

Russel Metals



DECEMBER 2016

CAUTIONARY STATEMENT ON FORWARD-LOOKING INFORMATION

Certain statements contained in this document 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 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.

Our actual results could differ materially from those anticipated in our forward-looking statements including as a result of the risk factors described in our MD&A and Annual Information Form.

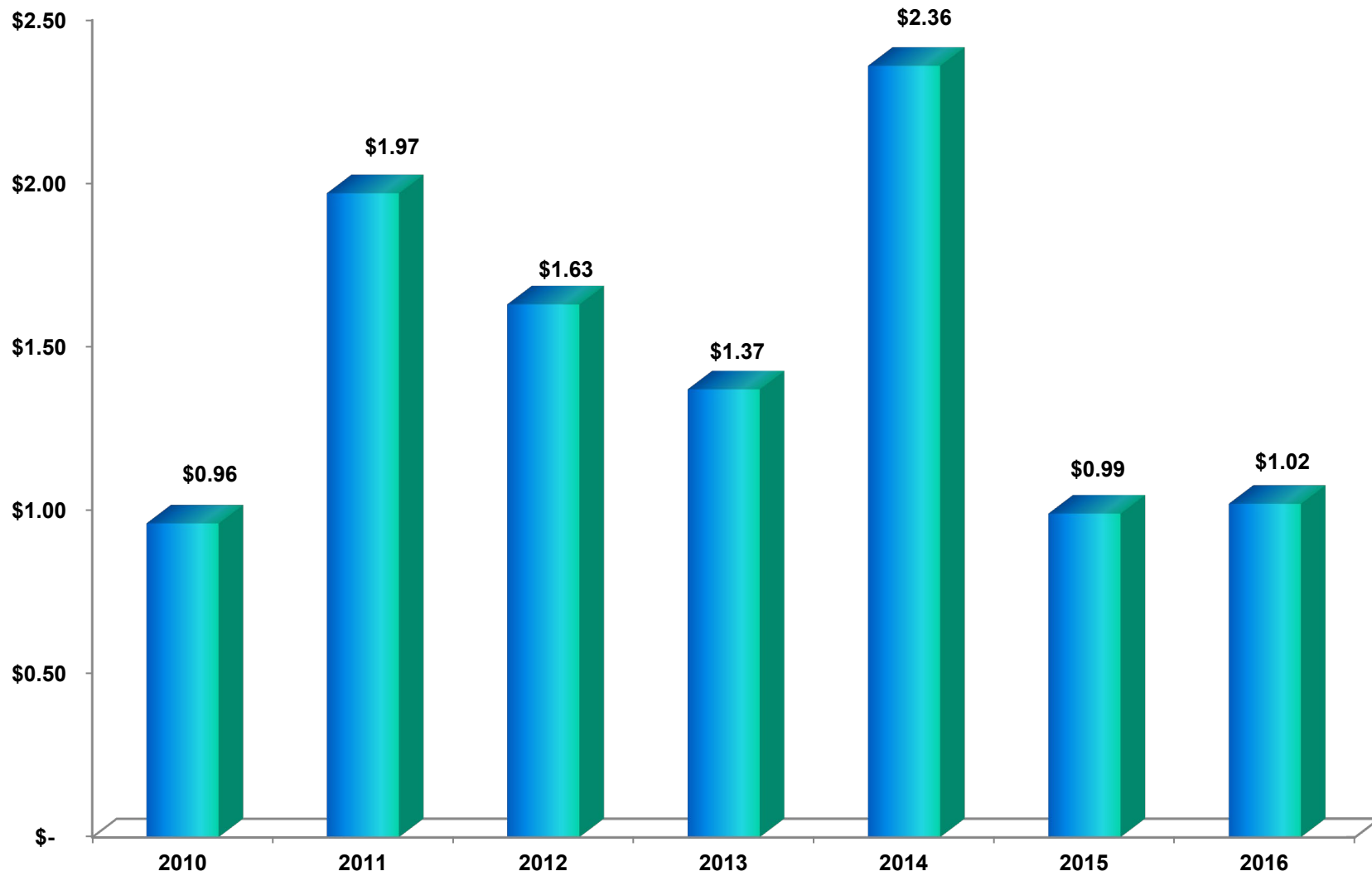
While we believe that the expectations reflected in our forward-looking statements are reasonable, no assurance can be given that these expectations will prove to be correct, and our forward-looking statements included in this document should not be unduly relied upon. These statements speak only as of the date of this document and, except as required by law, we do not assume any obligation to update our forward-looking statements.

RISK FACTORS: Such risks and uncertainties include, but are not limited to: the volatility in metal prices; volatility in oil and natural gas prices; cyclicalities 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.

OVERVIEW OF RUSSEL METALS

- ◆ We are one of the largest metals distribution and processing companies in North America.
- ◆ We are one of the largest pipe, valve and fittings companies in North America.
- ◆ Consolidated Revenues:
 - Year ended December 31, 2016 - \$2.6 billion
 - Year ended December 31, 2015 - \$3.1 billion
- ◆ Based on revenues for the year ended December 31, 2016:
 - 69% Canada
 - 31% U.S.
- ◆ Net Cash - \$147 million.
Interest expense year ended December 31, 2016 - \$22 million.
- ◆ Declared dividend of \$0.38 per share payable March 15, 2017.
- ◆ Dividend yield 5.9%.
- ◆ Market cap based on \$25.58 per share is \$1.6 billion. Listed on TSX.

EPS – 2010 - 2016



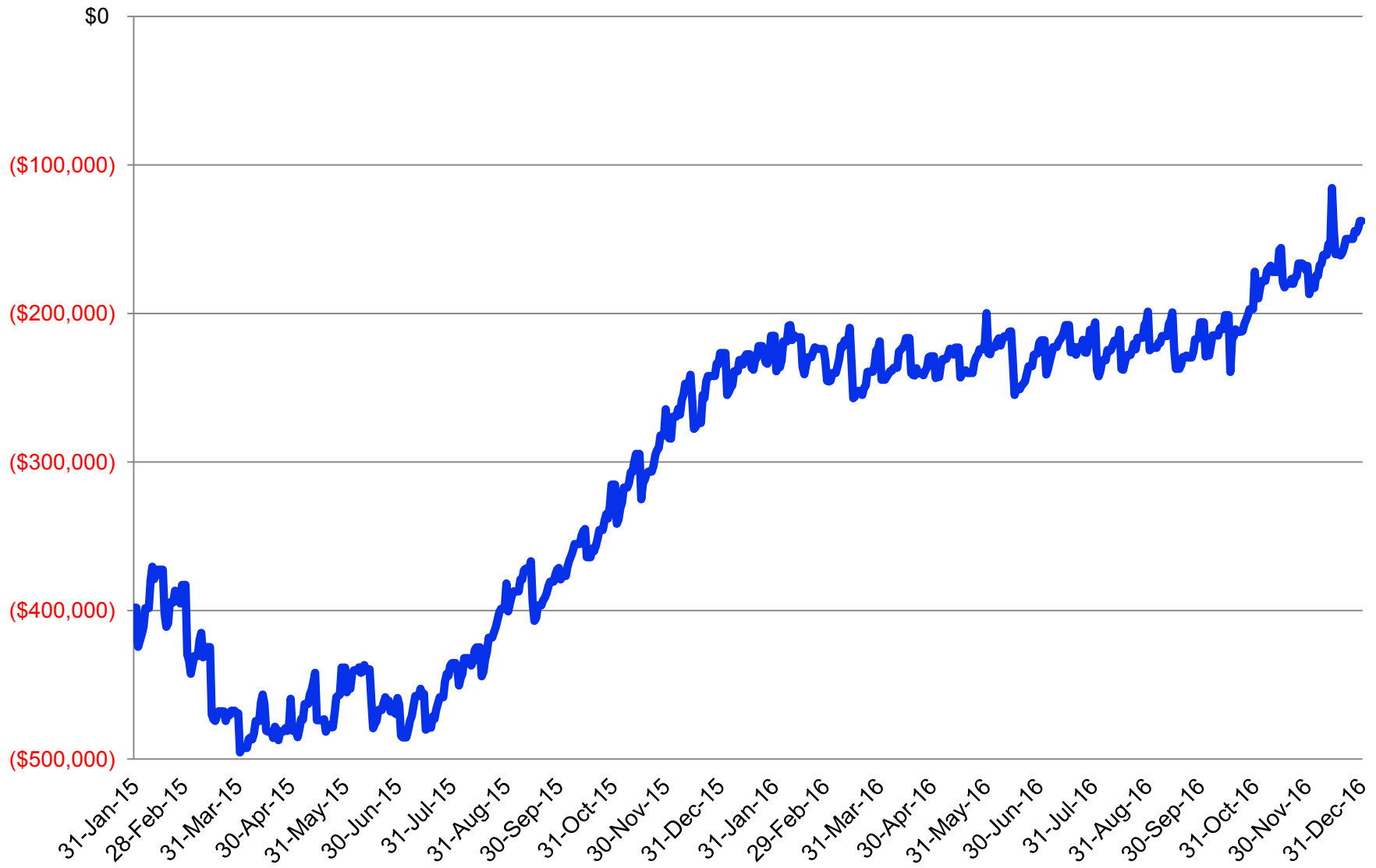
Notes:

2012 – restated due to adoption of IAS 19 (amended 2011)

2014 & 2015 – adjusted earnings per share

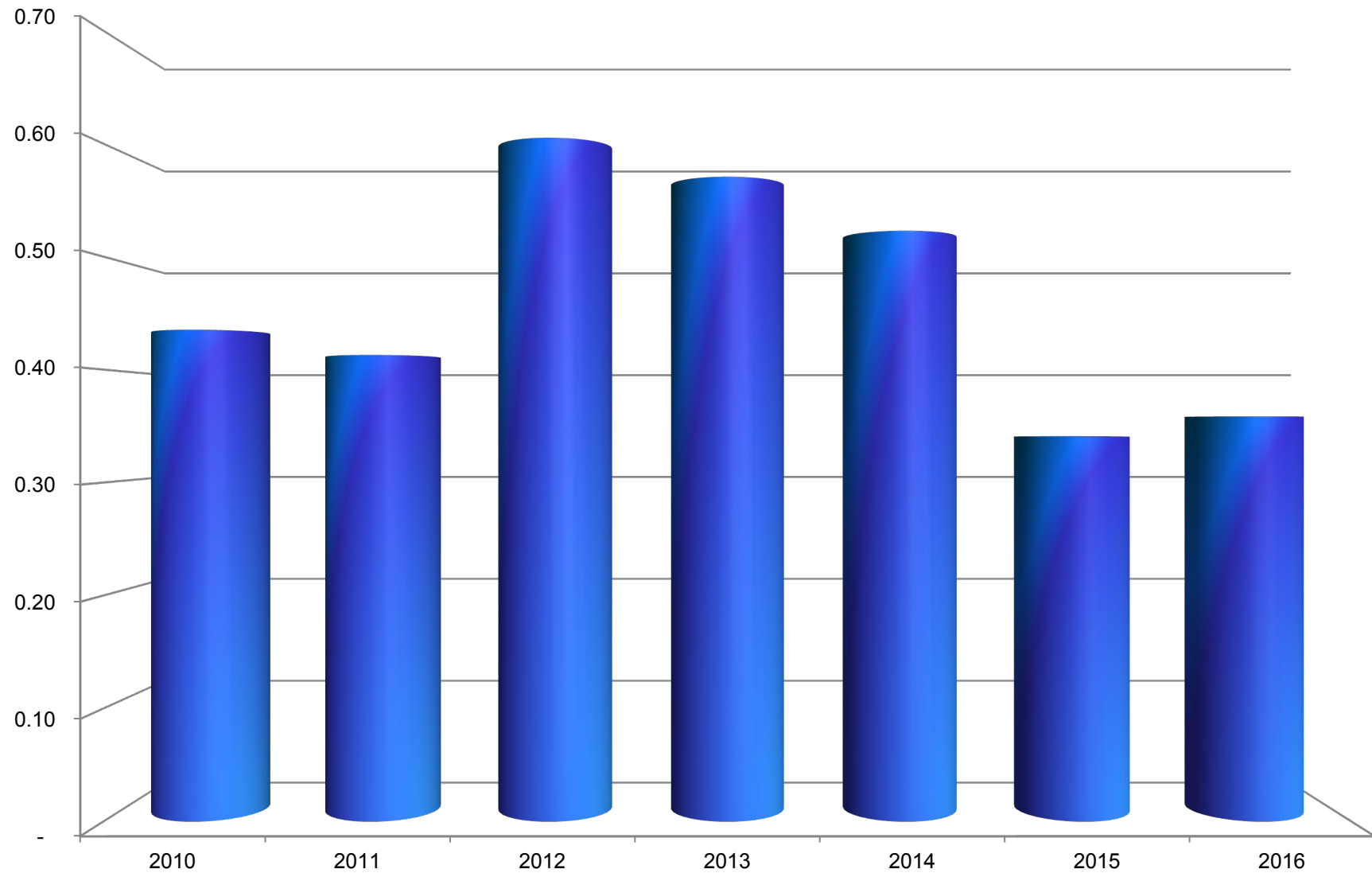


NET CASH POSITION 2015 - 2016





DEBT EQUITY RATIO





DIVIDENDS

Our Conservative Capital Structure Means

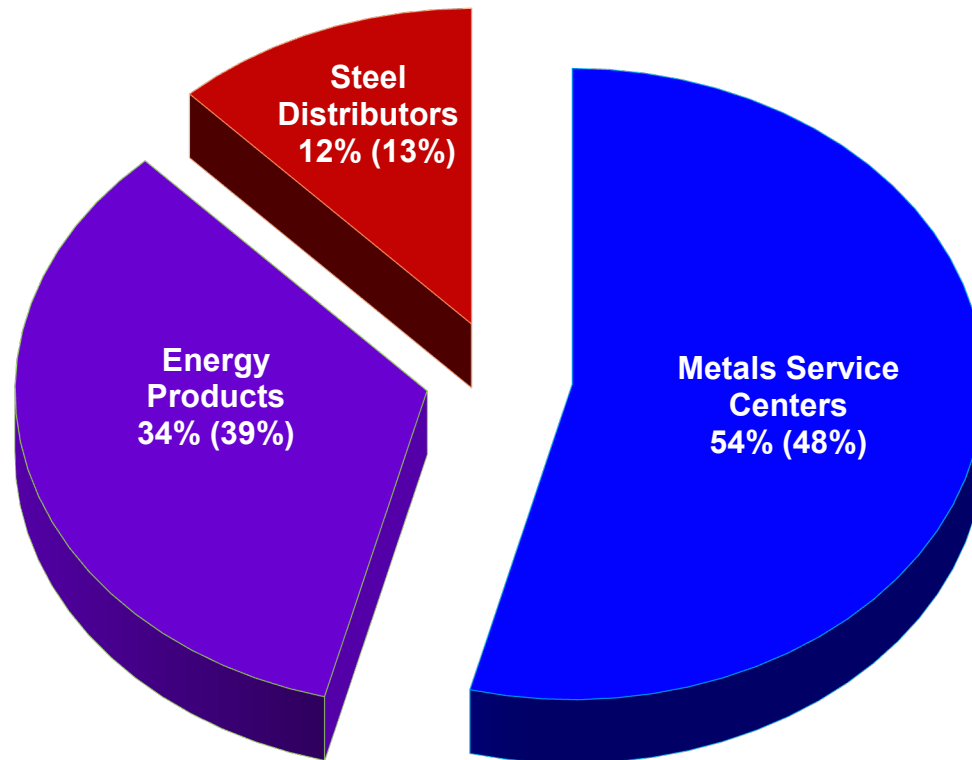
- We can fund the current dividend

The Board Reviews the Dividend Quarterly to Determine

- Should we?
 - Counter cycle Cash Flow
 - At the bottom of the cycle we generate cash from working capital
 - From 2010 to 2014 the Dividend Payout Ratio was 80%
 - At December 31, 2016 – Net Debt \$149 million, Equity \$825 million
 - At December 31, 2016 – Net Debt to Equity Ratio 0.36
 - At the bottom of the cycle the Dividend is a Return of Capital
 - Majority of Shareholders are long-term holders
 - We favour Returning Capital to existing Shareholders through the Dividend

THREE DISTINCT SEGMENTS

REVENUES YEAR ENDED 2016 (2015)



OPERATING UNITS

CANADA

METALS SERVICE CENTERS

British Columbia
(A.J. Forsyth)

Alberta

Man/Sask

Ontario

Quebec
(Acier Leroux)

Atlantic

STEEL DISTRIBUTORS

Wirth Steel
(Montreal)

ENERGY

Comco Pipe
(Alberta)

Apex Distribution
(Alberta)

Fedmet Tubulars
(Alberta)

Triumph Tubulars
(Alberta)

U.S.

METALS SERVICE CENTERS

South East
(JMS Russel Metals)

Wisconsin
(Williams Bahcall)

Ohio
(Baldwin)

STEEL DISTRIBUTORS

Sunbelt
(Texas)

ENERGY

Pioneer
(Colorado)

Spartan
(Colorado)

Apex Remington
(Oklahoma)

BALANCE SHEET AS AT DECEMBER 31, 2016

(millions)

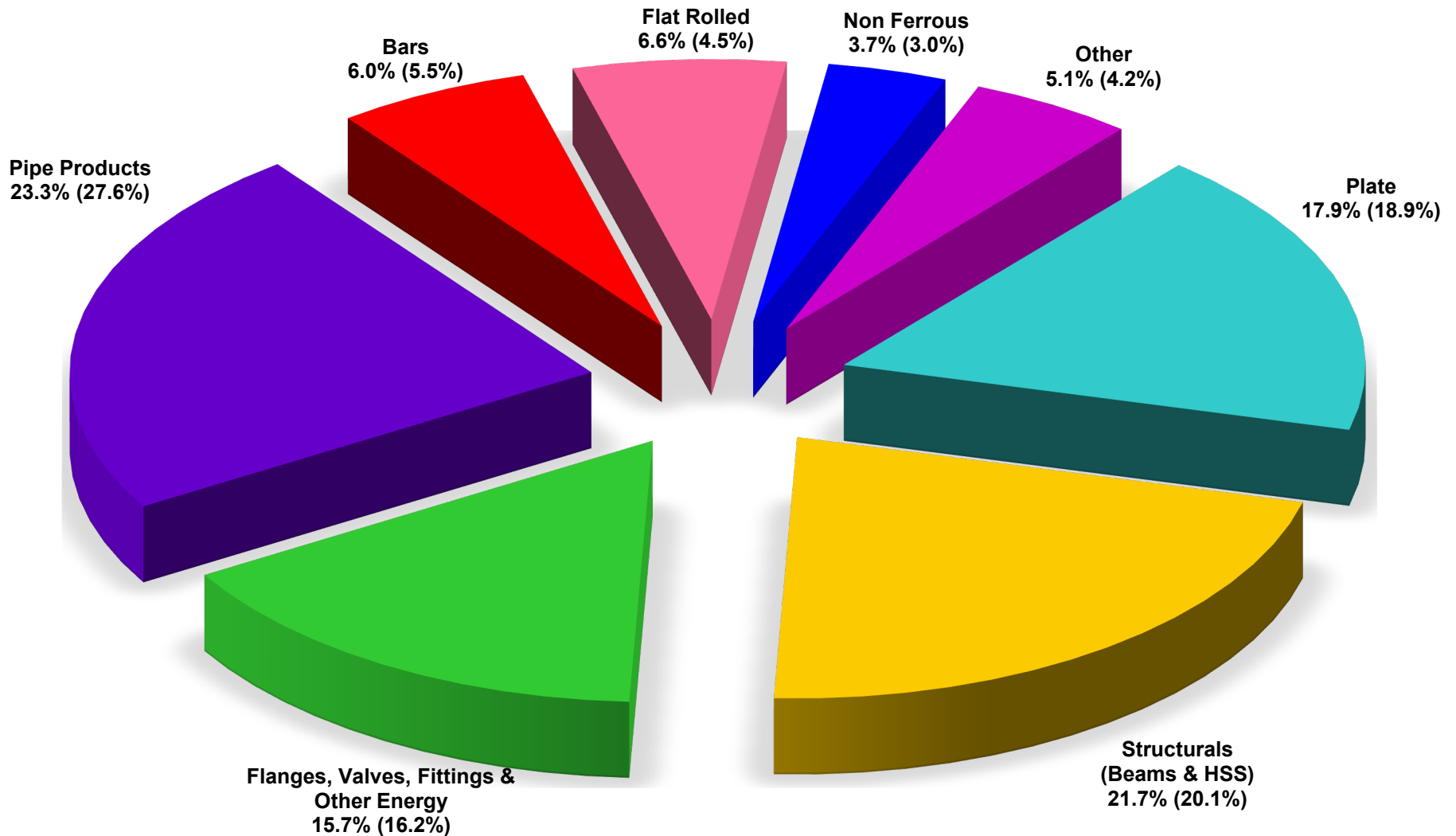
ASSETS EMPLOYED

Cash	\$ 182	12%
Accounts Receivable	359	24%
Inventories	616	41%
Property, Plant and Equipment	240	16%
Goodwill/Intangibles	86	6%
Other	26	1%
	<u>\$ 1,509</u>	<u>100%</u>

FINANCED BY

Bank Indebtedness	\$ 35	2%
Trade Creditors	314	21%
Mezzanine Debt	296	20%
Other	39	2%
Shareholders Equity	825	55%
	<u>\$ 1,509</u>	<u>100%</u>

BROAD PRODUCT FOCUS BREAKDOWN FOR YEAR ENDED DECEMBER 31, 2016 (2015)



TOP MILL SUPPLIERS FOR 2016

	% of total purchased	Products Purchased
Supplier 1	8.7%	Bars, Structurals
Supplier 2	6.6%	Plate
Supplier 3	6.3%	Flat Roll, Plate
Supplier 4	5.9%	Tubing / Pipe
Supplier 5	5.8%	Flat Roll, Plate
Supplier 6	4.5%	Bars, Structurals
Supplier 7	3.3%	Flat Roll, Plate
Supplier 8	2.8%	Tubing / Pipe
Supplier 9	2.5%	Tubing / Pipe
Supplier 10	2.4%	Tubing / Pipe, Plate
Top 10 Suppliers	48.8%	

SERVICE CENTER/DISTRIBUTION COMPETITORS

TOP 14 BY REVENUE

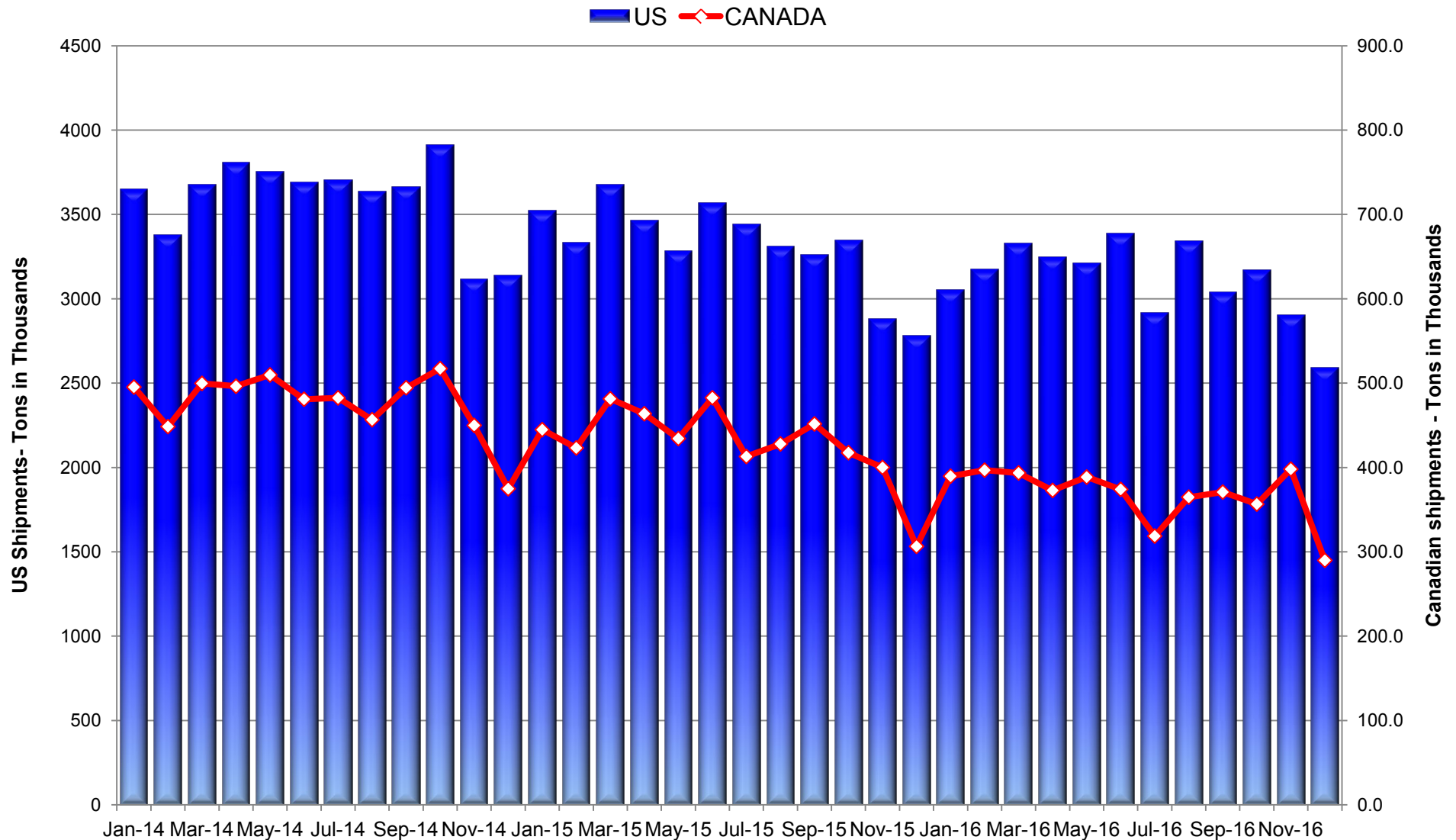
<i>(in billions)</i>	2015	2014	Public/ Private	Headquarters
Reliance Steel & Aluminum Co.	\$ 9.4	\$ 10.5	Public	U.S
MRC Global	4.0	5.1	Public	U.S
Ryerson Inc.	3.2	3.6	Public	U.S
Russel Metals Inc.	3.1	3.9	Public	Canada
NOW Inc.	3.0	4.1	Public	U.S
Samuel, Son & Co.	2.9	3.7	Private	Canada
Klockner (North America)	2.9	3.2	Public	U.K.
ThyssenKrupp Materials NA, Inc.	2.8	2.8	Public	U.S.
O'Neal Steel Inc.	2.4	2.3 (E)	Private	U.S
Steel Technologies LLC	2.1	2.2	Private	U.S
Worthington Steel Co.	1.8	2.2	Public	U.S
Alro Steel Corp.	1.4	1.4	Private	U.S
Coilplus Inc.	1.3	1.4	Private	U.S
Olympic Steel Inc.	1.2	1.4	Public	U.S

(E) - estimate

MARKET TRENDS

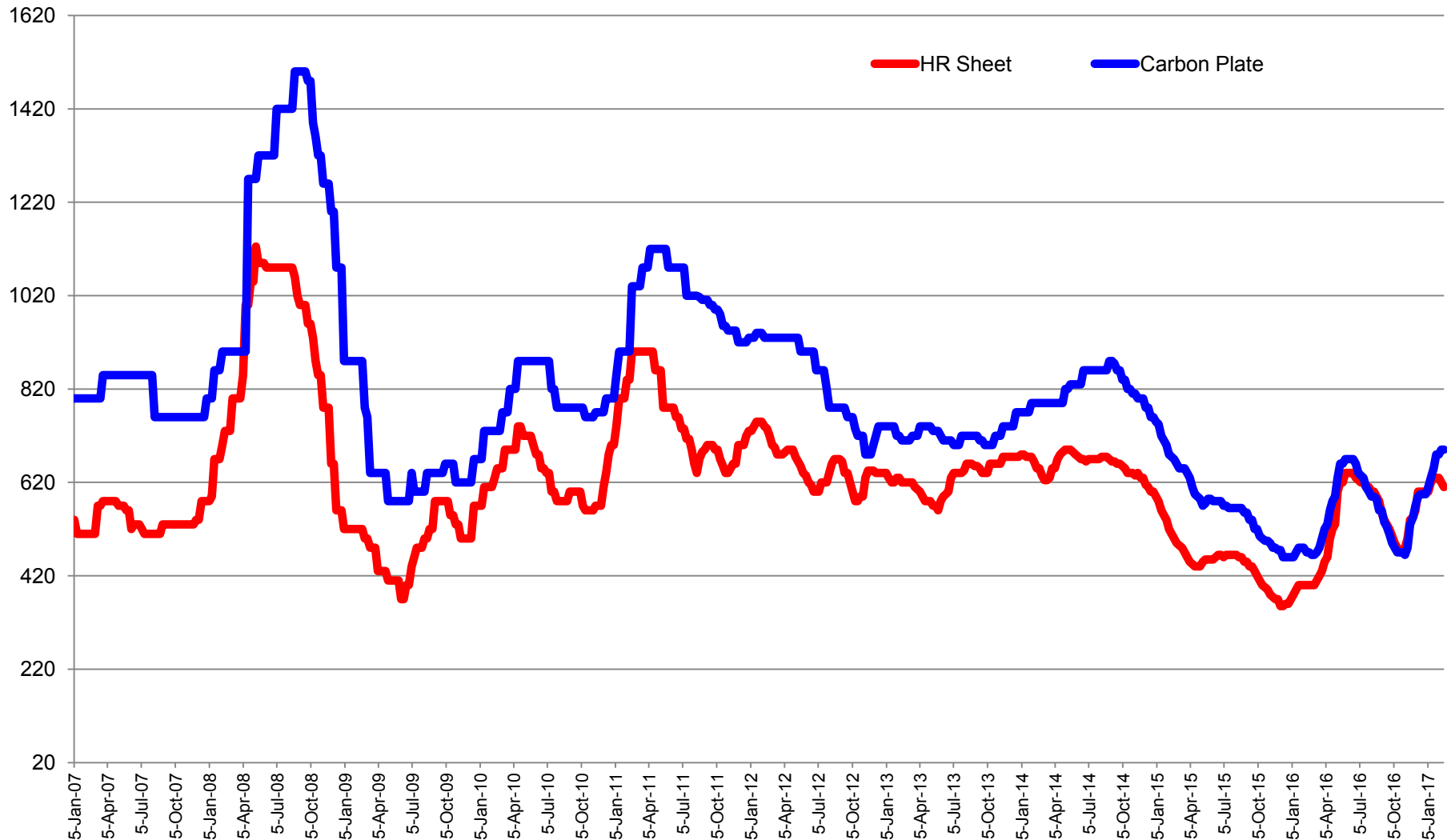


MONTHLY SERVICE CENTER SHIPMENTS – STEEL PRODUCTS

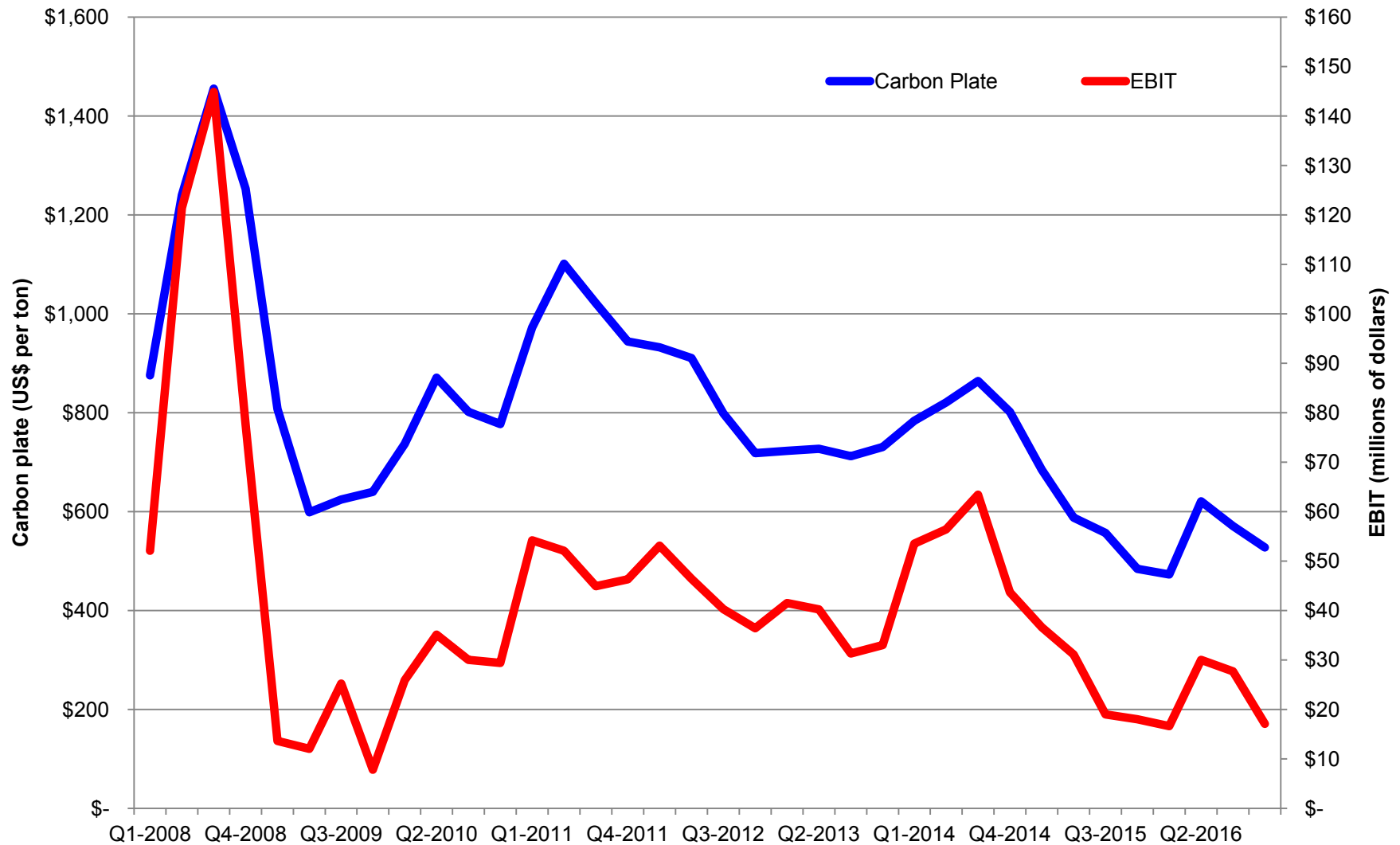


PRICE OF HR SHEET & HR PLATE

(US \$ per ton)

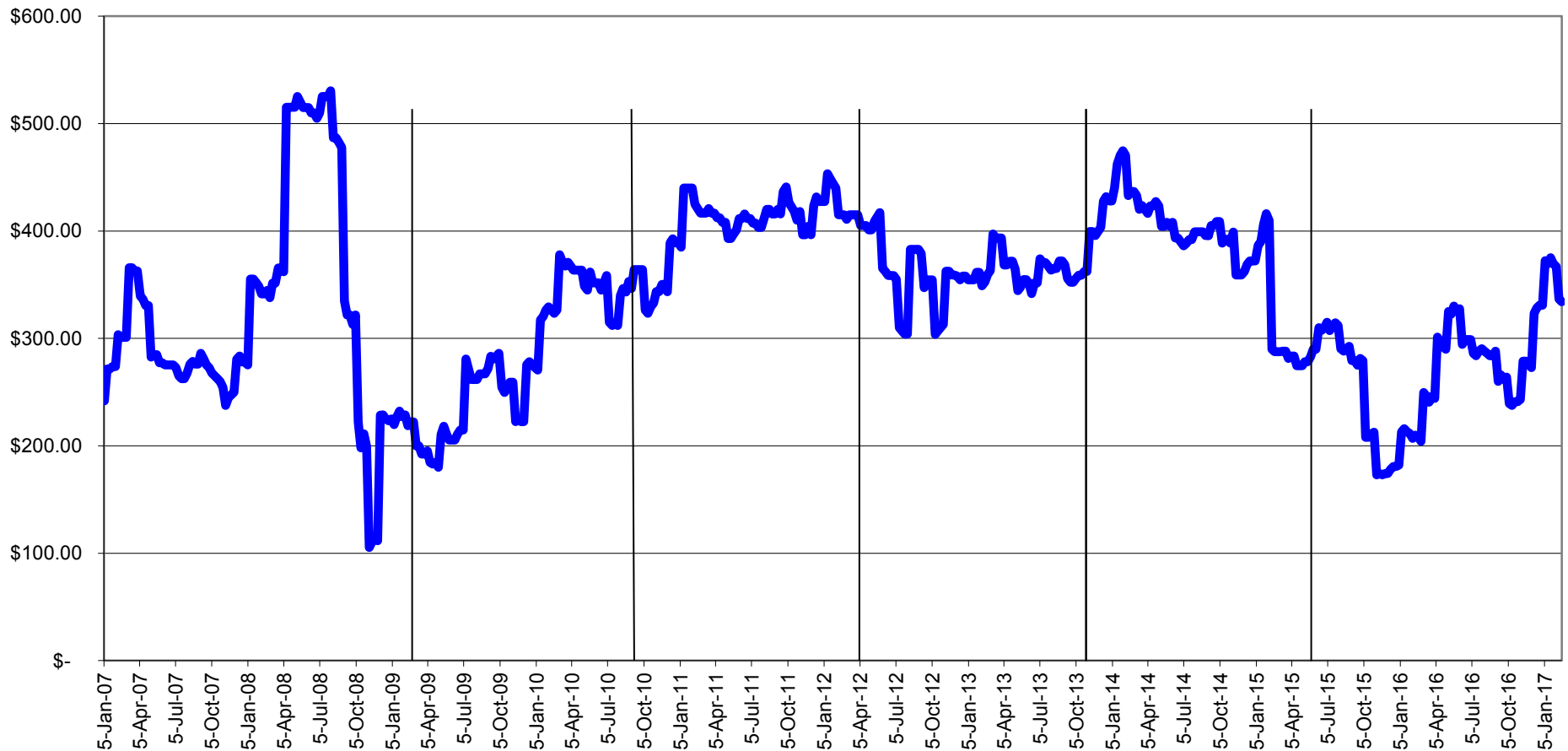


CARBON PLATE AND RUSSEL METALS EBIT



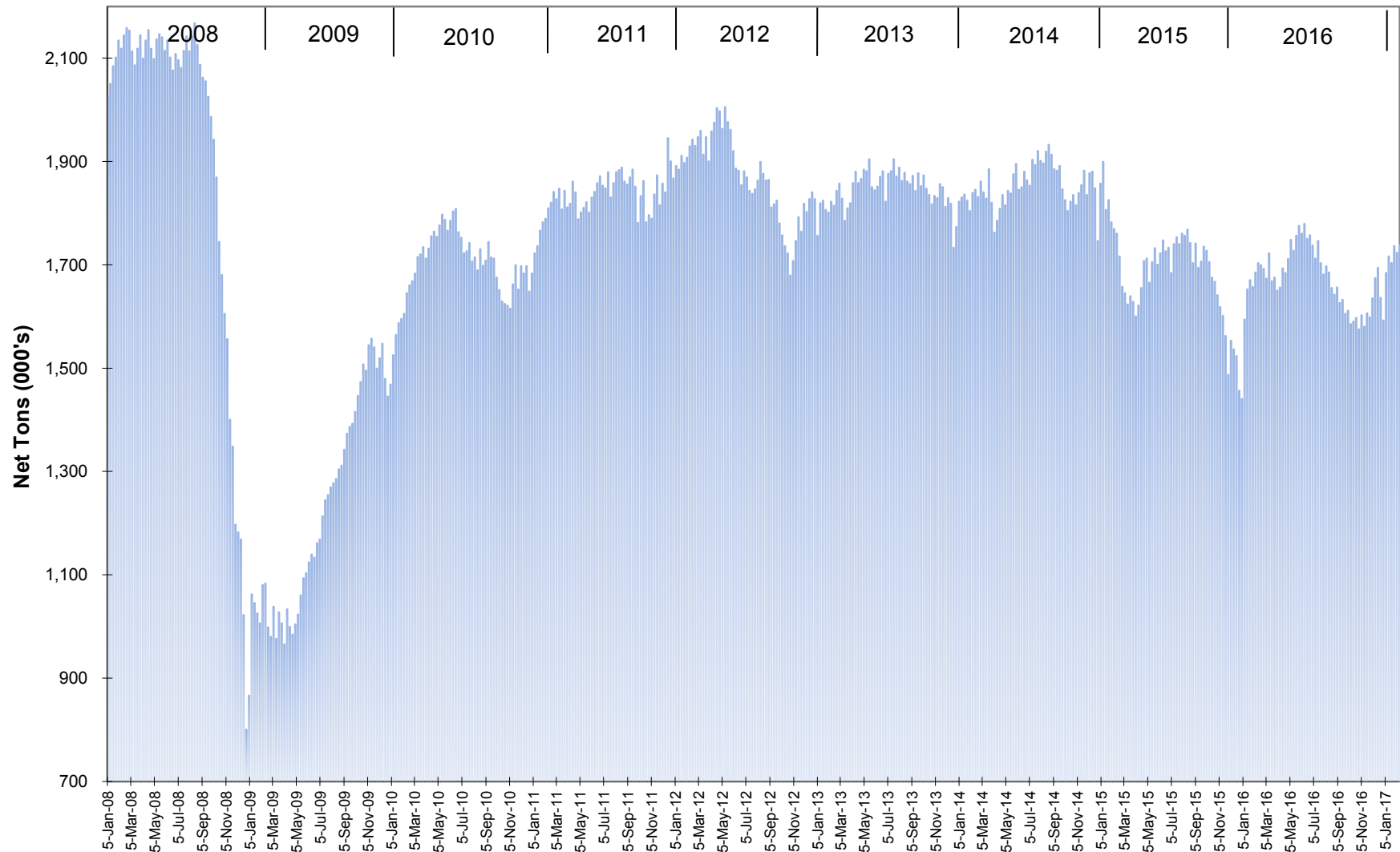
SCRAP PRICING

AMM Scrap Values



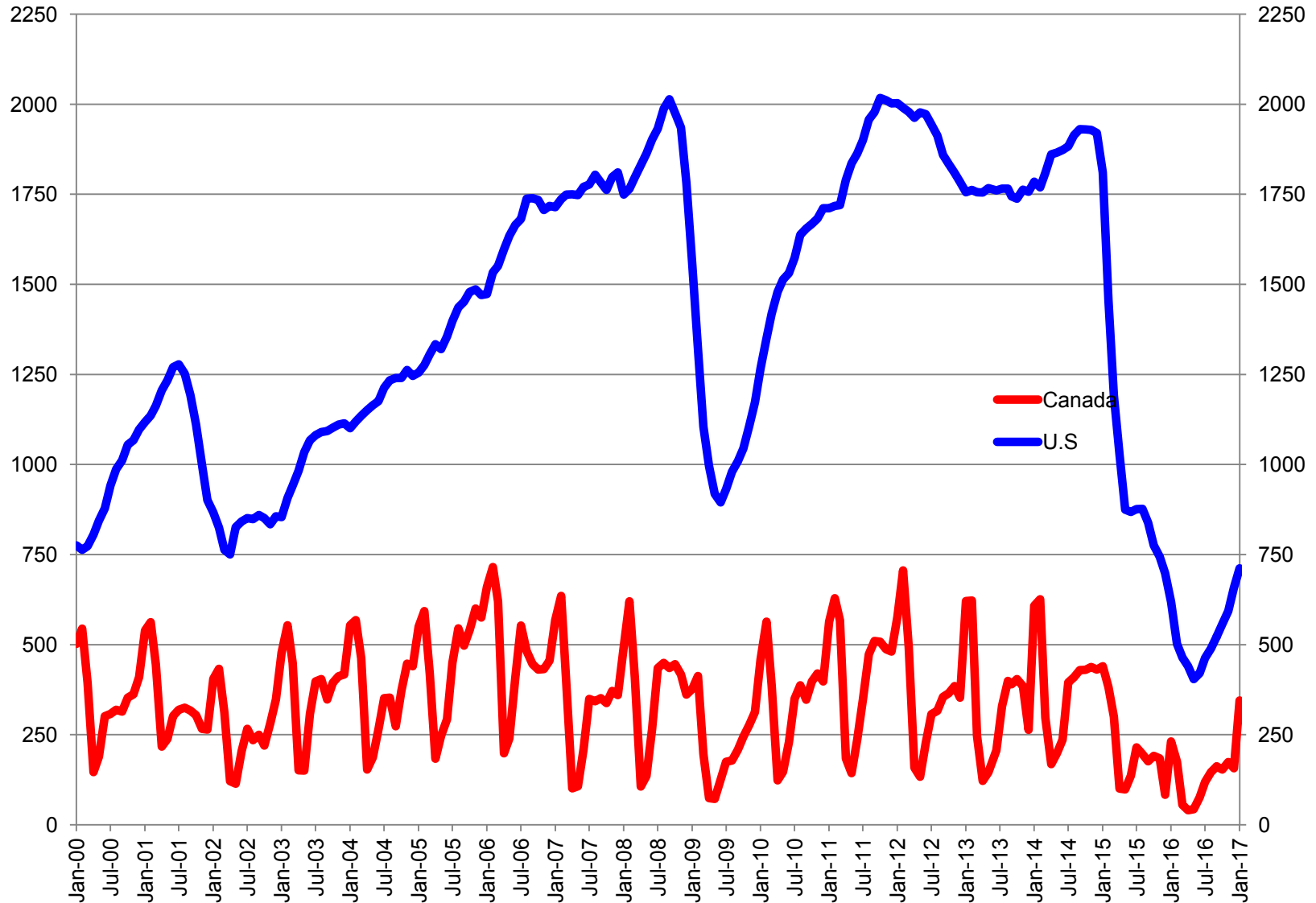
Source: American Metal Market

MILL PRODUCTION TONS



Source: American Metal Market

NORTH AMERICA RIG COUNT



RMI OPERATIONS

**METALS
SERVICE
CENTERS**



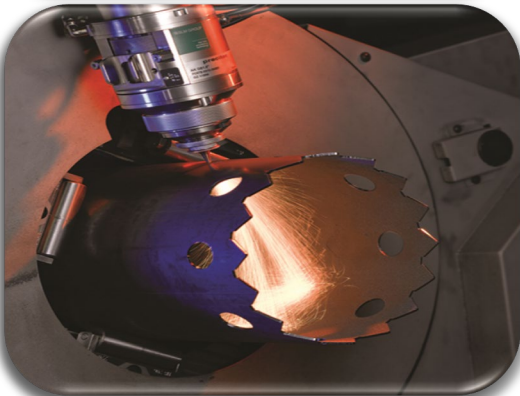
**STEEL
DISTRIBUTORS**



**ENERGY
PRODUCTS**



METALS SERVICE CENTERS – STRONG CANADIAN FRANCHISE



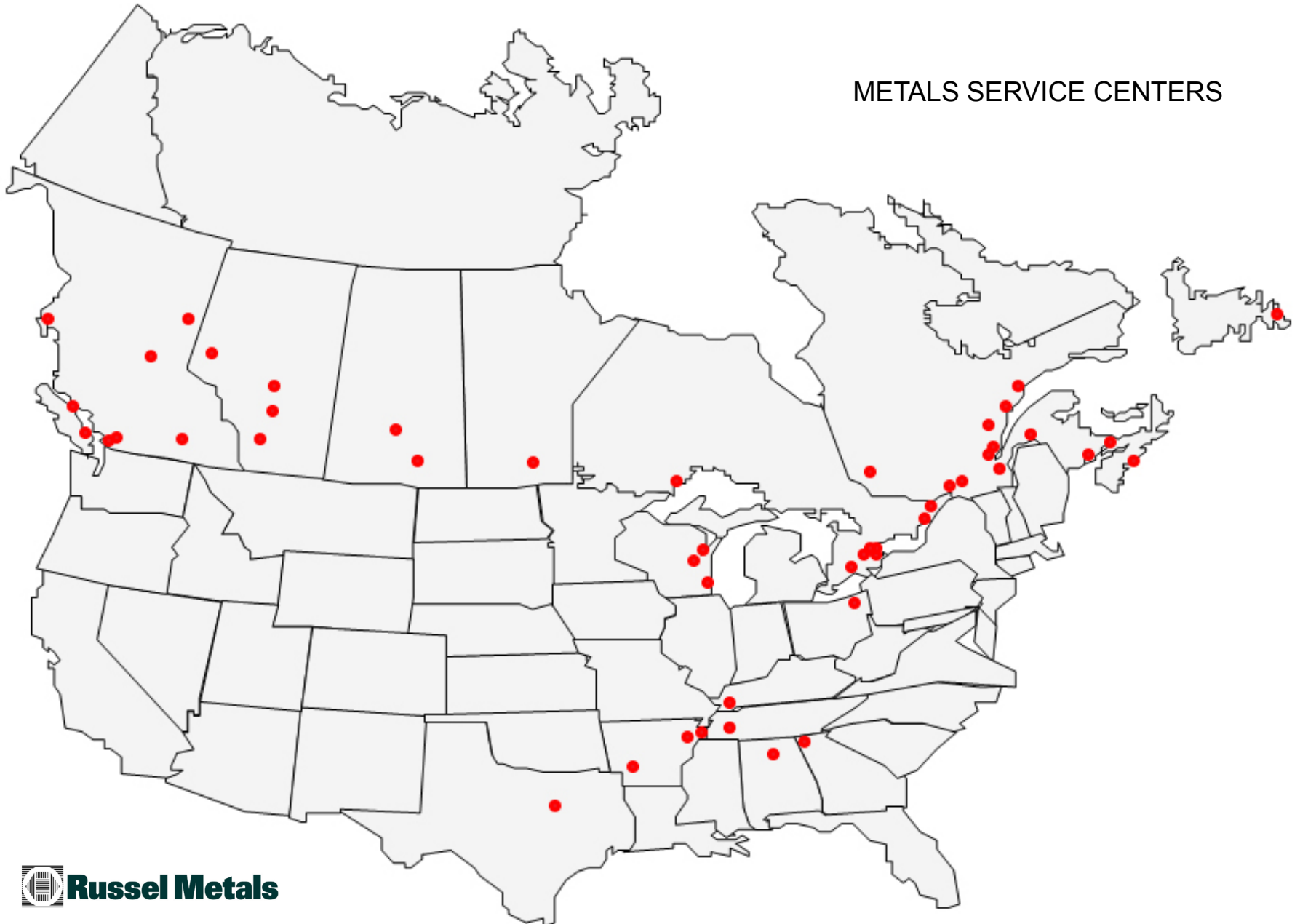
- ◆ 2016 revenues of \$1.4 billion, EBIT of \$58 million.
- ◆ 2015 revenues of \$1.5 billion, EBIT of \$42 million.
- ◆ 50 Metals Service Centers in Canada.
- ◆ 14 Metals Service Centers in U.S.
- ◆ Broad customer base - 26,000 Canadian, 17,000 U.S.
- ◆ Average invoice 2016 \$1,497 (2015: \$1,714)
- ◆ Approximately 3,700 invoices per day (2015: 3,460)

ROLE OF METALS SERVICE CENTERS

Suppliers	Metals Service Centers	Customers
<ul style="list-style-type: none">• Mills producing base metal products• Processing includes pickling, blanking, tube production from sheet, coating• Limited ability to service multiple customer needs• Long lead time order to delivery• Large volumes	<ul style="list-style-type: none">• Source material and purchase in large quantity• Process material to meet specific customer requirements• Arrange logistics for delivery where and when customer needs• Processing includes cut-to-length; cut parts using laser, oxy fuel or plasma; sawing, blanking, drilling, beveling, welding• Some processors provide pickling and coating	<ul style="list-style-type: none">• Manufacturers, fabricators• Focused on design, assembly, marketing• Want just-in time completed parts to production line• Some eliminating first stage processing• Some end users continue to process parts but source material from service centers

LOCATION OF OPERATIONS

METALS SERVICE CENTERS



OPERATIONS

METALS SERVICE CENTERS - 64 UNITS

Canada

Alberta/Manitoba/Saskatchewan – 16 units



British Columbia – 8 units



Quebec – 12 units



Ontario – 9 units



Atlantic – 5 units



United States

3 units



1 unit



9 units



1 unit



METALS SERVICE CENTERS PROCESSING CAPABILITIES



- Cutting-to-Length
- Stretcher Leveling
- Blanking
- Leveling
- Edge Trimming
- Slitting

- Oxygen Fuel Cutting
- Plasma Cutting
- Hi-definition Plasma Cutting
- Laser Cutting
- Drilling, Tapping, Beveling



PROCESSING CAPABILITIES



- Sawing
- Mitre Sawing
- Bundle Cutting

- Shearing
- Braking
- Rolling
- Shot Blasting



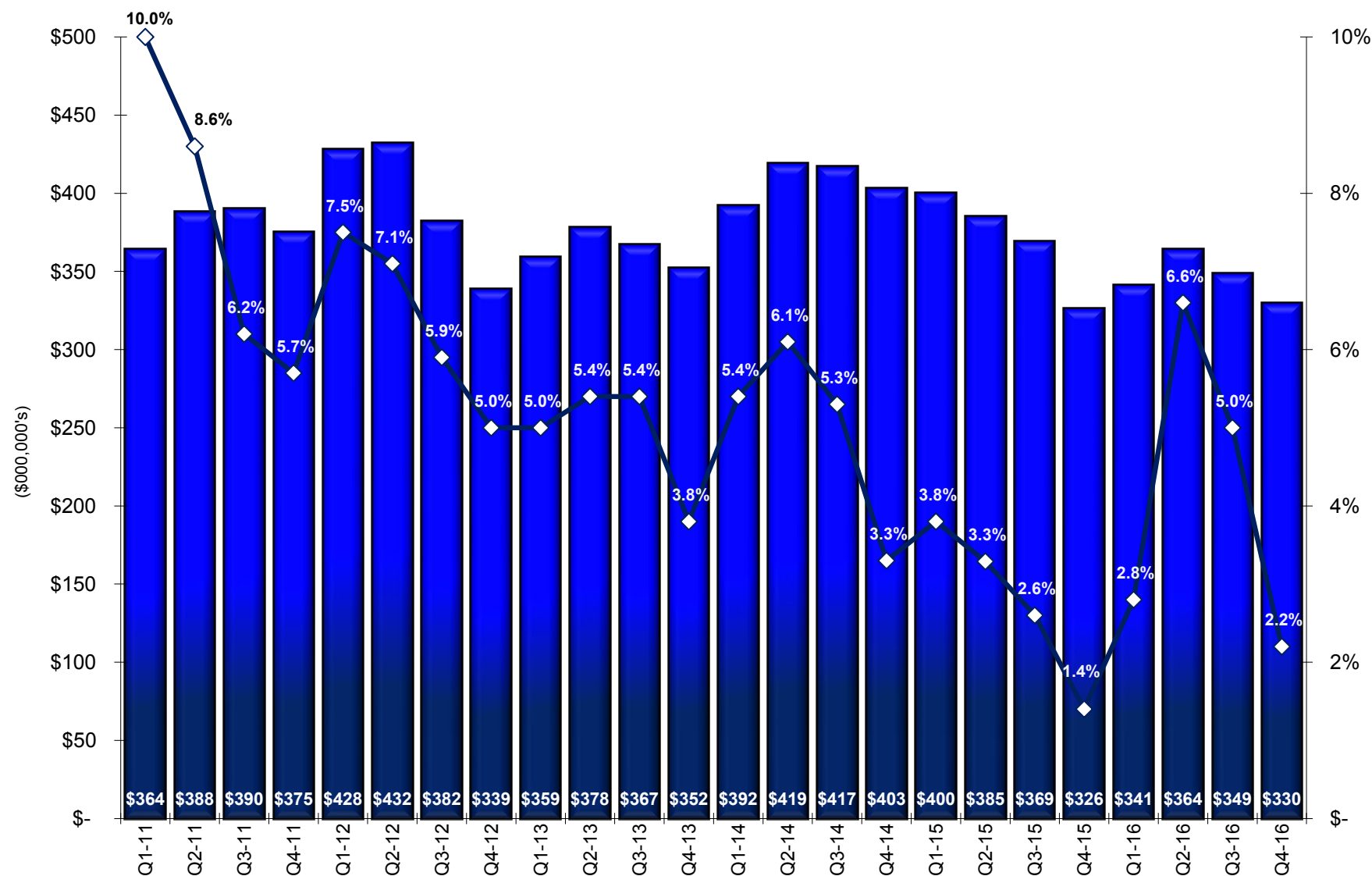
TOP METALS SERVICE CENTERS CUSTOMERS

YEAR ENDED DECEMBER 31, 2016

	Customer End Market	% of Segment Revenues	Products Purchased
Customer 1	Transportation	1.5%	Flat Rolled, Tubing
Customer 2	Steel Mill	1.0%	Plate (Discreet & Plate in Coil)
Customer 3	Mining	1.0%	Structurals (WF & I Beam, Structural Angles/Channels)
Customer 4	Heavy Equipment Manufacturer	0.9%	Flat Rolled, Tubing, Structural
Customer 5	Construction	0.8%	Plate, Structural, Bars
Customer 6	Heavy Equipment Manufacturer	0.7%	Plate (Discreet & Plate in Coil)
Customer 7	Heavy Equipment Manufacturer	0.7%	Plate (Discreet & Plate in Coil)
Customer 8	Heavy Equipment Manufacturer	0.6%	Plate (Discreet & Plate in Coil)
Customer 9	Heavy Equipment Manufacturer	0.6%	Plate (Discreet & Plate in Coil)
Customer 10	Metals Distribution	0.6%	Structurals (WF & I Beam, Structural Angles/Channels)

Largest customer less than 1% of total revenue

METALS SERVICE CENTERS REVENUE & OPERATING PROFIT AS A % OF REVENUES



ENERGY PRODUCTS



- ♦ 2016 revenues of \$0.9 billion, EBIT of \$19 million.
- ♦ 2015 revenues of \$1.2 billion, EBIT of \$33 million.
- ♦ Apex Distribution, Apex Monarch & Apex Western
Fiberglass - Western Canada
Apex Remington - Central U.S.
Fedmet Tubulars & Triumph Tubular - Calgary
Comco Pipe & Supply Company - Edmonton
Pioneer Pipe - Denver/ Houston
Spartan Energy Tubulars - Houston
- ♦ Distributes pipe, tube, valves and fittings to energy sector in Western Canada and the United States.
- ♦ Primarily store pipe in third party yards near end user.
- ♦ Comco Pipe focuses on supplying capital, MRO and sustaining projects to the energy sector including the oil sands.
- ♦ Apex Distribution, Apex Monarch & Apex Remington small retail type units located near rig activity.
- ♦ Highly variable compensation plans enable financial flexibility over the cycle.

ROLE OF PIPE DISTRIBUTORS

Suppliers

- Mills producing pipe, valves and fittings
- Processing includes coating
- Limited ability to service multiple customer needs
- Long lead time order to delivery
- Service large volume projects

Pipe Distributors

- Source material and purchase in large quantity
- Arrange coating if required
- Arrange logistics for delivery where and when customer needs
- Store product at third party yards, coaters, trucking companies

Customers

- Oil and gas producers/distributors
- Focused on production
- Want just-in time finished pipe to site/field
- Pipe represents small portion of project. Typically contract drilling, etc.

ROLE OF VALVE AND FITTING FIELD STORES

Suppliers

- Mills producing pipe, valves and fittings
- Limited ability to service multiple customer needs
- Service large volume projects

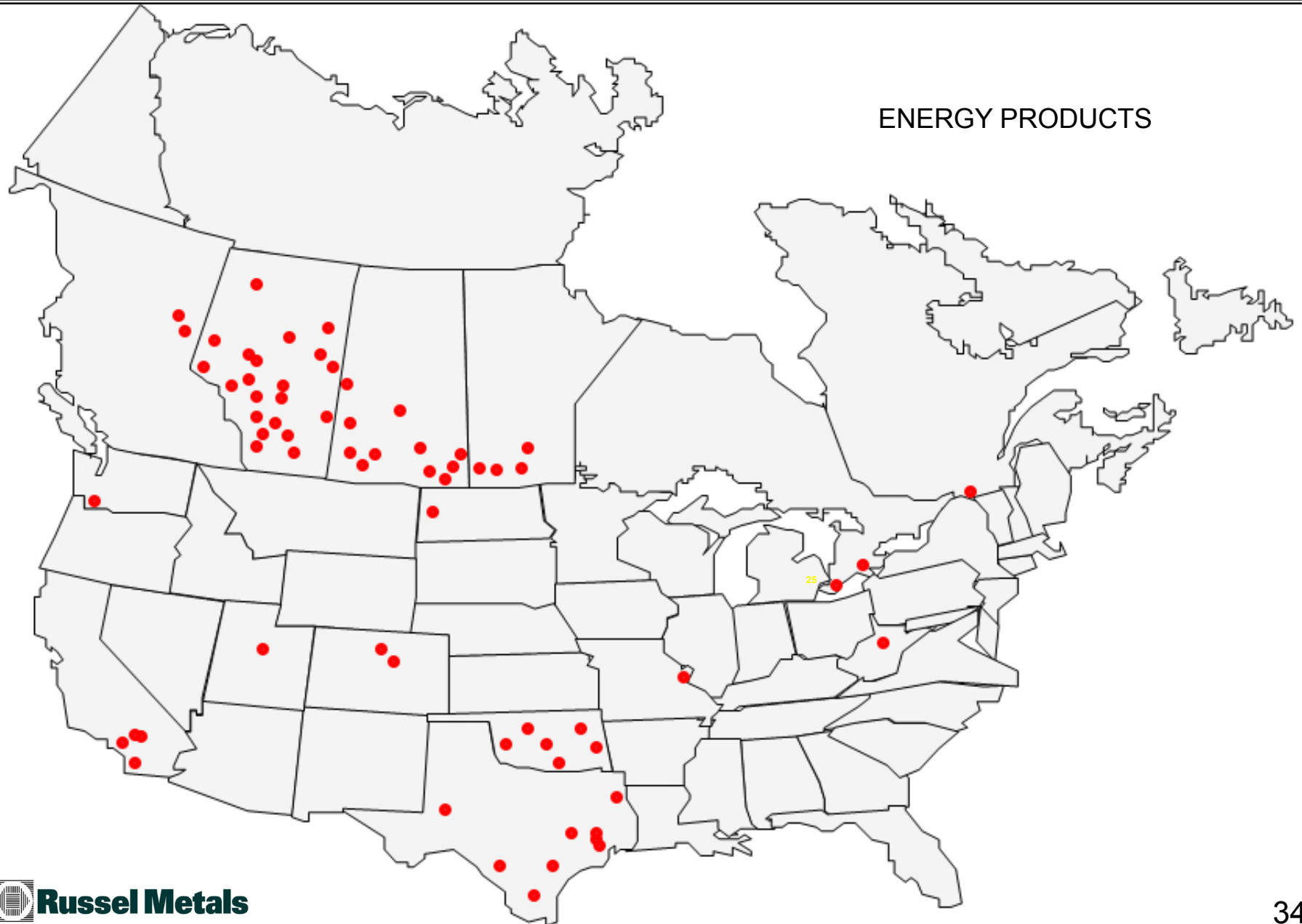
Field Stores

- High service model
- Located close to customer base
- Inventory management programs and MRO business
- Repeat business due to maintenance and repair

Customers

- Oil and gas producers/distributors
- Focused on production and rig down time

WELL POSITIONED TO SERVICE NORTH AMERICAN ENERGY SECTOR



ENERGY PRODUCTS - 68 UNITS

Canada

Alberta/B.C./Manitoba/Saskatchewan – 42 units



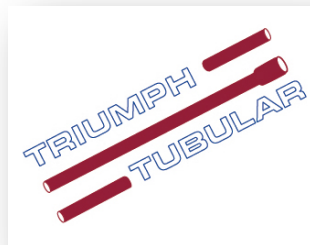
Alberta/Manitoba/Ontario – 5 units



Alberta – 1 unit



Alberta – 1 unit



United States

East and Central U.S. – 12 units



Colorado / Texas – 6 units



Texas – 1 unit



**SPARTAN ENERGY
TUBULARS**

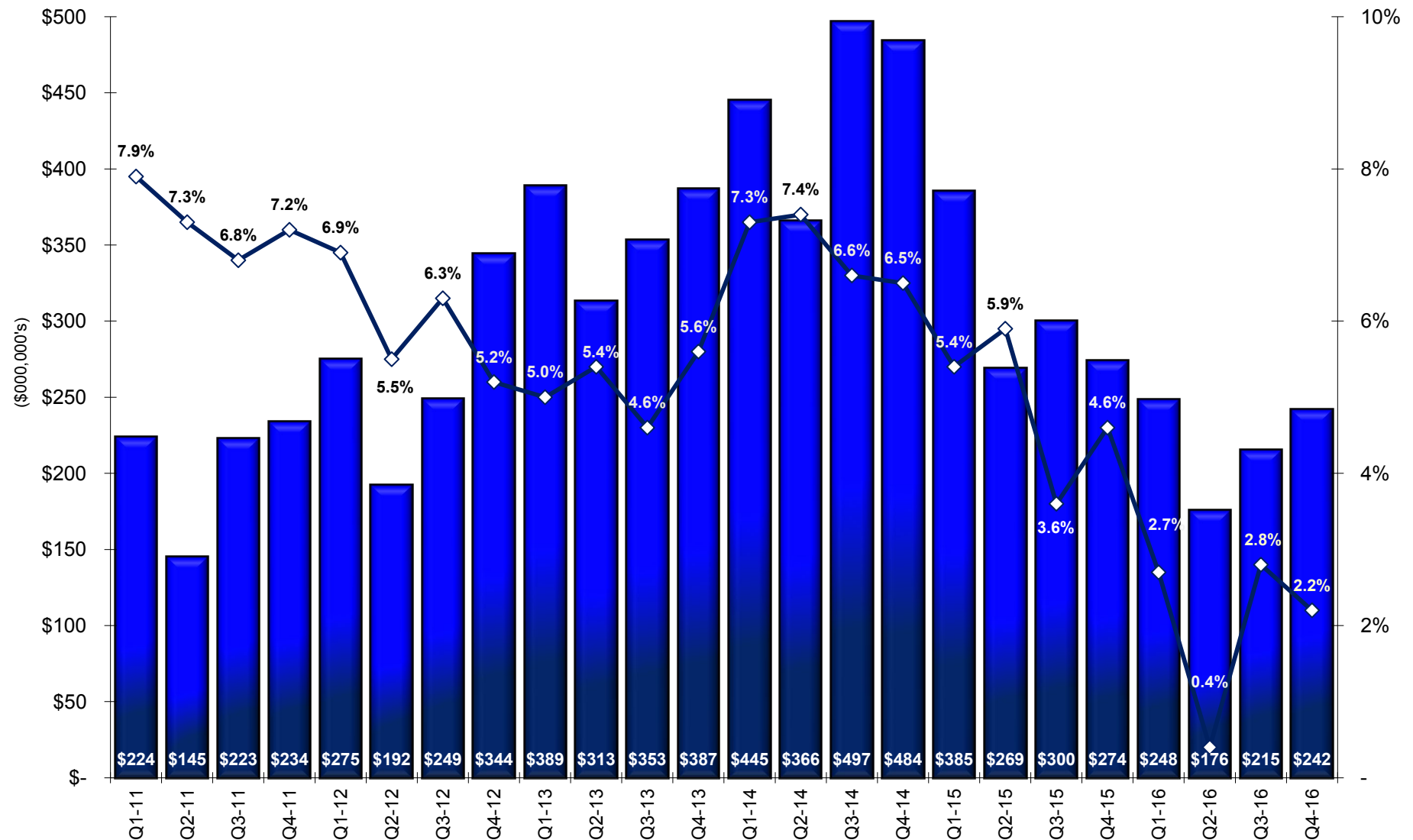
TOP ENERGY PRODUCTS CUSTOMERS

YEAR ENDED DECEMBER 31, 2016

	Customer End Market	% of Segment Revenue	Products Purchased
Customer 1	Oil drilling, Gas drilling	8.8%	Pipe, Flanges & Fittings , Valves
Customer 2	Oil drilling, Gas drilling	4.8%	Pipe, Flanges & Fittings , Valves
Customer 3	Oil feeder lines, Gas feeder lines	4.2%	Pipe, Flanges & Fittings , Valves
Customer 4	Oil feeder lines, Gas feeder lines	3.9%	Pipe, Flanges & Fittings , Valves
Customer 5	Oil drilling, Gas drilling	3.8%	OCTG
Customer 6	Oil drilling	4.5%	OCTG
Customer 7	Oil feeder lines	2.5%	Pipe, Flanges & Fittings
Customer 8	Gas drilling	2.4%	Pipe, Valves, Flanges & Fittings
Customer 9	Oil and gas feeder lines, Oil sands	2.2%	Pipe, Valves, Flanges & Fittings
Customer 10	Gas feeder lines	4.4%	Pipe, Flanges & Fittings , Valves

Largest customer less than 2% of total revenue

ENERGY PRODUCTS REVENUE & OPERATING PROFIT AS A % OF REVENUES



STEEL DISTRIBUTORS



- ♦ 2016 revenues of \$305 million, EBIT of \$29 million.
- ♦ 2015 revenues of \$398 million, loss of \$6 million.
- ♦ Sunbelt Group, Arrow Steel – Houston, Texas;
Wirth Steel – Montreal, Vancouver



- ♦ Arrow Steel provides coil processing in Houston, Texas
- ♦ Customers – other steel service centers, large OEM's, fabricators.



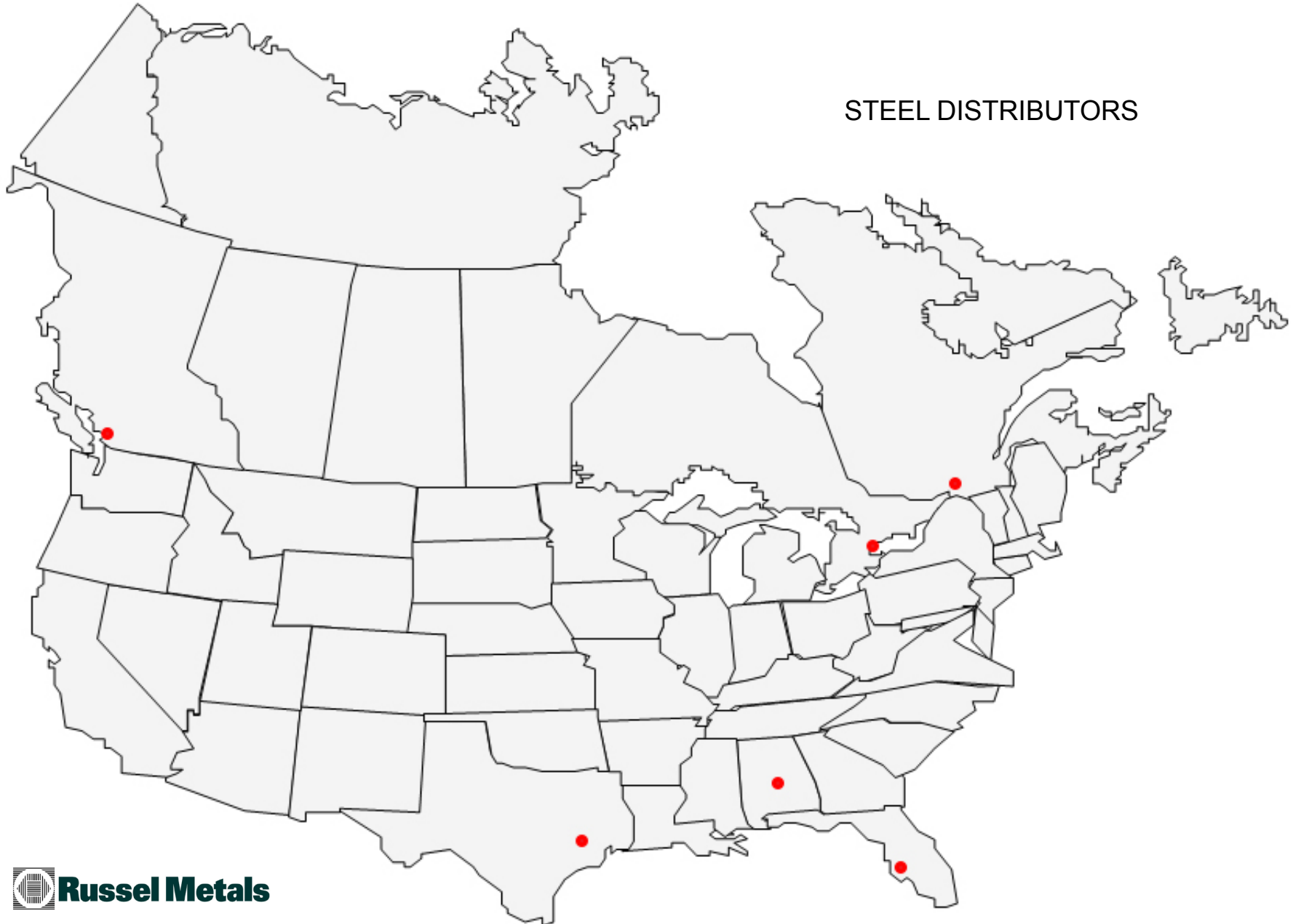
- ♦ Uses third party facilities to store product.
- ♦ Synergy with metals service center business
 - Visibility into worldwide pricing trends
 - Flexible product sourcing

ROLE OF STEEL DISTRIBUTORS

Suppliers	Steel Distributors	Customers
<ul style="list-style-type: none">• Mills producing base metal products• Processing includes pickling, blanking, tube production from sheet, coating• Limited ability to service multiple customer needs• Long lead time order to delivery• Large volumes	<ul style="list-style-type: none">• Source material and purchase in large quantity• Arrange logistics for delivery where and when customer needs• Processing includes cut-to-length• Focused primarily on import product• Truck load quantities• Use third party yards	<ul style="list-style-type: none">• Large original equipment manufacturers• Smaller service centers• Russel Metals Service Centers

LOCATION OF OPERATIONS

STEEL DISTRIBUTORS



STEEL DISTRIBUTORS - 6 UNITS

Canada

Wirth Steel – Montreal, Vancouver

acier **Wirth** steel

United States

Sunbelt Group - Houston, Texas (2)



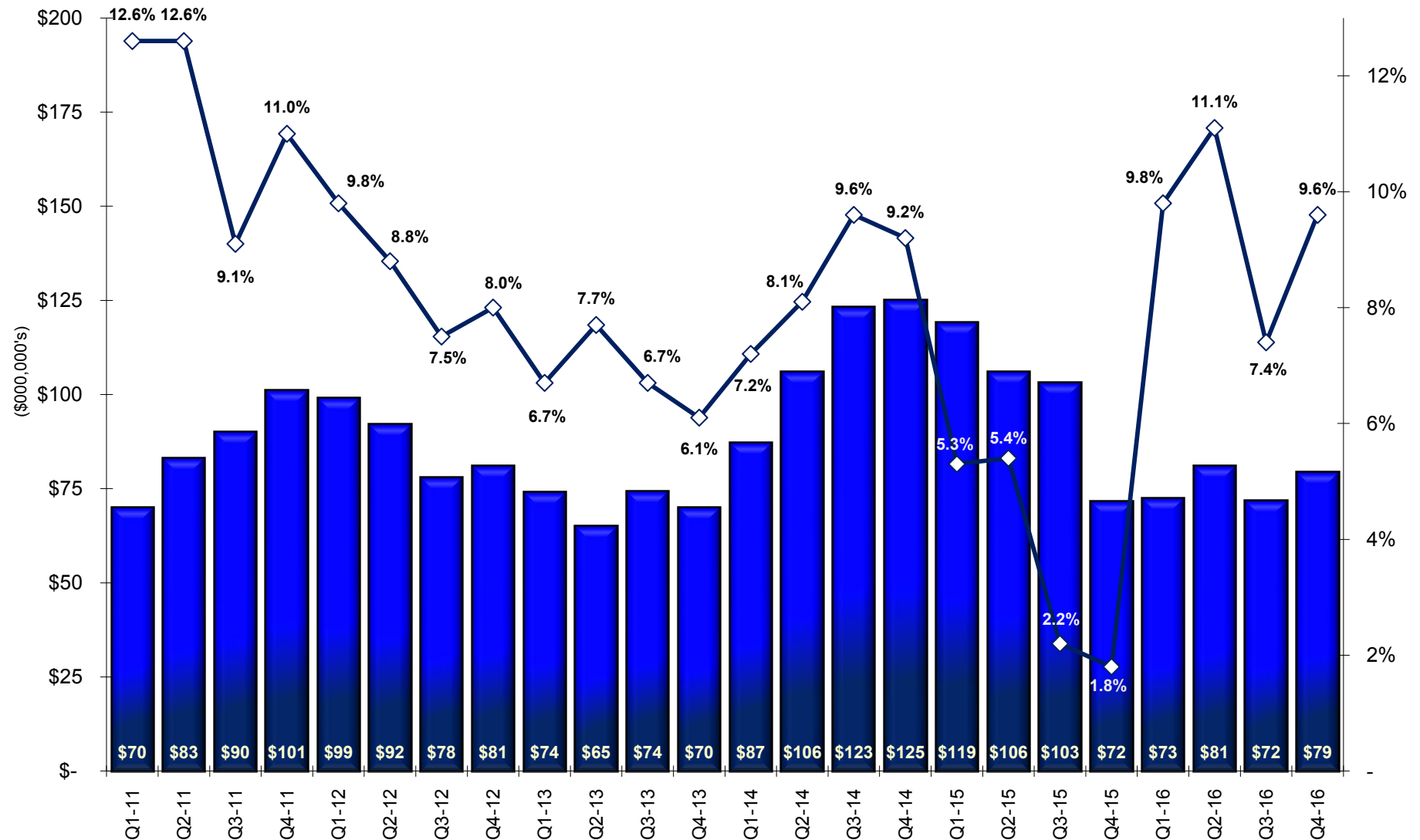
TOP STEEL DISTRIBUTOR CUSTOMERS

YEAR ENDED DECEMBER 31, 2016

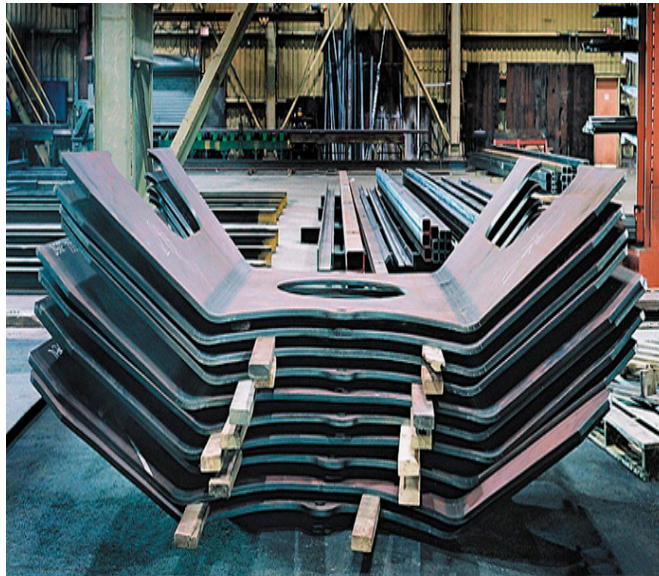
	Customer End Market	% of Segment Revenues	Products Purchased
Customer 1	Service center - laser processor	13.9%	Plate
Customer 2	Other - Plumbing Supply	9.6%	Tubing/Pipe (Standard, OCTG)
Customer 3	Service center - processor	8.9%	Structurals, Plate, Other (light rail)
Customer 4	Oil & Gas	8.4%	Structurals, Plate, Other (light rail)
Customer 5	Service center - processor	8.2%	Structurals, Plate, Other (light rail)
Customer 6	Service center - processor	5.3%	Plate, Pipe, Other
Customer 7	Construction	4.8%	Plate (Discreet & Plate in Coil)
Customer 8	Service center	4.3%	Plate, Structurals
Customer 9	Other - Steel products distributor	4.0%	Plate, Structurals
Customer 10	Service center	3.9%	Plate, Structurals

Largest customer less than 1% of total revenue

STEEL DISTRIBUTORS REVENUE & OPERATING PROFIT AS A % OF REVENUES



SUMMARY



SUMMARY

- ♦ Leading market position
- ♦ Strong supplier relationships and unique market insight
- ♦ Successful acquisition strategy to deploy capital
- ♦ Multiple business segments
- ♦ Diversified service center and energy customer base
- ♦ Superior service and product availability
- ♦ Prudent inventory management
- ♦ Experienced management team
- ♦ High dividend yield
- ♦ Strong balance sheet, low leverage