

# 1H FY2024 Financial Results Presentation

**Mark Vassella**

Managing Director and Chief Executive Officer

**David Fallu**

Chief Financial Officer

**19 February 2024**

BlueScope Steel Limited. ASX Code: BSL  
ABN: 16 000 011 058  
Level 24, 181 William Street, Melbourne, VIC, 3000

**Pictured:**

Polo House in Strath Creek, VIC featuring  
COLORBOND® steel in Shale Grey™



# IMPORTANT NOTICE

---

This presentation is not and does not form part of any offer, invitation or recommendation in respect of securities. Any decision to buy or sell BlueScope Steel Limited securities or other products should be made only after seeking appropriate financial advice. Reliance should not be placed on information or opinions contained in this presentation and, subject only to any legal obligation to do so, BlueScope does not accept any obligation to correct or update them. This presentation does not take into consideration the investment objectives, financial situation or particular needs of any particular investor.

This presentation contains certain forward-looking statements, which can be identified by the use of forward-looking terminology such as “may”, “will”, “should”, “expect”, “intend”, “anticipate”, “estimate”, “continue”, “assume” or “forecast” or the negative thereof or comparable terminology. These forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance and achievements, or industry results, to be materially different from any future results, performances or achievements, or industry results, expressed or implied by such forward-looking statements.

To the fullest extent permitted by law, BlueScope and its affiliates and their respective officers, directors, employees and agents, accept no responsibility for any information provided in this presentation, including any forward looking information, and disclaim any liability whatsoever (including for negligence) for any loss howsoever arising from any use of this presentation or reliance on anything contained in or omitted from it or otherwise arising in connection with this.

**Authorised for release by the Board of BlueScope Steel Limited**

**BlueScope Contact:**

Chris Gibbs, Head of Investor Relations

P +61 3 9666 4039

E [chris.gibbs@bluescope.com](mailto:chris.gibbs@bluescope.com)



# ACKNOWLEDGEMENT OF COUNTRY

**BlueScope acknowledges the Traditional Custodians of the land on which we work, live and operate.**

We recognise our First Nations Peoples who have inhabited Australia for millennia, their enduring connection to Country, sky, and waterways and their rich and vital cultures.

We acknowledge the many different Nations across this ancient continent; from rural and remote communities, to our cities and suburban streets.

We honour and pay respect to Ancestors, Elders, and their descendants as the Custodians of this Country. It is through the Ancestral knowledge and stories of local Peoples that we can more fully know and understand Country and the unique ways in which Country connects us all.



# A RESILIENT BUSINESS DELIVERING RETURNS THROUGH THE CYCLE

## **Diversified business delivering quality through-cycle earnings**

- Leading positions in Australia and NZ; best-in-class steelmaking in the US
- Suite of premium branded products and solutions that enhance margins

## **Performance underpinned by quality assets, robust balance sheet and disciplined approach to capital allocation**

## **Outstanding growth opportunities across core business**

- Continued product shift towards premium branded products in Australia / NZ
- Volume growth from investments in advantaged US steelmaking asset
- Growing coating and painting capability in the US

## **Securing long-term future through decarbonisation program and sustainability approach**



# 1H FY2024 HIGHLIGHTS

## Positioning for long term sustainable growth and returns

- Underlying EBIT of \$718M and a LTM ROIC of 13.4% in volatile economic and industry conditions
  - ~\$600M net cash balance sheet; ~\$300M in shareholder returns
  - Announced 25 cps dividend and increase to the buy-back
- Delivering on our strategy to ‘Transform, Grow and Deliver’:
  - Executing key projects for sustainable earnings and growth
  - Continuing product shift towards premium branded products
  - Examining opportunity to further integrate US value chain
  - Positioning substantial portfolio of land for strategic value
- Continuing our decarbonisation journey
  - Announced collaboration agreement with BHP and Rio Tinto
  - Commenced execution of the project to install an EAF at NZ Steel



# HEALTH, SAFETY & ENVIRONMENT STARTS WITH ALL OF US

Key developments in our integrated, people-centred HSE strategy in 1H FY2024:

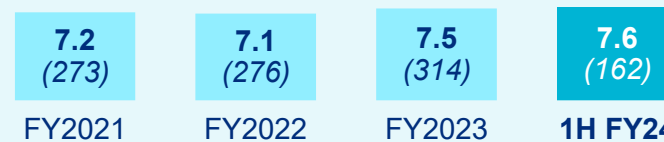
- Progressed the roll out of BlueScope’s HSE culture, systems and reporting to recently acquired businesses – now reported in lag indicators
- Recognised by worldsteel for safety culture and leadership in the 2023 Safety and Health Excellence Recognition program
- Founding sponsor and key contributor to the Global Safety Innovation Summit in Wollongong, NSW in Feb-24, bringing leading companies and experts together to explore and share ways of improving the delivery of safe work
- Continued focus on balanced indicators to build capability and drive focus on controlling critical risk / life changing events

## Lead Indicators

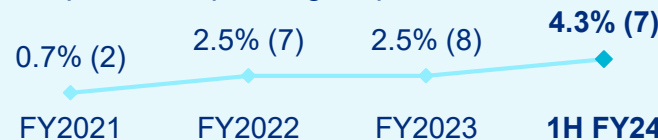


## Lag Indicators

TRIFR<sup>1</sup>: remains above long term range of 5-7



Potential severity<sup>2</sup>: up on FY2023, with inclusion of scrap and coil painting acquisitions



1. Total recordable injury frequency rate per million hours (number of injuries).  
2. Percentage (number) of total recordable injuries with potential to be a fatal incident.



# 1H FY2024 FINANCIAL HIGHLIGHTS

A robust performance against a backdrop of volatile economic and industry conditions

## Underlying EBIT<sup>1</sup>

**\$718M**

↘ Down \$133M on 1H FY2023

## Underlying EBIT Return On Invested Capital<sup>2</sup>

**13.4%**

↘ Down from 23.4% in 1H FY2023

## Reported NPAT

**\$439M**

↘ Down \$160M on 1H FY2023

## Free Cash Flow

(Operating cash flow less capex)

**\$255M**

↘ Down \$496M on 1H FY2023

## Net Cash

**\$614M**

↘ Down from \$703M at 30 June 2023

## Capital Management

**25 cps**

Fully franked interim dividend

**\$400M**

Buy-back<sup>3</sup> (over next 12 months)

1. Underlying financial results for 1H FY2024 reflect the Company's assessment of financial performance after excluding (pre-tax): legal provisions (\$22.M), business development costs (\$15.M) and a gain on discontinued operations (\$1.5M). Refer to page 5 of the 1H FY2024 Analyst Support Materials pack (available at [bluescope.com/investors](https://bluescope.com/investors) and on the ASX platform) for a full reconciliation of these underlying adjustments.

2. Return on Invested Capital – calculated as last 12 months' underlying EBIT over trailing 13 month average capital employed.


3. The Board has approved an increase in the scale and tenor of the buy-back program to allow up to \$400M to be bought over the next 12 months. The timing and value of stock purchased will be dependent on the prevailing market conditions, share price and other factors.

# 1H FY2024 FINANCIAL HIGHLIGHTS

A robust performance against a backdrop of volatile economic and industry conditions


## Australia

**\$258M**

 Down 6% on 1H FY2023


## North America<sup>1</sup>

**\$417M**

 Down 14% on 1H FY2023


## Asia

**\$96M**

 Up 54% on 1H FY2023

## New Zealand and Pacific Islands

**\$26M**

 Down 70% on 1H FY2023

## Corporate, Group and Profit in Stock Eliminations

**\$(77)M**

 43% unfavourable to 1H FY2023

1. North Star and Buildings and Coated Products North America reporting segments; includes intersegment eliminations (\$5M in 1H FY2024 and \$5M in 1H FY2023).



# 1H FY2024 SUSTAINABILITY UPDATE

## Embedding sustainability in all that we do

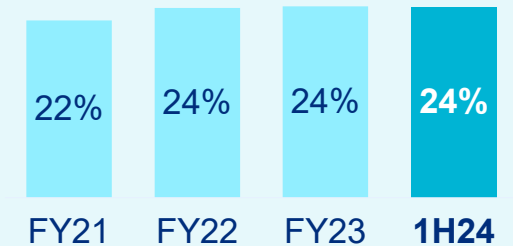
### Climate Change

- Continuing progress on Australian DRI Options study
- Deepening collaboration with steelmaking technology partners (thyssenKrupp, Tata Steel & POSCO)
- Initiatives underway in pursuit of our medium-term steelmaking and non-steelmaking targets

### Inclusion & Diversity

- Continuing our work to reflect the communities in which we operate
- Initiatives to grow female representation underway

% of females in BSL workforce



### Sustainable Supply Chain

- We foster responsible business practices and uphold human rights through engagement, risk assessment and improvement activities

**458** Suppliers engaged and assessed since late FY2019

**145** Assessments completed in 1H FY2024

### Regulatory Proceedings

- On 29 August 2023, the Federal Court awarded a penalty against BlueScope, in relation to the civil proceeding brought by the ACCC
- This penalty has been paid, and BlueScope has since appealed the findings

# PARTNERING WITH RIO TINTO AND BHP

## Working together to unlock ironmaking decarbonisation using Pilbara ores

- Focus on developing Electric Smelter Furnace (ESF) technology
  - Has the potential to unlock emissions intensity reduction of >80% through Hydrogen DRI-ESF process (compared to Blast Furnace process)
- Collaboration provides a platform to develop and potentially invest in a pilot facility
  - Leverages BlueScope's unique operating experience in ESF technology and Rio Tinto's and BHP's deep knowledge of Pilbara iron ores



RioTinto

BHP



# NEW ZEALAND STEEL ELECTRIC ARC FURNACE

**BlueScope and NZ Government agreed to co-fund NZ\$300M in decarbonisation of NZ Steel**

- Reduces NZ Steel's Scope 1 and 2 greenhouse gas emissions by more than 45%
- Project on schedule
  - Initial construction and equipment supply contracts commenced
  - Domestic scrap supply contract in place
- Expect commissioning during FY2026
  - Total capital cost estimate remains at NZ\$300M
  - NZ\$140M co-funded by the New Zealand Government



# OUR PURPOSE AND STRATEGY

**In place since late 2019, Our Strategy sets out how we will deliver on Our Purpose and drive transformation and growth, while continuing to deliver on core expectations for our stakeholders**

## OUR PURPOSE

**We create and inspire smart solutions in steel, to strengthen our communities for the future**

## OUR STRATEGY



### TRANSFORM

DELIVER A STEP CHANGE IN CUSTOMER EXPERIENCE AND BUSINESS PERFORMANCE

**Digital technology:** Deliver the next wave of customer and productivity improvements through digital technologies

**Climate Change and Sustainability:** Actively lowering emissions intensity and producing highly recyclable products



### GROW

GROW OUR PORTFOLIO OF SUSTAINABLE STEELMAKING AND WORLD LEADING COATING, PAINTING AND STEEL PRODUCTS BUSINESSES

Grow our US business including expansion of North Star, one of the US's leading mini mills

Drive growth in the fast growing Asian region, from an outstanding suite of assets

Pursue incremental opportunities in Australia



### DELIVER

DELIVER A SAFE WORKPLACE, AN ADAPTABLE ORGANISATION AND STRONG RETURNS

Deliver safe and sustainable operations and an inclusive and diverse workplace

Maintain an integrated and resilient Australian business

Secure the future of steelmaking in NZ

Deliver returns greater than the cost of capital through the cycle

Maintain a strong and robust balance sheet

Deliver strong returns to shareholders



# PROJECT UPDATES

## NORTH AMERICA

### North Star Debottlenecking

- Ramp-up of initial expansion progressing well
  - 320kt produced from expansion in 1H FY2024
- Debottlenecking program under assessment
  - Targeting an additional >500ktpa; concept cost estimate of ~\$150M
  - Projects include cooling and downcoiler upgrades, slab temperature upgrades and ladle isle flow upgrades

### BlueScope Recycling

- Integration program complete
  - Processed 30% of North Star's 1H FY2024 scrap requirement
- North Star sustainability and earnings enhanced by:
  - Value-in-use assessments
  - Tailoring supply to order book
  - Improved supply visibility
- Progressing initiatives to achieve ~40% scrap self sufficiency
  - Installing pre-shredders and leveraging AI and robotics for enhanced nonferrous recovery

### BlueScope Coated Products

- Acquired 7 under-utilised paint lines for below replacement cost
  - Accelerated our positioning for US painted strategy and expanded execution options
- Work is underway to address near-term under-utilisation and progressing single-bill offering and COLORBOND® trials
- Medium- to longer-term US coated and painted opportunity remains attractive

# ADVANCING OUR US VALUE CHAIN INTEGRATION

## Commencing feasibility study to further integrate US value chain through addition of cold rolling and metal coating capacity

- Existing upstream footprint and acquisition of seven paint lines provides opportunity to integrate components of BlueScope’s US value chain
  - Commenced feasibility study with a focus on a potential new midstream facility, along with seeding and acquisition options
  - Supports US growth strategy through supply of high quality feed to underpin painted growth (including roll out of COLORBOND® steel)
- Initially considering the addition of a total 550kt of cold rolling and metal coating capacity
  - To be delivered in a phased approach to 2030, to grow capacity modular steps aligned with execution of broader painted growth opportunity
  - Preliminary total capital estimate of up to ~US\$1.2Bn across next seven years (if fully executed)
- Update to be provided during 2H CY2024

Location	Site	Product	Capacity (per annum)
Delta, OH	North Star	Hot Rolled Coil	3.5mt <i>(post expansion)</i>
Midwest locations logical for supply chain <i>incl. Ohio, Indiana, Michigan and Tennessee</i>	New Midstream Facility	Pickle Line	Pickled Hot Rolled Coil 550kt
		Cold Rolling Mill	Cold Rolled Coil 550kt
		Metal Coating Lines (x2)	Metallic Coated Coil (Galvanised / Galvalume) 550kt
Middletown, OH, Marietta, GA & Jackson, MI	BlueScope Coated Products	Painted Coil <i>(incl COLORBOND® steel)</i>	~450kt



# PROJECT UPDATES AUSTRALIA

## 6BF Reline & Upgrade

- Project to secure future of ironmaking at PKSW underway
  - Commenced early works, incl. mobilising contractors and installation of key equipment
  - Long lead-time items advanced
- Transition from existing 5BF to relined 6BF expected in the second half of CY2026
  - Continue to expect a total capital cost of ~\$1.15Bn
  - ~\$140M grant from Australian Government to partly offset capital costs over next 3 years

## MCL7 in Western Sydney

- Additional metal coating capacity to support continued shift towards premium branded products
- Project progressing to plan
  - Civil work nearing completion
  - Equipment supply on track
- Expect commissioning by the end of CY2025
  - Total capacity of 240ktpa, located adjacent to Western Sydney paint line
  - Total capital cost expectation remains at ~\$415M



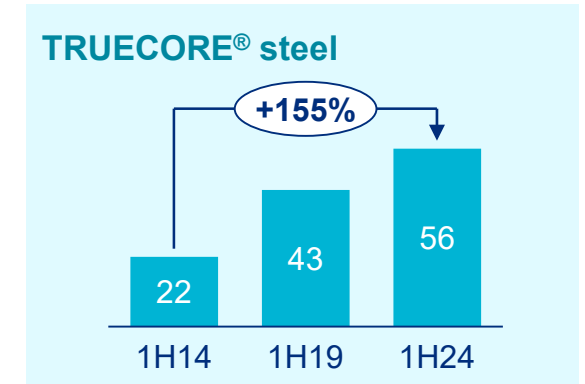
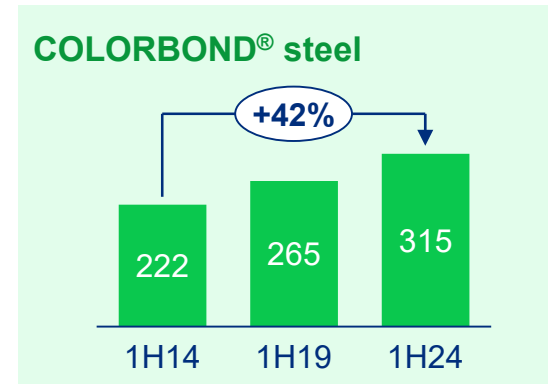
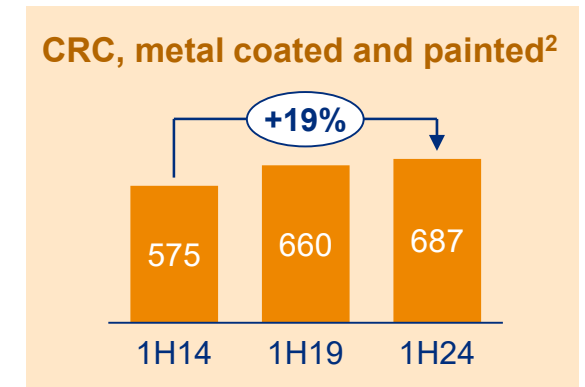
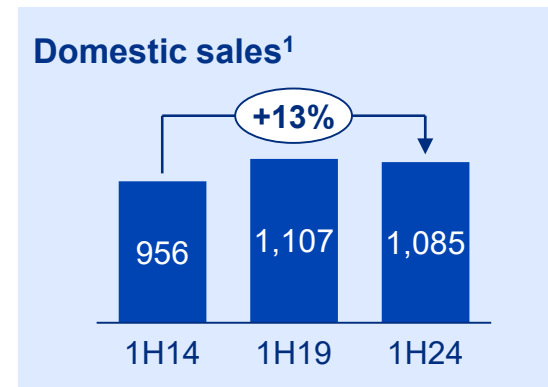
No.6 Blast Furnace Reline & Upgrade Project

# PREMIUM BRANDED PRODUCTS AND VALUE-ADDING SOLUTIONS

Shifting increasing proportions of ASP's steel production into premium branded products and value-adding solutions – a through-cycle growth opportunity

- Greater than system volume growth in premium branded products and value-adding solutions driven by:
  - Alignment of product offerings to create favourable customer demand preferences leveraging design, durability, utility and efficiency
  - Ongoing innovation and extension of product applications, which have opened new avenues for growth (e.g. cladding, facades, light gauge framing)
  - Continued investment in customer-centric initiatives, to bolster through-channel demand
- Growth to continue, particularly in premium branded products, on continued innovation and investment

## Despatch volumes by category / product (kt)



1. Domestic sales reflect ex-mill volumes.  
2. Includes cold rolled, metal coated, painted and other.

# SUBSTANTIAL PORTFOLIO OF LAND

Includes ~1,200-hectares of adjacent landholdings to be positioned for strategic value

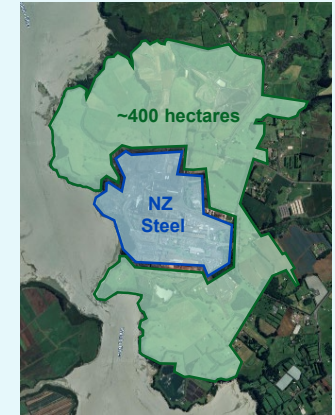
## Port Kembla, NSW

- ~200ha, 80km from Sydney on a deep-water port
- Completed Master Plan considers mixed commercial use; signed MoU with NSW Gov't for Super TAFE



## Glenbrook, NZ

- ~400ha, 40km from Auckland
- Master Planning process underway
- Determining potential industrial uses that complement operations



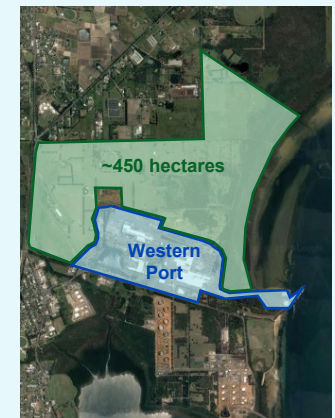
## West Dapto, NSW

- ~200ha, 80km from Sydney near a major residential development area
- Potential future uses include residential and mixed commercial use depending on approvals



## Western Port, VIC

- ~450ha, 60km from Melbourne, on a deep-water port
- Master Planning process to be commenced; wide spectrum of potential uses to be considered





# SUBSTANTIAL PORTFOLIO OF LAND

## Positioning for strategic value

- Reviewing potential use for land through Master Planning processes
  - Considering interaction with existing operations and implications for potential use
  - Potential uses to be reviewed in concert with associated long-term planning requirements
  - Opportunities may range from long-term leasing through to sale
- Execution model under development
  - Program to be led by corporate function
  - Initial focus on determining potential use opportunity for each site





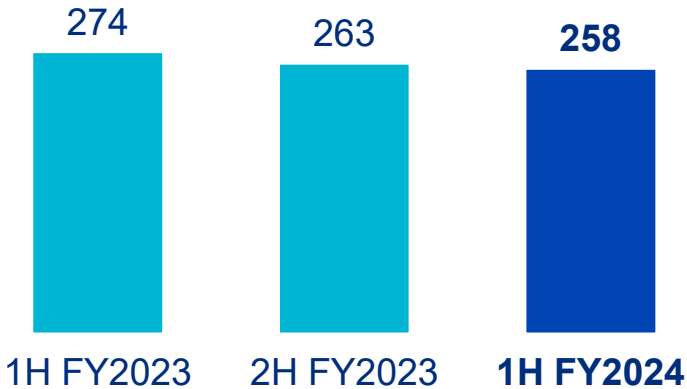
# Business performance



# AUSTRALIA

## Similar performance with higher costs offset by higher spreads

### Underlying EBIT (\$M)



### Domestic despatches ex-mill (kt)



- Underlying domestic demand remained solid, though despatches saw some softening in the final months of the half
  - Continued strong performance in painted products, with sales of COLORBOND® steel remaining at historically robust levels
- Higher realised spreads on lower raw material costs, combined with ongoing strength in realised prices
- Increased conversion costs on timing of spend, particularly maintenance, as well as escalation pressures
- Contribution from export coke was similar to 2H FY2023



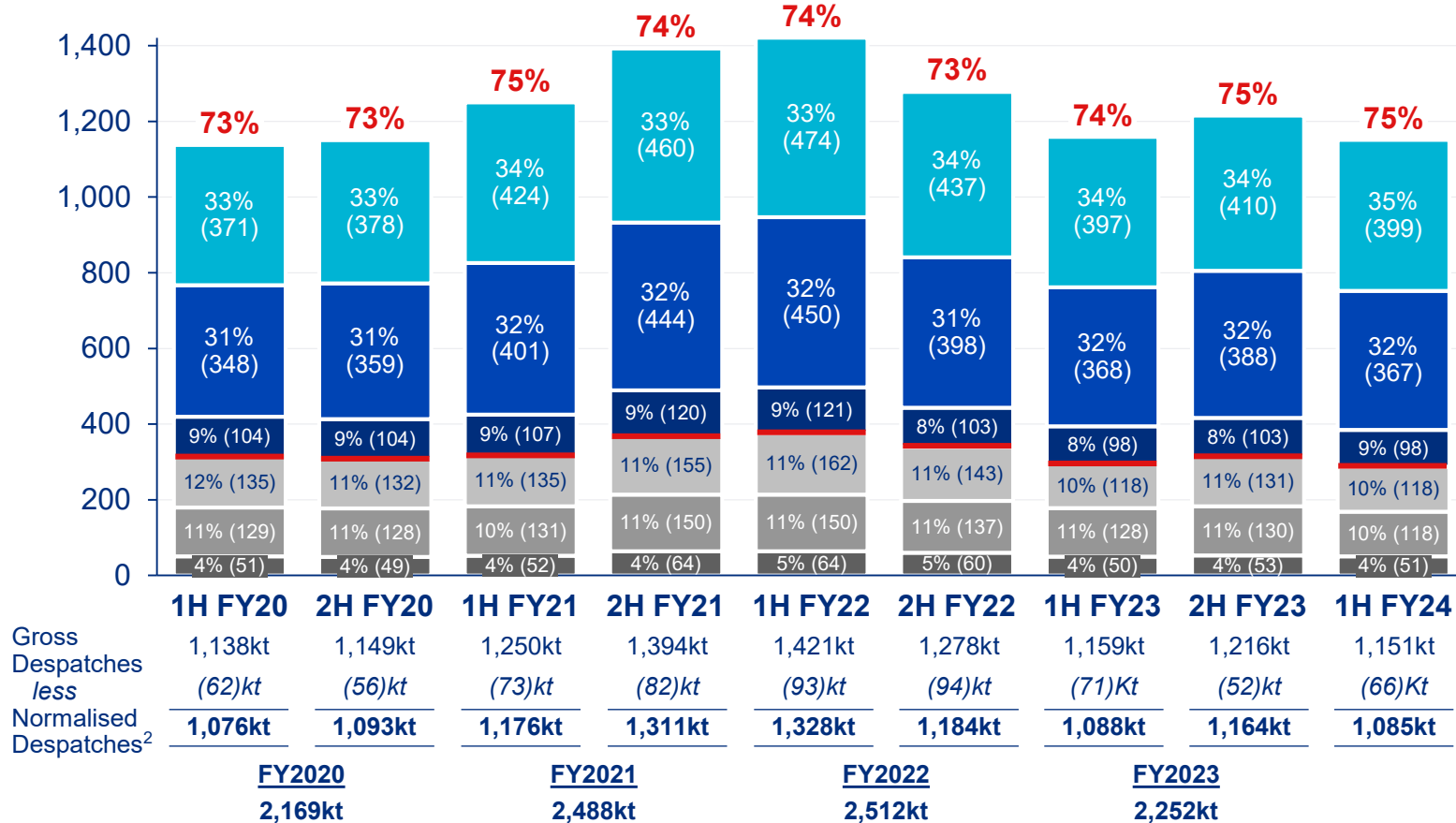


# AUSTRALIA

## Slight contraction in demand in 1H FY2024 across all segments, particularly at the end of the half

### Total Australian domestic despatch volumes (kt)

Total construction % shown in dark red



#### Dwelling

- Approximately half of product goes to Alterations & Additions (A&A) sub-segment
- Demand remained relatively robust on solid pipeline from prior period approvals, softened slightly towards the end of the half year
- Sales of COLORBOND® steel remained robust, at historically robust levels

#### Non-dwelling

- Consumes around a third of our COLORBOND® steel
- Underlying demand remains robust on a strong approvals pipeline supported by Commercial and Industrial as well as Social and Institutional activity
- The Social & Institutional sub sector continued to be supported by strong public investment in health, education and defence projects

#### Engineering¹

- National infrastructure investment in road and rail projects continued to support demand

#### Manufacturing

- Benefitted from similar factors seen across the building and construction sectors, predominantly residential

#### Agriculture & Mining

- Agricultural demand at normalised levels
- Mining activity also stable following post-pandemic strength

#### Transport

- Truck bodies, trains, ships, trailers etc
- Demand remained stable on robust logistics activity

1. Engineering includes infrastructure such as roads, power, rail, water, pipes and some mining-linked use.

2. Normalised despatches exclude third party sourced products, in particular, long products.

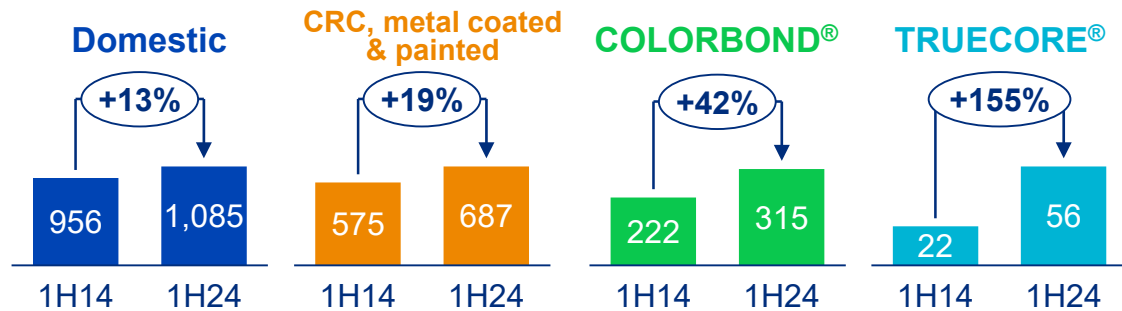
# AUSTRALIA

**Through-cycle margins supported through focus on shift towards premium branded products combined with a strong cost focus in steelmaking**

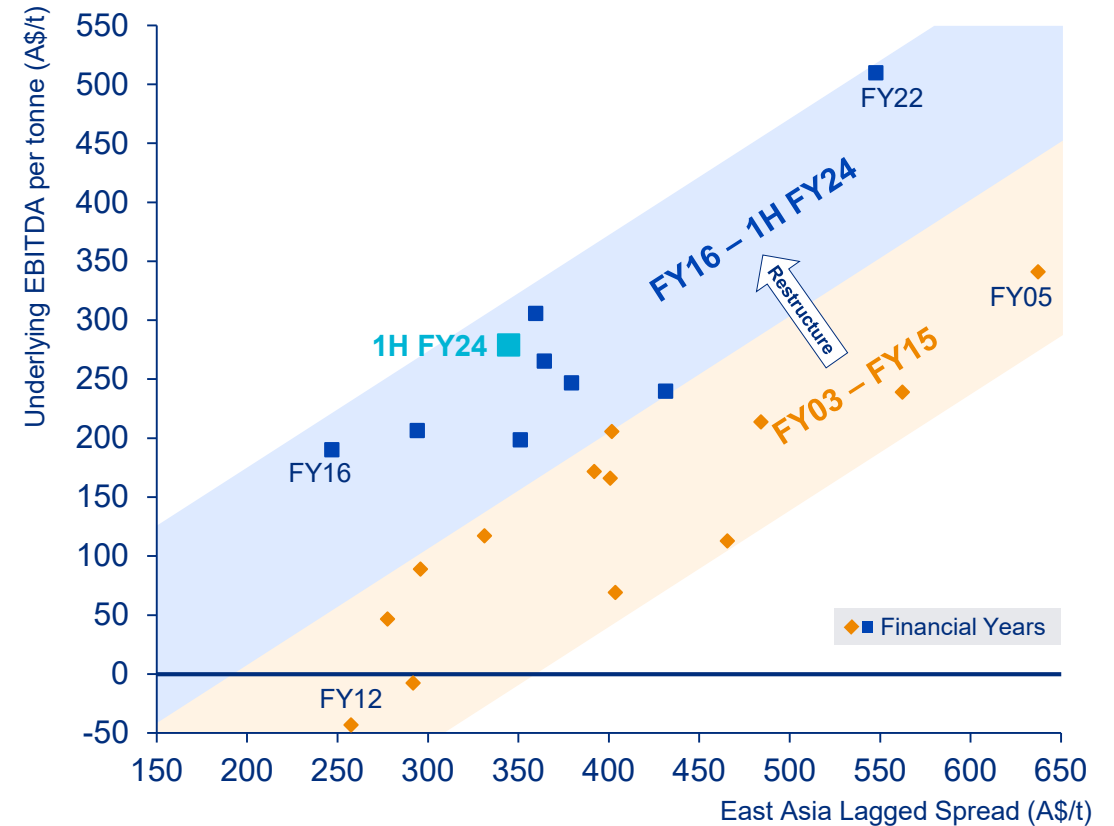
**Asian steel spread<sup>1</sup> & indicative steelmaking cash breakeven<sup>2</sup> (US\$/t)**



**Despatch volumes by category / product (kt)**



**Asian steel spread<sup>1</sup> & ASP EBITDA per tonne (\$A/t)**



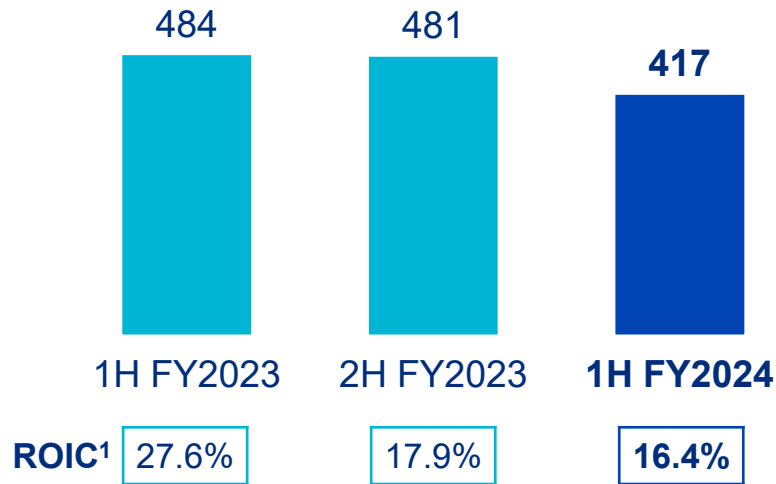
1. 'Indicative steelmaker HRC spread' representation based on simple input blend of 1.5t iron ore fines and 0.71t hard coking coal per output tonne of steel. Chart is not a specific representation of BSL realised HRC spread (eg does not account for iron ore blends, realised steel prices etc), but rather is shown to primarily demonstrate movements from period to period. SBB East Asia HRC price lagged by three months up to Dec 2017, four months thereafter –broad indicator for Australian domestic lag, but can vary. Indicative iron ore pricing: 62% Fe iron ore fines price assumed. Industry annual benchmark prices up to March 2010. Quarterly index average prices lagged by one quarter from April 2010 to March 2011; 50/50 monthly/quarterly index average from April 2011 to December 2012. Monthly thereafter. FOB Port Hedland estimate deducts Baltic cape index freight cost from CFR China price. Lagged by three months. Indicative hard coking coal pricing: low-vol, FOB Australia. Industry annual benchmark prices up to March 2010; quarterly prices from April 2010 to March 2011; 50/50 monthly/quarterly pricing from April 2011 to Dec 2017; monthly thereafter. Lagged by two months up to Dec 2017; three months thereafter.

2. EBITDA less stay-in-business capital expenditure; updated range following detailed review

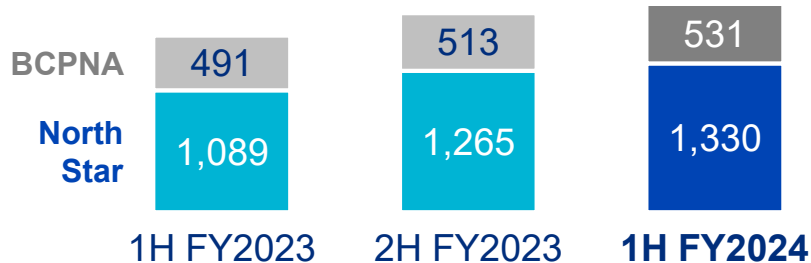
# NORTH AMERICA

## Slightly weaker spreads at North Star driven by the UAW strike; strong performance from engineered buildings and ASC Profiles continues on robust margins

### Underlying EBIT (\$M)



### Total despatches<sup>2</sup> (kt)



### North Star

#### EBIT \$201M in 1H FY2024; \$242M in 2H FY2023

- Slightly weaker spreads in 1H FY2024 driven by the United Auto Workers strike, noting specific sales mix relative to benchmark<sup>3</sup>
- Operated at full capacity, with higher volume on stable end-use demand and ongoing expansion ramp up
- Ramp up progressing well; continue to expect full run rate in 1H FY2025

### Buildings & Coated Products North America (BCPNA)

#### EBIT \$211M in 1H FY2024; \$250M in 2H FY2023

- Strong performance from engineered buildings and ASC Profiles continues on robust margins, though these are moderating
- BlueScope Coated Products impacted by production and quality challenges as the acquisition integration process continues. This was compounded by foundation customer performance, leading to lower volumes
- Negligible BlueScope Properties Group contribution with the previously flagged project sale deferral

1. Aggregate North America underlying EBIT includes intersegment eliminations (\$5M in 1H FY2024 and \$5M in 1H FY2023).

2. Excludes intercompany eliminations of 18kt in 1H23, 44kt in 2H23 and 37kt in 1H24.

3. Benchmark prices are illustrative only, and may not be representative of realised mill prices due to a range of factors. Movements in prices across the majority of sales correlate with Midwest regional benchmark pricing, on a short lag; a minority of sales are priced on a longer term basis. Accordingly the degree of correlation between realised and benchmark prices can vary in a given half but is more fully reflected over the medium term.

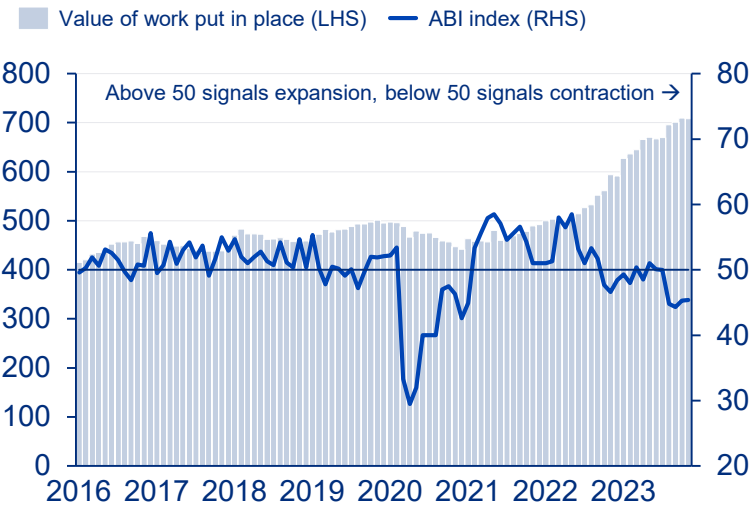


# NORTH AMERICA

**Economy has proved more resilient than expected, reflected in stable auto sales and rebound in manufacturing activity. 1H FY2024 non-residential strength reflects public investment plans underway**

## Non-residential construction<sup>1</sup>

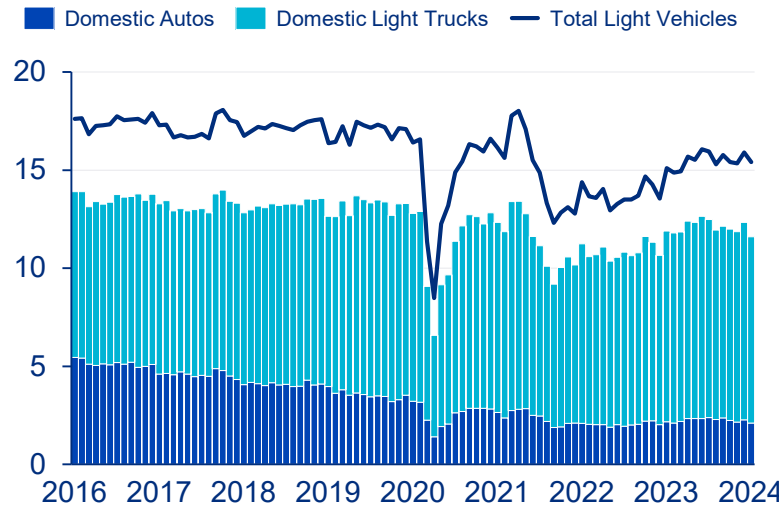
(Value of work put in place, US\$Bn; ABI)



- Non-residential sector leveraging from the Investment and Jobs Act
- ABI leading indicator lower with softer demand for new projects
- Medium term demand to be supported by gov't stimulus, reshoring, e-commerce, etc

## Automotive<sup>2</sup>

(Light vehicle sales, annualised million units)



- Solid pandemic-related sales backlog have supported sales
- Higher interest rates haven't dampened real demand as much as expected
- Inventory levels now returning to normal levels so sales plateauing

## Manufacturing<sup>3</sup>

(ISM purchasing managers' index)



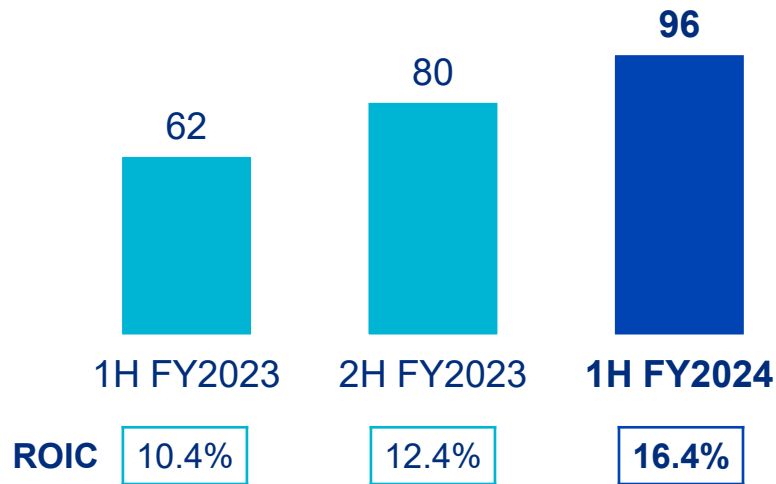
- A resilient economy has supported a rebound in manufacturing activity
- New orders have shown greatest rebound as general recession fears fade
- Labour market resilience also partially reflected in headline result

Sources: 1. US Census Bureau, Value of Construction Put in Place Survey; current \$; data to Dec-23; ABI - Architectural Billings Index, American Institute of Architects, data to Dec-23. 2. CEIC, seasonally adjusted, data to Jan-24. 3. ISM – Institute for Supply Management, Purchasing Managers Index, data to Jan-24.

# ASIA

## Strong performance on improved margins in both Southeast Asia and China

### Underlying EBIT (\$M)



### Total despatches (kt)



### Southeast Asia<sup>1</sup>

EBIT \$53M in 1H FY2024; \$57M in 2H FY2023

- Solid result with slightly weaker despatches offset by stronger margins on lower raw material costs
- Continued strong performance in Thailand, in line with the record result achieved in 2H FY2023

### China

EBIT \$40M in 1H FY2024; \$17M in 2H FY2023

- Stronger result on typical seasonality and improved margins, despite softer despatch volumes

### India

EBIT (50% basis) \$3M in 1H FY2024; \$9M in 2H FY2023

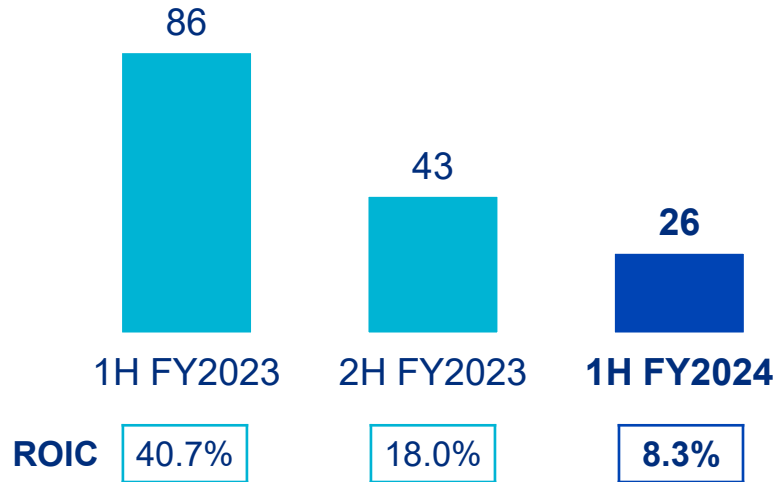
- Delivered a softer result, as the business continues to integrate coated and painted product sourced under a new supply agreement from Tata Steel's plants in Angul and Khopoli

1. Regional earnings breakdown excludes intra-segment eliminations and head office costs (\$0.2M in 1H FY2024, \$3.5M in 1H FY2023).

# NEW ZEALAND AND PACIFIC ISLANDS

Softer result on elevated costs in the half and weaker pricing

## Underlying EBIT (\$M)



## Domestic despatches (kt)



- Elevated conversion costs in the half, driven by higher energy costs and planned and unplanned maintenance shuts
- Weaker net vanadium contribution on softer vanadium prices
- Marginally weaker benchmark and realised prices
- Slightly softer domestic despatches, particularly across the final months of the half

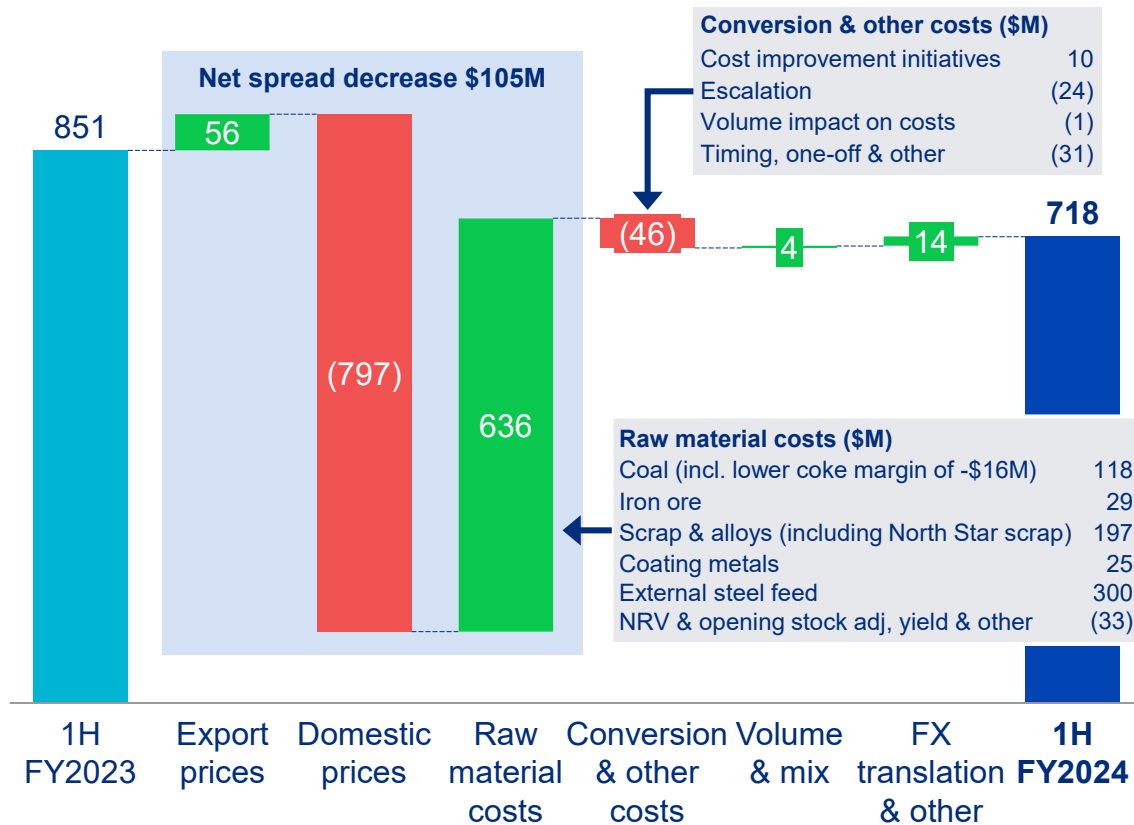




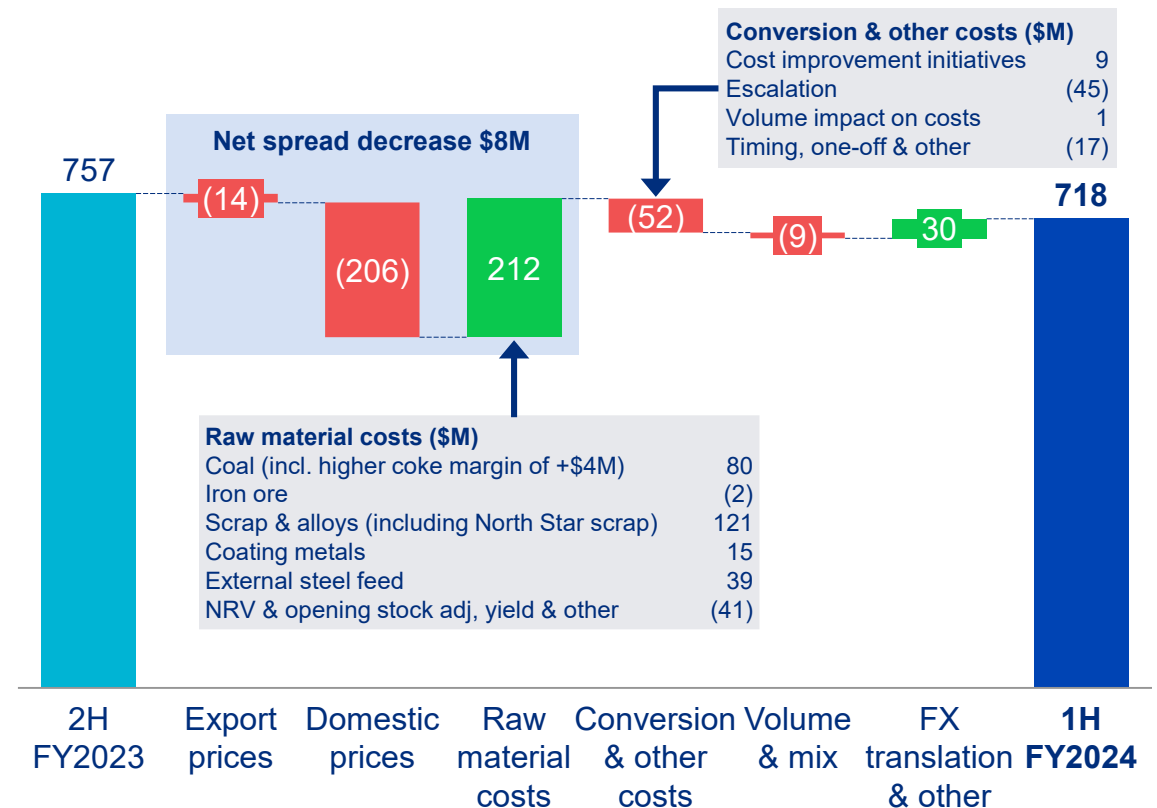
# UNDERLYING GROUP EBIT VARIANCE

Robust 1H FY2024 result, with spread and cost the key driver of the softer performance

## 1H FY2024 vs 1H FY2023 (\$M)



## 1H FY2024 vs 2H FY2023 (\$M)



Note: FX translation relates to translation of foreign currency earnings to A\$ and foreign exchange translation impacts on intercompany loans recognised in the income statement; transactional foreign exchange impacts are reflected in the individual categories.

# Financial framework



# FINANCIAL FRAMEWORK UNDERPINNING RESILIENCE

**Strong focus on driving financial performance and disciplined allocation of capital**

## Returns Focus

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

## Robust Capital Structure

- Strong balance sheet, with a target of around \$400M net debt
- 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 if accompanied by active debt reduction program

In the short to medium term, BlueScope will retain balance sheet capacity to fund investment for growth and major projects

## Disciplined Capital Allocation

- Invest to maintain safe and reliable operations, to support achievement of decarbonisation pathways, and in foundation and new technologies
- Returns-focussed process with disciplined competition for capital between:
  - Growth capital – value creating investments and M&A
  - Shareholder returns (distribute at least 50% of free cash flow to shareholders in the form of consistent dividends and on-market share buy-backs<sup>1</sup>)

1. On-market share buy-backs are an effective method of returning capital to shareholders given the flexibility they provide in managing BlueScope's capital and for the EPS enhancement they can deliver.



# RETURNS FOCUS DELIVERING ROIC

## Targeting returns above cost of capital through the cycle

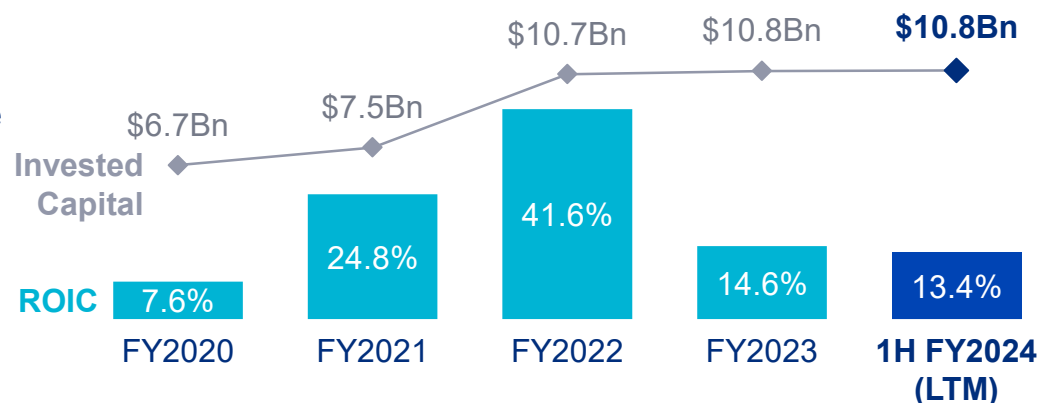
- ROIC<sup>1</sup> is the primary measure of performance across all business units and is a key focus for the Group. ROIC is a key discipline for:

- performance management
- project assessment
- executive incentives

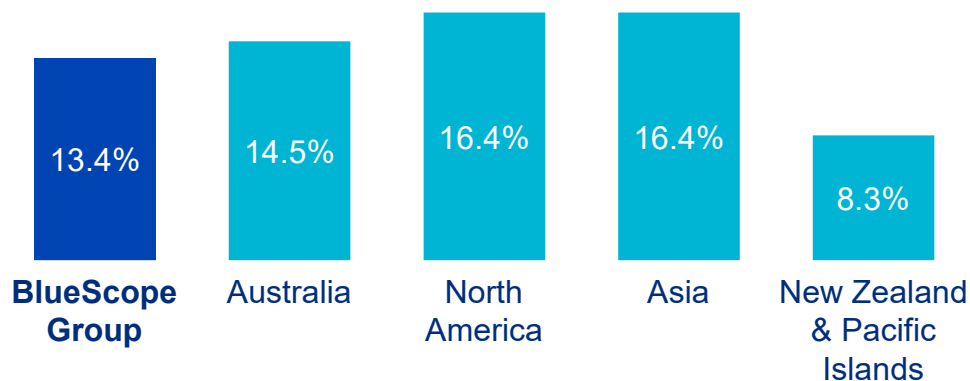
- Targeting returns above cost of capital through the cycle

- Underpins objective of delivering top quartile shareholder returns

### Group ROIC<sup>1</sup> (%) and invested capital<sup>2</sup> (\$Bn)



### 1H FY2024 (LTM) ROIC<sup>1</sup> by Region (%)



1. Return on Invested Capital – calculated as last 12 months' underlying EBIT over trailing 13 month average capital employed.

2. Net operating assets, as at period end.



# RETURNS FOCUS

## MAXIMISING CASH GENERATION

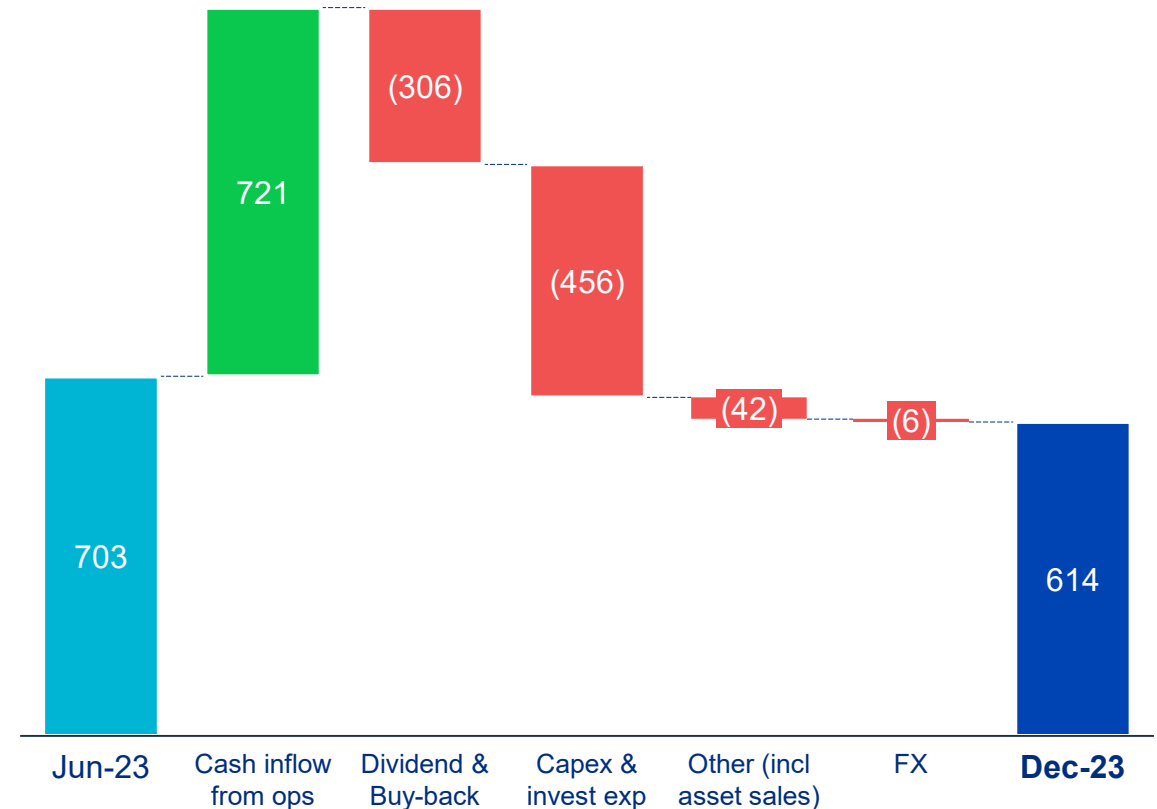
Strong operating cash flow funding investment in the portfolio and returns to shareholders

### Net cash flow (\$M)

(before investment exp and financing)

\$M	FY2022	FY2023	2H23	1H24
<b>Reported EBITDA</b>	<b>4,398</b>	<b>2,146</b>	<b>990</b>	<b>1,021</b>
Adjust for other cash profit items	(52)	81	63	18
Working capital movement (incl provisions)	(1,399)	394	184	(69)
Net financing cost <sup>1</sup>	(57)	(38)	(17)	1
Income tax paid <sup>2</sup>	(418)	(431)	(175)	(250)
<b>Cash flow from operating activities</b>	<b>2,472</b>	<b>2,151</b>	<b>1,045</b>	<b>721</b>
Capex	(764)	(809)	(454)	(466)
<b>Net cash flow</b> (before investment expenditure & financing)	<b>1,708</b>	<b>1,342</b>	<b>591</b>	<b>255</b>

### Net cash / (debt)<sup>1</sup> (\$M)



1. Includes the impact of lease liabilities under AASB16.

2. As at 30 June 2022, the BlueScope Australian consolidated tax group had consumed all of the previously carried forward tax losses. Taxation payments commenced during 1H FY2023.

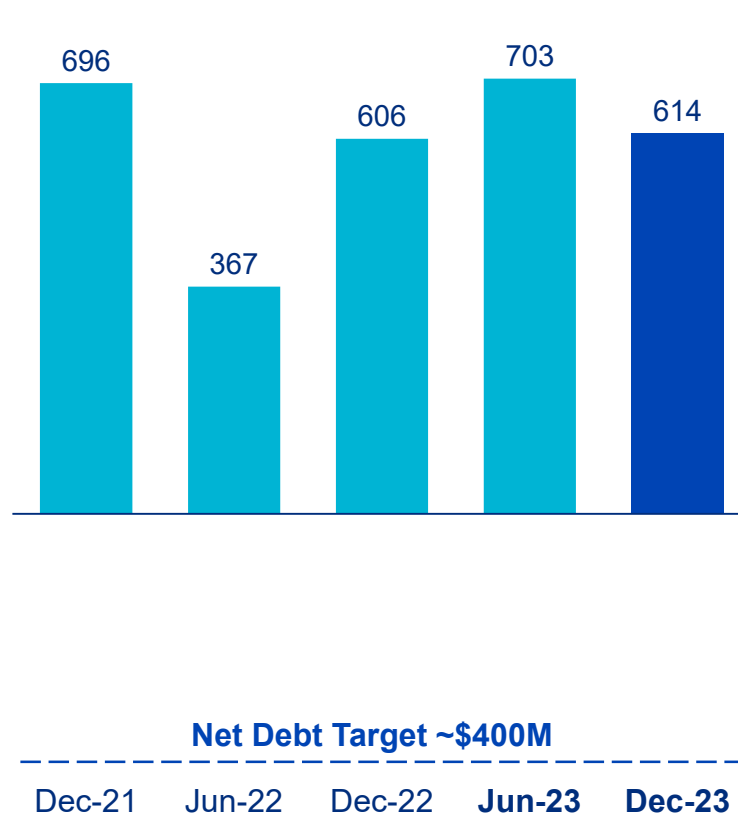
# ROBUST CAPITAL STRUCTURE

## NET CASH POSITION; AMPLE LIQUIDITY

Strong balance sheet providing the foundation to deliver long term sustainable earnings and growth

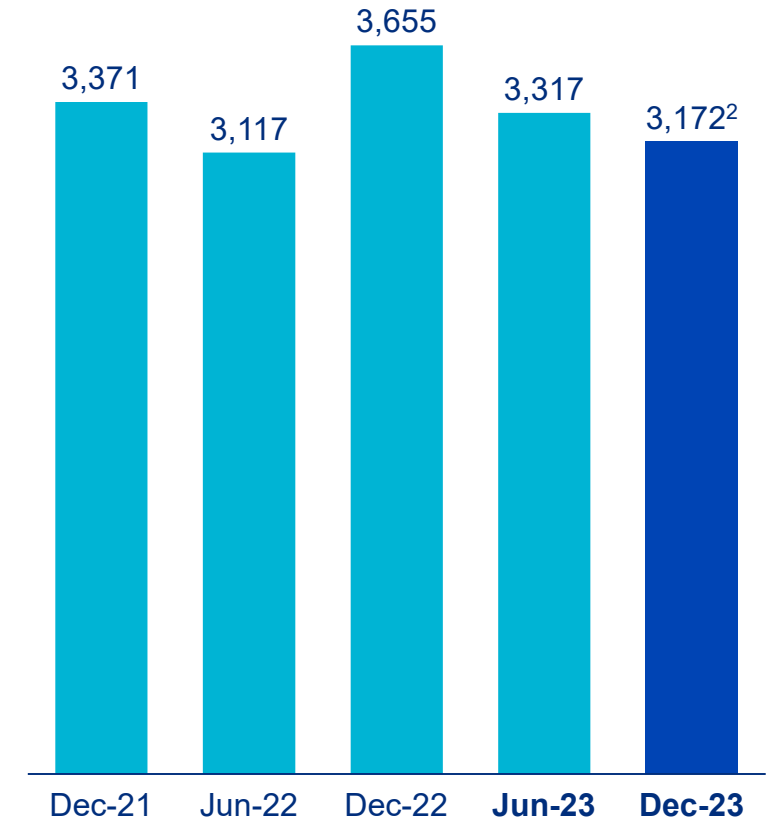
- Maintain investment grade credit ratings
- Strong balance sheet and cash flows allow us to simultaneously:
  - Deliver shareholder returns
  - Invest for growth
  - Reposition the business for a low carbon future
- In the short to medium term, BlueScope will retain balance sheet capacity to fund investment for growth and major projects
- In the longer term, BlueScope will continue to target around \$400M net debt

### Net cash / (debt)<sup>1</sup> (\$M)



### Liquidity (\$M)

(undrawn facilities and cash)



1. Includes the impact of lease liabilities under AASB16.  
 2. Includes \$816M liquidity in NS BlueScope Coated Products JV

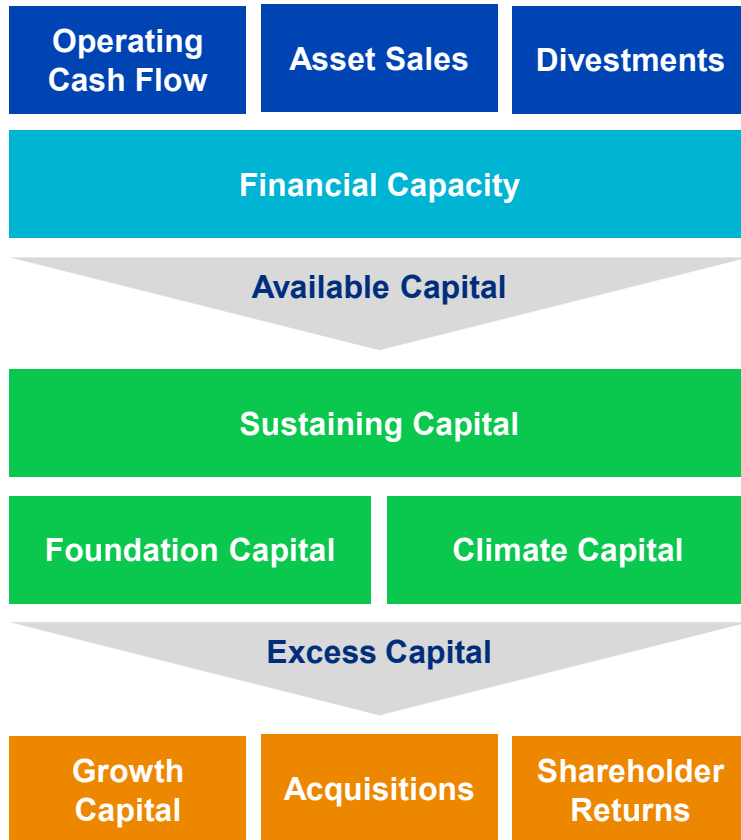


# DISCIPLINED CAPITAL ALLOCATION

## CAPITAL EXPENDITURE

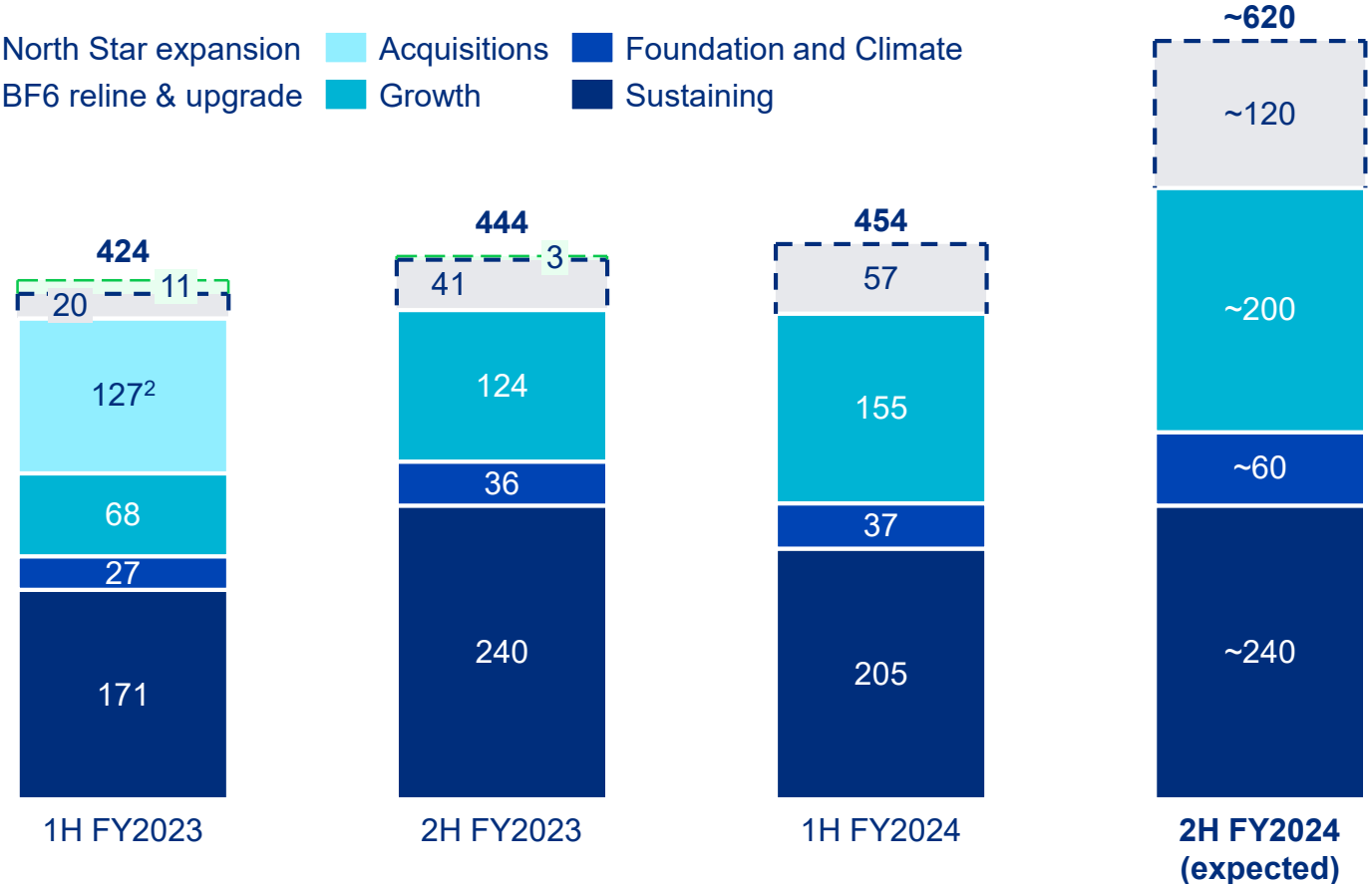
Investing for sustainable earnings growth

### Capital allocation framework



### Capital and acquisition expenditure<sup>1</sup> (\$M)

■ North Star expansion   
 ■ Acquisitions   
 ■ Foundation and Climate  
■ BF6 reline & upgrade   
 ■ Growth   
 ■ Sustaining



1. Reflects accounting capital spend including capital accruals; 1H FY2024 differs from cash capital expenditure through a \$1M decrease in capital creditors and other movements.

2. Largely reflects \$124M acquisition of a ferrous scrap processing business located in Ohio, U.S in August 2022, as well as true-ups from acquisitions in FY2022.

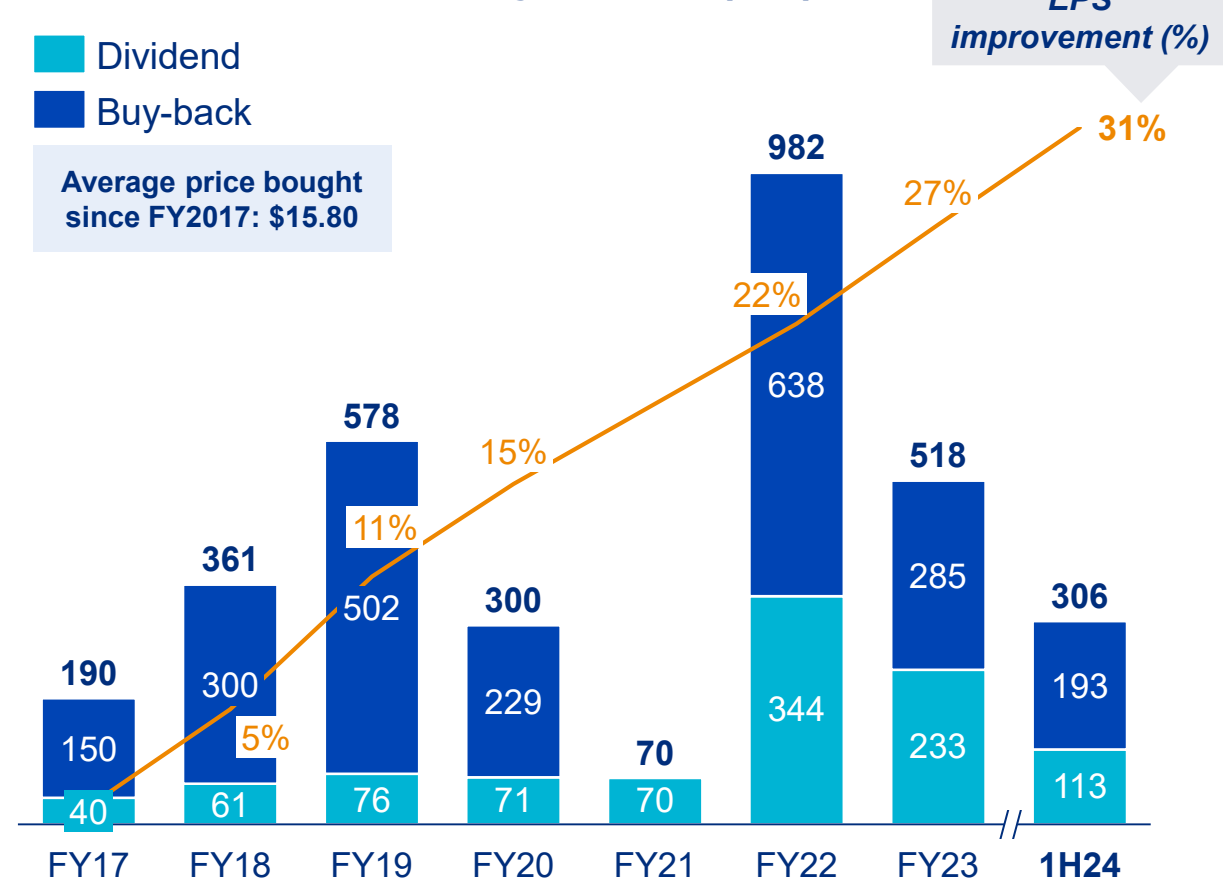
# DISCIPLINED CAPITAL ALLOCATION

## SHAREHOLDER RETURNS

**\$3.3Bn returned since FY2017; announced 25cps fully franked interim dividend and an increase in the scale and tenor of on-market share buy-back program; target dividend level under review**

- BlueScope’s capital management policy is to distribute at least 50% of free cash flow to shareholders in the form of consistent dividends and share buy-backs
- Since August 2021, BlueScope has targeted an annual ordinary dividend of 50cps per annum
  - Aligned to this, the Board has approved a fully franked interim dividend of 25 cps
- The Board has approved an increase in the scale and tenor of the share buy-back program to allow up to \$400M to be bought over the next 12 months<sup>1</sup>
- Full year dividend level to be assessed in light of the growth and resilience of BlueScope's business portfolio, the reduced share count<sup>2</sup> and the medium-term macroeconomic and industry outlook

### Dividends paid and buy-backs<sup>3</sup> (\$M)



1. The timing and value of shares purchased will be dependent on the prevailing market conditions, share price and other factors.  
 2. 145.2 million shares bought back and cancelled since FY2017, delivering a 31% improvement in earnings per share (EPS)  
 3. Chart reflects half year cash settlements of shares bought back and dividends paid.

# 2H FY2024 Guidance and Summary





# REGIONAL GUIDANCE FOR 2H FY2024

## Outlook subject to assumptions and qualifiers referenced on page 35

### Australia

- Expect a result less than half that of 1H FY2024
- Weaker benchmark spreads and unfavourable realised pricing
- Similar domestic volumes and conversion costs

### Asia

- Expect a result around three quarters that of 1H FY2024
- Southeast Asia & India – expect a similar result to 1H FY2024
- China – expect a softer result on typical seasonality

### North America

- Expect a significantly higher result than 1H FY2024
- North Star – expect a result approaching double 1H FY2024
  - Higher benchmark spreads and favourable realised pricing<sup>1</sup>
  - Additional contribution from expansion volumes and improved conversion cost
- Buildings & Coated Products – expect a result slightly below that of 1H FY2024
  - Continued easing of cyclically strong margins, part offset by BPG project sales

### New Zealand and Pacific Islands

- Expect a result approaching double 1H FY2024
- Non-repeat of higher conversion costs driven by maintenance shuts
- Improved domestic despatches

### Intersegment Corporate & Group

- Expect unfavourable performance compared to 1H FY2024 on non-repeat of profit in stock benefit

1. Benchmark prices may not be representative of realised mill prices due to a range of factors. Movements in prices across the majority of sales correlate with Midwest regional benchmark pricing, on a short lag; a minority of sales are priced on a longer term basis. Accordingly the degree of correlation between realised and benchmark prices can vary in a given half but is more fully reflected over the medium term.

# 2H FY2024 GROUP OUTLOOK<sup>1</sup>

- Underlying EBIT in 2H FY2024 is expected to be in the range of \$620M to \$690M. Slightly below 1H FY2024 in an environment of unprecedented softness in Asian steel spreads – reinforcing the strength of BlueScope’s diversified business model
- For the purposes of the outlook, the Company has made the following 2H FY2024 average assumptions:
  - Lagged spreads:
    - US mini-mill benchmark spreads of ~US\$510/t<sup>2</sup>
    - Asian benchmark spreads of ~US\$145/t<sup>3</sup>
  - Unlagged prices:
    - East Asian HRC price of ~US\$575/t
    - 62% Fe iron ore price of ~US\$125/t CFR China
    - Index hard coking coal price of ~US\$285/t FOB Australia
    - A\$:US\$ at US\$0.67
- Relative to 1H FY2024, expect higher underlying net finance costs, a lower underlying tax rate and higher profit attributable to non-controlling interests
- These expectations are subject to spread, foreign exchange, market conditions

1. Sensitivities can be found on page 17 of the 1H FY2024 Analyst Support Materials pack (available at [bluescope.com/investors](https://bluescope.com/investors) and on the ASX platform). All volumes quoted in metric tonnes.

2. 2H FY2024 US mini-mill lagged benchmark spread expectation reflects a ~US\$105/t increase on 1H FY2024 (US\$405/t).

3. Infers an FOB iron ore estimate by deducting the Baltic cape index freight cost from CFR China iron ore price. 2H FY2024 Asian lagged benchmark spread expectation reflects a ~US\$85/t decrease on 1H FY2024 (US\$230/t).

# A RESILIENT BUSINESS DELIVERING RETURNS THROUGH THE CYCLE

## **Diversified business delivering quality through-cycle earnings**

- Leading positions in Australia and NZ; best-in-class steelmaking in the US
- Suite of premium branded products and solutions that enhance margins

## **Performance underpinned by quality assets, robust balance sheet and disciplined approach to capital allocation**

## **Outstanding growth opportunities across core business**

- Continued product shift towards premium branded products in Australia / NZ
- Volume growth from investments in advantaged US steelmaking asset
- Growing coating and painting capability in the US

## **Securing long-term future through decarbonisation program and sustainability approach**



# Questions



# 1H FY2024 Financial Results Presentation

**Mark Vassella**

Managing Director and Chief Executive Officer

**David Fallu**

Chief Financial Officer

**19 February 2024**

BlueScope Steel Limited. ASX Code: BSL  
ABN: 16 000 011 058  
Level 24, 181 William Street, Melbourne, VIC, 3000

**Pictured:**

Polo House in Strath Creek, VIC featuring  
COLORBOND® steel in Shale Grey™

