

STEEL & TUBE FY20 TRADING UPDATE

Steel & Tube Holdings Limited (NZX: STU) has today provided a trading update and forecast for its FY20 results which are due to be announced on Friday 28 August 2020. Details of the FY20 results investor call will be released shortly.

- FY20 normalised EBIT (Earnings Before Interest and Tax)¹ is expected to be approximately break-even subject to completion of audit work. On a pre-NZ IFRS 16² basis, FY20 normalised EBIT is expected to be a loss of approximately \$5m to \$7m.
- STU expects to report strong operating cash flows of approximately \$26m (pre-NZIFRS 16) on the back of continued working capital discipline, with inventory significantly reduced to approximately \$101m at 30 June 2020.
- STU's balance sheet remains strong with the Group expecting to report net cash of approximately \$7m at 30 June 2020.
- Post-balance date, STU has completed the sale of a surplus Gisborne property with net proceeds of \$1.3m to be applied to further reducing borrowings.
- In addition to waivers of existing bank covenants for 30 June and 31 December 2020, STU has also agreed temporary revised covenants with its bank syndicate for the remainder of FY21, which it expects to comfortably meet.
- The COVID-19 Alert level 4 lockdown and then progressive return to more normal business operations occurred during a traditionally high earning period for the business. Post lockdown, sales recovered through May and in June were in line with the prior year.
- As previously advised, STU expects to report a significant loss for FY20 after including a \$37m non-cash impairment of goodwill recognised in 1H20, and other write-downs due to the acceleration of branch network changes (including site consolidations), business restructuring and digitisation in response to anticipated post Covid-19 market conditions.

Steel & Tube's geographic sales strength, improved customer service functions, recent investment in digital capabilities and ecommerce options for customers are a key source of competitive advantage for the company. The previously advised restructuring programme to ensure a cost base that is fit for purpose and to realign STU's cost base with the expected economic recession is well underway.

Chief Executive Mark Malpass said "The COVID-19 pandemic and lockdown have had a significant impact on FY20 results, and has intensified the softening we had seen in vertical construction prior to COVID. In response we have accelerated restructuring of the company including our branch network and organisation. Our FY20 result has been impacted by non-cash goodwill and other business restructuring and digitisation related impairments, however I am pleased at how our company and our people have come through this challenging period.

"We start the new financial year with a strong balance sheet and a leaner cost structure. Our investment

¹ Normalised EBIT excludes non-trading adjustments including non-cash goodwill impairment and other write-downs due to acceleration of branch network changes, business restructuring and digitisation and the impact of Covid-19.

² STU adopted NZIFRS 16 Leases on 1 July 2019. The adoption of this standard results in the reclassification of operating lease expenses to depreciation and financing costs resulting in an increase to EBIT and operating cash flow. Pre-NZIFRS16 financial information is provided to assist with comparison to FY19 reported results.

in digital technology has laid a critical platform that is supporting our move to a service model that combines ease of access and customer service. We are confident Steel & Tube is well positioned to weather a range of forecast economic scenarios and importantly to take advantage of the opportunities ahead of us.”

ENDS

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