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PRESENTATION

Operator

Good morning, everyone, and welcome to United States Steel Corporation's Fourth Quarter and Full Year 2020 Earnings Conference Call and Webcast. (Operator Instructions)

I'll now hand the call over to Kevin Lewis, Vice President of Investor Relations and Corporate FP&A. Go right ahead.

Kevin Lewis - *United States Steel Corporation - VP of IR and Corporate FP&A*

Thank you, and good morning. We appreciate your continued interest in U.S. Steel and welcome you to our fourth quarter and full Year 2020 earnings call.

On the call with me this morning will be U.S. Steel President and CEO, Dave Burritt; Senior Vice President and CFO, Christie Breves; and Senior Vice President and Chief Strategy and Development Officer, Rich Fruehauf. After the close of business yesterday, we posted our earnings release and earnings presentation under the Investors section of our website. On today's call, we will walk through via webcast, select slides and our fourth quarter and full year results. The link and slides for today's call can also be found on our website.

Before we start, let me remind you that some information provided during this call may include forward-looking statements that are based on certain assumptions and are subject to a number of risks and uncertainties as described in our SEC filings, and actual future results may vary materially. Forward-looking statements in the press release that we issued yesterday, along with our remarks today, are made as of today, and we undertake no duty to update them as actual events unfold.

I would now like to turn the conference call over to U. S. Steel President and CEO, Dave Burritt, who will begin today's presentation on Slide 4.

David Boyd Burritt - *United States Steel Corporation - President, CEO & Director*

Thank you, Kevin. Good morning, everyone, and thank you for being a part of today's call and for your interest in U. S. Steel. What a difference a quarter can make. We've been busy since our earnings call in October, purposefully executing our customer-centric Best of BothSM future and creating significant stockholder value. In a year that could have easily distracted us or gotten us off course, we set our company on a new path, one of profitable growth and value, and we rewarded our stockholders with a 48% 2020 total stockholder return.

Instead of riding the storm out, we went on the offense to deliver transformative value in not only a trough, but a pandemic, which puts us in a position of strength to benefit from today's sustainably strong market, and we did it safely. Building on our industry-leading position to deliver record safety and environmental performance in 2020.

With a faster than expected close of the Big River Steel transaction in January, I can confidently say the future is now. Big River Steel is a critical element of our Best of Both future, and we're excited about the opportunities we've identified together in just a few short weeks since closing. But know, we are just scratching the surface of this powerful combination.

And lastly, I am bullish about the strong market we are seeing. And we are positioned more strongly than ever to capitalize. Our Flat-rolled business is vertically integrated and benefits from a balanced commercial contract mix, supported by a revitalized portfolio of differentiated assets. We now own Big River Steel, the world's first flex mill, merging the superior capabilities of integrated steelmaking with the agility of mini mill steelmaking. Tubular will begin to more fully benefit from the third EAF in our portfolio and market conditions in Europe have informed our decision to restart the third blast furnace in Slovakia.

As I said before, the future is now and the future is bright at U. S. Steel.

Let's get started on Slide 5, where we highlight key accomplishments in 2020 that got us to today's Best of Both reality. What our team was able to accomplish in 2020 was truly remarkable. 2020 was full of challenges. Our team rose to meet each one of them. Because of the team's hard work, we are positioned for a stronger, more sustainable, more competitive and more profitable future. This includes delivering on our strategic promises. First, on reducing fixed costs. We have made considerable progress on increasing the efficiency in how we work and are on track to meet our objective of approximately $200 million of run rate fixed cost reduction.

Next, we were able to create incremental value in 2020 by monetizing excess iron ore. You'll recall we entered into an option agreement with Stelco in April, delivering $100 million to the balance sheet. This agreement in 2020 recognized the value of our strategically advantaged iron ore assets, a deal that implied a value of $2.4 billion.

We've also entered into a third-party sales agreement with Algoma that begins in 2021, and we are nearing additional third-party merchant pellet agreements. Another opportunity that we've turned into a competitive advantage is adding sustainable EAF technology to our portfolio.

In October, we commissioned our new EAF at Fairfield to in-source substrate for seamless pipe production. And in December, we announced the exercise of our call option to acquire the remaining equity in Big River Steel, which closed this month. These actions took us from 0 EAFs in our footprint to now 3 of the newest EAFs in the country. EAF steelmaking, along with our existing integrated footprint, allows us to be more nimble and agile to the changing needs of our customers while generating more value through the cycle. 2020 has taught us that nothing stays the same, so we must remain adaptive to ever-changing market dynamics and customers' needs. Our investments in state of the art sustainable steel technology are also integral to our ESG commitments and to provide a path to achieve our 2030 global greenhouse gas emissions intensity reduction target.

Lastly, we ended 2020 by executing on another key objective, extracting value by divesting noncore assets from our attractive real estate portfolio. In December, we sold the Keystone Industrial Port Complex outside of Philadelphia for about $160 million in cash. The unique challenges of 2020 provided unique opportunities, and we seized on those opportunities, none more important than acquiring Big River Steel.

Slide 6 reinforces why full ownership of Big River Steel unlocks additional significant opportunities, starting with the customer. As full owners of Big River, we are fully collaborating across our entire product mix to determine the best way to serve customers and develop new products using U. S. Steel know-how and Big River's state of the art facility.

Also Big River's location in Arkansas provides a greater reach and increased flexibility to serve new and existing customers in the growing Southern U.S. and Mexico markets. As the nation's only LEED-certified steelmaker, Big River also offers our customers an incredible opportunity to partner with our sustainable steels to meet their own sustainability targets including some of the most Advanced High Strength Steels available anywhere.

As Slide 7 shows, the Big River team set a new world record for the fastest ever startup and ramp-up of the compact strip production worldwide. This remarkable achievement further demonstrated that we not only acquired a technologically superior flex mill, but a world-class operating and management team. Another example of Big River doing what they do best, operating the world's first flex mill and constantly reinventing what is possible.

The record-setting ramp-up of Big River is driving earnings growth as shown on Slide 8. The Phase 2 expansion is running near 90% utilization, resulting in strong year-end performance. EBITDA for the month of December totaled approximately $30 million. Big River ended the year with $267 million of liquidity, including $47 million of cash. With the Phase 2 expansion nearing full completion, we expect Big River to continue to benefit from greater exposure to the strong hot-rolled market. On a through-cycle basis, we expect Big River to deliver EBITDA margins in the mid- to high teens.

As we turn our sights to the future, Slide 9 summarizes why we are confident. 2021 is poised to be a year unlike any other for U. S. Steel. We are optimistic about the future and encouraged by improving market conditions. But this is an irrational exuberance as Alan Greenspan famously said, demand continues to improve, spot prices are strong and the industry's utilization rates are moving towards pre-COVID levels. We have not seen a surge in imports yet, but we'll continue to monitor the situation. We're also confident because of the greater optionality that our Best of Both footprint provides to better serve demand through distinct cost and capability differentiation and expanding geographic presence into the Southern U.S. and Mexico regions.

As we integrate and learn from Big River Steel, we are preserving optionality to incorporate our findings and remain adaptive. Particularly, we have enhanced our focus on reducing capital intensity across the enterprise. This includes identifying and prioritizing capital projects that support lower capital intensity. Lower capital intensity is critical to delivering consistent cash flow through the cycle and creating long-term value.

With increased optionality comes increased opportunity. To get closer to our customer, matching our sustainable steel offerings that Big River's low GHG emission facility can provide with customers' needs.

Big River is a leader in this space. As the only LEED-certified steel mill in the world, this puts U. S. Steel at the forefront to meet our customers' growing demand for green, sustainable steels that can help them meet their own sustainability targets.

The new Big River / U. S. Steel combination provides unique opportunities and a strong platform for future growth and value creation across all of our stakeholders. Our market-leading proprietary grades of Advanced High Strength Steel, now also capable with Big River substrate, provides further opportunity to penetrate strategic markets by highlighting the unmatched value proposition for customers.

The time is now to take sustainability to a new level in steel, and we look forward to boldly partnering with our customers to lead in this space. A strong market backdrop, combined with our Best of Both footprint has us confident that 2021 will be a year of significant value creation and earnings growth.

Christie?

Christine S. Breves - *United States Steel Corporation - Senior VP & CFO*

Thanks, Dave, and thank you, everyone, for joining us this morning.

I'll begin my remarks on Slide 10. Our fourth quarter performance marked the beginning of the recovery for U. S. Steel, particularly in the month of December. Adjusted EBITDA in the fourth quarter was $87 million compared to the third quarter loss of $49 million and $136 million improvement in the quarter. We also outperformed our EBITDA guidance of $55 million, largely due to strong flat-rolled performance.

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For the full year, we reported adjusted EBITDA loss of $162 million. Our 2020 results were negatively impacted in the second quarter of the year when a significant portion of our OEM customers halted production due to the pandemic. The second quarter marked the trough and results have improved since.

Turning to the balance sheet. We ended the year with liquidity of nearly $3.2 billion, including cash of nearly $2 billion. We continue to generate cash from working capital, including an additional $365 million in the fourth quarter. Our pension and OPEB status also ended the year strong with a funded status of 98% and 115%, respectively, for 2020. We do not expect any mandatory contributions to our defined benefit pension plan in the next several years based on our healthy funded status.

Customer demand remained strong throughout the fourth quarter and higher steel selling prices began to be reflected in our average selling prices. Continued strong demand led to our decisions to restart a blast furnace at Gary Works and our Keetac iron ore mine in December and the third blast furnace in Slovakia in January. We'll continue to monitor demand closely and remain nimble and flexible.

In Flat-rolled, we generated $50 million of EBITDA in the fourth quarter. Commercial tailwinds from higher average realized prices was a significant driver to better performance versus the third quarter. Also, increased efficiencies from reliable operations running at higher utilizations benefited the segment's cost structure. Our European segment generated $61 million of EBITDA in the quarter. Higher average realized selling prices lifted our quarter-over-quarter performance. Better prices and higher operating efficiencies resulted in an EBITDA margin of approximately 11% in the fourth quarter, a 300 basis point improvement compared to the third quarter.

Our Tubular segment also reported improved performance, although still negative at an EBITDA loss of $21 million. The improvement was largely due to management actions, primarily related to reduced carrying costs associated with indefinitely idled Lone Star and Lorain tubular.

As Dave mentioned, we are optimistic for what lies ahead in 2021, and we had a strong end to the year in December, and the trajectory of improvement has continued in the new year. In the first quarter, we expect a significant improvement in our Flat-rolled segment performance primarily from higher average realized selling prices, while steel shipments are likely to be similar to the fourth quarter. Seasonal headwinds related to our mining operations will negatively impact EBITDA including third-party pellet sales. This happens each year since the Great Lake shipping lane is closed, typically from January 15 through March 25. This is an important consideration for your modeling, your financial modeling.

Our European segment results are expected to be comparable to the fourth quarter. Higher average realized selling prices and increased shipments will primarily be offset by higher raw material costs particularly for iron ore. In addition, we expect to incur higher CO_2 credit costs in the first quarter related to the restart of #3 blast furnace.

In Tubular, customer demand is improving, resulting in higher volumes, but selling prices remain under pressure. As a result, we expect similar performance in the first quarter compared to the fourth quarter. The first quarter will also be the first time Big River's results are fully consolidated in our performance, reflecting their full contribution since our close on January 15. Big River's strong December performance is expected to continue, reflecting the successful ramp-up of the Phase 2 expansion. Our cash and liquidity remains strong. After Big River Steel acquisition and transaction costs, our January 22 cash and liquidity was $1.2 billion and $2.5 billion, respectively.

Strong cash and liquidity and unchanged CapEx budget and no significant notes maturities until 2025 supports our near-term financial priorities of robust liquidity, financial flexibility and maturity profile management.

Before I turn it back to Dave, let me spend a few seconds on my last point around our debt maturity profile. Slide 11 illustrates our combined U. S. Steel / Big River Steel debt maturity profile. You'll recall, as part of our December Big River Steel announcement that we are maintaining their attractive capital structure, together with the U. S. Steel existing cap structure, we maintain a manageable maturity profile that supports continued strategy execution. Call provisions across most material debt allows us to be proactive to manage our debt maturity profile. While our extended maturity profile provides us with flexibility to opportunistically access capital markets to refinance or deleverage. We do not have any significant note maturities until 2025.

Dave, back to you.

David Boyd Burritt - *United States Steel Corporation - President, CEO & Director*

Thank you, Christie. Let's turn to Slide 12. Before we take your questions, let me summarize what you heard on today's call. First, we created value in the trough of 2020, something we know truly demonstrates the progress we've made. Second, we executed our #1 strategic priority by acquiring the remaining stake in Big River Steel. This marks the beginning of our best of both future. And third, actions in 2020 have set us up for a strong 2021 to realize the potential of our best of both strategy and deliver significant earnings growth and value.

Kevin? Let's move to Q&A.

QUESTIONS AND ANSWERS

Kevin Lewis - *United States Steel Corporation - VP of IR and Corporate FP&A*

Thank you, Dave. (Operator Instructions) Operator, can you please queue the line for questions.

Operator

(Operator Instructions)

We'll get to our first question on the line from the line of Chris Terry with Deutsche Bank.

Christopher Michael Terry - *Deutsche Bank AG, Research Division - Research Analyst*

I wanted to ask a little bit more about Big River now that you've got the asset as of the last week or so. I just wondered if you could talk about how you're integrating it into the broader business and how you can leverage off your existing business and how each of the assets can really run in a better way going forward?

David Boyd Burritt - *United States Steel Corporation - President, CEO & Director*

Well, thanks so much, Chris, for that question. I think that's probably on a lot of people's minds. How is it going and where do we think this is headed. I'll make just a few comments, and then I'll turn it over to Rich, who's been working on that integration with the team daily. And I'll just say this about that.

Each and every day, we find new opportunities. We find opportunities, whether it be in raw materials, product development, operations, procurement, logistics, SG&A, maintenance CapEx, but mostly with how we're going to serve the customer with these advanced high-strength steel -- new steels. We went from 11 pre-close to now 14 prequalified new steels. So we're pretty pumped up and excited about the possibilities of this, and Rich has been knee-deep in the integration with the team. Rich?

Richard L. Fruehauf - *United States Steel Corporation - Senior VP of Strategic Planning & Chief Strategy and Development Officer*

Sure, Dave, thanks for that. And as you said, since we announced the exercise of the call option in December, we've -- the team has trialed 3 more -- successfully trialed 3 more grades of steel. So we're up to 14, as you said, and these are low carbon emission intensity steels because of the Big River production route, the integrated -- excuse me, the mini mill versus the integrated route. So we've had great customer reaction to that. Our integration as Dave said, we keep learning new things, surprising things, things that are really exciting. The strategy for integration. We've been focused on safety, enterprise risk and value capture opportunities. We're trying to leave the team alone there, minimize distraction and let them do what they do best. I think you saw that in the December results that Christie talked about. We don't see a lot of incremental cost to -- in the integration. And the opportunities, as Dave said, are tremendous. In terms of the green steel we can make, taking advantage of our finishing assets to leverage with Big River's production capabilities. And the team down there, that team is just amazing. We love the entrepreneurial culture. We want to preserve that. That team is critical to the success of the business. And so we have the key members of that team in place, and things are going really well. And we're just learning more. as you said, we've had about 2 weeks since we closed the transaction. And it's every day, we learn something new that makes us increasingly optimistic that there's a lot more value to be captured.

David Boyd Burritt - *United States Steel Corporation - President, CEO & Director*

One of the things Rich said there, I think that is really important is they get to run their operations. We find the integration opportunities where they exist and where we can make things better. But for the most part, it's stand-alone, and they're making progress on what they know how to do. They're the mini mill experts. They set all-time records in terms of getting up and running this mini mill. So we are trusting their capabilities, and they're demonstrating their capabilities. So when we acquired Big River, we acquired their management team and we're thrilled that they're here with us, and we're going to invent new possibilities for gains for all of our stakeholders. But for the most part, they run their operations, and then we make sure that we work together to get the benefits of U.S. Steel, research, its iron ore and its capabilities for our bigger footprint and size.

Christopher Michael Terry - *Deutsche Bank AG, Research Division - Research Analyst*

And just to follow-up on -- you did the divestment of Keystone in the port side. Just wondering if there's anything else you can highlight that you may be able to divest or any other reconfigurations of other assets to further optimize the portfolio?

David Boyd Burritt - *United States Steel Corporation - President, CEO & Director*

Well, thanks for that. We've said this for a very, very long time that everything is for sale. It's all about stockholder value, and we look for opportunities and partnerships with people that can help us create value. We certainly have been able to capitalize on with the sale on KIPC. You've seen what we've done with our iron ore assets. There are other opportunities for us to look at for partners. We're not ready to disclose all those right now, but we do have ongoing opportunities that we look for in terms of our -- particularly our real estate.

Christine S. Breves - *United States Steel Corporation - Senior VP & CFO*

Yes. Dave, I'd just add, you have a whole list of noncore real estate assets. And now I'd say, we've refined our process around that. And are working that. So we do think there will be more sales, to come of noncore assets.

David Boyd Burritt - *United States Steel Corporation - President, CEO & Director*

One of the things we're doing, there's a lot more rhythm, a lot more discipline, I think, in terms of the way we approach our strategy, very purposeful, weekly reviews and to Christie's credit, even on things like cash. It's a daily exercise. First thing in the morning where people are getting together, making sure that we're managing the details as well as looking at these strategic possibilities to create value.

Operator

We'll now proceed to our next question on the line from the line of Seth Rosenfeld with Exane BNP.

Seth R. Rosenfeld - *Exane BNP Paribas, Research Division - Research Analyst*

If I may ask a question with regards to CapEx and capital allocation, please. I guess, given how much you've discussed in the past, the pressing need to invest in Mon Valley, Gary, Dynamo line, and I think in the past, you've been framed in terms of the risk to the business of not investing in these assets. I'm a little bit surprised if there's been no move to try to accelerate that in light of the current market strength and improved cash generation of the business. How should we think about what's holding you back from reaccelerating these projects? In what environment would you really want to move forward with these 3 significant growth areas?

David Boyd Burritt - *United States Steel Corporation - President, CEO & Director*

Well, thanks for that question because this last year, we made it very clear in terms of what our priorities were, protecting lives and livelihoods, going after Big River of their top strategic priority and then also making sure that we had adequate liquidity to make sure we got through this difficult time. But if you think about what we're trying to do is we're preserving optionality. We are learning so much more about how this mini mill technology works. And so we want to understand that fully because we have to be a less capital-intense organization. Typically, during these times, when you see this big uplift, you'd see U. S. Steel saying, well, we're going to spend a lot more CapEx. We're going to spend money on maintenance capital. We're relooking our entire resource allocation process and seeing where we can create the most value in a much leaner way. So I have to say stay tuned. There's a lot of work to do. We're learning so much more from Big River and they're learning from us. It's a great combination that we have here. And so we're going to see opportunities where we don't have to be as capital intense, and we're going to allocate the resources to the best opportunities to get to the future faster.

Seth R. Rosenfeld - *Exane BNP Paribas, Research Division - Research Analyst*

And if I can ask a separate question, please, with regards to working capital. Obviously, very impressive working capital management is cash contributor of late. What impact does the current surge in steel prices have on working capital moving forward? And what scale investment might be forecast in early '21, please?

Christine S. Breves - *United States Steel Corporation - Senior VP & CFO*

We do expect to build some working capital in 2021 because of the higher volume levels. So we have a very good process where we're going to minimize that as much as possible, but we will be adding some inventory and some receivables.

David Boyd Burritt - *United States Steel Corporation - President, CEO & Director*

Well, you saw the numbers here. The cash conversion cycle time is an all-time record, I think, for us, it's 25 days and receivables dip below $1 billion. So clearly, this is Christie to her credit and her whole team and the whole operations team, what they've done on working capital this last year is really remarkable in terms of the rigor and discipline the daily focus. And so while we do think working capital will be running a bit higher. That's a good news item for us because we expect to sell more this year. And naturally, you expect to have higher receivables and a need for more working capital as you build the business profitably.

Christine S. Breves - *United States Steel Corporation - Senior VP & CFO*

Yes, we will continue the same processes that we had this year, where we literally looked at it on a daily basis, and we'll make sure that we're making efficient use of any debt we do add.

Operator

I will now proceed to our next question on the line from the line of David Gagliano with BMO Capital Markets.

David Francis Gagliano - *BMO Capital Markets Equity Research - Co-Head of Metals & Mining Research and Metals & Mining Analyst*

I just have a few on Big River. A little more on the detail side. Thank you for the data points for December. Just to try and round out the information. Can you just give us a sense what the volumes were in December from Big River and also were there any onetime start-up costs or anything like flowing through that $29 million EBITDA number? That's my first question.

Kevin Lewis - *United States Steel Corporation - VP of IR and Corporate FP&A*

Okay. Thank you, David. This is Kevin. So a little context around December performance. I think you saw the headline EBITDA number, which was quite impressive at $30 million. But what's even more impressive is if you put that in the context of their operating performance in December. They shipped just over 180,000 tons in the month, which would suggest a EBITDA per ton of over $160 in the month of December. From a margin perspective, that was about a 23% EBITDA margin in December. So very, very strong performance relative to their December EBITDA and their ramp-up in production.

As far as any incremental cost, I mean, obviously, there are some that are required. But when you have world record-breaking ramp-ups, you've clearly done it efficiently and cost effectively. So we would continue to expect the trajectory of their earnings and their performance to only improve as we enter a very strong market environment in 2021.

David Francis Gagliano - *BMO Capital Markets Equity Research - Co-Head of Metals & Mining Research and Metals & Mining Analyst*

Okay. That's helpful. And then just somewhat related, the guidance for the year on Big River 2.6 million, 2.8 million of external shipments, I think capacity is 3.3 million. So that's -- on the surface implies an 82% utilization rate or something like that. Are there internal shipments there? Is there a ramp up? Or what's the thought process behind that level of shipments? And then also since while I'm on the line here. Can you comment on your annual auto contract renegotiations and what the outcome was for 2021?

Kevin Lewis - *United States Steel Corporation - VP of IR and Corporate FP&A*

Sure. So David, I'll address the first question related to Big River shipments, and then we'll move into the auto side. But on the Big River shipments, I mean, I think if we've seen anything, it's only that Big River overachieves and outperforms expectations. So to the extent that, that ramp up continues to be extremely efficient, I would say that those are numbers we're very comfortable with in 2021. There will certainly be some intercompany shipments, as Dave and Rich both talked about. One of the key elements of extracting value from this combination is around operational optimization. So there certainly could be some of that in the future as well. But I would say we are highly confident in that shipment range. We think we expect that business to run at very healthy levels of utilization, and they're only starting to scratch the surface when it comes to the operational excellence to be demonstrated that Phase II expansion.

So with that, I'll pass it over to Dave to talk a little bit about contract negotiations with auto.

David Boyd Burritt - *United States Steel Corporation - President, CEO & Director*

And thanks for the question. I think it's important people understand just where we are on this. And the customer centricity that we're focused on with our customers to get a lot closer to them. And we've actually made some changes in organization to increase the commercial acumen across the organization and learn how to work more closely with our customers. And as you know, we have had these strong relationships with our customers for a long time. We have fixed contracts, spot contracts and index contracts. We certainly favor the long-term agreements and are focused on becoming a long-term solutions provider as we move more and more into the strategic markets of advanced high-strength green steels. And that's something that we care a lot about, and our customers are driving us to that direction. And so we're linking up with them very closely. Through-cycle profitability is really important, and we're focused on figuring out how we can work so collaboratively with our customers that when they win, we win and vice versa.

And then the proprietary grades of steel, now including the sustainable steels made at Big River, have our customers, quite frankly, excited by the possibility. So we've got a lot of proprietary offerings combined with solution-oriented discussions that we're working through. Some of the contracts with some of the auto customers were completed earlier last year. Some continue to be ongoing. But those things are continuing moving forward, and we're pleased where we find ourselves today.

Operator

We'll get to our next question on the line from the line of Karl Blunden with Goldman Sachs.

Karl Blunden - *Goldman Sachs Group, Inc., Research Division - Senior Analyst*

I guess just take you look across metals mining, natural resources, it does look like the Biden administration is moving quite quickly on some of its policy goals. I'd be interested in your thoughts around tariffs and 232 and what the planning assumptions are for U. S. Steel?

David Boyd Burritt - *United States Steel Corporation - President, CEO & Director*

Well, thanks for the question. On trade, obviously, there's always concern about the trade because what we want is fair trade. And I think there's been some good progress in the recent past with 232, and I think everybody agrees that the steel industry can compete extraordinarily well when there is fair trade. And with this pivot to a new administration, we frequently get the question what's going to happen to 232. And we just say, well, 232 needs to continue, especially with a 'Buy America' type philosophy. And if we learned anything from the pandemic, you've got to have a resilient supply chain, and that means mine melted made, the good old U.S.A. So I think from that standpoint, it's a bit of a no-brainer. You wouldn't take 232 off, especially when you know that we can supply most of the things U. S. Steel can supply most of the customers' needs from a U.S. manufacturing base.

Richard L. Fruehauf - *United States Steel Corporation - Senior VP of Strategic Planning & Chief Strategy and Development Officer*

Yes. Thanks, Dave. And I guess I'll just add to that. I mean, we've had good relationships with both the Democrats and the Republicans. And look, a strong steel industry, it's not a republican issue. It's not a democratic issue. It's an American issue. As Dave said, all indications we have are that the Biden administration recognizes that, and they are going to reinvest in manufacturing. And if we get an infrastructure bill, that would be tremendous, tremendously helpful to the industry.

On Paris, look, we announced over a year ago, our 20% greenhouse gas intensity goal reduction intensity goal. We're on the way to achieving that. That's not where we're going to stop. We keep working to improve our sustainability, and it's good for the planet. It's good for business. As we talked about earlier, our customers are obviously looking to greener supply chains and Big River gives us that opportunity to really meet those needs. So Paris -- rejoining Paris, it's not something that really changes anything we're doing strategically. We've been working on sustainability and reducing our carbon intensity for some time now.

Karl Blunden - *Goldman Sachs Group, Inc., Research Division - Senior Analyst*

That's very helpful. Just as a follow-up, when you think about the current environment being quite strong growth in the credit market side and then also the steel price environment side. But Christie, you mentioned some thoughts around the balance sheet in your prepared remarks. When you think about prioritizing things such as extending the runway, you have some bonds that become callable soon, we also have some higher coupon secured bonds, which obviously have some call protection. But when you think about your priorities in terms of replenishing secured capacity, extending the runway, how would you characterize this?

Christine S. Breves - *United States Steel Corporation - Senior VP & CFO*

Well, we are always evaluating opportunities to strengthen our balance sheet. Strong liquidity is our first priority. But we are looking also at deleveraging and also managing those maturity profiles that you're talking about. Obviously, we'd like to restore some of our secured debt capacity. So we're always looking at -- what does that mean? You can't -- while it's not callable for a couple of years, there are -- you can call it, because there is an equity claw in it.

David Boyd Burritt - *United States Steel Corporation - President, CEO & Director*

Yes. We're continuing to evaluate our liquidity position and make sure that we -- as we keep saying, get to the future faster with our Best of Both strategy. We're quite comfortable with the cash that we're carrying. You saw the $3 billion worth of liquidity. And at the appropriate time, we're preserving optionality for this big opportunity that we see. So when we're ready, we will strengthen the balance sheet even further.

Christine S. Breves - *United States Steel Corporation - Senior VP & CFO*

Yes. As we always say, we're always monitoring the capital markets for opportunities to improve our financial position. And that does include looking at the maturities.

Operator

We'll now proceed with our next question on the line. From the line of Andreas Bokkenheuser with UBS.

Andreas Bokkenheuser - *UBS Investment Bank, Research Division - Executive Director, Head of LatAm Mining & Basic Materials and Research Analyst*

Just a question on demand. I mean, obviously, demand is quite strong as you also remarked. And on the previous calls, you've kind of mentioned that you're watching your order book for any further capacity restarts. You obviously restarted blast furnaces #4 at Gary. And we still got the blast furnace A at Granite [City] down. What's kind of like holding you back from restarting Granite [City] blast furnace A, is that still an order book issue? Or are you seeing any ferrous shortage given the winter? Is that what's kind of factoring to that? That would be my first question.

Kevin Lewis - *United States Steel Corporation - VP of IR and Corporate FP&A*

Yes. So Andreas, so I mean it always is about the customer and how we come to market commercially to serve our customers' needs. So obviously, we've seen very strong and accelerating recovery in our strategic end markets, including automotive, including appliance, including packaging and containers. And we continue to run at very high levels of effective utilization to serve those customers' needs. So we'll continue to evaluate things. But I think right now, where we are based on the financial objectives we set for the business, the strength, we believe strongly that we'll continue throughout 2021, both domestically and in Europe, this is the footprint that we believe positions us to be the most successful, the most profitable and allows us to win in the strategic markets where we choose to participate in 2021 and beyond. So we feel very good about the footprint that we have in place right now. Always remain adaptive, but I think we continue to be extremely encouraged by the opportunities for this year.

Andreas Bokkenheuser - *UBS Investment Bank, Research Division - Executive Director, Head of LatAm Mining & Basic Materials and Research Analyst*

That's very clear. And then maybe a follow-up. Obviously, now with the EAF expansion at Big River. Are you giving any thoughts to actually expanding more EAF capacity as you kind of proceed forward and given that the protection is and so on and so forth in the U.S. market. Would you consider expanding EAF capacity from here on?

David Boyd Burritt - *United States Steel Corporation - President, CEO & Director*

Well, while everything is on the table. What we need to make sure is that we run this very well. Let the Big River Steel people run their operations well. We do have another EAF in Fairfield, where we're seeing some great collaboration between the Big River Steel and the Tubular business. But for the foreseeable future, we are focusing on this footprint and making sure that we run it extraordinarily well. We have to find this solution to reducing capital intensity, and we have to make sure that we don't get over exuberant and start spending a bunch of CapEx, we are all over this cash flow stuff. And again, the more we learn about the best of both. And the more we learn about what our customer requirements are and the footprint that we need. We feel comfortable about today's footprint. But again, everything is on the table, but nothing imminent in terms of additional EAFs.

Operator

We'll now proceed to our next question on the line from the line of Carlos De Alba with Morgan Stanley.

Carlos De Alba - *Morgan Stanley, Research Division - Equity Analyst*

So first question is, how should we think about resetting of your prices that are 28% and 40% firm pricing in the U.S. in the flat business and in Europe. When do you think we could see that completely reflecting the current spot prices?

And then my second question is regarding the auto sector. We've read that there has been some potential disruptions coming from the semiconductor supply that are disrupting auto production. Have you seen that being reflected in your order book? Or have you had discussions around this topic with your customers?

Kevin Lewis - *United States Steel Corporation - VP of IR and Corporate FP&A*

All right. Thanks, Carlos. This is Kevin. I'll take a shot at those 2. So I think first on the current pricing environment and how we expect that to impact our average selling price is moving into 2021. I think both Dave and Christie highlighted in their remarks that we're entering this very strong market environment. It's a very balanced portfolio of contractual arrangements with our customers. Dave already touched upon the positivity that we have related to our fixed-price contracts, largely in automotive and packaging. We feel pretty good about where those have landed and how those are progressing throughout 2021. I think on the index-based part of the business, clearly is going to have an outsized positive impact on our results in 2021 and as that pricing environment becomes more fully reflected in either our monthly or quarterly adjustables. So you just need to take that into consideration as we roll forward through each quarter how those prices flow through.

And then obviously, on the spot side of the business, a very large tailwind for the business in 2021 as well. So I would think about order of magnitude, your index and your spot book of business is going to be the most favorably positioned to benefit from the currently strong market backdrop and the -- our fixed-price contracts will benefit as well.

On your second question related to the auto supply chain disruptions. I mean, I think we're not seeing any impact in our book. Our auto book continues to strengthen. And we really continue to make every ton of steel possible to serve our customers. And when our customers have an issue, whether it's within their broader supply chain or within their steel supply chain to be quite frank. We place a high priority on making sure we're there to serve their needs. So nothing in our book. We continue to be very optimistic about the strength of automotive demand, very low levels of inventory in the auto sector that just continue to reinforce that there's a -- that demand will continue to accelerate. And there's real sustainability to what we're seeing in the marketplace.

So from our vantage point, I think we're very, very positive on the auto order book.

Operator

We'll get to our next question on the line from the line of Nick Jarmoszuk with Stifel.

Nicholas Jarmoszuk - *Stifel, Nicolaus & Company, Incorporated, Research Division - Analyst*

I have a question for you on the calculated cost per ton. Generally, low 700 is where it's been prior to the COVID shutdowns. How should we think about that figure going forward with Gary 4 restarting? Are we going to be able to get back to the figures that we've seen in the past once you start seeing operating leverage kick back in?

Kevin Lewis - *United States Steel Corporation - VP of IR and Corporate FP&A*

Short answer, Nick, is yes. I think, as you know, the integrated production route benefits greatly from increased throughput and healthy levels of utilization. And just for some color, in the fourth quarter, if you look at the blast furnaces that we had online, we ran at an effective utilization rate of approximately 90% in the quarter. So Christie touched upon better-than-expected flat-rolled performance in the fourth quarter. Certainly, the continued strengthening in our utilization rates played a big part in that. And we'll look for those increased efficiencies from the incremental throughput and volumes to be a material improvement in our cost structure in 2021. So yes, I think unit costs are going to certainly benefit from the healthy utilization rates, we ended '21 -- or with '20 with and entered '21 with.

Nicholas Jarmoszuk - *Stifel, Nicolaus & Company, Incorporated, Research Division - Analyst*

Okay. And then a question for you on the revenue mix. It wasn't reported for much of 2020 mix between spot firm and in the market-based mix but it looks like you've got more spot exposure. It went from 23% to 27% in the U.S. operations than in Europe. It went from 37% at the end of 2019. Now it's at 52%. Can you talk about what happened in the revenue mix, customer mix? Is it a function of what the customers are doing? Or is it a different set of customers?

Kevin Lewis - *United States Steel Corporation - VP of IR and Corporate FP&A*

Yes, Nick. So I think that our commercial mix is going to reflect the strategic markets we choose to participate in and the customers that we are here to serve. So I think what you saw during 2020, as we purposefully better aligned our production with our order book. We saw a higher mix of kind of fixed exposure, especially given the accelerating strength we saw in automotive, with the incremental restart of Gary #4 here in the fourth quarter as well as really the new melt now available to the business at Big River. I think we'd expect us to restore some of our spot exposure to be able to go after the really strong environment right now. But ultimately, at the end of the day, our customers will dictate to us, and we will work with them to ensure we have the right commercial arrangements in place that create value for both of us. And as Dave mentioned, a lot of these negotiations aren't about any one point in time. It's about creating through cycle, strategic value for our stakeholders as well as our customer stakeholders.

Operator

We'll get to turn the next question on the line from the line of Timna Tanners with Bank of America.

Timna Beth Tanners - *BofA Merrill Lynch, Research Division - MD*

Just wanted to clarify some of the last couple of questions, and then if I could, a follow-up on tubular. So regarding the outlook, sorry if I misunderstood you, but I think you said flat volumes for the U.S. flat-rolled division. And I just wanted to make sure I assume that's without Big River. And also given that Gary, the final Gary furnace was ramped up. Did I hear that wrong? And when that happens also back to your slides, the first slide deck, Slide 15, that contact versus spot mix, that will change substantially with Big River, right, to more spot. If you have what that might look like, it would be great.

Kevin Lewis - *United States Steel Corporation - VP of IR and Corporate FP&A*

Sure, Timna. So yes. The Gary #4 restart in the fourth quarter probably exceed our expectations from the ability for them to ramp up and produce. So that obviously influenced the exit rate from a shipments level, which is why we believe at least shipments entering the first quarter remain relatively flat quarter-over-quarter. The mix that you're referencing on Slide 15 of our prepared earnings materials certainly will change. It doesn't include the Big River volume, which, as we said in our slides, we would expect to benefit from increased hot-rolled exposure. So yes, the portfolio will be different moving forward, and we'll manage it to what we believe to be the optimal mix in spot and index-based and fixed-price contracts. So more to come on how we fully integrate Big River into our existing U.S. sheet commercial strategy.

Timna Beth Tanners - *BofA Merrill Lynch, Research Division - MD*

Okay. We'll stay tuned on that. And then on Page 17, on that same slide deck, you talk about inventories in OCTG being 12 months. And if I recall, like a good level is 4 to 6 months. So is it fair to say that, that's going to take you through the middle of the year to get to normal? And I know it's been a tough environment and turning up Fairfield is incrementally positive, but anything else that you can think of to do to rectify kind of the challenging environment there?

Kevin Lewis - *United States Steel Corporation - VP of IR and Corporate FP&A*

Sure, Timna. If you don't mind, you were talking about OCTG inventories and your phone disconnected. Could you please repeat the question? So we make sure we answer it appropriately.

Timna Beth Tanners - *BofA Merrill Lynch, Research Division - MD*

Oh, no, I'm sorry. Okay. Yes, on Page 17, it just says that the inventories are about 12 months. And from my recollection, I think a good level is more like 4 to 6 months. So is it fair to think that, that's going to be through the middle of the year before the normalization there? Or is there something else I could factor in there?

Kevin Lewis - *United States Steel Corporation - VP of IR and Corporate FP&A*

Yes. No, so I think right now, clearly, the tubular market remains challenging. But what we are most focused on is the things that we can control. And the second part of your question, when you phone came back on, I think it was around EAF and things we're doing within the segment. So yes, I think the commercial environment will remain challenged. We have seen some improvement as oil prices have increased and incremental rigs have come online. But the footprint decisions we made in the middle of 2020 to consolidate our tubular operations around Fairfield. We've worked our way through those idling carrying costs and believe kind of the fourth quarter is more reflective of what those costs will look like going forward. And we will be in a position to more fully realize the benefits of the electric arc furnace in 2021, particularly the second through the fourth quarter. So I think we're taking the actions we believe are necessary to best position the tubular business. Imports remain very high in this end market. But we're focused on what we control, and we believe we pulled at least the 2 most meaningful levers operationally within our control.

We're also seeing good continued market acceptance of our premium connections, which we know is a way to increase our value-added market participation. We had record premium connection shipments in 2020, and we'd expect fully to set a new record in 2021. So while the market is difficult, the actions we've taken, we believe, are the right ones. We believe they're the ones that are most within our control, and we're trying to position the Tubular business in 2021 to be as successful as possible.

Operator

Now I would now turn the call back over to Mr. David Burritt for any closing remarks.

David Boyd Burritt - *United States Steel Corporation - President, CEO & Director*

Thanks, everyone, and thanks for your interest in U. S. Steel. But before I sign off, I'd like to thank our customers for their continued partnership and collaboration. You are our driving force, and we are transforming our business to provide the steels that will create value for you and your customers. Through investments in technology and a long-term purposeful strategy, we are positioning U. S. Steel to be your preferred steel solutions provider. Investments like the one at Big River are advancing U. S. Steel to be a leader in sustainable steelmaking technology and drive improvement in our carbon footprint. We have a clear path to addressing climate change with our 2030 global greenhouse gas emissions intensity reduction target and have aligned our Best of Both strategy with this ambitious goal. We are putting our money where our mouth is on sustainability.

To our employees, thank you for your continued focus on safety. You live our steel principles every day. You set record best safety and environmental performance and remained vigilant with our COVID-19 protocols. By doing so, you kept yourselves and your coworkers safe all while working well in a spirit of teamwork and cooperation even when physically distanced. As to our new Big River Steel coworkers, welcome. We have started our journey together as a Best of Both steel company. Every day, we see more possibilities. Together, we are creating something unique and valuable. I have no doubt that your talent's culture and entrepreneurial drive will add to our culture of success. I cannot wait to see what our Best of Both future holds for all of our stakeholders.

Now let's get back to work safely.

Operator

Thanks very much, and thank you, everyone. That does conclude the conference call for today. We thank you for your participation. You disconnect your lines. Have a good day, everyone.
