WHITE PAPER ADDENDUM

Creating Certainty in Volatile Metals Markets: The Time is Always Now.

In the prevailing market structure, OEM's have willingly attached themselves to index pricing to secure metals supply. Unknowingly, they have also attached themselves to the most volatile steel price risk in the world.

FLACK GLOBAL METALS

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Buyer Challenges

Challenge #1: Organizational focus on total cost of ownership versus today's price

80% of the total cost of ownership is the steel value itself. Our historical back-test (chart on next page) shows that if you had locked in steel value consistently over time, you would have reduced the volatility of your buy price (orange line) compared to the floating index (white line). **More importantly, you could have saved $165/ton because the price increases 66% faster than it decreases.**

Challenge #2: Maintaining the right level of inventory

Contract and spot schemes lead buyers to believe they will have available inventory at all prices. In actuality, mills quickly fill orders when demand is low and push out lead times when prices rise. This creates a squeeze that leaves inventory gaps, forcing buyers to look elsewhere to fill current needs. When the steel finally arrives, the price cycle has reversed and buyers are stuck with excess, out-of-market inventory. A key benefit of hedging is that it is a financial obligation only – there is no requirement to take physical material.

Challenge #3: Accurately forecasting steel costs

Contract buyers lock in discounts to the market price index and spot buyers continuously search for competitive market prices, which set the index. Both of these strategies expose buyers to the volatile market price index. Our data shows long-term hedging can **add certainty to your business by reducing the range of buying prices from over $352/ton to just $117/ton.**

Why Now?

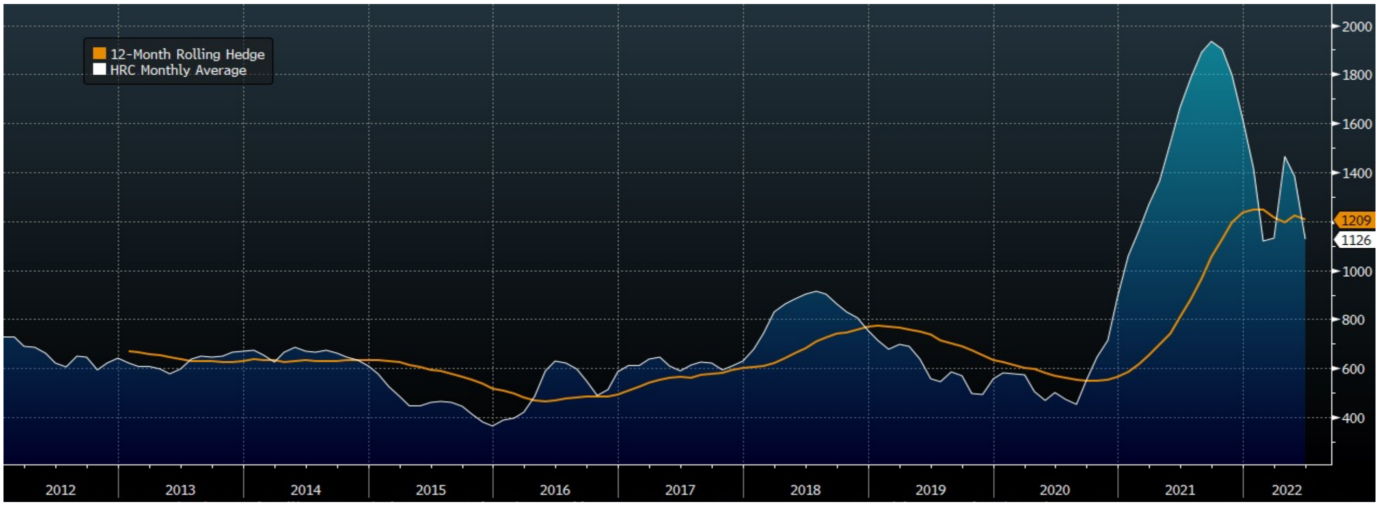
Because you can't predict the price.

Current Market:

The forward curve has moved into contango for 2023 as the current physical market finds a bottom. Don't miss an opportunity to do something certain for your business by layering in strips of 2023 before the next price rally.

Historical Price Volatility

ANNUALIZED VOLATILITY	HRC INDEX	12 MONTH HEDGE
8 YEAR HISTORICAL	30.88%	10.24%
7 YEAR HISTORICAL	32.25%	10.77%
6 YEAR HISTORICAL	32.58%	10.68%
5 YEAR HISTORICAL	34.10%	11.57%
4 YEAR HISTORICAL	37.24%	12.81%
3 YEAR HISTORICAL	40.80%	14.41%
2 YEAR HISTORICAL	45.65%	13.84%
1 YEAR HISTORICAL	46.84%	15.52%



Updated through June 2022. This back-test is updated quarterly to show through-cycle reduction in buying price range through hedging.