

Metallus, Inc. (MTUS)

Entry Price: \$14.58

This contains backwards looking information. This pitch was prepared and internally stored on March 18th, 2026 and is now being prepared to be publicized as of May 11th, 2026*EXECUTIVE SUMMARY**

Metallus is a US specialty steel manufacturer producing special bar quality (SBQ) steel for the auto, industrial, energy, and aerospace & defense sectors. Shares trade at \$14.58 (~4.9× FY26E EV/EBITDA on my model, ~5.5× on Street consensus), down ~31% from the \$21 December 2025 high following a Q4 25 print on February 19 that came in below expectations on a delayed maintenance shutdown. **I recommend a LONG position with a 12-month price target of \$23.55 (+62%) on three pillars:**

- 1) Q4 2025 sell-off is a non-structural overreaction:** The miss was driven entirely by an extended and management guided shutdown. Order book is up >50% y/y and lead times have extended into late Q2/early Q3, signaling that underlying demand is continuing to grow (this is the factor I believe the market overlooked for headline EPS miss).
- 2) FY26 EPS and FCF inflection is a sentiment re-rating:** Pension contributions step down ~37M, the bloom reheat furnace comes online and ramps in mid-2026, and the prolonged Q4 25 shutdown was deliberate for more efficient mandatory shutdowns and efficiency. I model FY26E EBITDA of \$93.2M vs. consensus ~\$100M. FCF inflects from -\$93M to +\$35M.
- 3) A&D mix shift drives multiple re-rating:** MTUS is the sole supplier of HF-1 steel under an active OTA (Other Transaction Authority) contract, has gained 6 new VAR (Vacuum Arc Remelted) customers in 2025, and a \$250M A&D run-rate target by 2H 2026 supports a path to 8x EV/EBITDA from current 4.9x, implying my \$24 PT.

COMPANY SNAPSHOT

Metric	2025A	2026E	Notes
Market Cap	715.6M	867M	
EV	573.8M	792M	
EV/EBITDA	~7x	8.5x	Revenue mix shift thesis
Revenue	1.16bn	1.27bn	+9 y/y
EBITDA	82.4M	93M	Consensus 80M
Diluted EPS	(\$0.03)	\$0.74	Inflection point
A&D % of Revenue	14%	~18-22%	Margin accretive

*Product mix: SBQ bars (65%), seamless mechanical tubing (25%), precision components and billets (10%). End markets: Auto/Industrial (66%), energy (20%), A&D (14%)

EXPANDED THESIS

1) Q4 25 sell-off diverges from fundamentals

Q4 25 net sales of \$267.3M and adj. EBITDA of \$2.4M missed the Q3 25 guide of a \$2-3M sequential decline (which would have implied ~\$26-27M). The actual gap was driven by a deliberately extended annual maintenance shutdown that ramped slower than planned. Management told the Street to expect an \$11M shutdown cost headwind in Q4 25 and disclosed in the Q4 25 call that the prolonged downtime was prep work for the bloom reheat furnace commissioning and improved 2026 throughput. Concurrent with the miss, management disclosed: order book up >50% YoY, lead times extended into mid-Q2 (VAR) and mid-Q3 (seamless tubing), Q1 26 shipments guided ~10% above Q4, and full-year 2026 EBITDA expected to grow sequentially each quarter. The market priced an EBITDA miss as a structural decline when there were signs of accelerating demand.

2) Pension and operational tailwinds drive FCF inflection

With a single sell-side analyst covering MTUS and the market anchored on an EBITDA miss, I believe the Street is overlooking cash flow trajectory. FY26 pension contributions are guided at ~\$27M vs. \$64M in FY25, which combined with a \$39M CapEx step-down (from \$109M to \$70M as the bloom reheat furnace investment cycle peaks) and operational normalization, drives OCF from \$16M to ~\$105M and FCF from -\$93M to +\$35M. My FY26E model, built on a segment-level shipment and price/ton revenue build, generates EPS of \$0.75 with sequential quarterly EPS of \$0.12 / \$0.18 / \$0.23 / \$0.22, reflecting both the post-shutdown ramp and gross margin expansion as A&D mix grows from 13.9% to 18.5% of revenue. My variant view is most pronounced in Q4 26: I model \$25.7M EBITDA and \$0.22 EPS vs. consensus \$19.0M EBITDA and \$0.12 EPS. The Street is pricing in another shutdown-impacted Q4 (8.2% gross margin consensus); I model 12.0%, comparable to Q3 25's 11.4%, because the Q4 25 extended shutdown was explicitly designed to eliminate that drag in 2026.

3) HF-1 and VAR drive multiple re-rating from commodity to specialty

Metallus is the sole US producer of HF-1 steel under an Army Other Transaction Authority (OTA) contract awarded February 27, 2024, expanding HF-1 capacity from 1,500 to 6,720 tons/month to support the Army's stated goal of 100,000 155mm shells/month (current production ~56,000/month). \$85.6M of government funding has been received to date with \$17M expected in 2026 upon milestone achievement; FY26 government-funded CapEx is ~\$35M of ~\$70M total, meaning MTUS's true net CapEx burden is ~\$35M, not the headline figure. The previous quarter showed MTUS secured 6 new VAR customers (it is the sole large-diameter VAR producer) and management targets a \$250M A&D revenue run-rate by 2H 2026; my model reflects A&D ship tons of 81.6k (+46% vs. 55.9k in FY25) and A&D net sales of \$235.8M (+46% vs. \$161.4M in FY25), reaching 18.5% of total revenue. My price target of \$23.55 is derived from 8.5x FY26E EBITDA of \$93.2M (\$792M implied EV) plus \$190M net cash (FY26E EOP), divided by 41.7M diluted shares; a multiple still well below specialty steel peers CRS (~24x) and ATI (~22x), both of which re-rated sharply once A&D crossed a meaningful share of their revenue mix.

CATALYSTS

- **Late April 2026; Q1 26 earnings:** First clean post-shutdown quarter; management has guided Q1 EBITDA above Q4 and shipments +10% sequentially. EPS beat vs. consensus ~\$0.15 likely.
- **Mid-2026; Bloom reheat furnace ramp:** Demonstrated commissioning; throughput uplift drops to gross margin in Q3/Q4 26.

- **Q2/Q3 2026 earnings:** A&D run-rate progress toward \$250M; VAR customer ramp visible in mix shift.
- **Q4 2026 earnings (Feb 2027):** Clean Q4 with mitigated shutdown overhang vs. easy Q4 25 comp; this is the inflection quarter for the multiple re-rating story as A&D mix exceeds 20%.

KEY RISKS

- **Defense budget review:** Pentagon FY26 budget identified ~\$13.8B in savings and reallocated ~\$30B from lower-priority programs. 155mm artillery is not a high-tech line item; an OTA contract is already awarded but downstream procurement could slow.
- **Labor cost step-up:** New 4-year USW contract ratified Feb 5, 2026 includes 5% annual base wage increases; partially offsets pension relief.
- **Q1 26 read-through:** If shutdown-related costs persist into Q1 (vs. fully cleared), the Q4 25 - Q1 26 EBITDA bridge is the first datapoint and could re-anchor consensus lower.

CONSENSUS

More estimates are available MODL »							
Headline		Company-Specific					
3 Months Ending	Q1 2026 Act	Q2 2026 Est	Q3 2026 Est	Q4 2026 Est	Q1 2027 Est		
	03/31/2026	06/30/2026	09/30/2026	12/31/2026	03/31/2027	#	#
11) EPS, Adj+	0.180	0.253 ↓	0.290 ↓	0.118 ↓	0.330 ↓	4	4
12) EPS, GAAP	0.130	0.237 ↓	0.287 ↓	0.110 ↓	0.255	3	3
13) Revenue	308.300M	330.250M	331.250M	296.250M	339.667M	4	4
14) Gross Margin %	8.141	10.642	11.418	8.187 ↓	11.531 ↓	3	3
15) Operating Income (EBIT)	10.900M	15.250M ↓	16.600M ↓	5.780M ↓	20.100M	2	2
16) EBITDA	24.600M	27.850M ↓	29.725M	18.975M ↓	32.467M ↓	4	4
17) Pre-Tax Profit	8.000M	15.200M ↓	17.167M ↓	5.853M ↓	19.067M ↓	3	3
18) Net Income Adj+	7.700M	11.250M ↓	12.725M	4.818M ↓	14.600M ↓	4	4
19) Net Income, GAAP	5.400M	10.925M ↓	12.400M ↓	4.493M ↓	14.400M ↓	4	4
20) Net Debt	-90.800M			-157.000M		1	1
21) BPS	16.379	13.760	14.030	14.350	14.290	1	1
22) CPS	-0.645						
23) DPS	0.000						
24) Return on Equity %	0.424						
25) Return on Assets %	0.259						
26) Depreciation	13.700M	14.250M	14.283M	14.517M	14.250M	3	3
27) Free Cash Flow	-51.600M	-7.300M	16.490M	15.454M	-3.519M	1	1
28) CAPEX	-24.700M	-23.000M	-12.000M	-12.000M	-10.000M	1	1
29) Net Asset Value		727.000M	741.000M	758.000M	755.000M	1	1

More estimates are available MODL »							
Headline		Company-Specific					
12 Months Ending	FY 2025 Act	FY 2026 Est	FY 2027 Est	FY 2028 Est	FY 2029 Est		
	12/31/2025	12/31/2026	12/31/2027	12/31/2028	12/31/2029	#	#
11) EPS, Adj+	0.370	0.815 ↓	1.333			4	3
12) EPS, GAAP	-0.030	0.760 ↓	1.300 ↓			3	2
13) Revenue	1.158B	1.265B	1.372B			4	3
14) Gross Margin %	8.210	9.829 ↓	11.535			3	3
15) Operating Income (EBIT)	19.000M	46.350M ↓	71.400M			2	2
16) EBITDA	75.600M	100.250M ↓	130.333M			4	3
17) Pre-Tax Profit	1.900M	47.100M ↓	76.233M			3	3
18) Net Income Adj+	15.300M	34.550M ↓	56.533M			4	3
19) Net Income, GAAP	-1.200M	33.050M ↓	54.867M ↓			4	3
20) Net Debt	-141.800M	-173.000M ↓	-200.500M ↓			2	2
21) BPS	16.451	15.960 ↑	17.250 ↑			2	2
22) CPS	0.382	4.500 ↓	5.650 ↓			1	1
23) DPS	0.000						
24) Return on Equity %	-0.174	5.100 ↓	11.100 ↓			1	1
25) Return on Assets %	-0.106	3.200 ↓	7.300 ↓			1	1
26) Depreciation	55.700M	57.033M	57.500M			3	2
27) Free Cash Flow	-93.000M	489.600M	58.203M			2	2
28) CAPEX	-109.000M	-70.000M	-45.000M			2	2
29) Net Asset Value		748.000M	801.500M			2	2

COMPS

Summary of Current Multiples								
Name	2Y Corr	Mkt Cap (USD)	BF EV/EBITDA	BF P/E	BF EV/EBIT	BF EV/Rev	LF P/BV	
11) Metallus Inc		800.50M	6.3x	19.4x	11.9x	0.5x	1.2x	
Current Premium to Comps Mean			-52%	-18%	-48%	-79%	-78%	
Mean (Including MTUS US)		15.93B	13.2x	23.6x	23.0x	2.6x	5.3x	
12) Commercial Metals Co	0.67	8.08B	7.6x	11.1x	10.8x	1.1x	1.8x	
13) Steel Dynamics Inc	0.61	35.00B	10.3x	15.4x	12.7x	1.7x	3.8x	
14) Cleveland-Cliffs Inc	0.49	6.43B	9.6x	--	48.5x	0.7x	1.1x	
15) Carpenter Technology Corp	0.40	22.81B	23.7x	37.7x	28.3x	6.8x	11.1x	
16) ATI Inc	0.40	22.45B	21.7x	34.5x	25.8x	4.7x	12.7x	