Steel & Tube FY26 Results

Progress made despite an uneven market recovery

Steel & Tube Holdings Limited (NZX: STU) has released its audited results for the 12 months ended 30 June 2026 (FY26), reporting improved normalised earnings as increased demand and operating leverage come into play.

- Normalised results improved on prior year, however unforeseen continuing market weakness and increased costs (primarily wages and energy) delayed the return to profitability
- Positive revenue and volume trends in line with market recovery, prior to disruption in Q4
- Significant operating leverage supporting earnings growth ahead of revenue, with a 40% increase in the second half of financial year normalised earnings (EBIT)
- Acquisitions continue to out-perform with galvanizing business driving margin expansion
- Disciplined focus on working capital, debt management and liquidity with further initiatives underway
- Portfolio review and proposed business divestments being executed, providing pathway to simplified business and improved return on invested capital
- Bank funding in place with ANZ facility extended to September 2027
- Board refresh in progress, in line with succession plan

CEO Mark Malpass said: "This year's results reflect the impact of a prolonged market downturn and period of subdued demand, which has continued for longer than anticipated. While we saw an emerging market recovery through the first three quarters of the year, the market was once again disrupted in Q4 as a result of the Middle East conflict and pre-election caution.

"Against this backdrop, we have remained focused on our strategy - controlling what we can control and identifying further business improvements. The business is now leaner and more focused and the actions we have taken are creating meaningful operating leverage. We saw this in action this year, with positive revenue and volume trends in line with the market recovery. Margins started to expand, earnings improved and we converted modest revenue growth into a stronger financial outcome."

Portfolio review

In 4Q26, Steel & Tube commenced a comprehensive review to ensure capital is directed towards the highest-value opportunities and to position Steel & Tube for sustainable growth over the medium to long-term. The review identified opportunities to release capital and exit loss-making operations, resulting in the exit (subject to employee consultation) of the Reinforcing & Wire, and Plate Processing operations, both of which operate in highly competitive markets and are delivering returns below investment criteria. Value will be maximised through the sale of assets, with proceeds used to pay down debt.

The Company has received an offer from Euro Corporation for the Reinforcing & Wire assets and has agreed to terms with it. Any sale to Euro would be conditional on obtaining all necessary approvals, and satisfactory engagement with the Commerce Commission. Under their offer terms, Euro would assume customer contracts and acquire the inventory and assets. Euro would also consider affected staff for future employment opportunities.

Separately, the Company will also be conducting a marketing process for the assets over the next few months, to ensure that the full market value of the assets is realised. The sale of the assets is expected to realise value of $11m - $12m in asset and inventory value excluding costs.

The review also endorsed the strategic rationale behind recent acquisitions including Perry Metal Protection in May 2025. The galvanizing business has continued to outperform, with revenue and earnings trending above business case and prior year, and cross-sell and revenue synergies also above expectations.

In addition, a review of the lease portfolio has also been completed. With the business exits noted, the company plans to exit seven smaller sites over the next 12 months. This will lower operating costs and improve return on capital through more efficient use of assets, and is expected to deliver annualised cash savings of approximately $2m in FY28. Regional hubs are not affected and will continue to provide customers with a one-stop-shop. As part of the portfolio review, the company is exploring the exit of a further two larger sites.

Financial Performance

Volumes lifted 15.9% to 115k tonnes, with revenue up 13.9% to $438.9m. Significant operating leverage is supporting earnings growth ahead of revenue, with normalised EBITDA up 376% to $9.9m. Normalised EBIT was $(16.5)m[1], a 22.7% improvement YoY, with a return to positive normalised EBIT for March 2026 and breakeven in May.

Margin expansion was driven by the galvanizing business and supported by the group-wide cost out programme and freight and warehouse initiatives. Product margin increased 2.6 percentage points to 30.7%, with product margin $/tonne of $1,167 (FY25: $1,088). Disciplined pricing, a higher value product mix and ongoing cost discipline will deliver further earnings and margin growth as activity returns.

The third phase of the cost out programme commenced in 1H26 will deliver approximately $6m in annualised direct and operating expense savings and had a positive FY26 impact of $3.5m.

Inventory continues to be managed prudently to ensure best use of working capital, with year-end inventory at $111.0m (FY25: $113.6m). The number of SKUs has been reduced, with a shift to higher value, higher demand products and active management of old, obsolete and excess inventory lines.

A priority focus has been to rebuild balance sheet capacity. M&A activity has been paused, capex restrictions are in place and dividends are on hold. Net debt at 30 June 2026 was $48.0m, reflecting the ~$30m cash portion of the Perry's acquisition in May 2025. Banking arrangements with ANZ have been renewed until September 2027, providing additional financial stability for the company.

This year's result includes a non-cash $51.9m impairment to reflect a write down in the carrying value of Steel & Tube's business units (as the result of accounting assessments made at a point in time each year), as well as other non-trading adjustments of $3.8m. After impairments and adjustments, statutory net loss after tax was $(61.2)m.

Chair Susan Paterson said: "It is disappointing to report another loss. Our focus is firmly on returning the business to sustainable profitability and positioning it to benefit as demand recovers. We have a clear path forward, centred on disciplined execution, stronger returns and creating long-term value for shareholders."

[1] Normalised EBIT and EBITDA exclude non-cash impairment of assets and other non-trading adjustments. Including these, EBIT was $(72.2)m and EBITDA was $(45.8)m.

Outlook

Steel & Tube is well positioned to capture the benefits of market recovery. Although the timing and pace of this remain uncertain, there are encouraging signs that activity across several sectors, including export and manufacturing, is gradually improving and the company remains cautiously optimistic.

Mark commented: "FY26 proved our ability to deliver when market conditions improve and we will benefit further from operating leverage as volumes recover. We enter FY27 as a more focused and more capable organisation than we were at the beginning of this cycle and have a clear pathway to improving performance and returns.

"Our strategy remains unchanged – to strengthen the core and grow high value products and services. We will continue investing in our people, strengthening customer relationships, allocating capital with discipline and pursuing opportunities that enhance our competitive position and create sustainable shareholder value. Our immediate priorities are to continue to strengthen the balance sheet and capture value from our initiatives."

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	Richard Smyth
Steel & Tube CEO	Steel & Tube CFO
Tel: +64 27 777 0327	Tel: +64 21 646 822
Email: mark.malpass@steelandtube.co.nz	Email: richard.smyth@steelandtube.co.nz