U.S. Steel Market Update

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Agenda

• ArcelorMittal introduction

• U.S. steel industry performance and trade

• Review of steel markets and 2020 outlook
About ArcelorMittal

• World’s leading steel and mining company with about 209,000 employees in more than 60 countries

• Recognized leader in all major global steel markets, including automotive, construction, household appliances and packaging, with leading R&D and technology, as well as sizeable captive supplies of raw materials and outstanding distribution networks

• An industrial presence in 19 countries exposes the company to all major markets, from emerging to mature

• Values geographical breadth, product diversity and raw material security

• 2018 crude steel production of 92.M metric tons

Crude steel production by region

- Brazil: 14%
- North America: 24%
- Europe: 48%
- ACIS: 14%
ArcelorMittal in the United States

- Operates 26 facilities including mines, integrated operations, mini-mills and finishing facilities
- Industrial presence in 12 states
- Employs more than 18,000 in the United States
Steel demand in the U.S. has stagnated and remains below pre-recession levels

**U.S. apparent steel consumption: 1998-2019**

Sources: AISI, ArcelorMittal USA Marketing; 19E based on YTD September comparison to same period 2018
Shipments by U.S. steel mills have improved as market share has been regained from imported steel.

Sources: AISI, ArcelorMittal USA Marketing; 19E based on YTD September comparison to same period 2018.
Trade restrictions have led to meaningful decline in steel imports to lowest level since 2011

U.S. finished steel imports and share

Sources: AISI, ArcelorMittal USA Marketing; 19E based on YTD September comparison to same period 2018
Section 232 update

- April 19, 2017: Commerce initiates 232 investigation
- March 23, 2018: 25% tariff on all steel product categories applied to most countries; Canada, Mexico, EU exempt temporarily while negotiations continue (Turkey at 50% from Aug 2018-May 2019)
- June 1, 2018: 25% tariffs imposed on Europe, Canada and Mexico
- Country-level exemptions:
  - Korea, Argentina and Brazil agree to quotas in place of tariffs; Australia given full exemption with no quota
  - Canada and Mexico: May 17, 2019 announced that tariffs removed for Canada and Mexico as well as retaliatory tariffs against the U.S.
- Product exemptions: process put in place for U.S. manufacturers to apply for one-year waiver

Sources: Dept of Commerce, Customs & Border Protection, ArcelorMittal
Section 232 impact continues to fade as more tons are exempt from the 25% tariff

2019 Flat roll imports by country (carbon and alloy)

Share of volume from S232 exempt countries

<table>
<thead>
<tr>
<th>Country</th>
<th>Jan-May</th>
<th>Jun-Sep</th>
</tr>
</thead>
<tbody>
<tr>
<td>Korea*</td>
<td>15%</td>
<td>14%</td>
</tr>
<tr>
<td>Brazil*</td>
<td>4%</td>
<td>2%</td>
</tr>
<tr>
<td>Mexico</td>
<td>30%</td>
<td>40%</td>
</tr>
<tr>
<td>Australia</td>
<td>4%</td>
<td>4%</td>
</tr>
<tr>
<td>Canada</td>
<td>10%</td>
<td>7%</td>
</tr>
<tr>
<td>Other</td>
<td>38%</td>
<td>32%</td>
</tr>
</tbody>
</table>

Note: Canada and Mexico exemption on 5/17/19
*Quota in place

Sources: US Department of Commerce Steel Import Monitor, ArcelorMittal USA Marketing
Global steel supply continues to grow at a strong pace

<table>
<thead>
<tr>
<th></th>
<th>in M metric tons</th>
<th>Delta</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan-Oct YTD</td>
<td>2018</td>
<td>2019</td>
</tr>
<tr>
<td>World</td>
<td>1,493</td>
<td>1,541</td>
</tr>
<tr>
<td>China</td>
<td>770</td>
<td>828</td>
</tr>
<tr>
<td>India</td>
<td>91</td>
<td>93</td>
</tr>
<tr>
<td>Japan</td>
<td>87</td>
<td>84</td>
</tr>
<tr>
<td>USA</td>
<td>72</td>
<td>74</td>
</tr>
<tr>
<td>S. Korea</td>
<td>60</td>
<td>60</td>
</tr>
<tr>
<td>Russia</td>
<td>59</td>
<td>59</td>
</tr>
</tbody>
</table>

Sources: World Steel Association, ArcelorMittal USA Marketing
Lower export opportunities have impacted domestic mill shipments

**U.S. steel exports and share**

- **Steel exports**
- **Share of U.S. mill shipments**

![Graph showing steel exports and share of U.S. mill shipments over years from 2007 to 2019.](image)

- Lowest share since 2002

**Sources:** AISI, ArcelorMittal USA Marketing; 19E based on YTD September comparison to same period 2018
Steel trade balance has improved but has failed to return to pre-2014 import surge position

U.S. steel trade balance

-15 -12 -5 -7 -8 -12 -12 -12 -22 -22 -17 -19 -17 -15

Sources: AISI, ArcelorMittal USA Marketing; 19E based on YTD September comparison to same period 2018
Capacity utilization has not sustained 80% threshold given in Section 232 report

**U.S. monthly raw steel capacity utilization**
Jan 2005-Oct 2019

Sources: AISI, ArcelorMittal USA Marketing
Flat roll product shipments, the biggest segment for U.S. mills, are worse this year than before Section 232 was introduced.

**Shipments by U.S. steel mills – carbon flat roll**

M tons

<table>
<thead>
<tr>
<th>Year</th>
<th>1Q</th>
<th>2Q</th>
<th>3Q</th>
<th>4Q</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>14.4</td>
<td>14.2</td>
<td>14.5</td>
<td>13.5</td>
<td>55.4</td>
</tr>
<tr>
<td>2017</td>
<td>14.2</td>
<td>14.5</td>
<td>14.6</td>
<td>13.7</td>
<td>56.6</td>
</tr>
<tr>
<td>2018</td>
<td>14.2</td>
<td>14.5</td>
<td>14.5</td>
<td>13.7</td>
<td>57.0</td>
</tr>
<tr>
<td>2019F</td>
<td>14.0</td>
<td>14.1</td>
<td>14.5</td>
<td>14.5</td>
<td>55.9</td>
</tr>
</tbody>
</table>

**Quarterly actuals**

- 1Q: 14.4, 14.2, 14.2, 14.0
- 2Q: 14.5, 14.6, 14.5, 14.1
- 3Q: 14.2, 14.5, 14.5, 14.5
- 4Q: 13.5, 13.7, 13.7, 14.5

**Sources:** AISI, AMUSA Marketing; 19F based on YTD September comparison to same period 2018.
Weaker manufacturing environment weighs heavily on steel demand and buyer behavior in 2019

Manufacturers’ new orders: Core capital goods
Jan 2014- Oct 2019
% change y/y, seasonally adjusted

U.S. Industrial Production Index: Durable manufacturing
Jan 2014- Oct 2019
Index 2012=100, seasonally adjusted

Sources: FRED
Steel service centers have significantly destocked in 2019; inventory volume is lowest since 2010

Steel service centers inventories – Flat roll

in millions of tons

Total inventory

Inventory (LHS)  m/m change (RHS)

Sources: MSCI, ArcelorMittal USA Marketing
Review of steel markets
Steel consuming markets

Construction and automotive industries are the top consumers of steel in the U.S.

About 35% of steel shipments flow through distribution before reaching the final customer.

Source: AISI Profile 2019, ArcelorMittal USA Marketing
Construction sector is slowing but is not expected to drop sharply as suggested by recent forward-looking indicators.

**Construction spending**

Billion $, SAAR

- Nonresidential
- Nonres. Last Cycle Peak
- Residential
- Res. Last Cycle Peak

**AIA Architecture Billings Index**

>50 = increase in firm billings

**Private housing building permits**

SAAR, thousands of units

Sources: FRED, AIA
Auto sales step back from 2016 peak but remain at strong pace; production cutbacks in 2019 support 2020 improvement

U.S. light vehicle sales: SAAR
Jan 2010-Nov 2019

2019 YTD average = 16.9M units

2019 light vehicle production

- USA: -4% YTD Oct
- Mexico: -2% YTD Oct
- October impacted by GM strike (-15% y/y)

Sources: FRED, Marklines.com
Machinery market has yet to turn around with continued uncertainty from trade war threats

**US machinery: New orders and industrial production**

*y/y % change: Jan 2014- Oct 2019*

- New orders
- IP

**Ratio of manufacturers’ total inventories to shipments: Machinery**

*Jan 2014-Oct 2019*
Oil and gas demand outlook is mixed, while wind and solar installations soar due to expiration of tax credits.
USA view:

- Despite the growing economy, U.S. steel demand has deteriorated in 2019 given mature consuming markets, buyer uncertainty, and inventory destocking.

- Lean inventory position at distributors will bring a better start to 2020. Although the outlook remains cautious given weakness in manufacturing data, major steel consuming markets like automotive, construction, and energy should support steel demand.

- The sharp decline in import volume since 2014 has benefited U.S. mills but under-utilized domestic capacity, narrower Section 232 scope, and growing global supply warn of difficult conditions ahead for the industry.

World Steel 2020 outlook: Top 3 countries
1. China: +1.0% (909.1M mt)
2. India: +7.0% (108.7M mt)
3. USA: +0.4% (101.2M mt)

2000-2020 Global apparent steel use (finished steel)
Thank you