

## A CLOUD-BASED SYSTEM FOR PROFIT OPTIMIZATION

# Rocky Mountain Steel Mills Leverages Profit Hawk to Save \$34 Million and Improve Shareholder Value

### Executive Summary

Rocky Mountain Steel Mills (RMSM) recently realized a \$34 million savings by developing and continuously improving a market/production strategy for the Seamless Pipe product.

RMSM found that using traditional existing analytical systems to understand the profit implications of Seamless Pipe production were impossible. Each complex trade-off created a new analysis for RMSM management that further complicated identifying the most profitable path forward.

By adopting Profit Hawk as an analytic platform to support strategic planning, RMSM separated themselves from the competition and liberated themselves from the limitations of standard industry decision-making tools. Using Profit Hawk, RMSM identified the profit implications of restarting Seamless Pipe production and the affects Seamless Pipe production would have on the other products produced by RMSM.

RMSM continues to use Profit Hawk to constantly improve profitability through enhanced management of product mix, production capabilities, market shifts, equipment failures, and sales channels.

Market analysts recognize the skill of RMSM's management. Noted, CNBC TV analyst, selected Oregon Steel Mills, the parent company of RMSM, as stock pick of the week, citing RMSM's strategic decisions as one of three reasons for a bullish sentiment. Oregon Steel Mills stock price increased 12% following the endorsement, creating \$180,000,000 of additional value for shareholders.

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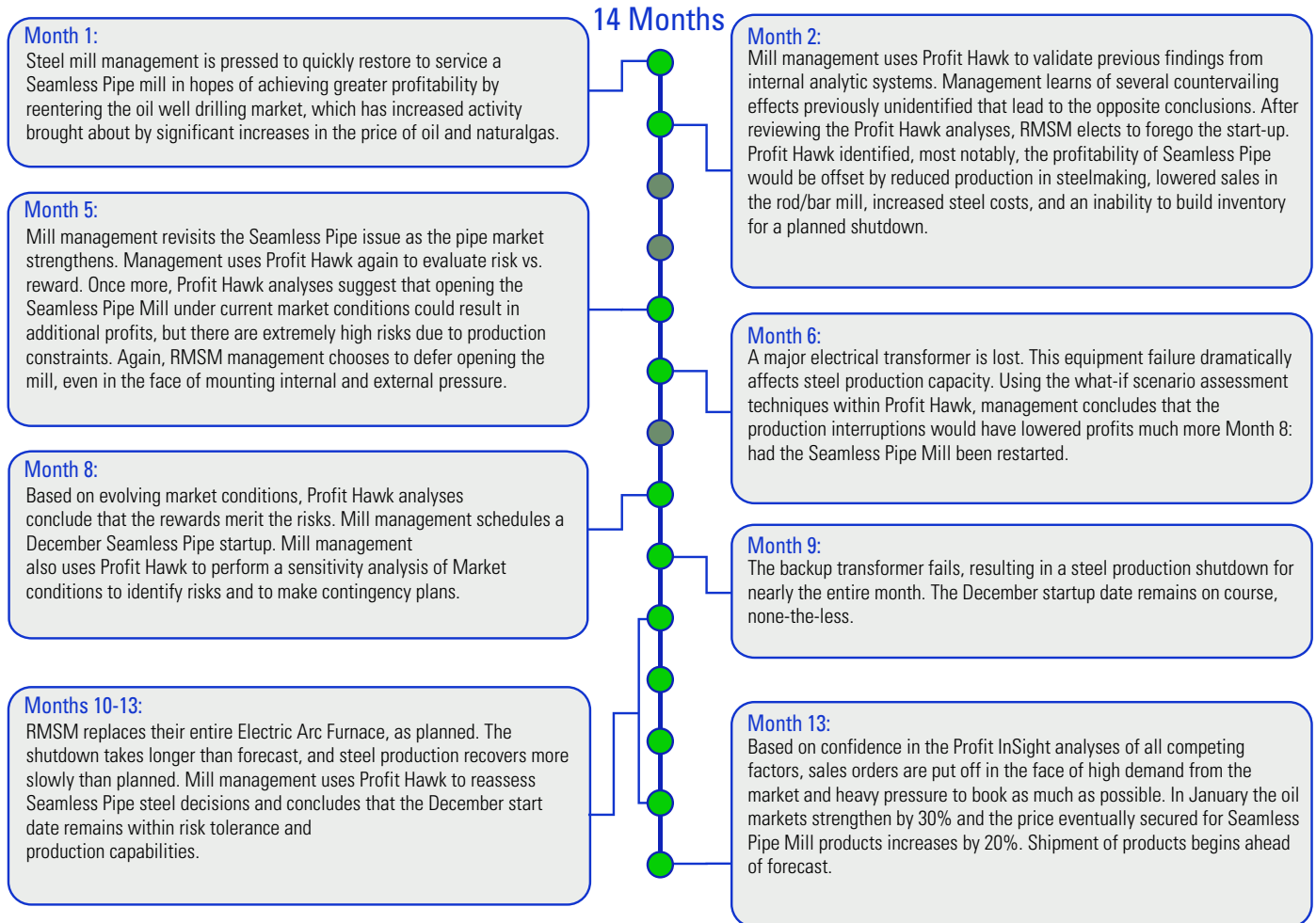


**ROCKY MOUNTAIN STEEL MILLS**  
An Oregon Steel Mills Company

*Rocky Mountain Steel Mills began operations in 1881, providing affordable steel and iron to the growing western territories and new rail systems. Soon after the first rail came out of the plant in April 1882, the steel works began expanding rapidly to include nail production and spike, bolt, and merchant bar mills. The Pueblo mill continued to grow in size, product diversity, and quality. Their success contributed significantly to the successful growth of the city, state, and nation. Today, Rocky Mountain Steel Mills has narrowed its product focus and become a Specialty Product Mini Mill servicing a select group of demanding, quality-conscious customers.*

## Business Situation and Timeline

As energy prices began their rapid rise several potential customers began inquiring if Rocky Mountain Steel Mills (RMSM) could provide Seamless Pipe to the oil well drilling market by restarting their Seamless Pipe Mill. Profit implications of that decision were uncertain using available analysis processes and systems. Using Profit Hawk to evaluate the profit implications, RMSM was able to make an informed decision to move forward with the necessary capital outlay. The following is a timeline of key events and decision points:



## Profit Hawk Implementation

We worked closely with executives and staff members at Rocky Mountain Steel Mills to create a model that could take into account market pricing conditions, operational considerations, distribution expense, and other key factors. The model provided the ability to conduct what-if analysis in near real time, which enabled management to respond quickly to changing market conditions and unexpected events.

## Results

Profit Hawk identified a potential loss of \$34 million that would have been realized had the Seamless Pipe Mill been brought back online as originally proposed. Executives elected to forego additional capital investment for a Seamless Pipe startup until market conditions changed.

RMSM entered the Seamless Pipe market at the optimal time, which led market analysts to recognize the skill of the RMSM management team empowered by Profit Hawk. Key market analysts following the company stock changed their stock rating to strong buy, citing strategic entry into the Seamless Pipe market as one of three reasons for a bullish sentiment. Oregon Steel Mills, the parent company of RMSM, had its stock price increase by 12% following the endorsement, creating \$180,000,000 of additional value for shareholders.

RMSM continues to use the same model for capital analyses, product-mix optimization, and other key operational decisions where profit implications are not readily identifiable by ERP systems and other analytic technologies.