



The Steel Company of Canada

Fourth Quarter & Annual 2020 Earnings Call

Alan Kestenbaum
Chief Executive Officer

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Chief Financial Officer

February 18, 2021



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, shipment volumes, 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 shipments in the first quarter of 2021 and average scrap selling prices in the second quarter of 2021. 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 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.

Estimates with respect to our shipping volumes referenced in this Presentation are based on a number of assumptions, including, but not limited to, the following material assumptions: the Company's ability to continue to access the U.S. market without any adverse trade restrictions; consistent demand for steel in North America; no significant additional legal or regulatory developments, no material failure of any of our operations, no changes in economic conditions, or macro changes in the competitive environment affecting our business activities; upgrades to existing facilities and the construction of new facilities remaining on schedule and within budget and their anticipated effect on revenue and costs being fully realized; the Company's ability to attract new customers and further develop and maintain existing customers; currency exchange and interest rates; the impact of competition; and growth in steel markets and industry trends. We note that: (i) potential further changes to trade regulations in the United States; and/or (ii) the outcome of trade deliberations between the U.S. and China could materially alter underlying assumptions around our anticipated shipping volumes and the steel market, generally. In addition, the effect that the COVID-19 pandemic may have on the Company's future results of operations and financial condition are highly unpredictable and it is possible that the COVID-19 pandemic may have a material adverse effect on the Company's ability to (i) operate at or near full capacity, (ii) find customers that are willing to purchase our products at fair market prices, and (iii) transport and deliver our products to customers.

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 year ended December 31, 2020, and under the heading "Risk Factors" in Stelco Holdings Inc.'s Annual Information Form dated February 17, 2021 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 9 of the Stelco Holdings Inc.'s Management's Discussion and Analysis for the year ended December 31, 2020 which may be accessed under Stelco Holding Inc.'s SEDAR profile at www.sedar.com.

Q4 Highlights

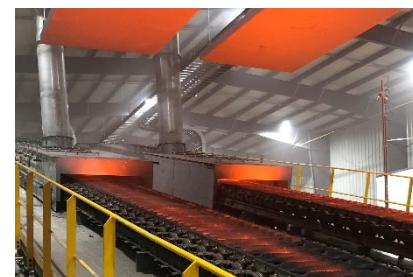
Financial

- Revenue was \$424 million in Q4 2020, up 79% sequentially from \$237 million in Q3 2020, and lower by 3% year-over-year from \$435 million in Q4 2019
 - Average selling price (“ASP”) was \$728/nt⁽¹⁾ in Q4 2020, up 7% sequentially from \$683/nt⁽¹⁾ in Q3 2020, and higher by 10% from \$659/nt⁽¹⁾ in Q4 2019
 - Shipping volume of 489 thousand nt⁽¹⁾ in Q4 2020, up 46% sequentially from 334 thousand nt⁽¹⁾ Q3 2020, and lower by 23% from 633 thousand nt⁽¹⁾ in Q4 2019
- Adjusted EBITDA of \$60 million⁽¹⁾ in Q4 2020, up sequentially from an Adjusted EBITDA loss of \$39 million⁽¹⁾ in Q3 2020, and up from \$10 million⁽¹⁾ in Q4 2019
- Forecasting more than 35% increase in shipments for Q1 2021



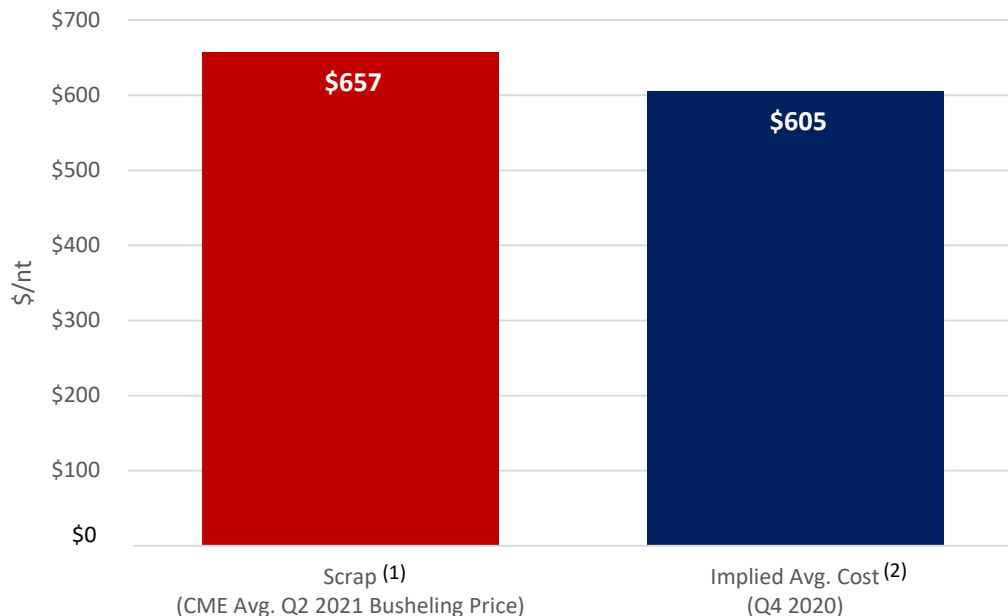
Operational

- Restarted ‘smart’ blast furnace following generational upgrade project
 - Up to \$30/nt targeted cost savings already being realized
 - Up to 300k net tons incremental hot metal capacity already being realized
 - Multiple new daily/weekly hot metal and slab production records set in December and January
- Completed installation of pig iron caster, increasing tactical flexibility



Q4 Highlights – Improved Cost Structure

Scrap Price v. Implied Average Cost

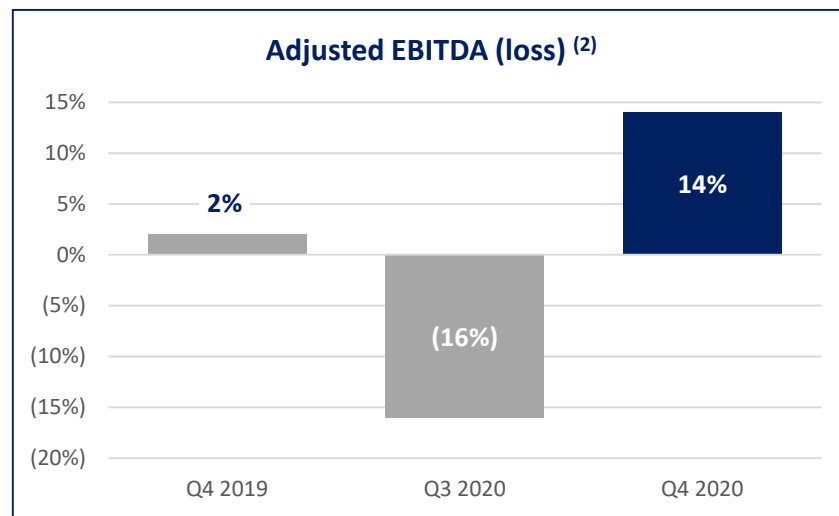
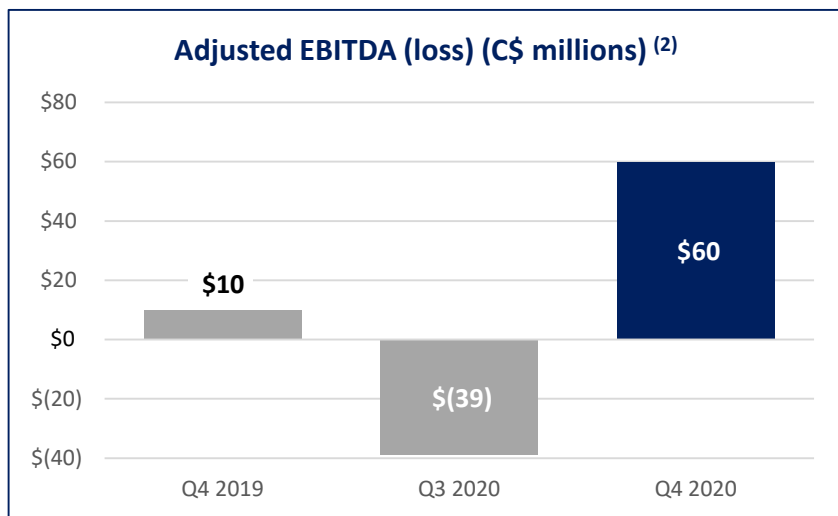
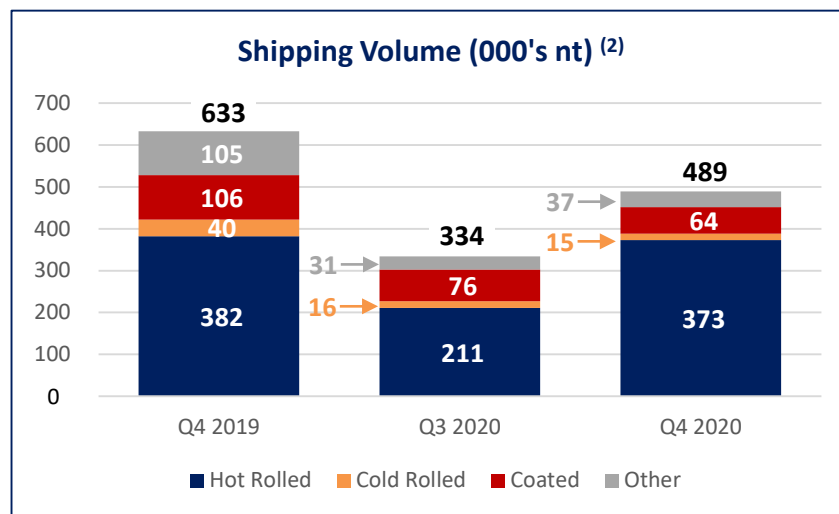
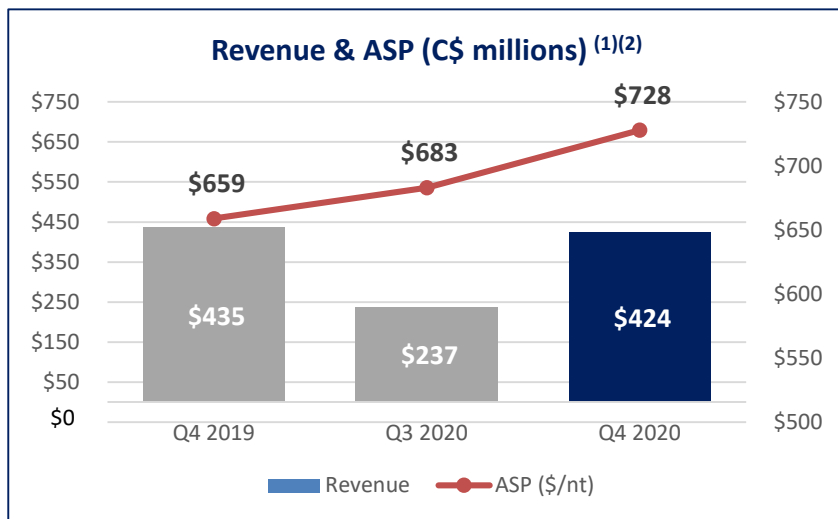


- \$728/nt ASP⁽³⁾ less \$123 Adjusted EBITDA/nt⁽³⁾ = \$605/nt (US\$476/nt at current exchange rate) implied average cost across entire product mix
- Current CRU index price for HRC is US\$1,160/nt
 - Value-added products even higher



(1) Source: CME Group (<https://www.cmegroup.com/trading/metals/ferrous/us-midwest-busheling-ferrous-scrap.html>) average Q2 2021 prices converted from US\$/long ton into net tons and converted to Canadian dollars (C\$1.27=US\$1.00).
(2) Implied Average Cost = Average Sale Price less Adjusted EBITDA/nt for Q4 2020.
(3) See “Non-IFRS Measures” as outlined in Management’s Discussion & Analysis for the period ended December 31, 2020.

Key Financial Results – Stronger Q4



- (1) Average selling price (ASP) calculated as steel-related revenue divided by tons of steel shipped and recognized as revenue in the period.
 (2) See "Non-IFRS Measures" as outlined in Management's Discussion & Analysis for the periods ended December 31, 2020, September 30, 2020 and December 31, 2019.

Key Financial Results – Quarterly

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

	Year-over-year			Prior quarter	
	Q4 2020	Q4 2019	Change	Q3 2020	Change
Revenue	424	435	(3)%	237	79%
Operating income (loss)	39	(6)	NM	(69)	NM
Net loss	(47)	(24)	(96)%	(88)	47%
Average selling price per nt ⁽¹⁾	728	659	10%	683	7%
Shipping volume (000's of nt) ⁽¹⁾	489	633	(23)%	334	46%
Adjusted net income (loss) ⁽¹⁾	45	(13)	NM	(81)	NM
Adjusted EBITDA (loss) ⁽¹⁾	60	10	500%	(39)	NM
Adjusted EBITDA margin (loss) ⁽¹⁾	14%	2%	12%	(16)%	30%
Adjusted EBITDA (loss) per nt ⁽¹⁾	123	16	NM	(117)	NM

(1) See "Non-IFRS Measures" as outlined in Management's Discussion & Analysis for the periods ended December 31, 2020, September 30, 2020 and December 31, 2019.
 NM = Not Meaningful

Key Financial Results – Annual

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

	<u>Years ended December 31</u>		
	2020	2019	Change
Revenue	1,517	1,841	(18)%
Operating income (loss)	(7)	50	(114)%
Net income (loss)	(159)	20	(895)%
Average selling price per nt ⁽¹⁾	705	729	(3)%
Shipping volume (000's of nt) ⁽¹⁾	2,020	2,444	(17)%
Adjusted net income (loss) ⁽¹⁾	(52)	42	(224)%
Adjusted EBITDA ⁽¹⁾	75	141	(47)%
Adjusted EBITDA margin ⁽¹⁾	5%	8%	(3)%
Adjusted EBITDA per nt ⁽¹⁾	37	58	(36)%

(1) See "Non-IFRS Measures" as outlined in Management's Discussion & Analysis for the periods ended December 31, 2020, September 30, 2020 and December 31, 2019.
 NM = Not Meaningful

Financial Position (selected items)

(C\$ millions)

As at	<u>Stelco Holdings Inc.</u>		
	Dec. 31, 2020	Sept. 30, 2020	Dec. 31, 2019
Cash	59	106	257
Restricted cash	8	68	8
Trade and other receivables	183	56	158
Inventories	509	470	483
Derivative asset	133	81	—
Property, plant & equipment, net	845	802	670
Trade and other payables	668	558	444
Derivative liabilities	84	7	—
Other liabilities	103	87	82
Pension benefits	11	9	7
Asset-based lending facility	128	99	98
Obligations to independent employee trusts	498	508	507
Total equity	281	329	450

Non-IFRS Measures

EBITDA – Adjustments (Quarterly)

(C\$ millions)

	Three Months Ended		
	Dec. 31, 2020	Sept. 30, 2020	Dec 31, 2019
Net loss	(47)	(88)	(24)
Add back/(deduct):			
Loss from commodity-based swaps, net ⁽¹⁾	86	4	—
Depreciation	14	27	13
Transaction-based and other corporate-related costs ⁽²⁾	8	1	3
Restructuring and other costs	7	—	5
Share-based compensation expense ⁽³⁾	2	2	1
Finance costs (recovery)	(10)	16	13
Finance income	—	(1)	(2)
Property related idle costs included in cost of goods sold	—	—	2
Carbon tax recovery	—	—	(1)
Adjusted EBITDA (loss)	60	(39)	10
Adjusted EBITDA (loss) as a percentage of total revenue	14%	(16)%	2%

(1) Includes a \$3 million commodity-based swap gain in connection with a contract settling during May 2020, included as an adjustment during Q4 2020.

(2) Represents certain non-routine items that include, but are not limited to, professional and consulting fees in connection with the cyberattack during the period 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 leadership team), during the period.

EBITDA – Adjustments

(C\$ millions)

	Years ended December 31	
	2020	2019
Net income (loss)	(159)	20
Add back/(Deduct):		
Loss from commodity-based swaps, net	90	—
Depreciation	66	51
Finance costs	51	28
Restructuring and other costs ⁽¹⁾	13	6
Transaction-based and other corporate-related costs ⁽²⁾	12	6
Share-based compensation ⁽³⁾	4	2
Finance income	(2)	(6)
Tariff related costs	—	19
Separation costs related to USS support services	—	9
Property related idle costs included in cost of goods sold	—	5
Batch annealing facility startup related costs	—	1
Adjusted EBITDA	75	141
Adjusted EBITDA as a percentage of total revenue	5 %	8 %

- (1) Restructuring and 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, and demolition costs for certain buildings (and other assets) not connected to the Company's ongoing operations. For 2019, restructuring and other costs includes certain employee termination benefits and consulting costs.
- (2) Represents certain non-routine items that include, but are not limited to, professional and consulting fees in connection with the cyberattack and acquisition of the Option during 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 leadership team) during the period.

Net Income – Adjustments (Quarterly)

(C\$ millions)

	Three Months Ended		
	Dec. 31, 2020	Sept. 30, 2020	Dec 31, 2020
Net loss	(47)	(88)	(24)
Add back/(Deduct):			
Loss from commodity-based swaps, net ⁽¹⁾	86	4	—
Transaction-based and other corporate-related costs ⁽²⁾	8	1	3
Restructuring and other costs	7	—	5
Share-based compensation expense ⁽³⁾	2	2	1
Remeasurement of employee benefit commitment ⁽⁴⁾	(11)	—	1
Property related idle costs included in cost of goods sold	—	—	2
Carbon tax recovery	—	—	(1)
Adjusted net income (loss)	45	(81)	(13)

(1) Includes a \$3 million commodity-based swap gain in connection with a contract settling during May 2020, included as an adjustment during Q4 2020.

(2) Represents certain non-routine items that include, but are not limited to, professional and consulting fees in connection with the cyberattack during the period 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 leadership team) during the period.

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



Net Income – Adjustments

(C\$ millions)

	Years ended December 31	
	2020	2019
Net income (loss)	(159)	20
Add back/(Deduct):		
Loss from commodity-based swaps, net	90	—
Restructuring and other costs ⁽¹⁾	13	6
Transaction-based and other corporate-related costs ⁽²⁾	12	6
Share-based compensation ⁽³⁾	4	2
Remeasurement of employee benefit commitment ⁽⁴⁾	(12)	(26)
Tariff related costs	—	19
Separation costs related to USS support services	—	9
Property related idle costs included in cost of goods sold	—	5
Batch annealing facility startup related costs	—	1
Adjusted net income (loss)	(52)	42

- (1) Restructuring and 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, and demolition costs for certain buildings (and other assets) not connected to the Company's ongoing operations. For 2019, restructuring and other costs includes certain employee termination benefits and consulting costs.
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- (4) Remeasurement of employee benefit commitment for change in the timing of estimated cash flows and future funding requirements.



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