

PENN STAINLESS PRODUCTS, INC. MARKET OUTLOOK:

PRICE; DELIVERY; AVAILABILITY; AND YOUR BOTTOM LINE

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Areas of Interest Impacting Price & Delivery:

- I. Section 232 Steel & Aluminum Tariffs – A New Normal?
- II. Unanticipated Surge in Stainless Demand in *Post-Covid* Environment
- III. Nickel Price & Mill Surcharges
- IV. Mill Capacity, Allocation & Lead Times
- V. Mill Base Pricing Movement & Outlook
- VI. Specific Products and Grades Facing Potentially Greater P & D Volatility



SECTION 232 STEEL & ALUMINUM TARIFFS

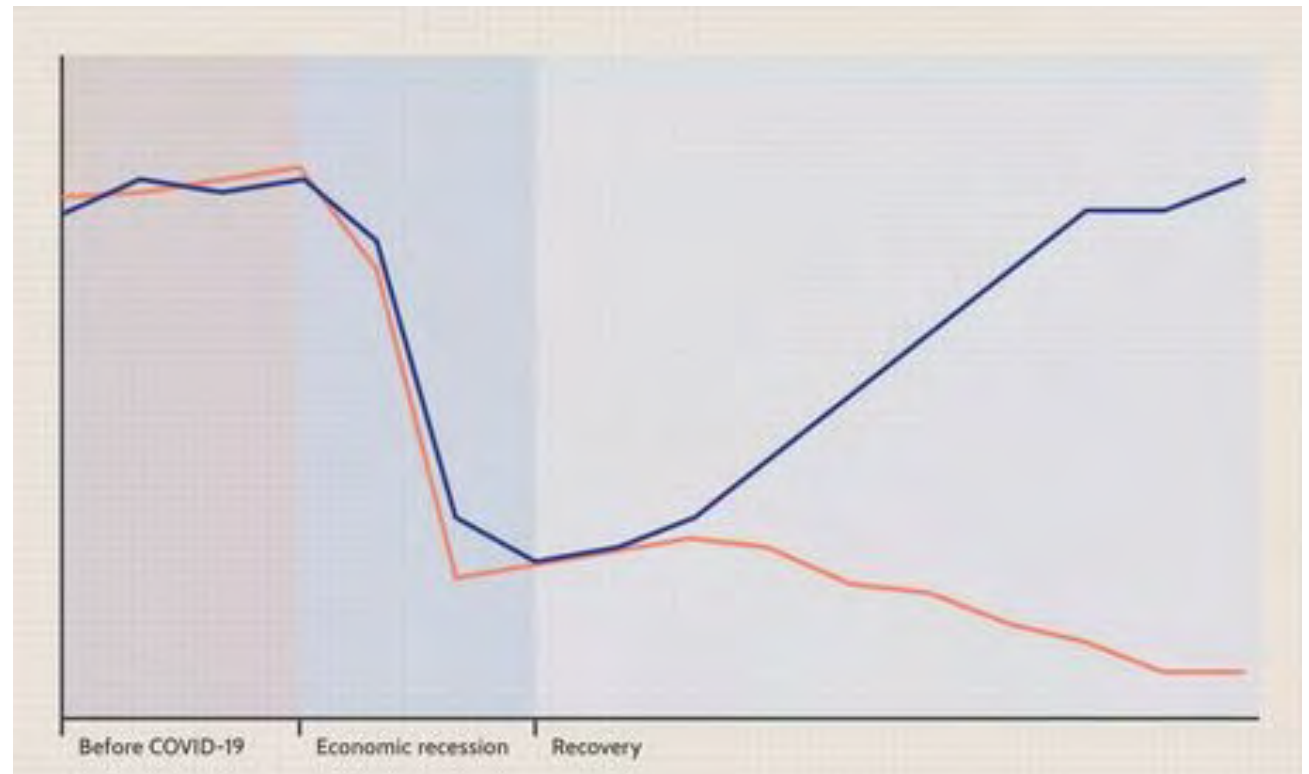
- March 2018: 25% tariff announced on all steel and aluminum imports under section 232 of the Trade Expansion Act of 1962. On the stainless side, tariffs have remained largely intact
- Optimism for loosening headed into 2021
- Apparent Longer Term Shift to Status Quo
- Expect Tariffs to Remain on Existing Products & See Reincorporated in Products Previously Granted Exclusions – Especially on Plate Side.

Link to Exclusion Portal:

<https://232app.azurewebsites.net/>

UNANTICIPATED STAINLESS DEMAND ORIGINS

- SPRING – SUMMER 2020 :
COVID RECESSION &
EXPECTATIONS FOR RECOVERY
- BUSINESS/MFG RESPONSE
 - Mostly Typical
- GOVERNMENT RESPONSE
 - Somewhat Typical
- CONSUMER RESPONSE
 - Wildly Atypical



Atypical Consumer Response

- ❖ Typical Consumer Habits During Recession
- ❖ Actual Consumer Behavior in Q3 + Q4
- ❖ Simplified Outcome:
 - Consumer Spending on Durable Goods: +7%
 - US Production of Durable Goods: -9%
- ❖ Consequence: An Exaggerated Bullwhip Effect

Bullwhip Effect & Supply Chain Disruption

- Greater Demand, Larger Orders, Higher Prices, Longer Lead Times
- Tightening of Material Availability in General
- Human Capital Shortage Limiting Full Capacity Response
- Logistics Overtaxed Impacting Price & Delivery Downstream
- Mill Allocations - Certain Products / Grades More Susceptible to P & D Volatility (More on this later)

Bullwhip Effect & Supply Chain Disruption

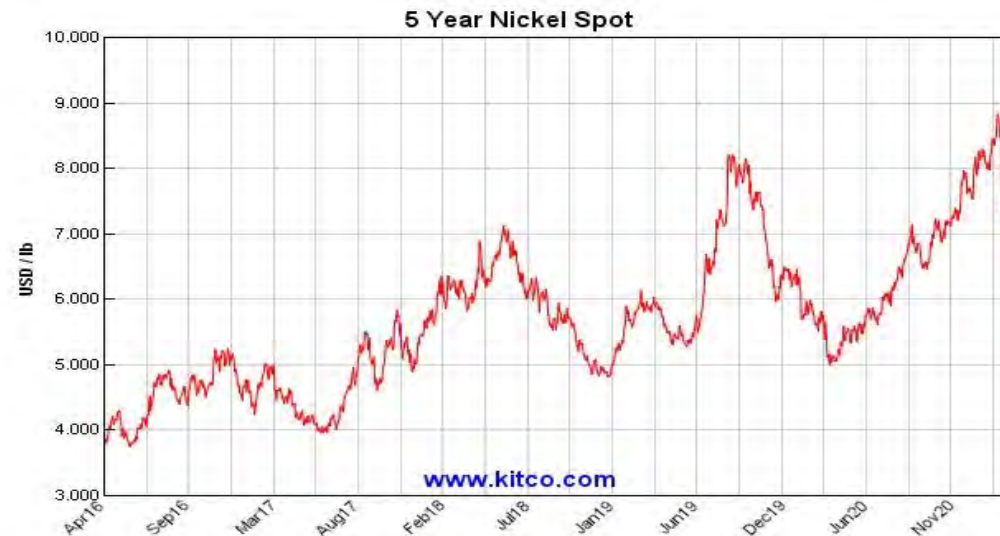
Penn Stainless as Illustration: March versus December

- Average and Median Order Size up 20%.
- Total weight shipped up 15%
- Line Items shipped from Receiving Department up 20%
- Longer Lead Times – Especially on Imported Products
- Longer Lead Times on Common Carrier Accounts
- Increased Quote Volume
- More Selective Quoting Practices

Surge in Unexpected Demand further fueled by Nickel Market ...

Nickel Price & Stainless Surcharges

- Currently, 65% of world-wide Nickel Production Used for Stainless.
- Nickel Demand Estimated at 2.3 Million Tons Annually; Expected to Double Within next 10-15 years.
- EV Demand Currently at 5% of Consumption; Expected to reach 30% within 5 years.
- 3-6 Month Outlook: \$7.00 - \$8.00
- Balance of 2021 thru end of 2022: \$7.50 - \$9.00



	304/304L ROUND S/C
DEC 2020	\$0.66
JAN 2021	\$0.73
FEB 2021	\$0.82
MAR 2021	\$0.85
APR 2021	\$0.83

Big Takeaway:

Some Relative Stability
in Raw Material Pricing
Through Year End

Domestic Producers SS Bar

- **Carpenter Technologies**-no affiliation/limited information
- **Outokumpu**-Partner to our PennMet 2000 program
Mfg of all stainless grades, .250 thru 7" round
- **North American Stainless**-low-cost producer
Mfg 303,304,316, 410,416 & 630 (A), .25 thru 5"
- **Crucible Industries**- Mfg all SS grades/small heats/ 15-5 ect.
Sweet spot-6.0 to 26.0 diameter
Can produce hex, square and flats (M&M USA)
- **Valbruna** (Ft. Wayne) 300,400 &630 2.5-8.0" diameter & hex bar
- **Valbruna** (Italy)-.188-16.0" Rounds, square, hex and true flat bar

Base Pricing

2019/2020 Stable

**2021 Outokumpu, NAS, Valbruna & Crucible Q1 price increases
Q2 & Q3 Additional increase on base price mentioned.**

NAS-increase effects all orders immediately

Other mills: Price increase effective from date of increase forward

Mill Capacity-Lead Times

NAS - 11-16 weeks depending on size/grade

Outokumpu - Not at full capacity-14-22 weeks

Crucible - Not full capacity but getting busier

Standard press rounds 8-10 weeks everything else 14-18 wks

Valbruna - (Ft. Wayne)- 14 weeks

Valbruna - (Italy)- 6 months standard material

8-10 months on non-standard items

Unexpected Demand & Covid are contributors to extended lead times

Other Bar Mills

- **Cogne**-(Italy) Similar products to Valbruna
- **Roda Specialty**- (Italy) standard bar products
- **Bollighaus**-(Portugal)-Rolled flat bar
- **Italfond**-(Italy) Large diameter bar (Crucible Mix)
- **Metal-Ravne** (Slovenia) 400 series
- **Gloria Heavy**-(Korean) NON-DFARS strong in 630, 400 series
- **Sandvik**- (European) 304,316 & 2205, long lengths
- **Walsin** (Taiwan)- mfg very good product for all grades

****Section 232 Tariff & Long Lead Times Apply****



Stainless Plate Mills

- **New Castle**- Mfg all SS grades, sizes and thickness (6 weeks)
- **Allegheny (ATI)**-Mfg all SS grades, sizes thickness (6-8 weeks)
- **NAS**-304/316 only, .500-2.5 thick, 48 & 60" wide x 480" long

- *Foreign mills similar to ATI & New Castle*
- **Acroni**- Slovenia
- **Industeel-ArcelorMittal** (Parent) European, strong in specialty grades

- Results: Higher prices due to tariffs/labor shortages



Additional Topics

- Stainless Flat Rolled Market (sheet/cmp)
- ATI-stepping back from commodity SS cold finished coil
- Welded tubing/pipe extended lead times





Thank You

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