

Monitor

Metals



VOLUME
339

METAL PRICES ON HOT STREAK

HRC STEEL PRICE HITS MULTIPLE HIGHS

Hot rolled coil prices skyrocketed this year to surpass \$1,650 per net ton in June 2021, setting yet another record

ALUMINUM AND COPPER PRICES SURGE

Rebounding demand, tight supplies, and positive investor sentiment have driven up aluminum and copper prices

STEEL MILLS RAMP UP PRODUCTION

After bottoming out in the 50% range in June 2020, steel capacity utilization recently hit optimal rates above 80%

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MONITOR METALS

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Deals are a moving target. A constantly shifting mix of people, numbers and timing. We're here to simplify this process for you. Our experts are dedicated to tracking down and flushing out the values you need even on the most complex deals, so you can leverage our hard-won knowledge to close the deal.

B. Riley Advisory Services Expands To Include Operations Management Services

The U.S. industrial sector has rebounded rapidly in 2021, and with the continued impact of COVID-related supply constraints, company profits are being challenged more than ever. However, B. Riley clients saw an average increase in EBITDA of 12.4% in annualized improvement. So how did they do that?

At B. Riley, we invested in expanding our team to meet these challenges head on and support the success of our clients. We acquired Anchor Resource Management, now called B. Riley Operations Management Services (“BROMS”), a hands-on seasoned operating team that can rapidly impact the bottom line and change culture for sustainable success. BROMS brings over 30 years of operations expertise and over 750 company transformations.

Our new capabilities add a team of highly skilled executives, general managers, operations, strategists, engineers, maintenance, and materials management professionals that have deep expertise in the metals industry. Our breadth of metals experience encompasses stamping, casting, forging, machining, welding, extruding, roll forming, and slitting, to name a few.

In addition, in 2021, B. Riley launched a Metals Vertical with a full complement of synergistic services for our clients: Operations Transformation, Appraisal, Forensic Accounting, Investment Banking, Real Estate, Equity Research, and IT and Cyber Security.

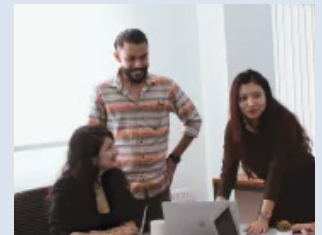
With the full force of these expanded, collaborative capabilities, we are helping our clients transform into industry leaders.

B. Riley’s BROMS professionals stand ready to quickly assess the intricacies of your business. We will develop and implement tailored “self-funding” solutions, empowering your company to be more responsive to current and future market conditions. To explore potential solutions for your business, contact a professional on the Meet The Team page.



750

Company Transformations



30

Years of Experience



\$4.1B

Company Savings



Broad

Industry Experience

Trend Tracker

	Ferrous Metal	Non-ferrous Metal
NOLVs	Increasing ▲	Increasing ▲
Sales Trends	Mixed ▲▼	Mixed ▲▼
Gross Margin	Increasing ▲	Increasing ▲
Inventory	Decreasing ▼	Decreasing ▼
Pricing	Increasing ▲	Increasing ▲

NOLVS

- **Ferrous:** NOLVs increased in the first half of 2021, both year-over-year and over the last three months, as market prices increased to historic highs for both finished steel and ferrous scrap, buoying recent gross margins and allowing companies to maintain very favorable relationships between inventory cost and market price.
- **Non-ferrous:** Overall, NOLVs for non-ferrous inventory increased as prices climbed for aluminum, copper, and zinc. Nickel prices dipped recently, but remain above prior-year levels and have not affected stainless steel NOLVs, given the higher-cost ferrous base substrate.

SALES TRENDS

- **Ferrous and non-ferrous:** Depressed 2020 sales due to COVID-19 impacts dragged down trailing 12-month sales year-over-year. More recent sales have increased due to historically high market prices and rebounding demand.

GROSS MARGIN

- **Ferrous:** Gross margins have generally increased in the first half of 2021 as market pricing continued to increase, allowing companies to gain margin on inventory sourced earlier in lower-cost environments. Fixed-pricing contracts have been at risk for margin compression, depending on when they were negotiated, due to record market prices.
- **Non-ferrous:** Gross margins increased due to a rise in commodity pricing, particularly for copper and aluminum.

INVENTORY

- **Ferrous:** Companies continued to focus on leaner inventory, even as industries reopened and demand grew, to protect against market price fluctuations. To some extent, the market is undersupplied; domestic mills have been increasing capacity to catch up with demand, while imports have remained limited.
- **Non-ferrous:** Companies continue to maintain lean inventory levels and replace inventory as needed to avoid the adverse effects of market price fluctuations. However, inventory levels for aluminum have generally declined, as material has been hard to come by in the spot market.

PRICING

- **Ferrous:** Market pricing has continued its historic run-up in almost all ferrous products as mill lead times continue to be pushed out. Benchmark hot rolled coil pricing hit a historic high exceeding \$1,650 per net ton in June 2021.
- **Non-ferrous:** Prices for nearly all non-ferrous metals have increased on the heels of positive investor sentiment and material shortages. Fears of a copper shortage have driven copper prices to an all-time high. Domestic aluminum pricing has also been impacted by a record high Midwest Transaction Premium ("MWTP") caused by a shortage of aluminum in the spot market and high freight rates.

Overview

U.S. steel prices have skyrocketed in recent months, setting new record highs for multiple weeks in a row. Hot rolled steel coil prices have more than tripled from mid-August 2020. Most base metals have also been on a hot streak, with the price rally led by copper and aluminum.

After lockdowns at the onset of the COVID-19 pandemic spurred plant idlings and capacity curtailments across the steel industry in the first half of 2020, metals demand rebounded more rapidly than expected along with industrial activity. The resulting supply bottleneck, combined with higher raw material costs, boosted steel prices to record levels. Market participants have reported supply chain issues, including extremely tight supplies, long lead times, and delayed shipments from mills.

According to the American Iron and Steel Institute (“AISI”), month-over-month shipments from steel mills increased 18.0% in March 2021. Year-over-year steel shipments increased 1.9% in March 2021, versus declines of 31.5% in April 2020 and 32.9% in May 2020 at the onset of the pandemic. Meanwhile, the Metals Service Center Institute reported year-over-year shipments from steel service centers increased 12.0% and 38.4% in March 2021 and April 2021, respectively, versus pandemic lows when shipments fell 31.3% in April 2020 and 34.2% in May 2020.

U.S. steel mills continued to raise the price of hot rolled coil, which serves as a bellwether for overall steel price trends. Hot rolled coil prices set a streak of new record highs in 2021, most recently reaching an all-time high north of \$1,650 in early June 2021, up over 220% from the prior year.

Improved sentiment from President Joe Biden's recently proposed infrastructure package has supported high steel prices; if the proposal is passed, actual demand generated from spending on infrastructure requiring steel could further buoy prices.

Industry consolidation has also aided production efficiencies and management. Goldman Sachs forecasts that nearly 80% of U.S. steel production will be under the control of five companies by 2023, reflecting an increase from less than 50% in 2018; consolidation allows companies to keep prices afloat by wielding firm control over production.

Global steel prices have also spiked recently as the world's steel demand recovered from pandemic-induced lows, pushing iron ore prices to an all-time high in April 2021. Still, U.S. steel prices have soared so high that steel imports often remain the cheaper option, even when factoring in Section 232 tariffs of 25% and shipping costs. With the domestic steel shortage, and given the expectation that U.S. steel prices will remain high in the near future, U.S. steel imports have begun to increase recently, after a decline in 2020. The U.S. Census Bureau reported that total and finished steel imports increased 0.8% and 5.1%, respectively, in April 2021 versus April 2020. Month-over-month, total and finished steel imports increased 14.1% and decreased 7.6%, respectively, in April 2021.

Global steel output increased 23.3% in April 2021 as world economies rebounded from the impacts of COVID-19, after declining 0.9% in 2020. China, which accounts for nearly half of global steel output, saw its year-over-year crude steel production increase 13.4% in April 2021, reflecting slower growth compared to 19.1% the prior month. Although China's steel industry has cut steel production to help limit pollution, surging Chinese and global steel demand, coupled with a boom in steel prices, may make it difficult for China to meet its goal of lower year-over-year crude steel output.

Overview

China is also expecting to increase flat rolled steel exports this year, as global steel demand is slated to grow 5.8% in 2021 to exceed pre-pandemic levels. However, Chinese steel and iron ore prices have begun to stabilize recently due to softening demand and government inspections to curb speculation and irregularities, according to the China Iron and Steel Association.

Meanwhile, prices for most base metals have also rebounded strongly since the initial drop at the onset of the pandemic in early 2020, with copper prices soaring to a new all-time high and aluminum prices rising to a historical high. Similar to steel, producers were not ready for a faster-than-expected recovery in demand, with disruption in South American mines and challenges shipping material around the world due to the pandemic, resulting in tight supplies of metals such as aluminum and copper. However, more abundant supplies for zinc and nickel have caused the price rally for these metals to lag behind the others.

Steel and base metal demand is driven by demand from various manufacturing sectors. In May 2021, the Manufacturing PMI®, an indicator for U.S. manufacturing demand, reached 61.2%, up 0.5 percentage points from the prior month, according to the Institute for Supply Management®, and reflecting growth in both the manufacturing sector and the overall economy for the 12th consecutive month.

The rebound in the steel industry was led by demand from the automotive industry, as U.S. automakers recovered from the pandemic-induced downturn in the first half of 2020 amid the easing of pandemic-related restrictions, the expression of pent-up demand, more favorable credit conditions, and tighter inventories. New vehicle sales increased 37.8% in May 2021 year-over-year, marking the third consecutive month of record retail sales. Auto sales reached a seasonally adjusted annual rate of 16.5 million units, up from 12.1 million units the prior year, according to Cox Automotive.

Crude oil prices have slowly increased to the \$55-to-\$65 range, after plummeting to historic lows into negative territory last spring, as demand recovered and production cuts by the Organization of the Petroleum Exporting Companies (OPEC) were extended. The U.S. oil and gas rig count totaled 455 units for the week of May 21, 2021, an increase of 43.0% from 318 units the same week the prior year, and an increase of 86.5% from last year's low of 244 units for the week of August 14, 2020, reflecting a slow but steady recovery in oil and gas exploration.

However, the recovery in the oil and gas sector has been somewhat muted, and producers have been working through their excess oil country tubular goods ("OCTG") inventories. As a result, the rebound in steel demand has been less driven by the oil and gas sector and more influenced by increased demand from other end-markets, such as the appliance, RV, and wind turbine markets.

The recent super-rally in metals pricing mirrors a run-up in pricing for other commodities, such as lumber, corn, and oil, supported in part by capital spending cuts on major resources in recent years and a sudden unleashing of pent-up demand earlier than expected. Current record prices have sparked fears that the current global economic recovery could soon be stymied by more persistent inflation, as the recent widespread streak of commodity price increases has begun to hamper manufacturers' profit margins and put a strain on household budgets. It remains to be seen whether inflation pressures are temporary, or whether the commodity boom will make a dent in the economy.



Carbon Steel

SCRAP

	Ferrous Shredded Scrap Price Trend
12-month	Increasing ▲
Three-month	Increasing ▲

In May 2021, the SteelBenchmarker price for U.S. shredded scrap (East of the Mississippi) reached \$451 per gross ton on May 24, 2021 up from \$266 the prior year and up from \$420 per gross ton three months earlier.

After hitting decade-high levels in December 2020 and January 2021 due to pressing demand from mills, U.S. ferrous scrap prices have remained high in recent months, despite minor fluctuations, as mills continue to ramp up steel production in an effort to meet demand.

After a dip in February 2021, ferrous scrap prices increased in March as scrap supplies tightened amid earlier severe winter weather, and given renewed export activity. Shredded scrap prices declined in April due to negotiations with mills. In May, shredded scrap prices increased, approaching decade highs. Some scrap market participants cited a recent “yo-yo market” in which scrap prices have been falling one month only to jump back up the next with the push-and-pull of negotiations.

However, ferrous scrap prices continued to rise in early June as supplies tightened with the seasonal summer slowdown while finished steel demand remained hot, placing the leverage with scrap dealers.



UTILIZATION RATES

At the onset of the COVID-19 pandemic, domestic steel mills and other manufacturers suffered shutdowns that slashed production, with U.S. steel capacity utilization rates bottoming out in the 50% range in June 2020. Since restrictions were lifted around mid-2020, U.S. steel mills steadily ramped up production in order to meet the rapid rebound in steel demand. Steel capacity utilization recently reached the rates of 80% and above that typically denote optimal mill profitability, and which were last achieved prior to the pandemic.

The AISI reported that domestic raw steel production totaled 1,836,000 net tons in the week ended May 29, 2021, up 50.1% from the same week the prior year, and up 2.4% from the previous week ended May 22, 2021. Capacity utilization reached 81.5%, up from 54.6% the prior year and 78.4% the prior week.

Adjusted year-to-date production through May 29, 2021 totaled 35,913,000 net tons at a capacity utilization rate of 78.1%, up 9.5% from 32,811,000 net tons the same period last year, when the capacity utilization rate was 69.9%.

Week Ended	Raw Steel Production (In Millions of Net Tons)	Steel Capacity Utilization
January 30, 2021	1.725	76.1%
February 27, 2021	1.749	77.2%
March 27, 2021	1.760	77.6%
April 24, 2021	1.836	78.4%
May 29, 2021	1.836	81.5%
Change vs. Prior Year	50.1%	26.9
YTD May 29, 2021	35.913	78.1%
YTD Change vs. Prior Year	9.5%	8.2

Carbon Steel

CARBON STEEL SHEET COIL

	Flat Rolled Steel Coil Price Trend
12-month	Increasing ▲
Three-month	Increasing ▲

SteelBenchmarker prices for U.S. hot rolled coil (East of the Mississippi) reached \$1,524 per net ton on May 24, 2021, increasing over the past three months from \$1,191 per net ton and more than tripling from \$501 per net ton the prior year. SteelBenchmarker prices for U.S. cold rolled coil reached \$1,715 per net ton on May 24, 2021, increasing over the past three months from \$1,328 and well above \$694 the prior year.

Steel prices skyrocketed in the first half of 2021, with hot rolled coil prices more than tripling since mid-August 2020 and reaching new all-time highs for multiple weeks in a row. After the COVID-19 pandemic spurred plant idlings and capacity curtailments across the steel industry in the first half of 2020, an earlier-than-anticipated demand rebound caused a supply imbalance, combining with higher ferrous scrap costs to boost steel prices to record levels. Although steel mills have ramped up steel production to reach optimal capacity utilization rates in an effort to meet demand, supply constraints have persisted.

The recent hot streak began as hot rolled coil prices spiked above the \$1,000 mark in January 2021, reaching levels not seen in over 10 years. With further supply tightness amid winter weather, mill outages, and higher-than-expected demand, the continued rise in prices broke records for multiple weeks in a row, surpassing \$1,650 per net ton in early June 2021. The price surge has defied predictions of a peak earlier this spring. Some analysts at Bank of America are worried that the steel boom may actually be a bubble that will burst once supplies soon catch up with demand. In some cases, demand has already scaled back due to the unappealingly high steel prices.

In addition, approximately 7.5 million tons per year of additional sheet capacity is slated to come online from Ternium's new hot-rolling mill in Mexico and Steel Dynamics' new electric-arc furnace mill in Texas, though the extra tonnage may not influence prices until well into the second half of 2021. Other instances of new capacity, including expansions at Nucor Steel Gallatin in Kentucky and North Star BlueScope in Ohio, are not expected to impact pricing until 2022, according to market analysts. It remains to be seen whether other market variables emerge to defy predictions once more, or whether the peak is indeed in sight for steel prices.

REBAR

	Rebar Price Trend
12-month	Increasing ▲
Three-month	Increasing ▲

In May 2021, U.S. Southeast rebar prices were above both prior-quarter levels and year-ago levels. Like most steel products, rebar prices continued to increase steadily in recent months, driven by limited supplies, extended lead times from mills (and in some cases, customer orders cancelled or cut by mills due to full bookings), and higher scrap costs. Mills pushed through another round of price hikes in early June, given higher scrap prices.

Although demand was tepid earlier in the year, the market has seen some panic buying given tight availability, particularly as demand rises with the seasonal construction season. Construction may accelerate with the passage of President Biden's \$2 trillion infrastructure plan.

Rebar import prices have also been on the rise, as the low availability has extended to imports from both Mexico and overseas suppliers.

Carbon Steel

STEEL PLATE

	Steel Plate Price Trend
12-month	Increasing ▲
Three-month	Increasing ▲

SteelBenchmarker prices for U.S. standard steel plate (East of the Mississippi) reached \$1,289 per net ton on May 24, 2021, increasing over the past three months from \$1,072 per net ton and more than doubling from \$637 per net ton the prior year.

Similar to flat rolled coil, plate prices have soared in recent months due to a supply crunch. In fact, market participants believe plate demand will exceed supply for much of this year. Plate mills have generally been raising prices each month this year and allocating tonnage among customers, sometimes at less than the desired volume, as order books have been filled through August in many cases. With buyers hungry for more tonnage, additional price increases are likely on the horizon.

Plate prices initially did not increase at the same rapid pace as hot rolled coil, in part because the plate market did not experience the same scope of mill shutdowns as the coil market at the onset of the pandemic. However, the gains in plate prices have accelerated in recent months, with the gap between plate prices and hot rolled coil prices shrinking. In mid-January 2021, cut-to-length plate prices were nearly \$220 per net ton below hot rolled coil prices; by mid-May 2021, they were nearly \$150 per net ton below hot rolled coil prices.

Still, it is unusual for plate prices to remain below sheet prices, reflecting the uncertain health of major plate markets such as the energy and heavy equipment sectors compared to the stronger flat rolled steel markets such as the automotive and appliance sectors.

OCTG

	J55 ERW Price Trend
12-month	Increasing ▲
Three-month	Increasing ▲

In May 2021, OCTG and line pipe prices increased versus the prior year and over recent months due to skyrocketing prices for hot rolled coil, a key raw material, and a slow but steady recovery in the oil and gas industry after COVID-19 lockdowns slashed worldwide oil demand throughout 2020. However, the pipe industry has faced challenges in passing on higher raw material costs to customers. In addition, producers have experienced supply issues, as coil suppliers have focused on serving high demand from the automotive and appliance industries while energy demand remained low.

Optimism surrounding the improvement in the oil and gas industry has led some OCTG producers to raise prices for the third quarter, with multinational tubular supplier Vallourec announcing a price hike of \$175 per ton following a second-quarter increase of \$425 per ton. Prices have also been buoyed by a healthy drop in inventory stockpiles during the first quarter of 2021, as buyers shied away from risking greater inventory positions while OCTG moved quickly with recovering demand. The U.S. Department of Commerce reported U.S. OCTG imports jumped 48.2% in March 2021 versus the prior month, while OCTG exports surged 60.9%.

Still, the industry's recovery will be tempered by operating companies' restrained capital spending and improved drilling efficiencies. In addition, the industry perceives the new presidential administration as a headwind, given President Biden's halting of the Keystone XL pipeline construction. However, the bipartisan SCALE Act of 2021, if passed, would include pipeline infrastructure to support carbon dioxide capture and sequestration.

Aluminum

	Aluminum Price Trend
12-month	Increasing ▲
Three-month	Increasing ▲

In May 2021, average London Metal Exchange (“LME”) prices for aluminum and Midwest transaction prices for grade P1020 aluminum were 66.7% and 83.1% above year-ago levels, respectively, with the recent three-month trend also increasing.

Aluminum prices began to recover in the second half of 2020 as industrial activity resumed after shutdowns at the onset of the COVID-19 pandemic and vaccine rollouts improved investor sentiment. The rally has continued as demand rebounded strongly, with benchmark aluminum prices jumping 25% between September 2020 and March 2021, according to Bloomberg, marking the largest gain over that period since 2006.

More recently, aluminum prices have approached levels not seen since 2018 as rallying prices extended amid supply concerns. China, the largest producer of aluminum, aims to cut carbon emissions, and capacity cuts for polluting smelters could constrain aluminum supplies. In addition, China reportedly is “indefinitely” suspending activity under the China-Australia Strategic Economic Dialogue, although Australia is a major producer of bauxite and alumina, the materials used to smelt aluminum. As of June 7, 2021, the LME cash price for aluminum reached \$2,418 per metric ton.

Alcoa Corp., the largest U.S. producer of aluminum, reported first-quarter earnings that surpassed analysts’ expectations and marked the highest quarterly results since 2018. Alcoa projects continued strength as the company pays down net debt with cash on hand while end-market demand is slated to increase further just as China scales back production.

Double-digit growth is expected year-over-year for sales of value-added products.

With aluminum prices on the rise, pressure is increasing for the Biden administration to end Section 232 aluminum and steel tariffs, with The Coalition of American Metal Manufacturers and Users, as well as more than 300 U.S. manufacturing businesses, submitting a letter to that effect dated May 6, 2021. This comes on the heels of the Aluminum Association’s Presidential Policy Brief earlier this year, which recommended removal of the tariffs. It remains to be seen if the continued pressure will yield results.

Meanwhile, aluminum premiums have also been climbing, with the Midwest aluminum premium reaching new record highs in late April 2021, and then early May, and again in early June. The aluminum billet premium also surpassed its previous all-time high in late April.

	Midwest Transaction Premium Trend
12-month	Increasing ▲
Three-month	Increasing ▲

Aluminum premiums have been driven up by robust demand and constrained supplies, with inventory levels shrinking, while freight costs have remained high.



Copper

	Copper Price Trend
12-month	Increasing ▲
Three-month	Increasing ▲

In May 2021, average copper prices on the LME were 94.6% above year-ago levels. Copper prices have also increased in the last three months, reaching new highs as strong demand was compounded by copper shortages and a weak U.S. dollar. Copper scrap, which accounts for nearly a third of annual global copper supplies, is also experiencing dwindling supplies, adding to the tightness in the market.

According to Kitco News, copper prices have hit all-time highs above \$10,500 per metric ton. As of June 7, 2021 the cash price for copper slipped to \$9,848 per metric ton on the LME, remaining near historic highs. Bank of America analysts suggest the world may risk “running out of copper” due to the growing deficit between supply and demand, which could push copper prices to \$13,000 per metric ton in the coming years and as much as \$20,000 per metric ton by 2025. JPMorgan is less bullish, predicting a decline back to \$7,865 per metric ton in the second half of this year.

In addition to a rebound in demand due to the broader economic recovery, copper demand has been aided by its rising use in various industrial sectors that are rapidly growing, including applications such as electrical vehicle batteries and semiconductor wiring.

Electric vehicle production is slated to increase given the global race to create a green economy, as copper is key to the electrification of the global vehicle fleet and the substantial investment in electrical grids, renewable energy infrastructure, and storage.

Sales of electrified vehicles (including hybrids) jumped 81% in the first quarter of 2021, while sales of battery-only electric vehicles increased 45%, according to Cox Automotive.

Semiconductors are currently suffering a global shortage, thanks in part to a lack of sufficient copper foil, boosting prices.

Meanwhile, copper mine supply has stagnated given mine disruptions during the pandemic and a projected slowdown in mine growth due to a deceleration in new copper discoveries, according to Goehring & Rozencwajg Associates. For the March 2021 quarter, year-over-year mine output fell 2.2% in Chile, which accounts for nearly 25% of the world's copper supply, amid a recent strike. Chile's Escondida mine, the world's largest copper mine, is believed to have reached peak production. Copper stocks in LME warehouses have also fallen, with Bank of America expecting a deficit of 186,000 metric tons this year.

The Democratic Republic of the Congo ("the Congo") may be the key to future copper supplies as the world moves toward a green economy powered by electrification rather than fossil fuels. Historically mired by political instability and issues with both transparency and infrastructure, the Congo is now home to mining magnate Robert Friedland's Kamoa-Kakula venture, which has recently begun producing copper. According to Friedland, the Congo boasts the world's best deposits of copper.

While many market participants foresee a severe copper undersupply this year, the International Copper Study Group forecasts a surplus of 79,000 tons for the global copper market in 2021, with world copper mine production, adjusted for historical disruption factors, anticipated to rise by 3.5%.

Zinc

	Zinc Price Trend
12-month	Increasing ▲
Three-month	Increasing ▲

In May 2021, average zinc prices on the LME were 51.3% above year-ago levels and have also been increasing over the past three months. After a sluggish start to the year, zinc has also felt some momentum from the metals rally that has lifted certain other base metals near or past record highs. However, zinc prices have remained more muted, given a large surplus of 486,000 metric tons in 2020, with supplies on track for a surplus of 353,000 metric tons this year, according to the International Lead and Zinc Study Group.

Although zinc mine production was negatively impacted by lockdowns in supplier countries last year, smelters still managed to increase production, while zinc usage slowed. Reuters reported that China's refined zinc imports fell 6% in 2020, marking the second consecutive year of decline.

Zinc has still benefited from recovering demand, including surging Chinese automotive sales (zinc is used to manufacture die cast components for vehicles) and the potential for zinc demand related to offshore wind power (zinc coating is used to galvanize wind turbines) as part of President Biden's infrastructure investment proposal. Although the zinc market is slated to continue improving in the wake of the recovering global economy, it will lag behind hotter metals like aluminum and copper. As of June 7, 2021, the cash price for zinc reached \$2,964 per metric ton on the LME.

Nickel

	Nickel Price Trend
12-month	Increasing ▲
Three-month	Mixed ▼

In May 2021, average nickel prices on the LME were 45.1% above year-ago levels, but reflected mixed trends over the past three months. The rally in nickel prices since mid-2020 screeched to a halt in March 2021, despite the buoyant market for most other metals, as China-based Tsingshan Group announced plans to produce battery-grade material from nickel matte, a signal of more supply to a formerly tight market. Nickel prices remained sluggish in April 2021 as the Philippines, a top producer of mined nickel, lifted its ban on new mining projects, spurring concerns about excess supply.

However, nickel prices rebounded in May 2021, given continued strong demand for stainless steel, which remains the largest industry for nickel consumption, helped along by upward momentum from most of the metals complex. Still, the price gains for nickel have lagged behind certain other base metals due to rising supplies.

According to the International Nickel Study Group, the nickel market is expected to log a surplus of 45,000 tons in 2021, following a surplus of 108,000 tons in 2020. Indonesian mine output surged 53% in the first two months of 2021 and will likely be processed and fed through domestic refiners to produce ferroalloys and refined nickel in the coming months. As of June 7, 2021, the cash price for nickel reached \$17,625 per metric ton on the LME. Despite the slower growth in nickel pricing due to readily available supplies, the three-month nickel price on the LME is still anticipated to increase in 2021 versus the prior year as demand continues to grow.

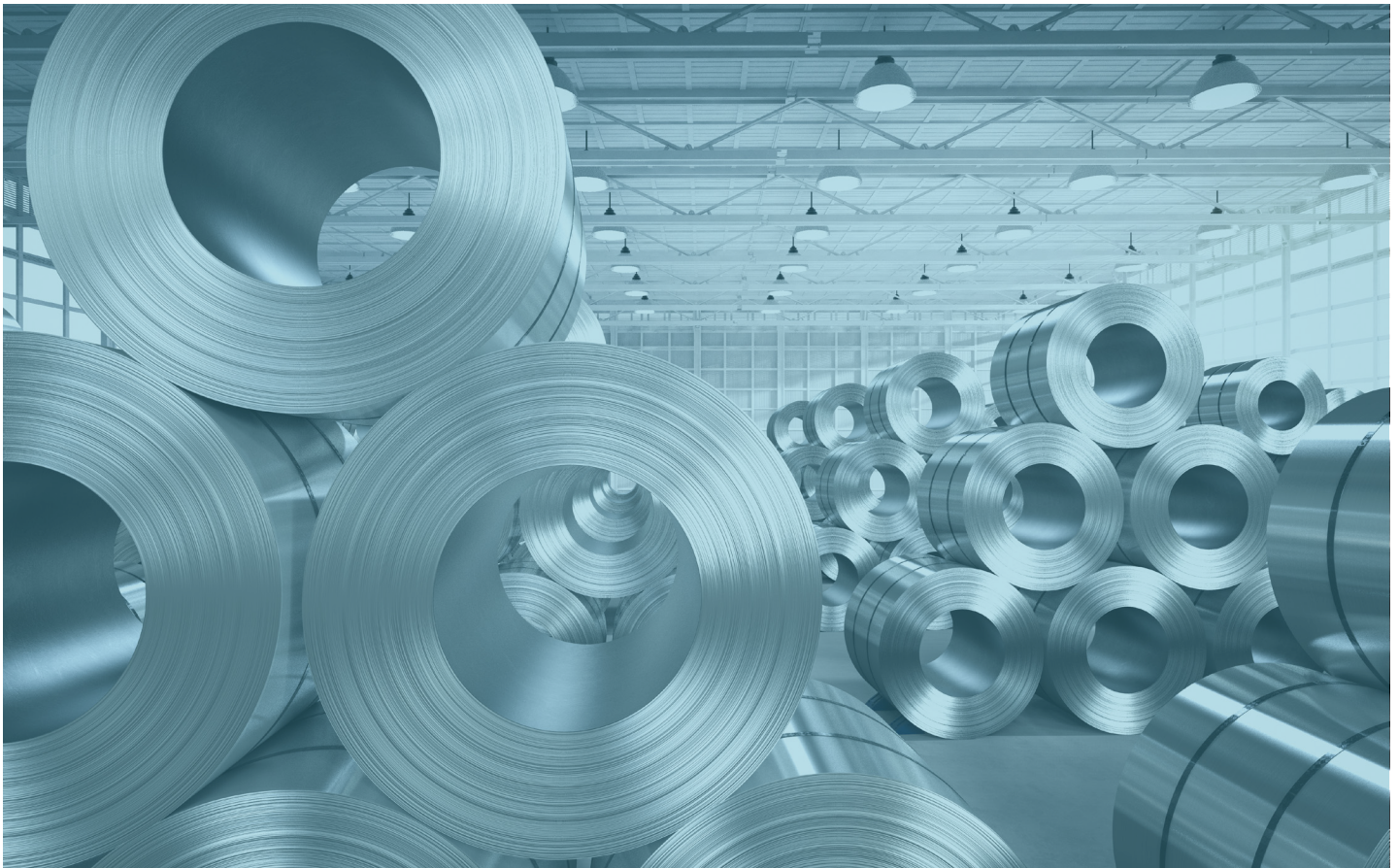
Stainless Steel

	Stainless Steel Price Trend
12-month	Increasing ▲
Three-month	Mixed ▲▼

In May 2021, stainless steel prices were above year-ago levels, but reflect mixed trends over the past three months. After a dip in March 2021 due to lower nickel surcharges, stainless steel prices climbed in April and May due to rising demand and tightening supplies, as well as higher surcharges for Type 304 material given increasing chrome and manganese costs; however, surcharges fell for Type 316 material, given lower nickel prices in April.

U.S. stainless steel producers have reduced their price discounts in recent months, with another reduction announced by North American Stainless effective with shipments on June 1, essentially raising prices.

Like other metals, the recovery in demand for stainless steel was quicker than expected, leading to supply chain bottlenecks after months of destocking during the height of the pandemic. In particular, 300 and 400 series stainless steel coil intended for the automotive and white goods sectors experienced dramatically low inventory levels, with many stainless steel buyers citing inventory levels at multi-year lows. U.S. mills are playing catch-up, resulting in delivery delays, with some local steelmakers denying requests for more material.



Monitor Information

The *Metals Monitor* provides market value trends in both ferrous and non-ferrous metals. The commodity nature of steel scrap, aluminum ingot, copper cathode, zinc, and nickel often results in volatile market values. Our *Metals Monitor* reflects pricing and market trends in order to reflect significant developments in the metals markets. The information contained herein is based on a composite of B. Riley Advisory Services' industry expertise, contact with industry personnel, industry publications, liquidation and appraisal experience, and data compiled from a variety of well-respected sources.

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Experience

B. Riley Advisory Services' extensive record of metals inventory valuations features companies throughout the entire metal supply chain, including foreign and domestic metal- and steel-producing mills; metal converters that produce tubing and pipe, as well as expanded, grating, and perforated metal types; metal service centers/processors and distributors; structural and custom fabricators and stampers; manufacturers that utilize metals as raw materials; and scrap yards, recyclers, dealers, and brokers. B. Riley Advisory Services has also appraised precious and specialty metals. B. Riley Advisory Services has appraised metal products with applications in a wide variety of industries.

A sampling of B. Riley Advisory Services' extensive appraisal experience includes:

- Steel mini-mills and producers of flat rolled steel products.
- Globally recognized vertically integrated manufacturers and distributors of steel tube, including OCTG.
- A vertically integrated producer of aluminum with over \$1 billion in sales annually and over \$130 million in inventory.
- A number of the largest scrap recycling processors in the U.S.
- Well-known service centers across the nation, including a multi-division full-line steel service center.

Moreover, B. Riley Wholesale & Industrial Solutions has liquidated a number of companies with metal products, including Charleston Aluminum, Advanced Composites, Aluminum Skylight & Specialty Corporation, Anello Corporation, Apex Pattern, Balox Fabricators, BJS Industries, Buckner Foundry, Crown City Plating, GE Roto Flow, Laird Technology, Maddox Metal Works, Miller Pacific Steel, R.D. Black Sheet Metal, Valley Brass Foundry, and Southline Steel. B. Riley Wholesale & Industrial Solutions has also been involved in liquidations of metalworking equipment for companies such as Adams Campbell Company, CAMtech Precision Manufacturing, Inc., Gregg Industries, Inc., International Piping Systems, Heat Transfer Products, PMC Machining and Manufacturing, Sherrill Manufacturing, Trans-Matic Manufacturing, Veristeel, Inc., and Weiland Steel, Inc. In addition, B. Riley Advisory Services maintains a staff of experienced metals experts with personal contacts within the metals industry that we utilize for insight and perspective on recovery values.

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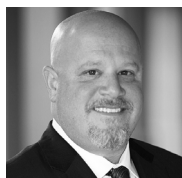
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About B. Riley Advisory Services

B. Riley Advisory Services works with lenders, law firms, private equity sponsors and companies of all types. Our Advisory Services are a unique mix of Valuation and Appraisal Services including asset-based lending (ABL) Valuations; Restructuring and Turnaround Management; Forensic Accounting and Litigation Support; Operations Management; Compliance, Risk & Resilience Services; and Transaction Support Services including Due Diligence and Quality of Earnings Reviews. B. Riley Advisory Services is the trade name for GlassRatner Advisory & Capital Group, LLC, Great American Group Advisory & Valuation Services, LLC, Great American Group Machinery & Equipment, LLC, and Great American Group Intellectual Property, LLC.

B. Riley Advisory Services is a founding member of BTG Global Advisory (BTG GA) which is one of the world's largest specialist independent financial advisory alliances. BTG GA covers all continents as well as multiple off-shore centres, and is a trusted advisor to many leading banks, law firms, private equity and other funds, bankruptcy debtors and creditor committees, operating companies, and other parties affected by dis-tress. BTG GA is multidisciplinary, offering a broad range of professional services necessary to

provide solutions to business problems. Its members include restructuring advisors and insolvency specialists; turnaround directors, workout and profit improvement consultants; forensics investigators and other litigation support professionals; and investment banking/M&A transaction advisors amongst other specialists.

ABOUT B. RILEY FINANCIAL

B. Riley Financial (NASDAQ: RILY) provides collaborative financial services solutions tailored to fit the capital raising, business, operational, and financial advisory needs of its clients and partners. B. Riley Financial operates through several subsidiaries that offer a diverse range of complementary end-to-end capabilities spanning investment banking and institutional brokerage, private wealth and investment management, financial consulting, corporate restructuring, operations management, risk and compliance, due diligence, forensic accounting, litigation support, appraisal and valuation, auction and liquidation services. B. Riley Financial is headquartered in Los Angeles with offices in major U.S. markets as well as an international footprint. For more information on B. Riley Financial, please visit www.brileyfin.com.



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Capitalize On The B. Riley Difference

B. Riley Financial (“B. Riley”) companies provide tailored financial solutions to meet the strategic, operational, financial advisory and capital needs of its clients. Our diverse suite of business capabilities goes beyond traditional financial service offerings. By leveraging cross-platform expertise and assets, our companies are uniquely positioned to provide full service, collaborative solutions at every stage of the business life cycle.

In February 2021, B. Riley acquired National Holdings Corporation. The combination created an enhanced wealth management platform and added over 700 registered representatives managing approximately \$20 billion in client assets. As a result of the acquisition, we have a synergistic footprint with offices now expanding from coast to coast.

ADVISORY SERVICES

Provides specialty financial advisory services to address complex business problems and board level agenda items.

- Appraisal & Valuation Services
- Compliance, Risk & Resilience Services
- Forensic Accounting & Litigation Support
- Operations Management Services
- Restructuring & Turnaround Management
- Transaction Support

INVESTMENT BANKING & CAPITAL MARKETS

Provides a full suite of investment banking, corporate finance, advisory, research, and sales and trading services for middle-market public and private companies.

- Capital Markets
- Restructuring & Recapitalization
- Merger & Acquisition (M&A) Advisory
- Sales & Trading
- Equity Research

PRINCIPAL INVESTMENTS

Develops investment opportunities through the acquisition and/or restructuring of companies and corporate assets that present attractive cash-flow driven returns.

REAL ESTATE SOLUTIONS

Dedicated practice group that provides real estate advisory and valuation services in the U.S. and abroad.

- Acquisitions & Sales
- Auctions
- Financial Advisory Services
- Liquidations & Loan Sales
- Principal Investments & Financing

RETAIL SOLUTIONS

Retail restructuring, advisory and disposition solutions that help retailers maximize their retail store portfolios and inventory positions, as well as a real estate services vertical focused on maximizing distressed real estate values.

- Dispositions
- Inventory Clearance
- Appraisal & Valuation Services
- Real Estate Solutions

SPONSORS COVERAGE

Provides dedicated resources that drive value with the firm’s alternative asset manager clients by developing and maintaining relationships with middle market financial sponsors.

VENTURE CAPITAL

Invests in late-stage private growth companies with a path towards public markets.

WEALTH MANAGEMENT

Strategic financial advisory services to address the various needs of individuals, families, business owners, foundations and endowments.

- Individual Client Services
- Business Client Service

WHOLESALE & INDUSTRIAL SOLUTIONS

Provides equipment management and capital recovery solutions through a suite of services in various industries.

- Auctions, Private Treaty & Liquidation
- Valuations
- Asset Planning & Recovery Strategies