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STU / NZX ANNOUNCEMENT

steel&tube

STRONGER IN EVERYWAY

STU PROVIDES EARNINGS GUIDANCE, SIGNIFICANT UPLIFT ON PRIOR YEAR

Steel & Tube Holdings Limited (NZX:STU) recently reported a 14% year on year increase in revenue for the first four months of the financial year (to the end of October 2021). The Company is now providing guidance for the six months to 31 December 2021.

Earnings Before Interest and Tax (EBIT) is expected to be above $17 million, compared to $8.9 million in the prior comparative period (pcp). Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) is expected to be at least $26.5 million (pcp: $16.8 million).

The significant uplift in expected earnings is being driven by volume growth in target segments and positive market conditions, improved gross margin disciplines and continued reduction in percentage operating costs. This guidance assumes no return to lockdowns before 31 December 2021 and is subject to any impact of the recent IFRS Interpretations Committee agenda decision on Software as a Service (SaaS)[1].

Steel & Tube CEO, Mark Malpass, commented: "We are seeing the benefit of improvements made to the business over the last few years, combined with a backdrop of robust economic activity. Market conditions look to remain positive for at least the medium term as the economic cycle is expected to be stronger for longer. The current residential boom is expected to moderate, while industrial building, infrastructure and manufacturing are all expected to continue to grow."

"Steel & Tube has the largest offering of steel products in New Zealand and we have invested in inventory, particularly essential, high demand products. Our focus remains on customer service, continued digital offerings, growing sales in attractive segments and gross margin dollar improvement. We have a strong pipeline of secured work in place and are well positioned to take advantage of opportunities."

The company is not providing guidance for the second half of the financial year at this stage, given the ongoing uncertainty surrounding Covid-19 impacts. The company notes that there are seven (6%) less trading days in the second half of the financial year.

ENDS

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[1] In April 2021, the International Accounting Standards Board's IFRS Interpretation Committee issued an agenda decision clarifying how arrangements in respect of SaaS should be accounted for. As a result of this decision, costs previously capitalised will be expensed. As this is a change in accounting policy, these adjustments will be made retrospectively. Steel & Tube is currently assessing the impact of this change; any impact will be a non-cash, accounting change. The impact of any change is excluded from the above guidance.