STELCO

The Steel Company of Canada

First Quarter 2019 Earnings Call

David Cheney
Chief Executive Officer

Don Newman
Chief Financial Officer

May 2, 2019

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. Forward- looking information may relate to our future outlook and anticipated events or results and may include information regarding our financial position, business strategy, growth strategy, budgets, operations, financial results, taxes, dividend policy, plans and objectives of our Company. Particularly, information regarding our expectations of future results, performance, achievements, prospects or opportunities is forward-looking information. Forward-looking information in this presentation includes our advancement of strategic initiatives, statements concerning the Company's expectations on increased margins and profitability, exposure to tariffs, the expected results from the Company's participation in higher margin segments of the steel industry, expectations concerning our coke battery upgrade, expectations concerning mergers and acquisition opportunities, expectations regarding maximizing shareholder returns and expectations regarding the declaration of a dividend. Undue reliance should not be placed on forward-looking information. The forward-looking information in this presentation is 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 information, there can be no assurance that the underlying opinions, estimates and assumptions will prove to be correct. Certain assumptions in respect of 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, rules, and regulations, including international trade regulations; expectations that demand from our key end markets will remain stable; our ability to utilize our logistics infrastructure to expand our market footprint; our ability to complete the installation of our batch annealing equipment on schedule; our ability to leverage the investments we have made in the galvanizing and hot strip mill to service a high margin end market; expectations that our capital projects will improve our cost structure and overall efficiency; expectations regarding the additional production of coke resulting from our planned upgrade to the Lake Erie coke batteries; our ability to sell excess coke product at favorable rates in the merchant coke market; our ability to partner with a third party to develop a co-generation facility on favorable terms, and expectations that any such project will result in significant annual cost savings for the Company without having to incur significant capital expenditures; our ability to enter into favorable lease arrangements with various tenants with respect to the surplus land at our facilities and expectations that the Company will be able to generate material income from such lands; expectations regarding strategic and accretive M&A opportunities; expectations regarding future actions to maximize shareholder returns and profitability; expectations regarding our position to deliver organic and inorganic growth; and growth in steel markets and industry trends, as well as those set out in this presentation, are material factors made in preparing the forward-looking information and management's expectations contained in this presentation.

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.

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 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 year ended December 31, 2018 and Stelco Inc.'s management discussion and analysis of financial condition and results of operations for the year ended December 31, 2018, 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.

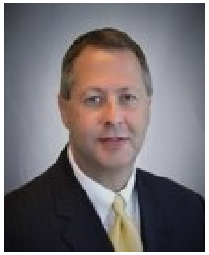
Information contained in or otherwise accessible through the websites mentioned herein does not form part of this presentation.

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", "Shipping Volume", "Tariff Adjusted EBITDA", "Tariff Adjusted EBITDA margin" and "Tariff Adjusted EBITDA per nt". 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 starting on page 7 of the Stelco Holdings, Inc. Management Discussion and Analysis for the quarter ended March 31, 2019, which may be accessed on Stelco Holdings' SEDAR profile at www.sedar.com.

Earnings Call Agenda

David Cheney
Chief Executive Officer



Don Newman
Chief Financial Officer

- **Highlights**
  - Q1 2019 performance
    - Average selling price of $827/nt
    - Tariff cost in Q1 totaled $13 million, down $10 million from Q4 2018
    - Stable shipping volumes of 612 knt
    - Tariff adjusted EBITDA $76 million and margin of 15%
  - Declaring $0.10/share regular cash dividend
  - Progress update on value-adding initiatives
    - Land development
    - Batch anneal
    - Co-generation
    - Auto contracts
    - Coke battery rejuvenation
- **Questions & Answers**

Stelco Holdings - Q1 2019 Financial Highlights

- Revenue was $517 million in Q1 2019, up 7% year-over-year from $482 million in Q1 2018, and down 20% sequentially from $648 million in Q4 2018
    - Average selling price was $827/nt* in Q1 2019, up 9% year-over-year from $762/nt* in Q1 2018, and down 10% sequentially from $917/nt* in Q4 2018
    - Shipping volume was 612 thousand nt* in Q1 2019, which was consistent year-over-year, and down 9% sequentially from 673 thousand nt* Q4 2018
- Tariff adjusted EBITDA was $76 million* in Q1 2019, up 10% year-over-year from $69 million* in Q1 2018, and down 54% sequentially from $167 million* in Q4 2018
    - Tariff costs totaled approximately $13 million in Q1 2019, down 43% sequentially from $23 million in Q4 2018
    - Tariff adjusted EBITDA per nt was $124/nt* in Q1 2019, up 10% year-over-year from $113/nt* in Q1 2018, and down 50% sequentially from $248/nt* in Q4 2018
    - Tariff adjusted EBITDA margin was 15%* in Q1 2019
- $577 million of liquidity as at March 31, 2019, with $285 million of cash and cash equivalents and $292 million of undrawn ABL revolver capacity (maximum ABL revolver facility capacity is $375 million)
- Declaring quarterly dividend of $0.10 per share to be paid May 31 to shareholders of record on May 27

Note: See "Non-IFRS Financial Measures" schedules herein for Stelco Holdings adjusted EBITDA figures for the noted periods.

* *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, 2019, December 31, 2018, and March 31, 2018.*

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Stelco Holdings Inc. - Quarterly Financial Metrics

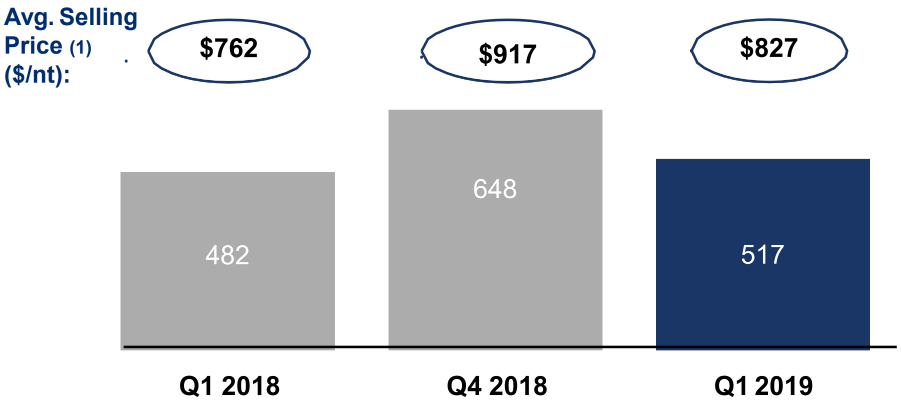
(CA$ millions, except volume and per nt figures)

	Year-over-year			Prior quarter	
	Q1 2019	Q1 2018	Change	Q4 2018	Change
Revenue	517	482	**7%**	648	**(20)%**
Operating income	44	58	**(24)%**	118	**(63)%**
Net income	43	29	**48%**	110	**(61)%**
Average selling price per nt *	827	762	**9%**	917	**(10)%**
Shipping volume (in thousands of nt) *	612	613	**—%**	673	**(9)%**
Adjusted net income *	47	50	**(6)%**	100	**(53)%**
Adjusted EBITDA *	63	69	**(9)%**	144	**(56)%**
Adjusted EBITDA margin *	*12%*	*14%*	***(2)%***	*22%*	***(10)%***
Adjusted EBITDA per nt *	103	113	**(9)%**	214	**(52)%**
Tariff Adjusted EBITDA *	76	69	**10%**	167	**(54)%**
Tariff Adjusted EBITDA margin *	*15%*	*14%*	***1%***	*26%*	***(11)%***
Tariff Adjusted EBITDA per nt *	124	113	**10%**	248	**(50)%**

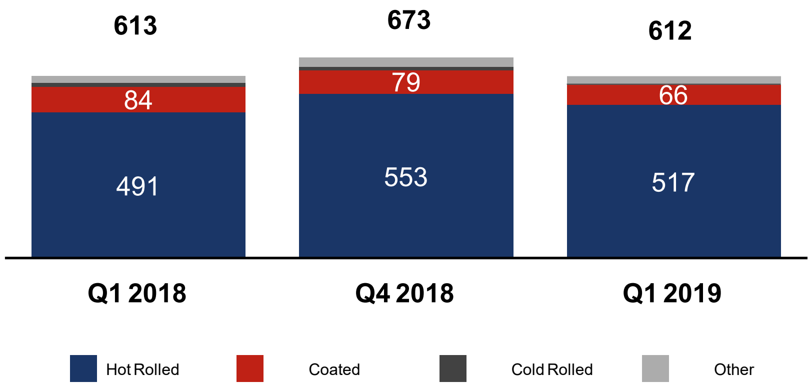
Note: See "Non-IFRS Financial Measures" schedules herein for Stelco Holdings adjusted EBITDA figures for the noted periods.
See "Non-IFRS measures" below for a reconciliation of Non-IFRS measures; see also "Non-IFRS Measures" as outlined in Stelco Holdings" Management's Discussion & Analysis for the periods ended March 31, 2019, December 31, 2018 and March 31, 2018.

Stelco Holdings Inc. - Historical Financial Results

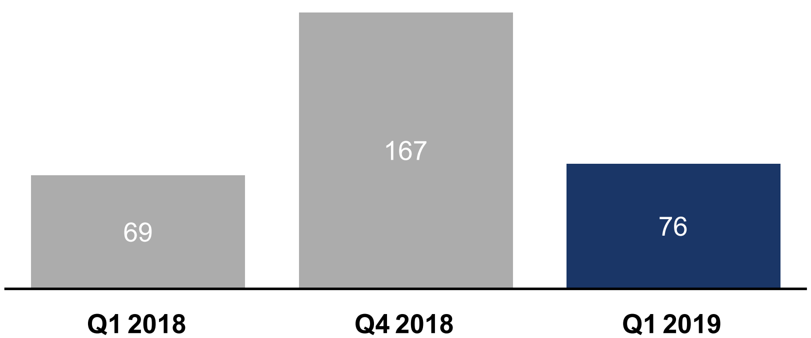
Sales (CA$ mm)



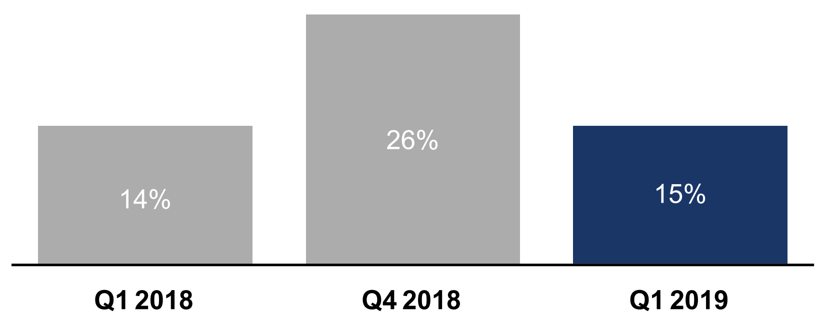
Shipping Volume (knt) (2)



Tariff Adjusted EBITDA (CA$ mm) (2)



Tariff Adjusted EBITDA Margin (%) (2)



(1) Average selling price calculated as steel-related revenue divided by tons of steel shipped and recognized as revenue in the period

(2) See "Non-IFRS measures" below for a reconciliation of Non-IFRS measures; see also "Non-IFRS Measures" as outlined in Stelco Holding's Management's Discussion & Analysis for the periods ended March 31, 2019, December 31, 2018 and March 31, 2018.

Financial Position (selected items)

(CA$ millions)

	Stelco Holdings		
As at	Mar 31, 2019	Dec 31, 2018	Mar 31, 2018
Cash	285	438	226
Accounts receivable	265	252	214
Inventories	346	468	370
Property, plant & equipment	506	448	279
Trade and other payables	285	436	199
Other liabilities	58	53	67
Pension benefits	3	2	1
Obligations to independent employee trusts	586	591	331
Total equity	502	568	517

Non-IFRS Measures*

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

Stelco Holdings Inc. – Adjustments to EBITDA

(CA$ millions)

	Three months ended March 31,	
	2019	2018
Net income	**$ 43**	**$ 29**
Add back/(Deduct):		
Finance income	(2)	—
Depreciation	8	7
Finance costs	3	16
Separation costs related to USS support services [1]	5	4
Carbon tax expense [2]	3	—
Share-based compensation [3]	2	—
Property related idle costs included in cost of goods sold [4]	1	—
Loss from commodity-based swaps	—	10
Restructuring and other costs	—	3
Adjusted EBITDA	**$ 63**	**$ 69**
Add back: Tariff related costs [5]	13	—
Tariff Adjusted EBITDA	**$ 76**	**$ 69**
Percentage of total revenue:		
Adjusted EBITDA	**12%**	**14%**
Tariff Adjusted EBITDA	**15%**	**14%**

1. Includes ERP implementation costs associated with the process of separating from USS, management fees and shared services arrangement costs.
2. Represents a non-cash carbon tax provision for the period, connected to Stelco's estimated requirements under the Greenhouse Gas Pollution Pricing Act (Federal Backstop) for industrial facilities with greenhouse gas emissions. Actual cash payments related to the carbon taxes, if any, are not expected to occur until the year 2020 at the earliest.
3. Share-based compensation consists of costs connected with share options awarded to certain members of the Company's executive senior leadership team during the period.
4. Includes utility costs incurred by Stelco for non-operating and idled assets acquired from the Land Vehicle on June 5, 2018.
5. Includes tariff and tariff related costs connected with U.S. bound steel shipments.

Stelco Holdings Inc. – Adjustments to Net Income

(CA$ millions)

	Three months ended March 31, 2019	Three months ended March 31, 2018
Net income	**$ 43**	**$ 29**
Add back/(Deduct):		
Remeasurement of employee benefit commitment [1]	(7)	4
Separation costs related to USS support services [2]	5	4
Carbon tax expense [3]	3	—
Share-based compensation [4]	2	—
Property related idle costs included in cost of goods sold [5]	1	—
Loss from commodity-based swaps	—	10
Restructuring and other costs	—	3
Adjusted net income	**$ 47**	**$ 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. Represents a non-cash carbon tax provision for the period, connected to Stelco's estimated requirements under the Greenhouse Gas Pollution Pricing Act (Federal Backstop) for industrial facilities with greenhouse gas emissions. Actual cash payments related to the carbon taxes, if any, are not expected to occur until the year 2020 at the earliest.
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