

SHAREHOLDER NEWSLETTER

December 2023

COMPANY UPDATE

DEAR SHAREHOLDER KIA ORA, TĒNĀ KOUTOU

As we arrive at the end of 2023, we can look back at another 12 months where Steel & Tube has delivered solid results in a difficult economic environment. While volumes have been under pressure from economic headwinds, staying the course on strategy and our focus on 'controlling the controllables' has allowed us to continue generating strong margins, grow market share in key categories, offset inflation pressures with cost efficiencies and strengthen our balance sheet.

In difficult economic times, maintaining a strong balance sheet and a lean cost structure is critical. As at end of November 2023, we had net cash of \$17.1m (\$6.5m at 30 June 2023), and a further reduction in inventory down to \$135.50m (\$139.2m at 30 June 2023).



Susan Paterson Chair



Mark Malpass Chief Executive Officer

ECONOMIC HEADWINDS PUTTING PRESSURE ON DEMAND

Global unrest, high inflation and interest rates, cost of living pressures and political uncertainty have all combined to dampen domestic demand. While immigration-driven population growth and international

demand for our primary sector are underpinning some areas of the economy, other sectors are facing more volatility. Residential construction consents are down more than 20% on the same time last year, with commercial construction consents only slightly higher than prior year¹. The manufacturing sector has contracted further², however large scale infrastructure projects remain in progress.

POSITIVE MEDIUM TO LONG TERM MACRO- TRENDS

Longer term macro-trends are more positive. As 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.

¹ Statistics NZ October 2023 ² Treasury Economic Update 20 October 2023

COMPANY UPDATE

DELIVERING ON STRATEGY WHILE CONTROLLING THE CONTROLLABLES

Our strength is underpinned by our relentless focus on customer service and providing quality steel products and solutions. We have a lean operating structure and have built a sustainable and resilient business platform. The competitive advantage provided by our national network, broad product offering and multi-sector exposures provides significant operating leverage to the anticipated upswing in future demand.

The strategic investments we have made over the last two years into high value products and services and acquisitions continue to perform strongly:

- We have continued to expand the range of aluminium products we sell, since launching this line in early 2023
- Building on the plate processing growth in Auckland, new equipment will be commissioned in Christchurch in the new year, ahead of schedule, allowing us to better service the South Island market
- We continue to leverage our national footprint to expand our acquired Kiwi Pipe and Fittings business from its historical customer base of Auckland and Waikato

- Our Project Strong investment in semi-automated palletised warehousing will increase our capacity for high value, high demand products
- Upgraded mesh straightening equipment has been installed in Auckland and we have also invested in new purlins machinery with automated stacking systems.

1H24 EARNINGS GUIDANCE

We previously advised that we anticipated activity in the 2023 calendar year to be subdued, however expected to maintain 1H24 normalised EBIT in line with 2H23. We are pleased to report that, despite the challenging environment, we remain on track to deliver 1H24 normalised EBIT in the range of \$10 to \$11m (2H23: \$10.6m).

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

Our leverage and tight cost controls should result in strong earnings growth when volumes return to prior year levels as the economy improves.

You can read the full announcement on our website [here](#).

Our commitment to our people, our communities and the environment continues. Steel & Tube was recently recognised in the 2023 Forsyth Barr Carbon ESG Report with an overall CESG ranking of 17 out of the 58 companies assessed, and as one of the top 10 Social performers.

We're pleased to share with you some of our recent initiatives in this newsletter, as well as introduce you to Steel & Tube's new Chief Digital Officer, Raffaella Del Prete.

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.

As always, we welcome feedback from our shareholders. Thank you for your continued support.

Ngā mihi and Happy Holidays



Susan Paterson
Chair

Mark Malpass
Chief Executive Officer



STEEL MARKET PROCUREMENT UPDATE

Steel & Tube prepares a regular Procurement Update, providing insights into the global steel market and what this means for Steel & Tube. The December 2023 Update 'Expansion or Contraction' suggests a more stable outlook for the 2024 year but with continued risks from economic and global headwinds and expected price volatility.

The Steel & Tube Procurement Update can be read [here](#).

³ Normalised EBIT has been adjusted to exclude non-trading adjustments of ~\$1m primarily relating to Software as a Service and Project Strong costs.

CELEBRATING 70 YEARS

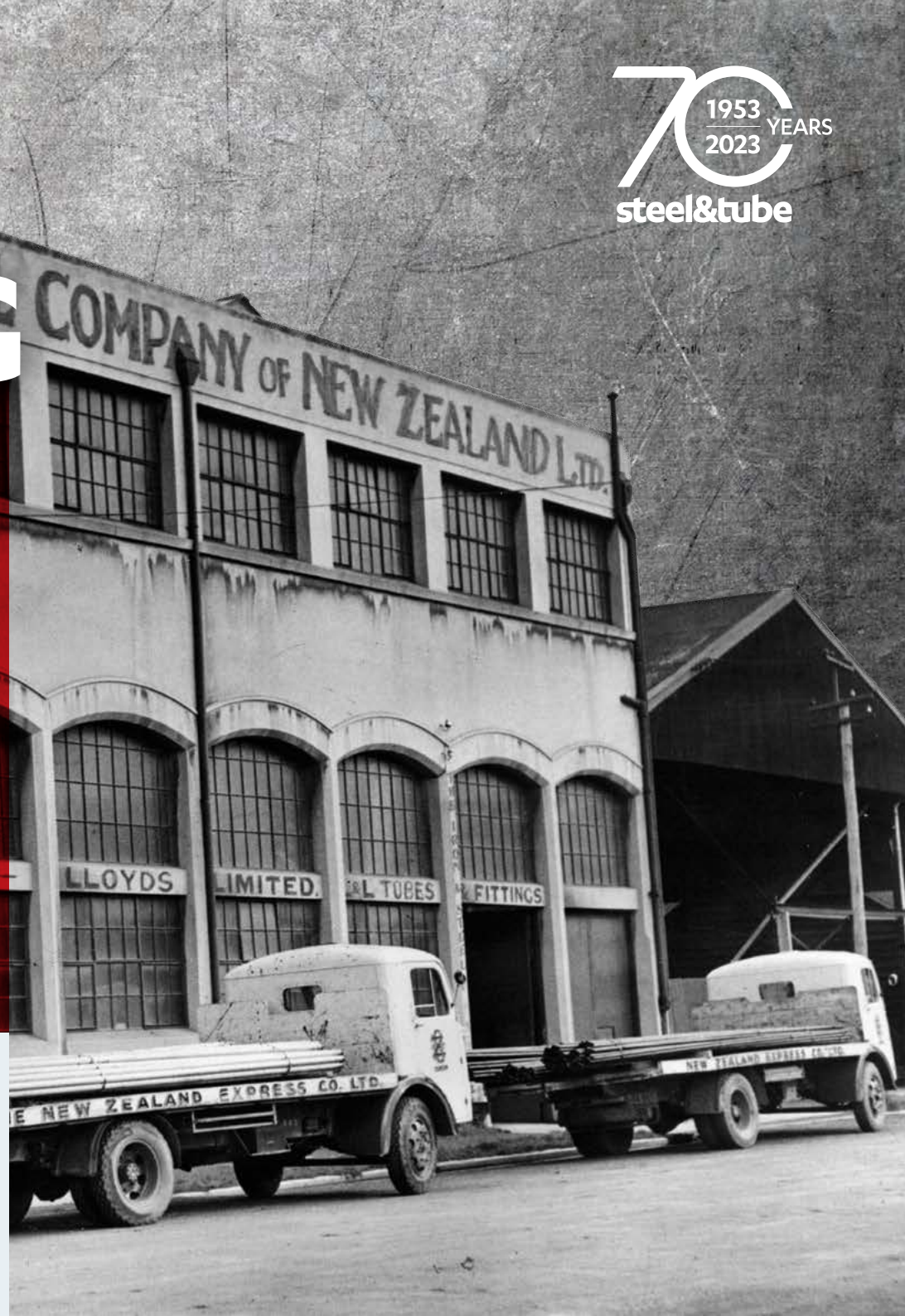
2023 was the year of Steel & Tube's 70th anniversary, a significant milestone that marks seven decades of unwavering commitment to providing our customers with quality steel products and solutions. From humble beginnings, our company has adapted and evolved, emerging stronger and more resilient than ever. In a world where less than half of businesses make it past the first ten years, our longevity and strong standing is testament to our enduring spirit, our ability to move with the times, the dedication of our team and the loyalty of our customers. The 70th anniversary is not just a reflection of our past achievements but also a springboard for the exciting future that lies ahead.

Our team has celebrated this milestone over the year, with activities ranging from special occasion branding on cars and in workplaces, through to sharing stories on long serving employees and their contributions to our legacy, and the creation of a mural at our company office, depicting our history. Our annual Excellence Awards also pay tribute to this significant event.

GIFT OF SHARES TO TEAM MEMBERS

We are pleased to be gifting all permanent team members with 70 shares each in Steel & Tube as part of our 70th anniversary. This recognises the vital contribution that our people make to the success and longevity of the company. We already have a highly engaged workforce and this

is another way we can engage with and reward our team members for their efforts. This gift of shares will have a negligible dilution on existing shareholders while creating strong loyalty and ownership for all our staff. We look forward to having them as owners in our business.



POWERFUL NEW VALUES UNDERPINNING OUR FUTURE

As part of Steel & Tube's 70th anniversary, we have refreshed our company values and purpose, with input from our people across the organisation. As well as general feedback, several important groups of employees provided additional contributions – our longest serving team members, a group of future leaders, our Māori cadetship team and the Executive team.

The outcome is a refreshed purpose and values which underpin Steel & Tube's future success for the decades ahead.

Our Purpose

TO MAKE LIFE EASIER FOR OUR CUSTOMERS

Our Strategic Goals



STRENGTHEN
THE CORE



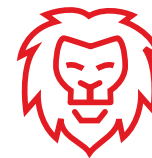
GROW HIGH VALUE
PRODUCTS AND
SERVICES



WE HAVE RESPECT
WHAKAUTE

- We value the skills the whole team bring to the table – we're stronger together
- We're inclusive, seek diversity of thought and accept differences
- We honour the legacy of our brand and strive to strengthen it for future teams

Our Values



WE ARE BRAVE
MĀIA

- We fight the good fight and work hard to do what is right
- We stand out from the crowd and support each other to push the boundaries of what is possible
- We walk the talk and take responsibility for delivering value to our customers



WE CARE
MANAAKI

- We look after our customers, our communities, our environment and each other
- We put safety and wellbeing at the heart of our business
- We cheer our people on, celebrate great work and recognise progress

FROM THE GROUND UP



FROM STEEL TO POWER

We celebrated Steel & Tube's role in a massive infrastructure project, as the first turbine was switched on at Meridian Energy's Harapaki Wind Farm development in November 2023. Over the coming months, the 41 wind turbines will be installed and energised.

Steel & Tube worked on the project for 14 months, supplying and installing more than 2,800 tonnes of reinforcing steel. This has been used to build the high strength bases needed to meet the demands on the foundations when operating wind turbines of this size, as well as pile cages which are used to support and distribute the weight load and protect against seismic movement.

The project was not without its challenges, with major weather events such as Cyclone Gabrielle closing State Highway 5 and severing access to the wind farm. While the winter months brought snow, high winds and extreme cold, the summer months also delivered a lot more rainfall than expected. The Steel & Tube team embraced the challenging conditions, with multiple crews

"OUR EXPERIENCE WITH STEEL & TUBE WAS COLLABORATIVE AND POSITIVE. THE COMPLEXITY OF THE FOUNDATIONS CONSTRUCTION WITHIN A HARSH ENVIRONMENT WAS CHALLENGING, AND DETAILED PLANNING AND GOOD COMMUNICATION WAS KEY TO THE SUCCESSFUL OUTCOME ACHIEVED."

Contractor, Spartan Construction, commented

working on various bases simultaneously, and delivering an enhanced installation option that assisted in the acceleration of the build programme by several months.

HOMER TUNNEL

The Homer Tunnel is a crucial conduit along SH94, connecting Te Anau to the breathtaking Milford Sound Piopiotahi. A \$29 million project is being undertaken by Downer for Waka Kotahi NZTA to improve the safety and resilience of the Homer Tunnel.

Work has officially begun to replace the decades-old avalanche and rockfall shelter at the eastern tunnel entrance, with a state-of-the-art replacement. Delivering better avalanche and rockfall protection on the Te Anau side of Homer Tunnel, the new shelter is designed to blend in with its unique and breathtaking alpine surroundings. Around 150 precast concrete modules have been prepared off-site, each carefully designed for transport and efficient assembly at the tunnel.



Steel & Tube has supplied c.400 tons of reinforcing steel to ensure the structural integrity and durability of these precast modules. Adding to the complexity of the project, is the need to bend large diameter reinforcing to a particular shape. Steel & Tube is working closely with McIntosh Precast which is producing the concrete modules and who provides 3D drawings for Steel & Tube to work with.



BUILDING A VILLAGE



SELO is a new urban village in West Auckland – a master-planned townhouse development, developed by Aedifice Property Group, offering multi-unit housing, communal amenities and shared spaces. The site has been transformed into a people-oriented micro-neighbourhood and incorporates a mix of terraced townhouse styles. Working for contractor, Chancellor Construction, Steel & Tube provided the roofing for most of the development.

Said Chancellor Construction: “For SELO, we used **Plumbdek®** because it can be used on 3-degree roofs, it is modern and also very cost-efficient.”

“Steel & Tube was very responsive, with specification and sales support. We planned and worked well together. There were some unexpected storylines, like the Auckland floods not long ago, but Steel & Tube assisted in finding solutions without impacting our supply chain.”

Read more on our website [here](#).



THE COMMISSIONING OF NEW MESH STRAIGHTENING EQUIPMENT IN AUCKLAND IS PART OF STEEL & TUBE'S CAPITAL INVESTMENT PROGRAMME IN ITS REINFORCING BUSINESS. THE MACHINERY REMOVES THE CURVE FROM PRE-ROLLED DUCTILE WIRE AND CUTS IT TO LENGTH. THIS IS THEN USED TO MAKE ALL VARIATIONS OF MESH. THE EQUIPMENT IS MORE EFFICIENT, FASTER, WITH GREATER CAPACITY AND BETTER TECHNOLOGY THAN THE PREVIOUS EQUIPMENT WHICH IT HAS REPLACED.

SEE IT IN ACTION

OUR PEOPLE

RECENT GRADUATES AND NEW CADETS DEMONSTRATE DEDICATION, RESILIENCE AND A COMMITMENT TO PERSONAL AND PROFESSIONAL GROWTH, ALL WHILE PRESERVING AND CELEBRATING THEIR CULTURAL HERITAGE.

CELEBRATING SUCCESS AND CULTURAL RICHNESS

Steel & Tube has a diverse workforce which is representative of the communities in which we operate. Te Wiki o te Reo Māori (Māori Language Week) provided the perfect opportunity to celebrate both personal achievement and cultural diversity at Steel & Tube. At the heart of this celebration is the Hāpai Tūhono – TPK Cadetship

Programme, an amazing initiative aimed at nurturing the growth and development of our Māori staff at Steel & Tube. This programme not only promotes career advancement but also champions Māori culture. The cadetship is a collaboration between Te Puni Kōkiri, Hāpai Tūhono and Steel & Tube.

THE PROGRAMME IS BUILT ON THREE FOUNDATIONAL PILLARS:

Whakapau kaha

(Structured Mentoring):
Each cadet is paired with a mentor who not only provides valuable insights and guidance but also serves as a strong support system.

Whakapau mahi

(Tailored Training and Development):
Customised training and development plans are designed to cater to the unique needs and aspirations of each cadet, ensuring that their growth is meaningful and aligned with their goals.

Whakapau huarahi

(Relevant Work and Life Skills):
Beyond skill development, the programme also focuses on imparting essential life skills that empower cadets personally and professionally.

INTRODUCING OUR NEW CHIEF DIGITAL OFFICER

Raffaella Del Prete

Steel & Tube is pleased to welcome Raffaella Del Prete as the company's new Chief Digital Officer. Technology is a key enabler for our business, with data and insights helping us run our business more effectively, our ecommerce platform supporting our customers, and our digital platform enabling efficient management and operation of our business. We are already using Artificial Intelligence in some areas of the business and continue to assess further opportunities.



Raffaella is a highly experienced senior digital technology professional with a wealth of experience leading and developing digital strategy through to delivery of large-scale digital transformation. She has over 20 years' experience, with global businesses such as Accenture, Nokia, Tesco, BP, T-Mobile, AIA and Vodafone, in New Zealand, the UK and France.

Raffaella is Italian, having moved to New Zealand for the outdoor lifestyle. She joined the Steel & Tube team in early December 2023.

OUR COMMUNITIES

SUPPORTING PEST ERADICATION IN LEWIS PASS

Every year in the South Island's Lewis Pass, volunteers for charity Doubtless Conservation set out to trap as many stoats and possum as possible, in their aim to create a large inland predator-free 'island'. Their efforts in the Doubtful and Nina Valleys help to protect Great Spotted kiwi (raroa) and blue duck (whio). This work reinforces what was started by Hurunui College in 2008, which has seen the introduction of kiwi and successful breeding of whio in the valley.



However, at times their hard work is being thwarted by New Zealand's cheekiest (and also endangered) bird, the Kea. Known as one of the most intelligent birds in the world, these clever mountain parrots have decided that setting off the traps is great amusement and can also be a source of food. The loud bang the traps make when tipped over and set off, together with the added bonus of the chance of scoring an egg, make traps a target for kea.

In an effort to 'kea-proof' the traps, as well as stop wind and water turning the traps over, the charity uses pieces of steel rebar as an anchor so the trap can't be moved.

The charity has a strong connection with the Department of Conservation and are guided by them to ensure they are undertaking the best trapping practice.

Steel & Tube is delighted to support the efforts of Doubtless Conservation by donating custom cut steel rebar.

[Find out more](#)



SUSTAINABLE BUSINESS

Our goal is clear: to maximise steel's contribution to a sustainable and low emissions society, whilst continuing to grow our business and deliver value to our shareholders. Environmental sustainability is a critical part of our decision making and is embedded in our strategy.



SUSTAINABLE TRANSPORT INITIATIVE

Steel & Tube is collaborating with a number of other local businesses in East Tamaki and Highbrook to advocate for better short and longer-term transport solutions for our business community. Options include increased public transport options; shared shuttles; car-sharing initiatives; cycling and other transport modes. The overarching goal is to make it easier to get around without a car, which in turn helps to reduce emissions. Making it easier and more cost effective to travel to work also helps attract employees to the area.

One of the deterrents is the lack of public transport options. Alternative transport modes such as walking and cycling are confined by limited access via major arterial roads. In partnership with Business East Tamaki, Goodman Property Trust and several other East Tamaki businesses, Steel & Tube is proposing a shared transport shuttle service to take employees from existing transport hubs to the workplace. This would help to reduce congestion, supplement public transport services, provide better value for money and deliver environmental benefits. Work is underway to establish a pilot of the programme, with success providing a template for other business precincts to follow.

[Read more here](#)

ENVIRONMENTAL CERTIFICATIONS

Steel & Tube has recently renewed its Sustainable Steel Council Gold Certification as well as Eco Choice Aotearoa (New Zealand's only government-backed eco label) certification. The company is also a member of the Sustainable Business Council and is certified against ISO 14001 (Environment Management Systems) standard.





STRONGER TOGETHER THANK YOU

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