

Headwall Partners

Annual Steel & Metals Growth Survey

Peter J. Scott
Managing Partner
Headwall Partners LLC

February 2020



Summary Observations

Summary observations to 2020 survey include:

- Management teams continue to believe that the policies of the Trump Administration will create a favorable backdrop for growth in the sector
- However, there is no consensus on the impact of the 232 trade restrictions
- Steel management teams strongly believe Donald Trump will win re-election in 2020
- However, steel management teams view the prospects for financial and economic results of a Democrat in the White House as very negative
- Management teams are optimistic about the prospects for meaningful growth at their companies
- Mergers and Acquisitions continue to be an important source of expected growth in 2019 and beyond

Summary four-year trends in survey results include:

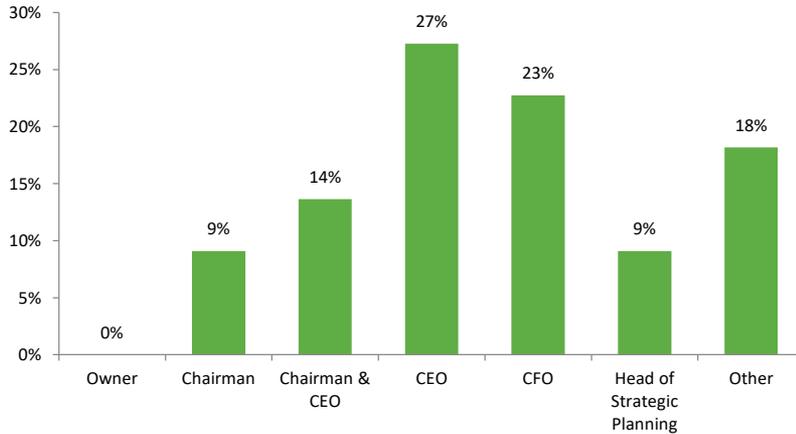
- Management teams are consistently optimistic about and consistently supportive of the economic policies of the Trump Administration
- Management teams continue to be optimistic about the prospects for their company's financial performance, but the unanimity of this perspective is diminishing over time
- Management teams consistently believe that mergers and acquisitions are a crucial source of growth for their companies

The slide features two horizontal lines, one above and one below the title. Each line is composed of three segments: a dark blue segment on the left, a light green segment in the middle, and a dark blue segment on the right.

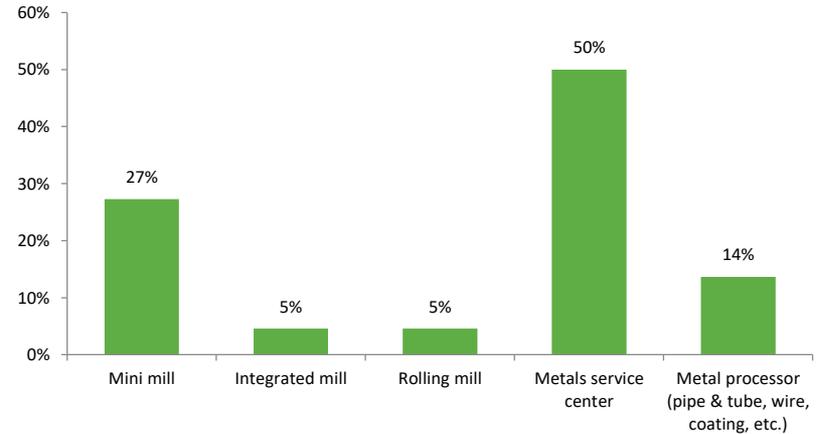
2020 Survey Results

Survey Participants

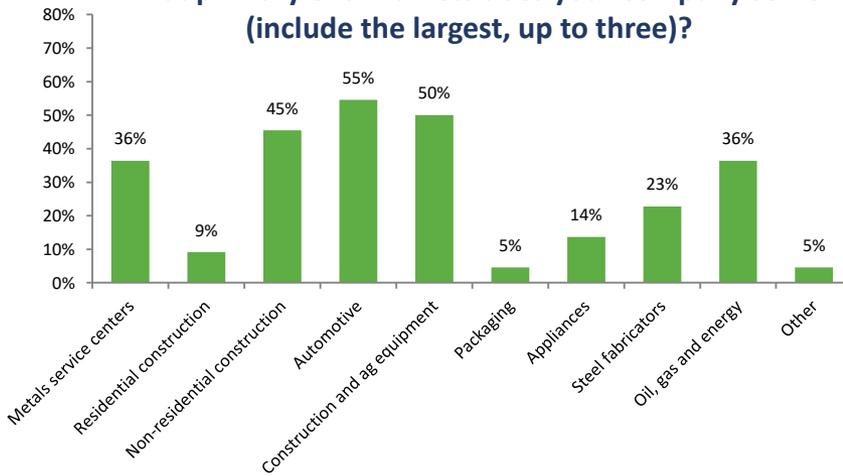
What is your title?



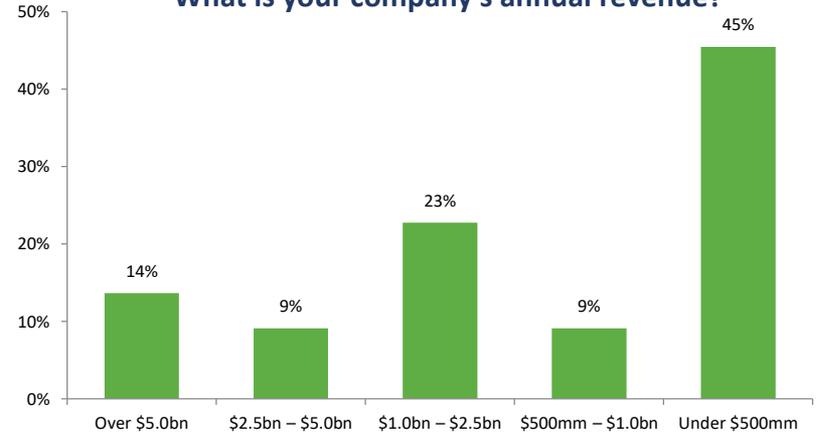
What is your company's primary business?



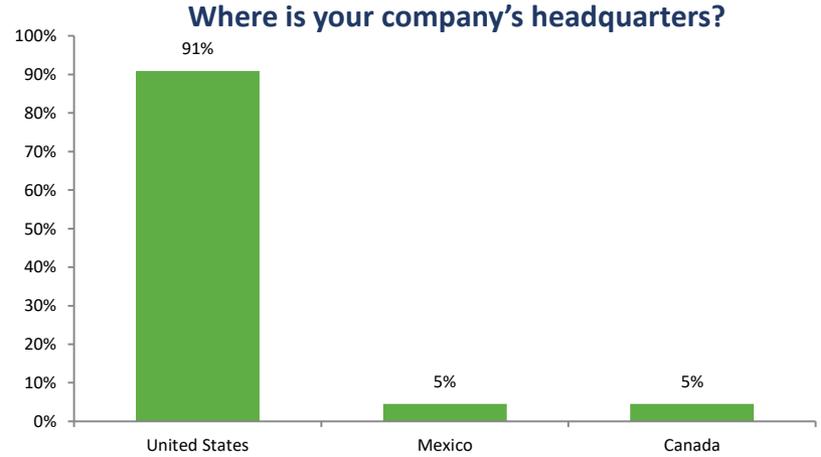
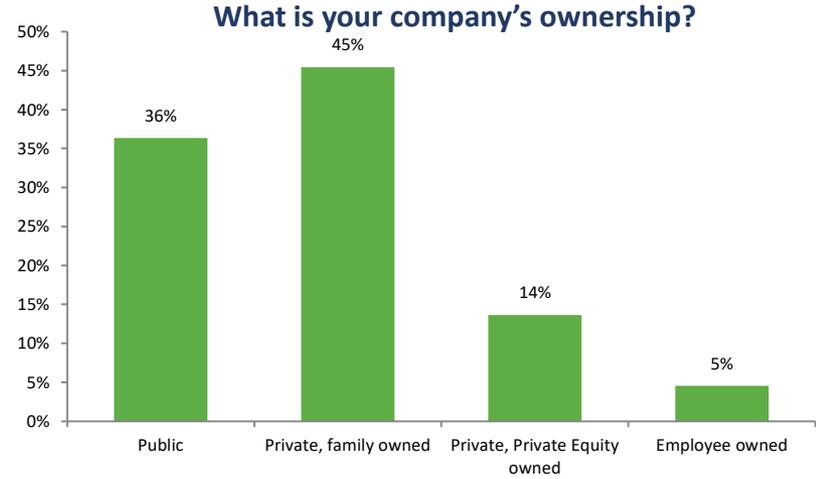
What primary end markets does your company serve (include the largest, up to three)?



What is your company's annual revenue?

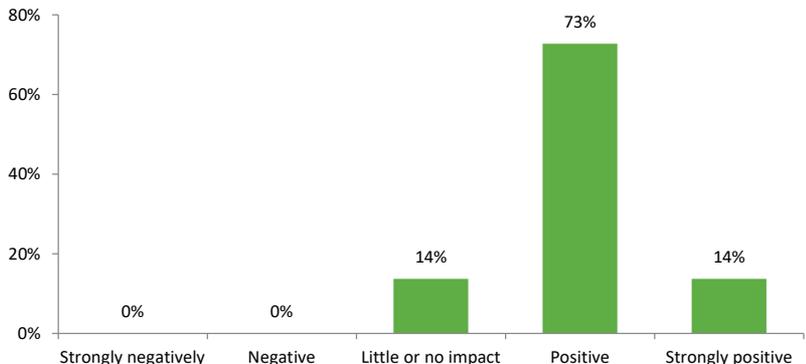


Survey Participants

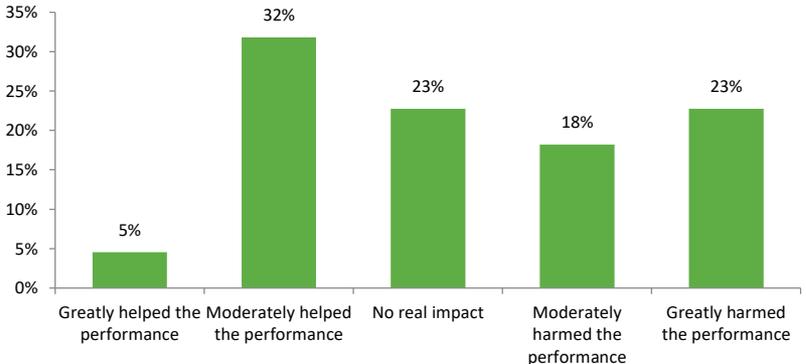


Trump Policies / Politics

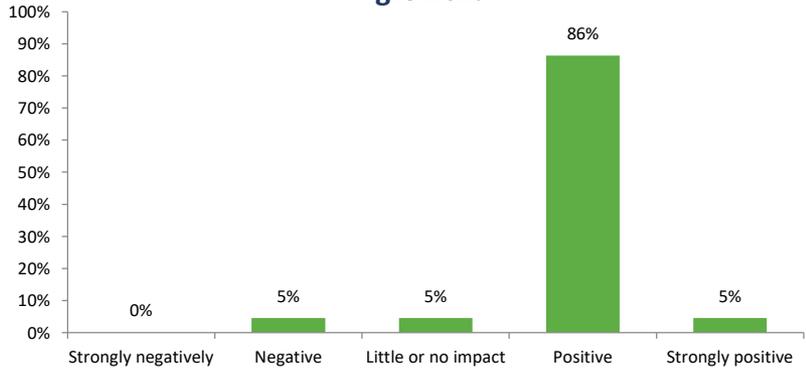
What impact do you believe the economic policies of the Trump Administration had on recent US GDP growth?



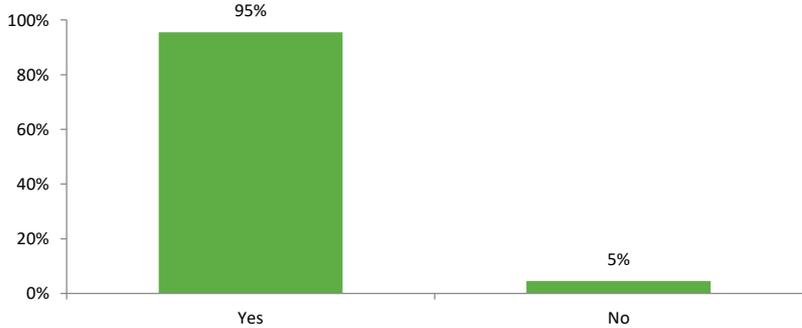
How did the Section 232 tariffs affect the financial performance of your company in 2019?



What impact do you believe the economic policies of the Trump Administration will have on 2020 US GDP growth?

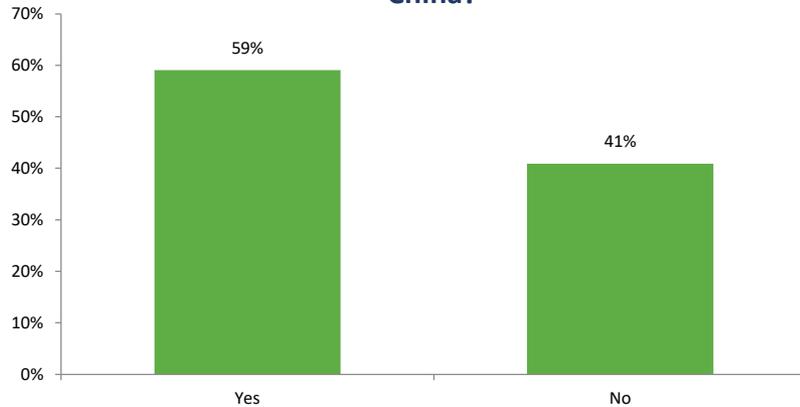


Do you believe the Trump Administration will maintain the Section 232 restrictions on the importation of Steel and Aluminum?

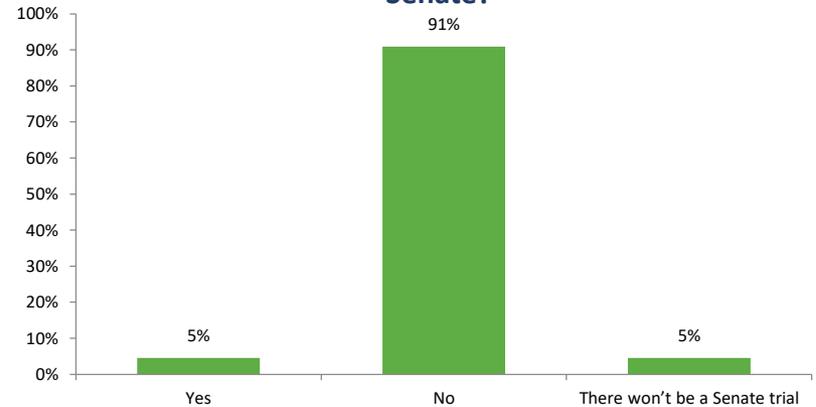


Trump Policies / Politics

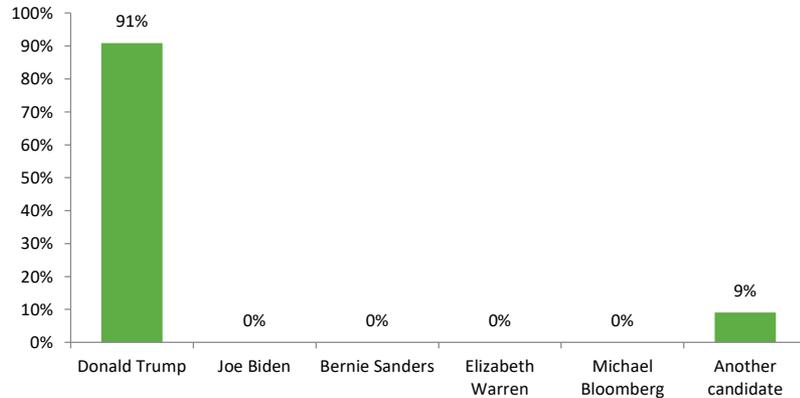
Will the US reach a comprehensive trade deal with China?



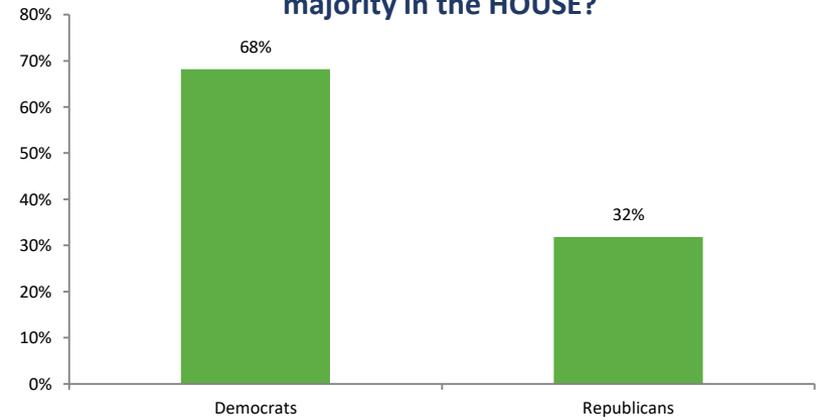
Will Donald Trump's impeachment be upheld in the Senate?



Who do you think will win the 2020 Presidential election?

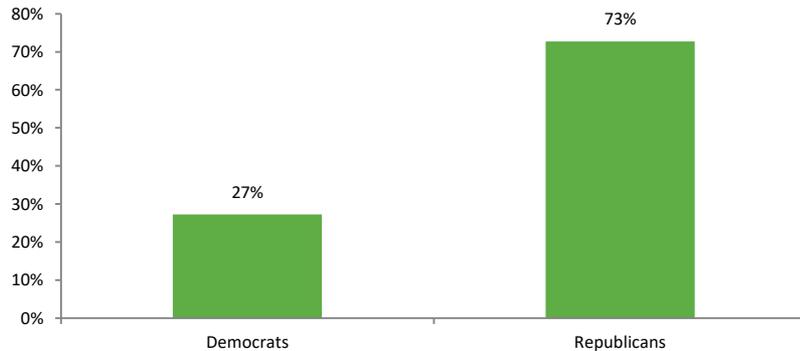


Following the 2020 elections, who will have the majority in the HOUSE?

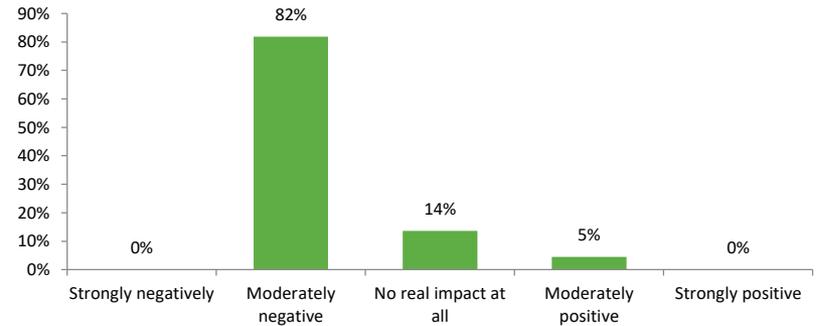


Trump Policies / Politics

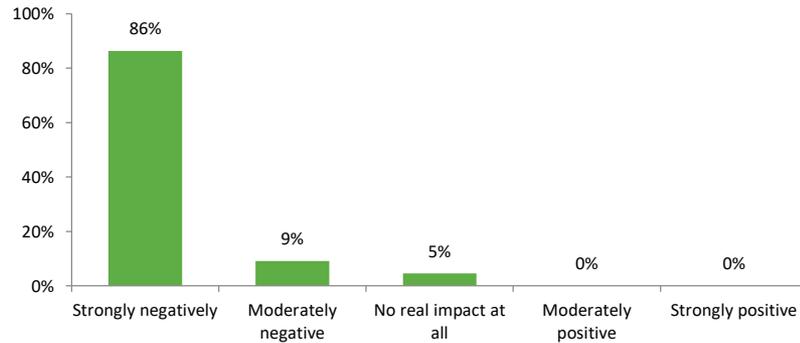
Following the 2020 elections, who will have the majority in the SENATE?



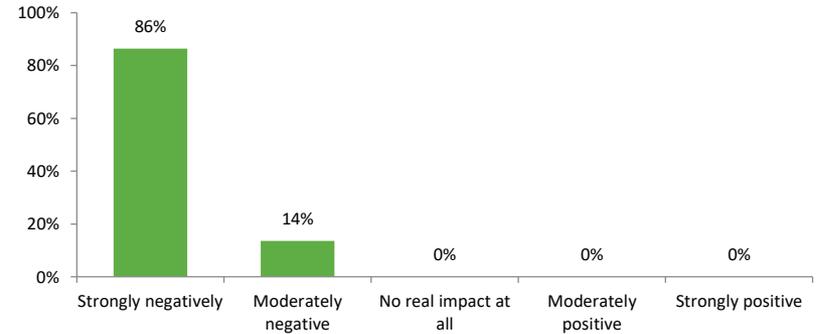
What long-term impact do you believe a BIDEN presidency will have on the US economy over the next four years (versus a Trump second term)?



What long-term impact do you believe a SANDERS Presidency will have on the US economy over the next four years (versus a Trump second term)?

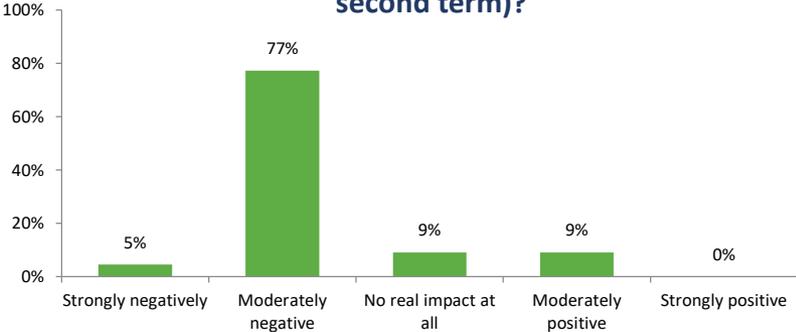


What long-term impact do you believe a WARREN Presidency will have on the US economy over the next four years (versus a Trump second term)?

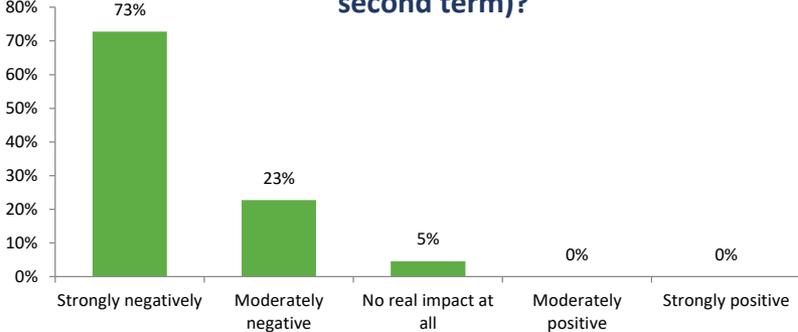


Trump Policies / Politics

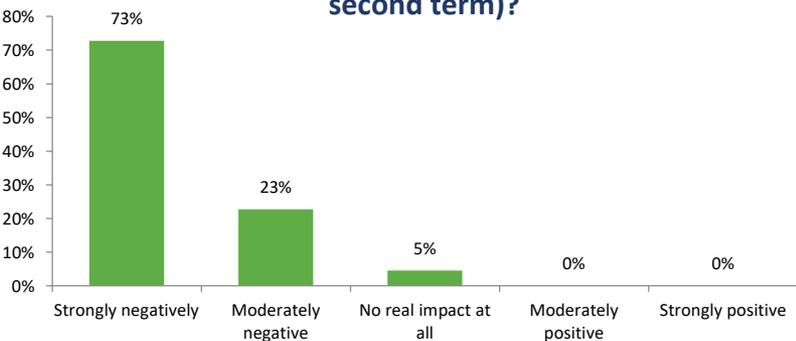
What long-term impact do you believe a BIDEN Presidency will have on your company's financial performance over the next four years (versus a Trump second term)?



What long-term impact do you believe a SANDERS presidency will have on your company's financial performance over the next four years (versus a Trump second term)?

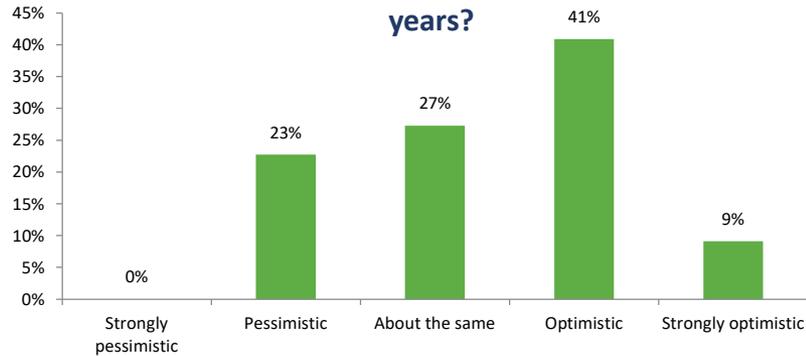


What long-term impact do you believe a WARREN presidency will have on your company's financial performance over the next four years (versus a Trump second term)?

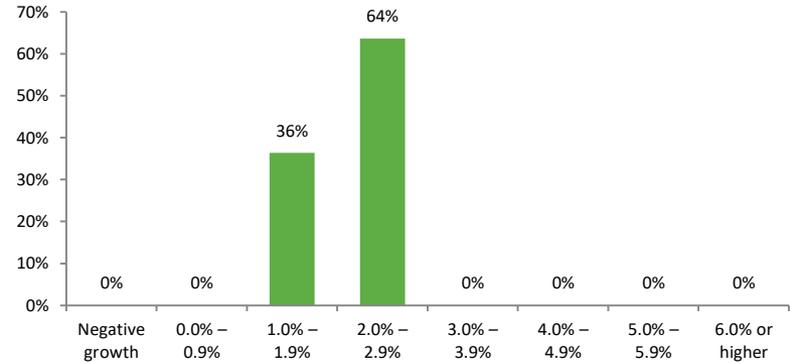


Growth

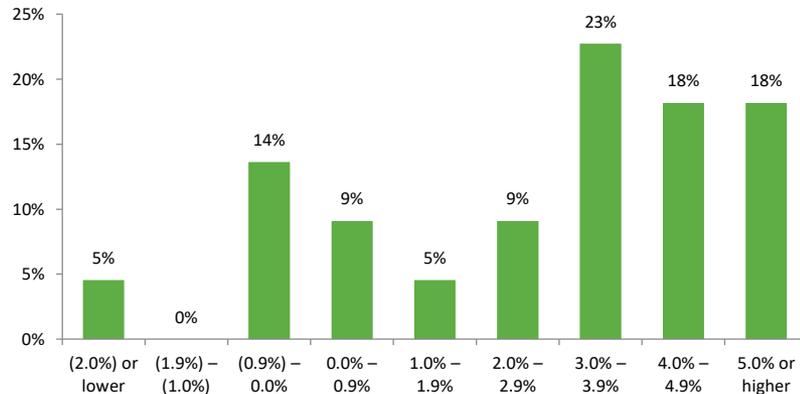
Are you more optimistic or more pessimistic about the prospects for the financial performance of your company in the next three years versus the last three years?



What 2020 US GDP growth rate does your company use for planning purposes?



What 2020 revenue growth do you expect for your company (versus 2019 results)?

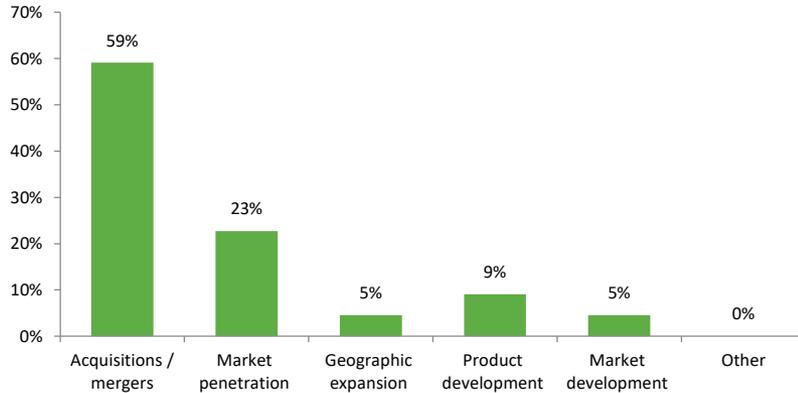


What average 2020 per ton price do you expect for hot rolled coil?

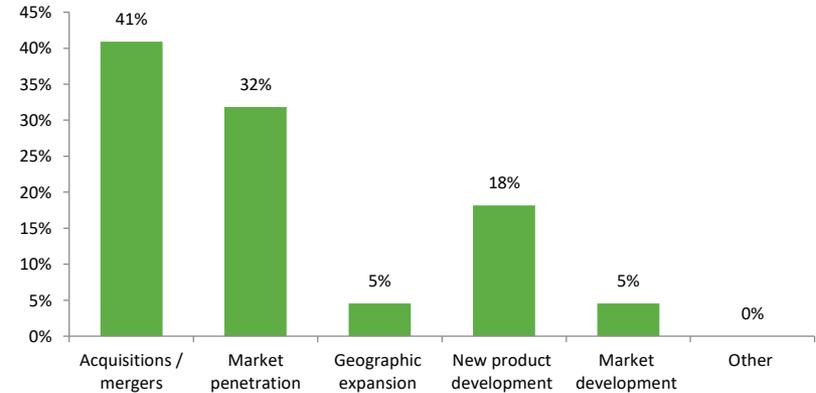


Growth

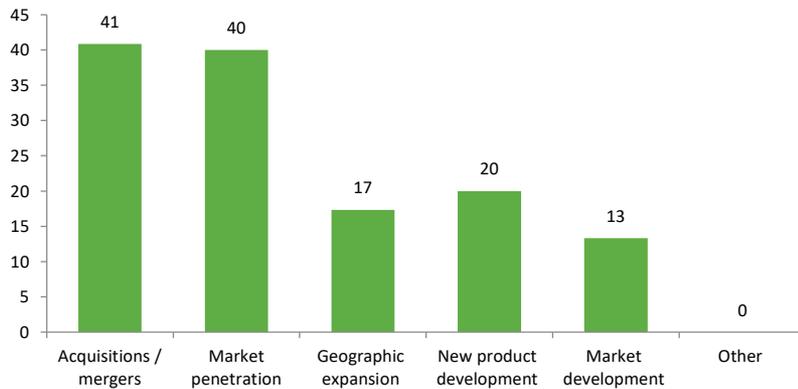
Over the long-term, what has been the single greatest source of growth for your company?



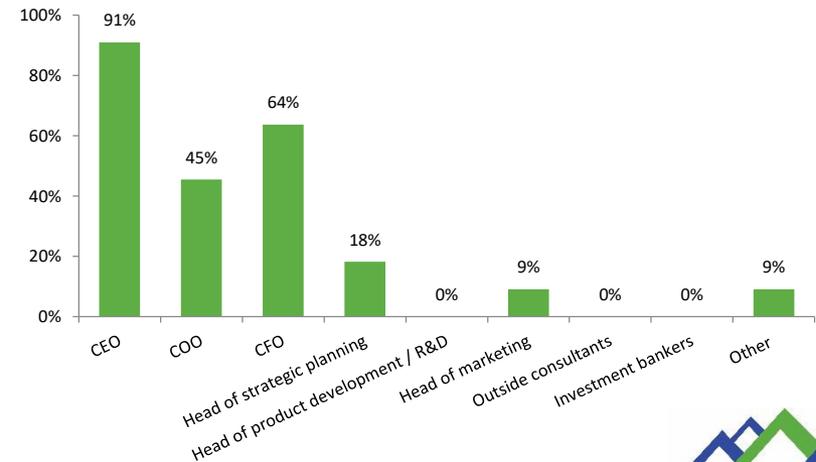
Over the next three years, what do you expect to be the greatest single source of growth for your company?



Over the next three years, what percentage of your total growth would come from each source?

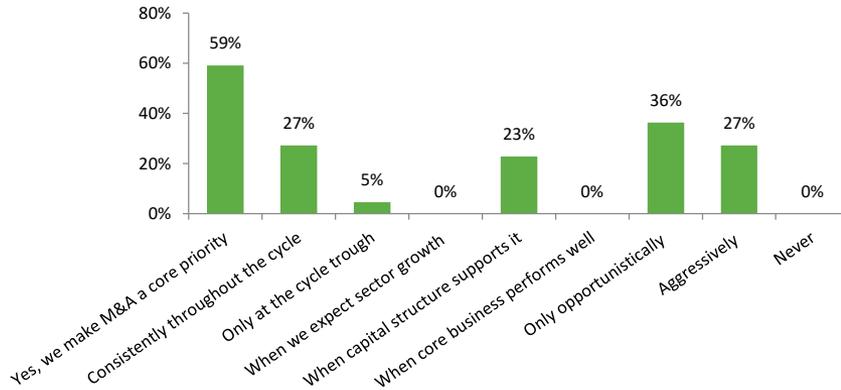


Who at your company is responsible for strategic planning / growth planning?

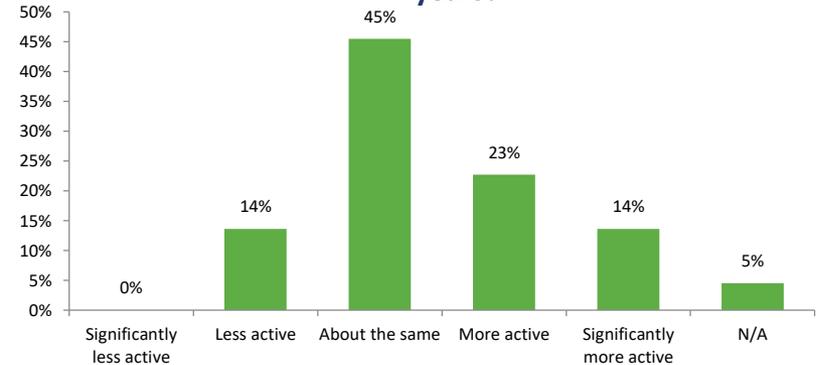


Mergers and Acquisitions

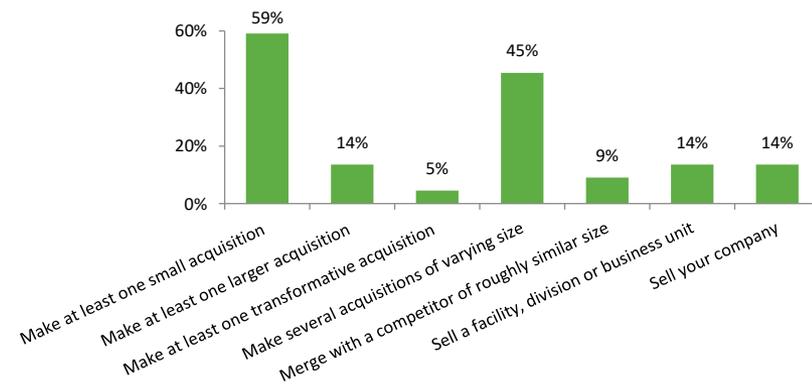
Does your company pursue growth through mergers and acquisitions?



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?



In the next three years do you expect that your company will (select all that apply):

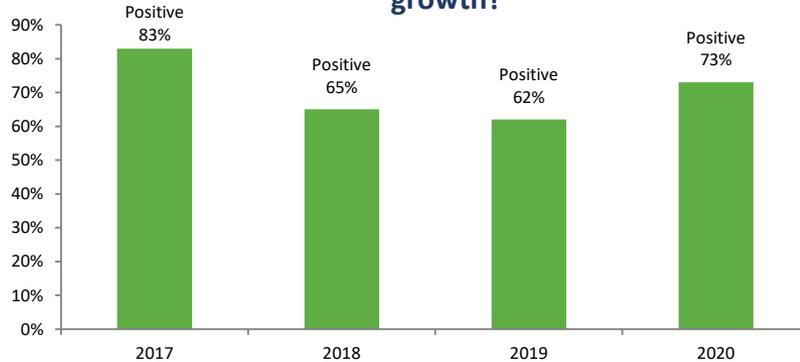


The slide features two horizontal lines, one above and one below the title. Each line is composed of three segments: a dark blue segment on the left, a light green segment in the middle, and a dark blue segment on the right.

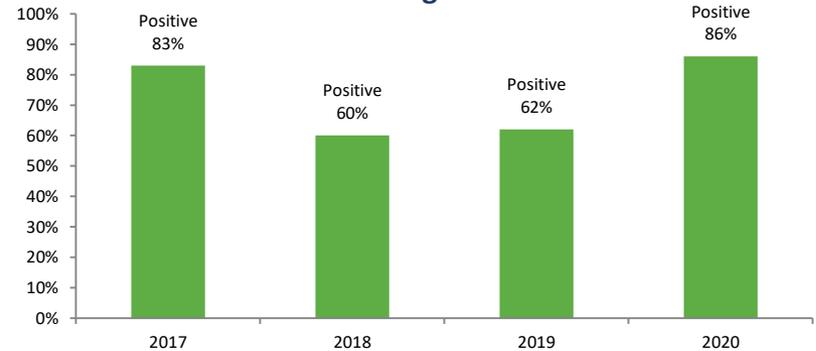
Survey Trends: 2017-2020

Four-year Survey Trends

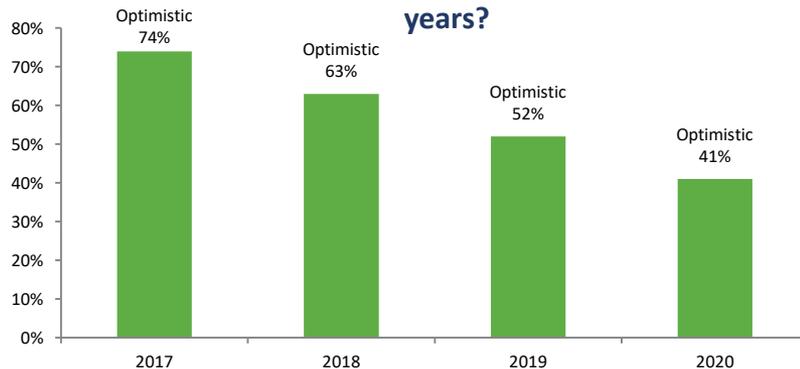
What impact do you believe the economic policies of the Trump Administration had on recent US GDP growth?



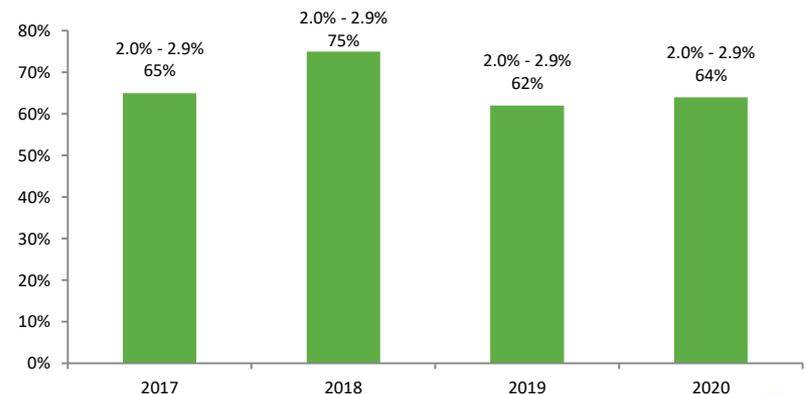
What impact do you believe the economic policies of the Trump Administration will have on "next year" US GDP growth?



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?

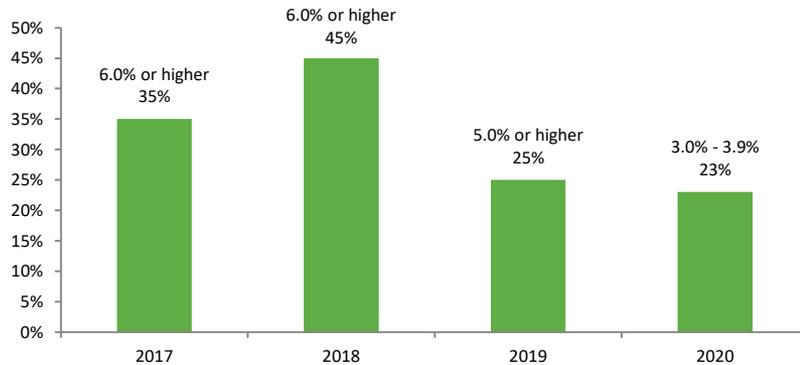


What "next year" US GDP growth rate does your company use for planning purposes?

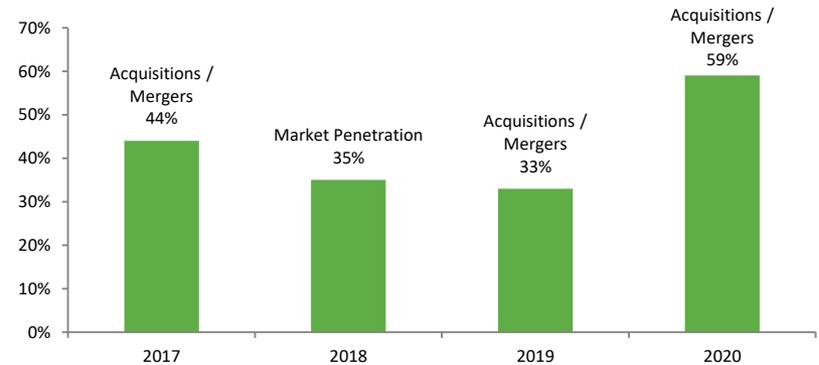


Four-year Survey Trends

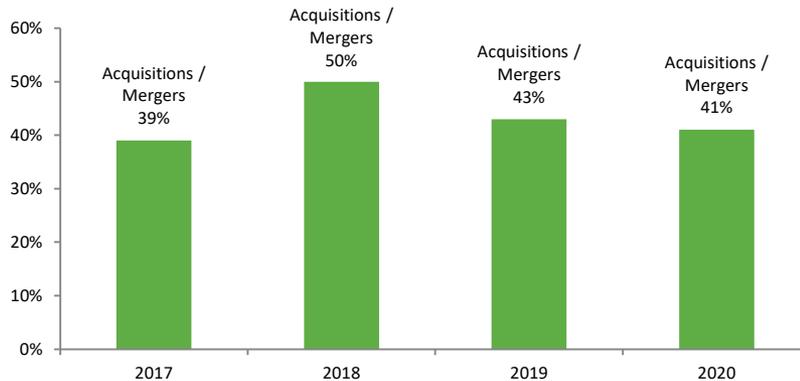
What “next year” revenue growth do you expect for your company (versus “previous year” results)?



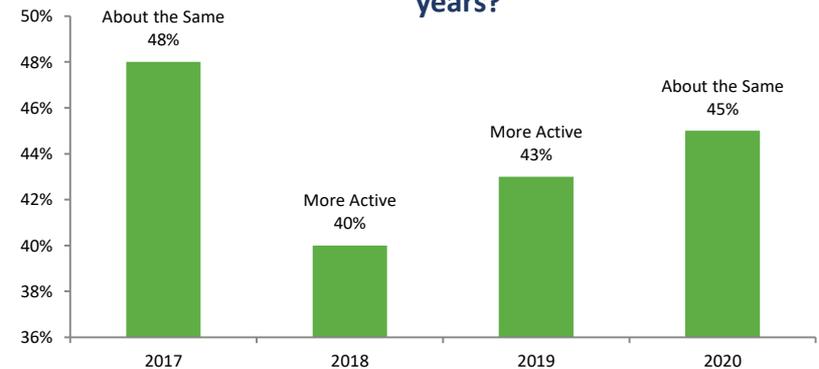
Over the long-term, what has been the single greatest source of growth for your company?



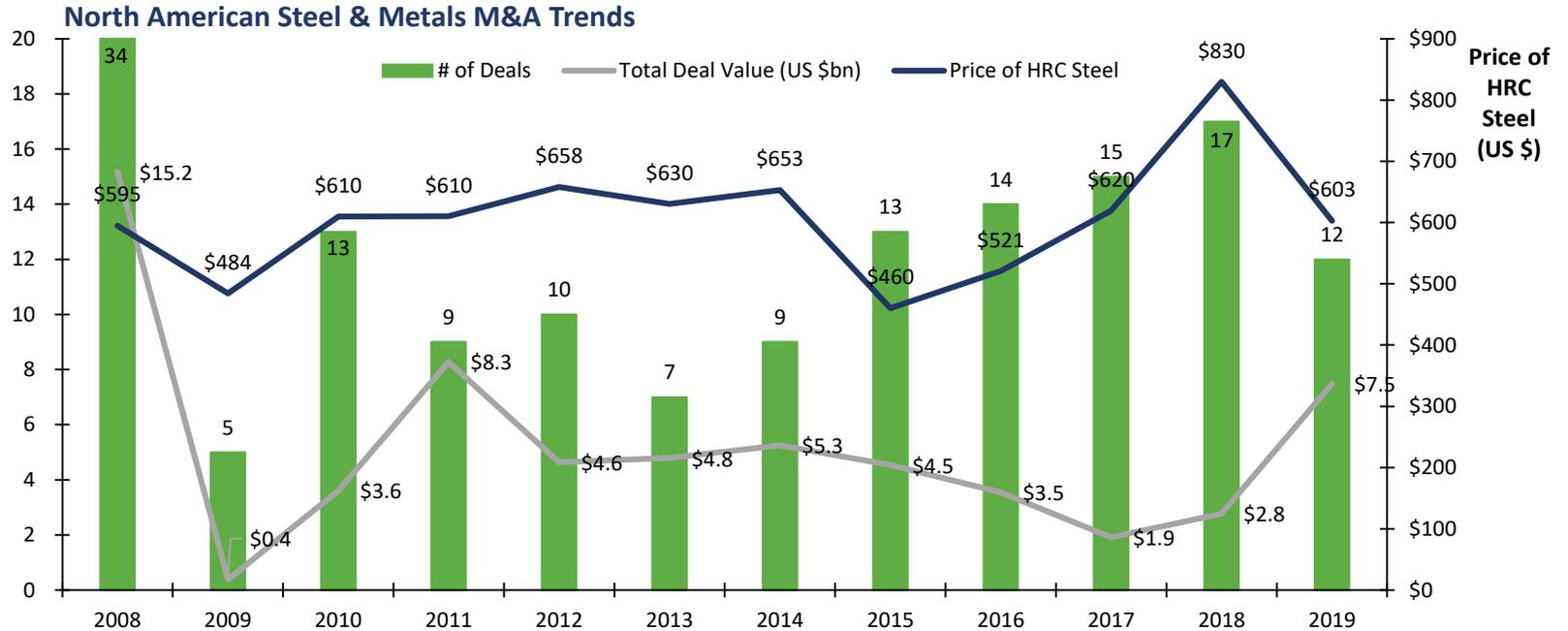
Over the next three years, what do you expect to be the greatest single source of growth for your company?



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?



M&A Trends



Largest Transaction

Target	SSAB	Grede	Ameristeel	Thompson Iron Mines	TIMET	TK Calvert	Severstal Columbus	RTI	US Pipe	Canam	Gerdau Rebar	AK Steel
Buyer	EVRAZ	Wayzata	Gerdau	Cliffs	Precision Castparts	Arcelor Mittal	Steel Dynamics	Alcoa	Forterra	American Industrial Partners	CMC	Cleveland-Cliffs
\$ Value (bn)	\$4.9	\$0.1	\$1.6	\$4.9	\$3.0	\$1.6	\$1.6	\$1.8	\$0.9	\$0.6	\$0.7	\$3.6



headwall