



## NEWS

### FOR IMMEDIATE RELEASE

## **RUSSEL METALS ANNOUNCES 2019 FIRST QUARTER RESULTS**

TORONTO, CANADA – May 7, 2019 -- Russel Metals Inc. (RUS - TSX) announces financial results for the first quarter ended March 31, 2019.

|                                 | Three Months Ended<br>March 31, |         |
|---------------------------------|---------------------------------|---------|
|                                 | 2019                            | 2018    |
| Revenues                        | \$ 1,033                        | \$ 931  |
| EBIT <sup>1</sup>               | \$ 58                           | \$ 61   |
| Net Income                      | \$ 34                           | \$ 38   |
| Earnings per Share              | \$ 0.55                         | \$ 0.62 |
| Free Cash Flow <sup>1</sup>     | \$ 58                           | \$ 60   |
| Dividends paid per common share | \$ 0.38                         | \$ 0.38 |

All amounts are reported in millions of Canadian dollars except per share figures, which are in Canadian dollars

<sup>1</sup> EBIT and Free Cash Flow are non-GAAP measures. EBIT represents earnings before interest, finance expense and taxes. Free cash flow represents cash from operating activities before change in working capital less capital expenditures.

For the 2019 first quarter, we reported net income of \$34 million or \$0.55 per share on increased revenues of \$1.0 billion compared to net income of \$38 million or \$0.62 per share in the first quarter of 2018. Higher selling prices led to increased revenues, which were partially offset by slightly lower demand. First quarter gross margins experienced pressure due to competitive pricing and the higher average cost of inventory. The implementation of the new lease accounting standard IFRS 16 resulted in a \$3 million increase in operating profits offset by an increase in interest expense of \$3 million and did not result in a material change in net income.

First quarter revenues in our metals service centers increased 18% to \$538 million compared to the same period in 2018. The average selling price improved 21% over the first quarter of 2018 and was consistent with the 2018 fourth quarter. Same store tons shipped were approximately 6% lower than the 2018 first quarter. Gross margins were 19.1% compared to 22.1% in the same quarter last year due to competitive pricing and increased material cost. Operating profit were \$27 million compared to \$29 million in the 2018 first quarter.

First quarter 2019 revenues in our energy products segment decreased 2% to \$373 million compared to \$382 million in the 2018 first quarter. Our U.S. field stores continued to grow year over year due to strong demand in the Permian Basin. We experienced a modest decline in selling prices for our OCTG and Line Pipe operations in both Canada and the U.S. which led to gross margins of 18.9% compared to 19.3% for

the 2018 first quarter. Operating profits were \$30 million compared to \$32 million in the first quarter of 2018.

Revenues in our steel distributors segment increased by 30% to \$122 million in the 2019 first quarter compared to the 2018 first quarter reflecting higher North American steel prices and stronger Canadian demand. Gross margins of 13.9% in the first quarter of 2019 compared to 21.6% in the 2018 first quarter were impacted by the higher cost of inventory and product mix. Operating profits were \$9 million for the quarter compared to \$11 million in 2018.

Mr. John G. Reid, President and CEO, commented, "We are pleased with the solid results achieved during the first quarter of 2019 and want to commend our team for their efforts in a tightening market. Our industry experienced an exceptional year in 2018 and, although 2019 will be more challenging, our first quarter is indicative of a solid start compared to previous cycles. Our service centers gained market share in the quarter through further growth in our value-added processing strategic initiative."

Mr. Reid continued, "Our energy product operations benefited from strong demand in the U.S. Permian Basin and lower but better than expected demand in Canada. Although oil prices were positive, there was modest pricing pressure on OCTG and Line Pipe products. Canadian E&P companies have actively deleveraged their balance sheets but we remain optimistic with respect to second half capital spending levels."

The Board of Directors approved a quarterly dividend of \$0.38 per common share payable June 14, 2019 to shareholders of record as of May 28, 2019.

The Company will be holding an Investor Conference Call on Wednesday, May 8, 2019 at 9:00 a.m. ET to review its 2019 first quarter results. The dial-in telephone numbers for the call are 416-764-8688 (Toronto and International callers) and 1-888-390-0546 (U.S. and Canada). Please dial in 10 minutes prior to the call to ensure that you get a line.

A replay of the call will be available at 416-764-8677 (Toronto and International callers) and 1-888-390-0541 (U.S. and Canada) until midnight, Wednesday, May 22, 2019. You will be required to enter pass code 712640 in order to access the call.

Additional supplemental financial information is available in our investor conference call package located on our website at [www.russelmetals.com](http://www.russelmetals.com).

Russel Metals is one of the largest metals distribution companies in North America. It carries on business in three metals distribution segments: metals service centers, energy products and steel distributors, under various names including Russel Metals, A.J. Forsyth, Acier Leroux, Acier Loubier, Alberta Industrial Metals, Apex Distribution, Apex Monarch, Apex Remington, Apex Western Fiberglass, Arrow Steel Processors, B&T Steel, Baldwin International, Color Steels, Comco Pipe and Supply, DuBose Steel, Fedmet Tubulars, JMS Russel Metals, Leroux Steel, McCabe Steel, Mégantic Métal, Métaux Russel, Métaux Russel Produits Spécialisés, Milspec, Norton Metals, Pioneer Pipe, Russel Metals Processing, Russel Metals Specialty Products, Russel Metals Williams Bahcall, Spartan Energy Tubulars, Sunbelt Group, Triumph Tubular & Supply, Wirth Steel and York-Ennis.

### **Cautionary Statement on Forward-Looking Information**

*Certain statements contained in this press release constitute forward-looking statements or information within the meaning of applicable securities laws, including statements as to our future capital expenditures, our outlook, the availability of future financing and our ability to pay dividends. Forward-looking statements relate to future events or our future performance. All statements, other than statements of historical fact, are forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. Forward-looking statements are necessarily based on estimates and assumptions that, while considered reasonable by us, inherently involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements, including the factors described below.*

*We are subject to a number of risks and uncertainties which could have a material adverse effect on our future profitability and financial position, including the risks and uncertainties listed below, which are important factors in our business and the metals distribution industry. Such risks and uncertainties include, but are not limited to: the volatility in metal prices; volatility in oil and natural gas prices; cyclical nature of the metals industry and the industries that purchase our products; decreased capital and other expenditures in the energy industry; product claims from customers; significant competition that could reduce our market share; the interruption in sources of metals supply; manufacturers selling directly to our customer base; material substitution; credit risk of our customers; lack of credit availability; change in our credit ratings; currency exchange risk; restrictive debt covenants; non-cash asset impairments; the unexpected loss of key individuals; decentralized operating structure; the availability of future acquisitions and their integration; the failure of our key computer-based systems, including our enterprise resource and planning systems, failure to renegotiate any of our collective agreements and work stoppages; litigious business environment; environmental liabilities; environmental concerns or changes in government regulations; legislation on carbon emissions; workplace health and safety laws and regulations; significant changes in laws and governmental regulations; fluctuation of our common share price; dilution; and variability of dividends.*

*While we believe that the expectations reflected in our forward-looking statements are reasonable, no assurance can be given that these expectations will prove to be correct, and our forward-looking statements included in this press release should not be unduly relied upon. These statements speak only as of the date of this press release and, except as required by law, we do not assume any obligation to update our forward-looking statements. Our actual results could differ materially from those anticipated in our forward-looking statements including as a result of the risk factors described above and under the heading "Risk" in our MD&A and under the heading "Risk Management and Risks Affecting Our Business" in our most recent Annual Information Form and as otherwise disclosed in our filings with securities regulatory authorities which are available on SEDAR at [www.sedar.com](http://www.sedar.com).*

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## CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS (UNAUDITED)

| <i>(in millions of Canadian dollars, except per share data)</i>                 | Quarters ended March 31 |          |
|---|-------------------------|----------|
|   | 2019                    | 2018     |
| <b>Revenues</b>   | <b>\$ 1,032.6</b>       | \$ 931.3 |
| Cost of materials   | <b>842.1</b>            | 736.7    |
| Employee expenses   | <b>79.4</b>             | 77.9     |
| Other operating expenses  | <b>52.9</b>             | 52.8     |
| Asset impairment  | -                       | 3.3      |
| <b>Earnings before interest, finance expense and provision for income taxes</b> | <b>58.2</b>             | 60.6     |
| Interest expense  | <b>11.1</b>             | 6.7      |
| Other finance expense   | -                       | 1.2      |
| <b>Earnings before provision for income taxes</b>                               | <b>47.1</b>             | 52.7     |
| Provision for income taxes  | <b>12.8</b>             | 14.2     |
| <b>Net earnings for the period</b>  | <b>\$ 34.3</b>          | \$ 38.5  |
| <b>Basic earnings per common share</b>  | <b>\$ 0.55</b>          | \$ 0.62  |
| <b>Diluted earnings per common share</b>  | <b>\$ 0.55</b>          | \$ 0.62  |

## CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

| <i>(in millions of Canadian dollars)</i>  | Quarters ended March 31 |         |
|---|-------------------------|---------|
|   | 2019                    | 2018    |
| <b>Net earnings for the period</b>  | <b>\$ 34.3</b>          | \$ 38.5 |
| Other comprehensive income  |                         |         |
| <b>Items that may be reclassified to earnings</b>                               |                         |         |
| Unrealized foreign exchange gains (losses) on translation of foreign operations | <b>(12.0)</b>           | 13.2    |
| <b>Items that may not be reclassified to earnings</b>                           |                         |         |
| Actuarial gains on pension and similar obligations, net of taxes                | -                       | 2.1     |
| Other comprehensive income (loss)   | <b>(12.0)</b>           | 15.3    |
| <b>Total comprehensive income</b>   | <b>\$ 22.3</b>          | \$ 53.8 |

**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED)**

| <i>(in millions of Canadian dollars)</i>            | <b>March 31<br/>2019</b> | December 31<br>2018 |
|---|--------------------------|---------------------|
| <b>ASSETS</b>                                       |                          |                     |
| <b>Current</b>                                      |                          |                     |
| Cash and cash equivalents                           | \$ 106.9                 | \$ 124.3            |
| Accounts receivable                                 | 588.7                    | 567.5               |
| Inventories   | 1,031.5                  | 1,052.5             |
| Prepaid and other                                   | 15.3                     | 14.1                |
| Income taxes receivable                             | 5.4                      | 5.2                 |
|   | <b>1,747.8</b>           | <b>1,763.6</b>      |
| <b>Property, Plant and Equipment</b>                | <b>264.5</b>             | <b>268.9</b>        |
| <b>Right-of-Use Assets</b>                          | <b>89.6</b>              | <b>-</b>            |
| <b>Deferred Income Tax Assets</b>                   | <b>4.3</b>               | <b>4.2</b>          |
| <b>Pension and Benefits</b>                         | <b>4.5</b>               | <b>-</b>            |
| <b>Financial and Other Assets</b>                   | <b>4.1</b>               | <b>4.4</b>          |
| <b>Goodwill and Intangibles</b>                     | <b>84.4</b>              | <b>86.2</b>         |
|   | <b>\$ 2,199.2</b>        | <b>\$ 2,127.3</b>   |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>         |                          |                     |
| <b>Current</b>                                      |                          |                     |
| Bank indebtedness                                   | \$ 154.2                 | \$ 128.5            |
| Accounts payable and accrued liabilities            | 466.5                    | 494.7               |
| Short-term lease obligations                        | 15.1                     | -                   |
| Income taxes payable                                | 0.3                      | 21.5                |
|   | <b>636.1</b>             | <b>644.7</b>        |
| <b>Long-Term Debt</b>                               | <b>443.8</b>             | <b>443.6</b>        |
| <b>Pensions and Benefits</b>                        | <b>10.0</b>              | <b>5.8</b>          |
| <b>Deferred Income Tax Liabilities</b>              | <b>14.5</b>              | <b>20.1</b>         |
| <b>Long-term Lease Obligations</b>                  | <b>96.2</b>              | <b>-</b>            |
| <b>Provisions and Other Non-Current Liabilities</b> | <b>10.9</b>              | <b>8.2</b>          |
|   | <b>1,211.5</b>           | <b>1,122.4</b>      |
| <b>Shareholders' Equity</b>                         |                          |                     |
| Common shares                                       | 542.2                    | 542.1               |
| Retained earnings                                   | 313.2                    | 318.6               |
| Contributed surplus                                 | 15.8                     | 15.7                |
| Accumulated other comprehensive income              | 116.5                    | 128.5               |
| <b>Total Shareholders' Equity</b>                   | <b>987.7</b>             | <b>1,004.9</b>      |
| <b>Total Liabilities and Shareholders' Equity</b>   | <b>\$ 2,199.2</b>        | <b>\$ 2,127.3</b>   |

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW (UNAUDITED)**

| <i>(in millions of Canadian dollars)</i>                              | Quarters ended March 31 |          |
|---|-------------------------|----------|
|   | 2019                    | 2018     |
| <b>Operating activities</b>   |                         |          |
| Net earnings for the period   | \$ 34.3                 | \$ 38.5  |
| Depreciation and amortization   | 9.5                     | 8.4      |
| Depreciation and amortization, right-of-use                           | 4.2                     | -        |
| Provision for income taxes  | 12.8                    | 14.2     |
| Interest expense  | 11.1                    | 6.7      |
| (Gain) loss on disposal of property, plant and equipment              | (0.2)                   | 3.2      |
| Share-based compensation  | 0.1                     | 0.1      |
| Difference between pension expense and amount funded                  | (0.3)                   | (0.2)    |
| Debt accretion, amortization and other                                | 0.3                     | 0.2      |
| Change in fair value of contingent consideration                      | -                       | 1.2      |
| Interest paid, including interest on lease obligations                | (8.4)                   | (1.3)    |
| <b>Cash from operating activities before non-cash working capital</b> | <b>63.4</b>             | 71.0     |
| <b>Changes in non-cash working capital items</b>                      |                         |          |
| Accounts receivable   | (23.9)                  | (99.4)   |
| Inventories   | 15.3                    | (44.3)   |
| Accounts payable and accrued liabilities                              | (26.2)                  | 96.3     |
| Other   | (1.2)                   | (2.4)    |
| <b>Change in non-cash working capital</b>                             | <b>(36.0)</b>           | (49.8)   |
| Income taxes paid, net  | (33.5)                  | (31.2)   |
| <b>Cash used in operating activities</b>                              | <b>(6.1)</b>            | (10.0)   |
| <b>Financing activities</b>   |                         |          |
| Increase (decrease) in bank indebtedness                              | 25.7                    | (91.9)   |
| Issue of common shares  | 0.1                     | 2.0      |
| Dividends on common shares  | (23.6)                  | (23.6)   |
| Issuance of long-term debt  | -                       | 146.0    |
| Lease obligations   | (4.4)                   | -        |
| Deferred financing costs  | -                       | (1.1)    |
| <b>Cash (used in) from financing activities</b>                       | <b>(2.2)</b>            | 31.4     |
| <b>Investing activities</b>   |                         |          |
| Purchase of property, plant and equipment                             | (5.2)                   | (10.9)   |
| Proceeds on sale of property, plant and equipment                     | 0.4                     | 0.3      |
| Payment of contingent consideration                                   | -                       | (4.5)    |
| <b>Cash used in investing activities</b>                              | <b>(4.8)</b>            | (15.1)   |
| <b>Effect of exchange rates on cash and cash equivalents</b>          | <b>(4.3)</b>            | 3.9      |
| <b>(Decrease) increase in cash and cash equivalents</b>               | <b>(17.4)</b>           | 10.2     |
| Cash and cash equivalents, beginning of the period                    | 124.3                   | 125.8    |
| <b>Cash and cash equivalents, end of the period</b>                   | <b>\$ 106.9</b>         | \$ 136.0 |

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)**

| <i>(in millions of Canadian dollars)</i> | Common<br>Shares | Retained<br>Earnings | Contributed<br>Surplus | Accumulated<br>Other<br>Comprehensive<br>Income | Total           |
|--|------------------|----------------------|------------------------|---|-----------------|
| <b>Balance, January 1, 2019</b>          | \$ 542.1         | \$ 318.6             | \$ 15.7                | \$ 128.5  | \$ 1,004.9      |
| Payment of dividends                     | -                | (23.6)               | -                      | -   | (23.6)          |
| Change in accounting policy              | -                | (16.1)               | -                      | -   | (16.1)          |
| Net earnings for the period              | -                | 34.3                 | -                      | -   | 34.3            |
| Other comprehensive loss for the period  | -                | -                    | -                      | (12.0)  | (12.0)          |
| Recognition of share-based compensation  | -                | -                    | 0.1                    | -   | 0.1             |
| Share options exercised                  | 0.1              | -                    | -                      | -   | 0.1             |
| <b>Balance, March 31, 2019</b>           | <b>\$ 542.2</b>  | <b>\$ 313.2</b>      | <b>\$ 15.8</b>         | <b>\$ 116.5</b>                                 | <b>\$ 987.7</b> |

| <i>(in millions of Canadian dollars)</i>                 | Common<br>Shares | Retained<br>Earnings | Contributed<br>Surplus | Accumulated<br>Other<br>Comprehensive<br>Income | Total           |
|--|------------------|----------------------|------------------------|---|-----------------|
| <b>Balance, January 1, 2018</b>                          | \$ 536.6         | \$ 190.5             | \$ 16.0                | \$ 83.7   | \$ 826.8        |
| Payment of dividends                                     | -                | (23.6)               | -                      | -   | (23.6)          |
| Net earnings for the period                              | -                | 38.5                 | -                      | -   | 38.5            |
| Other comprehensive income for the period                | -                | -                    | -                      | 15.3  | 15.3            |
| Recognition of share-based compensation                  | -                | -                    | 0.1                    | -   | 0.1             |
| Share options exercised                                  | 2.4              | -                    | (0.3)                  | -   | 2.1             |
| Transfer of net actuarial gains on defined benefit plans | -                | 2.1                  | -                      | (2.1)   | -               |
| <b>Balance, March 31, 2018</b>                           | <b>\$ 539.0</b>  | <b>\$ 207.5</b>      | <b>\$ 15.8</b>         | <b>\$ 96.9</b>                                  | <b>\$ 859.2</b> |