Interim Results Presentation

For the six months ended
31 December 2018

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 65 years of trading history
- We offer New Zealand’s most comprehensive range of steel products, services and solutions
- We operate with a significant presence across New Zealand servicing a wide range of customers

58,000 PRODUCT LINES

A nationwide footprint with **40 SITES** from Whangarei to Invercargill

SOLUTIONS DRIVEN organisation with more than 65 years of industry experience

Working with more than **15,000 ACTIVE CUSTOMERS** every year

~$500 MILLION in sales

~1,000 PEOPLE in the Steel & Tube team

HALF YEAR (1H19) FINANCIAL SUMMARY

- 1H19 EBIT in line with earnings guidance of ~40% of full year earnings target
- Significant improvement on 2H18, with strong sales growth and reduction in operating costs
- Result reflects building momentum with benefits from Project Strive initiatives and recovery from prior year issues
- Net debt reduced from $104.4m to $16.0m, due to capital raise, improved operating cashflows and prudent capital expenditure
- Improvement in operating cashflows to $11.1m enabling a return to dividend payments
- Board has declared interim dividend of 3.5 cents per share
- **Company has reaffirmed FY19 EBIT guidance of $25m**

	FY18		FY19
$M	**1H18**	**2H18**	**1H19**
Revenue	267.9	227.9	258.2
Normalised Revenue (1)	249.3	224.2	258.2
EBIT (1)	7.5	(43.7)	9.8
Normalised EBIT (2)	13.4	4.5	9.7
NPAT	3.8	(35.9)	5.6
Assets	363.9	345.5	329.9
Net Debt	95.6	104.4	16.0
Net Operating Cashflow	17.7	(16.4)	11.1

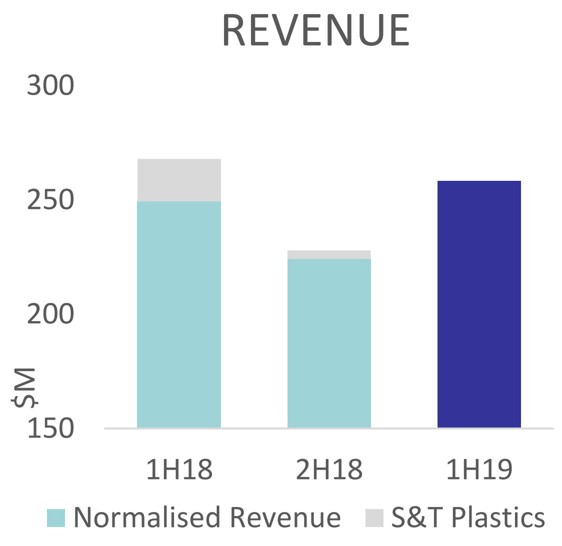
1) S&T announced it was exiting S&T Plastics in May 2018. S&T Plastics contributed Revenue:1H18 $18.6m, 2H18 $3.7m and EBIT: 1H18 $1.2m, 2H18 $(12.4m).
2) EBIT is Earnings Before Interest and Tax. Normalised EBIT excludes non-trading adjustments including write downs, impairments, business rationalisation and restructuring costs and gains on sale of property, as well as contributions from S&T Plastics which the company is exiting. Refer to Slide 28 for further details.

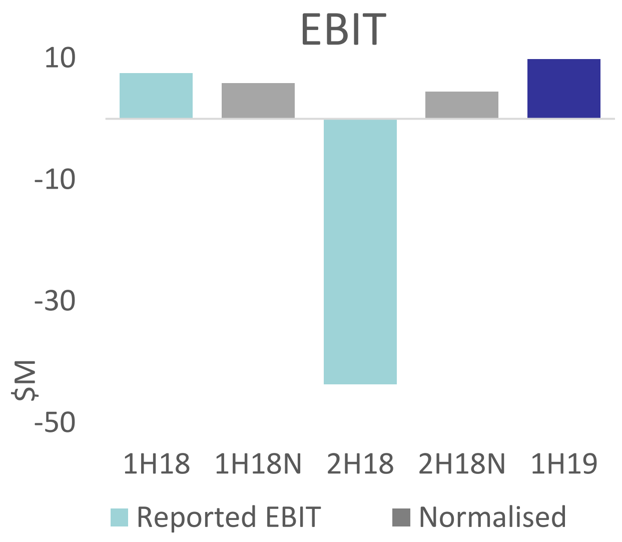
HALF YEAR (1H19) KEY EVENTS

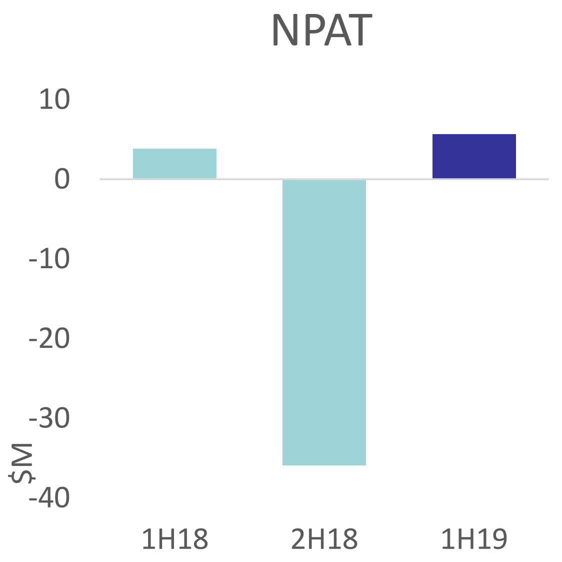
- Continuing improvement in health and safety performance (TRIFR* down 40% on 1H18)
- Building momentum from Project Strive business transformation initiatives
- AX ERP system now settled in and providing key insights into the business and supporting customer service
- Completed $80.9m capital raising resulting in significant reduction in debt, with further reductions post the capital raise from improved operating cash flows and prudent capital expenditure
- Responded to non-binding indicative offer from Fletcher Building to acquire the company
- Court decision received on steel mesh case which is currently being appealed by both Steel & Tube and the Commerce Commission
- Strengthened the Leadership team with appointment of new GM People & Culture, GM Strategy (January 2019) and Chief Digital Officer (February 2019)
- Group-wide update to ISO 9001:2015 quality certification and initiation of independent third-party steel mill audits

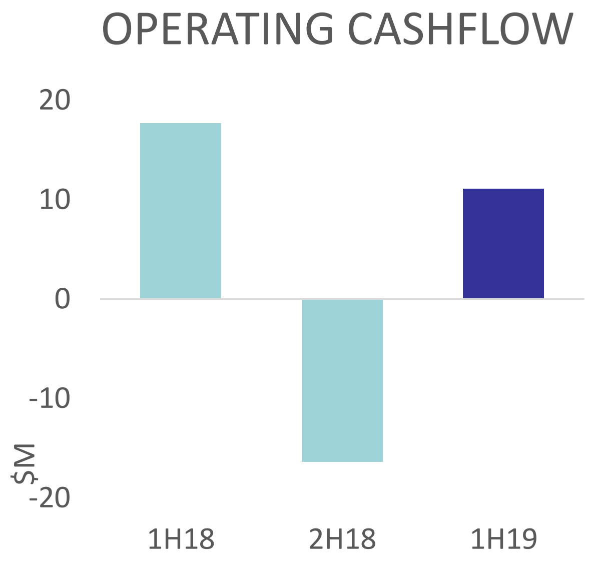
*TRIFR: Total Recordable Injury Frequency Rate is a key metric for Steel & Tube and is the number of fatalities, lost time injuries, substitute work, and other injuries requiring treatment by a medical professional per million hours worked.

COMPARATIVE SIX-MONTH SNAPSHOT









- Significant improvement on 2H18 results
- Sales revenue returning to previous levels with strong turn around on 2H18
- EBIT and NPAT recovering from 2H18
- Solid improvement in operating cashflow
- Positive trajectory building momentum

S&T announced it was exiting S&T Plastics in May 2018. S&T Plastics contributed Revenue:1H18 $18.6m, 2H18 $3.7m and EBIT: 1H18 $1.2m, 2H18 $(12.4m)

EBIT is Earnings Before Interest and Tax. Normalised EBIT excludes non-trading adjustments including write downs, impairments, business rationalisation and restructuring costs and gains on sale of property, as well as contributions from S&T Plastics which the company is exiting. Refer to Slide 28 for further details.

OUR STRATEGY FOR PROFITABLE GROWTH

STRIVING FOR EXCELLENCE

- SAFE AND HEALTHY WORK ENVIRONMENT
- QUALITY PROCESSES
- QUALITY PRODUCTS
- CONTINUAL IMPROVEMENT

COMMITMENT TO SAFETY & QUALITY

OPERATIONAL AND SUPPLY CHAIN EXCELLENCE

- LEVERAGE OUR PROCUREMENT AND SUPPLY CHAIN SCALE
- EXCELLENT INVENTORY MANAGEMENT
- EMPLOY DATA ANALYTICS TO BETTER SERVICE OUR CUSTOMERS
- DRIVE EFFICIENCIES

- PRODUCTS AND SERVICES TO MEET CUSTOMER NEEDS
- LEVERAGE OUR TECHNICAL EXPERTISE
- DELIVERY ON TIME AND ON SPEC

PUTTING THE CUSTOMER AT THE HEART OF OUR BUSINESS

SUPPORTING A WINNING TEAM

- DEVELOP LEADERS
- EVERYONE MATTERS
- RECOGNISE PERSONAL AND TEAM CONTRIBUTIONS
- PROVIDE A REWARDING WORKPLACE

OUR GOAL

TO BE THE LEADER IN BUYING, SELLING, PROCESSING AND PLACING STEEL PRODUCTS IN NEW ZEALAND

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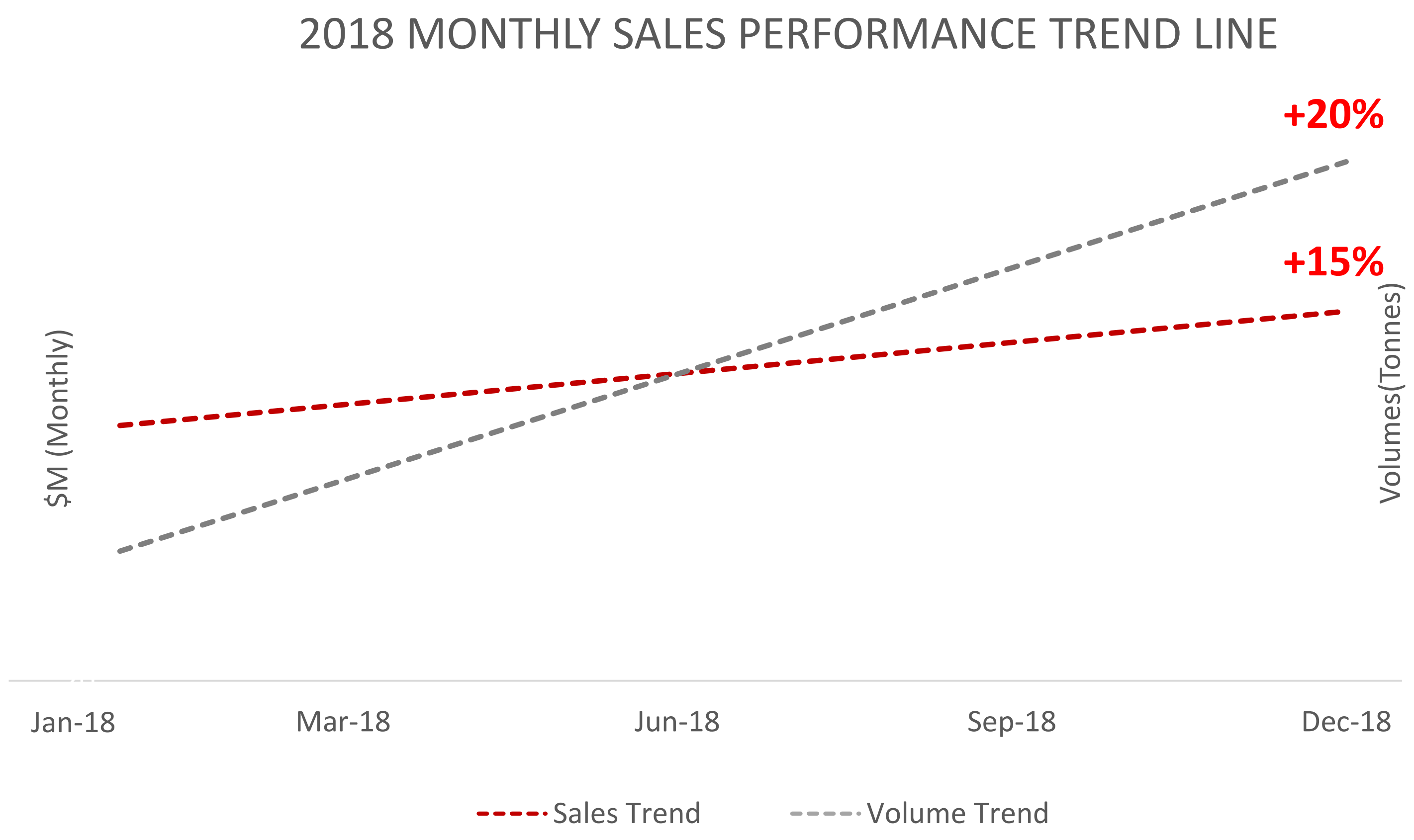
PROGRESS UNDER STRIVING FOR EXCELLENCE STRATEGY

✓ Continuing improvement in health and safety	TRIFR down 40% on 1HFY18
✓ Continuing optimisation of Steel & Tube's national network providing cost benefits	48 locations down to 40
✓ Sales and volume upward trend continuing	Sales +15% and volumes +20% vs 2HFY18(1) Sales +3% and volumes +11% vs 1HFY18(1)
✓ Reduction in non-labour expenses; reduction in overall operating expenses as a percentage of sales	Opex/Sales down 3% vs 2HFY18(2) and down 1% vs 1HFY18(2)
✓ Reduction in labour expenses as a percentage of sales	Benefits from FY18 restructuring and ERP system
✓ Procurement efficiencies	S&OP led steel purchasing gains and freight improvements
✓ Strengthening of Leadership Team	Appointment of GM People & Culture, GM Strategy, and Chief Digital Officer

1) Excludes S&T Plastics revenue of 1H18 $18.6m, 2H18 $3.7m
2) Operating expenses (Opex) excluding Depreciation, Amortisation and Normalisation adjustments as outlined on Slide 28

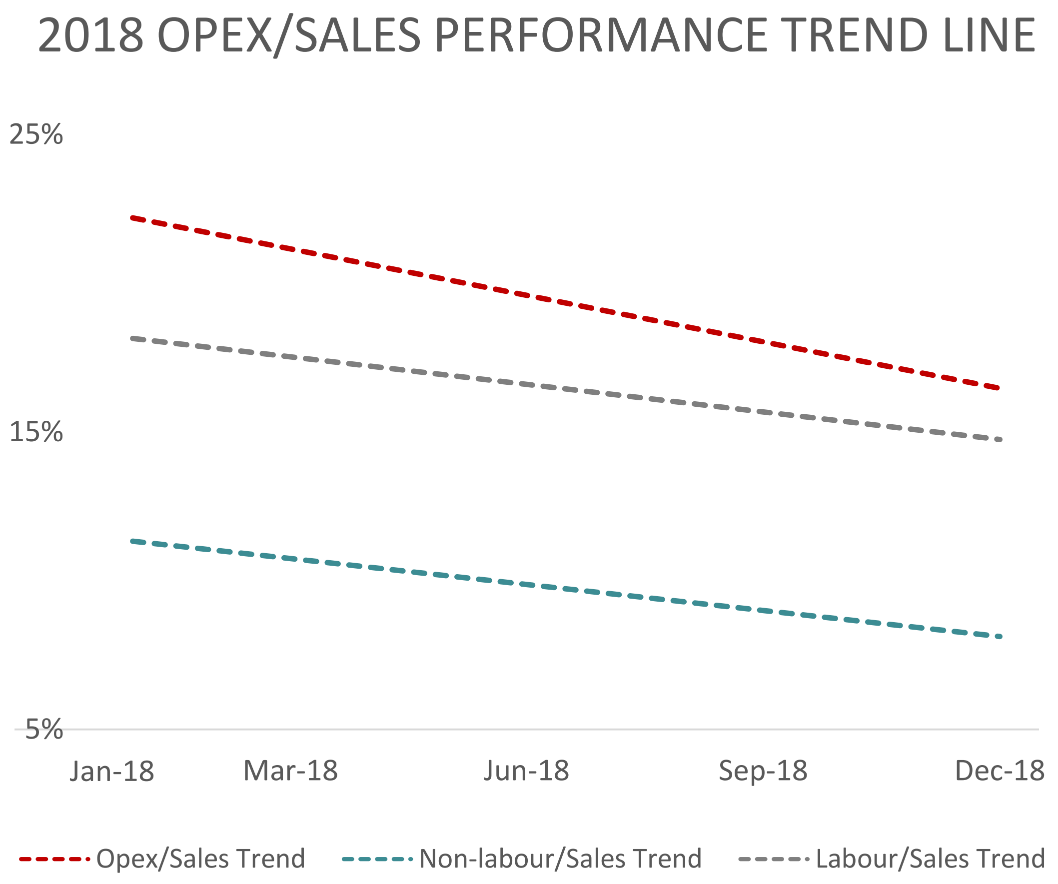
IMPROVING SALES TRENDS

Positive trajectory seen in last 12 months as continuing focus on customer experience, improving stock availability and delivery performance realises benefits



All figures exclude S&T Plastics

REDUCTION IN OPERATING EXPENSES

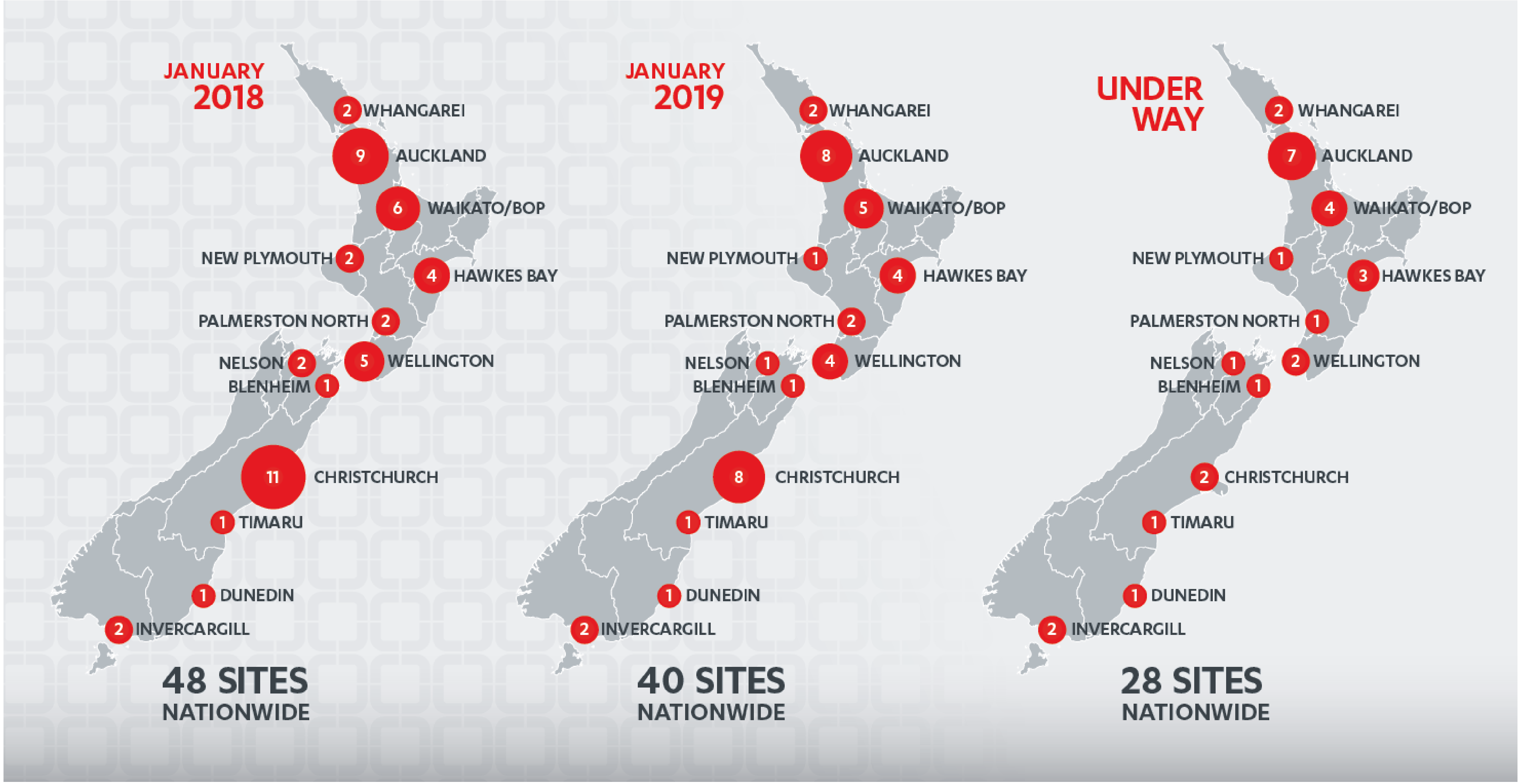


- Pleasing reduction in overall operating costs offsetting inflation pressures and Strive implementation costs
- Reduction in non-labour expenses
- Combined with labour efficiencies, total operating costs as a percentage of sales has improved 3% from 2H18 (improved by 1% from 1H18)

Operating expenses (Opex) excluding Depreciation, Amortisation and Normalised as outlined on Slide 28

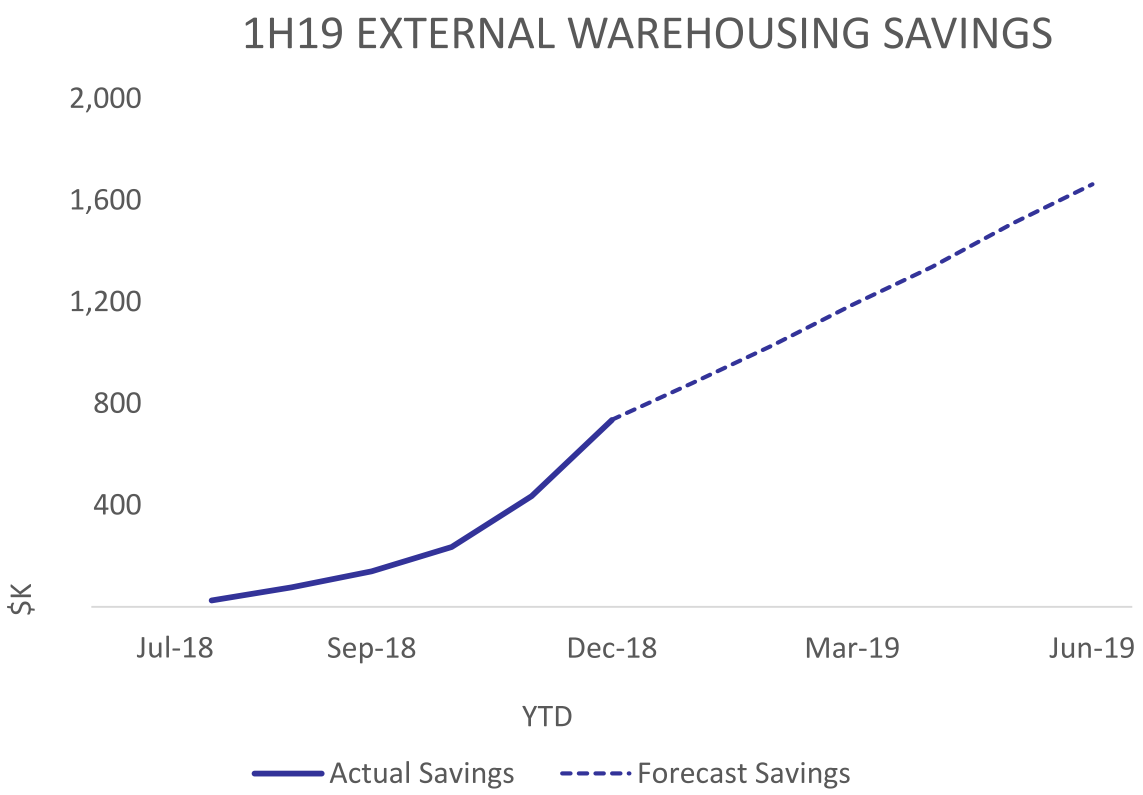
STRIVING FOR EXCELLENCE STRATEGY

Location consolidations, retaining presence whilst improving efficiency



STRIVING FOR EXCELLENCE STRATEGY

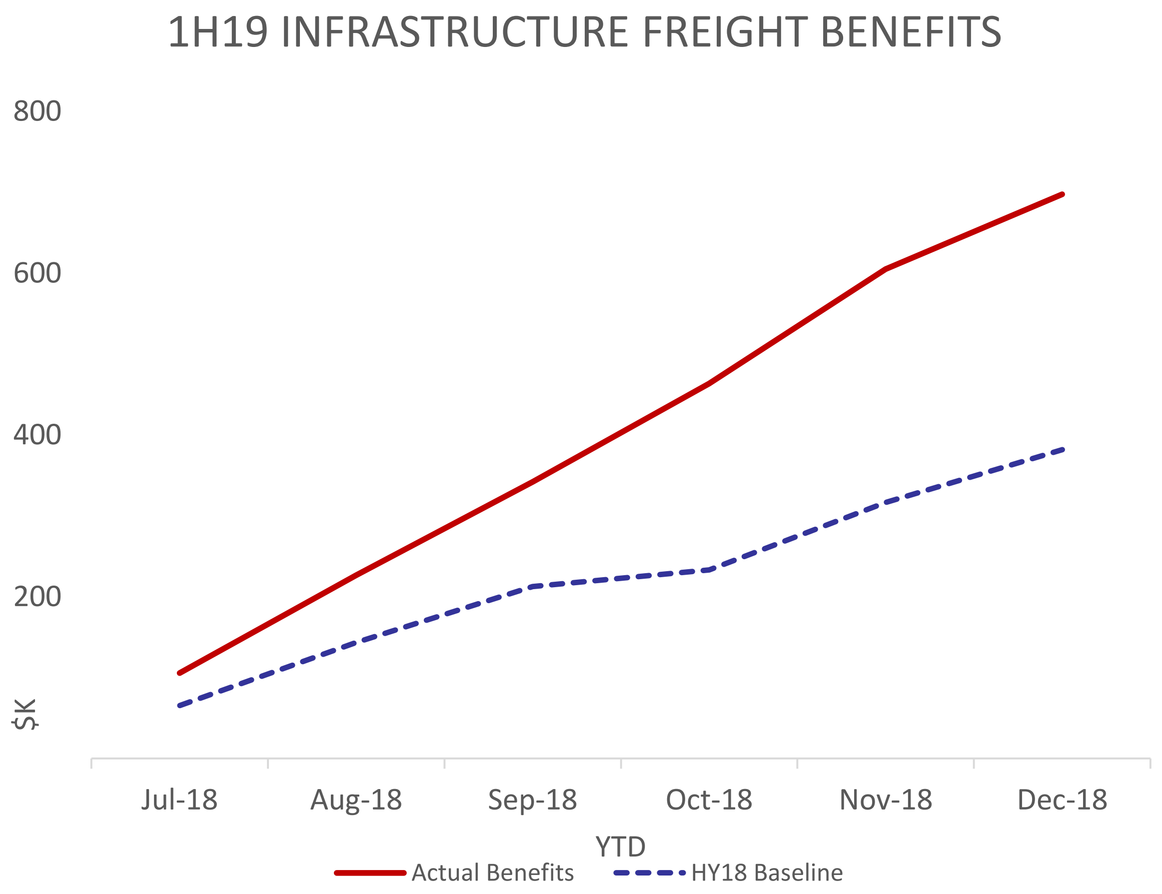
Integration of external warehousing



- Achieved by exiting third party warehousing and integrating into existing S&T distribution centres
- Savings exceeded expectations due to the acceleration of integrations in 1H19
- FY19 forecast benefit $1.7m

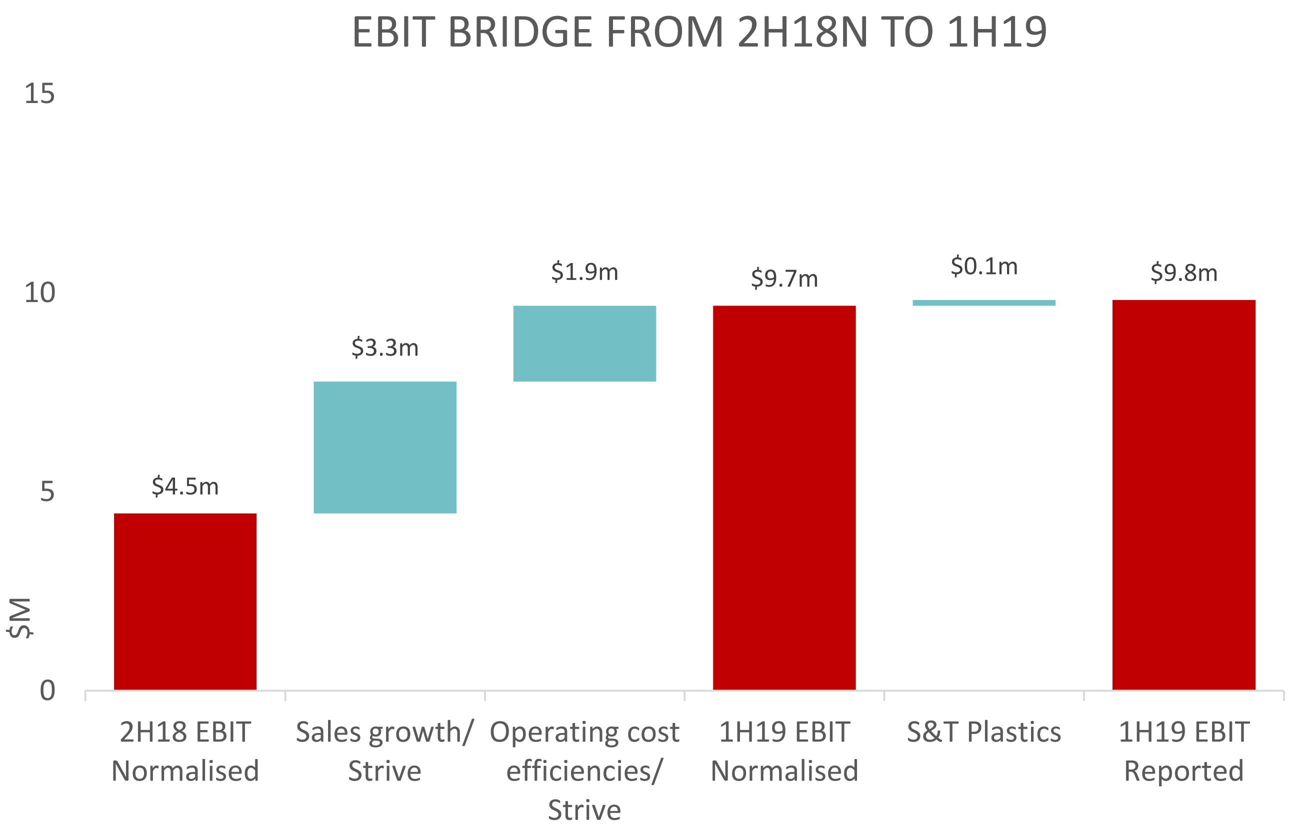
STRIVING FOR EXCELLENCE STRATEGY

Operational excellence freight efficiencies



- Increasing freight benefits in the Infrastructure business
- Freight efficiencies resulted in an 83% improvement relative to the 1H18 baseline

EARNINGS BEFORE INTEREST AND TAX (EBIT)



- Benefits of Project Strive being seen in improved sales performance and increased operating efficiencies
- 1H19 Normalised EBIT up 116% on 2H18, reflecting the positive turnaround in ongoing business performance
- As expected, 1H19 Normalised EBIT lower compared to 1H18 as the business continues its recovery from trading issues caused by the new ERP system implementation which went live in October 2017.

EBIT is Earnings Before Interest and Tax. Normalised EBIT excludes non-trading adjustments including write downs, impairments, business rationalisation and restructuring costs, and gains on sale of property, as well as contributions from S&T Plastics which the company is exiting. Refer to Slide 28 for further details.

BALANCE SHEET

$M	FY18	1H19
Inventories	116.0	123.8
Trade and other receivables	99.2	84.1
Trade and other payables	(49.9)	(42.8)
Working Capital	**165.3**	**165.1**
Cash and cash equivalents	5.6	8.0
Property, plant & equipment	52.7	52.7
Intangibles	57.4	55.7
Other assets	14.6	5.6
Total Assets	**345.5**	**329.9**
Borrowings	110.0	24.0
Other	13.1	7.3
Total Liabilities	**172.9**	**74.1**
Shareholders Equity	**172.6**	**255.8**

- Prudent management of capital expenditure
- Improvement in debtors and collection rates
- Increased inventory to meet customer availability, reduced slow moving inventory, further optimisation underway
- $80.9m capital raise in 1H19 significantly reduced gearing

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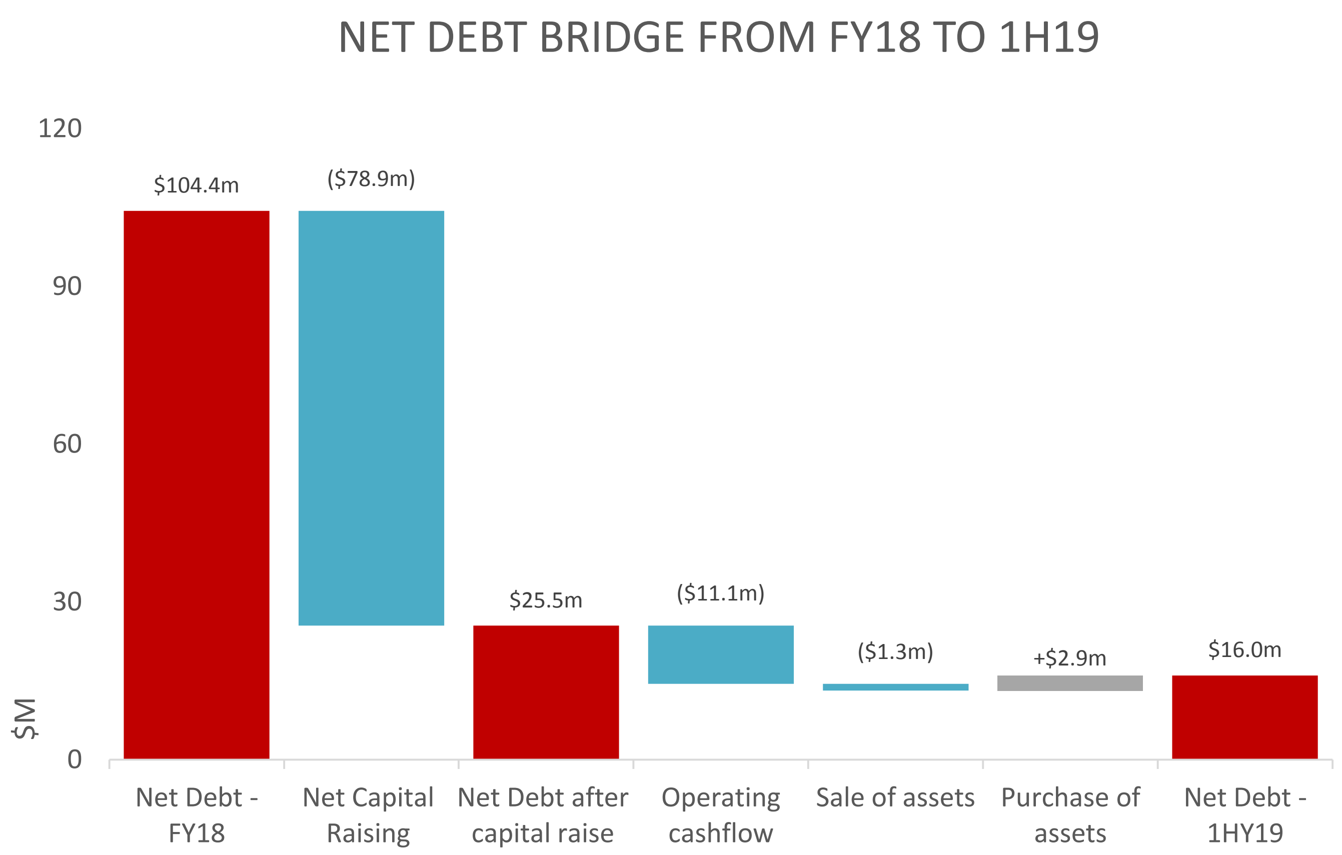
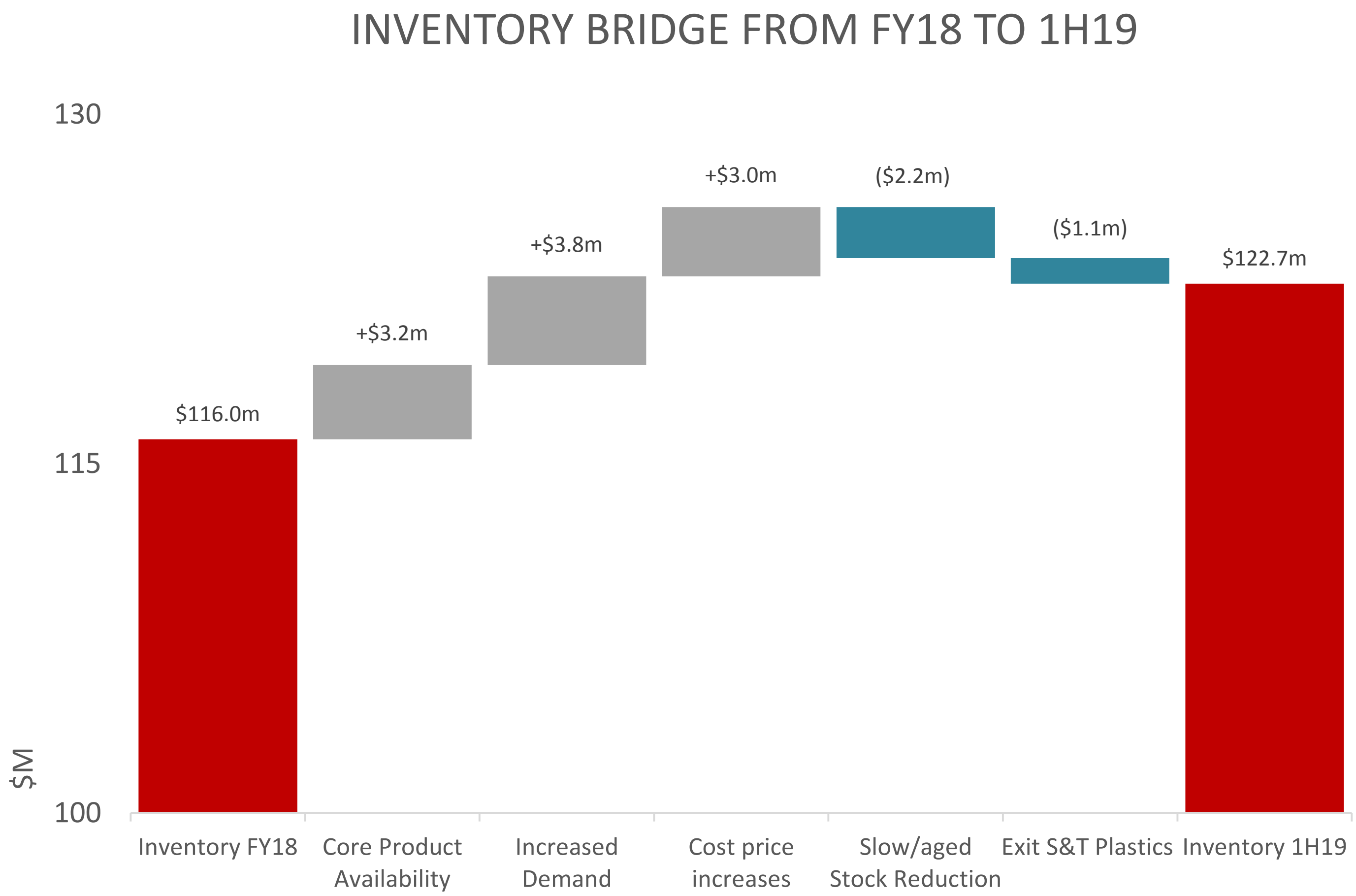
SIGNIFICANT REDUCTION IN NET DEBT



- Significant reduction in debt following capital raising concluded in September 2018, repayments from improved operating cashflows and prudent capital expenditure
- Ongoing efforts to improve working capital management will further benefit operating cash flow
- New $70m syndicated debt facilities executed in December 2018 providing sufficient liquidity and lower borrowing costs
- Balance Sheet provides the financial strength to execute strategies and manage business trading cycles

INVENTORY



- Improving core product availability and meeting customer demand has been a focus
- Product price increases have also contributed to increased inventory value
- ~$6m of aged inventory has been scrapped relating to FY18 $8m provision for impairment

CAPITAL STRUCTURE

Annual Capital Structure Performance

Capital Metrics	Target	1H18	FY18	1H19
Net Debt: Net Debt + Equity	< 30% - 35%	31.0%	37.7%	5.9%
Net Debt: EBITDA(3)	< 2.0 times	3.1	4.7	0.7

Dividend Policy

Dividend payout ratio target of between 60% and 80% of 'normalised' Net Earnings (NPAT) adjusted for any material non-trading items and subject to relevant factors at the time including working capital and opportunities for growth

1H19 Interim dividend of 3.5 cents per share to be paid on 29 March 2019

Cents per share	Interim		Total	
	Actual	Adj(1)	Actual	Adj(1)
FY15	9	4.9	19	10.4
FY16	9	4.9	22.5	12.3(2)
FY17	9	4.9	16	8.7
FY18	7	3.8	7	3.8
FY19	3.5	3.5	-	-

1) Adjusted for the impact of the capital raise completed in September 2018. S&T issued 75.4m new shares, increasing the total shares on issue from 90.6m to 166.0m
2) FY16 dividend reflects gain on sale of Bowden Road
3) FY18 Normalised EBITDA is adjusted for a full year's impact of the additional operating leases in relation to the sale of Stonedon Drive and Blenheim Road

DIVISIONAL REVIEW

Distribution

Infrastructure

OUR BUSINESS: DIVISIONS

DISTRIBUTION

Products are sourced from preferred steel mills and distributed through Steel & Tube’s national network of branches

STEEL

RURAL PRODUCTS

PIPING SYSTEMS

FASTENINGS

CHAIN & RIGGING

STAINLESS STEEL

Hurricane

FORTRESS® FASTENERS

INFRASTRUCTURE

Products are processed before sale and typically on a contract or project basis, including onsite installation services

Roll-forming

ROOFING

COIL PROCESSING

PURLINS

COMFLOR®

REO / CFDL

REINFORCING

CFDL

ComFlor™

Studwelders Composite Floor Decks Ltd.

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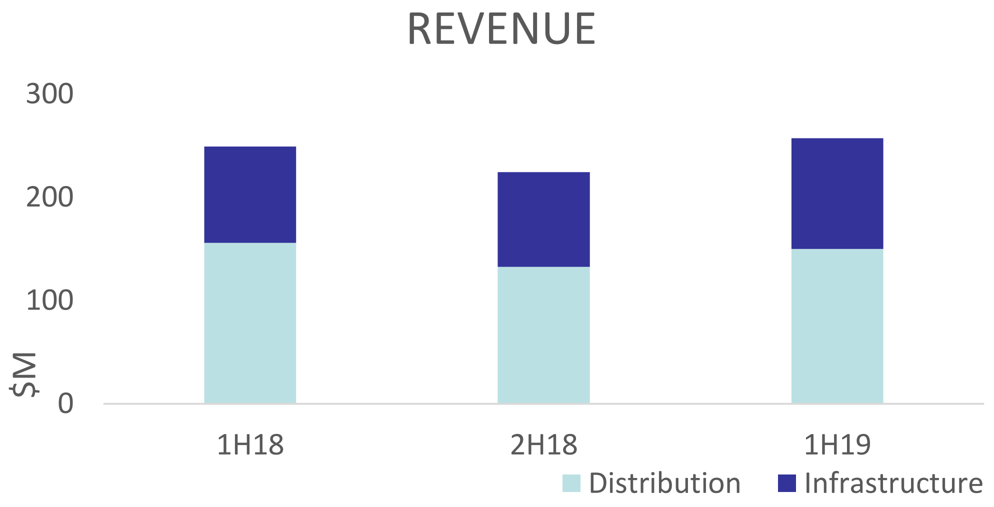
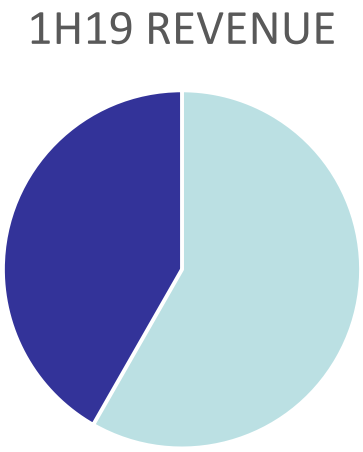
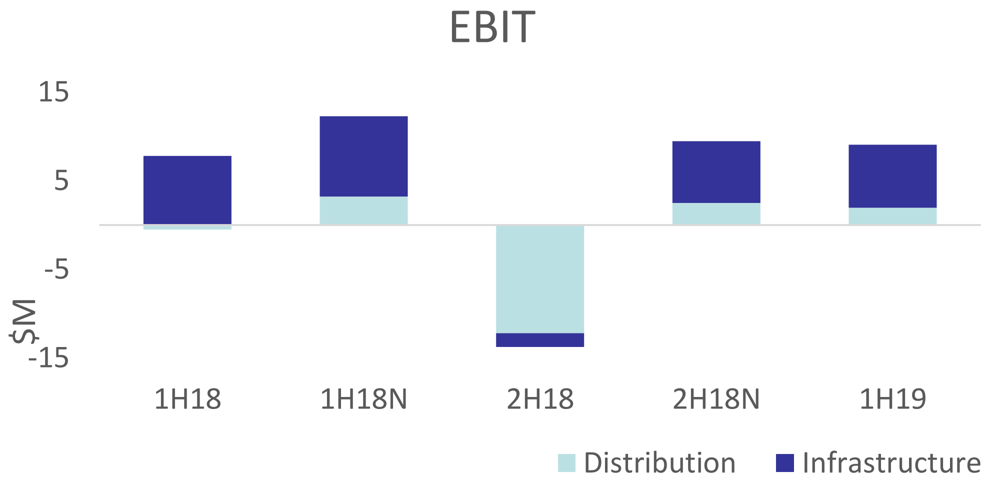
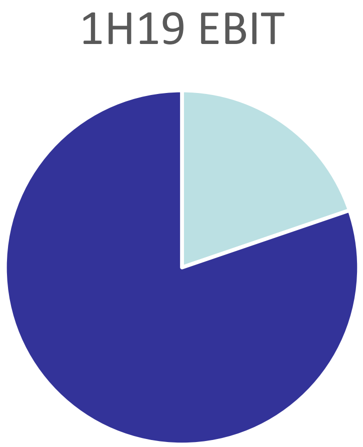
DIVISIONAL PERFORMANCE









- Both divisions experienced strong sales growth compared to 2H18
- Distribution turnaround due to product availability, service focus, and reduced operating costs
- Infrastructure residential roofing recovering, growth in commercial roofing and strong demand in reinforcing, combined with cost reductions

The Infrastructure segment excludes S&T Plastics. The Group has reclassified the S&T Plastics business to the Other/Elimination column in the operating segment note to the 1H19 Interim Financial Statements

DISTRIBUTION

Key areas of focus:

- Safety, quality and traceability
- Site consolidations and operating efficiencies
- Ongoing integration into a cohesive business offering high quality carbon, stainless steel and fastening products
- Service standards and product availability exceeding customer expectations

INFRASTRUCTURE

Key areas of focus:

- Safety, quality and traceability
- Sales growth momentum continues
- Deliver further manufacturing efficiencies
- Rationalise footprint to consolidate capabilities in key markets

OPERATING ENVIRONMENT

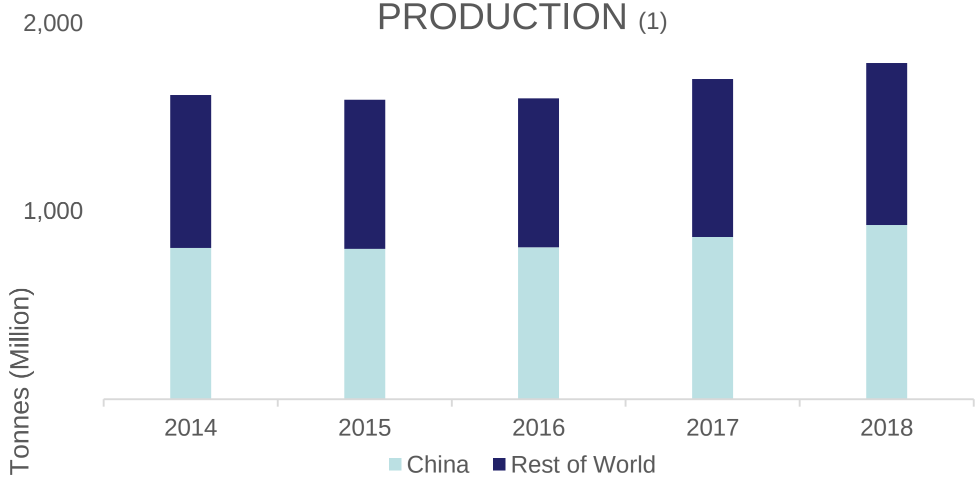
Global Steel Market Annual Trend

- Global crude steel production increased over the last year
- China's increased output over the year which was mainly consumed domestically
- East Asian steel prices have begun to decline in the second half, although currency movements has held prices up

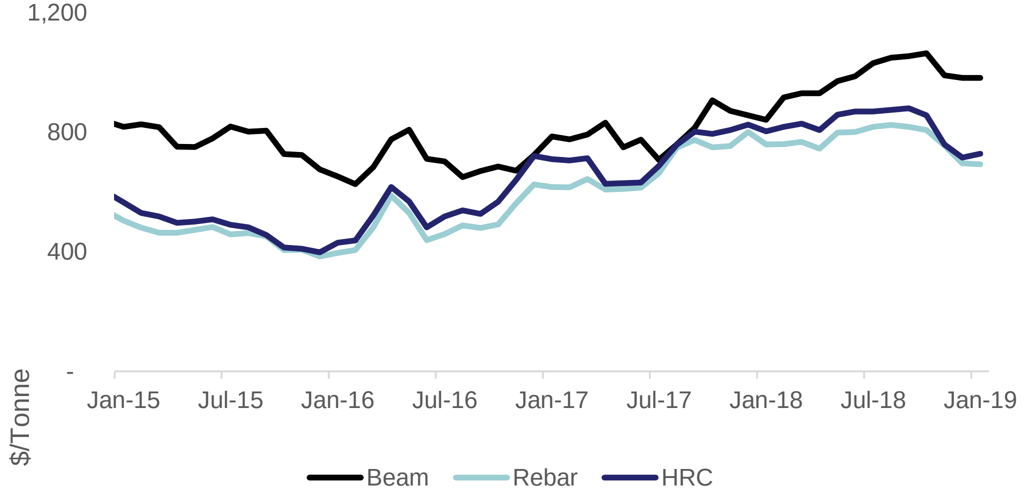
Year to Date:

- Demand for steel continues to grow in line with global growth forecasts
- Steel prices have softened although remain firm in New Zealand dollars

GLOBAL CRUDE STEEL ANNUAL PRODUCTION (1)

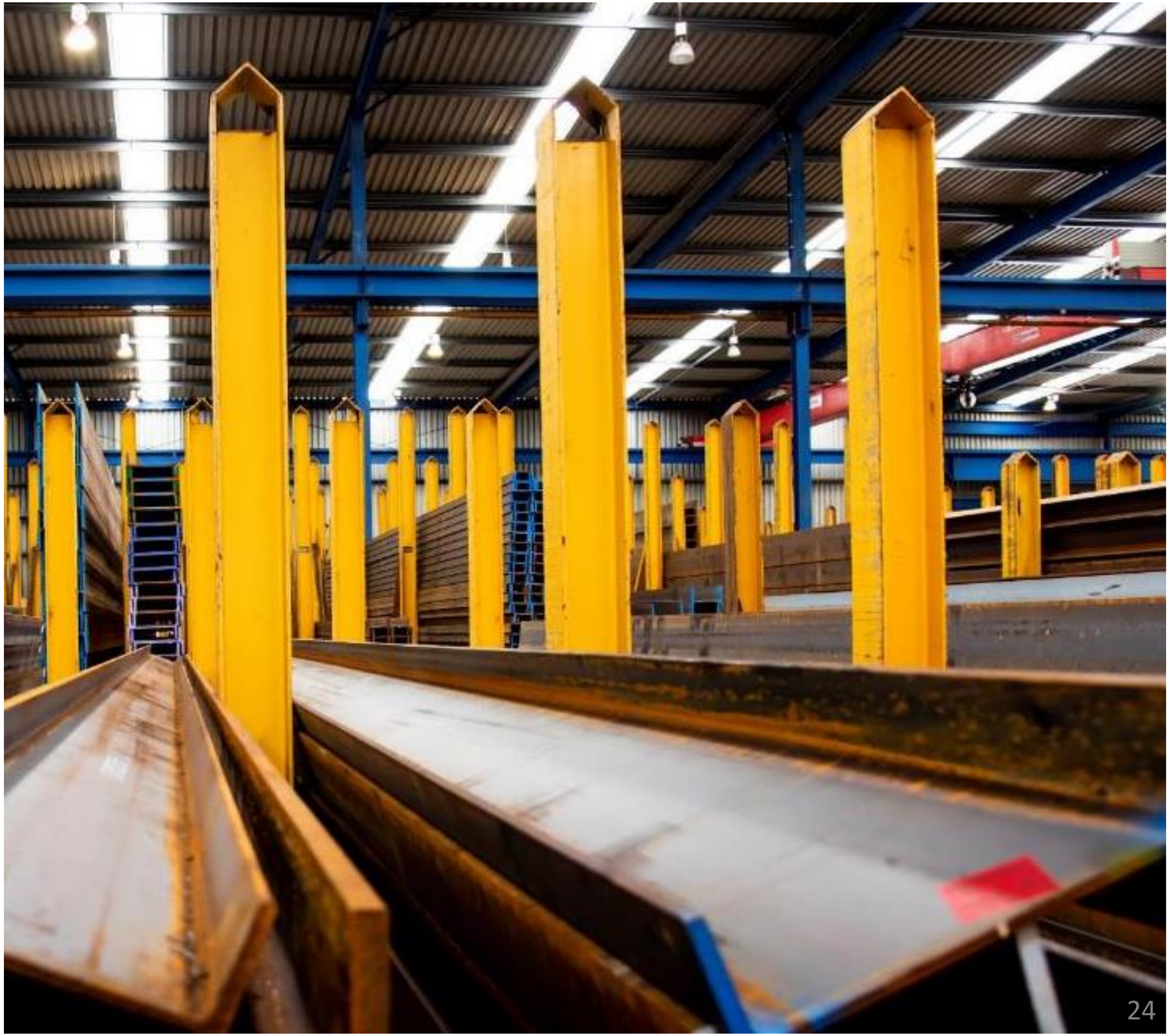


EAST ASIAN STEEL NZD PRICES (2)



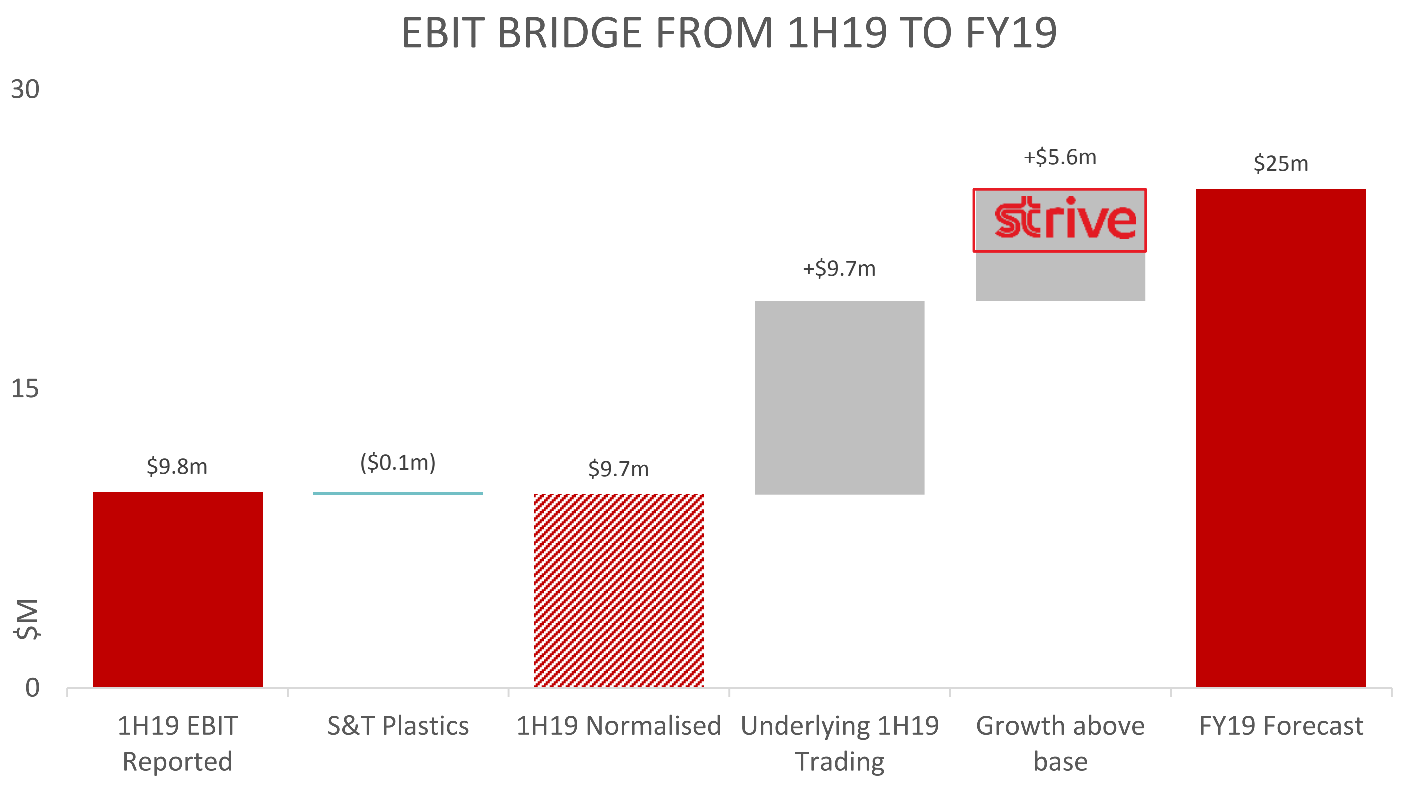
1) Source: World Steel Association, December 2018
2) Source: S&P Global Platts, January 2019 with USD/NZD conversion

OUTLOOK



FULL YEAR (FY19) GUIDANCE

No change in guidance; Forecast FY19 earnings before interest and tax of $25m



- 1H19 performance in line with expectations
- Improving business performance with momentum building
- Project Strive benefits and actions to grow gross margin provide the key uplifts in 2H19

EBIT is Earnings Before Interest and Tax (EBIT). FY19 Normalised EBIT excludes S&T Plastics

A STRONGER FUTURE

- Steady economic growth trends across majority of sectors in which S&T operates – construction, manufacturing and rural
- Sales momentum on the strong foundation now in place
- Pleasing progress being seen with early benefits from Project Strive initiatives and improving sales results
- On track to achieve FY19 guidance of $25 million in earnings before interest and tax
- Financial flexibility to undertake business transformation initiatives and achieve our goals
- Strong New Zealand company, adding value to NZ economy
- Medium term outlook consistent with previous expectations

DISCUSSION

NON-GAAP FINANCIAL INFORMATION

The Group uses several non-GAAP measures when discussing financial performance. These include Normalised EBIT and Working Capital. Management believes that these measures provide useful information on the underlying performance of the Group. They may be used internally to evaluate performance, analyse trends and allocate resources. Non-GAAP financial measures should not be viewed in isolation nor considered as a substitute for measures reported in accordance with NZ IFRS.

The Group's unaudited reconciliation of non-GAAP measures to GAAP measures are detailed below.

RECONCILIATION OF GAAP TO NON-GAAP MEASURES Half Year ending 31 December 2018 ($ M)	1H18	2H18	1H19
GAAP: Earnings/(Loss) before Interest and Tax (EBIT)	**7.5**	**(43.6)**	**9.8**
Add back Normalisation Adjustments:			
Inventory impairment and write offs	5.0	18.2	-
Impairment of intangible assets	-	12.1	-
Business rationalisation	-	2.7	-
Organisational restructuring	2.6	0.7	-
Gain on property sale	(0.4)	(1.1)	-
Other unusual items	-	3.1	-
Excluding S&T Plastics EBIT*	(1.2)	12.4	(0.1)
Normalised EBIT – non-GAAP	**13.4**	**4.5**	**9.7**

* S&T Plastics Normalisation adjustments in FY18 included: 1H18 $(0.5)m inventory impairment, 2H18 $(11.2)m asset impairment and business rationalisation costs

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GLOSSARY OF TERMS

- **EBIT**: This means earnings before the deduction of interest and tax and is calculated as profit for the period before net interest costs and tax.
- **Normalisation adjustments include:**
  - **FY18 Business rationalisation:** Included business change costs incurred to rationalise Steel & Tube's property footprint including onerous leases, rationalisation and re-organisation of manufacturing operations and delivery logistics operations, and costs incurred in reviewing and streamlining operations.
  - **FY18 Organisational restructuring:** Included the costs incurred to improve capabilities, remove duplication and inefficiencies and capture synergies from acquisitions.
  - **FY18 Unusual Items:** Primarily these were business rationalisation and organisational restructuring costs. Other unusual costs include significant doubtful debt and contract disputes provisions, and settlement of acquisition earn out payments.
  - **FY18 and 1H19 S&T Plastics:** S&T announced it was exiting its Plastics business in May 2018 and wrote-down the value of assets. The financial results of this business have been excluded from FY18 to enable a like for like comparison with 1H19, which has also excluded a small gain realised from disposal of assets to date.
- **Normalised EBIT**: This means EBIT after Normalisation adjustments. A reconciliation of 1H18 and 1H19 Normalised EBIT can be found in the notes to the Interim Financial Statements and on Slide 28

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