

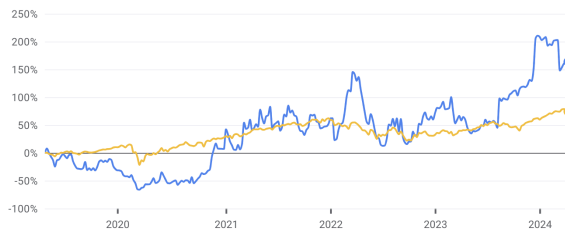


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1. Snapshot

Last Price	Fair Value Estimate	P/E	Market Cap	Uncertainty	Risk
\$41.43	\$55.00	11.62	9.25B	Relatively High	Relatively High



5Y X (Blue) Compared to S&P 500 (Yellow)



Max Time X Stock Price

2. Key Points

In December of 2023, Nippon announced a planned \$14.9B acquisition of US Steel. This equates to the company paying \$55 per share. However, as seen above, the stock price is currently hovering in the low 40s, due to uncertainty as to whether the Biden administration will allow the deal to go through.

Omega Trades sees this deal as a risk arbitrage opportunity: we absolutely recognize the chance that the deal will be rejected by the government, and the stock price will consequently fall. *With that said*, let us look at what the probabilities the market is reflecting and compare it to what we see as the probable outcome and upside.

Currently, Biden is putting the deal through an approval process by the National Security Council. Our analysts don't see much of a risk here, however, since this is typically reserved for companies in adversary countries, not economic allies such as Japan.

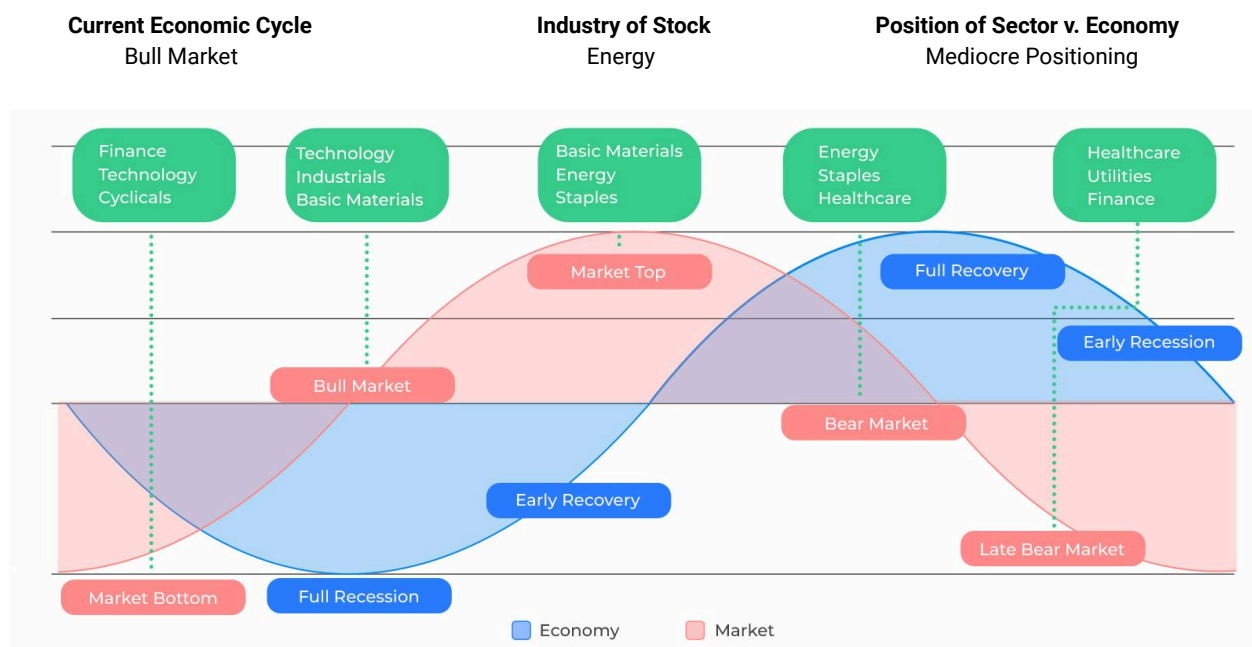
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Not only this, but the Japanese based company would likely prop up the US Steel business, investing in American based assets (specifically Pennsylvania, where US Steel is headquartered and a swing state). For those two reasons, the council shouldn't see this as a large threat to the American company and its workers.

In section five, *Potential Risks*, we look at the probabilities the market is reflecting. For the reasons just discussed, we see the markets as being too bearish on the company.

3. Sector Rotation



Sector Rotation and the Market Cycle. [View Photo Source Here](#)

As shown above, the sectors that perform best during a bull market are basic materials, industrials, cyclicals, and technology. US Steel, being energy, is positioned to do best compared to others during the transitioning from a bull market to a bear market, due to the fact that energy is a business that will always have consumers, whether we are in a recession or not. Despite the fact that we are currently in a bull market, this investment is still in a well positioned sector as it does hedge against bearish decisions made by the Fed and similar events in the markets.



4. Algorithm Report

Buy/Sell/Hold.....	X is a buy
Weight.....	7.0/20 (weak)
Risk.....	Mid
Potential Upside (12 Months).....	\$.55.00 (33.17%)

5. Potential Risks

The obvious risk here is the blocking of the merger by the US government. With shareholder approval from US Steel, there is little risk in this deal falling through in any other way. Let's calculate the percent chance of this happening according to the market. The price prior to the announced merger was \$36 a share. The current price is \$41. The potential payment from Nippon is \$55 per share. Using this information, we understand that the market sees a roughly 26% chance of the deal going through. While there are certainly external factors affecting the stock price, this still seems too bearish.

As discussed further in the key points section, Japan does not pose a national security threat in comparison to companies in countries this organization typically investigates, such as China. This, along with the investments into Pennsylvania also discussed in the key points section, leads us to see a far larger chance of this deal going through than the market does.

6. Summary

We see US Steel as a smart investment based on the following logic:

- The takeover from Nippon is under review due to national security interests
- Markets are factoring in an extremely low probability of the deal going through
- For reasons discussed, Omega Trades sees a far higher potential of the deal than markets



7. Extra Information: Q4 2023 Report

Total Profit.....	\$0.65 per share
Net Debt.....	\$866M
Dividend (Q4).....	0.48%
Total Estimated Liquidity.....	\$5.17B

More Info: [10-K Report Fourth Quarter 2023](#)

END OF REPORT

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