August 2nd, 2018 at 9 a.m. Central Time

Ryerson Second Quarter 2018 Conference Call

Safe Harbor Provision

Certain statements made in this press release and other written or oral statements made by or on behalf of Ryerson (“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, 2017, 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 second quarter 2018 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, 2017. 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 second quarter 2018 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. I want to start today by thanking our customers for the opportunity to serve them as we continually strive to create ever better customer experiences. Next, I want to thank my Ryerson teammates for outstanding execution throughout the second quarter as we posted our strongest operating results in quite some time, and welcome our Central Steel & Wire colleagues to the Ryerson family as we closed the Central Steel & Wire acquisition on July 2, 2018. We hold great optimism that our two organizations, working together, will deliver the best of both companies to the benefit of our current and future customers.

From a financial and operating perspective, the Company increased shipments, expanded margins, generated improved expense leverage, and managed net working capital assets with excellent efficiency all while working safer as an organization. This is indicative of what Ryerson does and can do in a relatively good industry environment with an unwavering customer centric focus.

Turning to the current economic environment, conditions were more favorable in the second quarter of 2018 compared to both the first quarter of 2018 and second quarter of 2017, with higher metals commodity prices and improved industrial demand conditions. As an industry, price drivers for carbon and aluminum products are the highest in a decade while price drivers for stainless products still trail those of 2014.

From a demand perspective, the U.S. industrial economy continued to improve incrementally. North American industry volume growth, as measured by the MSCI, increased 4.3 percent in the first half of 2018 compared to the prior year period. After industry shipments declined approximately 15 percent in 2015 and 2016 compared to 2014 levels, the industry has clawed back approximately two-thirds or 10 percent of that “fallen” demand in 2017 and thus far in 2018.

As a company, Ryerson outperformed industry volume growth, with North American tons shipped up 5.0 percent in the first six months of 2018 while expanding gross margins, excluding LIFO to 21.7 percent.

Turning now to end markets, Ryerson showed sequential quarterly growth in nearly all end markets, most notably commercial ground transportation, consumer durable equipment, and construction equipment sectors. Ryerson also experienced quarterly year-over-year growth in nearly all end markets, driven by growth in commercial ground transportation, consumer durable, and oil & gas sectors.

For the six months of 2018, we continued to see encouraging signs from almost all of our key end markets, most notably commercial ground transportation with significantly higher truck build rates year-over-year, and the oil and gas industry with U.S. rig counts up more than 10 percent in June 2018 compared to the prior year period.

In July 2018, Ryerson completed the acquisition of Central Steel & Wire Company, a metal service center with a valued brand spanning more than 100 years. Central Steel & Wire offers a wide selection of products and capabilities centered on bar, tube, plate, and sheet products, and will continue to operate under its own brand name within the Ryerson network of service centers. Central Steel & Wire has approximately 900 employees and has annual revenue of approximately $600 million. The addition of Central Steel & Wire will enhance our combined commercial, processing, and operational strengths to provide a greater depth and breadth of products and services for our customers.

Looking towards the second half of the year, we remain positive on demand conditions in the U.S. for the remainder of 2018 as economic indicators remain strong in the manufacturing economy. The U.S. industrial production index, as measured by the Federal Reserve, has remained elevated through June registering year-over-year monthly growth of three percent or more since February 2018. Trade policy continues to impact import levels, which are 10 percent lower in the first half of 2018 compared to the prior year period as reported by the U.S. Census Bureau. We believe Ryerson's strong and enduring relationships with our domestic supply base will continue providing supply chain continuity for our customers.

With that, I'll turn the call over to Erich, who will discuss the highlights of our second quarter 2018 financial performance.

Erich Schnaufer

Thanks Eddie, and good morning.

Ryerson performed exceptionally well in the quarter, taking advantage of strong pricing and demand conditions to generate Adjusted EBITDA, excl. LIFO in excess of $100 million for the first time since the third quarter of 2008. Second quarter 2018 revenues were $1.1 billion, an increase of $181.7 million or 20.8 percent compared to the second quarter of 2017, with increased prices and higher tons shipped. Sequentially, sales were $115.8 million or 12.3 percent higher, with average selling prices up 8.8 percent and tons shipped up 3.2 percent, in line with our expectation of 2 to 4 percent growth that we discussed on our first quarter 2018 conference call.

Net income attributable to Ryerson Holding Corporation was $17.5 million, or $0.46 per diluted share, in the second quarter of 2018, compared to $10.4 million, or $0.28 per diluted share, in the prior quarter, and $0.6 million, or $0.02 per diluted share, in the second quarter of 2017. Ryerson more than doubled our Adjusted EBITDA, excluding LIFO in the second quarter of 2018 to $106.6 million compared to $51.5 million in the second quarter of 2017. Second quarter Adjusted EBITDA, excluding LIFO was over 70 percent higher than the first quarter of 2018 result of $62.2 million.

Ryerson's gross margin was 17.5 percent for the second quarter of 2018, consistent with the first quarter of 2018 and up from 16.0 percent for the year-ago period. Included in cost of materials sold was LIFO expense of $43.9 million for the current quarter, $13.3 million for the prior quarter, and $14.2 million in the second quarter of 2017.

Ryerson achieved gross margin, excluding LIFO of 21.7 percent during the quarter, compared to 18.9 percent in the first quarter of 2018 and 17.7 percent in the year-ago period.

We continued to improve our expense leverage metrics as warehousing, delivery, selling, general, and administrative expenses as a percentage of sales declined to 13.1 percent during the quarter, which compares favorably to 13.8 percent in the first quarter of 2018 and 13.5 percent in second quarter of 2017.

Turning to the year-to-date results, revenues for the first six months of 2018 were $2.0 billion, up 18.3 percent from the first six months of 2017, as average selling prices increased 12.3 percent and tons shipped increased 5.3 percent.

Gross margins decreased by 30 basis points in the first six months of 2018 compared to the prior year period as the average cost of materials sold was up $173 per ton. However, gross margins, excluding LIFO rose 180 basis points to 20.4 percent in the first six months of 2018, as average costs rose by $132 per ton as compared to average selling prices which grew by $204 per ton.

Net income attributable to Ryerson Holding Corporation increased to $27.9 million, or $0.74 per diluted share, in the first six months of 2018 compared to $15.4 million, or $0.41 per diluted share, for the same period of 2017. Adjusted EBITDA, excluding LIFO increased 60 percent to $168.8 million in the first six months of 2018 compared to $105.8 million in the first six months of 2017.

Ryerson's equity increased to $21.2 million at June 30, 2018 from an equity deficit of $7.4 million as of December 31, 2017, as we continue to solidify our balance sheet. We held 71 inventory days of supply in the second quarter of 2018, well within the Company's target range of 70 to 75 days.

We maintained ample liquidity during the period, as borrowings were $385 million on our primary revolving credit facility with additional availability of $363 million as of June 30, 2018. Including cash, marketable securities, and availability from foreign sources, our total liquidity increased to $414 million as of June 30, 2018 compared to $381 million as of March 31, 2018.

Ryerson used $17.9 million of cash for operating activities in the first six months of 2018, driven by higher valued inventory and receivables compared to year-end. In the first six months of 2017, cash used in operating activities was $81.5 million.
Now, I'll turn the call back over to Eddie to conclude.

Eddie Lehner

So far in 2018 we have seen price and demand factors improve as compared to the prior year, this much is obvious. More than anything, it reflects a down payment on the investment required to maintain, replace, and create new categories of long-life assets to drive productivity growth, modernize infrastructure, and raise living standards across the broader economy. Ryerson continues to rise up to meet those opportunities as evidenced by our results and plans for the future centered on an intelligent network of service center assets providing great customer experiences with exceptional consistency. We thank all of our stakeholders for the opportunity to compete in the marketplace while improving every day with mission, passion, and purpose.

With that, let's open the call to your questions. Operator…

*****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**