15 December 2021

STU / NZX ANNOUNCEMENT

UPGRADE TO HALF YEAR GUIDANCE ON THE BACK OF POSITIVE TRADING MOMENTUM

Steel & Tube Holdings Limited (NZX: STU) has upgraded its earnings guidance for the six months to 31 December 2021 (1H22), on the back of continued strong trading across the Group.

Earnings Before Interest and Tax (EBIT) is now expected to be between $20m and $22m (Normalised 1H21 $7.6m), with Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) of between $30m and $32m (Normalised 1H21 $16.8m)[1].

$m	1H FY22 Guidance[1]	1H FY21 Normalised
EBIT	$20m-$22m	$7.6m
EBITDA	$30m-$32m	$16.8m

The upgrade follows a continuation of strong trading across the Group driven by volume growth in target segments and positive market conditions, gross margin disciplines and a continued reduction in percentage operating costs.

For the first five months of the financial year to the end of November, Group revenue increased 22% over the prior comparative period (PCP). Volumes were up 11% on PCP.

Steel & Tube's Distribution Division has performed well with revenue 35% ahead of PCP. The Infrastructure Division also grew on the same period last year, although was more heavily impacted by the August/September 2021 Covid-19 lockdown as Auckland manufacturing operations were not permitted during Alert Level 4, other than approval for Roofing for a two-week period prior to the move to Alert Level 3.

	Products	Sales 5MYTD FY22 vs PCP	Volume 5MYTD FY22 vs PCP
Distribution	Products sourced from preferred steel mills and distributed through Steel & Tube's national network	35%	16%
Infrastructure	Products processed before sale, typically on a contract or project basis, including onsite installation services	5%	4%
STU Total	**All products**	**22%**	**11%**

[1] Guidance is subject to any impact of the recent IFRS Interpretations Committee agenda decision on Software as a Service (SaaS); and excludes the release of a $0.85m provision following the decision on the Metro Performance Glass Limited Holidays Act Court of Appeal case.

Steel & Tube CEO, Mark Malpass, commented: "Since our last update, positive trading momentum has continued, and demand growth has been solid. Our key focus has been to maintain availability and high levels of service for our loyal customers while navigating global supply chain constraints, a higher pricing environment and Covid-19 restrictions.

"We have carefully invested in high demand inventory using our strong 30 June 2021 cash position which we expect to rebuild in the second half of the financial year as deferred income during the lockdowns is fully recovered. We have a strong pipeline of secured work in place across the country and market conditions are expected to remain positive for at least the medium term."

The Company is not providing guidance for the second half of the financial year at this stage, given the ongoing uncertainty surrounding Covid-19 impacts. The Company notes that there are seven (6%) less trading days in the second half of the financial year.

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