

Date: **21 November 2019**

## BLUESCOPE 2019 AGM – CONFIRMS 1H FY2020 GUIDANCE

At its Annual General Meeting in Brisbane today, BlueScope confirmed its August guidance for 1H FY2020 of underlying earnings before interest and tax (EBIT) of around 45% lower than 2H FY2019 (which was \$499M).

As flagged in August, the 1H FY2020 outlook is softer than the prior half due to weaker commodity steel prices and spreads across the Company's steelmaking businesses in the US, Australia and New Zealand. However, demand in BlueScope's major markets remains stable. North Star is operating at full utilisation and there has been a modest recovery in Australian volumes as foreshadowed.

Chairman, Mr John Bevan, said "BlueScope is now a very resilient global Company with a strong balance sheet and high-quality assets which provide the capacity to withstand and potentially take advantage of tough cyclical conditions.

"FY2019 was our third year with back to back underlying earnings before interest and tax above \$1.1 billion – a result achieved despite some softening in commodity steel spreads and volumes in the second half of the year and, of course, rising uncertainty in global markets caused by geopolitical factors and the US-China trade dispute.

"BlueScope is very focused on generating returns above its cost of capital in order to create value for our shareholders. The Company has delivered \$1.33 billion in buy-backs and dividends from FY2017 to October this year.

"With our strong earnings and cash flows and our prudent balance sheet management, we are now targeting a capital structure of around zero net debt<sup>1</sup> for the consolidated Group.

"We continually watch for appropriate growth opportunities that fit our strategy. To that end, the Board approved the US\$700M expansion of the best-in-class North Star BlueScope Steel facility in Delta, Ohio. The expansion will add around 850,000 metric tonnes per annum of US domestic steelmaking capacity, taking annual output to three million tonnes, and unlocks options for further incremental expansion in the future. This expansion project is a perfect fit with our strategy, offering long term sustainable earnings growth from a high-quality asset."

Mr Bevan said, "BlueScope continues to embed sustainability in all that we do. In September, we were proud to release our FY2019 Sustainability Report, which provides further disclosures aligned to the Task Force on Climate-related Financial Disclosure framework, and updates to our performance on other key material topics. In particular, the report details our achievements to date on supply chain sustainability, and our performance in achieving our emissions intensity reduction targets in FY2019."

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<sup>1</sup> Before capitalisation of operating leases under AASB 16.

## TRADING UPDATE

BlueScope's Managing Director and CEO, Mr Mark Vassella provided the following update on 1H FY2020 trading conditions.

North Star:

- The business continues to perform well and has been operating at full capacity.
- US Midwest benchmark spreads are broadly in line with initial expectations, however the business has benefitted from modestly better realised raw material costs and selling prices.
- Work on the 850,000 metric tonne per annum expansion is progressing on schedule, with air permits received, contracts with major equipment manufacturers and construction contractors signed, and siteworks underway.

Australian Steel Products:

- The business is trading in line with our previous expectations.
- Domestic volumes are tracking slightly better than expected, driven by a modest improvement in demand in the building segment and distribution channel. Realised steel spreads and the contribution from export coke sales have been broadly in-line with expectations.

Building Products Asia and North America:

- Our China business continues to perform strongly with robust demand and margins; India is performing well with higher margins offsetting lower volumes in light of the current soft macroeconomic environment; North America is performing in line with expectations.
- In ASEAN we continue to see ongoing benefit from the Ignite 5G cost reduction and manufacturing improvement program; however, weak macroeconomic conditions persist in Thailand and Malaysia, placing continued pressure on margins and volumes.

Buildings North America:

- The business continues to see good demand conditions and order intake, albeit customer lead times remain extended due to the high activity levels and some weather-related delays.
- Higher costs associated with manufacturing performance at one of the plants is expected to lead to a softer result in the engineered building solutions business.

New Zealand and Pacific Steel:

- Demand in the residential construction sector remains robust, however some softening has been observed in the infrastructure market.
- We are now expecting a similar result to 2H FY2019, which is lower than prior expectations due to weaker than expected vanadium prices and higher costs on lower production which has been impacted by softer infrastructure demand.

**For further information about BlueScope:** [www.bluescope.com](http://www.bluescope.com)

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