

# ArcelorMittal ready to break even – CEO

JIM JONES

ARCELORMITTAL'S South African CEO, "Nku" Nyembezi-Heita, believes the local steel maker will emerge from losses into break-even in this year's first quarter. That was her concluding prediction in a presentation of the company's 2012 annual results.

It's not a predicted return to measurable profit, but it is "at least better than nothing" according to one analyst. Nyembezi-Heita said that the recovery would be based on increased domestic sales as users re-stocked and on higher international steel prices. ArcelorMittal uses import-parity calculations to price its domestic sales and, therefore, benefits from rand weakness.

Last year steel sales volumes fell by 5% as users de-stocked during the second half and as absolute demand was affected, inter alia, by slowing construction and infrastructure spends.

But rand-denominated prices rose by 7%, allowing sales revenue to rise by a fractional 2.7% to R32.3bn. But by the time higher raw materials, labour, power costs and depreciation had taken

their toll, the company was left with a headline loss of R518m.

Virtually every adverse movement in costs was due to external circumstances that management might not have controlled. The same went on the sales side, though another analyst argues that the slide in sales volumes might have been countered by more-aggressive pricing to regain market share being lost to increased imports of competitively-priced products.

Nyembezi-Heita does not mention the likely effects of looming electricity price increases in her prediction of an exit from losses. In 2012 electricity prices rose by 16%, contributing, along with environmental compliances, to the closure of the Vanderbijlpark electric hearth furnaces in the year's final quarter. The Vanderbijlpark furnaces did not comply with the terms of their environmental licences and were taken out of operation before closure was forcibly applied. The company is actively contesting the environmental findings.

Overall utilisation ran at 66% of liquid steel capacity last year. By the year's final quarter utilisation was a little bet-



**LOOKING UP: ArcelorMittal's Nonkululeko Nyembezi-Heita is upbeat about the steel maker bouncing back.** PICTURE: GALLO IMAGES

ter (53%) than half of capacity. This year the figure should change as the Vanderbijlpark furnace closures have cut total liquid capacity to an annual 6.5Mt from 8Mt, though Nyembezi-Heita is silent on the closures' likely effects on operational costs.

ArcelorMittal's South African opera-

tions were a microcosm of the global group's in 2012 as the overall group stumbled into the red, largely due to falling sales in Europe and difficulties in closing steel mills on that continent. Neither the local arm nor the parent has declared a dividend.

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