



2020 ANNUAL SHAREHOLDERS' MEETING

1 October 2020

 **steel&tube**
STRONGER IN EVERYWAY

BOARD



Susan Paterson
Independent Chair
Appointed Jan 2017



Christopher Ellis
Independent Director,
Appointed Oct 2017



Steve Reindler
Independent Director
Appointed Oct 2017

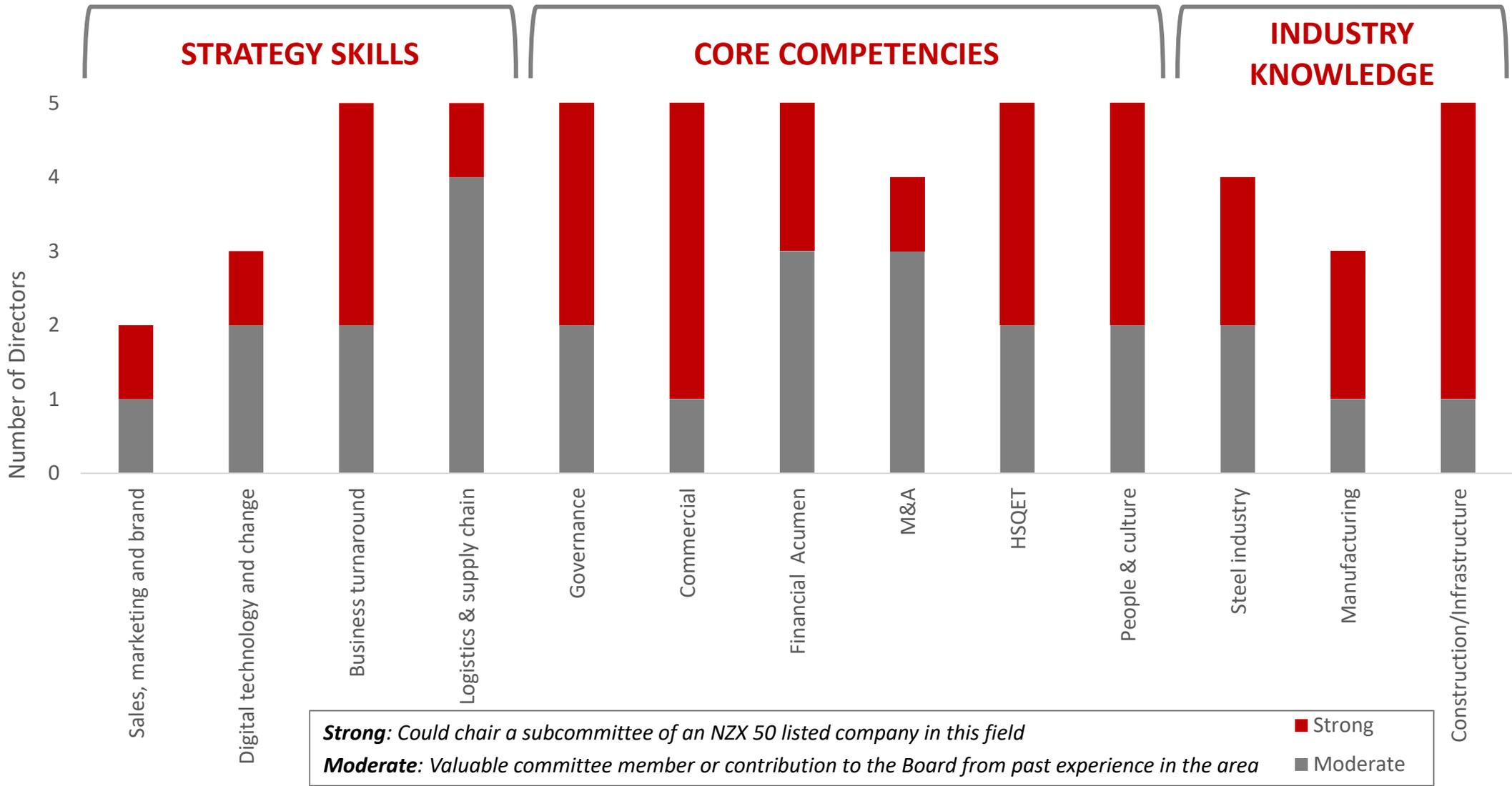


John Beveridge
Independent Director
Appointed August 2019



Anne Urlwin
Independent Director
Appointed June 2013
Retiring at today's ASM

BOARD SKILLS MATRIX



Strong: Could chair a subcommittee of an NZX 50 listed company in this field

Moderate: Valuable committee member or contribution to the Board from past experience in the area



**CHAIR'S
PRESENTATION**

FY17 TO FY20 STRATEGIC PROGRESS

Late-2017: Embarked on an extensive company-wide reset to drive long-term sustainable earnings improvement and rebuild shareholder value. Foundation now laid and moving forward.

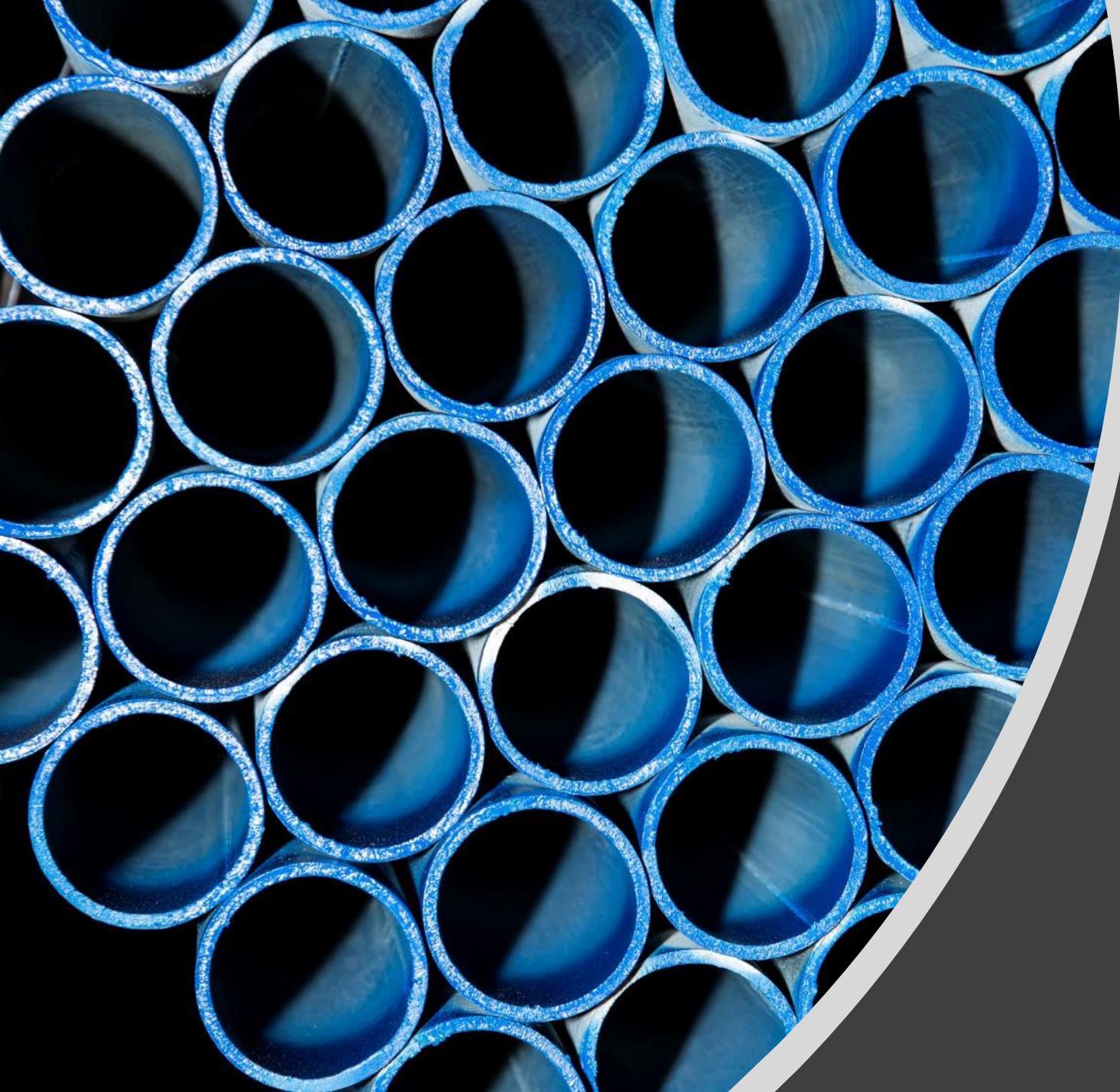


PRIORITIES IN RESPONSE TO THE COVID-19 PANDEMIC

- During L4 lockdown, all sites closed except where needed to supply essential services
- Implemented protocols to keep staff and customers safe
- Customers supported online and through safe business trading
- Contingency planning and financial modelling under various scenarios
- Development of contactless tracing system, shared with industry and customers
- Prudent approach to capital management including amendment of banking covenants
- All non-essential capital and operating spend cancelled or deferred
- Considerable COVID-19 impact on financial performance in March and April; sales recovered through May, since June have been trading close to prior year.

FY20 SNAPSHOT

- Challenging 1H20, with adverse market conditions impacting on sales revenue and volumes.
- Significant impact from COVID-19 on 2H20 results - offsetting some of the promising market improvements being seen.
- Acceleration of branch restructuring and digitisation in response to anticipated post COVID-19 market conditions.
- Result includes non-cash goodwill and other asset impairments as well as increased doubtful debts and a provision for backdated holiday pay obligations.
- Strong operating cash flows on the back of continued working capital discipline, with significant inventory reductions.
- Cash of \$17.4m at year end with borrowings reduced to \$10m, with further improvements since year-end.
- Cancellation of interim dividend and no FY20 final dividend declared.



IT'S GAME ON

We believe that we are stronger when we work together, with our team, our customers, our brands and our businesses.

We are moving forward with a clear strategy focused on making it easier and more efficient for our customers to do business with us; and driving better performance from our assets across the country.

POSITIONED FOR FUTURE GROWTH

Our four pillars are fundamental for our business and underpin all that we do.



COMMITMENT TO QUALITY, HEALTH AND SAFETY

- Occupational Health & Safety
- High quality products and services



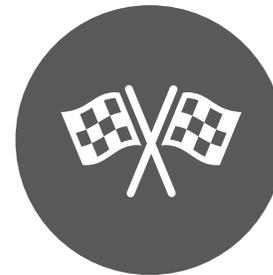
OPERATIONAL AND SUPPLY CHAIN EXCELLENCE

- Financial performance and corporate governance
- Material efficiency and recycling
- Energy and carbon use



PUTTING THE CUSTOMER AT THE HEART OF OUR BUSINESS

- Customer satisfaction
- Product life cycle performance
- Accelerating digital transition



SUPPORTING A WINNING TEAM

- Talent attraction and retention
- People development and labour practices
- Culture of wellbeing



CEO'S
PRESENTATION

MANAGEMENT TEAM

OPERATIONAL MANAGEMENT



Mark Malpass
Chief Executive Officer



Marc Hainen
GM Distribution



Mohammed Afroz
GM Roll Forming



David McGregor
GM Reinforcing & Wire

BUSINESS MANAGEMENT



Greg Smith
Chief Financial Officer



Anna Morris
GM People & Culture



Damian Miller
GM Quality, Health,
Safety, Environment



Mike Hendry
Chief Digital Officer

OUR BUSINESS - DIVISIONS

DISTRIBUTION

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



STEEL



RURAL PRODUCTS



PIPING SYSTEMS



FASTENINGS



CHAIN & RIGGING



STAINLESS STEEL



INFRASTRUCTURE

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

Roll-forming



ROOFING



COIL PROCESSING



PURLINS



COMFLOR®

REO / CFDL



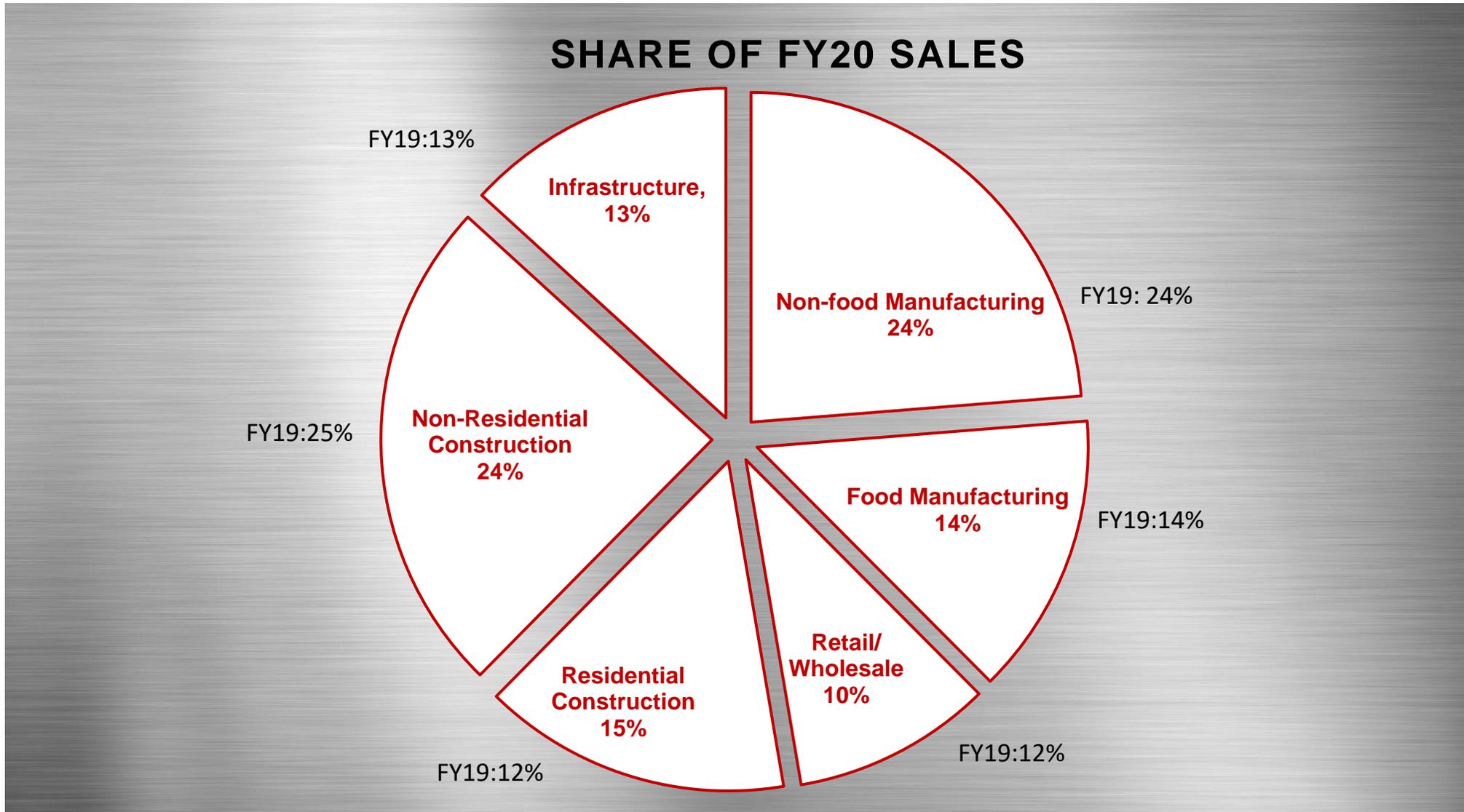
REINFORCING



CFDL

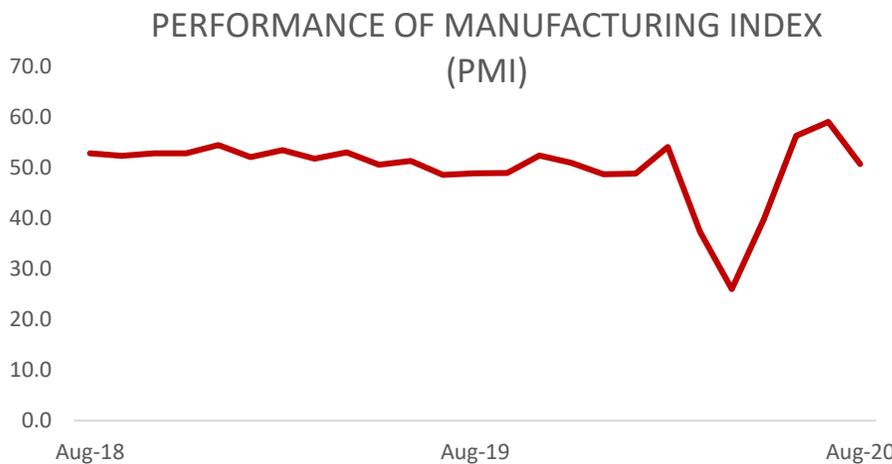
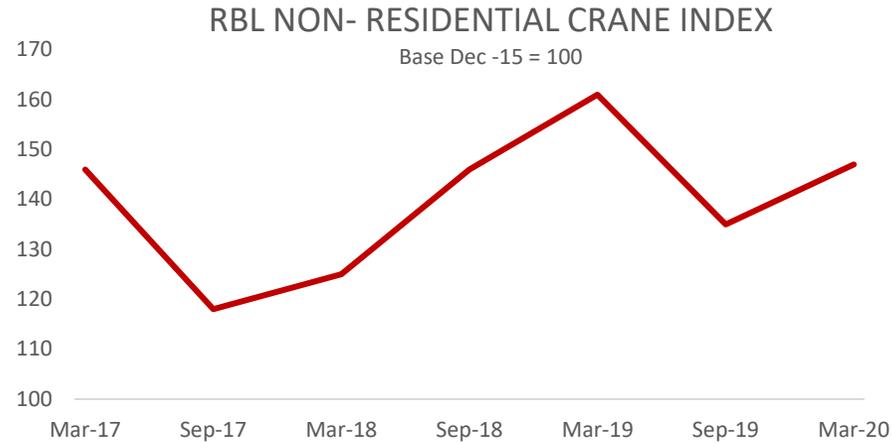
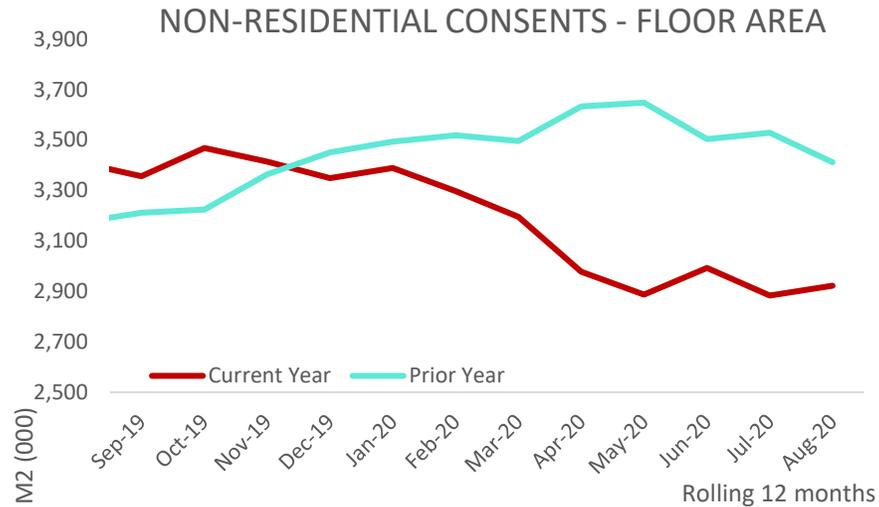


SECTOR EXPOSURE



MARKET CONDITIONS

Reduced vertical construction activity and softer stainless market impacted on revenues and margin



Source: Statistics New Zealand, RBL Crane Index, BNZ – BusinessNZ PMI

FY20 AT A GLANCE



Trading environment: Softening vertical construction sector and stainless sector activity, further impacted by COVID-19 in 2H20.

Key Initiatives: Ongoing investment into digital technologies, realigned organisation around the customer, increased cost efficiencies; benefits from disciplined inventory management; continuing network optimisation, continued focus on quality, health and safety.

Prudent capital management and further reduced borrowings: Agreed covenant waivers and revised covenants for FY21.

Secured significant amount of new work, strong recovery post COVID-19 lockdown

FY20 includes impact from adoption of new lease accounting standard (IFRS 16)

RESULTS IMPACTED BY TRADING CONDITIONS AND COVID-19	STRONG CASHFLOW GENERATION \$39.6M
REVENUE \$417.9M	NET CASH AT Y/E \$7.4M
NON-TRADING ADJUSTMENTS \$(58.1)M	NLAT \$(60.0)M
NORMALISED EBIT¹ \$0.4M \$(5.2)M PRE IFRS 16	INVENTORY REDUCED TO \$101M

1. Normalised EBIT excludes non-trading adjustments of \$58.1M, which includes non-cash goodwill impairment and other write-downs due to acceleration of branch network changes, business restructuring and digitisation and the impact of COVID-19.

STRATEGIC RESPONSE TO 'NEW NORMAL'

Expect a longer term downturn in economic activity as a result of global COVID-19 pandemic

ACTIONS TAKEN

- Accelerated organisation restructure to right size the business:
 - Network footprint reduced by 8 during the year with a further 3 more to consolidate/close in FY21
 - Workforce reduction of 150 to 200 (20% reduction on pre-COVID-19) by end 1H21
- Careful and prudent working capital management.
- Well positioned with a strong balance sheet and leaner cost structure.
- Accelerated investment in digital technology providing a critical platform and key point of difference for customers.
- Reset customer segmentation and ease of service model including customer centre and technical support.
- Moving forward with clear strategy for FY21 to FY23.

OUTCOMES

Reduction in labour cost in FY21 of approx. \$10m (annualised benefit \$12-13m).

FY20 restructuring, rationalisation and impairment costs of \$11.3m* (approx. 44% cash/56% non-cash).

**excludes \$46.1m impairment on intangibles and \$0.7m holiday pay provision*

NETWORK STRATEGY

Network consolidation programme coming to an end while maintaining a regional presence and increased product offering



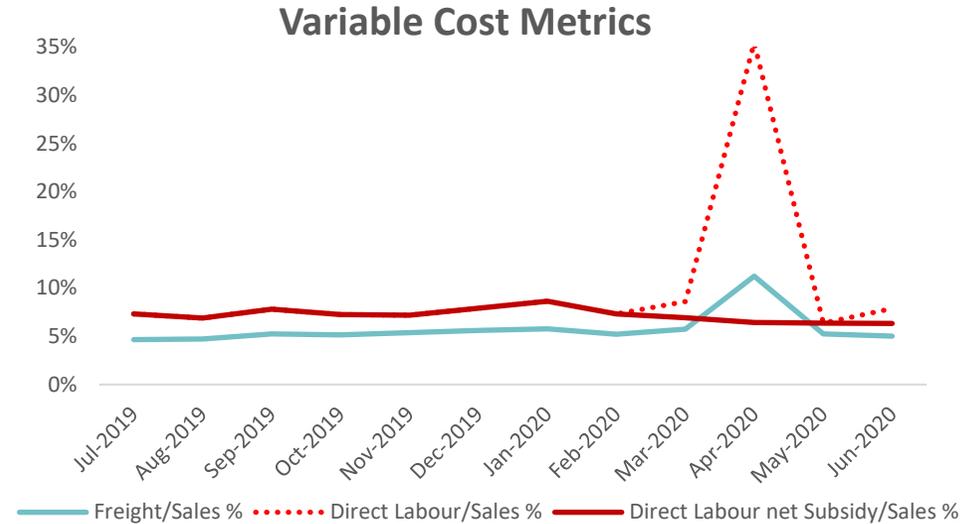
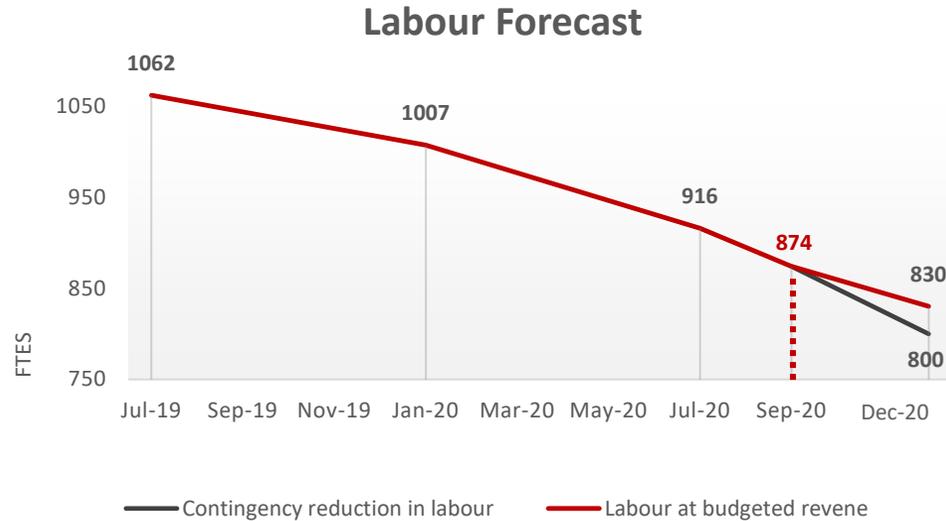
Annual Lease Cost (\$m)	\$18.4*	\$15.4	\$15.2**
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- 2017 includes sale & lease back of two properties with lease costs of \$3.5m per annum, partially offset by reduced interest costs of ~\$1.6m per annum.

**A further ~\$0.7m in lease cost savings could be achieved through securing sub-lease arrangements

BENEFITS FROM ORGANISATION RESTRUCTURING

Accelerated restructuring is well progressed and new ways of working, including Digital, are being implemented enabling a significantly lower cost base



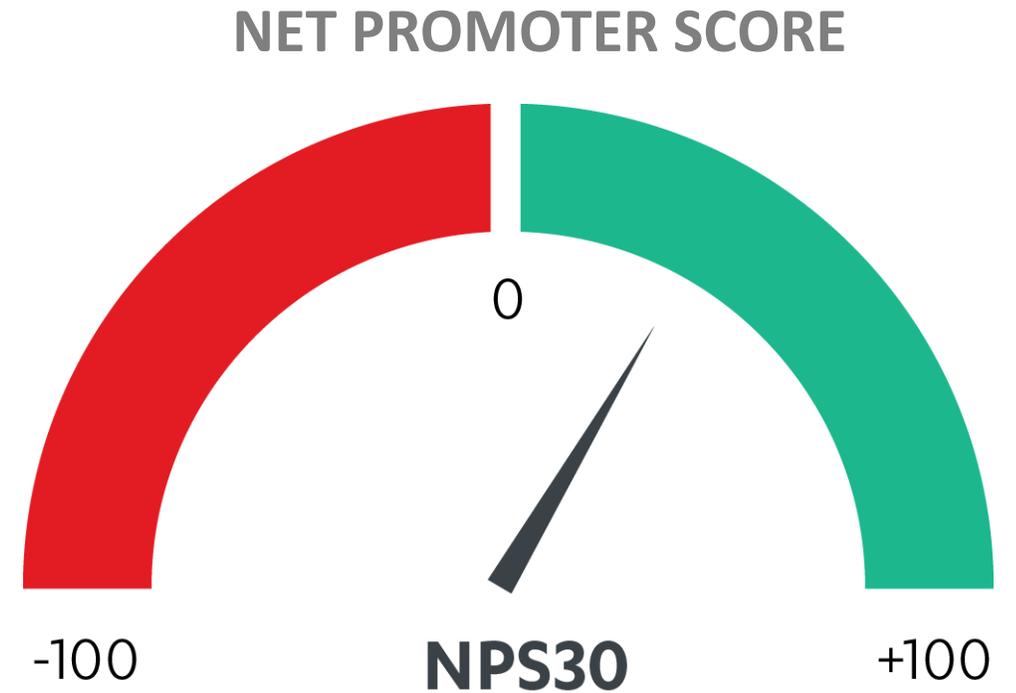
- FTE numbers have reduced to 874 as at 30 September
- FTEs expected to reduce to 830 by 31 December, with a further 30 pending sales levels

- Freight and direct labour costs have scaled in line with sales; initiatives continue to target efficiencies

ALIGNING OUR BUSINESS WITH OUR CUSTOMER



- Technology, digitisation and use of data are key enablers for our customer strategy
- Net promoter score measures customer satisfaction and has risen strongly since 2018
- Net Promoter Score of 30 as at end-August 2020



LEADING THE WAY IN DIGITAL TECHNOLOGIES



STANLEY CHATBOT

- AI Assisted personal assistant
- Answering hundreds of question every day, including about products, locations and hours of service

BIM-SPEC INFORMATION EXCHANGE

- Significant investment in BIM-spec technology, allowing for:
 - Faster detailing
 - Better estimating
 - Fewer errors
 - Customer collaboration

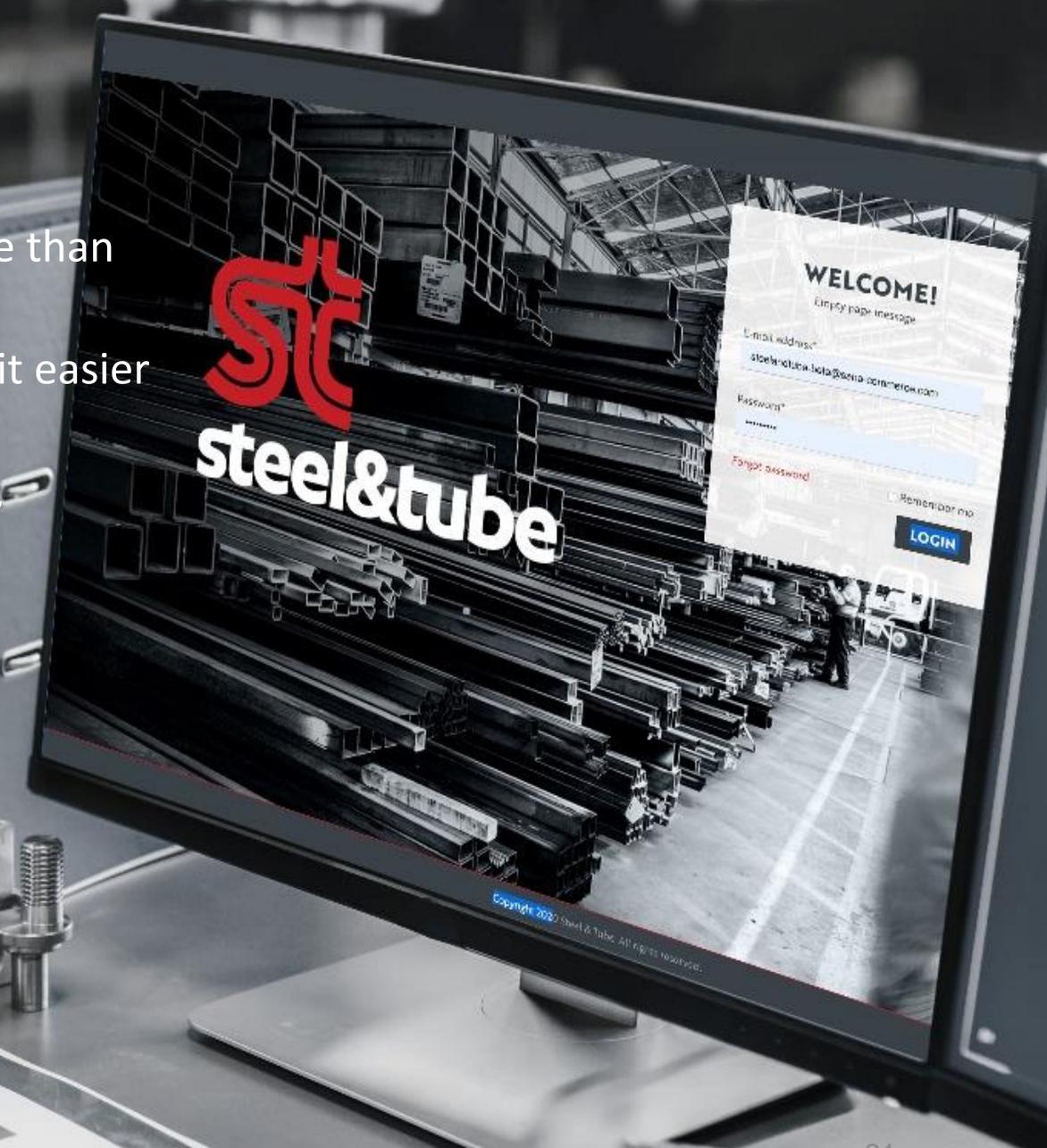


Introducing BIM-spec™

BIM-spec is Steel & Tube's new one stop portal for the AEC Industry hosting a range of CAD and technical content across various product categories.

WEBSHOPS

- Webshops for Steel & Tube and Fortress – more than 47,000 products available online
- Providing choice for our customers and making it easier for them to order and buy from Steel & Tube
- 24 x 7 access and self service for quotes, orders, shipments updates and invoices
- Strong demand from customers since launch



CUSTOMER EXPERIENCE STRATEGY

- Goals of our Customer Experience Strategy are:
 - Provide choice to our customers
 - Deliver more consistent sales and service interaction
 - Improve share of wallet with upsell/cross sell opportunities
 - Reduce the cost to serve.

DIGITAL ANALYTICS

- Use of rich data to understand our customers and optimise our sales and service performance
- Recently released advanced analytics platforms for Segmentation, Pricing and Product Traceability
- Focus on maximising margin opportunities, targeting resources and providing best in class quality and traceability capabilities for our customers.

OUR WINNING TEAM

We provide local jobs and employment, pay taxes which benefit the wider community and support work, training and mentoring programmes which assist students and our staff.

Celebrating Diversity

18 different ethnicities across our workforce

Increasing number of women across the business

Number of female reports to General Managers now at 36%

Improving Access and Upskilling

First Foundation Scholarships

Sector Workforce Engagement Programme

Wide range of skills training and development

Employee Engagement Survey

- Engagement Score 7.3 out of 10
- Top 5% in our industry for Caring Management Support
- Top 10% for Peer Relationships at work



COMMITMENT TO SAFETY AND QUALITY

All recordable injuries were investigated through the Dig Deeper process and opportunities were highlighted for improved process application and training.

EMPLOYEE TOTAL RECORDABLE INJURY FREQUENCY RATE (TRIFR)

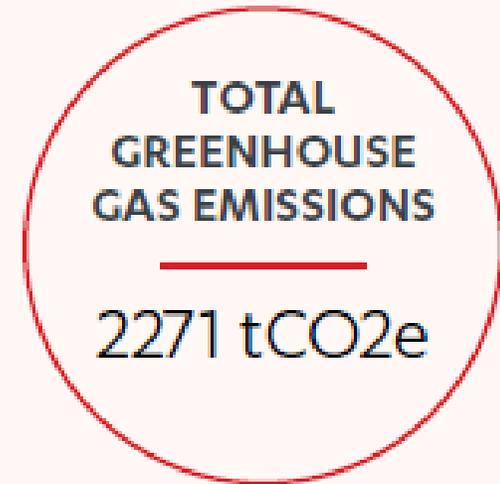
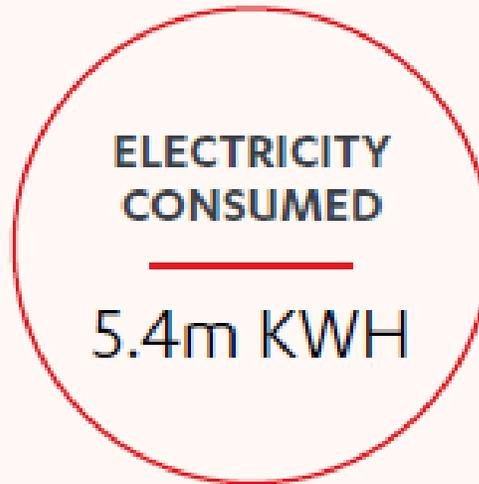
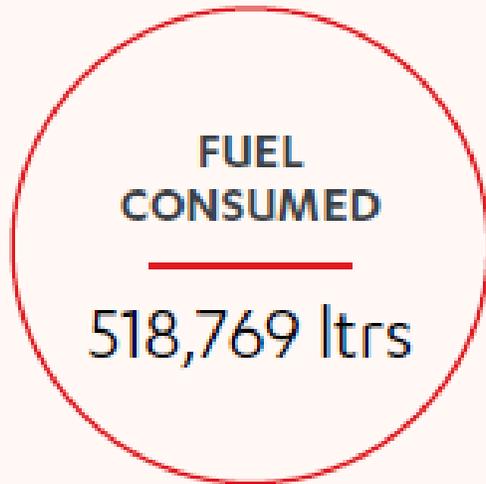


- Completed ISO 9001:2015 quality certification for majority of businesses and final businesses underway
- Lloyds Register has completed independent assessment of 19 of the mills we buy from since programme commenced in 2018
- Further enhancing our Fair Trading Act (FTA) compliance programme
- Introduced further traceability features
- Certified to the 'Steel Construction New Zealand - Structural Steel Distributor Charter Scheme'
- Member of the Sustainable Steel Council and moving towards certification
- Progressing certification for ISO 45001 (Occupational Safety and Health) and ISO 140001 (Environmental standards)

CREATING A SUSTAINABLE BUSINESS



- Flexible working arrangements – less commuting
- Initiatives to reduce steel wastage
- Benchmark measures now in place – developing action plan to reduce our carbon emissions.





MOVING FORWARD

IT'S GAME ON

MOVING FORWARD

OUR PURPOSE:

To make life easier for our customers needing steel product and service solutions.

OUR VISION:

To provide unparalleled customer service and experience.

OUR GOAL:

To position Steel & Tube as the best in the sector, the preferred choice for steel products and solutions and a trusted partner for our customers.



OUR STRATEGIC PATHWAYS



MAKING IT EASY

Delivering the information, expertise, purchasing options and communication channels that make it easy for our customers.

FULL SERVICE PROVIDER

Leveraging our breadth of expertise, quality products and strong brands to deliver a 'ground up' solution for our customers.

BETTER WAYS OF WORKING

Continually improving to ensure an efficient and effective operational platform, with strong operational discipline and excellent customer service.

INNOVATION AND DIGITISATION

Embracing new technology and continually innovating to deliver on our customer and partner strategies – and drive greater efficiency in our business.

ONE TEAM

Aligning our staff and our businesses behind a common purpose, investing in staff development, recognising and growing their talents and contributions and empowering them to add more customer value.

SECTOR OUTLOOK



Construction

- Residential market –\$24b, near-term demand strong, supported by tight supply, low mortgage rates, and strong first home and returning expat buyer interest.
- Non-residential market –\$8b, demand impacted by reducing consents and delayed projects. Central and local government funded projects to help offset reduction in commercial building construction in the medium term.
- Residential and non-residential construction outlook remains uncertain but expected to contract as pipeline thins in 2H.

Infrastructure

- Market of –\$9b is growing due to increased government funding, including “shovel ready” projects, noting the construction timing of projects are uncertain.

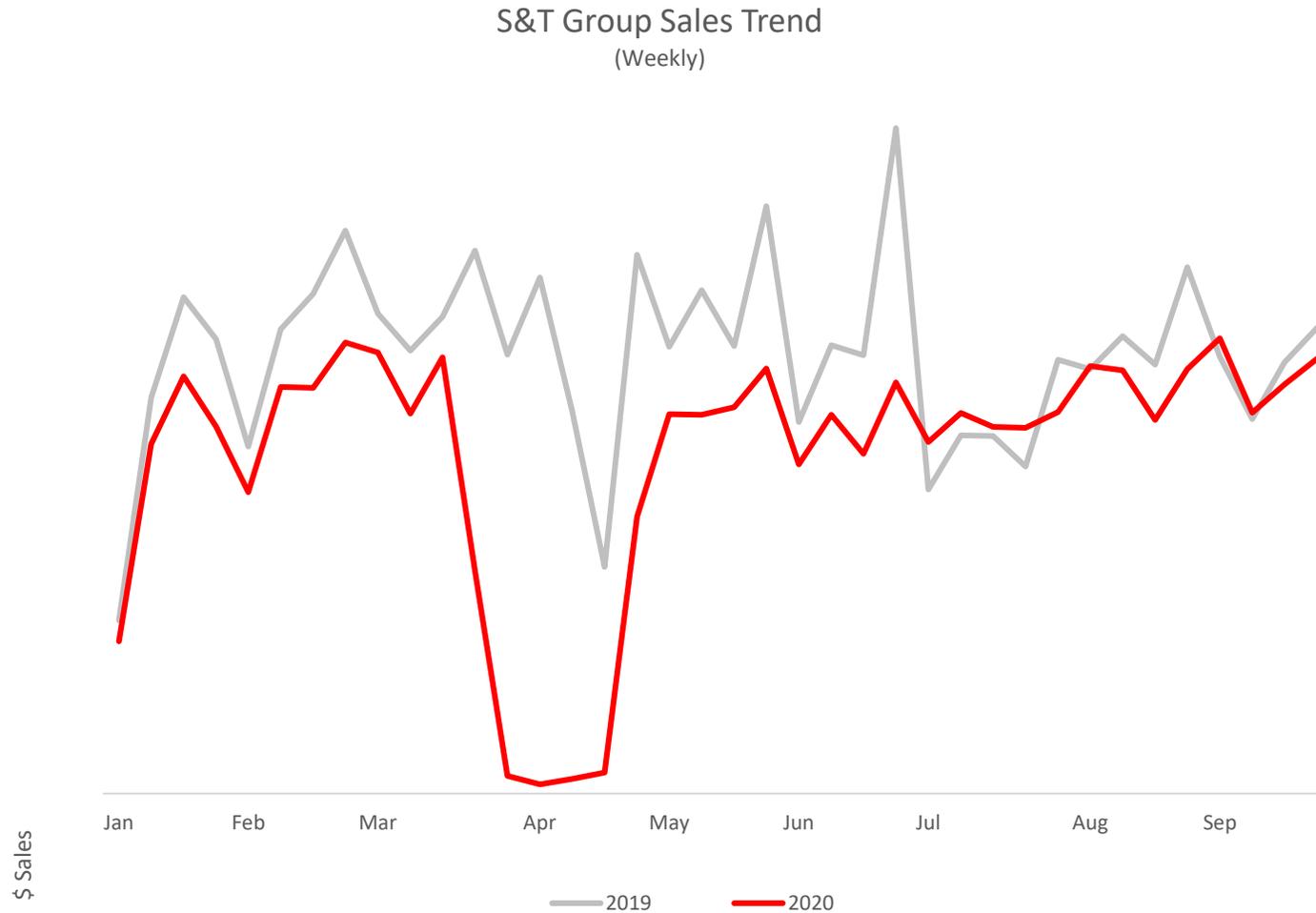
Manufacturing

- Food manufacturers and agriculture sectors are expected to fair better as necessities are in high demand locally and abroad.
- NZ’s focus on more resilient local supply chains and increased domestic manufacturing may help offset some of the export led decline.

Rural

- Changing dynamics with move from dairy conversion to maintenance programmes, climate change initiatives and other opportunities.

TRADING UPDATE



- Solid trading in July and Q1 FY21; stronger than initially anticipated.
- Construction activity continues to be impacted by softer vertical building activity, however we are seeing continued strength in residential activity, horizontal construction and civil works.
- Priority focus is on gross margin dollar management.

FY21 OUTLOOK

Our goal is to be the sector leader, the preferred choice for steel products and solutions and a trusted partner for our customers

- Post Level 4 shutdown, structural changes embedded.
- Moving ahead with clear strategic plan for next three years.
- Continue to take actions to streamline the business operating model while investing in the future.
- Well positioned with a strong balance sheet and leaner cost structure.
- Accelerating investment in digital technology providing a critical platform to ensure ease of doing business for our customers.
- Continuing slowdown in some areas with reduced business confidence post-COVID. Cautious approach to future economic environment, careful business stewardship required.
- No guidance for FY21 due to uncertain impacts of COVID-19 on trading.
- FY21 dividends will be considered in line with the Company's dividend policy.



**SHAREHOLDER
DISCUSSION**



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4

RESOLUTIONS

RESOLUTIONS



RESOLUTION 1: AUDITOR'S REMUNERATION:

That the Directors be authorised to fix the fees and expenses of PricewaterhouseCoopers as the Company's auditor.

RESOLUTION 2: RE-ELECTION OF CHRIS ELLIS

That Chris Ellis be re-elected as a Director of the Company.

RESOLUTION 3: RE-ELECTION OF STEVE REINDLER

That Steve Reindler be re-elected as a Director of the Company

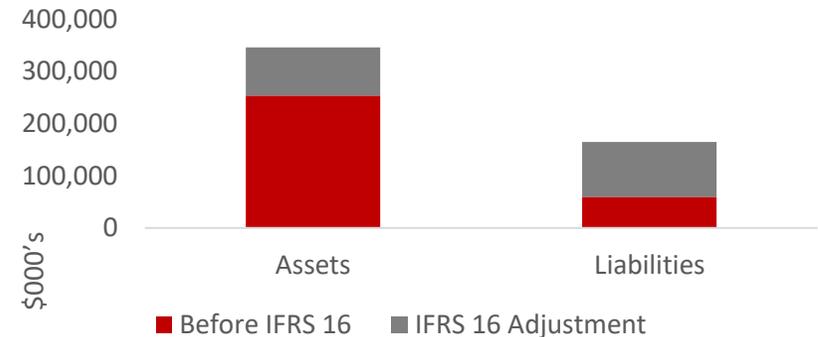


**OTHER BUSINESS
CLOSE OF MEETING**

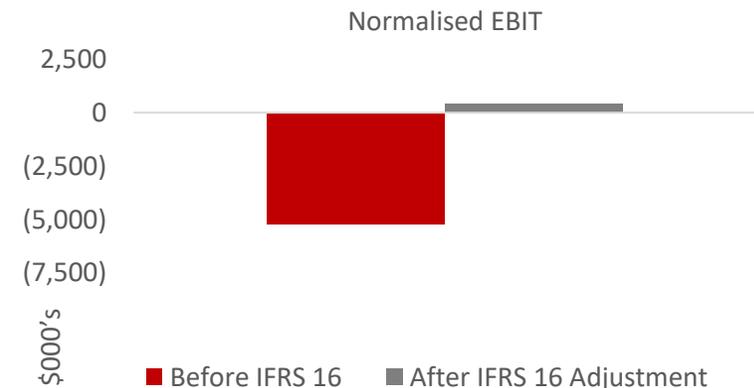
NZ IFRS 16 EFFECTIVE 1 JULY 2019

- Removes the distinction between operating and finance leases, with all leases now on balance sheet
- Resulted in a shift of operating lease costs, historically reported within other operating expenses, to interest and depreciation
- Impact on cash flows and net earnings over the lease term remains the same, however interest expense is higher in the earlier years of the lease and lower in later years
- Resulted in the recognition of “right of use” assets of \$105m and lease liabilities of \$121m upon adoption at 1 July 2019
- FY20 resulted in an increase to reported EBIT of \$1.3m and a decrease to reported NPAT of \$2.8m

BALANCE SHEET
AS AT 30 JUNE 2020



PROFIT & LOSS
AS AT 30 JUNE 20



NON-GAAP FINANCIAL INFORMATION

Non-GAAP financial information: Steel & Tube 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 Steel & Tube's business. 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.

Non-trading adjustments/Unusual transactions: The financial results for FY20 include a number of transactions, considered to be non-trading in either their nature or size. Unusual transactions can be as a result of specific events or circumstances or major acquisitions, disposals or divestments that are not expected to occur frequently. Excluding these transactions from normalised earnings can assist users in forming a view of the underlying performance of the Group. The following reconciliation is intended to assist readers to understand how the earnings reported in the Financial Statements for the years ended 30 June 2019 and 30 June 2020 reconcile to normalised earnings. Non-trading adjustments of \$58.1 million are included in the FY20 results.

RECONCILIATION OF GAAP TO NON GAAP MEASURES	FY20	FY19
Year ended 30 June 20		
\$000s		
GAAP: Earnings/Loss before interest and tax (EBIT)	(57,694)	16,795
<i>Add back unusual transactions/non-trading adjustments:</i>		
Goodwill impairment	37,071	-
Intangible Asset impairment	9,000	-
Right of Use Lease Asset impairment	4,298	-
Business restructuring costs	3,449	-
Site rationalisation execution costs	2,011	-
Property, Plant and Equipment Impairment	1,508	-
Holiday Pay provision	750	-
S & T Plastics EBIT (no longer contributing to trading EBIT)	-	(773)
Normalised EBIT post NZ IFRS 16	393	16,022
Impact of NZ IFRS 16	(5,638)	-
Normalised EBIT pre NZ IFRS 16	(5,245)	16,022

GLOSSARY OF TERMS

COVID-19: The Group's financial results for FY20 have been impacted by the alert level 4 shutdown and progressive return to work due to the pandemic. The Group has identified certain impairments, restructuring and site rationalisation costs that have arisen as a result of the strategic actions in response to COVID-19 (including the forecast economic recession) and that give rise to costs that would not otherwise have been incurred, as non-trading items in the FY20 results. The impact of lost revenues and Government wage subsidy are included in the Group's trading results for FY20.

EBIT: Earnings / (Loss) before the deduction of interest and tax. This is calculated as profit for the year before net interest costs and tax. FY20 EBIT was impacted by a number of non-trading adjustments totalling \$(58.1) million, as shown in the table above.

Normalised EBIT: This means EBIT excluding non-trading adjustments and unusual transactions.

NZIFRS 16 Leases: On 1 July 2019, the Group adopted NZIFRS 16 Leases accounting standard. This has resulted in the reclassification of operating lease expenditure to a combination of depreciation and financing costs. FY19 financial results have not been restated for the impact of this new standard and hence Management have provided both post and pre NZIFRS 16 results for FY20 to help with comparison of the results to FY19.

Working Capital: This means the net position after Current liabilities are deducted from Current assets. The major individual components of Working capital for the Group are Inventories, Trade and other receivables and Trade and other payables. How the Group manages these has an impact on operating cash flow and borrowings.

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