

## STEEL & TUBE FY23 HALF YEAR RESULTS

### Steel & Tube delivers record first half revenue and strong earnings

Steel & Tube Holdings Limited (NZX: STU) has reported its unaudited interim results for the six months to 31 December 2022, with a second consecutive record first half revenue result and continued strong earnings.

\$m	1H23	1H22	Change
<b>Revenue</b>	315.3	282.2	11.7%
<b>EBITDA</b>	30.5	31.9	(4.4%)
<b>Normalised EBITDA*</b>	31.6	31.8	(0.6%)
<b>EBIT</b>	20.3	22.6	(10.2%)
<b>Normalised EBIT*</b>	21.5	22.5	(4.4%)
<b>NPAT</b>	11.8	14.3	(17.5%)
<b>Net operating cashflow</b>	41.1	(9.6)	528.1%
<b>Total dividends (CPS)</b>	4.0 Imputed	5.5 Unimputed	-

\* 1H23 and 1H22 Normalised EBITDA and Normalised EBIT have been adjusted to exclude non-trading adjustments.

Further details included in appendix to the Results Presentation.

Solid demand for steel continued in 1H23 despite easing in activity across most sectors, infrastructure continues to strengthen and has a long pipeline of projects underway. Supply chain constraints started to lift with international freight costs reducing towards the end of 1H23. Steel prices started to recede during the half although in December and January international prices firmed on a NZ dollars basis. Macro-economic headwinds, including inflation, a higher interest rate environment, a tight labour market and the ongoing impact from Covid, continue to provide challenges.

Further actions have been taken during the period to strengthen the business, particularly the balance sheet, with the Company reporting a reduction in net debt, a reduced inventory position, strong cashflows and focus on management of cost inflation.

Steel & Tube is seeing significant value from its 'strengthen and grow' strategies. Recent strategic investments – the expansion of plate processing and the acquisition of Kiwi Pipe & Fittings and Fasteners NZ – are delivering to plan and are in line with the Company's focus on higher value products and services in existing or adjacent sectors.

From February 2023, Steel & Tube has also entered the aluminium market with a select range of high demand, high value products, largely servicing existing customers. This product diversification provides scale, customer share of wallet growth and is immediately earnings accretive. With a strong balance sheet, Steel & Tube is well capitalised to continue its growth investments.

Revenue for the six months was a record \$315.3m, up 12% on the prior comparative period (pcp). Volumes were slightly below prior year, with sustained customer demand continuing for a comprehensive range of products.

Earnings were down slightly on pcp as margin improvement was offset by inflation and depreciation. A focus on margin management and fast moving inventory has minimised margin squeeze. Gross

margin was 21.7% with gross margin dollars per tonne increasing to \$850 per tonne. Pleasingly, normalised operational costs as a percentage of sales continued to decline. EBITDA for the period was \$30.5m with EBIT of \$20.3m.

Inventory increased in FY22 to support customers through a period of supply chain constraints. This position is now being reduced as supply chain headwinds ease. Inventory turns (unit and tonnes) have remained consistent with prior periods.

Steel & Tube's balance sheet remains strong with reduced net debt, down to \$32.5m as at 31 December 2022, from \$43m in FY22, with strong cashflows supporting strategic initiatives. The company has a substantial bank facility in place to fund growth.

The Board is pleased to declare a 1H23 fully imputed dividend of 4 cents per share, equivalent to the 1H22 unimputed dividend of 5.5 cps (for NZ tax payers).

## Outlook

Steel demand is expected to moderate as economic conditions impact on businesses and across a broad range of sectors. Activity in January and February 2023 has been impacted by wet weather, impacting construction and infrastructure projects.

Steel & Tube is focused on its 'strengthen and grow' strategies – continuing to strengthen the core of the business and growing in high value products, services and sectors to drive gross margin dollar improvement. Business growth will continue through organic expansion and smaller programmatic acquisitions. Further strategic initiatives are expected to be reflected in results from FY24 onwards.

CEO of Steel & Tube, Mark Malpass, commented: "Following the recent 'super cycle', we are well positioned to respond to moderating demand. We have a strong balance sheet and cashflows, and are actively managing costs and margins per tonne. Customer and employee satisfaction remains at high levels and we are a preferred supplier for projects large and small across a diverse range of industries. Our recent growth investments are performing well and we are continuing to assess new opportunities that complement our existing business and provide growth pathways."

## Results call

The Company is hosting an Investor and Analyst Call today at 10am to discuss the half year result. Access details for the call can be viewed here <https://www.nzx.com/announcements/405268>.

ENDS

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