

# WELCOME

NZX Retail Investor Webinar November 2021

Steel & Tube was sub-contracted to Eastbridge to supply approximately 4,000 tonne of steel plate and sections used in the construction of the bridges on SH1 between Pūhoi and Warkworth.





# Agenda

About Steel & Tube

Our Performance

Growth Strategy

Q&A







## Steel & Tube is...

- One of New Zealand's leading providers of steel solutions
- A proud New Zealand company, with over 68 years of trading history
- 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

## Our purpose

**To make life easier for customers needing steel solutions by providing unparalleled service, experience and the highest quality products**

## Our vision

**To be the first choice for customers seeking quality steel solutions in New Zealand**

## We will achieve this by:

- Providing a one-stop-shop for the most essential steel products – from floor to roof and everywhere in between
- Doing everything we can to make it easy for our customers to do business with us
- Always looking for ways to work smarter
- Using technology and great thinking to pull it all together and enable a better business
- Building one great team right across the Steel & Tube business



# Site and Structure







› Predrilled plate, structural bolts

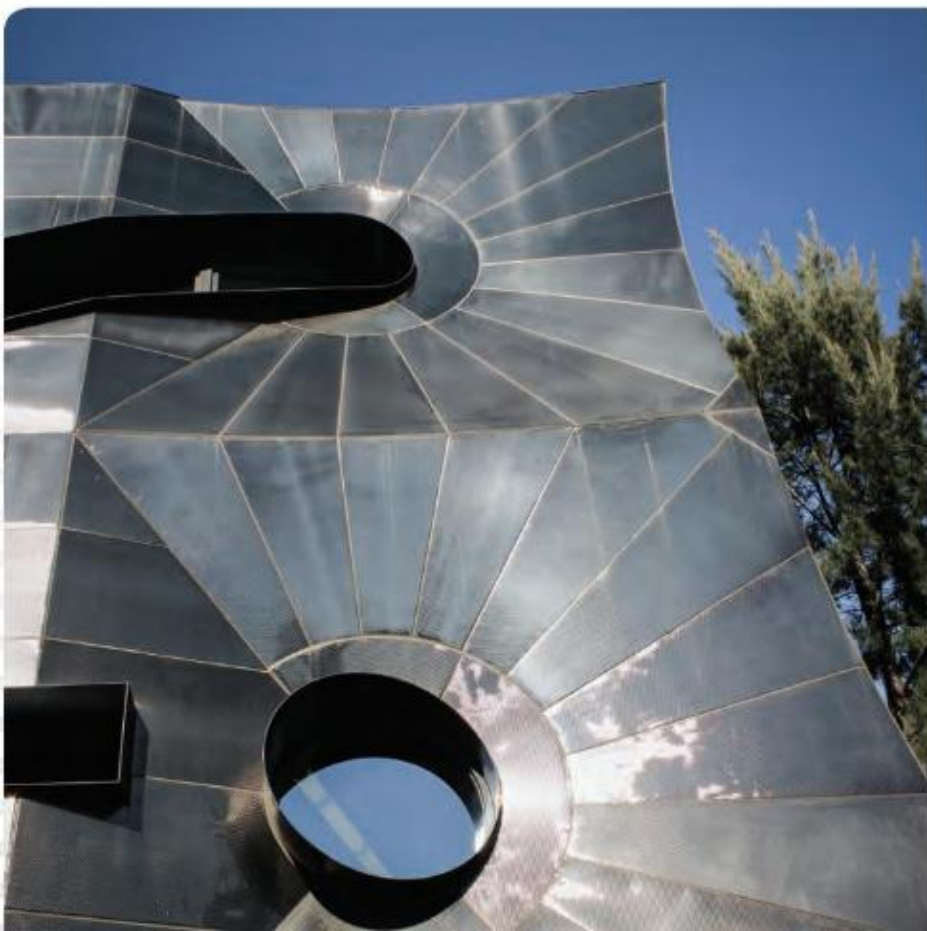


› Residential posts and beams





# Stainless Steel





# Enclosure and Cladding









# Outdoors





# Interior and Finish







→ Rigidised



→ No.8 mirror polished



→ Rimex 6WL





# Services

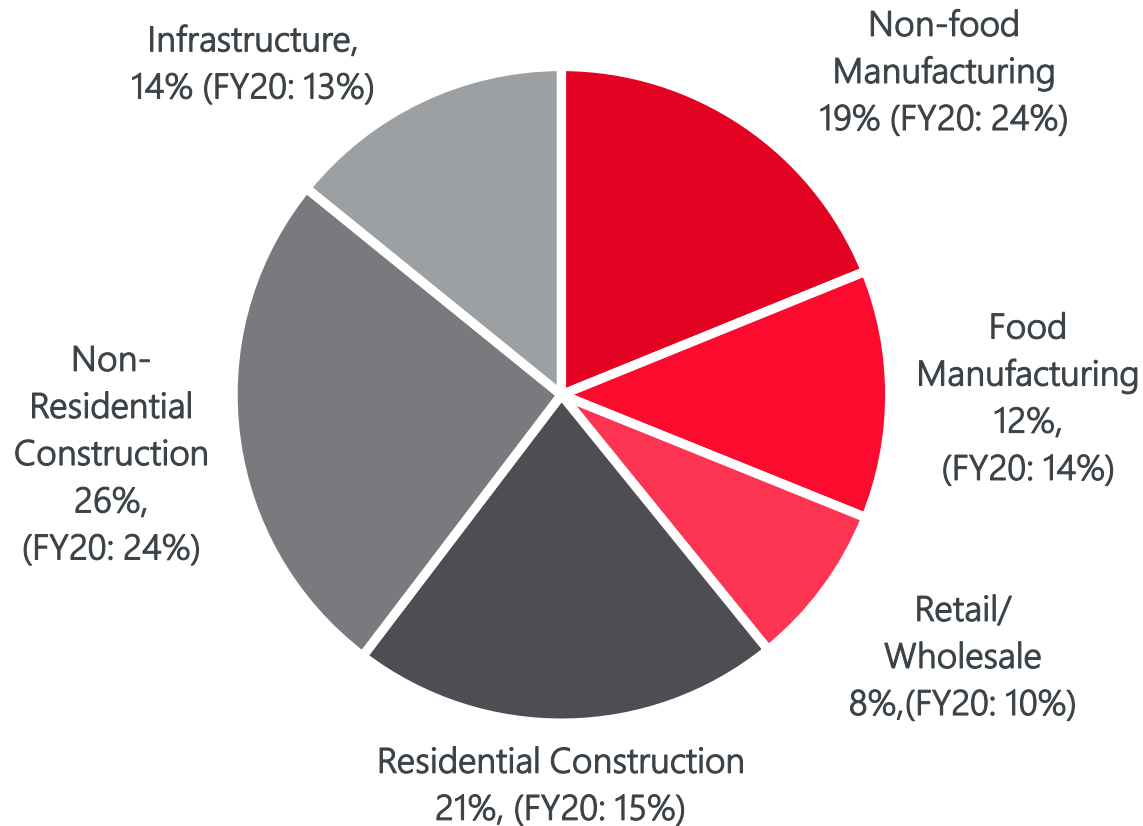








# Sector Exposure



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

- 47% Residential and Commercial Construction
- 14% Infrastructure
- 31% Manufacturing
- 8% Merchants/other





# Our business divisions

## DISTRIBUTION

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

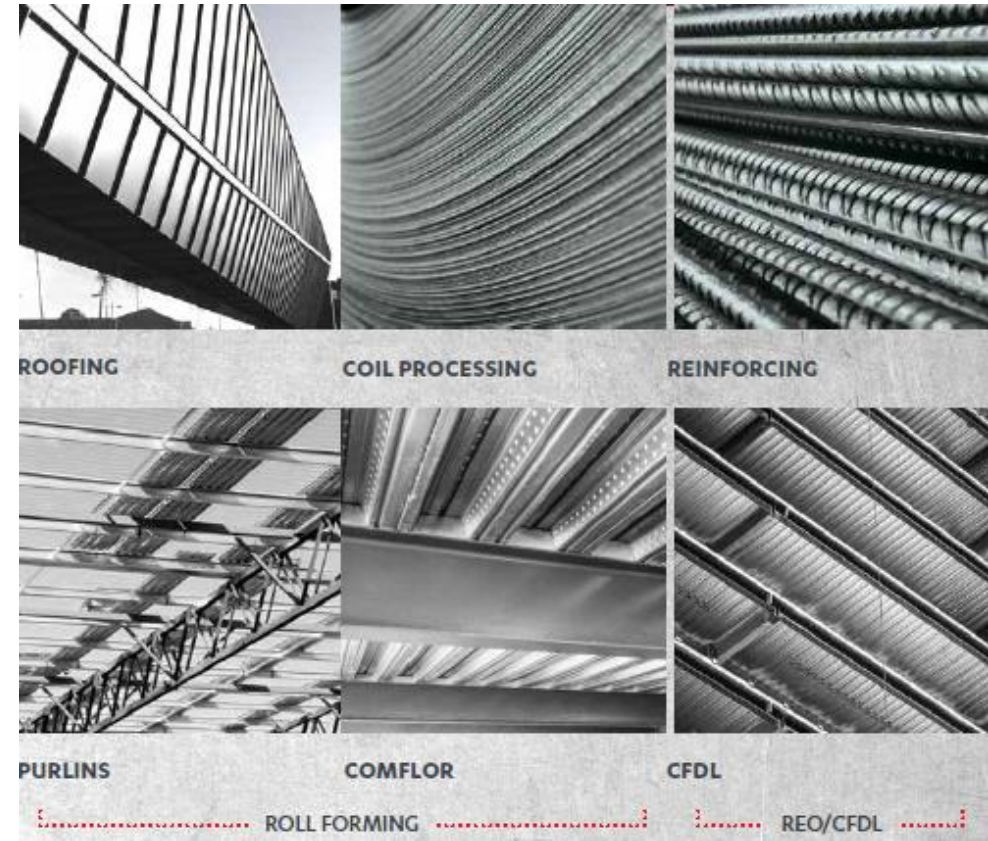


*Hurricane*

  
**FORTRESS<sup>®</sup>**  
FASTENERS

## INFRASTRUCTURE

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



 **ComFlor**



# Our Goals

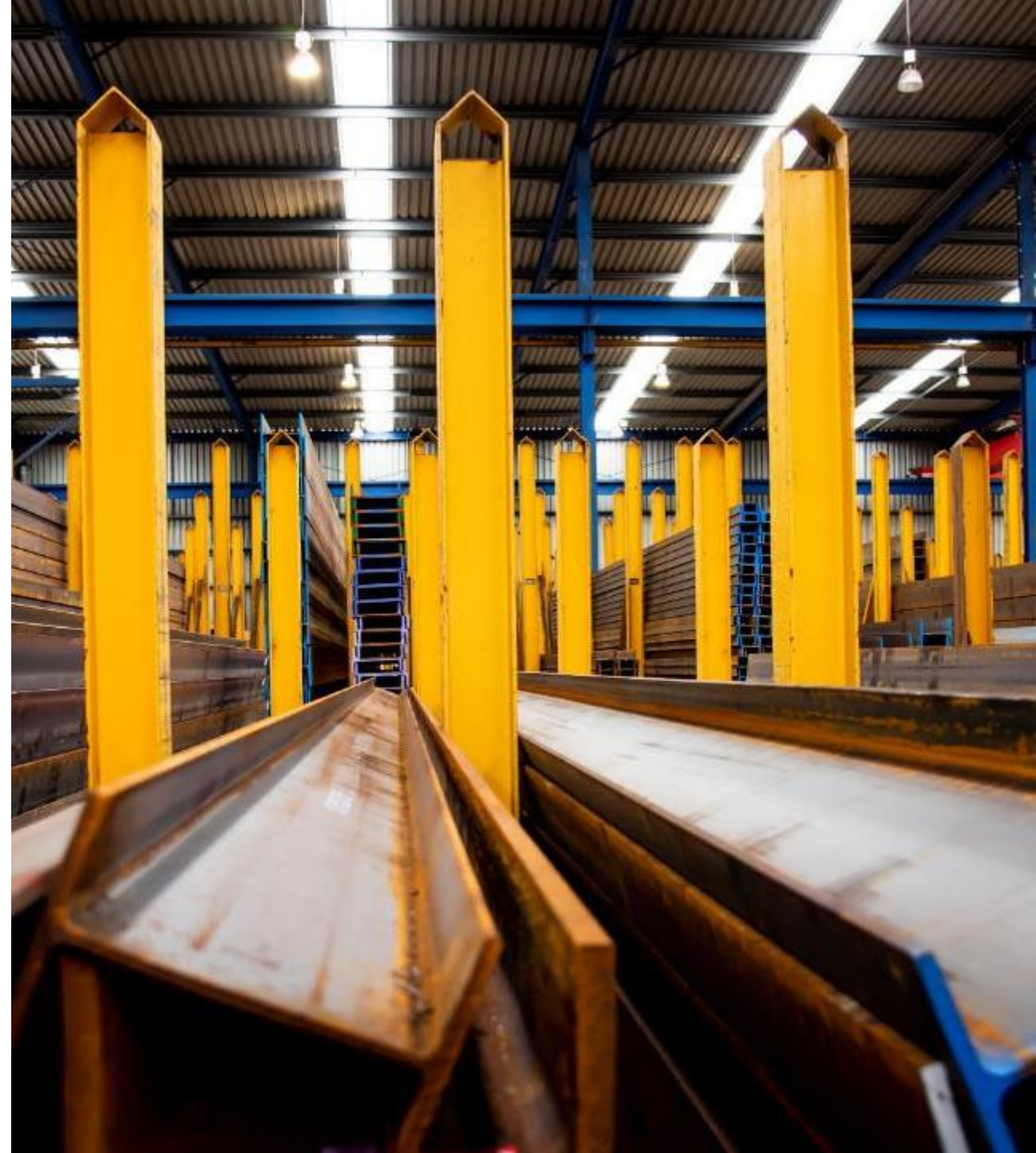
- To be the best in the business
- The preferred choice of for customers
- A rewarding place to work
- An attractive investment for shareholders





# Steel is the ideal circular economy material

- Infinitely recyclable without product degradation
- Easily reused and repurposed
- Minimum construction waste compared to other building products
- Significant proportion of steel is made in New Zealand using renewable energy sources
- Steel's durability means less need for replacement or structural changes





# Building a sustainable business



**Customer satisfaction  
score of 34**



**Employee Safety Measure  
TRIFR 1.86**



**Greenhouse Gas  
Emissions Down 9%**



**Digital strategy is intrinsic  
to our business**



**Employee Engagement  
7.4/10**

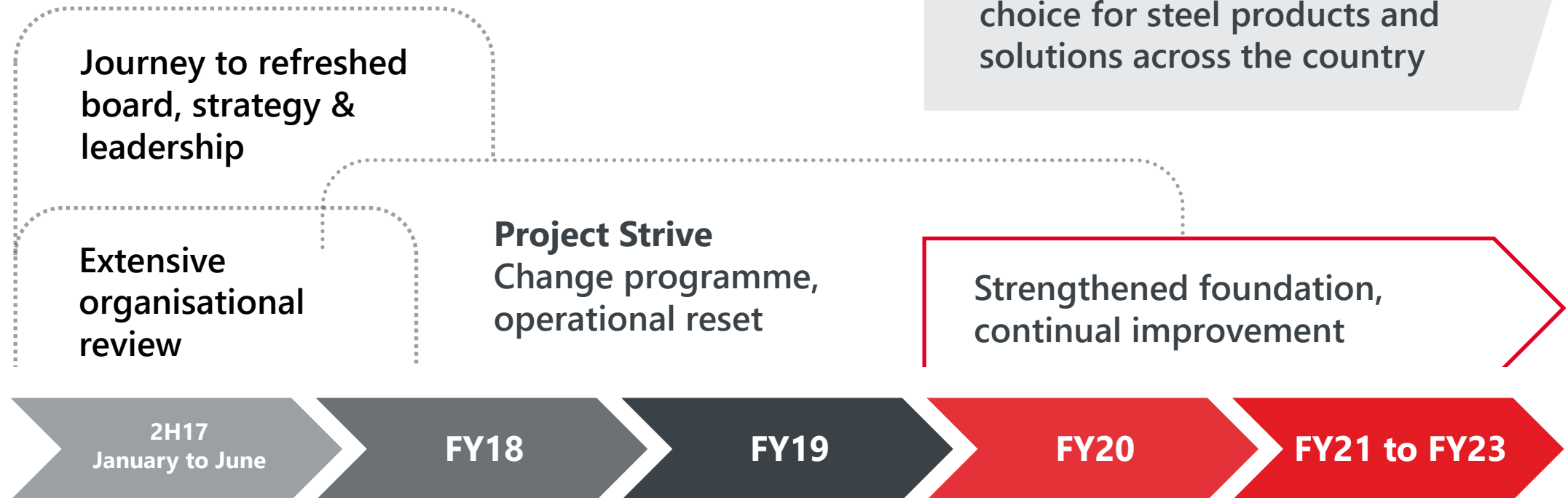


**Range of quality initiatives  
and certifications**



# Our journey

In late 2017, we embarked on an extensive company-wide reset to drive long-term sustainable earnings improvement and rebuild shareholder value - foundation now laid and moving forward.





## FY21 results at a glance

### Significant and sustainable improvement in results

- Material improvement in earnings
- Increased revenue
- Strong balance sheet with all debt repaid and \$25m net cash
- Resumed dividends

	FY20	FY21	
Revenue	\$417.9m	\$480.0m	↑
EBITDA	\$(37.2)m	\$40.7m	↑
EBIT	\$(57.7)m	\$21.8m	↑
Normalised EBIT	\$0.4m <sup>1</sup>	\$19.0m <sup>1</sup>	↑
NPAT	\$(60.0)m	\$16.1m	↑
Net cash	\$7.4m	\$25.0m	↑
Total dividends	NIL	4.5 CPS	↑

1. FY21 non-trading adjustments of \$(2.8)m includes \$1.6m in IFRS16 lease impairment reversals and \$1.2m gain on sale of properties. Further details included in appendix to this presentation.



## **FY21 performance overview**

**Strong result  
driven by delivery  
on strategic  
initiatives**

### **Benefits of strategic initiatives now becoming clear**

- Volumes and revenues have been rebuilt
- Focus on margin improvements
- Improved customer service and delivery
- Significant structural cost reductions – building a resilient underlying business platform
- Optimised working capital and invested in inventory to support customer growth
- Digital initiatives have been embedded and we are now focussed on scaling

### **Positive market backdrop**

- Positive economic activity driving increased demand for steel across a range of sectors

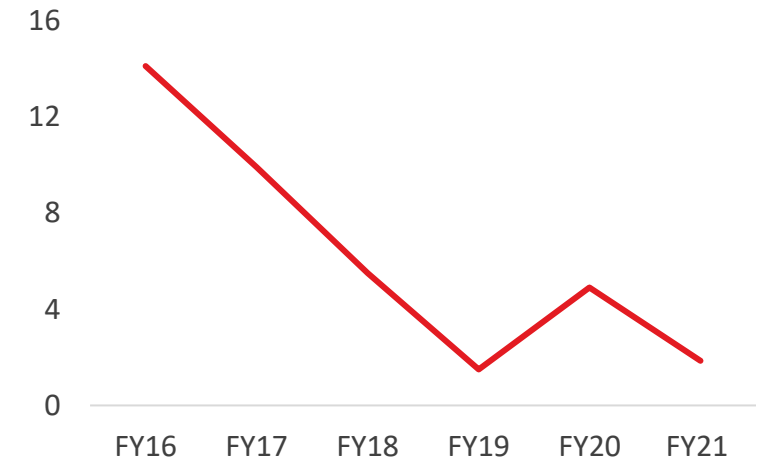


# Continued investment in Quality, Safety and Training

- Our commitment to Safety remains a stand out strength with employees rating Steel & Tube's safety commitment 8.6/10 in engagement survey
- Critical risk management including independent assurance and training throughout the group
- Continued investment in safety hardware including guarding and other risk mitigations
- Deployed Intelex software to eliminate paper based systems
- ISO 9001: 2015 now certified across all businesses
- Recertification of Structural Steel Distributor Charter
- First company to achieve certification new Steel Construction NZ Bolt Importer Charter

Strong improvement in eTRIFR\*, down to 1.86, well below industry average. LTIFR of 0.

EMPLOYEE TOTAL RECORDABLE INJURY  
FREQUENCY RATE (eTRIFR)



\*eTRIFR: Employee Total Recordable Injury  
Frequency Rate  
LTIFR: Lost Time Injury Frequency Rate



# Network Strategy

Network consolidation programme largely completed – optimised branch network maintaining a regional presence and increased product offering.



Annual Lease Cash Cost (\$m)	\$18.4*	\$15.9
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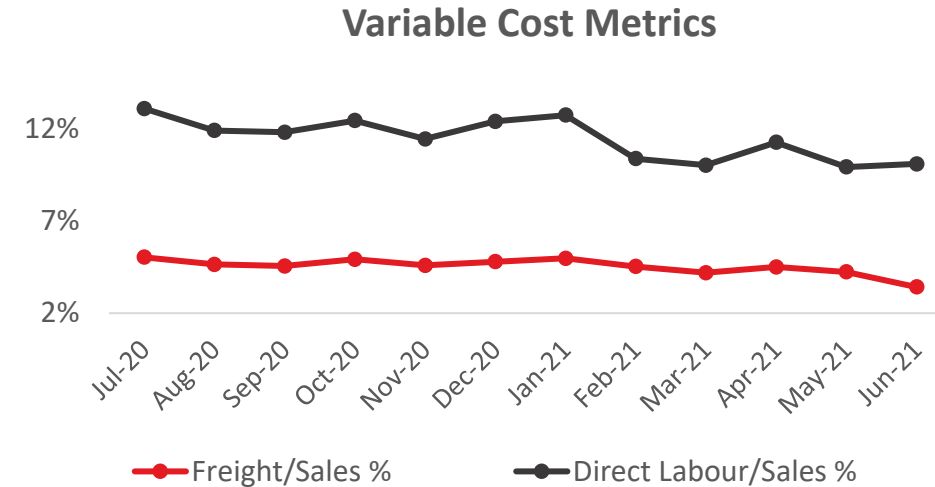
*\*2017 includes sale & lease back of two properties with lease costs of \$3.5m per annum, partially offset by reduced interest costs of ~\$1.6m per annum.*



# Substantial and significant cost savings

\$m	FY21	FY20
Sales	480.0	417.9
Operating Expenses (Excl D&A)	62.4	73.6
<b>Operating Expenses/Sales</b>	<b>13.0%</b>	<b>17.6%</b>
Depreciation and Amortisation*	17.5	18.8
<b>Operating Expenses (Reported)</b>	<b>79.9</b>	<b>92.4</b>

- Substantial 13.5% (\$12.5m) year on year structural reduction in operating expenses (reported)



- Variable costs (direct labour and freight) also reduced as percentage of sales

\*Excludes depreciation of \$1.5m (2020: \$1.7m) relating to equipment used to manufacture products as this is included in cost of sales.



# Enhanced focus on inventory and supply chain management

## Inventory Management

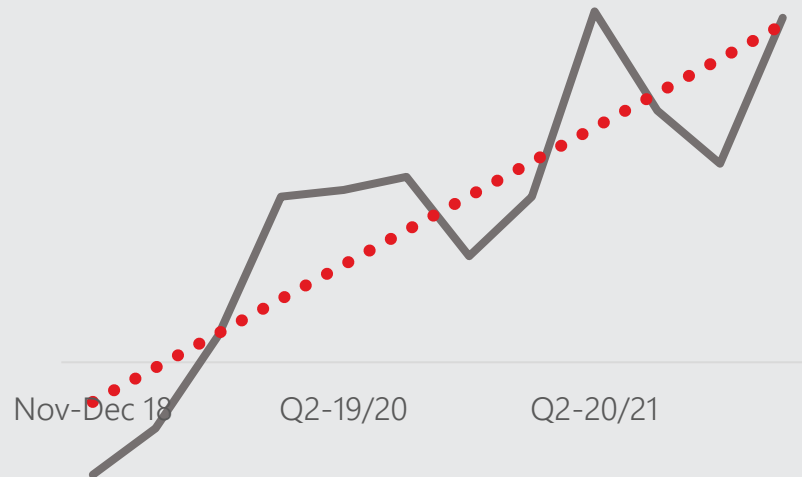
- Developed capabilities managing international supply chain congestion
- Developing advanced data analytics platforms for segmentation, pricing and product traceability
- Improved stock holdings of critical fast moving items
- Aged inventory reduced \$9m

## Supply Chain Management

- International shipping coordination and devanning management
- Network design and optimisation – leveraging distribution centre model
- Distribution Centre management including core system deployment
- Freight & Transport management
- Capturing benefits of Group scale and diversified offer



Net promoter score measures customer satisfaction and has improved since 2018



Average NPS of 34 for FY21

## Positive gains from focus on sales disciplines and customer excellence

- Focus on cross-selling through leveraging national footprint and breadth of products and availability
- Infrastructure businesses point of difference - project methodology and technical advisory
- Digital data driving customer segmentation, category management including availability and pricing
- Customer value proposition developed
- Omni-channel platform – business advisory, in-store, by phone or online
- Centralised Customer Excellence centre with a regional focus
- Expanded access to specialist expertise in sales teams



# Our digital investment

**Webshop, e-commerce, data analytics, customer management, online training modules, new digital tools to make jobs easier**

- Intrinsic foundation across all areas of the business
- Benefits:
  - Reduction in cost to serve
  - Driving revenue
  - Improving margin
  - Traceability
- Will continue to be an important investment area going forward
- Focus on increased functionality, advanced analytics, automation and integration with our customers



**+628%**

**Online Revenue Growth YoY**



**+5%**

**Average increase in customer revenue as result of online purchasing**



**+505%**

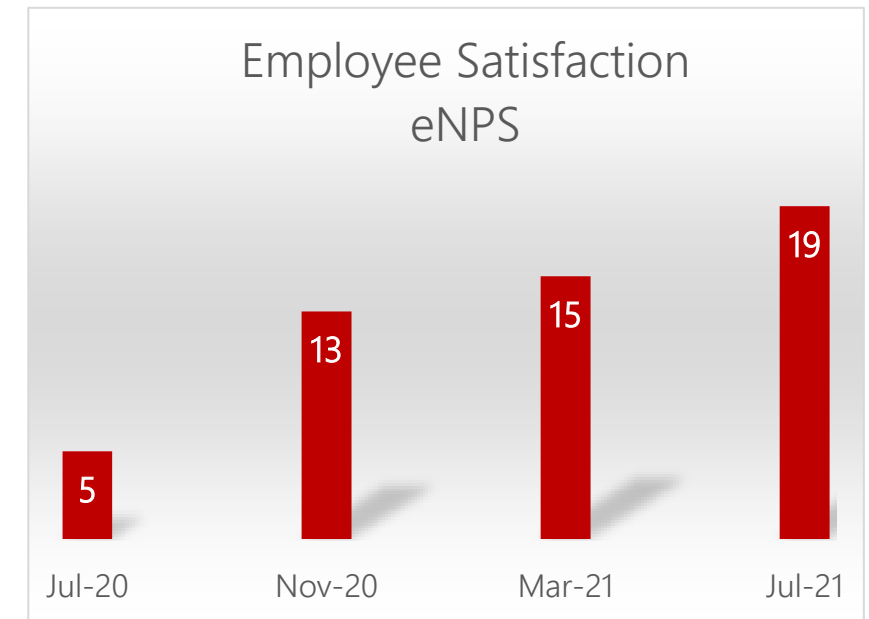
**YoY growth in online customers**





# Building a winning team

- Leadership programme rolled out across the organisation
- Over 50 online training modules currently available in our online training library, with 2,000 modules completed by team members in FY21
- Consistently high Employee Engagement Score of 7.4/10 and strong Employee NPS of 19
- New Maori cadetship programme, in partnership with Te Puni Kokiri
- Continued to support First Foundation; and Sector Workforce Engagement Programme (SWEP) with Papakura High School
- Introduced Back to School fund, providing support for Steel & Tube families





# FY22: Trading under Covid environment

**Impact of lockdown – substantial drop in revenue while fixed costs remain at same level**

Level  
4

- Distribution business trading limited to essential businesses only
- Infrastructure / manufacturing businesses not able to operate; MBIE exemption for Coloursteel in Auckland from 13 September 2021

Level  
3

- All facilities open under strict COVID conditions; Work From Home where possible

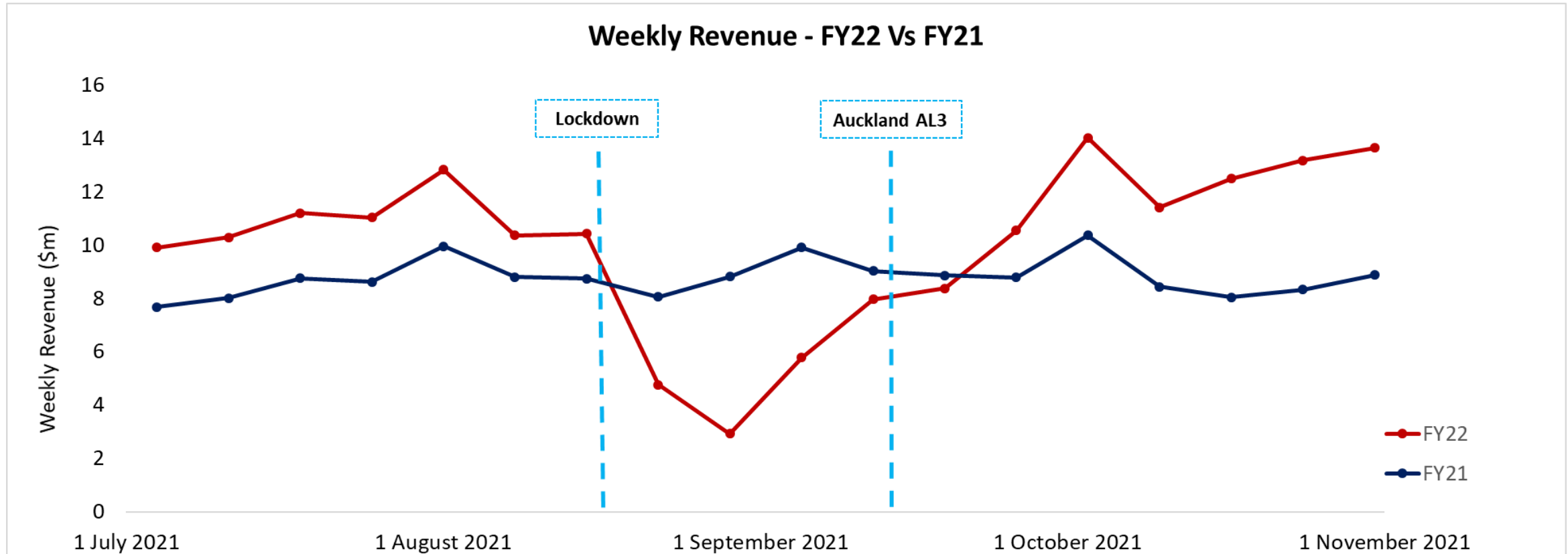
Level  
2

- All employees allowed back on site, with COVID protocols in place

We are capturing growth post lockdowns and took a leadership position on incentivising vaccinations

# Strong lift in year on year trading performance

## Significant momentum offsetting impact of Covid restrictions



Note weekly sales Monday to Sunday



# **Strategic focus: business growth**

**Growth opportunities are driving gross margin dollar improvement**

**Build on  
strong business  
foundation**

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**New product  
development  
& innovation**

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**Business  
Growth**

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# Areas of focus

## Build on strong business foundation

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- Continue to build best-in-class customer experience and digital platform
- Drive gross margin dollars
- Continued operational efficiencies
- Investment into IT and enhanced data analytics
- Leverage opportunities to cross sell wide range of products and services

## New product development and innovation

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- Continue to develop differentiated expertise
- Expand the targeted high value product ranges
- Work in partnerships with third parties
- Continue investment in marketing and promotion

## Business growth

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- Primary focus on organic growth
- Continue to consider opportunities in close adjacent sectors



## **FY22 market outlook**

### **Positive market backdrop, cycle expected to be stronger for longer**

- Residential expected to flatten due to expected interest rate rises and supply demand imbalance slowly reducing with borders closed
- Commercial seeing positive uplift in consents and significant increase in tenders coming to the market
- Infrastructure continuing to build due to significant underinvestment
- Expanding manufacturing sector

## FY22 business outlook

### Positive outlook with number of identified opportunities

- Long pipeline of secured contract work in place
- Well positioned to take advantage of identified opportunities in a range of sectors
- Focus remains on continued gross margin dollar improvement, leveraging digital platform, product and sales growth
- Expect continued earnings momentum and dividend flow
- Investigating potential capital management activities





## Steel & Tube's strengths

- Strong governance and sustainability focus
- Established leadership positions in many categories of the steel market
- Strong industry and strategic customer partnerships
- Diversity across multiple sectors in the steel market, reducing exposure to any one sector and providing ability to cross-sell to customers
- Streamlined and efficient national network, covering all main regions and towns
- Leading the way in the sector with digital platforms providing efficient access for customers
- Trusted customer partner – reliability, methodology, technical advisory and safety & quality
- Investment in product quality systems including Lloyds Register offshore and domestic steel mill attestation and test certificate verifications
- Strong balance sheet with capacity to invest into organic growth
- People, communities, environment, health, safety and wellbeing are at our core