17 December 2020

STU / NZX ANNOUNCEMENT

STEEL & TUBE TRADING UPDATE AND HALF YEAR FORECAST

- Steel & Tube reports solid trading for the five months in the FY21 financial year to date.
- Revenue is tracking close to prior comparative period (pcp), with EBIT[1] ahead of pcp reflecting cost reduction initiatives and gains from sub-leasing property.
- For the six months ending 31 December 2020, Steel & Tube expects to report normalised EBIT (post NZ IFRS-16) of between $6.5 - $7.5m, up from the prior year normalised EBIT of $5.7m[2].
- Cash position remains strong with cash of approximately $24m as at the end of November 2020 (up from $7m net cash at 30 June 2020) with zero debt.

Steel & Tube Holdings Limited (NZX: STU) has provided an update on its performance to end-November 2020, reporting trading above that expected since coming out of the March COVID-19 level 4 lockdown.

The positive performance reflects growing market demand driven in part by the busy residential and infrastructure sectors, which have provided some balance to a softening non-residential construction sector.

Chief Executive Officer of Steel & Tube, Mark Malpass, said: “COVID-19 has made for a difficult year, however, we are pleased with our progress in the year to date. We have seen positive signs of economic activity with a number of new projects and longer-term contracts secured. We remain focussed on optimising customer service and continuing to achieve further structural cost savings.

“We are executing on our key strategic initiatives which is improving focus and delivering structural efficiencies. Our strong balance sheet and a growing digital platform provide us with greater resilience to navigate through these uncertain times.”

Revenue for the first five months of the FY21 financial year to date (to end-November 2020) is tracking slightly lower than for the same period last year and pleasingly November revenue was back in line with the prior year.

Earnings Before Interest and Tax (EBIT) is ahead of the prior comparative period, as the company realises benefits from cost reduction initiatives and gains from sub-leasing properties.

For the half year ending 31 December 2020, based on trading to date and after adjusting for the gain on the sale of the Gisborne property and lease asset impairment reversals, Steel & Tube expects to report normalised EBIT (post NZ IFRS-16) of between $6.5 - $7.5m, up from the prior year normalised EBIT of $5.7m.

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[1] Post NZ IFRS 16

[2] Normalised EBIT excludes non trading adjustments and unusual transactions including gain/losses on property, impairments and restructuring costs. Steel & Tube believes that excluding these transactions from normalised earnings can assist users in forming a view of the underlying performance of the Group.

The improved earnings coupled with ongoing working capital discipline has enabled Steel & Tube to deliver robust operating cashflows. At the end of November 2020, the Group held cash of approximately $24m (up from $7m net cash at 30 June 2020) with zero debt.

Some working capital impact is expected in December to support seasonal inventory holdings, however the Group expects to report a strong cash position for the half year ending 31 December 2020. Steel & Tube is also negotiating the sale of its remaining property as part of its property divestment programme.

While the Board remains cautious on the outlook for 2H21, Steel & Tube has secured a solid pipeline of project work and is well positioned to continue its current performance trends. To date the current supply chain and port congestion difficulties have not significantly impacted the business but this remains an ongoing focus.

The vision of a digitally-enabled business is well on track, with approximately 3,000 customers registered on the webstores and this is expected to grow further over the remainder of FY21. Net Promoter Scores, which are a measure of customer satisfaction, are continuing to improve as management focus on improving service delivery and fulfilment, technical support and sales and brand marketing initiatives.

ENDS

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