

## STEEL & TUBE FY21 RESULTS FOR YEAR ENDED 30 JUNE 2021

### STRONG RETURN TO PROFIT FOR STEEL & TUBE

- Results improvement driven by positive economic activity and execution of strategic initiatives that have delivered customer growth and significant structural cost reductions
- Revenue up 15% to \$480.0m, Earnings Before Interest and Tax (EBIT) significantly improved to \$21.8m with normalised EBIT<sup>1</sup> up from \$0.4m in FY20 to \$19.0m and return to profitability with net profit after tax of \$16.1m
- Strong balance sheet with all debt repaid and \$25.0m in net cash at year end, well placed as we enter the current COVID lockdown
- Robust operating cashflow resulting from continued improvement in working capital management and debt collection
- Final unimputed dividend declared of 3.29 cents per share, taking total dividends to 4.5 cents per share
- Positive market backdrop is expected to continue and the changes implemented along with identified opportunities will build on current earnings momentum

\$m	FY21	FY20
Revenue	480.0	417.9
<b>EBITDA</b>	<b>40.7</b>	<b>(37.2)</b>
Non-trading adjustments <sup>1</sup>	(2.8)	58.1
<b>Normalised EBITDA (excluding non-trading adjustments)</b>	<b>37.9</b>	<b>20.9</b>
<b>EBIT</b>	<b>21.8</b>	<b>(57.7)</b>
Non-trading adjustments <sup>1</sup>	(2.8)	58.1
<b>Normalised EBIT (excluding non-trading adjustments)</b>	<b>19.0</b>	<b>0.4</b>
NPAT/(NLAT)	16.1	(60.0)
Shareholder Equity	196.6	181.3
Net Cash	25.0	7.4
Net operating cash flow	31.5	39.6

Steel & Tube Holdings Limited (NZX: STU) is pleased to report its audited results for the 12 months ended 30 June 2021 (FY21). Financial performance has significantly improved versus the prior year, with positive economic activity driving increasing demand for steel across a number of sectors and the execution of strategic initiatives delivering significant structural cost reductions.

Revenue was up 15% to \$480.0m, EBIT significantly improved to \$21.8m with normalised EBIT up from \$0.4m in FY20 to \$19.0m. The company had a strong return to profitability with net profit after tax of

<sup>1</sup> Normalised EBITDA and normalised EBIT exclude a number of transactions considered to be non-trading in either nature or size. FY21 non-trading adjustments of \$(2.8)m comprise \$1.6m in IFRS16 impairment reversals and \$1.2m gain on sale of properties. FY20 non-trading adjustments were \$58.1m, which included non-cash goodwill impairment and other write-downs due to acceleration of branch network changes, business restructuring and digitisation and the impact of COVID-19. The company believes excluding these transactions helps users in forming a view of the underlying performance of the company.

\$16.1m. The Board has declared an unimputed final dividend of 3.29 cents per share, taking full year dividends to 4.5 cents per share.

Continued improvement in working capital management and debt collection assisted in generation of robust operating cashflow of \$31.5m.

All debt was repaid during the year, with \$25.0m net cash at year end, and the network consolidation programme has been largely completed with the \$7m sale and leaseback of the Petone site in March 2021. The company has a strong financial platform for Steel & Tube to invest in targeted organic growth initiatives and market opportunities.

Investments in digital technologies, people, safety and quality are all delivering value and providing a strong platform for Steel & Tube to move forward with its growth plans in FY22.

### **Management Commentary: CEO of Steel & Tube, Mark Malpass**

FY21 was a challenging time for many businesses and communities and we are incredibly proud of our people for standing up supporting our customers and delivering a strong result.

Economic activity increased steadily across the year, with a strong recovery in residential construction and infrastructure activity, an uplift in commercial tenders and more recent growth in manufacturing.

We are now seeing the benefits of our strategic initiatives and particularly our investment in our people and digital technology. We have seen improvements in all areas, with volumes, revenue and margins recovering across the year and a strong pipeline of secured work. Customer service and delivery have been a priority and the target of much of our digital investment as we implement an omni-channel platform that delivers the optimal experience for our customers.

Significant network changes were executed late in FY20 and we now have a national presence that has been optimised to ensure customer access to our wide range of products while also achieving significant underlying cost benefits. While we see continued efficiency opportunities, the network consolidation programme is largely complete.

Supply chain management has also been an increased focus, with the establishment of the new role of GM Supply Chain & Distribution Centres early in FY21. We increased fast moving inventory in response to current global supply chain and capacity issues while at the same time reducing aged inventory. We are using advanced data analytics to support inventory traceability and pricing governance and controls.

Safety remains a deep commitment throughout the organisation and we have continued our investment in equipment, critical risk management processes and assurance. We were pleased with our eTRIFR<sup>2</sup> of 1.86, a further improvement on the prior year of 4.86 and well below industry standards.

Steel & Tube operates across two divisions, Distribution and Infrastructure.

Distribution has performed well with growth in sales and gross margins while operating costs have reduced. We are closely monitoring and responding to pricing pressures driven by global commodity pricing, shipping and port costs. Inventory has been optimised, aided by technology, to ensure that high demand products are available and priced appropriately. Our national network, realigned sales team and Customer Excellence Centre are delivering improved customer service and experience.

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<sup>2</sup> Employee Total Recordable Injury Frequency Rate per million hours worked

Infrastructure volumes increased with gross margin improvements from the cost out programme being partially offset with competitive pricing pressure in some areas. Increased activity has been seen in 2H21 as infrastructure and large commercial projects come back on stream. Steel & Tube is well positioned as a large scale, reliable and trusted provider of choice.

## Outlook

The focus for FY22 remains on customer delivery, growing sales in attractive segments and continued gross margin improvement.

Forward market indicators point to sustained activity levels and there is a positive market backdrop across Steel & Tube's diversified market positions – manufacturing has been picking up, rural is performing well, there is strength in residential construction and infrastructure, and tenders are now coming through in the commercial space.

The company has a strong pipeline of secured contract work and has identified positive growth opportunities in a range of sectors and is well positioned to take advantage of these.

Investing in new processing equipment will assist in opening up identified market opportunities as well as drive operating efficiencies, safety and product quality. In addition, Steel & Tube will continue to invest in digital technologies to continuously improve the customer experience and expand the customer offer, providing competitive advantage.

Chair of Steel & Tube, Susan Paterson, said: "We are now seeing the benefits of our strategic initiatives over the past three years and our thanks go to you our shareholders for your support during this time. Steel & Tube is moving forward with a robust financial and operating platform, leadership positions across many product categories and strong employee morale. The Board acknowledges and thanks staff for their efforts in driving continued improvement during what has been a challenging year. There is always more to do and while our focus remains on optimising the business, we have also identified a number of growth opportunities and are investigating potential capital management activities. We look forward to building on Steel & Tube's legacy as New Zealand's leading steel provider and adding value for shareholders and all stakeholders."

ENDS

## Investor and Analyst Call

An investor and analyst call will be held at 10am (New Zealand time) on Tuesday 24 August. Call details can be viewed here <https://www.nzx.com/announcements/374997>. Please note the Sydney dial-in number has changed to +61 (0)2 7250 5438, all other dial-in numbers remain the same.

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