

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 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 three months ended March 31, 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 or on our website at www.russelmetals.com.

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

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 over 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.

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		
	Mar 31 2025	Dec 31 2024	Mar 31 2024
Net earnings	\$ 43.0	\$ 26.9	\$ 49.7
Provision for income taxes	14.5	8.8	16.7
Interest (income) expense, net	4.7	4.0	(0.1)
EBIT ¹	62.2	39.7	66.3
Depreciation and amortization	23.5	21.6	17.7
EBITDA ¹	\$ 85.7	\$ 61.3	\$ 84.0
Basic earnings per share	\$ 0.75	\$ 0.47	\$ 0.82

QUARTERLY FINANCIAL HIGHLIGHTS

(for the quarters ended)	Mar 31 2025	Dec 31 2024	Sep 30 2024	Jun 30 2024	Mar 31 2024	Dec 31 2023	Sep 30 2023	Jun 30 2023
Revenues (\$ millions)	\$ 1,174	\$ 1,039	\$ 1,089	\$ 1,072	\$ 1,061	\$ 1,019	\$ 1,110	\$ 1,189
EBITDA ¹ (\$ millions)	86	61	67	86	84	82	96	131
Net earnings (\$ millions)	43	27	35	50	50	47	61	85
Basic earnings per share (\$)	0.75	0.47	0.59	0.84	0.82	0.78	0.99	1.37

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

OVERVIEW OF THE 2025 FIRST QUARTER

Our first quarter 2025 results reflected a seasonal improvement in demand, particularly for our metals service centers and steel distributors segments, and strong sequential increases in gross margin, EBITDA and net earnings. In addition, we delivered on a number of important milestones:

- Our metals service centers segment generated the highest tonnage sales in our history. This record reflected the favourable market conditions, a full quarter contribution from last year's acquisitions and organic market share gains.
- We invested a record amount in capital expenditures during the quarter, as we continued with our internal investments in value-added equipment and facility modernizations. This involved the completion of a series of prior projects along with the initiation of new projects.
- We continued to expand our U.S. platform on both relative and absolute terms, as 44% of our first quarter 2025 revenues were generated in the U.S., as compared to 39% in 2024 and 30% in 2019.
- We advanced the multi-year migration of our debt structure, as we completed an inaugural \$300 million term debt issuance into the investment grade debt market in late March and we extended/amended our bank credit agreement in late April. The term debt financing reflects the lowest cost that we have ever achieved and further strengthened our capital structure.

Revenues of \$1.2 billion in the first quarter of 2025 were higher than the \$1.1 billion generated in the first quarter of 2024 and the \$1.0 billion in the fourth quarter of 2024. This improvement reflected the seasonal rebound in business activity, higher steel prices and a full quarter from both the Tampa Bay and Samuel acquisitions.

Our average gross margin grew sequentially to 21.5% in the first quarter of 2025 as compared to 20.4% in the fourth quarter of 2024 due to the increase in steel prices through the first quarter of 2025.

In the first quarter of 2025, we generated \$86 million in EBITDA, which was an increase from \$61 million in the fourth quarter of 2024 and \$84 million in the first quarter of 2024. Our earnings per share of \$0.75 for the quarter ended March 31, 2025, was higher than the \$0.47 per share reported in the fourth quarter of 2024 and lower than the \$0.82 per share recorded in the first quarter of 2024. In the quarter, we generated an annualized return on capital of 15%, which was a sequential increase from the 10% generated in the fourth quarter of 2024.

During our 2025 first quarter, we generated \$82 million of cash from operating activities before non-cash working capital, invested \$29 million of capital expenditures to further our internal growth initiatives and returned \$49 million of capital to our shareholders through share repurchases and dividends.

Market Conditions

Market conditions in the first quarter of 2025 were impacted by the imposition of 25% tariffs on steel and aluminum that came into effect on March 12, 2025. These tariffs led to a significant increase in metal prices. At March 31, 2025, the price for steel plate and sheet increased by 43% and 37%, respectively, as compared to the price at December 31, 2024. At March 31, 2025, the aluminum mid-west price was up 14% compared to the price at December 31, 2024.

Capital Investment Growth Initiatives

In the first quarter of 2025, we invested \$29 million in capital expenditures, including the completion of our previously announced facilities modernizations. We continue to have an active pipeline of discretionary projects that are expected to be advanced over the coming years.

We remain focused on realizing the benefits from our most recent acquisitions, including a number of initiatives to integrate the acquired Samuel branches and realize synergies related to metals procurement for the Tampa Bay operation. In addition, 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 first quarter, we paid dividends of \$24 million or \$0.42 per share and repurchased \$25 million of our shares (excluding the impact of the federal tax on share repurchases).

We have declared a 2.4% increase in our quarterly dividend to \$0.43 per share payable on June 16, 2025, to shareholders of record at the close of business on May 29, 2025. This increase is the third consecutive annual increase in our dividend over the past three years. On a cumulative basis, we raised the dividend by 13.2% since May 2023.

In the first quarter of 2025, we purchased and cancelled 0.6 million common shares at an average price per share of \$40.44. In the period since the normal course issuer bid was established in August 2022, we have purchased 7.1 million common shares, which represents over 11% of our shares outstanding, at an average price per share of \$37.27 for total consideration of \$266 million (excluding the impact of the federal tax on share repurchases).

Liquidity and Capital Structure

On March 28, 2025, we completed an inaugural offering of investment grade term debt, with \$300 million of 4.423% senior unsecured notes due March 28, 2030. We ended the quarter with total available liquidity of \$755 million.

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. After the removal of the sidecar facility, our total available liquidity, on a pro-forma basis at March 31, 2025, was \$605 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.

<i>(in millions, except percentages)</i>	Three Months Ended		
	Mar 31 2025	Dec 31 2024	Mar 31 2024
Segment Revenues			
Metals service centers	\$ 840.0	\$ 723.0	\$ 723.6
Energy field stores	244.2	220.3	247.1
Steel distributors	88.9	89.2	90.1
Other	0.5	6.7	0.3
	\$ 1,173.6	\$ 1,039.2	\$ 1,061.1
Segment Gross Margins ¹			
Metals service centers	\$ 175.6	\$ 131.5	\$ 154.8
Energy field stores	58.1	59.8	63.4
Steel distributors	18.2	13.8	19.4
Other	0.5	6.7	0.3
Total operations	\$ 252.4	\$ 211.8	\$ 237.9
Segment Operating Profits and EBIT ¹			
Metals service centers	\$ 43.7	\$ 20.9	\$ 43.8
Energy field stores	17.1	20.2	22.7
Steel distributors	9.9	4.4	10.5
Corporate expenses	(6.3)	(9.8)	(8.9)
Other	(2.2)	4.0	(1.8)
Earnings before interest and income taxes	\$ 62.2	\$ 39.7	\$ 66.3
Segment Gross Margin as a % of Revenues ¹			
Metals service centers	20.9%	18.2%	21.4%
Energy field stores	23.8%	27.1%	25.7%
Steel distributors	20.5%	15.5%	21.6%
Total operations	21.5%	20.4%	22.4%
Segment Operating Profit and EBIT as a % of Revenues ¹			
Metals service centers	5.2%	2.9%	6.1%
Energy field stores	7.0%	9.2%	9.2%
Steel distributors	11.1%	4.9%	11.7%
Total operations	5.3%	3.8%	6.2%

Results of our U.S. operations reported for the three months ended March 31, 2025, were converted at \$1.4350 per US\$1 compared to \$1.3488 per US\$1 for the three months ended March 31, 2024 and \$1.3990 per US\$1 for the three months ended December 31, 2024. Our U.S. operations represented approximately 44% of our total revenues compared to 41% in the same period of 2024. The exchange rate used to translate the balance sheet on March 31, 2025, was \$1.4376 per US\$1 versus \$1.4389 per US\$1 on December 31, 2024.

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 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		
	Mar 31 2025	Dec 31 2024	Mar 31 2024
Financial Highlights			
Revenue (\$ millions)	\$ 840	\$ 723	\$ 724
Tons shipped (thousands of imperial tons)	409	359	318
Gross margin (\$ millions) ¹	176	132	155
Gross margin per ton (\$) ¹	430	368	487
Gross margin (%) ¹	20.9%	18.2%	21.4%
Operating profits (\$ millions) ¹	44	21	44

Revenues increased 16% from the 2024 fourth quarter and 2024 first quarter. Tons shipped in the first quarter of 2025 were 14% higher than the fourth quarter of 2024 and 29% higher than the first quarter of 2024 resulting in the highest tons shipped in our history. On a same store basis, the tons shipped were 2% higher than the 2024 first quarter and 11% higher than the 2024 fourth quarter. On a same store basis, our average selling price increased 1% compared to the fourth quarter of 2024 but decreased 8% compared to the same quarter in 2024. Our average selling price increased during each month of the first quarter, including a 7% increase in March 2025 as compared to February 2025.

Gross margin as a percentage of revenues of 20.9% was higher than the 18.2% in the fourth quarter of 2024. The gross margin per ton of \$430 in the 2025 first quarter was an increase of \$62 as compared to the 2024 fourth quarter, as we benefited from higher average selling prices and lower cost inventory in our cost of goods sold.

Operating expenses were \$132 million in the first quarter of 2025 compared to \$111 million in the 2024 first quarter primarily due to the 2024 acquisitions which represented \$18 million of the increase.

Operating profits for the three months ended March 31, 2025, were \$44 million versus \$21 million in the 2024 fourth quarter and consistent with the same period of 2024.

ENERGY FIELD STORES

a) Description of operations

We distribute flanges, valves, fittings and other products, 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 mills and other distributors.

b) Energy field stores segment results

	Three Months Ended		
	Mar 31 2025	Dec 31 2024	Mar 31 2024
Financial Highlights			
Revenue (\$ millions)	\$ 244	\$ 220	\$ 247
Gross margin (\$ millions) ¹	58	60	63
Gross margin (%) ¹	23.8%	27.1%	25.7%
Operating profits (\$ millions) ¹	17	20	23

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

Revenues increased 11% in the 2025 first quarter compared to the fourth quarter of 2024 due to normal seasonal factors and were relatively flat compared to the 2024 first quarter.

Gross margin as a percentage of revenues was 23.8% for the three months ended March 31, 2025, which was lower than the 27.1% from the fourth quarter of 2024, and the 25.7% for the same period in 2024.

Operating expenses of \$41 million were consistent with those in the 2024 first and fourth quarters.

Operating profits of \$17 million for the three months ended March 31, 2025, were lower than the \$20 million in the fourth quarter of 2024 and the \$23 million for the same period in 2024.

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

b) Steel distributors segment results

	Three Months Ended		
	Mar 31 2025	Dec 31 2024	Mar 31 2024
Financial Highlights			
Revenue (\$ millions)	\$ 89	\$ 89	\$ 90
Gross margin (\$ millions) ¹	18	14	19
Gross margin (%) ¹	20.5%	15.5%	21.6%
Operating profits (\$ millions) ¹	10	4	11

Revenues in the first quarter of 2025 were consistent with the same quarter in 2024 and the fourth quarter of 2024.

Gross margin as a percentage of revenues was 20.5% for the three months ended March 31, 2025, which was stronger than the 15.5% in the fourth quarter of 2024 but slightly lower than 21.6% in the same period in 2024.

Operating expenses were \$8 million for the first quarter of 2025 compared to \$9 million for the first quarter of 2024 and \$10 million the fourth quarter of 2024.

Operating profits for the three months ended March 31, 2025, of \$10 million compared to \$11 million for the three months ended March 31, 2024, and \$4 million for the fourth quarter of 2024.

CORPORATE EXPENSES AND OTHER

(\$ millions)	Three Months Ended		
	Mar 31 2025	Dec 31 2024	Mar 31 2024
Corporate expenses	\$ 9	\$ 7	\$ 9
Stock-based compensation	(3)	3	-
Other expenses (income)	2	(4)	2
	\$ 8	\$ 6	\$ 11

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

Corporate expenses of \$9 million for the three months ended March 31, 2025, were consistent with the three months ended March 31, 2024, but higher than the \$7 million in the fourth quarter of 2024. The reduction in our share price in the first quarter of 2025 resulted in a mark-to-market recovery of \$3 million compared to an expense of \$3 million in the fourth quarter of 2024 and \$nil in the comparative quarter in 2024.

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

INTEREST EXPENSE

(\$ millions)	Three Months Ended		
	Mar 31 2025	Dec 31 2024	Mar 31 2024
Interest on Senior Unsecured Notes	\$ -	\$ 1	\$ 5
Interest on lease obligations	4	4	2
Other interest (income) expense, net	1	(1)	(7)
	\$ 5	\$ 4	\$ -

The redemption of our 6% and 5 ¾% senior unsecured notes in 2024, resulted in no long-term interest expense in the 2025 first quarter compared to \$5 million in the 2024 first quarter. On March 28, 2025, we issued \$300 million of 4.423% senior unsecured notes due March 28, 2030.

INCOME TAXES

We recorded a provision for income taxes of \$14 million for the first quarter of 2025 compared to \$17 million for the first quarter of 2024. Our effective income tax rate for the three months ended March 31, 2025 and 2024, was 25.2%.

NET EARNINGS

Net earnings for the first quarter of 2025 of \$43 million compared to \$27 million in the fourth quarter of 2024 and \$50 million in the first quarter of 2024. Basic earnings per share for the first quarter of 2025 of \$0.75 compared to \$0.47 for the fourth quarter of 2024 and \$0.82 per share for the first quarter of 2024.

SHARES OUTSTANDING AND DIVIDENDS

The weighted average number of common shares outstanding for the first quarter of 2025 was 57.0 million compared to 60.3 million for the first quarter of 2024. Common shares outstanding on March 31, 2025, and on May 6, 2025, were 56.5 million.

We paid common share dividends of \$24 million or \$0.42 per share in the first quarter of 2024 and \$24 million or \$0.40 per share in the first quarter of 2024.

CAPITAL EXPENDITURES

(\$ millions)	Three Month Ended		
	Mar 31 2025	Dec 31 2024	Mar 31 2024
Capital expenditures - property, plant and equipment	\$ 29	\$ 21	\$ 24
Additions - right-of-use assets	6	3	6
Depreciation - property, plant and equipment	14	12	10
Depreciation - right-of-use assets	7	6	5

LIQUIDITY AND CAPITAL RESOURCES

On March 31, 2025, we had net cash, defined as cash less bank indebtedness, of \$230 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 Month Ended		
	Mar 31 2025	Dec 31 2024	Mar 31 2024
Cash flow (used) from operating activities	\$ (17)	\$ 110	\$ 2
Cash flow from (used) in financing activities	229	(181)	(43)
Cash flow used in investing activities	(28)	(127)	(24)
Effect of exchange rates on cash and cash equivalents	-	21	10
Increase (decrease) in cash and cash equivalents	185	(177)	(55)

Cash Flow from Operating Activities

During the three months ended March 31, 2025, we generated \$82 million in cash from operating activities before non-cash working capital and utilized \$100 million of cash 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

During the three months ended March 31, 2025, we generated \$229 million of cash from financing activities, including \$298 million from the issuance of our 4.423% senior unsecured notes. We utilized \$25 million to repurchase shares and \$24 million for dividends.

Cash Flow Used in Investing Activities

During the three months ended March 31, 2025, we utilized \$28 million in cash for investing activities, which was comprised of \$29 million for capital expenditures less \$1 million for the sale of fixed assets and other.

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 \$2.7 billion on March 31, 2025, and \$2.3 billion on December 31, 2024. The increase was due in part to an increase in non-cash current assets of \$170 million from higher demand and steel prices. On March 31, 2025 and December 31, 2024, current assets excluding cash represented 66% and 63% of our total assets respectively.

Inventories represented 40% of our total assets, excluding cash, on March 31, 2025, and December 31, 2024.

<i>Inventory by Segment</i> <i>(\$ millions)</i>	Mar 31 2025	Dec 31 2024	Sep 30 2024	Jun 30 2024	Mar 31 2024
Metals service centers	\$ 652	\$ 595	\$ 585	\$ 500	\$ 495
Energy field stores	220	229	235	218	232
Steel distributors	122	96	104	143	116
Total	\$ 994	\$ 920	\$ 924	\$ 861	\$ 843

<i>Cost of Sales by Segment</i> <i>(\$ millions)</i>	Mar 31 2025	Dec 31 2024	Sep 30 2024	Jun 30 2024	Mar 31 2024
Metals service centers	\$ 664	\$ 591	\$ 581	\$ 574	\$ 569
Energy field stores	186	161	200	189	183
Steel distributors	71	75	94	83	71
Total	\$ 921	\$ 827	\$ 875	\$ 846	\$ 823

<i>Inventory Turns ¹</i> <i>(quarters ended)</i>	Mar 31 2025	Dec 31 2024	Sep 30 2024	Jun 30 2024	Mar 31 2024
Metals service centers	4.1	4.0	4.0	4.6	4.6
Energy field stores	3.4	2.8	3.4	3.5	3.2
Steel distributors	2.3	3.1	3.6	2.3	2.4
Total	3.7	3.6	3.8	3.9	3.9

Our inventory turns for the quarter ended March 31, 2025, were stronger than the fourth quarter of 2024 but lower than the comparable first quarter of 2024. At March 31, 2025, our inventory tonnage on a same store basis at our metals service centers was 10% higher, and the average cost was 1% lower than the levels on December 31, 2024. Inventory at our energy field stores decreased from December 31, 2024. In steel distributors, the inventory at March 31, 2025, was 27% higher than at December 31, 2024, due to higher steel prices and greater customer demand.

Accounts receivable utilized cash of \$100 million at March 31, 2025, as compared to December 31, 2024. This was the result of greater sales activity in the first quarter of 2025 as compared to the fourth quarter of 2024.

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

Accounts receivable represented 24% of our total assets, excluding cash, on March 31, 2025, compared to 21% on December 31, 2024.

Debt

<i>(\$ millions)</i>	March 31 2025	December 31 2024
4.423% \$300 million Senior Unsecured Notes due March 28, 2030	\$ 298.0	\$ -
	\$ 298.0	\$ -

Cash and Bank Credit Facilities

<i>(\$ millions)</i>	March 31 2025	December 31 2024
Bank borrowings	\$ -	\$ (13)
Cash net of outstanding cheques	230	45
Net cash	230	32
Letters of credit	(55)	(26)
	\$ 175	\$ 6
Facility		
Borrowings and letters of credit	\$ 400	\$ 400
Borrowings	150	150
Letters of credit	50	50
Facilities availability	\$ 600	\$ 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. The tranches described in (i) and (ii) mature in 2028 while the tranche described in (iii) matures in 2026.

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 March 31, 2025, we had no borrowings and \$55 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 March 31, 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 \$755 million of cash on March 31, 2025. On a pro-forma basis, after taking into account the cancellation of Facility C, we had access to approximately \$605 million of cash on March 31, 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 March 31, 2025, we were contractually obligated to make payments as per the following table:

Contractual Obligations <i>(\$ millions)</i>	Payments due in				Total
	2025	2026 and 2027	2028 and 2029	2030 and thereafter	
Bank borrowings	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	523	-	-	-	523
Long-term debt	-	-	-	300	300
Long-term debt interest	7	27	27	6	67
Operating leases	32	72	55	101	260
Total	\$ 562	\$ 99	\$ 82	\$ 407	\$ 1,150

We are obligated to pay \$55 million in letters of credit when they mature in 2025. We have outstanding US\$136 million in forward exchange contracts that mature in 2025.

We expect our 2025 capital expenditure level to be approximately \$100 million. 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 three months ended March 31, 2025, we used \$1 million of our defined benefit surplus to fund the defined contribution plan, and we expect to use approximately \$4 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 current businesses.

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 March 31, 2025, was consistent with our reserve on December 31, 2024.

Inventories

We review our inventories to ensure that the cost of inventories is not in excess of its estimated net realizable value and for obsolete and slow-moving product. Inventory reserves or write-downs are recorded when cost exceeds the estimated selling price less cost to sell and when product is determined to be slow moving or obsolete. During the quarter ended March 31, 2025, our inventory reserves decreased by \$3 million from the year ended December 31, 2024.

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 judgement.

During the quarter ended March 31, 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 benefits. The valuation uses management's assumptions for the interest rate, rate of compensation increase, rate of increase in government benefits and expected average remaining years of service of employees. While we believe that these assumptions are reasonable, differences in actual results or changes in assumptions could materially affect employee benefit obligations and future net benefit plan cost. We account for differences between actual and assumed results by recognizing differences in benefit obligations and plan performance immediately in other comprehensive income.

We had approximately \$129 million in plan assets on March 31, 2025, which is a decrease of approximately \$2 million from December 31, 2024. The discount rate used on the employee benefit plan obligation for the quarter ended March 31, 2025, was 4.6% which is 10 basis points lower than the discount rate 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 during the first year of acquiring the Samuel locations.

For a period after the acquisition, we are utilizing the Samuel ERP system and shared services to manage these locations prior to their integration into our ERP system through a Transitional Services Agreement. In the second quarter of 2025, the acquired Samuel locations will be converted to our ERP system and the services covered by the Transitional Service Agreement will cease.

Summary Financial Information – Samuel Locations

For the period ended March 31, 2025 (\$ millions)

Revenue	\$ 133
Earnings before interest, taxes, depreciation and amortization	5

At March 31, 2025 (\$ millions)

Current assets	\$ 214
Current (liabilities)	(64)
Intangible assets	7
Property, plant and equipment	31

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, current liabilities, intangible assets, and property, plant and equipment.

No changes were made in our internal controls over financial reporting during the first 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 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 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. In 2023, we commenced a facility modernization initiative which, along with our multi-year expansion of our value-added processing equipment, enhances 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.

During 2025, the U.S. government increased the tariff rates for steel and aluminum products to 25% and the Canadian government responded with retaliatory tariffs also at 25%. In 2024, 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. In 2025, the U.S. government has substantially increased the tariff rate on Chinese steel and aluminum. We continue to evaluate the effect of tariffs and, where appropriate, consider alternative sources of supply. As a result of the recent announcements by the U.S. government, there is additional risk related to the imposition of various tariffs on Canada and other countries. We will evaluate such potential tariffs 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 first quarter of 2025, steel pricing increased substantially as a result of the tariffs imposed by the U.S. government. Prices appear to have stabilized over the past month, but future steel price changes will be impacted by further changes in such tariffs.

Our recent shipment levels have benefited from some element of customer buying in anticipation of the imposed tariffs, a strong seasonal recovery and market share gains. Our near-term activity could be impacted by international trade policies and North American industrial activity. Over the medium-term, we expect to benefit from further rebuilding of the U.S. industrial manufacturing base. 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.