

# COMPANY UPDATE

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FEBRUARY 2024

# CAUTIONARY STATEMENT ON FORWARD-LOOKING INFORMATION

Certain statements contained in this presentation constitute forward-looking statements or information within the meaning of applicable securities laws, including statements as to the anticipated benefits from the Samuel acquisition, the timing to close the Samuel acquisition and there can be no assurance that the proposed acquisition will occur, or that it will occur on the exact terms contemplated, 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.

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 presentation should not be unduly relied upon. These statements speak only as of the date of this presentation 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](http://www.sedarplus.ca).

**Risk Factors** - 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.

# NON-GAAP MEASURES

In this Information Package we use certain financial measures that do not comply with International Financial Reporting Standards (IFRS or GAAP) or have standardized meanings, and thus, may not be comparable to similar measures presented by other issuers, for example EBIT and EBITDA and Other Information in the Financial Summary are Non-GAAP measures or ratios. Reference should be made to our MD&A for further discussion of Non-GAAP measures and ratios. Management believes that these Non-GAAP measures may be useful in assessing our operating performance and as an indicator of our ability to service or incur indebtedness, make capital expenditures and finance working capital requirements. EBIT and EBITDA should not be considered in isolation or as an alternative to cash from operating activities or other combined income or cash flow data prepared in accordance with IFRS. EBIT and EBITDA and a number of the ratios provided under Other Information are used by debt and equity analysts to compare our performance against other public companies.

## **DEFINITIONS:**

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

EBIT or Operating Profits - represents net earnings before interest and income taxes.

EBITDA - represents net earnings before interest, income taxes, depreciation and amortization.

Free Cash Flow - represents cash from operating activities before changes in non-cash working capital less capital expenditures.

Gross Margin - represents revenues less cost of sales.

Gross Margin Percentage - represents gross margin over revenues.

Inventory Turns - represent annualized cost of sales divided by ending inventory.

Liquidity - represents cash on hand less bank indebtedness plus excess availability under our bank credit facility.

Selling Price per Ton - represents revenues divided by tons shipped.

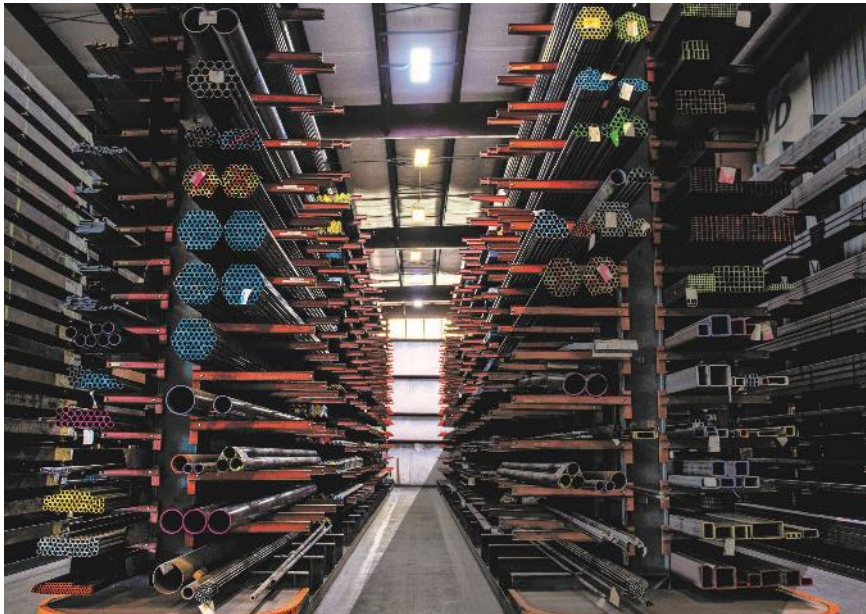
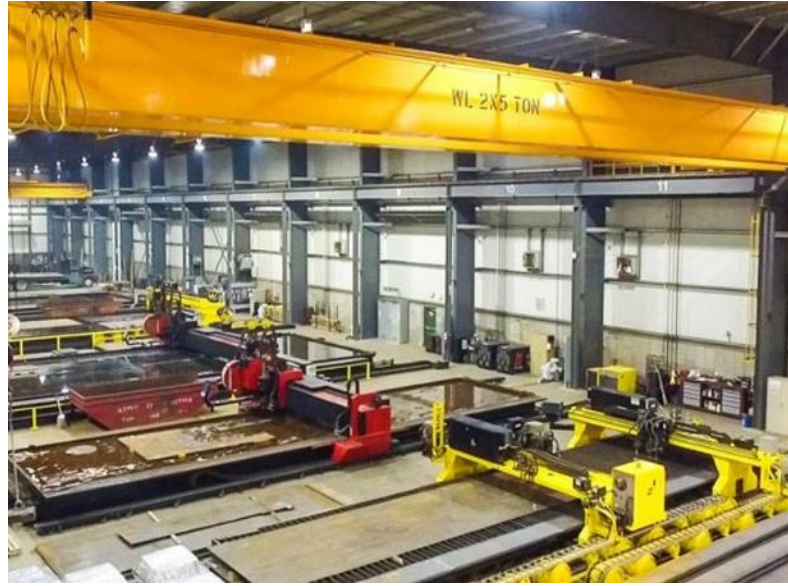
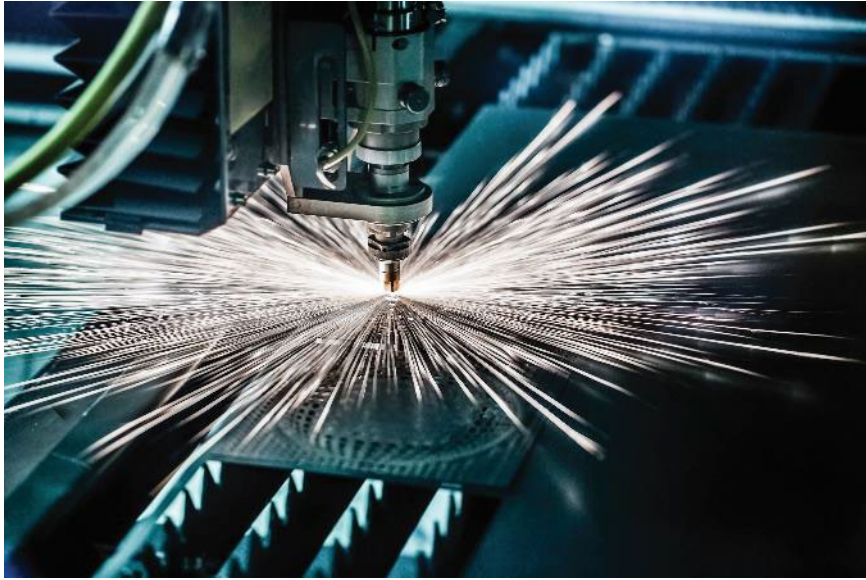
Tons Shipped - represents revenue volumes in our standardized metal service center unit of measure, which is imperial tons.

Return on Invested Capital - represents EBIT divided by average invested capital (net debt plus shareholders' equity).

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# I. OVERVIEW

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# BUSINESS HIGHLIGHTS

## **Compelling Market Position with Strong Supplier Relationships and Market Insight**

- One of the largest metals distribution and processing companies in North America
- Well-established relationships with North American steel producers and one of the largest independent steel importers in North America
- Global supplier reach provides timely access to market information and outlook to proactively manage inventory

## **Diversified Products and Customer Base**

- Operates in three segments, each with a distinct customer base and business cycle
- Over 30,000 end customers across a wide variety of industries including machinery and equipment manufacturing, non-residential construction, shipbuilding and natural resources

## **Flexible Business Model Through Cycles to Minimize Risk**

- Variable cost/compensation model and prudent inventory management drives counter cyclical cash flows in market downturns
- Russel Metals' metals service centers have consistently turned inventory at higher rates than the industry average

## **Repositioned Portfolio**

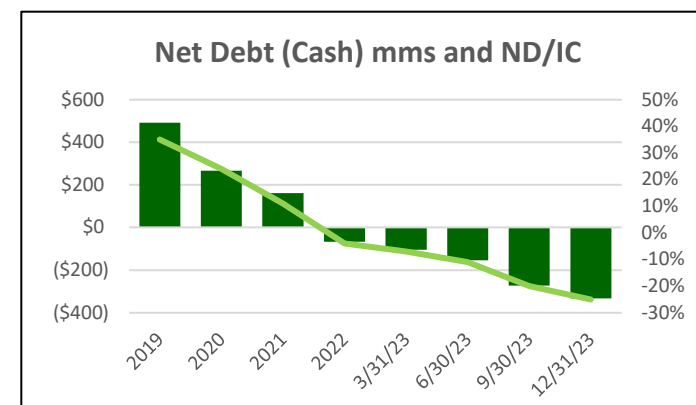
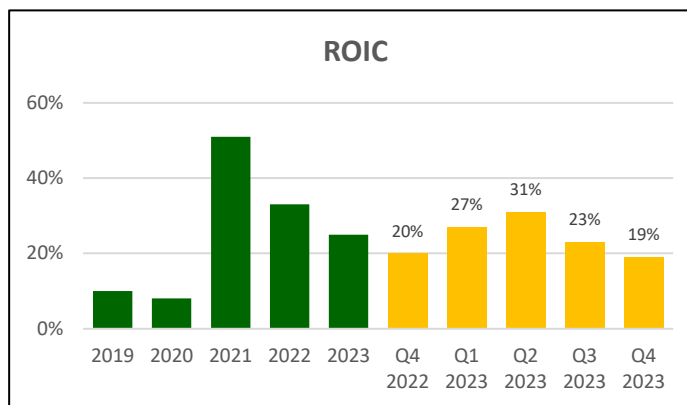
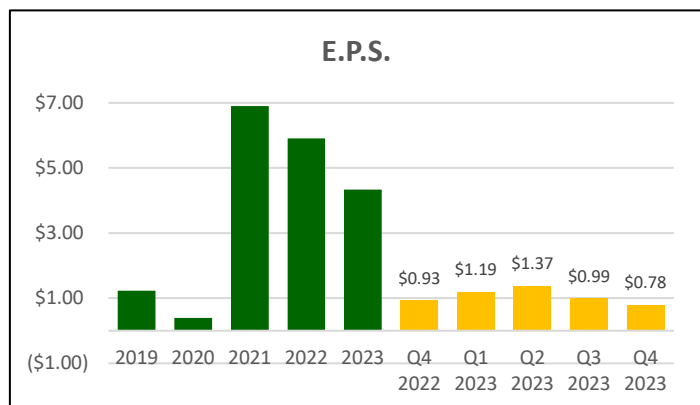
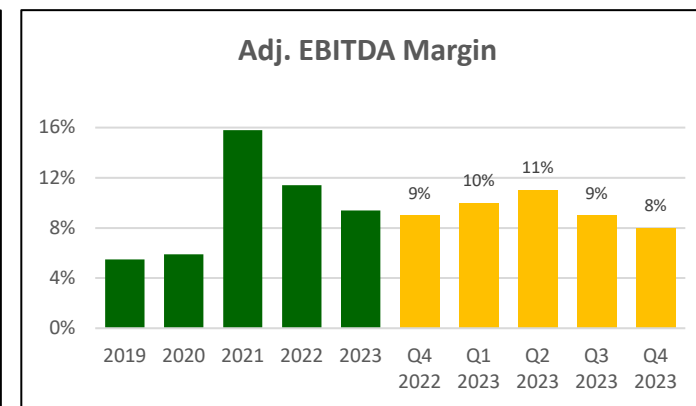
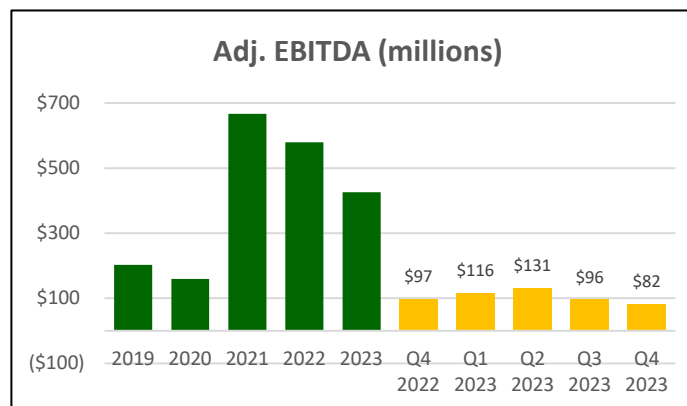
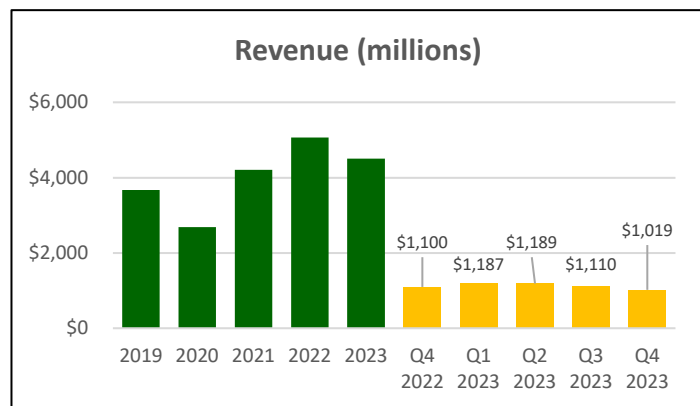
- Monetized the OCTG/Line Pipe segment of the energy portfolio
  - Repatriated ~\$375 million of capital; Reduced volatility; Enhanced average returns and margins
- Reinvested in value-added processing and commenced a facilities modernization initiative
- Completed four acquisitions over last several years; Announced acquisition of seven locations from Samuel

## **Strong Liquidity and Financial Position**

- As of December 31/23:
  - Net Debt/Invested Capital: <0%
  - Liquidity: >\$1 billion

# Q4 2023 AT A GLANCE

- Revenues were down slightly vs. Q3 (seasonal volumes and lower average selling prices)
- Increase in gross margins; EBITDA margin up when excluding the TriMark contribution in Q3
- Strong earnings, returns and free cash flow generation in the quarter and for the full year
- Our capital structure remains strong with significant flexibility



# CAPITAL ALLOCATION PRIORITIES

Increase capital deployment with a target of >15% return over a cycle

## Value-Added Equipment

Over 40 equipment projects underway or in the planning stage in Canada and the US

## Facility Modernizations

Five modernization projects are underway.

## Acquisitions

Closed Alliance acquisition in October  
Samuel closing targeted for Q2 2024

2023 Capex \$73 mm; Capex pipeline >\$200 mm

Samuel Acquisition ~\$225 mm

Flexible approach to returning capital to shareholders

## Dividends

Increased quarterly dividend from \$0.38 to \$0.40/share in May/23

## Share Buy Backs

Q4: 390k shares acquired for \$17 mm (avg. \$43.27/share)

Since NCIB established in Aug/22: 3.2 mm shares acquired for \$109 mm (avg. \$34.65/share)

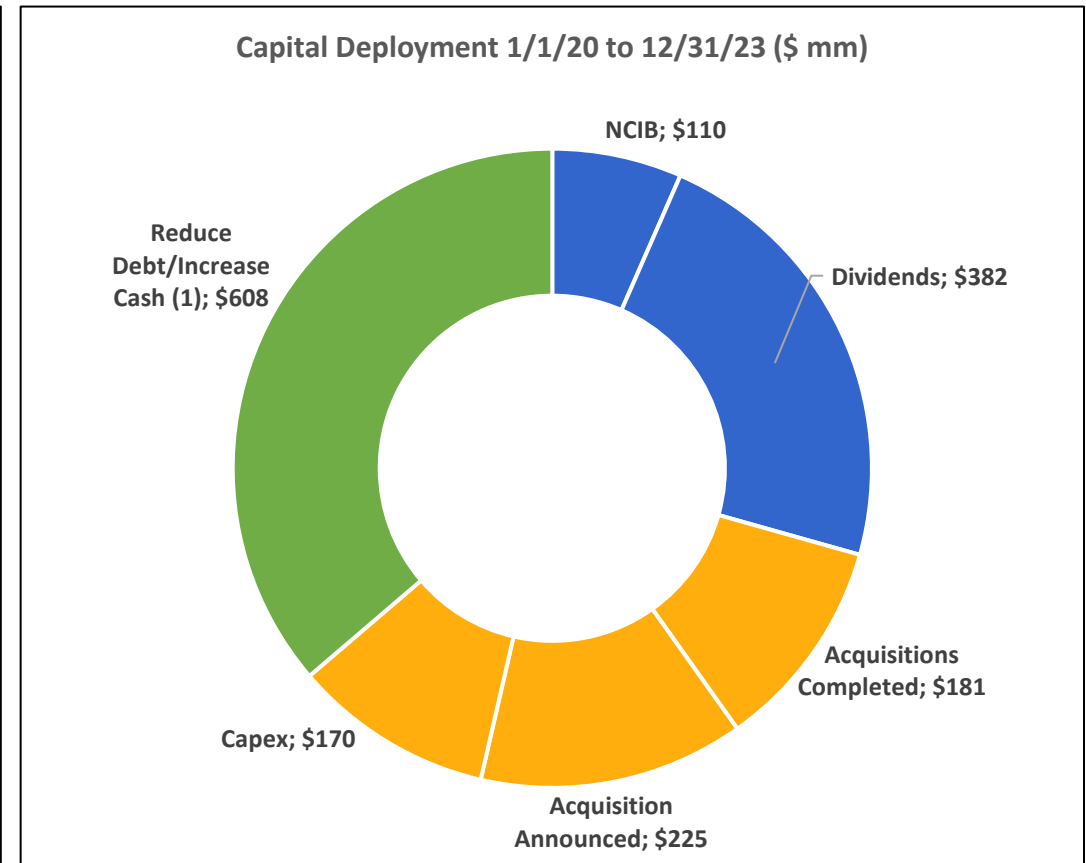
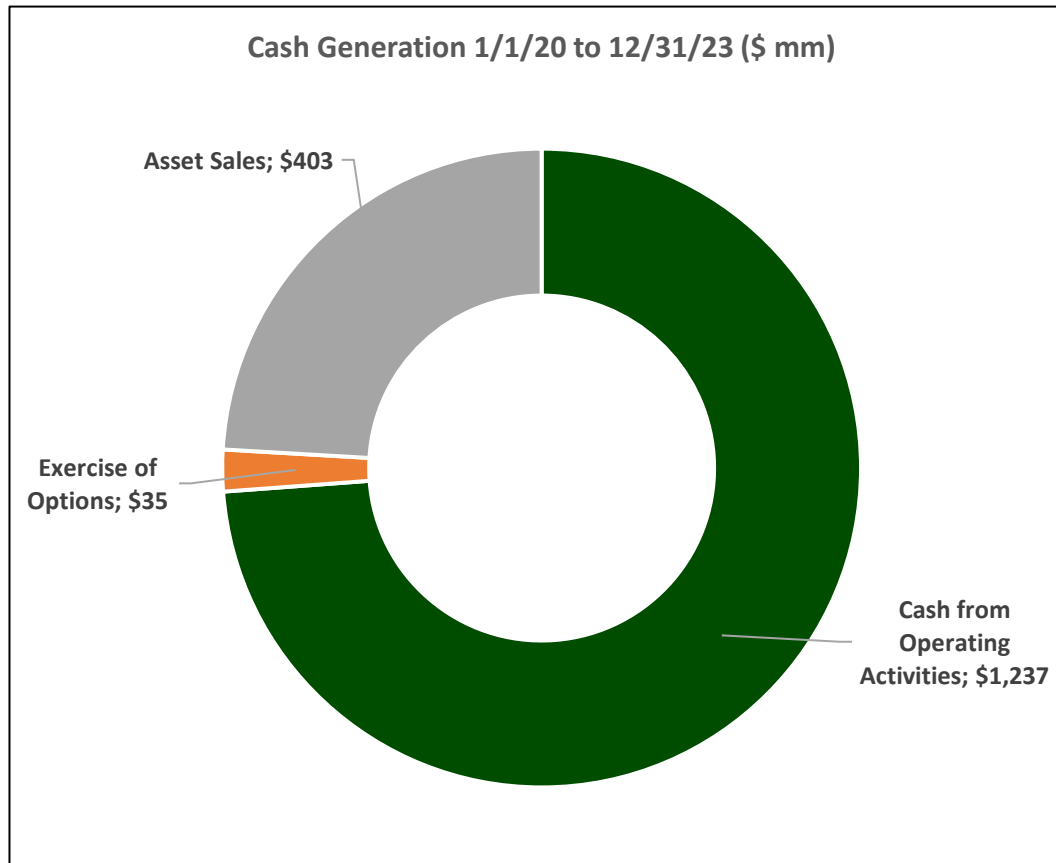
Current Run Rate = \$96 mm/yr

2023 Activity = \$82 mm



# CAPITAL REALLOCATION SUMMARY: 2020 - 2023

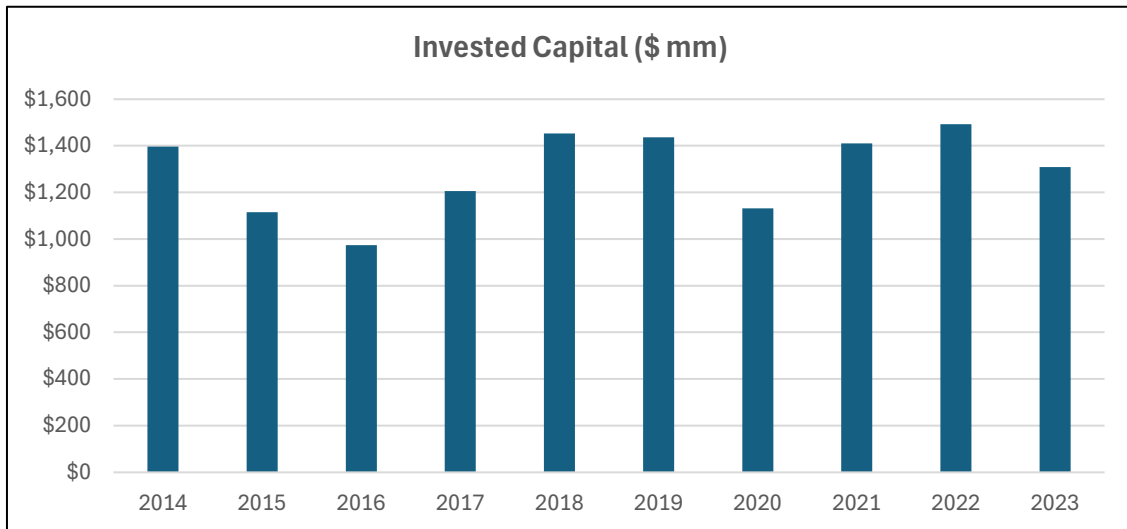
- Over the past four years, we have generated ~\$1.7 billion of cash and substantially changed our business and capital structure profile.



(1) Pro forma for the impact of the Samuel acquisition.

# IMPACT – DOING MORE WITH THE SAME CAPITAL

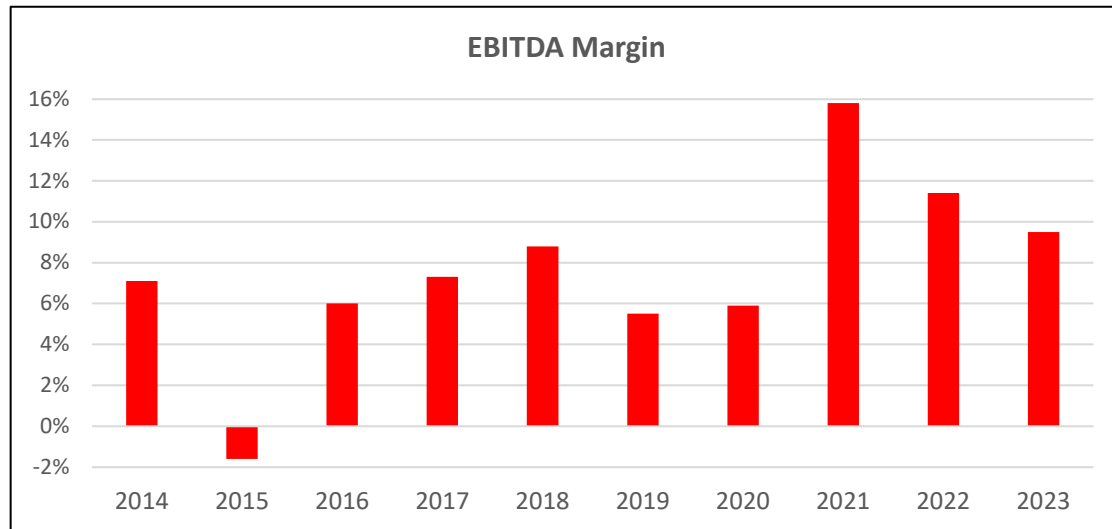
Total Invested capital has averaged ~\$1.3-1.4 Bl over the past 10 years...however, the portfolio composition is substantially different vs. a few years ago.



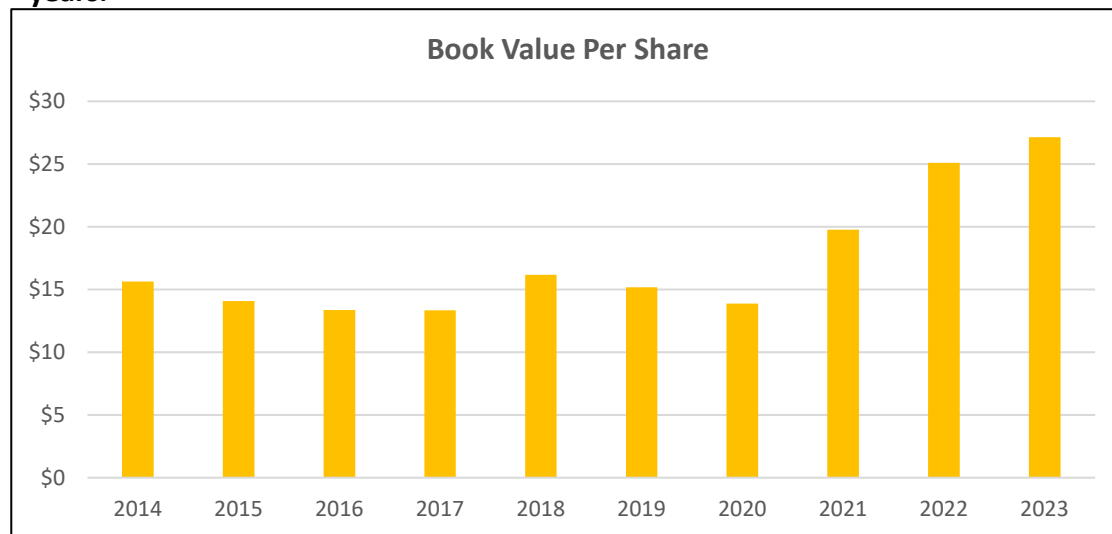
As a result of improved market conditions and more effective capital allocation, the average return on capital has exceeded historical levels.



The margin profile is now stronger with lower downside risk, higher cycle upside and lower volatility through the cycle.



The equity base of the company has grown substantially over the past several years.



# ESG FOCUS

## Inaugural Sustainability Report Published April, 2023

<https://www.russelmetals.com/wp-content/uploads/Sustainability-Report-Final-2022-1.pdf>

### Environmental

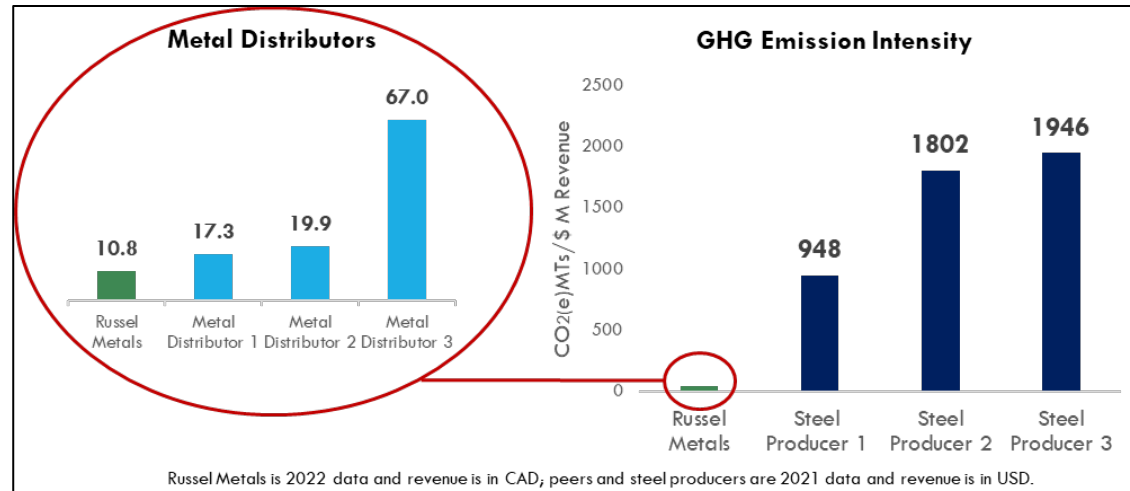
- Divested OCTG/Line Pipe business
- Low carbon emissions from operations
  - GHG emissions in 2022 were 54,806 tonnes CO<sub>2</sub>(e)

### Social

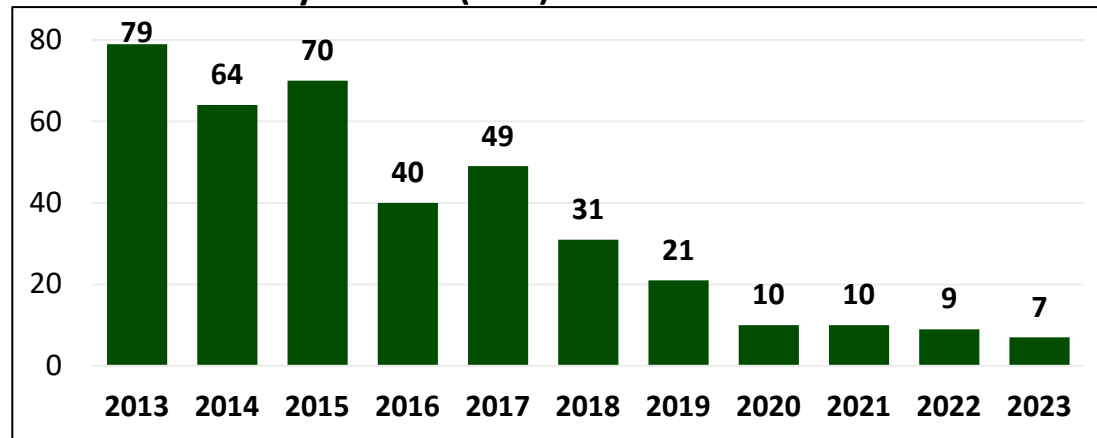
- Structured H&S Program “Mission Zero”
  - Dash cam roll out
  - Trailer fall prevention
  - Material handling/hand injury prevention
- Corporate charitable program, including matching of employee donations
- Scholarship fund for children of employees
- Ethical, Privacy and Social Policies

### Governance

- Female Representation: 40% Board (in May); 29% Executive
- Independent Board and Audit Committee
- Code of Business Conduct
- Independent Whistleblower program



### Health and Safety Metrics (LTI's):



## Together We Can

### CORPORATE GIVING PROGRAM

Our employees have a diversified and far-reaching passion for the communities where they live, and we operate. We share this passion and encourage all of our employees to participate in community-based initiatives and endeavors that have the greatest social impact in their local communities.

At the end of 2021, we commenced a corporate donation program and provided \$500,000 to a number of charities that support vulnerable people. ([www.russelmetals.com/en/corporate-giving](http://www.russelmetals.com/en/corporate-giving))

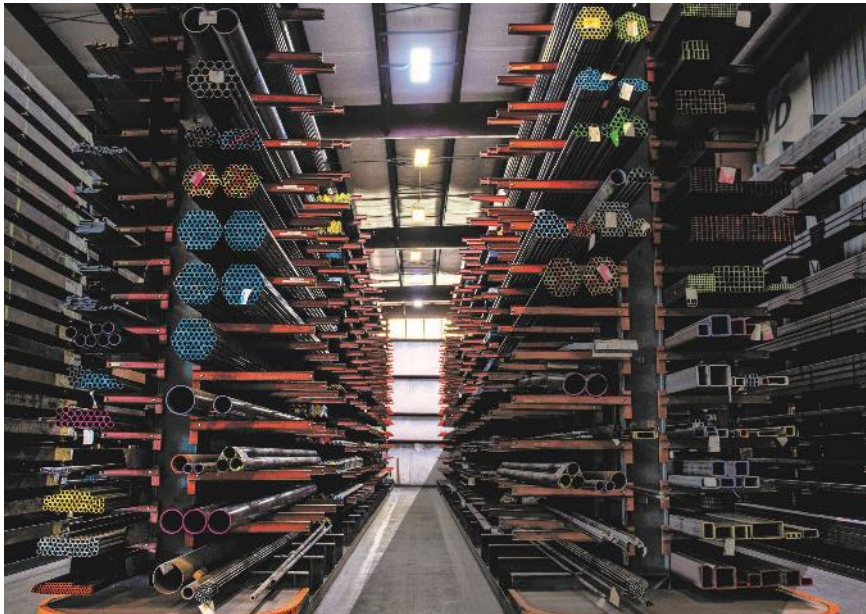
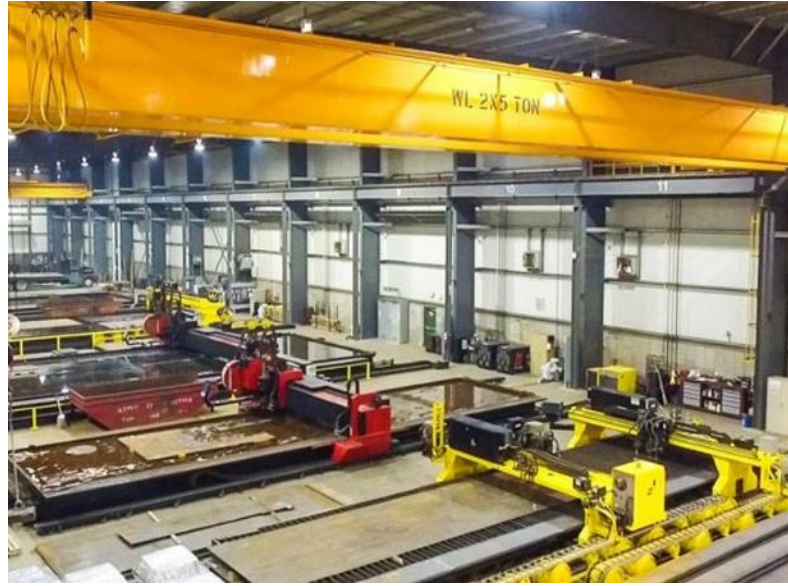
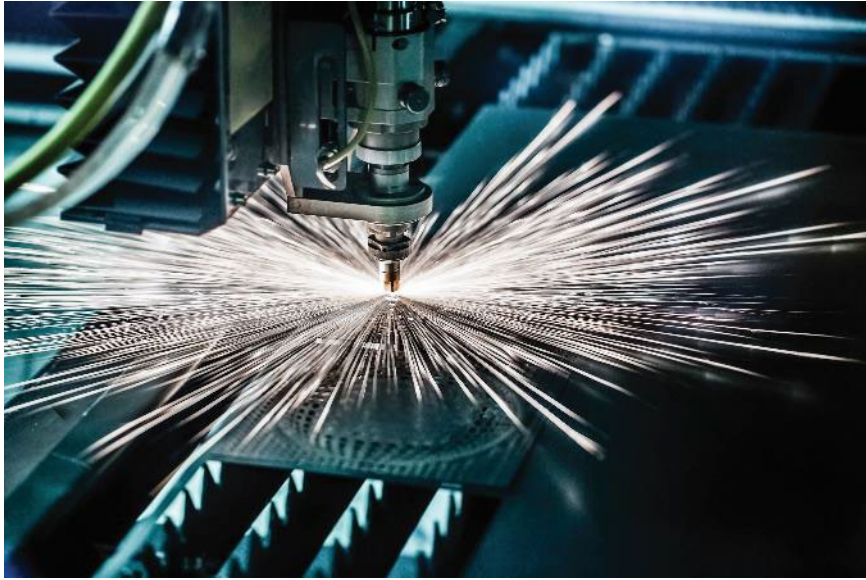
We would now like to add to our commitment by partnering with all of you through our charitable donation matching program to support the causes that matter the most to you.

- You will receive your username and login information from your Branch/Unit Manager. You can log into the Russel Metals Corporate Giving Program at <https://russelmetals.benevity.org/user/login>
- We have added \$10 to your personalized Giving Account. Log in to view your Giving Account and take advantage of our special launch promotion and find a worthy cause.
- So, go ahead - together we will help the causes that mean the most to you and stay tuned for more exciting program news, campaigns and opportunities.

**Russel Metals**

You can reach out to our Corporate Giving Administration team at [giving@russelmetals.com](mailto:giving@russelmetals.com) with any questions you may have.



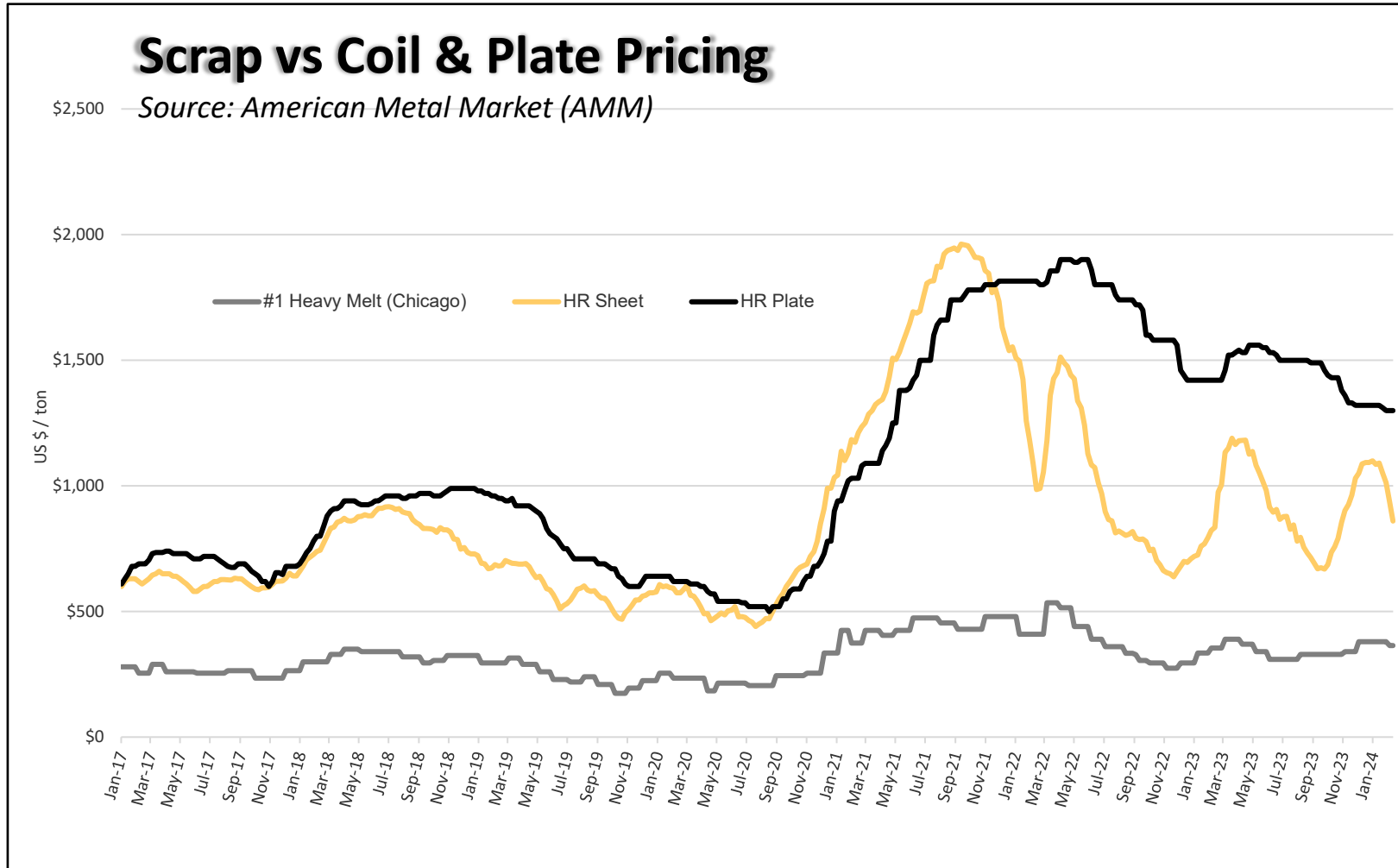


## II. MARKET TRENDS

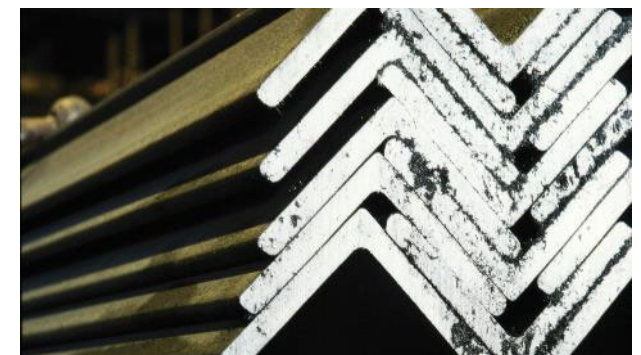
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# BUSINESS CONDITIONS – METAL PRICING TRENDS



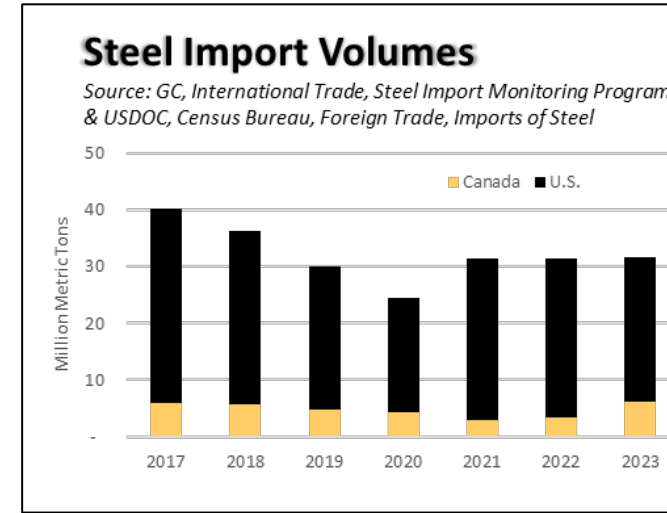
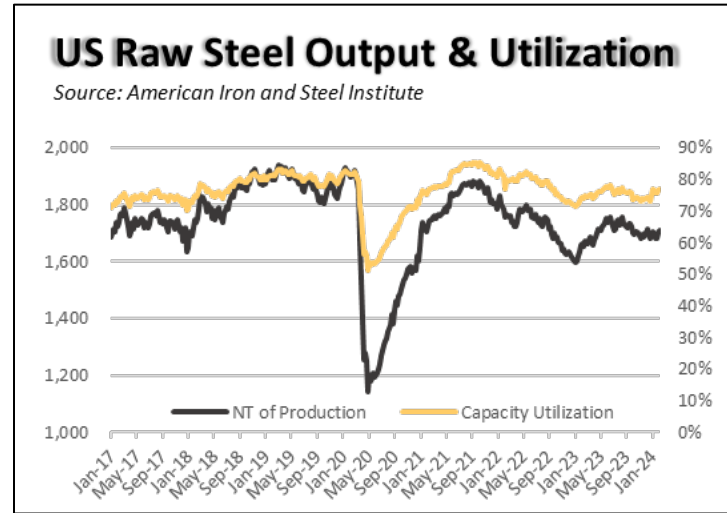
Note: Information as of February 2024



# BUSINESS CONDITIONS: SUPPLY CHAIN DYNAMICS

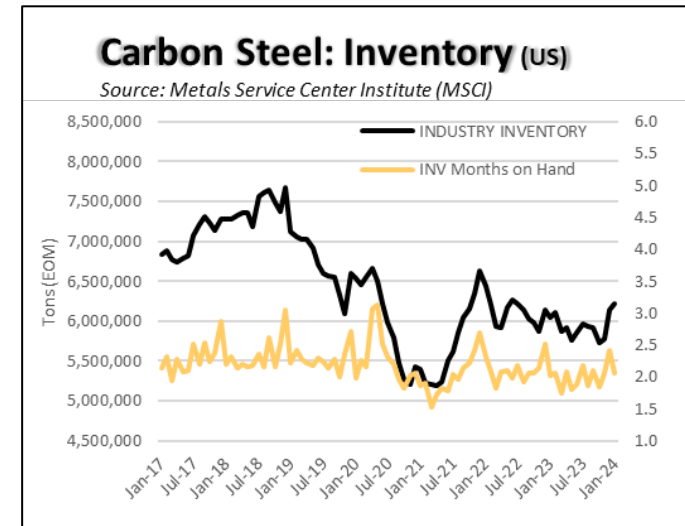
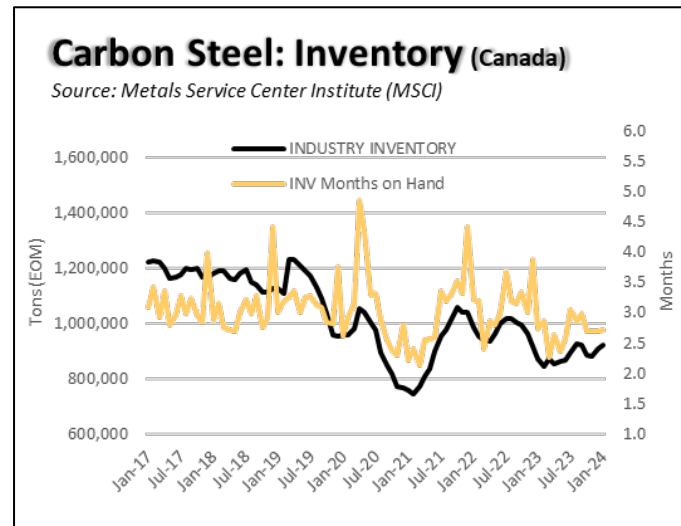
## Steel Mills/Imports:

- Capacity utilization ~75%.
- Imports are not a major factor.

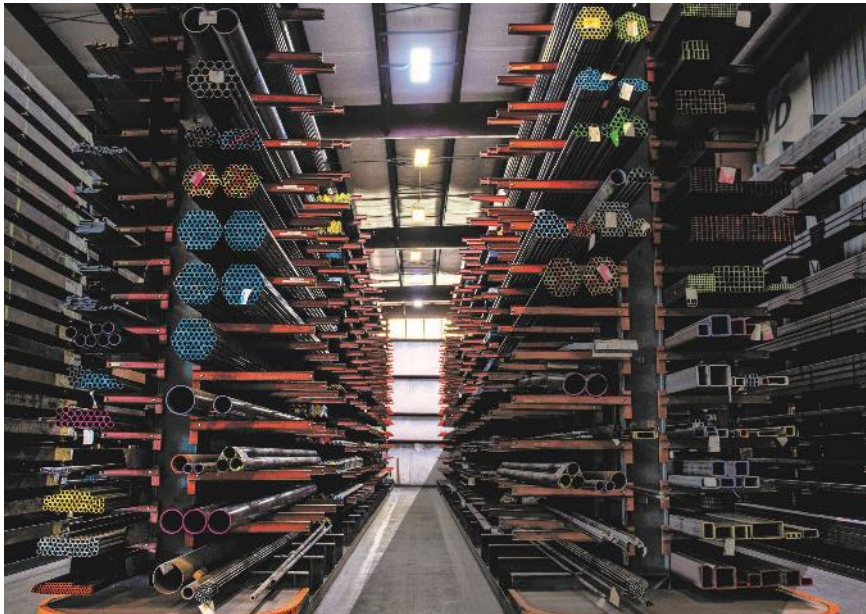
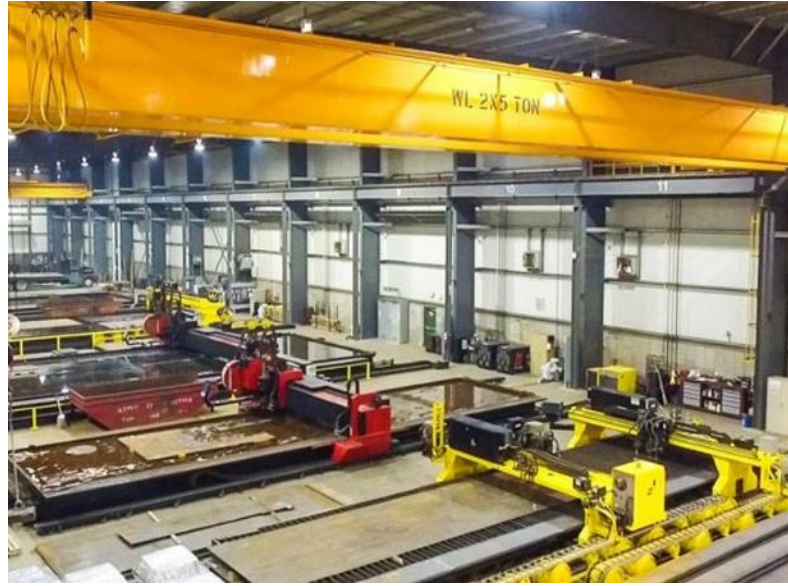
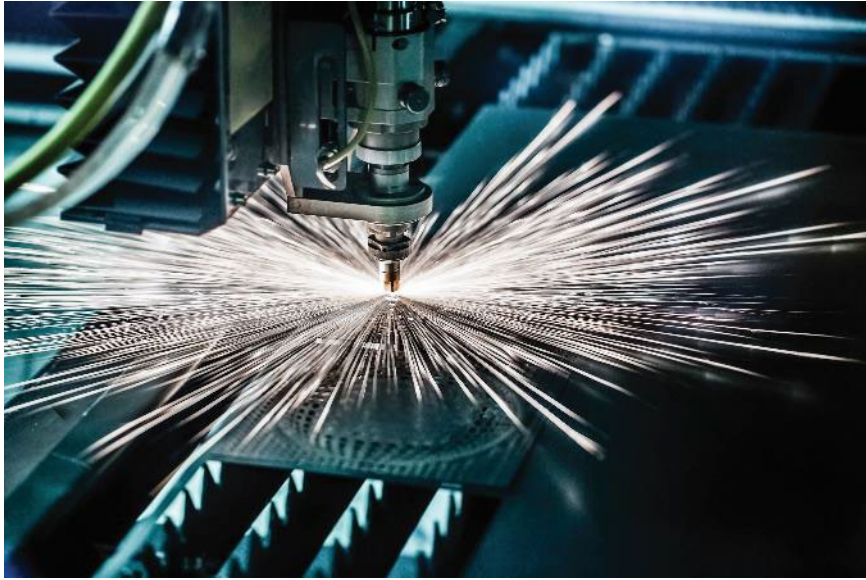


## Service Centers:

- Supply chain tonnage remains at a modest level.







# III. COMPANY OVERVIEW

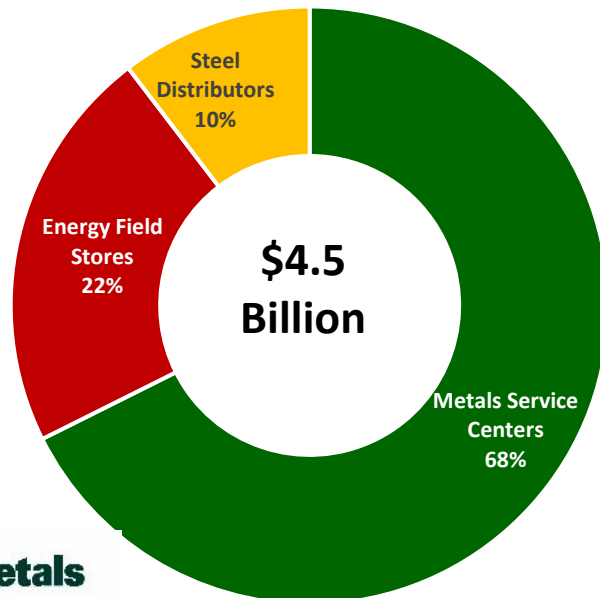
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# RUSSEL METALS AT-A-GLANCE

## Overview

- Distribution of various industrial products across North America
- Three segments: Metal Service Centers, Energy Field Stores and Steel Distributors
- Founded in 1916
- Headquartered in Mississauga, Ontario, Canada
- Ticker: RUS.TO - 60.4 mm shares outstanding at 12/31/23

## Revenue by Segment – 2023



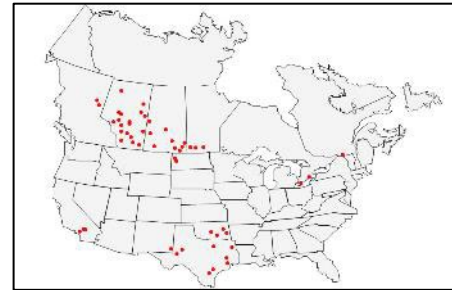
## Key Segments

### Metals Service Centers



- Coast-to-coast in Canada
- Strong US presence in mid-west and south
- Extensive product line with value-added focus

### Energy Field Stores



- Distribute highly engineered energy products (eg. valves, fittings, etc.)
- Monetized OCTG/Line Pipe businesses in 2020-2023

### Steel Distributors

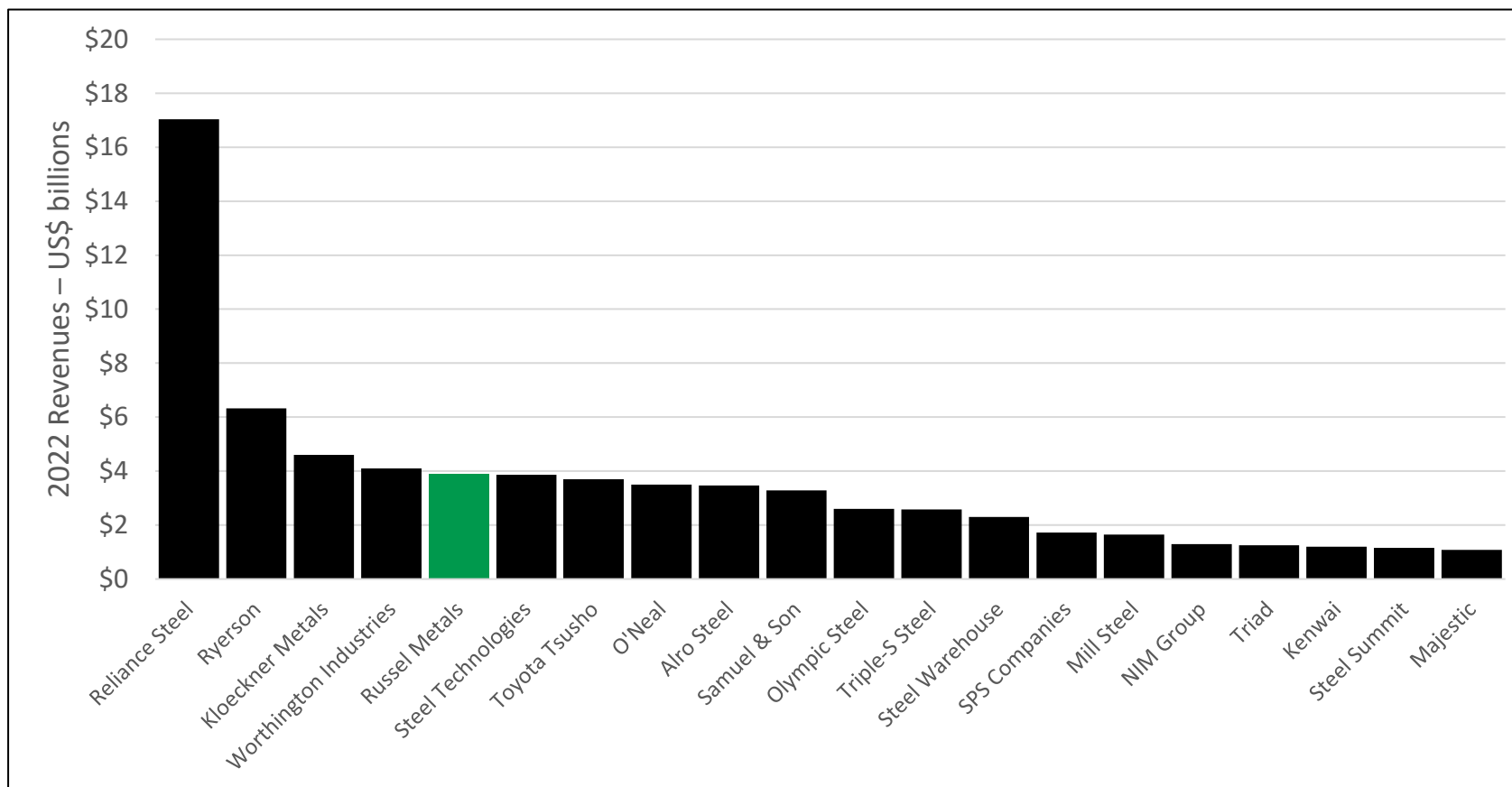


- Sell steel in larger volumes to other steel service centers & large equipment manufacturers



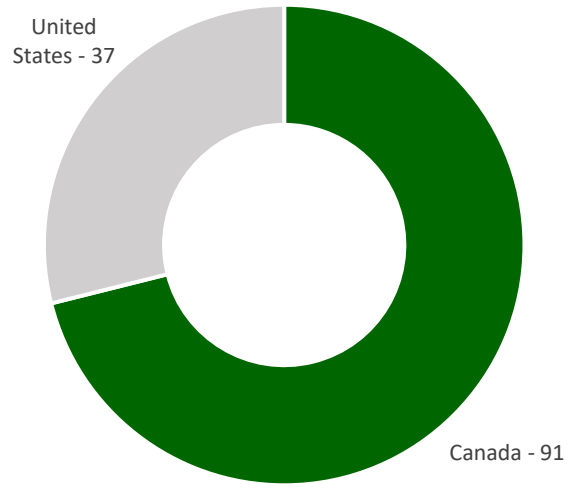
# STRONG MARKET POSITION

- Russel is one of the largest service center companies in North America
  - Leading market position in Canada
  - Strong market position in the US South and US Mid-West

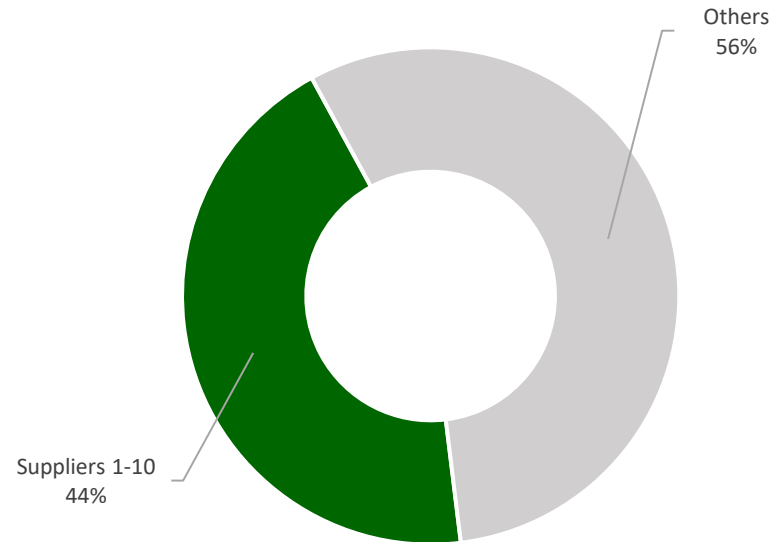


# DIVERSIFIED BUSINESS

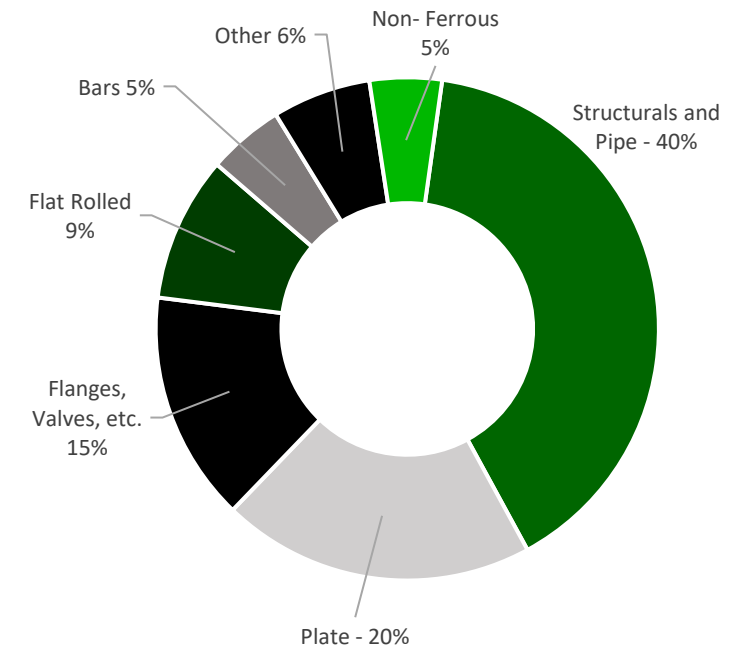
## Geography - 128 Locations



## Suppliers



## Product Mix

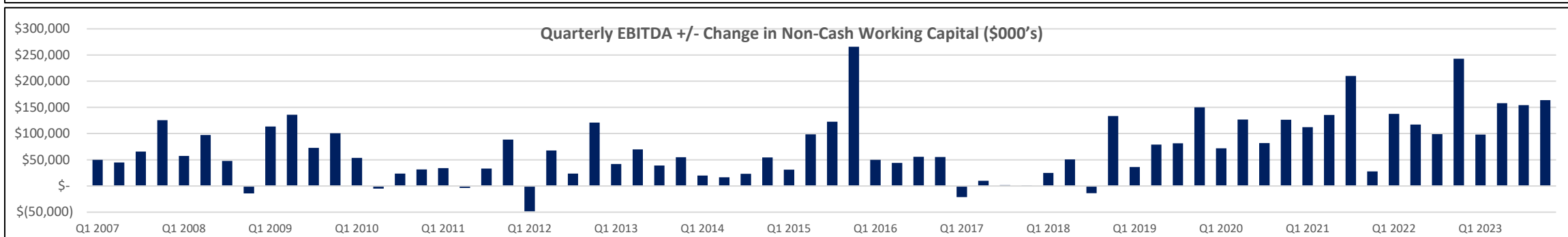
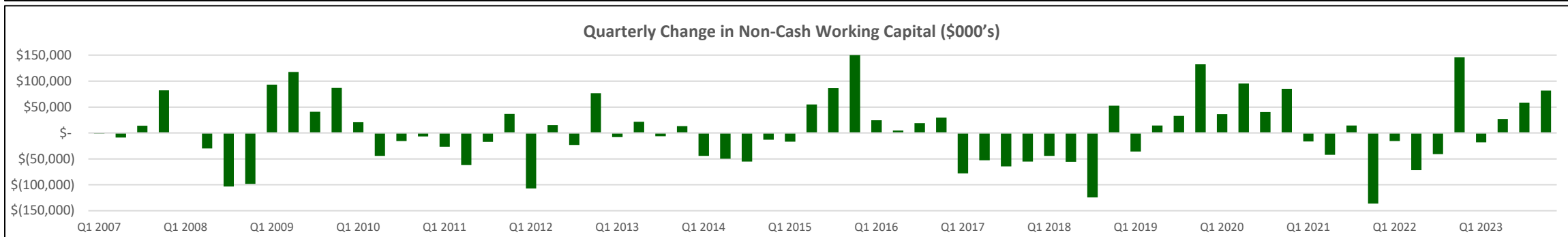
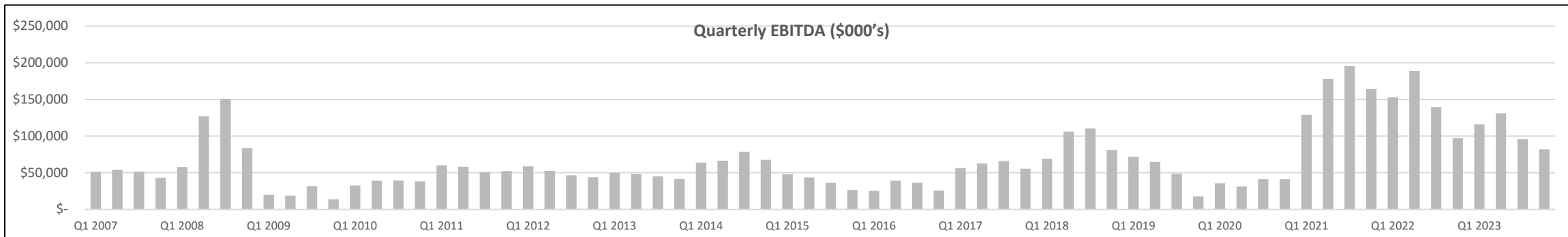


### Transactional Business Model: Small Avg. Order Size/Large Number of Transactions/Low Customer Concentration

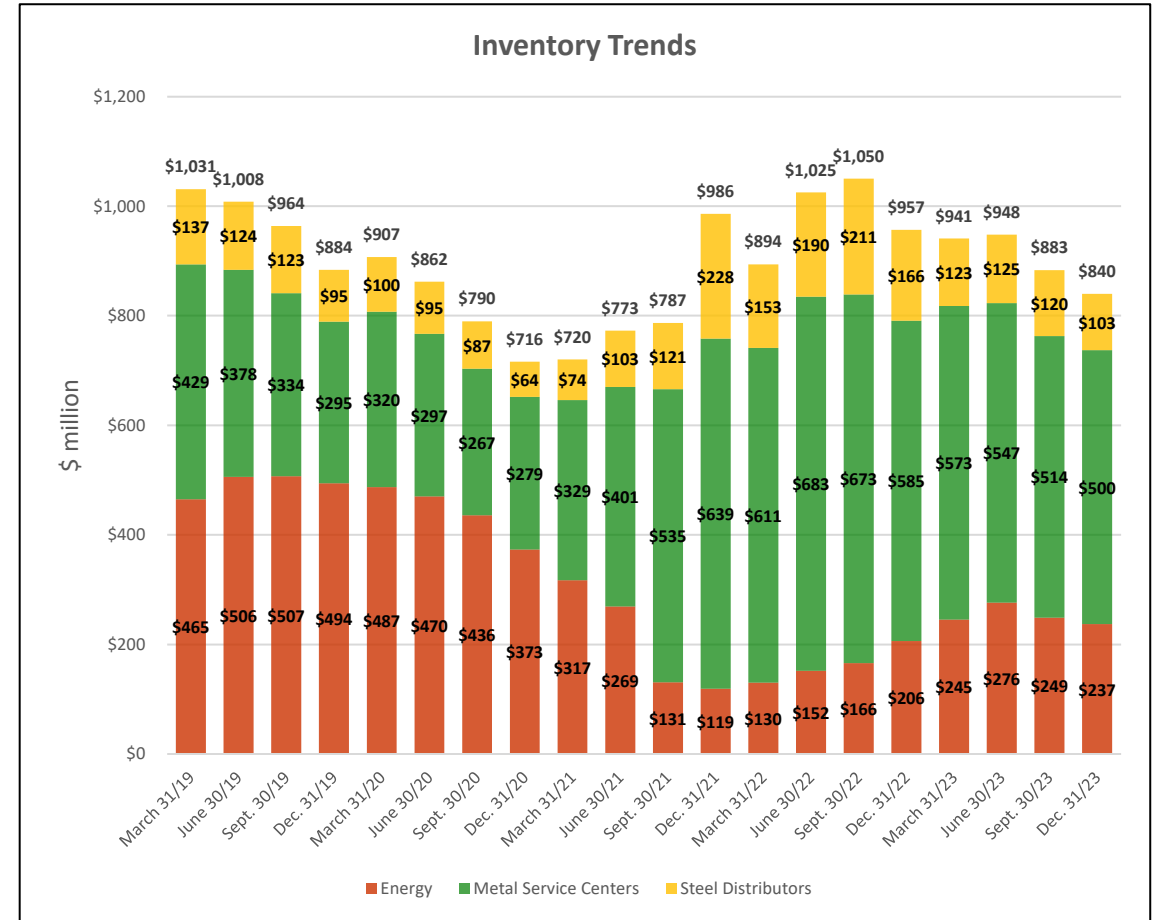
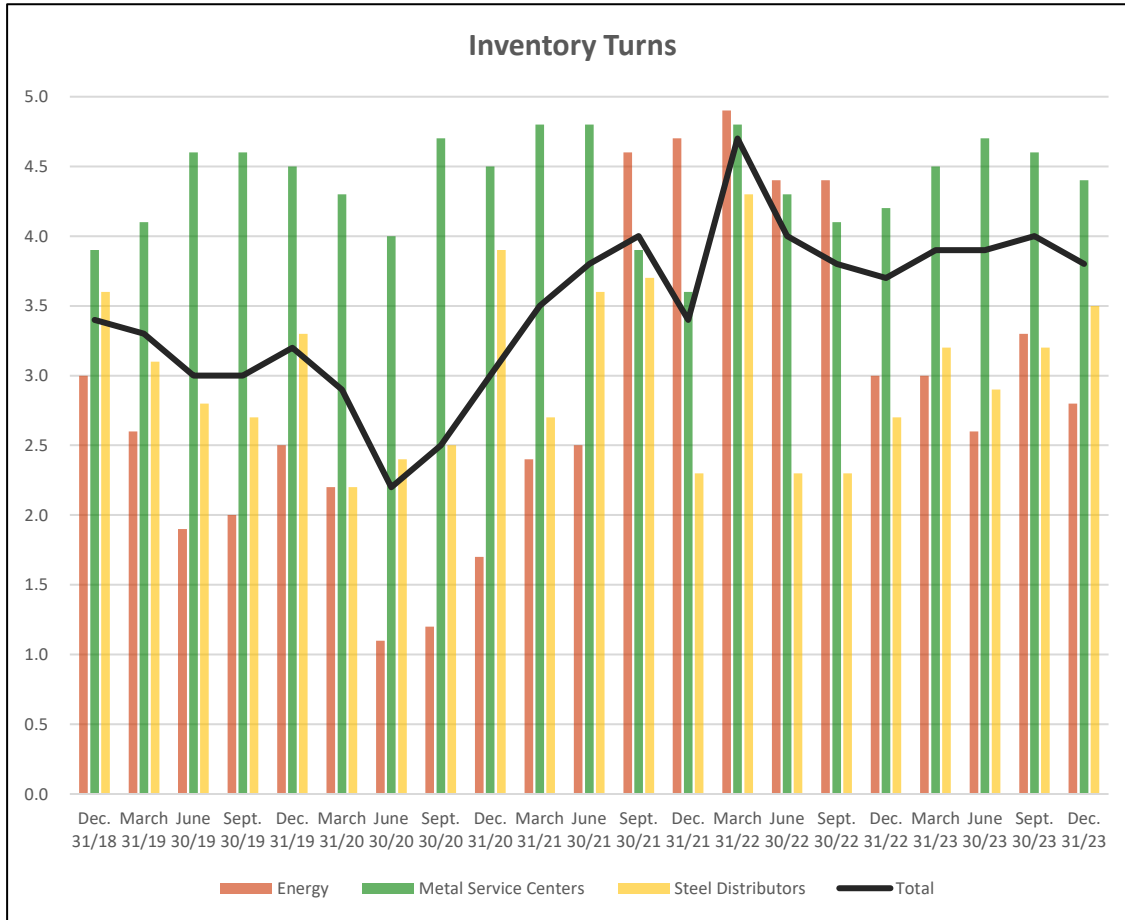
- >30,000 customers; Top 10 customers <10% of revenues
- Average >3,000 MSC transactions/day
- Average MSC segment invoice <\$4,000

# STRONG FREE CASH FLOW OVER THE CYCLE

- Strong EBITDA during upcycles; working capital repatriation during market downturns.



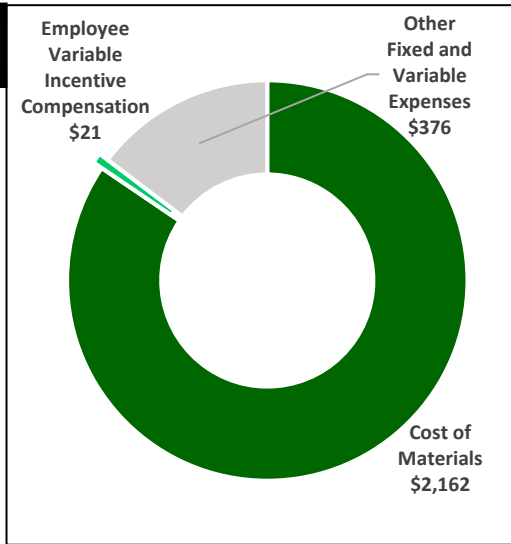
# WORKING CAPITAL DISCIPLINE



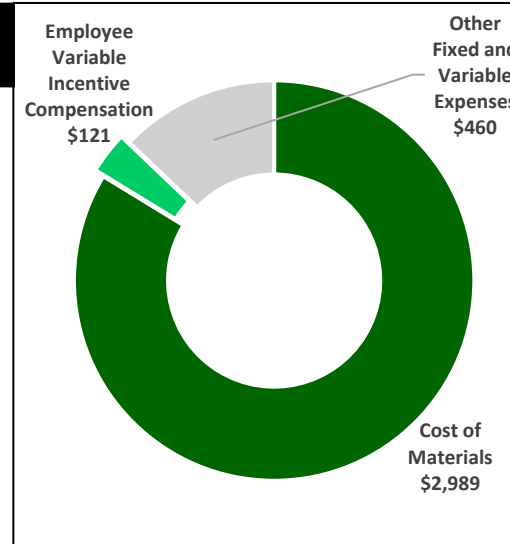


# VARIABLE COST MODEL – INCENTIVE COMPENSATION STRUCTURE

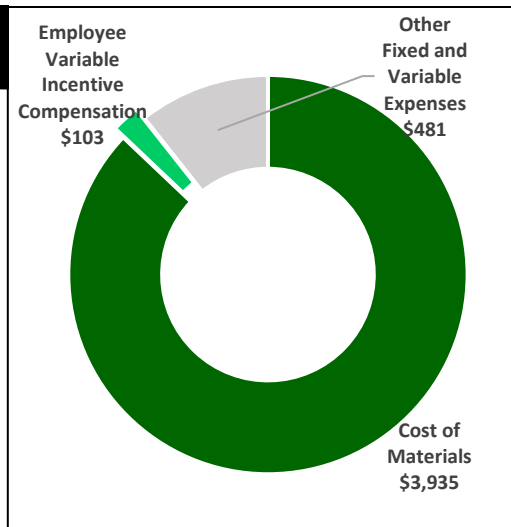
2020



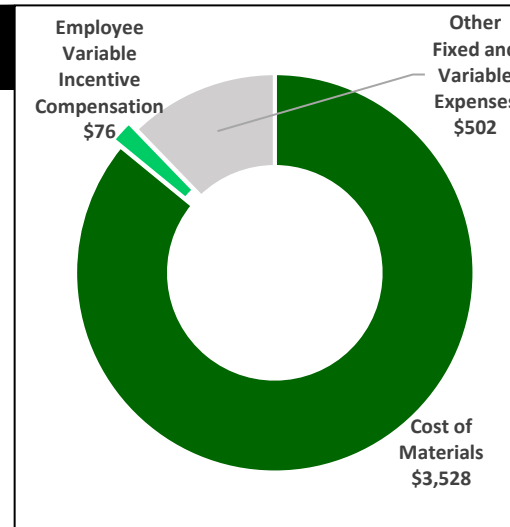
2021



2022



2023

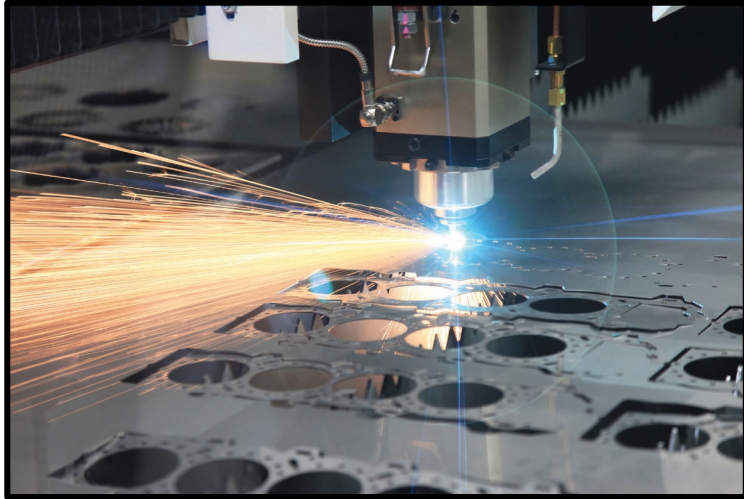


- A large number of our employees participate in a profit sharing program, with bonus pools tied to their local returns on net assets.
- This approach is a significant element of the pay-for-performance and decentralized culture at Russel.
- The variable incentive compensation moves up and down with operating results – variable incentive compensation averaged ~20% of EBIT over the past four years.

# INVESTING IN VALUE-ADDED PROCESSING AND FACILITY MODERNIZATIONS

- Multi-year program to expand operations and increase value-added equipment

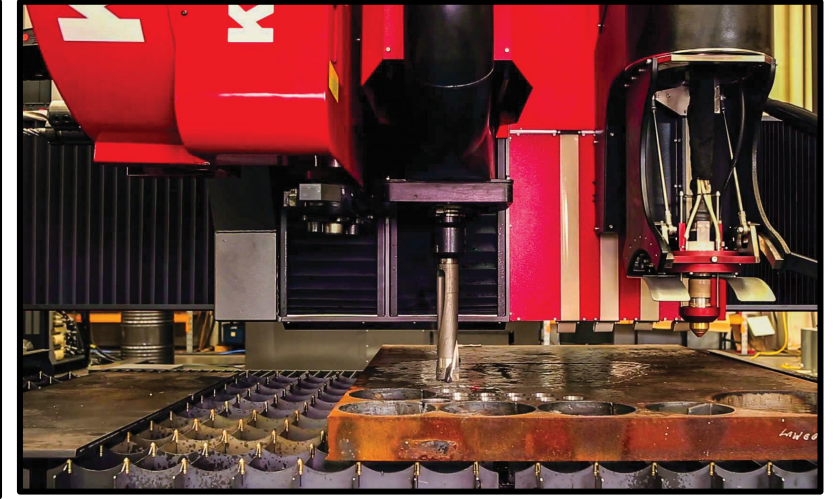
Flat Lasers \$2-4 mm each – 3 installed in '23/ 4 planned for '24



Tube Lasers \$2-4 mm each – 3 installed in '23/ 8 planned for '24



Kinetic and Plate Cutting – located in several branches



Facility Modernizations – Saskatoon (SK), Green Bay (WI), Joplin (MO), Texarkana (TX), Little Rock (AR) –\$63 mm

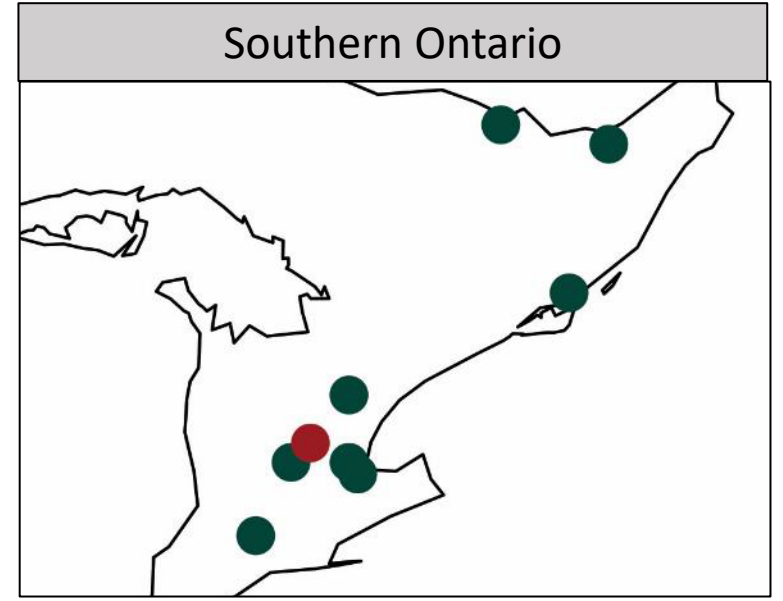
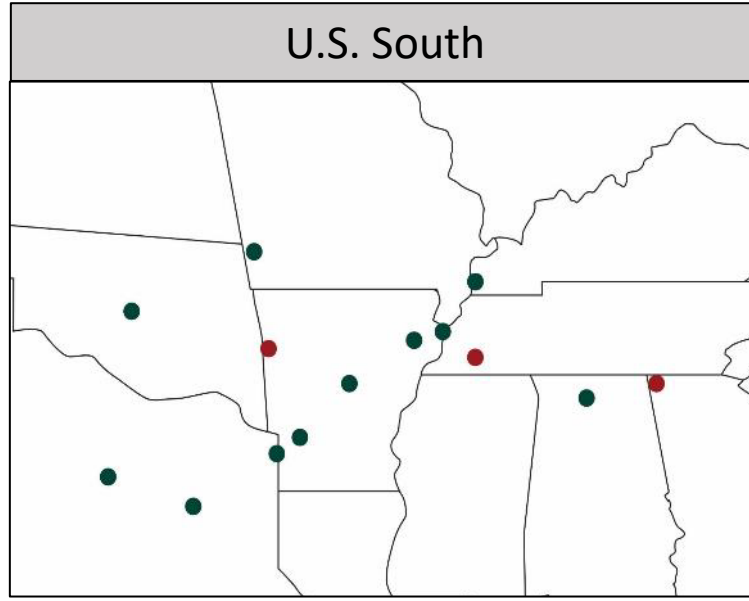
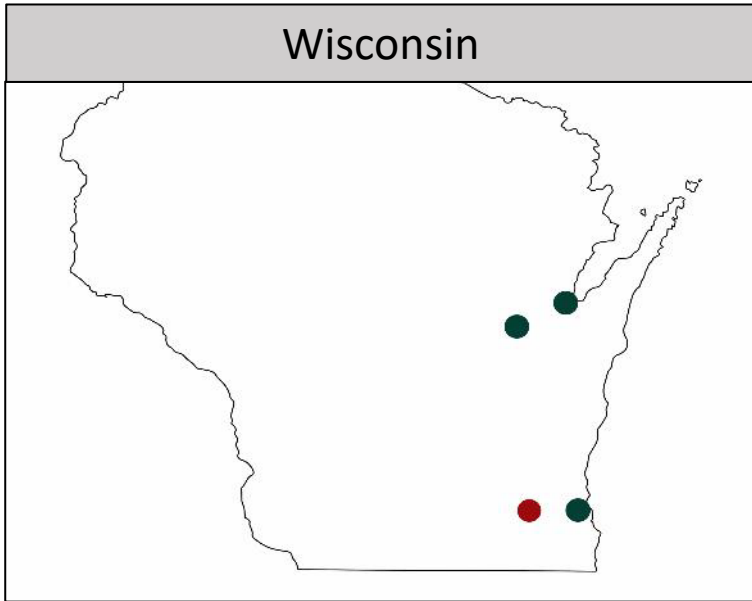


New Slitter Line – Blytheville (AR) - \$9 mm

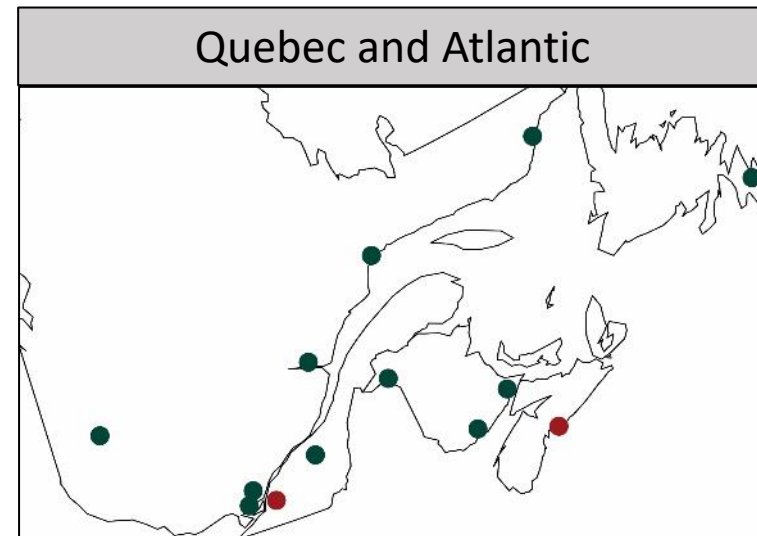
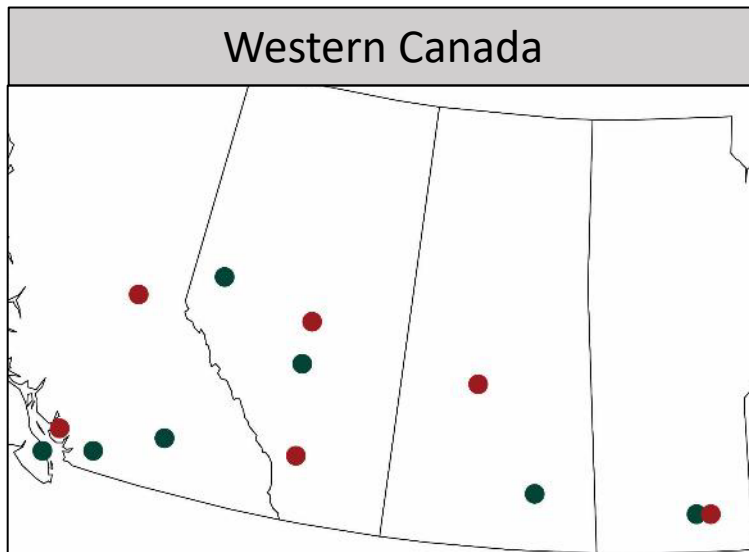


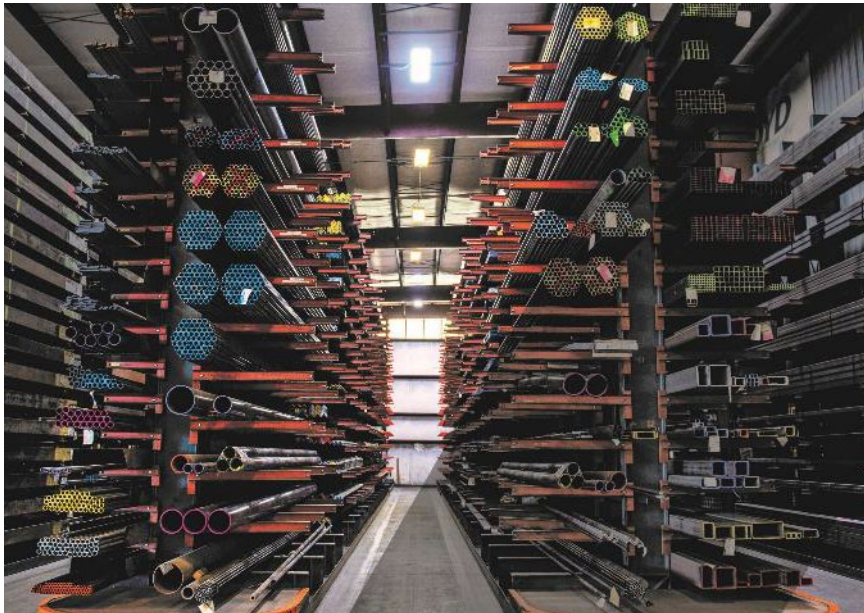
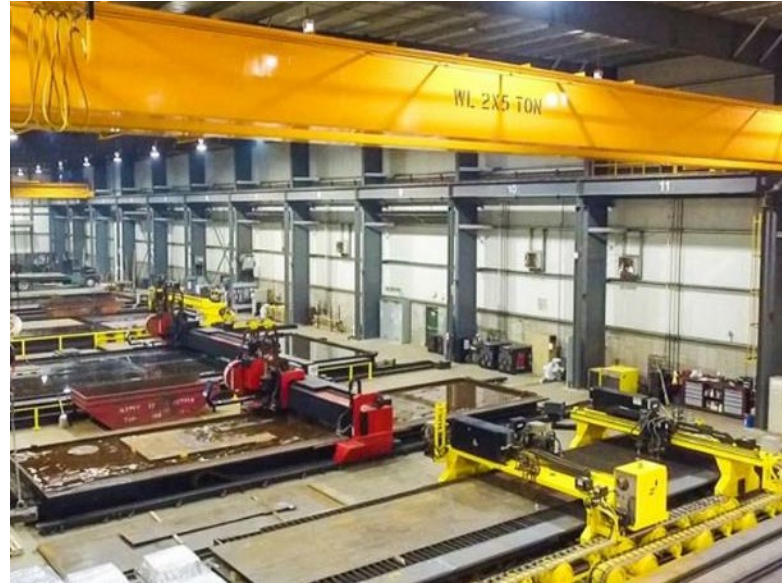
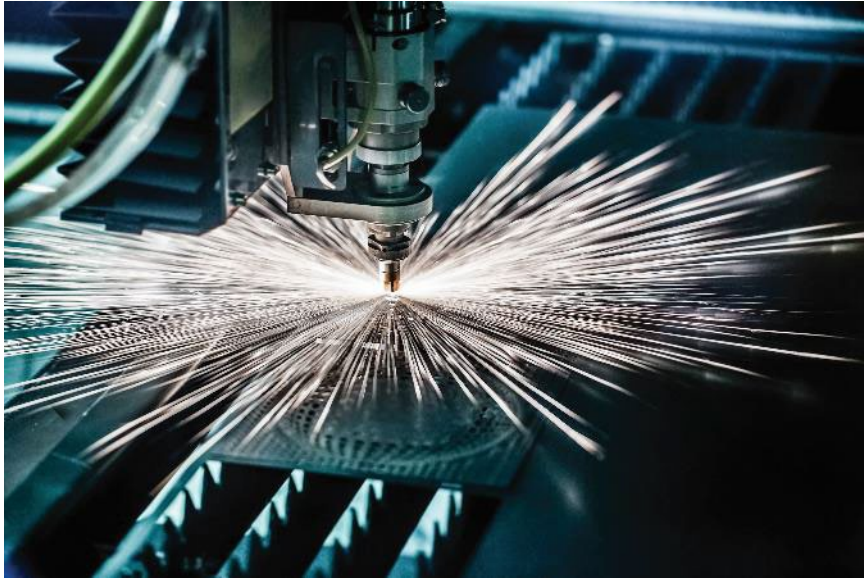


# INVESTING IN VALUE-ADDED PROCESSING – HUB & SPOKE APPROACH



- Processing center
- Distribution center





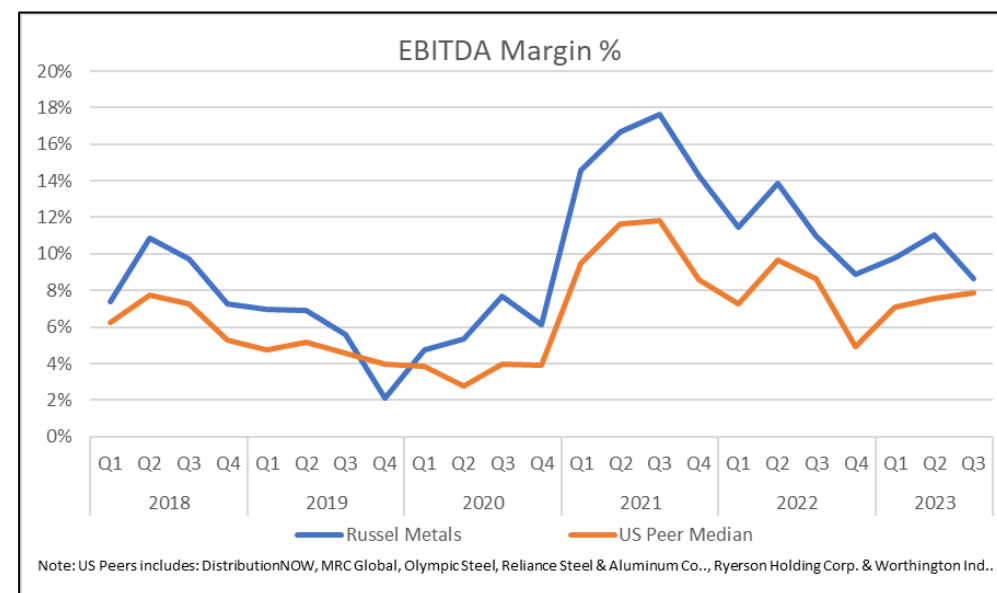
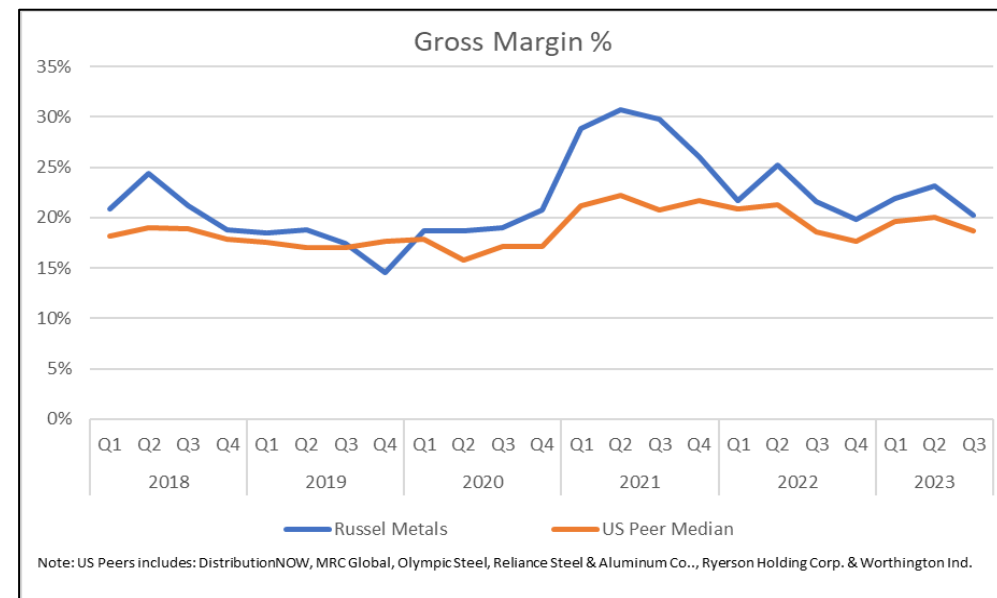
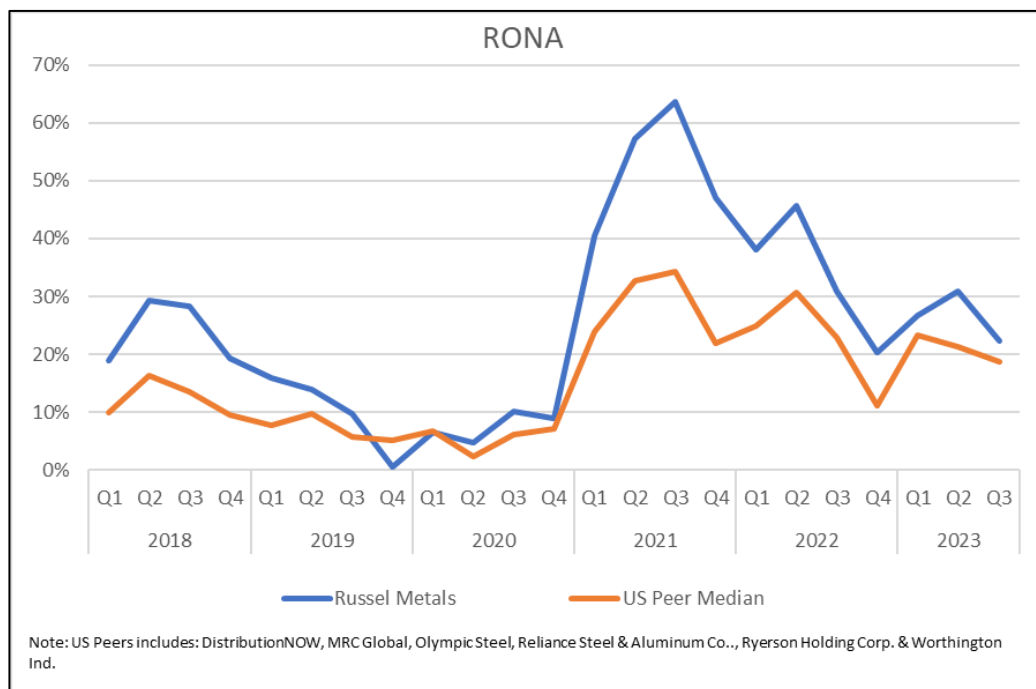
## IV. FINANCIAL OVERVIEW

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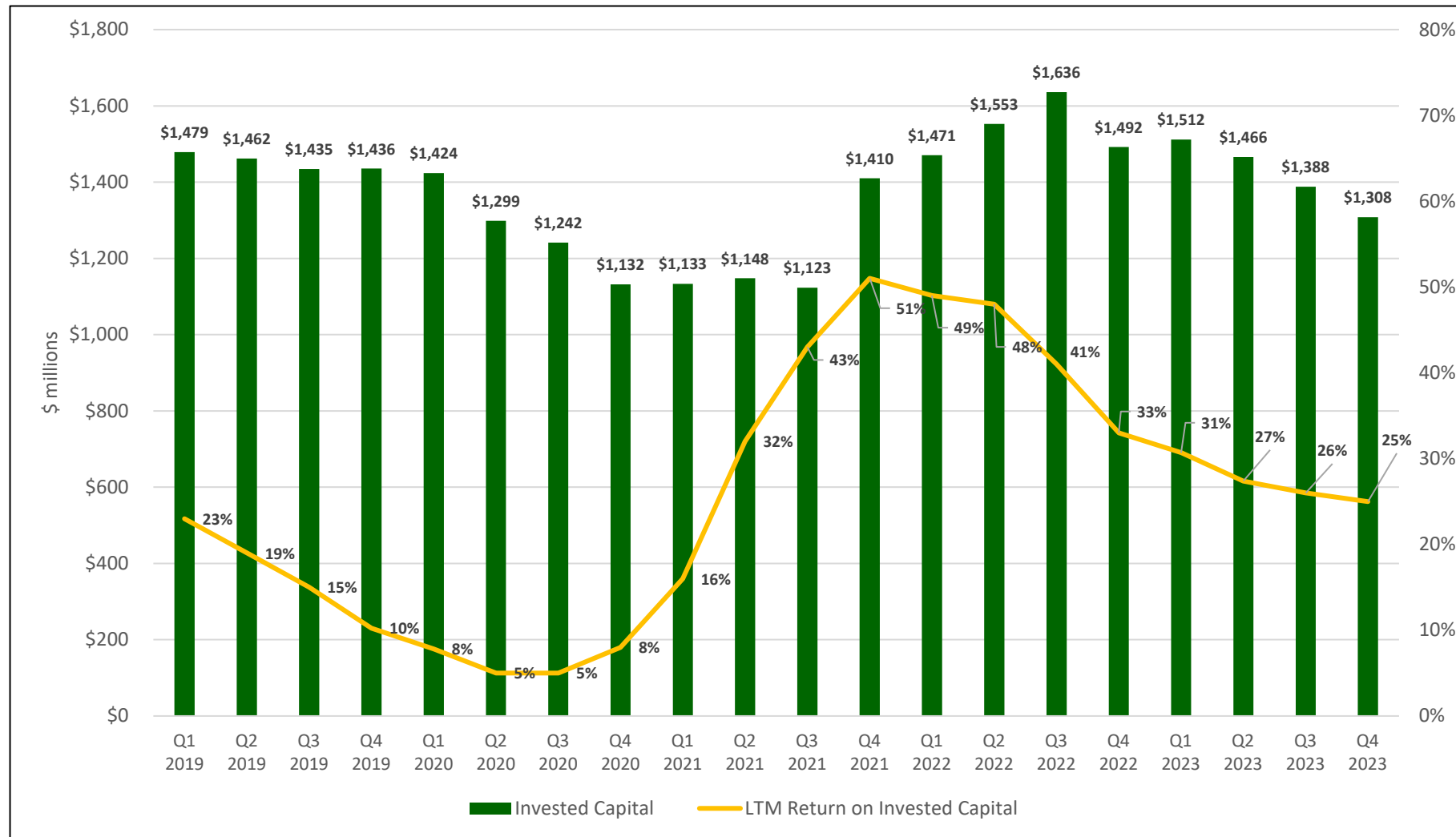


# STRONG RELATIVE PERFORMANCE

- Russel's margins have been top quartile/decile versus its direct peers.
- The relative performance has improved since the OCTG/line pipe monetization in mid-2021.



# RETURN ON CAPITAL FOCUS



# RETURN ON INVESTED CAPITAL: SENSITIVITY ANALYSIS

- The following illustrates the implied annual EBITDA under a range of invested capital and return scenarios.

		Invested Capital (C\$ mm)				
		\$1,400	\$1,500	\$1,600	\$1,700	\$1,800
ROIC	10%	\$204	\$214	\$224	\$234	\$244
	15%	\$274	\$289	\$304	\$319	\$334
	20%	\$344	\$364	\$384	\$404	\$424
	25%	\$414	\$439	\$464	\$489	\$514
	30%	\$484	\$514	\$544	\$574	\$604

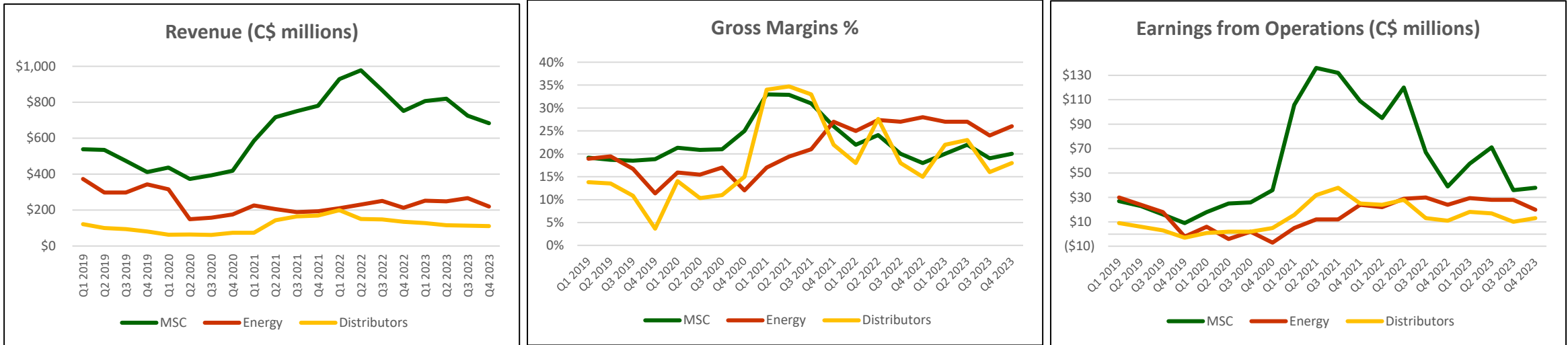
Note: Assumes DD&A of \$64 million/year.

# SUMMARY: FINANCIAL RESULTS

\$ mm, unless otherwise stated	Q4 2022	Q3 2023	Q4 2023	Q4 2023 Observations:
<b>Income Statement:</b>				
Revenues	\$1,100	\$1,110	\$1,019	<ul style="list-style-type: none"> <li>Revenues were down 8% vs Q3 due to slightly lower volumes (seasonal factor) and lower average selling prices</li> <li>Gross margins improved in all segments -- lower CGS in metals service centers more than offset lower average selling prices</li> <li>Q4 results impacted by:               <ul style="list-style-type: none"> <li>Sold TriMark interest in Q3 -- no income in Q4</li> <li>Mark-to-market of stock-based comp \$7 mm vs. \$1 mm in Q3</li> <li>Inventory NRV increased \$3 mm</li> </ul> </li> </ul>
Gross Margin (\$ mm/%)	\$218 / 20%	\$225 / 20%	\$217 / 21%	
EBITDA (\$ mm/%)	\$97 / 9%	\$96 / 9%	\$82 / 8%	
EBIT (\$ mm/%)	\$79 / 7%	\$79 / 7%	\$64 / 6%	
Interest Expense	\$5	\$2	\$1	
Net Income	\$58	\$61	\$47	
EPS	\$0.93	\$0.99	\$0.78	
<b>Cash Flow:</b>				
Change in non-cash working capital	\$146	\$58	\$82	<ul style="list-style-type: none"> <li>Net decrease in working capital: Decrease in AR (\$98 mm) and inventories (\$39 mm) with some offset by decrease in AP (\$47 mm)</li> <li>Capex increased with discretionary projects. YTD capex of \$73 mm, with more discretionary expected in 2024</li> </ul>
Proceeds on Sale of TriMark interest	--	\$60	--	
Capex	\$(15)	\$(15)	\$(28)	
<b>Balance Sheet:</b>				
Net Debt (Cash)	\$(67)	\$(272)	\$(332)	<ul style="list-style-type: none"> <li>Total debt of \$297 mm offset by cash/investments of \$629 mm</li> <li>Liquidity remains strong</li> <li>C\$ strengthened from \$1.3520 at 9/30/23 to 1.3226 at 12/31/23</li> <li>Q4 share buybacks = 390k for \$17 mm (avg. \$43.27/share); Cumulative since Aug/22 = 3.2 mm shares for \$109 mm (avg. \$34.65/share)</li> <li>Book value of \$27.16/share</li> <li>Dividend of \$0.40/share</li> </ul>
Shareholders' Equity	\$1,559	\$1,660	\$1,640	
Available Liquidity	\$743	\$965	\$1,029	
Net Debt/Capitalization	<0%	<0%	<0%	



# SEGMENT BREAKDOWN: OPERATING RESULTS



## MSC:

- Revenues remain at a strong level
- Prices declined while margins were comparable vs. Q3; EBIT was up slightly in Q4 vs. Q3

## Energy Field Stores:

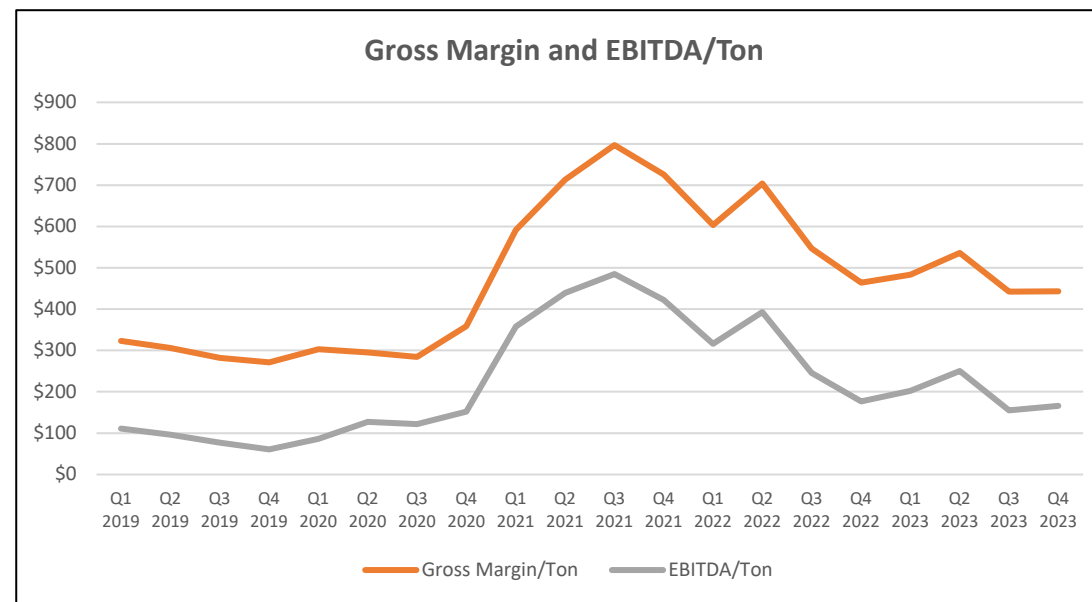
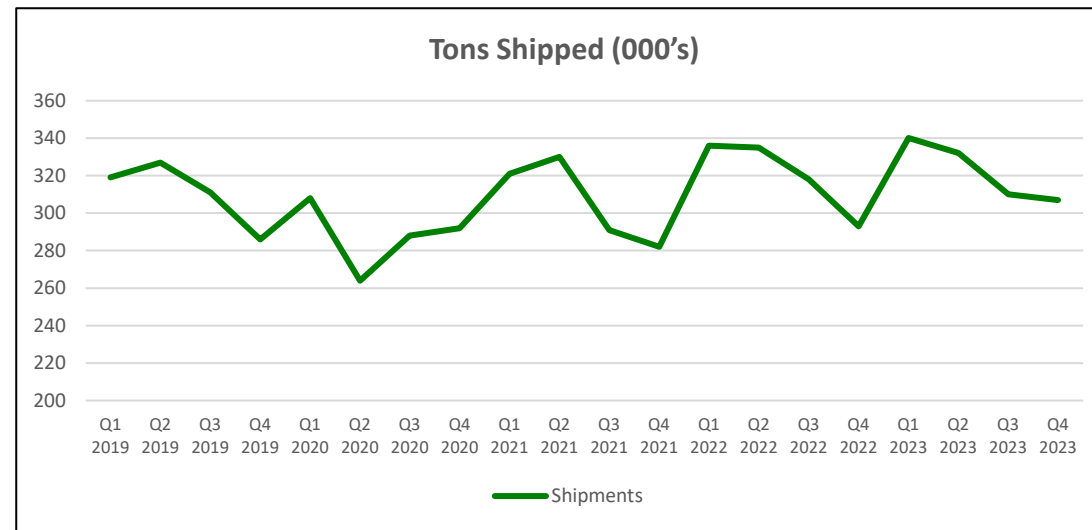
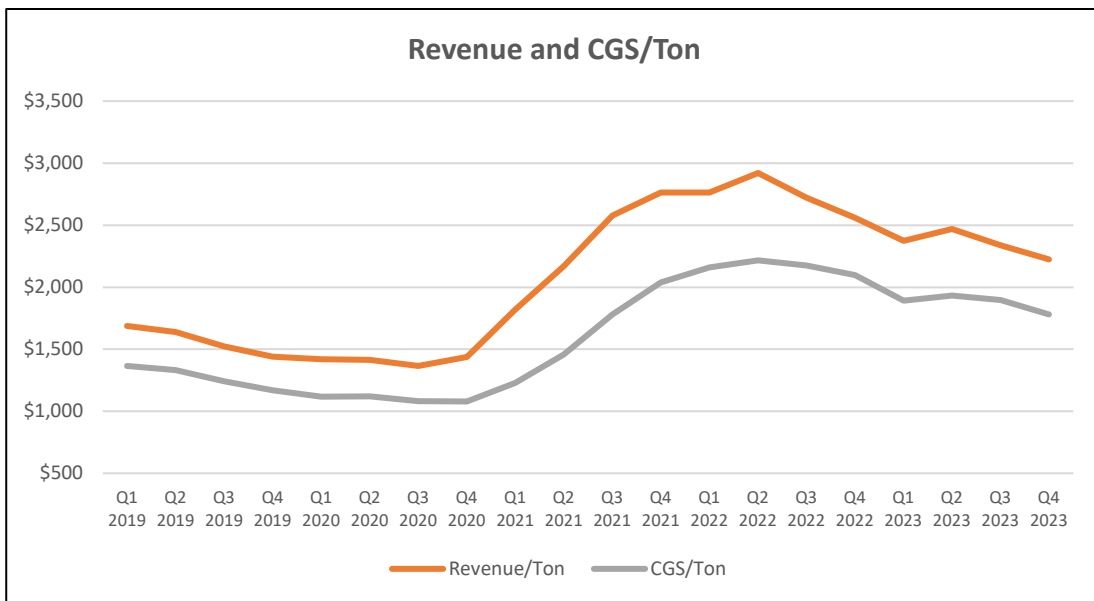
- Market conditions and sentiment continue to remain positive; seasonality impacted revenues, while margins improved vs. Q3

## Distributors:

- Revenues were down slightly, but margins and operating profit improved vs. Q3

# SERVICE CENTER RESULTS

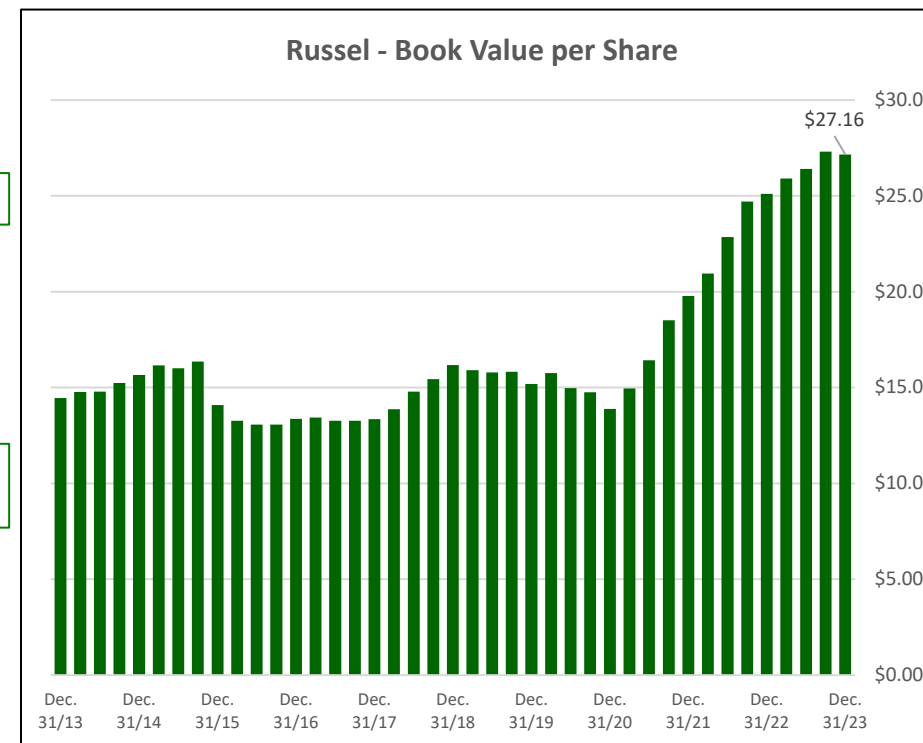
- Q4 2023 tons were down 1% vs. Q3 2023 due to normal seasonal factors, but up 5% vs. Q4 2022.
- Price realizations decreased \$114/ton which was offset by a \$115/ton decrease in CGS, resulting in slightly higher margin/ton in Q4 vs. Q3.

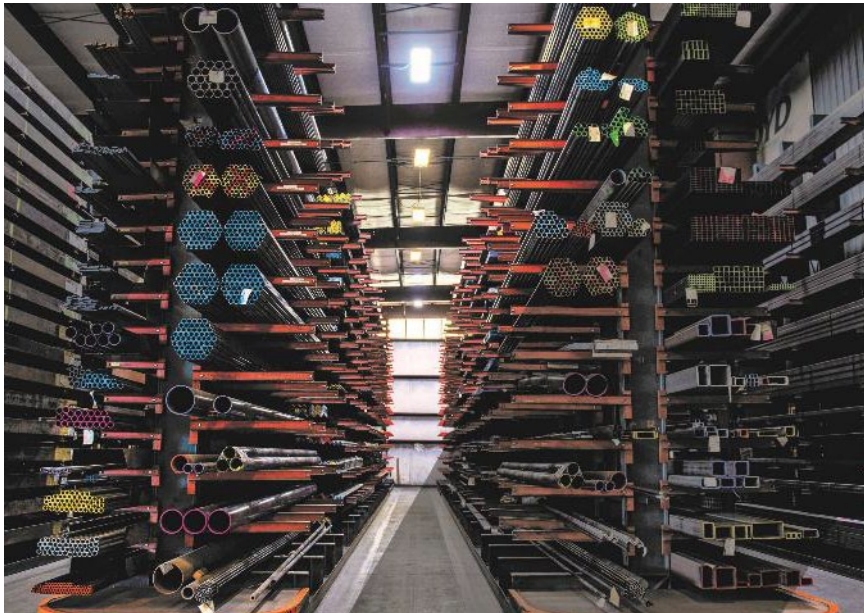
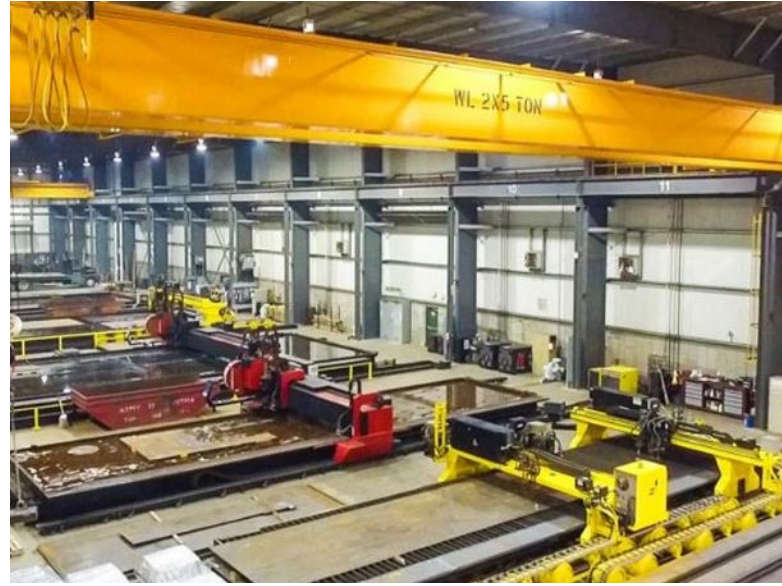
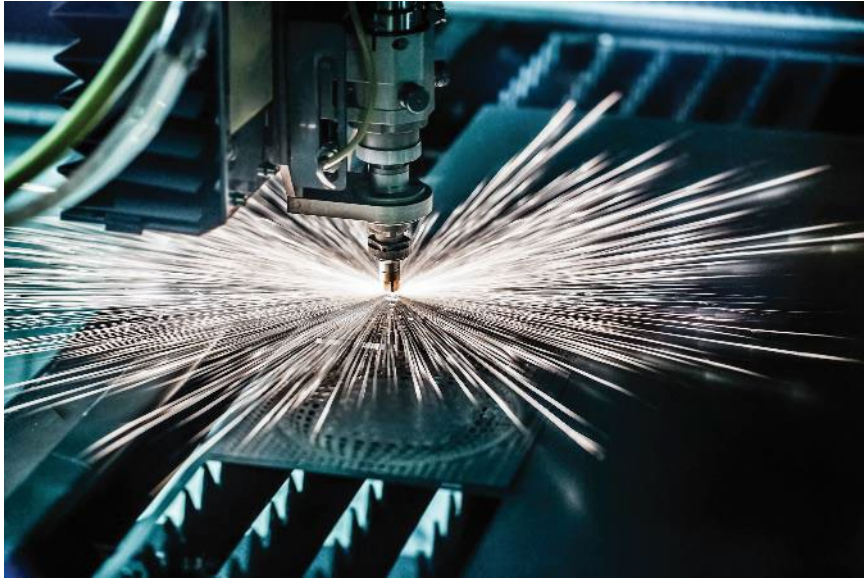


# LIQUIDITY AND CAPITAL STRUCTURE SUMMARY

- Significant growth in cash flow, balance sheet flexibility and book value per share over the past year.

	12/31/22 (C\$ mm)	9/30/23 (C\$ mm)	12/31/23 (C\$ mm)	
Cash	\$363	\$569	\$629	12 Month Change +\$266 mm
Bank Lines - Maturity 2025	--	--	--	
5.75% Notes - Due 2025	\$148	\$149	\$149	
6% Notes - Due 2026	\$148	\$148	\$148	
Total Debt	\$296	\$297	\$297	
Shareholders' Equity	\$1,559	\$1,660	\$1,640	BV/Share: 12 Month Change +\$2.06/share
Net Debt/Invested Capital	<0%	<0%	<0%	
Liquidity	\$743	\$965	\$1,029	





# V. ACQUISITION OF ASSETS FROM SAMUEL, SON & CO., LIMITED

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# ACQUISITION SUMMARY

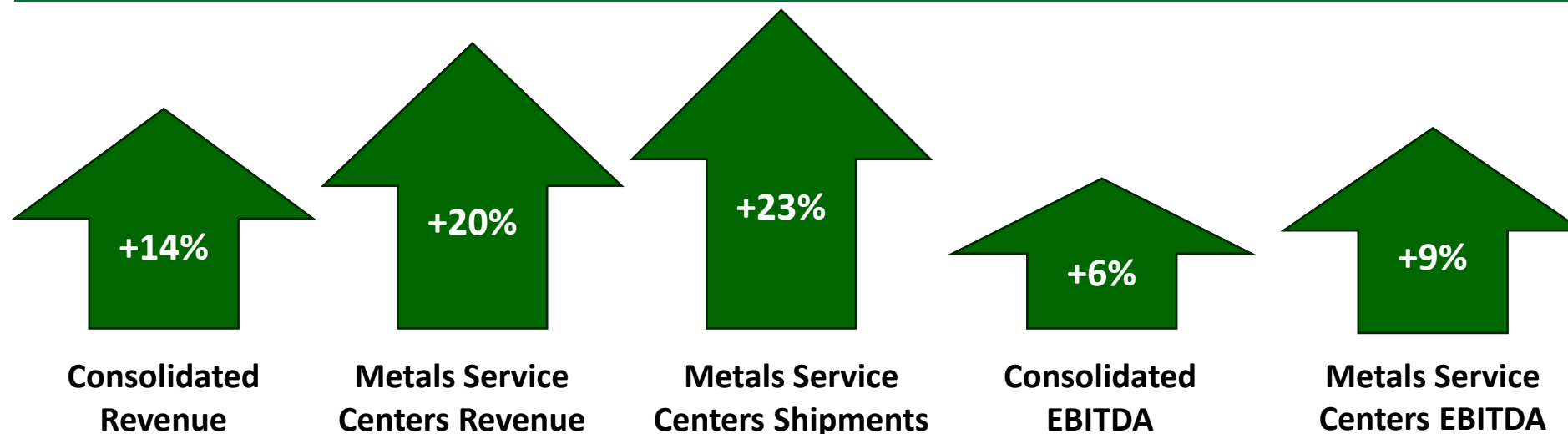
- The Samuel Assets to be Acquired:
  - Five locations in Western Canada and two locations in the US Northeast
  - Samuel to retain its Delta, BC location, and conduct an orderly shut-down. Russel to acquire the Delta inventory and equipment at net book value and relocate to other Russel operations
- Purchase Price:
  - Net book value of working capital at closing **plus** NBV of fixed assets (\$29 mm) **plus** \$10 million = \$225 mm<sup>1</sup>
- Transaction Highlights:
  - Complementary locations relative to Russel's W. Canada operations
    - Balanced business mix with non-ferrous + processing
    - Opportunity to rationalize footprint and reduce invested capital
  - Extends geographic footprint into US Northeast
  - Good site infrastructure and quality of equipment - realizable value of equipment > net book value
  - Strong focus on safety
  - Subject to Competition Bureau clearance in Canada and other customary closing conditions
    - Closing expected in 2Q'24
    - Financing from existing cash balance (\$629 mm at 12/31/23)

1. Based on Sept. 30/23 working capital.

# KEY METRICS

- Summary financial results related to the Samuel Assets (pre-synergies):
  - 2022 Results:
    - Revenue \$704 mm
    - Adjusted EBITDA \$33 million
  - 2023 Results (9 months to Sept. 30/23):
    - Revenue \$457 million
    - Adjusted EBITDA \$19 million

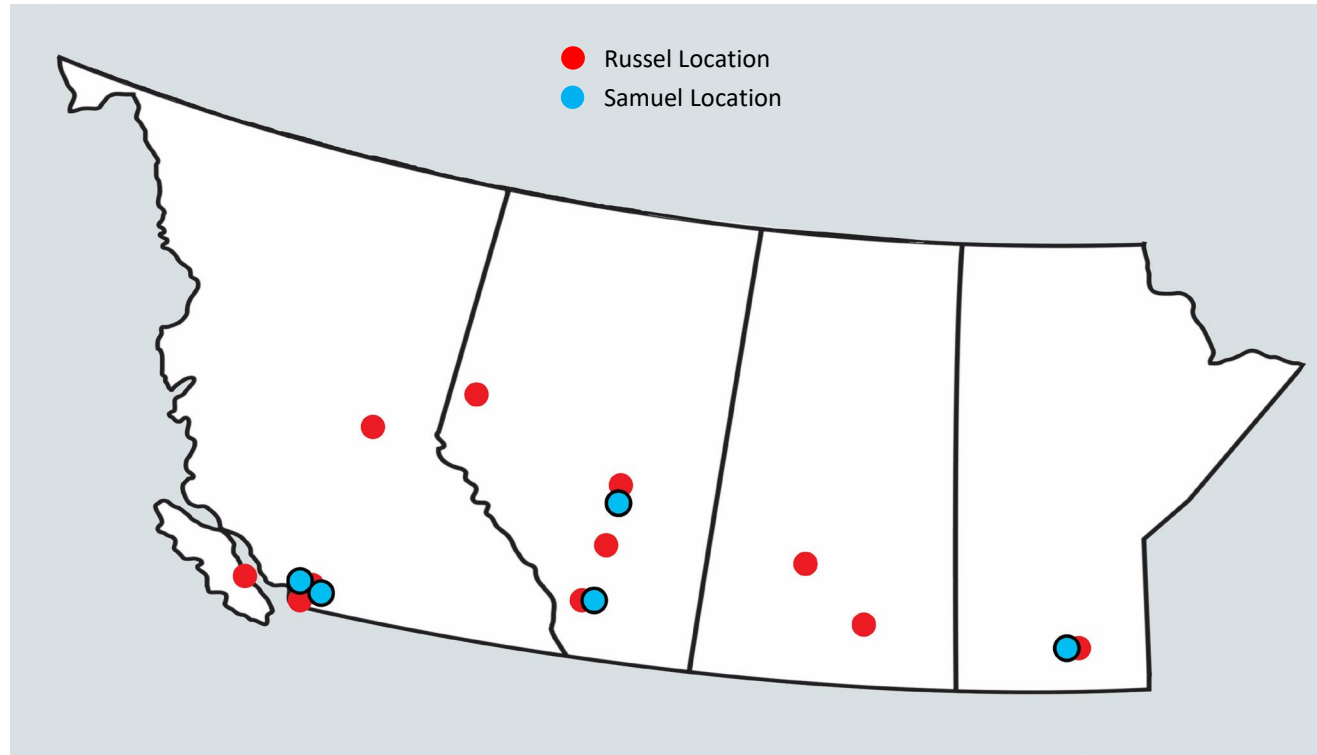
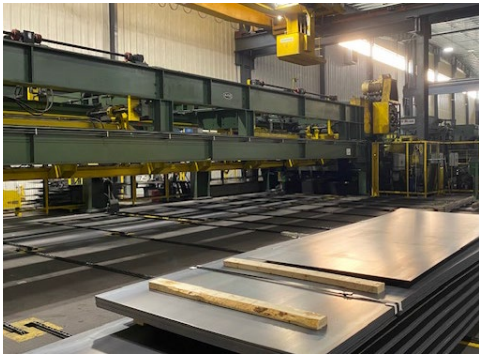
## Pro Forma Impact<sup>1</sup> to Russel's Standalone 2022 Financial Results



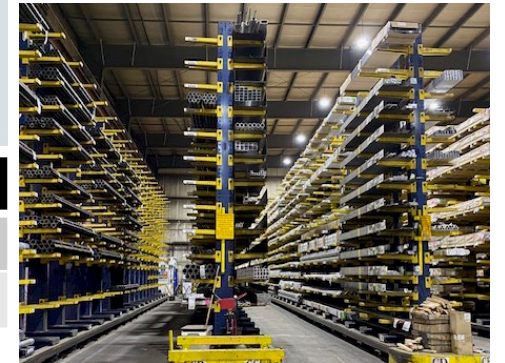
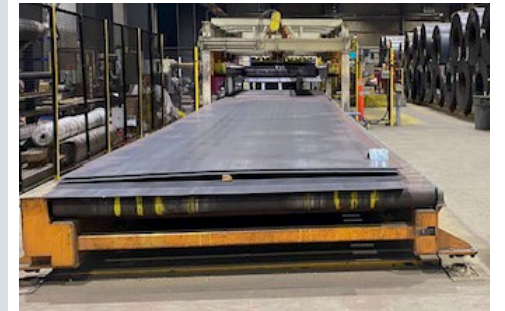
1. Excluding the impact from potential synergies.

# COMPLEMENTARY GEOGRAPHIC FIT IN W. CANADA

- The combined footprint in Western Canada should create opportunities to reconfigure the equipment/locations, enhance operating efficiencies and reduce the combined capital.



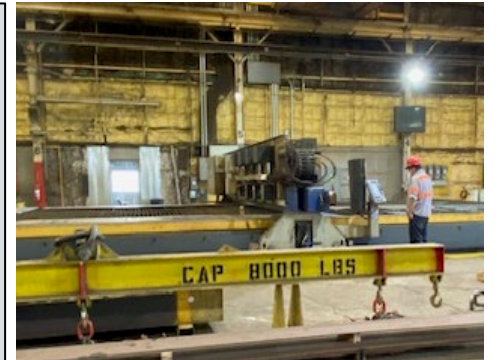
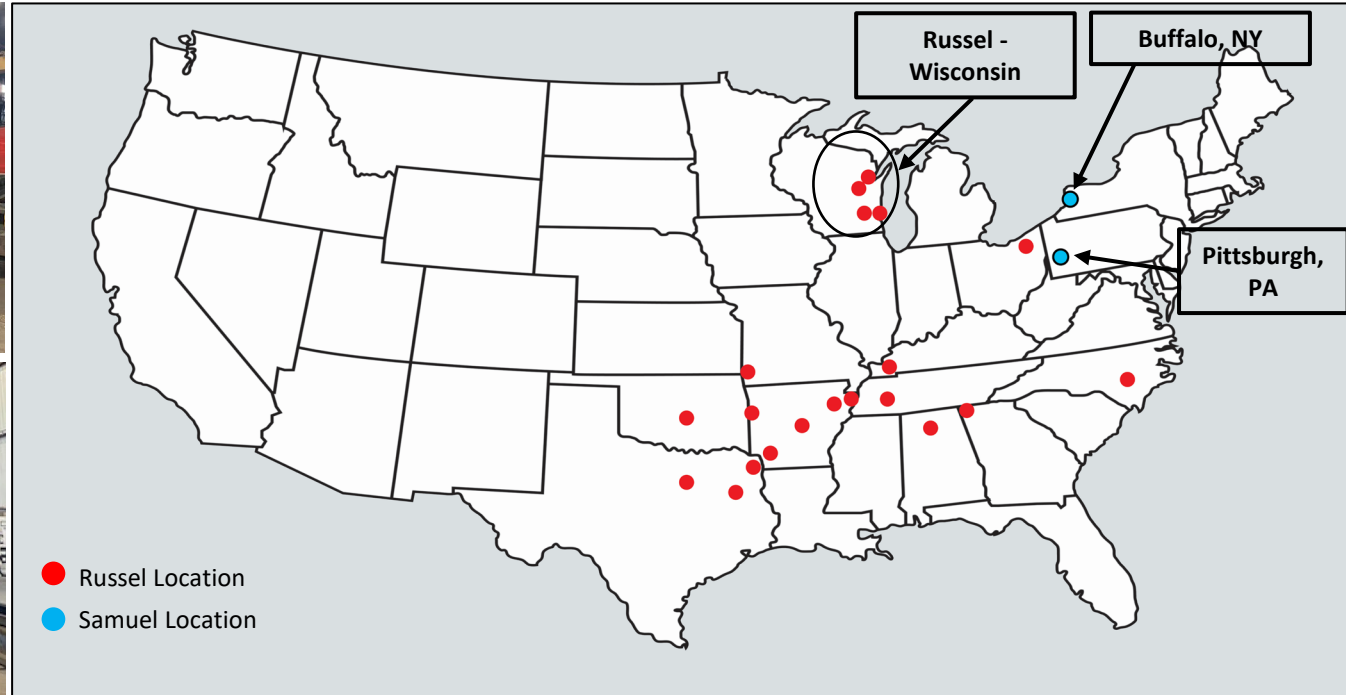
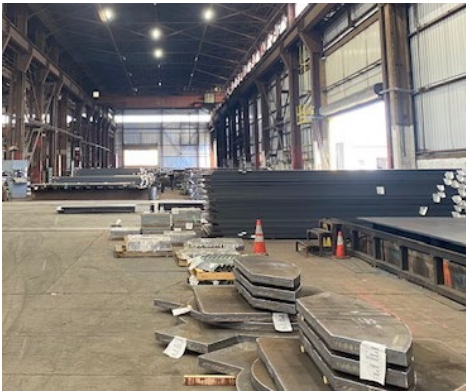
# of Locations	BC	Alberta	Sask.	Manitoba	Total
Russel	5	9	4	3	21
Samuels	2	2	0	1	5





# EXTENSION OF RUSSEL LOCATIONS INTO US NORTHEAST

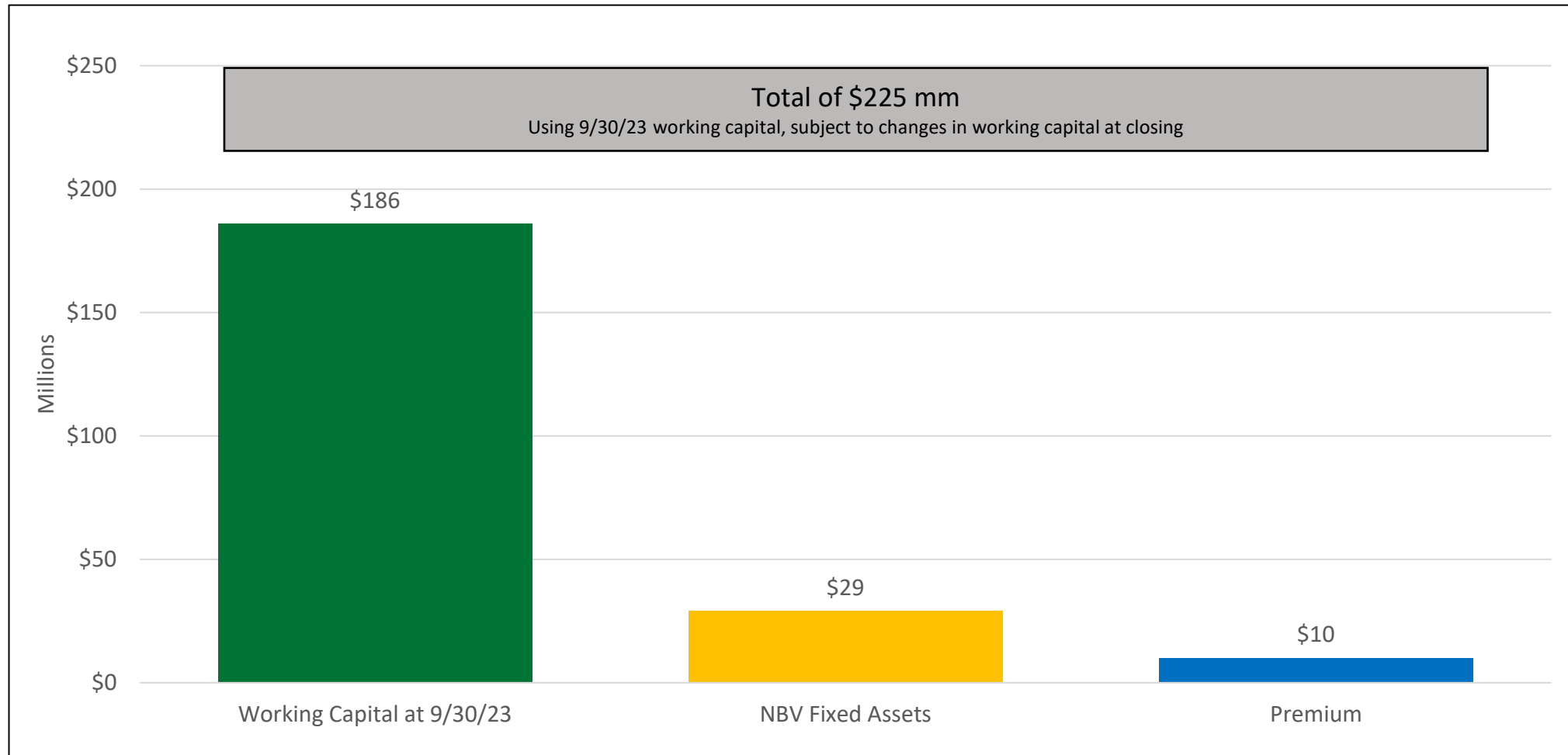
- Samuel's US operations will provide an opportunity to extend Russel geography into the US Northeast and increase economies of scale in plate processing.





# VALUE BREAKDOWN

- Over 80% of the purchase price is related to the working capital of the business.



# ILLUSTRATIVE IMPLIED MULTIPLES

- Based on a range of EBITDA and invested capital scenarios, the following summarizes the implied purchase price multiples.

<i>Implied Purchase Price Multiple</i>		Annual EBITDA (\$mm)				
		\$27	\$30	\$33	\$36	\$39
Net Invested Capital (\$mm)	\$225	8.3x	7.5x	6.8x	6.3x	5.8x
	\$200	7.4x	6.7x	6.1x	5.6x	5.1x
	\$175	6.5x	5.8x	5.3x	4.9x	4.5x
	\$150	5.6x	5.0x	4.5x	4.2x	3.8x
	\$125	4.6x	4.2x	3.8x	3.5x	3.2x



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