

16 November 2017

The New Zealand Exchange Limited
WELLINGTON

STU / NZX ANNOUNCEMENT

STEEL & TUBE PROVIDES GUIDANCE FOR 2018 FINANCIAL YEAR

- Guidance: Half-year earnings before interest and tax (“EBIT”) for the 2018 Financial Year will be lower than the prior half year by \$9 - 10 million.
- Half year EBIT is expected to be impacted by working capital review, reorganisation and restructuring activities, increased depreciation costs for new ERP system and the slow response by the industry to margin pressures arising from increased costs of supply. Steel & Tube announced price changes to take effect from mid-November in response to market cost pressures.
- The recent implementation of a new ERP system is a key enabler now available to the business and has helped assist Management with a review of slow moving inventory. Approximately half of the expected decrease in half year EBIT is due to an anticipated write-down of inventory.
- Excluding the one-off inventory valuation adjustment included in the half-year earnings guidance, full year EBIT for the 2018 financial year is expected to be materially the same as the 2017 financial year EBIT of \$31.1 million, as the impacts from recent price changes and the benefits of change actions are realised.
- A refreshed Board and senior executive team have commenced a change programme, with a number of initiatives being implemented to improve the operational and financial performance of Steel & Tube
- The Company is well positioned to deliver improved earnings and operational performance going forward.

Steel & Tube (NZX: STU) is holding its annual meeting today and will be updating shareholders on its strategic plan and the progress being made in 2018 financial year to date, and has provided guidance for the 2018 financial year.

The company is undertaking a change programme to strengthen Steel & Tube and enable it to maximise the value of investments made over the past five years including:

- The realignment and simplification of Steel & Tube businesses into two streams (Distribution and Infrastructure) including the integration of acquired businesses;
- Delivering sustainable earnings growth and leveraging the value from the recent capital expenditure programme including a new ERP system;

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- Strengthening the Company's capital structure, including optimising supply chain and review of the Company's property portfolio (including the pending divestment of the Stonedon Drive property in Auckland);
- Reviewing working capital with a focus on surplus slow moving inventory items; and
- A continuing focus on Quality, Health & Safety and the Environment.

Reorganisation and restructuring activities will have an unavoidable impact on short term EBIT, however the benefits from this are expected to offset these costs over the remainder of the financial year. In the first half of the 2018 Financial Year the company has seen margin pressures from higher steel purchase prices, which the market took some time to pass onto customers. The Company has increased selling prices across its portfolio of steel products from mid- November 2017. Margins are expected to improve in the second half of the 2018 Financial Year from improved pricing.

Recent changes to the senior executive team are also bringing a fresh focus and together with the Board are targeting to achieve a 'turnaround' of poor performing business units and efficiency gains through a change programme underway.

Steel & Tube Chair, Susan Paterson, said: "Our strategy is to maximise value for our shareholders by creating a sustainable, long term, successful business. The capital investment made into acquisitions and the business in the past five years has created a strong platform for Steel & Tube. However, we are very aware that the company has been too slow to realise the significant benefits and value from these.

"Management and the Board are focussed on resetting the performance of the business and delivering a sustainable improvement in financial performance and we expect Steel & Tube to be a significantly stronger business in 12 to 24 months."

The Board has identified two key goals – to provide superior value to customers and to simplify the business.

Susan said: "We are committed to excellence, whether that be our products, our people, our systems or our facilities, and look forward to delivering on our aspirations."

Details of Steel & Tube's annual meeting speeches and presentation will be available on the company website www.steelandtube.co.nz. Results of the voting will be released to the NZX as soon as is possible following the meeting.

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