

16 August 2021

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BlueScope Steel Limited

Materials

UNDERPERFORM

BSL A\$25.49 **TARGET PRICE A\$22.09**

BlueScope Steel Limited (BSL) is a provider of innovative steel materials, products, systems, and technologies, headquartered in Australia with operations spread across North America, Australia, New Zealand, Pacific Islands and throughout Asia

Company Data

Number of shares	503.8M
Market Capitalisation	\$ 12,842.0M
Free float (%)	99.3
12-month high/low	\$25.49/\$12.07
Average Daily Turnover (\$m)	55.2767
% S&P/ASX200	0.6
DDM Ranking	261
% All Ordinaries	0.51
GICS Industry Group	Metals & Mining

Source: FactSet, Barclay Pearce Capital

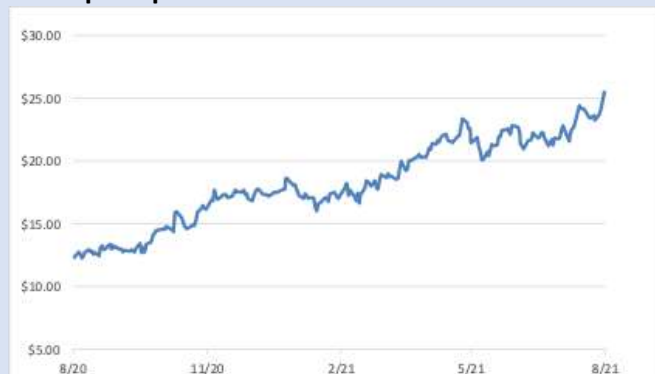
Earnings Summary (AUD)

Year end June	2021A	2022F	2023F
Revenue (\$M)	12,902.3	15,377.6	13,485.5
EBITDA (\$M)	2,211.6	3,049.9	1,972.2
Reported NPAT (\$M)	1,193.3	1,831.8	966.7
Adjusted NPAT (\$M)	1,166.3	1,723.1	879.5
Reported EPS (c)	237.0	341.4	313.7
Adjusted EPS (c - FD)	231.6	340.3	208.5
Adjusted EPS growth (%)	1,081.0	46.9	-38.7
Adjusted P/E (x)	11.0	7.5	12.2
Dividend (c/sh)	31.0	24.6	27.8
Gross yield (%)	1.7	1.4	1.6
Net yield (%)	1.2	1.0	1.1
ROIC (%)	24.8	27.8	17.1

Source: Barclay Pearce Capital

Barclay Pearce Capital contributes all company estimates to Thomson Reuters, FactSet, Nucleus 195 and Capital IQ.

Share price performance.



Source: FactSet, Barclay Pearce Capital

FY21 Financial Results

On 16th August, BlueScope Steel Limited (BSL) announced their results for the full year ended 30 June 2021 with the following highlights:

Financial Performance

\$M (unless marked)	TWELVE MONTHS ENDED	
	30 JUNE 2020	30 JUNE 2021
Total revenue	11,324.2	12,902.3
External despatches of steel products (kt)	7,082.4	7,709.5
EBITDA – Underlying ¹	1,098.7	2,211.6
EBIT – Reported	309.7	1,758.5
– Underlying ¹	564.0	1,723.8
NPAT – Reported	96.5	1,193.3
– Underlying ¹	353.0	1,166.3
EPS – Reported	19.0 cps	237.0 cps
– Underlying ¹	69.6 cps	231.6 cps
Underlying EBIT Return on Invested Capital	7.6%	24.8%
Net Cashflow From Operating Activities	817.9	1,658.2
– After capex	238.1	897.8
Ordinary dividends	14 cps	31 cps
Special dividends	-	19 cps
Net cash / (debt) ²	79.1	798.1

“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”

“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,” Mr Vassella said.

Outlook

- Guides H1 underlying EBIT A\$1.8-2.0B
- Increase annual ordinary dividends and will now target 50cps per annum (25cps per half year)
- North Star Expansion Project First coil expected in early 2H FY2022. Present expectation is total cost to be 5-10% above the \$700M initial estimate

Earnings changes

For H1FY22, BSL guided underlying EBIT of A\$1.8-2.0B which is in line with market expectations. Hence, we do not expect any significant earnings revisions.

Valuation

We are updating our price target from \$16.56 to \$22.09 and retaining our UNDERPERFORM recommendation. The price target is underpinned by our Valuation.

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Barclay Pearce Capital provides research services to its client. Mr Wright is General Manager of Research and has over twenty (26) years' experience in the financial services industry, particularly in financial analysis and research report writing. Mr Wright joined the Barclay Pearce team in 2017 where he has been involved in the research and publication of reports. Prior to this Mr Wright worked at a number of entities where he held Director/Head of Research and General Manager of Research positions. Mr Wright holds a Bachelor of Mathematics (Honours) from Edinburgh University and has completed the SDIA Accreditation Program (RG146) through DeakinPrime.

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Hold – Describes stocks that are neither a buy nor underperform.

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NR – The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or Barclay Pearce Capital policies.

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Valuation Methodology

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Barclay Pearce Capital Recommendation Proportions

Buy	38.3%	(0.0% of stocks with recommendations are Barclay Pearce clients)
Speculative Buy	0.2%	(100.0% of stocks with recommendations are Barclay Pearce clients)
Hold	19.5%	(0.0% of stocks with recommendations are Barclay Pearce clients)
Underperform	42.0%	(0.0% of stocks with recommendations are Barclay Pearce clients)