



2013

2012

2011

2014 H1 Update

Dave Taylor, CEO
Janie Elrick, CFO

February 2014



Disclaimer

This presentation, dated 20 February 2014, provides additional comment on Steel & Tube's financial results announcement for the period ending 31 December 2013. It should be read in conjunction with the documents attached to that announcement, which highlight future outlook expectations of earnings, activities and market conditions.

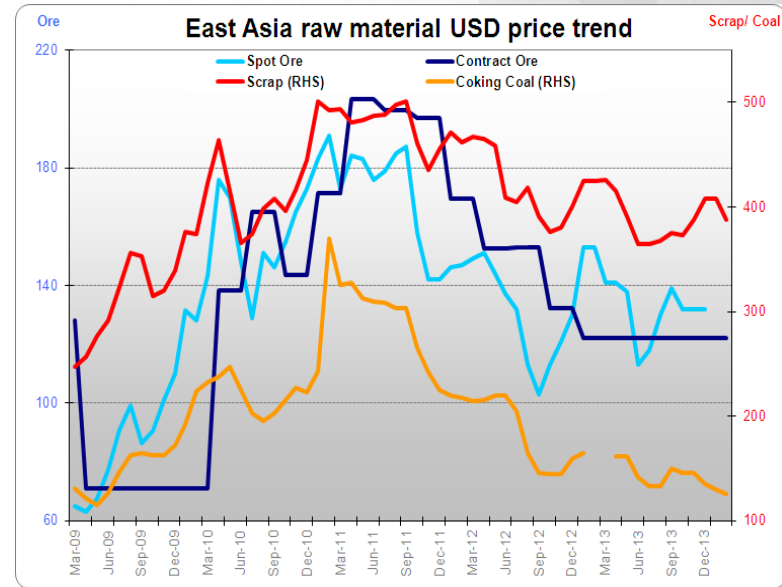
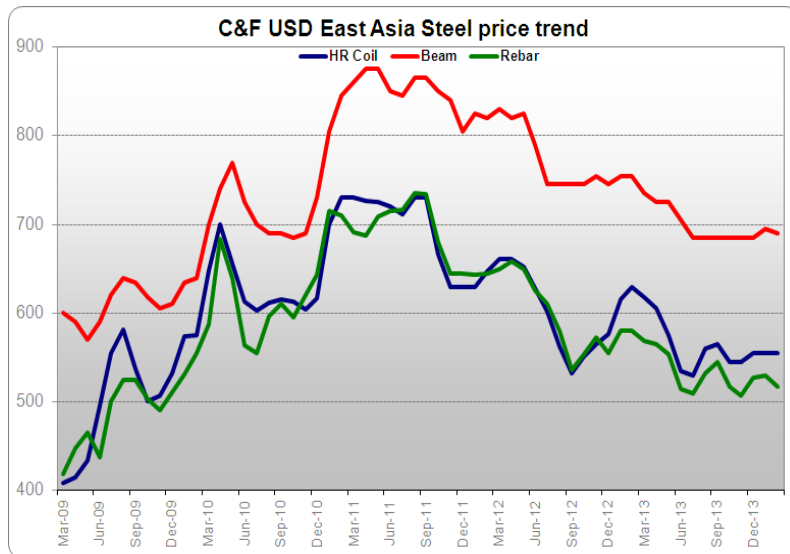


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Global Markets

Global steel commodity prices

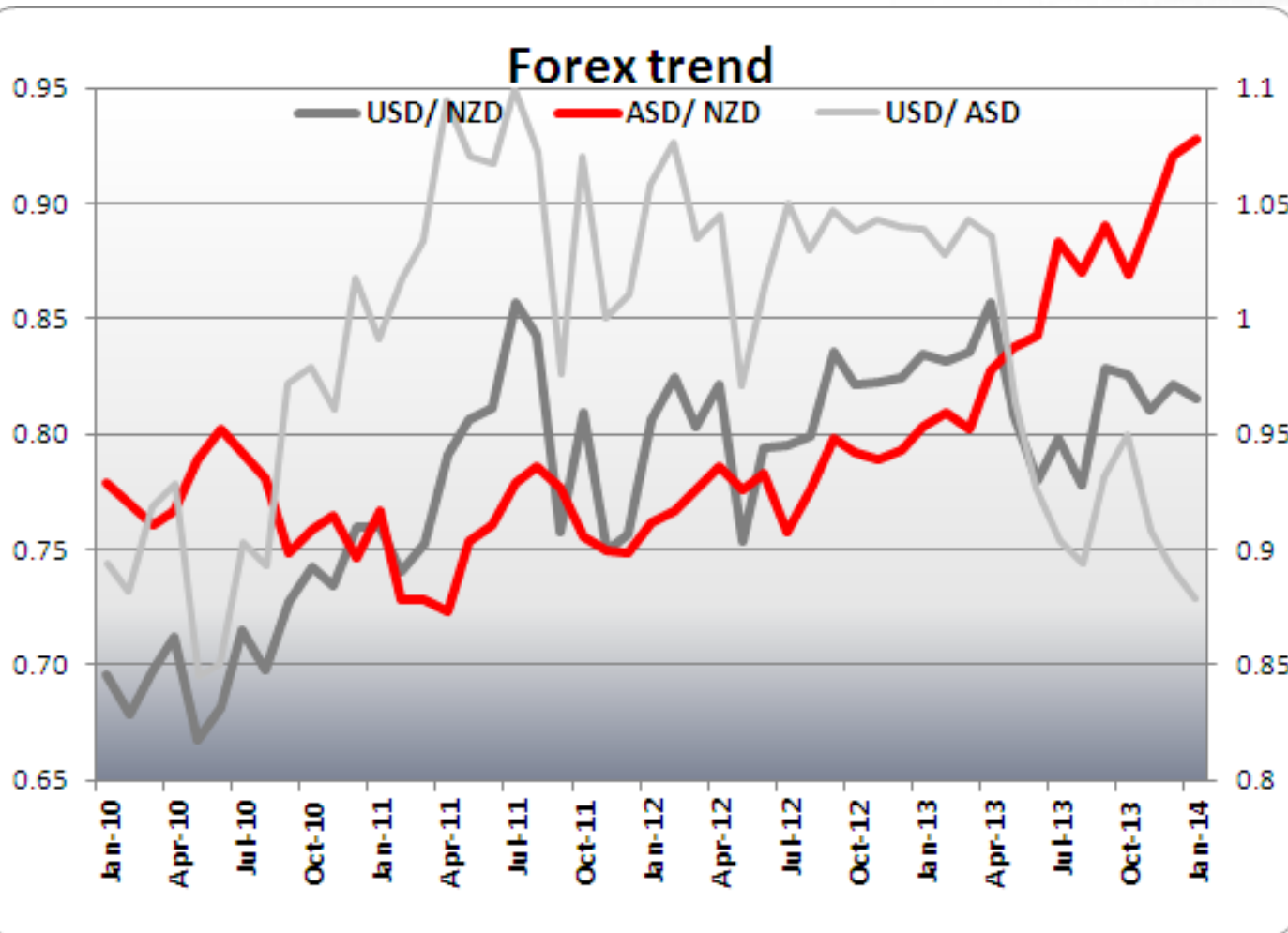
- Raw material prices recovered from mid year dips and were expected to firm further in Q1 2014...
- However, spot iron ore prices have softened to US\$120 per tonne
- ...and scrap to just under US\$370 per tonne
- Volatility continues



- Most of 2013 saw finished steel prices sliding, not helped by an appreciating / strong NZ\$
- Late 2013 / early 2014 expected some upward movement, but weaker demand and lower raw material prices are proving barriers

Global Markets

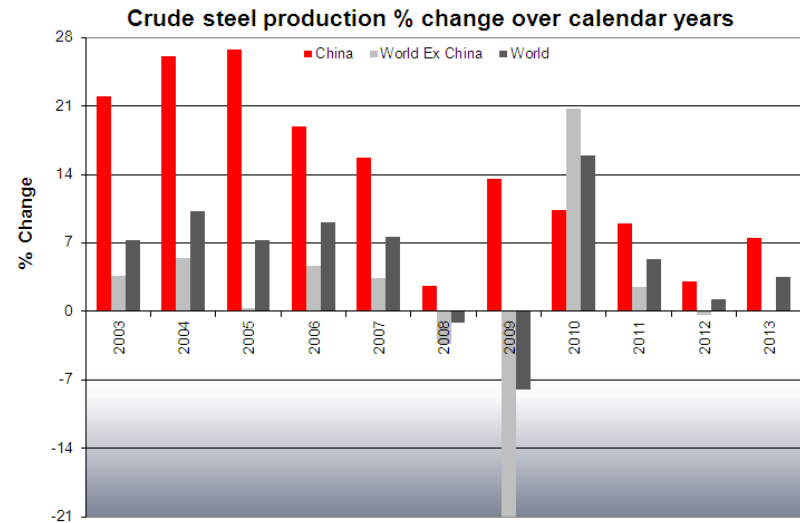
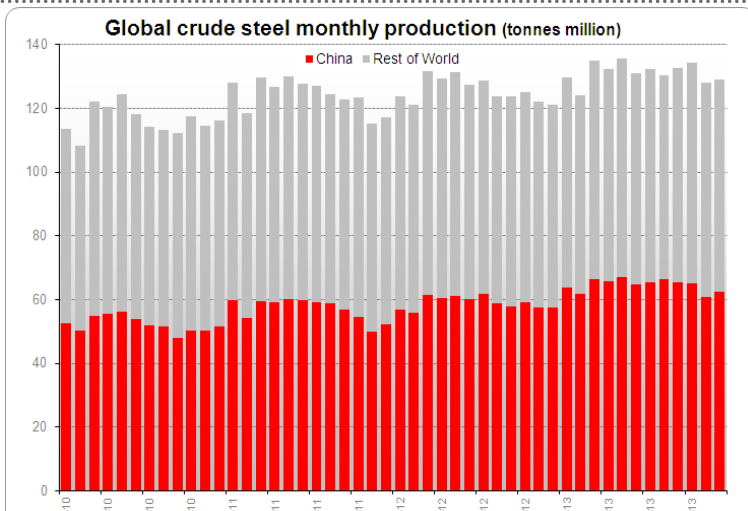
Global steel commodity prices - exchange rates volatility



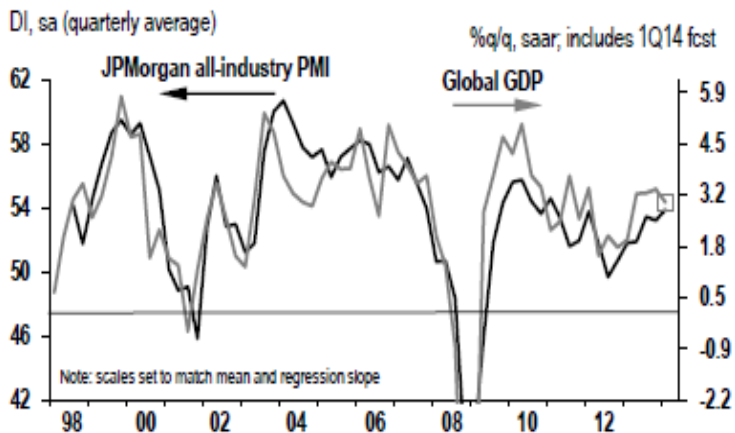
- Significant swings in recent months
- An appreciating /strong NZ\$ in H2 2013, impacted Oct 1 price increase

Global Markets

Global steel production and industrial activity



Global activity indicators

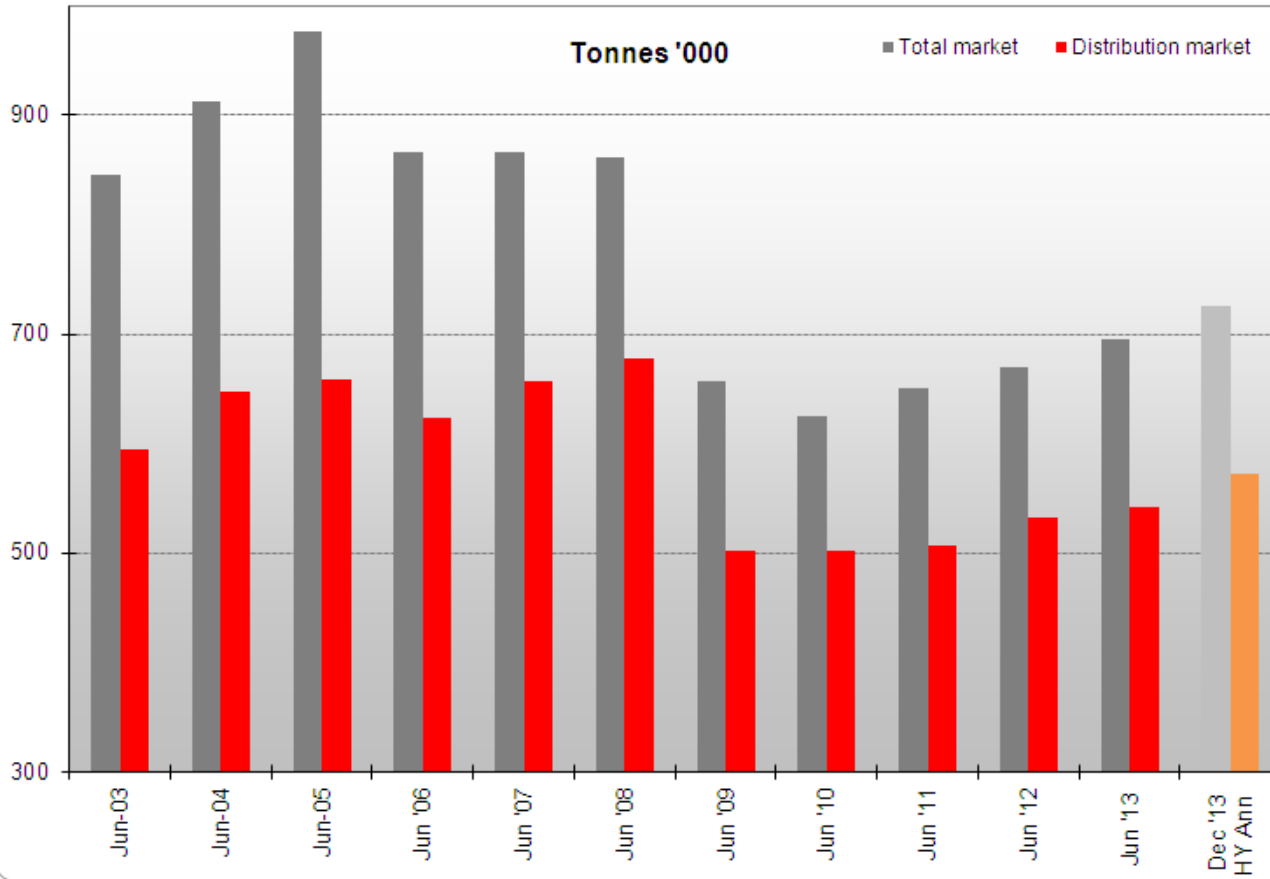


- Production continues to slowly increase, dominated by China
- Underlying global demand remains soft in relative terms
- There are indications of a revival in global manufacturing
- Although China's demand outlook is less positive

New Zealand Markets

Steel volumes

Estimated annual New Zealand steel market and for distribution



- Demand is slowly returning
- Total steel demand has increased 30k to 726k tonnes
- This is still 16% below pre-GFC figures and 25% below the highest consumption in 2005

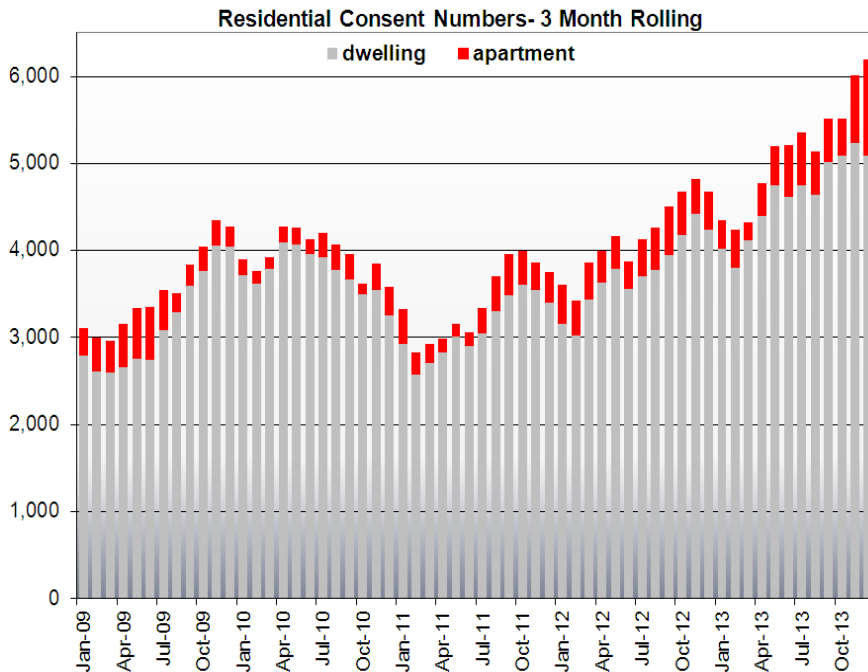


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New Zealand Markets

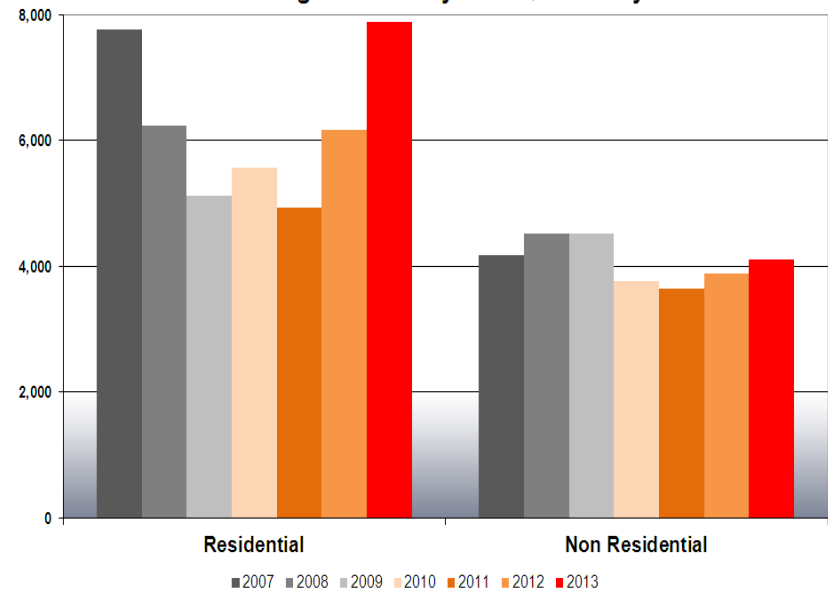
Key sector trends – building consents (\$m)

- Non-residential consents have improved by 6.9 % by value
- Although the last quarter to Dec 13 was soft
- Solid demand for structural products



Source: Stats NZ

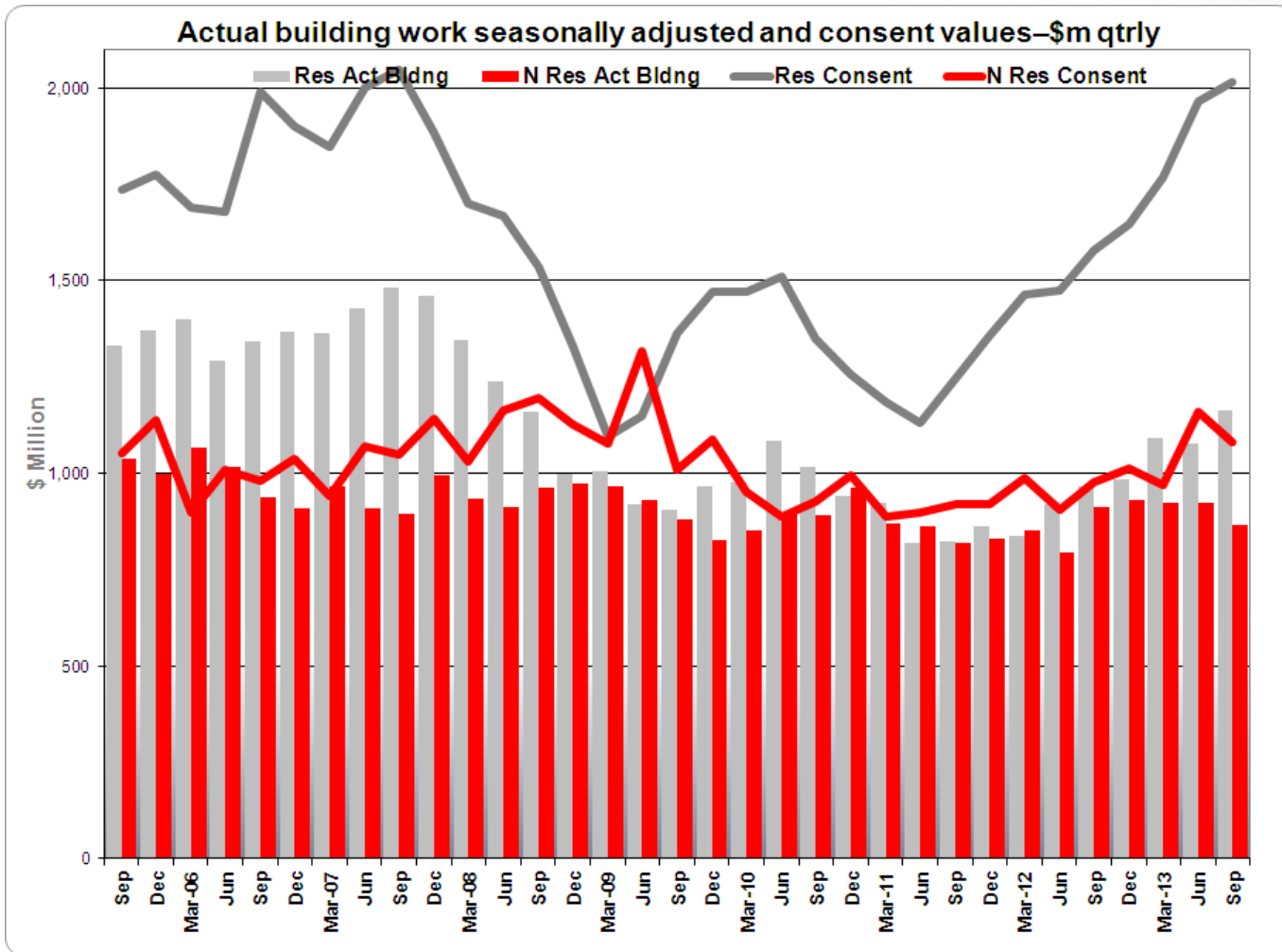
Annual building consents by value \$ m- Dec years



- Residential consents have increased 29.7% by value
- Led by Christchurch and Auckland but activity in other areas, too
- Solid demand for roofing and reinforcing products

New Zealand Markets

Key sector trends – actual building work (\$m quarterly)



- While consents are increasing especially, actual building work lags
- Non-residential consents and actual work reducing in recent months

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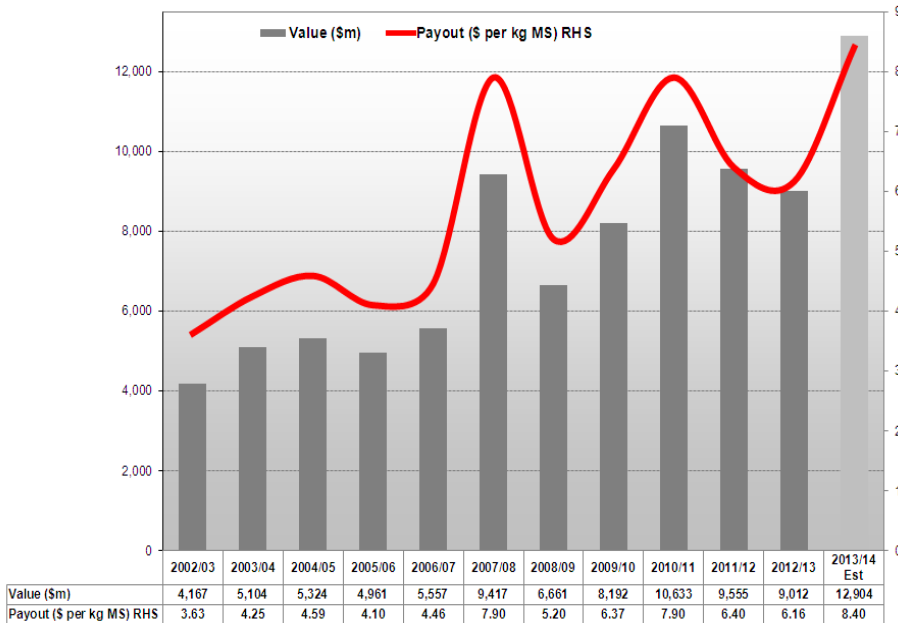


New Zealand Markets

Key sector trends – rural

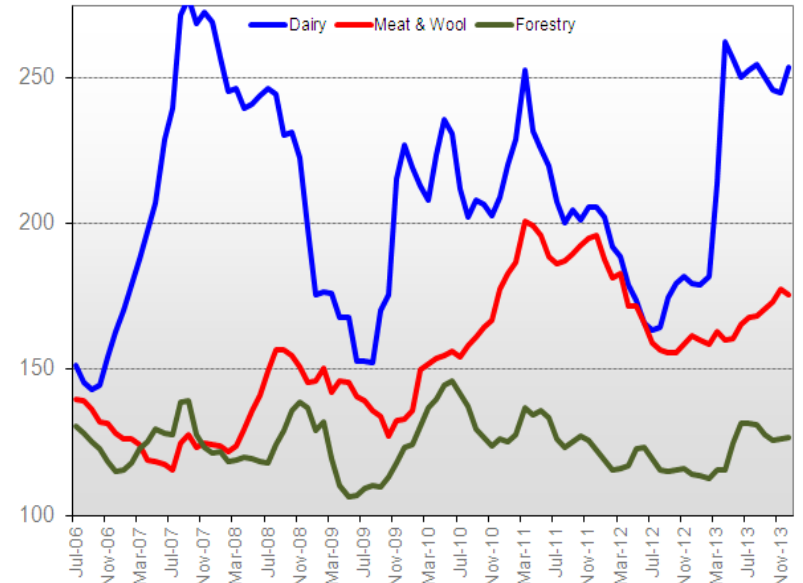
- Commodity index has risen on the back of dairy products
- Meat and wool is recovering some lost ground while forestry remains at historical levels
- Improving levels of investment

Fonterra cash payout- farmgate milk price & dividend



Source: Fonterra; ANZ

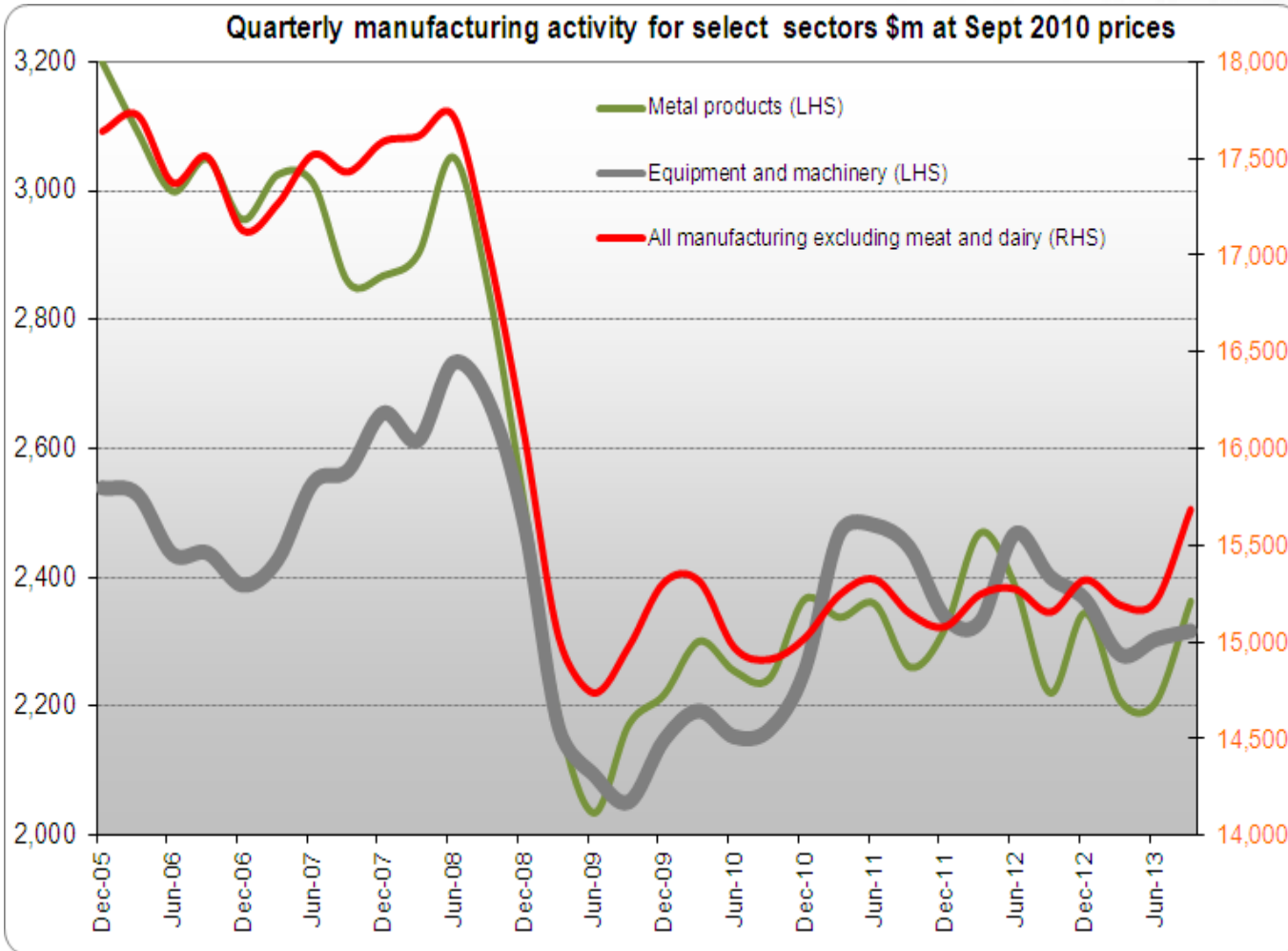
NZD commodity price index – January 1986 base



- Fonterra announces record cash payout
- Dairy farm income expected to touch \$13b
- On-going high debt levels does not appear to be restraining investment

New Zealand Markets

Key sector trends – manufacturing (\$m)



- Volatility continues from quarter to quarter
- Recent months showing improvement
- Some 'pull-through' from construction sector

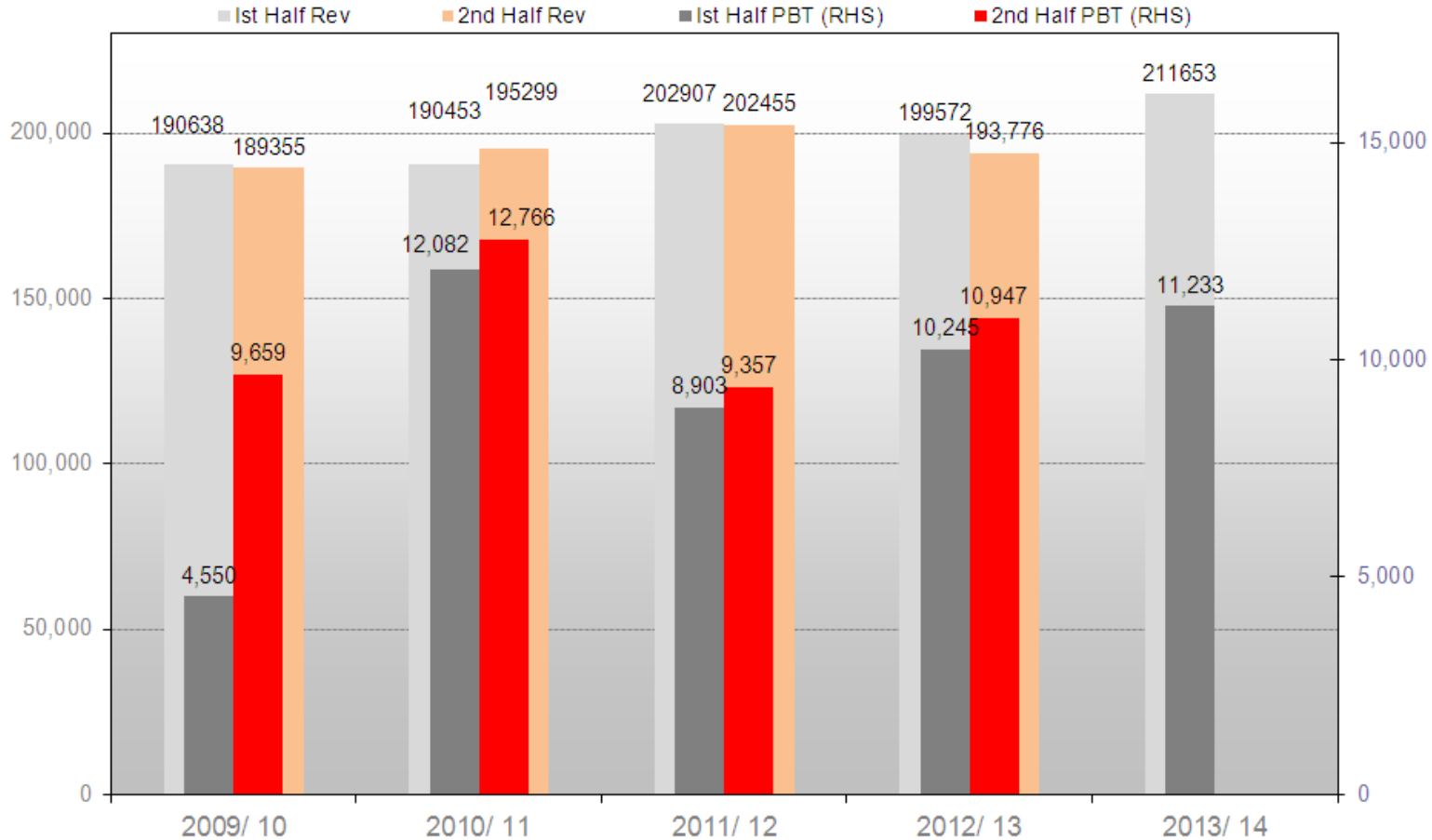
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Business performance – Revenue and Profit

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Revenue and profit before tax \$'000



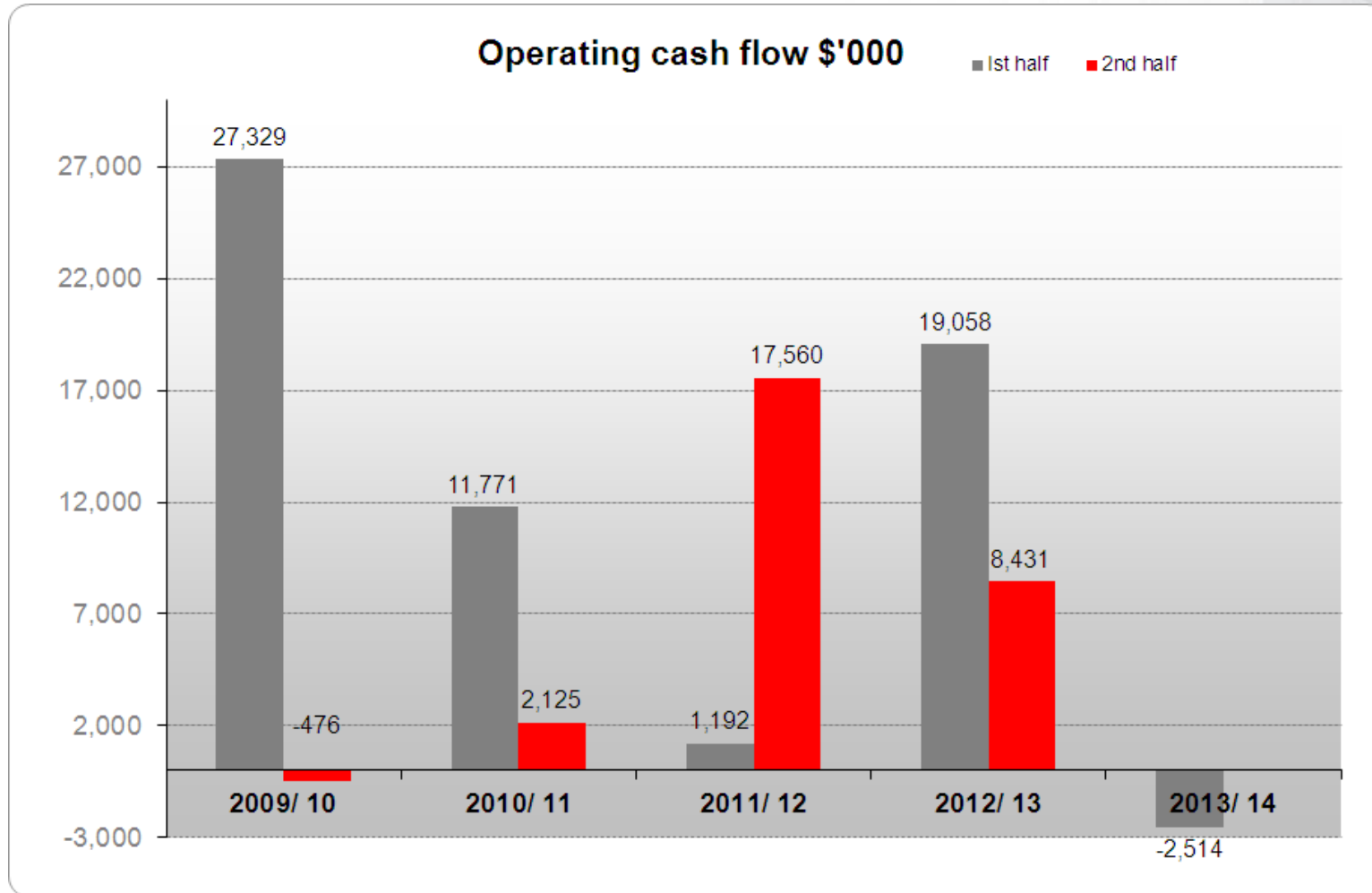
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Source: S&T financial reports

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Business performance – Operating Cash

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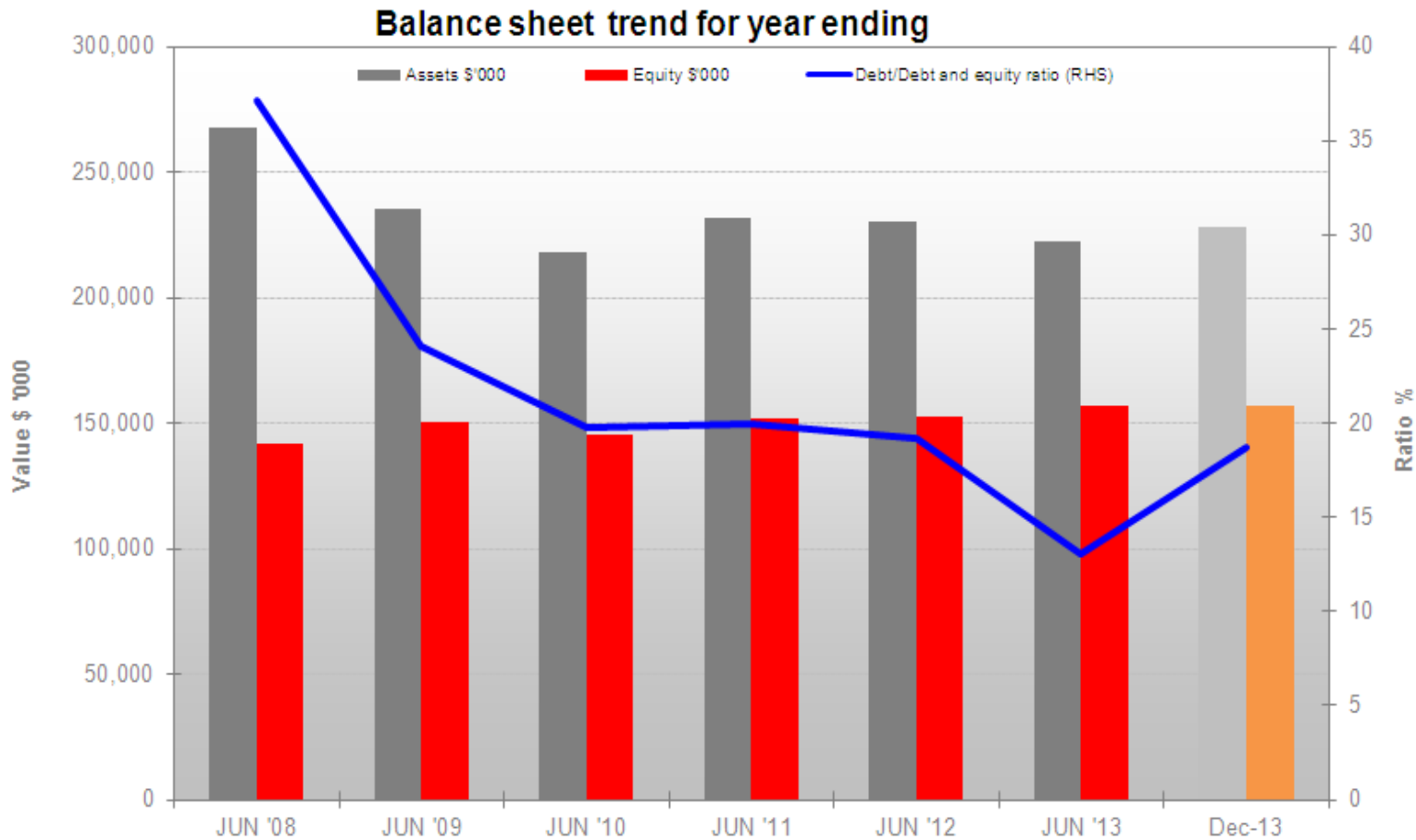


Source: S&T financial reports

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Business Performance – Balance Sheet and Gearing

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Source: S&T financial reports

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Business performance

Against the backdrop of a slowly improving economic environment:

- Positive half-year result reflects solid performance
- Sales increased by \$12.1m to \$211.7m – up by 6% on improved volumes
- Margins consistent with H1 2013, despite lower selling prices
- Depreciation \$3m
- After-tax profit up by 10 per cent to \$8.0m
- Net tangible assets per share \$1.56
- Dividend increased to 7.0 cents per share


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One Company reinvigoration

Ongoing investment in people and infrastructure sees S&T well placed to support projected increase in sector activity:

- Key building blocks of supply chain initiative are now in place and we expect to see increasing benefits
- New plant and equipment commissioned – boosting our wire processing and roofing capabilities in Canterbury and Auckland
- Extensive property upgrades and consolidation plans in place for Auckland, Christchurch and Palmerston North
- Significant focus on IT infrastructure and platforms
- Health and safety performing well
- Good progress with One Company cultural initiatives


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Outlook

More solid evidence of the beginnings of economic upturn:

- More optimistic outlook globally, despite muted growth and debt concerns in China
- Positive sentiment suggests New Zealand is set for marked turnaround
- Domestic steel demand is slowly increasing – but still 16% off pre-GFC and 25% off peak of 2005/6
- Christchurch rebuild remains a key driver for the economy, which should also boost non-residential shortly
- Auckland continues to look more positive
- We are participating in several key national infrastructure projects
- Slow improvements in manufacturing – increased metal manufacturing output up 6.6% for Sept 2013 quarter but quarterly volatility continues


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Summary

External:

- Positive economic sentiment growing
- Activity levels and volumes increasing across sectors and product categories
- Christchurch rebuild gaining momentum
- Domestic steel demand anticipated to rise – lifting margins

Internal:

- Focused on delivering multiple initiatives to strengthen overall capacity and capability
- Ongoing One Company reinvigoration ensures we are well-placed to meet increasing demands
- Operational efficiencies indicative of supply-chain initiative
- Ongoing programme of investment in IT and plant infrastructure
- Strong cultural identity evident, driven through brand values

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Thank you

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2013

2011

2010

2009

2008

