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ASX/MEDIA RELEASE

Improving Outlook Supported by Strong Performance

- EBITDA of \$5.4m in line with guidance, and up 8% on last year
- Revenue of \$64m up 16% on last year
- Increased share of the Australian domestic market
- Net debt of \$4.7m (FY2016 - \$7.7m)
- Final dividend for the FY2017 year of 2.5cps, fully franked

Bisalloy Steel Group Limited (ASX:BIS) (**Bisalloy** or the **Group**) today reported EBITDA (including a contribution from the Chinese Joint Venture before local taxes and finance charges), of \$5.4m (FY2016 \$5.0m). The growth in earnings is in line with Bisalloy's guidance to the market and is underpinned by the improved business performance in the second half of FY17.

Results Summary	FY2017 \$m	FY2016 \$m	Change %
Revenue	64.0	55.0	+16%
EBITDA before foreign exchange	5.6	4.7	+21%
Foreign Exchange Gain / (Loss)	(0.2)	0.3	-143%
EBITDA	5.4	5.0	+8%
Profit after tax	1.7	1.7	+1%
Earnings per share (cents)	3.4	3.5	-2%

Funding

The Group's net debt decreased to \$4.7m at 30 June 2017, down from \$7.7m at 30 June 2016, supported by free cash flow and tight control over working capital. The Group entered into a new finance facility with Westpac on 30 May 2017 which is in place through to 30 May 2020.

Strategy

In FY17 Bisalloy focussed on the execution of its strategy of strengthening the current operation in its production and distribution of high performance quench & tempered steel in the Australian domestic market, in conjunction with building on the existing JV operations throughout Asia for future growth opportunities.



A new sales organisation was established, including the appointment of a new Group General Manager of Sales, with the goal of improving the customer experience via an enhanced customer focus. This team is tasked with engaging with the domestic end users and distributors to have Bisalloy at front of mind when purchasing Q&T products and to aggressively claw back market share from imports. Renewed customer services and technical support organisations were created to deliver on the strategy of providing exceptional customer services. Simultaneously, our operation and production teams were tasked to innovatively source raw material, improve efficiency and increase volume to meet the forecast higher demand. As a result, Bisalloy's market share is already showing signs of improvement.

A refreshed brand was launched with a focus on a clear and consistent message to the market place with a strategy to supply beyond the traditional resource market. This also included developing new Q&T products, including partnering with international Q&T manufacturers, to fill current and future market gaps, which will both improve Bisalloy's market share, and allow us to service customer requirements which were not previously able to be met.

During FY17 Bisalloy strengthened the Co-operative Joint Venture in China and its Indonesian and Thailand subsidiaries with the strategy to be the significant international Q&T supplier in these markets.

Outlook

Focused efforts to engage with Bisalloy's traditional customers, while actively seeking new customers, has been a significant driver of the increase in market share in the domestic market. This resulted in high volumes in the third quarter of FY17 with good momentum and a healthy order backlog going into FY18.

Growth in armour grade steels is a major target area for Bisalloy in FY18. Bisalloy is well advanced in its engagement with all major bidders for the Australian defence forces new land vehicles and navy vessels including the DCNS (Naval Group) future submarine project. This has included numerous site visits, briefings, technical and quality audits and reviews. We expect to be in a position to make further announcements about these opportunities during the latter part of 2017.

The traditional resources market is currently stable, albeit at a relatively moderate level compared to historic levels, and this is expected to continue into FY18. Good opportunities exist in the repair and maintenance of mining plant and equipment. An agile and aggressive approach is needed to address these opportunities in the current climate. Bisalloy has been actively readjusting its operation to accommodate these customer needs with very good results.

There are opportunities for the supply of Bisalloy Q&T to international markets through mining fabricators and we have started to supply spot orders for evaluation. Entry into other non-resources markets is well underway; this will require an addition of products to satisfy grade, thickness and length requirements which Bisalloy is actively working on supplying.

In an exciting new development for Bisalloy, we recently launched a new range of armour steels, Bisalloy *Protection Steels*, for the non-defence, civilian market. These products are expected to be higher in volume compared to defence armour steels and are aimed to address the increasing worldwide need for government and civilian organisations to provide protection for people, valuables and property. This new range of steel is eminently suited to government and civilian applications including light armoured vehicles, land and sea patrol vehicles, cash-in-transit vehicles, safes and strongboxes, security booths, public and private facilities, safe rooms and many other protective applications.

Bisalloy is planning on FY18 sales and production volumes to be significantly higher than in FY17 and is in the process of establishing a permanent third, night shift, operation. Bisalloy is investing in new cutting, stencilling, measurement and handling machinery and processes which will result in a higher quality product to compete in new markets and will be a requirement to participate in future defence steel projects.

The Group's Co-operative Joint Venture (CJV) for the production of quench & tempered steel plate is entering an exciting new phase of its development. During FY17 the CJV has actively sought to grow in the premium end of the market in China with excellent results. In an initiative to grow this business beyond the China domestic market, on the back of the Group's other activities in the Asia and Middle Eastern markets, the Group is targeting to supply CJV products into those markets during FY18. The CJV is forecasting a steady increase in its financial contributions to the Group's result in FY18.

The Group's distribution subsidiaries in Indonesia and Thailand are expected to operate profitably with both operations showing good growth opportunities in their respective markets. Indonesia in particular is in a growth stage with plans to continue their strong market position through FY18. They will both be adding the Bisalloy Protection Steel and select CJV products to their offerings.

New Markets

One of Bisalloy's core strategic priorities is to seek partnerships to grow the business beyond the traditional customer base. This has already created opportunities to develop partnerships that can fill product gaps and provide the transfer of technical know-how, and can relatively easily open new markets for the Group's products both in Australia and internationally.

For example, during the year Bisalloy entered into a partnership in Dubai with Swebor Stål Sevenska AB. Swebor is a small privately owned producer of high strength steels based in Sweden, which specialises in thin grades of armour steel for the non-defence civilian market, which is outside Bisalloy's plant capabilities. The teaming of the two company's complimentary products allows both companies to expand into markets and customers which were not able to be accessed previously, such as the transport industry and light gauge protection steels for civilian defence.

In addition Bisalloy also established a distributorship, also based in Dubai, with Eutectic Castolin the world's leading producer of welding consumables, welding machines and welded wear plates for the supply of Bisalloy Australian and China made wear and structural grade plates to the Middle East, UAE and Africa.

Earnings Guidance

The Group is forecasting EBITDA for FY18 to be in the range of \$8.0m to \$8.5m.

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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 and the People's Republic of China. See our website at www.bisalloy.com.au.

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