

Steel Sector Growth: Oxymoron or Opportunity?

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Steel Sector Growth

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Oxymoron?

Steel Volume Growth

Apparent U.S. Steel Consumption⁽¹⁾



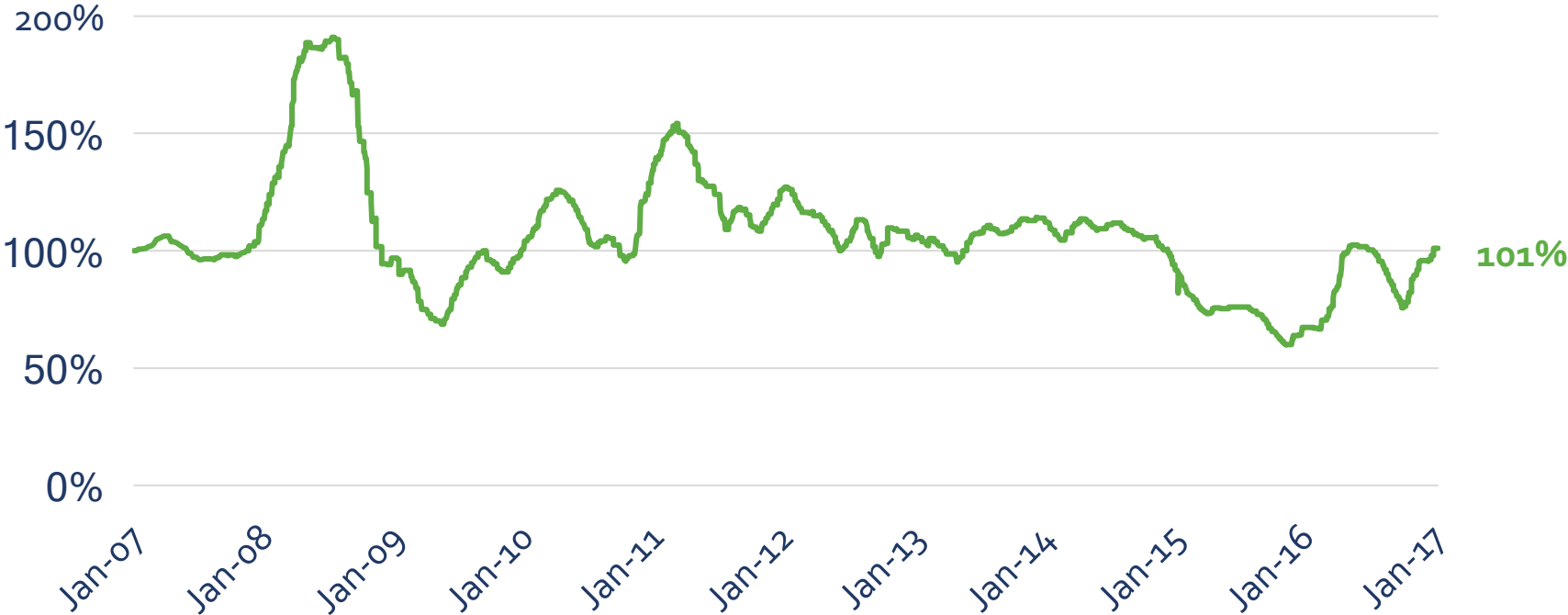
(1) Defined as TTM total steel mill product shipments + imports – exports – semifinished steel product imports

Source: AISI



Steel Price Growth

Indexed Inflation Adjusted U.S. HRC Price⁽¹⁾



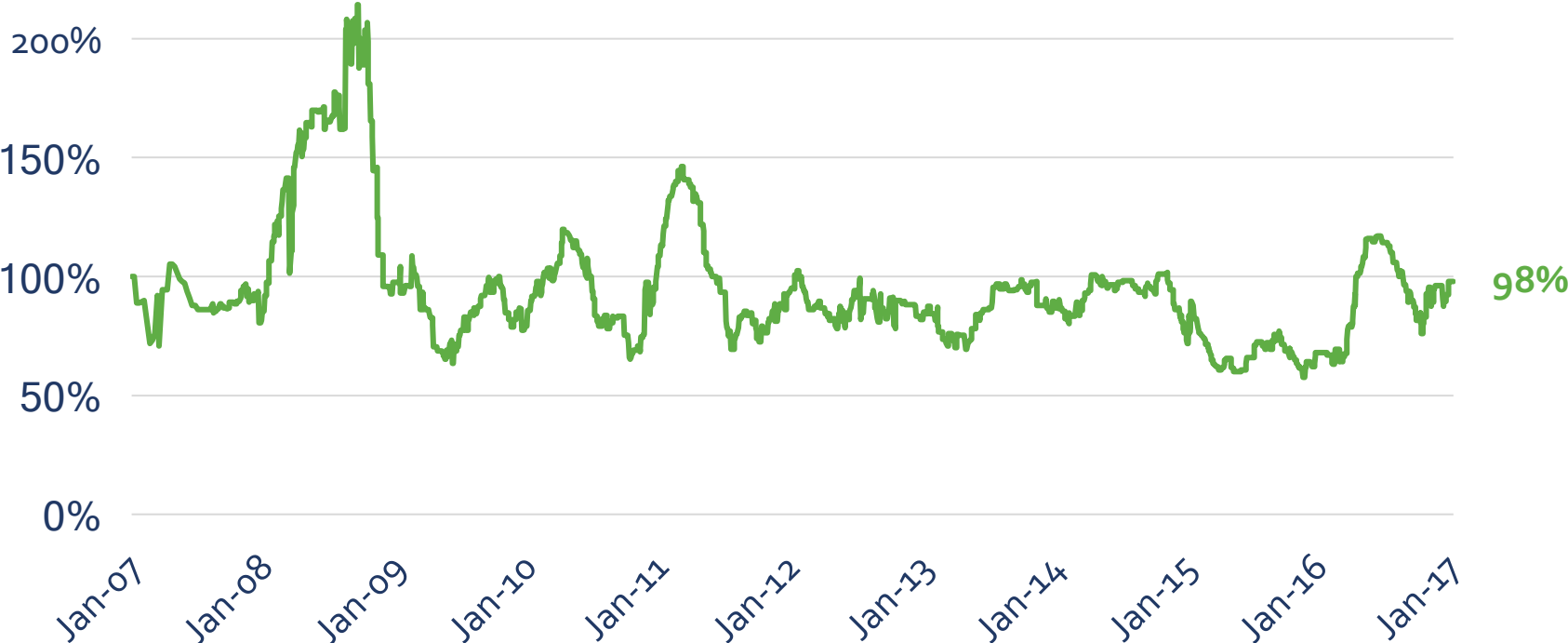
(1) HRC – EXW Indiana, US domestic prices indexed to 1/22/07 = 100 and adjusted for inflation using monthly CPI data

Source: Platts, U.S. Bureau of Labor Statistics



Steel Spread Growth

Indexed Inflation Adjusted U.S. Steel Spread⁽¹⁾



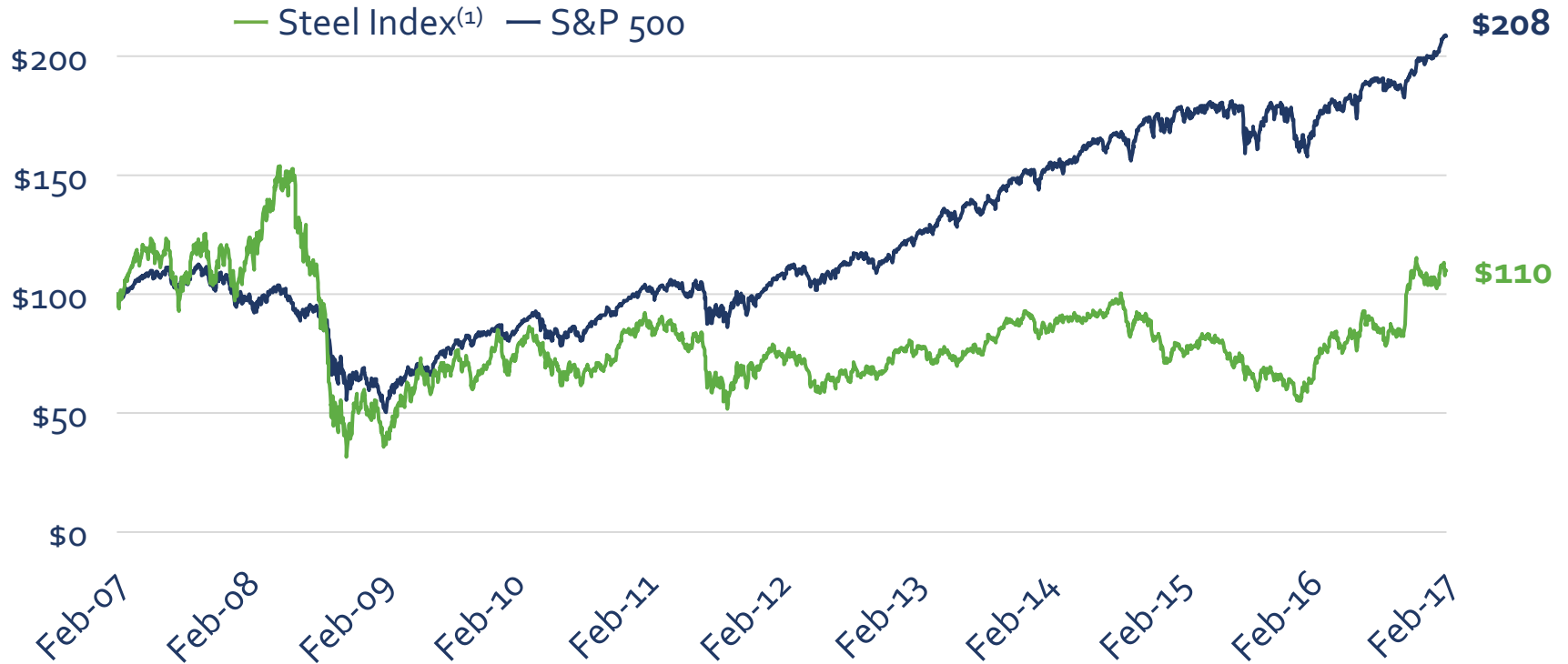
(1) Spread = (HRC – EXW Indiana, US domestic prices less Shredded Midwest US – delivered, US domestic prices), indexed to 1/22/07 = 100 and adjusted for inflation using monthly CPI data

Source: Platts, U.S. Bureau of Labor Statistics



Equity Returns

Total Return (\$100 Invested Year 1)



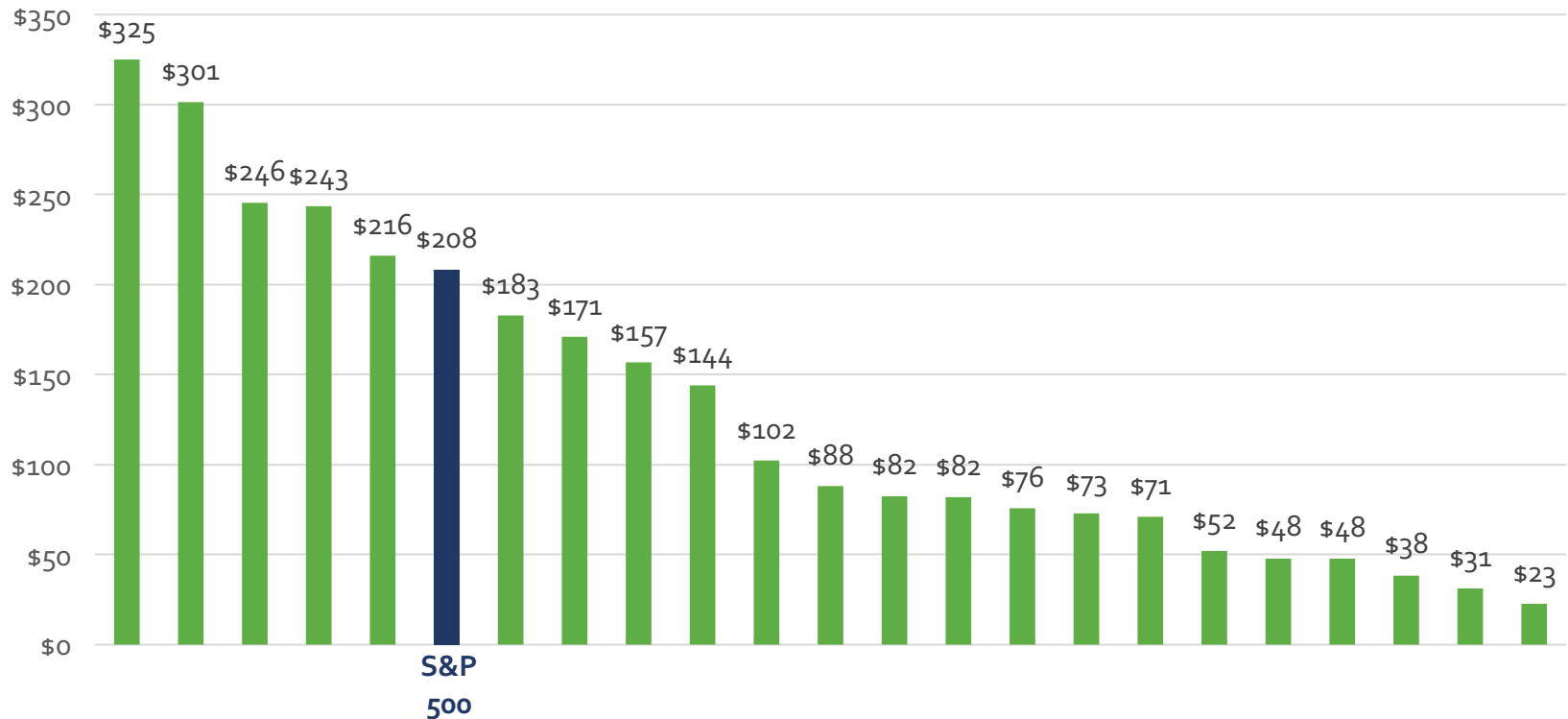
Note: "Total Return" assumes dividends are reinvested.

(1) Companies include: AK Steel, Allegheny Technologies, Carpenter Technology, Commercial Metals Co., DMC Global, Gibraltar, Haynes International, Insteel, Materion, Northwest Pipe Co., Nucor, Olympic Steel, Reliance Steel & Aluminum, Russel Metals, Schnitzer Steel, Shiloh Industries, Sims Metal Management, Steel Dynamics, U.S. Steel, Universal Stainless & Alloy, Valmont, and Worthington Industries.



Individual Company Equity Returns

10-Year Company Returns (\$100 Invested in Year 1)

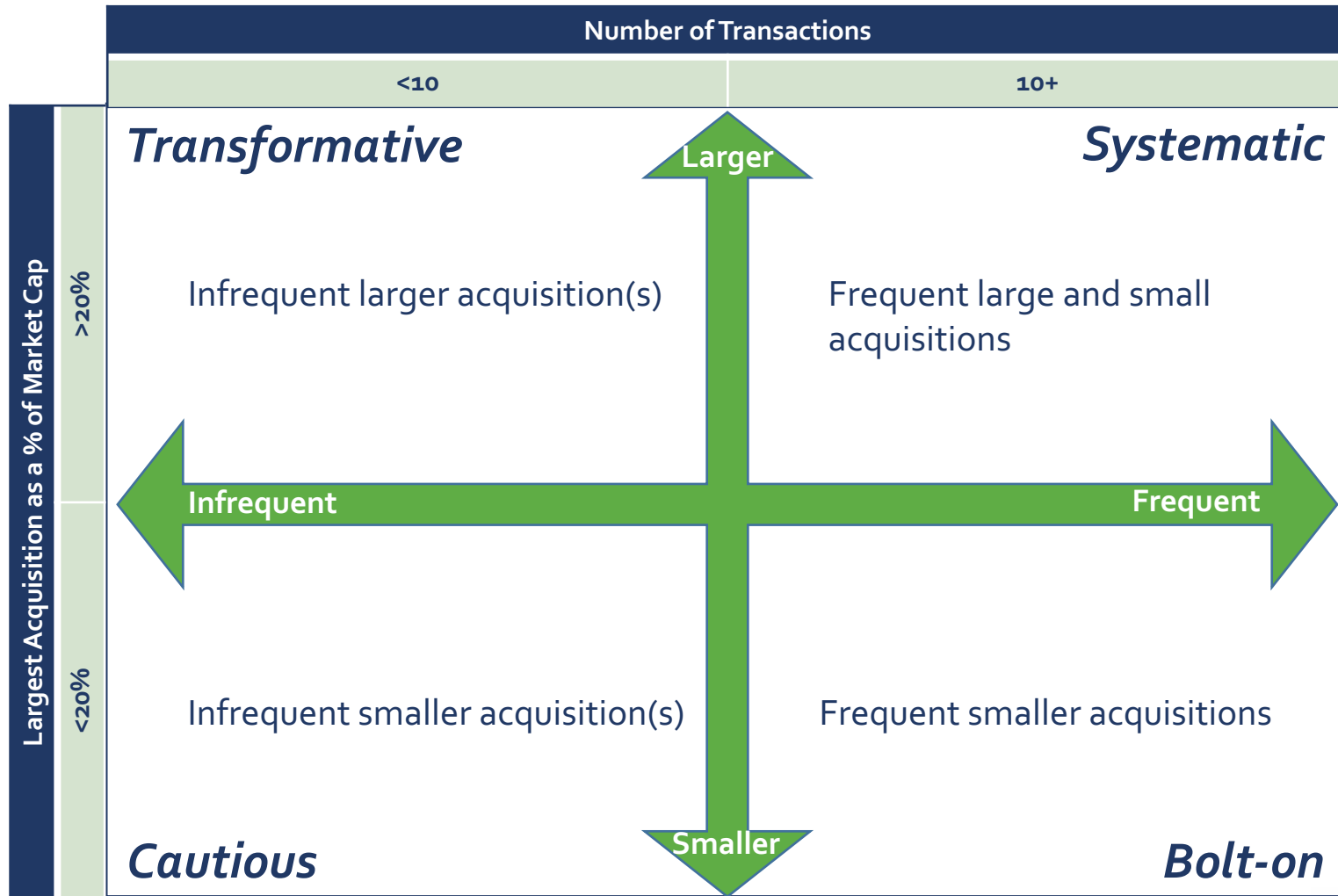


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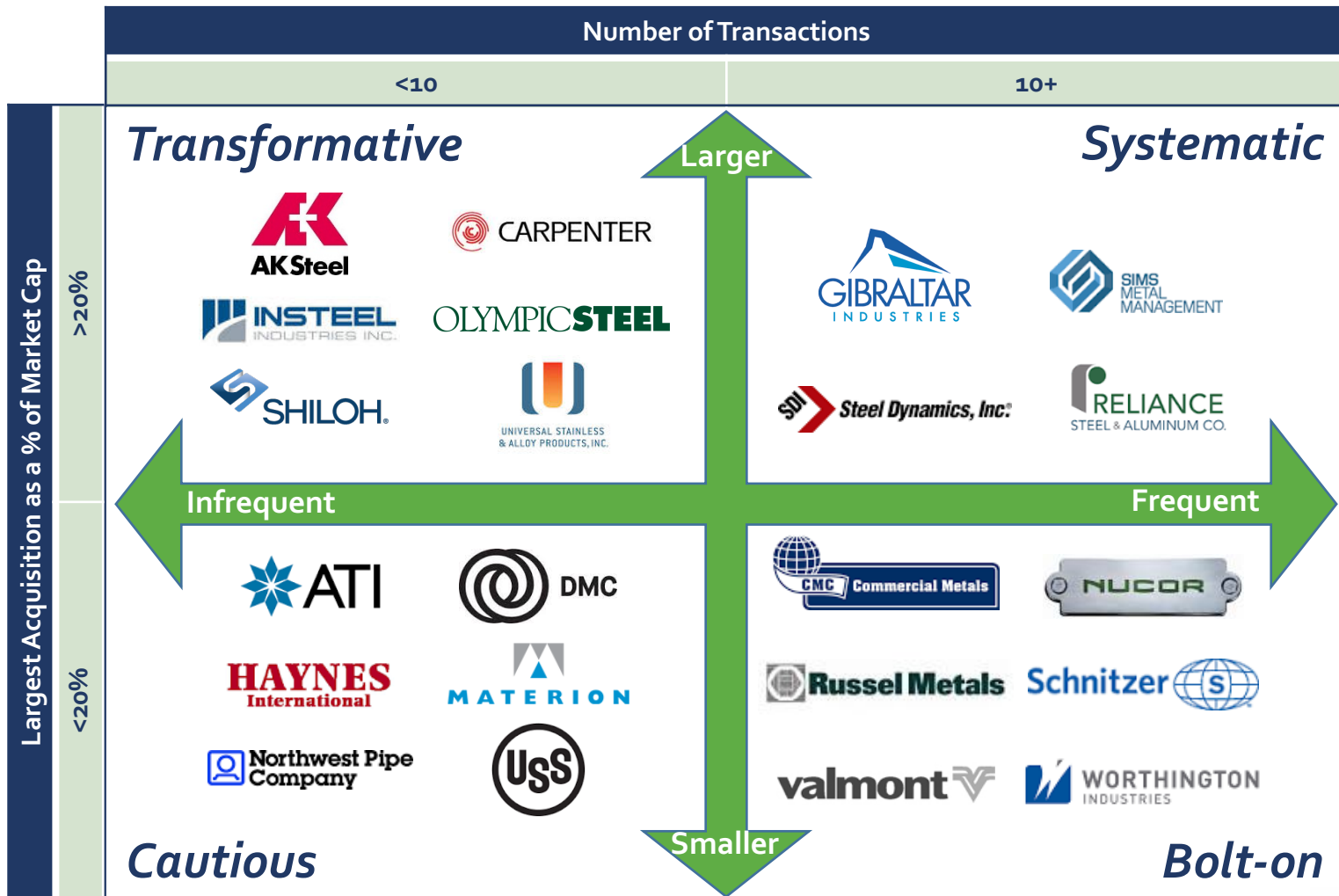
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Types of Acquirers

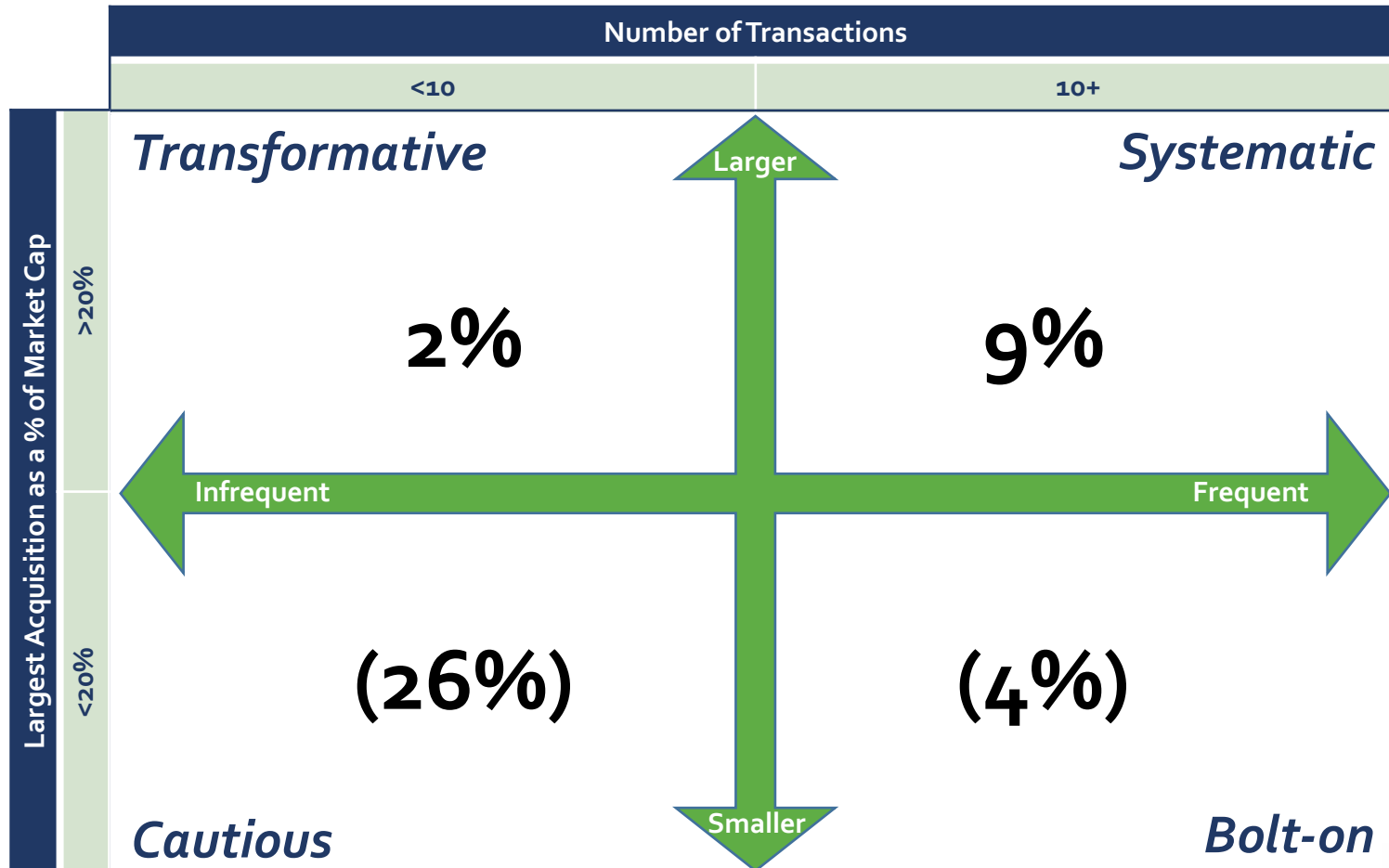


Types of Acquirers – By Company



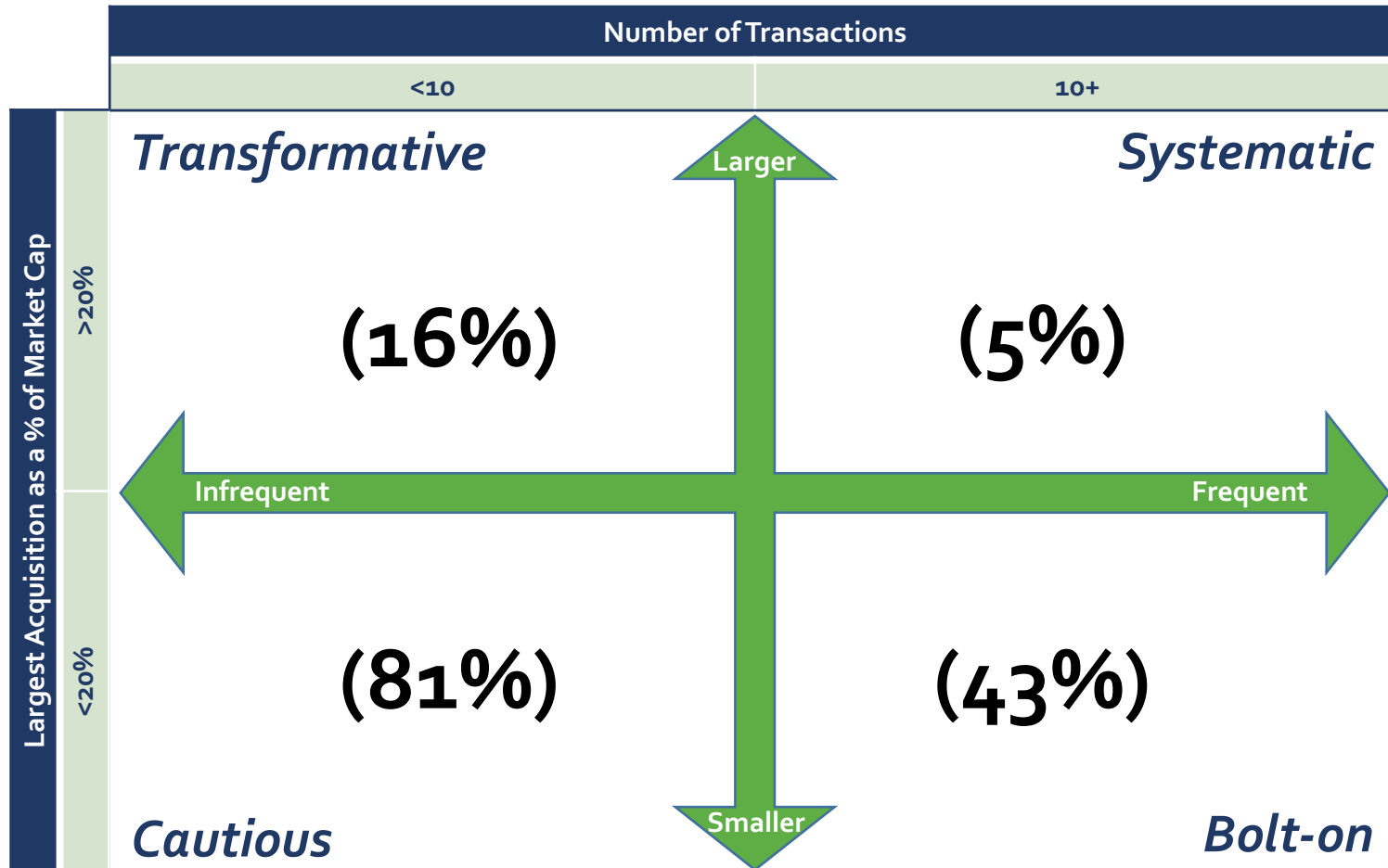
Revenue Growth

Median 10 Year Change in LTM Revenue



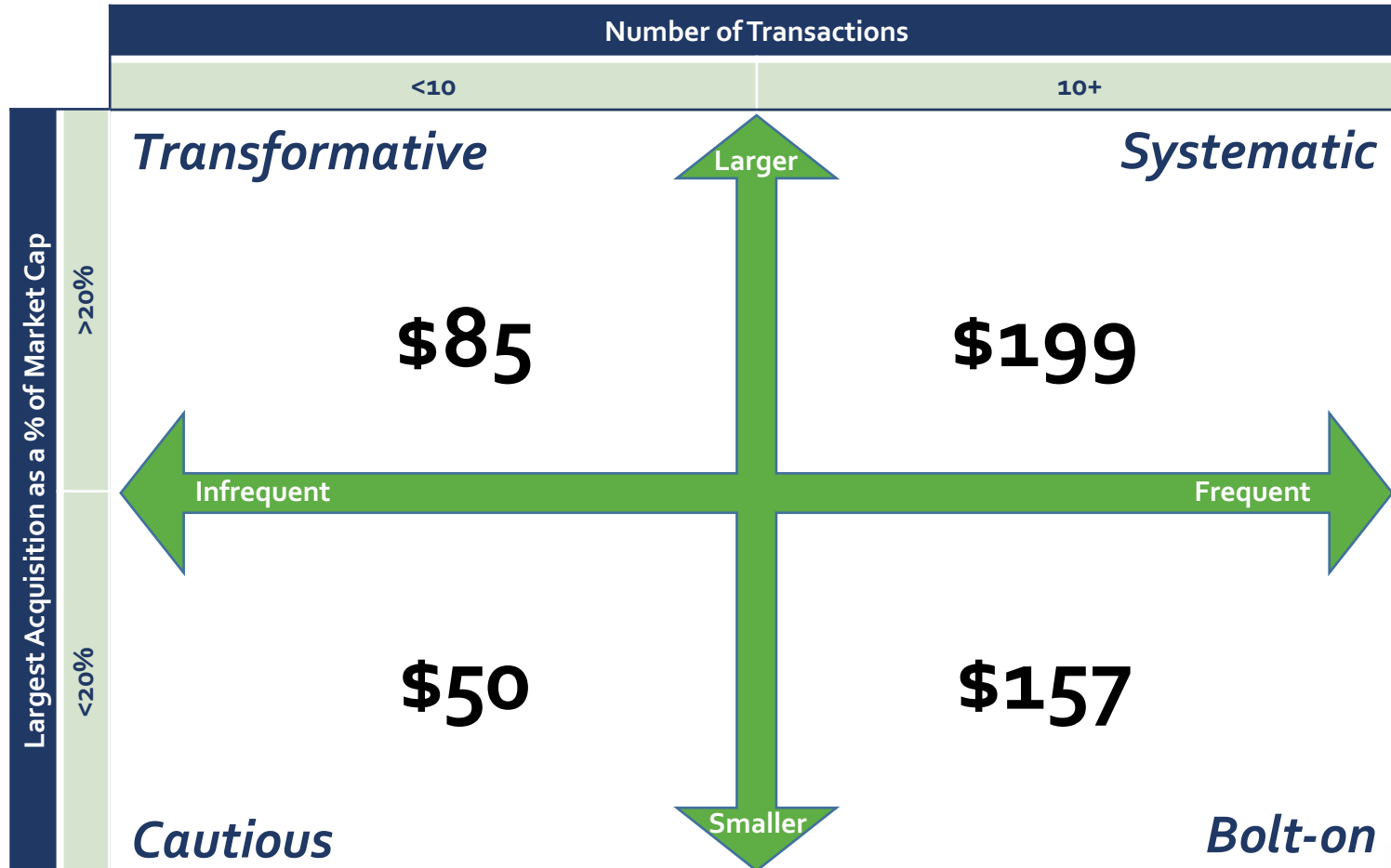
EBITDA Growth

Median 10 Year Change in EBITDA



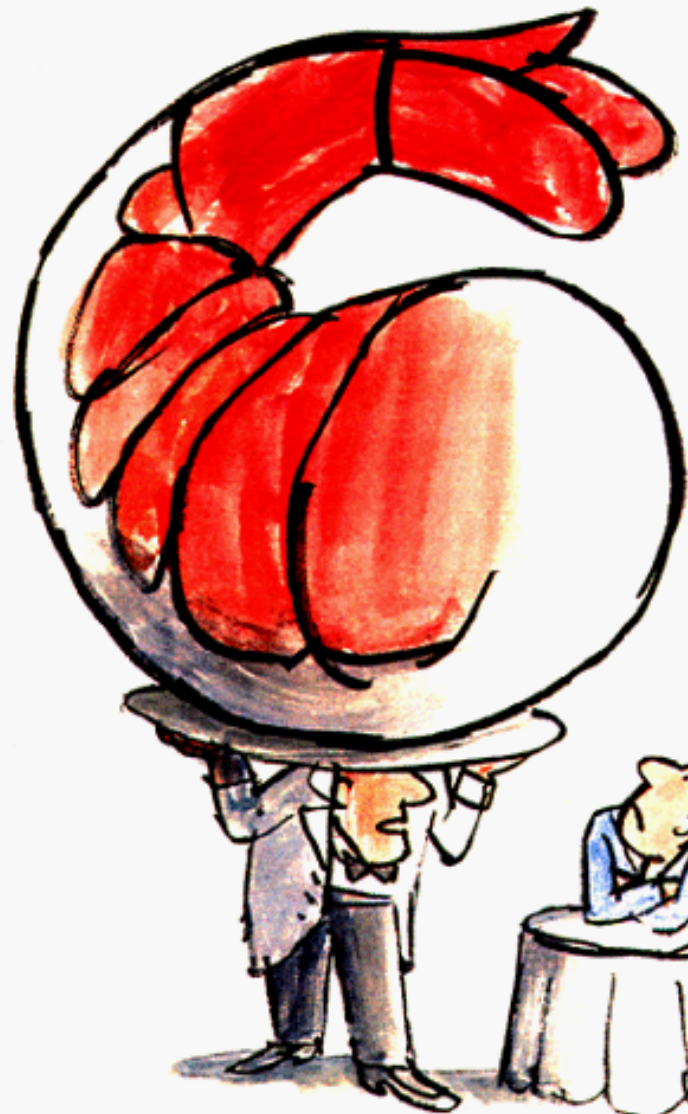
Shareholder Returns

Median Value of \$100 Invested 10 Years Ago



Summary Conclusions

- Corporate growth is difficult to achieve in the no-growth North American steel sector
- A systematic approach to M&A can materially accelerate growth and value creation
- Companies with a passive approach to M&A are more likely to underperform and should either:
 - Increase their focus on M&A
 - Consider a sale



JUMBO SHRIMP?

Steel Sector Growth

Opportunity!



headwall