

STEEL & TUBE HALF YEAR GUIDANCE

Steel & Tube Holdings Limited (NZX: STU) has provided guidance for the six months ending 31 December 2023 (1H24).

Steel & Tube previously advised it anticipated activity in the 2023 calendar year to be subdued, however it expected to maintain 1H24 normalised EBIT in line with 2H23¹. The company is pleased to report that, despite the challenging environment, Steel & Tube remains on track to deliver 1H24 normalised EBIT in the range of \$10m to \$11m (2H23: \$10.6m).

This has been achieved through customer focus, pricing disciplines and good progress with the \$5m cost management programme which has meant inflation has been offset with efficiencies. Gross margin dollars/tonne continues to improve versus the prior comparative period.

As at end of November 2023, the company had net cash of \$17.1m (\$6.5m at 30 June 2023), and a further reduction in inventory down to \$135.5m (\$139.2m at 30 June 2023).

CEO Mark Malpass commented: "While volumes have been under pressure from economic headwinds, staying the course on strategy and the focus on 'controlling the controllables' has allowed Steel & Tube to continue generating strong margins, grow market share in key categories, offset inflation pressures with cost efficiencies and strengthen the balance sheet. In difficult economic times, maintaining a strong balance sheet and a lean cost structure is critical.

"We have built a customer focused, resilient and sustainable business platform. The strategic investments we have made over the last two years into high value products and services and acquisitions continue to perform strongly. Our operating leverage and tight cost controls should result in strong earnings growth when volumes return to prior year levels as the economy improves."

The company remains positive about longer term macro-trends. "As the cost of borrowing and political stability start to improve, we expect to see more incentive for investment in construction projects and a more favourable manufacturing environment. Net immigration growth will drive demand for housing, and the infrastructure pipeline remains strong. We have significant medium to long term opportunities in areas of climate resilience, seismic strengthening, rebuild activity and essential water services supported by government budgeted infrastructure spend of \$71b over the next five years", said Mark.

Chair, Susan Paterson, said: "Steel & Tube has an experienced and engaged team who continue to focus on the performance of the core business, while taking advantage of growth opportunities in steel processing, aluminium and our new acquisitions. As a result of their efforts, the company continues to perform strongly in the more challenging trading environment."

The company is today releasing its December 2023 Investor Newsletter. This will be emailed to shareholders and can be viewed at <https://steelandtube.co.nz/shareholder-newsletters>.

ENDS

¹ Normalised EBIT has been adjusted to exclude non-trading adjustments of ~\$1m primarily relating to Software as a Service and Project Strong costs.

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