

STEEL & TUBE FY24 RESULTS FOR YEAR ENDED 30 JUNE 2024

CONTROLLING THE CONTROLLABLES - WELL POSITIONED WHEN ACTIVITY RETURNS

Steel & Tube Holdings Limited (NZX: STU) has reported its audited results for the 12 months ended 30 June 2024, delivering a solid performance for a recessionary environment, while positioning itself well for when activity returns.

CEO of Steel & Tube, Mark Malpass, commented: "In what has been a year of significant economic slowdown across New Zealand, we have delivered a solid financial result. Our focus through this downturn has been on controlling the controllables by strengthening customer relationships, maintaining market share and growing higher value products and services, managing costs and expanding our cross-sell opportunities. These strategies have not only enhanced our customer proposition but also improved the business's operating leverage, which will drive profitability as the economy recovers. We have also built a robust balance sheet which provides optionality to further expand our growth, both organically and through acquisition."

Key messages

- Economic conditions have impacted industry demand across all sectors
- Steel & Tube's margins supported by new higher value products and services; further cross sell opportunities are being implemented
- Strengthened core business model – significant inherent operating leverage enables strong earnings growth as the economy improves and volumes return
- Through-cycle cost management – \$5m in cost reductions have more than offset inflation. A new cost out programme has commenced, targeting a further \$5m in savings
- Net cash balance sheet (no borrowings) and a large facility in place positions Steel & Tube well to fund through cycle growth
- Long-term economic drivers support long-term growth

FY24 Performance and Results

| \$m | FY24 | FY23 | % chg |
|---|-------|-------|--------|
| Revenue | 479.1 | 589.1 | -18.7% |
| Volume (Ktonnes) | 115.5 | 146.4 | -21.1% |
| GM\$/tonne | 901 | 850 | 6.0% |
| EBITDA | 31.4 | 51.9 | -39.5% |
| Normalised EBITDA ¹ | 35.8 | 52.9 | -32.3% |
| EBIT | 9.6 | 31 | -69.0% |
| Normalised EBIT ¹ | 14.5 | 32.1 | -54.8% |
| NPAT | 2.6 | 17 | -84.7% |
| Net cash | 8.7 | 6.5 | 33.8% |
| Net operating cash flow | 42.2 | 98.3 | -57.1% |
| Full Year gross dividend (cents per share) | 8.3 | 11.1 | -25.2% |
| Full Year gross dividend yield ² | 9.7% | 9.9% | -2.0% |

¹ Normalised EBITDA and Normalised EBIT have been adjusted to exclude non-trading adjustments of \$4.4m and \$4.9m respectively. Reconciliation included in appendix to the FY24 Results Presentation

² Based on share price of \$0.86 as at 30 June 2024

The significant decline in activity across a range of sectors as a result of economic conditions, drove a 21% reduction in volumes, with revenue down 19% to \$479.1m (FY23: \$589.1m). Despite challenging economic conditions, Steel & Tube has focused on maintaining market share and improving customer value, reinforcing its market position with customers for when activity returns.

Gross margin dollars per tonne,³ although down on the half year, continued to improve to \$901 per tonne (FY23: \$850) as the company increased product share of wallet with customers, through its strategic focus on higher value products and services, and pricing disciplines.

Further inroads have been made to streamline the business, with \$5m taken out of the cost base in FY24. These cost reductions have more than offset inflation with normalised operating expenses⁴ down \$3.8m or 5.2% year on year. A new cost out programme has commenced, targeting a further \$5m in savings. The focus on costs through the current cycle will further expand operating leverage and the profitability of the company as activity returns.

Normalised earnings were in line with revised June 2024 guidance with Normalised EBITDA of \$35.8m (down from FY23: \$52.9m) and Normalised EBIT of \$14.5m (down from FY23: \$32.1m). The company reported a net profit after tax of \$2.6m which includes one-off and non-trading costs.

Inventory levels have been reduced in line with activity and were down \$17.9m, or 13%, year on year. Inventory has been carefully managed to ensure customer availability while shifting product mix towards higher value products. Operating cashflows remained strong and net cash was \$8.7m at year end, with no borrowings.

Reflecting market conditions, the board has declared a final dividend of 2.0 cents per share, fully imputed. This takes full year dividends to 6.0 cents per share, representing a gross yield of 9.7%. The payout is above Steel & Tube's policy of 60% to 80% of Adjusted NPAT and reflects the board's continuing confidence in the company's future. The board has established a dividend reinvestment programme which will be in effect for the FY24 final dividend.

Outlook

Mark said: "While the timing and pace of an economic recovery remains unclear, our expectation is that conditions should start to improve in the 2025 calendar year. We are navigating a challenging trading environment, but we are well positioned for demand growth when it returns. Our market share is strong, we have a loyal customer base and we have quality inventory, meaning we can provide the products and solutions we know our customers will need when their projects start up again."

In May 2024, the Government budget allocated \$68b to infrastructure work over the next five years and is in the process of approving fast track consent legislation, which will improve Infrastructure activity in the medium term. Other areas of growth include health, water and climate resilience. Over the long-term, economic drivers for the business remain positive, indicating strong demand for steel products and solutions into the future.

Chair of Steel & Tube, Susan Paterson, said: "With good cash reserves and no borrowings, our strong balance sheet provides resilience in difficult times, the ability to continue to pay dividends to shareholders and the opportunity to grow through organic and M&A investments. Our strategy is delivering tangible results and the company is poised to maximise demand growth and deliver for customers as the economy recovers."

³ Gross Margin includes freight, direct and sub-contract labour

⁴ Normalised operating expenses exclude costs relating to Project Strong, restructuring and SaaS, and excludes D&A

Conference call

Steel & Tube will be holding an investor call at 10.00am today (26 August 2024) to discuss the FY24 results, performance and outlook. Details can be found here: <https://www.nzx.com/announcements/435250>

ENDS

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