

SSTTAC Website Panel Discussion
April 7, 2015

Participants:

Phil Belejchak - Sandvik
Holly Both - Plymouth Tube
Kathleen Duddek - Sandvik
Joe Handrahan - Summerill Tube
Skip Hartquist - Kelley Drye & Warren
Alan Luberda - Kelley Drye & Warren
Gary Boberick – Sandvik (*via teleconference*)
Tony Thurman – SMS (*via teleconference*)

Moderator: Any new industries that are being served by SSTTAC members?

Joe Handrahan I've got a new customer that was using Japan as their source, real high quality product and the Japanese were not attending to it very well. This is a very good industry. These are used to measure commodities, high volume commodities. It reflects the quality that we have in our US-made material. It's a very tight tolerance.

Gary Boberick: Joe, I'm sorry I missed the first part. What was the industry or the application you said.

Joe Handrahan Measuring high volume liquids.

Gary Boberick: Nothing comes to mind at this time in the past let's say three or four months that we've entered into anything new at this point.

Phil Belejchak: Gary, similar to Joe's situation there may be some business that has come back in part due to our quality.

Gary Boberick: Not really so to be honest there really haven't been too many of those issues with other suppliers. I haven't seen that at least in the last quarter.

Phil Belejchak: How about the automotive?

Gary Boberick: The automotive continues to move. It's still up in the air. They're looking at high quality but they still want the low price. That's a struggle in that industry right now. That's one that's kind of switched back and forth over the past couple of years.

Joe Handrahan: Gary, in what we consider high volume the big players always want you to inventory three months and ship just in time for that which again puts a burden on the mills at the inventory.

Gary Boberick: That's correct, Joe, and we see that more and more in customers pushing back on the supplier to be holding the inventory. That's a struggle that we face all the time.

Moderator: Gary, in our last discussion in November you mentioned you're seeing more of the effects of technology in restarting old plants and building new plants. Are you continuing to see that type of increased demand?

Gary Boberick: Yes. If you follow some of the trade journals almost on a weekly basis I've been seeing announcements of new projects mainly in the chemical and petrochemical segments. In Louisiana, the Gulf Coast region, they're bringing back these plants. As recently as last week and prior I've seen continued press releases. That industry isn't so much affected by the low oil price but it's driven by the availability of the cheap shale gas which they use for feedstock so I would say yes. That's an industry that continues to be active and continues to grow.

Moderator: Okay, thank you. Next question is what's the current market outlook for the industry? I would say among our clients in the steel business there's a lot of uncertainty. A few months ago people felt that 2015 was likely to be a pretty strong year, that demand would increase as the economy has been coming out of the recession pretty steadily. But I think particularly with the huge surge of imports from China and other countries in the last six months - the last quarter of 2014 and the first quarter of this year - huge growth has kind of shaken the confidence that people have that 2015 was going to be pretty good. So, from your point of view how would you characterize that at this point?

Holly Both: The markets where imports are a factor I definitely echo everything you've said. However, with commercial aerospace in situations where certain approvals are needed and the imports can't participate. That business is strong and looks to be healthy in the future. But other markets like oil and gas and power generation are very depressed.

Moderator: Do you see that continuing pretty much through the rest of 2015?

Holly Both: At this point I'm not really seeing any indications of a significant turnaround, maybe some activity picking up later in the year.

Kathy Duddek: I think customers are cautiously optimistic with purchases, inventories. Again with the price of oil being what it is, it does affect certain components of all of our businesses.

Joe Handrahan: A lot of our businesses are niche but reflecting what Holly said aerospace is still strong and in that the backlogs are strong for Boeing and for Airbus which use our product. And the oil and gas, there's a portion of the market that we participate in, more measurement than anything. I think it's still there for the gas side but there's no question that with the price of oil

it's slowed down. There are some people that are under water in that industry. But I see the year as a decent year because I don't do the commercial stuff.

Moderator: What about the effect of the dollar-euro relationship?

Gary Boberick: I would say that more recently now we're starting to see the Europeans starting to leverage that huge gap in the currency. If you look at the change from a year ago until today, they're really starting to leverage that and come in and push lower prices to try to secure business in the short term. I think most of them are taking the strategy of booking orders early with the uncertainty of what the end of the year might bring. Again most of the producers have been very aggressive in recent months. They're using their currency as their lever right now.

Moderator: Thank you Gary. Any new examples of quality issues with the imports?

Kathy Duddek: No, not that I'm aware of.

Moderator: Any new production capacity in the industry since we talked last fall, new equipment?

Joe Handrahan: I don't know. Rufino Orce talked about his production line, making some nuclear products. They're now extruding. It's a very sophisticated line.

Phil Belejchak: At Salem Tube?

Joe Handrahan: Yes.

Phil Belejchak: It's a bull block?

Joe Handrahan: No, it's a bench. And they're pulling. It's all automated. A lot of it is new equipment, well designed.

Moderator: Any issues with availability of raw materials or delivery -- probably not?

Gary Boberick: The situation has changed a lot since Q4. Raw material is not an issue at the moment.

Moderator: Thanks everyone.