STELCO

The Steel Company of Canada

Fourth Quarter & Full Year 2019 Earnings Call

David Cheney
Chief Executive Officer

Roy Collins
Interim Chief Financial Officer

February 19, 2020

Disclaimer

Caution Regarding Forward-Looking Statements and Key Assumptions

From time to time, we make written or oral forward-looking statements within the meaning of applicable securities laws. We may make forward-looking statements in this presentation, in other filings with Canadian securities regulators, in other reports to shareholders and in other communications. Forward-looking information may relate to our future outlook and anticipated events or results and may include information regarding our financial position, business strategy, growth strategy, budgets, operations, financial results, taxes, dividend policy, plans and objectives of our Company. Particularly, information regarding our expectations of future results, performance, achievements, prospects or opportunities is forward-looking information. Forward-looking information in this presentation includes the expected results from the Company's participation in higher margin segments of the steel industry; expectations concerning the declaration of a dividend; statements relating to cold-rolled and coated volumes; statements relating to the continuation of and improvement to our production performance; preparations in respect of a significant modernization of, and investment in, our Lake Erie Works blast furnace currently scheduled for the second half of 2020 and statements with respect to the expected capital cost and production volumes resulting from such investment; plans for the construction of a pig iron production facility at our LEW site currently scheduled for construction during the second half of 2020 and statements with respect to the expected capital cost and production volumes resulting from the new facility. Undue reliance should not be placed on forward-looking information. The forward-looking information in this presentation is based on our opinions, estimates and assumptions in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we currently believe are appropriate and reasonable in the circumstances. Despite a careful process to prepare and review the forward-looking information, there can be no assurance that the underlying opinions, estimates and assumptions will prove to be correct. Certain assumptions in respect of our ability to source raw materials and other inputs; our ability to supply to new customers and markets; our ability to effectively manage costs; our ability to enter into definitive agreements with third party contractors and suppliers with respect to the construction, commissioning and any applicable financing of the facilities on terms acceptable to the Company; expectations that third party contractors and suppliers will deliver, construct and perform in accordance with agreed upon budgets and schedules; our ability to obtain any applicable regulatory approvals and permits required in connection with these projects; expectations that, upon completion, our facilities will produce in accordance with anticipated design capacity; our ability to attract and retain key personnel and skilled labour; our ability to obtain and maintain existing financing on acceptable terms; currency exchange and interest rates; the impact of competition; changes in laws, rules, and regulations, including international trade regulations; expectations that demand from our key end markets will remain stable; our ability to utilize our logistics infrastructure to expand our market footprint; our ability to leverage the investments we have made in the galvanizing and hot strip mill to service a high margin end market; expectations that our capital projects will improve our cost structure and overall efficiency; expectations regarding future actions to maximize shareholder returns and profitability; expectations regarding our position to deliver organic and inorganic growth; and growth in steel markets and industry trends, as well as those set out in this presentation, are material factors made in preparing the forward-looking information and management's expectations contained in this presentation.

In some cases, forward-looking statements can be identified by the use of forward-looking terminology such as "plans", "targets", "expects" or "does not expect", "is expected", "an opportunity exists", "budget", "scheduled", "estimates", "outlook", "forecasts", "projection", "prospects", "strategy", "intends", "anticipates", "does not anticipate", "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might", "will", "will be taken", "occur" or "be achieved". In addition, any statements that refer to expectations, intentions, projections or other characterizations of future events or circumstances may be forward-looking statements. Forward-looking statements are not historical facts but instead represent management's expectations, estimates and projections regarding future events or circumstances. The forward-looking statements contained in this document are presented for the purpose of assisting the holders of our securities and financial analysts in understanding our financial position and results of operations as at and for the periods ended on the dates presented, as well as our financial performance objectives, vision and strategic goals, and may not be appropriate for other purposes.

Whether actual results, achievements, or performance will conform to our expectations and predictions is subject to a number of known and unknown uncertainties and risks which could cause actual results to differ materially from our expectations. Such risks and uncertainties include and are not limited to: risks inherent in a cyclical and highly competitive industry; cash flow volatility; the strength of economies in North America, particularly the automotive sector; changes in the automotive market; global steel capacity growth; existing and new trade laws and regulations; competition from other producers, imports, or alternative materials; ability to secure commitments or future orders from new or existing customers; ability to realize higher margins on products we produce; changes in availability and cost of raw materials, electricity, and natural gas; contractual counterparty's exercise of termination option upon change of control or default; maintenance of proper inventory levels; disruption of operations due to unforeseen circumstances such as power outages, explosions, fires, floods, accidents, and severe weather conditions; securing third-party contractors on acceptable terms with respect to various capital projects and entering into acceptable financing arrangements with respect to such projects; the loss of leased property on which operating facilities are located; and other unforeseen conditions or events that could impact Stelco's business.

The preceding lists are not exhaustive of all opinions, estimates and assumptions underlying our forward-looking statements or of all possible risk factors and other factors could also adversely affect our results. Additional information on these and other factors that could affect our business, operations or financial results are included in reports on file with applicable securities regulatory authorities, including but not limited to the information under the headings "Risk and Uncertainties" in our management discussion and analysis of financial condition and results of operations for the year ended December 31, 2019 and "Risk Factors" in our Annual Information Form in respect of the year ended December 31, 2019, copies of which may be accessed on Stelco's SEDAR profile at www.sedar.com. The forward-looking statements contained in this presentation are made as of the date hereof. Stelco undertakes no obligation to update publicly or revise any forward-looking statements, whether written or oral, whether as a result of new information, future events or otherwise, except as required by law. Readers are cautioned against relying or otherwise obtaining information in respect of the Company from sources other than from the Company's public filings on the SEDAR website .

Information contained in or otherwise accessible through the websites mentioned herein does not form part of this presentation.

Non-IFRS Measures

This presentation makes reference to non-IFRS measures, including Adjusted EBITDA, Adjusted net income, Adjusted EBITDA per net ton, Adjusted EBITDA margin, Average Selling Price per net ton, Shipping Volume. These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of our results of operations from management's perspective. Accordingly, these measures should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS. Reconciliations of IFRS to non-IFRS measures as well as the rationale for their use can be found in Stelco Holdings, Inc. Management Discussion and Analysis for the year ended December 31, 2019, which may be accessed on Stelco Holdings' SEDAR profile at www.sedar.com.

Earnings Call Agenda

David Cheney
Chief Executive Officer

Roy Collins
Interim Chief Financial Officer

- **Highlights**
  - Q4 2019 performance
  - Progress on value-adding initiatives
    - Cold-rolled and coated volumes
    - Adding pig iron capabilities
    - Blast Furnace Reline Project
  - Declaring $0.10/share regular cash dividend
- **Questions & Answers**

Q4 Highlights

- Revenue was $435 million in Q4 2019, down 6% sequentially from $464 million in Q3 2019, and lower by 33% year-over-year from $648 million in Q4 2018
  - Average selling price was $659/nt* in Q4 2019, down 4% sequentially from $688/nt* in Q3 2019, and lower by 28% from $917/nt* in Q4 2018
  - Shipping volume of 633 thousand nt* in Q4 2019, down 3% sequentially from 654 thousand nt* Q3 2019, and lower by 6% from 673 thousand nt* in Q4 2018
- Adjusted EBITDA was $10 million* in Q4 2019, down 57% sequentially from $23 million* in Q3 2019, and down from $167 million* in Q4 2018
  - Definitions of Adjusted EBITDA and Adjusted Net Income were amended in Q2 to adjust for tariff and tariff related costs. Prior period figures were restated to reflect the change in definition.
- Adjusted EBITDA per nt was $16/nt* in Q4 2019
- $405 million of liquidity as at December 31, 2019, with $257 million of cash and $148 million of undrawn ABL revolver capacity (total maximum ABL revolver facility capacity is $375 million)
  - Added $100 million ABL Term Loan in November, secured by company's machinery and equipment

* *See "Non-IFRS measures" below for a reconciliation of Non-IFRS measures; see also “Non-IFRS Measures” as outlined in Stelco Inc.’s Management’s Discussion & Analysis for the periods ended December 31, 2019, September 30, 2019 and December 31, 2018.*

Stelco Holdings Inc. - Quarterly Financial Metrics

(CA$ millions, except volume and per nt figures)

	Year-over-year			Prior quarter	
	Q4 2019	**Q4 2018**	**Change**	**Q3 2019**	**Change**
Revenue [1]	**435**	648	**(33)%**	464	**(6)%**
Operating income (loss)	**(6)**	118	**(105)%**	9	**(167)%**
Net income (loss)	**(24)**	110	**(122)%**	—	**NM**
Average selling price per nt [1, *]	**659**	917	**(28)%**	688	**(4)%**
Shipping volume (in thousands of nt) *	**633**	673	**(6)%**	654	**(3)%**
Adjusted net income (loss) *	**(13)**	123	**(111)%**	(11)	**18%**
Adjusted EBITDA *	**10**	167	**(94)%**	23	**(57)%**
Adjusted EBITDA margin *	***2%***	*26%*	***(24)%***	*5%*	***(3)%***
Adjusted EBITDA per nt *	**16**	248	**(94)%**	35	**(54)%**

1 *2019 comparative information has been restated to conform to the current period presentation, in particular freight costs from steel contracts with FOB Mill terms have been presented net within revenue in accordance with IFRS.*

* *See "Non-IFRS measures" below for a reconciliation of Non-IFRS measures; see also "Non-IFRS Measures" as outlined in Stelco Holdings" Management's Discussion & Analysis for the periods ended December 31, 2019, September 30, 2019 and December 31, 2018.*

Stelco Holdings Inc. - YTD Financial Metrics

(CA$ millions, except volume and per nt figures)

Years ended December 31,	2019	2018	Change
Revenue	**1,841**	2,460	**(25)%**
Operating income	**50**	476	**(89)%**
Net income	**20**	253	**(92)%**
Average selling price per nt *	**729**	889	**(18)%**
Shipping volume (in thousands of nt) *	**2,444**	2,620	**(7)%**
Adjusted net income *	**42**	512	**(92)%**
Adjusted EBITDA *	**141**	614	**(77)%**
Adjusted EBITDA margin *	***8%***	*25%*	***(17)%***
Adjusted EBITDA per nt *	**58**	234	**(75)%**

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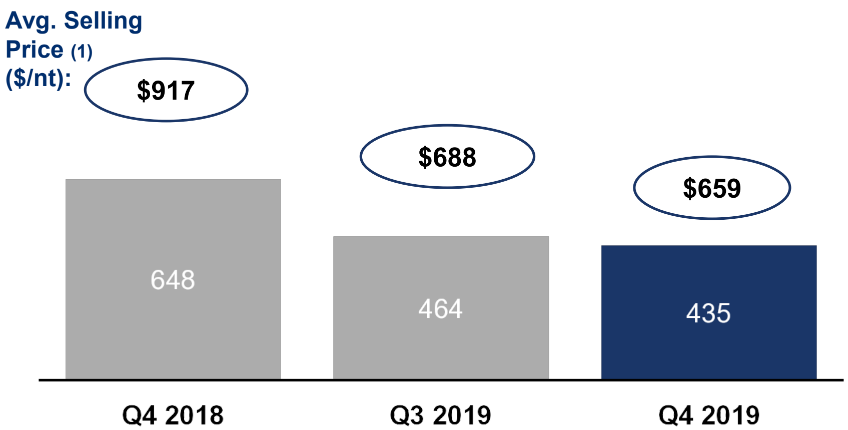
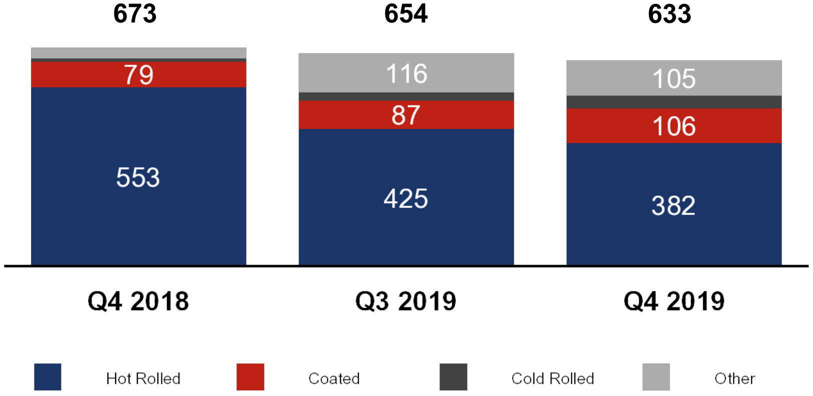
* *See "Non-IFRS measures" below for a reconciliation of Non-IFRS measures; see also "Non-IFRS Measures" as outlined in Stelco Holdings" Management's Discussion & Analysis for the periods ended December 31, 2019 and 2018.*

Stelco Holdings Inc. - Historical Financial Results

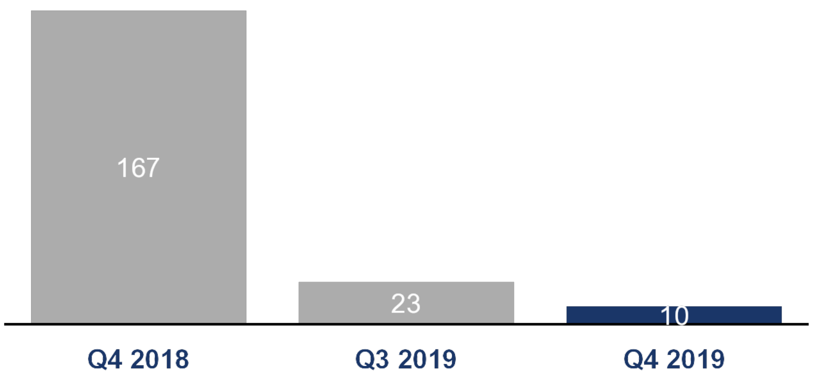
Sales (CA$ mm)



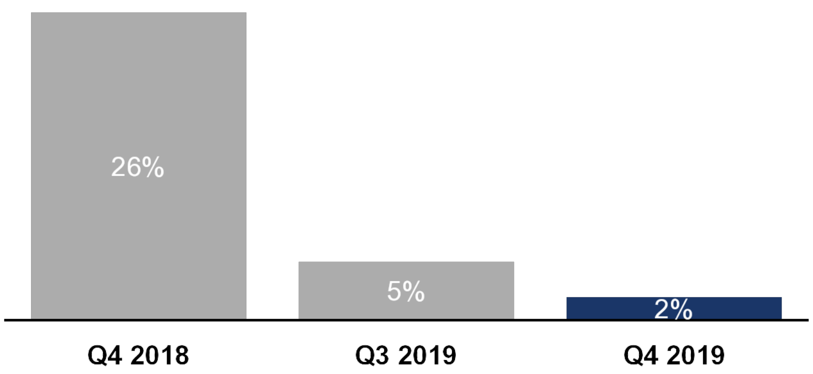
Shipping Volume (knt) (2)



Adjusted EBITDA (CA$ mm) (2)



Adjusted EBITDA Margin (%) (2)



(1) Average selling price calculated as steel-related revenue divided by tons of steel shipped and recognized as revenue in the period.
(2) *See "Non-IFRS measures" below for a reconciliation of Non-IFRS measures; see also "Non-IFRS Measures" as outlined in Stelco Holding's Management's Discussion & Analysis for the periods ended December 31, 2019, September 30, 2019 and December 31, 2018.*

Financial Position (selected items)

(CA$ millions)

As at	December 31, 2019	September 30, 2019	December 31, 2018
	Stelco Holdings Inc.		
Cash	257	349	438
Accounts receivable	158	136	252
Inventories	483	508	468
Property, plant & equipment	670	636	448
Trade and other payables	444	544	436
Other liabilities	82	84	53
Pension benefits	7	5	2
Asset-based lending facility	98	—	—
Obligations to independent employee trusts	507	542	591
Total equity	450	485	568

Non-IFRS Measures

Stelco Holdings Inc. – Adjustments to EBITDA (Quarter)

(CA$ millions)

	Three months ended		
	December 31, 2019	September 30, 2019	December 31, 2018
Net income (loss)	**$ (24)**	**$ —**	**$ 110**
Add back/(Deduct):			
Depreciation	13	15	13
Finance costs	13	9	17
Restructuring and other costs [1]	5	1	1
Transaction-based and other corporate-related costs [2]	3	1	—
Property related idle costs included in cost of goods sold [3]	2	1	2
Share-based compensation (recovery) [4]	1	(2)	—
Carbon tax expense (recovery) [5]	(1)	(2)	—
Finance income	(2)	(1)	(1)
Tariff related costs (recovery) [6]	—	(1)	23
Separation costs related to USS support services [7]	—	2	5
Income related to buildings finance lease termination	—	—	(3)
Adjusted EBITDA	**$ 10**	**$ 23**	**$ 167**
Adjusted EBITDA as a percentage of total revenue	**2%**	**5%**	**26%**

1. Restructuring and other costs includes certain employee termination benefits and consulting costs. For 2018, restructuring costs include other costs connected to Stelco's emergence from CCAA proceedings.
2. Represents certain non-routine items that include, but are not limited to, costs connected with Stelco Inc.'s withdrawn proposed senior secured notes offering during September 2019 and professional fees.
3. Includes utility costs incurred by Stelco for non-operating and idled assets acquired from the Land Vehicle on June 5, 2018.
4. Share-based compensation consists of costs connected with share options awarded to certain members of the Company's executive senior leadership team during the period.
5. Represents a non-cash carbon tax provision for the period, connected to Stelco's estimated requirements under the Greenhouse Gas Pollution Pricing Act (Federal Backstop) for industrial facilities with greenhouse gas emissions. Actual cash payments related to the carbon taxes, if any, are not expected to occur until the third quarter of 2020 at the earliest.
6. Includes tariff and tariff related costs associated with U.S. bound steel shipments. In connection with the US administration announcing effective May 20, 2019, the elimination of all tariffs imposed under Section 232 on imports of aluminum and steel products from Canada, we have modified the definition of Adjusted EBTIDA and Adjusted EBITDA per nt to include tariff and tariff related costs as a non-recurring item adjustment from earnings. The prior periods have been restated to reflect the change in presentation. Refer to *'Non-IFRS Performance Measures'* section in the Second Quarter 2019 MD&A for further details.
7. Includes ERP implementation costs associated with the process of separating from USS, management fees and shared services arrangement costs.

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Stelco Holdings Inc. – Adjustments to EBITDA (YTD)

(CA$ millions)

	Year ended December 31, 2019	2018
Net income	**$ 20**	**$ 253**
Add back/(Deduct):		
Depreciation	51	35
Finance costs	28	215
Tariff related costs [1]	19	73
Separation costs related to USS support services [2]	9	20
Restructuring and other costs [3]	6	9
Transaction-based and other corporate-related costs [4]	6	—
Property related idle costs included in cost of goods sold [5]	5	5
Share-based compensation [6]	2	—
Batch annealing facility startup related costs [7]	1	—
Finance income	(6)	(4)
Loss from commodity-based swaps	—	10
Secondary offering costs	—	1
Income related to buildings finance lease termination	—	(3)
Adjusted EBITDA	**$ 141**	**$ 614**
Adjusted EBITDA as a percentage of total revenue	**8%**	**25%**

1. Includes tariff and tariff related costs associated with U.S. bound steel shipments. In connection with the US administration announcing effective May 20, 2019, the elimination of all tariffs imposed under Section 232 on imports of aluminum and steel products from Canada, we have modified the definition of Adjusted EBTIDA and Adjusted EBITDA per nt to include tariff and tariff related costs as a non-recurring item adjustment from earnings. The prior periods have been restated to reflect the change in presentation. Refer to *'Non-IFRS Performance Measures'* section in the Second Quarter 2019 MD&A for further details.
2. Includes ERP implementation costs associated with the process of separating from USS, management fees and shared services arrangement costs.
3. Restructuring and other costs includes certain employee termination benefits and consulting costs. For 2018, restructuring costs include legal fees and other costs connected to Stelco's emergence from CCAA proceedings.
4. Represents certain non-routine items that include, but are not limited to, costs connected with Stelco Inc.'s withdrawn proposed senior secured notes offering during September 2019, building demolition costs, professional fees and travel related expenses.
5. Includes utility costs incurred by Stelco for non-operating and idled assets acquired from the Land Vehicle on June 5, 2018.
6. Share-based compensation consists of costs connected with share options awarded to certain members of the Company's executive senior leadership team during the period.
7. Represents incremental employee training and other costs connected with Stelco's new batch annealing facility that was completed during Q2 2019 and commenced operations during June 2019. Refer to *'Results of Operations'* section of the Second Quarter 2019 MD&A for further details.

Stelco Holdings Inc. – Adjustments to Net Income (Quarter)

(CA$ millions)

	Three months ended		
	December 31, 2019	September 30, 2019	December 31, 2018
Net income (loss)	**$ (24)**	**$ —**	**$ 110**
Add back/(Deduct):			
Restructuring and other costs [1]	5	1	1
Transaction-based and other corporate-related costs [2]	3	1	—
Property related idle costs included in cost of goods sold [3]	2	1	2
Remeasurement of employee benefit commitment [4]	1	(11)	(15)
Share-based compensation (recovery) [5]	1	(2)	—
Carbon tax expense (recovery) [6]	(1)	(2)	—
Tariff related costs (recovery) [7]	—	(1)	23
Separation costs related to USS support services [8]	—	2	5
Income related to buildings finance lease termination	—	—	(3)
Adjusted net income	**$ (13)**	**$ (11)**	**$ 123**

1. Restructuring and other costs includes certain employee termination benefits and consulting costs. For 2018, restructuring costs include other costs connected to Stelco's emergence from CCAA proceedings.
2. Represents certain non-routine items that include, but are not limited to, costs connected with Stelco Inc.'s withdrawn proposed senior secured notes offering during September 2019 and professional fees.
3. Includes utility costs incurred by Stelco for non-operating and idled assets acquired from the Land Vehicle on June 5, 2018.
4. Remeasurement of employee benefit commitment for change in the timing of estimated cash flows and future funding requirements.
5. Share-based compensation consists of costs connected with share options awarded to certain members of the Company's executive senior leadership team during the period.
6. Represents a non-cash carbon tax provision for the period, connected to Stelco's estimated requirements under the Greenhouse Gas Pollution Pricing Act (Federal Backstop) for industrial facilities with greenhouse gas emissions. Actual cash payments related to the carbon taxes, if any, are not expected to occur until the third quarter of 2020 at the earliest.
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8. Includes ERP implementation costs associated with the process of separating from USS, management fees and shared services arrangement costs.

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Stelco Holdings Inc. – Adjustments to Net Income (YTD)

(CA$ millions)

	Year ended December 31, 2019	2018
Net income	**$ 20**	**$ 253**
Add back/(Deduct):		
Tariff related costs [1]	19	73
Separation costs related to USS support services [2]	9	20
Restructuring and other costs [3]	6	9
Transaction-based and other corporate-related costs [4]	6	—
Property related idle costs included in cost of goods sold [5]	5	5
Share-based compensation [6]	2	—
Batch annealing facility startup related costs [7]	1	—
Remeasurement of employee benefit commitment [8]	(26)	144
Loss from commodity-based swaps	—	10
Secondary offering costs	—	1
Income related to buildings finance lease termination	—	(3)
Adjusted net income	**$ 42**	**$ 512**

1. Includes tariff and tariff related costs associated with U.S. bound steel shipments. In connection with the US administration announcing effective May 20, 2019, the elimination of all tariffs imposed under Section 232 on imports of aluminum and steel products from Canada, we have modified the definition of Adjusted EBTIDA and Adjusted EBITDA per nt to include tariff and tariff related costs as a non-recurring item adjustment from earnings. The prior periods have been restated to reflect the change in presentation. Refer to *'Non-IFRS Performance Measures'* section in the Second Quarter 2019 MD&A for further details.
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8. Remeasurement of employee benefit commitment for change in the timing of estimated cash flows and future funding requirements.

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