEIR in June 2021.

11. NIEIR, ANZ Steel Volume Data (2021). Note the data presented for FY21F and FY22F reflects forecasts prepared by NIEIR in June 2021.

12. Oxford Economics, Nominal GVA, Manufacturing, Australia and New Zealand (July 2021). The data presented was prepared prior to the imposition of mid-2021 COVID-19 related lockdowns.

13. Oxford Economics, Nominal GVA, Manufacturing, Australia and New Zealand (July 2021). The data presented was prepared prior to the imposition of mid-2021 COVID-19 related lockdowns.

14. Oxford Economics, Nominal GVA, Mining, Australia (June 2021). The data presented was prepared prior to the imposition of mid-2021 COVID-19 related lockdowns.



# 1 Investment overview Continued

## 1.3. Key features of Vulcan's business

Topic	Summary	Further information
<b>How does Vulcan generate its income?</b>	<ul style="list-style-type: none"> <li>• <b>Steel:</b> The Steel segment generates revenue from the distribution of steel hollows, merchant products, plate and coil, and by processing plate and coil to customer specifications. Vulcan's Steel segment generated NZ\$450.2m revenue in FY21.</li> <li>• <b>Metals:</b> The Metals segment generates revenue from the distribution and processing of stainless steel and engineering steel. Vulcan's Metals segment generated NZ\$281.3m revenue in FY21.</li> </ul>	Sections 3.1.3, 4.4.2
<b>What is Vulcan's corporate strategy?</b>	<ul style="list-style-type: none"> <li>• Vulcan aims to be the most customer service focused and efficient steel distributor in the Australasian market.</li> <li>• Vulcan continuously strives to achieve operational excellence in inventory management, processing capabilities, management of overheads and customer service. This is driven in part by Vulcan's economies of scale, flat organisational structure, an egalitarian culture and internally developed, fit-for-purpose IT systems.</li> <li>• Vulcan's strategy is to further increase economies of scale as it grows organically through greenfield and brownfield expansion. This strategy is intended to be supported by opportunistic acquisitions to enhance the breadth and depth of Vulcan's product range, service offering and geographic reach across the Australasian steel market.</li> </ul>	Sections 3.1.4, 3.2
<b>How is Vulcan differentiated?</b>	<ul style="list-style-type: none"> <li>• <b>Inventory management expertise:</b> Vulcan prides itself on expertise in inventory management. This enables the Company to provide a broad range of capabilities in the sector across Australasia. With its supply chain capability, fit-for-purpose IT system, centralised procurement function, and extensive steel industry experience, Vulcan is able to maintain an extensive product range comprising c.12,000 stock keeping units ("SKUs") in Australia and c.7,500 SKUs in New Zealand at 30 June 2021.</li> <li>• <b>Value-added processing capability:</b> Vulcan proactively invests in its machinery to offer an extensive range of value-added processing services including plate cutting, drilling and tapping, and coil slitting and sheeting, across its Steel and Metals segments. Value-added processing divisions accounted for c.47% of FY21 Group revenue. These processing capabilities enhance customer satisfaction, provide cross-selling opportunities and solidify Vulcan's position as a preferred supplier of steel for many of its customers.</li> </ul>	Section 3.1.4



Topic	Summary	Further information
<b>How is Vulcan differentiated?</b> continued	<ul style="list-style-type: none"> <li>• <b>Fit-for-purpose IT system:</b> Vulcan leverages software systems that are fit-for-purpose in certain core functions specifically for the steel distribution industry. Vulcan's systems are intended to support high service levels at low cost. The systems aim to achieve this by improving inventory management and forecasting, enabling real-time access to granular financial and operating data, decentralising decision-making and improving responsiveness. Vulcan's IT systems also enhance the efficiency of customer pricing strategies and increases the effectiveness of Vulcan's salesforce. At 30 June 2021, Vulcan's IT systems were supported by 16 in-house staff, including 11 members in software development.</li> <li>• <b>Dedicated in-house trucking fleet and delivery team:</b> Vulcan owns and operates an in-house trucking fleet which allows the Company to provide an end-to-end solution to customers from ordering through to processing and delivery. Vulcan's focus on hiring truck drivers with strong customer service skills is a cost-effective sales strategy. The Company has 92 owned trucks, 33 owned trailers and 12 third-party cartage trucks as at 30 June 2021 that operate across Australasia.</li> <li>• <b>Organisational structure and culture:</b> Vulcan believes that its organisational structure and culture are major contributors to its success. Vulcan is characterised by a flat organisational structure, egalitarian culture and high accountability. Managers are empowered with autonomy and responsibility, and Vulcan operates a number of incentive initiatives that align staff interests with those of the Company. Vulcan's organisational structure and incentive programs also drive focus on its Principles (key pillars) and Ethos (underlying values).</li> </ul>	<b>Section 3.1.4</b>
<b>Who are Vulcan's key customers?</b>	<ul style="list-style-type: none"> <li>• Vulcan's customer base is large and diversified. In FY21, Vulcan served an average of c.7,000 active trading accounts each month, who operated across a range of end-markets.</li> <li>• Vulcan's largest customer accounted for 2% of FY21 revenue and its top 20 customers accounted for 13% of FY21 revenue.</li> </ul>	<b>Section 3.1.6</b>
<b>Who are Vulcan's key suppliers?</b>	<ul style="list-style-type: none"> <li>• Vulcan has access to a wide cohort of suppliers (both in-region and overseas) for steel, stainless steel and engineering steel.</li> <li>• Vulcan has a long trading history and track record with key suppliers which provides for sound commercial standing with its suppliers.</li> <li>• Vulcan's largest suppliers are InfraBuild and BlueScope, both of whom have supplied to Vulcan for over 20 years.</li> <li>• Vulcan also imports additional requirements (including stainless steel and engineering steel) by leveraging its established trading history and commercial standing with major suppliers.</li> </ul>	<b>Section 3.1.7</b>

# 1 Investment overview Continued

## 1.4. Key financial information

Topic	Summary	Further information																																																						
What is Vulcan's pro forma historical and forecast financial performance?	Pro Forma and Statutory Income Statements	Section 4.3.1																																																						
	<table><tr><th rowspan="2">\$m</th><th rowspan="2">Note</th><th colspan="4">Pro forma</th><th>Statutory</th></tr><tr><th>FY19</th><th>FY20</th><th>FY21</th><th>FY22F</th><th>FY22F</th></tr><tr><td>Operating revenue</td><td>1</td><td>685.2</td><td>640.5</td><td>731.5</td><td>809.3</td><td>809.3</td></tr><tr><td>Cost of sales</td><td>2</td><td>(448.2)</td><td>(418.2)</td><td>(461.2)</td><td>(517.8)</td><td>(517.8)</td></tr><tr><td>Gross profit</td><td></td><td>237.0</td><td>222.3</td><td>270.4</td><td>291.4</td><td>291.4</td></tr><tr><td>Total operating expenses</td><td></td><td>(146.2)</td><td>(137.1)</td><td>(140.7)</td><td>(144.0)</td><td>(142.8)</td></tr><tr><td>EBITDA</td><td></td><td>90.8</td><td>87.7</td><td>129.7</td><td>147.4</td><td>130.7</td></tr><tr><td>NPAT</td><td></td><td>31.8</td><td>31.9</td><td>61.1</td><td>73.7</td><td>57.1</td></tr></table>		\$m	Note	Pro forma				Statutory	FY19	FY20	FY21	FY22F	FY22F	Operating revenue	1	685.2	640.5	731.5	809.3	809.3	Cost of sales	2	(448.2)	(418.2)	(461.2)	(517.8)	(517.8)	Gross profit		237.0	222.3	270.4	291.4	291.4	Total operating expenses		(146.2)	(137.1)	(140.7)	(144.0)	(142.8)	EBITDA		90.8	87.7	129.7	147.4	130.7	NPAT		31.8	31.9	61.1	73.7	57.1
	\$m				Note	Pro forma				Statutory																																														
			FY19	FY20		FY21	FY22F	FY22F																																																
	Operating revenue		1	685.2	640.5	731.5	809.3	809.3																																																
	Cost of sales		2	(448.2)	(418.2)	(461.2)	(517.8)	(517.8)																																																
	Gross profit			237.0	222.3	270.4	291.4	291.4																																																
	Total operating expenses			(146.2)	(137.1)	(140.7)	(144.0)	(142.8)																																																
	EBITDA			90.8	87.7	129.7	147.4	130.7																																																
	NPAT			31.8	31.9	61.1	73.7	57.1																																																
Notes:																																																								
1. <b>Operating revenue:</b> revenue earned from contracts with customers for the processing and distribution of steel and metal products.																																																								
2. <b>Cost of sales:</b> purchase costs (steel and metal products), net of rebates received.																																																								
How does Vulcan expect to fund its operations?	<ul style="list-style-type: none"><li>Following Completion, Vulcan's principal sources of funding are expected to be cash flow generated from operations, available cash on balance sheet and undrawn debt capacity in the New Debt Facilities.</li><li>Vulcan expects that it will have sufficient funds available from its ongoing operations and available borrowings, to meet its operational requirements and will have sufficient working capital to carry on its stated objectives and planned capital investment for the next 12 months.</li></ul>	Section 4.7.4																																																						

Topic	Summary	Further information
<b>What is Vulcan's dividend payout policy?</b>	<ul style="list-style-type: none"> <li>The payment of dividends by Vulcan is subject to the discretion of the Directors and will be a function of the Directors' consideration of a number of factors including the general business environment and Vulcan's operating results, cash flows, financial condition, future funding requirements, capital expenditure, capital management initiatives, taxation considerations (including the level of New Zealand imputation credits and Australian franking credits), any contractual, legal or regulatory restrictions on the payment of dividends and any other factors the Directors may consider relevant.</li> <li>The Directors intend to target a payout ratio of 60% to 80% of statutory NPAT adjusted for significant items approved by the Board. However, the exact payout ratio is expected to vary between periods depending on the factors above and is subject to the Board's discretion.</li> <li>Subject to the factors outlined above, the Directors expect to declare and pay interim dividends in respect of half years ending 31 December and final dividends in respect of the half years ending 30 June each year. It is expected that interim dividends will be paid in March or April and final dividend in September or October following the relevant financial period.</li> <li>The Directors intend to pay out between 40-50% of the expected annual dividend as an interim dividend with the balance of 50-60% to be paid as a final dividend, reflecting underlying seasonality.</li> <li>As a corporate taxpayer on earnings in Australia and New Zealand, Vulcan expects to pay income tax in both Australia and New Zealand and hence generate Australian franking credits and New Zealand imputation credits available for distribution to shareholders. Subject to Australian Taxation Office confirmation, Vulcan anticipates that it will become a New Zealand franking company for the purposes of being able to frank dividends into the future. Vulcan will not generate sufficient imputation credits and franking credits to fully impute and fully frank all annual dividends. Accordingly, Vulcan intends to alternately impute or frank successive dividends to the maximum extent possible.</li> </ul>	<b>Section 4.11</b>
<b>What will be the FY22F dividends and when will they be paid?</b>	<ul style="list-style-type: none"> <li>The Directors anticipate that Vulcan's first dividend as a listed company will be declared in relation to the half year ending 31 December 2021 and will be paid in March 2022. Vulcan's expectation is that this first interim dividend will be fully imputed with New Zealand imputation credits.</li> </ul>	<b>Section 4.11</b>

# 1 Investment overview Continued

## 1.5. Key strengths and investment highlights

Topic	Summary	Further information
<b>Trans-Tasman positions with a national footprint and significant scale drive operating leverage and supply chain capability</b>	<ul style="list-style-type: none"> <li>Vulcan has a national footprint in steel distribution and processing across Australia and New Zealand, including: <ul style="list-style-type: none"> <li>a network of 29 strategically located operating sites, including 16 in Australia and 13 in New Zealand, serving an average of c.7,000 active trading accounts each month in FY21;</li> <li>a national footprint in New Zealand across steel distribution, plate processing, coil processing, stainless steel and engineering steel; and</li> <li>a national footprint in Australia across stainless steel and engineering steel.</li> </ul> </li> <li>Vulcan's large scale provides the Company with operational leverage as volumes and revenue continue to grow, and enhances supply chain capability, with Vulcan able to procure product on attractive terms from a diverse range of local and international steel producers and bulk traders.</li> </ul>	Sections 3.1, 3.1.2
<b>Premium distribution offering with a primary focus on customer service</b>	<ul style="list-style-type: none"> <li>As the value-added link between steel producers and users, Vulcan offers a premium distribution proposition, including: <ul style="list-style-type: none"> <li>availability and breadth of product range;</li> <li>customised products and services including value-added processing capabilities (e.g. cutting and drilling);</li> <li>order size flexibility; and</li> <li>an in-house trucking fleet, which enables end-to-end control of the process with the ability to provide customised delivery across Vulcan's entire range of solutions, including next-day delivery for distribution products.</li> </ul> </li> <li>Importantly, traceability through availability of test certificates for Vulcan's products provides customers with confidence in product quality. The Vulcan fit-for-purpose IT system is able to produce these efficiently.</li> <li>A key focus for Vulcan is the breadth and consistent availability of its product range. Across Australia and New Zealand, the Company carried c.12,000 and c.7,500 individual SKUs, respectively at 30 June 2021.</li> <li>Vulcan's commitment to customer satisfaction are exemplified by its ~98% distribution DIFOT metrics in FY21.</li> </ul>	Sections 3.1.4.1, 3.1.4.4

Topic	Summary	Further information
<b>Fit-for-purpose IT software facilitates inventory management to drive superior customer satisfaction</b>	<ul style="list-style-type: none"> <li>• Vulcan leverages software systems that are fit-for-purpose in certain core functions specifically for the steel distribution industry. Vulcan's systems are intended to support high service levels at low cost.</li> <li>• Vulcan's IT system provides employees with real-time access to accurate and granular financial and operational data which: <ul style="list-style-type: none"> <li>– ensures efficient customer pricing strategies;</li> <li>– decentralises decision-making, thereby improving responsiveness to customers;</li> <li>– improves inventory management and forecasting; and</li> <li>– increases the effectiveness of Vulcan's salesforce.</li> </ul> </li> <li>• Vulcan's IT team includes 16 in-house staff, including 11 members in software development.</li> </ul>	<b>Section 3.1.4.3</b>
<b>Business diversification and low customer concentration</b>	<ul style="list-style-type: none"> <li>• Vulcan's business is diversified across geographies and market segments. <ul style="list-style-type: none"> <li>– 62% of FY21 revenue was generated in Australia (QLD, VIC, SA, NSW and WA), with 38% generated in New Zealand (North Island and South Island).</li> <li>– Revenues are also diversified across a broad range of market segments.</li> </ul> </li> <li>• Vulcan has low customer concentration, with the Company's largest customer accounting for 2% of FY21 revenue and its top 20 customers accounting for 13% of FY21 revenue.</li> </ul>	<b>Sections 3.1.6, 4.4.1</b>
<b>Attractive financial profile with high cash conversion and demonstrated growth</b>	<ul style="list-style-type: none"> <li>• Vulcan's average gross profit per tonne (NZ\$1,041/t in FY21) is driven by the Company's value-added processing capability and premium distribution offering.</li> <li>• Vulcan's average gross profit per tonne, operating leverage and business improvement initiatives have generated strong EBITDA margins (17.7% in FY21).</li> <li>• Vulcan's strong EBITDA margins and capital-light business model have enabled high cash conversion (94.9% in FY21) and ROCE (23.9% in FY21).</li> <li>• Vulcan is forecast to generate NZ\$809.3m pro forma operating revenue and NZ\$147.4m pro forma EBITDA in FY22F.</li> </ul>	<b>Sections 3.2.5, 4.3, 4.5</b>

# 1 Investment overview Continued

Topic	Summary	Further information
<b>Numerous opportunities for further growth with a proven execution track record</b>	<ul style="list-style-type: none"> <li>• Vulcan has a proven track record of driving revenue and earnings growth, both organically and through acquisitions.</li> <li>• There are a number of growth opportunities and initiatives available to Vulcan across its businesses, including: <ul style="list-style-type: none"> <li>– brownfield expansion in current geographies to meet growing demand from both new and existing customers;</li> <li>– entry into new regions, particularly within Australia, which provides an opportunity to better service existing customers as well as target new customers;</li> <li>– expansion of the Company's product and service offering (e.g. reinforcing steel, wire, mesh, roofing, fasteners, pipe fittings and aluminium products);</li> <li>– opportunistic acquisitions given the fragmented nature of the steel distribution and processing industry in Australasia (outside of the major players shown in Figure 6 and Figure 7); and</li> <li>– business improvement initiatives, including incremental operational efficiencies, to further reduce costs to serve customers and improve EBITDA margins.</li> </ul> </li> </ul>	<b>Section 3.2</b>
<b>Experienced leadership team and Board with deep sector knowledge</b>	<ul style="list-style-type: none"> <li>• Vulcan is led by a long-standing and capable leadership team and Board with extensive experience across the building products and steel distribution industries. <ul style="list-style-type: none"> <li>– CEO Rhys Jones has 15 years of experience at Vulcan, with the executive team having an average tenure of c.9 years.</li> <li>– Vulcan's Board members have an average tenure of c.11 years, have extensive relevant industry or other experience, and hold, or have held, a number of ASX and NZX-listed company directorships.</li> </ul> </li> <li>• Vulcan's leadership team has a demonstrated track record of delivering strong and consistent financial performance.</li> </ul>	<b>Sections 6.1, 6.2</b>

## 1.6. Key growth initiatives

Topic	Summary	Further information
<b>Brownfield expansion in current geographies</b>	<ul style="list-style-type: none"> <li>• Vulcan has a history of successfully implementing brownfield expansions in areas where it already operates. Vulcan aims to win new customers in the regions where the Company currently operates, which provides opportunities for continued brownfield expansion.</li> <li>• Vulcan has identified a number of potential sites for expansion in the medium-term to meet the anticipated increase in customer demand. These site expansion opportunities will allow Vulcan to increase its capacity and product range.</li> </ul>	<b>Section 3.2.1</b>



Topic	Summary	Further information
<b>Entry into new geographies</b>	<ul style="list-style-type: none"> <li>• Vulcan has successfully expanded into 10 regional markets<sup>15</sup> through greenfield initiatives across Australasia since inception in 1995.</li> <li>• While Vulcan has a broad distribution and processing network spanning Australia and New Zealand, Vulcan has identified several opportunities to further expand its geographic footprint across Australasia.</li> <li>• In particular, these opportunities include certain regions in Australia where Vulcan does not currently offer certain products, representing an opportunity to better service existing customers as well as target new customers.</li> </ul>	<b>Section 3.2.2</b>
<b>Expansion of product and/or service offering</b>	<ul style="list-style-type: none"> <li>• Vulcan has also successfully introduced new products and services through expansion and acquisitions.</li> <li>• Currently, Vulcan does not offer certain products, including reinforcing steel, wire, mesh, roofing, fasteners, pipe fittings and aluminium products, which may represent potential growth opportunities.</li> <li>• An expansion into these or similar markets may introduce cross-selling opportunities and allow Vulcan to leverage its existing sites and capabilities.</li> </ul>	<b>Section 3.2.3</b>
<b>Opportunistic M&amp;A</b>	<ul style="list-style-type: none"> <li>• Vulcan has acquired 10 businesses since 1995 which it has successfully integrated into the broader Vulcan group. The Company has a proven history of driving lasting organisational and cultural change to realise synergies and improve operational and financial performance in the businesses it has acquired.</li> <li>• Whilst the Forecast Financial Information included in Section 4 assumes no acquisitions in FY22F, given the fragmented nature of the steel distribution industry in Australasia (outside of the major players shown in Figure 6 and Figure 7), Vulcan expects it will continue to pursue strategic opportunities.</li> </ul>	<b>Section 3.2.4</b>
<b>Business improvement initiatives</b>	<ul style="list-style-type: none"> <li>• Vulcan has been disciplined in optimising its cost base through a number of business improvement initiatives.</li> <li>• These initiatives have translated into higher operating leverage and are reflected in the Company's improved EBITDA margin, which increased from 13.2% in FY19 to 17.7% in FY21.</li> <li>• Vulcan has identified a number of additional business improvement initiatives that it may implement over the next 12–24 months. Management estimates that these initiatives have the potential to increase Vulcan's annual run-rate revenue by up to c.NZ\$60m over the next 36 months, assuming no changes to current market demand, cost and pricing conditions.</li> </ul>	<b>Section 3.2.5</b>

15. Outside of Brisbane, Sydney, Melbourne, Adelaide, Perth, Auckland, Wellington and Christchurch.

# 1 Investment overview Continued

## 1.7. Key risks

Topic	Summary	Further information
<b>Economic activity and demand for steel</b>	<ul style="list-style-type: none"> <li>Steel demand is linked to the strength of economic activity, on a global and regional (Australia and New Zealand) basis. If macroeconomic conditions were to deteriorate in Australia and New Zealand, the outlook for steel demand in Australia and New Zealand may be negatively impacted. No prediction can be made regarding the nature, timing, extent, and duration of any future downturn in the Australian and New Zealand economies, as well as any potential impact of COVID-19 related uncertainties on the demand for steel products. There is a risk that slower economic growth, a downturn in the economy as a whole, or a downturn in industries that are consumers of steel (such as the construction, manufacturing or mining industry), may have a material adverse effect on the demand for steel products. This may have an adverse effect on Vulcan's business and financial performance.</li> </ul>	Section 5.1.1
<b>Fluctuations in steel prices</b>	<ul style="list-style-type: none"> <li>Steel prices are primarily influenced by regional and global steel demand and production capacity, as well as fluctuations in steel imports and exports, rebates, tariffs and the costs of raw inputs (such as iron ore, ferrous scrap, nickel). As a globally traded product, steel or steel products are generally quoted in USD or in currencies that are substantially correlated with the USD. Accordingly, movement in NZD and AUD relative to USD can impact on the average landed cost of steel in both the Australian and New Zealand markets. These prices, which can fluctuate significantly over time, are cyclical, difficult to forecast and outside of Vulcan's control.</li> </ul>	Section 5.1.2
<b>Customers operate in industries which are cyclical</b>	<ul style="list-style-type: none"> <li>Vulcan's customer demand profile and therefore its revenue and earnings are sensitive to the level of activity in a number of industries in Australia and New Zealand, but particularly the construction, manufacturing and mining industries given the nature of Vulcan's products. These industries are typically cyclical and sensitive to a number of factors outside of Vulcan's control, including general economic conditions. Any significant or extended downturn in the construction, manufacturing and/or mining industries will negatively affect Vulcan's business and financial performance. Vulcan is not able to predict the timing, extent, and duration of the economic cycles in the markets in which it operates.</li> </ul>	Section 5.1.3
<b>COVID-19 and government restrictions</b>	<ul style="list-style-type: none"> <li>Events related to COVID-19 have resulted in significant market volatility. Given the continued evolving nature of COVID-19, the nature and extent of its effect and the related impact on commodity prices, the Company's performance, and the global, New Zealand and Australian economies remain unknown. There is also continued uncertainty as to the ongoing and future response of governments and authorities in Australia and New Zealand. The impact of COVID-19 could potentially have a material adverse effect on Vulcan's business, operations and financial performance, as well as the Company's suppliers and customers. Further, any government or industry measures may have a material adverse effect on Vulcan's operations and are likely beyond Vulcan's control.</li> </ul>	Section 5.1.4

Topic	Summary	Further information
<b>Competition</b>	<ul style="list-style-type: none"> <li>As one of the distributors and processors of steel products in Australia and New Zealand, Vulcan's business is subject to competition from other participants in the industry. Competition is based on price competitiveness, product and service standards, product availability, the range and variety of product offerings and ability to demonstrate broad distribution and processing capabilities. There is no guarantee that Vulcan can maintain its current competitive pricing and service offering, position in the market or profitability and earnings due to increased competition from existing participants or new entrants in the market.</li> </ul>	<b>Section 5.1.5</b>
<b>Disintermediation</b>	<ul style="list-style-type: none"> <li>As a primary distributor and processor of steel products in Australia and New Zealand, Vulcan operates as a link in the steel value chain between steel producers and bulk traders, and end-users. While the Company believes there are a number of factors or measures relevant to disintermediation (such as economies of scale, customer relationships, inventory management and the ability to fill orders and deliver products to customers in a timely fashion) for the industry, there can be no assurance that Vulcan's suppliers do not adopt a strategy of supplying products directly to end-users (thereby disintermediating Vulcan).</li> </ul>	<b>Section 5.1.6</b>
<b>Product substitution</b>	<ul style="list-style-type: none"> <li>In many applications, steel competes with other materials that may be used as steel substitutes, such as aluminium, concrete, composites, plastic and wood. Improvements in the technology, production, pricing or acceptance of these competitive materials relative to steel or other changes in the industries for these competitive materials could reduce the volume of steel that Vulcan distributes and processes, and hence reduce Vulcan's cash flow and profitability.</li> </ul>	<b>Section 5.1.7</b>
<b>Customer relationships</b>	<ul style="list-style-type: none"> <li>Vulcan does not have long-term agreements or arrangements with its key customers, giving rise to a lack of contractual certainty regarding future revenue. There is therefore a risk that Vulcan's existing customers may decide not to continue their business with Vulcan in the future or at the same level as in prior periods. As a result, Vulcan's operating performance may vary from period to period and may fluctuate in the future.</li> <li>Any financial difficulty or insolvency encountered by a key customer could have a material adverse effect on Vulcan's business, financial performance and prospects, including where it results in an inability to recover moneys owed, or delay or deferral of major projects to which Vulcan is supplying, or intends to supply, steel products.</li> </ul>	<b>Section 5.1.8</b>

# 1 Investment overview Continued

Topic	Summary	Further information
<b>Supply of steel products</b>	<ul style="list-style-type: none"> <li>Vulcan relies on a number of key supplier relationships in Australia, New Zealand and overseas, which are engaged on a purchase order basis on the relevant supplier's standard terms, giving rise to a lack of contractual certainty regarding future supply. In addition, the local supply of steel in Australia and New Zealand is concentrated among a few suppliers. There is a risk that if any of Vulcan's local suppliers reduce their operations or cease operations completely, this could have a material adverse effect on Vulcan's ability to source products viably or on appropriate commercial terms, and therefore impact its operations and financial performance.</li> <li>Third party suppliers may also have a "stock out" with insufficient quantities of products available in a timely manner, or encounter financial or material difficulties, labour shortages or unilaterally amend their terms of agreement with competitors. While Vulcan takes steps to ensure the quality of its products, there is a risk that products are returned by customers due to poor quality or manufacturing defects and that Vulcan may be forced to replace these defective products supplied to customers at additional costs or be subject to time delay.</li> </ul>	<b>Section 5.1.9</b>
<b>Operations</b>	<ul style="list-style-type: none"> <li>The distribution and processing of steel products involves a number of inherent risks. Specifically, steel processing is dependent on critical processing equipment including cutting machinery (such as laser, plasma and gas cutting machines), folding equipment, uncoiling, slitting and sheeting equipment, electrical equipment, generators and compressors. Such equipment may incur downtime as a result of unanticipated failures or events such as fires or loss of external power supply.</li> </ul>	<b>Section 5.1.10</b>
<b>Transport and distribution</b>	<ul style="list-style-type: none"> <li>As a distributor and processor of steel, Vulcan's supply chain depends on roadway, railways, ports and ocean vessels to receive materials from its suppliers, and roadway to deliver its products to its customers. Any unavailability, or increased cost of transportation, including those caused by weather-related problems, natural disasters, infrastructure damage, strikes, lock-outs, fuel shortages or other events, could impair Vulcan's ability to supply its products to its customers. Furthermore, any disruption in the supply chain logistics of steel products could impact the flow of goods, including the supply of stock to Vulcan which could have a material adverse effect on Vulcan's business and financial performance.</li> </ul>	<b>Section 5.1.11</b>

Topic	Summary	Further information
<b>Information technology and risk of data security breaches</b>	<ul style="list-style-type: none"> <li>Vulcan has invested significantly in information technology systems which support its operations as outlined in 3.1.4.3. There is a risk that these systems may fail to perform as expected or be adversely impacted by a number of factors, some of which may be outside of Vulcan's control. This includes data losses, computer system faults, internet and telecommunications or data network failures, fire, natural disasters, computer viruses and external malicious interventions such as unauthorised access, malware, ransomware or denial-of-service attacks. Any one or combination of these events may have a material adverse effect on Vulcan's business, operations and financial performance as well as its reputation.</li> <li>There is a risk that if one or more of Vulcan's critical operating systems do not function properly, there could be system disruptions, corruption of databases or other electronic information, delays in transaction processing, delays in receiving or processing orders through the warehouse, website slowdown or unavailability, loss of data or the inability to accept and fulfil customer orders. Furthermore, Vulcan may not be able to continue to adapt its systems to meet its future IT needs. Such disruption, if sustained or regular, could materially adversely affect Vulcan's business and financial performance.</li> </ul>	<b>Section 5.1.12</b>
<b>Growth strategy</b>	<ul style="list-style-type: none"> <li>Vulcan's growth strategy includes identifying and executing a number of potential projects that require capital investment, and these projects are inherently subject to completion and financing risks. Vulcan cannot guarantee that it will be able to execute on its projects, and to the extent that Vulcan proceeds, that it will be able to complete them on schedule, within budget, or achieve an adequate return on its investment.</li> <li>Further, completed acquisitions may not perform as anticipated. Failure of due diligence to identify pre-existing issues, or issues that arise from the integration of operations, may hinder acquisition success, which may have a material adverse effect on Vulcan's financial performance, its growth opportunities and its ability to pursue further acquisitions.</li> </ul>	<b>Section 5.1.13</b>
<b>Reliance on key personnel</b>	<ul style="list-style-type: none"> <li>Vulcan's management team has significant experience in, and knowledge of, the New Zealand and Australian steel industry. The vast majority of the management team have been with Vulcan for an extended period, and the loss of key senior executives and key employees is a risk to Vulcan's business, operations and financial performance.</li> </ul>	<b>Section 5.1.14</b>
<b>Exchange rates</b>	<ul style="list-style-type: none"> <li>As set out in section 5.1.2, steel products are generally quoted in USD or in currencies that are substantially correlated to the USD. Vulcan principally transacts in AUD and NZD with its customers, in AUD, NZD and USD with its suppliers, and reports its financial results in NZD. Accordingly, Vulcan's primary exposures are to movements in AUD/NZD, AUD/USD and NZD/USD exchange rates. Vulcan's earnings and equity are exposed to risks associated with foreign exchange rate movements.</li> </ul>	<b>Section 5.1.15</b>

# 1 Investment overview Continued

Topic	Summary	Further information
<b>Interest rates</b>	<ul style="list-style-type: none"> <li>Vulcan's financial performance is exposed to fluctuations in interest rates. An increase in interest rates may lead to an increase in borrowing costs for Vulcan and the assessment of Vulcan's credit risk. Therefore, an increase in interest rates may have a material adverse effect on Vulcan's business and financial performance.</li> </ul>	Section 5.1.16
<b>Debt financing</b>	<ul style="list-style-type: none"> <li>Vulcan has entered into facility agreements for the provision of debt financing. Funding provided under the banking facility is used to fund Vulcan's activities. The banking facility is subject to certain covenants which if breached may have a material adverse effect on Vulcan and the continuity of the banking facilities. The Lenders under the banking facility have a general security over the assets of Vulcan which, if enforced, may have a material adverse effect on Vulcan's business and financial performance.</li> </ul>	Section 5.1.17
<b>Insurance</b>	<ul style="list-style-type: none"> <li>Although Vulcan maintains insurance policies including business interruption, property damage, loss or damage to goods in transit, credit insurance for debtors and public and product liability, not all risks are insured or insurable (and may have significant deductibles on policies). Accordingly, Vulcan's insurance policies do not provide coverage for all losses related to Vulcan's business, and the occurrence of losses, liabilities or damage not covered by such insurance policies may have a material adverse effect on Vulcan's business, operations and financial performance.</li> </ul>	Section 5.1.18
<b>Industrial relations</b>	<ul style="list-style-type: none"> <li>Some of Vulcan's employees in Australia and New Zealand are members of trade unions. These employees are generally covered by collective bargaining agreements, which are periodically renegotiated and renewed.</li> <li>Disputes and ordinary course collective bargaining processes with trade unions could lead to strikes or other forms of industrial action that could disrupt Vulcan's operations, increase costs and reduce Vulcan's revenue and earnings.</li> </ul>	Section 5.1.19
<b>Work health and safety</b>	<ul style="list-style-type: none"> <li>Work health and safety laws impose a broad range of safety duties on Vulcan and maximum penalties under applicable legislation are significant. If Vulcan fails to maintain adequate work health and safety systems and practices, this may impact Vulcan's reputation, ability to operate for a specific time period and its ability to maintain its current insurance status on the same or similar terms, which may have a material adverse effect on Vulcan's business, operations and financial performance.</li> </ul>	Section 5.1.20
<b>Litigation, claims and disputes</b>	<ul style="list-style-type: none"> <li>Vulcan is exposed to potential legal and other claims or disputes in the course of its business, including; contractual disputes, defective products, property damage and personal liability claims with respect to its operations and claims by regulators with jurisdiction to investigate aspects of the conduct of Vulcan's business or the industry in which it operates (such as the New Zealand Commerce Commission, in particular in relation to its anticipated market study into building supplies in New Zealand, and the Australian Competition and Consumer Commission).</li> </ul>	Section 5.1.21



Topic	Summary	Further information
<b>International trade restrictions</b>	<ul style="list-style-type: none"> <li>Vulcan has exposure to the effects of trade actions and barriers. Vulcan cannot predict the timing and nature of trade actions. As Vulcan sources some of its products from overseas suppliers, it may be impacted by any trade actions or restrictions introduced by any country in which Vulcan buys or procures its products. Any such trade actions and barriers may have a material adverse effect on Vulcan's business by reducing or eliminating Vulcan's access to steel supply markets.</li> </ul>	<b>Section 5.1.22</b>
<b>Forecast financial performance</b>	<ul style="list-style-type: none"> <li>The Forecast Financial Information, including any Forecast Financial Information regarding the mix of revenue and earnings across its operating segments, is a forward-looking statement that is based on an assessment of present economic and operating conditions and on a number of best estimate assumptions regarding future events and actions that, at the Prospectus Date, are expected to take place. Vulcan may not achieve its forecast and or may achieve a different mix of earnings by segment as a result of both known and unknown factors which may or may not be under their control.</li> </ul>	<b>Section 5.1.23</b>
<b>Environmental laws and regulations</b>	<ul style="list-style-type: none"> <li>Vulcan's business is subject to environmental laws and regulations that require specific operating licences and impose various requirements and standards, including noise and dust contaminant. These laws and regulations provide for penalties and other liabilities for the violation of such laws and regulations and establish, in certain circumstances, obligations to remediate current and former leased properties, facilities and locations where operations are or were conducted. Vulcan may be required to undertake such remediation or other operational changes at its own cost.</li> <li>Vulcan may also be liable to remedy locations affected by environmental issues even in circumstances where it is not responsible for causing the environmental liability. The cost of such remediation could be substantial. It could also restrict the ability of Vulcan to conduct its business economically or restrict some activities altogether.</li> <li>Vulcan may also be impacted by the emergence of new or expanded regulations relating to transitioning to a lower-carbon economy and market changes related to climate change mitigation. These regulations could also restrict the ability of Vulcan to conduct its business economically or restrict some activities altogether, or otherwise subject Vulcan to specific tariffs or penalties for carbon emissions or environmental damage.</li> </ul>	<b>Section 5.1.24</b>

# 1 Investment overview Continued

Topic	Summary	Further information
<b>Concentration of shareholding</b>	<ul style="list-style-type: none"> <li>On completion of the Offer, Existing Shareholders will hold 60.2% of the total issued Shares, all of which will be subject to escrow. 27.7% of the total issued Shares, as held by Executive Escrowed Shareholders, will be subject to escrow from the period from the Company's admission to the Official List until the release of the Company's financial results for the year ending 30 June 2023, and 32.4% of the total issued Shares, as held by the Other Escrowed Shareholders will be subject to escrow from the period from the Company's admission to the Official List until the release of the Company's financial results for the year ending 30 June 2022.</li> <li>Both the size of the shareholdings retained by Existing Shareholders and the applicable escrow periods are likely to cause or contribute to limited liquidity in the market for Shares, which could affect the market price at which other Shareholders are able to sell their Shares.</li> </ul>	<b>Section 5.1.25</b>
<b>Reputation</b>	<ul style="list-style-type: none"> <li>Vulcan believes that the reputation of its products and brands is key to its success. Erosion of Vulcan's reputation as a result of one or a combination of the factors discussed in Section 5 may reduce demand for Vulcan's products, diminish the value of Vulcan's brand, or adversely impact relationships with key customers, suppliers or employees, which in turn may adversely impact Vulcan's business, operations and financial performance.</li> </ul>	<b>Section 5.1.26</b>
<b>Other key risks</b>	<ul style="list-style-type: none"> <li>The above risks should not be taken as an exhaustive list of all the key risks faced by the Company. The above factors, and others not specifically referred to above, may materially affect the financial performance of Vulcan and the value of the Shares under the Offer. A number of other key risks are included in Section 5.2, and investors should review all of these carefully before making an investment decision.</li> </ul>	<b>Section 5.2</b>

## 1.8. Directors and leadership team

Topic	Summary	Further information
<b>Who are the Directors of Vulcan?</b>	<ul style="list-style-type: none"> <li>Russell Chenu – Chairman, Independent Non-Executive Director</li> <li>Rhys Jones – Chief Executive Officer, Managing Director</li> <li>Peter Wells – Non-Executive Director</li> <li>Wayne Boyd – Non-Executive Director</li> <li>Pip Greenwood – Independent Non-Executive Director</li> <li>Bart de Haan – Independent Non-Executive Director</li> <li>Carolyn Steele – Independent Non-Executive Director</li> </ul>	<b>Section 6.1</b>

Topic	Summary	Further information
<b>Who are the leadership team of Vulcan?</b>	<ul style="list-style-type: none"> <li>• Rhys Jones – Chief Executive Officer, Managing Director</li> <li>• Kar Yue Yeo – Chief Financial Officer</li> <li>• Adrian Casey – Chief Operating Officer</li> <li>• James Wells – Chief Information Officer</li> <li>• Helene Deschamps – Leadership Development</li> <li>• Brendon Chandulal – Australia Leader</li> <li>• Matthew Lee – Australia Leader</li> </ul>	Section 6.2

## 1.9. Significant interests of key people and related party transactions

Topic	Summary					Further information
Who are the Existing Shareholders and what will their interest be at Completion of the Offer?						Section 7.1.4
	Shareholder	Shares held prior to Completion		Shares held on Completion		
		Millions	%	Millions	%	
	Takutai Limited <sup>1</sup>	30.7	23.4%	18.4	14.0%	
	Partitio Trustee Limited <sup>2</sup>	12.2	9.3%	7.3	5.6%	
	Adrian Casey, Henderika Casey and B.W.S Trustee Company 2012 Limited <sup>3</sup>	9.8	7.4%	5.9	4.5%	
	PJ & HC Moore Trustee Limited, Helen Moore and Patrick Moore	9.0	6.8%	5.4	4.1%	
	Rhys Jones and Lorraine Susan Taylor <sup>4</sup>	7.9	6.0%	4.7	3.6%	
	Wide View Enterprises Limited	7.7	5.8%	4.6	3.5%	
	Other Existing Shareholders	54.2	41.3%	32.8	24.9%	
New Shareholders	Nil	Nil	52.3	39.8%		
Total	131.4	100.0%	131.4	100.0%		
<div><div><div>1. Shareholding entity associated with Peter Wells.</div><div>2. Shareholding entity associated with Wayne Boyd.</div><div>3. Shareholding entity associated with Adrian Casey.</div><div>4. Shareholding entity associated with Rhys Jones.</div></div></div>						
The Selling Shareholders will each sell a portion of their Shares into the Offer through their arrangements with SaleCo (see Section 9.3).						

# 1 Investment overview Continued

Topic	Summary	Further information																																													
What significant benefits are payable to Directors and other persons connected with Vulcan or the Offer and what significant interests do they hold?	<p>The Shares expected to be held by Directors on Completion are as follows:</p> <table><tr><th colspan="3">Interests held at the Prospectus Date</th><th colspan="2">Interests held at Completion</th></tr><tr><th>Director</th><th>Shares<sup>1,2</sup></th><th>Performance Rights</th><th>Shares<sup>1,2</sup></th><th>Performance rights</th></tr><tr><td>Russell Chenu</td><td>Nil</td><td>Nil</td><td>n/a<sup>3</sup></td><td>Nil</td></tr><tr><td>Rhys Jones</td><td>7,863,333</td><td>Nil</td><td>4,718,000</td><td>261,303</td></tr><tr><td>Peter Wells</td><td>30,693,398</td><td>Nil</td><td>18,416,039</td><td>Nil</td></tr><tr><td>Wayne Boyd</td><td>12,172,814</td><td>Nil</td><td>7,303,688</td><td>Nil</td></tr><tr><td>Bart de Haan</td><td>300,000</td><td>Nil</td><td>180,000</td><td>Nil</td></tr><tr><td>Pip Greenwood</td><td>150,000</td><td>Nil</td><td>90,000</td><td>Nil</td></tr><tr><td>Carolyn Steele</td><td>Nil</td><td>Nil</td><td>n/a<sup>3</sup></td><td>Nil</td></tr></table> <p>Notes:</p> <ol style="list-style-type: none"><li>Directors may hold their interests in Shares directly, or through entities associated with them (e.g. through holdings by companies or trusts).</li><li>Refer also to Section 7.1.4 for further information on Vulcan's shareholding structure.</li><li>Both Russell Chenu and Carolyn Steele are intending to take up shares as part of the Priority Offer.</li></ol> <p>Directors and senior management are entitled to remuneration and fees on commercial terms as described in Section 6.4.</p> <p>Advisers and other service providers will receive fees for services on the terms set out in Section 6.3.</p>	Interests held at the Prospectus Date			Interests held at Completion		Director	Shares <sup>1,2</sup>	Performance Rights	Shares <sup>1,2</sup>	Performance rights	Russell Chenu	Nil	Nil	n/a <sup>3</sup>	Nil	Rhys Jones	7,863,333	Nil	4,718,000	261,303	Peter Wells	30,693,398	Nil	18,416,039	Nil	Wayne Boyd	12,172,814	Nil	7,303,688	Nil	Bart de Haan	300,000	Nil	180,000	Nil	Pip Greenwood	150,000	Nil	90,000	Nil	Carolyn Steele	Nil	Nil	n/a <sup>3</sup>	Nil	Section 6.4
Interests held at the Prospectus Date			Interests held at Completion																																												
Director	Shares <sup>1,2</sup>	Performance Rights	Shares <sup>1,2</sup>	Performance rights																																											
Russell Chenu	Nil	Nil	n/a <sup>3</sup>	Nil																																											
Rhys Jones	7,863,333	Nil	4,718,000	261,303																																											
Peter Wells	30,693,398	Nil	18,416,039	Nil																																											
Wayne Boyd	12,172,814	Nil	7,303,688	Nil																																											
Bart de Haan	300,000	Nil	180,000	Nil																																											
Pip Greenwood	150,000	Nil	90,000	Nil																																											
Carolyn Steele	Nil	Nil	n/a <sup>3</sup>	Nil																																											
Will any Shares be subject to restrictions on disposal following Completion of the Offer?	<ul style="list-style-type: none"><li>Each of the Executive Escrowed Shareholders and the Other Escrowed Shareholders (together, the “<b>Escrowed Shareholders</b>”) have entered into escrow arrangements with the Company under which they will be prevented from selling or otherwise dealing in their respective Executive Escrowed Shares and Other Escrowed Shares (together, the “<b>Escrowed Shares</b>”) during the applicable Escrow Period subject to certain permitted exceptions as set out in their escrow arrangements. The Escrowed Shares will comprise approximately 60.2% of the total Shares outstanding at Completion of the Offer.</li><li>The Company's free float at the time of Listing will not be less than 20% for the purposes of ASX Listing Rule 1.1 Condition 7.</li><li>The Executive Escrowed Shareholders will have their Executive Escrowed Shares subject to escrow restrictions commencing on the date of Official Quotation and ending at 4.15pm Australian Eastern Standard Time on the date that the Company's full year results for FY23 are released to the ASX and NZX, as described in Section 9.6.2.</li><li>The Other Escrowed Shareholders will have their Other Escrowed Shares subject to escrow restrictions commencing on the date of Official Quotation and ending at 4.15pm Australian Eastern Standard Time on the date that the Company's full year results for FY22 are released to ASX and NZX, as described in Section 9.6.2.</li></ul>	Section 9.6.2																																													

Topic	Summary	Further information
<b>What are the key related party agreements?</b>	<ul style="list-style-type: none"> <li>As described in Section 6.7, the Company has entered into the Related Party Leases with Peter Wells, Wayne Boyd and Adrian Casey.</li> </ul>	<b>Section 6.7</b>

## 1.10. Overview of the Offer

Topic	Summary	Further information
<b>Who is the issuer of the Prospectus?</b>	<ul style="list-style-type: none"> <li>Vulcan Steel Limited (NZBN 9429038466052, ARBN 652 996 015); and</li> <li>Vulcan Sale Company Limited (NZBN 9429049523409, ARBN 652 961 209).</li> </ul>	<b>Important notice</b>
<b>Who is SaleCo?</b>	<ul style="list-style-type: none"> <li>SaleCo is a special purpose vehicle, established to enable Existing Shareholders to sell part of their investment in Vulcan via the Offer.</li> </ul>	<b>Section 9.3</b>
<b>What is the Offer?</b>	<ul style="list-style-type: none"> <li>The Offer is an IPO of approximately 52.3 million Shares in Vulcan at an Offer Price of A\$7.10 per Share. The Offer is expected to raise approximately A\$371.6 million. All Shares will be sold by and transferred from SaleCo.</li> <li>The Shares being offered will represent 39.8% of the Shares on issue at Completion. The total number of Shares on issue at Completion will be 131.4 million and all Shares on issue will rank equally with each other.</li> </ul>	<b>Section 7.1</b>
<b>What is the proposed use of the funds raised under the Offer?</b>	<ul style="list-style-type: none"> <li>The proceeds of the Offer will be applied to distribute payments to SaleCo, and ultimately to the Existing Shareholders, for the Shares sold and transferred under the Offer.</li> </ul>	<b>Section 7.1.3</b>
<b>How is the Offer structured and who is eligible to participate?</b>	<ul style="list-style-type: none"> <li>The Offer comprises: <ul style="list-style-type: none"> <li>the Institutional Offer, which consists of an invitation to bid to Institutional Investors in Australia and New Zealand and certain other eligible jurisdictions made under this Prospectus;</li> <li>the Broker Firm Offer, which is open mainly to Australian and New Zealand resident retail clients of Brokers who have received a firm allocation of Shares from their Broker; and</li> <li>the Priority Offer, which is open to selected investors in Australia and New Zealand who have received an invitation under the Priority Offer.</li> </ul> </li> </ul> <p>No general public offer of Shares will be made under the Offer.</p>	<b>Section 7.1.1</b>

# 1 Investment overview Continued

Topic	Summary	Further information
<b>Will the Shares be quoted on the ASX?</b>	<ul style="list-style-type: none"> <li>Vulcan will apply to ASX within seven days of the Prospectus Date, for its admission to the Official List and quotation of Shares (under the code "VSL"). It is anticipated that quotation will initially be on a conditional and deferred settlement basis.</li> <li>The transfer of Shares under the Offer is conditional on ASX approving this application. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded (without interest), as soon as practicable in accordance with the requirements of the Corporations Act.</li> </ul>	<b>Section 7.11</b>
<b>Will the Shares be quoted on the NZX?</b>	<ul style="list-style-type: none"> <li>Vulcan will apply for listing with NZX as a foreign exempt issuer and for quotation of the Shares on the NZX Main Board.</li> <li>The transfer of Shares under the Offer is conditional on NZX approving this application.</li> </ul>	<b>Section 7.12</b>
<b>When are the Shares expected to commence trading?</b>	<ul style="list-style-type: none"> <li>It is expected that trading of the Shares on ASX and NZX will commence on or about <b>Thursday, 4 November 2021</b> on a conditional and deferred settlement basis.</li> <li>Conditional trading will continue until Vulcan has advised the ASX and NZX that: <ul style="list-style-type: none"> <li>Settlement has occurred;</li> <li>the Shares to be sold by the Existing Shareholders have been transferred to SaleCo; and</li> <li>SaleCo has transferred the Shares to successful Applicants under the Offer, which is expected to be on or about <b>Monday, 8 November 2021</b>.</li> </ul> </li> <li>The dispatch of holding statements will occur on or about <b>Tuesday, 9 November 2021</b> and the Shares will commence trading on a normal settlement basis on or about <b>Wednesday, 10 November 2021</b>.</li> <li><b>It is the responsibility of each Applicant to confirm their holding before trading in shares. Applicants who sell shares before they receive an initial holding statement do so at their own risk.</b></li> <li>Vulcan, SaleCo, the Share Registry and the Joint Lead Managers disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving a holding statement, even if that person received confirmation of their allocation from the Vulcan IPO Offer Information Line or confirmed their firm allocation through a Broker.</li> </ul>	<b>Sections 7.11, 7.12</b>
<b>Is there any brokerage, commission or stamp duty payable by Applicants?</b>	<ul style="list-style-type: none"> <li>No brokerage, commission or stamp duty is payable by Applicants on an acquisition of Shares under the Offer.</li> </ul>	<b>Section 7.2</b>

Topic	Summary	Further information
<b>What are the tax implications of investing in the Shares?</b>	<ul style="list-style-type: none"> <li>Shareholders may be subject to Australian and/or New Zealand income tax or withholding tax on any future dividends paid. The tax consequences of any investment in the Shares will depend upon an investor's particular circumstances. Applicants should obtain their own tax advice prior to deciding whether to invest.</li> </ul>	<b>Section 9.9</b>
<b>Is the Offer underwritten?</b>	<ul style="list-style-type: none"> <li>Yes. The Offer is fully underwritten by the Joint Lead Managers.</li> </ul>	<b>Sections 7.8, 9.6.1</b>
<b>Who are the Joint Lead Managers for the Offer?</b>	<ul style="list-style-type: none"> <li>The Joint Lead Managers are Credit Suisse and UBS.</li> </ul>	<b>Section 7.2</b>
<b>What is the allocation policy?</b>	<ul style="list-style-type: none"> <li>The allocation of Shares between the Institutional Offer, Broker Firm Offer and Priority Offer will be determined between the Joint Lead Managers, Vulcan, and SaleCo having regard to the allocation policies outlined in Sections 7.3.4, 7.4.4, 7.6.1 and 7.6.2.</li> </ul>	<b>Sections 7.3.4, 7.4.4, 7.6.1, 7.6.2</b>
<b>What is the minimum Application size under the Offer?</b>	<ul style="list-style-type: none"> <li>Broker Firm Offer: The minimum Application under the Broker Firm Offer is as determined by the Applicant's Broker. There is no maximum Application under the Broker Firm Offer.</li> <li>Priority Offer: Applications under the Priority Offer must be for a minimum of 300 Shares. There is no maximum Application under the Priority Offer. The Priority Offer will be capped at an aggregate amount of 700,000 Shares.</li> <li>Vulcan, SaleCo and the Joint Lead Managers reserve the right to reject any Application or to allocate a lesser number of Shares than that applied for, in their absolute discretion.</li> </ul>	<b>Section 7.2</b>
<b>How can I apply?</b>	<ul style="list-style-type: none"> <li>Broker Firm Offer Applicants may apply for Shares by completing a valid Broker Firm Offer Application Form attached to or accompanying this Prospectus and lodging it with the Broker who invited them to participate in the Broker Firm Offer.</li> <li>Applicants under the Priority Offer may only apply for Shares online at <a href="https://events.miraqle.com/vulcan-ipo">https://events.miraqle.com/vulcan-ipo</a> using the online Application Form.</li> <li>The Joint Lead Managers separately advised Institutional Investors of the Application procedure under the Institutional Offer.</li> <li>To the maximum extent permitted by law, an application under the Offer is irrevocable.</li> </ul>	<b>Section 7.2</b>
<b>When will I receive confirmation that my Application has been successful?</b>	<ul style="list-style-type: none"> <li>It is expected that initial holding statements will be dispatched to successful Applicants by standard post on or about <b>Tuesday, 9 November 2021</b>.</li> <li>Refunds (without interest) to Applicants who make an Application and receive an allocation of Shares, the value of which is smaller than the amount of the Application Monies, will be made as soon as practicable after Completion of the Offer.</li> </ul>	<b>Section 7.2</b>

# 1 Investment overview Continued

Topic	Summary	Further information
<b>Can the Offer be withdrawn?</b>	<ul style="list-style-type: none"><li>• Vulcan reserves the right to not proceed with the Offer at any time before the transfer of Shares to successful Applicants.</li><li>• If the Offer does not proceed, Application Monies will be refunded.</li><li>• No interest will be paid on any Application Monies refunded as a result of the withdrawal of the Offer.</li></ul>	<b>Sections 7.13</b>
<b>Where can I find out more information about this Prospectus or the Offer?</b>	<ul style="list-style-type: none"><li>• If you are an Australian or New Zealand resident, call the Offer Information Line on 1800 881 047 (within Australia) or +61 1800 881 047 (outside Australia) from 8.30am until 5.30pm (AEDT), Monday to Friday (excluding public holidays). If you are unclear in relation to any matter or are in any doubt as to whether to invest in Vulcan, you should seek professional advice from your stockbroker, accountant, lawyer, financial adviser or other independent professional adviser before deciding whether to invest in Vulcan.</li></ul>	<b>Important notice</b>





## 2 / Industry overview

# 2 Industry overview

## 2.1. Overview of the Australasian steel distribution industry

Vulcan operates in the Australasian steel distribution industry. In the 12 months to 30 June 2022F, approximately 6.3Mt and 0.9Mt of steel are expected to be consumed in Australia and New Zealand respectively<sup>16</sup>.

Steel distributors play an important role in the steel supply chain, acting as intermediaries between steel producers and end-users. Sourcing products directly from upstream producers is often not viable for certain customers given mills generally require large minimum order quantities ("MOQs") and long lead times. As an aggregator of downstream demand, steel distributors are able to accommodate a wider range of order sizes and supply products with shorter lead times.

Distributors are generally able to manage steel price fluctuations through effective inventory management, thereby supporting the maintenance of gross margin per tonne through the cycle.




In Australia, domestically produced steel is predominantly sourced from two major manufacturers – BlueScope and InfraBuild. In New Zealand, domestically produced steel is predominately sourced from New Zealand Steel, a subsidiary of BlueScope. In Australia and New Zealand, stainless steel is entirely imported<sup>17</sup> and engineering steel is primarily imported.

Steel distributors add value to customers by:

- reliably maintaining sufficient stock availability across a broad range of products;
- utilising specialised equipment to process products to meet customers' specific requirements;
- minimising significant material loss for customers when processing steel; and
- providing 'just in time' delivery of products.

An overview of the key products and services offered by steel distributors is set out in Figure 1 below.

**Figure 1: Key products and services offered by steel distributors<sup>18</sup>**

<b>Distribution</b>	<ul style="list-style-type: none"><li>• Distribution of steel, including structural steel, merchant bars, hollows, plate and coil.</li></ul>	
<b>Plate processing</b>	<ul style="list-style-type: none"><li>• Processing of steel plate, including cutting, drilling, tapping, countersinking, folding and bevel cutting.</li><li>• Cutting processes include laser, plasma and oxy-fuel.</li></ul>	
<b>Coil processing</b>	<ul style="list-style-type: none"><li>• Processing of steel coils, including cut-to-length and slitting.</li></ul>	

16. NIEIR, ANZ Steel Volume Data (2021). Note the data presented for FY21F and FY22F reflects forecasts prepared by NIEIR in June 2021.

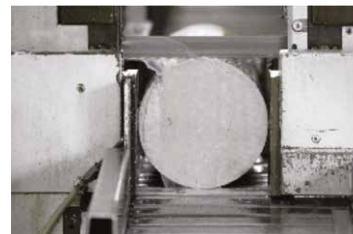
17. Australian Steel Institute, Capabilities of the Australian Steel Industry (October 2020), available at: <https://www.steel.org.au/getattachment/About-Us/Our-industry/Steel-Industry-Capability-document-131020.pdf/?lang=en-AU>.

18. Images: Shutterstock.com.

---

**Stainless steel**

- Distribution of stainless steel products, including tube, pipe and bar products, as well as fittings and flanges and processing of stainless plate product.



---

**Engineering steel**

- Distribution and cutting of engineering steel, including: high tensile steel, case hardening steel, stainless steel, carbon steel, cast iron, bronze, brass, bright steel and aluminium.



---

**Reinforcing steel**

- Distribution, cutting and bending of reinforcing steel bar and mesh.



---

**Wire**

- Steel wire products such as chain mesh, fencing and barbed wire nails. Used for various applications, including manufacturing and rural products.



---

**Roofing**

- Roll-forming and distribution of roofing and exterior cladding products.



---

**Fasteners**

- Distribution of steel fasteners.



## 2 Industry overview Continued

### 2.1.1. STEEL DEMAND

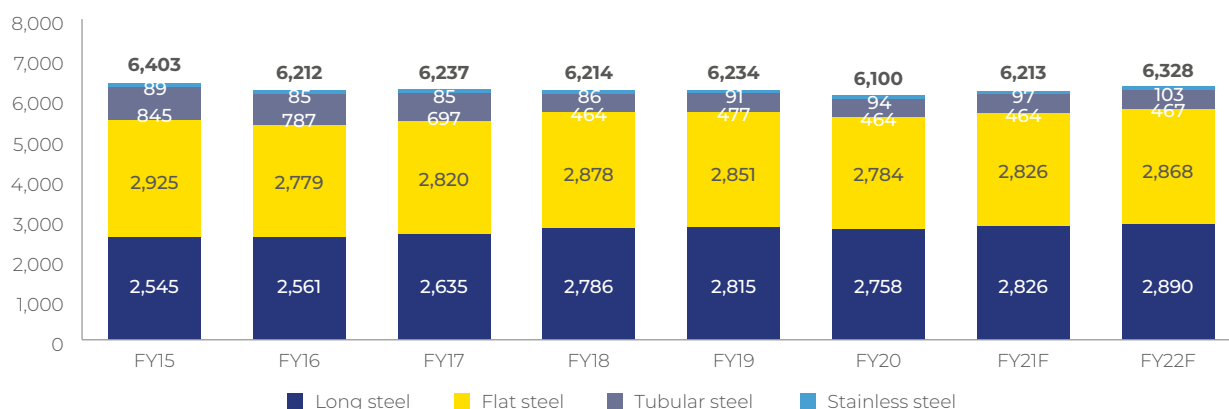
#### Australia

In Australia, steel consumption contracted by approximately 2.2% to 6.1Mt in the 12 months to June 2020, primarily due to a fall in consumption by the residential construction market<sup>19</sup>. Steel demand is expected to recover post FY20, with volumes forecast to grow at a CAGR of 1.9% from FY20–FY22F, underpinned by a strong pipeline of civil infrastructure projects and growing output from the manufacturing and mining sectors<sup>20</sup>.

In Australia, long and flat products are expected to represent approximately 46% and 45% of total steel demand in FY22F respectively, while tubular and stainless steel products are expected to represent a significantly smaller proportion of total volumes at 7% and 2% respectively<sup>21</sup>.

**Figure 2: Steel consumption by product category – Australia<sup>22</sup>**

(000' tonnes, June year-end)



#### New Zealand

Demand for steel in New Zealand has been relatively stable between FY15 and FY20<sup>23</sup>. In FY20, total steel consumption in New Zealand was approximately 0.8Mt<sup>24</sup>. Total steel consumption is expected to grow at a CAGR of 3.1% between FY20 and FY22F, driven predominantly by an anticipated increased demand from all areas of construction<sup>25</sup>.

Similar to the Australian steel market, flat and long products are the major contributors to steel volumes in New Zealand<sup>26</sup>. Flat products are expected to represent a larger proportion of FY22F total steel demand at approximately 53% of total volumes, while long products are expected to contribute 33%<sup>27</sup>. Tubular products are expected to represent 11% of total volumes, while stainless steel products represent 3%<sup>28</sup>.

19. NIEIR, ANZ Steel Volume Data (2021). Note the data presented for FY21F and FY22F reflects forecasts prepared by NIEIR in June 2021.

20. NIEIR, ANZ Steel Volume Data (2021). Note the data presented for FY21F and FY22F reflects forecasts prepared by NIEIR in June 2021.

21. NIEIR, ANZ Steel Volume Data (2021). Note the data presented for FY21F and FY22F reflects forecasts prepared by NIEIR in June 2021.

22. NIEIR, ANZ Steel Volume Data (2021). Note the data presented for FY21F and FY22F reflects forecasts prepared by NIEIR in June 2021.

23. NIEIR, ANZ Steel Volume Data (2021). Note the data presented for FY21F and FY22F reflects forecasts prepared by NIEIR in June 2021.

24. NIEIR, ANZ Steel Volume Data (2021). Note the data presented for FY21F and FY22F reflects forecasts prepared by NIEIR in June 2021.

25. NIEIR, ANZ Steel Volume Data (2021). Note the data presented for FY21F and FY22F reflects forecasts prepared by NIEIR in June 2021.

26. NIEIR, ANZ Steel Volume Data (2021). Note the data presented for FY21F and FY22F reflects forecasts prepared by NIEIR in June 2021.

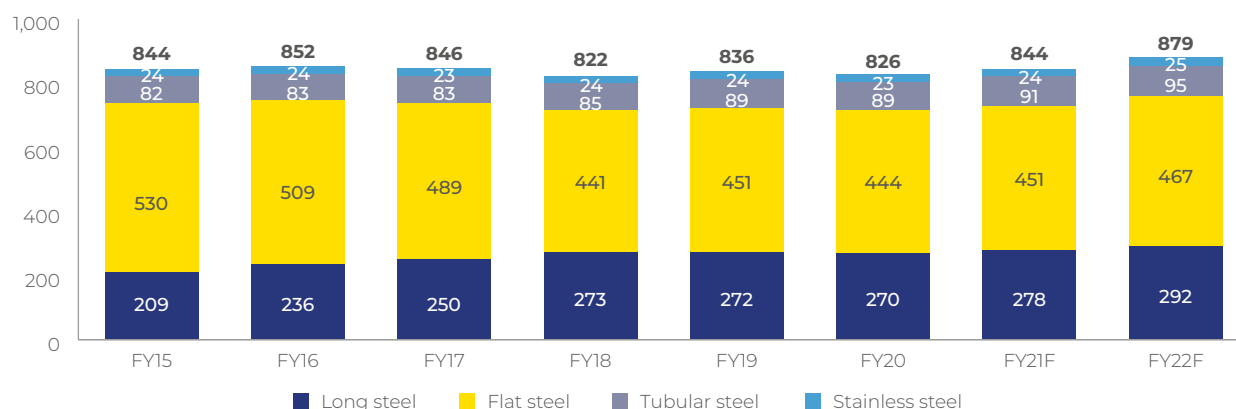
27. NIEIR, ANZ Steel Volume Data (2021). Note the data presented for FY21F and FY22F reflects forecasts prepared by NIEIR in June 2021.

28. NIEIR, ANZ Steel Volume Data (2021). Note the data presented for FY21F and FY22F reflects forecasts prepared by NIEIR in June 2021.



**Figure 3: Steel consumption by product category – New Zealand<sup>29</sup>**

(000' tonnes, June year-end)



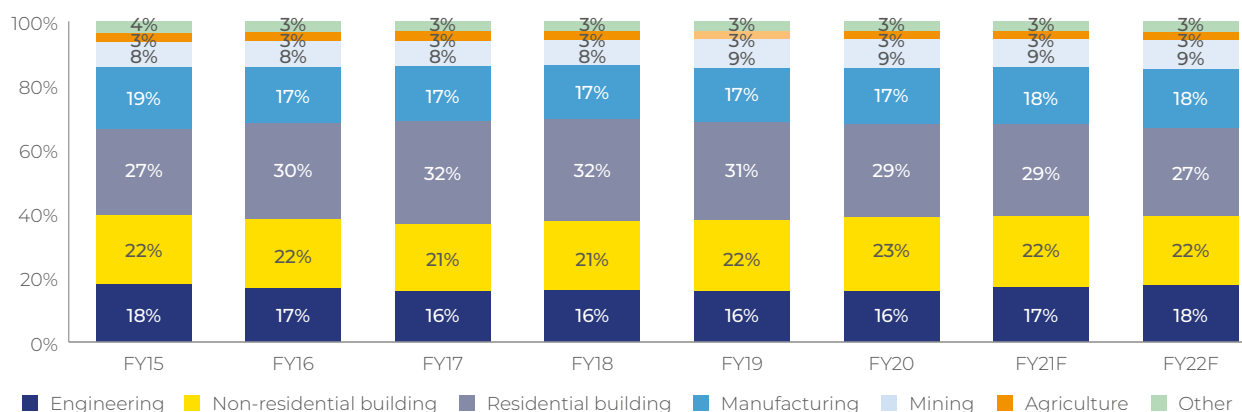
## 2.1.2 END-MARKETS

### Australia

In Australia, the major consumers of steel are the construction, manufacturing and mining sectors<sup>30</sup>. In FY22F, approximately 67% of total steel volumes are expected to be used in the construction industry, while approximately 18% of volumes are expected to be used in manufacturing and 9% in mining<sup>31</sup>.

**Figure 4: Steel volume mix by end-market – Australia<sup>32</sup>**

(%, June year-end)



### New Zealand

Similar to Australia, the construction sector is the largest consumer of steel volumes in New Zealand<sup>33</sup>. In FY22F, approximately 60% of steel volumes are expected to be used in the construction industry, while approximately 28% of steel volumes are expected to be used in manufacturing<sup>34</sup>.

29. NIEIR, ANZ Steel Volume Data (2021). Note the data presented for FY21F and FY22F reflects forecasts prepared by NIEIR in June 2021.

30. NIEIR, ANZ Steel Volume Data (2021). Note the data presented for FY21F and FY22F reflects forecasts prepared by NIEIR in June 2021.

31. NIEIR, ANZ Steel Volume Data (2021). Note the data presented for FY21F and FY22F reflects forecasts prepared by NIEIR in June 2021.

32. NIEIR, ANZ Steel Volume Data (2021). Note the data presented for FY21F and FY22F reflects forecasts prepared by NIEIR in June 2021.

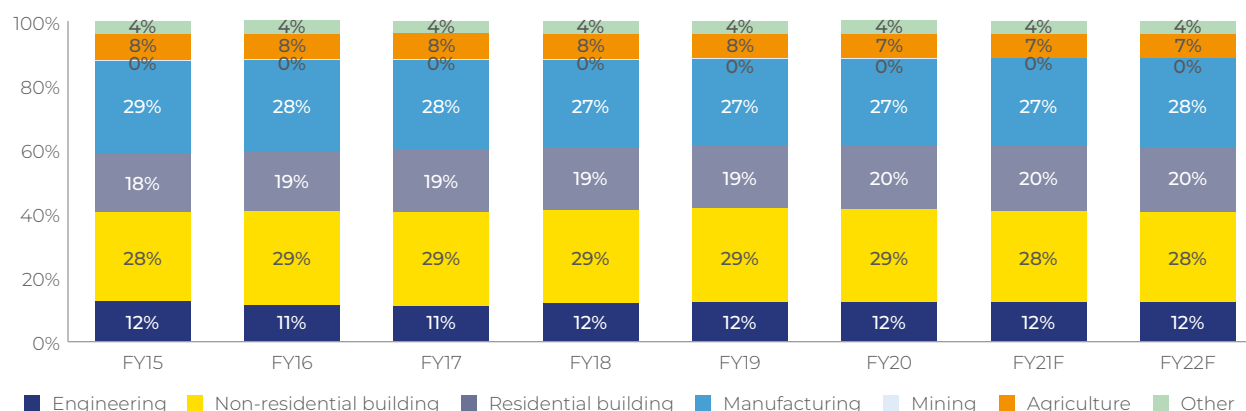
33. NIEIR, ANZ Steel Volume Data (2021). Note the data presented for FY21F and FY22F reflects forecasts prepared by NIEIR in June 2021.

34. NIEIR, ANZ Steel Volume Data (2021). Note the data presented for FY21F and FY22F reflects forecasts prepared by NIEIR in June 2021.

## 2 Industry overview Continued

**Figure 5: Steel volume mix by end-market – New Zealand<sup>35</sup>**

(%, June year-end)



### 2.1.3. COMPETITIVE LANDSCAPE

Australia's steel distributors with a national footprint include Vulcan, InfraBuild, BlueScope, Southern Steel and United Group. The two major integrated steel manufacturers are BlueScope and InfraBuild. BlueScope distributes products through BlueScope Distribution as well as through other subsidiaries such as Orrcon Steel, while InfraBuild distributes products to fabricators through InfraBuild Steel Centre<sup>36</sup>. Australia's distributors of stainless steel with a national footprint include Vulcan, Atlas Steels, Midway Metals and Stirlings Performance Steel. Australia's distributors of engineering steel with a national footprint include Vulcan and Voestalpine.

In New Zealand, the steel distributors with a national footprint are Vulcan, Steel & Tube, Fletcher Steel, United Industries and Asmuss. New Zealand's distributors of stainless steel with a national footprint include Vulcan, Steel & Tube and Wakefield Metals, while New Zealand's distributors of engineering steel with a national footprint include Vulcan, Steel & Tube, Fletcher Steel and Wakefield Metals.

Figure 6 provides an overview of the key market participants in Australia and Figure 7 provides an overview of the key market participants in New Zealand.

35. NIEIR, ANZ Steel Volume Data (2021). Note the data presented for FY21F and FY22F reflects forecasts prepared by NIEIR in June 2021.

36. Australian Steel Institute, Capabilities of the Australian Steel Industry (October 2020), available at: <https://www.steel.org.au/getattachment/About-Us/Our-industry/Steel-Industry-Capability-document-131020.pdf/?lang=en-AU>.

Figure 6: Primary product and service offering by key market participants – Australia

	Steel distribution <sup>1</sup>	Plate processing	Coil processing	Stainless steel	Engineering steel	Reinforcing steel <sup>2</sup>	Wire
Vulcan	✓	✓	✓	✓	✓	—	—
InfraBuild	✓	✓	—	—	—	✓	✓ <sup>3</sup>
BlueScope	✓	✓	✓	—	—	✓	—
Southern Steel	✓	✓	✓	—	—	✓	—
United Group	✓	✓	✓	—	—	✓	—
Mesh & Bar	—	—	—	—	—	✓	✓
Atlas Steels	—	—	—	✓	—	—	—
Midway Metals	—	—	—	✓	—	—	—
Stirlings Performance Steel	—	—	—	✓	—	—	—
Voestalpine	—	—	—	—	✓	—	—

Source: Management.

Notes:

1. Includes structural, merchant bars, hollows, plate and coil.

2. Includes mesh.

3. Wire manufacturer.



## 2 Industry overview Continued

Figure 7: Primary product and service offering by key market participants – New Zealand

	Steel distribution <sup>1</sup>	Plate processing	Coil processing	Stainless steel	Engineering steel	Reinforcing steel <sup>2</sup>	Wire	Roofing	Fasteners
Vulcan	✓	✓	✓	✓	✓	—	—	—	—
Steel & Tube	✓	✓	✓	✓	✓	✓	✓	✓	✓
Fletcher Steel	✓	✓	✓	—	✓	✓	✓	✓	—
United Industries	✓	—	—	—	—	✓	✓	✓	—
Asmuss	✓	—	—	—	—	✓	✓	—	✓
Summit Steel & Wire	—	—	—	—	—	✓	✓	—	✓
Wakefield Metals	—	—	—	✓	✓	—	—	—	—
BlueScope	—	—	—	—	—	—	—	✓	—

Source: Management.

Notes:

1. Includes structural, merchant bars, hollows, plate and coil.
2. Includes mesh.

### 2.2. Key demand drivers for steel

Demand for steel in Australasia is related to activity in the construction, manufacturing and mining industries. Consumption of steel across some of these sectors can be interrelated. For example, growth in construction activity requires more manufactured steel products, which in turn, requires more raw materials from the mining sector<sup>37</sup>.

#### 2.2.1. CONSTRUCTION ACTIVITY

Construction activity is a key driver of demand for steel, and the construction end-market can be divided into three sub-segments:

- **engineering/infrastructure construction:** civil infrastructure construction and industrial projects;
- **non-residential construction:** construction of offices, industrial premises, shops, hotels, hospitals and entertainment facilities; and
- **residential construction:** construction of houses, flats, units, townhouses and apartments (including multi-storey).

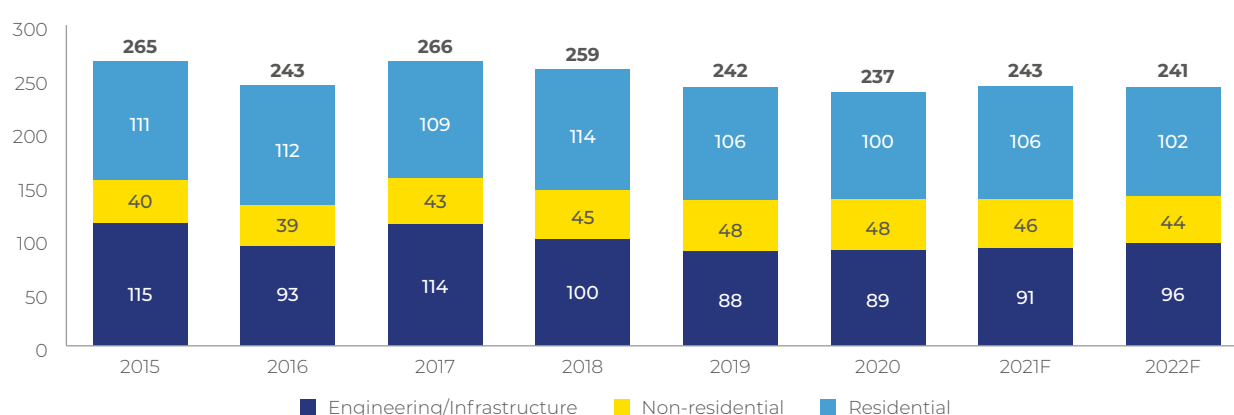
37. *Anti-Dumping Commission, Analysis of Australia's Steel Manufacturing and Fabricating Markets Report to the Commissioner of the Anti-Dumping Commission (November 2017)*, available at: [https://www.industry.gov.au/sites/default/files/2019-05/adc\\_steel\\_fabrication\\_report\\_november\\_2017.pdf](https://www.industry.gov.au/sites/default/files/2019-05/adc_steel_fabrication_report_november_2017.pdf).

### 2.2.1.1. Australia's construction industry

Over the past five years, construction activity in Australia peaked in 2017 with A\$266 billion<sup>38</sup> of work done<sup>39</sup>, before declining from 2018 to 2020 due to a reduction in work done in residential and engineering/infrastructure construction<sup>40</sup>. The COVID-19 pandemic and associated lockdowns caused disruption to supply chains and construction activity, and work done fell c.A\$5 billion in 2020<sup>41</sup>. Growth in Australia's construction industry is expected to recover, driven by a strong outlook for engineering/infrastructure construction activity<sup>42</sup>. Total construction work done is expected to grow by 2.7% to A\$243 billion in 2021F, before declining by 0.7% to A\$241 billion in 2022F<sup>43</sup>. This represents a CAGR of 1.0% from 2020–2022F<sup>44</sup>.

**Figure 8: Value of construction work done – Australia<sup>45</sup>**

(A\$ billion, 2018–2019 prices<sup>46</sup>, December year-end)



### 2.2.1.2. Engineering/infrastructure construction in Australia

The Australian engineering/infrastructure construction sector completed approximately A\$89 billion of work in 2020, an increase of 0.3% compared to the prior year<sup>47</sup>. Infrastructure spending is expected to be supported by infrastructure programs being implemented by the Federal and State Governments<sup>48</sup>. Private-sector funding is expected to play an increased role in financing infrastructure expenditure and several of the largest transport infrastructure projects currently underway are largely funded by public-private partnerships ("PPPs")<sup>49</sup>. The current pipeline of PPPs in Australia includes projects such as the Inland Rail, North East Link Melbourne, Sydney Metro and WestConnex.

Work done in heavy industry, including mining, is expected to grow by more than 5% per annum in 2021F and 2022F<sup>50</sup>. Diversification into areas such as the development of hydrogen and new lithium-ion battery capacity has supported growth in engineering/infrastructure construction, which Vulcan expects to drive demand for steel<sup>51</sup>. Between 2020 and 2022F, work done in the engineering/infrastructure construction sector is expected to increase at a CAGR of 3.9%<sup>52</sup>.

38. ACIF, Australian Construction Market Report (May 2021).

39. 'Work done' is a project management and reporting technique measuring the full value of the costs incurred, regardless of payment or receipt.

40. ACIF, Australian Construction Market Report (May 2021).

41. ACIF, Australian Construction Market Report (May 2021).

42. ACIF, Australian Construction Market Report (May 2021).

43. ACIF, Australian Construction Market Report (May 2021).

44. ACIF, Australian Construction Market Report (May 2021).

45. ACIF, Australian Construction Market Report (May 2021).

46. The value of work done in ACIF's Australian Construction Market Report (May 2021) is reported in Chain Volume Measurements ("CVM"). CVM refers to value that is calculated in real value terms (constant prices) instead of nominal values (current price). This seeks to adjust for the impacts of inflation on the value of work done. The reference year for CVM used by ACIF in the market report is 2018-19: ACIF, Australian Construction Market Report (May 2021).

47. ACIF, Australian Construction Market Report (May 2021).

48. ACIF, Australian Construction Market Report (May 2021).

49. IBISWorld, Road and Bridge Construction in Australia (June 2020).

50. ACIF, Australian Construction Market Report (May 2021).

51. ACIF, Australian Construction Market Report (May 2021).

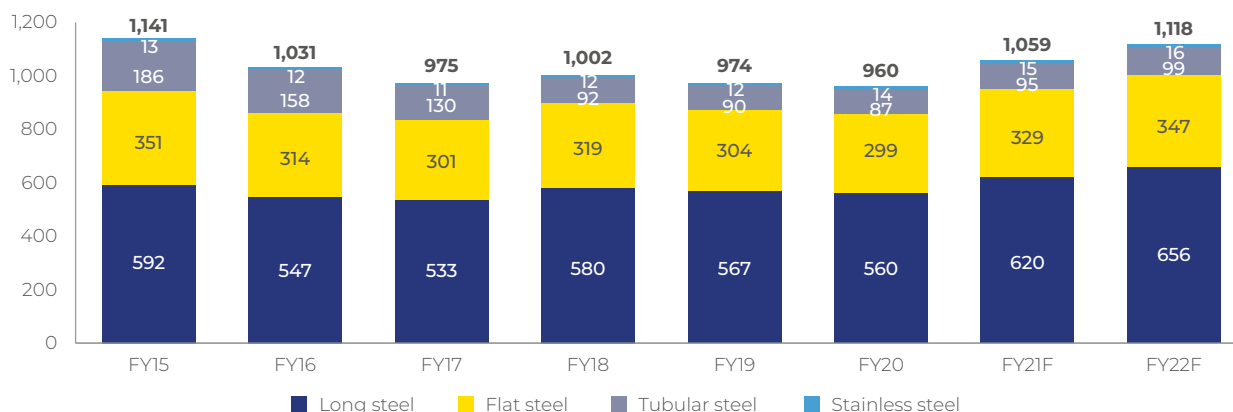
52. ACIF, Australian Construction Market Report (May 2021).

## 2 Industry overview Continued

Growth in the engineering/infrastructure construction sector is expected to result in increased demand for steel, with total steel volume expected to increase 10.4% to approximately 1.06Mt in FY21F<sup>53</sup>. By FY22F, demand for steel from the Australian engineering/infrastructure construction sector is expected to reach over 1.1Mt, representing a CAGR of 7.9% between FY20 and FY22F<sup>54</sup>.

**Figure 9: Steel consumption – Australian engineering/infrastructure construction<sup>55</sup>**

(000' tonnes, June year-end)

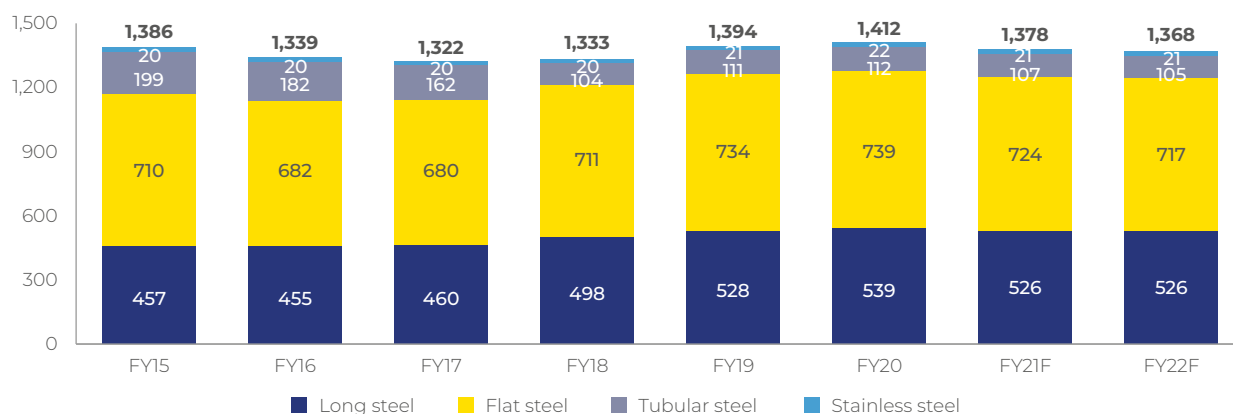


### Non-residential construction in Australia

The Australian non-residential construction sector completed approximately A\$48 billion of work in 2020, representing an increase of 0.7% from the prior year<sup>56</sup>. Government spending on social infrastructure and other essential services, such as health and aged care increased in 2020, which is expected to drive non-residential construction<sup>57</sup>. However, a sharp reduction in construction activity in certain segments, such as offices, shops, hotels, entertainment, and recreational facilities is expected<sup>58</sup>. As a result, the total value of non-residential construction work done is forecast to decline at a CAGR of 4.2% between 2020 and 2022F<sup>59</sup>. Similarly, demand for steel from the non-residential construction sector is expected to decline at a CAGR of 1.6% between FY20 and FY22F<sup>60</sup>.

**Figure 10: Steel consumption in Australian non-residential construction<sup>61</sup>**

(000' tonnes, June year-end)



53. NIEIR, ANZ Steel Volume Data (2021). Note the data presented for FY21F and FY22F reflects forecasts prepared by NIEIR in June 2021.

54. NIEIR, ANZ Steel Volume Data (2021). Note the data presented for FY21F and FY22F reflects forecasts prepared by NIEIR in June 2021.

55. NIEIR, ANZ Steel Volume Data (2021). Note the data presented for FY21F and FY22F reflects forecasts prepared by NIEIR in June 2021.

56. ACIF, Australian Construction Market Report (May 2021).

57. ACIF, Australian Construction Market Report (May 2021).

58. ACIF, Australian Construction Market Report (May 2021).

59. ACIF, Australian Construction Market Report (May 2021).

60. NIEIR, ANZ Steel Volume Data (2021). Note the data presented for FY21F and FY22F reflects forecasts prepared by NIEIR in June 2021.

61. NIEIR, ANZ Steel Volume Data (2021). Note the data presented for FY21F and FY22F reflects forecasts prepared by NIEIR in June 2021.

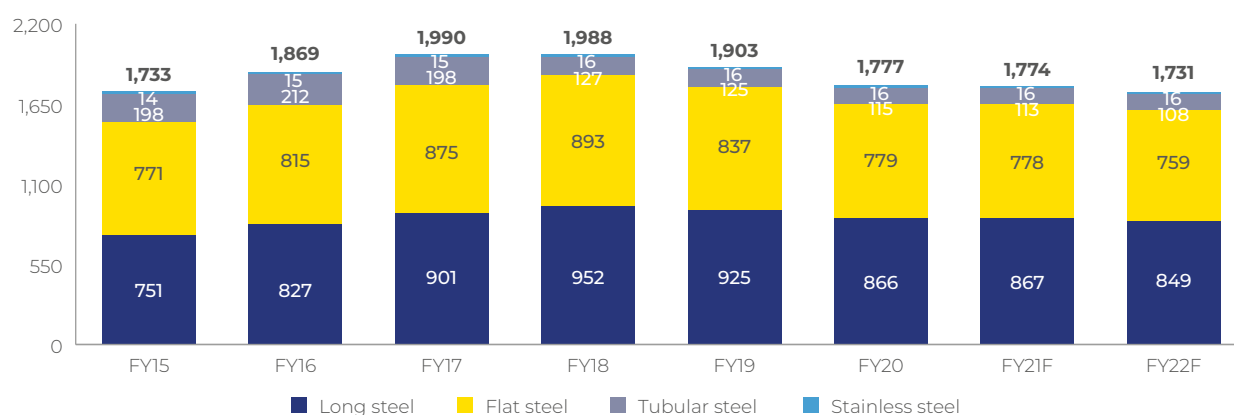
### Residential construction in Australia

The Australian residential construction sector completed approximately A\$100 billion of work in 2020, representing a 5.4% decline compared to the prior year<sup>62</sup>. However, the annual value of construction work done in Australia is expected to grow by 5.5% in 2021 to A\$106 billion, driven by record-low interest rates, strong employment growth and temporary stimulus measures such as the Federal Government's HomeBuilder program<sup>63</sup>, before declining 3.8% in 2022F to A\$102 billion<sup>64</sup>. Further, the increasing desire of homeowners to improve their living spaces has supported the alterations and additions market, which reached A\$39 billion in 2020, but is expected to contract at a CAGR of 1.5% from 2020 to 2022F<sup>65</sup>. In total, the value of work done in residential construction is expected to grow at a CAGR of 0.7% from FY20 to FY22F<sup>66</sup>.

This recovery is expected to be driven by growth in work done in housing, whereas work done in apartments and other multi-storey residential buildings are expected to fall from 2020 to 2022F<sup>67</sup>. Due to the lower use of steel in housing construction<sup>68</sup>, total steel demand for residential construction is expected to fall at a CAGR of 1.3% from FY20 to FY22F<sup>69</sup>.

**Figure 11: Steel consumption – Australian residential construction<sup>70</sup>**

(000' tonnes, June year-end)



### 2.2.1.3. New Zealand's construction industry

The total value of investment in the New Zealand construction sector increased at a CAGR of 4.3% between FY15 and FY19<sup>71</sup>. The construction market in New Zealand was significantly impacted by the disruption caused by the COVID-19 pandemic<sup>72</sup>, and the total value of construction investment declined by approximately NZ\$1.6 billion to NZ\$29.2 billion between FY19 and FY20, largely driven by weakness in residential and non-residential construction.<sup>73</sup> Construction activity in New Zealand is expected to rebound by 11.6% in FY21F, underpinned by robust growth in residential construction<sup>74</sup>. Total construction investment is expected to continue to grow a further 1.7% in FY22F to NZ\$33.2 billion, driven by growth in all construction sub-segments<sup>75</sup>. This growth represents a CAGR of 6.5% from FY20 to FY22F<sup>76</sup>.

62. ACIF, Australian Construction Market Report (May 2021).

63. ACIF, Australian Construction Market Report (May 2021).

64. ACIF, Australian Construction Market Report (May 2021).

65. ACIF, Australian Construction Market Report (May 2021).

66. ACIF, Australian Construction Market Report (May 2021).

67. NIEIR, ANZ Steel Volume Data (2021). Note the data presented for FY21F and FY22F reflects forecasts prepared by NIEIR in June 2021.

68. NIEIR, ANZ Steel Volume Data (2021). Note the data presented for FY21F and FY22F reflects forecasts prepared by NIEIR in June 2021.

69. NIEIR, ANZ Steel Volume Data (2021). Note the data presented for FY21F and FY22F reflects forecasts prepared by NIEIR in June 2021.

70. NIEIR, ANZ Steel Volume Data (2021). Note the data presented for FY21F and FY22F reflects forecasts prepared by NIEIR in June 2021.

71. NIEIR, ANZ Steel Volume Data (2021).

72. Deloitte, A better way forward: Construction Sector COVID-19 Recovery Study (January 2021), available at: <https://www2.deloitte.com/nz/en/pages/economics/articles/construction-sector-covid-19-recovery-study.html>.

73. NIEIR, ANZ Steel Volume Data (2021). Note the data presented for FY21F and FY22F reflects forecasts prepared by NIEIR in June 2021.

74. NIEIR, ANZ Steel Volume Data (2021). Note the data presented for FY21F and FY22F reflects forecasts prepared by NIEIR in June 2021.

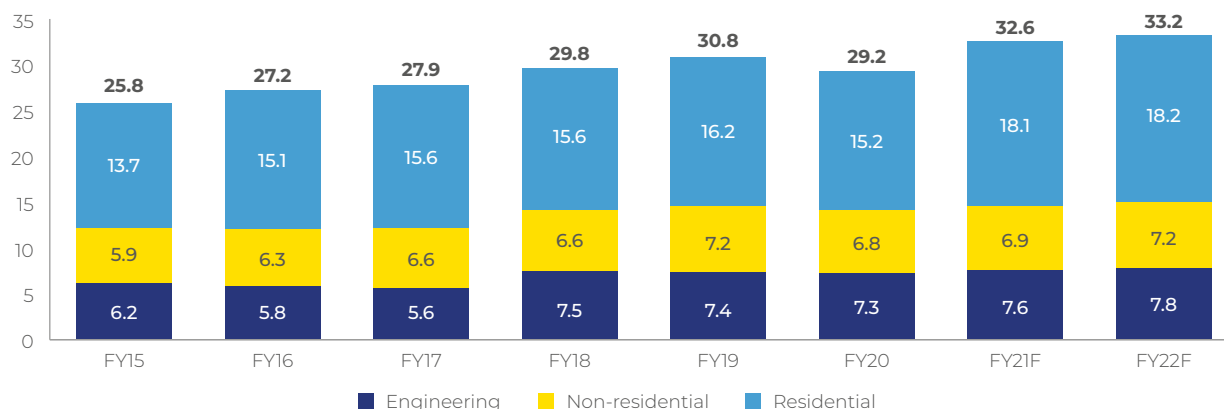
75. NIEIR, ANZ Steel Volume Data (2021). Note the data presented for FY21F and FY22F reflects forecasts prepared by NIEIR in June 2021.

76. NIEIR, ANZ Steel Volume Data (2021). Note the data presented for FY21F and FY22F reflects forecasts prepared by NIEIR in June 2021.

## 2 Industry overview Continued

**Figure 12: Value of construction investment – New Zealand<sup>77</sup>**

(NZ\$ billion, 2009–2010 prices, June year-end)



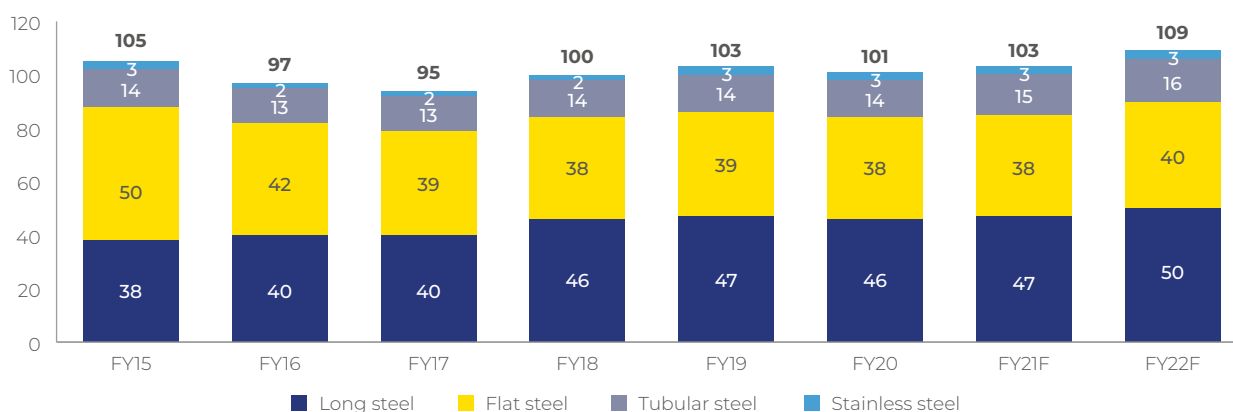
### 2.2.1.4. Engineering/infrastructure construction in New Zealand

Engineering/infrastructure construction in New Zealand has grown significantly over the past few years, with investment in the sector growing to NZ\$7.4 billion in FY19, representing a CAGR of 4.7% between FY15 and FY19<sup>78</sup>. Investment in the sector contracted slightly in FY20 due to project delays caused by the COVID-19 pandemic<sup>79</sup>, however investment is expected to grow at a CAGR of 4.0% between FY20 and FY22F<sup>80</sup>. Growth in engineering/infrastructure construction activity will primarily be supported by New Zealand Government expenditure over the next five years, as outlined in the NZ\$12 billion 'New Zealand Upgrade Programme', which is heavily focused on road and rail projects<sup>81</sup>. The 2020 Budget also committed an additional NZ\$3 billion of funding for infrastructure projects to support the economy's recovery from the COVID-19 pandemic<sup>82</sup>. Further support is expected to be provided by funding from the private-sector, with an increasing number of PPPs in New Zealand<sup>83</sup>.

The strong outlook for engineering construction is expected to drive steel demand growth, with steel volumes forecast to reach approximately 109kt in FY22F, representing a CAGR of 4.2% between FY20 and FY22F<sup>84</sup>.

**Figure 13: Steel consumption – New Zealand engineering/infrastructure construction<sup>85</sup>**

(000' tonnes, June year-end)



77. NIEIR, ANZ Steel Volume Data (2021). Note the data presented for FY21F and FY22F reflects forecasts prepared by NIEIR in June 2021.

78. NIEIR, ANZ Steel Volume Data (2021). Note the data presented for FY21F and FY22F reflects forecasts prepared by NIEIR in June 2021.

79. IBISWorld, Road and Bridge Construction in New Zealand (June 2020).

80. NIEIR, ANZ Steel Volume Data (2021). Note the data presented for FY21F and FY22F reflects forecasts prepared by NIEIR in June 2021.

81. IBISWorld, Road and Bridge Construction in New Zealand (June 2020).

82. IBISWorld, Road and Bridge Construction in New Zealand (June 2020).

83. IBISWorld, Road and Bridge Construction in New Zealand (June 2020).

84. NIEIR, ANZ Steel Volume Data (2021). Note the data presented for FY21F and FY22F reflects forecasts prepared by NIEIR in June 2021.

85. NIEIR, ANZ Steel Volume Data (2021). Note the data presented for FY21F and FY22F reflects forecasts prepared by NIEIR in June 2021.

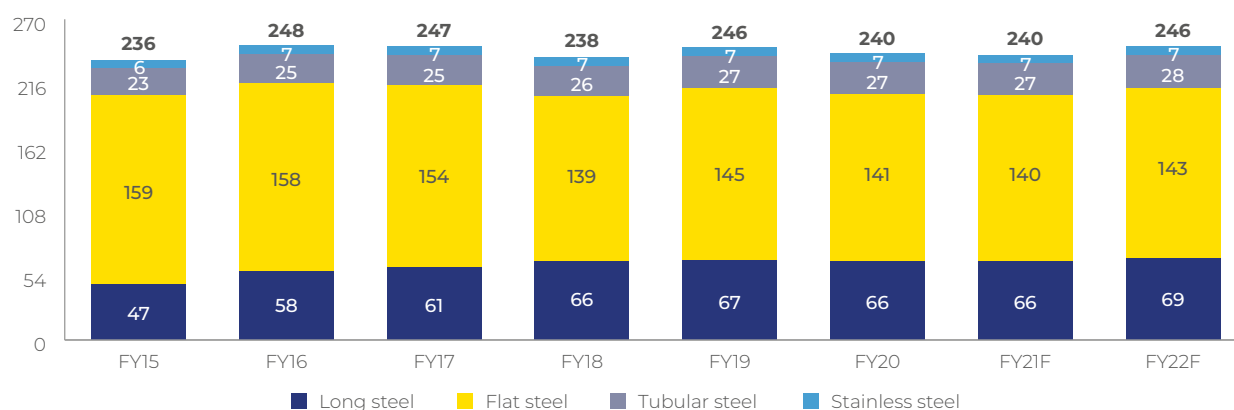
### 2.2.1.5. Non-residential construction in New Zealand

The total value of investment in non-residential construction in New Zealand increased at a CAGR of 4.9% between FY15 and FY19<sup>86</sup>, supported by favourable investment conditions such as the low interest rate environment, a growing labour force and household consumption expenditure<sup>87</sup>. Further, significant stimulus for rebuilds due to earthquakes in the Canterbury region and Christchurch contributed to growth in non-residential construction<sup>88</sup>. In FY20, investment in non-residential construction declined sharply due to the disruption caused by the COVID-19 pandemic and the alert level four in March 2020, which prompted a shutdown of all non-essential construction activity<sup>89</sup>.

As the economy recovers, growth in non-residential construction activity is expected to rebound quickly, with investment forecast to reach NZ\$7.2 billion in FY22F<sup>90</sup>. As activity in New Zealand's non-residential construction sector recovers, total demand for steel is expected to grow to 246kt in FY22F, representing a CAGR of 1.3% between FY20 and FY22F<sup>91</sup>.

**Figure 14: Steel consumption – New Zealand non-residential construction<sup>92</sup>**

(000' tonnes, June year-end)



### 2.2.1.6. Residential construction in New Zealand

New Zealand's residential construction industry grew significantly from FY15 to FY19 at a CAGR of 4.3%<sup>93</sup>, driven by a low interest rate environment and robust population growth due to elevated migrant intake<sup>94</sup>. However, residential construction has been partly constrained by a shift in housing preferences towards higher-density apartments and townhouses<sup>95</sup>. The New Zealand residential construction sector suffered as a result of the disruption to construction activity caused by the COVID-19 pandemic<sup>96</sup>. In FY20, investment in the industry contracted by 6.1%<sup>97</sup>. Residential construction investment is expected to recover significantly in FY21F, growing by 19.0% to approximately NZ\$18.1 billion and growing slightly in FY22F to approximately NZ\$18.2 billion<sup>98</sup>.

Continued growth in residential construction in New Zealand has supported demand for steel, with steel consumption from the sector reaching approximately 163kt in FY20<sup>99</sup>. Demand for steel in the residential construction market is expected to grow to approximately 177kt in FY22F, representing a CAGR of 4.1% between FY20 and FY22F<sup>100</sup>.

86. NIEIR, ANZ Steel Volume Data (2021). Note the data presented for FY21F and FY22F reflects forecasts prepared by NIEIR in June 2021.

87. IBISWorld, Commercial and Industrial Building Construction in New Zealand (July 2020).

88. IBISWorld, Commercial and Industrial Building Construction in New Zealand (July 2020).

89. IBISWorld, Commercial and Industrial Building Construction in New Zealand (July 2020).

90. NIEIR, ANZ Steel Volume Data (2021). Note the data presented for FY21F and FY22F reflects forecasts prepared by NIEIR in June 2021.

91. NIEIR, ANZ Steel Volume Data (2021). Note the data presented for FY21F and FY22F reflects forecasts prepared by NIEIR in June 2021.

92. NIEIR, ANZ Steel Volume Data (2021). Note the data presented for FY21F and FY22F reflects forecasts prepared by NIEIR in June 2021.

93. NIEIR, ANZ Steel Volume Data (2021). Note the data presented for FY21F and FY22F reflects forecasts prepared by NIEIR in June 2021.

94. IBISWorld, House Construction in New Zealand (June 2021).

95. IBISWorld, House Construction in New Zealand (June 2021).

96. IBISWorld, House Construction in New Zealand (June 2021).

97. NIEIR, ANZ Steel Volume Data (2021). Note the data presented for FY21F and FY22F reflects forecasts prepared by NIEIR in June 2021.

98. NIEIR, ANZ Steel Volume Data (2021). Note the data presented for FY21F and FY22F reflects forecasts prepared by NIEIR in June 2021.

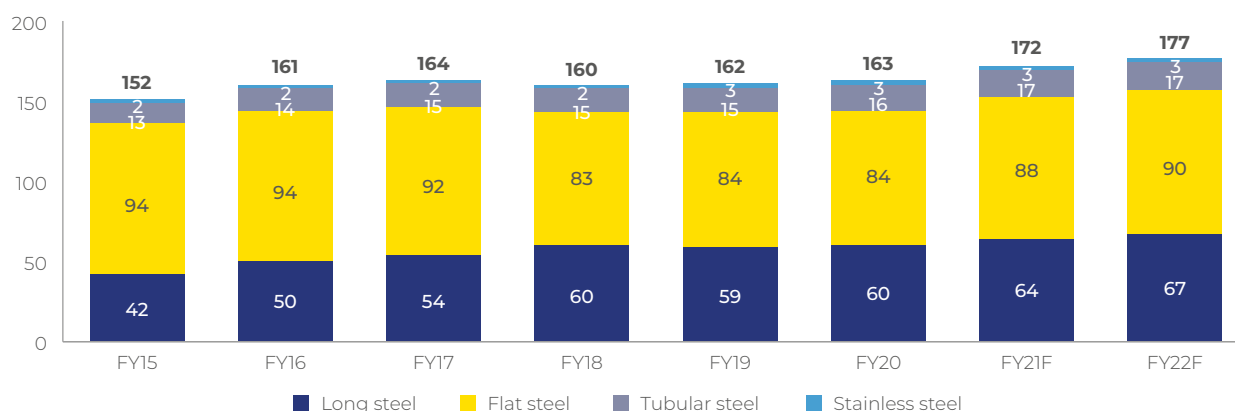
99. NIEIR, ANZ Steel Volume Data (2021). Note the data presented for FY21F and FY22F reflects forecasts prepared by NIEIR in June 2021.

100. NIEIR, ANZ Steel Volume Data (2021). Note the data presented for FY21F and FY22F reflects forecasts prepared by NIEIR in June 2021.

## 2 Industry overview Continued

**Figure 15: Steel consumption – New Zealand residential construction<sup>101</sup>**

(000' tonnes, June year-end)



### 2.2.2. MANUFACTURING

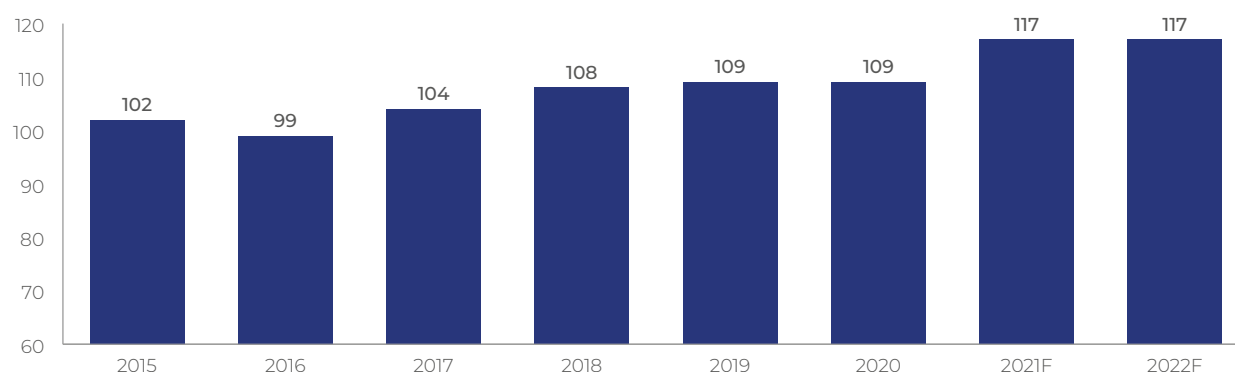
As steel is a key input used in manufacturing steel goods, vehicles, machinery and equipment, the level of manufacturing directly impacts demand for steel<sup>102</sup>.

#### 2.2.2.1. Australia's manufacturing sector

Total value-added manufacturing output in Australia declined to A\$99 billion in 2016<sup>103</sup> as manufacturers moved production offshore and imports gained market share<sup>104</sup>. However, Australia's manufacturing industry returned to growth in 2017, with output increasing to A\$109 billion in 2020<sup>105</sup>. Manufacturing output is expected to continue to grow at a CAGR of 4.0% between 2020 and 2022F to reach A\$117 billion<sup>106</sup>.

**Figure 16: Total value-added manufacturing output – Australia<sup>107</sup>**

(A\$ billion, December year-end)



101. NIEIR, ANZ Steel Volume Data (2021). Note the data presented for FY21F and FY22F reflects forecasts prepared by NIEIR in June 2021.

102. World Steel Association, The Uses of Steel (accessed on 10 August 2021), available at: <https://www.worldsteel.org/about-steel/steel-facts.html>.

103. Oxford Economics, Nominal GVA, Manufacturing, Australia and New Zealand (July 2021). The data presented was prepared prior to the imposition of mid-2021 COVID-19 related lockdowns.

104. Australia Institute, Manufacturing (Still) Matters (June 2016).

105. Oxford Economics, Nominal GVA, Manufacturing, Australia and New Zealand (July 2021). The data presented was prepared prior to the imposition of mid-2021 COVID-19 related lockdowns.

106. Oxford Economics, Nominal GVA, Manufacturing, Australia and New Zealand (July 2021). The data presented was prepared prior to the imposition of mid-2021 COVID-19 related lockdowns.

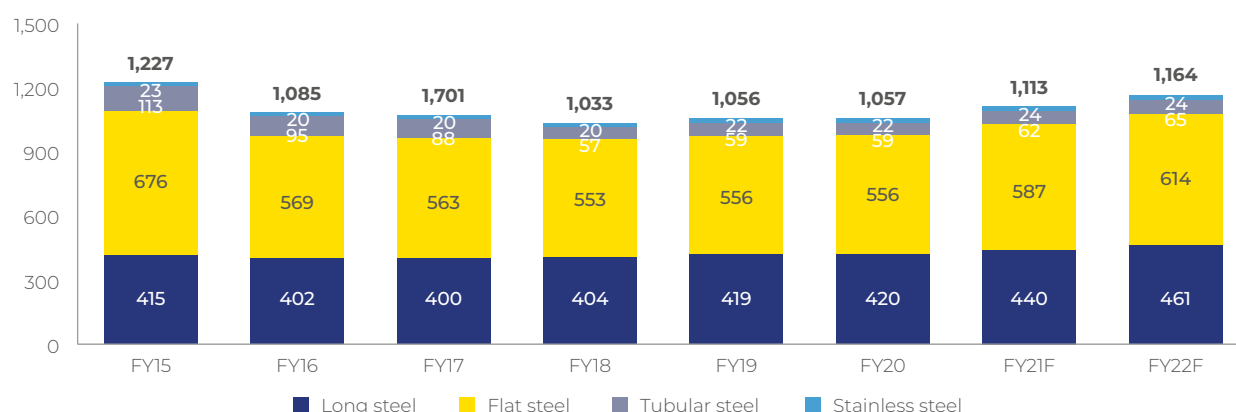
107. Oxford Economics, Nominal GVA, Manufacturing, Australia and New Zealand (July 2021). The data presented was prepared prior to the imposition of mid-2021 COVID-19 related lockdowns.



Total demand for steel from the manufacturing sector contracted at a CAGR of 2.9% between FY15 and FY20<sup>108</sup>, largely due to the withdrawal of steel-intensive manufacturing activities from Australia, such as the manufacturing of automobiles<sup>109</sup>. However, expected growth in manufacturing output is expected to drive robust growth in demand for steel. The total volume of steel for use in manufacturing is expected to be approximately 1.16Mt in FY22F, representing a CAGR of 5.0% between FY20 and FY22F<sup>110</sup>.

**Figure 17: Steel consumption – Australian manufacturing sector<sup>111</sup>**

(000' tonnes, June year-end)

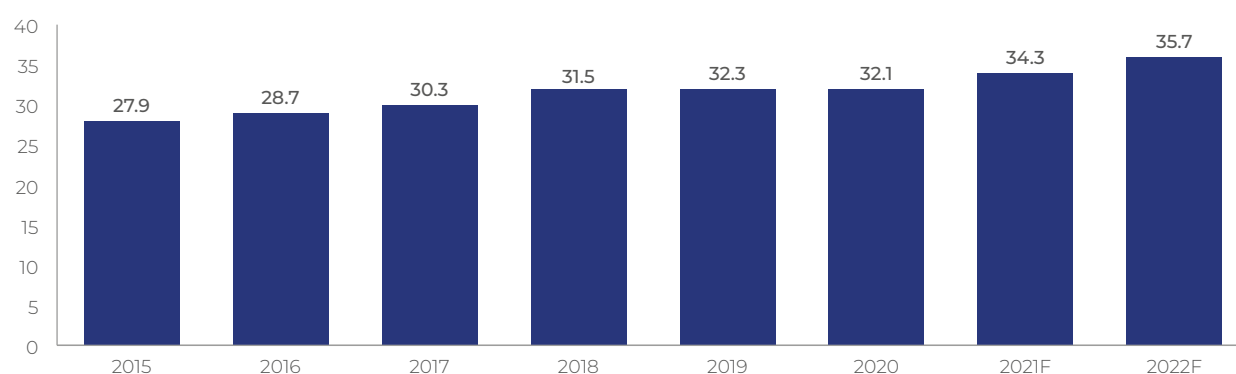


#### 2.2.2.2. New Zealand's manufacturing sector

Total manufacturing output has been steadily increasing in New Zealand since 2015 and this trend is expected to continue to 2023<sup>112</sup>. Manufacturing output grew at a CAGR of 2.8% between 2015 and 2020, reaching NZ\$32.1 billion in 2020<sup>113</sup>. Growth in New Zealand's manufacturing sector is expected to accelerate, with total manufacturing output forecast to increase at a CAGR of 5.5% between 2020 and 2022F to reach NZ\$35.7 billion<sup>114</sup>.

**Figure 18: Total value-added manufacturing output – New Zealand<sup>115</sup>**

(NZ\$ billion, December year-end)



108. NIEIR, ANZ Steel Volume Data (2021). Note the data presented for FY21F and FY22F reflects forecasts prepared by NIEIR in June 2021.

109. NIEIR, ANZ Steel Volume Data (2021) and Australia Institute, 'Manufacturing (Still) Matters' (2016).

110. NIEIR, ANZ Steel Volume Data (2021). Note the data presented for FY21F and FY22F reflects forecasts prepared by NIEIR in June 2021.

111. NIEIR, ANZ Steel Volume Data (2021). Note the data presented for FY21F and FY22F reflects forecasts prepared by NIEIR in June 2021.

112. Oxford Economics, Nominal GVA, Manufacturing, Australia and New Zealand (July 2021). The data presented was prepared prior to the imposition of mid-2021 COVID-19 related lockdowns.

113. Oxford Economics, Nominal GVA, Manufacturing, Australia and New Zealand (July 2021). The data presented was prepared prior to the imposition of mid-2021 COVID-19 related lockdowns.

114. Oxford Economics, Nominal GVA, Manufacturing, Australia and New Zealand (July 2021). The data presented was prepared prior to the imposition of mid-2021 COVID-19 related lockdowns.

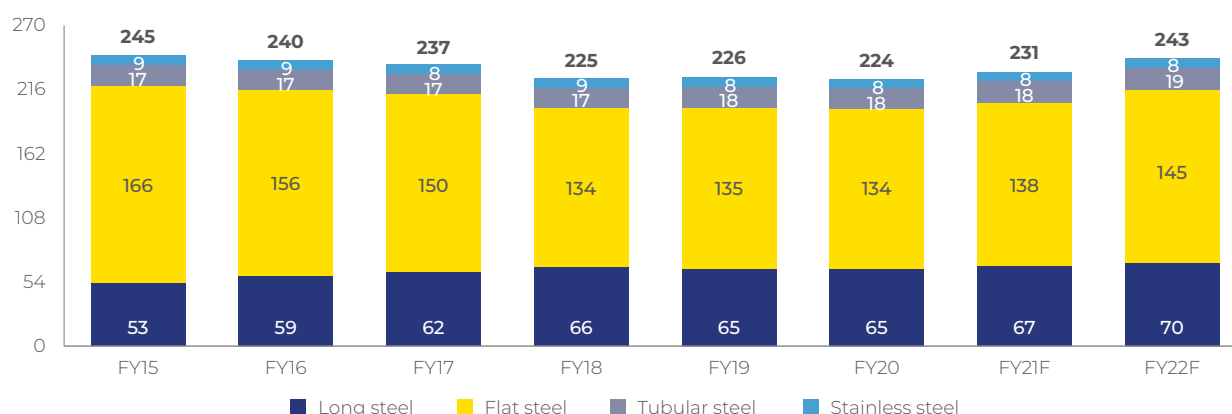
115. Oxford Economics, Nominal GVA, Manufacturing, Australia and New Zealand (July 2021). The data presented was prepared prior to the imposition of mid-2021 COVID-19 related lockdowns.

## 2 Industry overview Continued

Total demand for steel from the manufacturing sector contracted at a CAGR of 1.7% between FY15 and FY20<sup>116</sup> which, similar to Australia, can be largely explained by the withdrawal of steel-intensive manufacturing activities as they are replaced with imports, particularly from China<sup>117</sup>. However, with manufacturing output expected to grow, demand for steel is forecast to grow to approximately 243kt in FY22F, representing a CAGR of 4.2% between FY20 and FY22F<sup>118</sup>.

**Figure 19: Steel consumption – New Zealand manufacturing sector<sup>119</sup>**

(000' tonnes, June year-end)

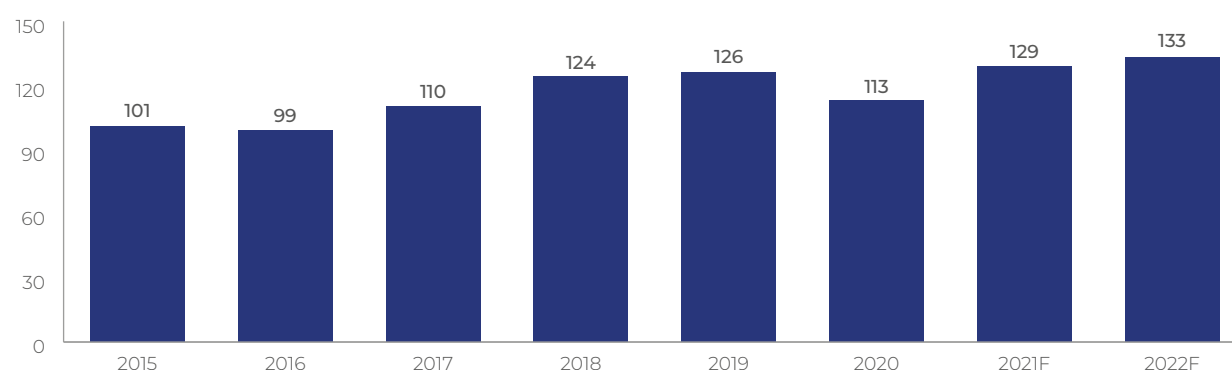


### 2.2.3. MINING IN AUSTRALIA

In Vulcan's experience, the level of output in the mining industry drives demand for steel, as steel is used for a variety of purposes in the mining industry, from basic equipment such as workbenches and staircases to specialised equipment such as rails, plates and grinding balls. The value of mining output grew at a CAGR of 2.2% from 2015 to approximately A\$113 billion in 2020<sup>120</sup>. Continued growth at a CAGR of 8.6% is expected from 2020 to 2022F, with total output expected to reach A\$133 billion in 2022F<sup>121</sup>.

**Figure 20: Mining value-added output in Australia<sup>122</sup>**

(A\$ billion, December year-end)



116. NIEIR, ANZ Steel Volume Data (2021). Note the data presented for FY21F and FY22F reflects forecasts prepared by NIEIR in June 2021.

117. NIEIR, ANZ Steel Volume Data (2021). Note the data presented for FY21F and FY22F reflects forecasts prepared by NIEIR in June 2021.

118. NIEIR, ANZ Steel Volume Data (2021). Note the data presented for FY21F and FY22F reflects forecasts prepared by NIEIR in June 2021.

119. NIEIR, ANZ Steel Volume Data (2021). Note the data presented for FY21F and FY22F reflects forecasts prepared by NIEIR in June 2021.

120. Oxford Economics, Nominal GVA, Mining, Australia (July 2021). The data presented was prepared prior to the imposition of mid-2021 COVID-19 related lockdowns.

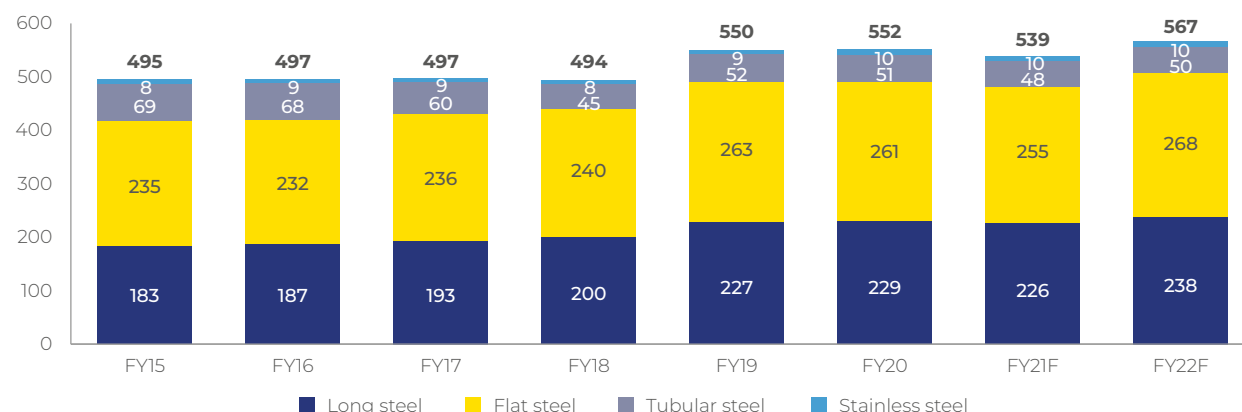
121. Oxford Economics, Nominal GVA, Mining, Australia (July 2021). The data presented was prepared prior to the imposition of mid-2021 COVID-19 related lockdowns.

122. Oxford Economics, Nominal GVA, Mining, Australia (July 2021). The data presented was prepared prior to the imposition of mid-2021 COVID-19 related lockdowns.

Total demand for steel in the Australian mining sector was flat from FY15 to FY18, then increased to 550kt in FY19<sup>123</sup>. The favourable outlook for mining activity in Australia is expected to drive steel consumption to approximately 567kt in FY22F, representing a CAGR of 1.3% between FY20 and FY22F<sup>124</sup>.

**Figure 21: Steel consumption – Australian mining sector<sup>125</sup>**

(000' tonnes, June year-end)



## 2.3. Industry dynamics

The Australian and New Zealand steel distribution industry has a number of key dynamics which are favourable to Vulcan and are outlined below.

- **Economies of scale:** the industry is well-established, with relatively few players who process and distribute a high volume of steel. Economies of scale drives operating leverage and enables industry participants to grow margins while keeping prices competitive. Some industry players have established nationwide networks across Australia and New Zealand.
- **A broad product and service offering:** distributors with a national footprint are able to offer a broad range of products and processing services. This provides customers with a comprehensive solution and enables customer base diversity. The product range and service capabilities of a new entrant are likely to be narrower, limiting their ability to fulfil customer requirements across a broad range of products and end-markets.
- **Customer relationships:** by consistently providing reliable and high-quality distribution and processing services over a long period of time, some industry players have been able to establish significant loyalty with customers.
- **Supplier relationships:** some industry players have established strong relationships with numerous suppliers, both domestically and offshore. These relationships with suppliers provide access to products when supply is constrained.
- **Inventory management:** as a distributor, product availability is critical. Inventory management expertise is necessary to ensure consistently high customer satisfaction. Fit-for-purpose IT software systems provide ease of access to information and therefore improve decision making responsiveness, contributing to effective inventory management.
- **Warehousing and trucking requirements:** a key component in delivering a high level of service to customers is the ability to fill orders and deliver product to customers in a timely fashion. Maintaining sufficient stock across a wide range of SKUs requires significant warehousing space and delivery requires either an in-house trucking fleet, or timely access to a third-party operated fleet.

123. NIEIR, ANZ Steel Volume Data (2021). Note the data presented for FY21F and FY22F reflects forecasts prepared by NIEIR in June 2021.

124. NIEIR, ANZ Steel Volume Data (2021). Note the data presented for FY21F and FY22F reflects forecasts prepared by NIEIR in June 2021.

125. NIEIR, ANZ Steel Volume Data (2021). Note the data presented for FY21F and FY22F reflects forecasts prepared by NIEIR in June 2021.

## 2 Industry overview Continued

### 2.4. Regulatory environment

Regulations and technical bodies for building works in Australia and New Zealand set out the required standards and grades of steel products for the intended construction applications, which in turn influence the procurement sources among steel product distributors, including Vulcan.

For Australia and New Zealand, the technical standards (AS/NZS standards) for construction design and materials, including steel products, are set by Standards Australia and Standards New Zealand, which are independent standards-setting bodies in each country. These technical standards are referenced in Building Code regulations<sup>126</sup> in Australia and New Zealand, and are typically cited for performance requirements in construction contracts to provide the reference point for materials and product grades to be used for the intended application.

Because the grades of reinforcing and structural steel products required to meet the AS/NZS standards are specific to Australia and New Zealand, and because of the size of the Australasian steel market relative to the global sector, these grades of products have less commercial appeal to overseas steel manufacturers that operate on large minimum production runs and order quantities.

In the steel industry, reinforcing and structural steel products used in construction are graded and tested for various properties and accompanied with test certificates for traceability. There has been increased regulatory scrutiny<sup>127</sup> of performance reliability, certification and traceability of some structural steel products in the New Zealand construction market which has led Steel Construction New Zealand (a fabrication industry body in New Zealand) to mandate the use of standards-compliant products by its members for structural fabrication. Effectively, this has led to product specifiers in New Zealand requiring structural steel supplied to be from third-party accredited steel mills (by approved New Zealand and Australia accrediting organisations such as Australasian Certification Authority for Reinforcing and Structural Steels, ACRS).

126. All building work in Australia and New Zealand are governed by the requirement of the Building Code regulations in the respective country. The Building Code of Australia ("BCA") is contained within the National Construction Code ("NCC") which is established by the Australian Building Code Board. The Building Code in New Zealand is contained in the regulations of *Building Act 2004* (NZ).

127. Canterbury Earthquake Royal Commission (November 2012), available at: <https://canterbury.royalcommission.govt.nz/>; NZ Commerce Commission Steel Mesh Investigation (April 2016), available at: <https://comcom.govt.nz/news-and-media/media-releases/2016/update-on-steel-mesh-investigation>.

# 3 / Company overview





## 3 Company overview

### 3.1. Overview of Vulcan

Vulcan is the only Australasian-wide, pure-play, value-added steel distributor and processor, with approximately 260kt of products sold in FY21<sup>128</sup>. Vulcan distributes steel products, including carbon steel, stainless steel and engineering steel to a diversified customer base including customers in engineering, manufacturing, fabricating, transport, mining and a broad range of other market segments. Vulcan also provides value-added processing services for steel coils, steel plate, stainless steel and engineering steel. Vulcan cuts, drills, slits and shapes for fabrication, assembly or downstream processing by customers. Vulcan generated pro forma revenue and EBITDA in FY21 of NZ\$731.5m and NZ\$129.7m respectively, and had 842 employees as at 30 June 2021. The Company was founded in Auckland in 1995 by Peter Wells and has since grown to 29 operating locations across Australia and New Zealand, serving an average of c.7,000 active trading accounts each month in FY21. Vulcan's core business is focused on the distribution of steel, stainless steel and other steel across Australia and New Zealand. The Company also offers processing of steel plate, steel coil, stainless steel plate and engineering steel.

Vulcan is able to service a broad range of customers by operating as an intermediary between steel producers and end-users. Vulcan's scale and longstanding relationships with its suppliers enable the Company to offer a broad product range, comprising c.12,000 individual SKUs in Australia and c.7,500 SKUs in New Zealand at 30 June 2021.

Vulcan generates the majority of its revenue from its Australian operations (62% of revenue in FY21) and has access to a diverse range of end-markets across both Australia and New Zealand. Vulcan has a diversified customer base, with its largest customer accounting for 2% of FY21 revenue and its top 20 customers accounting for 13% of FY21 revenue. Vulcan operated at ~98% distribution DIFOT in FY21, an indicator of its strong operational performance and commitment to outstanding customer service.






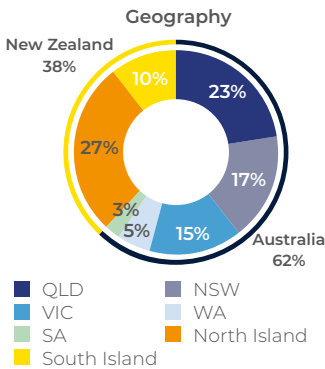
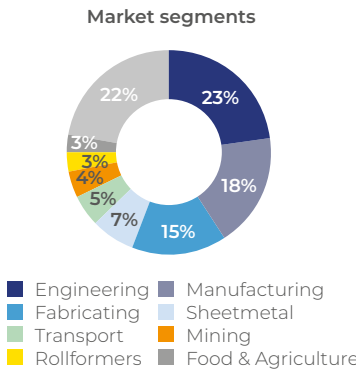
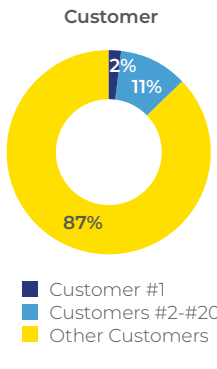
Vulcan is characterised by a flat organisational structure where managers in each region are empowered to autonomously manage inventory levels to meet customer demand. Vulcan has developed a fit-for-purpose IT system that is designed to enable staff to seamlessly access key financial and operational metrics in real-time. This assists staff to make better decisions, and improves responsiveness and inventory management. Further, Vulcan operates an in-house trucking fleet, with 92 owned trucks and 12 third-party cartage trucks as at 30 June 2021 across Australasia. This is uncommon in the industry and enables end-to-end control of the process, with an ability to provide customised delivery across Vulcan's entire range of solutions, including next-day delivery for distribution products.

Vulcan has a proven track record of growing earnings both organically and through acquisitions. Vulcan has numerous opportunities for growth including ongoing business improvement initiatives, entry into new geographies, expansion of product and/or service offerings and opportunistic acquisitions.

An overview of Vulcan's operations by segment is shown in Figure 22 below.

128. Includes 10.5kt of Indent volumes, consisting of products that are provided directly from the manufacturer to the customer.

Figure 22: Business overview

Operating segment		Steel			Metals		
Products and service offering		Steel distribution	Plate processing	Coil processing	Stainless steel	Engineering steel	
							
		Distributes steel hollows, merchant products (bars, beams, angles, channels) and sheets/plate	Processes steel plate to customer specifications (including cutting, drilling and folding)	Processes steel coil to customer specifications (including cutting and drilling)	Distributes stainless steel hollows, bars, fittings and sheets/plate and processes stainless steel plate to customer specifications (including cutting and drilling)	Distributes high-performance engineering steel and metal products, and processes engineering steel and metal products to customer specifications (including cutting)	
FY21 revenue		NZ\$450.2m			NZ\$281.3m		
FY21 EBITDA <sup>2</sup>		NZ\$94.5m			NZ\$59.9m		
FY21 EBITDA margin <sup>2</sup>		21.0%			21.3%		
Positions	NZ	National footprint	National footprint	National footprint	National footprint	Emerging national footprint	
	Aust	Competes selectively <sup>3</sup>	Competes selectively <sup>3</sup>	Competes selectively <sup>3</sup>	National footprint	National footprint	
FY21 revenue mix		<p><b>Geography</b></p>  <p>■ QLD ■ NSW ■ VIC ■ WA ■ SA ■ North Island ■ South Island</p>		<p><b>Market segments</b></p>  <p>■ Engineering ■ Manufacturing ■ Fabricating ■ Sheetmetal ■ Transport ■ Mining ■ Rollformers ■ Food &amp; Agriculture ■ Other<sup>1</sup></p>		<p><b>Customer</b></p>  <p>■ Customer #1 ■ Customers #2-#20 ■ Other Customers</p>	

Notes:

- Includes project engineering, housing, resellers, door manufacturing, marine and aviation, fencing, materials handling, and additional segments.
- Pro forma, before unallocated corporate costs of NZ\$24.7m.
- Competes selectively means that Vulcan service certain locations only.

## 3 Company overview Continued

### 3.1.1. HISTORY OF VULCAN

Vulcan was founded by Peter Wells in 1995 in Auckland as a steel distribution business. The Company has grown significantly over the last 26 years, both organically (including the addition of 10 new greenfield locations) and through M&A with the acquisition of 10 established businesses. The acquisition of 50% of Horan Steel in 2002 marked Vulcan's entry into the Australian market, while subsequent acquisitions enabled the Company to expand its product range to include steel coil, steel plate, stainless steel and engineering steel. Vulcan's most significant acquisition was the Australasian stainless steel distribution business of Sandvik in late 2014, which further strengthened its presence in Australia and added stainless steel to its product portfolio.

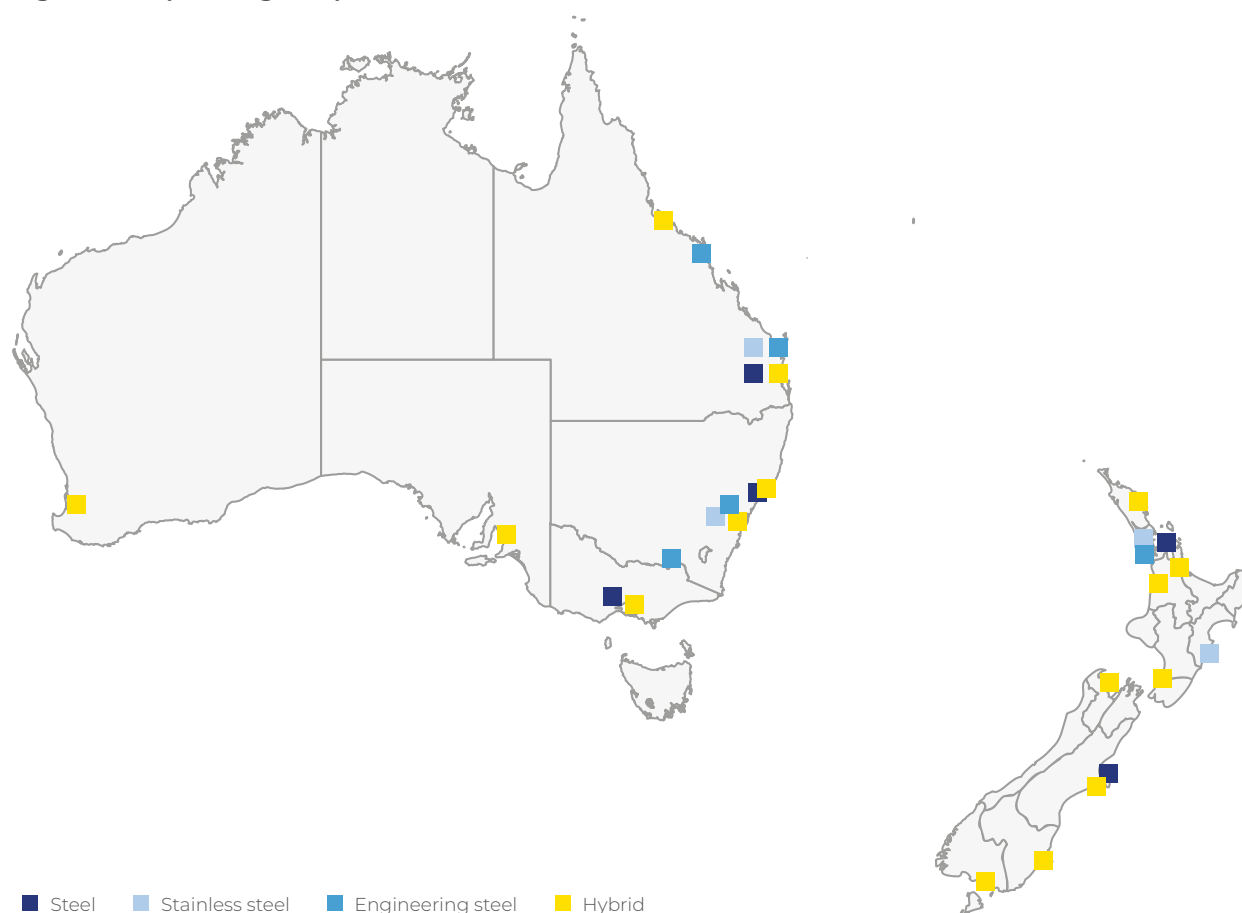
**Figure 23: Vulcan's history and development timeline**



### 3.1.2. NETWORK OVERVIEW

Vulcan's operations are underpinned by a network of 29 operating sites across Australia and New Zealand, strategically located to serve the local customer base. In Australia, Vulcan has 16 operating sites across 5 states (NSW, VIC, QLD, SA and WA). In New Zealand, Vulcan has 13 operating sites, with 8 in the North Island and 5 in the South Island. 16 of Vulcan's 29 operating locations are considered hybrid sites where two or more products or services are offered to customers from a single site.

**Figure 24: Operating footprint**



## 3 Company overview Continued

Figure 25: Product and service offering by site

	Locations	Headcount	Hybrid sites	Steel			Metals	
				Steel distribution	Plate processing	Coil processing	Stainless steel	Engineering steel
Sydney (NSW)	3	126	1	✓	✓	—	✓	✓
Newcastle (NSW)	2	24	1	✓	—	—	✓	✓
Albury <sup>129</sup> (NSW)	1	8	—	—	—	—	—	✓
Melbourne (VIC)	2	79	1	✓	—	—	✓	✓
Brisbane (QLD)	4	139	1	✓	✓	✓	✓	✓
Townsville (QLD)	1	7	1	—	—	—	✓	✓
Mackay (QLD)	1	10	1	—	—	—	✓	✓
Adelaide (SA)	1	21	1	—	—	—	✓	✓
Perth (WA)	1	39	1	—	—	—	✓	✓
Others (Admin/IT)		7						
<b>Total Australia</b>	<b>16</b>	<b>460</b>	<b>8</b>	<b>4</b>	<b>2</b>	<b>1</b>	<b>8</b>	<b>9</b>
<b>NORTH ISLAND</b>								
Auckland	3	140	—	✓	✓	✓	✓	—
Whangarei	1	8	1	✓	—	—	✓	✓
Tauranga	1	52	1	✓	✓	—	✓	—
Hamilton	1	16	1	✓	—	—	✓	✓
Palmerston North	1	28	1	✓	—	—	✓	✓
Napier	1	2	—	—	—	—	✓	—
<b>SOUTH ISLAND</b>								
Christchurch	2	77	1	✓	✓	✓	✓	✓
Nelson	1	8	1	✓	—	—	✓	✓
Dunedin	1	8	1	✓	—	—	✓	—
Invercargill	1	5	1	✓	—	—	✓	—
Others (Admin/IT)		38						
<b>Total New Zealand</b>	<b>13</b>	<b>382</b>	<b>8</b>	<b>9</b>	<b>3</b>	<b>2</b>	<b>10</b>	<b>5</b>
<b>Total Group</b>	<b>29</b>	<b>842</b>	<b>16</b>	<b>13</b>	<b>5</b>	<b>3</b>	<b>18</b>	<b>14</b>

<sup>129</sup>. Vulcan expanded its offering in Albury to include Stainless in 2019. Vulcan management do not consider this a hybrid site due to the scale of the Stainless operation.

### 3.1.3. PRODUCT AND SERVICE OFFERING

Vulcan's Steel segment distributes steel, and processes steel plate and coil. Vulcan's Metals segment distributes stainless steel and engineering steel, and processes stainless steel plate and engineering steel.

#### 3.1.3.1. Steel segment

##### *Steel distribution*

Vulcan's distribution offering includes flat products (coil, sheets and plates) and long products (structural beams, columns and angles, hollows and merchant bars).

Vulcan's distribution business has been developed around providing a premium service offering to its customers and Vulcan has consciously developed a demand-based strategic operating footprint in its key market segments. Vulcan's sites and in-house trucking fleet support the efficient handling of products and prompt delivery to its customers. Due to the weight and dimensions of products, proximity of operating locations to end-users is critical to ensuring freight efficiency.



##### *Plate processing*

Plate processing involves the downstream processing of flat products, typically in excess of 3mm thick.

The equipment required for plate processing is capital and cost prohibitive for many end-users, especially for those that have irregular demand requirements. For these reasons, many of Vulcan's customers require steel plate that is already cut to size and accordingly, Vulcan has invested in and developed this service offering. A key part of downstream steel plate processing and the maximisation of margin to the distributor is minimising wastage per plate. In most cases, Vulcan uses Computer Aided Design ("CAD") technicians and software to embed each customers' design specifications within standard plate dimensions. Vulcan manages steel plate processing from receiving orders through to drawing, cutting and delivery direct to customers. Steel plate processing operations are located in Auckland, Tauranga and Christchurch (New Zealand) and Brisbane, Sydney and Perth (Australia).



##### *Coil processing*

Coil processing involves the downstream processing of coiled steel less than 3mm thick.

Vulcan is able to slit the steel coil, or flatten and cut sheets to a range of standard sizes for its customers (typically large manufacturers). Vulcan has 3 coil processing operations, located in Auckland and Christchurch (New Zealand), and Brisbane (Australia).





## 3 Company overview Continued

### 3.1.3.2. Metals segment

#### *Stainless steel*

In October 2014, Vulcan acquired the Australian and New Zealand stainless steel distribution businesses of Swedish conglomerate, Sandvik (renamed Vulcan Stainless).

Vulcan Stainless carries an extensive stainless steel product range and prides itself on its strong sales force, alloy knowledge and sourcing expertise. Vulcan Stainless has specialty product expertise in wear plate, hygienic tubing and fittings, and welding products. Vulcan Stainless also provides processing services including laser cutting, plasma cutting and sheet polishing. At sites where a stainless steel product range has been introduced, stainless steel operations are physically separated from other operations to avoid cross-contamination and corrosion to stainless steel products resulting from carbon steel dust particles.



#### *Engineering steel*

Engineering steel is typically used in higher-value, special purpose products, such as plant and equipment used in the industrial and resources sectors.

Vulcan has a national footprint as an engineering steel distributor in Australia, which grew after acquiring a stake in Global Metals in 2017 and Global Metals taking over Interlloy in 2018. Vulcan has also expanded into the New Zealand engineering steel market in the last 18 months and expects to grow its presence in this market over the medium-term.



### 3.1.4. BUSINESS MODEL DIFFERENTIATORS

Vulcan operates as a key link in the steel value chain between steel producers and end-users. These end-users typically require smaller order quantities and customised or specialty products and services that many mills do not provide. Therefore, a number of end-users prefer to deal with Vulcan because they value the Company's extensive product range, processing capability, order size flexibility and high standard of customer service from order to delivery.

**Figure 26: Vulcan's position in the steel supply chain**

Metals supply chain				
	Producers & bulk traders	Distributors	Customers	End-use markets
Participants	<ul style="list-style-type: none"> <li>Steel mills</li> <li>Stainless steel mills</li> <li>Engineering steel mills</li> <li>Steel traders</li> </ul>	<ul style="list-style-type: none"> <li><b>VULCAN</b></li> <li>Others</li> </ul>	<ul style="list-style-type: none"> <li>Fabricators</li> <li>General engineering</li> <li>Equipment manufacturers</li> <li>Component manufacturers</li> <li>Others</li> </ul>	<ul style="list-style-type: none"> <li>Building and construction</li> <li>Mining</li> <li>Agriculture and food</li> <li>Manufacturers</li> <li>Transport</li> <li>Consumer products</li> <li>Others</li> </ul>
Characteristics	<ul style="list-style-type: none"> <li>Sells in large minimum order quantities ("MOQs")</li> </ul>	<ul style="list-style-type: none"> <li>Processing capability</li> <li>Buys in large MOQs</li> <li>Sells in small MOQs to multiple customers</li> </ul>	<ul style="list-style-type: none"> <li>Buys "just-in-time", in small quantities across a large number of SKUs</li> </ul>	<ul style="list-style-type: none"> <li>Proxy for industrial activity and the economy</li> <li>International exposure through exports</li> </ul>

Vulcan aims to be the most customer service focused and efficient steel distributor in the Australasian market and strives to achieve operational excellence in inventory management, processing capabilities, management of overheads, customer service, and superior product knowledge and technical expertise. The key advantages that make Vulcan a pure-play, value-added steel distributor with a national footprint, are outlined below.

#### 3.1.4.1. Inventory management expertise

Vulcan prides itself on expertise in inventory management. This enables the Company to provide a broad range of capabilities across Australasia. With its supply chain capability, fit-for-purpose IT system, centralised procurement function, and considerable steel industry experience, Vulcan maintains an extensive product range comprising c.12,000 SKUs in Australia and c.7,500 SKUs in New Zealand at 30 June 2021.

Having a broad and deep product range allows Vulcan to provide customers with consistent product availability, while Vulcan's specialty product expertise further enhances the service offering. In the distribution industry superior product knowledge and technical expertise provides an advantage<sup>130</sup>. Stock levels are measured in real-time by sales staff, and SKUs are categorised to improve monitoring of commonly sold units. This optimises sales and ensures all fast-moving items have appropriate buffer stock. Availability of key stock in the stainless steel division was above 90% across Australasia throughout FY21, despite industry stock shortages.

Vulcan also provides traceability<sup>131</sup> of its products, enabled by the Company's fit-for-purpose IT inventory management system, and goods receipting and dispatch procedures. This ensures customers can be provided with timely and accurate product test certificates which can be a requirement to comply with strict Australasian building codes.

Vulcan's inventory management expertise is a key contributor to Vulcan's ~98% distribution DIFOT across both New Zealand and Australia in FY21.

130. McKinsey & Company, "The coming shakeout in industrial distribution", April 2019.

131. Vulcan is able to link items sold to its customers back to specific supplier test certificates relating to those items.

# 3 Company overview Continued

## 3.1.4.2. Value-added processing capability

Vulcan has expanded from being solely a distributor of steel products to offering an extensive range of value-added processing services including plate cutting, drilling and tapping, and coil slitting and sheeting, across its Steel and Metals segments. Value-added processing divisions accounted for 47% of revenue in FY21. Value-added processing has allowed Vulcan to expand its offering to cater to specific customer demands, expand the customer base as a preferred supplier, offer cross-selling opportunities and enhance customer satisfaction for many of its customers. These value-added services attract a higher margin but require a material level of upfront capital investment for equipment, as well as higher labour costs, reflecting the more specialised nature of these services.

Vulcan's processing equipment is subject to a scheduled annual maintenance programme. Vulcan also regularly reviews the functionality of its existing processing equipment and would replace them if needed to ensure its offering remains relevant and competitive for the market.

**Figure 27: Steel plate laser cutting machine**



**Figure 28: Steel plate cut and folded for custom design**



**Figure 29: Laser-cut product for custom design**



**Figure 30: Slit and recoiled product to custom width and length**



**Figure 31: Stainless steel cut to custom length**



**Figure 32: Laser-cut stainless steel for custom design**



### 3.1.4.3. Fit-for-purpose IT system

Vulcan leverages software systems that are fit-for-purpose in certain core functions specifically for the steel distribution industry. Vulcan's systems are intended to support high service levels at a low cost.

Vulcan's IT systems provide employees with ease of access to information with the goal of improving customer service and order fulfilment, while better managing inventory levels. It allows frontline staff to efficiently access granular financial and operational data in real-time, decentralising decision making and improving responsiveness. Vulcan's IT systems also enhance the efficiency of customer pricing strategies and increases the effectiveness of Vulcan's salesforce.

The off-the-shelf IT systems that Vulcan's management are aware of would require substantial modifications to accommodate these specific functionalities required for steel distribution, processing and manufacturing, which reduces organisational agility and increases operating costs and overheads.

In addition, Vulcan's IT systems has also been designed and developed to enable the platform to support packaged off-the-shelf applications. These are also required across the Company, and work seamlessly alongside the Company's systems.

The fit-for-purpose capability and in-house experience also support the quicker full transition to and integration of acquisitions into Vulcan's business model. This is best characterised by recent acquisitions below:

- The 2014 acquisition of Sandvik Materials Technology, where:
  - the financial system migration was completed within 1 month; and
  - full system migration was completed within 8 months.
- The 2018 acquisition of Global Metals, where full migration was completed within 6 months.
- The 2018 acquisition of Interlloy, where full migration was completed within 2 months.
- The 2019 acquisition of Horan Steel, where full migration was completed within 3 months.

At 30 June 2021, Vulcan's IT systems were supported by 16 in-house staff, including 11 members in software development.

### 3.1.4.4. Dedicated in-house trucking fleet and delivery team

Vulcan owns and operates an in-house trucking fleet which allows the Company to provide an end-to-end solution to customers from ordering through to processing and delivery. Vulcan's focus on hiring truck drivers with strong customer service skills is a cost-effective sales strategy. The Company has 92 owned trucks, 33 owned trailers and 12 third-party cartage trucks as at 30 June 2021 that operate across Australasia. Vulcan operates two main truck types, flat deck trucks and tractor units. Flat deck trucks have an open flat level bed body, and tractor units have heavy-duty towing engines combined with one or more semi-trailers. This fleet provides order flexibility and is a contributor to Vulcan's ~98% distribution DIFOT across both New Zealand and Australia in FY21.

### 3.1.4.5. Organisational structure and culture

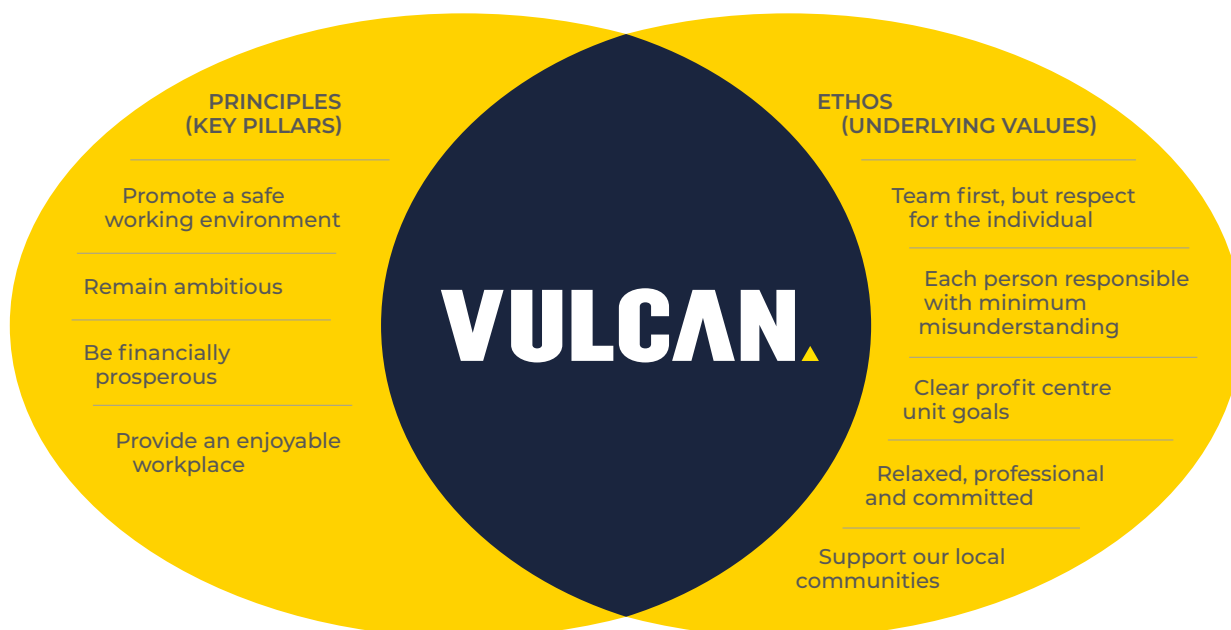
Vulcan believes that its organisational structure and culture are major contributors to its success. The Company is characterised by a flat organisational structure, egalitarian culture and high accountability. Managers are empowered with autonomy and responsibility to manage inventory levels, and respond to customer needs. Vulcan uses key performance indicators to evaluate managers and monitor achievement of operational and financial targets.

Vulcan operates a number of incentive programs that align staff interests with those of the Company, with most staff incentivised by the Company's performance. Vulcan offers tailored incentives to its sales team based on various sales performance metrics and discretionary bonuses for some non-sales staff members.

Vulcan's organisational structure and incentive programs drive alignment to its Principles and Ethos (see Figure 33 below). At Vulcan, safety is a key focus and ambition is rewarded, while ensuring Vulcan remains a financially successful and enjoyable workplace. Vulcan's organisational structure fosters teamwork, individual responsibility and clear goals, in a flexible work environment. Vulcan also supports the local communities in which it operates (see Section 3.5 below for further detail).

## 3 Company overview Continued

Figure 33: Principles and Ethos



Management ensures continuous staff education, updated policies and procedures, and regular team updates. On-site training focuses on improving safety, providing customer service and improving business performance. Further, Vulcan has a dedicated resource to provide leadership coaching to ensure the Principles and Ethos are maintained by all employees.

Vulcan's strong organisational structure and culture is evidenced through its long-serving, experienced workforce. See Section 3.4 for further detail.

### 3.1.5. COMPETITION

Vulcan is well positioned to compete in the Australian and New Zealand markets, with its scaled distribution network, supply chain capability, pricing discipline, fit-for-purpose IT software, organisational culture and in-house delivery fleet all providing a competitive advantage over incumbents in the industry. Further, Vulcan's senior executives and other key leaders have deep steel and metals sector experience.

Given the working capital intensity and economies of scale required to compete as a profitable steel distributor, there are a small number of established firms in the steel distribution industry with which Vulcan competes directly. The landscape of the Australia and New Zealand steel distribution market structure has shifted since 2010, and some businesses have consolidated, notably:

- Vulcan's acquisition of Sandvik Australia and New Zealand in 2014;
- United Steel Australia's acquisition of G.A.M Steel Pty Ltd in July 2016 from Commercial Metals Company;
- Steel & Tube's acquisition of Tata Steel's New Zealand operations to combine with its own stainless steel business in 2014;
- Steel and Tube's acquisition of Manufacturing Suppliers Limited to combine with its own fastening business in 2015;
- Vulcan's acquisition of Forte in New Zealand to combine with its own stainless steel business in 2017; and
- Vulcan's acquisition of full ownership of Global Metals Pty Ltd and Interlloy in the Australian engineering steel sector over the 2017-2020 period.

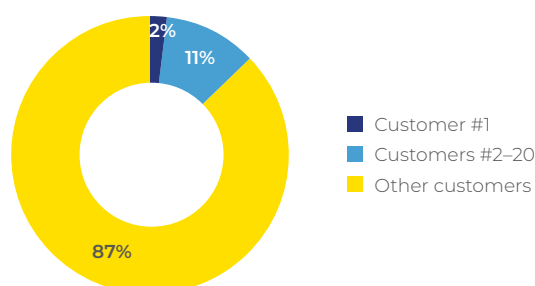
See Section 2.1.3 for further detail on the competitive landscape of the Australasian steel processing and distribution industry.

### 3.1.6. CUSTOMERS

Vulcan's customer base is large and diversified. In FY21, Vulcan served an average of c.7,000 active trading accounts each month, who operated across a range of end-markets. Vulcan's largest customer accounted for 2% of FY21 revenue and its top 20 customers accounted for 13% of FY21 revenue.

**Figure 34: Customer concentration**

(FY21, %)



### 3.1.7. SUPPLIERS

Vulcan has access to a wide cohort of suppliers (both in-region and overseas) for steel, stainless steel and engineering steel. The Company has a long trading history and track record which provides for sound commercial standing with its suppliers. Vulcan has long-term relationships with its key suppliers (see Section 3.4), with relationship strength extending from operational personnel through to management. These key relationships are monitored and actively managed through Vulcan's centralised procurement team.

**Figure 35: Top 6 suppliers and tenure of relationship**

Supplier	Duration of relationship
BlueScope	20+ years (including NZ Steel and Pacific Steel)
InfraBuild	20+ years (including Australian Tube Mills)
Milltech	3 years
JFE	18 years
CA Steel	10 years
YC INOX	7 years

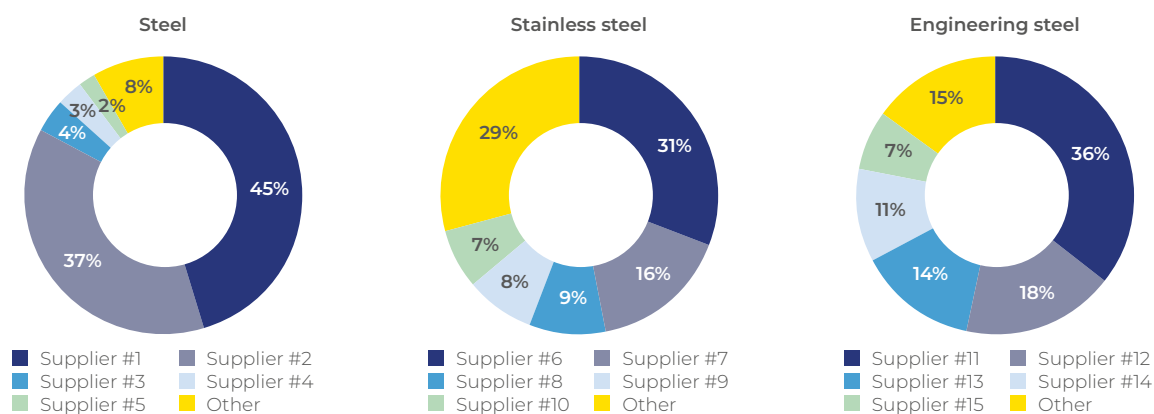
Vulcan also maintains relationships with a wide range of suppliers (see Figure 36), enhancing Vulcan's sourcing network and providing fall-back procurement options if key suppliers are unable to fulfil Vulcan's product requirements.



## 3 Company overview Continued

**Figure 36: Suppliers by product**

(FY21 volume, %)

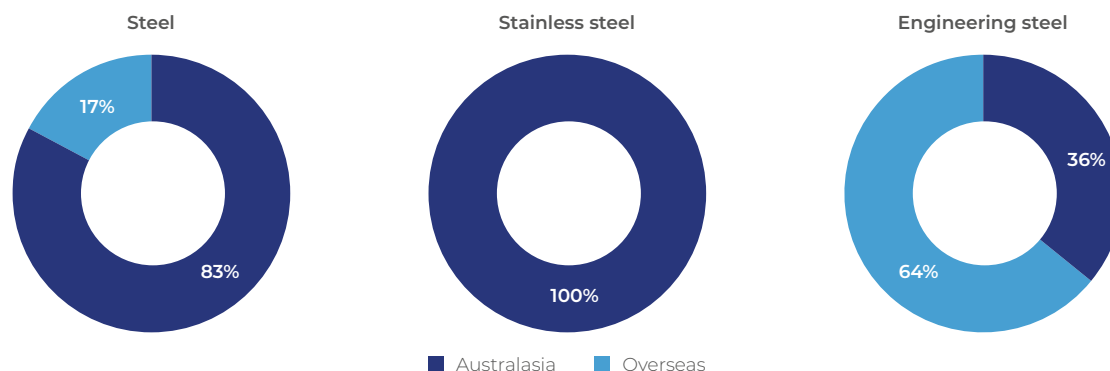


Source: Company data.

Vulcan mainly procures steel locally, with c.83% of volume being sourced in Australasia. As there are no domestic suppliers of stainless steel, Vulcan sources all of its stainless steel from international markets. 64% of engineering steel is sourced from international suppliers (see Figure 37 below).

**Figure 37: Supplier location by product**

(FY21 volume, %)



Source: Company data.

### 3.1.8. PRICING STRATEGY

A key measure of Vulcan's profitability is average gross profit per tonne, measured as the margin between the Average Selling Price ("ASP")<sup>132</sup> and Average Cost Price ("ACP")<sup>133</sup> of its products. Both ASP and ACP can be impacted by movements in global and regional steel prices, in addition to other factors. Vulcan endeavours to maintain or grow its average gross profit per tonne through steel price cycles.

132. Average Selling Price represents revenue divided by sales volumes.

133. Average Cost Price represents the cost of sales (inventory sold) with inventory costed using a weighted average methodology.

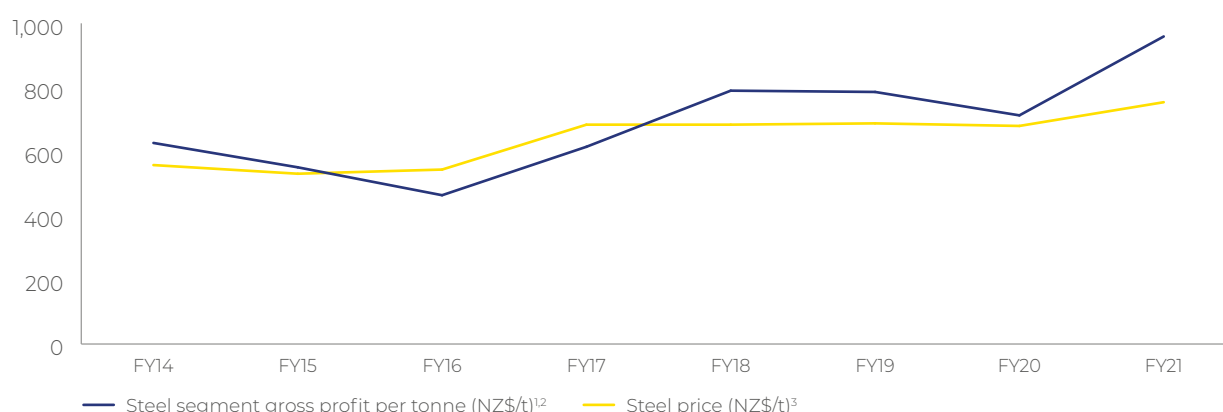
**Figure 38: Factors impacting movements in Vulcan ASP and ACP**

Average Selling Price	Average Cost Price
<ul style="list-style-type: none"> <li>• Replacement cost of inventory, which is linked to the prevailing market price of product and is driven by global and import parity prices.</li> <li>• Local market conditions such as stock availability and competitive dynamics.</li> <li>• “Value-in-use” to the end customer with overall price for product and service reflecting product availability, reliability, breadth of stock, customer service and other customer specific factors.</li> <li>• Processing requirements.</li> <li>• Product mix.</li> </ul>	<ul style="list-style-type: none"> <li>• Global and regional metal prices.</li> <li>• Order timing lags.</li> <li>• Exchange rates.</li> <li>• Product mix.</li> </ul>

Vulcan’s business differentiators (see Section 3.1.4), including strong supplier relationships and focus on a “value-in-use” pricing methodology enables maintenance or growth of average gross profit per tonne throughout periods of global steel price volatility. For example, Vulcan has successfully grown its average gross profit per tonne across its Steel segment since FY14, despite movements in global steel prices (see Figure 39 below).

**Figure 39: Steel segment gross profit per tonne vs. steel price**

(NZ\$/t, FY14–21)



Notes:

1. Steel segment gross profit per tonne represents Steel segment gross profit divided by sales volumes.
2. Steel segment gross profit per tonne has been adjusted to include the historical trading results of Horan Steel Holdings Pty Limited (“**Horan**”) for FY14 to FY19 assuming the business was acquired from 1 July 2013, with the actual acquisition occurring on 30 June 2019. Horan is an Australian steel distribution business which Vulcan had owned a 50% shareholding in since 2002 before acquiring the remaining 50% interest in 2019. See Section 4.2.4 for further details.
3. Steel price refers to S&P Global Platts Carbon Steel HRC SS400 China FOB benchmark, converted to NZD.

Steel is Vulcan’s largest segment by EBITDA contribution. In FY21, Steel segment sales volumes totalled approximately 211.0kt with a pro forma EBITDA contribution of \$94.5m, or approximately 61% of Vulcan EBITDA pre corporate and other expenses.

## 3.2. Growth strategy

Vulcan has a proven track record of driving revenue and earnings growth, both organically and via acquisitions. Vulcan’s growth strategy is based on a disciplined framework that takes into account a number of factors, including growth potential, ability to add value, competitive dynamics and return on capital employed. In implementing its business plan, Vulcan assesses the risk-weighted economics of various strategies across business improvement initiatives, brownfield expansion and acquisitions, among other factors.

Vulcan has opportunities to grow through brownfield expansion, entry into new geographies, expansion of product and/or service offering, opportunistic acquisitions and ongoing business improvement initiatives. These are outlined below in Section 3.2.1 – Section 3.2.5.

## 3 Company overview Continued

### 3.2.1. BROWNFIELD EXPANSION IN CURRENT GEOGRAPHIES

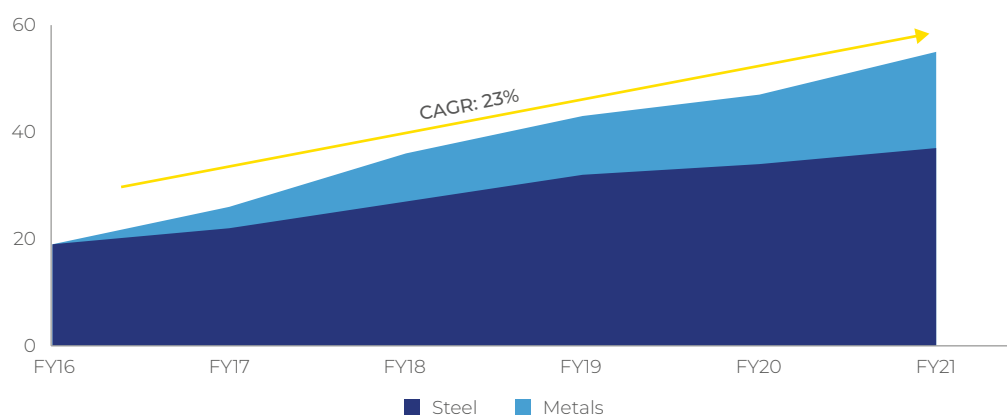
Vulcan has a history of successfully implementing brownfield expansions in areas where it already operates. Vulcan aims to win new customers in the regions where the Company currently operates, which provides opportunities for continued brownfield expansion. Vulcan has identified a number of potential sites for expansion in the medium-term to meet the anticipated increase in customer demand. These site expansion opportunities will allow Vulcan to increase its capacity and product range. An example of successful site expansion is the introduction of hybrid sites in New Zealand (see Figure 40 below).

**Figure 40: Introduction of hybrid sites in New Zealand**

<b>Description</b>	<ul style="list-style-type: none"> <li>Following Vulcan's stainless steel acquisition of Sandvik's Australasian business in 2014 and the Global Metals Engineering Steel business in Australia in 2017, Vulcan has delivered growth through expanding existing sites which only previously offered Steel segment products in New Zealand (Whangarei, Palmerston North, Nelson, Dunedin and Invercargill) into hybrid sites (that offer Steel segment products, as well as products such as stainless steel and/or engineering steel from a single site).</li> <li>In FY21 these sites contributed ~8% of Vulcan revenue and as at 30 June 2021 had 57 staff, accounting for 7% of Vulcan total headcount.</li> </ul>
<b>Strategic rationale</b>	<ul style="list-style-type: none"> <li>Cross-selling opportunities across steel, stainless and engineering steel, providing operating leverage.</li> <li>Ability to deepen the relationship with existing customers and win new customers through an enhanced product offering.</li> <li>Enhanced utilisation of operating footprint, facilities and fleet.</li> </ul>
<b>Key highlights<sup>134</sup></b>	<ul style="list-style-type: none"> <li>As a result of this initiative, Vulcan has improved volumes, revenue and gross profit across these sites across both the Steel and Metals segments. For example, at the hybrid sites: <ul style="list-style-type: none"> <li>– steel distribution sales volumes have grown at an 11% CAGR and revenues at a 14% CAGR between FY16 and FY21; and</li> <li>– total site revenue has grown by a 23% CAGR since FY16 (the difference being the introduction of Metals segment products).</li> </ul> </li> </ul>

#### NZ hybrid site revenues

(NZ\$m, FY16–21)



<sup>134</sup>. New Zealand hybrid site financial metrics represent a combination of certain sites reported within the Steel and Metals segments and are not reconcilable to the segment disclosures in Section 4.4.

### 3.2.2. ENTRY INTO NEW GEOGRAPHIES

Vulcan has successfully expanded into 10 regional markets<sup>135</sup> through greenfield initiatives across Australasia since inception. While Vulcan has a broad steel distribution and processing network spanning Australia and New Zealand, Vulcan has identified several opportunities to further expand its geographic footprint across Australasia. In particular, these opportunities include certain regions in Australia where Vulcan does not currently offer certain products (refer to Figure 24), representing an opportunity to better service existing customers as well as target new customers.

### 3.2.3. EXPANSION OF PRODUCT AND/OR SERVICE OFFERING

Vulcan has a successful history of introducing new products and services through organic growth and acquisitions. Historically, expansion of its product and service offering has been a key driver of Vulcan's growth, including the introduction of stainless steel and engineering steel. Currently, Vulcan does not offer certain products, including reinforcing steel, wire, mesh, roofing, fasteners, pipe fittings and aluminium products which may represent potential growth opportunities. The total addressable market for reinforcing steel products in New Zealand is estimated to be approximately NZ\$436m per annum<sup>136</sup>. In Australia, the addressable roofing market is estimated at A\$1.2 billion per annum<sup>137</sup>. An expansion into these or similar markets may introduce cross-selling opportunities and allow Vulcan to leverage its existing sites and capabilities.

### 3.2.4. OPPORTUNISTIC M&A

Vulcan has acquired 10 businesses since 1995 which it has successfully integrated into the broader Vulcan group. The Company has a proven history of driving lasting organisational and cultural change to realise synergies and improve operational and financial performance in the businesses it has acquired. Vulcan's largest acquisition was Sandvik Australia and New Zealand (Vulcan Stainless) (see below).

Whilst the Forecast Financial Information included in Section 4 assumes no acquisitions in FY22F, given the fragmented nature of the steel distribution industry in Australasia (outside of the major players shown in Figure 6 and Figure 7), Vulcan expects it will continue to pursue strategic opportunities.

**Figure 41: Acquisition of Sandvik Australia and New Zealand (Vulcan Stainless)**

<b>Description</b>	<ul style="list-style-type: none"><li>• In 2012, Vulcan identified stainless as one of the Company's target market segments in its diversification and growth strategy.</li><li>• In October 2014, Vulcan acquired Sandvik Australia and New Zealand (Vulcan Stainless) following Sandvik's decision to exit stainless in Australia.</li><li>• The acquisition marked Vulcan's entry into the Australasian stainless steel market.</li><li>• In FY21 the former Sandvik Australia and New Zealand business made up greater than 20% of Vulcan revenue and with 220 staff as at 30 June 2021, accounts for 26% of Vulcan's total headcount.</li></ul>
<b>Strategic rationale</b>	<ul style="list-style-type: none"><li>• Cross-selling opportunities across steel, stainless steel and engineering steel, providing operating leverage.</li><li>• Opportunity to focus, invest in and grow the business.</li><li>• Overlap with Vulcan's existing operations.</li></ul>

<sup>135</sup>. Outside of Brisbane, Sydney, Melbourne, Adelaide, Perth, Auckland, Wellington and Christchurch.

<sup>136</sup>. *IBISWorld*, Structural Steel Fabricating in New Zealand (June 2021). Represents market for reinforcing rods, bars, mesh and wire.

<sup>137</sup>. *IBISWorld*, Metal Roof and Gutter Manufacturing in Australia (January 2021).

## 3 Company overview Continued

**Figure 41: Acquisition of Sandvik Australia and New Zealand (Vulcan Stainless)** continued

### Key highlights

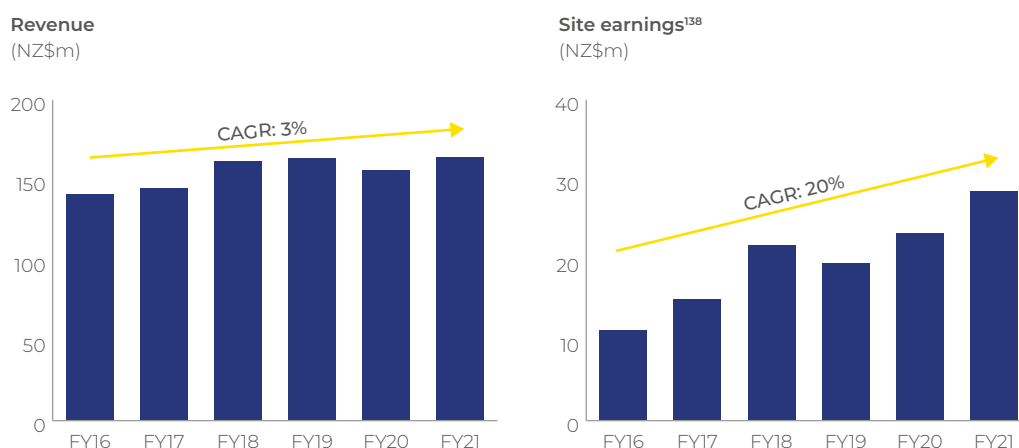
Following the acquisition, Vulcan implemented a business improvement plan, focused on:

- improving customer and segment selection;
- improving stock management;
- improving staff core competency and execution;
- implementing Vulcan IT platforms (including front-end sales and stock management systems);
- investing in new operating assets and trucking fleet; and
- right-sizing the operating cost base.

Since the acquisition, Vulcan has grown volumes, revenue, EBITDA margins and ROFE of the business. For example, since FY16 (first full year of ownership):

- revenue has grown at a 3% CAGR; and
- site earnings<sup>138</sup> have grown at a 20% CAGR, reflecting the increased efficiencies and cost reductions implemented by Vulcan.

### Former Sandvik Australia and New Zealand site performance (FY16–FY21)<sup>139</sup>



### 3.2.5. BUSINESS IMPROVEMENT INITIATIVES

Vulcan has been disciplined in optimising its cost base through a number of business improvement initiatives including data analytics, category profitability analysis and improving efficiency at each of its sites. These initiatives have translated to strong operating leverage and are reflected in the Company's pro forma total operating costs to revenue and pro forma total operating costs to tonnes sold. Pro forma total operating costs to revenue increased by 0.1% from 21.3% in FY19 to 21.4% in FY20, and decreased 2.2% to 19.2% in FY21. Pro forma total operating expenses to tonnes sold increased from NZ\$573/t in FY19 to NZ\$585/t in FY20 as volumes declined due to disruption caused by COVID-19. As volume and business activity improved, total operating expenses per tonne decreased by c.7.5% to NZ\$542/t in FY21, reflecting the benefits of operating leverage. As a result, these business improvement initiatives contributed to Vulcan's EBITDA margin increasing from 13.2% in FY19 to 17.7% in FY21 (see Section 4.9 for further information).

<sup>138</sup>. Represents site earnings before interest, tax, depreciation, amortisation and other corporate costs allocations. Site earnings do not include impacts of any pro forma adjustments included in Section 4.6.2 including the adjustments for the impacts of IFRS 16 Leases in any of the financial periods reported.

<sup>139</sup>. Former Sandvik Australia and New Zealand site financial metrics represent a sub-division of the Metals segment and are not reconcilable to the segment disclosures in Section 4.4.

Further, Vulcan has identified a number of additional business improvement opportunities to implement over the next 12–24 months, including incremental investment in staff, delivery fleet and working capital to improve site efficiency and grow total active trading accounts. These initiatives have the potential to increase Vulcan's annual run-rate revenue by up to c.NZ\$60m over the next 36 months, assuming no changes to current market demand, cost and pricing conditions. The Company plans to increase operating expenditure by approximately NZ\$3m in FY22F for these revenue growth initiatives. However, no revenue contribution is assumed from these initiatives in FY22F forecasts.

### 3.3. Properties

Vulcan conducts its operations from a number of key sites primarily under lease arrangements. The Company has a preference to lease its sites in order to preserve capital for higher returning projects. The average lease expiry across the portfolio is 8 years<sup>140</sup>. Vulcan owns two properties, one in Invercargill and one in Townsville.

### 3.4. Employees

As at 30 June 2021, Vulcan employed 842 staff, including 460 in Australia and 382 in New Zealand. Approximately 45% of staff are salaried, with 55% earning an hourly wage, in line with market standards for the distribution industry. A small portion of employees are unionised, with c.12% of staff in Australia and c.7% of staff in New Zealand belonging to a union.

Most of the executive team have a long tenure with Vulcan. Rhys Jones (Chief Executive Officer, Managing Director) has 15 years tenure, and Adrian Casey (Chief Operating Officer) has 23 years tenure, including experience in acquired companies. The average tenure of its 43 executive, unit and site management staff as at 30 June 2021 is 13.7 years. Including experience in acquired companies, more than 60% of managers have over 10 years' tenure, and 47% of all employees have over 5 years' tenure.

### 3.5. Environmental, sustainability and community

Vulcan is focused on and committed to measuring, managing and mitigating its impact on the environment. The Company is committed to sourcing from suppliers that are moving towards sustainable steel manufacturing including green steel, and using energy produced from renewable energy sources where available.

Vulcan measured its energy consumption and greenhouse gas emissions for the 12 month period ending 31 March 2021. Vulcan estimated 9.4GWh of power was consumed by the Company in the 12 months to 31 March 2021. Vulcan estimates that its greenhouse gas CO<sub>2</sub> emissions for the 12 months ended 31 March 2021 were 9.4ktpa. The collection and estimation of the CO<sub>2</sub> emissions were supported by Proxima Global.

Vulcan's sustainability initiatives include focusing on recycling all scrap material (where possible) and deploying solar power at suitable sites. Vulcan has deployed solar power at 6 sites in Australia and is currently pursuing the economics of further solar panel roll-outs. Vulcan has a company policy of using hybrid electric vehicles where practicable, and is in the process of converting its company cars to hybrid vehicles. Vulcan is also monitoring the technology development curve for long-range electric trucks. Vulcan aims to be a leader in the implementation of electric vehicles throughout its fleet and as part of this intends to trial a smaller-scale electric truck in 2022F to understand its economics and practicability.

Vulcan provides workplace and personal support to all staff and immediate family in Australia and New Zealand. Vulcan also actively participates in local communities, providing corporate donations and support to local community organisations. Vulcan has been a key sponsor of the Halberg Youth Council since 2017, which provides the opportunity for disabled youth to participate in sporting and recreational activities. Vulcan has contributed in excess of NZ\$50,000 in each of the last 3 financial years to The Halberg Foundation. Vulcan has also introduced a career experience pilot programme to the Halberg Youth Council, where Vulcan's staff volunteer to help members of the group to build everyday life skills.

Vulcan's community contributions also include support for disaster relief, such as the significant contributions made in 2011 to provide children with thermals and clothing following the Christchurch earthquake. Vulcan delivered 18,000 garments to over 3,200 children across 19 schools in the Canterbury region.

140. This average lease expiry estimate includes the exercise of right of renewal options where it is reasonably certain Vulcan would exercise its right of renewal rather than terminating the lease.



## 3 Company overview Continued

### 3.6. Workplace health and safety

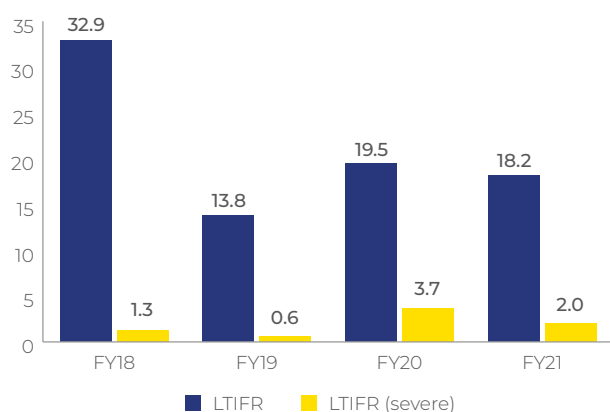
Vulcan is firmly committed to the provision of a safe and healthy work environment for its employees, contractors, visitors and the public who share the roads with its truck fleet. The inherent risks of working and handling cumbersome and heavy products mean that Vulcan takes a pre-emptive and detailed approach to the management of health and safety. Concern for safety is inherent within Vulcan's culture and Vulcan has several initiatives to ensure employee views are encouraged, heard and acted upon.

Vulcan has improved its key safety metrics over the last 4 years (see Figure 42 and Figure 43 below), driven by continuous improvement initiatives. Health and safety incidents and trends are reviewed at regular Board meetings. Every month the executive team responsible for safety and safety leaders within the business review and discuss the details of incidents, determining any improvements to process or procedure. Safety tracking software is used to record incidents including near misses. Reports with detail, trends and key actions are sent to all site and safety leaders every month. Vulcan's sites perform monthly Health and Safety committee meetings with representatives from each work area, gathering feedback and planning implementation of any identified improvements.

Each site is reviewed relative to standard formal review criteria by internal senior peers every 4 months, and independently by an external party bi-annually.

**Figure 42: Lost Time Injury Frequency Rate ("LTIFR")<sup>141</sup>**

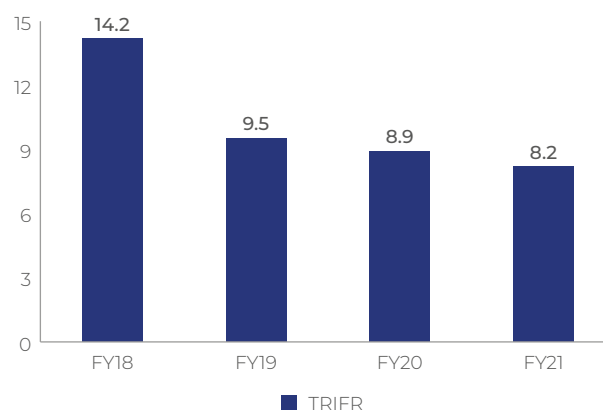
(LTIFR shown per 1,000,000 hours worked)



Source: Management.

**Figure 43: Total Recordable Injury Frequency Rate ("TRIFR")**

(TRIFR shown per 200,000 hours worked)



Source: Management.

The inherent mass of steel products means staff are exposed to safety risks when handling these products on and around trucks both onsite and offsite. This has been a source of health and safety incidents in the industry. A key part to mitigating these risks is to provide feedback and preventative training to truck drivers and relevant in-site team members to ensure adherence to safe practices.

Vulcan first presented a working concept for a machine learning solution at the May 2018 Microsoft Build Conference in the USA. To further progress this health and safety initiative, Vulcan has invested in NZ-based technology start-up Inviol to help fund the development of an artificial intelligence-based analytics tool with potential application in recognising stationary health and safety breaches and predicting incidents. This software is currently in its development phase. Vulcan intends to become a foundation trial customer for this initiative.

141. 'Severe' injuries refer to notifiable incidents that could involve hospitalisation or require immediate attention for serious injuries, burns, lacerations, eye damage, spinal damage, amputation or degloving, or loss of bodily function.

A close-up photograph of a metal plate, likely a part of a machine or a tool. The plate is light-colored and has two circular holes. Engraved on the plate is the text "DB2504HG6" in a large, bold, sans-serif font. The plate is positioned diagonally across the frame. A dark blue diagonal band runs from the bottom left towards the top right, partially obscuring the plate. The background is blurred, showing more of the metal structure.

# 4 / Financial information

## 4 Financial information

### 4.1. Introduction

#### 4.1.1. OVERVIEW OF FINANCIAL INFORMATION

The financial information for Vulcan contained in this Section includes the historical financial information for the financial years ended 30 June 2019 ("FY19"), 30 June 2020 ("FY20") and 30 June 2021 ("FY21") and forecast financial information for the 12 months ending 30 June 2022 ("FY22F").

Further detail regarding the Financial Information is included in the table below.

**Figure 44: Overview of Vulcan's Financial Information**

	Statutory Financial Information	Pro Forma Financial Information
<b>Historical Financial Information</b>	<b>Statutory Historical Financial Information</b> comprises the following: <ul style="list-style-type: none"> <li>consolidated income statements of the Company for FY19, FY20 and FY21 ("<b>Statutory Historical Results</b>");</li> <li>consolidated cash flows of the Company for FY19, FY20 and FY21 ("<b>Statutory Historical Cash Flows</b>"); and</li> <li>consolidated balance sheet of the Company as at 30 June 2021 ("<b>Statutory Historical Balance Sheet</b>").</li> </ul>	<b>Pro Forma Historical Financial Information</b> comprises the following: <ul style="list-style-type: none"> <li>pro forma consolidated income statements of the Company for FY19, FY20 and FY21 ("<b>Pro Forma Historical Results</b>");</li> <li>pro forma consolidated cash flows of the Company for FY19, FY20 and FY21 ("<b>Pro Forma Historical Cash Flows</b>"); and</li> <li>pro forma consolidated balance sheet of the Company as at 30 June 2021 ("<b>Pro Forma Historical Balance Sheet</b>").</li> </ul>
<b>Forecast Financial Information</b>	<b>Statutory Forecast Financial Information</b> comprises the following: <ul style="list-style-type: none"> <li>forecast consolidated income statement of the Company for FY22F ("<b>Statutory Forecast Results</b>"); and</li> <li>forecast consolidated cash flows of the Company for FY22F ("<b>Statutory Forecast Cash Flows</b>").</li> </ul>	<b>Pro Forma Forecast Financial Information</b> comprises the following: <ul style="list-style-type: none"> <li>pro forma forecast consolidated income statement of the Company for FY22F ("<b>Pro Forma Forecast Results</b>"); and</li> <li>pro forma forecast consolidated cash flows of the Company for FY22F ("<b>Pro Forma Forecast Cash Flows</b>").</li> </ul>

The Historical Financial Information and the Forecast Financial Information defined above together form the Financial Information.

This Section 4 also includes:

- A summary of the basis of preparation and presentation of the Financial Information, including the application of new and revised accounting standards to the Historical Financial Information and the Forecast Financial Information (see Section 4.2.2);
- Information regarding certain non-IFRS measures (see Section 4.2.6);
- The pro forma adjustments to the Statutory Historical Financial Information and Statutory Forecast Financial Information, and reconciliations to the Pro Forma Historical Financial Information and Pro Forma Forecast Financial Information (see Sections 4.3.2 and 4.6.2);
- A summary of key operating and financial metrics (see Section 4.5);
- Details of Vulcan's indebtedness and a summary of its funding profile, including debt facilities, liquidity and capital resources (see Sections 4.7.2 – 4.7.4);
- The best estimate general and specific assumptions underlying the Forecast Financial Information (see Section 4.8);
- A description of the key financial and operating drivers affecting the business (see Section 4.9);
- Management discussion and analysis of the Pro Forma Financial Information (see Section 4.9);
- An analysis of the key sensitivities in respect of the Forecast Financial Information (see Section 4.10); and
- A summary of Vulcan's proposed dividend policy (see Section 4.11).

The Financial Information has been reviewed in accordance with the Australian Standard on Assurance Engagements ASAE 3450 Assurance Engagements involving Corporate Fundraising and/or Prospective Financial Information by the Investigating Accountant, whose Investigating Accountant's Report on the Financial Information is contained in Section 8. Investors should note the scope and limitations of that report.

The information in Section 4 should be read in conjunction with the Key Risks set out in Section 5 and other information contained in this Prospectus. In addition, the Company's Significant Accounting Policies are set out in Appendix A.

Investors should note that past results are not a guarantee of future performance.

All amounts disclosed in Section 4 and the Appendices are presented in New Zealand dollars, which is the functional currency and the presentation currency for Vulcan's consolidated financial statements.

Unless otherwise noted, amounts are rounded to the nearest hundred thousand. Some numerical figures included in this Prospectus have been subject to rounding adjustments. Any differences between totals and sums of components in tables or figures contained in this Prospectus are due to rounding. Amounts translated from foreign currencies have been converted at the average exchange rate over the relevant period (for the income statement and cash flows) and at the exchange rate as at the reporting date (for balance sheet items).

## 4.2. Basis of preparation and presentation of the Financial Information

### 4.2.1. OVERVIEW

The Directors are responsible for the preparation and presentation of the Financial Information.

The Financial Information included in this Prospectus is intended to present potential investors with information to assist them in understanding Vulcan's underlying historical financial performance, cash flows and financial position, together with the Forecast Financial Information.

The Statutory Financial Information has been prepared in accordance with the recognition and measurement principles prescribed by the New Zealand equivalent to the International Financial Reporting Standards ("**NZ IFRS**") and New Zealand generally accepted accounting standards ("**NZ GAAP**").

In addition to the Statutory Financial Information, Section 4.2.6 describes certain non-IFRS financial measures that Vulcan uses to manage and report on its business that are not defined under or recognised by NZ IFRS.

The Significant Accounting Policies adopted in the preparation of the Financial Information are set out in Appendix A and have been consistently applied throughout the financial periods presented in this Prospectus unless stated otherwise. The Financial Information is presented in an abbreviated form insofar as it does not include all of the disclosures, statements or comparative information required by NZ IFRS or NZ GAAP, applicable to financial reports prepared in accordance with the New Zealand *Financial Reporting Act 2013*.

The Pro Forma Financial Information has been prepared solely for inclusion in this Prospectus and has been derived from the Statutory Historical Financial Information and the Statutory Forecast Financial Information adjusted for certain transactions and pro forma adjustments.

Due to its nature, the Pro Forma Financial Information does not represent the actual or prospective financial position, financial performance, or cash flows of Vulcan. Vulcan believes that the Pro Forma Financial Information is useful as it enables investors to examine what it considers to be the underlying financial performance and cash flows of the business presented on a consistent basis with the Forecast Financial Information. This Prospectus includes Forecast Financial Information based on the specific and general assumptions of Vulcan.

A discussion of the operating segments Vulcan expects to report under NZ IFRS 8 *Operating Segments* is set out in Section 4.4.

## 4 Financial information Continued

### 4.2.2. PREPARATION OF THE HISTORICAL FINANCIAL INFORMATION

The Pro Forma Historical Financial Information has been prepared for the sole purpose of inclusion in this Prospectus and has been derived from the Statutory Historical Financial Information. The pro forma adjustments in respect of the income statements and cash flows are as described in Section 4.3.2 (reconciliation between the Statutory Historical Results and the Pro Forma Historical Results) and Section 4.6.2 (reconciliation between the Statutory Historical Cash Flows and the Pro Forma Historical Cash Flows). In particular, pro forma adjustments have been made to reflect the following:

- **Acquisition impacts:** consolidation of the historical trading results of Horan Steel Holdings Pty Limited ("**Horan**") for FY19 assuming the business was acquired from 1 July 2018, with the actual acquisition occurring on 30 June 2019. The adjustment removes the equity accounted profits, acquisition related balances (including the purchase price adjustments relating to inventory and other acquisition transaction costs) and consolidates Horan's underlying trading results for the full financial year extracted from the financial statements of Horan (see Section 4.2.4 for further detail);
- **NZ IFRS 16 adjustments:** the application of NZ IFRS 16 *Leases* ("**NZ IFRS 16**") as if this had been adopted from 1 July 2018 and therefore applied throughout the periods presented (see Section 4.2.5 for further detail);
- **Profit on sale and leaseback of property:** the adjustment removes the profit on the sale and leaseback transaction undertaken by Vulcan in FY21 of the Ti Rakau Drive property in Auckland, an arm's length transaction with Angitu Limited partnership (related party) which is not considered part of the ongoing trading performance of the Company;
- **Public company costs:** an amount that represents Vulcan's estimate of the incremental annual costs that will be incurred as a listed company. These costs include ASX, NZX and share registry fees, Non-Executive Director remuneration, incremental insurance costs, as well as annual general meeting and annual report costs for all periods;
- **Employee incentives:** Vulcan has put in place a Long-Term Incentive Plan ("**LTIP**") in conjunction with the Offer whereby Performance Share Rights have been granted to certain employees at the discretion of the Board. The assessed impact of the LTIP has been included in the Pro Forma Historical Financial Information for all periods;
- **Capital structure:** interest and financing costs in line with the new capital structure upon Completion and entry into New Debt Facilities (see Section 4.7.3 for further detail) are reflected in the Pro Forma Historical Financial Information for all periods; and
- **Offer costs:** transaction costs associated with the Offer are excluded from the Pro Forma Historical Financial Information.

The statutory financial statements for Vulcan for FY19, FY20 and FY21 have been audited by Deloitte Limited ("**Deloitte NZ**") in accordance with International Standards on Auditing (New Zealand). Deloitte NZ issued unqualified audit opinions in respect of each of these periods.

The Pro Forma Historical Balance Sheet is derived from the Statutory Historical Balance Sheet, adjusted for certain pro forma items. The Pro Forma Historical Balance Sheet is provided for illustrative purposes only and is not represented as being necessarily indicative of Vulcan's future financial position.

### 4.2.3. PREPARATION OF THE FORECAST FINANCIAL INFORMATION

The Forecast Financial Information has been prepared solely for inclusion in this Prospectus based on an assessment of current economic and operating conditions, including the impact of the COVID-19 pandemic. It should be read in conjunction with the best estimate general and specific assumptions set out in Section 4.8, the sensitivity analysis described in Section 4.10, the risk factors described in Section 5, the Significant Accounting Policies set out in Appendix A and the other information in this Prospectus. The Forecast Financial Information has been reviewed by Deloitte Corporate Finance Pty Limited ("**Investigating Accountant**") but has not been audited. Investors should note the scope and limitations of the Investigating Accountant's Report on the Historical and Forecast Financial Information (refer to Section 8).

The inclusion of the assumptions in Section 4.8 is intended to assist potential investors in assessing the reasonableness and likelihood of the assumptions occurring and is not intended to be a representation that they will occur. Investors should be aware that the timing of actual events and the magnitude of their impact may differ from the assumptions used in preparing the Forecast Financial Information, and that these differences may have a material effect on Vulcan's actual financial performance or financial position.

In addition, the assumptions upon which the Forecast Financial Information are based are by their very nature subject to significant uncertainties and contingencies. Many of these uncertainties and contingencies are outside the control of Vulcan, the Directors and Management, and are not reliably predictable. Accordingly, none of Vulcan, the Directors, Management, or any other person can give investors any assurance that the events and outcomes discussed in the Forecast Financial Information will arise. Events and outcomes may differ in amount and timing from the assumptions used and may have a material impact on the Forecast Financial Information.

The Directors have prepared the Forecast Financial Information with due care and attention and consider all best estimate general and specific assumptions, when taken as a whole, to be reasonable at the time of preparation of this Prospectus. However, this information is not fact, and investors are cautioned not to place undue reliance on the Forecast Financial Information.

It is not intended that the Forecast Financial Information or other forward-looking statements will be updated or revised. It is not intended that prospective Financial Information will be published in the future, regardless of whether new information, future events or any other factor affects the information contained in this Prospectus, except where required by listing rules, law or regulation.

The Forecast Financial Information has been prepared and presented on both a Statutory and Pro Forma basis. The Statutory Forecast Results have regard to current trading performance up to the date of lodgement of the Prospectus.

In preparing the Pro Forma Forecast Financial Information, pro forma adjustments have been made to the Statutory Forecast Financial Information to reflect the following:

- **Public company costs:** an amount that represents Vulcan's estimate of the incremental annual costs that it will incur as a listed company is included in the Pro Forma Forecast Financial Information;
- **Capital structure:** adjustments reflecting interest and financing costs in line with the capital structure upon Completion and entry into the New Debt Facilities are reflected in the Pro Forma Forecast Financial Information; and
- **Offer costs:** transaction costs related to the Offer are excluded from the Pro Forma Forecast Financial Information.

Section 4.3.2 sets out the pro forma adjustments made to the Statutory Forecast Results.

#### 4.2.4. ACQUISITION OF HORAN

Vulcan acquired a 50% shareholding in Horan, an Australian steel distribution business in August 2002, and accounted for its results using the equity method. On 30 June 2019, Vulcan acquired the remaining 50% shareholding (bringing its total shareholding in Horan to 100%) and began consolidating the financial results of Horan. Therefore, Horan was fully consolidated into the financial statements of Vulcan in FY20 and FY21.

The acquisition was accounted for in accordance with NZ IFRS 3 *Business Combinations* which resulted in the recognition of identifiable assets and liabilities at fair value at acquisition date. The accounting resulted in a fair value uplift to inventory (c.\$5.7m, after tax), recognition of identifiable intangible assets (customer relationships of c.\$1.4m, after tax) and recognition of goodwill on acquisition (\$2.2 million).

To reflect the historical trading performance of Vulcan on a consistent basis and reflect its ongoing operations, the Pro Forma Historical Financial Information includes adjustments to remove the equity accounted profits and reverse the impact of the fair value uplift to inventory and include the trading results of Horan as if the business had been acquired prior to FY19. The pro forma adjustment for the Horan acquisition is described in Section 4.3.2 (reconciliation between the Statutory Historical Results and the Pro Forma Historical Results).

#### 4.2.5. CHANGES IN ACCOUNTING STANDARDS

Vulcan adopted NZ IFRS 16 on 1 July 2019 using a modified retrospective approach. NZ IFRS 16 removes the accounting distinction between operating and finance leases and requires recognition of most lease liabilities on balance sheet, together with a related right-of-use asset. The accounting treatment for a lessee under NZ IAS 17 *Leases* ("IAS 17") was based on categorising the lease as either a finance lease (recognised on balance sheet) or an operating lease (recognised in the income statement as an operating expense).

As a result of the adoption of NZ IFRS 16, the income statement shows a lease expense as depreciation relating to the right-of-use asset and interest relating to the lease liability rather than a rent expense shown as an operating expense. This Prospectus presents the Pro Forma Historical Financial Information on a consistent basis to illustrate the impact of NZ IFRS 16, had the standard been applied from 1 July 2018. Refer to Section 4.3.2 for further detail on the quantification of this impact.



## 4 Financial information Continued

### 4.2.6. EXPLANATION OF CERTAIN NON-IFRS AND OTHER MEASURES

Vulcan uses certain measures to manage and report on its business that are not recognised under IFRS. These measures are collectively referred to as non-IFRS financial measures under Regulatory Guide 230 Disclosing Non-IFRS Financial Information, published by ASIC, as 'non-IFRS financial measures'.

These non-IFRS financial measures do not have a prescribed definition under NZ IFRS and therefore may not be directly comparable to similarly titled measures presented by other entities, and should not be construed as an indication of, or an alternative to, corresponding financial measures determined in accordance with IFRS.

Although Vulcan believes these non-IFRS financial measures provide useful information to users in measuring the financial performance and condition of the business, potential investors are cautioned not to place undue reliance on any non-IFRS financial measures included in this Prospectus.

In the disclosures in this Prospectus, Vulcan uses the following non-IFRS financial measures:

- **Average selling price per tonne ("ASP")** is total operating revenue divided by sales volumes;
- **Average cost per tonne ("ACP")** is total cost of sales divided by sales volumes;
- **Gross profit per tonne** is gross profit divided by total sales volumes;
- **Total operating expenses** is the sum of employee benefits expense, selling and distribution expenses, occupancy expenses and general and administrative expenses;
- **Operating expenses per tonne** is calculated as total operating expenses divided by total sales volume;
- **EBITDA** is earnings before interest, taxation, depreciation and amortisation;
- **EBIT** is calculated by deducting depreciation and amortisation from EBITDA;
- **Return on Capital Employed** is calculated as EBIT divided by (total equity plus total net debt including lease liabilities);
- **Working capital** represents the sum of inventory and trade and other receivables, less the sum of trade and other payables, accrued employee benefits, and other items commonly regarded as being part of working capital;
- **Capital expenditure** includes net investment in property, plant and equipment, as well as software and capitalised research and development costs;
- **Cash conversion** is calculated as EBITDA less capital expenditure and less cash lease payments divided by (EBITDA less cash lease payments); and
- **Cash flows before corporate financing and taxation** is net cash flows before financing activities, business acquisitions and taxation but includes cash lease payments.

### 4.2.7. FOREIGN CURRENCY

Vulcan transacts in currencies other than Vulcan's functional currency, the New Zealand Dollar ("**NZD**"), most notably the Australian Dollar ("**AUD**"). Vulcan's New Zealand sales are made in NZD and Australian sales are made in AUD. The cost of sales is predominantly in NZD and AUD, with purchases paid in United States Dollars ("**USD**") accounting for approximately 12% of cost of sales. Other currencies make up an immaterial amount.

Vulcan's earnings are exposed to the net impact of movements in foreign exchange rates on Vulcan's sales and costs in the foreign currencies in which purchases are made, and hence are subject to both realised and unrealised gains and losses on foreign currency movements. Vulcan's operations in Australia are denominated in AUD and the potential impacts on Vulcan's EBITDA and NPAT of movements in this currency in FY22F are considered in Section 4.10.

For steel and engineering products, when purchases are made in foreign currencies, Vulcan's policy is to take forward cover in the relevant foreign currencies based on the expected payment date for these purchases.

For stainless products where Vulcan pays for purchases predominantly in USD, Vulcan's policy is to take USD forward cover based on the expected payment date for these purchases. Due to longer lead times for stainless products forward cover is taken up to nine months in advance.

#### 4.2.8. SEASONALITY

Vulcan's monthly performance is driven by the number of active trading days (i.e. days on which Vulcan sites are open for trading) in a given month. Vulcan generally observes a decrease in monthly sales during periods of the year where there is generally less economic activity, such as in advance of and during the Australian and New Zealand summer holiday period, with higher sales during uninterrupted months. As there are typically more trading days in the first half of each financial year in Australia and New Zealand compared with the second half, Vulcan experiences a sales skew towards the first half, all other things being equal.

### 4.3. Historical and Forecast Income Statements

#### 4.3.1. OVERVIEW

Figure 45 summarises Vulcan's Pro Forma Historical Results for FY19, FY20, FY21 and Statutory and Pro Forma Forecast Results for FY22F.

**Figure 45: Pro Forma and Statutory Income Statements**

\$m	Note	Pro forma				Statutory
		FY19	FY20	FY21	FY22F	FY22F
Operating revenue	1	685.2	640.5	731.5	809.3	809.3
Cost of sales	2	(448.2)	(418.2)	(461.2)	(517.8)	(517.8)
<b>Gross profit</b>		<b>237.0</b>	<b>222.3</b>	<b>270.4</b>	<b>291.4</b>	<b>291.4</b>
Employee benefits	3	(89.0)	(85.6)	(87.5)	(92.7)	(92.7)
Selling and distribution	4	(19.2)	(16.9)	(17.6)	(18.1)	(18.1)
Occupancy costs	5	(3.9)	(4.7)	(6.7)	(5.1)	(5.1)
General and administration	6	(34.1)	(29.9)	(29.0)	(28.2)	(26.9)
<b>Total operating expenses</b>		<b>(146.2)</b>	<b>(137.1)</b>	<b>(140.7)</b>	<b>(144.0)</b>	<b>(142.8)</b>
Other income/(costs)	7	–	2.5	–	–	(18.0)
<b>EBITDA</b>		<b>90.8</b>	<b>87.7</b>	<b>129.7</b>	<b>147.4</b>	<b>130.7</b>
Depreciation & amortisation	8	(30.9)	(31.4)	(29.9)	(28.2)	(28.2)
Net interest	9	(14.1)	(13.4)	(14.0)	(13.4)	(12.7)
Income tax	10	(14.0)	(11.0)	(24.8)	(32.1)	(32.6)
<b>NPAT</b>		<b>31.8</b>	<b>31.9</b>	<b>61.1</b>	<b>73.7</b>	<b>57.1</b>

Notes:

1. **Operating revenue:** revenue earned from contracts with customers for the processing and distribution of steel and metal products.
2. **Cost of sales:** purchase costs (steel and metal products), net of rebates received.
3. **Employee benefits:** salaries, wages and other employment related costs of employees (e.g. annual leave, long service leave and superannuation contributions).
4. **Selling and distribution:** including fleet and other transportation expenses (such as vehicle warehousing and maintenance costs) incurred in respect of the transport of steel and metal products.
5. **Occupancy costs:** non-lease related occupancy costs and other property-related expenses, including utilities and cleaning.
6. **General and administration:** professional fees and other expenses including various business function and corporate support costs.
7. **Other income/(costs):** relates to New Zealand Government COVID-19 wage subsidy. For statutory reporting purposes, the wage subsidy was included as an offset to the employee benefits expense in the financial statement disclosures. Other costs in the FY22F statutory income statement reflect the costs of the Offer.
8. **Depreciation and amortisation:** including depreciation of property, plant and equipment, as well as right-of-use assets.
9. **Net interest:** including interest paid on the Company's borrowings and interest expense in respect of the lease liability associated with NZ IFRS 16, net of interest income on funds invested.
10. **Income tax:** represents the income tax expense in respect of the income generated in each period from the application of the pro forma effective tax rate for Australia or New Zealand.

## 4 Financial information Continued

Figure 46 sets out the Statutory Historical Results for FY19, FY20 and FY21.

**Figure 46: Statutory Historical Income Statements**

\$m	Note	FY19	FY20	FY21
Operating revenue	1	617.2	640.5	731.5
Cost of sales	2	(406.6)	(426.1)	(461.2)
<b>Gross profit</b>		<b>210.6</b>	<b>214.3</b>	<b>270.4</b>
Employee benefits	3	(78.8)	(84.2)	(90.7)
Selling and distribution	4	(17.0)	(16.9)	(17.0)
Occupancy costs	5	(22.2)	(4.7)	(6.7)
General and administration	6	(26.8)	(26.0)	(25.7)
<b>Total operating expenses</b>		<b>(144.9)</b>	<b>(131.8)</b>	<b>(140.0)</b>
Share of associate	11	1.6	–	–
Other income/(costs)	7	(2.5)	2.5	3.1
<b>EBITDA</b>		<b>64.9</b>	<b>85.1</b>	<b>133.4</b>
Depreciation & amortisation	8	(10.1)	(31.4)	(29.9)
Net interest	9	(3.6)	(15.4)	(13.7)
Income tax	10	(15.1)	(9.6)	(25.1)
<b>NPAT</b>		<b>36.1</b>	<b>28.7</b>	<b>64.8</b>

Notes: Refer to Figure 45 for Notes 1 – 6, 8 – 10.

7. **Other income/(costs):** FY19 relates to Horan acquisition costs, FY20 relates to New Zealand Government COVID-19 wage subsidies and FY21 relates to the profit on sale and leaseback. Refer to Figure 47 for details.

11. **Share of associate:** Vulcan's share of profit in its then equity accounted investment in Horan. Refer to Section 4.2.4 for details.

### 4.3.2. PRO FORMA ADJUSTMENTS TO THE STATUTORY HISTORICAL AND FORECAST RESULTS

Figure 47 sets out the pro forma adjustments that have been made to EBITDA and NPAT in the historical and forecast periods.

**Figure 47: Pro forma adjustments to the Statutory Historical and Forecast Results**

\$m	FY19		FY20		FY21		FY22F	
	EBITDA	NPAT	EBITDA	NPAT	EBITDA	NPAT	EBITDA	NPAT
<b>Statutory Results</b>	<b>64.9</b>	<b>36.1</b>	<b>85.1</b>	<b>28.7</b>	<b>133.4</b>	<b>64.8</b>	<b>130.7</b>	<b>57.1</b>
1 Horan acquisition	7.4	3.1	7.9	5.5	–	–	–	–
2 NZ IFRS 16	22.6	(5.5)	–	–	–	–	–	–
3 Profit on sale and leaseback of property	–	–	–	–	(3.1)	(3.1)	–	–
4 Public company costs	(3.9)	(2.8)	(3.9)	(2.8)	(3.9)	(2.8)	(1.3)	(0.9)
5 Employee incentives	(1.4)	(1.0)	(1.4)	(1.0)	3.2	2.3	–	–
6 Capital Structure	1.1	1.9	–	1.4	–	(0.2)	–	(0.5)
7 Offer costs	–	–	–	–	–	–	18.0	18.0
<b>Pro forma Results</b>	<b>90.8</b>	<b>31.8</b>	<b>87.7</b>	<b>31.9</b>	<b>129.7</b>	<b>61.1</b>	<b>147.4</b>	<b>73.7</b>

Notes:

- Horan acquisition:** in FY19, reflects the inclusion of the earnings of Horan assuming it was 100% owned from 1 July 2018 and removal of associated acquisition costs (\$2.5m) and associated equity accounted profit (\$1.6m). In FY20 the adjustment removes the inventory fair value uplift associated with the acquisition to recognise the underlying trading result of inventory sold during the period. Prior to the acquisition of the remaining 50% in FY19, the Horan results were equity accounted by the Company. Refer to Section 4.2.4 for further detail.
- NZ IFRS 16:** the Company adopted NZ IFRS 16 from 1 July 2019. A pro forma adjustment has been applied in FY19 that results in removing relevant leases expenses partially offset by recording an interest expense and a depreciation charge in relation to the right-of-use asset recognised on the balance sheet.
- Profit on sale and leaseback of property:** relates to the sale and leaseback of the Ti Rakau Drive property in Auckland which is not considered part of Vulcan's ongoing trading activity.
- Public company costs:** reflects Vulcan's estimate of the incremental annual costs that will be incurred as a listed company. These costs include ASX, NZX and share registry fees, Non-Executive Director remuneration, incremental insurance costs, as well as annual general meeting and annual report costs for all periods.
- Employee incentives:** incremental executive remuneration expenses to align with the fixed and long-term incentives agreed with Key Management Personnel ("KMP") from 1 July 2021. In FY21, an additional adjustment has been reflected to add-back a one-off discretionary bonus paid to employees within Vulcan (\$3.4m).
- Capital structure:** adjustment to reflect the interest and financing costs in line with the capital structure upon Completion and entry into the New Debt Facilities.
- Offer costs:** amounts forecast to be expensed in FY22F in relation to the Offer (e.g. fees payable to advisers, Joint Lead Managers, tax, accounting and legal fees) and the listing on the ASX and NZX.

## 4 Financial information Continued

### 4.3.3. IMPACT OF NZ IFRS 16 ON PRO FORMA HISTORICAL AND FORECAST RESULTS

Vulcan has 29 warehousing, manufacturing, and processing facilities throughout Australia and New Zealand. A number of these facilities operate under long-term lease agreements, accounted for under NZ IFRS 16 *Leases*, which remove the accounting distinction between operating and finance leases and require recognition of most lease liabilities on balance sheet, together with a related right-of-use asset. Previously, the accounting treatment for a lessee under NZ IAS 17 *Leases* was based on categorising the lease either as a finance lease (recognised on balance sheet) or an operating lease (recognised in the income statement as an operating expense).

Figure 48 sets out the impact on pro forma EBITDA and NPAT due to the adoption of NZ IFRS 16.

Under NZ IFRS 16, pro forma EBITDA is forecast to increase by approximately \$24.0m to \$147.4m in FY22F compared with NZ IAS 17 pro forma EBITDA of \$123.4m for the same period. At the NPAT level, the adoption of NZ IFRS 16 is projected to reduce pro forma NPAT by approximately \$3.8m to \$73.7m in FY22F.

**Figure 48: Reconciliation between NZ IAS 17 and NZ IFRS 16**

\$m	Pro forma			
	FY19	FY20	FY21	FY22F
EBITDA (NZ IAS 17)	68.1	65.0	106.2	123.4
Decrease in operating lease expense	22.6	22.7	23.5	24.0
<b>EBITDA (NZ IFRS 16)</b>	<b>90.8</b>	<b>87.7</b>	<b>129.7</b>	<b>147.4</b>
EBIT (NZ IAS 17)	56.2	52.4	94.9	113.8
Decrease in operating lease expense	22.6	22.7	23.5	24.0
Increase in depreciation of right-of-use asset	(19.0)	(18.8)	(18.6)	(18.6)
<b>EBIT (NZ IFRS 16)</b>	<b>59.9</b>	<b>56.3</b>	<b>99.9</b>	<b>119.2</b>
NPAT (NZ IAS 17)	37.3	36.8	65.6	77.5
Decrease in operating lease expense	22.6	22.7	23.5	24.0
Increase in depreciation of right-of-use asset	(19.0)	(18.8)	(18.6)	(18.6)
Increase in interest expense	(11.5)	(10.8)	(11.4)	(10.8)
Net tax impact	2.3	2.1	1.9	1.6
<b>NPAT (NZ IFRS 16)</b>	<b>31.8</b>	<b>31.9</b>	<b>61.1</b>	<b>73.7</b>

### Property leases with Related Parties

Certain shareholders, directors and management of Vulcan have personal investments in various property syndicates which own some properties that are leased to the Company. A total of eight lease agreements have been entered into by Vulcan with these various property syndicates on arm's length terms.

Section 4.3.2 includes a pro forma adjustment in respect of an arm's length sale and leaseback transaction involving the Ti Rakau Drive property in Auckland to Angitu Partnership for a total sale value of \$10.0 million.

Details of the terms of these agreements are disclosed in Section 6.7.

## 4.4. Regional and Segment information

In accordance with NZ IFRS 8 *Operating Segments*, Vulcan has determined that its operating segments comprise Steel and Metals across Australia and New Zealand. Regional revenue information is also provided.

Business support costs including executives, finance, legal, information services, human resources, Board fees and other public company costs that are not directly attributable to a specific segment are included in Vulcan's Corporate segment.

### 4.4.1. REGIONAL INFORMATION

Figure 49 sets out Pro Forma Historical Revenue by region for FY19, FY20 and FY21 and Pro Forma Forecast Revenue for FY22F.

**Figure 49: Pro Forma Revenue by region**

\$m	FY19	FY20	FY21	FY22F
Australia	453.3	421.3	451.1	507.5
New Zealand	231.9	219.1	280.4	301.7
<b>Total Operating Revenue</b>	<b>685.2</b>	<b>640.5</b>	<b>731.5</b>	<b>809.3</b>

### 4.4.2. SEGMENT INFORMATION

Figure 50 sets out Pro Forma Historical Revenue, Operating expenses and EBITDA by segment for FY19, FY20 and FY21 and Pro Forma Forecast Revenue, Operating expenses and EBITDA for FY22F.

**Figure 50: Pro Forma Revenue, Operating expenses and EBITDA by segment**

\$m	FY19	Proforma FY20	FY21	FY22F
<b>STEEL</b>				
Operating revenue	411.3	375.7	450.2	513.4
Cost of sales and operating expenses	(343.3)	(313.9)	(355.7)	(409.2)
<b>Segment EBITDA (Steel)</b>	<b>68.0</b>	<b>61.7</b>	<b>94.5</b>	<b>104.3</b>
<b>METALS</b>				
Operating revenue	273.9	264.8	281.3	295.8
Cost of sales and operating expenses	(233.3)	(219.6)	(221.4)	(233.6)
<b>Segment EBITDA (Metals)</b>	<b>40.6</b>	<b>45.2</b>	<b>59.9</b>	<b>62.2</b>
<b>CORPORATE</b>				
Operating expenses and other income	(17.8)	(19.1)	(24.7)	(19.1)
<b>Segment EBITDA (Corporate)</b>	<b>(17.8)</b>	<b>(19.1)</b>	<b>(24.7)</b>	<b>(19.1)</b>
<b>EBITDA</b>	<b>90.8</b>	<b>87.7</b>	<b>129.7</b>	<b>147.4</b>
Depreciation and amortisation	(30.9)	(31.4)	(29.9)	(28.2)
Net interest	(14.1)	(13.4)	(14.0)	(13.4)
Income tax expense	(14.0)	(11.0)	(24.8)	(32.1)
<b>Profit after tax</b>	<b>31.8</b>	<b>31.9</b>	<b>61.1</b>	<b>73.7</b>



## 4 Financial information Continued

### 4.5. Key pro forma operating and financial metrics

Figure 51 summarises Vulcan's key pro forma operating and financial metrics.

**Figure 51: Key pro forma operating and financial metrics**

	Units	Note	FY19	FY20	FY21	FY22F
<b>GROUP</b>						
<b>Operating metrics</b>						
Volumes	kt		255.4	234.2	259.7	270.7
Average selling price per tonne (ASP)	\$/t		2,683	2,735	2,817	2,990
Average gross profit per tonne	\$/t		928	949	1,041	1,077
<b>Financial metrics</b>						
Gross profit	\$m		237.0	222.3	270.4	291.4
Operating expenses	\$m		(146.2)	(137.1)	(140.7)	(144.0)
EBITDA	\$m		90.8	87.7	129.7	147.4
Capital expenditure	\$m		(15.2)	(4.5)	(5.5)	(14.1)
<b>Operating growth rates (pcp)</b>						
Volume growth	%			(8.3%)	10.9%	4.2%
Average selling price per tonne (ASP) change	%			1.9%	3.0%	6.2%
Average gross profit per tonne change	%			2.3%	9.7%	3.4%
<b>Financial growth rates (pcp)</b>						
Gross profit growth	%			(6.2%)	21.7%	7.8%
EBITDA growth	%			(3.4%)	47.9%	13.6%
<b>Profitability</b>						
Gross profit margin	%		34.6%	34.7%	37.0%	36.0%
Operating expenses as a % revenue	%		21.3%	21.4%	19.2%	17.8%
Operating expenses per tonne	\$/t		573	585	542	532
EBITDA margin	%		13.2%	13.7%	17.7%	18.2%
Cash conversion	%		77.7%	93.1%	94.9%	88.6%
Return on Capital Employed	%	1	13.5%	13.1%	23.9%	28.5%
<b>STEEL</b>						
Volumes	kt		202.2	183.6	211.0	220.6
Average selling price per tonne (ASP)	\$/t		2,034	2,046	2,134	2,327
EBITDA margin	%		16.5%	16.4%	21.0%	20.3%
<b>METALS</b>						
Volumes	kt		53.2	50.6	48.8	50.0
Average selling price per tonne (ASP)	\$/t		5,148	5,230	5,769	5,915
EBITDA margin	%		14.8%	17.1%	21.3%	21.0%

Notes:

- Return on Capital Employed:** FY19 capital employed reflects balances from the statutory balance sheet as at 30 June 2019, adjusted for 30 June 2020 balances for right of use assets and lease liabilities. FY22F capital employed reflects balances from the statutory balance sheet as at 30 June 2021. See Figure 54 for details.

## 4.6. Historical and Forecast Cash Flows

### 4.6.1. OVERVIEW

Figure 52 summarises the Pro Forma Historical Cash Flows and Pro Forma and Statutory Forecast Cash Flows.

**Figure 52: Pro Forma Historical and Pro Forma and Statutory Forecast Cash Flows**

\$m	Note	Pro forma				Statutory
		FY19	FY20	FY21	FY22F	FY22F
<b>EBITDA</b>		<b>90.8</b>	<b>87.7</b>	<b>129.7</b>	<b>147.4</b>	<b>130.7</b>
Changes in working capital	1	(15.9)	10.9	6.9	(0.5)	(0.5)
Net interest (paid)/received	2	(2.6)	(2.6)	(2.6)	(2.6)	(1.9)
Non-cash items	3	(2.2)	0.6	0.8	0.6	0.6
<b>Operating cash flow</b>		<b>70.1</b>	<b>96.7</b>	<b>134.9</b>	<b>145.0</b>	<b>128.9</b>
Capital expenditure	4	(15.2)	(4.5)	(5.5)	(14.1)	(14.1)
Cash lease payments	5	(22.6)	(22.7)	(23.5)	(24.0)	(24.0)
<b>Cash flows before corporate financing and taxation</b>		<b>32.2</b>	<b>69.5</b>	<b>105.9</b>	<b>106.9</b>	<b>90.8</b>
FY21 Dividend	6					(18.0)
Drawdown on borrowings	7					50.0
Pre-IPO distributions	8					(50.0)
Income tax paid	9					(31.2)
<b>Net cash flow</b>						<b>41.6</b>

Notes:

1. **Changes in working capital:** reflects the net cash impact of the change in trade and other receivables, inventory, and trade and other payables.
2. **Net interest (paid)/received:** reflects the net impact of interest paid on Vulcan's borrowings and bank facility fees and interest received on funds invested.
3. **Non-cash items:** reflects the impact of non-cash items captured within EBITDA.
4. **Capital expenditure:** includes investment in Group warehousing and manufacturing infrastructure, equipment, software and information technology assets and office infrastructure and fittings.
5. **Cash lease payments:** primarily comprises payments in respect of the leased properties accounted for in accordance with NZ IFRS 16.
6. **FY21 Dividend:** reflects payment of final dividend in respect of the year ended 30 June 2021, paid in August 2021.
7. **Drawdown on borrowings:** reflects drawdown of Vulcan's existing borrowings and bank facilities to facilitate the payment of pre-IPO distributions.
8. **Pre-IPO distributions:** reflects payment of pre-IPO distribution to existing shareholders of \$50.0m.
9. **Income tax paid:** reflects expected tax payments to be made to tax authorities in Australia and New Zealand.

## 4 Financial information Continued

### 4.6.2. PRO FORMA ADJUSTMENTS TO THE STATUTORY HISTORICAL AND FORECAST CASH FLOWS

Figure 53 sets out the pro forma adjustments to cash flows in the historical and forecast periods.

**Figure 53: Pro forma adjustments to the Statutory Historical and Forecast Cash Flows**

\$m	FY19	FY20	FY21	FY22F
Statutory net cash flow before corporate financing and taxation	27.6	72.1	116.2	90.8
1 Horan acquisition	6.6	–	–	–
2 Proceeds from sale and leaseback of property	–	–	(10.0)	–
3 Public company costs	(3.9)	(3.9)	(3.9)	(1.3)
4 Employee incentives	(0.8)	(0.8)	3.8	–
5 Capital Structure	2.7	2.0	(0.3)	(0.6)
6 Offer costs	–	–	–	18.0
Pro forma net cash flow before corporate financing and taxation	32.2	69.5	105.9	106.9

Notes:

1. **Horan acquisition:** reflects the inclusion of the cash flows of Horan assuming it was 100% owned by Vulcan from 1 July 2018.
2. **Proceeds from sale and leaseback of property:** adjustment to remove the cash received through the sale and leaseback transaction described in Section 4.2.2.
3. **Public company costs:** reflects Vulcan's estimate of the incremental annual costs that will be incurred as a listed company. These costs include ASX, NZX and share registry fees, Non-Executive Director remuneration, incremental insurance costs, as well as annual general meeting and annual report costs for all periods.
4. **Employee incentives:** reflects the changes in remuneration and incentives for Key Management Personnel described in Section 4.3.2.
5. **Capital Structure:** adjustment to reflect the interest and financing costs in line with the capital structure upon Completion and entry into the New Debt Facilities.
6. **Offer costs:** reflects forecast amounts to be expensed and paid in FY22F in relation to the Offer (e.g. fees payable to advisers, Joint Lead Managers, tax, accounting and legal fees) and the listing on the ASX and NZX.

## 4.7. Statutory Historical Statement of Financial Position and Pro Forma Historical Statement of Financial Position

### 4.7.1. OVERVIEW

Figure 54 sets out a summary of the Statutory Historical Statement of Financial Position as at 30 June 2021, adjusted for pro forma items to take into account the effect of the Offer, and certain capital transactions that have occurred, or will occur, between 1 July 2021 and Completion of the Offer.

**Figure 54: Statutory and Pro Forma Historical Statements of Financial Position at 30 June 2021**

		Pro Forma Adjustments		
		1	2	
\$m	Statutory	Pre-IPO Distribution	Impact of the Offer	Pro Forma
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	10.2	–	–	10.2
Trade and other receivables	128.1	–	–	128.1
Inventories	191.5	–	–	191.5
Derivative financial instruments	1.2	–	–	1.2
<b>Total current assets</b>	<b>331.1</b>	<b>–</b>	<b>–</b>	<b>331.1</b>
<b>NON-CURRENT ASSETS</b>				
Property, Plant and Equipment	51.8	–	–	51.8
Right-of-use assets	179.0	–	–	179.0
Intangible assets	13.3	–	–	13.3
Deferred tax assets	7.3	–	–	7.3
<b>Total non-current assets</b>	<b>251.4</b>	<b>–</b>	<b>–</b>	<b>251.4</b>
<b>Total assets</b>	<b>582.5</b>	<b>–</b>	<b>–</b>	<b>582.5</b>
<b>CURRENT LIABILITIES</b>				
Trade and other payables	(139.9)	–	(18.0)	(157.9)
Lease liabilities	(13.1)	–	–	(13.1)
Tax payable	(13.8)	–	–	(13.8)
<b>Total current liabilities</b>	<b>(166.7)</b>	<b>–</b>	<b>(18.0)</b>	<b>(184.7)</b>
<b>NON-CURRENT LIABILITIES</b>				
Lease liabilities	(181.6)	–	–	(181.6)
Interest-bearing liabilities	(80.0)	(50.0)	–	(130.0)
<b>Total non-current liabilities</b>	<b>(261.6)</b>	<b>(50.0)</b>	<b>–</b>	<b>(311.6)</b>
<b>Total liabilities</b>	<b>(428.3)</b>	<b>(50.0)</b>	<b>(18.0)</b>	<b>(496.3)</b>
<b>Net assets</b>	<b>154.1</b>	<b>(50.0)</b>	<b>(18.0)</b>	<b>86.1</b>
<b>TOTAL EQUITY</b>				
Share capital	12.0	–	–	12.0
Retained earnings	137.4	(50.0)	(18.0)	69.4
Reserves	4.7	–	–	4.7
<b>Total Equity<sup>3</sup></b>	<b>154.1</b>	<b>(50.0)</b>	<b>(18.0)</b>	<b>86.1</b>

Notes:

1. **Pre-IPO distributions:** reflects payment of distributions to Existing Shareholders prior to Listing. Amount to be paid in two tranches: (1) \$45.0m in September 2021 and (2) \$5.0m in October 2021. Both tranches will be paid by drawing down on existing debt facilities.
2. **Impact of the Offer:** pro forma adjustments to account for the costs of the Offer. Offer costs are expected to be paid from cash generated from operations during FY22F.
3. **Total Equity:** pro forma balance as at 30 June 2021 does not reflect (1) profits expected to be generated up until the time of the Offer and (2) the payment of the final dividend in respect of the year ended 30 June 2021 of \$18.0m in August 2021. Refer to Figure 52, Note 6 for details of the final dividend.

## 4 Financial information Continued

### 4.7.2. STATUTORY AND PRO FORMA INDEBTEDNESS

Figure 55 sets out a summary of indebtedness as at 30 June 2021, adjusted for certain pro forma adjustments related to the Offer.

**Figure 55: Summary indebtedness**

\$m	Statutory 30 June 2021	Pro forma 30 June 2021
Borrowings per balance sheet	80.0	130.0
Cash and cash equivalents	10.2	10.2
<b>Total net debt (pre NZ IFRS 16)</b>	<b>69.8</b>	<b>119.8</b>
Lease liabilities	194.7	194.7
<b>Total net debt including lease liabilities (post NZ IFRS 16)</b>	<b>264.5</b>	<b>314.5</b>

Notes:

1. Refer to Figure 54 notes.

On a pro forma basis as at 30 June 2021, Vulcan expects to have a net debt to FY21 EBITDA ratio (pre-NZ IFRS 16) of 1.1x.

### 4.7.3. DESCRIPTION OF DEBT FACILITIES

In June 2021, Vulcan amended its existing facility agreement and related tranche letters with the Bank of New Zealand, National Australia Bank Limited, Westpac New Zealand Limited and MUFG Bank Ltd (Auckland Branch) to provide that the following facilities will be available to Vulcan at the time of the Offer ("**New Debt Facilities**"):

**Figure 56: Summary of New Debt Facilities (\$m)**

\$m	Maturity	Facility size	Pro forma amount drawn as at 30 June 2021
Committed facilities <sup>1</sup>	July 2025	160.0	130.0
Uncommitted facility	July 2025	40.0	nil

Notes:

1. The committed facilities include a \$10m Letter of Credit or advance tranche.

Competitive arm's length market interest rates apply to the New Debt Facilities.

The committed facilities are subject to certain standard covenant tests including:

- maintaining a net debt to EBITDA ratio (pre-NZ IFRS 16) of not greater than 3.0x;
- maintaining a net interest cover ratio not less than 3.0x where net interest cover is calculated as EBIT (pre-NZ IFRS 16) divided by net interest and financing costs; and
- maintaining a minimum shareholder funds balance (Total Equity) of not less than \$100m.

These covenants are consistent with those present in Vulcan's prior facility agreement and tranche letters which were due to expire in June 2022, with the only adjustment being an increase to the minimum shareholder funds requirement.

Vulcan notes that the pro forma Total Equity balance as at 30 June 2021 (presented in Figure 54) is not relevant for covenant testing purposes as it does not reflect retained earnings expected to be generated from 30 June 2021 up until the time of the Offer (being profits generated less the \$18m dividend paid in August 2021). Vulcan expects to operate within the required covenants during FY22F.

In addition to the above New Debt Facilities, Vulcan also has access to two \$2m overdraft facilities provided separately by National Australia Bank Limited and the Bank of New Zealand.

#### 4.7.4. LIQUIDITY AND CAPITAL RESOURCES

Following Completion, Vulcan's principal sources of funding are expected to be cash flow generated from operations, available cash on balance sheet and undrawn debt capacity in the New Debt Facilities.

Vulcan expects that it will have sufficient funds available from its ongoing operations and available borrowings, to meet its operational requirements and will have sufficient working capital to carry on its stated objectives and planned capital investment for the next 12 months.

### 4.8. Assumptions underlying the Pro Forma Forecast Financial Information

The Forecast Financial Information has been prepared based on the Significant Accounting Policies adopted by Vulcan, which are in accordance with NZ IFRS and are disclosed in Appendix A. The Forecast Financial Information is based on various general and specific assumptions concerning future events, including those set out below.

The assumptions below are set out in summary only and do not represent all factors that may affect Vulcan's forecast financial performance. This information is intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring but is not intended to be a representation that the assumptions will occur.

In preparing the Forecast Financial Information, Vulcan has undertaken an analysis of historical performance and applied assumptions in order to forecast future performance for FY22F. Vulcan believes the assumptions, when taken as a whole, to be reasonable at the time of preparing this Prospectus, including each of the best estimate general and specific assumptions set out in Section 4.8. However, actual results are likely to vary from the forecast and any variation may be materially positive or negative. The assumptions upon which the Forecast Financial Information is based are by their nature subject to significant uncertainties and contingencies, many of which are outside the control of Vulcan and the Directors and are not reliably predictable.

Accordingly, no assurance is given that the Forecast Financial Information or any prospective statement contained in this Prospectus will be achieved. Events and outcomes might differ in amount and timing from the assumptions, with potential for a material positive or negative impact on the Forecast Financial Information. The assumptions set out below should be read in conjunction with the sensitivity analysis set out in Section 4.10, the risk factors set out in Section 5 and the Investigating Accountant's Report set out in Section 8.

#### 4.8.1. GENERAL ASSUMPTIONS

The Forecast Financial Information has been prepared using the following general assumptions:

- no significant acquisitions or disposals occur;
- no material financial impact as a result of any change in the competitive environment in which Vulcan operates;
- no significant deviation from current economic conditions;
- there are no material changes in government legislation, tax legislation, regulatory requirements or government policy that will have a material impact on the financial performance, cash flows, financial position, accounting policies, financial reporting or disclosures of Vulcan;
- there are no changes in applicable IFRS or other mandatory requirements which could have a material impact on Vulcan's reported financial performance or cash flows, financial position, accounting policies, financial reporting or disclosures;
- there are no material employee relations disputes or other disturbances, contingent liabilities or legal claims that arise or that are settled to the detriment of Vulcan;
- there are no material changes in key personnel, including key management personnel. It is also assumed that Vulcan will maintain its ability to recruit and retain the personnel required to support its operations and the future growth of the business;
- there are no significant disruptions to the continuity of Vulcan's operations or other material changes in the Company (other than the ongoing impact of COVID-19 lockdown restrictions as set out below); and
- that none of the risks listed in Section 5 eventuate, or if such risks do eventuate, that none of those risks have a material adverse impact on Vulcan's operations and therefore financial performance.



## 4 Financial information Continued

Other forecast assumptions include:

- operating expenses include forecast incremental costs associated with being a publicly listed company;
- Vulcan's depreciation policy and useful life assumptions are forecast to remain consistent with historical levels;
- interest expense in relation to debt is 2.0% per annum; and
- a NZD:AUD exchange rate of 0.949 throughout the period.

### Impact of COVID-19

As highlighted in the risk factors described in Section 5, whilst the full impact of COVID-19 on the steel industry in Australia and New Zealand is still unclear, the pandemic is likely to have both negative and positive impacts for the industry and Vulcan.

A summary of Vulcan's operational performance through COVID-19 is set out in Section 4.9.2, with further details of the financial impacts, including Government support, provided in Section 4.3.1 and throughout Section 4.9 below.

As of 1Q FY22F, COVID-19 lockdown restrictions in Australia's eastern states and New Zealand are currently impacting Vulcan's operations and are expected to continue to do so over the 1H22 period. Daily sales volumes for impacted sites over the affected period have been forecast with reference to Vulcan's achieved sales volumes during prior comparable periods of COVID-19 restrictions and 1Q FY22F trading performance as at the time of the Offer. Refer to section 4.10 for earnings sensitivities to assist with assessing the potential impacts of further COVID-19 lockdown restrictions outside of those contemplated above.

### 4.8.2. SPECIFIC ASSUMPTIONS

The Forecast Financial Information is based on various best estimate assumptions, including those set out below.

In preparing the Forecast Financial Information, Vulcan has analysed historical performance including current revenue and expenses and applied assumptions, where appropriate, across the Steel and Metals segments in Australia and New Zealand.

The key specific assumptions across the segments are set out below in Figure 57.

**Figure 57: Specific assumptions**

---

<b>Revenue assumptions</b>	<ul style="list-style-type: none"><li>• Forecast revenue is based on expected demand from customers multiplied by the expected average selling price; while other revenue items (i.e. freight, third party sales, customer owned material charges and trading) are also included.<ul style="list-style-type: none"><li>– Expected volume takes into consideration expected monthly sales forecasts by segment with reference to the number of trading days in any given month. Volumes are expected to increase in FY22F as a result of strong demand from the construction, manufacturing and mining sectors.</li><li>– Average selling prices are expected to be largely consistent with current selling prices over 1H22 with some decline in prices factored into the 2H22 Average Selling Price estimates.</li></ul></li></ul>
----------------------------	---

---

<b>Revenue assumptions</b> continued	<ul style="list-style-type: none"> <li>• COVID-19 lockdown restrictions currently impacting Australia's eastern states and New Zealand are forecast to result in lower than otherwise expected sales volumes in 1H22 for Vulcan sites in impacted regions. <ul style="list-style-type: none"> <li>– Daily sales volumes for affected sites are forecast to be negatively impacted by COVID-19 lockdown restrictions in 1Q FY22F before beginning to recover in 2Q FY22F. The assumed recovery in 2Q FY22F is based on the expectation that rising vaccination rates in both countries will result in an easing of restrictions and a lower likelihood of future COVID-19 lockdowns.</li> <li>– As a result of the COVID-19 lockdowns, 1Q FY22F average Vulcan group daily sales volumes are forecast to decline by approximately 10% from those achieved in 4Q FY21, before recovering deferred sales and therefore 2Q FY22F expected to be impacted to a lesser extent.</li> </ul> </li> </ul>
<b>Gross profit assumptions</b>	<ul style="list-style-type: none"> <li>• Forecast gross profit is based on Vulcan's expected gross profit per tonne multiplied by expected sales volumes.</li> <li>• Expected gross profit per tonne takes into consideration achieved gross profit per tonne for the months of July and August 2021, average selling price assumptions (see above) and increases in average cost prices as a result of recent rises in global steel prices which are expected to increase Vulcan's cost of sales in FY22F.</li> </ul>
<b>Operating expenses assumptions</b>	<ul style="list-style-type: none"> <li>• Forecast operating expenses are based on historical trends and factor in certain expected increases in variable and fixed costs in conjunction with expected sales volumes, including: <ul style="list-style-type: none"> <li>– employee benefit expenses, assumed to be 70% fixed and 30% variable to sales volume;</li> <li>– occupancy expenses, assumed to be 100% fixed cost;</li> <li>– selling and distribution expenses, assumed to be 100% variable to sales volume; and</li> <li>– general and administration expenses, assumed to be 50% fixed and 50% variable to sales volume.</li> </ul> </li> </ul>
<b>Capital expenditure assumptions</b>	<ul style="list-style-type: none"> <li>• Capital expenditure includes maintenance capital expenditure undertaken to sustain future revenues and profits, as well as growth capital expenditure, primarily related to new plant and property required for site expansions.</li> <li>• For further detail refer to Section 4.9.8.</li> </ul>
<b>Working capital assumptions</b>	<ul style="list-style-type: none"> <li>• Working capital balances are forecast based on historical trends, inventory levels, trade receivable and payables balances based on current trading terms with customers and creditors respectively.</li> <li>• Forecast working capital balances also take into consideration expected fluctuations in average selling price and average cost price, including: <ul style="list-style-type: none"> <li>– forecast inventory levels, based on the sales volume forecast and expected average cost prices;</li> <li>– forecast payable levels, are based on expected inventory requirements taking into account the historical relationship between inventory and payables; and</li> <li>– forecast receivables, based on expected sales and collections cycle.</li> </ul> </li> </ul>

There are a number of business initiatives which may drive additional revenue but have not been included in the Forecast Financial Information as the timing and extent is uncertain. These include (i) business improvement initiatives implemented at two New Zealand sites and (ii) the implementation of further business improvement initiatives or brownfield developments across ten Australian sites. Refer to Section 3.2 for a discussion of Vulcan's growth drivers and strategic initiatives.

## 4 Financial information Continued

### 4.9. Management Discussion and Analysis of Pro Forma Financial Information

This Section 4.9 discusses the main drivers of Vulcan's historical financial performance during FY19, FY20, FY21 and forecast financial performance during FY22F. It does not represent everything that affected Vulcan's performance over the period, nor does it include factors that may impact Vulcan's operating and financial performance in the future. The information in this Section 4.9 should be read in conjunction with the risk factors in Section 5 and other information contained in this Prospectus.

Unless otherwise stated, all metrics and financial information presented in this Section 4.9, including the related commentary, is on a pro forma basis. The financial information presented has been derived from the accounting records of Vulcan.

#### 4.9.1. REVENUE

Vulcan predominately derives revenue from value-added processing services and the supply and distribution of steel and related products in Australia and New Zealand. Vulcan also generates revenue through freight charges, third party sales, customer owned material charges and trading.

The key drivers of Vulcan's revenue are the Average Selling Price of its products per tonne and sales volumes.

#### Average Selling Price

Vulcan's sales prices are set with reference to the following factors:

- The replacement cost of inventory, which is linked to the prevailing market price of products and is driven by global and import parity prices, noting that the prevailing market price for these products is driven by various factors including (but not limited to):
  - global and regional demand conditions and production capacity;
  - changes to cross-border trading policies implemented by major steel exporting and importing countries;
  - changes to environmental policies adopted by various major steel producing countries which can impact future availability capacity;
  - movements in the costs of major raw material inputs for the manufacture of metal products; and
  - movements in foreign exchange rates.
- Local market factors such as competitor stock availability, the underlying demand environment and competitive landscape.
- "Value-in-use" to the end customer, with overall price for product and service reflecting security of supply (availability), breadth and depth of stock, responsiveness to customer requests, product and certificate traceability, reliability of delivery, flexibility in customer credit management, and other customer specific factors.
- The level of metal processing services required by customers such as cutting, drilling, tapping, countersinking, folding, sheeting and slitting.

Vulcan's business model reflects differentiated pricing on a customer by customer and product by product basis, supporting the Company's ability to achieve pricing outcomes that are commensurate with the service level rendered. Vulcan operates in selective segments and typically avoids high volume, price sensitive products.

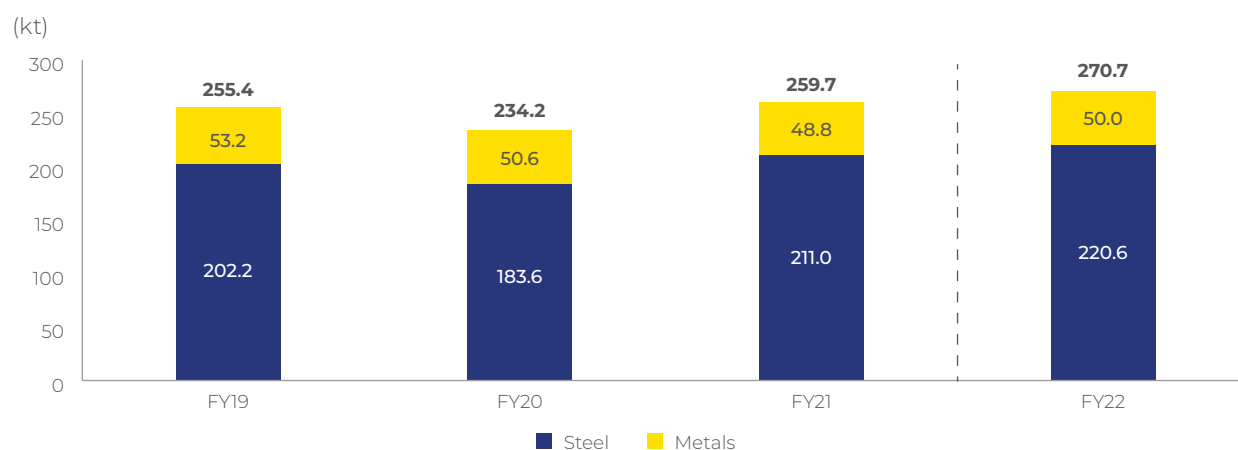
Vulcan aims to communicate increases in selling prices to customers as soon as possible following notification of price increases from suppliers, with accepted commodity benchmarks used as a reference point to communicate changes to customers. Vulcan has a demonstrated history of successfully passing on higher purchase costs to its customers in the form of higher selling prices.

Vulcan achieved growth in ASPs in FY19 and FY20 notwithstanding a declining steel price environment (to May 2020) as a result of its continued focus on service as well as a changing sales mix towards higher value products.

Increases in ASPs have been a key contributor to increased revenue over the historical period. In general, the directional movements in Vulcan's ASP reflect a combination of the movements in relevant global metals prices as well as the Company's ability to generate a larger price premium for its service levels. The increase in global metal prices since May 2020 reflect the underlying global and regional demand environment, production capacity constraints, decline in cross-border export volumes by major producer countries such as China, and stock availability levels in the local markets.

## Volumes

**Figure 58: FY19 to FY22F sales volumes by segment**



Vulcan volumes (expressed in sales tonnes per year) have increased from 255.4kt in FY19 to 259.7kt in FY21, driven by increased volumes in NZ offset by moderate volume decreases in Australia. Volumes are forecast to increase by 4.2% to 270.7kt in FY22F driven by continued strong demand across both the Steel and Metals segments.

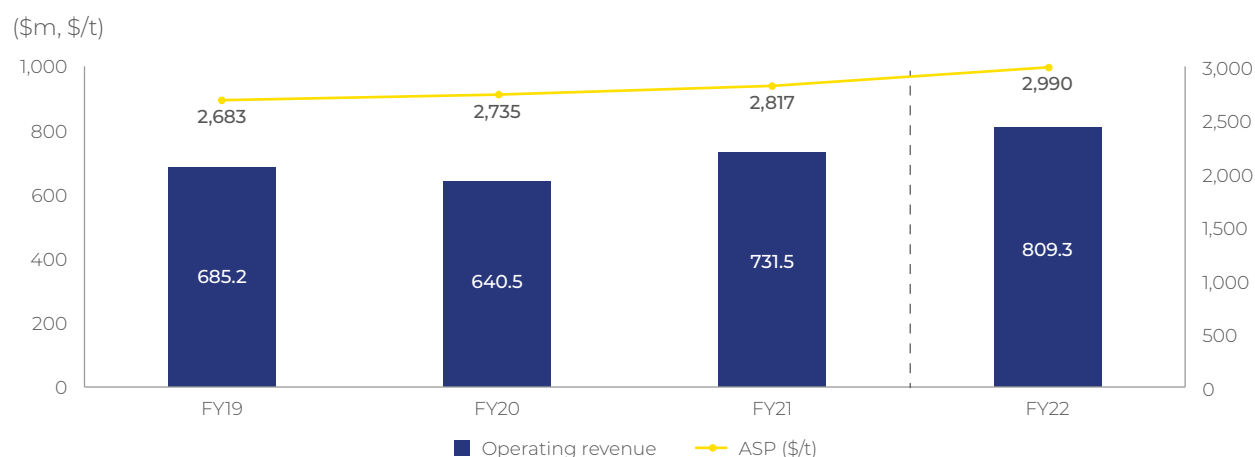
Volumes across Australia and New Zealand are linked to macroeconomic factors. Vulcan is diversified across customers, market segments and geographies and therefore is broadly exposed to macroeconomic drivers (see Section 2 for a summary of key drivers), with GDP growth a reasonable proxy for volume growth.

Further key drivers of Vulcan's volume growth are its number of sites, increase in active trading accounts (i.e. number of customers that have traded with Vulcan in the last 30 days) over time through sales improvement initiatives and the introduction of hybrid sites through the roll out of additional product offerings at pre-existing branches.

Stock availability and service levels have been key to driving new customer acquisition and retention. Active trading accounts have increased by approximately 6% from an average of 6,700 in FY19 to 7,100 in June 2021. New Zealand active trading accounts increased by approximately 13% between FY19 and FY21 while Australia active trading accounts rose 1% over the same period. Vulcan's focus is on improving sales volumes in Australia through higher engagement levels with both existing as well as new customers.

Future volume growth is expected to be driven by a combination of potential entry in new geographies in Australia and New Zealand, site expansion, new customers, increasing share of wallet from existing customers, organic growth within target product categories and cross-selling of products at each Vulcan site.

**Figure 59: FY19 to FY22F operating revenue (\$m) and Average Selling Price**



Revenue grew at a 3% CAGR from FY19-21 from \$685.2m to \$731.5m and is forecast to grow to \$809.3m in FY22F.

## 4 Financial information Continued

### FY19 to FY20

From FY19 to FY20, Vulcan revenue decreased approximately 7% from \$685.2m to \$640.5m. The decrease in revenue was primarily driven by the following factors:

- The impact of trading disruption caused by COVID-19, particularly in March and April of FY20, where a number of Vulcan's sites were required to shut due to Government restrictions (see section 4.9.2 for specific discussion on the impact of COVID-19).
- Lower volumes at Vulcan's Melbourne plate processing operation and its subsequent closure in June 2020.
- Rationalisation of less profitable product lines in the Company's engineering steel business in Australia in order to shift future volume mix to higher margin SKUs, which led to a 3.5% decline in engineering steel sales volumes in FY20 compared with FY19.

The reduction in volumes was offset by higher ASPs, which rose approximately 1.9% in FY20 compared with FY19. Key drivers include:

- Higher sales volume mix in plate processing and stainless steel (which have higher ASPs compared with other product categories).
- Increases in ASPs across key product segments, notwithstanding lower average cost prices and a declining global steel price over this period.

### FY20 to FY21

From FY20 to FY21, Vulcan revenue increased approximately 14% from \$640.5m to \$731.5m. The increase in revenue was driven by a range of factors as outlined below:

- An increase in underlying demand through FY21, particularly in New Zealand, resulting in:
  - overall daily sales volumes rising approximately 11% in FY21 and recovering to levels above FY19 following approximately a 9% decline in FY20;
  - sales volume in New Zealand rising approximately 20% in FY21, following a decline of approximately 10% in FY20; and
  - sales volume in Australia rising by approximately 6% in FY21 and recovering to levels above FY19 following an approximate 8% decline in FY20.
- An increase in the number of monthly active trading accounts.
- Higher volumes driven by stock availability relative to other market participants experiencing significant supply constraints.
- Entry into the engineering steel market in New Zealand.
- A positive pricing environment, noting:
  - global metal prices weakened for a relatively short period in the 4Q FY20;
  - since then, a recovery in global demand and supply constraints experienced by competitors led to high global metal prices and replacement costs, providing support for overall service and product pricing and the improved ASPs achieved by Vulcan during FY21. ASP rose approximately 3.0% in FY21 to \$2,817/t compared with \$2,735/t in FY20, driven by Vulcan passing on increases in replacement cost signalled by suppliers during FY21 for all categories of products; and
  - higher ASP growth was achieved in New Zealand compared with Australia where ASP was diluted by significant increase in coil volume which conventionally trades at lower prices than other categories.

### FY21 to FY22F

From FY21 to FY22F, Vulcan's revenues are forecast to increase approximately 11% to \$809.3m in FY22F. The forecast increase is driven by the following factors:

- A 6.2% increase in overall ASP to \$2,990/t in FY22F compared with \$2,817/t in FY21, reflecting:
  - an assumed broadly stable ASP in 1H which incorporates price increases implemented to date; and
  - an assumed 9% ASP decline forecast ASP levels in December 2021 over 2H22 to approximately \$2,800/t by June 2022, noting this compares with ASPs of \$2,817/t, \$2,735/t and \$2,683/t achieved in FY21, FY20 and FY19, respectively.

- An assumed increase in daily sales volumes of approximately 4% to 1,128 tonnes per day in FY22F from 1,082 tonnes per day in FY21, corresponding to a 4% increase in total annual sales tonnes to 270.7kt in FY22F from 259.7kt in FY21, reflecting:
  - a combination of the general increase in economic activity across both Australia and New Zealand;
  - the flow-on effects of growth in active trading accounts in FY21, and;
  - a new customer gained during the June quarter 2021 which is expected to contribute significant sales volume in FY22F.
- Steel and Metals volumes are assumed to rise by approximately 5% and 3% respectively in FY22F compared with FY21. Volume improvements are forecast to be partially offset by the impact of recent restrictions placed on economic activity in Australia and New Zealand (see Section 4.9.2 for further details).

Australia accounted for more than 60% of Vulcan's pro forma revenue between FY19-FY21. Subject to potential negative impacts from ongoing COVID-19 disruptions, the Company expects to deliver stronger underlying growth momentum in Australia compared with New Zealand in the future.

#### 4.9.2. REVENUE PERFORMANCE AND TRADING THROUGH COVID-19

Vulcan's volumes in FY20 (and to a lesser extent FY21) were negatively impacted by COVID-19 due to trading disruptions. COVID-19 lockdowns in both Australia and New Zealand during 2020, and more recently in 2H21 in Australia, restricted trade and impacted sales volumes. Vulcan's sales were particularly impacted in March and April 2020, where a number of sites in New Zealand were prevented from opening.

In March and April 2020, Vulcan's average daily sales volumes declined by 16% (down 3% in Australia and down 43% in New Zealand due to the tighter restrictions imposed in New Zealand compared to Australia) compared with average daily sales volume achieved in February 2020. This translated to an approximately 7,800 tonne decline in sales volume during these two months compared with March and April 2019. This decline represented approximately 3% of the annual 255,000 sales tonnes recorded in FY19.

Furthermore, in April 2020 the New Zealand Government made available COVID-19 wage subsidies to all employers that were significantly impacted by COVID-19 to help retain employees in their jobs. Vulcan received \$2.5m in wage subsidy payments in FY20 which were fully paid out to employees. Vulcan retained all staff on full pay and the subsidy was fully applied to Vulcan's New Zealand employees' pay.

As initial restrictions eased, Vulcan's daily sales volumes recovered to pre-COVID-19 levels by June of 2020. Vulcan observed strong volumes through 1H21, with average daily sales volumes up approximately 9% compared with FY20 levels, and in 2H21, with average daily sales volume up approximately 11% compared with 1H21 levels.

As of 1Q FY22F, COVID-19 lockdown restrictions in Australia's eastern states and New Zealand are currently impacting Vulcan's operations and are expected to continue to do so over the 1H22 period. The impact of these COVID-19 lockdown restrictions on volumes has been taken into consideration in the FY22F forecast period via adjustments to forecast daily sales volumes by month for affected sites:

- In Australia, daily sales volumes for Vulcan's sites in the eastern states are forecast to decline from June 2021 levels in 1Q FY22F before recovering in 2Q FY22F. There are no material disruptions from COVID-19 lockdown restrictions assumed for operations and volumes in other Australian states.
- In New Zealand, daily sales volumes are forecast to decline following the COVID-19 lockdown implemented in mid-August, with a return to pre-lockdown levels expected during 2Q FY22F.

The forecast assumptions set out above in relation to the impact on Vulcan's business from COVID-19 lockdown restrictions in Australia's eastern states and New Zealand are considered reasonable by Vulcan at the time of preparing this Prospectus. However, given the uncertain nature of the current COVID-19 lockdown restrictions, the assumptions above should be considered in conjunction with the sensitivity analysis set out in Section 4.10 and the risk factors set out in Section 5.



## 4 Financial information Continued

### 4.9.3. COST OF SALES

Cost of sales principally relates to cost of goods sold (“**COGS**”) and other consumables used in the processing (such as cutting and drilling) of products. Vulcan’s COGS relate to the costs associated with purchasing and landing products into Vulcan’s warehouses. Vulcan’s COGS is derived from the Average Cost Price (“**ACP**”) of its products per tonne and sales volume.

#### Average Cost Price

Vulcan uses a weighted average costing methodology, whereby the cost of sales (i.e. inventory sold) reflects the cost of inventory on hand.

As Vulcan typically carries an average of four months inventory on hand, when purchase prices are rising and above the current average cost for inventory on hand, cost of sales will be lower than replacement cost due to the lag between the sale of lower cost inventory on hand and the purchase of higher cost replacement stock. Conversely, when purchase prices are decreasing and lower than average cost of inventory on hand, cost of sales will be higher than the cost of replacement stock.

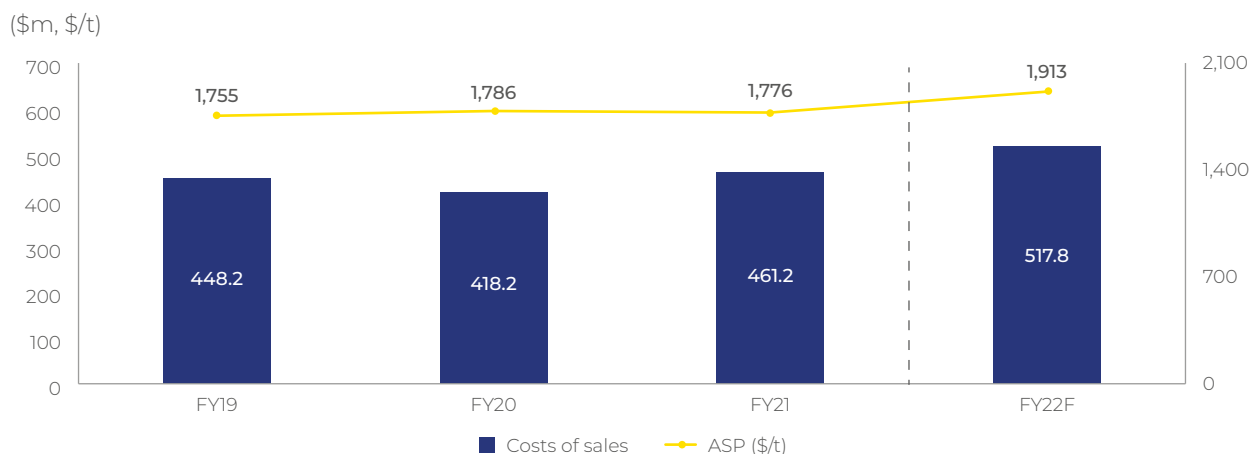
Vulcan primarily sources steel from steel mills within Australasia. While global metal price movements can be volatile and are used by regional producers as reference points, local steel mills have generally tempered price changes and take into account other factors (such as demand elasticity to sharp price changes and local demand conditions) when setting their prices.

Vulcan predominately sources stainless and engineering steels from outside of Australasia due to limited local production and as such, price movements are more typically correlated to international commodity benchmarks. The lag in purchase prices for stainless and engineering steels is generally longer than steel given the need to hold a higher inventory on hand to accommodate longer lead times to source product from offshore.

Global stainless steel prices are linked to nickel prices as nickel is a critical raw material input and a major cost component in the manufacture of the product. In addition to the demand for use in the production of stainless steel, nickel is also used in the manufacture of electric vehicle batteries. In recent years, an increase in demand for electric vehicle batteries has consequently placed upward pressure on global nickel prices.

As a globally traded product, steel products are generally quoted in USD or in currencies that are substantially pegged against the USD. Accordingly, movement in NZD and AUD relative to USD can impact on the average landed cost of steel in both markets. For reference, since FY19 the average NZD/USD exchange rate has moved from 0.67 to 0.70 resulting in an approximate 4% decline in the NZD cost of imported steel if all else was held constant.

**Figure 60: FY19 to FY22F cost of sales (\$m) and Average Cost Price**



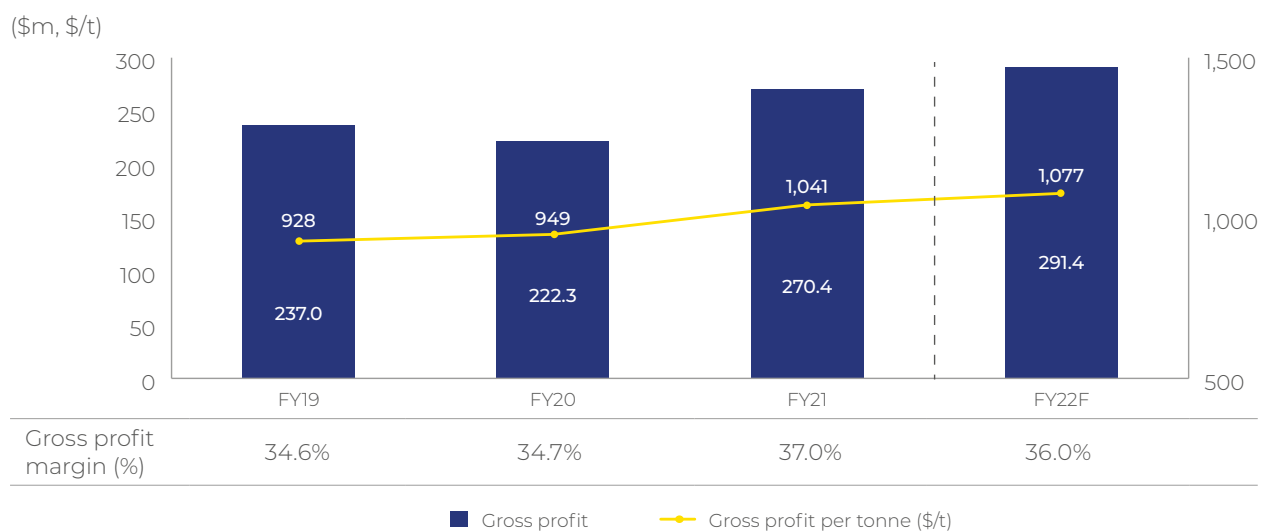
Vulcan’s cost of sales decreased from approximately \$448.2m in FY19 to \$418.2m in FY20, reflecting the negative impact of COVID-19 on sales volume offset by a slightly higher ACP for products.

In FY21, cost of sales increased to \$461.2m, reflecting a recovery in sales volume but lower ACP due to a higher sales mix of coil products.

Vulcan’s cost of sales are forecast to increase to \$517.8m in FY22F, driven by higher sales volumes and ACPs. This reflects the lagged effect of higher prevailing replacement costs flowing through into FY22F stock cost and COGS.

#### 4.9.4. GROSS PROFIT

**Figure 61: FY19 to FY22F Gross profit and gross profit per tonne**

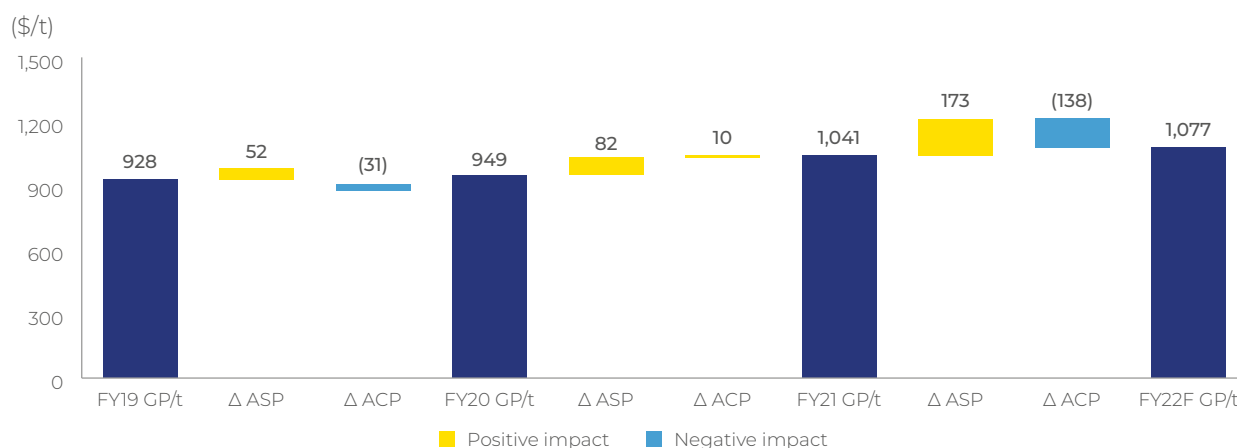


Vulcan's gross profit per tonne has expanded in each year of the historical period, increasing from \$928/t in FY19 to \$949/t in FY20 and \$1,041/t in FY21.

Margin expansion over the historical period reflects:

- a focus by Vulcan to lift overall pricing and profitability;
- growth in ASPs driving greater differences between ASPs and ACPs;
- sales mix rationalisation as Vulcan has focused on higher margin SKUs and customers in the Horan and engineering steel units; and
- a focus on volume growth through share gain by driving engagement levels with existing customers and growth in new active trading accounts.

**Figure 62: Movements in gross profit per tonne between FY19 and FY22F**



Vulcan's gross profit per tonne is forecast to increase modestly to \$1,077/t in FY22F. Consistent with the assumed ASP profile for FY22F, FY22F gross profit per tonne is assumed to peak in 1H22 and to decline by approximately 14% from December 2021 levels through 2H22. This reflects an assumption that global steel prices will begin to decline during 2Q FY22F and will result in lower ASPs in 2H22.

Demand and supply dynamics in the global steel market remain uncertain and could cause further short term volatility in global steel prices in FY22F. Vulcan is less directly exposed to global commodity benchmark price movements because it sources a significant proportion of its product in local markets. However, volatility in

## 4 Financial information Continued

global steel prices still has the potential to impact on Vulcan's product purchase costs (favourably or negatively) and product pricing strategy, and consequently has the potential to increase the volatility in Vulcan's Gross Profit per tonne over the forecast period.

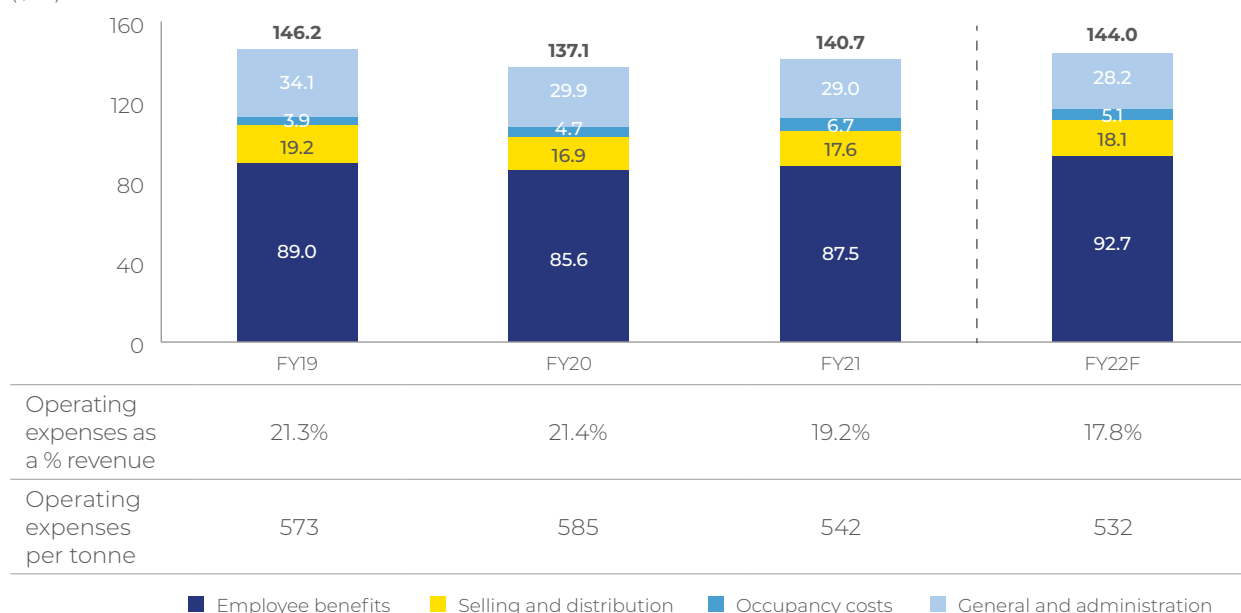
Apart from underlying demand and supply factors, a global resurgence in COVID-19 has the potential to negatively impact overall economic activity, underlying demand for Vulcan's products and Vulcan's product pricing and consequently Gross Profit margin.

Additionally, significant changes in cross border trade and environmental policies adopted by major steel producing and importing countries have the potential to increase or decrease steel pricing across the value chain. As an example, recent changes to China's policy settings for its domestic steel manufacturing industry, including incentives, tariffs and emissions controls, have impacted swing volumes available from China to net importing countries including Australia and New Zealand, which has in turn led to higher global steel prices and domestic steel prices in Australia and New Zealand.

### 4.9.5. OPERATING EXPENSES

**Figure 63: FY19 to FY22F operating expenses**

(\$m)



Vulcan's key operating expenses include employee benefits, selling and distribution, occupancy and general and administration expenses. Vulcan's operating expenses decreased from \$146.2m to \$140.7m over the historical period.

Vulcan's operating expenses are forecast to increase by \$3.3m to \$144.0m in FY22F compared with \$140.7m in FY21. Declines in general and administration expenses are expected to be offset by approximately \$3m of incremental operating costs, as Vulcan begins to implement certain identified business improvement initiatives. The positive impacts of these initiatives are expected to be reflected in Vulcan's earnings after FY22F.

#### Employee benefit expenses

Employee benefits include salaries, wages and other employment related costs of employees (e.g. annual leave, long service leave and superannuation contributions).

Employee benefits decreased from \$89.0m to \$85.6m between FY19 and FY20 as a result of a decline in headcount in the Metals segment through natural attrition and rationalisation of the recently acquired Global Metals and Interlloy operations (which sit within the Metals segment).

Employee benefits increased from \$85.6m to \$87.5m between FY20 and FY21 as a result of wage inflation and various incentive bonuses. Bonuses were higher in FY21 compared to the prior period due to the one-off bonus payments (in shares) to non-KMP of approximately \$1.6m<sup>142</sup> in FY21 compared with nil in FY20.

<sup>142</sup> Vulcan expect this approximate quantum of bonus to be ongoing but may be paid in cash rather than in shares in the future.

Excluding bonuses, Vulcan's salaries and wages expense remained relatively flat in FY21 compared with FY20, as natural staff attrition (which Vulcan did not replace) offset annual wage inflation. There was a net headcount reduction of approximately 20 across the Group over this period.

In FY22F, Vulcan forecasts employee benefits to increase by \$5.2m due to expected wage inflation and the expected increased headcount required to implement the business improvement initiatives mentioned above.

### **Selling and distribution expenses**

Selling and distribution expenses relate to the distribution and freight of products in Australia and New Zealand and primarily relate to the costs of operation of Vulcan's trucking fleet. These expenses are generally linked to sales volume and therefore fluctuate from year to year. Distribution costs also include advertising and marketing which is generally an immaterial amount.

The \$2.3m decline in FY20 compared with FY19 was driven largely by lower sales volume which was impacted by COVID-19 along with other factors.

Between FY20 and FY21 selling and distribution expenses were relatively flat, incorporating:

- higher costs in New Zealand driven by higher volumes;
- lower operating costs in Australia due to a decline in sales volume in certain segments due to the rolling impact of COVID-19 during FY21; and
- a broad base of cost improvement initiatives.

In FY22F, selling and distribution expenses are expected to increase by \$0.5m as a result of higher volumes.

### **Occupancy costs**

Occupancy costs relate principally to rates, repair and maintenance for buildings and power and remain relatively constant period on period. The increase in occupancy costs in FY21 is driven by relocation costs of \$1.5m associated with a site relocation in Sydney. In FY22F occupancy costs are expected to return to historical levels.

Occupancy expenses do not include any costs associated with property leases which are accounted for under NZ IFRS 16 *Leases*. A reconciliation including cash impacts of these lease costs are included in Section 4.2.5.

### **General and administration expenses**

General and administration expenses relate to non-staff operating expenses for stores, technology, travel expenses, consultancy and professional fees, licenses, insurance, incremental standalone public company costs and exchange gains/losses.

Overall, these expenses declined in FY20 compared with FY19 due to the negative COVID-19 impact on Vulcan's New Zealand sales volume, which led to lower store running costs and other associated expenditure in the fourth quarter of FY20.

This decline was partially offset by an increase in the provision for doubtful debts.

General and administration expenses decreased from \$29.9m in FY20 to \$29.0m in FY21. Key sources of the \$0.9m decline in FY21 compared with FY20 include:

- \$840k decline in travel costs due to restrictions on travel;
- decline in the FY21 provision for doubtful debts expense of \$900k following a significant provision recognised in FY20; and
- reduction of \$260k in insurance costs following a review of the Company's insurance programme.

These declines were partially offset by increases in contract labour and foreign exchange losses.

In FY22F, general and administration expenses are expected to decline by \$0.8m, with increases in store running costs offset by lower expected consultancy and professional fees (excluding those incurred in relation to the Offer) compared to FY21.

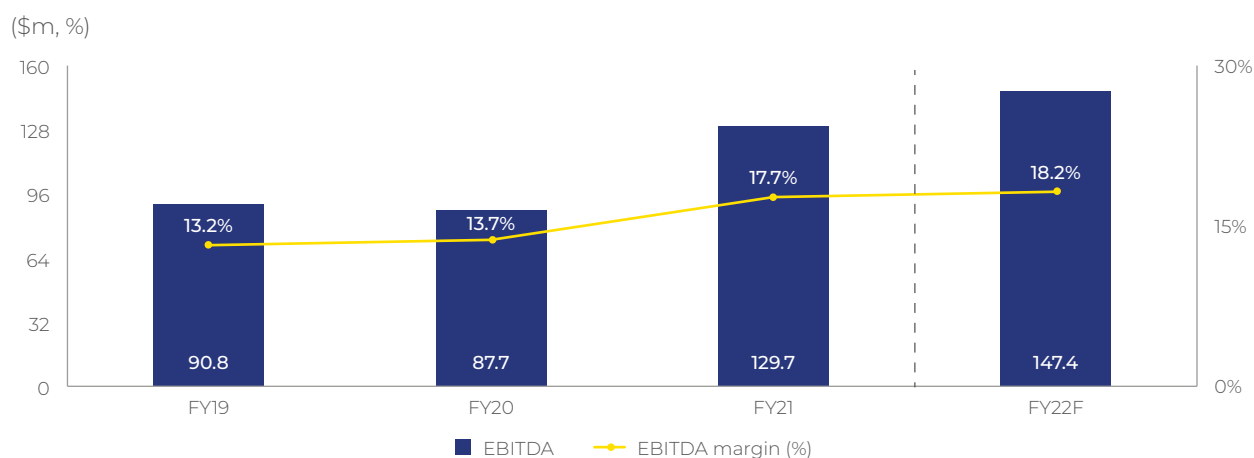
## 4 Financial information Continued

### 4.9.6. EBITDA

Vulcan's EBITDA increased from \$90.8m in FY19 to \$129.7m in FY21, representing a CAGR of 20%. During this period, Vulcan's EBITDA margin increased from 13.2% in FY19 to 13.7% in FY20 and 17.7% in FY21. This improvement reflects approximately 2% volume growth, a 12% increase in gross profit per tonne and an approximately 4% decline in operating expenses over the same period.

EBITDA is forecast to increase to \$147.4m in FY22F driven by higher gross profit per tonne assumptions (as discussed in Section 4.9.4), a 4% increase in sales volume (as discussed in Section 4.9.1) and a 2% increase in operating expenses (as discussed in Section 4.9.5).

**Figure 64: FY19 to FY22F EBITDA and EBITDA margin**



#### FY19 to FY20

From FY19 to FY20, Vulcan's EBITDA decreased by \$3.1m, or approximately 3%, from \$90.8m to \$87.7m. The decrease was a result of the following movements:

- Revenue declined by \$44.7m, or approximately 7%, primarily driven by a decline in volumes which was only partially offset by higher ASPs.
  - The decline in volumes from FY19 was due to the impact of COVID-19 trading disruptions and Vulcan's decision to rationalise certain less profitable Metal SKUs in Australia as part of a shift in mix towards higher margin products.
  - The increase in ASPs reflected a change in product mix with increased volumes in plate processing and stainless steel in addition to Vulcan's continued utilisation of the "value-in-use" pricing model which saw ASPs increase in a weaker global steel price environment.
- Cost of sales declined by of \$30.0m, or approximately 7%, driven by an overall reduction in volumes.
- Operating expenses declined by \$9.2m, or approximately 6%, due to lower employee benefits and lower selling and distribution expenses as sales volumes fell.

#### FY20 to FY21

From FY20 to FY21, Vulcan's EBITDA increased by \$42.0m, or approximately 48%, from \$87.7m to \$129.7m. The increase was a result of the following movements:

- Revenue improvement of \$91.1m, or approximately 14%, driven by an increase in volumes and higher ASPs across both the Steel and Metals segments.
  - The increase in volumes from FY20 was due to stronger demand (especially in New Zealand) from existing customers, an increase in the number of active monthly trading accounts and a positive impact from greater stock availability relative to other market participants.
  - The increase in ASPs reflected stronger global steel prices, increased demand and supply constraints impacting competitors.

- Throughout FY21, Vulcan successfully passed on increases in replacement costs across all product categories, bolstering ASPs.
- Cost of sales increased by \$43.0m, or approximately 10%, driven by the increase in volumes, offset slightly by lower costs per tonne due to a higher proportion of coil product sales which carry lower costs per tonne.
- Operating expenses increased by \$3.6m, or approximately 3%, as a result of higher employee benefits and an increase in occupancy expenses.

## **FY21 to FY22F**

From FY21 to FY22F, Vulcan's EBITDA is forecast to increase by \$17.7m, or approximately 14%, from \$129.7m to \$147.4m driven by the following:

- A revenue increase of \$77.7m, or approximately 11%, driven by continued strong volume growth of approximately 4% and sustained ASPs, as global steel prices are assumed to remain supportive throughout 1H21 before a forecast moderate decline in 2H22.
  - The increase in volumes is a continuation of the strong demand across both Australia and New Zealand over 2H21, with adjustments made for lower volumes in Australia's eastern states and New Zealand in 1H22 as a result of COVID-19 lockdowns.
  - The increase in ASPs reflects the current strong global steel price environment that is assumed to continue into FY22F for a period before beginning to decline in late 2Q FY22F and into 2H22.
- Cost of sales is forecast to increase by \$56.7m, or approximately 12%, driven by the increase in volumes and an 8% increase in ACPs driven by higher global steel and input prices.
- Operating expenses are expected to increase by \$3.4m as a result of higher employee benefits and selling and distribution expenses, driven by increased sales volumes, which will be offset by lower occupancy costs and general and administration expenses.

Note that, the assumptions upon which the FY22F EBITDA is based are by their nature subject to significant uncertainties and contingencies, many of which are outside the control of Vulcan and are not reliably predictable. The forecast movements in FY22F EBITDA should be considered in conjunction with the risk factors in Section 5 and other information contained in this Prospectus.

### **4.9.7. DEPRECIATION AND AMORTISATION ("D&A")**

Vulcan's depreciation expense relates to the depreciation of fixed and right-of-use assets including building, property, plant and equipment, capitalised property leases and leased vehicles.

Vulcan's amortisation expense relates to the amortisation of its software and value of acquired customer lists.

Vulcan's pro forma D&A was stable at approximately \$31m in FY19 and FY20, declining slightly to \$30m in FY21. Excluding right-of-use assets, pro forma D&A for other fixed and intangible assets was approximately \$12m in each of FY19 and FY20, and \$11m in FY21. Excluding right-of-use assets, pro forma D&A is forecast to remain broadly stable in FY22F at approximately \$10m.

Vulcan's accounting policies with regard to the calculation of depreciation and amortisation are explained in Appendix A.

### **4.9.8. CAPITAL EXPENDITURE**

Consistent with Vulcan's focus on growth as well as maintaining a high level of customer satisfaction and DIFOT scores, the Company's strategy is to continue to maintain a portfolio of modern, productive and functional equipment to ensure the quality of processed products and turnaround time on orders to ensure Vulcan remains competitive in the market. In addition, Vulcan has invested where required to secure an edge and to capitalise on growth opportunities.

Vulcan's capital expenditure typically averages approximately \$10m p.a. This is broadly in line with Vulcan's average total annual depreciation expense of approximately \$11m for property, plant, equipment and IT systems.

Vulcan's capital expenditure was \$15.2m in FY19 and \$4.5m in FY20. In line with Vulcan's strategy, the higher-than-normal capital expenditure in FY19 included an upgrade of Global Metals Ltd and Interlloy Ltd assets following the acquisition of those two businesses in FY18.



## 4 Financial information Continued

The lower capital expenditure in FY20 resulted from the higher-than-normal spend in FY19 and the disruption caused by COVID 19 in 2H20. This disruption to Vulcan's investment plan lasted into FY21 and led to a below trend capital expenditure of \$5.5m.

Vulcan has forecast \$14.1m of capital expenditure in FY22F, reflecting implementation of certain capital projects and initiatives that were delayed during FY21 as result of COVID-19 disruptions. Vulcan's forecast FY22F capital expenditure relates to the following:

- **Cost saving initiatives:** approximately \$2.5m relates to the expansion of the Smithfield stainless site to accommodate a new engineering steel unit. This project is expected to deliver approximately \$2.1m per annum of net cost savings on completion from 2H FY22F onward. The project is assumed to deliver approximately \$500,000 net savings in FY22F.
- **Revenue growth initiatives:** Vulcan is investing approximately \$1.5m in new equipment at its Brisbane plate processing site to capitalise on growth opportunities in the Queensland market. This is expected to be commissioned in 4Q FY22F. No revenue contribution is assumed from this project in FY22F.
- **Maintenance capital expenditure:** Vulcan is expecting approximately \$6.5m of maintenance capital expenditure in FY22F, comprising approximately \$3m on replacement of its truck fleet, \$1.3m on replacement of its processing machine in Christchurch and \$1.4m on improving existing facilities.

### 4.9.9. WORKING CAPITAL

Working capital is comprised of trade and other receivables, inventory, and trade and other payables. Vulcan's working capital has historically grown in line with sales volumes primarily due to increased inventory requirements and trade credit terms extended to customers which is partly offset by credit terms received from suppliers.

Vulcan's inventory grows in line with higher sales volumes as a result of increased stock requirements and range expansion. In addition, the carrying value of Vulcan's inventory can shift over time as new replacement stock ordered is received by the Company. The purchase costs for replacement stock are influenced by changes in global and regional steel prices. From time to time, supply chain disruptions impact Vulcan's working capital for a given period. These differences can result in significant variability in Vulcan's end of period working capital balance due to the imbalance between sales volumes and trade receivables, stock received and accounts payable which are not necessarily reflective of the underlying working capital position.

The \$6.9m decrease in working capital over FY21 reflected lower stock levels of approximately 3.5% compared with FY20, whilst the carrying cost per tonne of stock was broadly similar at the end of both periods. In FY22F, Vulcan's working capital position is projected to remain broadly unchanged from FY21. Whilst the value of inventory is forecast to be higher at the end of FY22F compared with FY21 due to the lag effect of higher costs of replacement stock, this is expected to be offset by a decline in accounts receivable reflecting Vulcan's assumed moderate decline in ASPs in 2H22.

### 4.9.10. CASH CONVERSION

Vulcan's cash conversion<sup>143</sup> has increased over the historical period from 77.7% in FY19 to 94.9% in FY21. This increase is due to a combination of:

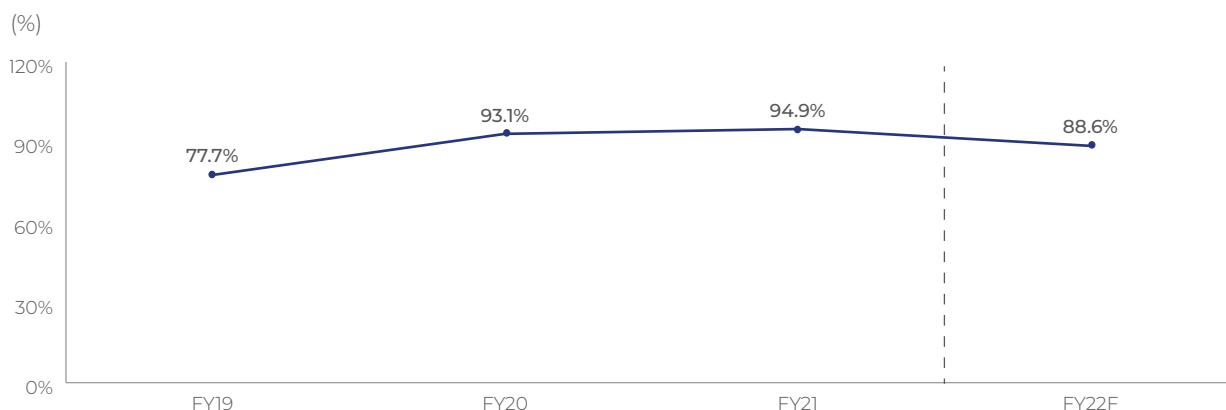
- higher than usual capital expenditure in FY19 as a result of the integration of Global Metals and Interlloy;
- lower than usual capital expenditure in FY20 and FY21 due to COVID-19 disruptions; and

EBITDA growth as a result of stronger volumes and gross profit per tonne margins.

Despite an increase in capital expenditure in FY22F, Vulcan's forecast cash conversion is expected to remain strong at 88.6% as increased capital expenditure is offset by expected higher EBITDA in the period.

143. Defined as EBITDA less capital expenditure and less cash lease payments divided by (EBITDA less cash lease payments).

**Figure 65: FY19 to FY22F cash conversion**



## 4.10. Sensitivity analysis of Forecast Financial Information

The Forecast Financial Information is based on a number of estimates and assumptions that are subject to business, economic and competitive uncertainties and contingencies, many of which are beyond the control of Vulcan, its Directors and Management. These estimates and assumptions are also based on current expectations of future business developments which are subject to change.

Investors should be aware that future events cannot be predicted with certainty and as a result, deviations from the figures forecast in this Prospectus are to be expected. Set out below is a summary of the sensitivity impact on the Forecast Financial Information of changes to a number of key variables. The changes in the key variables as set out in the sensitivity analysis are intended to provide a guide only and are not intended to be indicative of the complete range of variations that may be experienced. Variations in actual performance could exceed the ranges shown.

Care should be taken in interpreting these sensitivities. In order to illustrate the likely impact on the Forecast Financial Information, the estimated impact of changes in each of the assumptions has been calculated in isolation from changes in the other assumptions. In practice, changes in assumptions may offset each other or be additive and it is likely that Management would respond to any adverse changes in one item and seek to reduce the net effect on Vulcan's EBITDA and cash flow.

For the purpose of the analysis below, the effect of the changes in key assumptions on the FY22F pro forma EBITDA and pro forma NPAT is set out in Figure 66 below.

**Figure 66: Sensitivity analysis on the impact on FY22F pro forma EBITDA and NPAT**

		FY22F		Sensitivity		\$m impact	
		Unit	Assumption	Metric +/(-)	% +/(-)	EBITDA +/(-)	NPAT +/(-)
	FY22F forecast	\$m	n/a	n/a	n/a	147.4	73.7
1	Foreign exchange (NZD:AUD)	\$	0.949	0.010	1.0%	(1.0)	(0.7)
2	Volumes – Steel	kt	220.6	11.0	5.0%	8.7	6.1
3	Volumes – Metals	kt	50.0	2.5	5.0%	5.9	4.1
4	Volumes – Australia	kt	170.5	8.5	5.0%	8.7	6.1
5	Volumes – New Zealand	kt	100.2	5.0	5.0%	5.8	4.1
6	Gross profit per tonne	\$/t	1,077	27	2.5%	7.3	5.1
7	Operating expenses	\$m	144.0	1.4	1.0%	(1.4)	(1.0)
8	Interest rate	%	2.0%	25 bps	n/a	n/a	(0.2)

## 4 Financial information Continued

### 4.11. Dividend policy, franking and imputing of dividends

The payment of dividends by Vulcan is subject to the discretion of the Directors and will be a function of the Directors' consideration of a number of factors including the general business environment and Vulcan's operating results, cash flows, financial condition, future funding requirements, capital expenditure, capital management initiatives, taxation considerations (including the level of New Zealand imputation credits and Australian franking credits), any contractual, legal or regulatory restrictions on the payment of dividends and any other factors the Directors may consider relevant.

Subject to the factors outlined above, the ability of the Company to pay dividends is assessed on a Company basis and not a consolidated group basis. The Company's ability to pay future dividends is dependent on, amongst other factors, its standalone satisfaction of the solvency test of the *Companies Act 1993* in New Zealand.

The Directors intend to target a payout ratio of 60% to 80% of statutory NPAT adjusted for significant items approved by the Board. However, the exact payout ratio is expected to vary between periods depending on the factors above and is subject to the Board's discretion.

Subject to the factors outlined above, the Directors expect to declare and pay interim dividends in respect of half years ending 31 December and final dividends in respect of the half years ending 30 June each year. It is expected that interim dividends will be paid in March or April and final dividend in September or October following the relevant financial period.

The Directors intend to pay out between 40-50% of the expected annual dividend as an interim dividend with the balance of 50-60% to be paid as a final dividend, reflecting underlying seasonality.

The Directors anticipate that Vulcan's first dividend as a listed company will be declared in relation to the half year ending 31 December 2021 and will be paid in March 2022. Vulcan's expectation is that this first interim dividend will be fully imputed with New Zealand imputation credits.

As a corporate taxpayer on earnings in Australia and New Zealand, Vulcan expects to pay income tax in both Australia and New Zealand and hence generate Australian franking credits and New Zealand imputation credits available for distribution to shareholders. Subject to Australian Taxation Office confirmation, Vulcan anticipates that it will become a New Zealand franking company for the purposes of being able to frank dividends into the future. Vulcan will not generate sufficient imputation credits and franking credits to fully impute and fully frank all annual dividends. Accordingly, Vulcan intends to alternately impute or frank successive dividends to the maximum extent possible.

New Zealand shareholders who maintain the same shareholding throughout the year are expected to receive the same after-tax return as would be the case with spreading the imputation credits over the interim and final dividends.

Australian shareholders may benefit from the increased tax effectiveness of this approach as it will minimise the wastage of franking credits for Australian shareholders where dividends are both imputed and franked.

Australian shareholders may also benefit where Vulcan imputes the interim dividend and is required to pay a supplementary dividend. Supplementary dividends are paid to non-New Zealand shareholders who own less than 10% of Vulcan to relieve shareholders from the cost of New Zealand non-resident withholding tax paid on dividends notwithstanding that a shareholder may be entitled to claim a tax credit in their home jurisdiction for the withholding tax.

Shareholders can elect to receive their dividends in Australian dollars or New Zealand dollars. Accordingly, where the Board determines to pay a distribution in a currency other than New Zealand dollars, the amount payable shall be converted from New Zealand dollars in such manner, at such time and at such exchange rate as determined by the Board.

A close-up photograph of a precision industrial machine, likely a CNC lathe or mill. The image shows a complex assembly of metal parts, including a rotating gear with teeth, a tool head with a sharp cutting edge, and various adjustment screws and bolts. The machine is illuminated by warm, golden light, creating a sense of depth and highlighting the metallic textures. A dark blue diagonal overlay covers the left side of the image, containing the section header.

# 5 / Key risks

## 5 Key risks

This Section 5 describes some of the potential risks associated with an investment in Vulcan.

An investment in Vulcan is subject to risks both specific to its business activities, as well as risks of a general nature. Each of these risks could, either individually or in combination, if they eventuate, have a material adverse effect on Vulcan, its financial position, operating and financial performance and the value of an investment in Vulcan. Some of the circumstances giving rise to these risks are partially or completely beyond Vulcan's control and that of the Directors and senior management. There can be no guarantee that Vulcan will achieve its stated objectives or that any forward-looking statements or forecasts will eventuate. You should note that past performance may not be a reliable indicator of future performance.

You should note that the risks described in this Section 5 are not the only risks faced by Vulcan. Additional risks (including risks of which Vulcan and its Directors are currently unaware) also have the potential to have a material adverse effect on the Company, its financial position, operating and financial performance and the value of the Shares. The assessment of these risks is based on the knowledge of Vulcan's Directors and senior management as at the date of the Prospectus, but there is no guarantee or assurance that the importance of risks will not change or that other risks will not emerge.

Before deciding whether to invest in Vulcan, you should read this Prospectus carefully and in its entirety, and satisfy yourself that you have a sufficient understanding of the actual and potential risks associated with such an investment. You should consider whether an investment in Vulcan is suitable for you, having regard to your personal circumstances, investment objectives, financial circumstances, taxation position and particular needs. If you do not understand any part of this Prospectus or are in any doubt as to whether to invest in Vulcan, you should seek professional advice from your stockbroker, accountant, lawyer, financial adviser or other independent professional adviser.

### 5.1. Specific risks to Vulcan

#### 5.1.1. ECONOMIC ACTIVITY AND DEMAND FOR STEEL IN AUSTRALIA AND NEW ZEALAND

Steel demand is linked to the strength of economic activity, on a global and regional (Australia and New Zealand) basis. If macroeconomic conditions were to deteriorate in Australia and New Zealand, the outlook for steel demand in Australia and New Zealand may be negatively impacted. No prediction can be made regarding the nature, timing, extent, and duration of any future downturn in the Australian and New Zealand economies, as well as any potential impact of COVID-19 related uncertainties on the demand for steel products. In particular, slower economic growth, a downturn in the economy as a whole, or a downturn in industries that are consumers of steel (such as the construction, manufacturing or mining industry), may have a material adverse effect on the demand for steel products. This may have an adverse effect on Vulcan's business and financial performance.

#### 5.1.2. FLUCTUATIONS IN STEEL PRICES IN AUSTRALIA AND NEW ZEALAND

Steel prices are primarily influenced by regional and global steel demand and production capacity, as well as fluctuations in steel imports and exports, rebates, tariffs and the costs of raw inputs (such as iron ore, ferrous scrap, nickel). As a globally traded product, steel or steel products are generally quoted in USD or in currencies that are substantially correlated with the USD. Accordingly, movement in NZD and AUD relative to USD can impact on the average landed cost of steel in both the Australian and New Zealand markets. These prices, which can fluctuate significantly over time, are cyclical, difficult to forecast and outside of Vulcan's control.

As a distributor, both Vulcan's selling prices and cost of goods sold are generally impacted by movements in international steel prices as Vulcan and local market participants respond to global conditions. Differences between Vulcan's ability to adjust its selling prices with changes in the cost of purchasing steel may impact Vulcan's gross profits.

Increases in steel prices generally lead to an increase in the selling prices of Vulcan's products as well as the cost of purchasing steel for distribution and processing. Conversely, decreases in steel prices generally lead to a decrease in the selling prices of Vulcan's products as well as the cost of purchasing steel for distribution and processing. In either instance, if Vulcan is unable to adjust its selling prices in line with the changes to the cost of its inputs, due to competitive dynamics or other constraints, this may adversely impact Vulcan's financial performance. Given there is a lag between time of purchase and time of sale of products, there is a risk that Vulcan's selling prices may not be commensurate with the purchased value of steel inventory.

### 5.1.3. VULCAN'S CUSTOMERS OPERATE IN INDUSTRIES WHICH ARE CYCLICAL

Vulcan's customer demand profile and therefore its revenue and earnings are sensitive to the level of activity in a number of industries in Australia and New Zealand, but particularly the construction, manufacturing and mining industries given the nature of Vulcan's products. These industries are typically cyclical and sensitive to a number of factors outside of Vulcan's control, including general economic conditions. Any significant or extended downturn in the construction, manufacturing and/or mining industries will negatively affect Vulcan's business and financial performance. Vulcan is not able to predict the timing, extent, and duration of the economic cycles in the markets in which it operates. Vulcan may not be readily able to reduce its costs in proportion with the impact of any economic downturn on its revenue which could in turn have a material adverse effect on its financial performance.

### 5.1.4. COVID-19 AND ASSOCIATED GOVERNMENT RESTRICTIONS

Events related to COVID-19 have resulted in significant market volatility. Given the continued evolving nature of COVID-19, the nature and extent of its effect and the related impact on commodity prices, the Company's performance, and the global, New Zealand and Australian economies remain unknown. There is also continued uncertainty as to the ongoing and future response of governments and authorities in Australia and New Zealand. The impact of COVID-19 could potentially have a material adverse effect on Vulcan's business, operations and financial performance, as well as the Company's suppliers and customers. These adverse effects include a disruption to supply chain logistics for Vulcan, its suppliers and customers as a result of the ongoing impacts of COVID-19. Further, any government or industry measures may have a material adverse effect on Vulcan's operations and are likely beyond Vulcan's control.

Due to COVID-19, the State and Federal Governments in Australia and the New Zealand Government have imposed restrictions which have, and may, disrupt the operations of Vulcan. To date these restrictions have at various times included lockdowns, border controls, stay-at-home orders, construction pauses and restrictions on industrial activity. There is continued uncertainty as to the ongoing and future COVID-19 related restrictions that may be implemented by governments in Australia and New Zealand. Notwithstanding that certain industries supplied by Vulcan are deemed as providers of essential services<sup>144</sup>, there is a risk that if restrictions are implemented or extended, Vulcan's business may be impacted by forced closure of the Company's own operations and of its suppliers and customers, an inability to service its customers in a timely manner, a reduction in customer demand or a build-up of customers' inventory which would affect their ability to place more orders with Vulcan, or other adverse impacts. These factors may have a material adverse effect on Vulcan's business and financial performance. Detail on the impact of COVID-19 on the historical and forecast financial information is set out in Section 4.9.

### 5.1.5. COMPETITION RISK

As one of the distributors and processors of steel products in Australia and New Zealand, Vulcan's business is subject to competition from other participants in the industry. Other participants include other distributors and processors, as well as vertically integrated steel manufacturers, some of which are also suppliers to the Company. Vulcan's key competitors vary depending on geography and product. In Australia, steel competitors include InfraBuild, BlueScope, Southern Steel and United Group, stainless steel competitors include Atlas Steels, Midway Metals and Stirlings Performance Steel and engineering steel competitors include Voestalpine. In New Zealand, competitors include Steel & Tube, Fletcher Steel, United Industries and Asmuss. Competition is based on price competitiveness, product and service standards, product availability, the range and variety of product offerings and ability to demonstrate broad distribution and processing capabilities. There is no guarantee that Vulcan can maintain its position in the market or profitability and earnings due to increased competition from existing participants or new entrants in the market. There is no guarantee Vulcan can maintain its current competitive pricing and service offering. These factors may adversely affect Vulcan's competitiveness which in turn may have a material adverse effect on Vulcan's business and financial performance.

144. Providers of "Essential Services" are permitted to operate within specified conditions during COVID-19 government restrictions. In New Zealand, industries that are deemed to be providers of "Essential Services" are defined by the New Zealand Government. In Australia, these services are defined by each State Government.



## 5 Key risks Continued

### 5.1.6. DISINTERMEDIATION RISK

As a primary distributor and processor of steel products in Australia and New Zealand, Vulcan operates as a link in the steel value chain between steel producers and bulk traders, and end-users. While the Company believes there are a number of factors or measures relevant to disintermediation (such as economies of scale, customer relationships, inventory management and the ability to fill orders and deliver products to customers in a timely fashion) for the industry, there can be no assurance that Vulcan's suppliers do not adopt a strategy of supplying products directly to end-users (thereby disintermediating Vulcan). This will have an impact on Vulcan's sales and business performance.

### 5.1.7. PRODUCT SUBSTITUTION RISK

In many applications, steel competes with other materials that may be used as steel substitutes, such as aluminium, concrete, composites, plastic and wood. Improvements in the technology, production, pricing or acceptance of these competitive materials relative to steel or other changes in the industries for these competitive materials could reduce the volume of steel that Vulcan distributes and processes, and hence reduce Vulcan's cash flow and profitability. The extent of risk from steel substitutes varies by market segment and geography. These factors may adversely affect demand for steel products, which could in turn have a material adverse effect on Vulcan's business and financial performance.

### 5.1.8. CUSTOMER RELATIONSHIPS

Vulcan does not have long-term agreements or arrangements with its key customers, giving rise to a lack of contractual certainty regarding future revenue. There is therefore a risk that Vulcan's existing customers may decide not to continue their business with Vulcan in the future or at the same level as in prior periods. As a result, Vulcan's operating performance may vary from period to period and may fluctuate in the future.

Further, the loss or impairment of significant relationships could have a material adverse effect on Vulcan's revenue and profitability. Any financial difficulty or insolvency encountered by a key customer could have a material adverse effect on Vulcan's business, financial performance and prospects, including where it results in an inability to recover moneys owed, or delay or deferral of major projects to which Vulcan is supplying, or intends to supply, steel products.

### 5.1.9. ONGOING SUPPLY OF STEEL PRODUCTS TO VULCAN

Vulcan relies on a number of key supplier relationships in Australia, New Zealand and overseas, which are engaged on a purchase order basis on the relevant supplier's standard terms, giving rise to a lack of contractual certainty regarding future supply. In addition, the local supply of steel in Australia and New Zealand is concentrated among a few suppliers. There is a risk that if any of Vulcan's local suppliers reduce their operations or cease operations completely, this could have a material adverse effect on Vulcan's ability to source products viably or on appropriate commercial terms, and therefore impact its operations and financial performance. The success of Vulcan's business and its ability to grow relies on its ability to retain its existing key supplier relationships and its ability to continue to transact with suppliers on acceptable terms for sufficient volumes.

The deterioration of Vulcan's relationships with these suppliers or inability of these suppliers to continue to contract with Vulcan on acceptable terms may have a material adverse effect on Vulcan's operations and financial performance in the future. Third party suppliers may also have a "stock out" with insufficient quantities of products available in a timely manner, or encounter financial or material difficulties, labour shortages or unilaterally amend their terms of agreement with competitors. Vulcan's suppliers may incur unforeseen costs or seek changes in credit terms as a result. These factors may adversely affect Vulcan's customers or customer orders, which in turn may have a material adverse effect on Vulcan's business and financial performance.

While Vulcan takes steps to ensure the quality of its products, there is a risk that products are returned by customers due to poor quality or manufacturing defects and that Vulcan may be forced to replace these defective products supplied to customers at additional costs or be subject to time delay. As Vulcan has not entered into any long-term agreements with any of its key suppliers, Vulcan cannot guarantee that it will continue to receive a stable and quality supply of products from its existing suppliers. If any of Vulcan's suppliers cease to operate, Vulcan may have to source from alternative suppliers. There is no assurance that Vulcan can source from alternative suppliers at a similar level of costs and quality, which in turn may have a material adverse effect on Vulcan's business and financial performance.

### **5.1.10. OPERATIONS RISK**

The distribution and processing of steel products involves a number of inherent risks. Specifically, steel processing is dependent on critical processing equipment including cutting machinery (such as laser, plasma and gas cutting machines), folding equipment, uncoiling, slitting and sheeting equipment, electrical equipment, generators and compressors. Such equipment may incur downtime as a result of unanticipated failures or events such as fires or loss of external power supply.

Vulcan may also be adversely impacted by an inability to procure steel from steel producers in a timely manner, impacting the ability for Vulcan to process and distribute to its customers. Vulcan also relies on its trucking fleet to distribute product to its customers, with risks inherent to the loading, transportation and unloading of product that may impact the timeliness and full delivery of Vulcan's products. Any disruptions to operations could have a material adverse effect on Vulcan's business and financial performance.

### **5.1.11. TRANSPORTATION AND DISTRIBUTION**

As a distributor and processor of steel, Vulcan's supply chain depends on roadway, railways, ports and ocean vessels to receive materials from its suppliers, and roadway to deliver its products to its customers. Any unavailability, or increased cost of transportation, including those caused by weather-related problems, natural disasters, infrastructure damage, strikes, lock-outs, fuel shortages or other events, could impair Vulcan's ability to supply its products to its customers. Furthermore, any disruption in the supply chain logistics of steel products could impact the flow of goods, including the supply of stock to Vulcan which could have a material adverse effect on Vulcan's business and financial performance.

In addition, Vulcan's ability to deliver products to customers requires its in-house trucking fleet to be operational. The break down of one or more trucks in any particular location could impact Vulcan's ability to deliver to customers within that location within a timely fashion which could result in delays. This could have a material adverse effect on Vulcan's business and financial performance.

### **5.1.12. INFORMATION TECHNOLOGY AND RISK OF DATA SECURITY BREACHES**

Vulcan has invested significantly in information technology systems which support its operations as outlined in Section 3.1.4.3. There is a risk that these systems may fail to perform as expected or be adversely impacted by a number of factors, some of which may be outside of Vulcan's control. This includes data losses, computer system faults, internet and telecommunications or data network failures, fire, natural disasters, computer viruses and external malicious interventions such as unauthorised access, malware, ransomware or denial-of-service attacks. Any one or combination of these events may have a material adverse effect on Vulcan's business, operations and financial performance as well as its reputation.

In addition, Vulcan's website, databases, IT, warehouse systems and management systems are critically important to the success of its business. There is a risk that if one or more of Vulcan's critical operating systems do not function properly, there could be system disruptions, corruption of databases or other electronic information, delays in transaction processing, delays in receiving or processing orders through the warehouse, website slowdown or unavailability, loss of data or the inability to accept and fulfil customer orders. Furthermore, Vulcan may not be able to continue to adapt its systems to meet its future IT needs. Such disruption, if sustained or regular, could materially adversely affect Vulcan's business and financial performance.

### **5.1.13. GROWTH STRATEGY**

Vulcan's growth strategy includes identifying and executing a number of potential projects that require capital investment, and these projects are inherently subject to completion and financing risks. Vulcan cannot guarantee that it will be able to execute on its projects, and to the extent that Vulcan proceeds, that it will be able to complete them on schedule, within budget, or achieve an adequate return on its investment.

Vulcan may consider future acquisitions where Vulcan believes that those acquisitions are complementary to Vulcan's future growth strategy. There are a number of difficulties associated with acquisitions such as the integration of financial, operational and managerial resources. If these companies are not successfully integrated, this may have a material adverse effect on Vulcan's business and financial performance.

Further, completed acquisitions may not perform as anticipated. Failure of due diligence to identify pre-existing issues, or issues that arise from the integration of operations, may hinder acquisition success, which may have a material adverse effect on Vulcan's financial performance, its growth opportunities and its ability to pursue further acquisitions. Similarly, brownfield opportunities may not perform as anticipated.

## 5 Key risks Continued

In addition, while Vulcan will conduct due diligence on any proposed acquisitions, there is no assurance that an acquisition will perform as forecast once fully integrated, or successfully achieve the desired objectives and synergies.

While Vulcan will endeavour to conduct all reasonable and appropriate due diligence on potential growth opportunities, acquisition and other development opportunities may carry the risk of unsuccessful performance or execution. Vulcan will seek to obtain all customary warranties and indemnities from vendors of the acquired assets, however, Vulcan may not be able to obtain the appropriate warranties or indemnities, or further risks outside of due diligence may arise that are not covered under the warranties and indemnities within the relevant acquisition agreement. If an unforeseen liability arises in respect of which Vulcan is not able to be indemnified, this may have a material adverse effect on Vulcan's financial performance. There can be no assurance that any future acquisitions will enhance the investment returns of Shareholders.

### 5.1.14. RELIANCE ON KEY PERSONNEL

Vulcan's management team has significant experience in, and knowledge of, the New Zealand and Australian steel industry. The vast majority of the management team have been with Vulcan for an extended period, and the loss of key senior executives and key employees is a risk to Vulcan's business, operations and financial performance. If any key senior executives or key employees were to leave, there is no assurance that Vulcan would be able to replace them with individuals with similar experience and expertise. This could have a negative impact on the business, as well as on its ability to meet its earnings and profitability targets and to pursue its growth strategies.

### 5.1.15. EXCHANGE RATES

As set out in Section 5.1.2, steel products are generally quoted in USD or in currencies that are substantially correlated to the USD. Vulcan principally transacts in AUD and NZD with its customers, in AUD, NZD and USD with its suppliers, and reports its financial results in NZD. Accordingly, Vulcan's primary exposures are to movements in AUD/NZD, AUD/USD and NZD/USD exchange rates. Vulcan's earnings and equity are exposed to risks associated with foreign exchange rate movements.

While the impact on earnings of exchange rate fluctuations is variable and influenced by several factors including volumes and global steel prices, any adverse movements in exchange rates may adversely impact Vulcan's profitability, or be passed on to its customers, which may negatively impact demand for its products. Accordingly, this may have a material adverse impact on the overall financial performance of Vulcan. As mentioned in section 4.11, the Directors may elect to pay dividends in foreign currencies. Therefore, there is a risk that the monetary value of the dividend payments will vary with fluctuations in foreign exchange rates.

### 5.1.16. INTEREST RATE RISK

Vulcan's financial performance is exposed to fluctuations in interest rates. An increase in interest rates may lead to an increase in borrowing costs for Vulcan and the assessment of Vulcan's credit risk. Therefore, an increase in interest rates may have a material adverse effect on Vulcan's business and financial performance.

### 5.1.17. AVAILABILITY OF DEBT FINANCING

Vulcan has entered into facility agreements for the provision of debt financing. Funding provided under the banking facility is used to fund Vulcan's activities. The banking facility is subject to certain covenants which if breached may have a material adverse effect on Vulcan and the continuity of the banking facilities. The Lenders under the banking facility have a general security over the assets of Vulcan which, if enforced, may have a material adverse effect on Vulcan's business and financial performance.

### 5.1.18. INSURANCE RISK

Although Vulcan maintains insurance policies including business interruption, property damage, loss or damage to goods in transit, credit insurance for debtors and public and product liability, not all risks are insured or insurable (and may have significant deductibles on policies). Accordingly, Vulcan's insurance policies do not provide coverage for all losses related to Vulcan's business, and the occurrence of losses, liabilities or damage not covered by such insurance policies may have a material adverse effect on Vulcan's business, operations and financial performance. Due to changeable market conditions, there can be no assurance that the insurance that Vulcan carries will continue to be available, will be available at economically acceptable premiums or will be adequate to cover any resulting liability. In some cases, coverage is not available or is considered too expensive relative to the perceived risk. If Vulcan experiences a loss in the future, the proceeds of the applicable insurance

policies, if any, may not be adequate to cover replacement costs, lost revenue, increased expenses and/or liabilities to third parties which could have a material adverse effect on Vulcan's business and financial performance.

#### **5.1.19. INDUSTRIAL RELATIONS**

Some of Vulcan's employees in Australia and New Zealand are members of trade unions. These employees are generally covered by collective bargaining agreements, which are periodically renegotiated and renewed.

Disputes and ordinary course collective bargaining processes with trade unions could lead to strikes or other forms of industrial action that could disrupt Vulcan's operations, increase costs and reduce Vulcan's revenue and earnings. The outcome of these disputes or processes could also limit Vulcan's ability to implement desired initiatives, resulting in a loss of competitiveness.

#### **5.1.20. WORK HEALTH AND SAFETY RISKS**

Work health and safety laws impose a broad range of safety duties on Vulcan and maximum penalties under applicable legislation are significant. If Vulcan fails to maintain adequate work health and safety systems and practices, this may impact Vulcan's reputation, ability to operate for a specific time period and its ability to maintain its current insurance status on the same or similar terms, which may have a material adverse effect on Vulcan's business, operations and financial performance.

In common with all industrial companies, Vulcan faces the risk of workplace injuries (in particular, when loading and unloading products from its trucking fleet and when handling products during value-added processes), which may result in production or industrial stoppages, workers' compensation claims, related common law claims and potential occupational health and safety prosecutions.

The distribution and processing of steel products involves certain labour-intensive processes and the use of various machinery and equipment (including operating Vulcan's trucking fleet). The growth of the production operations has increased the number of new and inexperienced staff within Vulcan's facility. There may be an exposure, incident or accident at Vulcan's facilities that results in serious injury, ill health or death to employees, contractors or other third parties, or damage to property.

#### **5.1.21. RISK OF LITIGATION, CLAIMS, DISPUTES AND REGULATORY INVESTIGATIONS**

Vulcan is exposed to potential legal and other claims or disputes in the course of its business, including contractual disputes, defective products, property damage and personal liability claims with respect to its operations and in relation to the operations of the businesses that it has acquired, and claims by regulators with jurisdiction to investigate aspects of the conduct of Vulcan's business or the industry in which it operates (such as the New Zealand Commerce Commission, in particular in relation to its anticipated market study into building supplies in New Zealand, and the Australian Competition and Consumer Commission).

In addition, due to the nature of its operations, it is possible that claims against Vulcan could arise from defects in material or products processed and/or distributed by Vulcan. Purchasers and third parties could make claims against Vulcan based on Vulcan's delivery of defective materials or products, or for damage or loss arising from the use of these defective materials or products. If any claims of this type are determined against Vulcan, it could have an adverse effect on Vulcan's business, operations and financial performance.

#### **5.1.22. INTERNATIONAL TRADE RESTRICTIONS**

Vulcan has exposure to the effects of trade actions and barriers. Vulcan cannot predict the timing and nature of trade actions. As Vulcan sources some of its products from overseas suppliers, it may be impacted by any trade actions or restrictions introduced by any country in which Vulcan buys or procures its products. Any such trade actions and barriers may have a material adverse effect on Vulcan's business by reducing or eliminating Vulcan's access to steel supply markets.

#### **5.1.23. INABILITY TO MEET FORECAST FINANCIAL PERFORMANCE**

The Forecast Financial Information, including any Forecast Financial Information regarding the mix of revenue and earnings across its operating segments, is a forward-looking statement that is based on an assessment of present economic and operating conditions and on a number of best estimate assumptions regarding future events and actions that, at the Prospectus Date, are expected to take place. Vulcan may not achieve its forecast and or may achieve a different mix of earnings by segment as a result of both known and unknown factors which may or may not be under their control.

## 5 Key risks Continued

### 5.1.24. ENVIRONMENTAL LAWS AND REGULATIONS

Vulcan's business is subject to environmental laws and regulations that require specific operating licences and impose various requirements and standards, including noise and dust contaminant. These laws and regulations provide for penalties and other liabilities for the violation of such laws and regulations and establish, in certain circumstances, obligations to remediate current and former leased properties, facilities and locations where operations are or were conducted. Vulcan may be required to undertake such remediation or other operational changes at its own cost. Vulcan may also be liable to remedy locations affected by environmental issues even in circumstances where it is not responsible for causing the environmental liability. The cost of such remediation could be substantial. It could also restrict the ability of Vulcan to conduct its business economically or restrict some activities altogether.

Vulcan may also be impacted by the emergence of new or expanded regulations relating to transitioning to a lower-carbon economy and market changes related to climate change mitigation. These regulations could also restrict the ability of Vulcan to conduct its business economically or restrict some activities altogether, or otherwise subject Vulcan to specific tariffs or penalties for carbon emissions or environmental damage or change its operations. Vulcan incurs costs to comply with these environmental laws and regulations and violation of them, or changes to such laws and regulations, including changes to operating licence conditions, could result in penalties and other liabilities and may have a significant adverse effect on Vulcan's business and financial performance.

Vulcan's steel processing operations involve the use of certain chemicals (such as liquid nitrogen for laser cutting and liquid oxygen for gas cutting) and produce certain waste. Vulcan has installed facilities in compliance with relevant environmental laws and regulations for the controlled use and secure storage of hazardous chemicals used in the processing of steel. However, Vulcan cannot eliminate the risk of accidental contamination or discharge and any resultant injury from hazardous materials. Additionally, environmental laws and regulations may become more stringent in the future, and Vulcan may incur greater costs in complying with the increased regulation, which could have an adverse effect on Vulcan's business and financial performance.

Sanctions for non-compliance with environmental laws and regulations may include administrative, civil and criminal penalties, revocation of permits and corrective action orders. These laws sometimes apply retroactively. In addition, a party can be liable for environmental damage without regard to that party's negligence or fault. Therefore, Vulcan could have liability for the conduct of others or for acts that were in compliance with all applicable laws at the time it performed them.

### 5.1.25. CONCENTRATION OF SHAREHOLDING

On completion of the Offer, Existing Shareholders will hold 60.2% of the total issued Shares, all of which will be subject to escrow. 27.7% of the total issued Shares, as held by Executive Escrowed Shareholders, will be subject to escrow from the period from the Company's admission to the Official List until the release of the Company's financial results for the year ending 30 June 2023, and 32.4% of the total issued Shares, as held by the Other Escrowed Shareholders will be subject to escrow from the period from the Company's admission to the Official List until the release of the Company's financial results for the year ending 30 June 2022. The escrow arrangements for Existing Shareholders are outlined in Section 9.6.2.

Both the size of the shareholdings retained by Existing Shareholders and the applicable escrow periods are likely to cause or contribute to limited liquidity in the market for Shares, which could affect the market price at which other Shareholders are able to sell their Shares.

A significant sale of Shares by any significant or substantial Existing Shareholders, or by a combination of Existing Shareholders at, or approximately at, the same time following the end of the escrow period, or importantly the perception of an overhang that such sale may occur, could adversely affect the price of Shares.

### 5.1.26. REPUTATIONAL RISK

Vulcan believes that the reputation of its products and brands is key to its success. Vulcan's reputation and the value of its brands may be damaged as a result of negative customer or end-user experiences due to poor product performance or product failures, adverse media coverage or other publicity (in relation to such matters as product quality or performance), failure to adequately protect Vulcan's intellectual property rights from third party infringement, or disputes with customers, suppliers, landlords or employees. Vulcan's reputation may also be adversely affected by the actions or omissions of customers, to whom Vulcan supplies steel products. Erosion of Vulcan's reputation as a result of one or a combination of these factors may reduce demand for Vulcan's products, diminish the value of Vulcan's brand, or adversely impact relationships with key customers, suppliers or employees, which in turn may adversely impact Vulcan's business, operations and financial performance.

## 5.2. General risks

### 5.2.1. PRICE OF SHARES AND GENERAL INVESTMENT RISKS

The price at which Shares are quoted on the ASX and NZX may increase or decrease due to a number of factors. These factors may cause the Shares to trade at prices above or below the price at which the Shares are being offered under this Prospectus. In particular, the events relating to COVID-19 have recently resulted in a decline in general economic conditions together with significant volatility in the market including the prices of shares trading on the ASX and NZX.

There is no assurance that the price of the Shares will increase following quotation on the ASX and NZX, even if Vulcan's operations and financial performance improves. Some of the factors which may affect the price of the Shares include:

- fluctuations in the domestic and international market for listed stocks;
- general economic conditions, including interest rates, inflation rates, exchange rates, commodity and oil prices, changes to government fiscal, monetary or regulatory policies, legislation or regulation;
- inclusion in or removal from market indices;
- changes to government fiscal, monetary or regulatory policy, legislation or regulation;
- acquisition and dilution;
- pandemic risk;
- the nature of the markets in which Vulcan operates; and
- general operational and business risks.

Other factors which may negatively affect investor sentiment and influence Vulcan specifically, or the stock market more generally include acts of terrorism, an outbreak of international hostilities or tensions, fires, floods, storms, hail, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other man-made or natural events. Vulcan has a limited ability to insure against some of the risks mentioned above.

### 5.2.2. TRADING IN SHARES MAY NOT BE LIQUID

Once the Shares are quoted on the ASX and NZX, there can be no guarantee that an active trading market for the Shares will develop or that the price of the Shares will increase. There may be relatively few potential buyers or sellers of the Shares on the ASX and NZX at any one time which may make it difficult for investors to sell their Shares. If illiquidity arises, there is a risk that Shareholders may be unable to realise their investment in Vulcan.

Existing Shareholders will enter into escrow arrangements in relation to their retained Shares as described in Section 9.6.2. The absence of any sale of Shares by these Existing Shareholders during this period may cause, or at least contribute to, limited liquidity in the market for Shares.

Lower volumes of trading in Shares may increase the volatility of the market price of the Shares as, in such situations, significant price movement can be caused by trading a relatively small number of Shares. It may also affect the prevailing market price at which Shareholders are able to sell their Shares and result in Shareholders receiving a market price for their Shares that is less than the price that Shareholders paid.

### 5.2.3. CHANGES TO LAWS AND REGULATIONS

Vulcan and its suppliers as well as customers are subject to, and must comply with, a variety of laws in Australia and New Zealand (including federal, state and local laws, regulations and policies) in the ordinary course of its business. These laws and regulations include those that relate to fair trading and consumer protection, competition, workplace health and safety, product safety, employment, taxation (including GST and stamp duty) and customs and tariffs.

Such laws, regulations and policies can significantly influence Vulcan's operating environment and there can be no assurance that such laws and regulations will not be changed in ways that will require Vulcan to modify its business models and objectives or affect its returns on investment by making existing practices more restricted.

Changes to laws and regulations may have a material adverse effect on Vulcan, including by increasing Vulcan's costs either directly (such as an increase in the amount of tax Vulcan is required to pay), or indirectly (including by increasing the cost to the business of complying with legal requirements). Any such adverse effect may impact Vulcan's future operations and financial performance.

## 5 Key risks Continued

### 5.2.4. ACCOUNTING STANDARDS

New Zealand Accounting Standards are set by the New Zealand Accounting Standards Board (NZASB) and are outside the control of Vulcan, its Directors, or its senior management team. The NZASB may, from time to time, introduce new or refined New Zealand Accounting Standards which may affect future measurement and recognition of key statement of income and balance sheet items.

There is also the risk that interpretations of existing New Zealand Accounting Standards, including those relating to the measurement and recognition of key statement of income and balance sheet items, may differ from those that exist at Prospectus Date. Changes to New Zealand Accounting Standards issued by the NZASB or changes to the commonly held views on the application of those standards could have a material adverse effect on Vulcan's financial performance and position reported in Vulcan's consolidated financial statements.

### 5.2.5. EXPOSURE TO CHANGES IN TAX RULES OR THEIR INTERPRETATION

The tax laws in Australia and New Zealand are complex and are subject to change both prospectively and retrospectively, as is their interpretation by the relevant courts and the tax authorities. Changes in tax law (including income tax, transfer pricing, GST, stamp duties and employment taxes), or changes in the way tax laws are interpreted may impact the tax liabilities of Vulcan, the tax treatment of a Shareholder's investment or the level of dividend imputation or franking. In particular, both the level and basis of taxation may change. The tax information provided in this Prospectus is based on current taxation law in Australia and New Zealand as at the Prospectus Date.

In addition, from time to time the tax authorities in Australia and New Zealand may review the tax treatment of transactions entered into by Vulcan. Any actual or alleged failure to comply with, or any change in the application or interpretation of tax rules applied by Vulcan in respect of such transactions, could increase its tax liabilities or expose it to legal, regulatory, or other actions. An interpretation of the taxation laws by Vulcan which is contrary to that of a tax authority in Australia or New Zealand may give rise to additional tax payable or tax penalties. In order to minimise this risk, Vulcan obtains external expert advice on the application of the tax laws to its operations and in respect of any transactions it enters into.

In addition, an investment in the Shares involves tax considerations which may differ for each Shareholder. Each investor considering an investment in Vulcan is encouraged to seek professional tax advice in connection with any investment in Vulcan. Refer to Section 9.9 for additional taxation considerations.

### 5.2.6. FUTURE CAPITAL NEEDS

Vulcan may be required in the future to raise capital through public or private financing or other arrangements. Such financing may not be available on acceptable terms, or at all, and a failure to raise capital when needed could harm the business. If Vulcan cannot raise funds on acceptable terms, it may not be able to grow its business or respond to changes in operating conditions.

### 5.2.7. RISK OF SHAREHOLDER DILUTION

In the future, Vulcan may elect to issue Shares in connection with fundraisings, including raising proceeds for acquisitions Vulcan may decide to make. Shareholder interests may be diluted and Shareholders may experience a loss in value of their equity if Vulcan issues Shares as consideration for acquisitions, funds acquisitions through raising equity capital or if Vulcan engages in fundraisings for any other reason, including the repayment of debt. While Vulcan will be subject to the constraints of the ASX Listing Rules regarding the percentage of its capital it is able to issue within a 12-month period (other than where exceptions apply), Shareholders may be diluted as a result of such issues of Shares and fundraisings.

### 5.2.8. NO GUARANTEE OF FUTURE DIVIDEND PAYMENTS

There is no guarantee that Vulcan will generate sufficient cash flow from its operations in the future to pay dividends. Vulcan's dividend policy is set out in Section 4.11. Further, Vulcan expects future dividends to be alternately imputed or franked to the greatest extent possible. However, there is no guarantee that Vulcan will have sufficient New Zealand imputation credits or Australian franking credits in the future to fully impute and frank successive dividends or that the imputation system in either New Zealand or Australia will not be amended or abolished.



The value of imputation credits and franking credits to a Shareholder will differ depending on the Shareholder's particular tax circumstances. Each investor considering an investment in Vulcan is encouraged to seek professional tax advice in connection with any investment in Vulcan. Refer to Section 9.9 for additional taxation considerations.

#### **5.2.9. FORCE MAJEURE EVENTS MAY OCCUR**

Events may occur within or outside the Australian and New Zealand markets that negatively impact Vulcan's financial performance, operations and/or the price of the Shares. These events include but are not limited to acts of terrorism, an outbreak of international hostilities, fires, floods, storms, hail, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other natural or man-made events or occurrences that may have a material adverse effect on Vulcan's suppliers, the demand for products and/or the ability to conduct business. Vulcan has only a limited ability to insure against some of these risks.

#### **5.2.10. EPIDEMICS AND PANDEMICS**

In addition to the force majeure events mentioned in Section 5.2.9 above, a rapid spread of infectious disease to a large number of people within a short period of time may occur within or outside the countries in which Vulcan operates. In particular, a pandemic similar in nature to the 2002-03 outbreak of Severe Acute Respiratory Syndrome (SARS), the 2009 swine flu outbreak or the 2019-20 COVID-19 (novel coronavirus pneumonia) outbreak may adversely affect general economic sentiment, the global economy, stock markets and other financial markets. COVID-19 is currently of significant concern to the worldwide community and has clouded the near and medium-term outlook for the global economy. Financial markets have also been volatile as market participants and governments worldwide assess the risks associated with the coronavirus and global supply chains are being severely impacted across major industries. Measures introduced to limit transmission of the virus may have a negative impact on the global economy and economic growth.

As a result of the global COVID-19 outbreak, monetary policy has been eased to provide additional support to employment and economic activity. Given the evolving situation, it is difficult to predict the nature and extent of the risk and the impact on Vulcan, its suppliers and customers. The impact of the virus on consumer sentiment, demand and confidence generally may have a material adverse effect on Vulcan's operations and/or financial performance.

#### **5.2.11. EXPECTED FUTURE EVENTS MAY NOT OCCUR**

Certain statements in this Prospectus constitute forward-looking statements, opinions and estimates. Such forward-looking statements, opinions and estimates rely on various contingencies and assumptions and involve known and unknown risks, uncertainties and other factors which may cause actual results, performance and achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements, opinions and estimates. The actual performance of Vulcan or the steel distribution industry may not be as expected and this may have a material adverse effect on the value of Shares.

Given these uncertainties, prospective investors should not place undue reliance on forward-looking statements. In addition, under no circumstances should forward-looking statements be regarded as a representation or warranty by Vulcan or any other person referred to in this Prospectus that a particular outcome or future event is guaranteed.

#### **5.2.12. NO GUARANTEE IN RESPECT OF INVESTMENT**

The above list of risk factors should not be taken as an exhaustive list of the risks faced by Vulcan or by investors in Vulcan. The above factors, and others not specifically referred to above, may materially affect the financial performance of Vulcan and the value of the Shares under the Offer. The Shares transferred under the Offer carry no guarantee in respect of profitability, dividends, return of capital or the price at which they may trade on the ASX or NZX. Furthermore, there is no guarantee that the Shares will remain continuously quoted on the ASX or NZX, which could impact the ability of prospective Shareholders to sell their Shares. Investors should consult their professional adviser before deciding whether to apply for Shares under the Offer.






6




Key people,  
interests and  
benefits

## 6 Key people, interests and benefits


### 6.1. Board of Directors

Name and Title	Background	Tenure (years)
 <p><b>Russell Chenu</b> <i>Chairman, Independent Non-Executive Director</i></p>	<ul style="list-style-type: none"> <li>Russell has significant experience across the corporate sector, with over 23 years in senior management roles. Russell held numerous senior roles in several ASX-listed companies, including building products companies such as James Hardie, where he was Chief Financial Officer for 10 years until 2013.</li> <li>In a number of these roles, Russell was engaged in significant strategic business planning and business change, including several turnarounds, new market expansions and management leadership initiatives.</li> <li>Russell is a director of Reliance Worldwide Corp and CIMIC Group, and was a director of Metro Performance Glass and James Hardie until August 2021 and November 2020 respectively.</li> <li>Russell is also the Chair of the Audit &amp; Risk Committee at Reliance Worldwide Corp and CIMIC Group.</li> <li>Russell holds a Bachelor of Commerce degree from the University of Melbourne, a Masters of Business Administration from Macquarie Graduate School of Management and is a Member of the Society of Certified Practising Accountants (Australia).</li> </ul>	<p>Joined June 2021</p>
 <p><b>Rhys Jones</b> <i>Chief Executive Officer, Managing Director</i></p>	<ul style="list-style-type: none"> <li>Rhys joined Vulcan in 2006 as an Executive Director and became Chief Executive Officer/Managing Director in 2011.</li> <li>Rhys has previously held several management positions within the steel industry including as an executive of Fletcher EasySteel NZ and General Manager/Chief Executive Officer of Pacific Steel and Wiremakers.</li> <li>Rhys was formerly the Chief Operating Officer of Carter Holt Harvey's Pulp, Paper, Packaging and New Ventures division at the time of the Rank Group takeover.</li> <li>Rhys also serves as a director of Ridley Corporation and Metro Performance Glass.</li> <li>Rhys holds a Bachelor of Science from Victoria University of Wellington. In addition, Rhys holds a Bachelor of Business Studies with first class honours and a Masters in Business Studies by thesis from Massey University.</li> </ul>	<p>15</p>
 <p><b>Peter Wells</b> <i>Non-Executive Director</i></p>	<ul style="list-style-type: none"> <li>Peter is the founder of Vulcan.</li> <li>Peter has 50 years' experience in the steel industry across New Zealand, Australia, Sweden, South Africa, and England.</li> <li>More than 30 of those years have been in Chief Executive Officer roles.</li> <li>Peter was a Member of the Australasian Institute of Metals from 1982–1987.</li> <li>Peter undertook an exclusive, invitation only, business education course in Sweden (Training for International Operators) run by the Swedish School of Economics in 1985–86.</li> </ul>	<p>26</p>



## 6 Key people, interests and benefits Continued

Name and Title	Background	Tenure (years)
 <p><b>Wayne Boyd</b> <i>Non-Executive Director</i></p>	<ul style="list-style-type: none"> <li>Wayne has been a Director of Vulcan since inception, and has extensive experience in law, investment banking and governance.</li> <li>Wayne previously held the position of Chairman at publicly listed companies Auckland International Airport, Freightways, Shotover Jet and Telecom New Zealand, as well as private companies such as Vulcan, Ngai Tahu Holdings and Meridian Energy.</li> <li>Wayne was the Chairman of the Halberg Foundation, New Zealand Blood Service and the New Zealand Hockey Foundation.</li> <li>Wayne holds a Bachelor of Laws (Honours) from the University of Auckland.</li> </ul>	26
 <p><b>Pip Greenwood</b> <i>Independent Non-Executive Director</i></p>	<ul style="list-style-type: none"> <li>Pip has significant experience in capital markets, mergers and acquisitions and governance, and has advised on many high-profile corporate transactions.</li> <li>Pip currently serves on the boards of Fisher &amp; Paykel Healthcare, The a2 Milk Company, Westpac New Zealand and Spark New Zealand. Pip has been appointed the Chair of Westpac New Zealand with effect from 1 October 2021. Pip has also advised that she is not seeking re-election as a director of Spark New Zealand at its annual meeting in November 2021.</li> <li>Pip was a corporate partner of New Zealand law firm Russell McVeagh for nearly 20 years. During her time with Russell McVeagh, Pip spent over ten years on their board including time as its Chair, and was formerly the interim Chief Executive Officer and a Senior Partner at the firm.</li> <li>Pip was also a member of the New Zealand Takeovers Panel from 2008 to 2011.</li> <li>Pip has previously worked at Linklaters in London and New York and holds a Bachelor of Laws from the University of Canterbury.</li> </ul>	2
 <p><b>Bart de Haan</b> <i>Independent Non-Executive Director</i></p>	<ul style="list-style-type: none"> <li>Bart has 25 years of experience as a strategy consultant working with senior management and boards of top 50 companies in Australia, the United States, and Holland.</li> <li>Bart was previously a Partner at A.T. Kearney and a Consultant at the Boston Consulting Group. Bart co-founded the boutique strategy consulting firms Pacific Strategy Partners and Australian Consulting Partners in Australia.</li> <li>Bart's consulting experience spans across numerous sectors including energy, transport, resources and building products.</li> <li>Bart has previously worked as an advisor at Deloitte and has held, or holds, several directorships in venture capital and early stage businesses.</li> <li>Bart holds a Bachelor of Arts in Sociology from the University of Tilburg and a Masters of Business Administration from New York University.</li> </ul>	6








Name and Title	Background	Tenure (years)
 <p><b>Carolyn Steele</b> <i>Independent Non-Executive Director</i></p>	<ul style="list-style-type: none"> <li>Carolyn is a professional director with extensive experience in capital markets, mergers and acquisitions and investment management.</li> <li>Carolyn is currently a director of Ultrafast Fibre, Green Cross Health, the Halberg Foundation, Oriens Capital GP 2 and WEL Networks.</li> <li>Carolyn has previously served as a director for Datacom and Metlifecare.</li> <li>Carolyn was Portfolio Manager at Guardians of New Zealand Superannuation, the Crown entity that manages the New Zealand Superannuation Fund.</li> <li>Prior to this, Carolyn spent 10 years in investment banking at Credit Suisse and Forsyth Barr.</li> <li>Carolyn holds a Bachelor of Management Studies (Honours) from the University of Waikato.</li> </ul>	<p>Joined Aug 2021</p>

## 6.2. Leadership team

Name and Title	Background	Tenure (years)
 <p><b>Rhys Jones</b> <i>Chief Executive Officer, Managing Director</i></p>	See Section 6.1.	15
 <p><b>Kar Yue Yeo</b> <i>Chief Financial Officer</i></p>	<ul style="list-style-type: none"> <li>Kar Yue is the Chief Financial Officer, leading Vulcan's finance and accounting teams. Kar Yue is responsible for Vulcan's financial strategy, reporting, budgeting and forecasting.</li> <li>Kar Yue consulted to Vulcan for over two years before joining the Company in December 2020. Prior to joining Vulcan, Kar Yue worked as an adviser to several publicly listed and private businesses in New Zealand and overseas in the consumer foods and industrial sectors on process improvement, product range optimisation, channels-to-markets and business portfolio rationalisation and strategies.</li> <li>Kar Yue has worked in financial markets for over 25 years, with previous roles at Jarden, Citigroup and Deutsche Morgan Grenfell across New Zealand, Australia and Asia as an equity research analyst covering a range of industrial sectors including steel, and held leadership roles during this period.</li> <li>Kar Yue was also an auditor for three years.</li> <li>Kar Yue holds a Bachelor of Commerce and Administration from Victoria University of Wellington.</li> </ul>	1

## 6 Key people, interests and benefits Continued

Name and Title	Background	Tenure (years)
 <p><b>Adrian Casey</b> <i>Chief Operating Officer</i></p>	<ul style="list-style-type: none"> <li>Adrian has responsibilities for overall Group procurement as well as leading Vulcan's Steel business in New Zealand.</li> <li>Adrian has worked in the steel sector in Australia and New Zealand for 40 years. Adrian held management positions at Steel &amp; Tube before leaving to build his own downstream steel operation which he subsequently successfully merged with Vulcan in 1998. Adrian successfully led Vulcan's entry into the Melbourne market in 2002. Adrian has had various oversight roles across Vulcan's business units during his tenure with the Company.</li> <li>Adrian holds a New Zealand Certificate in Quantity Surveying from the Christchurch Polytechnic, and completed the Advanced Management Program from the Wharton Business School of the University of Pennsylvania.</li> </ul>	23
 <p><b>James Wells</b> <i>Chief Information Officer</i></p>	<ul style="list-style-type: none"> <li>James is responsible for innovation, health and safety, brand and marketing and capital expenditure at Vulcan.</li> <li>Prior to joining Vulcan in 2004, James consulted to Vulcan, whilst competing in professional sport. James took on responsibilities for reviewing and implementing Vulcan's IT systems.</li> <li>James documented, designed and managed the development of Vulcan's fit-for-purpose IT software, and has led Vulcan's NZ Health &amp; Safety and Group Capital program since 2012.</li> <li>James has completed courses in innovative technologies, business process modelling and object-oriented analysis.</li> </ul>	17
 <p><b>Helene Deschamps</b> <i>Leadership Development</i></p>	<ul style="list-style-type: none"> <li>An ICF-accredited leadership coach, Helene is Vulcan's executive team partner resource for leadership development.</li> <li>Helene is also a Managing Director (Executive &amp; Leadership Coach) at ChangingNow.</li> <li>Helene has held senior positions as a Strategy, Sales &amp; Marketing and People Development &amp; Culture specialist with global and NZ organisations including Capgemini and Carter Holt Harvey, with a focus on shaping behaviour and culture to achieve the desired performance outcome.</li> <li>Helene holds a BA in Political Sciences (France), a Masters of Business Administration (South Africa), and an Evidence Based Coaching Master Certificate (USA).</li> </ul>	1

Name and Title	Background	Tenure (years)
 <p><b>Brendon Chandulal</b> <i>Australia Leader</i></p>	<ul style="list-style-type: none"> <li>Brendon leads Vulcan's distribution, coil and plate operations (Steel division) in Australia.</li> <li>Prior to Vulcan, Brendon held various leadership roles in the packaging industry such as Executive General Manager (Food &amp; Beverage Australia) at Pact Group, Primary Packaging Division General Manager at Visy, and Operations Manager at Southcorp Packaging.</li> <li>Brendon holds a Bachelor of Science (Physics) from the University of Waikato and a New Zealand Certificate of Mechanical Engineering from the Auckland Technical Institute.</li> </ul>	4
 <p><b>Matthew Lee</b> <i>Australia Leader</i></p>	<ul style="list-style-type: none"> <li>Matthew leads Vulcan's procurement activity in Australia.</li> <li>Matthew has over 20 years' experience within highly competitive distribution markets.</li> <li>Prior to Vulcan, Matthew held procurement and manufacturing managerial roles in the packaging industry.</li> <li>Such positions include Group Procurement and Logistics Manager at Pro-Pac Packaging Group, General Manager – Procurement and Manufacturing (Australia, New Zealand, and China) at San Miguel Yamamura Australasia and International Purchasing Manager at Cospak.</li> <li>Matthew holds a Bachelor of Science from the University of New South Wales, a Graduate Diploma in Applied Science from The University of Tasmania, a Master of Management from the University of Wollongong and a Certificate IV in Work Health and Safety.</li> </ul>	4

### 6.3. Interests and benefits

This Section sets out the nature and extent of the interests and fees of certain persons involved in the Offer. Other than as set out below or elsewhere in this Prospectus, no:

- Director of the Company;
- person named in this Prospectus and who has performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- promoter of the Company; or
- Underwriter to the Offer or financial services licensee named in this Prospectus as a financial services licensee involved in the Offer,

holds as of the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:

- the formation or promotion of the Company;
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or
- the Offer,

and no amount (whether in cash, Shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given, to any such person for services in connection with the formation or promotion of the Company or the Offer or to any Director to induce them to become, or qualify as, a Director of the Company.



## 6 Key people, interests and benefits Continued

### 6.3.1. INTERESTS OF ADVISERS

The Company has engaged the following professional advisers in relation to the Offer:

- Credit Suisse (Australia) Limited and UBS AG, Australia Branch have acted as Joint Lead Managers to the Offer and the fees payable to the Joint Lead Managers pursuant to the Underwriting Agreement are described in Section 9.6.1.1;
- Ord Minnett Limited and Forsyth Barr Group Limited have acted as Co-Lead Managers to the Offer and the fees payable to the Co-Lead Managers are described in Section 9.6.1.1;
- Crestone Wealth Management Limited and JBWere Limited have acted as Co-Managers to the Offer and the fees payable to the Co-Lead Managers are described in Section 9.6.1.1;
- Gilbert + Tobin has acted as Australian legal adviser to the Company in relation to the Offer. The Company has paid, or agreed to pay, approximately A\$1,150,000 (excluding disbursements and GST) for these services up until the Prospectus Date. Further amounts may be paid to Gilbert + Tobin in accordance with its normal time-based charges;
- Webb Henderson has acted as New Zealand legal adviser to the Company in relation to the Offer. The Company has paid, or agreed to pay, approximately NZ\$413,000 (excluding disbursements and GST) for these services up until the Prospectus Date. Further amounts may be paid to Webb Henderson in accordance with its terms of engagement;
- Deloitte Corporate Finance Pty Limited has acted as the Investigating Accountant in connection with the Offer and has performed work in relation to the Investigating Accountant's Report. The Company has paid, or agreed to pay, approximately NZ\$745,000 (excluding disbursements and GST) for these services up until the Prospectus Date. Further amounts may be paid to Deloitte Corporate Finance Pty Limited in accordance with its normal time-based charges;
- Nuwaru Pty Limited has acted as the Australian taxation adviser in relation to the Offer. The Company has paid, or agreed to pay, approximately A\$150,000 to Nuwaru Pty Limited (excluding disbursements and GST) until the Prospectus Date. Further amounts may be paid to Nuwaru Pty Limited in accordance with its normal time-based charges; and
- Grant Thornton New Zealand Limited has acted as the New Zealand taxation adviser in relation to the Offer. The Company has paid, or agreed to pay, approximately NZ\$101,000 to Grant Thornton New Zealand Limited (excluding disbursements and GST) until the Prospectus Date. Further amounts may be paid to Grant Thornton New Zealand Limited in accordance with its normal time-based charges.

These amounts, and other expenses of the Offer, will be paid by the Company from available cash. Further information on the use of proceeds and payment of expenses of the Offer is set out in Section 7.1.3.

## 6.4. Directors' interests and remuneration

### 6.4.1. NON-EXECUTIVE DIRECTOR REMUNERATION

Under the Constitution, the Board may determine the amount paid to each Director as remuneration for their services as a Director. However, under the ASX Listing Rules, the total amount of fees paid to the Non-Executive Directors (subject to certain exceptions) must not exceed in aggregate in any financial year the amount fixed by the Company's shareholders in a general meeting. This amount has been fixed by the Company at \$1,300,000 per annum. Figure 67 shows the annual base fees that are payable to Directors (with effect from Completion).

**Figure 67: Director fees**

Director fees	\$	As at Completion
Chair	\$270,000	Russell Chenu (Non-Executive Chair)
Non-Executive Director (other than Peter Wells)	\$120,000	Wayne Boyd, Bart de Haan, Pip Greenwood and Carolyn Steele
Peter Wells	\$1	

Figure 68 shows the annual committee fees that are payable (other than to Peter Wells and Russell Chenu to the extent either is appointed to any of the below positions) (with effect from Completion).

**Figure 68: Committee fees**

Committee fees	\$	As at Completion
Chair of the Audit and Risk Management Committee	\$30,000	Carolyn Steele
Chair of the People and Remuneration Committee	\$25,000	Bart de Haan
Member of the Audit and Risk Management Committee*	\$20,000	Pip Greenwood
Member of the People and Remuneration Committee**	\$15,000	Wayne Boyd

\* Peter Wells and Russell Chenu are also members of the Audit and Risk Management Committee but will not receive committee fees.

\*\* Russell Chenu is also a member of the People and Remuneration Committee but will not receive committee fees.

### 6.4.2. DEED OF INDEMNITY, ACCESS AND INSURANCE

The Company has entered into a deed poll of indemnity, access and insurance in favour of each Director, each director of a related company, and certain senior managers ("**Indemnified Persons**") ("**Deed**"). This entitles each Indemnified Person to access certain documents, communications and other information held by the Company for the purpose of defending any claim or proceeding brought or threatened against that Indemnified Person for which he or she may be entitled to be indemnified.

Under the Deed, the Company indemnifies every Indemnified Person (past and present) against all liabilities for acts or omissions in that person's capacity as an Indemnified Person (together with defence costs) to the extent permitted by law. Further, the Deed provides that the Company must take out and maintain directors' and officers' insurance with a reputable insurer in respect of each Indemnified Person until at least seven years after the Indemnified Person ceases to hold the relevant position.

Pursuant to the Constitution, every Director (past and present) is entitled to be and shall be indemnified by the Company against all liabilities for acts or omissions in the Director's capacity as a Director (together with defence costs) to the extent permitted by law. The ability to indemnify directors or related companies and employees is also provided for in the Constitution. Further, the Constitution provides that the Company may effect insurance for Directors or employees to the extent permitted by law.

### 6.4.3. DIRECTORS' INTERESTS IN SHARES AND OTHER SECURITIES

The Directors are not required by the Constitution to hold any Shares.

The Directors' interests in Shares and other securities in the Company as at the Prospectus Date and as at Completion are set out in Figure 69 below:

**Figure 69: Directors' interests in Shares and other securities**

Director	Interests held at the Prospectus Date		Interests held at Completion	
	Shares	Performance Rights	Shares	Performance rights
Russell Chenu	Nil	Nil	n/a <sup>3</sup>	Nil
Rhys Jones	7,863,333	Nil	4,718,000	261,303
Peter Wells	30,693,398	Nil	18,416,039	Nil
Wayne Boyd	12,172,814	Nil	7,303,688	Nil
Bart de Haan	300,000	Nil	180,000	Nil
Pip Greenwood	150,000	Nil	90,000	Nil
Carolyn Steele	Nil	Nil	n/a <sup>3</sup>	Nil

Notes:

1. Directors may hold their interests in Shares directly, or through entities associated with them (e.g. through holdings by companies or trusts).
2. Refer also to Section 7.1.4 for further information on Vulcan's shareholding structure.
3. Both Russell Chenu and Carolyn Steele are intending to take up shares as part of the Priority Offer.

## 6 Key people, interests and benefits Continued

The Directors (and their associated entities) are entitled to apply for Shares under the Offer. Directors who are not Existing Shareholders intend to apply for Shares under the Offer.

The above table does not take into account any Shares the Directors (and their associated entities) may acquire under the Offer.

Final shareholdings held directly or indirectly by the Directors (and their associated entities) will be notified to ASX and NZX following Listing. The Shares recorded in the above table as held by Rhys Jones, Peter Wells, Wayne Boyd, Bart de Haan and Pip Greenwood will be subject to escrow arrangements as outlined in Section 9.6.2.

### 6.4.4. OTHER INFORMATION ABOUT DIRECTORS' INTERESTS AND BENEFITS

Directors may also be reimbursed travel, accommodation and other expenses incurred in attending general meetings or meetings of the Board or committees of the Board, or in connection with the business of the Company. A Director who is engaged by the Company to perform services in a capacity other than that of Director may be paid special remuneration (as determined by the Board).

There are no retirement benefit schemes for Directors, other than statutory superannuation contributions.

### 6.4.5. EMPLOYEE REMUNERATION AND INCENTIVE ARRANGEMENTS

The Company has established various remuneration and incentive arrangements to assist in the attraction, motivation and retention of management and employees of the Company and to align executive reward to the Company's objectives and the creation of shareholder value as set out below.

Briefly, the Board has determined that to align the interests of the Company's executive team with the goals of the Company and the creation of shareholder value, the remuneration packages of the CEO and the other senior executives of the Company should comprise a combination of the following components:

- fixed annual cash reward (inclusive of superannuation, allowances, benefits and fringe benefits tax); and
- equity-based long-term incentives.

Vesting of equity under the long-term incentives will be subject to the achievement of performance criteria or hurdles set by the Board.

### 6.4.6. EXECUTIVE REMUNERATION

The key management personnel of the Company are Rhys Jones (Chief Executive Officer, Managing Director), Kar Yue Yeo (Chief Financial Officer) and Adrian Casey (Chief Operating Officer). Their employment arrangements are set out below.

**Figure 70: Rhys Jones (Chief Executive Officer, Managing Director) remuneration**

Term	Description
<b>Employer</b>	Vulcan Steel Limited
<b>Role</b>	Chief Executive Officer
<b>Fixed annual remuneration</b>	Rhys is entitled to receive annual fixed remuneration of NZ\$1,250,000. Superannuation will not be payable.
<b>Long-term incentive (LTI)</b>	<p>Rhys will be eligible to participate in the Company's LTI plan on the terms outlined in Section 6.4.7 below.</p> <p>The Company intends to grant Performance Share Rights at 157% of FAR, equivalent to NZ\$1,965,000 on the basis of criteria being met by the end of the performance periods in 2024.</p>

Term	Description
<b>Notice period, termination and termination payments</b>	<p>Either Rhys or Vulcan Steel Limited can terminate Rhys' employment by giving the other party 12 months' notice in writing (or by Vulcan Steel Limited making payment in lieu of notice of part or all of Rhys' notice period). Vulcan Steel Limited may summarily terminate Rhys' employment in certain circumstances, including where Rhys engages in serious misconduct. Rhys' employment may end by way of 'no fault' termination whereby Vulcan Steel Limited will pay Rhys the equivalent of 12 months' fixed annual remuneration.</p>
<b>Non-solicitation/restrictions on future activities</b>	<p>Rhys' employment contract contains restraints that apply during his employment and for 6 months post-employment, including:</p> <ul style="list-style-type: none"> <li>• non-competition restraints;</li> <li>• restrictions against soliciting Vulcan Steel Limited customers, contractors or suppliers; and</li> <li>• restrictions against soliciting, employing or engaging any employees.</li> </ul> <p>The non-competition restriction above purports to operate in New Zealand and Australia. The enforceability of the above restraints is subject to all usual legal requirements.</p>

**Figure 71: Kar Yue Yeo (Chief Financial Officer) remuneration**

Term	Description
<b>Employer</b>	Vulcan Steel Limited
<b>Role</b>	Chief Financial Officer
<b>Fixed annual remuneration</b>	<p>Kar Yue is entitled to receive annual fixed remuneration of \$680,000. Vulcan Steel Limited's employer contributions to KiwiSaver will also be payable on top of this fixed annual remuneration.</p>
<b>Long-term incentive (LTI)</b>	<p>Kar Yue will be eligible to participate in the Company's LTI plan on the terms outlined in Section 6.4.7 below.</p> <p>The Company intends to grant Performance Share Rights at 72% of FAR, equivalent to NZ\$490,000 on the basis of criteria being met by the end of the performance periods in 2024.</p>
<b>Notice period, termination and termination payments</b>	<p>Either Kar Yue or Vulcan Steel Limited can terminate Kar Yue's employment by giving the other party 6 months' notice in writing (or by Vulcan Steel Limited making payment in lieu of notice of part or all of Kar Yue's notice period). Vulcan Steel Limited may summarily terminate Kar Yue's employment in certain circumstances, including where Kar Yue engages in serious misconduct.</p> <p>Kar Yue's employment may end by way of 'no fault' termination whereby Vulcan Steel Limited will pay Kar Yue the equivalent of 12 months' fixed annual remuneration.</p>

## 6 Key people, interests and benefits Continued

Term	Description
<b>Non-solicitation/restrictions on future activities</b>	<p>Kar Yue's employment contract contains restraints that apply during his employment and for 6 months post-employment, including:</p> <ul style="list-style-type: none"> <li>• non-competition restraints;</li> <li>• restrictions against soliciting Vulcan Steel Limited customers, contractors or suppliers; and</li> <li>• restrictions against soliciting, employing or engaging any employees.</li> </ul> <p>The non-competition restriction above purports to operate in New Zealand and Australia. The enforceability of the above restraints is subject to all usual legal requirements.</p>

**Figure 72: Adrian Casey (Chief Operating Officer) remuneration**

Term	Description
<b>Employer</b>	Vulcan Steel Limited
<b>Role</b>	Chief Operations Officer
<b>Fixed annual remuneration</b>	Adrian is entitled to receive annual fixed remuneration of \$680,000. Superannuation will not be payable.
<b>Long-term incentive (LTI)</b>	<p>Adrian will be eligible to participate in the Company's LTI plan on the terms outlined in Section 6.4.7 below.</p> <p>The Company intends to grant Performance Share Rights at 72% of FAR, equivalent to NZ\$490,000 on the basis of criteria being met by the end of the performance periods in 2024.</p>
<b>Notice period, termination and termination payments</b>	<p>Either Adrian or Vulcan Steel Limited can terminate Adrian's employment by giving the other party 6 months' notice in writing (or by Vulcan Steel Limited making payment in lieu of notice of part or all of Adrian's notice period). Vulcan Steel Limited may summarily terminate Adrian's employment in certain circumstances, including where Adrian engages in serious misconduct.</p> <p>Adrian's employment may end by way of 'no fault' termination whereby Vulcan Steel Limited will pay Adrian the equivalent of 12 months' fixed annual remuneration.</p>
<b>Non-solicitation/restrictions on future activities</b>	<p>Adrian's employment contract contains restraints that apply during his employment and for 6 months post-employment, including:</p> <ul style="list-style-type: none"> <li>• non-competition restraints;</li> <li>• restrictions against soliciting Vulcan Steel Limited customers, contractors or suppliers; and</li> <li>• restrictions against soliciting, employing or engaging any employees.</li> </ul> <p>The non-competition restriction above purports to operate in New Zealand and Australia. The enforceability of the above restraints is subject to all usual legal requirements.</p>

#### 6.4.7. LONG-TERM INCENTIVE PLAN

The Company has established a Long-Term Incentive Plan (“**LTIP**”) to assist in the motivation, retention and reward of eligible employees. The LTIP is designed to align the interests of employees with the interests of Shareholders by providing an opportunity for employees to receive an equity interest in the Company.

The LTIP provides flexibility for the Company to grant performance share rights (“**Rights**”) which entitle the holder to acquire Shares (on a 1:1 basis), subject to the terms of individual offers.

The Company intends to grant Rights up to a total value of NZ\$2,945,000 to the CEO, Rhys Jones, the CFO, Kar Yue Yeo and the COO, Adrian Casey on or around completion of the IPO, pursuant to offers made under the LTIP (“**LTI Offer**”).

A summary of the key terms of the LTIP is set out in Figure 73 below.

**Figure 73: LTIP key terms**

Term	Description
<b>Eligibility</b>	The Board has the discretion to determine which employees are eligible to participate in the LTIP, and the number of Rights that they will be offered (“ <b>Participant</b> ”).
<b>Rights</b>	<p>The Board has the discretion to set the terms and conditions on which it will offer Rights under the LTIP.</p> <p>The Board may determine that the Rights will be subject to performance, service, or other conditions which must be satisfied or waived before the Rights vests (“<b>Vesting Conditions</b>”) and, if so, will specify those Vesting Conditions in the invitation to each Participant.</p> <p>The Board may, at its discretion, vary, reduce or waive any Vesting Conditions attaching to Rights at any time, subject to applicable law.</p>
<b>Acquisition Price</b>	<p>No payment is required for a grant of Rights unless otherwise stated in the relevant invitation letter.</p> <p>The Rights are granted with a face value specified in the invitation to each Participant. The face value is calculated with reference to the maximum dollar value of Rights the Participant is eligible to receive divided by the 20 trading day VWAP of the Shares prior to the Grant Date.</p> <p>For the LTI Offer (which will be made on or around completion of the IPO), the face value of the Rights issued to the relevant Participants will be calculated with reference to the maximum dollar value of Rights the Participant is eligible to receive divided by the Offer Price.</p>
<b>Grant Date</b>	Rights are granted annually on 1 July to reflect new financial year. However, the LTI Offer, comprising the Rights issued for 2021 (to be made at the Offer Price), will be granted on or around completion of the IPO.
<b>Performance Periods</b>	<p>The Vesting Conditions for the Rights are tested at:</p> <ul style="list-style-type: none"><li>• the third anniversary from the date the Rights are granted for the Relative TSR Vesting Condition; and</li><li>• the relevant 3 year financial period for the ROCE Vesting Condition, (the “<b>Testing Date</b>”).</li></ul> <p>The Testing Date for the LTI Offer (being the Rights granted on or around completion of the IPO) will be:</p> <ul style="list-style-type: none"><li>• 1 July 2024 for the Relative TSR Vesting Condition; and</li><li>• the 3 year financial period ending 30 June 2024.</li></ul>

## 6 Key people, interests and benefits Continued

Term	Description																						
<b>Vesting Conditions</b>	<p>The Rights are subject to two Vesting Conditions:</p> <ul style="list-style-type: none"> <li>• 50% of the Rights issued to a Participant are subject to a “Relative Total Shareholder Return” (“<b>Relative TSR</b>”) Vesting Condition; and</li> <li>• 50% of the Rights issued to a Participant are subject to a “Return On Capital Employed” (“<b>ROCE</b>”) Vesting Condition.</li> </ul> <p><b>Relative TSR</b></p> <p>In order for the Rights subject to the Relative TSR Vesting Condition to vest, the 20 trading day VWAP of the Shares prior to the Testing Date will be benchmarked against the ASX 300 (excluding mining, energy and financial companies) (the “<b>Benchmark Group</b>”).</p> <p>Depending on where the Company ranks in the Benchmark Group, certain Rights will vest. The percentage of Rights subject to the Relative TSR Vesting Condition that vest, if any, will be determined over the performance period by reference to the below vesting schedule:</p> <table> <tr> <th>Company's percentile in the Benchmark Group</th><th>% of Rights that vest</th></tr> <tr> <td>&lt;50%</td><td>0%</td></tr> <tr> <td>50%</td><td>50%</td></tr> <tr> <td>&gt;50%, &lt;75%</td><td>50 – 100% straight line basis</td></tr> <tr> <td>≥75%</td><td>100%</td></tr> </table> <p><b>ROCE</b></p> <p>In order for the Rights subject to the ROCE Vesting Condition to vest, the following formula is applied: <i>ROCE threshold = Pre-IFRS 16 EBIT ÷ Base Capital</i>.</p> <p>Where:</p> <ul style="list-style-type: none"> <li>• Base Capital = equity plus net debt excluding capitalised lease obligations, calculated at the start and end of each financial year, subject to adjustments at the Board's discretion (with the average of these calculations applied to the formula).</li> <li>• Pre-IFRS 16 EBIT = Pre-IFRS 16 Earnings Before Interest and Tax, subject to adjustments at the Board's discretion.</li> </ul> <p>The ROCE threshold is calculated at the end of each financial year in the Performance Period. The ROCE threshold for each of the three financial years in the Performance Period are then averaged and the percentage of Rights subject to the ROCE Vesting Condition that vest, if any, will be determined over the performance period by reference to the below vesting schedule:</p> <table> <tr> <th>Average ROCE threshold</th><th>% of Rights that vest</th></tr> <tr> <td>&lt;20%</td><td>0%</td></tr> <tr> <td>20%</td><td>50%</td></tr> <tr> <td>&gt;20%, &lt;25%</td><td>50-75% straight line basis</td></tr> <tr> <td>≥25%, &lt;30%</td><td>75-100% straight line basis</td></tr> <tr> <td>≥30%</td><td>100%</td></tr> </table>	Company's percentile in the Benchmark Group	% of Rights that vest	<50%	0%	50%	50%	>50%, <75%	50 – 100% straight line basis	≥75%	100%	Average ROCE threshold	% of Rights that vest	<20%	0%	20%	50%	>20%, <25%	50-75% straight line basis	≥25%, <30%	75-100% straight line basis	≥30%	100%
Company's percentile in the Benchmark Group	% of Rights that vest																						
<50%	0%																						
50%	50%																						
>50%, <75%	50 – 100% straight line basis																						
≥75%	100%																						
Average ROCE threshold	% of Rights that vest																						
<20%	0%																						
20%	50%																						
>20%, <25%	50-75% straight line basis																						
≥25%, <30%	75-100% straight line basis																						
≥30%	100%																						
<b>Exercise</b>	<p>Where the Vesting Conditions are met, the Rights subject to such Vesting Condition may be exercised by the Participant. Following such exercise, the Participants will be issued Shares, with no amount payable by the Participant for such Shares.</p>																						



Term	Description
<b>Restrictions on Dealing</b>	<p>Rights may not be sold, transferred, mortgaged, pledged, charged, granted as security or otherwise disposed of, without the prior approval of the Board, or unless required by law.</p> <p>The Participants are restricted from entering into any hedging arrangements with respect to the Rights.</p>
<b>Dividend and voting entitlements</b>	<p>The Rights do not provide the Participant to any right to participate in any dividend of the Company and do not provide the Participant with any voting rights.</p>
<b>Expiry of Rights</b>	<p>Rights which do not achieve the Vesting Conditions will lapse following the relevant testing date.</p> <p>All Rights which have vested, will lapse 3 years after the relevant vesting date, unless the Board determines otherwise.</p>
<b>Cessation of employment</b>	<p>The Board has discretion to determine if a Participant is a “good leaver” and if the Participant, in such circumstances, will be entitled to retain a pro-rata amount of their unvested Rights.</p> <p>In the event of a Participant’s redundancy, death or total and permanent disablement where the Participant otherwise qualifies for Rights, the Participant will be entitled to retain a pro-rata amount of their unvested Rights (based on the proportion of the term of the offer that the Participant was employed by the Company with reference to the number of whole months employed).</p> <p>In the event of a Participant’s termination with cause, outstanding Rights will lapse.</p> <p>In all other circumstances of cessation of employment prior to the vesting date, the Board may determine how to treat the unvested Rights of a Participant in its absolute discretion.</p>
<b>Change of control</b>	<p>In the event of a change of control or a likely change of control in the Company, the Board may, in its absolute discretion, determine that all or a specified number of a Participant’s Rights vest and determine whether to exercise vested but unexercised Rights.</p>
<b>Capital structure adjustments</b>	<p>The LTIP includes provisions addressing adjustments or otherwise on bonus issues, rights issues and capital restructures undertaken by the Company in future.</p>
<b>Quotation</b>	<p>Rights will not be quoted on the ASX. The Company will apply for official quotation of any Shares issued under the LTIP, in accordance with the Listing Rules.</p>

## 6.5. Corporate governance

This Section explains how the Board oversees the management of the Company’s business. The Board is responsible for the overall corporate governance of the Company, including establishing and monitoring key performance goals. The Board monitors the operational and financial position and performance of the Company and oversees its business strategy, including approving the strategic goals of the Company and considering and approving an annual business plan (including a budget).

The Board is committed to maximising performance, generating appropriate levels of Shareholder value and financial return, and sustaining the growth and success of the Company. In conducting the Company’s business with these objectives, the Board seeks to ensure that the Company is properly managed to protect and enhance Shareholder interests, and that the Company and its Directors, officers and personnel operate in an appropriate environment of corporate governance. Accordingly, the Board has created a framework for managing the Company, including adopting relevant internal controls, risk management processes and corporate governance policies and practices which it believes are appropriate for the Company’s business and which are designed to promote the responsible management and conduct of the Company.

## 6 Key people, interests and benefits Continued

The Company is seeking a primary listing on the ASX and a secondary listing on the NZX as a foreign exempt issuer. The ASX Corporate Governance Council has developed and released its fourth edition of the Corporate Governance Principles and Recommendations for Australian listed entities in order to promote investor confidence and to assist companies in meeting stakeholder expectations. The ASX Recommendations are not prescriptions, but guidelines. However, under the ASX Listing Rules, the Company will be required to provide a statement in its annual report disclosing the extent to which it has followed the ASX Recommendations in the reporting period. Where the Company does not follow a recommendation, it must identify the recommendation that has not been followed and give reasons for not following it and must also disclose what (if any) alternative governance practices it adopted instead of the recommendation during that period.

Prior to Completion, copies of the Company's key policies and practices and the charters for the Board and each of its committees will be available at <https://vulcan.co/investor/corporate-governance/>.

### 6.5.1. THE BOARD OF DIRECTORS

The name and biographical details of the current members of the Board of Directors are contained in Section 6.1.

Each Director has confirmed to the Company that he or she anticipates being available to perform his or her duties as a Non-Executive Director or Executive Director without constraint having regard to their other commitments.

The Board considers an independent Director to be a Non-Executive Director who is free of any interest, position, association or relationship that might influence, or reasonably be perceived to influence, his or her capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of the Company and its security holders generally. The Board will consider the materiality of any given relationship on a case-by-case basis and has adopted guidelines to assist with its determination of the independence of Directors. The Board reviews the independence of each Director in light of interests disclosed to the Board from time to time. In assessing independence, the Board will have regard to the ASX Recommendations.

The Board Charter sets out guidelines for the purpose of determining independence of Directors in accordance with the ASX Recommendations and has adopted a definition of independence that is based on that set out in the ASX Recommendations.

Russell Chenu, Pip Greenwood, Bart de Haan and Carolyn Steele are considered to be independent directors.

Peter Wells, Wayne Boyd and Rhys Jones are currently considered by the Board not to be independent on the basis that they are and will continue to be significant shareholders post-Listing through their associated entities (as set out in 6.4.3).

The current structure and composition of the Board and its committees has been determined having regard to the nature and size of the Company's operations, the skill set of the Company's Directors both individually and collectively, and the best interests of Shareholders. The Board is responsible for reviewing and determining the composition and performance of the Board and its committees and ensuring that adequate succession plans are in place. Independent advice will be sought where appropriate.

As at the date of this Prospectus, the Company will be compliant with the ASX Recommendations.

### 6.5.2. BOARD CHARTER

The Board may from time to time establish appropriate committees to assist in the discharge of its responsibilities. The Board has established an Audit and Risk Management Committee and a People and Remuneration Committee.

Other committees may be established by the Board as and when required. The Board retains ultimate accountability to Shareholders in discharging its duties.

#### **6.5.2.1. Audit and Risk Management Committee**

The role of the Audit and Risk Management Committee is to assist the Board in fulfilling its responsibilities for corporate governance and overseeing the Company's financial reporting, internal control structure, risk management systems and internal and external audit functions. This includes confirming the quality and reliability of the financial information prepared by the Company, working with the external auditor on behalf of the Board and reviewing non-audit services provided by the external auditor to confirm they are consistent with maintaining external audit independence.

The Audit and Risk Management Committee provides recommendations to the Board and reports on the status and management of the risks to the Company. The purpose of the Committee's risk management process is to assist the Board in relation to risk management policies, procedures and systems and assist in identifying, assessing and appropriately managing risks.

The Company will comply with the recommendations set by the ASX Corporate Governance Council in relation to the composition and operation of the Committee. The Committee will comprise of Carolyn Steele (Chair), Pip Greenwood, Russell Chenu and Peter Wells.

#### **6.5.2.2. People and Remuneration Committee**

The role of the People and Remuneration Committee is to assist the Board in fulfilling its responsibilities for corporate governance, driving diversity and inclusion within the Company and overseeing the Company's people and remuneration strategies and policies.

This includes reviewing and making recommendations to the Board on remuneration packages and policies related to the Directors and senior executives. The People and Remuneration Committee is also responsible assisting the Board in administering short-term and long-term incentive plans (including any equity plans). In addition, the Committee is responsible for assisting the Board to identify successors, replacements and/or additional directors as required.

The Company will comply with the recommendations set by the ASX Corporate Governance Council in relation to the composition and operation of the Committee. The Committee will comprise of Bart de Haan (Chair), Russell Chenu and Wayne Boyd.

### **6.5.3. CORPORATE GOVERNANCE POLICIES**

The Board has adopted the following corporate governance policies, each of which has been prepared having regard to the ASX Principles.

#### **6.5.3.1. Disclosure Policy**

Once listed, the Company will need to comply with the continuous disclosure requirements of the ASX Listing Rules and the Corporations Act. The Company will be required to disclose to ASX and NZX any information concerning the Company which is not generally available and which a reasonable person would expect to have a material effect on the price or value of the Company's Shares were that information to be generally available. The Company is committed to observing its disclosure obligations. As such, this policy sets out certain procedures and measures which are designed to ensure that the Company complies with its continuous disclosure obligations. Information will be communicated to Shareholders through the lodgement of all relevant financial and other information with ASX and NZX, and continuous disclosure announcements will be made available on the Company website at <https://vulcan.co/investor/corporate-governance/>.

#### **6.5.3.2. Shareholder Communication Policy**

The Board's aim is to ensure that Shareholders are informed in a timely and readily accessible manner of all major developments affecting the state of affairs of the Company. Information will be communicated to Shareholders through the lodgement of information with ASX and NZX as required by the Company's continuous disclosure obligations, and publishing information on the Company's website at <https://vulcan.co/investor/corporate-governance/>. The website will contain information about the Company, including periodic releases, key policies, the terms of reference of Board committees and other information relevant to Shareholders. All announcements made to the market will be posted on the website following release to ASX and NZX.

## 6 Key people, interests and benefits Continued

### 6.5.3.3. Securities Trading Policy

The Company has adopted a securities trading policy which will apply to the Company's Directors and senior management, all employees of the Group, certain related persons of those Directors and employees, and any other person designated by the Board from time to time. This policy is intended to explain the types of conduct in relation to dealings in Shares that are prohibited under the Corporations Act and the Financial Markets Conduct Act 2013 ("**FMC Act**") and to establish procedures in relation to such persons' dealing in the Shares.

Under the securities trading policy, various people including all employees of the Group, are prohibited from trading in Shares during all periods that are outside an available trading window. The trading windows are:

- a period of 28 days' following 48 hours after the release of the Company's the half yearly results to the ASX and NZX;
- a period of 28 days' following 48 hours after the release of the Company's full year results to the ASX and NZX;
- a period of 28 days' following the Company's Annual General Meeting;
- at any time a prospectus, cleansing notice or similar disclosure document has been lodged with ASIC and NZX and is open for acceptances; and
- at any other times as the Board permits.

In all instances, buying or selling Shares is not permitted at any time by any person who possesses price sensitive information, in a manner contrary to the Corporations Act or the FMC Act.

### 6.5.3.4. Code of Conduct

The Board recognises the need to observe the highest standards of corporate practice and business conduct. Accordingly, the Board has adopted a code of conduct which sets out that the Company will carry on business honestly and fairly, acting only in ways that reflect well on the Company in strict compliance with all laws and regulations. The code of conduct also intends to guide the behaviour of its Directors, employees, contractors, consultants and managers.

### 6.5.3.5. Diversity and Inclusion Policy

The workforce of the Company is made up of individuals with diverse skills, backgrounds, perspectives and experiences, and this diversity is recognised, valued and respected. The Diversity and Inclusion policy aims to align the Company's business operations with the positive outcomes that can be achieved through a diverse workplace that recognises and utilises the contribution of diverse skills and talents amongst its Board, management and employees.

### 6.5.3.6. Whistleblower Protection Policy

The Company has adopted a whistleblower protection policy to encourage its employees, officers, suppliers, contractors, and associates to raise any concerns and report instances of potential misconduct (including illegal or fraudulent conduct), where there are reasonable grounds to suspect such conduct, without fear of reprisal. The whistleblower protection policy sets out the Company's commitment to investigate all matters reported (unless determined inappropriate or unreasonable to do so) in an objective and fair manner as soon as possible after the matter has been reported. The Board will be informed of any material incidents reported under the whistleblower protection policy.

### 6.5.3.7. Anti-Bribery and Corruption Policy

The Company is committed to operating in a manner consistent with the laws and regulations of the jurisdictions in which its businesses operate, including those relating to bribery and corruption. Accordingly, the Board has adopted an anti-bribery and corruption policy which sets out the responsibilities of the Company and its employees, officers, Directors and other representatives in relation to bribery and corruption including for the prevention and detection of fraud. The Board will be informed of any material breaches of the anti-bribery and corruption policy.

## 6.6. Tax governance

The Company is committed to being a responsible corporate taxpayer and to act with integrity in complying with taxation laws. Accordingly, the Company will maintain transparent, professional and collaborative relationships with all taxation authorities and will act honestly and openly in their dealings with them. The Company will maintain a tax risk management and governance framework to ensure it properly manages tax risk and to protect and enhance shareholder value.

## 6.7. Related party arrangements

The Company operates parts of its business from certain leased sites owned by property syndicates, in which some of the investors are Directors and senior management of the Company (being Peter Wells, Wayne Boyd and Adrian Casey) ("**Related Party Leases**").

The aggregate amount of total rent payments under these Related Party Leases was approximately \$7.6 million in FY21, which represented 32% of the total rent paid across Vulcan's lease portfolio in FY21 which was \$23.5 million. The Related Party Leases are long-term leases which expire between 2026 and 2032.

The Directors, other than Peter Wells and Wayne Boyd, consider each Related Party Lease to be on arm's length terms.

Other than as disclosed below or elsewhere in this Prospectus, the Company is not party to any material related party arrangements.

A close-up, high-contrast photograph of industrial metal components, likely parts of a machine or engine. The image shows several curved, metallic surfaces with technical markings. A dark blue diagonal overlay covers the left side of the image. The markings on the metal include "VULCAN AS2129/AS4087 A182F316/316L" and "VULCAN AS2129/AS4087 A182F316/316L".

# 7 / Details of the Offer



# 7 Details of the Offer

## 7.1. The Offer

This Prospectus relates to an initial public offering of approximately 52.3 million Shares in Vulcan at an Offer Price of A\$7.10 per Share. The Offer is expected to raise approximately A\$371.6 million at the Offer Price<sup>145</sup>. All Shares will be sold by and transferred from SaleCo.

The Shares being offered will represent 39.8% of the Shares on issue at Completion. The total number of Shares on issue at Completion will be 131.4 million and all Shares on issue will rank equally with each other.

A summary of the rights attaching to the Shares is set out in Section 7.13.

The Offer is made on the terms, and is subject to the conditions, set out in this Prospectus.

### 7.1.1. STRUCTURE OF THE OFFER

The Offer comprises:

- the Institutional Offer, which consists of an offer to Institutional Investors in Australia, New Zealand and certain other eligible jurisdictions (see Section 9.12), made under this Prospectus
- the Retail Offer, which consists of the:
  - Broker Firm Offer, which is open to eligible Australian and New Zealand resident retail clients of participating Brokers, who have received a firm allocation of Shares from their Broker; and
  - Priority Offer, which is open to selected investors in Australia and New Zealand who have received an invitation under the Priority Offer.

No general public offer of Shares will be made under the Offer.

The allocation of Shares between the Retail Offer and the Institutional Offer was determined by agreement between the Joint Lead Managers, SaleCo and Vulcan, having regard to the allocation policies outlined in Sections 7.3.4, 7.4.4 and 7.6.2.

The Offer is fully underwritten by the Joint Lead Managers. A summary of the Underwriting Agreement, including the events which would entitle the Joint Lead Managers to terminate the Underwriting Agreement, are set out in Section 9.6.1.

### 7.1.2. PURPOSE OF THE OFFER AND USE OF PROCEEDS

The Offer is being conducted to:

- allow Existing Shareholders to realise a portion of their investment in Vulcan;
- provide a liquid market for the Shares and an opportunity for other investors (beyond the Existing Shareholders) to invest in Vulcan; and
- provide Vulcan with access to capital markets to enable additional financial flexibility to pursue growth opportunities.

### 7.1.3. SOURCES AND USES OF OFFER PROCEEDS

All Shares to be sold under the Offer will be sold by and transferred from SaleCo. The Offer is expected to raise gross proceeds of approximately A\$371.6 million. The net proceeds of the Offer, after the deduction of certain fees and expenses (excluding offer costs), will be paid to SaleCo and ultimately distributed to the Existing Shareholders who participate in the Offer.

<sup>145</sup>. All Applicants who are allocated Shares under the Offer may also apply to settle their Shares on the NZX at a New Zealand dollar equivalent price of NZ\$7.52 with the New Zealand branch of the Share Registry.



## 7 Details of the Offer Continued

### 7.1.4. SHAREHOLDING STRUCTURE

Details of the ownership of Shares immediately prior to the Offer and as expected at Completion are set out below:

Shareholder	Shares held prior to Completion		Shares held on Completion	
	Millions	%	Millions	%
Takutai Limited <sup>1</sup>	30.7	23.4%	18.4	14.0%
Partio Trustee Limited <sup>2</sup>	12.2	9.3%	7.3	5.6%
Adrian Casey, Henderika Casey and B.W.S Trustee Company 2012 Limited <sup>3</sup>	9.8	7.4%	5.9	4.5%
PJ & HC Moore Trustee Limited, Helen Moore and Patrick Moore	9.0	6.8%	5.4	4.1%
Rhys Jones and Lorraine Susan Taylor <sup>4</sup>	7.9	6.0%	4.7	3.6%
Wide View Enterprises Limited	7.7	5.8%	4.6	3.5%
Other Existing Shareholders	54.2	41.3%	32.8	24.9%
New Shareholders	Nil	Nil	52.3	39.8%
<b>Total</b>	<b>131.4</b>	<b>100.0%</b>	<b>131.4</b>	<b>100.0%</b>

1. Shareholding entity associated with Peter Wells.
2. Shareholding entity associated with Wayne Boyd.
3. Shareholding entity associated with Adrian Casey.
4. Shareholding entity associated with Rhys Jones.

### 7.1.5. CONTROL IMPLICATIONS OF THE OFFER

The Directors do not expect any Shareholder will control (as defined by section 50AA of the Corporations Act) Vulcan after Completion.

On Completion, the entity's free float (as defined by the ASX Listing Rules) will be not less than 20%.

## 7.2. Terms and conditions of the Offer

Topic	Summary
<b>What is the type of security being offered?</b>	<ul style="list-style-type: none"> <li>Shares (being fully paid ordinary shares in Vulcan).</li> </ul>
<b>What are the rights and liabilities attached to the security being offered?</b>	<ul style="list-style-type: none"> <li>A description of the Shares, including the rights and liabilities attaching to them, is set out in Section 7.13.</li> </ul>
<b>What is the consideration payable for each security being offered?</b>	<ul style="list-style-type: none"> <li>The Offer Price is A\$7.10 per Share.<sup>146</sup></li> </ul>

<sup>146</sup> All Applicants who are allocated Shares under the Offer may also apply to settle their Shares on the NZX at a New Zealand dollar equivalent price of NZ\$7.52 with the New Zealand branch of the Share Registry.

Topic	Summary
<b>What is the Offer Period?</b>	<ul style="list-style-type: none"> <li>The key dates, including details of the Offer Period, are set out in Key Offer statistics and important dates.</li> <li>The key dates are indicative only and may change. Unless otherwise indicated, all times are stated in AEDT.</li> <li>Vulcan and SaleCo, in consultation with the Joint Lead Managers, reserve the right to vary any and all of the times and dates without notice (including, subject to the ASX Listing Rules and the Corporations Act) to close the Offer early, to extend the Closing Date, to accept late Applications (either generally or in particular cases) or to cancel or withdraw the Offer before Settlement, in each case without notifying any recipient of this Prospectus or any Applicants.</li> <li>If the Offer is cancelled or withdrawn before the allocation of Shares, then all Application Monies will be refunded in full (without interest) as soon as possible in accordance with the requirements of the Corporations Act.</li> <li>No Shares will be transferred on the basis of this Prospectus later than the Expiry Date of 13 months after the Prospectus Date.</li> </ul>
<b>What are the cash proceeds to be raised?</b>	<ul style="list-style-type: none"> <li>Approximately A\$371.6 million is expected to be raised under the Offer based on the Offer Price<sup>147</sup>, if the Offer proceeds.</li> </ul>
<b>Is the Offer underwritten?</b>	<ul style="list-style-type: none"> <li>Yes. The Offer is fully underwritten by the Joint Lead Managers. More detail on the underwriting arrangements is set out in Section 9.6.1.</li> </ul>
<b>Who are the Joint Lead Managers to the Offer?</b>	<ul style="list-style-type: none"> <li>The Joint Lead Managers are Credit Suisse (Australia) Limited and UBS AG, Australia Branch.</li> </ul>
<b>What is the allocation policy?</b>	<ul style="list-style-type: none"> <li>The allocation of Shares between the Institutional Offer, Broker Firm Offer and Priority Offer was determined between the Joint Lead Managers, Vulcan and SaleCo having regard to the allocation policies outlined in Sections 7.3.4, 7.4.4, 7.6.1 and 7.6.2.</li> </ul>
<b>What is the minimum and maximum Application size under the Broker Firm Offer?</b>	<ul style="list-style-type: none"> <li>Broker Firm Offer: The minimum Application under the Broker Firm Offer is as determined by the Applicant's Broker. There is no maximum Application under the Broker Firm Offer.</li> <li>Priority Offer: Applications under the Priority Offer must be for a minimum of 300 Shares. There is no maximum Application under the Priority Offer. The Priority Offer will be capped at an aggregate amount of 700,000 Shares.</li> <li>Vulcan, SaleCo and the Joint Lead Managers reserve the right to reject any Application or to allocate a lesser number of Shares than that applied for, in their absolute discretion.</li> </ul>
<b>When will I receive confirmation that my Application has been successful?</b>	<ul style="list-style-type: none"> <li>It is expected that initial holding statements will be dispatched to successful Applicants by standard post on or about <b>Tuesday, 9 November 2021</b>.</li> <li>Refunds (without interest) to Applicants who make an Application and receive an allocation of Shares, the value of which is smaller than the amount of the Application Monies, will be made as soon as practicable after Completion of the Offer.</li> </ul>

<sup>147</sup>. All Applicants who are allocated Shares under the Offer may also apply to settle their Shares on the NZX at a New Zealand dollar equivalent price of NZ\$7.52 with the New Zealand branch of the Share Registry.

## 7 Details of the Offer Continued

Topic	Summary
<b>Will the shares be quoted on the ASX?</b>	<ul style="list-style-type: none"> <li>Vulcan will apply to ASX within seven days of the Prospectus Date, for its admission to the Official List and quotation of Shares (under the code "VSL"). It is anticipated that quotation will initially be on a conditional and deferred settlement basis.</li> <li>The transfer of Shares under the Offer is conditional on ASX approving this application. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded (without interest), as soon as practicable in accordance with the requirements of the Corporations Act.</li> </ul>
<b>Will the Shares be quoted on NZX?</b>	<ul style="list-style-type: none"> <li>Vulcan will apply for listing with NZX as a foreign exempt issuer and for quotation of the Shares on the NZX Main Board (under the code "VSL").</li> <li>The transfer of Shares under the Offer is conditional on NZX approving this application.</li> </ul>
<b>When are the Shares expected to commence trading?</b>	<ul style="list-style-type: none"> <li>It is expected that trading of the Shares on ASX and NZX will commence on or about <b>Thursday, 4 November 2021</b> on a conditional and deferred settlement basis.</li> <li>Conditional trading will continue until Vulcan has advised the ASX and NZX that: <ul style="list-style-type: none"> <li>Settlement has occurred; and</li> <li>SaleCo has transferred the Shares to successful Applicants under the Offer, which is expected to be on or about <b>Monday, 8 November 2021</b>.</li> </ul> </li> <li>The dispatch of holding statements will occur on or about <b>Tuesday, 9 November 2021</b> and the Shares will commence trading on a normal settlement basis on or about <b>Wednesday, 10 November 2021</b>.</li> <li><b>It is the responsibility of each Applicant to confirm their holding before trading in shares. Applicants who sell shares before they receive an initial holding statement do so at their own risk.</b></li> <li>Vulcan, SaleCo, the Share Registry and the Joint Lead Managers disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving a holding statement, even if that person received confirmation of their allocation from the Vulcan IPO Offer Information Line or confirmed their firm allocation through a Broker.</li> </ul>
<b>Are there any escrow arrangements?</b>	<ul style="list-style-type: none"> <li>Yes. Details are provided in Section 9.6.2.</li> </ul>
<b>Has any ASIC relief or ASX waiver or confirmation been sought, obtained or been relied on?</b>	<ul style="list-style-type: none"> <li>Details of ASX confirmations are provided in Section 9.8.4. No ASIC relief has been sought, obtained or relied on.</li> </ul>
<b>Are there any tax considerations?</b>	<ul style="list-style-type: none"> <li>Yes. Details are provided in Section 9.9.</li> </ul>
<b>Are there any brokerage, commission or stamp duty considerations?</b>	<ul style="list-style-type: none"> <li>No brokerage, commission or stamp duty is payable by Applicants on acquisition of Shares under the Offer.</li> </ul>

Topic	Summary
<b>Will the Offer be extended into New Zealand?</b>	<ul style="list-style-type: none"> <li>Shares offered to investors in New Zealand under the Offer are being offered under the New Zealand Mutual Recognition Regime.</li> </ul>
<b>What should I do with any enquiries?</b>	<ul style="list-style-type: none"> <li>All enquiries in relation to this Prospectus should be directed to the Vulcan IPO Offer Information Line on 1800 881 047 (within Australia) or +61 1800 881 047 (outside Australia), from 8.30am to 5.30pm (AEDT), Monday to Friday.</li> <li>If you have any questions about whether to invest, you should seek advice from your accountant, financial advisor, stockbroker, lawyer or other professional advisor before deciding whether to invest in Vulcan.</li> </ul>

## 7.3. Broker Firm Offer

### 7.3.1. WHO MAY APPLY IN THE BROKER FIRM OFFER

The Broker Firm Offer is open to Australian resident retail clients and New Zealand resident retail clients of participating Brokers who have a registered address in Australia or New Zealand respectively and who received an invitation from a Broker to acquire Shares under this Prospectus and are not in the United States.

You should contact your Broker to determine whether you can receive an allocation of Shares under the Broker Firm Offer.

### 7.3.2. HOW TO APPLY FOR SHARES UNDER THE BROKER FIRM OFFER

If you have received an invitation to apply for Shares from your Broker and wish to apply for those Shares under the Broker Firm Offer, you should contact your Broker for information about how to submit your Broker Firm Offer Application Form and for payment instructions. Applicants under the Broker Firm Offer should not send their Application Forms or payment to the Share Registry.

Applicants under the Broker Firm Offer should contact their Broker to request a Prospectus and Application Form, or download a copy at <https://events.miraqle.com/vulcan-ipo>. Your Broker will act as your agent and it is your Broker's responsibility to ensure that your Application Form and Application Monies are received before 5.00pm (AEDT) on the Closing Date or any earlier closing date as determined by your Broker.

Broker clients should complete and lodge their Broker Firm Offer Application Form with the Broker from whom they received their invitation to participate in the Broker Firm Offer. Broker Firm Offer Application Forms must be completed in accordance with the instructions given to you by your Broker and the instructions set out on the back of the Application Form.

By making an Application, you declare that you were given access to the Prospectus, together with an Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

Applicants under the Broker Firm Offer should contact their Broker about the minimum and maximum Application size. Vulcan, SaleCo and the Joint Lead Managers reserve the right to reject or aggregate any Applications that they believe may be multiple Applications from the same person. Vulcan may determine a person to be eligible to participate in the Broker Firm Offer, and may amend or waive the Broker Firm Offer application procedures or requirements, in its discretion, in compliance with applicable laws.

Vulcan, SaleCo, the Joint Lead Managers and the Share Registry take no responsibility for any acts or omissions committed by your Broker in connection with your Application.

The Broker Firm Offer opens at 9.00am (AEDT) on **Monday, 25 October 2021** and is expected to close at 5.00pm (AEDT) on **Tuesday, 2 November 2021**. Vulcan, SaleCo and the Joint Lead Managers may elect to close the Broker Firm Offer or any part of it early, extend the Broker Firm Offer or any part of it, or accept late Applications either generally or in particular cases. The Broker Firm Offer or any part of it may be closed at any earlier time and date, without notice. Your Broker may also impose an earlier closing date. Applicants are therefore encouraged to submit their Applications as early as possible. Contact your Broker for instructions.

## 7 Details of the Offer Continued

### 7.3.3. HOW TO PAY FOR SHARES UNDER THE BROKER FIRM OFFER

Applicants under the Broker Firm Offer must pay their Application Monies to their Broker in accordance with instructions provided by that Broker.

### 7.3.4. BROKER FIRM OFFER ALLOCATION POLICY

The allocation of Shares to Brokers has been determined by Vulcan, SaleCo and the Joint Lead Managers. Shares which are allocated to Brokers for allocation to their retail clients will be sold to the Applicants nominated by those Brokers (subject to the rights of the Joint Lead Managers, Vulcan and SaleCo to reject, aggregate or scale back Applications). It will be a matter for each Broker as to how they allocate Shares among their retail clients and they, (and not the Joint Lead Managers or Vulcan), will be responsible for ensuring that retail clients who have received an allocation from them receive the relevant Shares.

Applicants in the Broker Firm Offer will be able to call the Vulcan IPO Offer Information Line on 1800 881 047 (within Australia) from 8.30am to 5.30pm (AEDT), Monday to Friday and +61 1800 881 047 (outside Australia) from 8.30am to 5.30pm (AEDT), Monday to Friday to confirm their allocation. Applicants under the Broker Firm Offer will also be able to confirm their allocation through the Broker from whom they received their allocation. Successful Applicants will be formally notified of the success of their Application by the receipt of initial holding statements.

If you sell Shares before receiving a holding statement, you do so at your own risk, even if you obtained details of your holding from the Vulcan IPO Offer Information Line or confirmed your allocation through the Broker from whom you received your allocation.

## 7.4. Priority Offer

### 7.4.1. WHO MAY APPLY IN THE PRIORITY OFFER

The Priority Offer is open to eligible investors who have received a Priority Offer invitation. If you are an Applicant under the Priority Offer, you should have received a personalised invitation to apply for Shares in the Priority Offer. The Priority Offer is not open to persons in the United States, or to or for the account or benefit of any person in the United States.

### 7.4.2. HOW TO APPLY FOR SHARES UNDER THE PRIORITY OFFER

If you have received a personalised invitation to apply for Shares under the Priority Offer and you wish to apply for Shares, you should follow the instructions on your personalised Priority Offer invitation and the instructions on the website <https://events.miraqle.com/vulcan-ipo>

The Priority Offer opens at 9.00am (AEDT) on **Monday, 25 October 2021** and is expected to close at 5.00pm (AEDT) on **Tuesday, 2 November 2021**. Applications must be received on or before the Closing Date.

Applications under the Priority Offer must be for a minimum of 300 Shares.

There is no maximum value of Shares that may be applied for under the Priority Offer; however, the aggregate cap of the Priority Offer is 700,000 Shares. Vulcan reserves the right to scale back Applications under the Priority Offer in its absolute discretion.

Any amount applied for in excess of the amount allocated to you will be refunded in full (without interest). If the amount of your payment for Application Monies (or the amount for which those payments clear in time for allocation) is insufficient to pay for the amount you have applied for in your Application Form, you may be taken to have applied for such lower amount as your cleared Application Monies will pay for (and to have specified that amount in your Application Form), or your Application may be rejected.

Applicants under the Priority Offer may apply for Shares by visiting <https://events.miraqle.com/vulcan-ipo>, completing the online Application Form and paying the Application Monies in the manner described in Section 7.5.

### 7.4.3. HOW TO PAY FOR SHARES UNDER THE PRIORITY OFFER

If you are an Applicant under the Priority Offer, you must pay for Shares applied for following the instructions on your personalised invitation.

#### **7.4.4. PRIORITY OFFER ALLOCATION POLICY**

The Allocation of Shares among Applicants in the Priority Offer will be determined by Vulcan in its absolute discretion, in consultation with the Joint Lead Managers. There is no assurance that any Applicant will be allocated any Shares, or the number of Shares for which the Applicant applied.

### **7.5. Application Monies**

Vulcan and SaleCo reserve the right to decline any Application in whole or in part, without giving any reason. Application Monies received under the Broker Firm Offer or the Priority Offer will be held in a special purpose account until Shares are sold to Successful Applicants. Applicants whose Applications are not accepted, or who are allocated a lesser number of Shares than the amount applied for, will receive a refund of all or part of their Application Monies, as applicable. Interest will not be paid on any monies refunded.

Applicants whose Applications are accepted in full will receive the whole number of Shares calculated by dividing the Application Monies by the Offer Price. Where the Offer Price does not divide evenly into the Application Monies, the number of Shares to be allocated will be rounded down. No refunds arising solely from rounding will be provided.

Interest will not be paid on any monies refunded and any interest earned on Application Monies pending the allocation or refund will be retained by Vulcan.

You should ensure that sufficient funds are held in the relevant account to cover your Application Monies. If the amount of Application Monies is less than the amount specified on the Application Form, you may (unless your Broker advises otherwise) be taken to have applied for such lower dollar amount of Shares as for which your cleared Application Monies will pay (and to have specified that amount on your Application Form) or your Application may be rejected.

### **7.6. Institutional Offer**

#### **7.6.1. INVITATIONS TO BID**

Under the Institutional Offer, Institutional Investors in Australia, New Zealand and certain other eligible jurisdictions outside of the United States were invited to bid for an allocation of Shares under this Prospectus. The Joint Lead Managers separately advised the Institutional Investors of the Application procedures for the Institutional Offer.

#### **7.6.2. ALLOCATION POLICY UNDER THE INSTITUTIONAL OFFER**

The allocation of Shares among Applicants in the Institutional Offer was determined by agreement between the Joint Lead Managers, SaleCo and Vulcan.

Participants in the Institutional Offer have been advised of their allocation of Shares, if any, by the Joint Lead Managers.

The allocation policy was influenced, but not constrained, by the following factors:

- number of Shares bid for by particular Applicants;
- the timeliness of the bid by particular Applicants;
- Vulcan's desire for an informed and active trading market following Completion;
- Vulcan's desire to establish a wide spread of institutional Shareholders;
- overall anticipated level of demand under the Broker Firm Offer and Institutional Offer;
- the size and type of funds under management of particular Applicants;
- likelihood that particular Applicants will be long-term Shareholders; and
- any other factors that Vulcan and the Joint Lead Managers considered appropriate.

## 7 Details of the Offer Continued

### 7.7. Acknowledgements

Each Applicant under the Offer will be deemed to have:

- agreed to become a shareholder of Vulcan and to be bound by the terms of the Constitution and the terms and conditions of the Offer;
- acknowledged having personally received a printed or electronic copy of the Prospectus (and any supplementary or replacement prospectus) including or accompanied by the Application Form and having read them all in full;
- declared that all details and statements in their Application Form are complete and accurate;
- declared that the Applicant(s), if a natural person, is/are over 18 years of age;
- acknowledged that, once Vulcan, SaleCo or a Broker receives an Application Form, it may not be withdrawn;
- applied for the number of Shares at the Australian dollar amount shown on the front of the Application Form;
- agreed to being allocated and sold the number of Shares applied for (or a lower number allocated in accordance with this Prospectus), or no Shares at all;
- authorised Vulcan, SaleCo, the Joint Lead Managers and their respective officers or agents, to do anything on behalf of the Applicant(s) that is necessary for the Shares to be allocated to the Applicant(s), including to act on instructions received by the Share Registry, using the contact details in the Application Form;
- acknowledged that, in some circumstances, Vulcan may not pay dividends, or that any dividends paid may not be franked or imputed;
- acknowledged that the information contained in this Prospectus (or any supplementary or replacement prospectus) is not financial product advice or a recommendation that the Shares are suitable for the Applicant(s), given the investment objectives, financial situation and particular needs (including financial and taxation issues) of the Applicant(s);
- declared that the Applicant(s) is/are a resident of Australia or New Zealand (except as applicable to the Institutional Offer);
- acknowledged and agreed that the Offer may be withdrawn by Vulcan or SaleCo, or may otherwise not proceed in the circumstances described in this Prospectus; and
- acknowledged and agreed that if Listing does not occur for any reason, the Offer will not proceed.

Each Applicant will be taken to have represented, warranted and agreed that:

- it understands that the Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state of the United States and may not be offered or sold in the United States, except in a transaction exempt from, or not subject to, registration under the US Securities Act and any other applicable state securities laws;
- it is not in the United States;
- it has not sent, and will not send, the Prospectus or any other material relating to the Offer to any person in the United States;
- it will not offer or sell the Shares in the United States or in any other jurisdiction outside Australia or New Zealand except in transactions exempt from, or not subject to, registration requirements of the US Securities Act and in compliance with all applicable laws in the jurisdiction in which Shares are offered and sold; and
- by applying under the Offer, it is in compliance with all applicable laws in respect of the acquisition of Shares.

### 7.8. Underwriting arrangements

The Offer is fully underwritten. For further details of the Underwriting Agreement, see Section 9.6.1.



## 7.9. Restrictions on distribution

No action has been taken to register or qualify this Prospectus, the Shares or the Offer or otherwise to permit a public offering of the Shares in any jurisdiction outside Australia or New Zealand.

This Prospectus does not constitute an offer or invitation to apply for Shares in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation under this Prospectus.

This Prospectus may not be distributed in the United States, and may only be distributed to persons outside Australia and New Zealand to Institutional Investors to whom the Offer may lawfully be made in accordance with the laws of any applicable jurisdiction.

In particular, the Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold, directly or indirectly, in the United States, except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and applicable US state securities laws.

Each Applicant under the Institutional Offer will be required to make certain representations, warranties and covenants set out in the confirmation of allocation letter distributed to it.

For more information on the other selling restrictions which apply to the Offer, refer to Section 9.12.

## 7.10. Discretion regarding the Offer

Vulcan and SaleCo may withdraw the Offer at any time before the sale or transfer of Shares to successful Applicants under the Offer. If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded (without interest).

Vulcan, SaleCo and the Joint Lead Managers also reserve the right to close the Offer or any part of it early, extend the Offer or any part of it, accept late Applications either generally or in particular cases, reject any Application, or allocate to any Applicant fewer Shares than those applied for.

## 7.11. ASX listing, registers and holding statements, and conditional deferred settlement trading

### 7.11.1. APPLICATION TO ASX FOR LISTING OF VULCAN AND QUOTATION OF SHARES

Vulcan will apply to ASX within seven days of the Prospectus Date, for its admission to the Official List and quotation of Shares (which is expected to be under the code "VSL").

ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that ASX may admit Vulcan to the Official List is not to be taken as an indication of the merits of Vulcan or the Shares offered for subscription.

If permission is not granted for the official quotation of the Shares on ASX within three months after the Prospectus Date (or any later date permitted by law), the Offer may be withdrawn and all Application Monies received by Vulcan will be refunded (without interest) as soon as practicable in accordance with the requirements of the Corporations Act.

Subject to certain conditions (including any waivers obtained by Vulcan from time to time), Vulcan will be required to comply with the ASX Listing Rules.

### 7.11.2. CHESS AND ISSUER SPONSORED HOLDINGS

Vulcan has applied to participate in ASX's Clearing House Electronic Subregister System ("CHESS") and will comply with the ASX Listing Rules and the ASX Settlement Operating Rules. CHESS is an automated electronic transfer and settlement system for transactions in securities quoted on the ASX under which transfers are effected in an electronic form.

When the Shares become Approved Financial Products (as defined in the ASX Settlement Operating Rules), holdings will be registered in one of two subregisters, being an electronic CHESS subregister, maintained by ASX Settlement, or an issuer sponsored subregister, maintained by Vulcan. For all successful Applicants, the Shares of a Shareholder who is an authorised participant in CHESS, or the Shares of a Shareholder sponsored by an authorised participant in CHESS, will be registered on the CHESS subregister.

## 7 Details of the Offer Continued

Following Completion, Shareholders will be sent a holding statement that sets out the number of Shares that have been transferred to them. This statement will also provide details of a Shareholder's Holder Identification Number ("HIN") for CHESS holders or, where applicable, the Securityholder Reference Number ("SRN") of issuer sponsored holders.

Shareholders will subsequently receive statements showing any changes to their shareholding. Share certificates will not be issued.

Shareholders will receive subsequent statements during the first week of the following month if there has been a change to their holding on the register and as otherwise required under the ASX Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the Shareholder's sponsoring broker in the case of a holding on the CHESS electronic subregister, or through the Share Registry in the case of a holding on the issuer sponsored subregister. Vulcan and the Share Registry may charge a fee for these additional statements.

### 7.11.3. CONDITIONAL AND DEFERRED SETTLEMENT TRADING AND SELLING SHARES ON-MARKET

It is expected that trading of the Shares on the ASX and NZX will commence on or about **Thursday, 4 November 2021**, initially on a conditional and deferred settlement basis.

The contracts formed on acceptance of Applications will be conditional on the ASX and NZX agreeing to quote the Shares on the ASX or NZX (as applicable) and on Settlement and the transfer of the Shares occurring. Trades occurring on ASX or NZX before Settlement and on the transfer of Shares occurring will be conditional on Settlement and transfer occurring.

Conditional trading will continue until Vulcan has advised the ASX and NZX that Settlement has occurred and SaleCo has transferred the Shares to successful Applicants under the Offer, which is expected to be on or about **Monday, 8 November 2021**.

The dispatch of holding statements will occur on or about Tuesday, 9 November 2021 and the Shares will commence trading on a normal settlement basis on or about Wednesday, 10 November 2021. If Settlement has not occurred within 14 days (or such longer period as the ASX or NZX allows) after the day Shares are first quoted on the ASX and NZX, the Offer and all contracts arising on acceptance of the Offer will be cancelled and of no further effect and all Application Monies will be refunded (without interest). In these circumstances, all purchases and sales made through ASX or NZX participating organisations during the conditional trading period will be cancelled and of no effect.

It is the responsibility of each person who trades in Shares to confirm their holding before trading in Shares. If you sell Shares before receiving a holding statement, you do so at your own risk. The Joint Lead Managers, Vulcan, SaleCo and the Share Registry disclaim all liability, whether in negligence or otherwise, if you sell Shares before receiving your holding statement, even if you obtained details of your holding from the Vulcan IPO Information Line or confirmed your firm allocation of Shares through a Broker.

### 7.12. NZX foreign exempt listing

Contemporaneous with Vulcan's application for its admission to the Official List and quotation of Shares on ASX, Vulcan will apply for listing with NZX as a foreign exempt issuer and for quotation of the Shares on the NZX Main Board.

NZX Listing Rule 1.7.1 sets out how the NZX Listing Rules are modified for foreign exempt issuers. In broad terms, if Vulcan is admitted to the NZX Main Board as a foreign exempt issuer, it will need to comply with the ASX Listing Rules (other than as waived by ASX) but will not need to comply with the vast majority of the NZX Listing Rules. Rather, Vulcan will need to comply only with the rules specified in NZX Listing Rule 1.7.2, which are relatively procedural in nature. Vulcan will not be subject to substantive NZX Listing Rule requirements, such as the rules on continuous disclosure, periodic reporting, shareholder approval of share issuances, escrow, transactions with persons of influence and significant transactions. Announcements will be provided contemporaneously to the NZX and ASX for release to the market.

The transfer of Shares under the Offer is conditional on NZX approving this application.

NZX takes no responsibility for the contents of this Prospectus or for the merits of the investment to which this Prospectus relates. The fact that NZX may admit Vulcan to the NZX Main Board and quote the Shares on the NZX Main Board is not to be taken as an indication of the merits, or as an endorsement by NZX, of Vulcan or the Shares. NZX is not a licensed market under the Corporations Act. NZX is a licensed market operator in New Zealand under the FMC Act.

If a Successful Applicant wishes to trade its Shares on the NZX Main Board, then the Applicant must apply to the Share Registry and request that its Shares on the CHES subregister are removed from the CHES subregister and transferred to the Share Registry in New Zealand. Once this has been completed, the Applicant will be able to trade its Shares on the NZX Main Board.

If you wish to sell any of your Shares on the NZX Main Board, after confirming your allocation of Shares, you must contact an NZX Firm (as defined in the NZX Limited Participant Rules) and have a CSN and an Authorisation Code (FIN). Opening a new broker account can take a number of days depending on the NZX Firm's new client procedures.

### **7.13. Share registers**

All Applicants who are allocated Shares under the Offer may apply to settle their Shares on the NZX at a New Zealand dollar equivalent price of NZ\$7.52 with the New Zealand branch of the Share Registry.

Institutional investors will have their Shares allocated to the ASX and held on the Australian share register of the Company unless they specifically request to hold their Shares on the New Zealand share register of the Company.

Australian residents who apply under the Australian component of the Broker Firm Offer will have their Shares allocated to the ASX and held on the Australian registry of the Company, unless they specifically request that their Shares be allocated to the NZX and held on the New Zealand share register of the Company.

New Zealand residents who apply under the New Zealand component of the Broker Firm Offer will have their Shares allocated to the NZX and held on the New Zealand registry of the Company, unless they specifically request that their Shares be allocated to the ASX and held on the Australian share register of the Company.

Applicants under the Priority Offer will have the ability to elect to hold their Shares on either the Australian or New Zealand share register at the time of Application.

### **7.14. Summary of rights and liabilities attaching to Shares and other material provisions of the Constitution**

#### **7.14.1. INTRODUCTION**

Given that Vulcan is incorporated under the laws of New Zealand, the rights and liabilities attaching to the Shares are governed by New Zealand law and the Constitution. Once listed on ASX, Vulcan will also become subject to the ASX Listing Rules and the ASX Settlement Operating Rules. Prior to the Prospectus Date, a shareholder resolution of Vulcan was passed by the requisite majority to approve the revocation of Vulcan's current constitution and the adoption of the Constitution subject to, and with effect immediately prior to, the admission of the Company to the Official List of the ASX. Accordingly, the current constitution of Vulcan will remain in place until immediately prior to the admission of the Company to the Official List of the ASX, at which time the revocation of the current constitution and the adoption of the Constitution will become effective.

A summary of the key rights and liabilities attached to the Shares and a description of certain provisions of the Constitution are set out below. This summary is not an exhaustive statement of all relevant laws, rules, regulations and the Constitution, nor does it constitute a definitive statement of the rights and liabilities of Shareholders. It is intended as a general guide only.

#### **7.14.2. VOTING AT A GENERAL MEETING**

At a general meeting of Vulcan, every Shareholder present in person or by proxy, representative or attorney has one vote on a show of hands and, on a poll, has one vote for each Share held by the relevant Shareholder (with adjusted voting rights for partly paid Shares).

## 7 Details of the Offer Continued

### 7.14.3. MEETINGS OF SHAREHOLDERS

Every Shareholder is entitled to receive notice of, attend and vote at, general meetings of Vulcan and to receive all notices, reports, accounts and other documents required to be sent to Shareholders under the Constitution, the Companies Act and the ASX Listing Rules. The Company must give at least 10 working days' written notice of a general meeting.

### 7.14.4. DIVIDENDS

Subject to the Constitution and the Companies Act, the Board may from time to time authorise a dividend.

For further information in respect of Vulcan's proposed dividend policy, see Section 4.11.

### 7.14.5. TRANSFER OF SHARES

Subject to any restrictions under law, the Constitution, the ASX Listing Rules or the ASX Settlement Operating Rules, Shares may be transferred:

- as provided by the operating rules of an applicable clearing and settlement facility (as defined in the Corporations Act) or any other method of transfer which is required or permitted by the Corporations Act and ASX;
- under a system of transfer approved under Sections 376 to 378 of the FMC Act or pursuant to a "designated settlement system" within the meaning set out in section 156M of the *Reserve Bank of New Zealand Act 1989*, in each case which is applicable to Vulcan;
- under any other share transfer system which operates in relation to the trading of securities on any stock exchange outside New Zealand on which Shares are listed and which is applicable to Vulcan; or
- by an instrument of transfer which complies with the Constitution.

The Board may refuse to register a transfer of Shares where permitted to do so under the Constitution or the ASX Listing Rules.

### 7.14.6. ISSUE OF FURTHER SHARES AND CHANGES IN SHARE CAPITAL

Subject to the Companies Act, the ASX Listing Rules and the Constitution, the Board may issue further Shares or other equity securities (including Shares or classes of Shares that confer preferential rights to distributions of capital or income or have preferred or other special rights, whether as to voting rights or distributions or otherwise).

### 7.14.7. LIQUIDATION

If Vulcan is liquidated, the liquidator may, with the approval of Shareholders and any other sanction required by the Companies Act, divide among Shareholders in kind the whole or any part of Vulcan's assets, attribute values to assets as the liquidator deems fair, determine how the division shall be carried out between Shareholders or different classes of Shareholders and vest the whole or any part of any assets in trustees upon trust for the benefit of persons so entitled.

### 7.14.8. UNMARKETABLE PARCELS

Subject to the ASX Listing Rules, Vulcan may sell the Shares of a Shareholder who holds less than a marketable parcel of Shares in accordance with the Constitution.

### 7.14.9. SHARE BUY-BACKS

Subject to the Constitution, the Companies Act and the ASX Listing Rules, Vulcan may purchase or acquire its own Shares or other equity securities.

### 7.14.10. ALTERATION OF RIGHTS

At present, Vulcan's only class of shares on issue are the Shares. Subject to the Constitution, Vulcan is permitted to issue further Shares or other equity securities which rank equally with, or in priority to, any existing Shares, whether as to voting rights or distributions. The issue of such further Shares or equity securities will not be deemed to be an action affecting the rights attached to the existing Shares.

#### **7.14.11. CONSOLIDATION AND SUBDIVISION OF SHARES**

Subject to the Constitution, the Board may consolidate and divide the Shares or any class of Shares, or subdivide the Shares or any class of Shares.

#### **7.14.12. DIRECTORS – APPOINTMENT AND REMOVAL**

Under the Constitution, the number of Directors shall be fixed from time to time by the Board, subject to a minimum number of three Directors. There must be an election of Directors at each annual general meeting of Vulcan and a Director may be appointed by ordinary resolution. Retirement will occur on a rotational basis so that at least one Director must retire from office at each annual general meeting, determined in accordance with the Constitution. Any Director (other than any managing Director) who has held office for more than three years or past the third annual general meeting following their appointment or last election (whichever is longer) faces re-election. The Board may also appoint a Director at any time, who will then hold office until the next annual general meeting of Vulcan (but is eligible for re-election at that meeting).

#### **7.14.13. POWERS AND DUTIES OF DIRECTORS**

The Board is responsible for overseeing the proper management of the business and affairs of Vulcan. In addition to the powers and authorities conferred on it by the Constitution, the Board may exercise all powers of the Company which are not required by law or by the Constitution to be exercised by Shareholders.

#### **7.14.14. DIRECTORS – VOTING**

A resolution of the Board is passed if it is agreed to by all Directors present without dissent or a majority of the votes cast on it are in favour of it. A Director present at a meeting of the Board is presumed to have agreed to, and to have voted in favour of, a resolution of the Board unless that Director expressly dissents from or votes against, or expressly abstains from voting on, the resolution.

A resolution in writing, signed or assented to by a majority of the Directors entitled to vote on that resolution, is as valid and effective as if it had been passed at a meeting of the Board duly convened and held.

#### **7.14.15. INDEMNITIES**

Vulcan shall indemnify every Director against all liabilities for acts or omissions in the Director's capacity as a Director (together with defence costs) to the extent permitted by law. Vulcan may, with the prior approval of the Board, indemnify a director of a related company, or an employee of Vulcan or a related company, against all liabilities for acts or omissions in such capacity (together with defence costs) to the extent permitted by law.

Vulcan may, with the prior approval of the Board, effect insurance for Directors, directors of related companies and employees of Vulcan or related companies in respect of all liabilities for acts or omissions in such capacity (together with defence costs) to the extent permitted by law.

Vulcan has entered into a deed of indemnity, access and insurance in favour of Directors, directors of related companies and certain key management personnel. This is summarised in Section 6.4.2.

#### **7.14.16. AMENDMENTS**

The Constitution can only be amended by special resolution passed by at least 75% of Shareholders present (in person or by proxy) and entitled to vote and voting on the resolution at a general meeting of Vulcan.



# 8 / Investigating Accountant's Report



# 8 Investigating Accountant's Report



Deloitte Corporate Finance Pty Limited  
ACN 003 833 127  
AFSL 241457

Grosvenor Place  
225 George Street  
Sydney, NSW, 2000  
PO Box N250 Grosvenor Place  
Sydney NSW 1220 Australia

DX: 10307SSE  
Phone: +61 (0) 2 9322 7000  
Fax: +61(0) 2 9322 7001  
[www.deloitte.com.au](http://www.deloitte.com.au)

The Directors  
Vulcan Steel Limited  
c/- Grant Thornton New Zealand Limited  
Level 4, Grant Thornton House  
152 Fanshawe Street  
Auckland 1010  
New Zealand

The Directors  
Vulcan Sale Company Limited  
c/- Grant Thornton New Zealand Limited  
Level 4, Grant Thornton House  
152 Fanshawe Street  
Auckland 1010  
New Zealand

14 October 2021

Dear Directors,

## **INVESTIGATING ACCOUNTANT'S REPORT ON HISTORICAL AND FORECAST FINANCIAL INFORMATION OF VULCAN STEEL LIMITED AND THE FINANCIAL SERVICES GUIDE**

### **Introduction**

This report has been prepared at the request of the directors of Vulcan Steel Limited (NZBN 9429038466052, ARBN 652 996 015) (the **Company** or **Vulcan**) and Vulcan Sale Company Limited (**SaleCo**) (together, the **Directors**) for inclusion in the prospectus to be issued by the Company and SaleCo (the **Prospectus**) in respect of the initial public offering of shares and sale of fully paid ordinary shares in the Company by SaleCo (the **Offer**) and the subsequent listing of the Company on the Australian Securities Exchange and foreign exempt listing on the New Zealand Exchange.

Deloitte Corporate Finance Pty Limited is wholly owned by Deloitte Touche Tohmatsu and holds the appropriate Australian Financial Services licence under the Corporations Act 2001 (Cth) for the issue of this report.

References to the Company and other terminology used in this report, being the Investigating Accountant's Report, have the same meaning as defined in the glossary of the Prospectus.

### **Scope**

#### **Statutory Historical Financial Information**

Deloitte Corporate Finance Pty Limited has been engaged by the Directors to review the historical financial information of the Company, being:

- The statutory historical consolidated income statements for the financial years ended 30 June 2019 (**FY19**), 30 June 2020 (**FY20**) and 30 June 2021 (**FY21**);
- The statutory historical consolidated cash flow statements for FY19, FY20 and FY21; and
- The statutory historical balance sheet as at 30 June 2021;

as set out in Sections 4.3, 4.6 and 4.7 of the Prospectus (together, the **Statutory Historical Financial Information**).

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms, and their related entities (collectively, the "Deloitte organisation"). DTTL (also referred to as "Deloitte Global") and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see [www.deloitte.com/about](http://www.deloitte.com/about) to learn more.



## 8 Investigating Accountant's Report Continued



The Statutory Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the New Zealand equivalents to International Financial Reporting Standards (**NZ IFRS**) and International Financial Reporting Standards (**IFRS**) and the Company's adopted accounting policies.

The Statutory Historical Financial Information has been extracted from the financial statements of the Company for the FY19, FY20 and FY21. The financial statements of the Company for FY19, FY20 and FY21 have been audited by Deloitte Limited in accordance with New Zealand Auditing Standards. Deloitte Limited issued unmodified audit opinions in respect of those financial statements.

The Statutory Historical Financial Information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by NZ IFRS and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act (NZ)1993.

### **Pro Forma Historical Financial Information**

Deloitte Corporate Finance Pty Limited has been engaged by the Directors to review the pro forma historical financial information of the Company, being:

- the pro forma historical consolidated income statements for FY19, FY20 and FY21;
- the pro forma historical consolidated cash flow statements for FY19, FY20 and FY21; and
- the pro forma historical consolidated balance sheet as at 30 June 2021;

as set out in Sections 4.3, 4.6 and 4.7 of the Prospectus (together, **the Pro Forma Historical Financial Information**).

The Pro Forma Historical Financial Information has been derived from the Statutory Historical Financial Information, after adjusting for the effects of pro forma adjustments described in Sections 4.3.2, 4.6.2 and 4.7 of the Prospectus (the **Pro Forma Adjustments**).

(The Statutory Historical Financial Information and the Pro Forma Historical Financial Information are together referred to as the **Historical Financial Information**).

The stated basis of preparation is the recognition and measurement principles contained in NZ IFRS, applied to the historical financial information and the events or transactions to which the Pro Forma Adjustments relate, as described in Section 4.2.2 of the Prospectus, as if those events or transactions had occurred as at the date of the historical financial information. Due to its nature, the Pro Forma Historical Financial Information does not represent the Company's actual or prospective financial position, financial performance, and/or cash flows.

### **Forecast Financial Information**

Deloitte Corporate Finance Pty Limited has been engaged by the Directors to review:

- the forecast consolidated income statement and the forecast consolidated cash flow statement for the period ending 30 June 2022 as set out in Sections 4.3 and 4.6 of the Prospectus (the **Statutory Forecast Financial Information**). The Directors' best estimate assumptions underlying the Statutory Forecast Financial Information are described in Section 4.8 of the Prospectus. The stated basis of preparation used in the preparation of the Statutory Forecast Financial Information is in the recognition and measurement principles contained in NZ IFRS and the Company's adopted accounting policies; and
- the pro forma forecast consolidated income statement and the pro forma forecast consolidated cash flow statement for the period ending 30 June 2022 (the **Pro Forma Forecast Financial Information**). As set out in Section 4.2.3 of the Prospectus, the Pro Forma Forecast Financial Information has been derived from the Statutory Forecast Financial Information, after adjusting for the effects of the Pro Forma Adjustments. The stated basis of preparation used in the preparation of the Pro Forma Forecast Financial Information is the recognition and measurement principles contained in NZ IFRS applied to the Statutory Forecast Financial Information and the events and transactions to which the Pro Forma Adjustments relate, as if those events or transactions had occurred as at 1 July 2021. Due to the nature of the Pro Forma Forecast Financial Information, it does not represent the Company's actual prospective financial performance and/or cashflows for the year ending 30 June 2022.



The Statutory Forecast Financial Information and Pro Forma Forecast Financial Information are together referred to as the **Forecast Financial Information**.

The Historical Financial Information and the Forecast Financial Information together form the Financial Information.

The Forecast Financial Information has been prepared by Management and adopted by the Directors in order to provide prospective investors with a guide to the potential financial performance of the Company for the year ending 30 June 2022. There is a considerable degree of subjective judgement involved in preparing forecasts since they relate to events and transactions that have not yet occurred and may not occur. Actual results are likely to be different from the Forecast Financial Information since anticipated events or transactions frequently do not occur as expected and the variation may be material.

The Directors' best estimate assumptions on which the Forecast Financial Information is based relate to future events and / or transactions that Management expect to occur and actions that Management expect to take and are also subject to uncertainties and contingencies, which are often outside the control of the Company. Evidence may be available to support the assumptions on which the Forecast Financial Information is based, however such evidence is generally future orientated and therefore speculative in nature. We are therefore not in a position to express a reasonable assurance conclusion on those best estimate assumptions, and accordingly, provide a lesser level of assurance on the reasonableness of the Directors' best estimate assumptions. The limited assurance conclusion expressed in this report has been formed on the above basis.

Prospective investors should be aware of the material risks and uncertainties relating to an investment in the Company which are detailed in the Prospectus, and the inherent uncertainty relating to the prospective financial information. Accordingly prospective investors should have regard to the investment risks and sensitivities set out in Sections 5 and 4.10 of the Prospectus. The sensitivity analysis set out in Section 4.10 of the Prospectus demonstrates the impacts on the Forecast Financial Information of changes in key assumptions. The Forecast Financial Information is therefore only indicative of the financial performance which may be achievable. We express no opinion as to whether the Forecast Financial Information will be achieved.

We have assumed, and relied on representations from certain members of management of the Company, that all material information concerning the prospects and proposed operations of the Company has been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

#### **Directors' Responsibility**

The Directors are responsible for:

- the preparation and presentation of the Statutory Historical Financial Information and the Pro Forma Historical Financial Information, including the selection and determination of pro forma adjustments made to the Statutory Historical Financial Information and included in the Pro forma Historical Financial Information;
- the preparation of the Forecast Financial Information, including the Directors' best estimate assumptions underlying the Forecast Financial Information and the selection and determination of the pro forma adjustments made to the Statutory Forecast Financial Information and included in the Pro Forma Forecast Financial Information; and
- the information contained within the Prospectus.

This responsibility includes for the operation of such internal controls as the Directors determine are necessary to enable the preparation of the Statutory Historical Financial Information, the Pro forma Historical Financial Information and the Forecast Financial Information that are free from material misstatement, whether due to fraud or error.

## 8 Investigating Accountant's Report Continued



### ***Our Responsibility***

Our responsibility is to express a limited assurance conclusion on the Statutory Historical Financial Information, the Pro Forma Historical Financial Information, the Statutory Forecast Financial Information and the Pro Forma Forecast Financial Information based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with Australian Standard on Assurance Engagement (ASAE) 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards (AAS), International Standards of Auditing (ISA's), International Standards of Auditing (New Zealand) (ISA's NZ) and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly we will not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the financial information.

We have performed the following procedures as we, in our professional judgement, considered reasonable in the circumstances:

### ***Historical Financial Information***

- a review of the Historical Financial Information from the audited financial statements of Vulcan Steel Limited for the years ended FY19, FY20 and FY21;
- analytical procedures on the audited Historical Financial Information;
- a review of the application of the statement basis of preparation, as described in the Prospectus, to the Historical Financial Information for consistency of application of the period;
- a review of the work papers, accounting records and other documents of the Company and the work papers of its auditors; and
- enquiry of the Directors, Management and other in relation to the Historical Financial Information.

### ***Pro Forma Historical Financial Information***

- consideration and review of work papers, accounting records and other documents, including those dealing with the derivation of Vulcan Financial Information from its audited financial statements for the years ended for FY19, FY20 and FY21;
- consideration of the appropriateness of Pro forma Adjustments;
- enquiry of Directors, Management, personnel and advisors;
- the performance of analytical procedures applied to the Pro forma Historical Financial Information;
- a review of work papers, accounting records and other documents of the Company and its auditors; and
- a review of the accounting policies adopted and used by the Company over the period for consistency of application.

### ***Forecast Financial Information***

- enquiries, including discussions with Management and Directors of the factors considered in determining the assumptions;
- analytical and other review procedures we considered necessary including examination, on a test basis, of evidence supporting the assumptions, amounts and other disclosures in the Forecast Financial Information;
- review of the accounting policies adopted and used in the preparation of the Forecast Financial Information; and
- consideration of the Pro forma Adjustments applied to the Statutory Forecast Financial Information in preparing the Pro forma Forecast Financial Information.



## Conclusions

### **Statutory Historical Financial Information**

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Statutory Historical Financial Information, as described in Sections 4.3, 4.6 and 4.7 of the Prospectus, and comprising:

- The statutory historical consolidated income statements of the Company for FY19, FY20 and FY21;
- The statutory historical consolidated cash flow statements of the Company for FY19, FY20 and FY21; and
- The statutory historical consolidated balance sheet as at 30 June 2021,

are not prepared, in all material respects, in accordance with the stated basis of preparation, as described in Sections 4.2.1 and 4.2.2 of the Prospectus.

### **Pro Forma Historical Financial Information**

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information is not prepared, in all material respects, in accordance with the stated basis of preparation as described in Section 4.2.2 of the Prospectus.

### **Statutory Forecast Financial Information**

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that:

- (i) the Directors' best estimate assumptions used in the preparation of the Statutory Forecast Financial Information do not provide reasonable grounds for the Statutory Forecast Financial Information;
- (ii) in all material respects, the Statutory Forecast Financial Information is not:
  - a. prepared on the basis of the Directors' best estimate assumptions as described in Section 4.8 of the Prospectus; and
  - b. presented fairly in accordance with the stated basis of preparation, being the accounting policies adopted and used by the Company and the recognition and measurement principles contained in NZ IFRS;
- (iii) the Statutory Forecast Financial Information itself is unreasonable.

### **Pro Forma Forecast Financial Information**

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that:

- (i) the Directors' best estimate assumptions used in the preparation of the Pro Forma Forecast Financial Information do not provide reasonable grounds for the Pro Forma Forecast Financial Information;
- (ii) in all material respects, the Pro Forma Forecast Financial Information is not:
  - a. prepared on the basis of the Directors' best estimate assumptions as described in Section 4.8 of the Prospectus;
  - b. presented fairly in accordance with the stated basis of preparation, being the accounting policies adopted and used by the Company and the recognition and measurement principles contained in NZ IFRS, applied to the Pro Forma Forecast Financial Information and the Pro Forma Adjustments as if those adjustments had occurred as at 1 July 2021;
- (iii) the Pro Forma Forecast Financial Information is unreasonable.

## 8 Investigating Accountant's Report Continued



### ***Restrictions on Use***

Without modifying our conclusions, we draw attention to Section 4.2 of the Prospectus, which describes the purpose of the Financial Information, being for inclusion in the Prospectus. As a result, the Investigating Accountant's Report may not be suitable for use for another purpose.

### ***Consent***

Deloitte Corporate Finance Pty Limited has consented to the inclusion of this limited assurance report in the Prospectus in the form and context in which it is included.

### ***Disclosure of Interest***

Deloitte Corporate Finance Pty Limited does not have any interest in the outcome of this Offer other than the preparation of this report and participation in the due diligence procedures for which normal professional fees will be received.

Deloitte Limited is the external auditor of the Company.

Yours sincerely

**DELOITTE CORPORATE FINANCE PTY LIMITED**

A handwritten signature in black ink, appearing to read "Ian Turner".

Ian Turner  
Authorised Representative  
(AFSL number 241457)  
AR number 461016

A handwritten signature in black ink, appearing to read "Sarah Avis".

Sarah Avis  
Authorised Representative  
(AFSL number 241457)  
AR number 468673

## Financial Services Guide (FSG)

### What is an FSG?

An FSG is designed to provide information about the supply of financial services to you.

Deloitte Corporate Finance Pty Limited (DCF) (AFSL 241457) provides this FSG to you, so you know how we are remunerated and who to contact if you have a complaint.

### Who supplies the financial services?

We provide this FSG to you where you engage us to act on your behalf when providing financial services.

Alternatively, we may provide this FSG to you because our client has provided financial services to you that we delivered to them.

The person who provides the financial service to you is our Authorised Representative (AR) and DCF authorises the AR to distribute this FSG. Their AR number and contact details are in the document that accompanies this FSG.

### What financial services are we licensed to provide?

We are authorised to provide financial product advice and to arrange for another person to deal in financial products in relation to securities, interests in managed investment schemes, government debentures, stocks or bonds, to retail and wholesale clients. We are also authorised to provide personal and general financial product advice and deal by arranging in derivatives and regulated emissions units to wholesale clients, and general financial product advice relating to derivatives to retail clients.

### General financial product advice

We provide general advice when we have not taken into account your personal objectives, financial situation or needs, and you would not expect us to have done so. In this situation, you should consider whether our general advice is appropriate for you, having regard to your own personal objectives, financial situation or needs.

If we provide advice to you in connection with the acquisition of a financial product, you should read the relevant offer document carefully before making any decision about whether to acquire that product.

### Personal financial product advice

When we give you advice that takes into account your objectives, financial situation and needs, we will give you a Statement of Advice to help you understand our advice, so you can decide whether to rely on it.

### How are we remunerated?

Our fees are usually determined on a fixed fee or time cost basis plus reimbursement of any expenses incurred in providing the services. Our fees are agreed with, and paid by, those who engage us.

Clients may request particulars of our remuneration within a reasonable time after being given this FSG.

Apart from these fees, DCF, our directors and officers, and any related bodies corporate, affiliates or associates, and their directors and officers, do not receive any commissions or other benefits.

All employees receive a salary, and, while eligible for annual salary increases and bonuses based on overall performance, they do not receive any commissions or other benefits as a result of the services provided to you.

The remuneration paid to our directors reflects their individual contribution to the organisation and covers all aspects of performance.

We do not pay commissions or provide other benefits to anyone who refers prospective clients to us.

### Associations and relationships

The Deloitte member firm in Australia (Deloitte Touche Tohmatsu) controls DCF. Please see [www.deloitte.com/au/about](http://www.deloitte.com/au/about) for a detailed description of the legal structure of Deloitte Touche Tohmatsu.

We, and other entities related to Deloitte Touche Tohmatsu, do not have any formal associations or relationships with any entities that are issuers of financial products. However, we may provide professional services to issuers of financial products in the ordinary course of business.

### What should you do if you have a complaint?

Please contact us about a concern:

The Complaints Officer  
PO Box N250  
Grosvenor Place  
Sydney NSW 1220  
[complaints@deloitte.com.au](mailto:complaints@deloitte.com.au)  
Phone: +61 2 9322 7000

If an issue is not resolved to your satisfaction, you can lodge a dispute with the Australian Financial Complaints Authority (AFCA). AFCA provides fair and independent financial services dispute resolution free to consumers.

[www.afca.org.au](http://www.afca.org.au)  
1800 931 678 (free call)  
Australian Financial Complaints Authority Limited  
GPO Box 3 Melbourne VIC 3001

### What compensation arrangements do we have?

Deloitte Australia holds professional indemnity insurance that covers the financial services we provide. This insurance satisfies the compensation requirements of the Corporations Act 2001 (Cth).

Deloitte Corporate Finance Pty Limited, ABN 19 003 833 127, AFSL number 241457 of Level 1 Grosvenor Place, 225 George Street, Sydney NSW 2000  
Member of Deloitte Touche Tohmatsu Limited  
Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity.





# 9 / Additional information



## 9 Additional information

### 9.1. Registration

Vulcan was incorporated in New Zealand on 2 June 1995. Vulcan was registered as a foreign company in Australia on 20 August 2021. Pitcher Partners Advisors Proprietary Limited has been appointed as local agent of the Company under the Corporations Act.

### 9.2. Company tax status and financial year

The Company's financial year ends on 30 June, annually. The financial statements of the Company will be prepared in accordance with NZ GAAP. The Company complies with NZ IFRS, and other applicable financial reporting standards as appropriate for profit-orientated entities. The financial statements of the Company will continue to be audited in accordance with International Standards on Auditing and International Standards on Auditing (New Zealand). The Company is solely a tax resident in New Zealand and subject to New Zealand income tax at a current rate of 28%.

### 9.3. Sale of Shares by SaleCo

SaleCo, a special purpose vehicle, has been established to facilitate the sale of Existing Shares by the Selling Shareholders.

SaleCo was incorporated in New Zealand on 30 July 2021 and was registered as a foreign company in Australia on 19 August 2021.

Each of the Selling Shareholders has entered into a deed poll in favour of SaleCo and the Company under which the relevant Selling Shareholder has irrevocably agreed to sell some of their Existing Shares to SaleCo, free from encumbrances and third party rights, so that those Existing Shares can be sold and transferred by SaleCo as part of the Offer (**Sale Deed**). The Selling Shareholders have agreed to sell up to 52.3 million Shares in the Company (in aggregate) to SaleCo, as set out in Section 7.1.4.

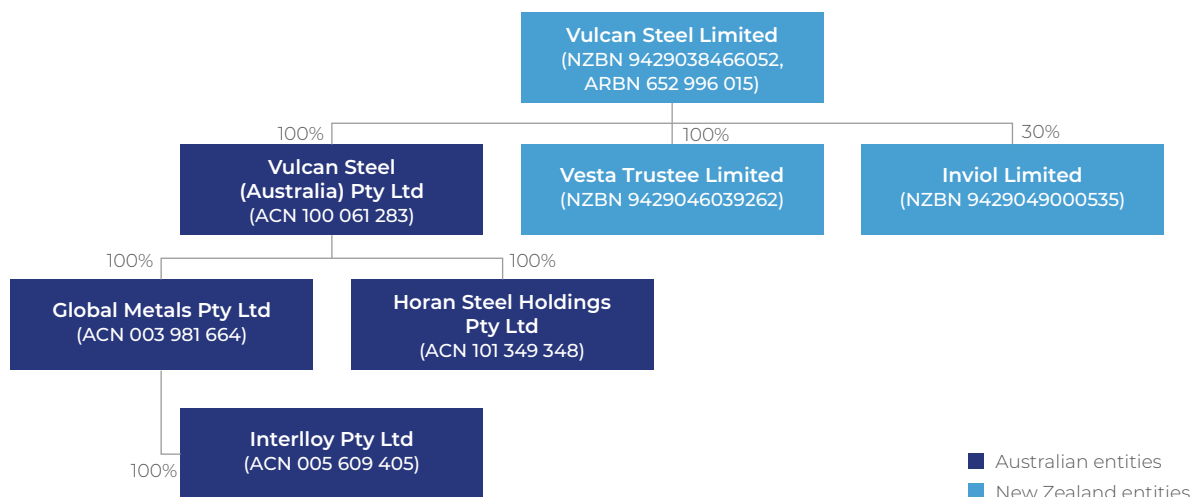
SaleCo has no material assets, liabilities or operations other than its interests in and obligations under the Underwriting Agreement and the Sale Deed described above. The sole shareholder of SaleCo is Carolyn Steele, and the directors are Russell Chenu, Bart de Haan, Pip Greenwood and Carolyn Steele. The Company has agreed to provide such resources and support as are necessary to enable SaleCo to discharge its functions in relation to the Offer. The Company has indemnified SaleCo, and the shareholder and directors of SaleCo, for any costs and losses which they may incur, directly or indirectly, in connection with the Offer.

## 9 Additional information Continued

### 9.4. Corporate structure

Figure 74 below shows the corporate structure of the Group Companies following Completion of the Offer:

**Figure 74: Vulcan corporate structure<sup>148</sup>**



Notes:

1. The Company holds 30% of Inviol Limited's issued share capital pursuant to the terms of a shareholders' agreement, the purpose of which is to develop health and safety monitoring and training products that can be used in a hazardous work environment, and is further described in Section 3.6.
2. The Company is in the process of deregistering Interlloy, Global Metals and Horan.

### 9.5. Pre-IPO Distribution

Prior to the date of this Prospectus, Existing Shareholders received a Pre-IPO Distribution (the amount in aggregate paid to Existing Shareholders was equal to \$50 million).

### 9.6. Material contracts

#### 9.6.1. UNDERWRITING AGREEMENT

The Offer is fully underwritten by the Joint Lead Managers pursuant to an underwriting agreement dated on or about the date of the Prospectus between the Joint Lead Managers, the Company and SaleCo ("**Underwriting Agreement**"). Under the Underwriting Agreement, the Joint Lead Managers have agreed to arrange, manage and underwrite the Offer.

##### 9.6.1.1. FEES AND EXPENSES

The Company must pay the Joint Lead Managers an underwriting fee of 1.75% of the Offer proceeds and a management fee of 0.45% of the Offer proceeds on the date of Settlement of the Offer. These fees will be shared by the Joint Lead Managers in their respective proportions as set out under the Underwriting Agreement. An incentive fee of up to 0.20% of the Offer proceeds is payable at the Company's absolute discretion, acting reasonably and in good faith having regard to the Company's assessment of the outcome of the Offer and the effectiveness and efficiency of the transaction process, and is to be split between the Joint Lead Managers at the Company's discretion.

The Company has also agreed to pay or reimburse the Joint Lead Managers for the reasonable costs, charges or expenses of and incidental to the Offer.

The Joint Lead Managers must pay, on behalf of the Company any broker firm fees due to any co-managers, co-lead managers and brokers appointed under the Underwriting Agreement.

The Co-Lead Managers will receive fees on the following basis:

<sup>148</sup>. Vesta Trustee Limited acts as bare trustee to hold shares of certain employees.

- a fee based on the value of each of their final broker allocations under the Offer (Broker Firm allocation) calculated as (1.5% x Broker Firm allocation x Offer Price), payable to the Co-Lead Managers (inclusive of GST);
- a A\$150,000 base fee; and
- an incentive fee of:
  - A\$50,000, payable if the Co-Lead Managers deliver at least A\$30 million of demand in the Broker Firm Offer; or
  - A\$100,000, payable if the Co-Lead Managers deliver at least A\$50 million of demand in the Broker Firm Offer.

The Co-Managers to the Offer will be paid fees of 1.5% (inclusive of GST) of the value of Shares allocated to clients of that Co-Manager.

#### 9.6.1.2. TERMINATION EVENTS NOT SUBJECT TO MATERIALITY

A Joint Lead Manager may, at any time after the date of the Underwriting Agreement until 5.00pm on the date of Settlement, terminate the Underwriting Agreement without cost or liability to that Joint Lead Manager by notice to the Company, SaleCo and the other Joint Lead Managers if any of the following events occur:

- (disclosures in offer documents)** a material statement in the offer documents is misleading or deceptive or likely to mislead or deceive, or there is an omission from the offer documents of material required by sections 710, 711, 715A or 716 of the Corporations Act;
- (supplementary prospectus)** the Company and SaleCo issue or are required to issue a supplementary prospectus because of the operation of section 719(1) or a supplementary prospectus is lodged with ASIC in a form that has not been approved by the Joint Lead Managers in circumstances required by the Underwriting Agreement;
- (Sale Deed)** the Sale Deed is withdrawn, terminated, rescinded, or materially varied, altered or amended, breached or failed to be complied with;
- (Escrow Deeds)** any of the Escrow Deeds are withdrawn, terminated, rescinded, or materially varied, altered or amended, breached or failed to be complied with;
- (market fall)** at any time before the date of Settlement, the S&P/ASX 200 and/or the NZX 50 Index falls to a level that is 87.5% or less of the level as at the close of trading on the business day immediately prior to the date of this agreement and is at or below that level on the close of trading:
  - for two consecutive business days during any time after the date of this agreement; or
  - on the business day immediately prior to the date of Settlement;
- (listing and quotation)** approval (or approval subject to customary conditions) is refused or not granted to the Company's admission to the Official List or to quotation of the Shares on ASX within a specified timeframe, or ASX withdraws, qualifies (other than by customer conditions) or withholds such approval;
- (certificate)** the Company and SaleCo does not provide a closing certificate as and when required by the Underwriting Agreement;
- (ASIC)** ASIC holds a hearing under section 739(2), ASIC issues an order (including an interim order) under sections 739 or 1324B of the Corporations Act, or an application is made by ASIC for an order under Part 9.5 of the Corporations Act in relation to the Offer or an offer document or ASIC commences any investigation or hearing under Part 3 of the *Australian Securities and Investments Commission Act 2001* (Cth) ("**ASIC Act**") in relation to the Offer or an offer document, and any such order, application, investigation or hearing either becomes public or is not withdrawn within 1 business day after it is made or commenced or, where it is made or commenced within 1 business days of the date of Settlement, it has not been withdrawn before the date of Settlement;
- (notifications)** any person who has previously consented to the inclusion of its name in the Prospectus (other than the terminating Joint Lead Manager) withdraws that consent or gives a notice under section 730 in relation to the Prospectus (other than the terminating Joint Lead Manager);
- (withdrawal)** the Company or SaleCo withdraws the Prospectus or the Offer or indicates that it does not intend to proceed with the Offer or any part of the Offer;

## 9 Additional information Continued

- k) **(unable to transfer Offer Shares)** SaleCo is prevented from transferring the Offer Shares by applicable laws, an order of a court of competent jurisdiction or a governmental authority, within the time required by the Listing Rules;
- l) **(regulatory approvals)** a regulatory body withdraws, revokes or amends any regulatory approvals, including an ASX Waiver and ASIC Modification, required for the Company or SaleCo to perform its obligations under this agreement, such that the Company or SaleCo is rendered unable to perform its obligations under this agreement;
- m) **(material contracts)** any of the obligations of the relevant parties under any of the material contracts are not capable of being performed in accordance with their terms (in the reasonable opinion of the terminating Joint Lead Manager) or if all or any part of any of the material contracts:
- is terminated, withdrawn, rescinded, avoided or repudiated;
  - is materially altered, amended or varied without the consent of the Joint Lead Managers (acting reasonably);
  - is materially breached, or there is a failure by a party to comply;
  - ceases to have effect, otherwise than in accordance with its terms; or
  - is or becomes void, voidable, illegal, invalid or unenforceable (other than by reason only of a party waiving any of its rights) or capable of being terminated, withdrawn, rescinded, avoided or withdrawn or of limited force and effect, or its performance is or becomes illegal;
- n) **(timetable)** an event specified in the timetable is delayed by more than 2 business days (other than any delay agreed between the Company, SaleCo and the Joint Lead Managers);
- o) **(insolvency events)** any member of the Group becomes insolvent, or there is an act or omission which is likely to result in a member of the Group becoming insolvent;
- p) **(change in directors or senior management)** a change occurs in the directors, Chief Executive Officer or Chief Financial Officer of the Company, or a director, Chief Executive Officer or Chief Financial Officer dies or becomes permanently incapacitated;
- q) **(action against directors or senior management)** any of the following occur:
- a director or senior executive of the Company, SaleCo or Group is charged with an indictable offence relating to a financial or corporate matter;
  - any government agency commences any public action against a director or senior executive of the Company, SaleCo or Group;
  - any director or senior executive of the Company, SaleCo or Group is disqualified from being appointed or holding office as a director of a company under section 151 of the Companies Act; or
  - the Company, SaleCo, a member of the Group or any of its respective directors or senior executives engages in any fraudulent conduct or activity;
- r) **(unauthorised change)** without the prior written consent of the Joint Lead Managers, the Company or SaleCo:
- disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property other than as contemplated in the Prospectus;
  - ceases or threatens to cease to carry on business;
  - alters its capital structure, other than as contemplated in the Prospectus; or
  - amends its constitution or any other constituent document of the Company or SaleCo, or the rights attaching to the Offer Shares or corresponding Shares; or
- s) **(encumbrance)** other than as disclosed in the Prospectus, the Company or SaleCo creates or agrees to create an encumbrance over the whole or a substantial part of its business or property.

### 9.6.1.3. TERMINATION EVENTS SUBJECT TO MATERIALITY

Subject to certain materiality thresholds set out in the Underwriting Agreement, if any of the following events has occurred or occurs at any time on or before Completion or at any other time specific below, a Joint Lead Manager may terminate the Underwriting Agreement without cost or liability to that Joint Lead Manager by notice to the Company, SaleCo and the other Joint Lead Managers:

- a) **(new circumstances)** a new circumstance arises after the Prospectus is lodged, that would have been required to be included in the Prospectus if it had arisen before lodgement;
- b) **(forecasts)** there are not, or there cease to be, reasonable grounds for any statement or estimate in the offer documents, which relates to a future matter or any statement or estimate in the offer documents that relate to a future matter is, in the reasonable opinion of the terminating Joint Lead Manager, unlikely to be met in the projected timeframe (including in each case financial forecasts);
- c) **(compliance with law)** any of the offer documents or any aspect of the Offer does not comply with the Corporations Act, the Listing Rules, the NZ securities laws or any other applicable law or regulation;
- d) **(information supplied)** any information supplied by or on behalf of a member of the Group to the Joint Lead Managers in respect of the Offer or the Group is, or is found to be, misleading or deceptive, or is likely to mislead or deceive (including by omission);
- e) **(disclosures in public information)** a statement in any of the public and other media statements made by, or on behalf and with the knowledge and consent of, the Company or its advisers in relation to the business or affairs of the Group or the Offer is or becomes misleading or deceptive or likely to mislead or deceive;
- f) **(disclosures in the due diligence report)** the due diligence report or any other information supplied by or on behalf of the Company and SaleCo and to the Joint Lead Managers in relation to the Offer Shares, the Group or the Offer is, or becomes, untrue, incorrect, misleading or deceptive, including by way of omission;
- g) **(adverse change)** an event occurs which is, or is likely to give rise to an adverse change in the assets, liabilities, financial position or performance, profits, losses, earnings, prospects or condition or otherwise of the Group from those disclosed in the Prospectus or there is an adverse change in the nature of the business conducted by the Group as disclosed in the Prospectus;
- h) **(certificate)** a statement in any closing certificate is false, misleading, inaccurate or untrue or incorrect;
- i) **(hostilities)** any of the following occurs:
  - hostilities not presently existing commence or a major escalation in existing hostilities occurs (whether or not war or a national emergency has been declared) involving Australia, New Zealand, the United States, the United Kingdom, the Peoples' Republic of China, Hong Kong, Singapore or Japan, or the declaration by any of these countries of a national emergency, calamity or war, or a major escalation of a national emergency or calamity by any of those countries or a major terrorist act is perpetrated in any of those countries or involving any diplomatic, military, commercial or political establishment of any of those countries; or
- j) **(change of law)** there is introduced, or there is a public announcement of a proposal to introduce, a new law or regulation or policy in Australia, or any State or Territory of Australia, or New Zealand (including a policy of the Reserve Bank of Australia or the Reserve Bank of New Zealand);
- k) **(breach of laws)** there is a contravention by the Company or any entity in the Group of its constitution or other constituent document, an encumbrance or document that is binding on it or any applicable law, regulation, authorisation, ruling, consent, judgment, order or decree of any Government Authority (including the Corporations Act, the *Competition and Consumer Act 2010* (Cth), the ASIC Act and the Listing Rules);
- l) **(representations and warranties)** a representation or warranty contained in this agreement on the part of the Company or SaleCo (whether severally or jointly) is breached, becomes not true or correct or is not performed;
- m) **(breach)** the Company or SaleCo defaults on one or more of its undertakings or obligations under the Underwriting Agreement;
  - **(legal proceedings)** legal proceedings are commenced against the Company or SaleCo, any member of the Group or against any director of the Company or SaleCo or any member of the Group in that capacity; or

## 9 Additional information Continued

- **(adverse findings)** any regulatory body commences any inquiry or public action against a member of the Group or makes any adverse finding or ruling in relation to a member of the Group or the industry in which the Group operates;
- n) **(disruption in financial markets)** any of the following occurs:
- a general moratorium on commercial banking activities in Australia, New Zealand, the United Kingdom, the United States, Hong Kong, Japan, Singapore, or the Peoples' Republic of China is declared by the relevant central banking authority in those countries, or there is a disruption in commercial banking or security settlement or clearance services in any of those countries;
  - trading in all securities quoted or listed on ASX, NZX, the London Stock Exchange, the New York Stock Exchange or the Hong Kong Stock Exchange is suspended for at least 1 day on which that exchange is open for trading; or
  - any adverse change or disruption to the existing financial markets, political or economic conditions of, or currency exchange rates or controls in Australia, New Zealand, Japan, Hong Kong, Singapore, the Peoples' Republic of China, the United States or the United Kingdom, or the international financial markets or any adverse change in national or international political, financial or economic conditions;
- o) **(force majeure)** there is an event or occurrence, including any statute, order, rule, regulation, directive or request of any governmental agency which makes it illegal for the Joint Lead Manager to satisfy an obligation under the Underwriting Agreement, or to market, promote or settle the Offer.

### 9.6.1.4. REPRESENTATIONS, WARRANTIES, UNDERTAKINGS AND OTHER TERMS

The Underwriting Agreement contains certain standard representations, warranties and undertakings by the Company to the Joint Lead Managers.

The representations and warranties given by the Company, and where applicable, SaleCo, relate to matters such as conduct of the Company and SaleCo, power and authorisations, financial information, information in this Prospectus, the conduct of the Offer, compliance with laws, the ASX Listing Rules and other legally binding requirements.

The Company also provides additional representations and warranties in connection with matters including, but not limited to, title to property, dividends and distributions, material contracts, assets, litigation, non-disposal of escrowed Shares, entitlements of third parties, tax, data privacy, occupational, health and safety and environment laws, anti-money laundering, intangible property, insurance, authorisations and eligibility for Listing.

The Company's undertakings include, among other things, that it will not, during the period following the date of the Underwriting Agreement until 120 days after Completion, issue (or agree to issue) any Shares or securities without the prior written consent of the Joint Lead Managers (such consent not to be unreasonably withheld or delayed), subject to certain exceptions.

### 9.6.1.5. INDEMNITY

Subject to certain customary exclusions (including gross negligence, wilful default or fraud of an indemnified party or any of their associated indemnified parties), the Company agrees to keep the Joint Lead Managers and certain affiliated parties indemnified from losses suffered in connection with the Offer.

## 9.6.2. ESCROW ARRANGEMENTS

### 9.6.2.1. Escrowed shareholders

There are two tranches of escrowed shareholders, the Executive Escrowed Shareholders and the Other Escrowed Shareholders, who are together the **"Escrowed Shareholders"**. The Escrowed Shareholders are subject to escrow arrangements with respect to their Shares held on Completion (**"Escrowed Shares"**).

### 9.6.2.2. Executive Escrowed Shareholders

Figure 75 shows Existing Shareholders, who are also directors and key management personnel in the Company, and are subject to escrow arrangements with respect to their Shares held (including through their associated entities) on Completion (**"Executive Escrowed Shareholders"**):

**Figure 75: Executive Escrowed Shareholders**

Shareholder	Number of Escrowed Shares on Completion of the Offer (millions)	Escrowed Shares (as a % of Shares on issue on Completion of the Offer)
Rhys Jones and Lorraine Susan Taylor <sup>1</sup>	4.7	3.6%
Takutai Limited <sup>2</sup>	18.4	14.0%
Partitio Trustee Limited <sup>3</sup>	7.3	5.6%
Kar Yue Yeo jointly held with Karin Won <sup>4</sup>	0.1	0.1%
Adrian Casey, Henderika Casey and B.W.S. Trustee Company 2012 Limited <sup>5</sup>	5.9	4.5%
<b>Total</b>	<b>36.4</b>	<b>27.7%</b>

1. Shareholding entity associated with Rhys Jones.

2. Shareholding entity associated with Peter Wells.

3. Shareholding entity associated with Wayne Boyd.

4. Shareholding entity associated with Kar Yue Yeo.

5. Shareholding entity associated with Adrian Casey.

### 9.6.2.3. Other Escrowed Shareholders

At Completion, 42.6 million Shares (which constitutes 32.4% of the Shares on issue on Completion) of the Other Escrowed Shareholders will be subject to escrow arrangements with respect to their Shares held (including through their associated entities) ("**Other Escrowed Shareholders**").

Each Escrowed Shareholder has agreed to enter into an Escrow Deed in respect of their Shareholding on Completion of the Offer, which prevents them from disposing of their respective Escrowed Shares for the applicable Escrow Period, and subject to limited exceptions, as described below.

The restriction on disposing is broadly defined in the Escrow Deeds outlined in this Section 9.6.2.3. It restricts the Escrowed Shareholders from, amongst other things, selling, assigning, transferring or otherwise disposing of any legal, beneficial or economic interest in the Escrowed Shares, encumbering or granting a security interest over the Escrowed Shares or any legal, beneficial or economic interest in the Escrowed Shares, granting or exercising an option in respect of the Escrowed Shares, doing, or omitting to do, any act if the act or omission would have the effect of transferring effective ownership or control of any of the Escrowed Shares or any legal, beneficial or economic interest in the Escrowed Shares, or agreeing or offering to do any of those things.

### 9.6.2.4. Escrow period

The Escrowed Shares held by the Other Escrowed Shareholders will be subject to escrow restrictions for the period commencing on the date of Official Quotation and ending at 4.15pm Australian Eastern Standard Time on the date that the Company's full year results for FY22 are released to ASX and NZX.

The Escrowed Shares held by the Executive Escrowed Shareholders will be subject to escrow restrictions for the period commencing on the date of Official Quotation and ending at 4.15pm Australian Eastern Standard Time on the date that the Company's full year results for FY23 are released to ASX and NZX.

### 9.6.2.5. Restrictions on dealing

During the Escrow Period, Escrowed Shareholders whose Shares remain subject to escrow may deal in any of their Escrowed Shares if the dealing arises:

- solely as a result of:
  - the acceptance of a bona fide third party full or partial takeover offer under the Takeovers Code in relation to their Escrowed Shares; or
  - the transfer or cancellation of their Escrowed Shares as part of a scheme of arrangement under Part 15 of the Companies Act, provided that the scheme of arrangement has received all necessary approvals, including such necessary court and Shareholder approvals; or



## 9 Additional information Continued

- provided, in each case, that if for any reason any or all Escrowed Shares are not transferred or cancelled in accordance with such a takeover offer or scheme of arrangement (including because the takeover offer does not become unconditional), then the Escrowed Shareholder agrees that the restrictions applying to the Escrowed Shares under the Escrow Deed will continue to apply; or
- solely as a result of the Escrowed Shareholder transferring legal title to any of their Escrowed Shares directly to the beneficial owner of those Shares, or (where the Escrowed Shareholder is a trustee) to any new or replacement trustee, provided that, the beneficial owner or the new or replacement trustee (as applicable) enters into an Escrow Deed in relation to the Escrowed Shares which are transferred on the same terms for the remainder of the Escrow Period; or
- to the extent the dealing is required by applicable law (including an order of a court of competent jurisdiction).

The terms of the escrow arrangements will have no effect on any rights of the Escrowed Shareholders to receive dividends, a return of capital or other distribution attaching to the Escrowed Shares or, to receive or participate in any rights or bonus issue attaching to the Escrowed Shares, or to exercise voting rights in respect of the Escrowed Shares.

### 9.6.3. FINANCE ARRANGEMENTS

The Company and Vulcan Steel (Australia) Pty Ltd (“**VSPL**”) have entered into a facility agreement with Bank of New Zealand, Westpac Banking New Zealand Limited and MUFG Bank, Ltd (“**MUFG**”) (the “**Lenders**”) (the “**Facility Agreement**”) for the provision of debt financing of up to NZ\$200 million (“**Banking Facility**”).

Pursuant to the Facility Agreement, the Company and VSPL have entered into tranche letters with each of the Lenders (and, in the case of Bank of New Zealand, its approved affiliate), establishing multicurrency cash advances and letter of credit facilities with those Lenders (each a “**Tranche Letter**”). The aggregate financing available pursuant to the Tranche Letters is NZ\$160m. The Facility Agreement and Tranche Letters were amended and restated on 29 June 2021 pursuant to amendment letters in anticipation of the Offer. Funding under each tranche will be used for general corporate or funding purposes and refinancing. Each tranche is repayable on 3 July 2025.

#### 9.6.3.1. Securities and guarantees

The Company and VSPL have entered into a general security and common terms deed (“**Security Deed**”) with Bank of New Zealand as security representative under which the Company and VSPL guarantee each other's obligations to the Lenders and to other holders of debt certificates. There are currently no other holders of debt certificates. The Company and VSPL must ensure that at all times the guarantors together hold at least 90% of the group's total assets, and generate at least 90% of the group's EBITDA (including by procuring any new subsidiary required in order to meet this test to become a guarantor under the Security Deed). In addition, the Company and its Australian subsidiary VSPL have granted security over all its present and future assets and land.

#### 9.6.3.2. Interest and facility fees

Interest on each tranche is payable at a margin above the applicable base rate. Line fees on the amount of each tranche, and increase fees, are also payable.

#### 9.6.3.3. Representations, warranties and undertakings

The Facility Agreement contains a number of representations and warranties, and positive and negative undertakings, which are customary for facilities of that nature. These include undertakings to provide financial information, to maintain insurance, a negative pledge (with appropriate carve outs), restrictions on disposals of assets (subject to exceptions usual for facilities of this nature), making distributions, incurring priority indebtedness, making a material change to the business or operations of the Group, and entering into major transactions. There are also financial covenants, including a required interest cover ratio, debt cover ratio and minimum shareholders' funds.

Under the Security Deed, the Group has a number of positive and negative obligations including a negative pledge and restriction on priority indebtedness.

#### 9.6.3.4. Events of default and review events

The Facility Agreement contains certain events of default which are customary for facilities of that nature. These events of default include the failure to make payments, a breach of any financial covenants, a breach of any other obligation under the finance documents, the misrepresentation of facts relating to any finance document, the occurrence of a cross default or insolvency event, any event which has or may have a material adverse effect on, for example, the business or financial condition of the Company and its guarantor subsidiaries. In a number of instances, the events of default are subject to materiality thresholds and/or cure periods.

Upon the occurrence of an event of default, the Lenders will be entitled to, among other things, declare that all amounts owing to them under the facilities are immediately due and payable, terminate all or part of its obligations to the Company and the Group and charge additional interest.

It will be an event of review under the Facility Agreement (which applies to all facilities under the Tranche Letters) if there is any change of ownership of 50.1% or more of the shares in the Company or the power to appoint more than 50% of the Directors of the Board of the Company. The consent of the Lenders has been obtained in relation to the Offer. If an event of review occurs without majority lender consent, the Lenders may either agree to revised terms with the Company or, if agreement cannot be reached, require repayment of the facilities.

#### 9.6.3.5. Hedging

Vulcan has entered into a number of foreign exchange hedging transactions with its Lenders and their related entities.

### 9.7. Litigation and claims

The Company may, from time to time, be party to litigation, investigations and other claims and disputes incidental to the conduct of its business, including investigations by regulators, employment disputes, contractual disputes, indemnity claims and occupational and personal claims. Such litigation, investigations, claims and disputes, including the costs of settling claims and operational impacts, could materially adversely affect the Company's business, operating and financial performance.

As far as the Directors are aware, there is no current or threatened civil litigation, arbitration proceeding or administrative appeal, or criminal or Governmental prosecution of a material nature in which the Company is directly or indirectly concerned which is likely to have a material adverse impact on the business or financial position of the Company.

### 9.8. Ownership restrictions

The sale and purchase of Shares in Australia and New Zealand are regulated by laws that restrict the level of ownership or control by any one person (either alone or in combination with others). This Section 9.8 contains a general description of these laws.

#### 9.8.1. NEW ZEALAND TAKEOVERS CODE

The Company will be a "code company" for the purposes of the Takeovers Code. The Takeovers Code restricts a person from becoming the holder or controller (together with their "associates") of more than 20% of the voting rights attaching to shares in a code company, or from increasing their holding or control of the voting rights attaching to shares in a code company from a point above 20%. There are exceptions to this restriction, including where a takeover offer is made pursuant to the Takeovers Code or the acquisition is approved by Shareholders. There is a 5% annual "creep" allowance once above 50%. As described in Section 9.8.3, the FMC Act includes a regime that imposes notification requirements on persons having (or ceasing to have) a relevant interest in 5% or more of the Company's Shares.

#### 9.8.2. NEW ZEALAND OVERSEAS INVESTMENT ACT

An acquisition of rights or interests in Shares of the Company by an "overseas person" or an "associate" of an overseas person (as those terms are defined in the Overseas Investment Act) ("**Captured Person**") may be restricted by the Overseas Investment Act and require consent under that Act. Broadly, any such acquisition which results in a Captured Person (either alone or together with their respective "associates") proposing to enter into a transaction which constitutes an "overseas investment in sensitive land" or an "overseas investment in significant business assets" will require regulatory consent. Generally speaking, these types of overseas investments will be triggered by: (a) a Captured Person (either alone or together with their respective associates)

## 9 Additional information Continued

acquiring a more than a 25% ownership or control interest in the Company, or increasing an existing more than 25% ownership or control interest in the Company to a level that equals or exceeds specified control limits (e.g. 50%, if their existing interest is more than 25% but less than 50%); or (b) the Company itself becoming an overseas person as a result of the transaction under the “control test” that is applied to New Zealand listed issuers (in circumstances where the Company owns or controls an estate or interest in “sensitive land” for the purposes of the Act).

### 9.8.3. COMPARISON OF NEW ZEALAND AND AUSTRALIAN LAWS

The Company is a company incorporated in New Zealand and it is principally governed by New Zealand laws. In Australia, the Company is registered with ASIC as a foreign company under Division 2 of Chapter 5B.2 of the Corporations Act. As the Company is not established in Australia, its general corporate activities (apart from any offering of securities in Australia) are not regulated by the Corporations Act or by ASIC but instead are regulated by the Companies Act and the FMC Act, and the Registrar of Companies and the Financial Markets Authority (“FMA”). The table below summarises the key features of the laws that apply to the Company as a New Zealand company (under New Zealand law) compared with the laws that apply to Australian incorporated publicly listed companies generally. This summary is not a complete review of all matters of New Zealand law applicable to companies and does not purport to highlight all provisions that may differ from the equivalent provisions in Australia. Unless otherwise stated, the Corporations Act provisions referred to below do not apply to the Company as a registered foreign company.

**Figure 76: Comparison of New Zealand and Australian laws**

Feature	New Zealand law	Australian law
<b>Transactions requiring shareholder approval</b>	<p>Under the Companies Act, transactions or actions which require shareholder approval include:</p> <ul style="list-style-type: none"> <li>• Adopting, altering or revoking the constitution of a company;</li> <li>• appointing or removing a director or auditor;</li> <li>• ‘major transactions’ – being transactions involving the acquisition or disposition (whether contingent or not) of assets, the value of which is more than half the value of the company’s assets before the acquisition or disposition, or the acquisition of rights or interests or the incurring of obligations or liabilities (including contingent liabilities), the value of which is more than half the value of the company’s assets before the transaction;</li> <li>• a proposal to amalgamate the company;</li> <li>• putting the company into liquidation (however, liquidation can also occur other than by shareholder approval); and</li> <li>• changes to the rights attached to shares.</li> </ul>	<p>Under the Corporations Act, shareholder approval is required for altering a company’s constitution, appointing or removing directors, putting the company into liquidation, changes to the rights attaching to shares and certain transactions affecting share capital (e.g. share buy-backs, share splits and share capital reductions).</p> <p>Generally, there is no shareholder approval requirement for ‘major transactions’ under the Corporations Act, except that certain related party transactions require shareholder approval.</p> <p>Under the ASX Listing Rules, which will apply to the Company following Listing, shareholder approval is required for, amongst other things:</p> <ul style="list-style-type: none"> <li>• increases in the total amount of Non-Executive Directors’ fees;</li> <li>• directors’ termination benefits in certain circumstances;</li> <li>• certain transactions with related parties and parties of influence;</li> <li>• certain issues of shares; and</li> <li>• if a company proposes to make a significant change to the nature or scale of its activities or proposes to dispose of its main undertaking.</li> </ul>

Feature	New Zealand law	Australian law
<b>Changes in the rights attaching to shares</b>	<p>Under the Companies Act, a company must not take action that affects the rights attached to shares, unless that action has been approved by a special resolution of each interest group of shareholders.</p> <p>An 'interest group' in relation to an action or proposal affecting the rights attached to shares means a group of shareholders whose affected rights are identical and whose rights are affected by the action or proposal in the same way and who comprise the holders of one or more classes of shares in the company.</p>	<p>The Corporations Act allows a company to set out in its constitution the procedure for varying or cancelling rights attached to shares in a class of shares.</p> <p>Under the Corporations Act, if a company does not have a constitution, or has a constitution that does not set out such a procedure, such rights may only be varied or cancelled by:</p> <ul style="list-style-type: none"> <li>• a special resolution of the company; and</li> <li>• a special resolution passed at a meeting of the class of members holding shares in the class; or</li> <li>• a written consent of members with at least 75% of the votes in the class.</li> </ul>
<b>Shareholder protections against oppressive conduct</b>	<p>Under the Companies Act, a shareholder or former shareholder of a company (or any other person who holds any rights and powers of a shareholder under the constitution) who considers that the affairs of a company have been (or are being, or are likely to be) conducted in a manner that is (or any act or acts of the company have been, or are, or are likely to be) oppressive, unfairly discriminatory, or unfairly prejudicial to him or her in any capacity may apply to the court for relief. The court may, if it thinks it is just and equitable to do so, make such orders as it thinks fit.</p>	<p>Under the Corporations Act, shareholders have statutory remedies for oppressive or unfair conduct of the company's affairs and the court can make such orders as it considers appropriate.</p>
<b>Shareholders' rights to request a meeting</b>	<p>Under the Companies Act, a meeting of shareholders must be called by the board upon request of a shareholder or Shareholders holding shares carrying together at least 5% of the voting rights entitled to be exercised on the issue.</p>	<p>Under the Corporations Act, shareholders have a right to request a meeting through two methods:</p> <ul style="list-style-type: none"> <li>• Shareholders with at least 5% of the votes that may be cast at a general meeting have a right to call and arrange a general meeting at their own expense; or</li> <li>• the board is required to call and arrange a general meeting on the request of Shareholders with at least 5% of the votes that may be cast at the general meeting.</li> </ul>
<b>Shareholders' right of appointment of proxies</b>	<p>Shareholders have the right to appoint a proxy to attend and vote at meetings on their behalf under the Companies Act.</p> <p>The proxy must be appointed by notice in writing signed by the shareholder or, in the case of an electronic notice, sent by the shareholder to the company. The notice of appointment must specify whether the appointment is for a particular meeting or a specified term.</p>	<p>Under the Corporations Act, a shareholder of a company who is entitled to attend and cast a vote at a meeting of the company's members may appoint a proxy to attend and vote.</p>

## 9 Additional information Continued

Feature	New Zealand law	Australian law
<b>Shareholders' rights to bring or intervene in legal proceedings on behalf of the company</b>	Under the Companies Act, a court may, on the application of a shareholder or director of a company, grant leave to that shareholder or director to bring proceedings in the name and on behalf of the company or any related company, or intervene in proceedings to which the company or any related company is a party, for the purpose of continuing, defending or discontinuing these proceedings on behalf of the company or related company.	The Corporations Act permits a shareholder to apply to the court for leave to bring proceedings on behalf of the company, or to intervene in proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for those proceedings, or for a particular step in those proceedings.
<b>Remuneration reports and the "2 strikes" rule</b>	<p>There is no equivalent of the "2 strikes" rule in relation to remuneration reports in New Zealand.</p> <p>New Zealand companies are not required to publish remuneration reports.</p> <p>There is however, an obligation to state in the company's annual report, in respect of each director or former director of the company, the total remuneration and the value of other benefits received by that director or former director from the company during the relevant accounting period. There is also an obligation to disclose the number of employees or former employees of the company, not being directors of the company, who received remuneration and any other benefits in their capacity as employees during the relevant accounting period, the value of which was \$100,000 per annum or greater, stated in brackets of \$10,000.</p>	<p>The Corporations Act requires that an Australian listed public company's annual report must include a report by the directors on the company's remuneration framework (called a remuneration report). The Corporations Act applies a "2 strikes" rule to Australian listed public companies. The "2 strikes" rule applies if at two consecutive annual general meetings of the company, at least 25% of the votes cast on a resolution that the remuneration report be adopted were against adoption of the report and a resolution was not put to the vote at the earlier annual general meeting under an earlier application of Section 250V of the Corporations Act. In this case, at the second annual general meeting, there must be put to the vote a resolution (the spill resolution) that:</p> <ul style="list-style-type: none"> <li>• another general meeting (the spill meeting) be held within 90 days;</li> <li>• all the company's directors who were directors when the resolution to make the director's report considered at the second annual general meeting (and are not a managing director of the company who is entitled under the listing rules applicable to the company to hold office indefinitely) cease to hold office immediately before the end of the spill meeting; and</li> <li>• resolutions to appoint persons to offices that will be vacated be put to the vote at the spill meeting.</li> </ul>

Feature	New Zealand law	Australian law
<b>Disclosure of substantial holdings</b>	<p>The FMC Act requires every person who is a 'substantial product holder' in a listed issuer to give notice to that listed issuer and NZX if the person:</p> <ul style="list-style-type: none"> <li>• begins to have, or ceases to have, a substantial holding in the company;</li> <li>• has a substantial holding in the company and there is a movement of at least 1% in their holding; or</li> <li>• is a substantial product holder and there is a change in the nature of any 'relevant interest' in the substantial holding.</li> </ul> <p>Under the FMC Act, a person has a substantial holding if the person has a 'relevant interest' in quoted voting products that comprise 5% or more of a class of quoted voting products in a listed issuer.</p> <p>Subject to certain specific exceptions under the FMC Act, a person has a 'relevant interest' in a financial product if:</p> <ul style="list-style-type: none"> <li>• the person is a registered holder or beneficial owner of the product;</li> <li>• the person has the power to exercise (or control the exercise of) a voting right attached to the product; or</li> <li>• the person has the power to acquire or dispose of (or control the acquisition or disposal of) the product.</li> </ul> <p>These disclosure obligations under the FMC Act will apply to all Shareholders and their relevant related persons in addition to the equivalent disclosure regime under the Corporations Act.</p>	<p>The Corporations Act requires a person to notify, and give prescribed information in relation to their holding, to the listed company and to ASX if the person:</p> <ul style="list-style-type: none"> <li>• begins to have, or ceases to have, a substantial holding in the company;</li> <li>• has a substantial holding in the company and there is a movement of at least 1% in their holding; or</li> <li>• makes a takeover bid for securities of the company.</li> </ul> <p>Under the Corporations Act, a person has a substantial holding if:</p> <ul style="list-style-type: none"> <li>• the total votes attached to voting shares in the company in which they or their associates have relevant interests (or would have a relevant interest but for Section 609(6) (market traded options) or Section 609(7) (conditional agreements)) is 5% or more of the total number of votes attached to voting shares in the company; or</li> <li>• the person has made a takeover bid for voting shares in the company and the bid period has started and not yet ended.</li> </ul>

## 9 Additional information Continued

Feature	New Zealand law	Australian law
<b>Regulation of takeovers</b>	<p>The New Zealand position under the Takeovers Code is comparable to the Australian position in relation to the regulation of takeovers.</p> <p>For the purposes of the Takeovers Code, a “code company” is a company which is a listed issuer that has financial products that confer voting rights quoted on NZX or a company that has 50 or more shareholders and 50 or more parcels of shares and is at least medium-sized. A 20% threshold applies (under which a person may not become the holder or controller of an increased percentage of the voting rights in a code company unless, after the event, that person holds or controls in total not more than 20% of the voting rights in the code company (together with their associates), or may not become the holder or controller of an increased percentage of voting rights if they already hold or control more than 20% of the voting rights). This is subject to certain exceptions, including full and partial takeover offers, 5% creep over 12 months in the 50% to 90% range, and acquisitions with shareholder approval.</p> <p>Persons who hold or control 90% or more of the voting rights in a code company are permitted to compulsorily acquire the remaining voting rights.</p>	<p>The Corporations Act prohibits a person from acquiring a relevant interest in issued voting shares in a listed company, through a transaction entered into by or on behalf of the person acquiring the relevant interest, if the transaction would cause any person's voting power in the company to increase:</p> <ul style="list-style-type: none"> <li>• from 20% or below to greater than 20%; or</li> <li>• from a starting point that is above 20% and below 90%.</li> </ul> <p>Exceptions to the prohibition apply (e.g. acquisitions with shareholder approval, maximum 3% creep over six months and rights issues that satisfy prescribed conditions).</p> <p>Compulsory acquisitions are permitted by bidders under a takeover bid if by the end of the offer period, the bidder and their associates have acquired at least 75% (by number) of the securities that the bidder had offered to acquire under the bid, and have relevant interests in at least 90% (by number) of the securities in the bid class.</p> <p>The Australian takeovers regime will not apply to Vulcan as a foreign company.</p>

### 9.8.4. ASX CONFIRMATIONS AND WAIVERS

ASX has provided the following confirmations in respect of the Offer:

- confirmation that the Company may undertake deferred and conditional settlement trading of Shares;
- confirmation that Vulcan may seek admission to the official list of ASX under the profits test in Listing Rule 1.2;
- confirmation that the structure and operations of the Company are suitable for an entity seeking admission to the official list of ASX for the purposes of Listing Rule 1.1;
- confirmation that Listing Rule 10.1 does not apply to the Related Party Leases; and
- confirmation that the form of the Company's Constitution is acceptable to ASX pursuant to condition 2 of Listing Rule 1.1.

In each case, confirmations are subject to certain terms and conditions.

The Company has sought (and as at 15 October 2021 has not yet received) the following confirmations and/or waivers from ASX in respect of the following ASX Listing Rules:

- confirmation that a waiver from Listing Rule 10.11 is not required in relation to the initial grant of Rights to Executive Director, Rhys Jones in FY22;
- confirmation that a waiver from Listing Rule 10.14 is not required in relation to the initial grant of Rights to Executive Director, Rhys Jones in FY22;
- a waiver from Condition 12 of Listing Rule 1.1 in relation to the grant of Rights issued in connection with the LTIP; and
- confirmation in respect of Listing Rule 7.1 in connection with the LTIP.



## 9.9. Taxation considerations

The following comments provide a general summary of Australian and New Zealand tax issues for potential Australian and New Zealand tax resident Shareholders who acquire Shares under this Prospectus.

The summary is based on the law in Australia and New Zealand in force at the time of issue of this Prospectus. The taxation laws of Australia and New Zealand or their interpretation may change from time to time. The summary does not consider proposed or anticipated changes to tax law and does not consider the tax laws of countries other than Australia and New Zealand.

The categories of Shareholders considered in this summary are limited to individuals, certain companies, trusts, partnerships and complying superannuation funds, each of whom hold their shares on capital account. If you hold your Shares as a passive investment with a view to generating dividend income and long-term capital growth, you should generally be considered to hold your Shares on capital account.

This summary does not consider the consequences for non-Australian or non-New Zealand tax resident Shareholders, or Australian or New Zealand tax resident Shareholders who are banks or insurance companies, Shareholders that hold their shares on revenue account or carry on a business of trading in shares, or Shareholders who are exempt from Australian or New Zealand tax or are subject to concessional tax regimes (for example, the Australian Investment Manager Regime). The summary also does not consider the impact of the specific tax rules relating to the taxation of financial arrangements, which are contained in Division 230 of the *Income Tax Assessment Act 1997*.

This summary is general in nature and is not intended to be an authoritative or a complete statement of the applicable law. The precise implications of ownership or disposal of the Shares will depend upon each Shareholder's specific circumstances. Investors should obtain their own advice on the taxation implications of holding or disposing of the Shares, that takes into account their specific circumstances.

### 9.9.1. TRANS-TASMAN IMPUTATION

Vulcan is incorporated in New Zealand and is a New Zealand tax resident for New Zealand income tax purposes. Vulcan is also registered as a foreign company in Australia. Generally, a foreign company is a resident of Australia if it carries on business in Australia and has either its central management or control in Australia or its voting is controlled by shareholders who are residents of Australia. Vulcan is not an Australian tax resident for Australian income tax purposes.

As a New Zealand tax resident, Vulcan has given notice to the Australian Commissioner of Taxation that it has made the choice to be part of the Australian franking system. Subject to Australian Taxation Office confirmation, Vulcan anticipates that it will become a New Zealand franking company for the purposes of being able to frank dividends into the future.

As both a New Zealand tax resident and a NZ franking company, Vulcan can attach both New Zealand imputation credits and Australian franking credits to its dividends.

For Australian shareholders, Vulcan's ability to attach franking credits to dividends alleviates double taxation of dividends paid to them in respect of profits earned by Vulcan in Australia.

For Vulcan's guidance on its intentions with regards to imputation and franking, reference should be made to Section 4.11.

### 9.9.2. TAX IMPLICATIONS FOR AUSTRALIAN TAX RESIDENT SHAREHOLDERS

The following is a summary of the Australian and New Zealand tax implications of investing in the Shares if a Shareholder is resident for Australian tax purposes.

#### 9.9.2.1. Income tax consequences of receiving dividends

Shareholders who are Australian tax resident individuals or complying superannuation funds must include Vulcan dividends in their assessable income, grossed up for any franking credits attached to the dividends. The Shareholder is then entitled to a tax offset for the franking credit. Where the amount of the tax offset exceeds the tax payable on the grossed-up dividend, those Shareholders may be entitled to a tax refund for the excess.

Special rules apply for companies, trusts and partnerships.

## 9 Additional information Continued

Generally, an Australian resident company should include dividends it receives in its assessable income. Company Shareholders are not entitled to a refund of franking credits but may convert any such excess into a tax loss.

A company Shareholder (other than a trustee) with a shareholding of at least 10% in Vulcan may not be required to include dividends it receives in its assessable income.

Shareholders who are trustees (other than trustees of complying superannuation funds) or partnerships should include a dividend in the net income of the trust or partnership. A presently entitled beneficiary of a trust, or a partner in a partnership, should include the dividends in their assessable income, grossed up for any franking credits. The beneficiary or partner, as the case may be, is then entitled to a tax offset for the franking credit. Where the amount of the tax offset exceeds the tax payable on the grossed-up dividend, they may be entitled to a tax refund for the excess.

There are rules that limit the availability of franking credits and the tax offset in certain circumstances. For example, a Shareholder is generally required to have held Vulcan Shares “at risk” for at least 45 days, not including the date of acquisition or date of disposal.

Vulcan will generally be required to withhold New Zealand non-resident withholding tax (“**NRWT**”) from dividends it pays to Australian tax residents. If the dividend does not have New Zealand imputation credits attached, then the NRWT rate is 5% for companies which hold directly at least 10% of the voting power in Vulcan and 15% for all other Shareholders. Shareholders will be entitled to claim a tax offset for the New Zealand withholding tax, subject to the rules for calculating and claiming foreign tax offsets.

A dividend paid by Vulcan to an Australian tax resident owning 10% or more of Vulcan is exempt from New Zealand withholding tax to the extent the dividend is fully imputed under New Zealand tax law.

A dividend paid by Vulcan to an Australian tax resident owning less than 10% of Vulcan is subject to New Zealand withholding tax, as noted above. However, to the extent the dividend is imputed under New Zealand tax law, Vulcan is entitled to pay such shareholders a supplementary dividend which effectively relieves shareholders of the cost of the withholding tax.

Where Vulcan pays both an ordinary dividend and a supplementary dividend, Australian resident shareholders are required to include both dividends in assessable income. Where Vulcan pays a supplementary dividend and attaches franking credits to the ordinary dividend, both the gross up on the franked dividend, and the entitlement to a tax offset for the franking credit, are reduced by the amount of the supplementary dividend. The objective of this reduced gross up and offset is generally to produce the same after-tax outcome for Australian resident shareholders as if the franked dividend had been paid by an Australian company.

### 9.9.2.2. Income tax consequences of disposing shares

A disposal of a Share by an Australian tax resident Shareholder who holds the Shares on capital account will be a capital gains tax (“**CGT**”) event.

A capital gain will arise to the extent that the capital proceeds from the disposal of a Share exceed the “cost base” of that Share (broadly, the amount paid to acquire the Share plus any transaction costs incurred in relation to the acquisition or disposal of the Share).

A capital loss will arise to the extent that the capital proceeds from the disposal of a Share are less than the “reduced cost base” of that Share. The reduced cost base of a Share is determined in a similar manner to the cost base but is subject to certain modifications.

Any capital gain realised on the disposal of Shares will be included in the calculation of the Australian tax resident Shareholder’s net capital gain. A net capital gain is included in the Australian tax resident Shareholder’s assessable income for the income tax year in which the date of disposal of the Shares occurs. A capital loss may not be deducted against other income for income tax purposes but may be offset against capital gains realised in the same income year or may (subject to certain restrictions) be carried forward to offset against future capital gains.

A CGT discount may be applied against the net capital gain where the Shareholder is an individual, a complying superannuation entity or a trustee, the Shares have been held for more than 12 months prior to the CGT event and certain other requirements have been met. Where the CGT discount applies, any capital gain arising to individuals and entities acting as trustees (other than a trust that is a complying superannuation entity) may be reduced by half after offsetting current year or prior year capital losses. For a complying superannuation entity, any capital gain may be reduced by one third, after offsetting current year or prior year capital losses. Companies are not eligible for discounted capital gains treatment.

Where the Shareholder is the trustee of a trust that has held the Shares for more than 12 months before disposal, the CGT discount may flow through to the beneficiaries of the trust if those beneficiaries are not companies. Shareholders that are trustees should seek specific advice regarding the tax consequences of distributions to beneficiaries who may qualify for discounted capital gains.

Finally, New Zealand should generally not tax any income an Australian tax resident Shareholder derives from the sale of shares in Vulcan, unless the Shareholder has a 'permanent establishment' in New Zealand through which the shares are held and/or Vulcan is 'land rich' (which it currently is not).

#### **9.9.2.3. Goods and services tax (GST) considerations**

Shareholders should not be liable for GST in respect of the acquisition or subsequent disposal of Shares. However, Shareholders who are registered for GST may not be entitled to full input tax credits for any GST incurred on costs associated with those share dealings. Separate GST advice should be sought by Shareholders in this category.

#### **9.9.2.4. Stamp duty considerations**

Stamp duty should not be payable by Shareholders on the acquisition of Shares under the Prospectus. Under current stamp duty legislation, on any subsequent transfer of Shares no stamp duty would ordinarily be payable by Shareholders, provided the Shares remain quoted on the ASX. Shareholders should seek advice on the impact of stamp duty in their own circumstances.

### **9.9.3. TAX IMPLICATIONS FOR NEW ZEALAND TAX RESIDENT SHAREHOLDERS**

The following is a summary of the New Zealand tax implications of investing in the Shares if Shareholders are New Zealand residents for tax purposes.

#### **9.9.3.1. Income tax consequences of receiving dividends**

Shareholders who are New Zealand tax residents will generally be taxable on dividends received from Vulcan.

Different outcomes may arise if Shares are held by entities that are treated as fiscally transparent under New Zealand tax law, such as partnerships or certain hybrid entities. Specific tax rules also apply to trustees and beneficiaries of trusts. Shareholders should seek independent advice if their Shares are held by or through an entity of this kind.

New Zealand operates an imputation regime, under which income tax paid by Vulcan gives rise to imputation credits which may be attached to dividends it pays. Imputation credits attached to dividends may be used by New Zealand tax-resident Shareholders as a credit against their tax liability in respect of the dividends.

#### **9.9.3.2. Resident withholding tax**

Vulcan will generally be required to deduct resident withholding tax from dividends it pays to New Zealand resident Shareholders. If the dividends are fully imputed, then the resident withholding tax is 5% of the gross dividend. If the dividend is unimputed then the resident withholding tax is 33% of the dividend.

If a Shareholder has registered with the Commissioner of Inland Revenue to be exempt from resident withholding tax, then the Shareholder should notify Vulcan and provide its Inland Revenue number, in which case no withholding tax will be deducted by Vulcan.

If a Shareholder does not file a New Zealand income tax return, the resident withholding tax is a final tax.

#### **9.9.3.3. Filing an income tax return**

If a Shareholder files a New Zealand income tax return, they must include Vulcan dividends in their taxable income, grossed up for any imputation credits attached to the dividend and any resident withholding tax deducted. The Shareholder is then entitled to use the imputation credits and the resident withholding tax (subject to certain criteria) to reduce their tax liability on the grossed-up dividend.

If the attached imputation credits and resident withholding tax deducted exceed the amount of tax on the grossed-up dividend, the excess imputation credits and resident withholding tax may be used to reduce the tax liability on a Shareholder's other income or, in the case of any excess resident withholding tax, may give rise to a refund. Excess imputation credits are not refundable.

## 9 Additional information Continued

### 9.9.3.4. Income tax consequences of disposing Shares

New Zealand does not have a comprehensive capital gains tax. As a result, Shareholders that hold Shares on capital account for New Zealand tax purposes should not be subject to New Zealand tax on any gain on disposal. Similarly, a loss realised on disposal should not be deductible to Shareholders.

Although New Zealand does not have a comprehensive capital gains tax, there are instances where a Shareholder will be subject to New Zealand tax on gains they make on the sale or disposal of their Shares or allowed a deduction for any loss they make. A Shareholder must consider their individual circumstances to determine whether any gain on the sale or disposal of their Shares will be taxable (or loss deductible).

Generally, a Shareholder will be subject to tax on any gain (or will be allowed to deduct any loss) arising from the sale or disposal of their Shares if they are in the business of dealing in shares, acquire their Shares as part of a profit-making undertaking or scheme or acquire their Shares with the dominant purpose of selling them. We have not further considered the consequences for Shareholders who hold their Shares on revenue account or as trading stock.

### 9.9.3.5. Goods and services tax considerations

New Zealand GST should not apply to a Shareholder's investment in Shares.

## 9.10. Consents to be named and disclaimers of responsibility

Each of the parties listed below in this Section 9.10, is a consenting party, and to the maximum extent permitted by law, expressly disclaims all liabilities in respect of, makes no representations regarding and takes no responsibility, for any statements in or omissions from this Prospectus, other than the reference to its name in the form and context in which it is named and/or a statement or report included in this Prospectus with its consent as specified below.

Each of the parties listed below has given and has not, at the time of lodgement of this Prospectus with ASIC, withdrawn its written consent to the inclusion of statements in this Prospectus that are specified below in the form and context in which the statements appear:

- Each of Credit Suisse (Australia) Limited and UBS AG, Australia Branch has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Joint Lead Manager to the Offer in the form and context in which it is named;
- Each of Ord Minnett Limited and Forsyth Barr Group Limited has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Co-Lead Manager to the Offer in the form and context in which it is named;
- Each of Crestone Wealth Management Limited and JBWere Limited has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Co-Manager to the Offer in the form and context in which it is named;
- Gilbert + Tobin has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Australian legal adviser (other than in relation to taxation matters) to the Company in relation to the Offer in the form and context in which it is named;
- Webb Henderson has given, and has not withdrawn prior to lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as New Zealand legal advisor (other than in relation to taxation matters) to Vulcan in relation to the Offer in the form and context in which it is named;
- Deloitte Corporate Finance Pty Limited has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Investigating Accountant to the Company in relation to the Financial Information in the form and context in which it is named and to the inclusion of its Investigating Accountant's Report on the Financial Information set out in Section 8 in the form and context in which it appears in this Prospectus;
- Deloitte Limited has given, and has not withdrawn prior to lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as auditor to Vulcan in the form and context in which it is named;
- Nuwaru Pty Limited has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Australian tax adviser to the Company in the form and context in which it is so named;

- Grant Thornton New Zealand Limited has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as New Zealand tax adviser to the Company in the form and context in which it is so named;
- Link Market Services Limited has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Share Registry of the Company in the form and context in which it is named. Link Market Services Limited has had no involvement in the preparation of any part of this Prospectus other than being named as Share Registry to the Company. Link Market Services Limited has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of the Prospectus; and
- National Institute of Economic and Industry Research has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus and to the inclusion of the references to it in the form and context in which they are included.

## 9.11. Descriptions of the syndicate

Credit Suisse and UBS are the Joint Lead Managers to the Offer.

## 9.12. Selling restrictions

This document does not constitute an offer of Shares in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the Shares may not be offered or sold, in any country outside Australia and New Zealand except to the extent permitted below.

### CANADA (BRITISH COLUMBIA, ONTARIO AND QUEBEC PROVINCES)

This document constitutes an offering of Shares only in the Provinces of British Columbia, Ontario and Quebec (“**Provinces**”), only to persons to whom Shares may be lawfully distributed in the Provinces, and only by persons permitted to sell such securities. This document is not a prospectus, an advertisement or a public offering of securities in the Provinces. This document may only be distributed in the Provinces to persons who are “accredited investors” within the meaning of National Instrument 45-106 – Prospectus Exemptions, of the Canadian Securities Administrators.

No securities commission or authority in the Provinces has reviewed or in any way passed upon this document, the merits of the Shares or the offering of the Shares and any representation to the contrary is an offence.

No prospectus has been, or will be, filed in the Provinces with respect to the offering of Shares or the resale of such securities. Any person in the Provinces lawfully participating in the offer will not receive the information, legal rights or protections that would be afforded had a prospectus been filed and receipted by the securities regulator in the applicable Province. Furthermore, any resale of the Shares in the Provinces must be made in accordance with applicable Canadian securities laws. While such resale restrictions generally do not apply to a first trade in a security of a foreign, non-Canadian reporting issuer that is made through an exchange or market outside Canada, Canadian purchasers should seek legal advice prior to any resale of the Shares.

The Company as well as its Directors and officers may be located outside Canada and, as a result, it may not be possible for purchasers to effect service of process within Canada upon the Company or its Directors or officers. All or a substantial portion of the assets of the Company and such persons may be located outside Canada and, as a result, it may not be possible to satisfy a judgment against the Company or such persons in Canada or to enforce a judgment obtained in Canadian courts against the Company or such persons outside Canada.

Any financial information contained in this document has been prepared in accordance with Australian Accounting Standards and also comply with International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board. Unless stated otherwise, all dollar amounts contained in this document are in Australian dollars.

Statutory rights of action for damages and rescission. Securities legislation in certain Provinces may provide a purchaser with remedies for rescission or damages if an offering memorandum contains a misrepresentation, provided the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s Province. A purchaser may refer to any applicable provision of the securities legislation of the purchaser’s Province for particulars of these rights or consult with a legal adviser.

## 9 Additional information Continued

Certain Canadian income tax considerations. Prospective purchasers of the Shares should consult their own tax adviser with respect to any taxes payable in connection with the acquisition, holding or disposition of the Shares as there are Canadian tax implications for investors in the Provinces.

Language of documents in Canada. Upon receipt of this document, each investor in Canada hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of the Shares (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only. Par la réception de ce document, chaque investisseur canadien confirme par les présentes qu'il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à la vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation d'achat ou tout avis) soient rédigés en anglais seulement.

### CAYMAN ISLANDS

No offer or invitation to subscribe for Shares may be made to the public in the Cayman Islands or from within the Cayman Islands.

### CHINA

This document has not been approved by, nor registered with, any competent regulatory authority of the People's Republic of China (excluding, for purposes of this paragraph, Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan). Accordingly, the Shares may not be offered or sold, nor may any invitation, advertisement or solicitation for Shares be made from, within the PRC. This document does not constitute an offer of Shares within the PRC.

The Shares may not be offered or sold to legal or natural persons in the PRC other than to: (i) "qualified domestic institutional investors" as approved by a relevant PRC regulatory authority to invest in overseas capital markets; (ii) sovereign wealth funds or quasi-government investment funds that have the authorization to make overseas investments; or (iii) other types of qualified investors that have obtained all necessary PRC governmental approvals, registrations and/or filings (whether statutorily or otherwise).

### EUROPEAN UNION

This document has not been, and will not be, registered with or approved by any securities regulator in the European Union. Accordingly, this document may not be made available, nor may the Shares be offered for sale, in the European Union except in circumstances that do not require a prospectus under Article 1(4) of Regulation (EU) 2017/1129 of the European Parliament and the Council of the European Union ("**Prospectus Regulation**").

In accordance with Article 1(4)(a) of the Prospectus Regulation, an offer of Shares in the European Union is limited to persons who are "qualified investors" (as defined in Article 2(e) of the Prospectus Regulation).

### HONG KONG

WARNING: This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong ("SFO"). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the Shares have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO and any rules made under that ordinance).

No advertisement, invitation or document relating to the Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors. No person allotted Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

## MALAYSIA

No approval from, or recognition by, the Securities Commission of Malaysia has been or will be obtained in relation to any offer of Shares. The Shares may not be offered, sold or issued in Malaysia except pursuant to, and to persons prescribed under, Schedules 5 and 6 of the Malaysian Capital Markets and Services Act.

## NORWAY

This document has not been approved by, or registered with, any Norwegian securities regulator under the Norwegian Securities Trading Act of 29 June 2007 no. 75. Accordingly, this document shall not be deemed to constitute an offer to the public in Norway within the meaning of the Norwegian Securities Trading Act. The Shares may not be offered or sold, directly or indirectly, in Norway except to “professional clients” (as defined in the Norwegian Securities Trading Act).

## SINGAPORE

This document and any other materials relating to the Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of Shares, may not be issued, circulated or distributed, nor may the Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (“SFA”), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are (i) an “institutional investor” (as defined in the SFA) or (ii) an “accredited investor” (as defined in the SFA). If you are not an investor falling within one of these categories, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

## SWITZERLAND

The Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange or on any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the Shares constitutes a prospectus or a similar notice, as such terms are understood under art. 35 of the Swiss Financial Services Act or the listing rules of any stock exchange or regulated trading facility in Switzerland.

No offering or marketing material relating to the Shares has been, nor will be, filed with or approved by any Swiss regulatory authority or authorised review body. In particular, this document will not be filed with, and the offer of Shares will not be supervised by, the Swiss Financial Market Supervisory Authority (“FINMA”).

Neither this document nor any other offering or marketing material relating to the Shares may be publicly distributed or otherwise made publicly available in Switzerland. The Shares will only be offered to investors who qualify as “professional clients” (as defined in the Swiss Financial Services Act). This document is personal to the recipient and not for general circulation in Switzerland.

## UNITED ARAB EMIRATES

This document does not constitute a public offer of securities in the United Arab Emirates and the Shares may not be offered or sold, directly or indirectly, to the public in the UAE. Neither this document nor the Shares have been approved by the Securities and Commodities Authority (“SCA”) or any other authority in the UAE.

This document may be distributed in the UAE only to “qualified investors” (as defined in the SCA Board of Directors’ Chairman Decision No. 37 RM of 2019, as amended) and may not be provided to any person other than the original recipient. No marketing of the Shares has been, or will be, made from within the UAE other than in compliance with the laws of the UAE and no subscription for any securities may be consummated within the UAE.

No offer or invitation to subscribe for Shares is valid, or permitted from any person, in the Abu Dhabi Global Market or the Dubai International Financial Centre.



## 9 Additional information Continued

### UNITED KINGDOM

Neither this document nor any other document relating to the offer has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the *Financial Services and Markets Act 2000*, as amended ("**FSMA**")) has been published or is intended to be published in respect of the Shares.

The Shares may not be offered or sold in the United Kingdom by means of this document or any other document, except in circumstances that do not require the publication of a prospectus under section 86(1) of the FSMA. This document is issued on a confidential basis in the United Kingdom to "qualified investors" within the meaning of Article 2(e) of the UK Prospectus Regulation. This document may not be distributed or reproduced, in whole or in part, nor may its contents be disclosed by recipients, to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received in connection with the issue or sale of the Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of the FSMA does not apply to the Company.

In the United Kingdom, this document is being distributed only to, and is directed at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the *Financial Services and Markets Act 2000* (Financial Promotions) Order 2005 ("FPO"), (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO or (iii) to whom it may otherwise be lawfully communicated (together "relevant persons"). The investment to which this document relates is available only to relevant persons. Any person who is not a relevant person should not act or rely on this document.

### 9.13. Governing law

This Prospectus and the contracts that arise from the acceptance of the Applications under this Prospectus are governed by the laws applicable in New South Wales, Australia and each Applicant under this Prospectus submits to the exclusive jurisdiction of the courts of New South Wales, Australia.

### 9.14. Statement of Directors

This Prospectus has been authorised by each director of the Company and of SaleCo who has consented to its lodgement with ASIC and its issue and has not withdrawn that consent.

The Directors have made enquiries and nothing has come to their attention to suggest that, as at the date of this Prospectus, the Company is not continuing to earn profit from continuing operations.



A

Significant  
accounting  
policies

# Appendix A: Significant accounting policies

## A.1. Basis of Preparation and Principles of Consolidation

### STATEMENT OF COMPLIANCE

These consolidated financial statements for the year ended 30 June 2021 have been prepared in accordance with New Zealand generally accepted accounting practice (NZ GAAP) as appropriate for Tier 1 for-profit entities. They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS). The consolidated financial statements also comply with International Financial Reporting Standards (IFRS).

### BASIS OF MEASUREMENT

The consolidated financial statements have been prepared on the basis of historical cost with the exception of the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit or loss and other comprehensive income. The Statement of Profit or Loss and Other Comprehensive Income has been prepared so that all components are stated exclusive of GST. All items in the Balance Sheet are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

### FUNCTIONAL CURRENCY

The consolidated financial statements are presented in NZD which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise stated.

### FOREIGN CURRENCY TRANSACTION AND BALANCES

Foreign currency transactions are translated into the relevant functional currency at exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges.

### Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to New Zealand dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to New Zealand dollars at exchange rates at the dates of the transactions. Foreign currency differences are recognised in the foreign currency translation reserve (FCTR) in equity. When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to profit or loss.

### BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Group as at balance date and the results of all subsidiaries for the year then ended. All subsidiaries are 100% owned within the Group.

The Group applies the acquisition method to account for business combinations.

The Group controls an entity when the Group is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group.

Consideration transferred is the fair value of assets transferred, liabilities incurred to the former owners of the acquiree and equity interests issued by the Group. Consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities (including contingent liabilities) assumed in a business combination are measured initially at their fair values at acquisition date.

All intercompany balances and transactions, including unrealised profits on transactions between group companies have been eliminated.

## **A.2. Accounting Policies**

### **REVENUE**

The Group derives revenue from the processing and distribution of steel and metal products. Revenue is recognised as, or when, goods are transferred to the customer at a point in time and is measured at an amount that reflects the consideration to which the Group expects to be entitled in exchange for the goods.

### **EMPLOYEE BENEFIT EXPENSE**

Employee benefit expenses include wages and salaries, annual leave, long service leave and bonuses.

### **FINANCE INCOME AND EXPENSE**

Finance income comprises interest income on funds invested, dividend income, changes in the fair value of financial assets at fair value through profit or loss and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues, using the effective interest method.

Finance expenses comprise interest expense on borrowings, interest on leases and bank facility fees.

All borrowing costs are recognised in profit or loss using the effective interest method.

### **INCOME TAX**

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax arises due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and those for tax purposes.

Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by balance date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled

### **TRADE AND OTHER RECEIVABLES**

Trade and other receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

A receivable from a contract with a customer represents the Group's unconditional right to consideration arising from the transfer of goods or services to the customer (i.e., only the passage of time is required before payment of the consideration is due). Subsequent to initial recognition, receivables from contracts with customers are measured at amortised cost and are tested for impairment.

An allowance for doubtful debts is made using the expected credit loss model. The amount of the provision is recognised in profit or loss. Bad debts are written off when identified.

### **INVENTORIES**

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on a weighted average cost basis, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

# Appendix A: Significant accounting policies Continued

## PROPERTY, PLANT & EQUIPMENT

### Recognition and Measurement

Items of property, plant and equipment, other than land, are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

### Subsequent Costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

### Depreciation

Depreciation is recognised in profit or loss. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

## LEASES

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the Group's incremental borrowing rate. Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

## INTANGIBLE ASSETS

### Goodwill – Recognition & Measurement

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired business at the date of acquisition.

Goodwill on acquisition of businesses is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment annually and more frequently, if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

## Impairment

Impairment is determined by the CGU (group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU (group of CGUs) is less than the carrying amount, an impairment loss is recognised firstly in relation to the goodwill and then pro rata to the other assets. Any impairment loss is recognised immediately in profit and loss and if it relates to goodwill is not reversed in a subsequent period.

## Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss when incurred.

## Computer Software

Computer software has been predominantly internally developed and have a finite useful life. Computer software costs are capitalised and written off on a straight line basis over the useful economic life of 2 to 5 years. Costs associated with maintaining computer software programs are recognised as an expense as incurred. Costs directly associated with the production of identifiable and unique software products controlled by the Group and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

## Customer book

The customer book relates to the Horan Steel Holdings Pty Limited acquisition. It was recognised at the fair value at the date of acquisition and subsequently amortised on a straight-line based on the timing of projected cash flows of the contracts over their estimated useful lives (being 5 years).

## TRADE AND OTHER PAYABLES

Creditors are recognised at amounts to be paid in the future for goods and services already received, whether or not billed to the Group. They are non-interest bearing and are normally settled on 30-90 day terms.

Trade and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial period that are unpaid and arise when the Group becomes obliged to make future payment in respect of the purchase of these goods and services.

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

## SHARE CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary share are recognised as a deduction from equity, net of any tax effects.

## EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit after tax of the Group by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.



# Appendix A: Significant accounting policies Continued

## DERIVATIVES

The Group uses derivative financial instruments to hedge its exposure to foreign exchange using foreign currency forward exchange contracts. Derivatives are recognised initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and deemed effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the Group has both legal right and intention to offset.

### Cash flow hedges

The Group designates certain derivatives as hedging instruments in respect of cash flow hedges. At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- (i) there is an economic relationship between the hedged item and the hedging instrument;
- (ii) the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- (iii) the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gains or losses in the cash flow hedge reserve are reclassified or recognised in the profit or loss in the same period as the hedged item affects profit or loss in the same line as the hedged item. If the hedged item is a non financial item, the amount accumulated in the cash flow hedge reserve is removed from equity and included in the initial carrying amount of the hedged item.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria. This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in cash flow hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in the cash flow hedge reserve is reclassified immediately to profit or loss.

## FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the Group's Balance Sheet when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

### Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Shareholder loan accounts, cash and cash equivalents and trade receivables are measured subsequently at amortised cost. Derivatives are measured subsequently at fair value through profit or loss (FVTPL).



Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship (see derivatives and hedge accounting policy).

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term liquid investments with maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank accounts.

## **Financial Liabilities**

The Group's financial liabilities include trade and other payables and lease liabilities.

All financial liabilities other than derivatives are measured at amortised cost. They are measured at fair value (minus transaction costs directly attributable) on initial recognition and then subsequently measured at amortised cost.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all transaction costs and other premiums or discounts), through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. The amortised cost of a financial liability is the amount at which the financial liability is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount.



# B / Glossary

# Appendix B: Glossary

## B.1. Units of Measurement

Term	Meaning
\$	New Zealand Dollars
\$/t	New Zealand Dollars per tonne
Australian Dollars, AUD or A\$	the currency in Australia
Chain Volume Measurements	real value terms (constant prices), as opposed to nominal values (current prices)
daily sales volumes	volume of product sold per trading day
GWh	gigawatt hours
kt	thousand tonnes
ktpa	thousand tonnes per annum
mm	millimetres
mT	million tonnes
New Zealand Dollars, NZD or NZ\$	the currency in New Zealand
United States Dollars, USD or US\$	the currency in the United States

## B.2. Technical terms

Term	Meaning
AS/NZS standards	standards set by Standards Australia and Standards New Zealand
Australian Building Code Board	Australian standards writing body responsible for the National Construction Code
BCA	Building Code of Australia, contained within the National Construction Code
Building Code	BCA and Building Code in New Zealand
Building Code in New Zealand	Building Code, contained in the regulations of <i>Building Act 2004</i> (NZ)
CAD	computer aided design
carbon steel	steel in which the main alloying element is carbon
coil	a sheet of steel that has been wound
DIFOT	delivery in full, on time
distributors	intermediaries between steel producers and bulk traders, and end-users
engineering/infrastructure construction	civil infrastructure construction and industrial projects
engineering steel	steel designed for higher-value, special purpose products and engineering applications such as plant and equipment used in the industrial and resources sectors

## Appendix B: Glossary Continued

Term	Meaning
<b>fabricators</b>	a producer of intermediate products that processes them for a specific project
<b>fasteners</b>	steel device that mechanically affixes or joins two or more things together
<b>flat</b>	category of steel products that includes of sheets and plates.
<b>long</b>	category of steel products that includes structural beams, channels and columns for use in commercial and domestic construction, merchant bar and hollow sections
<b>MOQ</b>	minimum order quantities
<b>NCC</b>	the National Construction Code established by the Australian Building Code Board
<b>plate</b>	flat steel sheet, measuring typically in excess of 3mm thick
<b>reinforcing steel</b>	steel bar, rod or mesh of wires used to reinforce concrete
<b>residential construction</b>	construction of houses, flats, units, townhouses and apartments (including multi-storey)
<b>roofing</b>	steel for constructing a building's roof
<b>SKU</b>	stock keeping unit
<b>stainless steel</b>	group of corrosion resistant steels containing 10.5% or more chromium
<b>steel</b>	carbon steel, stainless steel and/or engineering steel
<b>tubular</b>	category of steel products that includes hollow and solid bars that are rectangular or circular
<b>wire</b>	steel drawn out into a strand or rod

### B.3. Other defined terms

Term	Meaning
<b>ABN</b>	Australian Business Number
<b>ACIF</b>	Australian Construction Industry Forum
<b>ACN</b>	Australian Company Number
<b>ACP</b>	Average cost per tonne, as defined in Section 4.2.6
<b>AEDT</b>	Australian Eastern Daylight Time
<b>Applicant</b>	a person who submits an Application
<b>Application</b>	an application for Shares under the Offer
<b>Application Form</b>	the application form attached to or accompanying this Prospectus (including the electronic form), upon which Applicants may apply for Shares under the Broker Firm Offer or Priority Offer (whichever is relevant to the Applicant).
<b>Application Monies</b>	the amount accompanying an Application Form submitted by an Applicant
<b>ARBN</b>	Australian Registered Body Number
<b>ASIC</b>	Australian Securities and Investments Commission
<b>ASIC Act</b>	<i>Australian Securities and Investments Commission Act 2001</i> (Cth)
<b>ASP</b>	average selling price per tonne, as defined in Section 4.2.6

Term	Meaning
<b>ASX</b>	ASX Limited (ABN 98 008 624 691), or where the context requires, the Australian Securities Exchange, which it operates
<b>ASX Listing Rules</b>	the listing rules of the ASX
<b>ASX Recommendations</b>	the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (4th Edition)
<b>ASX Settlement</b>	ASX Settlement Pty Limited (ABN 49 008 504 532)
<b>ASX Settlement Operating Rules</b>	the settlement rules of ASX Settlement
<b>ATO</b>	Australian Taxation Office
<b>Australasia</b>	includes Australia and New Zealand
<b>Banking Facility</b>	has the meaning given by Section 9.6.3
<b>Benchmark Group</b>	the ASX 300 (excluding mining, energy and financial companies)
<b>BlueScope</b>	BlueScope Steel Limited (ABN 16 000 011 058) (ASX:BSL)
<b>Board</b>	the board of Directors of the Company
<b>Broker</b>	any ASX or NZX participating organisation appointed to act as a broker to the Offer
<b>Broker Firm Offer</b>	the offer of Shares under this Prospectus to Australian and New Zealand resident retail clients of Brokers who receive a firm allocation of Shares from their Broker, as described in Section 7.3
<b>CAGR</b>	compound annual growth rate
<b>Captured Person</b>	has the meaning provided by Section 9.8.2
<b>Cash conversion</b>	EBITDA less capital expenditure and less cash lease payments divided by (EBITDA less cash lease payments)
<b>CEO</b>	Chief Executive Officer
<b>CFO</b>	Chief Financial Officer
<b>COGS</b>	Cost of Goods Sold
<b>COO</b>	Chief Operating Officer
<b>CGT</b>	Capital Gains Tax
<b>Chairman</b>	the chairman of the Board
<b>CHESS</b>	ASX's Clearing House Electronic Sub-register System
<b>Closing Date</b>	the date on which the Offer closes, being Tuesday, 2 November 2021
<b>Co-Managers</b>	Crestone Wealth Management Limited and JBWere Limited
<b>Co-Lead Managers</b>	Ord Minnett Limited (ACN 002 733 048) and Forsyth Barr Group Limited (NZBN 9429037174804)
<b>Companies Act</b>	<i>Companies Act 1993</i> (NZ)
<b>Company</b>	Vulcan Steel Limited (NZBN 9429038466052, ARBN 652 996 015)
<b>Completion</b>	the completion of the Offer, being the date upon which Shares are transferred to successful Applicants in accordance with the terms of the Offer



## Appendix B: Glossary Continued

Term	Meaning
<b>Constitution</b>	the constitution of the Company to be adopted with effect immediately prior to the admission of the Company to the Official List of the ASX
<b>Corporate</b>	the Company's operating segment as described in Section 4.4
<b>Corporations Act</b>	<i>Corporations Act 2001</i> (Cth)
<b>Credit Suisse</b>	Credit Suisse (Australia) Limited (ABN 94 007 016 300)
<b>Deloitte NZ</b>	Deloitte Limited (NZBN 9429032075946)
<b>Director</b>	a director of Vulcan
<b>EBIT</b>	earnings before interest and tax
<b>EBIT margin</b>	EBIT divided by revenue, expressed as a percentage
<b>EBITDA</b>	earnings before interest, tax, depreciation and amortisation
<b>EBITDA margin</b>	EBITDA divided by revenue, expressed as a percentage
<b>Enterprise Value</b>	the sum of the market capitalisation and total net debt including lease liabilities (post NZ IFRS 16)
<b>Escrow Deeds</b>	has the meaning given in Section 9.6.2
<b>Escrow Period</b>	has the meaning given in Section 9.6.2
<b>Escrowed Shareholders</b>	Existing Shareholders that have entered into an escrow deed with the Company in relation to their Shares, as described in Section 9.6.2
<b>Escrowed Shares</b>	all of the Shares held by the Escrowed Shareholders on Completion
<b>Executive Escrowed Shareholder</b>	Existing Shareholders that have entered into an escrow deed with the Company in relation to their Shares, as described in Section 9.6.2
<b>Executive Escrowed Shares</b>	each of the Shares held by the Executive Escrowed Shareholders at Completion of the Offer
<b>Existing Shares</b>	the Shares held by the Existing Shareholders immediately prior to any transfer to SaleCo
<b>Existing Shareholders</b>	those persons holding Shares as at the Prospectus Date
<b>Expiry Date</b>	the date which is 13 months after the Prospectus Date
<b>Exposure Period</b>	the period specified in section 727(3) of the Corporations Act, being a minimum period of seven days after the Prospectus Date, during which an Application must not be accepted. ASIC may extend this period to no more than 14 days after the Prospectus Date
<b>Financial Information</b>	together: <ul style="list-style-type: none"> <li>• the Historical Financial Information; and</li> <li>• the Forecast Financial Information</li> </ul>
<b>FMA</b>	the Financial Markets Authority in New Zealand
<b>FMC Act</b>	the <i>Financial Markets Conduct Act 2013</i> (NZ)
<b>Forecast Financial Information</b>	Statutory Forecast Financial Information and Pro Forma Forecast Financial Information
<b>FY15</b>	financial year ended 30 June 2015

Term	Meaning
<b>FY16</b>	financial year ended 30 June 2016
<b>FY17</b>	financial year ended 30 June 2017
<b>FY18</b>	financial year ended 30 June 2018
<b>FY19</b>	financial year ended 30 June 2019
<b>FY20</b>	financial year ended 30 June 2020
<b>1H21</b>	six months ended 31 December 2020
<b>2H21</b>	six months ended 30 June 2021
<b>FY21</b>	financial year ended 30 June 2021
<b>FY21F</b>	forecast financial year ended 30 June 2021
<b>2021F</b>	forecast financial year ended 31 December 2021
<b>1H22</b>	six months ended 31 December 2021
<b>2H22</b>	six months ended 30 June 2022
<b>FY22</b>	financial year ended 30 June 2022
<b>1Q FY22F</b>	three months ended 30 September 2021
<b>2Q FY22F</b>	three months ended 31 December 2021
<b>3Q FY22F</b>	three months ended 31 March 2022
<b>4Q FY22F</b>	three months ended 30 June 2022
<b>FY22F</b>	forecast financial year ended 30 June 2022
<b>2022F</b>	forecast financial year ended 31 December 2022
<b>FY23</b>	financial year ended 30 June 2023
<b>FY23F</b>	forecast financial year ended 30 June 2023
<b>Global Metals</b>	Global Metals Pty Limited (ACN 003 981 664)
<b>Governmental</b>	relating to or denoting the government of a country or state
<b>Gross profit per tonne</b>	gross profit divided by total sales volumes
<b>Group or Group Companies</b>	the Company and its subsidiaries
<b>GST</b>	Goods and Services Tax
<b>Historical Financial Information</b>	has the meaning given in Section 4.1
<b>Horan</b>	Horan Steel Holdings Pty Limited (ABN 81 101 349 348)
<b>IAS 17</b>	New Zealand equivalent to the International Accounting Standards 17 Leases
<b>IFRS</b>	International Financial Reporting Standards, as issued by the International Accounting Standards Board
<b>Independent Market Report</b>	the report that the Company commissioned from NIEIR, 'ANZ Steel Volume Data (2021)'



## Appendix B: Glossary Continued

Term	Meaning
<b>Industry Data</b>	refers to statistics, data and other information relating to markets, market sizes, market shares, market positions and other industry data pertaining to the Company's business and markets
<b>InfraBuild</b>	InfraBuild Trading Pty Ltd (ABN 50 007 519 646)
<b>Institutional Investors</b>	<p>An investor:</p> <ul style="list-style-type: none"> <li>• In Australia who is a "wholesale client" for the purpose of section 761G of the Corporations Act and who is either a "professional investor" or "sophisticated investor" within the meaning of sections 708(11) and 708(8) of the Corporations Act</li> <li>• In New Zealand to whom an offer or invitation can be made without the need for a product disclosure statement under the FMC Act, being persons who are an investment business within the meaning of clause 37 of schedule 1 of the FMC Act, persons who meet the investment activity criteria within the meaning of clause 38 of schedule 1 of the FMC Act, persons who are large within the meaning of clause 39 of schedule 1 of the FMC Act, persons who are a government agency within the meaning of clause 40 of schedule 1 of the FMC Act, or persons who are eligible investors within the meaning of clause 41 of schedule 1 of the FMC Act</li> </ul> <p>In certain other jurisdictions, in the absolute discretion of the Joint Lead Managers, to whom offers or invitations in respect of securities can be made without the need for a lodged or registered prospectus or other form of disclosures document or filing with, or approval by, any Governmental agency (except one which the Company is willing, in absolute discretion, to comply) in all cases, provided that such person is not in the United States</p>
<b>Institutional Offer</b>	the invitation to Institutional Investors under this Prospectus, to acquire Shares, as described in Section 7.6
<b>Interlloy</b>	Interlloy Pty Ltd (ACN 005 609 405)
<b>Investigating Accountant</b>	Deloitte Corporate Finance Pty Limited
<b>Investigating Accountant's Report</b>	the report prepared by the Investigating Accountant set out in Section 8
<b>Inviol</b>	Inviol Limited (NZBN 9429049000535)
<b>IPO</b>	initial public offering
<b>ISDA</b>	as described in Section 9.6.3.5
<b>JFE</b>	JFE Steel Corporation
<b>Joint Lead Managers</b>	Credit Suisse and UBS and Joint Lead Manager means any one of them
<b>KMP</b>	Key Management Personnel
<b>Lenders</b>	the Bank of New Zealand, Westpac Banking New Zealand Limited and MUFG Bank, Ltd
<b>Listing</b>	the admission of the Company to the Official List of the ASX and NZX Main Board and commencement of conditional and deferred settlement trading, expected to occur on Thursday, 4 November 2021
<b>LTIP</b>	Long-Term Incentive Plan
<b>LTI Offer</b>	long-term incentive grant of Options to the CEO under the Plan
<b>LTIFR</b>	Lost Time Injury Frequency Rate

Term	Meaning
<b>Management</b>	current Management employees of the Company
<b>M&amp;A</b>	mergers and acquisitions
<b>Metals</b>	The Company's operating segment as described in Section 4.4
<b>Milltech</b>	Milltech Martin Bright (ABN 87 132 412 438)
<b>MPG</b>	Metro Performance Glass Limited (NZBN 9429041261286)
<b>New Debt Facilities</b>	has the meaning given in Section 4.7.3
<b>New Shareholders</b>	persons acquiring Shares under the Offer
<b>New Zealand Mutual Recognition Regime</b>	the mutual recognition regime established under sub-part 6 of Part 9 of the FMC Act and Part 9 of the <i>Financial Markets Conduct Regulations 2014</i>
<b>NIEIR</b>	the National Institute of Economic and Industry Research Pty Ltd (ABN 72 006 234 626)
<b>Non-Executive Director</b>	a member of the Board who does not form part of senior management
<b>non-IFRS financial measures</b>	measures Vulcan uses to manage and report on the Company's business that are not recognised under IFRS
<b>Non-residential construction</b>	construction of offices, industrial premises, shops, hotels, hospitals and entertainment facilities
<b>NPAT</b>	net profit after tax
<b>NRWT</b>	New Zealand non-resident withholding tax
<b>NSW</b>	New South Wales, Australia
<b>NT</b>	Northern Territory, Australia
<b>NZ GAAP</b>	New Zealand Generally Accepted Accounting Standards
<b>NZ IFRS</b>	New Zealand equivalents to International Financial Reporting Standards
<b>NZ IFRS 16</b>	NZ IFRS 16 Leases
<b>NZ Securities Law</b>	the <i>New Zealand Financial Markets Conduct Act 2013</i> and the <i>New Zealand Financial Markets Conduct Regulations 2014</i> , in each case as modified by relief from the requirements of those Regulations and that Act by the regulations contained in Part 9 of the <i>New Zealand Financial Markets Conduct Regulations 2014</i> and any applicable exemption
<b>NZX</b>	NZX Limited (NZBN 9429036186358)
<b>NZX Listing Rules</b>	the listing rules of the NZX
<b>NZX Main Board</b>	the main board equity security market operated by NZX
<b>Offer</b>	the offer of Shares under this Prospectus
<b>Offer Period</b>	the period from Monday, 25 October 2021 to Tuesday, 2 November 2021
<b>Offer Price</b>	A\$7.10 per Share <sup>149</sup>
<b>Official List</b>	the official list of entities that ASX has admitted to and not removed from listing

149. All Applicants who are allocated Shares under the Offer may also apply to settle their Shares on the NZX at a New Zealand dollar equivalent price of NZ\$7.52 with the New Zealand branch of the Share Registry.

## Appendix B: Glossary Continued

Term	Meaning
<b>Official Quotation</b>	Means quotation on the ASX
<b>Opening Date</b>	the date on which the Offer opens, being Monday, 25 October 2021
<b>Operating expenses per tonne</b>	total operating expenses divided by total sales volume
<b>Option</b>	an option to acquire a Share in consideration for payment of the exercise price
<b>Other Escrowed Shareholders</b>	Existing Shareholders that have entered into an escrow deed with the Company in relation to their Shares, other than the Executive Escrowed Shareholders as described in Section 9.6.2
<b>Overseas Investment Act</b>	the <i>Overseas Investment Act 2005</i> (NZ)
<b>Participant</b>	has the meaning given in Section 6.4.7
<b>Plan</b>	the Company's equity incentive plan
<b>PPP</b>	public-private partnership
<b>Pre-IPO Distribution</b>	payment of dividend to Existing Shareholders (in aggregate an amount equal to \$50 million)
<b>Principles and Ethos</b>	has the definition given by Section 3.1.4.5
<b>Priority Offer</b>	the offer of Shares to investors nominated by the Company, as detailed Section 7.4
<b>Privacy Act</b>	<i>Privacy Act 1988</i> (Cth)
<b>Privacy Policy</b>	the Company's privacy policy
<b>Pro Forma Forecast Cash Flows</b>	pro forma forecast consolidated cash flows of the Company for FY22F
<b>Pro Forma Forecast Financial Information</b>	comprises the Pro Forma Forecast Results and Pro Forma Forecast Cash Flows
<b>Pro Forma Forecast Results</b>	pro forma forecast consolidated income statement of the Company for FY22F
<b>Pro Forma Historical Balance Sheet</b>	pro forma consolidated balance sheet of the Company as at 30 June 2021
<b>Pro Forma Historical Cash Flows</b>	pro forma consolidated cash flows of the Company for FY19, FY20 and FY21
<b>Pro Forma Historical Financial Information</b>	comprises the Pro Forma Historical Results, Pro Forma Historical Cash Flows and Pro Forma Historical Balance Sheet
<b>Pro Forma Historical Results</b>	pro forma consolidated income statements of the Company for FY19, FY20 and FY21
<b>Prospectus</b>	this prospectus issued by the Company for the purposes of Chapter 6D of the Corporations Act (including the electronic form of this Prospectus) under which Shares are offered for subscription and purchase and dated 15 October 2021
<b>Prospectus Date</b>	the date on which this Prospectus was lodged with ASIC, being 15 October 2021
<b>pure-play</b>	a 'pure-play' company is a company that specialises in and focuses on one line of business
<b>QLD</b>	Queensland, Australia

Term	Meaning
<b>Related Party Leases</b>	has the definition given by Section 6.7
<b>Relative TSR</b>	Relative Total Shareholder Return, as described in Section 6.4.7
<b>Rights</b>	performance share rights, as described in Section 6.4.7
<b>ROCE</b>	return on capital employed
<b>SA</b>	South Australia, Australia
<b>SaleCo</b>	Vulcan Sale Company Limited (NZBN 9429049523409, ARBN 652 961 209)
<b>Selling Shareholders</b>	Existing Shareholders who will sell Existing Shares through SaleCo
<b>Settlement</b>	settlement under the Underwriting Agreement
<b>Share</b>	a fully paid ordinary share in the capital of Vulcan and, where the context permits, means the Shares the subject of the Offer
<b>Share Registry</b>	Link Market Services Limited (ACN 083 214 537)
<b>Shareholder</b>	a holder of one or more Shares
<b>Shareholding</b>	a holding of Shares
<b>SRN</b>	Security Reference Number
<b>Statutory Historical Balance Sheet</b>	consolidated balance sheet of the Company as at 30 June 2021
<b>Statutory Historical Cash Flows</b>	consolidated cash flows of the Company for FY19, FY20 and FY21
<b>Statutory Historical Financial Information</b>	comprises the Statutory Historical Results, Statutory Historical Cash Flows and Statutory Historical Balance Sheet
<b>Statutory Historical Results</b>	consolidated income statements of the Company for FY19, FY20 and FY21
<b>Statutory Forecast Cash Flows</b>	forecast consolidated cash flows of the Company for FY22F
<b>Statutory Forecast Financial Information</b>	comprises the Statutory Forecast Results and Statutory Forecast Cash Flows
<b>Statutory Forecast Results</b>	forecast consolidated income statement of the Company for FY22F
<b>Steel</b>	The Company's operating segment as described in Section 4.4
<b>Takeovers Code</b>	the Takeovers Code made under the <i>Takeovers Act 1993</i> (NZ)
<b>Testing Date</b>	has the meaning given in Section 6.4.7
<b>TFN</b>	Tax File Number
<b>Trans-Tasman</b>	between Australia and New Zealand
<b>TRIFR</b>	Total Recordable Injury Frequency Rate
<b>UBS</b>	UBS AG, Australian Branch (ABN 47 088 129 613)
<b>Underwriting Agreement</b>	the underwriting agreement dated on or about the date of this Prospectus between the Company, SaleCo and the Joint Lead Managers, as described in Section 9.6.1

## B Glossary Continued

Term	Meaning
<b>U.S. Securities Act</b>	<i>Securities Act of 1933</i> , as amended
<b>Vesting Conditions</b>	has the meaning given in Section 6.4.7
<b>VIC</b>	Victoria, Australia
<b>VSPL</b>	Vulcan Steel (Australia) Pty Ltd (ACN 100 061 283)
<b>Vulcan</b>	Vulcan Steel Limited (NZBN 9429038466052, ARBN 652 996 015)
<b>Vulcan Stainless</b>	the Australian and New Zealand stainless steel distribution businesses of Sandvik, acquired by Vulcan in October 2014, as described in Section 3.1.3.2
<b>WA</b>	Western Australia, Australia
<b>Working capital</b>	sum of inventory and trade and other receivables, less the sum of trade and other payables, accrued employee benefits, and other items commonly regarded as being part of working capital



# Your Guide to the Application Form

Please complete all relevant white sections of the Application Form in BLOCK LETTERS, using black or blue ink. These instructions are cross-referenced to each section of the form.

The Shares to which this Application Form relates are Vulcan Steel Limited ("VSL") Shares. Further details about the Shares are contained in the Prospectus dated 15 October 2021 issued by Vulcan Steel Limited. The Prospectus will expire on the date which is 13 months after the Prospectus Date. While the Prospectus is current, Vulcan Steel Limited will send paper copies of the Prospectus, any supplementary document and the Application Form, free of charge on request.

The Australian Securities and Investments Commission requires that a person who provides access to an electronic application form must provide access, by the same means and at the same time, to the relevant Prospectus. This Application Form is included in the Prospectus. By lodging the Application Form, the Applicant agrees that this Application for Shares in Vulcan Steel Limited is upon and subject to the terms of the Prospectus and the Constitution of Vulcan Steel Limited, agrees to take any number of Shares that may be issued to the Applicant(s) pursuant to the Prospectus and declares that all details and statements made are complete and accurate.

The Prospectus contains important information about investing in the Shares. You should read the Prospectus before applying for Shares.

- A** Insert the number of Shares you wish to apply for. The minimum Application under the Broker Firm Offer is as determined by the Applicant's Broker. You may be issued all of the Shares applied for or a lesser number.
- B** Insert the relevant amount of Application Monies. To calculate your Application Monies, multiply the number of Shares applied for by the issue price. Amounts should be in Australian dollars. Please make sure the amount of your cheque or bank draft equals this amount.
- C** Write the full name you wish to appear on the register of Shares. This must be either your own name or the name of a company. Up to three joint Applicants may register. You should refer to the table below for the correct registrable title.
- D** Enter your Tax File Number (TFN) or exemption category. Business enterprises may alternatively quote their Australian Business Number (ABN). Where applicable, please enter the TFN or ABN for each joint Applicant. Collection of TFN(s) and ABN(s) is authorised by taxation laws. Quotation of TFN(s) and ABN(s) is not compulsory and will not affect your Application. However, if these are not provided, Vulcan Steel Limited will be required to deduct tax at the highest marginal rate of tax (including the Medicare Levy) from payments.
- E** Please enter your postal address for all correspondence. All communications to you from Vulcan Steel Limited and the Share Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.
- F** If you are already a CHES participant or sponsored by a CHES participant, write your Holder Identification Number (HIN) here. If the name or address recorded on CHES for this HIN is different to the details given on this form, your Shares will be issued to Vulcan Steel Limited's issuer sponsored subregister.
- G** Please enter your telephone number(s), area code and contact name in case we need to contact you in relation to your Application.
- H** Please complete the details of your cheque or bank draft in this section. The total amount of your cheque or bank draft should agree with the amount shown in section B.
- If you receive a firm allocation of Shares from your Broker make your cheque payable to your Broker in accordance with their instructions.

## CORRECT FORMS OF REGISTRABLE NAMES

Note that ONLY legal entities are allowed to hold Shares. Applications must be in the name(s) of natural persons or companies. At least one full given name and the surname is required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual Use given names in full, not initials	Mrs Katherine Clare Edwards	K C Edwards
Company Use Company's full title, not abbreviations	Liz Biz Pty Ltd	Liz Biz P/L or Liz Biz Co.
Joint Holdings Use full and complete names	Mr Peter Paul Tranche & Ms Mary Orlando Tranche	Peter Paul & Mary Tranche
Trusts Use the trustee(s) personal name(s)	Mrs Alessandra Herbert Smith <Alessandra Smith A/C>	Alessandra Smith Family Trust
Deceased Estates Use the executor(s) personal name(s)	Ms Sophia Garnet Post & Mr Alexander Traverse Post <Est Harold Post A/C>	Estate of late Harold Post or Harold Post Deceased
Minor (a person under the age of 18 years) Use the name of a responsible adult with an appropriate designation	Mrs Sally Hamilton <Henry Hamilton>	Master Henry Hamilton
Partnerships Use the partners' personal names	Mr Frederick Samuel Smith & Mr Samuel Lawrence Smith <Fred Smith & Son A/C>	Fred Smith & Son
Long Names	Mr Hugh Adrian John Smith-Jones	Mr Hugh A J Smith Jones
Clubs/Unincorporated Bodies/Business Names Use office bearer(s) personal name(s)	Mr Alistair Edward Lilley <Vintage Wine Club A/C>	Vintage Wine Club
Superannuation Funds Use the name of the trustee of the fund	XYZ Pty Ltd <Super Fund A/C>	XYZ Pty Ltd Superannuation Fund

Put the name(s) of any joint Applicant(s) and/or account description using < > as indicated above in designated spaces at section C on the Application Form.



# Corporate directory

## Vulcan registered office

### Vulcan Steel Limited

c/- Grant Thornton New Zealand  
Level 4, Grant Thornton House  
152 Fanshawe Street  
Auckland 1140, New Zealand

### Directors

Russell Chenu  
Rhys Jones  
Peter Wells  
Wayne Boyd  
Bart de Haan  
Pip Greenwood  
Carolyn Steele

### Offer website

<https://events.miraql.com/vulcan-ipo>

### Offer Information Line

Within Australia: 1800 881 047  
Outside Australia: +61 1800 881 047

## Share Registry

### Link Market Services Limited

Level 12, 680 George Street  
Sydney NSW 2000, Australia

## Legal Advisers

### AUSTRALIA

#### Gilbert + Tobin

Level 35, Tower Two  
International Towers Sydney  
200 Barangaroo Avenue  
Barangaroo NSW 2000, Australia

### NEW ZEALAND

#### Webb Henderson

Level 3, 110 Customs Street West  
Auckland 1010, New Zealand

## Joint Lead Managers

### Credit Suisse (Australia) Limited

Level 31, Gateway  
1 Macquarie Place  
Sydney NSW 2000, Australia

### UBS AG, Australia Branch

Level 16, Chifley Tower  
2 Chifley Square  
Sydney NSW 2000, Australia

## Co-Lead Managers

### Ord Minnett Limited

Level 31, 10 Eagle Street  
Brisbane QLD 4000, Australia

### Forsyth Barr Group Limited

Level 23, Shortland & Fort  
88 Shortland Street  
Auckland 1140, New Zealand

## Co-Managers

### Crestone Wealth Management Limited

Level 32, Chifley Tower, 2 Chifley Square  
Sydney NSW 2000, Australia

### JBWere Limited

Level 16, 101 Collins Street  
Melbourne VIC 3000, Australia

## Investigating Accountant

### Deloitte Corporate Finance Pty Limited

Level 9, 225 George Street  
Sydney NSW 2000, Australia

## Auditor

### Deloitte Limited

Deloitte Centre  
80 Queen Street  
Auckland 1140, New Zealand

## Tax Advisers

### AUSTRALIA

#### Nuwaru Pty Limited

61/18 College Street  
Sydney NSW 2010, Australia

### NEW ZEALAND

### Grant Thornton New Zealand Limited

Level 4, Grant Thornton House  
152 Fanshawe Street  
Auckland 1140, New Zealand

**VULCAN.**