Steel & Tube FY21 Results Presentation

For the 12 months ended 30 June 2021

FY21 PERFORMANCE OVERVIEW
Strong result driven by delivery on strategic initiatives

BENEFITS OF STRATEGIC INITIATIVES NOW BECOMING CLEAR:

- Volumes and revenues have been rebuilt
- Driving margin improvements
- Improved customer service and delivery
- Significant structural cost reductions – building a resilient underlying business platform
- Optimised working capital and invested in inventory to support customer growth
- Digital initiatives have been embedded and we are now focussed on scaling

POSITIVE MARKET BACKDROP:

- Positive economic activity driving increased demand for steel across a range of sectors

FY21 RESULTS AT A GLANCE
Significant and sustainable improvement in results

REVENUE
$480.0M

NPAT $16.1M

EBITDA $40.7M
NORMALISED EBITDA $37.9M

EBIT $21.8M
NORMALISED EBIT $19.0M[1]

ALL DEBT REPAID
$25.0M NET CASH

FINAL DIVIDEND
3.29 CPS
UNIMPUTED

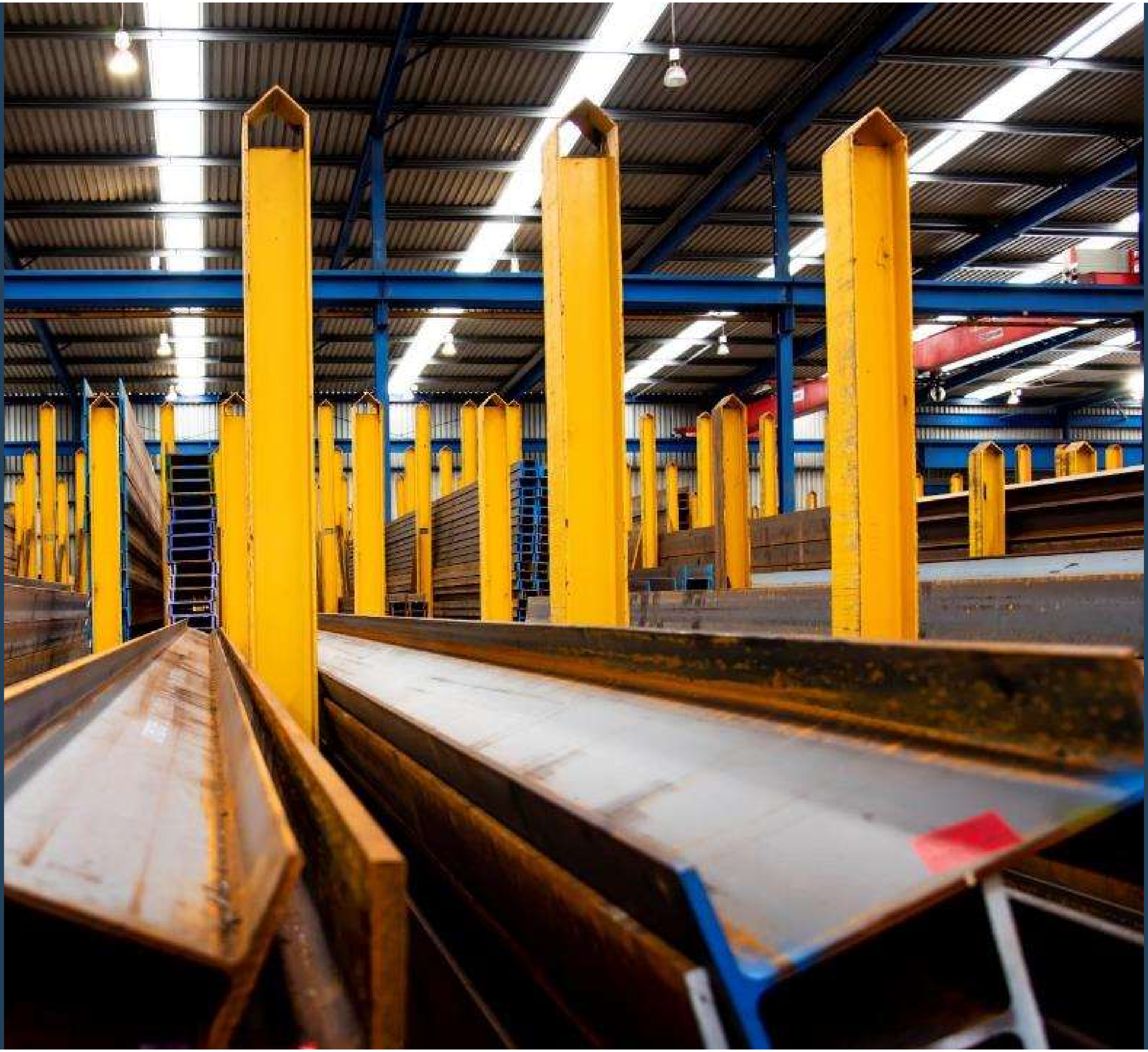
- 14.9% improvement in revenue YoY
- Substantial 13.5% year on year reduction in operating expenses now locked in
- Significant improvement in earnings:

	FY21	FY20
EBITDA	40.7	(37.2)
Normalised EBITDA	37.9	20.9
EBIT	21.8	(57.7)
Normalised EBIT	19.0	0.4

- Strong balance sheet with all bank debt repaid and $25.0m in cash

1) *FY21 non-trading adjustments of $(2.8)m includes $1.6m in IFRS16 lease impairment reversals and $1.2m gain on sale of properties. Further details included in appendix to this presentation.*

FY21 OPERATING ENVIRONMENT



STRONGLY POSITIONED FOR MARKET CONDITIONS

HEADWINDS

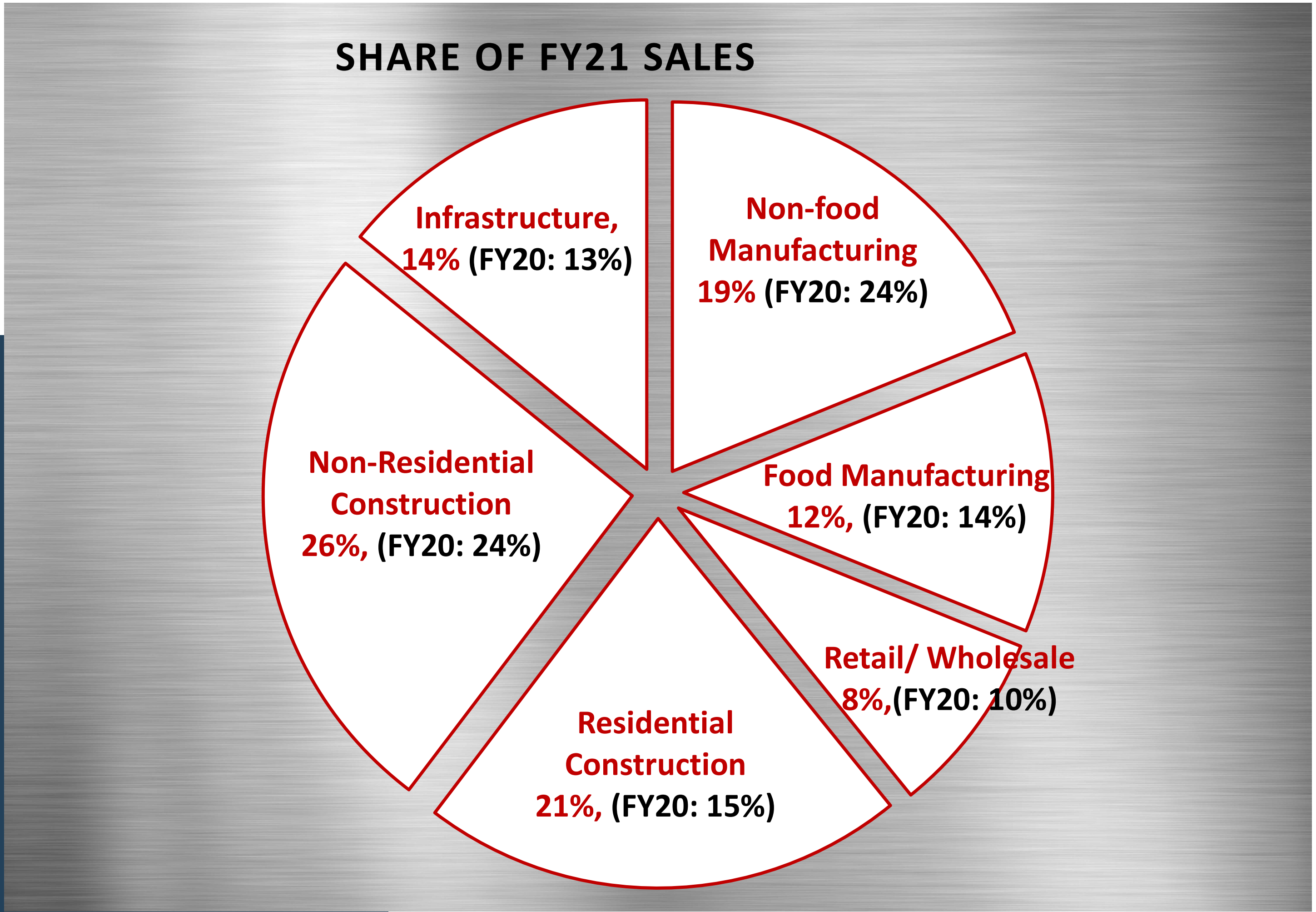
- Global Covid-19 environment
- Supply chain congestion
- Increasing steel pricing and cost pressures
- Labour constraints, particularly in residential construction
- Manufacturing slower to recover

TAILWINDS

- Boom in residential activity
- Steady increase in infrastructure activity
- Commercial activity picking up
- Covid-19 enabled cost structure and balance sheet reset

STEEL & TUBE VALUE

- Distribution footprint and breadth of product
- Infrastructure businesses add point of difference
- Diversification across industry sectors
- Procurement leverage and strong balance sheet
- Cost efficient operations
- Customer focused and sales led with strong digital platform



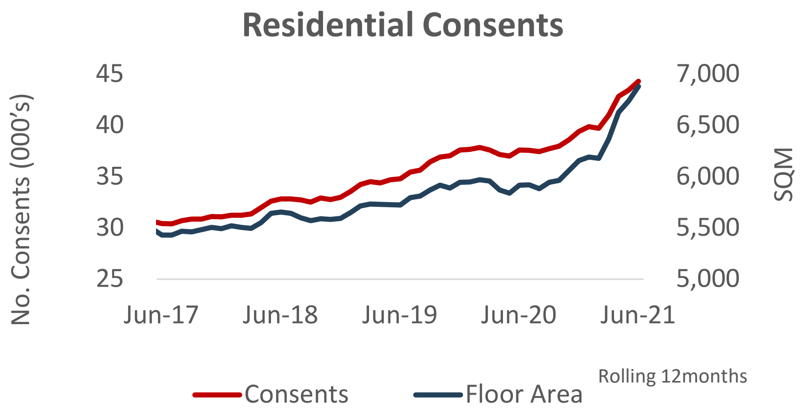
SECTOR EXPOSURE

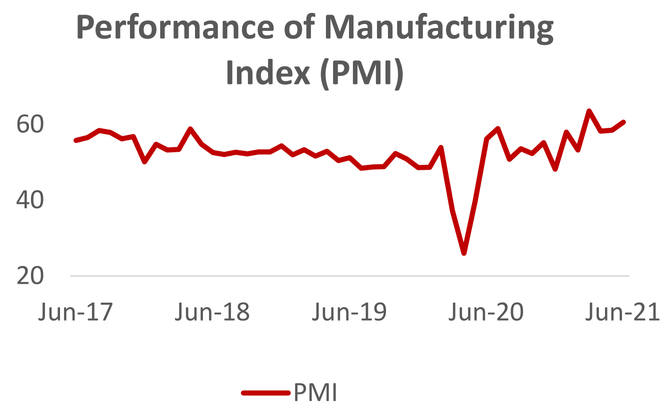
Steel & Tube is a diversified business with limited exposure to any one sector

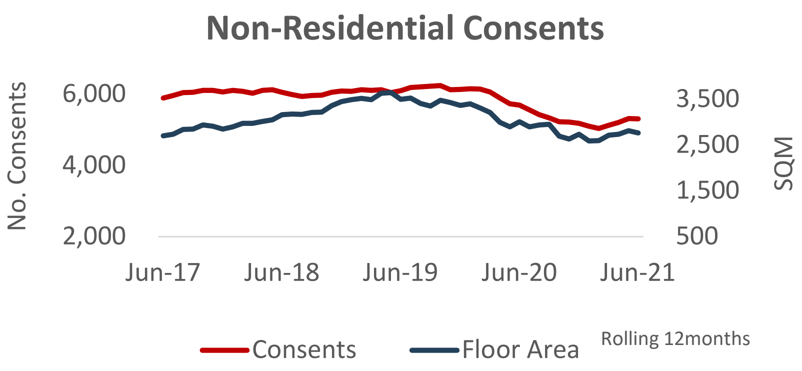
- 47% Residential and Commercial Construction
- 14% Infrastructure
- 31% Manufacturing
- 8% Merchants/other

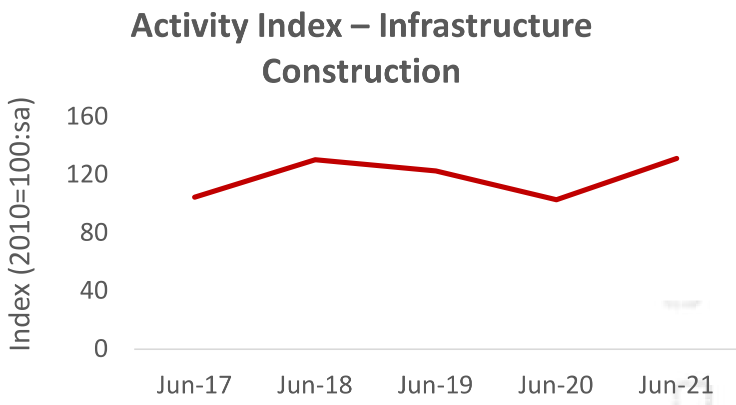
MARKET CONDITIONS

Activity remains strong in most sectors post Covid-19 lockdown, strong growth in residential construction, decline in non-residential consents showing signs of recovery









Source: Statistics New Zealand, BNZ – BusinessNZ PMI, Statistic NZ, NZIER

OUR PURPOSE:

To make life easier for our customers needing steel solutions

Providing a one-stop-shop for the most essential steel products – from floor to roof and everywhere in between

Doing everything we can to make it easy for our customers to do business with us

Always looking for ways to work smarter

Using technology and great thinking to pull it all together and enable a better business

Building one great team right across the Steel & Tube business

BUILDING OUR BUSINESS: KEY INITIATIVES in FY21

Strong foundation now in place, focus on growth and continual improvement

**PROJECT STRIVE:
CHANGE PROGRAMME,
OPERATIONAL RESET**

FY17 to FY20

- ✓ Priority focus on quality, health and safety
- ✓ Investment in our people
- ✓ Network consolidation
- ✓ Significant cost reduction and efficiencies
- ✓ Introduced digital and e-commerce platform
- ✓ Strengthened balance sheet

BUILDING ON OUR FOUNDATION, CONTINUAL IMPROVEMENT

Strategic Initiatives FY21

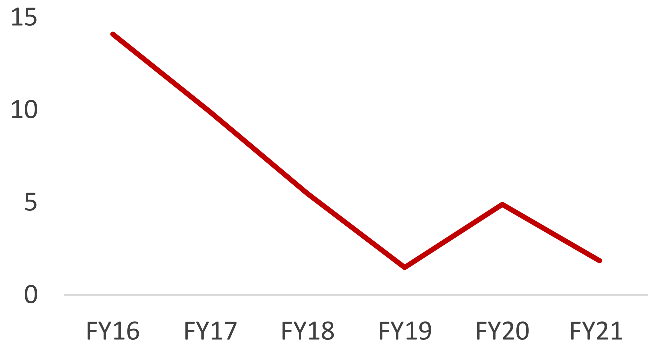
- ✓ Continued investment into quality, safety, training and development
- ✓ Largely completed network optimisation
- ✓ Locked in FY20 cost reductions
- ✓ Continued investment in digital technology
- ✓ Focus on sales disciplines and delivering customer excellence
- ✓ Inventory and Supply Chain management

CONTINUED INVESTMENT IN QUALITY, SAFETY AND TRAINING

- Our commitment to Safety remains a stand out strength with employees rating Steel & Tube's safety commitment 8.6/10 in engagement survey
- Critical risk management including independent assurance and training throughout the group
- Continued investment in safety hardware including guarding and other risk mitigations
- Deployed Intelex software to eliminate paper based systems
- ISO 9001: 2015 now certified across all businesses
- Recertification of Structural Steel Distributor Charter
- First company to achieve certification new Steel Construction NZ Bolt Importer Charter

Strong improvement in eTRIFR*, down to 1.86, well below industry average. LTIFR of 0.

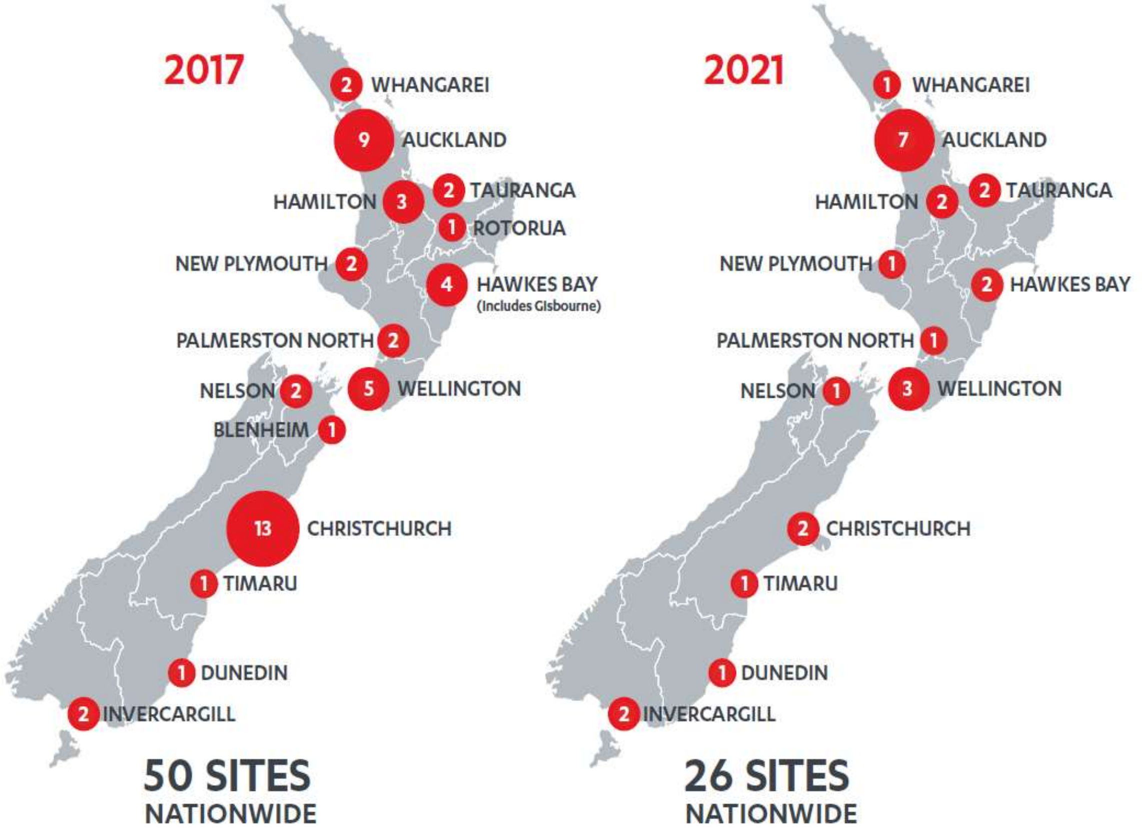
EMPLOYEE TOTAL RECORDABLE INJURY FREQUENCY RATE (eTRIFR)



*eTRIFR: Employee Total Recordable Injury Frequency Rate
LTIFR: Lost Time Injury Frequency Rate

NETWORK STRATEGY

Network consolidation programme largely completed – optimised branch network maintaining a regional presence and increased product offering. Will consider increasing presence in key regions to meet sustainable demand.

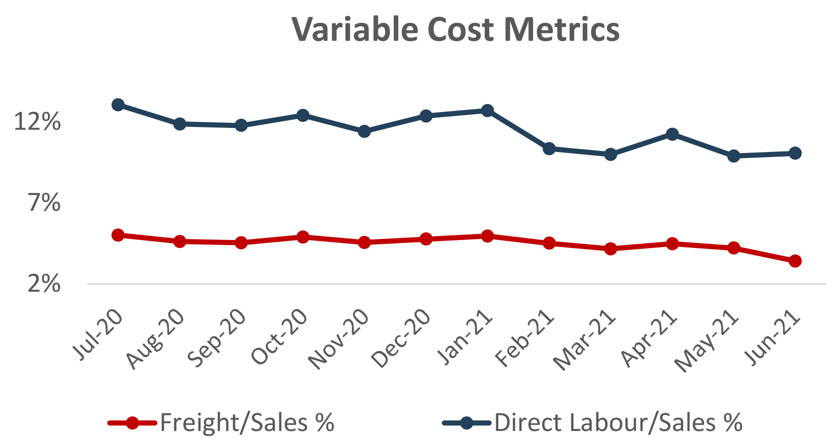


Annual Lease Cash Cost ($m)	$18.4*	$15.9

**2017 includes sale & lease back of two properties with lease costs of $3.5m per annum, partially offset by reduced interest costs of ~$1.6m per annum.*

SUBSTANTIAL AND SIGNIFICANT STRUCTURAL COST SAVINGS

$m	FY21	FY20
Sales	480.0	417.9
Operating Expenses (Excl D&A)	62.4	73.6
Operating Expenses/Sales	**13.0%**	**17.6%**
Depreciation and Amortisation*	17.5	18.8
Operating Expenses (Reported)	**79.9**	**92.4**



- Substantial 13.5% ($12.5m) year on year structural reduction in operating expenses (reported)

- Variable costs (direct labour and freight) also reduced as percentage of sales

Excludes depreciation of $1.5m (2020: $1.7m) relating to equipment used to manufacture products as this is included in cost of sales.

ENHANCED FOCUS ON INVENTORY AND SUPPLY CHAIN MANAGEMENT

Inventory Management

- Developed capabilities managing international supply chain congestion
- Developing advanced data analytics platforms for segmentation, pricing and product traceability
- Improved stock holdings of critical fast moving items
- Aged inventory reduced $9m

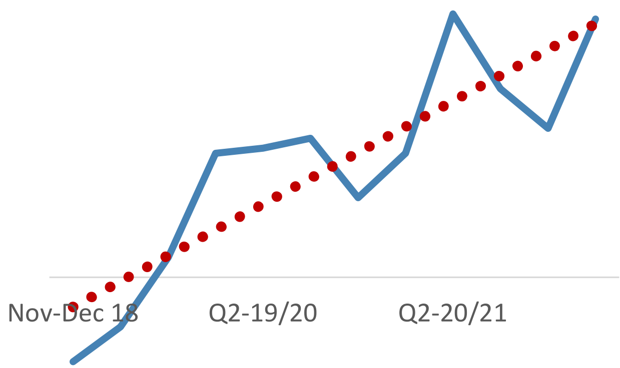
Supply Chain Management

- International shipping coordination and devanning management
- Network design and optimisation – leveraging distribution centre model
- Distribution Centre management including core system deployment
- Freight & Transport management
- Capturing benefits of Group scale and diversified offer

POSITIVE GAINS FROM FOCUS ON SALES DISCIPLINES AND CUSTOMER EXCELLENCE

- Focus on cross-selling through leveraging national footprint and breadth of products and availability
- Infrastructure businesses point of difference - project methodology and technical advisory
- Digital data used to drive customer segmentation, category management including availability and pricing
- Customer value proposition developed
- Omni-channel platform – business advisory, in-store, by phone or online
- Centralised Customer Excellence centre with a regional focus
- Expanded access to specialist expertise in the sales teams

Net promoter score measures customer satisfaction and has improved since 2018



Average NPS of 34 for FY21

INVESTMENT INTO DIGITAL

Webshop, e-commerce, data analytics, customer management, online training modules, new digital tools to make jobs easier

Webshop is delivering significant value

- ✓ Increase in revenue
- ✓ Increased order frequency and value
- ✓ Broader range of products being ordered
- ✓ Improvements in margin
- ✓ Reduced cost to serve – up to 20% labour savings per order
- ✓ Ability for the customers to conduct customer service tasks 24/7
- ✓ Ability for customers to get quotations and finalise pricing for their jobs
- ✓ Ability to download test certificates of traceable products and download Invoices/Shipment information

https://portal.steelandtube.co.nz/

KEY STATS FOR E-COMMERCE

+628%

Online Revenue Growth YoY

+5%

Average increase in customer revenue as result of online purchasing

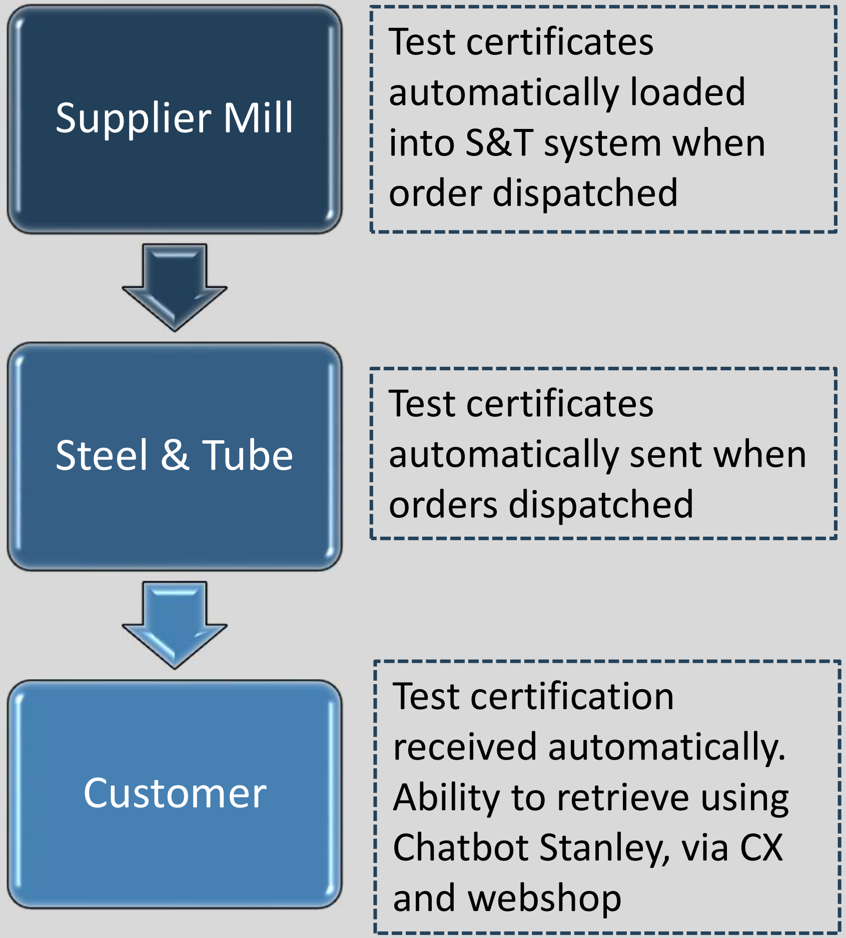
+505%

YoY growth in online customers

DATA ANALYTICS DELIVERING VALUABLE BUSINESS INSIGHTS

- Use of rich data to understand our customers and optimise our sales and service performance
- Targeting resources to provide best in class quality and traceability capabilities for our customers
- Released advanced analytics platforms for Segmentation, Pricing and Product Traceability

AUTOMATED TRACEABILITY VISION



CREATING A SUSTAINABLE BUSINESS

- Working with sector to promote steels as an important, essential and sustainable building material and encourage cradle-to-cradle methodology in product assessment
- Operational initiatives focused on material efficiency, recycling, reducing energy use and reducing vehicle emissions
- Implemented measuring and monitoring of waste and scrap
- Freight Efficiency Programme
- National Network Design to ensure efficient delivery of products to customers
- Use of leading edge technology to optimise material and labour use during manufacture
- Appointment of Group Sustainability Manager in July FY21

**Reporting in accordance with Greenhouse Gas Protocols and includes all material emissions under Scope 1 and 2, with Scope 3 limited to business travel*

POSITIVE MOVEMENT IN KEY METRICS

13% REDUCTION IN FUEL CONSUMED

448,766 ltrs

2% SAVING ON ELECTRICITY CONSUMED

5.29M kwh

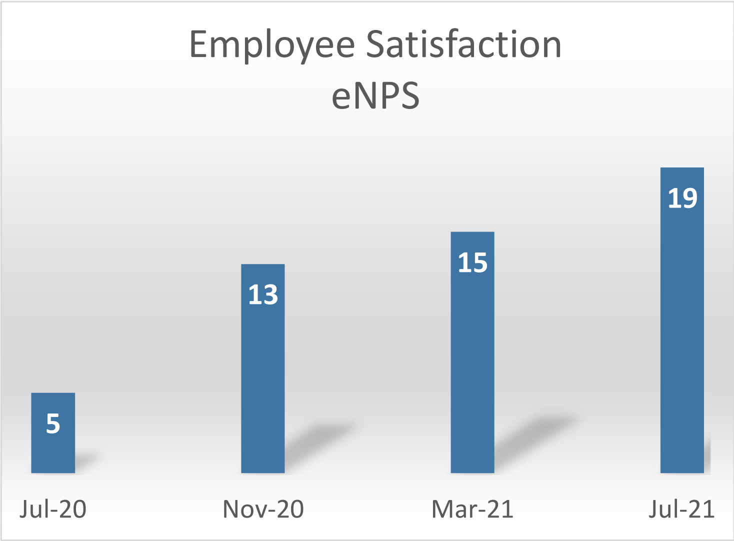
9% IMPROVEMENT IN GREENHOUSE GAS EMISSIONS*

1,703 tCO_2e

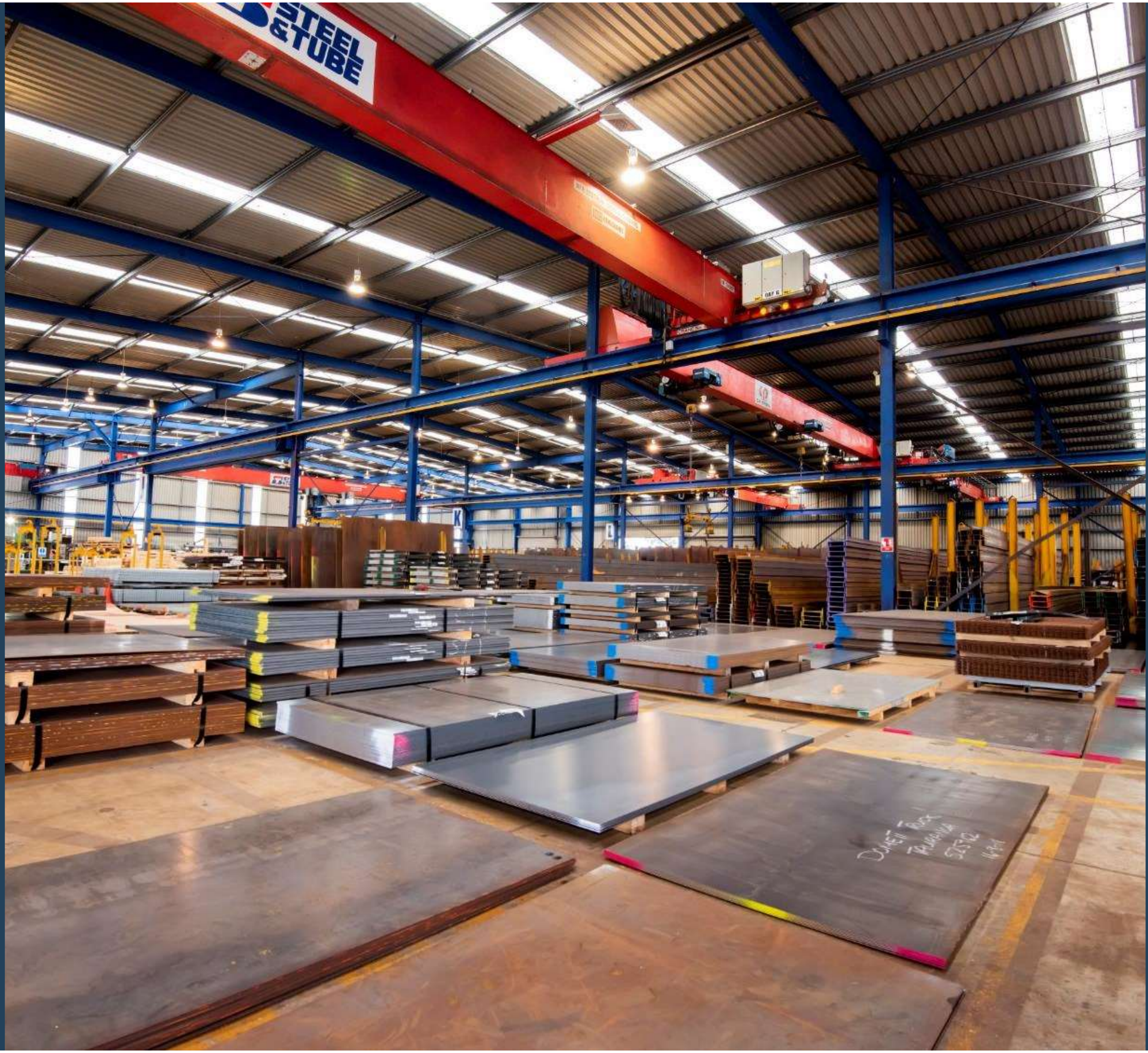
BUILDING A WINNING TEAM

FY21 focus on Leadership development and building the online training library

- Leadership programme rolled out across the organisation with participation from 70 supervisors and team leaders
- Over 50 online training modules currently available in our online training library, with 2,000 modules completed by team members in FY21
- Consistently high Employee Engagement Score of 7.4/10 and strong Employee NPS of 19
- New Maori cadetship programme, in partnership with Te Puni Kokiri with four cadets currently enrolled
- Continued to support First Foundation; and Sector Workforce Engagement Programme (SWEP) with Papakura High School
- Introduced Back to School fund, providing support for Steel & Tube families



FY21 FINANCIAL RESULTS



- Revenue increased by $62.1m (14.9%)
- Normalised EBIT has increased by $18.6m against prior year
- Shareholder equity has increased by 8.4%
- Net Cash has increased by $17.6m
- Net Operating cash flow reduced due to increased inventory and other working capital movements

FY21 GROUP FINANCIAL SUMMARY

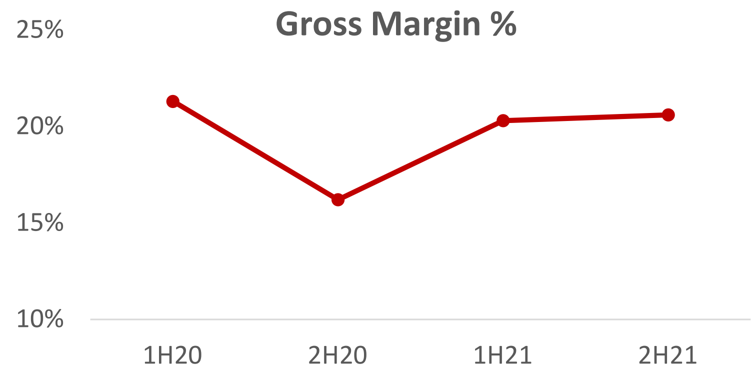
$m	FY21	FY20
Revenue	480.0	417.9
EBITDA	40.7	(37.2)
Non-trading adjustments	(2.8)[1]	58.1[2]
Normalised EBITDA (excluding non-trading adjustments)	**37.9**	**20.9**
EBIT	21.8	(57.7)
Non-trading adjustments	(2.8)[1]	58.1[2]
Normalised EBIT (excluding non-trading adjustments)	**19.0**	**0.4**
NPAT/(NLAT)	16.1	(60.0)
Shareholder Equity	196.6	181.3
Net Cash	25.0	7.4
Net operating cash flow	31.5	39.6

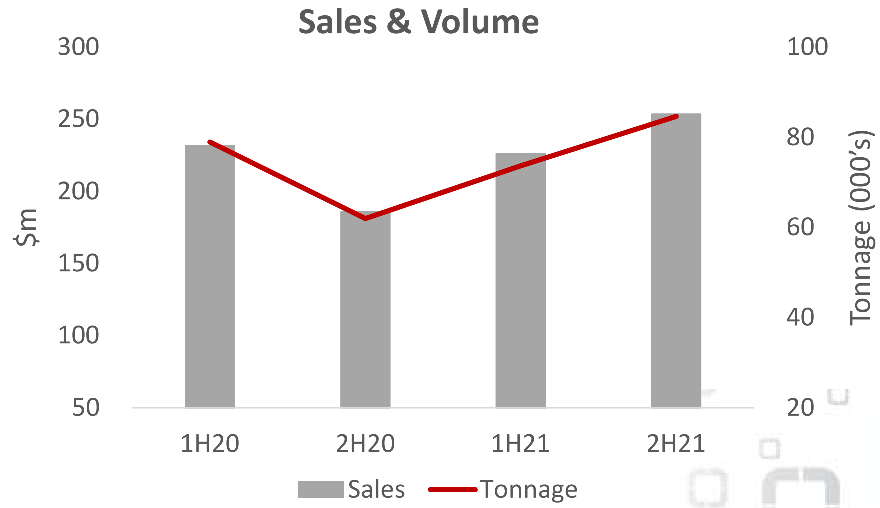
1. *FY21 non-trading adjustments of $2.8m, comprise gains on property sale and IFRS16 impairment reversals*
2. *FY20 non-trading adjustments of $58.1m, comprise non-cash goodwill impairment and other write-downs due to acceleration of branch network changes, business restructuring and digitisation and the impact of COVID-19.*

REVENUE & MARGIN

14.9% year on year improvement in sales and strong gains vs prior half year

- Strong year on year increase in sales
  - 2H21 vs 2H20: + 36.4%
  - 2H21 vs 1H21: + 12.1%
- Input cost pressures passed through to price
- Driving margin improvements although impacted by sell down of aged inventory in FY21
  - FY20: 19.0%
  - FY21: 20.4%
- FY22 focus on gross margin dollar improvement

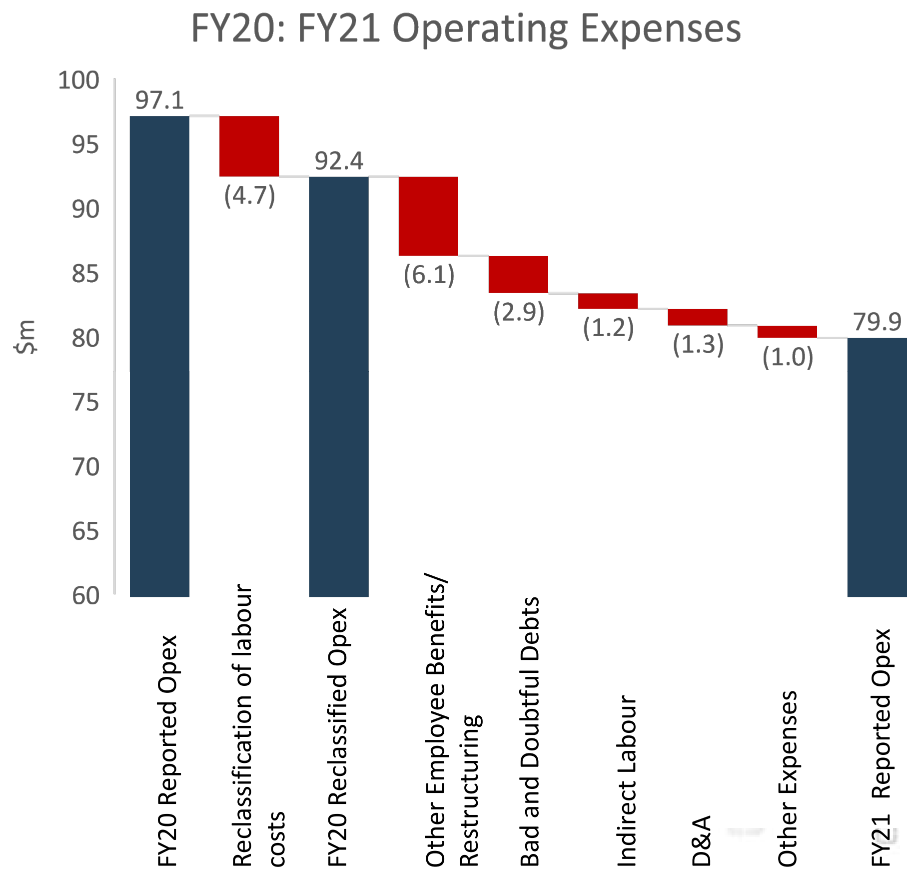




REDUCTION IN OPERATING EXPENSES

Sustainable fixed cost baseline now achieved

- Prudent and disciplined management of expenditure continues
- Operating expenses reduced by 13.5% from prior year[1]
- FY21 savings primarily driven by improved network structure - indirect labour, employee benefits and restructuring and property expenses
- Benefits from lower bad and doubtful debts with continuing focus on managing risk and reduced depreciation
- FY22 focus on maintaining tight cost control with expected wage inflation



1. FY20 Opex has been adjusted in FY21 Annual Report following a reclassification of labour cost from indirect (Opex) to COGS.

BALANCE SHEET

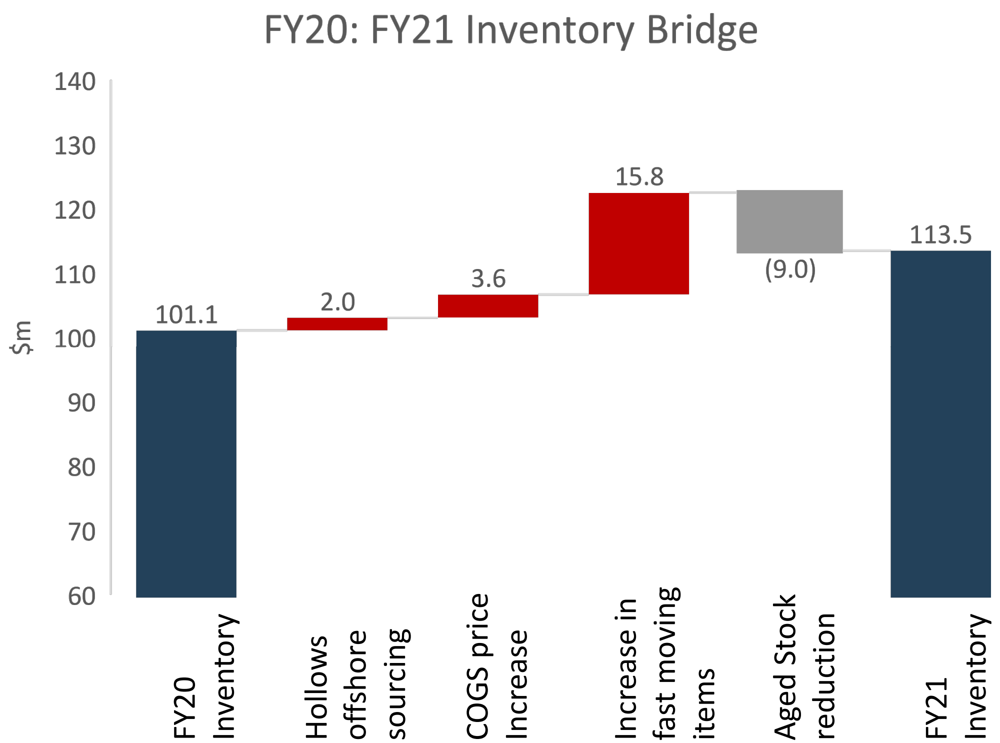
Tight control over balance sheet, with substantial bank funding lines secured

- Repaid remaining borrowings during FY21
- Bank covenant waivers and revised covenants in place for FY21; New $50m debt facility secured
- Increased fast moving inventory to meet customer demands
- FY21 Trade receivables and payables are higher due to increased activity in the market
- FY21 cash benefited from property sale proceeds of ~$8.4m
- Continuation of dividend payments with a final dividend of 3.29 cents per share (unimputed), in line with Steel & Tube's dividend policy of 60% - 80% of Adjusted NPAT
- Total FY21 dividends of 4.50 cents per share

$m	FY21	FY20
Trade and other receivables	109.0	92.7
Inventories	113.5	101.1
Trade and other payables	(80.0)	(58.9)
Working Capital	**142.5**	**134.9**
Cash and cash equivalents	25.0	17.4
Borrowings	-	(10.0)
Net Cash	**25.0**	**7.4**

WORKING CAPITAL

Disciplined approach to working capital management



Working Capital KPIs	FY21	FY20	FY19
Trade Receivables: DSO	38	42	48
Inventories: DIO	101	101	107
Trade Payables: DPO	41	31	26

- On-time debt collection rates have continued to improve
- Increase in fast moving inventory to support sales demand and mitigate supply chain headwinds
- Despite inventory increase maintained DIO with a $9m reduction in aged inventory
- FY22 continued focus on working capital disciplines

DSO: Days Sales Outstanding; DIO: Days Inventory Outstanding; DPO: Days Payable Outstanding

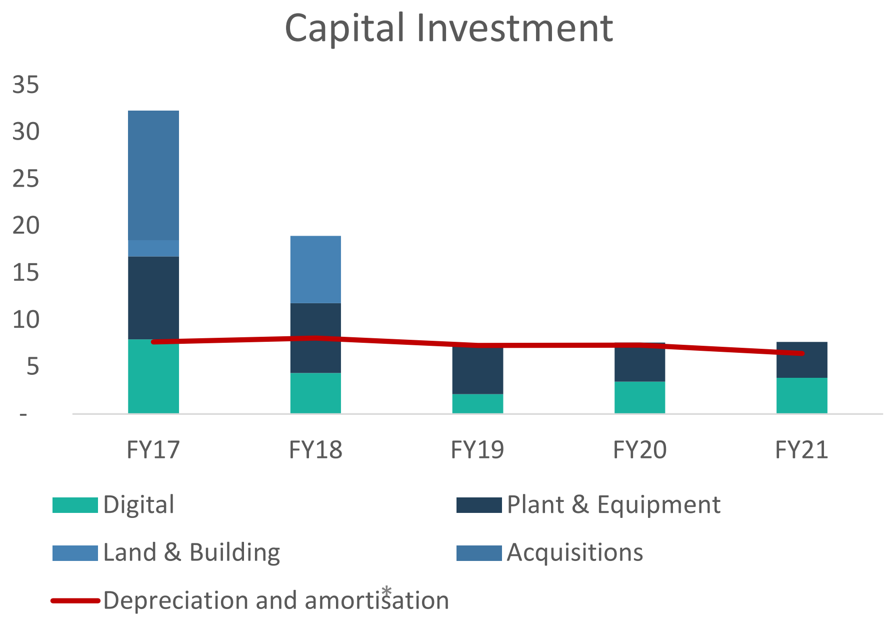
CAPITAL EXPENDITURE

Prudent management of capital expenditure with increased allocation to Digital and Growth projects

- FY21 capex of $7.7m (FY20: $7.6m)
- Capital spend remains in line with D&A
- Priority capital allocation to projects supporting digital (53%) and business improvement/growth (20%)

FY22 Investment:

- Continued investment in digital technology
- Investment in new processing equipment that will open up identified market opportunities as well as drive operating efficiencies, safety and product quality
- Increased cashflow will support capital investment programme



*Depreciation and amortisation excludes right-of-use asset depreciation

DIVISION PERFORMANCE

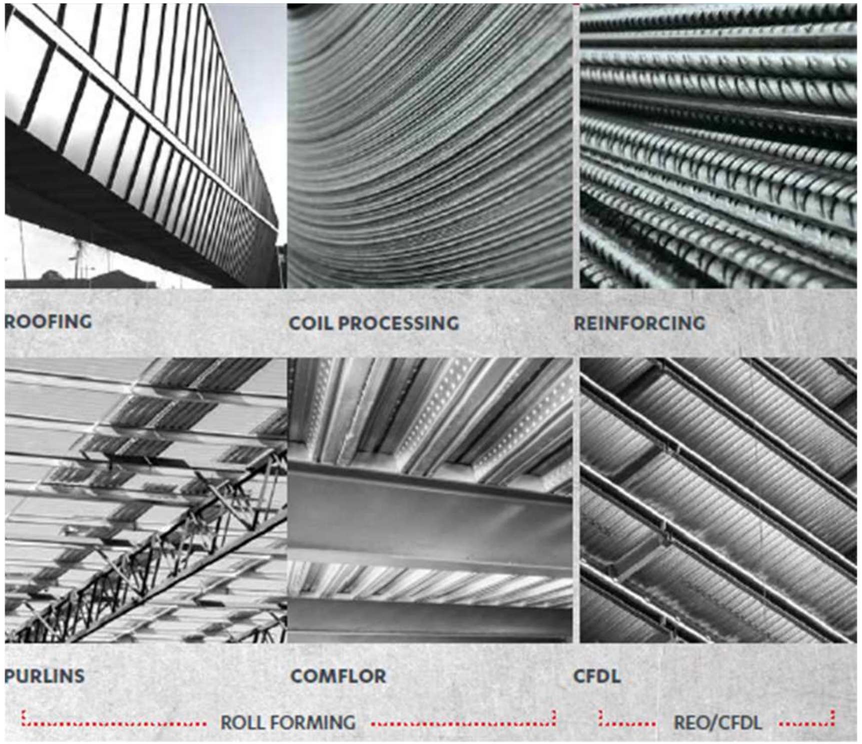
OUR BUSINESS - DIVISIONS

DISTRIBUTION

Products sourced from preferred steel mills and distributed through our national network

INFRASTRUCTURE

Products processed before sale, typically on a contract or project basis, including onsite installation services



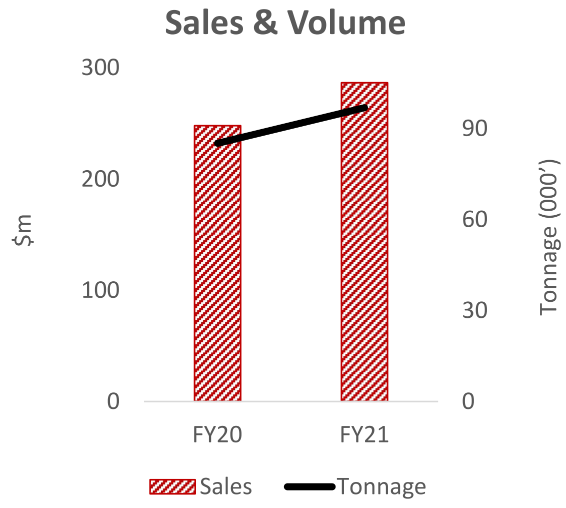
Hurricane

FORTRESS® FASTENERS

ComFlor™

DISTRIBUTION

- Strong growth in revenue and earnings
- Driven by increased activity in residential, infrastructure and commercial sectors, manufacturing picking up
- Gross margin and margin percentage both improved strongly year on year
- Benefits from cost out programme and strategic initiatives
- Point of difference in cross-selling through leveraging national footprint and breadth of products and availability

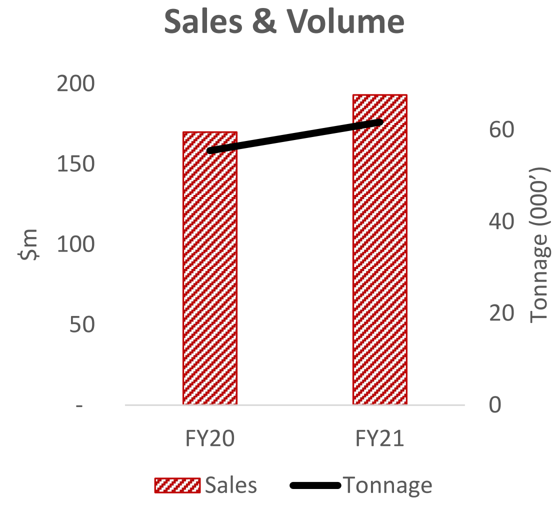


Distribution $m	FY21	FY20
Revenue	286.8	248.0
EBITDA	25.1	(19.9)
Normalised EBIT	13.8	(0.2)
EBIT	15.2	(29.9)

See slides 36 and 37 for definitions of financial terms and reconciliation of normalised results.

INFRASTRUCTURE

- Increasing volume of activity in 2H21 with large commercial projects coming back on stream
- Volumes up versus prior period with gross margin improvements from cost out programme being partially offset with competitive pricing pressure in some areas
- Long pipeline of secured work and increasing volume of tender activity
- Point of difference through scale, project methodology, technical advisory and focus on safety and quality



Infrastructure $m	FY21	FY20
Revenue	193.2	170.0
EBITDA	13.0	(19.1)
Normalised EBIT	6.4	0.5
EBIT	6.6	(26.1)

See slides 36 and 37 for definitions of financial terms and reconciliation of normalised results.

MOVING FORWARD

OUR STRENGTHS

- Strong governance and sustainability focus
- Established leadership positions in multiple categories of the steel market
- Diversity across multiple sectors in the steel market, reducing exposure to any one sector and providing ability to cross-sell to customers
- Streamlined and efficient national network, covering all main regions and towns
- Leading the way in the sector with digital platforms providing efficient access for customers
- Trusted customer partner – reliability, methodologies, technical advisory and safety & quality
- Investment in product quality systems including Lloyds Register domestic and offshore steel mill attestation and test certificate verifications
- Strong balance sheet with capacity to invest into organic growth
- People, communities, environment, health, safety and wellbeing are at our core

STRATEGIC FOCUS: INVESTMENT FOR GROWTH

Focus on gross margin dollar improvement and growth opportunities

BUILD ON STRONG BUSINESS FOUNDATION

- Continue to build best-in-class customer experience and digital platform
- Investment into IT and enhanced data analytics
- Drive gross margin dollars
- Continued operational efficiencies
- Leverage opportunities to cross sell wide range of products and services

NEW PRODUCT DEVELOPMENT AND INNOVATION

- Continue to develop differentiated expertise
- Expand the targeted high value product ranges
- Work in partnerships with third parties
- Continue investment in marketing and promotion

BUSINESS GROWTH

- Primary focus on organic growth
- Continue to consider opportunities in close adjacent sectors

FY22 OUTLOOK
Positive outlook with number of identified opportunities

- Positive market backdrop for the medium term, cycle expected to be stronger for longer:
  - Residential likely to ease next 1-2 years due to interest rate rises and supply demand imbalance slowly reducing with borders closed
  - Commercial seeing positive uplift in consents and increasing tenders coming to the market
  - Infrastructure continuing to build due to significant underinvestment
  - Expanding manufacturing sector
- Long pipeline of secured contract work in place
- Well positioned to take advantage of identified opportunities in a range of sectors
- Focus remains on continued gross margin dollar improvement, leveraging digital platform, product and sales growth
- Expect continued earnings momentum and dividend flow
- Investigating potential capital management activities

DISCUSSION

NON-GAAP FINANCIAL INFORMATION

RECONCILIATION OF REPORTED TO NORMALISED EARNINGS				
Year ended 30 June	EBITDA		EBIT	
$000s	FY21	FY20	FY21	FY20
Reported	**40,731**	**(37,236)**	**21,752**	**(57,694)**
Add back / (subtract) unusual transactions/non-trading adjustments:				
Gain on sale of properties	(1,215)		(1,215)	
NZ IFRS 16 (reversal of impairment) / impairment	(1,546)	4,298	(1,546)	4,298
Goodwill impairment	-	37,071	-	37,071
Intangible assest impairment	-	9,000	-	9,000
Business restructuring costs	-	3,449	-	3,449
Site rationalisation execution costs	-	2,011	-	2,011
Property, plant and equipment impairment	-	1,508	-	1,508
Holiday pay provision	-	750	-	750
Normalised	**37,970**	**20,851**	**18,991**	**393**

Non-GAAP financial information: Steel & Tube uses several non-GAAP measures when discussing financial performance. These include 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 FY21 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 following reconciliation is intended to assist readers to understand how the earnings reported in the Financial Statements for the periods ended 30 June 2021 and 30 June 2020 reconcile to normalised earnings. Non-trading adjustments of $(2.8) million are included in the FY21 results.

GLOSSARY OF TERMS

EBIT: Earnings / (Loss) before the deduction of interest and tax. This is calculated as profit for the year before net interest costs and tax. FY21 EBIT was impacted by non-trading adjustments of $2.8 million, as shown in the table above.

EBITDA: Earnings / (Loss) before the deduction of interest, tax, depreciation and amortisation. This is calculated as profit for the year before net interest costs, tax, depreciation and amortisation.

eNPS: Employee Net Promoter Score – assists in measuring employee satisfaction and loyalty within the organisation

NPS: Net Promoter Score – assists in measuring customer satisfaction and loyalty

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

eTRIFR: Employee Total Recordable Injury Frequency Rate – an important metric to assess safety performance.

LTIFR: Lost Time Injury Frequency Rates - an important metric to assess safety performance.

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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