



# NZX Investor Presentation

10 May 2023

# Agenda

- About Steel & Tube
- Growth Strategy
- Guidance and Outlook
- Investing in STU
- Discussion

# Steel & Tube

Our purpose is to make life easier for customers needing steel solutions

- One of New Zealand's leading providers of steel solutions
- A proud New Zealand company, celebrating our 70<sup>th</sup> year of trading
- We offer New Zealand's most comprehensive range of steel products, services and solutions
- Our stable of best-in-class businesses are some of this country's leading steel suppliers



*As at 31 December 2022*

- 850 Team Members
- 27 Sites across NZ, excluding one transitional site in Hamilton

# Our business divisions

## Distribution

Products sourced from preferred steel mills and distributed through our national network



Steel

Piping Systems

Chain & Rigging



Fastenings

Rural Products

Stainless Steel

## Infrastructure

Products processed before sale, typically on a contract or project basis, including onsite installation services



Roofing

Coil Processing

Reinforcing



Purlins

ComFlor/CFDL

Mesh

# Extensive range of products and solutions

Primary product and service offering by participants	Steel distribution	Plate processing	Coil processing	Stainless steel	Engineering steel	Reinforcing steel	Wire	Roofing	Fasteners
<b>Steel &amp; Tube</b>	✓	✓	✓	✓	✓	✓	✓	✓	✓
Fletcher Steel	✓	✓	✓	—	✓	✓	✓	✓	—
Vulcan	✓	✓	✓	✓	✓	—	—	—	—
United Industries	✓	—	—	—	—	✓	✓	✓	—
Asmuss	✓	—	—	—	—	—	✓	—	✓
Summit Steel & Wire	—	—	—	—	—	✓	✓	—	✓
Wakefield Metals	—	—	—	✓	✓	—	—	—	—

# Building a long term sustainable business



## Steel sustainability

Steel offers a number of advantages in a future where climate change and extreme weather events are likely to become more common

- Steel is a lightweight but strong product that provides durability, and is 100% recyclable and reusable
- As demonstrated with the Canterbury rebuild, steel is an optimal choice of construction material – builds faster with less disruption, flexible, extends building life, minimal waste, optimal thermal performance
- Steel is infinitely recyclable, durable, non-toxic and inert

# Strategic Goals

Clear growth strategy in place

## 1. Customer

To be the preferred supplier for steel solutions and products

## 2. Growth

Increase value through organic growth and programmatic smaller M&A

## 3. Shareholder

Deliver increasing value and returns for our shareholders

## 4. Sustainability

Financially rewarding for our shareholders and positive for our people, our customers and our planet

## Strategic pathways: Building on strong foundations to strengthen the core and investing in high value products, services and sectors for growth

	Strategic Initiative	Early stage	Hitting its stride	Full benefit
Continue to strengthen the core	Continue to build best-in-class customer experience and accelerate shift to digital sales		✓	
	Leverage opportunities to cross sell a wide range of products and services		✓	
	Drive gross margin \$/tonne through dynamic pricing and product procurement		✓	
	Ongoing focus on operating model – warehouse operations, digitising supply chains and customer facing channels		✓	
High value products, services and sectors	Continue to diversify customer segments and build scale in high value sectors	✓		
	Expand plate processing offer and capability		✓	
	Build niche market share through Kiwi Pipe & Fittings		✓	
	Build high value product range via acquisition of Fasteners NZ			✓

# Recent growth initiatives: Reporting back

## ORGANIC GROWTH

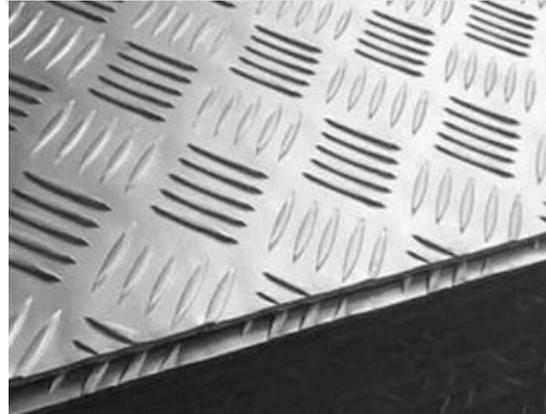
## PROGRAMMATIC M&A

### Plate Processing



- New high specification Plate Processing & Press Brake installed
- Earnings momentum building with further expansion plans in progress

### Aluminum



- Selected range of high demand, high value products
- Immediately earnings accretive
- Pleasing initial demand

### Kiwi Pipe & Fittings



- Integration in line with expectations with business operating on Steel & Tube systems
- Solid forward workload in the pipeline

### Fasteners NZ



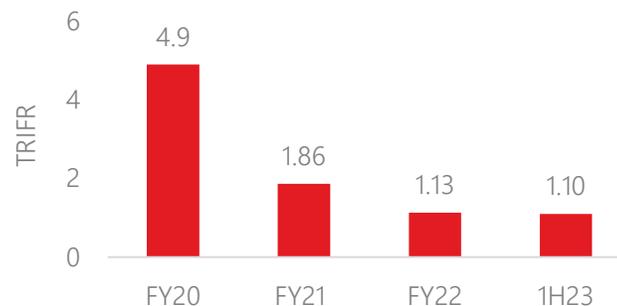
- Continued growth in customers and earnings
- New product range extensions supporting growth

Strong and resilient financial performance and shareholder value

# Financial and ESG outcomes demonstrate value of strategy

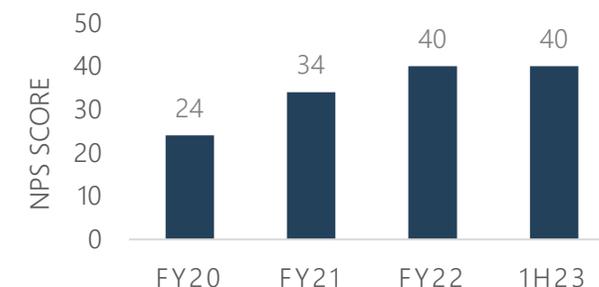
	FY22	1H23
Revenue	\$599.1m	\$315.3m
Normalised EBITDA	\$66.9m	\$31.6m
Dividend Yield	11.4% <sup>1</sup>	11.4% <sup>2</sup>
NTA per share	\$1.22	\$1.17
ROFE	14.6%	13.8%

## Employee Safety Measure<sup>1</sup>



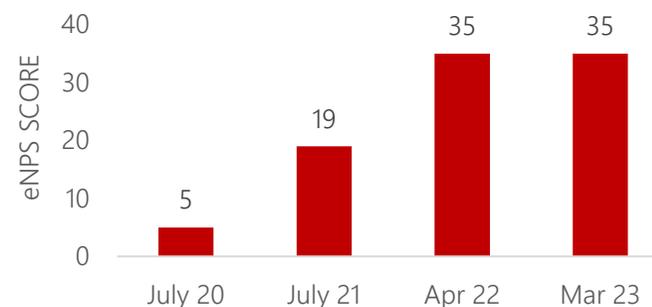
## Customer Satisfaction<sup>2</sup>

Industry Average: 32

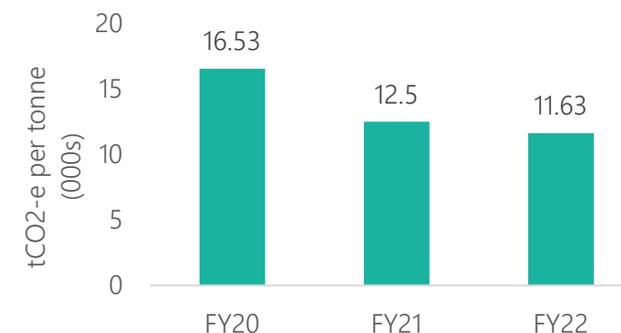


## Employee Satisfaction<sup>2</sup>

Industry Average: 18



## Carbon Reduction<sup>3</sup>



1. Based on share price of \$1.27 as at 30/06/2022  
 2. Based on share price of \$1.27 as at 31/12/2022 using FY22 final and 1H23 interim dividend

1. TRIFR: Employee Total Recordable Injury Frequency Rate  
 2. Net Promoter Score (NPS): Measure of customer/employee satisfaction. Customer NPS industry average is 32  
 3. Reporting in accordance with Greenhouse Gas Protocols and includes all material emissions under Scope 1 and 2, with Scope 3 limited to business travel.

# Well positioned to support Cyclone/floods rebuild

**Steel is an essential construction material; Steel & Tube has the capability and capacity, as well as the expertise to deliver innovative solutions to assist with rebuilding vital assets**

## **Preliminary estimates put cost at between \$9 billion and \$14.5 billion**

- Cyclone Gabrielle is New Zealand's costliest non-earthquake natural disaster
- 10,000 people displaced from their homes due to floods/Cyclone
- Infrastructure rebuild expected to be staged across multiple years to reduce demand on stretched resources
- Government has indicated a new multi-year capital expenditure plan across 2023 to 2026

## **Infrastructure**

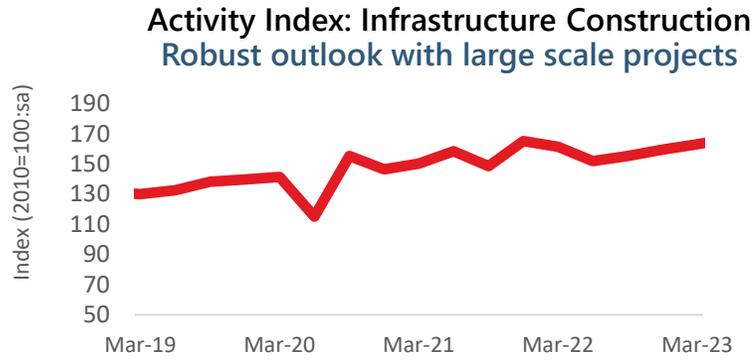
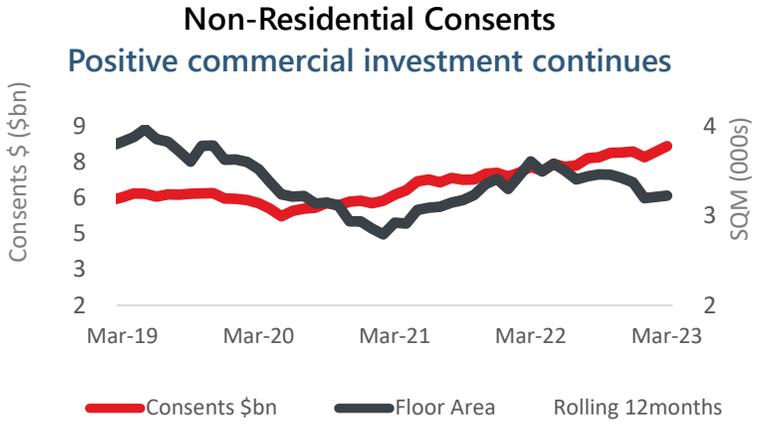
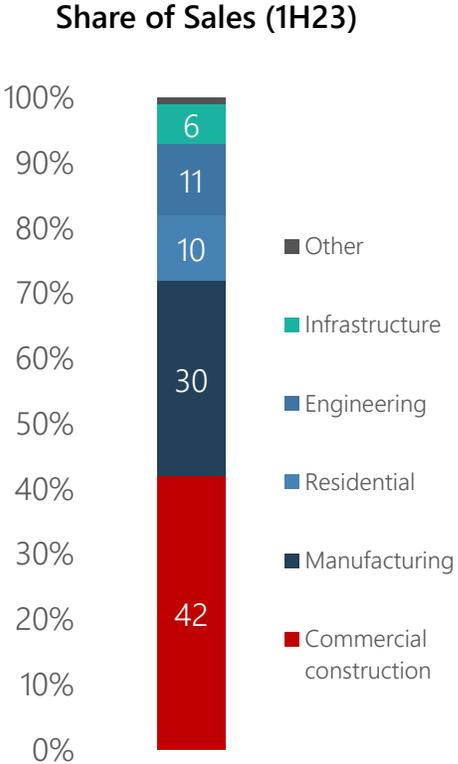
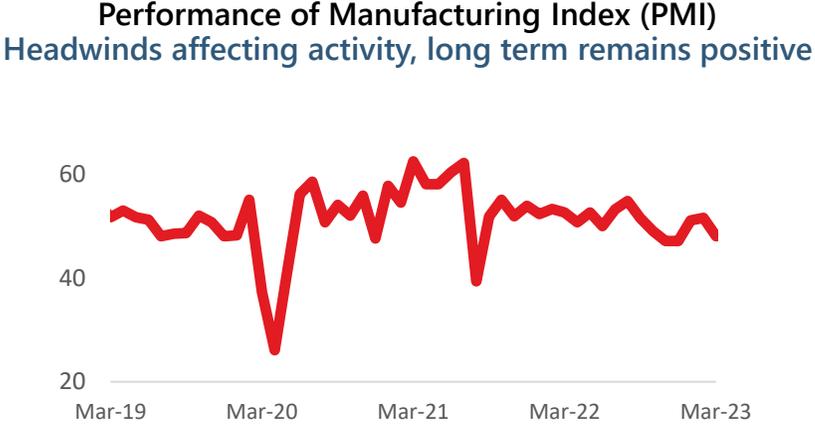
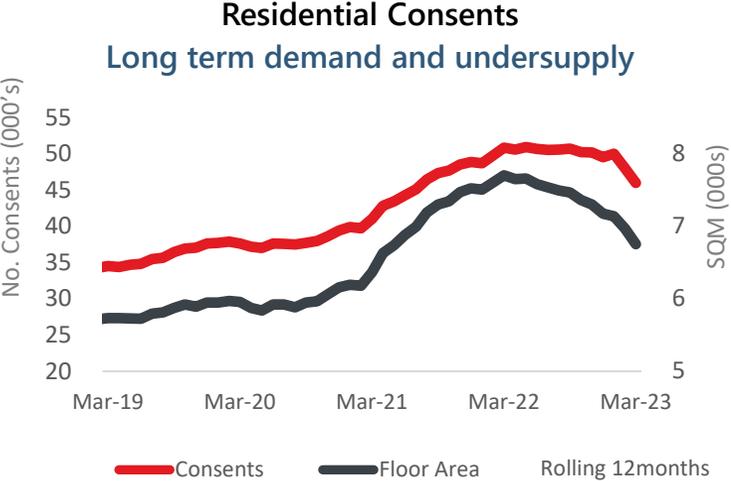
- Biggest impact from Cyclone is on infrastructure
- Repair work needed to bridges, roads, rail links, power substations and other infrastructure

## **Residential**

- Estimated need for an additional 4,000 new houses plus repair work to damaged properties

# Demand for steel continues despite challenging economic conditions

## Positive long term macro trends will drive momentum



Steel & Tube is a diversified business with limited exposure to any one sector



Source: Statistics New Zealand, BNZ – BusinessNZ PMI, Statistic NZ, NZIER

# Outlook

**Steel & Tube is well positioned to respond to the more challenging economic cycle and to take advantage of new market and product opportunities, and the rebuilding programme**

- **Significant medium to long term opportunities** expected from rebuild activity, climate change, seismic strengthening and water services reform. \$62 billion budgeted Government spend on infrastructure 2022 to 2026, excluding Cyclone and flooding rebuild costs
- **Healthy pipeline** of infrastructure and commercial projects in place; manufacturing remains steady
- **Strong resilient balance sheet and cashflows** to support growth initiatives; focus remains on gross margin \$/tonne and actively managing costs
- **Business growth to continue** through organic expansion and programmatic smaller M&A
- Further strategic initiatives expected to be reflected in results from FY24 onwards

## FY23 Guidance

**Normalised EBIT of between \$28m and \$32m and normalised EBITDA of between \$48m and \$52m<sup>1</sup>.**

\$millions	FY23 10 months	FY22 10 months	FY21 10 months
Revenue	489.0	479.3	384.6
EBITDA	40.8	53.6	29.5
Normalised EBITDA	41.7	54.0	28.6
EBIT	23.6	37.9	14.8
Normalised EBIT	24.5	38.3	13.8
NPAT	12.4	24.1	7.4
Operating Cash flow	77.9	(38.1)	20.5
Dividends paid	19.1	14.6	2.0
Inventory	152.2	200.9	108.3
Net (Debt)/Cash	(9.2)	(43.5)	19.7

- Tightening economic conditions and weather events in past 10 months
- Strong revenues driven by elevated international pricing
- 2H23 volumes expected to be 10% to 15% less than 1H23
- Higher input costs and cost pressures impacting margins - underway with a comprehensive cost out programme
- Track record of navigating changes through economic cycles
- Resilient business platform - significant reductions in debt and inventory, solid underlying cashflows

## Five good reasons to invest in Steel & Tube

Steel & Tube is nimble and able to take advantage of new market and product opportunities

1. Attractive shareholder returns and value
2. Quality business with strong foundations - well positioned to succeed through the economic cycle
3. Leading supplier in a market with strong demand
4. Clear forward strategy and growth opportunities, supported by strong balance sheet
5. Experienced board and management team – industry knowledge and enhanced digital capability

### Quality business with strong core

- Unmatched breadth of high-quality product and solutions
- National network with regional strength
- Disciplined operational, supply chain and inventory management
- Strong pricing governance and controls and use of data analytics
- Enhanced customer value proposition and high levels of customer service
- Digital leadership in traditional steel sector
- Strong balance sheet and cashflow management



# Discussion

# Non-GAAP Financial

\$000s	EBITDA		EBIT	
	1H23	FY22	1H23	FY22
<b>Reported</b>	<b>30,482</b>	<b>66,598</b>	<b>20,344</b>	<b>47,636</b>
Loss on de-recognition of finance lease receivable	181	-	181	-
IFRS 16 impairment reversal	(113)	(527)	(113)	(527)
Release of holiday pay provision	-	(854)	-	(854)
Software as a Service (SaaS) upfront expenditure	1,068	1,645	1,068	1,645
<b>Normalised</b>	<b>31,618</b>	<b>66,862</b>	<b>21,480</b>	<b>47,900</b>

**Non-GAAP financial information:** Steel & Tube uses several non-GAAP measures when discussing financial performance. These include Normalised EBIT and Working Capital. Management believes that these measures provide useful information on the underlying performance of Steel & Tube's business. They may be used internally to evaluate performance, analyse trends and allocate resources. Non-GAAP financial measures should not be viewed in isolation nor considered as a substitute for measures reported in accordance with NZ IFRS.

**Non-trading adjustments/Unusual transactions:** The financial results for 1H23 (6 months) and FY22 (12 months) include transactions considered to be non-trading in either their nature or size. Unusual transactions can be as a result of specific events or circumstances or major acquisitions, disposals or divestments that are not expected to occur frequently. Excluding these transactions from normalised earnings can assist users in forming a view of the underlying performance of the Group. The above reconciliation is intended to assist readers to understand how the earnings reported in the periods ended 30 June 2022 (12 months) and 31 December 2022 (6 months) reconcile to normalised earnings. Non-trading adjustments of \$(0.3) million are included in the FY22 (12 months) results and \$(1.1)m are included in the 1H23 (6 months) results.

# Glossary of Terms

**EBIT:** Earnings / (Loss) before the deduction of interest and tax. This is calculated as profit for the year before net interest costs and tax

**EBITDA:** Earnings / (Loss) before the deduction of interest, tax, depreciation and amortisation. This is calculated as profit for the year before net interest costs, tax, depreciation and amortisation

**ROFE:** Return on Funds Employed. This is calculated as Normalised EBIT over Average Funds Employed (Debt (including Lease Liability) + Equity)

**eNPS:** Employee Net Promoter Score – assists in measuring employee satisfaction and loyalty within the organisation

**NPS:** Net Promoter Score – assists in measuring customer satisfaction and loyalty

**Normalised EBIT/EBITDA:** This means EBIT and EBITDA excluding non-trading adjustments and unusual transactions

**eTRIFR:** Employee Total Recordable Injury Frequency Rate – an important metric to assess safety performance

**LTIFR:** Lost Time Injury Frequency Rates - an important metric to assess safety performance

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