

STEEL & TUBE 2023 ANNUAL SHAREHOLDERS' MEETING

29 September 2023

CHAIR'S ADDRESS

Susan Paterson, Chair

OUR BOARD

Welcome to our shareholders.

All your board directors are in attendance today, although Andrew Flavell is joining us online from Japan.

In the room with us, we have Steve Reindler, Karen Jordan, Chris Ellis and John Beveridge.

We've also been fortunate to have Cherie Kerrison in the mix as part of the Future Directors program. This continues to be a positive format for upskilling aspiring directors and bringing in an outside perspective to established boards. Cherie has a strong retail background and was most recently Managing Director of JB HiFi. She has expertise in sales, marketing, pricing, Te Ao Māori, and network management, and is a valued and proactive contributor at our board meetings.

We consider director succession on a regular basis, taking into account such things as tenure, experience and director workload. The board has developed a skills matrix and this is a crucial tool in evaluating our board composition, enabling us to align the diverse expertise of our directors with the strategic needs of our company.

We believe that the current directors offer valuable and complementary skill sets. Importantly, the majority of Steel & Tube's directors have either worked in or held governance positions within the sector.

LEADERSHIP TEAM

A key pillar of our success is our exceptional leadership team. As we navigate the ever evolving business landscape, having a strong and experienced leadership team becomes paramount.

The strength of our leadership team lies not only in their individual capabilities but also in their collaborative spirit. They work seamlessly together to drive Steel & Tube's success and secure our position as a leader in our industry.

Joining us today are Mark Malpass, Steel & Tube's CEO, as well as Richard Smyth, Chief Financial Officer. A number of our other executives are also here and you will hear from them during our presentations. Please feel free to approach them after the meeting for a chat. They are a very friendly bunch!

I would like to acknowledge the exceptional efforts of Mark and the leadership team, as well as all the people at Steel & Tube who deliver outstanding service for our customers every day.

CELEBRATING 70 YEARS TOGETHER

2023 marks a significant milestone for Steel & Tube as we commemorate 70 years of successful business operation. 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.

Since our inception in 1953, we have steadily grown from a modest operation to become a trusted name in the steel and building materials sector, serving customers across New Zealand.

In celebrating this significant anniversary, it is important to acknowledge the contribution of our shareholders, who have played a pivotal role in our journey, providing us with the resources and support necessary to pursue our strategic objectives.

OUR PURPOSE

Our purpose is clear – to make life easier for customers needing steel solutions.

STRATEGIC GOALS

Our goals are three-fold:

- To position Steel & Tube as the preferred supplier for steel solutions and products;
- To increase the company's valuation by growing our existing offer, and M&A in adjacent sectors;
- And to deliver increasing returns and value for our shareholders.

FY23 PERFORMANCE

The 2023 financial year demonstrated the resilience and strength of our business, as we delivered solid results, at the top of guidance, in a challenging environment.

Revenue was the second highest reported, following the super cycle result in FY22.

Operating cashflows of ~\$100m were a record.

In a time of recession, two things are key - having a strong balance sheet and keeping costs under control. Steel & Tube finished the year with a very strong balance sheet, with a 35% reduction in inventory tonnes, no bank debt and a positive cash balance of \$6.5m.

Our company is positioned well for the economic cycle, with a clear forward strategy, a lean operating platform and the means to invest into growth.

IN THE BOARDROOM

The last three years have demonstrated how much and how fast the world and our trading environment can change in a short span of time.

Your board is focused on ensuring a long term, sustainable future for Steel & Tube, that is financially rewarding for our shareholders, and positive for our people, our customers and our planet.

Important topics of discussion in our boardroom revolve around risk and resilience, being a responsible business, how to better serve our customers and our people, our actions in response to climate change and the growth of our business.

We are continually looking for ways we can 'do business better and smarter'. Our results in FY23 demonstrate the resilience of our business and prove that we are on the right path with our dual strategy.

Technology remains a key enabler for our business, providing data, insights and management tools to help us run our business more effectively, as well as improving our customer experience. We are reviewing Artificial Intelligence opportunities and have identified several parts of the business that lend themselves to this new technology. We are taking a careful and structured approach to how we can integrate IA into our organisation, with benefits including cost savings, productivity and operational efficiencies, and enhancements to customer experience.

It is important to us to earn our social licence to operate – that means ensuring we operate ethically and fairly. The Lloyds Register assurance programme we have in place, not only audits our supplier mills for quality of product, but also looks at labour practices and environmental sustainability.

We are investing in the growth and development of our people and were proud to have paid the living wage during FY23. Our digital platform also supports our team, with our online training modules and wellbeing programme continuing to be popular.

Health and safety is a priority across our business and our safety metrics remain at record lows. We make a significant investment in safety, both in financial terms and human capital, to ensure that our people are kept safe in what is a high-risk environment. We have a Quality, Health and Safety Committee and all directors are actively involved in our safety risk assessments and ongoing safety stewardship.

As one of New Zealand's largest steel distributors and manufacturers, climate change has the potential to have a transformative impact on the way we do business. This is why we have committed to engaging with policymakers on climate change legislation over the last two years and will continue to do so in the future.

Our team has been doing significant work on climate change and emissions management and we were pleased to voluntarily report our progress against the new Climate Related Disclosures regime this year, ahead of it becoming mandatory in FY24.

Here's Steel & Tube's Group Sustainability Manager, Trent Brash, to talk about our commitment to reducing our footprint and the work that is being done.

VIDEO – SUSTAINABLE BUSINESS

INVESTOR RETURNS

We were pleased to pay fully imputed dividends of 8 cents per share in FY23 which was a payout of 75% of our adjusted net profit. This represents a gross yield for investors of 9.9% and compares well to our peers.

Earnings per share were 10.3 cents per share.

Return on funds employed was 10% for the year, meaning that Steel & Tube is delivering \$1 for every \$10 of debt and shareholder equity employed in the business. While this is down on last year due to the tighter economic conditions, it is still a very attractive measure. For both last year and this year, our ROFE was above our cost of capital.

Our Net Tangible Assets were \$1.17 per share. This is the historical cost of the physical assets owned by Steel & Tube and takes into account our property, plant, inventory and equipment. It does not take into account the additional value of intangible assets such as technology and goodwill.

DELIVERING STRONG AND SUSTAINABLE VALUE

Your board is focused on delivering strong and sustainable value.

We have a clear strategy and a strong balance sheet which will support us through the current economic cycle and provides capacity for growth investment.

We are committed to enhancing our financial returns through operational and customer service excellence, investment in growth opportunities and by building on our position as one of the leading suppliers of steel in the New Zealand market.

This will enable us to deliver attractive and consistent dividends for our shareholders.

As we look ahead, we recognise that the business landscape is constantly evolving, and new challenges and opportunities lie on the horizon. With a rich legacy across 70 years and a strong sense of purpose, we are well-positioned to embrace the future with confidence and determination.

Our long-term vision remains unchanged, and we're unwavering in our commitment to building a strong, sustainable future. As an organisation, we are making good progress and your board is very optimistic about Steel & Tube's future.

We will continue to invest in our people, nurture strong customer relationships and leverage our expertise to drive innovation and create value for all stakeholders.

On behalf of the board, I would like to thank all our shareholders for your continued support.

CEO MARK MALPASS

Tena Koutou. Thank you and welcome to all those attending today's meeting.

I'll start with a quick summary of our FY23 performance and then talk in more detail about our strategy and progress. You'll also hear from several of our leadership team in videos today.

FY23 RESULTS AT A GLANCE

We saw solid demand for steel continue in the first half of FY23. However, the macro-economic headwinds impacted activity and volumes were down 12% year on year. Despite this decrease in volumes, revenue was very close to prior year as sell prices lifted.

The tight labour market that developed over the last two years continued, with some easing in 2H23 as more foreign workers have gained entry. There was a flow-on inflationary impact that affected margins.

Elevated steel pricing softened in 2H23, although remains above pre-COVID levels.

Pleasingly, supply chain constraints and international freight rates eased at the end of 1H23. However, fuel and compliance costs are on the rise and we expect to see further increases in FY24.

Overall, it was a solid result given a fairly challenging marketplace.

BALANCE SHEET

We successfully repositioned our balance sheet, which means we're now in a position of strength to manage any ongoing softness in the economy and enable continued investment in growth.

Inventory was reduced significantly as supply chain issues eased. This freed up cash allowing us to fully repay debt – we ended the year with no bank debt and we have continued to improve our position since financial year end.

In addition, we have a substantial \$100m bank facility in place to fund growth and this was renewed in August of this year.

We are well positioned to take advantage of opportunities.

MANAGING MARKET CHALLENGES

We continue to actively manage the business to meet market conditions, with considered responses including:

- A comprehensive \$5m cost out programme with benefits this financial year;
- Tight control over debtors and cashflow; and
- A continued focus on culture and our employee value proposition to ensure we attract and retain the best talent.

We also continue to invest in the right inventory.

Despite the current conditions, demand for steel remains solid, and long term macro trends are positive.

Benefits are being realised from our focus on higher value products, improved pricing disciplines and leveraging data analytics and capabilities.

OUR STRATEGY

Susan mentioned our clear strategic focus on two pathways. Firstly, continuing to strengthen our core business and secondly, to grow by investing in high value products and services.

Continuing to strengthen the core involves building on the business foundation now in place with a focus on best in class customer experience and leveraging our breadth and scale to cross sell a wider range of products.

Investing in higher value products and services is focussed on extending what we can offer to our customers. This includes adjacent materials and value added services. While the majority of our growth will be organic, we also continue to consider acquisitions where they meet our criteria.

We are mindful of the investment shareholders make in our company and do not believe in growth for growth's sake. Instead, we have a disciplined approach to investment in new opportunities, to ensure they will deliver financial and strategic value.

GROWTH INVESTMENTS

The work we are doing under our dual pathway strategy is delivering benefits.

You can see here several examples of strengthening our core and also growing high value products and services.

For more on these strategies in action, here's a video from members of our leadership team.

VIDEO – OUR STRATEGY IN ACTION

CUSTOMER, EMPLOYEE, SUSTAINABILITY UPDATE

Our goal is to be the preferred provider of steel products and solutions in New Zealand. We do this by working smarter and delivering better value for our people, our customers and our shareholders.

The combination of our expert team, high quality goods and services and our digital platform all work together.

Pleasingly all our key metrics continue to improve, with customer satisfaction at high levels and employee satisfaction also well above industry average. Our safety outcomes are positive and we remain focused on being injury free across our organisation.

Our people are the heart of our business and I would like to acknowledge and thank our teams for their commitment and passion for our business. As CEO, I am very lucky to work with more than 800 incredible people who contribute to Steel & Tube's success every day.

HEALTH AND SAFETY

I'd like to provide a bit more detail on two areas that are very important to us – Health and Safety, and Product Quality.

Ensuring the health, safety and wellbeing of our team, our customers, contractors, and anyone who visits our sites is a priority. This focus is led from the board down and is the responsibility of every person in our organisation.

We prioritise employee health and safety and empower every team member to contribute to a safe workplace and uphold high safety standards.

We provide ongoing training, invest significant amounts in equipment guarding and use dashboards to monitor and identify any potential safety hazards. We also engage with our teams for their input on how we can improve our work environment.

Our safety performance has significantly improved over the past seven years and the FY23 employee Total Recordable Injury Frequency Rate of 1.14 is in line with the prior year historic low.

QUALITY

Quality is crucial in everything we do, from the sourcing of products, through to customer service and delivery. We have an extensive Quality Management System in place and have achieved ISO quality certifications.

We source steel from independently audited and verified steel mills, with Lloyds Register Quality Assurance undertaking independent assessments of our supplier mills' quality standards and processes.

Our digital platform allows us to match test certificates to products which further enhances traceability.

In the last year, we received IANZ certification for our purpose-built reinforcing laboratory. This certifies that our products comply with NZ standards, demonstrates our competence and instils confidence in our work and our products.

The testing lab is just one component of our comprehensive quality control programme. We also undertake random sampling of relevant products, and these are tested by an independent IANZ-accredited laboratory in New Zealand for verification to the relevant standard.

These achievements demonstrate our unwavering dedication to quality across our business.

Here are members of our leadership team to talk a bit more on these important areas.

VIDEO – ENABLING OUR BUSINESS

MACRO OPPORTUNITIES

As Trent mentioned, steel is one of the world's most essential and sustainable building products – permanent, forever reusable and the most recycled substance on the planet.

For many construction applications, steel is the only choice and it offers a number of advantages in a future where climate change and extreme weather events are likely to become more common.

We have proven expertise and capability to deliver for climate resilience projects such as port rebuilds, wind and solar energy developments, coastal protection and resilient buildings.

We are also well positioned to support New Zealand's infrastructure rebuild, including essential water services, and the cyclone and floods rebuild over the next few years.

ECONOMIC DRIVERS

There are plenty of green lights ahead of us.

The diversity of our customer base is a significant advantage, in that we are not heavily exposed to any particular sector.

Commercial construction is expected to improve; there is still a strong pipeline in residential from consents granted previously; and while manufacturing is expected to remain subdued in the short to medium term, solid demand for steel continues.

Infrastructure has a strong, long term outlook with the NZ Government allocating \$6b to 'build back better' following the recent weather events, and a further \$71b infrastructure spend over the next five years compared to \$45b over the previous five years.

In addition, there are many opportunities to add value to our business, including some that will present themselves as a direct result of the economic environment, and we are well positioned to take advantage of these.

FY24 OUTLOOK

The value of our dual pathway strategy is now becoming clear, and this remains the framework for our actions as we continue to strengthen our core and build high growth products and services.

We are cautiously optimistic that calendar 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 calendar 2024 (the second half of our FY24 financial year).

In a recessionary environment, the most important thing we can do is ensure a strong balance sheet and tightly manage costs.

We have proven our ability to deliver strong results in challenging conditions and would expect any uplift in activity and demand to be reflected in our results.

DELIVERING VALUE

Steel & Tube is strongly positioned to deliver through the economic cycle and to take advantage of new market and product opportunities.

Our team has the experience and skills to solve challenges and identify opportunities.

Our focus remains on how we differentiate ourselves to stand out as the preferred supplier of choice.

Thank you for listening.

ENDS