



# BLUESCOPE INVESTOR DAY

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27 November 2019

BlueScope Steel Limited. ASX Code: BSL

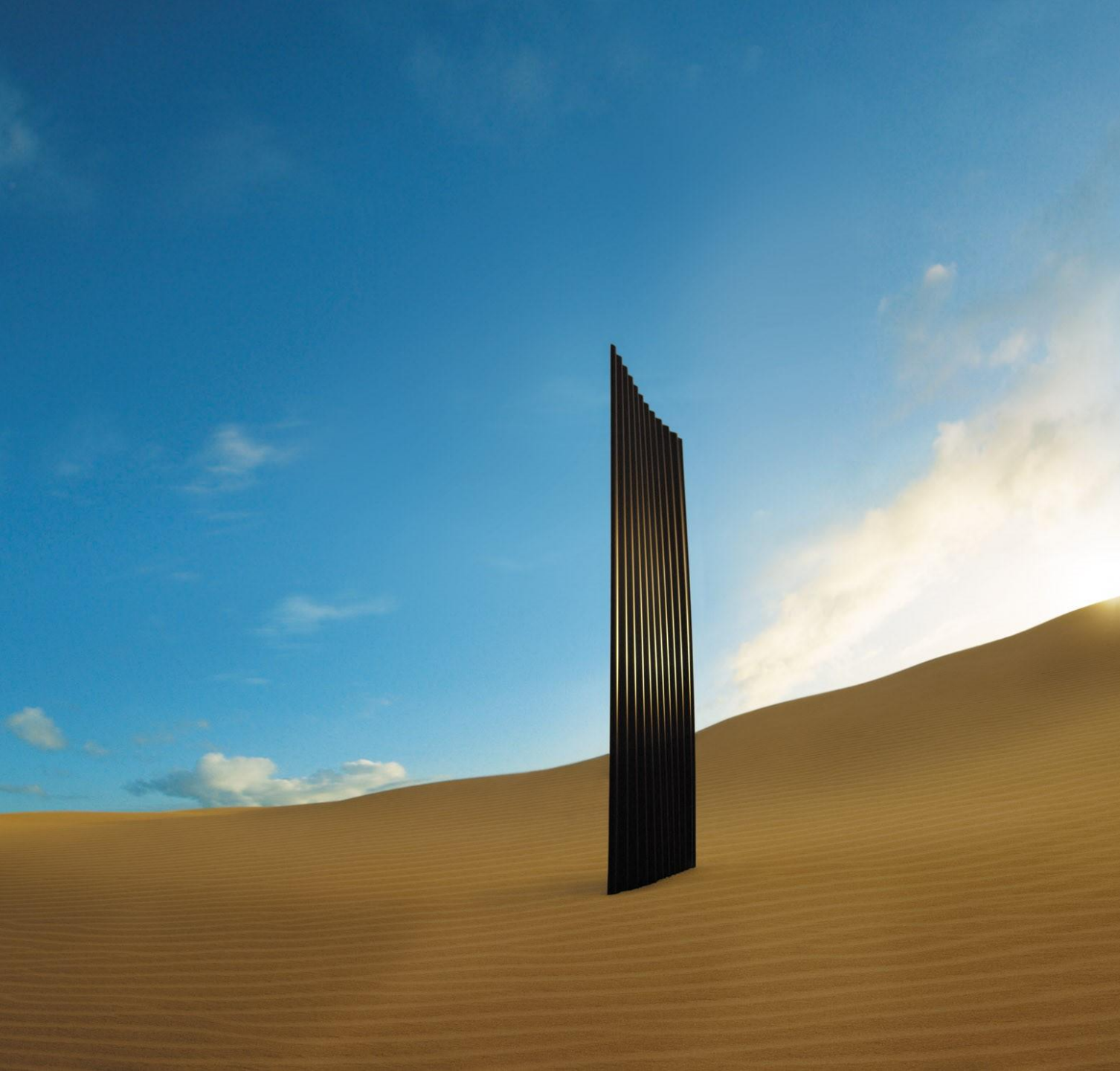
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# AGENDA

| Time    | Topic                                    |
|---------|--|
| 10:45am | BlueScope strategy update                |
| 11:30am | Australian Steel Products deep-dive      |
| 1:00pm  | Lunch break                              |
| 1:40pm  | North Star                               |
| 2:00pm  | Building Products Asia and North America |
| 2:40pm  | Buildings North America                  |
| 3:00pm  | Afternoon tea break                      |
| 3:20pm  | New Zealand and Pacific Steel            |
| 3:40pm  | Sustainability and financial framework   |
| 4:00pm  | Q&A                                      |
| 5:00pm  | Transfer to hotel                        |
| 7:30pm  | Dinner with BlueScope management team    |



# BLUESCOPE STRATEGY UPDATE



Disciplined and advantaged steel building products company focussed on growing long term shareholder value

## ASSETS & CAPABILITY



- Integrated and resilient Australian business delivering returns across the cycle
- Iconic industrial brand position of COLORBOND® steel
- Global leader in coating and painting for Building and Construction Markets
- Operate in the world's two largest construction markets of China and US, and high growth markets in ASEAN and India
- One of the lowest cost brownfield expansions – North Star is one of the most profitable mini-mills in the US

## CAPITAL DISCIPLINE



- Strong balance sheet with target of around zero net debt (pre operating lease capitalisation)
- Returns-focussed process with disciplined competition for capital between investment for long-term growth and returns to shareholders

## RETURNS FOCUS



- Target ROIC > WACC through the cycle
- Target at least 50% of free cash flow to shareholders
- Target EPS growth through the cycle

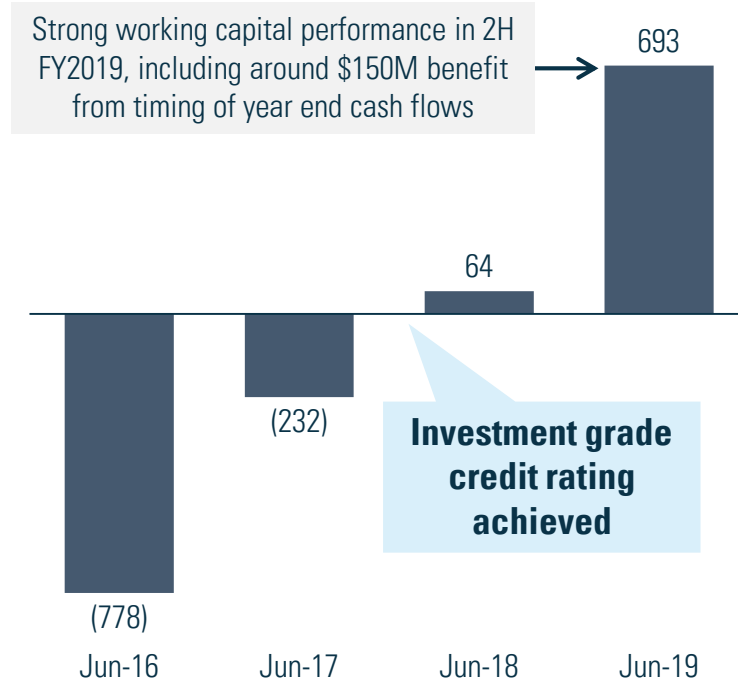
# A SIGNIFICANT TRANSFORMATION

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A step change in earnings quality, cash flows and balance sheet strength; well prepared for future growth

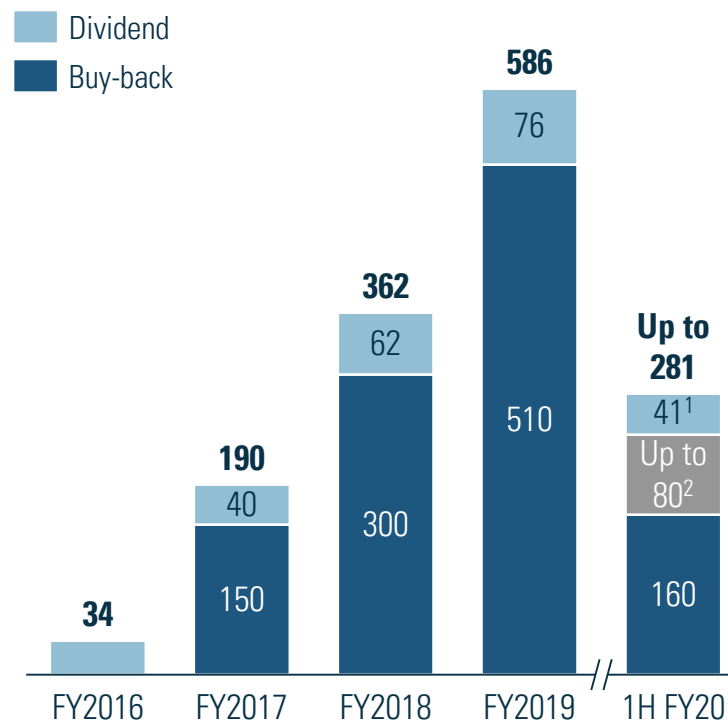
## ROBUST BALANCE SHEET – NET CASH

### Net cash / (debt) (\$M)



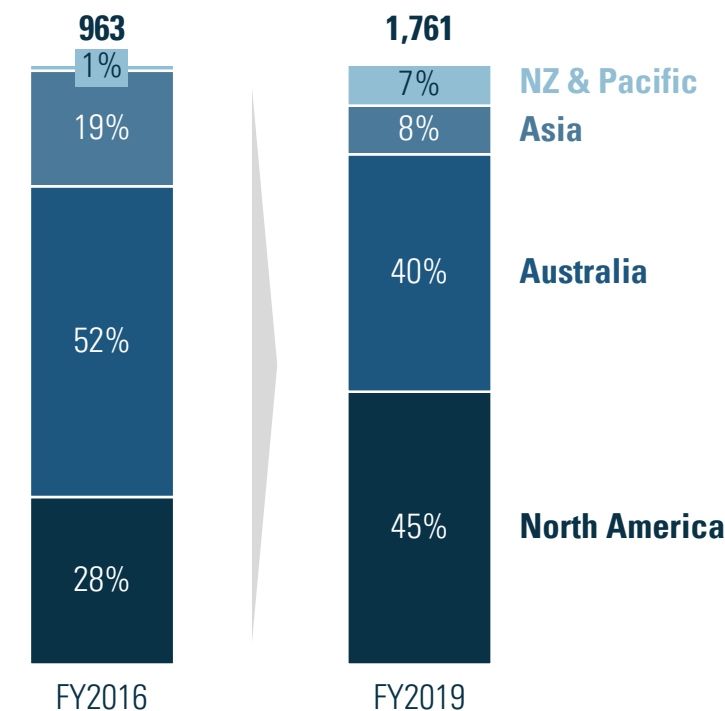
## INCREASED RETURNS TO SHAREHOLDERS

### Dividends paid and buy-backs (\$M)



## IMPROVED GEOGRAPHIC EARNINGS MIX

### Underlying EBITDA by region<sup>3</sup> (% , \$M)

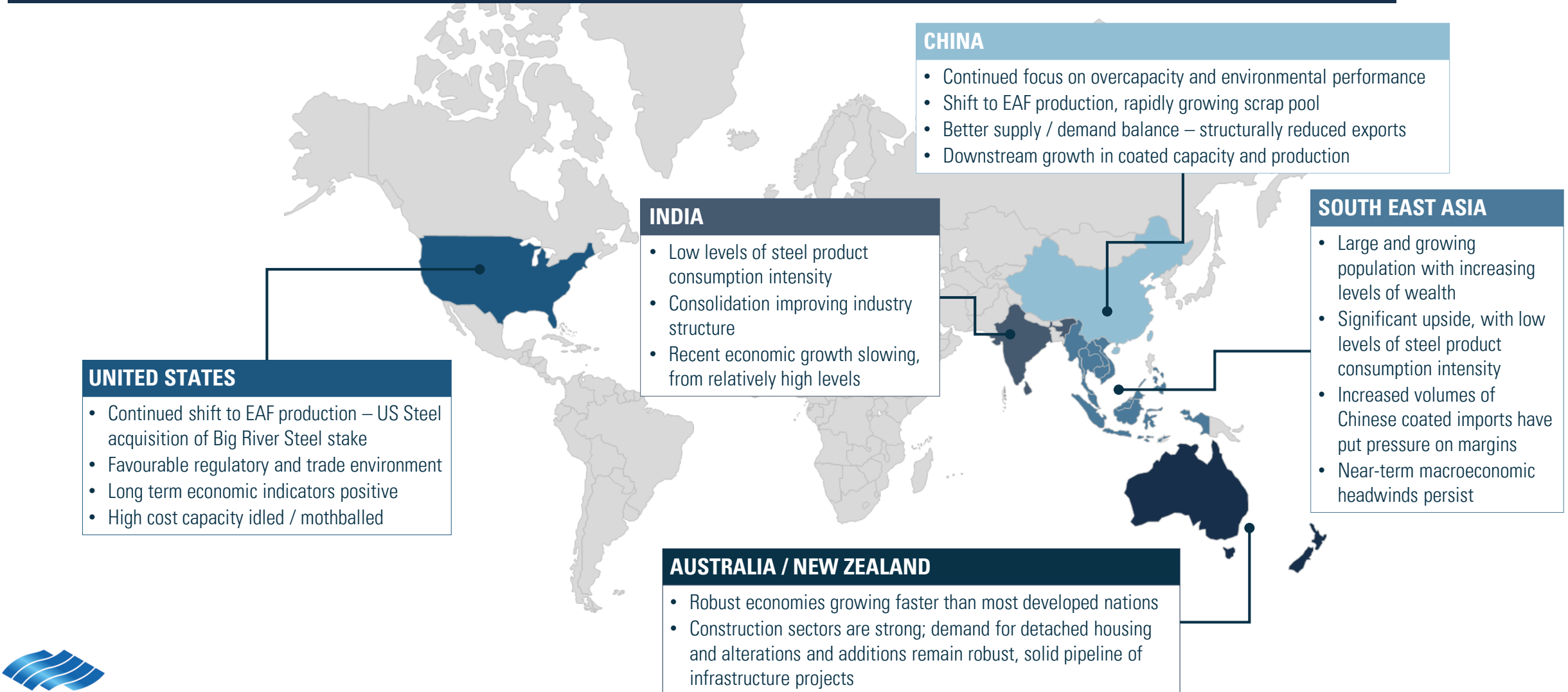


(1) FY2019 final dividend of 8 cps announced 19 August 2019, with payment date of 16 October 2019.

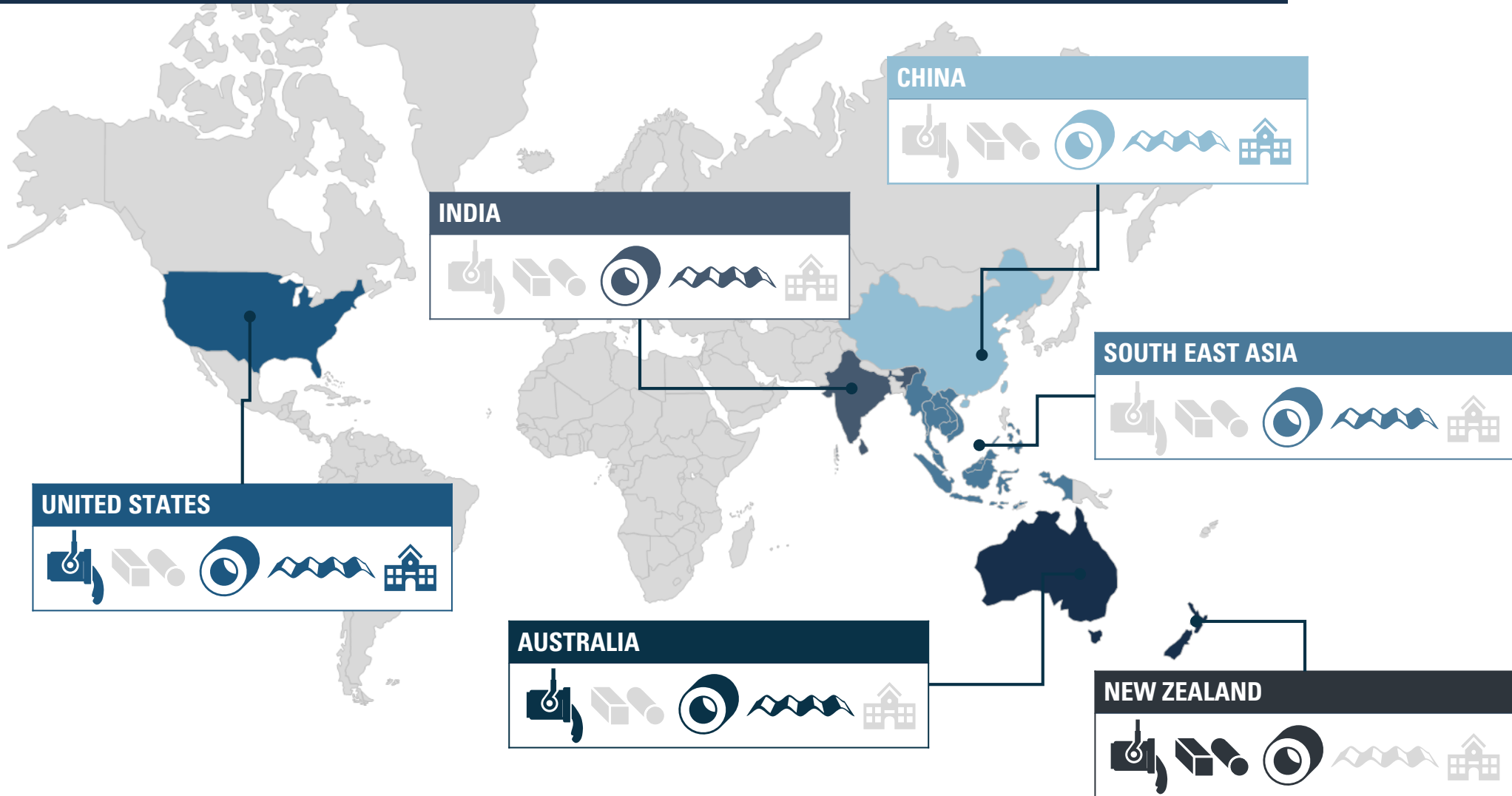
(2) Increase of buy-back by up to \$250M announced on 18 June 2019, as part of 1H FY2020 capital management program; \$10M bought prior to 30 June 2019 and a further \$160M bought through to 15 November 2019

(3) Total includes corporate costs & eliminations of \$82M and \$110M for FY2016 and FY2019 respectively, excluded from bar chart

BlueScope is well positioned in robust, developed economies, and in high growth regions across Asia



BlueScope operates a range of quality assets across large and growing markets



# OUR BOND, STRATEGY, FINANCIAL FRAMEWORK & APPROACH TO SUSTAINABILITY GUIDE WHAT WE AIM TO ACHIEVE AND HOW WE DO IT

9



**WE AND OUR CUSTOMERS PROUDLY BRING  
INSPIRATION, STRENGTH AND COLOUR TO  
COMMUNITIES WITH BLUESCOPE STEEL**

**OUR CUSTOMERS ARE OUR PARTNERS**

**OUR PEOPLE ARE OUR STRENGTH**

**OUR SHAREHOLDERS ARE OUR FOUNDATIONS**

**OUR COMMUNITIES ARE OUR HOMES**

## TRANSFORM

- **Digital technology:** delivering the next wave of customer, growth and productivity improvements through technology
- **Carbon and climate change:** playing our part in the challenge; producing highly recyclable products, and actively lowering emissions intensity

## OPTIMISE AND GROW

- **Australian Steel Products:** integrated and resilient business that delivers returns across the cycle
- **North Star:** expanding the US's leading mini-mill
- **Building Products Asia and North America:** outstanding suite of assets in high-growth regions
- **Buildings North America:** unlocking upside potential
- **New Zealand and Pacific Steel:** history of profitability; reviewing the way forward

## DELIVER

- **Safe and sustainable operations**
- **Returns focus: ROIC > WACC**
- **Strong balance sheet**
- **Disciplined approach to capital allocation**

**TRANSFORM**

- **Digital Technology**
- **Carbon and Climate Change**

**OPTIMISE  
AND GROW**

- Australian Steel Products
- North Star
- Building Products Asia and North America
- Buildings North America
- New Zealand and Pacific Steel

**DELIVER**

- Safe and sustainable operations
- Returns focus: ROIC > WACC
- Strong balance sheet
- Disciplined approach to capital allocation



Delivering the next wave of customer, growth and productivity improvements through technology

## A clear framework for digital transformation

Provide  
**leadership**  
and **strategy**



- Providing the overall strategy and direction for digital for BlueScope
- Roll-out and engage organisation

**Deliver and support** lighthouse  
use cases



- Delivering productivity and quality improvements through new technologies
- Demonstrating value and scalability across the business

Strengthen  
**foundations**



- Supporting the business to embed and scale digital solutions
- Investing in new digital capabilities

## A range of technology solutions available to deliver value



### Data analytics

Machine learning  
Simulation



### Automation

Autonomous robotics  
Robotic process automation



### Software solutions

Virtual and augmented reality  
Building information modelling



### Data and platforms

Sensors and IOT  
Connectivity and mobile

Steel demand is growing; demand for virgin steel will increase; low-carbon solutions remain long way off

## THE CHALLENGE

## OUR COMMITMENT

## ACTION WE ARE TAKING

- Continued global growth in steel demand is expected
- Recycling plays a big role but virgin steel will continue to be required to meet demand
  - Blast furnace production using metallurgical coal
- **Low-carbon steel production research is being pursued; commercial solutions remain a long way away**
  - Even if proven on a commercial scale, these technologies require significant transformation in electricity sector

We will work diligently to seek to improve the efficiency of our operations and reduce emissions

## THE CHALLENGE

## OUR COMMITMENT

## ACTION WE ARE TAKING

- BlueScope strongly advocates a fair and equitable approach to addressing climate change to deliver real reductions in global GHG emissions
- We support Paris and the Nationally Determined Contributions of the countries where we operate
- We acknowledge that steelmaking generates greenhouse gas emissions and we will work diligently to seek to improve the efficiency of our operations and reduce those emissions
- We will report on our opportunities, risks and progress in a recognised way – eg Task Force on Climate-related Financial Disclosures (TCFD)

We will work diligently to seek to improve the efficiency of our operations and reduce emissions

## THE CHALLENGE

## OUR COMMITMENT

## ACTION WE ARE TAKING

BlueScope will play a proactive role in reducing the carbon emissions from the manufacture and use of its products

- Make the case for local, sustainable steel in our communities
- Innovate and collaborate to create carbon-efficient products and solutions
- **Focus on how to meaningfully reduce our carbon intensity in time frames aligned with key investment decisions**
- **Regularly report on our progress, engage effectively with key stakeholders and actively keep abreast of external developments**

Focussing on how to meaningfully reduce our carbon intensity in time frames aligned with key investment decisions

## Horizon 1 Current

**Achieve the 1% yoy carbon intensity reduction target by 2030**

- Refine our comprehensive pipeline of projects and abatement cost curves
- Execute program of work at site level
- Deliver low emissions asset in US

**Empower local sites to take local action**

- Continue to stimulate localised initiatives (all non-steelmaking sites)
- For example: plant improvements, energy efficiency or local renewable energy (PPA)

## Horizon 2 Emerging

**Prepare for major investment decisions**

- Prepare for Port Kembla blast furnace reline decision in future years
- Prepare for New Zealand steelmaking options

## Horizon 3 Long-term

**Monitor breakthrough technology**

- BlueScope recognises that steelmaking in 2050 needs to be centred around new breakthrough technology
  - Participate in selective R&D programs and follow fast
  - Monitoring emerging developments relating to hydrogen



Regularly report on our progress, engage effectively with key stakeholders and actively keep abreast of external developments

## Advocate global cooperation on climate change

- Policy advocate – Australia and New Zealand focus

## Monitor key climate risk uncertainties

- Clear internal governance and reporting frameworks

## Set clear targets and report regularly

- Regular internal and external reporting – eg TCFD
- Emission intensity targets

## Engage effectively with key stakeholders

- Be readily available to key stakeholders
- Drive transparency

## Deliver resilient operations and supply chain

- Evaluate potential physical risks and supply chain disruptions
- Raw materials due diligence



**TRANSFORM**

- Digital technology
- Carbon and climate change

**OPTIMISE  
AND GROW**

- **Australian Steel Products**
  - North Star
  - Building Products Asia and North America
  - Buildings North America
  - New Zealand and Pacific Steel

**DELIVER**

- Safe and sustainable operations
- Returns focus: ROIC > WACC
- Strong balance sheet
- Disciplined approach to capital allocation



# AUSTRALIAN STEEL PRODUCTS DEEP DIVE

## Australian Steel Products segment overview

A wide range of low capital growth opportunities in intermaterial applications

Highly competitive cost base; technology unlocking next wave of improvements

Integrated and resilient Australian business delivering returns across the cycle

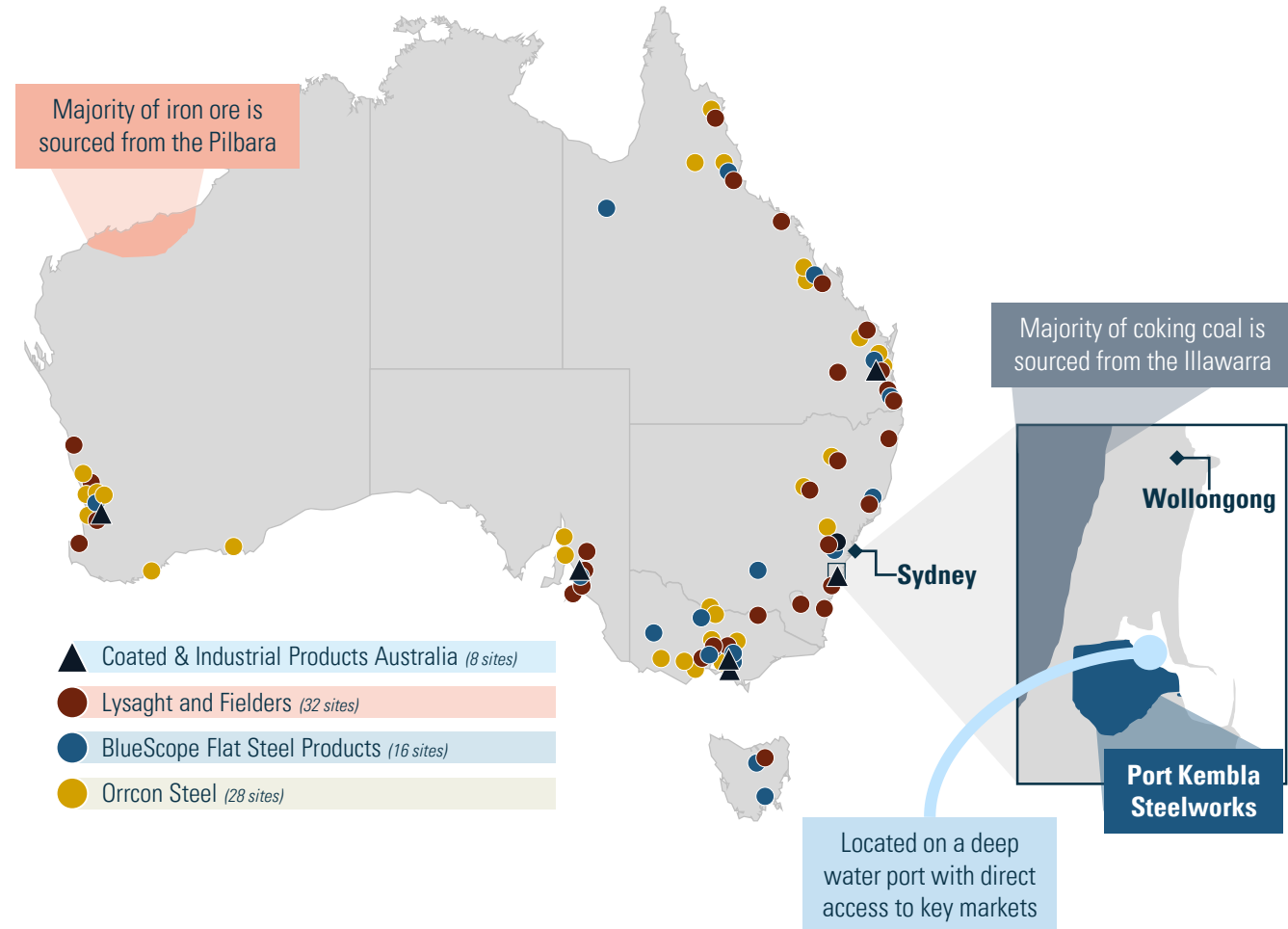
Strong track record on emissions; committed to ongoing improvement

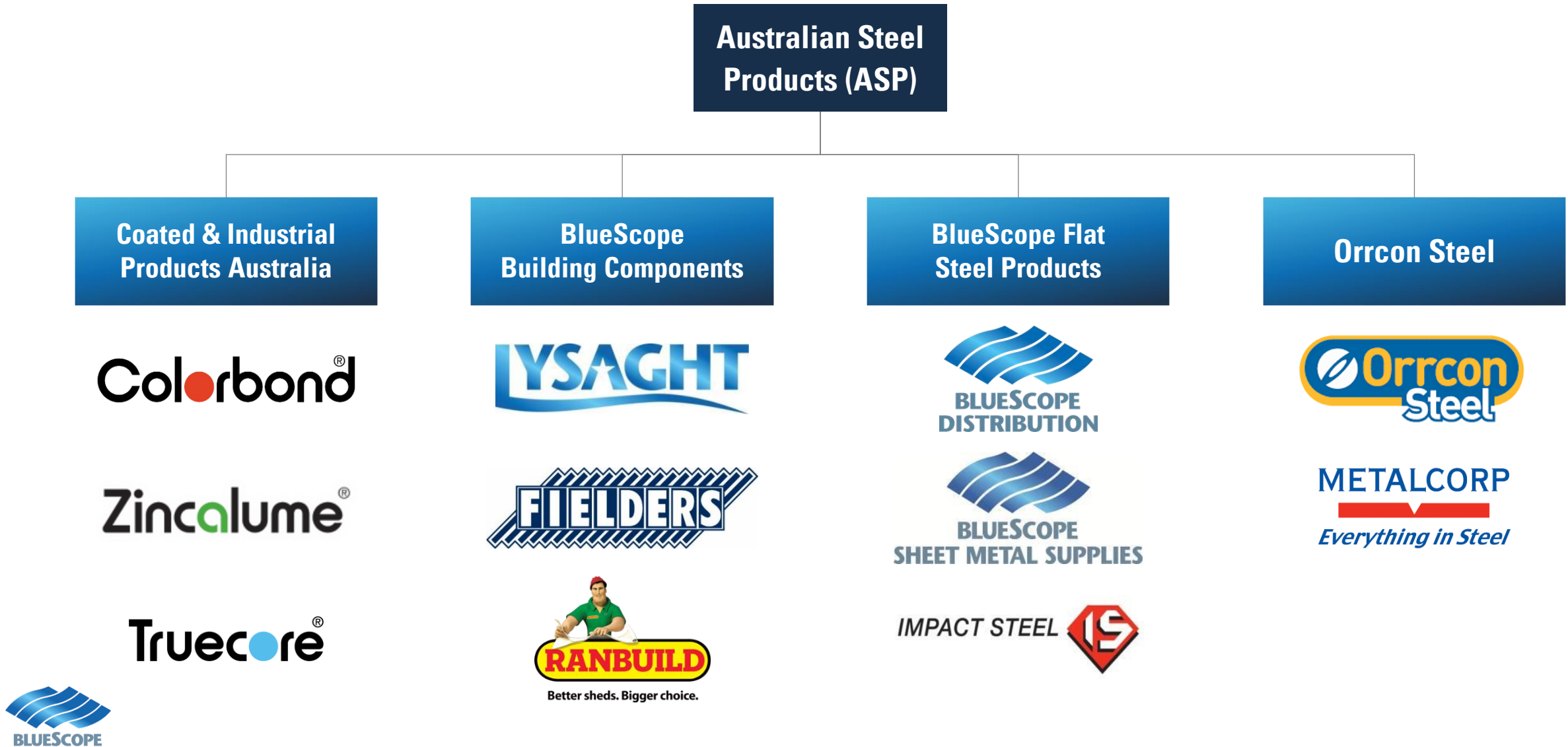
Integrated producer of premium branded flat steel products for the domestic Australian market

## Key facts

- Produces hot rolled coil and plate through to branded, value-added metallic coated and painted products
- Established steelmaking asset at Port Kembla, with advantageous position close to high quality raw materials and port facilities
- Manufactures ~3.1 million tonnes per annum of flat steel products. 2.0 – 2.2 million tonnes sold domestically, with the balance sold on the export market
  - Approximately half of the exported volume goes to downstream affiliates on the US West Coast and in South East Asia
- A range of iconic brands used across building market segments
- Extensive channels to market, including:
  - Lysaght and Fielders (rollformed steel building materials)
  - BlueScope Flat Steel Products (coil and plate distribution)
  - Orrcon Steel (pipe and tube manufacture and distribution)

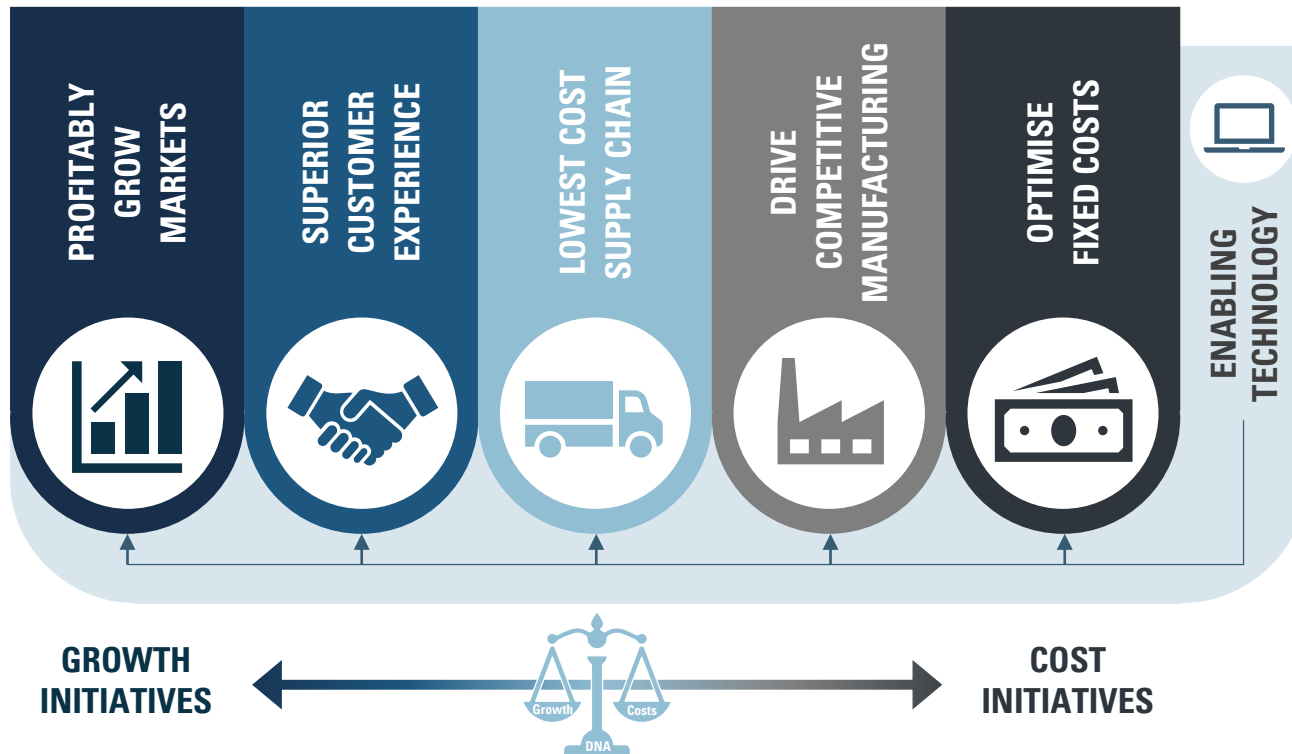
## Sites and locations





Focussing on both growth and cost, enabled by technology and behaviours

## ASP strategic focus areas



## How we behave is in our DNA

### D DELIVER

#### WE DO WHAT WE SAY

We put our hands up and get things done. We love the challenge of delivering value to our customers and to BlueScope



### N NIMBLE

#### WE SEIZE OPPORTUNITIES

We are agile, act with urgency and take calculated risks to deliver innovative solutions



### A ALIGNED

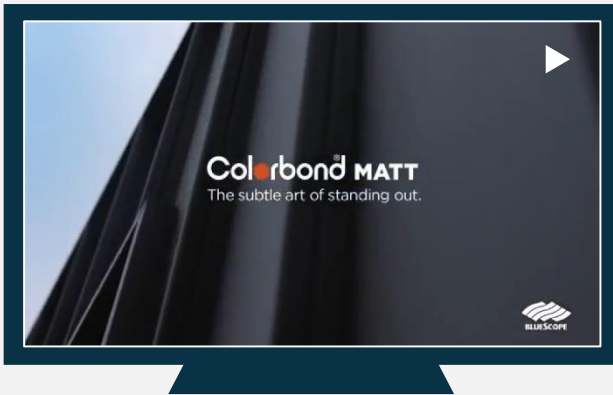
#### WE HEAD IN THE SAME DIRECTION

We work inclusively together as one team toward mutual goals. We ensure everyone is clear on where we are headed



An iconic industrial brand position with COLORBOND® steel, extending across other branded products

## COLORBOND® Matt steel campaign



- Building on the iconic brand, COLORBOND® Matt steel is the result of a strong focus on differentiation and innovation
- “The Subtle Art of Standing Out” campaign with photographer Murray Fredricks targets end users and decision makers, such as architects, builders and specifiers

## TRUECORE® steel campaign



- Features brand ambassador Tom Williams, a recognised Australian media personality, carpenter and home improvement show host
- The “Inner Strength” campaign with ambassador Tom Williams focuses on the product and system benefits for both the homeowner and builder

## Recent marketing campaigns



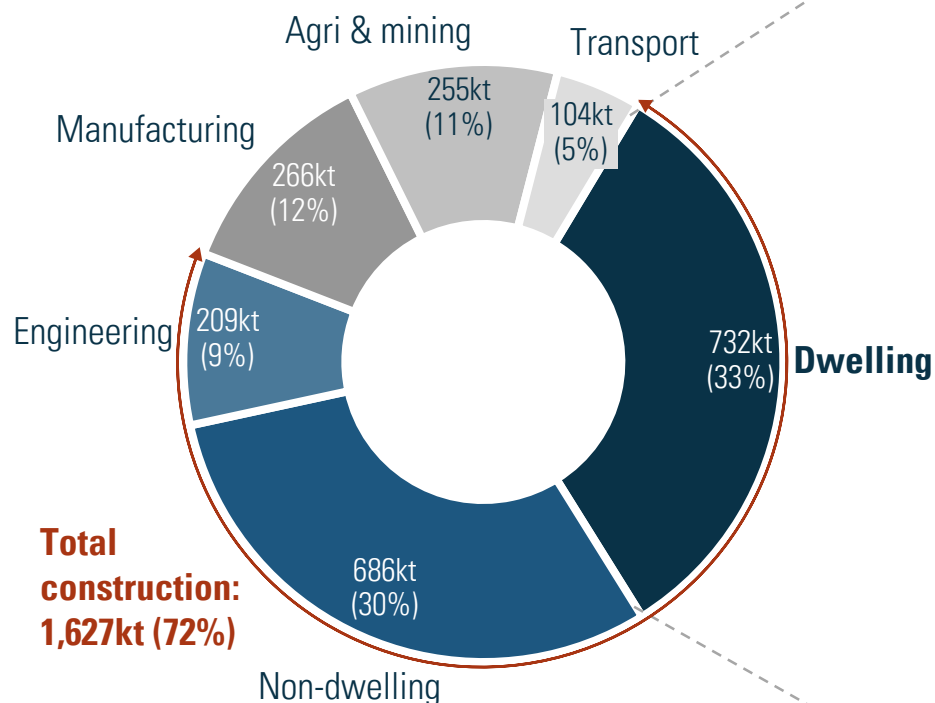
50 Years of  
COLORBOND®  
steel ad  
campaign



Build On  
Lysaght® ad  
campaign

Predominantly exposed to the building and construction market, in both residential and non-residential sub-sectors

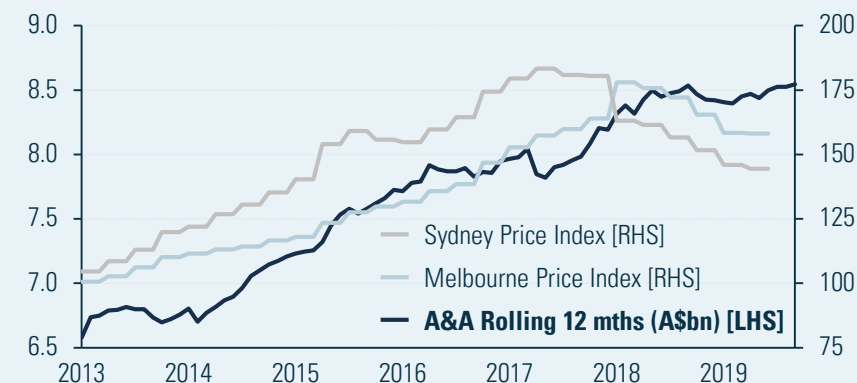
## FY2019 external domestic despatch volumes



### Alterations and additions (A&A)

- Indicatively consume around half of ASP's dwelling volume
- Strong and lightweight products well suited to this application
- Long term growth supported by structurally higher house prices
- Robust level of activity, also supported by sound labour market

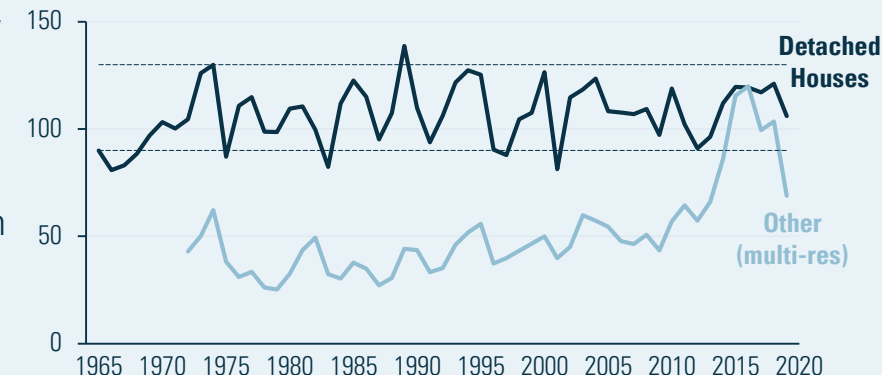
### A&A building approvals and house prices<sup>1</sup>



### New detached dwellings

- Non-A&A exposure is mainly to new detached dwellings
- Approvals consistently sit within an annualised range of 90k – 130k
- Recent contraction coming off a high base; predominantly in multi-res
- Orderly pullback from a high base, not a major correction

### Dwelling approvals: rolling 12 months<sup>2</sup> ('000)



# AUSTRALIAN STEEL PRODUCTS DEEP DIVE

Australian Steel Products segment overview

**A wide range of low capital growth opportunities in intermaterial applications**

Highly competitive cost base; technology unlocking next wave of improvements

Integrated and resilient Australian business delivering returns across the cycle

Strong track record on emissions; committed to ongoing improvement

Continues to be an exciting growth opportunity, volumes continue to grow

## End-user focus

- Sales of TRUECORE® steel continues to increase on the back of robust demand and intermaterial growth
- Continuing investment in consumer branding and promotion, across media and in major programs such as The Block
- Partnering with builders to promote the benefits through the channel, including co-branding and collateral support



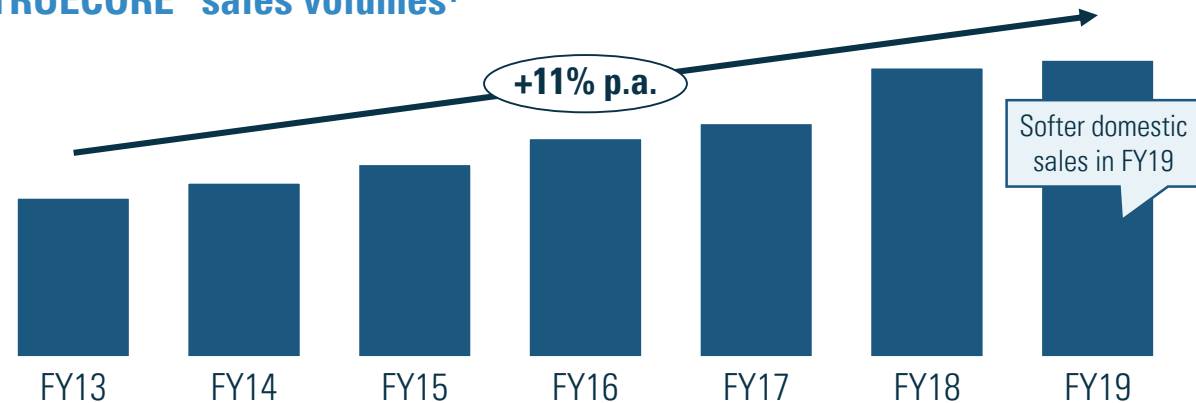
### Benefits of building with TRUECORE®

- ✓ Straight and true
- ✓ 100% termite proof
- ✓ Will not catch fire
- ✓ Efficient and fast to install
- ✓ Greater design versatility
- ✓ Backed by BlueScope

## Through-channel focus

- Distributor and fabricator numbers are growing, with end-user demand increasing and trade acceptance continuing
- Builder acceptance continues, with major project builders across the country increasing use of TRUECORE® steel framing
- Trade acceptance has been supported by training programs delivered via registered training organisations and on-site support programs

## TRUECORE® sales volumes<sup>1</sup>




This on trend finish continues to grow in both commercial and residential applications

Discover the subtle art of standing out.

COLORBOND® steel Matt is a highly attractive and versatile design material that utilises innovative paint technology to diffuse light for an elegantly soft, textured appearance. Available in a range of neutral colours, it can be contrasted with other COLORBOND® steel products to create sophisticated palettes for commercial, industrial or residential projects.

Visit [Steelselect.com.au/COLORBONDsteelMatt](http://Steelselect.com.au/COLORBONDsteelMatt) or call 1800 064 394.

 | 



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An exciting new growth area, with significant upside potential in commercial and residential applications

## Commercial and multi-residential façades

- New AZURE® range of façade products provide a new alternative to commercial and multi-residential cladding options
- The aesthetic and durable properties of COLORBOND® steel, along with low combustibility make this an attractive alternative



## Detached residential façades

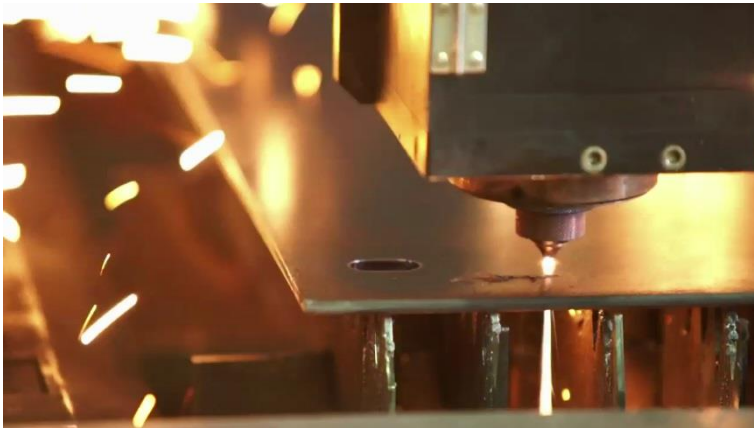
- COLORBOND® steel is experiencing an increase in demand for use in residential cladding, on the back of the new COLORBOND® Matt steel colours and a range of new profile options from the rollforming channel, including the new LYSAGHT® ZENITH® range of profiles



A superior quality product delivering improved volumes; investing in capacity to support further growth

## Improved volumes

- In 2014, BlueScope invested in a 113kt coil plate processing line in Port Kembla to enable production of a coil plate product (branded TRU-SPEC®) that provided enhanced end-user benefits to the alternative products available
- Increased demand for the new TRU-SPEC® plate has in recent years exceeded expectations, and BlueScope's capacity to meet this demand



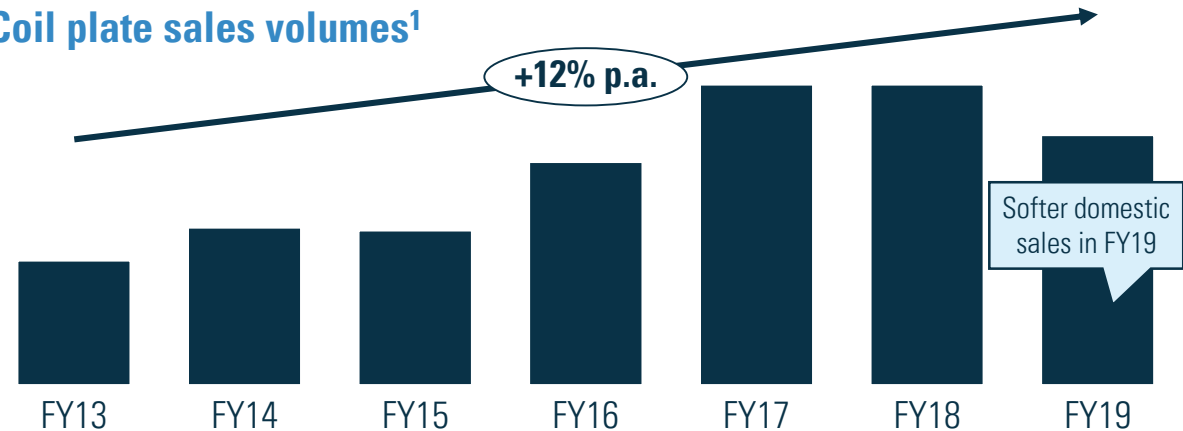
### Benefits of selecting TRU-SPEC®

- ✓ Consistent high quality
- ✓ Excellent flatness
- ✓ Excellent surface quality
- ✓ Improved cutting and processing efficiency
- ✓ Backed by BlueScope

## New coil plate line

- Investing in a new 160kt stretch levelling coil plate line at Port Kembla, in addition to the 113kt line installed in 2014, in order to meet the increased demand levels
- Increased capacity provides the opportunity to further grow TRU-SPEC® steel sales, as well as reducing complexity and cost in the supply chain, improve the service offer and strengthen our delivery performance

## Coil plate sales volumes<sup>1</sup>



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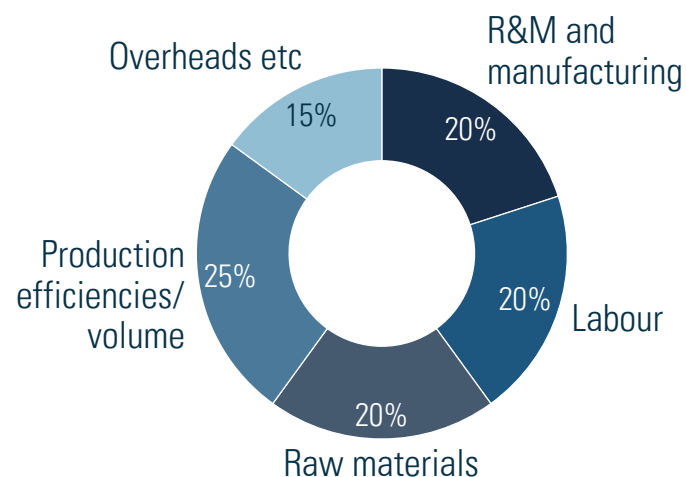
Strong track record on emissions; committed to ongoing improvement

Robust earnings and cash flows through the cycle – a fundamentally different business to FY2015

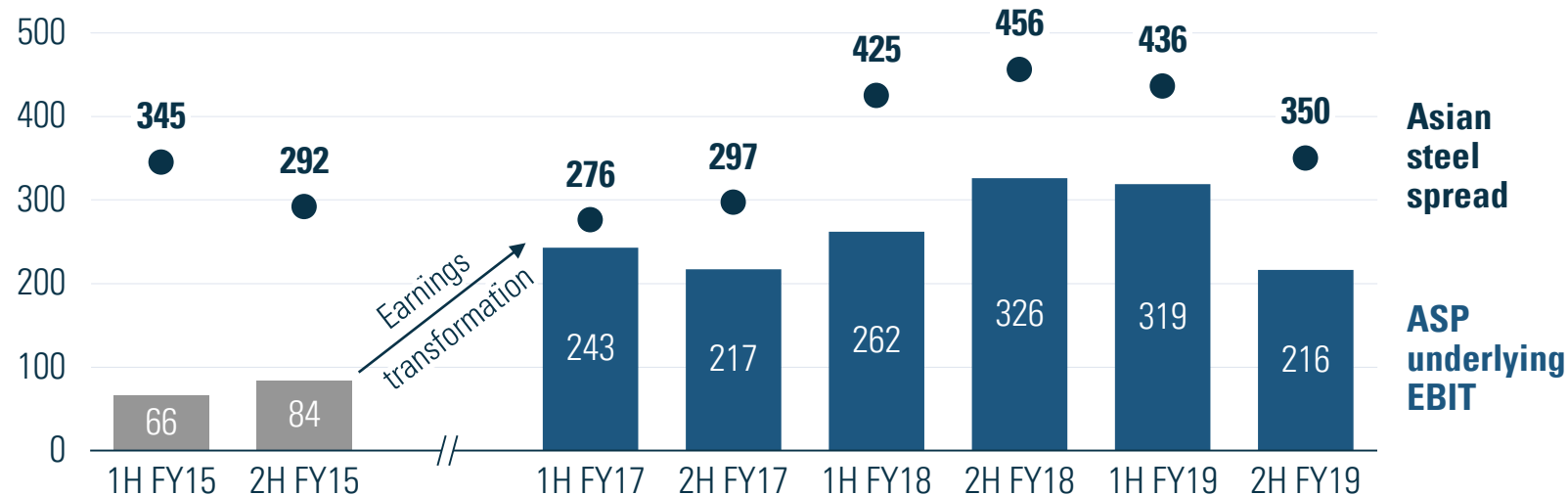
## Earnings transformation

- A fundamental transformation of the ASP business from FY2015 to FY2017 achieved a \$300M structural cost reduction
- Ongoing focus to maintain competitive cost position

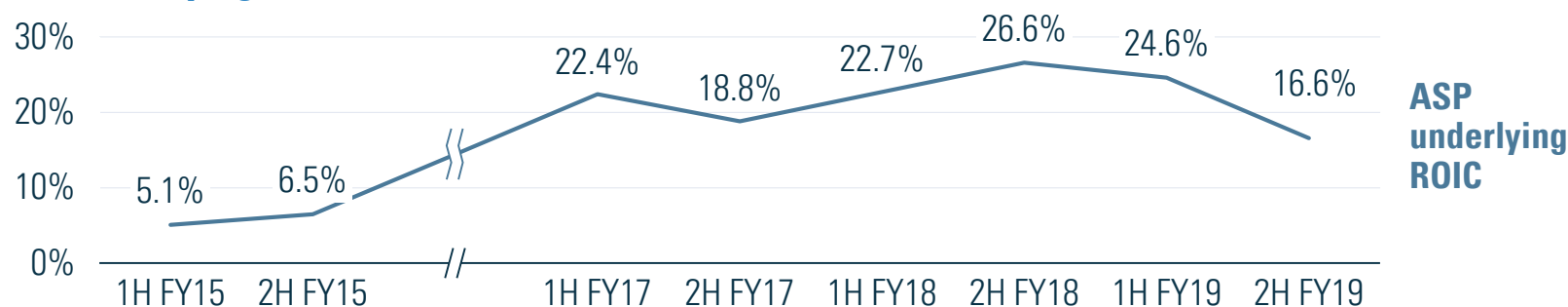
## Composition of cost reduction



## ASP underlying EBIT (\$M) and Asian steel spread<sup>1</sup> (A\$/t)



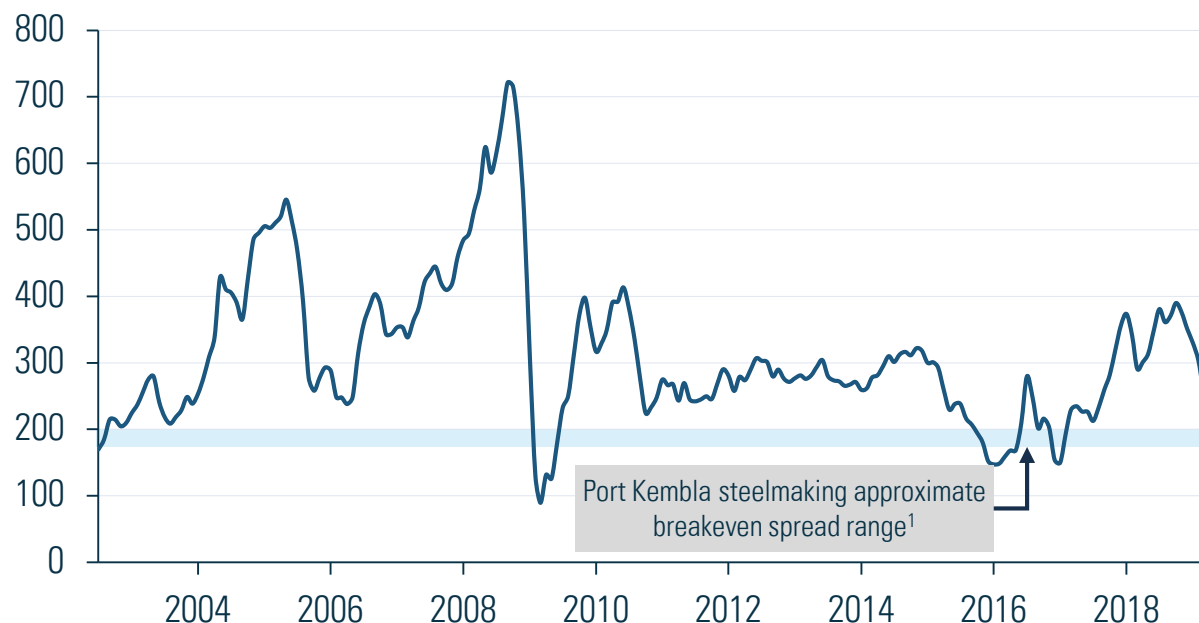
## ASP underlying EBIT ROIC (%)



Overarching focus to retain cost-competitiveness; tech to deliver next wave of cost improvement

## East Asian steel spread and steelmaking break-even (US\$/t)

As a principle, the steelmaking business must be internationally cost competitive and cash breakeven<sup>1</sup> at the bottom of the cycle



## Recent impacts on cost and efficiencies

- \$50M impact of higher energy costs – now stabilised, but still high
- Freight and general cost escalation
- Production inefficiencies – within a normal range, but a step down from 2017
- Recent EA, approved in June, will increase labour costs over next three years
- Investing (opex) in future performance and growth, e.g. digital opportunities

## Clear goal is to maintain cost-competitiveness through the cycle

- Whilst costs may show escalation within half and even full year periods, our focus is to offset escalation over the medium term
- **Overarching focus is to retain the benefit of the major cost reduction** through a highly disciplined approach to cost management and productivity
  - Cost reductions and productivity improvements increasingly driven through automation and robotics

## Robotics and automation opportunities unlocking the next wave of productivity improvements and cost savings

- Cost reductions and productivity improvements increasingly driven through automation and robotics
- Numerous opportunities for robotics given scale and complexity of operations
- Provides the foundation for advanced automation through machine learning and artificial intelligence

### Automated slab yard cranes

- Retrofitting existing slab handling cranes with automation hardware and software
- Upgrade to drive important productivity and cost efficiency gains through reduced downtime and increased operational accuracy



### Automated BOS Limekiln

- Automation of the Limekiln, which provides Burnt Lime and Burnt Dolomite for Basic Oxygen Steelmaking
- Reduced labour requirements and improved efficiency, resulting in lower costs and increased capacity, creating opportunity to on-sell materials



### Automated coil fields

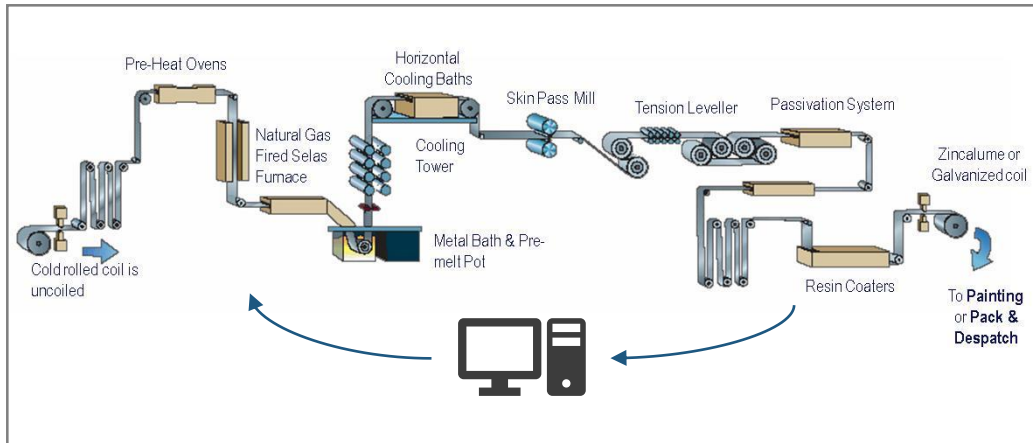
- Automation of coil storage, handling and processing for sheetmetal work and rollforming applications
- Eliminating need for forklifts, reducing wastage, costs and safety risks and improving line efficiency, accuracy and throughput



## Machine learning offers opportunity to further improve already advanced manufacturing processes

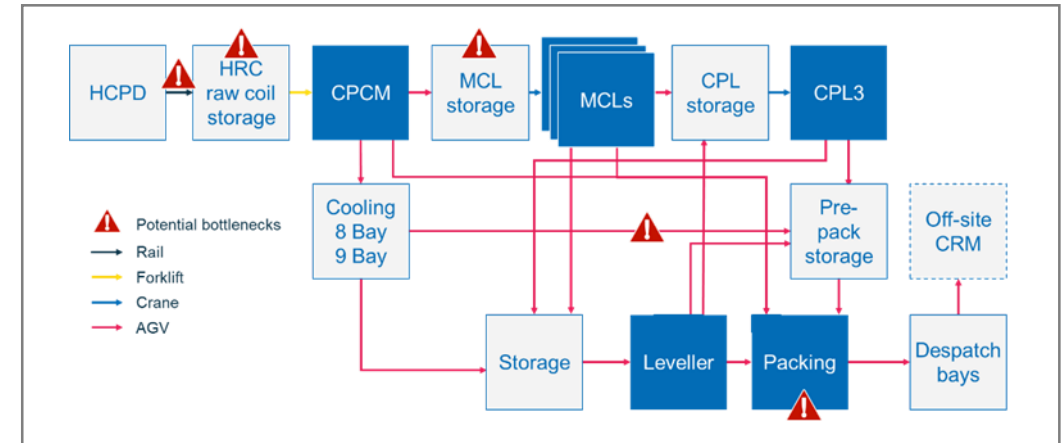
### Metal coating line machine learning

- Piloted a machine learning model to improve the coating mass control system of one of the metal coating lines at Springhill
- Model analyses performance to recommend operating parameters to better control coating mass application
- The model allows for better control and consistency in coating metal application, and avoids excess coating application



### Springhill digital twin

- Developed a simulation model to increase throughput by optimising production flow decisions at the Springhill plant
- Enables the identification of where bottlenecks may emerge and assists in design of optimal, capital-efficient interventions
- Benefits include increased throughput through the plant, and reduced capital costs



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Highly competitive cost base; technology unlocking next wave of improvements

**Integrated and resilient Australian business delivering returns across the cycle**

Strong track record on emissions; committed to ongoing improvement

Significant value created through integration of steelmaking assets with downstream manufacturing and channels to market

## SYNERGIES BETWEEN STEELMAKING AND COATED

- Clear objective of optimising profitability across the entirety of Port Kembla operations
- Units fully integrated across the value chain to drive productivity and optimise product flows in response to market needs
- Working capital, supply chain and freight all optimised
- Focussed customer service – single point of contact
- Shared overhead costs

## MODERATION OF EARNINGS VOLATILITY

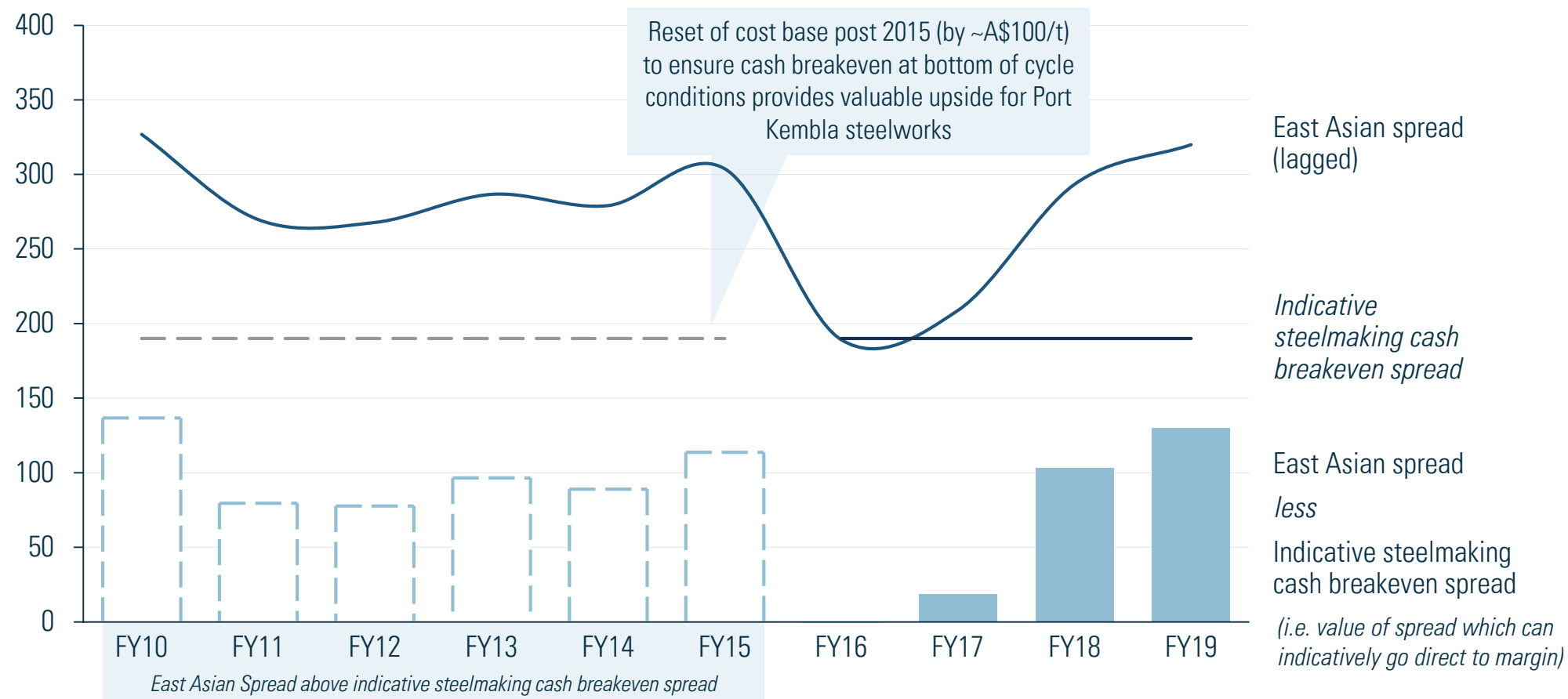
- Earnings volatility moderated by ability to capture margin in:
  - steelmaking, at times of high HRC prices, or
  - coating and painting, at times of low HRC prices, given the more stable nature of COLORBOND® earnings

## VALUE OF CHANNEL PARTICIPATION

- Delivering pull-through demand for both steelmaking and coating and painting
- Customer intimacy facilitates knowledge of regional and local requirements and ability to respond

Reset of cost base post 2015 has created a valuable steelmaking business

## East Asian benchmark and ASP steelmaking indicative cash breakeven spreads (US\$/t)



Extensive channels to market, delivering pull-through demand and providing end-market insights

## Building Components

- BlueScope Building Components manufactures and markets an extensive range of rollformed steel products for the building industry
  - Specific offerings into the residential, commercial, structural, home improvement, distributor and shed segments
- Delivers customer value through leading brands, innovative and quality products and construction solutions, and excellent service
- Operates over 40 sites Australia-wide



## Distribution

- BlueScope Flat Steel Products services a wide range of manufacturers, fabricators, resellers and engineers
  - Services building and construction, transport, manufacturing, agriculture, mining, and oil and gas segments
- Offers break-bulk and processing services such as slitting, shearing and recoiling
- Operates over 15 sites Australia-wide



## Pipe and Tube

- Orrcon Steel is a leading Australian distributor and manufacturer of steel, tube and pipe, serving a diverse customer base
  - Supplying steel fabricators, furniture and trailer body manufacturers, housing and construction companies, pipeline and infrastructure engineering firms
- Extensive product range covers varying types of structural tubular steel, hot rolled structural steel and a range of fencing, roofing and building accessories
- Operates over 30 sites Australia-wide



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Integrated and resilient Australian business delivering returns across the cycle

**Strong track record on emissions; committed to ongoing improvement**

# SIGNIFICANT PROGRESS HAS BEEN MADE ON REDUCING GHG EMISSIONS

40

ASP has significantly reduced emissions since 2005; committed to achieving 1% YoY target

## Examples of carbon reduction activities

### INCREASING SELF- GENERATION

Using recovered output gas to generate electricity at Port Kembla, reducing electricity grid demand by 7%, equivalent to 46,000t CO<sub>2</sub>-e p.a.

### INCENTIVISING EMISSIONS REDUCTION

Finley Solar Farm Power Purchasing Agreement, underpinning a new 500,000 panel solar farm, contributing to the decarbonisation of the electricity grid by ~300,000t CO<sub>2</sub>-e p.a.

### BLAST FURNACE CLOSURE

BlueScope reduced its absolute emissions in Australia by around 40 per cent, when it closed a blast furnace in 2011, effectively removed surplus export steelmaking capacity



Increasing Self-Generation



Finley Solar Farm PPA

## A range of advanced sustainable building products



### COLORBOND® steel with Thermatech® technology

Can reduce cooling energy cost by up to 20% compared with other materials of similar colour with low solar reflectance

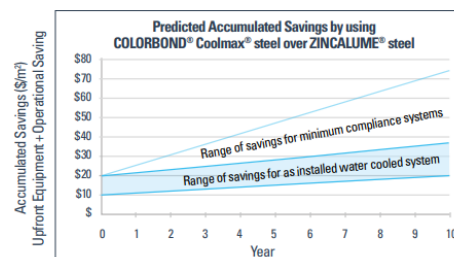
### Next Generation ZINCALUME® steel with Activate® Technology

Reduced environmental footprint (by between 17 and 20 per cent) across all 18 Life Cycle Assessment categories

#### LCA Environmental Impact Reduction AM125 vs AZ150 ZINCALUME® steel



To see functional unit and more results across all 18 environmental impact categories assessed visit [nextgenzincalume.com.au](http://nextgenzincalume.com.au)



### COLORBOND® Coolmax® steel

Reflects over 70% of the sun's heat, reducing roofing temperatures and keeping the building cooler compared with conventional roofing materials

## A range of opportunities under investigation

2020

- Further optimisation of raw material grade mix
- Pellet and lump ore opportunities
- Scrap optimisation, coke and PCI adjustments
- Further power self-generation opportunities

2020 to  
2030

### Low-capital opportunities:

- Further optimisation of raw material grade mix
- Step change in scrap utilisation
- Grid electricity emissions intensity trajectory
- Smaller-scale efficiency projects

### Capital projects:

- Explore small-scale Biochar
- Capture and utilise waste heat and energy

### Engagement and advocacy:

- CO2CRC engagement (carbon capture utilisation and storage options)

### Breakthrough technologies:

- Watching brief

# AUSTRALIAN STEEL PRODUCTS SUMMARY

- An iconic industrial brand position with COLORBOND® steel
- Maintaining extensive channels to market
- Relative geographic isolation provides a freight advantage
- A wide range of low capital growth opportunities in intermaterial applications
- Highly competitive cost base; technology unlocking next wave of improvements
- Integrated and resilient Australian business delivering returns across the cycle
- Strong track record on emissions; committed to ongoing improvement

## TRANSFORM

- Digital technology
- Carbon and climate change

## OPTIMISE AND GROW

- Australian Steel Products
- **North Star**
  - Building Products Asia and North America
  - Buildings North America
  - New Zealand and Pacific Steel

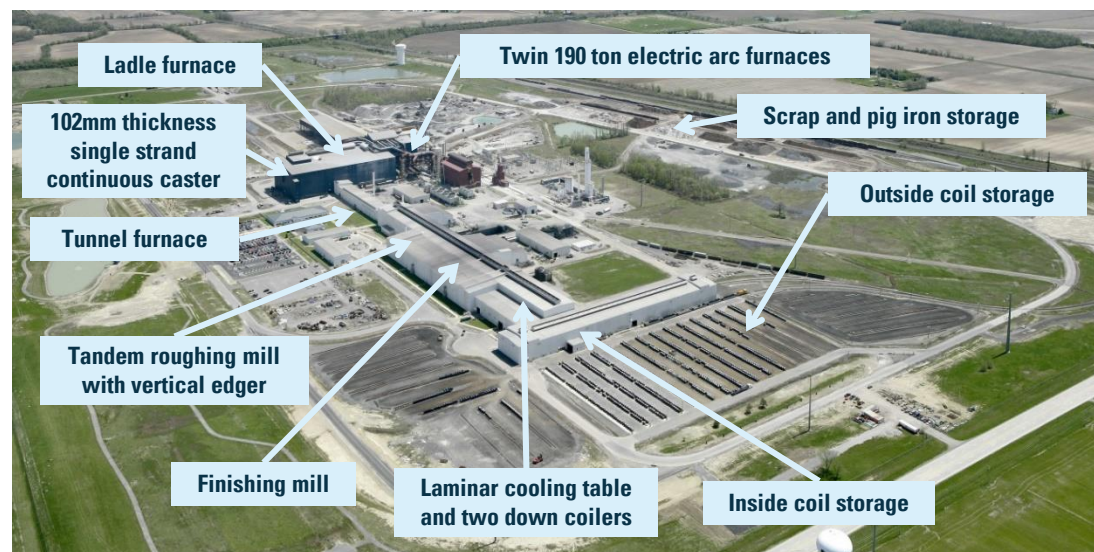
## DELIVER

- Safe and sustainable operations
- Returns focus: ROIC > WACC
- Strong balance sheet
- Disciplined approach to capital allocation

Industry leading hot rolled coil producer; competitive advantage in safety, quality, service and delivery

## Facility overview

- Industry leading hot rolled coil producer, established in 1995 as a 50-50 JV between BlueScope and Cargill. BlueScope acquired Cargill's 50% interest for US\$720M in October 2015
- Original construction capital cost was US\$500M; since then company has invested over US\$250M in upgrades and improvements
- Annual HRC capacity of 2.1mt; expansion underway to increase by 850kt, with 500kt potential upside



## A key part of the BlueScope portfolio

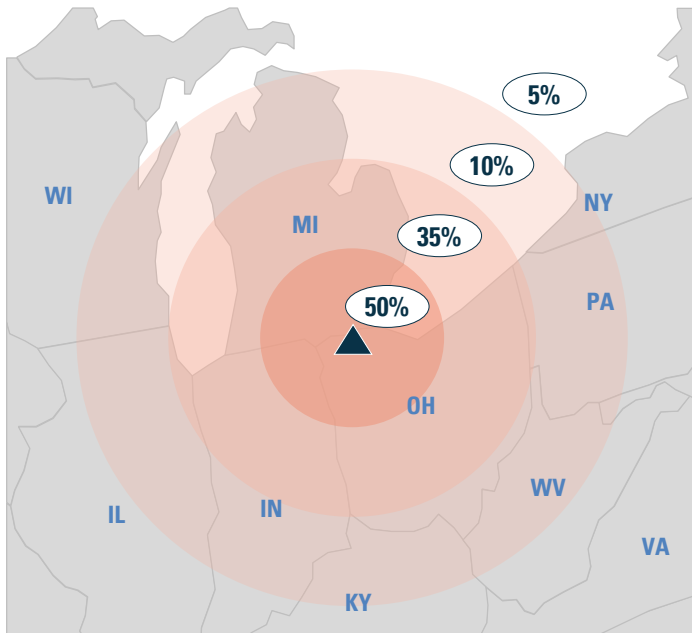
- The US is an attractive market for BlueScope
- North Star is an advantaged, "best-in-class" asset, built for expansion
  - strong cash generator through the cycle, and core to BlueScope's strategy
- Highly engaged and motivated workforce; experienced management team
- The expansion is consistent with longer-term transition to highly efficient EAF suppliers
  - expected to deliver compelling returns on historical spreads, and provide further scope for debottlenecking

# AN ADVANTAGED 'BEST-IN-CLASS' ASSET

45

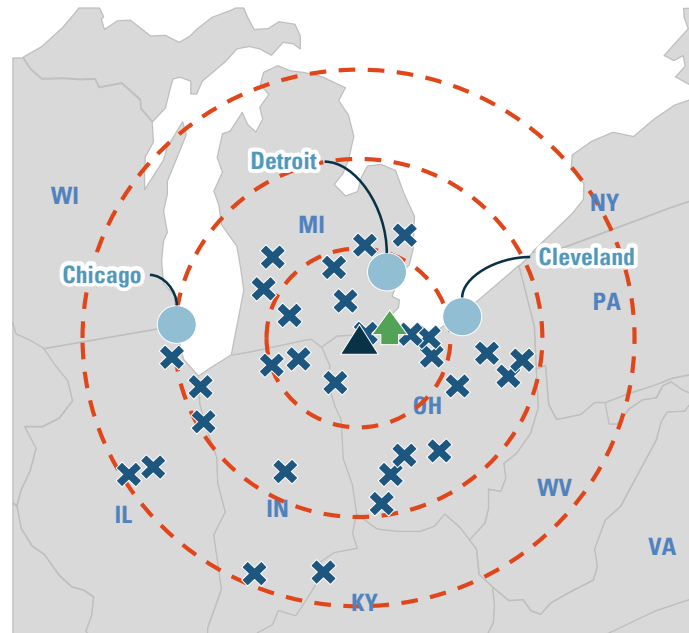
A geographically advantaged asset, providing leading customer service

## Located close to customers...



- ▲ North Star
- (X%) % of volume sold within radius
- 100, 200, 300 mile radius

## ... and close to scrap suppliers



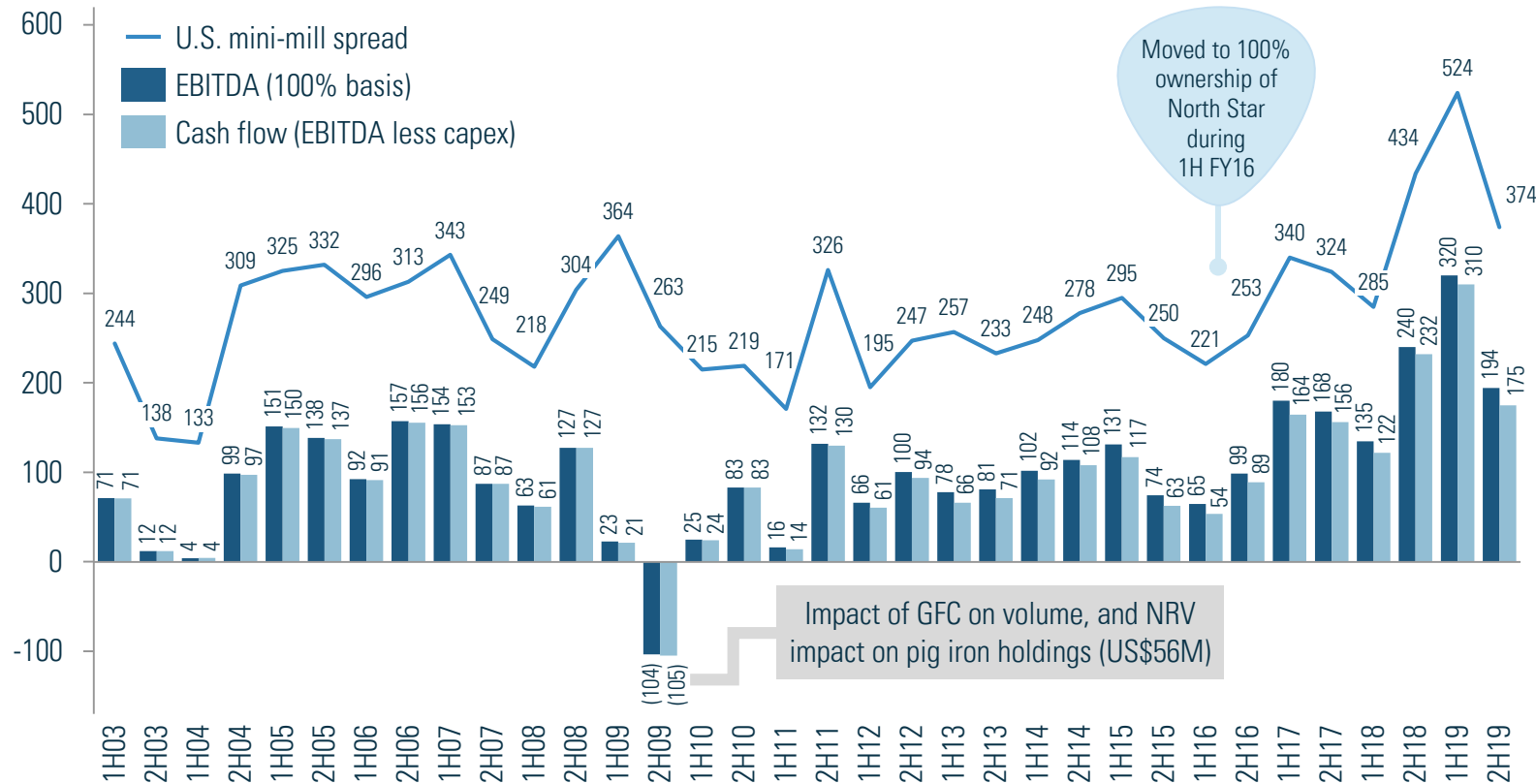
- ▲ North Star
  - ✕ Scrap merchants
  - Major scrap markets
  - ▲ HBI plant (under construction)
  - 100, 200, 300 mile radius
- | Scrap supplier proximity |              |
|--------------------------|--------------|
| < 100 miles              | 9 suppliers  |
| 100 – 200 miles          | 15 suppliers |
| 200 – 300 miles          | 5 suppliers  |
| > 300 miles              | 4 suppliers  |

## Outstanding customer service

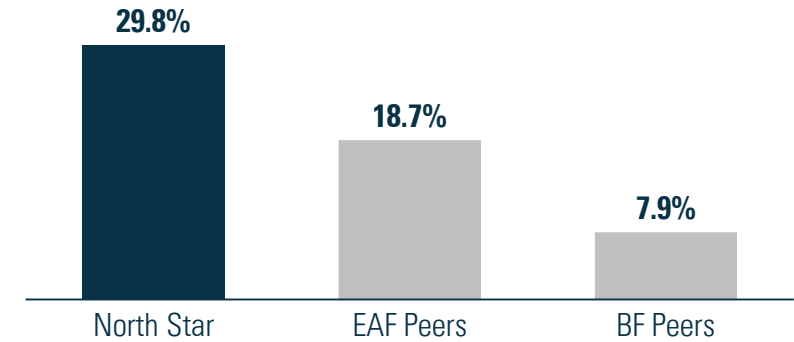
- **North Star ranked number one in overall customer satisfaction** in 16 of the last 18 years Jacobson surveys<sup>1</sup>, driven by quality, service and delivery metrics
  - Includes top ranking in the recent survey, completed November 2019
- Well regarded and recognised survey of over 100 steel sheet customers
- Categories of quality, service, price and on-time delivery, calculated into an overall customer satisfaction score
- North Star also ranks consistently high on customer loyalty metrics

Strong EBITDA and cash generation through the cycle; industry leading margins; consistently full utilisation

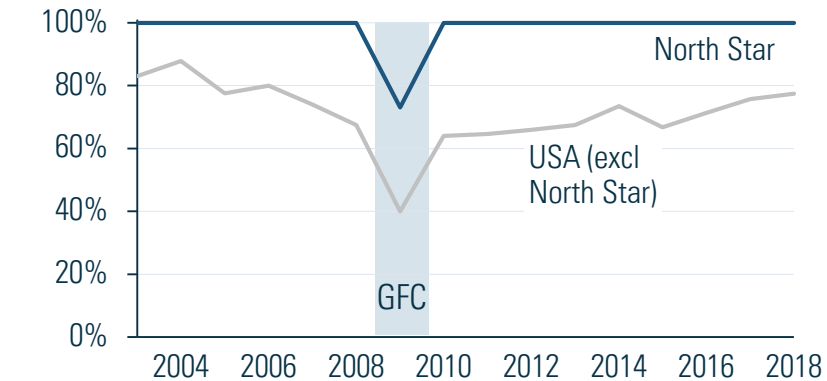
## US\$M EBITDA and spread (100% basis)<sup>1</sup>



## EBIT margins<sup>2</sup> (%)



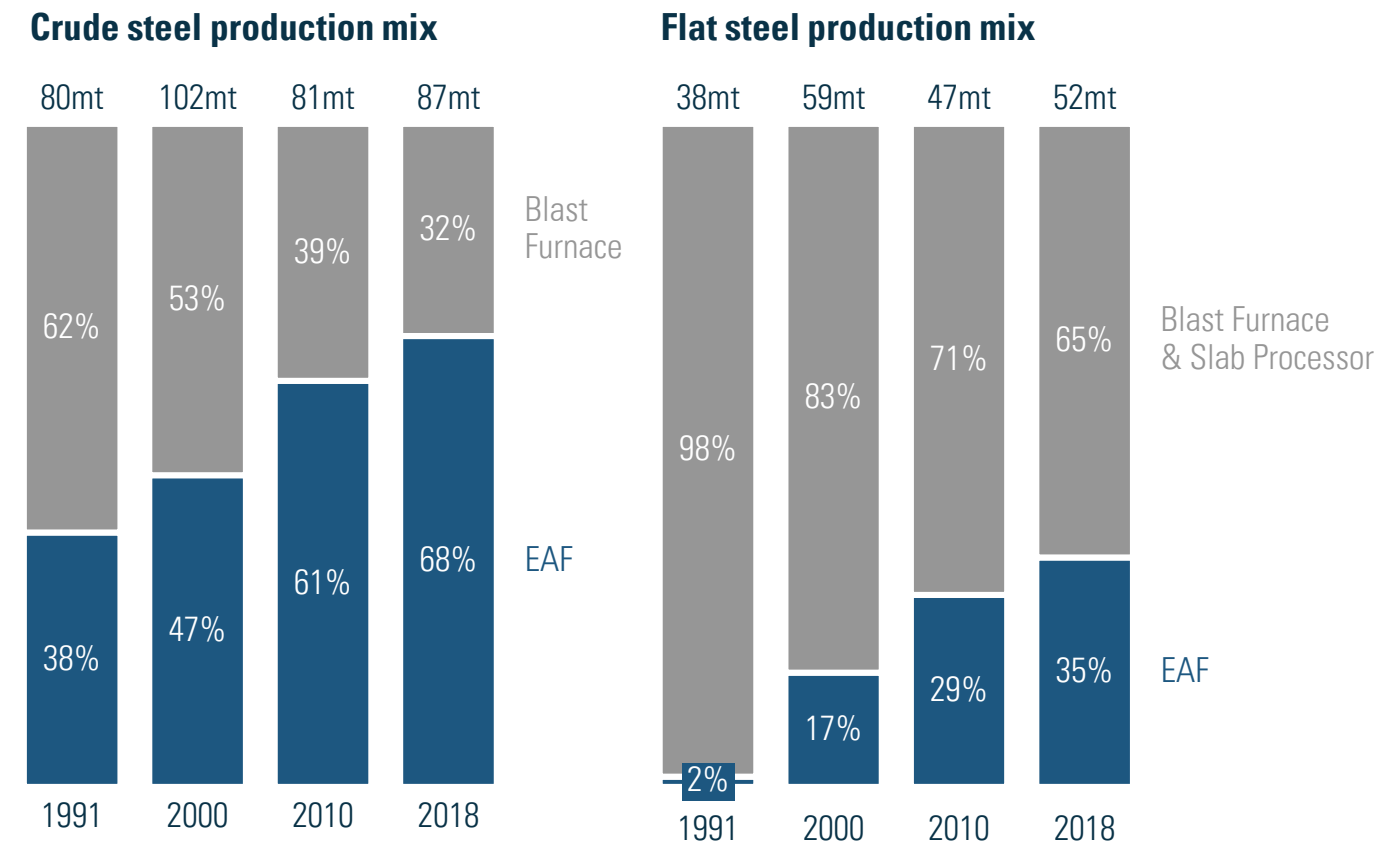
## HRC capacity utilisation<sup>3</sup> (%)



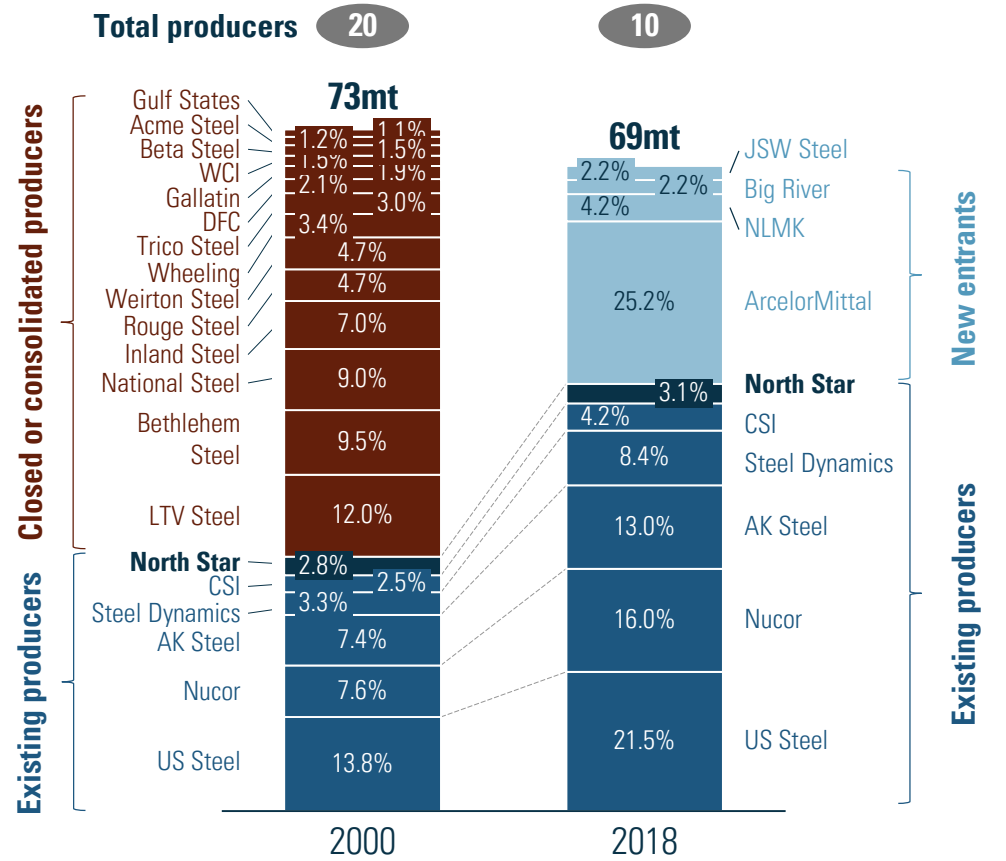
# EXPANSION CONSISTENT WITH LONG-TERM TRANSITION TO EAF PRODUCTION

The long term trend to EAF production is still emerging in the HRC market; assisted by industry consolidation

Production methodology mix (% , million metric tonnes)



US HSM capacity consolidation (% , million metric tonnes)



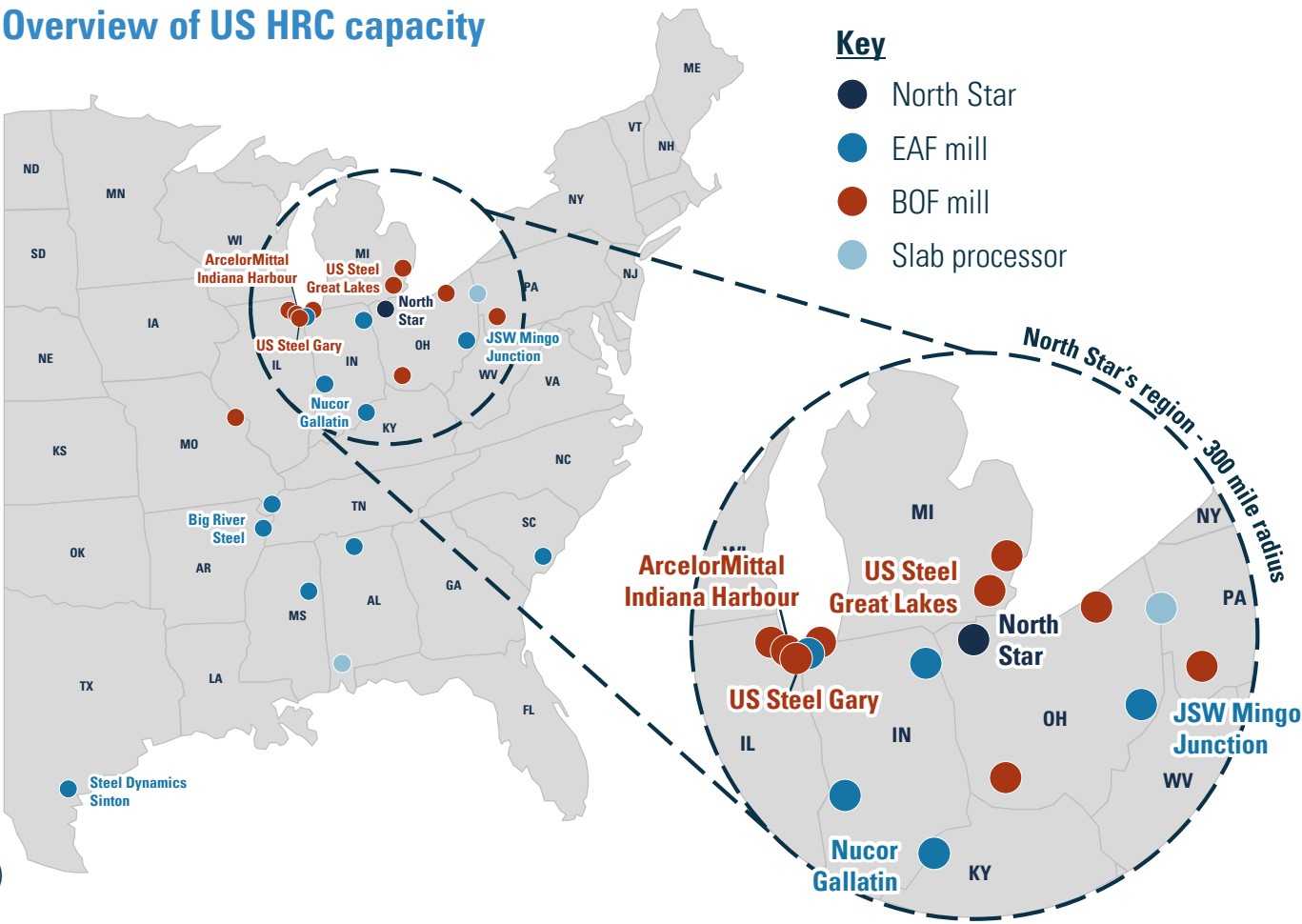
EAF HRC capacity being added in North Star’s region, blast furnace HRC capacity recently idled

US HRC capacity additions (million metric tonnes)  
Nameplate capacity additions, not utilisation adjusted for production<sup>1</sup>

|                | Mill                      | Location           | Distance from North Star | Capacity change  |
|----------------|---------------------------|--------------------|--------------------------|------------------|
| Within region  | North Star                | Delta, OH          | -                        | ~0.85mt          |
|                | Nucor Gallatin            | Ghent, KY          | 200 miles                | 1.3mt            |
|                | JSW Steel                 | Mingo Junction, OH | 195 miles                | 1.5mt (targeted) |
|                | Subtotal                  |                    |                          | 3.65mt           |
| Outside region | Big River Steel (Phase 2) | Osceloa, AR        | 510 miles                | 1.5mt            |
|                | Steel Dynamics Southwest  | Sinton, TX         | 1200 miles               | 2.7mt            |
|                | Subtotal                  |                    |                          | 4.2mt            |
| National total |                           |                    |                          | 7.85mt           |

Recent idling announced

- 1 Blast furnace at US Steel Great Lakes, Ecorse, MI (60 miles from North Star)
- 1 Blast furnace at US Steel Gary, Gary, IN (170 miles from North Star)
- 1 Blast furnace at ArcelorMittal Indiana Harbour, East Chicago, IN (190 miles from North Star)



Source: SRA, company filings, BSL analysis  
(1) Capacity utilisation recognises that capacity additions are unlikely to operate at nameplate capacity; conservatively assumed that new capacity could operate at a practical utilisation of ~85%

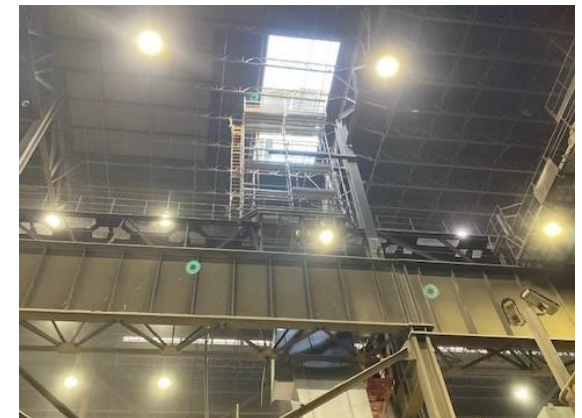
Strong governance and execution regime; thoroughly reviewed by internal and external experts

| Risk area                             | Management  |
|---------------------------------------|---|
| <b>Experienced project management</b> | <ul style="list-style-type: none"><li>• Governance steering committee including highly experienced executives</li><li>• Driven by leading engineering capability from across BlueScope</li><li>• Early engagement of local proven contractors, with access to local resources and have long term experience and commitments to site</li></ul>   |
| <b>Disciplined budget control</b>     | <ul style="list-style-type: none"><li>• Appropriate contingencies and escalation included in determining capital cost</li><li>• Commenced engineering design work with OEMs and Jacobs, ahead of initial schedule</li><li>• Appropriate project delivery models and cost mechanisms are embedded in the installation contracts</li><li>• Major OEM and construction management contracts signed</li><li>• Incentives in place to maintain productivity and reduce waste</li></ul> |
| <b>Impact to existing operations</b>  | <ul style="list-style-type: none"><li>• Coordinated and detailed planning to ensure optimised use of the available downtime of the existing plant</li><li>• Use of experienced consultants who are very familiar with North Star's operations</li><li>• Team has significant technical and project resourcing expertise and will be bolstered for execution to identify and resolve any issues</li></ul>  |
| <b>Integration of new equipment</b>   | <ul style="list-style-type: none"><li>• Well-resourced and capable team for process and design integration</li><li>• Coordinated and detailed planning to ensure effective integration of the equipment</li></ul>   |

Project on track with new plant to be commissioned during FY2022; full ramp up 18 months thereafter

## Key milestones to date

- Air permit received
- Major OEM contracts executed (Melt Shop, Caster, Tunnel Furnace, Cranes & High Voltage Yard) ~ \$150M
- Partnered with Rudolph Libbe Group to operate as Construction Manager & General Contractor
- Commenced siteworks including:
  - establishment of contractor facilities and parking,
  - relocation of site utilities, employee entrances and parking, and
  - construction of new administration building and consumables warehouses
- Planned November shut activities completed as scheduled



Project on track with new plant to be commissioned during FY2022; full ramp up 18 months thereafter

## Current progress of site works



## TRANSFORM

- Digital technology
- Carbon and climate change

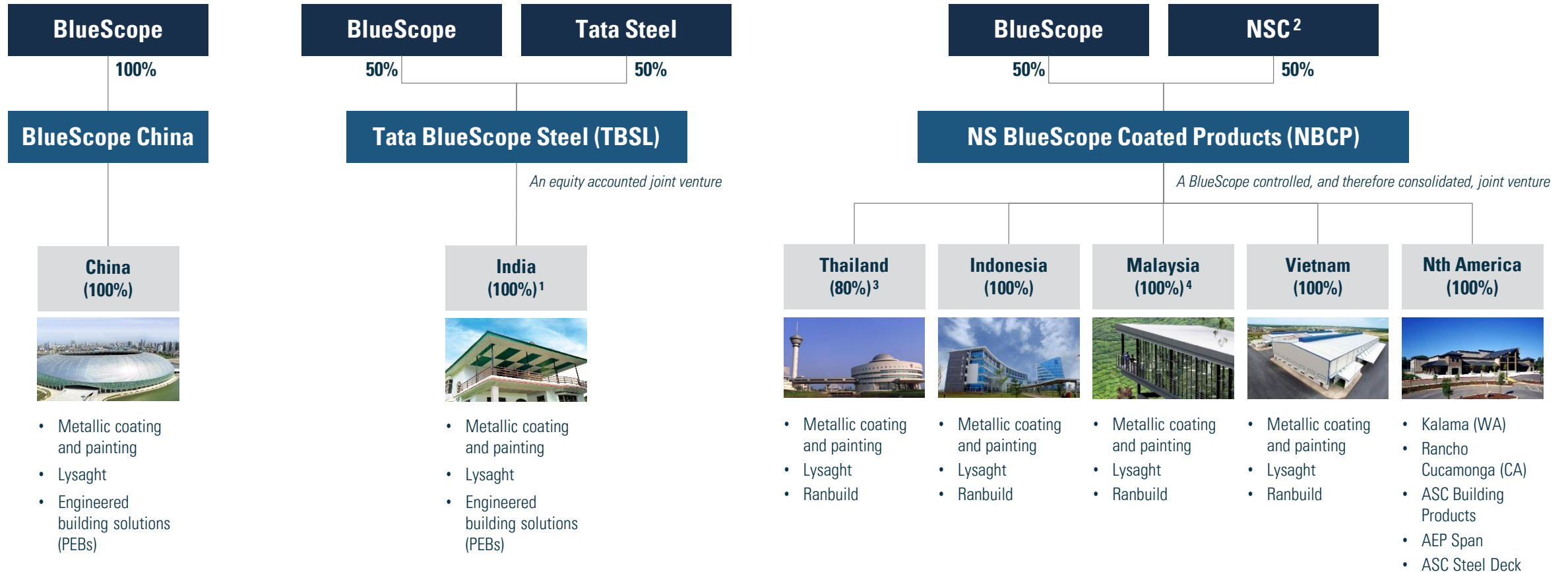
## OPTIMISE AND GROW

- Australian Steel Products
- North Star
- **Building Products Asia and North America**
- Buildings North America
- New Zealand and Pacific Steel

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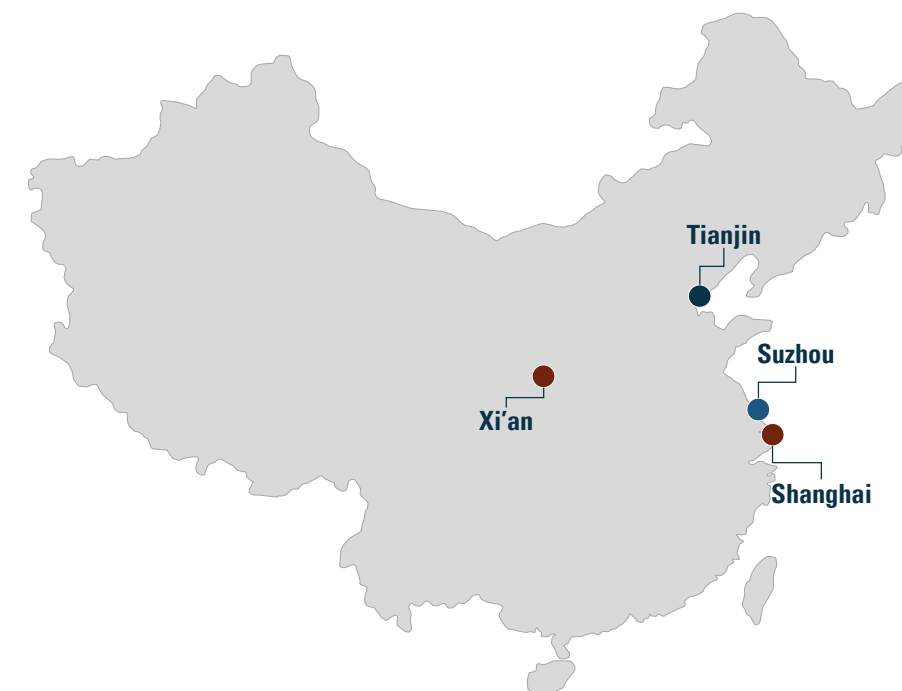
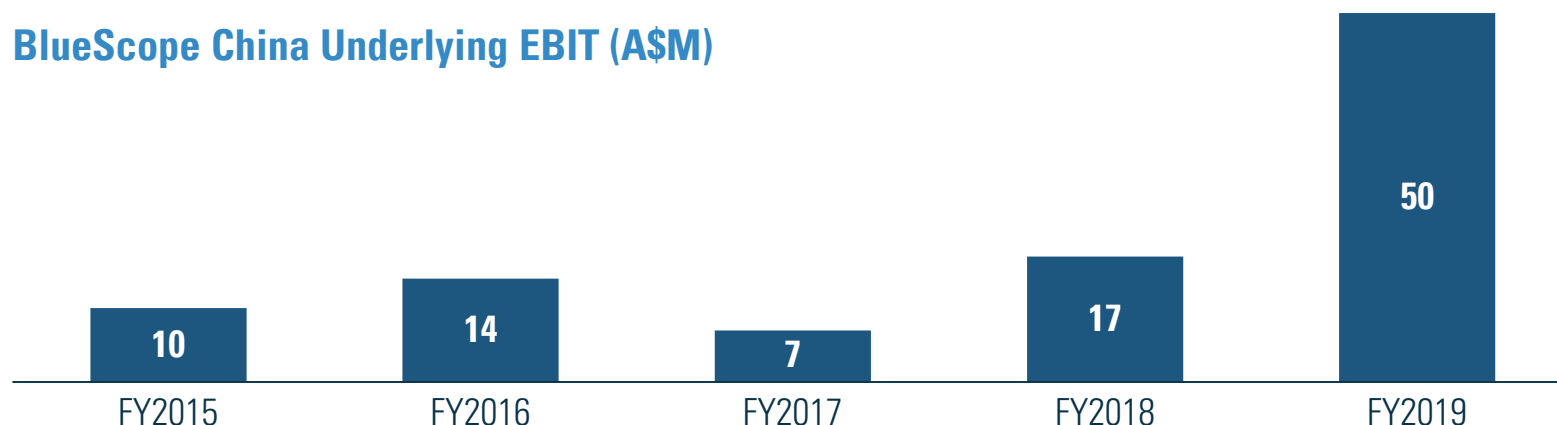
An outstanding suite of assets in high growth regions: China, India, ASEAN, US West Coast



A premium producer of metal coated and painted steel building products and engineered building solutions

- BlueScope China employs over 1200 people and comprises three business units:
  - Coated China, with capacity to produce up to 250kt of metal coated and 150kt of pre-painted steel per annum
  - the Butler® China pre-engineered buildings business, which has three sites across China
  - the Lysaght® China rollforming business, which shares two facilities with the Buildings business
- Selling under the iconic COLORBOND® and ZINCALUME® brand names, with Coated China supplying distributors, rollformers (including Lysaght China), contractors, and pre-engineered building manufacturers (including Butler® China)

## BlueScope China Underlying EBIT (A\$M)



- Metal coating and painting facility
- Combined Butler and Lysaght manufacturing facilities
- Butler manufacturing facility

Significant performance turnaround completed; focussing on embedding performance and further improvement

## Business performance

### FY2016 to FY2019 – performance turnaround

- China Buildings major manufacturing transformation:
  - Reduced footprint from four to two sites
  - Significant conversion cost savings realised
  - SG&A headcount and cost reduction
  - Enhanced sales capability
- Coated China sales and marketing activities focussed on increasing penetration into new channels, such as distribution and pre-engineering buildings

### Beyond 2020 – growth potential

- Exposed to niche high-value segments of the Chinese building and construction industry, growing at double the national GDP level
- Cost savings and productivity improvements have been embedded, healthy margins
- BlueScope China focusing on customer experience, market growth, operational excellence and capability development

## BlueScope China's strategic pillars

### Drive customer experience and satisfaction focus

- Customer experience enhancement
- Strengthen leading service capability

### Market growth

- Brand differentiation
- Channels to market development
- Premium and innovative product and solutions
- Existing market development
- New high value segment and applications acquisition

### Enhance manufacturing and operational excellence

- Manufacturing excellence
- Operational continuous improvement on cost and capital efficiency
- Operation digitalization

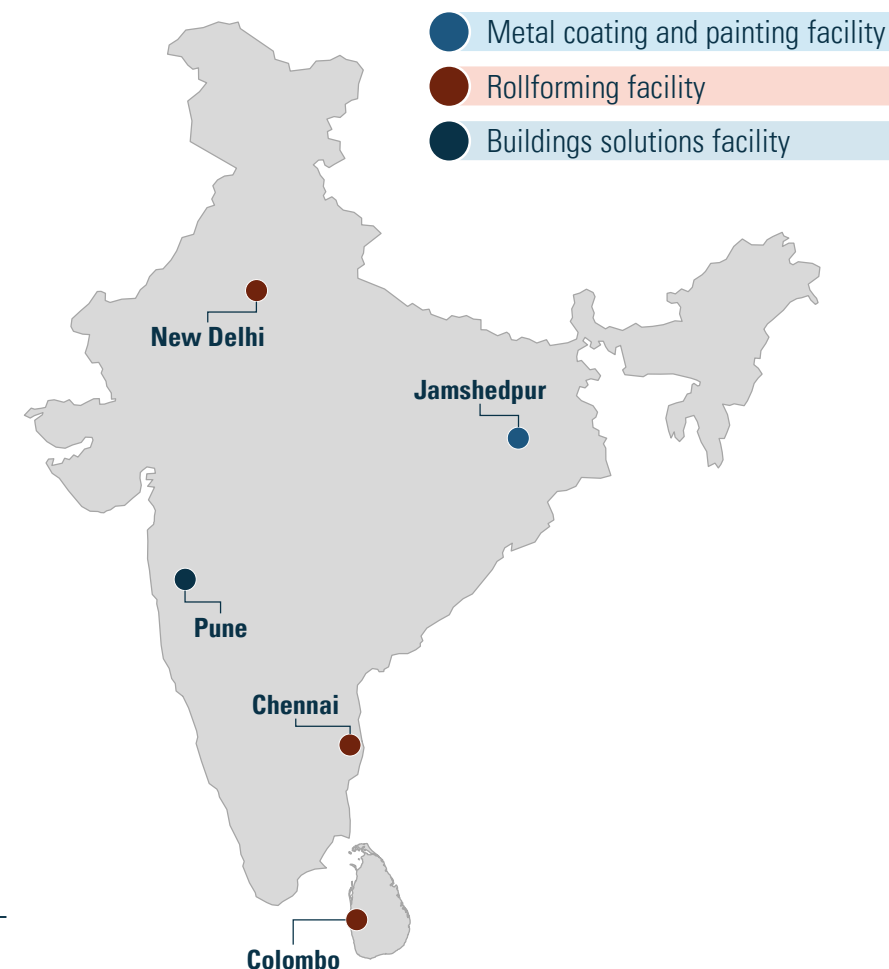
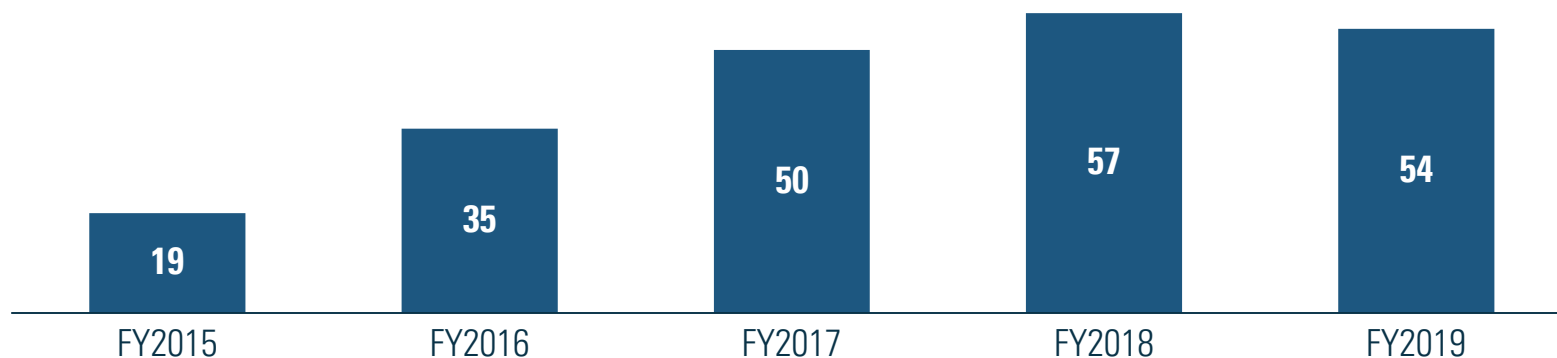
### Improve people and capability development

- Investment in critical resources
- People development programs
- Targeted training

## Supplying premium coated and painted steel products and buildings to the building and construction industry

- Tata BlueScope Steel is an equal joint venture between Tata Steel and BlueScope, which is equity accounted. This comprises three business units:
  - the Coated Steel business, with capacity to produce up to 250kt of metal coated and 150kt of pre-painted steel per annum
  - the Building Products rollforming business, which has four<sup>1</sup> facilities in India and Sri Lanka
  - the engineered building solutions business, which operates a manufacturing facility in Pune
- Our joint venture partner in India, Tata Steel, has acquired Bhushan Steel, which includes coating and painting assets. BlueScope is working through the implications of this acquisition for the joint venture with Tata Steel

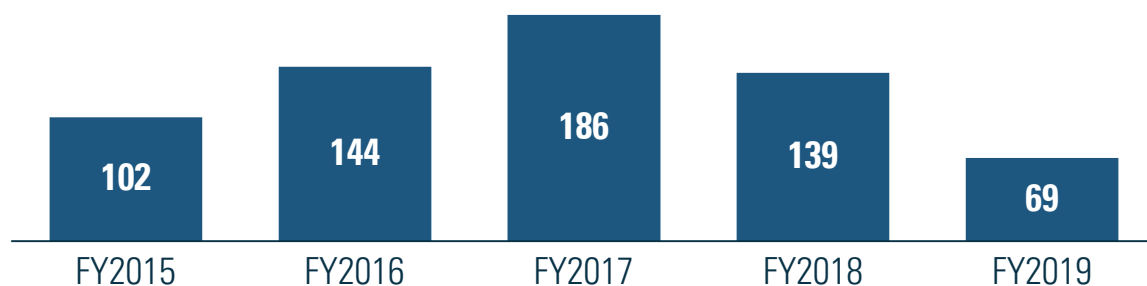
### Tata BlueScope Underlying EBIT (A\$M, 100% basis)



Outstanding footprint in large and growing markets; focussed on growing premium branded businesses

- NS BlueScope Coated products is a 50:50 joint venture enterprise between BlueScope and Nippon Steel Corporation of Japan, operated and consolidated by BlueScope
- The business primarily serves the large and growing building and construction markets with innovative, high quality coated & painted steel products and solutions across ASEAN and the US West Coast
- The metal coating, painting and roll-forming businesses employ over 2,700 people across 29 plants in Indonesia, Thailand, Malaysia, Vietnam, Singapore, Brunei and the US, including 6 metal coating and painting facilities and 23 rollforming facilities

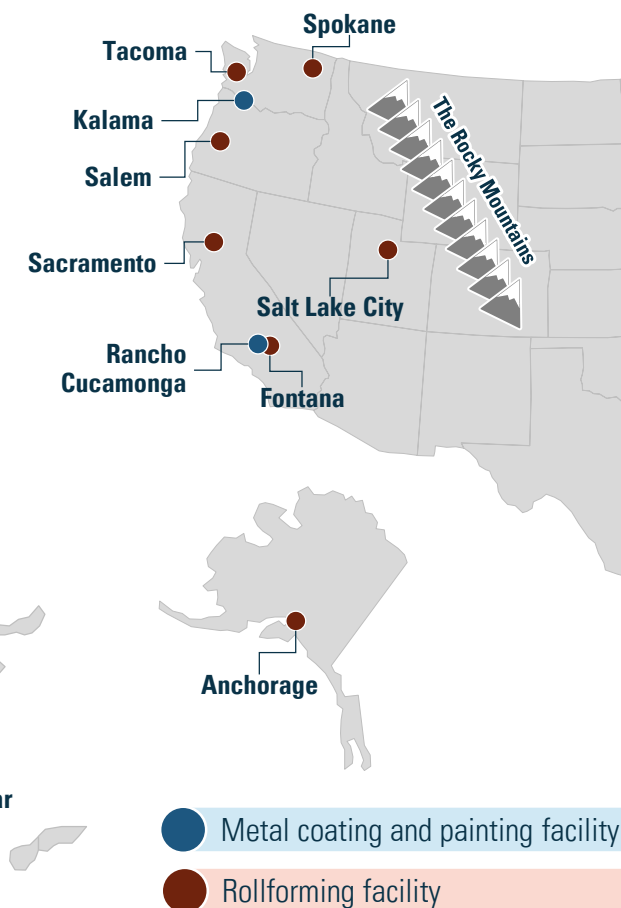
## NS BlueScope Underlying EBIT (A\$M)



## ASEAN region



## US West Coast



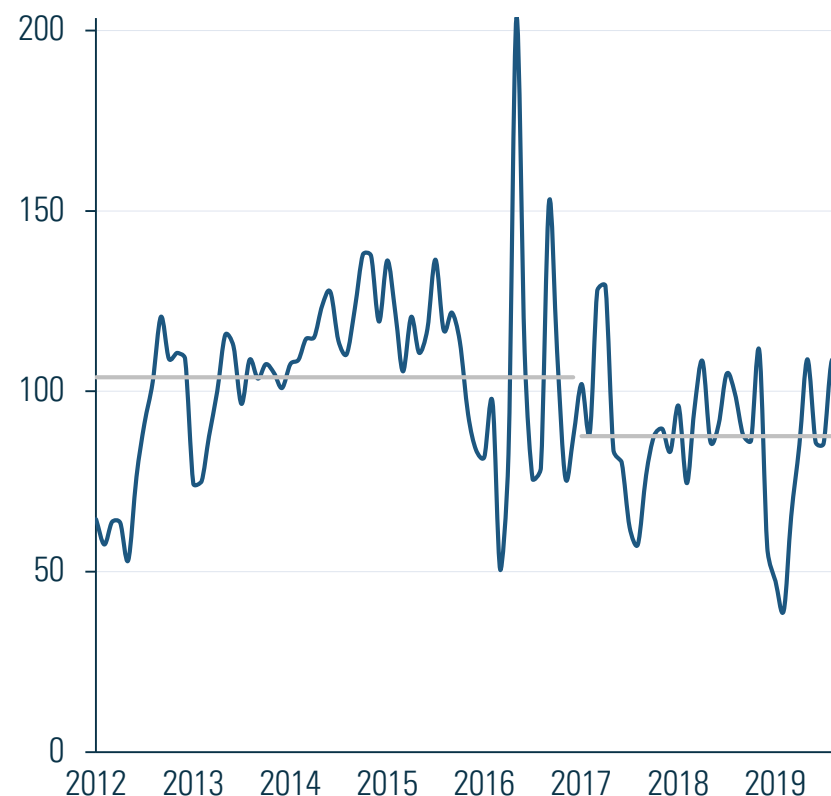
- Metal coating and painting facility
- Rollforming facility

## Challenging market and competitive conditions driving continuation of recent underperformance

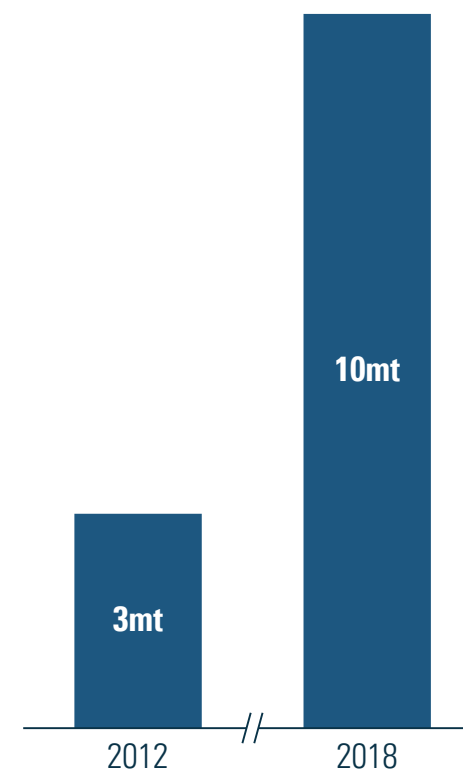
### Current market conditions

- Demand in the region has been impacted by macroeconomic events, particularly in Thailand, Malaysia and Indonesia, and is most evident across the higher margin projects segment
- The softness in demand has continued for longer than expected, with the confluence of lower demand across three key countries having a compounding impact on NS BlueScope performance
- Chinese overcapacity in coated and painted products has lead to increased exports, impacting industry benchmark spreads and rapidly increasing competition in the region
- Ongoing global trade disputes have further impacted this dynamic, as existing trade flows are disrupted and shift into the ASEAN region from existing destinations

### Coated products steel spread<sup>1</sup> (US\$/t)



### China coated exports (mt)



Focus on delivering long term profitable growth for BlueScope notwithstanding near term weak macro conditions

Actions are well advanced to drive productivity and optimise the manufacturing footprint to suit market conditions

## CUSTOMER AND MARKET FOCUS

- Thorough review of market offers resulted in product re-specification to align with demand and enhance margin
- Home Appliance market in Thailand reassessed; reduced expectations of volumes and returns

## OPERATIONAL EXCELLENCE

- On track to deliver \$40M of cost and productivity improvements over 2018 cost base
- New high speed metal coating line in Thailand being ramped up to improve cost position of retail products
- Focus on Manufacturing Excellence and Automation

## PEOPLE, CAPABILITY AND CULTURE

- Improved salesforce effectiveness, restructured to underpin future success
- Continuous improvement program in place, strong focus on cost

## GROWTH FOCUS

- Focus remains on driving product differentiation, growing our brands and investing in our distribution channels:
  - Successful launch of advanced AM<sup>1</sup> coating technology in Vietnam
  - Investing in consumer branding, and rapidly expanding retail footprint; now with over 300 points of presence
- Acquisition of cold rolling capacity in Malaysia delivering feed sourcing benefits

## IGNITE 5G STRATEGIC FOCUS AREAS



Customer & Market Focus



Operational Excellence



People, Capability & Culture

**Get Lean** - Efficient & Competitive

**Get Agile** - Flexible & Responsive

**Get Strong** - A Sustainable Foundation

**Grow** - Invest in Future Growth

NS BlueScope well leveraged to macroeconomic recovery; long term growth opportunity remains compelling

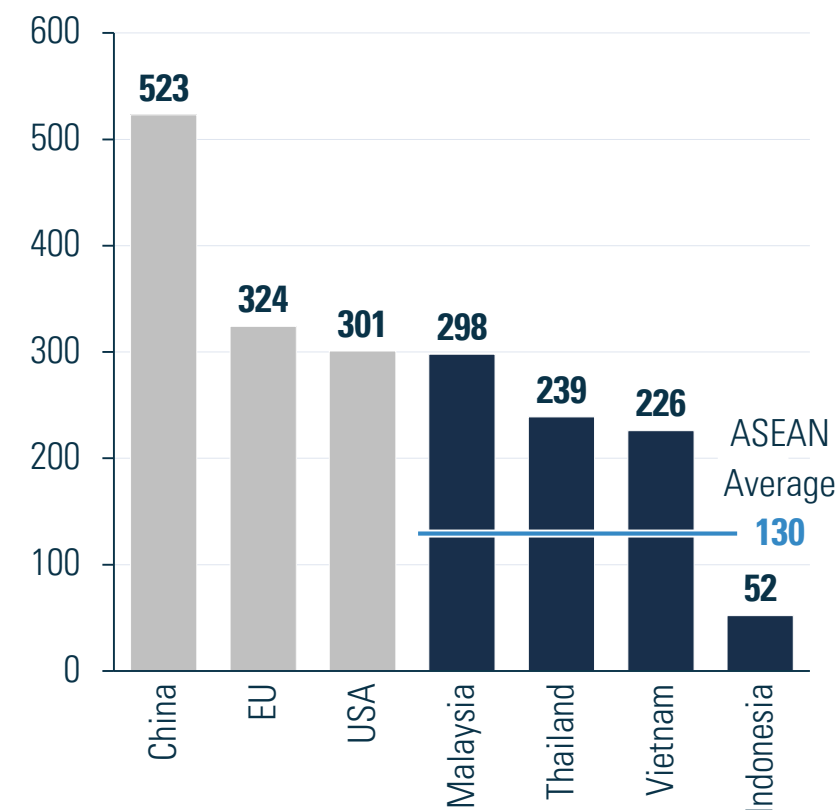
## Current operating outlook

- Weak macroeconomic conditions persist across our key markets (mainly Thailand and Malaysia), impacting volumes and earnings levels
- Whilst the current macro environment is weak, the business is well leveraged to the upside
  - Cost and productivity improvement program has restored profitability at the bottom of the cycle
  - Regional macro conditions expected to improve, with a large backlog of commercial and industrial work in the pipeline
    - e.g Eastern Economic Corridor in Thailand
- Focus on growth has remained through the downcycle, with continued investment in brands and channels
- Unclear when macro environment will improve; recent weakness has persisted for longer than expected
  - Macro conditions and business performance in Indonesia has shown early signs of improvement

## Long term growth story

- We remain confident in the longer term growth opportunity in the ASEAN region, underpinned by favourable long term trends:
  - Growing population and rising middle class
  - High and growing levels of urbanisation
  - Low levels of steel consumption per capita
- Focusing on developing opportunities in product, process and service across the value chain, to enhance our position as a leader in coating and painting
- Recently completed cold rolling mill acquisition in Malaysia, providing feed sourcing benefits to both Malaysian and the broader region
  - Mill currently in commissioning, with commercial production targeted for February 2020
- Indonesian feed sourcing benefits from IA-CEPA<sup>1</sup>

## Finished steel consumption per capita (kg/person)



TRANSFORM

- Digital technology
- Carbon and climate change

OPTIMISE  
AND GROW

- Australian Steel Products
- North Star
- Building Products Asia and North America
- **Buildings North America**
- New Zealand and Pacific Steel

DELIVER

- Safe and sustainable operations
- Returns focus: ROIC > WACC
- Strong balance sheet
- Disciplined approach to capital allocation



BBNA is a leading supplier of engineered building solutions into the US non-residential construction market

- Buildings North America designs, manufactures and markets engineered building solutions into the large and stable low-rise non-residential US construction market, under leading brands Butler® and Varco Pruden®
- Well positioned to benefit from trends towards e-commerce, with a focus on data centres, warehousing and distribution centres and last mile logistics
- Provides services throughout the project lifecycle from building concept to field construction
- Effectively an engineering and technology company with competitive advantages in product innovation, sophisticated proprietary system technologies and strong in-house engineering capability

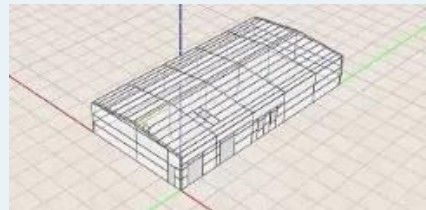
## OWNER CONCEPT



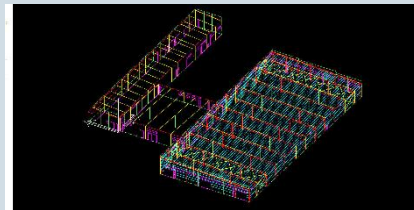
Our Builders utilise our premium brands and proprietary software tools in the construction market to win work add value in the construction process



## DESIGN VISUALIZATION



## VALUE ENGINEERING



- We leverage in-house engineering capabilities to design efficient structures on projects
- We utilise a common manufacturing platform with a national footprint
- Provide project management throughout the construction project

## MANUFACTURING



## CONSTRUCTION



End market demand remains robust; extended lead times on high activity and weather delays remain

## Update on performance

- The business continues to see strong demand conditions and order intake
  - The warehousing, logistics and data centre end-use segments continue to be strong
- A number of key initiatives are being progressed to drive improved performance and support future growth potential:
  - investment in resources to achieve a step change in customer lead times. This will likely take at least 18 months to bring that additional capacity fully online
  - foundational technology investment is progressing to modernise and provide a complete digital engineering and customer experience
  - continued focus on growing the BlueScope Properties Group, providing downstream demand for the builder network and delivering returns in its own right

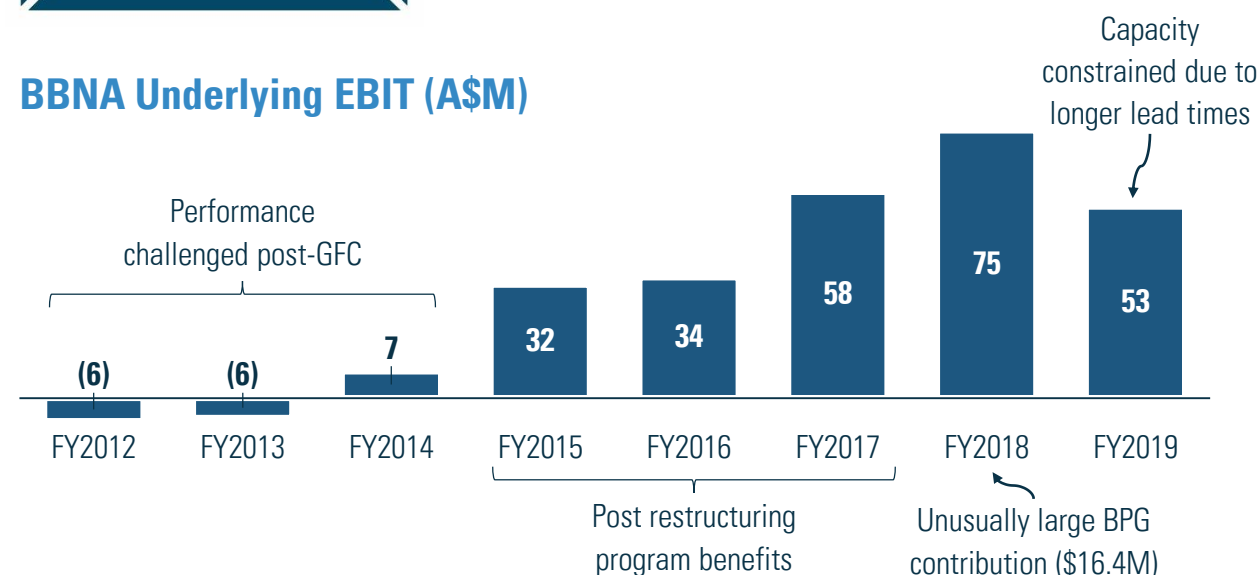
## BBNA strategy – “Building the Future, Together”



Our **EMPLOYEES** are the strength of the Company and our **BUILDERS** are our **PARTNERS**. They are the centre of all of our efforts

Everyone contributes by providing premium **SERVICE**, meaningful **CONNECTIONS**, and differentiating **SOLUTIONS** for our Builders

## BBNA Underlying EBIT (A\$M)



## BPG creates downstream demand for the builder network and delivers returns in its own right

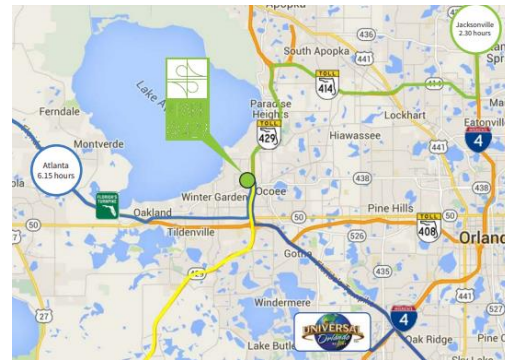
- BPG develops industrial properties (warehouses and distribution centres), and provides direct access to the growing warehouse and distribution centre market, driven by strength in eCommerce, consumer goods etc
  - BPG also creates value for the BBNA Builder network by providing access to projects
- BPG offers a full-service approach, access to capital, and the ability to build upon the long-standing and proven history of BBNA
  - Services include Site Selection, Land Acquisition, Facility Specifications, Permitting, and Build-to-Suit for Lease / Build-to-Suit for Sale
- BPG has demonstrated the ability to provide a meaningful increase to the earnings and cash flows of Buildings North America, but can be lumpy due to project nature of activities. Business will continue to be developed within a clear governance framework
- Risks are managed
  - BPG completes extensive due diligence prior to committing to any development
  - The BBNA Builder network constructs the projects
  - All projects must satisfy leasing and hurdle rate requirements prior to commencement



Two examples in the growing Orlando, FL region, service distribution, manufacturing and office sectors

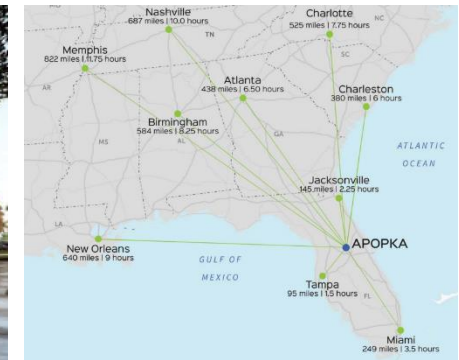
## The Park @ 429

- The Park @ 429 is a Class A industrial and office park located in the city of Ocoee just outside of Orlando, FL
- Made up by two buildings, with a combined footprint of over 40,000m<sup>2</sup>
- Suited to distribution, light manufacturing and office users, and provides:
  - Immediate access to transport
  - Close proximity to quality labour and customers
  - Great visibility with significant major road frontage
  - Quality local amenities in the Ocoee commercial district



## Mid Florida Logistics Park

- Mid Florida Logistics Park is a Class A industrial business park located in the city of Apopka just outside of Orlando, FL
- Made up of five buildings, with a combined footprint of over 200,000m<sup>2</sup>
- Suited to distribution, light manufacturing and office users, and provides:
  - Immediate access to highways and rail sidings
  - Close proximity to the tourist district, quality labour and customers
  - Great visibility with significant major road frontage
  - Quality local amenities in the Apopka commercial district



TRANSFORM

- Digital technology
- Carbon and climate change

OPTIMISE  
AND GROW

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- **New Zealand and Pacific Steel**

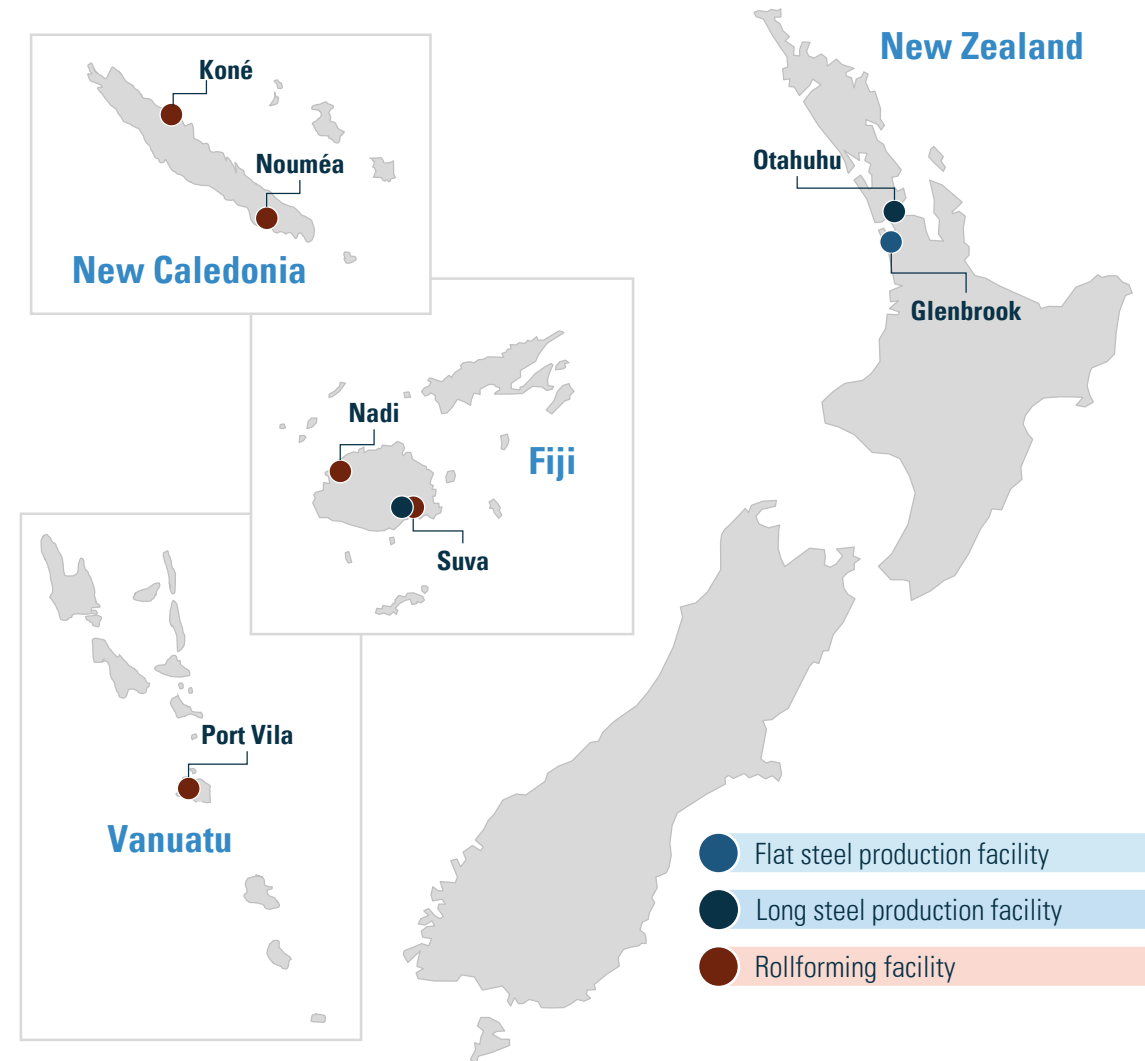
DELIVER

- Safe and sustainable operations
- Returns focus: ROIC > WACC
- Strong balance sheet
- Disciplined approach to capital allocation



Produces flat and long steel for The New Zealand market, and building components in the Pacific Islands

- The New Zealand Steel and Pacific Islands business comprises the Waikato North Head mine, the Glenbrook steelworks, the Pacific Steel long products business and the Pacific Islands businesses
- It produces a range of flat and long steel products for domestic and export use, and supplies all major markets including construction, manufacturing, infrastructure, packaging and agriculture
- New Zealand Steel is the only steel producer in New Zealand, uses locally-sourced iron sand and coal to manufacture approximately 660kt of steel slab and billet a year
- The business employs around 1,500 people, and includes:
  - Pacific Steel New Zealand, acquired by BlueScope in 2014 as a long product business (rolling mill and wire drawing facilities)
  - The Pacific Islands businesses, with facilities in Fiji, New Caledonia and Vanuatu which manufacture and distribute the LYSAGHT® range of products, and long products in Fiji

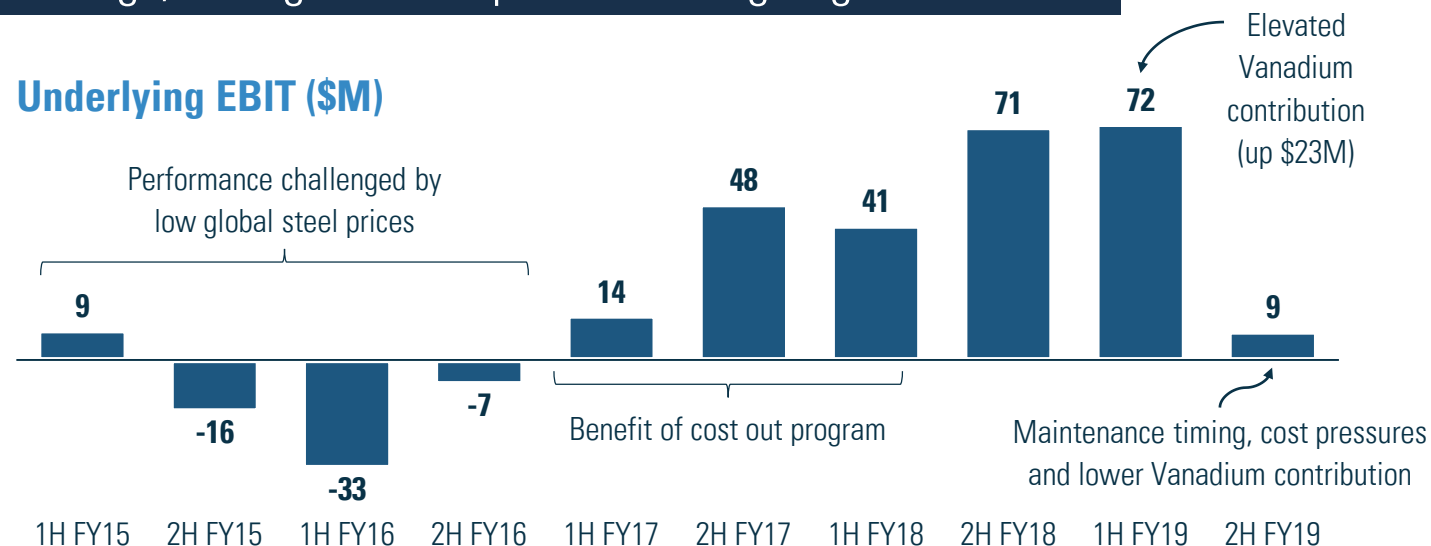


Recent underperformance follows a period of robust earnings; strong focus on performance going forward

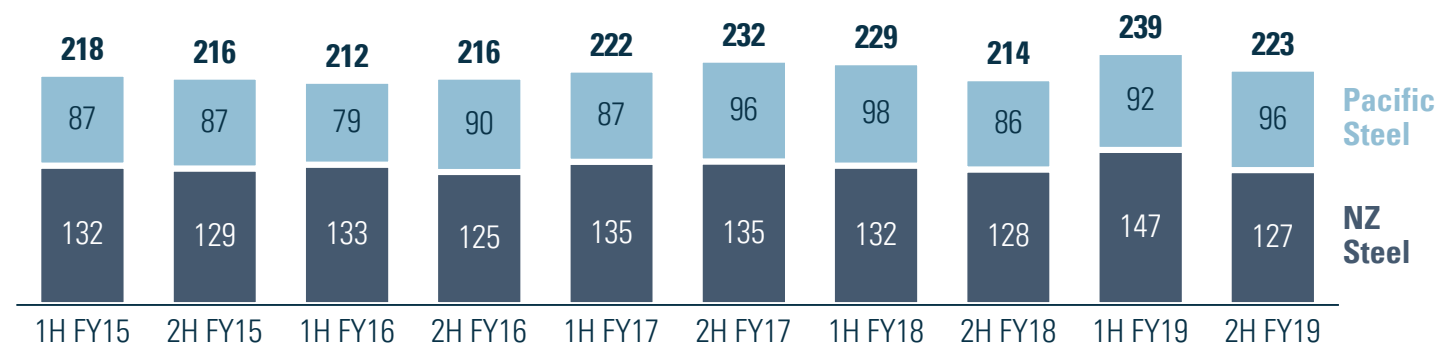
## Business performance

- Demand in the residential construction sector remains robust, however some softening has been observed in the infrastructure market
- In 1H FY2020, 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
- Recent underperformance has reinvigorated focus on productivity and cost discipline
  - It is imperative for steelmaking in New Zealand to be globally cost competitive
  - Seeking to leverage technology to drive productivity and cost improvement e.g. new digital scheduling tool to optimise product flows

## Underlying EBIT (\$M)



## Domestic volume (kt)



## TRANSFORM

- Digital technology
- Carbon and climate change

## OPTIMISE AND GROW

- Australian Steel Products
- North Star
- Building Products Asia and North America
- Buildings North America
- New Zealand and Pacific Steel

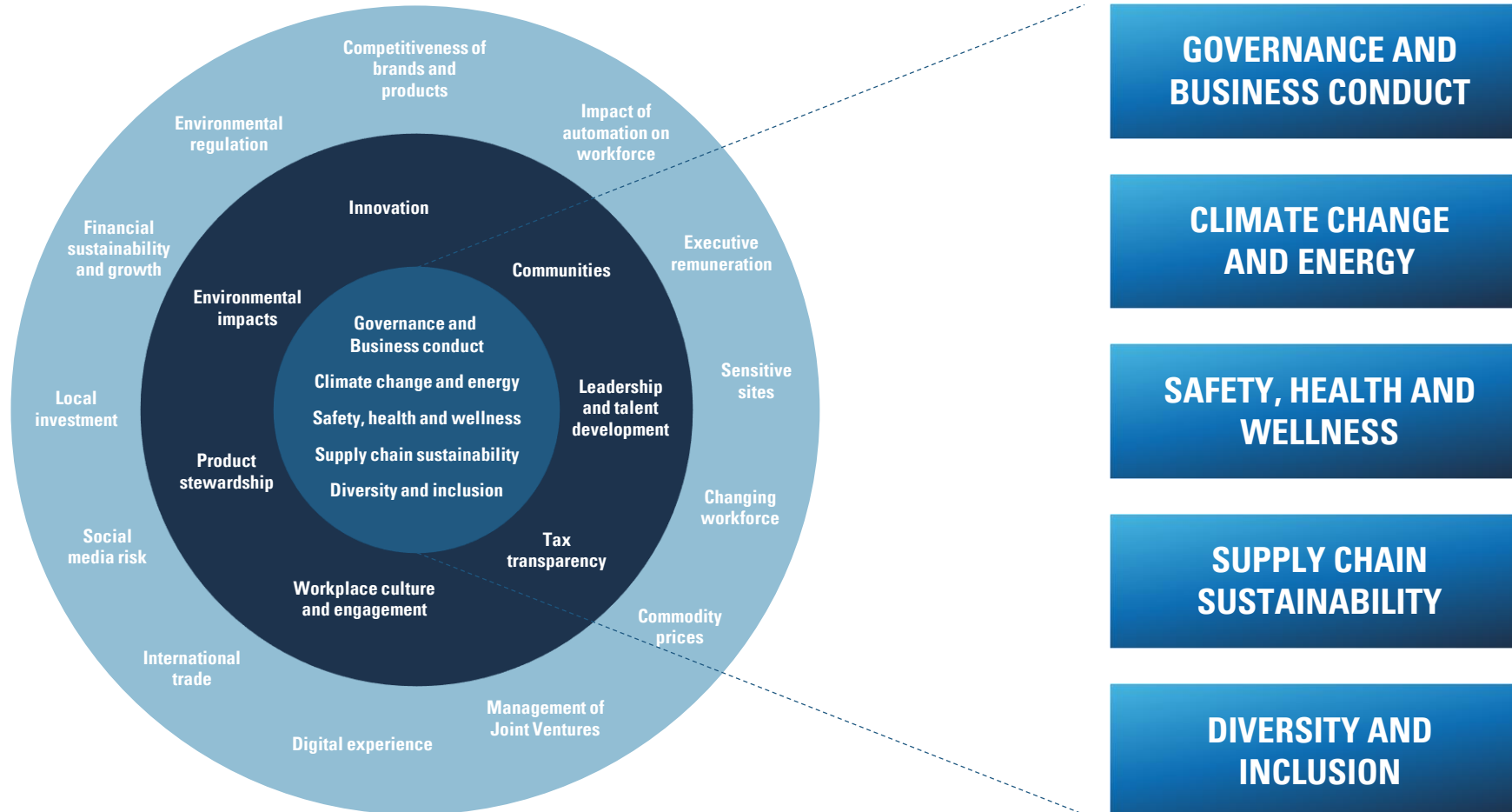
## DELIVER

- **Safe and sustainable operations**
- **Returns focus: ROIC > WACC**
- **Strong balance sheet**
- **Disciplined approach to capital allocation**

# MAJOR SUSTAINABILITY TOPICS FOR BLUESCOPE

70

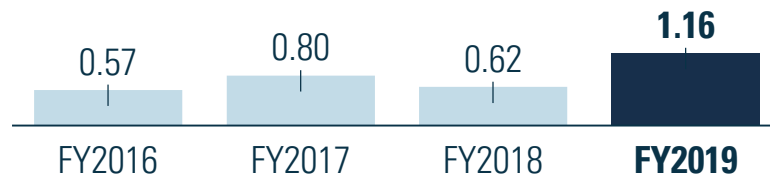
Major topics identified in consultation with stakeholders and other reference points



Safety is a key part of BlueScope's identity; evolving our approach to the next level of safety improvement

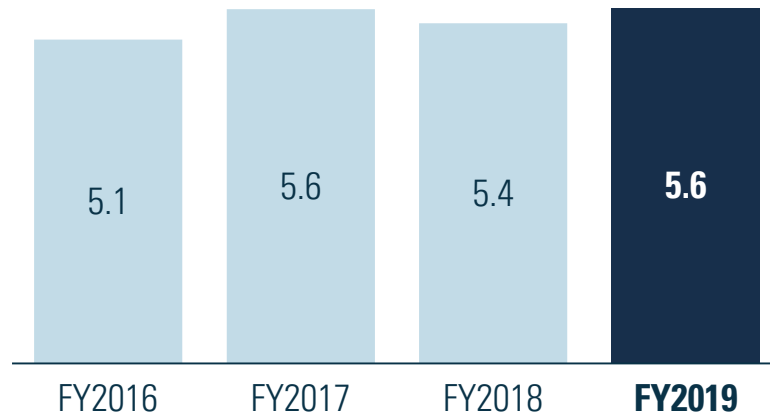
## LTIFR<sup>1</sup>

Lost time injuries  
per million hours  
worked



## MTIFR<sup>1</sup>

Medically treated  
injuries per million  
hours worked



## Released five year Health, Safety and Environment strategy in FY2019

- Greater focus on injury severity and the care taken to return our employees to meaningful work
- Building a strong culture of learning, trust and inclusion
- Rigorously challenging the effectiveness of our significant risk controls
- A more holistic approach to health and wellbeing opportunities



Our approach to HSE management is evolving

## HSE Vision

*BlueScope's people are inspired to sustain and grow our business through trust, and innovative HSE partnerships*

The following principles will guide us:



**Care not tell  
(Suspend your agenda)**



**Not everything that  
counts can be counted**



**People lead and  
systems support**



**Hold people to account,  
but get their account**



**Language matters  
(Making sense)**



**Take time to reflect  
(What have we learnt?)**

## HSE Goals

- Think holistically about risk as an opportunity to learn and enhance our HSE and business performance
- Collaborate, listen and assist internal and external partners to enhance value and reduce risk across our supply chain and our community
- Continuously enhance our systems to create meaningful and practical guidance so that people lead, and systems support us
- Facilitate learning and engage our people to develop our risk knowledge and decision capability

Significant progress made; design and rollout progressing – supplier due-diligence processes operational

## Processes and documentation in place

- Supplier Code of Conduct published and available in 9 languages
- Refinements to supplier segmentation – prioritising our engagement effort
- Quarterly reporting to Executive Leadership Team and Risk and Sustainability Committee
- Ongoing engagement with external experts to ensure best practice

## Internal training and rollout

- Face-to-face training for over 180 senior leaders and procurement and supply chain practitioners, across all business units (9 countries)
- Workshops to review supplier segmentation and prioritisation of suppliers based on in-country knowledge and country-specific risks
- Peer reviews to ensure consistent standard is applied to assessments

## Number of assessments completed / underway by assessment type

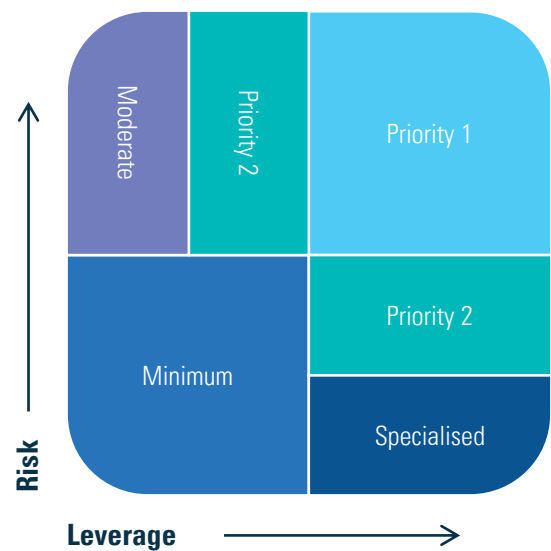
|                                      | Assessments complete |                                      |   | Assessments underway |
|--------------------------------------|----------------------|--------------------------------------|---|----------------------|
|                                      | Assessment accepted  | Assessment accepted, with conditions | Complete, with further actions required |                      |
| <b>Corporate Desktop Assessment</b>  | 10                   | 2                                    | 8                                       | <b>4</b>             |
| <b>Self Assessment Questionnaire</b> | 19                   | 2                                    | 1                                       | <b>25</b>            |
| <b>Onsite Assessment</b>             |                      | 1                                    | 1                                       |                      |

## WHAT'S NEXT?

- Begin process of assessing our own sites against Code of Conduct standards
- Deep dive into suspected higher risk areas of the supply chain to develop better understanding and more detailed due-diligence approach
- Well advanced for the reporting requirements of the Modern Slavery Act

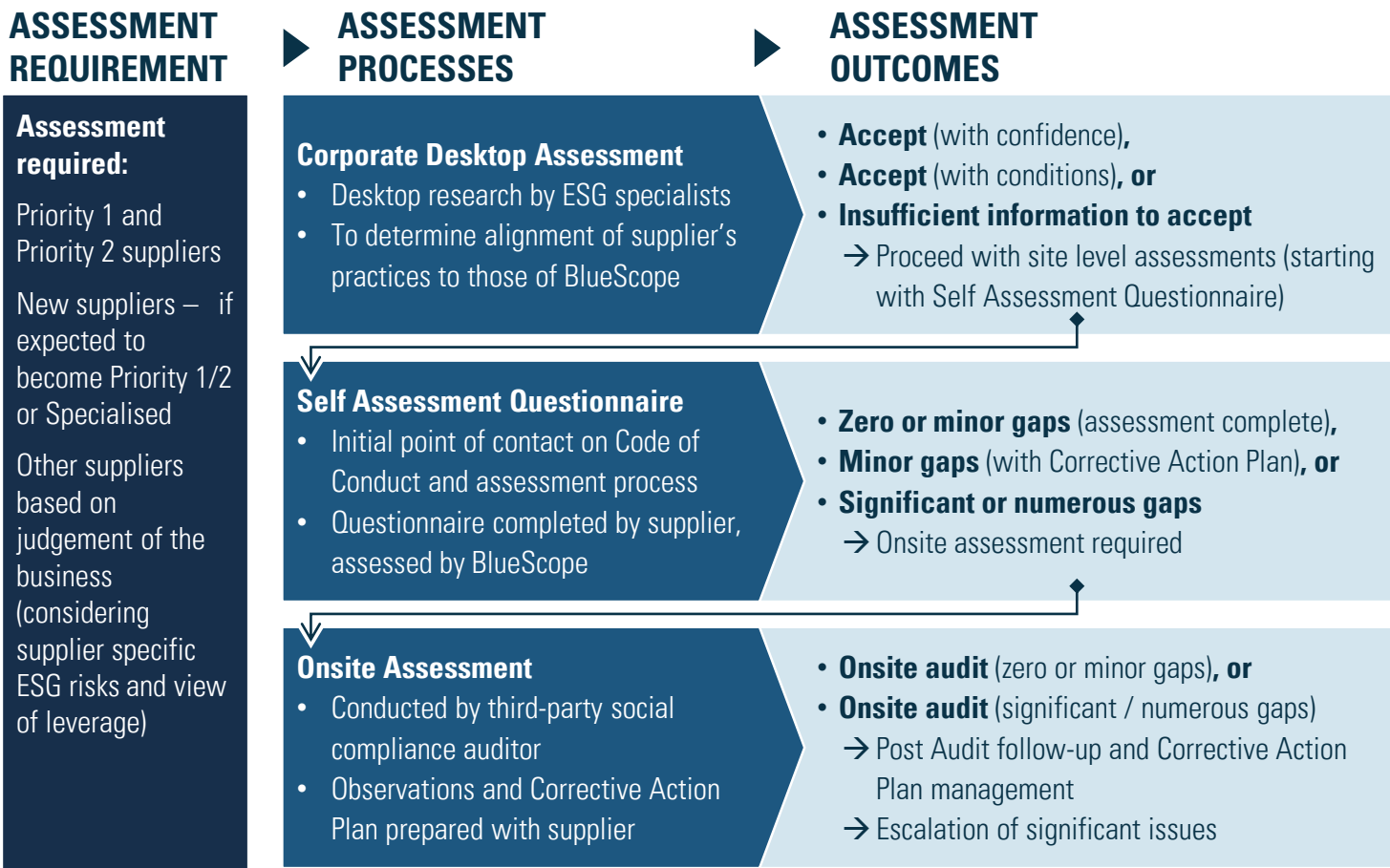
Tiered assessment framework enables a nuanced approach to supplier engagement; assessments underway

Supplier segmentation model



|          |  |
|----------|--|
| Risk     | Assess <b>potential</b> risk associated with suppliers based on set risk criteria                        |
| Leverage | Assess <b>possible</b> leverage to engage with suppliers based on materiality and length of relationship |

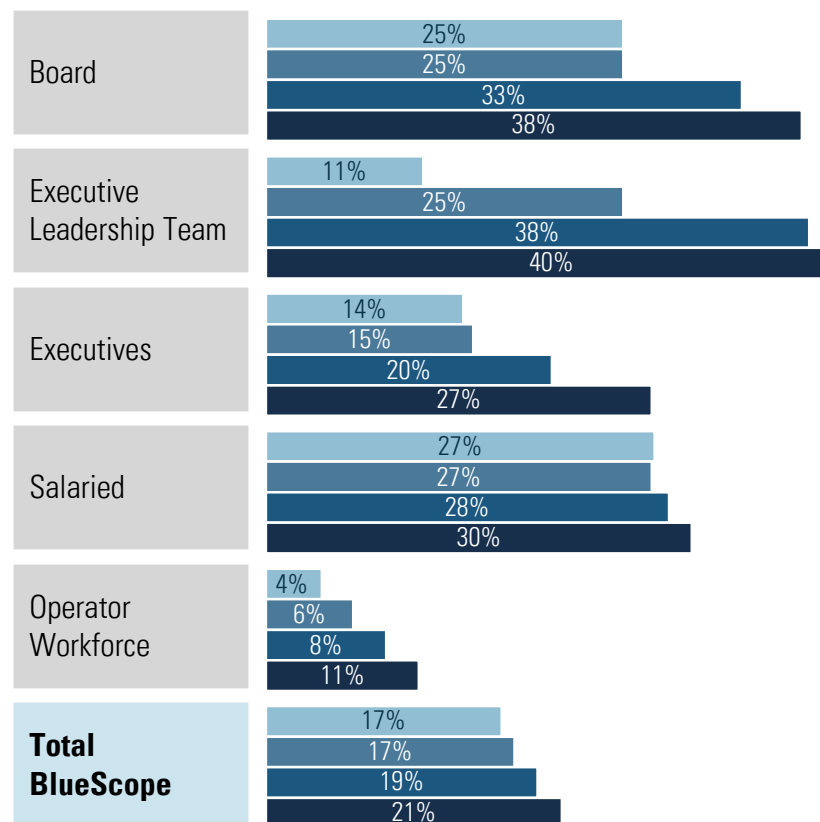
Supplier assessment framework



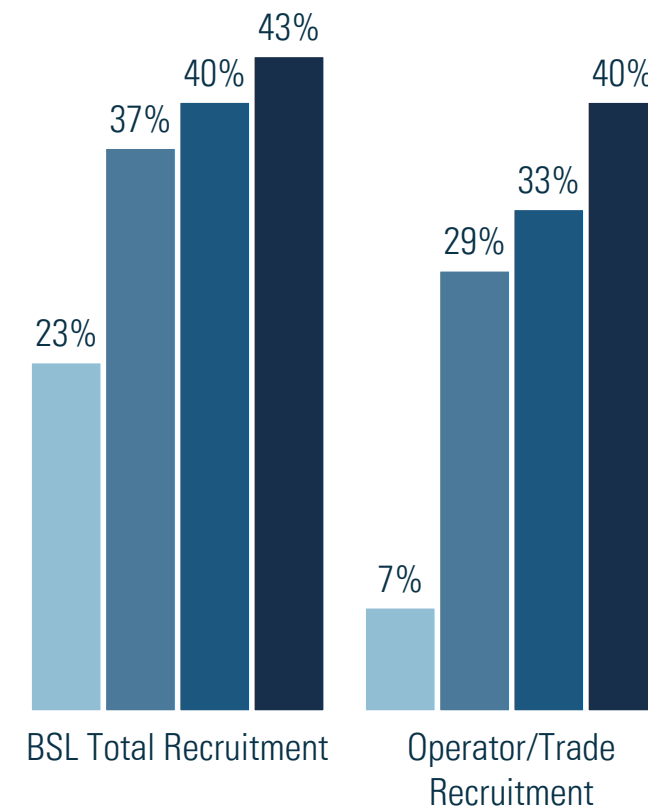
## Strong focus and effective strategies creating demonstrable improvement in workforce diversity

- BlueScope is committed to creating a safe and inclusive workplace where everyone feels valued, has a sense of belonging, and can make an impact
- We are proud of our global workforce, and leverage its diversity to sustain our business success
- Through the power of inclusion and diversity, we increase innovation and performance, anticipate and exceed our customers' expectations, and build our talented and capable team
- In FY2020, we will retain our focus on gender balance and building a more inclusive workplace, and enhance overall workplace diversity across our global footprint to deliver better outcomes for our people, customers and communities

### Female % of workforce



### Female % of recruitment



FY2016 FY2017 FY2018 FY2019

## BlueScope seeks to live the values in its Bond by promoting a culture of integrity across our global operations

- We continue to work on strengthening BlueScope's culture to support ethical and responsible work practices across every part of our business
- Recently refreshed our Board Committee charters, embedding the Three lines of Accountability risk management model
- To support our commitment to encourage a culture of speaking up and protecting those who do, in FY2019 we:
  - Launched the new 'Speak Up' policy, available on our website
  - Focussed on increasing our employees' understanding of how they can report misconduct concerns, including via our externally managed conduct hotline
- Our dedicated Ethics and Compliance function supports each of our businesses to identify and manage conduct risks and oversees the management of misconduct allegations
- On 30 August 2019, BlueScope advised that the ACCC has commenced civil proceedings against BlueScope and a former employee alleging contraventions of the Australian competition law cartel provisions. As the matter is now before the courts it would not be appropriate to comment further at this time<sup>1</sup>



Clearly stated financial framework to guide our decision making

## 1 RETURNS FOCUS

- ROIC > WACC through the cycle
- ROIC incentives for management and employees
- Maximise free cash flow generation

## 2 OPTIMAL CAPITAL STRUCTURE

- Strong balance sheet, with a target of around zero net debt<sup>(1)</sup>
- Retain strong credit metrics
- Intent to have financial capacity through the cycle to make opportunistic investments or to fund reinvestment in or a shutdown of steelmaking if not cash positive
- Leverage for M&A but only if accompanied by active debt reduction program

## 3 DISCIPLINED CAPITAL ALLOCATION

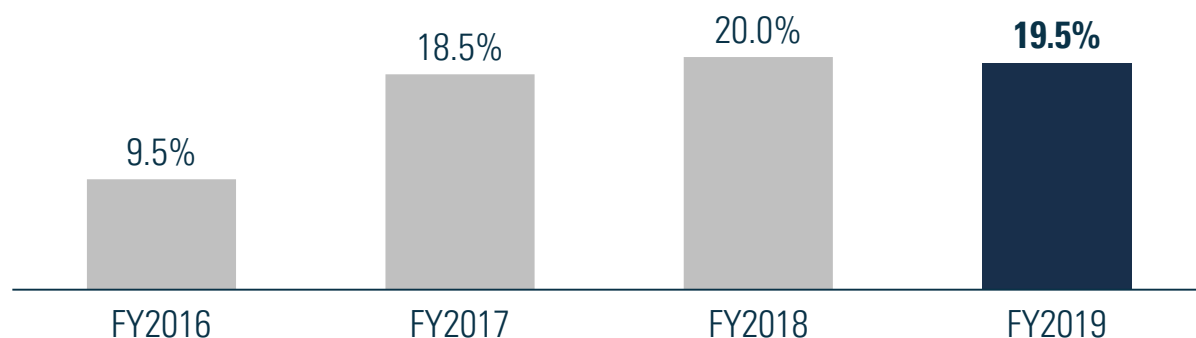
Invest to maintain safe and reliable operations, and in foundation and new technologies

Returns-focussed process with disciplined competition for capital between:

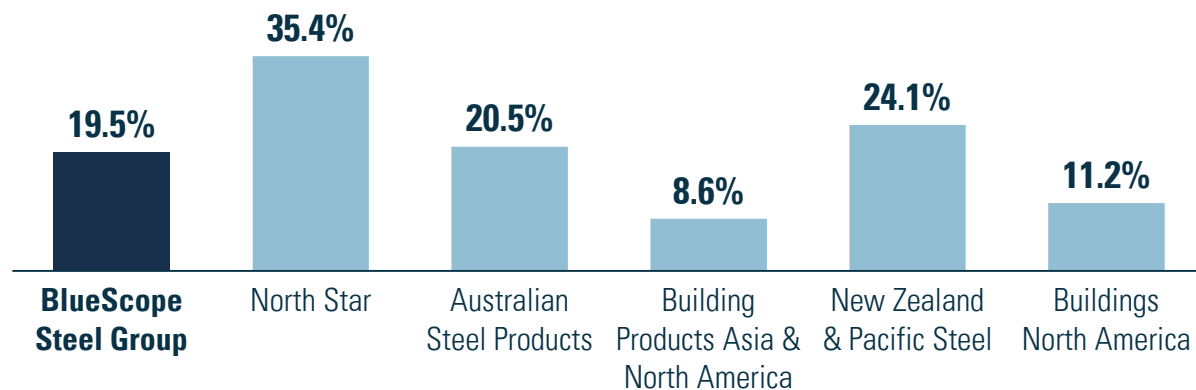
- Growth capital
  - Investments
  - M&A (but avoid top of the cycle)
- Shareholder returns
  - Distribute at least 50% of free cash flow to shareholders in the form of consistent dividends and on-market buy-backs<sup>(2)</sup>

Targeting returns above cost of capital through the cycle; average free cash flow of \$928M over last three years

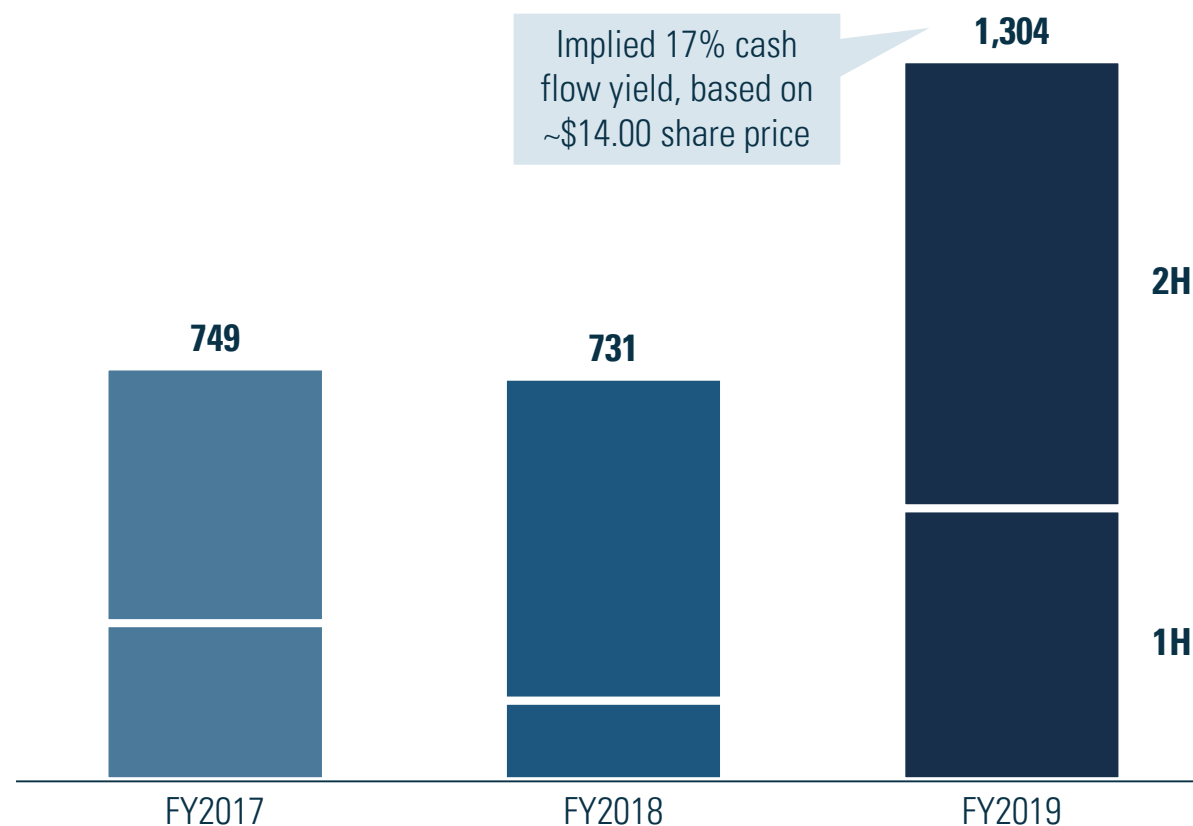
## Group ROIC<sup>1</sup> Performance (%)



## FY2019 ROIC by Segment (%)



## Net cash flow, before investment expenses and financing (\$M)



Driving competition for capital with disciplined, returns focussed process

## Capital expenditure focus areas

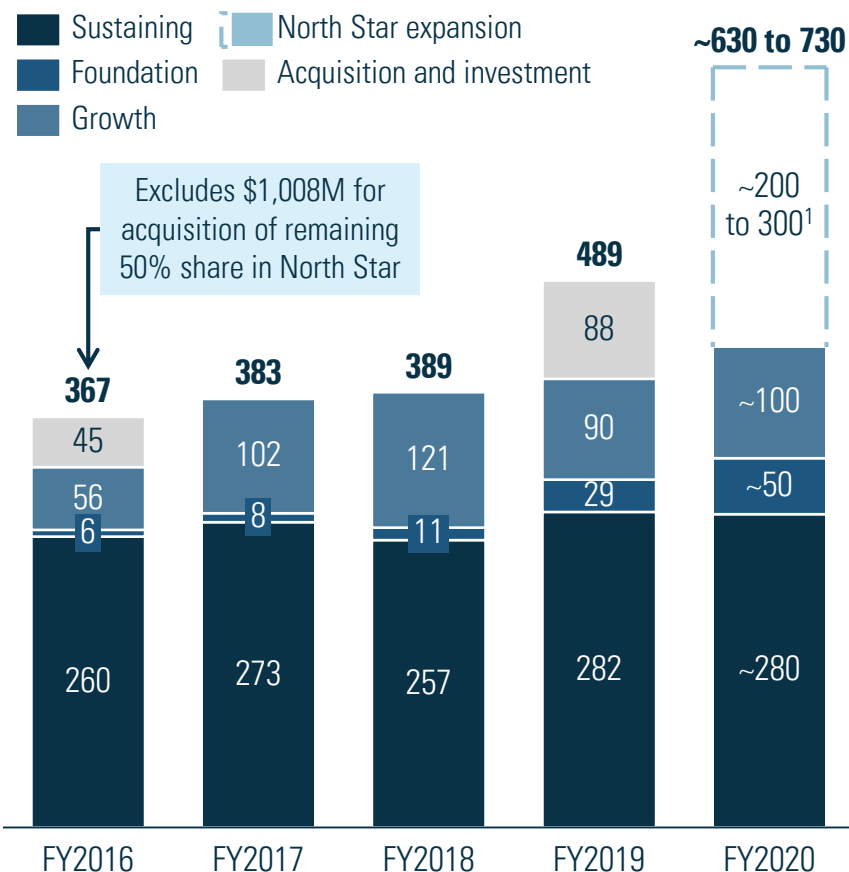
**MAINTAIN SAFE AND RELIABLE OPERATIONS**

**INVEST IN FOUNDATION AND NEW TECHNOLOGIES**

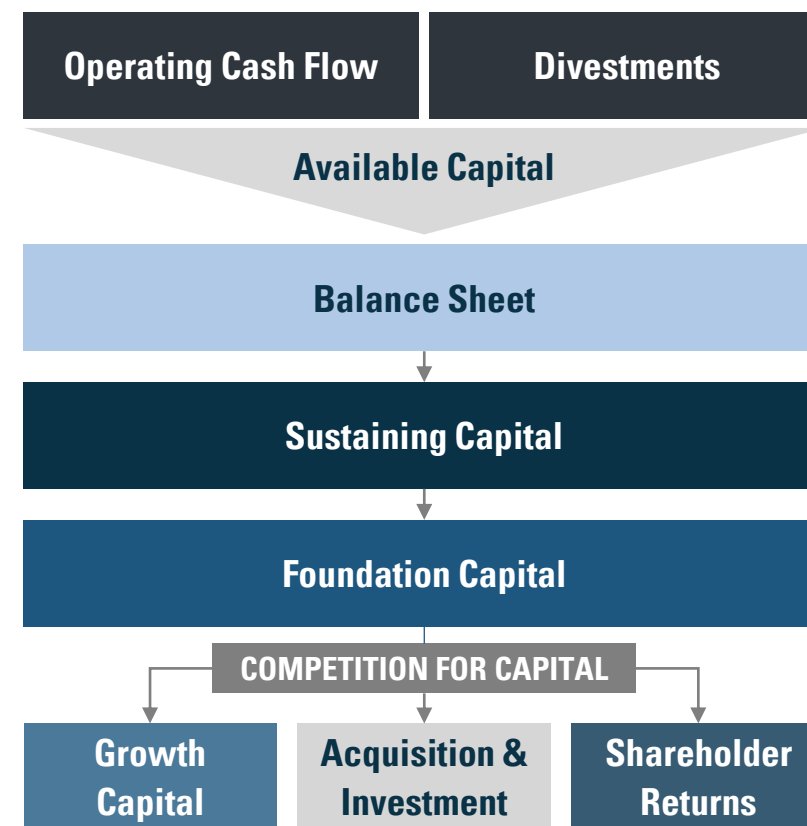
**INVEST FOR GROWTH IN PREMIUM BRANDED PRODUCTS**

**INVEST TO MAXIMISE VALUE FROM 'BEST-IN-CLASS' ASSETS**

## Capital and acquisition expenditure (\$M)



## Capital management framework



Disciplined and advantaged steel building products company focussed on growing long term shareholder value

## ASSETS & CAPABILITY



- Integrated and resilient Australian business delivering returns across the cycle
- Iconic industrial brand position of COLORBOND® steel
- Global leader in coating and painting for Building and Construction Markets
- Operate in the world's two largest construction markets of China and US, and high growth markets in ASEAN and India
- Lowest cost brownfield expansion – North Star is one of the most profitable mini-mills in the US

## CAPITAL DISCIPLINE



- Strong balance sheet with target of around zero net debt
- Returns-focussed process with disciplined competition for capital between investment for long-term growth and returns to shareholders

## RETURNS FOCUS



- Target ROIC > WACC through the cycle
- Target at least 50% of free cash flow to shareholders
- Target EPS growth through the cycle



**QUESTIONS?**





# BLUESCOPE INVESTOR DAY

Mark Vassella

Managing Director & Chief Executive Officer

Tania Archibald

Chief Financial Officer

27 November 2019

BlueScope Steel Limited. ASX Code: BSL

ABN: 16 000 011 058