



2013 Year

Dave Taylor, CEO  
Janie Elrick, CFO

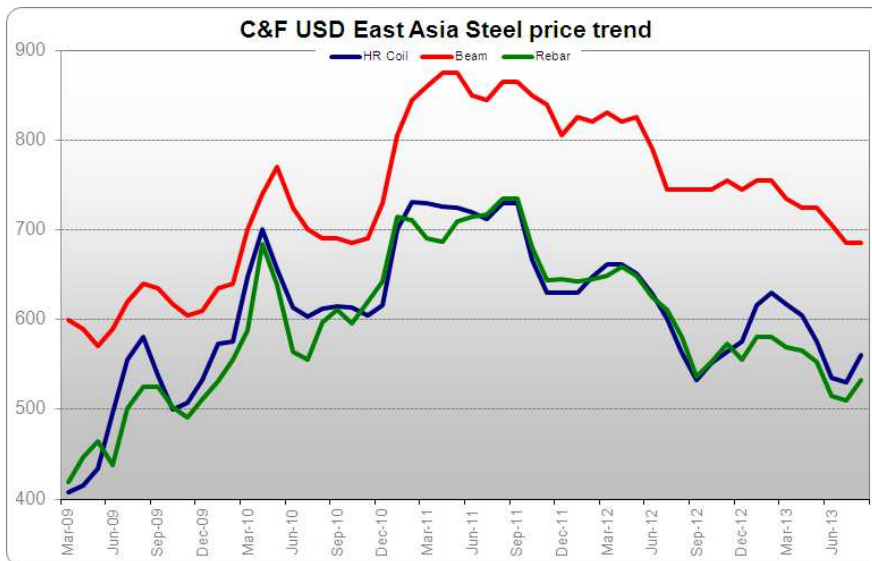
August 2013



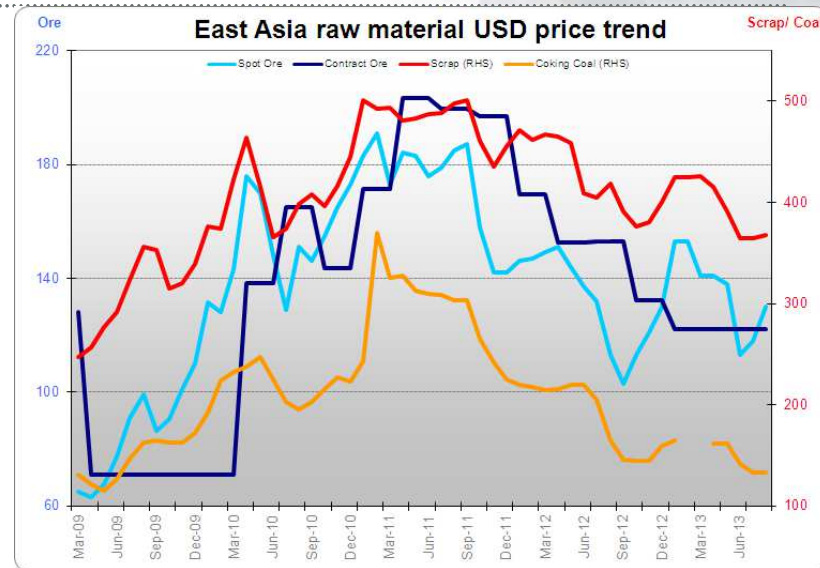
# Global Markets

## Global steel commodity prices

- Spot iron ore prices recovered from the Sept. '12 lows to \$130 pt June '13 - currently \$142 pt
- Although scrap is \$365 pt. - last seen in June '10
- Volatility continues



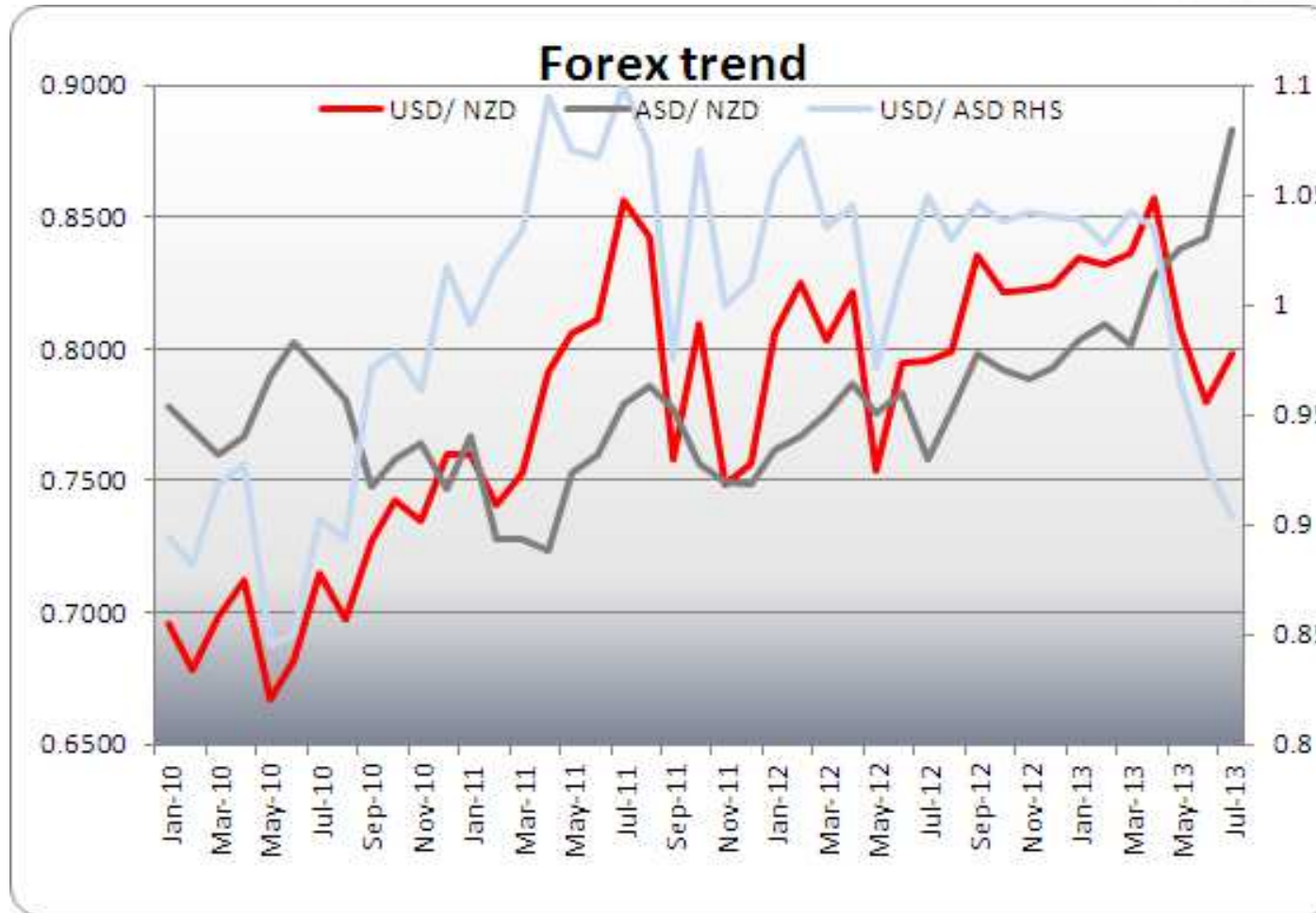
Source: Steel Business Briefings



- Some upwards movement in pricing in USD in the second half ...  
...but offset by an appreciating NZD in the Q3
- Some alignment for a price increase in F13/14 first half

# Global Markets

## Global steel commodity prices - Exchange rates volatility



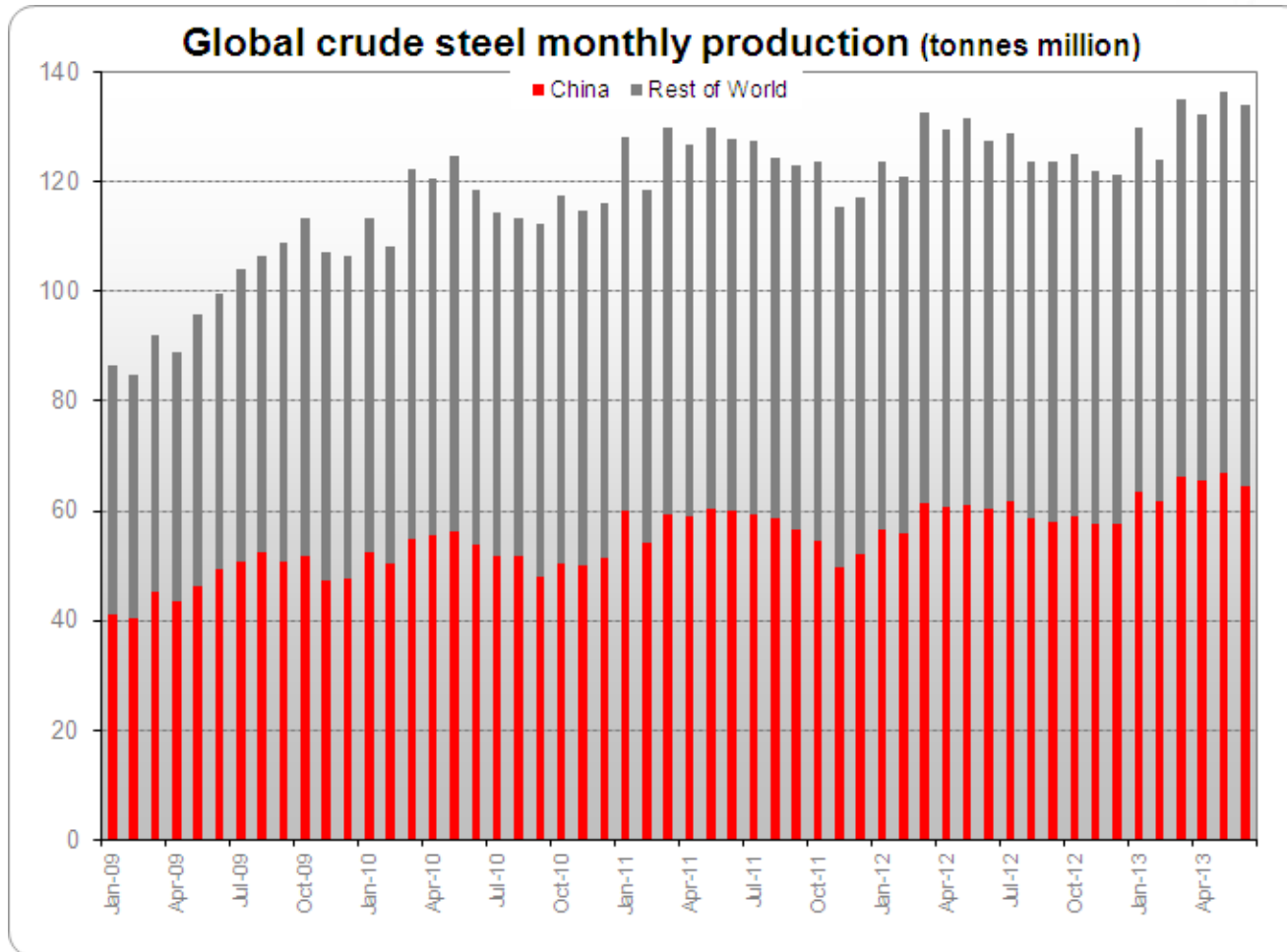
- Significant swings in recent months
- An appreciating NZD in Q3 off-set the finished steel price increases
- The depreciating NZD in Q4 was countered by softening in Asian pricing

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# Global Markets

## Global steel production

  
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- Underlying global demand remains soft
- Production has increased in recent months
- China's strong influence continues

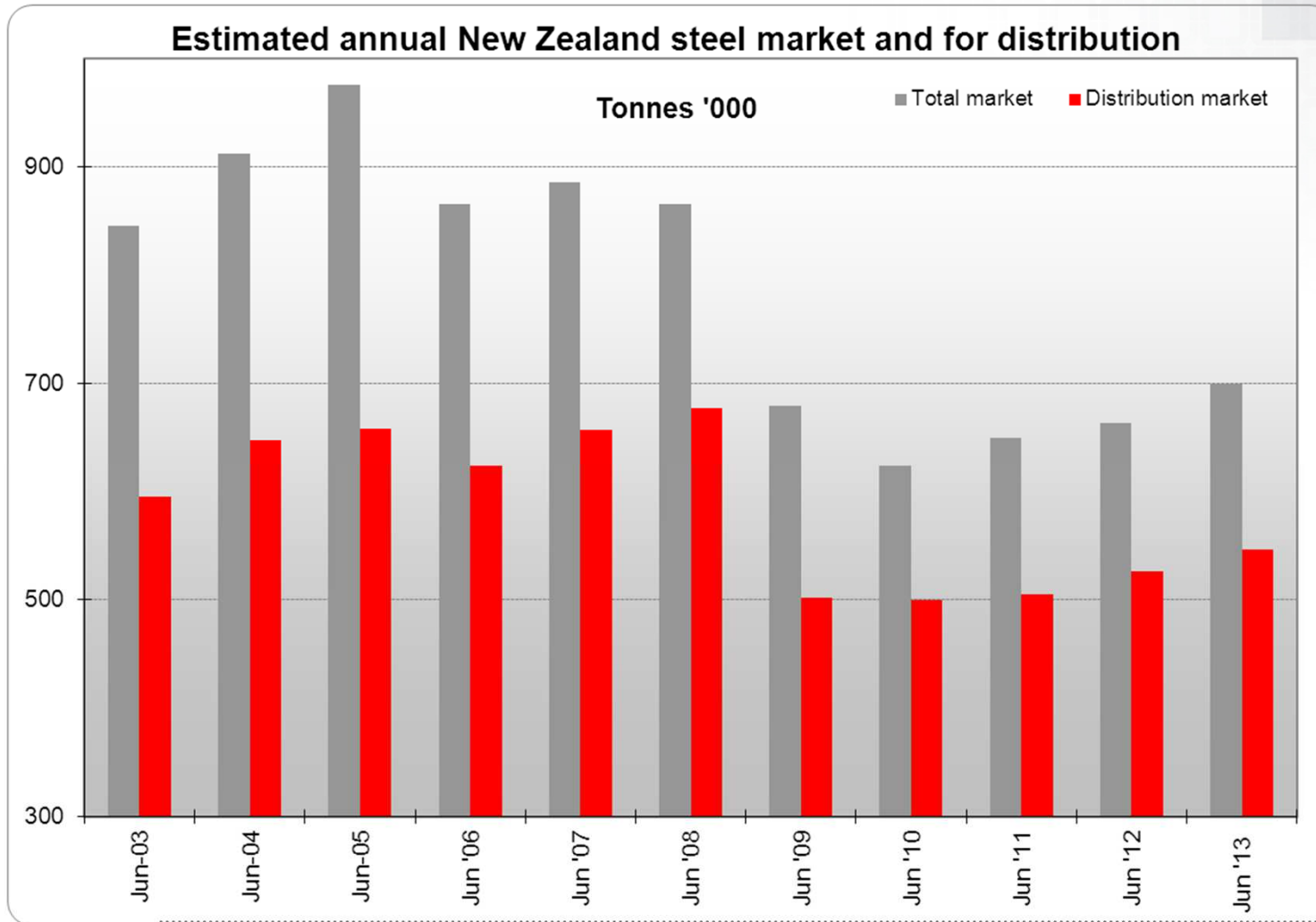
Source: International Steel Association

  
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# New Zealand Markets

## Steel volumes

  
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- Total steel demand increased 35k to 700k tonnes

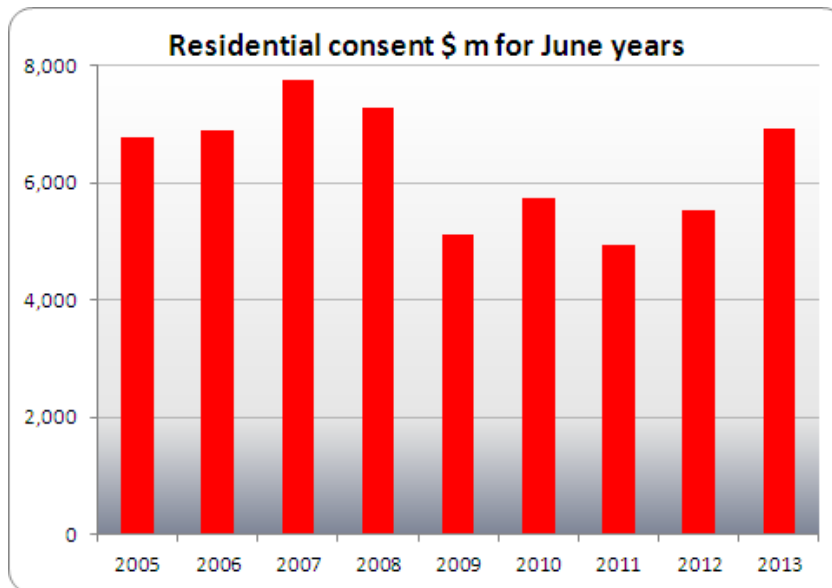
Source: Stats NZ; S&T Research

  
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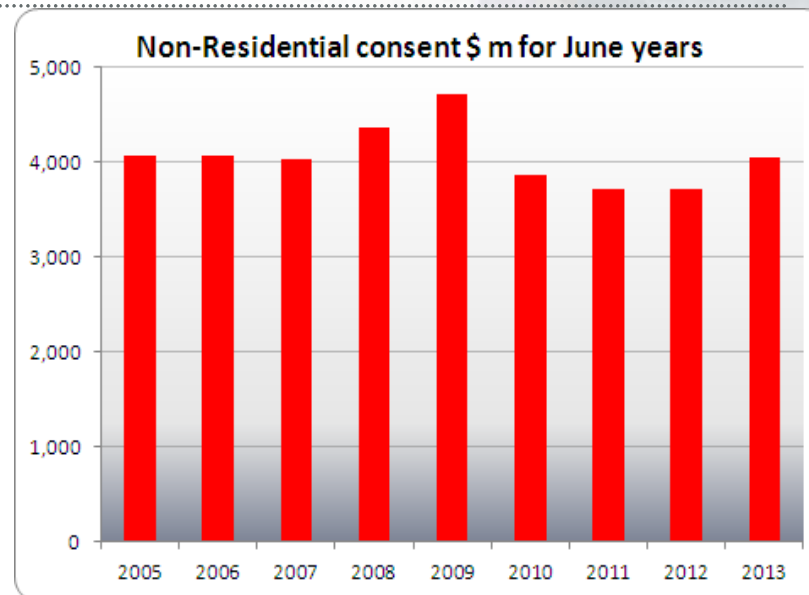
# New Zealand Markets

## Key sector trends – building consents (\$m)

- Non-residential consents have increased by 9.1% yoy to \$4.0b
- Several major infrastructure projects announced
- In addition to Christchurch, pipeline of projects slowly evolving for Auckland



Source: Stats NZ



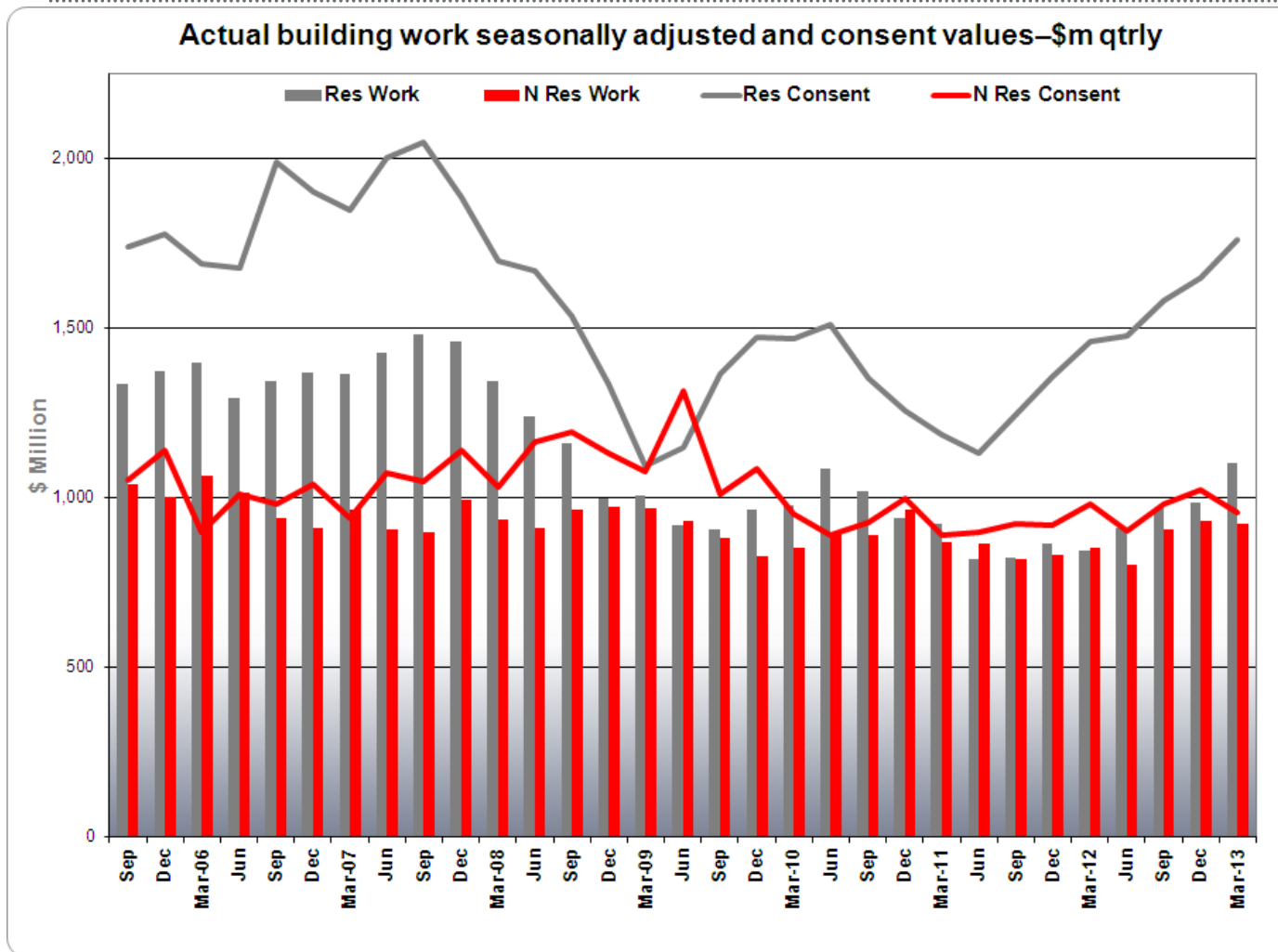
- Residential consents have increased by 25% yoy to \$6.9b
- Led by Christchurch and Auckland which combined are in excess of 55% of the total

  
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# New Zealand Markets

Key sector trends – actual building work (\$m quarterly)



- While consents are increasing strongly, actual building work is increasing slowly

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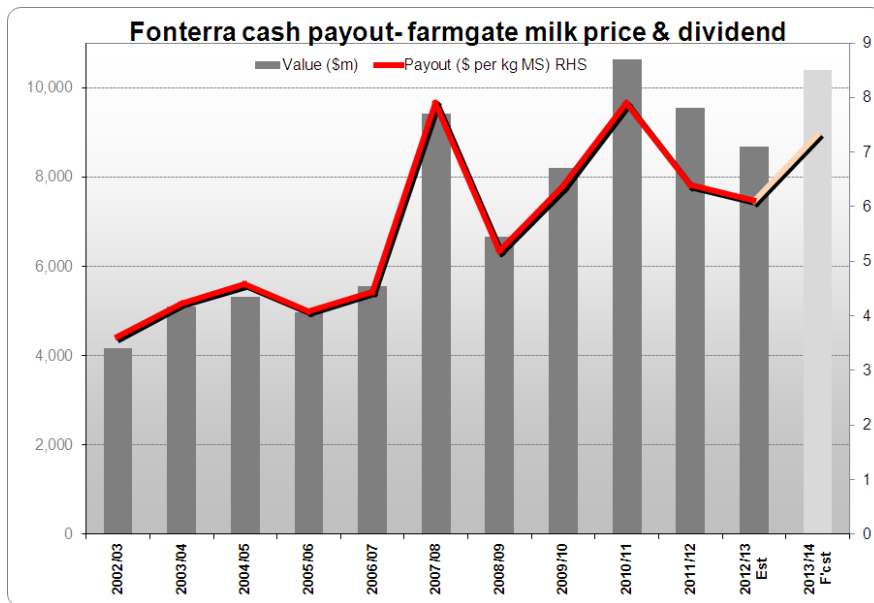


Source: Stats NZ

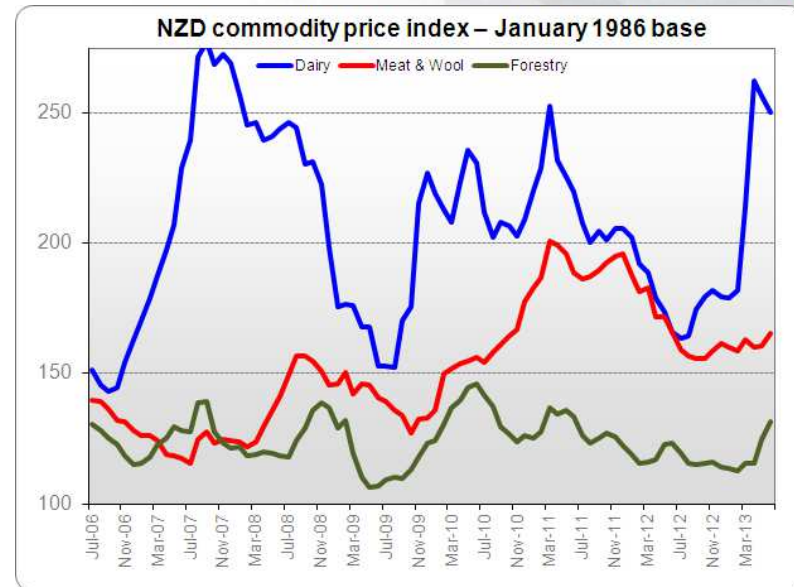
# New Zealand Markets

## Key sector trends – rural

- Sector recovering from the drought as expected due to good winter conditions
- Dairy prices remaining high, pay-out forecast \$7.50.
- Sheep circa 10% lower than prior year and recovering, beef consistent with prior year



Source: Fonterra; ANZ



- Dairy farm income expected increase in excess of 20% in F13/14
- Beef & sheep expected to be higher on lower volumes
- Despite significant debt repayment, aggregate debt remains high, circa \$50Billion

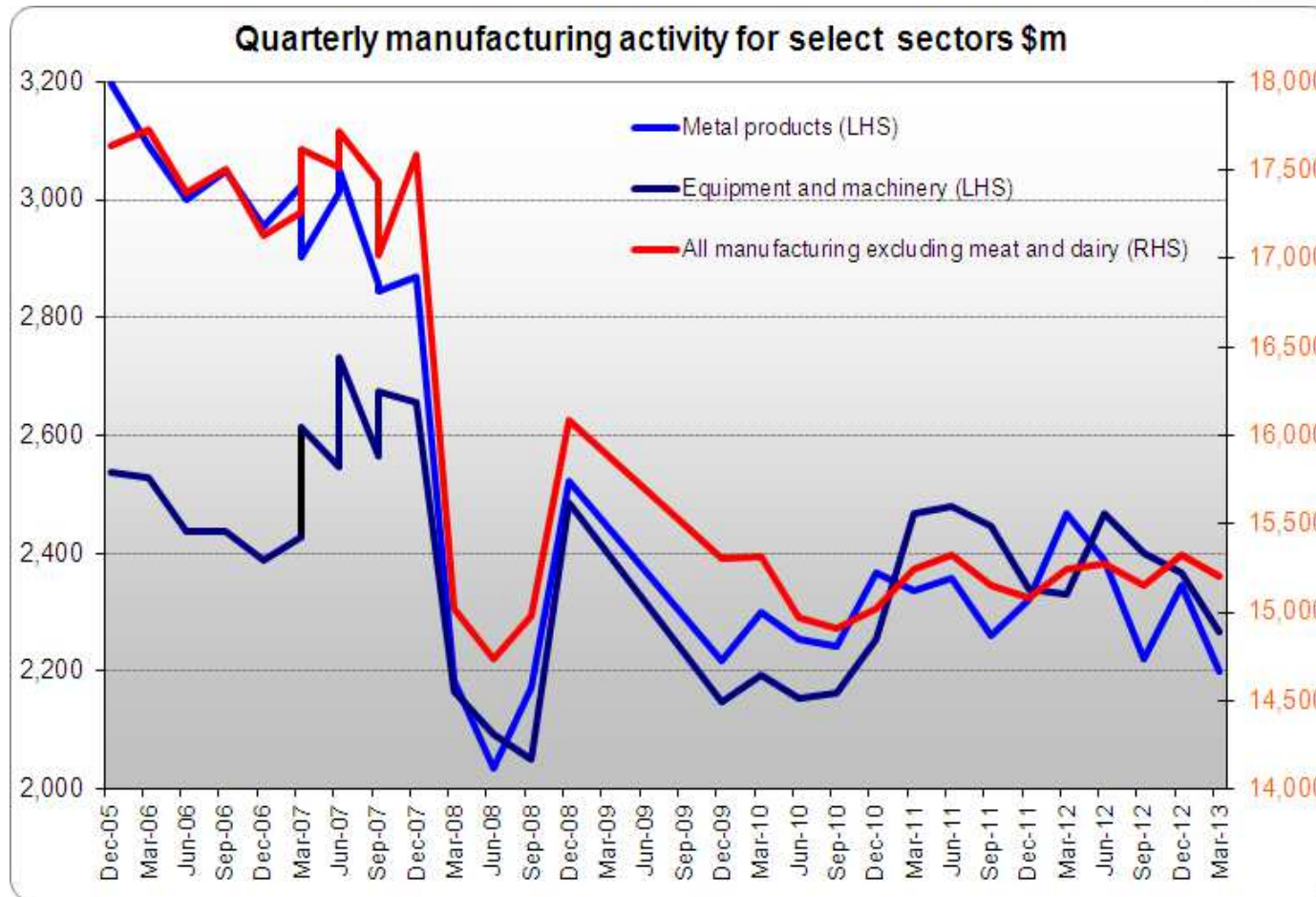


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# New Zealand Markets

## Key sector trends – manufacturing (\$m)



- Volatility continues from quarter to quarter
- Recent months showing improvement
- Some 'pull-through' from construction sector
- Pessimistic Australian economic outlook

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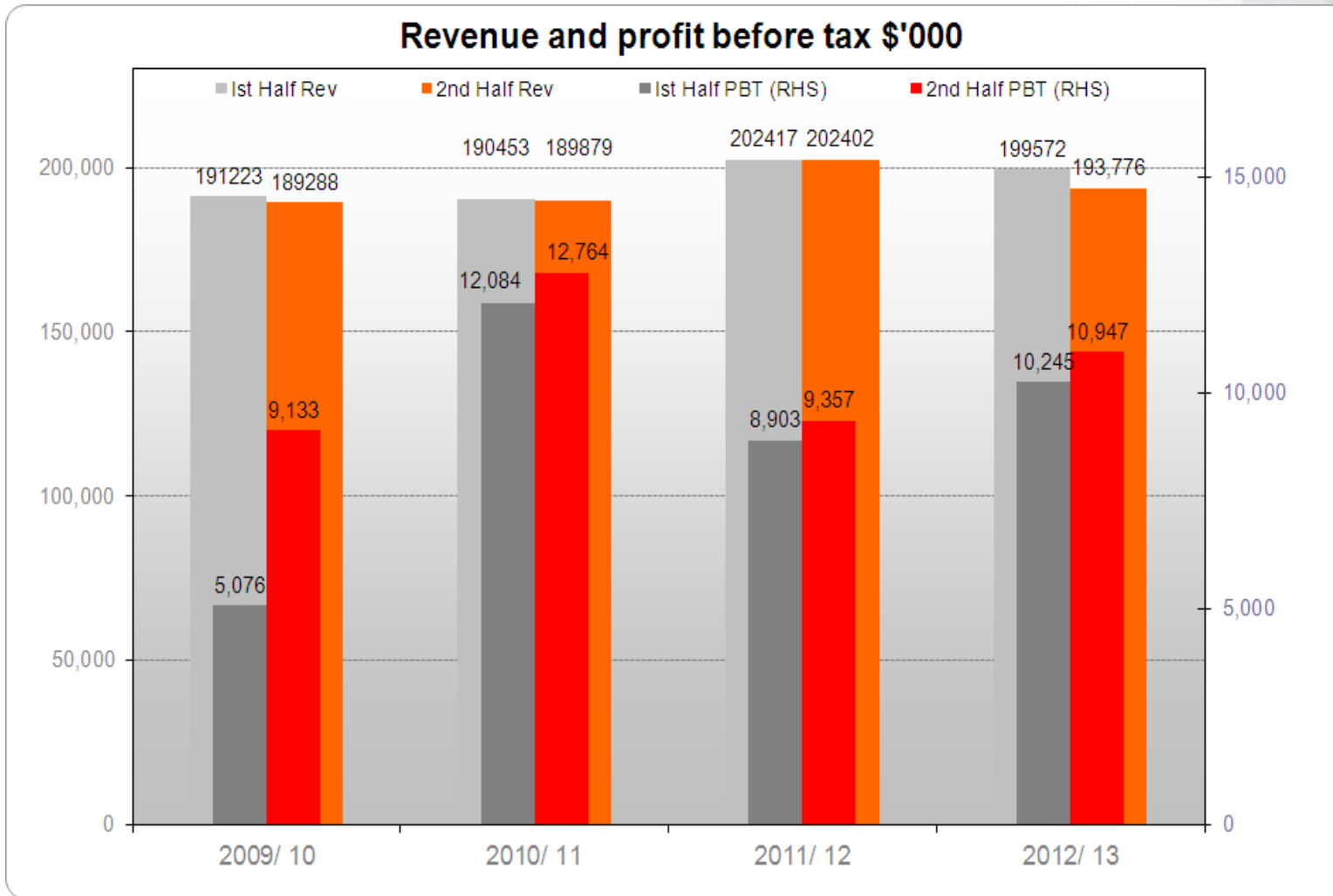


Source: Stats NZ

# Steel & Tube

## Business performance – Revenue and Profit

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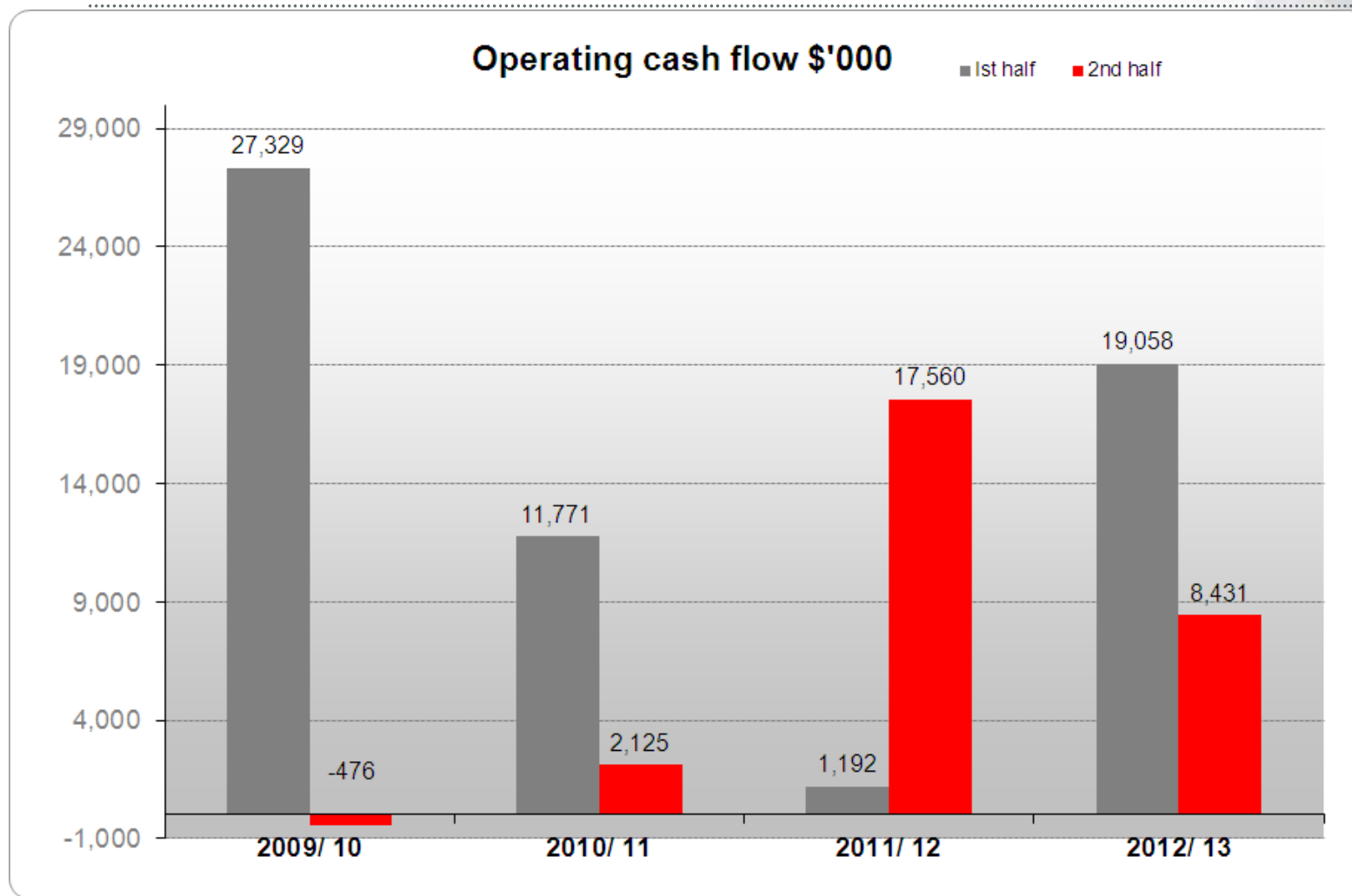


Source: S&T financial reports



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## Business performance – Operating Cash



  
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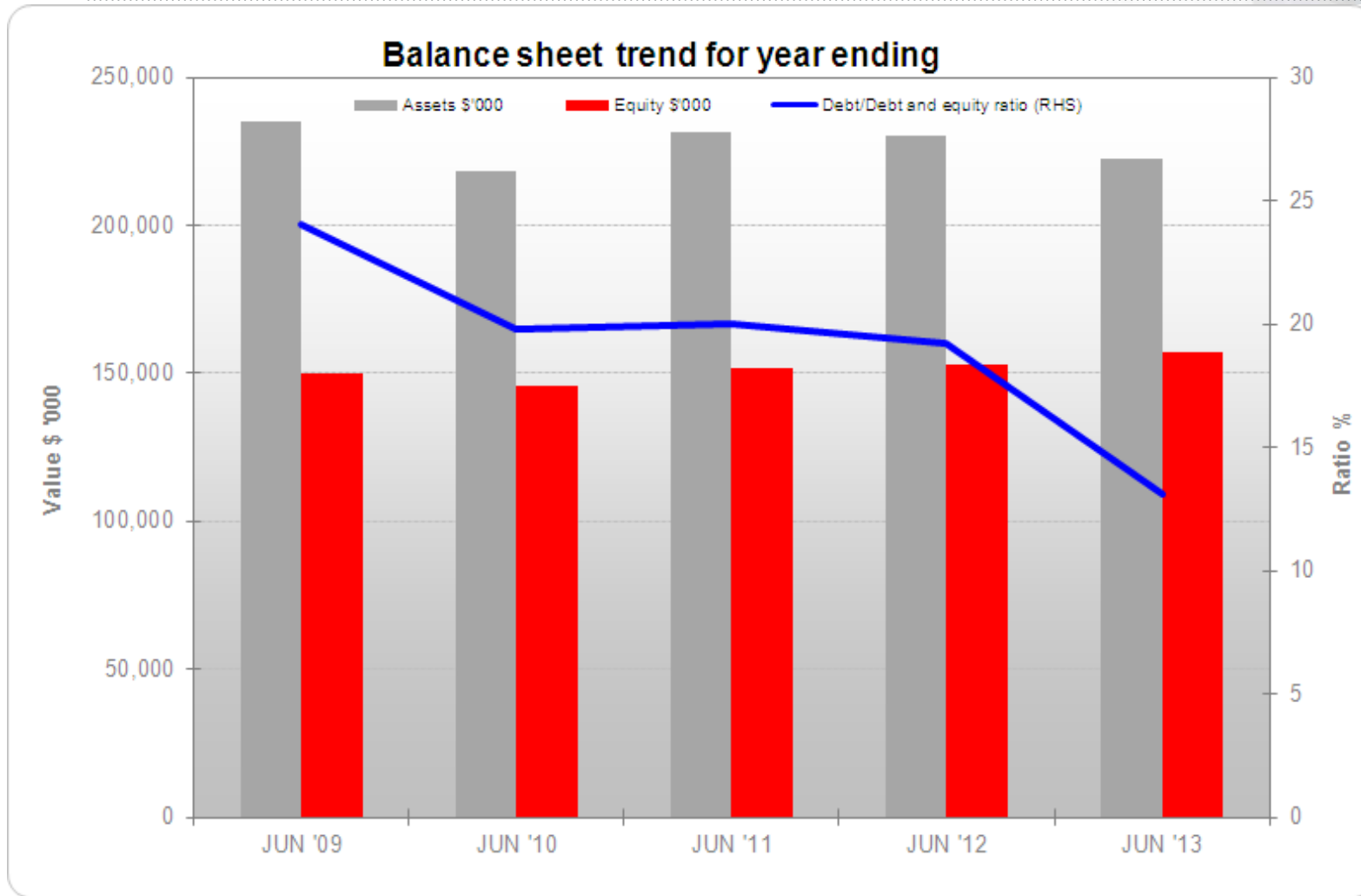
  
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Source: S&T financial reports

# Steel & Tube

## Business Performance – Balance Sheet and Gearing

  
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Source: S&T financial reports



# Steel & Tube

## Business Performance

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- Volume was consistent year on year
- Revenue was down 3% due to lower steel prices
- Improved margins due initiatives and market leadership
- Profit after tax improved by 19 per cent \$15.6m
- Strong cash performance with operating cash of \$27.5m, a 47 per cent increase
- An 8.5 cents per share dividend was declared giving 15 cents full year
- The One Company reinvigoration continues on numerous fronts
- Health and safety performance improved significantly

  
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# Steel & Tube

## The One Company Reinvigoration

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- Continues to gain traction both internally and externally with customers  
...some good partnerships established
- Nelson and Hamilton facilities each consolidated to single sites
- National Support Centre (NSC) office relocated within the Hutt Valley
- A new plate-processing facility commissioned in Auckland
- In Christchurch, new equipment increases seismic mesh capacity  
...and a dual roll former provides for new commercial profile cladding
- On-going and extensive people development programme
- All underpinned by brand, values and culture

  
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# Steel & Tube

## Christchurch

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- Residential activity continues to ramp up with monthly house starts currently approaching 300 per month
- SCIRT infrastructure activity continues in line with targets
- Commercial activity driven by city fringe and rebuild preparatory developments – first half momentum did not continue into second half
- With funding agreed, some signs of key anchor projects progressing
- We continue to invest to improve capacity
  - additional people
  - improvements to wire-processing and roofing operations
- Overseas fabricated packages is a potential threat

  
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# Steel & Tube

## Summary

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### External:

- Economic sentiment and business confidence improving
- Construction consents improving nationally
- Christchurch rebuild underway and expecting increased commercial activity esp. second half
- Possibility of price increase in the first half

### Internal:

- The One Company reinvigoration continues gaining traction
- Key supply-chain foundational elements are now in place
- On-going investment in capability and plant capacity where appropriate
- Improving results with health and safety education and initiatives
- Increasing staff engagement and pride in the company

  
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Thank you



  
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