

2023 Review

Steel & Tube Holdings Limited

Dear Shareholder

On behalf of the board and management, we are very pleased to advise that Steel & Tube Holdings Limited's Annual Report for the year ended 30 June 2023 (FY23) is available to view on our website <https://steelandtube.co.nz/investor/reports>.

This year marks a significant milestone for Steel & Tube as we commemorate 70 years of successful business operation. Over the past seven decades, we have consistently embraced innovation, adapted to changing market dynamics and invested in new technologies to ensure that we remain at the forefront of our industry. This has allowed us to navigate through various economic cycles, expand our product portfolio, and deliver long term sustainable growth.

Despite the economic headwinds seen in FY23, Steel & Tube has delivered a solid performance, demonstrating prudent fiscal management and the value in our dual pathway strategy. Financial results were at the top of 10 May 2023 guidance and, along with record operating cashflows, FY23 revenue was the second highest reported by the company. The board is pleased to have declared a final dividend of 4 cents per share, 100% imputed. This takes full year gross dividends to 11.1 cents per share and represents a yield of 10%.

We continue to actively manage the softer trading conditions and remain focussed on providing high levels of service to our customers while also strengthening the core business and maintaining a disciplined growth focus. New growth initiatives are performing well and offer opportunities for growth and expansion.

We are cautiously optimistic that 2023 represents the bottom of the cycle and although we don't expect a fast recovery, we anticipate there will be some improvement from early 2024 (the second half our FY24 financial year). Steel & Tube has significant operating leverage and we expect any uplift in activity and demand to be reflected in our results. There are plenty of green lights ahead across our multi sector exposures. Commercial construction is expected to improve, there is still a strong pipeline in residential construction from consents granted previously, and large scale infrastructure projects are progressing.

Steel is an essential construction material and we have the capability and expertise to deliver innovative solutions to assist in rebuilding of infrastructure, climate resilience and essential water services.

We remain committed to delivering value to our shareholders and confident in the prospects for our company. Thank you for your continued support.



Susan Paterson
Chair



Mark Malpass
Chief Executive Officer

FY23 at a Glance

Steel & Tube's resilience and strength comes to the fore, delivering solid results in a challenging environment.



Strengthening the Core

- + 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
- + Significant reduction in inventory balance
- + Disciplined management of costs in an inflationary environment; good progress on \$5m cost-out programme
- + Maintained dollar margins on softer volumes through effective price management
- + Continued investment in digital technologies delivering business efficiencies, high levels of customer service and competitive advantage
- + Excellent turnaround in Infrastructure business; Distribution business operating leverage constrained in a softer business environment

Grow High Value Products, Services and Sectors

- + New growth initiatives account for 10% of Distribution EBIT and offer opportunities for growth and expansion
- + Launch and expansion of aluminium product range from March 2023, with demand growing month on month
- + First full year of enhanced plate processing service offer, with EBIT increasing by 70% in a short period and plans for further expansion
- + Fasteners NZ (acquired July 2021) continues to outperform, providing a strong complement to the Fortress Fasteners brand
- + Kiwi Pipe and Fittings (acquired August 2022) performing in line with expectations, geographic expansion delivering growth

\$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 ¹	52.9	66.9	(20.9%)
EBIT	31.0	47.6	(34.9%)
Normalised EBIT ¹	32.1	47.9	(33.0%)
NPAT	17.0	30.2	(43.7%)
Inventory	139.2	192.5	(27.7%)
Net operating cashflow	98.3	(34.1)	+388.3%
Net cash/(debt)	6.5	(43.0)	115.1%
EPS	10.3 cps	18.3 cps	(43.7%)
Gross Dividend (incl. imputation credits)	11.1 cps	14.5 cps	(23.4%)
ROFE	10%	15%	(35.7%)

¹ Normalised EBITDA and Normalised EBIT have been adjusted to exclude non-trading adjustments and unusual transactions of \$(1.1)m in FY23. See Steel & Tube's FY23 Results Presentation for a reconciliation.

