

Date: 16 August 2021

## BlueScope confirms record underlying EBIT of \$1.72Bn; announces net zero climate change goal and 1H FY2022 underlying EBIT outlook of \$1.8-2.0Bn

BlueScope today reported FY2021 net profit after tax (NPAT) of \$1.19 billion, a \$1.10 billion increase over FY2020.

Confirming a record performance, Managing Director and CEO, Mark Vassella said, “Underlying EBIT for the year was \$1.72 billion<sup>1</sup>, tripling that of FY2020. This is an impressive result. All operating segments performed exceptionally well – driven by strong demand and steel spreads. Earnings momentum built throughout the year, with the Company delivering \$1.19 billion in underlying EBIT in the second half.

“Operating cash flow for the year, after capital expenditure, was \$898 million<sup>2</sup> including investment expenditure on the North Star expansion. The balance sheet finished the half in a strong position with \$798 million net cash,” Mr Vassella said.

The results mean BlueScope will now accelerate its strategic growth plans. “Our balance sheet strength and cash flows give us confidence to implement a strategy that will see BlueScope:

- invest for the long-term growth and resilience of the Group
- position the business for a low carbon future, with our near-term action underpinned by a five-year climate investment program of up to \$150 million
- continue to deliver stronger returns to shareholders.

“For shareholders, today we are announcing a final unfranked dividend of 25 cents per share, up from 8 cents in the corresponding period last year, a special unfranked dividend of 19 cents per share and an on-market buy-back of up to \$500 million.

“Today’s outstanding results are the product of our clear strategy and disciplined financial framework, and the operating leverage of our diverse portfolio. Most importantly, the performance is a tribute to the efforts of our 14,000 people across all 18 countries who have served customers and communities throughout the most difficult pandemic circumstances,” he said.

### FY2021 Financial Headlines

Reported NPAT:	<b>\$1,193.3M</b>
Underlying NPAT:	<b>\$1,166.3M</b>
Underlying EBIT:	<b>\$1,723.8M</b>
Underlying pre-tax ROIC:	<b>24.8%</b>

### Capital Management

Final dividend (unfranked):	<b>25 cps</b>
Special dividend (unfranked):	<b>19 cps</b>
On market buy-back:	<b>up to \$500M</b>

<sup>1</sup> Underlying financial results for FY2021 reflect the Company’s assessment of financial performance after excluding (pre-tax): gain relating to the termination of the Buildings North America defined benefit pension fund (\$26.4M), restructuring and business development costs (\$14.1M), gain on asset sales (\$12.8M) and gains from discontinued operations (\$9.6M). A full reconciliation of underlying adjustments, including FY2020, is available in the FY2021 Earnings Report on BlueScope’s website.

<sup>2</sup> Cash flow before investment expenditure and financing.

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## A wealth of Growth Opportunities

Mr Vassella said BlueScope would actively use the strength of its balance sheet and cash flow to build a growth pipeline, leveraging trends like growth in detached residential construction, e-commerce and logistics, and national infrastructure programs.

Specific growth opportunities include:

1. US steel industry consolidation and rationalisation, government infrastructure investment and robust end-use demand have led to very strong Midwest hot rolled coil (HRC) demand. The cornerstone project to expand the North Star mini-mill in Delta, Ohio, by around 850,000 tonnes per annum is well progressed with the first coil expected early in 2H FY2022, and commissioning to full capacity over the subsequent 18 months. The success of the project means BlueScope will begin to assess the debottlenecking project to potentially lift hot strip mill capacity by another 500,000 tonnes per annum as we progress through the ramp up period of the current expansion project.
2. Also in the US, growth in steel intensive infrastructure for e-commerce, including warehousing and data centres, is boosting demand for BlueScope Properties Group's (BPG) industrial development solutions. BPG has profitably completed 10 projects over the past five years; BlueScope is now increasing the capital allocated to BPG by up to US\$200M to accelerate its growth and to deliver a more regular earnings contribution.
3. In Australia, residential construction growth, especially in lower density and regional housing, has seen demand for BlueScope's TRUECORE® and COLORBOND® steel products rise rapidly. Accordingly, the Company is evaluating further coating capacity to support this demand, including for our fast growing TRUECORE® steel metal housing frame solution.

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## Rewarding Shareholders

A core part of BlueScope's Financial Framework is balancing the competition between capital growth initiatives and returns to shareholders with the objective of distributing at least 50 per cent of free cash flow in the form of consistent dividends and on-market buy-backs.

The Board's intention is to increase annual ordinary dividends and will now target 50 cents per share per annum<sup>1</sup> (i.e. 25 cents per share per half). For FY2021, the dividend will be comprised of the 25 cents per share final ordinary dividend and 19 cents per share special dividend announced today, complementing the 6 cents per share interim ordinary dividend paid in March 2021.

A share buy-back of up to \$500M has been approved to be conducted over the next twelve months. The timing and value of shares purchased will be dependent on prevailing market conditions, share price and other factors.

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## BlueScope to Pursue Net Zero by 2050

BlueScope made a further significant strategic announcement today, stating its goal of net zero greenhouse gas emissions by 2050 covering operational scope 1 and 2 GHG emissions across its global operations. Achieving the 2050 net zero goal is highly dependent on several enablers, including the commerciality of emerging and breakthrough technologies, the availability of affordable and reliable renewable energy and hydrogen, the availability of quality raw materials and appropriate public policy settings.

Mr Vassella said the Company would allocate up to \$150 million over the next five years on near-term action on climate change. "This immediate capital allocation will fund our technology plan that seeks to optimise current

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<sup>1</sup> This will be subject to the Company's financial performance, business conditions, growth opportunities, capex and working capital requirements and the Board's determination at the relevant time.

operating assets and prepare for emerging and breakthrough technologies. Immediately, we'll focus on production efficiencies such as increased usage of scrap, indigenous gases and renewable energy. We are actively investigating the use of biochar as a replacement for a proportion of pulverised coal injection into the blast furnace, and are seeking government co-funding for this and other pilot projects, including a hydrogen electrolyser to trial hydrogen injection in the blast furnace. And we will be developing government and industry partnerships, collaborative opportunities with suppliers, and breakthrough R&D projects.

"We are serious about playing our role in meeting the decarbonisation challenge. Our recent appointment of a Chief Executive Climate Change was a significant step forward; this capital allocation is the second step and there is more to come," Mr Vassella said.

He said the Company would reveal details of its climate action plan including a decarbonisation pathway and a capital planning process to underpin that, when it releases its Climate Action Report in early September<sup>1</sup>.

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## Port Kembla Steelworks Blast Furnace Reline Update

As announced in February, BlueScope is exploring options for the future configuration of the Port Kembla Steelworks, once Blast Furnace No.5 comes to the end of its current operating campaign, which is expected to occur sometime between 2026 and 2030.

The initial focus is on the option to reline the currently mothballed No.6 Blast Furnace. The pre-feasibility assessment is well progressed as part of a rigorous multi-stage capital investment evaluation process, with further updates to be provided during 1H FY2022. The highly indicative capital cost is around \$700-\$800M, likely to be spent over FY2023 to FY2025.

This pre-feasibility work aligns with BlueScope's climate strategy and technology pathway. As part of the reline assessment, latest technologies available to reduce GHG emissions intensity will be evaluated as an integral part of the project. The strong earnings and cash flow capability of our Australian Steel Products business provides significant flexibility and optionality to adopt new technologies and iron making configurations as and when they are technically and commercially viable.

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## Segment Results

### Australian Steel Products:

- Delivered underlying EBIT of \$674.3 million, up 121 per cent on FY2020.
- The domestic construction, distribution and manufacturing segments' demand continued to strengthen, particularly for coated and painted products – leading to domestic mill sales volumes of 2.5 million tonnes, the highest since FY2008.
- Realised steel spreads were considerably stronger than FY2020.
- The contribution from export coke continued strongly, exceeding FY2020.

### North Star:

- Delivered underlying EBIT of \$677.2 million, up 257 per cent on FY2020.
- Realised steel spreads were significantly stronger and mill operation remained at 100 per cent of available capacity.

### Building Products Asia and North America:

- Delivered underlying EBIT of \$333.5 million, up 115 per cent on FY2020.

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<sup>1</sup> The Climate Action Report will contain further details on the scope and boundaries of our net zero goal.

- The North America business improved substantially, primarily due to cyclical margin expansion driven by relatively lower steel feed costs in a rising price environment.
- Performance in ASEAN also improved significantly on better volumes and cyclical margin expansion driven by relatively lower steel feed costs in a rising price environment. However, COVID-19 is continuing to impact some of our markets.
- China and India also both delivered stronger results.

#### **Buildings North America:**

- Delivered underlying EBIT of \$87.5 million, up 131 per cent on FY2020.
- The core engineered buildings business delivered a result that was slightly better than FY2020. Demand conditions remained robust; however, margins remain under pressure due to rapidly escalating steel input costs.
- BlueScope Properties Group's contribution was higher than FY2020 due to the realisation of significant projects in 1H FY2021.

#### **New Zealand & Pacific Islands:**

- Delivered underlying EBIT of \$130.1 million, compared to a \$5.8 million loss in FY2020.
- Performance improved substantially, primarily due to a return to normal operations post-COVID-19 government mandated closure during 2H FY2020, strong domestic demand particularly for coated and painted products and reduced depreciation charge following the asset write-down recognised at 30 June 2020.

#### **Corporate and Eliminations**

- Corporate costs and profit in stock eliminations of \$178.8M, 51 per cent unfavourable to FY2020.
- Intercompany profit in stock elimination was \$48 million higher in FY2021 due to higher margins and volumes, largely relating to intercompany sales to the North America coated business.

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## **Outlook for 1H FY2022**

At the beginning of 1H FY2022, order and despatch rates in key markets remain robust. Spot steel spreads in North America are materially higher than both 2H FY2021 and longer-term averages. In light of these unusually strong conditions, the Company expects underlying EBIT in 1H FY2022 to be in the range of \$1.8 billion to \$2.0 billion.

While in the medium term we see supportive industry and end use demand trends, it is uncertain how long the current robust conditions will be sustained.

Expectations are subject to spread, foreign exchange and market conditions<sup>1</sup>.

**Authorised for release by:** The Board of BlueScope Steel Limited

**For further information  
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<sup>1</sup> Refer to BlueScope's FY2021 Investor Presentation for 1H FY2022 outlook assumptions and sensitivities.