

Quarterly Earnings Call Notes – Q1 2024

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 Q4 2023 (October to December 2023). These calls were recorded during Q1 2024 (January to March 2024). Additional Notes encompasses news alerts for additional companies monitored.

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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: Neutral

Recommended Action: Pursue thermal barriers opportunities for Alabama. Find out where thermal barrier production is currently occurring.

Notes:

- **Saved over \$400M from cost cutting actions in 2023**
- **3M still dealing with PFAS and Combat Arms litigation, but making progress:** “As we look to 2024, we will continue to optimize our portfolio as we prioritize geographies, markets and products where we see the greatest opportunity. Finally, we are focused on addressing risk and uncertainty. The Combat Arms settlement we announced last August has received strong support from both claimants and the broader military community. We completed the first 3 milestones of the settlement as planned, including earlier this month when we reached agreement with all plaintiffs who are being prepared for trial. We will continue to work with all parties in the courts to fully implement the settlement. With respect to PFAS, our settlement with public water suppliers is on track for the final approval hearing scheduled for February 2. We will continue to address other PFAS litigation by defending ourselves in court or through negotiated resolutions as appropriate. We also remain on schedule to exit all PFAS manufacturing by the end of 2025 with production volumes down 20%.”
- **Introduced new products for growing Electric Vehicle market, including thermal barrier materials:** “We are advancing more durable, energy-efficient and connected vehicles with an array of solutions, including new thermal barrier materials that improve the range and safety of

electric car batteries. Just one element of our automotive electrification program, which grew 30% in 2023 on top of 30% growth in 2022.”

- **CapEx slowed down in Q4 2023 relative to Q4 2022. Levels now closer to long-term trend:** “Adjusted capital expenditures were \$308 million, down 32% versus last year's abnormally high fourth quarter. For the year, we invested over \$1.4 billion versus an expected range of \$1.3 billion to \$1.5 billion. And finally, we returned \$828 million to shareholders via dividends during the quarter.”
- **Guin performance neutral** – Transportation Safety segment “declined low single digits,” while Industrial Adhesives and Tapes segment “was flat.” Commercial Solutions segment “grew low single digits.”
- **Decatur and Guin – Advanced Materials segment performance positive:** “grew organically high single digits”
- **US core industrial markets broadly remained strong for 3M, Chinese market remained weak:** “Geographically, core industrial markets in the United States were relatively strong, while China remained weak. Our businesses were impacted by a reduction in channel inventory towards the end of the quarter, particularly in the Greater China and EMEA regions as channel partners manage cash and are cautious as we enter 2024.”
- **Despite advances in automotive product offerings, 3M expects automotive production volume to decline in 2024; however, the company sees opportunities in EV:** “Automotive unit volume production is forecast to be down slightly year-on-year. Despite this forecast, we continue to see significant opportunities in the automotive sector through our offerings in both electric vehicle and internal combustion engine vehicles.”

Airbus SE (ENXTPA:AIR)

Outlook: Positive

AL Outlook: Positive

Recommended Action: N/A

Notes:

- **Alabama exposure:** Commercial Aircrafts (A220 and A320 family) in Mobile
- **2023 Commercial Aircraft guidance was achieved, revenue and orders are trending upwards, and ramp-ups are planned for 2026**
 - 735 commercial aircraft delivered (2022: 661 aircraft)
 - 2024 guidance: 800 deliveries
 - 15% increase in revenue from FY 2022
 - Planned ramp-ups for 2026
 - A220: 14/month
 - A320: 75/month
- **Commercial aircraft backlog and orders are healthy and growing**
- **Construction of the second A320 Final Assembly capacities in Tianjin (China) and Mobile (US) commenced in 2023**
- **FY 2023 Operating margins experience modest decline:**
 - Overall: 7% (9.1% in FY 2022)

- Commercial Aircrafts: 7.6% (11.6% in FY 2022)
- **2024 predicted to be another strong year**

Boeing Co. (NYSE:BA)

Outlook: Negative

AL Outlook: Neutral

Recommended Action: N/A

Notes:

- **Alabama exposure:** Defense, Space & Security (missile and weapons systems; Space Launch System, International Space Station) in Huntsville
- **Defense, Space & Security (Boeing Defense & Space)**
 - **BDS Q4 2023 Operating margins have improved but remain negative:**
 - BDS: -1.5% (improvement from -16.9% in Q3 2023), primarily driven by \$139 million of losses on certain fixed-price development programs. Results were also impacted by unfavorable performance and mix in other programs
 - Boeing overall: 1.3% (-4.5% in Q3 2023)
 - Missiles and weapons performing well in the mid-to-high single digit margin rate
 - **Overall, the defense portfolio is poised to improve**
 - The backlog and orders are healthy and growing
 - **BDS Outlook for 2025/2026 is encouraging:**
 - 2025/2026 goal of high single digit operating margins
 - BDS has operated below expectations, but a return to strong historical performance in 2025/2026 is expected as new contracts are rolled in under tighter underwriting disciplines
- **Boeing is still responding (through internal and external evaluations) to concerns with the 737-programming following the Alaska Airlines incident on January 5th, 2024.**
 - January 31st, 2024: Bragar Eigel & Squire, P.C. Announces Class Action Lawsuit Filed Against the Boeing Company

Canfor Corp. (TSX:CFP)

Outlook: Neutral

AL Outlook: Positive

Recommended Action: N/A

Notes:

- **Alabama exposure:** Lumber in Fulton, Jackson, and Mobile
- **2023 was a challenging year for Canfor, as the weak global lumber market conditions experienced late in 2022 continued throughout the current year. This is evident in a decline in operating margins.**
 - North American lumber market conditions remain fairly subdued as softness continues
- **Growth projects in progress in Axis, AL (\$210 million investment, due to open in Q3 2024) and Urbana, AR (\$130 million).**
 - Successful execution of significant capital growth program in the US South throughout 2023
 - Started up greenfield sawmill in DeRidder, LA in early 2023
- **Solid earnings for the Company's European and US South operations in 2023, with persistent challenges in British Columbia**
 - Modest quarter-over-quarter declines experienced in Europe and US South largely driven by a *continued deterioration in global lumber market prices*
 - The company decided to *permanently close* its Chetwynd sawmill (BC) and pellet plant and temporarily close its Houston sawmill (BC). Late in 2023, the Company also announced a fiber-driven indefinite curtailment at its Polar sawmill starting in January 2024.
 - Ongoing challenges with the availability of economically viable fiber impacting lumber and pulp operating rates in British Columbia into 2024
- **Global lumber market conditions are anticipated to remain under pressure through the first quarter of 2024**, as near-term challenges of affordability are projected to persist, despite recent declines in mortgage rates in the US.
 - **On the supply side, it is forecast that operational disruptions**, driven by geopolitical tensions as well as fiber and market-driven reductions in production, especially in Western Canada, **will help reduce inventories to more normalized levels**

Chemtrade Logistics Income Fund (TSX: CHE.UN)

Outlook: Positive

AL Outlook: Positive

Recommended Action: See if Alabama operations are candidates for expansion.

Notes:

- **Expect Water Chemicals margins to fall due to raw material cost adjustments:** “Looking now at our outlook, and beginning with our SWC segment. Last year, our water chemicals

business stood out as the top performer with both higher pricing, lower raw material costs contributing to improved margins. It's important to note that our water margins last year benefited from price adjustments following the last raw material cycle that peaked in 2022. So we expect some downward pressure on margins as prices normalize due to lower 2023 raw material costs. Additionally, we foresee the possibility that raw material costs could increase this year, potentially having a negative impact on our water margins until contract renewals enable necessary price adjustments. We expect volumes for water chemicals to remain relatively stable, irrespective of the economic backlog, given the nondiscretionary nature of these chemicals for the end markets we sell to.”

- **Expect Sulfur Products to perform well in 2024:** “For our sulfur products. Last year, regen acid benefited from improved market pricing with stable demand. We expect this business to continue to perform well again this year. Recall that regen acid demand is highly correlated with driving activity and refinery utilization rates, which tend to be stable with limited impact from broader macroeconomic growth.”
- **Reiterated plans to invest \$60-90M into organic growth projects; still planning expansion in Water Chemicals (AL operations could be a candidate):** “Moving over now to our organic growth projects. With our 2024 guidance, we announced we plan to allocate between \$60 million and \$90 million to growth investments in '24. About \$40 million of this capital will be directed towards ultra-pure acid projects, primarily towards the completion of our Cairo, Ohio expansion and upgrade. The remaining capital will be directed towards other areas of the business, including water chemicals.”
- **Separate expansion projects for adding PAC and ACH production lines at existing Water Chemicals plants this year:** “So we are continuing to invest in this business, and we'll be adding new PAC and ACH lines at existing water plants this year. These are two higher growth products in our water chemicals portfolio with demand anticipated to grow by more than 5% annually.”
- **Company building robustness and preparing their business to weather potential economic downturn; improved debt position over the past year:** “While economists are increasingly calling for a soft landing or a goldilock scenario, we believe Chemtrade is much better positioned than many other chemical manufacturers should an economic downturn occur. First, several of our products here typically see very limited impacts in recession or have growth drivers that are expected to remain irrespective of the economic backdrop. This includes our Water Solutions products business, which are essential to maintain safe water supply in North America. Our regen and acid business, which is tied to miles driven in North America. Both of these products have robust demand that sees little change from macroeconomic conditions. Second, our defensiveness is further enhanced by factors like the risk-sharing agreements we have in place with our merchant acid suppliers. Third, the diversity of our product portfolio helps to mitigate any weakness we may see in a particular market or in sensing chlor-alkali should demand for chlorine significantly weakened. This could potentially lead to reduce chlor-alkali production in the North American industry, which could in turn tighten the caustic soda market, leading to improved caustic soda pricing and proved to be a net benefit for Chemtrade.”

Constellium N.V. (NYSE:CSTM)

Outlook: Neutral

AL Outlook: Neutral

Recommended Action: N/A

Notes:

- **Alabama exposure:** Automotive and Packaging Markets (aluminum sheets) in Muscle Shoals
- **Muscle Shoals:**
 - **Operating performance improved in Q4 2023 but a weaker Q1 2024 is expected due to extremely cold weather and snow in January impacted operations**
 - Constellium has agreed to pay \$75,000 to settle claims that it did not perform required inspections and record-keeping for its facility in Muscle Shoals.
- **Revenue is down 13% from Q4 2022 and 11% from FY 2022, primarily due to lower shipments (in the P&ARP and AS&I segments) and lower metal prices, partially offset by improved price and mix.**
 - Operating margins are up from 5.8% in Q4 2022 to 11% in Q4 2023 AND from 8.3% in FY 2022 to 9.8% in FY 2023
- **Optimistic for 2024 despite weakness inflationary pressures and weakness in most industrial markets:**
 - Constellium continues to experience weakness in most industrial markets to start the year. Inflationary pressures are expected to continue in 2024, though at a lower rate than the last two years. Constellium leaders remain confident in its ability to continue to offset a substantial portion of the impact with an improved top line and focus on cost control.
- **2023 saw increased capital expenditure to invest in maintaining and growing manufacturing asset base**
 - Adjusted Return on Invested Capital (Adjusted ROIC) of 11.3%, up 0.3% from 2022
- **Revenue declined across all segments, primarily due to lower shipments and lower metal prices and partially offset by improved price and mix**
 - **Aerospace and Transportation (A&T):**
 - 2024 outlook: demand expected to remain strong as the post-pandemic recovery continues
 - **Packaging and Automotive Rolled Products (P&ARP):**
 - 2024 outlook: Canstock demand has stabilized in recent quarters, and more modest growth is expected relative to last year
 - **Automotive Structures and Industry (AS&I):**
 - 2024 outlook: Despite some demand deceleration in the second half of 2023, healthy demand is still expected this year
- The Company announced a three-year share repurchase program of up to \$300 million expiring in December 2026

Enviva Inc. (NYSE:EVA)

Outlook: Negative

AL Outlook: Negative

Recommended Action: Monitor status of Epes, AL facility

Notes:

- **Enviva filed for Chapter 11 Bankruptcy on March 13, 2024**
- **Enviva has indicated that they will continue construction of their facility in Epes, AL**

Evonik (XTRA:EVK)

Outlook: Neutral

AL Outlook: Neutral

Recommended Action: N/A

Notes:

- Initiated the Evonik Tailor Made program for organizational restructure aimed at enhancing efficiency, reducing hierarchy levels, and cutting management positions to achieve significant cost savings. The reorganization program expected to generate €400 million in savings by the end of 2026, involving up to 2,000 job cuts globally.
- Company is investing in Nutrition & Care and Smart Materials segments, but those investments are going to Europe.
- **Business Expansions & Capital Expenditure Plans:**
 - Signed the sale of its superabsorbent business, marking a step in the divestiture process of Performance Materials.
 - Investing in capacity expansion in Austria for gas filtration membranes, highlighting the company's focus on innovation and sustainability.
 - Planning further investments in innovation growth fields, with a special emphasis on sustainability and next-generation solutions aiming for sales from such solutions to exceed 50% by 2030.
- **Nutrition & Care – Mobile & Birmingham Operations**
 - Performance in Q4 2023: This segment has been a strong performer, with particular emphasis on animal nutrition where **methionine prices are on the rise**, showcasing resilience amidst market fluctuations.
 - 2024 Outlook: The segment is expected to **drive earnings growth in 2024**, supported by healthy methionine price levels in the first half of the year and contributions from sustainable specialties and the startup of a new biosurfactants plant in Austria.
 - Key Developments: Continued focus on operational efficiency measures, such as in Animal Nutrition, and the initiation of new projects, highlight the segment's dynamic approach to growth and sustainability.

- Strategic Focus: Evonik is prioritizing innovations and sustainability within this segment, aiming for a sales share from next-generation solutions to exceed 50% by 2030, emphasizing the strategic pivot towards more sustainable and high-margin products.
- **Smart Materials – Mobile Operations**
 - Performance in Q4 2023: The Smart Materials segment faced challenges in 2023, impacted by a sluggish demand outlook, particularly in the automotive and construction markets.
 - 2024 Outlook: Expectations for 2024 are cautious, with the segment likely to remain below its previous year's performance level due to continued economic uncertainties and competitive pressures.
 - Key Developments: Despite challenges, there are bright spots such as gas filtration membranes, which experienced significant growth, underlining the potential within innovative product lines.
 - Strategic Focus: The company is investing in capacity expansions, notably in Austria, to capitalize on the growth potential of its innovative products, underscoring a long-term commitment to the Smart Materials segment.

Interfor Corp. (TSX:IFP)

Outlook: Neutral

AL Outlook: **Positive**

Recommended Action: Monitor expansion opportunities within Interfor's capex plans.

Notes:

- **Alabama exposure:** Lumber in Fayette, AL
- **Measured supply growth in the US South**, limited by labor availability and long equipment lead times and offset by ongoing declines in BC
 - Declining BC industry log supply, but Interfor well-positioned in southern BC
- **Lumber prices weakened during Q4 2023**
 - Imbalance of lumber supply and demand, with demand continuing to be impacted by the elevated interest rate environment and ongoing economic uncertainty
 - Ongoing volatility expected near-term
- **Lumber sales up overall and in US South** from Q4 2022 to Q4 2023 and from FY 2022 to FY 2023
- **Capital spending of \$39.6 million, including \$17.2 million of discretionary investment focused on multi-year upgrade projects in the U.S. South (largely in Georgia mills)**
 - Planned capital expenditures for 2024 have been reduced to approximately \$90.0 million from the preliminary estimate of \$140.0 million (due to lumber market weakness and review of expected returns)
- On January 26, 2024, the Company priced US\$33.3 million in long-term debt financing with Prudential Private Capital. The financing is expected to close in late March 2024 with the proceeds used to settle US\$33.3 million of principal under the Company's existing Series C Senior Secured Notes due on March 26, 2024.
- **North American lumber markets over the near term are expected to remain depressed** as the economy continues to adjust to inflationary pressures, elevated interest rates, labor shortages and geo-political uncertainty.

- **Interfor expects that over the mid-term, lumber markets will continue to benefit from favorable underlying supply and demand fundamentals.**

International Paper Co. (NYSE:IP)

Outlook: Neutral

AL Outlook: Neutral

Recommended Action: N/A

Notes:

- **Demand was down across-the-board in 2023**
- **IP offset demand lulls through \$260 million in savings from cost-cutting measures in 2023**
- **Demand for paper pulp began to increase in Q4 2023 and this trend is anticipated to continue going into 2024**
- **Containerboard (Prattville and Pine Hill) demand has returned to normal and could grow with increased demand in Food & Beverage segment**
- **IP plans to invest \$800 million in their recycled container segment over the coming years**

JBS S.A. (Pilgrim's Pride Corporation) (BOVESPA:JBSS3)

Outlook: Neutral

AL Outlook: Neutral

Recommended Action: N/A

Notes:

- **Lower chicken populations led to a decreased supply in chicken products in the second half of 2023**
- **Global demand for chicken (Cullman, Guntersville, Russellville) was strong in Q4 2023 due to higher prices in other meat commodities**
- **Animal feed prices are trending downward which are anticipated to decrease input costs going into 2024**
- **Committed to investment in more training and automation within US facilities:** “Our investments in people over the past few years have resulted in a suitable net staffing and reduced turnover levels throughout our U.S. facilities. Given our sustained improvements, we were able to capture a significant portion of our operational excellence initiatives throughout the plant.”
- **Professional development and investment in staff continues to be important for Pilgrim's Pride:** “We also continue to invest in team member well-being through our Better Futures Program, in which more than 490 Pilgrim's team members and their children have enrolled in

tuition-free higher education throughout 2023. And our Hometown Strong Program that has approved more than 150 community projects for investments to date.”

- **Pilgrim’s Pride spent \$544 million in capital expenditures in 2023. This included facility maintenance and expansion**
- **Expect \$500 million in capital expenditures for 2024**

Louisiana-Pacific Corporation (NYSE:LPX)

Outlook: Neutral

AL Outlook: Neutral

Recommended Action: N/A

Notes:

- **OSB and Siding demand has returned to normal after being down for much of 2023. The Siding segment in particular is expected to grow in 2024**
- **Louisiana-Pacific had significant capital investment into their OSB and Siding segments in 2023, investing over \$300 million into facility conversions/improvements**
- **Louisiana-Pacific intend to resume stock repurchases in 2024**
- **Estimated \$200 million in capital investment planned for 2024. This is down from \$300 million in 2023, however they are still committed to growth**
- **LP’s focus for 2024 is normalization:** “in many ways, 2024 is a return to normal. Siding is growing again after something of a destocking hangover. OSB prices are currently in a historically normal range, albeit on the high side of that range. And LP’s capital investment in 2024 will be nearly \$100 million lower than last year, because the Sagola, Houlton and Bath projects are complete.”

NFI Group Inc. (TSX:NFI)

Outlook: Positive

AL Outlook: Positive

Recommended Action: N/A

Notes:

- **Alabama exposure:** Transit buses, ZEB (Zero Emission Bus) manufacturing in Anniston, AL
- **Gross margins are expected to improve** along with the planned production ramp-ups and deliveries on backlog in 2024 and 2025
 - NFI expects active ZEB bids to remain high through the coming years
- **Significant financial and operational recovery in 2023 due to the Company’s comprehensive refinancing plan with improvements in revenue, deliveries, and free cash flow**
- **Segments:**
 - Manufacturing:

- Increased revenues driven by higher new vehicle deliveries across all NFI product lines, while quarterly deliveries have seen improvement both year-over-year and sequentially for the 4th consecutive quarter
 - Aftermarket:
 - Increased revenues driven by higher volume in North American public and private markets, and the impacts of heightened inflation on parts pricing
- **Supply chain performance has improved**, but risk to continued production ramp up remains, alongside labor availability and efficiency
- **Unspecified maintenance and growth projects planned for 2024 and 2025**
 - NFI expect current liquidity to be sufficient to fund operations, capital investments, and bonding requirements in 2024 and longer term

Nucor Corp. (NYSE:NUE)

Outlook: Neutral

AL Outlook: Neutral

Recommended Action: Monitor capital expenditure plans for 2024.

Notes:

- **Alabama exposure:** Steel Mills, Steel Products, and Raw Materials segments
- **A strong 2023:** Nucor's strategy to grow its core steelmaking capabilities and expand beyond into steel-adjacent business lines continues to deliver strong results
- **Operating margins remain strong despite modest decline** from FY 2022 to FY 2023
- **Nucor Steel Tuscaloosa plans to invest \$280 million to support current and future operations at the Tuscaloosa County rolling mill**
 - Located at company's existing operations at Holt Rd and is expected to be fully operational by 2027
- **Segments:** Overall decline in earnings YOY
 - **Steel Mills: Decrease in realized pricing** was most pronounced at the sheet and plate mills
 - Earnings expected to increase in Q1 2024 due to higher average selling prices and volumes, particularly at sheet mills
 - **Steel Products: Earnings decreased** due to moderating average selling prices at most of the product groups within the segment and lower volumes
 - **Raw Materials: Earnings decreased** in the fourth quarter of 2023 compared to the third quarter of 2023 due to lower pricing for raw materials and planned outages at our direct reduced iron, or DRI, facilities
- **Capital deployment expected to increase in 2024** with planned capital expenditures of \$3.5 billion, continued evaluation of acquisitions, and share repurchases set to outpace 2023
- **2024 expected to be another strong year** as Nucor executes its strategy to grow the core and expand its portfolio of solutions

Olin Corporation (NYSE:OLN)

Outlook: Neutral

AL Outlook: Neutral

Recommended Action: Monitor recovery in caustic and chlorine. Look for potential opportunities in Winchester business.

Notes:

- **Winchester business is going strong, military business is set to double:** “And if you just walk through the 3 businesses, and I'll just start with Winchester. I mean we are right in the middle of doubling our military business. And that is on track, both domestically and internationally.”
- **Battery production having positive effects on Chlor-Alkali business:** “But what I can say is the ramp-up of battery production and battery recycling is probably the largest growth item we have across our chlor alkali portfolio. There's a demand for more caustic in many of those applications. There's also an additional demand for hydrochloric acid in those as well. So it's probably the premier growth item over the next 10 years in this business.”
- **Chlorine and Chlorine derivatives represent weaker portions of product portfolio; price increases expected in 2024:** “Yes, yes. Well, I mean, the chlorine and chlorine derivatives sides are still the weaker side of the ECU. But what I will say is that Olin's average chlorine pricing in the first quarter relative to the fourth quarter absolutely goes up. Some of that is because we've been able to renegotiate pricing in some contracts that expired at the end of the year. Some of that is because we ran this value accelerator initiative. And the only way to pull out of the market was actually to pull out of some of our higher-priced business because it was more spot in nature.”
- **Caustic demand is in a better position than chlorine demand, but both remain down overall:** “The only challenge that we really have is when both are bad, and they're equal. That's the hardest profile for Olin to act on. So we don't have a problem with one being weak and one being stronger. That's the way we're set up now. Caustic is stronger, chlorine is weak, but overlaying that is just general weakness. And that's why our earnings are down.”
- **Planning to raise operating rates in March of 2024:** “I mean I would just keep 2 things in mind. I mean, number one, we're continuing to run that initiative for up to 2/3 of the first quarter. But also on top of that, it goes back to that caustic pricing phenomenon that I talked about, whereby the first quarter pricing that we print is determined by the difference between the fourth quarter and the third quarter, and that's already known to be a drop. So we have to overcome that as well.”

Outokumpu Oyj (HLSE:OUT1V)

Outlook: Neutral

AL Outlook: Neutral

Recommended Action: N/A

Notes:

- **Alabama exposure:** Stainless steel manufacturing plant in Calvert, AL
- **Stainless steel sales and realized prices declined from Q4 2022, reflecting a weaker/more challenging market, particularly in Europe, while deliveries remained stable**
- **Stainless steel sales, deliveries, and realized prices declined from FY 2022 to FY 2023 in Europe and the Americas**
 - Lower profitability in business area Ferrochrome negatively impacted the group result and costs in business area Europe increased YOY
- **The market environment in the Americas remained relatively strong in 2023 and started to weaken only toward the end of the year**
 - Increased cold rolling capacity by 55 kilotons by the end of 2023
 - Expansion strategy:
 - Evaluated building of our own hot rolling mill in Calvert, Alabama, but decided that continuing with the current hot rolling partnership (AM/NS) is the best solution for Outokumpu and its shareholders
 - **Hot rolling partnership** with AM/NS (ArcelorMittal/Nippon Steel) extended in the Americas until 2051
 - Cold rolling capacity expansions planned for 2024
- **€264 million impairment booking** related to the renegotiated hot rolling agreement in the Americas and other adjustment items
- Completed **divestment** of the long products business as it was considered non-core
- **Outlook for Q1 2024:**
 - Stainless steel deliveries expected to increase by 5-15% compared to Q4 2023
 - With current raw material prices, some raw material related inventory and metal derivative losses are expected

Packaging Corporation of America (NYSE:PKG)

Outlook: Neutral

AL Outlook: Positive

Recommended Action: Monitor progress on the Jackson, AL facility conversion.

Notes:

- Net income and net sales were down in Q1 2024
- Containerboard sales in 2023 were up from 2022 totals. Q4 containerboard sales were also up from Q3, indicating a positive trend
- Global Paper containerboard shipments increased 21.9% compared to the prior year quarter
- Final phase of facility conversion in Jackson, AL expected to finish in Q2 2024
- Packaging Corp is positioned well going into 2024 as the Jackson facility conversion will support their growing containerboard segment

PPG Industries, Inc. (NYSE:PPG)

Outlook: Positive

AL Outlook: Positive

Recommended Action: Seek potential opportunities for Aerospace and Automotive expansion in Huntsville area.

Notes:

- Aerospace (Huntsville) and Automotive segments saw record sales in Q4
- Protective, Marine, and Architectural segments had a strong performance in Q4 as well
- The new personal architecture line in Walmart has been successful, and is part of their larger shift to focus on individual consumers
- PPG has recorded 4 straight quarters with record sales
- PPG has begun investing in new innovative growth initiatives seeing \$150 million in incremental sales from these initiatives. This includes new products for electric vehicles

Sonoco Products Company (NYSE:SON)

Outlook: Positive

AL Outlook: Positive

Recommended Action: N/A

Notes:

- **In 2023, Sonoco saw record operating cash flow, record free cash flow, record productivity, and record investment in growth initiatives:** “By many measures, this was our best year ever. We achieved record operating cash flow, record free cash flow, record productivity, and we invested a record amount to drive future growth and profitability. We've built a foundation for continued strong financial performance, building on our enduring operating model, strong market positions, investment-grade balance sheet and our differentiated dividend.”
- **Strong margins are due to strong performance in paper products (Opp, Florence):** “strong margins were the result of record performances in our consumer rigid paper cans and flexibles businesses. On the industrial side, despite volume level similar to 2008, our team delivered record profit margins through diligent cost management throughout the paper ecosystem.”
- **In Q4 2023, Sonoco invested \$108 million in growth initiatives and productivity improvements**
- **Sonoco expect higher paper mill utilization in Q1 2024 which will support paper product activity in Alabama**

Sumco Corporation (TSE:3436)

Outlook: Neutral

AL Outlook: Neutral

Recommended Action: N/A

Notes:

- **Alabama exposure:** High-Purity Silicon America in Theodore, AL (Ultra-Pure Polycrystalline Silicon for the semiconductor industry)
- **Decline in sales and operating profit from FY 2022 to FY 2023**
- **In FY 2023, the semiconductor market** saw ongoing adjustments in logic and memory chip production, due to **weak demand for their end applications** including personal computers, smartphones, and data centers.
- Impacted by customers’ production adjustments, **300 mm silicon wafer demand declined over the full year. Demand for wafers of 200 mm** and smaller was solid in the electric vehicle (EV) sector but continued a downward trend for consumer and industrial use, resulting in an **overall decline**
- **Q1 2024 outlook:** Customers are likely to continue with production adjustments and wafer inventory drawdown. **A recovery of silicon wafer demand is not foreseen in the near term.**
- The Group will strengthen efforts to obtain earnings for dealing with the current situation, while achieving readiness for a recovery of demand by improving productivity with the help of AI, and building a production structure capable of agilely responding to market fluctuations.

Tyson Foods Inc. (NYSE:TSN)

Outlook: Neutral

AL Outlook: Neutral

Recommended Action: N/A

Notes:

- **Chicken segment continues growth from 2023, having 3 consecutive quarters of growth in AOI (Adjusted Operating Income)**
- **Despite AOI growth, chicken sales were down 4% in Q1 2024. This was offset by continued improvement in operational efficiency**
- **Similar to chicken, the pork segment saw lower sales. But, due to improvements in efficiency and lower input costs, the pork segment saw AOI growth**
- **Beef continues to struggle with low supply of cattle**

United States Steel Corp. (NYSE:X)

Outlook: Neutral

AL Outlook: Neutral

Recommended Action: Watch for progression with potential acquisition

Notes:

- **Alabama exposure:** Fairfield Tubular Operations and Fairfield Works in Fairfield, AL
- **Operating margins are down overall, reflecting a relative decline in prices while shipments have largely remained stable or increased**
- **Merger agreement signed with Nippon Steel Corporation**
 - Closing of the transaction expected in Q2 or Q3 of 2024
 - US Steel will retain its name and HQ in Pittsburgh
- **Strategic investments planned for 2024:**
 - US Steel remains on-track for the start-up of the two remaining strategic projects in 2024 – the dual galvalume[®]/galvanized coating line in Arkansas at Big River Steel in the second quarter of 2024 and our new state-of-the-art mini mill, Big River 2, in the second half of 2024.
 - \$3.2 billion in total capital spend expected for BR2
 - Produced first direct reduced-grade pellets from investment at the Keetac, Minnesota facility at the beginning of 2024
- **Segment (loss) earnings before interest and income taxes**
 - Tubular:
 - **Average selling price (\$/ton) is up for the year in contrast to other segments but is down from Q4 2022 to Q4 2023**
 - Unfavorable impact from Q4 2022 to Q4 2023 is primarily due to lower average realized prices (commercial) and lower United Steelworkers variable compensation

- Favorable impact for raw materials is primarily due to lower scrap costs and higher yields
- **Increase in sales from FY 2022 to FY 2023**
- **Increase in CapEx spend from FY 2022 to FY 2023**

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

Outlook: Neutral

AL Outlook: Neutral

Recommended Action: N/A

Notes:

- **Alabama exposure:** Lumber mill in Maplesville and Opelika, AL; OSB mill in Huguley, AL
- **Challenging fiscal year with operating margin declining from 20.4% in FY 2022 to 2.6% in FY 2023** reflecting continued weakness in demand for North American lumber and European panel products
 - **North American OSB, plywood and other engineered products experienced resilient demand** due to a robust new home construction market with mortgage rates showing signs of stabilizing
- Ongoing portfolio optimization strategy: acquisitions, divestitures, mill curtailments, capital investments
 - Completed **acquisition** of Spray Lake Mills Sawmills in Cochrane, Alberta, Canada
 - Announced permanent **closure** of lumber mill in Maxville, Florida and indefinite **curtailment of operations** at lumber mill in Huttig, Arkansas
 - Announced permanent **closure** of lumber mill in Fraser Lake, B.C., following an orderly wind-down
 - Completed **sale** of Hinton pulp mill (AB, Canada) on 2/3/24
- **Capital expenditures remain stable and cash & short-term investments declined (by \$262 million) from FY 2022 to FY 2023**
- Effective January 1, 2024, **Sean McLaren** succeeded Ray Ferris as **President and Chief Executive Officer** and joined the Board of Directors
- **Demand, labor availability, and some equipment lead times remain a concern while cost and availability constraints for transportation, chemicals, and energy are expected to be moderate over the near term.**
 - Over the **long term**, growing market penetration of mass timber in industrial and commercial applications is expected to become a more significant source of demand growth for wood building products in North America
 - Housing market trends (increased of affordability, stabilization of inflation and interest rates, growth in home buying stage cohort) support improvements in lumber, plywood, and OSB demand in the **medium term**
 - Demand may decline in the **near term** should the broader economy slow or interest rates remain elevated or increase more than expected
- **Closing of 2 Canadian pulp mills planned for early 2024**

- Quesnel River Pulp mill (BC) and Slave Lake Pulp mill (AB)

WestRock Co. (NYSE:WRK)

Outlook: Positive

AL Outlook: Positive

Recommended Action: N/A

Notes:

- **Containerboard shipments grew by 21.9% in 2023**
- **Achieved \$200 million in cost-savings in Q1 2024, putting them well ahead of their projected \$300-400 million cost-savings for FY2024**
- **During the first quarter of fiscal 2024, WestRock invested \$247 million in capital expenditures**
- **Expecting significant demand increases over all segments in the second half of FY2024**
- **Consumer packaging and paperboard volumes expected to significantly strengthen**

Westwater Resources Inc. (NYSE:WWR)

Outlook: Neutral

AL Outlook: Neutral

Recommended Action: Monitor company's pursuit of debt financing and the pricing outlook for graphite.

Notes:

- **Highlights:**
 - Signed offtake agreement with SK On, securing revenue source for their graphite
 - Debt financing not yet finalized, but offtake agreement should help secure debt financing
 - Phase 1 production expected to be 67% higher than initial projections
 - \$271 million of production costs still remain to complete Phase 1
 - Chinese export restrictions on graphite announced in October of 2023, could bode well for Westwater if Phase 1 can be completed before China lifts its export restrictions, as the restrictions will keep graphite prices artificially high.
 - Artificially high graphite prices could, in the long-run, have a negative effect on electric vehicle demand, putting downward pressure on demand for Westwater's graphite. Monitor situation accordingly.
- **Financial Highlights:**
 - The call did not explicitly detail financial figures for 2023 but focused on strategic and operational developments.

- The capital budget for the Kellyton Plant remains at \$271 million, within which a significant production increase has been accommodated.
- Operational Highlights:
 - Progress on the Kellyton Graphite Plant, aiming for a Phase 1 production of 12,500 metric tons per annum of CSPG, marking a 67% increase from initial projections.
 - Completion of a debottlenecking study to support this production increase without exceeding the budget.
 - The initiation of a feasibility study for Phase 2 of the Kellyton plant to potentially expand production to 50,000 metric tons per annum of CSPG.
 - Initial economic analysis of the Coosa deposit indicating a pretax Net Present Value (NPV) of approximately \$229 million and a pretax Internal Rate of Return (IRR) of 26.7%.
- Business Expansions & Capital Expenditure Plans:
 - The signing of a multiyear offtake agreement with SK On, a Tier 1 lithium-ion battery manufacturer, as a significant milestone toward securing demand for its CSPG product.
 - Ongoing construction and expansion at the Kellyton Graphite Plant, with five of the six primary Phase 1 buildings completed.
 - Plans for the development of the Coosa deposit following promising initial economic analysis results.
- Segment Performance and Outlook:
 - The company highlights the critical role of graphite in lithium-ion batteries and the importance of establishing a domestic supply chain in the U.S. to reduce dependency on imports, especially from China.
 - With government support and recent Chinese export restrictions on graphite, Westwater sees a favorable market environment for its CSPG product.
 - Anticipation of growing demand for CSPG driven by the electric vehicle market and energy storage solutions, with the company positioning itself as an early market mover with a competitive advantage.

Additional Notes:

Austal Limited (ASX:ASB)

- February 6, 2024 - Austal USA announces expansion of Mobile, AL facility which, when complete, will be 1.5 million total sq. ft.
- April 3, 2024 – Austal rejects \$662 million takeover bid from Hanwa Ocean of South Korea

BAE Systems plc (LSE:BA)

- January 4, 2024 - U.S. Army signs agreement with BAE Systems for new M777 structure
- January 8, 2024 - BAE Systems receives contract by Commonwealth of Australia to upgrade existing Mk 45 Mod 2 Naval Gun Systems on Anzac Class Frigates with Common Control System
- January 24, 2024 - Data Link Solutions Selects to Provide BAE Systems' FireNet™ Tactical Systems for U.S. Navy
- January 31, 2024 - BAE Systems, Inc. Completes Critical Design Review Program to Design and Manufacture Advanced Military Gps Receives \$247 Million Contract from the U.S. Space Force
- February 16, 2024 - BAE Systems completes acquisition of Ball Aerospace for \$5.5 billion. Ball Aerospace has locations across North America, Europe, and Asia, with locations in the southeast US in Georgia, Florida, and Texas.
- March 6, 2024 – BAE Systems Delivers New Prototype Armored Multi-Purpose Vehicle with Unmanned Turreted Mortar Capability to U.S. Army
- March 14, 2024 – U.S. Navy Awards BAE Systems A Contract Worth \$86 Million
- March 28, 2024 – U.S. Army Awards BAE Systems \$754 Million Contract for Second Phase of Full-Rate Production for Armored Multi-Purpose Vehicle Program

KATEK SE (XTRA:KTEK)

- January 18, 2024 - Kontron AG concluded an agreement to acquire 59.42656% stake in KATEK SE from Primepulse SE for approximately €130 million

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

- January 4, 2024 - Kratos Defense & Security Solutions, Inc. And Rancher Government Solutions announce strategic partnership to enable customers to seamlessly deploy and scale virtual ground systems using Kratos' OpenSpace software platform
- January 16, 2024 - Kratos Defense & Security Solutions, Inc. Receives \$50 million in awards for Counters UAS and Air Defense Systems
- February 12, 2024 - Kratos Space & Missile Defense won an \$877 million contract for Sounding Rocket Program-4 from the US Space Force's Space Systems Command
- March 18, 2024 – Kratos Defense & Security Solutions, Inc. Receives \$57.6 Million Contract for 70 BQM-177A Aerial Targets

L3Harris Technologies, Inc. (NYSE:LHX)

- January 16, 2024 - **Space Development Agency awards L3Harris \$919 million contract to build satellites for missile tracking program**

Mazda Motor Corporation (TSE:7261)

- January 16, 2024 - **Mazda Motor Corporation adopts North American charging standard for North American BEVs**

Mercedes-Benz Group AG (XTRA:MBG)

- March 15, 2024 – **Appttronik and Mercedes-Benz Enter Commercial Agreement That Will Pilot Appttronik’s Apollo Humanoid Robot in Mercedes-Benz Manufacturing Facilities**

Toyota Motor Corporation (TSE:7203)

- February 14, 2024 - **Toyota announces plan to invest \$1.3 billion for electric vehicle production in Georgetown, Kentucky. The \$1.3 billion investment is for an expansion to their existing manufacturing facility in Kentucky. The expansion will add a production line for EV SUVs.**