

**Heavy Walled Rectangular
Pipe and Tube from Mexico,
Korea and Turkey; Inv. Nos.
701-TA- 539 and 731-TA-1280-
1282
Preliminary Conference**

**Presentation of the Mexican
Industry**

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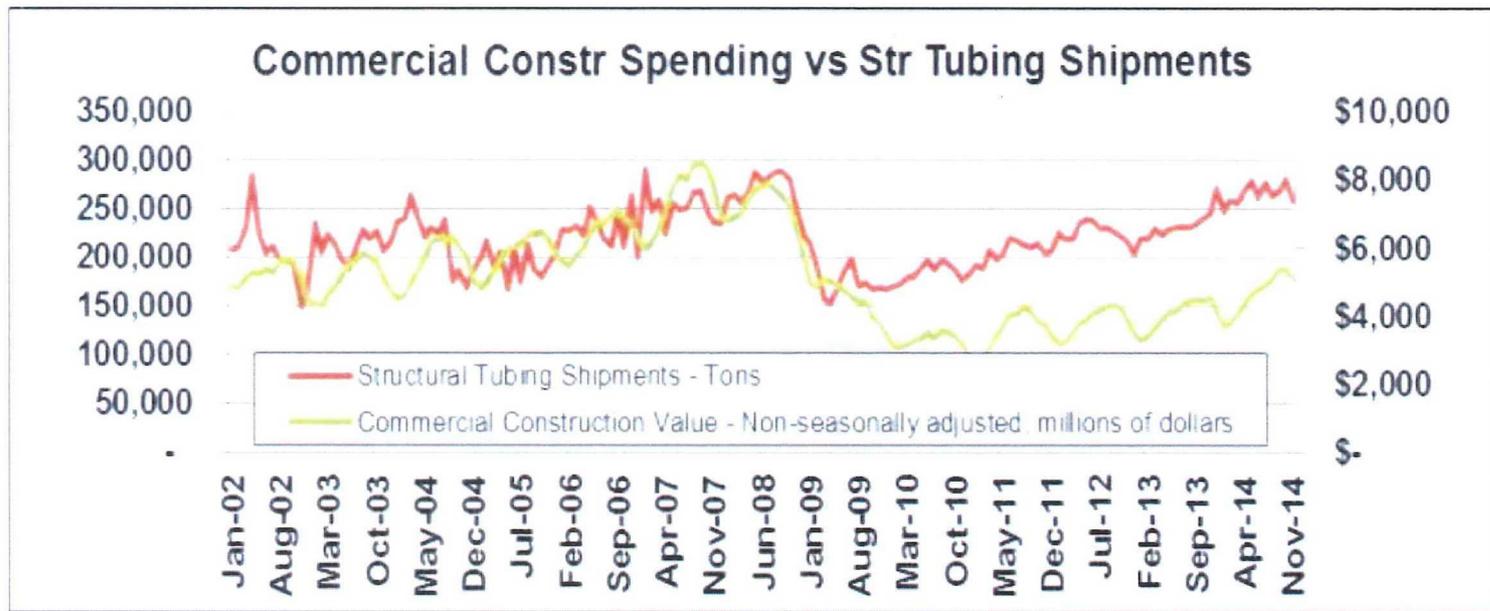
Presented by:
Arent Fox LLP

August 11, 2015

Structural Pipe's Return to Pre-Recession Levels

“Structural volumes have returned to pre-recession levels and as we’ve noted, this product line has done it a different way.”

Source: *Preston's February 2015*



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Investments and Expansions

- Three of the Petitioners expanded their production facilities, including:
 - In 2013, Searing Industries built a state of the art tube mill in Wyoming for welded structural pipe and steel coil slitter
 - In March 2015, Maruichi Steel Tube, Ltd. acquired a structural tubing mill from Evraz North America, Inc.

 - Others made upgrades or plan investments, for example:
 - In June 2015, Bull Moose Industries announced the expansion of its North American headquarters and its CEO announced further investments: “We have aggressive growth plans that will build on Bull Moose’s strength in engineering and steel tube...”

 - These are indicators of a healthy industry:
 - availability of financial resources for expansion, good performance of the industry and anticipation of increasing demand
-

HWR Tubing Producers Show Strong Results

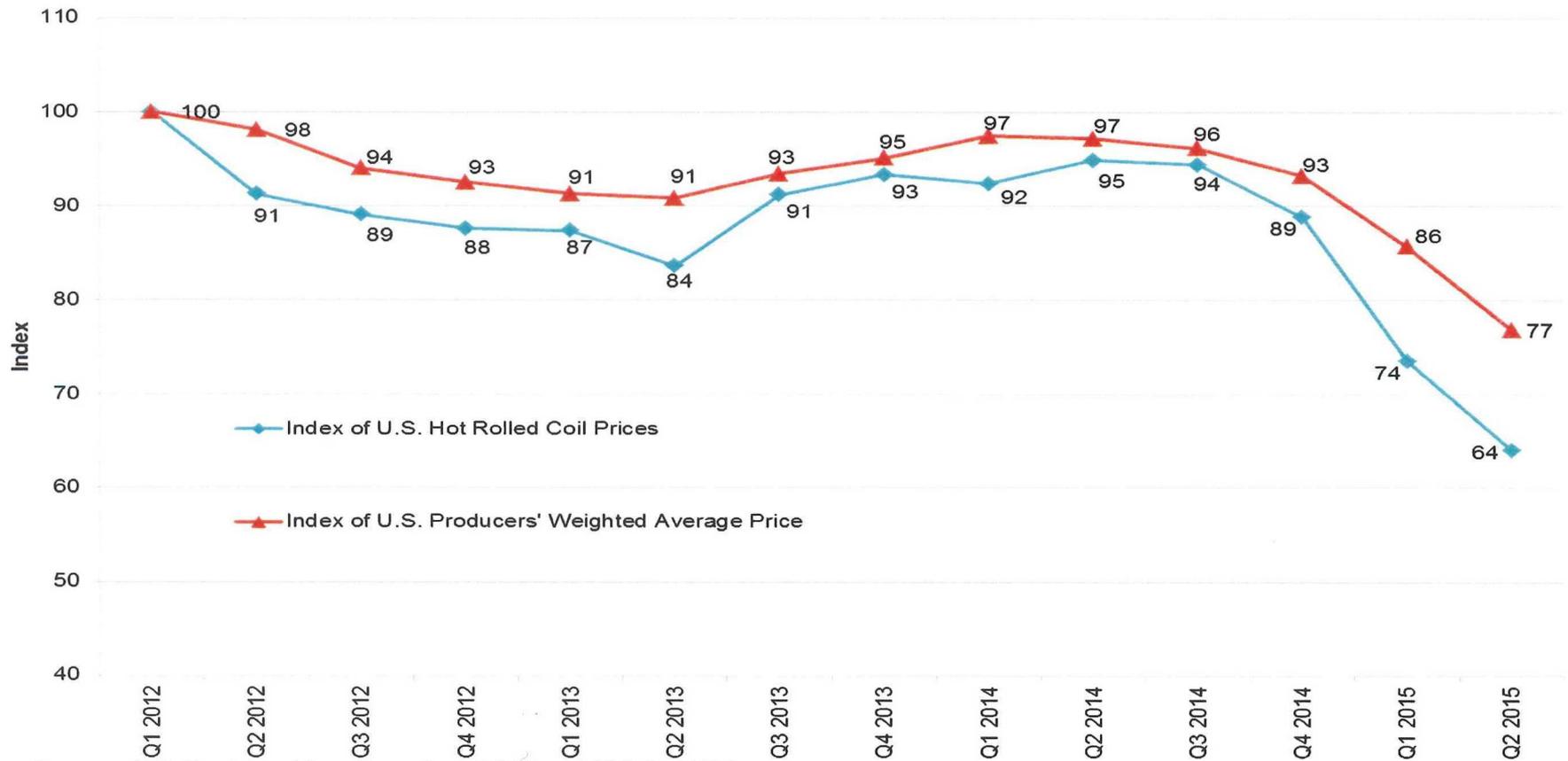
- Capacity, Production, Wages increased over the POI
- Commercial Shipments, both Domestic and Exports, Increased
- Gross Profit, Operating Income, Cash Flow were all higher in 2014
- Net Profit also quite healthy.
- Average figures smooth out differences between individual results which show some variation.

Temporary Decline in Sales Values and Prices in 2015 - Tied to Lower Domestic Hot Rolled Coil Prices

- Interim 2015 data show temporary decline due to falling raw material costs
- Sharp decline in Hot Rolled Coil prices started in second half of 2014:
 - From a level of \$750 in August 2014 to as low as \$497 in April 2015
- The sales prices for HWR have followed the trend:
 - when coil prices went up in 2014, HWR prices went up
 - when coil prices declined in 2015, no surprise that HWR prices also declined
- Impact on demand, as purchasers of HWR held off as long as possible waiting for prices to fall further

Lower Sales Value and Prices in 2015 - Tied to Lower Domestic Hot Rolled Coil Prices

Indexed U.S. Producers' Weighted Average Price vs. Indexed U.S. Hot-Rolled Coil Prices
(Index: Q1 2012=100)



Sources: U.S. Producers' Questionnaires at IV-2 and SBB Steel Prices

No Causal Link Between Subject Import Volumes and Any Alleged Material Injury

Imports for Consumption, Heavy-Walled Rectangular Pipe

2012-2014, YTD June 2014 and 2015

HTS Code 7306.61.10.00

Country	Quantity in Short Tons*					Percent Change	
	2012	2013	2014	Jan-June 2014	Jan-June 2015	2012-2014	PY 2014-PY 2015
Mexico	58,879	66,452	72,345	39,239	25,027	22.9%	-36.2%
Korea, South	56,304	57,347	83,326	43,438	45,772	48.0%	5.4%
Turkey	33,864	47,925	62,035	26,016	24,460	83.2%	-6.0%
Subtotal, Subject Countries	149,048	171,723	217,706	108,693	95,259	46.1%	-12.4%
Canada	155,027	159,341	189,937	92,492	97,327	22.5%	5.2%
Italy	4,610	9,650	11,392	11,253	24,731	147.1%	119.8%
Japan	5,470	7,694	9,477	3,814	7,163	73.3%	87.8%
Other Nonsubject Countries	3,033	2,349	3,311	1,692	2,183	9.2%	29%
Subtotal, Nonsubject Countries	168,140	179,034	214,117	109,251	131,404	27.3%	20.3%
Grand Total	317,188	350,758	431,823	217,944	226,663	36.1%	4.0%

Coil and HWR Prices Starting to Rebound

- **Temporary decline in pricing starting to see a reversal:**
 - Domestic flat rolled mills announced price increases in April 2015
 - U.S. Steel announced another round of price increases in July 2015
 - Maruichi American Corporation announced price increases for HWR (and other products) effective May 15, 2015
 - Atlas Tube, Bull Moose Tube and others announced price increases effective June 15, 2015

With Strong Demand Conditions Ahead, U.S. HWR Producers Are Well-Positioned

- National Association for Business Economics (“NABE”) Forecast a Gradual Acceleration in Economic Expansion in 2015-2016
- On a quarterly basis, NABE forecasts real GDP growth:
 - from 2.4% in 2014;
 - 3.0% in the second and third quarters of 2015;
 - 2.9% in 2016

Source: NABE Outlook June 2015, http://nabe.com/NABE_Outlook_June_2015

Looking Forward in Construction: All Market Indicators Are Positive

➤ U.S. Census data as of June 2015:

- 12% growth versus June 2014

➤ Architecture Billings Index (>50 indicates growth)

- 55.7 in June 2015, compared to 51.9 in May 2015

- growth in all US regions

➤ Dodge new non-residential contracts:

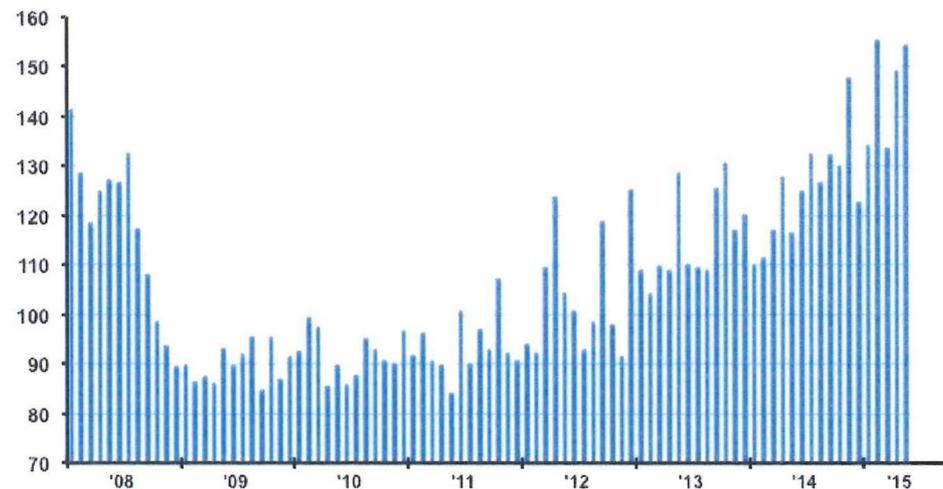
- 23% increase in June compared to the same period in 2014

- April 2015 - the 12-month rolling average was up 20% in April

➤ Dodge Momentum Index:

- 5.6% increase y/y

**The Dodge Index
of New Construction Starts
(Year 2000=100)**



The Mexican Share of Total Imports is Declining

Percent of Total Imports (Quantity)

Country	2012	2013	2014	Jan-June 2014	Jan-June 2015
Mexico	18.6%	18.9%	16.8%	18.0%	11.0%

Mexican Import Prices Are Higher Than Imports From Other Subject Countries

Imports for Consumption, Heavy-Walled Rectangular Pipe

2012-2014

HTS Code 7306.61.10.00

AUV in \$ per ST

Country	2012	2013	2014	Jan-June	Jan-June
				2014	2015
Mexico	793	800	763	764	712
Korea, South	769	692	679	678	653
Turkey	819	742	742	759	690

Antidumping Margins on Mexican Exporters of LWRPT

- Maquilacero : 0%
- Regiopytsa: 1.45%
- All Others: 3.74%

Increased Exports of LWRPT

Imports for Consumption, Light-Walled Rectangular Pipe
2012-2014, YTD June 2014 and 2015
HTS Codes 7306.61.50.00 and 7306.61.70.60
Quantity in Short Tons*

<u>Country</u>	2012	2013	2014	Jan-June 2014	Jan-June 2015
Mexico	64,684	82,710	95,936	46,485	43,002

LWRPT Commands Higher Prices Than HWRPT

Imports for Consumption, Heavy-Walled Rectangular Pipe vs Light-Walled Rectangular Pipe

2012-2014

HTS Code 7306.61.10.00

AUV in \$ per ST

	2012	2013	2014	Jan-June 2014	Jan-June 2015
<u>Mexico</u>					
Heavy-Walled	793	800	763	764	712
Light-Walled	853	810	836	827	755