

STEEL & TUBE 2022 ANNUAL SHAREHOLDERS' MEETING

30 September 2022

CHAIR'S ADDRESS

Susan Paterson

STEEL & TUBE TODAY

Steel & Tube is one of New Zealand's leading providers of steel solutions, a position that's been built up over many decades. 2022 is in fact, our 70th year of trading.

We offer New Zealand's most comprehensive range of steel solutions and products, through our ecommerce platform and our nationwide network of 27 branches and distribution centres.

We play a vital role in the New Zealand economy, as a reliable and trusted provider of steel solutions. We supply our products to businesses ranging from spa pool manufacturers to satellite makers, and for some of New Zealand's largest infrastructure projects from the City Rail Link to motorways. Steel is also a key component in the construction of projects focused around climate change, such as windfarms, and Steel & Tube has good expertise in these areas.

Our investment into inventory over the last 12 months has ensured these and other projects were able to continue, despite supply chain, mill and labour interruptions.

OUR JOURNEY

Five years ago, we embarked on a journey to reset our organisation for a stronger future. The results of our endeavours are now evident, with Steel & Tube reporting record Sales and EBITDA for the financial year ending 30 June 2022. We would like to thank shareholders for their support on this journey.

TURNAROUND AND COMMENCEMENT OF GROWTH STRATEGY

The 2022 Financial Year allowed us to demonstrate the value of our turnaround and our focus on growth.

We delivered a strong financial performance and now have a robust operating model in place to support our growth ambitions. Our digital strategy is a key enabler and we are leading the charge in the industry, to make it more efficient and effective.

We have a very clear focus on two pathways that will allow us to continue to generate double digit return on funds employed. Firstly, continuing to strengthen our core business and secondly, to grow by investing in high value products, services and sectors.

We are well positioned to deliver through the economic cycle with the expertise, operating platform and growth strategy that will create continued shareholder value.

5 YEAR TRANSFORMATION

Our company has been transformed over the last five years since we started our Project Strive turnaround programme in 2018.

This slide demonstrates the substantial improvement over this time.

Our financial performance has improved significantly to this year's strong results, with the embedded value now being realised from Project Strive and our growth strategy that is underway.

BUILDING A SUSTAINABLE BUSINESS

Our long term aim is to operate our business in a way that is financially rewarding for our shareholders, and positive for our people, our customers and our planet.

We have three key focus areas – maximising steel's contribution to a sustainable and low emission society, supporting our people and customers, and delivering value to our shareholders.

SUSTAINABLE STEEL

Steel is one of the world's most essential and sustainable building products – permanent, forever reusable and the most recycled substance on the planet.

On a cradle to cradle basis, steel's environmental performance compares favourably to other materials such as concrete and timber.

In New Zealand, it is estimated that 85% of steel from demolition sites is returned to steel mills for recycling.

Extending the life of a structure also enables more value to be extracted from the resources invested to build, operate and maintain it. For many construction and manufacturing applications, steel is the only choice.

However, we are mindful of the greenhouse gas emitted during steel's production. We are closely monitoring new technologies to decarbonise steel but are conscious these are still in the very early stages. In the meantime, we are focusing on initiatives to control our operational emissions, optimise energy consumption and minimise waste.

Our investment in technology is an important enabler of our progress towards reducing our carbon footprint.

One new initiative we are excited to support is a 'carbon credit' offer for our infrastructure customers, in conjunction with the Heavy Engineering Research Association. Now, customers can opt to offset the embodied carbon in the steel they order, which Steel & Tube will facilitate through our partners. These credits will be passed directly through to the customer, with the cost being used to fund the planting and protection of native trees across New Zealand and the Pacific Islands. Steel & Tube does not make any money from this programme.

ESG SCORECARD – SAFETY AND EMPLOYEE ENGAGEMENT

We are focused on continual improvement in key areas that matter to us:

Both employee safety and employee engagement have significantly improved in the last year.

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.

Pleasingly, our people rated their satisfaction score as 7.8/10 – a reflection of the supportive and strong culture at STU.

The Board recognises the value of diversity across our workforce and the part this plays in creating a rich and vibrant culture. Thirty different ethnicities are represented across our workforce. Māori leaders now represent 18% of direct reports to our General Managers. We have commenced Māori cadetships with Te Puni Kōkiri, and our Diversity & Inclusion team have led awareness campaigns on cultural traditions and practices which affect key demographics of our workforce. Our internships and the Steel & Tube career coaching programme are also new initiatives to attract and retain great people. 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.

Early on in Covid, we recognised Mental Wellbeing was going to be important, and during the lockdowns we supported our people, not only financially but also their Wellbeing. Every six weeks, we've continued to run webinars on a range of topics that affect our people both in the workplace and at home. These range from mental health, parenting, managing stress, financial advice, nutrition and mindfulness.

It was also important that our people and their families were healthy and safe – we were the first to invest in Covid vaccine incentives, we pushed booster support, and provided RAT tests for families.

We have also invested in training and skill development while many of our workers were stuck at home, to keep them engaged and also allow them to upskill and progress their careers.

ESG SCORECARD – CUSTOMER SATISFACTION AND CARBON REDUCTION

Customer satisfaction also continues to increase and reflects our ability to deliver during what has been a challenging year.

Our greenhouse gas emissions reduced year on year, with a 7% reduction in emissions per tonne sold. This is a result of multiple supply chain and operational initiatives.

SHAREHOLDER RETURNS

We are committed to generating value for our shareholders.

Steel & Tube has a high gross dividend yield, with this year's full year dividend of 13.0 cents per share, representing a yield of 11.4%. This gross yield compares well to our peers.

Earnings per share are 18.3 cents per share (cps), with Net Tangible Assets per share at \$1.22

Total shareholder returns in FY22 were 19.1%.

STRATEGIC GOALS

Steel & Tube has a clear forward strategy, a strong operating platform and the means to invest into growth.

Our goals are three-fold:

To position Steel & Tube as the preferred supplier for steel solutions and products;

To increase the company's valuation by growing our existing offer and programmatic smaller m&a in adjacent sectors;

And to deliver increasing returns and value for our shareholders.

The turnaround and commencement of the growth strategy has been proved with this year's record Sales and EBITDA result.

I would like to acknowledge the exceptional efforts of Mark Malpass, who stepped down from the board to take on the role of CEO in late 2017, and the leadership team, as well as all the people at Steel & Tube who deliver outstanding service for our customers every day.

I would also like to thank my fellow Board members, whose industry knowledge and skills deliver significant value for Steel & Tube.

CEO'S ADDRESS

Mark Malpass

LEADERSHIP TEAM

I'd like to acknowledge the leadership team, many of whom are here today, sitting in the front row, and would be more than happy to talk with you after the meeting.

The success of our transformation over the past five years, is definitely a team effort and would not have been possible without their support and contributions.

FY22 HIGHLIGHTS

We have a very clear focus on two pathways to continue to generate double digit return on funds employed. Firstly, continuing to strengthen our core business and secondly, to grow by investing in high value products, services and sectors.

One of the drivers in this year's strong result has been the recovery and uplift in economic activity, creating high demand for steel.

Residential construction has been booming, commercial construction and manufacturing have remained steady, and infrastructure is expanding with large ongoing projects such as 3 waters, wharfs, rail bridges and motorway upgrades.

Covid-19 continued to disrupt the business during the 2022 Financial Year, with regional lockdowns and restrictions in the first half of the year and increased employee absenteeism due to illness in the second half of the year. We've also seen labour constraints, steel mill and supply chain congestion which has impacted on stock availability, and increasing steel prices alongside rising inflation and interest rates.

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. Our investment into technology is also paying dividends across all areas of our business, making us more efficient and agile.

Our focus has been on maintaining availability of product and high levels of service for customers. Importantly, we increased our inventory holdings of high demand products in the 2022 Financial Year, investing significant cash to ensure availability of critical products for our customers. As shipping and supply chain issues ease, we expect our inventory levels to reduce.

We also grew the business during the year, through acquisition of complementary bolt-on businesses, such as Fasteners NZ.

FY22 FINANCIAL RESULTS

We were pleased to deliver record sales and EBITDA in the 2022 Financial Year, driven by a focus on customer service and value add, operational performance, and disciplined supply chain management, which meant we had inventory available when our customers needed it to support their growth across a range of sectors.

Revenue increased 25% to be almost \$600m; EBIT increased 130% to \$47.6m, with EBITDA up 73% to \$66.6m, and profit almost doubling to \$30.2m.

Other key metrics have also improved – Return on Funds Employed was 14.6%, our customer satisfaction or net promotor score moved up to 40 vs industry average of 32, and our employee satisfaction net promotor score was 35 vs industry average of 18. Importantly, our safety employee Total Recordable Injury Frequency Rate improved to 1.13, well below industry averages of 5.

BUSINESS PERFORMANCE

Both our business divisions delivered improvements, with a particularly strong performance in Distribution which is benefitting from focussed customer service, inventory and supply chain management, and trading disciplines.

We are currently expanding plate processing and other high margin product opportunities are being planned.

In Infrastructure, revenues increased despite the challenging market conditions, while margins were down slightly primarily due to the impact of Covid on Reinforcing. We have repositioned this business to drive higher returns and lower risk.

Roofing which makes up about 60% of Infrastructure revenue has grown significantly.

MOVING FORWARD

We have a robust operating model in place to support our growth ambitions and are well positioned to deliver through the economic cycle and grow shareholder value.

OUR STRATEGY

In particular, we are concentrating our efforts into two key areas – continuing to strengthen our core foundation and investing in higher value products, services and sectors.

STRATEGIC PATHWAYS

Our overall goal is to deliver gross margin improvement.

Continuing to strengthen our core involves building on the business foundation now in place with focus on:

Best in class customer experience to ensure we achieve our goal of being New Zealand's preferred supplier of steel products and solutions; and

Leveraging our breadth and scale to cross sell a wider range of products and services, using our industry leading digital platform, continued focus on gross margin dollar per tonne, and delivering operational efficiencies.

Investing in higher value products, services and sectors is focussed on extending what we can offer to our customers. This includes adjacent materials and value added services.

Diversifying customer segments and building scale and footprint in these areas is important.

While our primary focus is on organic growth, we also continue to consider opportunities via programmatic smaller M&A in adjacent sectors.

We are mindful of the investment shareholders make in our company and do not believe in growth for growth's sake. Instead, we have a disciplined approach to investment in new opportunities, to ensure they will deliver financial and strategic value.

STRATEGIC PATHWAYS: CURRENT STATE

You can see on this slide our key initiatives and their current state. We are at the early stage with many opportunities, with their full benefit and value yet to be realised.

I'd like to talk about a few of things we are doing in a bit more detail.

DIGITAL ADVANTAGE

Our digital strategy is a key enabler for our business and provides a significant competitive advantage in what is a traditional analogue industry.

We've seen digital steel trading emerge in the US and Europe which provides us with continued conviction to invest in our digital and IT offering, and accelerate our shift to digital sales, making it easier for our customers and delivering efficiencies for our business, and also NZ Inc.

Data and analytics have also helped capture opportunities in the areas of pricing and procurement, review of product lines and operational efficiencies.

PLATE PROCESSING

An example of our growth strategy in action is in added value plate processing where we have invested into new equipment to expand our plate processing capability and offer.

This is a high value category with strong demand, that provides attractive margins. Our expanded capability will allow us to benefit from growing demand for value-added processed steel plate, while continuing to supply our existing processing customers.

Our new Kinetic machinery offers combination cutting, milling and drilling systems which help increase efficiency and maximise production. It uses the latest plasma cutting technology and can cut a variety of metals. Thanks to the fully integrated software, we can process parts from start to finish in single set up, saving time and increasing productivity. Easy touch screen controls make it simple for our team, again enhancing productivity.

Not only does the new machinery deliver substantial operational benefits, but it also reduces waste through optimising the use of remnants. It was operational from June 2022 and we already have a strong forward workload in place.

KIWI PIPE AND FITTINGS

On 1 August we acquired Kiwi Pipe and Fittings which is also symbolic of our strategy to selectively invest in high value products and sectors.

Kiwi is a small business which specializes in fire and water reticulation products. It builds on our existing offer and provides scale and market share growth, as well as being immediately earnings accretive. Bringing Kiwi into the fold makes us one of the larger suppliers in this market.

1Q23 TRADING UPDATE

Trading through July and August has been steady across most sectors with earnings supported by operational and trading disciplines.

Last year was impacted by the Nationwide Alert Level 4 Lockdown at 11:59pm on 17 August. In FY23, for the 34 days to 17 August 2022, revenue is up 15% while volumes have remained at the same level as the last year.

We have a strong pipeline of secured work in place.

FY23 OUTLOOK

At a sector level, Infrastructure is expected to grow as the Government rebuilds investment and with large infrastructure projects planned over the next decade. The manufacturing sector is showing positive signals with the PMI expanding to 54.9 in August. Residential construction consent data remains positive although we are starting to see some softening which is likely to be partially offset by ongoing social housing and retirement village investment. Commercial construction remains reasonably solid.

Looking at the 2023 Financial Year, we are expecting continued volatility in the global and local economy.

Steel pricing in NZD is expected to remain elevated in the near term.

Customer activity is anticipated to be steady although some sectors will moderate off the recent extraordinary high demand levels, as is already being seen.

Our focus remains on gross margin dollar per tonne and delivering double digit Return on Funds Employed.

STRONGLY POSITIONED

Steel & Tube is strongly positioned to deliver through the economic cycle and to take advantage of new market and product opportunities.

We have a clear focus on continuing to strengthen the core and investing in high value products, services and sectors.

While the majority of our growth will be organic, we will also continue to consider small bolt on acquisitions where they meet our criteria.

The benefits of current strategic initiatives are expected to commence in the 2023 Financial Year and be fully reflected in results from 2024 Financial Year and onwards.

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. Our focus remains on how we differentiate ourselves to stand out as the preferred supplier of choice.

We expect continued earnings momentum and our goal is to deliver sustainable double-digit Return on Funds Employed.

ENDS