



SHAREHOLDER NEWSLETTER

December 2021

COMPANY UPDATE



Susan Paterson, Chair

DEAR SHAREHOLDER

Tēnā koutou katoa

In what has been a somewhat tumultuous last six months with the return of Covid-19 to New Zealand, we are pleased to be going into Christmas with the ability to travel and see family and friends. The continuing impact of the pandemic on people and societies around the world remains front of mind, and the health and safety of our people and our customers is paramount.

We took a leadership position with our vaccination scheme, offering all employees who were fully vaccinated by mid-November 2021, either \$150 in cash, Kiwisaver contribution or Steel & Tube shares. We were pleased to welcome 96 new employee shareholders who opted for shares in our company. The investment of \$170,000 in this scheme provides great benefit for our people and our company, keeping our people healthy and safe, our businesses open and our staff able to visit other companies' sites.

At Steel & Tube, we have adapted to new ways of working at different alert levels, to ensure we can keep providing our customers with the essential steel products that are a critical part of New Zealand's 'built' environment.



Mark Malpass, Chief Executive Officer

We appreciate the efforts of all our people who have committed to getting the job done, no matter where or how they are working. Most importantly, we are proud that we were able to support and invest in our people through the pandemic lockdowns, keeping everyone on full pay to ensure they could provide for their families. During this time, our staff remained productive, with more than 1,700 online training modules undertaken during lockdown.

Positive Momentum

For the last three years, there's been a lot of hard work going on to reset our business.

Our strategy is centred around our customers and our team, with our focus on making it easier for our customers to do business with us. We are always looking for ways to work smarter, using technology and great thinking to enable a better business. For example, since the launch of our webshop earlier this year, we have now had more than 1,000 customers placing online orders.

2021 was the year when the benefits of all our efforts started to become clear.

Financially, we delivered a significant uplift in our earnings and profit.

At a performance level, we've built an industry-leading digital platform across our business, improved our customer service and delivery, continued to invest in our people, and have created a lean, strong and successful business.

Looking forward to 2022

The past year has reinforced the importance of taking a long term view of our business and delivering value for all our stakeholders – from our people to our customers and our shareholders. We're now in a great position to keep improving and adding value.

We are pleased to have provided upgraded guidance for the half year to 31 December 2021, as strong trading, an efficient operating platform and a robust economy continue to drive earnings momentum.

We have a strong business platform, amazing people and a positive culture. We are excited about our future and the year ahead for Steel & Tube. To all our shareholders, we wish you and your families a festive and memorable holiday season.

Susan Paterson, Chair

Mark Malpass, Chief Executive Officer



Steel & Tube's Annual Shareholders' Meeting was held on 30th September 2021. If you were unable to attend, you can view the presentations by [clicking here](#).

All resolutions were passed by shareholders at the Meeting.

SIGNIFICANT UPLIFT IN HALF YEAR EARNINGS GUIDANCE, ON BACK OF POSITIVE TRADING MOMENTUM

The positive momentum seen in the prior financial year has continued, and we are now seeing the benefits of business improvements, combined with a backdrop of robust economic activity.

On 15 December 2021, we updated our guidance for the FY22 half year (six months to 31 December 2021). We now expect Earnings Before Interest and Tax (EBIT) to be between \$20m and \$22m (Normalised 1H21 \$7.6m), with Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) of between \$30m and \$32m (Normalised 1H21 \$16.8m).

The upgrade follows a continuation of strong trading across the Group driven by volume growth in target segments and positive market conditions, gross margin disciplines and a continued reduction in percentage operating costs.

| \$m | 1H FY22 Guidance ¹ | 1H FY21 Normalised ² |
|--------|-------------------------------|---------------------------------|
| EBIT | \$20m-\$22m | \$7.6m |
| EBITDA | \$30m-\$32m | \$16.8m |

For the first five months of the financial year to the end of November, Group revenue increased 22% over the prior comparative period (PCP). Volumes were up 11% on PCP.

Our key focus has been to maintain availability and high levels of service for our loyal customers while navigating global supply chain constraints, a higher pricing environment and Covid-19 restrictions.

We have carefully invested in high demand inventory using our strong 30 June 2021 cash position which we expect to rebuild in the second half of the financial year as deferred income during the lockdowns is fully recovered. We have a strong pipeline of secured work in place across the country and market conditions are expected to remain positive for at least the medium term.

| Products | | Sales 5MYTD FY22 vs PCP | Volume 5MYTD FY22 vs PCP |
|----------------|--|----------------------------|-----------------------------|
| Distribution | Products sourced from preferred steel mills and distributed through Steel & Tube's national network | 35% | 16% |
| Infrastructure | Products processed before sale, typically on a contract or project basis, including onsite installation services | 5% | 4% |
| STU Total | All products | 22% | 11% |

¹ Guidance is subject to any impact of the recent IFRS Interpretations Committee agenda decision on Software as a Service (SaaS); and excludes the release of a \$0.85m provision following the decision on the Metro Performance Glass Limited Holidays Act Court of Appeal case.

² 1H21 normalised EBIT and EBITDA excludes non-trading adjustments and unusual transactions. 1H21 non-trading adjustments were \$(1.3)m being \$0.8m from reversal of lease impairment and \$0.5m gain on sale of property.

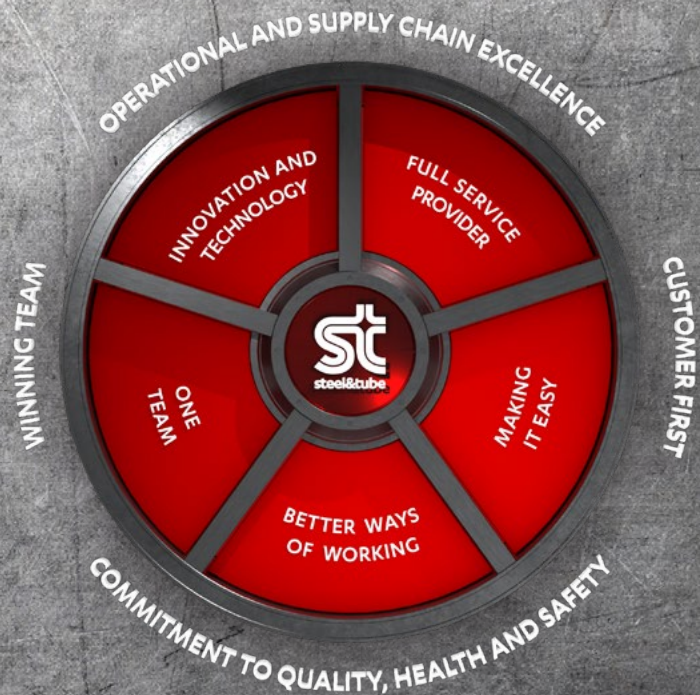


WELCOME TO ANDREW FLAVELL, BOARD DIRECTOR

Andrew joined the Steel & Tube Board in October 2021. He is a very experienced senior technology executive and has driven digital transformations at companies such as Nike and Microsoft. He was recently Chief Technology Officer at Plexure, the NZX-listed global mobile engagement company. Andrew has a Doctor of Engineering, Systems Engineering from the University of Tokushima, Japan, and did his Bachelor of Engineering at Auckland University.

Steel & Tube's digital strategy is becoming an increasingly valuable pathway for our company and Andrew's extensive experience will be of significant value as we progress our digital strategy.

OUR STRATEGIC ROADMAP & FOCUS FOR FY22



Our purpose

To make life easier for our customers needing steel solutions

We do this by:

Providing a one-stop-shop for the most essential steel products – from floor to roof and everywhere in between

Doing everything we can to make it easy for our customers to do business with us

Always looking for ways to work smarter

Using technology and great thinking to pull it all together and enable a better business

Building one great team right across the Steel & Tube business

NZX Retail Investor Webinar Series

You can listen to CEO Mark Malpass talking about Steel & Tube's strategic roadmap and focus in FY22, as part of the NZX Retail Investor Webinar Series.



To view [click here](#)

STRATEGIC FOCUS: INVESTMENT FOR GROWTH

Focus on gross margin dollar improvement and growth opportunities

Build on strong business foundation

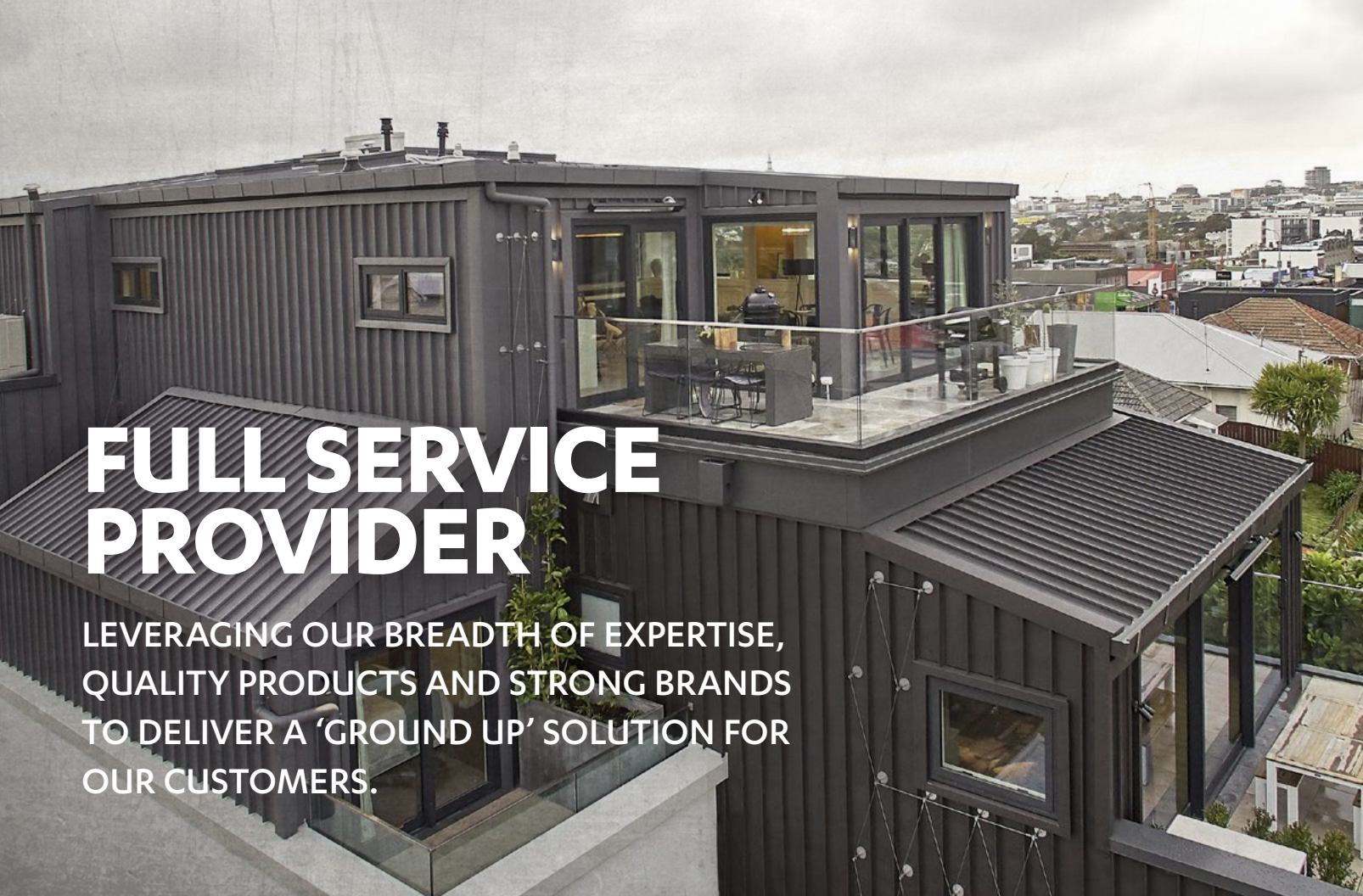
- Continue to build best-in-class customer experience and digital platform
- Drive gross margin dollars
- Continued operational efficiencies
- Investment into IT and enhanced data analytics
- Leverage opportunities to cross sell a wide range of products and services

New product development and innovation

- Continue to develop differentiated expertise
- Expand targeted high value product ranges
- Work in partnerships with third parties
- Continue investment in marketing and promotion

Business growth

- Primary focus on organic growth
- Continue to consider opportunities in close adjacent sectors



FULL SERVICE PROVIDER

LEVERAGING OUR BREADTH OF EXPERTISE, QUALITY PRODUCTS AND STRONG BRANDS TO DELIVER A 'GROUND UP' SOLUTION FOR OUR CUSTOMERS.

BRINGING KINGSLAND FIRE STATION BACK TO LIFE

The Kingsland Fire Station occupies a prime location on the ridge overlooking Eden Park on the Auckland city fringe and has a varied past. According to Kingsland Heritage, the brick fire station was built in a Georgian Revival style in 1933 to replace an original timber station with a watch tower that was erected in 1906.

The latest renovation of the Fire Station has seen the space converted into five contemporary and workable apartments. A major part of the renovation by Context Architects was the replacement of the terracotta roof with a Steel & Tube Legacy® clad penthouse level apartment.

“The project on New North Road is not your typical alteration and addition, but rather a revival of the old and integration of the best of now. The use of a modern, matte steel cladding played an integral role in respectfully treating and maintaining the old fire station’s heritage charm,” said Context Architects’ project lead, Hew Kenn Chew.

HELPING SUPERSIZE AUCKLAND’S WATERWAYS

Over a six year period, Watercare is building the Central Interceptor – a supersized wastewater tunnel to help make Auckland’s waterways cleaner. The Central Interceptor will run underground from Grey Lynn to Watercare’s Māngere Wastewater Treatment Plant. Once completed, the tunnel will be 14.7kms in length, the longest bored wastewater tunnel in New Zealand.



The Central interceptor Project is a keystone project for Steel & Tube, and the Reinforcing Team has formed a strong working relationship with contractor, Ghella Abergeldie Joint Venture, and Watercare.

The entire Central Interceptor project involves approximately 2,700tns of reinforcing of which 50% has already been delivered by Steel & Tube, with the remainder to be delivered over 2022.

The team has assisted this client with not only supply, but also installation and 3D modelling, which has provided significant benefits in the interpretation and simplification of complex structural designs. This work has prevented onsite installation delays and complications.

To read more about the Central Interceptor Project here, [click here](#).

MAKING IT EASY

DELIVERING THE INFORMATION, EXPERTISE, PURCHASING OPTIONS AND COMMUNICATION CHANNELS THAT MAKE IT EASY FOR OUR CUSTOMERS.

MEETING THE NEEDS OF OUR CUSTOMERS

Meet Sylvan Cheng, a Specification Manager for Roofing and one of the newer members of our team. Fluent in Mandarin, Sylvan has experience in the NZ Asian construction trade and works with our Asian customers to deliver a service that meets their needs.

The architectural and construction community is made up of a range of different cultures and ethnicities. For Steel & Tube, it's important to meet the needs of all our customers. Chinese owned developers are projected to plan almost \$11 billion of New Zealand's construction

projects in the next eight years, and \$2.1 billion of projects are already underway. This is an important customer group for us, and we have been focusing on engagement and connection through a range of different channels.

We attended the Asian Construction Expo this year, have Mandarin speakers in our team, translate key marketing and product material into Mandarin and are looking at other language-specific communication opportunities.

JOIN SYLVAN ON WECHAT



CUSTOMER SATISFACTION SCORES HIT A HIGH



YTD NPS Score
(Rolling 6 months to 30 Nov 2021)

Steel & Tube's customer satisfaction score (Net Promoter Score) is running at 44 for the 6 months YTD, with a huge lift in loyalty reflecting the ongoing support we provided to our customers during the Alert Level 4 lockdown and restrictions.

We are well on track to achieve and exceed our NPS targets for FY22 as we deliver on our strategy of "making life easier for our customers".

PROCUREMENT UPDATE

The dynamic nature of international steel prices continues, coupled with increased shipping costs and supply chain delays. To assist our customers, our team share insights into the changes that are driving price increases, in our regular Steel & Tube Procurement Update. This can be found on [our website](#).

A summary of the November update shows a number of factors driving steel pricing:

- China, which accounts for half of the world's steel output, has cut production to meet planned CO2 emission targets, and in response to rationed electricity use
- Easing of volatility in carbon steel mill pricing, however energy and shipping costs, as well as delays and long lead times, means that domestic market prices are still playing catchup
- Increase in consumer demand for manufactured items, many containing steel and/or stainless finished product, across all regions globally, as well as major stimulus programmes by governments. The long term demand trend is expected to continue

What does this mean for Steel & Tube and our customers?

Capacity is expected to remain constrained and supply chain issues to continue for at least 12 months. Price increases are still being passed from supply partners which will inevitably need to be priced to market.

One of Steel & Tube's biggest strengths is the breadth, depth and range of products we supply. We continually refresh our inventory, bringing in new items and ensuring we have critical, high demand products available in stock for our customers. We have strong and long term relationships with steel mills and suppliers, including shipping companies. This is proving of value in these current times with the ongoing constraints across global supply chains.



INNOVATION & TECHNOLOGY



WE EMBRACE NEW TECHNOLOGY AND CONTINUALLY INNOVATE TO DELIVER ON OUR CUSTOMER AND PARTNER STRATEGIES; AND DRIVE GREATER EFFICIENCY IN OUR BUSINESS.

LEADING THE WAY IN DIGITAL

Technology is a big focus for Steel & Tube and provides a significant competitive advantage. Our technology platform is now an integral part of our sales, service and people strategies.

2021 was a big year for investment in technology, particularly around our customer offer. Our goal is to create an omni-channel platform, that allows our customers to engage with us through a range of different channels, and at a

time and place that suits them. So that might be on our website, or through our webshops, or by talking to our chatbot Stanley, by ringing our customer service people or by coming into one of our stores.

To find out more about Steel & Tube's digital investment, [click here.](#)



ONLINE TRAINING LIBRARY



We're using technology and digital tools to streamline processes and systems within our business, support our traceability programme and provide online training for our people. We've now got more than 50 different modules in our online training library. More than 2,000 modules were completed by team members in the FY21 financial year... a great effort that benefits our people and our business.

Cybersecurity remains front of mind. 85% of Steel & Tube's office workforce have now completed the latest online training module in cybersecurity.





**AUCKLAND
CUSTOMERS**

account for
28% of online
sales

**eCOMMERCE
CUSTOMERS
ARE MORE
SATISFIED**

*Rolling YTD NPS
scores

332%

INCREASE
in ecommerce
customers YOY

*5 months to 31 Nov 21

**ONLINE
ORDERS**

are placed every
hour of every
day & night

Most popular
online product

ROOFING

**GROWING POPULARITY
OF STEEL & TUBE'S
WEBSHOP**

Customer numbers, revenue and user sessions are escalating as Steel & Tube's webshop has expanded to include more products and solutions.

Our ecommerce site is continually being updated to improve ease of access and user friendliness. The latest new feature to be added is Favourites, allowing customers to easily place repeat orders and manage their steel requirements. New customers are continually being welcomed, including a recent partnership with Capricorn Society, Australasia's largest automotive cooperative.

BETTER WAYS OF WORKING

WE CONTINUALLY IMPROVE TO ENSURE AN EFFICIENT AND EFFECTIVE OPERATIONAL PLATFORM, WITH STRONG OPERATIONAL DISCIPLINE AND EXCELLENT CUSTOMER SERVICE.

LEADING EDGE SOFTWARE CREATING A SAFER WORKPLACE

Safety remains our number one priority and we were pleased to see even stronger safety metrics in FY21, well below industry average. We have a dedicated team supporting health and safety and encourage our people to 'speak up' to help us identify further ways we can improve.

The new Intelx software has been rolled out across the Group and makes it even easier for our people to complete safety checks on the go. We've also invested hundreds and thousands of dollars into truck and machine guarding to provide additional safety for our people when working in our businesses.



INTRODUCING PETER ENSOR, GENERAL MANAGER REINFORCING

Peter has been involved in the construction sector for the past 20 years, working in a variety of roles for companies including Fletcher Construction and McConnell Dowell. He had become familiar with Steel & Tube as a preferred supplier to several of the businesses he worked for, and joined the company in November 2021, during Alert Level 3. While he is looking forward to getting into the office and meeting people face to face, he expects more flexible working arrangements to become the norm as businesses seek to recruit and retain good people.

Manufacturing closer to market has become more important as Covid-19 complicates supply chains, and Peter says it is critical that

New Zealand remains in control of its own supply chain. In this regard, Steel & Tube is fortunate to have a robust logistics and material processing network in place.

His measurements of success are based around safety and wellbeing of Steel & Tube's people, a positive and collaborative workplace culture and exceeding customer expectations...all while ensuring profitable, efficient business performance.

Outside of the office, Peter enjoys spending time with his family, traveling in their caravan around New Zealand and tramping.

STEEL & TUBE REINFORCING

Steel & Tube operates through two divisions – Distribution and Infrastructure. The Reinforcing business is one of the two businesses within our Infrastructure division, with the other one being Rollforming.

Steel & Tube is one of the largest suppliers of fabricated reinforcing steel mesh, cut and bent bar, piles, beams and columns for use by the New Zealand building industry.

ONE TEAM

OUR STAFF AND BUSINESSES ARE ENGAGED WITH A COMMON PURPOSE. WE INVEST IN STAFF DEVELOPMENT, RECOGNISING AND GROWING THEIR TALENTS AND EMPOWERING THEM TO ADD MORE CUSTOMER VALUE.

At the heart of our business, are our people. Our aim is to provide an environment where people feel welcome, engaged and rewarded, and where there is the opportunity to learn and develop.

- Our employee Net Promoter Score lifted significantly from 19 to 29, and pleasingly it was driven by improvement in all our key target areas – support for our strategy, recognition, wellbeing, diversity and clarity on our goals
- We launched a new Māori cadetship and have four great cadets currently enrolled
- We've established an employee Diversity team to help strengthen our approach to Diversity and Inclusion
- We've delivered wellbeing education across the organisation to help our team with the various challenges that we know present themselves in the current Covid-19 environment – and launched a wellbeing coaching programme, MyCoach, to enable all our employees to obtain tailored wellbeing support for themselves and their whānau
- Early in the year, we also introduced a Back to School fund to provide support for Steel & Tube families at a time of the year when added expenses can be challenging. We will continue with this in 2022.

POSITIVE UPTAKE OF VACCINATION INCENTIVE

Steel & Tube believes a fully vaccinated workforce creates a safer workplace for our team and customers.

There are compelling reasons for all employees to get on board with vaccination. Aside from the obvious and proven reduction in death rates, vaccination reduces the risk for our most vulnerable, the pressure on our health system and the risk of future lockdowns such as that which recently affected our business in Auckland.

To encourage uptake we took a leadership position by offering all employees (who were fully vaccinated by mid-November 2021) either \$150 in cash, Kiwisaver contribution, or Steel & Tube shares.

The response was very positive, with more than 90% of Steel & Tube's workforce now fully vaccinated.

You can view the TVNZ Te Karere news story on Steel & Tube's initiative, to view [click here](#).



STEEL: A SUSTAINABLE PRODUCT CHOICE

Steel is one of the world's largest materials industries - if not the largest. It generates a turnover of US\$1 trillion dollars annually. It also plays a prominent role in our daily lives and is critical to national infrastructure. Global demand is expected to increase by more than a third through to 2050.

The steel sector is committed to reducing carbon emissions and has identified a number of opportunities including breakthrough technologies, operational efficiencies, low carbon energy sources, offsetting and circular economy benefits.

Watch Troy Coyle, CEO of industry body, HERA, talking about why steel is an important part of our zero carbon future and the global initiatives underway to minimise carbon emissions from the steel sector.

To view [click here](#).



- 72% of steel in NZ is recycled
- The collection of 545 kilotonnes of steel scrap every year provides a net benefit of 793 kilotonnes of carbon equivalent
- Steel as a building material is incredibly durable, infinitely recyclable, resistant to water damage and produces minimal construction waste. With a fit-for-purpose approach, there are no limits to what steel can deliver

Embodied carbon emissions make up a large portion of the emissions from the construction sector (often between 20-50%). This is why a holistic cradle-to-cradle, or circular economy approach, is important when measuring carbon emissions. In fact, research suggests that 45% of emissions can only be addressed by employing a circular economy model².

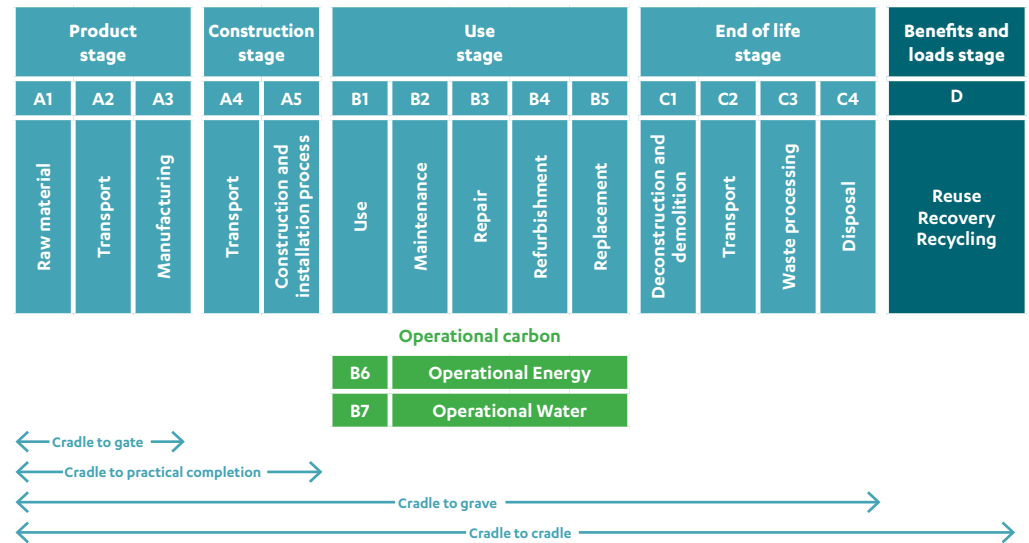
Steel & Tube advocates a Whole of Life Approach when comparing the emissions from different building materials, taking into consideration the emissions not just from the Product and Construction stages (which represent only 3 – 5% of a Light Steel Frame building's total operational energy over a 50 year lifespan), but also the reuse, recovery and recycling of materials which leads to the creation of a circular economy.



We have to stop talking about embodied carbon and start talking about lifetime carbon emissions. This is what has an impact.



WHOLE-OF-LIFE EMBODIED CARBON



The module framework set out in international standards for LCA, outlining how embodied carbon and operational carbon relate over the building lifecycle

Steel & Tube is pleased to be a Chartered Member of the Sustainable Steel Council (SSC). This recognises the work being done by companies to advance the sustainability of their operations in line with the SSC charter. As a business, we take pride in this accomplishment. It's a mark of recognition that we are doing our part to protect our environment and communities.



STRONGER TOGETHER THANK YOU

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www.steelandtube.co.nz/enews

