

# COMPANY UPDATE

MARCH 2023

# FORWARD-LOOKING INFORMATION

Certain information contained in this presentation constitutes forward-looking information within the meaning of applicable securities laws. Forward-looking information relates to future events or 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 information is based on estimates and assumptions. While such estimates and assumptions are considered reasonable by us, they inherently involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in our forward-looking information, 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, which are important factors in our business and the metals distribution industry. Such risks and uncertainties include, but are not limited to: (i) volatility in metal prices; (ii) cyclicality of the metals industry; (iii) volatility in the energy industry; (iv) pandemics and epidemics; (v) climate change; (vi) product claims; (vii) significant competition; (viii) sources of metals supply and supply chain disruptions; (ix) manufacturers selling directly; (x) material substitution; (xi) credit risk; (xii) currency exchange risk; (xiii) restrictive debt covenants; (xiv) asset impairments; (xv) the unexpected loss of key individuals; (xvi) decentralized operating structure; (xvii) future acquisitions; (xviii) the failure of our key computer-based systems, (xix) cybersecurity, (xx) labour interruptions; (xxi) laws and governmental regulations; (xxii) litigious environment; (xxiii) environmental liabilities; (xxiv) carbon emissions; (xxv) health and safety laws and regulations; and (xxvi) common share risk.

The above list is not an exhaustive list of the factors that may affect any of Russel Metals’ forward-looking information. While we believe that the expectations reflected in our forward-looking information are reasonable, no assurance can be given that these expectations will prove to be correct, and the forward-looking information included in this presentation should not be unduly relied upon. Forward-looking information speaks 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 information. Our actual results could differ materially from those anticipated in our forward-looking information including as a result of the risk factors described above and elsewhere in this presentation, under the heading “Risk” in our management’s discussion and analysis of financial condition and results of operations for the twelve months ended December 31, 2022, under the heading “Risk Management and Risks Affecting Our Business” in our annual information form for the year ended December 31, 2022 and as otherwise disclosed in our filings with securities regulatory authorities which are available on SEDAR at [www.sedar.com](http://www.sedar.com).

# NON-GAAP MEASURES

This presentation includes 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 Adjusted EBIT and Adjusted 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, EBITDA, Adjusted EBIT and Adjusted 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, EBITDA, Adjusted EBIT, Adjusted EBITDA and a number of ratios are used by debt and equity analysts to compare our performance against other public companies.

## DEFINITIONS:

**Book Value per Share** – Shareholders' equity divided by common shares outstanding

**EBIT** – Earnings before deduction of interest and provision for income taxes

**EBITDA** – Earnings before deduction of interest, provision for income taxes, depreciation and amortization

**Adjusted EBIT** – Earnings before deduction of long-lived asset impairment, interest and provision for income taxes

**Adjusted EBITDA** – Earnings before deduction of long-lived asset impairment, interest, provision for income taxes, depreciation and amortization

**Free Cash Flow** – Cash from operating activities before change in non-cash working capital less capital expenditures

**Net Debt to Adjusted EBITDA** – Net debt divided by Adjusted EBITDA

**Invested Capital** – Net debt plus shareholders' equity

**Net Debt** – Total interest-bearing debt, net of cash on hand

**Return on Invested Capital** – Adjusted EBIT divided by Invested Capital

**Return on Equity** – Adjusted EBIT divided by shareholders' equity

**RONA** – Return on Invested Capital is Adjusted EBIT divided by Invested Capital



# 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**

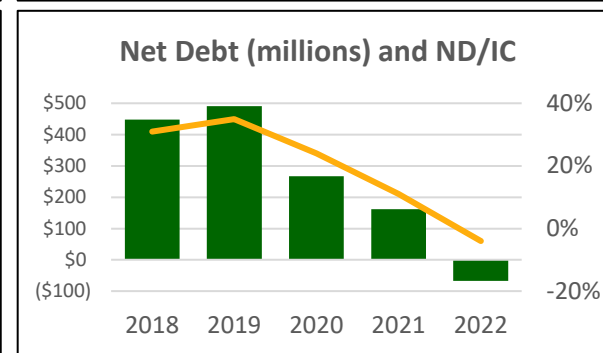
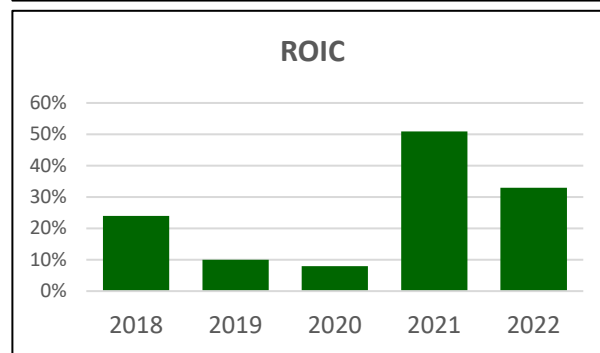
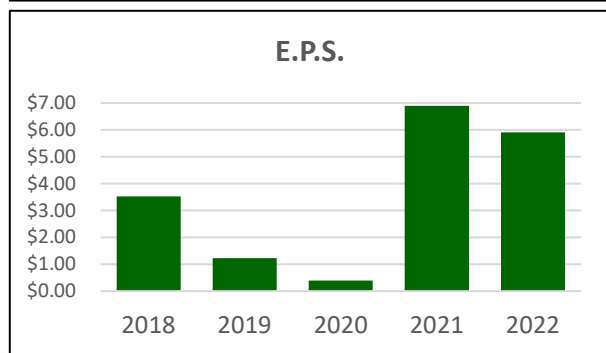
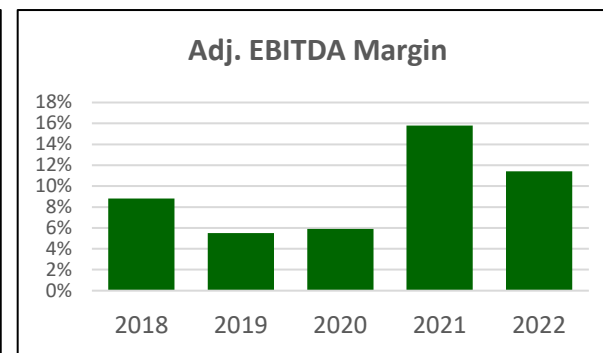
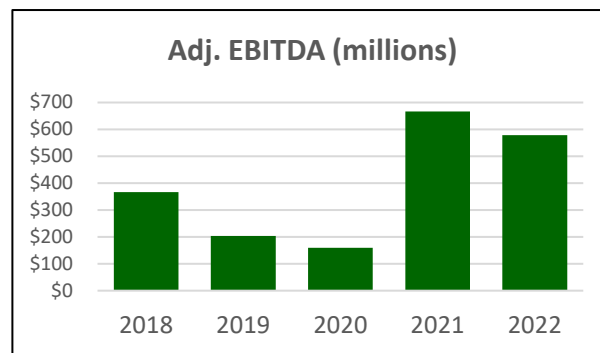
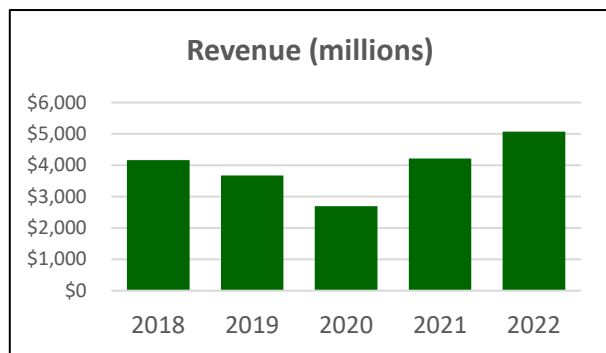
- Monetized the OCTG/Line Pipe segment of the energy portfolio
  - Repatriated ~\$300 million of capital; Reduced volatility; Enhanced average returns and margins
- Reinvested in value-added processing and commenced a facilities modernization initiative
- Completed three acquisitions over last several years

## **Strong Liquidity and Financial Position**

- As of December 31/22:
  - Net Debt/Invested Capital: <0%
  - Liquidity: \$743 million

# 2022 AT A GLANCE

- Record revenues
- Very strong margins, earnings and returns - close to the records set in 2021
- Contributions were broad based across regions and business segments
- Our capital structure is strong
- We made strides in community involvement and diversity
- Looking forward, we have a series of initiatives underway to grow the business



# SUMMARY: STRATEGIC PRIORITIES

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

## Value-Added Equipment

Hub and spoke model for processing centers  
Multiple new investment opportunities/year over multiple years  
Planned ~\$30 mm/year of discretionary investments

## Facility Modernizations

Consolidate multi-site regions into modern operations with automated handling equipment  
Repatriate the real estate value from certain existing locations  
Planned \$50-75 mm of net investments over five years

## Acquisitions

Completed three acquisitions over past several years  
Focus on N. American operations that fit with existing business segments  
Disciplined economic and operational criteria

Balanced approach to returning capital to shareholders

## Dividends

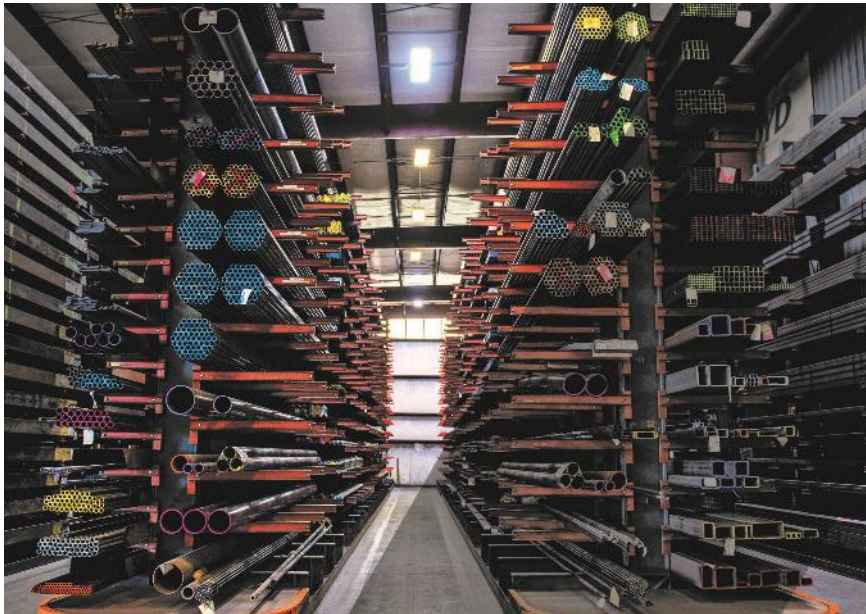
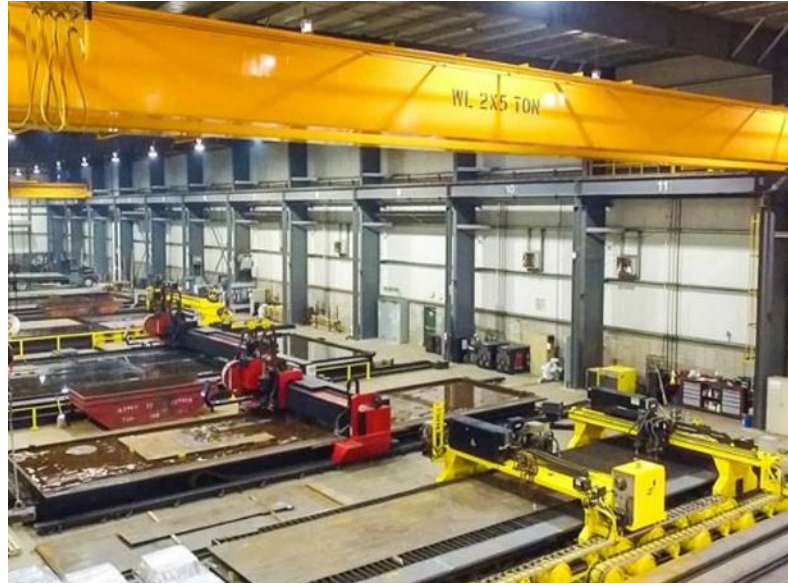
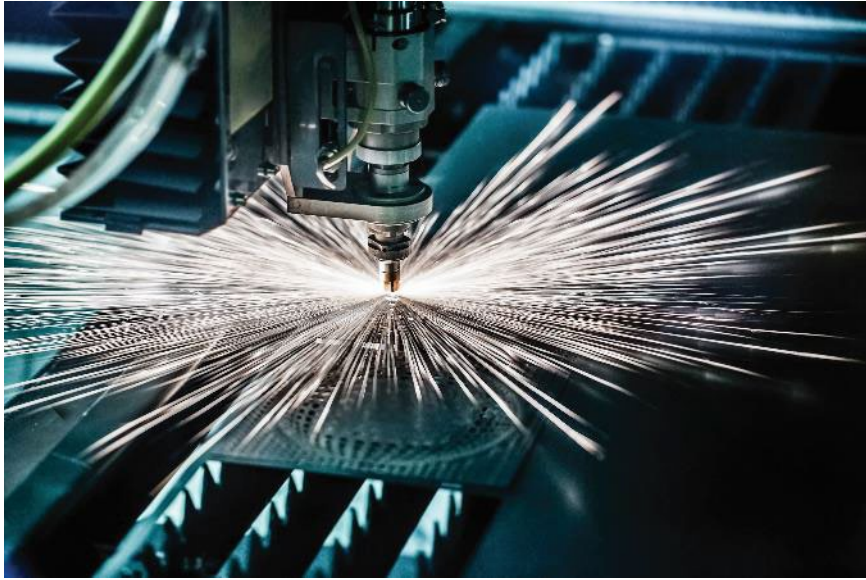
Dividend of \$0.38/share/quarter = \$24 mm/quarter

## Share Buy Backs

Filed for up to 5% of shares outstanding (3.2 mm shares) in August 2022  
Acquired 1 mm shares in 2022 = \$28 mm

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# I. MARKET TRENDS

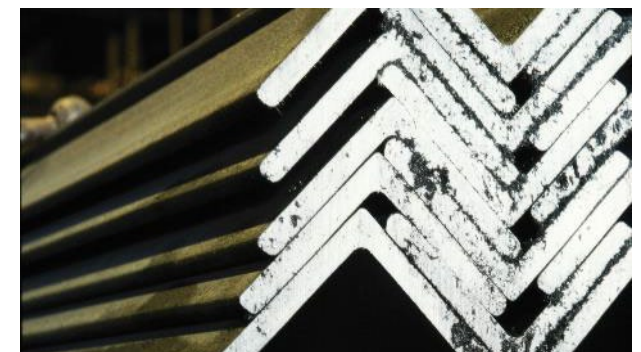
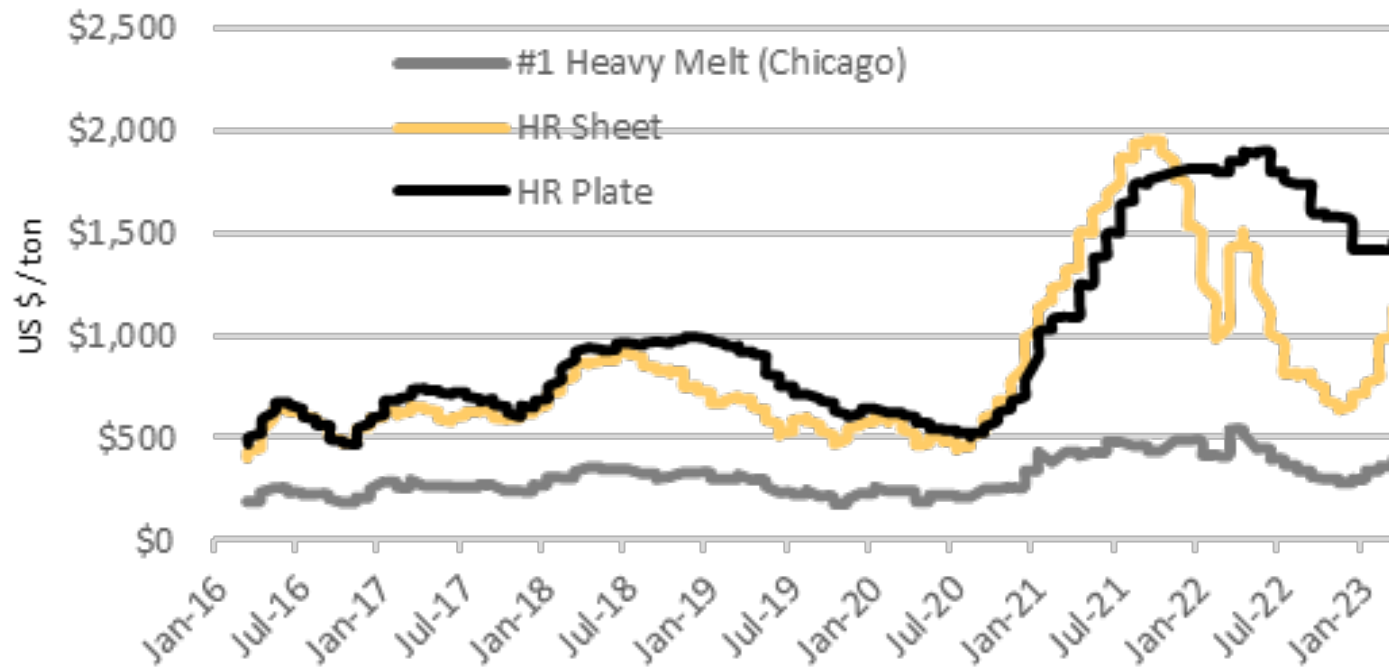
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# BUSINESS CONDITIONS – METAL PRICING TRENDS

## Scrap vs Coil & Plate Pricing

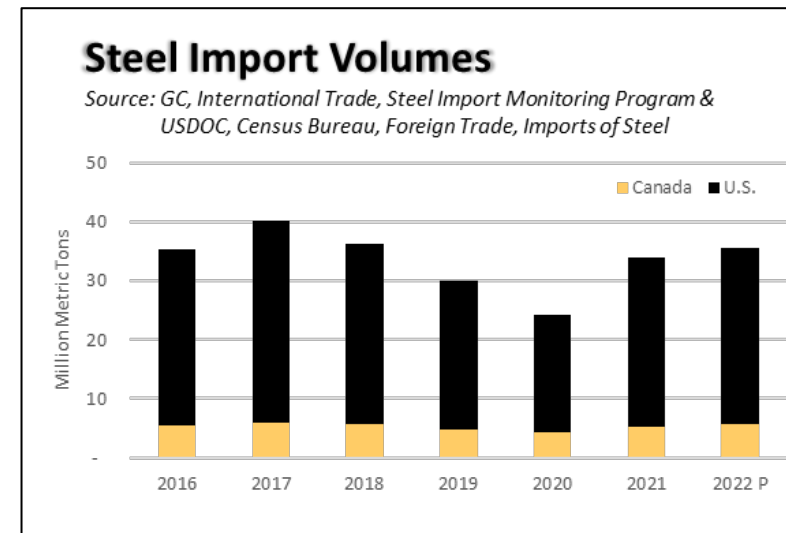
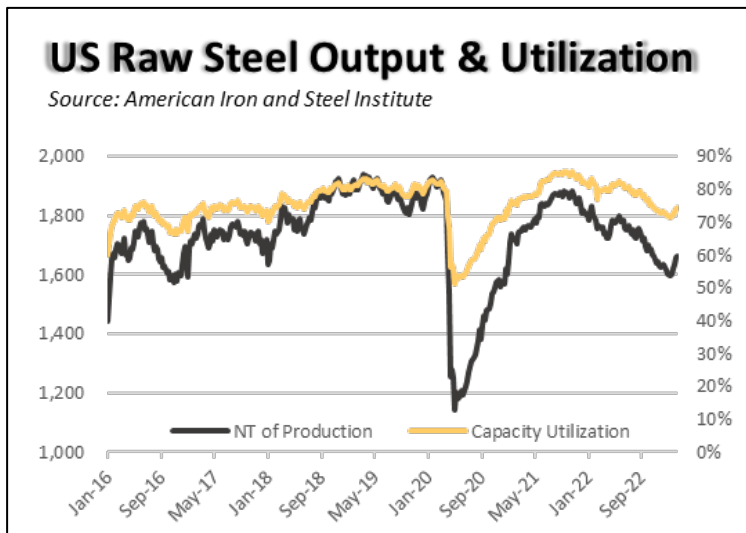
Source: American Metal Market (AMM)



# BUSINESS CONDITIONS: SUPPLY CHAIN DYNAMICS

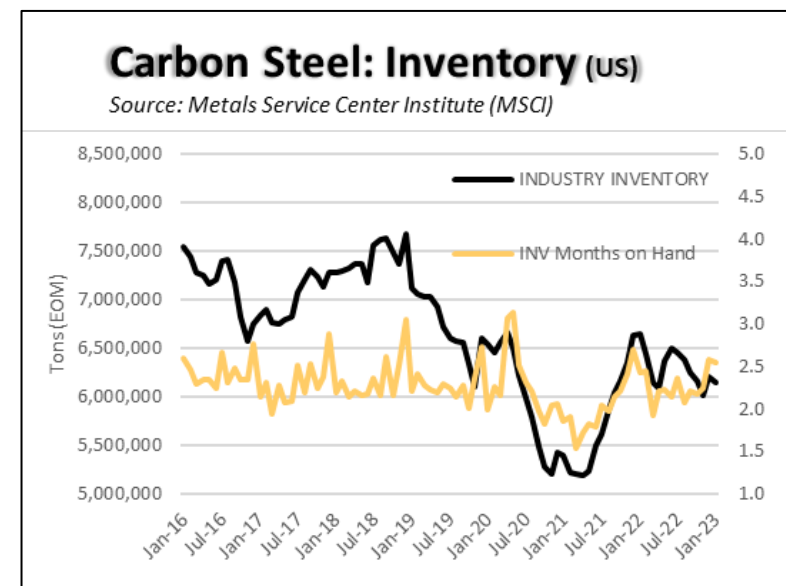
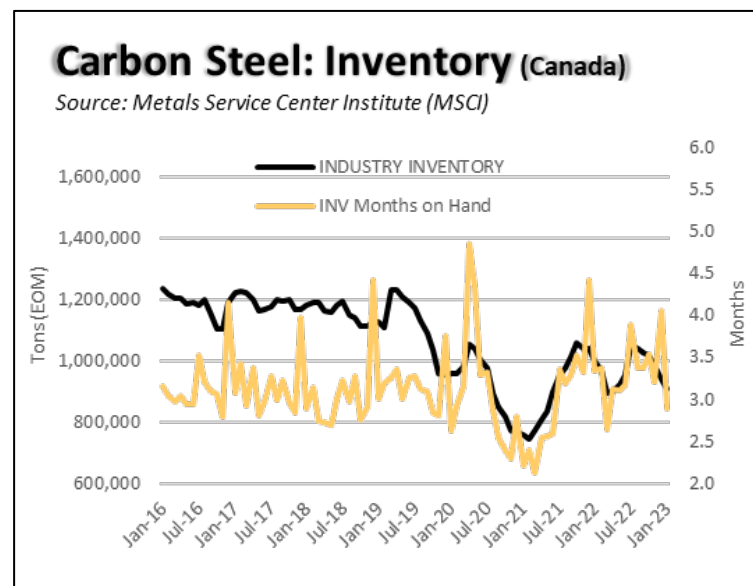
## Steel Mills/Imports:

- Capacity utilization recently picked up
- Imports are consistent with 2021 and pre-Covid levels

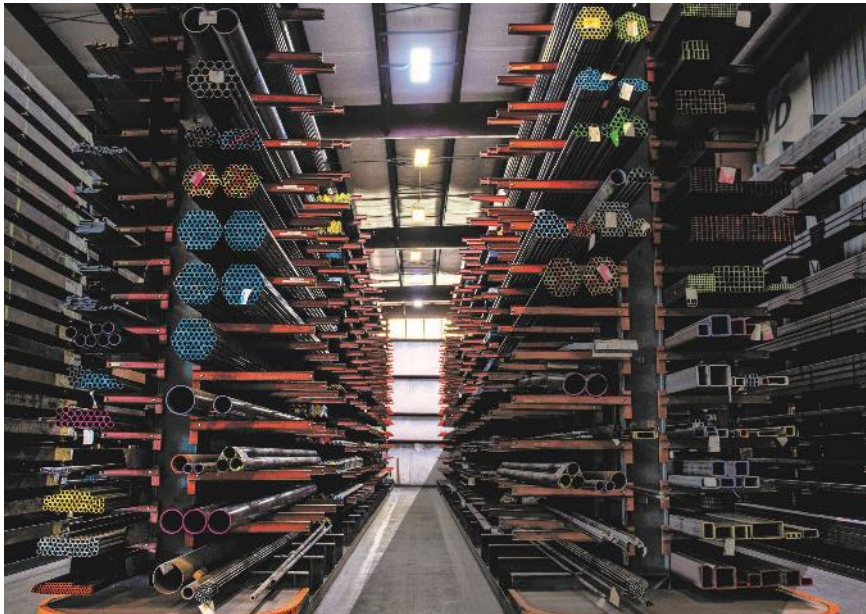
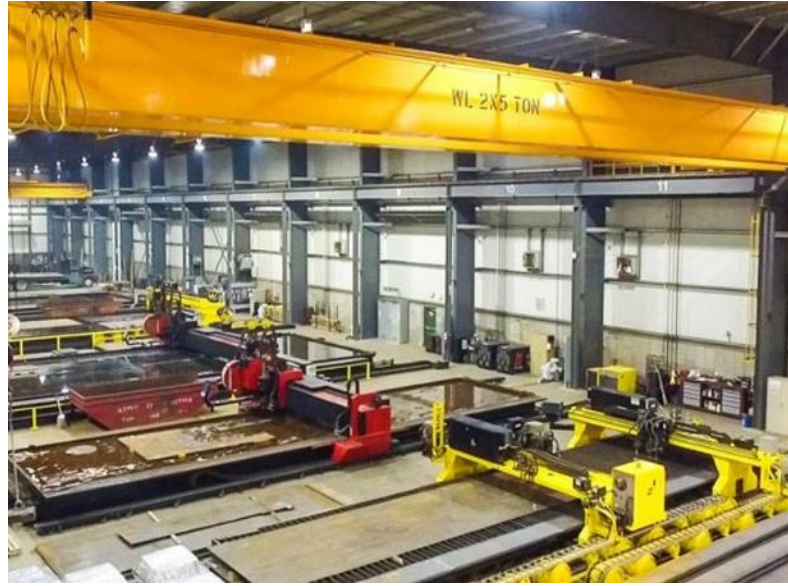
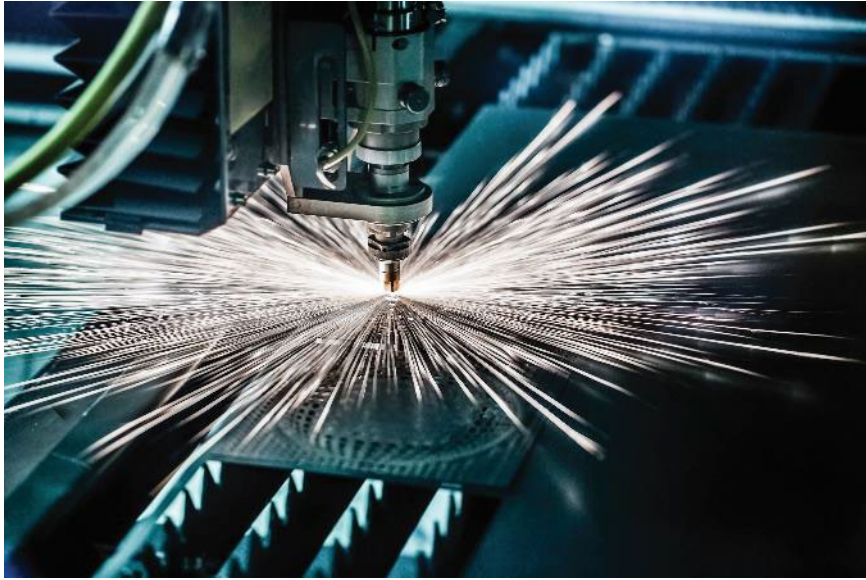


## Service Centers:

- Supply chain tonnage decreased over past several months







## II. COMPANY OVERVIEW

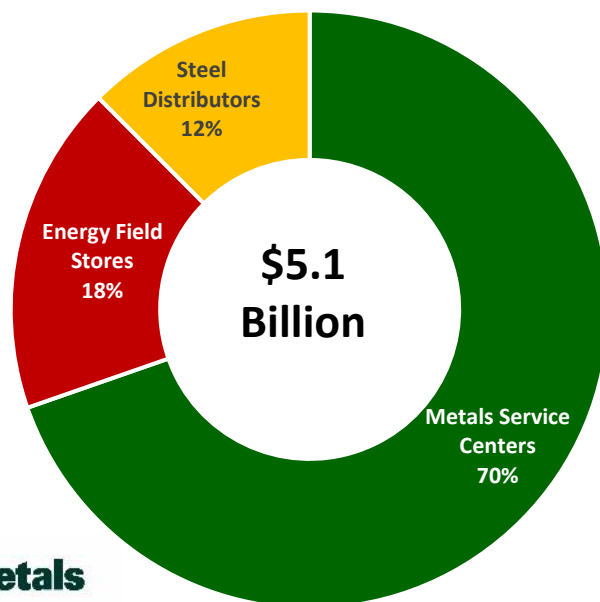
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# RUSSEL METALS AT-A-GLANCE

## Overview

- Distribution of steel and other metal 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; 62 mm shares outstanding

## Revenue by Segment – 2022



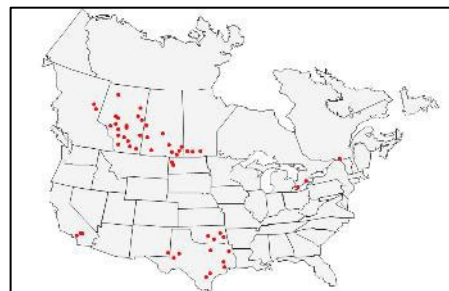
## Key Segments

### 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.)
- In 2021, completed monetization of OCTG/Line Pipe businesses

### Steel Distributors

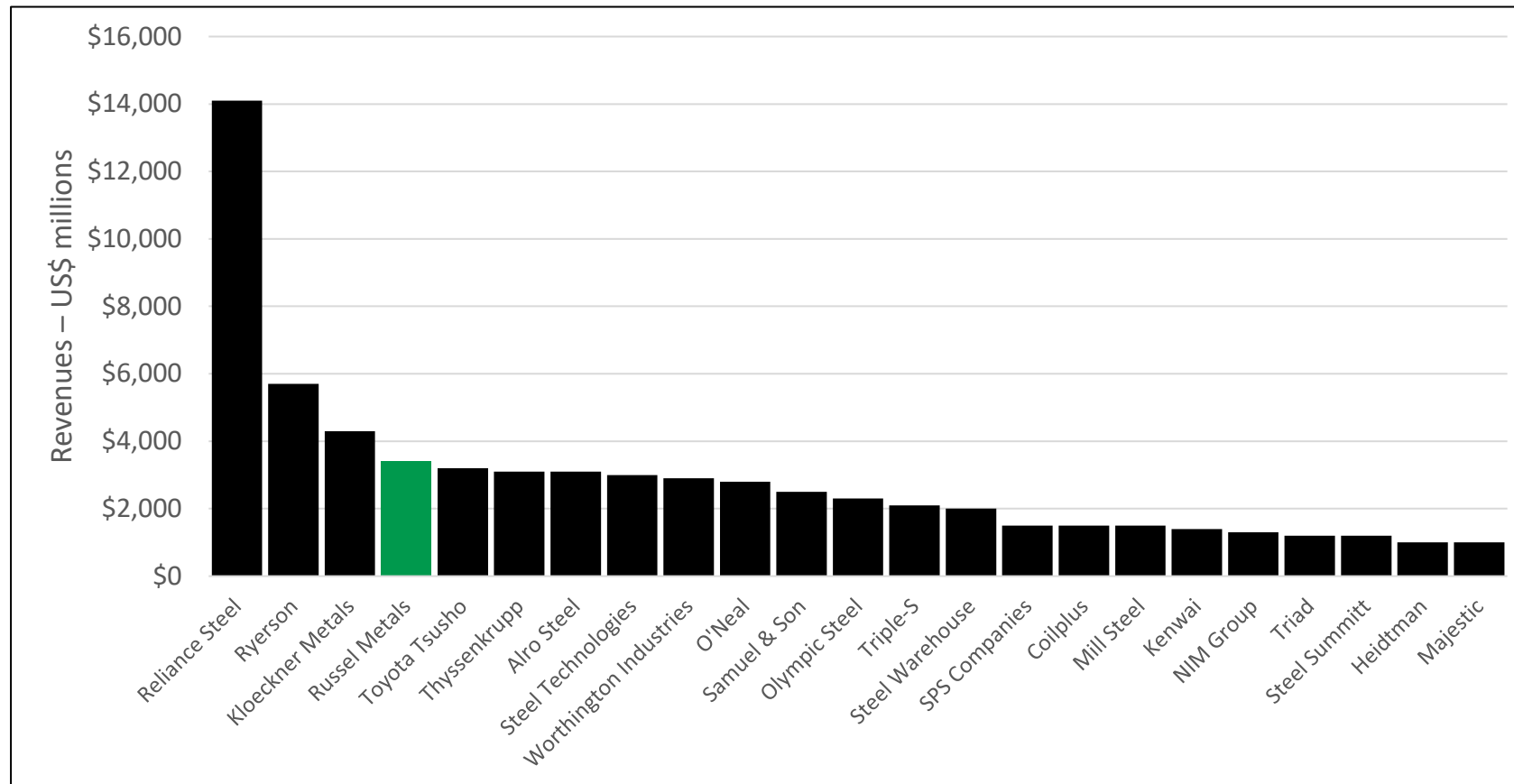


- Sell steel in larger volumes to other steel service centers & large equipment manufacturers



# STRONG MARKET POSITION

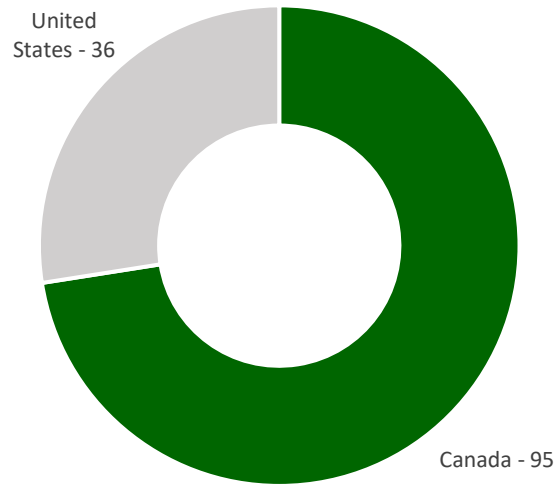
- Russel is one of the largest service center companies in North America
  - Leading market position in Canada
  - Strong market position in the US South and US Mid-West



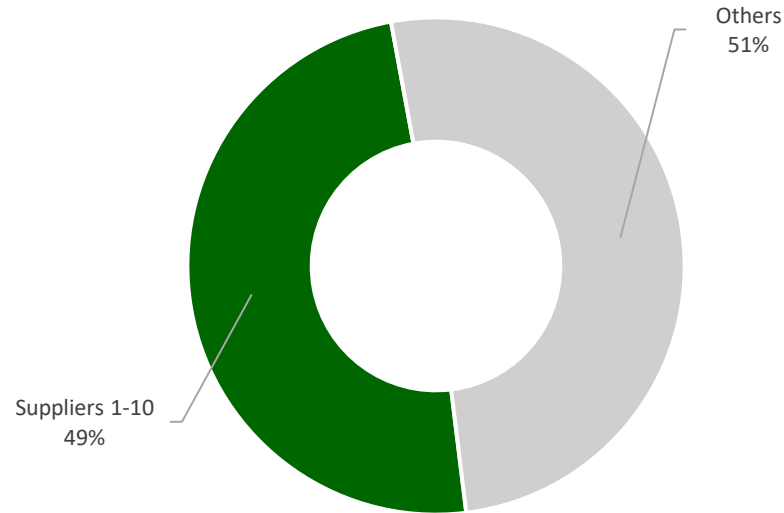
Source: Metal Center News, September 2022

# DIVERSIFIED BUSINESS

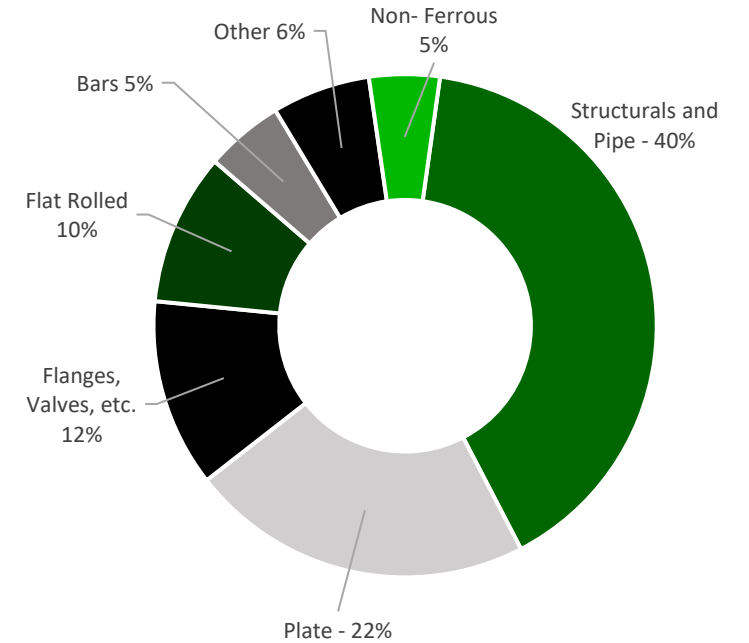
## Geography - 131 Locations



## Suppliers



## Product Mix



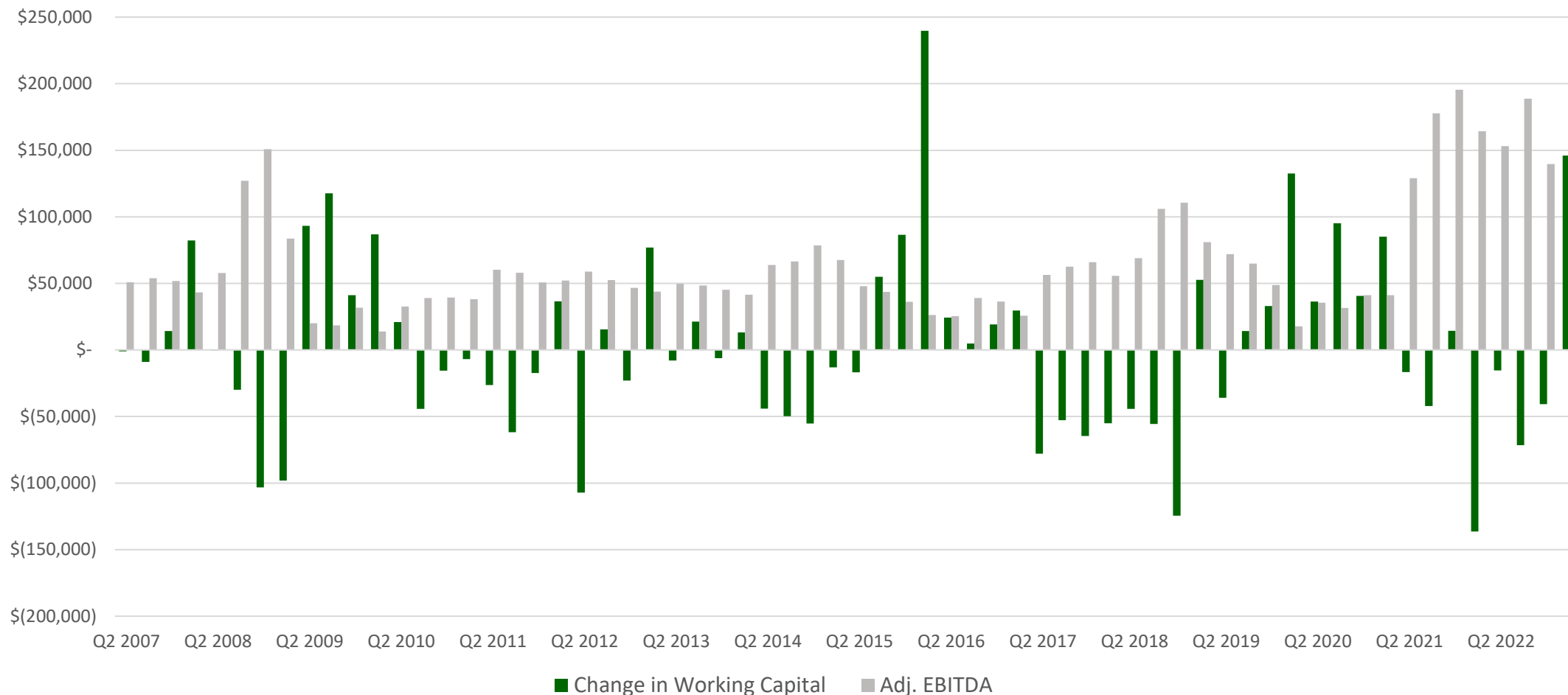
## Customers

- >30,000 customers
- Average invoice < \$2,500
- Top 10 customers < 10% of revenues

# COUNTERCYCLICAL CASH FLOWS

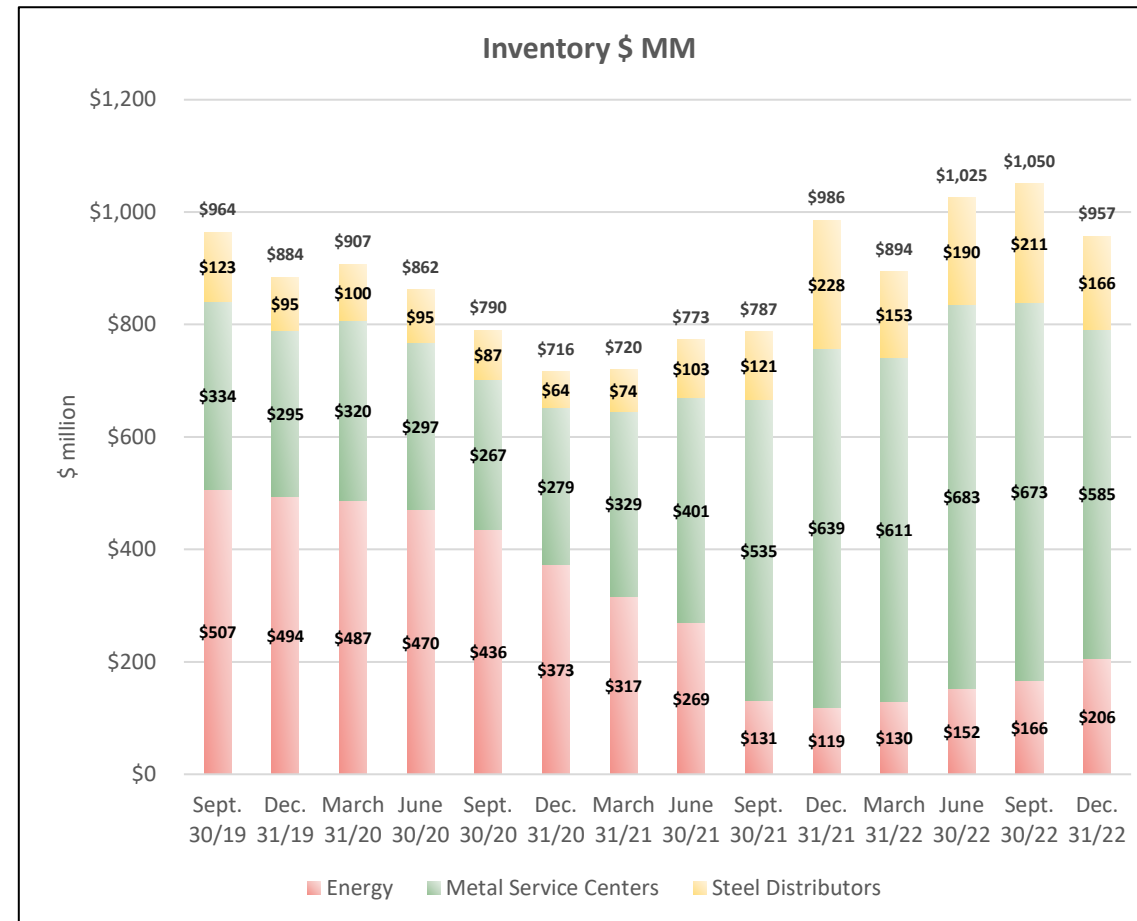
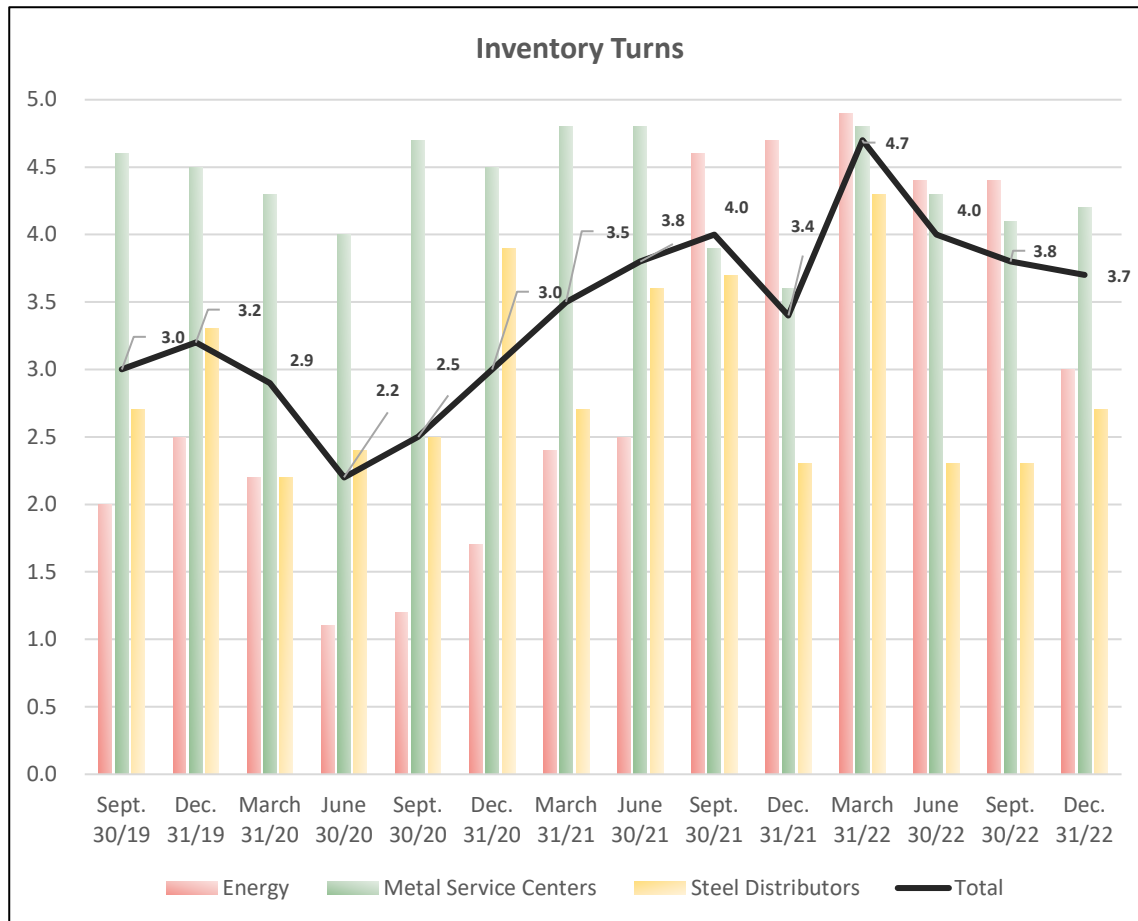
- Strong EBITDA during upcycles; working capital repatriation during market downturns.

Quarterly EBITDA vs. Change in Working Capital (\$'000's)



Note: Adj. EBITDA has been adjusted to exclude inventory provisions, asset impairments, product warranty provision, and gain on sale of properties from 2014, 2015, 2016 and 2020. Q3 2021 change in working capital includes the impact from the sale of working capital to TriMark.

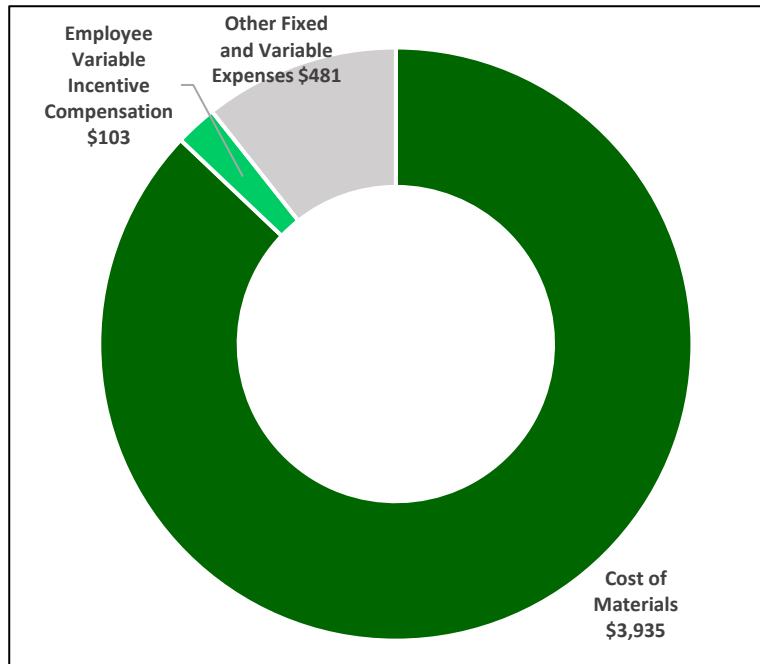
# WORKING CAPITAL DISCIPLINE



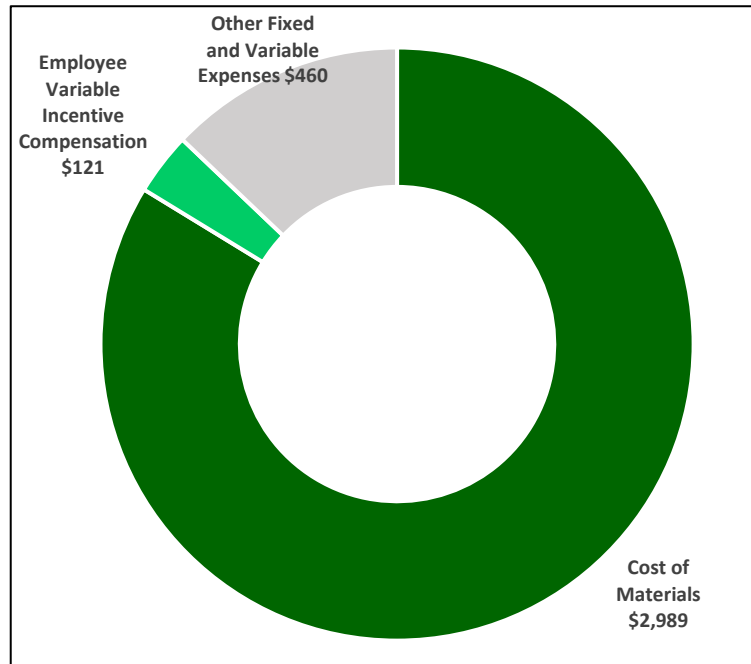


# VARIABLE COST MODEL – BREAKDOWN OF CASH COSTS

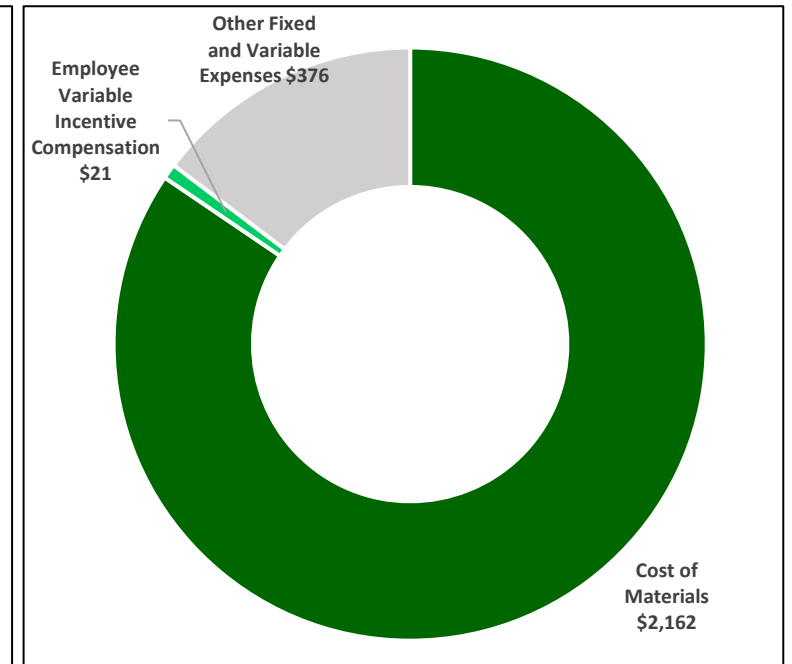
YEAR ENDED DECEMBER 31, 2022



YEAR ENDED DECEMBER 31, 2021



YEAR ENDED DECEMBER 31, 2020

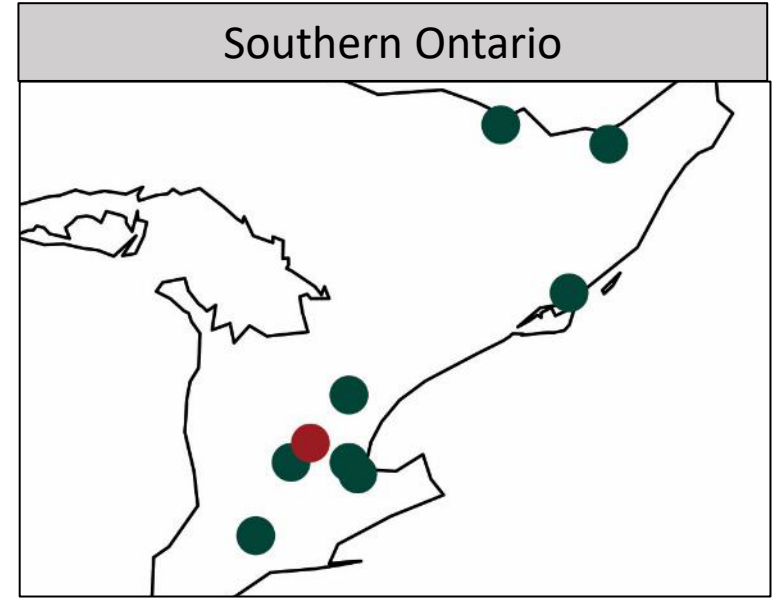
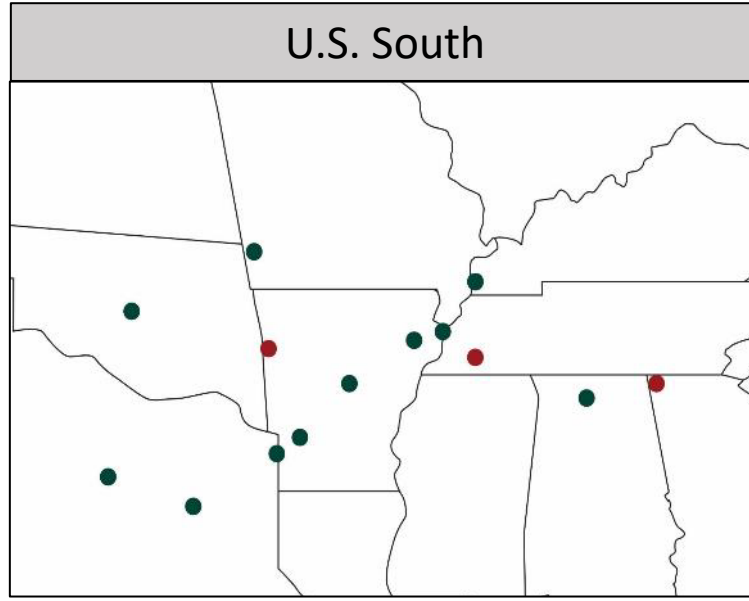
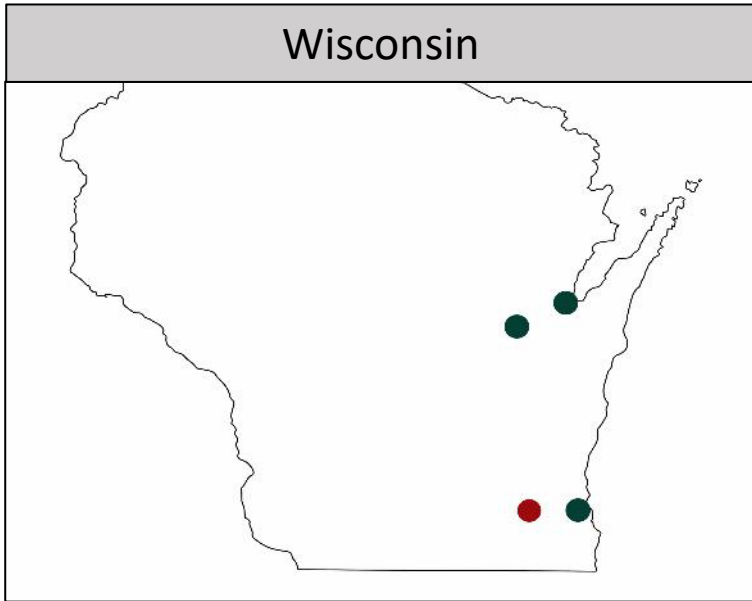


# INVESTING IN VALUE-ADDED PROCESSING

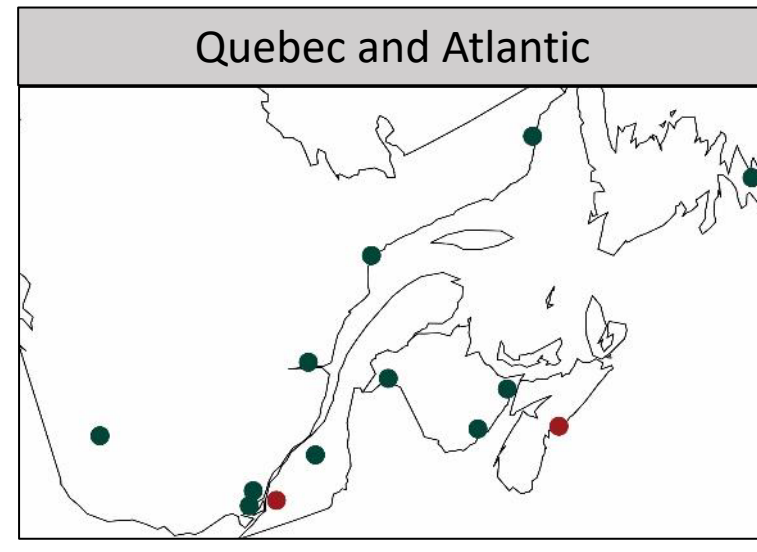
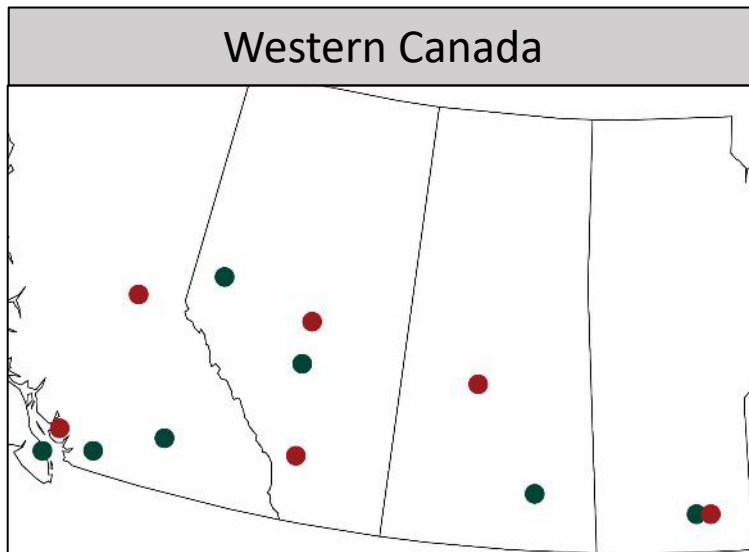
- Value-added processing investments over multi-years
- Typically have paybacks of <3 years



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



- Processing center
- Distribution center





# ESG FOCUSED

## Environmental

- Divested OCTG/Line Pipe business
- Low carbon emissions from operations
  - GHG emissions in 2021 were 51,024 tonnes CO<sub>2</sub>(e) – down 4% vs. 2020
  - Equates to 0.00001 tonnes/dollar of revenue
- Environment Management System



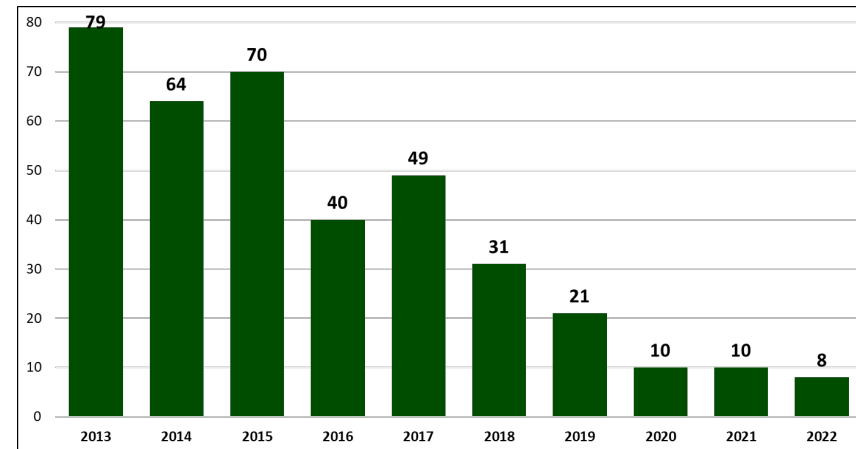
## Social

- 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/Visible Minority: 50% Board; 30% Corp. Mgt.
- Independent Board and Audit Committee
- Majority Voting
- Code of Business Conduct
- Independent Whistleblower program

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



\* See Russel Metals Annual Information Form for definitions and additional information

*Dollar for Dollar*

*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))

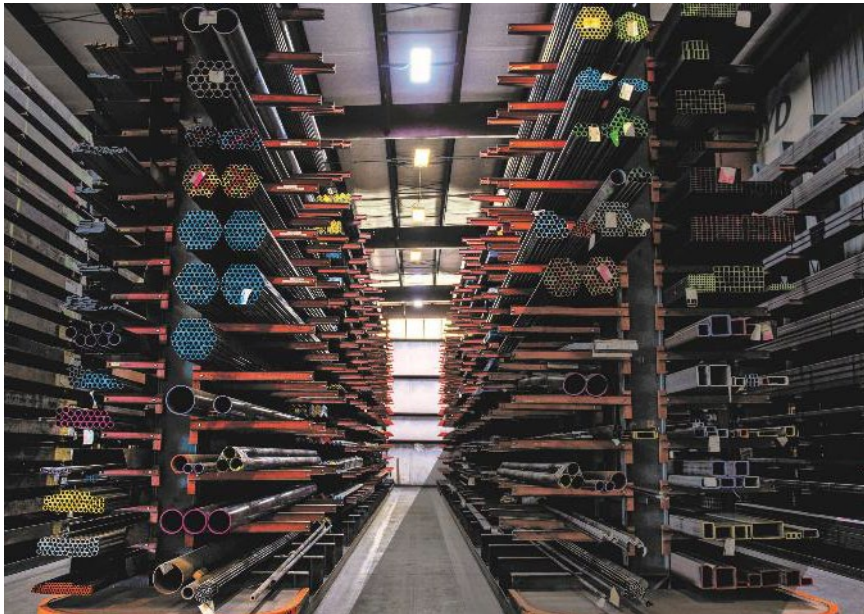
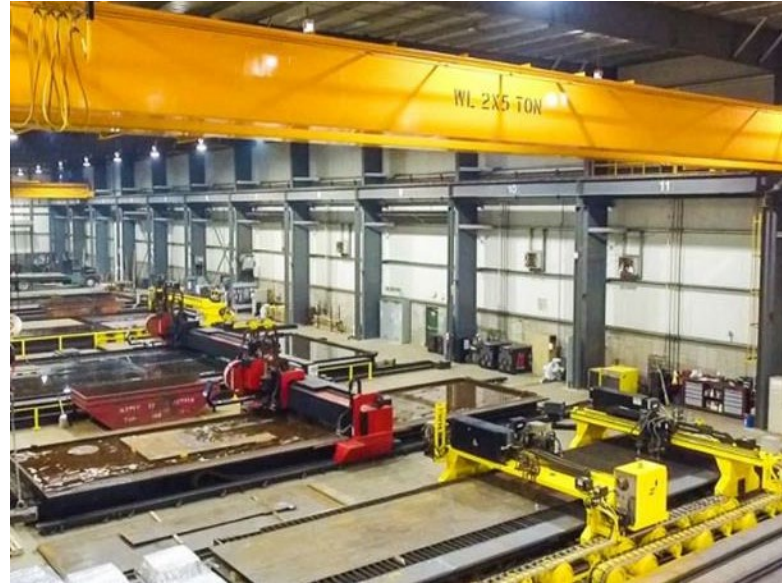
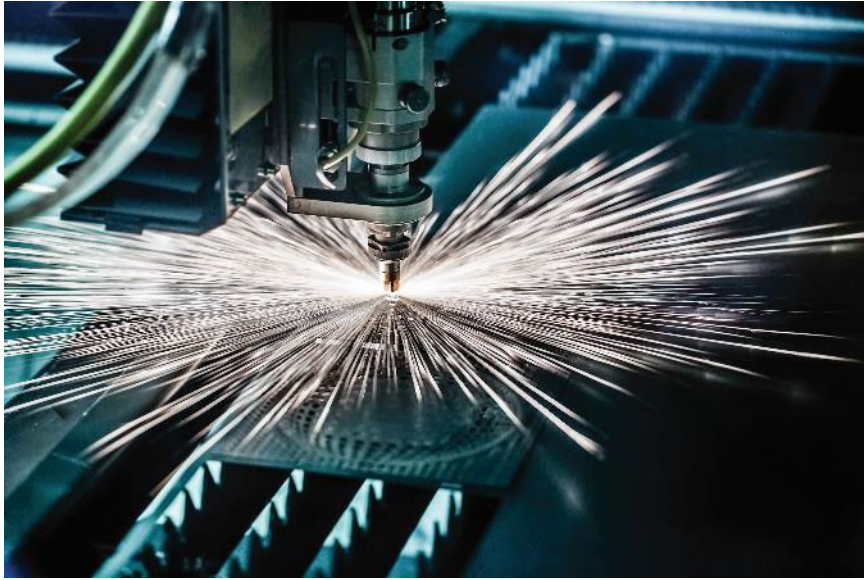
We would now like to add to our commitment by partnering with all of you through our charitable donation matching program to support the causes that matter the most to you.

- 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 feed 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.

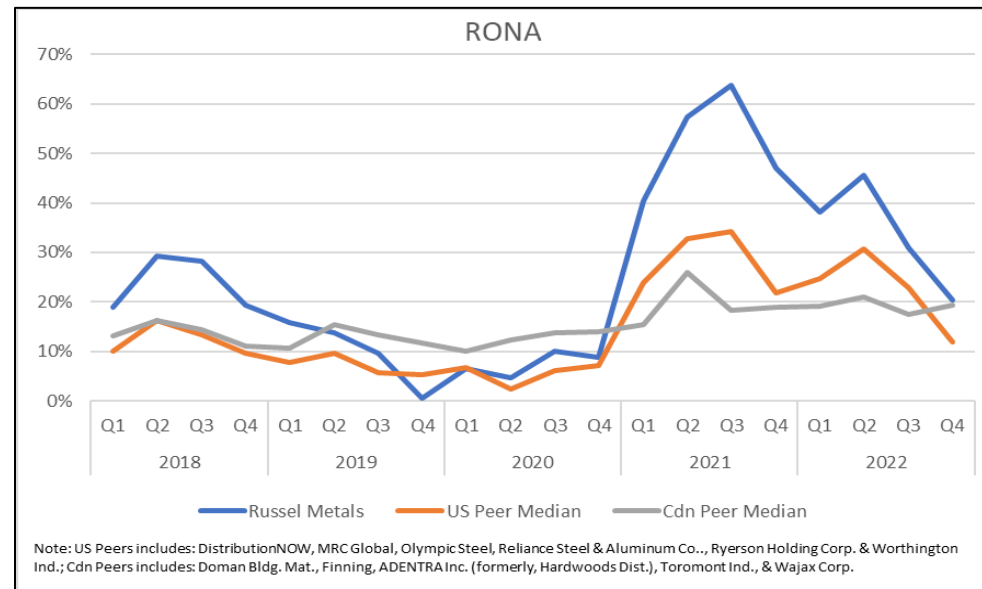
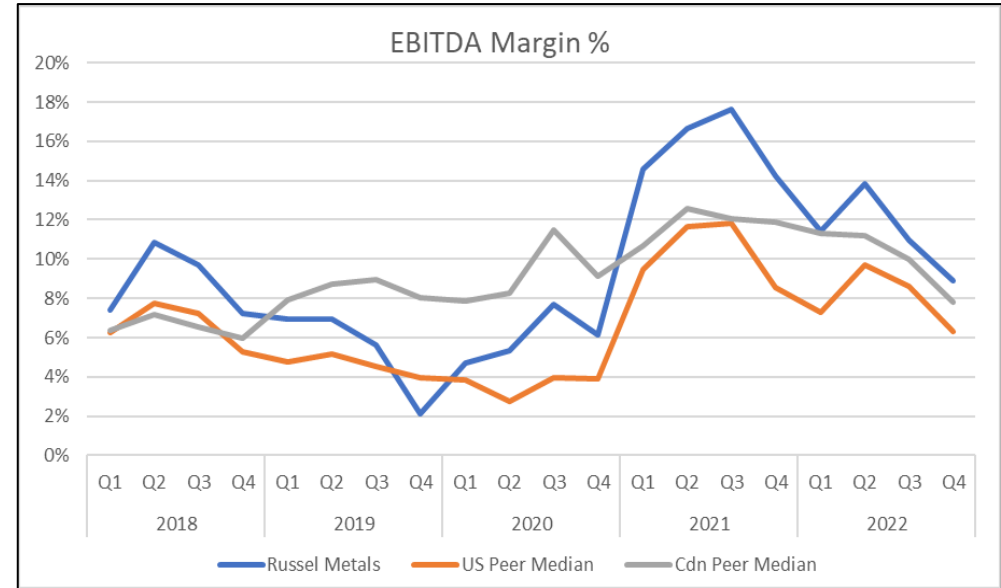
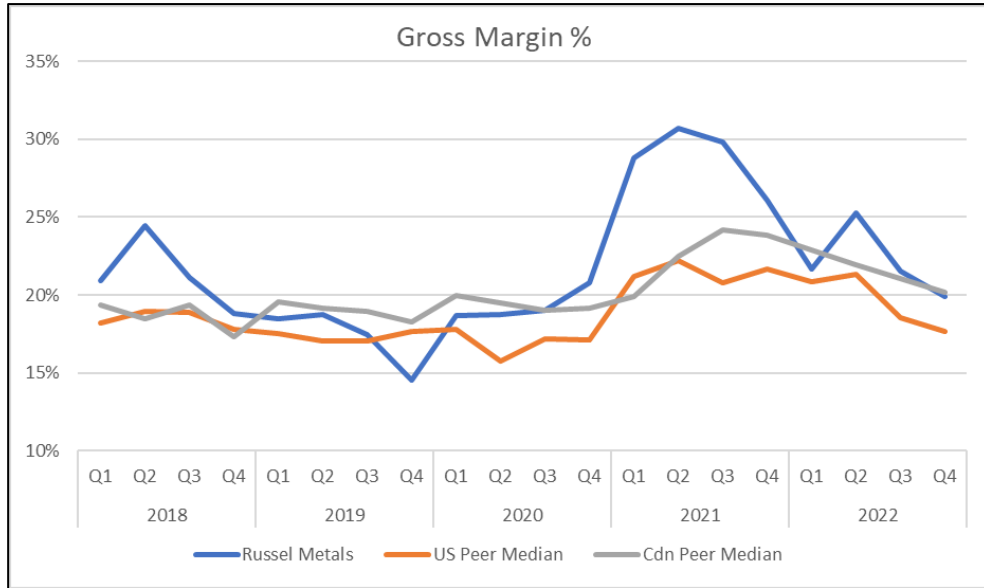




## III. FINANCIAL OVERVIEW

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# RELATIVE PERFORMANCE REMAINS STRONG



# PORTFOLIO REALIGNMENT: RETURN ON CAPITAL



# RETURN ON INVESTED CAPITAL: SENSITIVITY ANALYSIS

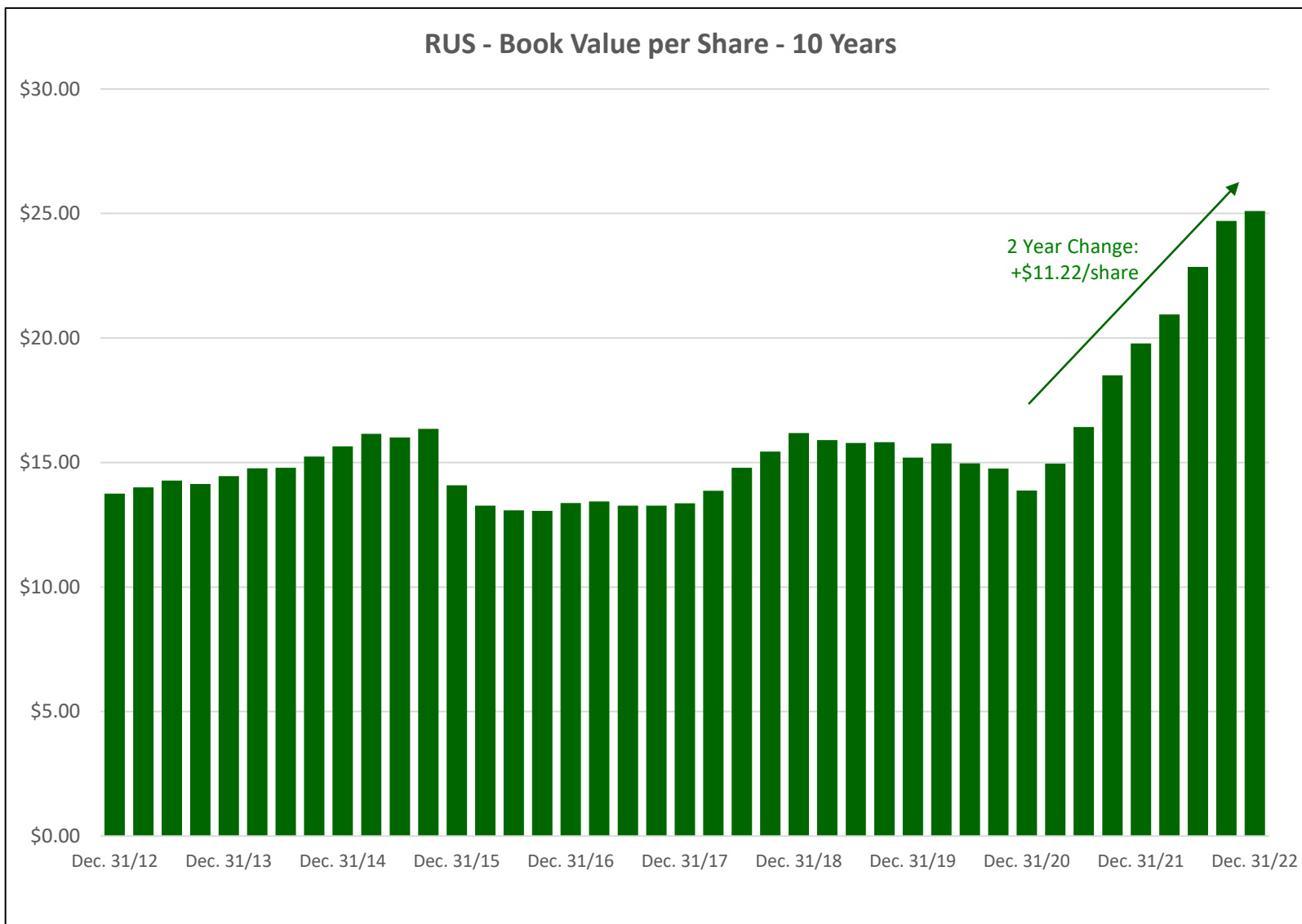
- The following illustrates the implied annual EBITDA under a range of invested capital and return scenarios.

		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.



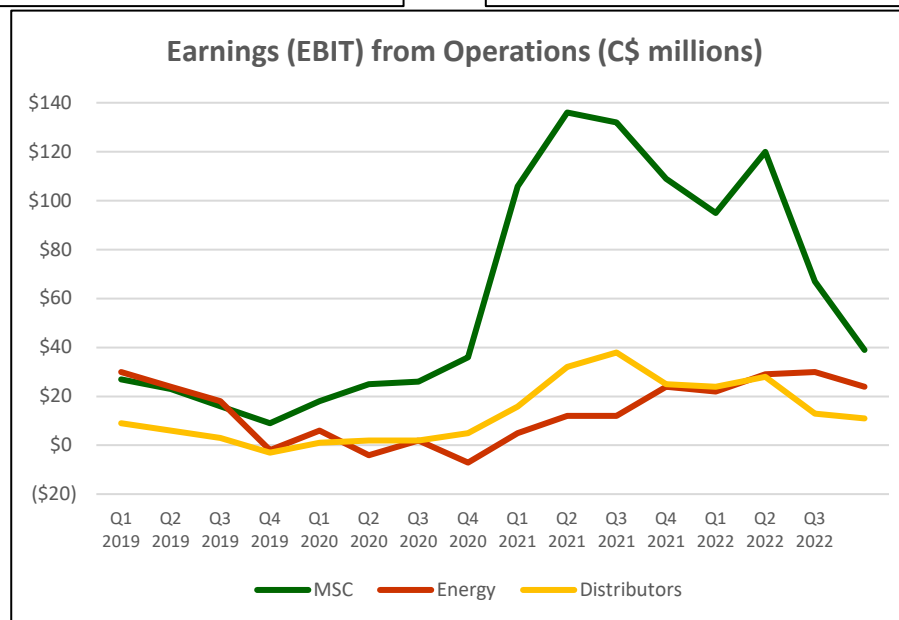
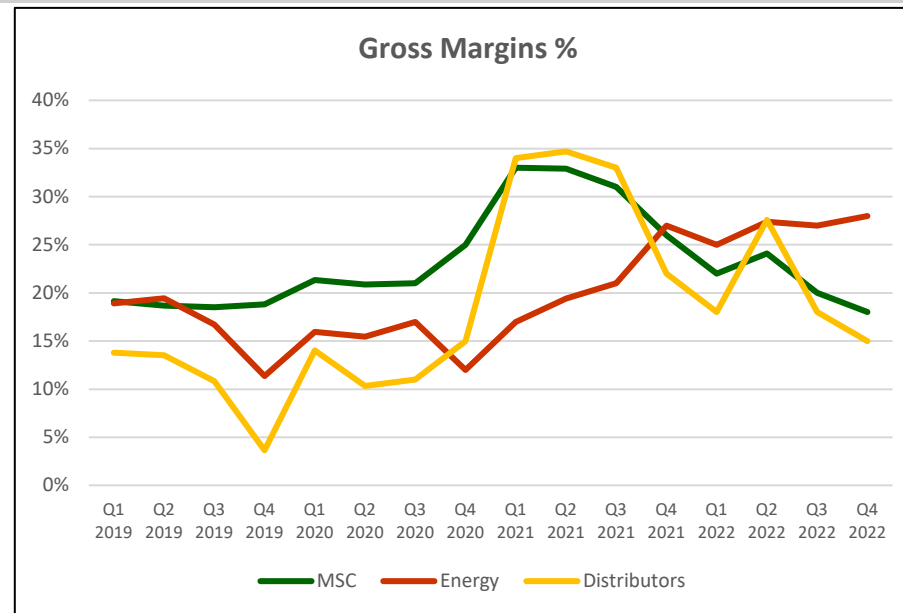
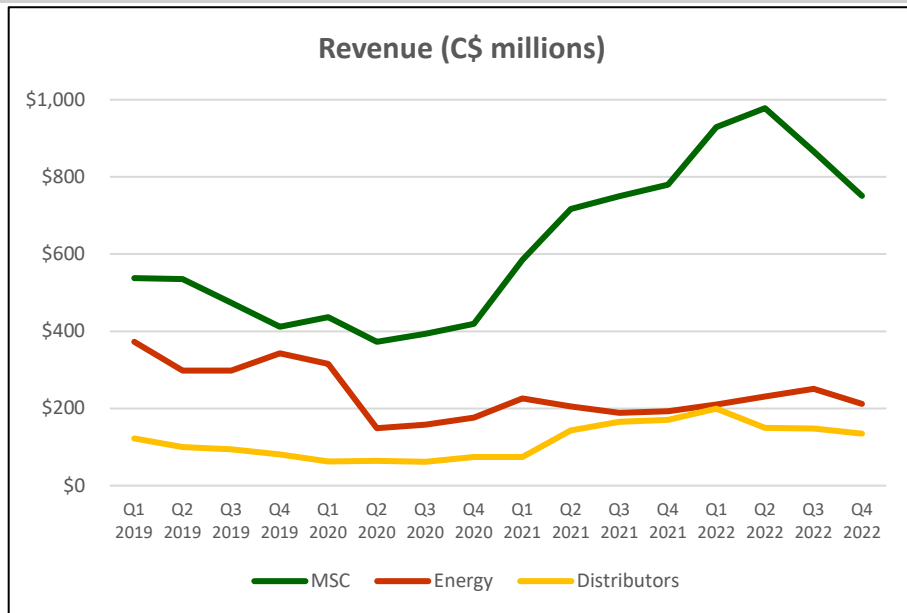
# GROWING EQUITY BASE



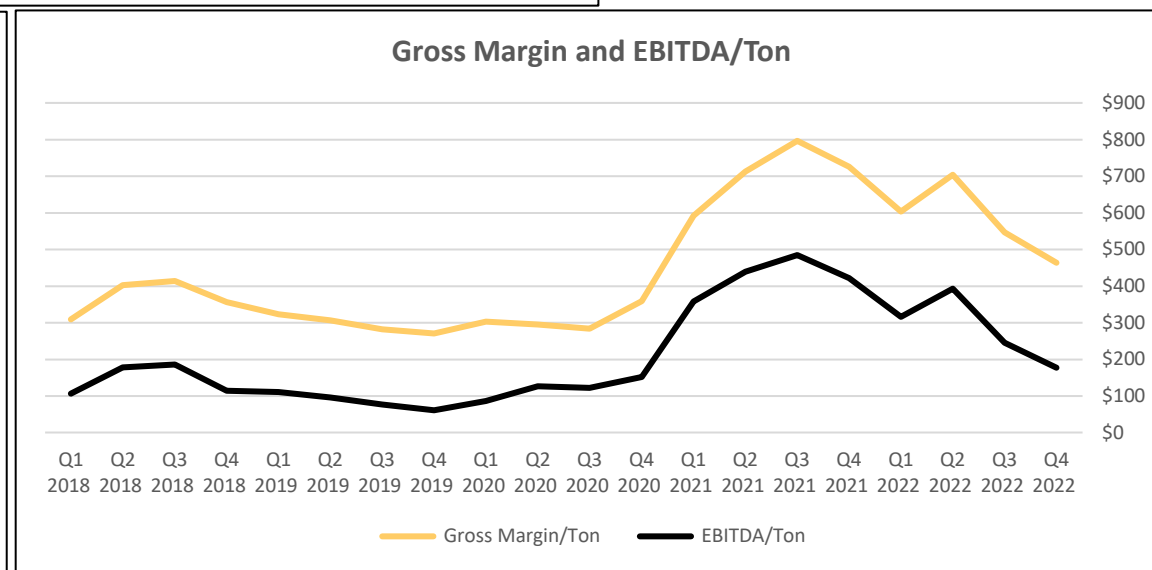
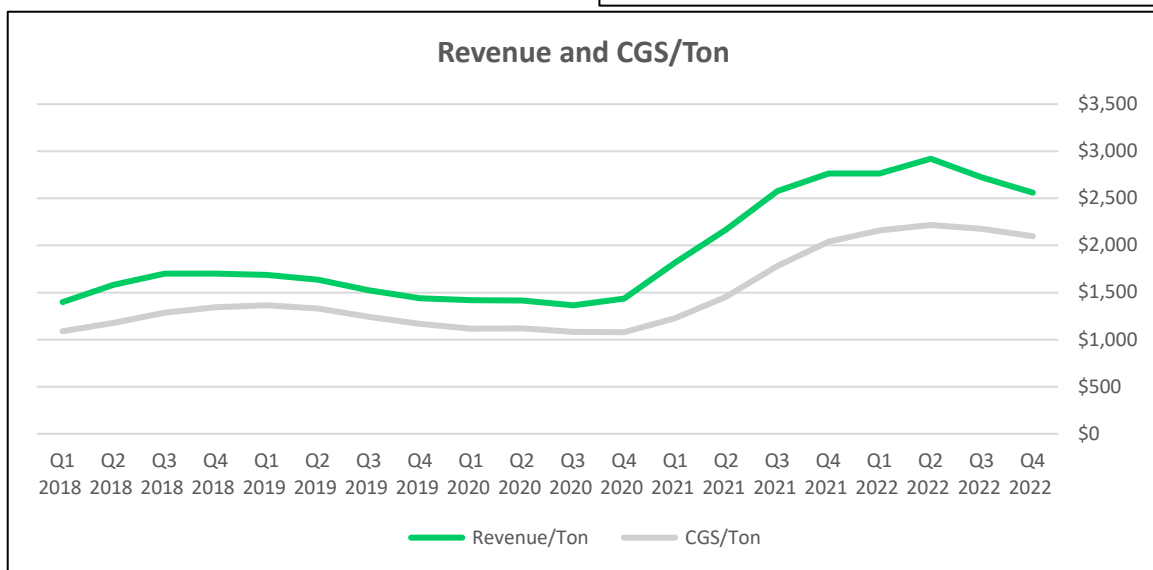
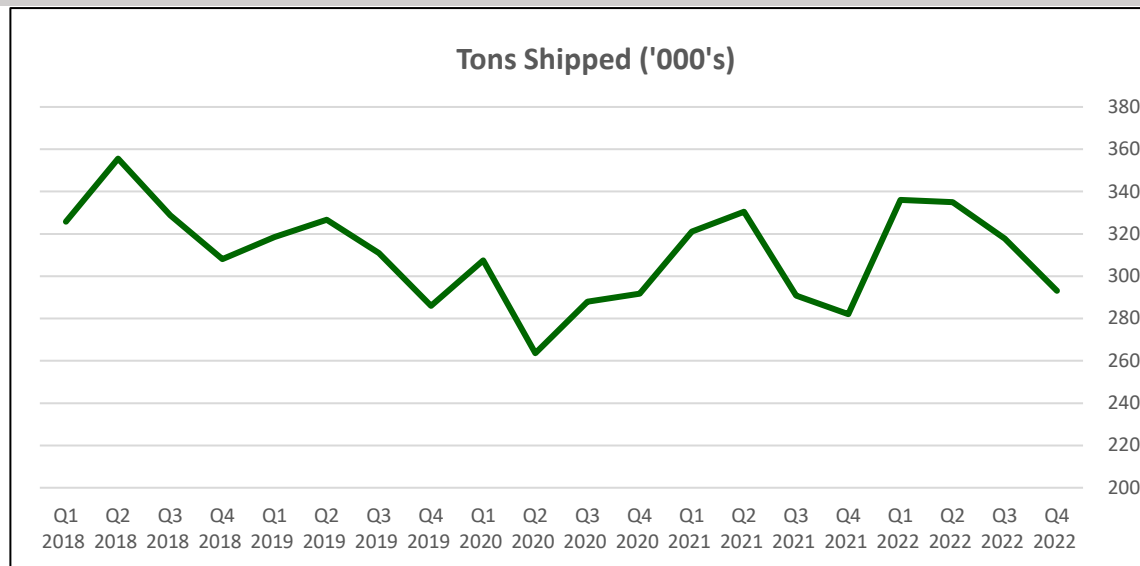
# Q4 2022 FINANCIAL RESULTS

\$ mm, unless otherwise stated	Q4 2021	Q3 2022	Q4 2022	Q4 2022 Observations:	
<b>Income Statement:</b>					
Revenues	\$1,147	\$1,270	\$1,100	<ul style="list-style-type: none"> <li>Revenues declined 13% from Q3 and 4% from Q4 2022</li> <li>Margins declined for service centers and distributors; improved for energy field stores</li> <li>Q4 results impacted by:               <ul style="list-style-type: none"> <li>P/L pick-up from TriMark (\$10 mm = \$9 mm of earnings + \$1 mm of preferred dividends). Dividends of \$8 mm received in Q4 2022.</li> <li>Mark-to-market of stock-based comp \$2 vs. NIL in Q3</li> <li>Inventory reserves increased by \$3 mm</li> <li>Pension annuitization expense of \$1 mm</li> </ul> </li> </ul>	
Gross Margin (\$ mm/%)	\$299 / 26%	\$274 / 22%	\$218 / 20%		
EBITDA (\$ mm/%)	\$162 / 14%	\$140 / 11%	\$97 / 9%		
EBIT (\$ mm/%)	\$147 / 13%	\$123 / 10%	\$79 / 7%		
Interest Expense	\$7	\$7	\$5		
Net Income	\$104	\$91	\$58		
EPS	\$1.65	\$1.45	\$0.93		
<b>Cash Flow:</b>					
Change in non-cash working capital	\$(136)	\$(41)	\$146		<ul style="list-style-type: none"> <li>Net decrease in working capital: Decrease in Inv (\$88 mm) and AR (\$167 mm) offset by decrease in AP (\$109 mm)</li> <li>Capex is moving up with discretionary projects. Expect \$75 mm/yr over next few years</li> </ul>
Capex	\$(8)	\$(10)	\$(15)		
<b>Balance Sheet:</b>					
Net Debt (Cash)	\$162	\$92	\$(67)	<ul style="list-style-type: none"> <li>Total debt of \$296 mm offset by cash/investments of \$363 mm</li> <li>Liquidity continued to remain strong</li> <li>C\$ strengthened and had an impact on Other Comprehensive Income. Fx at 12/31/22 (1.3544) vs. 9/30/22 (\$1.3707)</li> <li>Share buy backs of 417k shares in Q4 for a total of 1 mm shares since August (\$28 mm)</li> <li>Book value of \$25.10/share</li> <li>Dividend of \$0.38/share</li> </ul>	
Shareholders' Equity	\$1,248	\$1,544	\$1,559		
Available Liquidity	\$495	\$541	\$743		
Net Debt/Capitalization	11%	6%	<0%		

# SEGMENT BREAKDOWN: OPERATING RESULTS



# SERVICE CENTER RESULTS





# LIQUIDITY AND CAPITAL STRUCTURE SUMMARY

- Russel has significant liquidity and no debt maturities for several years.

	12/31/21 (C\$ mm)	12/31/22 (C\$mm)	
Cash	\$133	\$363	+\$230 mm
Bank Lines - Maturity 2025	--	--	
5.75% Notes - Due 2025	\$147	\$148	
6% Notes - Due 2026	\$148	\$148	
Total Debt	\$295	\$296	
Shareholders Equity	\$1,248	\$1,559	+\$5.30/share
Net Debt/Invested Capital	11%	<0%	
Net Debt/LTM EBITDA	0.2x	<0.0x	
Liquidity	\$495	\$743	



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