STELCO

The Steel Company of Canada

First Quarter 2018 Earnings Call

Alan Kestenbaum
Executive Chairman and CEO

Don Newman
Chief Financial Officer

May 3, 2018

Disclaimer

Caution Regarding Forward-Looking Statements and Key Assumptions

From time to time, we make written or oral forward-looking statements within the meaning of applicable securities laws. We may make forward-looking statements in this presentation, in other filings with Canadian securities regulators, in other reports to shareholders and in other communications. In some cases, forward-looking statements can be identified by the use of forward-looking terminology such as ''plans'', ''targets'', ''expects'' or ''does not expect'', ''is expected'', ''an opportunity exists'', ''budget'', ''scheduled'', ''estimates'', ''outlook'', ''forecasts'', ''projection'', ''prospects'', ''strategy'', ''intends'', ''anticipates'', ''does not anticipate'', ''believes'', or variations of such words and phrases or state that certain actions, events or results ''may'', ''could'', ''would'', ''might'', ''will'', ''will be taken'', ''occur'' or ''be achieved''. In addition, any statements that refer to expectations, intentions, projections or other characterizations of future events or circumstances may be forward-looking statements. Forward-looking statements are not historical facts but instead represent management's expectations, estimates and projections regarding future events or circumstances. The forward-looking statements contained in this document are presented for the purpose of assisting the holders of our securities and financial analysts in understanding our financial position and results of operations as at and for the periods ended on the dates presented, as well as our financial performance objectives, vision and strategic goals, and may not be appropriate for other purposes.

This presentation includes forward-looking statements relating to, among other things: expectations concerning optimization of our assets; expectations regarding upgrades to our facilities and their effect on our revenue and costs; expectations associated with enhancements to our LEW dock facility; expectations concerning our shipping capabilities, including the expected volumes of steel that can be shipped through various shipping methods; increased reliance on water and rail transportation; expectations concerning maximizing plant utilization and sales.

Forward-looking statements are based on our opinions, estimates and assumptions in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we currently believe are appropriate and reasonable in the circumstances. Despite a careful process to prepare and review the forward-looking statements, there can be no assurance that the underlying opinions, estimates and assumptions will prove to be correct. Certain assumptions in respect of the utilization of and access to our excess capacity; capital expenditures associated with accessing such excess capacity; upgrades to our facilities and equipment; our research and development activities associated with advanced steel grades; our ability to source raw materials and other inputs; our ability to supply to new customers and markets; our ability to effectively manage costs; our ability to attract and retain key personnel and skilled labour; our ability to obtain and maintain existing financing on acceptable terms; currency exchange and interest rates; the impact of competition; changes in laws, rule, and regulations, including international trade regulations; and growth in steel markets and industry trends are material factors made in preparing the forward-looking statements and management's expectations contained in this presentation. Forward-looking information includes estimates and projections related to the following items, some of which are non-IFRS measures, among others: adjusted EBITDA; shipments; net Income; deprecation; finance costs and unrealized loss from commodity-based swaps.

Undue reliance should not be placed on forward-looking statements. Whether actual results, achievements, or performance will conform to our expectations and predictions is subject to a number of known and unknown uncertainties and risks which could cause actual results to differ materially from our expectations. Such risks and uncertainties include and are not limited to: risks inherent in a cyclical and highly competitive industry; cash flow volatility; the strength of economies in North America, particularly the automotive sector; changes in the automotive market; global steel capacity growth; existing and new trade laws and regulations; competition from other producers, imports, or alternative materials; ability to secure commitments or future orders from new or existing customers; ability to realize higher margins on products we produce; changes in availability and cost of raw materials, electricity, and natural gas; contractual counterparty's exercise of termination option upon change of control or default; maintenance of proper inventory levels; disruption of operations due to unforeseen circumstances such as power outages, explosions, fires, floods, accidents, and severe weather conditions; the loss of leased property on which operating facilities are located; and other unforeseen conditions or events that could impact Stelco's business.

The Q2 2018 earnings estimate ranges referenced in this presentation is based on a number of assumptions, including but not limited to, the following material assumptions: that the Company's anticipated margins per net ton will increase largely due to price and volume increases, as well as operating efficiencies, partially offset by inflation in fixed and variable cost structures over the period; steel prices will generally increase period to period consistent with current trends and sales activities over the period; increases in shipping volume as we expand our distribution capabilities through the relevant period; we expect our Q2 2018 product mix to be comparable to Q4 2017, although as our trial shipments to automotive OEMs continue to see success, we could see a gradual shift in some of our product mix toward higher value products if such shift results in higher margins; the Company's ability to attract new customers and further develop and maintain existing customers; no significant additional legal or regulatory developments, changes in economic conditions, or macro changes in the competitive environment affecting our business activities. We note that potential further changes to trade regulations in the United States or amendments to the North American Free Trade Agreement could materially alter underlying assumptions around our expected financial performance; future operating expenses, capital expenditures and debt service costs; upgrades to existing facilities remaining on schedule and on budget and their anticipated effect on revenue and costs; the Company's ability to continue to access the U.S. market without any adverse trade restrictions; expectations regarding industry trends, market growth rates and the Company's future growth rates, plans and strategies to increase revenue and cut costs; and the Company's ability to increase the volume of shipments to its customers and realize upon the increase in the market price of hot-rolled coil and other steel products. For our key assumptions relating to this outlook, refer to the "Key Assumptions Underlying Our Q1 and Q2 Earnings Estimate" section of the Company's news release dated March 28, 2018 available under the Company's profile on SEDAR at www.sedar.com.

The preceding lists are not exhaustive of all opinions, estimates and assumptions underlying our forward-looking statements or of all possible risk factors and other factors could also adversely affect our results. Additional information on these and other factors that could affect our business, operations or financial results are included in reports on file with applicable securities regulatory authorities, including but not limited to the information under the headings "Risk Factors" in our management's discussion and analysis of financial condition and results of operations for the period ended December 31, 2017 and Stelco Inc.'s management discussion and analysis of financial condition and results of operations for the year ended December 31, 2017, which may be accessed on Stelco's SEDAR profile at www.sedar.com. The forward-looking statements contained in this presentation are made as of the date hereof. Stelco undertakes no obligation to update publicly or revise any forward-looking statements, whether written or oral, whether as a result of new information, future events or otherwise, except as required by law.

Information contained in or otherwise accessible through the websites mentioned herein does not form part of this presentation.

Non-IFRS Measures

This presentation makes reference to non-IFRS measures, including "Adjusted EBITDA", "Adjusted net income", "Adjusted EBITDA per net ton", "Average Selling Price per net ton", and "Shipping Volume". These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of our results of operations from management's perspective. Accordingly, these measures should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS. Reconciliations of IFRS to non-IFRS measures as well as the rationale for their use can be found on page 8 of Stelco Inc.'s Management Discussion and Analysis for the interim period ended March 31, 2018, which may be accessed on Stelco Holdings' SEDAR profile at www.sedar.com.

Earnings Call Agenda

Alan Kestenbaum
Executive Chairman
& CEO

Don Newman
Chief Financial Officer

- **Business Highlights - Alan Kestenbaum**
- **Financial Highlights - Don Newman**
- **Questions & Answers**

Business Highlights

- **First Quarter Highlights:**
  - Continued strong demand as Company worked through backlog of lower priced sales orders booked in the fourth quarter of 2017
  - Stelco Inc. revenue was $482 million in first quarter of 2018, up 7% from $452 million in fourth quarter of 2017, and up 25% from $386 million in first quarter of 2017
  - Stelco Inc. adjusted EBITDA was $70 million(1) in first quarter of 2018, up from $69 million from the fourth quarter of 2017, and up 9% from $64 million in first quarter of 2017
    - *Q1 2018 adjusted EBITDA at top end of previously reported earnings estimate range of $60 million to $70 million*
  - Shipping volume of 613 thousand tons in first quarter of 2018, up 4% from fourth quarter of 2017, and up 23% from 499 thousand tons in first quarter of 2017
  - $499 million of liquidity as at March 31, 2018, with $226 million(2) of cash and cash equivalents, and $273 million of undrawn ABL revolver capacity (total ABL revolver facility capacity is $375 million)
- **Reaffirming second quarter adjusted EBITDA earnings estimate range of $120 million to $150 million**
- **Quarterly cash dividend of $0.10 per share payable May 18 to shareholders of record as of May 15**

(1) Stelco Holdings adjusted EBITDA for Q1 2018 and Q4 2017 was $69 million and $69 million, respectively.
(2) Includes Stelco Holdings cash of $191 million and Stelco cash of $35 million.

Stelco Inc. - Financial Metrics & Comparisons

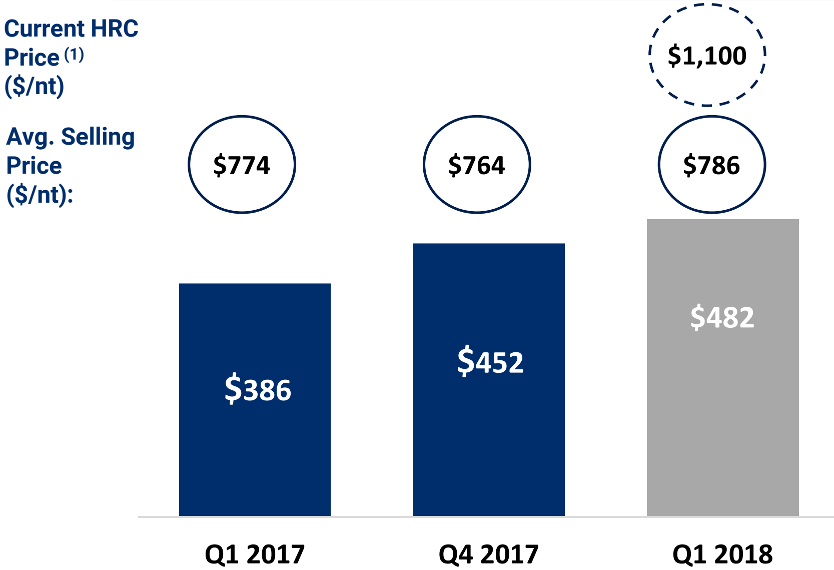
(CA$ in millions, except volume and per nt figures)	Year-Over-Year Q1 ’18	Year-Over-Year 1Q ’17	Year-Over-Year Change	Prior Quarter 4Q ’17	Prior Quarter Change
Revenue	482	386	**25%**	452	**7%**
Operating income	57	36	**58%**	54	**6%**
Net income (loss)	28	(17)	N/A	16	**75%**
Adjusted EBITDA *	70	64	**9%**	69	**1%**
Adjusted EBITDA margin	15%	17%		15%	
Adjusted net income *	49	8	**513%**	49	**--**
Adjusted EBITDA per nt *	114	128	**-11%**	117	**-3%**
Average selling price per nt *	786	774	**2%**	764	**3%**
Shipping volume (in thousands of nt) *	613	499	**23%**	592	**4%**

Note: Stelco Holdings adjusted EBITDA for Q1 2018 and Q4 2017 was $69 million and $69 million, respectively.

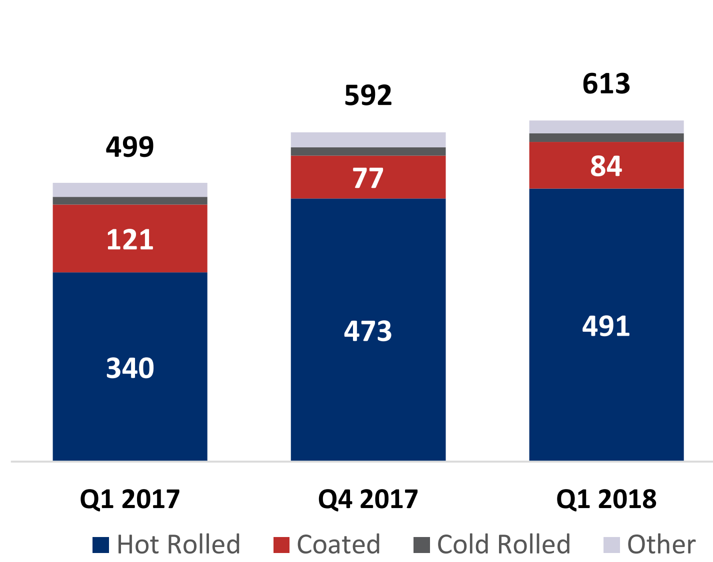
** See "Non-IFRS measures" below for a reconciliation of Non-IFRS measures; see also “Non-IFRS Measures” as outlined in Stelco Inc.’s Management’s Discussion & Analysis for the periods ended March 31, 2018 and December 31, 2017.*

Stelco Inc. - Historical Financial Results

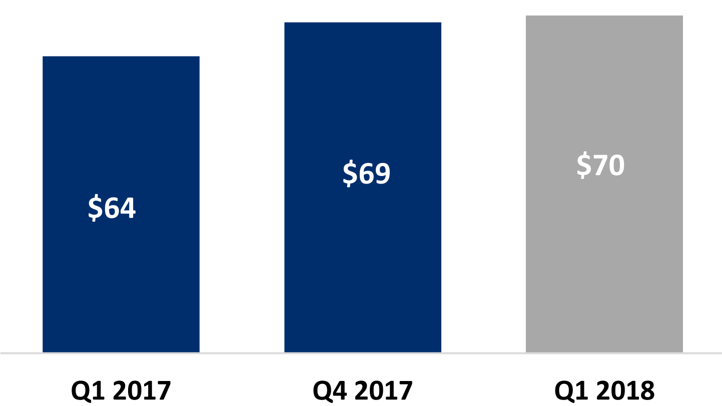
Sales (CA$ mm)



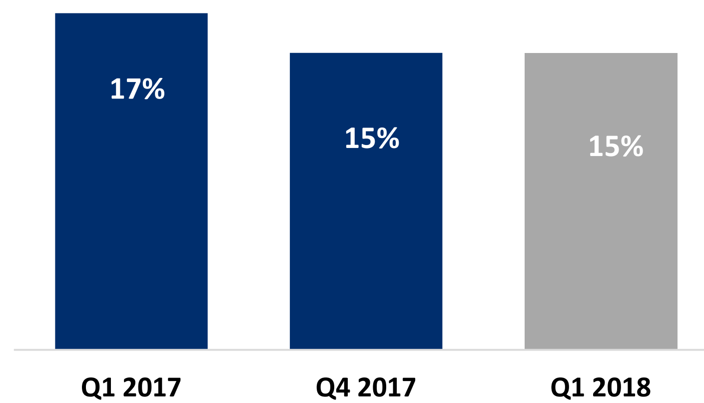
Shipping Volume (knt)



Adjusted EBITDA (CA$ mm)



Adjusted EBITDA Margin (%)



(1) Source: FactSet - Current HRC price based on US Midwest HRC steel price of [US$856]/nt (dated [27-April-18]) converted at prevailing spot CAD/USD exchange rate of 1.2852

Enhanced Shipping Capabilities

- **We significantly expanded our shipping capabilities in Q1 and are now capable of shipping our products by rail, water, and truck**
- One of our stated objectives is to maximize plant utilization and significantly increase sales, and we are succeeding
    - Q1 2018 shipping volume equates to ~2.5 million nt annual run rate, up 25% from fiscal 2017 shipping volumes of 2.0 million nt
- In 2017 our shipping of finished products to customers was almost exclusively by truck transport
    - Each truck is capable of carrying up to 30 nt of steel
- During Q1 and early Q2, we added more than 220 rail cars to our shipping fleet, and will be adding approximately 160 additional cars in the balance of the year
    - Each rail car is capable of carrying up to 90 nt of steel
- We initiated our first shipments using barges late in Q1 when ice conditions allowed and locks opened and continue to increase our barge and ship transport capabilities with our dock enhancements
    - A barge is typically capable of carrying 8k-12k nt of steel

Financial Position (selected items)

($ millions)

	Stelco Holdings		Stelco Inc.	
As at:	**March 31, 2018**	**December 31, 2017**	**March 31, 2018**	**December 31, 2017**
Cash	$226	$250	$35	$45
Accounts receivable	$214	$204	$214	$203
Inventories	$370	$448	$370	$448
Property, plant & equipment	$279	$279	$303	$305
Trade and other payables	$199	$309	$205	$310
Other liabilities	$67	$68	$66	$67
Long-term debt	$0	$0	$0	$0
Pension / OPEB	$1	$0	$1	$0
Employee benefit commitments	$331	$344	$331	$344
Total equity	$517	$497	$337	$309

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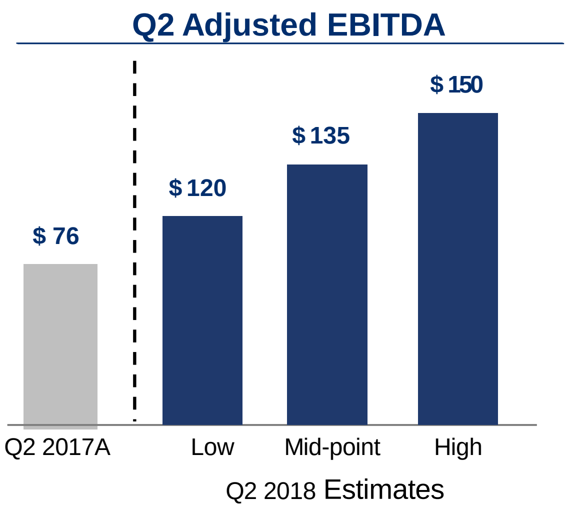
Reaffirming Q2 Earnings Estimates

(in CA$ millions)



- Continue to experience improving market conditions and favourable pricing trends across key products
- Strong order book across hot-rolled, cold-rolled, and coated products
- Order book is subject to eight to ten week lag between booking order and revenue recognition
    - Q2 2018 sales will largely reflect orders booked in Q1 2018
- Enhanced shipping capabilities
    - Added more than 220 rail cars to distribution fleet in late Q1 and early Q2 2018
    - LEW dock enhancements expected to enhance shipping capabilities in Q2 2018

Note: Q2 2018 Adjusted EBITDA earnings estimates provided on March 28, 2018. See “Non-IFRS Measures” in appendix for a reconciliation of EBITDA adjustments.

Non-IFRS Measures*

** For further information, see "Non-IFRS Measures" above.*

Adjusted Net Income

Stelco Inc.

(millions of Canadian dollars)		
Three months ended March 31,	2018	2017
Net income (loss)	$28	$(17)
Add back/(Deduct):		
Unrealized loss from commodity-based swaps	10	—
Remeasurement of employee benefit commitment [1]	4	—
Separation costs related to USS support services [2]	4	4
Restructuring costs [3]	3	8
Provision on pension and other post-employment benefits [4]	—	13
Adjusted net income	$49	$8

1. Remeasurement of employee benefit commitment for change in the timing of estimated cash flows and future funding requirements.
2. Includes ERP implementation costs associated with the process of separating from USS, management fees and shared services arrangement costs.
3. Restructuring expenses relates to the CCAA proceedings, which primarily included legal fees, financial advisor fees, court-appointed monitor fees, interim financing fees and other related restructuring expenses. The Company implemented its CCAA plan on June 30, 2017.
4. Represents difference between total cash funding obligation for pensions and OPEBs.

Adjusted Net Income

Stelco Holdings Inc.

(millions of Canadian dollars)	
Three months ended March 31,	2018
Net income	$29
Add back/(Deduct):	
Unrealized loss from commodity-based swaps	10
Remeasurement of employee benefit commitment [1]	4
Separation costs related to USS support services [2]	4
Restructuring costs [3]	3
Adjusted net income	$50

1. Remeasurement of employee benefit commitment for change in the timing of estimated cash flows and future funding requirements.
2. Includes ERP implementation costs associated with the process of separating from USS, management fees and shared services arrangement costs.
3. Restructuring expenses relates to the CCAA proceedings, which primarily included legal fees, financial advisor fees, court-appointed monitor fees, interim financing fees and other related restructuring expenses. The Company implemented its CCAA plan on June 30, 2017.

Adjusted EBITDA

Stelco Inc.

(millions of Canadian dollars)		
Three months ended March 31,	2018	2017
Net income (loss)	$28	$(17)
Add back/(Deduct):		
Depreciation	9	7
Finance costs	16	50
Finance income	—	(1)
Unrealized loss from commodity based swaps	10	—
Provision on pension and other post-employment benefits [1]	—	13
Separation costs related to USS support services [2]	4	4
Restructuring costs [3]	3	8
Adjusted EBITDA	$70	$64

1. Represents difference between total cash funding obligation for pensions and OPEBs and amount already reflected in EBITDA.
2. Includes ERP implementation costs associated with the process of separating from USS, management fees and shared services arrangement costs.
3. Restructuring expenses relates to the CCAA proceedings, which primarily included legal fees, financial advisor fees, court-appointed monitor fees, interim financing fees and other related restructuring expenses. The Company implemented its CCAA plan on June 30, 2017.

Adjusted EBITDA

Stelco Holdings Inc.

(millions of Canadian dollars)	
Three months ended March 31,	2018
Net income	$29
Add back/(Deduct):	
Depreciation	7
Finance costs	16
Unrealized loss from commodity based swaps	10
Separation costs related to USS support services [1]	4
Restructuring costs [2]	3
Adjusted EBITDA	$69

1. Includes ERP implementation costs associated with the process of separating from USS, management fees and shared services arrangement costs.
2. Restructuring expenses relates to the CCAA proceedings, which primarily included legal fees and other related restructuring expenses. The Company implemented its CCAA plan on June 30, 2017.

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