May 4th, 2017 at 9 a.m. Central Time

Ryerson First Quarter 2017 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 cyclicality 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 first quarter 2017 earnings call. I'm here this morning with Eddie Lehner, Ryerson's President and Chief Executive Officer, and our Chief Financial Officer, Erich Schnaufer. 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 that are intended to supplement but not substitute for the most directly comparable GAAP measures. A reconciliation of the non-GAAP financial measures discussed on today's call to the most directly comparable GAAP measures is provided in our first quarter 2017 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. Let me start by thanking our customers for choosing Ryerson's products, services, and solutions, and our employees for enhancing each customer experience. Ryerson continues to execute our strategy built around speed, scale, value-add, culture, and analytics, which has generated improved financial results and a higher quality earnings stream. In the first quarter of 2017 Ryerson grew revenues by 15.9 percent driven by an increase in average selling price per ton of 11.5 percent and higher volume of 4.0 percent compared to the year-ago period. Ryerson also achieved higher gross margins, excluding LIFO, higher net income, and higher Adjusted EBITDA, excluding LIFO while improving our cash conversion cycle compared to the first quarter of 2016. We also welcomed Laserflex and Guy Metals to our interconnected, value-added processing and distribution network, further enhancing our capabilities and product offerings. In our 175th year as an iconic metals industry leader, Ryerson's differentiated model with a local presence and national scale has laid the groundwork for further balance sheet deleveraging and growth opportunities as we continuously improve our ability to create great customer experiences across every market we serve.

Taking a closer look at our financial progress, revenues were $815 million in the first quarter of 2017, up 15.9 percent from the first quarter of 2016. Net income attributable to Ryerson Holding Corporation for the first quarter of 2017 improved to $14.8 million, compared to $13.5 million in the year-ago period. Adjusted net income in the first quarter of 2016 was $8.2 million, excluding a gain on debt retirement, compared to $14.8 million in the first quarter of 2017. On an adjusted basis, net income attributable to Ryerson Holding Corporation increased 80 percent year-over-year. Adjusted EBITDA, excluding LIFO, increased 46 percent to $54.3 million in the first quarter of 2017.

Ryerson's financial performance continues to show meaningful improvement with tangible evidence of success. Over the past 10 years our organization has rebuilt itself from the inside out to excel in cost and asset management, expand margins, and grow profitably. We continue to focus on improving our intelligent service center network of enhanced capabilities while reducing leverage and building out our business model.

Our continued progress exhibited across the income statement, most notably in EBITDA margins, the balance sheet, and our cash conversion cycle, provides the foundation to realize further improvements throughout our organization within the context of a better industrial business climate relative to the past two years.

Turning to the current economic environment, conditions were more favorable in the first quarter of 2017 compared to the fourth quarter of 2016, which can be attributed to rising commodity prices, supply side stabilization, and global metal and industrial demand improvement. The rise in prices for metallurgical coal, Chinese iron ore, and steel scrap in the first quarter, combined with increased Chinese domestic steel consumption and positive U.S. industrial sentiment indicators have supported higher steel prices. In April, we saw some retracement in nickel, scrap pricing, and a decline in Chinese iron ore prices and Chinese steel prices. However, domestic steel prices have only moderated slightly in recent weeks supported by improving demand and additional industrial metals trade actions. Aluminum prices have steadily increased from September 2016 through April 2017 on better than expected supply and demand fundamentals. Increases in chrome prices experienced in the first quarter of 2017, driven by supply tightening, positively impacted stainless steel prices. However, stainless pricing has come under pressure lately as the chrome surcharge reset below first quarter levels while underlying nickel prices trended lower starting in March. Overall, the pricing environment underpinned by industrial commodities is better year-over-year and looks relatively stable moving forward.

Turning to demand, conditions appear favorable when viewed against the year ago period. U.S. industrial production grew 1.5 percent in March compared to the prior year, and has expanded or held for four straight months after 15 straight months of contraction. Manufacturing sentiment indicators, as measured by PMI, continue to show expansion for the U.S. and Chicago indices, with Chicago PMI reaching a two year high in March 2017. According to the Metals Service Center Institute, or MSCI, first quarter 2017 U.S. service center shipments were up 5.9 percent year-over-year. Further, the MSCI industry inventories fell to two months from 2.4 months in February, an indication of tightening supply in the channel and a support pillar for prices headed into the second quarter. Ryerson, on balance, sees industrial demand improving incrementally in the second quarter although some unevenness by end market remains. Further, Ryerson anticipates higher average selling prices in the second quarter of 2017 given the price stabilization experienced in the first quarter as carbon contract price increases offset some spot price moderation, aluminum prices continue to firm, and stainless pricing resets to the movement in the surcharge. The pricing fulcrum in the second quarter hinges more on mill operating rates and lead times relative to service center inventories and industry pricing to a convergence between average cost and replacement cost.

It is revealing that first quarter 2017 steel mill operating rates are up approximately 3 percent year-over-year while finished carbon steel imports are up approximately 8 percent year-over-year. If mill operating rates in the U.S. move higher and finished steel imports move lower over the remainder of the year, we would expect to see price support solidify at current to potentially higher levels.

Regarding end markets, Ryerson saw volume growth in the first quarter of 2017 compared to the year-ago period in our oil & gas, construction equipment, food processing and agricultural equipment, and industrial machinery and equipment sectors, offset by modest declines in metal fabrication and machine shops and HVAC industries. Ryerson also noted shipment strength in the U.S. and Mexico relative to Canada and China when evaluating market share gains year-over-year and against industry benchmarks. Overall, we are seeing the most encouraging signs from the oil & gas end market with rig counts up 90 percent compared to the prior year period and the construction equipment end market with construction spending at a five year high in February 2017 according to the U.S. Census Bureau.

Ryerson continues to grow through targeted investments in high return capital projects and acquisitions. In January 2017, we acquired The Laserflex Corporation, a metal fabricator specializing in laser cutting and welding services. We subsequently acquired Guy Metals, Inc. in February 2017, a processor and polisher of stainless steel products. The acquisition of these companies aligns 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.

With that, I'll turn the call over to Erich, who will discuss the highlights of our first quarter 2017 performance.

Erich Schnaufer

Thanks Eddie, and good morning.

As Eddie highlighted in his remarks, Ryerson's financial performance in the first quarter of 2017 built upon the execution of our business model and plan. We increased sales by 15.9 percent with higher gross margins, excluding LIFO generating higher net income and Adjusted EBITDA, excluding LIFO compared to the year-ago period.

Net income attributable to Ryerson Holding Corporation increased to $14.8 million, or $0.40 per diluted share, in the first quarter of 2017, compared to $13.5 million, or $0.42 per diluted share, in the first quarter of 2016. Excluding gains on the retirement of debt in the first quarter of 2016, net income attributable to Ryerson Holding Corporation was $8.2 million, or $0.26 per diluted share. Ryerson achieved Adjusted EBITDA, excluding LIFO, of $54.3 million in the first quarter of 2017 compared to $37.2 million in the first quarter of 2016.

Average selling prices increased 11.5 percent, primarily driven by stainless steel and carbon steel prices which were up 13.1 percent and 12.8 percent, respectively, from the year-ago period. Tons shipped increased by 4.0 percent in the first quarter of 2017 with growth experienced across all major product categories, most notably for our stainless products which improved by 14.5 percent compared to the first quarter of 2016.

In the first quarter of 2017 Ryerson achieved gross margins of 19.7 percent. Gross margins, excluding LIFO, were 19.6 percent in the first quarter of 2017, up 70 basis points compared with 18.9 percent in the year-ago period. Ryerson expanded our gross margins, excluding LIFO, through our emphasis on value-added processing and enhanced supply chain optimization solutions across our distribution network. Warehousing, delivery, selling, general and administrative expense increased by $8.0 million, or 7.3 percent, for the first quarter of 2017 compared to the year-ago period, reflecting the increased activity during the quarter. Ryerson demonstrated expense leverage in the first quarter of 2017 as warehousing, delivery, selling, general and administrative expenses as a percentage of sales declined to 14.4 percent in the first quarter of 2017 compared to 15.4 percent in the fourth quarter of 2016 and 15.5 percent in the first quarter of 2016.

In the first quarter of 2017, Ryerson's inventory balance stood at 69.1 days of supply compared to 74.5 days in the year-ago period, the lowest level we have achieved in recent history. The company continues to manage inventory to maintain financial flexibility and adapt to changing metals pricing and consumption dynamics.

Cash used in operating activities was $32.5 million in the first quarter of 2017, as we grew our working capital consistent with increased activity and higher metal prices.

Ryerson maintained solid liquidity in the first quarter of 2017. As of March 31, 2017, borrowings were $334 million on our primary revolving credit facility with additional availability of $250 million. Including our cash, marketable securities, and availability from foreign sources, total liquidity was $302 million compared to $301 million in the fourth quarter of 2016, higher sequentially even with the acquisition of Guy Metals and Laserflex.

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

Eddie Lehner

Ryerson's ability to create great customer experiences across a local, regional, national, and international footprint is what will define us. The way we measure ourselves has evolved to where we do not have to accept trading a wanted outcome for an unwanted outcome. A frictionless, interconnected network of intelligent service centers that increases market share and margins, and generates expense leverage with asset efficiency while seeing productivity move higher, will generate increased free cash flow to reduce leverage and invest in growth.

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

Eddie Lehner

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

*****End of Transcript**