

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2024

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 nine months ended September 30, 2024, including the notes thereto, and the MD&A and the audited consolidated financial statements for the year ended December 31, 2023, 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.sedarplus.ca or on our website at www.russelmetals.com.

Unless otherwise stated, the discussion and analysis contained in this MD&A are as of November 6, 2024.

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; future acquisitions; facilities modernization; volatility in the energy industry; product claims; significant competition; sources of supply and supply chain disruptions; manufacturers selling directly; material substitution; failure of our key computer-based systems; cybersecurity; credit risk; currency exchange risk; restrictive debt covenants; goodwill or long-term asset impairments; the unexpected loss of key individuals; decentralized operating structure; labour interruptions; laws and governmental regulations; litigious environment; environmental liabilities; climate change; carbon emissions; health and safety laws and regulations; geopolitical risk 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.sedarplus.ca.

NON-GAAP MEASURES AND RATIOS

This MD&A includes a number of measures that are not prescribed by IFRS Accounting 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 ratios 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 and EBITDA 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 is found below.

Cash from Working Capital - represents cash generated from changes in non-cash working capital.

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 divided by 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.

Return on Invested Capital - represents EBIT divided by average invested capital (net debt plus shareholders' equity).

RECONCILIATION OF THE NET EARNINGS TO EBITDA

The following table provides a reconciliation of net earnings to EBITDA.

(\$ millions except per share data)	Three Months Ended			Nine Months Ended	
	Sep 30 2024	Jun 30 2024	Sep 30 2023	Sep 30 2024	Sep 30 2023
Net earnings	\$ 34.5	\$ 49.9	\$ 60.6	\$ 134.1	\$ 219.5
Provision for income taxes	10.7	16.9	17.1	44.3	66.3
Interest (income) expense, net	2.4	1.4	1.6	3.7	8.2
EBIT ¹	47.6	68.2	79.3	182.1	294.0
Depreciation and amortization	19.8	17.6	16.3	55.1	49.4
EBITDA ¹	\$ 67.4	\$ 85.8	\$ 95.6	\$ 237.2	\$ 343.4
Basic earnings per share	\$ 0.59	\$ 0.84	\$ 0.99	\$ 2.26	\$ 3.55

QUARTERLY FINANCIAL HIGHLIGHTS

(for the quarters ended)	Sep 30 2024	Jun 30 2024	Mar 31 2024	Dec 31 2023	Sep 30 2023	Jun 30 2023	Mar 31 2023	Dec 31 2022
Revenues (\$ millions)	\$ 1,089	\$ 1,072	\$ 1,061	\$ 1,019	\$ 1,110	\$ 1,189	\$ 1,187	\$ 1,100
EBITDA ¹ (\$ millions)	67	86	84	82	96	131	116	97
Net earnings (\$ millions)	35	50	50	47	61	85	74	58
Basic earnings per share (\$)	0.59	0.84	0.82	0.78	0.99	1.37	1.19	0.93

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

OVERVIEW OF THE 2024 THIRD QUARTER

Our third quarter 2024 results demonstrated the benefits to our growing and diversified business. In particular, the steel price environment that negatively impacted revenues and margins in our metal service centers segment was somewhat offset by higher revenues and steady margins in our energy field stores segment. Also, the closing of the Samuel, Son & Co., Limited ("Samuel") acquisition in the middle of the third quarter provided the starting point for additional growth, that should contribute to our profitability once we benefit from a full quarter of activity and the tapering back of the non-recurring costs associated with the acquisition. The countercyclical nature of our cash flow was also illustrated, as we generated \$107 million from non-cash working capital (which included a \$56 million working capital reduction related to the branches acquired as part of the Samuel acquisition).

Our earnings per share was \$0.59 for the quarter ended September 30, 2024, compared to \$0.84 recorded in the 2024 second quarter and \$0.99 per share recorded in the third quarter of 2023. For the nine months ended September 30, 2024, our earnings per share of \$2.26 compared to \$3.55 for the same period in 2023. Revenues of \$1.1 billion were consistent with the 2024 second quarter and the third quarter of 2023. Our gross margins of 19.7% compared to 21.0% in the 2024 second quarter and 20.2% in the same quarter of 2023.

Our EBITDA for the quarter was \$67 million compared to \$86 million in the second quarter of 2024 and \$96 million in the same quarter of 2023. EBITDA in the third quarter of 2024 was negatively impacted by a \$5 million expense related to the non-cash mark-to-market on our stock-based compensation as compared to an \$8 million recovery in the second quarter of 2024.

Market Conditions

Steel prices continued to be volatile, as the average price of plate decreased by 12% in the 2024 third quarter compared to the 2024 second quarter while hot rolled coil prices were volatile over the past two quarters but averaged a similar price in the third quarter versus the previous quarter. During the 2024 third quarter, our selling price per ton decreased by 6% and our tons shipped increased by 4% respectively over the 2024 second quarter. On a same store basis, volumes at our metals service centers decreased by 5% during the 2024 third quarter compared to the 2024 second quarter but were 1% higher compared to the third quarter of 2023. The same store volumes were consistent with typical seasonal trends between the second and third quarters.

Our energy field stores continued to experience steady business activity in both Canada and the U.S.

Acquisitions

On August 12, 2024, we closed our acquisition of seven service center locations from Samuel. With the close of the transaction, we added five service center locations in Western Canada and increased our non-ferrous product offerings and value-added processing capabilities. The two new locations in the Northeastern United States extended our geographic footprint and expanded our ability to process carbon plate for our customers in that region.

At the time that the agreement with Samuel was announced in December 2023, the expected transaction value was \$225 million, but the structure included a dollar-for-dollar adjustment to the purchase price for changes in working capital in the period prior to closing. As such, our objective was to substantially reduce the invested capital in those operations. In the period leading up to, and subsequent to, the closing there was a substantial reduction in the working capital related to the former Samuel branches which resulted in a reduction of the invested capital to \$167 million at September 30, 2024. We are continuing to pursue opportunities to further reduce the invested capital in the combined operations through more efficient inventory management and the consolidation of locations. As part of those initiatives, we expect to realize operational and margin improvements for the combined operations. For the period from closing to September 30, 2024, the new locations added approximately \$2 million in EBITDA, which was offset by non-recurring transaction and transition costs.

Capital Investment Growth Initiatives

In the 2024 third quarter, we made capital investments of \$21 million and for the nine months ended September 30, 2024, we invested \$69 million. Our capital expenditures included facility modernizations and expansions for: (i) our greenfield facility in Saskatoon (Saskatchewan) that opened in the fall of 2024; and (ii) the expansions of our Texarkana (Texas), Joplin (Missouri), Little Rock (Arkansas) and Green Bay (Wisconsin) facilities. The expansions of Texarkana, Joplin, Little Rock and Green Bay are all expected to be completed in the 2024 fourth quarter.

Returning Capital to Shareholders

We have adopted a flexible approach to returning capital to shareholders through: (i) our ongoing dividend; and (ii) share buy backs.

In the 2024 third quarter, we paid dividends of \$0.42 per share for a total of \$25 million. We have declared a dividend of \$0.42 per share, payable on December 16, 2024, to shareholders of record at the close of business on November 27, 2024.

In August 2024, we renewed our normal course issuer bid to purchase up to approximately 5.8 million of our common shares representing 10% of our public float over a 12-month period. In the 2024 third quarter, we purchased and cancelled 1.2 million common shares, which represents approximately 2% of our shares outstanding, at an average price per share of \$37.93 for total consideration of \$46 million (excluding the impact of the federal tax on share repurchases). In the period since the August 2022 normal course issuer bid was established, we purchased approximately 6.2 million common shares, which represents approximately 10% of our then outstanding shares, at an average price per share of \$36.62 for total consideration of \$226 million (excluding the impact of the federal tax on share repurchases).

Liquidity and Capital Structure

During the 2024 third quarter, we generated \$163 million of cash from operating activities. We ended the quarter with total available liquidity of \$762 million.

On July 15, 2024, we entered into a new credit facility. The new credit facility's total availability increased by \$150 million to \$600 million, is unsecured with no borrowing base restrictions, includes more flexible investment grade type financial covenants and extends the maturities until 2026 and 2028.

On October 1, 2024, we announced the redemption of our \$150 million 5.75% senior unsecured notes at par plus accrued and unpaid interest. This redemption was completed on October 27, 2024.

The new bank structure, in combination with the May 2024 redemption of the \$150 million 6% senior unsecured notes and the October 2024 redemption of the 5.75% senior unsecured notes has eliminated the legacy high yield debt structure and will provide greater financial flexibility and lower cost financing as we continue with our growth initiatives.

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 field stores and steel distributors.

The following table provides segment information including 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.

(\$ millions, except percentages)	Three Months Ended			Nine Months Ended	
	Sep 30 2024	Jun 30 2024	Sep 30 2023	Sep 30 2024	Sep 30 2023
Segment Revenues					
Metals service centers	\$ 706.9	\$ 713.0	\$ 725.0	\$ 2,143.5	\$ 2,352.0
Energy field stores	265.7	250.8	265.7	763.6	766.8
Steel distributors	109.7	100.4	112.5	300.2	355.5
Other	7.1	7.3	6.3	14.7	11.5
	\$ 1,089.4	\$ 1,071.5	\$ 1,109.5	\$ 3,222.0	\$ 3,485.8
Segment Gross Margins ¹					
Metals service centers	\$ 125.9	\$ 138.9	\$ 136.9	\$ 419.6	\$ 479.3
Energy field stores	66.1	62.1	63.4	191.6	197.8
Steel distributors	15.7	17.1	17.9	52.2	71.6
Other	7.1	7.3	6.3	14.7	11.5
Total operations	\$ 214.8	\$ 225.4	224.5	\$ 678.1	\$ 760.2
Segment Operating Profits and EBIT ¹					
Metals service centers	\$ 21.5	\$ 33.4	\$ 35.9	\$ 98.7	\$ 164.7
Energy field stores	24.7	21.9	28.1	69.3	85.5
Steel distributors	9.0	8.7	9.5	28.2	44.9
Corporate expenses	(11.9)	(0.3)	(9.7)	(21.1)	(33.4)
Other	4.3	4.5	3.8	7.0	5.2
Earnings from joint venture	-	-	11.7	-	27.1
Earnings before interest and income taxes	\$ 47.6	\$ 68.2	\$ 79.3	\$ 182.1	\$ 294.0
Segment Gross Margin as a % of Revenues ¹					
Metals service centers	17.8%	19.5%	18.9%	19.6%	20.4%
Energy field stores	24.9%	24.8%	23.9%	25.1%	25.8%
Steel distributors	14.3%	17.0%	15.9%	17.4%	20.1%
Total operations	19.7%	21.0%	20.2%	21.0%	21.8%
Segment Operating Profit and EBIT as a % of Revenues ¹					
Metals service centers	3.1%	4.7%	5.0%	4.6%	7.0%
Energy field stores	9.3%	8.7%	10.6%	9.1%	11.2%
Steel distributors	8.1%	8.8%	8.4%	9.4%	12.6%
Total operations	4.4%	6.4%	7.1%	5.7%	8.4%

Results of our U.S. operations reported for the nine months ended September 30, 2024, were converted at \$1.3603 per US\$1 compared to \$1.3454 per US\$1 for the nine months ended September 30, 2023. Our U.S. operations represented approximately 40% of our total revenues. The exchange rate on September 30, 2024, used to translate the balance sheet was \$1.3499 per US\$1 versus \$1.3226 per US\$1 on December 31, 2023.

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

METALS SERVICE CENTERS

a) Description of operations

We provide processing and distribution services to a broad base of approximately 36,000 end users through a network of 51 Canadian locations and 25 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 South, Northeast and Midwestern regions in the United States.

b) Metals service centers segment results

	Three Months Ended			Nine Months Ended	
	Sep 30 2024	Jun 30 2024	Sep 30 2023	Sep 30 2024	Sep 30 2023
Financial Highlights					
Revenue (\$ millions)	\$ 707	\$ 713	\$ 725	\$ 2,143	\$ 2,352
Tons shipped (thousands of imperial tons)	340	328	310	991	982
Gross margin (\$ millions) ¹	126	139	137	420	479
Gross margin per ton (\$)	371	424	442	424	488
Gross margin (%) ¹	17.8%	19.5%	18.9%	19.6%	20.4%
Operating profits (\$ millions) ¹	22	33	36	99	165

Revenues were consistent with the 2024 second quarter and 2% lower than the 2023 third quarter. Tons shipped in the third quarter of 2024 were 4% higher than the 2024 second quarter, and 10% higher than the third quarter of 2023. On a same store basis, after excluding the former Samuel branches, tons shipped were 5% lower than the second quarter of 2024 due to normal seasonal dynamics and 1% higher compared to the third quarter of 2023. Our average selling price decreased 6% compared to the 2024 second quarter and 13% compared with the same quarter in 2023.

Gross margin as a percentage of revenues was 17.8% in the 2024 third quarter, which was lower than the 19.5% in the 2024 second quarter and the 18.9% in the same quarter last year. Although hot rolled coil prices stabilized in the third quarter, plate prices fell and overall steel prices remain volatile. The gross margin per ton was \$371 in the 2024 third quarter, which was a decrease of 12% as compared to the 2024 second quarter. On a same store basis, gross margin was 18.8% and \$389 per ton in the 2024 third quarter, which was a decrease of 8% as compared to the 2024 second quarter.

Operating expenses were \$104 million in the third quarter of 2024 compared to \$106 million in the second quarter of 2024 and \$101 million in the 2023 third quarter. The variation in operating expenses from the second quarter of 2024 reflects the lower variable compensation due to the change in profitability, which was offset by the inclusion of operating costs related to the former Samuel branches and non-recurring integration costs. For the nine months ended September 30, 2024, operating expenses of \$321 million were 2% higher than the same period of 2023. Operating expenses for the nine months ended September 30, 2024, included costs relating to the former Samuel branches.

Operating profits for the three months ended September 30, 2024, were \$22 million versus \$33 million in the 2024 second quarter and \$36 million for the same period in 2023. Operating profits from the former Samuel branches were offset by the non-recurring integration costs. Operating profits for the nine months ended September 30, 2024, of \$99 million were lower than the \$165 million for the same period of 2023 due to lower revenues and gross margins.

ENERGY FIELD STORES

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 50 Canadian and 14 U.S. facilities in our operations. We purchase our products from the pipe division of North American steel mills, independent manufacturers of flanges, valves and fittings and other products, international steel mills and other distributors.

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

b) Energy field stores segment results

	Three Months Ended			Nine Months Ended	
	Sep 30 2024	Jun 30 2024	Sep 30 2023	Sep 30 2024	Sep 30 2023
Financial Highlights					
Revenue (\$ millions)	\$ 266	\$ 251	\$ 266	\$ 764	\$ 767
Gross margin (\$ millions) ¹	66	62	63	192	198
Gross margin (%) ¹	24.9%	24.8%	23.9%	25.1%	25.8%
Operating profits (\$ millions) ¹	25	22	28	69	86

Revenues increased 6% in the 2024 third quarter compared to the 2024 second quarter and were consistent with the 2023 third quarter, as a reflection of steady business activity.

Gross margin as a percentage of revenues for the three months ended September 30, 2024, was 24.9% compared to 24.8% in the 2024 second quarter and 23.9% in the same period in 2023. For the nine months ended September 30, 2024, gross margin as a percentage of revenues was 25.1% compared to 25.8% in the same period in 2023.

Operating expenses of \$41 million were relatively steady compared to the \$40 million in the 2024 second quarter but were higher than the \$35 million in the 2023 third quarter. Operating expenses as a percentage of revenues for the three months ended September 30, 2024, were 15% compared to 16% in the 2024 second quarter and 13% in the 2023 third quarter. For the nine months ended September 30, 2024, operating expenses were \$122 million compared to \$112 million for 2023. Higher operating expenses were due in part to the Alliance Supply acquisition in the 2023 fourth quarter and four new energy field stores locations that opened in 2024.

Operating profits of \$25 million for the three months ended September 30, 2024, compared to operating profits of \$22 million in the three months ended June 30, 2024, and \$28 million for the three months ended September 30, 2023. Operating profits were \$69 million for the nine months ended September 30, 2024, compared to operating profits of \$86 million for the same period in 2023.

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 primary 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

	Three Months Ended			Nine Months Ended	
	Sep 30 2024	Jun 30 2024	Sep 30 2023	Sep 30 2024	Sep 30 2023
Financial Highlights					
Revenue (\$ millions)	\$ 110	\$ 100	\$ 113	\$ 300	\$ 356
Gross margin (\$ millions) ¹	16	17	18	52	72
Gross margin (%) ¹	14.3%	17.0%	15.9%	17.4%	20.1%
Operating profits (\$ millions) ¹	9	9	10	28	45

Revenues increased 9% compared to the 2024 second quarter and decreased 3% compared to the 2023 third quarter. The arrival of previously delayed shipments, primarily in the Canadian operations, led to increased revenues compared to the 2024 second quarter.

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

Gross margin as a percentage of revenues was 14.3% for the three months ended September 30, 2024, which was lower than the 17.0% in the second quarter of 2024 and the 15.9% for the three months ended September 30, 2023. Gross margin as a percentage of revenues for the nine months ended September 30, 2024, was 17.4% compared to 20.1% for the same period in 2023 due to product mix and falling steel prices in 2024.

Operating expenses were \$7 million for the third quarter of 2024 compared to \$8 million in the second quarter of 2024 and the third quarter of 2023 due to lower variable compensation.

Operating profits of \$9 million for the three months ended September 30, 2024, were consistent with the 2024 second quarter and lower than the \$10 million in the 2023 third quarter. The operating profits for the nine months ended September 30, 2024, were \$28 million compared to \$45 million for the nine months ended September 30, 2023.

CORPORATE EXPENSES AND OTHER

(\$ millions)	Three Months Ended			Nine Months Ended	
	Sep 30 2024	Jun 30 2024	Sep 30 2023	Sep 30 2024	Sep 30 2023
Corporate expenses	\$ 7	\$ 8	\$ 9	\$ 24	\$ 33
Stock-based compensation	5	(8)	1	(3)	-
Other expenses (income)	(4)	(4)	(4)	(7)	(5)
	\$ 8	\$ (4)	\$ 6	\$ 14	\$ 28

Corporate expenses in the above table excludes the mark-to-market on stock-based compensation, which is disclosed in the line below.

Corporate expenses were \$7 million for the quarter ended September 30, 2024, which was lower than the \$8 million in the second quarter of 2024 and in the third quarter of 2023 due to lower variable compensation. The mark-to-market expense on stock-based compensation was \$5 million in the 2024 third quarter compared to a recovery of \$8 million in the 2024 second quarter and an expense of \$1 million in the 2023 third quarter. Other income of \$4 million in the third quarter of 2024 was consistent with the second quarter of 2024, due to steady activity from our Thunder Bay Terminal operation.

EARNINGS FROM TRIMARK

On September 1, 2023, we sold our retained interest in TriMark to our venture partner for \$60 million in cash. Our earnings from the joint venture for the three months and nine months ended September 30, 2023, were \$12 million and \$27 million respectively. We received \$13 million in common share dividends and \$1 million in preferred share dividends for the nine months ended September 30, 2023.

INTEREST EXPENSE

(\$ millions)	Three Months Ended			Nine Months Ended	
	Sep 30 2024	Jun 30 2024	Sep 30 2023	Sep 30 2024	Sep 30 2023
Interest on Senior Notes	\$ 2	\$ 4	\$ 5	\$ 11	\$ 14
Interest on lease obligations	3	2	2	8	7
Other interest (income) expense, net	(3)	(5)	(5)	(15)	(13)
	\$ 2	\$ 1	\$ 2	\$ 4	\$ 8

Net interest expense of \$2 million in the 2024 third quarter was higher than \$1 million in the 2024 second quarter and consistent with the 2023 third quarter due to lower interest rates on the cash balances and cash utilized for the Samuel transaction. Interest income generated from our cash and cash equivalents was \$3 million in the 2024 third quarter compared to \$5 million in the 2024 second quarter and the 2023 third quarter. Net interest expense was \$4 million for the nine months ended September 30, 2024, compared to \$8 million for the nine months ended September 30, 2023.

INCOME TAXES

We recorded a provision for income taxes of \$11 million for the third quarter of 2024 compared to \$17 million for the third quarter of 2023 due to lower earnings. Our effective income tax rate for the three months ended September 30, 2024, was 23.7% compared to 25.2% for the three months ended June 30, 2024, and 22.1% for the three months ended September 30, 2023. For the nine months ended September 30, 2024, our effective income tax rate was 24.8% compared to 23.2% for the same period in 2023.

NET EARNINGS

Net earnings for the third quarter of 2024 were \$34 million compared to \$61 million for the third quarter of 2023. Basic earnings per share for the third quarter of 2024 was \$0.59 per share compared to \$0.84 in the second quarter of 2024 and \$0.99 per share for the third quarter of 2023. Basic earnings per share for the nine months ended September 30, 2024, of \$2.26 compared to \$3.55 for the same period last year.

SHARES OUTSTANDING AND DIVIDENDS

The weighted average number of common shares outstanding for the third quarter of 2024 was 58.2 million compared to 61.2 million for the third quarter of 2023. The weighted average number of common shares outstanding for the nine months ended September 30, 2024, was 59.4 million compared to 61.8 million for the nine months ended September 30, 2023. Common shares outstanding on September 30, 2024, and November 6, 2024, were 57.5 million.

We paid common share dividends of \$25 million or \$0.42 per share in the third quarter of 2024 and \$0.40 per share in the third quarter of 2023.

CAPITAL EXPENDITURES

(\$ millions)	Three Months Ended			Nine Months Ended	
	Sep 30 2024	Jun 30 2024	Sep 30 2023	Sep 30 2024	Sep 30 2023
Capital expenditures -					
property, plant and equipment	\$ 21	\$ 24	\$ 15	\$ 69	\$ 45
Additions - right-of-use assets	6	4	1	16	9
Depreciation -					
property, plant and equipment	11	11	9	32	29
Depreciation - right-of-use assets	6	5	4	16	13

Capital expenditures and right-of-use assets exclude additions relating to the Samuel acquisition.

LIQUIDITY AND CAPITAL RESOURCES

On September 30, 2024, we had net cash, defined as cash less bank indebtedness, of \$222 million, compared to \$629 million on December 31, 2023. In the third quarter of 2024, we utilized \$223 million for the Samuel acquisition, which was offset by \$56 million from the post-close reduction in working capital from the former Samuel branches, for a net utilization of cash for the Samuel acquisition of \$167 million.

Cash Flows

The following table represents our cash flow movement for the periods noted:

(\$ millions)	Three Months Ended			Nine Months Ended	
	Sep 30 2024	Jun 30 2024	Sep 30 2023	Sep 30 2024	Sep 30 2023
Cash flow from operating activities	\$ 163	\$ 69	\$ 115	\$ 234	\$ 313
Cash flow used in financing activities	(79)	(236)	(49)	(357)	(138)
Cash flows (used in) from					
investing activities	(243)	(24)	45	(291)	30
Effect of exchange rates on cash					
and cash equivalents	(5)	3	8	7	2
(Decrease) increase in cash					
and cash equivalents	(164)	(188)	119	(407)	206

Cash Flow from Operating Activities

During the three months ended September 30, 2024, we generated \$163 million in cash from operating activities, which included \$56 million from the post-close reduction in working capital from the former Samuel branches.

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.

Cash Flow from Financing Activities

During the three months ended September 30, 2024, we utilized \$79 million of cash for financing activities including \$47 million for the repurchase of our shares and \$25 million for dividends. During the nine months ended September 30, 2024, we utilized \$357 million of cash for financing activities including \$119 million for the repurchase of our shares, \$74 million for dividends and \$150 million for the redemption of our 6% senior notes.

On October 1, 2024, we announced the irrevocable redemption of our 5.75% senior notes and on October 27, 2024, we redeemed these notes. We will utilize \$150 million of cash in the fourth quarter for the redemption.

Cash Flow Used in Investing Activities

During the three months ended September 30, 2024, we utilized \$243 million in cash for investing activities including \$223 million for the Samuel acquisition and \$21 million for capital expenditures.

Working Capital

Inventory and accounts receivable represent a large percentage of our total assets employed and comprise our largest liquidity risks. However, our cash flows are counter cyclical, and we typically generate cash from working capital during market downturns.

Total assets were \$2.5 billion on September 30, 2024, and \$2.6 billion on December 31, 2023. On September 30, 2024, current assets excluding cash represented 67% of our total assets compared to 69% on December 31, 2023.

Inventories represented 41% of our total assets, excluding cash, on September 30, 2024, compared to 43% on December 31, 2023.

<i>Inventory by Segment</i> <i>(\$ millions)</i>	Sep 30 2024	Jun 30 2024	Mar 31 2024	Dec 31 2023	Sep 30 2023
Metals service centers	\$ 585	\$ 500	\$ 495	\$ 500	\$ 514
Energy field stores	235	218	232	237	249
Steel distributors	104	143	116	103	120
Total	\$ 924	\$ 861	\$ 843	\$ 840	\$ 883

<i>Cost of Sales by Segment</i> <i>(\$ millions)</i>	Sep 30 2024	Jun 30 2024	Mar 31 2024	Dec 31 2023	Sep 30 2023
Metals service centers	\$ 581	\$ 574	\$ 569	\$ 547	\$ 588
Energy field stores	200	189	183	164	202
Steel distributors	94	83	71	92	95
Total	\$ 875	\$ 846	\$ 823	\$ 803	\$ 885

<i>Inventory Turns ¹</i> <i>(quarters ended)</i>	Sep 30 2024	Jun 30 2024	Mar 31 2024	Dec 31 2023	Sep 30 2023
Metals service centers	4.0	4.6	4.6	4.4	4.6
Energy field stores	3.4	3.5	3.2	2.8	3.3
Steel distributors	3.6	2.3	2.4	3.5	3.2
Total	3.8	3.9	3.9	3.8	4.0

Our inventory turns for the quarter ended September 30, 2024, were consistent with the second quarter of 2024 with higher steel distributor turns offsetting lower turns in our metals service centers. Same store turns at our metals service centers were 4.3 for the quarter ended September 30, 2024. On September 30, 2024, our inventory tonnage on a same store basis at our metals service centers was 2% lower, and the average cost was 2% lower than the levels on June 30, 2024. Inventory at our energy field stores increased from June 30, 2024, as a result of solid business activity. In steel distributors, inventory levels at September 30, 2024, were lower than June 30, 2024, due to the sale of previously delayed overseas shipments.

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

Accounts receivable utilized cash of \$37 million in the nine months ended September 30, 2024. Accounts receivable represented 25% of our total assets, excluding cash, on September 30, 2024, compared to 24% on December 31, 2023.

Debt

(\$ millions)	September 30 2024	December 31 2023
Long-term debt		
5 ¾% \$150 million Senior Notes due October 27, 2025	\$ 149	\$ 148
6% \$150 million Senior Notes due March 16, 2026	-	149
	\$ 149	\$ 297

Cash and Bank Credit Facilities

(\$ millions)	September 30 2024	December 31 2023
Bank loans	\$ -	\$ -
Cash net of outstanding cheques	222	629
Net cash	222	629
Letters of credit	(38)	(26)
	\$ 184	\$ 603
Facilities		
Borrowings and letters of credit	\$ 400	\$ 400
Borrowings	150	-
Letters of credit	50	50
Facilities availability	\$ 600	\$ 450

On July 15, 2024, we entered into a new \$600 million committed credit facility with a syndicate of Canadian and U.S. banks that provides: (i) \$50 million for letters of credit; (ii) \$400 million for borrowings or additional letters of credit; and (iii) \$150 million for borrowings. The tranches described in (i) and (ii) mature in 2028 while the tranche described in (iii) matures in 2026. The new facility is unsecured.

On September 30, 2024, and December 31, 2023, we had no borrowings. We had \$38 million in letters of credit on September 30, 2024, compared to \$26 million on December 31, 2023.

On September 30, 2024, we were in compliance with all of our financial covenants.

With our cash, cash equivalents and our bank facilities we had access to approximately \$762 million of cash based on our September 30, 2024 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

On September 30, 2024, we were contractually obligated to make payments as per the following table:

(\$ millions)	Payments due in				Total
	2024	2025 and 2026	2027 and 2028	2029 and thereafter	
Accounts payable	\$ 499	\$ -	\$ -	\$ -	\$ 499
Debt	-	150	-	-	150
Long-term debt interest	4	9	-	-	13
Operating leases	9	67	58	120	254
Total	\$ 512	\$ 226	\$ 58	\$ 120	\$ 916

We are obligated to pay \$38 million in letters of credit when they mature in 2024.

On October 1, 2024, we provided irrevocable notice to redeem our 5.75% senior unsecured notes and on October 27, 2024, we redeemed these notes.

We expect our 2024 capital expenditure level to be approximately \$100 million which are planned but not legally committed expenditures.

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 16 of our annual 2023 consolidated financial statements. As provided in the plan text, we are using our defined benefit surplus to fund the employer portion of our defined contribution plan contributions. During the nine months ended September 30, 2024, we used \$2 million of our defined benefit surplus to fund our defined contribution plan, and we expect to use approximately \$1 million of our defined benefit surplus to fund the defined contribution plan during the remainder of 2024. 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 \$3 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 current 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 the age of receivables, legal issues (bankruptcy status), past collection experience, current financial information, 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 on September 30, 2024, was consistent with our reserve on December 31, 2023. Bad debt expense for the nine months ended September 30, 2024, as a percentage of revenue was less than 1%.

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 September 30, 2024, our inventory reserves were consistent with the 2024 second 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 or its fair value less costs to sell. The assessment of future cash flows and a discount rate requires significant judgment.

During the quarter ended September 30, 2024, 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, if any, of acquired businesses.

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 benefit. 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 \$133 million in plan assets on September 30, 2024, which is an increase of approximately \$4 million from December 31, 2023. The discount rate used on the employee benefit plan obligation for the quarter ended September 30, 2024, was 4.6% which is consistent with the discount rate used on December 31, 2023.

Leases

We recognize right-of-use assets and lease obligations, which include 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. In accordance with National Instrument 52-109 we have limited our scope for reporting on disclosure controls and procedures and internal controls over financial reporting during the first year of acquiring the Samuel locations.

No changes were made in our internal controls over financial reporting at our non-Samuel locations during the third quarter of 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Summary Financial Information – Samuel Locations

For the quarter ended September 30, 2024 (\$ millions)

Revenue	\$ 69
Earnings before interest, taxes, depreciation and amortization	2

For the quarter ended September 30, 2024 (\$ millions)

Current assets	\$ 181
Current liabilities	(53)
Goodwill and intangibles	10
Property, plant and equipment and right-of-use assets	70
Long-term lease obligations	(41)

The line items that could be affected by this limited scope at the Samuel locations are revenue, earnings before interest, taxes, depreciation and amortization, current assets and current liabilities.

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. In addition, our facilities modernization initiative and our on-going value-added processing investments enables us to better serve our customers and enhance margins.

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 with 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. In 2023, we commenced a facilities modernization initiative which, along with our multi-year expansion of our value-added processing equipment, enhances our capabilities and provides improved service to our customer base.

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.

Returning capital to our shareholders through our ongoing dividends and opportunistic share buybacks is also part of our strategy.

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 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, including possible modifications to the section 232 trade actions, may impact steel prices and product availability. During 2024, both the Canadian and U.S. governments acted to increase the tariff rate on Chinese steel and aluminum to 25% in order to protect Canadian and American workers. We are evaluating the effect of this increase, particularly in our non-ferrous offerings, and its impact on our operations and source of supply.

A portion of our revenues is dependent on the oil and gas industry, whose activity fluctuates with oil and gas prices. Our energy field store operations provide a more stable stream of earnings than the divested OCTG/line pipe operations as their products are used in maintenance and repair as well as new drilling activity and large energy projects.

The continued impact of inflation, rising interest rates, prevailing oil price conditions 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, provisions for inventory and credit losses.

OUTLOOK

Steel prices were volatile in the third quarter of 2024, and they remain volatile into the early part of the fourth quarter. We expect that producers will proactively manage supply through both regular maintenance downtime and other curtailments in the fourth quarter in order to rebalance supply. As such, we expect steel prices to demonstrate ongoing uncertainty in the fourth quarter of 2024 but set the stage for a more favourable dynamic in 2025.

Our end market activity remains steady and is expected to continue into the fourth quarter, other than the impact from reduced shipping days from various seasonal holidays in North America. In the fourth quarter, we expect to benefit from higher shipment activity from a full quarter of the Samuel acquisition. Over the medium-term, we expect growth in North American steel consumption as a result of onshoring activities and infrastructure spending initiatives in both Canada and the U.S. In addition, we are positioned to gain market share through our ongoing investments in value-added equipment and facility modernizations.

Our energy field stores are expected to continue to benefit from solid energy activity in the fourth quarter and into 2025. Our energy field store segment is also expected to continue to gain market share while maintaining a solid margin profile.