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# 2024 Annual Shareholders' Meeting

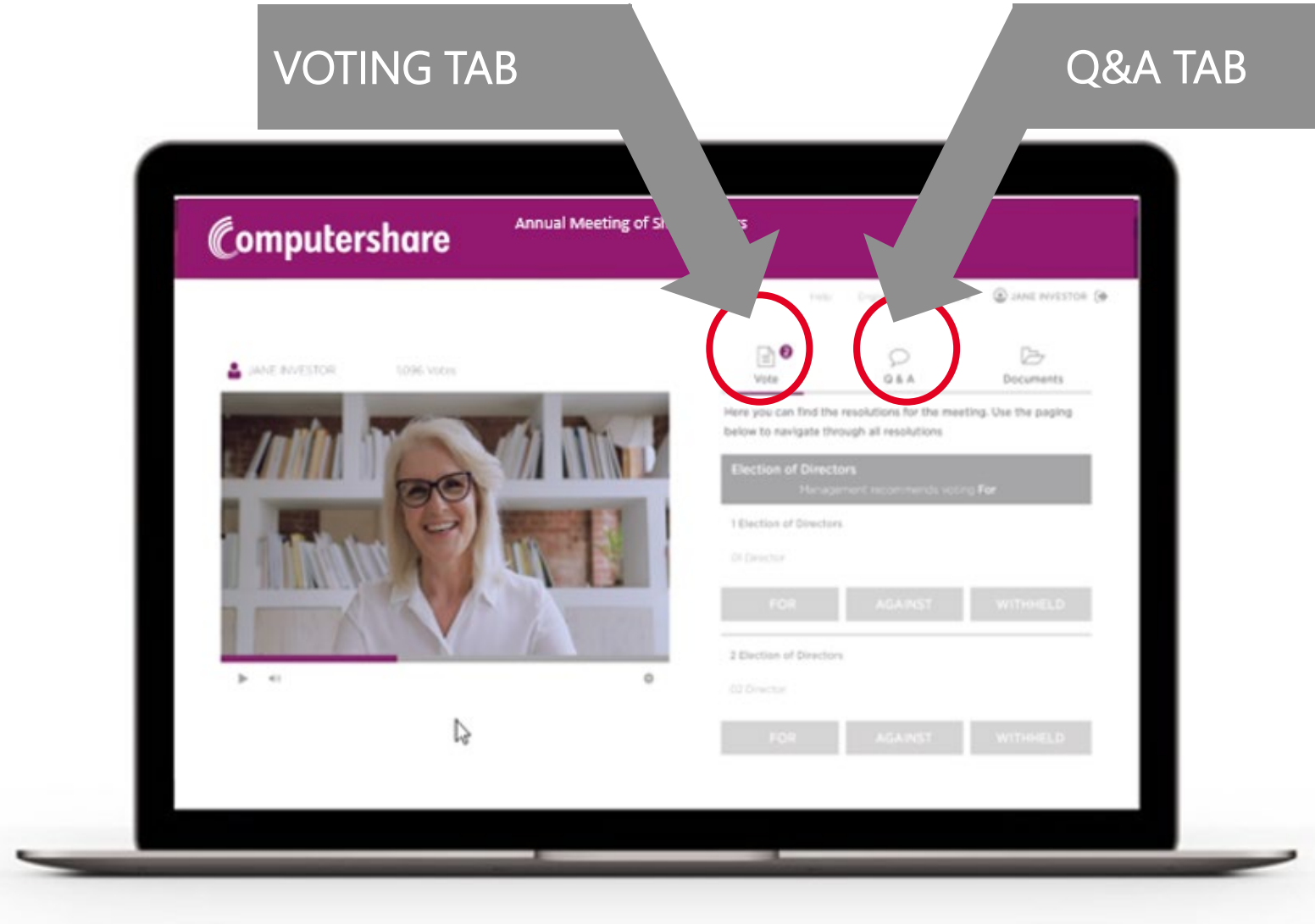
28 November 2024



# Online Meeting

VOTING TAB

Q&A TAB



# Agenda

- Chair's Presentation
- Management Presentations
- Discussion
- Resolutions
- Other Business
- Meeting Close/Refreshments





**Chair | Susan Paterson**

# Your Board



**Susan Paterson**

Chair & Independent Director  
Appointed Jan 2017

Standing for re-election



**Andrew Flavell**

Independent Director  
Appointed Oct 2021



**Steve Reindler**

Independent Director  
Appointed Aug 2017



**Christopher Ellis**

Independent Director  
Appointed Sep 2017



**Karen Jordan**

Independent Director  
Appointed Dec 2020

Standing for re-election



**John Beveridge**

Independent Director  
Appointed Aug 2019

# Leadership team



**Peter Ensor**

GM Reinforcing  
& Major Projects

**Anna Morris**

GM People &  
Culture

**Sam Reindler**

GM Logistics &  
Distribution  
Centres

**Peter Reiber**

GM Rollforming

**Mark Malpass**

Chief Executive  
Officer

**Damian Miller**

GM Quality,  
Health, Safety &  
Environment

**Richard Smyth**

Chief Financial  
Officer

**Raffaella del Prete**

Chief Digital Officer

**Marc Hainen**

GM Strategic  
Growth

**Daryll Maiden**

Acting GM  
Distribution

# Strategic Goals

Clear growth strategy in place, building on strong foundations to strengthen the core and growth in high value products and services

## Customer

The preferred supplier for steel solutions and products

## Growth

Increase valuation through organic growth and M&A

## Shareholder

Deliver increasing value and returns for our shareholders



**Strongly positioned to successfully  
navigate the current cycle,  
leverage future demand and take  
advantage of opportunities, both  
now and in the future**

# FY24 key financial measures

Continued solid performance in a challenging trading environment

Revenue

**\$479.1m**

-18.7%

Normalised EBIT

**\$14.5m**

-54.8%

NPAT

**\$2.6m**

-84.7%

ROFE

**4.8%**

FY23: 9.9%

Net Cash

**\$8.7m**

+33.8%

FY24 Dividends

**6.0 cps**

(Gross yield 9.7%)

*Earnings Before Interest and Tax (EBIT), Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA), Net Profit After Tax (NPAT) | Non-GAAP earnings reconciliation at the end of the presentation*

*Percentage variances compared against FY23 unless otherwise stated*

*Gross dividend yield based on share price at 30 June – FY24 \$1.12*

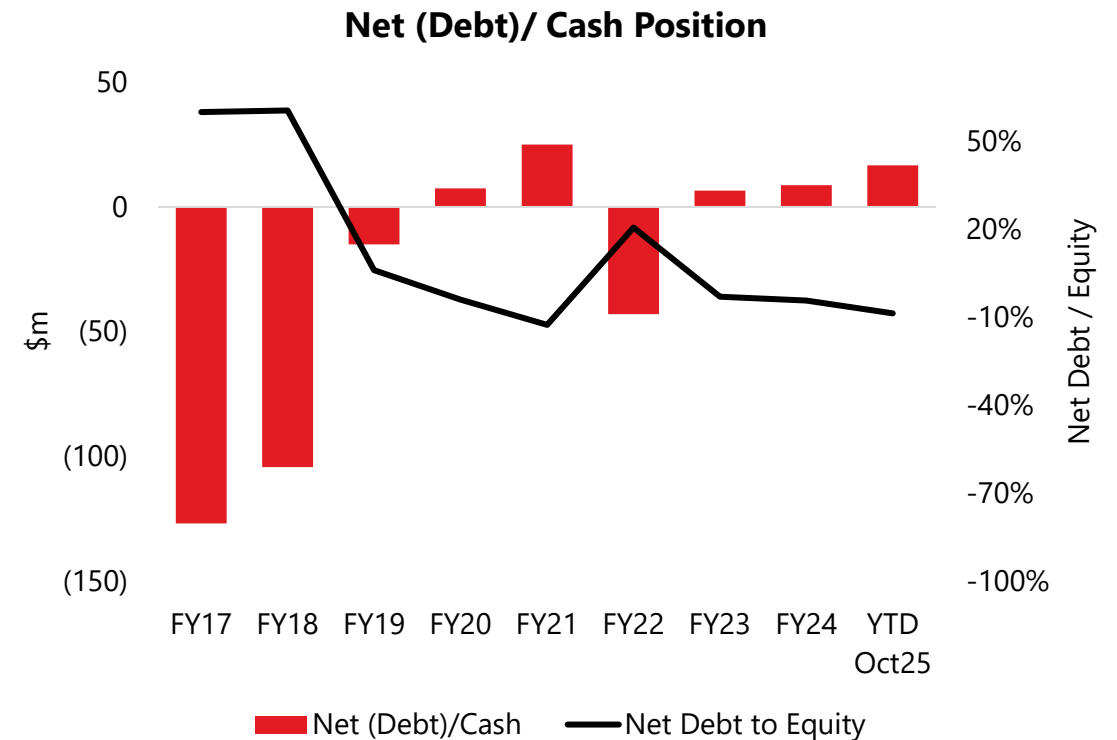
*Due to rounding, numbers presented throughout this presentation may not add up precisely to the totals provided*



# Capital management

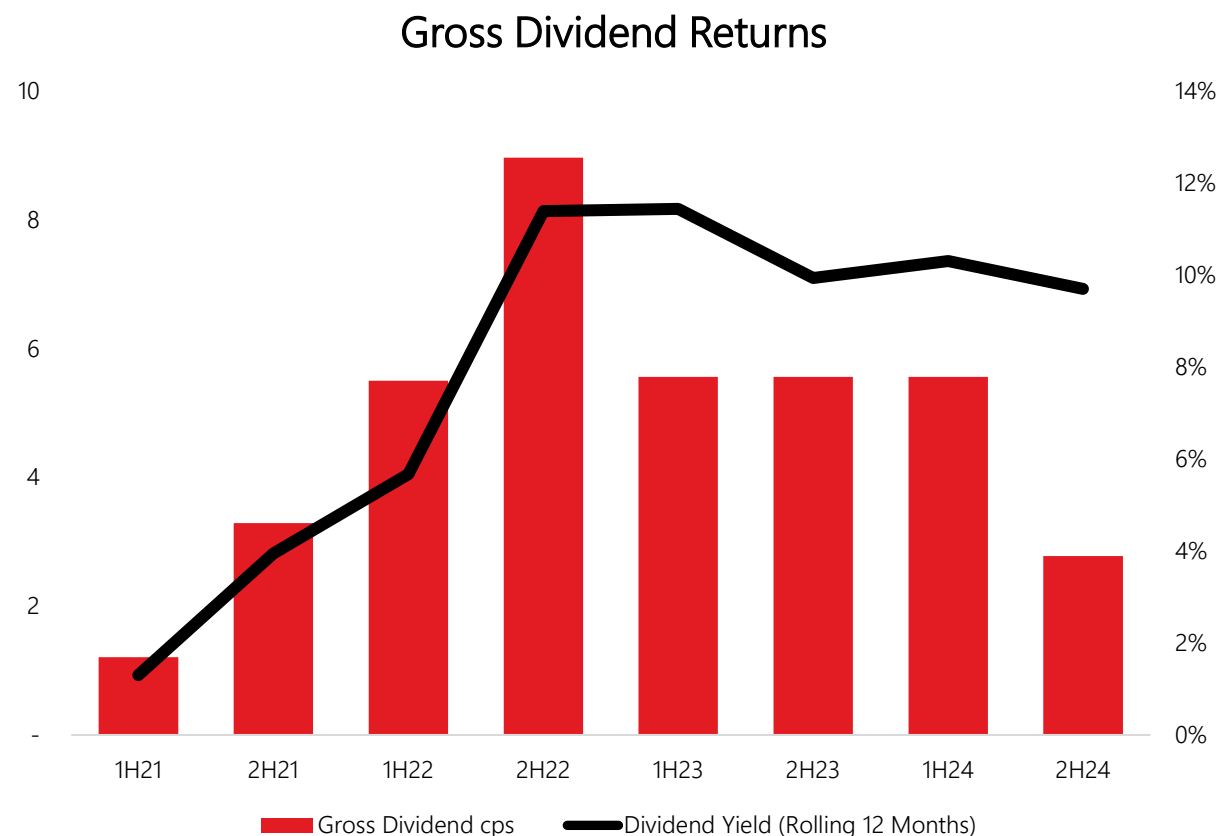
**Balance sheet providing resilience and strength through the cycle; capacity for growth when the cycle turns**

- No borrowings, \$100m facility in place
- Net cash \$16.7m end-Oct 24
- Strong cashflows supporting strategic initiatives
- Priority capital allocation to maintenance spend and strategic investments



# Investor returns

- FY24 dividend payout of 6cps above policy range
- Attractive dividend yield of c.10% over past two years
- Introduced Dividend Reinvestment Plan – active for final FY24 dividend



1. Gross dividends include the benefit of imputation credits, the yield is calculated as gross dividends divided by share price (as at 31 December or 30 June)



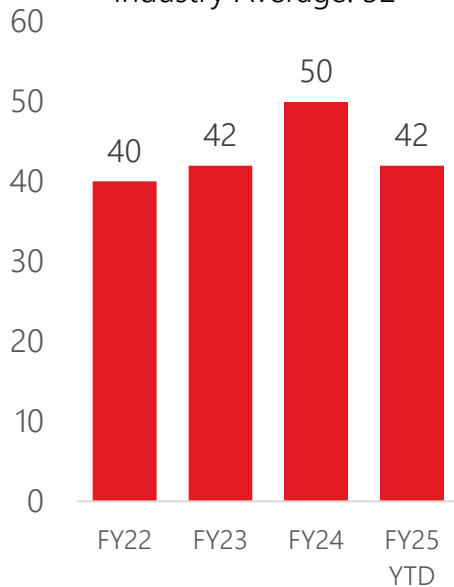
# Building a strong business

## Customer, people and sustainability performance

Customer satisfaction continues at high levels

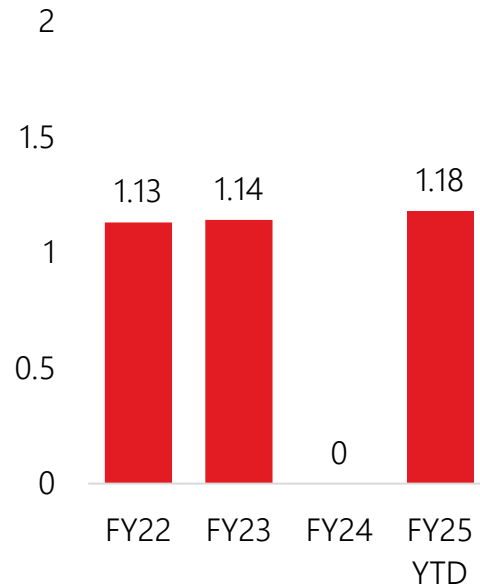
Net Promoter Score<sup>1</sup>

Industry Average: 32



FY24 the best in company's history

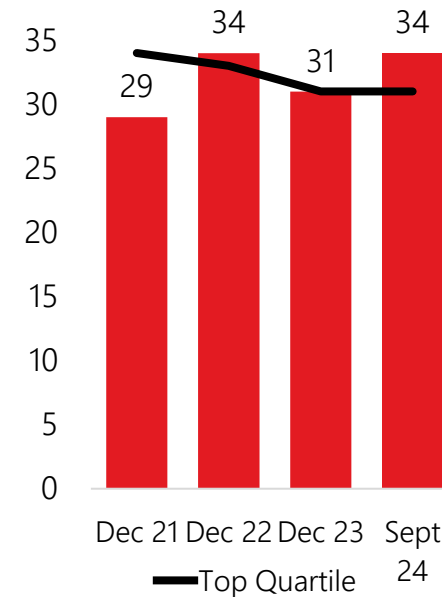
eTRIFR<sup>2</sup>



Employee satisfaction in industry top quartile

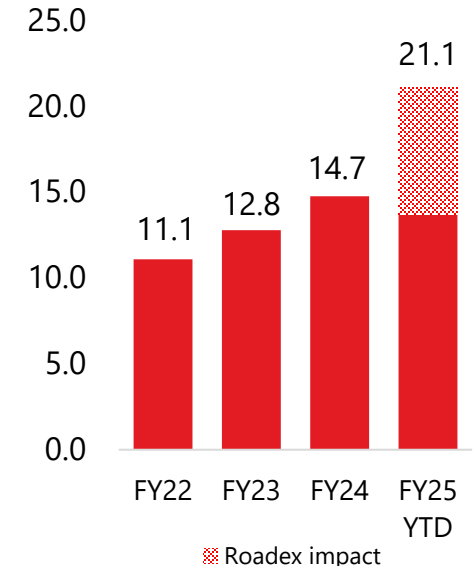
eNPS<sup>1</sup>

Industry Average: 18



Reduction expected as volumes grow

Scope 1 & 2 emissions<sup>3</sup>



Emissions tCO<sub>2</sub>e per tonne

1. Net Promoter Score. Customer NPS is calculated based on 3 months rolling average. Employee NPS industry average is 21 and Customer NPS industry average is 30  
 2. TRIFR: Employee Total Recordable Injury Frequency Rate per 1 million work hours  
 3. Reporting references the Greenhouse Gas Protocol and includes all material emissions under Scope 1 and 2

# In the Boardroom

## Priority topics for the Board

- Stay the course on strategy
- Return to profit
- Leverage the economic recovery
- Value adding growth
- Risk management and resilience



## Positioned to benefit as demand returns

- Proven dual pathway strategy – strengthen the core, and grow high value products and services
- Financial and operating model delivering inherent operating leverage
- Robust balance sheet strength providing resilience & supporting growth
- Proven organic growth and M&A strategy
- Current economic conditions provide market opportunities
- Strong long term drivers of demand



**CEO | Mark Malpass**

# Actively managing market challenges

Market Challenges	FY24	FY25	Response and Mitigation
Weak economic drivers	High	High	<ul style="list-style-type: none"> <li>• Strong balance sheet and lean cost structure</li> <li>• Customer focused - expanding existing customer share of wallet</li> <li>• Focus on higher value products and services</li> <li>• Diversified business with limited exposure to any one sector</li> </ul>
Lack of infrastructure spend	Med	High	<ul style="list-style-type: none"> <li>• Staying close to Government and industry players</li> <li>• Well positioned for commencement of Government investment into infrastructure</li> <li>• Specialist expertise and technical knowhow</li> </ul>
Commodity price volatility	High	Med	<ul style="list-style-type: none"> <li>• Managing inventory cover</li> <li>• Buying the right products, at the right time</li> <li>• Focus on dollar margin capture on existing inventory</li> </ul>
Geo-political threats	Med	Med	<ul style="list-style-type: none"> <li>• Monitoring events and maintaining diversity of suppliers</li> <li>• Secured shipping lanes</li> </ul>
Cashflow management	Med	Low	<ul style="list-style-type: none"> <li>• Tight control and management of cash, working capital and debtors - minimal levels of bad debt</li> </ul>

# FY25 four-month trading update

## Challenging market conditions impacting across the sector

- Continuing weakness in New Zealand economic environment
- Revenue and earnings affected, but will improve when demand returns
- Maintaining market share, increasing share of wallet

**Some market improvement expected from mid-2025 as interest rate cuts start to stimulate activity in construction and manufacturing sectors**

July to October	4m YTD FY25	4m YTD FY24	Var.
Sales volumes (000t)	35.5	43.5	(8.0)
Total revenue (\$m)	141.7	183.3	(41.6)
Normalised EBITDA (\$m)	2.7	16.5	(13.8)
Normalised EBIT (\$m)	(5.0)	9.5	(14.5)

*Normalised EBIT and EBITDA have been adjusted to exclude non-trading adjustments for the four months to 31 October 2024 totalling \$(0.7)m.*



# FY25 focus and priorities

## Tight control through the cycle; preparing to deliver when demand returns

- Laser focus on capturing revenue and driving profitability
- Expand offering and sales to current clients – cross-sell opportunities
- Continue to take cost out, while retaining the 'muscle'
- Continued tight management of inventory, retaining ability to quickly scale up
- Support margins through higher value products and services
- Strong balance sheet provides resilience and allows for opportunistic M&A

# Business strategy

# Strategic pathways

Overall goal to deliver gross margin improvement

## Continue to Strengthen the Core

- Best-in-class customer experience
- Cross sell products and services
- Accelerate shift to digital sales
- Drive gross margin \$/tonne
- Operating efficiency

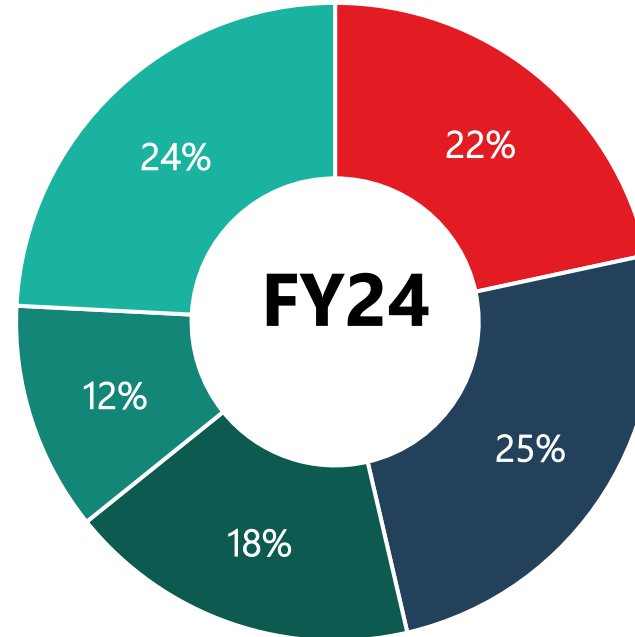
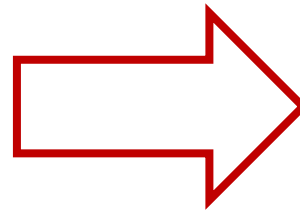
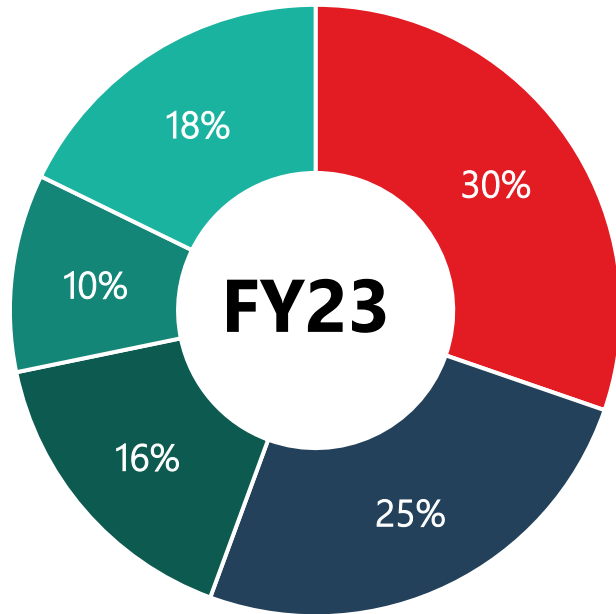
## Grow High Value Products and Services

- High value products, diversified materials and value-added services
- Diversify customer segments and build scale
- Primary focus is on organic investment and M&A in direct adjacent sectors

# Selling more products to each customer

Broad product range provides competitive advantage, focus on increasing our category share per customer

23% increase in customers buying 3 or more products



- 1 Category
- 2 Categories
- 3 Categories
- 4 Categories
- 5 or More Categories

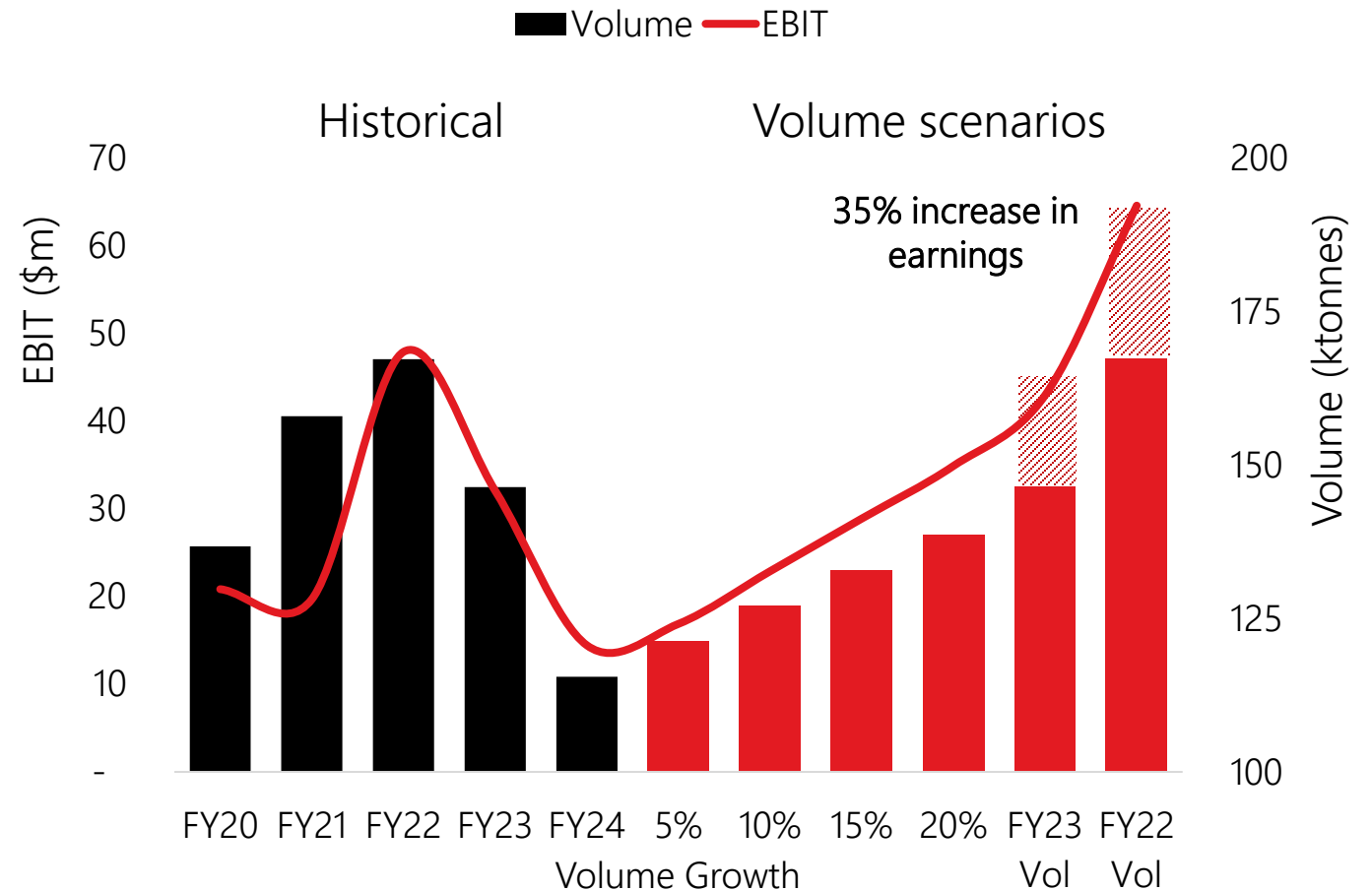


# Operating leverage

## Controlling the controllables

- Lift in market activity, combined with improvements in operating leverage, enables magnification of earnings growth
- Large proportion of fixed costs
- EBIT scales disproportionately to volume
- Further leverage from cross selling new products and services, digital conversion

Scenario modelling FY24's operating leverage at increasing product volume levels



None of the modelling outlined on this page is a prediction, forecast or guide for FY25. Scenario product margins have been kept constant and variable costs flexed proportionately to the increase in volume.

# Growth focused on two key pathways

## Organic growth and M&A activity

### Growth Criteria

- Products that fit into our existing distribution network leveraging our national footprint
- Cross over of customer base with opportunity to cross sell existing product categories
- Medium to large market size where we can provide structure and grow positions

### M&A Criteria

- Industry aligns with current operations, enhancing capability or range
- Acquisition size impacts group earnings with growth potential in their market segment
- Location provides access to new markets or is a leading regional operator with national expansion potential

### Additional criteria

- Procurement
- People
- Inventory
- Digital and IT Platforms
- Safety / Regulatory
- Sustainability
- Inventory
- Structure

# Growth investments adding value

## Recent growth initiatives



### PLATE PROCESSING

- Value-add service improving margin capture
- Further geographic expansion to South Island installed on budget and on time

### ALUMINIUM

- Well supported by customers
- One of the highest \$/tonne products offered
- Range expansion underway

## Completed M&A



### LAST-MILE FREIGHT DELIVERY

- Operations commenced in May
- Exceeding expectations
- Exploring further opportunities

### KIWI PIPE AND FITTINGS

- Strong earnings growth
- Leveraging network to expand outside Auckland
- One of the highest ROFE businesses

### FASTENERS NZ

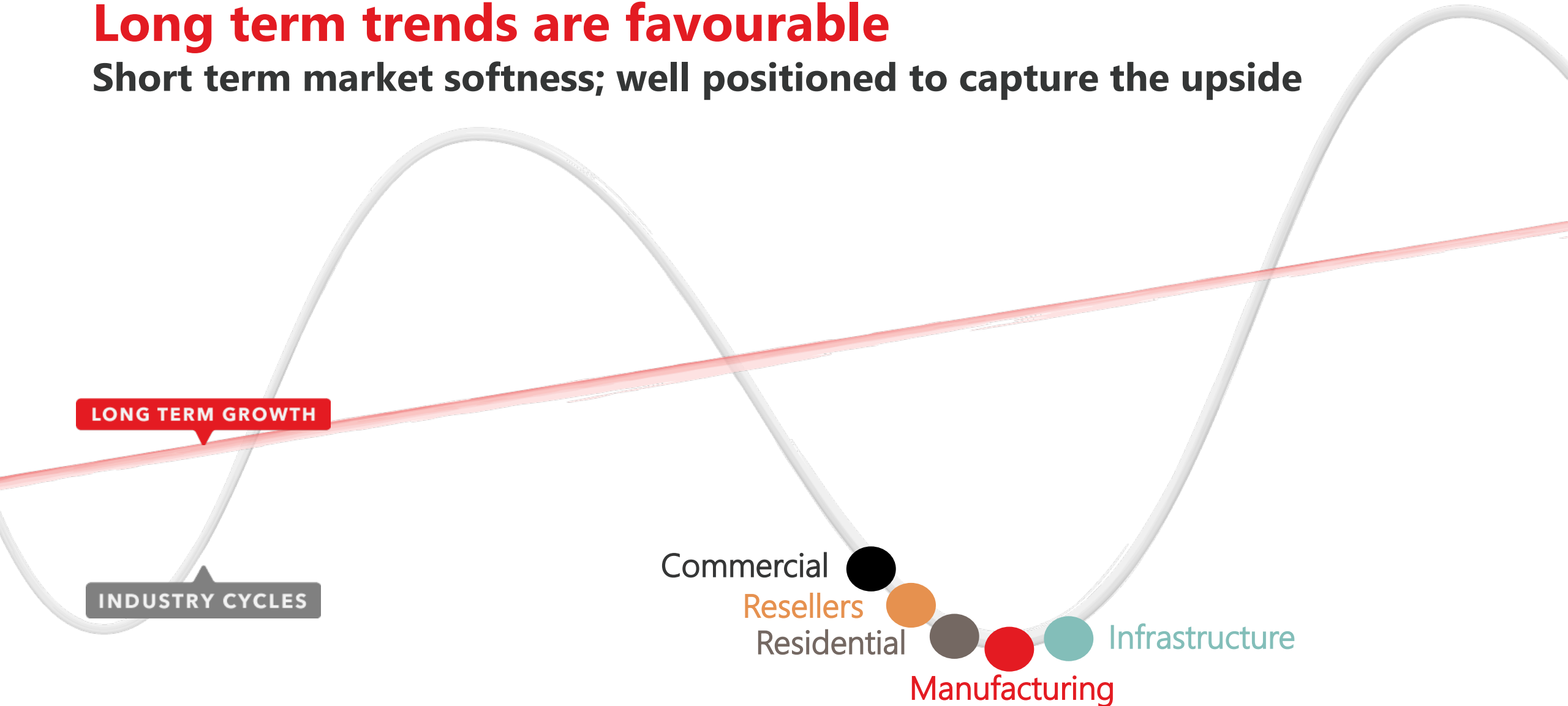
- High quality, strong ongoing demand
- Range expansion adding value

# Outlook



# Long term trends are favourable

Short term market softness; well positioned to capture the upside



# Ready to win.

- Leading provider of steel products and solutions
- Strong and loyal customer partnerships
- Expert team and technical know-how
- Proven strategy delivering value and growth
- Favourable long term demand drivers
- Robust balance sheet providing optionality



# Shareholder discussion



# Resolutions

# Resolutions

## **Resolution 1: Auditor's Remuneration**

That the directors be authorised to fix the fees and expenses of KPMG as the company's auditor.

## **Resolution 2: Re-election of Susan Paterson**

That Susan Paterson, who retires by rotation and is eligible for re-election, be re-elected as a director of the company.

## **Resolution 3: Re-election of Karen Jordan**

That Karen Jordan, who retires by rotation and is eligible for re-election, be re-elected as a director of the company.



# **Other business**

# **Close of the Meeting**





# Non-GAAP financial information

Period ended 30 June \$000s	EBITDA		EBIT	
	FY24	FY23	FY24	FY23
<b>Reported</b>	<b>31,415</b>	<b>51,876</b>	<b>9,569</b>	<b>31,009</b>
Project Strong costs	2,701	-	3,192	-
Business restructuring costs	550	-	550	-
Loss on de-recognition of finance lease receivable	-	128	-	128
NZ IFRS 16 reversal of impairment	-	(177)	-	(177)
Software as a Service (SaaS) upfront expenditure	1,144	1,109	1,144	1,109
<b>Normalised</b>	<b>35,810</b>	<b>52,936</b>	<b>14,455</b>	<b>32,069</b>

**Non-GAAP financial information:** Steel & Tube uses several non-GAAP measures when discussing financial performance. These include Normalised EBITDA, Normalised EBIT and Working Capital. Management believes that these measures provide useful information on the underlying performance of Steel & Tube's business. They may be used internally to evaluate performance, analyse trends and allocate resources. Non-GAAP financial measures should not be viewed in isolation nor considered as a substitute for measures reported in accordance with NZ IFRS.

**Non-trading adjustments/Unusual transactions:** The financial results for FY24 include transactions considered to be non-trading in either their nature or size. Unusual transactions can be as a result of specific events or circumstances or major acquisitions, disposals or divestments that are not expected to occur frequently. Excluding these transactions from normalised earnings can assist users in forming a view of the underlying performance of the group. The above reconciliation is intended to assist readers to understand how the earnings reported in the periods ended 30 June 2024 and 30 June 2023 reconcile to normalised earnings. Non-trading adjustments of \$(4.9) million are included in the FY24 EBIT. Non-trading adjustments of \$(4.4) million are included in the FY24 EBITDA.

# Glossary of terms

**EBIT:** Earnings / (Loss) before the deduction of interest and tax. This is calculated as profit for the period before net interest costs and tax

**EBITDA:** Earnings / (Loss) before the deduction of interest, tax, depreciation and amortisation. This is calculated as profit for the period before net interest costs, tax, depreciation and amortisation

**ROFE:** Return on Funds Employed. This is calculated as Normalised EBIT over Average Funds Employed (Net Debt (including Lease Liability) + Equity)

**eNPS:** Employee Net Promoter Score – assists in measuring employee satisfaction and loyalty within the organisation

**NPS:** Net Promoter Score – assists in measuring customer satisfaction and loyalty

**Normalised EBIT/EBITDA:** This means EBIT and EBITDA excluding non-trading adjustments and unusual transactions

**TRIFR:** Employee Total Recordable Injury Frequency Rate – an important metric to assess safety performance

**Working Capital:** This means the net position after Current Liabilities are deducted from Current Assets. The major individual components of Working Capital for the group are Inventories, Trade and other receivables and Trade and other payables. How the group manages these has an impact on operating cash flow and borrowings

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