VALUATION & RESEARCH SPECIALISTS

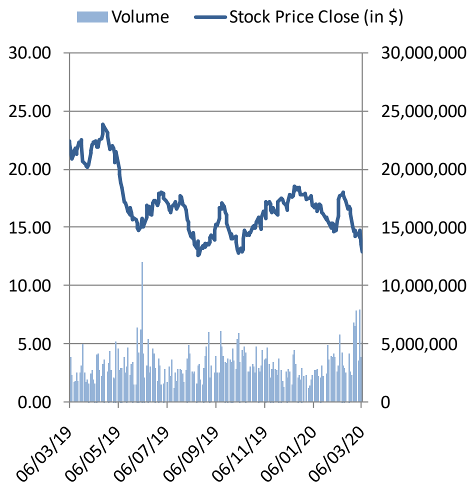
ARCELORMITTAL (NYSE:MT)

[Bloomberg Ticker: MT:US] [Reuters Ticker: MT.N]
Listed on New York Stock Exchange

March 6, 2020
Iron & Steel Industry
VRS Research Team | www.vrs.gr

Valuation UPSIDE	
Target Price:	**$21.22**
Current Price:	**$12.92**
Upside Potential:	**64.3%**

Market Data	
Market Cap.	$13.20bn
Shares Out.	$1,022mn
Average Daily Volume	2,612,913
52 Week Range	10.81-14.20
Beta	2.21



Q4, 2019 Results

Deteriorating steel market conditions continued to weigh on ArcelorMittal's results in 2019. ArcelorMittal released its Q4, 2019 results on February 7, reporting a net loss of $1.8 bil for the October-December quarter of 2019. Sales of ArcelorMittal declined to $15,514 mil in Q4, 2019 from $18,327 mil in Q4, 2018. Operating loss of the company was at $1.5 bn in Q4, 2019 as compared to an operating income of $1.04 bn in Q4 2018. ArcelorMittal's net loss for 2019 was $2.5 billion (or $2.42 basic loss per common share), as compared to a net income in 2018 of $5.1 billion (or $5.07 basic earnings per common share). Overall, in the fourth quarter of 2019, demand in the company's core markets of Europe and US remained weak, reflecting depressed manufacturing activity and continued weakness in automotive, compounded by customer destocking.

Financial Performance

Taking into account the 2019 results, for 2020 we expect a revenue growth of -2.3 % driven primarily by our estimated decline in NAFTA and Europe revenues. In NAFTA, considering the destocking for the industry is almost over and favorable base year, revenues are expected to contract by up to only -2.1% compared to -8.7% in the previous year. In Europe, revenues are expected to contract by up to -3.7% with ongoing automotive demand weakness. On EBIT level we expect a significant improvement in FY2020, owing to easing of trade sanctions and contribution from the Indian business.

Coronavirus has partially shutdown many provinces of China since second half of Jan. However since the shutdown coincided with the Chinese New Year holidays, the impact on economic activities in China doesn't seem much. If things get to normal by first weeks of March, Coronavirus wouldn't make much impact on world steel consumption. However if the shutdown within china is prolonged, there might be excess build up of steel inventory which will eventually be dumped across the world. This will negatively impact the price of steel in the world market and can also potentially reduce the demand of steel manufactured outside China. This scenario hasn't been considered in any of our assumptions.

Valuation Results

To derive our target price of $21.22 we have incorporated the FCFF valuation method.

(in $ mn)	TURNOVER	EBITDA	EBT	EATAM	EQUITY	NET DEBT	BANK DEBT	DEBT / EQUITY (x)	P/E (x)	P/BV (x)	EV/EBITDA (x)	ROE %
2019	70,615	2,603	-1,932	-2,454	38,521	10,782	15,777	0.41	-5.38	0.3	9.2	-6%
2020E	68,989	5,329	1,604	2,275	40,848	8,847	17,264	0.42	5.80	0.3	4.1	6%
2021E	69,089	5,866	2,220	2,754	43,485	6,745	15,304	0.35	4.79	0.3	3.4	6%
2022E	69,586	6,803	3,189	3,507	46,817	5,396	13,790	0.29	3.76	0.3	2.7	7%
2023E	70,994	7,177	3,549	3,787	50,415	2,790	12,380	0.25	3.49	0.3	2.2	8%
2024E	72,598	7,395	3,706	3,910	54,129	1,039	11,909	0.22	3.38	0.2	1.9	7%

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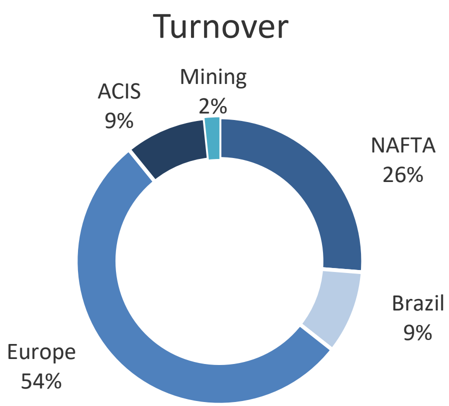
Business Description

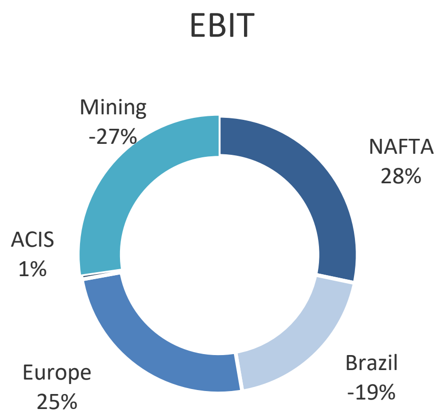
Business Overview

ArcelorMittal is the largest steel producer America, Africa and Europe. In 2017 and 2018, ArcelorMittal's global growth peaked at 3.2 percent. This global growth, however, softened in the first half of 2019, with trade and manufacturing showing signs of marked weakness. Heightened policy uncertainty, including a recent re-escalation of trade tensions between major economies, has been accompanied by a deceleration in global investment and a decline in business confidence.

ArcelorMittal reports its operations in five reportable segments: NAFTA, Brazil, Europe, ACIS and Mining. More than half of ArcelorMittal's revenue (53% as of FY2018) comes from Europe segment and around 26% comes from NAFTA segment.

- NAFTA represents the flat, long and tubular facilities of the Company located in North America (Canada, United States and Mexico). NAFTA produces flat products such as slabs, hot-rolled coil, cold-rolled coil, coated steel and plate.
- Brazil includes the flat operations of Brazil and the long and tubular operations of Brazil and neighboring countries including Argentina, Costa Rica and Venezuela.
- Europe segment is the largest flat steel producer in Europe, with operations that range from Spain in the west to Romania in the east, and covering the flat carbon steel product portfolio in all major countries and markets. Europe produces hot-rolled coil, cold-rolled coil, coated products, tinplate, plate and slab.
- ACIS produces a combination of flat, long and tubular products. Its facilities are located in Africa and the Commonwealth of Independent States.
- Mining comprises all mines owned by ArcelorMittal in the Americas (Canada, United States, Mexico and Brazil), Asia (Kazakhstan), Europe (Ukraine and Bosnia & Herzegovina) and Africa (Liberia). It provides the Company's steel operations with high quality and low-cost iron ore and coal reserves and also sells limited amounts of mineral products to third parties.





Challenges:

- The steel industry, iron ore and coal mining industries, which provide its principal raw materials, have historically been highly cyclical. They are significantly affected by general economic conditions, consumption trends as well as by worldwide production capacity and fluctuations in international steel trade and tariffs. In particular, this is due to the cyclical nature of the automotive, construction, machinery and equipment and transportation industries that are the principal consumers of steel.
- In some of ArcelorMittal's segments, in particular Europe and NAFTA, there are several months between raw material purchases and sales of steel products incorporating those materials. Although this lag has been reduced recently by changes to the timing of pricing adjustments in iron ore contracts, it cannot be eliminated and exposes these segments' margins to changes in steel selling prices in the interim (known as a "price-cost squeeze").

Financial Analysis

Steel Prices and Demand:

ArcelorMittal produces flat steel products, including sheet and plate, and long steel products, including bars, rods and structural shapes.

Demand for flat product was weaker than expected during 2019 due to prolonged destocking as prices declined.

<u>Flat products:</u>

In Europe, due to weak domestic demand and high levels of inventories, steel prices for flat products continued a steady downward trend. However, an inverse trend was observed in Southern Europe driven primarily by a stronger demand and partially by Turkish imports that were entering the market with higher price.

In US, the prices showed a downward trend due to addition of local capacity which put pressure on domestic mills.

Demand for flat products was weaker than expected during the first half of 2019 due to prolonged destocking as prices declined. With imports continuing to be capped by tariffs, steel production should grow at a slightly stronger rate than demand.

Flat products	Northern Europe		Southern Europe		United States		China	
	Spot HRC average price per tonne		Spot HRC average price per tonne		Spot HRC average price per tonne		Spot HRC average price per tonne, VAT excluded	
Q1 2018	€	561	€	545	€	834	€	549
Q2 2018	€	567	€	530	€	980	€	565
Q3 2018	€	566	€	537	€	982	€	546
Q4 2018	€	548	€	499	€	883	€	489
Q1 2019	€	510	€	477	€	766	€	482
Q2 2019	€	487	€	467	€	679	€	512

Despite the economy undergoing a technical recession, steel consumption for Brazil grew over 4 percent y-o-y.

<u>Long Products:</u>

In Europe, long steel prices followed the trend of weakening world scrap prices on international markets and hence, continued a steady downward trend.

In Turkey, rebar exports prices continued to align closely with the evolution of world scrap prices. During the second quarter of 2019, Turkish export rebar price followed a month over month downward trend alongside scrap HMS 1&@ index.

Decline in demand for flat products was offset by continued growth in demand for long steel products. We expect this growth to have slowed in Q4, 2019 and going forward.

Long products	Europe medium sections		Europe rebar		Turkish export rebar	
	Spot average price per tonne		Spot average price per tonne		Spot FOB average price per tonne	
Q1 2018	€	614	€	558	€	572
Q2 2018	€	592	€	545	€	552
Q3 2018	€	611	€	551	€	525
Q4 2018	€	626	€	538	€	490
Q1 2019	€	605	€	526	€	466
Q2 2019	€	584	€	515	€	473

Raw materials:

ArcelorMittal is exposed to price volatility in the raw materials required in steel production viz. iron ore, coking coal, solid fuels, metallic materials, alloys, electricity, natural gas and base metals. Most of these raw materials are finite resources and their prices continue to rise in response of perceived scarcity of remaining accessible resources.
Owing to a robust steel production in China, iron ore prices increased in the first quarter of 2018. Supply disruption caused by the collapse of the Brumadinho dam and the cyclone in Australia mining region led to increase in Iron-ore market reference prices.
Coking coal prices entered 2018 as a bullish market. In the first quarter of 2019, coking coal prices were volatile due to incidents in Australia, including heavy rains, an accident at Anglo's Moranbah mine and local rail network operator trade union's industrial action.
The following table shows historic price trends for the last six quarters up to Q2 2019:

Iron ore market reference prices increased in the first half of 2019, averaging $91.4/t, up 15% compared to the fourth quarter of 2018 (Metal Bulletin 2019 vs. 2018).

	Iron Ore		Coking Coal	
	average price per tonne		average price per tonne	
Q1 2018	€	74.39	€	228.48
Q2 2018	€	65.97	€	188.89
Q3 2018	€	66.86	€	188.17
Q4 2018	€	71.56	€	220.79
Q1 2019	€	82.41	€	206.33
Q2 2019	€	100.92	€	202.85

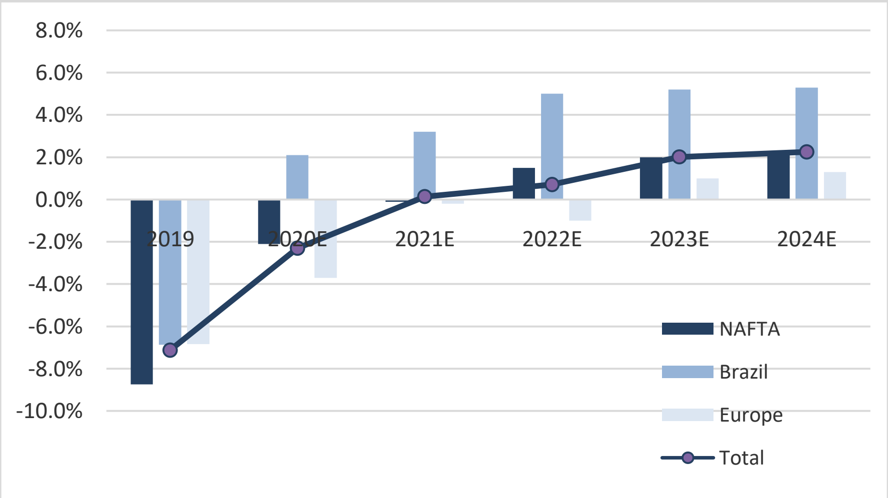
A group of producers led by OPEC and Russia agreed to cut production and cap output at 1.8 million barrels per day ("bpd") in the year 2016. In June 2018, it was decided to increase the production by 1 million bpd. In November 2018, the price of Brent crude oil fell by more than 30%. To counter this, OPEC and its allies decided to cut output by 1.2 million bpd throughout the first half of 2019.

The following table shows quarterly average prices of crude oil, thermal coal and CO2 for the past six quarters up to Q2 2019:

Q3, 2019 - To counter the decline in crude oil prices, OPEC and Russia confirmed that they would continue their efforts to balance the global market by extending the 1.2 million bpd cut by another nine months.

	Commodities			
	Brent crude oil spot average price $ per barrel	West Texas intermediate spot average price $ per barrel	European thermal coal import spot average price $ per ton	EU allowance spot average price Euro per ton of CO2 equivalent
Q1 2018	€ 561	€ 545	€ 834	€ 549
Q2 2018	€ 567	€ 530	€ 980	€ 565
Q3 2018	€ 566	€ 537	€ 982	€ 546
Q4 2018	€ 548	€ 499	€ 883	€ 489
Q1 2019	€ 510	€ 477	€ 766	€ 482
Q2 2019	€ 487	€ 467	€ 679	€ 512

Revenue Projections per Segment



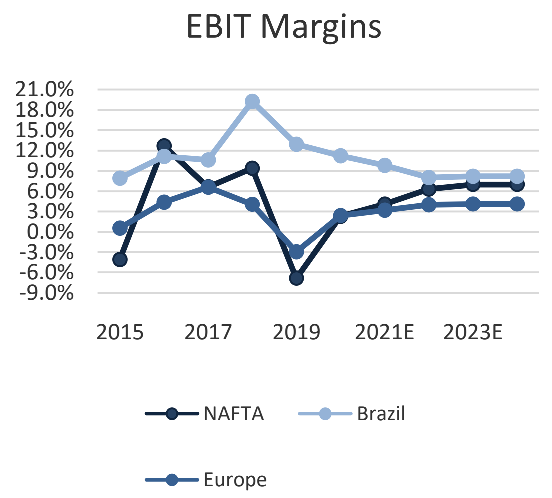
Supply chain destocking has been combined with slowing real demand

In FY2020, we expect a decline in growth rate by -2.1% in NAFTA and-3.7% in Europe.

- In NAFTA, sales suffered due to decrease in shipments. Total steel shipments in the NAFTA segment decreased 8.3% in 2019 driven primarily due to lower crude steel production and market demand.
- Average steel selling prices in the Brazil segment decreased 4.7% to $705/t for the six months ended June 30, 2019 from $739/t for the six months ended June 30, 2018, in line with domestic and export prices.
- In Europe, in consequence of a 10.5% decrease in average steel selling prices partially offset by a 10.1% increase in shipments (due in part to the ArcelorMittal Italia acquisition consolidated as of November 1, 2018), sales decreased by 1.3% to $20.9 billion for the six months ended June 30, 2019.
- Average steel selling prices in the Europe segment decreased 10.5% to $716/t for the six months ended June 30, 2019 from $800/t for the six months ended June 30, 2018 in line with lower market prices.

Profitability Margin Analysis

Raw material environment remains dislocated from steel fundamentals, compressing steel spreads to unsustainably low levels



EBITDA: 3Q, 2019 EBITDA of $1.1bn (31.6% lower QoQ); 9M, 2019 EBITDA $4.3bn (-48.6% lower YoY). This reflects the challenging operating environment, characterized by rising raw material costs and weaker pricing levels in most markets.

In NAFTA, the EBIT margin for 2019 was -6.8% mainly due to lower steel shipments, a negative price-cost impact reflecting weaker demand exacerbated by prolonged customer destocking and increased domestic supply with prices well below import parity and an impairment of property, plant and equipment of ArcelorMittal USA for $600 million.

Operating income for the Brazil segment for FY 2019 was $846 million as compared to $1.3 billion for FY 2018 mainly due to a negative price-cost effect reflecting in part the increasing price of iron ore due to supply-side developments in Brazil and foreign exchange translation impact, partially offset by higher shipments.

Operating loss for the Europe segment for FY 2019 was $1.1 billion, as compared to operating income of $1.6 billion for FY 2018, driven by a negative price-cost effect (with lower steel pricing due to weaker economic activity and continued high level of imports, as well as rising raw material costs), continued losses at ArcelorMittal Italia, foreign exchange impact and an impairment of $497 million related to the remedy asset sales for the ArcelorMittal Italia acquisition.

Valuation

WACC	
Risk Free Rate	1.81%
Beta	2.21
Equity Risk Premium	5.20%
Cost of Equity	**13.30%**
Cost of Debt	4.00%
Tax Rate	-40.68%
After-Tax Cost of Debt	**5.63%**
Debt/(Debt+Equity)	26.22%
WACC	**11.29%**

We have used the 10Y US Treasury Rate as normalized Risk Free Rate (1.81%). Beta has been calculated using daily returns of ArcelorMittal and NYSE (2015-2020). The cost of equity has been derived from Damodaran tables (January 2020).Our assumptions lead to an 11.29% WACC.

Terminal Growth Rate

At the end of the 5-year period, we have estimated a 1% terminal sales growth rate assuming stable EBIT margins at 4%.

Valuation Results

We have relied on FCFF Model in order to value ArcelorMittal's shares. **Our Free Cash Flows to the Firm model produces a target price of $21.22 implying a 64.28% upside potential from the current price of ArcelorMittal.**

FCFF model is highly dependent on long term assumptions

The terminal value represents the 89% of the implied enterprise value of our model. Performing sensitivity checks on our key long term assumptions to test the robustness of our results, we find that the implied target price of our model is highly volatile to our key long term assumptions (WACC and Terminal Growth Rate). The target price range provided by our sensitivity analysis is between $13.74 - $26.09.

(In $ million unless stated otherwise)

	2020	2021	2022	2023	2024	L-Term Assumptions
ASSUMPTIONS						
Growth Rate (Sales)	-2.3%	0.1%	0.7%	2.0%	2.3%	1.0%
EBIT Margin	3.4%	4.1%	5.3%	5.6%	5.6%	4.0%
CASH FLOW STATEMENT						
EBIT	2,315	2,831	3,692	3,952	4,042	2,933
Operating Cash Flow	**3,927**	**4,293**	**4,920**	**5,093**	**5,146**	**8,723**
Cash Flow to the Firm (FCFF)	**15**	**1,141**	**1,541**	**1,381**	**1,286**	**4,610**
WACC	11.29%	11.29%	11.29%	11.29%	11.29%	11.29%
Discount Factor	0.90	0.81	0.73	0.65	0.59	
Present Value of Cash Flows	14	921	1,118	900	754	
Present Value of Residual Value						**29,454**

VALUATION	
Enterprise Value	**33,161**
Less: Net Debt (incl. Pension Liability)	11,471
Value of Firm ($ mn)	**21,690**
Outstanding # of Shares (mn)	1,022
Value of Share ($)	**21.22**
Current Price	12.92
Upside Potential	**64.3%**

Segment Projections

NAFTA

(in $,000,000)	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E	2023E	2024E
Turnover	21,030	17,225	15,769	17,893	20,145	18,384	17,998	17,980	18,250	18,615	19,006
y-o-y growth (%)		-18.1%	-8.5%	13.5%	12.6%	-8.7%	-2.1%	-0.1%	1.5%	2.0%	2.1%
% of Total Turnover	26.5%	27.1%	27.8%	26.1%	26.5%	26.0%	26.1%	26.0%	26.2%	26.2%	26.2%
Depreciation	706	616	549	518	522	570	504	467	474	484	494
% of segment turnover	3.4%	3.6%	3.5%	2.9%	2.6%	3.1%	2.8%	2.6%	2.6%	2.6%	2.6%
EBIT	386	-705	2,002	1,185	1,889	-1,259	414	737	1,150	1,303	1,330
Margin (%)	1.8%	-4.1%	12.7%	6.6%	9.4%	-6.8%	2.3%	4.1%	6.3%	7.0%	7.0%
y-o-y growth (%)		-282.6%	-384.0%	-40.8%	59.4%	-166.6%	-132.9%	78.1%	56.0%	13.3%	2.1%

Brazil

(in $,000,000)	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E	2023E	2024E
Turnover	9,558	7,954	5,526	6,571	7,041	6,558	6,695	6,910	7,255	7,632	8,037
y-o-y growth (%)		-16.8%	-30.5%	18.9%	7.2%	-6.9%	2.1%	3.2%	5.0%	5.2%	5.3%
% of Total Turnover	12.1%	12.5%	9.7%	9.6%	9.3%	9.3%	9.7%	10.0%	10.4%	10.8%	11.1%
Depreciation	457	336	258	293	298	274	281	290	305	321	338
% of segment turnover	4.8%	4.2%	4.7%	4.5%	4.2%	4.2%	4.20%	4.20%	4.20%	4.20%	4.20%
EBIT	1,388	628	614	697	1,356	846	750	677	580	626	659
Margin (%)	14.5%	7.9%	11.1%	10.6%	19.3%	12.9%	11.2%	9.8%	8.0%	8.2%	8.2%
y-o-y growth (%)		-54.8%	-2.2%	13.5%	94.5%	-37.6%	-11.4%	-9.7%	-14.3%	7.8%	5.3%

Europe

(in $,000,000)	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E	2023E	2024E
Turnover	39,224	31,586	28,999	35,825	40,247	37,496	36,109	36,037	35,677	36,033	36,502
y-o-y growth (%)		-19.5%	-8.2%	23.5%	12.3%	-6.8%	-3.7%	-0.2%	-1.0%	1.0%	1.3%
% of Total Turnover	49.5%	49.7%	51.1%	52.2%	52.9%	53.1%	52.3%	52.2%	51.3%	50.8%	50.3%
Depreciation	1,510	1,192	1,184	1,201	1,195	1,256	1,083	1,081	1,070	1,081	1,095
% of segment turnover	3.8%	3.8%	4.1%	3.4%	3.0%	3.3%	3.0%	3.0%	3.00%	3.00%	3.00%
EBIT	737	171	1,270	2,359	1,632	-1,107	867	1,153	1,427	1,477	1,497
Margin (%)	1.9%	0.5%	4.4%	6.6%	4.1%	-3.0%	2.4%	3.2%	4.0%	4.1%	4.1%
y-o-y growth (%)		-76.8%	642.7%	85.7%	-30.8%	-167.8%	-178.3%	33.1%	23.8%	3.5%	1.3%

ACIS

(in $,000,000)	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E	2023E	2024E
Turnover	8,032	5,932	5,675	7,323	7,506	6,446	6,395	6,260	6,392	6,571	6,768
y-o-y growth (%)		-26.1%	-4.3%	29.0%	2.5%	-14.1%	-0.8%	-2.1%	2.1%	2.8%	3.0%
% of Total Turnover	10.1%	9.3%	10.0%	10.7%	9.9%	9.1%	9.3%	9.1%	9.2%	9.3%	9.3%
Depreciation	525	408	311	313	311	364	262	257	262	269	277
% of segment turnover	6.5%	6.9%	5.5%	4.3%	4.1%	5.6%	4.1%	4.1%	4.1%	4.1%	4.1%
EBIT	95	-624	211	508	1,094	-25	368	200	288	296	305
Margin (%)	1.2%	-10.5%	3.7%	6.9%	14.6%	-0.4%	5.8%	3.2%	4.5%	4.5%	4.5%
y-o-y growth (%)		-756.8%	-133.8%	140.8%	115.4%	-102.3%	-1573.3%	-45.6%	43.6%	2.8%	3.0%

Mining

(in $,000,000)	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E	2023E	2024E
Turnover	1,320	824	781	985	1,009	1,159	**1,187**	**1,249**	**1,298**	**1,357**	**1,418**
y-o-y growth (%)		-37.6%	-5.2%	26.1%	2.4%	14.9%	2.4%	5.2%	4.0%	4.5%	4.5%
% of Total Turnover	1.7%	1.3%	1.4%	1.4%	1.3%	1.6%	1.7%	1.8%	1.9%	1.9%	2.0%
Depreciation	703	614	396	416	418	448	**492**	**517**	**538**	**562**	**587**
% of segment turnover	53.3%	74.5%	50.7%	42.2%	41.4%	38.7%	41.4%	41.4%	41.4%	41.4%	41.4%
EBIT	565	-3,522	366	991	860	1,215	**319**	**322**	**390**	**407**	**425**
Margin (%)	42.8%	-427.4%	46.9%	100.6%	85.2%	104.8%	26.9%	25.8%	30.0%	30.0%	30.0%
y-o-y growth (%)		-723.4%	-110.4%	170.8%	-13.2%	41.3%	-73.8%	1.1%	20.8%	4.5%	4.5%

Others

(in $,000,000)	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E	2023E	2024E
Turnover	118	57	41	82	85	571	**605**	**654**	**714**	**785**	**868**
y-o-y growth (%)		-51.7%	-28.1%	100.0%	3.7%	571.8%	6.0%	8.0%	9.2%	10.0%	10.5%
% of Total Turnover	0.1%	0.1%	0.1%	0.1%	0.1%	0.8%	0.9%	0.9%	1.0%	1.1%	1.2%
Depreciation	38	26	23	27	55	155	**392**	**423**	**462**	**508**	**561**
% of segment turnover	32.2%	45.6%	56.1%	32.9%	64.7%	27.1%	64.7%	64.7%	64.7%	64.7%	64.7%
EBIT	-137	-109	-302	-306	-292	-297	**-403**	**-260**	**-143**	**-157**	**-174**
Margin (%)	-116.1%	-191.2%	-736.6%	-373.2%	-343.5%	-52.0%	-66.5%	-39.7%	-20.0%	-20.0%	-20.0%
y-o-y growth (%)		-20.4%	177.1%	1.3%	-4.6%	1.7%	35.6%	-35.5%	-45.0%	10.0%	10.5%

Non Current Asset Projections

(in $,000,000)	2015	2016	2017	2018	2019	2020E	2021E	2022E	2023E	2024E	(in € ,000,000)
Intangible Assets	1,843	1,832	2,076	2,316	2,196	2,136	2,100	2,042	1,985	1,928	**Intangible Assets**
Additions	14	35	61	380	320	22	47	29	32	32	Additions
Reductions	-101	-80	-22	-25	-80	-82	-83	-87	-89	-89	Reductions and fully amortized assets
Translation Differences and transfers	-447	34	205	-115	-360						Translation Differences and transfers
Land, Buildings and Improvements	11,732	11,108	12,845	10,879	11,200	11,348	11,318	11,288	11,258	11,228	**Land, Buildings and Improvements**
Additions	24	16	90	394	370	280	80	80	80	80	Additions
Reductions	-104	-129	-97	-120	-120	-132	-110	-110	-110	-110	Reductions
Translation Differences and transfers	-2,018	-511	1,744	-2,240	71						Translation Differences and transfers
Mech. Equipment & other	43,784	43,167	50,024	43,912	46,000	45,859	45,959	46,079	46,219	46,369	**Mech. Equipment & other**
Additions	305	299	357	1,492	1,403	650	500	520	540	550	Additions
Reductions	-980	-1,386	-853	-535	-203	-791	-400	-400	-400	-400	Reductions
Translation Differences and transfers	-9,399	470	7,353	-7,069	888						Translation Differences and transfers
Mining assets	3,659	3,751	3,875	3,901	3,901	3,973	3,991	4,006	4,018	4,037	**Mining assets**
Additions	18	37	50	28	11	85	31	28	25	32	Additions
Reductions	-4	-4	-1	-13	-11	-13	-13	-13	-13	-13	Reductions
Translation Differences and transfers	-442	59	75	11	-11						Translation Differences and transfers
Construction in progress	3,510	3,257	3,732	4,363	3,155	3,533	4,542	5,551	6,560	7,569	**Construction in progress**
Additions	2,446	2,074	2,441	3,122	1,577	2,491	3,122	3,122	3,122	3,122	Additions
Reductions	-6	-24	-7	-113	-77	-113	-113	-113	-113	-113	Reductions
Translation Differences and transfers	-3,476	-2,303	-1,959	-2,378	-2,077	-2,000	-2,000	-2,000	-2,000	-2,000	Translation Differences and transfers
ANNUAL CAPEX	**2,801**	**2,437**	**2,992**	**5,303**	**3,604**	**3,415**	**3,667**	**3,666**	**3,686**	**3,703**	**ANNUAL CAPEX**
(in $,000,000)	**2015**	**2016**	**2017**	**2018**	**2019**	**2020E**	**2021E**	**2022E**	**2023E**	**2024**	**(in € ,000,000)**
Intangible Assets	1,394	1,429	1,633	1,574	1,350	1,469	1,473	1,477	1,481	1,439	**Intangible Assets**
Depreciation Rate	66.07%	77.77%	83.57%	71.68%	59.84%	67.83%	69.56%	71.33%	73.55%	73.55%	
Land, Buildings and Improvements	3,334	3,138	4,356	3,113	2,892	3,472	3,490	3,481	3,472	3,463	**Land, Buildings and Improvements**
Depreciation Rate	26.09%	27.48%	36.37%	26.24%	26.20%	30.80%	30.80%	30.80%	30.80%	30.80%	
Mech. Equipment & other	20,200	19,980	25,700	20,838	19,995	21,414	21,404	21,456	21,516	21,584	**Mech. Equipment & other**
Depreciation Rate	41.38%	45.96%	55.16%	44.37%	44.48%	46.62%	46.62%	46.62%	46.62%	46.62%	
Mining assets	2,431	2,491	2,611	2,635	2,630	2,654	2,685	2,696	2,705	2,715	**Mining assets**
Depreciation Rate	62.77%	67.23%	68.48%	67.77%	67.42%	67.42%	67.42%	67.42%	67.42%	67.42%	
Construction in progress	1,060	993	988	981	700	632	638	797	957	1,116	**Construction in progress**
Depreciation Rate	26.32%	29.35%	28.27%	24.24%	18.62%	18.90%	15.80%	15.80%	15.80%	15.80%	
Total Depreciation	**27,359**	**28,031**	**35,288**	**29,141**	**27,567**	**29,642**	**29,691**	**29,907**	**30,131**	**30,317**	**Total Depreciation**

P&L Statement

(in $ mn)		2016	2017	2018	2019	2020	2021	2022	2023	2024
Turnover		**56,791**	**68,679**	**76,033**	**70,615**	**68,989**	**69,089**	**69,586**	**70,994**	**72,598**
	y-o-y Change %	-10.7%	20.9%	10.7%	-7.1%	-2.3%	0.1%	0.7%	2.0%	2.3%
Cost of Sales		**50,428**	**60,876**	**67,025**	**68,610**	**62,780**	**61,490**	**61,514**	**62,545**	**63,959**
	% of Turnover	88.8%	88.6%	88.2%	97.2%	91.0%	89.0%	88.4%	88.1%	88.1%
	y-o-y Change %	-22.7%	20.7%	10.1%	2.4%	-8.5%	-2.1%	0.0%	1.7%	2.3%
Total Gross Operating Results		**6,363**	**7,803**	**9,008**	**2,005**	**6,209**	**7,600**	**8,072**	**8,448**	**8,639**
Gross Operating Margin		11.2%	11.4%	11.8%	2.8%	9.0%	11.0%	11.6%	11.9%	11.9%
	y-o-y Change %	-493.3%	22.6%	15.4%	-77.7%	209.7%	22.4%	6.2%	4.7%	2.3%
Operating Expenses		**2,202**	**2,369**	**2,469**	**2,469**	**3,894**	**4,769**	**4,380**	**4,496**	**4,597**
	% of Turnover	3.9%	3.4%	3.2%	3.5%	5.6%	6.9%	6.3%	6.3%	6.3%
	y-o-y Change %	-13.4%	7.6%	4.2%	0.0%	57.7%	22.5%	-8.2%	2.6%	2.2%
EBITDA		**6,882**	**8,202**	**9,338**	**2,603**	**5,329**	**5,866**	**6,803**	**7,177**	**7,395**
EBITDA Margin		12.1%	11.9%	12.3%	3.7%	7.7%	8.5%	9.8%	10.1%	10.2%
	y-o-y Change %	-810.2%	19.2%	13.9%	-72.1%	104.7%	10.1%	16.0%	5.5%	3.0%
Depreciation		**2,721**	**2,768**	**2,799**	**3,067**	**3,014**	**3,036**	**3,111**	**3,225**	**3,353**
	% of Turnover	4.8%	4.0%	3.7%	4.3%	4.4%	4.4%	4.5%	4.5%	4.6%
EBIT		**4,161**	**5,434**	**6,539**	**-464**	**2,315**	**2,831**	**3,692**	**3,952**	**4,042**
	% of Turnover	7.3%	7.9%	8.6%	-0.7%	3.4%	4.1%	5.3%	5.6%	5.6%
	y-o-y Change %	-200.0%	30.6%	20.3%	-107.1%	-598.6%	22.3%	30.4%	7.1%	2.3%
Net Financial Results		**-1,441**	**-427**	**-1,558**	**-1,468**	**-711**	**-610**	**-503**	**-403**	**-336**
Net Results Before Taxes		**2,720**	**5,007**	**4,981**	**-1,932**	**1,604**	**2,220**	**3,189**	**3,549**	**3,706**
EBT Margin		4.8%	7.3%	6.6%	-2.7%	2.3%	3.2%	4.6%	5.0%	5.1%
	y-o-y Change %	-136.2%	84.1%	-0.5%	-138.8%	-183.0%	38.4%	43.6%	11.3%	4.4%
Income Tax		**986**	**432**	**-349**	**459**	**-612**	**-463**	**-228**	**-141**	**-103**
	Effective Tax Rate	36.3%	8.6%	-7.0%	-23.8%	-38.1%	-20.8%	-7.2%	-4.0%	-2.8%
Net Results After Taxes		**1,734**	**4,575**	**5,330**	**-2,391**	**2,216**	**2,683**	**3,417**	**3,690**	**3,809**
EAT Margin		3.1%	6.7%	7.0%	-3.4%	3.2%	3.9%	4.9%	5.2%	5.2%
	y-o-y Change %	-120.6%	163.8%	16.5%	-144.9%	-192.7%	21.1%	27.4%	8.0%	3.2%
Net Results (a.t.&m.i.)		**1,779**	**4,568**	**5,149**	**-2,454**	**2,275**	**2,754**	**3,507**	**3,787**	**3,910**
Net Margin		**3.1%**	**6.7%**	**6.8%**	**-3.5%**	**3.3%**	**4.0%**	**5.0%**	**5.3%**	**5.4%**
	y-o-y Change %	**-122.4%**	**156.8%**	**12.7%**	**-147.7%**	**-192.7%**	**21.1%**	**27.4%**	**8.0%**	**3.2%**

Balance Sheet – Assets

(in $,000,000)	2016	2017	2018	2019	2020	2021	2022	2023	2024
Assets									
Intangible Assets	7,080	7,370	7,302	6,782	6,561	6,530	6,511	6,499	6,487
Accumulated Depreciation	1,429	1,633	1,574	1,350	1,469	1,473	1,477	1,481	1,439
Net Intangible Assets	**5,651**	**5,737**	**5,728**	**5,432**	**5,092**	**5,057**	**5,034**	**5,018**	**5,048**
Tangible Assets	61,433	70,626	63,205	64,256	64,713	65,810	66,924	68,055	69,203
Accumulated Depreciation	26,602	33,655	27,567	28,025	28,172	28,217	28,430	28,650	28,878
Net Tangible Assets	34,831	36,971	35,638	36,231	36,541	37,593	38,494	39,405	40,325
Other L-term assets	12,413	15,844	17,408	17,629	17,629	17,629	17,629	17,629	17,629
Total Non-Current Assets	**52,895**	**58,552**	**58,774**	**59,292**	**59,262**	**60,278**	**61,157**	**62,052**	**63,002**
% Total Assets	70.39%	68.64%	64.41%	67.45%	64.66%	65.19%	65.61%	64.86%	64.04%
Inventories	14,734	17,986	20,744	17,296	17,200	16,846	16,853	17,136	17,523
Trade Receivables	2,974	3,863	4,432	3,569	4,021	4,027	4,056	4,138	4,232
Other Items	1,924	2,110	4,945	2,756	2,756	2,756	2,756	2,756	2,756
Cash in Bank and at Hand	2,615	2,786	2,354	4,995	8,417	8,559	8,394	9,591	10,871
Total Current Assets	**22,247**	**26,745**	**32,475**	**28,616**	**32,394**	**32,189**	**32,059**	**33,620**	**35,382**
% Total Assets	29.61%	31.36%	35.59%	32.55%	35.34%	34.81%	34.39%	35.14%	35.96%
TOTAL ASSETS	**75,142**	**85,297**	**91,249**	**87,908**	**91,656**	**92,467**	**93,216**	**95,672**	**98,383**

Balance Sheet – Equity and Liabilities

(in $,000,000)	2016	2017	2018	2019	2020	2021	2022	2023	2024
Equity & Liabilities									
Share Capital	401	401	364	364	364	364	364	364	364
Share Premium Account	34,455	34,486	34,325	34,325	34,491	34,512	34,512	34,512	34,512
Reserves & Profit Carried Forward	-4,721	3,902	7,397	3,832	5,993	8,609	11,941	15,539	19,253
Minority Rights	2,190	2,066	2,022	1,962	1,962	1,962	1,962	1,962	1,962
Total Equity	**32,325**	**40,855**	**44,108**	**40,483**	**42,810**	**45,447**	**48,779**	**52,377**	**56,091**
% Total Equity & Liabilities	43.02%	47.90%	48.34%	46.05%	46.71%	49.15%	52.33%	54.75%	57.01%
L-Term Bank Loans	11,789	10,143	9,316	11,471	12,878	11,019	9,500	8,060	7,502
Provisions	1,521	1,612	1,995	2,225	1,995	1,995	1,995	1,995	1,995
Deferred Tax Liabilities	2,529	2,684	2,374	2,331	2,331	2,331	2,331	2,331	2,331
Total L-Term Liabilities	**24,702**	**23,032**	**23,686**	**26,138**	**27,315**	**25,456**	**23,937**	**22,497**	**21,939**
Suppliers	11,633	13,428	13,981	12,614	12,324	12,342	12,431	12,682	12,969
Banks	3,943	4,505	4,709	4,306	4,386	4,285	4,290	4,320	4,407
Taxes-Duties	133	232	238	238	388	537	772	859	897
Other Payables & Prepayments	0	0	0	0	0	0	0	0	0
Total Current Liabilities	**18,115**	**21,410**	**23,455**	**21,287**	**21,531**	**21,565**	**20,500**	**20,799**	**20,354**
Total Liabilities	**42,817**	**44,442**	**47,141**	**47,426**	**48,847**	**47,021**	**44,438**	**43,296**	**42,293**
% Total Equity & Liabilities	56.98%	52.10%	51.66%	53.95%	53.29%	50.85%	47.67%	45.25%	42.99%
TOTAL EQUITY & LIABILITIES	**75,142**	**85,297**	**91,249**	**87,909**	**91,657**	**92,468**	**93,216**	**95,673**	**98,384**

Cash Flow Statement

(in $,000,000)	2016	2017	2018	2019	2020	2021	2022	2023	2024
Profit after Tax	1,734	4,575	5,330	-2,391	2,216	2,683	3,417	3,690	3,809
Plus: Change of Depreciation	-418	7,257	-6,147	234	267	49	217	224	186
Gross Cash Flow	**1,316**	**11,832**	**-817**	**-2,157**	**2,483**	**2,732**	**3,634**	**3,914**	**3,996**
Change in:									
(-) Trade Debtors	295	889	569	-863	452	6	29	82	94
(-) Other Receivables	-197	186	2,835	-2,189	0	0	0	0	0
(+) Trade Creditors	1,217	1,795	553	-1,367	-290	18	89	251	287
(+) Liabilities for Taxes	0	99	6	0	150	149	234	87	38
(+) Other Short - Term Liabilities	0	0	0	0	0	0	0	0	0
Change in Working Capital	-191	-2,433	-5,603	5,133	-497	515	287	-26	-156
Operating Cash Flow	**1,125**	**9,399**	**-6,420**	**2,976**	**1,986**	**3,247**	**3,921**	**3,888**	**3,839**
Change in:									
(-) Intangible Assets	94	290	-68	-520	-221	-32	-19	-12	-12
(-) Tangible Assets	-1,402	9,193	-7,421	1,051	457	1,097	1,114	1,131	1,148
(-) Other Long - Term Receivables	-735	3,431	1,564	221	0	0	0	0	0
(+) Other Long - Term Liabilities	-844	-24	1,481	297	-230	0	0	0	0
(+) Cons. Diff. / Minority Interests	-108	-124	-44	-60	0	0	0	0	0
Cash Flow from Investment	**1,091**	**-13,062**	**7,362**	**-515**	**-466**	**-1,065**	**-1,095**	**-1,119**	**-1,136**
Net Cash Flow before Financing Activities	**2,216**	**-3,663**	**942**	**2,461**	**1,520**	**2,181**	**2,826**	**2,769**	**2,703**
Net Change in Reserves	17	4,196	-1,434	-779	0	0	0	0	0
Change in Long - Term Debt	-5,689	-1,646	-827	2,155	1,407	-1,859	-1,519	-1,440	-558
Change in Short - Term Debt	-674	1,462	586	-701	378	-105	-1,389	-49	-795
Other Items and Dividends	530	202	-680	432	107	167	174	181	170
Minority Interests on Profit	-45	7	181	63	-58	-71	-90	-97	-100
Net Cash Flow from Financing	**-3,703**	**3,834**	**-1,374**	**180**	**1,902**	**-2,039**	**-2,992**	**-1,572**	**-1,423**
Cash at Beginning	**4,102**	**2,615**	**2,786**	**2,354**	**4,995**	**8,417**	**8,559**	**8,394**	**9,591**
Change in Cash and Marketable Securities	**-1,487**	**171**	**-432**	**2,642**	**3,422**	**143**	**-166**	**1,197**	**1,280**
Cash at End	**2,615**	**2,786**	**2,354**	**4,996**	**8,417**	**8,559**	**8,394**	**9,591**	**10,871**

Free Cash Flows to the Firm (FCFF)

(In $ million unless stated otherwise)

	2020	2021	2022	2023	2024	L-Term Assumptions
ASSUMPTIONS						
Growth Rate (Sales)	-2.3%	0.1%	0.7%	2.0%	2.3%	1.0%
EBIT Margin	3.4%	4.1%	5.3%	5.6%	5.6%	4.0%
Tax Rate	24.2%	24.2%	24.2%	24.2%	24.2%	24.2%
Working Capital (% of Sales)	0.7%	-0.7%	-0.4%	0.0%	0.2%	0.1%
Capex (% of Sales)	5.0%	5.3%	5.3%	5.2%	5.1%	5.5%
Cost of Capital	11.3%	11.3%	11.3%	11.3%	11.3%	10.5%
Depreciation (% of Sales)	2.9%	2.9%	2.9%	2.8%	2.8%	8.9%
CASH FLOW STATEMENT						
Turnover	**68,989**	**69,089**	**69,586**	**70,994**	**72,598**	**73,324**
EBIT	2,315	2,831	3,692	3,952	4,042	2,933
Less: Adjusted Tax	388	537	772	859	897	710
AdJusted Operating Profit	**1,927**	**2,293**	**2,920**	**3,093**	**3,146**	**2,223**
Plus: Depreciation	2,000	2,000	2,000	2,000	2,000	6,500
Operating Cash Flow	**3,927**	**4,293**	**4,920**	**5,093**	**5,146**	**8,723**
Less: Change in Working Capital	497	-515	-287	26	156	81
Less: Capex	3,415	3,667	3,666	3,686	3,703	4,033
Cash Flow to the Firm (FCFF)	**15**	**1,141**	**1,541**	**1,381**	**1,286**	**4,610**
WACC	11.29%	11.29%	11.29%	11.29%	11.29%	11.29%
Discount Factor	0.90	0.81	0.73	0.65	0.59	
Present Value of Cash Flows	14	921	1,118	900	754	
Accumulated Present Value	14	935	2,053	2,954	3,707	
Residual Value						48,523
Present Value of Residual Value						**29,454**

FCFF Valuation

(In $ million unless stated otherwise)

VALUATION	
Enterprise Value	**33,161**
% Residual Value of Total	88.8%
Less: Net Debt (incl. Pension Liability)	11,471
Value of Firm ($ mn)	**21,690**
Outstanding # of Shares (mn)	1,022
Value of Share ($)	**21.22**
Current Price	12.92
Upside Potential	**64.3%**

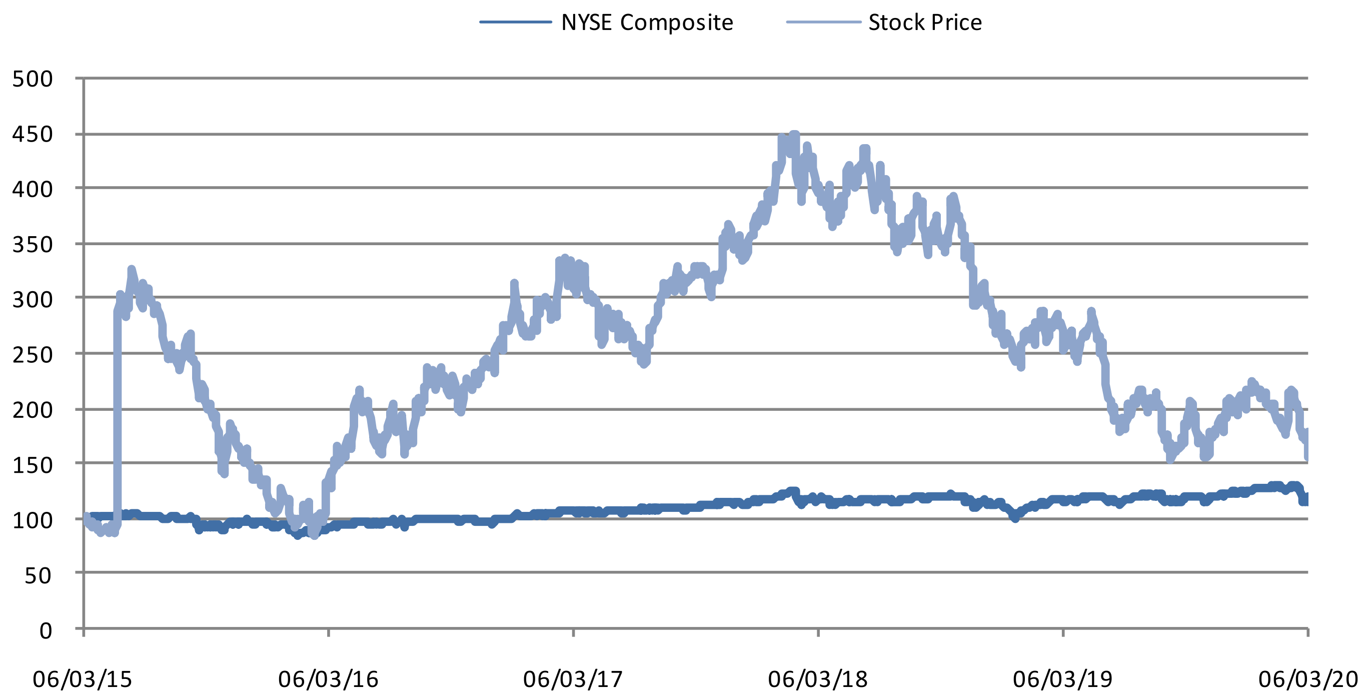
Sensitivity Analysis

(In $ million unless stated otherwise)

		WACC				
		10.3%	**10.8%**	**11.3%**	**11.8%**	**12.3%**
Growth Rate	**0.00%**	18.76	17.21	15.58	14.11	12.77
	0.50%	20.51	18.55	16.78	15.18	13.74
	1.00%	22.17	20.02	18.09	16.36	14.79
	1.50%	24.02	21.65	19.54	17.65	15.94
	2.00%	26.09	23.47	21.14	19.07	17.21

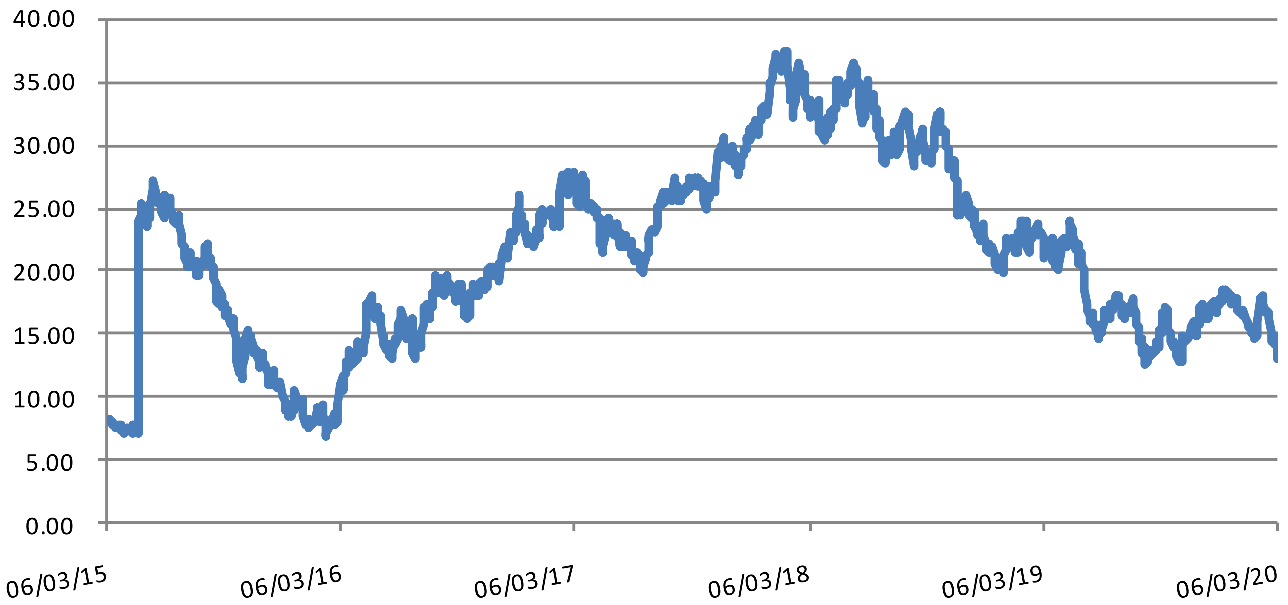
Stock vs Index

Period March 2015 – March 2020 | Base = 100 | Period as day/month/year



Stock Price

Period March 2015 – March 2020 | Stock Price in $ (USD) | Period as day/month/year



Notes

VRS VALUATION & RESEARCH SPECIALISTS

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Covered Company	Bloomberg	Reuters	Stock Price	Date	Disclosure
ARCELORMITTAL	MT:US	MT.N	USD 12.92	March 6, 2020	2, 3, 6

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