MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2024

This Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") of Russel Metals Inc. and its subsidiaries provides information to assist readers of our audited Consolidated Financial Statements for the year ended December 31, 2024, including the notes thereto and should be read in conjunction with these financial statements. 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 February 12, 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; cyclicality 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 and liquidity risk; currency exchange risk; restrictive financial covenants; 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; 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 are 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.
Inventory Turns - represent 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 NET EARNINGS TO EBITDA [1]

The following table provides a reconciliation of net earnings to EBITDA [1]:

	Three Months Ended			Year Ended	
($ millions except per share data)	Dec 31 2024	Sep 30 2024	Dec 31 2023	Dec 31 2024	Dec 31 2023
Net earnings	$ 26.9	$ 34.5	$ 47.2	$ 161.0	$ 266.7
Provision for income tax	8.8	10.7	15.7	53.1	82.0
Interest (income) expense, net	4.0	2.4	0.7	7.7	8.9
EBIT [1]	39.7	47.6	63.6	221.8	357.6
Depreciation and amortization	21.6	19.8	18.6	76.7	68.0
EBITDA [1]	$ 61.3	$ 67.4	$ 82.2	$ 298.5	$ 425.6
Basic earnings per share	$ 0.47	$ 0.59	$ 0.78	$ 2.73	$ 4.33

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

OVERVIEW OF THE 2024 FOURTH QUARTER AND ANNUAL RESULTS

Our fourth quarter 2024 results reflected solid earnings and strong cash flow, notwithstanding the typical seasonal dynamic and the volatile macro-economic environment. In 2024, we generated $344 million of cash from operating activities, including $103 million from working capital. In the fourth quarter of 2024, we generated $110 million of cash from operating activities, including $54 million from working capital.

For the year ended December 31, 2024, our revenues, EBITDA, and net earnings per share were $4.3 billion, $299 million and $2.73 per share, respectively compared to $4.5 billion, $426 million and $4.33 per share in 2023. Gross margin as a percentage of revenues was 20.9% in 2024 compared to 21.7% in 2023.

In the 2024 fourth quarter, our revenues, EBITDA and net earnings per share were $1.0 billion, $61 million and $0.47 per share, respectively compared to $1.0 billion, $82 million and $0.78 per share in the fourth quarter of 2023 and $1.1 billion, $67 million and $0.59 per share in the third quarter of 2024. Our fourth quarter 2024 results declined relative to our third quarter 2024 primarily due to the typical seasonal dynamic. In addition, our fourth quarter results were negatively impacted by: (i) $2 million for non-cash charges, including $1 million for the unamortized issuance costs on the redeemed term notes and $1 million for equipment write-downs; (ii) $2 million expense for the mark-to-market on stock-based compensation, and (iii) $1 million for transaction and transition costs for acquisitions and other non-recurring items.

Market Conditions

After declining for much of 2024, steel prices stabilized in the latter part of the year. In 2024, the average price for hot rolled coil and plate averaged US$776 per ton and $1,074 per ton, respectively, which represented a 14% and 27% decline compared to 2023 averages. By comparison, the average price realizations of our metals service center segment declined by 13% on a year-over-year basis, as a result of our broad product mix and growing portion of value-added processing. Our energy field stores continue to benefit from a steady energy sector.

Capital Investment Growth Initiatives

In 2024, we grew the business through a series of internal and external investments, which resulted in our invested capital growing from $1.3 billion at the end of 2023 to over $1.6 billion at the end of 2024. Our return on invested capital was 15% for 2024, notwithstanding the market challenges during the later part of 2024 and the deployment of capital for acquisitions in the past two quarters. Over the past three years, our return on invested capital has averaged 24%. These results reflect a strong focus on growing invested capital in an efficient manner, as return on capital is the key element of our pay-for-performance culture.

The recent investments are part of our longer-term strategy to diversify and expand our business in a number of areas:

- Our U.S. operations represented 39% of our 2024 revenues as compared to 30% in 2019. The recent and ongoing initiatives should further expand the contribution from our U.S. platform.
- Our metals service center segment represented 67% of our 2024 revenues as compared to 53% in 2019, as we reduced capital in the OCTG/line pipe business of our energy segment and reinvested in our metals service center segment.
- Approximately 9% of our 2024 revenues were stainless and aluminum products, which is a substantial increase over the past several years. The growth has been the result of the recent acquisitions, as well as from organic market share gains. We expect to continue growing this part of our product mix.
- Our value-added equipment and facility modernization initiatives are continuing.

In 2024, we invested the largest deployment of capital in our history.

- On August 12, 2024, we acquired seven service center locations from Samuel, Son & Co., Limited ("Samuel"). After taking into account the pre-close and immediately post-close reduction in working capital, the net capital investment was $167 million. At the time of the acquisition announcement, we believed there was an opportunity to reduce capital deployed and improve operating efficiencies. We have already benefited from a significant reduction in capital, and our team is actively pursuing other opportunities that could lead to further capital reductions and operating efficiencies in 2025.

- On December 4, 2024, we completed the acquisition of Tampa Bay Steel ("Tampa Bay") for approximately US$75 million, which was lower than the originally announced purchase price of US$79.5 million, as a result of favourable adjustments related to closing working capital. The Tampa Bay acquisition provides us with a platform for growth in the Florida marketplace and augments our value-added processing capabilities and product offerings in aluminum and stainless steel.

- In 2024, we invested $90 million in capital expenditures, including $21 million in the fourth quarter, for a series of value-added equipment and facility modernization initiatives in both Canada and the U.S. We expect to invest a similar amount as our 2024 capital expenditures in each of 2025 and 2026, as we pursue new opportunities.

- Several of our facility modernization projects were completed in 2024. Our new facility in Saskatoon, (Saskatchewan) and our expansion in Texarkana (Texas) were completed and are fully operational. In both Joplin (Missouri) and Little Rock (Arkansas), the construction of the building expansion was completed, and racking is being installed. New processing equipment will be installed in both facilities early in 2025. The Green Bay (Wisconsin) expansion is complete, the new stacker system and side loaders have been installed, and the new picking stations will be installed early in 2025.

Returning Capital to Shareholders

Over the past several years, we changed our approach to returning capital to shareholders, as we implemented more of a balance between dividends and share buybacks. In 2024, we paid $98 million of dividends and repurchased $131 million of our shares (excluding the impact of the federal tax on share repurchases).

During the second quarter of 2024, we announced a 5% increase in our quarterly dividend from $0.40 per share to $0.42 per share. We have declared a dividend of $0.42 per share, payable on March 17, 2025, to shareholders of record at the close of business on February 28, 2025.

In August 2024, we renewed our normal course issuer bid to purchase up to approximately 5.8 million of our common shares representing 10% of our public float over a 12-month period. In 2024, we purchased and cancelled 3.3 million common shares, which represented approximately 6% of our beginning shares outstanding, at an average price per share of $39.17. In the period since the August 2022 normal course issuer bid was established, we purchased approximately 6.5 million common shares, which represents greater than 10% of our then outstanding shares, at an average price per share of $36.97 for total consideration of $240 million (excluding the impact of the federal tax on share repurchases).

Liquidity and Capital Structure

One of our key strategies is to maintain a strong capital structure in order to navigate through market cycles and be in a position to capitalize on opportunities. In 2024, we further strengthened our capital structure as we redeemed our legacy high yield notes, and completed a new and more flexible investment grade bank facility. Notwithstanding the large capital deployment during 2024, we have retained a strong capital structure, with a net cash position of $32 million and liquidity of $580 million at the end of 2024.

On July 15, 2024, we entered into a new unsecured credit facility with a group of Canadian and U.S. banks which includes more flexible investment grade type financial covenants. The new facility increased availability from $450 million to $600 million and extended the maturities to 2026 and 2028.

On May 2, 2024, and October 27, 2024, we redeemed our $150 million 6% and $150 million 5 ¾% senior notes, respectively, for par plus accrued and unpaid interest. These redemptions eliminated the legacy high yield term debt structure.

SUMMARIZED FINANCIAL INFORMATION

The following tables disclose selected information related to revenues, earnings and common shares over the last three years.

2024

(in millions, except per share data and volumes)	Quarters Ended Mar. 31	June 30	Sept. 30	Dec. 31	Year Ended Dec. 31
Revenues	$ 1,061.1	$ 1,071.5	$ 1,089.4	$ 1,039.2	$ 4,261.2
EBITDA [1]	84.0	85.8	67.4	61.3	298.5
Net earnings	49.7	49.9	34.5	26.9	161.0
Basic and diluted earnings per common share	$ 0.82	$ 0.84	$ 0.59	$ 0.47	$ 2.73
Total assets	$ 2,590.7	$ 2,431.2	$ 2,484.0	$ 2,346.7	$ 2,346.7
Non-current financial liabilities	$ 410.1	$ 262.4	$ 305.0	$ 161.0	$ 161.0
Dividends paid	$ 0.40	$ 0.42	$ 0.42	$ 0.42	$ 1.66
Market price of common shares					
High	$ 47.39	$ 45.07	$ 41.65	$ 46.87	$ 47.39
Low	$ 41.79	$ 36.13	$ 35.20	$ 38.52	$ 35.20
Shares outstanding end of quarter	60,084,926	58,667,141	57,451,222	57,133,088	57,133,088
Average shares outstanding	60,313,886	59,659,653	58,238,501	57,334,211	58,880,546
Number of common shares traded on the TSX	11,927,057	11,895,186	12,841,743	9,510,839	46,174,825

2023

(in millions, except per share data and volumes)	Quarters Ended Mar. 31	June 30	Sept. 30	Dec. 31	Year Ended Dec. 31
Revenues	$ 1,186.7	$ 1,189.6	$ 1,109.5	$ 1,019.3	$ 4,505.1
EBITDA [1]	116.4	131.4	95.6	82.2	425.6
Net earnings	73.9	85.0	60.6	47.2	266.7
Basic and diluted earnings per common share	$ 1.19	$ 1.37	$ 0.99	$ 0.78	$ 4.33
Total assets	$ 2,630.8	$ 2,647.1	$ 2,632.4	$ 2,570.1	$ 2,570.1
Non-current financial liabilities	$ 406.8	$ 406.0	$ 405.0	$ 406.8	$ 406.8
Dividends paid	$ 0.38	$ 0.40	$ 0.40	$ 0.40	$ 1.58
Market price of common shares					
High	$ 37.28	$ 37.85	$ 40.52	$ 45.44	$ 45.44
Low	$ 28.63	$ 31.24	$ 35.42	$ 33.38	$ 28.63
Shares outstanding end of quarter	62,428,342	61,307,326	60,778,726	60,388,426	60,388,426
Average shares outstanding	62,243,466	62,014,641	61,184,940	60,689,696	61,527,975
Number of common shares traded on the TSX	23,543,332	16,261,518	10,156,617	9,545,403	59,506,870

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

2022

(in millions, except per share data and volumes)	Quarters Ended Mar. 31	June 30	Sept. 30	Dec. 31	Year Ended Dec. 31
Revenues	$ 1,338.6	$ 1,362.3	$ 1,269.9	$ 1,099.8	$ 5,070.6
EBITDA [1]	153.1	188.8	139.6	97.4	578.9
Net earnings	98.7	124.0	91.3	57.9	371.9
Basic and diluted earnings per common share	$ 1.56	$ 1.96	$ 1.45	$ 0.93	$ 5.91
Total assets	$ 2,353.7	$ 2,531.5	$ 2,598.9	$ 2,506.9	$ 2,506.9
Non-current financial liabilities	$ 394.4	$ 395.8	$ 402.6	$ 408.2	$ 408.2
Dividends paid	$ 0.38	$ 0.38	$ 0.38	$ 0.38	$ 1.52
Market price of common shares					
High	$ 34.83	$ 36.15	$ 30.33	$ 30.34	$ 36.15
Low	$ 29.38	$ 24.65	$ 23.80	$ 24.53	$ 23.80
Shares outstanding end of quarter	63,111,470	63,112,220	62,529,312	62,112,220	62,112,220
Average shares outstanding	63,105,300	63,111,940	62,997,539	62,358,711	62,891,611
Number of common shares traded on the TSX	15,752,821	14,540,380	13,675,814	16,297,478	60,266,493

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

RESULTS OF OPERATIONS

We are one of the largest metals distribution companies in North America. We conduct business primarily in three segments: metals service centers, energy 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 consolidated financial statements.

	Three Months Ended			Year Ended	
($ millions, except percentages)	Dec 31 2024	Sep 30 2024	Dec 31 2023	Dec 31 2024	Dec 31 2023
Segment Revenues					
Metals service centers	$ 723.0	$ 706.9	$ 682.5	$ 2,866.5	$ 3,034.5
Energy field stores	220.3	265.7	220.4	983.9	987.2
Steel distributors	89.2	109.7	110.8	389.4	466.3
Other	6.7	7.1	5.6	21.4	17.1
	$ 1,039.2	$ 1,089.4	$ 1,019.3	$ 4,261.2	$ 4,505.1
Segment Gross Margins [1]					
Metals service centers	$ 131.5	$ 125.9	$ 135.5	$ 551.1	$ 614.8
Energy field stores	59.8	66.1	56.4	251.4	254.2
Steel distributors	13.8	15.7	19.4	66.0	91.0
Other	6.7	7.1	5.6	21.4	17.1
Total operations	$ 211.8	$ 214.8	$ 216.9	$ 889.9	$ 977.1
Segment Operating Profits and EBIT [1]					
Metals service centers	$ 20.9	$ 21.5	$ 37.8	$ 119.6	$ 202.5
Energy field stores	20.2	24.7	19.6	89.5	105.1
Steel distributors	4.4	9.0	12.9	32.6	57.8
Corporate expenses	(9.8)	(11.9)	(9.7)	(30.9)	(43.1)
Other	4.0	4.3	3.0	11.0	8.2
Earnings and gain from joint venture	-	-	-	-	27.1
Earnings before interest and income taxes	$ 39.7	$ 47.6	$ 63.6	$ 221.8	$ 357.6
Segment Gross Margin as a % of Revenues [1]					
Metals service centers	18.2%	17.8%	19.9%	19.2%	20.3%
Energy field stores	27.1%	24.9%	25.6%	25.6%	25.7%
Steel distributors	15.5%	14.3%	17.5%	16.9%	19.5%
Total operations	20.4%	19.7%	21.3%	20.9%	21.7%
Segment Operating Profit and EBIT as a % of Revenues [1]					
Metals service centers	2.9%	3.1%	5.5%	4.2%	6.7%
Energy field stores	9.2%	9.3%	8.9%	9.1%	10.6%
Steel distributors	4.9%	8.1%	11.6%	8.4%	12.4%
Total operations	3.8%	4.4%	6.2%	5.5%	7.9%

Results of our U.S. operations for the year ended December 31, 2024, were converted at $1.3700 per US$1 compared to $1.3495 per US$1 for the year ended December 31, 2023. Our U.S. operations represented approximately 39% of our total revenues. The exchange rate used to translate the balance sheet on December 31, 2024, was $1.4389 per US$1 versus $1.3226 per US$1 at December 31, 2023.

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

METALS SERVICE CENTERS

a) Description of operations

We provide processing and distribution services to a broad base of approximately 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 Midwest regions in the United States.

b) Metals service centers segment results

	Three Months Ended			Year Ended	
	Dec 31 2024	Sep 30 2024	Dec 31 2023	Dec 31 2024	Dec 31 2023
Financial Highlights					
Revenues *($ millions)*	$ 723	$ 707	$ 683	$ 2,866	$ 3,035
Tons shipped *(thousands of imperial tons)*	359	340	307	1,350	1,289
Gross margin *($ millions)* [1]	132	126	136	551	615
Gross margin per ton *($)*	368	371	443	408	477
Gross margin *(%)* [1]	18.2%	17.8%	19.9%	19.2%	20.3%
Operating profits *($ millions)* [1]	21	22	38	120	203

Revenues in our metals service center operations decreased 6% from 2023. Tons shipped in 2024 were approximately 5% higher than tons shipped in 2023 due to the Samuel and Tampa Bay acquisitions. Same store tons shipped were approximately 2% lower than 2023. On a same store basis, the average selling price per ton was 9% lower in 2024 than 2023 as a result of lower steel prices. In the fourth quarter of 2024, our shipments were 6% higher than the third quarter of 2024 and approximately 17% higher than the comparable fourth quarter of 2023. On a same store basis, tons shipped in the 2024 fourth quarter approximated tons shipped in the 2023 fourth quarter and the 2024 third quarter.

Gross margin as a percentage of revenues was 19.2% for the year ended December 31, 2024, which was lower than the 20.3% in 2023 due to lower steel prices and lower margins in the acquired Samuel locations. The gross margin per ton of $368 in the fourth quarter was down slightly from the third quarter of 2024, as a result of the lower margin Samuel business being included for a full quarter. On a same store basis, the gross margin per ton in the fourth quarter was $6 per ton higher than the third quarter. Notwithstanding the recent steel market condition, our gross margin continues to be higher than our long-term historical average due to the investments in value-added processing.

Operating expenses were 5% higher than 2023 and 13% higher in the 2024 fourth quarter compared to the 2023 third quarter due, in part, to operating expenses and acquisition costs relating to the Samuel and Tampa Bay acquisitions.

Metals service centers operating profit for the year ended December 31, 2024, was $120 million compared to $203 million reported for 2023. Our operating profit of $21 million in the fourth quarter approximated the $22 million reported in the third quarter of 2024, in spite of the seasonal impacts on volumes in the fourth quarter.

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 steel mills, independent manufacturers of flanges, valves and fittings and other products, international steel mills and other distributors.

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

b) Energy field stores segment results

	Three Months Ended			Year Ended	
	Dec 31 2024	Sep 30 2024	Dec 31 2023	Dec 31 2024	Dec 31 2023
Financial Highlights					
Revenues *($ millions)*	$ 220	$ 266	$ 220	$ 984	$ 987
Gross margin *($ millions)* [1]	60	66	56	251	254
Gross margin *(%)* [1]	27.1%	24.9%	25.6%	25.6%	25.7%
Operating profits *($ millions)* [1]	20	25	20	90	105

Our 2024 revenues in our energy field stores segment approximated 2023 revenues due to continued positive business conditions in the sector. Revenues declined in the 2024 fourth quarter compared to the third quarter of 2024 due to normal seasonal factors and are consistent with the 2023 fourth quarter.

Gross margin as a percentage of revenues of 25.6% in 2024 compared to 25.7% in 2023. In the fourth quarter of 2024, our gross margins improved to 27.1% compared to 24.9% in the third quarter.

Operating expenses were 9% higher in 2024 compared to 2023, and as a percentage of revenues were 16% in 2024 compared to 15% in 2023, due to additional costs related to new operating locations and inflationary factors on other overheads costs.

This segment generated operating profits of $90 million for 2024 compared to $105 million in 2023.

STEEL DISTRIBUTORS

a) Description of operations

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

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

b) Steel distributors segment results

	Three Months Ended			Year Ended	
	Dec 31 2024	Sep 30 2024	Dec 31 2023	Dec 31 2024	Dec 31 2023
Financial Highlights					
Revenues *($ millions)*	$ 89	$ 110	$ 111	$ 389	$ 466
Gross margin *($ millions)* [1]	14	16	19	66	91
Gross margin *(%)* [1]	15.5%	14.3%	17.5%	16.9%	19.5%
Operating profits *($ millions)* [1]	4	9	13	33	58

Revenues in our steel distributors operations were 17% lower in 2024 compared to 2023 due to lower selling prices and more cautious procurement initiatives by our business during the challenging market environment.

Margins in this segment vary based on steel prices and product mix. Gross margin as a percentage of revenues was 16.9% for the year ended December 31, 2024, which was lower than the 19.5% for the year ended December 31, 2023 due to lower steel prices. In the fourth quarter of 2024, margins were 15.5% compared to 14.3% in the 2024 third quarter.

Operating expenses of $33 million were consistent with the same period in 2023 with lower variable compensation and delivery costs offset by higher foreign exchange expense.

Operating profits for 2024 of $33 million were lower than the $58 million generated in 2023. In the fourth quarter of 2024, operating profits of $4 million were lower compared to the third quarter of 2024 and the fourth quarter of 2023.

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

CORPORATE EXPENSES AND OTHER

	Three Months Ended			Year Ended	
($ millions)	Dec 31 2024	Sep 30 2024	Dec 31 2023	Dec 31 2024	Dec 31 2023
Corporate expenses	$ 7	$ 7	$ 3	$ 31	$ 28
Stock-based compensation	3	5	7	-	15
Other income	(4)	(4)	(3)	(11)	(8)
	$ 6	$ 8	$ 7	$ 20	$ 35

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 $31 million in 2024 were higher than the $28 million reported in 2023, due to acquisition costs relating to the Samuel and Tampa Bay acquisitions. The mark-to-market on our stock-based compensation was $nil in 2024 compared to an expense of $15 million in 2023. In the fourth quarter of 2024, the corporate expenses were comparable with the 2024 third quarter. Other income relates to our Thunder Bay Terminal operation, which improved in 2024 compared to 2023 as a result of higher volumes.

EARNINGS FROM TRIMARK

In 2023, we sold our retained interest in TriMark to our venture partner for $60 million in cash. Prior to the sale, we earned $27 million from the joint venture and received $13 million in common share dividends and $1 million in preferred share dividends for the year ended 2023.

INTEREST EXPENSE

	Three Months Ended			Year Ended	
($ millions)	Dec 31 2024	Sep 30 2024	Dec 31 2023	Dec 31 2024	Dec 31 2023
Interest on Senior Notes	$ 1	$ 2	$ 5	$ 13	$ 19
Interest on lease obligations	4	3	3	12	10
Other interest (income) expense, net	(1)	(3)	(7)	(17)	(20)
	$ 4	$ 2	$ 1	$ 8	$ 9

Net interest expense of $8 million for 2024 was lower compared to $9 million for 2023 due to the redemption of our high yield notes, which was partially offset by lower interest income on lower cash balances and higher interest on lease obligations related to the acquired Samuel branches.

INCOME TAXES

We recorded a provision for income taxes of $53 million for 2024 compared to a provision of $82 million for 2023. Our effective income tax rate for 2024 was 24.8% compared to 23.5% for 2023.

NET EARNINGS

Net earnings for 2024 were $161 million compared to $267 million in 2023. Basic earnings per share for 2024 were $2.73 compared to $4.33 in 2023.

SHARES OUTSTANDING AND DIVIDENDS

Common shares outstanding on December 31, 2024, and February 12, 2025, were 57.1 million compared to 60.4 million on December 31, 2023, due to the share repurchases. The weighted average number of common shares outstanding decreased to 58.9 million for 2024 compared to 61.5 million for 2023 primarily as a result of the share repurchases.

We paid common share dividends of $98 million or $1.66 per share in 2024 and $97 million or $1.58 per share in 2023. We raised our common share dividend from $0.40 per share to $0.42 per share in the 2024 second quarter.

CAPITAL EXPENDITURES

	Three Months Ended			Year Ended	
($ millions)	Dec 31 2024	Sep 30 2024	Dec 31 2023	Dec 31 2024	Dec 31 2023
Capital expenditures - property, plant and equipment	$ 21	$ 21	$ 28	$ 90	$ 73
Additions - right-of-use assets	3	6	6	19	15
Depreciation - property, plant and equipment	12	11	10	44	39
Depreciation - right-of-use assets	6	6	6	22	19

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

LIQUIDITY AND CAPITAL RESOURCES

On December 31, 2024, we had net cash, defined as cash less bank indebtedness, of $32 million, compared to $629 million on December 31, 2023.

Cash Flows

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

	Three Months Ended			Twelve Months Ended	
($ millions)	Dec 31 2024	Sep 30 2024	Dec 31 2023	Dec 31 2024	Dec 31 2023
Cash flow from operating activities	$ 110	$ 163	$ 149	$ 344	$ 462
Cash flow used in financing activities	(181)	(79)	(47)	(538)	(185)
Cash flows used in investing activities	(127)	(243)	(35)	(418)	(5)
Effect of exchange rates on cash and cash equivalents	21	(5)	(7)	28	(6)
(Decrease) increase in cash and cash equivalents	(177)	(164)	60	(584)	266

Cash Flow from Operating Activities

During the twelve months ended December 31, 2024, we generated $344 million in cash from operating activities, which included $56 million from the post-close reduction in working capital from the former Samuel branches. For the three months ended December 31, 2024, we generated $110 million in cash from operating activities.

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 twelve months ended December 31, 2024, we utilized $538 million of cash for financing activities including $300 million for the redemption of our 5 ¾% and 6% senior notes, $134 million for the repurchase of our shares and $98 million for dividends. During the three months ended December 31, 2024, we utilized $181 million of cash for financing activities including $150 million for the redemption of our 5 ¾% senior notes, $15 million for the repurchase of our shares and $24 million for dividends.

Cash Flow Used in Investing Activities

During the twelve months ended December 31, 2024, we utilized $418 million in cash for investing activities including $329 million for the Samuel and Tampa Bay acquisitions and $90 million for capital expenditures. During the three months ended December 31, 2024, we utilized $127 million in cash for investing activities including $106 million for the Tampa Bay acquisition and $21 million for capital expenditures.

Working Capital

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

Total assets were $2.3 billion on December 31, 2024, compared to $2.6 billion on December 31, 2023. On December 31, 2024, current assets, excluding cash, represented 63% of our total assets compared to 69% on December 31, 2023.

Inventories represented 40% of our total assets, excluding cash, on December 31, 2024, and 43% on December 31, 2023.

Inventory by Segment *($ millions)*	Dec 31 2024	Sep 30 2024	Jun 30 2024	Mar 31 2024	Dec 31 2023
Metals service centers	$ 595	$ 585	$ 500	$ 495	$ 500
Energy field stores	229	235	218	232	237
Steel distributors	96	104	143	116	103
Total	$ 920	$ 924	$ 861	$ 843	$ 840

Cost of Sales by Segment *($ millions)*	Dec 31 2024	Sep 30 2024	Jun 30 2024	Mar 31 2024	Dec 31 2023
Metals service centers	$ 591	$ 581	$ 574	$ 569	$ 547
Energy field stores	161	200	189	183	164
Steel distributors	75	94	83	71	92
Total	$ 827	$ 875	$ 846	$ 823	$ 803

Inventory Turns [1] *(quarters ended)*	Dec 31 2024	Sep 30 2024	Jun 30 2024	Mar 31 2024	Dec 31 2023
Metals service centers	4.0	4.0	4.6	4.6	4.4
Energy field stores	2.8	3.4	3.5	3.2	2.8
Steel distributors	3.1	3.6	2.3	2.4	3.5
Total	3.6	3.8	3.9	3.9	3.8

On December 31, 2024, our metals service center same store tons were approximately 6% lower than our tons on December 31, 2023, and tons for steel distributors were also approximately 6% lower. The average cost of inventory in our metals service centers on December 31, 2024, was approximately 5% higher than on December 31, 2023, and for steel distributors was approximately 20% higher in part due to the foreign exchange translation of the U.S. operations to Canadian dollars. Inventory levels in our energy field stores decreased year over year.

Accounts receivable generated cash of $75 million in 2024 and represented 21% of our total assets, excluding cash, on December 31, 2024, compared to 24% on December 31, 2023.

DEBT

As of December 31 *($ millions)*	2024	2023
Long-term Debt		
5 ¾% $150 million Senior Notes due October 27, 2025	$ -	$ 148
6% $150 million Senior Notes due March 16, 2026	-	149
	$ -	$ 297

On May 2, 2024, we redeemed our $150 million 6% senior notes for par plus accrued and unpaid interest and on October 27, 2024, we redeemed our $150 million 5 ¾% senior notes for par plus accrued and unpaid interest.

CASH AND BANK CREDIT FACILITY

($ millions)	2024	2023
Bank borrowings	$ (13)	$ -
Cash net of outstanding cheques	45	629
Net cash	32	629
Letters of credit	(26)	(26)
	$ 6	$ 603
Facility		
Borrowings and letters of credit	$ 400	$ 400
Borrowings	150	-
Letters of credit	50	50
Facility availability	$ 600	$ 450

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

On December 31, 2024, we had $13 million of borrowings and $26 million of letters of credit outstanding under the facilities. On December 31, 2023, we had no borrowings and letters of credit were $26 million.

On December 31, 2024, we were in compliance with all of our financial covenants.

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

With our cash, cash equivalents and our bank facility we have access to approximately $580 million of cash based on our December 31, 2024, balances. The use of our bank facilities has been predominantly to fund working capital requirements, acquisitions and trade letters of credit for inventory purchases.

CONTRACTUAL OBLIGATIONS

On December 31, 2024, we were contractually obligated to make payments as per the following table:

Contractual Obligations *($ millions)*	Payments due in 2025	2026 and 2027	2028 and 2029	2030 and thereafter	Total
Bank borrowings	$ 13	$ -	$ -	$ -	$ 13
Accounts payable	442	-	-	-	442
Operating leases	37	71	54	101	263
Total	$ 492	$ 71	$ 54	$ 101	$ 718

We are obligated to pay $26 million in letters of credit when they mature in 2025. We have outstanding US$236 million (2023: US$32 million) in forward exchange contracts that mature in 2025.

On October 27, 2024, we redeemed our 5 ¾% senior unsecured notes and on May 2, 2024, we redeemed our 6% senior unsecured notes.

We expect our 2025 capital expenditure level to be between $80 and$100 million. These investments are being planned but are 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 2024 consolidated financial statements. During 2024 we contributed $nil million to these plans and used $3 million of our plan surplus to fund our defined contribution benefit plan. We expect to contribute $nil million to these plans during 2025 and expect to pay $4 million from our plan surplus in one of our defined benefit plans to fund our defined contribution plan.

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 December 31, 2024, approximated our reserve level on December 31, 2023.

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. The inventory reserve level on December 31, 2024, was approximately $1 million lower than the level on December 31, 2023.

Other areas involving significant estimates and judgements include:

Long-lived Asset Impairment
The determination of whether long-lived assets, including goodwill and intangible assets, 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 exceeds the greater of 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 2024, we recorded a $1 million long-lived asset impairment due to the integration of the Samuel acquisition. There is no certainty that there will not be 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 valuators to assist in the assessment of the fair value of property, plant, equipment, intangibles and contingent consideration of acquired businesses. During 2024, we acquired seven service center locations from Samuel for $223 million, less $56 million post-acquisition reduction in working capital, and acquired Tampa Bay for US$75 million. These acquisitions included $29 million for goodwill and intangible assets.

Litigation and Claims
Provisions for claims and potential claims are determined on a case-by-case basis. We recognize 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 $131 million in plan assets on December 31, 2024, which is an increase of approximately $2 million from December 31, 2023. The discount rate used on the employee benefit plan obligation for December 31, 2024, was 4.70%, which is 10 basis points higher than the discount rate on December 31, 2023.

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 and shared services to manage these locations prior to their integration into our ERP platform through a Transitional Services Agreement.

Based on our evaluation, excluding the operations acquired as part of the Samuel acquisition, we have concluded that our disclosure controls and procedures and our internal controls over financial reporting were effective to provide reasonable assurance that information related to our consolidated results and decisions to be made on those results were appropriate as at December 31, 2024.

Summary Financial Information – Samuel Locations

For the year ended December 31, 2024 ($ millions)		
Revenue	$	183
Earnings before interest, taxes, depreciation and amortization		3

At December 31, 2024 ($ millions)		
Current assets	$	188
Current (liabilities)		(39)
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.

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 facility modernization initiative and our value-added processing investments enables 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 provides improved service to our customer base. During 2024, we expended $90 million on capital expenditures.

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 buy backs 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 2024, both the Canadian and U.S. governments acted to increase the tariff rate on Chinese steel and aluminum to 25% in order to protect Canadian and American workers. We have evaluated the effect of this increase, particularly in our non-ferrous offerings, and where appropriate, considered 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 are 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 products.

The continued impact of inflation, rising interest rates, 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

Over the past several months, steel pricing stabilized and our volumes were comparable with normal seasonal patterns. Over the near term, we expect to benefit from the initiatives to further rebuild the U.S. industrial manufacturing base and other ongoing economic growth opportunities in the U.S. In addition, we expect to benefit from a full year of contribution from our 2024 Samuel and Tampa Bay acquisitions, as well as from the paybacks on our recent capital investment initiatives.

The U.S. government recently announced that it expects to implement tariffs on a range of imports, including steel and aluminum. In 2018, the U.S. government introduced similar tariffs, and the result was an increase in steel and aluminum prices. The implementation of new tariffs will impact global supply chains and the ability of certain producers to export their products. We do not have any significant exports into the U.S. and we are generally a cost pass-through business. Therefore, the primary effects on us are indirect, including the impact on steel and aluminum prices, global supply chains, or demand by our Canadian customers who export their products to the U.S.

Over the medium-term, we expect growth in North American steel and specialty metals consumption as a result of onshoring activities and infrastructure spending initiatives in both Canada and the U.S. In addition, we are positioned to gain market share through our ongoing investments in value-added equipment, 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.