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ASX/MEDIA RELEASE

Strong Results; Future Growth Focus

- EBITDA¹ of \$8.5m, up 50.9% on last year
- Profit After Tax of \$3.9m, up 119.3% on last year
- Revenue of \$88.6m, up 38.3% on last year
- Final dividend for the FY18 year of 4.0cps fully franked, up from 2.5cps for FY17
- Increased sales of higher-margin armour grade steels, up 55.5% on last year
- Increased Australian domestic market sales, up 53.6% on last year
- Increased Chinese domestic market sales, up 89.2% on last year
- Bisalloy is forecasting profitability to be up in FY19

FY18 Highlights

Bisalloy Steel Group Limited (ASX:BIS) (**Bisalloy** or the **Group**) today reported EBITDA¹ of \$8.5m (FY17 \$5.6m). The growth in earnings is in line with Bisalloy's guidance to the market back in August 2017. The ability of Bisalloy to hit the strong EBITDA target set by the new management team has been a direct impact from:

- Growth in sales of armour grade steels by 55.5% on FY17. These sales result in a higher margin compared to other products.
- Growth in Australian domestic sales by 53.6% on FY17, including capture of domestic customers who were previously buying from Bisalloy's offshore competitors.
- Growth in Chinese domestic sales by 89.2% on FY17.

Results Summary	FY2018 \$m	FY2017 \$m	Change %
Revenue	88.6	64.0	+38.3%
EBITDA ¹	8.5	5.6	+50.9%
Profit after tax	3.9	1.8	+119.3%
Earnings per share (cents)	8.2	3.4	+141.2%

¹ The EBITDA reported is before foreign exchange gains or losses

Funding

The Group's net debt increased to \$5.9m at 30 June 2018, up from \$4.7m at 30 June 2017, due to an increase in working capital which was supported by free cash flow.

Strategy

In FY18 Bisalloy continued in the execution of its strategy of improving the current operation in its production and distribution of quenched and tempered (QT) steel in the Australian domestic market, in conjunction with building on the existing JV operations throughout Asia for future growth opportunities.

In FY17 a number of staffing changes were made within the sales and marketing functions of the Australian business with these changes having contributed to the uplift in domestic sales over the FY17/FY18 period.

In FY18 Bisalloy actively pursued the strategy of growing its armour product business both with the Australian Federal Government's various projects as well as select international defence companies. To fully capitalise on the future potential of this business, Bisalloy embarked on a number of company-wide improvements and investments to be able to supply this higher-margin segment which continues to increase in size.

During FY18 Bisalloy launched a new range of protection grade steels suitable for the growing civilian protection market.

Strong volume growth will continue to be targeted from Bisalloy's Co-Operative Joint Venture (CJV) in China with access to the new plant in Rizhao scheduled for FY19.

Operations

Domestic

To support the sales volume growth of Bisalloy QT wear, structural and armour products in FY18, Bisalloy was able to increase greenfeed supply from both local and international suppliers.

Co-Operative Joint Venture in China

In FY18 Bisalloy's CJV partner, Shandong Steel, commenced the relocation of its QT plant from Jinan following the closure of the Jinan steel mill. This equipment is being relocated to Shandong Steel's new state of the art steel mill in Rizhao. Following the closure of the Jinan steel mill, the CJV continued to source product from Shandong Steel's Laiwu steel mill. The CJV volumes and profits increased in FY18 with Bisalloy's share of the CJV EBITDA² increasing to \$1.5m (FY2017 \$1.0m). Targets for FY19 and beyond represent a continuation of this trend.

² The EBITDA reported is before foreign exchange gains or losses

Due to the substantial growth of the CJV, both parties in the joint venture agreed in Q4 FY18 to increase their registered capital of the CJV, with Bisalloy's contribution to increase from US\$1.0m to US\$2.5m over the next two years.

Overseas Distribution

The Group's overseas distribution operations in Indonesia and Thailand continue to be profitable.

New Markets

Bisalloy has commenced a relationship with a European global steel supplier in relation to the supply of high specification greenfeed required for Bisalloy's most demanding future growth products. This relationship is expected to broaden Bisalloy's R&D base while enabling faster development times of higher grades to match emerging market trends.

FY18 saw an increase in international sales for armour grade steels. FY19 is forecast to see continued growth.

During the year Bisalloy entered into a distribution agreement in South Africa predominantly for the sales and distribution of Bisalloy armour and protection grade steels in South Africa.

Priorities for FY19

Bisalloy is forecasting profitability to be up in FY19. To achieve this, Bisalloy is continuing with its growth strategy in a shift towards focusing on the premium grades of QT steels from its Unanderra plant, including armour grade steels, while developing the volume growth of other products sourced from Bisalloy's CJV operation.

This strategy and focus has resulted in high volumes in the second half of FY18 with good momentum and a strong order book going into FY19.

Bisalloy's wear products are primarily sold in the traditional resources segment. This segment stabilised in FY18 with Bisalloy increasing its market share within this segment. Bisalloy is forecasting to further capitalise on this improved position in FY19.

Growth in armour grade steels is a major focus area for Bisalloy in FY19. In FY18 Bisalloy made the first shipment of armour steel to Rheinmetall Germany for testing ahead of acceptance for the LAND400 Phase 2 program. Final testing will be conducted in Q1 FY19 with acceptance expected in H1 FY19.

In FY18 Bisalloy completed the audit process for potential supplier selection to Naval Group as part of the future submarine project in Australia. In Q1 FY19 testing of the first trial material will be completed at Bisalloy.

In FY18 Bisalloy were qualified to participate in the Global Access Program of BAE Systems Plc, a British multinational defence, security and aerospace company, and will continue to work with BAE Systems Plc in FY19.

Bisalloy continues to support key Australian defence projects including the Thales Hawkei vehicle and ongoing support of the Bushmaster vehicle.

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Bisalloy is Australia's only manufacturer of high-strength structural, wear-resistant and armour steel plates using quenched and tempered steel. Bisplate is used in the mining, construction, general fabrication and defence sectors. Bisalloy has an extensive distribution network across Australasia, Indonesia, Thailand, the People's Republic of China, Dubai and South Africa. See our website at www.bisalloy.com.au.

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