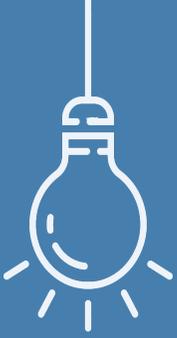




Strategies & Trends in Capital Allocation

METALS MANUFACTURING





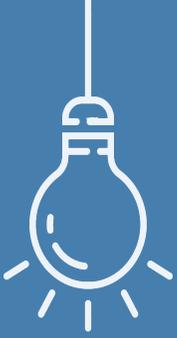
Strategies & Trends in Capital Allocation

03



Now Trending

- **Industrial robotics gaining traction:** for applications such as material handling, arc welding, spot welding, cutting and press tending. Robotics are thought to reduce labor costs, improve workplace safety, and drive productivity.
- **Political environment around infrastructure:** A perennial topic in U.S. politics, the need for massive spending to fix a crumbling infrastructure remains front and center, though there is little visibility into when it will actually materialize.
- **Growth in transportation category:** as systems and equipment age, and demands for new rail cars, buses and other transportation increases, metals manufacturers stand to gain in increased activity.
- **Overcapacity in steel production:** Steelmaking capacity exceeds demand, despite a rebound in spending among industries that use metal products. For fabricators of steel products that results in somewhat better pricing of raw steel than during periods of high demand.
- **Regulatory concerns:** Raw materials providers and metal products makers keep a watchful eye on potential for carbon taxes, resource taxes on raw materials, and trade tariffs -- all of which impact price of raw materials, thus pricing and/or profitability.
- **Digital transformation:** While the industry as a whole has been somewhat slow to adapt, opportunities to leverage new sources of data/analytics specific to production and maintenance, deploy advanced sensor technologies, and implement process automation have accelerated interest in transformation.



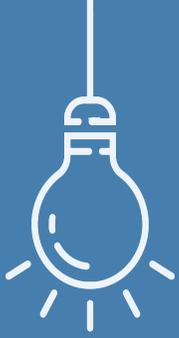
Strategies & Trends in Capital Allocation

04



CAPEX Considerations

- **Capital allocation:** The allocation/reallocation of capital to drivers of competitiveness and profitability will distinguish market leaders over the next ten years. For example: investment in systems that produce raw material analytics to optimize feedstock costs, or production automation, such as autonomous cranes for cool handling.
- **Agile decision making:** At a time when tariffs, regulations, politics, new technologies, and variability in demand present formidable challenges for metals executives, the ability to pivot quickly, react opportunistically, and make capital decisions that are well-considered, strategic, and based on a holistic view of capital projects in progress or in consideration, can have material impact in the millions – in potential savings, or revenue growth.
- **ERP Integration:** ERP systems on their own can't handle the complex needs of a modern metals manufacturer for capital management. By integrating a purpose-built solution, such as Finario, decision makers have up-to-date data for forecasting, a reliable audit trail, the reporting they need in a fraction of the time possible if the company is relying on spreadsheets or other ill-equipped solutions, and a "single source of truth" into their capital allocation projects.
- **Focus on ROI:** Reports indicate that metals manufacturers are lowering Capex spending by focusing on smaller projects with a faster ROI. While the wisdom of this can be debated, what isn't debatable is the need for a system that enables consistent evaluation criteria including application of ROI models that are favored by the organization, proper governance, automated workflow and approvals, and accurate reporting.



Strategies & Trends in Capital Allocation



Industry Snapshot

- NAICS categorization: Industries that smelt and/or refine ferrous and nonferrous metals from ore, pig or scrap, using electrometallurgical and other process metallurgical techniques; also manufacture metal alloys and superalloys by introducing other chemical elements to pure metals.
- China leads all nations in crude steel and aluminum production by a wide margin. Other top steel producers include Japan, the US, India, Russia, and South Korea. Other major aluminum suppliers include Canada, Russia, and India.
- The US primary metals manufacturing industry includes about 4,460 establishments (single-location companies and units of multi-location companies) companies with combined annual sales of about \$208 billion.
- The U.S. metal products manufacturing industry generated \$359.0 billion in annual shipment value as of 2014, according to the U.S. Census Bureau's Annual Survey of Manufactures.
- Architectural and structural metals manufacturing is the largest sub-sector of the U.S. market, a total shipment value in 2015 of \$85 billion. This includes (1) prefabricated metal buildings, panels and sections; (2) structural metal products; (3) metal platework products; and (4) organmental and architectural metal products.
- Some of the largest players operating in the U.S. include: Emerson Electric, Stanley Black & Decker, Gerdau, Arconic, Kohler, McDermott International, Precision Castparts, The Gillette Company and Chicago Bridge & Iron Company.
- Some of the largest globally are Arcelor Mittal, POSCO Nippon, Steel & Sumitomo Metal, China Baowu Steel Group, JFE, Tata Steel Group, NUCOR, Hyundai Steel Company, Kobe Steel and Gerdau SA.

FINARIO // The Solution for Capex

Finario is the first financial planning system purpose-built for Capex. Our cloud-based solution unifies capital budgeting & project forecasting with approval workflow to deliver financial reporting automation across the investment life-cycle. In today's fast-paced global economy, the world's leading enterprises rely on Finario to ensure capital reporting accuracy, generate valuable project & portfolio insights and accelerate decision making.