

17 October 2018

## Dear Steel & Tube shareholder

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We look forward to welcoming you to our annual shareholders meeting in Auckland on Thursday 25 October. You can also view the meeting online. Details are in the Notice of Meeting which has been made available to all shareholders. If you cannot make the meeting, **I would strongly encourage you to appoint a proxy, such as myself as chair, to record your support for the company.**

In our last letter to you on 10 October 2018 we advised that we did not support Fletcher Building's non-binding indicative offer (NBIO) of \$1.70 per share, as it significantly undervalued the company and the proposal would face challenging issues for clearance under the Commerce Act. On Friday evening 12 October Fletcher Building increased its NBIO to \$1.90 per share plus a permitted special dividend of up to 5 cent per share payable on completion of any scheme. Shareholders should note that the Board intends to pay interim and final dividends that in total, having regard for our earnings guidance and our dividend policy, would likely exceed the amount proposed.

The Board met over the weekend to consider the revised NBIO.

Given the new NBIO was at a price closer to (but still below) our financial adviser's view of Steel & Tube's intrinsic value, excluding the company's share of any synergies, your Board had resolved to take the additional step of commissioning an independent expert valuation. The Board had informally advised Fletcher Building of this at 5pm on Sunday and followed up with a letter, at 8am on Monday 15 October. Surprisingly, later that morning Fletcher Building announced it was withdrawing its offer to acquire the company.

The approach from Fletcher Building was unsolicited. It came at a time when we had completed significant financial restructuring of the business, and paid down our borrowings through a capital raise which was supported by our shareholders, and as we are starting to see the benefits of our business turn-around strategy. Your Directors carefully considered the proposal and the two NBIOs to ensure that the interests of shareholders as a whole were considered.

Following receipt of the initial NBIO, we promptly engaged financial advisers, First NZ Capital and legal advisors, Chapman Tripp. The financial adviser's view of Steel & Tube's intrinsic value is between \$1.95 and \$2.36 per share. This excludes the synergy benefits that would be expected from bringing the two businesses together, some of which usually accrue to the shareholders of the company being taken over, i.e. yourselves.

The independent valuation was expected to take 3-4 weeks, from the time of receipt of the revised NBIO. We felt this was an important step to ensure that the interests of shareholders as a whole were taken into account before the Board considered a formal recommendation. In particular, we wanted to ensure the revised offer price from Fletcher Building was appropriately assessed against an independent expert's view of the value of your shares. The outcome of this would have been a key factor in the Board determining whether to proceed further with the revised offer from Fletchers, and such a report would have needed to be done before the deal was presented to you to vote on.

I can assure you that your Board took all appropriate steps in a timely manner to respond to Fletcher Building, engaging advisers to act on Steel & Tube's behalf for both valuation and the challenging issues for clearance under the Commerce Act (the outcome of which in the view of your Board was difficult to assess and problematic)

Our key focus remains on executing our business turn-around strategy and delivering results, that will gain market confidence and be reflected in our share-price. However, we will continue to evaluate strategies and opportunities that deliver the best value to shareholders.

For convenience, a copy of the proxy form is attached or can be completed by visiting [www.investorvote.co.nz](http://www.investorvote.co.nz).

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Yours sincerely



On behalf of the Board  
Susan Paterson, Chair

**STAY IN TOUCH WITH ELECTRONIC COMMUNICATIONS:**

To stay in touch and receive timely updates from Steel & Tube, we encourage you to elect to receive all your Steel & Tube shareholder communications electronically by visiting [www.investorcentre.com/nz](http://www.investorcentre.com/nz).

Existing users should login, select 'My Profile' and click on the 'Update' button on the 'Communication Preferences' tile. For new users, click on 'Create Login' and follow the steps to create your User ID and password.