



INDUSTRIALS

USX Corporation 1993 Results and Outlook

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1993 Results

With total sales of \$18 billion, USX Corporations (Baa3/BB+) operational results for 1993 showed substantial improvement compared to 1992, even though it was negatively affected by the costly settlement of the B&LE dispute. Consolidated EBITDA climbed \$800 million to \$1.8 billion, EBITDA interest coverage improved from a meager 2x to a more healthy 3.8x.

USX Marathon Group, accounting for two thirds of USX sales and 1993 consolidated EBITDA, saw lower revenues in its oil producing activities due to lower oil prices (\$15.02/barrel compared to \$17.27 in 1992). Positive factors were improving prices for natural gas as well as margins in Marathon's downstream business recovering from historical lows. As a result, EBITDA increased 17% for Marathon.

USX Steel Group, the largest integrated domestic steel maker holding more than a 10% market share, is a beneficiary of the recovering U.S. economy. A surge in volume shipped to the car and manufacturing industry, with steel prices slightly recovering, helped it raise revenues by \$693 million (+14%) to \$5.6 billions. At the same time past restructuring and cost containment efforts at USX Steel appear to pay off with EBITDA up a staggering \$623 million to \$430 million.

USX Delhi, by far the smallest of the three USX divisions, is engaged in gathering, processing, transporting and marketing of natural gas. In 1993 it contributed \$66 million, or 3.6%, to the corporate EBITDA.

Outlook

For 1994 we expect continued strong performance for all three units of USX. While Marathon's 1994 EBITDA figures will be little changed due to depressed crude oil prices, free cash flow will still be higher because the group's capital expenditures will be cut. For the Steel Group we anticipate improved results as the steel prices have finally started moving upward. Each \$10 per ton price increase adds more than \$100 million to USX EBITDA. Growing imports will keep steel prices capped however. Moreover, we expect a further increase of steel shipments for 1994. USX's 7.20s of 2-15-04 are quoted 147/144 off the new 10 year treasury.



As a consequence, USX will find it possible to further deleverage its balance sheet and EBITDA interest coverage will clearly exceed 4 times.

Exhibit 5. Select Statistics

		1993	1994E	1995E	1996E
		Actual			
MODEL PARAMETERS	Avg. Oil Price (\$/barrel)	\$15.02	\$14.66	\$14.68	\$14.69
	Avg. Nat. Gas Price (\$/mcf)	\$1.77	\$1.83	\$1.83	\$1.82
	Avg. Refining Marg.(\$/brl)	\$1.60	\$1.50	\$1.50	\$1.50
	Avg. Steel Price (\$/ton)	\$440.00	\$449.00	\$457.00	\$457.00
	Steel Shipm't Vol. Growth	12.6%	5.0%	5.0%	0.0%
KEY RATIOS	EBITDA/Net Cash Interest	3.8%	4.4%	4.7%	4.4%
	(EBITDA-CAPEX)/ Interest	1.3%	1.8%	2.3%	2.2%
	Tot. Debt / Capitalizati	60.5%	60.3%	59.1%	59.0%
	Free Operating CF/DEBT	5.9%	3.8%	7.5%	5.2%
	Funds f. Operations/DEBT	15.9%	15.6%	25.8%	23.8%

Exhibit 6. EBITDA Sensitivity

EBITDA SENSITIVITIES	Impact on Consolidated EBITDA			
	1993	Change of Parameter	In \$ Million	in %
CRUDE OIL PRICE (\$/Barrel)	\$15.02	Increase by \$1 per barrel	+60	2.8%
NATURAL GAS PRICE (\$/mcf)	\$1.77	Increase by \$0.10 per mcf	+29	1.4%
REFINING MARGIN (\$/Barrel)	\$1.60	Increase by \$0.10 per barrel	+27	1.3%
AVERAGE STEEL PRICE (\$/ton)	\$440.00	Increase by \$10 per ton	+109	5.3%

EBITDA is extremely sensitive to steel price

Relative Value

Yield of USX US\$ notes, in particular long maturities, is higher than weak BBB credits. Because of an aggregation of negative factors in 1991/92 marred USX results, we consider the companys financial performance for 1993 more indicative for the future. Although it derives its income from cyclical businesses, its large asset base is well diversified. In our view, the company's fundamentals should warrant an investment grade rating from both agencies. We therefore view these securities as underpriced.

The Swiss Bonds on the other side trade at spreads typical for BBB credits. Any gains will be limited due to the short duration of these securities.



Exhibit 7. USX Corporation Summary Financials

(US \$ million)	1990	1991	1992	1993	1994E	1995E	1996E
INCOME STATEMENT							
Sales	20,659	18,825	17,841	18,064	a	a	a
Cost of Sales	15,671	14,749	14,217	13,552			
Inventory market val. reserve	(140)	260	(62)	241			
Selling, general & adm. expenses	286	262	230	245			
Deprec., Depletion & Amortization Exp.	1,304	1,128	1,091	1,078			
Taxes, other than income taxes	1,753	2,080	1,985	2,363			
Exploration Expense	229	179	172	145			
Restructuring/litigation		426	125	384			
OPERATING INCOME	1,556	(259)	83	56	686	892	878
Other Income (Expense)	37	39	(30)	257	20	20	20
Net Interest (Expense)	(377)	(471)	(242)	(552)	(441)	(448)	(466)
(Provisions) / Credit for income tax	(398)	113	29	72	(50)	(50)	(145)
Accounting changes			(1,666)	(92)			
NET INCOME (LOSS)	818	(578)	(1,826)	(259)	214	414	287
Preferred Dividends	(18)	(9)	(9)	(27)	(28)	(28)	(28)
NET INCOME (LOSS) TO COMMONS	800	(587)	(1,835)	(286)	186	386	259
EBITDA							
EBITDA Marathon Group	2,094	1,584	1,111	1,300	1,293	1,313	1,306
EBITDA Steel Group	488	(162)	(193)	430	560	706	681
EBITDA Delhi Group	63	70	61	66	70	78	85
	1990	1991	1992	1993	1994E	1995E	1996E
BALANCE SHEET							
Cash & Cash Equivalents	263	279	57	268	91	125	98
Net Receivables	1,249	1,098	924	932	960	989	1,018
Inventories, Other Current Assets	2,141	1,959	2,119	1,980	2,039	2,101	2,164
Total Current Assets	3,653	3,336	3,100	3,180	3,091	3,215	3,280
Long-term Receivables & Investments	1,158	1,051	998	948	988	1,028	1,068
PPL&E	11,584	11,593	11,759	11,603	11,525	11,410	11,306
Predpaid Pensions	656	843	1,113	1,344	1,444	1,544	1,644
Other Non-current Assets	217	216	282	245	250	250	250
TOTAL ASSETS	17,268	17,039	17,252	17,320	17,298	17,447	17,548
Payables, Accrued Expense	3,105	3,034	3,136	3,299	3,398	3,500	3,605
Long-term Debt Due Within 1 Year	197	517	334	35	926	150	200
Total Current Liabilities	3,302	3,551	3,470	3,334	4,324	3,650	3,805
Long-term Debt	5,330	5,921	5,968	5,888	5,047	5,673	5,548
Other Long-term Liabilities	2,767	2,580	4,105	4,234	3,990	4,099	4,209
TOTAL LIABILITIES	11,399	12,052	13,543	13,456	13,361	13,422	13,561
TOTAL STOCKHOLDER EQUITY	5,869	4,987	3,709	3,864	3,936	4,025	3,986
MEMO : Total Debt	5,527	6,438	6,302	5,923	5,973	5,823	5,748



Exhibit 7. USX Corporation Summary Financials

(US \$ million)	1990	1991	1992	1993	1994E	1995E	1996E
STATEMENT OF CASH FLOWS							
CASH FROM OPERATIONS	1,621	1,023	920	944	930	1,505	1,368
CAPEX	(1,391)	(1,392)	(1,505)	(1,151)	(1,100)	(1,080)	(1,080)
Other Investing Activities	558	78	117	469	60	60	60
Cash from (used in) investing activities	(900)	(1,359)	(1,443)	(693)	(1,040)	(1,020)	(1,020)
Cash from/used in debt transactions	(551)	662	(240)	(458)	50	(150)	(75)
Cash from/used in equity transactions	(336)	67	942	708	180	0	0
Dividends paid	(360)	(376)	(397)	(288)	(294)	(298)	(298)
Cash from (used in) financing activities	(1,247)	353	305	(39)	(64)	(448)	(373)
Effect of exchange rates	3	(1)	(4)	(1)	(3)	(3)	(3)
Net Increase/(decrease) in Cash & equ.	(523)	16	(222)	211	(177)	34	(28)

*No sales forecast due to lacking predictability of revenues in the refining business. Financial developed based on EBITDA forecasts.

