Industrial Investment Banking Weekly Round-Up
Metals & Mining
Week Ending August 7th, 2020

Metals & Mining Market Perspectives

- North American (‘NA’) steel production capacity remains constrained, but new announcements of shutdowns have slowed significantly (see table to the right)
- Domestic HRC pricing remains muted on weak demand, but seems to have found a floor around $450 / ton (see chart below), as lead times have improved and EAF producers have quietly joined integrated mills in modest price hikes for new orders
- U.S. steel production has increased for two consecutive months, as North American steel producers have continued to ramp-up production at previously idled facilities. For the week ending July 31st, production increased ~10.1% since June 6th 2020, with mills producing ~1.328 million tons at an average capacity utilization of 59.3%
- Demand for specialty metals and super-alloys is expected to take a hit in the 2H of 2020, as the aerospace supply-chain continues to absorb the impact of Covid-19 related disruptions. Numerous major aerospace suppliers have announced layoffs and plant closures, which have taken effect or are set to take effect in the 3Q of 2020
- Primary aluminum pricing in the U.S. has improved on recovering demand. The Midwest U.S. Premium has reached a 4-month high, hitting its highest level since April. End-user demand is gradually strengthening with increased buying from the automotive and construction markets. Despite recovering demand, large-volume consumers have not yet returned to the spot market
- Following the run up in copper cathode pricing, prices have stabilized and are expected to remain strong through the second half of 2020. Major cathode producers are anticipating reduced ore production in South America due to on-going labor issues at major mines, while demand from core markets (i.e., wire and construction products) remains resilient
- Capital markets and M&A activity have been improving in the sector. Ryerson and Reliance Steel & Aluminum each priced Notes offerings in the last two weeks, with KeyBanc acting as Joint Bookrunner and Co-Manager respectively. On the M&A front, Wieland closed the acquisitions of two North American tolling businesses (Marjin & Nasco), while OmniSource (Steel Dynamics) closed on the acquisition of Zimmer, a Mexican ferrous scrap processor with six facilities

Recently Idled U.S. Mill Operations

<table>
<thead>
<tr>
<th>Steel (HRC)</th>
<th>Liberty Steel</th>
<th>Tenaris</th>
</tr>
</thead>
<tbody>
<tr>
<td>Seamless pipe mill in Pueblo, CO</td>
<td>Wire rod mill in Georgetown, SC</td>
<td>Billet mill in Koppel, PA</td>
</tr>
<tr>
<td>EAF and mill in Mingo Junction, OH</td>
<td></td>
<td>Tubular operations in Armand, PA</td>
</tr>
<tr>
<td>Dofasco, Blast Furnace No. 3</td>
<td>Tubular operations in Baytown, TX</td>
<td>Tubular operations in Lone Star, TX</td>
</tr>
</tbody>
</table>

2020 YTD Metals Sector Equities Index Performance

For additional information on KeyBanc Capital Markets, please contact any of the individuals listed below:

### Metals & Mining Team

**Eric Klenz**
Head of Metals & Mining
216.689.3974
eklenz@key.com

**Arindam Basu**
Managing Director, M&A
216.689.4262
abasu@key.com

**Barry Stormer**
Associate, Metals & Mining
216.689.7921
barry.a.stormer@key.com

**Donald Bleifuss**
Analyst, Metals & Mining
216.689.8404
donald.bleifuss@key.com

**Notes:**
1. Includes capacity curtailments announced, but not yet idled
2. Considers performance of Metals Sector Indices weighted by market capitalization including:
   - Domestic Producers: CMC, NUE, STLD, X
   - Service Centers / Processors: ZEUS, RS, TSX:RUS, RYI, WOR
   - Scrap Recyclers: DB:ABA, SCHN, ASX:SGM, Specialty Metals & Alloys: ATI, CRS, HAYN, KALU, MTRN, USAP
3. Considers $/lb, pricing of the following indices for each metal: Aluminum: LME Official Cash; Copper: Comex Copper High-Grade 1st Active; Nickel: LME Official Cash; Steel (HRC): Steel Hot-Rolled Coil Index, fob mill US; Zinc: LME Official Cash

**Sources:** Capital IQ, American Metal Market; Note: Market data as of close 8/4/2020