

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2022

This Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") of Russel Metals Inc. and its subsidiaries provides information to assist readers of, and should be read in conjunction with, the condensed consolidated financial statements for the three months ended March 31, 2022, including the notes thereto, and the MD&A and the audited consolidated financial statements for the year ended December 31, 2021, including the notes thereto. In the opinion of management, such condensed consolidated financial statements contain all adjustments necessary for a fair presentation of the results for such periods. The results of operations for the periods shown are not necessarily indicative of what our results will be for the full year. All dollar references in our financial statements and in this report are in Canadian dollars unless otherwise stated.

Additional information related to Russel Metals Inc., including our Annual Information Form, may be obtained from SEDAR at www.sedar.com or on our website at www.russelmetals.com.

Unless otherwise stated, the discussion and analysis contained in this MD&A are as of May 3, 2022.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this MD&A constitute forward-looking statements or information within the meaning of applicable securities laws, including statements as to our future capital expenditures, our outlook, the availability of future financing and our ability to pay dividends. Forward-looking statements relate to future events or our future performance. All statements, other than statements of historical fact, are forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. Forward-looking statements are necessarily based on estimates and assumptions that, while considered reasonable by us, inherently involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements, including the factors described below.

We are subject to a number of risks and uncertainties which could have a material adverse effect on our future profitability and financial position, including the risks and uncertainties listed below, which are important factors in our business and the metals distribution industry. Such risks and uncertainties include, but are not limited to: volatility in metal prices; cyclical nature of the metals industry; volatility in oil and natural gas prices; capital budgets in the energy industry; climate change; product claims; significant competition; sources of metals supply; manufacturers selling directly; material substitution; credit risk; currency exchange risk; restrictive debt covenants; asset impairments; the unexpected loss of key individuals; decentralized operating structure; future acquisitions; the failure of our key computer-based systems, labour interruptions; laws and governmental regulations; litigious environment; environmental liabilities; carbon emissions; health and safety laws and regulations and common share risk.

While we believe that the expectations reflected in our forward-looking statements are reasonable, no assurance can be given that these expectations will prove to be correct, and our forward-looking statements included in this MD&A should not be unduly relied upon. These statements speak only as of the date of this MD&A and, except as required by law, we do not assume any obligation to update our forward-looking statements. Our actual results could differ materially from those anticipated in our forward-looking statements including as a result of the risk factors described above and under the heading "Risk" later in this MD&A, and under the heading "Risk Management and Risks Affecting Our Business" in our most recent Annual Information Form and as otherwise disclosed in our filings with securities regulatory authorities which are available on SEDAR at www.sedar.com.

NON-GAAP MEASURES AND RATIOS

This MD&A includes a number of measures that are not prescribed by International Financial Reporting Standards ("IFRS" or "GAAP") and as such may not be comparable to similar measures presented by other companies. We believe these measures are commonly employed to measure performance in our industry and are used by analysts, investors, lenders and other interested parties to evaluate financial performance and our ability to incur and service debt to support our business activities. Investors may find these non-GAAP measures, which include non-GAAP financial measures and non-GAAP ratio as defined in *National Instrument 52-112 Non-GAAP and Other Financial Measures Disclosure*, useful in understanding how management views underlying business performance.

These measures and ratios are defined below and include EBIT, EBITDA, free cash flow, liquidity and inventory turns. We believe that these may be useful in assessing our operating performance and as an indicator of our ability to service or incur indebtedness, make capital expenditures and finance working capital. The items excluded in determining EBIT, EBITDA and free cash flow are significant in assessing operating results and liquidity. EBIT, EBITDA and free cash flow should not be considered in isolation or as an alternative to net income, cash flows generated by operating, investing or financing activities, or other financial statement data presented in accordance with GAAP. A reconciliation of EBITDA to net income in accordance with GAAP and a reconciliation of free cashflow to cash from operating activities before changes in non-cash working capital in accordance with GAAP are found below.

EBIT or Operating Profits - represents net earnings before interest and income taxes.

EBITDA - represents net earnings before interest, income taxes, depreciation and amortization.

Free Cash Flow - represents cash from operating activities before changes in non-cash working capital less capital expenditures.

Gross Margin - represents revenues less cost of sales.

Gross Margin Percentage - represents gross margin over revenues.

Inventory Turns - represents annualized cost of sales divided by ending inventory.

Liquidity - represents cash on hand less bank indebtedness plus excess availability under our bank credit facility.

Selling Price per Ton - represents revenues divided by tons shipped.

Tons Shipped - represents revenue volumes in our standardized metal service center unit of measure, which is imperial tons.

ADJUSTED NON-GAAP MEASURES

We assess our results on a reported and adjusted basis and consider both as useful measures of performance. Adjusted measures include Adjusted Net Earnings, Adjusted EBITDA and Adjusted EBIT, in addition to other adjusted measures noted below. We remove items of note from reported results to calculate our adjusted results. Items of note include certain items of significance that arise from time to time which we believe are not reflective of our underlying business performance. We have assessed that long-lived asset impairment is an item of note. We believe that adjusted measures provide the reader with a better understanding of how we assess our underlying business performance which facilitates a more informed analysis of trends. While we believe that adjusted measures may facilitate comparisons between our results and those of some of our peer group, which may make similar adjustments in their public disclosure, it should be noted that there is no standardized meaning for adjusted measures under GAAP.

Adjusted Net Earnings - we adjust our reported net earnings to remove long-lived asset impairment, net of income taxes.

Adjusted Net Earnings per Share - we adjust our reported net earnings to remove the impact of long-lived asset impairment, net of income taxes, to calculate the adjusted net earnings per share.

Adjusted EBIT - we adjust our EBIT to remove the impact of long-lived asset impairment.

Adjusted EBITDA - we adjust our EBITDA to remove the impact of long-lived asset impairment.

OVERVIEW OF THE 2022 FIRST QUARTER

Our basic earnings per share of \$1.56 for the quarter ended March 31, 2022, was higher than the \$1.29 per share recorded in the first quarter of 2021 and lower than the \$1.62 reported in the fourth quarter of 2021. Revenues of \$1,339 million were a record and higher than the \$885 million experienced in the first quarter of 2021 and the \$1,147 million in the fourth quarter of 2021. Our gross margins were 21.7% for the first quarter of 2022, which were higher than historical averages but lower than the 28.8% in the same quarter of 2021 and 26.1% in the fourth quarter of 2021. Steel market conditions rebounded significantly late in the 2022 first quarter and resulted in both revenues and margins for the last month of the quarter being higher than the average for the quarter. Our Adjusted EBITDA, which equaled EBITDA, for the quarter was \$153 million compared to Adjusted EBITDA of \$129 million in the same quarter of 2021 and \$164 million in the fourth quarter of 2021.

Each of our business segments generated strong operating results in the first quarter of 2022. Metals service centers had a quarter-over-quarter increase in tons shipped of 13% on a same store basis and 19% after taking into account a full quarter contribution from the acquisition of Boyd Metals ("Boyd"). This was accomplished in spite of weather and COVID related challenges that impacted shipping activities in the early part of the quarter. The steel distributors segment benefited from supply chain disruptions that continued to affect steel availability and our business was able to serve strong customer demand. In our energy products segment, the improved prices and activity in both Canada and the U.S. allowed our business to generate higher quarter-over-quarter revenues as it benefited from the continued recovery of the energy industry.

Market Conditions

Steel prices moderated through the early part of the 2022 first quarter but rebounded significantly during March 2022, due to reduced inventory in the supply chain, further global supply chain disruptions caused by the Russian invasion of Ukraine and strong demand. In the energy sector, operating conditions continued to improve in conjunction with the increased activity in the oil and gas sector.

Business Optimization

On March 31, 2022, we divested Apex Western Fiberglass Inc. ("AWF"), which was a part of our energy segment, for cash consideration of \$10 million. There was no gain or loss on sale as cash proceeds equaled the net book value. We completed the sale to further refine our business portfolio and enhance our return on capital over the cycle, since AWF's returns did not meet our criteria.

Liquidity and Capital Structure Improvements

During the 2022 first quarter, we generated \$43 million of cash from operating activities and ended the quarter with total available liquidity of \$457 million.

RECONCILIATION OF NET EARNINGS TO EBITDA

The following table provides a reconciliation of net earnings and earnings per share for the three months ended March 31, 2022 and 2021 to net earnings and net earnings per share.

<i>(millions except per share data)</i>	Three Months Ended March 31	
	2022	2021
Net earnings	\$ 98.7	\$ 80.6
Provision for income taxes	31.9	27.5
Interest and finance expense	6.7	6.4
EBIT ¹	137.3	114.5
Depreciation and amortization	15.8	14.5
EBITDA ¹	\$ 153.1	\$ 129.0
Net earnings per share	\$ 1.56	\$ 1.29

¹ Refer to Non-GAAP Measures and Ratios and Adjusted Non-GAAP Measures on page 2

RECONCILIATION OF FREE CASH FLOW

<i>(millions)</i>	Three Months Ended March 31	
	2022	2021
Cash from operating activities before non-cash working capital	\$ 140.9	\$ 123.1
Purchase of property, plant and equipment	(8.2)	(5.9)
Free cash flow ¹	\$ 132.7	\$ 117.2

QUARTERLY FINANCIAL HIGHLIGHTS

<i>(for the quarters ended)</i>	Mar 31 2022	Dec 31 2021	Sep 30 2021	Jun 30 2021	Mar 31 2021	Dec 31 2020	Sep 30 2020	Jun 30 2020
Revenues <i>(\$ millions)</i>	\$ 1,339	\$ 1,147	\$ 1,108	\$ 1,068	\$ 885	\$ 671	\$ 615	\$ 588
EBITDA ¹ <i>(\$ millions)</i>	153	162	196	178	129	11	47	32
Adjusted EBITDA ¹ <i>(\$ millions)</i>	153	164	196	178	129	41	47	32
Net earnings <i>(\$ millions)</i>	99	102	132	118	81	(9)	18	5
Basic earnings per share <i>(\$)</i>	1.56	1.62	2.10	1.88	1.29	(0.14)	0.29	0.07

¹ Refer to Non-GAAP Measures and Ratios and Adjusted Non-GAAP Measures on page 2

RESULTS OF OPERATIONS

We are one of the largest metals distribution companies in North America. We conduct business primarily in three segments: metals service centers, energy products and steel distributors.

The following table provides segment information including segment revenues, gross margins and earnings before interest and income taxes. The corporate expenses included are not allocated to specific operating segments. Gross margins as a percentage of revenues for the operating segments are also shown below. The table shows the segments as they are reported to management and are consistent with the segment reporting in our condensed consolidated financial statements.

<i>(millions, except percentages)</i>	Quarters ended March 31	
	2022	2021
Segment Revenues		
Metals service centers	\$ 928.8	\$ 584.5
Energy products	210.0	226.1
Steel distributors	199.3	74.4
Other	0.5	0.4
	\$ 1,338.6	\$ 885.4
Segment Gross Margins ¹		
Metals service centers	\$ 202.7	\$ 190.2
Energy products	51.5	39.2
Steel distributors	35.6	25.3
Other	0.5	0.4
Total operations	\$ 290.3	\$ 255.1
Segment Operating Profits and EBIT ¹		
Metals service centers	\$ 95.2	\$ 105.8
Energy products	21.8	5.5
Steel distributors	24.1	15.8
Corporate expenses and other	(9.8)	(12.6)
Share of earnings from joint venture	6.0	-
Earnings before interest and income taxes	\$ 137.3	\$ 114.5
Segment Gross Margin as a % of Revenues ¹		
Metals service centers	21.8%	32.5%
Energy products	24.5%	17.3%
Steel distributors	17.9%	34.0%
Total operations	21.7%	28.8%
Segment Operating Profit and EBIT as a % of Revenues ¹		
Metals service centers	10.2%	18.1%
Energy products	10.4%	2.4%
Steel distributors	12.1%	21.2%
Total operations	10.3%	12.9%

Results of our U.S. operations reported for the three months ended March 31, 2022, were converted at \$1.2663 per US\$1 compared to \$1.2666 per US\$1 for the three months ended March 31, 2021. Our U.S. operations represented 38% of our total revenues. The exchange rate on March 31, 2022, used to translate the balance sheet was \$1.2496 per US\$1 versus \$1.2678 per US\$1 on December 31, 2021.

¹ Refer to Non-GAAP Measures and Ratios and Adjusted Non-GAAP Measures on page 2

METALS SERVICE CENTERS

a) Description of operations

We provide processing and distribution services to a broad base of approximately 32,000 end users through a network of 46 Canadian locations and 22 U.S. locations. Our metals service centers carry a broad line of products in a wide range of sizes, shapes and specifications, including carbon hot rolled and cold finished steel, pipe and tubular products, stainless steel and aluminum. We purchase these products primarily from steel producers in North America and process and package them in accordance with end user specifications. We service all major geographic regions of Canada as well as the Southeastern and Midwestern regions in the United States.

b) Metals service centers segment results

(millions)	Three months ended March 31	
	2022	2021
Financial Highlights		
Revenue	\$ 929	\$ 585
Gross margin (\$) ¹	203	190
Gross margin (%) ¹	21.8%	32.5%
Operating profits ¹	95	106

Revenues in our metals service center operations increased 59% from the 2021 first quarter with same store revenues up 41%. Same store tons shipped in the first quarter of 2022 were approximately 4% lower than the first quarter of 2021, as a result of the impact of unusual weather patterns and the Omicron variant decreasing the number of shipping days in early 2022. Same store tons were 13% greater than the fourth quarter of 2021. Total tons shipped, including a full quarter contribution from the Boyd Metals acquisition in the fourth quarter of 2021, were 19% higher than the fourth quarter of 2021 and 5% higher versus the first quarter of 2021. The average selling price increased 48% compared to the same quarter in 2021 and was consistent with the 2021 fourth quarter.

Gross margin as a percentage of revenues of 21.8% was lower than the 32.5% in the same quarter last year and the 26.2% in the 2020 fourth quarter due to the higher underlying cost of steel for the quarter, as there was a timing lag for higher cost inventory flowing into the recent quarter's cost of goods sold.

Operating expenses were \$108 million in the first quarter of 2022 compared to \$84 million in the 2021 first quarter. The increase was due in part to higher fuel prices that impacted delivery expenses and the effect of the Boyd acquisition. Same store operating expenses were \$93 million.

Metals service centers operating profits for the three months ended March 31, 2022, of \$95 million were 10% lower than the \$106 million reported for the same period in 2021.

ENERGY PRODUCTS

a) Description of operations

We distribute flanges, valves, fittings and tubular goods, primarily to the energy industry in Western Canada and the United States. We operate from 43 Canadian and 11 U.S. facilities in our valve and fitting operations. We purchase our products from the pipe division of North American steel mills, independent manufacturers of flanges, valves and fittings and tubular goods, international steel mills and other distributors.

b) Energy products segment results

(millions)	Three months ended March 31	
	2022	2021
Financial Highlights		
Revenue	\$ 210	\$ 226
Gross margin (\$) ¹	52	39
Gross margin (%) ¹	24.5%	17.3%
Operating profits ¹	22	5

¹ Refer to Non-GAAP Measures and Ratios and Adjusted Non-GAAP Measures on page 2

Revenues in our energy products segment decreased by 7% in the 2022 first quarter compared to the 2021 first quarter due to the divestiture of our OCTG/line pipe businesses. Our same store energy field store revenues increased 60% from the 2021 first quarter. The average Canadian rig counts were 185 compared to 133 in the 2021 first quarter and the average U.S. rig counts were 632 compared to 393 in the same period in 2021.

Gross margin as a percentage of revenues for the three months ended March 31, 2022, was 24.5% compared to 17.3% in the same period in 2021. The divestiture of our lower margin OCTG/line pipe businesses resulted in stronger overall margins for this segment.

Operating expenses of \$30 million were lower than the \$34 million in the 2021 first quarter, as a result of the divestiture of the OCTG/line pipe operations.

Operating profits of \$22 million for the three months ended March 31, 2022, increased substantially compared to an operating profit of \$5 million in the comparable three months ended March 31, 2021.

STEEL DISTRIBUTORS

a) Description of operations

Our steel distributors act as master distributors selling steel in large volumes to other steel service centers and equipment manufacturers mainly on an "as is" basis. Our U.S. operation has a cut-to-length facility located in Houston, Texas, where it processes coil for its customers. Our steel distributors source their steel both domestically and off shore.

The main steel products sourced by this segment are structural beam, plate, coils, pipe and tubing; however, product volumes vary based on the economy and trade actions in North America.

b) Steel distributors segment results

<i>(millions)</i>	Three months ended March 31	
	2022	2021
Financial Highlights		
Revenue	\$ 199	\$ 74
Gross margin (\$) ¹	36	25
Gross margin (%) ¹	17.9%	34.0%
Operating profits ¹	24	16

Revenues at our steel distributors increased 169% compared to the 2021 first quarter. Supply chain disruptions and strong customer demand led to increased business activity.

Gross margin as a percentage of revenues was 17.9% for the three months ended March 31, 2022, compared to 34.0% for the three months ended March 31, 2021. The higher cost of materials with consistent selling prices led to lower gross margin percentages. However, gross margin dollars increased to \$36 million compared to \$25 million in the comparable first quarter of 2021 as a result of the much higher business activity.

Operating expenses were \$12 million for the first quarter of 2022 compared to \$10 million in 2021. The increase in operating expenses was due to higher variable compensation and delivery costs.

This segment generated operating profits of \$24 million compared to \$16 million in the 2021 first quarter.

CORPORATE EXPENSES AND OTHER

Corporate expenses and other were \$10 million for the quarter ended March 31, 2022, which was lower than the \$13 million in the first quarter of 2021. The mark-to-market stock-based compensation was negligible in the 2022 first quarter compared to \$2 million in the 2021 first quarter.

INTEREST EXPENSE

Net interest expense of \$7 million in the 2022 first quarter was comparable with the \$6 million in the 2021 first quarter.

¹ Refer to Non-GAAP Measures and Ratios and Adjusted Non-GAAP Measures on page 2

INCOME TAXES

We recorded a provision for income taxes of \$32 million for the first quarter of 2022 compared to \$27 for the first quarter of 2021. Our effective income tax rate for the three months ended March 31, 2022, was 24.5% compared to 25.4% for the three months ended March 31, 2021.

NET EARNINGS

Net earnings for the first quarter of 2022 were \$99 million compared to \$81 million for the first quarter of 2021. Basic earnings per share for the first quarter of 2022 was \$1.56 per share compared to \$1.29 per share for the first quarter of 2021.

SHARES OUTSTANDING AND DIVIDENDS

The weighted average number of common shares outstanding for the first quarter of 2022 was 63,105,300 compared to 62,295,441 for the first quarter of 2021. Common shares outstanding at March 31, 2022 and May 3, 2022 were 63,111,470.

We paid common share dividends of \$24 million or \$0.38 per share in the first quarters of 2022 and 2021. We have certain restrictions on the payment of dividends as outlined below and also have availability under certain baskets related to restricted payments.

We have \$150 million of 6% senior unsecured notes due March 16, 2026. The indenture for these senior notes has restrictions on the payment of quarterly dividends in excess of \$0.38 per share. These notes can be redeemed at 103.0% after March 16, 2022 and declining rateably to par on or after March 16, 2024.

We have \$150 million of 5 ³/₄% senior unsecured notes due October 27, 2025. The indenture for these senior notes contains restrictions on the payment of quarterly dividends in excess of \$1.60 per annum. These notes can be redeemed at 102.9% on or after October 27, 2022 and declining rateably to par on or after October 27, 2024.

Under our syndicated bank facility, the payment of dividends is subject to excess borrowing base availability of not less than four times the declared dividend. We do not believe this requirement will restrict our ability to pay dividends.

CAPITAL EXPENDITURES

<i>(millions)</i>	Quarters ended March 31	
	2022	2021
Capital expenditures - property, plant and equipment	\$ 8	\$ 6
Additions - right-of-use assets	9	2
Depreciation - property, plant and equipment	9	8
Depreciation - right-of-use assets	4	4

LIQUIDITY

On March 31, 2022, we had net cash, defined as cash less bank indebtedness, of \$146 million compared to \$133 million on December 31, 2021. We generated cash of \$141 million from operations in the first quarter of 2022 and utilized \$15 million for working capital. We utilized \$8 million for capital expenditures, \$83 million in income tax payments and \$24 million for dividends.

During the cycle, we experience significant swings in working capital. Inventory and accounts receivable represent a large percentage of our total assets employed and fluctuate throughout each cycle. Accounts receivable and inventory comprise our largest liquidity risks in the current environment.

Total assets were \$2.4 billion on March 31, 2022 and \$2.3 billion at December 31, 2021. On March 31, 2022 and December 31, 2021, current assets excluding cash represented 72% of our total assets.

Total inventories declined from the level on December 31, 2021. Inventories represented 40% of our total assets, excluding cash, on March 31, 2022, compared to 45% at December 31, 2021.

Inventory by Segment (millions)	Mar 31 2022	Dec 31 2021	Sep 30 2021	Jun 30 2021	Mar 31 2021
Metals service centers	\$ 611	\$ 639	\$ 535	\$ 401	\$ 329
Energy products	130	119	131	269	317
Steel distributors	153	228	121	103	74
Total	\$ 894	\$ 986	\$ 787	\$ 773	\$ 720

Cost of Sale by Segment (millions)	Mar 31 2022	Dec 31 2021	Sep 30 2021	Jun 30 2021	Mar 31 2021
Metals service centers	\$ 726	\$ 576	\$ 518	\$ 481	\$ 394
Energy products	158	140	149	166	187
Steel distributors	164	132	111	93	49
Total	\$ 1,048	\$ 848	\$ 778	\$ 740	\$ 630

Inventory Turns ¹ (quarters ended)	Mar 31 2022	Dec 31 2021	Sep 30 2021	Jun 30 2021	Mar 31 2021
Metals service centers	4.8	3.6	3.9	4.8	4.8
Energy products	4.9	4.7	4.6	2.5	2.4
Steel distributors	4.3	2.3	3.7	3.6	2.7
Total	4.7	3.4	4.0	3.8	3.5

Our inventory turns for the quarter ended March 31, 2022, increased substantially over the same quarter in 2021 due in part to the divestiture of our OCTG/line pipe operations which turned inventory substantially slower than our other energy products businesses. On March 31, 2022, our metals service centers inventory tonnage was lower and average cost was higher than on December 31, 2021. Inventory levels in our energy products segment increased from December 31, 2021, due to increased demand in the sector. In steel distributors, the decrease in inventory over December 31, 2021, was due to increased demand and shipping activity.

Accounts receivable utilized cash of \$115 million in the first quarter of 2022 reflecting higher revenues at the end of the 2022 first quarter compared to the end of the 2021 fourth quarter. Accounts receivable represented 30% of our total assets, excluding cash, on March 31, 2022, compared to 25% on December 31, 2021.

During the first quarters of 2022 and 2021 we made income tax payments of \$83 million and \$11 million respectively.

The balances disclosed in our consolidated cash flow statements are adjusted to remove the non-cash component related to foreign exchange rate fluctuations impacting inventory, accounts receivable, accounts payable and income tax balances of our U.S. operations.

DEBT

(millions)	March 31 2022	December 31 2021
Long-term debt		
5 ¾% \$150 million Senior Notes due October 27, 2025	\$ 147	\$ 147
6% \$150 million Senior Notes due March 16, 2026	148	148
	\$ 295	\$ 295

¹ Refer to Non-GAAP Measures and Ratios and Adjusted Non-GAAP Measures on page 2

CASH AND BANK CREDIT FACILITY

<i>(millions)</i>	March 31 2022	December 31 2021
Bank loans	\$ -	\$ -
Cash net of outstanding cheques	146	133
Net cash	146	133
Letters of credit	(135)	(78)
	\$ 12	\$ 55
Facilities		
Borrowings and letters of credit	\$ 400	\$ 400
Letters of credit	50	50
Facilities availability	\$ 450	\$ 450
Available line based on borrowing base	\$ 450	\$ 450

We have a committed credit facility with a syndicate of Canadian and U.S. banks that provides \$50 million for letters of credit and \$400 million which can be utilized for borrowings or additional letters of credit. The borrowings and letters of credit are available on a revolving basis, up to an amount equal to the sum of specified percentages of our eligible accounts receivable and inventories, to a maximum of \$450 million.

As of March 31, 2022, we were entitled to borrow and issue letters of credit totaling \$450 million under this facility. On March 31, 2022, and December 31, 2021, we had no borrowings. We had \$135 million in letters of credit on March 31, 2022, compared to \$78 million on December 31, 2021.

On March 31, 2022, we were in compliance with all of our financial covenants.

With our cash, cash equivalents and our bank facility we have access to approximately \$457 million of cash based on our March 31, 2022, balances. The use of our bank facilities has been predominantly to fund working capital requirements, acquisitions and trade letters of credit for inventory purchases.

CONTRACTUAL OBLIGATIONS

As at March 31, 2022, we were contractually obligated to make payments as per the following table:

<i>(millions)</i>	Payments due in				Total
	2022	2023 and 2024	2025 and 2026	2027 and thereafter	
Accounts payable	\$ 570	\$ -	\$ -	\$ -	\$ 570
Debt	-	-	300	-	300
Long-term debt interest	13	35	23	-	71
Lease obligations	19	39	30	57	145
Total	\$ 602	\$ 74	\$ 353	\$ 57	\$ 1,086

In addition, we are obligated to pay \$135 million in letters of credit when they mature in 2022.

We provide defined contribution pension plans for a majority of our Canadian and U.S. employees; however, we have obligations related to multiple defined benefit pension plans in Canada, as disclosed in Note 17 of our 2021 consolidated financial statements. During the first quarter of 2022, we contributed \$1 million to these plans and we expect to contribute approximately \$2 million to these plans during the remainder of 2022. The defined benefit obligations reported in the consolidated financial statements use different assumptions than the going concern actuarial valuations prepared for funding. In addition, the actuarial valuations provide a solvency valuation, which is a valuation assuming the plan is wound up at the valuation date. We do not have additional funding obligations on a solvency basis and no additional funding would be required based on solvency if the plans were wound up. We estimate the impact of a 0.25% change in the discount rate on the solvency obligation would be approximately \$5 million.

We have disclosed our obligations related to environmental litigation, regulatory actions and remediation in our Annual Information Form under the heading "Environmental Regulation". These obligations, which are not material, relate to previously divested or discontinued operations and do not relate to the metals distribution business.

OFF-BALANCE SHEET ARRANGEMENTS

Our off-balance sheet arrangements consist of the letters of credit disclosed in the bank credit facilities table and short-term and low value operating lease obligations disclosed in the contractual obligations table.

ACCOUNTING ESTIMATES

The preparation of our consolidated financial statements requires management to make estimates and judgements that affect the reported amounts. On an ongoing basis, we evaluate our estimates, including those related to bad debts, inventory valuation, useful lives of fixed assets, asset impairment, fair values, income taxes, pensions and benefits obligations, guarantees, decommissioning liabilities, contingencies, litigation and assigned values on net assets acquired. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Our most significant assets are accounts receivable and inventories.

Accounts Receivable

An allowance for doubtful accounts is maintained for estimated losses resulting from the inability of our customers to make required payments. Assessments are based on aging of receivables, legal issues (bankruptcy status), past collection experience, current financials, credit agency reports and the experience of our credit personnel. Accounts receivable which we determine to be uncollectible are reserved in the period in which the determination is made. If the financial condition of our customers was to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. Our reserve for bad debts at March 31, 2022 approximated our reserve at December 31, 2021. Bad debt expense for the three months ended March 31, 2022, as a percentage of revenue was less than 1% and approximates that of 2021.

Inventories

We review our inventories to ensure that the cost of inventories is not in excess of its estimated net realizable value and for obsolete and slow-moving product. Inventory reserves or write-downs are recorded when cost exceeds the estimated selling price less cost to sell and when product is determined to be slow moving or obsolete. During the quarter ended March 31, 2022, we reduced inventory valuation reserves by \$6 million mainly due to stronger pricing in the quarter.

Other areas involving significant estimates and judgements include:

Long-lived Asset Impairment

The determination of whether long-lived assets, including goodwill and intangibles, are impaired requires the estimation of future cash flows and an appropriate discount rate to determine value in use. An impairment occurs when the book value of the assets associated with a particular cash generating unit is greater than the value in use. The assessment of future cash flows and a discount rate requires significant judgment.

During the quarter ended March 31, 2022, no long-lived asset impairments were recorded. There is no certainty that there will not be a future impairment should the economic markets in which we operate deteriorate.

Income Taxes

We believe that we have adequately provided for income taxes based on the information that is currently available. The calculation of income taxes in many cases requires significant judgement in interpreting tax rules and regulations, which are constantly changing. Our tax filings are also subject to audits, which could materially change the amount of current and future income tax assets and liabilities. Any change would be recorded as a charge or reduction in income tax expense.

Business Combinations

For each acquisition we review the fair value of assets acquired. Where we deem it appropriate, we hire outside business valuers to assist in the assessment of the fair value of property, plant, equipment, intangibles and contingent consideration of acquired businesses.

Investment in TriMark Joint Venture

The investment in the preferred shares is accounted for at fair value and the investment in common shares of the joint venture is accounted using the equity method. The determination of fair value takes significant judgement and the actual cash received from a future sale of the joint venture investment might be materially different from estimates.

Contingent Liabilities

Provisions for claims and potential claims are determined on a case-by-case basis. We recognize contingent loss provisions when it is determined that a loss is probable and when we are able to reasonably estimate the obligation. This determination takes significant judgement and actual cash outflows might be materially different from estimates. In addition, we may receive claims in the future that could have a material impact on our financial results.

The Company and certain of its subsidiaries have been named defendants in a number of legal actions. Although the outcome of these legal actions cannot be determined, management intends to defend all such legal actions and has recorded provisions, as required, based on its best estimate of the potential losses. In the opinion of management, the resolution of these legal actions is not expected to have a material adverse effect on our financial position, cash flows or operations.

Employee Benefit Plans

At least every three years, our actuaries perform a valuation for each defined benefit plan to determine the actuarial present value of the benefits. The valuation uses management's assumptions for the interest rate, rate of compensation increase, rate of increase in government benefits and expected average remaining years of service of employees. While we believe that these assumptions are reasonable, differences in actual results or changes in assumptions could materially affect employee benefit obligations and future net benefit plan cost. We account for differences between actual and assumed results by recognizing differences in benefit obligations and plan performance immediately in other comprehensive income.

We had approximately \$171 million in plan assets on March 31, 2022, which is a decrease of approximately \$8 million from December 31, 2021. The discount rate used on the employee benefit plan obligation for the quarter ended March 31, 2022, was 4.00% which is 100 basis points higher than the discount rate on December 31, 2021.

Leases

We recognize right-of-use assets and lease obligations which includes our arrangements that contain a lease. The determination of the asset and obligation requires an assessment of whether we are reasonably certain that an extension option will be exercised, calculation of a discount rate inherent in the lease or an incremental borrowing rate and whether the right-of-use asset is impaired. These determinations require significant judgement.

CONTROLS AND PROCEDURES

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management on a timely basis so that appropriate decisions can be made regarding public disclosure.

The purpose of internal controls over financial reporting as defined by the Canadian Securities Administrators is to provide reasonable assurance that:

- (i) financial statements prepared for external purposes are in accordance with the Company's generally accepted accounting principles,
- (ii) transactions are recorded as necessary to permit the preparation of financial statements, and records are maintained in reasonable detail,
- (iii) receipts and expenditures of the Company are made only in accordance with authorizations of the Company's management and directors, and
- (iv) unauthorized acquisitions, uses or dispositions of the Company's assets that could have a material effect on the financial statements will be prevented or detected in order to prevent material error in financial statements.

The President & Chief Executive Officer and the Executive Vice President & Chief Financial Officer have caused management and other employees to design and document our disclosure controls and procedures and our internal controls over financial reporting. The design of internal controls was completed using the framework and criteria established in "Internal Control - Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission.

No changes were made in our disclosure controls and procedures of our internal controls over financial reporting during the first quarter of 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

VISION AND STRATEGY

The metals distribution business is a mature and cyclical industry. We believe we enhance returns by managing costs and working capital throughout the cycle. Capital allocation priorities and limits are managed centrally with day-to-day decision making delegated to the various operations. Furthermore, our variable compensation model is based on the return on net assets for each business unit, which provides our business managers a basis to proactively adjust costs and working capital to local market conditions. Management believes that this strategy will result in higher average profits and that we will generate earnings over the cycle in the top quartile of the industry.

Growth from selective acquisitions is also part of our strategy. We focus on investment opportunities in businesses that have strong market niches or provide scale to our existing operations. New acquisitions could be either major stand-alone operations or ones that complement our existing operations. In addition, we will continue to invest in value-added processing that allows for growth and will further improve our returns.

Divestitures or a reduction of capital employed in businesses that do not provide adequate returns is also part of our strategy. The sale of our Apex Western Fiberglass Inc. operation in the 2022 first quarter eliminated our exposure to an operation with inadequate returns.

We believe that the steel pricing cycle will continue to be highly volatile, and that our decentralized management structure and philosophy that allows the fastest reaction to change that affect the industry will be the most successful. We will continue to invest in our business systems to enable faster reaction times to changing business conditions.

RISK

A summary of the risks affecting our business is described under the heading "Risk Management and Risks Affecting Our Business" in our most recent Annual Information Form, which section is incorporated by reference in this "Risk" section of our MD&A.

The pandemic created uncertainty in the health and welfare of the communities where we operate and resulted in temporary business closures including certain of our customers and reduced economic activity. While COVID related restrictions in the markets where we operate have eased, we continue to remain vigilant with our safety protocols to ensure the health and safety of our employees, customers and suppliers.

The timing and extent of future price changes from steel producers and their impact on us cannot be predicted with any certainty due to the cyclical nature of the steel industry, capacity utilization rates for North American steel producers and changing import levels and tariffs. Future tariff changes to country or product exemptions may impact steel prices and product availability.

A portion of our revenues are dependent on the oil and gas industry whose activity fluctuates with oil and gas prices. Our strategy included a reduction of the capital allocated to operations that do not provide adequate returns such as Apex Western Fiberglass which was divested in the quarter. Our oil field store operations provide a more stable stream of earnings as their products are used in maintenance and repair as well as new drilling activity and large energy projects.

The continued impact of the pandemic, Russian invasion of Ukraine and other macro-economic factors may lead to changes in estimates in our financial statements and the effect of such changes could be material and result in impairments of long-lived assets, including goodwill and intangibles, inventory provisions and credit losses.

On October 31, 2021, the United States Trade Representative announced the United States will replace the existing 25% tariff of EU steel products under section 232 with a tariff-rate quota ("TRQ") with a date of effectiveness of January 1, 2022. Under the TRQ arrangement, historically based volumes of EU steel products will enter the U.S. market without the application of section 232 tariffs.

OUTLOOK

Demand remains strong for our metals service centers segment. Over the past year, steel prices and our margin dollars have remained above historic levels, and we expect both to remain above historical levels over the near term. New projects in the oil and gas sector and a short spring breakup should result in gradually improving demand in our energy products segment over the near-to-medium term.