APPLIED
Insights

Steel Market Consolidation and Capacity Update

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US-based Steel Makers have significantly increased leverage through recent M&A consolidation, but planned capacity expansion projects could undermine this effort.

US Capacity Consolidation

- Number of steelmakers accounting for ~80% of US capacity has shrunk from **6 to 5** following recent US market consolidation
- Cleveland Cliffs acquired both AK Steel and AM USA (excluding Calvert) in 2020; Cliffs now owns the most US capacity, increasing capacity from **12.5M to 36.2M TPY**
- US Steel exercised its option to buy Big River Steel, adding over **3M ST** in annual capacity to USS operations

Planned Capacity Update

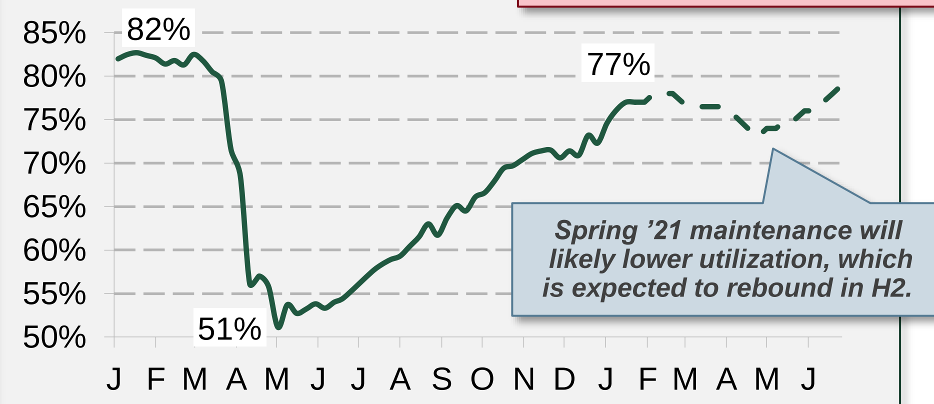
- An additional **13.5M ST** of US capacity is expected to come online by 2023; capacity is split among **10 producers** led by USS, SDI, Nucor
- Following planned expansions, total US capacity expected to reach **~144M ST** by the end of 2023
- With US HRC price at a record high, planned expansion may help ease tight US market supply in H2 2021

In the News..

- Select mills in Europe, South America have brought capacity online in recent weeks, with USS (Slovakia), AM (Belgium) among those increasing capacity
- SDI to commission new **3M TPY** mill in Sinton, TX with a partial opening in Q2 '21; full commission in summer '21
- US Steel likely to move forward with ~**3.3M TPY** facility in the Gulf Coast, originally announced by Big River Steel

US Steel Mill Utilization Rate
Jan '20 – Jun '21 (Expected)*

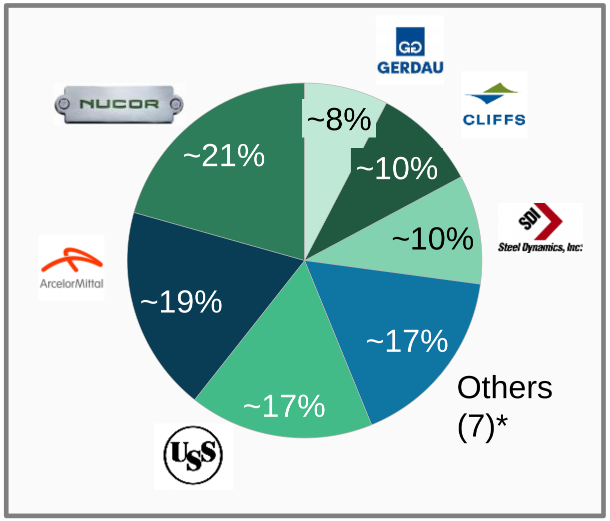
Following market consolidation, it is now more important than ever to monitor utilization.



Sources: AMM, AISI, Applied Value Analysis
* Based on announced Spring maintenance and capacity expected to come online in 2021; this is a snapshot and is subject to change daily.

Recent market consolidation has led to Cleveland Cliffs, USS, and Nucor increasing their collective share of US steelmaking capacity from ~47 to ~68% during 2020.

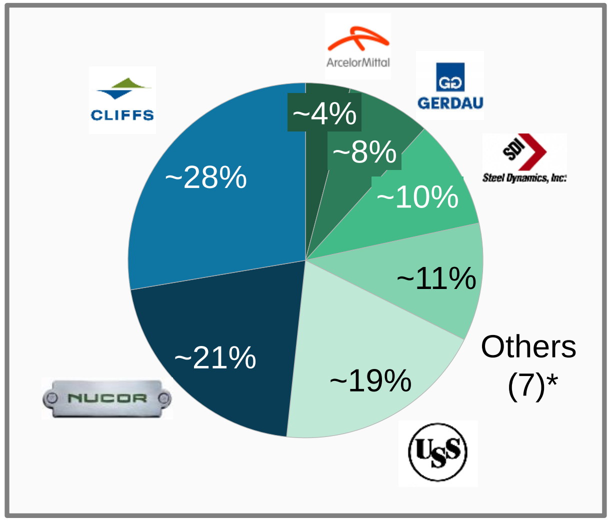
Share of Capacity – Early 2020



Pre-Consolidation

- Nucor led US steelmakers with ~27 TPY in capacity in early 2020
- Cleveland Cliffs was the 5th largest steelmaker in the US trailing Nucor, USS, ArcelorMittal, and Steel Dynamics in capacity
- Top 6 producers owned 83.3% of capacity; total capacity of 131M ST

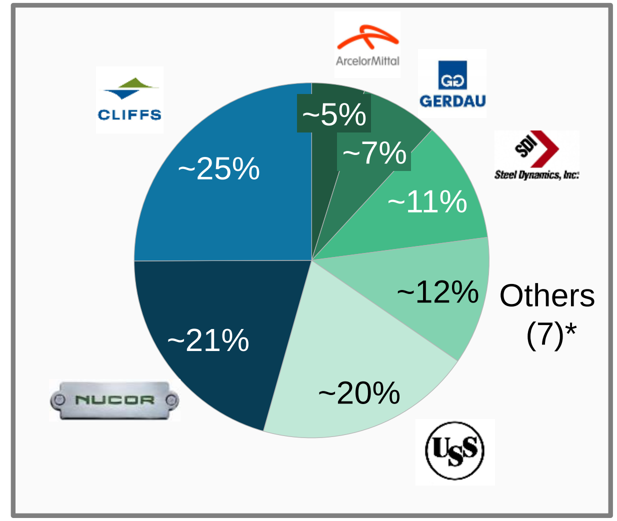
Share of Capacity - Today



Post-M&A Market

- Following acquisitions of AK Steel, ArcelorMittal USA (excluding Calvert), Cleveland Cliffs now owns close to ~28% of US capacity
- USS adds ~3M TPY capacity following acquisition of Big River
- Top 6 producers own 89.5% of capacity; total capacity of 131M ST

Est. Share of Capacity - 2023



Expected Capacity

- USS likely to construct new mill in Gulf Coast with ~3.3M TPY in capacity, targeting 2023 start
- SDI moving forward with plans for rail mill in Sinton, TX (3.0M TPY)
- Top 6 producers expected to own 88.5% of capacity; expected capacity of ~144M ST

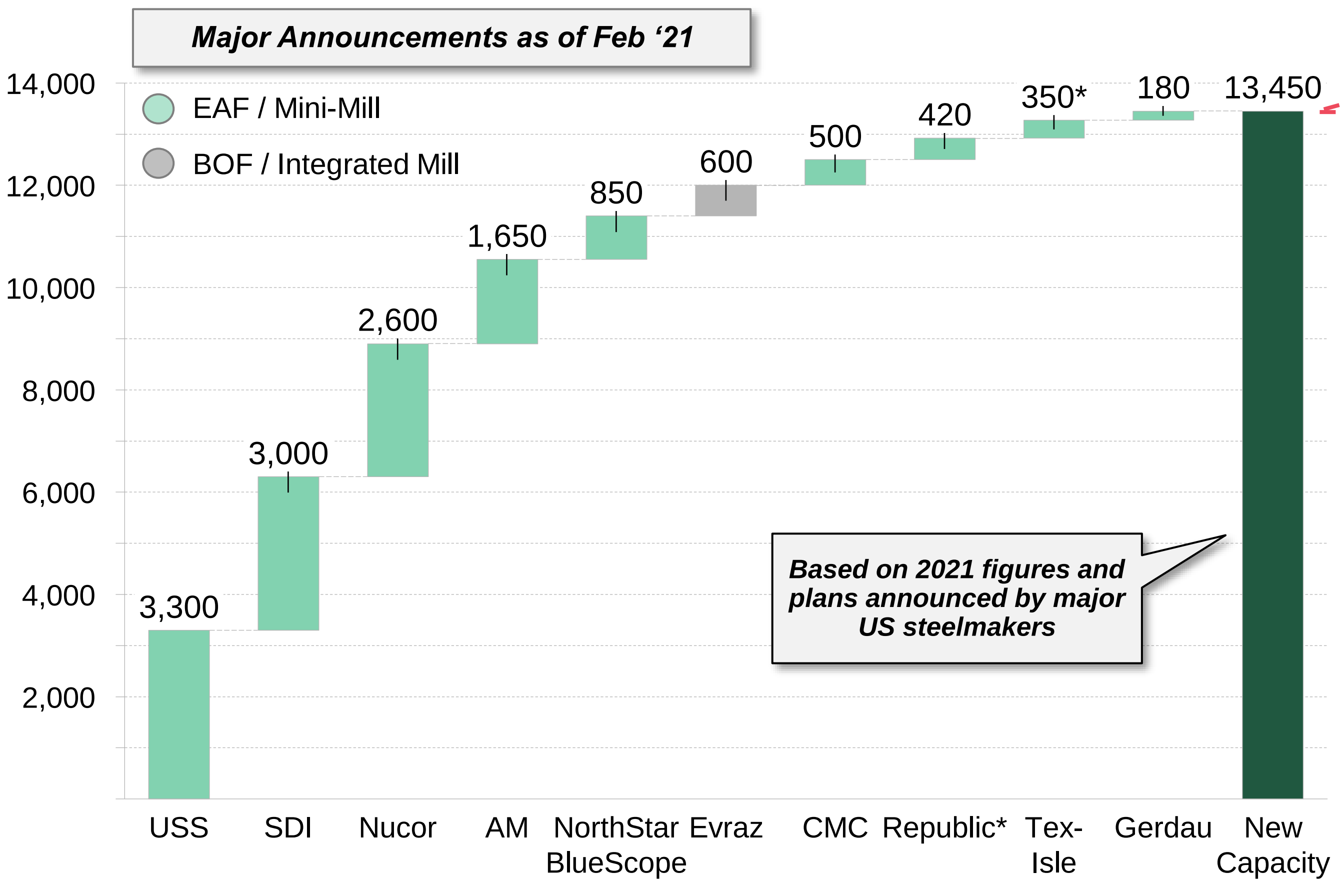
By 2023, US annual steelmaking capacity is expected to grow from ~131 ST to ~144 ST.

Sources: AMM, AISI, Applied Value Analysis

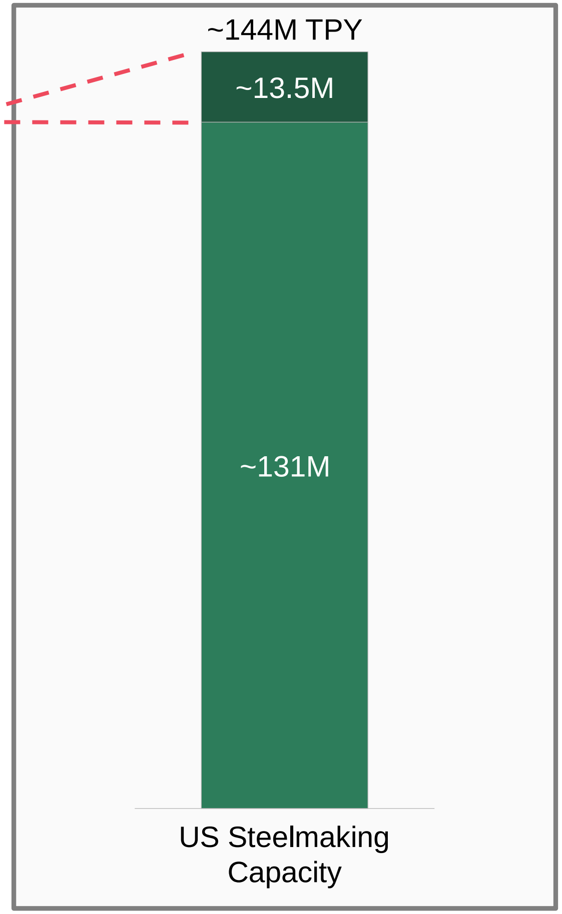
* Others major steelmakers included are NorthStar BlueScope, JSW, Evraz, Republic, CMC, and Big River / AK Steel (early 2020 only).

US domestic steelmakers have announced an additional ~13.5M tons of capacity expected to come online over the next 3 years.

Announced Additional US Mill Capacity by 2023 (ST)



Est. Total US Capacity 2023 (ST)



As US domestic capacity is consolidated to a small number of major players, who continue to expand capacity, steelmakers gain increased leverage and control of prices moving forward.

Sources: AMM, AISI, Applied Value Analysis
*Structural Steel Mill – inputs made using EAF..

Summary of major announcements by US steelmakers of New and Existing Capacity expected to come online (2021-2023).

Expected Additional North American Capacity (2021-2023, ST)

Expected Operational Date	Company Name	Plant Location(s)	New vs. Existing Capacity	Product Type(s)	Additional Capacity (k ST)
H1 2021	**Steel Dynamics**	Sinton, TX	New	EAF Flat	3,000
	Republic	Lorain, OH	Existing	Flat	420
	Gerdau	Monroe, MI	New	EAF SBQ	180
	Algoma Steel*	Sault Ste Marie, ON	New	Plate, Sheet	100
H2 2021	**Nucor**	Gallatin, KY	New	Coiled Sheet	1,400
	Tex-Isle	Robstown, TX	New	ERW Pipe	350
H2 2022	**Nucor**	Brandenburg, KY	New	Plate	1,200
	NorthStar BlueScope	Delta, OH	New	EAF HRC	850
	Nucor TrueCore	Brigham City, Utah	New	Walls, Panels	TBD
H1 2023	**ArcelorMittal**	Calvert, AL	New	EAF Slab	1,650
H2 2023	**CMC**	Mesa, AZ	New	Rebar, MBQ	500
To Be Announced	**US Steel****	Gulf Coast (TBD)	New	EAF Pipe & Tube	3,300
	Evraz	Pueblo, CO	New	Long	600
	TOTAL	**--**	**--**	**--**	**~13.5M**

Sources: AMM, Applied Value Analysis; * Denotes capacity expected to come online outside of US.
** Based on previously announced plans by Big River Steel. Based on assumption that project and TPY will proceed as planned.

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