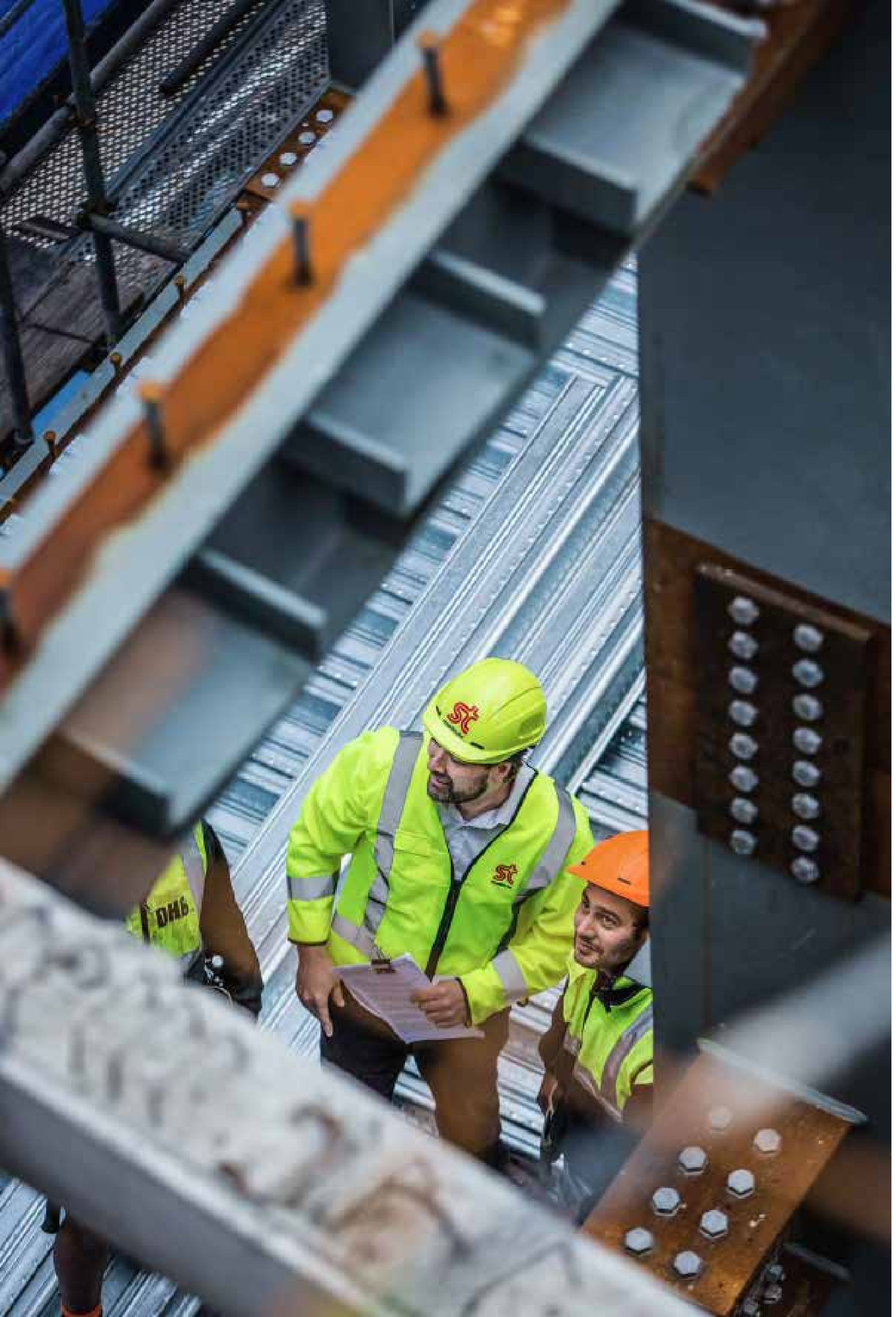
STEEL & TUBE HOLDINGS LIMITED

HY18 Interim Results Presentation

For the Six Months to 31 December 2017

23 February 2018



BECOMING A MODERN AND INNOVATIVE COMPANY

Providing Strength to New Zealand

Steel & Tube is New Zealand's leading steel solutions provider, helping customers build what the country needs.

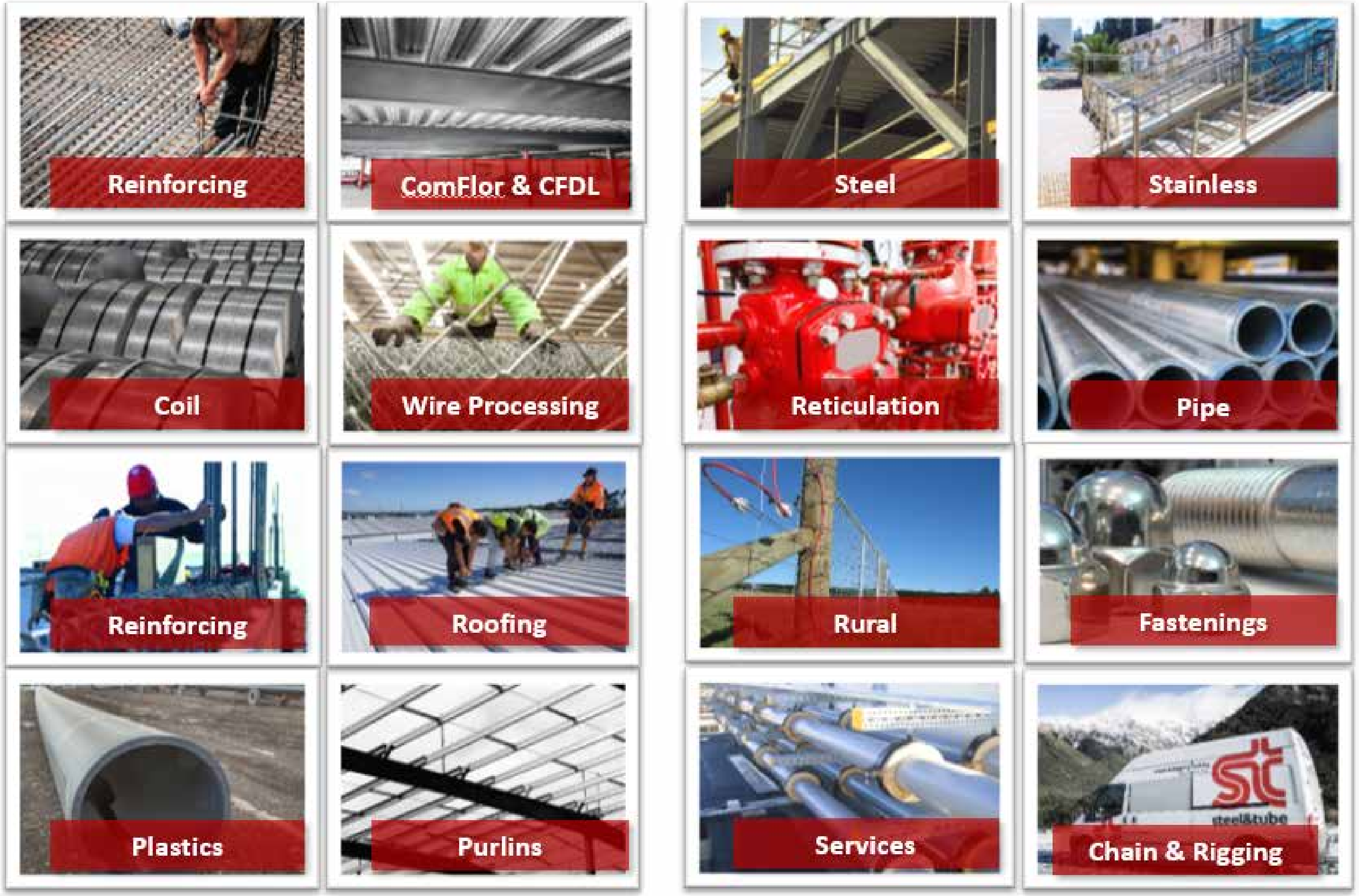
Our aspiration is to be a supply chain participant of scale, delivering superior value to our customers.

OUR BUSINESS

Steel & Tube is aligned into two divisions to better meet our customers' needs

INFRASTRUCTURE

DISTRIBUTION



CHANGE PROGRAMME UNDERWAY

Alignment of strategy, structure and people

- Structure to provide clear line of sight for improved accountability
- Leverage geographical presence & comprehensive product offering
- Unlock integration benefits from acquired businesses
- Improving our ability to execute change

Customer Focus

- Organise the businesses around our customers
- Deliver products and solutions that meet our customers' needs
- Improve sales effectiveness and lower costs to serve

Supply Chain

- Improve availability & delivery performance
- Consolidate and remove duplication
- Increase production capacity and site productivity

Procurement

- Leverage scale to reduce steel sourcing costs

Technology

- Leverage technology to become more agile, responsive and connected

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CHANGE PROGRAMME: KEY INITIATIVES IN HY18

- Refreshed Board with appointment of two new directors - Steve Reindler and Chris Ellis – and the retirement of Dean Pritchard
- New organisational structure and leadership team including divisional GMs, CFO and CEO
- Change programme initiated and progressing well
- Right sizing: Inventory, facilities, staffing
- Deployment of new ERP System (Microsoft AX)
- Balance sheet strengthened and alignment with capital metrics
- Improvement in health, safety, environment and quality systems
- Improved earnings from change programme expected to flow into FY19 and FY20
- Post-period end: Mark Malpass confirmed as CEO, as of 22 February 2018

HALF YEAR RESULTS SUMMARY

- Operating earnings consistent with the guidance provided to the market at the ASM in November 2017.
- Operating earnings (EBIT) for the six months of $6.7m (HY17: $16.1m).
- Result reflects short term impact of working capital review and restructuring activities
- Includes full six months of earnings from CFDL (prior period included 2 months following acquisition in 2016)
- Balance sheet strengthened with net debt reduced to $95.5m mainly due to divestment of the Stonedon Drive property and ongoing focus on working capital
- Improvement in operating cashflow due to focus on working capital management
- Confirmed interim dividend of 7.0 cents per share

Revenue	$267.9m
EBIT	$6.7m
Normalised EBIT	$12.9m
NPAT	$3.8m
Interim dividend	7 cps

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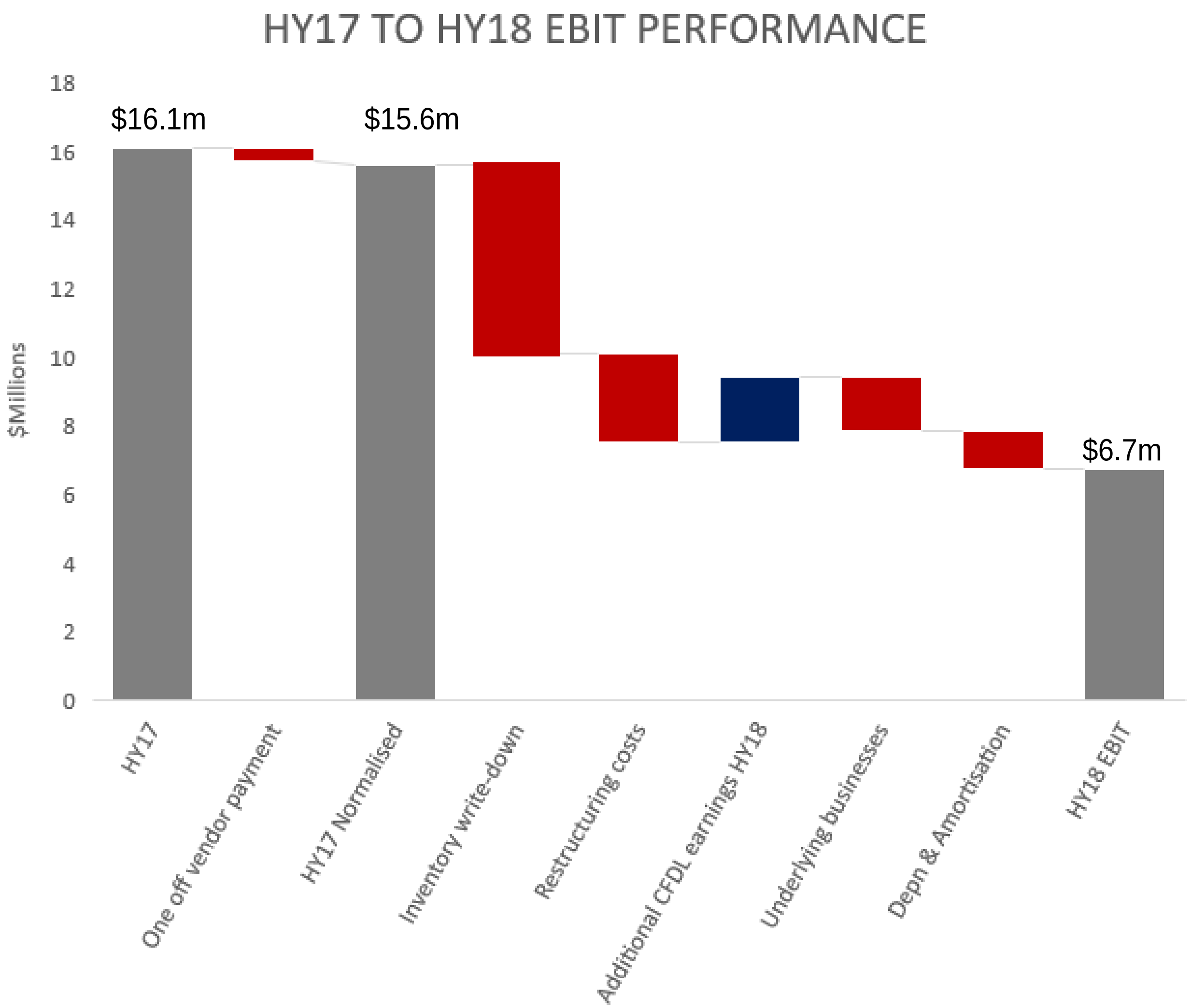
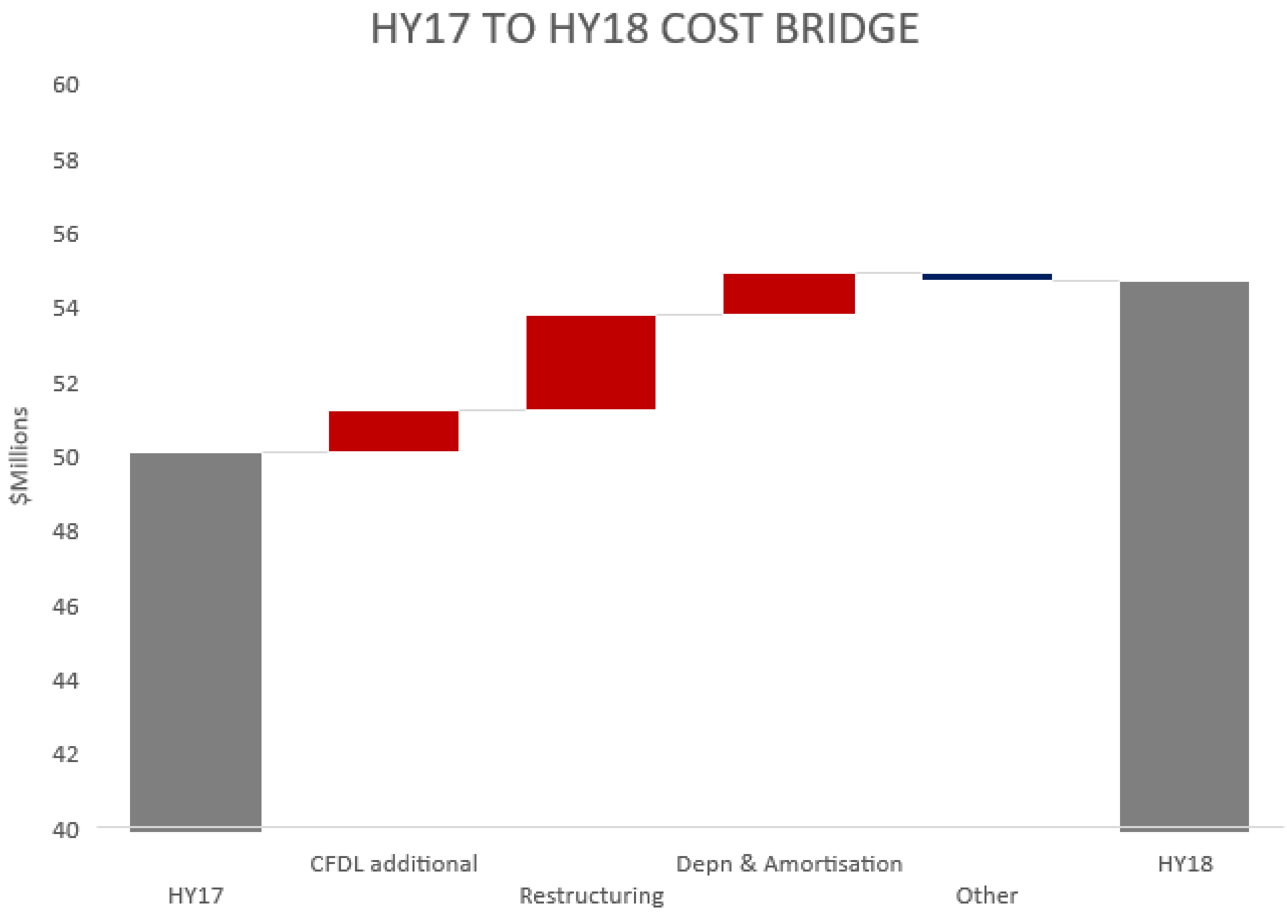
EARNINGS BEFORE INTEREST AND TAX (EBIT)



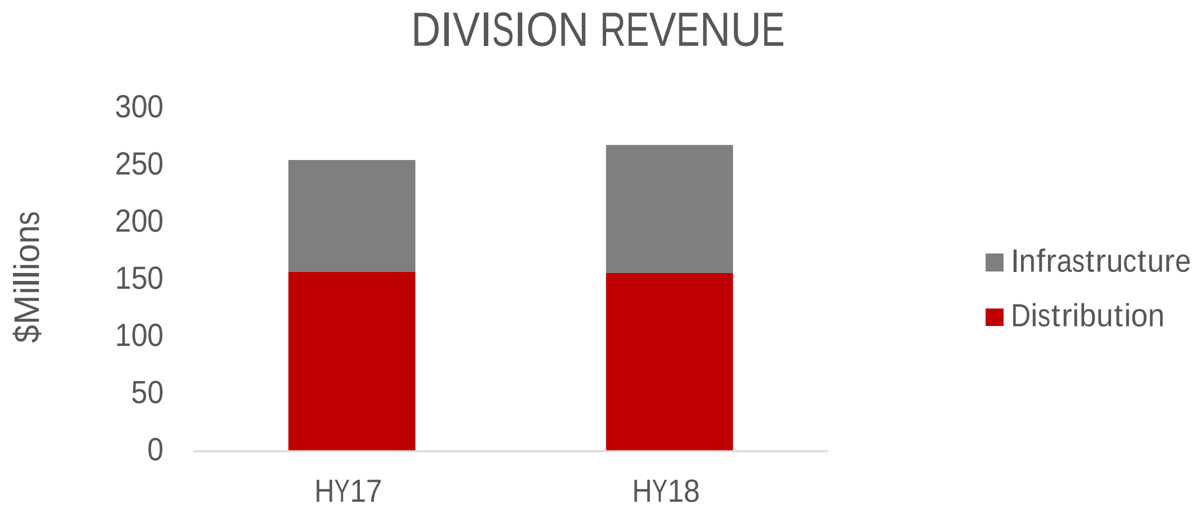
- Operating earnings (EBIT) of $6.7m for the six month period was $9.4m lower than HY17 ($16.1m).
- HY18 includes significant non-trading costs relating to a working capital review ($5.5m) and restructuring activities ($2.6m) and additional earnings from HY17 CFDL acquisition
- Result also reflects the impact of increased depreciation and amortisation costs and margin pressures arising from increased costs of supply
- On track to deliver previous guidance of FY18 EBIT being materially consistent with FY17 EBIT ($31.1m), excluding non-trading inventory and restructuring costs

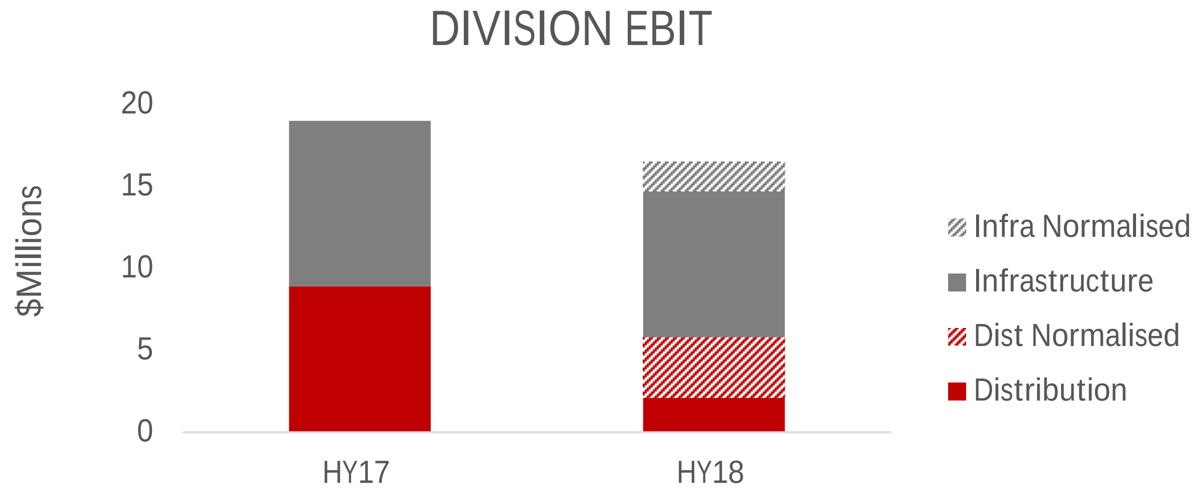
BREAKDOWN OF COSTS



- HY18 includes additional four months of expenses from CFDL
- $2.6m non-trading costs relating to restructuring activities
- Increased depreciation and amortisation costs from recent capital investment programme and HY17 acquisition
- Other costs include costs associated with the change programme (site consolidation expenses), recruitment and IT support costs. These are being offset by lower legal and M&A costs

OPERATING SEGMENTS





REVENUE:
Boosted by CFDL acquisition and a number of large irrigation projects for Plastics; partially offset by lower volumes and margin pressures in core Distribution and Reinforcing businesses.

EBIT:
Decline in trading EBIT reflects volume and margin pressures in core Distribution and Reinforcing businesses.

BALANCE SHEET

$M	HY18	FY17
Inventory	127.9	143.0
Debtors	88.8	93.5
Trade and other Creditors	(47.3)	(54.4)
Working Capital	**169.4**	**182.1**
Cash and Cash Equivalents	1.1	6.5
Property, Plant, Equipment	78.1	102.6
Intangibles	67.8	66.8
Total Assets	**363.9**	**412.7**
Borrowings	96.7	133.4
Other	7.0	12.8
Total Liabilities	**151.0**	**200.6**
Shareholders Equity	**212.9**	**212.1**
Gearing (Net Debt: Net Debt+ Equity)	31.0%	37.4%

- Ongoing focus on working capital
- HY18 includes $5.5m write down of aged inventory to net realisable value following a substantial review of inventory holdings
- Excluding provision for write-down, inventories reduced by approximately $9.6m since June 2017 and further reductions are targeted
- Net debt has reduced by 25% to $95.5m, mainly due to divestment of the Stonedon Drive property and an ongoing focus on improving the Group’s working capital position

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CAPITAL STRUCTURE POLICY

HY18 Interim dividend of 7 cents per share to be paid on 29 March 2018

DIVIDENDS PER SHARE

Cents per share	Interim	Final
FY14	7	9
FY15	9	10
FY16	9	13.5*
FY17	9	7
FY18	7	

*FY16 dividend reflects gain on sale of Bowden Road

On track to achieve annual targets (on a normalised basis)

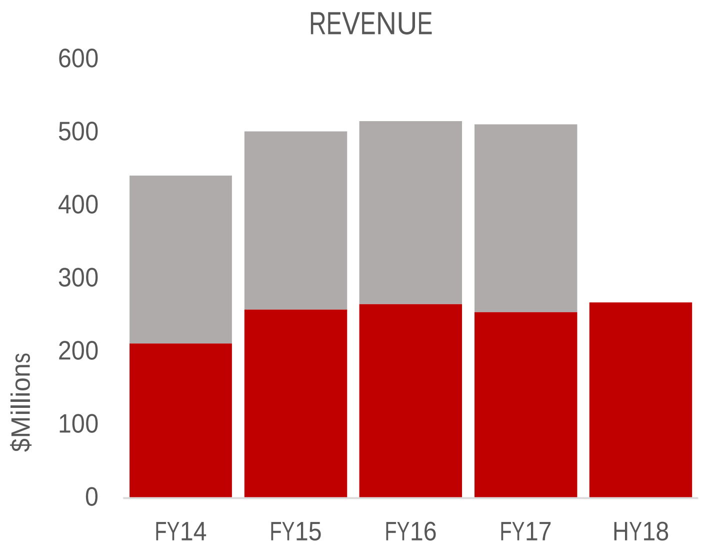
Annual Capital Structure Targets:

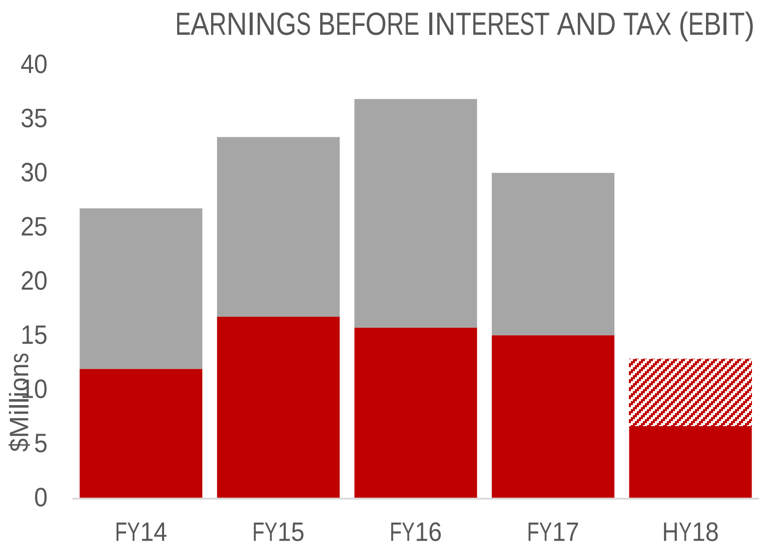
Net debt to net debt + equity within target range of < 30% - 35%

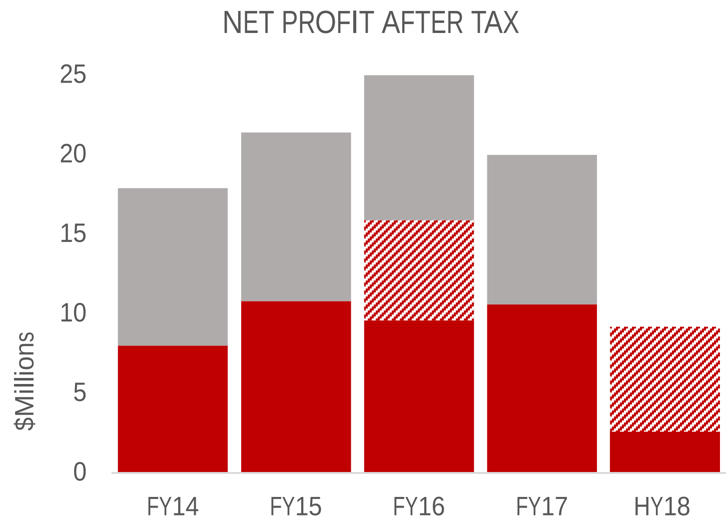
Net debt to EBITDA to be < 2.75 times

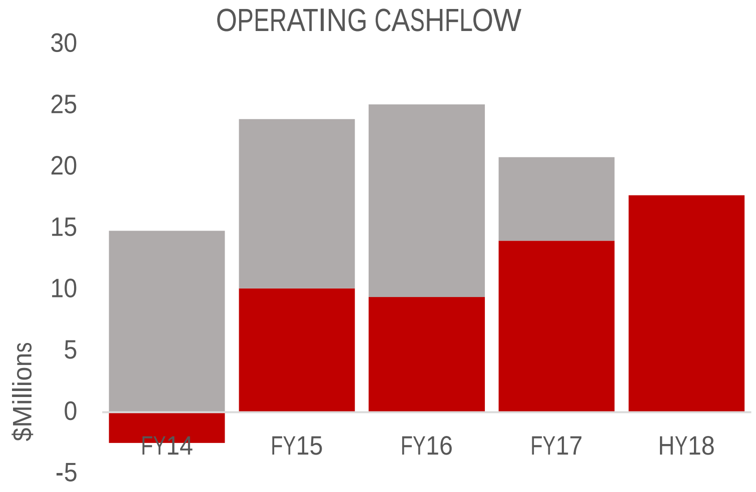
A dividend payout ratio target of between 60% and 80% of 'normalised' net earnings adjusted for any material non-ordinary items and subject to relevant factors at the time including working capital and opportunities for growth

FIVE YEAR SNAPSHOT









Revenue up 5% driven by recent acquisitions

HY18 EBIT and NPAT results include non-trading costs relating to working capital review ($5.5m) and restructuring activities ($2.6m)

Operating cashflow improved with focus on working capital management

1. FY16 NPAT includes $6.3m gain on property sale
2. HY18 EBIT and NPAT includes $5.5m working capital and $2.6m restructuring adjustments

OPERATING REVIEW

Operating Environment
Distribution
Infrastructure
License to Operate

OPERATING ENVIRONMENT

Global Steel Pricing

- Global demand for steel remains high
- Reduced capacity in China combined with Chinese domestic demand has seen steel exports reduce and firming of steel prices
- Highly competitive steel market in New Zealand was slow to respond to cost increases
- Most local participants, including Steel & Tube increased prices in November 2017
- These price increases, combined with further increases expected in March, are likely to have a positive impact on margins in the second half

Market Share

- Steel & Tube remains the number one or two provider in most segments in the steel market

Contracting Market

- Main contractors continue to push risk down the supply chain to sub contractors and suppliers
- While this should drive prices up, prices are constrained by the highly competitive nature of the industry

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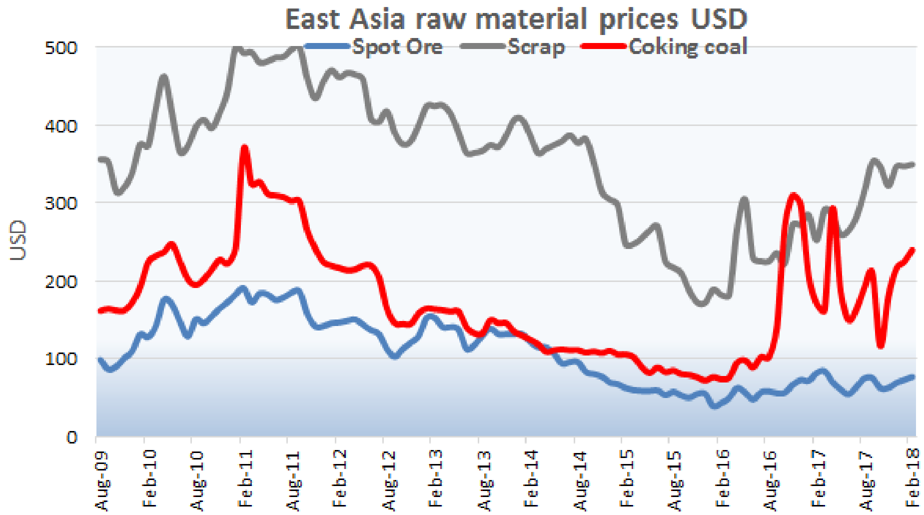
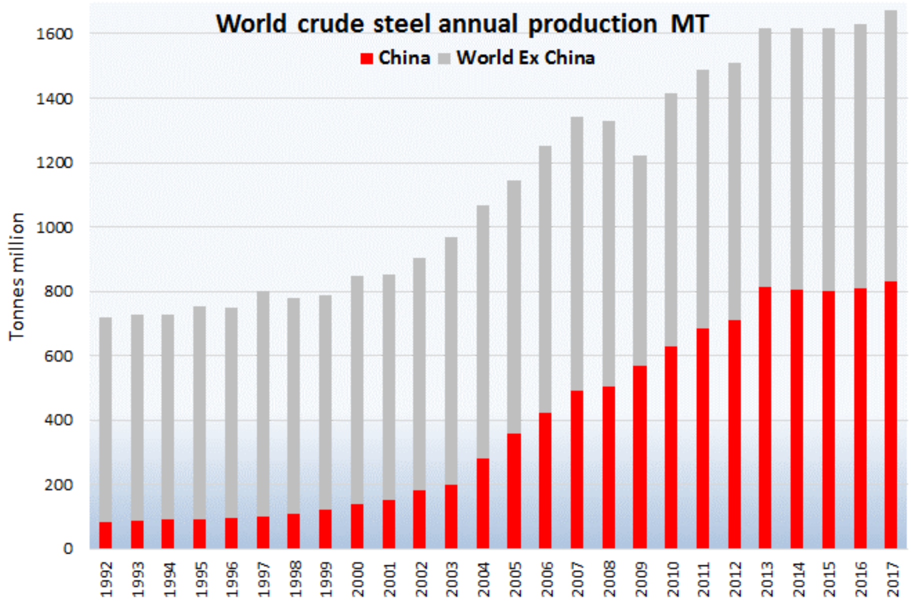
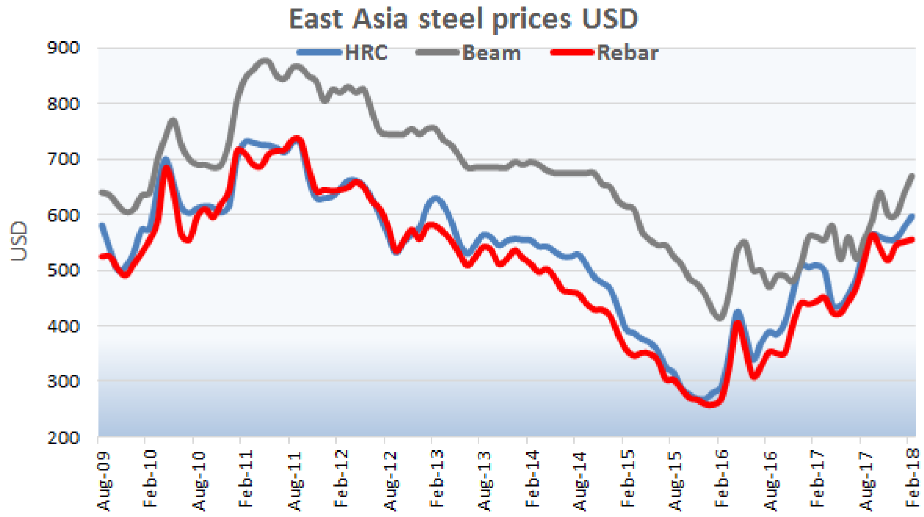
TRADING ENVIRONMENT

Global Steel Market

- Global steel output increased by 2.8% to 1.675 b tonnes during 2017
- Increased output was largely absorbed in Asia
- East Asian steel prices have risen over the year
- Prices for iron ore and coking coal have remained firm, driven by increased demand for raw materials
- Steel scrap prices have followed finished steel prices







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TRADING ENVIRONMENT

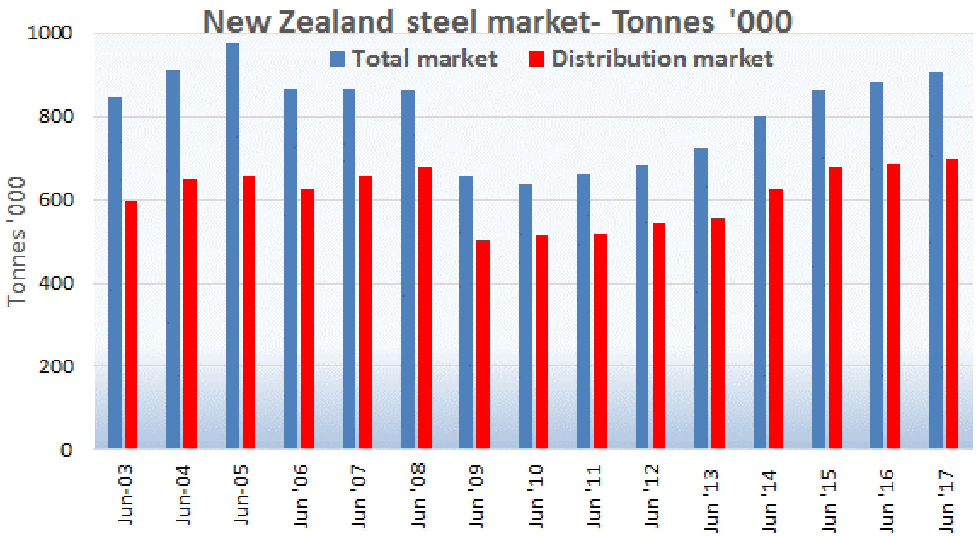
Domestic Market

Regional pricing impacts

- China contributes a significant portion of global steel exports and dominates exports to Asian countries
- In 2017, China exports down 30% compared to 2016
- Driven by increased demand from domestic markets
- Reducing Chinese exports have increased prices in the East Asian markets

Local demand

- Steel volumes are increasing
- Construction outlook looks robust
- Manufacturing remains resilient
- Industry is very competitive



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DISTRIBUTION

As part of change programme, we commenced a major review of the supply chain with the objective of improving the value we add to our customers and reducing our overall delivered cost.

- New leadership under Marc Hainen
- Improving inventory management:
    - Reduction in stock levels – expected to continue
    - Aggregation of storage facilities - will result in lower lease, freight and operating costs into the second half
    - Optimising stock availability - increase in core items expected to drive sales in second half
- Price increases in November 2017 and further price increases expected in March 2018, are likely to have a positive impact on margins in second half

Marc Hainen
GM Distribution

Business Performance

- Stainless: Performing well with benefits from integration of Tata business; secured several major projects with unique branded/specified products
- Fastenings: Performance continues to strengthen with several new product offerings being launched in 2018
- Traditional distribution: Volumes were softer; improvements underway to assist growth in second half
- Chain & Rigging: Continued strong performance; investments in capacity to drive growth

INFRASTRUCTURE

Ross Pickworth
GM Infrastructure

Continuing to drive focus on quality standards and disciplined project management

- New leadership under Ross Pickworth
- Number of significant construction projects now underway:
    - 309 Broadway
    - 277 Broadway
    - Several apartment and retail reinforcing jobs in Auckland
    - Success in tenders for piling projects
- Two previously identified onerous contracts – completion expected in March and April 2018 in line with provisions taken in FY17
- Implementation of ERP system resulted in short term impact on customer service

Business Performance

- Rollforming: Volumes impacted by ERP system process change; focus is on customer service
- CFDL/Comflor: Performing well with a healthy order book in excess of $20m and a range of projects underway
- S&T Plastics: Completion of Downers CPW2 project in February 2018. Focus is on building forward pipeline of projects
- Reinforcing: Contract pricing remains unsustainably low, with contractors looking to push low margins down the supply chain to sub-contractors such as Steel & Tube

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LICENCE TO OPERATE

Health, Safety and Environment

- Safety performance improved compared to 1H17
- Goal of zero harm – number of safety initiatives underway
- Strengthened back to work procedures following the summer holiday period

Quality Management

- Company-wide update of ISO 9001 processes launched in January and expected to be completed by December 2018
- Continue to strengthen our international supplier quality audit processes

Commerce Commission

- S&T pleaded guilty to charges in regards to the historical application of logo and testing methodologies of seismic mesh.
- The Company maintains adequate insurance cover and provisions in regards to this.

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NON-GAAP RECONCILIATION

Reconciliation of GAAP to Non GAAP Measures	Unaudited	Unaudited
$'000	December 2017	December 2016
GAAP: Operating earnings before other gains and financing costs (EBIT)	**6,685**	**16,059**
Add/(Deduct) back unusual transactions:		
Inventory write-down	5,518	-
Reorganisation and restructuring costs	2,605	-
Segment EBIT Before Adjustment (as per note 5 Interim Financial Statements)	**14,808**	**16,059**
Additional acquisition earnings - CFDL	(1,867)	-
One-off payment by subsidiary vendor	-	(442)
Normalised EBIT	**12,941**	**15,617**

Steel & Tube uses several non-GAAP measures when discussing financial performance. These include Earnings Before Interest and Tax (EBIT), normalised EBIT and working capital. Management believes that these measures provide useful information on the underlying performance of Steel & Tube's business. Non-GAAP financial measures should not be viewed in isolation nor considered as a substitute for measures reported in accordance with NZ IFRS. Reconciliations of the non-GAAP measures to GAAP measures, can be found on page 21 of Steel & Tube's Interim Report that is available on the company's website.

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