

Date: **23 October 2020**

BLUESCOPE EXPECTS 30% LIFT IN 1H FY2021 UNDERLYING EBIT TO AROUND \$340M

BlueScope today advised that it expects underlying earnings before interest and tax (EBIT) of around \$340 million for 1H FY2021 – an increase of around 30 per cent over 2H FY2020.

Managing Director and CEO Mark Vassella said, “Despite the global disruption caused by COVID-19, we’ve had a solid performance from all of our operating segments for the three months to 30 September. This is a clear demonstration of the effectiveness of BlueScope’s strategy and the resilience of our asset portfolio.

“Benchmark steel spreads have improved and demand in most of our markets is robust. This has been supported by current strength in alterations and additions activity, demand for detached housing, rapid growth in e-commerce and logistics, and the recovery of the US automotive industry, which is a key end-market for North Star.

“Our major investment project at North Star is on track, Group cash flow remains robust and the balance sheet is in excellent condition.

“Nonetheless, there remains uncertainty in the current environment given the risks of:

- the evolving impact of COVID-19, and the potential for second and third waves, which could disrupt demand, supply chains and operations; and
- broader macroeconomic weakness dampening demand.

“Importantly, our team continues to respond well to the impact of the pandemic, maintaining their personal health, safety and wellbeing – and that of the business, our customers and our communities,” Mr Vassella said.

SEGMENT PERFORMANCE

- Australian Steel Products is expected to deliver a slightly better result than 2H FY2020. Domestic demand has continued to be strong driven by the construction and distribution segments. With improvements in East Asian spot steel prices in recent months, realised steel spreads are improving during the half compared to our expectations. The contribution from export coke remains elevated and is expected to be similar to 2H FY2020.
- In the US, North Star continues to despatch at full capacity with automotive volumes normalising across the half. Since the end of 2H FY2020, realised steel spreads have bottomed and are improving driven by a significant increase in benchmark Midwest hot rolled coil prices in recent months. Given usual pricing lags in the sales mix, 1H FY2021 underlying EBIT is expected to be lower than 2H FY2020.
- With generally robust demand across its markets following interruptions last half from COVID-19, the Building Products Asia & North America segment is expected to deliver a considerably better performance than 2H FY2020. The outlook for ASEAN and India has improved significantly, although remains subject to the risk of disruption to operations and supply chains from further COVID-19 impacts. The North America business is on track to deliver a performance similar to 2H FY2020 and we expect China to deliver a similar performance to 1H FY2020 on favourable seasonality.

- Buildings North America: The core engineered buildings business is performing better than our initial expectations and is on track to deliver a similar result to 2H FY2020. We continue to expect a higher contribution from BlueScope Properties compared to last half.
- New Zealand and Pacific Islands' performance is improving on 2H FY2020, primarily due a return to normal operations post-COVID and strength in domestic demand. The segment will also record a lower depreciation and amortisation charge than 2H FY2020 following the asset write-down.

Expectations are subject to macroeconomic, spread, foreign exchange and market conditions – including potential impacts from COVID-19.

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

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