

Company Announcement
 15 November 2024

TRADING UPDATE HY25 – CHALLENGING ENVIRONMENT DETERIORATES FURTHER

Steel & Tube Holdings Limited (NZX: STU) is today providing an update on trading for the first four months of the FY25 financial year (1 July 2024 to 31 October 2024).

The weakness in the New Zealand economic environment seen in the latter half of FY24 has continued to deteriorate and impacted sales volumes. As highlighted by other industry participants, demand for steel has hit recent lows and margin pressure has intensified. While the timing of recovery remains uncertain, some improvement is expected from mid-2025 as interest rate cuts start to stimulate activity in the construction and manufacturing sectors.

As a result of these weaker trading conditions, revenue for the first four months of the financial year was down \$41.6m on the prior comparative period to \$141.7m and normalised EBIT was a loss of \$(5.0)m¹.

This trend is expected to start to reverse in the new financial year as the cycle turns.

| | 4m YTD FY25 | 4m YTD FY24 | Var. |
|--------------------------------------|-------------|-------------|--------|
| Sales volumes (000 tonnes) | 35.5 | 43.5 | (8.0) |
| Total revenue (\$m) | 141.7 | 183.3 | (41.6) |
| Normalised EBITDA ² (\$m) | 2.7 | 16.5 | (13.8) |
| Normalised EBIT (\$m) | (5.0) | 9.5 | (14.5) |

Mark Malpass, CEO, highlighted that the company continues to carefully manage cash and working capital, noting year on year cost reductions are more than offsetting inflation.

Mark said: "As well as making shorter term adjustments to adapt to the current market challenges, we are focused on emerging from this cycle a stronger business. Our balance sheet is strong, with cash of \$16.7m (June 2024: \$8.7m) and no borrowings at the end of October 2024, which is supported by disciplined inventory management.

"The work we have done over the past two years has created a stronger, streamlined company. Importantly, we have retained sufficient 'muscle' in the business to ensure we can move quickly to capture profit expansion opportunities as demand returns. We are maintaining our market share and have more than 13,500 active customers.

¹ Normalised EBIT is earnings/loss before interest and tax and is a non-GAAP measure. It has been adjusted to exclude non-trading adjustments for the four months to 31 October 2024 totalling \$(0.7)m.

² Normalised EBITDA is earnings/loss before interest, tax, depreciation and amortisation and is a non-GAAP measure. It has been adjusted to exclude non-trading adjustments for the four months to 31 October 2024 totalling \$(0.7)m.

"Our investment into high value products and services has led to more customers purchasing multiple products from across our range. Our previous acquisitions like Kiwi Pipe & Fittings, Fasteners NZ and our group freight business, along with organic aluminium growth, are performing well. Current market conditions are presenting new M&A opportunities, and we have several currently under active review. Our \$100m debt facility offers optionality during a tough time for the industry."

Susan Paterson, Chair, said: "While the timing of an economic recovery remains uncertain, there are some positive themes that should lead to improved activity over the next 12 to 18 months. Lower interest rates are expected to stimulate the construction and manufacturing sectors. Longer term, there is a significant need for maintenance and new infrastructure in roading, health, water, climate resilience and renewable energy. The Government has a five year budget of more than \$68b and is progressing a number of initiatives under its Fast-Track bill, although we acknowledge that it will take time before project work begins. Many of these projects are in areas where Steel & Tube has specialist expertise, for example in wind farm construction.

"Steel & Tube has strategically positioned the company to ensure we have resilience through the current cycle, the capability and expertise to leverage the increase in demand when it returns, and the balance sheet capacity to take advantage of opportunities, both in the current market and in the future."

ENDS

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