Company Announcement
21 August 2023

STEEL & TUBE FY23 RESULTS FOR YEAR ENDED 30 JUNE 2023

RECORD OPERATING CASHFLOW AND SECOND HIGHEST REVENUE RESULT FOLLOWING FY22 SUPER CYCLE

- Solid financial performance, at top of 10 May 2023 guidance
- Value of dual pathway strategy now becoming clear, with strong foundation in place and pleasing performance from recent acquisitions and product expansion opportunities
- No bank debt and a positive cash balance, representing a ~$50m year on year improvement
- The company has also achieved a significant reduction in its inventory balance
- Robust pipeline, significant opportunities ahead and well positioned to take advantage of these

$m	FY23	FY22	Var%
Revenue	589.1	599.1	(1.7%)
Volume (Ktonnes)	146.4	167.2	(12.4%)
EBITDA	51.9	66.6	(22.1%)
Normalised EBITDA[1]	52.9	66.9	(20.9%)
EBIT	31.0	47.6	(34.9%)
Normalised EBIT[1]	32.1	47.9	(33.0%)
NPAT	17.0	30.2	(43.7%)
Inventory	139.2	192.5	(27.7%)
Net operating cashflow	98.3	(34.1)	+388.3%
Net cash/(debt)	6.5	(43.0)	115.1%
EPS	10.3 cps	18.3 cps	(43.7%)
Gross Dividend (incl. imputation credits)	11.1 cps	14.5 cps	(23.4%)
ROFE	10%	15%	(35.7%)

For the 12 months ending 30 June 2023, Steel & Tube Holdings Limited (NZX: STU) has reported a result at the top of guidance, with normalised earnings before interest and tax of $32.1m, compared to $47.9m in the FY22 super cycle. This result reflects the previously advised softer trading conditions with pricing benefits offset by inflationary pressures. Net profit after tax for FY23 was $17.0m (FY22: $30.2m).

Solid demand for steel continued in the first half of FY23, however volumes softened as activity eased. FY23 revenue of $589.1m was the second highest reported by the company, with sales momentum continuing and elevated pricing from steel mills almost offsetting softer volumes which were down by 12% on the prior year.

Gross margin dollars per tonne were ahead of prior year as benefits were realised from the focus on higher value products, improved pricing disciplines and leveraging data analytics and capabilities. Inventory management remained a priority as the company unwound the higher inventory levels built up in order to ensure customer supply during the prior period of supply chain congestion.

The company finished the year with a strong balance sheet. Significant inventory reductions coupled with steady revenues resulted in record operating cash inflows of circa $100m. Debt was reduced to zero with a cash balance at year end of $6.5m. A substantial $100m bank facility is in place, which was renewed in August 2023.

[1] *Normalised EBITDA and Normalised EBIT have been adjusted to exclude non-trading adjustments and unusual transactions of $(1.1)m in FY23. See Steel & Tube's FY23 Results Presentation for a reconciliation.*

The Board is pleased to have declared a final dividend of 4 cents per share, 100% imputed. This takes full year dividends to 8 cents per share and represents 75% of Adjusted NPAT.

Chief Executive Officer, Mark Malpass, said: "We have focussed on providing high levels of service to our customers while also strengthening the core business and maintaining a disciplined growth focus. New growth initiatives, including plate processing and aluminium, as well as recent acquisitions (Kiwi Pipe & Fittings and Fasteners NZ) now account for 10% of the Distribution Division's EBIT and offer opportunities for growth and expansion.

"In a recessionary environment, the most important thing we can do is maintain a strong balance sheet and tightly manage costs. A comprehensive cost out programme targeting $5m of operating costs is progressing well and should offset continued inflation pressure expected in FY24. We are tightly controlling debtors and cashflow; and investing in the right inventory and services as we shift towards higher value products and services. Our continued focus on culture and our employee value proposition ensures that we attract and retain the best talent.

"We are cautiously optimistic that 2023 represents the bottom of the cycle and although we don't expect a fast recovery, we anticipate there will be some improvement from early 2024 (the second half our FY24 financial year). Steel & Tube has significant operating leverage and we expect any uplift in activity and demand to be reflected in our results. There are plenty of green lights ahead across our multi sector exposures. Commercial construction is expected to improve, there is still a strong pipeline in residential construction from consents granted previously, and large scale infrastructure projects are progressing."

Chair Susan Paterson said: "This year marks a significant milestone for Steel & Tube as we commemorate 70 years of successful business operation. Over the past seven decades, we have consistently embraced innovation, adapted to changing market dynamics and invested in new technologies to ensure that we remain at the forefront of our industry. This has allowed us to navigate through various economic cycles, expand our product portfolio and deliver long term sustainable growth. Steel is an essential construction material and we have the capability and expertise to deliver innovative solutions to assist in rebuilding of infrastructure, climate resilience and essential water services.

Despite the economic headwinds seen in FY23, Steel & Tube has delivered a strong performance, demonstrating prudent fiscal management and the value in our dual pathway strategy."

The company is hosting an analyst and investor call at NZST 10am today (Monday 21 August 2023). Call details can be viewed here https://www.nzx.com/announcements/415242.

ENDS

For media or investor enquiries, please contact: Jackie Ellis Tel: +64 27 246 2505 or
email: 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

Richard Smyth
Steel & Tube CFO
Tel: +64 21 646 822
Email: richard.smyth@steelandtube.co.nz