

# BlueScope Steel Limited

Sector | Basic Materials

**CMP**  
AU\$ 19.32

**Target**  
AUD\$ 25.79

**Risk Level**  
Moderate

**Recommendation**  
BUY

## BlueScope Focuses on Long-Term Growth Amid Market Challenges

January 09, 2025

### Key Positives

- Rise in Gross Profit Margin (39.4% in FY24 vs. 36.5% in FY23)
- Rise in Receivables Turnover Ratio (10.15x in FY24 vs. 9.58x in FY23)
- Rise in Current Ratio (1.97x in FY24 vs. 1.95x in FY23)
- Decline in Debt-to-Equity Ratio (0.06x in FY24 vs. 0.07x in FY23)

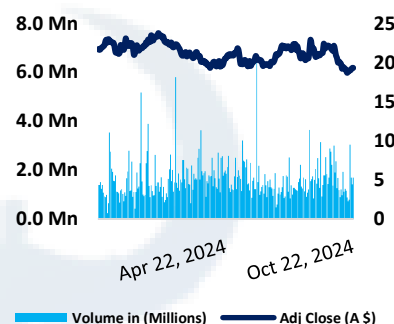
### Key Negatives

- Declined in Asset Turnover Ratio (1.09x in FY24 vs. 1.14x in FY23)
- Decreased Return On Equity (8.5% in FY24 vs. 10.20% in FY23)
- Decreased EBIT Margin (7.60% in FY24 vs. 8.10% in FY23)

### Stock Information

Ticker	BSL
Mkt Cap	AUD 8.39 Bn
52-Week H/L	\$24.255- \$18.60
Beta (x)-5Y Monthly	1.3x
Div. Yield (%)	2.84%
Outstanding Shares (mn)	438.61 Mn
Duration	9 to 12 months

### Stock Performance



### Key Investment Risks

Adverse impact on product pricing | Customer exposure to rising costs | Increased regulation | Intense competition | Supply Chain Disruptions, etc.

### Investment Summary

- **Decent Performance in FY24:** Revenue from continuing operations decreased by 6.33% YoY to AUD 17,055.3mn in FY24 vs AUD 18,206.9mn in FY23. Revenue decline in FY2024 was primarily due to lower global steel prices, reduced domestic and export dispatch volumes, and a softer demand environment across key segments, despite favorable currency impacts. Reported EBIT declined 14% to AUD 1,276.0M vs AUD 1,487.3M in FY23. Reported NPAT decreased by 20% to AUD 805.7M vs AUD 1,009.2M in FY2023.
- **Projects Expansion:** Progress continues on North Star Steel's debottlenecking and capacity expansion efforts in the U.S., alongside the advancement of premium branded product growth, such as COLORBOND® steel.
- **Sustainability and Decarbonization:** The company has achieved a 12.2% reduction in steelmaking emissions intensity since FY2018. It is also collaborating with BHP and Rio Tinto on innovative iron and steelmaking technologies.
- **Strategic Investments:** The company has invested in infrastructure, such as the upgrade of the No. 6 Blast Furnace at Port Kembla. These investments are aimed at driving long-term growth in both domestic and international markets, with a particular focus on Asia.
- **Full-year 2025 guidance:** Underlying EBIT forecast between AUD 270mn to 310mn in 1H FY25, depending on global steel spreads and market dynamics. This is lower than the previous guidance range of AUD 350mn to AUD 420mn, driven by various factors across BlueScope's regions, as detailed further below.
- **Valuation:** We recommend a "Buy" rating on BSL assigning P/E multiple of 26.58x to FY25E EPS, which gives the target price of AUD 25.79 for the period of 9-12 months.

### Company Overview

BlueScope Steel Limited (ASX: BSL) is a steel manufacturing company that specializes in providing steel materials, products, systems, and technologies across regions including North America, Australia, New Zealand, the Pacific Islands, and Asia. The company is involved in the production of coated steel and coil coating products. Its operations are divided into several segments: Australian Steel Products (ASP), North Star BlueScope Steel, Coated Products Asia, Buildings and Coated Products North America, and New Zealand & Pacific Islands. The ASP segment focuses on producing and selling coated and painted flat steel products to the Australian building and construction industry, in addition to supplying commodity flat steel products. The Coated Products Asia segment provides building solutions in China, offering metal coating, painting, Lysaght operations, and engineered building solutions.

## Financial Highlights (AU\$ Mn)

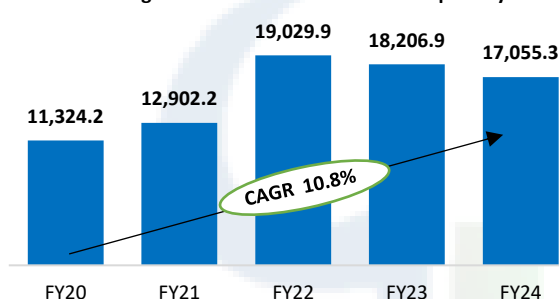
YE June (AU\$ Million)	FY20	FY21	FY22	FY23	FY24	Growth	Trend
Revenue	11,324.2	12,902.2	19,029.9	18,206.9	17,055.3	↑	↑
EBITDA	932.1	2,080.2	4,192.8	2,010.3	1,862.9	↑	↑
EBITDA Margin (%)	8.2%	16.1%	22.0%	11.0%	10.9%	↑	↑
Net Profit	96.5	1,193.3	2,810.1	1,009.2	805.7	↑	↑
Net Margin (%)	0.9%	9.2%	14.8%	5.5%	4.7%	↑	↑
EPS (\$)	0.19	2.37	5.72	2.17	1.80	↑	↑
Dividend Per Share (Cents)	14.00	50.00	50.00	50.00	50.00	↑	↑
RoE (%)	1.8%	17.1%	32.0%	10.2%	8.5%	↑	↑
Total Debt	1,320.4	1,163.8	1,315.6	786.5	721.5	↓	↓
Free Cash Flow	256.2	904.8	1,726.4	1,353.1	446.7	↑	↑

Source: Company, tikr.com, V2U Research

## Quick Financial Analysis

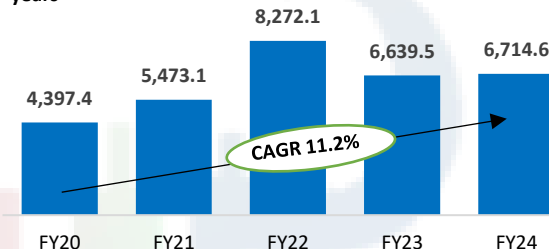
### Revenue (\$mn)

Revenue has grown at CAGR of 10.8% over the past 5 years



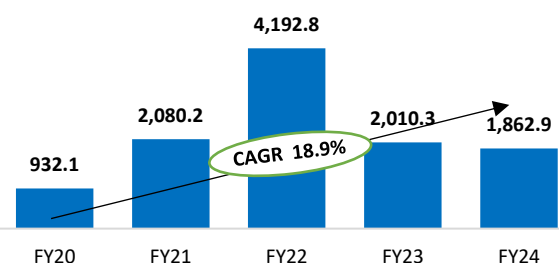
### Gross Profit (\$mn)

Gross Profit has grown at CAGR of 11.2% over the past 5 years



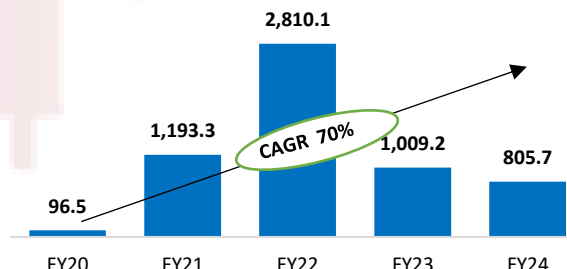
### EBITDA (\$mn)

EBITDA has grown at CAGR of 18.9% over the past 5 years



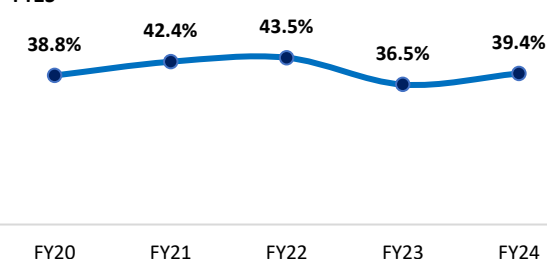
### Net Income (\$mn)

Net Income has grown at CAGR of 70% over the past 5 years



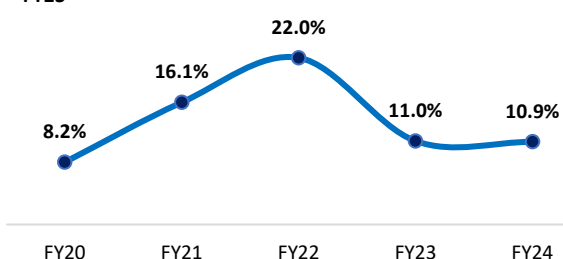
### Gross Margin (%)

Gross margin increased by ~290.3 basis points in FY24 from FY23



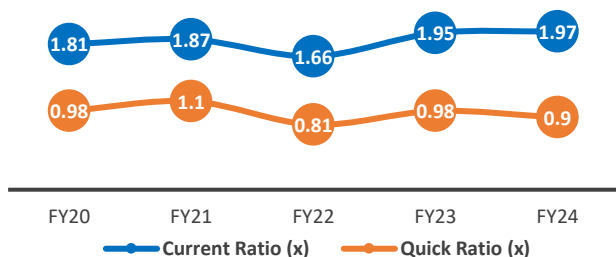
### EBITDA Margin (%)

EBITDA margin decreased by ~11.9 basis points in FY24 from FY23



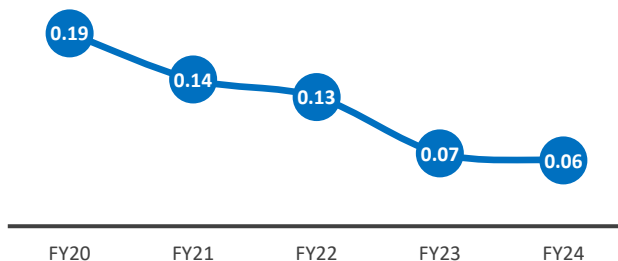
## Liquidity Profile

Liquidity Ratio remains decent in FY24



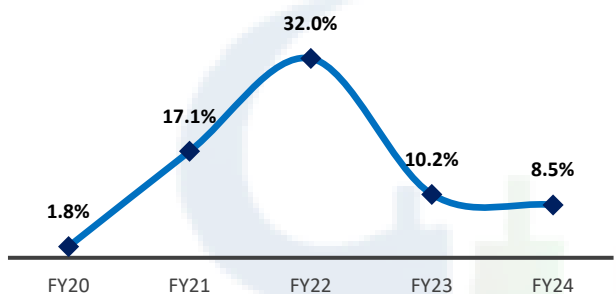
## Debt to Equity (x)

Debt to Equity Ratio declined by 0.01x in FY24



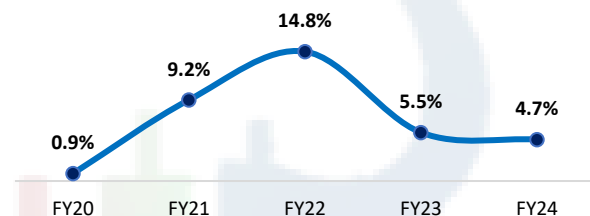
## Return on Equity (%)

Return on Equity decreased by ~170 basis points in FY24



## Net margin (%)

Net Income margin decreased by ~81.9 basis points in FY24



Source: Company, tkr.com, V2U Research

## Valuation Methodology

### P/E Multiple Based Relative Valuation

	Earnings Per Share (FY25E A\$)	Price/EPS Multiple (NTM) (Peer Mean) (approx.)	Market Cap (A\$ mn)	Shares Outstanding (million)	Target Share Price (A\$)	Closing Market Price (A\$) (8 January 2025)	Recommendation
FY25E	0.97	26.58	11,309.9	438.6	<b>25.79</b>	19.32	<b>Buy</b>

Data Source: tkr.com, Analysis by V2U Research

## Technical Overview

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BlueScope Steel Ltd, Australia, Sydney:BSL, W



Weekly Chart, Source: investing.com

On the weekly time frame, the chart for BlueScope Steel (BSL) suggests a buying opportunity as the stock approaches a strong support zone at AUD 20.78, which has historically provided a robust base for price recovery. The proximity to the lower Bollinger Band indicates oversold conditions, enhancing the likelihood of a near-term reversal. Additionally, the RSI (14-day) at 40.11 signals the stock is nearing oversold territory, which often precedes upward momentum.

Going ahead, the stock may face an initial resistance of AUD 21.62 (R1) and beyond that it may find strong resistance at AUD 22.95 (R2). On the flip side, if the stock retraces down, it may take initial support at AUD 17.78 (S1), while Support 2 is at AUD 15.56.

## Stock Recommendation

BlueScope Steel Limited presents a strong long-term investment case despite a challenging FY2024. Revenue declined 6% YoY due to softer global steel prices and lower dispatch volumes, but strategic growth initiatives remain robust. The company's focus on premium branded products, capacity expansions in North America, and sustainability-driven projects, including the electric arc furnace in New Zealand, position it well for future growth. With a solid balance sheet (AUD 364M net cash) and ongoing shareholder returns (AUD 548M), BlueScope demonstrates resilience. While near-term macroeconomic headwinds persist, the long-term outlook, underpinned by decarbonization and infrastructure investments, supports a Buy recommendation for investors seeking exposure to cyclical recovery and sustainable growth opportunities.

**1H FY25 trading update:** In 1H FY25, the North America region is expected to deliver a result slightly below half of 2H FY2024. Australian Steel Products (ASP) performance has been impacted by an AUD 10 million lower export coke contribution due to softer global coke prices. The New Zealand and Pacific Islands (NZPI) segment is projected to perform in line with 2H FY2024.

Hence, considering the aforesaid facts, decent long-term outlook, alignment with global trends, industry tailwind, and technical analysis, we anticipate the stock to continue its uptrend, and investors with risk appetite can look forward to buying the stock at the closing market price of AUD 19.32 (as of January 08, 2025) for the upside target price of AUD 25.79 (based on P/E relative valuation method), keeping in view the stock being underpriced while growth drivers remain intact amid favorable industry tailwinds. However, there could be downside risks to the valuation, owing to geopolitical risk and economic uncertainty.

### **Technical Indicators Defined: -**

**Support:** A level at which a downward-trending asset attracts buying interest, preventing the price from falling further.

**Resistance:** A level at which an upward-trending asset experiences selling pressure, preventing the price from continuing to rise.

**Stop-loss:** It is a level that prevents further losses caused by adverse changes in stock prices.

**Bollinger band:** The Bollinger band is a technical indicator that indicates a financial asset is about to enter an overbought or oversold state. There are three lines that make up a Bollinger Band on a price chart. The first line is the simple moving average (SMA), which is usually a 20-period moving average of the asset's price. It takes price data over a specific time frame and averages it out so you can see the big picture. Second is, upper band, which is defined as the band located above the middle band, often two standard deviations higher. Finally, there is the lower band, which is situated a specific number of standard deviations (usually 2) below the middle band and signifies possible overbought situations when prices approach or surpass it. Prices that go close to or go below this zone can be a sign of possible oversold situations.

**RSI:** The Relative Strength Index (RSI) measures the speed and strength of price fluctuations over a specific time period (typically 14 days). It analyzes the internal strength of a price movement, allowing traders to spot market momentum.

**EMA:** Exponential Moving Average (EMA) is a type of moving average that gives more weight and importance to the most recent data points. It is used to evaluate the bullish and bearish trends in securities over a specific timeframe.

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**Disclosure:** We sourced the above information from the company reports, presentations, stock exchange, company websites, publicly available information, and a third-party database, i.e., tkr.com. It is advisable that investors make use of a stringent stop-loss in order to safeguard their investments in the event that any adverse or unpredictable market events occur.