# ASX RELEASE

BLUESCOPE

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# BLUESCOPE DELIVERS $624M NPAT IN 1H FY2019 – RECORD $850M UNDERLYING EBIT; FORECASTS 10% LIFT IN FY2019 UNDERLYING EBIT

BlueScope today reported a $624.3 million net profit after tax (NPAT) for 1H FY2019 – a 42 per cent or $183.1 million improvement on 1H FY2018. Underlying NPAT was $613.5 million[1].

BlueScope Managing Director and CEO, Mark Vassella said the Company had maintained its strong performance from FY2018 with a record 1H result. "Underlying EBIT for the half was $849.6 million, up 62% or $325.4 million on the same period in FY2018.

| **1H FY2019 Financial Headlines** | |
|---|---|
| Underlying EBIT: | **$849.6M** |
| Underlying NPAT: | **$613.5M** |
| Reported NPAT: | **$624.3M** |
| Underlying ROIC: | **24.9%** |
| **Capital Management** | |
| Continuing buy-back of: | **up to $250M[2]** |
| Interim dividend: | **6.0cps** |

"It's an excellent result, our best half on record. It was driven by strong demand and steel spreads in our U.S. and Australasian markets", he said.

He confirmed the Company's on-market share buy-back of up to $250 million announced in early December 2018 will continue[2], and that the Board has approved the payment of an interim dividend of 6.0 cents per share.

"Today's results are proof of a straightforward and sustainable strategy at work. With the effort in recent years to boost productivity and competitiveness in Australasia, and with the acquisition of the other half of our 'best-in-class' North American asset, North Star, our businesses are generating strong cash earnings and solid returns. Underlying return on invested capital (ROIC) was 24.9 per cent in this first half. The balance sheet is particularly healthy, reaching a $127.5 million net cash position at 31 December 2018 – improved from $63.6 million net cash at 30 June 2018, and progressing towards our target of $200 million to $400 million of net cash", he said.

## INVESTING FOR THE FUTURE

Mr Vassella said "BlueScope's clear focus now is on delivering shareholder returns and investing for the future. We have delivered underlying EBIT of over $1.1 billion in each of the last two financial years. With this first half result, we expect an even stronger result for the third consecutive year.

"The Company is working on appropriate growth opportunities that fit our strategy in our markets in India, ASEAN, North America, Australia and New Zealand. And we are placing a strong emphasis on sustainability, innovation and diversity in those investment plans.

[1] Underlying financial results for 1H FY2019 reflect the Company's assessment of financial performance after excluding (post-tax): utilisation of previously impaired deferred tax assets New Zealand ($17.8M), restructure and redundancy costs ($1.7M) and losses in discontinued businesses ($5.3M). A full reconciliation of underlying adjustments, including 1H FY2018, is available in the 1H FY2019 Earnings Report on BlueScope's website.

[2] As at 25 February 2019, up to $207M remains in the buy-back program announced on 3 December 2018.

"Six months ago we announced the possible expansion of our successful North Star business. The investment case is well developed, with the volume range refined to an additional 800,000 to 900,000 metric tonnes per annum of steelmaking capacity. Estimated cost is in the range of US$600 million to US$700 million.

"We believe the project has the potential to deliver compelling returns based on long-term historical spreads and are embarking on final feasibility review. We are commencing ~US$50 million of detailed design and engineering and critical path items. A final decision on the project is expected during 1H FY2020.

"The balance sheet is robust, with great flexibility, and at present we expect to be able to fund the growth initiatives we are considering while maintaining shareholder returns under our clear capital management framework. Our financial principles – including a focus on the retention of strong credit metrics – will continue to govern our decision making and all capital allocation decisions," Mr Vassella said.

## SUSTAINABILITY

Our sustainability journey continues, with improved disclosures on our climate change strategy, under the Task Force on Climate-related Financial Disclosures (TCFD) framework. Significant work has been undertaken on supply-chain sustainability, risk assessment and business conduct disclosure, including the enhancement of our ethics and compliance function. Gender diversity at BlueScope gathers pace; 40 per cent of new recruits to operating roles are women, we have doubled the rate of women hired to all roles across the Group, and women now comprise over 30 per cent of each of our Board and Executive Leadership Team.

## SEGMENT RESULTS

North Star:

- Delivered underlying EBIT of $412 million, up 183 per cent on 1H FY2018, driven by strong steel spreads combined with favourable foreign exchange translation.
- The business continues to operate at full capacity, and continues to pursue low-cost incremental volume growth initiatives in addition to the project to expand steelmaking capacity.

Australian Steel Products:

- Delivered underlying EBIT of $319 million, up 22 per cent on 1H FY2018 on stronger steel spreads and increased contribution from export coke sales. Costs were higher due to short term operational instability and increased depreciation charges.
- Demand for premium branded coated and painted product remained strong.

Building Products Asia and North America:

- Segment underlying EBIT was $79 million, down 27 per cent on 1H FY2018.
- In ASEAN, margins were lower due to higher steel feed costs combined with weaker despatch volumes. The businesses are 'getting fit' through a cost reduction and manufacturing improvement program targeting a $20 million improvement in FY2019 and full year run rate of $40 million by FY2020.
- The North America, China and India businesses performed well.

New Zealand and Pacific Steel:

- Delivered underlying EBIT of $72 million, up 75 per cent on 1H FY2018, primarily through higher steel and export vanadium selling prices combined with continued strength in domestic despatch volumes.

Buildings North America:

- Delivered underlying EBIT of $22 million, down 16 per cent on 1H FY2018, due to lower despatch volumes and margins as a result of longer customer lead times.
- Sales of buildings for end-use applications in the industrial, manufacturing, healthcare, warehousing, aviation and energy sectors remain strong.

## OUTLOOK FOR FY2019

The Company currently expects FY2019 underlying EBIT to be around 10% higher than FY2018 (which was $1,269 million). The second half is expected to be softer than the first half of FY2019. Expectations are subject to spread, FX and market conditions.

**For further information about BlueScope:** www.bluescope.com

**BLUESCOPE CONTACTS:**


**Media**
Michael Reay
Manager Corporate Affairs
**P** +61 2 4240 1100
**M** +61 (0) 437 862 472
**E** Michael.Reay@bluescope.com

**Investors**
Don Watters
Treasurer & Head of Investor Relations
**P** +61 3 9666 4206
**M** +61 (0) 409 806 691
**E** Don.Watters@bluescope.com