

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE SIX MONTHS ENDED JUNE 30, 2025

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 six months ended June 30, 2025, including the notes thereto, and the MD&A and the audited consolidated financial statements for the year ended December 31, 2024, 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](http://www.sedarplus.ca) or on our website at [www.russelmetals.com](http://www.russelmetals.com).

Unless otherwise stated, the discussion and analysis contained in this MD&A are as of August 7, 2025.

## 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 product prices; cyclical nature of the industry; future acquisitions; 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](http://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.

**Basic Earnings per Share before Stock-Based Compensation** - represents net earnings less stock-based compensation divided by average shares outstanding.

**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.

**Gross Margin per Ton** - represents gross margin divided by tons shipped.

**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.

**Stock-based Compensation** - represents the mark-to-market of stock-based compensation.

**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			Six Months Ended	
	Jun 30 2025	Mar 31 2025	Jun 30 2024	Jun 30 2025	Jun 30 2024
Net earnings	\$ 60.4	\$ 43.0	\$ 49.9	\$ 103.4	\$ 99.6
Provision for income taxes	18.3	14.5	16.9	32.8	33.6
Interest (income) expense, net	5.9	4.7	1.4	10.6	1.3
EBIT <sup>1</sup>	84.6	62.2	68.2	146.8	134.5
Depreciation and amortization	23.2	23.5	17.6	46.7	35.3
EBITDA <sup>1</sup>	\$ 107.8	\$ 85.7	\$ 85.8	\$ 193.5	\$ 169.8
Basic earnings per share	\$ 1.07	\$ 0.75	\$ 0.84	\$ 1.82	\$ 1.66

<sup>1</sup> Refer to Non-GAAP Measures and Ratios and Adjusted Non-GAAP Measures on page 2

## RECONCILIATION OF THE NET EARNINGS TO NET EARNINGS BEFORE STOCK-BASED COMPENSATION

(\$ millions except per share data)	Three Months Ended			Six Months Ended	
	Jun 30 2025	Mar 31 2025	Jun 30 2024	Jun 30 2025	Jun 30 2024
Net earnings	\$ 60.4	\$ 43.0	\$ 49.9	\$ 103.4	\$ 99.6
Stock-based compensation, net of tax	3.8	(1.9)	(5.7)	1.9	(5.4)
Net earnings before stock-based compensation <sup>1</sup>	\$ 64.2	\$ 41.1	\$ 44.2	\$ 105.3	\$ 94.2
Basic earnings per share before stock-based compensation <sup>1</sup>	\$ 1.14	\$ 0.72	\$ 0.74	\$ 1.86	\$ 1.57
Basic earnings per share after stock-based compensation	\$ 1.07	\$ 0.75	\$ 0.84	\$ 1.82	\$ 1.66

## QUARTERLY FINANCIAL HIGHLIGHTS

(for the quarters ended)	Jun 30 2025	Mar 31 2025	Dec 31 2024	Sep 30 2024	Jun 30 2024	Mar 31 2024	Dec 31 2023	Sep 30 2023
Revenues (\$ millions)	\$ 1,207	\$ 1,174	\$ 1,039	\$ 1,089	\$ 1,072	\$ 1,061	\$ 1,019	\$ 1,110
EBITDA <sup>1</sup> (\$ millions)	108	86	61	67	86	84	82	96
Net earnings (\$ millions)	60	43	27	35	50	50	47	61
Basic earnings per share (\$)	1.07	0.75	0.47	0.59	0.84	0.82	0.78	0.99

## OVERVIEW OF THE 2025 SECOND QUARTER

Our second quarter 2025 results reflected a continuing improvement of revenues, margins and EBITDA, both on a consolidated basis and across most of our business segments. Overall market conditions were generally favourable as we benefited from higher metal prices and margins as well as relatively steady demand.

- The metal service centers generated near record shipments in the second quarter, notwithstanding some severe weather impacts and the market uncertainty related to the ongoing tariff dynamic.
- The energy field store segment generated higher revenues, margins and operating profit in the second quarter as compared to the first quarter of 2025, as the segment benefited from improving conditions following a cautious start to 2025.
- We completed an extension of our bank debt facility and removed the springing lien provision, to further enhance our financial flexibility.
- We completed the system integrations for the former Samuel branches onto our ERP platform. These conversions should lead to operational improvements in the quarters ahead. We also advanced a series of initiatives in Western Canada aimed at further rationalizing our footprint and streamlining our operations.

Revenues of \$1.2 billion in the second and first quarter of 2025 were higher than the \$1.1 billion generated in the second quarter of 2024. This improvement reflected higher steel prices and a full quarter from both the Tampa Bay and Samuel acquisitions.

Our average gross margin grew sequentially to 23.3% in the second quarter of 2025 as compared to 21.5% in the first quarter of 2025 due to the improvement in average selling price realizations for our metal service center segment and continued improvement in our energy field stores.

In the second quarter of 2025, we generated \$108 million in EBITDA, which was an increase from \$86 million in the first quarter of 2025 and the second quarter of 2024. Our earnings per share of \$1.07 for the three months ended June 30, 2025, was higher than the \$0.75 per share reported in the first quarter of 2025 and the \$0.84 per share recorded in the second quarter of 2024. Our earnings per share for the six months ended June 30, 2025, was \$1.82 compared to \$1.66 in the six months ended June 30, 2024. Our second quarter 2025 results were negatively impacted by an expense of \$5 million on the mark-to-market of stock-based compensation compared to a recovery of \$8 million in the 2024 second quarter and a \$3 million recovery in the 2025 first quarter.

<sup>1</sup> Refer to Non-GAAP Measures and Ratios and Adjusted Non-GAAP Measures on page 2

During the three months ended June 30, 2025, the Canadian dollar strengthened from US\$0.6956 to US\$0.7330. The impact on the translation of our U.S. operations was a reduction in operating income of approximately \$2 million and a reduction of shareholders' equity of approximately \$55 million.

In the quarter, we generated an annualized return on capital of 20%, which was a sequential increase from the 15% generated in the first quarter of 2025.

During our 2025 second quarter, we generated \$105 million of cash from operating activities before non-cash working capital, invested \$16 million of capital expenditures to further our internal growth initiatives and returned \$47 million of capital to our shareholders through share repurchases and dividends.

#### *Market Conditions*

Market prices for our steel and aluminum products were positively impacted by the imposition of tariffs during the early part of 2025. At June 30, 2025, the prices for steel plate and sheet were up 33% and 28%, respectively, as compared to the prices at December 31, 2024. At June 30, 2025, the aluminum mid-west price was up 28% compared to the price at December 31, 2024.

#### *Capital Investment Growth Initiatives*

During the three months ended June 30, 2025, we invested \$16 million in capital expenditures and for the six months ended June 30, 2025, we invested \$45 million in capital expenditures. We have an active pipeline of both facilities modernization and value-added processing projects. Most of the previously announced facilities modernization projects were completed in the 2025 first quarter and additional projects are being further explored.

We are continuing to evaluate additional acquisition opportunities with the focus on expanding our metals service center platform in the U.S.

#### *Returning Capital to Shareholders*

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

In the 2025 second quarter, we paid dividends of \$24 million or \$0.43 per share. We have declared our quarterly dividend of \$0.43 per share payable on September 15, 2025, to shareholders of record at the close of business on August 28, 2025.

In the second quarter of 2025, we purchased and cancelled 0.5 million common shares at an average price per share of \$42.11 for total consideration of \$22 million (excluding the impact of the 2% federal tax on share repurchases). In the period since the August 2022 normal course issuer bid was established, we have purchased approximately 7.7 million common shares, which represents approximately 12% of our then outstanding shares, at an average price per share of \$37.61 for total consideration of \$288 million. In August 2025, we intend to renew our normal course issuer bid subject to approval from the Toronto Stock Exchange, to purchase for cancellation up to approximately 5.5 million of our common shares representing 10% of our public float over a 12-month period.

#### *Liquidity and Capital Structure*

On April 29, 2025, we amended and extended our credit facility to remove the springing lien feature, cancel the \$150 million sidecar facility that was set to expire in 2026 and extend the maturity of the main facilities to 2029. Our total available liquidity at June 30, 2025, was \$566 million.

## 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			Six Months Ended	
	Jun 30 2025	Mar 31 2025	Jun 30 2024	Jun 30 2025	Jun 30 2024
<b>Segment Revenues</b>					
Metals service centers	\$ 855.8	\$ 840.0	\$ 713.0	\$ 1,695.8	\$ 1,436.6
Energy field stores	250.8	244.2	250.8	495.0	497.9
Steel distributors	93.4	88.9	100.4	182.3	190.5
Other	7.3	0.5	7.3	7.8	7.6
	\$ 1,207.3	\$ 1,173.6	\$ 1,071.5	\$ 2,380.9	\$ 2,132.6
<b>Segment Gross Margins <sup>1</sup></b>					
Metals service centers	\$ 195.0	\$ 175.6	\$ 138.9	\$ 370.6	\$ 293.7
Energy field stores	61.2	58.1	62.1	119.3	125.5
Steel distributors	17.9	18.2	17.1	36.1	36.5
Other	7.3	0.5	7.3	7.8	7.6
Total operations	\$ 281.4	\$ 252.4	\$ 225.4	\$ 533.8	\$ 463.3
<b>Segment Operating Profits and EBIT <sup>1</sup></b>					
Metals service centers	\$ 63.1	\$ 43.7	\$ 33.4	\$ 106.8	\$ 77.2
Energy field stores	21.1	17.1	21.9	38.2	44.6
Steel distributors	9.2	9.9	8.7	19.1	19.2
Corporate expenses	(13.3)	(6.3)	(0.3)	(19.7)	(9.2)
Other	4.5	(2.2)	4.5	2.4	2.7
Earnings before interest and income taxes	\$ 84.6	\$ 62.2	\$ 68.2	\$ 146.8	\$ 134.5
<b>Segment Gross Margin as a % of Revenues <sup>1</sup></b>					
Metals service centers	22.8%	20.9%	19.5%	21.9%	20.4%
Energy field stores	24.4%	23.8%	24.8%	24.1%	25.2%
Steel distributors	19.2%	20.5%	17.0%	19.8%	19.2%
Total operations	23.3%	21.5%	21.0%	22.4%	21.7%
<b>Segment Operating Profit and EBIT as a % of Revenues <sup>1</sup></b>					
Metals service centers	7.4%	5.2%	4.7%	6.3%	5.4%
Energy field stores	8.4%	7.0%	8.7%	7.7%	9.0%
Steel distributors	9.9%	11.1%	8.8%	10.5%	10.1%
Total operations	7.0%	5.3%	6.4%	6.2%	6.3%

Results of our U.S. operations reported for the six months ended June 30, 2025, were converted at \$1.4095 per US\$1 compared to \$1.3586 per US\$1 for the six months ended June 30, 2024. For the six months ended June 30, 2025, our U.S. operations represented approximately 44% of our total revenues. The exchange rate on June 30, 2025, used to translate the balance sheet was \$1.3643 per US\$1 versus \$1.4389 per US\$1 on December 31, 2024.

<sup>1</sup> 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 45,000 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			Six Months Ended	
	Jun 30 2025	Mar 31 2025	Jun 30 2024	Jun 30 2025	Jun 30 2024
<b>Financial Highlights</b>					
Revenue (\$ millions)	\$ 856	\$ 840	\$ 713	\$ 1,696	\$ 1,437
Tons shipped (thousands of imperial tons)	400	409	328	809	651
Gross margin (\$ millions) <sup>1</sup>	195	176	139	371	294
Gross margin per ton (\$)	487	430	424	459	452
Gross margin (%) <sup>1</sup>	22.8%	20.9%	19.5%	21.9%	20.4%
Operating profits (\$ millions) <sup>1</sup>	63	44	33	107	77

Revenues increased 2% from the 2025 first quarter and 20% from the 2024 second quarter. Tons shipped in the second quarter of 2025 were 2% lower than the first quarter of 2025 and 22% higher than the second quarter of 2024 due to the Samuel and Tampa Bay acquisitions. Our average selling price increased 4% compared to the first quarter of 2025 as a result of the improvement in steel prices in the early part of the second quarter.

Gross margin as a percentage of revenues of 22.8% in the 2025 second quarter, was higher than the 20.9% in the 2025 first quarter and the 19.5% in the same quarter last year, due to the increase in steel prices and the lag effect benefit from the lower cost inventory. The gross margin per ton was \$487 in the 2025 second quarter, which was an increase of \$57 as compared to the 2025 first quarter.

Operating expenses were \$132 million in the second and first quarter of 2025 compared to \$106 million in the 2024 second quarter. The variation in operating expenses from the second quarter of 2024 reflects the inclusion of the Samuel and Tampa Bay acquisitions. For the six months ended June 30, 2025, operating expenses were \$264 million compared to \$217 million for the six months ended June 30, 2024.

Operating profits for the three months ended June 30, 2025, were \$63 million versus \$44 million in the 2025 first quarter and \$33 million for the same period in 2024 as a result of higher margins. Operating profits for the six months ended June 30, 2025, of \$107 million were higher than the \$77 million for the same period of 2024.

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

<sup>1</sup> Refer to Non-GAAP Measures and Ratios and Adjusted Non-GAAP Measures on page 2

## b) Energy field stores segment results

	Three Months Ended			Six Months Ended	
	Jun 30 2025	Mar 31 2025	Jun 30 2024	Jun 30 2025	Jun 30 2024
<b>Financial Highlights</b>					
Revenue (\$ millions)	\$ 251	\$ 244	\$ 251	\$ 495	\$ 498
Gross margin (\$ millions) <sup>1</sup>	61	58	62	119	126
Gross margin (%) <sup>1</sup>	24.4%	23.8%	24.8%	24.1%	25.2%
Operating profits (\$ millions) <sup>1</sup>	21	17	22	38	45

Revenues in the 2025 second quarter were consistent with the 2024 second quarter and increased 3% compared to the 2025 first quarter due to favourable market conditions.

Gross margin as a percentage of revenues for the three months ended June 30, 2025, was 24.4% compared to 23.8% in the 2025 first quarter and 24.8% in the same period in 2024. For the six months ended June 30, 2025, gross margin as a percentage of revenues was 24.1% compared to 25.2% in the same period in 2024.

Operating expenses of \$40 million were relatively steady compared to \$41 million in the 2025 first quarter and \$40 million in the 2024 second quarter. Operating expenses as a percentage of revenues for the three months ended June 30, 2025 and 2024, were 16.0%. For the six months ended June 30, 2025 and 2024, operating expenses were \$81 million.

Operating profits of \$21 million for the three months ended June 30, 2025, increased compared to an operating profit of \$17 million in the three months ended March 31, 2025, and were slightly lower than the \$22 million for the three months ended June 30, 2024. Operating profits were \$38 million for the six months ended June 30, 2025, compared to operating profits of \$45 million for the same period in 2024 reflecting lower margins in the 2025 first quarter.

## 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 offshore.

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			Six Months Ended	
	Jun 30 2025	Mar 31 2025	Jun 30 2024	Jun 30 2025	Jun 30 2024
<b>Financial Highlights</b>					
Revenue (\$ millions)	\$ 93	\$ 89	\$ 100	\$ 182	\$ 191
Gross margin (\$ millions) <sup>1</sup>	18	18	17	36	37
Gross margin (%) <sup>1</sup>	19.2%	20.5%	17.0%	19.8%	19.2%
Operating profits (\$ millions) <sup>1</sup>	9	10	9	19	19

Revenues increased 4% compared to the 2025 first quarter but decreased 7% compared to the 2024 second quarter. The evolving tariff environment has resulted in more cautious business conditions particularly in our Canadian steel distributor operation that focusses on imports from international markets.

Gross margin as a percentage of revenues was 19.2% for the three months ended June 30, 2025, which was lower than the 20.5% in the first quarter of 2025 but higher than the 17.0% for the three months ended June 30, 2024.

<sup>1</sup> Refer to Non-GAAP Measures and Ratios and Adjusted Non-GAAP Measures on page 2

Operating expenses were \$9 million for the second quarter of 2025 compared to \$8 million for the first quarter of 2025 and \$8 million in 2024.

Operating profits of \$9 million for the three months ended June 30, 2025, compared to \$10 million in the 2025 first quarter and \$9 million in the 2024 second quarter. The operating profits for the six months ended June 30, 2025 and 2024, were \$19 million.

## CORPORATE EXPENSES AND OTHER

(\$ millions)	Three Months Ended			Six Months Ended	
	Jun 30 2025	Mar 31 2025	Jun 30 2024	Jun 30 2025	Jun 30 2024
Corporate expenses	\$ 8	\$ 9	\$ 8	\$ 17	\$ 17
Stock-based compensation	5	(3)	(8)	2	(8)
Other expenses (income)	(4)	2	(4)	(2)	(2)
	\$ 9	\$ 8	\$ (4)	\$ 17	\$ 7

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 \$8 million for the quarter ended June 30, 2025 and 2024, which was lower than the \$9 million in the first quarter of 2025. For the six months ended June 30, 2025, corporate expenses were consistent with the same period in 2024 with higher variable compensation in 2025 offsetting the non-recurring costs of the Samuel acquisition in 2024. The mark-to-market impact on stock-based compensation was a \$5 million expense in the 2025 second quarter compared to a \$3 million recovery in the 2025 first quarter and a \$8 million recovery in the 2024 second quarter. The other expenses (income) relates to our Thunder Bay terminal operation, which benefited from the typical seasonal recovery in the second quarter as compared to the first quarter.

## INTEREST EXPENSE

(\$ millions)	Three Months Ended			Six Months Ended	
	Jun 30 2025	Mar 31 2025	Jun 30 2024	Jun 30 2025	Jun 30 2024
Interest on Senior Unsecured Notes	\$ 3	\$ -	\$ 4	\$ 3	\$ 9
Interest on lease obligations	4	4	2	8	5
Other interest (income) expense, net	(1)	1	(5)	-	(13)
	\$ 6	\$ 5	\$ 1	\$ 11	\$ 1

On March 28, 2025, we issued \$300 million of 4.423% senior unsecured notes due March 28, 2030, which resulted in \$3 million of long-term interest expense in the second quarter of 2025. The redemption of our 6% and 5 <sup>3</sup>/<sub>4</sub>% senior unsecured notes in 2024, resulted in no long-term interest expense in the 2025 first quarter compared to \$4 million in the 2024 second quarter.

## INCOME TAXES

We recorded a provision for income taxes of \$18 million for the second quarter of 2025 compared to \$17 million for the second quarter of 2024. Our effective income tax rate was 23.3% for the three months ended June 30, 2025, and was 25.2% for the three months ended March 31, 2025 and June 30, 2024. For the six months ended June 30, 2025, our effective income tax rate was 24.1% compared to 25.2% for the same period in 2024.

## NET EARNINGS

Net earnings for the second quarter of 2025 were \$60 million compared to \$50 million for the second quarter of 2024. Basic earnings per share for the second quarter of 2025 was \$1.07 per share compared to \$0.84 per share for the second quarter of 2024. Basic earnings per share for the six months ended June 30, 2025, of \$1.82 compared to \$1.66 for the same period last year.

## SHARES OUTSTANDING AND DIVIDENDS

The weighted average number of common shares outstanding for the second quarter of 2025 was 56.3 million compared to 59.7 million for the second quarter of 2024. The weighted average number of common shares outstanding for the six months ended June 30, 2025, was 56.7 million compared to 60.0 million for the six months ended June 30, 2024. Common shares outstanding on June 30, 2025, and August 7, 2025, were 56.0 million.

We paid common share dividends of \$24 million or \$0.43 per share in the second quarter of 2025 and \$25 million or \$0.42 per share in the second quarter of 2024.

## CAPITAL EXPENDITURES

(\$ millions)	Three Months Ended			Six Months Ended	
	Jun 30 2025	Mar 31 2025	Jun 30 2024	Jun 30 2025	Jun 30 2024
Capital expenditures - property, plant and equipment	\$ 16	\$ 29	\$ 24	\$ 45	\$ 48
Additions - right-of-use assets	2	6	4	8	10
Depreciation - property, plant and equipment	14	14	11	28	21
Depreciation - right-of-use assets	7	7	5	14	10

## LIQUIDITY AND CAPITAL RESOURCES

On June 30, 2025, we had net cash, defined as cash less bank indebtedness, of \$194 million compared to \$32 million on December 31, 2024. In addition, we had \$300 million of senior unsecured notes due March 28, 2030.

### Cash Flows

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

(\$ millions)	Three Months Ended			Six Months Ended	
	Jun 30 2025	Mar 31 2025	Jun 30 2024	Jun 30 2025	Jun 30 2024
Cash flow (used) from operating activities	\$ 48	\$ (17)	\$ 69	\$ 31	\$ 71
Cash flow from (used) in financing activities	(53)	229	(236)	177	(279)
Cash flow used in investing activities	(16)	(28)	(24)	(44)	(47)
Effect of exchange rates on cash and cash equivalents	(15)	-	3	(15)	12
Increase (decrease) in cash and cash equivalents	(36)	185	(188)	149	(243)

### Cash Flow from Operating Activities

For the three months ended June 30, 2025, we generated \$105 million in cash from operating activities before non-cash working capital and utilized \$43 million of cash for working capital and \$14 million for tax payments. For the six months ended June 30, 2025, we generated \$187 million in cash from operating activities before non-cash working capital and utilized \$143 million for working capital.

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

For the three months ended June 30, 2025, we utilized \$53 million of cash for financing activities, including \$24 million for dividends and \$23 million for share buybacks. For the six months ended June 30, 2025, we generated \$177 million from financing activities including \$298 million from the issuance of our 4.423% senior unsecured notes and utilized \$49 million for share buybacks and \$48 million for dividends.

### Cash Flow Used in Investing Activities

During the three and six months ended June 30, 2025, we utilized \$16 million and \$45 million, respectively, in cash for capital expenditures.

### Effect of Exchange Rates on Cash and Cash Equivalents

During the second quarter of 2025, the Canadian dollar exchange rate strengthened from US\$0.6956 to US\$0.7330 which resulted in a \$15 million unrealized foreign exchange loss on translation of U.S. cash and cash equivalents.

## 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 \$2.6 billion on June 30, 2025, \$2.7 billion on March 31, 2025, and \$2.3 billion on December 31, 2024. The decrease was partially due to the translation to Canadian dollars of foreign operations due to the strengthening Canadian dollar. On June 30, 2025 and December 31, 2024, current assets excluding cash represented 66% and 63% of our total assets respectively.

Inventories represented 41% of our total assets, excluding cash, on June 30, 2025, compared to 40% on December 31, 2024.

<b>Inventory by Segment</b> (\$ millions)	Jun 30 2025	Mar 31 2025	Dec 31 2024	Sep 30 2024	Jun 30 2024
Metals service centers	\$ 662	\$ 652	\$ 595	\$ 585	\$ 500
Energy field stores	217	220	229	235	218
Steel distributors	133	122	96	104	143
<b>Total</b>	<b>\$ 1,012</b>	<b>\$ 994</b>	<b>\$ 920</b>	<b>\$ 924</b>	<b>\$ 861</b>

<b>Cost of Sales by Segment</b> (\$ millions)	Jun 30 2025	Mar 31 2025	Dec 31 2024	Sep 30 2024	Jun 30 2024
Metals service centers	\$ 661	\$ 664	\$ 591	\$ 581	\$ 574
Energy field stores	190	186	161	200	189
Steel distributors	75	71	75	94	83
<b>Total</b>	<b>\$ 926</b>	<b>\$ 921</b>	<b>\$ 827</b>	<b>\$ 875</b>	<b>\$ 846</b>

<b>Inventory Turns</b> (quarters ended)	Jun 30 2025	Mar 31 2025	Dec 31 2024	Sep 30 2024	Jun 30 2024
Metals service centers	4.0	4.1	4.0	4.0	4.6
Energy field stores	3.5	3.4	2.8	3.4	3.5
Steel distributors	2.3	2.3	3.1	3.6	2.3
<b>Total</b>	<b>3.7</b>	<b>3.7</b>	<b>3.6</b>	<b>3.8</b>	<b>3.9</b>

Our inventory turns for the quarter ended June 30, 2025, were consistent with the first quarter of 2025. On June 30, 2025, our inventory tonnage at our metals service centers was 2% lower, and the average cost was 2% higher than the levels on March 31, 2025. Inventory at our energy field stores remained consistent with previous periods. In steel distributors, inventory levels at June 30, 2025, were higher than March 31, 2025 both in terms of tons and price per ton.

Accounts receivable utilized cash of \$83 million due to higher revenues in the six months ended June 30, 2025. Accounts receivable represented 23% of our total assets, excluding cash, on June 30, 2025, compared to 21% on December 31, 2024.

During the six months ended June 30, 2025, we made income tax payments of \$13 million compared to \$39 million for the six months ended June 30, 2024.

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)	June 30 2025	December 31 2024
4.423% \$300 million Senior Unsecured Notes due March 28, 2030	\$ 298	\$ -
	\$ 298	\$ -

## Cash and Bank Credit Facilities

<i>(\$ millions)</i>	June 30 2025	December 31 2024
Bank borrowings	\$ -	\$ (13)
Cash net of outstanding cheques	194	45
Net cash	194	32
Letters of credit	(62)	(26)
	\$ 132	\$ 6
<b>Facilities</b>		
Borrowings and letters of credit	\$ 400	\$ 400
Borrowings	-	150
Letters of credit	50	50
Facilities availability	\$ 450	\$ 600

On July 15, 2024, we entered into a new \$600 million committed, unsecured credit facility with a syndicate of Canadian and U.S. banks that provides: (i) Facility A - \$400 million for borrowings or additional letters of credit; (ii) Facility B - \$50 million for letters of credit; and (iii) Facility C - \$150 million for borrowings. On April 29, 2025, we amended and extended our credit facility to remove the springing lien feature, cancel Facility C and extend the maturity date for Facility A and B to April 30, 2029.

On June 30, 2025, we had no borrowings and \$62 million of letters of credit outstanding under the facilities. On December 31, 2024, we had \$13 million of borrowings and \$26 million of letters of credit.

On June 30, 2025, we were in compliance with all of our financial covenants.

With our cash, cash equivalents and our bank facilities we had access to approximately \$566 million of cash on June 30, 2025. 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 June 30, 2025, we were contractually obligated to make payments as per the following table:

<i>(\$ millions)</i>	Payments due in				Total
	2025	2026 and 2027	2028 and 2029	2030 and thereafter	
Accounts payable	\$ 486	\$ -	\$ -	\$ -	\$ 486
Long-term debt	-	-	-	300	300
Long-term debt interest	7	27	27	6	67
Operating leases	19	73	57	100	249
Total	\$ 512	\$ 100	\$ 84	\$ 406	\$ 1,102

We are obligated to pay \$62 million in letters of credit when they mature in 2025. We have outstanding US\$123 million in forward exchange contracts that mature in 2025.

We expect our average annual capital expenditure level to be approximately \$90-100 million over the next several years. These investments are being 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 2024 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 six months ended June 30, 2025, we used \$2 million of our defined benefit surplus to fund our defined contribution plan, and we expect to use approximately \$2 million of our defined benefit surplus to fund the defined contribution plan during the remainder of 2025. 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 aging 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 June 30, 2025, was \$1 million higher than our reserve on December 31, 2024. Bad debt expense for the six months ended June 30, 2025, 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 June 30, 2025, our inventory reserves were \$1 million lower than those in the 2025 first 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 June 30, 2025, 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 \$126 million in plan assets on June 30, 2025, which is a decrease of approximately \$5 million from December 31, 2024. The discount rate used on the employee benefit plan obligation for the quarter ended June 30, 2025, was 4.8% which is 10 basis points higher than the discount rate used on December 31, 2024.

#### *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. 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 for a period after acquiring the Samuel locations.

For a period after the acquisition, we utilized the Samuel ERP system and shared services to manage these locations prior to their integration onto our ERP system through a Transitional Services Agreement. During the second quarter of 2025, the acquired Samuel locations were converted onto our ERP system and the services covered by the Transitional Service Agreement ceased. These locations are in scope for reporting on disclosure controls and procedures and internal controls over financial reporting effective the date of conversion of these operations onto our ERP platform.

#### *Summary Financial Information – Samuel Locations*

*For the period ended May 1, 2025 for the Canadian and May 29, 2025 for the U.S. locations (\$ millions)*

Revenue	\$ 191
Earnings before interest, taxes, depreciation and amortization	10

The information in the above table reflects the financial information of the acquired branches while they were managed as part of the Transitional Services Agreement. As of May 1, 2025, and May 29, 2025, these operations moved to our metals service center ERP system.

For the six months ended June 30, 2025, the line items that could be affected by this limited scope at the Samuel locations are revenue, earnings before interest, taxes, depreciation and amortization.

No changes were made in our internal controls over financial reporting during the second quarter of 2025 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. In addition, our facilities modernization initiative and our value-added processing investments enable us to better service our customers and enhanced 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 leaders a basis to proactively adjust costs and working capital to local market conditions. Management believes that this strategy will result in higher average earnings over the cycle and in the top quartile of the industry. We continue our facility modernization initiative which, along with our multi-year expansion of our value-added processing equipment, will enhance our capabilities and provide 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. In the case of significant increases in tariffs, we evaluate alternative sources of supply and when these are not available, tariff increases are passed onto our customers.

On March 12, 2025, the U.S. government increased the section 232 tariff rates for steel and aluminum products to 25% and the Canadian government responded with retaliatory tariffs also at 25%. On June 3, 2025, the U.S. government announced an increase in the section 232 tariff rates on steel and aluminum to 50% effective June 4, 2025. On June 27, 2025, the Canadian government implemented tariff quotas on steel mill products from non-free trade countries. The quota was set at 2.6 million tons with a tariff rate of 50%. As a result of the recent announcements by the U.S. government, there is continued risk related to the imposition of various tariffs on Canada and other countries. On July 17, 2025, the Canadian government announced further measures to protect the domestic steel industry through quotas and additional steel tariffs. We will evaluate all potential and implemented tariffs or quotas and adjust our procurement activities as required.

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 other businesses in the sector as their products are used in maintenance and repair as well as new drilling activity and large energy projects.

The impact of inflation, interest rates changes, geopolitical uncertainty, 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 intangible assets, provisions for inventory and credit losses.

## **OUTLOOK**

During the late part of the first quarter and early part of the second quarter of 2025, steel prices substantially increased as a result of the tariffs imposed by the U.S. government. Steel prices have since moderated, and future steel price changes may be impacted by further changes in such tariffs.

Our metal service center margins increased in the early part of the second quarter as they benefited from the lag effect of higher selling price realizations and lower cost inventories. As a result, we are likely to realize some margin moderation in the third quarter as compared to the second quarter of 2025. In addition, our shipment levels are likely to experience a seasonal reduction in activity in the third quarter of 2025 as compared to the second quarter of 2025, due to normal holiday schedules in both Canada and the U.S. Over the medium-term, we expect to benefit from further rebuilding of the U.S. industrial manufacturing base as well as infrastructure related investments. In addition, we are positioned to gain market share through our ongoing investments in value-added equipment, facility modernizations and through acquisitions.

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