

STEEL & TUBE TRADING UPDATE

Steel & Tube Holdings Limited (NZX: STU) advises that adverse trading conditions are continuing and its first half results are expected to be lower than the prior year.

As previously indicated, the first half result will be impacted by Project Strive change execution costs, including site consolidation costs with an expected impact of approximately \$2 million, which will be included in the first half year results. The second half result is expected to benefit from these Project Strive initiatives, cost savings and other proactive measures being undertaken.

The competitive intensity and pricing pressures from the second half of the last financial year have continued. Initiatives to improve product margins are starting to have a positive impact and market share has remained relatively stable. Market activity levels have been softer, particularly in the vertical construction and stainless steel markets, albeit more recently there has been improvements in sales and tender activity levels. The trading conditions in the first few months of the financial year have had an impact on both sales and credit quality with an increase in debt write-offs and provisioning expected to impact earnings by approximately \$2 million in the first half of the year.

Given the challenging trading conditions, the Board and Management are continuing to review the business operating model and remain focused on delivering improved earnings and value to shareholders. An update will be provided with the half year results in February 2020, and accounting carrying values will be reassessed at that time.

Steel & Tube Chief Executive Officer Mark Malpass, commented “We have had a challenging winter, although improvements we have made to customer service and cost structure, coupled together with recent signs of activity improvement, are expected to lead to improved performance in the second half.”

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