STELCO

The Steel Company of Canada

Third Quarter 2021 Earnings Call

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November 11, 2021

Disclaimer

Caution Regarding Forward-Looking Statements and Key Assumptions

This presentation contains “forward-looking information” within the meaning of applicable securities laws. 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. 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 or otherwise referenced 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.

Forward-looking information in this presentation includes: expectations regarding the rehabilitation and upgrade of the LEW coke battery and that, upon completion of such construction, the LEW coke battery will operate with improved cost-efficiency and improved operational and environmental performance; and expectations regarding the construction of the new electricity cogeneration facility and that, upon completion of such construction, the new electricity cogeneration facility will reduce our energy costs and carbon dioxide emissions.

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 complete new capital projects on schedule and within budget and their anticipated effect on revenue, costs and operational and environmental performance; our ability to obtain all applicable regulatory approvals required in connection with new facilities and that such approvals are obtained in a timely fashion; our ability to source necessary volumes of raw materials and other inputs at competitive prices; our facilities operating at design capacity; 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; currency exchange and interest rates; the impact of competition; changes in laws, rule, and regulations, including international trade regulations; our ability to continue to access the U.S. market without any adverse trade restrictions; 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.

Key Assumptions Underlying Our Coke Battery Upgrade Project

Expectations regarding the improved cost-efficiency and improved operational and environmental performance associated with the rehabilitation and upgrade of our LEW coke battery included in this presentation, and statements with respect to the anticipated timing and costs of such project, are based on a number of assumptions in addition to the foregoing assumptions, including, but not limited to, the following material assumptions: expectations that third party contractors and suppliers will deliver, construct and perform, in all material respects, in accordance with agreed upon budgets and schedules; expectations that the scope of work will remain unchanged in all material respects; our ability to obtain any applicable regulatory approvals and permits required in connection with the project and that such approvals and permits will be obtained in a timely fashion; expectations that, upon completion, the facility will produce in accordance with anticipated design capacity; expectations that the market for steel does not experience a material adverse change subsequent to the completion of the project; expectations that our customers will continue to purchase material volumes of production upon completion of the project; the facility, upon completion, performing in such a manner so as to provide sufficient coke that, together with our Hamilton Works coke battery, satisfy our production needs; expectations that the facility will improve our production costs and our operational and environmental performance; and expectations that we will fully realize current and future production levels at our LEW facility.

Non-IFRS Measures

This presentation refers to certain non-IFRS measures that are not recognized under International Financial Reporting Standards ("IFRS") and do not have a standardized meaning prescribed by IFRS. 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. We use non-IFRS measures including “Adjusted Net Income", “Adjusted Net Income per common share", ‘’Adjusted EBITDA'', ‘’Adjusted EBITDA per net ton‘’, “Adjusted EBITDA per nt”, “Adjusted EBITDA Margin”, “Adjusted EBITDA as a percentage of total revenue”, “Average Selling Price”, “ASP”, ‘’Selling Price per net ton‘’, “Selling Price per nt”, and ‘’Shipping Volume'' to provide supplemental measures of our operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS financial measures. We also believe that securities analysts, investors and other interested parties frequently use non-IFRS measures in the evaluation of issuers. Our management uses these non-IFRS financial measures to facilitate operating performance comparisons from period-to-period, to prepare annual operating budgets and forecasts, and drive performance through our management compensation program. For a reconciliation of these non-IFRS measures, refer to the Company's "Non-IFRS Measures Reconciliation" section below. For a definition of these non-IFRS measures, refer to the Company’s Management’s Discussion & Analysis (“MD&A”) for the periods ended September 30, 2021, June 30, 2021 and September 30, 2020 available under the Company’s profile on SEDAR at www.sedar.com. All references to “Adjusted EBITDA Margin” in this presentation refer to the non-IFRS measure titled “Adjusted EBITDA as a percentage of total revenue” included in our MD&A and all references to “Average Selling Price per nt” included in this presentation in respect of the periods ended June 30, 2021 and September 30, 2020 refer to “Selling Price per net ton” included in such MD&As.

Q3 Highlights

Financial

- Revenue was $1,354 million in Q3 2021, up 47% sequentially from $918 million in Q2 2021, and higher by 471% year-over-year from $237 million in Q3 2020
  - Average Selling Price was $1,808/nt[1] in Q3 2021, up 40% sequentially from $1,292/nt[1] in Q2 2021, and higher by 165% from $683/nt[1] in Q3 2020
  - Shipping Volume of 710 thousand nt[1] in Q3 2021, up 5% sequentially from 679 thousand nt[1] Q2 2021, and higher by 113% from 334 thousand nt[1] in Q3 2020
- Adjusted EBITDA of $787 million[1] in Q3 2021, up sequentially from $410 million[1] in Q2 2021, and up from $39 million loss[1] in Q3 2020
- Repurchased and cancelled 11,398,024 common shares, representing ~13% of shares then outstanding for $398 million
- Returned $413 million to shareholders in the quarter including dividends
- Increased quarterly dividend, for the second consecutive quarter, to $0.30 per share

Operational

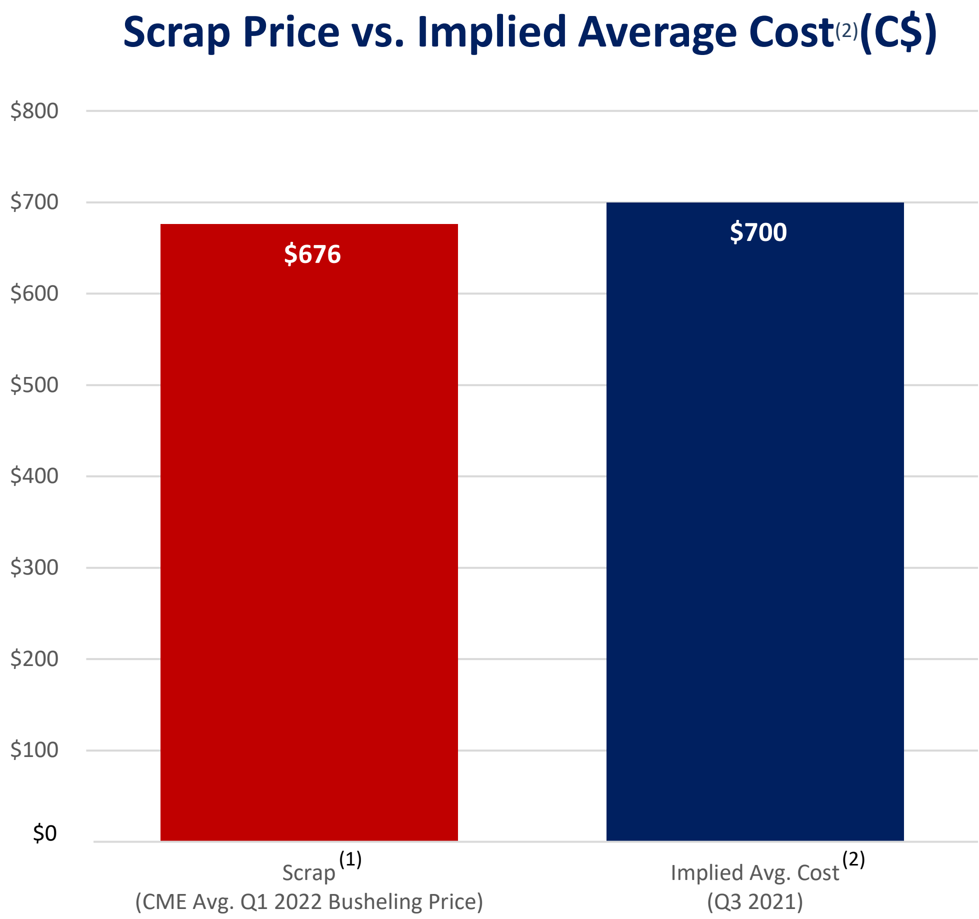
- Q3 2021 Shipping Volume at high level – up 5% over Q2 2021 and represents the highest volume since Q2 2018
- Maintained growth in high value-added coated and cold-rolled markets – 2021 YTD shipments of these products is up 26% over the same period in 2020
- Continued strategic rehabilitation and upgrade of our LEW coke battery that will result in improved cost and operational and environmental performance
- Advanced work on new electricity cogeneration facility that will reduce energy costs and further reduce our CO_2 emissions




Best quarterly results in Stelco history highlighted by industry-leading Adjusted EBITDA Margin of 58%[1]

(1) See “Non-IFRS Measures” as outlined in the MD&A for the periods ended September 30, 2021, June 30, 2021 and September 30, 2020. “Adjusted EBITDA Margin” is a non-IFRS measure and refers to “Adjusted EBITDA as a percentage of total revenue” included in our MD&A.

Scrap Price In-Line With Stelco's All-In Product Cost



- $1,808 Average Selling Price per nt[(3)] less $1,108 Adjusted EBITDA per nt[(3)] = $700/nt (US$564/nt at current exchange rate) implied average cost across entire product mix
- Current CRU index price for HRC is US$1,819/nt
  - Value-added products even higher

(1) Source: CME Group (https://www.cmegroup.com/trading/metals/ferrous/us-midwest-busheling-ferrous-scrap.html) average Q1 2022 prices as of November 9, 2021, converted from long tons into net tons and converted to Canadian dollars (C$1.24=US$1.00).
(2) "Implied Average Cost" is a non-IFRS measure. "Implied Average Cost" = Average Selling Price per nt less Adjusted EBITDA per nt for Q3 2021.
(3) See "Non-IFRS Measures" as outlined in the MD&A for the period ended September 30, 2021.

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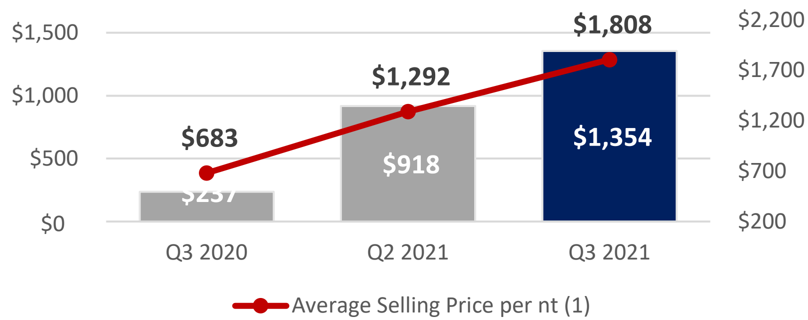
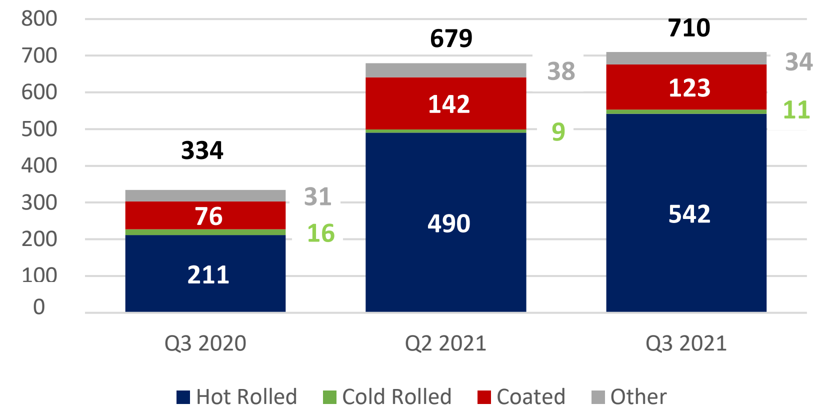
Key Results – Record Q3 Financials

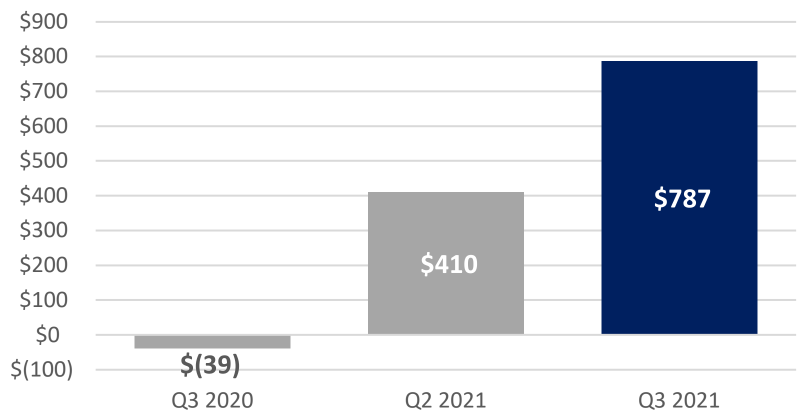
Revenue (C$ millions) & Average Selling Price per nt [(1)] (C$)



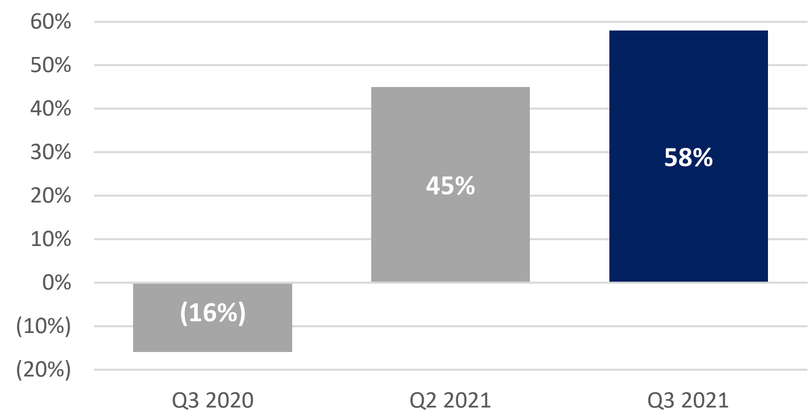
Shipping Volume (000's nt) [(1)]



Adjusted EBITDA (C$ millions) [(1)]



Adjusted EBITDA Margin [(1)]



(1) See "Non-IFRS Measures" as outlined in our MD&A for the periods ended September 30, 2021, June 30, 2021, and September 30, 2020. "Adjusted EBITDA Margin" is a non-IFRS measure and refers to "Adjusted EBITDA as a percentage of total revenue" included in our MD&A.

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Key Financial Results – Quarterly

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

	Year-over-Year			Prior Quarter	
	Q3 2021	Q3 2020	Change	Q2 2021	Change
Revenue	**1,354**	237	**471%**	918	**47%**
Operating income (loss)	**770**	(69)	**NM**	393	**96%**
Net income (loss)	**614**	(88)	**NM**	363	**69%**
Average Selling Price per nt [(1)]	**1,808**	683	**165%**	1,292	**40%**
Shipping Volume (in thousands of nt) [(1)]	**710**	334	**113%**	679	**5%**
Adjusted Net Income (Loss) [(1)]	**629**	(81)	**NM**	383	**64%**
Adjusted EBITDA (Loss) [(1)]	**787**	(39)	**NM**	410	**92%**
Adjusted EBITDA Margin [(1)]	**58%**	NM	**NM**	45%	**13%**
Adjusted EBITDA (Loss) per nt [(1)]	**1,108**	(117)	**NM**	604	**83%**

(1) See “Non-IFRS Measures” as outlined in our MD&A for the periods ended September 30, 2021, June 30, 2021 and September 30, 2020. “Adjusted EBITDA Margin” is a non-IFRS measure and refers to “Adjusted EBITDA as a percentage of total revenue” included in our MD&A.

NM = Not Meaningful

Key Financial Results – Year-to-Date / Trailing 12 Months

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

	Nine months ended September 30,			Trailing twelve months ended September 30,		
	2021	2020	Change	2021	2020	Change
Revenue	**2,937**	1,093	**169%**	**3,361**	1,528	**120%**
Operating income (loss)	**1,330**	(46)	**NM**	**1,369**	(52)	**NM**
Net income (loss)	**1,096**	(112)	**NM**	**1,049**	(136)	**NM**
Average Selling Price per nt (1)	**1,360**	698	**95%**	**1,239**	687	**80%**
Shipping Volume (in thousands of nt) (1)	**2,064**	1,531	**35%**	**2,553**	2,164	**18%**
Adjusted Net Income (Loss) (1)	**1,184**	(97)	**NM**	**1,229**	(110)	**NM**
Adjusted EBITDA (1)	**1,382**	15	**9,113%**	**1,442**	25	**5,668%**
Adjusted EBITDA Margin (1)	**47%**	1%	**46%**	**43%**	2%	**41%**
Adjusted EBITDA per nt (1)	**670**	10	**6,600%**	**565**	12	**4,608%**

(1) See "Non-IFRS Measures" as outlined in our MD&A for the periods ended September 30, 2021, June 30, 2021 and September 30, 2020. "Adjusted EBITDA Margin" is a non-IFRS measure and refers to "Adjusted EBITDA as a percentage of total revenue" included in our MD&A.

NM = Not Meaningful

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Financial Position (selected items)

(C$ millions)

As at	September 30, 2021	December 31, 2020	September 30, 2020
Cash	410	59	106
Restricted cash	10	8	68
Trade and other receivables	534	183	56
Inventories	487	509	470
Derivative asset	127	133	81
Property, plant & equipment, net	969	845	802
Deferred tax asset	56	—	—
Trade and other payables	740	668	565
Derivative liabilities	—	84	—
Other liabilities	122	103	87
Pension benefits	13	11	9
Asset-based lending facility	87	128	99
Income taxes payable	125	—	—
Obligations to independent employee trusts	579	498	508
Total equity	945	281	329

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Non-IFRS Measures

EBITDA – Adjustments (Quarterly)

(C$ millions)

For three months ended	September 30, 2021	June 30, 2021	September 30, 2020
Net income (loss)	**614**	**363**	**(88)**
Add back / (deduct)			
Income tax expense (recovery)			
Current	125	—	—
Deferred	(11)	(10)	—
Finance costs	26	37	16
Depreciation	17	17	27
Loss on derivative asset (1)	13	2	—
Other costs	3	1	—
Loss from commodity-based swaps	—	—	4
Transaction-based and other corporate-related costs	—	—	1
Finance income	—	—	(1)
Other	—	—	2
Adjusted EBITDA (Loss)	**787**	**410**	**(39)**
Adjusted EBITDA as a percentage of total revenue	**58%**	**45%**	**NM**

(1) Refer to note 6 of the Consolidated Financial Statements for further details.
NM = Not Meaningful

EBITDA – Adjustments (Trailing Twelve Months)

(C$ millions)

Trailing twelve months ended September 30,	2021	2020
Net income (loss)	**1,049**	**(136)**
Add back / (deduct)		
Income tax expense (recovery)		
Current	125	—
Deferred	(56)	—
Finance costs	119	74
Loss from commodity-based swaps	113	4
Depreciation	64	65
Restructuring and other costs (1)	11	11
Transaction-based and other corporate-related costs (2)	9	7
Loss on derivative asset (3)	6	—
Finance income	—	(4)
Property related idle costs included in cost of goods sold	—	2
Carbon tax recovery	—	(1)
Other	2	3
Adjusted EBITDA	**1,442**	**25**
Adjusted EBITDA as a percentage of total revenue	**43%**	**2%**

(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 and consulting fees in connection with the criminal cyberattack in October 2020, acquisition of the Option during 2020, and Stelco Inc.'s withdrawn proposed senior secured notes offering during September 2019.
(3) Refer to note 6 of the Consolidated Financial Statements for further details.

EBITDA – Adjustments (YTD)

(C$ millions)

Nine months ended September 30,	2021	2020
Net income (loss)	**1,096**	**(112)**
Add back / (deduct)		
Finance costs	129	61
Income tax expense (recovery)		
Current	125	—
Deferred	(56)	—
Depreciation	50	52
Loss from commodity-based swaps	27	4
Loss on derivative asset (1)	6	—
Other costs	4	6
Transaction-based and other corporate-related costs	1	4
Finance income	—	(2)
Other	—	2
Adjusted EBITDA	**1,382**	**15**
Adjusted EBITDA as a percentage of total revenue	**47%**	**1%**

(1) Refer to note 6 of the Consolidated Financial Statements for further details.

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Net Income – Adjustments (Quarterly)

(C$ millions)

For three months ended	September 30, 2021	June 30, 2021	September 30, 2020
Net income (loss)	**614**	**363**	**(88)**
Add back / (deduct)			
Loss on derivative asset [(1)]	13	2	—
Remeasurement of employee benefit commitment [(2)]	3	24	—
Other costs	3	1	—
Loss from commodity-based swaps	—	—	4
Transaction-based and other corporate-related costs	—	—	1
Other	—	—	2
Total adjusted items before tax	**19**	**27**	**7**
Tax impact of above items	(4)	(7)	—
Total adjusted items after tax	**15**	**20**	**7**
Adjusted Net Income (Loss)	**629**	**383**	**(81)**

(1) Refer to note 6 of the Consolidated Financial Statements for further details.
(2) Remeasurement of employee benefit commitment for change in the timing of estimated cash flows and future funding requirements.

Net Income – Adjustments (Trailing Twelve Months)

(C$ millions)

Trailing twelve months ended September 30,	2021	2020
Net income (loss)	**1,049**	**(136)**
Add back / (deduct)		
Loss from commodity-based swaps	113	4
Remeasurement of employee benefit commitment (1)	68	—
Restructuring and other costs (2)	11	11
Transaction-based and other corporate-related costs (3)	9	7
Loss on derivative asset (4)	6	—
Property related idle costs included in cost of goods sold	—	2
Carbon tax recovery	—	(1)
Other	2	3
Total adjusted items before tax	**209**	**26**
Tax impact of above items	(29)	—
Total adjusted items after tax	**180**	**26**
Adjusted Net Income (Loss)	**1,229**	**(110)**

(1) Remeasurement of employee benefit commitment for change in the timing of estimated cash flows and future funding requirements.
(2) 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.
(3) Represents certain non-routine items that include, but are not limited to, professional and consulting fees in connection with the criminal cyberattack in October 2020, acquisition of the Option during 2020, and Stelco Inc.'s withdrawn proposed senior secured notes offering during September 2019.
(4) Refer to note 6 of the Consolidated Financial Statements for further details.

Net Income – Adjustments (YTD)

(C$ millions)

Nine months ended September 30,	2021	2020
Net income (loss)	**1,096**	**(112)**
Add back / (deduct)		
Remeasurement of employee benefit commitment (1)	79	(1)
Loss from commodity-based swaps	27	4
Loss on derivative asset (2)	6	—
Other costs	4	6
Transaction-based and other corporate-related costs	1	4
Other	—	2
Total adjusted items before tax	**117**	**15**
Tax impact of above items	(29)	—
Total adjusted items after tax	**88**	**15**
Adjusted Net Income (Loss)	**1,184**	**(97)**

(1) Remeasurement of employee benefit commitment for change in the timing of estimated cash flows and future funding requirements.
(2) Refer to note 6 of the Consolidated Financial Statements for further details.

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