



The Steel Company of Canada

Third Quarter 2020 Earnings Call

Alan Kestenbaum
Chief Executive Officer

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Chief Financial Officer

November 12, 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 expected results from the recently completed blast furnace upgrade and reline project at the Company's facilities in Nanticoke, Ontario; expectations regarding the company's anticipated shipments in the fourth quarter; 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 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; 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 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 and nine months ended September 30, 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 Holdings 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 9 of the Stelco Holdings Inc.'s Management's Discussion and Analysis for the three and nine months ended September 30, 2020, and in Stelco Holdings Inc.'s Management's Discussion and Analysis for the periods ended December 31, 2019, each of which may be accessed under Stelco Holdings Inc.'s SEDAR profile at www.sedar.com.



Q3 Highlights

- Revenue was \$237 million in Q3 2020, down 42% sequentially from \$411 million in Q2 2020, and lower by 49% year-over-year from \$464 million in Q3 2019
 - Average selling price was \$683/nt* in Q3 2020, down 2% sequentially from \$700/nt* in Q2 2020, and lower by 1% from \$688/nt* in Q3 2019
 - Shipping volume was 334 thousand nt* in Q3 2020, down 42% sequentially from 576 thousand nt* Q2 2020, and lower by 49% from 654 thousand nt* in Q3 2019
- Adjusted EBITDA was a loss of \$39 million* in Q3 2020, down sequentially from earnings of \$34 million* in Q2 2020, and down from earnings of \$23 million* in Q3 2019
- \$137 million of liquidity as at September 30, 2020, with \$106 million of cash and \$31 million of undrawn ABL revolver capacity (total maximum ABL revolver facility capacity is \$275 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 September 30, 2020, June 30, 2020 and September 30, 2019.

Stelco Holdings Inc. - Quarterly Financial Metrics

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

	Year-over-year			Prior quarter	
	Q3 2020	Q3 2019	Change	Q2 2020	Change
Revenue	237	464	(49)%	411	(42)%
Operating income (loss)	(69)	9	(867)%	16	(531)%
Net income (loss)	(88)	—	NM	—	NM
Average selling price per nt *	683	688	(1)%	700	(2)%
Shipping volume (in thousands of nt) *	334	654	(49)%	576	(42)%
Adjusted net income (loss) *	(81)	(11)	(636)%	10	(910)%
Adjusted EBITDA (loss) *	(39)	23	(270)%	34	(215)%
Adjusted EBITDA margin *	(16)%	5%	(21)%	8%	(24)%
Adjusted EBITDA (loss) per nt *	(117)	35	(434)%	59	(298)%



*

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 September 30, 2020, June 30, 2020 and September 30, 2019.

Stelco Holdings Inc. - YTD Financial Metrics

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

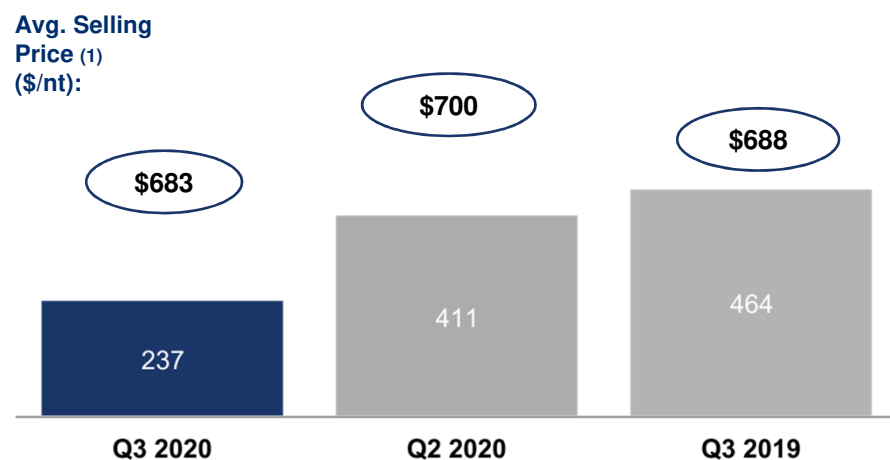
	Nine months ended September 30,			Trailing twelve months ended September 30,		
	2020	2019	Change	2020	2019	Change
Revenue	1,093	1,406	(22)%	1,528	2,054	(26)%
Operating income (loss)	(46)	56	(182)%	(52)	174	(130)%
Net income (loss)	(112)	44	NM	(136)	154	(188)%
Average selling price per nt *	698	754	(7)%	687	798	(14)%
Shipping volume (in thousands of nt) *	1,531	1,811	(15)%	2,164	2,484	(13)%
Adjusted net income (loss) *	(97)	55	NM	(110)	178	(162)%
Adjusted EBITDA *	15	131	(89)%	25	298	(92)%
Adjusted EBITDA margin *	1%	9%	(8)%	2%	15%	(13)%
Adjusted EBITDA per nt *	10	72	(86)%	12	120	(90)%



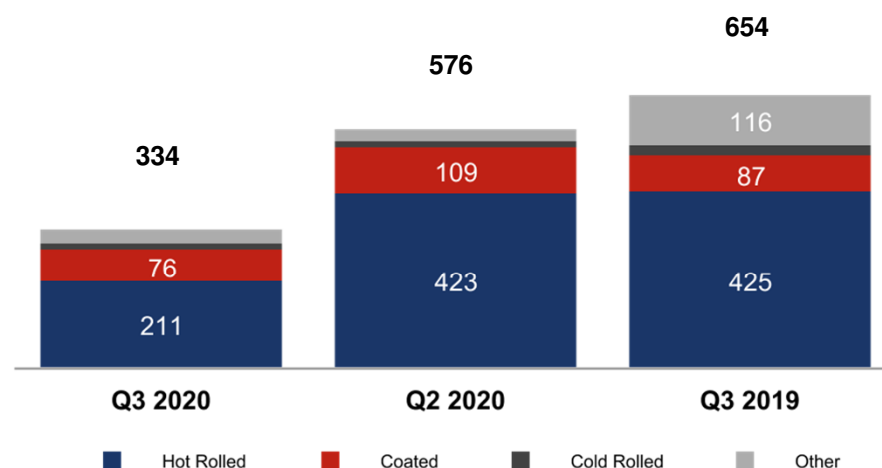
* See "Non-IFRS measures" below for a reconciliation of Non-IFRS measures; see also "Non-IFRS Measures" as outlined in Stelco Holdings' Management's Discussion & Analysis for the periods ended September 30, 2020 and 2019

Stelco Holdings Inc. - Historical Financial Results

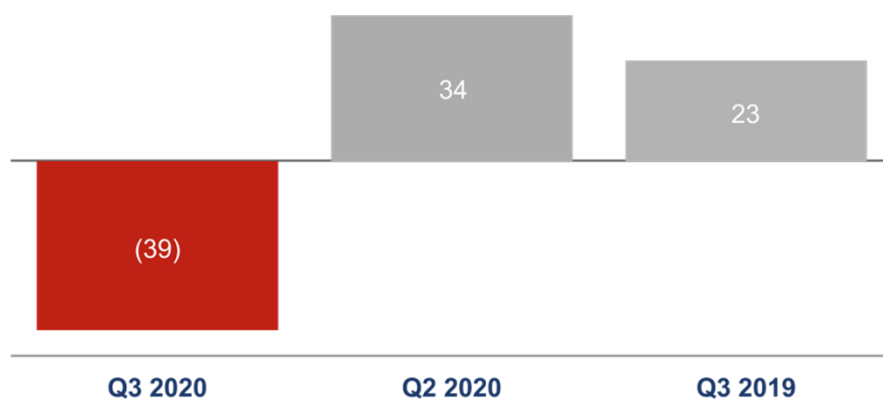
Sales (C\$ millions)



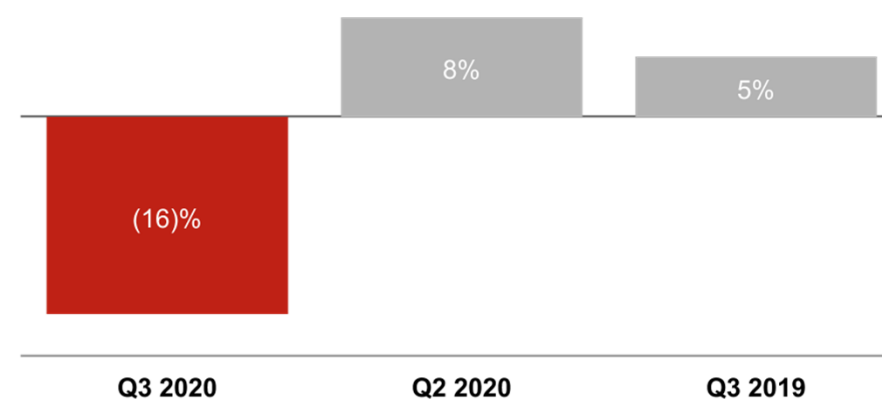
Shipping Volume (in thousands of nt)⁽²⁾



Adjusted EBITDA (loss) (C\$ 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 September 30, 2020, June 30, 2020 and September 30, 2019.

Financial Position (selected items)

(C\$ millions)

As at	Stelco Holdings Inc.		
	September 30, 2020	December 31, 2019	September 30, 2019
Cash	106	257	349
Restricted cash	68	8	15
Trade and other receivables	56	158	136
Inventories	470	483	508
Derivative asset	81	—	—
Property, plant & equipment, net	802	670	636
Trade and other payables	565	444	544
Other liabilities	87	82	84
Pension benefits	9	7	5
Asset-based lending facility	99	98	—
Obligations to independent employee trusts	508	507	542
Total equity	329	450	485



Non-IFRS Measures



Stelco Holdings Inc. – Adjustments to EBITDA (Quarter)

(C\$ millions)

	Three months ended		
	September 30, 2020	June 30, 2020	September 30, 2019
Net income (loss)	\$ (88)	\$ —	\$ —
Add back/(Deduct):			
Depreciation	27	12	15
Finance costs	16	12	9
Unrealized loss/realized gain from commodity-based swap	4	2	—
Share-based compensation expense (recovery) ¹	2	1	(2)
Transaction-based and other corporate-related costs ²	1	2	1
Finance income	(1)	—	(1)
Other costs ³	—	5	1
Separation costs related to USS support services	—	—	2
Property related idle costs included in cost of goods sold	—	—	1
Tariff related recovery	—	—	(1)
Carbon tax recovery	—	—	(2)
Adjusted EBITDA (loss)	\$ (39)	\$ 34	\$ 23
Adjusted EBITDA (loss) as a percentage of total revenue	(16)%	8%	5%

1. Share-based compensation consists of costs connected with the Company's long-term incentive plan for certain employees (including members of the Company's executive senior leadership team), during the period.
2. Represents certain non-routine items that include, but are not limited to, professional fees, including those connected with the acquisition of the Option during Q2 2020 and Stelco Inc.'s withdrawn proposed senior secured notes offering during September 2019.
3. Other costs primarily includes the write-down of certain capital projects that are no longer being pursued by the Company, representing aborted construction in progress costs without future benefit to Stelco.



Stelco Holdings Inc. – Adjustments to EBITDA (TTM)

(C\$ millions)

	Trailing twelve months ended September 30,			
	2020		2019	
Net income (loss)	\$	(136)	\$	154
Add back/(Deduct):				
Finance costs		74		32
Depreciation		65		51
Restructuring and other costs ¹		11		2
Transaction-based and other corporate-related costs ²		7		3
Unrealized loss from commodity-based swaps		4		—
Share-based compensation ³		3		1
Property related idle costs included in cost of goods sold		2		5
Carbon tax expense (recovery)		(1)		1
Finance income		(4)		(5)
Tariff related costs		—		42
Separation costs related to USS support services		—		14
Batch annealing facility startup related costs		—		1
Income related to buildings finance lease termination		—		(3)
Adjusted EBITDA	\$	25	\$	298
Adjusted EBITDA as a percentage of total revenue		2%		15%

1. Restructuring and other costs primarily includes the write-down of certain strategic capital projects that are no longer being pursued by the Company, representing aborted construction in progress costs without future benefit to Stelco and 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 the acquisition of the Option during Q2 2020 and Stelco Inc.'s withdrawn proposed senior secured notes offering during September 2019.
3. Share-based compensation consists of costs connected with the Company's long-term incentive plan for certain employees (including members of the Company's executive senior leadership team), during the period.



Stelco Holdings Inc. – Adjustments to EBITDA (YTD)

(C\$ millions)

	Nine months ended September 30,	
	2020	2019
Net income (loss)	\$ (112)	\$ 44
Add back/(Deduct):		
Finance costs	61	15
Depreciation	52	38
Other costs ¹	6	1
Transaction-based and other corporate-related costs ²	4	3
Unrealized loss from commodity-based swaps	4	—
Share-based compensation ³	2	1
Finance income	(2)	(4)
Tariff related costs	—	19
Separation costs related to USS support services	—	9
Property related idle costs included in cost of goods sold	—	3
Carbon tax expense	—	1
Batch annealing facility startup related costs	—	1
Adjusted EBITDA	\$ 15	\$ 131
Adjusted EBITDA as a percentage of total revenue	1%	9%

1. Other costs primarily includes the write-down of certain capital projects that are no longer being pursued by the Company, representing aborted construction in progress costs without future benefit to Stelco.
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Stelco Holdings Inc. – Adjustments to Net Income (Quarter)

(C\$ millions)

	Three months ended		
	September 30, 2020	June 30, 2020	September 30, 2019
Net income (loss)	\$ (88)	\$ —	\$ —
Add back/(Deduct):			
Unrealized loss/realized gain from commodity-based swap	4	2	—
Share-based compensation expense (recovery) ¹	2	1	(2)
Transaction-based and other corporate-related costs ²	1	2	1
Other costs ³	—	5	1
Separation costs related to USS support services	—	—	2
Property related idle costs included in cost of goods sold	—	—	1
Tariff related costs recovery	—	—	(1)
Carbon tax expense recovery	—	—	(2)
Remeasurement of employee benefit commitment ⁴	—	—	(11)
Adjusted net income (loss)	\$ (81)	\$ 10	\$ (11)

1. Share-based compensation consists of costs connected with the Company's long-term incentive plan for certain employees (including members of the Company's executive senior leadership team), during the period.
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3. Other costs primarily includes the write-down of certain capital projects that are no longer being pursued by the Company, representing aborted construction in progress costs without future benefit to Stelco.
4. Remeasurement of employee benefit commitment for change in the timing of estimated cash flows and future funding requirements.



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

(C\$ millions)

	Trailing twelve months ended	
	September 30,	
	2020	2019
Net income (loss)	\$ (136)	\$ 154
Add back/(Deduct):		
Restructuring and other costs ¹	11	2
Transaction-based and other corporate-related costs ²	7	3
Unrealized loss from commodity-based swaps	4	—
Share-based compensation ³	3	1
Property related idle costs included in cost of goods sold	2	5
Carbon tax expense (recovery)	(1)	1
Tariff related costs	—	42
Separation costs related to USS support services	—	14
Batch annealing facility startup related costs	—	1
Income related to buildings finance lease termination	—	(3)
Remeasurement of employee benefit commitment ⁴	—	(42)
Adjusted net income (loss)	\$ (110)	\$ 178

1. Restructuring and other costs primarily includes the write-down of certain strategic capital projects that are no longer being pursued by the Company, representing aborted construction in progress costs without future benefit to Stelco and certain employee termination benefits, consulting and demolition costs.
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Stelco Holdings Inc. – Adjustments to Net Income (YTD)

(C\$ millions)

	Nine months ended September 30,	
	2020	2019
Net income (loss)	\$ (112)	\$ 44
Add back/(Deduct):		
Other costs ¹	6	1
Transaction-based and other corporate-related costs ²	4	3
Unrealized loss from commodity-based swaps	4	—
Share-based compensation ³	2	1
Remeasurement of employee benefit commitment ⁴	(1)	(27)
Tariff related costs	—	19
Separation costs related to USS support services	—	9
Property related idle costs included in cost of goods sold	—	3
Carbon tax expense	—	1
Batch annealing facility startup related costs	—	1
Adjusted net income (loss)	\$ (97)	\$ 55

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