26 February 2021
STU / NZX ANNOUNCEMENT

STRONGER IN EVERYWAY

STU REPORTS STRONG EARNINGS IMPROVEMENT FOR 1H21

Unaudited results for the six months to 31 December 2020 (1H21)

- Steel & Tube reports 33% improvement in 1H21 normalised Earnings before Interest and Tax (EBIT) to $7.6m, with result above top end of December 2020 guidance
- Strong balance sheet with all debt repaid and $23.9m cash in bank to support capital investment and growth strategy
- 40% increase in operating cashflow to $24.0m
- Progressive recovery across reporting period following COVID-19 lockdown, with Q2 trading returning to prior year levels
- Benefiting from strategy execution, particularly network consolidation, digital investment, and significant structural cost reductions
- Turnaround in performance and the improved economic outlook support the resumption of dividends with interim dividend of 1.2 cents per share declared (unimputed)
- Strong pipeline of secured contract work for 2H21 with improving activity in most sectors
- Maintaining cautiously optimistic view to future economic outlook. Final dividend expected in line with policy, assuming current trading performance continues and no further impact from COVID-19

$m	1H21	1H20
Revenue	226.3	232.0
EBIT	8.9	(33.4)
Non-trading adjustments[1]	1.3	(39.1)
Normalised EBIT (excluding non-trading adjustments)	7.6	5.7
NPAT/(NLAT)	4.3	(37.0)
Net Cash / (Debt)	23.9	(10.9)
Net operating cash flow	24.0	17.1

Steel & Tube Holdings Limited (NZX: STU) has reported a 33% improvement in normalised EBIT in the first six months of the financial year, as it benefits from the execution of strategic initiatives, particularly network consolidation and digital investment, and realises sustainable benefits from structural cost reductions.

The company's customer base covers many sectors of New Zealand's economy and it has seen growing market demand in some sectors, especially residential construction, which is helping to offset a softer non-residential construction market.

---

[1] *1H21 non-trading adjustments of $(1.3)m being $0.8m from reversal of lease impairment and $0.5m gain on sale of property. 1H20 non-trading adjustments were $2.0m restructuring and relocation costs and a non-cash goodwill impairment of $37.1m. Further details included in appendix to the Investor Presentation.*

Benefits are being realised from the strategic investment in digital, with the introduction of webshops and ecommerce channels in 1H21, as well as the development of advanced data analytics platforms for segmentation, pricing and product traceability.

A Customer Experience team has been established and customer satisfaction levels (NPS) continue to trend upwards.

The network consolidation programme is now mostly completed, with a corresponding right sizing of the labour force resulting in savings of ~$2m in 1H21. The focus continues on gross margin dollar improvement and further cost efficiencies.

Safety remains a priority and the company continues to have a focus on critical risks, with a TRIFR[2] of 3.35 which is below estimated industry averages. Investment in product quality systems continues, including Lloyds Register domestic and offshore steel mill attestation and test certificate verifications.

Steel & Tube operates through two divisions. The Distribution division saw a steady return to prior trading levels during the period with a doubling of earnings compared to prior year. The Infrastructure division softened slightly due to increased competition and tightening market conditions in some sectors, particularly vertical construction. Pleasingly, project work and contracts continue to be won, with a solid pipeline of activity secured.

Financial Performance

Revenue of $226.3m was slightly down on prior year, with the flow on effect of COVID-19 on Q1 sales, before a stronger Q2 returning to prior year trading levels.

Margins have progressively recovered to prior year levels in most sectors (excluding the softer non-residential construction market) and as gains from cost efficiencies and pricing disciplines are realised.

Earnings before Interest and Tax were $8.9m for the six months, with normalised EBIT of $7.6m, up 33% on the prior comparative period (pcp) and above the December 2020 guidance range.

The company has reported a Net Profit After Tax of $4.3m, up from a loss of $(37.0)m the prior year.

Operating cashflow increased 40% year on year to $24.0m, with continued improvements in working capital management. All debt was repaid during the period, with a net cash position of $23.9m as at 31 December 2020 to support capital investment and growth initiatives.

Given the turnaround in performance and the improved economic outlook, the Board has been pleased to resume dividend payments with an interim dividend of 1.2 cents per share (unimputed), in line with Steel & Tube's dividend policy of 60% - 80% of NPAT.

CEO, Mark Malpass, said: "The results of the significant efforts to deliver a turnaround in financial performance are starting to be seen, with sustainable cost reductions and a strong platform from which Steel & Tube can move forward. We continue to take actions to streamline the business

---

[2] Total Recordable Injury Frequency Rate

operating model, and accelerating investment in digital technology is providing a critical platform to ensure ease of doing business for customers."

Chair of Steel & Tube, Susan Paterson, commented: "We have a clear strategic plan and are well positioned to invest into growth with a strong balance sheet. Our improved financial performance and return to dividends reflects a leaner cost structure and efficient national branch network, leadership positions across many product categories, an enhanced digital platform and an engaged workforce. Our priority focus remains on gross margin dollar improvement and further cost efficiencies."

Outlook

Current indicators point to a stable economic outlook with strong residential and infrastructure performance, and an improving manufacturing sector, partially offset by constraints in non-residential construction and labour and international freight cost pressures. The Board is maintaining a cautiously optimistic view to future economic activity and expects a continuation of current trading performance trends.

A final FY21 dividend is expected in line with policy, assuming current trading performance continues and no further impact from COVID-19.

Change of Auditors

Following a formal request for proposal process, the Board has recommended that KPMG be appointed as the Company's auditor for FY22. This appointment is subject to shareholder approval at the Annual Shareholders Meeting. The Board has been very satisfied with the external audit services provided by PwC and would like to acknowledge the service and support provided by PwC over many years. PwC will remain as auditor of Steel & Tube until the completion of the financial statements and annual report for the current financial year ending 30 June 2021.

ENDS

For media or investor enquiries, please contact: Jackie Ellis Tel: +64 27 246 2505 or email: jackie@ellisandco.co.nz

For further information please contact:

Mark Malpass	Greg Smith
Steel & Tube CEO	Steel & Tube CFO
Tel: +64 27 777 0327	Tel: +64 21 755 803
Email: mark.malpass@steelandtube.co.nz	Email: greg.smith@steelandtube.co.nz