



1H25 Results Presentation

For the six months ended 31 December 2024

24 February 2025

Acquisition of Perry Metal Protection

Perry Metal Protection Transaction Summary

The acquisition supports strategy of growing high value products and services

Transaction

- Acquisition of assets of Perry Metal Protection, Perry Grating and Waikato Sand Blasting for \$43.5m including \$6.1m of inventory
- Performance based earnout payable end of year two, up to a value of \$6m; option to extend earnout to year three

Funding

- The acquisition, including earnout, is funded with a mixture of debt (70%) and equity (30%)
- The newly issued equity in Steel & Tube Holdings will result in 15,476,755 shares to be issued on completion

Impact on Earnings

- Earnings accretive to Steel & Tube from day one
- More details to be provided at FY25 full year result on earnings and synergy

Conditional agreement

- Subject to multiple conditions including finalisation of finance, lease terms and environmental testing; completion expected to be May 2025

Strategic Rationale

Strong fundamentals and stable earnings through the cycle

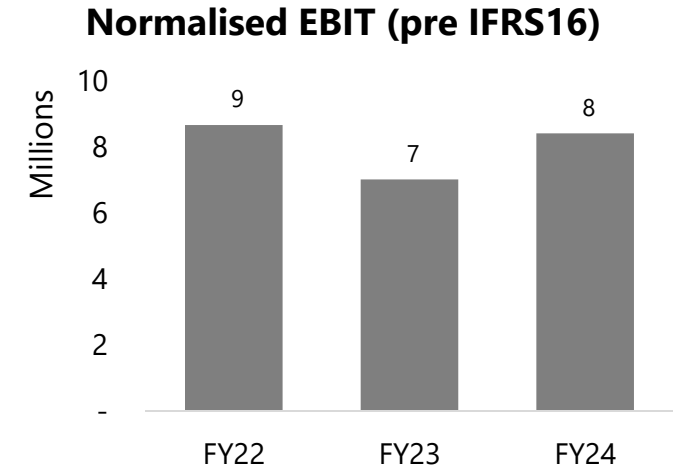
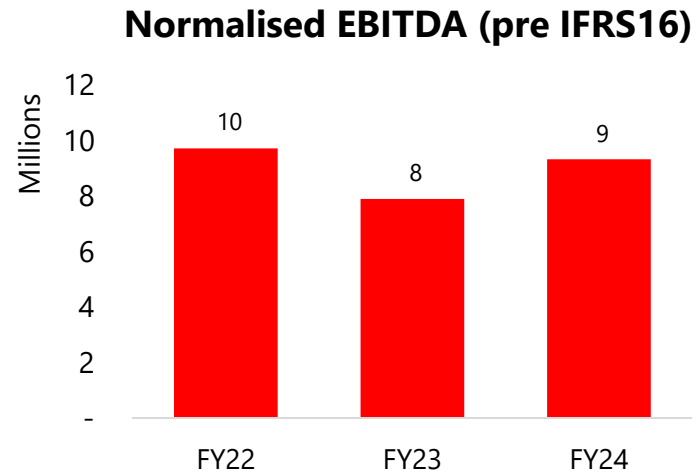
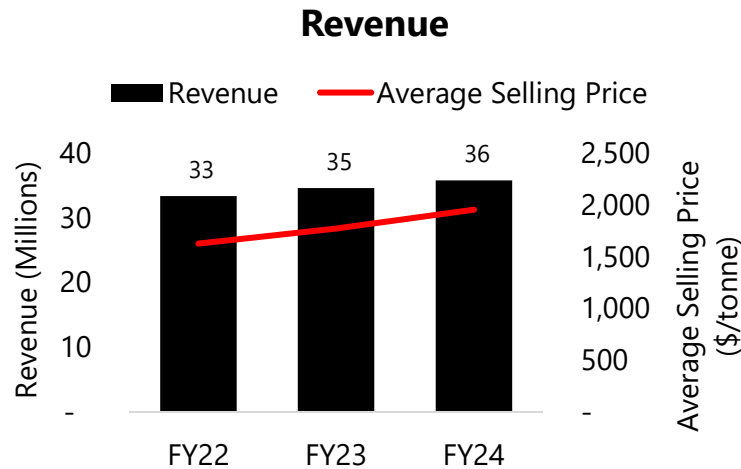
- Highly aligned customer base improving our service offer
- Provides earnings consistency throughout the cycle
- Identified synergies including further growth pathways
- Strong brands retained including Perry Metal Protection, Perry Grating and Waikato Sand Blasting
- Highly engaged management team and workforce
- High value business with supportive macro trends e.g. extends lifecycle of steel
- Market leading position in hot dip galvanising
- Nationwide reach with industry leading assets

Perry Metal Protection

- Privately held, established in 1974, nationwide footprint and market leading position ~44% share in hot dip galvanizing
- Includes a complementary grating and sandblasting businesses
- 113 staff across 6 locations



Business Overview – Key Metrics



- 3-year average EBITDA multiple of 4.8x
- Estimated EPS 1.5c in first 12 months of ownership

Integration Strategy

Strengthen fundamentals and leverage operational excellence

- Agreement follows a rigorous 6-month due diligence process
- Steering committee has been established to support the integration process with the involvement from leaders in Steel & Tube and Perry Metal Protection
- Staff and customer communication is a key priority and already underway
- Integration team in place and action plan established, costs estimated at \$0.8m
- Drawing on lessons from successful integration of Kiwi Pipe
- Initial assessment of synergy benefits \$1m EBITDA per annum following integration

Proven M&A Track Record

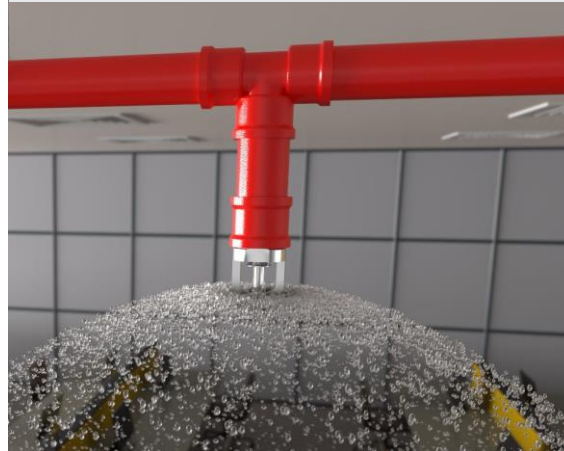
Successful acquisitions over the past 4 years supporting business into the future

Fasteners NZ



- Acquired 2021
- Increased share of fasteners market
- Transaction Value \$0.5m
- 2-Year ROFE 71%

Kiwi Pipe & Fittings



- Acquired 2022
- Building on position in fire and water reticulation
- Transaction Value \$9.1m
- 2-Year ROFE 25%

Transport Strategy



- Acquired 2024
- Internalising margin from local and regional trucking routes
- Transaction Value \$0.8m
- Forecast 1-year ROFE 198%

Steadily navigating weak economy

Strong fundamentals in place

Results at a glance

Weak economic conditions impacting volumes and earnings

| | | | | | |
|-------------------------|-----------------------|--------------------------|----------------------------|---------------------------------|-----------------------------------|
| Volume | Normalised EBITDA | Normalised EBIT | NPAT | Normalised OPEX | Inventory |
| 48,667t -22% | \$2.0m -91% | -\$9.5m -184% | -\$10.4m -294% | \$36.0m -3% | \$109.6m 1H24: \$128.6m |
| Revenue | EBITDA | EBIT | ROFE | Operating Cash Flows | Net Cash |
| \$196.0m -25% | \$0.6m -97% | -\$10.9m -207% | -2.2% 1H24: 7.6% | \$23.1m 1H24: \$38.7m | \$17.5m 1H24: \$26.3m |

Earnings Before Interest and Tax (EBIT), Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA), Net Profit After Tax (NPAT) | Non-GAAP earnings reconciliation at the end of the presentation
 Percentage variances compared against 1H24 unless otherwise stated
 Due to rounding, numbers presented throughout this presentation may not add up precisely to the totals provided

Key messages

Company is focused on delivering to its priorities

- Cycle looks to have bottomed out
- Strong fundamentals in place
- Prioritising cashflows and inventory
- Signs of market improvement, likely to build from mid-2025
- Further M&A opportunities remain

Manufacturing and Commercial

Manufacturing and commercial construction slow

MANUFACTURING

34% of group sales

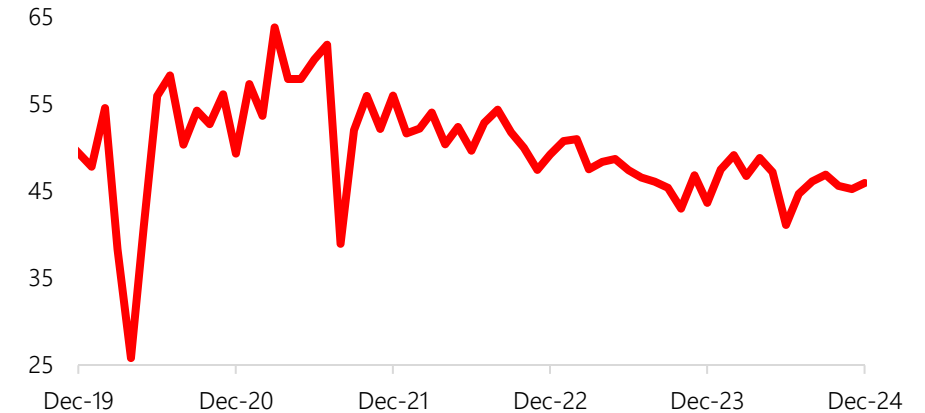
- PMI has reduced by 7% since December 2019
- PMI expanded for the first time in 23 months, increasing to 51.4 in January, up from 46.2 in December

COMMERCIAL

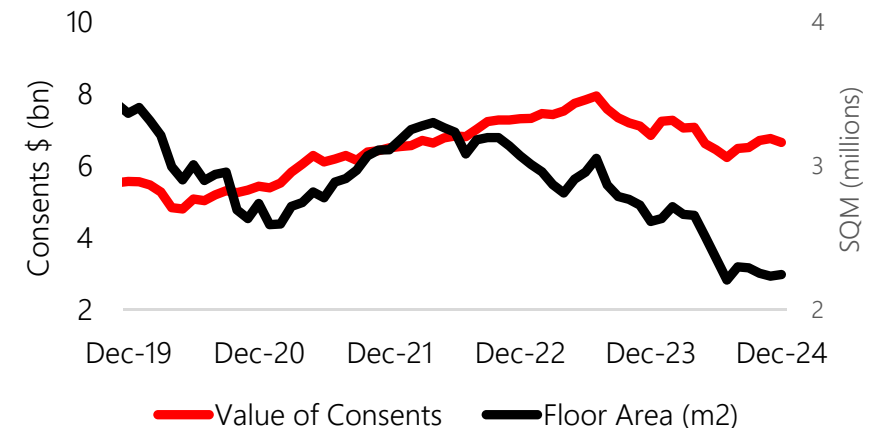
29% of group sales

- Non-residential consented floor area has reduced by 14% YoY to December
- Sector has been impacted by high interest rates and slow-down in Government activity

Performance of Manufacturing Index (PMI)



Non-Residential Consents



Residential and Infrastructure

Residential in decline, delayed infrastructure

RESIDENTIAL

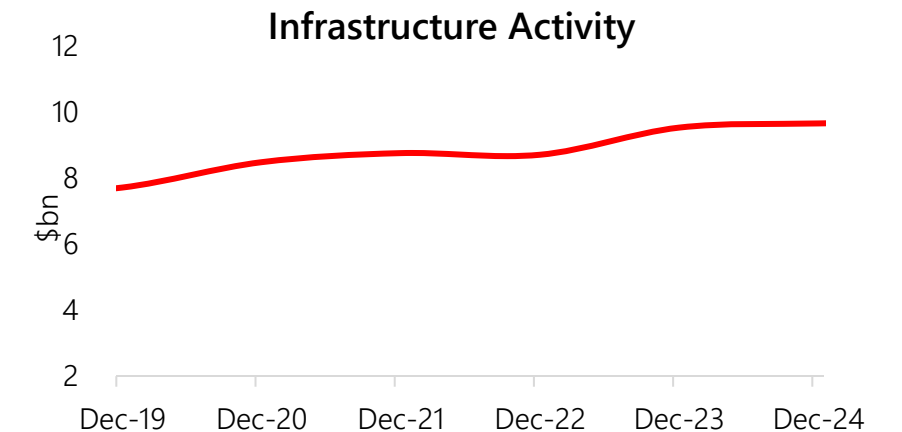
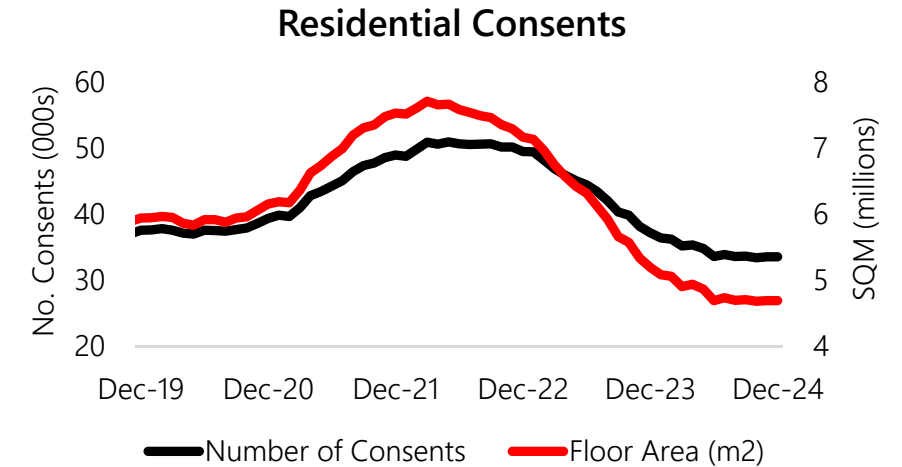
13% of group sales

- Residential consented floor area has reduced by 10% YoY to December
- Sector has been impacted by high interest rates and slowdown in residential and retirement developments

INFRASTRUCTURE

8% of group sales

- Continued pause on large commercial projects – improved funding conditions will stimulate activity
- Government fast-tracking projects of economic significance – will benefit over the longer term
- \$68bn infrastructure spend outlined in the May 24 budget



Long term trends are favourable for Steel & Tube

Navigating near term softness; well positioned to capture the upside

LONG TERM GROWTH

INDUSTRY CYCLES

- Lowering interest rates
- Government investment in infrastructure
- Improved business confidence and investment
- Recovery in consumer spending and the housing market

Commercial
Residential
Manufacturing
Infrastructure

Actively managing market challenges

| Market Challenges | 1H25 | 2H25 | FY26 | Response and Mitigation |
|----------------------------------|------|------|------|--|
| Continuing weak economic drivers | High | High | Med | <ul style="list-style-type: none"> • Strong balance sheet and lean cost structure • Expanding existing customer share of wallet • Focus on higher value products and services • Diversified business with limited exposure to any one sector |
| Lack of infrastructure spend | High | High | Med | <ul style="list-style-type: none"> • Staying close to Government and industry players • Well positioned for commencement of Government investment into infrastructure • Specialist expertise and technical know-how |
| Commodity price volatility | Med | Med | Med | <ul style="list-style-type: none"> • Actively managing inventory cover • Buying the right products, at the right time • Monitoring exchange rates, disciplined buying strategy • Focus on dollar margin capture on existing inventory |
| Geo-political threats | Med | Med | Med | <ul style="list-style-type: none"> • Monitoring events and maintaining diversity of suppliers • Secured shipping lanes |
| Cashflow management | Low | Med | Med | <ul style="list-style-type: none"> • Tight control and management of cash, working capital and debtors - minimal levels of bad debt despite increasing business liquidations, particularly within construction |

Business strategy

Strategic pathways

Overall goal to deliver gross margin improvement

Continue to Strengthen the Core

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

Grow High Value Products and Services

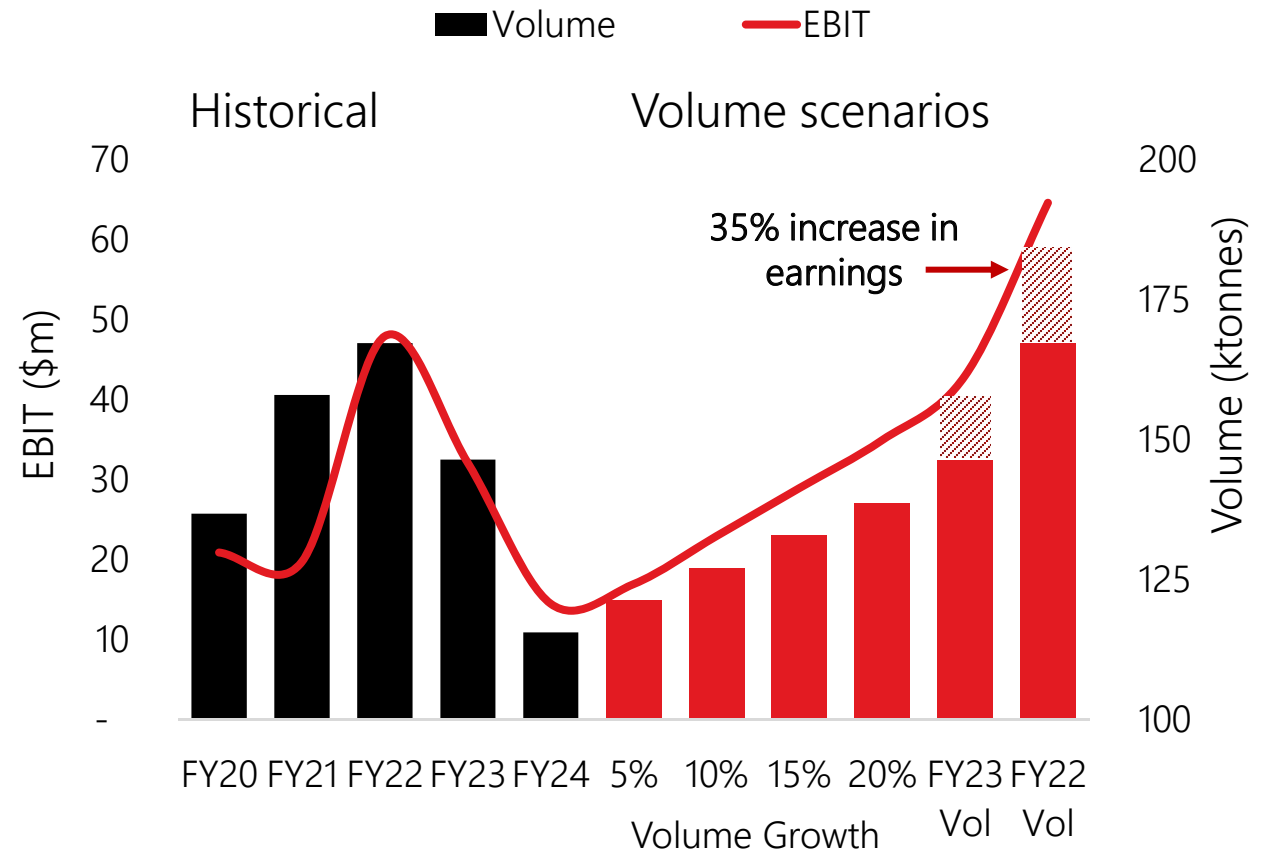
- High value products, diversified materials and value-added services
- Diversify customer segments and build scale
- Primary focus is on organic investment and M&A in direct adjacent sectors

Operating leverage

Controlling the controllables

- Focus on higher value products and lower costs driving strong operating leverage
- Large proportion of fixed costs, EBIT scales disproportionately to volume
- Enables magnification of earnings growth when activity returns

Scenario modelling FY24's operating leverage at increasing product volume levels

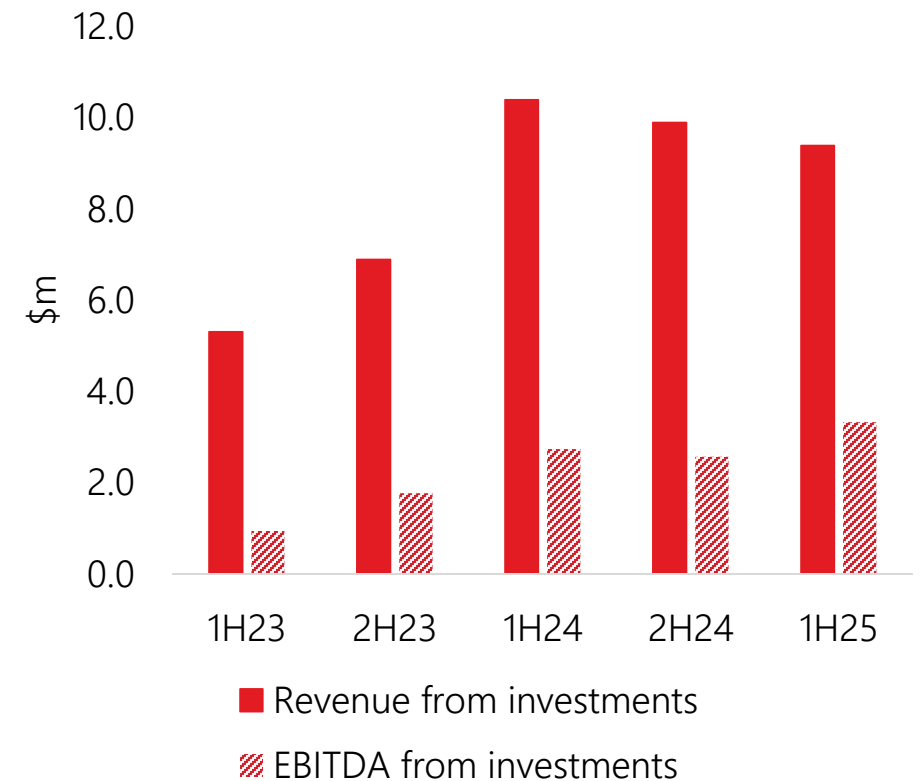


Growth investments adding value

Recent growth initiatives and M&A

| | |
|----------------------------|---|
| Plate Processing | Value add service (Auckland & Wellington) |
| Aluminium | High value product, continuing to expand range |
| Last mile freight delivery | Exceeding expectations |
| Kiwi Pipe & Fittings | Strong earnings growth, successfully continuing to expand ex-Auckland |
| Fasteners NZ | High quality, strong ongoing demand, continuing to expand range |

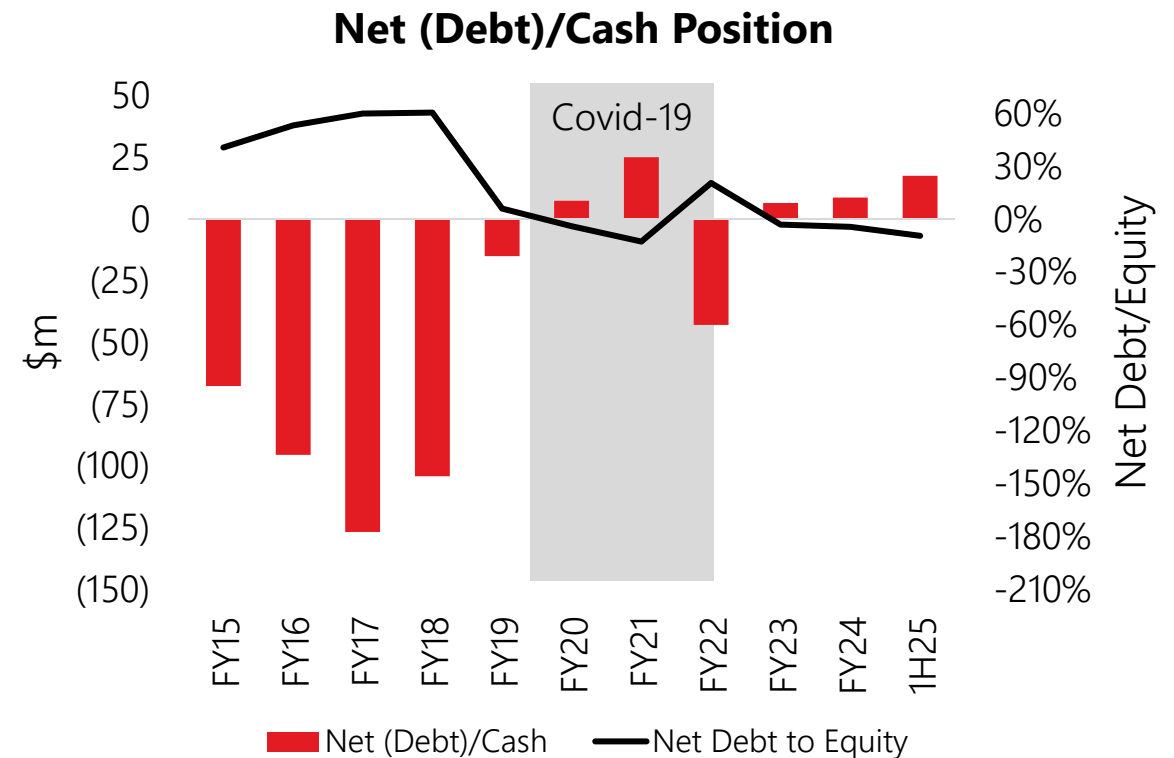
Added Value from Strategic Investments



Capital management

Balance sheet providing resilience and opportunity through the cycle

- Net cash \$17.5m end-Dec 24
- Strong cashflows supporting strategic initiatives
- Priority capital allocation to maintenance spend and strategic investments
- Capacity to leverage current market opportunities and invest in growth when the cycle turns
- No borrowings, \$100m undrawn facility in place



2H25 focus and priorities

Tight control through the cycle; operating leverage as demand returns

- Laser focus on capturing revenue and driving profitability
- Expand offering and sales to current customers – cross-sell opportunities
- Continue to take cost out, while retaining 'muscle'
- Continued tight management of inventory, retaining ability to quickly scale up
- Support margins through higher value products and services

Financial results

Financial performance

Group financial summary

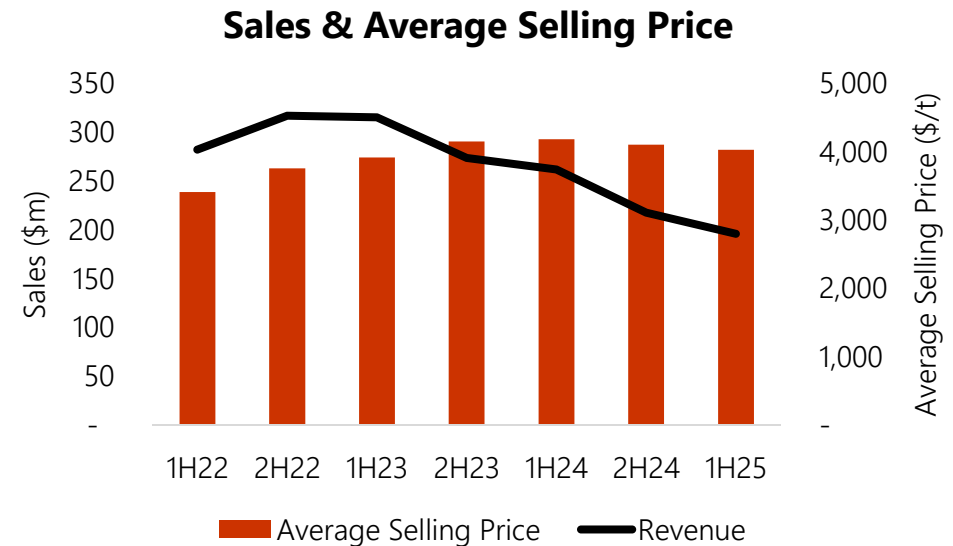
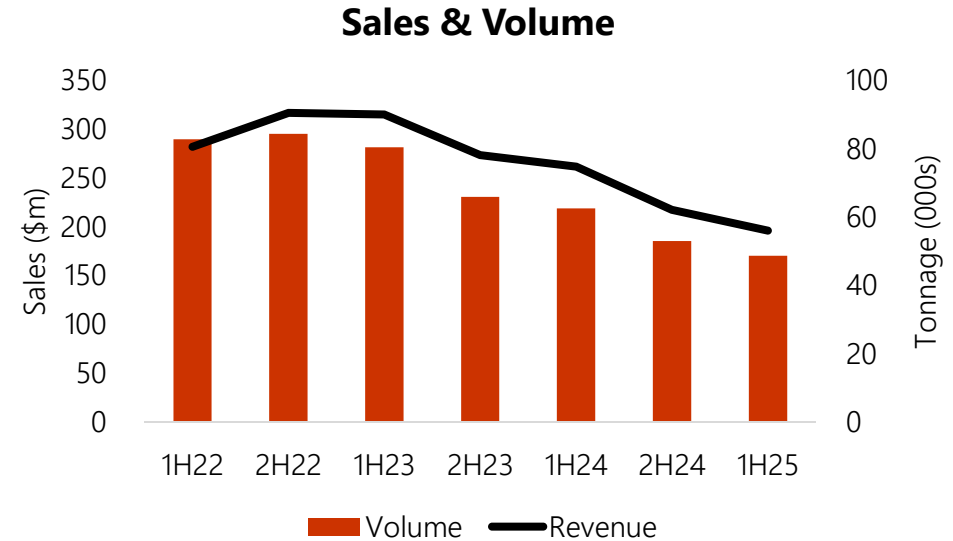
- Volumes continue to be suppressed in a recessionary environment
- Revenues reflect decreased volumes and selling price pressure from competitors
- Margins impacted by product mix and competitive pricing
- Cost out programme mitigating inflationary pressure
- No 1H25 dividend has been declared

| \$m | 1H25 | 2H24 | 1H24 |
|----------------------------|--------|--------|-------|
| Revenue | 196.0 | 217.4 | 261.8 |
| Volume (Ktonnes) | 48.7 | 53.0 | 62.6 |
| GM\$/tonne | 762 | 871 | 926 |
| EBITDA | 0.6 | 10.2 | 21.2 |
| Normalised EBITDA* | 2.0 | 13.9 | 21.9 |
| EBIT | (10.9) | (0.6) | 10.2 |
| Normalised EBIT* | (9.5) | 3.2 | 11.3 |
| NPAT | (10.4) | (2.7) | 5.3 |
| EPS (\$) | (0.06) | (0.02) | 0.03 |
| Net operating cash flow | 23.1 | 3.5 | 38.7 |
| Dividend (cents per share) | - | 2.0 | 4.0 |

Revenue

Focus on customer, high value products and services, and pricing disciplines

- Reduction in volume and revenue compared to 1H24 driven by the continuation of challenging economic conditions
- Softened customer demand across complete range of products



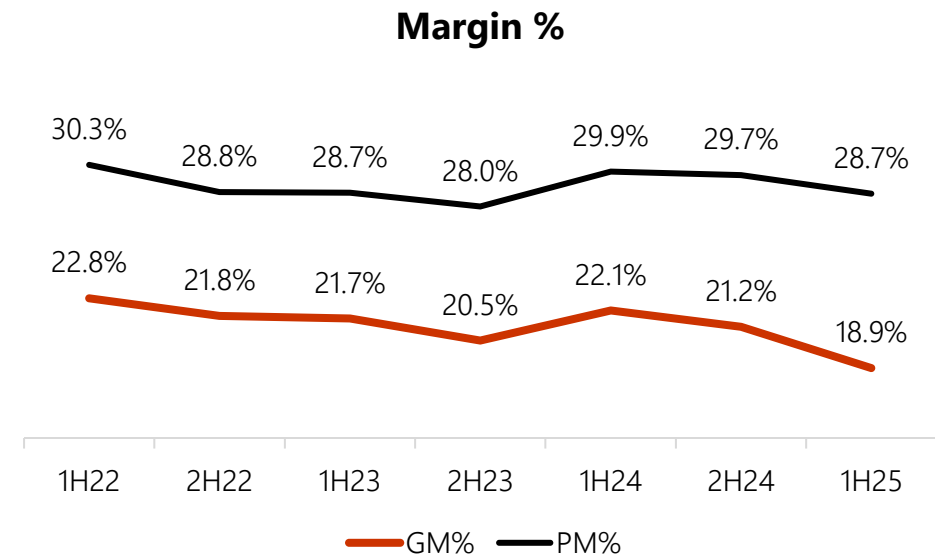
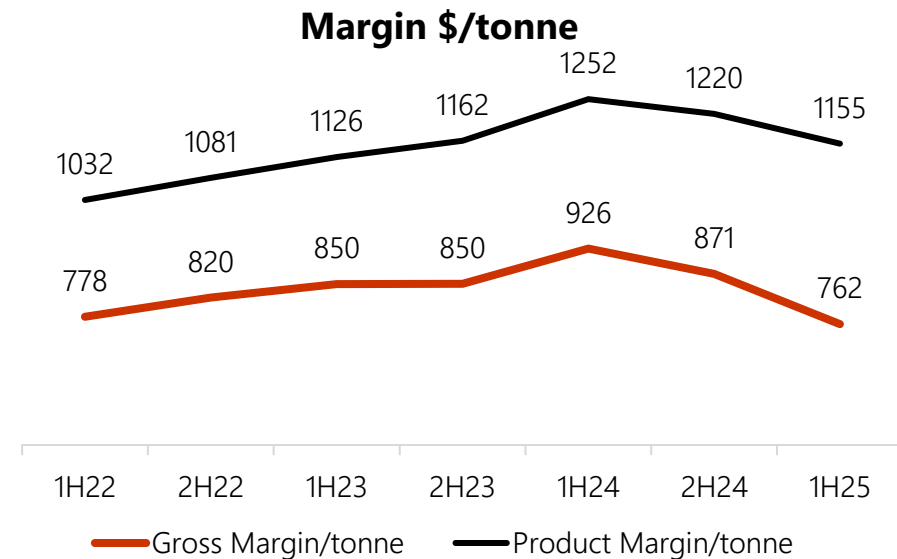
Competitive margins

Declining margins reflect economic conditions

- Competitor price pressure has flowed through to margins
- Continued focus on Gross Margin \$/tonne through customer value add, cross selling, pricing discipline and cost control
- Strategic focus on higher value products and services
- Margins expected to improve as economic conditions return to a more normal setting

Product Margin includes freight

Gross Margin includes freight, direct and sub-contract labour

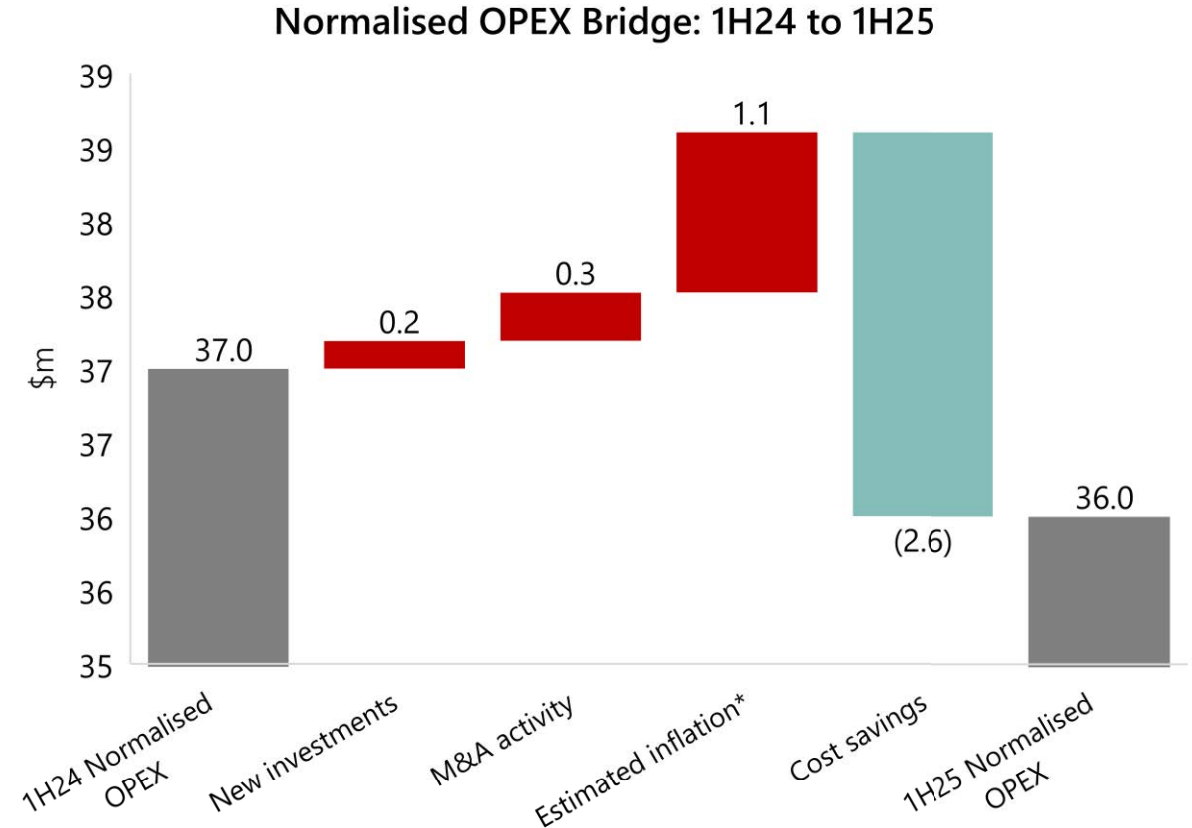


Normalised operating expenses

Cost out programme more than offsetting inflationary pressures

Targeting annualised \$7m (versus \$5m planned) of operating expense savings in FY25

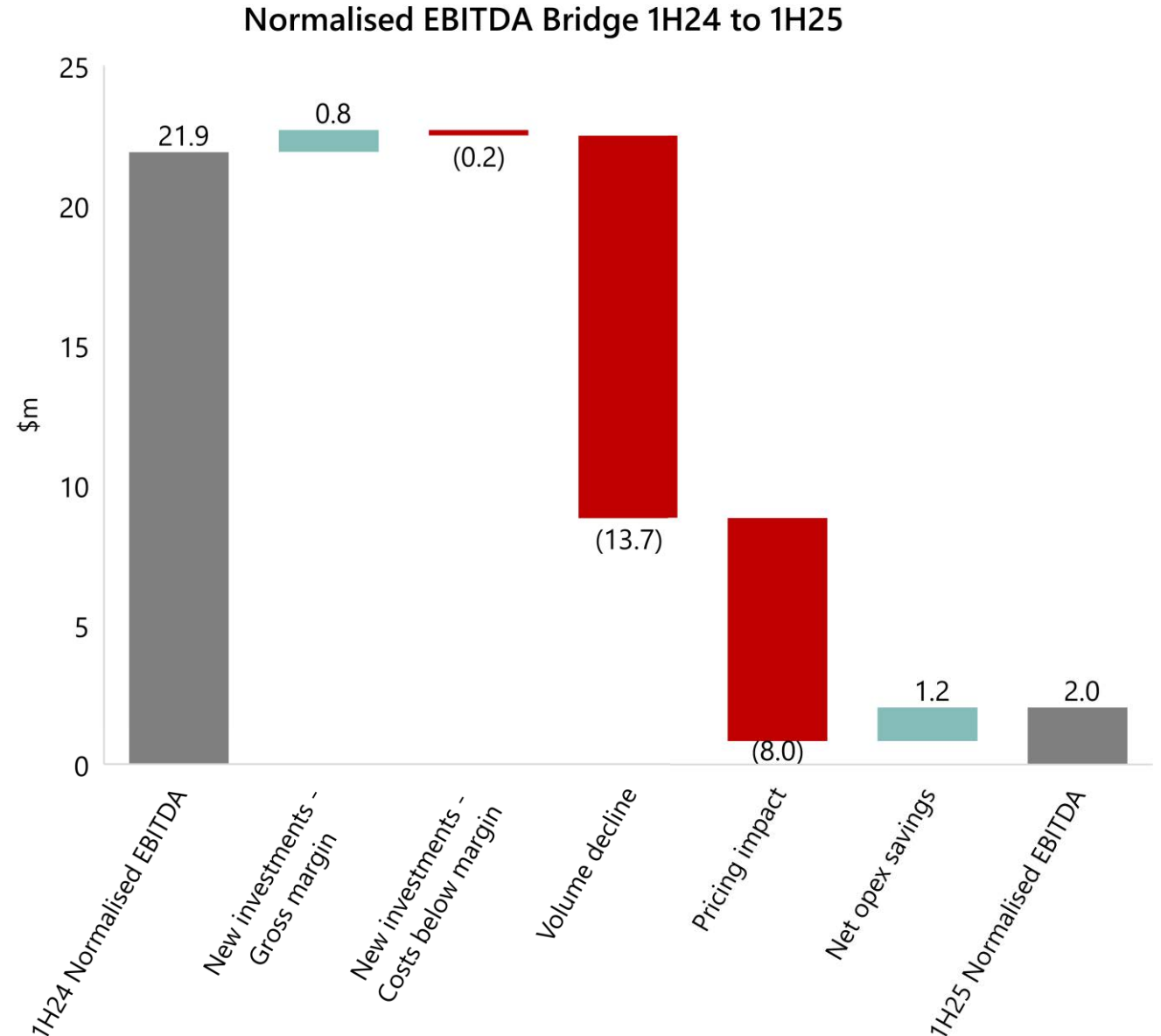
- Ongoing focus on streamlining operational costs
- Normalised operating expenses reduced by \$1m from 1H24
- Cost initiatives focused on headcount optimisation, tight control of discretionary spending, procurement efficiencies and other savings
- Inflationary pressure – wage/salary inflation has returned to normal levels along with other costs as high interest rates continue to cool the economy



Normalised EBITDA

Volume impacts partially offset by operating cost reductions

- Volume decline consistent with New Zealand's recessionary environment
- Pricing impact reflective of market competitiveness and product mix
- Renewed focus on higher value products, improved pricing disciplines, leveraging analytics and digital capabilities
- Net Opex savings of \$1.2m from 1H24



Balance sheet summary

Robust balance sheet, capable of investing in growth

- Disciplined management of working capital
- Cash balance of \$17.5m, no borrowings, \$100m facility in place to fund growth
- Priority capital allocation on maintenance spend (20.7%) and strategic investments (55.1%)

Inventory:

- Managing inventory levels carefully to ensure best use of working capital
- Active stewardship and use of detailed analytical tools to ensure investments are made in higher value products
- Investing in key inventory lines for expected return in demand

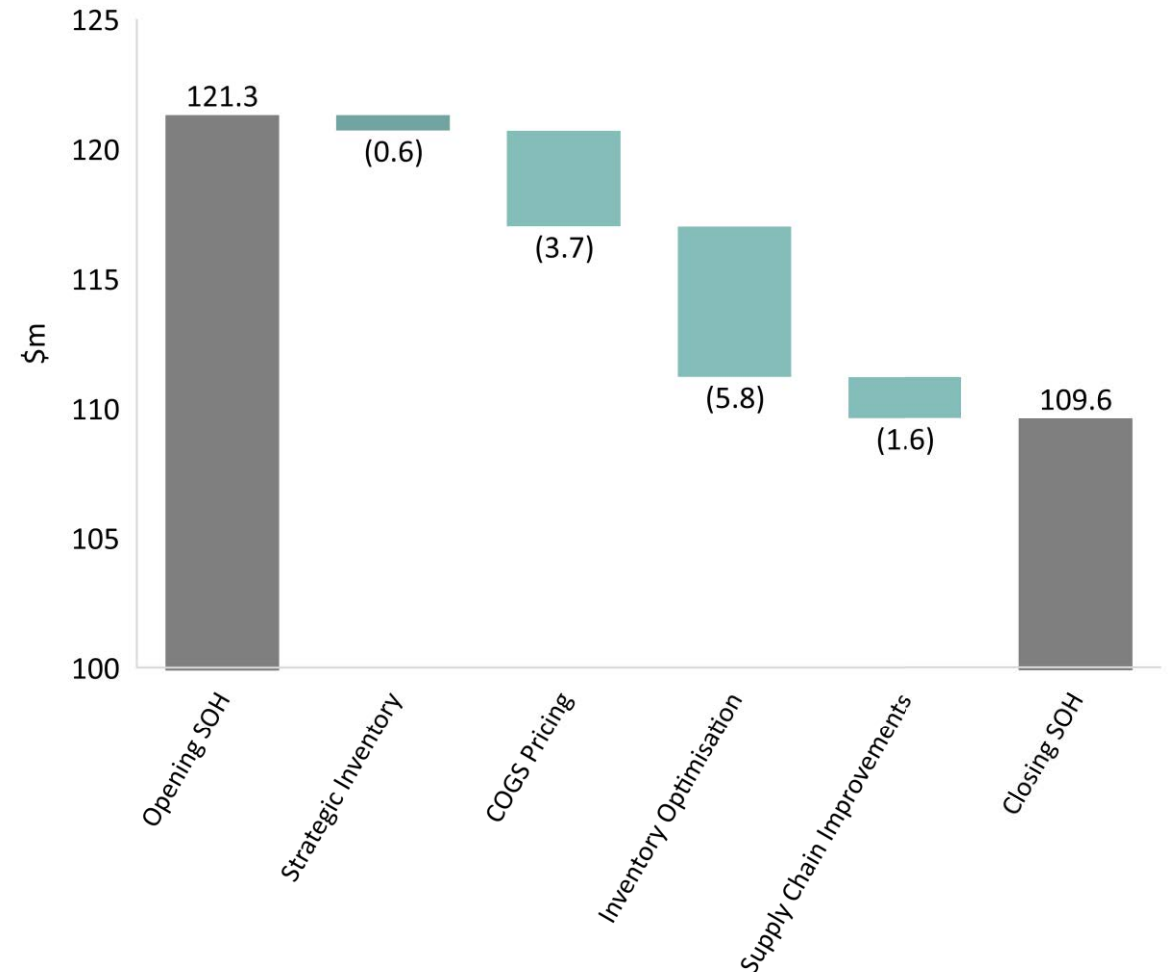
| \$m | 1H25 | 2H24 | 1H24 |
|-----------------------------------|---------------|--------------|--------------|
| Trade and other receivables | 51.4 | 68.5 | 61.3 |
| Inventories | 109.6 | 121.3 | 128.6 |
| Trade and other payables | (54.0) | (56.7) | (61.7) |
| Working Capital | 107.0 | 133.1 | 128.2 |
| Total Facility | 100.0 | 100.0 | 100.0 |
| Borrowings | - | - | - |
| Available Facility/Undrawn | 100.0 | 100.0 | 100.0 |
| Cash and cash equivalents | 17.5 | 8.7 | 26.3 |
| Borrowings | - | - | - |
| Net Cash/(Debt) | 17.5 | 8.7 | 26.3 |
| Net Tangible Assets (NTA) | 172.3 | 185.5 | 194.0 |
| ROFE (%) | (2.2%) | 4.9% | 7.6% |

Inventory management

Managing inventory levels to ensure best use of working capital

- 1H25 inventory in line with activity, coupled with further improvements and optimisations
- Unit finished product prices remain at elevated levels
- Active stewardship and use of detailed analytical tools to ensure investments are made in higher value products
- Focus on high value, high demand products

Inventory Position: 30 June 2024 to 31 December 2024

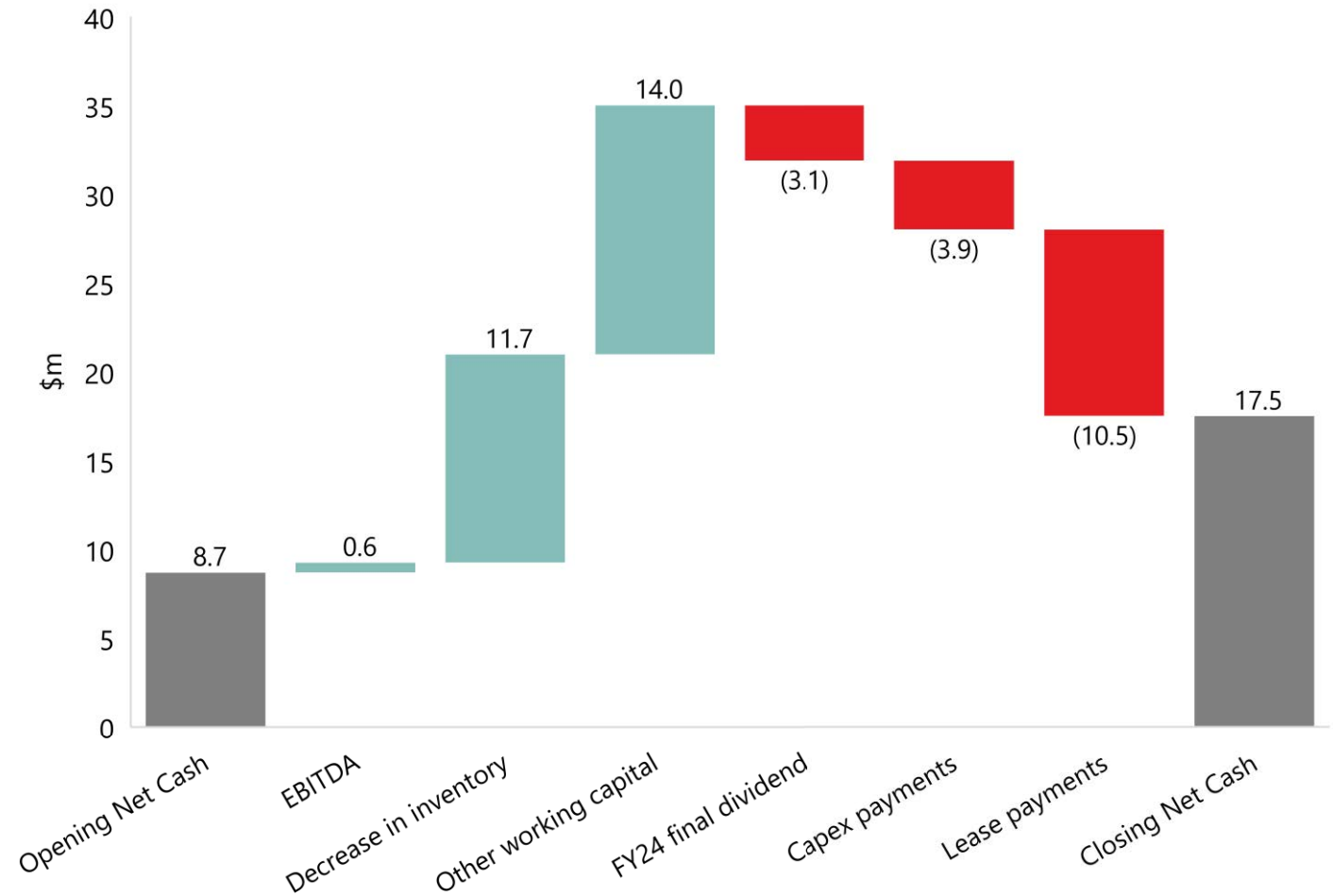


Cashflow

Focus on cash management

- Cash balance of \$17.5m at 31 December 2024, up from \$8.7m at the end of June 2024
- Disciplined cash flow management has ensured strong cash collections, despite economic/construction downturn
- Careful inventory management and supply chain optimisation

Cash Flow Bridge: 30 June 2024 to 31 December 2024



Outlook

Market outlook

- Cycle appears to have bottomed out
- Starting to see improved activity and sentiment from customers, with momentum expected to build from mid-2025 (1H26)
 - Manufacturing is poised to grow, supported by recovery of the domestic and international markets
 - Commercial and residential projects will improve as interest rates reduce and funding conditions improve
 - Infrastructure activity to increase following fast track legislation and Government infrastructure investment
- Steel pricing expected to remain elevated
- Long term drivers of demand remain strong

Summary key messages

Well positioned for economic improvement

- Steadily navigating the weak economy
- Focused on maximising the benefit of M&A activity
- Prioritising cashflows and inventory
- Well placed to deliver material earnings growth as economic conditions improve

Appendices

Non-GAAP financial information

| Reconciliation of Reported to Normalised Earnings \$000s | EBITDA | | | EBIT | | |
|---|--------------|---------------|---------------|-----------------|--------------|---------------|
| | 1H25 | 2H24 | 1H24 | 1H25 | 2H24 | 1H24 |
| Reported | 561 | 10,243 | 21,172 | (10,922) | (603) | 10,172 |
| Project Strong costs* | 906 | 2,382 | 319 | 906 | 2,463 | 729 |
| Business restructuring costs | 227 | 550 | - | 227 | 550 | - |
| Software as a Service (SaaS) upfront expenditure | 309 | 763 | 381 | 309 | 763 | 381 |
| Normalised | 2,003 | 13,938 | 21,872 | (9,480) | 3,173 | 11,282 |

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 1H25 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 periods ended 31 December 2024, 30 June 2024 and 31 December 2023 reconcile to normalised earnings. Non-trading adjustments of \$(1.4) million are included in the 1H25 EBIT and EBITDA.

Glossary of terms

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

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

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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