

Ryerson Fourth Quarter and Full-Year 2016 Conference Call

Safe Harbor Provision

Certain statements made in this earnings transcript and other written or oral statements made by or on behalf of the Company constitute “forward-looking statements” within the meaning of the federal securities laws, including statements regarding our future performance, as well as management’s expectations, beliefs, intentions, plans, estimates, or projections relating to the future. Such statements can be identified by the use of forward-looking terminology such as “believes,” “expects,” “may,” “estimates,” “will,” “should,” “plans,” or “anticipates” or the negative thereof or other variations thereon or comparable terminology, or by discussions of strategy. The Company cautions that any such forward-looking statements are not guarantees of future performance and may involve significant risks and uncertainties, and that actual results may vary materially from those in the forward-looking statements as a result of various factors. Among the factors that significantly impact the metals distribution industry and our business are: the cyclical nature of our business; the highly competitive, volatile, and fragmented market in which we operate; fluctuating metal prices; our substantial indebtedness and the covenants in instruments governing such indebtedness; the integration of acquired operations; regulatory and other operational risks associated with our operations located inside and outside of the United States; work stoppages; obligations under certain employee retirement benefit plans; the ownership of a majority of our equity securities by a single investor group; currency fluctuations; and consolidation in the metals producer industry. Forward-looking statements should, therefore, be considered in light of various factors, including those set forth above and those set forth under “Risk Factors” in our annual report on Form 10-K for the year ended December 31, 2016, and in our other filings with the Securities and Exchange Commission. Moreover, we caution against placing undue reliance on these statements, which speak only as of the date they were made. The Company does not undertake any obligation to publicly update or revise any forward-looking statements to reflect future events or circumstances, new information or otherwise.

*****Start of Transcript:**

Jeff Horwitz

Good morning. Thank you for joining Ryerson Holding Corporation's 2016 earnings call. I'm here this morning with Eddie Lehner, Ryerson's President and Chief Executive Officer, and our Chief Financial Officer, Erich Schnauffer. Kevin Richardson and Mike Burbach, our two North American Regional Presidents, will be joining us for Q&A.

Before we get started, let me remind you that certain comments we make on this call contain forward-looking statements within the meaning of the federal securities laws. These forward-looking statements involve a number of risks and uncertainties that could cause actual results to differ materially from those implied by the forward-looking statements. Such risks and uncertainties include, but are not limited to, those set forth under "Risk Factors" in our annual report on Form 10-K for the year ended December 31, 2016. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date they are made, and are not guarantees of future performance.

In addition, our remarks today refer to several non-GAAP financial measures including Adjusted EBITDA, some that exclude LIFO expense or income or that make adjustments for certain items, such as restructuring and other charges, impairment charges on assets, and gains or losses on retirement of debt. These non-GAAP measures are intended to supplement but not substitute for the most directly comparable GAAP measures. A reconciliation of these non-GAAP financial measures to the most directly comparable GAAP measures is provided in our fourth quarter 2016 earnings release filed on Form 8-K yesterday, which is available on the Investor Relations section of our website.

I'll now turn the call over to Eddie.

Eddie Lehner

Thank you Jeff, and thank you all for joining us this morning. In 2017, Ryerson embarks on our 175th year as a leading distributor and value-added processor of industrial metals, with a bright future thanks to our continued success implementing our transformational strategy. I want to start by commending my colleagues on a very successful 2016, as we strengthened our company in all respects despite the challenges facing the service center industry. Together our team has continued to make measurable progress, developing competitive advantages driven by our operating platform of interconnected, smart service centers, utilizing our common-core attributes of speed, scale, value-add, culture, and analytics. We have improved our collaboration to offer an enhanced customer experience through widespread adoption of a “Say Yes, Figure it Out” approach to our customers’ needs.

It was another challenging year for our industry. We saw demand contraction and improved - but significantly volatile - pricing conditions. Carbon steel prices recovered from decade lows at the end of 2015, peaked in June, and deflated again in October, before starting an upward trajectory that has continued into the first quarter of 2017. Through 2016, we also saw double-digit underlying commodity price improvements in nickel and aluminum, which continued into early 2017 until very recently seeing some retracement.

Despite the demand and pricing challenges experienced in 2016, Ryerson made significant progress as we executed well upon our transformational strategy. We generated significant improvements in net income and Adjusted EBITDA. We gained market share with volume up slightly on the year while the MSCI reported a 6.2 percent decline in industry shipments for 2016. Additionally, we generated gross margins of 20 percent, or 19.7 percent excluding net LIFO income, our best full year gross margin performance in at least a decade. Our strong performance allowed us to make significant improvements to our capital structure, further deleveraging our balance sheet

and extending debt maturities to 2021. We believe Ryerson is in a vastly improved position commercially, operationally, and financially heading into 2017.

Turning to the current economic environment, we have a budding but contained optimism regarding the present state of demand within the metals service center landscape. As previously noted, industry tons shipped fell by 6.2 percent in 2016 compared to 2015. However, MSCI industry tons per day were up 4.2 percent in January 2017 compared to January 2016. We acknowledge and welcome a potential and positive inflection point as U.S. steel capacity utilization rates approach 75 percent in early 2017, after moving between 66 and 76 percent in 2016. Initial PMI readings to start the year are also encouraging despite continued dollar strength and increasingly divergent interest rate policy among the U.S. Federal Reserve, Euro-Zone, and Japan. In terms of current metal intensity and sustaining a demand trend, some of the ingredients exist, but given history and experience within the current cycle, we would like to see more consecutive positive data points develop before drawing any conclusions as reversals have come fast and sharp since 2009. GDP in the fourth quarter of 2016 was 1.9 percent and GDP estimates for the first quarter of 2017 are around 2 percent serving as evidence that the pricing recovery is currently ahead of demand recovery.

A few more comments on the supply side: favorable trade case determinations contributed to a decline in carbon and stainless import levels in 2016. U.S. imports of steel mill products were down 14.8 percent in 2016 compared to 2015 as reported by the U.S. Commerce Department. However, the stronger U.S. dollar and emerging offshore supply chains from nations not included in, or affected by the trade case filings may invite increased imports as 2017 develops. That being said, current price spreads between U.S. and offshore products are narrow, and import offers are sparse and selectively attractive. Therefore, domestic metal customers have less incentive to source internationally if spreads don't widen meaningfully and fair trade policies, particularly around enforcement, persist.

On the commodity pricing front, carbon hot-rolled coil was the tempest in the scrap bucket throughout 2016. CRU hot-rolled prices were up 66 percent in December 2016 compared to December 2015; however the volatility throughout the year created headwinds for the industry, as second quarter 2016 peak mill prices did not endure long enough to become fully priced into service center price books. From December 2015 to June 2016, CRU hot-rolled prices rallied almost 80 percent, followed by a 24 percent drop from June to November 2016. Then in December, prices reversed again, with a 22 percent gain in the month. The significant rise in prices for metallurgical coal, Chinese iron ore, and steel scrap, combined with increased Chinese domestic steel consumption and improved post-U.S. election sentiment, have supported higher global steel prices.

Midwest Aluminum prices trended up during 2016 after hitting lows in March, but the average price was down 9 percent compared to 2015. Aluminum has gained momentum and steadied into 2017 with China capacity additions not yet pressuring prices. LME nickel prices trended steadily upward through most of 2016 after bottoming in February, with average nickel prices in 2016 still down 19 percent from the 2015 average. Recent increases in chrome prices driven by supply tightening have positively impacted stainless steel prices in the first quarter of 2017 although nickel fundamentals have been unsteady by current policy uncertainty in Indonesia and the Philippines. That said, stainless imports are tame and base price increases by primary stainless steel producers are finding acceptance in the market.

Taking a closer look at our financial progress, revenues were \$2.9 billion in 2016, down 9.7 percent from 2015, as our increase in tons shipped was more than offset by a 10 percent decline in average selling prices driven by the commodity weakness and deflationary trends that began in late 2014 and continued through the first half of 2016. After bottoming in the second quarter, our average selling price increased in the third and fourth quarters of 2016. We anticipate stronger average selling prices in the first quarter of 2017, led by stainless steel and carbon sheet products primarily due to underlying metal commodity price improvements that began in the fourth quarter of 2016.

Net income attributable to Ryerson Holding Corporation for 2016 improved to \$18.7 million, or \$28.0 million on an adjusted basis, compared to a loss of \$0.5 million, or income of \$16.1 million on an adjusted basis, in 2015. Adjusted EBITDA, excluding LIFO increased 63 percent to \$178 million in 2016, compared to \$109 million in 2015.

We generated operating cash flow of \$25.4 million in 2016, and paid down an additional \$60 million of debt, reducing our total outstanding debt by \$279 million, or 22 percent, since the end of 2014.

Our continued progress across the income statement and balance sheet in a contracting environment was a self-help success story in 2016, providing Ryerson with positive momentum as we move into 2017.

Regarding end markets, Ryerson saw volume growth in 2016 compared to the prior year period in our food processing and agricultural equipment, consumer durable, and construction industries, offset by declines in oil & gas and ground transportation industries. The other two main general industrial sectors of our business, metal fabricators and industrial machinery and equipment, showed a slight net gain in volume but still trailed overall U.S. GDP growth rates.

In early 2017, demand has improved modestly in most end markets with a notable improvement in oil & gas. The better story thus far is supply side stabilization as policy lines have created a playing field in which prices are better supported globally.

Ryerson continues to grow through smart investments in high return capital projects and acquisitions. In January 2017, we acquired The Laserflex Corporation, a metal fabricator specializing in laser fabrication and welding services. We subsequently acquired Guy Metals, Inc. in February 2017, a metal service center, which processes and polishes stainless and nickel alloy products. The acquisition of these companies is consistent with our strategy to invest in accretive bolt-on businesses that broaden our

value-added processing and fabrication capabilities, and whose products we can leverage and sell across our extensive commercial network.

We discuss at length the macro variables that affect our industry environment and it is right to do that even if the refrain has been a difficult one since the fourth quarter of 2014. Despite the challenges brought about by price deflation and weak demand, Ryerson continues to build a more dynamic and responsive organization – one designed to outperform the market regardless of conditions - and is prepared to capitalize when we emerge from a prolonged period of underinvestment in equipment and infrastructure.

With that, I'll turn the call over to Erich, who will discuss the highlights of our 2016 performance.

Erich Schnauer

Thanks Eddie, and good morning.

As Eddie highlighted in his remarks, Ryerson's financial performance in 2016 illustrates our resilience in the face of tough market conditions. We saw market share gains, higher margins, effective expense and working capital management, and improved earnings. Our improved financial performance enabled us to refinance our debt and issue equity, further deleveraging our balance sheet and extending our debt maturities to 2021.

Net income attributable to Ryerson Holding Corporation increased to \$18.7 million, or \$0.54 per diluted share, in 2016, compared with a loss of \$0.5 million, or a loss of \$0.02 per diluted share, in 2015. Excluding restructuring and other charges, impairment charges on assets, and gains or losses on the retirement of debt, net income attributable to Ryerson Holding Corporation increased to \$28.0 million, or \$0.81 per diluted share, in 2016 compared to \$16.1 million, or \$0.50 per diluted share, in 2015. Overall, Ryerson's solid execution resulted in a 63 percent increase in Adjusted

EBITDA, excluding LIFO – reaching \$178 million in 2016 compared to \$109 million in 2015.

Additionally, gross margins expanded significantly year-over-year. Gross margin increased to 20.0 percent in 2016, compared to 17.9 percent in 2015. Gross margin, excluding LIFO increased to 19.7 percent in 2016, compared with 16.0 percent in 2015.

In the fourth quarter of 2016, Ryerson grew its tons sold per day, with higher average selling prices, stronger gross margins, and lower expenses compared to the fourth quarter of 2015. Our fourth quarter net loss attributable to Ryerson Holding Corporation was \$8.6 million, or a loss of \$0.23 per diluted share, for 2016, compared to a net loss of \$20.5 million, or a loss of \$0.64 per diluted share, for 2015. Excluding one-time items, the net loss attributable to Ryerson Holding Corporation was \$7.1 million, or a loss of \$0.19 per diluted share, for the fourth quarter of 2016, compared to a loss of \$12.9 million, or a loss of \$0.40 per diluted share, in the fourth quarter of 2015. Adjusted EBITDA, excluding LIFO increased over 150 percent, to \$36.0 million in the fourth quarter of 2016, compared to \$14.2 million in the fourth quarter of 2015.

We continued exceptional expense management in 2016, with warehousing, delivery, selling, general and administrative expense down 3.2 percent, or \$14.4 million, compared to the prior year period, reflecting the results of our realized operational efficiencies. Moreover, our prudent, consistent, and aggressive management of fixed and variable expenses means we have increased our operating leverage should pricing and/or demand further improve.

The Ryerson team delivered on our commitment to generate free cash flow by reducing inventory levels by just over \$60 million in the fourth quarter. For the full year, Ryerson's inventory averaged 76 days of supply compared to 80 days in 2015. Working capital management remains a cornerstone of our business model, providing financial flexibility and free cash flow to effectively adapt in volatile metal pricing environments. Moreover, we continue to improve our analytical approach to supply chain optimization to ensure

we have the right inventory in the right places to meet customers' demands across our interconnected network of service and processing centers.

Additionally, we generated more than \$20 million in cash from effective liability management in 2016. Our destocking efforts paired with payables management and positive earnings contributed to operating cash flow of \$25.4 million for the year.

At the same time, we further deleveraged our balance sheet and improved our debt structure through a series of capital markets transactions in 2016. First, we issued \$650 million of Senior Secured Notes due in 2022, then we issued common stock with net proceeds of \$71.5 million, which we used to further reduce debt and deleverage the balance sheet. Lastly, we amended our credit facility, thereby extending the maturity date to November 2021 and reducing interest expense and fees on the revolving line of credit. Overall, we have made significant progress in our transformation, reducing debt by \$279 million since 2014, a reduction of 22 percent.

We also maintained solid liquidity. As of December 31, 2016, borrowings were \$312 million on our primary revolving credit facility with additional availability of \$225 million. Including our cash, marketable securities, and availability from foreign sources, total liquidity was \$301 million.

Now, I'll turn the call back over to Eddie to conclude.

Eddie Lehner

Embedded in Ryerson's DNA is our ability to build a competitive advantage across our intelligent network of interconnected service centers operating with speed, leveraging our scale, providing value-added processing and services, enhancing our customer service culture, and using analytics to better serve our customers' needs efficiently. Looking ahead, we will continue working our plan to further variabilize our costs,

March 14th, 2017 at 9 AM Central Time

improve working capital efficiency, gain market share, expand margins, and allocate capital with prudence to deleverage and grow.

*****Q&A Session Followed**

Eddie Lehner

Our Ryerson Team accomplished a great deal in 2016 and some early 2017 indicators look promising. Whatever 2017 brings, I am most proud of the culture change taking hold in our organization. Our “Say Yes” can-do approach creates the best possible experiences for our customers, and this value proposition can weather any environment successfully.

2016 was a year of elections and referendums. Every day in our industry there are thousands of referendums and elections as customers elect their partners order by order and contract by contract. As we continue to execute our strategy well, we will win more of these elections.

Thank you for your continued support of and interest in Ryerson. We look forward to talking with you again next quarter.

*****End of Transcript**