

STEEL & TUBE 2021 ANNUAL SHAREHOLDERS' MEETING

30 September 2021

BOARD

Joining me online today are your Directors. Firstly, Chris Ellis... then Steve Reindler ... John Beveridge...and Karen Jordan. Karen joined our board in December last year and is standing for election by shareholders today.

I'm also pleased to announce that Andrew Flavell will join our Board from tomorrow. Our search for a director with digital skills was still in process when the notice of meeting went out – hence Andrew will stand for election by shareholders at next year's AGM.

Andrew is a very experienced senior technology executive and has driven digital transformations at companies such as Nike and Microsoft. He was recently Chief Technology Officer at Plexure, the NZX-listed global mobile engagement company. Andrew has a Doctor of Engineering, Systems Engineering from the University of Tokushima, Japan, and did his Bachelor of Engineering at Auckland University.

Steel & Tube's digital strategy is becoming an increasingly valuable pathway for our company and Andrew's extensive experience will be of significant value and we are looking forward to him joining the Board.

Since taking over as Chair in 2017, when the business was burdened with high debt, excess inventory and many non-performing assets and aspects of the business, we have undergone a complete refresh of the Board and management and I am very confident we have an excellent team, dedicated to driving the growth of the company.

STEEL & TUBE IS ...

Steel & Tube is one of New Zealand's leading providers of steel solutions.

Our goal is to be the best in the sector, the preferred choice for steel products and solutions, a rewarding place to work and an attractive investment for our shareholders.

We do this by investing in the things that matter – our people, our customers, digital innovation, operational excellence, quality, health and safety.

OUR JOURNEY

The value and benefits of the hard work done over the last three years are now becoming clear.

Prior to 2017, the company went through a period of growth and acquisition. These businesses are all now integrated and adding value to our Group, aside from the plastics business which we closed.

Substantial and positive outcomes have been achieved from our three-year Project Strive transformation programme. We have optimised our national network; established our digital and

ecommerce platform - and are leading the way in digital technology in the sector; have locked in material cost reductions and efficiencies; and have invested significantly in our people, quality, and health and safety.

We have a great team leading our company and passionate people who are focused on delivering the best possible solution and experience for our customers.

The Board recognises the value of diversity across our workforce and the part this plays in creating a rich and vibrant culture. While we have initiatives in place and numbers are growing, we recognise that women remain under represented in the sector, and we are committed to addressing this as much as we can.

We also recognised early on that COVID was with us to stay for three to five years. We have a number of initiatives to upskill our people, provide assistance for lower paid employees, and provide work opportunities for school leavers in our community.

Our customer satisfaction scores continue to rise and we have a strong pipeline of secured work ahead of us.

FY21 RESULTS

Steel & Tube's FY21 results signal a step change in our financial performance.

Revenue increased 15% year on year, operating expenses reduced by 13.5% and we delivered EBITDA of \$40.7m, compared to a loss of \$(37.2)m the previous year.

We completed the year with a strong balance sheet, with zero debt and \$25m in cash to support our growth strategy.

We were pleased to resume the payment of dividends while carefully managing our capital requirements in a covid environment.

A SUSTAINABLE BUSINESS

The events of the last year have reinforced the importance of taking a long term view and putting in place strategies that look beyond next quarter or next year.

Your Board remains committed to building a sustainable business, which delivers long term value for our customers, employees, shareholders and communities.

Our ESG programme is built around our strategic pillars and we are making good progress on a range of initiatives.

Safety remains a priority and we were pleased to see our Employee Total Injury Frequency Rate drop to 1.86, well below industry averages.

It has also been encouraging to see the high levels of engagement from our employees with a score of 7.4 out of 10 and an Employee Net Promoter Score of 19 – both strong results. People remain our biggest asset and we are investing in training, work placements, mentoring and wellbeing.

Quality remains a priority investment area for us with industry certifications, independent third party audits of steel mills and other suppliers, and our traceability programme. Our entire business is now ISO 9001:2015 quality certified and independent audits were carried out on eight supplier mills with up to 12 more planned this financial year.

Work done across our network and supply chain has assisted with a 9% reduction in carbon emissions, and a drop in fuel and electricity consumption, as well as improved material efficiency and recycling.

Our customers remain at the centre of our business and we are building a powerful combination of people and technology to deliver customer experiences that are dynamic, effortless and personalised.

Digital technology is bringing value to all we do and will remain a focal point for FY22 and a priority investment area.

We continue to advocate that New Zealand needs a range of construction materials and that material choices should be made by the experts – engineers, architects and designers - not politicians.

The creation of a circular economy is not simply focused on the design and construction process but also considers the post-construction life cycle stages and the benefits from materials that can be reused or recycled, such as steel.

We can't continue to trash our buildings to landfill. We must reuse, repurpose and recycle our valuable materials and move to a circular economy. That is what counts and what makes a real difference. It is also where materials like steel, which has a 72% recycling rate in New Zealand, stand out.

Steel is infinitely recyclable without product degradation and is easily reused and repurposed; it generates minimal construction waste; and renewable energy sources available in New Zealand are used for making steel.

INVESTMENT FOR GROWTH

We are now moving into the next stage in our strategy evolution - building on the foundations we have in place and positioning ourselves to capture new opportunities.

We are focused on organic growth in sectors where we have strengths and competitive advantage, and Mark and his team will talk to this shortly.

We will continue our conservative approach to capital management and will fund growth initiatives from retained earnings and improving capital efficiency.

As a Board, we are pleased about the shape of the business, the positive attitude of our team and the opportunities ahead of us to add value for our shareholders. We would like to say a particular thank you to Mark, our CEO. He initially joined Steel & Tube as a Director in 2018 and then stepped down to take up the role of CEO. He has calmly and confidently led our strategy and built an amazing team over the last three years, and has been integral in achieving the strongly improved results that we are seeing today.

I'll now hand over to Mark to provide more insights on business and where we will be focusing our efforts going forward.

CEO'S UPDATE

I'd like to start by thanking the Board for their encouragement and support over the last year and our people for their efforts and contributions. Steel & Tube's team has responded extremely well in a challenging environment and I am proud of their high levels of engagement over this time.

TRADING UNDER COVID ENVIRONMENT

Today Auckland remains at Alert Level 3 and is the fourth time in less than two years that our businesses have either had to close or been restricted due to the pandemic – each time we go into lockdown, our revenue drops, while our fixed costs remain largely the same.

The initial lockdown in April last year provided us with an opportunity to reassess our strategy and advance our long term network optimisation plans. This resulted in significant changes to the business model, a more cost efficient and streamlined network of branches, and distribution hubs and manufacturing facilities centred around where our customers are located.

As with previous lockdowns, under Level 4 we were unable to operate except to supply Essential businesses which had totalled 715 customers by the end of Alert Level 4. These were mainly serviced through our Distribution operations. The building products industry was one of the very few not permitted to continue manufacturing operations. This mainly impacted our Infrastructure manufacturing businesses and has applied additional pressure onto New Zealand's already fragile supply chain.

In mid-September, a very restricted category of products were given an exemption to recommence manufacturing under Level 4, with a total of 100 workers approved across Auckland. This was 100 workers in total, not per company. Steel & Tube received approval from MBIE for 6 workers to continue to manufacture coloursteel for roofing and cladding, but no other products.

In late August, our network outside of Auckland was able to open under Level 3 with Auckland re-opening from 22 September. All our nationwide operations are now fully operational, providing much needed steel products to the manufacturing, rural, construction and infrastructure sectors.

We have robust COVID operating procedures and protocols, and these were quickly put these in place to ensure our staff, customers and suppliers remained safe and well.

Pleasingly, with the support of the Board, we were able to provide peace of mind to our people and continued paying them 100% of their wages during lockdown. While we claimed the wage subsidy, this only goes some way towards our wage costs - it's also worth noting the whole business only qualified for the first 2 weeks of wage subsidy.

TRADING YTD

This chart shows our sales performance for the new 2022 financial year to date and the impact of the latest lockdown on our business.

From 1 July up until the Alert Level 4 lockdown, our revenue was up 29% on the same period last year, continuing the positive momentum seen in the later part of the 2021 financial year.

Since the lockdown, trading has progressively recovered, with supply to Essential businesses increasing under Level 4 and the re-opening of operations outside of Auckland under Level 3 and below.

What we have learnt from previous lockdowns, is that demand does not disappear, it is simply deferred until the economy re-opens. We have a significant backlog of orders and have been focused on meeting customer demand as quickly as possible.

Lockdown has been difficult for everyone and I'd like to acknowledge the efforts of our team who deliver day in and day out for our customers and shareholders.

During lockdown our team has been working harder than ever. As new rules and guidelines were rapidly changing, it's hard to describe the myriad and relentless nature of decisions and careful change management that my team and their direct reports have been working through.

Many of our frontline people couldn't work as normal but that didn't stop them undertaking training. During lockdown over 1,700 training modules were completed as people used the downtime as an opportunity to upskill and learn through our on-line training site called MySkills. We have a great group of people who are passionate about our business and I am proud to be a part of this team.

FY21 MARKET CONDITIONS

The 2021 financial year was challenging, with the impact of COVID-19 and pressure on global supply chains.

Demand for steel increased as consumers spent up on whiteware, cars and other items, residential construction soared and governments invested in infrastructure programmes to boost economic activity.

Steel mills are operating at capacity and on top of this, supply chains have become congested with no signs that these headwinds will be alleviated anytime soon. These global and regional factors have led to increased pricing across a broad range of steel products here in New Zealand.

We saw strong activity in some sectors such as residential construction. We are also seeing a good recovery in other sectors such as commercial which has been soft for several years. The Infrastructure pipeline continues to grow and Manufacturing is expanding.

We have a number of advantages in this environment. We are diversified across a range of sectors; we have size, scale and very strong supplier relationships that mitigate a lot of the risk from the supply chain pressures; and our investment into technology is paying dividends across all areas of our business.

FY21 PERFORMANCE OVERVIEW

Our efforts in the 2021 financial year delivered a strong improvement in year on year results with volumes, revenue and margins recovering across the year and a strong pipeline of secured work.

We have provided detailed information in our results presentation and annual report, so I won't dwell too much on this today.

As Susan has said, our financial results were significantly improved – we have created a strong financial and operating platform that has been driven by cost efficiencies, an optimised national network, our focus on customer excellence and our investment in digital technology.

DIVISION PERFORMANCE

We operate through two divisions – Distribution and Infrastructure.

Distribution is a higher volume commodity business. Basically, we buy products in bulk and repack or process them and distribute to customers across New Zealand through our national network of branches.

Distribution continues to go from strength to strength and revenue, gross margin dollars and margin percentage all improved year on year.

Infrastructure comprises products and services tailored to customers' needs. Products are processed before sale and typically include installation; and specialist knowledge and skills are a key ingredient.

In Infrastructure, volumes were up versus the prior period with gross margin improvements from the cost out programme being partially offset with competitive pricing pressure in some areas. While slower to recover, an increasing volume of activity was seen in the second half of the financial year as infrastructure and large commercial projects came back on stream, and we have a strong pipeline of secured work.

Our businesses are well run by high quality leaders and I'd now like to share some insights from two of our division managers.

Video – Distribution and Infrastructure Division

OUR DIGITAL INVESTMENT

Technology is one of our biggest investment areas, so I'd like to talk to it a bit more today.

Digital is becoming critical to how we operate. We are using digital technology to add value to all areas of our business, from our omni-channel customer platform, pricing analytics and product traceability, to health and safety and employee development.

Technology improves our customer offer, reduces the cost to service, drives revenue and improves margin. We have a clear digital roadmap and this will continue to be an important investment area for us.

Up next we've got another short video which demonstrates just some of our digital initiatives in action.

Video - Technology

MOVING FORWARD

OUR STRENGTHS

The solid financial performance in 2021 financial year enables our focus to transition from turnaround to growth and value add.

Our turn around programme has worked and we are now seeing the benefits.

We are moving forward with a robust financial and operating platform, leadership positions across many product categories and strong employee morale.

There is always more to do and while our focus remains on optimising the business, we have also identified a number of organic growth opportunities. Our priority remains to deliver a great experience and quality outcome for our customers.

OUR PURPOSE

Our goal is simple – to make life easier for customers needing steel solutions and to be their preferred choice of supplier.

We continue to build initiatives under each of our five pathways which are focused on customers, our people, technology, service and operational efficiency.

STRATEGIC FOCUS

Strategically, we will continue to build on the strong business foundation now in place, with a focus on digital and IT initiatives

Gross margin dollar improvement and operational efficiencies remain a priority and we will leverage our breadth and scale to cross sell a wider range of products and services.

As you have heard today, we are investigating new products and opportunities that will extend what we can offer to our customers, and we will continue to invest in our marketing and sales to build demand.

While our primary focus is on organic growth, we will also continue to consider opportunities in adjacent sectors.

Creating a sustainable business underpins all we do, and we were really pleased to recently appoint Trent Brash to the new role of Group Sustainability Manager. Trent is a great example of the passionate and enthusiastic people we have in the Steel & Tube team. He has a clear passion for

improving our environment and communities and will play an important role as we continue to create an environmentally and socially responsible company that shareholders, customers and our Steel & Tube team can all be proud of.

FY22 MARKET OUTLOOK

Aside from the current and any future covid-lockdowns, market conditions look to remain positive and the economic cycle is expected to be stronger for longer.

The current residential boom is expected to ease over the medium term due to an expected rise in mortgage rates and increased supply, however, commercial, infrastructure and manufacturing are all expected to grow.

The latest lockdown has shown New Zealand's vulnerability and we believe vaccination is the key to reducing risk. We have introduced an incentive scheme for our staff to encourage them to get vaccinated faster, and have offered \$150 either in cash, Kiwisaver contribution or Steel & Tube shares to those who are fully vaccinated by mid-November. We've had really positive feedback on this from our staff and robust systems are in place to ensure all personal information is kept confidential.

This great response from our Whangarei staff was captured by Te Karere Maori news last week.

BUSINESS OUTLOOK

We will continue to be responsive to the changing environment and changing sector demands. Our team has the experience and skills to solve challenges and identify opportunities and our focus remains on how we differentiate ourselves to stand out and be the preferred supplier of choice.

Our focus remains on gross margin improvement, customer delivery and growing sales in attractive segments.

We have a strong pipeline of secured work in place and are well positioned to take advantage of new market and product opportunities.

Investing in new processing equipment will assist in opening up identified new markets as well as drive operating efficiencies, safety and product quality.

In addition, we will continue to invest in digital technologies to continuously improve the customer experience and expand the customer offer, providing further competitive advantage.

We are confident in our strategy, our people and our positioning and look forward to continuing to build on the strong platform we now have in place.

ENDS