

NZSA Waikato Branch Meeting

31 August 2023

Agenda

- About Steel & Tube
- Performance & Sustainability
- Growth Strategy
- Q&A

Intro Video



**Making life
easier for
customers
needing steel
solutions**



Steel & Tube

- One of New Zealand's leading providers of steel solutions
- A proud New Zealand company, with over 69 years of trading history
- We offer New Zealand's most comprehensive range of steel products, services and solutions
- Our stable of best-in-class businesses are some of this country's leading steel suppliers



Our business divisions

Distribution

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



Steel

Piping Systems

Chain & Rigging



Fastenings

Rural Products

Stainless Steel

Infrastructure

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



Roofing

Coil Processing

Reinforcing



Purlins

ComFlor/CFDL

Mesh

Primary product and service offering by participants

| | Steel distribution | Plate processing | Coil processing | Stainless steel | Engineering steel | Reinforcing steel | Wire | Roofing | Fasteners |
|-------------------------|--------------------|------------------|-----------------|-----------------|-------------------|-------------------|------|---------|-----------|
| Steel & Tube | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Fletcher Steel | ✓ | ✓ | ✓ | — | ✓ | ✓ | ✓ | ✓ | — |
| Vulcan | ✓ | ✓ | ✓ | ✓ | ✓ | — | — | — | — |
| United Industries | ✓ | — | — | — | — | ✓ | ✓ | ✓ | — |
| Asmuss | ✓ | — | — | — | — | — | ✓ | — | ✓ |
| Summit Steel & Wire | — | — | — | — | — | ✓ | ✓ | — | ✓ |
| Wakefield Metals | — | — | — | ✓ | ✓ | — | — | — | — |

Our journey

Our goal is to be the best in the sector, the preferred choice for steel products and solutions and a trusted partner for our customers.

FY18 - FY20

**Project Strive –
company wide reset
to refocus, reduce
costs and streamline
the business**

FY21 – FY22

**Embedded value.
Focus moving to
growth. Covid
headwinds**

FY23 onwards

**Value of turnaround
now apparent. Strong
focus on growth with
clear strategy in place**

FY23 further demonstrated Steel & Tube's value

- **Strong financial performance despite market conditions**
- **Robust operating model that will deliver through the economic cycle**
- **Clear focus on continuing to strengthen the core and investing in high value products, services and sectors**
- **Record operating cash flows reflecting steady revenues**
- **Full year dividend in line with policy of 60% to 80% of adjusted NPAT**

Results at a glance

Successful strategy execution driving resilient performance

| | | | |
|---|-------------------------------------|---|------------------------------------|
| Revenue \$589.1m -1.7% | Volume 146,409t -12.4% | Normalised EBITDA \$52.9m -20.9% | EBITDA \$51.9m -22.1% |
| Normalised EBIT \$32.1m -33.0% | EBIT \$31.0m -34.9% | NPAT \$17.0m -43.7% | ROFE 9.9% FY22: 15.4% |

- Solid financial performance, at top of guidance
- Achieved Steel & Tube's second highest revenue result, just shy of last year's exceptional super cycle result
- Record net cash inflow from operating activities of ~\$100m, almost double that of the previous record cash inflow result
- No bank debt and a positive cash balance, representing a ~\$50m improvement

Earnings Before Interest and Tax (EBIT), Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA), Net Profit After Tax (NPAT) | ROFE: Return on Funds Employed, calculated as Normalised EBIT over Average Funds Employed (Net Debt (including Lease Liability) + Equity). FY22 had previously been calculated using debt, the percentage has been restated to use net debt consistent with the company's peers | Non-GAAP earnings reconciliation at the end of the presentation

Repositioned the business for more challenging economic cycle while investing in growth

Group balance sheet summary

- Significant reduction in inventory
- Freeing up cash as inventory position reduced
- Disciplined management of working capital
- Strong cashflows supporting strategic initiatives
- Fully repaid debt with substantial bank facility in place to fund growth
- Subsequent to 30 June 2023, completed the renewal of the \$100m bank facility

| \$m | FY23 | FY22 |
|-----------------------------------|--------------|---------------|
| Trade and other receivables | 79.3 | 103.3 |
| Inventories | 139.2 | 192.5 |
| Trade and other payables | (69.4) | (89.0) |
| Working Capital | 149.1 | 206.8 |
| Total Facility | 100.0 | 100.0 |
| Borrowings | - | (51.0) |
| Available Facility/Undrawn | 100.0 | 49.0 |
| Cash and cash equivalents | 6.5 | 8.0 |
| Borrowings | - | (51.0) |
| Net Cash/(Debt) | 6.5 | (43.0) |
| Net Tangible Assets (NTA) | 194.6 | 202.2 |
| ROFE (%) | 9.9% | 15.4% |

Building a sustainable business

Long term business sustainability supported by balance sheet strength through the economic cycle with capacity for growth investment

Continued commitment to Quality, Health and Safety with ongoing independent inspection systems

Continuing strength in key metrics in FY23

Customer Satisfaction
NPS 42 (FY22: 40)

Employee Safety Measure
eTRIFR 1.14 (FY22: 1.13)

Employee Engagement
Employee NPS 35 (FY22: 35)

Net Promoter Score (NPS): Measure of customer/employee satisfaction

Customer NPS industry average is 32

Employee NPS industry average is 18

Employee Total Recordable Injury Frequency Rate (eTRIFR): Employee safety measure

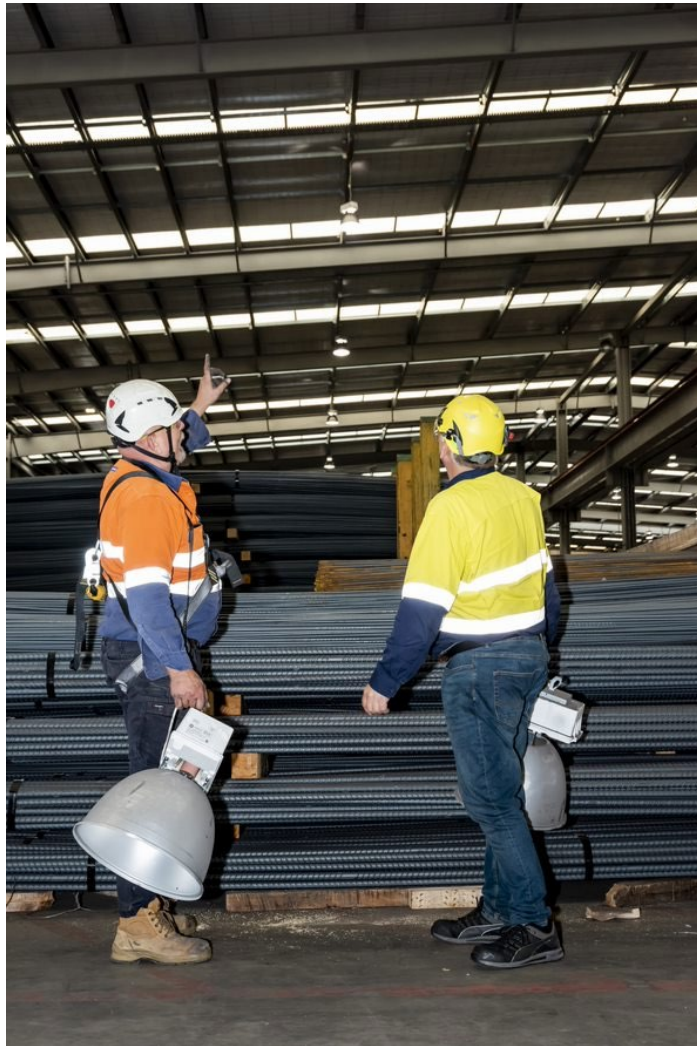
Sustainable Steel

Steel facilitates a circular economy

- Infinitely recyclable
- Reduced construction waste
- Durable
- Non-toxic and inert



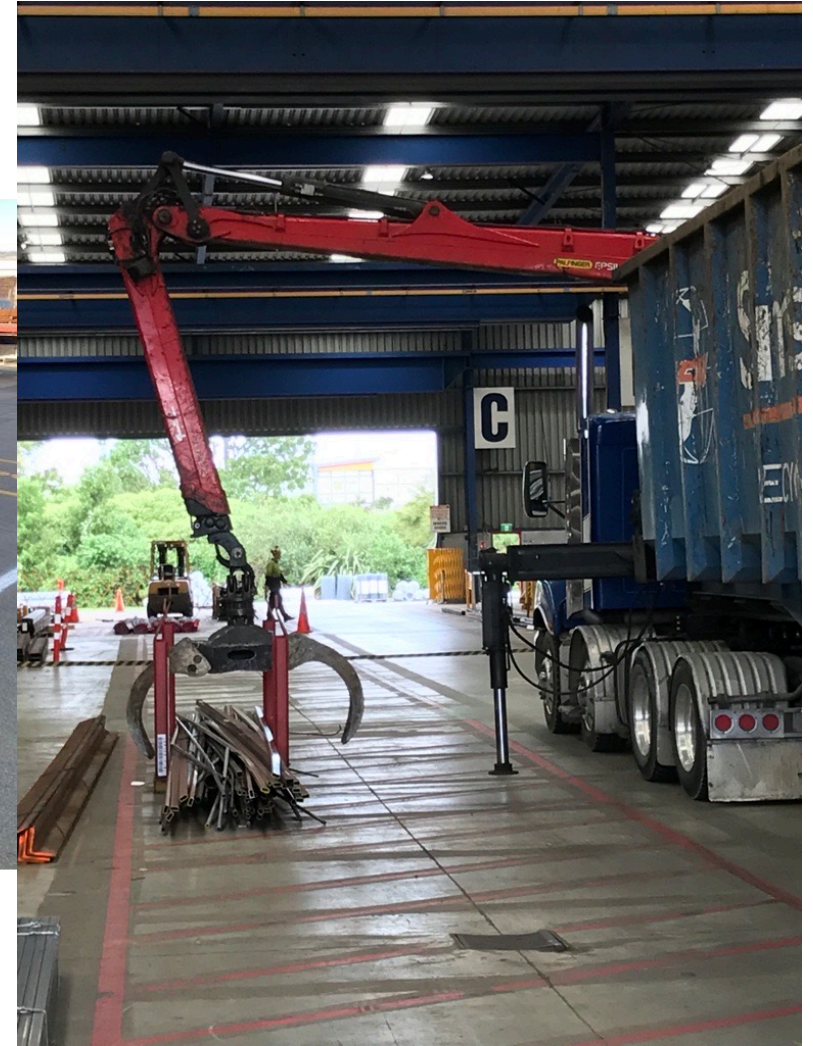
ESG Initiatives



LED replacement program complete



New BYD EV in Christchurch



Scrap steel collection

Strategic pathways

Overall goal to deliver gross margin improvement – benefits expected from FY24 onwards

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, Services and Sectors

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

Recent growth initiatives: Reporting back

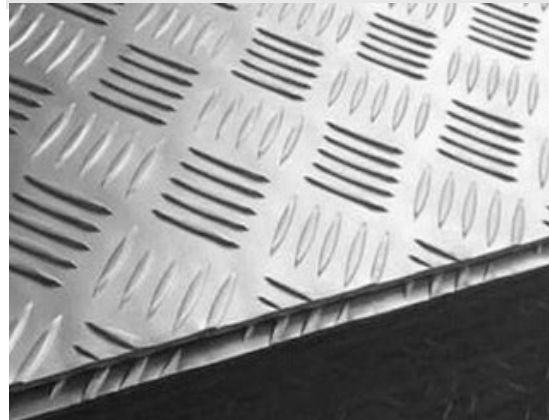
ORGANIC GROWTH

Plate Processing



- Plate processing revenues up 76% and Gross Margin \$ up 75% year on year
- Earnings momentum building with further expansion plans in progress

Aluminum



- Immediately earnings accretive
- Pleasing initial demand which is growing steadily
- Product margin \$/tonne has exceeded expectations

PROGRAMMATIC M&A

Kiwi Pipe & Fittings



- Solid forward project work in the pipeline
- Leveraging our existing network to expand the Kiwi range nationally
- Earnings per share positive in the first year

Fasteners NZ



- FY23 revenue and EBIT slightly up on FY22 despite the slowdown in the residential sector
- New product range extensions supporting growth

Macro opportunities

Significant exposure to climate resilience, infrastructure and essential water services

Climate resilience

- Proven capability, capacity, and expertise to deliver innovative project solutions:
 - Port rebuilds
 - Wind and solar energy
 - Coastal protection
 - Resilient buildings

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

Steel offers a number of advantages in a future where climate change and extreme weather events are likely to become more common.

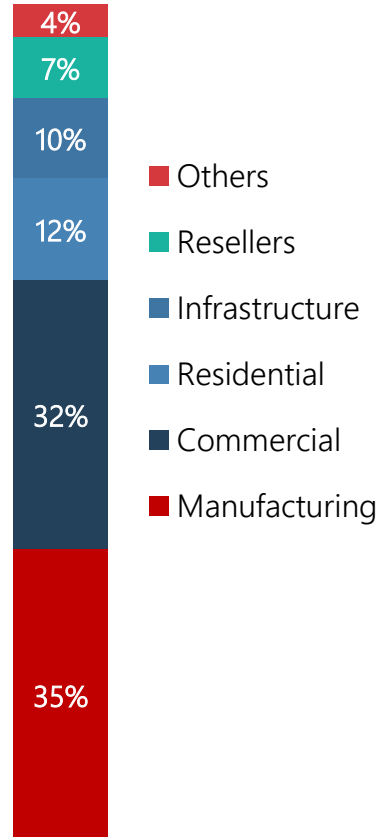
Infrastructure







- Govt budget in excess of \$71b vs \$45b in previous 5 year period
- In excess of \$92b in project value in the pipeline
 - Rebuild following extreme weather events
 - Major projects across health, education, community facilities, energy, water and transport
 - Mix of region-wide and national projects

Economic drivers

Build share of sales in growth sectors

Share of Sales (FY23)



| FY24 —————→ FY27 | |
|--|--|
|  Resellers | Demand primarily driven by residential market trends |
|  Infrastructure | Strong long term pipeline driven by climate investments, rebuild following weather events, and catch up on low investment in prior years |
|  Residential | Economic headwinds impacting growth, expected improvement mid-2024 |
|  Commercial | Modest fall from peak 2023 levels expected, however strong pipeline |
|  Manufacturing | Expected to remain subdued in the short to medium term |
|  | Customer First M&A / Growth Activity Focus on Costs |

FY24 outlook

Well positioned to respond to the challenging economic cycle and to take advantage of new market and product opportunities, including the rebuilding programme

- Healthy pipeline of infrastructure and commercial projects in place; manufacturing remains steady
- Strong balance sheet and cashflows to support growth initiatives; focus remains on gross margin \$/tonne and actively managing costs with \$5m cost out programme underway in FY24
- Business growth to continue through organic expansion and M&A

Market outlook

- **Economic cycle likely to remain challenging;** recessionary environment to continue 1H24, as well as usual slowdown in activity prior to election. Expect 2H24 will see easing of macro trends – interest rates, labour market, construction and cost inflation
- **Elevated Government investment offset by weaker business and residential investment**
- **Significant medium to long term opportunities;** climate resilience, seismic strengthening, rebuild activity and essential water services. Government budgeted \$71b spend on infrastructure 2022 to 2026, excluding cyclone and flooding rebuild costs
- **Steel pricing** volatility has reduced; stabilised above pre-Covid levels

Steel & Tube is strongly positioned to deliver through the economic cycle

Key Strengths

- Unmatched breadth of high-quality product and solutions
- National network with regional strength
- Enhanced customer value proposition and high levels of customer service
- Disciplined operational, supply chain and inventory management
- Strong pricing governance and controls and use of data analytics
- Experienced board and management team – industry knowledge and enhanced digital capability

A black and white photograph showing a row of metal weights, likely for a physics experiment, arranged on a wooden frame. The weights are cylindrical and have various numbers and markings on them, such as '220', '3667/10', '19', '210', '16', '18/12', and '163'. The word 'Discussion' is overlaid in large, white, sans-serif font in the center of the image.

Discussion

Non-GAAP financial information

| Year ended 30 June \$000s | EBITDA | | EBIT | |
|--|---------------|---------------|---------------|---------------|
| | FY23 | FY22 | FY23 | FY22 |
| Reported | 51,876 | 66,598 | 31,009 | 47,636 |
| Loss on de-recognition of finance lease receivable | 128 | - | 128 | - |
| Holiday pay provision release | - | (854) | - | (854) |
| NZ IFRS 16 reversal of impairment | (177) | (527) | (177) | (527) |
| Software as a Service (SaaS) upfront expenditure | 1,109 | 1,645 | 1,109 | 1,645 |
| Normalised | 52,936 | 66,862 | 32,069 | 47,900 |

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 FY23 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 years ended 30 June 2023 and 30 June 2022 reconcile to normalised earnings. Non-trading adjustments of \$(1.1) million are included in the FY23 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

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

ROFE: Return on Funds Employed. This is calculated as Normalised EBIT over Average Funds Employed (Net Debt (including Lease Liability) + Equity)

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

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

Disclaimer

- This presentation has been prepared by Steel & Tube Holdings Limited ("STU"). The information in this presentation is of a general nature only. It is not a complete description of STU.
- This presentation is not a recommendation or offer of financial products for subscription, purchase or sale, or an invitation or solicitation for such offers.
- This presentation is not intended as investment, financial or other advice and must not be relied on by any prospective investor. It does not take into account any particular prospective investor's objectives, financial situation, circumstances or needs, and does not purport to contain all the information that a prospective investor may require. Any person who is considering an investment in STU securities should obtain independent professional advice prior to making an investment decision, and should make any investment decision having regard to that person's own objectives, financial situation, circumstances and needs.
- Past performance information contained in this presentation should not be relied upon (and is not) an indication of future performance. This presentation may also contain forward looking statements with respect to the financial condition, results of operations and business, and business strategy of STU. Information about the future, by its nature, involves inherent risks and uncertainties. Accordingly, nothing in this presentation is a promise or representation as to the future or a promise or representation that an transaction or outcome referred to in this presentation will proceed or occur on the basis described in this presentation. Statements or assumptions in this presentation as to future matters may prove to be incorrect.
- A number of financial measures are used in this presentation and should not be considered in isolation from, or as a substitute for, the information provided in STU's financial statements available at www.steelandtube.co.nz.
- STU and its related companies and their respective directors, employees and representatives make no representation or warranty of any nature (including as to accuracy or completeness) in respect of this presentation and will have no liability (including for negligence) for any errors in or omissions from, or for any loss (whether foreseeable or not) arising in connection with the use of or reliance on, information in this presentation.