

18 Resolution Drive  
PO Box 1246  
Unanderra NSW 2526 Australia

ABN 22 098 674 545

**P:** 61 2 4272 0444

**F:** 61 2 4272 0456

[www.bisalloy.com.au](http://www.bisalloy.com.au)

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ASX Limited  
Exchange Centre  
Level 4, 20 Bridge Street  
Sydney NSW 2000

## 2018 AGM Presentations

In accordance with the ASX Listing Rules and the Corporations Act 2001, attached are the presentations to be given at today's Annual General Meeting of shareholders of Bisalloy Steel Group Limited.

Regards



**Luke Beale**  
Chief Financial Officer & Company Secretary

## **Chairman's Address**

Before moving to the formal business of today's meeting, the Managing Director and I will first provide you with an update on the Group's operational highlights and successes achieved in the past year. These presentations were lodged with the ASX prior to the commencement of this meeting.

FY2018 saw transformational growth across all aspects of the business. The Group continues to be presented with significant development opportunities across each product segment. All activities and initiatives are firmly in place for the Group to continue this momentum heading into FY2019.

In FY2018 Bisalloy continued in the execution of its strategy of improving the current operation in its production and distribution of quenched and tempered (QT) steel in the Australian domestic market, in conjunction with building on the existing joint venture (JV) operations throughout Asia for future growth opportunities. To support the sales volume growth of Bisalloy QT wear, structural and armour products in FY2018, Bisalloy was able to increase greenfeed supply from both local and international suppliers.

The Group's Operating EBITDA for the year of \$8.5m was up 51% on last year's \$5.6m. Revenue of \$89m was up 38% on last year and profit after tax of \$3.9m was up 119% on last year.

The Group's net debt increased slightly to \$5.9m at 30 June 2018, up from \$4.7m at 30 June 2017 due to the company's growth.

Focused efforts to engage with Bisalloy's traditional customers, while actively seeking new customers, has been a significant driver of the 54% increase in domestic Australian sales. In line with the focus on growing the Armour business, the Group saw Armour sales grow by 56% on last year and a significant improvement in the Chinese Domestic market saw Bisalloy domestic Chinese sales increase by 89%. This has resulted in high volumes in the second half of FY2018 with good momentum and a healthy order backlog going into FY2019.

The confidence observed in the resources market at the back end of FY2017 continued throughout FY2018, resulting in an increase in repairs and maintenance spend, yet with continued poor visibility of demand. Consequently, both the Group and its distributors, were required to carry a higher level of inventory to service this market.

The Group's distribution subsidiaries in Indonesia and Thailand continued to operate profitably with Indonesia in particular showing good signs for the business with a strong domestic market. Both operations, with the help of the Australian operation, continue to focus on growing beyond resources, including defence grade steels.

The Group's Cooperative Joint Venture (CJV) for the production and sale of QT steel plate into domestic China continues to operate profitably in a highly competitive market.

Bisalloy is actively carving itself out a significant market share in the Chinese premium QT business and has been now accredited as the supplier to a number of key large Chinese manufacturers. In 2019 the CJV will start to produce Bisalloy products in the new Shandong Steel plant at Rizhao. The CJV is forecasting volume growth and financial contributions to continue to increase in FY2019.

The Board believe that the Group has the products, strategies and management team to take advantage of the new opportunities which are presenting themselves to Bisalloy, especially in the defence industry. The continual reshaping of the Australian operation enabled by strategic investment will underpin the competitiveness and sustainability of the business and will enable the Group to generate appropriate shareholder returns going forward.

The Group has traded well in the first four months of FY2019 and has a healthy order book in place. The Group is forecasting Operating EBITDA for FY2019 to be in the range of \$9.5M to \$10.5M.

I would now to invite Greg Albert CEO and MD of Bisalloy Steel Group to provide additional commentary on the Group's outcomes and future opportunities.

Thank you.

## Managing Director's Address

Thank you Mr Chairman.

Ladies and gentlemen, welcome to Bisalloy's 2018 Annual General Meeting.

People are at the heart of Bisalloy, so their health and safety are our highest priority. Bisalloy Australia's safety performance continues to grow with a high level of involvement of the WHS Committee and the operations team driving the safety culture. The engagement of all our employees in improving safety is one of our core values which has delivered high productivity, high quality and customer satisfaction improvements throughout the year.

Due to the Group's focus and diligent commitment to safety from employees and management, we are proud to report that our Australian production operations reached 1,800 days without a lost time injury. We continue to set new safety records for our Australian business. Our operations in Indonesia and Thailand maintain their highly impressive commitment to safety. They have now delivered thirteen years without a lost time injury with the Chinese Joint venture, passing seven years lost time injury-free.

The Australian business successfully finalised a new two-year Collective Agreement with the Unanderra production workforce. The relationships with the current management team and the workforce are very strong and the environment maintains a co-operative, flexible and highly motivated workforce.

The past financial year was focused on the execution of activities and initiatives that were set firmly in place for the Group to continue its transformation and growth momentum during FY2018.

The renewed sales organisation installed in FY2017 and FY2018, with their highly focused customer service approach, and increasing acceptance for the BISALLOY® steel products, contributed to the strong results during the year.

In FY2018 the Group launched a new five-year strategic plan focused on the vision of enabling innovations with steel. Underpinning this plan are four key values: "Always Professional", "Customer Focus", "Winning Team Spirit" and "Innovative Mindset".

Key strategic targets include growing domestic Australian volumes to 50,000 tonnes; growing sales of higher-margin armour grade steels to 10,000 tonnes and growing sales from our Co-Operative Joint Venture (CJV) in China to 150,000 tonnes.

In order to achieve these targets, Bisalloy will continue to focus on maintaining and strengthening the areas of "Home Market Leadership", "Superior Customer Service" and "Operational Efficiency"; whilst targeting continued growth in the areas of "Seeking Partnerships", "Product Diversification" and "Competitive Regional Footprint".

Many targeted initiatives are currently underway which will place the Group in an excellent position to capitalise on the future opportunities requiring the use of high strength steels. Bisalloy is moving beyond its traditional customer base of the mining wear materials market to opportunities in construction, infrastructure, energy, oil and gas, agriculture, transport, military and civilian defence.

All these markets are seeking materials for future engineering challenges in a changing world. High strength steels are the ideal material of choice.

In FY2018 Bisalloy actively pursued the strategy of growing its armour product business both with the Australian Federal Government's various projects as well as select international defence companies. This resulted in sales of armour grade steels increasing by 56% on FY2017. To fully capitalise on the future potential of this business, Bisalloy embarked on a number of company-wide improvements and investments to be able to supply this higher-margin segment which continues to increase in size. As part of this strategy, Bisalloy launched a new range of protection grade steels suitable for the growing civilian protection market.

To support the targeted future growth of armour grade steels, Bisalloy commenced a relationship with European global steel supplier in relation to the supply of high specification greenfeed required for Bisalloy's most demanding future growth products, including armour grade steels. This relationship is expected to broaden Bisalloy's R&D base while enabling faster development times of higher grades to match emerging market trends.

Also in FY2018, Bisalloy further progressed the development in the United Arab Emirates for the sales and distribution of Bisalloy armour and protection grade steels and entered into a distribution agreement in South Africa also for the sales of these steels. Targeted sales in both of these geographies are for the civilian protection market.

The Group's distribution subsidiaries in Indonesia and Thailand continued to operate profitably. Indonesia continues to operate in a growth stage across all targeted markets and we are proud to maintain a market-leading position. There are plans to grow this business further in FY2019. Thailand sales were disappointing and, in response, a new market sales approach was launched at the end of FY2018. Both Indonesia and Thailand continue to work towards growing the armour and protection steels business in FY2019.

The CJV yielded a strong result with growth exceeding budget forecasts, with domestic Chinese sales up 89% on FY2017. In FY2018 Bisalloy's CJV partner, Shandong Steel, commenced the relocation of its QT plant from Jinan following the closure of the Jinan steel mill. This equipment is being relocated to Shandong Steel's new state of the art steel mill in Rizhao. Following the closure of the Jinan steel mill, the CJV continued to source product from Shandong Steel's Laiwu steel mill. The CJV volumes and profits increased in FY2018 with Bisalloy's share of the CJV EBITDA increasing by 50% on FY2017. Targets for FY19 and beyond represent a continuation of this trend.

Due to the substantial growth of the CJV, both parties in the joint venture agreed in Q4 FY2018 to increase their registered capital of the CJV, with Bisalloy's contribution to increase from US\$1.0m to US\$2.5m over the next two years.

Bisalloy is forecasting profitability to be up in FY2019. To achieve this, Bisalloy is continuing with its growth strategy in a shift towards focusing on the premium grades of QT steels from its Unanderra plant, including armour grade steels, while developing the volume growth of other products sourced from Bisalloy's CJV operation.

This strategy and focus has resulted in high volumes in the second half of FY2018 with good momentum and a strong order book going into FY2019.

Bisalloy's wear products are primarily sold in the traditional resources segment. This segment stabilised in FY2018 with Bisalloy increasing its market share within this segment. Bisalloy is forecasting to further capitalise on this improved position in FY2019.

Growth in armour grade steels is a major focus area for Bisalloy in FY2019. In FY2018 Bisalloy made the first shipment of armour steel to Rheinmetall Germany for testing ahead of acceptance for the LAND400 Phase 2 program. Final testing will be conducted in Q1 FY2019 with acceptance expected in H1 FY2019.

In FY2018 Bisalloy completed the audit process for potential supplier selection to Naval Group as part of the future submarine project in Australia. Testing of the first trial material was completed in Q1 FY2019 with results meeting all targeted specifications. We are working with Naval Group Australia to finalise the schedule for the three qualification heats that Bisalloy will be producing.

In FY2018 Bisalloy were qualified to participate in the Global Access Program of BAE Systems Plc, a British multinational defence, security and aerospace company, and will continue to work with BAE Systems Plc in FY2019.

Bisalloy continues to support key Australian defence projects including the Thales Hawkei vehicle and ongoing support of the Bushmaster vehicle.

To support the increased focus on sales of armour grade steels, Bisalloy commenced a full upgrade on the laboratory facility and equipment.

During FY2018, the company continued to invest in maintaining and upgrading plant and equipment. We completed a full rebuild of one of the interchangeable cassettes used by the leveller which will provide an additional ten years of value-added levelling capabilities.

In order to meet future customer needs we installed a new plasma cutter which has enabled the supply of a wider range of armour grade steel products; and we installed an online laser flatness reader and an online automatic stencilling machines which also delivered benefits around product quality and operational efficiencies.

Bisalloy Steels manufactures high-tensile and abrasion-resistant quenched and tempered steel plate used for defence, armour and protection applications. For twenty-five years the Bisalloy story has been one of working in tandem with Australian steel producers, defence scientists, international organisations and manufacturers of military ships and vehicles, to produce some of the best armour plate products in the world.

As the only manufacturer of such steels in Australia and a dedicated stand-alone Q&T operation, Bisalloy maintains a distinct uniqueness in this industry. Compared to large global companies, we are small and agile and able to quickly adapt and react to changing market conditions, which is key to our future success. Our people, operations, products and a highly-respected brand, provide us with a competitive advantage as we head into FY2019. With such rigour underpinning every part of our business, we will forge ahead with the confidence, optimism and enthusiasm so characteristic of our brand, BISALLOY® Performance Steels.

Considerable time and energy has been invested to create the unique Bisalloy culture that is needed for the Group to maximise its success. In place, is a leading team of dedicated professionals. Bisalloy

has invested in attracting new talent to the company to bring a fresh approach to the business and to create the image and service needed in a changing market. We now have a highly motivated and engaged workforce and we have created an environment where existing and potential customers are welcome to visit and meet the people who will be servicing them.

I would like to take this opportunity to thank all of the Group's employees for their dedication and participation through this part of the Group's journey. I would also like to thank our customers and shareholders for their continued support and trust in the Bisalloy Steel Group. Our dedication, focus, our capabilities and strong market presence, position us well for the future as we continue to capitalise on our opportunities.