



# Steel & Tube Equity Raise Investor Presentation

7 August 2018

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## Financial information

All dollar values are in New Zealand dollars unless otherwise stated. This presentation includes unaudited management accounts for Steel & Tube for its financial year ended 30 June 2018. As such, this presentation should be read in conjunction with, and subject to, the explanations and views of future outlook on market conditions, earnings and activities given in the announcements relating to the results for the year ended 30 June 2017, the six months ended 31 December 2017 and any relevant market announcement released since the six month results were released on 23 February 2018.

FY18P as included is taken from management accounts and, accordingly, is not audited and has not been reviewed by Steel & Tube's external auditors. Following the audit process, FY18P figures in the presentation may change. Steel & Tube expects to release its audited financial statements for FY18 on 31 August 2018.

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## Non-GAAP financial information

Steel & Tube uses several non-GAAP measures when discussing financial performance. These include Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA), normalised EBITDA, Earnings Before Interest and Tax (EBIT) and normalised EBIT. Management believes that these measures provide useful information on the underlying performance of Steel & Tube's business. Non-GAAP financial measures should not be viewed in isolation nor considered as a substitute for measures reported in accordance with NZ IFRS.





# OVERVIEW OF STEEL & TUBE

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# Presenting today...



**Mark Malpass**

**CEO**

- *Previous experience:*
  - *Chief Executive of Fletcher Building's largest division, Infrastructure Products, which included transforming cement, concrete and steel businesses*
  - *ExxonMobil Corporation for over 19 years in NZ and overseas, roles included Managing Director Mobil NZ*
- *Appointed as an Independent Director in March 2017*
- *Stepped down from the board to become interim CEO in September 2017, and appointed full-time CEO in February 2018*



**Greg Smith**

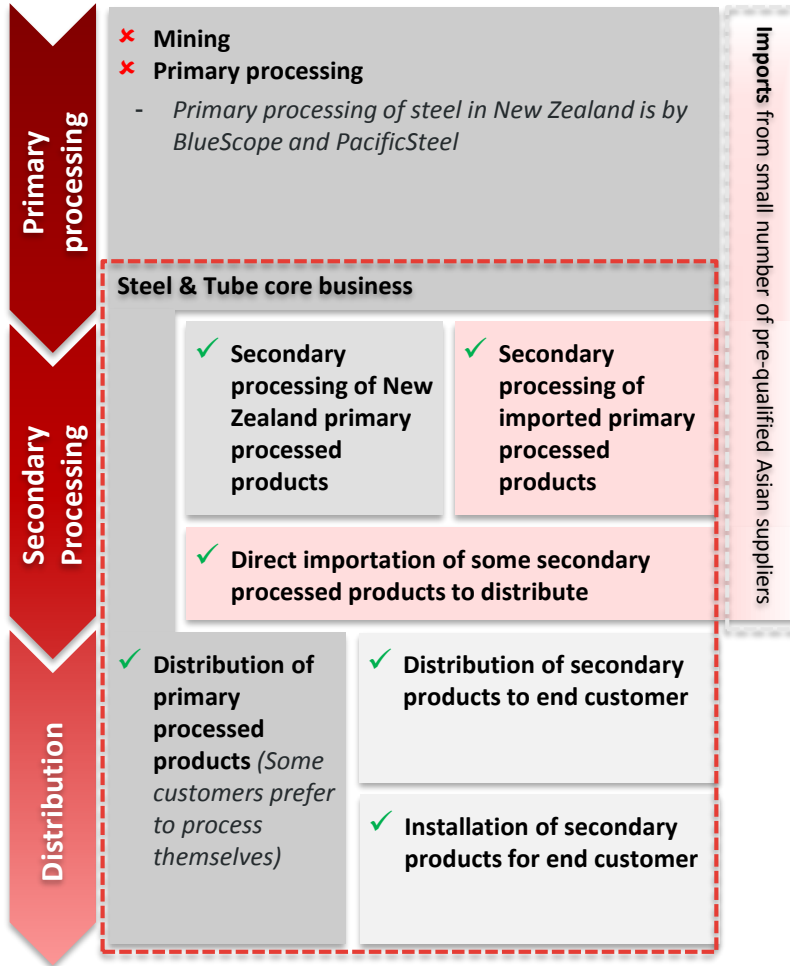
**CFO AND COMPANY SECRETARY**

- *Previous experience:*
  - *Financial and senior level leadership experience across the telco, dairy, electricity and infrastructure sectors*
  - *CFO for Wellington Electricity Lines and International Infrastructure Services since 2011*
  - *Held senior finance role with Opus International Consultants*
  - *Senior member of KPMG's audit practice*
- *Joined Steel & Tube in October 2017*

# Processing and distributing New Zealand's most comprehensive range of processed steel

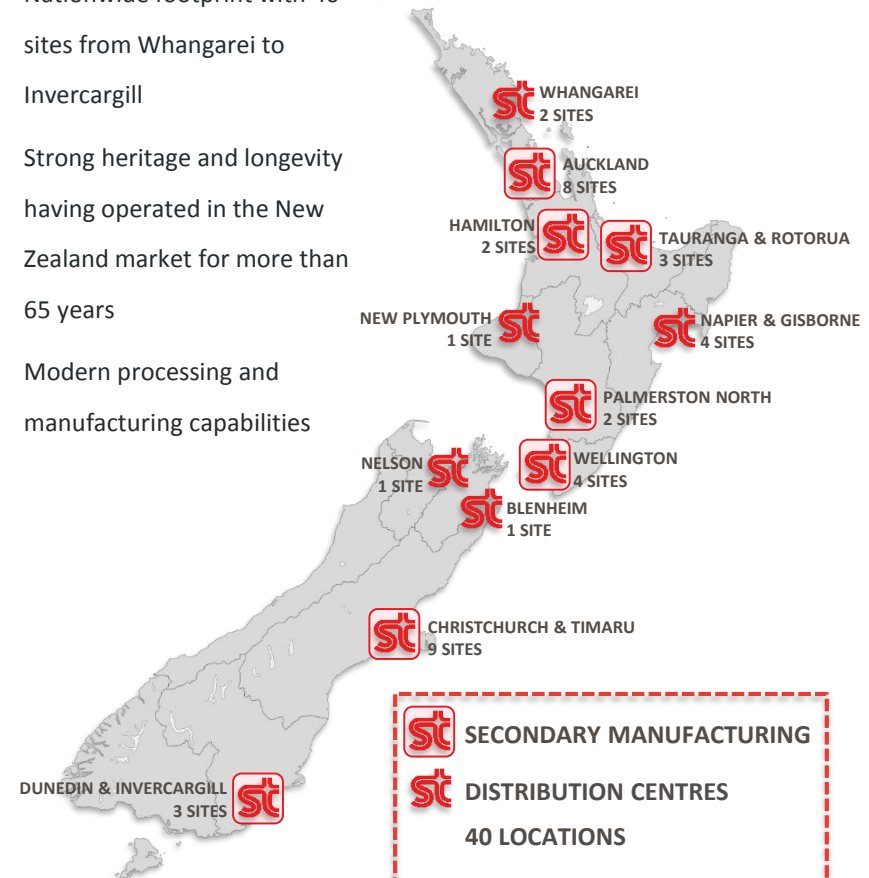


## Value chain position



## Steel & Tube locations

- Nationwide footprint with 40 sites from Whangarei to Invercargill
- Strong heritage and longevity having operated in the New Zealand market for more than 65 years
- Modern processing and manufacturing capabilities



**SECONDARY MANUFACTURING**

**DISTRIBUTION CENTRES**

**40 LOCATIONS**

**15,000+ CUSTOMERS**

**~1,000 STAFF**

# Strong industry fundamentals

## Steel & Tube's exposure is well balanced across construction, manufacturing and rural sectors

### Construction

- Steel & Tube is exposed to Infrastructure, Commercial (non-residential) and Residential Construction
- Construction expected to drive demand for reinforcing, piping and structural steel

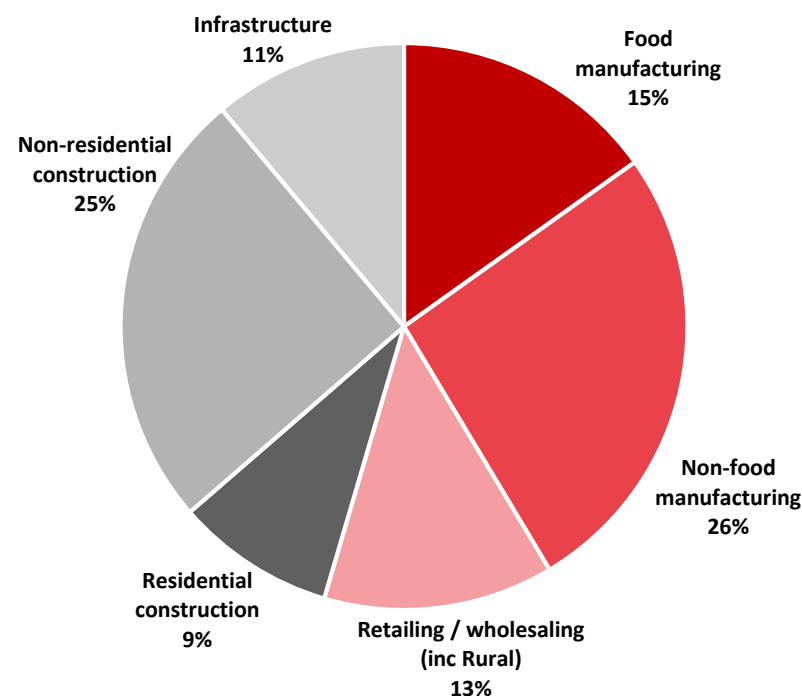
### Manufacturing

- Steel & Tube is also exposed to the manufacturing sector
- Growth expected to drive demand for plates, coils, sections and fasteners

### Rural sector

- Driving demand for stainless steels

Steel & Tube Group Sector Exposure 2018



*Sales data, based on March YTD figures*

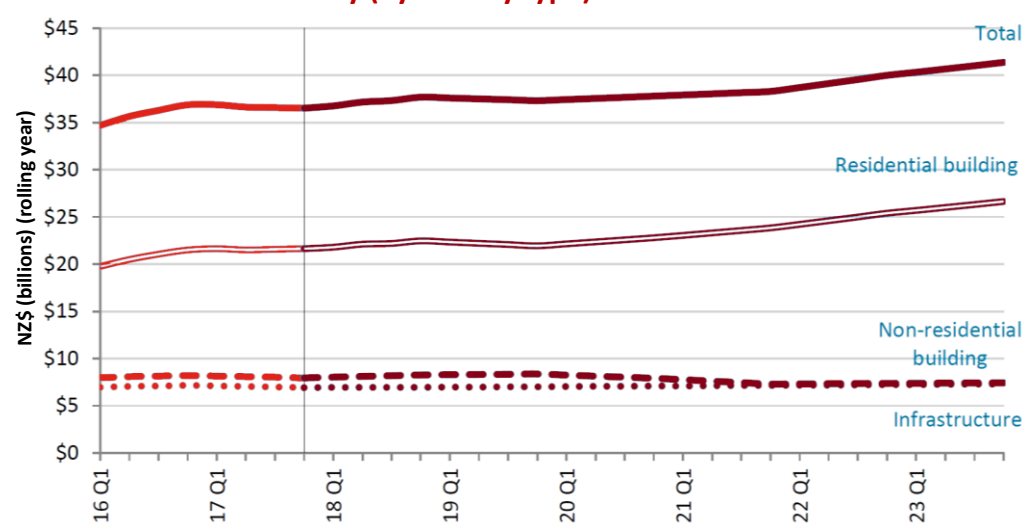
# Construction fundamentals remain supportive

## The 2018 National Construction Pipeline report forecast indicates a smoothing of the boom bust cycle<sup>(1)</sup>

### Forecast is for strong long-term growth:

- For the first time in the history of the National Construction Pipeline report, the national forecast does not predict a construction peak during the forecast period
- Instead the 2018 forecast is for consistent building and construction activity in the next few years with stronger growth expected toward the end of the forecast period

### All construction nationally (by activity type)<sup>(2)</sup>



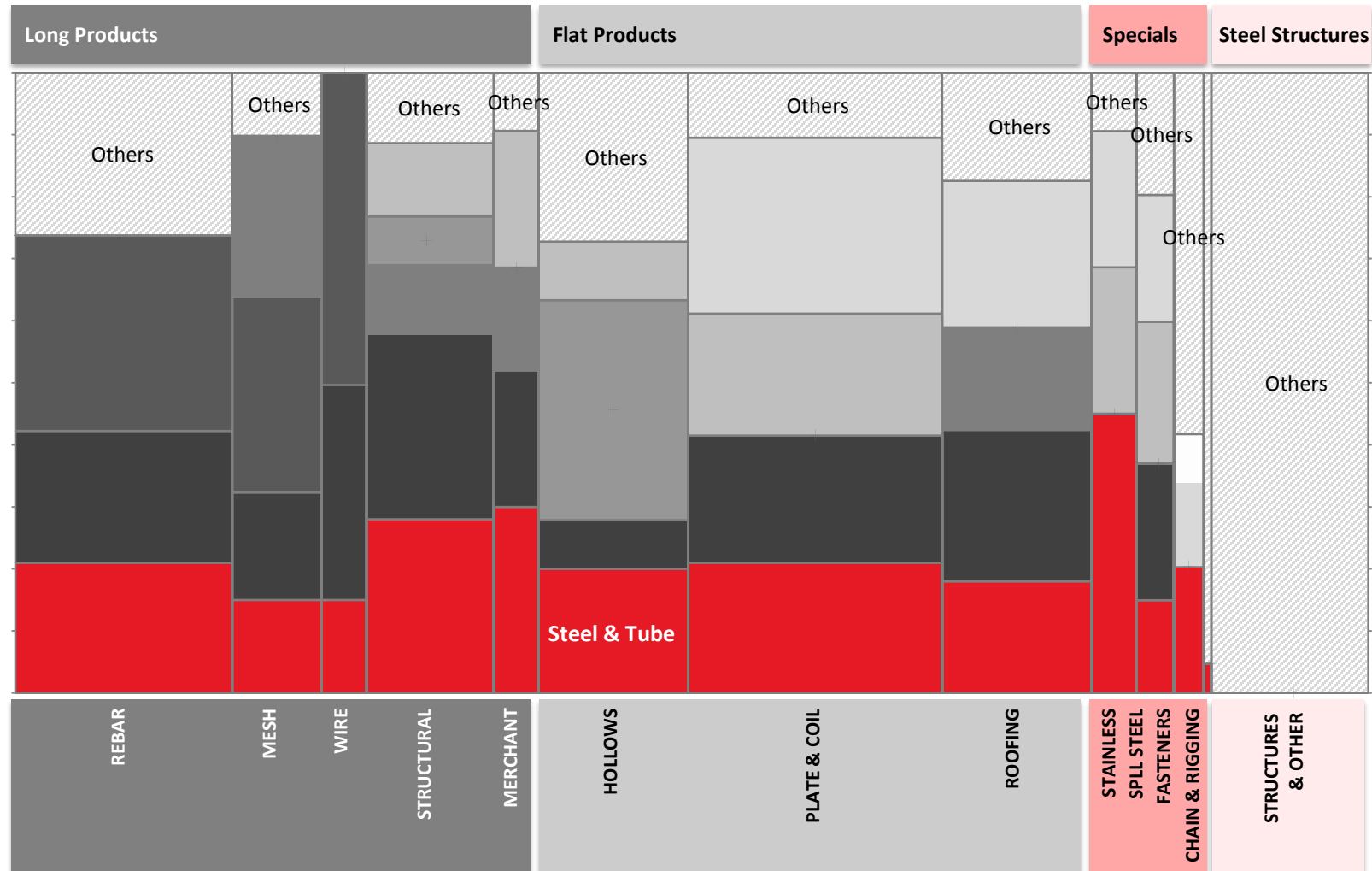
- Total construction is expected to grow steadily to a forecast high of \$41.4 billion in 2023
- Residential building value is expected to hold steady in the next few years before increasing to a forecast high at \$26.6 billion in 2023
- Dwelling consents are expected to increase year-on-year to a forecast high at 43,100 in 2023
- Non-residential building value is expected to peak at \$8.4 billion in 2019
- Infrastructure is forecast to remain relatively unchanged, increasing marginally to \$7.3 billion in 2023



# Estimated market share by volume<sup>(1)</sup>



**Well invested footprint, leading supplier in all segments, acquisitions have provided access to higher value segments**





# Overview of key business units



## Distribution

- Products are sourced from preferred steel mills and distributed through Steel & Tube's national network of branches
- FY18P<sup>(2)</sup>:**
  - ~55% of revenue



### STEEL

Comprehensive range of structural steel, bar and plate products, and hollow steel sections to meet the requirements of demanding new building designs



### PIPING SYSTEMS

Pipes, valves and fittings for New Zealand's petrochemical, power generation, mining, irrigation, fire protection, building services, water and wastewater industries



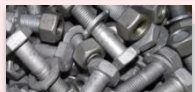
### CHAIN & RIGGING

High-quality lifting, loading and lashing equipment, services and solutions. Also offers design, testing and certification services to ensure safety and compliance



### RURAL PRODUCTS

Manufacturer and distributor of reinforcing, fencing, wire, gates and nail products for use in primary industries and rural construction sector



### FASTENINGS

Diverse range of metal fastening solutions for construction, manufacturing, general engineering and fabrication sectors



### STAINLESS STEEL

Stainless steel products, including coil, sheet, plate, pipe, hygienic tube and associated fittings as well as a variety of structural bar, handrail and architectural products

## Infrastructure<sup>(1)</sup>

- Products are processed before sale and typically on a contract or project basis, including onsite installation services
- FY18P<sup>(2)</sup>:**
  - ~45% of revenue



### ROOFING

Manufacturer and supplier of profile metal roofing, cladding and rainwater products to provide a range of roofing thicknesses, materials and finishes



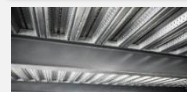
### COIL PROCESSING

Galvanised, aluminised, enamelled and Colorsteel sheet/coil solutions for the manufacturing, construction, steel framing and sheetmetal sectors



### PURLINS

HST Steel Purlins, Girts and Tophats are high strength lipped profile sections which are supplied punched and cut to a specified length as required



### COMFLOR®

ComFlor® is the new generation in composite steel floor decking systems



### REINFORCING

Fabricated reinforcing steel meshes, bars, ties, piles, beams and columns for the building and construction industry, as well as engineered reinforcing solutions



### CFDL

Market leading technical expertise in installation of floor decking systems and sole distributor of S&T Comflor® in NZ



Roll-forming






REO / CFDL

1) Excludes S&T Plastics which Steel & Tube plans to exit following its strategic review.

2) FY18P is based on management accounts and accordingly are unaudited and have not been reviewed by Steel & Tube's auditors.

# Strong board with extensive, relevant experience



		Subset of skills matrix			
	Industry and Governance Experience	Executive in sector experience	Audit / Risk	IT	Prior listed company experience
<b>Susan Paterson</b>  <b>Chair and Independent Director</b>	<ul style="list-style-type: none"> <li>Professional director since 1996</li> <li>Worked in Steel Sector at Fletcher Challenge, as General Manager of Wiremakers</li> <li>Current boards include Theta Systems (Chair), Sky TV, Goodman NZ, Arvida, Les Mills NZ, the Electricity Authority and the Tertiary Education Commission; previously on board of Abano Healthcare, Transpower, Ports of Auckland and Airways (Chair)</li> </ul>	✓	✓	✓	✓
<b>Steve Reindler</b>  <b>Independent Director</b>	<ul style="list-style-type: none"> <li>Engineering background in large-scale infrastructure and heavy industry manufacturing</li> <li>Previous executive roles at NZ Steel and Auckland Intl. Airport</li> <li>Current boards include Meridian Energy, Broome Intl. Airport, Z Energy, WorkSafe, Waste Disposal Services, Yachting NZ, LUAGRJF GP Limited<sup>(1)</sup>; previously on the Board of Naylor Love</li> </ul>	✓	✓		✓
<b>Anne Urlwin</b>  <b>Independent Director</b>	<ul style="list-style-type: none"> <li>Chartered Accountant, business consultant and professional director (Steel &amp; Tube since June 2013)</li> <li>Current boards include Chorus, Southern Earthquake Services, Summerset Group, OnePath Life NZ, City Rail Link and Tilt Renewables; previously on board of Naylor Love (Chair), Meridian Energy, Airways Corp. and NZ Blood Service (Chair)</li> </ul>		✓	✓	✓
<b>Chris Ellis</b>  <b>Independent Director</b>	<ul style="list-style-type: none"> <li>Extensive experience in the manufacturing, heavy construction and engineering sectors as CEO of Brightwater Group and of Fletcher Building's Building Products Division</li> <li>Current boards include Hiway Group (Chair), WorkSafe, Horizon Energy, Steelpipe Limited and the NZTA; previously Chair of Energy Works Holdings</li> </ul>	✓			
<b>Rosemary Warnock</b>  <b>Independent Director</b>	<ul style="list-style-type: none"> <li>Senior leadership experience with the BP Group including as CEO of Castrol Asia Pacific and founding Partner of Adelante Group; provider of executive leadership development services</li> <li>Current boards include Adelante Group, The Buttery and former Chair of the Thinc Group (global consultants in major capital works); previously director of Arrium (in administration)</li> </ul>	✓			✓

1) LUAGRJF GP Limited is 61.3% owned by Lincoln University and 38.7% owned by AgResearch Limited



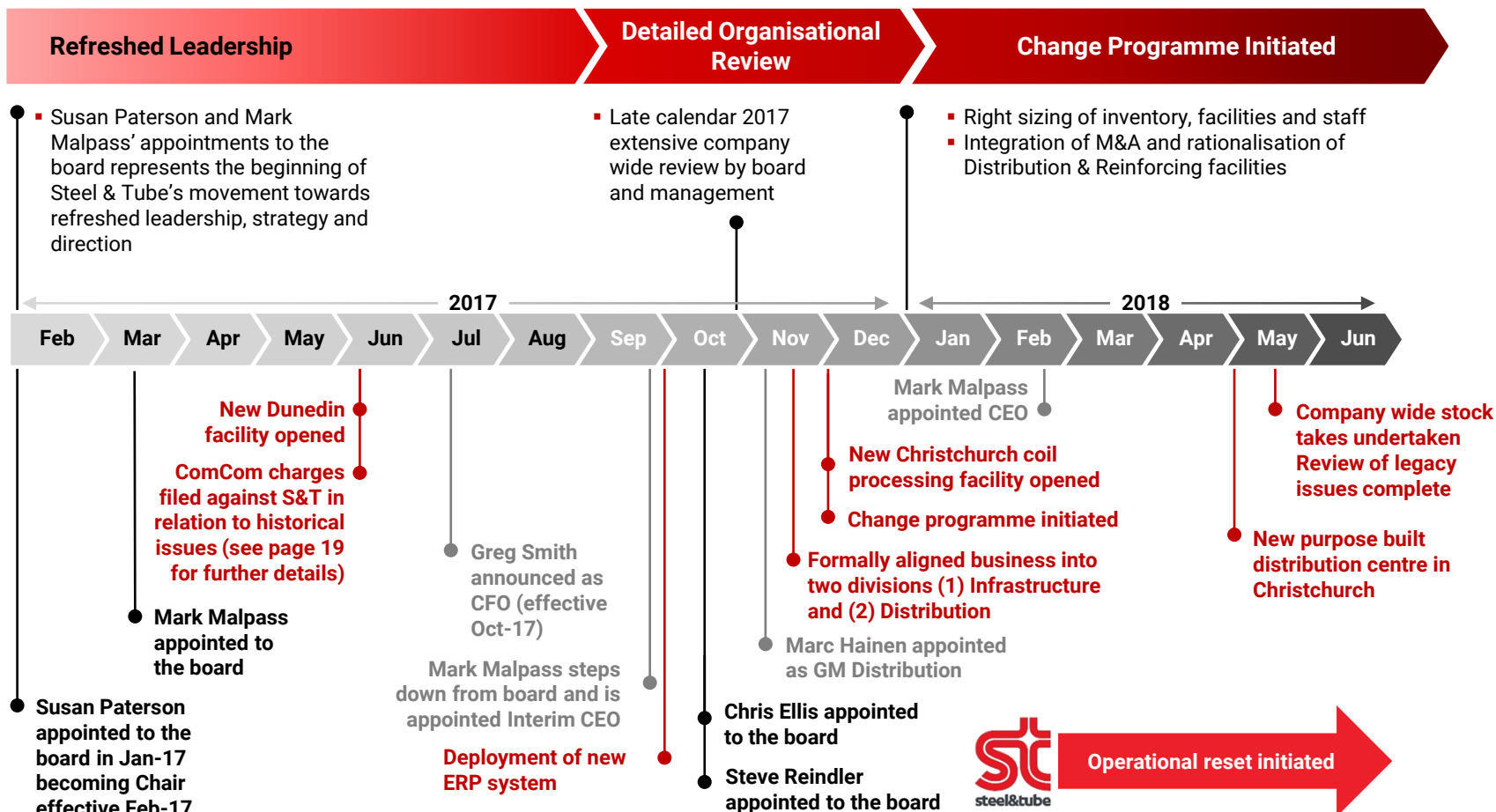
# OPERATIONAL REVIEW AND REFRESH

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# Operational review and refresh



**In late calendar 2017 Steel & Tube embarked on an extensive company wide reset to drive long-term sustainable earnings improvement**





# Legacy issues identified and resolved

## The detailed organisational review uncovered a number of legacy issues, materially impacting FY18 earnings

	FY18P EBIT Impact <sup>(1)</sup>	Description
<b>Inventory write-downs</b>	\$(24.0)m	<ul style="list-style-type: none"> <li>▪ New ERP increased visibility of inventory management</li> <li>▪ Extensive stock takes confirmed extent of aged / obsolete inventory</li> <li>▪ Aged inventory value adjustments of \$15.3m and stock take write-offs of \$8.7m</li> </ul>
<b>Exit from S&amp;T plastics and associated impairment</b>	\$(10.9)m	<ul style="list-style-type: none"> <li>▪ Downturn in irrigation market and further capex requirements identified</li> <li>▪ Sale of asset deemed to be best solution for shareholders</li> </ul>
<b>Impairment of intangible assets and ERP system</b>	\$(12.1)m	<ul style="list-style-type: none"> <li>▪ Review of carrying value of intangible assets identified need for impairment</li> <li>▪ Partial write-down of investment in ERP system</li> </ul>
<b>Rationalisation of Distribution and Reinforcing</b>	\$(2.7)m	<ul style="list-style-type: none"> <li>▪ Costs incurred to rationalise property footprint to remove unnecessary duplication, lower operating costs and improve customer service</li> <li>▪ Costs incurred to rationalise and re-organise manufacturing operations and delivery logistics to improve efficiency</li> <li>▪ Independent reviews of operating structure to streamline and improve operations</li> </ul>
<b>Organisational restructuring</b>	\$(3.3)m	<ul style="list-style-type: none"> <li>▪ Improving capabilities, removing duplication and inefficiencies</li> <li>▪ Capturing synergies from acquisitions</li> </ul>
<b>Other</b>	\$(0.8)m	<ul style="list-style-type: none"> <li>▪ Includes increased doubtful debts and contract disputes provisions following detailed review, offset by net gain on sale of properties and settlement of acquisition earn-out payments</li> </ul>
<b>Total</b>	<b>\$(53.8)m</b>	

**As a direct result of the write-downs and impairments, Steel & Tube breached a banking covenant – a waiver was subsequently obtained on 29 June 2018**

1) FY18P is based on management accounts and accordingly are unaudited and have not been reviewed by Steel & Tube's auditors.

# Steel & Tube's strategy for profitable growth

**Strategic Goal: To be the leader in buying, selling, processing and placing steel products in New Zealand**

## 1 Commitment to safety and quality

- Focus on ensuring a safe and healthy work environment for all
- Commitment to ensuring product quality
- Emphasis on quality processes
- Focus on continual improvement

## 2 Put the Customer at the heart of our business

- Organise the business around our customers
- Deliver products and solutions to meet our customers' needs
- Deliver on time and on spec
- Leverage technology to improve sales effectiveness and lower cost to serve

## 3 Operational and supply chain excellence

- Leverage our procurement and supply chain scale
- Improve inventory management
- Increase production capacity and site productivity
- Consolidate and remove duplication

## 4 Supporting a winning team

- Focus on development of strong leaders
- Ensure everyone in the organisation matters
- Recognise personal and team contributions
- Provide a rewarding workplace for all

# Project Strive










**Steel & Tube is progressing its Project Strive business transformation initiatives. Improvements will benefit FY19 performance**

	FY18	FY19	FY20	FY21	Key Value Drivers
<b>Commitment to safety and quality</b>	<div>Group-wide update to ISO 9001:2015</div> <div>Third party audits of steel mills</div> <div>Traceability enhancements including barcode scanning</div>				<ul style="list-style-type: none"> <li>Disciplined company-wide practices</li> <li>Customer promise</li> <li>Reputation</li> </ul>
<b>Put the Customer at the heart of our business</b>	<div>Sales account alignment, management and sales excellence programme</div> <div>Product investment growth</div> <div>Product investment growth</div> <div>Customer loyalty and value growth</div> <div>Call centre activation</div> <div>Ecommerce and digital platforms</div>				<ul style="list-style-type: none"> <li>Sales disciplines</li> <li>CFDL / C&amp;R new products</li> <li>Point of difference</li> </ul>
<b>Operational and supply chain excellence</b>	<div>Supply Chain improvements</div> <div>Operational excellence and efficiency</div> <div>Freight efficiencies</div> <div>Facility footprint consolidations</div> <div>Leverage procurement scale</div>				<ul style="list-style-type: none"> <li>Pricing &amp; margin growth</li> <li>Inventory practices</li> <li>Operational excellence (Roofing &amp; Reinforcing)</li> <li>Freight route &amp; recoveries</li> <li>Acquisition integrations / external warehousing</li> <li>Steel purchasing</li> </ul>
<b>Supporting a winning team</b>	<div>Ongoing employee engagement development programme</div> <div>Providing a rewarding workplace</div>				<ul style="list-style-type: none"> <li>Retain &amp; attract talent</li> </ul>

# Strong management team focussed on execution



Role	Industry and Governance Experience	Role	Industry and Governance Experience
<b>Mark Malpass</b> CEO  <p>MBA, BE MECH HONS, NZCE</p>	<b>Greg Smith</b> CFO and Company Secretary  <p>BCA, CA</p>	<b>Marc Hainen</b> General Manager Distribution  <p>BBUS, PGDIPBUS</p>	<ul style="list-style-type: none"> <li>Joined Steel &amp; Tube in November 2017</li> <li>Previous experience:                             <ul style="list-style-type: none"> <li>Background in sales, marketing, management, operations, logistics and supply chain</li> <li>Numerous management and leadership roles in New Zealand Australia and UK</li> <li>Multiple roles leading various divisions within Fletcher Building – played an instrumental role in transforming the steel distribution and reinforcing businesses</li> </ul> </li> </ul>
<b>Miki Cooke</b> National Supply Chain Manager  <p>BCOM, MM</p>	<ul style="list-style-type: none"> <li>Joined Steel &amp; Tube in May 2017</li> <li>Previous experience:                             <ul style="list-style-type: none"> <li>Over 25 years' experience specialising in Procurement for a number of multi-national companies based in New Zealand and Australia across multiple industries</li> <li>She has also played an active role in the supply chain industry, serving as President of APICS NSW and a director of APICS Australia</li> </ul> </li> </ul>	<b>Steve Kubala</b> General Manager Roll Forming 	<ul style="list-style-type: none"> <li>First joined Steel &amp; Tube with purchase of Cable Price Steel in 1989, subsequently leaving to join Mico Wakefield in 1995 and then returning to Steel &amp; Tube in 2007</li> <li>Previous experience:                             <ul style="list-style-type: none"> <li>Numerous senior managerial roles across Steel &amp; Tube including Integration Manager, GM of Steel &amp; Tube Stainless</li> </ul> </li> </ul>
<b>Dave Clegg</b> General Manager People & Culture  <p>MBA</p>	<ul style="list-style-type: none"> <li>Joined Steel &amp; Tube in June 2010</li> <li>Previous experience:                             <ul style="list-style-type: none"> <li>Over 25 years' experience in human resources management</li> <li>Consulting to Contact Energy as GM Human Resources and as change manager for a major enterprise transformation project</li> </ul> </li> </ul>	<b>Damian Miller</b> Quality Manager 	<ul style="list-style-type: none"> <li>Joined Steel &amp; Tube in mid 2016</li> <li>20+ years International experience in North/ South America, South East Asia, Africa and Europe</li> <li>Previous experience:                             <ul style="list-style-type: none"> <li>Executive roles in Quality Assurance and Quality, Health, Safety and the Environment</li> </ul> </li> </ul>





# Impact of initiatives

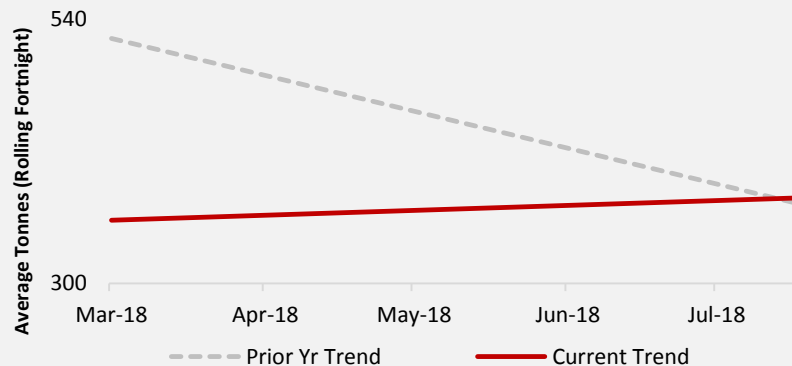


**Steel & Tube has begun to see positive results from the implementation of its change program – specifically increasing both volumes and sales**

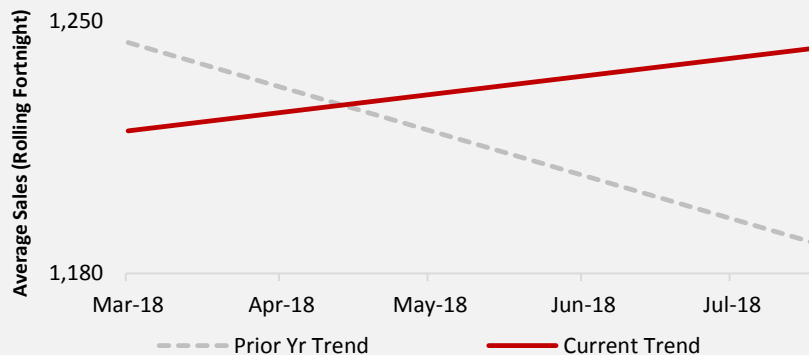
## Distribution

Distribution (combined Heritage Distribution, Stainless and Fasteners)

Distribution volumes (tonnes)



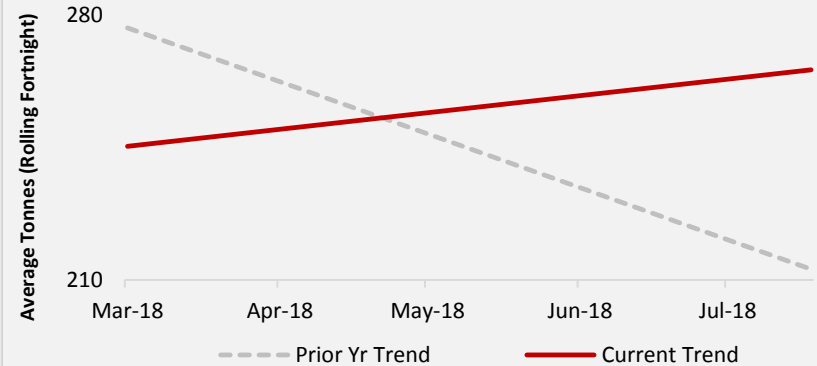
Distribution Sales



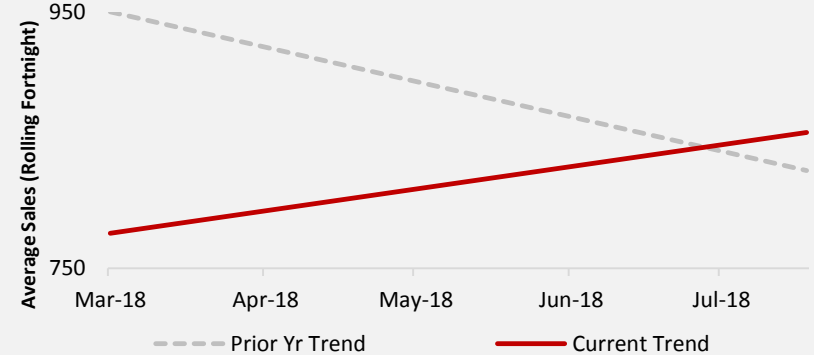
## Infrastructure

Roll-forming (Roofing, Coil Processing, Purlins, Comflor) & Reo/CFDL

Infrastructure volumes (tonnes)



Infrastructure Sales



# Noticeable improvement in customer satisfaction



*"We have been a customer of Steel & Tube for over 46 years. It's a two way, win-win relationship. They have always been supportive and fair with our business, through the good times and the tough times... They've had their ups and downs recently, but they seem to be on a good course... I've met the new management team and they seem to have what it takes to rebuild the business."*

**~ Sir Ken Stevens | Glidepath Group**



*"We have been a customer of Steel & Tube for about 28 years. We work with them because they are the largest, most reliable steel provider in New Zealand... We have seen a lot of improvement in the last few months and our customer relationship manager at Steel & Tube is fantastic to deal with. We also appreciated meeting with senior management recently."*

**~ Brendan McLean | All Steel Services**



*"We've noticed big changes recently with new management, a more stable management team and better customer service... If we have an issue, we ring up and it's solved quickly - and that's all you can ask for... Management are more involved in the business and that's definitely delivering a better customer service for us"*

**~ Tony Thorn | Edwards & Hardy**



*"When we phone, issues are usually resolved satisfactorily... The ERP conversion caused a lot of problems. Things seem to be sorted now and have definitely improved... We could easily switch suppliers, but prefer to stay with Steel & Tube as the preferred supplier for the franchise"*

**~ Daniel Tan | Think Water Leeston  
Financial Controller**



*"On the whole, our service from Steel & Tube is exceptional... We are pretty fortunate to have a great customer representative at Steel & Tube. She has been with the company for a long time, her product knowledge is awesome and we have a valued relationship... Steel & Tube's prices are competitive, and the quality of products and their delivery logistics are great now that IT issues have been resolved"*

**~ Grant Loveday | Nufab Engineering**

## Other Quotes

*"Our customer representative has gone above and beyond in resolving issues and ensuring we receive our products on time and on spec. She really wanted to make things better for us and it's worked"*

*"Our parts numbers are now aligned with Steel & Tube to simplify and speed up the ordering and packing process, ensuring we get the right products, with a quick turn around"*

*"Having one point of contact has really helped"*

*"The whole team were invited to visit the new Christchurch facility – it was a great opportunity and we were all very impressed with the size and set up"*

# Specific risk factors and key mitigants



## In addition to general operational risks, Steel & Tube has identified and looked to mitigate key specific business risks

	Description	Mitigants	Key outcomes
<b>ERP Implementation</b>	<ul style="list-style-type: none"> <li>Implementation issues negatively impacted sales volumes</li> </ul>	<ul style="list-style-type: none"> <li>Significant improvements made to ERP system following identification of key issues</li> <li>Additional staff training and documentation created and implemented</li> <li>Changed and improved business processes</li> <li>Independent review undertaken by KPMG</li> </ul>	<ul style="list-style-type: none"> <li>Sales volumes have increased post addressing the ERP issues</li> </ul>
<b>Historical inventory issues</b>	<ul style="list-style-type: none"> <li>A build up over time of aged inventory, which no longer meets the market's needs</li> <li>A lack of visibility and inconsistent count practices contributing to poor record keeping</li> </ul>	<ul style="list-style-type: none"> <li>New ERP system in place</li> <li>Regular physical stock counts</li> <li>Categorisation of inventory and sales and operations planning improvements</li> <li>Focus on inventory age profile</li> <li>Focus on key SKUs</li> </ul>	<ul style="list-style-type: none"> <li>ERP system now in place providing enhanced visibility of inventory</li> <li>Significantly enhanced inventory management</li> </ul>
<b>Steel mesh prosecution</b>	<ul style="list-style-type: none"> <li>The Commerce Commission carried out a series of investigations into steel mesh following a complaint in August 2015, leading to charges laid against several companies including Steel &amp; Tube</li> <li>The charges against Steel &amp; Tube related to historical issues regarding the application and testing methodologies applied to SE62 500E grade seismic steel mesh under the Standard, and inadvertent use of a testing laboratories logo on the bottom of test certificates</li> <li>Steel &amp; Tube's sentencing hearing occurred on 25 May 2018, with the Judge reserving his decision, outcome pending</li> </ul>	<ul style="list-style-type: none"> <li>As the Judge has reserved his decision, we cannot comment further at this point</li> <li>The investigation is expected to have no impact on Steel &amp; Tube's FY19F guidance provided in this presentation</li> <li>Both the MBIE and Structural Engineering Society New Zealand issued media releases indicating homeowners should not be concerned</li> </ul>	<ul style="list-style-type: none"> <li>A new quality function reporting to the CEO was established in mid-2016</li> <li>Since April 2016, our seismic mesh is externally tested in New Zealand by IANZ-accredited laboratories</li> </ul>
<b>Possible class action</b>	<ul style="list-style-type: none"> <li>Steel &amp; Tube acknowledged in the Commerce Commission prosecution that prior to April 2016 there were deficiencies in the testing of its steel mesh</li> <li>A party announced their intention to possibly launch a class action</li> <li>This class action would be against steel mesh suppliers who have supplied products in the past four years that do not meet earthquake standards. Steel &amp; Tube was named specifically by that party</li> </ul>	<ul style="list-style-type: none"> <li>Based on information presented at the sentencing hearing, Steel &amp; Tube believes the mesh will perform in materially the same way as mesh tested in full compliance with the requirements of the Standard</li> <li>Steel &amp; Tube will strongly defend any claim and has engaged a Queens Counsel to assist in this matter</li> <li>Steel &amp; Tube does not consider that any loss has been incurred</li> </ul>	<ul style="list-style-type: none"> <li>Possible court action</li> </ul>

Steel & Tube is subject to specific risk factors in its business activities and more general risks. Any, or a combination, of these risks may have a material impact on Steel & Tube's business, operating and financial performance. This section describes some of the specific potential risks. It does not purport to list every risk now or in the future, and the occurrence of consequences of some of the risks described are partially or completely outside the control of Steel & Tube, its directors and management team. The selection of risks described above is based on the knowledge of Steel & Tube as at the date of this document, but there is no guarantee or assurance that the importance of different risks will not change or other risks will not emerge.



# TRADING UPDATE AND GUIDANCE

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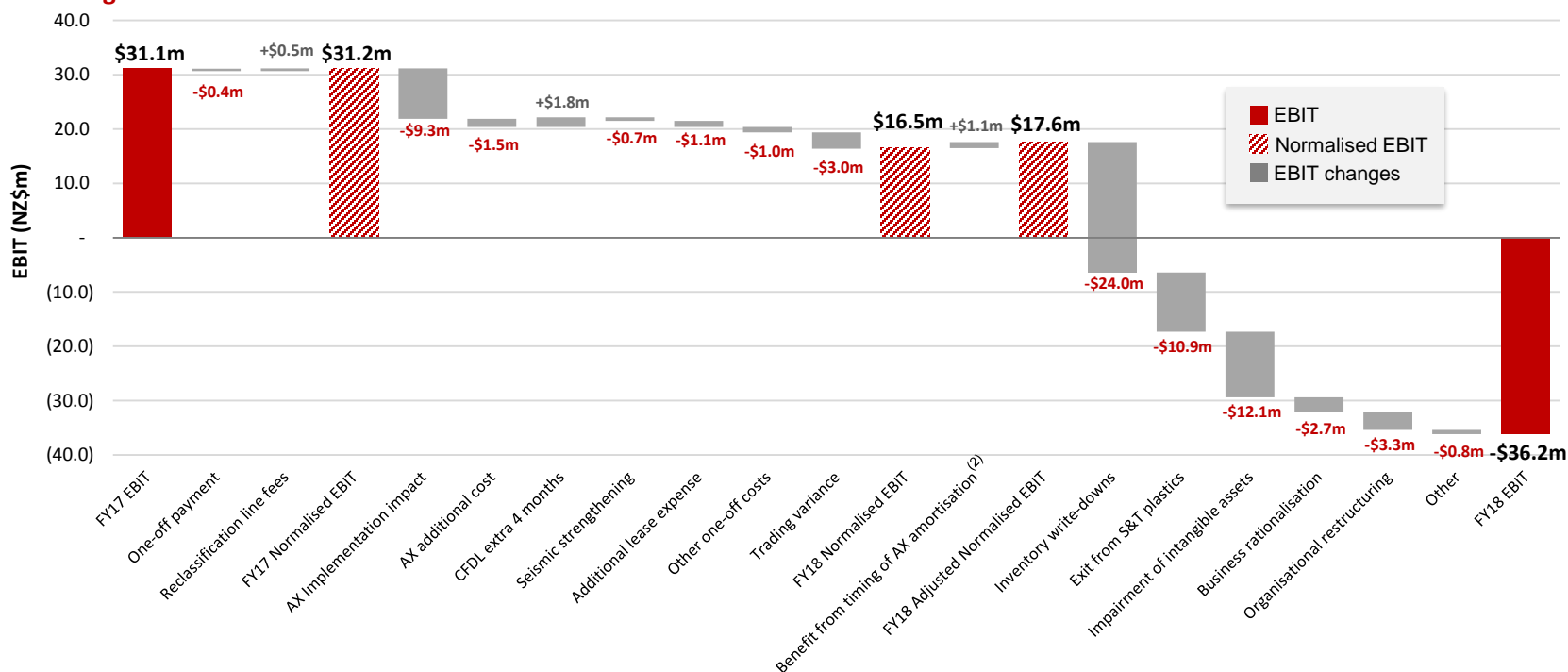
# Trading update – FY18P<sup>(1)</sup> Unaudited Management Accounts



- Revenues impacted in FY18<sup>(1)</sup> by issues with ERP system implementation affecting customer service
- Management are now addressing to improve customer service and stock availability
- \$53.8m of non-trading impacts recognised as part of clearing up legacy issues
- Net debt reflects payment from property sales and funding of previous acquisitions
- No FY18 final dividend expected – plan to resume FY19 interim

<b>FY18P Revenue</b>	<b>\$495.8m</b>
<b>FY18P EBIT</b>	<b>\$(36.2)m</b>
<b>FY18P Normalised EBIT</b>	<b>\$16.5m</b>
<b>FY18P Normalised (Adj.) EBIT</b>	<b>\$17.6m<sup>(2)</sup></b>
<b>FY18P NPAT</b>	<b>\$(32.0)m</b>
<b>FY18P Net Debt</b>	<b>\$104.4m</b>
<b>FY18P Final Dividend<sup>(3)</sup></b>	<b>Nil</b>

## EBIT bridge from FY17A to FY18P<sup>(1)</sup>









1) FY18P is based on management accounts and accordingly are unaudited and have not been reviewed by Steel & Tube's auditors.

2) Adjusted for benefit from the delay in timing of ERP amortisation.

3) Steel & Tube Board has confirmed no final dividend. Dividends likely to be reinstated following 1H19 results.

# Recent acquisitions (excluding S&T Plastics) continue to perform favourably

Acquisition	Date	Price	Description / Rationale	Performance
 <b>Studwelders</b> Composite Floor Decks Ltd.	Oct-16	\$13.25m (+\$3m earn-out payments)	<ul style="list-style-type: none"> <li>As distributor and installer of ComFlor, the acquisition enhanced Steel &amp; Tube's supply of steel floor decking systems</li> <li>Vertically integrated with ComFlor, providing Steel &amp; Tube with end-to-end manufacturing through to installation capabilities</li> </ul>	<ul style="list-style-type: none"> <li>Continues to be a leader in composite floor decking installations, currently with a \$20m order book</li> </ul>
 <b>(MSL)</b>	Aug-15	\$32.0m	<ul style="list-style-type: none"> <li>MSL (Fortress Fasteners) is one on the largest fastenings companies in New Zealand</li> <li>Acquisition for growth, innovation and competitive advantage in a rapidly changing market</li> </ul>	<ul style="list-style-type: none"> <li>Performing well and now integrated with Steel &amp; Tube fasteners to form a strong specialist fasteners business, opportunity to further leverage the Fortress brand across the Steel &amp; Tube network</li> </ul>
 <b>TATA STEEL</b>  <b>ComFlor</b>	Apr-14	\$27.5m	<ul style="list-style-type: none"> <li>Tata Stainless Steel supplies stainless steel and engineering steels</li> <li>Composite floor deck supply to the New Zealand and Pacific Island markets</li> </ul>	<ul style="list-style-type: none"> <li>Tata Stainless Steel is performing well and is now integrated with Steel &amp; Tube stainless to form a strong specialist stainless and engineering steels business</li> <li>ComFlor continues to perform well as Steel &amp; Tube continues to develop and grow the product range with its new profile to be launched later this year</li> </ul>
  <b>BOSCH IRRIGATION LTD</b>	Sep-15	\$8.0m	<p><b>Steel &amp; Tube has now exited S&amp;T Plastics</b></p> <ul style="list-style-type: none"> <li>Steel &amp; Tube's investment in plastics was in the narrow irrigation segment of the market, it was the smallest of 5 larger players in that market</li> <li>Irrigation demand is influenced by funding, dairy farm conversions, resource consents costs, engineering, compliance and finance costs</li> <li>As well as uncertain irrigation sector demand the decision to exit was also influenced by the need to relocate to permanent facilities and further investments required to provide an integrated product offering</li> </ul>	

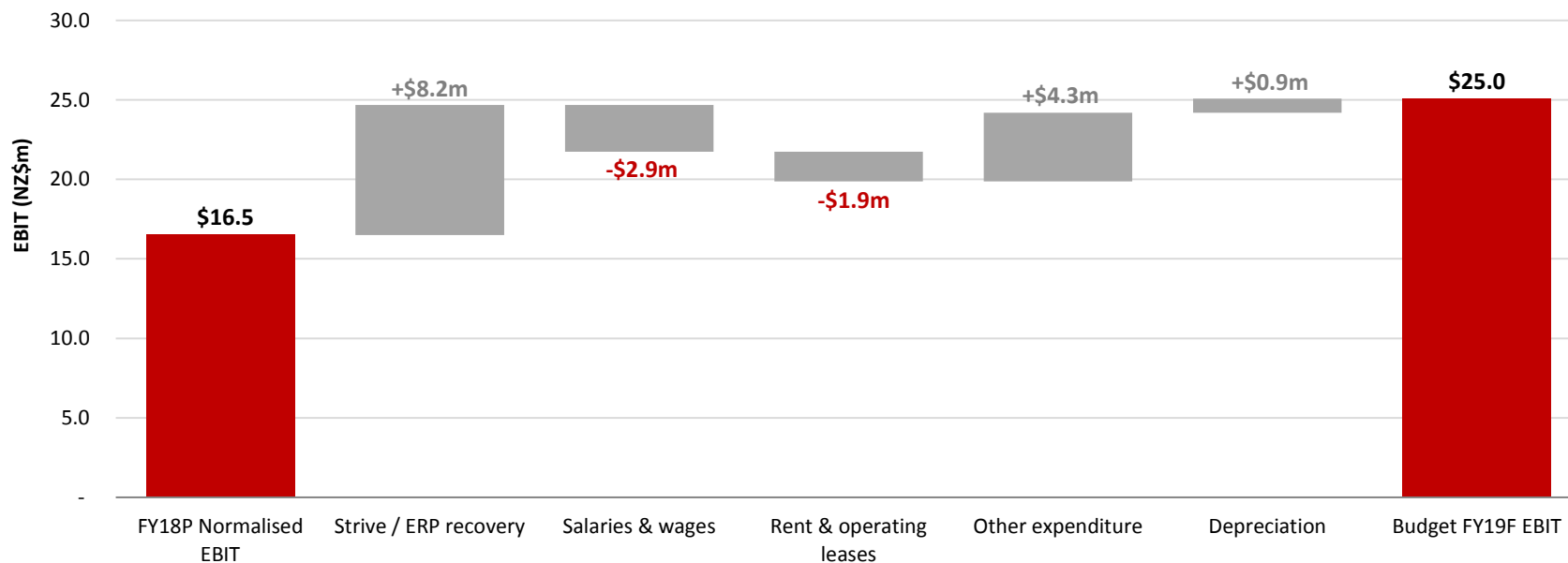
# FY19 guidance

- Legacy issues behind us and major financial restructuring completed
- Beginning journey to significantly improved operating and financial performance
- Recent increases in volumes are encouraging as ERP stabilised and focus has shifted to servicing customers
- Structural changes through Strive programme gaining momentum
- Operating cost reductions forecast to realign with sales
- Safety and quality disciplines underpinning supply chain and operational excellence

**FY19F EBIT guidance**

**\$25m+**

## EBIT bridge from FY18P to FY19F

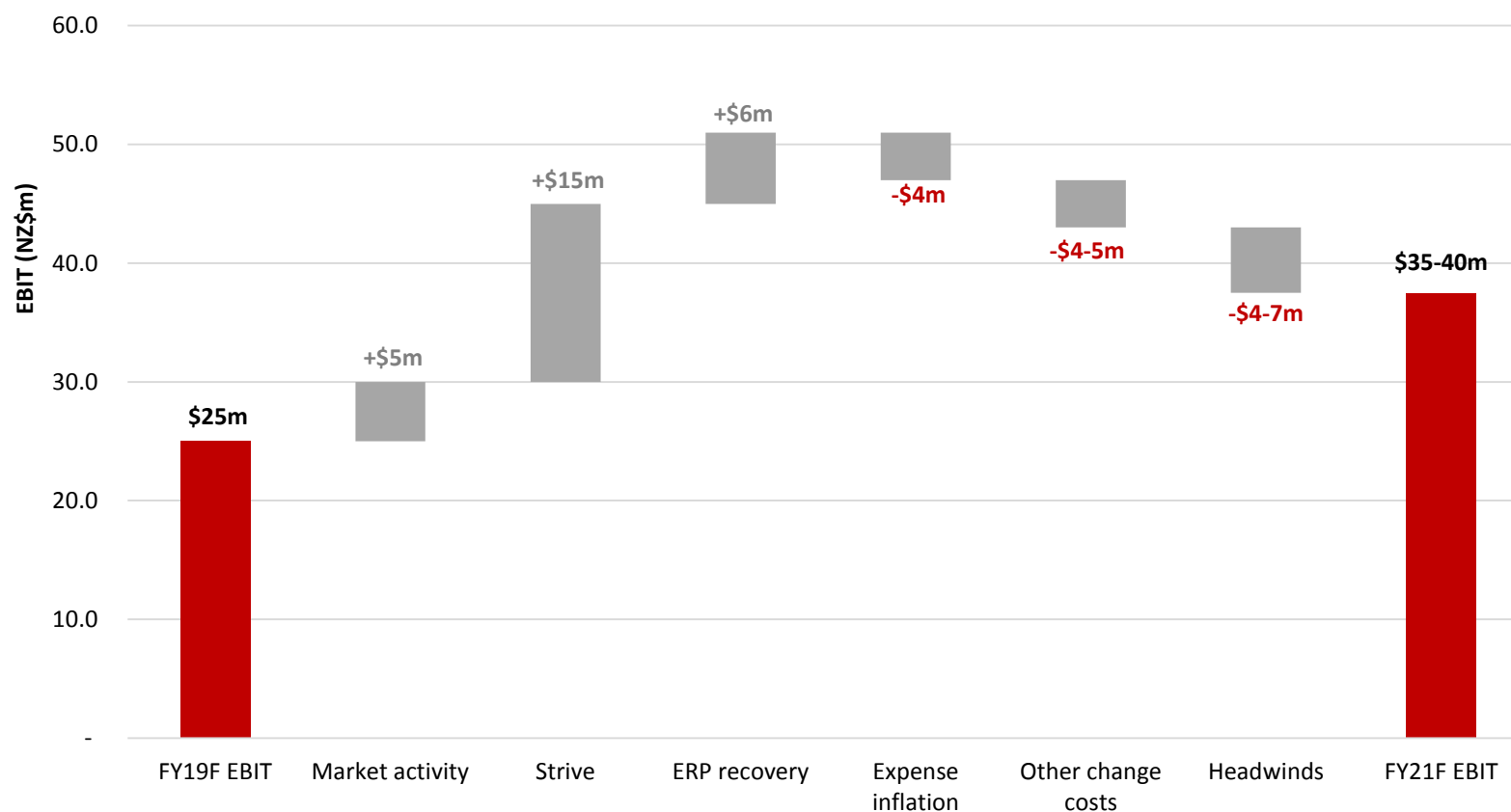


1) FY18P is based on management accounts and accordingly are unaudited and have not been reviewed by Steel & Tube's auditors.

# Medium term objectives

**Steel & Tube expects to achieve normalised EBIT of \$35-40m in the next 3 years**

EBIT bridge from FY19F to FY21F







# RECAPITALISATION

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# Overview of the Capital Raising



## Purpose of the Capital Raising

- Steel & Tube intends to raise approximately NZ\$80.9 million to recapitalise its balance sheet to allow it to execute its business transformation initiatives and longer term strategic objectives
- The Capital Raising to be undertaken by way of:
  - ~NZ\$20.8 million up front placement at \$1.15 per new share, to eligible institutional investors
  - ~NZ\$60.1 million via a pro-rata 1 for 1.9 rights offer at \$1.05 per new share, to eligible shareholders
- The placement shares issued are cum-rights offer
- The Capital Raising will reduce Steel & Tube's gearing from 4.6x FY18P Net Debt to FY18P Normalised EBITDA to approximately 1.15x FY18P Net Debt to FY18P Normalised EBITDA<sup>(1)(2)(3)</sup>
- In addition, Steel & Tube now intends to target Net Debt to Normalised EBITDA < 2.0x

1) FY18P is based on management accounts and accordingly are unaudited and have not been reviewed by Steel & Tube's auditors. Actual audited group financial statements scheduled to be released to NZX on 31 August 2018

2) FY18P Net Debt is calculated as gross senior bank debt, less cash and cash equivalents as at 30 June 2018. Net debt post-capital raising reflects net proceeds received by Steel & Tube from the capital raising

3) FY18P Normalised EBITDA is adjusted for a full year's impact of the additional operating leases in relation to the sale of Stonedon Drive and Blenheim Road

# Key terms of the Capital Raising

## Placement

<b>Offer Price</b>	<ul style="list-style-type: none"> <li>NZ\$1.15 per new share, representing a 21.2% discount to last close price on the NZX of NZ\$1.46 per share on 6 August 2018</li> </ul>
<b>Offer Size</b>	<ul style="list-style-type: none"> <li>Approximately NZ\$20.8 million</li> <li>Approximately 18.1 million shares</li> </ul>
<b>Ranking</b>	<ul style="list-style-type: none"> <li>New Shares issued under the Offer will rank equally with Steel &amp; Tube's existing ordinary shares and are cum-rights</li> </ul>
<b>Eligibility</b>	<ul style="list-style-type: none"> <li>Certain "Institutional Investors" in New Zealand, Australia, Hong Kong and Singapore, in each case, only to the extent such institutional investors are entitled to participate in the Placement pursuant to the laws of the jurisdiction in which they are located without registration, lodgement or other formality and in each case that is not acting for the account or benefit of a person in the United States</li> </ul>

## 1 for 1.9 Rights Offer

<b>Offer Price</b>	<ul style="list-style-type: none"> <li>NZ\$1.05 per new share, which represents a:                             <ul style="list-style-type: none"> <li>28.1% discount to last close price on the NZX of NZ\$1.46 on 6 August 2018</li> <li>18.3% discount to the Theoretical Ex-Rights and Placement Adjusted Price of NZ\$1.28 per share</li> </ul> </li> </ul>
<b>Offer size</b>	<ul style="list-style-type: none"> <li>Approximately NZ\$60.1 million, 57.2 million New Shares offered (subject to rounding)</li> </ul>
<b>Ranking</b>	<ul style="list-style-type: none"> <li>New Shares issued under the Offer will rank equally with Steel &amp; Tube's existing ordinary shares</li> </ul>
<b>Offer structure</b>	<ul style="list-style-type: none"> <li>A pro rata rights issue followed by a Shortfall Bookbuild</li> <li>Both Retail and Institutional investors have the opportunity to participate in the Shortfall Bookbuild and apply for additional New Shares over and above their entitlement</li> <li>Any fractional Rights will be rounded down to the nearest whole number</li> </ul>
<b>Eligibility</b>	<ul style="list-style-type: none"> <li>The Offer is only open to Eligible Shareholders in New Zealand and Australia and Institutional Investors as at the Record Date</li> </ul>

# Capital Raising timetable

Important dates	
Announcement of the Offer	Tuesday 7 August 2018
Steel & Tube announce FY18 audited results	Friday 31 August 2018
<b>Placement</b>	
Placement conducted under trading halt	Tuesday 7 August 2018
Trading expected to resume	Wednesday 8 August 2018
Settlement and allotment of placement shares	Friday 10 August 2018
<b>Rights Offer</b>	
Record date for rights issue	5:00pm, Wednesday 15 August 2018
Offer document expected to be despatched	Thursday 16 August 2018
Rights Offer Opens	Friday 17 August 2018
Rights Offer Closes	5:00pm, Monday 3 September 2018
Shortfall bookbuild	Wednesday 5 September 2018
Allotment and trading of new shares	Friday 7 September 2018

*All dates and times are NZ time and are subject to change without notice*





# FY18P<sup>(1)</sup> Profit & Loss – Unaudited Management Accounts



\$M	FY17	FY18P <sup>(1)</sup>
Sales revenue	511.4	495.8
Other operating income	1.7	1.0
Cost of sales	(384.9)	(398.4)
Operating expenses	(96.5)	(115.9)
<b>Operating earnings before other gains and financing costs</b>	<b>31.6</b>	<b>(17.5)</b>
Impairment of fixed assets and goodwill	-	(20.1)
Other gains	-	1.4
<b>Earnings before interest and tax</b>	<b>31.6</b>	<b>(36.2)</b>
Interest income	0.1	0.1
Interest expense	(3.6)	(4.7)
<b>Profit before tax</b>	<b>28.1</b>	<b>(40.8)</b>
Tax expense	(8.0)	8.8
<b>Profit for the year attributable to owners of the Company</b>	<b>20.0</b>	<b>(32.0)</b>

# FY18P<sup>(1)</sup> Balance Sheet – Unaudited Management Accounts



\$M	FY17	FY18P <sup>(1)</sup>
Cash and cash equivalents	6.5	5.6
Trade and other receivables	93.5	99.2
Inventories	143.1	116.0
Income tax refund	0.2	5.2
Derivative financial instruments	0.0	1.3
Assets held for sale	-	1.6
<b>Current assets</b>	<b>243.3</b>	<b>228.9</b>
Property, plant and equipment	102.6	52.7
Intangibles	66.8	57.4
Deferred tax	-	6.5
<b>Non-current assets</b>	<b>169.4</b>	<b>116.6</b>
<b>Total assets</b>	<b>412.7</b>	<b>345.5</b>
Trade and other payables	54.4	49.9
Provisions	3.5	9.2
Derivative financial instruments	1.7	0.0
<b>Current liabilities</b>	<b>59.6</b>	<b>59.1</b>
Trade and other payables	2.2	2.1
Borrowings	133.4	109.9
Deferred tax	4.2	-
Provisions	1.2	1.8
<b>Non-current liabilities</b>	<b>141.0</b>	<b>113.8</b>
Share capital	77.8	77.8
Retained earnings	105.6	90.0
Other reserves	28.8	4.7
<b>Equity</b>	<b>212.1</b>	<b>172.6</b>
<b>Total equity and liabilities</b>	<b>412.7</b>	<b>345.5</b>

1) FY18P is based on management accounts and accordingly are unaudited and have not been reviewed by Steel & Tube's auditors. Actual audited group financial statements scheduled to be released to NZX on 31 August 2018

# FY18P<sup>(1)</sup> Cash Flow Statement – Unaudited Management Accounts



\$M	FY17	FY18P <sup>(1)</sup>
<b>Cash flows from operating activities</b>		
Customer receipts	513.0	489.7
Interest receipts	0.1	0.1
Payments to suppliers and employees	(480.3)	(478.6)
Income tax payments	(8.2)	(5.6)
Interest payments	(3.6)	(4.2)
<b>Net cash inflow from operating activities</b>	<b>20.8</b>	<b>1.3</b>
<b>Cash flows from investing activities</b>		
Property, plant and equipment disposal proceeds	0.2	52.8
Payment for new business purchase (net of cash acquired)	(13.8)	-
Property, plant and equipment and intangible asset purchases	(18.5)	(19.0)
<b>Net cash outflow from investing activities</b>	<b>(32.1)</b>	<b>33.8</b>
<b>Cash flows from financing activities</b>		
Proceeds from partly paid shares	0.0	0.0
Issue / (purchase) of Treasury shares	0.1	-
Net proceeds from / (repayment of) borrowings	35.5	(23.4)
Dividends paid	(20.1)	(12.7)
<b>Net cash inflow from financing activities</b>	<b>15.4</b>	<b>(36.1)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>4.2</b>	<b>(0.9)</b>
Cash and cash equivalents at the beginning of the year	2.3	6.5
<b>Cash and cash equivalents at the end of the year</b>	<b>6.5</b>	<b>5.6</b>

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