Russel Metals

RUSSEL METALS ANNOUNCES 2024 THIRD QUARTER RESULTS

FOR IMMEDIATE RELEASE

TORONTO, CANADA -- November 6, 2024 -- Russel Metals Inc. (RUS - TSX) announces financial results for three months ended September 30, 2024.

Revenues of $1.1 Billion, EBITDA[1] of $67 Million and EPS of $0.59
Generated $163 Million of Cash from Operating Activities
Closed the Samuel Acquisition and Reduced its Related Invested Capital
Entered into New $600 Million Credit Agreement
Invested $21 Million in Capital Expenditures
Repurchased $46 Million of Shares Equaling 2% of Shares Outstanding
Liquidity[1] of $762 Million

	Three Months Ended			Nine Months Ended	
	Sep 30 2024	Jun 30 2024	Sep 30 2023	Sep 30 2024	Sep 30 2023
Revenues	$ 1,089	$ 1,072	$ 1,110	$ 3,222	$ 3,486
EBITDA[1]	67	86	96	237	343
Net income	35	50	61	134	220
Earnings per share	0.59	0.84	0.99	2.26	3.55

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

Non-GAAP Measures and Ratios
We use a number of measures that are not prescribed by IFRS Accounting Standards ("IFRS" or "GAAP") and as such may not be comparable to similar measures presented by other companies. We believe these measures are commonly employed to measure performance in our industry and are used by analysts, investors, lenders and other interested parties to evaluate financial performance and our ability to incur and service debt to support our business activities. These non-GAAP measures include EBITDA and Liquidity and are defined below. Refer to Non-GAAP Measures and Ratios on page 2 of our Management Discussion and Analysis.

EBIT - represents net earnings before interest and income taxes.
EBITDA - represents net earnings before interest, income taxes, depreciation and amortization.
Liquidity - represents cash on hand less bank indebtedness plus excess availability under our bank credit facility.
Cash (for) from working capital - represents the change in non-cash working capital.

The following table shows the reconciliation of net earnings in accordance with GAAP to EBITDA for 2024 and 2023:

	Three Months Ended			Nine Months Ended	
($ millions, except per share data)	Sep 30 2024	Jun 30 2024	Sep 30 2023	Sep 30 2024	Sep 30 2023
Net earnings	$ 34.5	$ 49.9	$ 60.6	$ 134.1	$ 219.5
Provision for income taxes	10.7	16.9	17.1	44.3	66.3
Interest (income) expense, net	2.4	1.4	1.6	3.7	8.2
EBIT [1]	47.6	68.2	79.3	182.1	294.0
Depreciation and amortization	19.8	17.6	16.3	55.1	49.4
EBITDA [1]	$ 67.4	$ 85.8	$ 95.6	$ 237.2	$ 343.4
Basic earnings per share	$ 0.59	$ 0.84	$ 0.99	$ 2.26	$ 3.55

[1] Defined in Non-GAAP Measures and Ratios

Our third quarter 2024 results demonstrated the benefits to our growing and diversified business. In particular, the steel price environment that negatively impacted revenues and margins in our metal service centers segment was somewhat offset by higher revenues and steady margins in our energy field stores segment. Also, the closing of the Samuel, Son & Co., Limited ("Samuel") acquisition in the middle of the third quarter provided the starting point for additional growth, that should contribute to our profitability once we benefit from a full quarter of activity and the tapering back of the non-recurring costs associated with the acquisition. The countercyclical nature of our cash flow was also illustrated, as we generated $107 million from non-cash working capital (which included a $56 million working capital reduction related to the branches acquired as part of the Samuel acquisition).

Our earnings per share was $0.59 for the quarter ended September 30, 2024, compared to $0.84 recorded in the 2024 second quarter and $0.99 per share recorded in the third quarter of 2023. For the nine months ended September 30, 2024, our earnings per share of $2.26 compared to $3.55 for the same period in 2023. Revenues of $1.1 billion were consistent with the 2024 second quarter and the third quarter of 2023. Our gross margins of 19.7% compared to 21.0% in the 2024 second quarter and 20.2% in the same quarter of 2023.

Our EBITDA for the quarter was $67 million compared to $86 million in the second quarter of 2024 and $96 million in the same quarter of 2023. EBITDA in the third quarter of 2024 was negatively impacted by a $5 million expense related to the non-cash mark-to-market on our stock-based compensation as compared to an $8 million recovery in the second quarter of 2024.

Market Conditions

Steel prices continued to be volatile, as the average price of plate decreased by 12% in the 2024 third quarter compared to the 2024 second quarter while hot rolled coil prices were volatile over the past two quarters but averaged a similar price in the third quarter versus the previous quarter. During the 2024 third quarter, our selling price per ton decreased by 6% and our tons shipped increased by 4% respectively over the 2024 second quarter. On a same store basis, volumes at our metals service centers decreased by 5% during the 2024 third quarter compared to the 2024 second quarter but were 1% higher compared to the third quarter of 2023. The same store volumes were consistent with typical seasonal trends between the second and third quarters.

Our energy field stores continued to experience steady business activity in both Canada and the U.S.

Acquisitions

On August 12, 2024, we closed our acquisition of seven service center locations from Samuel. With the close of the transaction, we added five service center locations in Western Canada and increased our non-ferrous product offerings and value-added processing capabilities. The two new locations in the Northeastern United States extended our geographic footprint and expanded our ability to process carbon plate for our customers in that region.

At the time that the agreement with Samuel was announced in December 2023, the expected transaction value was $225 million, but the structure included a dollar-for-dollar adjustment to the purchase price for changes in working capital in the period prior to closing. As such, our objective was to substantially reduce the invested capital in those operations. In the period leading up to, and subsequent to, the closing there was a substantial reduction in the working capital related to the former Samuel branches which resulted in a reduction of the invested capital to $167 million at September 30, 2024. We are continuing to pursue opportunities to further reduce the invested capital in the combined operations through more efficient inventory management and the consolidation of locations. As part of those initiatives, we expect to realize operational and margin improvements for the combined operations. For the period from closing to September 30, 2024, the new locations added approximately $2 million in EBITDA, which was offset by non-recurring transaction and transition costs.

Capital Investment Growth Initiatives
In the 2024 third quarter, we made capital investments of $21 million and for the nine months ended September 30, 2024, we invested $69 million. Our capital expenditures included facility modernizations and expansions for: (i) our greenfield facility in Saskatoon (Saskatchewan) that opened in the fall of 2024; and (ii) the expansions of our Texarkana (Texas), Joplin (Missouri), Little Rock (Arkansas) and Green Bay (Wisconsin) facilities. The expansions of Texarkana, Joplin, Little Rock and Green Bay are all expected to be completed in the 2024 fourth quarter.

Returning Capital to Shareholders
We have adopted a flexible approach to returning capital to shareholders through: (i) our ongoing dividend; and (ii) share buy backs.

In the 2024 third quarter, we paid dividends of $0.42 per share for a total of $25 million. We have declared a dividend of $0.42 per share, payable on December 16, 2024, to shareholders of record at the close of business on November 27, 2024.

In August 2024, we renewed our normal course issuer bid to purchase up to approximately 5.8 million of our common shares representing 10% of our public float over a 12-month period. In the 2024 third quarter, we purchased and cancelled 1.2 million common shares, which represents approximately 2% of our shares outstanding, at an average price per share of $37.93 for total consideration of $46 million (excluding the impact of the federal tax on share repurchases). In the period since the August 2022 normal course issuer bid was established, we purchased approximately 6.2 million common shares, which represents approximately 10% of our then outstanding shares, at an average price per share of $36.62 for total consideration of $226 million (excluding the impact of the federal tax on share repurchases).

Liquidity and Capital Structure
During the 2024 third quarter, we generated $163 million of cash from operating activities. We ended the quarter with total available liquidity of $762 million.

On July 15, 2024, we entered into a new credit facility. The new credit facility's total availability increased by $150 million to $600 million, is unsecured with no borrowing base restrictions, includes more flexible investment grade type financial covenants and extends the maturities until 2026 and 2028.

On October 1, 2024, we announced the redemption of our $150 million 5.75% senior unsecured notes at par plus accrued and unpaid interest. This redemption was completed on October 27, 2024.

The new bank structure, in combination with the May 2024 redemption of the $150 million 6% senior unsecured notes and the October 2024 redemption of the 5.75% senior unsecured notes has eliminated the legacy high yield debt structure and will provide greater financial flexibility and lower cost financing as we continue with our growth initiatives.

Outlook
Steel prices were volatile in the third quarter of 2024, and they remain volatile into the early part of the fourth quarter. We expect that producers will proactively manage supply through both regular maintenance downtime and other curtailments in the fourth quarter in order to rebalance supply. As such, we expect steel prices to demonstrate ongoing uncertainty in the fourth quarter of 2024 but set the stage for a more favourable dynamic in 2025.

Our end market activity remains steady and is expected to continue into the fourth quarter, other than the impact from reduced shipping days from various seasonal holidays in North America. In the fourth quarter, we expect to benefit from higher shipment activity from a full quarter of the Samuel acquisition. Over the medium-term, we expect growth in North American steel consumption as a result of onshoring activities and infrastructure spending initiatives in both Canada and the U.S. In addition, we are positioned to gain market share through our ongoing investments in value-added equipment and facility modernizations.

Our energy field stores are expected to continue to benefit from solid energy activity in the fourth quarter and into 2025. Our energy field store segment is also expected to continue to gain market share while maintaining a solid margin profile.

Investor Conference Call

The Company will be holding an Investor Conference Call on Thursday, November 7, 2024, at 9:00 a.m. ET to review its 2024 third quarter results. The dial-in telephone numbers for the call are 437-900-0527 (Toronto and International callers) and 1-888-510-2154 (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 289-819-1450 (Toronto and International callers) and 1-888-660-6345 (U.S. and Canada) until midnight, Thursday, November 21, 2024. You will be required to enter pass code 88955# to access the call.

Additional supplemental financial information is available in our investor conference call package located on our website at www.russelmetals.com.

About Russel Metals Inc.

Russel Metals is one of the largest metals distribution companies in North America with a growing focus on value-added processing. It carries on business in three segments: metals service centers, energy field stores and steel distributors. Its network of metals service centers carries an extensive line of metal products in a wide range of sizes, shapes and specifications, including carbon hot rolled and cold finished steel, pipe and tubular products, stainless steel, aluminum and other non-ferrous specialty metals. Its energy field stores carry a specialized product line focused on the needs of energy industry customers. Its steel distributors operations act as master distributors selling steel in large volumes to other steel service centers and large equipment manufacturers mainly on an "as is" basis.

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: volatility in metal prices; cyclicality of the metals industry; future acquisitions; facilities modernization; volatility in the energy industry; product claims; significant competition; sources of supply and supply chain disruptions; manufacturers selling directly; material substitution; failure of our key computer-based systems; cybersecurity; credit risk; currency exchange risk; restrictive debt covenants; goodwill or long-term asset impairments; the unexpected loss of key individuals; decentralized operating structure; labour interruptions; laws and governmental regulations; litigious environment; environmental liabilities; climate change; carbon emissions; health and safety laws and regulations; geopolitical risk and common share risk.

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.sedarplus.ca.

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CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS (UNAUDITED)

(in millions of Canadian dollars, except per share data)	Three Months Ended September 30 2024	Three Months Ended September 30 2023	Nine Months Ended September 30 2024	Nine Months Ended September 30 2023
Revenues	$ 1,089.4	$ 1,109.5	$ 3,222.0	$ 3,485.8
Cost of materials	874.5	885.1	2,543.9	2,725.7
Employee expenses	105.7	96.7	294.6	303.0
Other operating expenses	61.6	60.1	201.4	190.2
Gain on sale of investment in joint venture	-	(9.8)	-	(9.8)
Earnings from joint venture	-	(1.9)	-	(17.3)
Earnings before interest and provision for income taxes	47.6	79.3	182.1	294.0
Interest expense, net	2.4	1.6	3.7	8.2
Earnings before provision for income taxes	45.2	77.7	178.4	285.8
Provision for income taxes	10.7	17.1	44.3	66.3
Net earnings for the period	$ 34.5	$ 60.6	$ 134.1	$ 219.5
Basic and diluted earnings per common share	$ 0.59	$ 0.99	$ 2.26	$ 3.55

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

(in millions of Canadian dollars)	Three Months Ended September 30 2024	Three Months Ended September 30 2023	Nine Months Ended September 30 2024	Nine Months Ended September 30 2023
Net earnings for the period	$ 34.5	$ 60.6	$ 134.1	$ 219.5
Other comprehensive (loss) income				
Items that may be reclassified to earnings				
Unrealized foreign exchange (losses) gains on translation of foreign operations	(13.5)	18.5	18.2	(1.2)
Items that may not be reclassified to earnings				
Actuarial (losses) gains on pension and similar obligations, net of taxes	(0.6)	6.7	3.3	8.0
Other comprehensive (loss) income	(14.1)	25.2	21.5	6.8
Total comprehensive income	$ 20.4	$ 85.8	$ 155.6	$ 226.3

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED)

(in millions of Canadian dollars)	September 30 2024	December 31 2023
ASSETS		
Current		
Cash and cash equivalents	$ 222.3	$ 629.2
Accounts receivable	566.4	457.4
Inventories	924.2	840.3
Prepaids and other	24.2	26.2
Income taxes receivable	11.6	8.2
	1,748.7	1,961.3
Property, Plant and Equipment	408.8	339.9
Right-of-Use Assets	149.5	100.0
Deferred Income Tax Assets	0.9	1.2
Pension and Benefits	45.9	43.6
Financial and Other Assets	5.4	3.9
Goodwill and Intangibles	124.8	120.2
Total Assets	$ 2,484.0	$ 2,570.1
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	$ 499.0	$ 454.2
Short-term lease obligations	20.4	15.7
Income taxes payable	0.2	3.6
	519.6	473.5
Long-Term Debt	149.1	297.2
Pensions and Benefits	1.9	2.0
Deferred Income Tax Liabilities	19.7	17.5
Long-term Lease Obligations	155.9	109.6
Provisions and Other Non-Current Liabilities	33.3	30.4
Total Liabilities	879.5	930.2
Shareholders' Equity		
Common shares	530.7	556.3
Retained earnings	926.9	954.6
Contributed surplus	10.0	10.3
Accumulated other comprehensive income	136.9	118.7
Total Shareholders' Equity	1,604.5	1,639.9
Total Liabilities and Shareholders' Equity	$ 2,484.0	$ 2,570.1

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW (UNAUDITED)

(in millions of Canadian dollars)	Three Months Ended September 30 2024	Three Months Ended September 30 2023	Nine Months Ended September 30 2024	Nine Months Ended September 30 2023
Operating Activities				
Net earnings for the period	$ 34.5	$ 60.6	$ 134.1	$ 219.5
Depreciation and amortization	19.8	16.3	55.1	49.4
Provision for income taxes	10.7	17.1	44.3	66.3
Interest expense, net	2.4	1.6	3.7	8.2
Gain on sale of property, plant and equipment	(0.2)	(0.1)	(0.6)	(0.6)
Gain on sale of investment in joint venture	-	(9.8)	-	(9.8)
Earnings from joint venture	-	(1.9)	-	(17.3)
Difference between pension expense and amount funded	0.8	0.5	2.1	1.3
Debt accretion, amortization and other	0.2	0.3	1.9	0.9
Interest received (paid) net, including interest on lease obligations	(1.6)	(1.3)	(3.7)	(7.3)
Cash from operating activities before non-cash working capital	66.6	83.3	236.9	310.6
Changes in Non-Cash Working Capital Items				
Accounts receivable	(0.3)	29.1	(37.4)	(58.8)
Inventories	48.1	71.5	36.9	72.5
Accounts payable and accrued liabilities	56.6	(51.8)	44.3	32.1
Other	2.5	9.5	2.7	18.5
Change in non-cash working capital	106.9	58.3	46.5	64.3
Income tax paid, net	(10.8)	(27.1)	(49.6)	(62.4)
Cash from operating activities	162.7	114.5	233.8	312.5
Financing Activities				
Issue of common shares	-	-	1.6	11.8
Repurchase of common shares	(47.1)	(20.4)	(119.0)	(64.6)
Dividends on common shares	(24.5)	(24.5)	(73.6)	(72.9)
Repayment of long-term debt	-	-	(150.0)	-
Deferred financing costs	(1.8)	-	(1.8)	-
Lease obligations	(5.2)	(4.1)	(14.5)	(12.4)
Cash used in financing activities	(78.6)	(49.0)	(357.3)	(138.1)
Investing Activities				
Purchase of property, plant and equipment	(21.0)	(15.1)	(69.0)	(44.7)
Proceeds on sale of property, plant and equipment	0.5	0.4	1.0	1.0
Proceeds on sale of joint venture	-	60.0	-	60.0
Dividends received from joint venture	-	-	-	13.7
Purchase of business	(222.9)	-	(222.9)	-
Cash used in investing activities	(243.4)	45.3	(290.9)	30.0
Effect of exchange rates on cash and cash equivalents	(4.6)	8.1	7.5	1.6
(Decrease) Increase in cash and cash equivalents	(163.9)	118.9	(406.9)	206.0
Cash and cash equivalents, beginning of the period	386.2	450.1	629.2	363.0
Cash and cash equivalents, end of the period	$ 222.3	$ 569.0	$ 222.3	$ 569.0

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

(in millions of Canadian dollars)	Common Shares	Retained Earnings	Contributed Surplus	Accumulated Other Comprehensive Income	Total
Balance, January 1, 2024	$ 556.3	$ 954.6	$ 10.3	$ 118.7	$ 1,639.9
Payment of dividends	-	(73.6)	-	-	(73.6)
Net earnings for the period	-	134.1	-	-	134.1
Other comprehensive income for the period	-	-	-	21.5	21.5
Share options exercised	1.9	-	(0.3)	-	1.6
Shares repurchased	(27.5)	(91.5)	-	-	(119.0)
Transfer of net actuarial gains on defined benefit plans	-	3.3	-	(3.3)	-
Balance, September 30, 2024	$ 530.7	$ 926.9	$ 10.0	$ 136.9	$ 1,604.5

(in millions of Canadian dollars)	Common Shares	Retained Earnings	Contributed Surplus	Accumulated Other Comprehensive Income	Total
Balance, January 1, 2023	$ 562.4	$ 844.6	$ 12.2	$ 140.1	$ 1,559.3
Payment of dividends	-	(72.9)	-	-	(72.9)
Net earnings for the period	-	219.5	-	-	219.5
Other comprehensive loss for the period	-	-	-	6.8	6.8
Share options exercised	13.7	-	(1.9)	-	11.8
Shares repurchased	(16.2)	(48.4)	-	-	(64.6)
Transfer of net actuarial gains on defined benefit plans	-	8.0	-	(8.0)	-
Balance, September 30, 2023	$ 559.9	$ 950.8	$ 10.3	$ 138.9	$ 1,659.9