Steel & Tube
1H21 Results Presentation

For the six months ended
31 December 2020

1H21 OVERVIEW

REVENUE $226.3M	**ROBUST OPERATING CASHFLOW $24.0M**
EBIT $8.9M NORMALISED EBIT $7.6M[1]	**DEBT REPAID AND $23.9M CASH**
NPAT $4.3M	**INTERIM DIVIDEND 1.2 CPS UNIMPUTED**

1) *1H21 non-trading adjustments of $(1.3)m being $0.8m from reversal of lease asset impairment and $0.5m gain on sale of property. Further details included in appendix to this presentation.*

- Normalised EBIT result above top end of December 2020 guidance ($6.5m to $7.5m); 33% improvement on pcp
- Strong balance sheet with all debt repaid and $23.9m cash in bank
- 40% improvement in operating cashflow
- COVID-19 impact on Q1 sales, with stronger Q2 returning to prior year trading levels
- Strategic delivery - network consolidation, digital investment, significant structural cost reductions
- Market improving with residential construction, infrastructure and manufacturing offsetting softer non-residential construction market
- Robust pipeline of secured work with a number of new projects and longer term contracts
- Turnaround in performance and the improved economic outlook support the resumption of dividends in line with policy of 60% - 80% of NPAT

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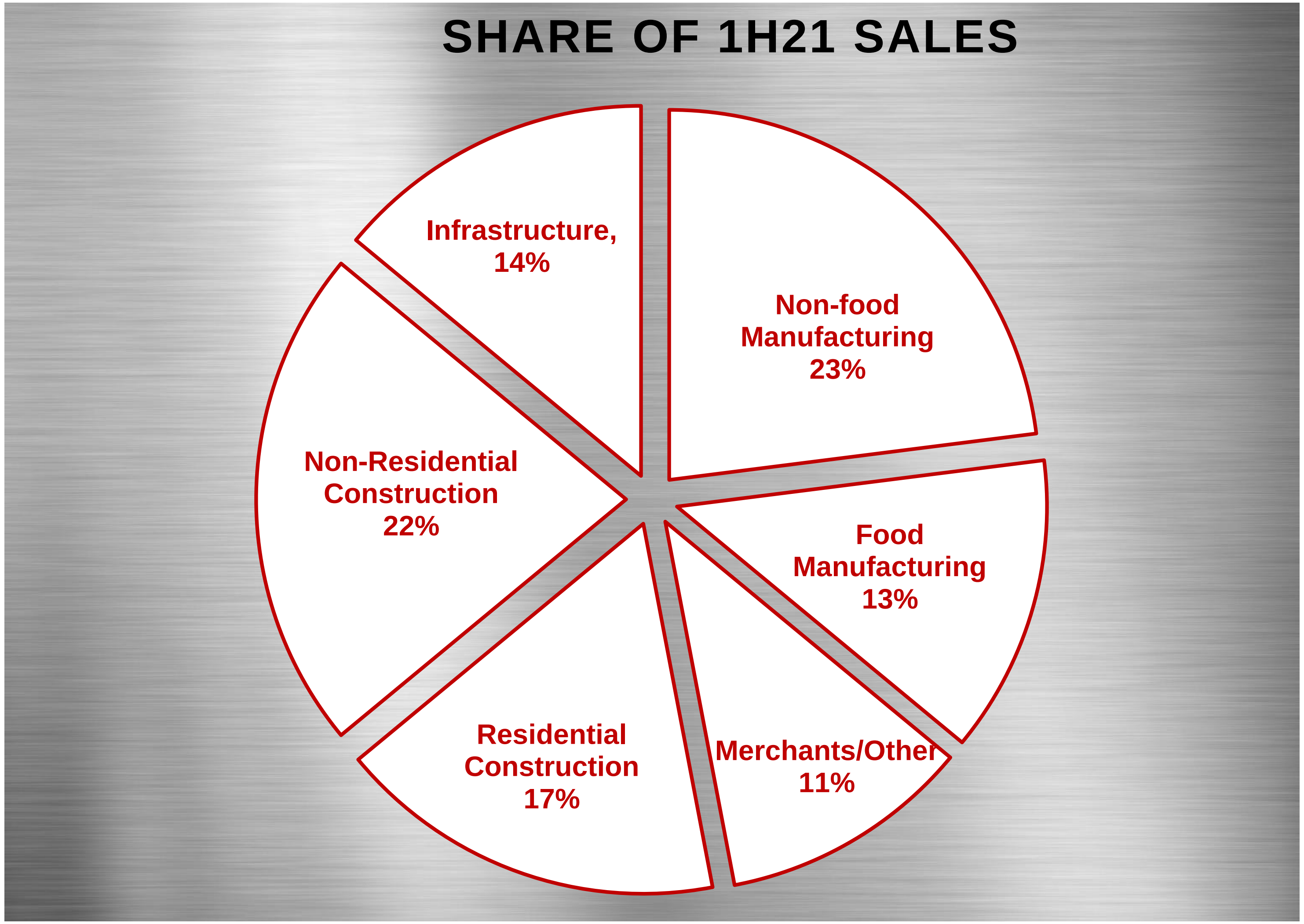
SECTOR EXPOSURE

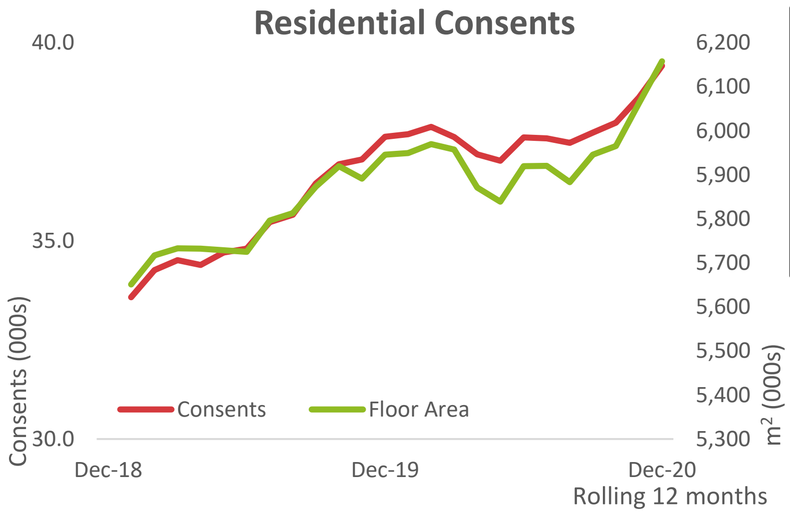
Advantage of diversified business, with limited exposure to any one sector



- 53% Construction and Infrastructure
- 36% Manufacturing
- 11% Merchants/other

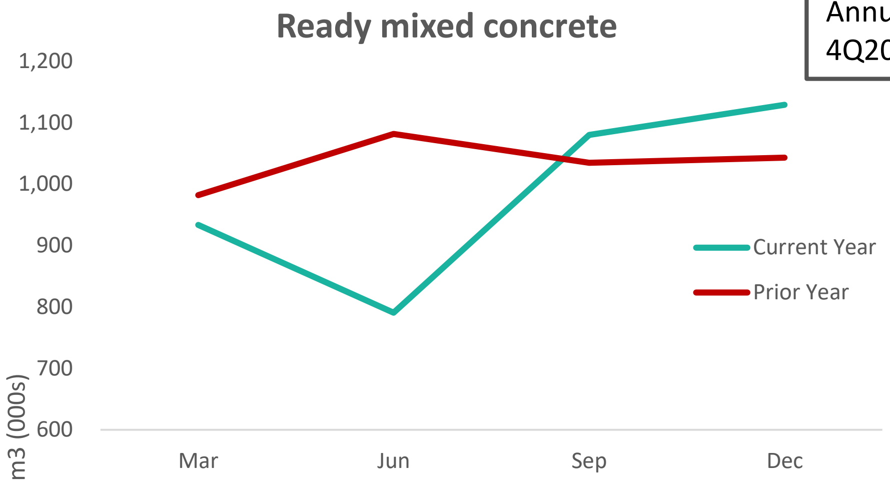
MARKET CONDITIONS

Activity remains strong in most sectors post Covid-19 lockdown, strong recovery in residential construction, decline in non-residential consents continue

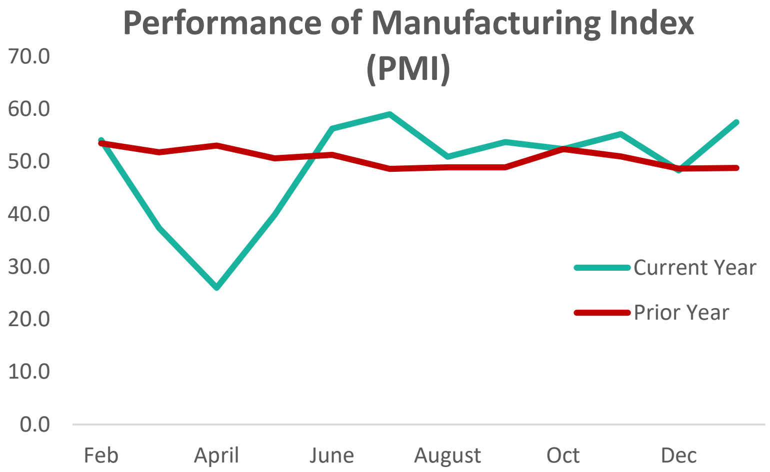


Consents
Annual YoY: +4.8%
Dec 20 YoY: +26.9%

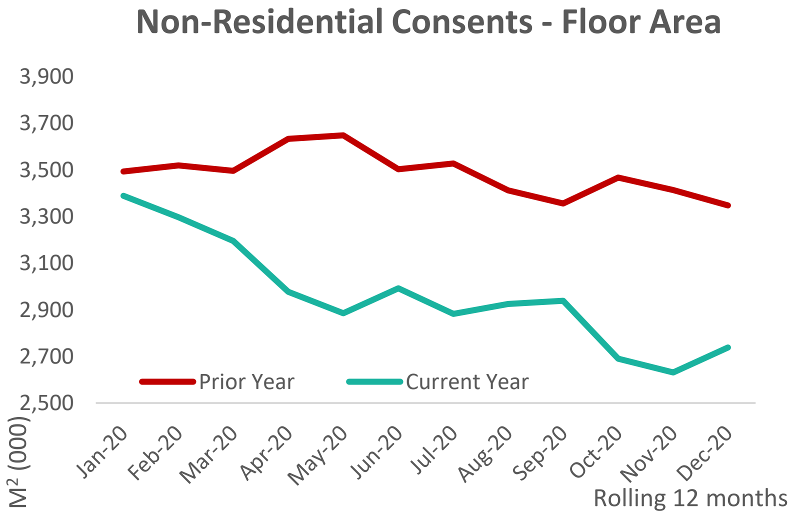
Floor Area
Annual YoY: +3.6%
Dec 20 YoY: +20.7%



Annual YoY: -5.0%
4Q20 YoY: +8.3%



Jan 21: 57.5
MoM change: +9.2
Var from LT Ave: +4.5



Value
Annual YoY: -5.5%
Dec 20 YoY: 16.3%

Floor Area
Annual YoY: -18.6%
Dec 20 YoY: 52.4%

Source: Statistics New Zealand, BNZ – BusinessNZ PMI

OUR PURPOSE:

To make life easier for our customers needing steel solutions

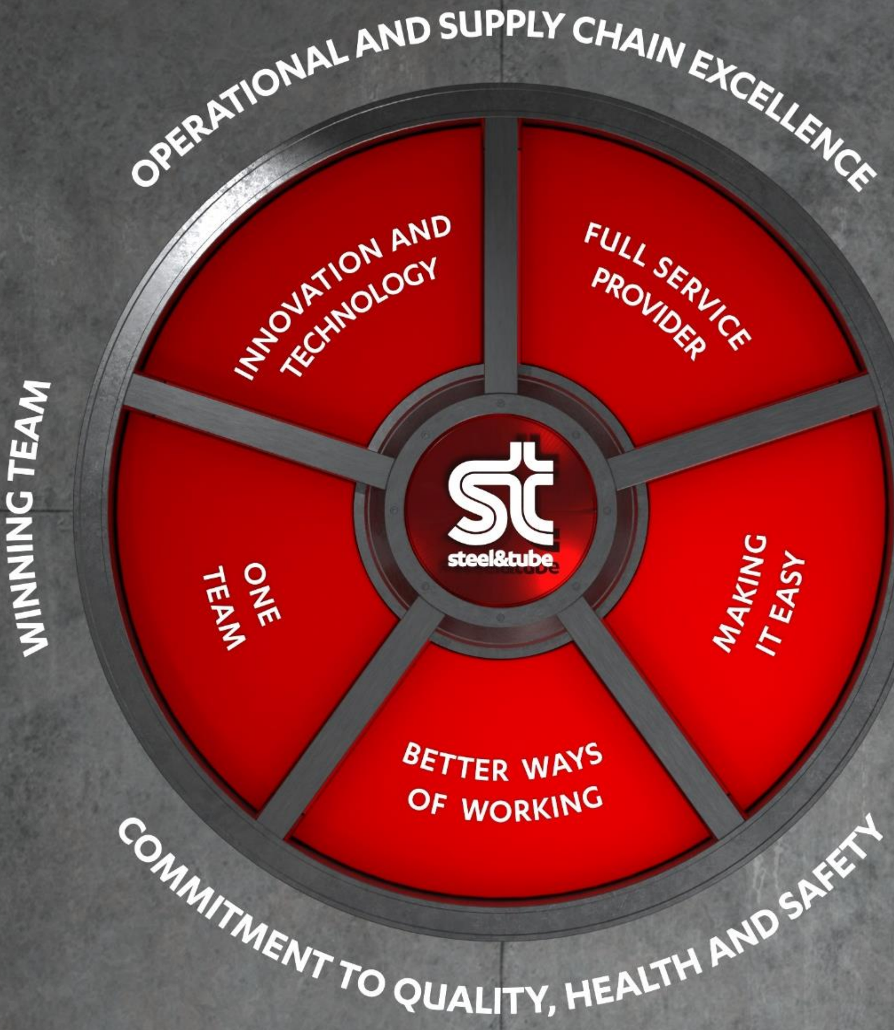
Providing a one-stop-shop for the most essential steel products – from floor to roof and everywhere in between

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

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 ecommerce platform
- ✓ Strengthened balance sheet

BUILDING ON OUR FOUNDATION, CONTINUAL IMPROVEMENT

1H21

- ✓ Introduced webshops and ecommerce channels
- ✓ Established centralised Customer Experience team
- ✓ Delivered right sized labour force while improving engagement
- ✓ Continued to deliver cost efficiencies
- ✓ Improving customer satisfaction
- ✓ Development of advanced data analytics platforms for segmentation, pricing and product traceability
- ✓ Continued investment into quality, safety, training and development

1H21 GROUP FINANCIAL SUMMARY

$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

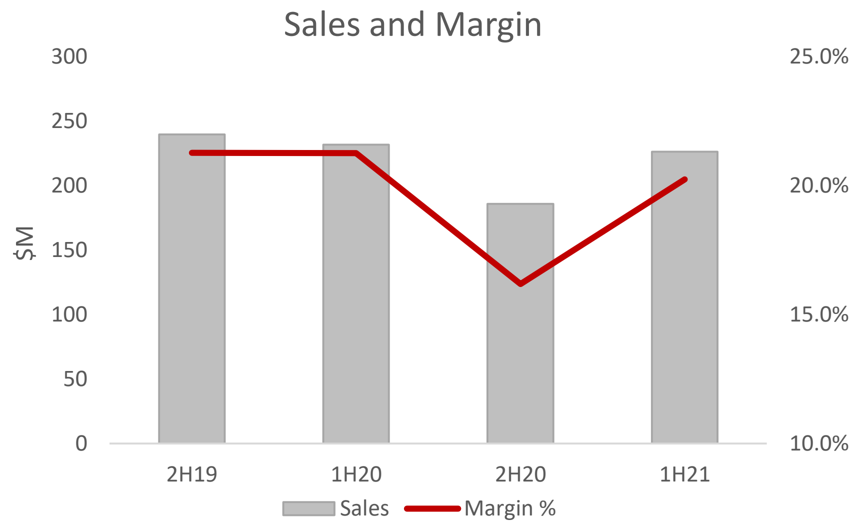
- Normalised EBIT at top end of guidance; up 33% on pcp
- Q2 sales returned to prior year levels with earnings improvement from cost-out programme and efficiencies
- Continued working capital disciplines supporting increased cashflow
- Net Profit After Tax of $4.3m, up from a loss of $(37.0)m the prior year
- Strengthened balance sheet with cash available to support capital investment and growth strategy

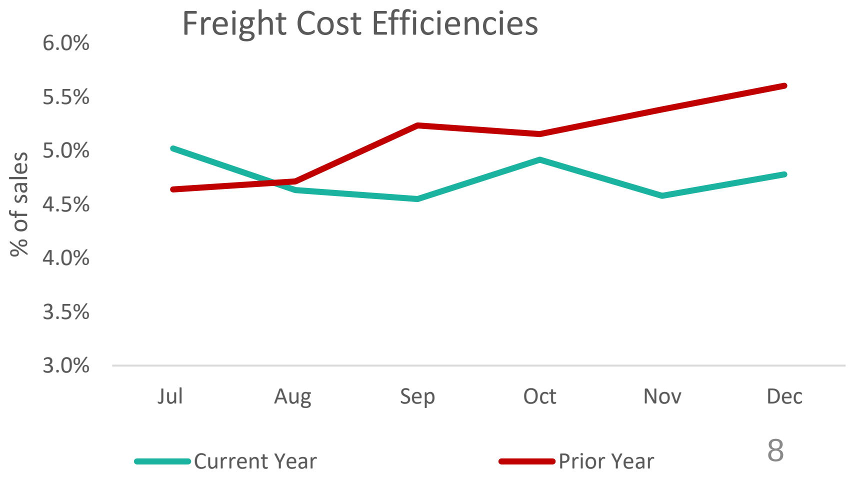
1) *1H21 non-trading adjustments of $(1.3)m being $0.8m from reversal of lease asset impairment and $0.5m gain on sale of property. 1H20 non-trading adjustments were $2.0m restructuring and relocation costs and a non-cash goodwill impairment of $37.1m. Further details included in appendix to this presentation.*

REVENUE & MARGIN

Impact of COVID lockdown still being seen in Q1, with recovery in Q2. Key focus remains on gross margin dollar improvement and continuing efficiencies.

- Progressive sales recovery in Q1 following L4 lockdown, with Q2 sales back to prior year levels
- Post L4 lockdown, margin impacted by product mix and pricing pressures as well as reduced activity in the non-residential construction market across the period
- Margins 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 were realised



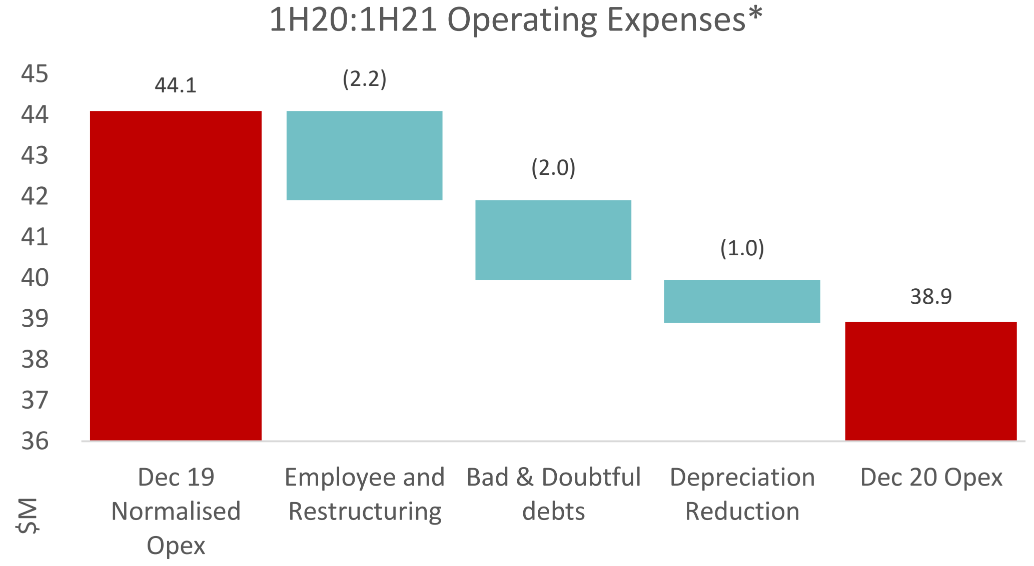


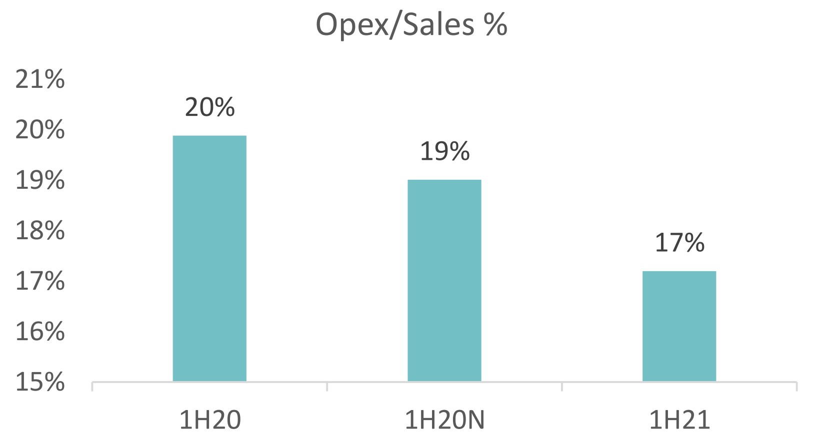
NORMALISED OPERATING EXPENSES

Operating expenses reduced by 12% from prior year, on a normalised basis[1]

$m	1H21	1H20	1H20N[1]	% Change Normalised
OPEX	38.9	46.1	44.1	(12)%

- Overall prudent and disciplined management of expenditure continues
- Savings in employee costs of $2.2m, through the accelerated organisation restructure in 2H20
- Benefits from lower bad and doubtful debts with continuing focus on managing risk and reduced depreciation





1. Opex figures have been normalised to exclude non-trading adjustments. See Appendix slides for definitions of financial terms and reconciliation of normalised results.

WORKING CAPITAL AND CASHFLOW

Working Capital KPIs	1H21	1H20	FY20
Trade Receivables: DSO	42	43	42
Inventories: DIO	109	111	101
Trade Payables: DPO	35	30	31

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

- On-time debt collection rates have continued to improve
- Inventory levels in line with expectations and reflecting seasonal variations
- No major impact from supply channel disruptions at this stage

Cashflow $m	1H21	1H20
Net operating cash flow	24.0	17.1
Lease financing costs (NZ IFRS 16)	(6.5)	(6.6)
Cashflow after lease financing costs	17.5	10.5

- 40% improvement in operating cash flow year on year
- Further working capital improvements targeted
- 2H21 cash expected to benefit from property sale proceeds of ~$6.6m

BALANCE SHEET

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

- Repaid remaining borrowings in 1H21
- Net cash increased by $16.5m from June-20 to $23.9m
- Bank covenant waivers and revised covenants remain in place for FY21
- New $50m debt facility secured
- Resumption of 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

$m	1H21	1H20	FY20
Trade and other receivables	95.9	87.2	92.7
Inventories	98.3	120.0	101.1
Trade and other payables	(59.5)	(53.9)	(58.9)
Working Capital	**134.7**	**153.3**	**134.9**
Cash and cash equivalents	23.9	13.1	17.4
Borrowings	-	(24.0)	(10.0)
Net Cash/(Debt)	**23.9**	**(10.9)**	**7.4**

CAPITAL EXPENDITURE

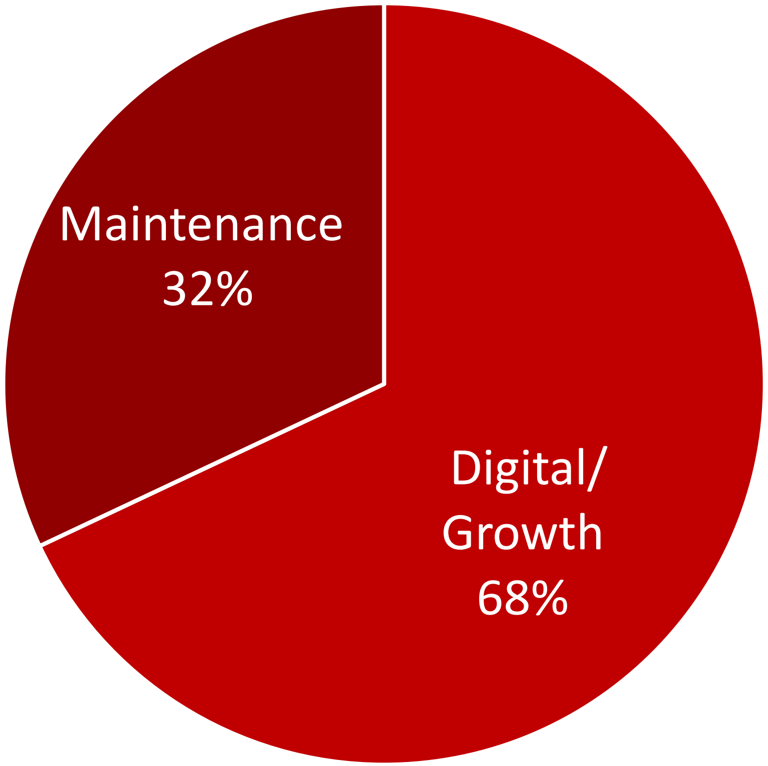
Prudent management of capital expenditure with increased allocation to Digital and Growth projects

- 1H21 capex of $2.8m (1H20 :$3.9m)
- Capital spend remains in line with D&A
- Priority capital allocation to projects supporting digital and business improvement/growth
- Increased cashflow will support capital investment programme in 2H21
- FY21 capex expected to align with D&A

Digital Projects in 1H21:

- Webshop
- Traceability
- Data analytics

1H21 CAPEX SPEND



DIVISIONAL PERFORMANCE

Steady return to prior trading levels in Distribution; Infrastructure facing tightening market conditions in some sectors

Distribution

- Significant improvement year on year, doubling of earnings compared to pcp
- Increasing demand during Q2

Distribution $m	1H21	1H20
Revenue	131.9	135.4
Normalised EBIT	4.4	2.2
EBIT	5.3	(14.2)

Infrastructure

- Impacted by the softening vertical construction
- Continuing to win key project work
- Focus on gross margin dollars improvement

Infrastructure $m	1H21	1H20
Revenue	94.5	96.6
Normalised EBIT	3.2	3.5
EBIT	3.5	(19.1)

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

MOVING FORWARD

OUR STRENGTHS

- 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 partner by our customers – continuing to improve service offer, with increasing NPS
- 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 growth
- Experienced board and leadership teams
- Focus on people, communities, environment, health and safety - excellent employee engagement and eNPS

See Glossary slide for definitions of NPS and eNPS

CREATING A SUSTAINABLE BUSINESS

SHAREHOLDER VALUE

Progressing towards long term sustainable returns

SAFETY

▼ TRIFR: 3.35 (vs 3.65 prior year) below industry standards

CUSTOMER FOCUS

▲ NPS Score YTD 39

OPERATIONAL AND SUPPLY CHAIN EXCELLENCE

FY21 Q2

▼ Waste to landfill: 103.31 ton

▲ Fuel consumed: 142.2 (000s) ltrs

▼ Electricity consumed: 1,227.5 (000s) kWh

▼ Total Greenhouse gas (tCO_2-e) 493.0

ONE WINNING TEAM

- Employee Satisfaction score (eNPS) of 13 against industry standard of 9
- Investment into education
  - Back to School fund
  - Digital Skills library
  - School to Workplace work experience
  - Numeracy and literacy programmes
- Tailored communications for all employees
  - Online tools and two way forums
- Annual Excellence Awards and recognition programme

See Glossary slide for definitions of TRIFR, NPS and eNPS

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STRATEGIC FOCUS: INVESTMENT FOR GROWTH

Focus on high margin, growth opportunities

BUILD ON STRONG BUSINESS FOUNDATION

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

NEW PRODUCT DEVELOPMENT AND INNOVATION

- Identify and develop differentiated expertise
- Expand product ranges, with high value products
- Work in partnerships with third parties
- Continue investment in marketing and promotion

BUSINESS GROWTH

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

2H21 OUTLOOK

Improving outlook, continue to build on strong foundation with increasing focus on higher margin growth opportunities

- Continued focus on improving gross margin dollars and efficient cost structure, supported by a strong balance sheet
- Accelerating investment in digital technology providing a critical platform to ensure ease of doing business for our customers
- Mixed sector outlook – residential construction and infrastructure strong with solid pipeline ahead; manufacturing improving; constraints in non-residential construction, and labour and international freight cost pressures
- 2H21 – seven fewer trading days than 1H21; softer January due to holiday period and following strong December trading, with positive rebound being seen in February
- Maintaining cautiously optimistic view to future economic environment
- Final dividend expected in line with policy, assuming current trading performance continues and no further impact from COVID-19

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DISCUSSION

OUR BUSINESS - DIVISIONS

DISTRIBUTION

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


STEEL


RURAL PRODUCTS


PIPING SYSTEMS


FASTENINGS


CHAIN & RIGGING


STAINLESS STEEL

Hurricane

FORTRESS® FASTENERS

INFRASTRUCTURE

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

Roll-forming


ROOFING


COIL PROCESSING


PURLINS


COMFLOR®

REO / CFDL


REINFORCING


CFDL

ComFlor™

Studwelders Composite Floor Decks Ltd.

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NON-GAAP FINANCIAL INFORMATION

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 1H21 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 31 December 2020 (1H21) and 31 December 2019 (1H20) reconcile to normalised earnings. Non-trading adjustments of $(1.3) million are included in the 1H21 results.

RECONCILIATION OF GAAP TO NON GAAP MEASURES Half Year ended 31 December $000s	1H21	1H20
GAAP: Earnings/Loss before interest and tax (EBIT)	**8,856**	**(33,370)**
Add back unusual transactions/non-trading adjustments:		
IFRS16 Impairment Reversal	(777)	
Gain on sale of Property	(512)	
Goodwill Impairment		37,071
Restructuring costs		1,490
Site rationalisation execuation costs		539
Normalised EBIT	**7,567**	**5,730**

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. 1H21 EBIT was impacted by non-trading adjustments of $1.3 million, as shown in the table above.

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

TRIFR: Total Recordable Injury Frequency Rate – 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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