

## STEEL & TUBE ANNOUNCES \$80.9 MILLION CAPITAL RAISING

- Steel & Tube is recapitalising its balance sheet to allow it to execute its business transformation initiatives and achieve its longer term strategic objectives.
- The company is raising NZ\$80.9 million via a \$20.8 million Placement at \$1.15 per share followed by a fully underwritten pro rata 1 for 1.9 Rights Offer at NZ\$1.05 per share.
- A bookbuild will be undertaken at the end of the Offer period for any shortfall; shareholders not taking up their rights may receive value for their rights through this process.
- FY18 results are expected to be slightly ahead of guidance with an EBIT loss of approximately (\$36.2) million compared to (\$38.0) million and normalised EBIT<sup>1</sup> of \$16.5 million, compared to \$16.0 million announced in the 23 May 2018 guidance statement.
- Given the capital raising, a final FY18 dividend will not be paid. Dividends are expected to be resumed in FY19 consistent with Steel & Tube's stated policy of paying 60-80% of normalised NPAT.
- FY19 EBIT guidance is of at least \$25.0 million, with normalised EBIT of \$35 million to \$40 million expected to be achieved in the next three years.

Steel & Tube Holdings Limited (NZX: STU) advises that it intends to raise approximately \$80.9 million to recapitalise its balance sheet and allow it to execute its business transformation initiatives and achieve its longer term strategic objectives.

The capital will be raised by way of a \$20.8 million Placement to selected institutions and other eligible persons at \$1.15 per share followed by a fully underwritten pro rata 1 for 1.9 Rights Offer at NZ\$1.05 per share and a shortfall bookbuild.

Chair of Steel & Tube, Susan Paterson, said: "We remain deeply committed to rebuilding Steel & Tube as a leading provider of steel products and solutions in New Zealand. We have worked hard to address legacy issues and early benefits from 'Project Strive' business transformation initiatives are now being seen.

"The capital raised will be used to repay debt, strengthening our balance sheet and giving us greater flexibility to execute our strategy and deliver better value for our shareholders. In addition, we expect the capital raising to strengthen Steel & Tube's share register and help create liquidity which will benefit all shareholders."

The capital raising will significantly reduce Steel & Tube's gearing and the company is resetting its capital structure policy to operate with net debt of less than 2.0x normalised EBITDA. While no final dividend will be paid for FY18, the company expects to resume dividend payments in FY19 consistent with its stated policy of paying 60-80% of normalised NPAT.

Reflecting their commitment to Steel & Tube and confidence in the strategic direction of the company, Directors holding shares and the CEO intend to take up their Rights under this Offer.

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<sup>1</sup> Operating earnings is Earnings Before Interest and Tax (EBIT). FY18 normalised operating earnings is EBIT excluding non-trading adjustments of \$53.8m and a \$1.1m benefit from reduced software amortisation costs due to the ERP implementation delay.

## Resetting and Strengthening the Business

Steel & Tube is one of New Zealand's largest providers of steel products and solutions, with the most comprehensive range of processed steel in the country. Its two business divisions – Distribution and Infrastructure - operate across the construction, manufacturing and rural sectors.

The company's goal is to be the leader in buying, selling, processing and placing steel products in New Zealand.

Four strategic drivers have been identified as part of Steel & Tube's 'Project Strive' business transformation programme, which will help it achieve this goal:

- Commitment to safety and quality
- Putting the customer at the heart of our business
- Operational and supply chain excellence
- Supporting a winning team

In late calendar 2017 and following a refresh of Steel & Tube's Board and Management, Steel & Tube embarked on an extensive company-wide programme to drive long-term sustainable earnings improvement. As part of this process, a detailed review was undertaken and a number of legacy issues were discovered, materially impacting Steel & Tube's FY18 expected earnings, as communicated to the market on 23 May 2018.

These legacy issues have been addressed and improvements from actions taken in recent months are now being seen. In particular, the improving sales trend seen in the last three months of FY18 has continued into the current financial year. Management are pleased to have resolved the issues surrounding the implementation of the new ERP system and to have materially strengthened Steel & Tube's quality function which is currently progressing ISO 9001:2015 quality certification across the company.

### FY18 Guidance Confirmed

Steel & Tube can confirm, based on unaudited management accounts, that it expects to achieve FY18 results slightly ahead of guidance, with normalised operating earnings (EBIT) of \$16.5 million, which excludes \$53.8 million of non-trading costs and impairments and a \$1.1 million benefit from reduced software amortisation costs due to the delay in implementing the new ERP system. Including these items, EBIT is expected to be a loss of approximately \$(36.2) million, a \$1.8 million uplift on the previous guidance. The company will release its audited FY18 results on 31 August 2018.

Steel & Tube is making significant progress on its Project Strive business transformation initiatives which will have a positive benefit in the current financial year. The company has provided EBIT guidance for FY19 of at least \$25.0 million and expects to achieve a normalised EBIT of \$35 million to \$40 million in the next three years.

### Rights Offer and Bookbuild

Under the Rights Offer, eligible shareholders are entitled (but not obliged) to subscribe for 1 new share for every 1.9 existing shares held as at 5.00pm on the record date of 15 August 2018, at an issue price of \$1.05

per new share. This represents a 28.1% discount to the closing share price on the NZX on 6 August 2018 and a 18.3% discount to the theoretical ex-rights price (TERP) of \$1.28 per share, post the Placement and the Rights Offer, based on the pre-announcement close of \$1.46. Any entitlements that are not taken up by eligible shareholders and entitlements of ineligible shareholders will be offered for sale in the shortfall bookbuild. Eligible retail shareholders will have the opportunity to participate in this bookbuild alongside institutional investors.

Full details of the Offer will be sent to eligible shareholders. Available information on the Offer, including the Investor Presentation lodged today, are available on Steel & Tube's website <https://steelandtube.co.nz/investor/presentations> or on the NZX at <https://www.nzx.com/companies/STU>.

### Key dates

The record date for determining entitlements to participate in the Rights Offer is 5.00pm on 15 August 2018.

Other key dates (which are subject to change) are as follows:

- Announcement and trading halt while placement conducted: 7 August 2018
- Placement completed and trading halt lifted: 8 August 2018
- Record date for rights issue: 5.00pm on 15 August 2018
- Despatch of Rights Offer to Shareholders: 16 August 2018
- Opening Date of Rights Offer: 17 August 2018
- Closing Date of Rights Offer: 5.00pm on 3 September 2018
- Shortfall Bookbuild: 5 September 2018
- Allotment Date: 7 September 2018
- Payment of any premium achieved in the Bookbuild: By 11 September 2018

For questions about this Offer, shareholders should consult their broker, solicitor, accountant, financial adviser, or other professional adviser.

Steel & Tube has appointed First NZ Capital Securities Limited as lead manager of the capital raising, with the Offer fully underwritten by First NZ Capital Group Limited. Chapman Tripp has provided legal advice.

ENDS

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