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BlueScope 2024 AGM trading update: Confirmation of revised 1H FY2025 guidance

At its Annual General Meeting (AGM) today, BlueScope confirmed its 1H FY2025 earnings guidance provided on 29 October 2024, for underlying earnings before interest and tax (EBIT) to be in the range of \$270 million to \$310 million. A detailed trading update for 1H FY2025 is included below.

Reflecting on BlueScope's performance at the AGM today, Managing Director and CEO Mark Vassella said, "BlueScope delivered a solid result in FY2024, as strong contributions from North Star and the downstream and value-add components of the business offset the impact of soft spreads in Asia on our Australian and New Zealand steelmaking operations.

"In contrast, the outlook highlights the challenging operating conditions facing the broader global steel industry, including the continued softness in East Asian spreads off the back of record levels of Chinese steel exports, ongoing cost inflation and a period of pause and uncertainty in the US.

"While these pressures are impacting industry performance in the near-term, our growing position in North America and continued growth in value-added and premium branded products, gives us confidence in BlueScope's resilience and longer-term success, underpinned by a robust balance sheet, and strong operating disciplines.

"BlueScope has a culture of rising to these challenges, and we will continue our work in balancing near-term performance with longer-term sustainable growth and returns. To that end, we're targeting a further improvement in annualised earnings through approximately \$200 million of cost and productivity initiatives across the Group.

"I'm excited by BlueScope's future, as the resilience of its business model and balance sheet enables the Company to invest for sustainable growth and deliver returns to shareholders through the cycle. This is underpinned by our dedicated team of over 16,500 people, who continue to work hard for our customers, communities, and shareholders, and I thank them for their continued dedication." Mr Vassella said.

Changes to Executive Lead Team (ELT)

BlueScope is continuing its work on the multi-decade opportunity to repurpose approximately 1,200 hectares of land in Australia and New Zealand. The near-term focus is on unlocking residential land supply from the West Dapto site and progressing the Port Kembla development concept with the New South Wales Government's whole-of-government working group, supporting the redevelopment and rezoning processes.

To oversee this broader body of work, Michael Yiend will join the ELT in early January 2025 as Head of Property Development. Michael is a highly experienced property development executive, with a proven track record having been in property development across Australia and the United Kingdom for over 26 years at companies including Lend Lease, Fultus Group, Qube, Stockland and Australand.

In other changes to the ELT, Chief Legal Officer, Debra Counsell, Chief Executive Climate Change & Sustainability, Gretta Stephens, and Chief Executive BlueScopeX, Andrew Garey, have announced their retirements, to take effect in the coming months.

Debra, Gretta and Andrew have all made exceptional contributions to BlueScope over the years and will leave a strong legacy. Updates on these roles will be made in due course.

Trading Update

BlueScope provided the following update on 1H FY2025 trading conditions. As noted above, BlueScope expects underlying EBIT for 1H FY2025 to be in the range of \$270 million to \$310 million.

Australia

- Australian Steel Products is expected to deliver a 1H FY2025 EBIT above two thirds of that in 2H FY2024.
- The softer performance in the half is driven by weaker realised pricing, higher realised raw material and conversion costs (including ~\$25M higher electricity cost), a \$10 million lower coke contribution, and unfavourable provision adjustments.
- Encouragingly, underlying domestic demand remains solid across key end-use segments, and domestic despatch volumes are now expected to be slightly higher than the prior half. This has provided confidence that the recent demand trough has passed.

North America

- BlueScope expects a result in North America slightly below half that of 2H FY2024.
- North Star is expected to deliver a result slightly below one third of that in 2H FY2024, given the materially lower benchmark and realised spread environment¹. The business continues to fully utilise its expanded capacity.
- For Buildings and Coated Products North America, BlueScope expects a result greater than half that of 2H FY2024, with margins continuing to ease, and demand impacted by the near-term uncertainty following the elections and pending timing of further rate cuts.
 - The underperformance at BlueScope Coated Products has also impacted the segment's performance, with Chief Technical and Development Officer, John Nowlan, now leading the business' turnaround.

Asia

- BlueScope expects the Asia region to deliver a result similar to 2H FY2024.
- Performance in the China business is being impacted by the softening domestic Chinese economy, with a moderate benefit from typical seasonality. The Southeast Asian businesses are performing well, however were impacted by a short-term operational challenge in Thailand, which has since been resolved. The India business continues to work to integrate coated and painted product sourced under the new supply agreement.

New Zealand and Pacific Islands

- The New Zealand and Pacific Islands segment is expected to deliver a result in line with 2H FY2024.
- Whilst initial expectations for the business were for an improvement in volumes, the New Zealand domestic economy remains challenged, resulting in a soft demand and pricing environment.

1H FY2025 expectations remain subject to macroeconomic, spread, foreign exchange and market conditions.

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.

Authorised for release by: the Board of BlueScope Steel Limited

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