Quarterly Earnings Call Notes – Q4 2023

Alabama Business Intelligence Center

Note: Quarterly Review encompasses a review of quarterly filings and earnings calls. These earnings call notes are in reference to company results for Q3 2023 (July to September 2023). These calls were recorded during Q4 2023 (October to December 2023). Additional Notes encompasses news alerts for additional companies monitored.

Table of Contents

Additional Companies Monitored:

Adient (NYSE:ADNT)

ADTRAN Holdings, Inc. (NasdaqGS:ADTN)

Aerojet Rocketdyne Holdings, Inc. (NYSE:AJRD)

Austal Limited (ASX:ASB)

BAE Systems (LSE:BA)

Benchmark Electronics Inc. (NYSE:BHE)

BioCryst (NASDAQGS:BCRX)

Carpenter Technology Corp. (NYSE:CRS)

Computer Programs and Systems, Inc. (NasdaqGS:CPSI)

Daikin Industries (TSE:6367)

Encompass Health Corporation (NYSE:EHC)

Fidelity National Information Services, Inc. (NYSE: FIS)

General Electric Company (NYSE:GE)

Hibbett, Inc. (NasdaqGS:HIBB)

Honda (TSE:7267)

Hyundai Motor Company (KOSE:A005380)

IN8bio Inc. (NASD:INAB)

KATEK SE (DB: KTEK)

Kratos Defense & Security Solutions, Inc. (NASDAQGS:KTOS)

L3Harris Technologies, Inc. (NYSE:LHX)

Lakeland Industries, Inc. (NasdaqGM:LAKE)

Lockheed Martin Corporation (NYSE:LMT)

Mazda (TSE:7261)

Mercedes-Benz (XTRA:MBG)

Polaris Industries (NYSE:PII)

Sanmina-SCI Corp. (NASDAQGS:SANM)

Steelcase Inc. (NYSE:SCS)

Steris Corp. (NYSE:STE)

Surgalign Holdings, Inc. (NasdaqGS:SRGA)

The Scotts Miracle-Gro Company (NYSE:SMG)

Toyota (TSE:7203)

Vulcan Materials Company (NYSE:VMC)

Warrior Met Coal, Inc. (NYSE:HCC)

3M Company (NYSE:MMM)

Outlook: Neutral

AL Outlook: Negative

Recommended Action: none

Notes:

- **3M beat earnings expectations amidst ongoing restructuring:**
    - "Our strong adjusted EPS of $2.68 exceeded our expectations of $2.25 to $2.40. Roughly 2/3 of the beat was driven by operational execution in our supply chain and proactive spending discipline and the balance driven by restructuring timing. The restructuring actions we announced earlier this year are largely on track. And we are seeing favorable margin impact in our results. We continue to expect full year pretax restructuring benefits of $400 million to $450 million with offsetting charges."
    - "Through our focus on customers, effective adjustment of production, benefits from efficiency and productivity initiatives, ongoing proactive spending discipline and the relentless focus on managing inventory, we were able to deliver solid adjusted third quarter results, including: sales of $8 billion, at the high end of our guidance range of $7.9 billion to $8 billion; operating margins of 23.2%, an increase of 160 basis points year-on-year and 390 basis points sequentially; earnings per share of $2.68, a year-on-year increase of 3%; and free cash flow of $1.9 billion, up 39% year-on-year with conversion of 130%."
- **Guin – Transportation Safety, Commercial Solutions, and Industrial Adhesives and Tapes Segments:** Transportation Safety and Commercial Solutions sales both declined "mid-single digits" year-on-year driven by market weakness in China. Industrial Adhesives and Tapes segment sales continued to decline due to end-market softness in electronics.
- **Decatur and Guin – Advanced Materials Segment:** Segment grew by "low-single digits."
- **Health Care business spin off to be completed in first half of 2024:** "We are also progressing the spin of our Health Care business, building the leadership team as we work toward completing the spin in the first half of 2024. During the quarter, we added two experienced leaders, naming Bryan Hanson as the CEO of the stand-alone Health Care business; and Carrie Cox as the Board Chair."
- **PFAs settlement has received preliminary court approval:** "With respect to PFAS, the public water supplier settlement we announced last quarter has received preliminary court approval. We successfully resolved objections from state attorneys general and are working toward approval with the final hearing set for early February next year."

- **3M sees strengths in the Automotive OEM and Auto Electrification business:** "Our momentum accelerates our ability to define where we go next at 3M as we prioritize attractive markets where we have the right to win and the opportunity to differentiate ourselves through our unique capabilities and strengths. A good example is our automotive OEM business, where we continue to outperform the market with double-digit growth this quarter. Auto electrification is on track to be a $600 million business this year and has delivered organic growth of 30% year-to-date. Our material science expertise has led us to build a new business."
- **Automotive OEM business posted a strong quarter:** "Our auto OEM business had a strong quarter, increasing approximately 16% year-on-year versus a low single-digit global car and light truck build as we continued to gain penetration on automotive platforms."
- **Transportation and Electronics had another weak quarter:** "[Transportation and Electronics] posted Q3 adjusted sales of $1.9 billion. Adjusted organic growth declined 1.8% year-on-year, largely due to expected weakness in electronics. Our electronics business experienced a year-on-year mid-single-digit decline in adjusted organic sales as semiconductor and data center end market demand continues to remain soft."

Airbus SE (ENXTPA:AIR)

Outlook: Positive

AL Outlook: Positive

Recommended Action: none

Notes:

- **Highlights:**
  - 488 commercial aircraft delivered in 9m 2023
  - Revenues €42.6 billion (12% increase YoY); EBIT Adjusted €3.6 billion
  - EBIT (reported) €2.7 billion; EPS (reported) €2.96
  - Free cash flow before M&A and customer financing € 1.0 billion
  - Charges on certain satellite development programs
  - Guidance maintained (2023 goals)
    - 720 commercial aircraft deliveries
    - EBIT Adjusted of € 6.0 billion
    - Free Cash Flow before M&A and Customer Financing of € 3.0 billion.
- **Ramp-up goals for 2026 (Produced in Mobile)**
  - **"**The ramp-up on the A220 programme is continuing towards a monthly production rate of 14 aircraft in 2026."
  - "Production on the A320 Family programme is progressing well towards the previously announced rate of 75 aircraft per month in 2026."
- **Supply chain challenges persist**
  - "Demand for our commercial aircraft is very strong with a continuing recovery in the widebody market. We expect the supply chain to remain challenging as we progress on the production ramp-up. In that context, we maintain our guidance for the full year."
- **Segment Updates:**
  - **Commerical Aircrafts**

        - Net orders were up YoY by 92% with 1,241 units (9m 2022: 647 units)
        - Deliveries were up YoY by 11.7% with 488 units (9m 2022: 437 units). Revenue was also up 18% (mainly reflecting higher deliveries).
        - 7,992 unit backlog as of end of September 2023
            - "Demand for our commercial aircraft is very strong with a continuing recovery in the widebody market. We expect the supply chain to remain challenging as we progress on the production ramp-up. In that context, we maintain our guidance for the full year."
    - **Helicopters**
        - Net orders were down YoY by 22% with 191 units (9m 2022: 246 units)
        - Deliveries were up slightly YoY with 197 units (9m 2022: 193 units). Revenue was also up 3%.
    - **Defense and Space**
        - Net orders were up YoY by 6% with 8,469 (in millions of euros) [9m 2022: 7,991 (in millions of euros)]
        - Deliveries were down YoY by 43% with 4 A400M military airlifters delivered (9m 2022: 7 units). Revenue was also down 6%, "... mainly driven by a backloaded A400M delivery profile and updated Estimates at Completion of certain satellite development programmes."

Boeing Co. (NYSE:BA)

Outlook: Positive

AL Outlook: Negative

Recommended Action: Monitor situation with AL's exposure to missile and weapon systems and the performance of that segment.

Notes:

- **Highlights**
    - Reaffirm guidance: $4.5-$6.5 billion of operating cash flow and $3.0-$5.0 billion of free cash flow (non-GAAP)
        - "Operating cash flow was $0.0 billion in the quarter reflecting less favorable receipt timing, including the absence of a prior year tax refund."
        - "... free cash flow has been our primary financial metric through this recovery and based on our performance year-to-date, we still plan to be in the guidance range for the year as well as the $10 billion target by 2025 and 2026."
    - Still expect to deliver 70-80 787 and now expect to deliver 375-400 737 airplanes
    - Now transitioning 787 to five per month; plan to complete 737 production transition to 38 per month by year-end
    - Revenue of $18.1 billion reflecting 105 commercial deliveries
    - Total company backlog of $469 billion, including over 5,100 commercial airplanes
- **Decrease in planned 737 deliveries**

    - A recent issue of nonconformance of the aft pressure bulkhead slowed production and deliveries over the quarter. 375-400 737 airplane deliveries now expected for 2023 rather than 400-450.
    - Despite this, production goals remain in place: 38 units/month by the end of 2023 and 50 units/month by 2025/2026
- **Improved stability in 787 program**
    - Units/month production up from 4 to 5 and the delivery range of 70 to 80 is expected to be met for 2023
    - Plains remain to up the production rate to 10 units/month by 2025/2026
- **Plans to deliver most, if not all, of 737 and 787 inventory by end of 2024**
    - "... To ensure our broader recovery and return to more normal margins, the key focus continues to be on liquidating our 787 and 737 inventory so that we can eliminate those shadow factories and focus our resources on the production floor, all of our resources. Nonconformance costs are exponentially higher on all of those finished airplanes."
- **Improvement in Boeing Defense Systems (BDS) operating procedures and financial recovery is slower than preferred**
    - "Third quarter results were impacted by unfavorable defense performance ..."
    - "In Defense and Space, we still have more work to improve operating performance. Results this quarter were impacted by higher estimated costs on the VC-25B program. We are maturing through this build process, incorporating engineering changes to better support the installation process and we resolved important supplier negotiations over the course of the quarter."
    - $58 billion backlog (30% outside US)
    - "Operating margin was minus 16.9% in the quarter. In early September, we indicated that margins would be around minus 9%, the driver being a $482 million charge on the VC-25B fixed price development program due to higher estimated manufacturing costs related to engineering changes, labor instability, and the resolution of supplier negotiations."
    - "Results were also impacted by $315 million of losses on a satellite contract due to estimated customer considerations and increased costs to enhance the constellation and meet lifecycle commitments."
    - In response to a question about the hitting the $10 billion 2025-2026 target with challenges in BDS:
        - "And in the case of BDS, even though it might be a bit different than we had thought even a year ago, it's still within the quantum of us being able to deliver that $10 billion."
- **Still on track to achieve 2023 goals**
    - "We are focused on driving stability in our supply chain and improving operational performance as we steadily increase production rates to meet strong demand. The important work we're doing to add rigor around our quality systems and build a culture of transparently bringing forward any issue, no matter the size, can bring short-term challenges – but it is how we set ourselves on the right course for our long-term future. Leading with safety, quality and transparency, we will continue to restore our operational and financial strength."

Canfor Corp. (TSX:CFP)

Outlook: **Positive**

AL Outlook: **Positive**

Recommended Action:

Notes: Continue to monitor the Mobile, AL greenfield site development in 2024. Canfor Southern Pine, a subsidiary of Canfor Corp., is headquartered in Mobile, AL.

- **Highlights**
  - Q3 2023 consolidated operating loss of $65 million, including a $49 million operating loss from the pulp business; adjusted operating loss of $86 million; adjusted shareholder net loss of $19 million, or $0.16 per share
  - Continued strong results in the US South; solid European results despite seasonal downtime; another challenging quarter for Western Canada
  - Persistent pressure on global lumber market demand and pricing through much of the quarter
  - Market-driven curtailments in Western Canada & seasonal downtime in Europe led to lower shipments
  - Confirmed future investment of approximately $200 million in a new, state-of-the-art manufacturing facility in Houston, British Columbia
  - Challenging results for Canfor Pulp despite stable global pulp market fundamentals; Northwood NBSK Pulp Mill scheduled maintenance completed as planned; restart delayed due to operational challenges
- "Canfor's President and Chief Executive Officer, Don Kayne said "Although global lumber markets remained under pressure in the quarter, our US South operations continued to deliver strong earnings. When combined with solid earnings from Europe and slightly better results from our Western Canadian operations, this outcome underscores the importance of our global diversification strategy. For our pulp business, this was a difficult quarter as global pulp market conditions continued to be challenged with the oversupply of product and tepid demand, and our operations faced significant planned and unplanned downtime that continued into the fourth quarter."
- **Lingering challenges with the availability of economically viable fiber in BC**
  - "While the Company has taken a number of actions in recent years in response to these fibre constraints, the near-term outlook in BC remains challenging. As a result, the Company continues to anticipate sustained log cost pressures in BC for its sawmills and a challenging fibre supply environment for CPPI's pulp mills (both for sawmill residual chips and whole-log chips). With these continued log cost pressures and the projected weaker North American lumber market demand and pricing, the Company will continue to adjust operating rates to align with demand and economically available timber supply."
- **Greenfield facility in Mobile, AL is still on track with capital spending in the lumber segment planned for 2024.**
- "**Looking ahead**, although longer-term lumber market fundamentals remain positive, affordability constraints are anticipated to continue to weigh on demand in the near to mid-term.

High mortgage rates, persistent inflation and geopolitical tensions are forecast to exert pressure on new home construction activity through the balance of the year and into 2024. On the positive side, persistent underlying demand for housing in North America, coupled with low supply of existing home inventories, are projected to support the housing sector in the long-term. In the repair and remodeling segment, demand is anticipated to be muted through the fourth quarter of 2023 due to affordability constraints combined with seasonal factors."

- Japan: muted lumber demand expected through 2023
- China: similar to Japan; pricing expected to improve slightly in the next months
- Europe: downward pressure on lumber prices "driven mainly by low levels of residential construction activity, moderated to a degree, by continued strength in the do-it-yourself space."

Chemtrade Logistics Income Fund (TSX: CHE.UN)

Outlook: **Positive**

AL Outlook: **Positive**

Recommended Action: Look for expansion opportunities in Water Chemicals coming in 2024.

Notes:

- **2023 is set to be a record year for Chemtrade, with Q3 results producing 4% YoY growth in EBITDA and 5% growth in distributable cash:** "The third quarter of 2023 was yet another very strong quarter for Chemtrade in what we expect will be a record year for the company. On a consolidated basis, revenue declined by 7% with lower prices for sulfur and caustic soda more than offsetting higher prices for water products, sodium chlorate, Regen acid and chlorine. However, despite the lower revenue, we were able to achieve a 4% growth in consolidated EBITDA and a 5% increase in distributable cash."
- **Revised EBITDA expectations for Q4 upwards from $475M to $490M:** "Looking at guidance, given our record performance in the first 9 months of the year and based on our visibility for the fourth quarter, we now expect 2023 EBITDA to exceed $490 million. This is compared to the prior guidance update we provided on October 10 for EBITDA to be at least $475 million. The updated assumptions underlying the latest updated guidance are available in the accompanying presentation slides and disclosure documents. We're incredibly proud of what we have achieved so far in 2023 and expect to close out the year with the same level of diligence that has become ingrained across our business. EBITDA above $490 million would represent a high watermark for Chemtrade, which is well above the previous record level of EBITDA we generated last year. As a matter of fact, in just the first 9 months of the year, we had generated EBITDA of $480 million compared to record EBITDA for the full year of '22 of $430.9 million."
- **Sulfur and Water Chemicals, Alabama's segment of the company, saw a 19% YoY increase in EBITDA:** "In the Sulfur and Water Chemicals or SWC segment, strong performance in our Water business was the biggest driver of our 19% EBITDA improvement in Q3 of this year over Q3 of last year. The robust results we have been generating in water solutions stem from a

combination of lower raw material costs and improved pricing. This highlights the success of the commercialization initiatives, we've been undertaking."

- **Optimistic about the near future for Sulfur and Water Chemicals business due to steady demand growth, declining input costs, and the non-discretionary nature of the products:** "Concurrently, the steady growth in demand for these chemicals, coupled with our strategic investments in additional production capacity, namely for PAC and ACH, has allowed us to capture an incremental share of the market. These capacity expansions are now running well and further contributing to results. Furthermore, the recent reduction in raw material input costs, particularly sulfur prices, has further bolstered our margins. As we look forward, it's prudent to assume there will be some normalization to our Water Chemicals margin from current levels as our predominantly annual contracts come up for renewal. However, it's important to emphasize that our Water Chemicals are largely nondiscretionary in nature, meaning we expect minimal impact on volume, even in an economic downturn. In addition, should economic weakness cause raw material cost to fall further, we could see further improvements in margins."
- **Completed the sale of their Phosphorus Pentasulfide business:** "I would also like to take a moment to highlight a recent development. We completed the sale of our Phosphorus Pentasulfide or P2S5 business on November 8, 2023. This business was sold for gross proceeds of approximately USD 43 million, which consisted of cash of approximately $39.4 million and the assumption of indebtedness, as defined in the sales agreement, of approximately USD 3.6 Million. An estimated pretax gain of approximately USD 14 million on the sale of this business will be recorded during the fourth quarter of 2023. We would like to thank all of the employees of the P2S5 business for their hard work and dedication and wish them continued success under the new ownership."
- **Organic growth projects expected to finish the year at between $50M and $75M, with Cairo, Ohio ultrapure acid plant expansion continuing to progress. <u>Company plans for small expansions to Water Chemicals in 2024</u>: "**In our Water Chemicals business, as we mentioned, the new capacity that we put in place in 2022 is now all running smoothly. With those small projects now behind us, we are planning additional small expansion projects next year in '24. As with all of our organic growth projects, we are being prudent in making these investments, ensuring that they meet attractive return thresholds. We will provide additional details on these opportunities as they progress.**"**

Constellium N.V. (NYSE:CSTM)

Outlook: Neutral

AL Outlook: Neutral

Recommended Action: Continue monitoring the improvement of the Muscle Shoals (packaging, automotive, and transportation markets) labor situation.

Notes:

- **Highlights:**
  - Shipments of 369 thousand metric tons, down 5% compared to Q3 2022
  - Revenue of $1.87 billion, down 15% compared to Q3 2022
  - Value-Added Revenue (VAR) of $773.3 million, up 5% compared to Q3 2022
  - Net income of $70.3 million compared to net income of $143.9 million in Q3 2022
  - Adjusted EBITDA of $184.5 million, up 5% compared to Q3 2022

    - Cash from Operations of $169.2million and Free Cash Flow of $85.7 million
- **Packaging & Automotive Rolled Product segment:**
    - "Adjusted EBITDA of $73.6 million decreased 14% compared to the third quarter of last year. Volume was a headwind of $4.4 million with higher shipments in automotive, more than offset by lower shipments in packaging and specialty rolled products."
    - "Automotive shipments increased 6% in the quarter versus last year as we continue to benefit from higher build rates and penetration of aluminum in automotive. Packaging shipments decreased 5% in the quarter versus last year due to inventory adjustments across the supply chain in both North America and Europe and lower demand at the consumer level."
- **Aerospace & Transportation segment:**
    - "Adjusted EBITDA of $86.8 million increased 76% compared to the third quarter last year. Volume was a headwind of $5.5 million as higher aerospace shipments were more than offset by lower TID shipments in the quarter."
    - "Aerospace shipments were up 21% versus last year as the recovery in aerospace markets continues. Shipments in TID were down 17% versus last year, reflecting a slowdown in most industrial markets, particularly in Europe."
- **Automotive Structure & Industry segment:**
    - "Adjusted EBITDA of $28.6 million decreased 27% compared to the third quarter last year. Volume was a $14.3 million headwind with lower shipments in both automotive and industry. Automotive shipments decreased slightly in the quarter versus last year due to the timing impact between certain program switches and some short-term supply chain disruptions tied to certain programs which we serve, but the overall demand remained healthy."
    - "Industry shipments were down 22% in the quarter versus last year as a result of weaker market conditions in Europe."
- **End Market Updates:**
    - Seeing opportunities in Aluminum for sustainability. "The important takeaway here is that aluminum is a catalyst behind this secular growth, given its sustainable attributes. Aluminum is infinitely recyclable and does not lose its properties when recycled. As a result, aluminum will play a critical role in the circular economy and will be a driver of growth in lightweighting, electrification and sustainable packaging."
- **Muscle Shoals** (packaging, automotive, and transportation markets) **continuing struggles but indicate improvements in workforce situation:** "We are encouraged by the improved performance we have seen recently at Muscle Shoals, and we remain confident in our ability to restore the plant's profitability heading into next year."
    - "... we are pleased with some progress we've made. We still have more to do, but we think we're going to see improved performance and improved financials going into 2024. And specifically, one of the big issues we have was labor and the labor situation has greatly improved in terms of our ability to attract and retain talent and be able to train them so that their -- the performance of our workforce overall, this experience gets better. So I look at 2024 with quite a bit of optimism."
- **Guidance:** $770-792M in Adj. EBITDA, >$165M in FCF, >$880M FCF by 2025, and long-term leverage to 1.5x-2.5x (Net Debt/ LTM Adj. EBITDA)

Enviva Inc. (NYSE:EVA)

Outlook: **Negative**

AL Outlook: **Negative**

Recommended Action: Monitor stock price and progress on facility in Epes, AL.

Notes:

- **Stock price fell from $60 to $0.60**
- **Facility construction in Epes, AL remains a priority: "**We remain keenly focused on investing in the construction of the Epes facility and have made approximately 40% of that total investment to date. Getting Epes up and running on time and on budget is one of our top priorities given its expected impact on our production capacity and ultimate profitability."
- **Leadership was realigned and interim CEO has been appointed: "**The leadership realignment is primarily comprised of two key changes. First, the Board of Directors has appointed me (CFO, Glenn Nunziata) interim CEO. In this expanded role, I will lead all facets of the important initiatives we are taking to ensure the turnaround of Enviva. And very importantly, I will work diligently to restore credibility among our key stakeholders, including our valued shareholders, lenders, bondholders, customers, vendors and employees."
- **Heavy investment in wood pellets has backfired due to falling prices:** Absent a significant and near-term increase in wood pellet market pricing, we expect the Q4 2022 transactions will continue to have a negative impact on our profitability, cash flows and liquidity through 2025. Compounding these challenges are the operational challenges we reported during the first half of 2023, and the wood pellet spot market, that has largely held market prices at levels unsupportive of creating margin through spot purchases or spot sales. As such, we anticipate that, absent a cure, we may be in breach of certain of our covenants under our senior secured credit facility as early as the end of the fourth quarter of 2023.

Evonik (XTRA:EVK)

Outlook: **Negative**

AL Outlook: **Positive**

Recommended Action: none

Notes:

- **Demand conditions have not improved from last quarter:** "Tim, thanks a lot, and welcome also from my side and thanks for being with us today. Ladies and gentlemen, the global economy and the situation in the chemical industry has not improved since our last call. Demand still remains weak and has even weakened further in some areas." … "That is why we at Evonik reacted early and focused on what really counts now, first, cost discipline and second, cash generation."
- **EBITDA and profit margins have improved:** "we have increased our adjusted EBITDA sequentially to EUR 485 million. We achieved this in an environment of persistently weak

demand. There are mainly 3 reasons for this. First, our polyamide 12 business, where we now and finally have both plants up and running. Second, the positive momentum in our Animal Nutrition business. And third, the successful implementation of our contingency measures, combined with supporting effects from bonus provisions. These effects are also visible in our margin, which keeps on improving from the [trough] level at the end of last year. [Visible] is also our continued delivery on free cash flow, EUR 469 million in the third quarter are a strong outcome. And in the first 9 months, we are now almost EUR 100 million better than in 2022 with almost EUR 800 million less earnings. This is the result of tightly managed CapEx and our joint efforts to significantly reduce net working capital."

- **Company seeing positive momentum in Methionine (AL's Evonik facilities):** "Nutrition & Care, again, we've mentioned that before, ongoing positive momentum in methionine and also the -- as explained regarding health care and care solutions, the focus on Q4. So that's fine. However, Nutrition & Care underlying the negative effect from the expansion shutdown in Singapore Q4, we said that there was an effect of EUR 20 million in Q3."
- **Nutrition and Care segment (includes methionine production) improved quarter over quarter, company sees momentum into next year:** "Nutrition & Care clearly improved by more than EUR 50 million versus Q2. This was mostly driven by Animal Nutrition. Average pricing was still down, but we have seen the turning point and we'll see constantly rising prices in Q4 and especially in Q1 next year."
- **Evonik continuing to make progress on Methionine expansion in Singapore, with expansion shutdown planned for Q4:** "In addition, we have built up inventories in preparation for our expansion shutdown in Singapore in the fourth quarter."
- **Evonik has revised yearly CapEx down from EUR 950M to EUR 850M as long-term sustainable level of CapEx:** "And the efficient CapEx allocation is, of course, one of our absolute focus areas. In 2024, we will keep on a very, very strong focus on investments on defined investments. So going forward, we understand that the long-term sustainable CapEx level will be around EUR 850 million. However, I don't see that coming in 2024. Just to -- on a side note, even though you have not asked that, but this is of importance for us that the next-generation technology CapEx is still in our 2023 and also will be in our 2024 CapEx included, so we had initially guided for EUR 75 million in 2023. That has been, of course, a bit reduced, but it is for us important that we focus on this area as well."

Interfor Corp. (TSX:IFP)

Outlook: Neutral

AL Outlook: Neutral

Recommended Action: none

Notes:

- **Overall decline from Q2 2023 and YoY**
  - Net loss in Q3'23 of $42.4 million, or $0.82 per share, compared to a Net loss of $14.1 million, or $0.27 per share in Q2'23 and Net earnings of $3.5 million, or $0.06 per share in Q3'22. Adjusted EBITDA was $31.9 million on sales of $828.1 million in Q3'23 versus $41.9 million on sales of $871.8 million in Q2'23 and $129.5 million on sales of $1.0 billion in Q3'22.
- **Lumber Production Balanced with Demand**

- Lumber production totaled 1.0 billion board feet, representing a decrease of 26 million board feet quarter-over-quarter. The decrease was primarily due to the temporary closure of a sawmill in B.C. as a result of wildfires.
- Lumber shipments were 1.0 billion board feet, or 108 million board feet lower than Q2’23.

- **Weak Lumber Prices**
    - Lumber prices continued to reflect softened demand driven by the elevated interest rate environment and ongoing economic uncertainty. Lumber prices strengthened at the beginning of Q3’23 from the effects of industry production curtailments and reduced European imports combined with increased new home construction demand but began to weaken near the end of Q3’23 as increased economic uncertainty drove interest rates higher. Interfor’s average selling price was $661 per mfbm, up $12 per mfbm versus Q2’23.
- **Financial Flexibility Improved**
    - Net debt at quarter-end was $777.7 million, or 28.7% of invested capital, with available liquidity of $417.9 million.
    - The net debt to invested capital leverage ratio improved compared to the end of Q2’23, driven by $107.2 million of cash flow from operations, including $70.5 million from income tax refunds.
    - Collection of an additional US$24.9 million of income tax refunds related to 2022 is expected in Q4’23.
- **Strategic Capital Investments**
    - Capital spending was $38.5 million, including $20.1 million of discretionary investment focused on multi-year projects in the U.S. South region.
    - Total capital expenditures planned for 2023 remains unchanged from prior guidance at approximately $210.0 million, while total preliminary
- **Ongoing Monetization of Coastal B.C. Operations**
    - Over the course of Q3’23, Interfor advanced on its plans to monetize its Coastal B.C. operations, which consist primarily of forest tenure rights from the province of B.C. and related log harvesting activities.
- **Positive outlook in the face of a volatile economy**
    - “North American lumber markets over the near term are expected to remain volatile as the economy continues to adjust to inflationary pressures, elevated interest rates, labour shortages and geo-political uncertainty. Interfor expects that over the mid-term, lumber markets will continue to benefit from favourable underlying supply and demand fundamentals. Positive demand factors include the advanced age of the U.S. housing stock, a shortage of available housing and various demographic factors, while growth in lumber supply is expected to be limited by extended capital project completion and ramp-up timelines, labour availability and constrained global fibre availability.”

International Paper Co. (NYSE:IP)

Outlook: Neutral

AL Outlook: Neutral

Recommended Action: Continue monitoring cost cutting and recovery of the business.

Notes:

- **The Better IP Program continues to bring value:** "we are making solid progress with our Building a Better IP program. which has delivered a total benefit of $195 million year-to-date, exceeding our original target for the second year in a row. This year, most of the benefits are coming from our strategy acceleration initiatives."
- **International Paper has pulled out all in investment in Russia:** "We completed our sale -- the sale of our ownership interest in the Ilim joint venture in Russia. Proceeds from the sale totaled $508 million as expected. With the completion of this sale, International Paper no longer has any investment in Russia."
- **Earnings are expected to decrease marginally in Q4:** "Operations and costs are expected to decrease earnings by $35 million relative to the third quarter. Approximately half of this is due to the nonrepeat of favorable employee benefit costs I discussed earlier. The remainder due to higher planned maintenance outage costs in the fourth quarter"
- **Optimization has helped to offset lulls in demand:** "by optimizing fiber, energy mix and raw materials, we have reduced the cost of economic downtime by approximately $20 million on an annualized basis."
- **Demand is anticipated to rebound in 2024:** "We're also encouraged to see that the demand environment continue to recover across our portfolio in the third quarter, and we expect this trend to continue going forward."

JBS S.A. (BOVESPA:JBSS3)

Outlook: Neutral

AL Outlook: Neutral

Recommended Action: Continue monitoring cattle market cycle and prepare for downturn. Also, monitor decrease in poultry volume.

Notes:

- **Seara segment rebounded, and revenues increased:** "starting with Seara on Slide 16. The net revenue for the quarter is up by 6.7%-year over-year"
- **North American beef segment records increase in revenue:** "JBS Beef North America's net revenue grew 7% and the EBITDA margin was 1.6%, although profitability reflects the turnaround of the cattle cycle"
- **JBS reduced debt considerably in Q3:** "Thirdly, our financial discipline to reduce our debt during this quarter, due to that strong cash generation, we managed to reduce our debt -- our net debt by USD 600 million"
- **Cattle market cycle predicts downturn over coming years.**
- **Poultry segment struggled in 2023:** "Now when you look at prices and maybe you're looking at sales, but poultry side had a major drop. So if I look at the poultry prices, the average price

comparing to domestic and the [indiscernible] market we had in 2022 and the price that we had with same quarter in 2023, we are a lot -- at more or less a 25% reduction in price. So maybe despite dynamics is what misled to the conclusion but volumes are coming."

Louisiana-Pacific Corporation (NYSE:LPX)

Outlook: Negative

AL Outlook: Neutral

Recommended Action: Monitor OSB demand via changes in the housing market.

Notes:

- **Siding and OSB segments continue to see decreased revenue:** "Siding revenue for the third quarter largely met our internal expectations, so we are reiterating the guidance we provided on our second quarter call that we expect a full year Siding revenue decline of about 10%, which implies a fourth quarter revenue decline of about 16%. For OSB, we will continue to offer algorithmic revenue guidance based on the assumption that OSB prices remain at the levels published by Random Lengths last Friday. Under this price model and accounting for market downtime, we would expect OSB revenue to be down 30% sequentially compared to the third quarter."
- **Cost control measures have been able to mitigate revenue losses:** "the star of the show was cost control, which contributed $11 million of EBITDA. In other words, despite significantly lower volumes, the OSB business run very efficiently, as demonstrated not only by the dollars, but by the 4-percentage point improvement in operating efficiency or OEE."

NFI Group Inc. (TSX:NFI)

Outlook: Neutral

AL Outlook: Neutral

Recommended Action: Continue monitoring increases in production.

Notes:

Highlights:

- 2023 Q3 revenue of $710 million; 1,051 equivalent units ("EUs") delivered, up 34% from 2022 Q3, with 23% of deliveries being battery- and fuel cell-electric buses ("ZEBs").
- Net loss of $40 million; Net loss per Share of $0.42, and Adjusted Net Loss per Share of $0.41; 2023 Q3 Adjusted EBITDA2 of $11 million.
- Ending liquidity position of $170 million (including minimum of $50 million).
- Ending total backlog position (both firm and options) of 9,556 EUs (valued at $6.6 billion); ZEB backlog now 3,456 EUs, or 36%, of total backlog.
- Active North American public Total Bid Universe ended at 10,361 EUs, up 3% year-over-year; ZEBs now represent 52% of the Total Bid Universe.

    - Updated financial guidance for Fiscal 2023 for revenue of $2.7 to $2.8 billion and Adjusted EBITDA of $45 to $65 million; other elements remain unchanged.
    - Completed NFI's comprehensive refinancing plan ("Refinancing Plan") in August 2023.
- **Positive demand trends**
    - "Demand for ZEBs continues to accelerate. Based on our data, we see over 50% of anticipated customer purchases in the next five years being electric vehicles, and 36% of our total backlog are now ZEBs. We continue to anticipate that at least 40% of our 2025 production will be zero-emission buses."
    - Demand remains very strong. The North American total public bid universe remains at a record high, and NFI saw a 114% increase in total orders year-over-year."
- **Upward trending revenue**
    - Third quarter consolidated results saw a 34% increase in new vehicle deliveries, a 58% increase in overall revenue, and 184% increase in Adjusted EBITDA.
    - Our aftermarket segment continued to deliver another strong quarter of outperformance with revenue up 21% year-over-year and with record quarterly Adjusted EBITDA. Results were primarily driven by increased sales in North America, favorable product mix, and management of our freight cost and logistics.
- **Improvement in supplier risk**
    - "Supplier risk ratings continue to show improvement, although certain components remain challenged, including items in this quarter like high-voltage cables. As many of our suppliers are also increasing production to meet higher demand, we are keeping them on a moderate risk rating to ensure that we work closely with them and monitor their performance as we ramp up our own production levels."
- **New hires and production ramp ups on track for 2024/2025**
    - 10% increase in line entry rates from Q2 2023 as a result of 240 direct and indirect new hires mostly in North America
    - Line entries expected to be in the range of 1,500 units/quarter by 2025 (6,000 deliveries in the year) – approaching 2019 levels
- **Improved liquidity position from the Refinancing Plan**
    - "The Company's liquidity position, which combines cash on-hand plus available capacity under its credit facilities (without consideration given to the minimum liquidity requirement of $50 million), was $170 million as at the end of 2023 Q3, up $88 million from the end of 2023 Q2. The liquidity position reflects the contributions from the Refinancing Plan, plus the impact of a $250 million reduction in capacity under NFI's senior credit facilities."

Nucor Corp. (NYSE:NUE)

Outlook: Neutral

AL Outlook: **Positive**

Recommended Action: none

Notes:

- **Highlights**
  - $4.57 earnings per diluted share for the third quarter, bringing year-to-date diluted EPS to $14.83
  - Net earnings attributable to Nucor stockholders of $1.14 billion
  - Net earnings before noncontrolling interests of $1.22 billion; EBITDA of $1.82 billion
  - Returned $627 million to stockholders during the quarter through share repurchases and dividends
  - $280 million project to build new mill stand at Tuscaloosa plate mill announced.
    - “The investment will expand current product lines and add a new product line to Nucor’s steel coil and plate offerings in Tuscaloosa County, where it employs over 400 workers.”
- **Decrease of consolidated net sales, shipments, and sale price YoY but operating rates remain constant at 80%**
  - “In the first nine months of 2023, Nucor's consolidated net sales of $27.01 billion represented a decrease of 18% compared with consolidated net sales of $32.79 billion reported in the first nine months of 2022. Total tons shipped to outside customers in the first nine months of 2023 were 19,271,000, a decrease of 3% from the first nine months of 2022, and the average sales price per ton in the first nine months of 2023 decreased 15% from the first nine months of 2022.”
  - “In the first nine months of 2023, Nucor reported consolidated net earnings attributable to Nucor stockholders of $3.74 billion, or $14.83 per diluted share, compared with consolidated net earnings attributable to Nucor stockholders of $6.35 billion, or $23.85 per diluted share, in the first nine months of 2022.”
- **On track for 2023 goals**
  - "We are on pace to set another safety record for the fifth consecutive year. And with $14.83 of earnings per diluted share for the first nine months of 2023, this already represents the third-best full-year result in Nucor's history. We believe that our world-class manufacturing team, product diversity, and our sustainable solutions set us up for continued success over the long term," said Leon Topalian, Nucor's Chair, President and Chief Executive Officer. "The investments we are making to grow our core businesses and expand into new products continue to generate attractive returns for stockholders."

Olin Corporation (NYSE:OLN)

Outlook: Neutral

AL Outlook: Negative

Recommended Action: Monitor recovery in Chlor Alkali segment and potential Winchester investment.

Notes:

- **Idling significant portions of their assets in weak markets in Q4; taking $100M adjusted EBITDA hit to do so:** "Looking forward, Olin's strategy continues to be championed by our teammates and our Board of Directors. As such, in the fourth quarter, and potentially beyond the fourth quarter, we are taking a dramatic but necessary step to change the direction of declining ECU values. It is a challenging market, and we've already actioned this initiative to force a rebound of our ECU values, which involves idling significant chunks of our assets and slashing our participation in weak markets. This value accelerator initiative results in a $100 million incremental penalty to adjusted EBITDA in the fourth quarter relative to our previous expectation but delivers an anticipated improvement in 2024 adjusted EBITDA relative to 2023. We are confident of that improvement."
- **Idling of assets affects Chlor-Alkali production:** "our whole system is running around that 50% number. And you may recall that we had predicted a certain trough level, and we said that trough level, assume that we could get our whole system down to 50% rates if we needed to."
- **Company still sees a positive future in Chlor-Alkali:** "Even though we operate in an environment where bad news creates a negative recency bias, please never forget that in chlor alkali, we believe future demand growth exceeds future supply growth, and that growth may also be unbalanced across the ECU, all favorable for Olin. We are confident in that favorable outlook."
- **Chemical trade flows out of China impacting prices. Prices recovering, but recovery may not be here to stay:** "We watch very carefully how much material is entering trade flows out of China. And there's already less material entering trade flows. We watch that increasing price that you see in caustic and the attempts to increase price in Europe and China. And those things are happening but may be fluttering."
- **Optimistic about Winchester business; Military ammunition sales topped civilian sales for the first time ever:** "When you get to Winchester, there's tremendous momentum in the military piece of that business. And again, this most recent quarter, for the first time ever, military ammunition sales exceeded commercial sales. And we have a very long runway on military improvements, selling international ammunition NATO-base-type countries and then also the next-generation squad weapon program, which is a lift over the next 10 years. We've said we'll double that business in 2 years, and we are well on our way to doing that. On top of that, the focus on and momentum in target shooting looks favorable. We just made the White Flyer acquisition, and while not a major -- a major one from a revenue standpoint, it's highly profitable when we merge that up with our sports shooting ammunition."
- **Epoxy business to end the year adjusting its inventory:** "So Epoxy is ending the year adjusting its inventory, setting a bottom in, announcing price increase, and we have our 2 major initiatives that are going to help us much more in '24 relative to '23. We're going to have a full year of benefits from the restructuring work that we've done."

Outokumpu Oyj (HLSE:OUT1V)

Outlook: Neutral

AL Outlook: Positive

Recommended Action: Monitor progress in Calvert, AL

Notes:

- **Solid performance in Americas compensated for the challenging market in Europe**
  - "Market environment in Europe was even more challenging than during the pandemic."
  - "Stainless steel deliveries decreased, in line with the seasonal pattern."
  - "Strong focus on efficient energy."
    - "We aim to improve our energy efficiency by 8% by the end of 2024 and have now achieved over 20% of that target, resulting in EUR 9 million savings."
- **Highlights in Q3 2023**
  - Stainless steel deliveries were 449,000 tonnes (491,000 tonnes)*.
  - Adjusted EBITDA amounted to EUR 51 million (EUR 304 million).
  - EBITDA was EUR 18 million (EUR 304 million).
  - ROCE amounted to 5.3% (26.8%).
  - Operating cash flow was EUR -11 million (EUR 238 million incl. discontinued operations).
  - Net debt amounted to EUR 29 million (June 30, 2023: EUR -9 million).
  - Earnings per share was EUR -0.13 (EUR 0.46).
  - Gearing amounted to 0.7% (June 30, 2023: -0.2%).
  - Divestment of the remaining Long Products business was completed on August 1, 2023, and Outokumpu has now fully exited the Long Products business.
- **Highlights in January–September 2023**
  - Stainless steel deliveries were 1,455,000 tonnes (1,656,000 tonnes).
  - Adjusted EBITDA amounted to EUR 445 million (EUR 1,146 million).
  - EBITDA was EUR 401 million (EUR 1,146 million).
  - Operating cash flow amounted to EUR 89 million (EUR 489 million incl. discontinued operations).
  - Earnings per share was EUR 0.30 (EUR 1.71).
  - Dividend of EUR 152 million was paid in April.
  - Share buyback program of EUR 100 million was completed in March.
  - Divestment of the majority of the Long Products business was completed on January 3, 2023. Since September 2022, these businesses were classified as assets held for sale and reported as discontinued operations. Comparative figures include discontinued operations if separately stated.
- **Overall decline YoY and from Q2 2023 largely due to difficult market conditions in Europe**
  - In both cases total stainless-steel deliveries declined (11% from Q2 2022; 9% from Q3 2022; 12% from 9m 2022). "The significant decrease in profitability was mainly driven by substantially lower realized prices for stainless steel in Europe as the lower ferrochrome sales price."
- **Positive outlook in Calvert, Alabama**

    - “For business area Americas, the market environment remained more favorable, and we continued to generate solid results. Adjusted EBITDA amounted to EUR 53 million, while stainless steel deliveries decreased compared to the second quarter. Our strategic plans in Calvert, Alabama are progressing well and the feasibility study to assess both our hot rolling and cold rolling operations is ongoing.”
- **Outlook for Q4 2023**
    - “Group stainless steel deliveries in the fourth quarter are expected to increase by 0-10% compared to the third quarter as we see some recovery in Europe.The planned maintenance break in business area Ferrochrome is expected to have an approximately EUR 10 million negative impact on the business area's adjusted EBITDA. With current raw material prices, some raw material related inventory and metal derivative losses are expected to be realized in the fourth quarter.”

Packaging Corporation of America (NYSE:PKG)

Outlook: Neutral

AL Outlook: **Positive**

Recommended Action: Wait for demand to normalize, and monitor Jackson, AL facility progress.

Notes:

- **Demand remains volatile in the packaging segment: “**Demand headwinds from a shift of consumer buying preferences towards more service-oriented spending, persistent inflation and higher interest rates continue to negatively impact consumers' purchases of both durable and nondurable goods.”
- **Packaging segment saw strong performance in Q3:** “Looking at our Packaging segment. EBITDA, excluding special items in the third quarter of 2023 of $374 million with sales of $1.8 billion resulted in a margin of 21.3% versus last year's EBITDA of $467 million with sales of $1.9 billion and a 24.1% margin.”
- **Lowering costs has raised share prices: “**Other favorable items included a lower share count resulting from share repurchases in the second half of 2022 for $0.11; higher prices and mix in the Paper segment, $0.04; lower converting costs, $0.04; lower scheduled maintenance outage expenses of $0.04 and lower freight and logistics expenses, $0.02. The results were $0.17 above our third quarter guidance of $1.88 per share, primarily due to higher volume in the Packaging and Paper segments and lower operating and converting costs.”
- **Demand anticipated to improve going into 2024 which will be aided by the Jackson, AL facility finishing final stage of conversion:** “Based on our current outlook for improved demand, together with current plans for the first quarter of 2024 for the scheduled mill maintenance outages and completing the final phase of the containerboard conversion on the #3 machine at our Jackson, Alabama”

PPG Industries, Inc. (NYSE:PPG)

Outlook: Positive

AL Outlook: Positive

Recommended Action: Automotive OEM is one of PPG's best-performing and fastest-growing segments. As this segment continues to perform well, Alabama is well-positioned to compete for an expansion due to our density of automotive OEMs in the state.

Notes:

- **Earnings are at an all-time high across the company: "**In the third quarter, the PPG team continued to deliver strong financial results, including sales of $4.6 billion and adjusted earnings per diluted share of $2.07, both records for our third quarter. Our year-to-date cash generation is over $1.5 billion, which is also a record on a year-to-date basis. Our adjusted EPS of $2.07 was 25% higher year-over-year. We benefited from several nonrecurring favorable discrete income tax items, which added $0.10 on versus our beginning of quarter guidance. Excluding this favorable tax benefit this year, our EPS was still about 20% higher than the third quarter of 2022. We're on pace to finish 2023 with all-time record adjusted earnings per share."
- **Aerospace segment had record sales in Q3: "**Our results were supported by good growth trends and strong execution in several of our leading and technology advantaged businesses, which resulted in record third quarter sales in the aerospace, automotive OEM, automotive refinish and PPG Comex Coatings businesses."
- **Aerospace segment anticipated to grow in Q4: "**We expect several of the businesses in our Performance Coatings segment to deliver organic growth, including continued solid growth in our PPG Comex and aerospace businesses".

Sonoco Products Company (NYSE:SON)

Outlook: Neutral

AL Outlook: Neutral

Recommended Action: Wait for demand to normalize.

Notes:

- **Sales and profits continued to fall in Q3:** "In the third quarter, consolidated sales decreased to $1.7 billion. Sales decreased due to low volumes and index-based price decreases in both Consumer and Industrial. Adjusted operating profit decreased to $213 million and adjusted EBITDA decreased to $280 million."
- **Sonoco was able to salvage their EBITDA margin:** "We maintained an above 16% adjusted EBITDA margin due to improved productivity and long-term cost controls associated with our ongoing business transformation program."
- **Industrial sales continue to fall due to demand lulls:** "Industrial sales decreased to $580 million. Industrial volumes decreased 7.5% due to lower demand in all key markets and geographies. We believe these declines are not share related as indications are that we continue to gain share based on quality and service. Operating profit decreased to $75 million due to lower volumes and negative price/cost. We generated positive productivity due to our focus on improving paper mill utilization and reducing fixed cost and SG&A."

- **Despite general decrease in profits, flexible and rigid paper products perform well:** “Flexibles and rigid paper containers both had near record operating profit due to strong productivity.”
- **Sonoco completes more acquisitions to expand packaging operations: “**We were also pleased to close the RTS Packaging and Chattanooga Paper mill acquisition in September. These acquisitions is well aligned with Sonoco's long-term strategy to focus on our core integrated businesses and expand our sustainable consumer packaging portfolio, serving food, beverage and beauty markets.”

Sumco Corporation (TSE:3436)

Outlook: Neutral

AL Outlook: Neutral

Recommended Action: Watch for news on decreasing their inventory or increasing purchase volume from customers.

Notes:

- Actual net sales for Q3 2023 (100.2 billion yen) were overestimated by Q3 2023 forecasts (101.0 billon yen).
- Actual operating income (+4.1 billion yen) and ordinary income (+4.4 billion yen0 exceeded Q3 2023 forecasts.
- **Demand in the semiconductor market remains unstable**
    - “During the third quarter of the fiscal year 2023 (July 1, 2023-September 30, 2023), the semiconductor market continued to see adjustments in logic and memory chip production, as demand for their end products including personal computers and smartphones remained weak.’
- **Outlook**
    - Semiconductor production is expected to recover in 2024
    - Due to customers with excess wafer inventory, more time is needed for order volumes to recover. “Silicon wafer demand is expected to recover in the second half of 2024.
        - Application to Alabama: “High-Purity Silicon America Corporation is an international leader in the production of Ultra-Pure Polycrystalline Silicon for the semiconductor industry. We are the source for high purity polysilicon required for today’s manufacturing of single crystal wafers ranging from 150 to 300mm.”
    - “While there are products with solid demand, such as in the AI an electric vehicle (EV) fields, demand for personal computers, smartphones, and other such products is expected to remain weak with overall semiconductor production continuing in an adjustment phase. In this business climate, the correction phase in the silicon wafer market is forecast to continue. To meet increased silicon wafer demand in the medium to long term, the Group will carry on with technology development for high-end products and promote greater productivity by making use of AI, while seeking to build a production structure capable of agilely responding to market fluctuations.”

Tyson Foods Inc. (NYSE:TSN)

Outlook: Neutral

AL Outlook: Neutral

Recommended Action: Monitor poultry facilities in AL as chicken pricing/demand remains uncertain. Continue to monitor beef cattle cycle.

Notes:

- **Chicken prices remain volatile:** "Sales declined 10% year-over-year in the quarter, driven by lower pricing, reflecting primarily lower commodity protein prices. Volume grew modestly in Q4 versus last year, driven by continued sell-through of finished goods inventory, and this was partially offset by a decline in production. This decrease in production highlights our ongoing focus on balancing supply with our customers' demand."
- **Lower input costs help to alleviate chicken price concerns:** "Year-over-year profitability declined, primarily due to lower commodity chicken pricing, but this was partially offset by lower input costs and operational efficiencies. On a sequential basis, lower grain cost and productivity enhancements drove another quarter of AOI improvement. In fact, when we compare to Q4 to Q2, Chicken AOI increased by more than $240 million"
- **Beef revenue is anticipated to decrease in the following year: "**When and how fast meaningful heifer retention will take hold is uncertain at this point, and this influences our outlook for our Beef segment in 2024. Multiple outcomes are possible, and we will be prepared for all of them to operate as efficiently as we can. Our guidance for this segment is a loss of $400 million to breakeven for the year, reflecting uncertainty in market dynamics."
- **Revenue across the board is anticipated to be normal in 2024:** "For the total company, we've given a range of outcomes for each segment, but we expect any outsized weakness or strength in any one area to be balanced by the remainder of the portfolio. In other words, neither the low end nor high end of the range is anticipated to happen simultaneously across all the businesses."

United States Steel Corp. (NYSE:X)

Outlook: Positive

AL Outlook: Positive

Recommended Action: Monitor the status of the Fairfield plant as Nippon Steel takes over U.S. Steel's operations.

Notes from Acquisition Announcement on 12/18/2023:

- Announced $14.1 billion sale to Nippon Steel Corporation (TSE:5401), Japan's largest steelmaker.
- U.S. Steel will retain its name, brand, and headquarters in Pittsburg.
- The acquisition of U.S. Steel will make Nippon Steel the second-largest steel producer on earth, with production capacity of over 85 million metric tons of steel post-acquisition.
- U.S. Steel previously rejected a bid from Cleveland Cliffs, which was 40% lower than the offer from Nippon Steel.
- All agreements between U.S. Steel and the United Steelworkers Union will be honored.

- Nippon Steel Corporation has a joint-venture plant in Calvert, Alabama with ArcelorMittal that has the capacity to produce 5.3 million tons of flat-rolled carbon steel products annually.

Notes from Earnings Call on 10/27/2023:

- Still in the midst of Strategic Alternatives Review Process:
    - Serious interest from several bidders.
    - US Steel not discussing details or taking questions on this topic today.
    - Paused stock buyback in the midst of this process.
- Granite City, IL facility still idled due to UAW strike
    - UAW negotiations making progress, but too early to restart facility
- Big River II is progressing well. 33% of CAPEX still remaining on the project, with 62% of construction completed. Facility will be producing cash flow next year.
- Almost all strategic CAPEX will be completed in 2024, with $50-100m remaining into 2025.
- Full order book into Q4 2023

Taking Advantage of 3 "Mega-Trends"

1. Deglobalization
    a. Onshoring manufacturing and shifting focus to US, as global economic and geopolitical environment becomes increasingly unstable
2. Decarbonization
    a. Big River facility will be a model for their lower carbon footprint model
3. Digitalization
    a. Leveraging A.I. to help manage maintenance of equipment across the organization

Segment Analysis:

- Flat-Rolled - $378M Q3 EBITDA – 13% EBITDA Margin
    - Increasing prices by $100/ton
    - Fixed cost reductions still planned for North American Flat Rolled segment
        - Cost reductions to the tune of $100M
        - Specific plants experiencing these reductions were not mentioned.
    - Raw materials cost favorable over the last year and last quarter
- Tubular - $99M Q3 EBITDA – 32% Q3 EBITDA Margin
    - Cost structure has improved
    - Have insourced rounds production
    - EBITDA and EBITDA margins have declined sequentially for two straight quarters and are down YoY
        - This change is attributed almost entirely to commercial conditions, including lower prices and shipment volumes
    - **Fairfield operations** are the only operations active in this segment
    - No signs of this changing, as company sees Fairfield as sole source of EBITDA for this segment going into 2024.

West Fraser Timber Co. Ltd. (TSX:WFG)

Outlook: **Positive**

AL Outlook: Neutral

Recommended Action: Monitor potential equipment upgrades at AL facilities.

Notes:

- **Highlights**
  - Sales of $1.705 billion and earnings of $159 million, or $1.81 per diluted share
  - Adjusted EBITDA1 of $325 million, representing 19% of sales
  - Lumber segment Adjusted EBITDA1 of $44 million, including $62 million of export duty recovery
  - North America Engineered Wood Products ("NA EWP") segment Adjusted EBITDA1 of $289 million
  - Pulp & Paper segment Adjusted EBITDA1 of $(12) million
  - Europe Engineered Wood Products ("Europe EWP") segment Adjusted EBITDA1 of $4 million
  - Announced an agreement to acquire Spray Lake Sawmills in Cochrane, Alberta for CAD$140 million
  - Announced an agreement to sell two BCTMP pulp mills to Atlas Holdings for $120 millionos
  - Announced the planned retirement of Ray Ferris, President and CEO, on December 31, 2023 and appointment of Sean McLaren, current COO, to the President and CEO role effective January 1, 2024
- **Improvements from Q2 2023**
  - "Third quarter sales were $1.705 billion, compared to $1.608 billion in the second quarter of 2023. Third quarter earnings were $159 million, or $1.81 per diluted share, compared to $(131) million, or $(1.57) per diluted share in the second quarter of 2023.Third quarter. Adjusted EBITDA was $325 million compared to $80 million in the second quarter of 2023."
  - "While the third quarter of 2023 marked a continuation of the challenging demand markets we experienced in recent quarters, particularly in the Lumber segment where we executed curtailments at several locations for planned capital upgrades and to meet customer needs, our North American EWP business had its best result in several quarters against a backdrop of rising mortgage rates that remain well above year-ago levels," said Ray Ferris, West Fraser's President and CEO.
- **Continued demand expected**
  - "Several key trends that have served as positive drivers in recent years are expected to continue to support medium and longer-term demand for new home construction in North America."
  - "Over the medium term, we expect that an aging housing stock, stabilization of inflation and interest rates and greater entrenchment of work-from-home flexibility will help to offset current headwinds from higher interest rates and historically low levels of existing

home sales, spurring repair and renovation spending that supports lumber, plywood and OSB demand."

WestRock Co. (NYSE:WRK)

Outlook: **Positive**

AL Outlook: Neutral

Recommended Action: none

Notes:

- **Packaging segment (Cullman) continues to grow:** "Grew Packaging Adjusted EBITDA (1) 10% YoY and expanded margins 70 bps to 16.6%... 6 Paperboard Packaging Council Awards for sustainability and design ...World Star Global Packaging Award and Asia Star Award for Can Collar"
- **Completed acquisition in Mexico:** "Completed Mexico Acquisition that further builds capability to capture onshoring trends and drive growth in attractive Latin America market"
- **Decline in demand for packaged foods and healthcare products:** "Notable softness in Healthcare and Packaged Food – Healthcare decline partially driven by last year's strong results."

Westwater Resources Inc. (NYSE:WWR)

Outlook: **Negative**

AL Outlook: **Negative**

Recommended Action: Continue to watch for their first purchase agreement and ability to access debt – this is pivotal to completing their development of the Kellyton Graphite site.

Notes:

- **Completed Initial Assessment for Coosa Graphite Deposit:** "The Coosa Deposit is an important asset, not only to Westwater, but we believe a critical asset to the future domestic graphite supply chain. We believe that our Coosa Deposit is the largest and most advanced natural graphite deposit in the lower 48 states. With estimated pre-tax NPV of $229 million, estimated pre-tax internal rate of return of 26.7%, and estimated free cash flow of $714 million, the Coosa Deposit continues to be an attractive asset for Westwater and its stockholders."
- **Also discovered vanadium deposits in the Coosa Graphite Deposit:** "The IA was based on drilling results from less than 10% of the Coosa Deposit acreage and did not consider any potential benefit from vanadium previously discovered, resulting in an estimated pre-tax NPV that is 6x greater than the market cap of Westwater as of December 12, 2023."
- **Announced anticipated development plan for Coosa Deposit:** Anticipate a mining rate of ~3.33 mst/yr with a mine life of 22 years. Graphite concentrator facilities would process ~3.2 mst/yr.
- **Emphasized the value of both the Coosa and Bama Graphite Deposits:** Coosa Graphite Deposit could be available this decade to provide materials for their processing facility, while the Bama deposit is viewed as an asset for the future.

- **Westwater completed a debottlenecking study with 3rd party engineering firm; changes to Phase I of plant expected to increase coated spherical purified graphite production by 33%:** "Increasing expected CSPG production by 33%, while maintaining our estimated budget, is another significant step in improving the economics of the Kellyton plant."
- **Construction on Kellyton plant Phase I continued:** Completed construction of five of six primary plant buildings and installed overhead cranes ahead of equipment installation. Westwater began installing micronizers, shaping mills, and steel in its shaping building. Construction has continued but slowed during the quarter, as **Westwater awaits finalizing their off-take agreements and new financing. This reduction in construction activity will delay the construction of Phase I of the plant, with a new timeline to be revealed once financing is secured.**