



**STEEL  
& TUBE**



***STEEL & TUBE***  

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***HOLDINGS LIMITED***

**PRESENTATION TO**

**ANALYSTS**

**BY**

***NICK CALAVRIAS – CHIEF EXECUTIVE OFFICER***

***TONY CANDY – CHIEF FINANCIAL OFFICER***

***28 SEPTEMBER 2004***

# Company Overview



Steel & Tube Holdings Limited listed on the New Zealand Stock Exchange in 1967 and is ranked 26<sup>th</sup> by market capitalisation as at 7 September 2004. OneSteel Limited, Australia, currently owns 50.30% of the issued capital.

Steel & Tube Holdings Limited has a total of 41 distribution and service centres throughout New Zealand, and has approximately 800 employees with annual sales in the vicinity of, NZ\$400 million.

## **HISTORICAL BACKGROUND**

Steel & Tube was formed 9 December 1953 merging the interests, of :

- Stewarts and Lloyds of New Zealand Limited;
- The Iron and Steel Company of New Zealand Limited; and
- McLean & Todd Limited.

The core business of the newly formed entity was to supply steel and allied products to New Zealand industry and in particular to the construction, engineering, and, manufacturing sectors.

In 1967, Steel & Tube became a public company, and listed on the New Zealand Stock Exchange.

During the 1970's the Company embarked on a core business growth strategy expanding the Company's field of activities, leading to the creation of Steel & Tube Holdings Limited.

# Company Overview cont



During the 1980's, Steel & Tube embarked on a major growth strategy that moved the Company's activities significantly away from its core business activities. These investments were made in such diverse businesses as,

- New Zealand Motor Corporation Ltd, a retailer, importer, and assembler of motor vehicles, The Iron and Steel Company of New Zealand Limited; and
- Domtrac Equipment, a company specialising in the sales of heavy machinery and trucks,
- A 25% ownership of New Zealand Steel Limited.

By the late eighties, Steel & Tube Holdings had become one of the largest industrial businesses in New Zealand, employing approximately 4,400 people with annual sales in the vicinity of \$NZ670 million.

However, the economic downturn in the New Zealand economy, in the late eighties, coupled with the government of the time, dismantling tariffs, and, allowing the importation of second hand vehicles from Japan, resulted in the Company making a financial loss in 1988.

The company re-evaluated its strategic direction and a decision was made to return the Company to its core business, defined as being, the distribution of steel and allied products and base metal manufacturing.

# Company Overview cont



In practical terms, this required management to restructure the Company and to either, sell or close, over time, all non core businesses, and, at the same time to look for new opportunities to strengthen the Company's position in its core business activities.

Most of the non core businesses, were eventually sold between the period 1988 and 1995.

The first key, core business acquisition occurred in 1989, starting with;

- Cable Price Steel, a national distributor of steel products. ‘

This was quickly followed with a number of other key acquisitions, namely;

- Acorn Pacific Corporation, a Lower Hutt based company which consisted of, Wellington Steel, Fastening Supplies and Metal Sales in 1990
- Stewart Steel, a Christchurch based steel distributor, in 1992
- GW Taylor Industries, a Tauranga based manufacturer and distributor of longrun roofing and rainwater products, in 1992

# Company Overview cont



In 1995, Steel & Tube embarked on an overseas expansion plan resulting in the Company buying a Canadian Based Steel distribution business, jointly with its major shareholder, Tubemakers, Australia, (Onesteel) however, this was sold in 2001 following a change in strategic direction.

Further core businesses were acquired beginning with;

- BHP Steel Building Products, the second largest manufacturer and distributor of roofing and rainwater products in NZ, in 1999.
- DJ Agencies, an Auckland based, coil processing business in 2001, and,
- Pipeline Supplies, a national supplier of pipe and associated products in 2002.

The most recent acquisition was made in April of this year, being, Hurricane Wire Products, the largest manufacturer of fencing products, reinforcing mesh and nail products in New Zealand, with production facilities in Auckland and Christchurch.

In addition to the previously mentioned acquisition and divestment activity the Company was, very much focused on improving its performance in its core activities.

This was achieved by investing heavily in upgrading, and, in some cases building new warehouse facilities, improving the efficiency in materials handling techniques, and upgrading the coil and plate processing equipment.

The Company restructure which commenced in 1988 was finally completed in 1999 when the Engineering businesses of Robt Stone and Southern Cross Engineering were sold.

# Company Objective



## VISION

To be a well respected distributor of steel and allied products delivering superior returns to our shareholders

## OPERATING STYLE

To provide on a consistent basis first class service that meets or exceeds the needs of our customers safely

## GEOGRAPHIC FOOTPRINT

New Zealand, Australia & Pacific Islands

## Key Measures of Success

Total shareholder return which is in the upper quartile of NZ listed companies

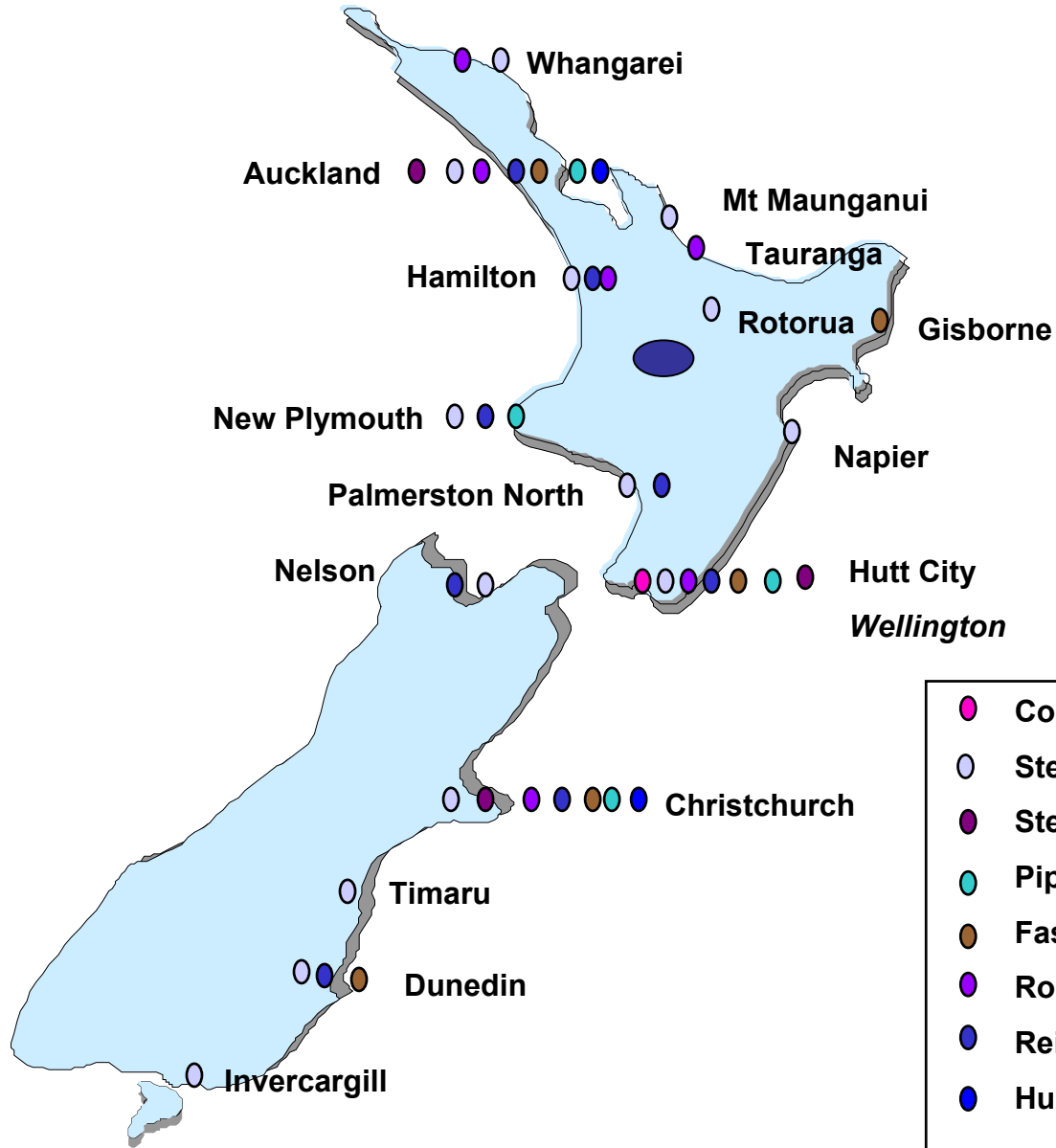
Zero Lost Time Injuries



# OPERATIONS



# Steel & Tube Divisional Locations



# Overview of Each Division



**Steel & Tube Distribution** - Is the largest distributor of steel and allied products to New Zealand industry with 16 service centres nationwide. It has coil processing facilities in Auckland and Christchurch and plate processing equipment in Auckland, Wellington and Christchurch.

**Steel & Tube Piping Systems** - Is a specialist supplier of pipe, valves and fittings to the petrochemical, energy, mining and construction industries. It has 3 locations in the North Island and 1 in the South Island.

**Steel & Tube Fastening Systems** - Supplies a large range of metal fasteners to industry, which is marketed through the Fastening Supplies name, with 4 locations nationwide.

**Steel & Tube Roofing Products** - Is New Zealand's second largest manufacturer of steel roofing, cladding and rainwater accessories and has 7 manufacturing sites throughout the country.

**Steel & Tube Reinforcing** - Has 8 operations nationwide and provides fabricated reinforcing steel to the construction industry.

**Hurricane Wire Products** - Has manufacturing operations in Auckland and Christchurch. It manufactures mesh fencing, farm gates, nails and staples and reinforcing mesh which is sold through distributors to the rural and building sectors. Its Head Office is in Christchurch.



















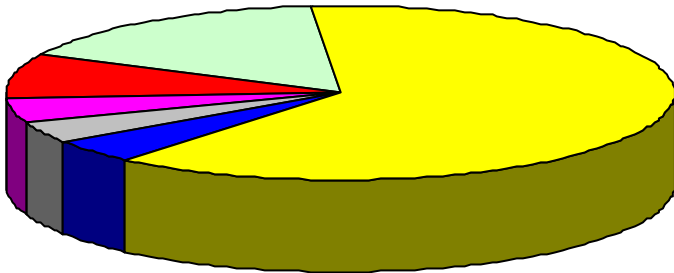




# Relative Size of Each Division

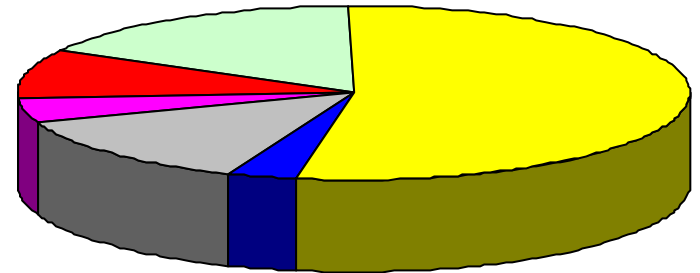


**Steel and Tube NZ Operations  
YE June 2003 Sales**



**Fasteners  
Hurricane  
Piping Systems  
Reinforcing  
Roofing  
Steel Distribution**

**Steel and Tube NZ Operations  
YE June 2004 Sales**



**Fasteners  
Hurricane  
Piping Systems  
Reinforcing  
Roofing  
Steel Distribution**

# Proportion of Rural to City Sales



**Steel and Tube Holdings Group  
YE June 2003 Sales**

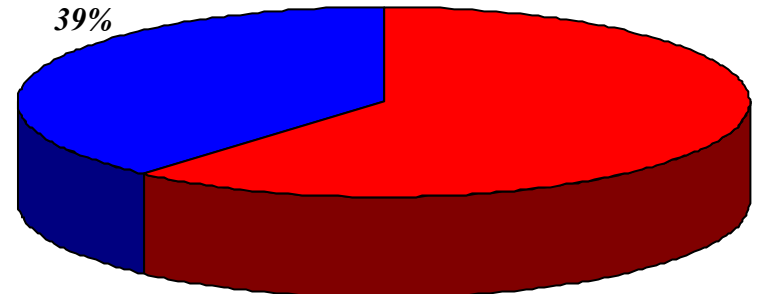
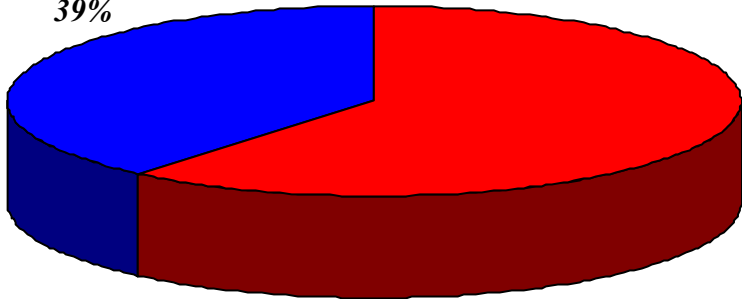
**Steel and Tube Holdings Group  
YE June 2004 Sales**

*Other*  
39%

*Other*  
39%

*City*  
61%

*City*  
61%

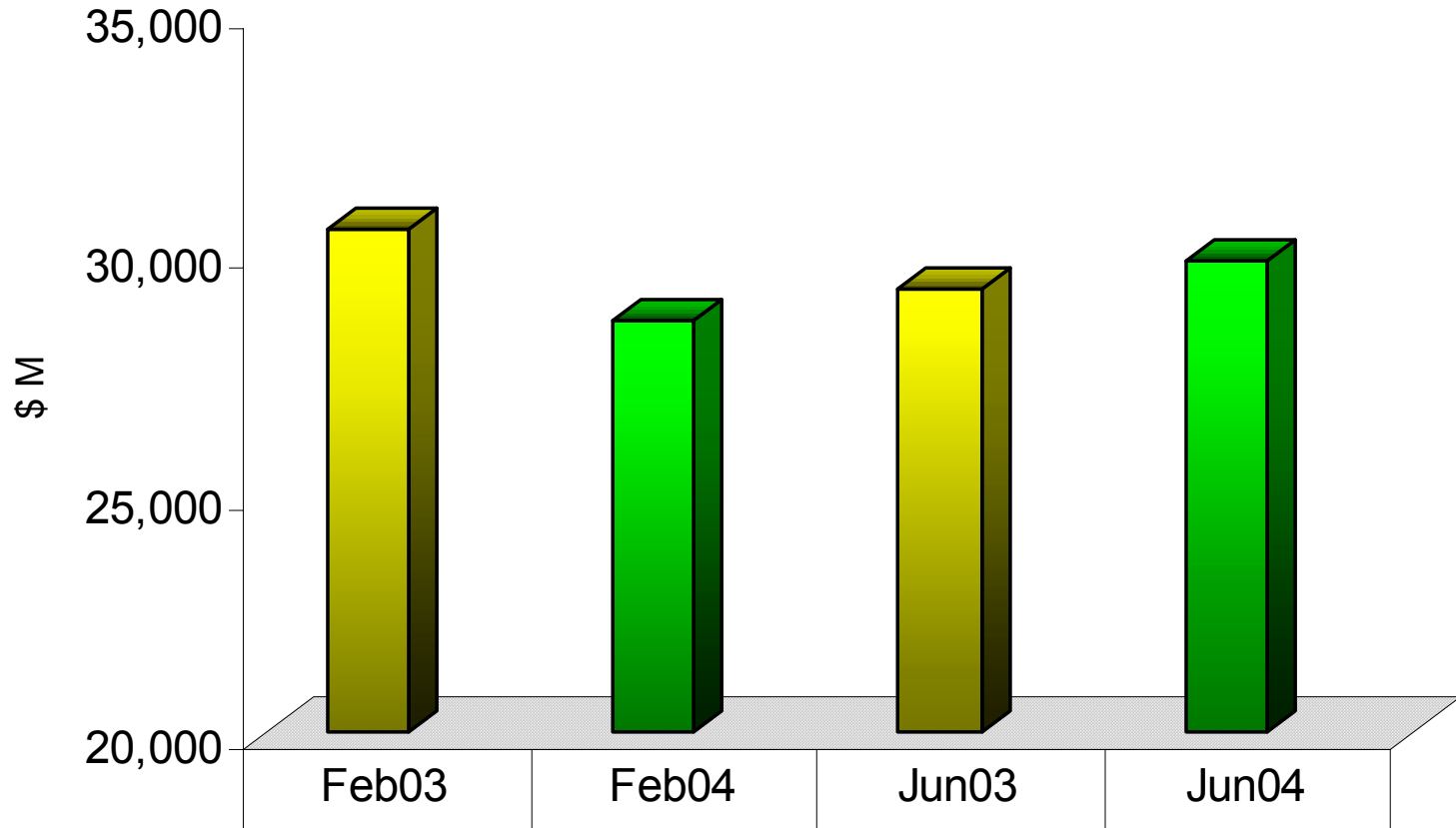




# **TRADING ENVIRONMENT**

# Total Exports

(Rolling 12 months)

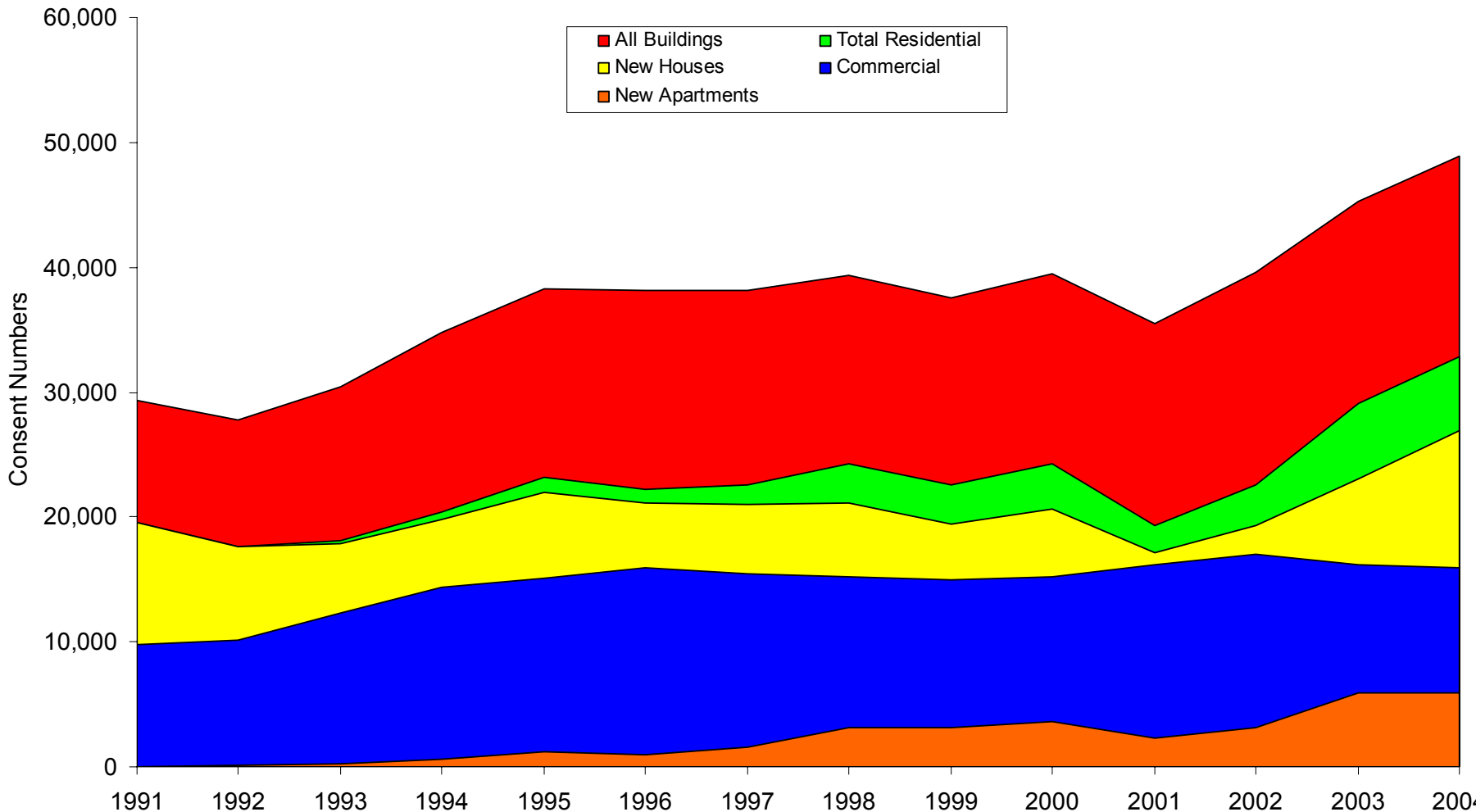


■ Export \$M	30,499	28,582	29,291	29,877
Var \$M		-1,917		586



# Number of building Consents 1991 -2004

(June year ends)

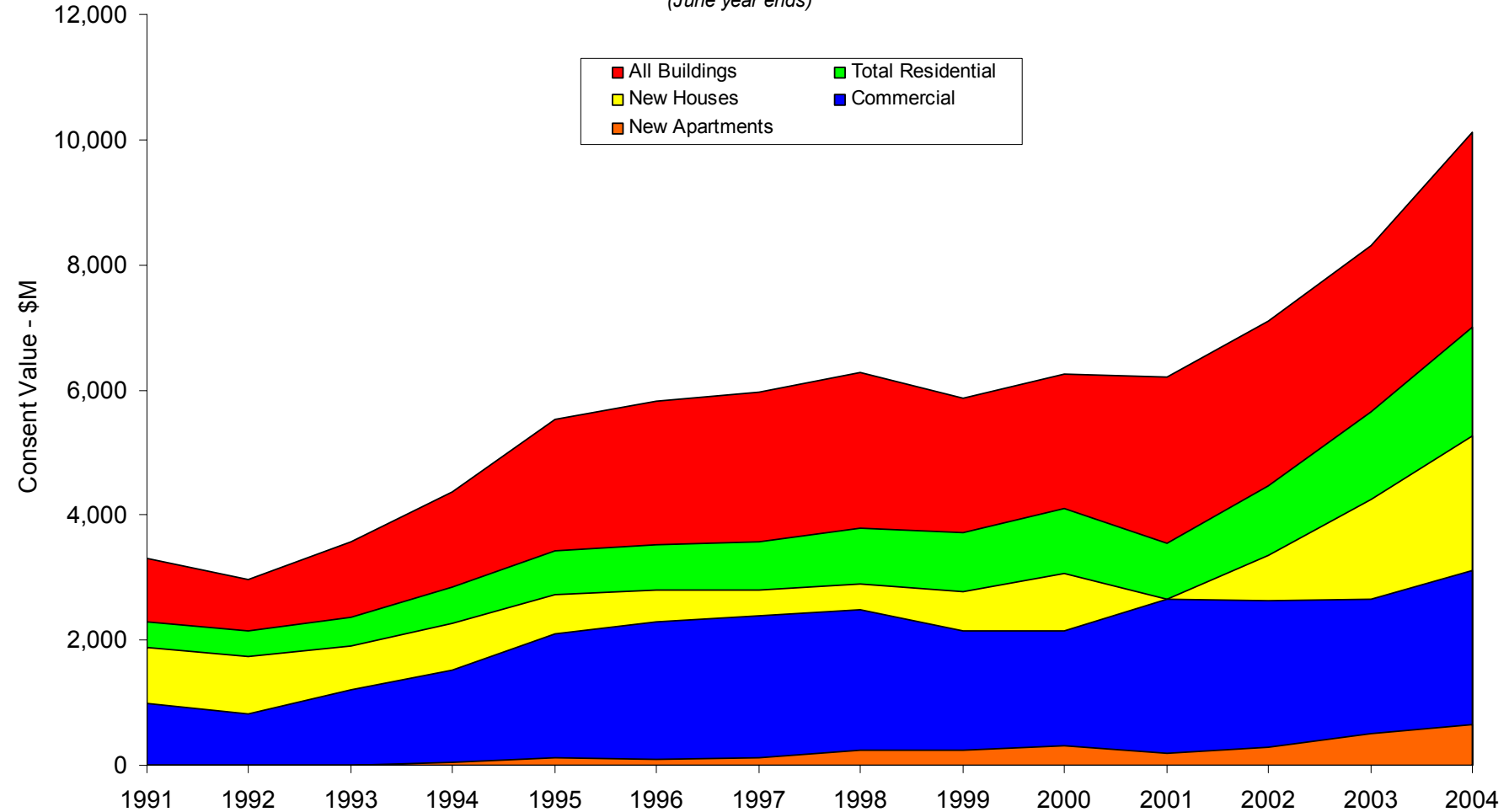


	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
New Houses	19,499	17,570	17,857	19,741	22,002	21,181	20,995	21,118	19,470	20,678	17,097	19,360	23,105	26,877
New Apartments	58	88	217	622	1,233	1,011	1,603	3,120	3,138	3,566	2,248	3,173	5,969	5,974
Total Residential	19,557	17,658	18,074	20,363	23,235	22,192	22,598	24,238	22,608	24,244	19,345	22,533	29,074	32,851
Commercial	9,751	10,132	12,339	14,382	15,091	15,984	15,502	15,164	14,912	15,176	16,169	17,064	16,222	15,983
All Buildings	29,308	27,790	30,413	34,745	38,326	38,176	38,100	39,402	37,520	39,420	35,514	39,597	45,296	48,834

# Building Consents 1991 -2004

## \$M Amount

(June year ends)

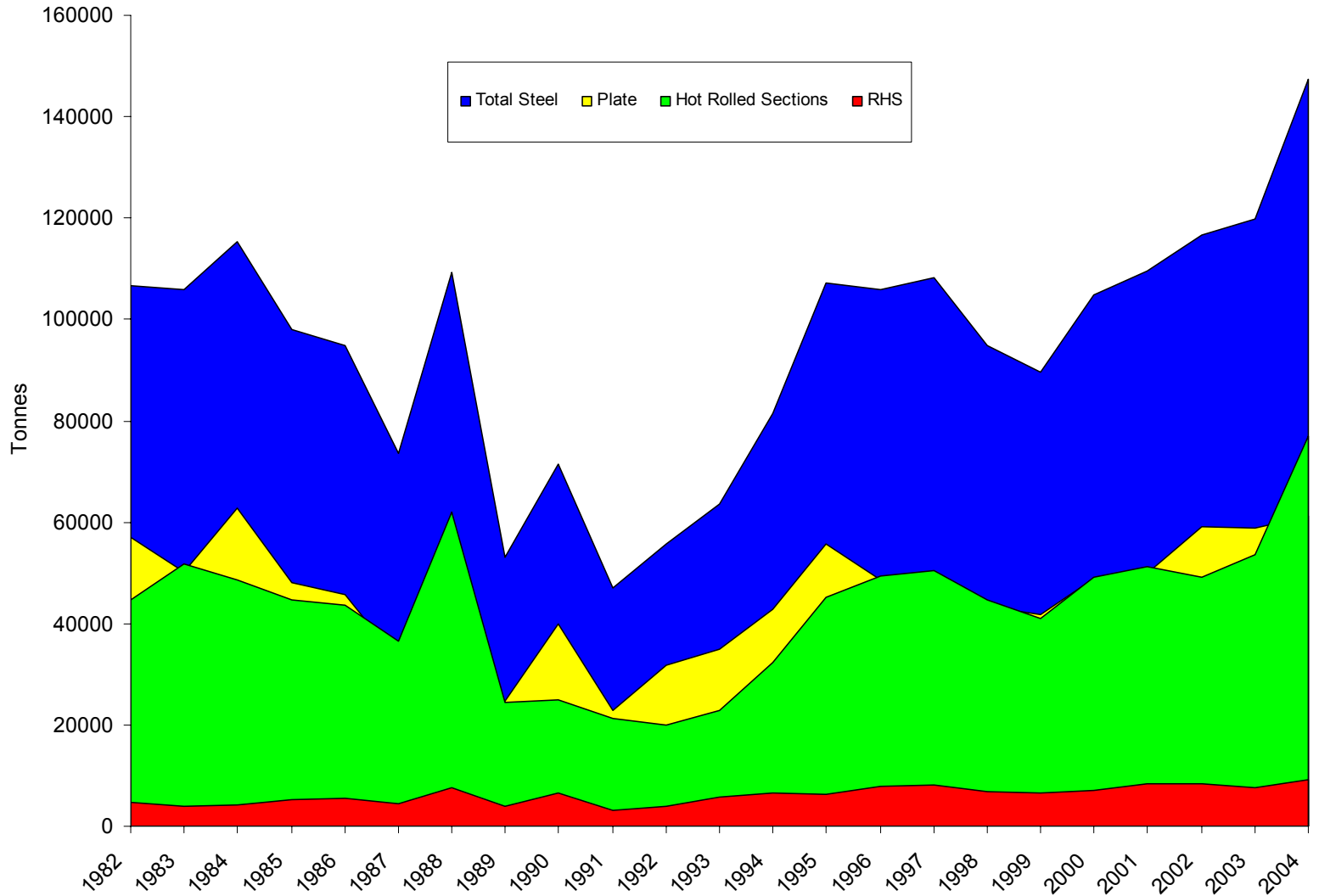


	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
New Houses	1,872	1,732	1,904	2,276	2,737	2,789	2,811	2,888	2,782	3,062	2,645	3,361	4,250	5,252
New Apartments	3	5	10	48	110	93	126	236	238	306	195	295	510	657
Total Residential	2,299	2,154	2,363	2,852	3,417	3,526	3,583	3,797	3,722	4,098	3,549	4,464	5,643	7,000
Commercial	1,000	814	1,206	1,518	2,105	2,291	2,380	2,485	2,140	2,156	2,666	2,641	2,660	3,123
All Buildings	3,299	2,968	3,569	4,370	5,522	5,817	5,963	6,282	5,862	6,254	6,215	7,105	8,303	10,123

# Hera Steel Volumes 1982-2004

## Imports & Local Production Combined

(June year ends)



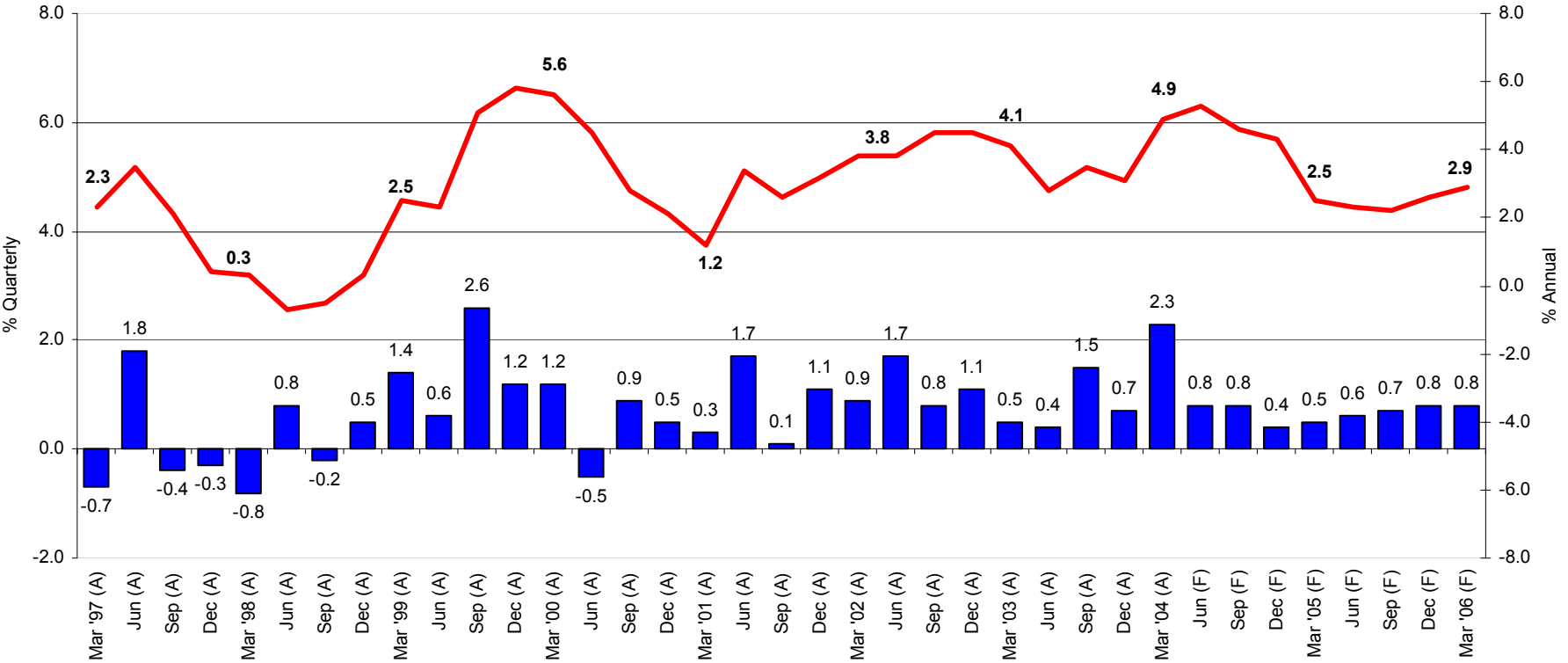
	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
RHS	4830	3912	4128	5306	5494	4571	7629	3952	6604	3079	4041	5711	6437	6217	7821	8181	6803	6497	7021	8322	8342	7495	9149
Hot Rolled Sections	44787	51734	48474	44707	43651	36416	61940	24378	24958	21169	20045	22912	32297	45151	49398	50491	44643	41084	49141	51306	49113	53497	77036
Plate	57103	50299	62833	48021	45722	32460	39611	24824	39852	22868	31738	35043	42821	55698	48605	49662	43455	41896	48791	49980	59137	58778	61299
Total Steel	106720	105945	115435	98034	94867	73447	109180	53154	71414	47116	55824	63666	81555	107066	105824	108334	94901	89477	104953	109608	116592	119770	147484



■ Quarterly, seasonally adjusted  
— Actual Annual Mar Year Ends

## Economic Growth

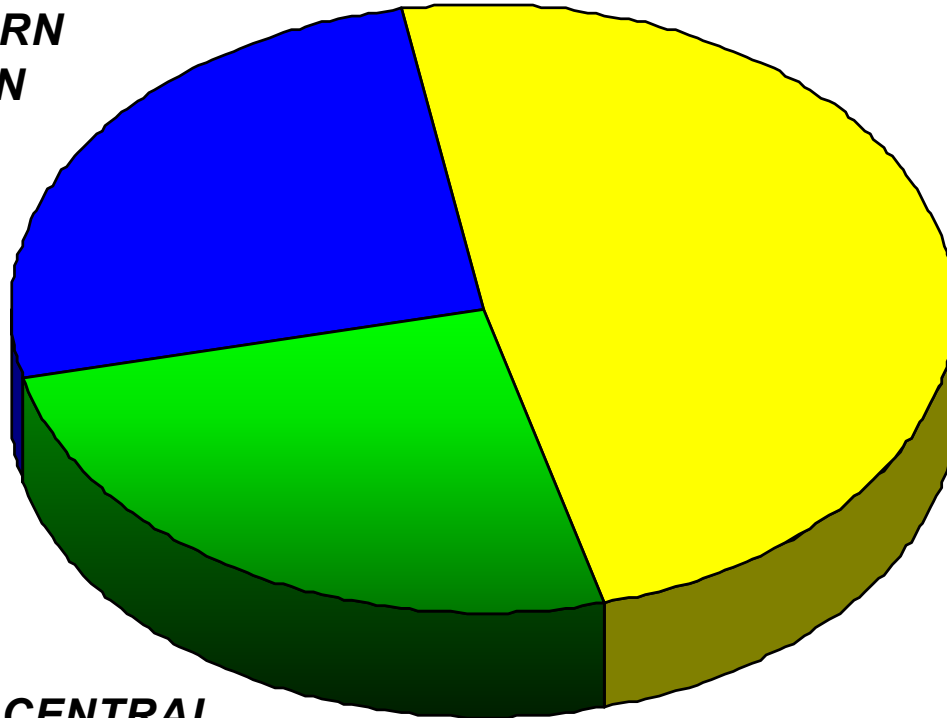
Source: Statistics New Zealand/NZIER



**Regional GDP \$'s**  
**12 months to March 2003**  
**Total NZ \$ 126.1b**



**SOUTHERN  
REGION  
26%**



**NORTHERN  
REGION  
48%**

**CENTRAL  
REGION  
26%**



# KEY BUSINESS ISSUES

# Key Business Issues



- **General costs to run the business increase by about 2 – 3% year on year**
- **Wages increase by about \$1.5 million year on year**
- **Combined, our operational expenses increase by approximately 5% p.a.**

# Key Business Issues



- **Competitors attempting to take market share away from us**
- **Margins are under pressure from both customers and competitors**
- **Steel price and supply volatility** *(refer graphs)*

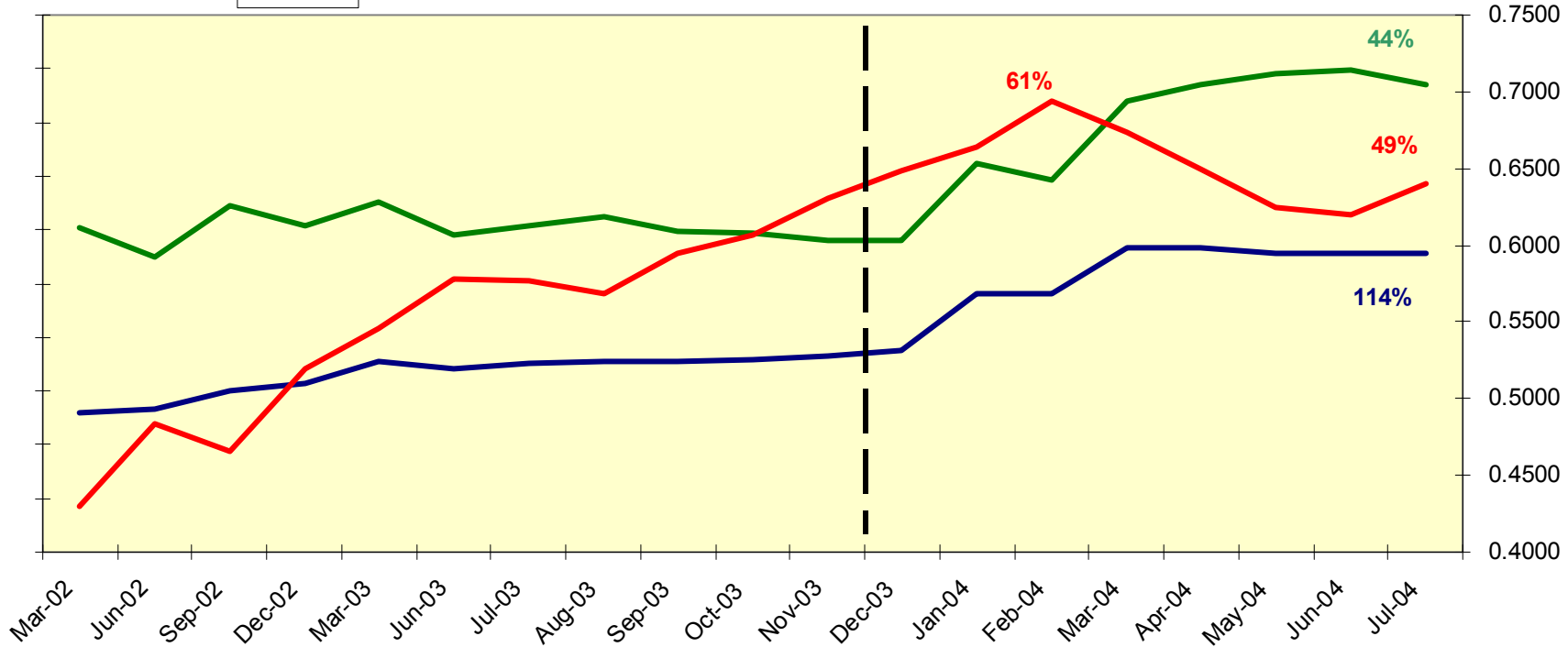




Mar-02	Jun-02	Sep-02	Dec-02	Mar-03	Jun-03	Jul-03	Aug-03	Sep-03	Oct-03	Nov-03	Dec-03	Jan-04	Feb-04	Mar-04	Apr-04	May-04	Jun-04	Jul-04
0	6%	20%	26%	42%	36%	40%	42%	42%	38%	40%	44%	85%	85%	118%	118%	114%	114%	114%
0	-10%	6%	0%	7%	-3%	0%	3%	-2%	-2%	-4%	-4%	20%	15%	39%	44%	47%	48%	44%
0.4303	0.4837	0.4652	0.5197	0.5458	0.5775	0.5772	0.5683	0.5944	0.6069	0.6300	0.6482	0.6645	0.6940	0.6730	0.6500	0.6250	0.6200	0.6400
0	18%	13%	26%	33%	41%	40%	38%	45%	41%	46%	51%	54%	61%	56%	51%	45%	44%	49%

### Product ex Asia

- USD
- NZD
- Rate

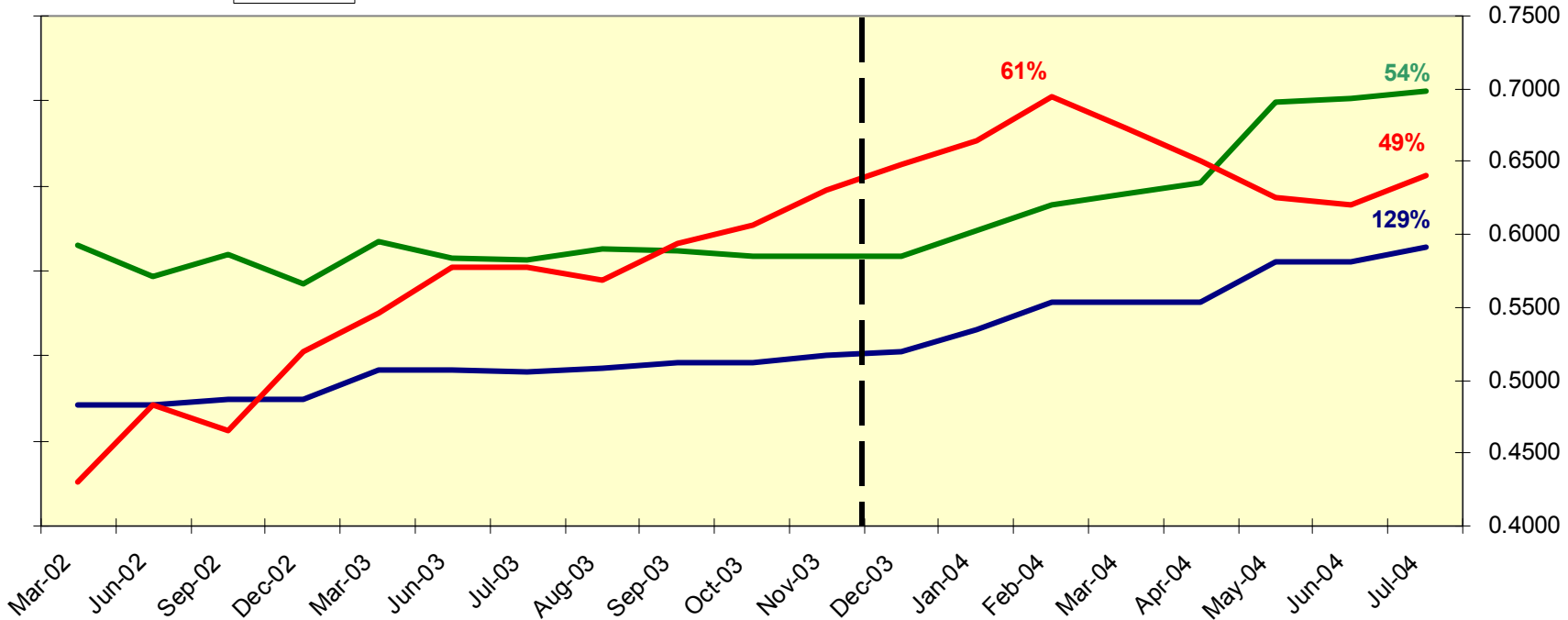




	Mar-02	Jun-02	Sep-02	Dec-02	Mar-03	Jun-03	Jul-03	Aug-03	Sep-03	Oct-03	Nov-03	Dec-03	Jan-04	Feb-04	Mar-04	Apr-04	May-04	Jun-04	Jul-04
-	-	0%	4%	4%	28%	28%	27%	30%	35%	35%	40%	44%	62%	84%	84%	84%	19%	119%	129%
-	0	-15%	-8%	-18%	-4%	-9%	-10%	-6%	-6%	-4%	-4%	-5%	5%	14%	18%	22%	50%	52%	54%
0.4303	0.4837	0.4652	0.5197	0.5458	0.5775	0.5772	0.5683	0.5944	0.6069	0.6300	0.6482	0.6482	0.6645	0.6940	0.6730	0.6500	0.6250	0.6200	0.6400
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### Product ex Asia

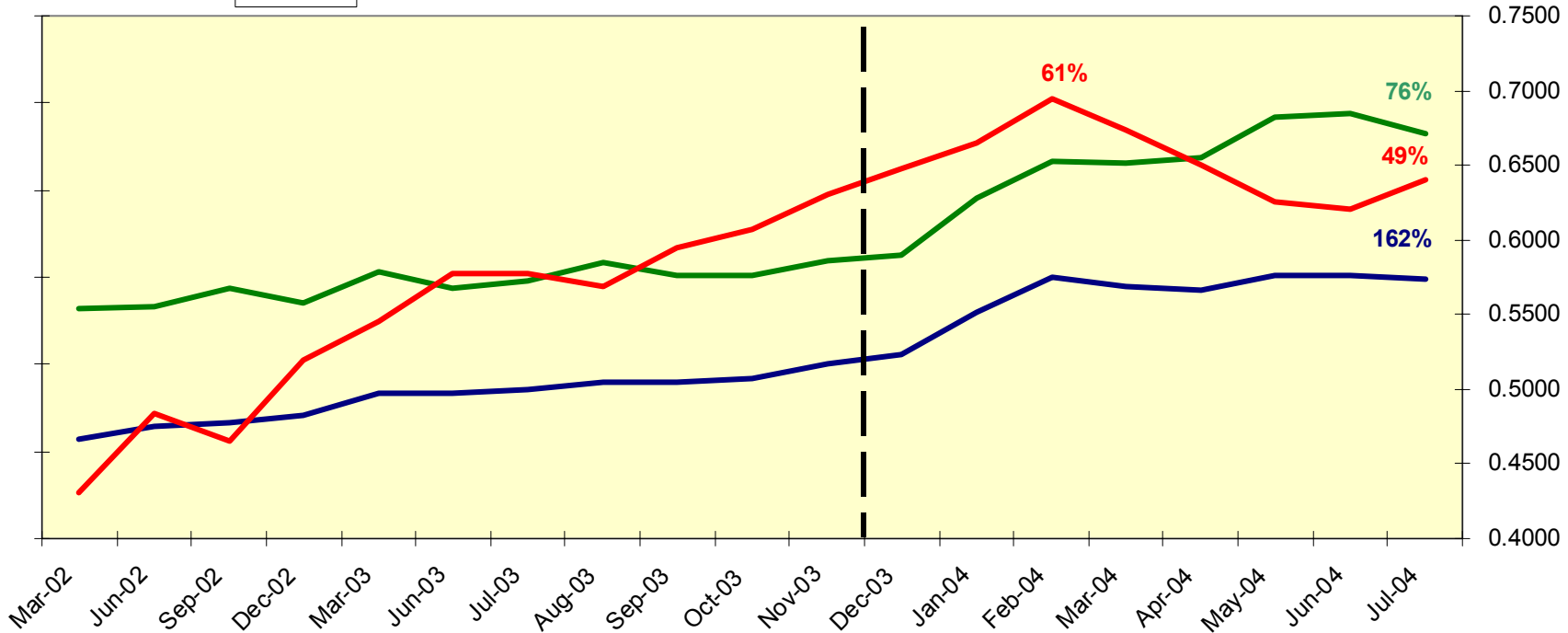
- USD
- NZD
- Rate





Mar-02	Jun-02	Sep-02	Dec-02	Mar-03	Jun-03	Jul-03	Aug-03	Sep-03	Oct-03	Nov-03	Dec-03	Jan-04	Feb-04	Mar-04	Apr-04	May-04	Jun-04	Jul-04
0	16%	20%	27%	51%	50%	54%	62%	62%	61%	77%	85%	129%	164%	156%	151%	167%	167%	162%
0	-2%	6%	0%	14%	6%	10%	17%	12%	14%	21%	23%	48%	64%	63%	66%	83%	85%	76%
0.4303	0.4837	0.4652	0.5197	0.5458	0.5775	0.5772	0.5683	0.5944	0.6069	0.6300	0.6482	0.6645	0.6940	0.6730	0.6500	0.6250	0.6200	0.6400
0	18%	13%	26%	33%	41%	40%	38%	45%	41%	46%	51%	54%	61%	56%	51%	45%	44%	49%

### Product ex Asia





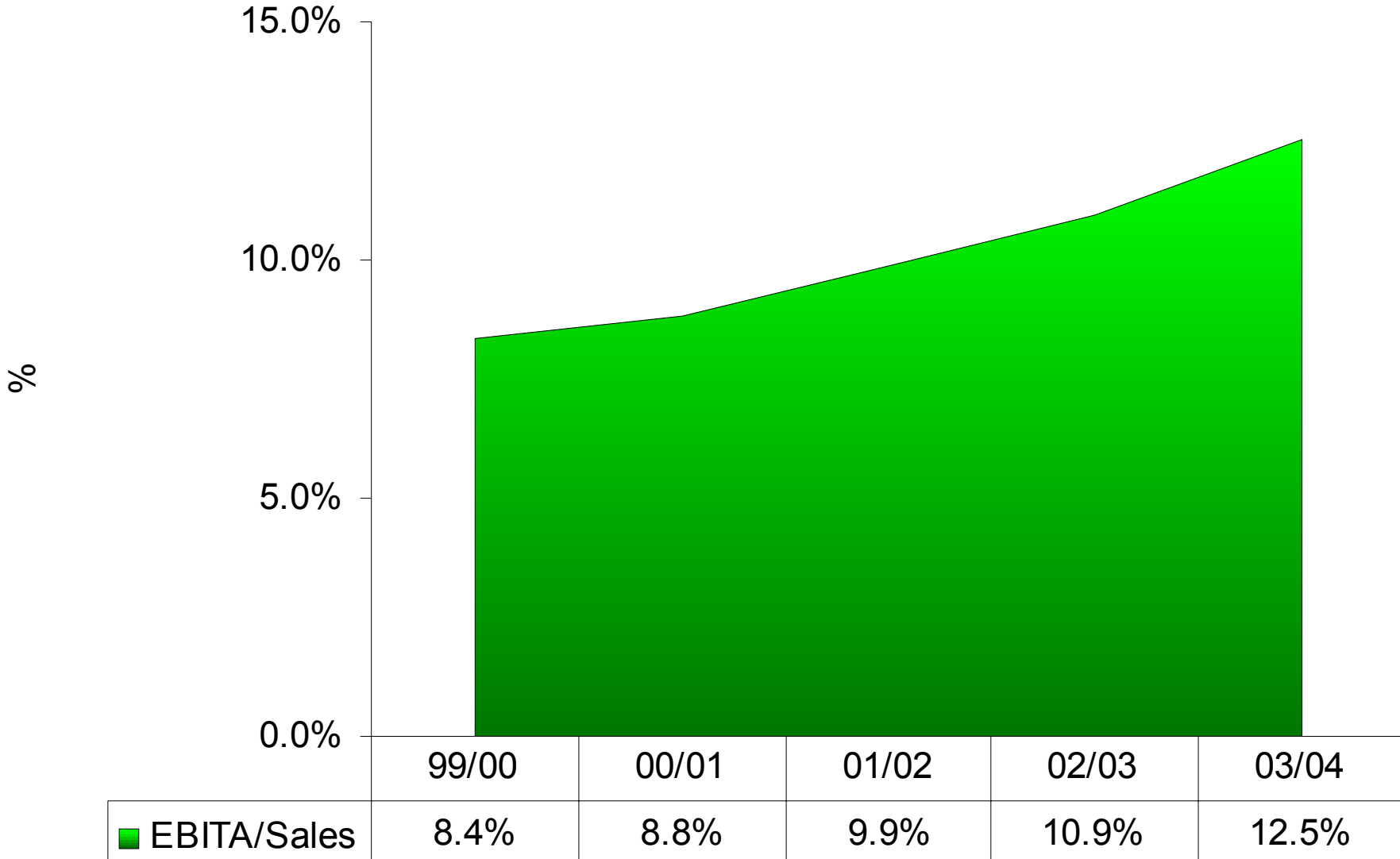
# FINANCIALS

# Over the Last 4 Years



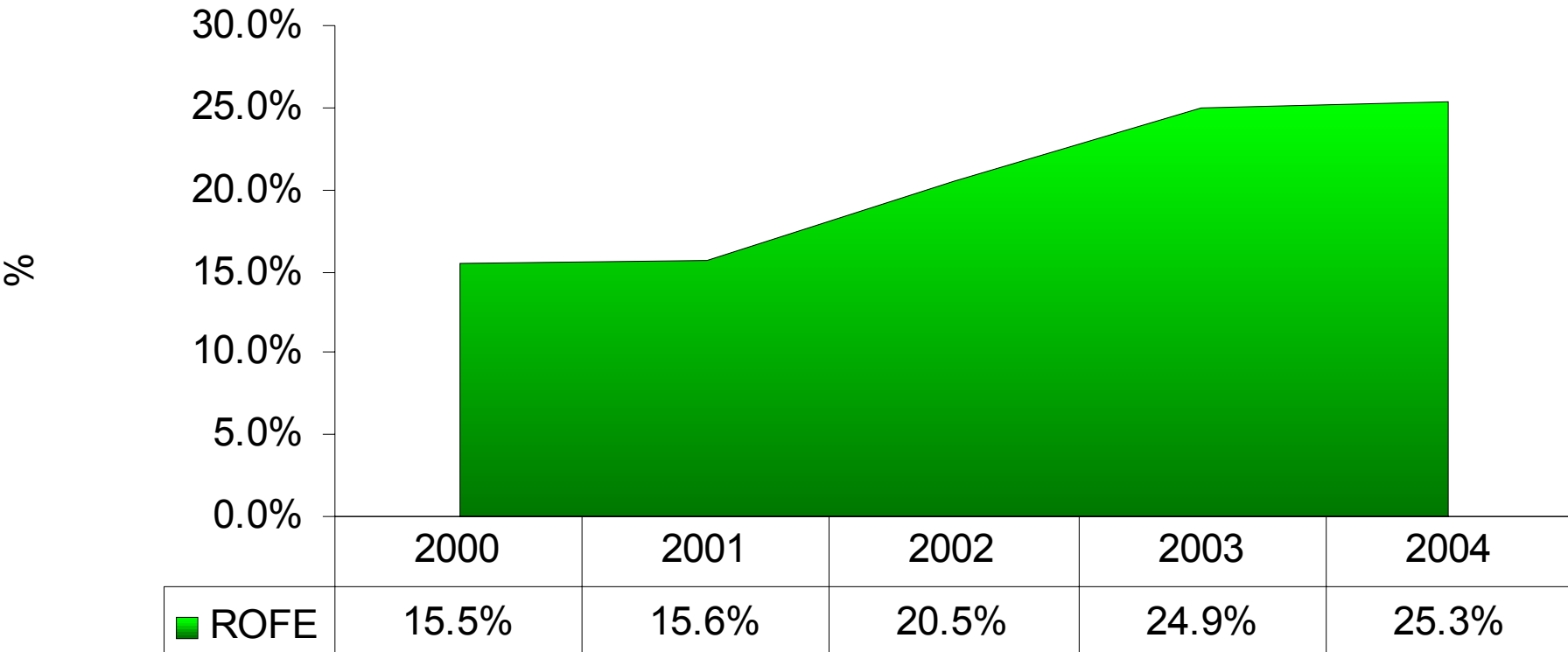
- **EBIT / Sales margins increased 49.0%**
- **ROFE increased 63.0%**
- **Return on SHF increased 106.0%**
- **Earnings per share increased 141.0%**

# NZ Operations EBITA/Sales % *(June year ends)*



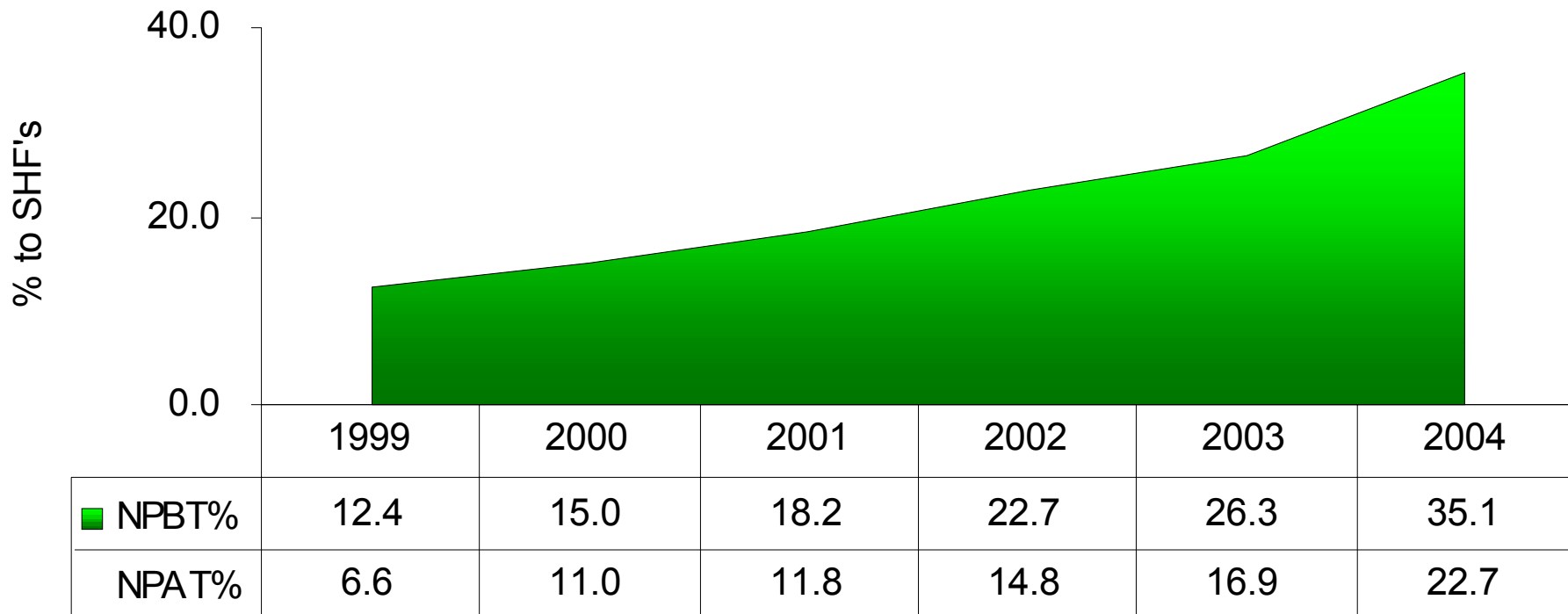


## Average ROFE NZ Operations *(June year ends)*





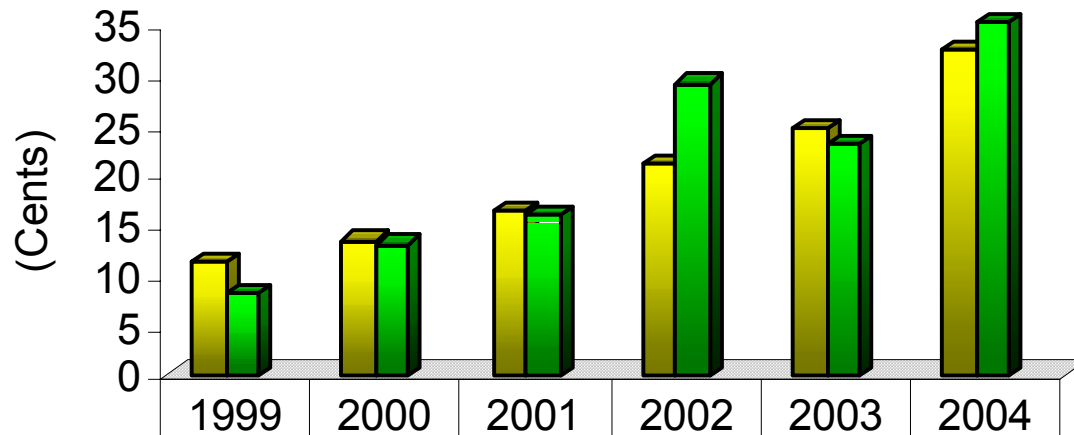
## New Zealand Operations Return on SHF's (June year ends)







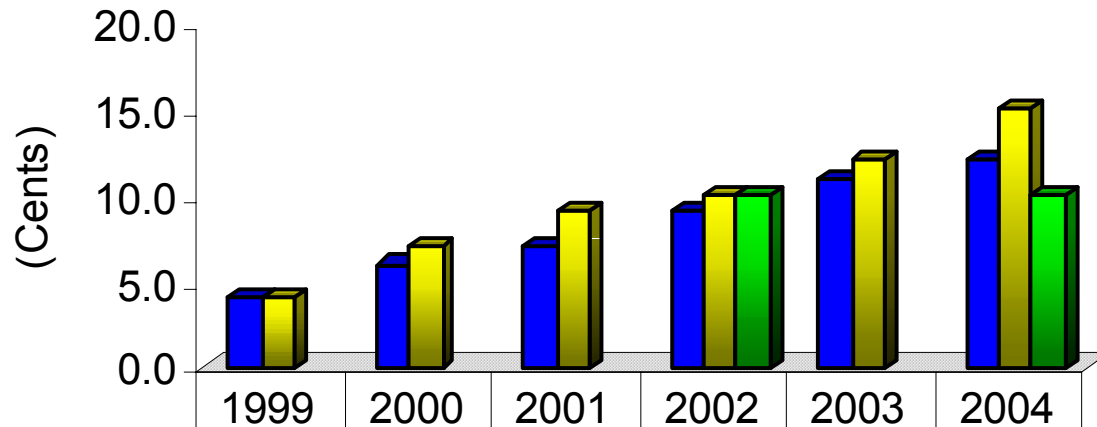
## Dividends and Earnings Per Share (June year ends)



■ NZ EPS	11.4	13.4	16.3	20.9	24.5	32.4
■ TOTAL DMD	8.0	13.0	16.0	29.0	23.0	37.0
DPS % of EPS	70%	97%	98%	139%	94%	114%



## Dividend Paid per share (June year ends)



■ Int DPS	4.0	6.0	7.0	9.0	11.0	12.0
■ Final DPS	4.0	7.0	9.0	10.0	12.0	15.0
■ SPEC DIVD				10.0		10.0

# Financial Comparisons



## Shareholder Value

	<u>2003</u>	<u>2004</u>	<u>Variance</u>
<b>Tax Paid Profit:</b>	<b>\$21.52m</b>	<b>\$28.46m</b>	<b>32.0%</b>
<b>ROFE:</b>	<b>24.9%</b>	<b>25.3%</b>	<b>19.0%</b>
<b>ROSHF:</b>	<b>16.9%</b>	<b>22.7%</b>	<b>34.0%</b>
<b>EPS</b>	<b>24.5 cents</b>	<b>32.4 cents</b>	<b>32.0%</b>
<b>DPS</b>	<b>23.0 cents</b>	<b>37.0 cents</b>	<b>61.0%</b>
<b>Share Price:</b>	<b>\$3.60</b>	<b>\$4.16</b>	<b>16.0%</b>



**So,**

**How did we do against our objectives of:**

- **Zero LTI's**
  
- **TSR in upper quartile of New Zealand listed companies**



- **One lost time injury for the 12 months ended 30 June 2004**
- **Steel & Tube were awarded the 2003 Wellington Region Gold Award for Excellence in Health and Safety**



**Total shareholder value increased by**

**\$ 78 million**

**for the year ended June 2004 and \$269m**

**for the last three years**

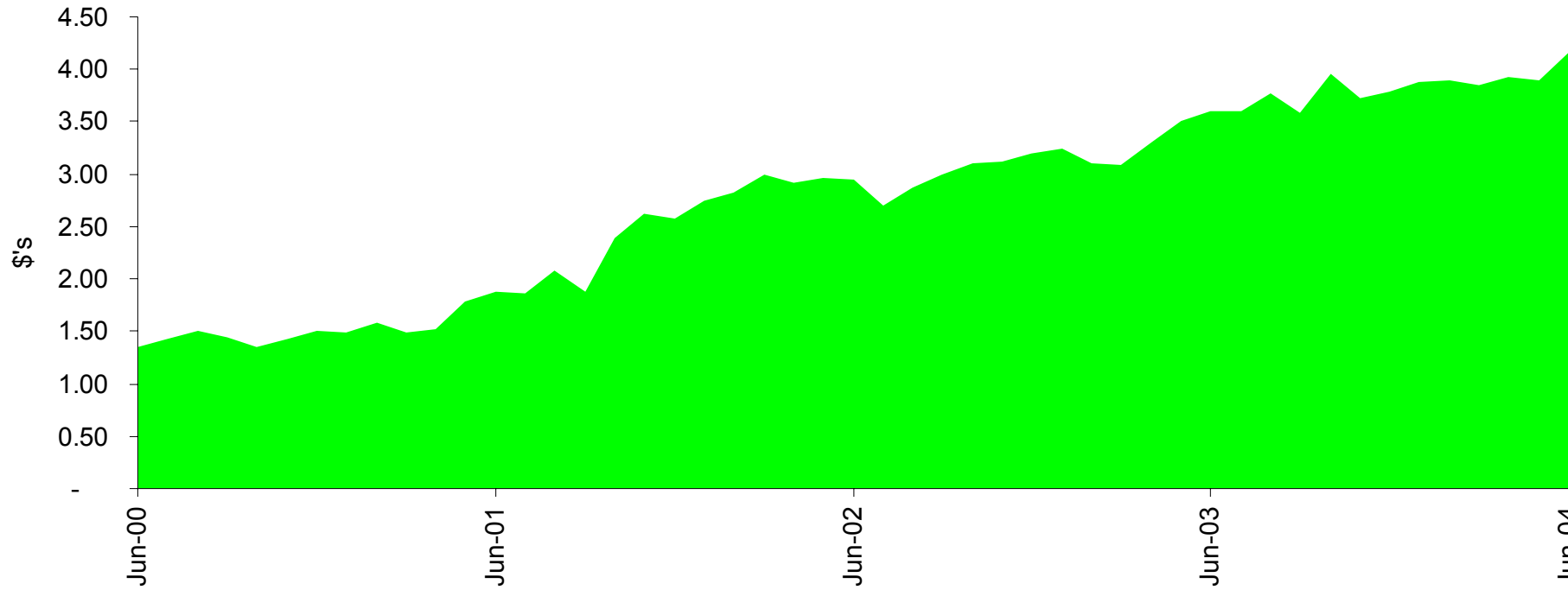
# Total Shareholder Return



- **STH recognised as best performing share price in % terms when measured against TSR, year on year, for the last 3 years to June 2003**



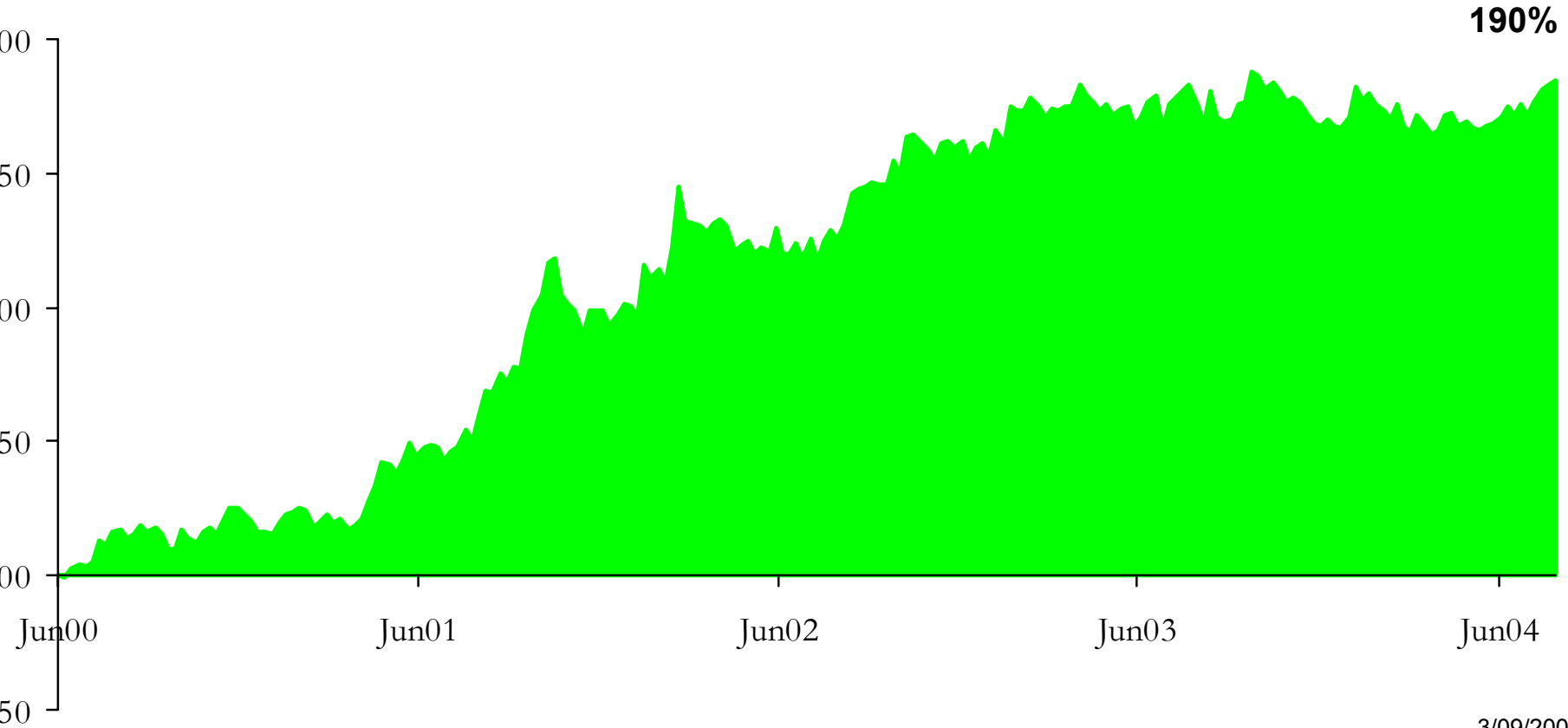
## Steel & Tube Share Price







## Steel & Tube (Gross) vs NZSX 50 Index - Relative Performance

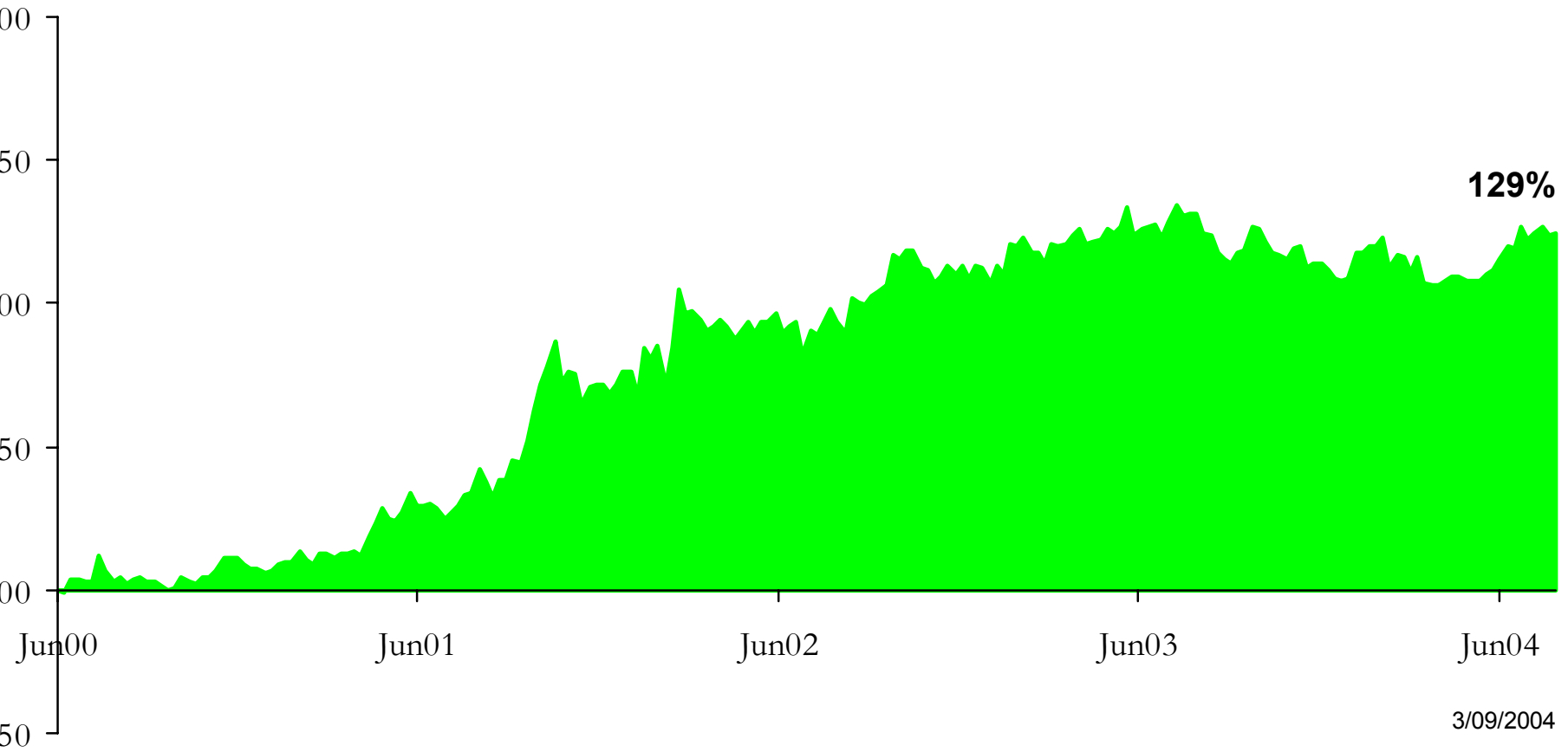


3/09/2004

Note: NZSX 40 Gross Index prior to 1 January 2001



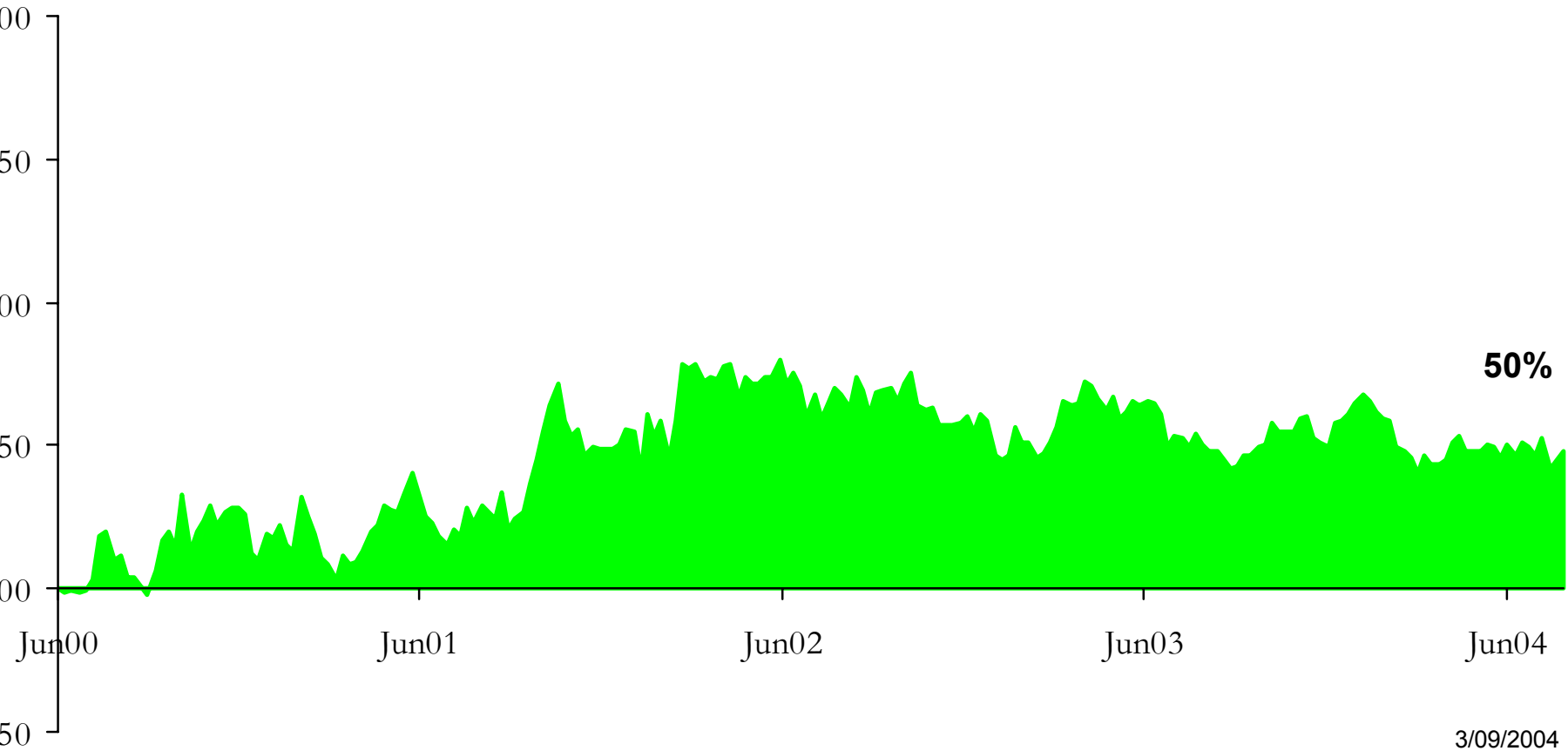
## Steel & Tube vs NZSE Small Cap Index - Relative Performance



3/09/2004



## Steel & Tube vs Fletcher Building - Relative Performance



**50%**

3/09/2004



# MARKET OUTLOOK



- **GDP growth expected to reduce from 5.0% to 3.0% ??**
- **Net migration growth numbers to reduce considerably**
- **Strength in consumer spending to remain near term**



- **Average prices for steel to remain at similar levels for the foreseeable future with some upside**
- **Construction of new dwellings to remain at similar levels for the first six months of our financial year**



- **Commercial construction infrastructure to increase substantially**
- **Rural New Zealand and the manufacturing sector to remain steady**



## ➤ **Core business definition**

- **The distribution of steel and allied products**
- **Base metal manufacturing”**





- **Purchased Hurricane Wire Products in April 2003 for \$25 million**
- **Seeking more growth opportunities through 'bolt-on' type acquisitions in the short term**



**Thank you**  
**for your interest in**  
**Steel & Tube**