

RUSSEL METALS ANNOUNCES 2023 ANNUAL & FOURTH QUARTER RESULTS

FOR IMMEDIATE RELEASE

TORONTO, CANADA -- February 8, 2024 -- Russel Metals Inc. (RUS - TSX) announces financial results for the fourth quarter and the year ended December 31, 2023.

Revenues of \$4.5 Billion in 2023 and \$1.0 Billion in Q4 2023

EBITDA¹ of \$426 Million in 2023 and \$82 Million in Q4 2023

Generated \$146 Million of Cash from Working Capital¹ in 2023 and \$82 Million in Q4 2023

Advancing Capital Investment Growth Initiatives

Repurchased \$82 Million of Shares in 2023; Declared a Quarterly Dividend of \$0.40 per Share

Strong Capital Structure with Liquidity¹ of \$1.0 Billion

	Three Months Ended			Year Ended	
	Dec 31 2023	Sep 30 2023	Dec 31 2022	Dec 31 2023	Dec 31 2022
Revenues	\$ 1,019	\$ 1,110	\$ 1,100	\$ 4,505	\$ 5,071
EBITDA ¹	82	96	97	426	579
Net Income	47	61	58	267	372
Earnings per share	0.78	0.99	0.93	4.33	5.91
Cash from working capital ¹	82	58	146	146	18
Dividends paid per common share	0.40	0.40	0.38	1.58	1.52

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 International Financial Reporting 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.

Cash from Working Capital - represents cash generated from changes in non-cash working capital.

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.

The following table provides a reconciliation of net earnings EBITDA for 2023 and 2022:

(millions)	Three Months Ended			Year Ended	
	Dec 31 2023	Sep 30 2023	Dec 31 2022	Dec 31 2023	Dec 31 2022
Net earnings	\$ 47.2	\$ 60.6	\$ 57.9	\$ 266.7	\$ 371.9
Provision for income taxes	15.7	17.1	16.1	82.0	115.6
Interest and finance expense	0.7	1.6	5.4	8.9	25.3
EBIT ¹	63.6	79.3	79.4	357.6	512.8
Depreciation and amortization	18.6	16.3	18.0	68.0	66.1
EBITDA ¹	\$ 82.2	\$ 95.6	\$ 97.4	\$ 425.6	\$ 578.9
Net earnings per share	\$ 0.78	\$ 0.99	\$ 0.93	\$ 4.33	\$ 5.91

¹ Defined in Non-GAAP Measures and Ratios

Our net earnings for the year ended December 31, 2023, were \$267 million or \$4.33 per share compared to net earnings of \$372 million or \$5.91 per share for 2022. Revenues for the year ended December 31, 2023, were \$4.5 billion compared to \$5.1 billion in 2022. EBITDA was \$426 million compared to \$579 million in 2022.

In the 2023 fourth quarter, our revenues, EBITDA and net earnings per share were \$1.0 billion, \$82 million and \$0.78 per share, respectively compared to \$1.1 billion, \$97 million and \$0.93 per share in the fourth quarter of 2022 and \$1.1 billion, \$96 million and \$0.99 per share in the third quarter of 2023. During the 2023 fourth quarter, operating days and related shipment volumes were negatively impacted by normal seasonal factors as compared to the third quarter, but service center shipments were higher than the comparable fourth quarter of 2022 as we continued to focus on market share opportunities. In addition, we realized an improvement in gross margins in each of our three operating segments in the fourth quarter of 2023 versus the third quarter of 2023, as a result of our value-added investment initiatives and strong cost controls. EBITDA was negatively impacted by the market-to-market on stock-based compensation of \$7 million for the fourth quarter and \$15 million for the year, due to the increase in our share price. In addition, the third quarter of 2023 benefited from the income and gain related to our interest in the TriMark joint venture that was sold in the third quarter and therefore did not contribute to earnings in the fourth quarter.

Our working capital management practices allowed us to generate \$146 million of cash from working capital during 2023, including \$82 million in the fourth quarter. This was driven by a \$112 million reduction in inventories during 2023, including \$39 million in the fourth quarter.

Market Conditions

The average steel prices in 2023 were lower than the 2022 averages, but prices began to recover late in the fourth quarter, which has continued into the first quarter of 2024.

Our energy field stores continued to benefit from favourable dynamics in the energy sector with ongoing capital spending activities.

Capital Investment Growth Initiatives

We invested \$73 million in capital expenditures in 2023, including \$28 million in the fourth quarter, that included a series of value-added equipment and facility modernization initiatives in both Canada and the U.S. We expect our 2024 capital expenditure level to be greater than \$100 million, as a result of additional projects.

We continued to actively evaluate acquisition opportunities to grow our business and deploy capital at attractive returns. On October 2, 2023, we completed the acquisition of Alliance Supply Ltd. ("Alliance") for approximately \$7 million in cash. The two Alliance locations have been integrated into our Canadian energy field store network.

On December 4, 2023, we announced that we had entered into an agreement to acquire seven service center locations from Samuel, Son & Co., Limited ("Samuel"), for approximately \$225 million. The acquisition is very complementary from both geographic and product mix perspectives. In Western Canada, Samuel's five locations will be a strong fit with our current footprint, including providing new opportunities to benefit from Samuel's focus on non-ferrous products and our focus on value-added processing. In the U.S. Northeast, the two locations will provide an eastern extension of our existing operations in the U.S. Midwest. In addition, we believe there will be opportunities to achieve operating efficiencies by more effectively managing the combined footprint, including enhanced inventory management, procurement, location integration/rationalization, and systems. These reorganization initiatives are expected to be implemented over a two-year period. This acquisition is subject to Canadian regulatory clearance and is expected to close in the 2024 second quarter.

TriMark Joint Venture

In the third quarter of 2023, we sold our equity interest in TriMark to our venture partner for \$60 million, which included a \$10 million gain. The transaction was the final step in our exit from the OCTG/line pipe business. Over the last three years we repatriated approximately \$375 million in capital from the OCTG/line pipe business.

Returning Capital to Shareholders

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

In the second quarter of 2023, we announced a 5% increase on our quarterly dividend from \$0.38 per share to \$0.40 per share. In 2023, we paid dividends of \$97 million or \$1.58 per share. In addition, we have declared a dividend of \$0.40 per share, payable on March 15, 2024, to shareholders of record at the close of business on February 29, 2024.

During 2023, we purchased for cancellation 2,159,656 shares for \$82 million, including 390,300 shares for \$17 million in the fourth quarter. Since the beginning of our normal course issuer bid in August 2022, we have purchased for cancellation 3,159,656 shares at an average price per share of \$34.65 for total consideration of \$109 million.

Liquidity and Capital Structure

During 2023, we generated \$462 million of cash from operating activities and ended the year with total available liquidity of over \$1 billion.

Outlook

Steel prices and our margins recovered towards the end of 2023 and through the early part of 2024. We expect steel prices to remain relatively stable over the near term as a result of the solid market activity. Shipment volumes are expected to improve in the first quarter of 2024 as compared to the fourth quarter of 2023, due to the normal seasonal pick-up in operating days and customer demand. However, weather-related factors may impact shipments in certain of our operating regions. 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 investment initiatives. Our energy field stores are expected to continue to benefit from solid energy activity in 2024.

Investor Conference Call

The Company will be holding an Investor Conference Call on Friday, February 9, 2024, at 9:00 a.m. ET to review its 2023 fourth 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, Friday, February 23, 2024. You will be required to enter pass code 0427668# 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; cyclical nature 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 impairment; 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; 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

<i>(in millions of Canadian dollars, except per share data)</i>	Three Months Ended December 31		Years Ended December 31	
	2023	2022	2023	2022
Revenues	\$ 1,019.3	\$ 1,099.8	\$ 4,505.1	\$ 5,070.6
Cost of materials	802.4	881.6	3,528.1	3,944.0
Employee expenses	93.3	88.8	396.3	402.5
Other operating expenses	60.0	60.4	250.2	242.3
Gain on sale of investment in joint venture	-	-	(9.8)	-
Earnings from joint venture	-	(10.4)	(17.3)	(31.0)
Earnings before interest and provision for income taxes	63.6	79.4	357.6	512.8
Interest expense, net	0.7	5.4	8.9	25.3
Earnings before provision for income taxes	62.9	74.0	348.7	487.5
Provision for income taxes	15.7	16.1	82.0	115.6
Net earnings for the period	\$ 47.2	\$ 57.9	\$ 266.7	\$ 371.9
Basic earnings per common share	\$ 0.78	\$ 0.93	\$ 4.33	\$ 5.91
Diluted earnings per common share	\$ 0.78	\$ 0.93	\$ 4.33	\$ 5.91

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

<i>(in millions of Canadian dollars)</i>	Three Months Ended December 31		Years Ended December 31	
	2023	2022	2023	2022
Net earnings for the period	\$ 47.2	\$ 57.9	\$ 266.7	\$ 371.9
Other comprehensive (loss) income				
Items that may be reclassified to earnings				
Unrealized foreign exchange (losses) gains on translation of foreign operations	(20.2)	(10.7)	(21.4)	50.1
Items that may not be reclassified to earnings				
Actuarial gains on pension and similar obligations net of taxes	(5.8)	2.8	2.2	12.0
Other comprehensive (loss) income	(26.0)	(7.9)	(19.2)	62.1
Total comprehensive income	\$ 21.2	\$ 50.0	\$ 247.5	\$ 434.0

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

<i>(in millions of Canadian dollars)</i>	December 31 2023	December 31 2022
ASSETS		
Current		
Cash and cash equivalents	\$ 629.2	\$ 363.0
Accounts receivable	457.4	497.9
Inventories	840.3	956.5
Prepaid and other	26.2	35.8
Income taxes receivable	8.2	16.3
	1,961.3	1,869.5
Property, Plant and Equipment	339.9	313.8
Right-of-Use Assets	100.0	102.7
Investment in Joint Venture	-	46.6
Deferred Income Tax Assets	1.2	1.2
Pension and Benefits	43.6	42.0
Financial and Other Assets	3.9	4.6
Goodwill and Intangibles	120.2	126.5
Total Assets	\$ 2,570.1	\$ 2,506.9
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 454.2	\$ 482.0
Short-term lease obligations	15.7	14.7
Income taxes payable	3.6	4.8
	473.5	501.5
Long-Term Debt	297.2	296.0
Pensions and Benefits	2.0	1.5
Deferred Income Tax Liabilities	17.5	18.4
Long-term Lease Obligations	109.6	112.2
Provisions and Other Non-Current Liabilities	30.4	18.0
	930.2	947.6
Shareholders' Equity		
Common shares	556.3	562.4
Retained earnings	954.6	844.6
Contributed surplus	10.3	12.2
Accumulated other comprehensive income	118.7	140.1
Total Shareholders' Equity	1,639.9	1,559.3
Total Liabilities and Shareholders' Equity	\$ 2,570.1	\$ 2,506.9

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW

<i>(in millions of Canadian dollars)</i>	Three Months Ended December 31		Years Ended December 31	
	2023	2022	2023	2022
Operating activities				
Net earnings for the period	\$ 47.2	\$ 57.9	\$ 266.7	\$ 371.9
Depreciation and amortization	18.6	18.0	68.0	66.1
Provision for income taxes	15.7	16.1	82.0	115.6
Interest expense, (net)	0.7	5.4	8.9	25.3
Gain on sale of property, plant and equipment	(0.2)	(0.1)	(0.8)	(2.8)
Gain on sale of investment in joint venture	-	-	(9.8)	-
Earnings from joint venture	-	(10.4)	(17.3)	(31.0)
Share-based compensation	-	0.1	-	0.2
Difference between pension expense and amount funded	0.6	1.7	1.9	1.9
Debt accretion, amortization and other	0.4	0.2	1.3	1.1
Interest paid net, including interest on lease obligations	(0.5)	(5.0)	(7.8)	(24.0)
Cash from operating activities before non-cash working capital	82.5	83.9	393.1	524.3
Changes in non-cash working capital items				
Accounts receivable	98.1	167.0	39.3	62.4
Inventories	39.4	88.2	111.9	45.0
Accounts payable and accrued liabilities	(46.6)	(109.5)	(14.5)	(83.8)
Other	(8.9)	0.1	9.6	(5.5)
Change in non-cash working capital	82.0	145.8	146.3	18.1
Income tax paid, net	(15.3)	(22.9)	(77.7)	(182.5)
Cash from operating activities	149.2	206.8	461.7	359.9
Financing activities				
Issue of common shares	-	-	11.8	0.3
Repurchase of common shares	(16.9)	(11.6)	(81.5)	(27.9)
Dividends on common shares	(24.3)	(23.7)	(97.2)	(95.6)
Deferred financing	-	-	-	(0.2)
Lease obligations	(5.6)	(4.6)	(18.0)	(15.7)
Cash used in financing activities	(46.8)	(39.9)	(184.9)	(139.1)
Investing activities				
Purchase of property, plant and equipment	(28.0)	(15.3)	(72.7)	(41.5)
Proceeds on sale of property, plant and equipment	0.2	0.1	1.2	3.2
Proceeds on sale of joint venture	-	-	60.0	-
Dividends received from joint venture	-	7.7	13.7	22.1
Purchase of business	(7.5)	-	(7.5)	-
Sale of business	-	-	-	9.7
Cash used in investing activities	(35.3)	(7.5)	(5.3)	(6.5)
Effect of exchange rates on cash and cash equivalents	(6.9)	(0.5)	(5.3)	15.6
Increase in cash and cash equivalents	60.2	158.9	266.2	229.9
Cash and cash equivalents, beginning of the period	569.0	204.1	363.0	133.1
Cash and cash equivalents, end of the year	\$ 629.2	\$ 363.0	\$ 629.2	\$ 363.0

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

<i>(in millions of Canadian dollars)</i>	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	-	(97.2)	-	-	(97.2)
Net earnings for the year	-	266.7	-	-	266.7
Other comprehensive income for the year	-	-	-	(19.2)	(19.2)
Share options exercised	13.7	-	(1.9)	-	11.8
Shares repurchased	(19.8)	(61.7)	-	-	(81.5)
Transfer of net actuarial gains on defined benefit plans	-	2.2	-	(2.2)	-
Balance, December 31, 2023	\$ 556.3	\$ 954.6	\$ 10.3	\$ 118.7	\$ 1,639.9

<i>(in millions of Canadian dollars)</i>	Common Shares	Retained Earnings	Contributed Surplus	Accumulated Other Comprehensive Income	Total
Balance, January 1, 2022	\$ 571.0	\$ 575.2	\$ 12.1	\$ 90.0	\$ 1,248.3
Payment of dividends	-	(95.6)	-	-	(95.6)
Net earnings for the year	-	371.9	-	-	371.9
Other comprehensive income for the year	-	-	-	62.1	62.1
Recognition of share-based compensation	-	-	0.2	-	0.2
Share options exercised	0.4	-	(0.1)	-	0.3
Shares repurchased	(9.0)	(18.9)	-	-	(27.9)
Transfer of net actuarial gains on defined benefit plans	-	12.0	-	(12.0)	-
Balance, December 31, 2022	\$ 562.4	\$ 844.6	\$ 12.2	\$ 140.1	\$ 1,559.3