



The Steel Company of Canada

First Quarter 2020 Earnings Call

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May 6, 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; the Company's plan to upgrade its blast furnace facilities in Nanticoke, Ontario; expectations with respect to its long-term supply of iron ore and the value associated with an option to acquire an interest in the Minntac iron ore mine; and its liquidity outlook. 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 at competitive prices; our ability to supply to new customers and markets; our ability to effectively manage costs; 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 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 strategic and accretive M&A opportunities; expectations regarding future actions to maximize shareholder returns and profitability; expectations regarding our position to deliver organic and inorganic growth; expectations regarding the Company's ability to proceed with planned projects and ongoing steel sales without facing a significant interruption from the COVID-19 pandemic, 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; maintenance of proper inventory levels; disruption of operations due to unforeseen circumstances such as power outages, explosions, fires, floods, accidents, and severe weather conditions; the loss of leased property on which operating facilities are located; the COVID-19 pandemic having a material adverse effect on our business, operations and sales; planned construction projects being delayed or suspended indefinitely due to COVID-19 or other unforeseeable conditions; a significant reduction in the Company's liquidity; and other unforeseen conditions or events that could impact the Company'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 "Covid-19 Pandemic" and "Risks and Uncertainties" in our Management's Discussion and Analysis of financial condition and results of operations for the three months ended March 31, 2020, and under the heading "Risk Factors" in Stelco Holdings Inc.'s Annual Information Form dated February 18, 2020 each of which may be accessed under Stelco Holding Inc.'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 on 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 (in thousands of net ton). 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 starting on page 8 of the Stelco Holdings Inc.'s Management's Discussion and Analysis for the three months ended March 31, 2020, and in Stelco Holding Inc.'s Management's Discussion and Analysis for the periods ended March 31, 2019 and December 31, 2019, each of which may be accessed under Stelco Holding Inc.'s SEDAR profile at www.sedar.com.

Earnings Call Agenda

- **Highlights**

- Q1 2020 performance
- Strategic initiatives
 - Growth in value-added shipments
 - Blast furnace upgrade
 - 8-year pellet supply agreement
 - Minntac option
- Strong liquidity position

- **Questions & Answers**

Q1 Highlights

- Revenue was \$445 million in Q1 2020, up 2% sequentially from \$435 million in Q4 2019, and lower by 14% year-over-year from \$515 million in Q1 2019
 - Average selling price was \$705/nt* in Q1 2020, up 7% sequentially from \$659/nt* in Q4 2019, and lower by 14% from \$824/nt* in Q1 2019
 - Shipping volume of 621 thousand nt* in Q1 2020, down 2% sequentially from 633 thousand nt* Q4 2019, and higher by 1% from 612 thousand nt* in Q1 2019
- Adjusted EBITDA was \$20 million* in Q1 2020, up 100% sequentially from \$10 million* in Q4 2019, and down from \$76 million* in Q1 2019
- Adjusted EBITDA per nt was \$32/nt* in Q1 2020
- \$306 million of liquidity as at March 31, 2020, with \$232 million of cash and \$74 million of undrawn ABL revolver capacity (total maximum ABL revolver facility capacity is \$375 million)



* 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 March 31, 2020, December 31, 2019 and March 31, 2019.

Stelco Holdings Inc. - Quarterly Financial Metrics

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

	Year-over-year			Prior quarter	
	Q1 2020	Q1 2019	Change	Q4 2019	Change
Revenue	445	515	(14)%	435	2%
Operating income (loss)	7	44	(84)%	(6)	NM
Net income (loss)	(24)	43	(156)%	(24)	—%
Average selling price per nt *	705	824	(14)%	659	7%
Shipping volume (in thousands of nt) *	621	612	1%	633	(2)%
Adjusted net income (loss) *	(26)	60	(143)%	(13)	(100)%
Adjusted EBITDA *	20	76	(74)%	10	100%
Adjusted EBITDA margin *	4%	15%	(11)%	2%	2%
Adjusted EBITDA per nt *	32	124	(74)%	16	100%

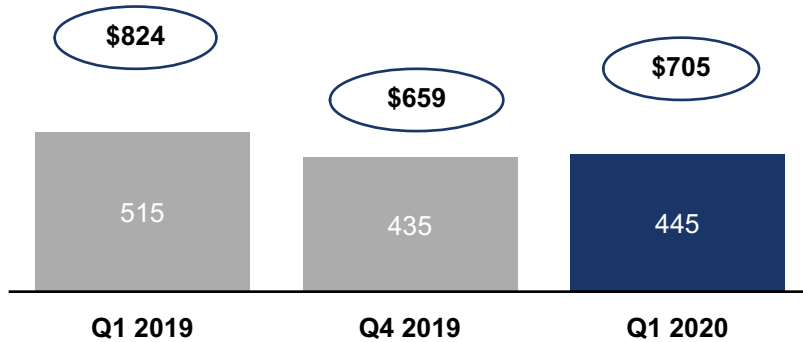


* See "Non-IFRS measures" below for a reconciliation of Non-IFRS measures; see also "Non-IFRS Measures" as outlined in Stelco Holdings' Management's Discussion & Analysis for the periods ended March 31, 2020, December 31, 2019 and March 31, 2019.

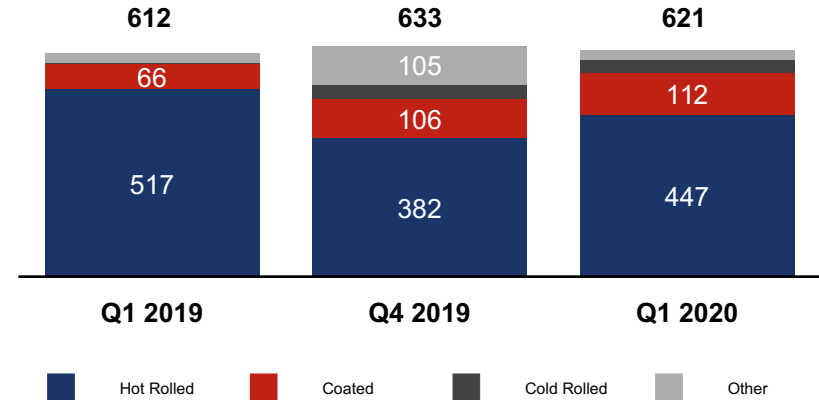
Stelco Holdings Inc. - Historical Financial Results

Sales (CA\$ millions)

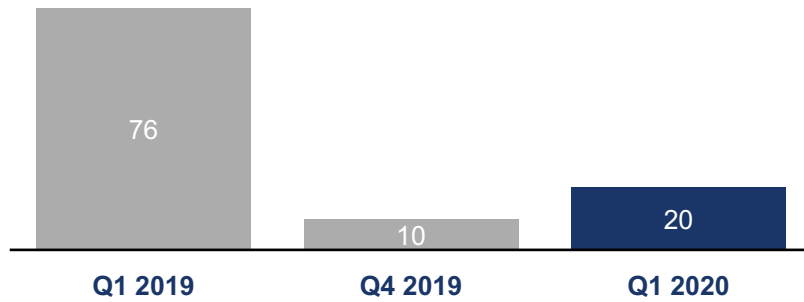
Avg. Selling Price (1) (\$/nt):



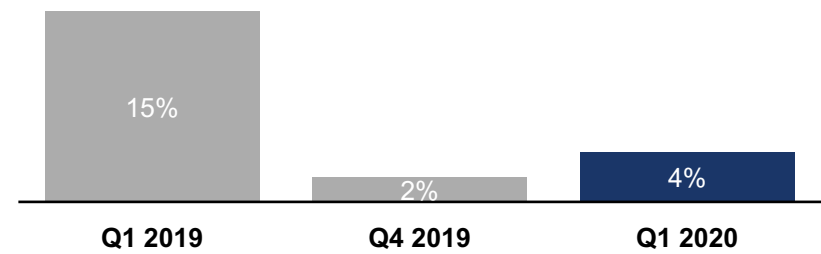
Shipping Volume (in thousands of nt)⁽²⁾



Adjusted EBITDA (CA\$ millions)⁽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 Holdings' Management's Discussion & Analysis for the periods ended March 31, 2020, December 31, 2019 and March 31, 2019.

Financial Position (selected items)

(CA\$ millions)

As at	Stelco Holdings Inc.		
	March 31, 2020	December 31, 2019	March 31, 2019
Cash	232	257	285
Trade and other receivables	139	158	265
Inventories	378	483	346
Property, plant & equipment, net	722	670	506
Trade and other payables	346	444	285
Other liabilities	74	82	58
Pension benefits	8	7	3
Asset-based lending facility	134	98	—
Obligations to independent employee trusts	508	507	586
Total equity	417	450	502

Non-IFRS Measures

Stelco Holdings Inc. – Adjustments to EBITDA (Quarter)

(CA\$ millions)

	Three months ended		
	March 31, 2020	December 31, 2019	March 31, 2019
Net income (loss)	\$ (24)	\$ (24)	\$ 43
Add back/(Deduct):			
Finance costs	33	13	3
Depreciation	13	13	8
Restructuring and other costs ¹	1	5	—
Transaction-based and other corporate-related costs ²	1	3	—
Unrealized gain from commodity-based swap	(2)	—	—
Share-based compensation expense (recovery) ³	(1)	1	2
Finance income	(1)	(2)	(2)
Property related idle costs included in cost of goods sold	—	2	1
Carbon tax expense (recovery)	—	(1)	3
Tariff related costs	—	—	13
Separation costs related to USS support services	—	—	5
Adjusted EBITDA	\$ 20	\$ 10	\$ 76
Adjusted EBITDA as a percentage of total revenue	4%	2%	15%

1. Restructuring and other costs includes certain employee termination benefits, consulting and demolition costs.

2. Represents certain non-routine items that include, but are not limited to, professional fees, including those connected with Stelco Inc.'s withdrawn proposed senior secured notes offering during September 2019.

3. Share-based compensation consists of costs (recovery), connected with share options awarded to certain members of the Company's executive senior leadership team, during the period.

Stelco Holdings Inc. – Adjustments to EBITDA (TTM)

(CA\$ millions)

	Trailing twelve months ending March 31,	
	2020	2019
Net income (loss)	\$ (47)	\$ 267
Add back/(Deduct):		
Finance costs	58	202
Depreciation	56	36
Restructuring and other costs ¹	7	6
Transaction-based and other corporate-related costs ²	7	—
Tariff related costs ³	6	86
Separation costs related to USS support services ⁴	4	21
Property related idle costs included in cost of goods sold ⁵	4	6
Batch annealing facility startup related costs ⁶	1	—
Finance income	(5)	(6)
Carbon tax expense (recovery) ⁷	(3)	3
Unrealized gain from commodity-based swap	(2)	—
Share-based compensation expense (recovery) ⁸	(1)	2
Secondary offering costs	—	1
Income related to buildings finance lease termination	—	(3)
Adjusted EBITDA	\$ 85	\$ 621
Adjusted EBITDA as a percentage of total revenue	5%	25%

1. Restructuring and other costs includes certain employee termination benefits, consulting and demolition costs.
2. Represents certain non-routine items that include, but are not limited to, professional fees, including those connected with Stelco Inc.'s withdrawn proposed senior secured notes offering during September 2019.
3. 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 EBITDA 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.
4. Includes ERP implementation costs associated with the process of separating from USS, management fees and shared services arrangement costs.
5. Includes utility costs incurred by Stelco for non-operating and idled assets acquired from the Land Vehicle on June 5, 2018.
6. 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.
7. 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.
8. Share-based compensation consists of costs (recovery), connected with share options awarded to certain members of the Company's executive senior leadership team, during the period.



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

(CA\$ millions)

	Three months ended			March 31, 2019
	March 31, 2020	December 31, 2019	March 31, 2019	
Net income (loss)	\$	(24) \$	(24) \$	43
Add back/(Deduct):				
Restructuring and other costs ¹		1	5	—
Transaction-based and other corporate-related costs ²		1	3	—
Unrealized gain from commodity-based swap		(2)	—	—
Remeasurement of employee benefit commitment ³		(1)	1	(7)
Share-based compensation expense (recovery) ⁴		(1)	1	2
Property related idle costs included in cost of goods sold		—	2	1
Carbon tax expense (recovery)		—	(1)	3
Tariff related costs		—	—	13
Separation costs related to USS support services		—	—	5
Adjusted net income (loss)	\$	(26) \$	(13) \$	60

1. Restructuring and other costs includes certain employee termination benefits, consulting and demolition costs.

2. Represents certain non-routine items that include, but are not limited to, professional fees, including those connected with Stelco Inc.'s withdrawn proposed senior secured notes offering during September 2019.

3. Remeasurement of employee benefit commitment for change in the timing of estimated cash flows and future funding requirements.

4. Share-based compensation consists of costs (recovery), connected with share options awarded to certain members of the Company's executive senior leadership team, during the period.





The Steel Company of Canada