

Cleveland-Cliffs
Third-Quarter 2026 Earnings Conference Call
October 19, 2026

Presenters

Lourenco Goncalves – Chairman and Chief Executive Officer
Celso Goncalves – President and Chief Financial Officer

Q&A Participants

Timna Tanners - Wells Fargo
Nick Giles - B. Riley Securities
Carlos de Alba - Morgan Stanley
Nick Cash - Goldman Sachs
Samuel McKinney - KeyBanc Capital Markets
Albert Realini - Jefferies
Bill Peterson - JPMorgan

Operator

Good morning, ladies and gentlemen. My name is Donna, and I am your conference facilitator today. I would like to welcome everyone to Cleveland-Cliffs' third quarter 2026 earnings conference call. All lines have been placed on mute to prevent background noise. After the speakers' remarks, there will be a question and answer session.

The company reminds you that certain comments made on today's call will include predictive statements that are intended to be made as forward-looking within the Safe Harbor protections of the Private Securities Litigation Reform Act of 1995. Although the company believes that its forward-looking statements are based on reasonable assumptions, such statements are subject to risks and uncertainties that could cause actual results to differ materially.

Important factors that could cause results to differ materially are set forth in reports on Forms 10-K and 10-Q and news releases filed with the SEC, which are available on the company website.

Today's conference call is also being broadcast at clevelandcliffs.com. At the conclusion of the call, it will be archived on the website and available for replay. The company will also discuss results excluding certain special items. Reconciliations for Regulation G purposes can be found in the earnings release, which was published this morning.

At this time, I would like to introduce Lourenco Goncalves, Chairman and Chief Executive Officer. Please go ahead.

Lourenco Goncalves

Thank you, Donna, and good morning, everyone. Three months ago, we told you that the earnings recovery at Cleveland-Cliffs was becoming visible. Today, the recovery is firmly underway.

Our Q3 adjusted EBITDA was \$612 million, more than double the \$286 million we generated in Q2. All three of our major profit drivers improved. Shipments increased. Selling prices rose in line with our expectations, and costs performed better than we had guided.

One thing that has become very clear over the past year is that a healthy domestic steel industry happens when trade laws are enforced and when foreign producers are no longer allowed to dump steel into our markets without consequences. Today, the United States has a much more rational trade environment, and the result is exactly what you would expect - stronger domestic production, higher utilization rates, more investment in steel facilities, and more confidence from both steel producers and steel consumers.

Every conversation about reshoring manufacturing, rebuilding infrastructure, expanding energy production, strengthening the electrical grid, or supporting national defense starts with steel. At Cleveland-Cliffs, we mine iron ore, produce pellets, and also produce HBI. Then we produce steel from scratch with a 25,000-person workforce that spans some of the most important industrial communities in the United States.

The trade policies of the Trump administration are helping create the conditions needed for companies like ours to continue investing in those communities and expanding domestic production. What the Trump administration has done on trade is not just good for Cleveland-Cliffs; it's good for America.

As a consequence of the renaissance of manufacturing in the United States, we are currently selling steel under the best price environment in three years, and these are the prices we need to run a thriving business that grows employment, pays its workers well, reinvests in people and equipment, and protects our critical supply chains and national defense.

The most important and positive development for Cleveland-Cliffs since our last call has been the strength of our 2027 round of contract negotiations with our clients. The largest portion of our steel volume consists of tons sold to service centers and end users under annual fixed price or index-linked contracts. These agreements cover every segment of light flat rolled steel consumption outside automotive. All these contracts reset on January 1 of next year, and nearly all of these customers want more steel under contract in 2027 than in 2026.

Suffice to say that we have been very successful in renewing these contracts. In aggregate, the improvements should generate more than \$1 billion of year-over-year EBITDA improvement before even contemplate changes of the underlying pricing index.

More importantly, our customers are not fleeing to imported steel. Actually, we are finally operating within the United States with a fair commercial structure that is critical to sustaining a healthy business, allowing us to reinvest in our facilities and in our people. The strong contract renewal environment and the good health of our well-maintained equipment have created a compelling opportunity to maximize the value of our existing asset base. With that, we are postponing the Burns Harbor C blast furnace reline from mid-2027 to April 2028. Our President and Chief Financial Officer, Celso Goncalves, will be talking about that on his prepared remarks.

We have several other similar ongoing projects, bigger and smaller, the most critical being the modernization of Middletown Works. This past quarter, we officially completed the rescoping of our \$1 billion modernization project for Middletown. This revised project was commemorated with a visit by Vice President JD Vance to his hometown of Middletown, Ohio, and to our flagship automotive grade steel plant, Middletown Works. The new scope entails a \$1 billion investment, including \$500 million of support from the Department of Energy, and will modernize one of the most important steelmaking facilities in the country while maintaining uninterrupted production throughout the construction period. The project includes a state-of-the-art blast furnace rebuild, advanced material handling infrastructure, artificial intelligence-enabled process controls, and a new cogeneration facility that will capture blast furnace gas and convert this off gas into electricity and steam for on-site use. Our work on this rescoped project has already begun, and we expect to be completely done in the first quarter of 2030.

Other notable projects on the agenda in the coming years that fit into our reinvestment master plan include the coke plant rebuild at Burns Harbor, a blast furnace stove rebuild at Stelco in Canada, and the grain-oriented electrical steel expansion GOES at Butler Works.

Two weeks ago, we hosted the Secretary of Energy, Chris Wright, the Assistant Secretary of Energy, Audrey Robertson, and the Undersecretary of Commerce, William Kimmitt, in Butler, Pennsylvania, where we discussed the importance of projects like these in supporting the manufacturing and energy dominance agenda of the Trump administration. They all recognize the importance of protection against unfair trade, and we are confident that they will not waver from this critical policy.

We don't believe and we don't anticipate that a surge of imports could be coming into the United States any time soon. Imports remain approximately 35% to 40% below the level that existed before the implementation of Section 232 national security steel tariffs of 50% for the product and derivative products. Besides the tariff itself, transportation expense, long lead times, currency exposure, and the risk that material will arrive into a different market than the one in which it was ordered are some of the problems to be faced by the brave that still try to import steel into the United States. Those factors create a meaningful risk premium. None of our customers have revolted, and in fact, it's quite the opposite. Intelligent customers understand the operational cost of an unreliable supply chain.

A lower quoted price offered by a trading company has little value if the product arrives late, fails qualification, or cannot be replenished when production schedules change. We expect strong trade enforcement to remain a lasting feature of the American steel market because the underlying problem has not changed. Global steelmaking overcapacity remains enormous, and state-subsidized production continues to seek an outlet.

Moving to Canada, the improvement in the hot-rolled market for Stelco that I discussed on last quarter's call has accelerated. It took the U.S. market roughly 12 months to see a \$400 improvement to the spot price of hot-rolled coil. It took the Canadian market only four months to see a similar improvement. The significant improvement we have experienced in our hot-rolled business was a direct consequence of the TRQ system implemented by the Canadian government.

The Canadian domestic market, without protection, is a lot more exposed than any other country in the world, and that's the reason we have been advising the Canadian government on what we believe needs to be done to finish what they have successfully started.

The galvanized steel business in Hamilton, Ontario, which represented less than 20% of our Stelco output, is still at risk. We met in person in Ottawa a number of times to explain the Fortress North America solution, supported by the entire Canadian steel industry, not only by Stelco, but we were not successful.

Three months ago, in our Q2 investors conference call, we spoke about possible negative consequences of inaction, potentially putting at risk the jobs of Stelco workers in case the Canadian government continued to ignore our requests. Unfortunately, we were not heard. Instead of a real solution, at the very last minute, the Canadian government offered us what they called financial support, but that's not what Stelco needs. What Stelco and Stelco workers really need is a market to sell galvanized steel, and government money cannot buy a market for galvanized steel.

On the other hand, if the Canadian government uses the power they already have, they have the ability to unilaterally exercise to block or severely reduce imports of galvanized steel into the Canadian market, and Stelco can immediately bring back all the temporarily laid-off workers because that would immediately give us a market to sell and the ability to produce galvanized steel.

One more time - the domestic market for galvanized steel in Canada is not big enough to accommodate two Canadian producers of galvanized steel, Stelco and ArcelorMittal Dofasco, and also an avalanche of imports that have not been adequately reduced by Canada's tariff rate quota system.

Cleveland-Cliffs invested CAD 3.4 billion less than two years ago to acquire Stelco, and Stelco was supposed to be an immediately accretive investment for Cleveland-Cliffs. A couple of months

later, and for reasons clearly beyond our control or ability to predict, Stelco became a negative contributor to Cliffs' results, a situation that persisted for more than a year. Fast-forward, we found a way to steer Stelco out of trouble and into a profitable path, all while waiting as long as possible to avoid the idling of the galvanized line at a significant cost because that business with insufficient volume was not profitable.

During the many months when Hamilton's galvanizing lines were unprofitable, we were aggressively advocating for stronger measures in Canada to bring about Fortress North America. Unfortunately, more restrictive quotas for galvanized steel never materialized, leading to these limited temporary layoffs at Stelco.

Notwithstanding all the attention that Stelco's limited layoffs have drawn, it's important to emphasize that Stelco is finally profitable. The enhanced TRQs implemented by the Canadian government in December 2025 and updated in June 2026 worked well for hot-rolled steel. But Stelco would be even more profitable if dumped galvanized steel imported into Canada would no longer be tolerated.

The last piece of the puzzle to be addressed by the Canadian government is galvanized steel, and then we would be able to bring the workers back and restart production at the galvanizing department in Hamilton, Ontario.

A final point to address today - back in the U.S., our contract negotiations with the USW have extended past the original deadline, which is not uncommon. The negotiation remains professional, respectful, and productive, and I personally have a great deal of admiration for the union leadership and the workforce they represent. Our objective remains the same as it has always been - reach an agreement that recognizes our employees for their contributions while ensuring Cleveland-Cliffs remains strong, competitive, and well-positioned for the long-term success. I have no doubt we'll get there, and our American employees, represented by the USW, will be rewarded for the success we expect to have together in the coming years.

With that, I will turn it over to the President and Chief Financial Officer of Cleveland-Cliffs, Celso Goncalves, for his remarks.

Celso Goncalves

Thank you, and good morning, everyone. Three months ago, we guided to an expectation of \$575 million of adjusted EBITDA for Q3 of 2026, and today we reported \$612 million. As we wrap up 2026, we expect to generate \$715 million in Q4. And looking ahead to 2027, under prevailing market conditions, we could realistically reach an average of more than \$1 billion of adjusted EBITDA per quarter in 2027.

Q3 was our strongest quarterly result in three years. The third quarter of this year showed what happens when price, volume, mix, and cost all move in a favorable direction, as adjusted EBITDA increased by \$326 million sequentially from Q2.

Steel shipments were 4.2 million net tons compared with 4 million net tons in the second quarter. Third quarter 2026 automotive shipments were the highest since the third quarter of 2023. That occurred even though North American automotive production declined sequentially from the second quarter of this year.

Shipment levels are expected to remain strong in Q4, albeit with the typical slower behavior seen around the holidays and more difficult cold weather periods.

Average net selling price during the quarter was \$1,177 per ton, an increase of \$53 per ton sequentially as we benefited from rising market pricing in both the U.S. and Canada. We expect a similar level of improvement from Q3 to Q4 as we continue to see improvements in pricing and work through our backlogs. Index pricing in the U.S. has increased by roughly \$40 per ton each month for most of this year, and we do not see any signals in our order book pointing to a slowdown of this pace. Customers are more focused on securing volume than price at the moment.

Unit cost performance in Q3 was excellent, as costs declined by \$17 per net ton during Q3, exceeding our previous guidance and serving as the primary driver of our adjusted EBITDA beat. As an integrated mill operator, the secret sauce of unit cost performance is running the mills at full utilization, and our strong order book has allowed us to do that. We have been running our mills harder than at any time in several years, and the maintenance outages scheduled for Q4 are much needed. We give all the credit to our operators for bringing these mills to their full potential and keeping pace with the strong order book throughout the year.

Even with the typical seasonality and maintenance outages common in all fourth quarters, we expect our Q4 adjusted EBITDA performance to exceed our Q3 performance by approximately \$100 million, with an expectation of \$715 million in adjusted EBITDA. That step change is shaping up to be substantially larger into Q1 of next year as pricing momentum continues and new sales contracts take effect.

Given this strong momentum going into 2027, we are postponing the Burns Harbor C blast furnace reline from mid-2027 to April 2028. The decision is a direct consequence of the effectiveness of the targeted maintenance and short-term capital we have already deployed to extend the current campaign of the C blast furnace. By safely pushing out the reline, we can capitalize on a highly favorable commercial environment, preserve valuable production capacity during a period of strong demand and pricing, and enhance cash generation while maintaining operational reliability.

We will still be utilizing some 2027 CapEx toward the pre-work on this project, but the actual 90-day outage has been moved into 2028. Moving the Burns Harbor C furnace reline into 2028 also preserves approximately 500,000 tons of production that had not been included in our original 2027 plan.

We are also happy to report that our coal contract negotiations have concluded at rollover pricing for 2027. Coal and coke are the largest raw material components of our cost structure, so seeing this piece stable year-over-year gives us a lot more comfort in our outlook.

Looking at 2027 in total and using the forward curve as our pricing guide, we expect 2027 to be our best year since 2021, which remains the all-time record year for adjusted EBITDA at Cleveland-Cliffs.

The slide deck that we released this morning shows the realistic path to more than \$4 billion of adjusted EBITDA in 2027 under market conditions similar to those that we experienced this past quarter. That path includes the strength already visible in the second half of 2026, higher fixed price contract resets, and lower discounts on index-linked agreements.

Last but not least, as Lourenco has already talked about today, Stelco should become a larger contributor to Cleveland-Cliffs' consolidated results as backlogs convert to shipments. The result of all this will be very robust cash flow generation going forward, substantially greater than what we have showed in Q3. As previously foreshadowed, Q3 was working capital intensive, which temporarily limited cash inflows during the quarter. This will begin to change starting in Q4, as the working capital build will decline and the expected proceeds from property sales come in.

On that front, we closed one small asset sale in the third quarter, but most of the major properties we have for sale are all contracted to close in Q4. Some of these buyers have been granted extensions due to obstacles related to the local communities or power supply, but many of these situations have been sorted through over the past few weeks.

All of this cash will be used to delever our balance sheet. The hot rolled market conditions in both the United States and now in Canada have granted us an incredible opportunity to pay down debt very quickly. We have become more confident in our ability to reduce leverage below our 2.5 times target by the middle of next year, and we have no intention of stopping at that point. Paying down debt will remain our number one allocation of free cash flow even after we have reached that leverage target.

Strategically, we continue to be very comfortable as a standalone entity. We don't need technological help from anyone from the outside to take good care of our automotive customers or grain-oriented electrical steel clients, let alone other customers in less demanding sectors. We have made this point very clear in our still ongoing discussions with POSCO. I will refer you to the POSCO Holdings Form 6-K filed with the SEC on September 30th, 2026, for their disclosures on our MOU and their own update regarding the status of our partnership discussions.

We are entering 2027 with momentum that continues to build, not fade. We have a world-class workforce, irreplaceable blast furnaces and other unique assets, and a business that is positioned at the center of America's industrial future.

If the United States wants to manufacture, build infrastructure, expand energy production, and strengthen national security, it needs a strong domestic steel industry, and Cleveland-Cliffs remains uniquely positioned to help make that happen. We like where we stand today. We like where we're headed, and we remain focused on executing every day. Thank you for your continued support of Cleveland-Cliffs.

Donna, with that, please go ahead and open the line for questions.

Operator

Thank you. The floor is now open for questions. If you would like to ask a question, please press star, one on your telephone keypad at this time. A confirmation tone will indicate that your line is in the question queue. You may press star, two if you would like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up the handset before pressing the star keys. Again, that's star, one to register a question at this time.

Today's first question is coming from Timna Tanners of Wells Fargo. Please go ahead.

Timna Tanners

Yeah. Hey, good morning. Wanted to get a little more color on CapEx for next year. Also, the asset sale Q4, is that \$370? Is that the math? Just wanted to try to get a little more color on those points, please.

Celso Goncalves

Yeah. Hey, Timna. It's Celso. So Q3 CapEx was about \$150 million, which run rate is lower than our guide of \$700 million. CapEx will pick up going forward in the fourth quarter as we start to spend on some of these strategic projects for next year. So full year 2026 CapEx is still expected to be around \$700 million compared to call it \$560 million, last year - more normalized maintenance spend, the Butler project, and spending in Q4, as I mentioned, related to some of these other projects. As we look forward to next year, CapEx is expected to exceed just over \$1 billion, driven by some of these new announced projects in prep for the Burns Harbor reline, which is now going to be in 2028.

So overall, you can think of it as \$700 million total in 2026, going to just north of \$1 billion in 2027. But given where we are and given the EBITDA that we expect to generate looking into next year, that's more than manageable, given our financial profile.

Timna Tanners

Okay, fair. And if I could, one more - the market conditions continue to be pretty tight. It seems to be a challenge for your customers to get their hands on steel. What additional tonnage can you bring to market, or would you contemplate bringing into market into 2027 to try to help catch up with orders?

Lourenco Goncalves

Yeah, we have to go product by product, Timna. For example, for grain-oriented electrical steels, we are adding 25% new production in our Butler Works plant in Butler, Pennsylvania. 25% is meaningful, and it's ongoing right now. So very soon, we're going to have the availability of more grain-oriented electrical steels to support the grid, which is extremely necessary.

If you talk about galvanized for exposed parts, a product that Cleveland-Cliffs is basically the major supplier, if not the only supplier that is reliable for the automotive industry -- we are bringing the galvanizing line at Burns Harbor to produce Galvanneal for exposed parts. We're bringing that online. In early 2027, we will be starting to do hot trials, and mid-2027, we are going to have more Galvanneal for exposed parts. That's a product that the clients are asking for.

And let me see if I have any other -- oh, another good example, we still have a spare capacity for exposed electrogalvanized. But the problem is that, for a few generations, the engineers at the automotive industry forgot how to use electrogalvanized for exposed parts. So we are kind of reintroducing electrogalvanized to the use of the auto OEMs, and we are surprisingly being very well-received by the engineering department of our clients. And we are developing the use of electrogalvanized for exposed parts with a bunch of clients in the auto industry. So product after product after product, Timna, we have plans to increase our production. We still have capacity to spare in certain situations. Remember, I still have the Dearborn blast furnace down, and we haven't brought Dearborn back for a simple reason, is that the clients are not yet committing with the tonnage that I want them to commit. Once that tonnage is committed, we're going to be okay.

One more thing on that - we are changing the structure of our contracts and the minimum of tonnage contracted by clients right now in the usual contracts with our individual customers are now at a take-or-pay. So it's no longer a wishful thinking thing. It's a take-or-pay. The minimum is the minimum. You commit with the minimum. If you don't take, you're going to have to pay. And the clients are accepting. I would say more than 55% to 60% of clients already signed. And the other ones, they haven't signed yet because they were not presented with the contract. Now the problem is no longer price. The problem is having access to steel. We are giving that -- we are changing the structure of contracts. Very soon, this will be the new norm in the industry. It started here with Cleveland-Cliffs. We're proud of that. I hope I answered your question.

Timna Tanners

Okay. Then you have another 500,000 from not doing the reline, as well, I guess. Is that incremental to 2026 or just incremental to your prior 2027 estimates?

Lourenco Goncalves

Yeah, exactly. Because we are doing prep work. That doesn't mean bringing the furnace down in 2027. We're going to finalize the reline in 2028. So, yes, we're going to have another half a -- good point. We're going to have another half a million. We said that in the prepared remarks. Thanks for catching that. So we're going to have another half a million tons in 2027 due to that.

Timna Tanners

Okay, great. I'll hand it on. Thank you.

Lourenco Goncalves

Thank you.

Operator

Thank you. Our next question is coming from Nick Giles of B. Riley Securities. Please go ahead.

Nick Giles

Yeah, thank you, operator. Good morning, Lourenco and Celso. My initial question was just, when we look at the lower discounts on index link contracts and the fixed price resets, of these negotiations, how much has already been concluded? Lourenco, I think I just heard you mention 55%, but just want to clarify kind of where that stands or how much is already locked in. Thank you.

Lourenco Goncalves

Yeah. Like I just said, it's more than half, and the ones that haven't -- we haven't had a single client, Nick, that said, no, I'm not going to sign that, I'm going to roll the dice. None. Zero. So when I say 55%, I'm trying to say more than 50, a lot more than 50. And we are still in -- today is October 19th, so we have plenty of time to finish that. We just started. So by -- I would say by Thanksgiving, we will have everything done. And I don't know how many will not take -- so far, zero. So it looks like it will be the new way of doing business in the United States. It's a much more mature way of doing business in the United States. We are very happy with that. The clients are, too.

Nick Giles

No, that's good to hear. Thanks for clarifying, Lourenco. And then maybe just a question for Celso on the 4Q guide -- kind of what's underwritten there on the cost side and ASP side respectively? And then on the 2027 bridge, when we look at the cost impact of \$250 million, could you just kind of walk us through what's embedded there, whether there's any kind of volume benefit that's offsetting the inflation? Appreciate it.

Celso Goncalves

Yeah, sure. Hey, Nick. Just to summarize on the cost side for this quarter that we just reported, we were able to bring down cost per ton by \$17 a ton versus our guide of \$10 a ton. And that was driven by higher production volumes were a big driver of that cost outperformance. As we look ahead to Q4, costs are expected to increase slightly, and that's driven by repair and maintenance schedules, a little bit of higher energy costs, higher alloy costs, elevated diesel prices, and things like that. So that's what's driving a little bit of a cost increase in Q4.

As it relates to ASPs, as you mentioned, in Q3, we brought ASPs up by \$53 a ton versus our guide of \$55. So we're right in line. And as we look forward to Q4, ASPs are expected to increase by a similar amount as it did in Q3, call it \$45 to \$55 a ton. And all factors that contributed to the increase in Q3 are continuing into Q4. The monthly, the quarterly, and the spot pricing are all improving.

Nick Giles

Got it. That's very helpful. I'll turn it over, but appreciate the update, guys.

Celso Goncalves

Thank you.

Operator

Thank you. The next question is coming from Carlos de Alba of Morgan Stanley. Please go ahead.

Carlos de Alba

Yeah, thank you very much. Good morning, Lourenco, Celso. On the cash flow generation, maybe just to see if you can provide, Celso, a little bit more color as to what you are expecting on working capital to close out the year. You mentioned that you expect cash flow generation. It's still early on, but maybe an indication of a range of magnitude that we can see there. And then just to confirm then, if you expect to have the \$500 million on asset sales, also, the cash coming in in the fourth quarter on top of what you saw and reported in the cash statement for the third quarter.

Celso Goncalves

Yeah. Hey, Carlos. Yeah, I think working capital will be likely neutral in Q4 is the best way to think about it. In Q3, we had a build of \$160 million in working capital, and that was largely driven by \$170 million increase in inventory, \$115 million increase in AR, which was offset by \$135 million increase in payables. But as we look forward to Q4, that should neutralize and working capital will be a neutral for the next quarter. As it relates to asset sales, everything is contracted and expected to close here in Q4. Obviously, there's -- anything can happen, but that's what we expect right now. There are situations where some extensions have been needed. Power supply and things like that are complicated, but as of right now, we still expect to close all those in Q4.

Carlos de Alba

All right, great. And then if I could squeeze one more, as -- so your balance sheet has been improving and will continue to improve, as you have laid out. But do you -- would you consider -- under what circumstances would you consider maybe strengthening your balance sheet and reducing your leverage beyond the 2.5x, perhaps as the stock recovers, and we've seen a strong performance at pre-market, an equity raise? Is that out of the question at this time based on the strong outlook for next year and the cash coming in from the asset sales?

Celso Goncalves

Yeah, look, we don't think we need to, given the outlook that we have right now, as we're looking forward to north of \$4 billion of EBITDA next year, and we've laid out pretty clearly how much free cash flow generation that would result in. I would much prefer to use cash from operations to pay down debt, and that's our primary goal. And the 2.5x, it's just the leverage target that we have clear visibility into right

now. Obviously, as things progress throughout next year, we should be able to well exceed that expectation, hopefully. So it's not a target that we're going to stop at. I think I've been pretty clear over the years in terms of my priority to reduce down debt, and we're always looking at the balance sheet, looking for opportunities to do that.

So the ABL will be the primary target. We'll pay that off with cash from operations, and then we'll look to continue to drive down the bonds, as well. So that's how we plan to do it with cash from operations.

Lourenco Goncalves

Yeah. In sum, Carlos, we are not going to issue stock. We don't need to, full stop.

Carlos de Alba

Thank you. Thank you very much, guys.

Lourenco Goncalves

Thank you.

Operator

Thank you. The next question is coming from Nick Cash of Goldman Sachs. Please go ahead.

Nick Cash

Thank you all. Can you all hear me?

Lourenco Goncalves

Yeah, Nick, go ahead, please.

Nick Cash

Thank you. So automotive volumes have been strong this year and again this quarter, and in general, the market is generally tight. There's limited tons available, and pricing is also extremely favorable. Just wondering, how are you all thinking about and what specifically still needs to happen before Dearborn becomes economic to restart?

Lourenco Goncalves

Yeah. Look, we -- first of all, OEM is not being taken care of. That's the very first thing. You said it's extremely tight. Not really, not really, because, until General Motors brings the Chevy Trax from production in South Korea to production in the United States, we don't need Dearborn, for example. That's the best-selling vehicle that they have, and it carries the same one ton of steel that any other car that we produce here -- on average, that we produce here in the United States, and it has been produced in South Korea. That's a slap in the face of the United States. That car needs to be brought back to the United States. I have been talking with General Motors about that. So no need for the Dearborn until that happens.

The other thing that's really an annoying thing is the F-150 of Ford being an aluminum skin car. I say aluminum skin car because everything else in that car is already steel, and we are the suppliers of that steel. But so far, only the fenders are steel, and the reason why the fenders are steel is because the producer of aluminum set themselves on fire three times in one month, showing how weak that supply

chain is. And then when push comes to shove, they come to Cliffs to bail them out, and we did. And we did with engineering, we did showing that we can stamp aluminum -- we can stamp steel in dyes that were used to stamp aluminum. So we need to bring that car to steel. And I hope that the buyers of trucks understand an aluminum vehicle is not a steel vehicle. And anyway -- and then we can bring the Dearborn back. So the clients are the ones that will dictate when the Dearborn will come back, not me.

Nick Cash

No, that's extremely helpful. And just one more quick one - again, on the price deck, you increased the \$500 million opportunity from repricing to closer to \$850 million. Can you just walk us through or provide a little bit more color on what exactly changed in terms of how much reflects higher than expected pricing, additional tonnage, and how many tons are actually being repriced in that number?

Lourenco Goncalves

Well, everything is going very well in our renegotiation. Last quarter, conservative, but now we are more realistic because we have deals done. I'm not going to go into specifics, but that's pretty much what's happening.

Nick Cash

That's helpful. Thank you. I'll pass it on.

Lourenco Goncalves

Thank you.

Operator

Thank you. Our next question is coming from Samuel McKinney of KeyBanc Capital Markets. Please go ahead.

Samuel McKinney

Hey, good morning, guys.

Lourenco Goncalves

Good morning, Samuel.

Samuel McKinney

I'm going to stick on the contract theme. With 70%-plus of the mix on fixed or index link contracts, I think I see that mix evolving into next year, where we hear from a lot of buyers about the mills attempting to reduce their contract exposure to take advantage of this rich spot market.

Lourenco Goncalves

I hope you heard in the prepared remarks that we are doing well with the renewals. That's number one. Number two, I already informed as we are doing this dialogue with you guys in this call, I let you guys know that now the minimum tonnage contracted is a take-or-pay for Cleveland-Cliffs. And we are not, by any stretch, forcing them to take the existing minimums. If they want to go to a lower minimum in order to be in a more comfortable situation from the take-or-pay standpoint, we are fine with that. On the other hand, the lower minimum is now the lower minimum. So if we need to bring contract tonnage to a minimum, that's the new minimum.

What happens is that more than the opposite, clients are asking to raise their minimums, because at this very moment, the biggest point, Samuel, is to have steel, not to negotiate a price. So fixed prices are gone. Everybody is going to index, and going to index with a minor or no discount because they all believe, not all, but a good number, let us put it like this, of clients believe that prices have peaked. So being on the discount will help them going forward.

On the other hand, I believe that steel prices are not at peak. So I also have a good view on keep contracts on index price. So we are going all index, and with low discounts, lower discounts to freight, things like that, so no discounts to freight, passing along to the clients our costs. They are accepting that, too.

And I think we are going to be in a much more mature as we eliminate the cancer of imports from this market. We are in a much more healthy environment in which the clients can plan for the future, we can invest, we can hire people, and that's what's the most important thing of bringing manufacturing back to the United States. So kudos to President Trump, Secretary Howard Lutnick, and others that are -- USTR Ambassador Jamieson Greer, all the officials that finally heard what this industry has been claiming for several decades, and now we are doing, and now the United States is the third largest producer of steel in the world, ahead of Japan. Rightfully so. We are a country that's growing. They are a country that's shrinking. So we are in the right spot right now.

Samuel McKinney

All right. Great. Thanks, Lourenco. And then on the last call, you guys outlined a third quarter volume increase of about 300,000 tons, and volumes increased to only about 125,000 tons. Celso, you touched on third quarter auto production earlier, but any more details you guys can provide on the factors over the course of the quarter that prevented you from achieving that outlook and if they've subsided for the fourth quarter?

Lourenco Goncalves

Yeah. The main reason is the fact that our biggest business individually is automotive. And automotive has been reshoring. That's a good thing. But they are reshoring in a way that is not really as, let's call, as organized as we would like to see. They have their own problems, and their just-in-time doesn't work as good as it looks like or sounds like when you say just in time. So we need to sometimes reschedule our own production in order to make sure that they are in steel, but not because of us. Sometimes, it is, but more normal than not is we have to do that because of them.

And we do that because they are the clients, and we're working individually with each one of the clients, the auto OEMs, to make sure that they get their own thing better organized for us to be better organized, as well. So the contract renewals of the automotive clients, the multi-year contracts that we gave to them are coming soon. The first one will be related to a January 1st expiration. And now they know that there are take-or-pays for minimums for other clients, and we're going to evolve to that with them. We are the largest supplier of automotive steel by a lot. We continue to grow our participation at will, with automotive, and we are going to have this introduced through the automotive clients. Or if they don't want, that's fine, too. We'll see.

Samuel McKinney

All right. Thank you.

Lourenco Goncalves

Thank you.

Operator

Thank you. Our next question is coming from Albert Realini of Jefferies. Please go ahead.

Albert Realini

Hey, good morning, guys. Thank you for taking my question. Congrats on the impressive quarter.

Lourenco Goncalves

Thank you.

Albert Realini

Yeah, just I think last year, you guys had talked about the expiration of the slab contract and maybe a high-level estimate that could increase EBITDA by maybe \$500 million. Just wanted to ask, is there more to go with that? I saw in the sales volumes, it didn't look like there were slab or other products there. So is there more, I guess, uplift remaining in the fourth quarter from that, or have you guys kind of reached that run rate, which I assume is higher now just based on the pricing environment?

Lourenco Goncalves

Yeah, good -- I appreciate the question, Albert, because you're absolutely right. The benefit of not selling slabs is showing in our numbers. Remember, when I sold -- when I sold -- when I bought ArcelorMittal USA from ArcelorMittal, one of the conditions that I had to agree with, otherwise, the deal would not go through, was to supply ArcelorMittal Calvert with our slab. And that deal was a five-year deal. We counted the date until the day of the expiration. The fifth anniversary came, and we did not renew and there was a very positive benefit. And I'm sure that ArcelorMittal is doing extremely well with their new supplier of steel slabs. Now that was actually a joke. They are not. But I don't care, and we are good. We are happy with that.

Albert Realini

Thank you.

Operator

Thank you. The next question is coming from Bill Peterson of JPMorgan Chase. Please go ahead.

Bill Peterson

Good morning. Thanks for taking the questions. And again, echoing nice job on the quarterly execution. Just trying to, I guess, tie in some of the questions earlier on shipment potential for next year, and maybe leaving Dearborn aside, I guess, how should we think about your shipment growth quantitatively maybe versus market growth? Does this assume any sort of kind of share gain, or is this -- is the market just kind of growing in line with market, just at a high level?

Lourenco Goncalves

Yeah, first of all, everything that the Trump administration has implemented in terms of reshoring manufacturing is really happening. So the demand is growing. The overall number is growing. That's number one.

Number two, imported steel that was always, always a relevant item of the mix of supply is no longer there. You don't see the important role played by imported steel in this market being played going forward for several reasons we have already discussed. So now it's about the domestic supply.

Third thing is that, even though there are a lot of announcements for new plants and things like that, these things are years ahead, if they really materialize -- and I'm not just talking about Iowa or any other plants that were announced. I'm talking about even announcements that haven't happened yet, because when you see an environment like what we have right now with reshoring manufacturing in the United States, I really believe that other announcements will come.

But when push comes to shove, clients need reliability. Clients need people that can really supply steel. And they know where they can get steel and you know where they can get announcements of future investments and \$50 billion here, another \$13 billion in CapEx that never materialized from another one, not all that. But when they need steel, they know where to come. So that's what's happening right now. I hope I'm helping not complicating, Bill, but that's how I see it.

Bill Peterson

Okay. It sounds like it's a constructive backdrop. I guess my second question -- and you pretty much defined clearly what's going on in Canada. Obviously, HRC is now nearly on par. I'm just curious, what do the value-added spreads, I guess, look like between Canada and the U.S., just to help quantify what you were saying earlier?

Lourenco Goncalves

Yeah, look, Canada caught up very quickly when the current administration implemented the TRQs in the first place and then fine-tuned a little bit to make it really work. That's what happened between December of 2025 and June of 2026. For the hot-rolled business, it worked extremely well. As far as the galvanized business, it didn't because between ourselves, ArcelorMittal, ourselves meaning Stelco, ArcelorMittal Dofasco and an incredible amount of imported galvanized steel coming through the borders, the domestic market in Canada simply cannot accommodate. And when the Prime Minister goes on a world trip and say, come to Canada, we're open for business, they're basically inviting new imports into the market and people here outside of Canada, and they said present and they send this steel there.

So what Prime Minister Mark Carney did with this world trip and bringing electric vehicles to the country, just 49,000 tons of virus called Chinese electric vehicles, he was basically snatching defeat out of the joys of victory.

And the punishment was not on companies like Stelco or even Cleveland-Cliffs; the punishment was on Canadian workers. So when things like that happen, consequence exists. But I always believe that calm minds will prevail, and there are more intelligent people than stupid people in any place in the world. So we're going to be okay in Canada. I don't know if your question was exactly that, but I think that's the only message about Canada that's important. All the rest is just your spreadsheet, Bill.

Bill Peterson

Thanks, Lourenco.

Lourenco Goncalves

You're welcome.

Operator

Thank you. This brings us to the end of today's question-and-answer session and today's conference call. We would like to thank you for your participation and interest in Cleveland-Cliffs. You may disconnect your lines at this time or log off the webcast, and enjoy the rest of your day.