



BRS Grand Opening Speech

Big River Steel Grand Opening Speech (March 1, 2017) Video Transcript

Welcome, welcome. Big River Steel is officially open for business. Thank you all for coming, we greatly, greatly appreciate it. I'm going to run all of us through a brief slide presentation, taking us through the history of Big River Steel. How we got to where we are today and, as importantly, where we're going in the future.

Big River Steel is the newest and most technologically advanced scrap recycling production facility in the world. We began construction in July of 2014 and our first lines went operational 19 months after groundbreaking. World record time for the startup of certain steel mill lines! We've invested 1.3 billion dollars in property plant and equipment here. This is the largest investment in the state of Arkansas history.

We're a global company. Here in this audience today, we have people from all corners of the globe. I saw someone this morning that had just flown in and arrived last night at midnight from Moscow. Yesterday, I had a meeting with 30 individuals that had all flown in from Germany. We have people from Brazil, China, Finland, France...the list goes on. We truly are a global company and I am very, very proud to have such a global presence in the Mississippi Delta, Northeast Arkansas, the city of Osceola.

In attendance today, we have a number of dignitaries and government officials starting with our governor Asa Hutchinson. We have representatives from Washington. We have the local county officials; Judge Carney, Mayor Dickie Kennemore. Representatives from the Congressional districts, the Senate districts, Dave Wallace, Monte Hodges the list goes, goes on and on. We also have former Florida Governor Jeb Bush in attendance today. So, for all of those who have taken time out of your busy schedule, thank you very much for helping us celebrate the Big River Steel grand opening today.

We've had a number of achievements to date. We are the state's first and only Amendment 82 project. Several years ago, the citizens of Arkansas voted to change the Arkansas Constitution to allow the state to be more aggressive in supporting economic development projects. Because of that distinction, as the state's first and only amendment 82 project, all of us at Big River Steel wake up

every day with the reminder that we have to be very, very good stewards of the capital that the state provided us to build this mill. We also are the first steel mill in the world to be invited to be a member of the Center for Collision and Safety Analysis. If some of you have watched on the evening news, where you see the two cars crashing into each other and they say okay that damage is 3,212 dollars? That's the group that now we're associated with. We're sitting at the table with the likes of Ford, General Motors, Hyundai, Kia, and Mercedes helping them design their next generation of cars using the next generation of steels. So, it's quite an honor for a young company like Big River Steel to be invited to be a member of that organization.

And you're going to hear some sirens in the background. We are an operating facility. You know, we're running today. We're producing steel for our customers, so I apologize in advance for some of the operational noises that you hear.

We set a world record in the month of January for the number of tons produced by a steel mill in its first full month of operation, something that we're very, very proud of. I've been doing these transactions for twenty years and what the guys and gals at Big River Steel were able to accomplish in January is second to none. The safety record at Big River Steel. Very, very, very e-metric to judge how we're doing, if you look our safety record and lost day incident rate is 0.11 the average of industrial construction projects as calculated by the United States government is 2.8.

We also took the time and effort to become the world's first steel production facility to be LEED certified. Now what does LEED certification mean? That's an independent third-party designation that says we are leaders in energy and environmental design. Now, why is that important? Many of the world's automakers are looking more and more to focus on sustainability, sourcing from suppliers that are good stewards of the environment. And, as I tell people, and as I told our board and investors, if our steel is selling for \$1,200 a ton delivered to General Motors; and US Steel steel is selling for \$1,200 a ton delivered to General Motors and we have LEED certification and US steel doesn't we win the tie and I'll take that tie breaker. So again, I think that going forward we've set the bar, you'll see other companies try and follow in our footsteps.

The ownership, how did we get here? Somebody asked me just the other day, "Dave how did Big River Steel get started?", so if you allow me just a few seconds here. The project started when Charles and David Koch had one of

their representatives call John Correnti, our former chairman and CEO, and the message was “John we at Koch are interested in finding out more about the steel industry and maybe becoming involved in it.” John of course quickly set up a meeting, we met with the representatives of the Koch team. They quickly found that this was to their liking, it was capital intensive, cyclical, but the group with modern efficient technology is going to win the day. So, Koch is a 40 percent owner of the company. We also have TPG Capital, one of the head partners at TPG, Mike Stone was involved in one of my first steel mill projects 20 years ago, a company called Steel Dynamics up in Butler, Indiana. TPG Capital is the 10th largest private equity firm in the world. We couldn't be more pleased with them. ATRS, the Arkansas Teachers Retirement System, they own a 20 percent stake in our company. I will tell you as I go around the state of Arkansas and speak to different audiences, I always ask for a show of hands are any of you teachers, do any of you have neighbors or relatives who are teachers and all times hands go up in the audience. So, ATRS owns 20 percent. By connection any teacher or retired teacher from the state of Arkansas also owns a small piece of Big River Steel. Global principal partners, that's my firm, we invest in the transactions that we ask other people to put money in. We're happy to be a 20 percent owner in Big River Steel along with International Steel Associates, which is the investment entity that John Correnti and the Correnti the family hold their ownership stake in Big River Steel.

In addition to the equity provider, we have a global syndicate of banks led by KFW. I first did a transaction with KFW 20 years ago and have done probably a dozen or so transactions with KFW. They're a large German bank. Right below KFW is Euler Hermes. Euler Hermes is the organization that manages the German government guarantee program, a large portion of our debt is guaranteed by the German government. Why did they do that? Well we bought over \$600 million dollars of equipment from Germany and the German government saw fit to give us that support. That's a world-class group of lenders. It does include as you'll see on the bottom, the Arkansas Department of Finance Authority. They provided us with a 50 million dollar loan for 20 years at the state's cost of capital. We also have a group of other financing providers, working capital providers, grant providers, the city of Osceola, Mississippi County Arkansas, the Ross Perot organization has some involvement in this company again a who's who in the financial community.

Why did all these financial organizations come together to support Big River Steel? Well, two real product niches. The first is the energy project, what are

called electrical steels, any time energy is generated, transmitted or consumed, electrical steels come into play. The key is, for energy efficiency in this country we all continue to do the right thing turn our lights off when we go to bed at night, turn our temperature so we're not wasting energy but the real key is to get the kilowatts that are generated at the power plant into the wall sockets at your home or into the industrial motors at the plants. The best way to do that is to replace the outdated transformers that line our electrical grid system. There's a reason that a very large, smart company from Japan named Mitsubishi is building a brand-new large transformer plant 40 miles away from here. They see what we see, electrical steels are going to be hugely in demand in the future.

We also have what's called advanced high-strength steel. If you're an automaker, you have conflicting demands, on the one hand the federal government is telling you you need to be safer, safer, safer. The best way to be safe is to have thick heavy steels, put a cage around the driver and the passenger, but on the other hand the government's saying you have to have fuel efficiency. What's the best way for fuel efficiency? Lightweight thin steels. Those two don't go together. We've developed, along with some Japanese steel producers and European steel producers, the next generation of advanced high strength steels, which are steels that are both lightweight yet strong. Hence as I mentioned previously, our involvement with the Center for Collision and Safety. This mill is designed to not only make today's advanced high strength steels, but more importantly the next generations of advanced high strength steels.

We're going to be announcing, in conjunction with the state of Arkansas and the Arkansas State University, the location of our automotive research facility right here in the state of Arkansas later this year. Most of our competitors, they put their automotive research facilities up in Michigan. No, Arkansas has been very, very, very good to Big River Steel and it's the least we can do to put our automotive research facility in in the state. My goal, working with the governor, working with other state officials, is to hope to win the next automotive stamping plant competition. With us in our advanced high strength steels with our competitor, Nucor, up the road making investments to get more and more into automotive steels with our research center here. I think that Arkansas has a certainly a fair chance to win that next sweepstakes.

Why did Arkansas want us? Well you can see up here on the screen already and, we are only 27 months into our life, we've had companies announce the total of 300 million dollars of investment with 300 jobs. That's not Big River

investment, that's not Big River jobs, that's people satellite. I tell people these mills are like an aircraft carrier. We're the aircraft carrier, and then we have all the support ships and all the supply ships that surround us. That's what you're seeing on that bullet point there, we expect many more to locate here.

They also were attracted to us because of our 435 jobs that are going to pay an average of \$75,000 a year. In this part of the Mississippi Delta, those are good paying jobs and quite frankly, that's the guarantee we've given this state that we'll pay those workers \$75,000 a year. Based on historical precedent, I wouldn't be too far off but I would say on average our workers would be making north of 90 thousand dollars a year.

We also created over 2,000 construction jobs, we spent over three hundred million dollars with Arkansas-based companies. We're also spending ten million dollars in training, but one of the things that's most telling to me: I asked a gentleman where I fill up my SUV with with gas the other day, I say, "hey I see everybody coming in here to buy pizzas and sodas, you know, how many pizza slices did you sell the year before we got here?" He said "Mr. Stickler, I don't know. I'll get you the number and email it to you." Well I just got it on my way to the plant site this morning, the year before we got here, they sold 2,000 slices of pizza. Last year, they sold almost 9,000 slices of pizza. That tells you the economic input! That's a small sole proprietor that benefited directly. He also gave me one other tagline, his sales a year before we got here were \$900,000, last year they were \$1.3 million. That's one fueling station, so we're very, very proud.

Why we wanted Arkansas? Well, we wanted Arkansas for a number of reasons but rather than me standing up here and telling you why we wanted Arkansas I'd like us to hear from our former chairman, John Correnti, who passed away midway through the construction. John was a partner of mine for 15 years and I think once you watch this video clip you'll understand why all of us in this room decided to come together to invest 1.3 billion dollars of capital and locate here in Northeast Arkansas, so if you could, cue the video please.

Well I have been in the steel business for more years than I'd like to remember but probably a little over 40 years. I enjoy doing these types of projects, especially in rural America. I was born and raised in a small-town, half the size of where we're sitting today at Osceola, a Arkansas, little town outside of Rochester called Mount Morris. So, all my career, I've just done diametrically

opposite of what big corporations have done. I've put these multi case billion-dollar plants in rural areas where the laborers are and where we can get hard working farm people. And believe me, I say this with all honesty and admiration. The farm work ethic in the United States of America is second to none. I've seen steel mills all over the world. American farm boys will outwork them, out think them, out produce them time and time again. If you follow the premise, and that is, you give them the right tools and equipment you treat them with dignity and respect, and you keep management and the hierarchy out of their way.

Join me in a round of applause for John Correnti. Let me pause here for just a moment and John's wife Dawn is here. John's mother, 99-year-old Sarah Correnti is here, John's sister is here and 25 to 30 members of the Correnti family. Could I have, ask all of you to stand up for a round of applause, please? Thank you. Thank you. And I know many of you traveled great distances to be here and it's quite an honor for me to see so many of you here in the audience. As I said, John was a friend of mine a partner of mine for 15 years. We traveled all over the world together, the far reaches all the way to Russia to China. Japan most recently, we were looking at doing something in Iceland, so again from Dave Stickler to the Correnti family. Thank you so much for allowing me to have the opportunity to work with John.

At Big River Steel this is not a one-man show. When John and I first put this project together, we said "we're going to do something a little different." We're going to use a business model that has worked very, very successfully in a number of leading companies across the globe including several that I had worked at on Wall Street.

We have a nine-person operating committee and those are the men and women who really get things done and I'll just say a few words about each of them. Adam Beasley. Adam runs our melt shop. Adam started his career as a deep-sea diver repairing barges in Berkeley, South Carolina for Nucor. He found out how much you could make working at one of these aggressive, flat rolled, mini mills, applied for a job and you know, everything's been success for Adam. I worked with Adam on a project that John Correnti and I did down in Mississippi a few years ago.

We have George Gurley; George Gurley is one of those farm boys and farm girls that John was just talking about. George is right from here. This is his hometown area. George started his career at Newport Hickman, we then

snagged him and had him down in our Mississippi project, and when George found out that we were building a plant up where he had grown up, he quickly rose his hand and boy we're glad that he did.

Art Lader. Art Lader started his career in the integrated steel community with Bethlehem Steel up in up in Maryland. We had Art down in our Columbus, Mississippi project when we completed this mill Art decided to come up and join us.

Jim Bell. Jim Bell who's related to John Correnti as second cousins. I first met Jim when he was a contractor for one of the construction firms. Jim then said well wait a minute, I can keep moving around and around the country following all these jobs or I can try and get a job with the steel mill. Stay home, maybe have a little bit more, more stable life. Jim is in charge of our construction operations here at Big River Steel. With John's passing we also asked Jim to join our board of directors, so Jim was kind enough to accept that. Jim was involved with us down in Columbus as well.

Denis Hennessy. Denis started his career in the Canadian steel industry. Denis is responsible, remember I was telling you about those advanced high strengths steels? Denis is the guy working with Jody Shaw that's responsible to look out the next three four, five six years. What are the automotive communities going to need?

Ari Levy. Ari Levy's been my partner, Global Principal Partners, which is our investment entity, for 15 years. We've done transactions all over the world from Iceland to Thailand to China.

Mark Bula who you met and I'm not so sure Mark that was you riding in on the motorcycle or not. I didn't know I'm not one sure if you can ride a motorcycle, but if it was you look good on it. Mark and I worked together for 10 years. Mark does a bang-up job with our sales. Mark has been all over the country and parts of the world selling our steel already.

Tommie, again, you saw the farm boys and farm girls. Tommie's a farmer right in this area. In fact, in the early days, Tommie came to me and said Dave can I take a few days off? I go why, he goes we're harvesting our crops. So, you know, there you go that that farm boy mentality.

Lenore. Lenore Trammell, I worked with Lenore when we were working on a steel mill project up in Detroit, Michigan. We convinced Lenore and her husband to move down from Detroit to Osceola. So, we're glad to have Lenore, Lenore serves as our chief compliance officer. Those are the guys and gals who work with work with me every day to make sure that we continue to have all the achievements that we've had.

Here's a couple of highlights during construction, I won't go through all of them but my goodness 1,400 miles of cable. That's enough to get all the way to Las Vegas. Look at the first one, we could have ran a sidewalk all the way to New York City with the concrete that we poured. The, I guess, the biggest challenge that we had a lot of people, say Dave boy you're so lucky to be right on the Mississippi River, I say we're so lucky to be on the Mississippi River when we're operating, when we're building challenge after challenge after challenge, including having to lower the water table 56 feet at times. That just shows you some of the challenges we had. Thank goodness for Jim and his team and their expertise to allow us to continue to maneuver and continue to be able to build when we had record high waters there.

We self-manage these construction projects, in other words there's no big turnkey contractor. Something that John Correnti pioneered 25 years ago out in Utah when he was working with Nucor, but these contractors if you will who work right alongside of us and managing the entire project, they're the ones who really make it happen. And for all of those companies up on the screen there and I know you've all got representatives here. Thank you very much. I know we, we push you, we push you and then we push you some more to meet our aggressive timeline, but thank you again.

Our technology suppliers, for those of you who know the steel industry, this is a who's who. SMS Group and Dahmen Burkhard, their CEO is in the audience today flew in from Germany yesterday. They're a company that has its origins back in the 1830s in Germany. They're one of the largest privately-held industrial companies in all of Europe. SMS is our lead technology provider. Primetals, Primetals provided us probably one of the finest substation's ever built with, with the steel mill. Russula out of Spain, they provided our water treatment facility. ABB out of Switzerland, Tenova out of Italy, and then Morgan Crane and Ace Crane. When you go on your tours, you'll see some big overhead cranes in the melt shop area, those are Morgan. Elsewhere in the mill including here, those are Ace cranes.

We have a number of on-site service providers. These are the companies that are surrounding the aircraft carrier. These are the ones who announced \$300 million dollars of investment to 300 jobs. We have H2G, they're our compressed air. Mid-River Terminals that's our port facility operator. Arkansas Recycling, they help process our scrap metal. TMS, they do our slag processing. Air Products, that's our oxygen plant operator. We have Steel Warehouse, hats off the Steel Warehouse, when we were still just a pipe dream, John and I went and called on the Lerman family and said Dave Lerman and the rest of your family we're thinking about building another steel mill. If we do, would you be interested in putting a slitting line on site? Without hesitation, Dave and the rest of the Lerman family said look we've done that with you guys elsewhere, we've done it before. Yes, we want to do it, just give us the best spot. Well, I think they've got the best spot there, facilities already up and up and running.

Technology, we really are a technology company. We have automation throughout the mill. We will produce 1.65 million tons of steel with four, with 435 workers. That's close to four thousand tons of steel produced annually per worker. I will tell you, best in class. Best in class. Not because we're the best but because the technology is so advanced today the technology that SMS and all those other providers. It allows us to run this mill very efficiently. When I first started my career in the steel industry, the steel industry was 80 percent brawn 20 percent brains. Today here at Big River Steel we're 90 percent brains 10 percent brawn. It's just again the evolution of the technology.

At our core we act and think like a technology company. We have, we're going to be working with a company called Noodle Inc. Noodle Inc is artificial intelligence just like you see those autonomous driving cars that go around and you know and film. They're learning. The more they drive, the more they learn. Big River Steel the more we operate the more this mill will learn. This mill ultimately will become the world's first smart mill, which means if we have a production flaw somewhere in the operation by the time that slab or that coil gets further processed downstream, the mill will automatically know how to correct it. Instead we have to stop we have to look at a playbook we have to dial everything in. Ultimately, we will, the mill will correct itself.

Environmental focus, we are being good stewards of not only the state's cost of capital but of the environment as well. We believe that we will become the world's most efficient steel producer in terms of energy consumption. Our mill,

because of that German government guarantee I told you about, we not only had to meet US EPA standards we had to meet European environmental standards and for the most part European environmental standards are more restrictive than they are in the US.

Again, people ask us, Dave does world really need another steel mill and the answer is no but the world does need a steel mill that's willing to push the boundaries of what steel can do.