2017 Annual Update

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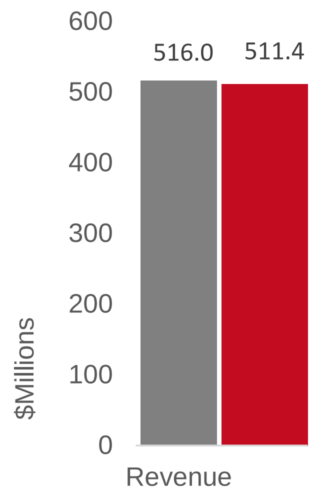
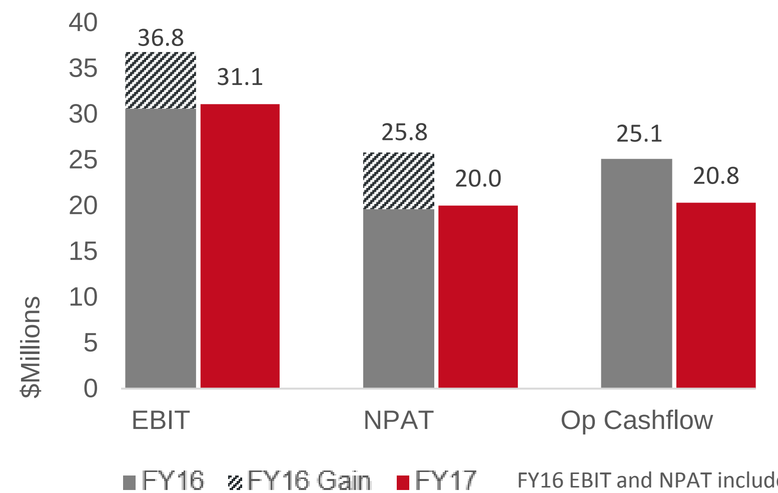
Steve Armstrong, Interim CFO
August 2017

This presentation, August 2017, provides additional comment on Steel & Tube's financial results announcement for the period ending 30 June 2017 . It should be read in conjunction with the documents attached to that announcement, which highlight future outlook expectations of earnings, activities and market conditions.

FY17 Financial Summary





FY16 EBIT and NPAT includes $6.3m gain on property sale

- Positive result although below company's high expectations
- Benefitted from acquisitions and continuing focus on margin management and cost efficiencies
- Several 'ring fenced' issues affecting results for Reinforcing and S&T Plastics
- Multiple external project delays impacting revenues and earnings, increasing inventory and working capital and reducing operating cashflow
- Total FY17 dividend pay-out of 16.0 cps
- Well positioned to build on operational cashflow and quickly optimise balance sheet

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FY17 Business Highlights

Stronger organisational structure	▪ Business aligns to two operating groups: Infrastructure and Distribution ▪ One Company ethos generating strong front-end synergies ▪ Common platforms enabling operational and structural synergies ▪ Strengthening of business management teams and capability
Successful integration of acquisitions	▪ Full year contribution from FY16 acquisitions – MSL and S&T Plastics ▪ Acquisition and 8 month contribution from Composite Floor Deck Limited
Modernisation & optimisation of property portfolio	▪ Opened purpose designed and built Dunedin facility ▪ Ongoing development of two new 'fit for purpose' Christchurch hubs ▪ Initiated strategic review of property assets; opportunity to divest non-strategic assets
Investment in technology	▪ Successful pilot of ERP system ▪ Rollout to majority of remaining businesses, Q1 FY18 ▪ Will be a key enabler of One Company leverage, improving customer service and efficiency benefits

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Strategic Initiatives

Stronger organisational structure

Business aligns to two operating groups

Infrastructure

Steel and plastic is processed before sale. Onsite installation services

Businesses/Product Lines

- Reinforcing and Wire Processing
- Roofing
- Coil Processing
- Purlins
- ComFlor
- Composite Floor Decks
- S&T Plastics

Distribution

Products are sourced and distributed as is. Large scale steel products to small nuts and bolts

Businesses/Product Lines

- Distribution: Steel, Piping Systems, Stainless, Chain & Rigging, Rural Products, Fastenings
- MSL Fortress Fastenings
- S&T Stainless: Stainless and Engineering Steels

- Infrastructure group established from former processing business
- Strengthened management team within the Infrastructure group, with new appointments and reporting structure
- Distribution business headcount reduction will generate $2.7m in annualised savings
- Opportunities to streamline and rationalise the Distribution group as ERP system is rolled out

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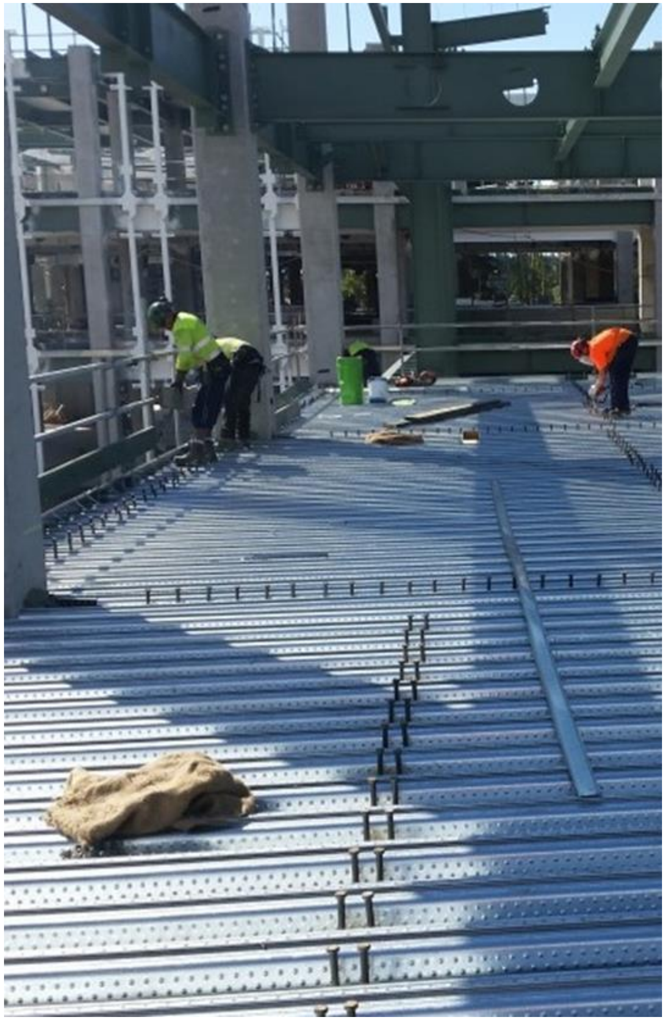
Strategic Initiatives

Acquisitions creating market leading positions



- Four year acquisition programme has strengthened company, diversified revenue and provided further opportunities for growth
- Funded mostly from a combination of debt and operating cashflows
- FY16 Acquisitions (MSL and S&T Plastics) provided full year contribution
- CFDL acquired in October 2016, provided 8 months' contribution
- S&T Stainless continues to exceed expectations
- Acquisitions created market leading positions in key product categories and enhanced One Company synergies
- S&T Plastics positions S&T for the future in an adjacent substantive growth sector

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Strategic Initiatives

Modernisation and optimisation of property portfolio

Property initiatives reflect One Company philosophy and acquisition growth:

- Consolidation and optimisation of multiple businesses in close location
- Allows for operational efficiencies and streamlined teams working together, in line with One Company ethos
- Improved health and safety and efficiency improvements are key drivers of the property strategy
- Funded from a mix of debt and operating cashflows

FY17 investment into safe and efficient facilities:

- Dunedin: Four businesses now consolidated in one purpose designed and built facility, opened in 2016
- Christchurch: Ongoing development of new distribution hub and processing hub, which will open in FY18
- Upgrades and investment into existing facilities
- Completes $32 million capital reinvigoration programme

Review of property assets and ownership vs lease strategy currently underway

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Strategic Initiatives

Investment into technology

Major multi-million dollar, 2 year ERP development project in final stages:

- Successful pilot in Q2 FY17; further Company rollout over Q1 FY18
- Will deliver an effective and efficient supply chain and greater value for customers

Removes multiple different back end systems and replaces with a single, modern, company wide platform

Primary enabler for future growth and business efficiency:

- Provides standard processes across the business
- Further backroom integration of acquired businesses
- Increased control of inventory and working capital
- Allows for increased collection and analysis of data, providing greater insights and visibility into customers, customer service, markets and business
- Will be enabling platform for other new technologies

Will impact every business, every product line and every person in S&T

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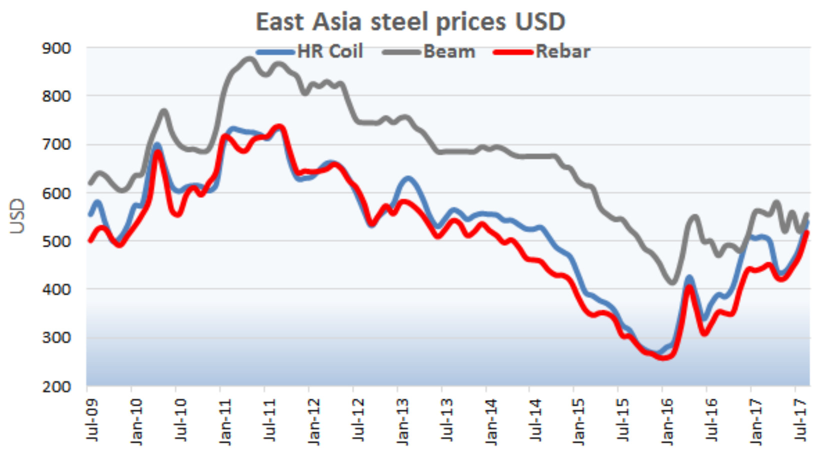
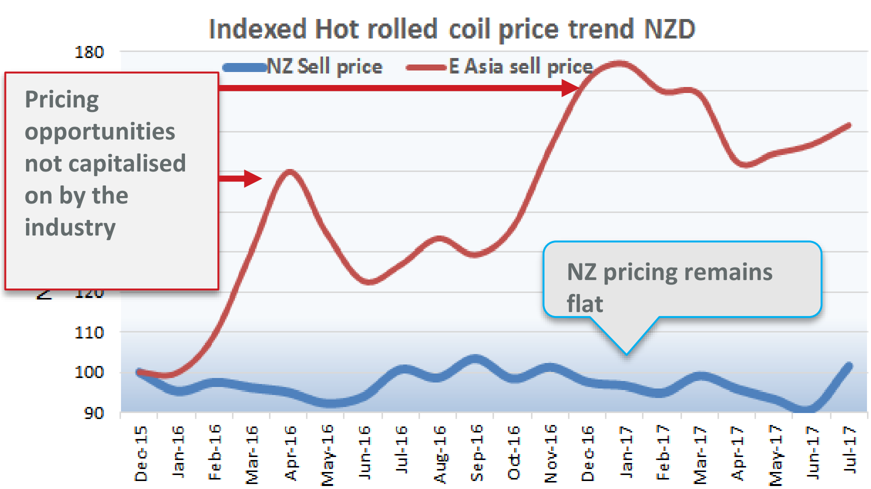
Operational and Business Performance

Operating Environment





Global Steel Market Long Term Trends:

- Multi year decline in steel prices has major impact on S&T gross profit
- Global steel prices have been on upwards trajectory since Jan 2016
- Chinese capacity reductions coupled with increasing demand – China reducing exports and prices firming

Local Market FY17:

- NZ volumes increased by ~3% to 905 tonnes. Back to pre-GFC levels but still below last construction boom in 2004/05
- Intensely competitive market
- Two significant finished steel price opportunities not capitalised on by the industry, reinforcing prices at multi-year lows despite robust activity
- Competitors chasing market share, putting pressure on margins

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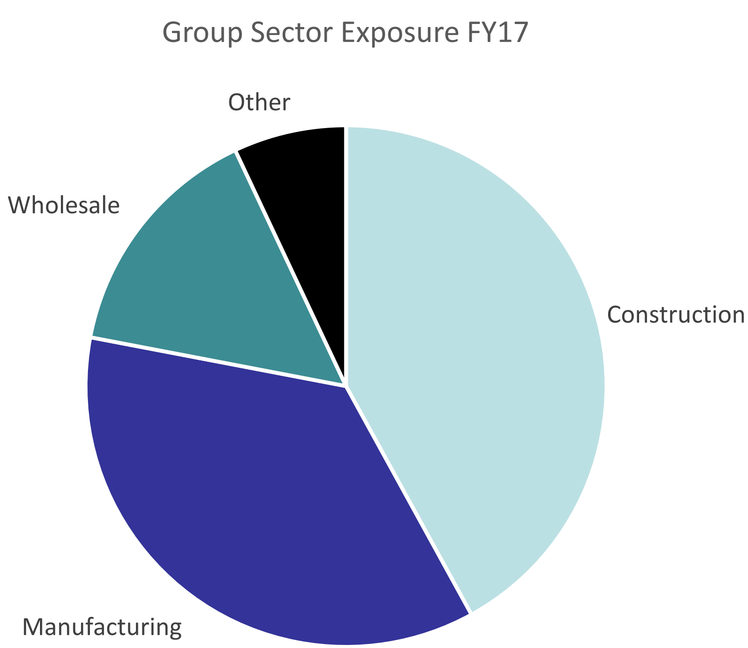
Operating Sectors



Operate primarily across three sectors
Provides diversification of revenue and commodity cycles

Construction:

- Buoyant, notably in Auckland and infrastructure. Intensely competitive
- Sector grappling with limited resources, project delays, cost escalation and other challenges

Manufacturing:

- Remains resilient and activity levels almost back to pre-GFC,
- Equipment and machinery manufacturing and food processing particularly robust

Rural:

- Commodity prices continue to firm, leading to increasing pay-outs, improving confidence and renewed investment

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Source: S& T Research

Operational Performance Overview

- Several businesses delivered record or near record revenue and EBIT performances
- Final weeks of Q4 proved more challenging than expected:
  - Difficulties fulfilling some project commitments lead to cost overruns and provisions for onerous contracts
  - Multiple project delays, outside of the company's control, impacting revenues, earnings and increasing inventory
  - S&T Plastics manufacturing performance issues, now being addressed
- Continued focus on the Health and Safety journey with improvements in many lead and lag indicators
- Quality organisation and structure enhanced to reflect increasing focus on quality systems and product assurance

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Business Overviews

Infrastructure

CFDL	▪ Performing well and achieved first earn out milestone in March 2017 ▪ External project delays have pushed some expected Q4 activity into the new financial year
Reinforcing	▪ Margin squeeze across some contracts as steel prices firm ▪ Two contracts have proven more complicated and costly than anticipated; FY17 impact $1.3 million of cost and provision ▪ Focus on mitigating additional costs and improving the business' effectiveness
S&T Plastics	▪ Investment into plant upgrade in H1 FY17 and three large contract wins ▪ Manufacturing process issue resulted in high scrap rates in Q4 FY17, impacting profit ▪ New control system to be implemented and is expected to reduce scrap significantly
Product Conformance	▪ Continuing to work with Commerce Commission to reach an appropriate resolution. The legal process is expected to be finalised by H1 FY18 ▪ Does not relate to product performance and S&T continues to stand behind its products. All S&T mesh is now tested by IANZ accredited laboratories

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Business Overviews

Distribution

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Distribution	▪ Increased market share levels at the end of FY16 ▪ Increasing steel prices - focus on pricing resulted in 2% margin improvement - partially offsetting volume reduction ▪ Monitoring balance between price and market share ▪ New ERP will improve effectiveness and efficiency of supply chain, delivering greater value to customers ▪ FY17 first half restructure will deliver full annualised overhead savings in FY18
MSL	▪ Acquired in August 2015, completed its first full year with record revenues and strong EBIT result in line with expectations ▪ Significant One Company 'front-end' synergies being realised ▪ Benefitting from competitor closures
S&T Stainless	▪ Acquired in April 2014 and continues to outperform acquisition expectations ▪ Stainless & Engineering steels consistent with overall market ▪ Strong growth in ComFlor in line with construction activity; now part of Infrastructure ▪ Pilot for ERP in Q2 FY17, providing insight and learnings for the remainder of the Group

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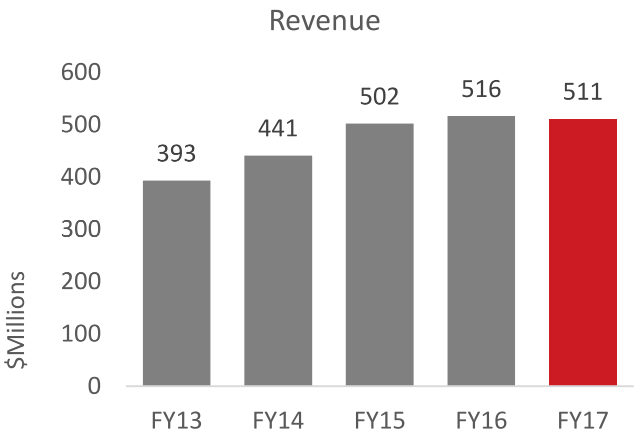
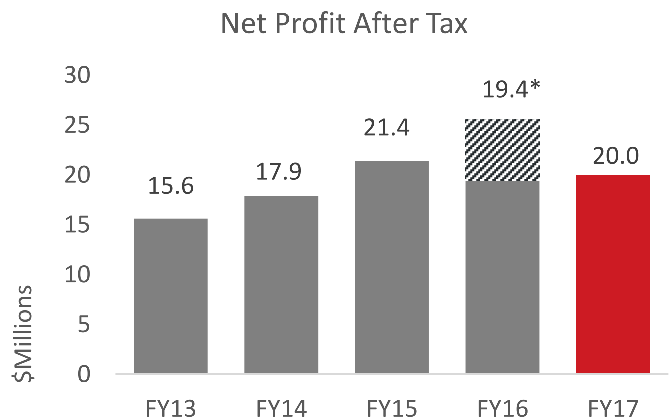
Financial Results

Revenue and Profit

Revenue marginally down, NPAT up 3.1% YoY excluding gain on sale





$19.4m excludes FY16 gain on property sale of $6.3m

- Revenue impacted by falling global steel prices since 2012
- Revenue marginally down on FY16, mainly due to reduced Distribution volumes. Gross margins have improved by ~2%.
- Includes full year contribution from MSL, S&T Plastics and 8 month contribution from CFDL
- Excluding FY16 gain on sale, NPAT up 3.1% on prior year
- Revised profit guidance July 2017:
  - Reinforcing – unprofitable contracts
  - Start up issue S&T Plastics
  - Project delays and intense competitive pressure

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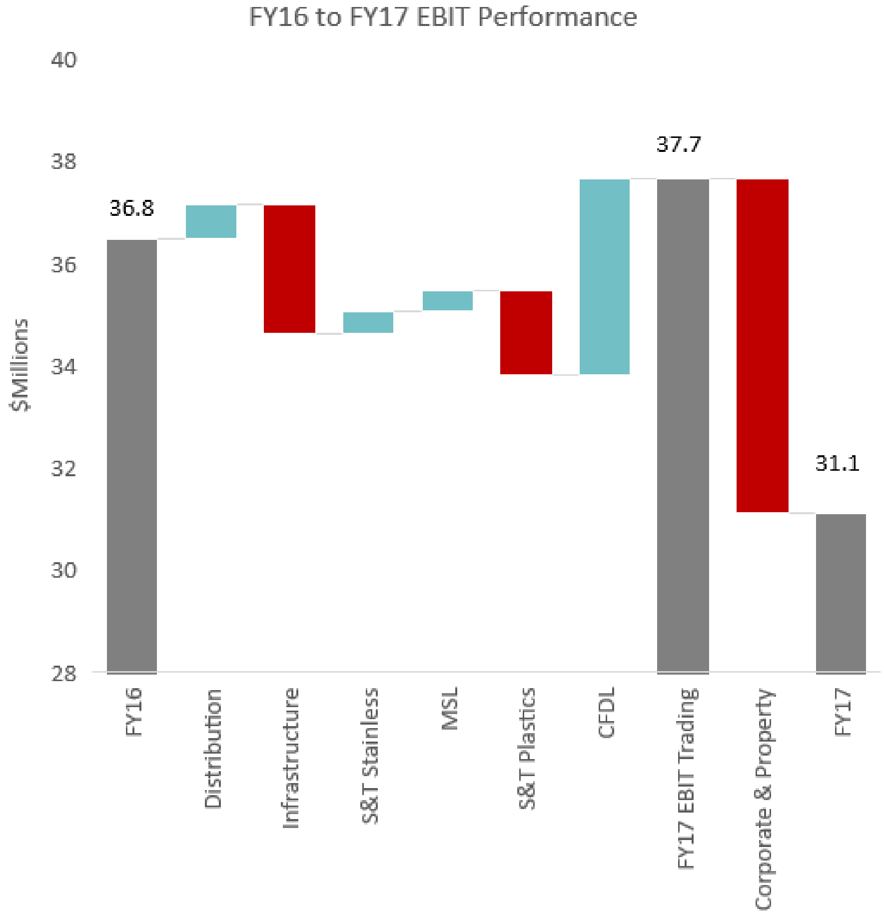
Earnings Before Interest and Tax (EBIT)

2% ahead of FY16, excluding gain on sale



- Distribution: Margin focus leading to improved contribution
- Infrastructure: Primarily Reinforcing contract issues, partially offset by positive performance in wire products
- S&T Stainless: Strong EBIT performance
- MSL: Record performance revenue and strong EBIT
- S&T Plastics: Expenses in first half to prepare plant for new contracts; control issues in manufacturing process in second half, now being resolved
- CFDL: Positive performance although timing issues pushing some Q4 activity into FY18
- Corporate includes litigation, M&A and other costs. Variance due to $6.3m gain on property sale in FY16

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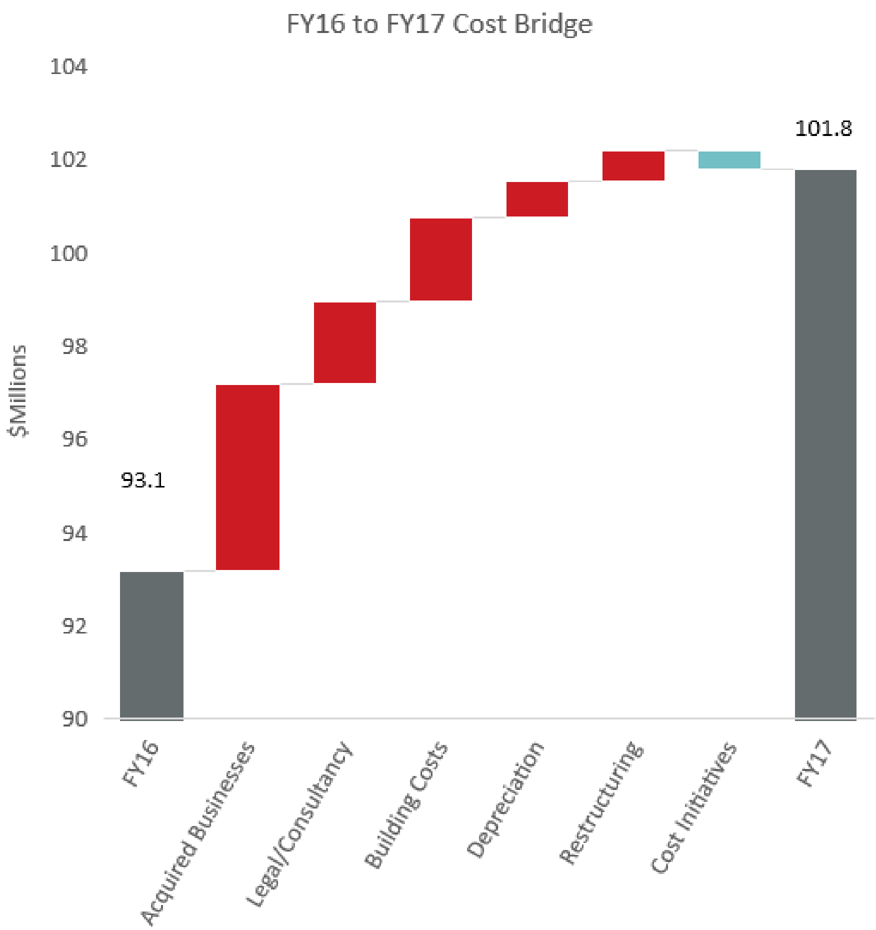
Costs

Acquisition growth and one-off costs



- Acquisitions: Impact of larger business portfolio(MSL and S&T Plastics FY, CFDL 8 months)
- Legal includes Commerce Commission costs and M&A expenses
- Building costs: Lease and premises costs
- Restructure – Distribution and S&T Stainless
- Efficiencies - headcount reduction in Distribution and S&T Stainless, annualised savings of $2.7m. FY17 partially offset by increased resources for large projects and support office
- ERP will be a key enabler for greater efficiencies and significant cost savings in FY18 and onwards

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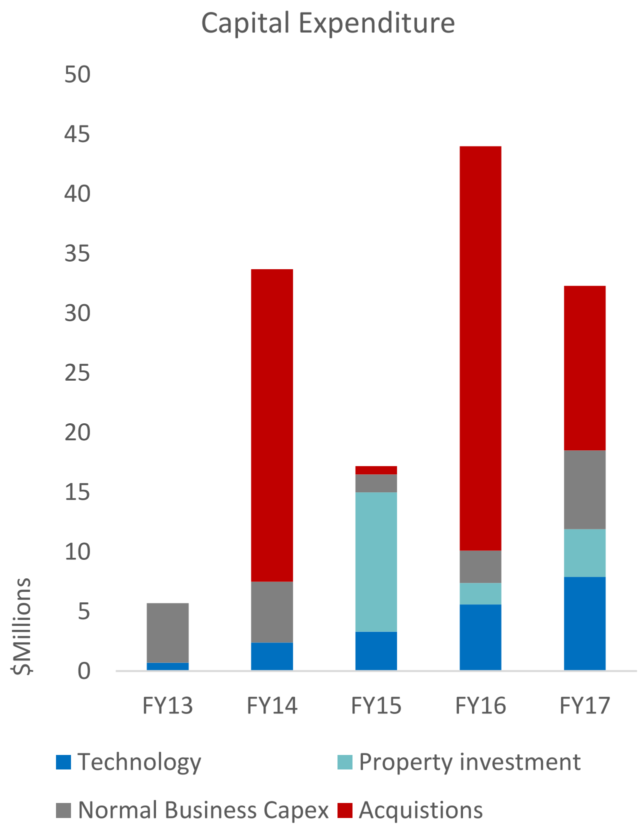
Investment into Growth



- Capex funded largely by a mix of debt and operating cashflow
- Acquisitions $80 million over a four year period: S&T Stainless (FY14), MSL (FY16), S&T Plastics (FY16), CFDL ((FY17)
- History of under-investment in property, equipment and IT
  - Property optimisation programme commenced FY13
  - Technology upgrade and ERP system
- 'Normal business capex' includes refurbishing plant and equipment that extends life, H&S improvements, efficiency projects, IT replacement capex

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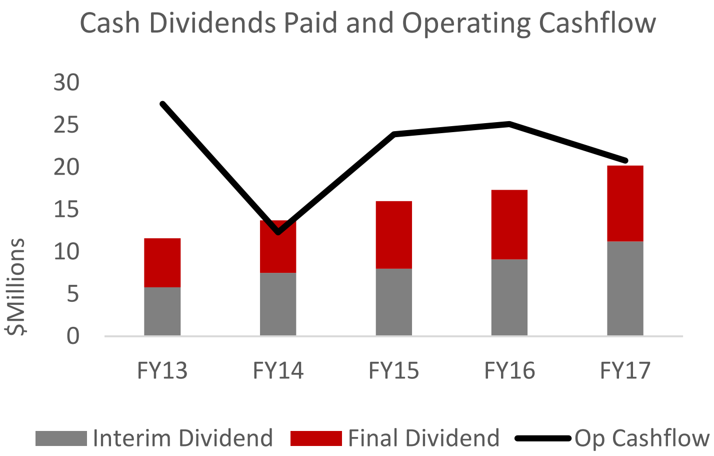
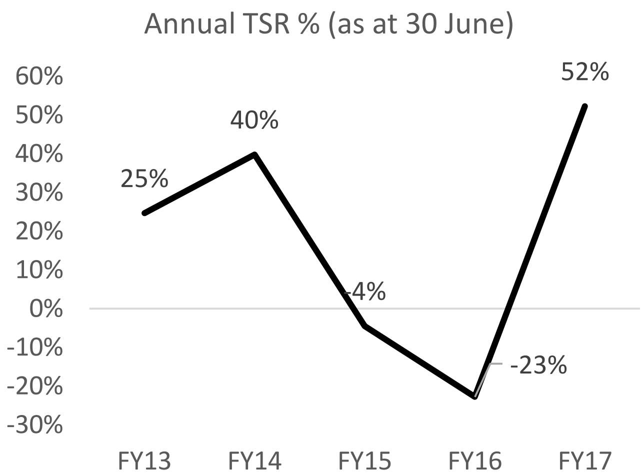
Dividends and Returns

FY17 Total Dividend 16.0 cps





- Dividends – maintained at between 70% to 85% of earnings whilst
  - Securing acquisition growth and capital investment
  - Market challenges with steel prices low and competition intense
- Five year pre tax CAGR Total Shareholder Return of 12.6%
- Major capex under investment recovered, now well positioned
- Going forward:
  - Work towards a leaner less capital intensive model
  - Maintain consistent and sustainable dividend payout
  - Build financial capacity to take advantage of future opportunities

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Balance Sheet

Strategic investments made in FY17

$M	FY16	FY17
Inventory	129.4	143.1
Debtors	89.8	93.5
Trade and other Creditors	(45.1)	(54.4)
Working Capital	**174.1**	**182.2**
Cash and Cash Equivalents	2.3	6.5
Property, Plant, Equipment	61.6	102.6
Intangibles	47.3	66.8
Total Assets	**285.3**	**358.1**
Borrowings	97.9	133.4
Other	7.2	12.6
Total Liabilities	**105.1**	**146.00**
Shareholders Equity	**180.2**	**212.1**
Gearing (Debt: Debt+ Equity)	35%	38.6%

- Inventory higher – acquisitions and timing of purchases for specific projects
- Debtors have increased in line with acquisitions
- Change in accounting policy – property now held at fair market value
- Increase in intangibles reflects goodwill and customer contracts on acquired businesses and ERP
- Debt - strategic acquisitions, working capital and capex
- FY18 focus is on optimising with several immediate opportunities

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Strategy Update

Building on One Company ethos, focus on adding further customer value

One Company focus has positioned S&T strongly for future growth:

- Modern and more efficient company
- Acquisition programme – best in class businesses, building on and expanding capabilities
- Optimisation of geographic footprint underway
- Enhanced systems to enable back office efficiencies
- Improved customer experience with One Company solution

Refreshed strategy announced in FY16:

- Increasing focus on initiatives that leverage S&T's size, geographical presence and comprehensive product offering
- Better serve customers and improve the customer experience with increasing focus on delivering solutions to meet their needs
- Enhancing supply chain capability to add value and differentiation for customers
- Technology will be the enabler of this refreshed strategy and will make S&T more agile, more responsive and more connected
- Increased focus and further resources added to improve quality systems
- Continuing emphasis on Health & Safety

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Moving Forward

Strategic Initiatives for FY18

Technology	▪ Rollout of ERP system underway, enabling an improved customer offering
Financial position	▪ Optimise the balance sheet ▪ Strategic review of property assets and ownership vs lease ▪ Continue to optimise geographic network ▪ Continue to identify efficiencies and manage costs
Operational Performance	▪ Leverage technology and continue to drive operational efficiencies ▪ Continue to build on One Company philosophy, creating value for customers ▪ Resolve issues in S&T Plastics and Reinforcing
Volume and Price	▪ Expect steel prices to continue to firm ▪ Focus on optimal balance between price and market share, particularly in Distribution
Outlook	▪ Environment remains volatile and uncertain particularly in construction ▪ Intense competition across all sectors

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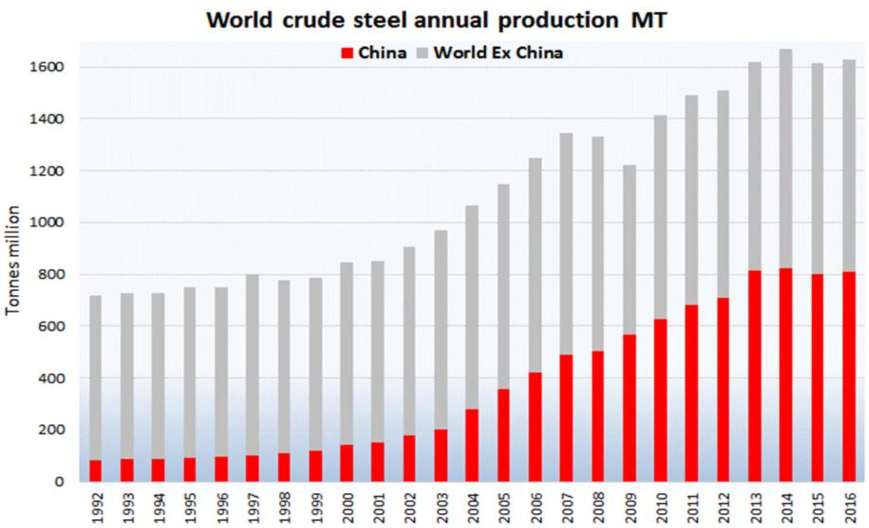
Global Markets

Steel production

- Global steel output did not increase in 2016, but has started rising in 2017
- The increase has come from China as well as a few other countries
- India continued to increase output and is the 3rd largest producer after Japan



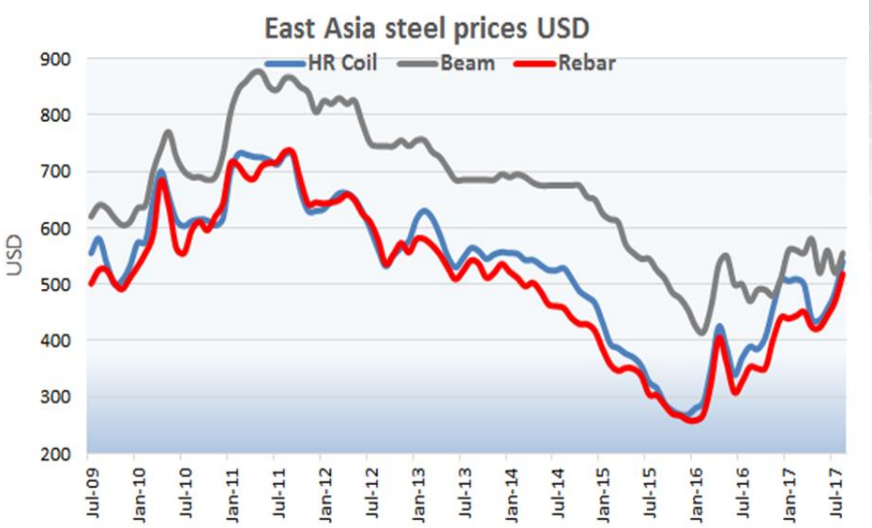
- Chinese domestic demand for steel has kept pace with increasing output
- Chinese steel exports have actually reduced as a result
- This has resulted in steel prices rising in the international market

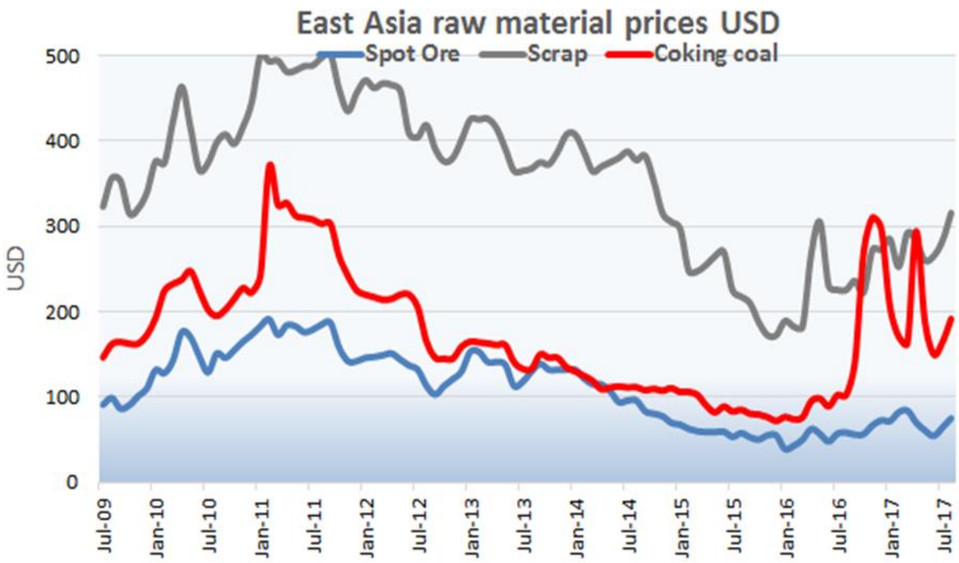
Source: World Steel Association & SBB

Global Markets

Steel and raw material price movement

- Additional iron ore production continues to come on line increasing supply
- Prices have held due to demand from China with increased steel production
- Coking coal prices were very volatile





- Finished steel prices have trended up steadily since early 2016
- This is due to reduced exports by China driven by strong domestic demand for steel
- Low grade steel closures have impacted Chinese supply capacity

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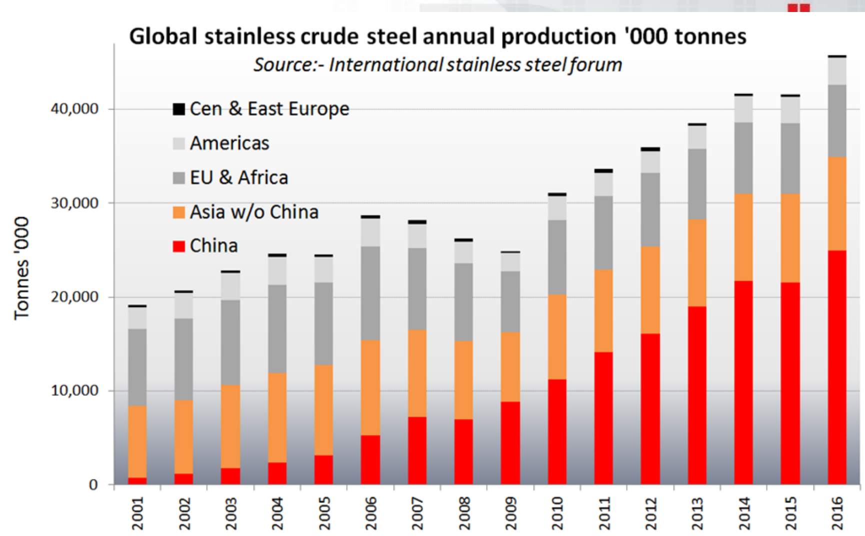
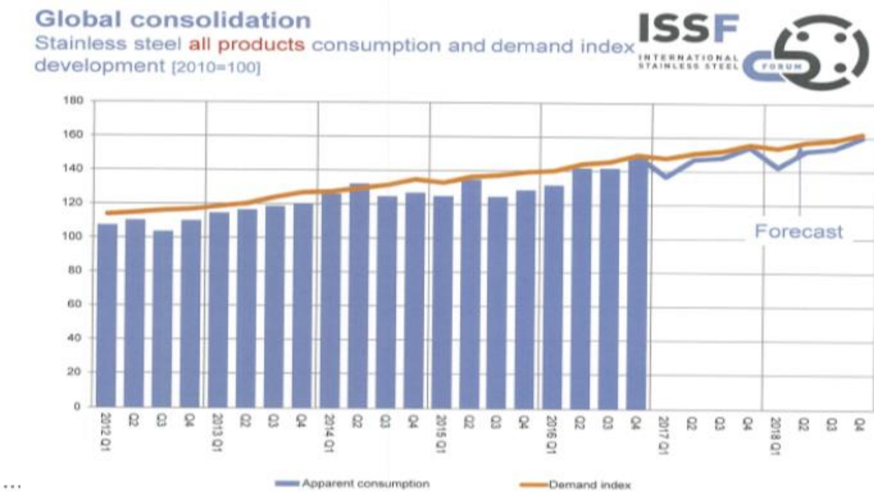
Source: Steel Business Briefings- SBB

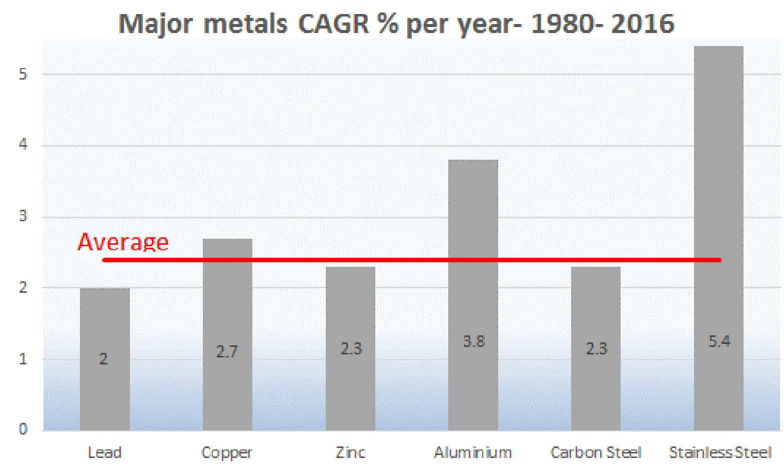
Global Markets

Stainless steel prices and production

- Production rose in 2016 after stalling in 2015
- China is the leading producer and is following the global trend
- Demand forecast remains positive
- Stainless steel has been out-performing other metals in long term growth
- Prices correlate closely with nickel prices which remain volatile trending down



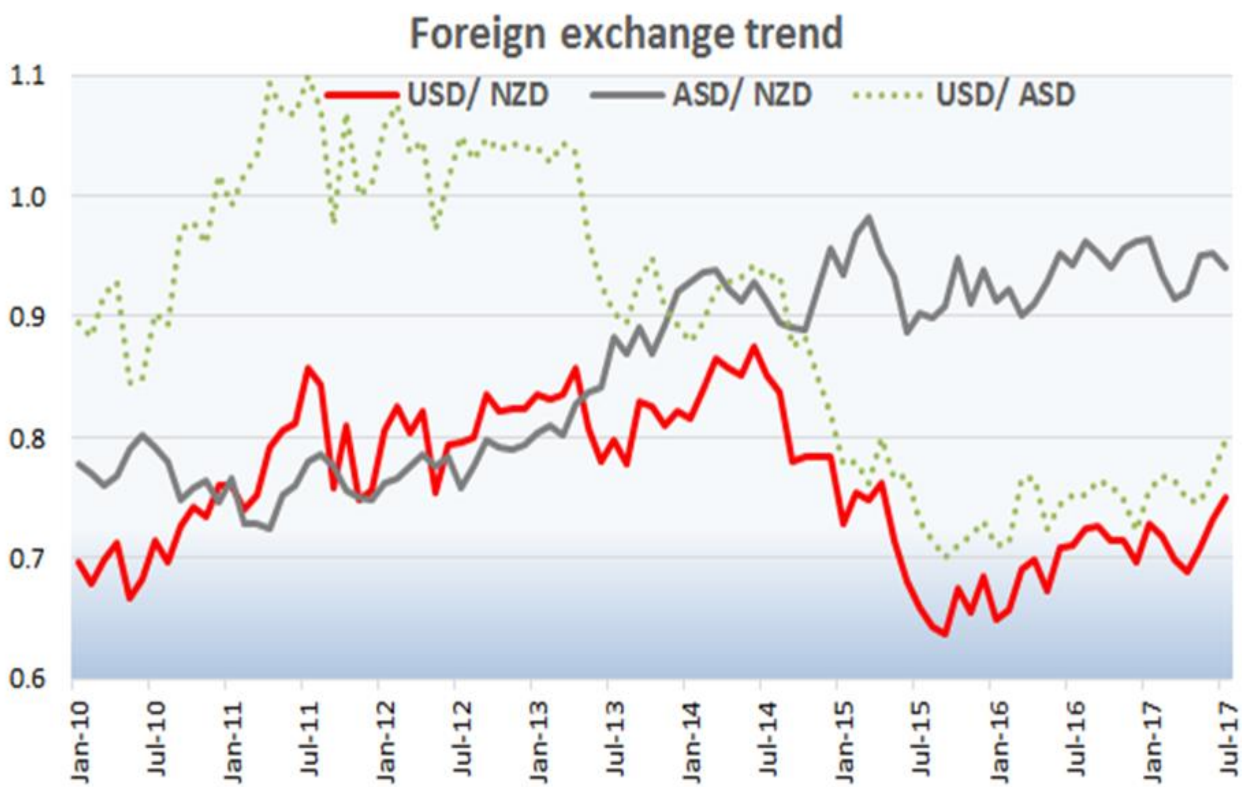




Source: International Stainless Steel Forum

Global Markets

Exchange rates



- The NZD has appreciated in recent months against key currencies
- Helped temper the volatility in global steel prices
- Remains elevated against the AUD

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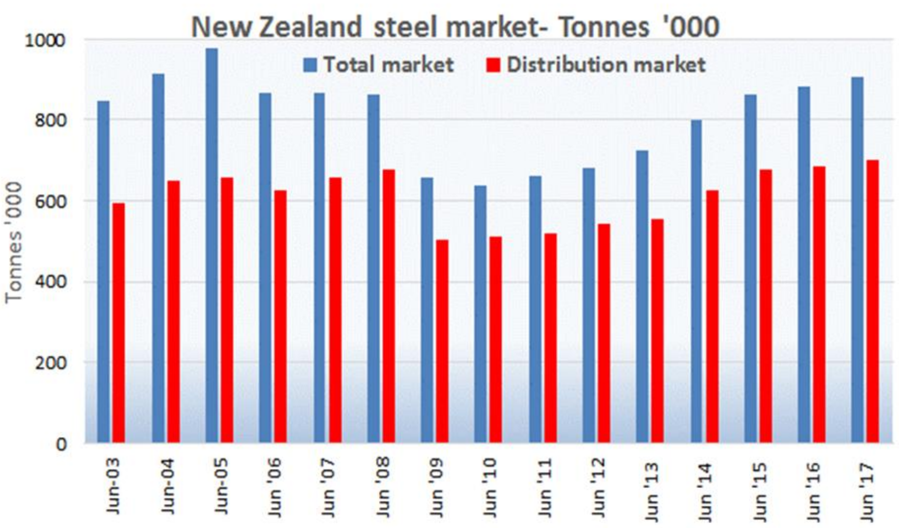
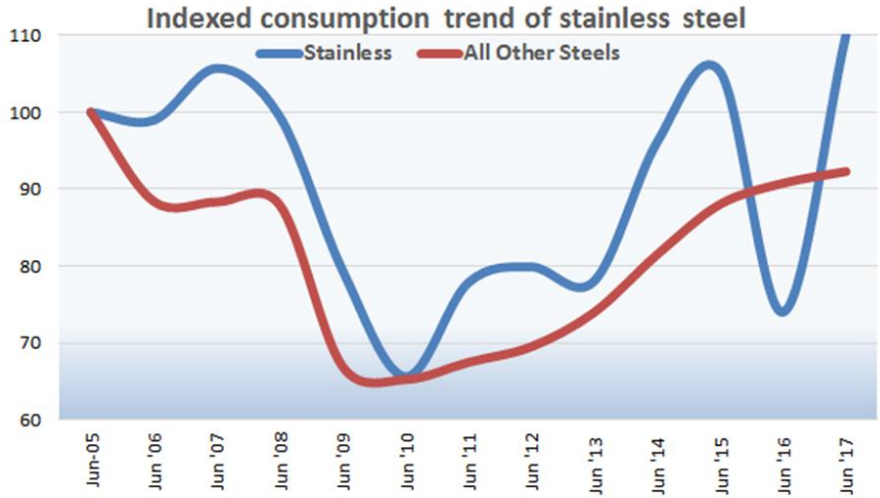
Source: ANZ Bank

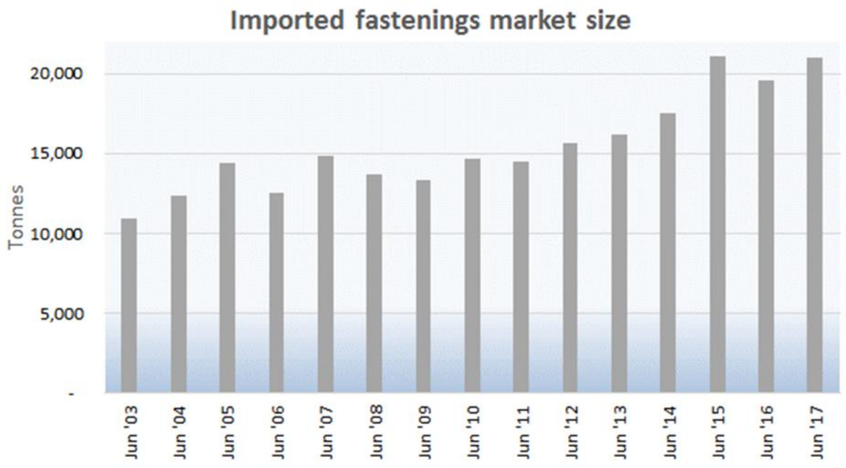
New Zealand Markets

Material volumes

- Total steel demand is steady year on year
- Construction aligned products continue to grow
- Stainless steel demand have bounced back to normal levels aided by recovery in Dairy
- Fastenings market has held steady and less vulnerable to volatility





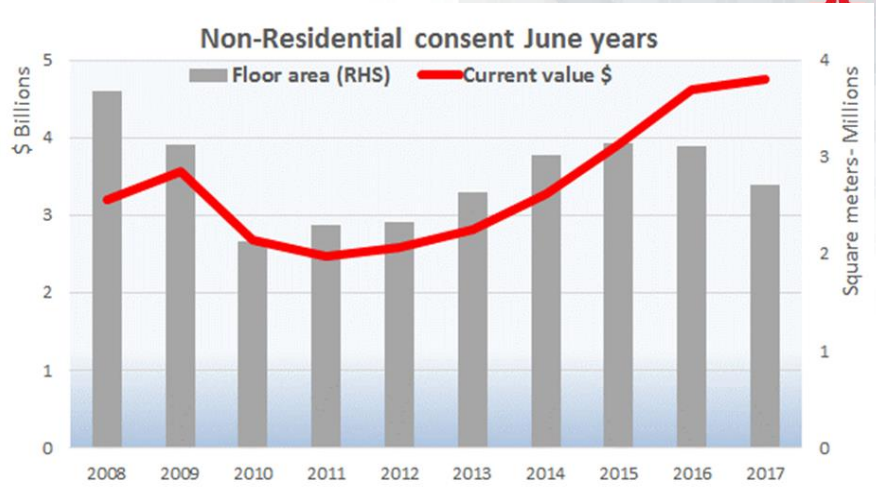


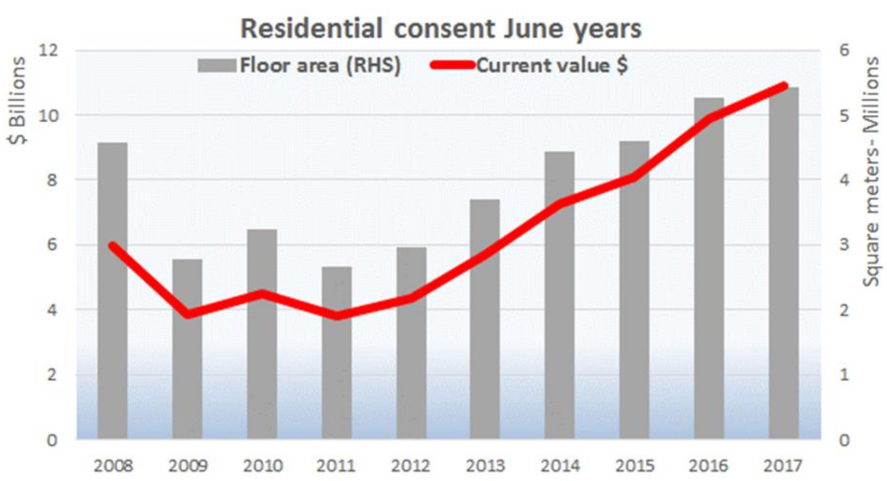
Source: Stats NZ; S&T Research

New Zealand Markets

Key sector trends – building consents ($m and square metres)

- Year to June 2017 Non Residential building consent by floor area reduced 13% compared to PCP
- This was due to a 29% & 26% drop in Canterbury & Auckland respectively
- Although the current $ values are 48% higher, floor areas are 26% below 2008 levels



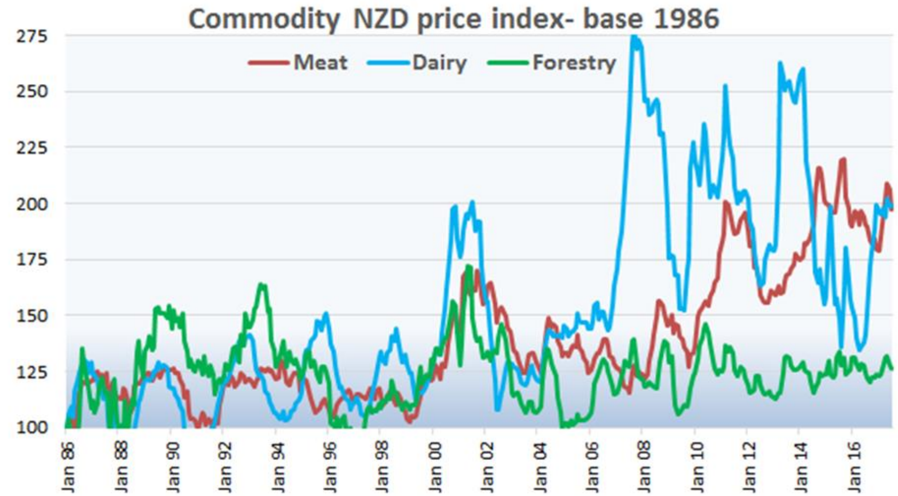


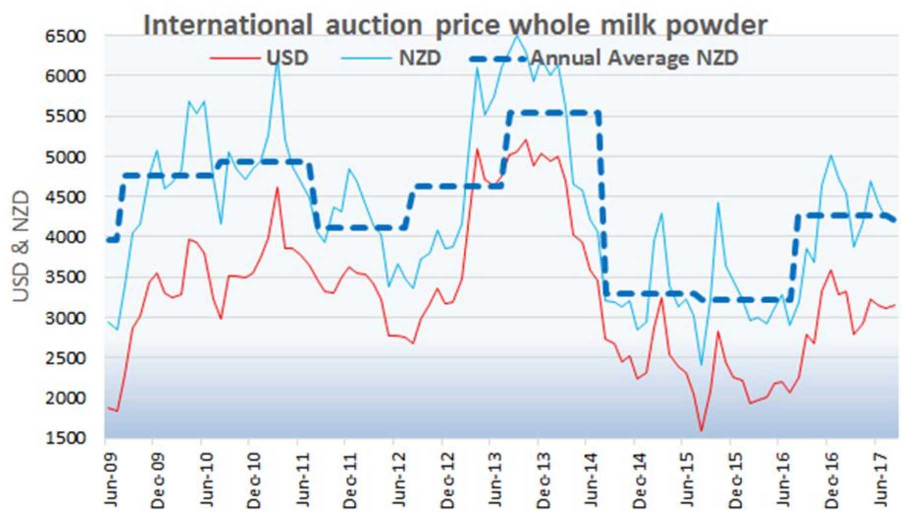
- Year to June 2017 Residential consent by floor area increased by 3% compared to PCP
- With Auckland static & Canterbury reducing by 16%, other regions increased by 5%
- Although the current $ values are 82% higher, floor areas are only 19%
higher than 2008

Source: Stats NZ

New Zealand Markets

Key sector trends – rural





Source: ANZ Bank

- With international dairy prices recovering Fonterra has revised their pay-out, including dividend after retention, to $7.15/ Kg of milk solids for the 2017/ 18 season
- At these levels funds will be available at farms for investments
- The increase in prices reflect increased demand from key consuming countries including China and Latin America
- Meat and wool prices while volatile, seems to be on an upward trend

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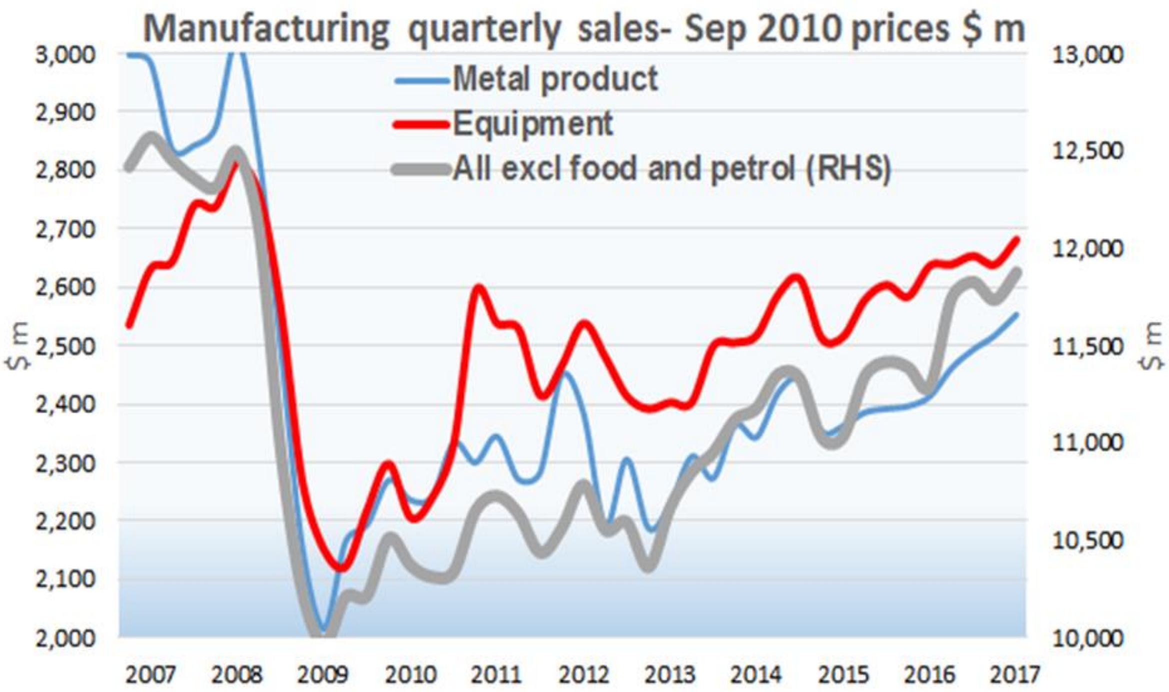
New Zealand Markets

Key sector trends – manufacturing ($m)



- Generally volatile, but solid growth from non food and petroleum sectors
- Equipment and machinery manufacturers are at pre GFC levels
- Metal producers remain relatively subdued
- Export markets for manufactured goods remain resilient in Australia and USA

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Source: Stats NZ