



MACQUARIE
ACN 002 574 923

Macquarie Private Wealth

Snapshot

BlueScope Steel

Business Description

BlueScope Steel Limited (BSL) is a major steel company in Australia and New Zealand, supplying flat steel products to the building, construction, manufacturing, automotive and packaging industries. BSL operates in Australia, New Zealand, Asia, the Pacific and owns 50% of North Star BlueScope Steel, a joint venture in the US. Brands include Lysaght, Colorbond, Galvabond, Galvaspan and Zinalume.

Strategy Analysis

BSL has 70-80% market share in flat steel products in Australia and New Zealand. BSL's main flat product production facility is the low cost Port Kembla steelworks which has annual production capacity of over 5Mt, reduced to 2.6Mt in FY12 with the closure of a blast furnace. Strategy is to grow shareholder value by reinvigorating the Australian and New Zealand domestic businesses, improving the Asian and North American businesses and leveraging the company's pre-engineered building capabilities, in particular in Asia. BlueScope Steel reported a net loss of \$1.05bn for the year ended 30 June 2011 compared to a profit of \$126.0m last year. The loss was mainly due to net impairment writedowns and spread contraction. Revenues from ordinary activities were \$9.11bn, up 6% from last year. This was primarily due to higher international and domestic selling prices and higher despatch volumes partly offset by a higher average A\$:US\$ exchange rate for FY2011. Diluted EPS was (57.4) cents compared to 6.9 cents last year. Net operating cash flow was \$21.3m compared to \$376.9m last year. The final dividend declared was nil, taking the full year dividend to 2 cents compared with 5 cents last year. The Company has announced a major restructure of Australian operations to reposition it for improved profit and growth.

27 January 2012

Recommendation

Recommendation: Outperform
Relative to: All Ind (ex Fins)

Investment Fundamentals

ASX code: BSL
Stock price: \$0.39
Market cap: \$1,289m

Y/E	30/06/2012	2012e	2013e	2014e	2015e
Reported e	\$m	-434.3	107.3	224.1	220.3
Adjusted e	\$m	-154.3	107.3	224.1	220.3
EPS adjusted	¢	-6.1	3.2	6.7	6.6
EPS growth	%	-22.4	-152.6	108.9	-1.7
PE	x	-6.3	12.0	5.8	5.9
PE relative	x	-0.5	1.2	0.6	0.6
DPS	¢	0.0	1.0	3.0	4.0
Yield	%		2.6	7.8	10.4
Franking	%	0.0	100.0	100.0	100.0

Share Price



Source: ASX and Company accounts

Segment Performance

Results by Industry	Revenue (%)	Return on Sales (%)	Return on Assets (%)	Annual Shareholders' Return	
				1 year	3 year
Coated & Industrial Products	45.1	-27.7	-25.9	-78.0%	-44.0%
Coated & Building Products	30.5	6.8	5.0	-40.0%	0.0%
Distribution & Solutions	18.4	-21.8	-13.0		
Steel Products	6.0	13.2	15.0		
Hot Rolled Products	0.0	87.9	0.0		
Total	100.0	58.4	-18.9		
				Dividend Reinvestment Plan	Yes
				Shareholder Discounts	No
Results by Geography					
Australia	44.0	0.0	0.0		
Asia	27.3	0.0	0.0		
North America	16.7	0.0	0.0		
Other	8.4	0.0	0.0		
New Zealand	3.7	0.0	0.0		
Total	100.1				

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