

Cleveland-Cliffs
Third-Quarter 2025 Earnings Conference
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Presenters

Lourenco Goncalves - Chairman, President, and Chief Executive Officer
Celso Goncalves – Executive Vice President and Chief Financial Officer

Q&A Participants

Nick Giles - B. Riley Securities
Lawson Winder - Bank of America
Phil Gibbs - KeyBanc Capital Markets
Carlos de Alba - Morgan Stanley
Mike Harris - Goldman Sachs

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 2025 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 the 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 available and 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. Reconciliation for Regulation G purposes can be found on the earnings release, which was published this morning. At this time, I would like to introduce Lourenco Goncalves, Chairman, President, and Chief Executive Officer.

Lourenco Goncalves

Thank you, Donna, and good morning, everyone. Our third quarter results were a clear indication that a significant rebound in domestic steel demand has started, and the automotive sector is leading the way. It's now widely accepted and understood that tariffs are here to stay, particularly the Section 232 tariffs on steel, autos, and derivative products. These tariffs are not a negotiating tool, and the only effective way to avoid tariffs is manufacturing in the United States. With all that, third quarter was our best auto steel shipment quarter since the first quarter of 2024. That's a very encouraging sign for what's coming in 2026 and beyond.

Over the past quarter, Cleveland-Cliffs was able to lock in two or three-year agreements with all major automotive OEMs, covering higher sales volumes and favorable pricing through 2027 or 2028. These are not small renewals. These agreements represent strategic commitments to domestic steel sourcing by the most relevant auto OEMs. Many of these customers have told us directly that they want to reduce their exposure to tariffs and to foreign volatility. They want stability and resilient supply chains. With a total of nine automotive-grade galvanized steel plants, five of them designed to produce exposed parts in all specs and widths, Cliffs is the natural partner for the car manufacturers expanding production in the United States.

President Trump's trade agenda has steel and automotive as part of its core. These two sectors are not just economically relevant. They are fundamental to national security. Rebuilding this strength is essential to sustain America's industrial independence and to improve our national defense readiness. The same industrial base that builds advanced vehicles and powertrains for civilian use supported by domestic steel production can also provide the engineering capability, supply chain depth, and logistics expertise required to support the American military. There is no question that the resurgence of the U.S. auto sector supported by domestic steel is a matter of great urgency.

While other steel companies are still building or promising to build new capacity to be ready in 2028, 2029, or later, Cliffs is ready for 2026. Our state-of-the-art automotive-grade galvanized steel plants, Spartan and Dearborn in Michigan, Middletown, Cleveland and Columbus in Ohio, and Rockport, Indiana Harbor, Burns Harbor, and New Carlisle in Indiana are all up and running. Cliffs has plenty of capacity right now, and the multiyear contracts we have signed with our automotive clients should give us the demand we need to make all these plants work at full capacity and at full employment levels.

This quarter also reminded the automotive OEMs why steel, and Cliffs' steel in particular, is irreplaceable. When light weighting became a major trend several years ago, some automakers jumped on the aluminum bandwagon, chasing immaterial and expensive light weighting gains while ignoring very meaningful technological advances in the production of high-strength steels and, more importantly, the enormous supply chain risks they were assuming. A huge fire at the nation's largest automotive aluminum-producing mill this past quarter revealed the fragility of that shift. Vehicle models that were years ago moved away from steel and towards aluminum are suffering the most.

The silver lining is that switching back to steel is now under serious consideration by the most affected OEMs. Recent trials of conforming parts with our steel using equipment originally designed for aluminum are showing very promising results. This is a huge win for America-made steel and a validation of everything we have been saying for years. Domestic steelmaking, and particularly Cliffs' steel, is the backbone of the American automotive supply chain. We fully expect that aluminum's participation in the automotive space will continue to shrink with Cliffs being the biggest beneficiary of the trend. The resurgence of U.S. manufacturing enabled and

support by the Trump administration has made Cliffs very attractive to a number of major global steel producers. These steelmakers supply steel within their respective countries to important clients, and these clients are now moving production to the United States. Exporting steel into the U.S. is no longer a viable option for these foreign steel companies. Like their steel consuming customers, these folks need a physical presence in the United States.

Cliffs is a fully integrated steel company, starting from mining iron ore and going all the way downstream to the production of high-end finished products, and that is all based in the United States. This foreign interest in Cliffs is fully aligned with President Trump's agenda of strengthening America's industrial base and attracting foreign investments. With all that, a few months ago, we were approached by a major global steelmaker who wants to leverage our footprint in the United States to enable a smooth onboarding for their downstream industrial clients moving production from their country of origin to the United States. During the third quarter, we entered into a memorandum of understanding with this global steelmaker, and we expect to make a formal announcement in the next few months. I will not take any questions on this subject today.

Separately, we have made excellent progress selling profits that no longer fit into our production footprint. I am pleased to report that we are under contract or agreements in principle for eight of these sites with a combined total value of \$425 million. The proceeds of these sales will go directly towards debt reduction. As for our larger operational asset sales process run by JPMorgan, this is currently being deprioritized given the comprehensiveness of our MOU with the global steelmaker. We are not quite pencils down on this process but advancing our negotiations under our MOU is now our top priority.

While our U.S. business is on a clear path to recovery, as we complete on November 1st our first year of ownership of the Canadian steel company Stelco, the picture in Canada remains disappointing. Roughly 9% of our total sales come from Stelco in Canada, and that market continues to lag our expectations. There's only one cause to the problem. The Canadian government has been completely unwilling to act against dumped steel into Canada. Imported steel penetration into the Canadian market stands at a ridiculous and absurd 65%. The Canadian government could easily resolve the problem by replicating what the United States has done under Section 232, impose meaningful tariffs, close loopholes, and enforce the implementation of these antidumping countermeasures.

With other regions of the globe moving in the right direction, even the European Union has recently tightened its quota and tariff regime. Canada stands alone in doing nothing. A bailout loan as the one given by the Canadian government and the province of Ontario to Algoma, one of our Canadian competitors, is not a fix for the problem. Trying to weaken Section 232 in the United States just to bring back Canadian steel into the American market is even worse. Stelco, under our ownership, does not want to and should not depend on selling steel into the United States for its survival. Stelco could thrive exclusively by selling steel in Canada. While I confess my inability to convince the several Canadian government officials I regularly speak with, I

continue to expect Prime Minister Carney to make a move in the right direction. Let's see how long it takes or if I will need to be more persuasive.

Meanwhile, the U.S. government continues to grow as our partner. During the quarter, we were awarded a five-year \$400 million fixed-price contract by the Defense Logistics Agency of the U.S. Department of War. This contract covers up to 53,000 net tons of grain-oriented electrical steel, which the U.S. government intends to store for national security purposes. The award underscores Cliffs' position as the only U.S. producer capable of supplying this critical material GOES, grain-oriented electrical steel, further reinforcing the strategic importance of our electrical steels to the nation's defense and energy infrastructure.

Also, we recently learned that our two projects receiving grants from the Department of Energy at Middletown, Ohio and Butler, Pennsylvania were not included on the cancellation list that ended more than 200 other projects. As such, we will proceed with the Butler project on schedule, and we will also continue to work with the DOE on the new scope of the Middletown project, which is critically important as that blast furnace will be relined in the next four to five years.

Last but not least, the growing strategic value of rare earth elements has prompted us to revisit this potential within our mining portfolio. We view this effort as both an opportunity and as our responsibility. Comprehensive reviews of our ore bodies and tailings basins have identified two sites, one in Minnesota and one in Michigan, where geological surveys show evidence of rare earth mineralization. We continue to assess our potential on both sides. Advancing this initiative would position Cleveland-Cliffs squarely within the nation's pursuit of critical material self-sufficiency. We believe America's industrial foundation must never depend on China or any other foreign sources for essential minerals. Cleveland-Cliffs is committed to contributing to our independence from foreign powers on critical materials. With that, I will turn to our CFO, Celso Goncalves, for his remarks.

Celso Goncalves

Thank you, and good morning, everyone. Our third quarter results were driven by steady operational execution and much better-than-expected pricing, supported by automotive strength. Our adjusted EBITDA in the quarter improved to \$143 million, a 52% increase over the prior quarter, driven by margin expansion from higher realized prices and improved mix. Our steel shipment volumes were 4 million tons in the quarter, a reduction from the prior quarter as a function of summer slowdowns and our continued discipline in the broader market. Fortunately, as a result, our mix shifted favorably toward automotive, which drove our average selling price to \$1,032 per net ton, up \$17 per net ton over the prior quarter. This improvement in price is entirely driven by automotive shipments moving from 26% to 30% share and coated volumes moving from 27% to 29% share.

On the cost side, we continue to deliver great results as our unit costs adjusted to the much richer automotive mix. Our continued cost performance was almost entirely driven by the

footprint optimization activities we announced earlier this year and have fully implemented at this point. The third quarter was the first full quarter we operated with these operational efficiencies in place, and our projected annual savings of \$300 million from these maneuvers remain on track.

We also continue to take further action to reduce both SG&A run rate and capital expenditure budgets. Our CapEx budget for 2025 is now \$525 million, down from our original expectation to begin the year of \$700 million. This is reflective of dramatically reduced spend at Stelco as well as the now-changing DOE projects at Middletown. In addition, full year SG&A expectation is now down to \$550 million from our original expectation to begin the year of \$625 million. These savings are reflective of overhead and incentive pay cost cuts in response to weaker demand conditions.

Another upcoming item to highlight is the December 9th expiration of our onerous slab contract. For the past five years, we've been bound by a contract that valued imported slabs using the now irrelevant Brazilian slab index. That index no longer reflects the real cost or value of American steel, much less the value of our automotive-grade slabs produced at Indiana Harbor. With the contract expiring, we will reclaim that production internally using our melted and poured slabs to serve growing automotive demand.

This past quarter, we also took advantage of the strong high-yield market and refinanced the entirety of our remaining bonds maturing in 2027, leaving us with a runway of more than three years with no upcoming bond maturities. Our next bond maturity is not until March of 2029, and those notes can be redeemed at par starting in March of next year. Together with the outstanding balance on the ABL, we have plenty of prepayable debt to pay down with the incoming proceeds of property asset sales and future free cash flow. Our gross debt amount remains elevated, but we will have ample opportunity to pay it down over the coming quarters. That said, the composition of our debt and maturity runway leaves us with plenty of flexibility going forward. The primary end markets that we serve, transportation, manufacturing, and construction, have been experiencing recession-like conditions over the past 12 months. We have navigated this with our operational improvements, footprint optimizations, and reductions in overhead and capital costs.

The construction and general manufacturing sectors still remain relatively weak. But if history is any guide, those sectors will follow the trajectory of the automotive sector, which is now tracing upward. We have finally started to see a bit of restocking activity in the distributor and end-user markets, an indication that the new tariff reality for those buyers is setting in. The signs of a real recovery are forming, and we need consistent demand and stable policy to keep it going. Once these policy changes give us the demand boost that we need, the foundation that we have laid with these operational improvements will propel us further to amplify EBITDA and cash flow. With that, I'll now turn it back to Lourenco for his closing remarks.

Lourenco Goncalves

Thanks, Celso. Q3 showed the first clear signs that the tide is beginning to turn. Automotive is rebounding, our cost actions are working, and trade policy is delivering measurable results. But we are not declaring victory yet. We can and will do better. Our onerous slab contract will soon go away, our automotive volumes will continue to increase, and we will finish what we have started. That includes the execution of the final agreement and the beginning of the work which will follow our transformational memorandum of understanding with our major global steelmaker partner. With that, I will turn it back to Donna 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 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. Once again, that is star one to register a question at this time. Our first question today is coming from Nick Giles of B. Riley Securities. Please go ahead.

Nick Giles

Thank you very much, operator. Lourenco and Celso, good morning, and really nice to see all of these updates. Cliffs has been a national champion in the U.S. metals and mining industry for over a century, so it's really good to see you taking the initiative on the rare earth side. My question is really how quickly could you produce products in this vertical? And could you look to be a vertically integrated producer, or would you look for a partner? Thank you very much.

Lourenco Goncalves

Thanks, Nick, for the question. Look, we have the opportunity to develop the mining, assuming that all these original studies will play out as we expect. And we'll go from there. It's very clear that the U.S. government is very quickly realizing the importance of having an industry for this type of minerals inside the borders of the United States. And that's also, in my opinion, an opportunity for cooperation with Canada, another unexplored opportunity that we can develop with our northern neighbor. So, there are several ways to go with this thing. And the important thing is that the geographical location would be good for both. We can do it inside the United States, we can do it in Canada because we're very close across the point, across the Great Lakes. So, it's very easy to work within the United States or with Canada. But these are the two options I see going forward.

Nick Giles

Lourenco, thanks for that detail. Maybe just as a follow-up, I mean, what resources have you brought in to date to explore the opportunity? And when is kind of the first mile marker in terms of a potential product mix or any economics? Should we be thinking about something early next year? I appreciate any color.

Lourenco Goncalves

Look, we've identified two sites that have the most promising. We are working with the geologists to assess whether these deposits could become commercially viable. That's where we're at. And don't forget, as you said, we are a mining company, so this is not new territory for us. We understand mining into these lands more than anyone because we have been doing for a long, long time. And we will see how we go from there. But that's a potential that we will not let go without putting a lot of effort and a lot of ingenuity into getting this done inside the United States or in partnership with Canada that has experienced in mining these not so rare elements that are called rare earths.

Nick Giles

LG, thanks again. Really appreciate the update this morning and continued best of luck.

Lourenco Goncalves

Thanks, Nick.

Operator

Thank you. Our next question is coming from Mike Harris of Goldman Sachs. Please go ahead. Mr. Harris, please make sure your phone is not on mute. We'll move on to the next question. The next question is coming from Lawson Winder of Bank of America. Please go ahead.

Lawson Winder

Thank you very much, operator. Good morning, Lourenco and Celso. Thank you for today's update. Could I ask just about your decision to deprioritize the asset sale process? How has that process gone to date? And then, has there been any interest, and if so, in what assets?

Lourenco Goncalves

Look, like I said, the process, we did not stop by any stretch. Actually, we closed on a portion of the sale of FPT during the weekend. So, we have -- we have a signed contract. I misspoke. It's not a closing yet, but it will be a short closing. And the portion that we sold on FPT is not even a site that we explore for our own EBITDA. So, it doesn't change at all the EBITDA that we generate from FPT. So, we're very pleased that we had more than one party interested on that specific portion of the of FPT, including the Florida assets. And we are very excited with the opportunity to continue to sell the remaining portions of FPT as we go.

The other asset, Lawson, that we are considering selling would be our direct reduction plant in Toledo, Ohio because, as you might conclude on your own, but I will reiterate here, we have no interest in building a flat-rolled mini mill ourselves. I was keeping that HBI plant to supply Big River in case we had the opportunity to acquire U.S. Steel, which did not play out. So, as we did not acquire Big River through the acquisition of U.S. Steel, I don't see any specific and strategic value of keeping direct reduction plant producing HBI with a strict goal of supplying flat-rolled mini mill producing more of a high-end type of flat rolled products. That's not my problem anymore.

So, we still have a lot of interest in that specific plant, but this discussion with the MOU and the subsequent work that we are doing with our partner is showing that we might be doing other things with that plant, which I will not elaborate at this point. So, I'm kind of still considering alternatives, but I'm deprioritizing that because the MOU trumps, no pun intended, trumps the opportunity of selling itself as a stand-alone unit, the Toledo plant.

Lawson Winder

Okay. Understood. That's very clear. If I could just follow up on your comment on FTP, should we be looking for some sort of announcement on that sale of a portion or partnership?

Lourenco Goncalves

I just made it. We are under agreement to sell the Florida assets to SA Recycling. So, that's the deal. So, it's out. I just said it to you.

Lawson Winder

Can you provide any detail on economics at this point, or is it too early?

Lourenco Goncalves

No.

Lawson Winder

Okay --

Lourenco Goncalves

But it's good. And if you apply a multiple to a site that generates zero EBITDA, you can pick one. So, it doesn't change the economics of the rest. That's the importance of this sale. That's why I'm disclosing. That was an asset that, for me, was always completely relevant because I'm not going to put a mini mill in Florida to produce rebar or anything else. So, that was not a site that was interested from the get-go. It came as a -- an addendum to what I was really interested in having the real FPT, the FPT around Detroit and our own prime scrap. And that's completely preserved, and there are other companies, more than one actually, interested in acquiring the rest. And they both have the same thing in common. They don't want Florida. So, we moved Florida. But we are not going to review the number, but the number is extremely good, and you'll see liquidity going forward. But you got to wait because this is just a signed agreement. It's not closed yet, so we can't disclose the number.

Lawson Winder

Yeah. Understood. All right. Thanks very much for your responses. I appreciate it.

Lourenco Goncalves

Thanks, Lawson.

Operator

Thank you. The next question is coming from Phil Gibbs of KeyBanc Capital Markets. Please go ahead.

Phil Gibbs

Hey. Good morning.

Lourenco Goncalves

Morning, Phil.

Phil Gibbs

Question is on the auto contracts. Did any of the new contracts kick in during this quarter or do any of the new contracts kick in during the fourth quarter?

Lourenco Goncalves

Yeah. We have some kicking in October 1st. I'm simplifying when I'm saying 2026 because it's a short quarter. Fourth quarter, particularly in automotive, is not a quarter that we are excited about because we know we're going to have shutdowns through the end of the year. That's normal course. Sometimes we have -- I'm not sure about this year because they are really busy, but it's normal course for them to shut down around Thanksgiving, as well. But we are going to see a lot of activity coming from these contracts as the year turns to 2026. So, we're super excited with everything that's happening with General Motors, Ford, Stellantis with this big announcement of \$13 billion bringing back the plants that we were, by far, the largest supplier.

So, all these things are coming to us at this point. We have Ford. We have Hyundai. We have Honda. We have Toyota in North America. These are all happening. And the good thing, Phil, is that the car manufacturers finally realize that it's not a good thing to wait and wait and wait and seeing that the Trump administration is not changing their tune. I think Secretary Lutnick was very clear when he said the United States will be first in producing automobiles. Canada can be second. So, that shows resolve. So, I'd like to see that, and that helps us in terms of getting our business moving in the right direction. So, we are good.

Phil Gibbs

And then just a follow-up on the cost side. What does the guidance imply for further unit cost reductions in the fourth quarter? And should we expect any more momentum in the first part of '26? Thank you.

Lourenco Goncalves

I'll let Celso handle this one, Phil. Please, Celso.

Celso Goncalves

Yeah, sure. Hey, Phil. If you look at the cost performance in Q3 adjusted for the increased automotive mix, we still expect costs to be down \$50 a ton year-over-year when adjusted for this mix. You can see in our track record achieving cost reductions dating back to 2023. We

achieved an \$80 a ton cost reduction in '23. We were down another \$30 a ton in '24. And then now in '25, our unit costs are still expected to be down \$50 a ton. So, we're not changing the guide there. Just as it relates to other Q4 kind of talking points and general guidance that I can give you, shipments should be similar as Q3 around 4 million tons. You have to consider seasonality with the holidays offsetting improved demand. Auto shipments are expected to be similar. And then in terms of pricing, you probably have all the pieces that you need to calculate the ASP for Q4. So, relative to Q3 -- Q4 costs should be relatively similar to Q3.

Phil Gibbs

Thank you.

Celso Goncalves

Thanks, Phil.

Operator

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

Carlos de Alba

Yeah. Good morning, Lourence, Celso. Thanks for the update. Just on following up on the auto contracts, can you maybe give us some comments on the volume growth in implicit in these new agreements and potentially an indication of how much pricing may be moving up or down or staying flat? Definitely a very important piece of the business going forward.

Lourenco Goncalves

Look, directionally, these contracts will generate a lot more margin for us including margin per ton, and that's all I can share at this point with you. These are good contracts. But we realized one thing, Carlos, that probably has been missed throughout this entire conversation. And I'm trying to -- in my prepared remarks -- I'm now using your question, so thanks for the question. I will try to explain a little bit about what Cleveland-Cliffs really is in terms of the automotive industry.

We hear a lot about market share in automotive, gaining market share, losing market share. Let's understand one thing. Cleveland-Cliffs has so much more capacity to produce the steels that the automotive industry needs in comparison with any other supplier or any other one of the supplier of automotive steel. That is not even a topic of conversation talking about market share, about these type of things. We have five plants, plants that are ready to supply a lot more exposed parts than we are supplying right now, not because we lost market share, but because the car manufacturers, who are producing cars in places like Mexico, Canada, South Korea, and I'm talking about American car companies, even in Japan, American car companies. So, that's the absurd of the entire thing, and that was being corrected. So, as they are being compelled, in the lack of a better term, to produce cars in North America in certain cases like Stellantis, they are coming to senses and coming back to the reality that North America is their

main market and Cliffs is their main supplier. We are seeing the business coming back and coming back extremely stronger.

Just to give one set of numbers for you today. Columbus Coatings, it's one galvanizing line ready for extra wide exposed parts that produce today something between 280,000 and 300,000 tons a year. The line itself is able as is to produce 450,000 tons just by putting more throughput through the line, and that is coming. And the site itself is perfect to double in terms of the capacity in that specific side because we have room to put another line side-by-side with the existing one to double from 450,000 to 900,000 tons. That's in a single site, and we don't need to invest to put the new line because we have idle capacity in Dearborn. The downstream Dearborn is the most modern galvanized steel plant in the world that was built in 2013 by Severstal and acquired by AK Steel, and then we acquired AK Steel. So, Dearborn is ready for more.

Middletown, same thing. Rockport -- Rockport needs to be visited. It's all robotic. It's all automated. It has been like that for at least another 1 or 1.5 decades. So, it's there. And New Carlisle that used to be called I/N Tek I/N Kote by Inland and Nippon Steel long ago, is pretty modern and pretty well equipped to produce not only a hot-dip galvanized and galvalume, but also electrogalvanized as well as Middletown.

So, we have -- and that's just exposed. If you go to non exposed high end, no exposure we have at Cleveland is the -- Cleveland Works is the most technologically advanced mill to produce high-strength alloys for the structure of cars here in the United States, and we have been doing that, but we have capacity for more. So, that's prevalent everywhere. Indiana Harbor, Burns Harbor, our joint venture with Worthington Steel Spartan, same thing. So, that's nine plants ready to grow as this or adding capacity as needed in the next three, four, five, six years. So, this movement that was initiated by President Trump that will percolate for the next 5, maybe 10 years will be all supported by Cleveland-Cliffs, and I'm explaining to you the capacity. So, I'm not going to go into this little details on how much more the contract or this and that. These things are coming out as a wave of new business that we are ready to take right now. Sorry for the long answer. It was a good question. I decided to use it to explain details that probably are not well understood. But I hope after I made that explanation at least generate more questions that will keep us helping clarify the subject.

Carlos de Alba

Great. Thanks for the information. And then talking about the other opportunity that just came off for Cliffs on the rare earths space, are there any details or early details that you have in terms of the type of mineralization -- rare earths mineralization that you may have? What type of minerals potentially you could be producing? And also, is there a timetable for a feasibility or prefeasibility study or preliminary economic analysis -- assessment, sorry?

Lourenco Goncalves

I don't think that I want to talk about dysprosium or terbium or cerium or lanthanum or neodymium or praseodymium in this call. But I am a chemistry person, so I would love to, but I don't think that would be a good thing for us today, Carlos. Let's take this offline and let's discuss. The important thing is that they are there. We found them there. And we want to make it viable. We really believe that we have potential there, and that will be good for Michigan, for the upper Peninsula primarily. And there's even one site in Minnesota that we would go. Minnesota is not very friendly to us, but we still investigate there. But we definitely will start in Michigan in the upper peninsula because we love the upper peninsula.

Carlos de Alba

All right. Thank you, Lourenco. Looking forward for that conversation in more detail --

Lourenco Goncalves

Yes, sir. Thank you.

Operator

Thank you. Our next question is coming from Mike Harris of Goldman Sachs. Please go ahead.

Mike Harris

Okay. Let's try this again. Hopefully you can hear me this time.

Lourenco Goncalves

Very well, Mike.

Mike Harris

Hey. How you guys doing? Hey. Just wanted to follow up on the electrical steel award that you highlighted. And just to kind of help us, how should we think about that? Is that more of a kind of a onetime opportunity, or is this like the first of more to come?

Lourenco Goncalves

It's a onetime opportunity, Mike, but it's a multiyear onetime opportunity. The U.S. government, Department of War made the decision to put in storage, a safety reserve strategic inventory of this type of materials that we produce. So, we are going to build that inventory together with the Department of War. And we are very proud of this partnership. It's extremely good in terms of economic terms. And in the long-term viability, of course, we're going to prioritize that because it's national security. And it will take years to finish. And this probably is the first move into a direction that it's clear that the Trump administration is taking in terms of protecting the country with strategic inventories of things that could be under attack in a moment that's not very peaceful in the world. So, it's all good, and we are proud of our partnership with the U.S. government and particularly with this specific deal.

Mike Harris

Okay. Okay. That helps. And then just a follow-up to it, and I think, Celso, I think, just a few minutes ago, someone asked a question around the cost reduction, and you kind of pointed out the track record. And I guess I was just curious. What we're witnessing here, is that just you guys now have an opportunity to take out maybe stranded costs from the acquisitions? Or are we seeing the benefits from, I don't know, some process improvement or technological advances? Just kind of help understand -- help me understand what we're witnessing with the cost reduction effort here.

Celso Goncalves

Yeah. Sure, Mike. Thanks for the question. Yeah. I think over time, we've been proactive in terms of optimizing the footprint. We became a steel company in 2020 if you remember. We acquired AK Steel. We closed that deal on March 13th of 2020 in the middle of the pandemic, and then we doubled down, and we acquired the ArcelorMittal USA assets in the same year. Closed in December 9th of that year. And for the subsequent years thereafter, we became a major steel company sort of overnight, and it took time to optimize the footprint. It came with a lot of assets. Many of them were very good. Some of them weren't so great. So, over the last few years, we've been prioritizing optimizing the operations across all of our assets. And that's what's really driven the accomplishment on the cost side, and this year was really the completion of those efforts.

Mike Harris

Okay. That helps out. Thanks a lot, guys. And good luck and continued success.

Lourenco Goncalves

Thank you, Mike.

Celso Goncalves

Appreciate it.

Operator

Thank you. That brings us to the end of today's question-and-answer session. I'd like to thank everyone for their participation today. You may disconnect your lines and log off at this time. Enjoy the rest of your day.