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WSD's steel experience, steel database and availability of steel statistics are the principles for performing steel forecasts, studies and analysis for international clients. WSD seeks to understand how the "pricing power" of steel companies the world over will be impacted by changes in the steel industry's structure. The views and opinions expressed in this article are solely those of World Steel Dynamics and not necessarily those of AIST.



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## Steel mills' financial results: Huge improvement in 2018

In 2017, WSD's Global Financial Dynamics system estimated product deliveries by the Chinese mills of 791 million metric tons and by the non-Chinese of 774 million metric tons (Table 1 on next page). The following is a summary of financial results for 2017:

- Estimated aggregated EBITDA of US\$115 million amounted to US\$74/metric ton shipped.
- Capital outlays were an estimated US\$57 billion for the Chinese mills, or US\$72/metric ton shipped; for the non-Chinese, the figures were US\$45 billion and US\$58/metric ton, respectively.
- Free cash flow for the Chinese mills amounted to a negative US\$37 billion in 2016 and a negative of US\$18 billion in 2017. For the non-Chinese, there was a deficit of US\$16 billion in 2016 and a surplus of US\$2 billion in 2017.

- Interest expense was US\$9 billion for the Chinese and US\$15 billion for the non-Chinese.

In 2018, WSD foresees a massive profit surge. Besides a hot-rolled band (HRB) export price at the end of January 2018 at US\$600/metric ton, FOB the port of export (far above the median-cost mills' operating cost), the HRB price is high in most home markets. The average HRB price for the USA, EU and Japan is about US\$700/metric ton. The Chinese ex-works HRB home-market price is about US\$540/metric ton, reflecting a tight steel supply/demand balance in their country.

If there's a US\$40/metric ton rise in average yearly profits in 2018, on a global basis, this amounts to about US\$65 billion.

This report includes forward-looking statements that are based on current expectations about future events and are subject to uncertainties and factors relating to operations and the business environment, all of which are difficult to predict. Although WSD believes that the expectations reflected in its forward-looking statements are reasonable, they can be affected by inaccurate assumptions made or by known or unknown risks and uncertainties, including, among other things, changes in prices, shifts in demand, variations in supply, movements in international currency, developments in technology, actions by governments and/or other factors. ◆

Table 1

WSD World Financial Dynamics (Year Ended 31 December 2017) Source: WSD's Global Steel Finance system

<b>Chinese steel industry</b>	1995	2000	2005	2010	2012	2013	2014	2015	2016P	2017E
Steel production (million metric tons)	95.4	128.5	353.2	629.6	731.0	815.6	822.7	804.0	808.4	846.2
World share (%)	12.7	15.1	30.9	44.3	46.9	49.6	49.3	49.6	49.7	49.9
Steel shipments (million metric tons)	81.6	119.1	320.7	611.5	714.4	792.9	799.2	791.1	776.3	791.4
Y-o-y chg (%)	—	12.7	23.7	9.9	5.3	11.0	0.8	(1.0)	(1.9)	1.9
<b>Steel income statement</b>										
RMB to the dollar	8.29	8.28	8.18	6.76	6.30	6.14	6.17	6.29	6.66	6.76
Total revenue (million U.S. dollars)	31,371	37,402	169,336	544,217	591,515	620,032	584,215	458,053	444,803	491,435
Total expenses (million U.S. dollars)	29,771	39,869	159,585	526,717	597,524	615,167	561,234	477,875	446,008	481,667
Total pre-tax income (million U.S. dollars)	1,599	(2,467)	9,750	17,500	(6,009)	4,865	22,982	(19,822)	(1,205)	9,767
EBITDA	5,433	4,093	21,488	47,084	25,718	42,816	63,536	18,037	37,028	50,410
Less: Interest expense	1,158	1,148	1,924	7,032	9,644	8,722	8,951	9,098	9,044	9,417
Less: Income taxes	370	352	2,633	4,725	Neg	1,313	6,205	Neg	Neg	2,637
Less: Capital outlays	8,007	4,433	31,567	61,249	80,255	82,903	78,270	65,500	64,060	57,013
Equals: Free cash flow	(4,103)	(1,840)	(14,636)	(25,922)	(64,181)	(50,123)	(29,890)	(56,560)	(36,075)	(18,658)
<b>Non-Chinese steel industry</b>	1995	2000	2005	2010	2012	2013	2014	2015	2016P	2017E
Steel production (million metric tons)	657.2	721.0	790.6	792.3	828.7	828.2	846.9	817.1	818.5	848.6
World share (%)	87.3	84.9	69.1	55.7	53.1	50.4	50.7	50.4	50.3	50.1
Steel shipments (million metric tons)	619.0	662.9	731.1	718.3	752.9	752.4	773.4	750.0	752.4	774.1
Y-o-y chg (%)	—	6.1	0.6	24.6	(0.9)	(0.1)	2.8	(3.0)	0.3	2.9
<b>Steel income statement</b>										
Total revenue (million U.S. dollars)	457,936	429,100	589,339	719,719	852,054	799,585	814,114	650,833	623,366	733,709
Total expenses (million U.S. dollars)	427,141	411,650	508,507	686,714	851,519	788,515	792,291	668,775	636,204	729,162
Total pre-tax income (million U.S. dollars)	30,210	15,219	80,833	33,005	535	11,070	21,823	(17,942)	(12,838)	4,546
EBITDA	77,850	49,932	119,583	91,907	63,025	72,766	84,470	41,683	45,546	63,768
Less: Interest expense	10,796	9,943	8,774	14,366	13,552	15,048	16,242	15,000	14,746	15,096
Less: Income taxes	6,872	4,450	23,875	9,748	158	3,270	6,446	Neg	Neg	1,343
Less: Capital outlays	39,375	19,224	33,632	72,550	78,301	74,111	75,022	55,500	46,647	44,900
Equals: Free cash flow	20,808	16,315	53,302	(4,758)	(28,986)	(19,663)	(13,239)	(28,817)	(15,847)	2,429