

## Steel & Tube 1H25 Interim Result and Acquisition

### Steadily navigating a weak economy, strong fundamentals in place

Steel & Tube Holdings Limited (NZX: STU), has announced its results for the six months ended 31 December 2024, as it continues to steadily navigate a weak economy and position itself for a return in demand. A relentless focus on customer service, cost management and efficiencies has improved the company's resilience.

### 1H25 snapshot

- Volumes and revenue impacted by weak economic conditions which have affected customer activity and demand
- Robust balance sheet with net cash of \$17.5m and a \$100m bank facility providing resilience and optionality for investment in growth
- Focus on higher value products and lower costs driving strong operating leverage which will expand earnings growth when activity returns
- Early signs of market improvement, anticipated to build momentum from mid-2025; long term macro trends remain favourable
- Steel & Tube well positioned to deliver material earnings growth as activity returns; significant pipeline of work and structural tailwinds ahead
- Post-period end, signed conditional agreement for acquisition of Perry Metal Protection, Perry Grating and Waikato Sand Blasting; completion expected May 2025

Chief executive, Mark Malpass, said: "Steel & Tube is a cyclical business and our 1H25 results are reflective of the recessionary environment. Demand for steel remains at the lowest levels since the 1990s. Our team continues to deliver excellent service to our customers with a focus on maintaining market share."

### 1H25 Financial Performance

\$m	1H25	2H24	1H24
Revenue	196.0	217.4	261.8
Volume (Ktonnes)	48.7	53.0	62.6
EBITDA	0.6	10.2	21.2
Normalised EBITDA <sup>1</sup>	2.0	13.9	21.9
EBIT	(10.9)	(0.6)	10.2
Normalised EBIT <sup>1</sup>	(9.5)	3.2	11.3
NPAT	(10.4)	(2.7)	5.3
Net operating cash flow	23.1	3.5	38.7
Dividend (cents per share)	-	2.0	4.0

Revenue of \$196.0m was reflective of weaker customer demand across all sectors and products. Competitor pricing pressure has flowed through to margins. Gross margin \$/tonne remains a continued focus through customer value add, cross selling, pricing discipline and cost control, as well as a strategic focus on higher value products and services. Normalised earnings were down year on year, with Normalised EBITDA of \$2.0m and Normalised EBIT of \$(9.5)m. The company reported a net loss after tax of \$(10.4)m.

<sup>1</sup> Normalised EBITDA and Normalised EBIT have been adjusted to exclude non-trading adjustments of \$1.4m in 1H25. More information is available in the Results presentation.

The company has kept tight control over working capital, with inventory levels further reduced to \$109.6m (30 June 2024: \$121.3m) and a priority investment into high value products and key inventory lines.

Steel & Tube ended the half year with no bank debt and a positive cash balance of \$17.5m, representing a ~\$9m improvement on 30 June 2024, with an undrawn \$100m bank facility in place to support growth. Disciplined cash flow management has ensured strong cash collections, despite economic and construction downturn.

Chair, Susan Paterson commented "We are well placed to deliver material earnings growth as economic conditions improve. Our focus on higher value products and lower costs is driving a continuing improvement in our operating leverage which will expand our earnings growth when volumes return. Growth and M&A investments to date are adding value and we have a strong balance sheet providing optionality. Current market conditions are presenting new M&A opportunities and today we have announced the acquisition of the assets and business of Perry Metal Protection, Perry Grating and Waikato Sand Blasting."

### **Perry Metal Protection, Perry Grating and Waikato Sand Blasting Transaction**

Owned by the Perry Group, this is New Zealand's largest and only ISO certified hot dip galvanising business. In addition to the galvanising business (90% of the earnings of the operations to be acquired), the transaction also includes smaller grating and sandblasting businesses.

The total acquisition price is \$43.5m, with a potential additional, up to, \$6m payment based on the financial performance of the assets over a 2-to-3-year period, post-acquisition. Payment of both the initial acquisition price and the performance payment will be 70% in cash and 30% in newly issued equity in Steel & Tube Holdings with 15,476,755 shares @ \$0.8432 per share to be issued on completion. The acquisition price represents a 3-year historical EBITDA (pre NZ IFRS16 Leases) multiple of 4.8x.

The customer base is highly aligned to Steel & Tube's and offers two-way cross selling opportunities and the ability to improve Steel & Tube's service offering to existing customers. Synergy benefits are estimated to be ~\$1m per annum following integration.

The transaction is conditional on finalisation of financing, lease terms, environment testing and several other minor conditions. Completion is expected in May 2025 and the transaction will be earnings accretive to Steel & Tube from day one.

Further details of this acquisition can be found the investor presentation released to the NZX today.

### **Dividend**

Given the ongoing weak economy, the Board has taken a prudent approach to cash management and no interim dividend has been declared.

### **Outlook**

Mark Malpass commented: "While we expect the market to remain challenged for the next few months, the cycle appears to have bottomed out, and we are seeing increased customer enquiries and tenders as business confidence starts to improve. Activity is expected to start building momentum from mid-2025 (1H26) and we are well-positioned to navigate the current weaker cycle and achieve material earnings growth as market activity returns. There is a substantial pipeline of work ahead and Steel & Tube is well positioned to capitalise on this.

"Growth opportunities continue to present themselves and we look forward to welcoming Perry Metal Protection, Perry Grating and Waikato Sand Blasting to our group and adding further value for our customers."

**Investor call – webcast and conference call details**

Date and time: 24 February 2025, NZST 10.00am

Webcast: <https://ccmediaframe.com/?id=RM8SbBJm>

To register for the conference call: <https://s1.c-conf.com/diamondpass/10044244-7qhfyg.html>

A full replay of the presentation will be available at the same link shortly after the conclusion of the live presentation.

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For media or investor enquiries, please contact: Jackie Ellis Tel: +64 27 246 2505 or email: [jackie@ellisandco.co.nz](mailto:jackie@ellisandco.co.nz)

**For further information please contact:**

Mark Malpass  
Steel & Tube CEO  
Tel: +64 27 777 0327

Email: [mark.malpass@steelandtube.co.nz](mailto:mark.malpass@steelandtube.co.nz)

Richard Smyth  
Steel & Tube CFO  
Tel: +64 21 646 822

Email: [richard.smyth@steelandtube.co.nz](mailto:richard.smyth@steelandtube.co.nz)