

# NZSA Wellington Branch Presentation

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11 August 2020

**st** **steel&tube**  
STRONGER IN EVERYWAY



# STEEL & TUBE IS....

- One of New Zealand's leading providers of steel solutions, and a proud New Zealand company, with over 67 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



RURAL PRODUCTS



PIPING SYSTEMS



FASTENINGS



CHAIN & RIGGING



STAINLESS STEEL

## 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



# RESPECTED SUPPLIER PARTNER



**We have participated in a number of large projects, on the back of a growing reputation for quality, customer service, delivery and operational performance.**



Installation of Comflor as part of the new Sky Waka gondola on Mt Ruapehu



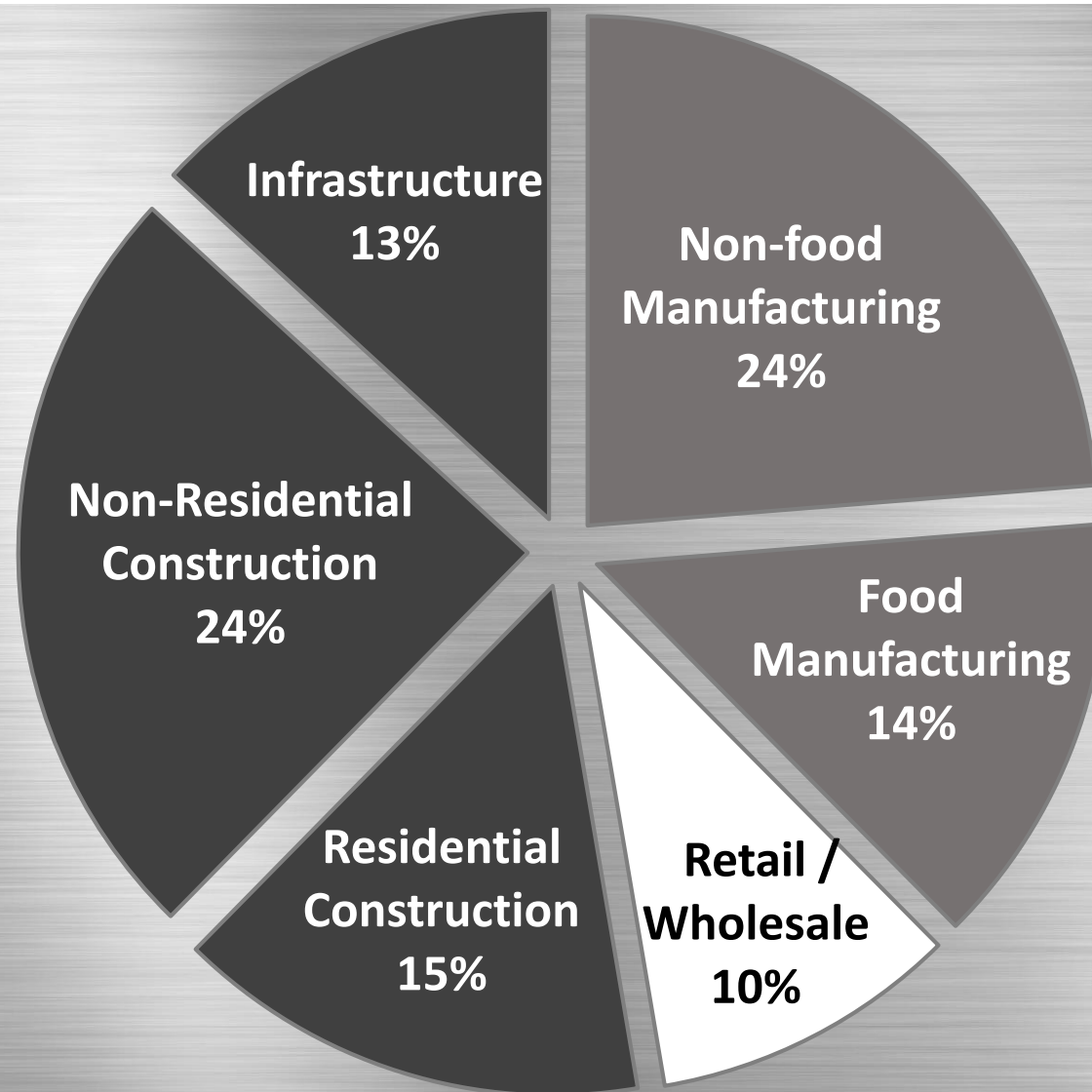
Installation of Comflor in Westfield development in Newmarket, Auckland



Installation of epoxy coated reinforcing in the City Rail Link project in Auckland

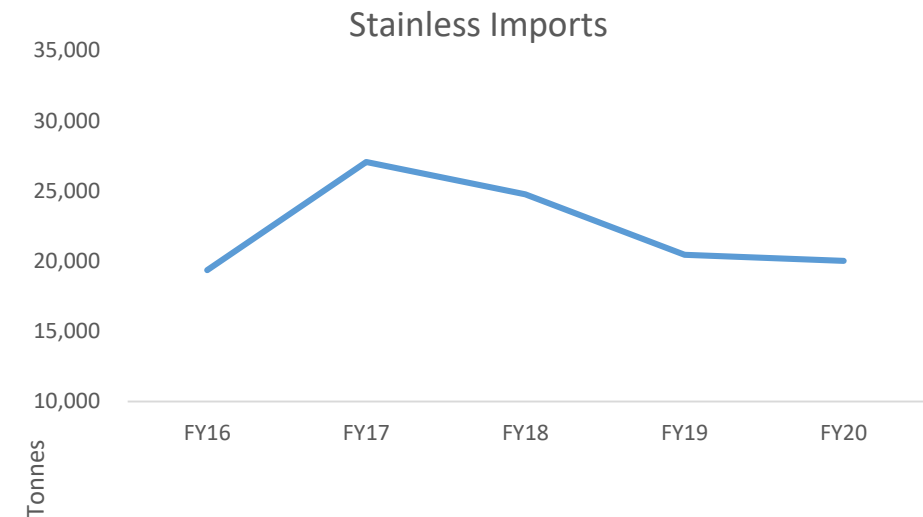
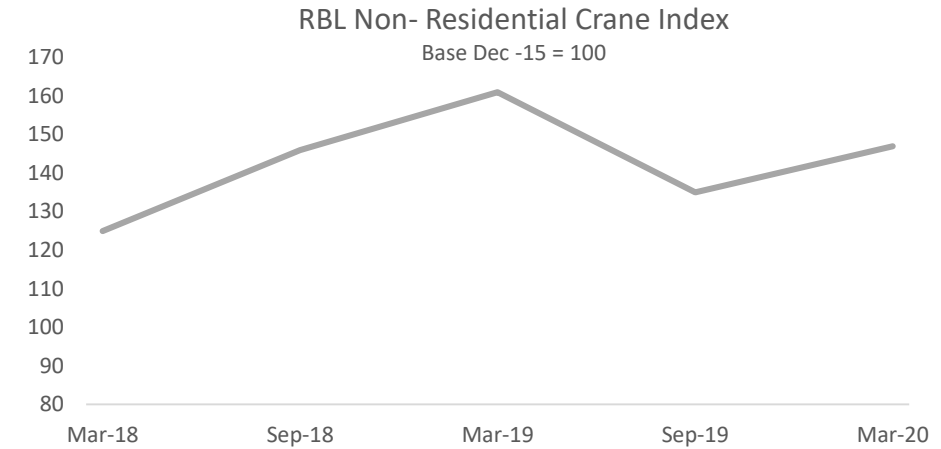
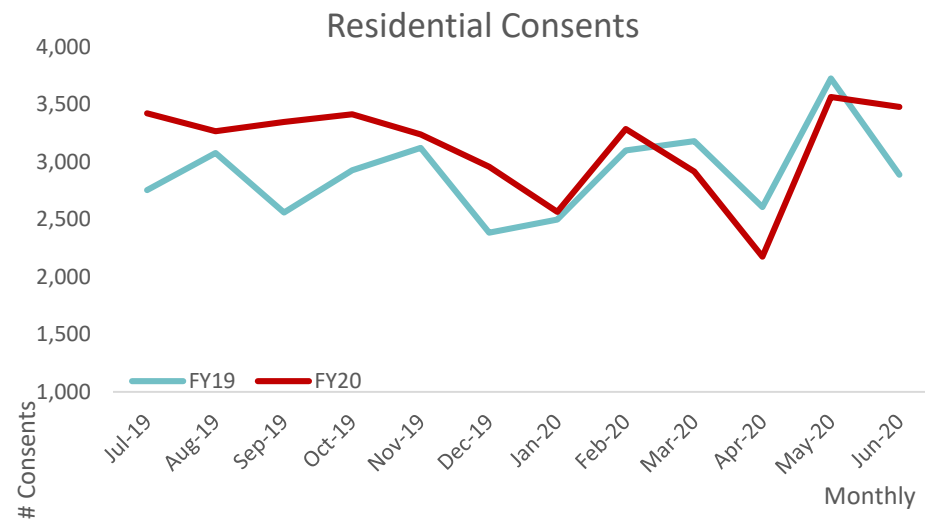
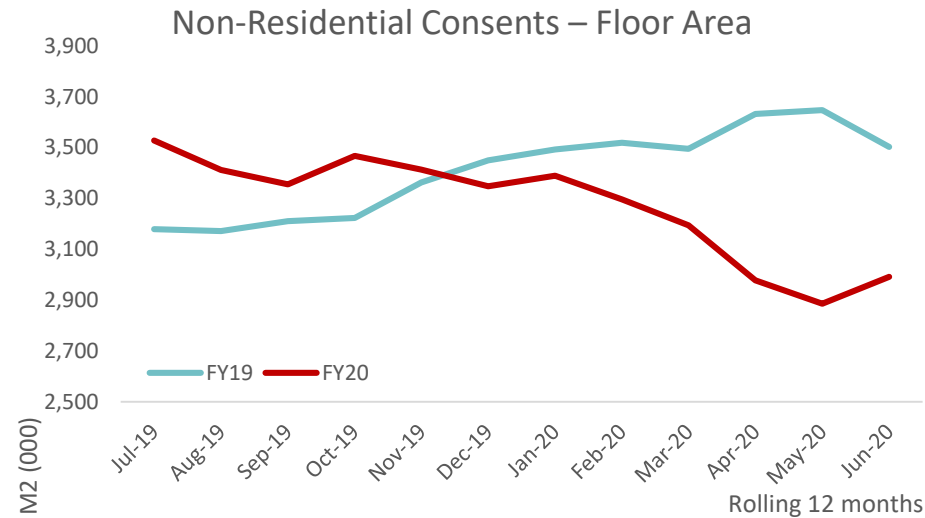
Other projects include supplying the New Zealand International Convention Centre, Commercial Bay, and the Puhoi to Warkworth and Transmission Gully motorway projects.

# SECTOR EXPOSURE – 1H20 SALES SHARE



# MARKET CONDITIONS

**Reduced vertical construction activity and softer stainless market has impacted Steel & Tube revenues**



Source: Statistics New Zealand and RBL Crane Index

# SECTOR OUTLOOK



<b>Construction</b>	<ul style="list-style-type: none"><li>• Residential near-term demand strong, supported by tight supply, low mortgage rates, and strong first home buyer interest</li><li>• Non- residential demand remains soft with many projects being delayed due to uncertainty</li><li>• Residential and business investment expected to contract as pipeline and confidence thins</li></ul>
<b>Infrastructure</b>	<ul style="list-style-type: none"><li>• Large infrastructure projects ongoing and promising pipeline with “shovel ready” projects</li><li>• Government \$3b increased funding of infrastructure projects on top of \$12b increase announced in January</li></ul>
<b>Manufacturing</b>	<ul style="list-style-type: none"><li>• Food manufacturers and agriculture sectors are expected to fair better as necessities are in high demand locally and abroad</li><li>• NZ’s focus on more resilient local supply chains and increased domestic manufacturing may help offset some of the export led decline</li></ul>
<b>Rural</b>	<ul style="list-style-type: none"><li>• Changing dynamics with move from dairy conversion to maintenance programmes and other opportunities</li></ul>



# OUR STRENGTHS

Strong Board and Management with deep industry experience

Passionate and engaged workforce

Loyal and extensive customer base

Well considered and articulated strategy

In-depth understanding of our business and opportunities

Breadth and depth of our distribution network and product offering

Industry leading businesses

Innovative approach to business and customer solution

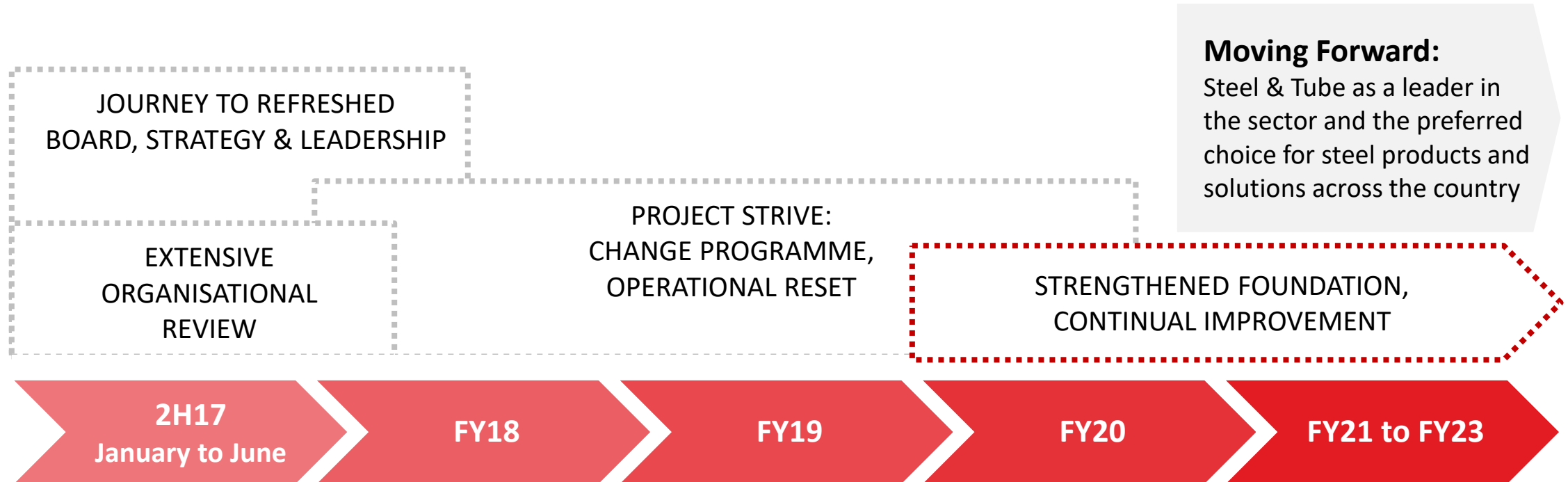
Leveraging of technology



# FY17 TO FY20 STRATEGIC PROGRESS



**Late-2017: Embarked on an extensive company-wide reset to drive long-term sustainable earnings improvement and rebuild shareholder value.**



- Successful \$80.9m capital raising
- Non-binding indicative offer from FB, then withdrawn.

# STRATEGIC PILLARS

**Our four pillars are fundamental for our business and underpin all that we do.**



## **COMMITMENT TO QUALITY, HEALTH AND SAFETY**

- Safe and healthy work environment
- Quality processes
- Quality products
- Continual improvement
- Focus on sustainability



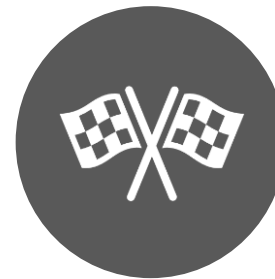
## **OPERATIONAL AND SUPPLY CHAIN EXCELLENCE**

- Leverage our procurement and supply chain scale
- Excellent inventory management
- Employ data analytics to better service customers
- Drive efficiencies



## **PUTTING THE CUSTOMER AT THE HEART OF OUR BUSINESS**

- Products and services to meet customers' needs
- Leverage our technical expertise
- Delivery on time and on spec



## **SUPPORTING A WINNING TEAM**

- Develop leaders
- Everyone matters
- Recognise personal and team contributions
- Provide a rewarding workplace



# BOARD



**Susan Paterson**  
**Independent Chair**  
Appointed Jan 2017



**Christopher Ellis**  
**Independent Director**  
Appointed Oct 2017



**Steve Reindler**  
**Independent Director**  
Appointed Oct 2017



**Anne Urlwin**  
**Independent Director**  
Appointed June 2013



**John Beveridge**  
**Independent Director**  
Appointed August 2019

# MANAGEMENT TEAM



**Mark Malpass**  
**Chief Executive Officer**



**Marc Hainen**  
**GM Distribution**



**Mohammed Afroz**  
**GM Roll Forming**



**David McGregor**  
**GM Reinforcing & Wire**

## OPERATIONAL MANAGEMENT

## BUSINESS MANAGEMENT



**Greg Smith**  
**Chief Financial Officer**



**Anna Morris**  
**GM People & Culture**



**Damian Miller**  
**GM Quality, Health,  
Safety, Environment**



**Mike Hendry**  
**Chief Digital Officer**



# COMMITMENT TO SAFETY AND QUALITY

Safe and healthy work environment

Quality processes

Quality products

Continual improvement

Focus on sustainability



## KEY INITIATIVES

### Health & Safety

- Quality, Health & Safety committees at every level of the organisation
- Comprehensive reporting covering risk management, lead and lag indicator performance, and incident and non-conformance reviews
- TRIFR below comparable benchmarks
- Training across the organisation

### Quality

- ISO 9001: 2015 quality certification for majority of businesses
- Traceability and barcode project
- Lloyds Register audits of supplier steel mills
- Fair Trading Act compliance programme
- Random sampling and independent testing
- Automation of test certificate process

# PUTTING THE CUSTOMER AT THE HEART OF THE BUSINESS

Products and services to meet customer needs

Leverage our technical expertise

Delivery in full, on time and in specification

## KEY INITIATIVES

- Sales account alignment, management and sales excellence programme
- Improvement in delivery performance
- Investment into product innovation
- Customer loyalty and value growth
- Call centre activation
- Ecommerce and digital platforms





# OPERATIONAL AND SUPPLY CHAIN EXCELLENCE

Leverage our procurement and supply chain scale

Manufacturing excellence

Excellence in inventory management

Employ data analytics to better service our customers

Delivering operational efficiencies

## KEY INITIATIVES

- Supply chain improvements
- Inventory Management disciplines
- Operational excellence and efficiency
- Freight efficiencies
- Facility footprint consolidation
- Leverage procurement scale
- Focus on sustainability





# SUPPORTING A WINNING TEAM

Develop leaders

Everyone matters

Provide a rewarding workplace

Recognise personal and team contributions

## KEY INITIATIVES

- Employee engagement
- Leadership development
- Sales training
- English and Numeracy Programme
- First Foundation Scholarships
- Supporting the 'Mates in Construction' initiative
- Participant in the Sector Workforce Engagement Programme





# OUR RESPONSE TO THE COVID-19 PANDEMIC

- Contingency planning and implementation of precautionary measures
- During L4 lockdown, all sites closed except where needed to supply essential services
- Customers supported online and through safe business trading
- Prudent approach to capital management leading to cancellation of 1H20 dividend payment
- Received Government wage subsidy assistance
- Reduction in remuneration for Board and CEO during L3 and L4
- All non-essential capital and operating spend cancelled or deferred
- Accelerated organisation restructure to right size the business for the expected longer term downturn in economic activity
- Worked with Rfider software company to develop contactless App for safe move back down to Levels 3 and 2 – Steel & Tube systems widely shared with industry and customers

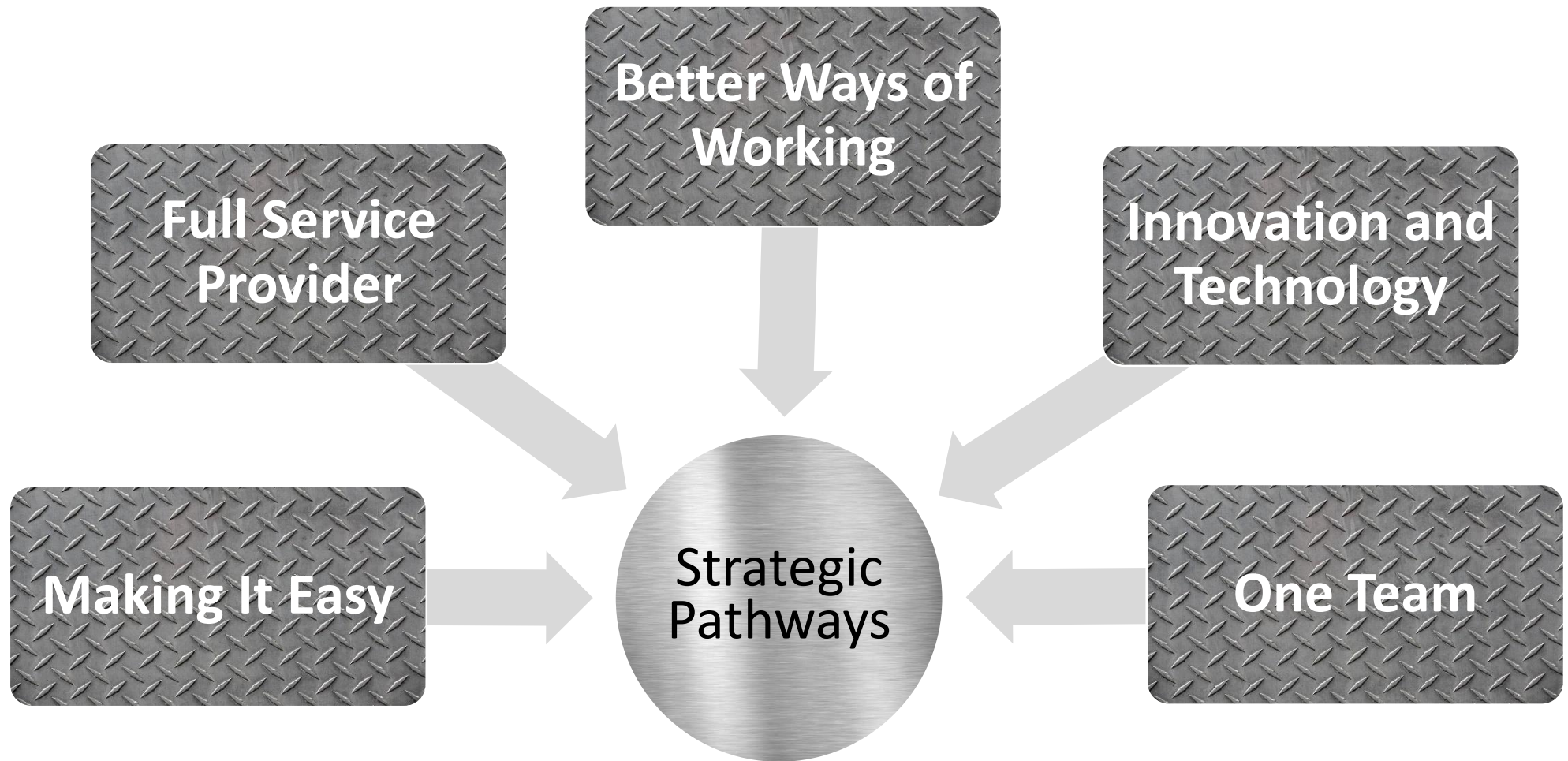
# FY20 TRADING UPDATE – 10 August 2020



- FY20 normalised EBIT is expected to be break-even subject to completion of audit work - on a pre-NZ IFRS 16 basis, FY20 normalised EBIT is expected to be a loss of approximately \$5m to \$7m
- STU expects to report strong operating cash flows of approximately \$26m (pre-NZIFRS 16) on the back of continued working capital discipline; inventory significantly reduced to \$101m at 30 June 2020
- STU's balance sheet remains strong – expect to report net cash of approximately \$7m at 30 June 2020
- Post-balance date, sale of a surplus Gisborne property with net proceeds of \$1.3m to reduce borrowings
- In addition to waivers of existing bank covenants for 30 June and 31 December 2020, agreed temporary revised covenants with bank syndicate for the remainder of FY21, which it expects to comfortably meet
- COVID-19 Alert level 4 lockdown and then progressive return to more normal business operations occurred during a traditionally high earning period for the business. Post lockdown, sales recovered through May and in June were in line with the prior year
- As previously advised, expects to report a significant loss for FY20 after including a \$37m non-cash impairment of goodwill recognised in 1H20, and other write-downs due to the acceleration of branch network changes (including site consolidations), business restructuring and digitisation in response to anticipated post Covid-19 market conditions



# MOVING FORWARD







DISCUSSION

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