



NORTH STAR SITE VISIT

17 September 2019

BlueScope Steel Limited. ASX Code: BSL

ABN: 16 000 011 058

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BLUESCOPE OVERVIEW



Disciplined and advantaged steel building products company focussed on growing long term shareholder value

ASSETS & CAPABILITY



- Integrated and resilient Australian business delivering returns across the cycle
- Iconic industrial brand position of COLORBOND® steel
- Global leader in coating and painting for Building and Construction Markets
- Operate in the world's two largest construction markets of China and US, and high growth markets in ASEAN and India
- Have the lowest cost expansion opportunity in the US at North Star, which is one of the most profitable mini-mills in the US

CAPITAL DISCIPLINE



- Strong balance sheet with target of around zero net debt
- Returns-focussed process with disciplined competition for capital between investment for long-term growth and returns to shareholders

RETURNS FOCUS



- Target ROIC > WACC through the cycle
- Target at least 50% of free cash flow to shareholders
- Target EPS growth through the cycle

BLUESCOPE'S TRANSFORMATION OVER THE LAST FIVE YEARS

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A significant transformation, with a step change in earnings quality, cash flows and balance sheet strength

		FY2015 ¹	FY2019 ¹	Change
Operational metrics	North Star ownership	50%	100%	↑ Control
	ASP steelmaking breakeven spread	~US\$270-300/t	~US\$170-200/t	↓ ~US\$100/t
	EBIT sensitivity to US\$50/t move in Asian spread ²	~45%	~10-15%	↓ ~30-35%
Financial metrics	Underlying EBIT	\$326M	\$1,348M	↑ \$1,022M
	Underlying EBIT return on invested capital (ROIC)	6.4%	19.5%	↑ +13.1%
	Underlying earnings per share	161 cps	181 cps	↑ 20 cps
	Free cash flow ³	\$154M	\$1,276M	↑ \$1,122M
	Shareholder returns ⁴	\$17M	\$578M	↑ \$561M
Credit metrics	Net cash / (debt)	(\$275M)	\$693M ⁵	↑ \$968M
	Credit ratings	BB / Ba3	BBB- / Baa3	↑ Investment Grade
Valuation metrics	Market capitalisation	\$1.9Bn	\$6.7Bn	↑ 258%
	Cash flow yield	5.9%	19.5%	↑ +13.7%
	EV / EBITDA	3.9x	3.7x	↓ (0.2x)

(1) FY2015 share price data as at 24 July 2015, FY2019 share price data as at 25 July 2019

(2) Illustrative percentage change in group underlying EBIT from a \$50/t change in Asian spreads

(3) Cash flow from operating activities less CAPEX

(4) Includes dividends and share buy-backs

(5) Includes favourable impact of timing benefit on working capital of approximately \$150M

OUR STRATEGY – A DISCIPLINED APPROACH TO GROWTH AND SHAREHOLDER RETURNS FROM A POSITION OF STRENGTH

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We are

A steel building products company

Our Target

Top quartile shareholder returns and safe operations

Our Strategic Focus areas

Grow **premium branded steel businesses** with strong channels to market

Maximise value from **'best-in-class'** assets

Deliver **competitive commodity steel supply** in our local markets

Ensure ongoing **financial strength**

Coated & Painted Products

BlueScope Buildings

North Star BlueScope

Australia & NZ Steelmaking

Balance Sheet

Colorbond®

BLUESCOPE
Zacs®

durashine®
TATA BLUESCOPE STEEL

Truecore®

COLORSTEEL®
NEW ZEALAND'S FAVOURITE ROOF

LYSAGHT®

BUTLER®





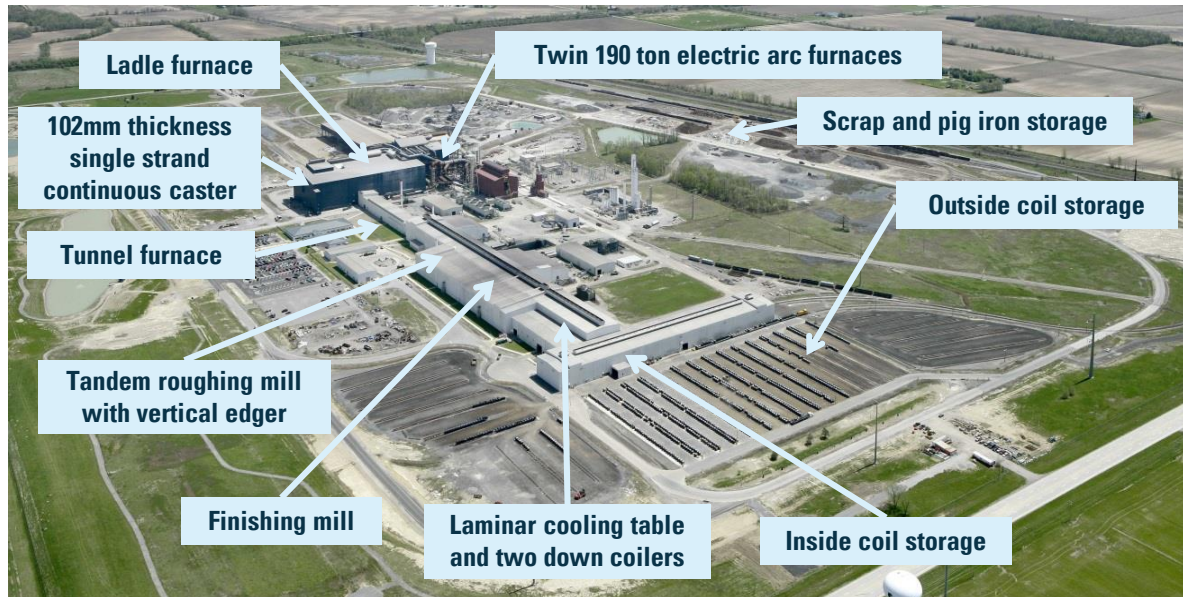
NORTH STAR OVERVIEW



Industry leading hot rolled coil producer; competitive advantage in safety, quality, service and delivery

Facility overview

- Industry leading hot rolled coil producer, established in 1995 as a 50-50 JV between BlueScope and Cargill
- BlueScope acquired Cargill's 50% interest for US\$720M in October 2015
- Original construction capital cost was US\$500M; since then company has invested over US\$250M in upgrades and improvements



North Star's competitive advantage

Quality

- Slab thickness allows for superior quality characteristics
- Hot strip mill achieves consistent gauge, shape control, and surface quality
- Claims represent only ~0.1% of production

Service

- One location, operating with empowered employees
- Ability to customize products to meet customer needs
- Consistently ranked #1 in overall customer satisfaction in the Jacobson steel industry survey

Delivery

- Order book managed in a profitable manner
- Production scheduled to meet delivery date commitments
- Customized approach to customers' unique delivery requirements
- On-time delivery performance results are 95% or higher

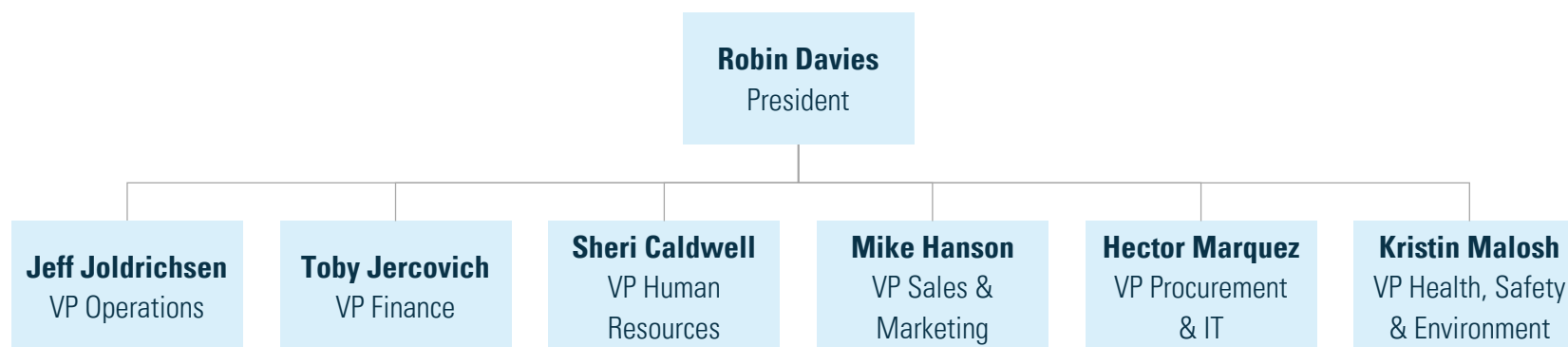
Safety

- Safety culture based on employee engagement, continuous communication, and feedback with regular incident reporting
- Consistently ranked at the top in industry safety benchmarking reports



A strong management team with a deep history in the business and understanding of the markets it serves

Experienced management team



Robin Davies joined North Star in 2017, coming from NZ Steel where he held a range of senior management positions

Jeff Joldrichsen has been with the company since start up, came from Cargill's North Star Steel business

Toby Jercovich has been with the company for 9 years, in finance leadership roles across North Star and BBNA

Sheri Caldwell joined North Star in 2019, with over 20 years of HR experience in industry and academia

Mike Hanson joined the company 16 years ago from Cargill's North Star Steel business

Hector Marquez joined the North Star management team in 2010, coming from BlueScope's Steelscope business

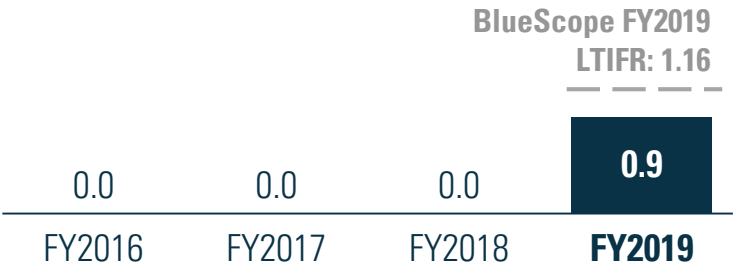
Kristin Malosh joined the company in 2018, with over 20 years of HSE experience within the steel industry and consulting

Motivated, skilled and flexible workforce

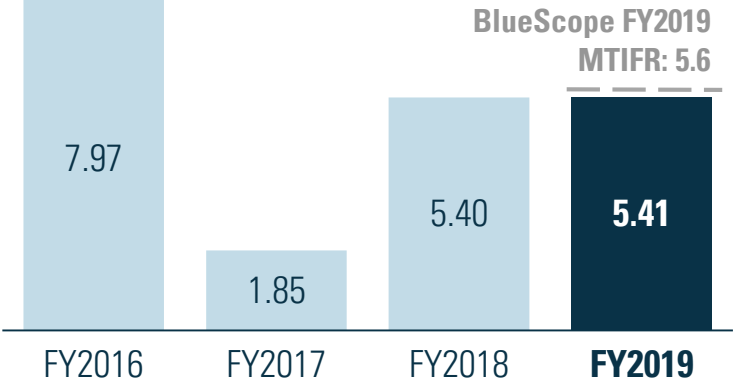
- 421¹ non-union employees producing 2.1 million metric tonnes per annum
- Incentivised to continuously improve safety, productivity, quality and profits. Over 50% of overall compensation is "at risk"
- Highly engaged employees and zero work stoppages since inception
- Stable, experienced team: average tenure of around ten years, across management and operations
- Turnover has been low (5% or less) over the past ten years

Finding opportunities to learn, reduce risk, and enhance our Health, Safety and Environment performance

LTIFR
Lost time injuries per million hours worked



MTIFR
Medically treated injuries per million hours worked



Collaborative culture

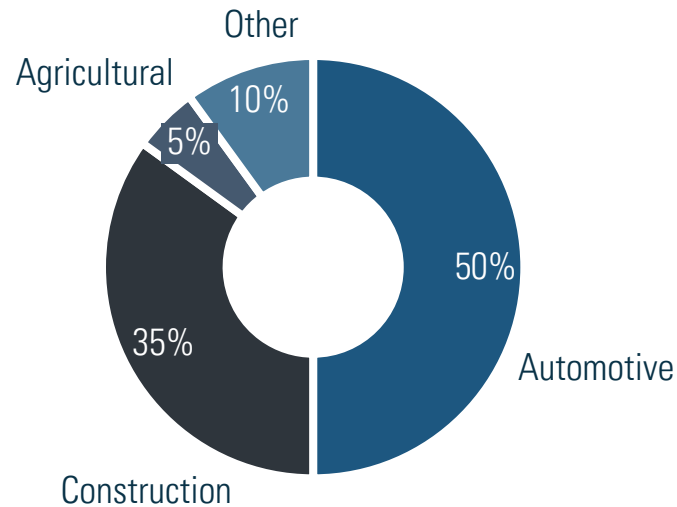
- Continuous communication and feedback with regular incident reporting (including preventative suggestions)
- Over 50% of employees active in on-site fitness centre
- Area Safety Assessment Process (ASAP) engages team to implement improvements
- Safety-focused conversations (ROC¹ process) required for all employees
- Active home safety team promotes home safety incident communication (IROC process)
- Sustainability focus on water, waste and greenhouse gas intensity improvements



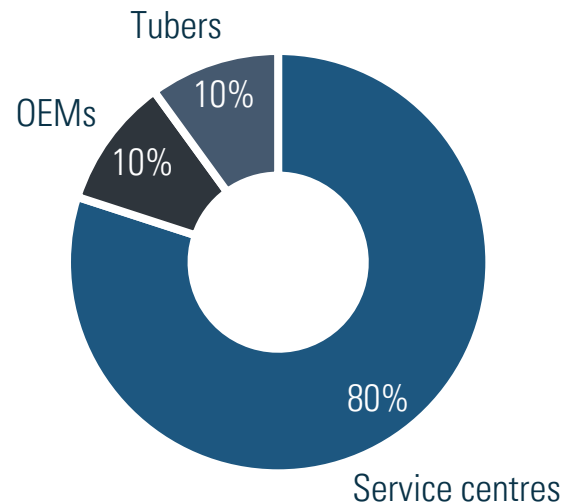
(1) ROC stands for "Recognize, Observe, Correct"

Serving a diversified range of end use markets and products, predominantly through service centre channels

Volume by end-market



Customers by type

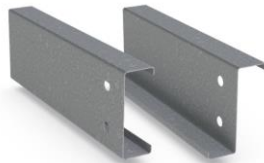


- Sales and production focused on 25-30 grades, produced at a consistently high quality
 - Strong focus on light gauge high strength low alloy grades
 - High quality grades command a premium in certain market conditions
 - Recently added single bill solution to service offer (pickled & oiled, galvanized, slit)
- Coil shape provides more yield per coil (flatter profile)
- Product thickness ranges from 0.050" – 0.500"
- Typical product width ranges from 41.55" – 61.50"

Examples of end use products:



Automotive:
wheels



Construction:
purlins



Construction:
guard rails



Manufacturing:
gas tanks



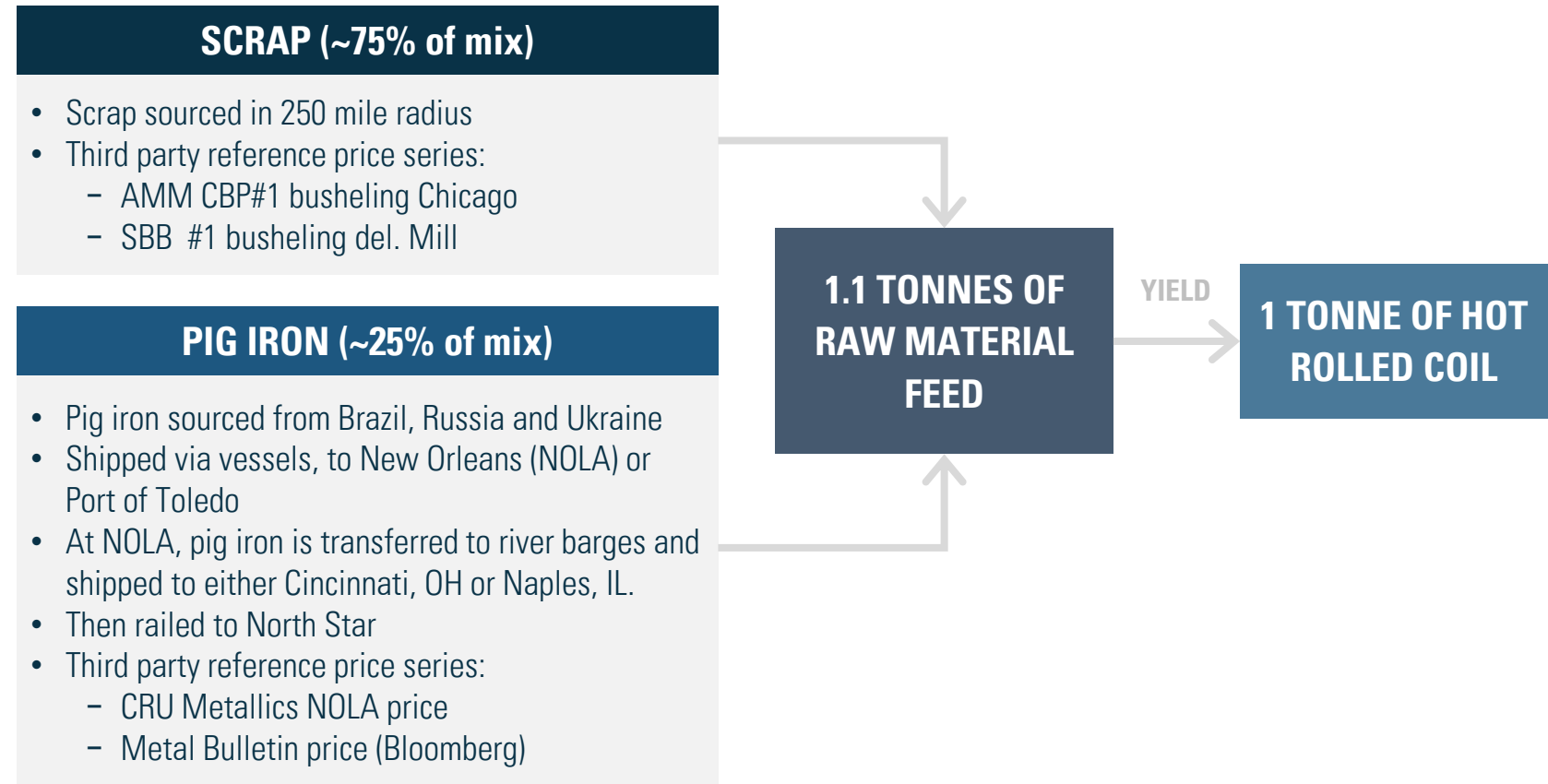
Agriculture:
grain siloes

Producing high quality hot rolled coil using readily available prime and obsolete scrap, and pig iron

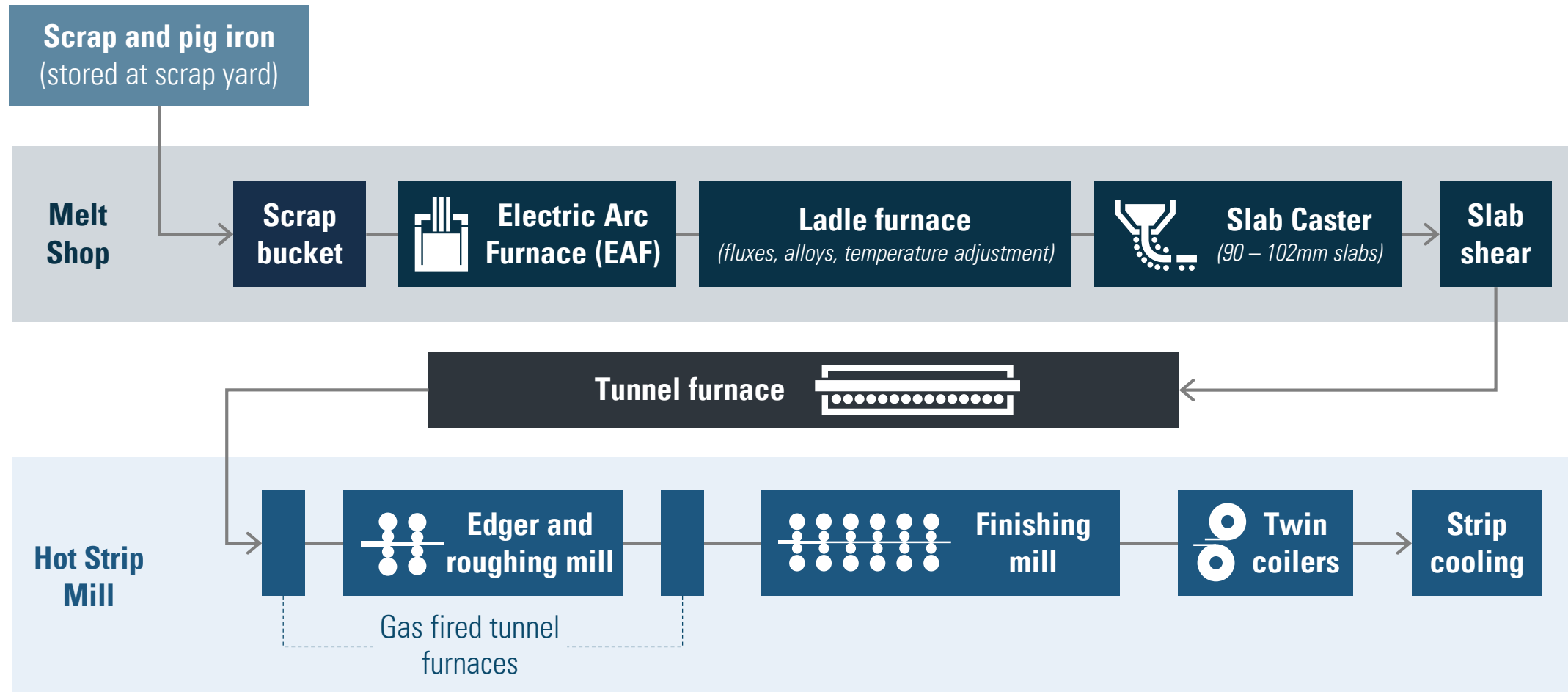
Main raw materials

- **Scrap** – recycled metal suitable for reprocessing. Scrap types include: Clips, #1 Frag, #2 Frag, Plate & Structural, Roll Mill Scrap. Prime and obsolete scrap in broadly equal proportion
- **Pig Iron** – raw iron with high carbon content (typically 3.5%-5.0%)
- **Alloys** – various alloys of iron such as ferroalloys (which have a high proportion of one or more elements such as silicon, manganese, or nickel) that are added to steel refining process to increase corrosion resistance, hardness, formability and/or strength

Raw material mix



Our highly-skilled team uses a high-tech process to convert scrap metal into high quality hot rolled coil





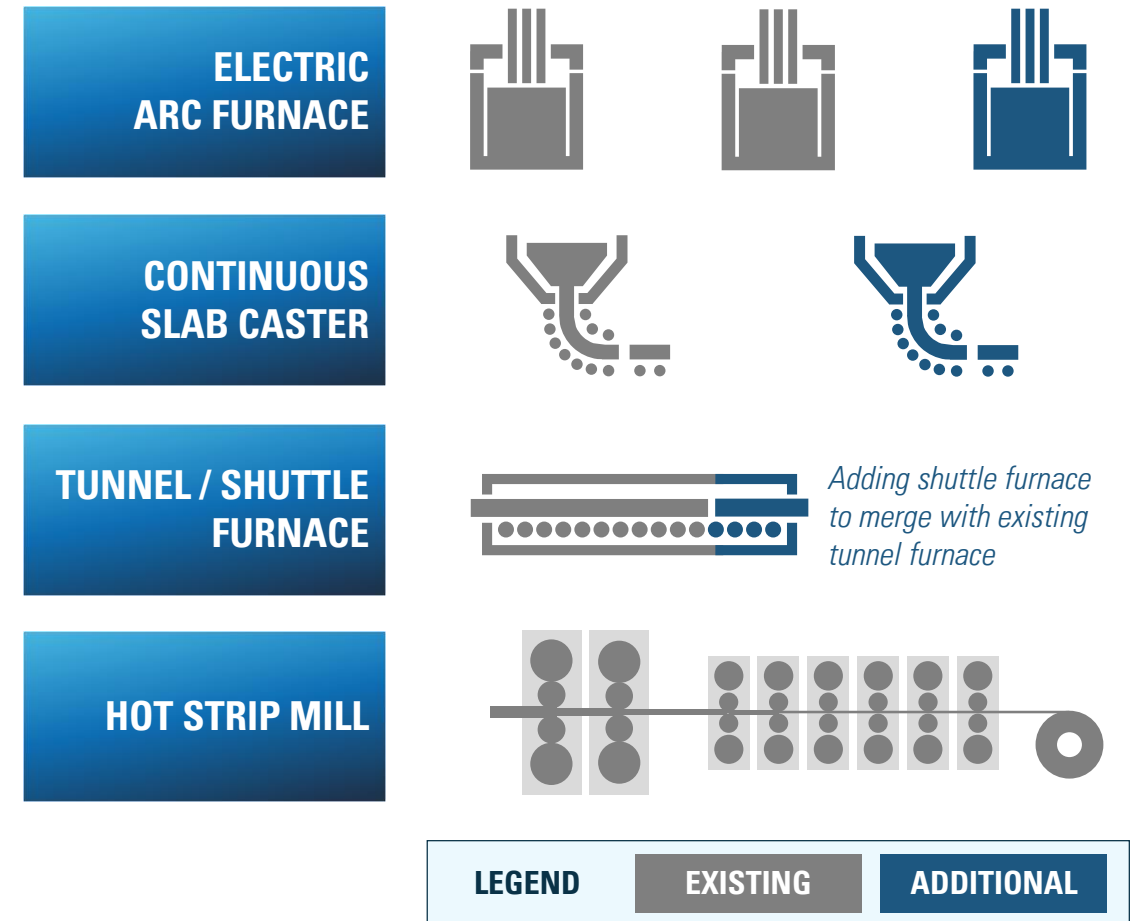
NORTH STAR EXPANSION



850ktpa expansion, with optionality to 1,400ktpa, approved by Board; target commissioning mid FY2022

- Board has approved expansion of our 'best-in-class' mini-mill in Delta, Ohio, to add a third EAF and second caster
- Incremental ~850ktpa (metric) on commissioning, with further 500ktpa potential upside in subsequent years, subject to further progressive plant debottlenecking
 - Further enhancing our ability to supply high quality product and leading customer service
- Expected total cost of approximately US\$700M
- Anticipate commissioning new plant in mid FY2022, and full ramp-up approximately 18 months later
- Targeting a minimum 15% IRR and 15% ROIC when fully ramped-up, based on long-term historical spreads
- Project subject to the anticipated receipt of necessary air permits and local and state incentives
- Pat Finan (Chief Executive Hot Rolled Products North America) is responsible for both the North Star operations and expansion project

Indicative overview of existing and additional equipment



An attractive opportunity to maximise value from a 'best-in-class' asset

1**The US is an attractive market for BlueScope****2****North Star is an advantaged, 'best-in-class' asset built for expansion**

- Located in a geographically advantaged position
- Sells predominantly to service centres, and holds a modest share of wallet with its customers
- Strong EBITDA and cash generation through the cycle; investment case based on historical long term spreads
- North Star was built with embedded expansion capacity, with a large hot strip mill

3**Expansion is consistent with longer-term transition to highly efficient EAF suppliers**

- The EAF replacement of blast furnaces is a long term trend in the US and is still emerging in the HRC market
- EAF HRC capacity being added in North Star's region, blast furnace HRC capacity recently idled
- Supply and demand in North Star's region is expected to be largely in balance in 2023
- HRC supply-demand dynamics projected to be at or above post-GFC levels, supporting the view on long term spread assumptions
- Favourable metallics market will remain adequately supplied

4**Sustainability considerations are embedded into project evaluation and execution**

- Strong focus on sustainability impacts and opportunities for the evaluation and execution of the project

5**Project delivers compelling returns on historical spreads, providing further upside through debottlenecking**

- Targeting a minimum 15% IRR and 15% ROIC when fully ramped-up, based on long-term historical spreads

6**Comprehensive management of project execution and integration**

1 THE US IS AN ATTRACTIVE MARKET FOR BLUESCOPE

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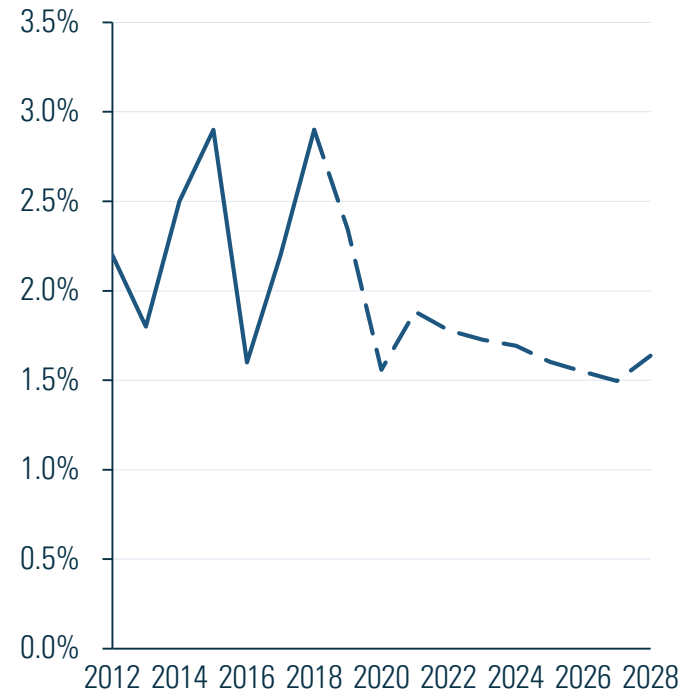
The US is a large and stable market; underlying demand drivers for North Star remain broadly positive

A large and sophisticated market

- Finished steel demand of over 100mt per annum
- The US market places strong value on quality and service
- Longer-term potential upside from infrastructure demand
- Large and stable key end markets
- BlueScope has extensive experience in the US market, having operated a range of US businesses since the early 1990s

Positive US macroeconomic outlook

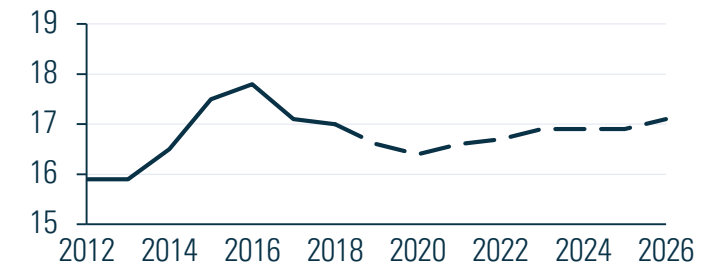
US real GDP growth (%)



Stable activity in key end-markets

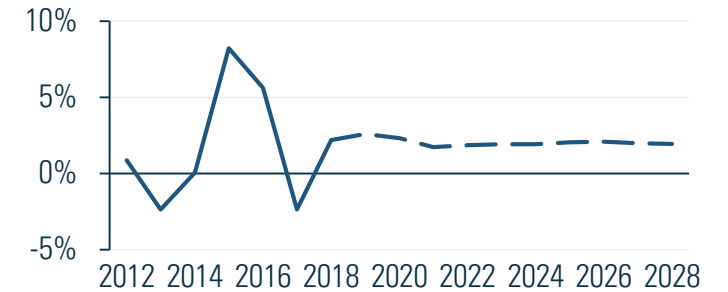
US light vehicle sales (millions)

Consumes ~50% of North Star volumes



Non-residential construction value-added output⁽¹⁾ (%)

Consumes ~35% of North Star volumes

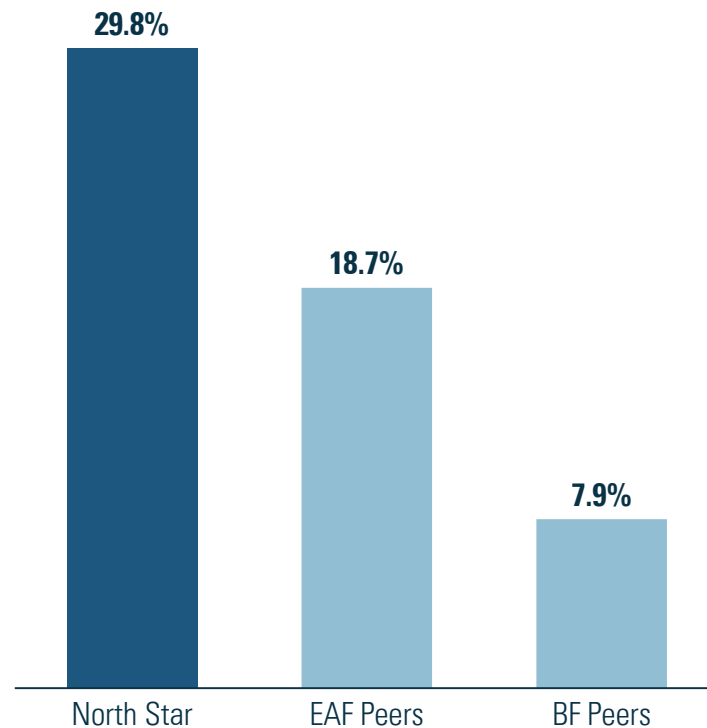


2 NORTH STAR IS AN ADVANTAGED 'BEST-IN-CLASS' ASSET BUILT FOR EXPANSION

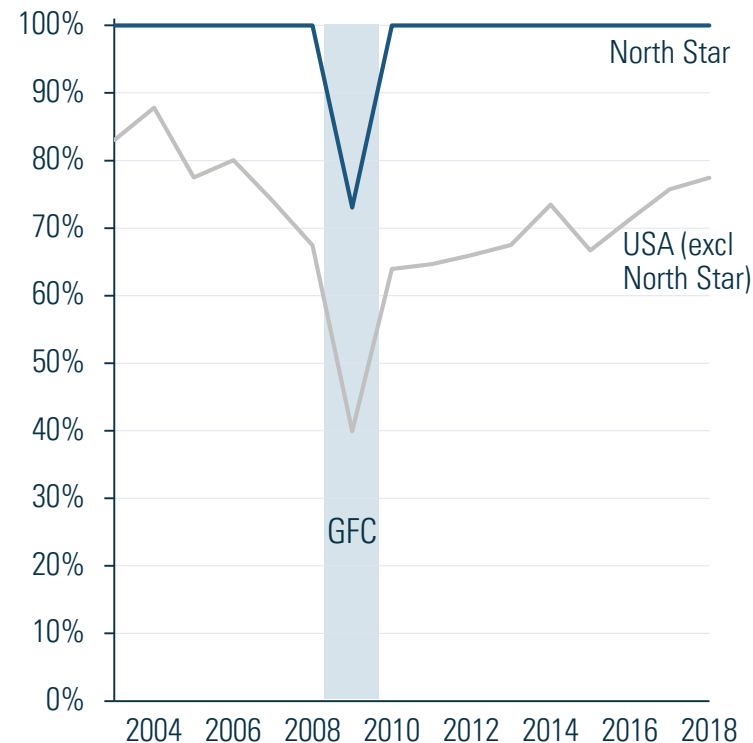
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Achieving industry leading margins; consistently full asset utilisation; first in customer satisfaction

EBIT margins¹ (%)



HRC capacity utilisation² (%)



Customer satisfaction

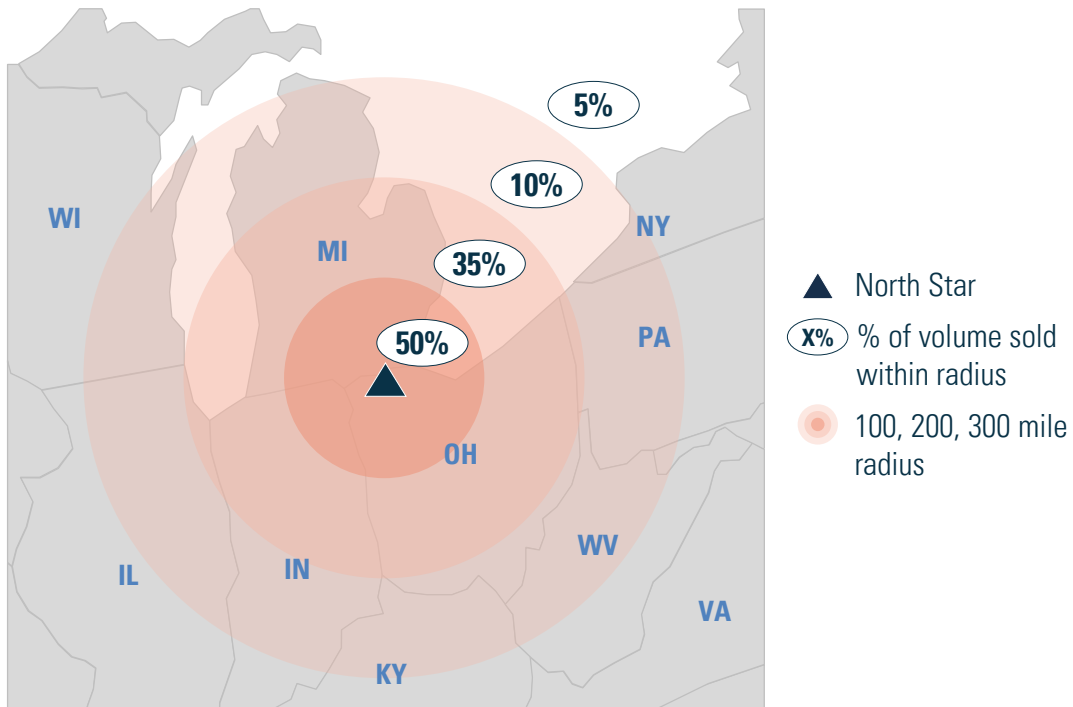
- Measured by the Jacobson & Associates Steel Customer Satisfaction Survey
- Well regarded and recognised survey of over 100 steel sheet customers
- Categories of quality, service, price and on-time delivery, calculated into an overall customer satisfaction score
- **North Star ranked number one in overall customer satisfaction** in 15 of the last 17 years, driven by quality, service and delivery metrics
- North Star also ranks consistently high on customer loyalty metrics

2 NORTH STAR IS AN ADVANTAGED 'BEST-IN-CLASS' ASSET BUILT FOR EXPANSION

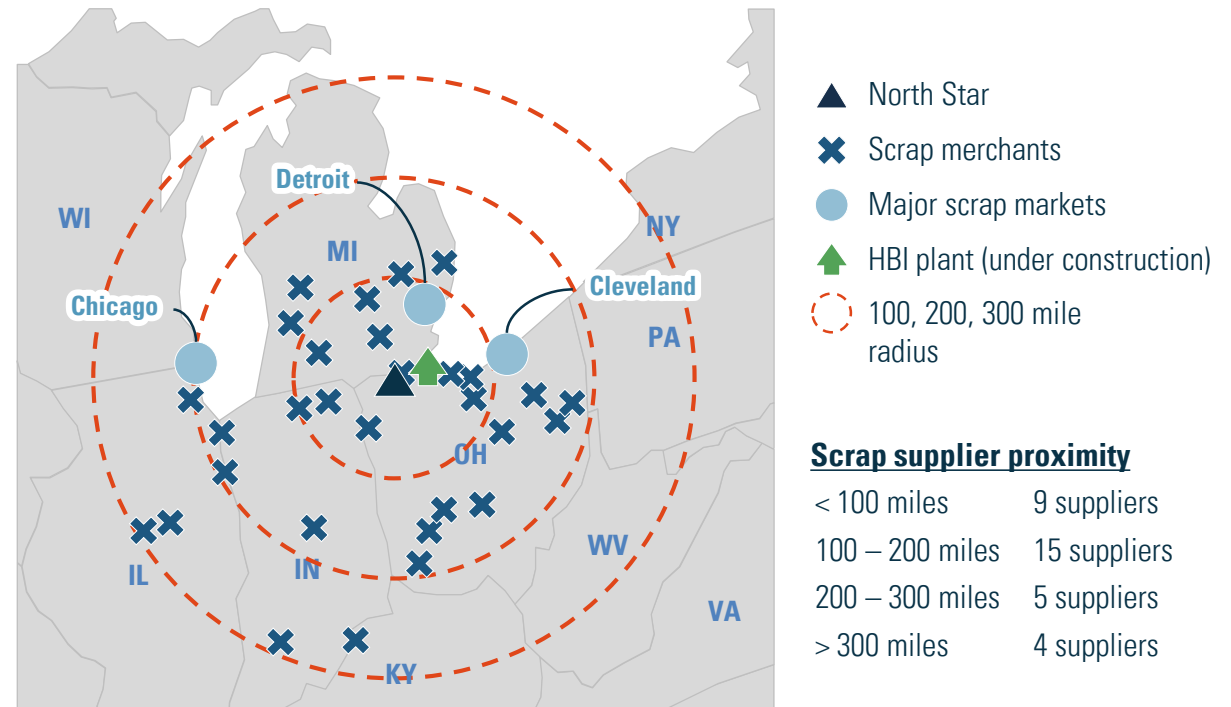
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Located in a geographically advantaged position

Located close to customers...



...and close to scrap suppliers

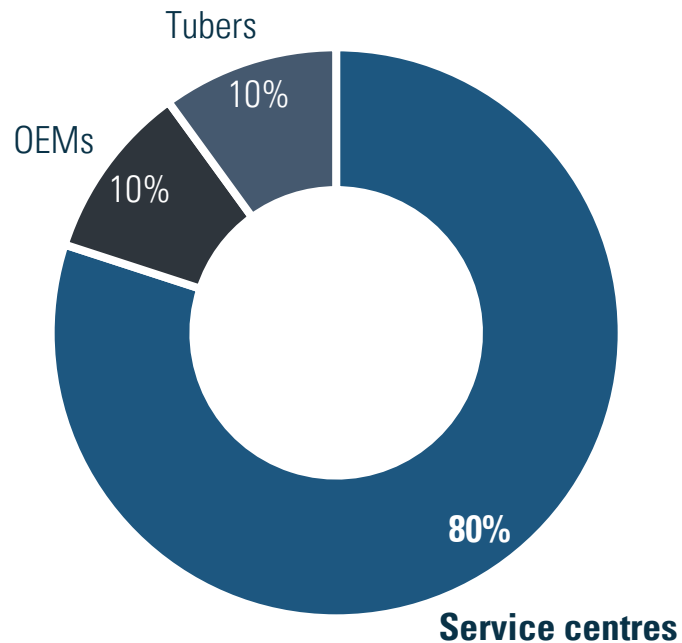


2 NORTH STAR IS AN ADVANTAGED 'BEST-IN-CLASS' ASSET BUILT FOR EXPANSION

20

Sells predominantly to service centres, and holds a modest share of wallet with its customers

Sales by end customer type



Customer share of wallet

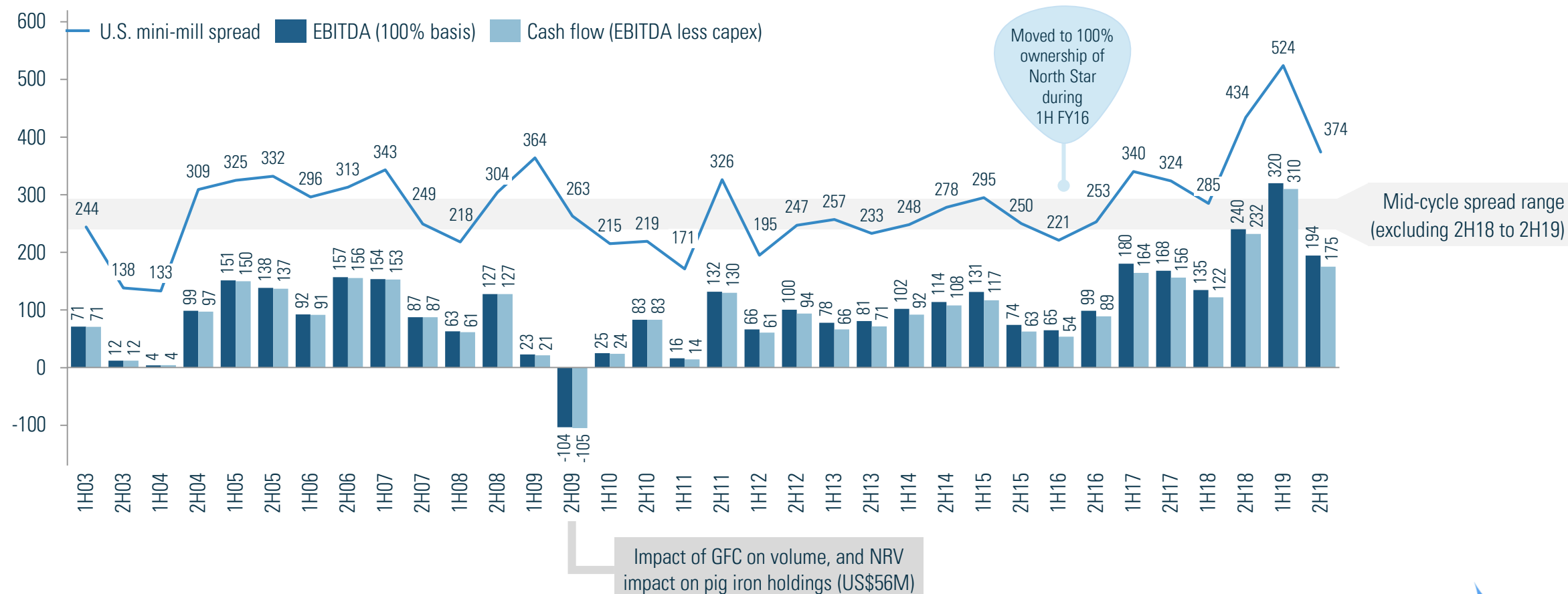
- Service centres value North Star supply due to consistently high service levels, evidenced by metrics such as delivery in full on time and the Jacobson survey
- North Star sells product to over 130 customers, predominantly located within a 300 mile radius
- North Star currently holds a modest share of wallet with its large customer base
- Supply to customers has traditionally been limited due to capacity, with many customers requesting more volumes than North Star are able to produce
- The expansion represents a small increase to the modest share of wallet currently held

2 NORTH STAR IS AN ADVANTAGED 'BEST-IN-CLASS' ASSET BUILT FOR EXPANSION

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Strong EBITDA and cash generation through the cycle; investment case based on historical long term spreads

US\$M EBITDA and spread (100% basis)¹

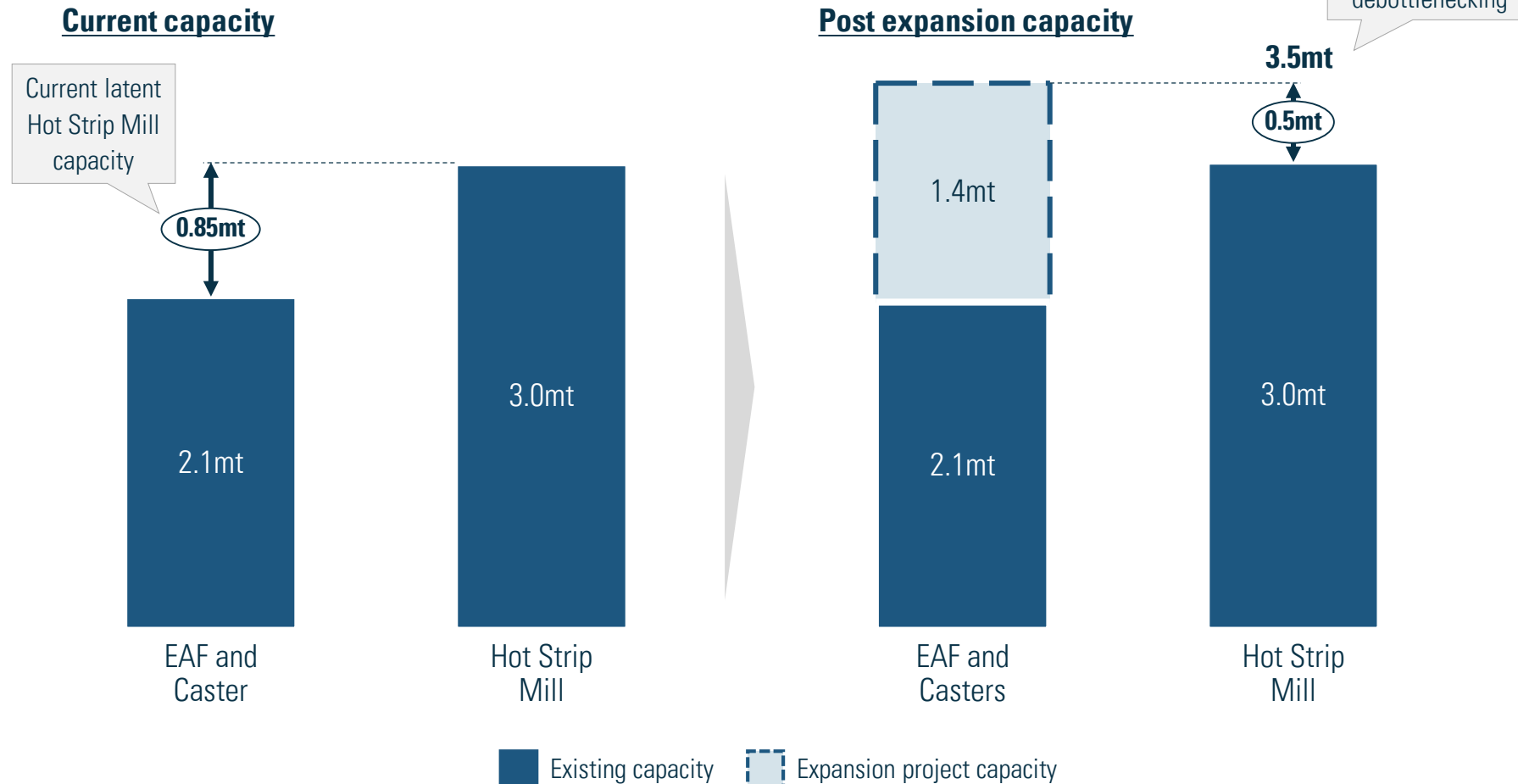


2 NORTH STAR IS AN ADVANTAGED 'BEST-IN-CLASS' ASSET BUILT FOR EXPANSION

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North Star was built with embedded expansion capacity, with a large hot strip mill

North Star capacity by production unit (million metric tonnes per annum)

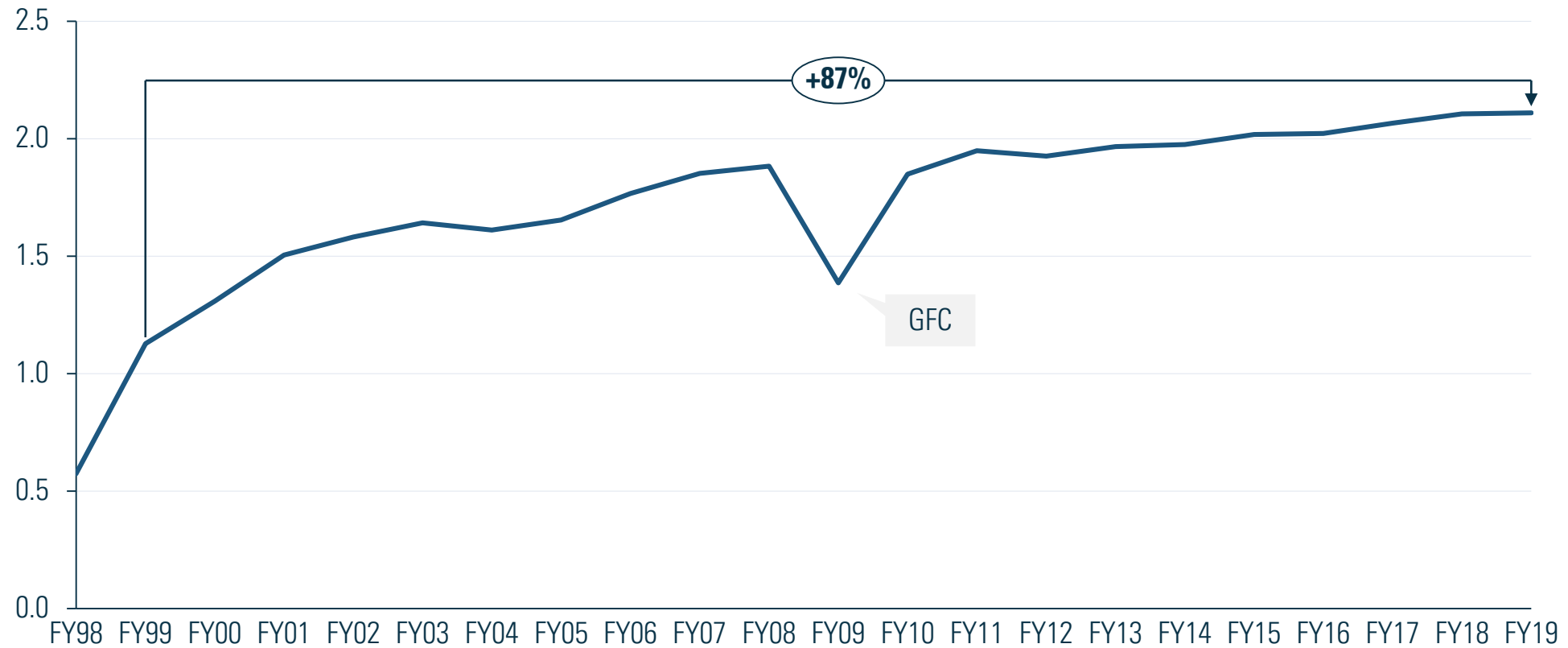


2 NORTH STAR IS AN ADVANTAGED 'BEST-IN-CLASS' ASSET BUILT FOR EXPANSION

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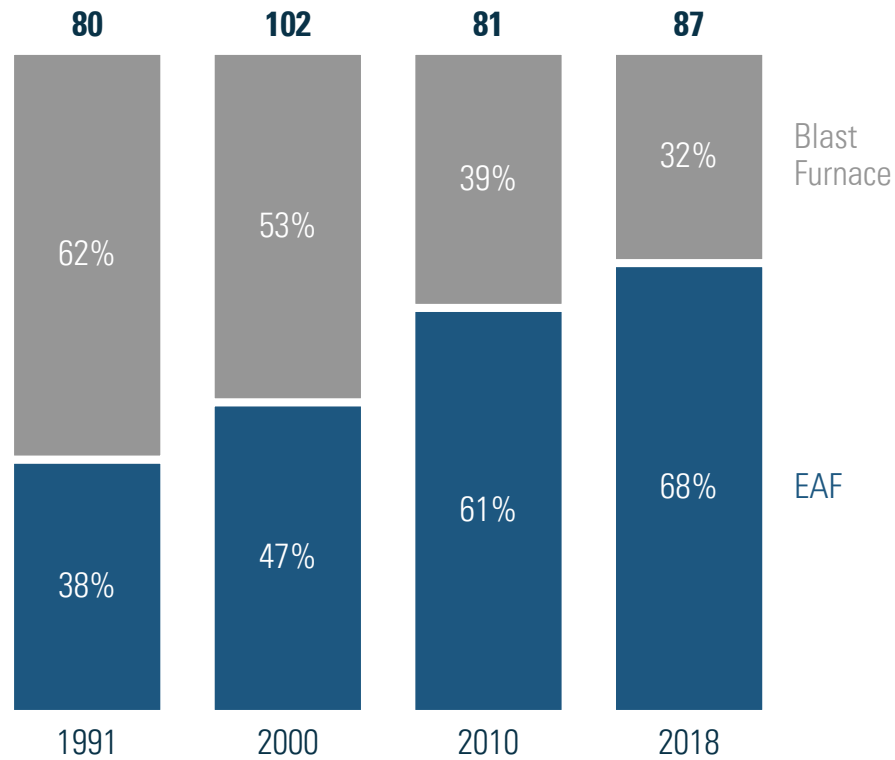
Track record of successful debottlenecking; further enabled post-expansion

North Star despatches since commencement (100% basis, million metric tonnes)

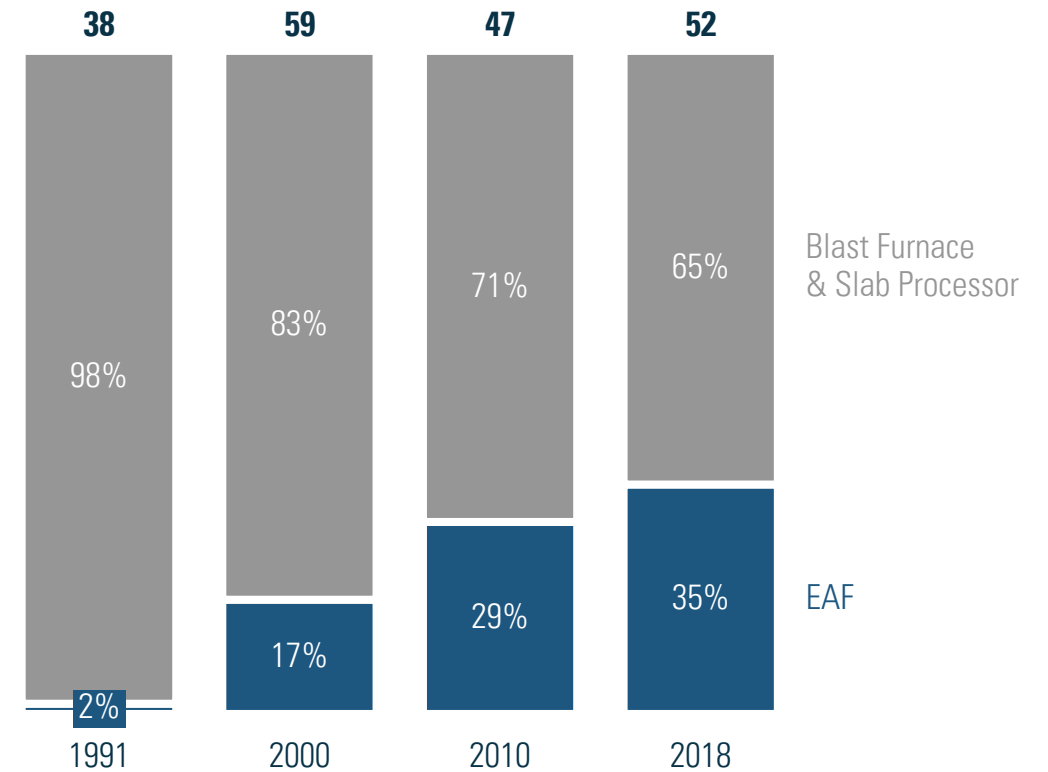


The EAF replacement of blast furnaces is a long term trend in the US, and is still emerging in the HRC market

Crude steel production mix (% , million metric tonnes)



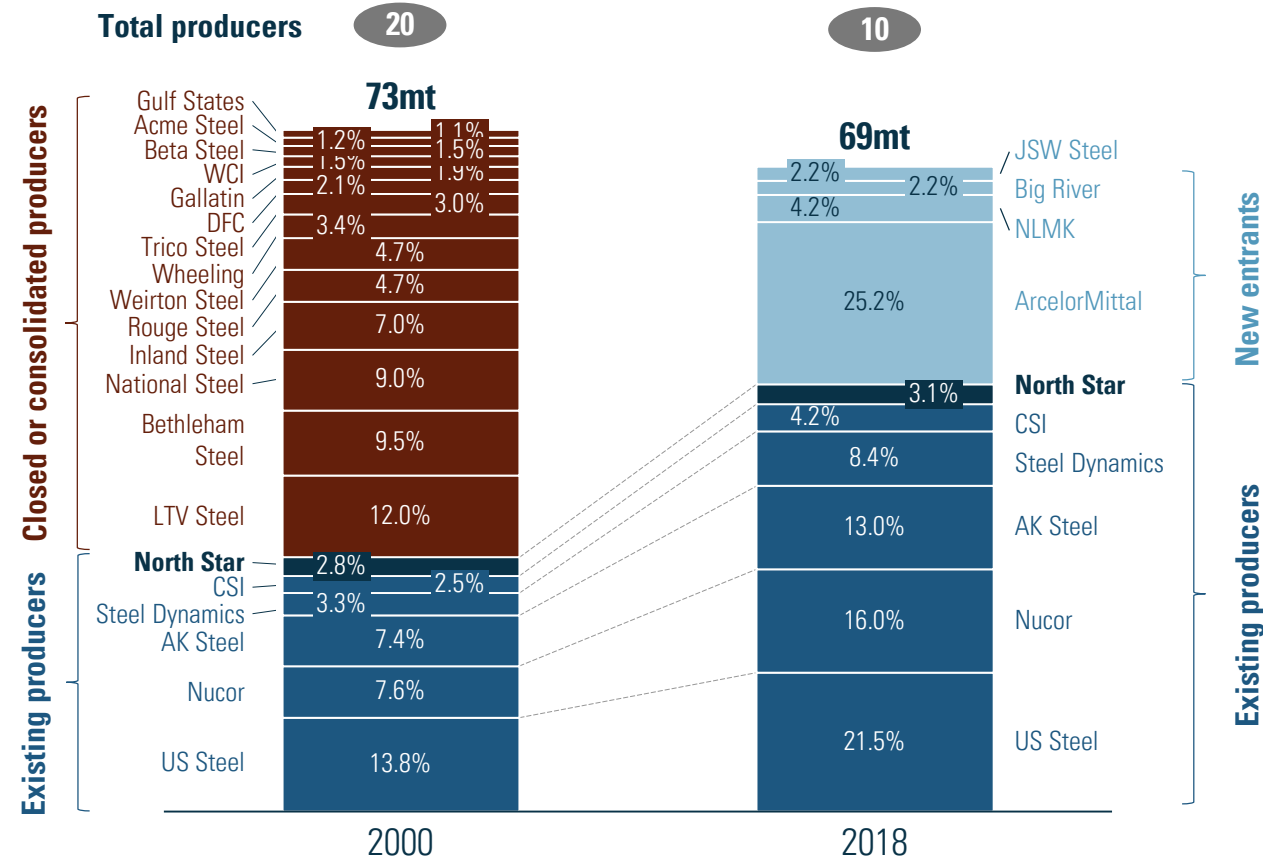
Flat steel production mix (% , million metric tonnes)



EXPANSION IS CONSISTENT WITH LONGER-TERM TRANSITION TO HIGHLY EFFICIENT EAF SUPPLIERS

A trend assisted by consolidation and rationalisation within the industry

Consolidation of US HSM capacity (% , million metric tonnes)



EXPANSION IS CONSISTENT WITH LONGER-TERM TRANSITION TO HIGHLY EFFICIENT EAF SUPPLIERS

EAF HRC capacity being added in North Star's region, blast furnace HRC capacity recently idled

US HRC capacity additions (million metric tonnes)

Nameplate capacity additions, not utilisation adjusted for production¹

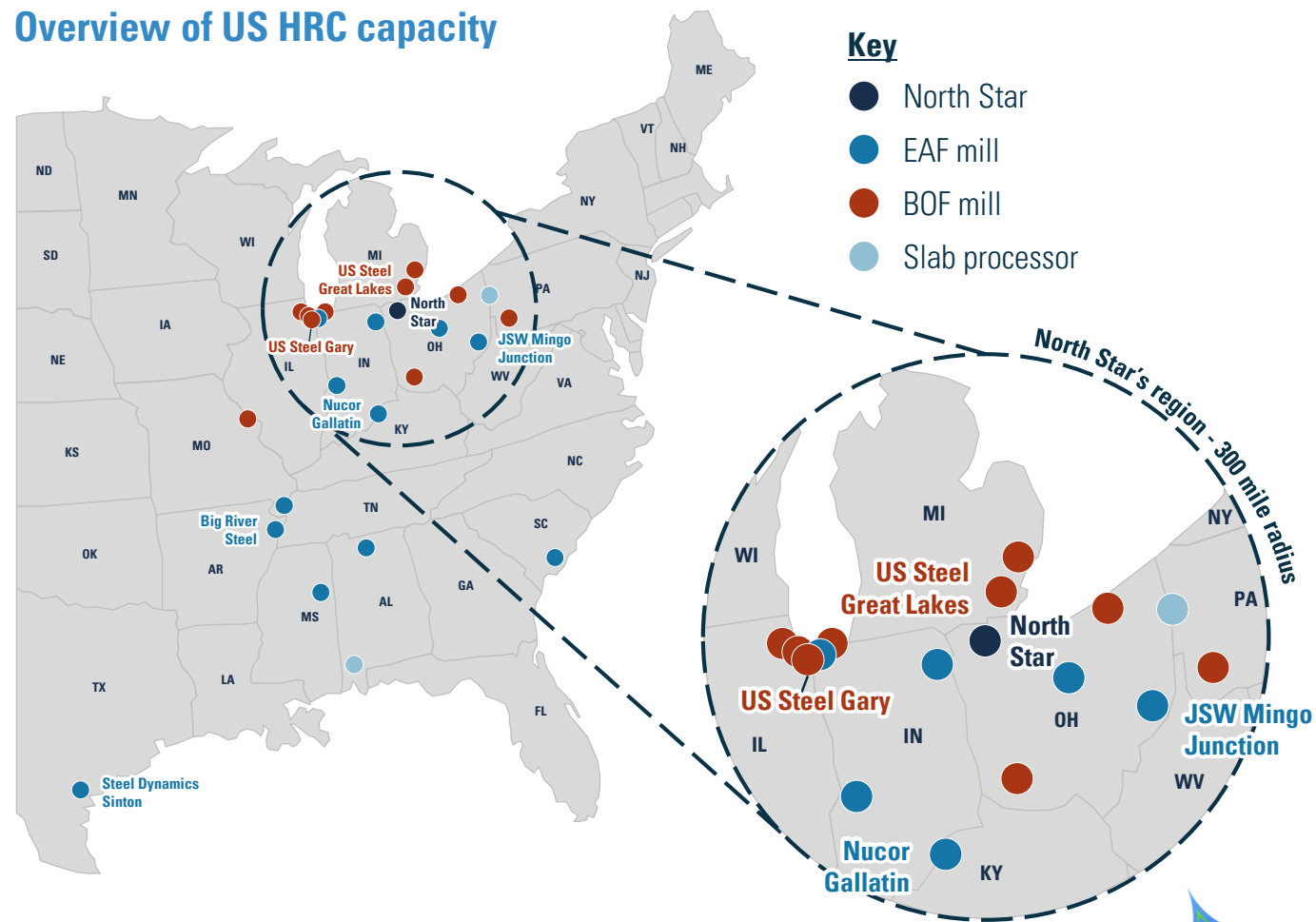
	Mill	Location	Distance from North Star	Capacity change
Within region	North Star	Delta, OH	-	~0.85mt
	Nucor Gallatin	Ghent, KY	200 miles	1.3mt
	JSW Steel	Mingo Junction, OH	195 miles	1.5mt (targeted)
	Subtotal			3.65mt
Outside region	Big River Steel (Phase 2)	Osceloa, AR	510 miles	1.5mt
	Steel Dynamics Southwest	Sinton, TX	1200 miles	2.7mt
	Subtotal			4.2mt
	National total			7.85mt

Recent idling announced

1 Blast furnace at US Steel Great Lakes, Ecorse, MI (60 miles from North Star)

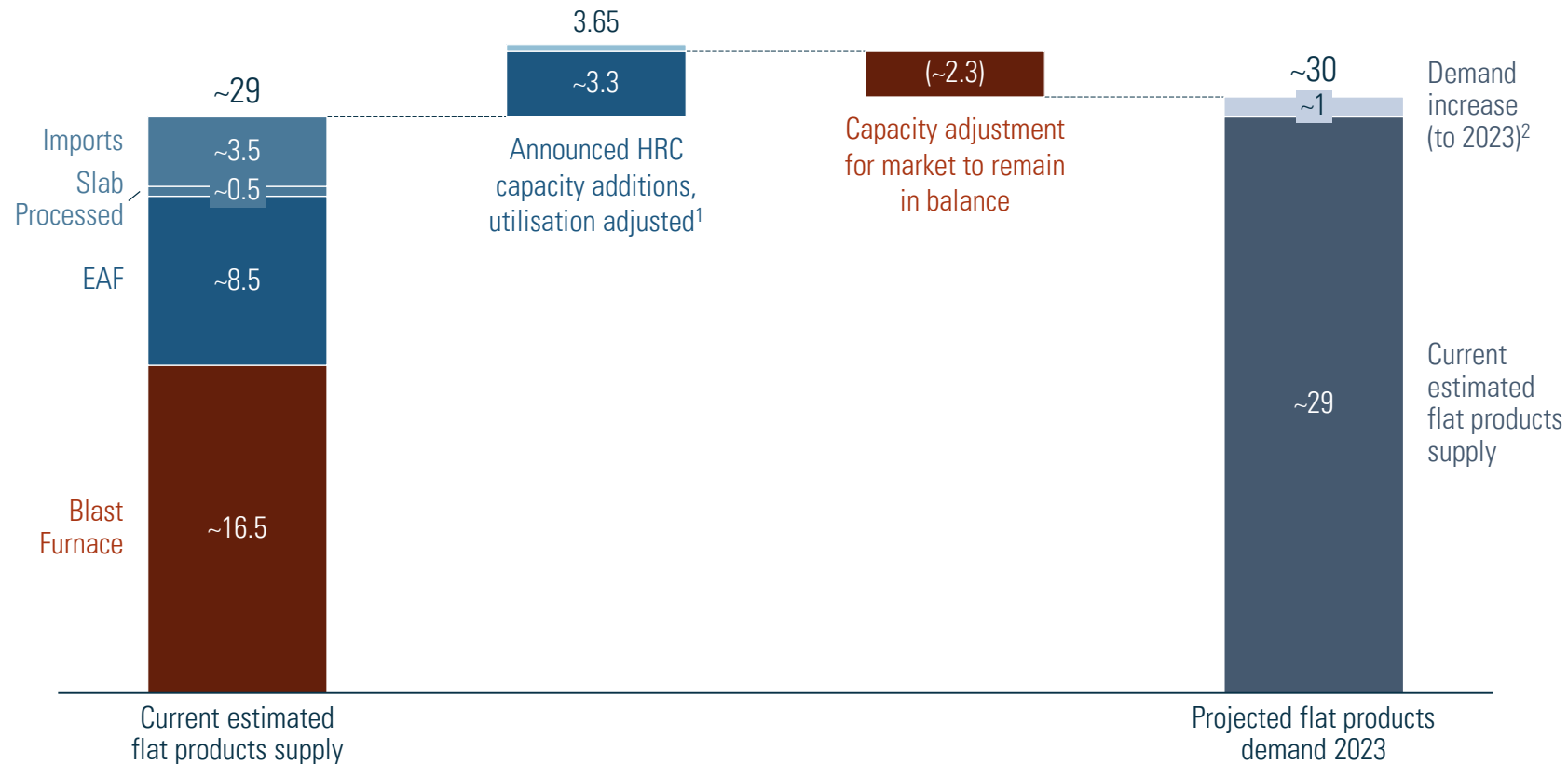
1 Blast furnace at US Steel Gary, Gary, IN (170 miles from North Star)

Overview of US HRC capacity



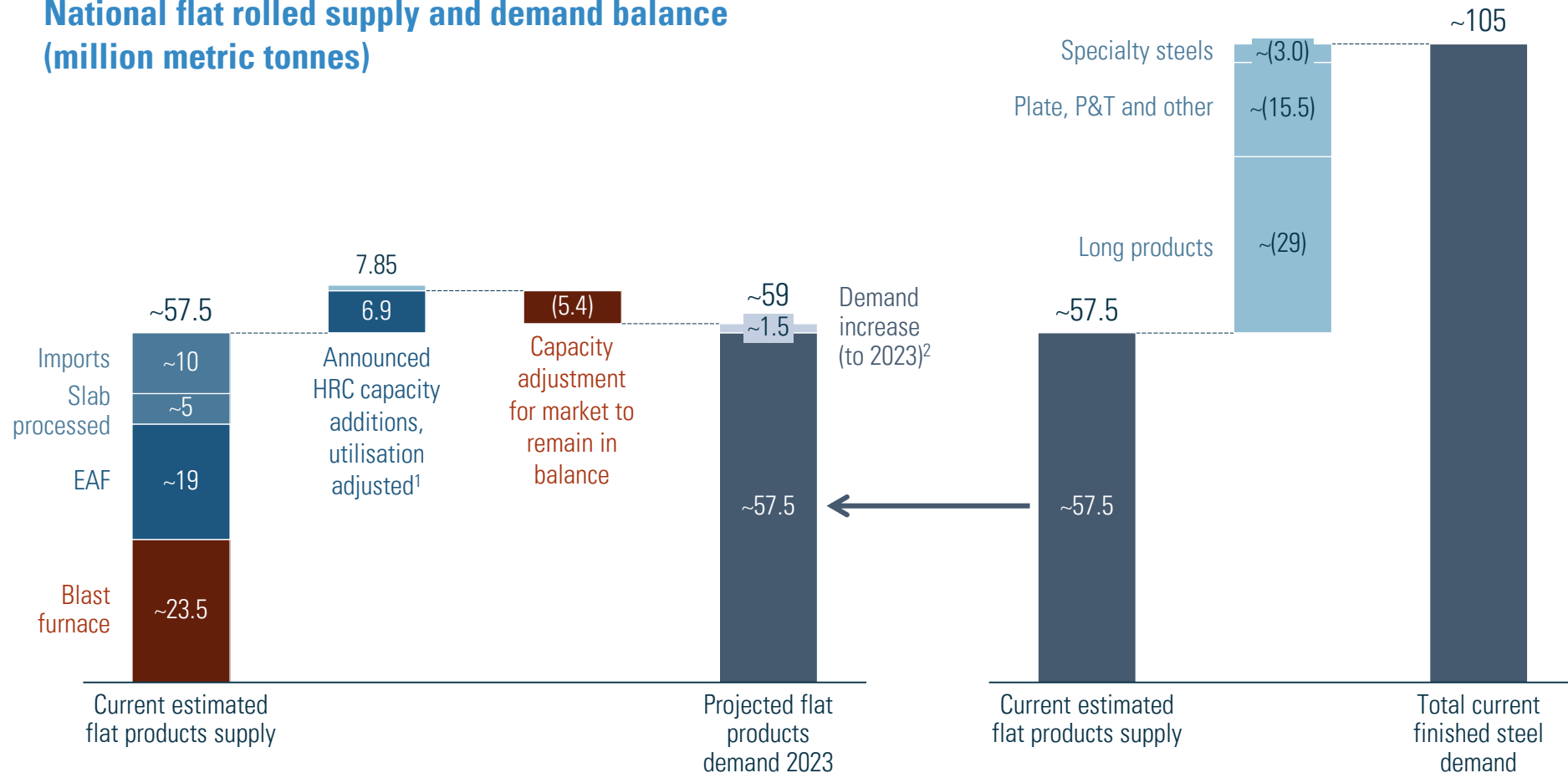
Supply and demand in North Star's region is expected to be largely in balance in 2023

Regional flat rolled supply and demand balance (million metric tonnes)



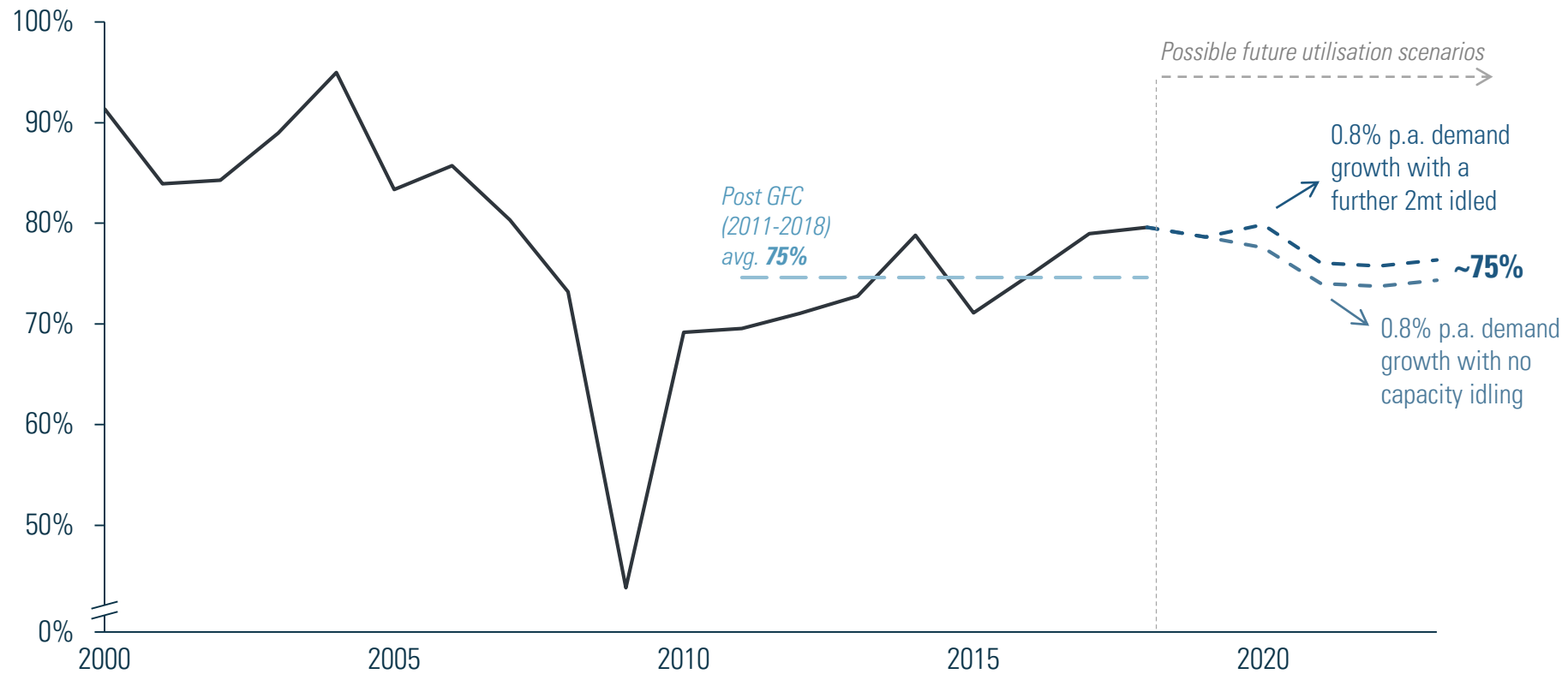
National HRC supply and demand is expected to be largely in balance in 2023

National flat rolled supply and demand balance (million metric tonnes)



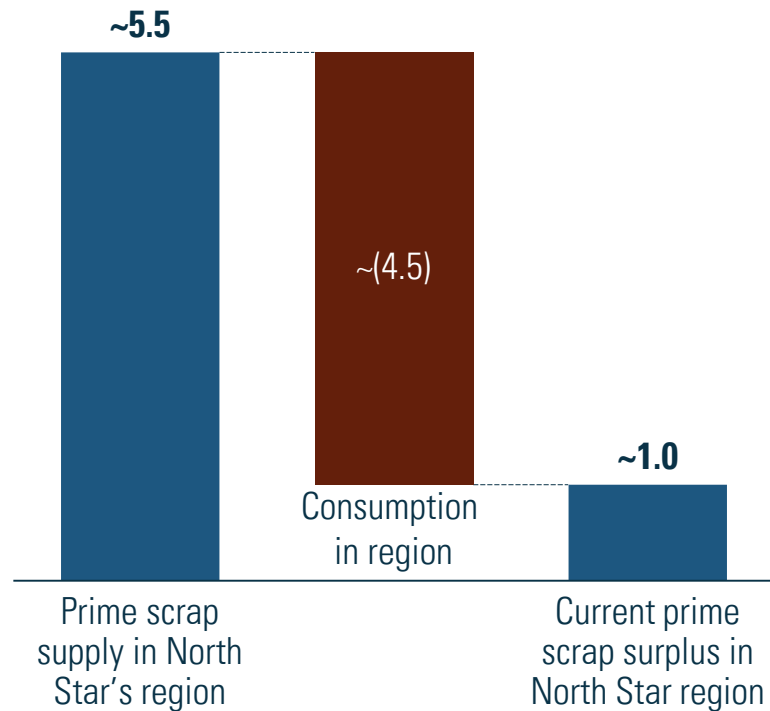
HRC supply-demand dynamics projected to be at or above post-GFC levels, supporting the view on long term spread assumptions

US Hot Strip Mill utilisation (%)



Favourable metalics market will remain adequately supplied

North Star regional prime scrap dynamics (million metric tonnes)



Prime scrap supply-demand balance

- The current prime scrap market is in a surplus position of one million metric tonnes in North Star's region (<300 miles)
- Additional iron unit capacity is coming online in the region, expanding this surplus position
- Additional demand from expanding EAF mills will draw down on this surplus
- Obsolete scrap is also in surplus, with a large volume of material exported

Strong focus on sustainability impacts and opportunities for the evaluation and execution of the project

CLIMATE CHANGE

*Scrap based,
lower emission
steelmaking*

- Installation of low emission EAF capacity
- Expected to lower BlueScope's overall emissions intensity
- Shadow carbon pricing impact analysed in business case

COMMUNITY

*Contributing to the
communities in
which we operate*

- Construction process will create hundreds of jobs
- 90 new permanent full time jobs
- Boost to the local economy

ENVIRONMENT

*Commitment to
highly efficient
control technology*

- Air: best in class emissions controls, e.g. low NOx burners
- Water: focus on water efficiency

SUPPLY CHAIN

*Ensuring ethical
practices in the
supply chain*

- Supplier Code of Conduct assessments underway
- Key focus on modern slavery risks



Targeting a minimum 15% IRR and 15% ROIC when fully ramped-up, based on long-term historical spreads

EXPECTED RETURNS

- Targeting a minimum 15% IRR and 15% ROIC when fully ramped-up, based on long-term historical spreads
- The tax benefits are attractive, both a lower corporate tax rate and accelerated depreciation – however the business case is not built on these benefits

SPREADS AND VOLUMES

- Analysis suggests long term supply and demand will remain largely in balance, capacity utilisation expected to be consistent with historical levels, and that blast furnaces will be the marginal producers
 - Spread assumption is based on historical averages, in the realm of \$250-\$300/t (metric)
- Incremental volumes to be largely placed with existing customer base

CAPEX AND CAPACITY

- CAPEX estimated at \$700M, spread over three years
- Spend profile estimated to be 20-30% in year 1, 50-70% in year 2, 10-30% in year 3 – to be updated as project progresses
- Being built to facilitate incremental growth through debottlenecking
 - Additional capacity of around 850ktpa has the potential to rise by an additional 500ktpa after commissioning, unlocked through debottlenecking projects – particularly on the hot strip mill

OPEX BENEFIT

- Modest benefit to cost per tonne on incremental volume, reflecting the highly variable cost base

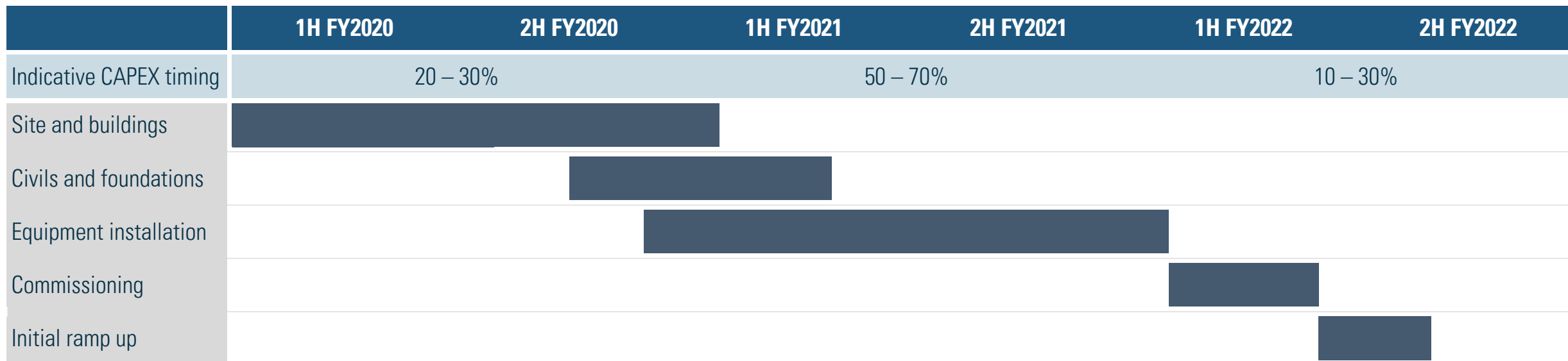
Strong governance and execution regime; thoroughly reviewed by internal and external experts

Risk area	Management
Experienced project management	• Governance steering committee including highly experienced executives • Driven by leading engineering capability from across BlueScope • Early engagement of local proven contractors, with access to local resources and have long term experience and commitments to site
Disciplined budget control	• Appropriate contingencies and escalation included in determining capital cost • Commenced engineering design work with OEMs and Jacobs, ahead of initial schedule • Appropriate project delivery models and cost mechanisms are embedded in the installation contracts • Major OEM and construction management contracts signed • Incentives in place to maintain productivity and reduce waste
Impact to existing operations	• Coordinated and detailed planning to ensure optimised use of the available downtime of the existing plant • Use of experienced consultants who are very familiar with North Star's operations • Team has significant technical and project resourcing expertise and will be bolstered for execution to identify and resolve any issues
Integration of new equipment	• Well-resourced and capable team for process and design integration • Coordinated and detailed planning to ensure effective integration of the equipment

6 COMPREHENSIVE MANAGEMENT OF PROJECT EXECUTION AND INTEGRATION

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Total capital spend of \$700M over three years, appropriate contingency and escalation built in to capital cost



▲
**First coil
in market**



SUMMARY



1

The US is an attractive market for BlueScope

2

North Star is an advantaged, “best-in-class” asset, built for expansion. It’s core to BlueScope’s strategy

3

Expansion is consistent with longer-term transition to highly efficient EAF suppliers

4

Highly engaged and motivated workforce; experienced management team

5

North Star is a strong cash generator through the cycle; expansion expected to deliver compelling returns on historical spreads, and provide further scope for debottlenecking



NORTH STAR SITE VISIT

17 September 2019

BlueScope Steel Limited. ASX Code: BSL

ABN: 16 000 011 058