FY23 Results Presentation

For the 12 months ended 30 June 2023

21 August 2023

Agenda

- FY23 performance
- Financial results
- Moving forward
- Outlook
- Discussion

FY23 trading conditions

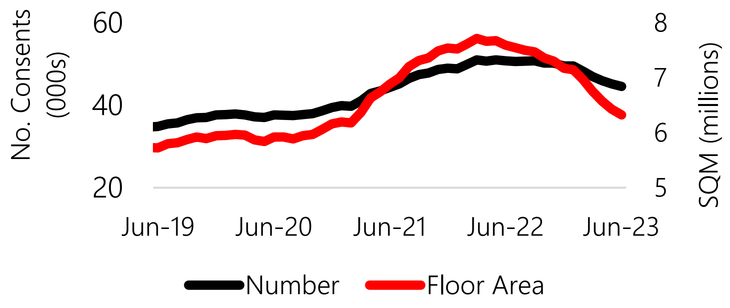
Resilient business platform and track record of navigating changes through economic cycles

- Some easing in activity across most sectors in 2H23; FY23 volumes down 12.4% compared to FY22
- Residential weak – consumer spending under pressure, interest rates impacting housing market, reduced business and residential investment; 12% of STU revenue is from Residential
- Commercial construction and Manufacturing softer but remains stable; Infrastructure investment continues to strengthen after long period of low investment
- Inflationary cost pressures partially offset, with further benefits expected to flow into FY24
- Tight labour supply over most of the year, with some easing in 2H23 as more foreign workers gain entry
- Steel pricing remains elevated above pre-Covid levels
- Inventory levels actively reduced to match market demand and as supply chains opened up
- Supply chain constraints and international freight rates eased at end of 1H23; however fuel and compliance costs expected to see rates rise in FY24

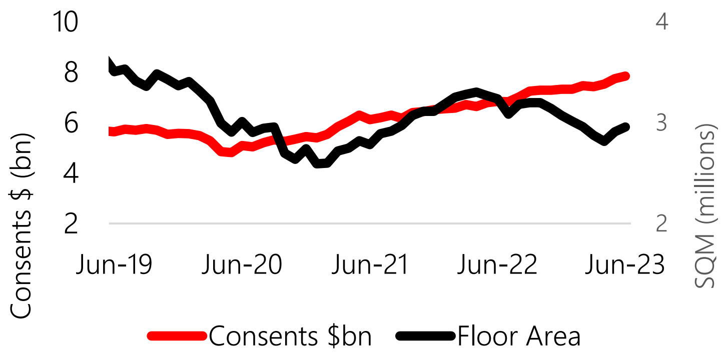
Demand for steel remains solid despite economic conditions

Positive long term macro trends will drive momentum

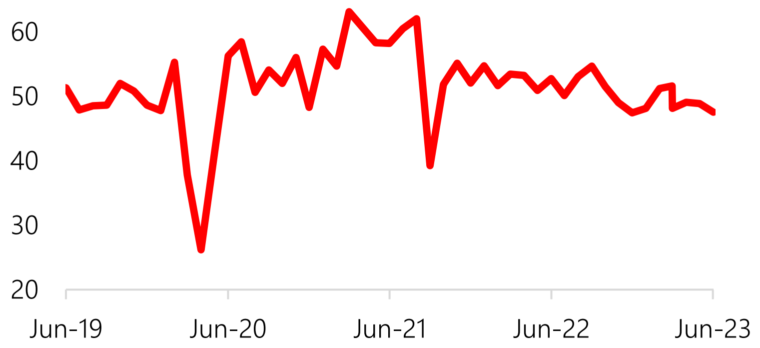
Residential Consents
Long term demand and undersupply



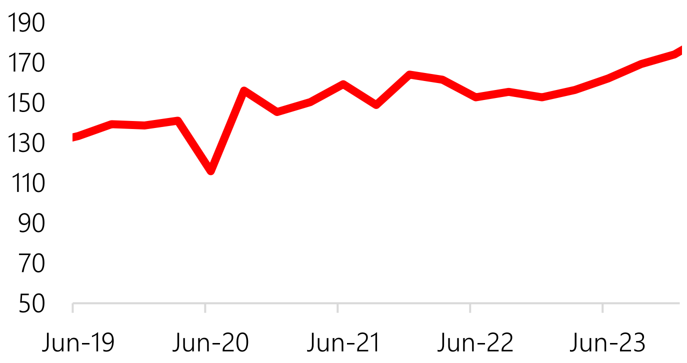
Non-Residential Consents
Positive commercial investment continues



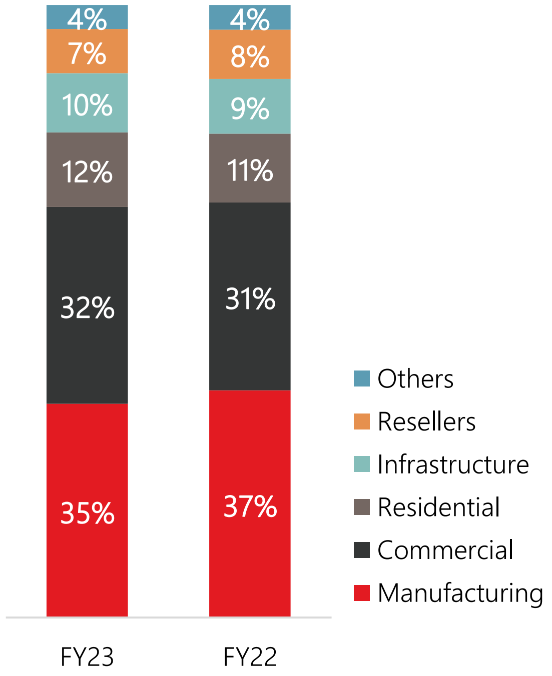
Performance of Manufacturing Index (PMI)
Headwinds affecting activity, long term remains positive



Activity Index: Infrastructure Construction
Robust outlook with large scale projects



Share of Sales



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

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Source: Statistics New Zealand, BNZ – BusinessNZ PMI, Statistics NZ, NZIER
Share of sales restated following a comprehensive review of all significant customers as part of our segmentation strategy

Actively managing market challenges

Market Challenges	FY23 response
Slowing economy	• Resilient business platform – significant reductions in debt and inventory, solid underlying cashflows
Commodity price volatility, some easing	• Continued investment in the right inventory and reduced inventory cover • Selling down longer inventory positions • Focus on dollar margin capture on existing inventory
Inflation	• Actively targeting cost inflation • Comprehensive cost out programme – benefits to be seen in FY24
Tight labour market	• Continued focus on staff training and development – leadership training, coaching, wellbeing workshops • Expanded investment in Māori Cadetship Programme • At year end, all staff at or above the Living Wage
Cashflow management	• Tight management of debtors • Continuing to review debtor and creditor terms

Results at a glance

Successful strategy execution driving resilient performance

Revenue **$589.1m** -1.7%	Volume **146,409t** -12.4%	Normalised EBITDA **$52.9m** -20.9%	EBITDA **$51.9m** -22.1%
Normalised EBIT **$32.1m** -33.0%	EBIT **$31.0m** -34.9%	NPAT **$17.0m** -43.7%	ROFE **9.9%** FY22: 15.4%

- Solid financial performance, at top of guidance
- Achieved Steel & Tube's second highest revenue result, just shy of last year's exceptional super cycle result
- Record net cash inflow from operating activities of ~$100m, almost double that of the previous record cash inflow result
- No bank debt and a positive cash balance, representing a ~$50m improvement

Earnings Before Interest and Tax (EBIT), Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA), Net Profit After Tax (NPAT) | ROFE: Return on Funds Employed, calculated as Normalised EBIT over Average Funds Employed (Net Debt (including Lease Liability) + Equity). FY22 had previously been calculated using debt, the percentage has been restated to use net debt consistent with the company's peers | Non-GAAP earnings reconciliation at the end of the presentation

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Making life easier for customers needing steel solutions

Dual pathway strategy

Our goals

Customer - preferred supplier for steel solutions and products

Growth - increase value through organic growth and programmatic smaller M&A

Shareholder - deliver increasing value and returns for our shareholders

Sustainability - financially rewarding for our shareholders and positive for our people, our customers and our planet

Continue to strengthen the core

Grow high value products, services and sectors

Strategic pathways

- Best-in-class customer experience
- Cross sell products and services
- Accelerate shift to digital sales
- Drive gross margin $/tonne
- Operating efficiency

- High value products, diversified materials and value-added services
- Diversify customer segments and build scale
- Primary focus on organic investment and programmatic smaller M&A in adjacent sectors

Strengthening the core

- Best-in-class customer experience
- Cross sell products and services
- Accelerate shift to digital sales
- Drive gross margin $/tonne
- Operating efficiency

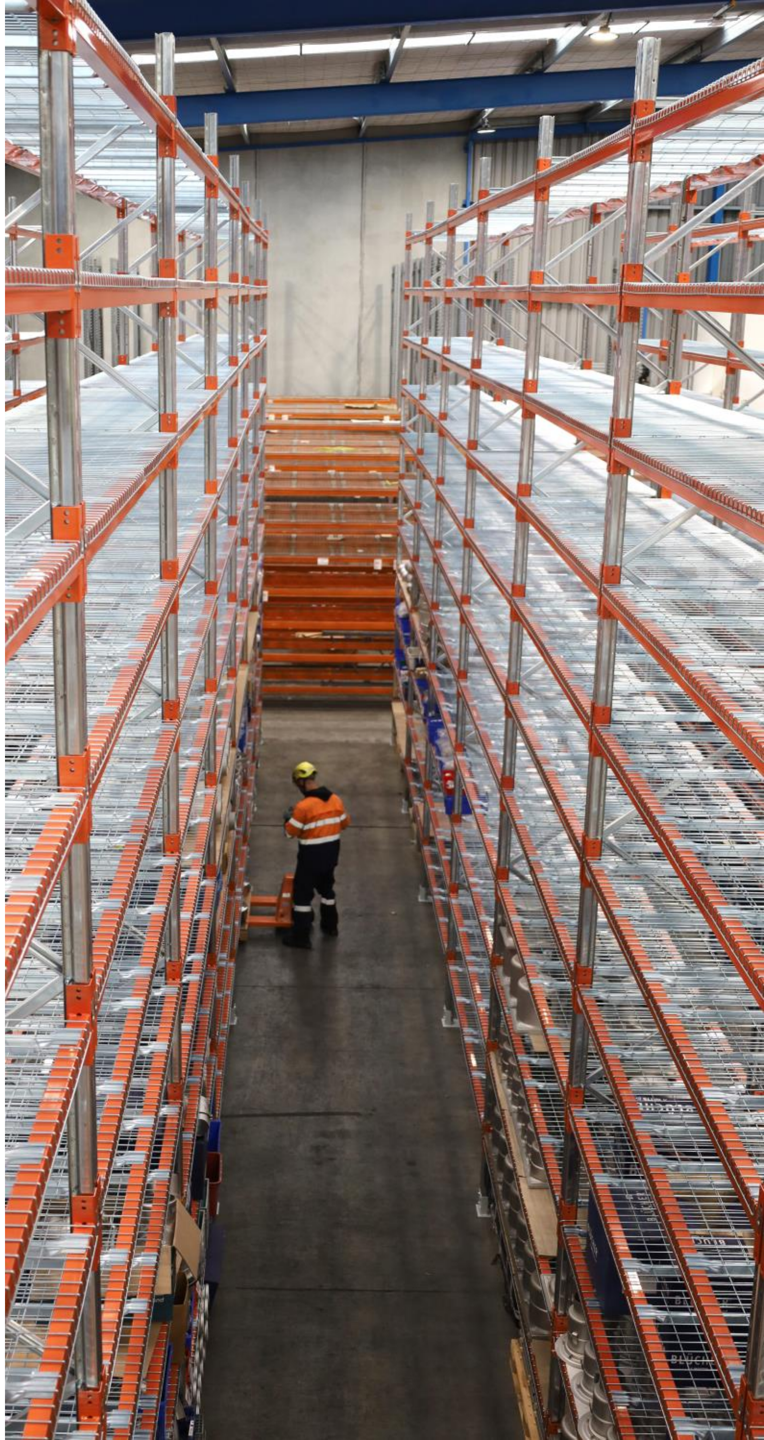
Overall goal to deliver gross margin improvement

- Continuous focus on the customer – customer segmentation to ensure each is serviced in the most appropriate manner
- Pricing analytics driving value, consistency and fair value for customers
- Digital offering fast and reliable customer service
- Focus on opex costs and $5m cost out programme in FY24 – good progress already made
- Project Strong investment maximising the return from our Auckland palletised operations

Project Strong – focus on palletised operations

Goals – increase capacity, improve service offer and productivity

- Increased warehouse capacity for high value, high demand products along with reductions in freight costs and emissions
- Improved facilities, including a refreshed tradeshop and collection point in West Auckland
- Investing in new racking at Bruce Roderick Drive site, doubling our Auckland palletised capacity
- Increased automation and warehouse technologies to drive safety and productivity – improved service offer and market advantage
- Net present value estimated at $4m; total investment in our facilities ~$1.5m (1/3 funded by landlords); FY24 one-off opex impact $0.7m



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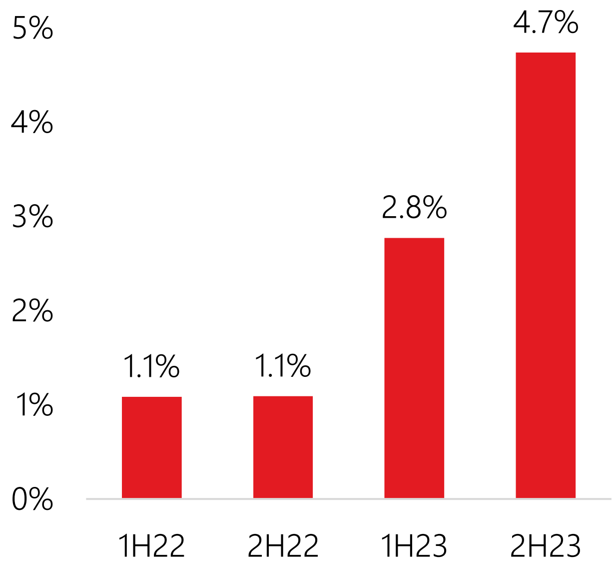
Grow high value products, services and sectors

- High value products, range extensions, diversified materials and value-added services
- Diversify customer segments, build scale and earnings stability through cycle
- Primary focus is on organic investment and M&A in adjacent sectors

Overall goal to deliver gross margin dollar improvement

- Recent initiatives now account for 10% of Distribution EBIT
- $12.3m of investment FY22 to FY23; delivering positive earnings from day one
- Significant opportunities continue to be identified

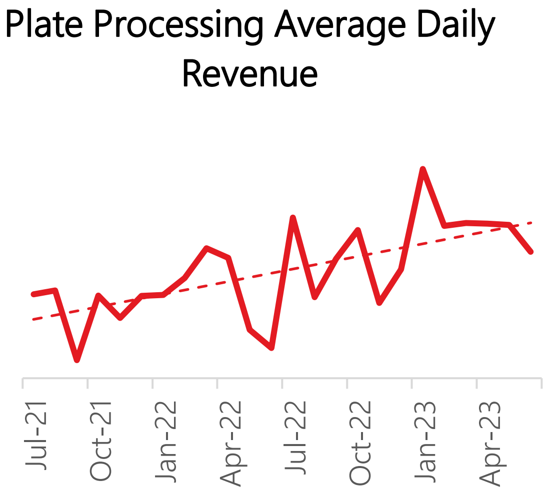
Growth initiatives as % of Distribution Revenue



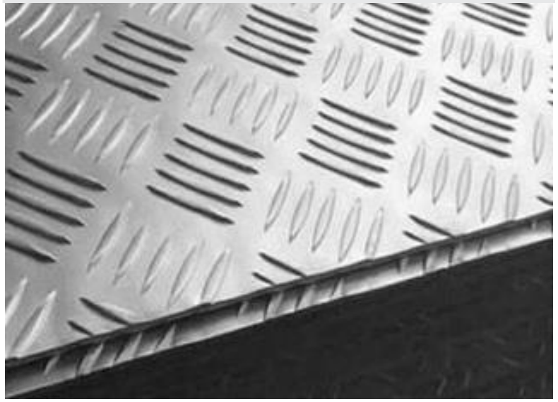
Recent organic growth initiatives

Plate Processing

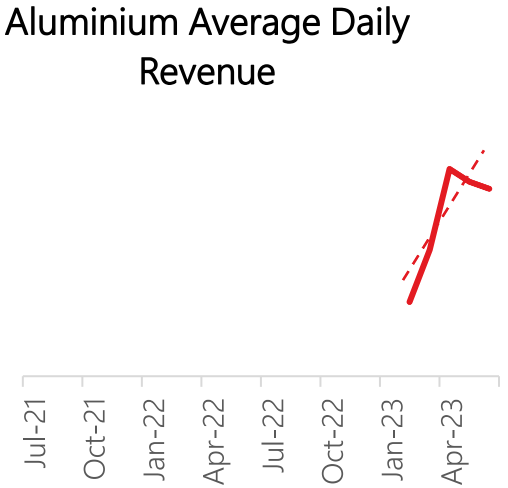
- Additional new high specification Plate Processing & Press Brake installed on budget and on time
- Plate processing revenues up 76% and Gross Margin $ up 75% year on year
- Earnings momentum building with further geographic expansion in progress



Aluminium



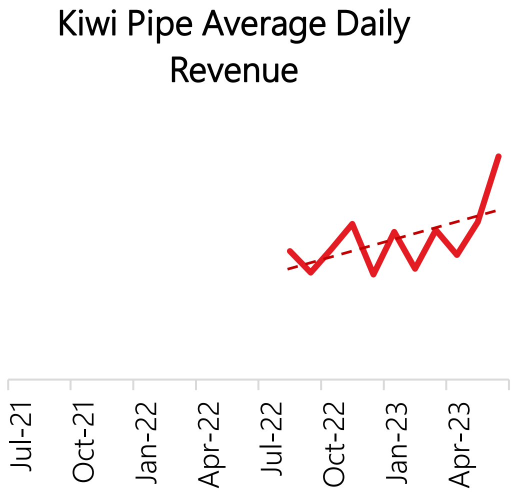
- Selected range of high demand, high value products added from March 2023
- Initial focus on range to support existing customer base
- Immediately earnings accretive, utilising our existing distribution network
- Pleasing initial demand which is growing steadily
- Product margin $/tonne has exceeded expectations – aluminium is now one of our highest margin products
- Adding selected range extensions to meet demand



Completed M&A

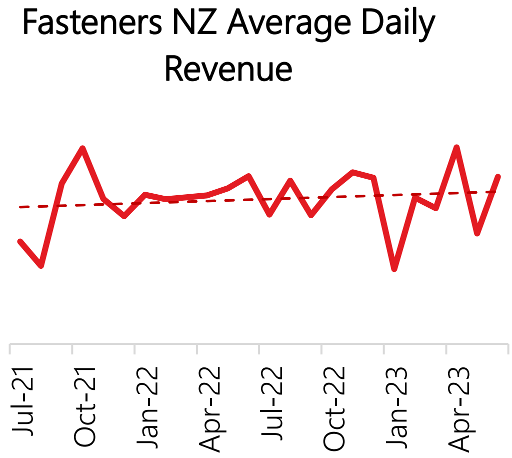
Kiwi Pipe & Fittings

- Integration in line with expectations with business operating on Steel & Tube systems
- Solid forward project work in the pipeline
- Leveraging our existing network to expand the Kiwi range nationally
- Earnings per share positive in the first year
- One of our highest ROFE businesses



Fasteners NZ

- FY23 revenue and EBIT slightly up on FY22 despite the slowdown in the residential sector
- New product range extensions supporting growth



Ongoing M&A

Over the past two years Steel & Tube has been successfully growing the business through smaller M&A with 2 acquisitions completed. A total of 17 companies have been reviewed with 8 currently under active consideration

Opportunities	Initial proposal	Non-binding offer	Due diligence	Binding offer	Deal complete
Complete	🟢🟢	🟢🟢	🟢🟢	🟢🟢	🟢🟢
Active	🟢🟢🟢🟢🟢🟢🟡🟡🟡	🟡🟡🟡🟡🟡🟡			
Non-Active	🟢🟢🟢🟢🟢🟢	🟢🟢🟢🟢🟡🔴	🟢🔴🔴🔴	🔴	

Key criteria

- Careful gate approach to M&A ensuring best fit acquisitions only
- Identified categories with high margin, low Steel & Tube market share
- In our space i.e.
  - Steel and metals distribution
  - Processing
- Culture and business fit
- Will only proceed if our criteria are met

Key:
- 🟢 Task completed or offer placed
- 🟡 Task in progress or may progress in future
- 🔴 Not complete or opportunity exhausted

Customer, employee and sustainability update

Customer

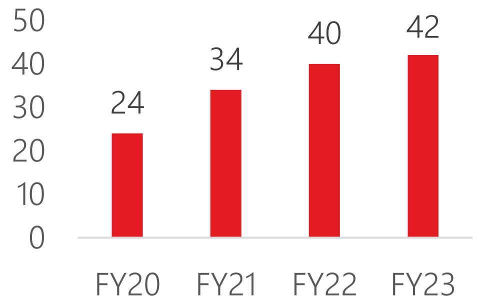
- Satisfaction remains at high levels as we maintain focus on best-in-class customer experience and solutions
- Growing online presence, omni-channel offer
- Product offer tailored to customer needs

Sustainability

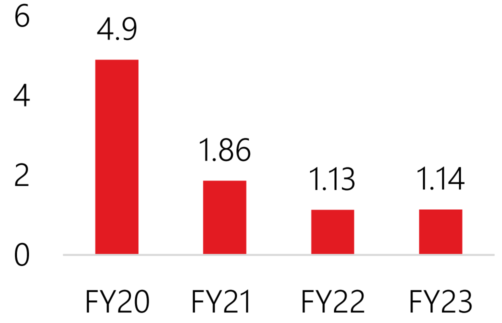
- Emphasis on safety, wellbeing and culture
- Employee satisfaction well above industry average
- Safety outcomes are positive, remain focused on zero injury target
- Voluntary Climate-Related Disclosures in FY23 Annual Report

Customer Satisfaction (NPS[2])

Industry Average: 32

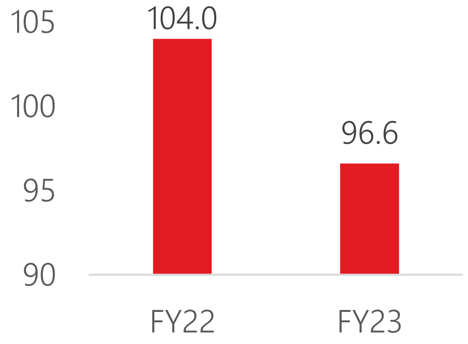


Employee Safety Measure (eTRIFR[1])



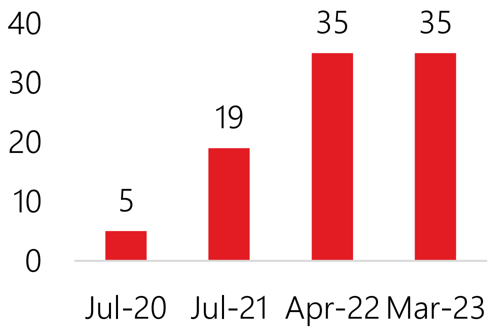
Emissions $kgCO_2e$ per tonne [3]

7% Year on Year Reduction



Employee Satisfaction (eNPS[2])

Industry Average: 18



1. eTRIFR: Employee Total Recordable Injury Frequency Rate
2. Net Promoter Score (NPS): Measure of customer/employee satisfaction
3. Reporting references the Greenhouse Gas Protocol and includes all material emissions under Scope 1 and 2, with Scope 3, except purchased goods and services

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Financial Results

Delivered strong FY23 results

Group financial summary

- Volumes have held up well, given super cycle in FY22 and New Zealand entering a recession in FY23
- Revenues largely flat due to higher unit prices
- Effective margin management with some reduction as excess inventory moved at reduced margin
- Opex inflationary pressure partially offset
- Strong cashflows supporting full debt repayment; net cash $6.5m
- Fully imputed dividend of 75% of adjusted NPAT in line with policy of 60% to 80%

$m	FY23	FY22	Var%
Revenue	589.1	599.1	(1.7%)
Volume (Ktonnes)	146.4	167.2	(12.4%)
EBITDA	51.9	66.6	(22.1%)
Normalised EBITDA*	52.9	66.9	(20.9%)
EBIT	31.0	47.6	(34.9%)
Normalised EBIT*	32.1	47.9	(33.0%)
NPAT	17.0	30.2	(43.7%)
Net operating cash flow	98.3	(34.1)	388.3%
EPS	10.3	18.3	(43.7%)
Dividend (cents per share)	8.0	13.0	(38.5%)
Gross Dividend (cents per share) (including imputation credits)	11.1	14.5	(23.4%)

** FY23 and FY22 Normalised EBITDA and Normalised EBIT have been adjusted to exclude non-trading adjustments. Further details included in appendix to this presentation.*

Repositioned the business for more challenging economic cycle while investing in growth

Group balance sheet summary

- Significant reduction in inventory
- Freeing up cash as inventory position reduced
- Disciplined management of working capital
- Strong cashflows supporting strategic initiatives
- Fully repaid debt with substantial bank facility in place to fund growth
- Subsequent to 30 June 2023, completed the renewal of the $100m bank facility

$m	FY23	FY22
Trade and other receivables	79.3	103.3
Inventories	139.2	192.5
Trade and other payables	(69.4)	(89.0)
Working Capital	**149.1**	**206.8**
Total Facility	100.0	100.0
Borrowings	-	(51.0)
Available Facility/Undrawn	**100.0**	**49.0**
Cash and cash equivalents	6.5	8.0
Borrowings	-	(51.0)
Net Cash/(Debt)	**6.5**	**(43.0)**
Net Tangible Assets (NTA)	**194.6**	**202.2**
ROFE (%)	**9.9%**	**15.4%**

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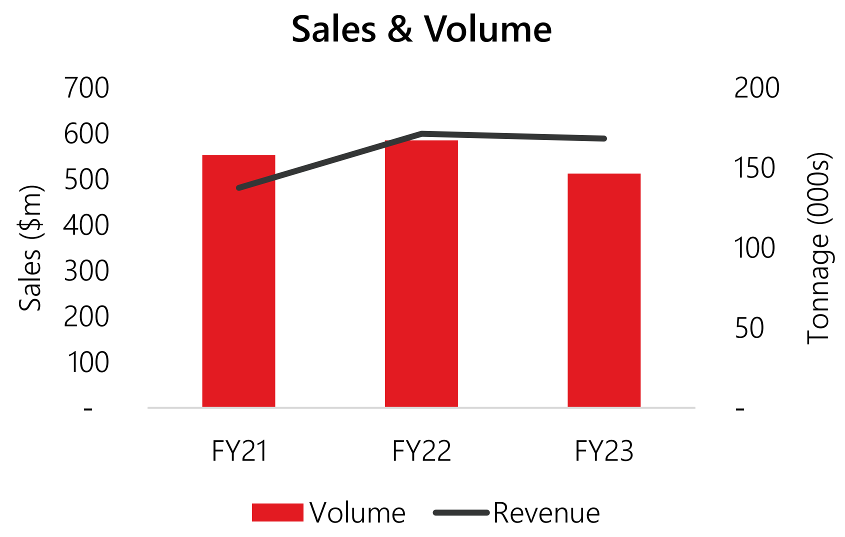
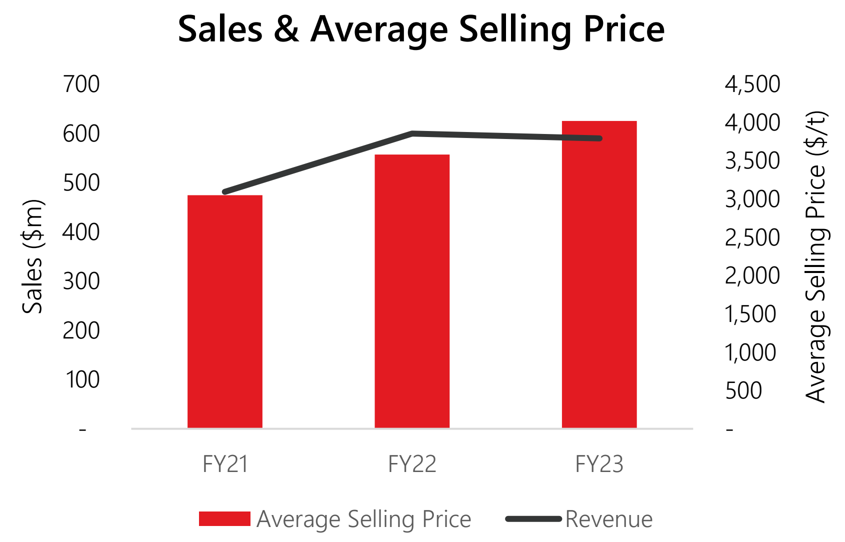
Resilient revenue

Momentum driven by strong focus on our customers, pricing disciplines and growth of high value products, services and sectors

Revenue $589.1m: lower by $10m (1.7%)
Continuing sales momentum, despite market conditions

Volume 146.4 Ktonnes: lower by 20.8 Ktonnes (12.4%)
Sustained customer demand for comprehensive range of products





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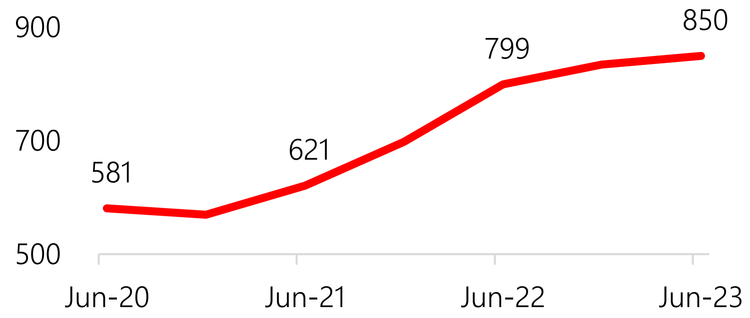
Improvement in Gross Margin $/tonne

Year-on-year growth in gross margin $/tonne

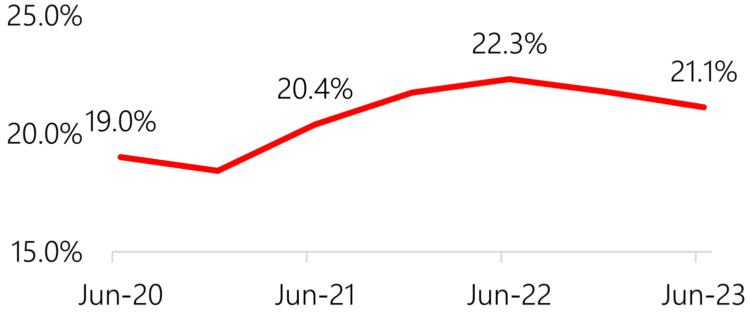
- Strategic focus on higher value products, services and sectors
- During early calendar 2023 margins contracted as selling price didn't increase as fast as the moving average price; in the May-July quarter this reversed
- Some margin percentage reduction as excess inventory was reduced
- Direct cost inflation partially offset through labour and freight efficiencies

Gross margin includes freight, direct and sub-contract labour

Gross Margin $/tonne
12 Month Rolling Average



Gross Margin %
12 Month Rolling Average



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Business performance

Resilient performance in a softening market

Distribution – high volume business

- Solid performance despite market conditions
- Benefiting from inventory management, pricing and supply chain disciplines
- Significant operating leverage – expect margins to improve longer term

Distribution	FY23	FY22
% of Group revenue	60.5%	64.0%
Revenue ($m)	$356.3	$383.4
Gross Margin $/tonne	$826	$890
Gross Margin*	20.9%	24.1%

Infrastructure – processing products before sale

- Reinforcing business turn-around driven by margin and cost management
- Risk reduction – focus on supply only projects
- Transitioned to projects where capability can be leveraged; solid pipeline of work from new tenders; some large projects delayed into FY24

Infrastructure	FY23	FY22
% of Group revenue	39.5%	36.0%
Revenue ($m)	$232.8	$215.7
Gross Margin $/tonne	$913	$667
Gross Margin*	22.0%	19.5%

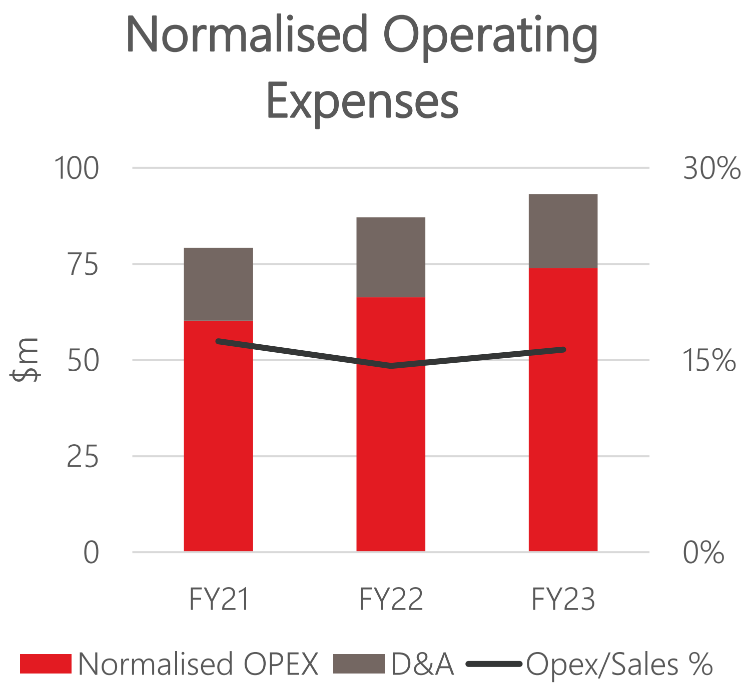
Gross margin includes freight, direct and sub-contract labour

**FY22 restated to be consistent with the group's segment reporting in the financial statements*

Normalised operating expenses

Targeting $5m of operating expense savings in FY24

- Ongoing focus on streamlining operational costs
- Continued efficiencies have resulted in network leverage and led to a reduction in carbon emissions
- Increase in FY23 normalised operating expenses of $6m:
  - Inflationary pressure – wage/salary, the return to more normalised travel and other costs as we exit the Covid environment and increasing IT costs
  - Increased depreciation and amortisation (D&A) $1.8m – mostly growth related

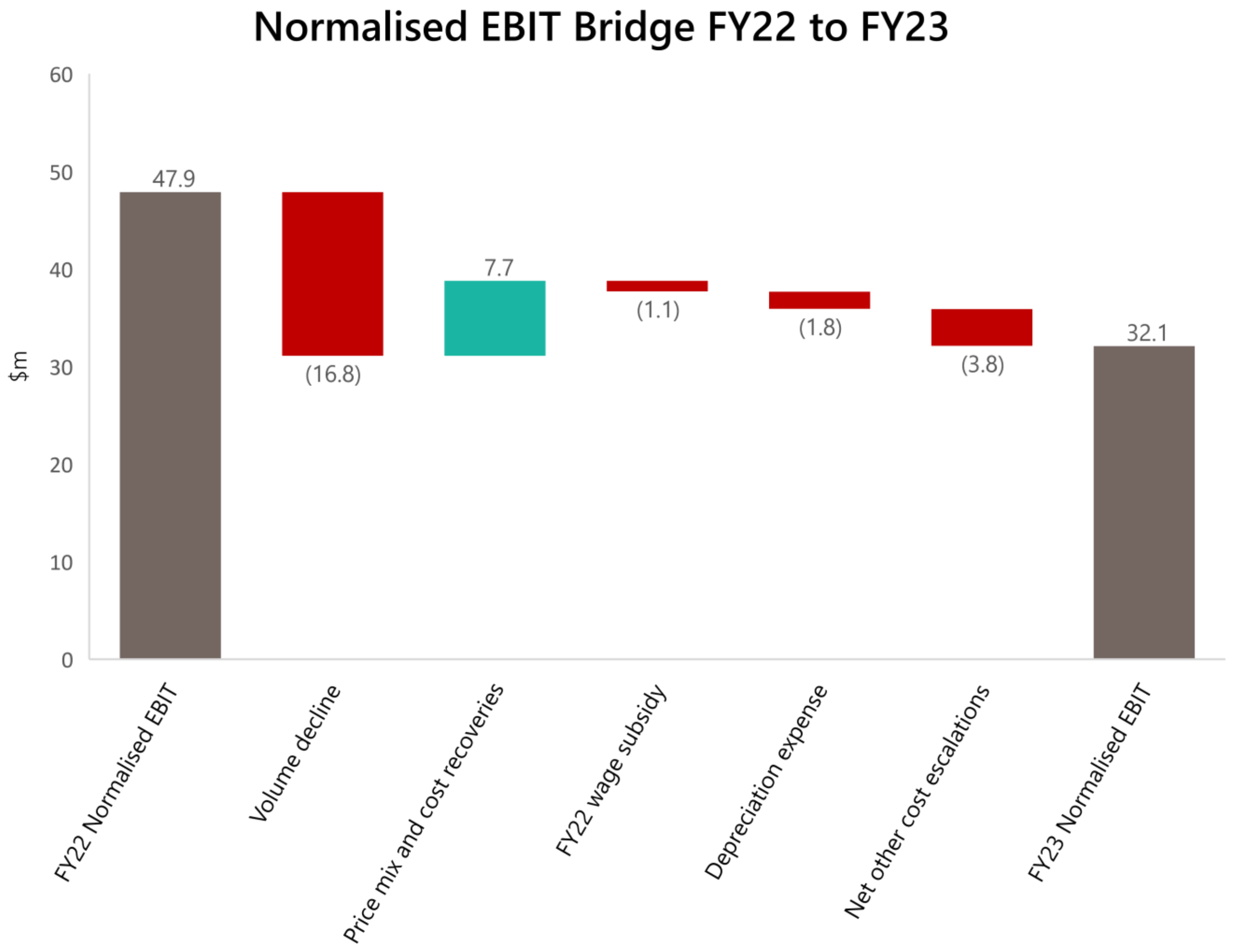


Normalised Opex excludes Holiday Pay provisions/reversal and the impact of SaaS, as well as non-trading adjustments previously reported

Normalised EBIT

Pricing benefits offset by inflationary pressures

- Normalised EBIT at top of guidance
- Focus on higher value products, ensuring inventory availability
- Improved pricing disciplines, leveraging analytics and digital capabilities
- FY23 Normalised EBIT $32.1m; reported EBIT $31.0m

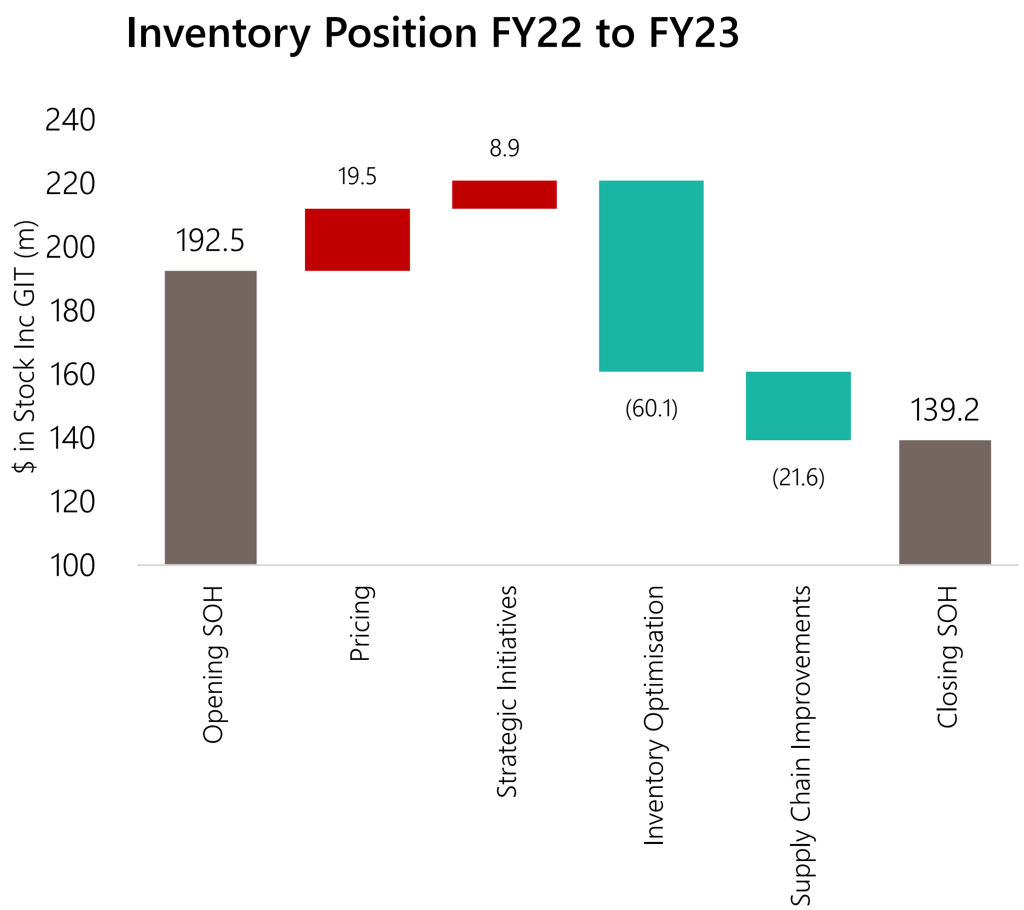


Normalised EBIT has been adjusted to exclude non-trading adjustments. Further details included in appendix to this presentation.

Inventory management

Managing inventory levels carefully to ensure best use of working capital

- Inventory levels increased in FY22 in response to supply chain congestion
- FY23 inventory positions significantly reduced – 35% reduction in volumes (tonnes) on hand FY22 – FY23
- Unit finished product prices remain at elevated levels
- Inventory cover has been reduced by 1.1 months compared to FY22
- Active stewardship and use of detailed analytical tools to ensure investments are made in higher margin products; reducing lower margin products



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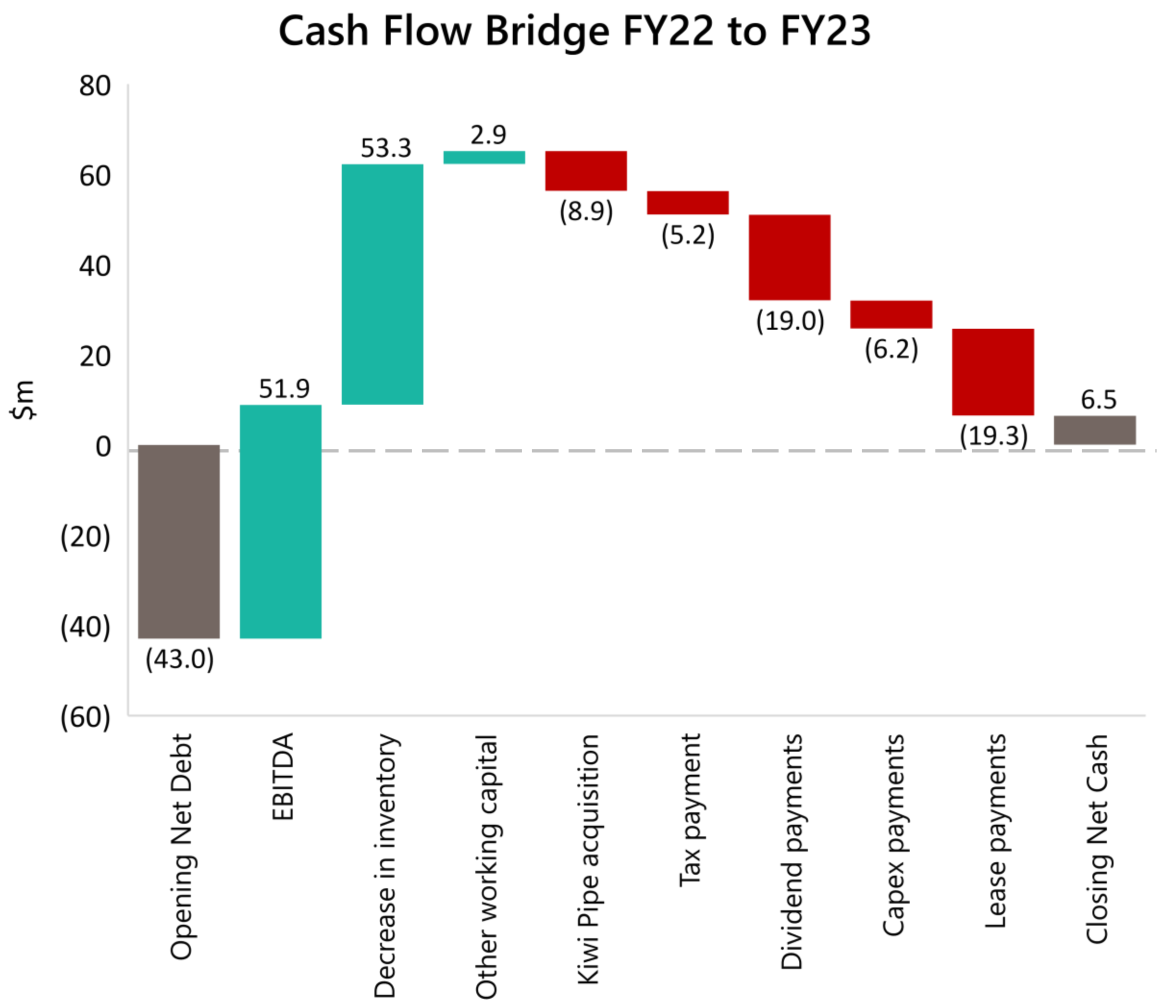
Cashflow

- Record operating cash inflows reflecting steady revenues
- Decreased inventory on hand as a result of careful inventory management and supply chain normalisation
- Dividends of $19m paid during FY23



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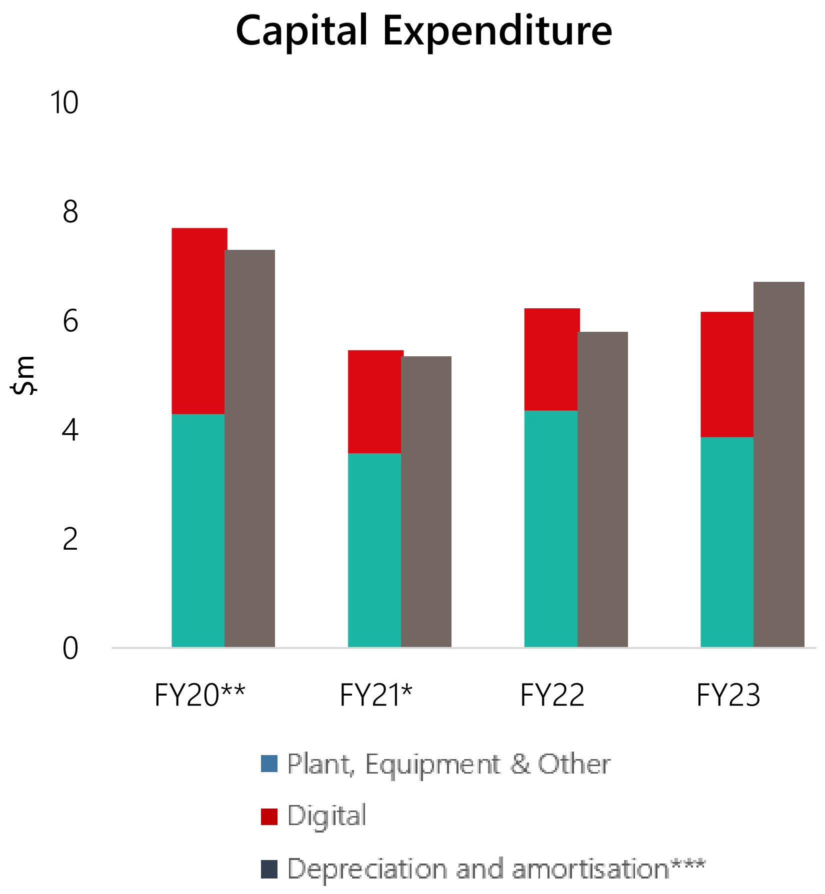
Capital expenditure

Careful management of funds in current environment

- FY23 capex of $6.2m (FY22: $6.2m)
- Capital spend below depreciation levels
- Priority capital allocation to business improvement / growth projects (63%) and supporting digital (37%)

Planned investment for FY24

- Investment in processing equipment and other growth opportunities
- Continued investment in digital technology
- Strong balance sheet will support capital investment programme



FY21 capex has been restated for the impact of a change in accounting policy in relation to the accounting for Software as a Service arrangements ("SaaS")
*** FY20 capex has not been restated for the impact of SaaS*
****Depreciation and amortisation excludes right-of-use asset depreciation*

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Investor returns

- Return on funds employed above cost of capital for both FY22 and FY23
- Recessionary environment during 2H23
- High dividend yield maintained

		FY23	FY22
Interim Dividend	cps (net)	4.0	5.5
Final Dividend	cps (net)	4.0	7.5
Total	cps (net)	8.0	13.0
	cps (gross)[1]	11.1	14.5
Dividend Yield (Gross)[2]	%	9.9%	11.4%

[1] Gross dividends include the benefit of imputation credits
[2] Based on share price at 30 June each year – FY23 \$1.12, FY22 \$1.27

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Moving Forward

Macro opportunities

Significant exposure to climate resilience, infrastructure and essential water services

Climate resilience

- Proven capability, capacity, and expertise to deliver innovative project solutions:
  - Port rebuilds
  - Wind and solar energy
  - Coastal protection
  - Resilient buildings

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

Steel offers a number of advantages in a future where climate change and extreme weather events are likely to become more common.

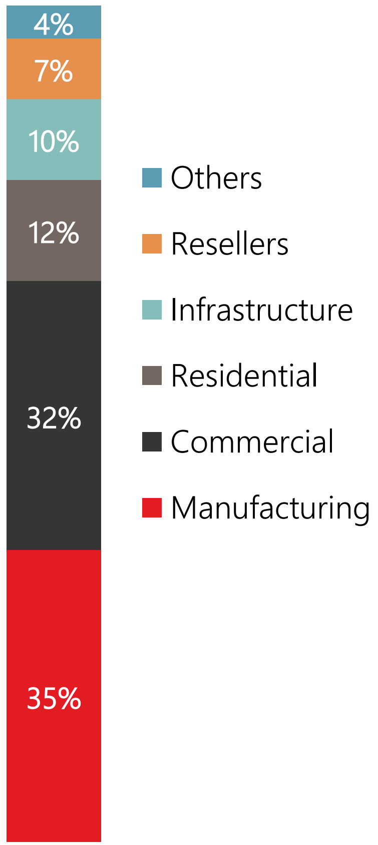
Infrastructure

- Govt budget in excess of $71b vs $45b in previous 5 year period
- In excess of $92b in project value in the pipeline
  - Rebuild following extreme weather events
  - Major projects across health, education, community facilities, energy, water and transport
  - Mix of region-wide and national projects

Economic drivers

Build share of sales in growth sectors

Share of Sales (FY23)



FY24 → FY27

	FY24 → FY27
Resellers	Demand primarily driven by residential market trends
Infrastructure	Strong long term pipeline driven by climate investments, rebuild following weather events, and catch up on low investment in prior years
Residential	Economic headwinds impacting growth, expected improvement mid-2024
Commercial	Modest fall from peak 2023 levels expected, however strong pipeline
Manufacturing	Expected to remain subdued in the short to medium term
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FY24 outlook

Well positioned to respond to the challenging economic cycle and to take advantage of new market and product opportunities, including the rebuilding programme

- Healthy pipeline of infrastructure and commercial projects in place; manufacturing remains steady
- Strong balance sheet and cashflows to support growth initiatives; focus remains on gross margin $/tonne and actively managing costs with $5m cost out programme underway in FY24
- Business growth to continue through organic expansion and M&A

Market outlook

- **Economic cycle likely to remain challenging;** recessionary environment to continue 1H24, as well as usual slowdown in activity prior to election. Expect 2H24 will see easing of macro trends – interest rates, labour market, construction and cost inflation
- **Elevated Government investment offset by weaker business and residential investment**
- **Significant medium to long term opportunities;** climate resilience, seismic strengthening, rebuild activity and essential water services. Government budgeted $71b spend on infrastructure 2022 to 2026, excluding cyclone and flooding rebuild costs
- **Steel pricing** volatility has reduced; stabilised above pre-Covid levels

Discussion

Non-GAAP financial information

Year ended 30 June	EBITDA		EBIT	
$000s	FY23	FY22	FY23	FY22
Reported	**51,876**	**66,598**	**31,009**	**47,636**
Loss on de-recognition of finance lease receivable	128	-	128	-
Holiday pay provision release	-	(854)	-	(854)
NZ IFRS 16 reversal of impairment	(177)	(527)	(177)	(527)
Software as a Service (SaaS) upfront expenditure	1,109	1,645	1,109	1,645
Normalised	**52,936**	**66,862**	**32,069**	**47,900**

Non-GAAP financial information: Steel & Tube uses several non-GAAP measures when discussing financial performance. These include Normalised EBITDA, Normalised EBIT and Working Capital. Management believes that these measures provide useful information on the underlying performance of Steel & Tube's business. They may be used internally to evaluate performance, analyse trends and allocate resources. Non-GAAP financial measures should not be viewed in isolation nor considered as a substitute for measures reported in accordance with NZ IFRS.

Non-trading adjustments/Unusual transactions: The financial results for FY23 include transactions considered to be non-trading in either their nature or size. Unusual transactions can be as a result of specific events or circumstances or major acquisitions, disposals or divestments that are not expected to occur frequently. Excluding these transactions from normalised earnings can assist users in forming a view of the underlying performance of the group. The above reconciliation is intended to assist readers to understand how the earnings reported in the years ended 30 June 2023 and 30 June 2022 reconcile to normalised earnings. Non-trading adjustments of $(1.1) million are included in the FY23 results.

Glossary of terms

EBIT: Earnings / (Loss) before the deduction of interest and tax. This is calculated as profit for the year before net interest costs and tax

EBITDA: Earnings / (Loss) before the deduction of interest, tax, depreciation and amortisation. This is calculated as profit for the year before net interest costs, tax, depreciation and amortisation

ROFE: Return on Funds Employed. This is calculated as Normalised EBIT over Average Funds Employed (Net Debt (including Lease Liability) + Equity)

eNPS: Employee Net Promoter Score – assists in measuring employee satisfaction and loyalty within the organisation

NPS: Net Promoter Score – assists in measuring customer satisfaction and loyalty

Normalised EBIT/EBITDA: This means EBIT and EBITDA excluding non-trading adjustments and unusual transactions

eTRIFR: Employee Total Recordable Injury Frequency Rate – an important metric to assess safety performance

Working Capital: This means the net position after Current Liabilities are deducted from Current Assets. The major individual components of Working Capital for the group are Inventories, Trade and other receivables and Trade and other payables. How the group manages these has an impact on operating cash flow and borrowings

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