

MT Earnings Call Transcript

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Quarter: 3

Daniel Fairclough: Hi. Good afternoon, everyone. This is Daniel Fairclough from the ArcelorMittal Investor Relations team. Thank you for joining this call to discuss ArcelorMittal's performance and progress during the third quarter of 2025. Leading today's call will be our Group CFO, Mr. Genuino Christino. Before we begin, I would like to mention a few housekeeping items. As usual, we will not be going through the results presentation, which was published this morning on our website. However, I do want to draw your attention to the disclaimers on Slide 20 of that presentation. As usual, Genuino will make some opening remarks before we move directly to the Q&A session. [Operator Instructions] Over to you, Genuino.

Genuino Christino: Thanks, Daniel, and welcome, everyone, and thanks for joining today's call. As usual, I will keep my remarks brief, beginning with safety, a core value for our company. The company is completing the first year of its 3-year transformation program, supporting ArcelorMittal's journey to be a zero fatality and serious injury company. The first year has focused on building the foundations for improvement across the business, and I'm encouraged by the progress we are making. We are already observing an improvement in the frequency of serious injuries and fatalities compared to last year. But there is more to be done, and there is clear determination across the entire company to implement the bespoke safety road maps that have been developed to drive lasting change. Now I want to focus this quarter on 3 key points. First and foremost, our results continue to demonstrate structural improvements. Third quarter EBITDA per tonne was \$111. This is 25% above our historical average margin. To be achieving such improved margins at what we believe to be the bottom of the cycle demonstrates the positive impact that our asset optimization and growth strategy is having. Our strategic projects, together with the impacts of recently completed M&A; will support structurally higher margins and returns on capital employed through the cycle. We remain on track to capture \$0.7 billion structural EBITDA improvement this year, and the expected medium-term impact of \$2.1 billion remains unchanged. My second point is on free cash flow. Our underlying business continues to generate healthy cash flows. Excluding working capital, 9 months free cash flow was approximately \$0.5 billion positive. Remember, this is after having invested close to \$1 billion in our strategic growth projects. As we head into year-end, I expect that working capital investment will unwind as it normally does. This supports the positive outlook for free cash flow and lower net debt. And then my final point is on the positive outlook for our business. Relative to where we were 3 months ago, the outlook for our business has clearly improved. We welcome the new trade tool proposed by the European Commission. They will support a more sustainable European steel sector, returning the industry to healthier capacity utilization levels. The proposal must now be transposed into legislation as fast as possible. And together with an effective CBAM, this can provide a solid foundation for our European business to earn its cost of capital as we have been achieving in other regions. With our advanced product offering and strong market franchises, we are well equipped to seize new structural opportunities and translate them into profitable growth. As a company, ArcelorMittal is actively enabling the energy transition. We are supplying the steel required for new energy and mobility systems and the steel required for infrastructure development. We are investing in high-quality, high-margin electrical steels and building a competitive renewable energy portfolio. Putting this all together, ArcelorMittal is in a strong position, both operationally and financially. We have a unique diversified asset base across geographies and

end markets. We are delivering structurally higher margins, supported by an optimized asset portfolio and execution of our strategic growth projects. We have momentum and our growth will continue. We will continue to implement our clearly defined capital return policies. It is working well, allowing us over the past 5 years to grow our dividend at a compound rate of 16% as well as repurchase 38% of our equity. Each ArcelorMittal share now represents a greater proportion of our capacity, a bigger share of our leading franchise businesses, a larger stake in our growth projects and a greater ownership of our unique business in India. With that, Daniel, let's move to Q&As.;

Daniel Fairclough: Great. Thank you, Genuino. We have a good queue of questions in front of us. [Operator Instructions] But we will take the first question, please, from Alain at Morgan Stanley.

Alain Gabriel: Genuino, I have two questions. I'll ask them one at a time. So the first one is looking forward to 2026 and before we take into account any impact from CBAM or the new safeguard, what are the unusual or exceptional costs that we need to consider while building our EBITDA bridge into next year? And I'm thinking here more the incurred U.S. tariff costs year-to-date, the stoppages in Mexico, et cetera. That's my first question.

Genuino Christino: Okay. Sure, Alain. Well, thinking about 2023 in terms of exceptionals. So right now, I cannot really point to you when it comes to tariffs that we are seeing change, right? We will see, of course, in 2026, as we know, we have the USMCA. And I'm sure the negotiations between Canada, U.S., Mexico will continue. But of course, we have to wait and see how -- what comes out of the negotiations, right? Then clearly, we have the losses in Mexico, and we do expect that they will not reoccur in 2026. And that's really in terms of exceptionals, that's what I see. Of course, when you think about the bridge for 2026, there are many positives that we could potentially talk about, right? One is the contribution from our projects. So we have another about \$800 million coming in 2026. We just saw also the first forecast of the World Steel Association in terms of demand for next year. I think we will start to see some of the benefits of the lower interest rates impacting the economies. We are seeing PMIs in Europe recovering. As we know, demand has been just moving sideways in most of our core regions. And I think there is hope that we might see a better picture next year also in terms of demand. I don't know, Daniel, if I'm missing something, if you want to complement?

Daniel Fairclough: Thanks Genuino. So all I was going to do is perhaps just adding the numbers for Mexico. So if you recall back to the Q2 conference call, at Q2 results, we talked about a \$40 million impact from costs and operational costs in Q2. In our release today, you will see a number for Mexico of \$90 million. And then in Q4, things should improve, but there will still be a cost in Q4 of maybe \$60 million, \$65 million. So as Genuino said, that shouldn't recur in 2026. So then when you think about the bridge from 2025 to 2026, that is close to about \$200 million there from nonrecurrence of Mexico.

Alain Gabriel: That's very clear. And the second question is in Europe, you currently ship around 30 million tonnes of finished steel. If the safeguards work next year as intended or designed and imports dramatically reduce, how much can you flex your production in the near and medium term after taking into account the restart costs, the purchase of CO2 allowances, et cetera? So in other words, what is your achievable Blue Sky shipments in Europe if we go into that scenario where imports decline dramatically?

Genuino Christino: Well, the way we see it, I mean, we do expect to be able to supply the market. I mean, as we all know, the expectation looking at the numbers, I mean there is an expectation that imports will come down by about 40% and flat as we saw, right? And it's not a secret that our market, it's about 30%. So we don't see any problems to make sure that we can capture that part of our market share. And you know, I mean, you have that also in our back book. So our capacity in Europe is way in excess of 31 -- 30 million tonnes that we are currently producing. So we feel very comfortable here to be in a position to supply the market when these new measures are in place.

Daniel Fairclough: Great. So we will move now to the next question, which we're going to take from Tom at Barclays.

Tom Zhang: Two for me as well. The first one, just the usual one on the kind of moving parts, maybe, please, into Q4 by division? And any color around realized pricing, volumes, that kind of stuff.

Genuino Christino: Do you want to take it, Daniel?

Daniel Fairclough: Yes, sure, Genuino. So when we look at the bridge from the third quarter to the fourth quarter, I think it's pretty simple. I think there are really 3 key building blocks for you to be thinking

about. The first, of course, is the normal seasonal improvement in European volumes. The second factor or the second building block would be higher iron ore shipments. So as Genuino was talking about, we have good momentum in our strategic projects. So we're well on track to achieve the targeted 10 million tonnes of shipments in Liberia. And so that will be a nice increment in the fourth quarter. And then the third building block would be North America. So we would expect normal seasonality in volumes. So we do have 2 holidays in the fourth quarter. So normally, volumes are seasonally weaker in the NAFTA segment. If you look at pricing and if you just purely on a sort of a 2-month lagged basis, pricing should be lower in the fourth quarter than the third quarter, but that's going to be slightly offset by the improvement in our Mexican operations, which we just talked about in Alain's question. So those would be the 3 key building blocks: seasonally higher volumes in Europe, higher shipments in mining from the Liberia expansion and seasonally lower volumes and lower lag prices in the North America segment.

Tom Zhang: Great. And then maybe just following up on North America. I mean, is there anything else that you guys would call out for the print in Q3, which I guess was very strong despite the sort of additional Mexico outages. I know you've added Calvert, but I guess, on the consolidation numbers you've given before, that was maybe sort of \$60 million a quarter of incremental EBITDA contribution. So maybe that offsets the hit from Mexico, but U.S. spot pricing has been drifting. There's obviously extra tariff costs. Was there anything on either the cost side, the mix side that you flagged for North America?

Genuino Christino: Yes, Tom. So first of all, we had a record level of shipments at Calvert. Calvert doing extremely well. So I would suggest that the contribution was a bit higher than what you referred to. Our Canadian team is also doing a very good job in managing what they can. Costs, there is a very high focus on making sure that we take cost out. So that is also supporting the results in quarter 3. So you have the strong operations in Calvert, you have strong operations in Canada in both of the facilities in the [Long] facility as well. So we have also a good contribution from some of the other business, our HBI DRI plant in Texas also performing well. So I think we have -- except for, of course, the problems in Mexico, we have our franchise business in North America operating quite, quite well.

Daniel Fairclough: So we will move now to the next question, which we're going to take from Cole at Jefferies.

Cole Hathorn: I'd just like to ask on the CapEx profile medium term and the envelope that you're thinking about because you do have a number of strategic projects in the pipeline. How should we think about broad buckets for CapEx '25, '26, '27? Any broad-based guidance you can provide? And then following up on working capital, it's a strong improvement into the fourth quarter coming back, but I imagine as you look into 2026, hopefully, we will benefit from a stronger pricing environment. And I'm just wondering how you're thinking about working capital into 2026. Are you hoping for kind of working capital outflows and stronger pricing and demand environment for 2026?

Genuino Christino: So in terms of CapEx, what we have been saying is -- and then, of course, we are now -- we're going to be actually just -- we're going to be starting our budget discussions for 2026 and beyond. But what we have been saying is that the range that you have -- that we have been using over the last couple of years between \$4.5 billion and \$5 billion, including strategic sustaining maintenance, that is a good reference for now. So I would encourage you to keep that as your reference. And then I'm sure in Q4, we will be updating you with more details, but it's a good reference. In terms of working capital, I hope you're right. I mean I hope that in 2026, we have to deploy working capital because then it means that the business is strong. It's performing well. Prices are moving in the right direction, volumes as well. What we try to encourage is you should think about working capital moving in line with our EBITDA, right? So if you believe that if you have for 2026 high EBITDA numbers, then it would be fair to expect that there will be potential investments in working capital, which is something that we would see as positive.

Cole Hathorn: And then maybe just as a follow-up, have you seen any changes in order books? Or how are you managing your order book for the start of 2026? Are you keeping some availability for higher prices? Or how are you seeing your order book develop into 2026?

Genuino Christino: Well, as we talked about, the demand has been moving sideways, right? So we -- and our order book remains relatively stable, right? So we have segments doing better than others. The

order books are relatively stable across the group. We are not doing anything special to try to anticipate a stronger 2026 other than making sure that we allow the business to keep the working capital that they need so that they can benefit from a stronger 2026 that we hope will materialize. So that's really how we are planning. And yes, that's how we are seeing it so far.

Daniel Fairclough: Great. So we're going to move to the next question, which we'll take from Reinhardt at Bank of America.

Reinhardt van der Walt: Can you hear me?

Daniel Fairclough: Yes, we can. Go ahead.

Reinhardt van der Walt: I just want to ask on capital allocation. So if the safeguard replacements in Europe come through in their proposed form, how would you think about Europe from a capital allocation point of view? And I don't want to necessarily draw into discussion about sort of decarbonization investment in CBAM. But just from a purely economic perspective, you talk about organic growth. Do you think Europe could be a home for capital in the future if we get this framework?

Genuino Christino: I think you touched on it. I mean this is an important framework, right? And then what we are talking about is that this framework should allow the industry to be sustainable, to earn its cost of capital. And when you achieve that, then you are in a position to consider then investments. And that's exactly where we are. And so we are encouraged by these new measures. Of course, still waiting for the implementation. We still need to hear more about CBAM as we all know. And then the last piece of the equation is, of course, energy, energy cost. So I think once we have that framework very clear, then we're going to be in a position to move forward. And as we discussed before, this will happen gradually, right? So you should not expect ArcelorMittal launch a number of simultaneous projects. It will happen gradually. This is going to be a multiyear journey.

Reinhardt van der Walt: Understood. That's very helpful. And could you just remind me, I mean, you mentioned the business in Europe could potentially return to its cost of capital. Could you just remind us what exactly is the installed capital base of the European business?

Genuino Christino: Well, I don't think this is something that we are very specifically disclosing, Daniel?

Daniel Fairclough: No, you're right, Genuino. It's not something that's broken out in our financials.

Reinhardt van der Walt: Okay. No, that's fine. Maybe just one last quick one, Genuino. You mentioned that you've got the capacity to be able to deliver effectively your share of the 10 million tonnes. Can I just see what kind of costs you might need to incur in order to bring that capacity to market? I mean I appreciate it's there, but could you just maybe talk through some of the costs that you need to incur to actually get that utilization up?

Genuino Christino: Yes. Well, it's a good point. And I would break it down into 2 components or 2 parts, right? First is, so you have the fixed cost part. So in a number of facilities, we're going to be able to leverage the fixed cost that we have, right? So you're just going to be running at a higher capacity. So you benefit on the fixed cost side. But then in such cases, normally, what you're going to see also, it's an increase in your variable costs, including then CO2 cost, right? If you want to improve your productivity, you might need to charge higher quality materials, pellets, more pellets. So that will be -- you should expect that to have an impact as well. So I would just encourage you to think about the 2 components.

Daniel Fairclough: So we'll move now to a question from Timna at Wells Fargo.

Timna Tanners: I wanted to ask two things. One, just kind of probing a little bit more your efforts to mitigate the tariff costs and specifically how you're approaching the annual contract negotiations with automakers at Dofasco? And then a separate question, just if I missed it, I apologize. I was just wondering if you commented on why not -- why there weren't any buybacks in the quarter.

Genuino Christino: Yes. So we continue to renew our contracts, our OEM contracts. So we just -- we're basically almost done now for part of first half of next year. So signing even more than a 1-year contract. So I think fundamentally, our customers, so they like the product. They like what they get from Dofasco. So I think there is very good cooperation between us and our customers there. So we don't expect really here significant change in terms of -- looking at our North America business in terms of volumes going to automotive, of course, other than if we have lower production next year, which we are not talking about, but just because of renegotiations, we are not really expecting significant change in the overall volumes going to automotive. And in terms of buybacks, there is not really much more I

have to say. And as you know, we have a very clear policy, and we believe that is a differential. I mean not all of our competitors will have a very clear policy. And I think we were in a way, lucky. We did a lot of buybacks at the very beginning of the year when the share price was still low. And all I would say is that you should expect that the company will -- on that policy, that 50% of the free cash after paying dividends will be distributed to shareholders. I would just also add that the policy is working quite well. I mean we talked about 38%. So we did 9 million shares this year already. And we have a very low average price. So we are really creating a lot of value to our shareholders. Daniel, if you want to complement?

Daniel Fairclough: Yes. Thanks, Genuino. I think that was very complete. So we will move to the next question, which we will take from Tristan at BNP.

Tristan Gresser: First one is on working capital. Just wanted to see how confident you are on the almost \$2 billion of release that you expect in Q4? And what should be driving that? Is there any impact from outages at Fos or Mexico? And isn't there a risk of reducing inventories a bit too much and missing the recovery in Q1? And if you can discuss that as well. Is that not your base case that notably in Europe, you'll see a bit of a pickup in Q1? And also if you can comment on the CBAM uncertainty. And does that have any impact on your order book in Europe and pushing more buyers towards local producer? That's my first question.

Genuino Christino: Yes. So we -- the working capital release in Q4 to some extent, it's seasonal, right? I mean, as we know, we have just less working days in December. So that will have an impact on how much receivables we carry at the end of the year, right? And then if you look also, we had a reduction in payables. So as we prepare actually for potentially a stronger 2026, so we start also increasing, and that should also start to normalize. And you're right. So there are a couple of one-offs such as the fact that we are not able -- we are not producing as standard in Mexico, some accumulation of raw materials that should also start to normalize, right? We have the reline of our Dunkirk blast furnace, which is also then in the process for now. We are normalizing the inventory of slabs. So yes, we are very confident that you're going to see a significant release of working capital as was also the case last year. So if you go back to 2024, you're going to see something very, very similar. And you're right. So we have a concern here not to squeeze the working capital that is available to the business. And that's why what you're going to really see is more on the receivables side and payable side, not so much in terms of inventories.

Tristan Gresser: Okay. No, that's clear. And just following up then on Europe and with the steel action plan, do you believe that there is a possibility of seeing the new quotas implemented before July next year? And to come back to my earlier question, what kind of environment do you see in Q1? If the quotas are not implemented in January, April, but in July, do you see a risk of import surging? Yes, and if you could comment a little bit on your order books in Europe, if you're starting to see a bit more activity there, that would be helpful.

Genuino Christino: Yes. Well, in terms of timing of implementation, so when we discuss internally, I think there is still hope that we might actually see it earlier. And I think that's quite important, and that's really the efforts in terms of making sure that the parliament and the council, they understand the urgency of having these measures implemented as soon as possible. So even though it's challenging, I think there is still hope that we may see this implemented earlier. But of course, we have to wait and see. One thing is for sure, though, I mean, of course, we don't even don't yet know for sure all the details of CBAM. But CBAM for sure is effective already from 1st of Jan, right? And then we will see what are the final terms. But that alone should already at least bring the -- make the imports less competitive. And then in terms of order book, I think we discussed, I mean, order books are at -- they are not higher than normal. I think it's just as we are seeing demand for now at least kind of moving sideways, demand -- the order book is relatively stable.

Daniel Fairclough: Great. So we'll move now to take a question from Max at ODDO.

Maxime Kogge: So my first question is on Mexico. So this is an asset where you have had a number of issues over the recent past. So there was this illegal blockade last year. There was the outage on the EAF earlier this year, and now there's this problem on the DRI plant. So how confident are you basically that the asset can return to a normalized productivity and performance and that on a recurring basis from next year?

Genuino Christino: Yes. That's a fair question. And then, of course, we are not pleased. Some of the problems that we are facing this year, they are still a result of the legal blockade that happened last year. And what we are doing right now is really reviewing all of our SOPs. So we have our engineers, we have our CTO group going through all the procedures, making sure that we avoid repetition of some of these issues. So I'm very confident that with the support of the group, CTO and local team also very engaged, we're not going to have a repetition of some of these operational issues in Mexico.

Maxime Kogge: Okay. And then a second question is on the import pressure in Brazil and India, which seems to be quite high at the moment, and it's reflected in very low prices. So it seems that the authorities there are not really willing to tackle the situation at this stage. So how are you confident that this will be the case? And would you be ready to scale back your investments in Brazil if that's not the case, given that I think one of your competitor has done such a move and Brazil is still the biggest region where you invest at the moment if we leave aside Liberia.

Genuino Christino: Yes. Look, I mean, mid- to long term, we continue to be bullish on Brazil. We will continue to invest. You're right that we have seen imports rising in Brazil. And there is also a very close dialogue with the government showing what the governments are doing around the globe, right? And what is encouraging is we have a number of antidumping measures that should start to have an impact, we believe by end of this year or beginning of next year. So we have antidumping against China on cold rolled, which, of course, are products that we are selling domestically. So that should have a positive impact. I think the system, the way it is designed today, it also allows for -- if we see surges in other products that we can also then look to add them to the quota systems that we have in place today. We have seen a reduction of imports already in quarter 3 compared to quarter 2. So we'll see, but I think the fact that we have the antidumping is important, showing that the government is also concerned. Local mills, as we know, announced price increase as well beginning of the quarter, we'll see how it plays out. And India, I would say that demand continues to be extremely good, strong, rising, strong economic performance. You're right that prices are low, that the, I would say, -- there is also the impact of the new capacity that normally takes a while to be absorbed. So we are going through that process right now. But I think we can also be optimistic for the near term.

Maxime Kogge: Okay. And just perhaps the last one is on Ukraine. It seems that the challenges there have gone bigger in recent months in terms of railways, in terms of electricity costs. So is there a point where you will consider shutting down production entirely? Or are you still committed to maintaining production as it is for the time being?

Genuino Christino: Yes. The situation in Ukraine, you're right. So we are running today at basically at capacity that is available to us. So we are running 2 furnaces. So the trend is EBITDA positive. We are not yet free cash flow neutral as we discussed before, right? And the key issue for us remains the high energy costs. So again, here, we are trying to engage in discussions with the government to show the importance to bring that to levels that are -- that will allow the industry to be sustainable even in this very challenging conditions of the war. We'll see. But for now, the plan is to continue to produce. We have the mining operations that are also close to capacity. So we are able to sell the iron ore to our own mills either in Europe or to third parties outside. So yes, I think it's -- for now, we are managing through a very challenging situation.

Daniel Fairclough: So we'll move now to take the next question, which is going to be from Bastian at Deutsche Bank.

Bastian Synagowitz: My first one is on Europe, and can I please come back on the situation here in the context of the policy plans? So when you look at the European capacity landscape, do you believe that the current capacity, which is in operation, would be enough to pick up the additional market share, which the domestic industry would likely absorb from the imports? Or would this 10 million tonnes, which you referred to in the chart require idle capacity to restart? And then maybe just as a quick add-on to that, are you generally more positive on the volume or the price leverage for your business from the policy, which has been laid out? Those are my first questions.

Genuino Christino: Yes. Well, I think in terms of -- as we know, I mean, and that was also made very clear by Europe, by the commission. As we know, the capacity utilization in Europe today is low. And that's the whole idea behind some of these trade actions to allow the industry to regain a level that is

more sustainable, right? And I think, Bastian, it will depend on where you are in Europe, right? So there can be cases where you're going to need to bring some idle capacity. And then, of course, costs are going to be also higher because you're not going to have the benefit of the fixed cost, right? So it's difficult to be very precise on that. And for us, I think it's -- I guess what is important here is really to make sure that the industry can run at a decent level of capacity utilization, right? I think that's the whole idea because then, you can earn your cost of capital, you can optimize your fixed cost base, your cost base, et cetera, et cetera. So that's how we are seeing it.

Bastian Synagowitz: Okay. And just in terms of the leverage for your own business, when you look at the gives and takes, are you more positive on the price effect? Or are you more positive on the volume impact on your earnings contribution?

Genuino Christino: Well, I want to be drawn on that. I think for us, as I said, what is important is that we can run our facilities at a higher capacity utilization, right? And that should be then, if you have less imports, which as we know today, the cost or the price of imports is so low, right? Daniel, do you want to add anything to this question?

Daniel Fairclough: Yes. So I think like you're saying, it's very difficult to isolate the sort of contribution of the fixed cost absorption, the sort of operating leverage or the impact of just higher industry utilization on spreads. But I think I'm sure you've analyzed this in the past that, Bastian, there's a good correlation between spreads and utilization. So there should be 2 factors, and those 2 factors should contribute to what Genuino is talking about, our business in Europe, the industry in Europe being in a position to covers cost of capital. And that's ultimately the objective here.

Bastian Synagowitz: Okay. Sounds good. And my next question is on North America. And I guess one of your Canadian peers here is heavily loss-making. Could you maybe give us a bit of color on how Dofasco is actually performing on a single entity basis? And are you still making money there?

Genuino Christino: Yes, absolutely. Dofasco is one of the best facilities in the world. And so it's still very much profitable.

Bastian Synagowitz: Okay. Great. And then very last question, just on your expansion strategy in Hazira. Is that on track? And just, I guess, given what you discussed earlier in terms of the capacity, which has been brought on already this year. Do you think the market is ready for the ramp-up next year as you're planning it?

Genuino Christino: Yes. I think, first of all, our projects are ongoing and going well. So we're going to be, as we discussed, commissioning some of the finishing lines still later this year, beginning of next year. And then during 2026, we're going to be completing the upstream, including coke batteries. And a lot of the new capacity has just come down. So I think we're going to be in a good position to ramp up our own capacity. So allowing some time so the market can absorb that. So I think in terms of timing, it looks good, Bastian.

Daniel Fairclough: Great. So we still have a few more questions to take, Genuino. So the first of those we will take from Dominic at JPMorgan.

Dominic O'Kane: Just a couple of quick questions on, again, sort of real-time indicators of demand. You obviously have a seasonal slowdown in the North American market. But are you seeing any visible signs of kind of new pockets of weakness in the U.S., particularly given the government shutdown? And then my second question relates to Europe and the auto segment. Do you have any insight you can share with regards to how you're approaching contracts moving into January?

Genuino Christino: Yes. So starting with the U.S., you're right. So I think overall, we all know the numbers, right? So the demand moving sideways. But I would say that when I look at our business, Calvert is running absolutely full. We had record levels of production shipments, right? So the 2 segments where we are very much focused, the energy, automotive doing relatively well. And then when it comes to Canada and Mexico, I think that's where we also see some potential because, of course, the demand domestically, let's forget tariffs for a moment, also significantly impacted, right, with all the uncertainties created by the change in the relationship between the various governments within North America. So I think we see potential for stabilization there that should also support the shipments domestically in Canada and Mexico. Coming to the auto contracts, I mean, it's going to be just how it is. So I think we have a lot to offer to the automakers. In some cases, in North America, as we know, the negotiations will happen gradually during the year. And in Europe, there has weight to the beginning of

the year. So this process is ongoing. And I expect that it will be -- as always is, we have an agreement that is -- that should be a win-win for both companies.

Dominic O'Kane: Is there any sense that the price tension that we've seen over the last 2 years could alleviate this time around?

Genuino Christino: Yes. As you know, I mean, we don't comment on -- specifically on prices, as you can imagine. So these negotiations, first of all, they are specific. And so we don't comment on prices. I would just -- of course, the spot price is always a reference, right, starting point. You see prices moving higher in Europe already. They are also coming up again in North America. We talked about prices in Brazil also, higher prices being announced. So I think the environment is, in that sense, it is positive.

Daniel Fairclough: So we will move now to Andy at UBS.

Andrew Jones: So just to go back to the European question about the CO2. Can you just remind us what your emissions are likely to finish at in 2025 if we assume the normal seasonal uptick in 4Q and how that compares to your free allocation levels this year? And going into 2026 with the reduction of the free allocations, and I guess at some of your sites, you produced less in recent years, so you may lose some free allocation because of lower production. Can you give us an idea by how much you expect your free allocation to change next year? And maybe as a follow-on to that, are there any assets which are kind of emitting less the reallocation where the uplift in production would have minimal cost on the CO2 side. Just to give us an idea for how much you could ramp production easily.

Genuino Christino: Andy, I mean this is -- I mean, there are many, many moving parts, right, when it comes to DTS system, it is complex. I would just say that as we know, in Europe, most players, if not all players, they are short, right? So they don't meet the benchmarks. I would say a good rule of thumb, it's about -- you're paying CO2 costs for about 20% of your production, right? That's the ballpark to give you an idea. I think when we look at our -- and it's always based on an average, you have your how. So it's highly technical. So we don't really expect going forward in 2026 that we're going to be losing free emissions meaningfully because of levels of operation, right? But as we know, there are reductions, gradual reductions that will happen with the implementation of CBAM. You need to take that into account. And there are also revisions to the benchmarks, right? So that's the situation.

Andrew Jones: But you don't have a number of credits reduction that you expect for next year?

Genuino Christino: Well, I mean, we all know what's going to happen in terms of reductions. There is a 2% reduction in the DTS system, the 3 allowances, right? And then we have to see what happens now with the benchmarks. So it's too early to talk about it. I would just add that what is important here also is now with CBAM, right, and to the extent that CBAM is effective, then at least you are at par with imports. So they will be paying the same costs, right? I think I would encourage you also to see to the extent that costs increase in Europe, but you have at least the same cost being applied to imports, at least there is a level playing field in that regard, right, which is, I guess, what the whole industry in Europe has been advocating.

Andrew Jones: Okay. That's clear. And just a second question on Canada. There was a recent document about medium and light -- medium and heavy vehicles, a proclamation on the auto industry from the White House, which have a paragraph in it talking about potential carve-outs for auto-grade steel from Canada where the tariff would drop by -- from 50% to 25%, conditional on some conditions around like investments in the U.S. and things like that. I was wondering how you interpreted that because it seems slightly unclear to me. But if you've got an asset in the U.S. that you're clearly investing in, do you see potential to use that recent proclamation to reduce the tariff from Dofasco into the U.S.?

Genuino Christino: My understanding is that the negotiations at this point in time, as we all know, they are suspended, right? And we are hoping that they will resume the negotiations. And then we'll see finally what comes out of these discussions. I don't have anything else really to add.

Daniel Fairclough: So two questions left. So we're going to take the first of those from Phil at KeyBanc.

Philip Gibbs: Regarding North America, how is the Calvert EAF ramp going? And is that part of your incremental 2026 strategic EBITDA growth bridge as you look into next year as that comes up to the levels you expect?

Genuino Christino: Yes. Well, we are ramping up. So our expectation now -- latest expectation is to end the year with a run rate between 40% and 50%. So it's progressing. We started also the qualification

process. And you're right. So when you look at our bridge, that is on Slide 10 and the 800 million, then you're going to have contribution from Calvert in 2 buckets. One is, of course, we're going to be consolidating Calvert for the full year. And as you know, we started the consolidation in end of quarter 2. So you're going to have an extra contribution from Calvert consolidation, which is in our M&A; bucket. And you're going to have the contribution from the EAF. Especially in this environment, right, when we are -- when Calvert is also paying for tariffs on the slabs. So that is also part of the 600 million that you see from projects. So Calvert next year, it's in the 2 buckets there.

Philip Gibbs: And as a follow-up, you mentioned in your remarks in your analyst deck that Canada is beginning to address some of the unfairly traded steel or some level of reciprocity for the U.S. tariffs. What have they done specifically? And do you think they're doing enough?

Genuino Christino: Well, as we know, we have a very large level of imports into Canada, right? So of course, they reduce the quotas for non-FTA countries. That's a good step, but it doesn't really address the problem. So we believe that Canada should be put in place a much stronger trade protection to make sure that the industry can again also regain market share vis-a-vis imports. As we know, a lot of the imports also come from the U.S., right? And there, we are hopeful, again, as we said, that Canada, U.S., Mexico, and maybe as part of the USMCA negotiations, they will also come to an agreement. And that would be very, very good, right, if you have the whole USMCA with similar rules, similar protection. So that would be extremely positive. And you would expect if you have a common trade block that the rules would be similar.

Daniel Fairclough: So we'll take our final question, and we'll take that from Boris at Kepler Cheuvreux.

Boris Bourdet: Two questions and one technical precision. The first is on Europe. I think you're quite close with politics in talks about those trade barriers to be implemented. What is your take on the fact that those proposals of the European Commission will be adopted in the current state they have been proposed or whether there could be some dilution? That would be my first question. Then on China, there is a lot of talks about the anti-involution measures. Do you see any chance that China might be moving towards a cut in production as some headlines were referring earlier this year? And lastly, just to confirm what you said earlier on the market share in Europe, is it 30% or 20% to 30%?

Genuino Christino: Okay. So Boris, I will take your first question, and then I will comment on China. Well, I mean the dilution risk, I mean there is a process, right? So the proposal is now going through the parliament, it's going through the council. I think there is a desire expressed by a number of governments by the commission to have an accelerated approval process. And that is only possible if we don't have a significant change. So I think that's our request that we have these measures in place as soon as possible. And then on the market, that's -- I mean, that's -- I'm just giving you a reference. Okay. Daniel, do you want to talk about China?

Daniel Fairclough: Yes, yes. So it's obviously a question that we receive on most of our calls around the theme of China excess capacity, when will they address it, when will they take measures to structurally reform the industry to balance domestic capacity with domestic demand and in an effort to restore the industry to health, to reasonable levels of profitability, reasonable margins, et cetera, et cetera. So to your question, there have, of course, been lots of headlines and suggestions that steel could be one of the beneficiaries of the anti-involution theme in China this year. But the reality is that we really haven't seen any changes in the impact that China is having in external markets. So they continue to have weak prices, very weak margins. Generally, there's a substantial proportion of the industry operating with -- on a loss-making basis. And they continue to export at extremely elevated levels, run rates of 120 million tonne, 130 million tonnes annualized. So those negative domestic dynamics are then being translated into other regions through those exports. So I guess my answer to your question is until we really see strong evidence of change, and that would be through improved prices, improved margins, improved profitability and most importantly, through reduced exports, then nothing is really changing. And that just puts even more emphasis on the requirement for governments to take appropriate actions to ring-fence those domestic industries from these negative impacts of excess capacity in China. So Genuino, he was just talking about the progress, the strong progress that we're making in Europe. We talked earlier about what's happening in Brazil. But it's clear that, that's the best way to deal with this issue is by putting appropriate protections in place. Great. So I think that's our last question, Genuino. So I'll hand back to you for any closing remarks.

Genuino Christino: Thank you, everyone. Before we close, let me briefly reiterate the key messages from the start of the call. First, our results continue to demonstrate structural improvements. The fact that we are posting such improved results at what we believe to be the bottom of the cycle bodes well for when conditions normalize. Secondly, our underlying business continues to generate healthy cash flows. Looking behind seasonal working capital movements shows that we continue to generate good underlying free cash flow, and this is after having invested close to \$1 billion in our strategic growth projects. These projects are delivering structurally high EBITDA, and this will continue in 2026. Finally, the outlook for our business has clearly improved over the past 3 months. The newly proposed trade tool, combined with an effective CBAM provides the foundation for our new business to earn its cost of capital. Together with the actions being taken in other regions like Brazil and Canada, this continues to point towards a more regionalized and better protected steel industry in which ArcelorMittal can thrive. With that, I will close today's call. And if you need anything further, please do reach out to Daniel and his team. I look forward to speaking with you soon. Stay safe and keep those around you safe as well. Thank you very much.