

CAPITAL BRIEF

‘Not constructive’: BlueScope’s bullish self-view rattles SGH, Steel Dynamics

BlueScope’s emphatic rejection of SGH and Steel Dynamics’ bid has hardened positions. Market watchers think this may be just the start of the takeover saga.



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BlueScope's Port Kembla steelworks in Wollongong. AP Photo/Rob Griffith.

Was **BlueScope Steel's** irate rejection of SGH and Steel Dynamics' joint takeover bid on Wednesday evening driven by a bid to extract a higher offer, or genuine

offence at what the company described as a “highly opportunistic” approach?

Whatever the motivation, the **Stokes** family-controlled **SGH** and Nasdaq-listed **Steel Dynamics** have been left reeling by BlueScope’s blunt rejection letter, in which chair **Jane McAloon** scolded the suitors for trying to buy the group “on the cheap” with an offer that “drastically undervalued” its assets.

“The tone is not constructive,” one source briefed on the matter told *Capital Brief*, noting that BlueScope had “not engaged with the bidders in any way” since the proposal was tabled on 12 December.

“The board’s position is that they say no to everything,” the source said. BlueScope has previously dismissed three separate bids by Steel Dynamics without disclosing them to the market. The person, who spoke on the condition of anonymity, believes SGH and Steel Dynamics are unlikely to issue an immediate public response or counteroffer, particularly given BlueScope’s “very bullish opinion” of its own valuation.

BlueScope’s announcement on Wednesday included a breakdown of its asset value: \$11.7 billion in total net operating assets, \$1.5 billion in FY26 capital expenditure and up to \$2.8 billion in “implied potential land value” to be “realised over time”.

The combined \$16 billion figure, which equates to roughly \$36.50 per share, dwarfs the consortium’s \$30-per-share proposal. BlueScope shares last closed at \$29.87.

By contrast, another source told *Capital Brief* that BlueScope feels aggrieved that Steel Dynamics — now in partnership with SGH — submitted a fourth bid at an even lower valuation than its rejected third proposal.

Early last year the US firm offered to buy all shares in BlueScope before distributing the non-North American assets among BlueScope shareholders. That proposal valued the North American business at \$24 per share and the remainder of the group at \$9 per share, totalling \$33 per share.

“Why would you put a bid in at \$30 and think the board would consider it? It’s just bizarre,” the person said. “That’s why it was rejected so strongly.”

They also pointed to the Trump administration’s trade policies, including an executive order in early 2025 to take Section 232 tariffs on all steel imports to

50%, as a tailwind for the US market that has driven sharp share price gains across listed steelmakers.

The NYSE American Steel Index has risen by around 49% over the last 12 months.

“If it wasn’t right at \$30 before the market was ramping up, then it’s going to have to be a lot higher than that,” the person said.

Balfour Capital Group director **Hersh Oberoi** doesn’t think BlueScope are being overly bullish.

“I don’t think it’s a case of over confidence or that they’re hiking their own price or value,” he told *Capital Brief*.

“I think the board is responding rationally to a complex deal. The valuation didn’t clearly compensate for those risks. Plus, BlueScope is not a distressed seller. It has good balance sheet strength and good strategic assets, and operates in markets where policy settings are supportive.”

That sentiment was supported by **Bank of America** analyst **Chen Jiang**. Her team’s scenario analysis suggested BlueScope’s non-North American assets should be valued at around \$10.90 per share, compared with the \$6 per share implied in the consortium’s offer.

“Overall, our scenario analysis suggests the rejected offer discounted the non-US assets significantly from BlueScope’s group average,” she wrote in a client note.

'The Boral playbook'

Despite the bad blood, SGH and Steel Dynamics may remain at the negotiating table.

BlueScope shares remained above \$29 on Thursday, retaining almost all of the 21% boost it received after the offer was unveiled on Tuesday. Oberoi believes this suggests the market is anticipating an improved offer.

“If they go back to the negotiating table we can expect a bit of a higher bid,” he said. “The price of BlueScope today is actually showing that, because it hasn’t

come down from where it took off.

“The market is possibly expecting a bit of negotiation between SGH and BlueScope. Let’s see how that plays out.”

Likewise, CLSA analyst **Daniel Kang** thinks SGH will “likely lift its opening offer” — and could soon be joined by other potential bidders including Nucor, Posco and private equity funds.

“BlueScope’s board rejection of SGH’s takeover offer is unlikely to deter SGH or its partner Steel Dynamics,” he wrote, citing what he called 'the **Boral** playbook'.

“We note that in the case of SGH’s takeover of Boral ... board support was only granted after SGH’s shareholding had climbed to 79%. At that point, SGH had declared its offer to Boral shareholders ‘best and final’”.

BlueScope is being advised by UBS banker **Kelvin Barry** and **Herbert Smith Freehills Kramer**.

SGH is receiving legal advice from **Allens**, while Steel Dynamics has appointed **Ashurst** as its Australian legal adviser, and **Skadden, Arps, Slate, Meagher & Flom LLP** and **Barrett McNaghy LLP** as its US legal advisers.

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