



WELCOME

NZX Retail Investor Webinar November 2021

Steel & Tube was sub-contracted to Eastbridge to supply approximately 4,000 tonne of steel plate and sections used in the construction of the bridges on SH1 between Pūhoi and Warkworth.



Agenda

About Steel & Tube

Our Performance

Growth Strategy

Q&A





Steel & Tube is...

- One of New Zealand's leading providers of steel solutions
- A proud New Zealand company, with over 68 years of trading history
- We offer New Zealand's most comprehensive range of steel products, services and solutions
- Our stable of best-in-class businesses are some of this country's leading steel suppliers



Our purpose

To make life easier for customers needing steel solutions by providing unparalleled service, experience and the highest quality products

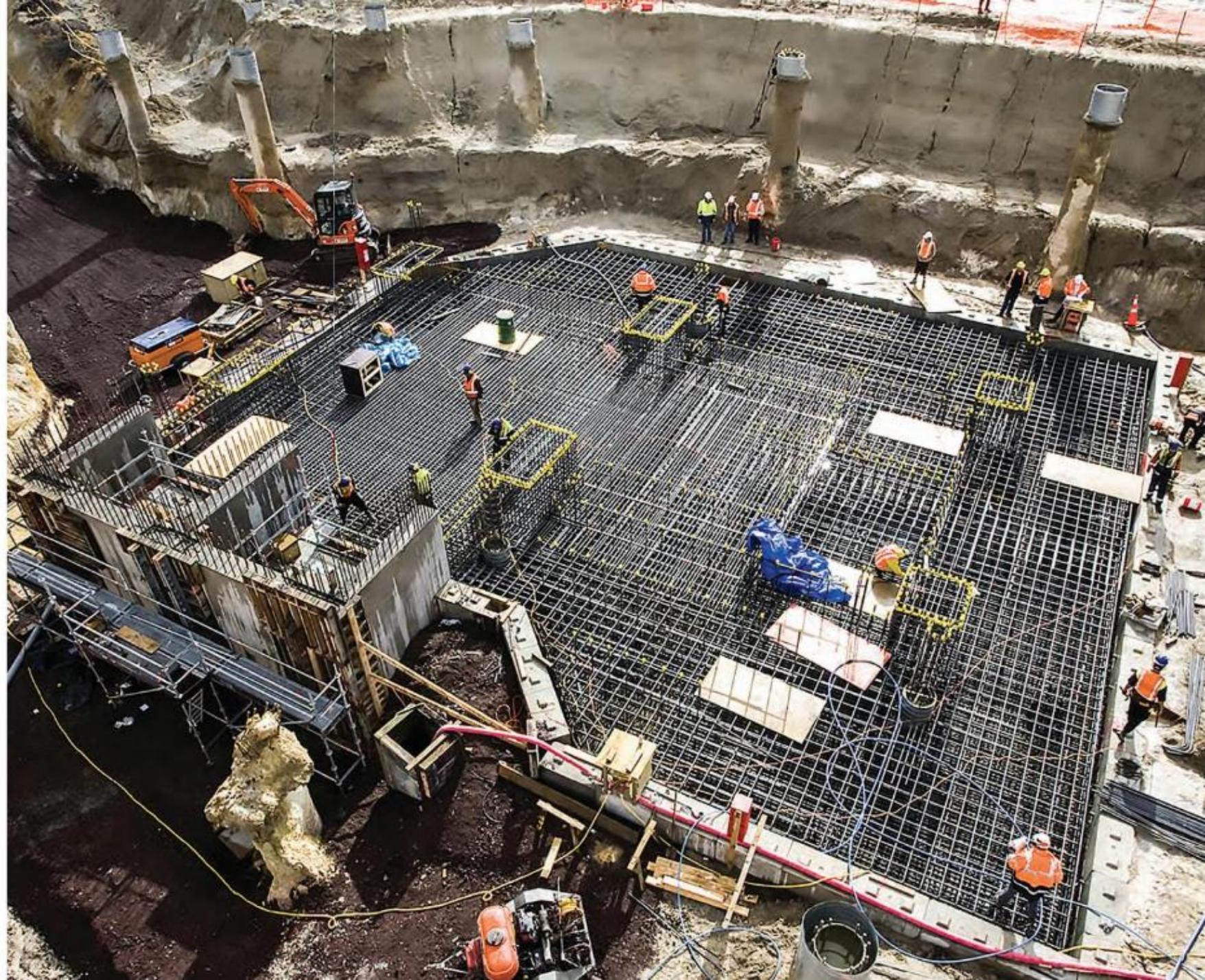
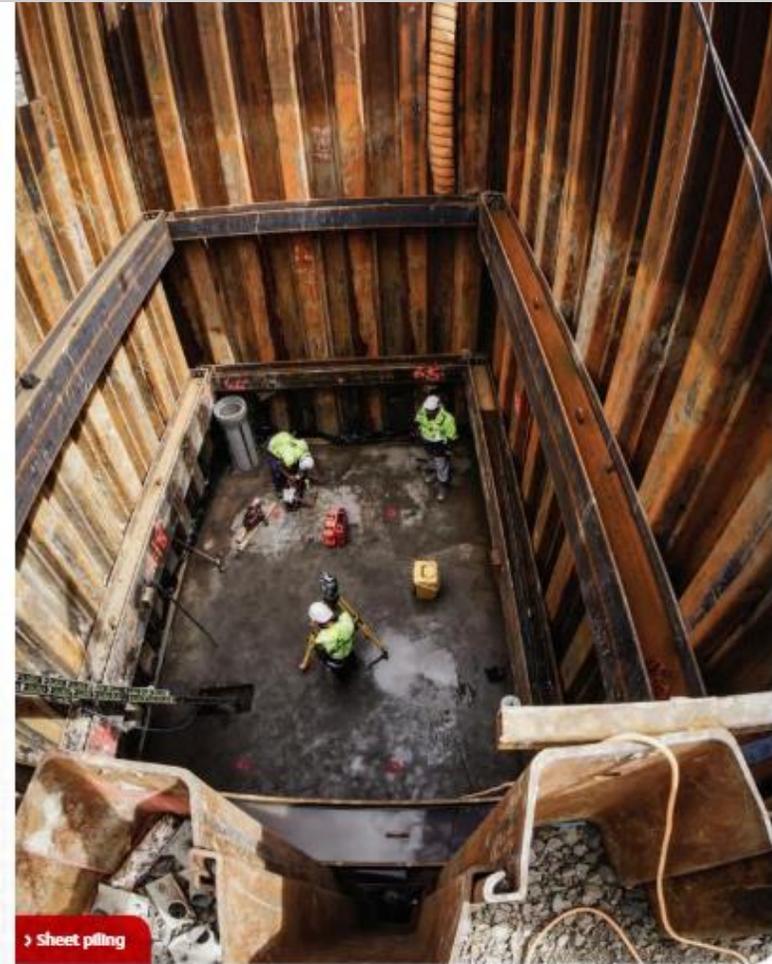
Our vision

To be the first choice for customers seeking quality steel solutions in New Zealand

We will achieve this by:

- Providing a one-stop-shop for the most essential steel products – from floor to roof and everywhere in between
- Doing everything we can to make it easy for our customers to do business with us
- Always looking for ways to work smarter
- Using technology and great thinking to pull it all together and enable a better business
- Building one great team right across the Steel & Tube business

Site and Structure





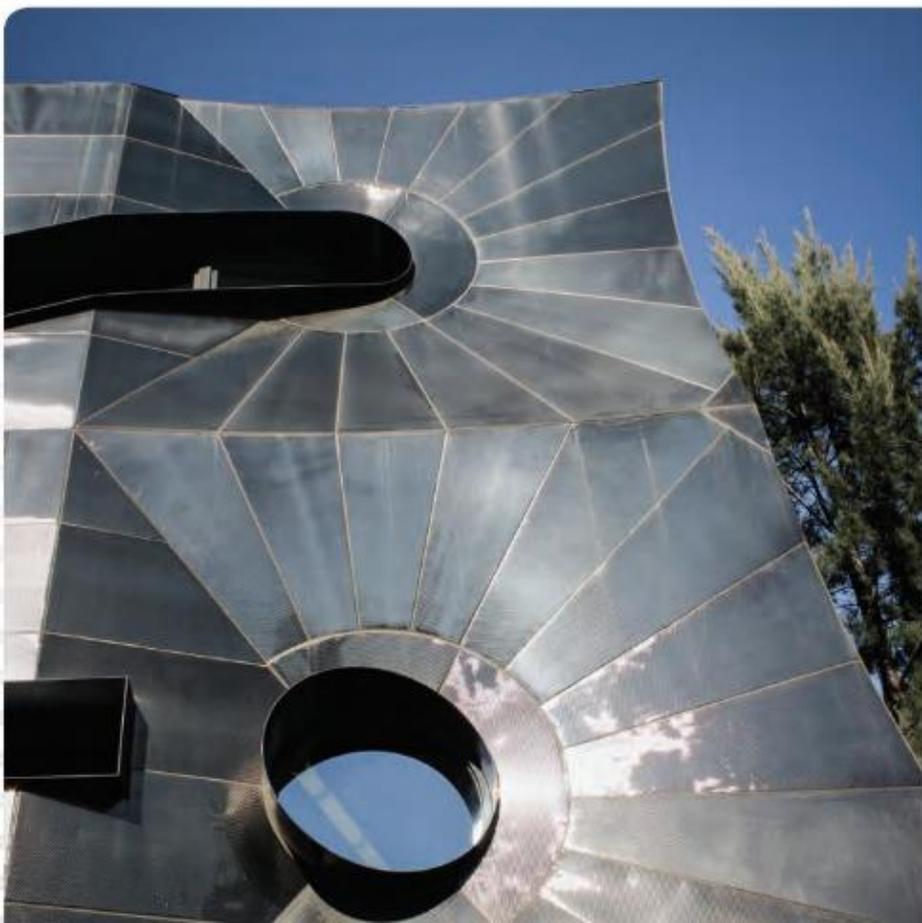
› Predrilled plate, structural bolts



› Residential posts and beams



Stainless Steel

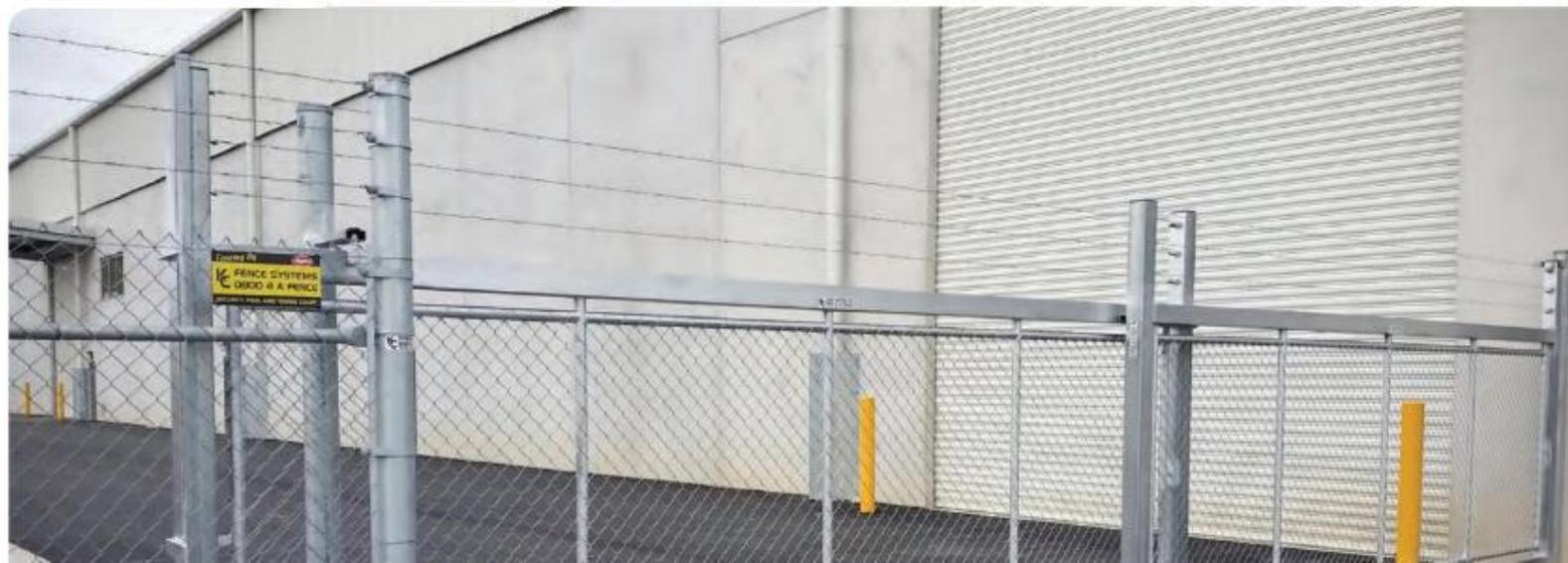


Enclosure and Cladding





Outdoors



Interior and Finish



> Hygienic environments



> Circular polished





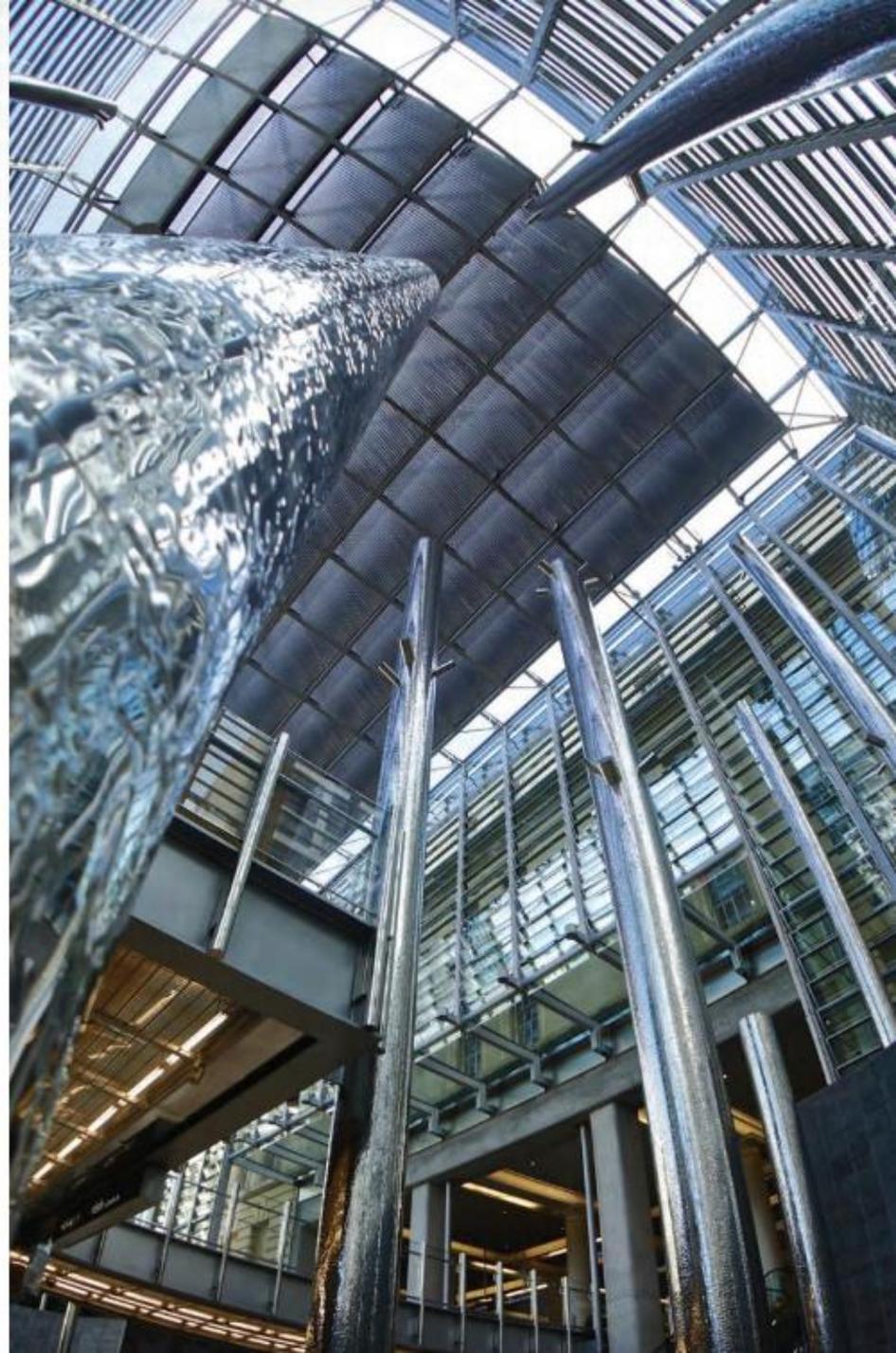
→ Rigidised



→ No.8 mirror polished



→ Rimex 6WL



Services





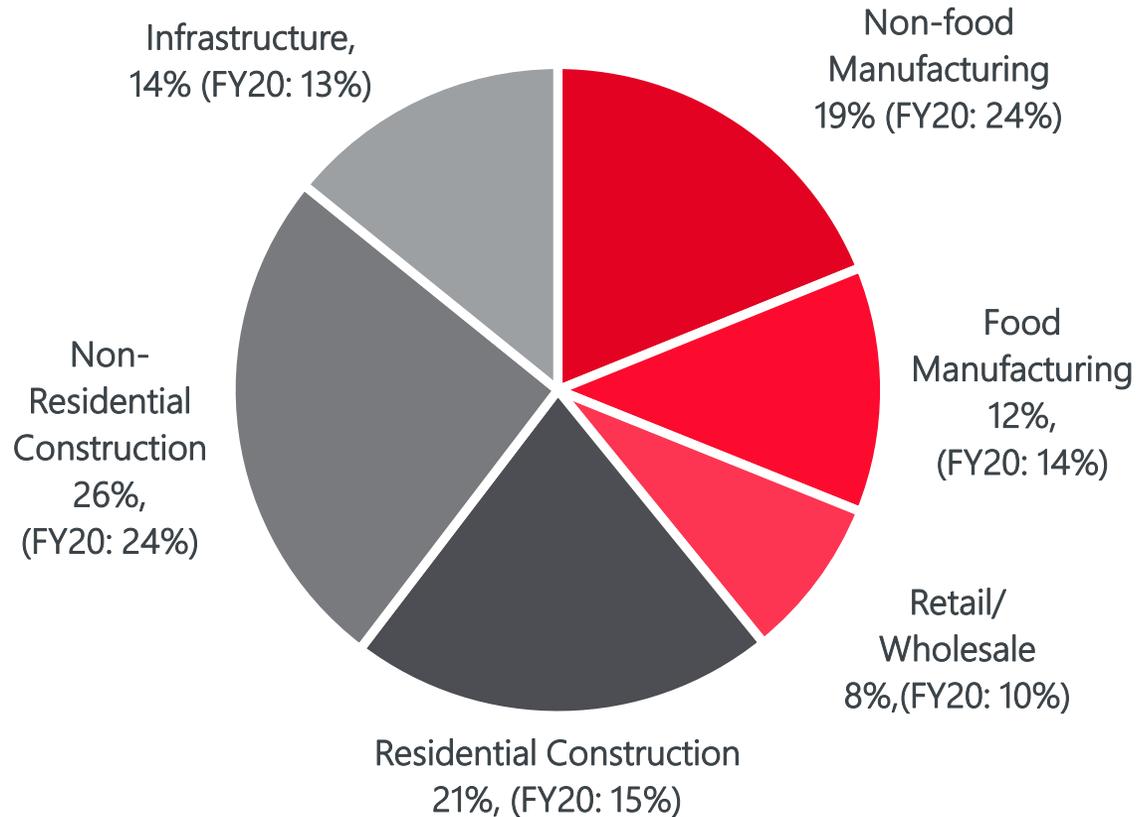
› Water control valves



› Fire protection components



Sector Exposure



Steel & Tube is a diversified business with limited exposure to any one sector

- 47% Residential and Commercial Construction
- 14% Infrastructure
- 31% Manufacturing
- 8% Merchants/other



Our business divisions

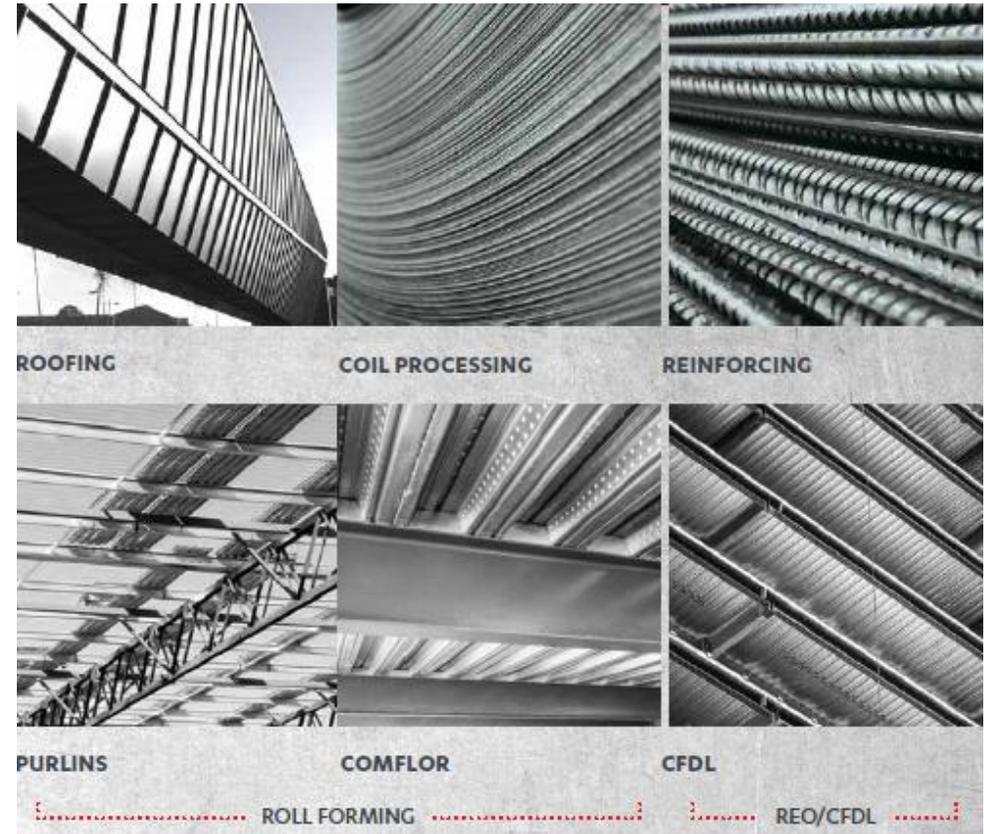
DISTRIBUTION

Products sourced from preferred steel mills and distributed through our national network



INFRASTRUCTURE

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



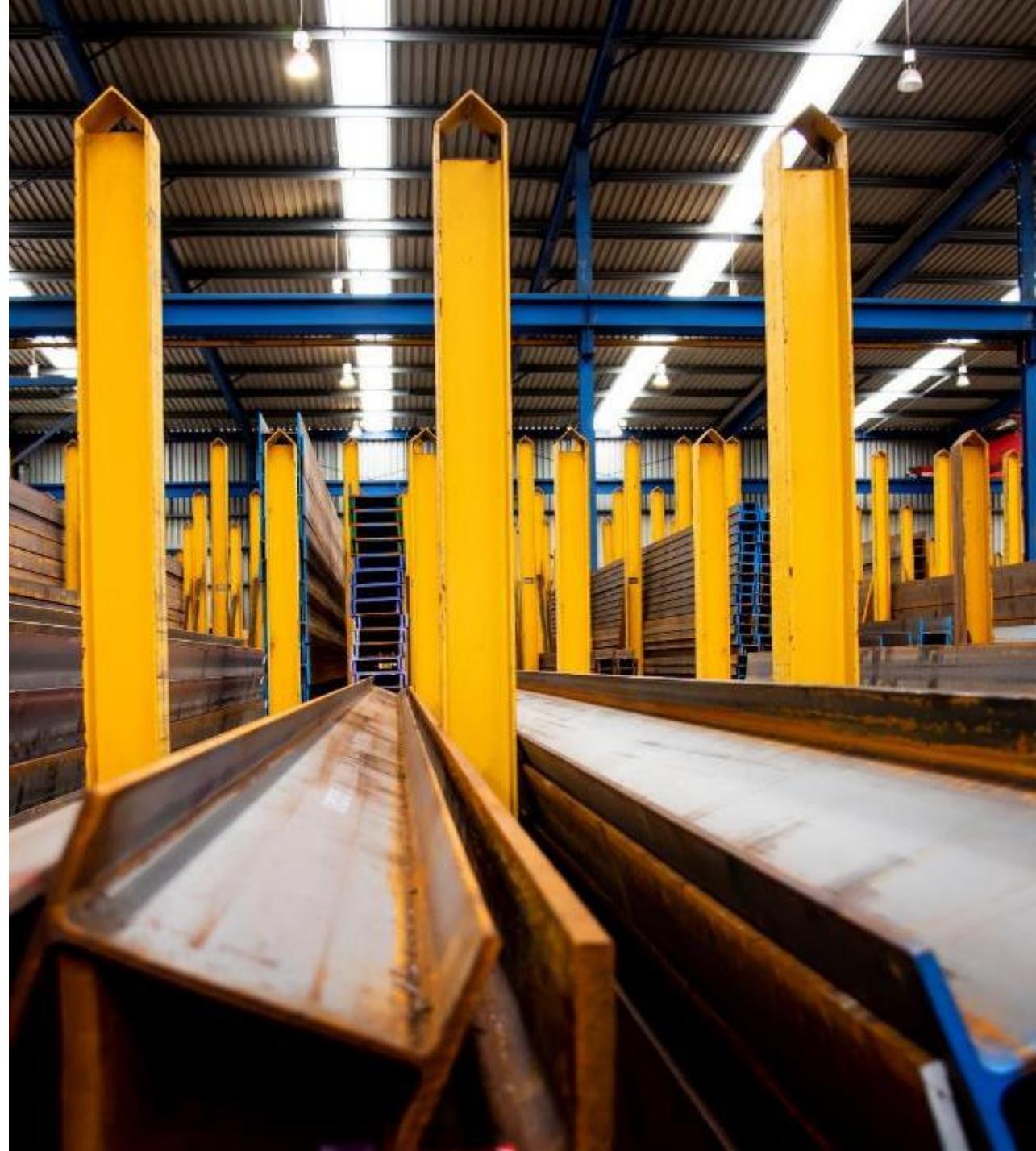
Our Goals

- To be the best in the business
- The preferred choice of for customers
- A rewarding place to work
- An attractive investment for shareholders



Steel is the ideal circular economy material

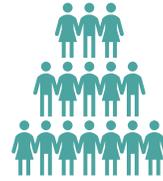
- Infinitely recyclable without product degradation
- Easily reused and repurposed
- Minimum construction waste compared to other building products
- Significant proportion of steel is made in New Zealand using renewable energy sources
- Steel's durability means less need for replacement or structural changes



Building a sustainable business



**Customer satisfaction
score of 34**



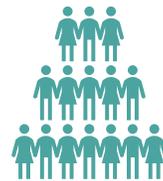
**Employee Safety Measure
TRIFR 1.86**



**Greenhouse Gas
Emissions Down 9%**



**Digital strategy is intrinsic
to our business**



**Employee Engagement
7.4/10**

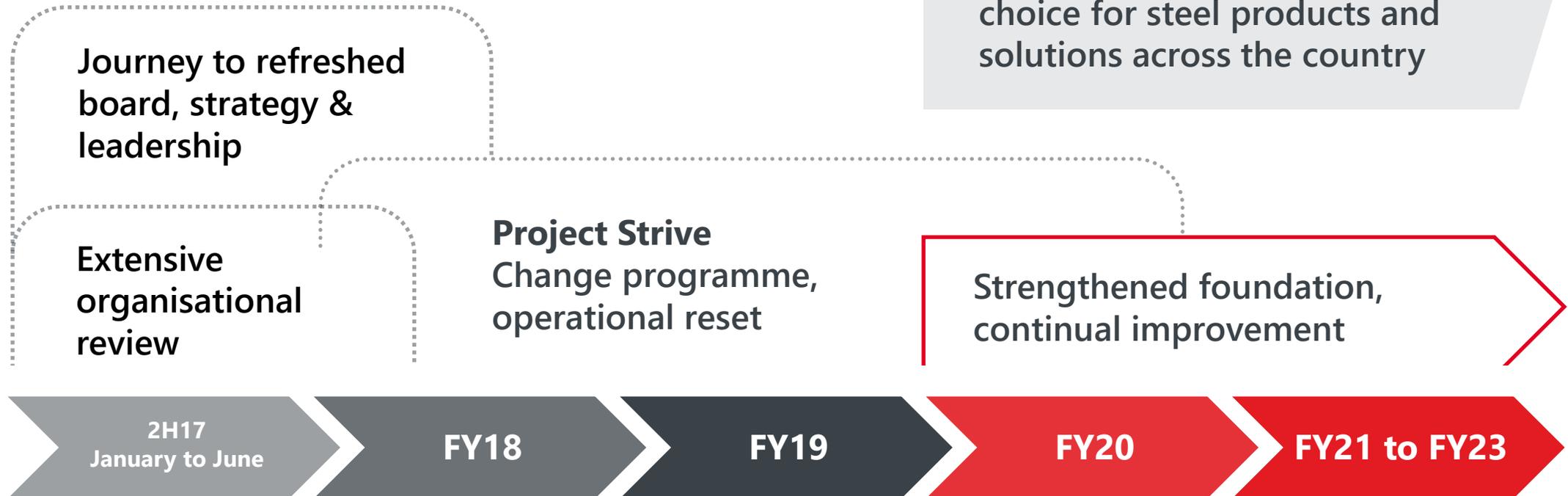


**Range of quality initiatives
and certifications**



Our journey

In late 2017, we embarked on an extensive company-wide reset to drive long-term sustainable earnings improvement and rebuild shareholder value - foundation now laid and moving forward.



FY21 results at a glance

Significant and sustainable improvement in results

- Material improvement in earnings
- Increased revenue
- Strong balance sheet with all debt repaid and \$25m net cash
- Resumed dividends

	FY20	FY21	
Revenue	\$417.9m	\$480.0m	↑
EBITDA	\$(37.2)m	\$40.7m	↑
EBIT	\$(57.7)m	\$21.8m	↑
Normalised EBIT	\$0.4m ¹	\$19.0m ¹	↑
NPAT	\$(60.0)m	\$16.1m	↑
Net cash	\$7.4m	\$25.0m	↑
Total dividends	NIL	4.5 CPS	↑

1. FY21 non-trading adjustments of \$(2.8)m includes \$1.6m in IFRS16 lease impairment reversals and \$1.2m gain on sale of properties. Further details included in appendix to this presentation.

FY21 performance overview

**Strong result
driven by delivery
on strategic
initiatives**

Benefits of strategic initiatives now becoming clear

- Volumes and revenues have been rebuilt
- Focus on margin improvements
- Improved customer service and delivery
- Significant structural cost reductions – building a resilient underlying business platform
- Optimised working capital and invested in inventory to support customer growth
- Digital initiatives have been embedded and we are now focussed on scaling

Positive market backdrop

- Positive economic activity driving increased demand for steel across a range of sectors



Continued investment in Quality, Safety and Training

- Our commitment to Safety remains a stand out strength with employees rating Steel & Tube's safety commitment 8.6/10 in engagement survey
- Critical risk management including independent assurance and training throughout the group
- Continued investment in safety hardware including guarding and other risk mitigations
- Deployed Intelex software to eliminate paper based systems
- ISO 9001: 2015 now certified across all businesses
- Recertification of Structural Steel Distributor Charter
- First company to achieve certification new Steel Construction NZ Bolt Importer Charter

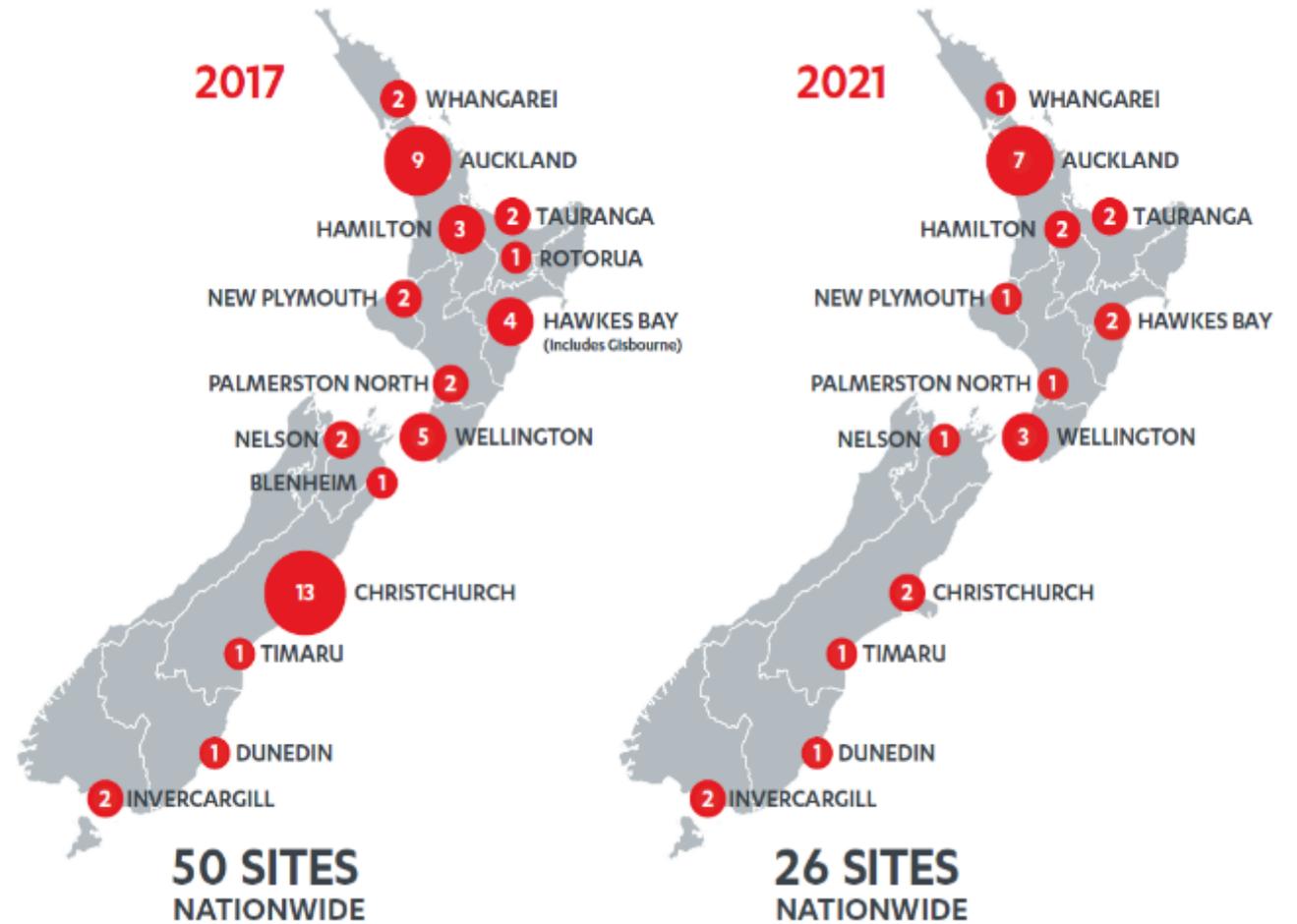
Strong improvement in eTRIFR*, down to 1.86, well below industry average. LTIFR of 0.



*eTRIFR: Employee Total Recordable Injury Frequency Rate
LTIFR: Lost Time Injury Frequency Rate

Network Strategy

Network consolidation programme largely completed – optimised branch network maintaining a regional presence and increased product offering.



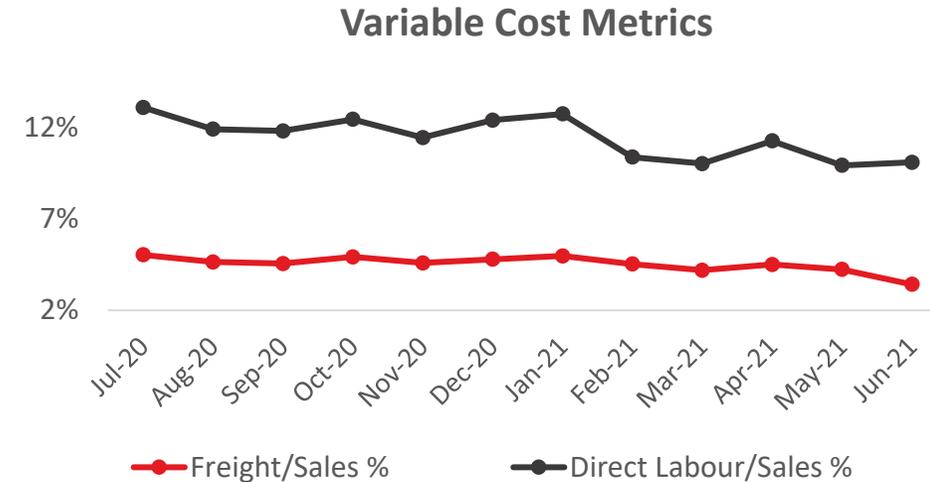
Annual Lease Cash Cost (\$m)	\$18.4*	\$15.9
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*2017 includes sale & lease back of two properties with lease costs of \$3.5m per annum, partially offset by reduced interest costs of ~\$1.6m per annum.

Substantial and significant cost savings

\$m	FY21	FY20
Sales	480.0	417.9
Operating Expenses (Excl D&A)	62.4	73.6
Operating Expenses/Sales	13.0%	17.6%
Depreciation and Amortisation*	17.5	18.8
Operating Expenses (Reported)	79.9	92.4

- Substantial 13.5% (\$12.5m) year on year structural reduction in operating expenses (reported)



- Variable costs (direct labour and freight) also reduced as percentage of sales

*Excludes depreciation of \$1.5m (2020: \$1.7m) relating to equipment used to manufacture products as this is included in cost of sales.



Enhanced focus on inventory and supply chain management

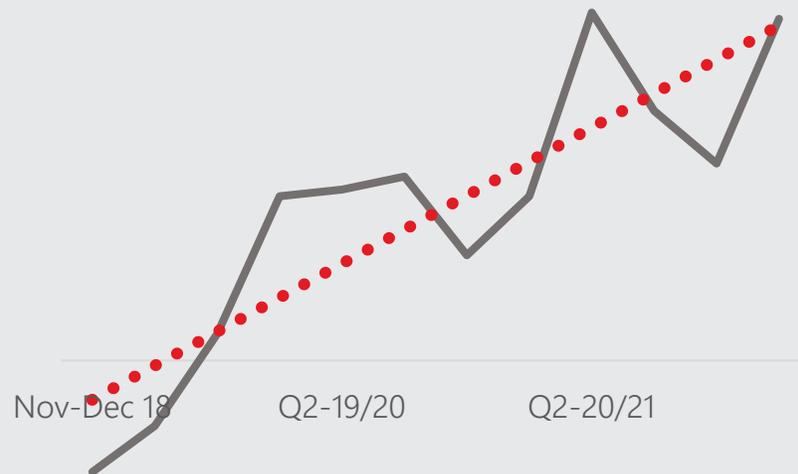
Inventory Management

- Developed capabilities managing international supply chain congestion
- Developing advanced data analytics platforms for segmentation, pricing and product traceability
- Improved stock holdings of critical fast moving items
- Aged inventory reduced \$9m

Supply Chain Management

- International shipping coordination and devanning management
- Network design and optimisation – leveraging distribution centre model
- Distribution Centre management including core system deployment
- Freight & Transport management
- Capturing benefits of Group scale and diversified offer

Net promoter score measures customer satisfaction and has improved since 2018



Average NPS of 34 for FY21

Positive gains from focus on sales disciplines and customer excellence

- Focus on cross-selling through leveraging national footprint and breadth of products and availability
- Infrastructure businesses point of difference - project methodology and technical advisory
- Digital data driving customer segmentation, category management including availability and pricing
- Customer value proposition developed
- Omni-channel platform – business advisory, in-store, by phone or online
- Centralised Customer Excellence centre with a regional focus
- Expanded access to specialist expertise in sales teams

Our digital investment

Webshop, e-commerce, data analytics, customer management, online training modules, new digital tools to make jobs easier

- Intrinsic foundation across all areas of the business
- Benefits:
 - Reduction in cost to serve
 - Driving revenue
 - Improving margin
 - Traceability
- Will continue to be an important investment area going forward
- Focus on increased functionality, advanced analytics, automation and integration with our customers



+628%

Online Revenue Growth YoY



+5%

Average increase in customer revenue as result of online purchasing



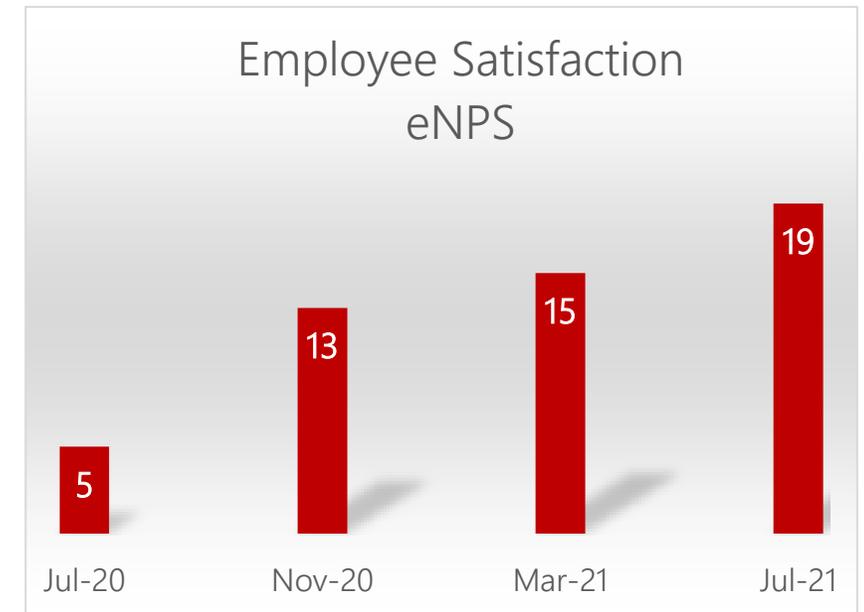
+505%

YoY growth in online customers



Building a winning team

- Leadership programme rolled out across the organisation
- Over 50 online training modules currently available in our online training library, with 2,000 modules completed by team members in FY21
- Consistently high Employee Engagement Score of 7.4/10 and strong Employee NPS of 19
- New Maori cadetship programme, in partnership with Te Puni Kokiri
- Continued to support First Foundation; and Sector Workforce Engagement Programme (SWEP) with Papakura High School
- Introduced Back to School fund, providing support for Steel & Tube families



FY22: Trading under Covid environment

Impact of lockdown – substantial drop in revenue while fixed costs remain at same level

Level
4

- Distribution business trading limited to essential businesses only
- Infrastructure / manufacturing businesses not able to operate; MBIE exemption for Coloursteel in Auckland from 13 September 2021

Level
3

- All facilities open under strict COVID conditions; Work From Home where possible

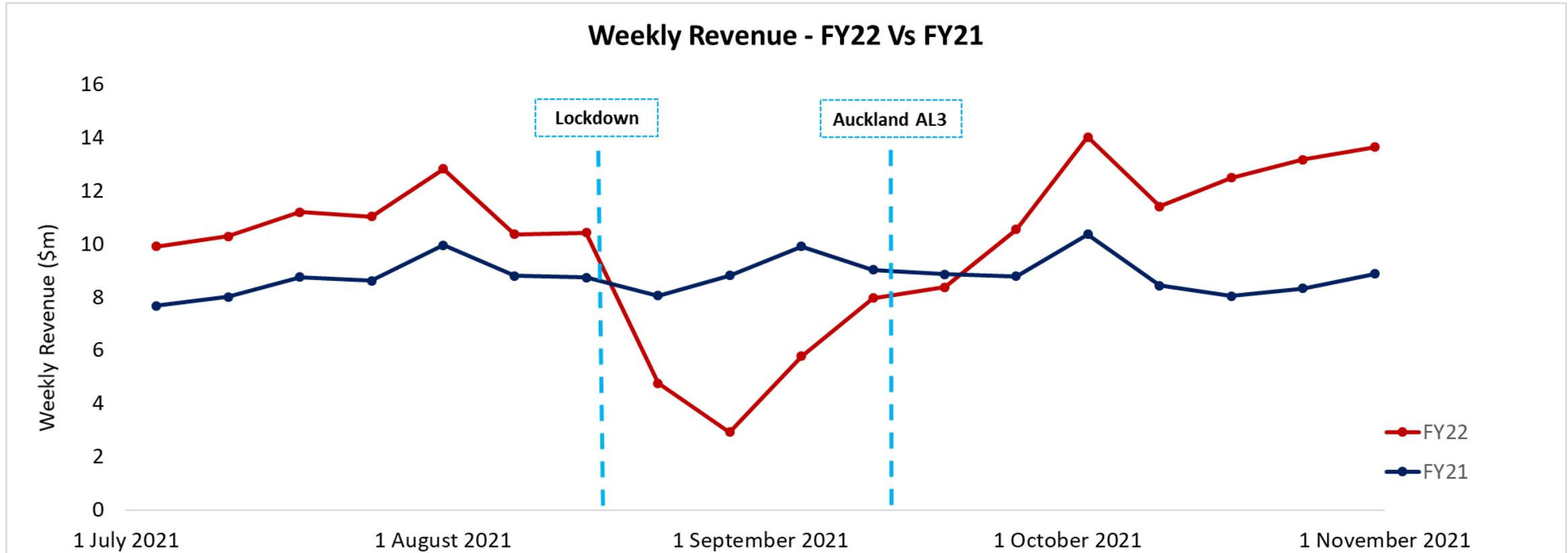
Level
2

- All employees allowed back on site, with COVID protocols in place

We are capturing growth post lockdowns and took a leadership position on incentivising vaccinations

Strong lift in year on year trading performance

Significant momentum offsetting impact of Covid restrictions



Note weekly sales Monday to Sunday

Strategic focus: business growth

Growth opportunities are driving gross margin dollar improvement

**Build on
strong business
foundation**

**New product
development
& innovation**

**Business
Growth**

Areas of focus

Build on strong business foundation

- Continue to build best-in-class customer experience and digital platform
- Drive gross margin dollars
- Continued operational efficiencies
- Investment into IT and enhanced data analytics
- Leverage opportunities to cross sell wide range of products and services

New product development and innovation

- Continue to develop differentiated expertise
- Expand the targeted high value product ranges
- Work in partnerships with third parties
- Continue investment in marketing and promotion

Business growth

- Primary focus on organic growth
- Continue to consider opportunities in close adjacent sectors

FY22 market outlook

Positive market backdrop, cycle expected to be stronger for longer

- Residential expected to flatten due to expected interest rate rises and supply demand imbalance slowly reducing with borders closed
- Commercial seeing positive uplift in consents and significant increase in tenders coming to the market
- Infrastructure continuing to build due to significant underinvestment
- Expanding manufacturing sector

FY22 business outlook

Positive outlook with number of identified opportunities

- Long pipeline of secured contract work in place
- Well positioned to take advantage of identified opportunities in a range of sectors
- Focus remains on continued gross margin dollar improvement, leveraging digital platform, product and sales growth
- Expect continued earnings momentum and dividend flow
- Investigating potential capital management activities



Steel & Tube's strengths

- Strong governance and sustainability focus
- Established leadership positions in many categories of the steel market
- Strong industry and strategic customer partnerships
- Diversity across multiple sectors in the steel market, reducing exposure to any one sector and providing ability to cross-sell to customers
- Streamlined and efficient national network, covering all main regions and towns
- Leading the way in the sector with digital platforms providing efficient access for customers
- Trusted customer partner – reliability, methodology, technical advisory and safety & quality
- Investment in product quality systems including Lloyds Register offshore and domestic steel mill attestation and test certificate verifications
- Strong balance sheet with capacity to invest into organic growth
- People, communities, environment, health, safety and wellbeing are at our core