

Headwall Partners



Eighth Annual Steel & Metals Outlook Survey Results

March 2024



Introduction

Headwall Partners 2024 Steel & Metals Outlook Survey is our eight annual survey and we believe – based on the breadth of the companies represented, the seniority of the responders, and the large sample size – provides a broad perspective on the current state of the North American Steel & Metals industry

The survey represents a broad sample of the metals industry:

- Broad North American geographies: while predominantly US-based respondents, also include companies from Mexico and Canada and multinational companies with operations in North America
- Large sample size of 52 respondents
- Senior-level participation: the majority (70%) of the respondents being Chairman, CEO, or President
- Breadth of companies: integrated steel, mini-mill steel, metal recycling, service centers, metals processors, aluminum, alloys, etc.
- Breadth of size: from small private companies to the largest public companies in the sector
- Breadth of end-markets served: construction, auto, yellow goods, fabrication, oil & gas, etc.

The survey provides insight into expectations for growth and the factors that impact growth:

- Expectations for demand trends
- Expectations for externalities impacting the sector outlook, including the conflict in Ukraine, imports, the impact of capacity additions, inflation, etc.
- Drivers of growth, including GDP, taxes, climate change issues, etc.
- The outlook for M&A in the sector

Summary Observations

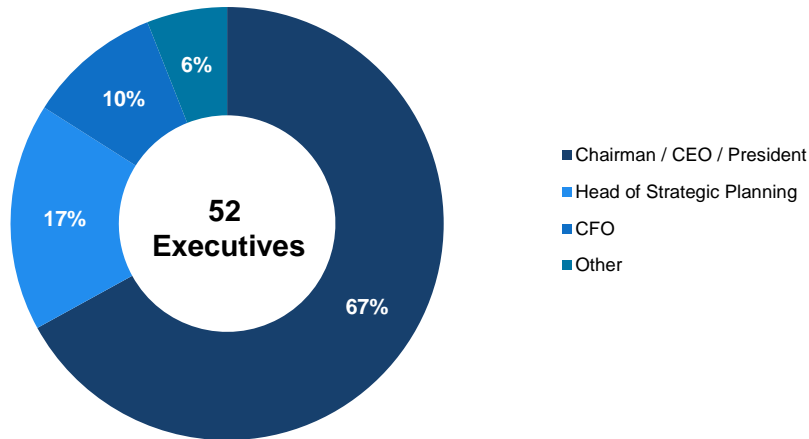
Summary observations from the 2024 survey include

- 90% of respondents think the economy is headed for soft landing and an inflation rate of between 2% and 4% in three years
- 69% of respondents are optimistic or strongly optimistic about the prospects for the financial performance of their company in the next three years versus the last three years
- Respondents view the greatest single risk to the financial performance of their business in 2024 being workforce availability, the second being inflation, and third the 2024 U.S. Presidential election
- Respondents generally expect US marginal corporate tax rates to increase over the next five years, with 57% expecting a marginal tax rate between 22% and 25%
- The majority of respondents are expecting zero to moderate growth in 2024 revenues over 2023 revenues
- 87% of respondents expect there to be sufficient availability of scrap steel and alternative iron units to support for the North American marketplace, despite the influx of new mini mill capacity and conflict in pig iron producing nations
- 80% of respondents expect 2023 HRC prices in the range of \$800-\$1000 per ton, and 51% expect 2023 P1020 ingot aluminum prices in the range of \$2300-\$2600 per tonne
- 33% of respondents expect to make no capital investments to reduce their company's carbon footprint over the next 5 years (predominantly service centers), and 46% expect to allocate between 1% and 10% of capital expenditures towards carbon reduction
- Only 18% of respondents expect to receive a real price premium sufficient to pay for their decarbonization expenditures
- 87% of respondents believe that the North American steel & metals industry, as represented by the public companies in the sector, is either under-valued or significantly under-valued

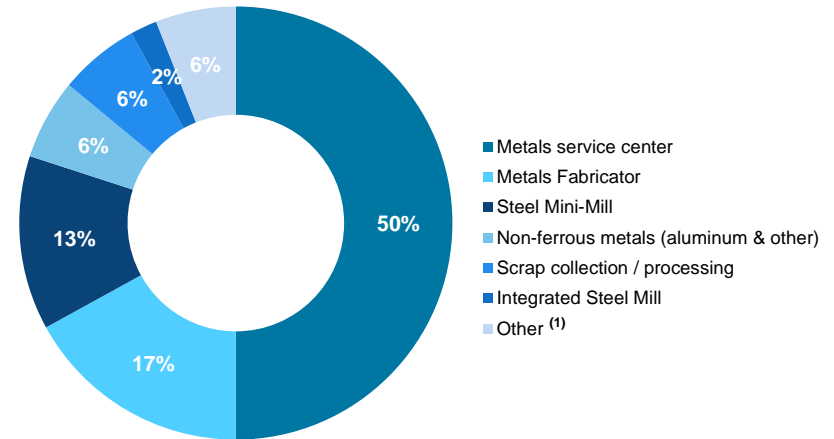
2024 Survey Results

Survey Participants Profile

Survey Participants' Title

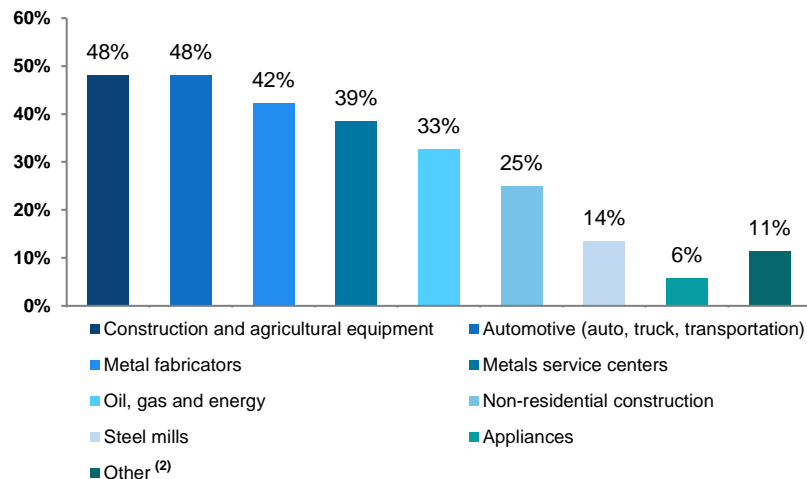


Participants' Company Primary Business



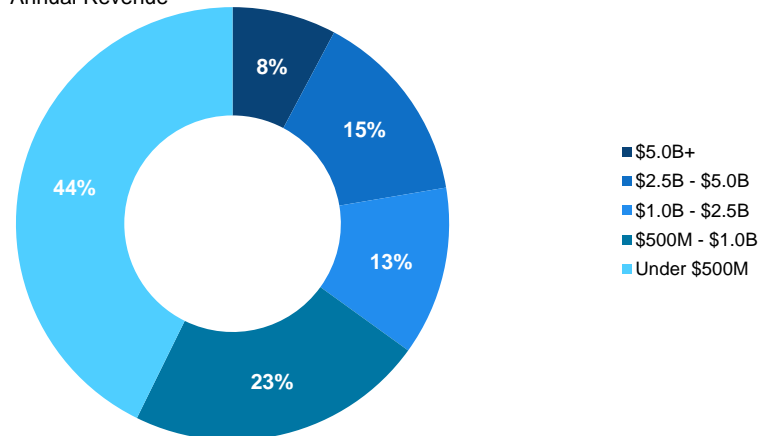
Primary End-Markets Served

(% based on number of occurrence per category divided by total response count)



Company Size

Annual Revenue

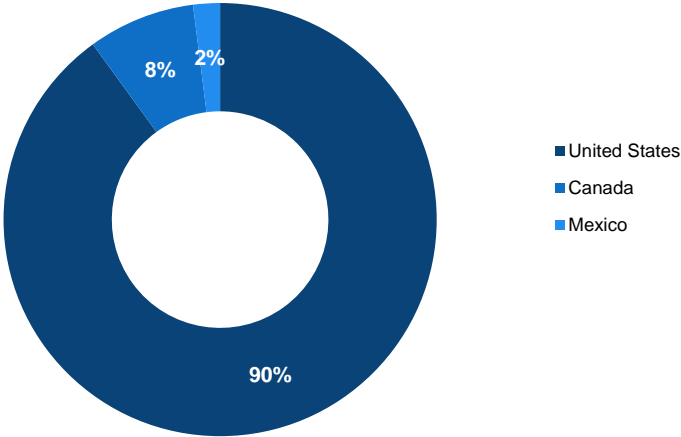


(1) Includes: Metals marketplace, refractory manufacturing, and mill services providers.

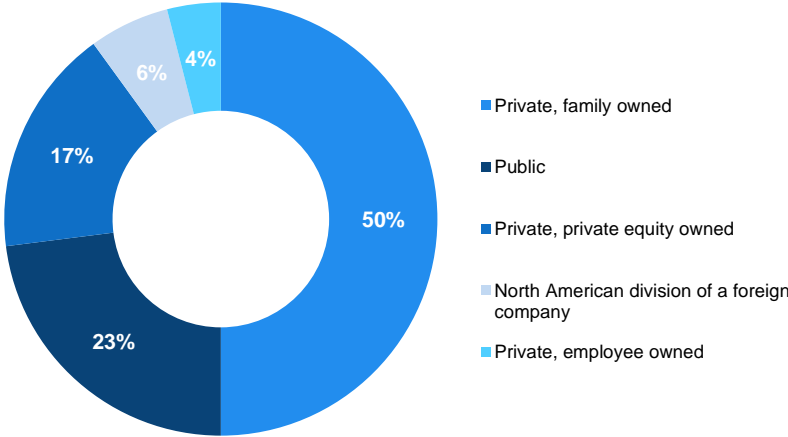
(2) Includes: residential construction, defense, industrial equipment, food & beverage, aerospace, and consumer packaging markets.

Survey Participants Profile (cont'd)

Company Headquarters Location



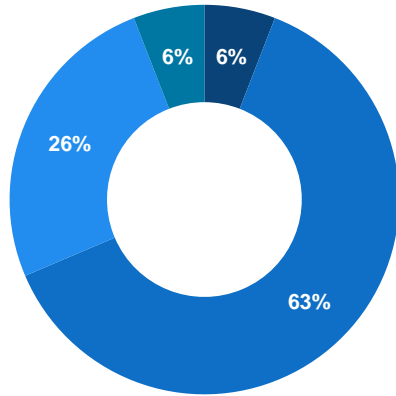
Company Ownership Type



North American Industry Outlook

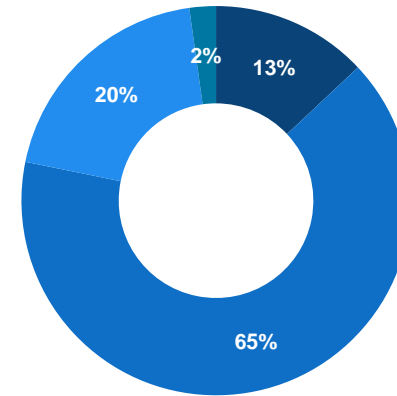
North American Demand for Steel

What is your outlook for the change in the overall North American demand for steel over the next 3 to 5 years?



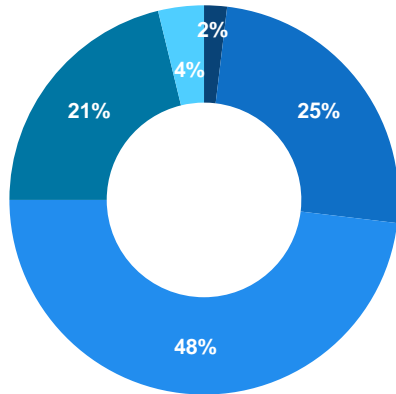
North American Demand for Aluminum

What is your outlook for the change in the overall North American demand for aluminum over the next 3 to 5 years?



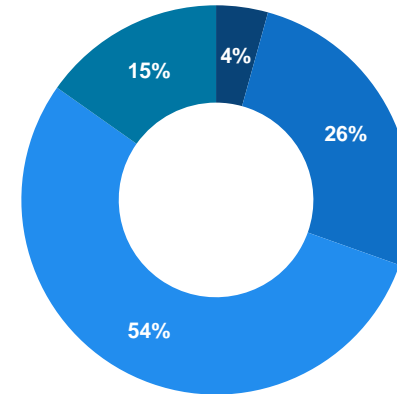
Volume of Imported Steel into the US Market

What is your outlook for the volume of imported steel into the US market over the next 3 to 5 years?



Volume of Imported Aluminum into the US Market

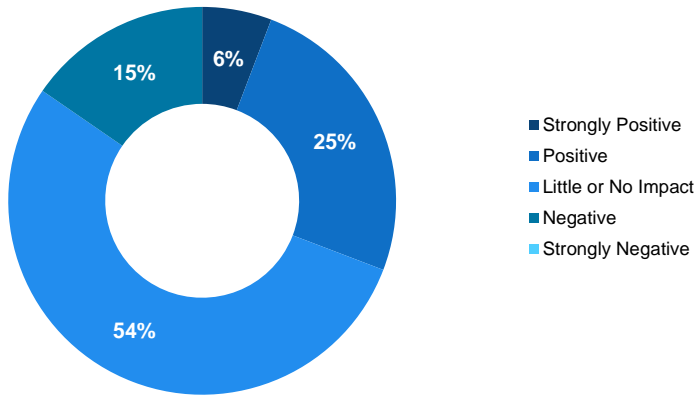
What is your outlook for the volume of imported aluminum into the US market over the next 3 to 5 years?



North American Industry Outlook

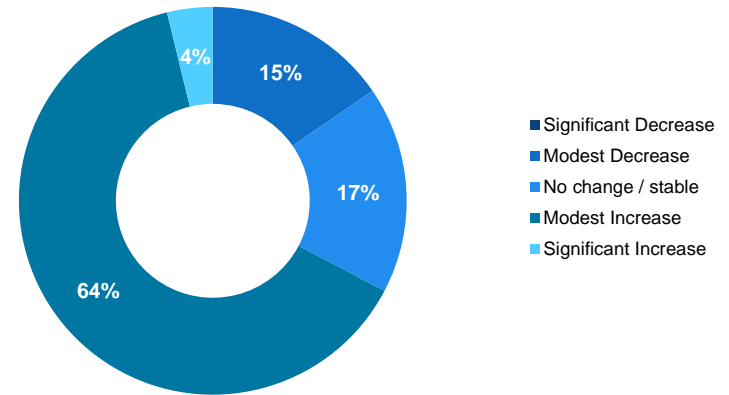
Near-Term Capacity Additions in the Steel Sector

What impact will the recent and anticipated near-term capacity additions in the steel sector have on your company over the next 3 to 5 years?



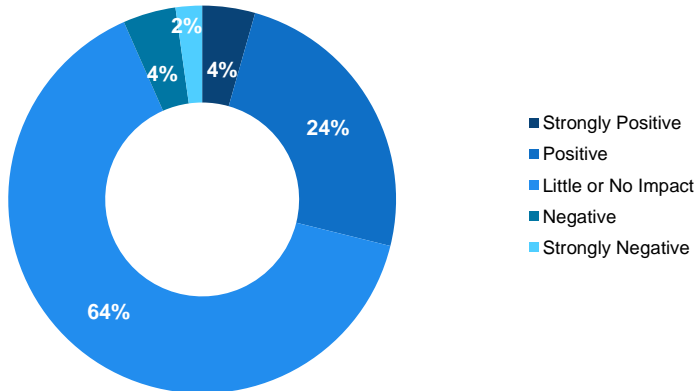
Expected 2024 Energy Prices Trends

What is your expectation regarding the trends of energy prices in 2024?



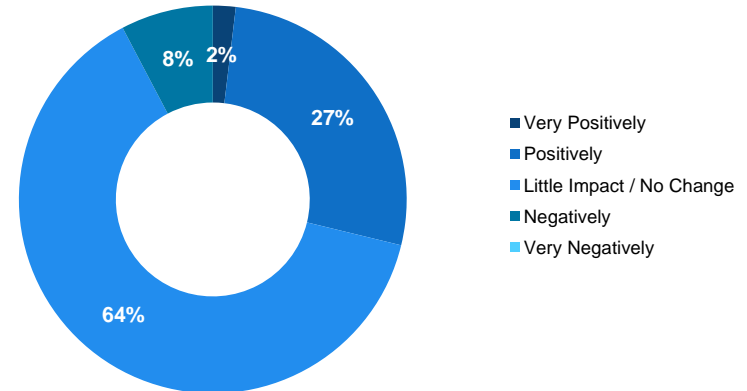
Near-Term Capacity Additions in the Aluminum Sector

What impact will the recent and anticipated near-term capacity additions in the aluminum sector have on your company over the next 3 to 5 years?



Impact of EV Demand on Business Operations & Strategies

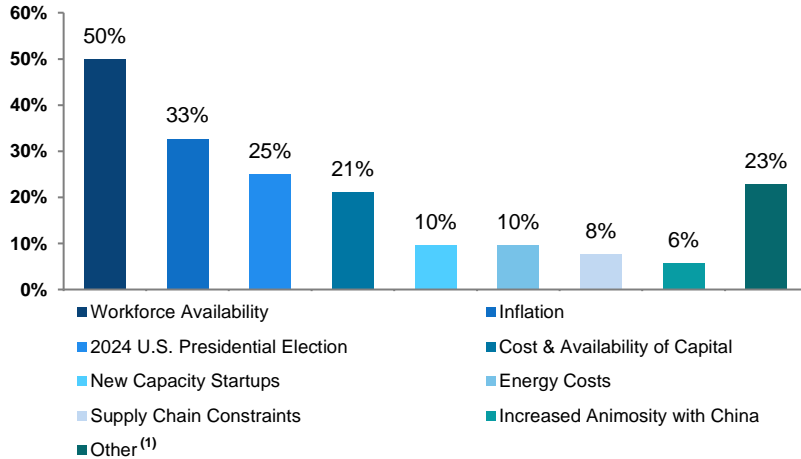
How has the growing demand for electric vehicles impacted your business operations and strategies?



North American Industry Outlook (cont'd)

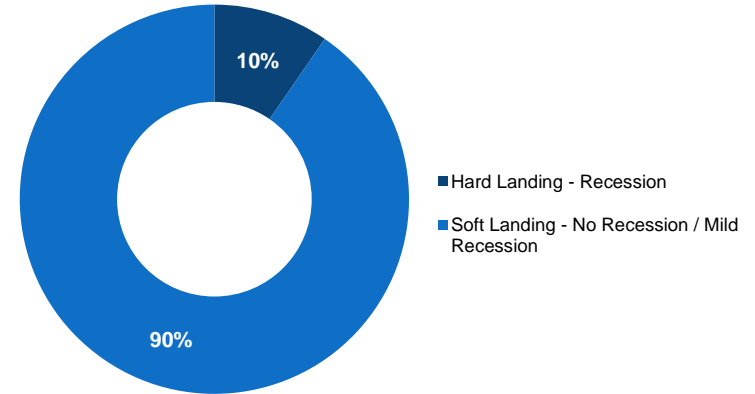
Greatest Risks to the Financial Performance in 2024

What are the greatest risks to the financial performance of your business in 2024?



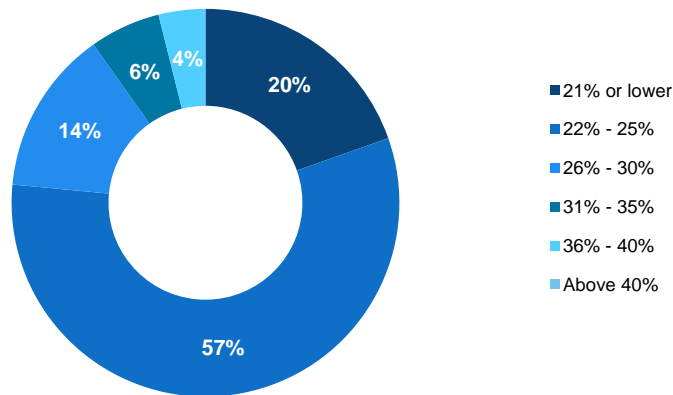
Expected Economic Outcome of Recent Interest Rate Hikes

What is your expected economic outcome of recent Federal Reserve interest rate hikes?



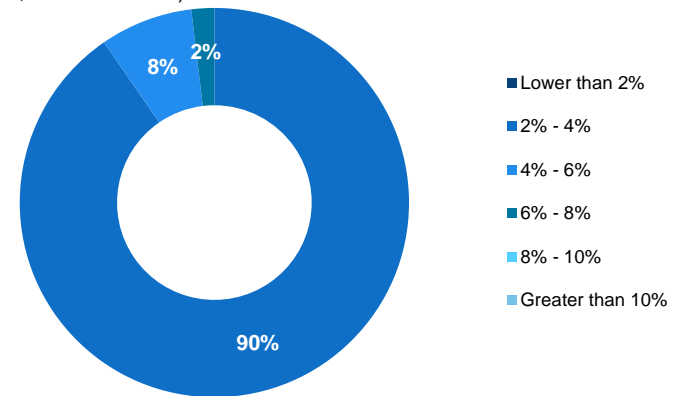
3-Year US Marginal Corporate Tax Expectation

What US marginal corporate tax rate do you expect in three years (2023 was 21%)?



3-Year US CPI (Inflation) Expectation

What US inflation rate do you expect in three years (2021 was ~7.0%, 2022 was 6.5%, 2023 was 3.4%)?

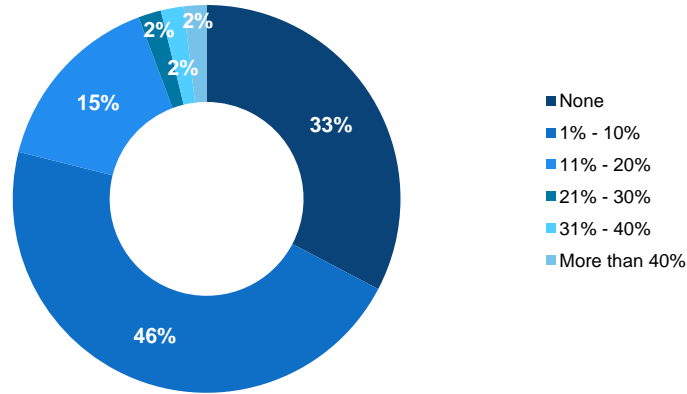


(1) Includes: Increased animosity with Russia / war in Ukraine, war in the Middle East, recession the US, interest rate moves, demand weakness, lack of steel demand, continued elevated interest rates affecting consumer demand, import penetration of assembled components, and none of these will put our business at risk.

North American Industry Outlook (cont'd)

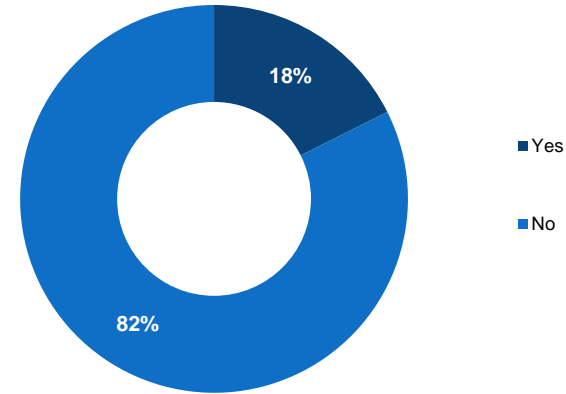
5-Year % of Capex to Reduce Company's Carbon Footprint

Over the next 5 years, what proportion of your capital expenditures will be earmarked for reducing your company's carbon footprint?



Price Premium Expectation for Low Carbon Emission Products

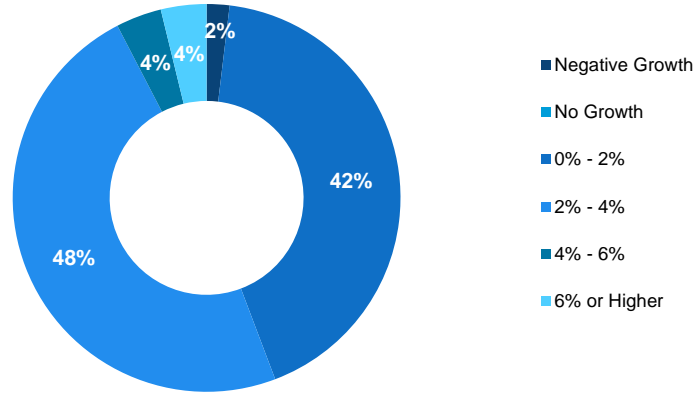
In 5 years, do you anticipate receiving real price premium for lower carbon emission products sufficient to recoup you company's decarbonization investments?



Growth Outlook

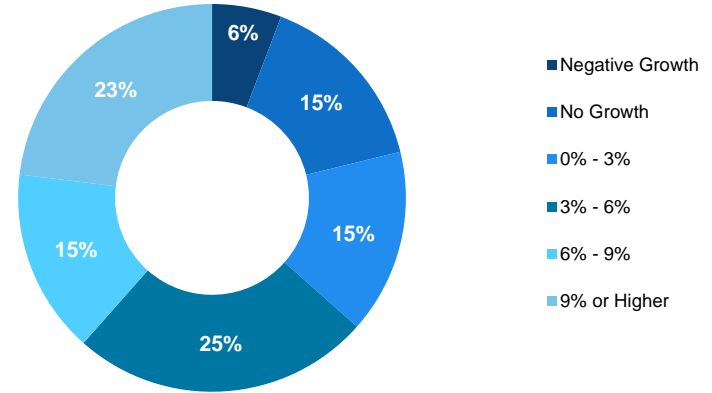
2024 US GDP Growth Rate

What 2024 US GDP growth rate does your company use for planning purposes?



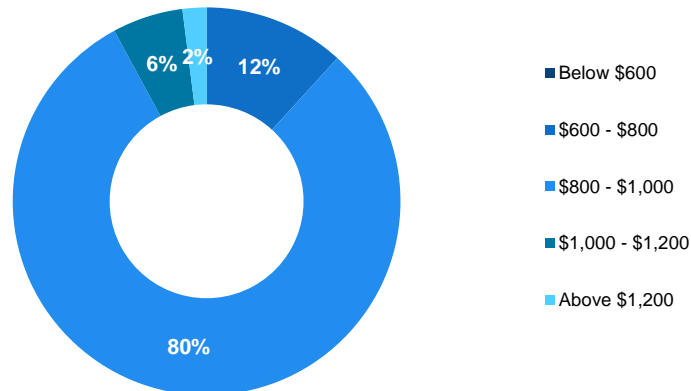
2024 Year-over-Year Company Revenue Growth Expectations

What 2024 year-over-year revenue growth do you expect for your company (versus 2023 results)?



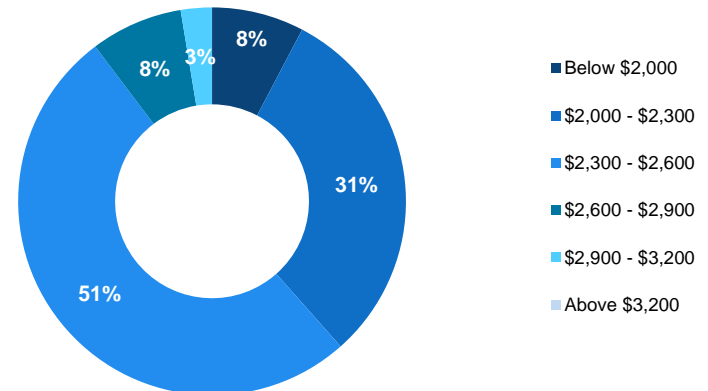
2024 Hot Rolled Steel Coil Price Expectations

What average 2024 per ton price do you expect for hot rolled steel coil?



2024 P1020 Aluminum Ingot Price Expectations

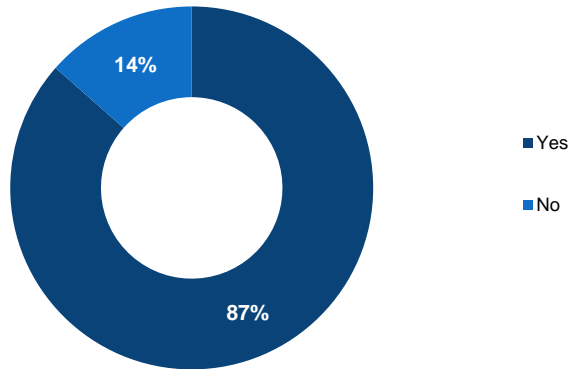
What average 2024 LME spot price per tonne do you expect for P1020 aluminum ingot?



Growth Outlook (cont'd)

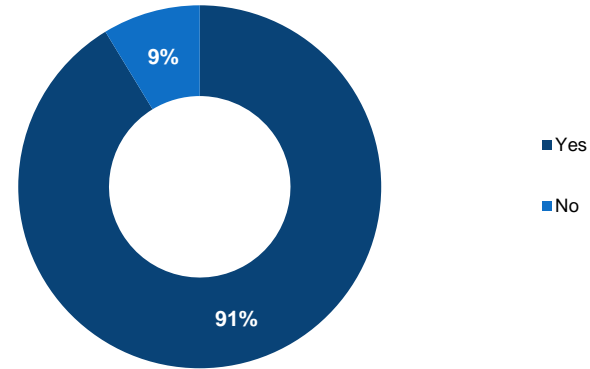
Availability of Sufficient Scrap and Alternate Iron Units in NA

With the influx of new mini-mill capacity, conflict in pig-iron producing nations, industry consolidation, and other factors - will sufficient scrap and alternate iron units be available for the North American marketplace?



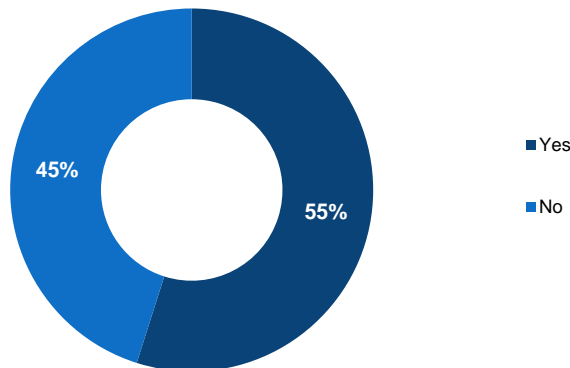
Availability of Sufficient Scrap Aluminum in NA

With the influx of aluminum mill capacity and other factors - will sufficient scrap aluminum be available for the North American marketplace?



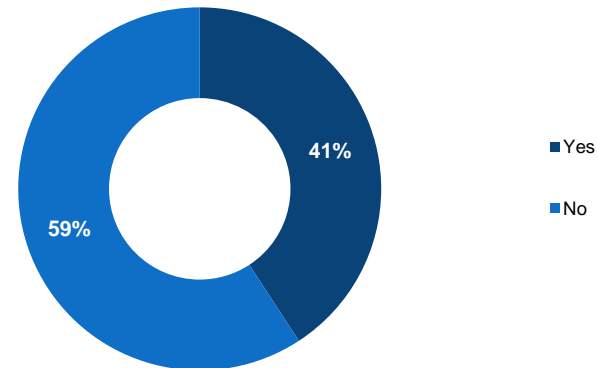
2024 Pricing Effectuated by Increased Mini-Mill Flat Capacity

Do you believe 2024 pricing will be meaningfully impacted by the increase in mini-mill flat rolled capacity?



2024 Pricing Effectuated by Increased Mini-Mill Long Capacity

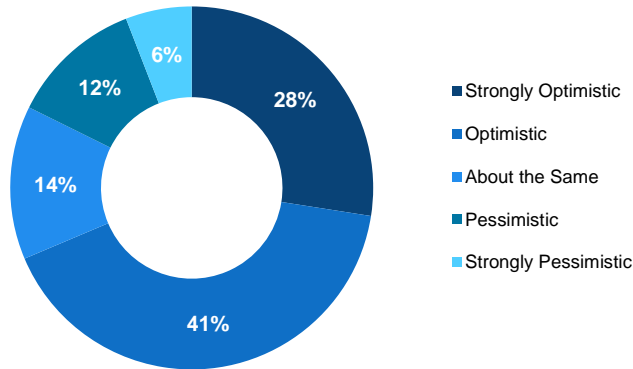
Do you believe 2024 pricing will be meaningfully impacted by the increase in mini-mill long product capacity?



Growth Outlook (cont'd)

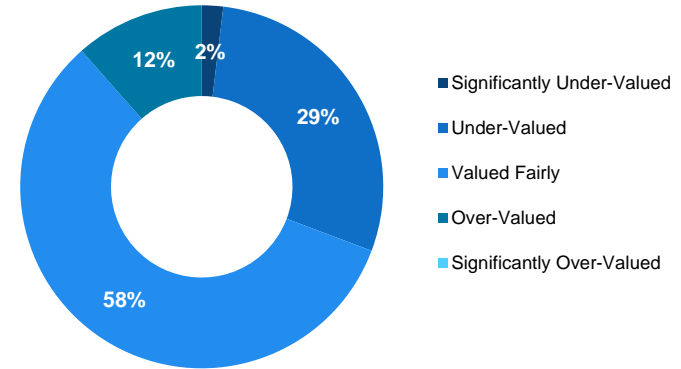
Financial Performance in Next 3 Years vs 3 Years Ago

Are you more optimistic or more pessimistic about the prospects for the financial performance of your company in the next three years versus the last three years?



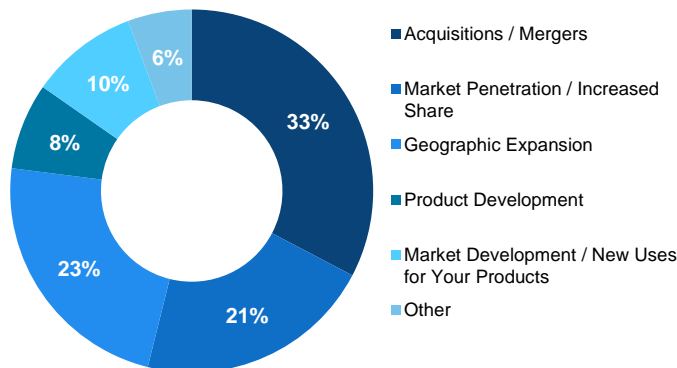
Fair Value of North American Steel & Metals Industry

Do you believe the North American Steel and Metals industry, as represented by the publicly traded companies in the sector, is:



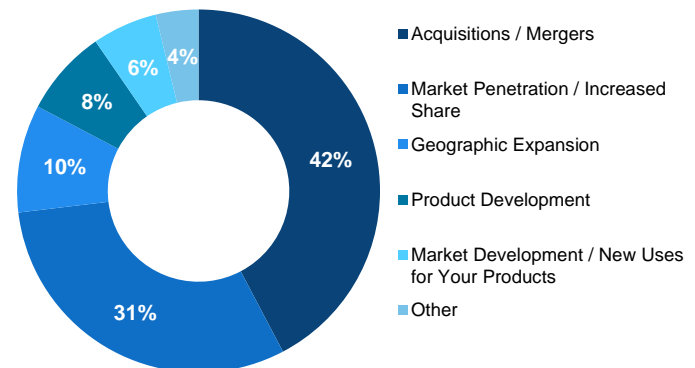
Company's Single Greatest Source of Growth Over Long Term

Over the long term, what has been the single greatest source of growth for your company?



Company's Single Greatest Source of Growth Over Next 3 Years

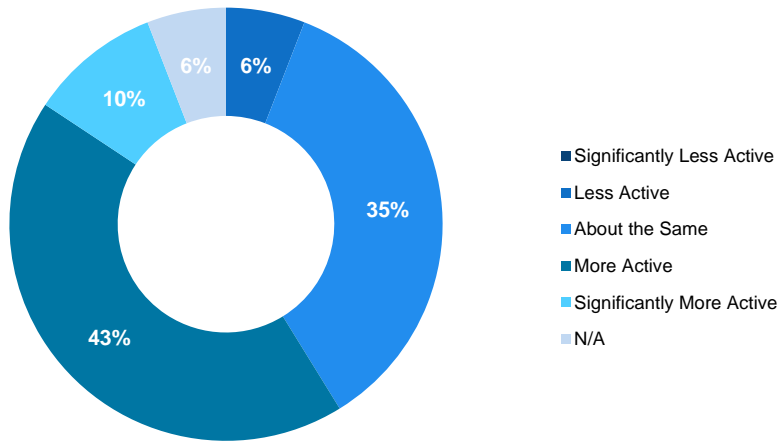
Over the next three years, what do you expect to be greatest single source of growth for your company?



Mergers & Acquisitions

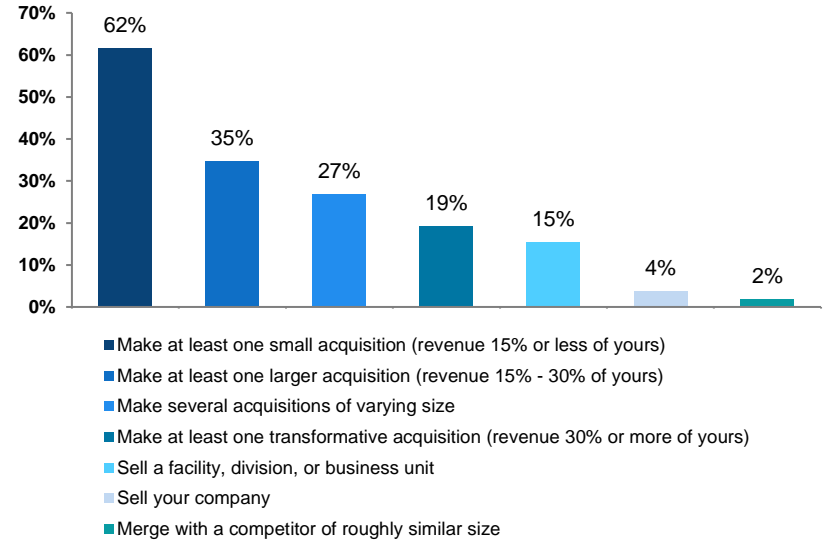
Expected M&A Activity in Next 3 Years vs 3 Years Ago

Do you expect your company to be more or less active in M&A in the next 3 years than it was in the last three years?



Expected M&A Activity Type in Next 3 Years

In the next three years, do you expect that your company will...?

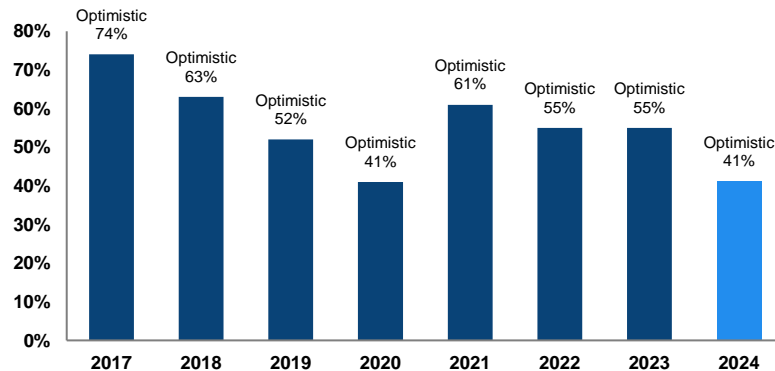


Survey Trends: 2017-2024

Eight-Year Survey Trends - Top Responses

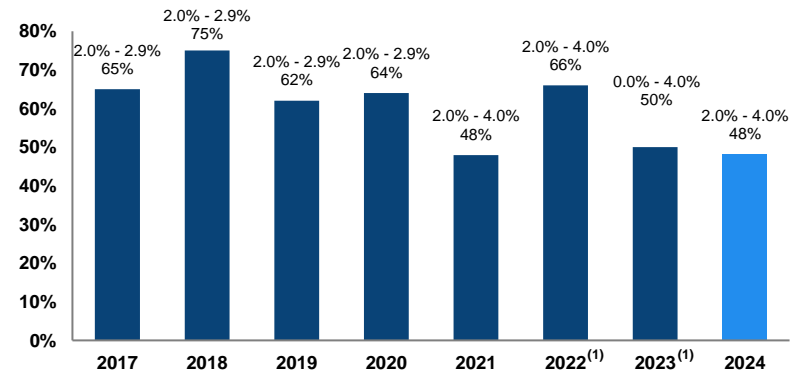
Financial Performance in Next 3 Years vs 3 Years Ago

Are you more optimistic or more pessimistic about the prospects for the financial performance of your company in the next three years versus the last three years?



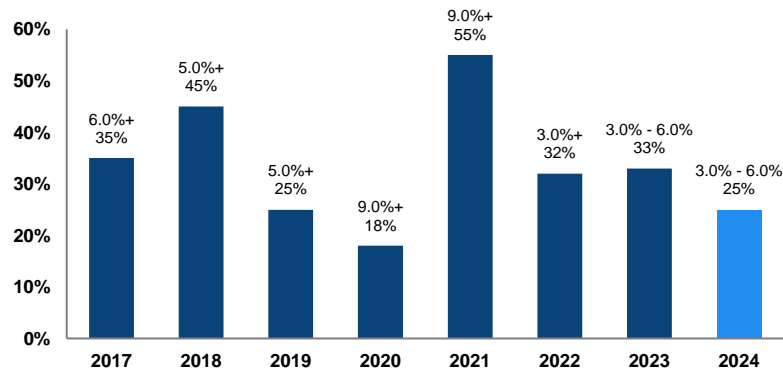
US GDP Growth Rate Used in Financial Planning

What "next year" US GDP growth rate does your company use for planning purposes?



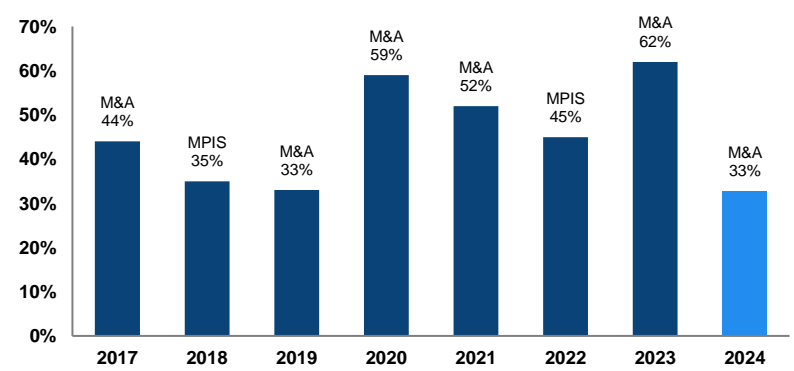
Year-over-Year Company Revenue Growth Expectations

What "next year" revenue growth do you expect for your company (versus "previous year" results)?



Company's Single Greatest Source of Growth Over Long Term⁽²⁾

Over the long-term, what has been the single greatest source of growth for your company?



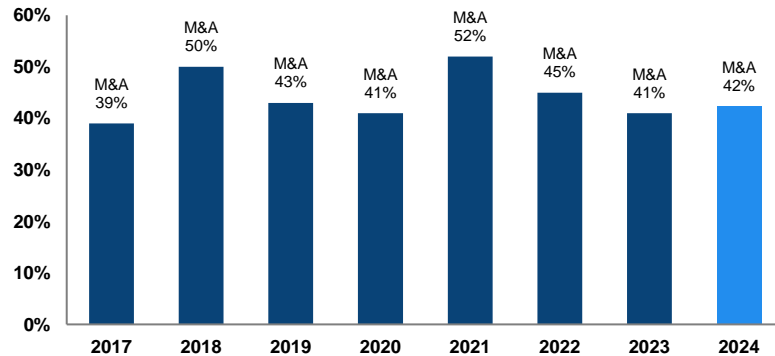
(1) 0.0% - 2.0% and 2.0% - 4.0% each made up 50% of the responses.

(2) "M&A" stands for "Mergers & Acquisitions"; "MP/IS" stands for "Market Penetration / Increased Share".

Eight-Year Survey Trends - Top Responses (cont'd)

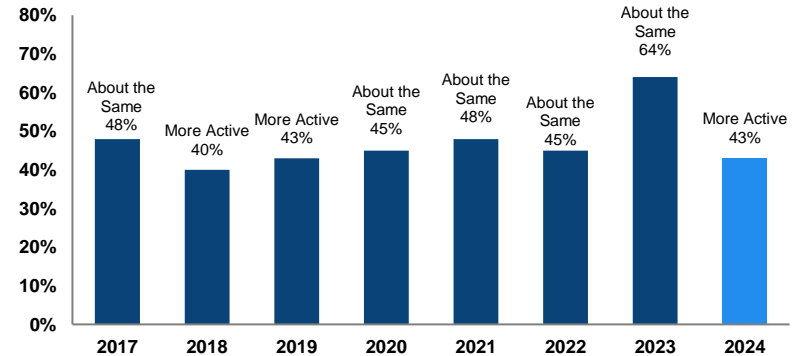
Company's Single Greatest Source of Growth Over Next 3 Years⁽¹⁾

Over the next three years, what do you expect to be the greatest single source of growth for your company?



Expected M&A Activity in Next 3 Years vs 3 Years Ago

Do you expect your company to be more or less active in M&A in the next three years than it was in the last three years?

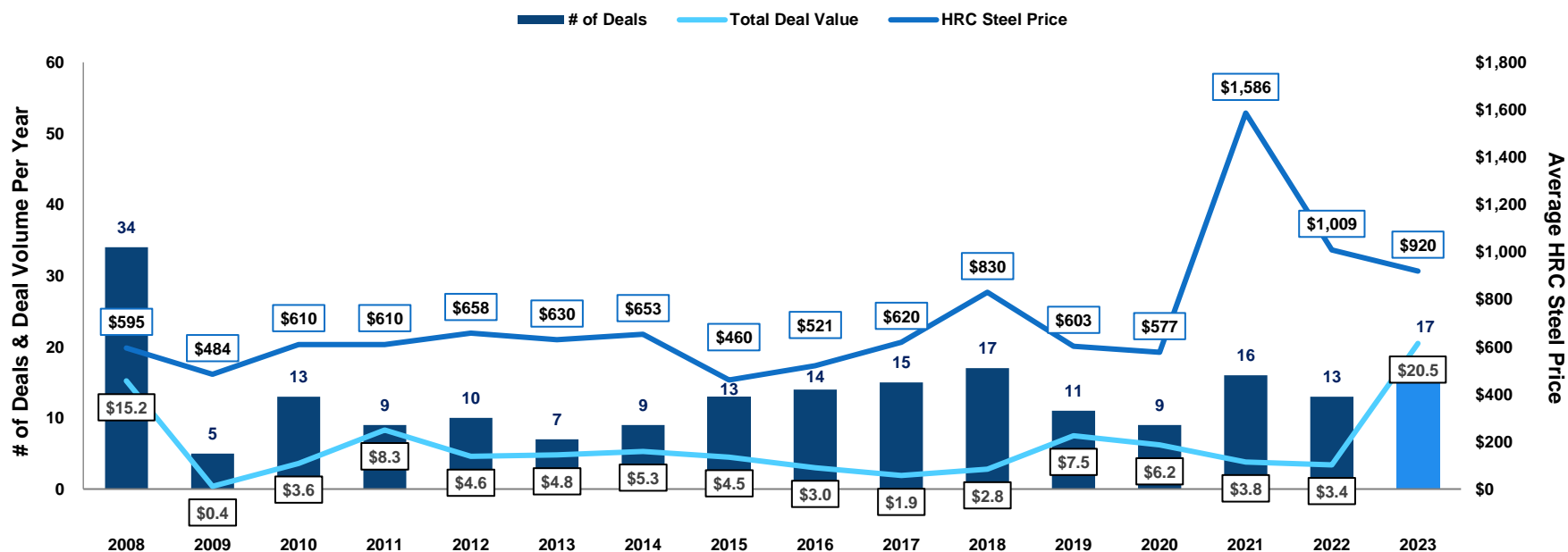


(1) "M&A" stands for "Mergers & Acquisitions".

M&A Trends

North American Steel & Metals M&A Trends

(\$ in billions, except price of HRC Steel which is per ton)



Largest Announced¹ M&A Transactions

(\$ in billions)

Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Target	SSAB	Grede	Ameristeel	Thompson Iron Mines	TIMET	TK Calvert	Severstal Columbus	RTI	US Pipe	Canam	Gerdau Rebar	AK Steel	Arcelor Mittal	Big River Steel	Precoat Metals ⁽¹⁾	United States Steel Corp.
Buyer	EVRAZ	Wayzata	Gerdau	Cliffs	Precision Castparts	Arcelor Mittal	Steel Dynamics	Alcoa	Forterra	American Industrial Partners	CMC	Cleveland-Cliffs	Cleveland-Cliffs	United States Steel	AZZ inc.	Nippon Steel Corporation
Value	\$4.9	\$0.1	\$1.6	\$4.9	\$3.0	\$1.6	\$1.6	\$1.8	\$0.9	\$0.6	\$0.7	\$3.6	\$3.3	\$0.8	\$1.3	\$13.6

Note: Includes announced and closed transactions with disclosed value of \$25 million or greater; source: CapIQ; excludes terminated / withdrawn transactions.

(1) Nucor / C.H.I. Overhead Door deal was larger, but is considered a producer of end-products, not a metals producer / processor / distributor.



headwall