

STEEL & TUBE FY22 HALF YEAR RESULTS

Steel & Tube Reports Record Six Month Revenue and Earnings

Steel & Tube Holdings Limited has reported its unaudited interim results for the six months to 31 December 2021, with record half year revenue and earnings driven by strong sector demand, our focus on customer service, operational performance and disciplined supply chain management.

- Revenue of \$282.2m, up 25% on prior comparative period (pcp), with strong trading pre and post the Covid-19 lockdown in August and September 2021
- EBITDA of \$31.9m, up 87.3% on pcp
- EBIT of \$22.6m, up 166% on pcp
- Net profit after tax of \$14.3m, up 253% on 1H21
- Interim dividend of 5.5 cents per share (1H21: 1.2cps).

\$m	1H22	1H21	Change
Revenue	282.2	226.3	↑
EBITDA	31.9	17.0	↑
Normalised EBITDA*	31.8	16.8	↑
EBIT	22.6	8.5	↑
Normalised EBIT*	22.5	8.3	↑
NPAT	14.3	4.1	↑
Net cash	1.2	23.9	↓
Total dividends (CPS)	5.5	1.2	↑

* 1H22 and 1H21 Normalised EBITDA and Normalised EBIT have been adjusted to exclude non-trading adjustments. Further details included in appendix to the Investor Presentation.

CEO Mark Malpass commented: “Steel & Tube has traded well during the period, delivering solid volume and sales growth and margin improvements, while continuing to invest into the business, our workforce and growth opportunities. The priority over the last six months has been on maintaining availability of critical products and high levels of service for customers while navigating global steel mill and supply chain constraints, a higher pricing environment and Covid-19 restrictions. I’d like to acknowledge the efforts of our team who continue to deliver day in and day out for our customers and shareholders during these challenging times.

“The strong foundation built over the last few years has resulted in a concentrated focus on our customers, coupled with a structurally lower cost base and improved margin disciplines. Cost savings have now been embedded with cost increases in the first half of the financial year limited to salary and wage inflation and incentive accruals, resulting in operating costs as a percentage of sales continuing to decline. We have been disciplined in our focus on customers and product mix, targeting products and sectors that have allowed us to improve our overall margins.

“Supply dynamics have been tight - steel mill customers continue to be on allocations, lead times have increased both locally and offshore, and there have been significant cost price escalations. Steel & Tube has utilised its cash position to increase stock levels of high demand items and ensure availability for customers. Using data analytics, our experienced team has been able to hold inventory unit turns in line with previous periods (excluding goods in transit). Careful planning and strong partnerships with shipping and freight

forwarding suppliers has helped manage long lead times and increased costs.”

Capital expenditure has been reduced to depreciation levels during the Covid-19 period. Increased investment is expected in 2H22 as the company expands and builds into new and existing growth sectors and continues to build out its digital strategy.

Business scorecard measures - safety, customer satisfaction, employee engagement and greenhouse gas emissions - continue to show improvement.

The Board is pleased to declare an unimputed interim dividend of 5.5 cents per share.

Outlook

The strong demand for steel is expected to continue. Commercial building and manufacturing sectors are both expanding, and infrastructure is benefitting from Government investment and spending, while the current residential activity is expected to be maintained in the short term. No significant change in sector headwinds (supply chain, labour, supplier costs) is anticipated in the next six months.

Omicron is expected to escalate over the next few weeks and cause disruption for a number of months. A vaccination mandate has now been implemented and careful planning has been undertaken to minimise the risks to its employees, customers and supply chains. The company is also registered as a critical service as part of the close contact exemption scheme.

The focus for the second half of the financial year remains on continued gross margin dollar improvement, investing in growth areas and leveraging Steel & Tube’s digital platform. The company has a long pipeline of secured contract work and is well positioned to take advantage of identified opportunities in a range of sectors. A sizeable investment has been made in new plate processing equipment to build share in this higher margin sector, along with further investment in steel framed housing processing equipment. We are also pursuing new product growth opportunities.

Steel & Tube has completed a significant turnaround and is focussing on capturing growth opportunities. Subject to the impact of Omicron, Steel & Tube anticipates continued earnings momentum and dividends in the second half, which has eight less trading days (6%) than the first half.

Results Call

The company is hosting an Investor and Analyst Call today at 10am to discuss the half year result. Access details for the call can be viewed here <https://www.nzx.com/announcements/386020>.

ENDS

For media or investor enquiries, please contact: Jackie Ellis Tel: +64 27 246 2505 or email: jackie@ellisandco.co.nz

For further information please contact:

Mark Malpass
Steel & Tube CEO
Tel: +64 27 777 0327

Email: mark.malpass@steelandtube.co.nz

Richard Smyth
Steel & Tube CFO
Tel: +64 21 646 822

Email: richard.smyth@steelandtube.co.nz