

# PNC'S METALS INDUSTRY UPDATE

## Issue 38

### IN THIS ISSUE

A Windfall for Cash Returns to Shareholders	1
Metals Pricing	4
Pricing for Public Notes and Bonds	5
Syndicated Bank Loan Market	7

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Welcome to Issue #38 of PNC's *Metals Industry Update*.

While 2022 will be a solid year for most industry participants, the third quarter feels different from the first half, and the trend as we approach year end is a bit unsettling. Perhaps this feeling is never more evident than when reading our cover story, which highlights the increase in shareholder distributions from either dividends or share buybacks.

Shareholder distributions have grown in the past year for 86% of the names we follow, but 82% of those same names see their shares trading for less today than they were at the beginning of the year. Clearly, equity investors question whether these distributions are sustainable, along with the earnings that have supported them.

Following our cover story are our recurring sections on metals pricing, the bond market and the syndicated bank loan market.

We appreciate you finding the time to read our *Industry Update*. We try to offer a different look into what is happening in the metals market in hopes of bringing value to your daily activities. As always, we enjoy and appreciate your feedback on how we are doing. We look forward to hearing from you.

## A WINDFALL FOR CASH RETURNS TO SHAREHOLDERS

The metals industry's exceptional financial performance in 2021 and the first half of 2022 has provided the opportunity for the 29 public companies we track to accelerate the capital they allocate to shareholder returns. For the 12 months ended June 30, 2022, dividends for these 29 companies totaled \$2.395 billion, up 75% from the full year 2020. For the same period, share buybacks increased to \$14.9 billion or 12 times the level for 2020.

Three companies either initiated or restarted their dividend plan, including Alcoa, Arcelor Mittal and Ryerson. Four companies put in place new share repurchase plans, including Arconic, Commercial Metals, Ryerson and U. S. Steel. Only four businesses chose not to return any capital to shareholders: Century Aluminum, Ferroglobe, Harsco and Universal Stainless & Alloy Products. Two businesses (Kaiser and Russel) distributed less in the last 12 months than they did in 2020. Every other company we track increased shareholder returns during the past 12 months over the full year 2020.

## A WINDFALL FOR CASH RETURNS TO SHAREHOLDERS *(Continued)*

Unfortunately, equity markets have responded to factors beyond just returns to shareholders. Through the first 9 months, the collective market cap of these 29 businesses is down 18% or \$26.3 billion. We wonder if share prices might be even lower without these elevated cash returns to shareholders. However, we do not expect cash returns to shareholders to be sustained at these levels in the next 12 to 24 months. The chart on the next page shows dividend and buyback activity by company. The rest of our cover story looks at a few of the more interesting individual company shareholder return strategies.

### **Nucor**

Nucor has a long history of returning capital to shareholders. Nucor has a target to return a minimum of 40% of earnings to shareholders and has paid 197 consecutive quarterly dividends. In the 10 years ended December 31, 2021, Nucor has returned \$9.4 billion to shareholders in either dividends or share buybacks. Year to date that figure has been \$2.7 billion or 28% of the prior 10-year total.

### **Steel Dynamics**

SDI maintains a “flexible shareholder distribution” strategy, including a positive dividend profile with appropriate share repurchases. Over the past 5 years, capital allocation has been balanced between growth investments (\$4.2 billion) and shareholder returns (dividends: \$1.0 billion and share repurchases: \$3.1 billion). Year to date, SDI has returned \$1.49 billion to shareholders or 36% of the total distributions for the prior 5 years.

### **U. S. Steel**

Following the repair of the company’s balance sheet, in late 2021 U. S. Steel reinstated its quarterly dividend of \$.05 per share and initiated a \$300 million share buyback program. That plan was quickly completed in early 2022 and was followed with a new \$500 million plan. U. S. Steel purchased an additional \$177 million in shares in third quarter, bringing share repurchases for the year to a total of \$699 million.

### **Stelco**

Stelco has become the clear industry leader in returning cash to shareholders relative to the market value of the business. Since going public in 2017, Stelco has returned \$1.1 billion to shareholders. That represents over 100% of its current enterprise value. In addition, Stelco has an outstanding offer to repurchase up to \$1.05 billion of additional shares.

### **Reliance Steel & Aluminum**

Reliance has paid a quarterly dividend for 63 consecutive years and has raised the dividend 29 times since going public in 1994. Share repurchases over the past 5 years have totaled \$1.43 billion. Year to date, share repurchases total \$311 million and, in July, the company refreshed their repurchase authorization to \$1 billion.

### **Worthington Industries**

The company has consistently paid a quarterly dividend since becoming a public company in 1968. Over the past 10 years, dividends have totaled \$519 million, and share repurchase have been \$1.26 billion. Outstanding share count has been reduced over that period by 33%. Recently, Worthington announced plans to separate into two publicly traded companies. Until the separation is complete, we expect dividends will be continued, but share repurchases will be paused until each business announces its long-term capital allocation plans.

## A WINDFALL FOR CASH RETURNS TO SHAREHOLDERS *(Continued)*

### Alcoa

In 2016, when Alcoa become a separate upstream producer of bauxite, alumina and aluminum, it did not have a shareholder return program. In 2021, due to substantial progress on the company's strategic priorities, Alcoa established both a dividend and a formal share repurchase program.

During 2021, Alcoa paid \$19 million in dividends and repurchased \$150 million in common stock. The first half of 2022 has seen those totals more than double with dividends of \$37 million and \$350 million in share buybacks.

Summary		Detail							
		Dividends Paid (\$ in MM\$)				Share Repurchases (\$ in MM\$)			
Avg LTM Dividend Increase (%)		FY 2020	FY 2021	LTM	CHANGE	FY 2020	FY 2021	LTM	CHANGE
Distribution	61%	\$ 0.9	\$ 0.9	\$ 2.4	176%	\$ 0.1	\$ -	\$ -	0%
Mill Svc & Supply	74%	164.1	177.0	197.5	12%	337.3	323.5	519.3	61%
Mills	26%	94.5	95.4	74.5	-22%	-	-	-	0%
Other - Mills	23%	-	6.4	14.9	133%	-	1.8	52.7	2828%
Specialty Metals	15%	53.3	53.0	57.2	8%	57.5	192.1	186.5	-3%
		50.6	24.2	96.6	299%	34.0	16.5	105.6	540%
Avg LTM Share Repo Increase (%)		-	-	-	0%	4.3	3.4	1.9	-43%
Distribution	577%	-	-	-	0%	-	-	-	0%
Mill Svc & Supply	150%	30.9	10.6	10.5	-1%	30.2	54.1	110.2	104%
Mills	540%	-	-	-	0%	-	-	176.0	0%
Other - Mills	141%	-	19.0	56.0	195%	-	150.0	518.0	245%
Specialty Metals	25%	-	-	-	0%	7.8	4.8	95.6	1892%
		38.8	39.1	39.2	0%	8.0	2.3	3.4	48%
		-	-	-	0%	-	-	-	0%
		57.1	57.8	65.5	13%	-	-	55.6	
		491.7	483.5	509.0	5%	58.6	3,349.3	4,134.9	23%
		209.2	213.0	220.4	3%	106.5	1,060.6	1,573.6	48%
		9.0	56.0	62.9	12%	-	399.0	464.3	16%
		-	-	-	0%	0.6	0.5	14.4	2780%
		2.0	18.0	28.0	56%	-	150.0	672.0	348%
		82.6	318.7	484.1	52%	-	-	-	0%
		20.9	21.3	21.4	0%	6.8	5.6	29.1	416%
		-	312.0	360.0	15%	500.0	5,170.0	5,523.0	7%
		-	-	-	0%	-	161.0	205.0	27%
		-	-	-	0%	4.4	8.7	8.7	0%
		-	-	-	0%	-	-	-	0%
		43.4	46.7	48.4	4%	16.8	2.6	2.1	-19%
		11.1	11.2	11.1	-1%	0.2	5.0	11.5	132%
		11.0	19.0	36.0	89%	73.0	430.0	465.0	8%
Totals:		1,371.0	1,982.7	2,395.4		1,246.1	11,490.8	14,928.5	

Arconic Corp & Howmet Aerospace as of the 4/1/20 split

\* Non-Calendar Fiscal Year

Source: Capital IQ

## METALS PRICING

We finished the last quarter with some confusion about product pricing. We are not confused anymore — pricing across 16 of the 21 products we track is down during the quarter, two plate products are flat, and only three products are up (copper, nickel and low vol met). There were a few interesting observations during the quarter:

- HRC and shredded scrap both declined \$45 per ton, keeping metal spreads for HRC flat.
- Spreads on both CRC and Galv vs. HRC declined by over \$100 per ton.
- Rebar declined 9% but is still only \$10 per ton below January's price.
- 304 stainless CRC fell 17% (the largest decline of among our products) despite nickel increasing during the quarter.
- FE scrap prices have declined for 5 consecutive months. October will make it 6.

Below is the price detail for all the products we follow.

Carbon Flat-Rolled Steel \$/NT July–September 2022			
Product	July	August	September
Hot-Rolled	820	750	775
Cold-Rolled	1,310	1,130	1,150
Galvanized	1,400	1,240	1,250

Discrete Plate \$/NT July–September 2022			
Product	July	August	September
A36	1,860	1,860	1,740
A514	2,515	2,515	2,515
AR400	2,535	2,535	2,535

Wide Flange Beam \$/cwt. July–September 2022			
Size	July	August	September
24"x12¾"	75.50	72.50	72.50
18"x6"	73.50	70.50	70.50

MBQ \$/cwt. July–September 2022			
Shape	July	August	September
1" 1018 round	64.50	61.50	61.00

Rebar \$/cwt. – Grade 60 July–September 2022			
Size	July	August	September
16 mm - #5	55.00	52.00	50.00

SBQ \$/cwt. – 1" round July–September 2022			
Grade	July	August	September
HR 4140 Q&T	111.85	104.10	107.00

Pipe & Tube \$/NT July–September 2022			
Product	July	August	September
OTCG J55	2,350	2,350	2,250
Linepipe, ERW	1,700	1,575	1,520

Aluminum \$/lb July–September 2022			
Alloy	July	August	September
3003	2.45	2.32	2.31

Stainless \$/lb – Cold-Rolled Coil July–September 2022			
Grade	July	August	September
304	2.47	2.11	2.05

Copper \$/lb July–September 2022			
	July	August	September
Comex Avg.	3.40	3.62	3.48

Nickel \$/lb July–September 2022			
	July	August	September
LME Avg.	9.74	9.97	10.28

Ferrous Scrap \$/GT Midwest July–September 2022			
GRADE	July	August	September
No. 1 HMS	360	335	320
Shredded	460	435	415

Iron Ore \$/LT U.S. July–September 2022			
GRADE	July	August	September
Furnace Pellets	107	105	99

Met Coal \$/MT U.S. East Coast July–September 2022			
GRADE	July	August	September
Low-vol	257	233	266

## PRICING FOR PUBLIC NOTES AND BONDS

### METALS BOND UPDATE: YIELDS MOVE HIGHER AS MACRO VOLATILITY PERSISTS IN THIRD QUARTER 2022

The fixed income market faced heightened volatility in third quarter 2022, as rising global inflationary pressures, exacerbated by the ongoing war in Ukraine, drove 10-year US Treasury yields (currently ~4.00%) to 12-year highs. The quarter began on a positive note, with persistent cash inflows into both investment grade and high-yield funds throughout July and early August driving yields and credit spreads tighter from their respective late June peaks. However, broader market volatility surged on the heels of higher than anticipated August CPI data and a third consecutive 75 basis point rate hike in September, pushing average yields near year to date highs by the end of the quarter.

Third quarter 2022 Investment Grade new issue volume of \$285 billion managed to keep pace with recent historical activity, ending only slightly below the last 10-year average of \$292 billion for the quarter. Periods of stability gave rise to constructive backdrops and waves of new issue supply — \$110 billion of IG volume priced in August, which was the second busiest total for the month on record. Investor demand remained resilient throughout the volatility; however, issuers were required to offer more elevated new issue concessions (10–15 basis points on average). A-rated and BBB-rated credit spreads widened 22 basis points and 8 basis points, respectively, and no IG metals issuers priced transactions in third quarter 2022. Looking specifically at the PNC IG Metals Bond Index, spreads widened 19 basis points and yields increased 1.38% in third quarter 2022.

Compared to third quarter 2021 that saw high-yield issuers price \$108.1 billion at or near record low coupons, just \$18.9 billion priced in third quarter 2022 (down 83% year over year), as opportunistic issuance was limited to a handful of short-lived windows. With underwriting banks forced to raise committed financing to support LBO-related transactions that were inked in early 2022 when yields were much lower, the high-yield market became almost entirely event-driven in third quarter 2022. The average yield in the high-yield market started the quarter at 8.90% and proceeded to decline 160 basis points in July and early August, reaching a low point of 7.40% on 8/15/22. However, the market gave back all of the late August – early September rally, and then some, ending the quarter at 9.60%. BB-rated yields increased 48 basis points (currently 7.73%) and B-rated yields increased 29 basis points on average (currently 9.89%). Compared to the previous quarter, average spreads of companies in the PNC HY Metals Bond Index tightened ~81 basis points while yields increased 0.39%. There were no new high-yield metals transactions in third quarter 2022.

### METALS BOND INDEX\*

As of Date	PNC IG Metals Bond Index			PNC HY Metals Bond Index		
	10/14/2022	7/5/2022	Change	10/14/2022	7/5/2022	Change
Effective Maturity (Years)	9.63	8.89	0.74	5.66	5.98	-0.32
Composite Rating	BBB+	BBB+	–	BB-	BB-	–
Weighted Average Coupon	3.78%	3.71%	0.07%	5.53%	5.53%	0.00%
Yield to Worst	5.76%	4.38%	1.38%	7.56%	7.17%	0.39%
Option Adjusted Spread to Treasuries (bps)	157.0	138.2	18.8	343.9	424.5	-80.6

\*Index members are market-value weighted.

Note: PNC IG Metals Bond Index excludes bonds of size less than \$300 million.

Source: Bloomberg



## METALS BOND UPDATE

Issuance Date	Issuer	Amount Outstanding (\$MM)	Structure	Moody's Rating	S&P Rating	Maturity	Coupon Rate	Price at Issuance	Issuance Spread over Treasury	As of 10/14/2022		4/7 Interp. Spread	Since 7/5/2022	
										Yield to Worst	Interp. Spread (G-Spread)		Change in Spread (bps)	%Change in Spread
Steel Mills														
7/16/2019	ArcelorMittal SA	\$290	Sr Unsecured	Baa3	BBB-	7/16/2024	3.600%	99.86	175 bps	5.297%	101 bps	142 bps	-41 bps	-28.7%
6/1/2015	ArcelorMittal SA	\$184	Sr Unsecured	Baa3	BBB-	6/1/2025	6.125%	100.00	399 bps	5.759%	140 bps	195 bps	-55 bps	-28.3%
3/11/2019	ArcelorMittal SA	\$401	Sr Unsecured	Baa3	BBB-	3/11/2026	4.550%	99.72	200 bps	5.969%	168 bps	196 bps	-29 bps	-14.6%
7/16/2019	ArcelorMittal SA	\$500	Sr Unsecured	Baa3	BBB-	7/16/2029	4.250%	99.00	225 bps	6.258%	220 bps	216 bps	4 bps	1.7%
3/7/2011	ArcelorMittal SA	\$434	Sr Unsecured	Baa3	BBB-	3/1/2041	6.750%	99.18	230 bps	7.646%	353 bps	372 bps	-19 bps	-5.1%
3/13/2020	Cleveland-Cliffs Inc	\$829	1st lien	B2	BB	3/15/2026	6.750%	100.00	606 bps	6.979%	236 bps	370 bps	-135 bps	-36.4%
5/13/2019	Cleveland-Cliffs Inc	\$555	Sr Unsecured	Ba3	B+	6/1/2027	5.875%	96.13	n/a	7.896%	364 bps	443 bps	-79 bps	-17.8%
2/17/2021	Cleveland-Cliffs Inc	\$370	Sr Unsecured	Ba3	N/A	3/1/2029	4.625%	100.00	368 bps	7.601%	356 bps	392 bps	-36 bps	-9.1%
2/17/2021	Cleveland-Cliffs Inc	\$339	Sr Unsecured	Ba3	N/A	3/1/2031	4.875%	100.00	374 bps	7.454%	358 bps	382 bps	-24 bps	-6.3%
5/20/2013	Commercial Metals Co	\$330	Sr Unsecured	Ba2	BB+	5/15/2023	4.875%	100.00	311 bps	5.715%	183 bps	299 bps	-116 bps	-38.8%
1/28/2022	Commercial Metals Co	\$300	Sr Unsecured	Ba2	BB+	1/15/2030	4.125%	100.00	n/a	7.327%	334 bps	395 bps	-61 bps	-15.4%
1/28/2022	Commercial Metals Co	\$300	Sr Unsecured	Ba2	BB+	3/15/2032	4.375%	100.00	n/a	7.338%	347 bps	410 bps	-63 bps	-15.4%
2/2/2021	Commercial Metals Co	\$300	Sr Unsecured	Ba2	BB+	2/15/2031	3.875%	100.00	279 bps	7.106%	322 bps	408 bps	-86 bps	-20.9%
4/16/2014	GTL Trade Finance Inc	\$500	Sr Unsecured	Baa3	BBB-	4/16/2044	7.250%	100.00	368 bps	6.958%	289 bps	365 bps	-75 bps	-20.7%
5/22/2020	Nucor Corp	\$500	Sr Unsecured	Baa1	A-	6/1/2025	2.000%	99.85	170 bps	5.329%	89 bps	119 bps	-30 bps	-24.9%
5/23/2022	Nucor Corp	\$500	Sr Unsecured	Baa1	A-	5/23/2025	3.950%	99.94	115 bps	5.179%	78 bps	116 bps	-38 bps	-32.6%
5/23/2022	Nucor Corp	\$500	Sr Unsecured	Baa1	A-	5/23/2027	4.300%	99.84	145 bps	5.368%	117 bps	136 bps	-19 bps	-14.0%
4/26/2018	Nucor Corp	\$500	Sr Unsecured	Baa1	A-	5/1/2028	3.950%	99.85	100 bps	5.558%	145 bps	0 bps	0 bps	-0.2%
5/22/2020	Nucor Corp	\$500	Sr Unsecured	Baa1	A-	6/1/2030	2.700%	99.72	205 bps	5.652%	163 bps	180 bps	-17 bps	-9.5%
3/11/2022	Nucor Corp	\$550	Sr Unsecured	Baa1	A-	4/1/2032	3.125%	99.67	130 bps	5.679%	174 bps	185 bps	-11 bps	-5.8%
3/11/2022	Nucor Corp	\$550	Sr Unsecured	Baa1	A-	4/1/2052	3.850%	99.07	165 bps	5.893%	193 bps	193 bps	-1 bps	-0.3%
12/7/2020	Nucor Corp	\$329	Sr Unsecured	Baa1	A-	12/15/2055	2.979%	n/a	n/a	5.851%	181 bps	185 bps	-4 bps	-2.2%
12/11/2019	Steel Dynamics Inc	\$400	Sr Unsecured	Baa3	BBB-	12/15/2024	2.800%	99.93	115 bps	4.518%	92 bps	120 bps	-28 bps	-22.9%
6/5/2020	Steel Dynamics Inc	\$400	Sr Unsecured	Baa3	BBB-	6/15/2025	2.400%	99.62	210 bps	4.730%	123 bps	131 bps	-8 bps	-6.4%
12/6/2016	Steel Dynamics Inc	\$400	Sr Unsecured	Baa3	BBB-	12/15/2026	5.000%	100.00	266 bps	4.040%	122 bps	166 bps	-44 bps	-26.4%
10/9/2020	Steel Dynamics Inc	\$350	Sr Unsecured	Baa3	BBB-	10/15/2027	1.650%	99.30	120 bps	4.798%	174 bps	170 bps	3 bps	2.0%
12/11/2019	Steel Dynamics Inc	\$600	Sr Unsecured	Baa3	BBB-	4/15/2030	3.450%	99.74	165 bps	4.798%	207 bps	217 bps	-10 bps	-4.4%
6/5/2020	Steel Dynamics Inc	\$500	Sr Unsecured	Baa3	BBB-	1/15/2031	3.250%	98.96	260 bps	4.798%	215 bps	222 bps	-7 bps	-3.2%
10/9/2020	Steel Dynamics Inc	\$400	Sr Unsecured	Baa3	BBB-	10/15/2050	3.250%	96.33	185 bps	4.798%	225 bps	223 bps	2 bps	1.1%
2/11/2021	United States Steel Corp	\$475	Sr Unsecured	B1	BB-	3/1/2029	6.875%	100.00	592 bps	8.676%	448 bps	671 bps	-223 bps	-33.3%
5/21/2007	United States Steel Corp	\$274	Sr Unsecured	B1	BB-	6/1/2037	6.650%	99.41	180 bps	8.740%	472 bps	634 bps	-162 bps	-25.5%
9/18/2020	Big River Steel LLC	\$720	Secured	Ba2	BB-	1/31/2029	6.625%	100.00	604 bps	8.584%	446 bps	499 bps	-53 bps	-10.7%
Distribution														
4/12/2013	Reliance Steel & Aluminum Co	\$500	Sr Unsecured	Baa2	BBB	4/15/2023	4.500%	99.59	280 bps	4.979%	104 bps	166 bps	-63 bps	-37.6%
8/3/2020	Reliance Steel & Aluminum Co	\$400	Sr Unsecured	Baa2	BBB	8/15/2025	1.300%	99.69	110 bps	5.544%	116 bps	152 bps	-35 bps	-23.3%
8/3/2020	Reliance Steel & Aluminum Co	\$500	Sr Unsecured	Baa2	BBB	8/15/2030	2.150%	99.72	160 bps	6.058%	209 bps	203 bps	6 bps	3.1%
11/20/2006	Reliance Steel & Aluminum Co	\$250	Sr Unsecured	Baa2	BBB	11/15/2036	6.850%	99.43	220 bps	6.627%	266 bps	231 bps	35 bps	15.1%
4/15/2014	Worthington Industries Inc	\$250	Sr Unsecured	Baa2	BBB	4/15/2026	4.550%	99.79	195 bps	5.543%	134 bps	179 bps	-45 bps	-25.0%
7/28/2017	Worthington Industries Inc	\$200	Sr Unsecured	Baa2	BBB	8/1/2032	4.300%	99.90	200 bps	6.860%	305 bps	268 bps	37 bps	13.7%
Specialty														
5/13/2020	Arconic Corp	\$700	1st lien	Ba1	BB+	5/15/2025	6.000%	100.00	563 bps	7.259%	289 bps	366 bps	-78 bps	-21.2%
2/7/2020	Arconic Corp	\$900	2nd lien	NR	B+	2/15/2028	6.125%	100.00	457 bps	8.747%	458 bps	461 bps	-3 bps	-0.6%
9/22/2014	Howmet Aerospace Inc	\$1,090	Sr Unsecured	Ba1	BB+	10/1/2024	5.125%	100.00	255 bps	6.579%	219 bps	204 bps	16 bps	7.6%
4/24/2020	Howmet Aerospace Inc	\$600	Sr Unsecured	Ba1	BB+	5/1/2025	6.875%	100.00	255 bps	6.700%	229 bps	278 bps	-49 bps	-17.8%
9/1/2021	Howmet Aerospace Inc	\$700	Sr Unsecured	Ba1	BB+	1/15/2029	3.000%	100.00	255 bps	6.625%	255 bps	308 bps	-53 bps	-17.1%
1/25/2007	Howmet Aerospace Inc	\$625	Sr Unsecured	Ba1	BB+	2/1/2037	5.950%	99.62	113 bps	6.938%	289 bps	356 bps	-67 bps	-18.8%
7/13/2020	Alcoa Nederland Holding BV	\$750	Sr Unsecured	Baa3	BB+	12/15/2027	5.500%	100.00	255 bps	7.219%	301 bps	363 bps	-62 bps	-17.2%
5/17/2018	Alcoa Nederland Holding BV	\$500	Sr Unsecured	Baa3	BB+	5/15/2028	6.125%	100.00	314 bps	7.377%	305 bps	363 bps	-58 bps	-15.9%
3/24/2021	Alcoa Nederland Holding BV	\$500	Sr Unsecured	Baa3	BB+	3/31/2029	4.125%	100.00	274 bps	7.161%	309 bps	316 bps	-7 bps	-2.3%
9/14/2021	ATI Inc	\$325	Sr Unsecured	B2	B+	10/1/2029	4.875%	100.00	255 bps	8.110%	407 bps	565 bps	-158 bps	-28.0%
9/14/2021	ATI Inc	\$350	Sr Unsecured	B2	B+	10/1/2031	5.125%	100.00	255 bps	8.062%	411 bps	583 bps	-172 bps	-29.5%
7/24/2020	Carpenter Technology Corp	\$400	Sr Unsecured	B2	BB+	7/15/2028	6.375%	100.00	587 bps	5.848%	365 bps	595 bps	-230 bps	-38.7%
3/16/2022	Carpenter Technology Corp	\$300	Sr Unsecured	B2	BB+	3/15/2030	7.625%	100.00	566 bps	5.848%	401 bps	613 bps	-213 bps	-34.7%
4/14/2021	Century Aluminum Co	\$250	Secured	Caa1	B	4/1/2028	7.500%	100.00	615 bps	10.317%	622 bps	729 bps	-107 bps	-14.7%
5/31/2018	JW Aluminum Continuous	\$300	1st lien	B3	B-	6/1/2026	10.250%	100.00	718 bps	8.678%	383 bps	570 bps	-187 bps	-32.7%
11/26/2019	Kaiser Aluminum Corp	\$500	Sr Unsecured	B1	BB	3/1/2028	4.625%	100.00	289 bps	8.484%	438 bps	543 bps	-106 bps	-19.4%
5/20/2021	Kaiser Aluminum Corp	\$550	Sr Unsecured	B1	BB	6/1/2031	4.500%	100.00	288 bps	8.309%	433 bps	539 bps	-106 bps	-19.7%
6/10/2015	Precision Castparts Corp	\$850	Sr Unsecured	Aa2	AA	6/15/2025	3.250%	99.80	110 bps	4.723%	32 bps	34 bps	-2 bps	-4.9%
6/10/2015	Precision Castparts Corp	\$275	Sr Unsecured	Aa2	AA	6/15/2035	4.200%	99.40	130 bps	5.224%	123 bps	126 bps	-3 bps	-2.6%
12/20/2012	Precision Castparts Corp	\$500	Sr Unsecured	Aa2	AA	1/15/2043	3.900%	99.38	100 bps	5.511%	130 bps	139 bps	-9 bps	-6.6%
6/10/2015	Precision Castparts Corp	\$325	Sr Unsecured	Aa2	AA	6/15/2045	4.375%	99.67	145 bps	5.504%	139 bps	148 bps	-9 bps	-6.3%
8/17/2020	Triumph Group Inc	\$563	1st lien	B1	B	6/1/2024	8.875%	100.00	871 bps	9.205%	478 bps	521 bps	-44 bps	-8.4%
9/23/2019	Triumph Group Inc	\$525	2nd lien	Caa1	CCC-	9/15/2024	6.250%	100.00	476 bps	11.666%	737 bps	925 bps	-188 bps	-20.3%
8/1/2021	Novelis Corp	\$750	Sr Unsecured	Ba3	BB	11/15/2026	3.250%	100.00	836 bps	7.080%	289 bps	468 bps	-179 bps	-38.2%
1/16/2020	Novelis Corp	\$1,600	Sr Unsecured	Ba3	BB	1/30/2030	4.750%	100.00	836 bps	7.584%	356 bps	508 bps	-152 bps	-30.0%
8/11/2021	Novelis Corp	\$750	Sr Unsecured	Ba3	BB	8/15/2031	3.875%	100.00	836 bps	7.454%	352 bps	463 bps	-112 bps	-24.1%

*Denotes new issuance since 7/5/22 Metals Bond Update*

*Denotes bond that matures in the next two years*

*\*+/- Indicates ratings currently on review for upgrade/downgrade*

Source: Bloomberg

## SYNDICATED BANK LOAN MARKET

The syndicated bank market remained strong in the third quarter as metals issuers leveraged strong LTM results to attract new money. Thirteen deals were completed in the quarter for more than \$6 billion. This is down slightly from the prior quarter, which had 13 deals for \$7.3 billion. Novelis executed the single largest transaction increasing their ABL Revolver by \$500 million to \$2.0 billion. Allegheny Technologies executed a new Credit Agreement, including a \$600 million Revolver, which was increased by \$100 million, and a \$200 million Term Loan. Schnitzer Steel did a new \$815 million representing a \$100 million increase from the prior facility. Other notable financings were done by TimkenSteel (\$400 million), Kloeckner Metals (\$450 million) and Majestic Steel (\$400 million).

Despite concerns over the economy, rising energy prices, rising interest rates and bank capital adequacy, we see conditions in the bank market remaining quite solid for those companies who have invested in their banking relationships. Cracks are starting to show for more transactional type business that has not been fully priced or does not support strategic client relationships. **See below for additional detail on some of the deals closed in the third quarter.**

(\$ in millions)	TDY Industries, Inc.	TimkenSteel Corp	L.B. Foster Company	McWane, Inc.
<b>Date</b>	September 2022	September 2022	August 2021 (Amended August 2022)	Amended August 2022
<b>Deal Size (\$ in MM)</b>	\$600.0 / \$100.0 / \$100.0	\$400.0	\$130.0	\$200.0
<b>Facility Type</b>	ABL Revolver / DDTL / TLA	ABL Revolver	CF Revolver	CF Revolver
<b>Tenor</b>	5 years / 2 years / 2 years	5 years	5 years	5.5 years
<b>Purpose</b>	Corporate Purposes	Corporate Purposes	Corporate Purposes	Corporate Purposes
<b>Ratings</b>				
S&P	NR	NR	NR	NR
Moody's	NR	NR	NR	NR
<b>Amortization</b>	<i>Not disclosed</i>	-	-	-
<b>Pricing at close (bps)</b>				
All-in Spread	150.0 / - / 200.0	125.0	225.0	115.0
SOFR Margin	150.0 / - / 200.0	125.0	225.0	110.0
Facility Fee	-	-	-	15.0
Commitment Fee	25.0	25.0	30.0	-
<b>Sustainability Adjustment</b>	<i>Not disclosed</i>	-	-	<i>Not disclosed</i>
<b>Pricing Detail (bps)</b>		<b>Avg. Excess Avail.</b> <b>SOFR Spread</b> <b>Comm. Fee</b>	<b>Net Leverage Ratio<sup>(1)</sup></b> <b>SOFR Spread</b> <b>Comm. Fee</b>	
	<i>Not disclosed</i>	> 50% 125.0 25.0 ≤ 50% 150.0 25.0	< 1.00x 125.0 17.5 < 1.50x 150.0 20.0 < 2.00x 175.0 22.5 < 2.50x 200.0 25.0 < 3.25x 225.0 30.0 > 3.25x 250.0 35.0	<i>Not disclosed</i>
<b>SOFR Adjustment (bps) (1-mo / 3-mo / 6-mo)</b>	<i>Not disclosed</i>	10.0 / 10.0 / 10.0	10.0 / 15.0 / 25.0	<i>Not disclosed</i>
<b>Rate Floor</b>	<i>Not disclosed</i>	0.00%	0.00%	<i>Not disclosed</i>
<b>Financial Covenants</b>				
Debt to Capital Ratio		-	-	
Total Leverage Ratio	<i>Not disclosed</i>	-	4.00x <sup>(2)(3)</sup>	<i>Not disclosed</i>
Fixed Charge Coverage		1.00x <sup>(1)</sup> when Avail < the greater of i) \$30MM and ii) 10% of Line Cap	1.05x	
<b>Secured</b>	Yes	Yes	Yes	<i>Not disclosed</i>

Sources:  
S&P Capital IQ, Moody's,  
Refinitiv Loan Connector

(1) Defined as (EBITDA - Unfinanced CapEx) to Fixed Charges

(1) Net cash in excess of \$15.0 million  
(2) Steps down to 3.75x on 1Q23, 3.50x on 2Q23, and 3.25x on 3Q23 and thereafter  
(3) Steps up to 3.50x for Permitted Acquisitions greater than \$25.0 million for four (4) consecutive quarters

SYNDICATED BANK LOAN MARKET *(Continued)*

(\$ in millions)	Schnitzer Steel Industries, Inc.	Novelis Inc.	Kloekner Metals Corp	Majestic Steel USA Inc.															
Date	August 2022	August 2022	July 2022	May 2021 (Amended July 2022)															
Deal Size (\$ in MM)	\$800.0 / \$15.0 CAD	\$2,000.0	\$450.0	\$400.0 (1)															
Facility Type	CF Revolver	ABL Revolver	ABL Revolver	ABL Revolver															
Tenor	5 years	5 years	5 years	5 years															
Purpose	Corporate Purposes	Corporate Purposes	Corporate Purposes	Corporate Purposes															
Ratings																			
S&P	NR	BB	NR	NR															
Moody's	NR	Ba2	NR	NR															
Amortization	-	-	-	-															
Pricing at close (bps)																			
All-in Spread	125.0	110.0	125.0	155.0															
SOFR Margin	125.0	110.0	125.0	155.0															
Facility Fee	-	Not disclosed	-	Not disclosed															
Commitment Fee	17.5	Not disclosed	20.0	Not disclosed															
Sustainability Adjustment	+/- 5.0 bps drawn +/- 1.0 bps undrawn	Not disclosed	Not disclosed	Not disclosed															
Pricing Detail (bps)	<table><tr><th>Net Leverage Ratio<sup>(1)</sup></th><th>SOFR/ CDOR Spread</th><th>Comm. Fee</th></tr><tr><td>&lt; 1.00x</td><td>125.0</td><td>17.5</td></tr><tr><td>&lt; 1.50x</td><td>150.0</td><td>20.0</td></tr><tr><td>&lt; 2.00x</td><td>175.0</td><td>25.0</td></tr><tr><td>&lt; 3.00x</td><td>200.0</td><td>30.0</td></tr></table>	Net Leverage Ratio <sup>(1)</sup>	SOFR/ CDOR Spread	Comm. Fee	< 1.00x	125.0	17.5	< 1.50x	150.0	20.0	< 2.00x	175.0	25.0	< 3.00x	200.0	30.0	Not disclosed	Not disclosed	Not disclosed
Net Leverage Ratio <sup>(1)</sup>	SOFR/ CDOR Spread	Comm. Fee																	
< 1.00x	125.0	17.5																	
< 1.50x	150.0	20.0																	
< 2.00x	175.0	25.0																	
< 3.00x	200.0	30.0																	
SOFR Adjustment (bps) (1-mo / 3-mo / 6-mo)	10.0 / 15.0 / 25.0	Not disclosed	Not disclosed	Not disclosed															
Rate Floor	0.00%	Not disclosed	Not disclosed	Not disclosed															
Financial Covenants																			
Debt to Capital Ratio	0.55x	-																	
Total Leverage Ratio	-	-	Not disclosed	Not disclosed															
Fixed Charge Coverage	1.50x <sup>(2)</sup>	1.20x when Avail < the greater of i) \$110.0MM and ii) 15% of Line Cap																	
Secured	Yes	Yes	Yes	Yes															
Sources: S&P Capital IQ , Moody's, Refinitiv Loan Connector	(1) Net unrestricted domestic cash up to 50% of Consolidated EBITDA (2) Defined as (EBITDA - Cash paid for Environmental Liabilities - CapEx) to Fixed Charges			(1) Consists of Tranche 1 (\$320.0 million) and Tranche 2 (\$80.0 million)															

**Correction:** Issue 37 incorrectly identified Alcoa's revolver as secured. The facility closed as unsecured with collateral springing in the event of a ratings downgrade to BB or Ba2.



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