

STU UPDATE FOR FIRST HALF OF FY20 FINANCIAL YEAR

- For the six months to 31 December 2019 (1H20), Steel & Tube is expecting unaudited EBIT (including impairments but before NZ IFRS 16 adjustments), to be a loss of approximately \$36m – \$37m.
- Following a review of the carrying value of goodwill, non-cash impairment charges of approximately \$37m are expected.
- As previously advised, adverse market conditions have continued to impact on sales revenue and volumes, with expected unaudited EBIT also impacted by around \$2m of Project Strive execution costs and \$2m of debt write-offs.
- Progress is being made on controllable commitments, including operating cost reductions, margin management and working capital discipline, with strong cashflows further reducing net debt.
- Normalised EBIT¹ for the period is expected to be approximately \$2m - \$3m excluding the impact of NZ IFRS 16 (1H19: \$9.6m) due to the impact of lower revenues and debt-write-offs.
- Post balance date on 30 January 2020, Steel & Tube unconditionally agreed to sell a surplus Christchurch property for approximately \$5.8m.
- An improved second half performance is expected as benefits from Project Strive, cost efficiencies, new project successes and other proactive measures take effect.
- As part of Project Strive the Board and Management are continuing to review the business operating model. This may result in further restructuring costs.
- The Board intends to pay an interim dividend in line with the Company's dividend policy.

Steel & Tube Holdings Limited (NZX: STU) is today providing a further update for the six months to 31 December 2019.

In its [trading update](#) provided in November 2019, the company advised that first half results were expected to be lower than the prior year, and would be impacted by adverse trading conditions; Project Strive execution costs of approximately \$2m; and an expected increase in debt write-offs and provisioning of around \$2m, mainly due to an unexpected liquidation of a major customer.

Whilst Steel & Tube has maintained market share and margins, the adverse trading conditions previously noted have continued, including reduced vertical construction work and a contraction in the stainless steel market. This has impacted on sales revenue and volumes in the first half, which are expected to be down approximately 10% on the prior comparative period (1H19: \$258m). Despite the lower earnings, Steel & Tube's operating cashflow has remained robust at approximately \$10.5m (excluding the impact of NZ IFRS 16) (1H19: \$11.1m), with net debt reduced further to approximately \$11m at 31 December 2019 (30 June 2019: \$15m).

The Board has reviewed the carrying value of goodwill as required by accounting standards, including consideration of the current difference between Steel & Tube's market capitalisation (based on market share price) and the carrying value of its assets. Whilst the Board does not consider the adverse trading conditions experienced in 1H20 to be indicative of the medium to long term trading expectations, the reduced profitability in 1H20 has had an impact on the assessment of impairment. At this time and in accordance with accounting standards, the Board has concluded that the carrying value of goodwill is impaired. The impairment is non-cash in nature.

¹ Normalised EBIT is provisional unaudited EBIT adjusted for non-trading costs, primarily the impairment of goodwill and Project Strive execution costs.

Including impairment, Project Strive execution costs and debt write-offs and provisioning, Earnings Before Interest and Tax (“EBIT” before IFRS 16 adjustments) is expected to be a loss of approximately \$36m – \$37m (HY19: \$9.8m).

The Board continues to support the Project Strive turn-around strategies being executed by Management. As part of Project Strive the Board and Management continue to review the business operating model, supported by the ongoing investment in digital technologies. This may result in further restructuring costs.

Steel & Tube will continue to monitor trading conditions and will keep the market updated as required. An improved second half is expected with some significant project successes post-balance date, coupled with the Government’s recently announced boost to infrastructure spending and as benefits from Project Strive, cost efficiencies and other proactive measures take effect.

Steel & Tube expects to report its final half year financial results and a further update on trading on 24 February 2020. As previously advised the adoption of NZ IFRS 16 will result in an improvement to reported EBIT and a reduction in reported NPAT.

ENDS

For further information please contact:

Mark Malpass

Steel & Tube CEO

Tel: +64 27 777 0327

Email: mark.malpass@steelandtube.co.nz

Greg Smith

Steel & Tube CFO

Tel: +64 21 755 803

Email: greg.smith@steelandtube.co.nz

For media assistance, please contact: Jackie Ellis, T: +64 27 246 2505 E: jackie@ellisandco.co.nz