

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2022

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____.

Commission File Number 001-34735

RYERSON HOLDING CORPORATION

(Exact name of registrant as specified in its charter)

DELAWARE

(State or other jurisdiction of
incorporation or organization)

26-1251524

(I.R.S. Employer
Identification No.)

**227 W. Monroe St., 27th Floor
Chicago, Illinois 60606**

(Address of principal executive offices)

(312) 292-5000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common Stock, \$0.01 par value, 100,000,000 shares authorized	RYI	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☒ Emerging growth company ☐

Non-accelerated filer ☐ Smaller reporting company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

As of August 1, 2022, there were 37,055,473 shares of Common Stock, par value \$0.01 per share, outstanding.

RYERSON HOLDING CORPORATION AND SUBSIDIARY COMPANIES

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

RYERSON HOLDING CORPORATION AND SUBSIDIARY COMPANIES
Condensed Consolidated Statements of Comprehensive Income (Unaudited)
(In millions, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Net sales	\$ 1,743.5	\$ 1,419.0	\$ 3,492.3	\$ 2,566.3
Cost of materials sold	1,277.6	1,162.0	2,616.3	2,111.4
Gross profit	465.9	257.0	876.0	454.9
Warehousing, delivery, selling, general, and administrative	182.9	178.3	358.2	350.1
Gain on sale of assets	(3.8)	(87.4)	(3.8)	(107.7)
Operating profit	286.8	166.1	521.6	212.5
Other income and (expense), net	(15.3)	(0.7)	(21.0)	(0.4)
Interest and other expense on debt	(8.3)	(13.6)	(18.6)	(27.1)
Income before income taxes	263.2	151.8	482.0	185.0
Provision for income taxes	66.8	38.5	121.8	46.1
Net income	196.4	113.3	360.2	138.9
Less: Net income attributable to noncontrolling interest	—	0.4	0.2	0.7
Net income attributable to Ryerson Holding Corporation	\$ 196.4	\$ 112.9	\$ 360.0	\$ 138.2
Comprehensive income	\$ 194.8	\$ 117.3	\$ 361.5	\$ 145.3
Less: Comprehensive income (loss) attributable to noncontrolling interest	(0.1)	0.5	0.1	0.7
Comprehensive income attributable to Ryerson Holding Corporation	\$ 194.9	\$ 116.8	\$ 361.4	\$ 144.6
Basic earnings per share	\$ 5.20	\$ 2.94	\$ 9.45	\$ 3.61
Diluted earnings per share	\$ 5.10	\$ 2.91	\$ 9.26	\$ 3.57
Dividends declared per share	\$ 0.125	\$ —	\$ 0.225	\$ —

See Notes to Condensed Consolidated Financial Statements.

RYERSON HOLDING CORPORATION AND SUBSIDIARY COMPANIES
Condensed Consolidated Statements of Cash Flows (Unaudited)
(In millions)

	Six Months Ended June 30,	
	2022	2021
Operating activities:		
Net income	\$ 360.2	\$ 138.9
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	28.0	26.7
Stock-based compensation	3.9	3.1
Deferred income taxes	(5.4)	29.1
Provision for allowances, claims, and doubtful accounts	1.6	2.3
Gain on sale of assets	(3.8)	(107.7)
Pension settlement charge	0.1	0.4
Loss on retirement of debt	19.8	—
Non-cash (gain) loss from derivatives	(15.4)	40.4
Other items	(1.0)	(0.1)
Change in operating assets and liabilities:		
Receivables	(126.9)	(275.9)
Inventories	(179.9)	(109.1)
Other assets and liabilities	(3.4)	(21.0)
Accounts payable	118.3	200.0
Accrued liabilities	(22.7)	30.1
Accrued taxes payable/receivable	0.2	13.0
Deferred employee benefit costs	(5.6)	(21.3)
Net adjustments	(192.2)	(190.0)
Net cash provided by (used in) operating activities	168.0	(51.1)
Investing activities:		
Acquisitions, net of cash acquired	(5.8)	—
Investment in unconsolidated subsidiary	(2.0)	—
Capital expenditures	(42.8)	(13.3)
Proceeds from sale of property, plant, and equipment	7.2	165.9
Other items	—	(0.5)
Net cash provided by (used in) investing activities	(43.4)	152.1
Financing activities:		
Repayment of debt	(268.6)	(0.9)
Net proceeds (repayments) of short-term borrowings	142.8	(139.6)
Credit facility issuance costs	(2.7)	—
Net increase in book overdrafts	57.0	21.6
Principal payments on finance lease obligations	(5.2)	(5.1)
Dividends paid to shareholders	(8.5)	—
Share repurchases	(48.2)	—
Tax withholdings on stock-based compensation awards	(2.7)	—
Net cash used in financing activities	(136.1)	(124.0)
Net decrease in cash, cash equivalents, and restricted cash	(11.5)	(23.0)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	1.7	(0.3)
Net change in cash, cash equivalents, and restricted cash	(9.8)	(23.3)
Cash, cash equivalents, and restricted cash—beginning of period	52.4	62.5
Cash, cash equivalents, and restricted cash—end of period	\$ 42.6	\$ 39.2
Supplemental disclosures:		
Cash paid during the period for:		
Interest paid to third parties, net	\$ 24.7	\$ 26.2
Income taxes, net	128.3	5.0
Noncash investing activities:		
Asset additions under operating leases	3.6	103.9
Asset additions under finance leases and sale-leasebacks	2.0	10.9

See Notes to Condensed Consolidated Financial Statements.

RYERSON HOLDING CORPORATION AND SUBSIDIARY COMPANIES
Condensed Consolidated Balance Sheets
(In millions, except shares and per share data)

	June 30, 2022 (unaudited)	December 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	\$ 41.4	\$ 51.2
Restricted cash	1.2	1.2
Receivables less provisions of \$3.0 at June 30, 2022 and \$2.2 at December 31, 2021	756.5	630.8
Inventories	1,012.3	832.1
Prepaid expenses and other current assets	86.8	77.7
Total current assets	1,898.2	1,593.0
Property, plant, and equipment, at cost	828.7	792.8
Less: Accumulated depreciation	421.7	404.5
Property, plant, and equipment, net	407.0	388.3
Operating lease assets	203.9	211.1
Other intangible assets	39.5	42.2
Goodwill	124.5	124.1
Deferred charges and other assets	9.8	6.9
Total assets	<u>\$ 2,682.9</u>	<u>\$ 2,365.6</u>
Liabilities		
Current liabilities:		
Accounts payable	\$ 656.3	\$ 481.2
Salaries, wages, and commissions	57.8	76.6
Other accrued liabilities	116.4	133.4
Short-term debt	19.2	28.8
Current portion of operating lease liabilities	26.0	24.9
Current portion of deferred employee benefits	6.1	6.1
Total current liabilities	881.8	751.0
Long-term debt	514.3	610.5
Deferred employee benefits	156.3	163.3
Noncurrent operating lease liabilities	174.4	184.8
Deferred income taxes	89.3	94.1
Other noncurrent liabilities	16.3	17.3
Total liabilities	1,832.4	1,821.0
Commitments and contingencies		
Equity		
Ryerson Holding Corporation stockholders' equity:		
Preferred stock, \$0.01 par value; 7,000,000 shares authorized; no shares issued and outstanding at June 30, 2022 and December 31, 2021	—	—
Common stock, \$0.01 par value; 100,000,000 shares authorized; 39,058,893 and 38,687,094 shares issued at June 30, 2022 and December 31, 2021, respectively	0.4	0.4
Capital in excess of par value	392.5	388.6
Retained earnings	673.1	321.7
Treasury stock at cost – Common stock of 2,003,420 and 292,932 shares at June 30, 2022 and December 31, 2021, respectively	(59.3)	(8.4)
Accumulated other comprehensive loss	(163.7)	(165.1)
Total Ryerson Holding Corporation stockholders' equity	843.0	537.2
Noncontrolling interest	7.5	7.4
Total equity	850.5	544.6
Total liabilities and equity	<u>\$ 2,682.9</u>	<u>\$ 2,365.6</u>

See Notes to Condensed Consolidated Financial Statements.

RYERSON HOLDING CORPORATION AND SUBSIDIARY COMPANIES
Notes to Condensed Consolidated Financial Statements (Unaudited)

NOTE 1: FINANCIAL STATEMENTS

Ryerson Holding Corporation (“Ryerson Holding”), a Delaware corporation, is the parent company of Joseph T. Ryerson & Son, Inc. (“JT Ryerson”), a Delaware corporation. Affiliates of Platinum Equity, LLC (“Platinum”) own approximately 15,924,478 shares of our common stock, which is approximately 43% of our outstanding common stock. On May 13, 2022, Platinum sold 3,500,000 shares of its common stock through an underwritten secondary offering. Concurrently, Ryerson Holding completed a share repurchase from Platinum of 1,613,022 shares of common stock. See Note 13: Stockholders Equity for further information.

We are a leading value-added processor and distributor of industrial metals with operations in the United States (“U.S.”) through JT Ryerson, in Canada through our indirect wholly-owned subsidiary Ryerson Canada, Inc., a Canadian corporation (“Ryerson Canada”), and in Mexico through our indirect wholly-owned subsidiary Ryerson Metals de Mexico, S. de R.L. de C.V., a Mexican corporation (“Ryerson Mexico”). In addition to our North American operations, we conduct materials processing and distribution operations in China through an indirect wholly-owned subsidiary, Ryerson China Limited (“Ryerson China”), a Chinese limited liability company. Unless the context indicates otherwise, Ryerson Holding, JT Ryerson, Ryerson Canada, Ryerson China, and Ryerson Mexico, together with their subsidiaries, are collectively referred to herein as “Ryerson,” “we,” “us,” “our,” or the “Company.”

Results of operations for any interim period are not necessarily indicative of results of any future periods or for the year. The condensed consolidated financial statements as of June 30, 2022 and for the three-month and six-month periods ended June 30, 2022 and 2021 are unaudited, but in the opinion of management, include all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of results for such periods. The year-end condensed consolidated balance sheet data contained in this report was derived from audited financial statements, but does not include all disclosures required by U.S. generally accepted accounting principles (“GAAP”). These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes contained in the Company’s Annual Report on Form 10-K for the year ended December 31, 2021.

NOTE 2: RECENT ACCOUNTING PRONOUNCEMENTS

Impact of Recently Issued Accounting Standards—Adopted

No accounting pronouncements have been issued that impact our financial statements.

Impact of Recently Issued Accounting Standards—Not Yet Adopted

No accounting pronouncements have been issued that we have not yet adopted.

NOTE 3: CASH, CASH EQUIVALENTS, AND RESTRICTED CASH

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the Condensed Consolidated Balance Sheets that sum to the total of the beginning and ending cash balances shown in the Condensed Consolidated Statements of Cash Flows:

	June 30, 2022	December 31, 2021
	(In millions)	
Cash and cash equivalents	\$ 41.4	\$ 51.2
Restricted cash	1.2	1.2
Total cash, cash equivalents, and restricted cash	<u>\$ 42.6</u>	<u>\$ 52.4</u>

We have cash restricted for the purposes of covering letters of credit that can be presented for potential insurance claims.

NOTE 4: INVENTORIES

The Company primarily uses the last-in, first-out (LIFO) method of valuing inventory. In the first quarter of 2022, we changed the method we use to estimate LIFO on an interim basis. This is a change in accounting estimate that is inseparable from a change in accounting principle. Historically, interim LIFO calculations were based on actual inventory levels and costs at each interim period. In the first quarter of 2022, we elected to recognize the interim effects of the LIFO inventory valuation method by projecting expected year-end inventory levels and LIFO costs and allocating that projection to the interim quarters on a pro-rata basis.

The change in the LIFO calculation method impacts all profit-based metrics as well as inventories for interim periods. Our annual LIFO calculation will be consistent with prior years and as such, year-end amounts will not be impacted. We believe this change is preferable as it results in a better estimate of LIFO for the full year, creates less volatility in earnings on an interim basis, and makes our results more comparable to our peers. LIFO income was \$71.6 million for the six months ended June 30, 2022 compared to LIFO expense of \$188.6 million during the six months ended June 30, 2021. LIFO income for the six months ended June 30, 2022 as compared to the LIFO expense in the six months ended June 30, 2021 is a result of decreasing forecasted prices for December 2022 as compared to significantly increasing prices in 2021.

Inventories, at stated LIFO value, were classified at June 30, 2022 and December 31, 2021 as follows:

	June 30, 2022	December 31, 2021
	(In millions)	
In process and finished products	\$ 1,012.3	\$ 832.1

If current cost had been used to value inventories, such inventories would have been \$232 million and \$303 million higher than reported at June 30, 2022 and December 31, 2021, respectively. Approximately 90% and 88% of inventories are accounted for under the LIFO method at June 30, 2022 and December 31, 2021, respectively. Non-LIFO inventories consist primarily of inventory at our foreign facilities using the moving average cost and the specific cost methods. Substantially all of our inventories consist of finished products.

The Company has consignment inventory at certain customer locations, which totaled \$8.3 million and \$8.8 million at June 30, 2022 and December 31, 2021, respectively.

NOTE 5: PROPERTY, PLANT, AND EQUIPMENT

During the first six months of 2021, the Company completed several asset sales, the proceeds of which were, in part, utilized to redeem a portion of the 8.50% senior secured notes due 2028 (the “2028 Notes”), and also in a continued effort to optimize our facility footprint. Each of these asset sales included leasebacks for varying periods of time, ranging from 21 months to 15 years, and therefore the Company recorded right of use assets of \$95.1 million and lease liabilities of \$86.4 million. As a result of these transactions, \$65.4 million of land and building assets, net of accumulated depreciation, were sold for net cash proceeds of \$163.2 million, resulting in a total gain of \$107.7 million.

The Company also had normal course asset sale activity during the first six months of 2022 and 2021 which generated additional cash proceeds of \$7.2 million and \$2.7 million, respectively.

NOTE 6: GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill, which represents the excess of cost over the fair value of net assets acquired, amounted to \$124.5 million and \$124.1 million at June 30, 2022 and December 31, 2021, respectively. We recognized \$0.4 million of additional goodwill during the first six months of 2022. See Note 7: Acquisitions for further information. Pursuant to Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 350, “*Intangibles – Goodwill and Other*,” we review the recoverability of goodwill annually as of October 1 or whenever significant events or changes occur which might impair the recovery of recorded amounts. The most recently completed impairment test of goodwill was performed as of October 1, 2021, and it was determined that no impairment existed.

Other intangible assets with finite useful lives continue to be amortized over their useful lives. We recorded an additional \$0.8 million of intangible assets during the first six months of 2022. See Note 7: Acquisitions for further information. We review the recoverability of our long-lived assets whenever events or changes in circumstances indicate the carrying amount of such assets may not be recoverable.

NOTE 7: ACQUISITIONS

On February 28, 2022, Ryerson Canada paid \$3.0 million to acquire substantially all of the assets of Apogee Steel Fabrication Incorporated (“Apogee”), a sheet metal fabricator located in Mississauga, Ontario, Canada. Apogee is a full-line fabrication company providing sheering, punching, forming, and laser cut processing in addition to welding and hardware assembly services. Apogee provides complex fabrication assemblies in stainless steel, aluminum, and carbon sheet and adds to Ryerson’s value-added processing capabilities. The acquisition is not material to our consolidated financial statements.

On May 9, 2022, JT Ryerson paid \$2.0 million to acquire a 30% interest in FreeFORM Manufacturing, LLC (“FreeFORM”), an additive manufacturing and engineering company specializing in metal additive manufacturing including metal binder jet 3D printing and metal injection molding. Founded in 2020, FreeFORM serves manufacturers in a multitude of industries and strategically aligns with Ryerson's current and future customer base. This investment is accounted for using the equity method of accounting in

accordance with Accounting Standards ASC 323, "Investments - Equity Method and Joint Ventures". The investment is not material to our consolidated financial statements.

On May 31, 2022, JT Ryerson paid \$2.9 million to acquire Ford Tool Steels, Inc. ("FTS"), a tool steel processor located in St. Louis, Missouri. FTS serves customers across the Midwest United States with tool steel and alloys, as well as cut-to-length sawing, plate sawing, and grinding and milling services. The acquisition is not material to our consolidated financial statements.

NOTE 8: LONG-TERM DEBT

Long-term debt consisted of the following at June 30, 2022 and December 31, 2021:

	June 30, 2022	December 31, 2021
	(In millions)	
Ryerson Credit Facility	\$ 468.5	\$ 316.0
8.50% Senior Secured Notes due 2028	50.0	300.0
Foreign debt	17.3	27.0
Other debt	5.2	6.0
Unamortized debt issuance costs and discounts	(7.5)	(9.7)
Total debt	533.5	639.3
Less: Short-term foreign debt	17.3	27.0
Less: Other short-term debt	1.9	1.8
Total long-term debt	\$ 514.3	\$ 610.5

Ryerson Credit Facility

On June 29, 2022 Ryerson entered into a fifth amendment of its revolving credit facility to among other things, increase the facility size from \$1.0 billion to \$1.3 billion and to extend the maturity date from November 5, 2025 to June 29, 2027 (as amended, the "Ryerson Credit Facility" or "Credit Facility"). This fifth amendment maintains the ability to convert up to \$100 million of commitments under the Ryerson Credit Facility into a "first-in, last-out" sub-facility (the "FILO Facility"). Subject to certain limitations, such conversion can be made from time to time (but no more than twice in the aggregate) prior to the date that is two years after June 29, 2022.

At June 30, 2022, Ryerson had \$468.5 million of outstanding borrowings, \$15 million of letters of credit issued, and \$817 million available under the Ryerson Credit Facility compared to \$316.0 million of outstanding borrowings, \$14 million of letters of credit issued, and \$670 million available at December 31, 2021. Total credit availability is limited by the amount of eligible accounts receivable, inventory, and qualified cash pledged as collateral under the agreement insofar as Ryerson is subject to a borrowing base comprised of the aggregate of these three amounts, less applicable reserves. Eligible accounts receivable, at any date of determination, is comprised of the aggregate value of all accounts directly created by a borrower in the ordinary course of business arising out of the sale of goods or the rendering of services, each of which has been invoiced, with such receivables adjusted to exclude various ineligible accounts, including, among other things, those to which a borrower (or guarantor, as applicable) does not have sole and absolute title and accounts arising out of a sale to an employee, officer, director, or affiliate of a borrower (or guarantor, as applicable). Eligible inventory, at any date of determination, is comprised of the net orderly liquidation value of all inventory owned by a borrower. Qualified cash consists of cash in an eligible deposit account that is subject to customary restrictions and liens in favor of the lenders.

Amounts outstanding under the Ryerson Credit Facility bear interest at (i) a rate determined by reference to (A) the base rate (the highest of the Federal Funds Rate plus 0.50%, Bank of America's prime rate, and the Term Secured Overnight Financing Rate ("SOFR") plus 1.00%) or (B) a Term SOFR rate or (ii) for Ryerson Holding's Canadian subsidiary that is a borrower, (A) the prime rate or base rate (the highest of the Federal Funds Rate plus 0.50%, Bank of America-Canada Branch's commercial loan rate, and the Term SOFR rate plus 1.00%), (B) a Term SOFR rate (for loans denominated in Dollars), or (C) the Canadian Dollar Offered Rate ("CDOR") (for loans denominated in Canadian Dollars). The spread over the base rate is between 0.25% and 0.50% and the spread over the SOFR and CDOR rates is between 1.25% and 1.50%, depending on the amount available to be borrowed under the Ryerson Credit Facility; provided that such spreads shall be reduced by 0.125% if the leverage ratio set forth in the most recently delivered compliance certificate is less than or equal to 3.50 to 1.00. The spread with respect to the FILO Facility, if any, will be determined at the time the commitments under the Ryerson Credit Facility are converted into such FILO Facility. Ryerson also pays commitment fees on amounts not borrowed at a rate of 0.20%. Overdue amounts and all amounts owed during the existence of a default bear interest at 2.00% above the rate otherwise applicable thereto. Loans advanced under the FILO Facility may only be prepaid if all then outstanding revolving loans are repaid in full.

We attempt to minimize interest rate risk exposure through the utilization of interest rate swaps, which are derivative financial instruments. In June 2019, we entered into an interest rate swap to fix interest on \$60 million of our floating rate debt under the Ryerson Credit Facility at a LIBOR rate of 1.729% through June 2022. In November 2019, we entered into another interest rate swap to fix interest on \$100 million of our floating rate debt under the Ryerson Credit Facility at a LIBOR rate of 1.539% through November 2022. The weighted average interest rate on the outstanding borrowings under the Ryerson Credit Facility including the interest rate swaps was 4.2% and 2.5% at June 30, 2022 and December 31, 2021, respectively.

Borrowings under the Ryerson Credit Facility are secured by first-priority liens on all of the inventory, accounts receivables, lockbox accounts, and related assets of the borrowers and the guarantors.

The Ryerson Credit Facility also contains covenants that, among other things, restrict Ryerson Holding and its restricted subsidiaries with respect to the incurrence of debt, the creation of liens, transactions with affiliates, mergers and consolidations, sales of assets, and acquisitions. The Ryerson Credit Facility also requires that, if availability under the Ryerson Credit Facility declines to a certain level, Ryerson maintain a minimum fixed charge coverage ratio as of the end of each fiscal quarter.

The Ryerson Credit Facility contains events of default with respect to, among other things, default in the payment of principal when due or the payment of interest, fees, and other amounts due thereunder after a specified grace period, material misrepresentations, failure to perform certain specified covenants, certain bankruptcy events, the invalidity of certain security agreements or guarantees, material judgments, the occurrence of a change of control of Ryerson, and a cross-default to other financing arrangements. If such an event of default occurs, the lenders under the Ryerson Credit Facility will be entitled to various remedies, including acceleration of amounts outstanding under the Ryerson Credit Facility and all other actions permitted to be taken by secured creditors.

The lenders under the Ryerson Credit Facility could reject a borrowing request if any event, circumstance, or development has occurred that has had or could reasonably be expected to have a material adverse effect on the Company. If Ryerson Holding, JT Ryerson, any of the other borrowers, or any restricted subsidiaries of JT Ryerson becomes insolvent or commences bankruptcy proceedings, all amounts borrowed under the Ryerson Credit Facility will become immediately due and payable.

Net repayments of short-term borrowings that are reflected in the Condensed Consolidated Statements of Cash Flows represent borrowings under the Ryerson Credit Facility with original maturities less than three months.

2028 Notes

On July 22, 2020, JT Ryerson issued \$500 million in aggregate principal amount of its 2028 Senior Secured Notes. The 2028 Notes bear interest at a rate of 8.50% per annum. The 2028 Notes are fully and unconditionally guaranteed on a senior secured basis by all of our existing and future domestic subsidiaries that are co-borrowers or that have guarantee obligations under the Ryerson Credit Facility.

The 2028 Notes and the related guarantees are secured by a first-priority security interest in substantially all of JT Ryerson's and each guarantor's present and future assets located in the U.S. (other than receivables, inventory, cash deposit accounts and certain other assets, and proceeds thereof, which are secured pursuant to a second-priority security interest), subject to certain exceptions and customary permitted liens. The 2028 Notes contain various redemption options at certain redemption prices. All redemption amounts also include accrued and unpaid interest, if any, to, but not including, the redemption date.

The Company completed partial redemptions of \$200 million utilizing redemption options available on the 2028 Notes between the fourth quarter of 2020 and the fourth quarter 2021, resulting in an outstanding balance of \$300 million as of December 31, 2021. During the first six months of 2022, a principal amount of \$250.0 million of the 2028 Notes were repurchased for \$267.7 million and retired. The second quarter 2022 repurchases included a completed tender offer in which \$132.2 million of the 2028 Notes were tendered for \$140.8 million. Including \$2.1 million of debt issuance costs written off as part of the transaction, the total loss related to the tender offer was \$10.7 million. The total 2022 repurchases resulted in the recognition of a \$19.8 million loss within other income and (expense), net on the Condensed Consolidated Statement of Comprehensive Income. Additional debt issuance costs of \$1.9 million related to non-tender repurchases were written off and recognized within interest expense. As a result, \$50.0 million in aggregate principal amount of the 2028 Notes remain outstanding at June 30, 2022. See Note 18: Subsequent Events, for discussion of redemptions completed during third quarter 2022.

The Company evaluated the redemption options within the 2028 Notes for embedded derivatives and determined that one redemption option required bifurcation as it is not clearly and closely related to the debt agreement. The Company determined the fair value of the embedded derivative as of December 31, 2021, was \$0.2 million which was recorded within other current assets in the Condensed Consolidated Balance Sheet. As of June 30, 2022, the fair value was determined to be zero with the change of \$0.2 million recognized within other income and (expense), net on the Condensed Consolidated Statements of Comprehensive Income. Refer to Note 10: Derivatives and Fair Value Measurements for further discussion of the embedded derivative.

The 2028 Notes contain customary covenants that, among other things, limit, subject to certain exceptions, our ability, and the ability of our restricted subsidiaries, to incur additional indebtedness, pay dividends on our capital stock or repurchase our capital

stock, make investments, sell assets, engage in acquisitions, mergers, or consolidations, or create liens or use assets as security in other transactions.

Foreign Debt

At June 30, 2022, Ryerson China's foreign borrowings were \$17.3 million, which were owed to banks in Asia at a weighted average interest rate of 3.5% per annum and secured by inventory and property, plant, and equipment. At December 31, 2021, Ryerson China's foreign borrowings were \$27.0 million, which were owed to banks in Asia at a weighted average interest rate of 3.6% per annum and secured by inventory and property, plant, and equipment.

Availability under the foreign credit lines was \$36 million and \$20 million at June 30, 2022 and December 31, 2021, respectively. Letters of credit issued by our foreign subsidiaries were \$3 million and \$6 million at June 30, 2022 and December 31, 2021, respectively.

NOTE 9: EMPLOYEE BENEFITS

The following tables summarize the components of net periodic benefit cost (credit) for the Ryerson pension plans and postretirement benefit plans other than pension:

	Three Months Ended June 30,			
	Pension Benefits		Other Benefits	
	2022	2021	2022	2021
	(In millions)			
Components of net periodic benefit cost (credit)				
Service cost	\$ 0.7	\$ 0.9	\$ 0.1	\$ 0.1
Interest cost	2.4	2.9	0.3	0.3
Expected return on assets	(3.3)	(5.9)	—	—
Settlement charge	—	0.2	—	—
Recognized actuarial (gain) loss	2.0	3.9	(1.4)	(1.5)
Amortization of prior service credit	—	—	(0.1)	(0.1)
Net periodic benefit cost (credit)	<u>\$ 1.8</u>	<u>\$ 2.0</u>	<u>\$ (1.1)</u>	<u>\$ (1.2)</u>

	Six Months Ended June 30,			
	Pension Benefits		Other Benefits	
	2022	2021	2022	2021
	(In millions)			
Components of net periodic benefit cost (credit)				
Service cost	\$ 1.4	\$ 1.8	\$ 0.2	\$ 0.2
Interest cost	4.9	5.9	0.6	0.6
Expected return on assets	(6.7)	(11.8)	—	—
Settlement charge	0.1	0.4	—	—
Recognized actuarial (gain) loss	4.0	7.8	(2.9)	(3.0)
Amortization of prior service credit	—	—	(0.1)	(0.2)
Net periodic benefit cost (credit)	<u>\$ 3.7</u>	<u>\$ 4.1</u>	<u>\$ (2.2)</u>	<u>\$ (2.4)</u>

Components of net periodic benefit cost (credit), excluding service cost, are included in Other income and (expense), net in our Condensed Consolidated Statement of Comprehensive Income.

The Company contributed \$4.6 million to the pension plan funds through the six months ended June 30, 2022, and anticipates that it will have a minimum required pension contribution funding of approximately \$2.0 million for the remaining six months of 2022. The expected future contributions reflect recent pension funding relief measures under the American Rescue Plan Act ("ARPA") passed in March 2021.

NOTE 10: COMMITMENTS AND CONTINGENCIES

In October 2011, the United States Environmental Protection Agency (the "EPA") named JT Ryerson as one of more than 100 businesses that may be a potentially responsible party ("PRP") for the Portland Harbor Superfund Site (the "PHS Site"). On January 6, 2017, the EPA issued an initial Record of Decision ("ROD") regarding the site. The ROD includes a combination of dredging, capping, and enhanced natural recovery that would take approximately thirteen years to construct plus additional time for monitored natural recovery, at an estimated present value cost of \$1.05 billion. At a December 4, 2018 meeting with the Portland Harbor

Participation and Common Interest Group (“PCI Group”), of which JT Ryerson is a member, the EPA indicated that it expected PRPs to submit a plan during 2019 to start remediation of the river and harbor per the ROD within the next two to three years.

The EPA met with various PRPs throughout 2019 and 2020 regarding remedial design. The EPA did not include JT Ryerson in those meetings. It did include Schnitzer Steel, which is developing a remedial design plan for the river area which includes the area where the former JT Ryerson facilities were located. Schnitzer Steel’s 2020 disclosures filed with the EPA acknowledged that Schnitzer Steel is the legal successor to the prior operators (including JT Ryerson) in the designated area. On February 12, 2021, the EPA announced that one hundred percent (100%) of the PHS Site is now in the active remedial design phase.

In June 2021, the EPA issued a Fact Sheet setting forth the status of the entire site. The primary area of relevance for JT Ryerson is River Mile 3.5 East, with Swan Island Basin being of secondary interest. For River Mile 3.5, remedial design work is ongoing; the Sufficiency Assessment and the Pre-Design Investigation work plans are finalized, and design investigation sampling is underway. Schnitzer Steel and MMGL Corp. are the working parties for River Mile 3.5. For Swan Island, remedial design is just beginning, with Daimler Trucks, Shipyard Commerce, and various government entities as the working parties. JT Ryerson has not been asked to participate in the remedial design phase.

The PCI Group has engaged a third party to prepare cost estimates for each of the Sediment Management Areas at the site. That work is still in progress and is expected to be completed in 2022. In the meantime, the voting parties of the PCI Group (which does not include JT Ryerson) have begun the “advocacy process,” during which the voting parties submit written arguments to the Allocation Team regarding how costs should be allocated among the various PRPs. This process is anticipated to be completed sometime in 2022 or early 2023. Once the advocacy process is completed, the Allocation Team will prepare a proposed allocation of costs among the PRPs. All PRPs, including JT Ryerson, will then participate in the “mediation process,” during which the PRPs will attempt to agree on a final cost allocation. The mediation process is currently anticipated to occur sometime in late 2022 or 2023.

The EPA has stated that it is willing to consider de minimis settlements, which JT Ryerson is trying to pursue; however, the EPA has not begun meeting with any of the smaller parties who have requested de minimis or de micromis status, stating that it does not have sufficient information to determine whether any parties meet such criteria and does not intend to begin those considerations until after the remedial design work is completed. It has met with selected parties that we believe to be larger targets. JT Ryerson has not been invited to meet with the EPA. As a result of the ongoing negotiations and filings over the ROD and the EPA’s decision not to meet with smaller parties, we cannot determine how allocations will be made and whether a de minimis settlement can be reached with the EPA.

As the EPA has not yet allocated responsibility for the contamination among the potentially responsible parties, including JT Ryerson, we do not currently have sufficient information available to us to determine whether the ROD will be executed as currently stated, whether and to what extent JT Ryerson may be held responsible for any of the identified contamination, and how much (if any) of the final plan’s costs might ultimately be allocated to JT Ryerson. Therefore, management cannot predict the ultimate outcome of this matter or estimate a range of potential loss at this time.

There are various other claims and pending actions against the Company. The amount of liability, if any, for those claims and actions as of June 30, 2022, is not determinable but, in the opinion of management, such liability, if any, will not have a material adverse effect on the Company’s financial position, results of operations, or cash flows. We maintain liability insurance coverage to assist in protecting our assets from losses arising from or related to activities associated with business operations.

NOTE 11: DERIVATIVES AND FAIR VALUE MEASUREMENTS

Derivatives

The Company may use derivatives to partially offset its business exposure to commodity price, foreign currency, and interest rate fluctuations and their related impact on expected future cash flows and certain existing assets and liabilities. However, the Company may choose not to hedge certain exposures for a variety of reasons including, but not limited to, Company policy, accounting considerations, or the prohibitive economic cost of hedging particular exposures. There can be no assurance the hedges will offset more than a portion of the financial impact resulting from movements in commodity pricing, foreign currency exchange, or interest rates. Interest rate swaps are entered into to manage interest rate risk associated with the Company’s floating-rate borrowings. We use foreign currency exchange contracts to hedge variability in cash flows in our Canada, Mexico, and China operations when a payment currency is different from our functional currency. From time to time, we may enter into fixed price sales contracts with our customers for certain of our inventory components. We may enter into metal commodity futures and options contracts to reduce volatility in the price of these metals. We may also enter into fixed price natural gas contracts and diesel fuel derivative contracts to manage the price risk of forecasted purchases of natural gas and diesel fuel.

We currently have one receive variable, pay fixed, interest rate swap to manage the exposure to variable interest rates of the Ryerson Credit Facility. In June 2019, we entered into a forward agreement for \$60 million of “pay fixed” interest at 1.729% through June 2022 and in November 2019, we entered into a forward agreement for \$100 million of “pay fixed” interest at 1.539% through November 2022. Upon entering into the swap, the interest rate reset date and critical terms matched the terms of our existing debt and

anticipated critical terms of future debt under the Ryerson Credit Facility; however, this was no longer the case once the Ryerson Credit Facility was amended on November 5, 2020. As such, effective November 1, 2020 the Company de-designated its interest rate swap and terminated its hedge accounting treatment. Prior to de-designation, the Company marked this interest rate swap to market with changes in fair value being recorded in accumulated other comprehensive income. Subsequent to de-designation, changes in fair value are recorded in current earnings. The unrealized loss as of the de-designation date remains in accumulated other comprehensive income and is being amortized into earnings as the forecasted interest payments affect earnings. The fair value of the interest rate swap as of June 30, 2022 was a net asset of \$0.3 million.

The Company currently does not account for its commodity and foreign exchange derivative contracts as hedges but rather marks them to market with a corresponding offset to current earnings.

The Company regularly reviews the creditworthiness of its derivative counterparties and does not expect to incur a significant loss from the failure of any counterparties to perform under any agreements.

In connection with the redemption options under the 2028 Notes, the Company recorded an embedded derivative in other current assets on its Condensed Consolidated Balance Sheet, with changes in value recorded within other income and (expense), net within the Condensed Consolidated Statement of Comprehensive Income, see Note 8: Long-term debt, for further details. Embedded derivatives are separated from the host contract and carried at fair value when: (a) the embedded derivative possesses economic characteristics that are not clearly and closely related to the economic characteristics of the host contract; (b) the instrument is not measured at fair value under other applicable GAAP standards, and (c) a separate, stand-alone instrument with the same terms would qualify as a derivative instrument. The Company has concluded that the embedded derivative within the 2028 Notes met these criteria and, as such, must be valued separate and apart from the 2028 Notes at fair value each reporting period.

The following table summarizes the location and fair value amount of our derivative instruments reported in our Condensed Consolidated Balance Sheets as of June 30, 2022 and December 31, 2021:

	Asset Derivatives			Liability Derivatives		
	Balance Sheet Location	June 30, 2022	December 31, 2021	Balance Sheet Location	June 30, 2022	December 31, 2021
Derivatives not designated as hedging instruments under ASC 815						
		(In millions)				
Metal commodity contracts	Prepaid expenses and other current assets	\$ 19.3	\$ 13.0	Other accrued liabilities	\$ 26.9	\$ 35.1
Diesel fuel commodity contracts	Prepaid expenses and other current assets	0.8	—	Other accrued liabilities	—	—
2028 Notes embedded derivative	Prepaid expenses and other current assets	—	0.2	Other accrued liabilities	—	—
Interest rate swaps	Prepaid expenses and other current assets	0.3	—	Other accrued liabilities	—	1.4
Total derivatives		\$ 20.4	\$ 13.2		\$ 26.9	\$ 36.5

The following table presents the volume of the Company's activity in derivative instruments as of June 30, 2022 and December 31, 2021:

Derivative Instruments	Notional Amount		Unit of Measurement
	At June 30, 2022	At December 31, 2021	
Hot roll coil swap contracts	123,158	176,859	Tons
Aluminum swap contracts	9,354	20,949	Tons
Nickel swap contracts	550	857	Tons
Diesel fuel swap contracts	490,000	840,000	Gallons
Foreign currency exchange contracts	3.0 million	4.5 million	U.S. dollars
Interest rate swap contracts	100 million	160 million	U.S. dollars

The following table summarizes the location and amount of gains and losses on derivatives not designated as hedging instruments reported in our Condensed Consolidated Statements of Comprehensive Income for the three and six months ended June 30, 2022 and 2021:

Derivatives not designated as hedging instruments under ASC 815	Location of Gain/(Loss) Recognized in Income on Derivatives	Amount of Gain/(Loss) Recognized in Income on Derivatives			
		Three Months Ended June 30,		Six Months Ended June 30,	
		2022	2021	2022	2021
Metal commodity contracts	Cost of materials sold	\$ 4.0	\$ (29.4)	\$ 1.4	\$ (40.1)
Diesel fuel commodity contracts	Warehousing, delivery, selling, general, and administrative	0.5	—	1.2	—
2028 Notes embedded derivative	Other income and (expense), net	—	(1.3)	(0.2)	(1.0)
Foreign exchange contracts	Other income and (expense), net	—	0.1	—	0.2
Interest rate swaps	Interest and other expense on debt	0.2	—	0.8	—
Total		<u>\$ 4.7</u>	<u>\$ (30.6)</u>	<u>\$ 3.2</u>	<u>\$ (40.9)</u>
Amount of Gain/(Loss) Reclassified from Accumulated Other Comprehensive Income into Income					
Interest rate swaps (subsequent to de-designation)	Interest and other expense on debt	<u>\$ (0.7)</u>	<u>\$ (0.6)</u>	<u>\$ (1.4)</u>	<u>\$ (1.1)</u>

As of June 30, 2022, the portion of the interest rate swap fair value that would be reclassified into earnings during the next 12 months as interest expense is approximately \$0.5 million.

Fair Value Measurements

To increase consistency and comparability in fair value measurements, FASB ASC 820 “Fair Value Measurement” (“ASC 820”) establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels as follows:

1. Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access as of the reporting date.
2. Level 2 – inputs other than quoted prices included within Level 1 that are directly observable for the asset or liability or indirectly observable through corroboration with observable market data.
3. Level 3 – unobservable inputs, such as internally-developed pricing models for the asset or liability due to little or no market activity for the asset or liability.

The following table presents assets and liabilities measured and recorded at fair value on our Condensed Consolidated Balance Sheet on a recurring basis and their level within the fair value hierarchy as of June 30, 2022:

	At June 30, 2022		
	Level 1	Level 2 (In millions)	Level 3
Assets			
Derivatives:			
Derivatives not designated as hedging instruments under ASC 815:			
Metal commodity contracts	\$ —	\$ 19.3	\$ —
Diesel fuel commodity contracts	—	0.8	—
Interest rate swaps	—	0.3	—
Total derivatives	<u>\$ —</u>	<u>\$ 20.4</u>	<u>\$ —</u>
Liabilities			
Derivatives:			
Derivatives not designated as hedging instruments under ASC 815:			
Metal commodity contracts	\$ —	\$ 26.9	\$ —
Total derivatives	<u>\$ —</u>	<u>\$ 26.9</u>	<u>\$ —</u>

The following table presents assets and liabilities measured and recorded at fair value on our Condensed Consolidated Balance Sheet on a recurring basis and their level within the fair value hierarchy as of December 31, 2021:

	At December 31, 2021		
	Level 1	Level 2 (In millions)	Level 3
Assets			
Derivatives:			
Derivatives not designated as hedging instruments under ASC 815:			
Metal commodity contracts	\$ —	\$ 13.0	\$ —
2028 Notes embedded derivative	—	—	0.2
Total derivatives	\$ —	\$ 13.0	\$ 0.2
Liabilities			
Derivatives:			
Derivatives not designated as hedging instruments under ASC 815:			
Metal commodity contracts	\$ —	\$ 35.1	\$ —
Interest rate swaps	—	1.4	—
Total derivatives	\$ —	\$ 36.5	\$ —

The fair value of each commodity, diesel fuel, and interest rate swap derivative contract is determined using Level 2 inputs and the market approach valuation technique, as described in ASC 820. The Company has various commodity derivatives to lock in hot roll coil, nickel, aluminum, and diesel fuel prices for varying time periods. The fair value of hot roll coil, nickel, aluminum, and diesel fuel derivatives is determined based on the spot price each individual contract was purchased at and compared with the one-month daily average actual spot price on the Chicago Mercantile Exchange (hot roll coil and diesel fuel) and the London Metals Exchange (nickel and aluminum), respectively, for the commodity on the valuation date. In addition, the Company has numerous foreign exchange contracts to hedge variability in cash flows when a payment currency is different from our functional currency. The Company defines the fair value of foreign exchange contracts as the amount of the difference between the contracted and current market value at the end of the period. The Company estimates the current market value of foreign exchange contracts by obtaining month-end market quotes of foreign exchange rates and forward rates for contracts with similar terms. The Company uses the exchange rates provided by Reuters. Each commodity, diesel fuel, and foreign exchange contract term varies in the number of months, but in general, contracts are between 1 to 12 months in length. The fair value of our interest rate swap is based on the sum of all future net present value cash flows for the fixed and floating leg of the swap. The future cash flows are derived based on the terms of our interest rate swap, as well as published discount factors, and projected forward LIBOR rates.

The fair value of the embedded derivative is determined using Level 3 inputs based on the Black-Derman-Toy lattice model and the “with-and-without” approach. This method estimates the value of the 2028 Notes both with and without the embedded derivative. The value of the embedded derivative is the difference between the two methods. The value of the 2028 Notes with the embedded derivative is based on recent trading prices of the 2028 Notes (Level 1 inputs). Determining the value of the 2028 Notes without the embedded derivative requires significant judgements made by management such as the probability of redemption linked transactions occurring, the cash flows expected to be generated from these transactions, as well as the timing of these transactions (Level 3 inputs).

The changes in financial instruments measured at fair value for which the Company has used Level 3 inputs to determine fair value are as follows:

	2028 Notes Embedded Derivative	
	(In millions)	
Balance at January 1, 2022	\$	0.2
Unrealized loss recorded in other income and (expense), net		(0.2)
Balance at June 30, 2022	\$	—
	2028 Notes Embedded Derivative	
	(In millions)	
Balance at January 1, 2021	\$	2.3
Unrealized loss recorded in other income and (expense), net		(1.0)
Balance at June 30, 2021	\$	1.3

The carrying and estimated fair values of our financial instruments at June 30, 2022 and December 31, 2021 were as follows:

	At June 30, 2022		At December 31, 2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In millions)			
Cash and cash equivalents	\$ 41.4	\$ 41.4	\$ 51.2	\$ 51.2
Restricted cash	1.2	1.2	1.2	1.2
Receivables less provisions	756.5	756.5	630.8	630.8
Accounts payable	656.3	656.3	481.2	481.2
Long-term debt, including current portion	533.5	535.0	639.3	666.8

The estimated fair value of the Company's cash and cash equivalents, restricted cash, receivables less provisions, and accounts payable approximate their carrying amounts due to the short-term nature of these financial instruments. The estimated fair value of the Company's long-term debt and the current portions thereof is determined by using quoted market prices of Company debt securities (Level 2 inputs).

NOTE 12: STOCK-BASED COMPENSATION

Under the 2014 Omnibus Incentive Plan ("2014 Plan"), as amended, which is the Company's only equity compensation plan, we may grant stock options and other equity-based awards, including restricted stock units ("RSUs") and performance stock units ("PSUs"), to certain employees. Awards that expire or are forfeited without delivery of shares generally become available for future issuance under the plan. As stock options are exercised, and RSUs and PSUs vest, we issue new shares of Ryerson common stock.

Each RSU and PSU consists of the right to receive one share of our common stock. RSUs also have dividend equivalent rights equal to the accrued cash dividends while grants are outstanding. Dividend equivalent rights are subject to the same vesting and other terms and conditions as the underlying RSUs. All rights under RSUs and PSUs are generally forfeited upon employee termination.

Stock based compensation expense related to stock options, RSUs, and PSUs was \$3.9 million and \$3.1 million for the six months ended June 30, 2022 and 2021, respectively. For the six months ended June 30, 2022 and 2021, 1,000 and zero stock options were exercised, respectively.

A summary of the status of our unvested RSUs and PSUs as of June 30, 2022 and changes during the six months then ended is as follows:

	Shares	Weighted Average Grant Date Fair Value Per Unit
	(In thousands)	
Restricted Stock Units		
Unvested at January 1, 2022	317	\$ 12.00
Granted	195	34.72
Vested	(155)	10.56
Forfeited	(1)	20.36
Unvested at June 30, 2022	356	\$ 25.02
Performance Stock Units		
Unvested at January 1, 2022	684	\$ 10.62
Granted	277	35.02
Vested	(215)	8.56
Forfeited	(3)	15.94
Unvested at June 30, 2022	743	\$ 20.29
Shares reserved for future grants	959	

The fair value of the 2022 RSUs and PSUs granted was \$35.02 per share, determined by the closing price of our common stock on the grant date. The Company's RSU awards vest in three separate and equal tranches over a three-year period. PSUs cliff vest on the third anniversary of the grant date, subject to achieving market or performance conditions. Each tranche vests annually on March 31, following the date of grant.

In the six months ended June 30, 2022 and 2021, we made payments of \$2.7 million and zero, respectively, to tax authorities on our employees' behalf for shares withheld related to net share settlements. Withholding related to this remittance is reflected in the

Stock-based compensation expense, net caption of our consolidated statements of stockholder's equity.

NOTE 13: STOCKHOLDERS' EQUITY, ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS), AND NONCONTROLLING INTEREST

On May 13, 2022, Platinum closed on an underwritten secondary offering of 3,500,000 shares of its common stock. Concurrently, Ryerson Holding completed a share repurchase from Platinum of 1,613,022 shares of common stock for \$47.7 million. Ryerson did not offer any shares of its common stock in the transaction and did not receive any of the proceeds from the sale of the shares offered by Platinum. The Company funded the share repurchase with cash on hand. Following the closing of these transactions, Platinum's ownership of our common stock decreased from approximately 54% to approximately 43% and Ryerson Holding is no longer a "controlled company" within the meaning of the corporate governance standards of The New York Stock Exchange.

The following table details changes in Ryerson Holding Corporation Stockholders' Equity accounts for the three and six month periods ended June 30, 2022:

	Common Stock		Treasury Stock		Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Income (Loss)			Non-controlling Interest	Total Equity
	Shares	Dollars	Shares	Dollars	Dollars	Dollars	Foreign Currency Translation	Benefit Plan Liabilities	Interest Rate Swap	Dollars	Dollars
	(In millions, except shares in thousands)										
Balance at January 1, 2022	38,687	\$ 0.4	(293)	\$ (8.4)	\$ 388.6	\$ 321.7	\$ (49.1)	\$ (114.5)	\$ (1.5)	\$ 7.4	\$ 544.6
Net income	—	—	—	—	—	163.6	—	—	—	0.2	163.8
Foreign currency translation	—	—	—	—	—	—	1.5	—	—	—	1.5
Changes in defined benefit pension and other post-retirement benefit plans, net of tax of \$0.1	—	—	—	—	—	—	—	0.7	—	—	0.7
Share repurchases	—	—	(20)	(0.5)	—	—	—	—	—	—	(0.5)
Stock-based compensation expense, net	371	—	(77)	(2.7)	1.3	—	—	—	—	—	(1.4)
Cash dividends and dividend equivalents	—	—	—	—	—	(3.9)	—	—	—	—	(3.9)
Interest rate swap, net of tax of zero	—	—	—	—	—	—	—	—	0.7	—	0.7
Balance at March 31, 2022	39,058	\$ 0.4	(390)	\$ (11.6)	\$ 389.9	\$ 481.4	\$ (47.6)	\$ (113.8)	\$ (0.8)	\$ 7.6	\$ 705.5
Net income	—	—	—	—	—	196.4	—	—	—	—	196.4
Foreign currency translation	—	—	—	—	—	—	(2.2)	—	—	(0.1)	(2.3)
Changes in defined benefit pension and other post-retirement benefit plans, net of tax of \$0.4	—	—	—	—	—	—	—	0.2	—	—	0.2
Share repurchases	—	—	(1,613)	(47.7)	—	—	—	—	—	—	(47.7)
Stock-based compensation expense, net	1	—	—	—	2.6	—	—	—	—	—	2.6
Cash dividends and dividend equivalents	—	—	—	—	—	(4.7)	—	—	—	—	(4.7)
Interest rate swap, net of tax of \$0.2	—	—	—	—	—	—	—	—	0.5	—	0.5
Balance at June 30, 2022	39,059	\$ 0.4	(2,003)	\$ (59.3)	\$ 392.5	\$ 673.1	\$ (49.8)	\$ (113.6)	\$ (0.3)	\$ 7.5	\$ 850.5

The following table details changes in Ryerson Holding Corporation Stockholders' Equity accounts for the three and six month periods ended June 30, 2021:

	Accumulated Other Comprehensive Income (Loss)											
	Common Stock		Treasury Stock		Capital in Excess of Par Value	Retained Earnings	Foreign Currency Translation	Benefit Plan Liabilities	Interest Rate Swap	Non-controlling Interest	Total Equity	
	Shares	Dollars	Shares	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	
	(In millions, except shares in thousands)											
Balance at January 1, 2021	38,330	\$ 0.4	(213)	\$ (6.6)	\$ 383.1	\$ 33.8	\$ (47.0)	\$ (221.8)	\$ (3.1)	\$ 6.3	\$ 145.1	
Net income	—	—	—	—	—	25.3	—	—	—	0.3	25.6	
Foreign currency translation	—	—	—	—	—	—	0.1	—	—	(0.1)	—	
Changes in defined benefit pension and other post-retirement benefit plans, net of tax of \$0.5	—	—	—	—	—	—	—	2.0	—	—	2.0	
Stock-based compensation expense	—	—	—	—	1.6	—	—	—	—	—	1.6	
Interest rate swap, net of tax of \$0.1	—	—	—	—	—	—	—	—	0.4	—	0.4	
Balance at March 31, 2021	38,330	\$ 0.4	(213)	\$ (6.6)	\$ 384.7	\$ 59.1	\$ (46.9)	\$ (219.8)	\$ (2.7)	\$ 6.5	\$ 174.7	
Net income	—	—	—	—	—	112.9	—	—	—	0.4	113.3	
Foreign currency translation	—	—	—	—	—	—	1.5	—	—	0.1	1.6	
Changes in defined benefit pension and other post-retirement benefit plans, net of tax of \$0.6	—	—	—	—	—	—	—	2.0	—	—	2.0	
Stock-based compensation expense	357	—	—	—	1.5	—	—	—	—	—	1.5	
Interest rate swap, net of tax of \$0.2	—	—	—	—	—	—	—	—	0.4	—	0.4	
Balance at June 30, 2021	38,687	\$ 0.4	(213)	\$ (6.6)	\$ 386.2	\$ 172.0	\$ (45.4)	\$ (217.8)	\$ (2.3)	\$ 7.0	\$ 293.5	

The following table details changes in accumulated other comprehensive income (loss), net of tax, for the six months ended June 30, 2022:

	Changes in Accumulated Other Comprehensive Income (Loss) by Component, net of tax		
	Foreign Currency Translation	Benefit Plan Liabilities	Interest Rate Swap
	(In millions)		
Balance at January 1, 2022	\$ (49.1)	\$ (114.5)	\$ (1.5)
Other comprehensive loss before reclassifications	(0.7)	—	—
Amounts reclassified from accumulated other comprehensive income into net income	—	0.9	1.2
Net current-period other comprehensive income (loss)	(0.7)	0.9	1.2
Balance at June 30, 2022	\$ (49.8)	\$ (113.6)	\$ (0.3)

The following table details the reclassifications out of accumulated other comprehensive income (loss) for the three and six month periods ended June 30, 2022:

Details about Accumulated Other Comprehensive Income (Loss) Components	Reclassifications Out of Accumulated Other Comprehensive Income (Loss)			Affected line item in the Condensed Consolidated Statements of Comprehensive Income	
	Amount reclassified from Accumulated Other Comprehensive Income (Loss)				
	Three Months Ended	Six Months Ended			
	June 30, 2022				
	(In millions)				
Amortization of defined benefit pension and other post-retirement benefit plan items					
Actuarial loss	\$	0.7	\$	1.2	Other income and (expense), net
Pension settlement		—		0.1	Other income and (expense), net
Prior service credits		(0.1)		(0.1)	Other income and (expense), net
Total before tax		0.6		1.2	
Tax benefit		(0.4)		(0.3)	
Net of tax	\$	0.2	\$	0.9	
Interest rate swap					
Realized swap interest	\$	0.7	\$	1.4	Interest and other expense on debt
Tax benefit		(0.2)		(0.2)	
Net of tax	\$	0.5	\$	1.2	

Details about Accumulated Other Comprehensive Income (Loss) Components	Reclassifications Out of Accumulated Other Comprehensive Income (Loss)			Affected line item in the Condensed Consolidated Statements of Comprehensive Income
	Amount reclassified from Accumulated Other Comprehensive Income (Loss)			
	Three Months Ended	Six Months Ended		
	June 30, 2021			
	(In millions)			
Amortization of defined benefit pension and other post-retirement benefit plan items				
Actuarial loss	\$ 2.5	\$ 4.9		Other income and (expense), net
Pension settlement	0.2	0.4		Other income and (expense), net
Prior service credits	(0.1)	(0.2)		Other income and (expense), net
Total before tax	2.6	5.1		
Tax benefit	(0.6)	(1.1)		
Net of tax	\$ 2.0	\$ 4.0		
Interest rate swap				
Realized swap interest	\$ 0.6	\$ 1.1		Interest and other expense on debt
Tax benefit	(0.2)	(0.3)		
Net of tax	\$ 0.4	\$ 0.8		

NOTE 14: REVENUE RECOGNITION

We are a leading value-added processor and distributor of industrial metals with operations in the United States, Canada, Mexico, and China. We purchase large quantities of metal products from primary producers and sell these materials in smaller quantities to a wide variety of metals-consuming industries. Nearly 80% of the metals products sold are processed by us to a specified thickness, length, width, shape, and surface quality pursuant to specific customer orders.

Disaggregated Revenue

We have one operating and reportable segment, metals service centers.

The Company derives substantially all of its sales from the distribution of metals. The following table shows the Company's percentage of sales by major product line:

Product Line	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Carbon Steel Flat	29 %	31 %	30 %	30 %
Carbon Steel Plate	10	10	10	10
Carbon Steel Long	13	13	13	13
Stainless Steel Flat	18	17	18	17
Stainless Steel Plate	4	5	5	5
Stainless Steel Long	5	4	5	4
Aluminum Flat	13	13	12	13
Aluminum Plate	2	2	2	2
Aluminum Long	4	4	4	4
Other	2	1	1	2
Total	100 %	100 %	100 %	100 %

A significant majority of the Company's sales are attributable to its U.S. operations. The only operations attributed to foreign countries relate to the Company's subsidiaries in Canada, China, and Mexico. The following table summarizes consolidated financial information of our operations by geographic location based on where sales originated:

Net Sales	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
(In millions)				
United States	1,589.9	\$ 1,276.8	\$ 3,193.2	\$ 2,302.5
Foreign countries	153.6	142.2	\$ 299.1	263.8
Total	\$ 1,743.5	\$ 1,419.0	\$ 3,492.3	\$ 2,566.3

Revenue is recognized either at a point in time or over time based on if the contract has an enforceable right to payment and the type of product that is being sold to the customer, with products that are determined to have no alternative use being recognized over time. The following table summarizes revenues by the type of item sold:

Timing of Revenue Recognition	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Revenue on products with an alternative use	90 %	90 %	90 %	90 %
Revenue on products with no alternative use	10	10	10	10
Total	100 %	100 %	100 %	100 %

Contract Balances

A receivable is recognized in the period in which an invoice is issued, which is generally when the product is delivered to the customer. Payment terms on invoiced amounts are typically 30 days from the invoice date. We do not have any contracts with significant financing components.

Receivables, which are included in accounts receivables within the Condensed Consolidated Balance Sheet, from contracts with customers were \$759.5 million and \$633.0 million as of June 30, 2022 and December 31, 2021, respectively.

Contract assets, which consist primarily of revenues recognized over time that have not yet been invoiced and estimates of the value of inventory that will be received in conjunction with product returns, are reported in prepaid expenses and other current assets within the Condensed Consolidated Balance Sheets. Contract liabilities, which consist primarily of accruals associated with amounts that will be paid to customers for volume rebates, cash discounts, sales returns and allowances, estimates of shipping and handling costs associated with performance obligations recorded over time, and bill and hold transactions are reported in other accrued liabilities within the Condensed Consolidated Balance Sheets. Significant changes in the contract assets and the contract liabilities balances during the period are as follows:

	<u>Contract Assets</u>	<u>Contract Liabilities</u>
	(In millions)	
Beginning Balance at January 1, 2022	\$ 21.3	\$ 15.1
Contract liability satisfied during the period	—	(11.9)
Contract liability incurred during the period	—	15.3
Net change in contract assets and liabilities for products with no alternative use during the period	(4.5)	—
Changes to reserves	0.5	1.0
Ending Balance at June 30, 2022	<u>\$ 17.3</u>	<u>\$ 19.5</u>

The Company's performance obligations are typically short-term in nature. As a result, the Company has elected the practical expedient that provides an exemption of the disclosure requirements regarding information about remaining performance obligations on contracts that have original expected durations of one year or less.

NOTE 15: PROVISION FOR CREDIT LOSSES

Provisions for allowances and claims on accounts receivables and contract assets are based upon historical rates, expected trends, and estimates of potential returns, allowances, customer discounts, and incentives. The Company considers all available information when assessing the adequacy of the provision for allowances, claims, and doubtful accounts.

The Company performs ongoing credit evaluations of customers and sets credit limits based upon review of the customers' current credit information, payment history, and the current economic and industry environments. The Company's credit loss reserve consists of two parts: a) a provision for estimated credit losses based on historical experience and b) a reserve for specific customer collection issues that the Company has identified. Estimation of credit losses requires adjusting historical loss experience for current economic conditions and judgments about the probable effects of economic conditions on certain customers.

The following table provides a reconciliation of the provision for credit losses reported within the Condensed Consolidated Balance Sheets as of June 30, 2022:

	<u>Changes in Provision for Expected Credit Losses</u>
	(In millions)
Balance at January 1, 2022	\$ 2.2
Current period provision	0.7
Write-offs charged against allowance	(0.3)
Recoveries	0.3
Translation	0.1
Balance at June 30, 2022	<u>\$ 3.0</u>

NOTE 16: INCOME TAXES

For the three months ended June 30, 2022, the Company recorded income tax expense of \$66.8 million compared to \$38.5 million in the prior year. The income tax expense for the three months ended June 30, 2022 and 2021 primarily represent taxes at federal and local statutory rates where the Company operates, but generally exclude any tax benefit for losses in jurisdictions with historical losses. For the six months ended June 30, 2022, the Company recorded income tax expense of \$121.8 million compared to \$46.1 million in the prior year. The income tax expense for the six months ended June 30, 2022 and 2021 primarily represent taxes at federal and local statutory rates where the Company operates, but generally exclude any tax benefit for losses in jurisdictions with historical losses. The increase in the income tax provision in the first six months of 2022 compared to the first six months of 2021 is primarily a result of the increase in actual and forecasted earnings between the two periods as conditions have improved year-over-year.

As required by ASC 740, the Company assesses the realizability of its deferred tax assets. The Company records a valuation allowance when, based upon the evaluation of all available evidence, it is more-likely-than-not that all or a portion of the deferred tax assets will not be realized. In making this determination, we analyze, among other things, our recent history of earnings, the nature and timing of reversing book-tax temporary differences, tax planning strategies, and future income. The Company maintains a valuation allowance on certain foreign and U.S. federal deferred tax assets until such time as in management's judgment, considering all available positive and negative evidence, the Company determines that these deferred tax assets are more likely than not realizable. The valuation allowance is reviewed quarterly and will be maintained until sufficient positive evidence exists to support the reversal of some or all of the valuation allowance. The valuation allowance was \$5.0 million at both June 30, 2022 and December 31, 2021.

The Company accounts for uncertain income tax positions in accordance with ASC 740. We anticipate that certain statutes of limitation will close within the next twelve months resulting in the immaterial reduction of the reserve for uncertain tax benefits related to various intercompany transactions. No changes were recorded in the first six months of 2022, therefore, the balance of \$0.8 million at December 31, 2021 remains unchanged.

NOTE 17: EARNINGS PER SHARE

Basic earnings per share attributable to Ryerson Holding's common stock is determined based on earnings for the period divided by the weighted average number of common shares outstanding during the period. Diluted earnings per share attributable to Ryerson Holding's common stock considers the effect of potential common shares, unless inclusion of the potential common shares would have an antidilutive effect. The weighted average number of shares excluded as they would have had an antidilutive effect were 199,045 and 99,522 for the three and six-month periods ended June 30, 2022, respectively, and 81,877 and 40,939 for the three and six-month periods ended June 30, 2021, respectively.

The following table sets forth the calculation of basic and diluted earnings per share:

Basic and diluted earnings per share	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	(In millions, except number of shares which are reflected in thousands and per share data)			
Numerator:				
Net income attributable to Ryerson Holding Corporation	\$ 196.4	\$ 112.9	\$ 360.0	\$ 138.2
Denominator:				
Weighted average shares outstanding	37,799	38,459	38,093	38,289
Dilutive effect of stock-based awards	725	271	779	397
Weighted average shares outstanding adjusted for dilutive securities	38,524	38,730	38,872	38,686
Earnings per share				
Basic	\$ 5.20	\$ 2.94	\$ 9.45	\$ 3.61
Diluted	\$ 5.10	\$ 2.91	\$ 9.26	\$ 3.57

NOTE 18: SUBSEQUENT EVENTS

Bond Repurchase. On July 23, 2022, the Company redeemed \$50.0 million in aggregate principal amount of the 2028 Notes for \$51.5 million, which was at a redemption price of 103.0% of the principal amount, resulting in the recognition of a \$1.5 million loss within other income and (expense), net in the third quarter Condensed Consolidated Statement of Comprehensive Income. The Company funded the transaction with cash on hand. As a result of this redemption, no 2028 Notes remain outstanding. The Company will write-off the remaining balance of the 2028 Notes issuance costs and will record a charge of \$0.7 million within other interest and other expense on debt in the third quarter Condensed Consolidated Statement of Comprehensive Income.

Share Repurchase Authorization. On August 3, 2022, the Board of Directors approved a \$75.0 million share repurchase authorization after the exhaustion of the previous share repurchase authorization during the second quarter of 2022. Under the authorization, which is effective through August 3, 2024, management has discretion in determining the conditions under which shares may be purchased from time to time.

Dividends. On August 3, 2022, the Board of Directors declared a quarterly cash dividend in the amount of \$0.15 per share of common stock, payable on September 15, 2022 to stockholders of record as of September 1, 2022. Future quarterly dividends, if any, will be subject to Board approval.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This Quarterly Report contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements can be identified by the use of forward-looking terminology such as “objectives,” “goals,” “preliminary,” “range,” “believes,” “expects,” “may,” “estimates,” “will,” “should,” “plans,” or “anticipates” or the negative thereof or other variations thereon or comparable terminology, or by discussions of strategy. Readers are cautioned that any such forward-looking statements are not guarantees of future performance and may involve significant risks and uncertainties, and that actual results may vary materially from those anticipated or implied in the forward-looking statements as a result of various factors. These forward-looking statements involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. Forward-looking statements should, therefore, be considered in light of various factors, including those set forth under “Special Note Regarding Forward-Looking Statements” and “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2021 filed on February 23, 2022 and the section entitled “Management's Discussion and Analysis of Financial Condition and Results of Operations – Industry and Operating Trends” and elsewhere in this Quarterly Report on Form 10-Q. Moreover, we caution you not to place undue reliance on these forward-looking statements, which speak only as of the date they were made. We do not undertake any obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date of this Quarterly Report or to reflect the occurrence of unanticipated events.

The contents herein are provided for general information purposes only and do not constitute an offer to sell or buy, or a solicitation of an offer to buy, any security (“Security”) of Ryerson Holding or its affiliates in any jurisdiction. Ryerson does not intend to solicit and is not soliciting, any action with respect to any Security or any other contractual relationship with Ryerson. Nothing in this Form 10-Q, individually or taken in the aggregate, constitutes an offer of securities for sale or buy, or a solicitation of an offer to buy, any Security in the United States, or to US persons, or in any other jurisdiction in which such an offer or solicitation is unlawful.

The following discussion should be read in conjunction with our Condensed Consolidated Financial Statements and related Notes thereto in Item 1, “Financial Statements” in this Quarterly Report on Form 10-Q and our Consolidated Financial Statements and related Notes thereto for the year ended December 31, 2021 in our Annual Report on Form 10-K filed on February 23, 2022.

Industry and Operating Trends

We are a metals service center providing value-added processing and distribution of industrial metals with operations in the United States, Canada, Mexico, and China. We purchase large quantities of metal products from primary producers and sell these materials in smaller quantities to a wide variety of metals-consuming industries. We carry a full line of nearly 75,000 products in stainless steel, aluminum, carbon steel, and alloy steels and a limited line of nickel and red metals in various shapes and forms. In addition to our metals products, we offer numerous value-added processing and fabrication services, and nearly 80% of the metals products we sell are processed by us by bending, beveling, blanking, blasting, burning, cutting-to-length, drilling, embossing, flattening, forming, grinding, laser cutting, machining, notching, painting, perforating, polishing, punching, rolling, sawing, scribing, shearing, slitting, stamping, tapping, threading, welding, or other techniques to process materials to a specified thickness, length, width, shape, and surface quality pursuant to specific customer orders.

Similar to other metals service centers, we maintain substantial inventories of metals to accommodate the short lead times and just-in-time delivery requirements of our customers. Accordingly, we purchase metals to maintain our inventory at levels that we believe to be appropriate to satisfy the anticipated needs of our customers based upon customer forecasts, historic buying practices, supply agreements with customers, mill lead times, and market conditions. Our commitments to purchase metals are generally at prevailing market prices in effect at the time we place our orders. At the request of our customers, we have entered into swaps in order to mitigate our customers' risk of volatility in the price of metals and we have entered into metals hedges to mitigate our own risk of volatility in the price of metals. We have no long-term, fixed-price metals purchase contracts. When metals prices decline, customer demands for lower prices and our competitors' responses to those demands could result in lower sale prices and, consequently, lower gross profits and earnings as we sell existing metals inventory. When metals prices increase, competitive conditions will influence how much of the price increase we may pass on to our customers.

The metals service center industry is cyclical and volatile in both pricing and demand, and difficult to predict. In the first half of 2022, Ryerson experienced stronger pricing compared to the first half of 2021, with average selling prices 42.6% higher, reflective of the strong commodity pricing environment caused by global demand outpacing supply availability, trade disruption due to the Russian war on Ukraine, and customers building inventory in preparation for continued supply chain issues. Changes in average selling prices are primarily driven by commodity metals prices, which impact Ryerson's selling prices.

Key industry indicators showed slowing growth in the second quarter of 2022. This is evidenced by the Institute for Supply Management's Purchasing Managers' Index (“PMI”), which reported sequential declines in April, May, and June. Additionally, U.S. Industrial Production decreased year-over year for the month of June, signifying slowing conditions.

According to the Metal Service Center Institute, North American service center volumes declined by 4.4% in the first half of 2022 compared to the first half of 2021. On a North American basis, Ryerson performed better than the industry with volumes

declining 2.7% over the same period. However, on a quarterly sequential basis, industry volume growth of 0.3% was greater than Ryerson's volume decrease of 0.7%. On a quarterly sequential basis, Ryerson end-market demand decreased in the HVAC and food processing and agricultural equipment sectors, but was partially offset by demand growth in the oil & gas, metal fabrication and machine shops, as well as commercial ground transportation sectors.

First Six Months 2022 vs. First Six Months 2021 performance highlights

\$3.5B	25.1%	\$360M
Total Revenues	Gross Margin	Net Income Attributable to Ryerson
36% increase	740 bps increase	\$222M increase
\$9.26	\$9.56	\$168M
Diluted EPS	Adj. Diluted EPS*	Cash from Operating Activities
\$5.69 increase	\$8.06 increase	\$219M increase

*A reconciliation of the non-GAAP financial measure to the comparable GAAP measure is included in the subsequent table.

Ryerson generated revenues of \$3.5 billion in the first six months of 2022, an increase of 36.1% compared to \$2.6 billion for the first six months of 2021, with average selling prices 42.6% higher and tons shipped 4.5% lower. In the first six months of 2022, gross margin expanded to 25.1% compared to 17.7% for the first six months of 2021. Included in the first six months of 2022 cost of materials sold was LIFO income of \$71.6 million, compared to LIFO expense of \$188.6 million in the first six months of 2021. Net income attributable to Ryerson Holding Corporation was \$360.0 million, or earnings of \$9.26 per diluted share, in the first six months of 2022 compared to net income attributable to Ryerson Holding Corporation of \$138.2 million, or income of \$3.57 per diluted share, for the first six months of 2021.

To provide greater insight into the Company's operating trends for the first six months of 2022 apart from the period's one-time transactions, Ryerson provides adjusted net income and adjusted diluted earnings per share figures, which are not U.S. generally accepted accounting principles ("GAAP") financial measures, to compliment the reported GAAP net income and diluted earnings per share figures. Management uses these metrics to assess year-over-year performance excluding non-recurring transactions. Adjusted net income and adjusted diluted earnings per share do not represent, and should not be used as a substitute for, net income or diluted earnings per share determined in accordance with GAAP. Illustrated in the below table, the first six months of 2022 net income attributable to Ryerson of \$360.0 million includes a loss on retirement of debt of \$19.8 million and a gain on sale of assets of \$3.8 million. After adjusting for these non-core business transactions and the related income tax provision, the adjusted net income attributable to Ryerson for the first six months of 2022 is \$371.9 million, an increase of \$313.8 million compared to the year-ago adjusted net income attributable to Ryerson of \$58.1 million which adjusted a gain on the sale of assets of \$107.7 million and related income taxes.

(Dollars and shares in millions, except per share data)	First Half 2022	First Half 2021
Net income attributable to Ryerson Holding Corporation	\$ 360.0	\$ 138.2
Gain on sale of assets	(3.8)	(107.7)
Loss on retirement of debt	19.8	—
Provision (benefit) for income taxes on above items	(4.1)	27.6
Adjusted net income attributable to Ryerson Holding Corporation	\$ 371.9	\$ 58.1
Diluted earnings per share	\$ 9.26	\$ 3.57
Adjusted diluted earnings per share	\$ 9.56	\$ 1.50
Shares outstanding – diluted	38.9	38.7

Recent Developments

After the Russian forces invaded Ukraine on February 24, 2022, the Biden administration issued executive orders prohibiting the importation of goods from covered regions related to Ukraine and Russia. Ryerson takes this very seriously and has reviewed our direct and indirect material purchases to ensure compliance. On April 8, 2022, President Biden signed into law the Suspending Normal Trade Relations with Russia and Belarus Act, which denies "most-favored nation" tariff treatment to products of Russia and Belarus

and extends the President's authority to impose sanctions under the Global Magnitsky Human Rights Accountability Act. Beginning April 9, 2022, the Act imposes a 10.5% import duty on unalloyed primary aluminum and 11.0% on value-add aluminum products. The import duties are not expected to have a meaningful impact on the availability of aluminum for Ryerson. In 2022, the Company has not purchased material from Russia or the named Ukrainian regions and has no open purchases orders issued to Russian suppliers as of June 30, 2022.

On August 10, 2021, the Senate passed the Infrastructure Investment and Jobs Act, a \$1.2 trillion bill which features \$550 billion in new federal spending over 5 years. Included in this spending is investment in roads, bridges, and major projects, passenger and freight rail, electrical grid improvements, expansion of broadband access, transit systems, infrastructure for electric vehicles, and improvements to water systems. This bill was signed into law on November 15, 2021. The Company believes that the additional government spending on infrastructure projects under the Infrastructure Investment and Jobs Act may generate additional demand for our products especially within the industrial equipment, construction, green energy, and transportation industries. Accordingly, we anticipate that the Infrastructure Investment and Jobs Act will be beneficial to the Company, but ultimately the impact on the Company's operations is unclear.

On April 22, 2021, the U.S. International Trade Commission ("USITC") confirmed the Department of Commerce's affirmative antidumping duty determinations and injury determinations regarding US imports of common alloy aluminum sheet. As a result, the USITC has issued final antidumping duty orders on U.S. imports of common alloy aluminum sheet from the following sixteen countries: Bahrain, Brazil, Croatia, Egypt, Germany, India, Indonesia, Italy, Oman, Romania, Serbia, Slovenia, South Africa, Spain, Taiwan, and Turkey. Antidumping rates differ greatly depending on country of origin and producing mill and range from the low single digits to as high as 243%. Ryerson anticipates that the actions of the USITC will support the prices of domestically produced aluminum sheet and therefore benefit the Company's average selling prices.

On March 1, 2018, the White House announced a 25% tariff on all imported steel products and 10% tariff on all imported aluminum products for an indefinite amount of time under Section 232 of the Trade Expansion Act ("Section 232"). These tariffs, while in effect, have discouraged metal imports from non-exempt countries and have had a favorable impact on the prices of the products we sell and our results of operations. In October 2021, the US and European Union agreed to revise Section 232 tariffs applied to the import of European steel and aluminum, allowing for the duty-free import of European steel and aluminum into the US, subject to tariff rate quotas. Specifically, the tariff rate quota includes the duty-free import of 3.3 million metric tons of steel melted and poured in the European Union, 18 thousand metric tons of unwrought aluminum, and 366 thousand metric tons of semi-finished aluminum. The revision is to be applied on January 1, 2022. Tariff rate quotas have since been implemented for Japan and the United Kingdom at 1.25 million metric tons and 0.5 million metric tons, respectively. Effective dates for the revisions are April 1, 2022 for Japan and June 1, 2022 for the United Kingdom.

Components of Results of Operations

We generate substantially all of our revenue from sales of our metals products. The majority of revenue is recognized upon delivery of product to customers. The timing of shipment is substantially the same as the timing of delivery to customers given the proximity of our distribution sites to our customers. Revenues associated with products which we believe have no alternative use, and where the Company has an enforceable right to payment, are recognized on an over-time basis. Over-time revenues are recorded in proportion with the progress made toward completing the performance obligation.

Sales, cost of materials sold, gross profit, and operating expense control are the principal factors that impact our profitability.

Net sales. Our sales volume and pricing are driven by market demand, which is largely determined by overall industrial production and conditions in the specific industries in which our customers operate. Sales prices are also primarily driven by market factors such as overall demand and availability of product. Our net sales include revenue from product sales, net of returns, allowances, customer discounts, and incentives.

Cost of materials sold. Cost of materials sold includes metal purchase and in-bound freight costs, third-party processing costs, and direct and indirect internal processing costs. The cost of materials sold fluctuates with our sales volume and our ability to purchase metals at competitive prices. Increases in sales volume generally enable us to improve purchasing leverage with suppliers, as we buy larger quantities of metals inventories.

Gross profit. Gross profit is the difference between net sales and the cost of materials sold. Our sales prices to our customers are subject to market competition. Achieving acceptable levels of gross profit is dependent on our acquiring metals at competitive prices, our ability to manage the impact of changing prices, and efficiently managing our internal and external processing costs.

Operating expenses. Optimizing business processes and asset utilization to lower fixed expenses such as employee, facility, and truck fleet costs, which cannot be rapidly reduced in times of declining volume, and maintaining a low fixed cost structure in times of increasing sales volume, have a significant impact on our profitability. Operating expenses include costs related to warehousing and distributing our products as well as selling, general, and administrative expenses.

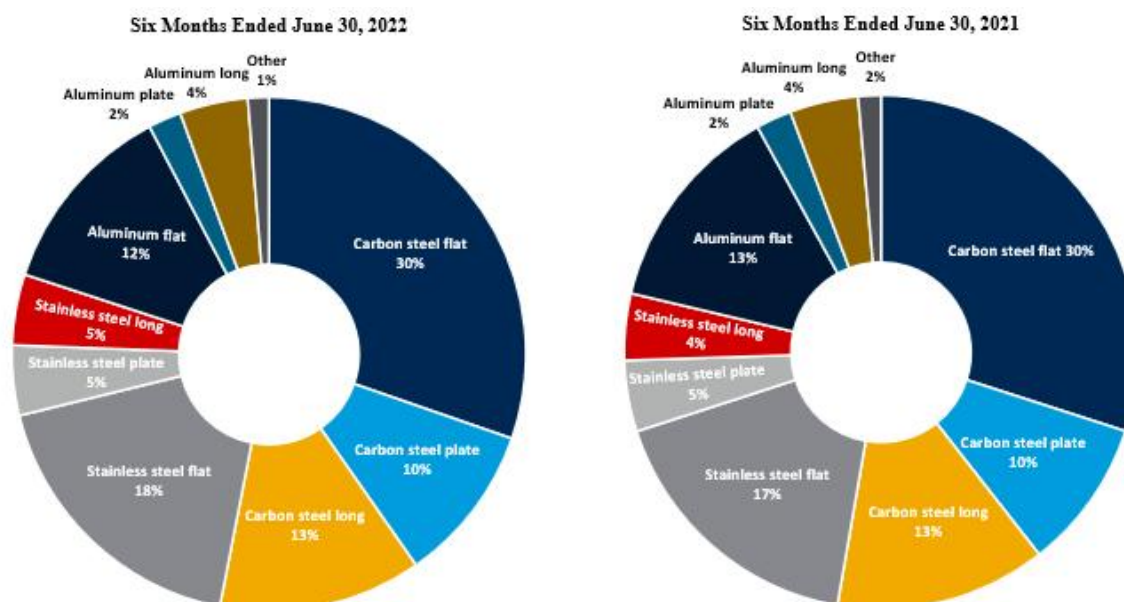
Results of Operations — Comparison of Three and Six Months Ended June 30, 2022 to Three and Six Months Ended June 30, 2021

The following table sets forth our condensed consolidated statements of income data for the three-month and six-month periods ended June 30, 2022 and 2021 (certain percentages may not calculate due to rounding):

	Three Months Ended June 30,				Six Months Ended June 30,			
	2022		2021		2022		2021	
	\$	% of Net Sales	\$	% of Net Sales	\$	% of Net Sales	\$	% of Net Sales
	(\$ in millions)				(\$ in millions)			
Net sales	\$ 1,743.5	100.0%	\$ 1,419.0	100.0%	\$ 3,492.3	100.0%	\$ 2,566.3	100.0%
Cost of materials sold	1,277.6	73.3	1,162.0	81.9	2,616.3	74.9	2,111.4	82.3
Gross profit	465.9	26.7	257.0	18.1	876.0	25.1	454.9	17.7
Warehousing, delivery, selling, general, and administrative expenses	182.9	10.5	178.3	12.6	358.2	10.3	350.1	13.6
Gain on sale of assets	(3.8)	(0.2)	(87.4)	(6.2)	(3.8)	(0.1)	(107.7)	(4.2)
Operating profit	286.8	16.4	166.1	11.7	521.6	14.9	212.5	8.3
Other (expenses) and income	(23.6)	(1.4)	(14.3)	(1.0)	(39.6)	(1.1)	(27.5)	(1.1)
Income before income taxes	263.2	15.1	151.8	10.7	482.0	13.8	185.0	7.2
Provision for income taxes	66.8	3.8	38.5	2.7	121.8	3.5	46.1	1.8
Net income	196.4	11.3	113.3	8.0	360.2	10.3	138.9	5.4
Less: Net income attributable to noncontrolling interest	—	—	0.4	—	0.2	—	0.7	—
Net income attributable to Ryerson Holding Corporation	\$ 196.4	11.3%	\$ 112.9	8.0%	\$ 360.0	10.3%	\$ 138.2	5.4%
Basic earnings per share	\$ 5.20		\$ 2.94		\$ 9.45		\$ 3.61	
Diluted earnings per share	\$ 5.10		\$ 2.91		\$ 9.26		\$ 3.57	

Net sales

The following charts show the Company's percentage of sales by major product lines for the six months ended June 30, 2022 and 2021:



	June 30,		Dollar change	Percentage change
	2022	2021		
	(\$ in millions)			
Net sales (three-months ended)	\$ 1,743.5	\$ 1,419.0	\$ 324.5	22.9 %
Net sales (six-months ended)	\$ 3,492.3	\$ 2,566.3	\$ 926.0	36.1 %

	June 30,		Tons change	Percentage change
	2022	2021		
	(in thousands)			
Tons sold (three-months ended)	524	559	(35)	(6.3) %
Tons sold (six-months ended)	1,052	1,102	(50)	(4.5) %

	June 30,		Price change	Percentage change
	2022	2021		
Average selling price per ton sold (three-months ended)	\$ 3,327	\$ 2,538	\$ 789	31.1 %
Average selling price per ton sold (six-months ended)	\$ 3,320	\$ 2,329	\$ 991	42.6 %

Revenue for the three-month and six-month periods ended June 30, 2022 increased from the same periods a year ago due to higher average selling prices caused by higher commodity prices and supply constraints. Compared to the year ago periods, average selling price increased for all of our product lines in the three-month and six-month periods ended June 30, 2022 with the largest increases in our stainless flat, stainless long, carbon plate, and aluminum flat products. Tons sold decreased in the three-month and six-month periods ended June 30, 2022, compared to the year ago periods, for almost all of our product lines with the largest decreases in our stainless flat, aluminum flat, aluminum plate, and stainless plate product lines.

Cost of materials sold

	June 30,					
	2022		2021			
	\$	% of Net Sales	\$	% of Net Sales	Dollar change	Percentage change
	(\$ in millions)					
Cost of materials sold (three-months ended)	\$ 1,277.6	73.3 %	\$ 1,162.0	81.9 %	\$ 115.6	9.9 %
Cost of materials sold (six-months ended)	\$ 2,616.3	74.9 %	\$ 2,111.4	82.3 %	\$ 504.9	23.9 %

	June 30,		Cost change	Percentage change
	2022	2021		
Average cost of materials sold per ton sold (three-months ended)	\$ 2,438	\$ 2,078	\$ 360	17.3 %
Average cost of materials sold per ton sold (six-months ended)	\$ 2,487	\$ 1,916	\$ 571	29.8 %

The increase in cost of materials sold in the three-month and six-month periods ended June 30, 2022 compared to the year ago periods is primarily due to the increase in average cost of materials sold per ton partially offset by lower tons sold. The average cost of materials sold increased across all product lines with the largest increases in our carbon plate, carbon flat, and stainless long product lines during the three-month and six-month periods ended June 30, 2022. During the second quarter of 2022, LIFO income was \$73.8 million compared to LIFO expense of \$104.8 million in the second quarter of 2021. During the first six months of 2022, LIFO income was \$71.6 million compared to LIFO expense of \$188.6 million in the first six months of 2021.

Gross profit

	June 30,				Dollar change	Percentage change			
	2022		2021						
	\$	% of Net Sales	\$	% of Net Sales					
	(\$ in millions)								
Gross profit (three-months ended)	\$	465.9	26.7 %	\$	257.0	18.1 %	\$	208.9	81.3 %
Gross profit (six-months ended)	\$	876.0	25.1 %	\$	454.9	17.7 %	\$	421.1	92.6 %

Gross profit increased in the three-month and six-month periods ended June 30, 2022 compared to the year ago periods as average selling price increased faster than the increase in the average cost of materials sold resulting in an increase in gross margin.

Operating expenses

	June 30,					
	2022		2021			
	\$	% of Net Sales	\$	% of Net Sales	Dollar change	Percentage change
	(\$ in millions)					
Warehousing, delivery, selling, general, and administrative expenses (three-months ended)	\$ 182.9	10.5 %	\$ 178.3	12.6 %	\$ 4.6	2.6 %
Warehousing, delivery, selling, general, and administrative expenses (six-months ended)	\$ 358.2	10.3 %	\$ 350.1	13.6 %	\$ 8.1	2.3 %
Gain on sale of assets (three-months ended)	\$ (3.8)	(0.2) %	\$ (87.4)	(6.2) %	\$ 83.6	(95.7) %
Gain on sale of assets (six-months ended)	\$ (3.8)	(0.1) %	\$ (107.7)	(4.2) %	\$ 103.9	(96.5) %

Warehousing, delivery, selling, general, and administrative expenses increased slightly in the three-month and six-month periods ended June 30, 2022 compared to the year ago periods primarily due to higher facility costs of \$6.1 million in the second quarter and \$9.5 million in the first six months of 2022 primarily due to higher operating supplies and to higher rent expense after the leaseback of facilities sold in 2021, higher selling, general, and administrative expenses of \$4.4 million in the second quarter of 2022 and \$7.8 million in the first six months of 2022 primarily due to higher consulting fees and higher travel and entertainment expenses, increased salaries and wages expense of \$2.8 million in the second quarter of 2022 and \$6.4 million in the first six months of 2022, and increased delivery expenses of \$4.0 million in the second quarter of 2022 and \$6.0 million in the first six months of 2022 primarily due to higher fuel prices. Partially offsetting the increase in expenses was a decrease in incentive compensation of \$14.1 million in the second quarter of 2022 and \$21.0 million in the first six months of 2022.

The second quarter of 2022 includes a gain on sale of assets of \$3.8 million from the sale of a facility in Texas that Ryerson had an option to purchase. In the second quarter of 2021, we recognized a gain of \$87.4 million on the sale and leaseback of twelve facilities across the United States. In the first quarter of 2021, we recognized a gain on sale of assets of \$20.3 million from the sale and leaseback of our Renton, Washington facility.

Operating profit

	June 30,								
	2022		2021		Dollar change	Percentage change			
	\$	% of Net Sales	\$	% of Net Sales					
	(\$ in millions)								
Operating profit (three-months ended)	\$	286.8	16.4 %	\$	166.1	11.7 %	\$	120.7	72.7 %
Operating profit (six-months ended)	\$	521.6	14.9 %	\$	212.5	8.3 %	\$	309.1	145.5 %

Our operating profit increased in the three-month and six-month periods ended June 30, 2022 compared to the three-month and six-month periods ended June 30, 2021, primarily due to the increase in average selling prices discussed above.

Other expenses

	June 30,					
	2022		2021			
	\$	% of Net Sales	\$	% of Net Sales	Dollar change	Percentage change
	(\$ in millions)					
Interest and other expense on debt (three-months ended)	\$ (8.3)	(0.5)%	\$ (13.6)	(1.0)%	\$ (5.3)	(39.0)%
Interest and other expense on debt (six-months ended)	\$ (18.6)	(0.5)%	\$ (27.1)	(1.1)%	\$ (8.5)	(31.4)%
Other income and (expense), net (three-months ended)	\$ (15.3)	(0.9)%	\$ (0.7)	—	\$ (14.6)	(2,085.7)%
Other income and (expense), net (six-months ended)	\$ (21.0)	(0.6)%	\$ (0.4)	—	\$ (20.6)	(5,150.0)%

Interest and other expense on debt decreased in the three-month and six-month periods ended June 30, 2022 compared to the year ago periods primarily due to the redemption and repurchase of \$400.0 million principal amount of our 8.50% senior secured notes due 2028 (the “2028 Notes”) since June 30, 2021. In July 2021, \$150.0 million of the 2028 Notes were redeemed and \$250.0 million were repurchased and retired in the first six months of 2022. Partially offsetting the impact of lower outstanding 2028 Notes was higher interest expense in the three-month and six-month periods ended June 30, 2022 due to a higher level of borrowings outstanding under our \$1.3 billion revolving credit facility (“the Ryerson Credit Facility”) compared to the year ago periods.

The other expense in the second quarter and first six months of 2022 includes a \$14.5 million loss and a \$19.8 million loss, respectively, on the repurchases of the 2028 Notes. In addition, the other expense in the second quarter and first six months of 2022 includes \$0.7 million of foreign exchange losses. The other expense in the second quarter and first six months of 2021 includes a \$1.3 million loss and a \$1.0 million loss, respectively, resulting from the change in the fair value of the embedded derivative connected with the redemption options under the 2028 Notes.

Provision for income taxes. Our effective income tax rate was 25.4% in the second quarter of 2022 and 25.3% in the first six months of 2022 compared to 25.4% in the second quarter of 2021 and 24.9% in the first six months of 2021. The differences between our effective income tax rates and the U.S. federal statutory rate of 21.0% were mainly due to state and foreign income taxes partially offset by the effects of certain discrete items recorded during the periods.

Earnings per share. Basic earnings per share was \$5.20 in the second quarter of 2022 and \$9.45 in the first six months of 2022 compared to basic income per share of \$2.94 in the second quarter of 2021 and \$3.61 in the first six months of 2021. Diluted earnings per share was \$5.10 in the second quarter of 2022 and \$9.26 in the first six months of 2022 compared to diluted income per share of \$2.91 in the second quarter of 2021 and \$3.57 in the first six months of 2021. The changes in earnings per share are due to the results of operations discussed above.

Liquidity and Cash Flows

Our primary sources of liquidity are cash and cash equivalents, cash flows from operations, and borrowing availability under the Ryerson Credit Facility. Our principal source of operating cash is from the sale of metals and other materials. Our principal uses of cash are for payments associated with the procurement and processing of metals and other materials inventories, costs incurred for the warehousing and delivery of inventories, the selling and administrative costs of the business, and capital expenditures.

We had cash and cash equivalents of \$41.4 million at June 30, 2022, compared to \$51.2 million at December 31, 2021. Our total debt outstanding at June 30, 2022 decreased to \$534 million compared to \$639 million at December 31, 2021 due to income from operations in the first six months of 2022. We had a debt-to-capitalization ratio of 39% and 54% at June 30, 2022 and at December 31, 2021, respectively. We had total liquidity (defined as cash and cash equivalents and availability under the Ryerson Credit Facility and foreign debt facilities) of \$894 million at June 30, 2022 versus \$741 million at December 31, 2021. Our net debt (defined as total debt less cash and cash equivalents) was \$492 million and \$588 million at June 30, 2022 and December 31, 2021, respectively. Total liquidity and net debt are not U.S. generally accepted accounting principles (“GAAP”) financial measures. We believe that total liquidity provides additional information for measuring our ability to fund our operations. Total liquidity does not represent, and should not be used as a substitute for, net income or cash flows from operations as determined in accordance with GAAP and total liquidity is not necessarily an indication of whether cash flow will be sufficient to fund our cash requirements. We believe that net debt provides a clearer perspective of the Company’s overall debt profile. Net debt should not be used as a substitute for total debt outstanding as determined in accordance with GAAP.

Below is a reconciliation of cash and cash equivalents to total liquidity:

	June 30, 2022	December 31, 2021
	(In millions)	
Cash and cash equivalents	\$ 41	\$ 51
Availability under Ryerson Credit Facility and foreign debt facilities	853	690
Total liquidity	<u>\$ 894</u>	<u>\$ 741</u>

Below is a reconciliation of total debt to net debt:

	June 30, 2022	December 31, 2021
	(In millions)	
Total debt	\$ 533.5	\$ 639.3
Less: cash and cash equivalents	(41.4)	(51.2)
Net debt	<u>\$ 492.1</u>	<u>\$ 588.1</u>

Of the total cash and cash equivalents, as of June 30, 2022, \$12.5 million was held in subsidiaries outside the United States which is deemed to be permanently reinvested. Ryerson does not currently foresee a need to repatriate earnings from its non-U.S. subsidiaries. Although Ryerson has historically satisfied needs for more capital in the U.S. through debt or equity issuances, Ryerson could elect to repatriate earnings held in foreign jurisdictions, which could result in higher effective tax rates. We have not recorded a deferred tax liability for the effect of a possible repatriation of these earnings as management intends to permanently reinvest these earnings outside of the U.S. Specific plans for reinvestment include funding for future international acquisitions and funding of existing international operations.

The following table summarizes the Company's cash flows:

	Six Months Ended June 30,	
	2022	2021
	(In millions)	
Net income	\$ 360.2	\$ 138.9
Gain on sale of assets	(3.8)	(107.7)
Loss on retirement of debt	19.8	—
Non-cash (gain) loss from derivatives	(15.4)	40.4
Change in operating assets and liabilities:		
Receivables	(126.9)	(275.9)
Inventories	(179.9)	(109.1)
Accounts payable	118.3	200.0
All other operating cash flows	(4.3)	62.3
Net cash provided by (used in) operating activities	168.0	(51.1)
Acquisitions, net of cash acquired	(5.8)	—
Capital expenditures	(42.8)	(13.3)
Proceeds from sale of property, plant, and equipment	7.2	165.9
All other investing cash flows	(2.0)	(0.5)
Net cash provided by (used in) investing activities	(43.4)	152.1
Repayment of debt	(268.6)	(0.9)
Net proceeds (repayments) of short-term borrowings	142.8	(139.6)
Net increase in book overdrafts	57.0	21.6
Dividends paid to shareholders	(8.5)	—
Share repurchases	(48.2)	—
All other financing cash flows	(10.6)	(5.1)
Net cash used in financing activities	(136.1)	(124.0)
Effect of exchange rates on cash and cash equivalents	1.7	(0.3)
Net decrease in cash and cash equivalents	\$ (9.8)	\$ (23.3)

Operating activities. Working capital fluctuates throughout the year based on business needs. Working capital needs tend to be counter-cyclical, meaning that in periods of expansion the Company will use cash to fund working capital requirements, but in periods of contraction the Company will generate cash from reduced working capital requirements. In the first six months of 2021, working capital requirements increased as average selling prices increased due to supply constraints as mills were slow to come back online after COVID-19 shutdowns in 2020. Similarly in the first six months of 2022, average selling prices continued to increase due to supply constraints and briefly, due to the war between Russia and Ukraine. The first six months of 2022, however, resulted in cash generated from operations, as opposed to a use of cash in the same period of 2021, due to average selling prices being 43% higher, resulting in significantly higher operating profits offsetting a build in working capital.

Investing activities. The Company's main investing activities are capital expenditures and proceeds from the sale of property, plant, and equipment. Capital expenditures have increased year-over-year to \$42.8 million for the first six months of 2022 compared to \$13.3 million in the first six months of 2021 as the capital expenditure budget for 2022 was increased to partially utilize the proceeds from two of the 2021 sale-leaseback transactions to modernize operations and to invest in two new facilities in 2022. The Company sold property, plant, and equipment and assets held for sale generating cash proceeds of \$7.2 million and \$165.9 million during the first six months of 2022 and 2021, respectively. The Company paid \$5.8 million in the first six months of 2022 to acquire Apogee Steel Fabrication Incorporated and Ford Tool Steels, Inc. See Note 7: Acquisitions within Part I, Item I of this report, for further discussion of the acquisitions.

Financing activities. The Company's main source of liquidity to fund working capital requirements is borrowings on the Ryerson Credit Facility. In the first six months of 2022, we repurchased and retired \$250.0 million principal of our 2028 Notes, which was partially offset by an increase of \$152.5 million in Credit Facility borrowings. Book overdrafts fluctuate based on the timing of payments. In the first six months of 2022, we repurchased \$48.2 million of our common stock. The Company started paying quarterly cash dividends in the third quarter of 2021 and \$8.5 million was paid to shareholders in the first six months of 2022.

As market conditions warrant and subject to our contractual restrictions, liquidity position, and other factors, we may from time to time seek to refinance, repurchase, or retire any outstanding debt through cash purchases and/or exchanges for other debt or equity securities in open market transactions, privately negotiated transactions, by tender offer, or otherwise. Any such cash repurchases by us may be funded by cash on hand or by incurring additional debt. The amounts involved in any such transactions, individually or in the aggregate, may be material. Furthermore, any such repurchases or exchanges may result in our acquiring and retiring a substantial amount of such indebtedness, which would impact the trading liquidity of such indebtedness.

Off-Balance Sheet Arrangements. In the normal course of business with customers, vendors, and others, we have entered into off-balance sheet arrangements, such as letters of credit, which totaled \$18 million as of June 30, 2022. We do not have any other material off-balance sheet financing arrangements. Our off-balance sheet arrangements are not likely to have a material effect on our current or future financial condition, results of operations, liquidity, or capital resources.

Capital Resources

We believe that cash flow from operations and proceeds from the Ryerson Credit Facility will provide sufficient funds to meet our contractual obligations and operating requirements in the normal course of business.

Total debt in the Condensed Consolidated Balance Sheet decreased to \$533.5 million at June 30, 2022 from \$639.3 million at December 31, 2021, mainly due to cash generated from operating activities in the first six months of 2022.

Total debt outstanding as of June 30, 2022 consisted of the following amounts: \$468.5 million borrowings under the Ryerson Credit Facility, \$50.0 million under the 2028 Notes, \$17.3 million of foreign debt, and \$5.2 million of other debt, less \$7.5 million of unamortized debt issuance costs. For further information, see Note 8: Long Term Debt in Part I, Item I - Notes to Condensed Consolidated Financial Statements.

Pension Funding

At December 31, 2021, pension liabilities exceeded plan assets by \$95.8 million. Through the six months ended June 30, 2022, we have made \$4.6 million in pension contributions and we anticipate an additional minimum required pension contribution of approximately \$2.0 million in the remaining six months of 2022 under the Employee Retirement Income Security Act of 1974 ("ERISA") and Pension Protection Act in the U.S. and Ontario Pension Benefits Act in Canada. The expected future contributions reflect recent pension funding relief measures under the American Rescue Plan Act ("ARPA") passed in March 2021. Future contribution requirements depend on the investment returns on plan assets, the impact of discount rates on pension liabilities, and changes in regulatory requirements. We are unable to determine the amount or timing of any such contributions required by ERISA or whether any such contributions would have a material adverse effect on our financial position or cash flows.

Changes in returns on plan assets may affect our plan funding, cash flows, and financial condition. Differences between actual plan asset returns and the expected long-term rate of return on plan assets impact the measurement of the following year's pension expense and pension funding requirements. However, we believe that cash flow from operations and the Ryerson Credit Facility described above will provide sufficient funds to make the minimum required contributions.

Material Cash Requirements

The Company expects to make approximately \$541.0 million in principal payments to satisfy its debt obligations, consisting of \$50.0 million of the 2028 Notes which were redeemed on July 23, 2022, \$17.3 million of foreign debt coming due within a year, \$5.2 million of other debt coming due through 2025, and \$468.5 million for the Ryerson Credit Facility coming due in 2027. Please refer to Part I, Item I - Notes to the Condensed Consolidated Financial Statements, Note 8: Long Term Debt for further information, and Note 18: Subsequent Events.

The Company expects to pay approximately \$25 million of interest on the 2028 Notes, Ryerson Credit Facility, foreign debt, and other debt over the next 12 months and \$102 million thereafter. Interest payments related to the variable rate debt were estimated using the weighted average interest rate for the respective debt instrument, including the effect of the interest rate swaps.

The Company leases various assets including real estate, trucks, trailers, mobile equipment, processing equipment, and IT equipment. We have noncancelable operating leases expiring at various times through 2042, and finance leases expiring at various times through 2028. The total amount of future lease payments is estimated to be \$257 million, with \$36 million over the next 12 months. Including leases signed but not yet commenced as of June 30, 2022, total future lease payments is estimated to be \$449 million.

Purchase obligations with suppliers are entered into when we receive firm sales commitments with certain of our customers. As of June 30, 2022, we had outstanding purchase obligations of approximately \$31.4 million expiring within a year.

Income Taxes

We maintain a valuation allowance on certain foreign and U.S. federal deferred tax assets until such time as in management's judgment, considering all available positive and negative evidence, and consistent with its past determinations, we determine that these deferred tax assets are more likely than not realizable.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Our primary areas of market risk include changes in interest rates, foreign currency exchange rates, and commodity prices. We continually monitor these risks and develop strategies to manage them.

Interest rate risk

Market risk is the potential loss arising from adverse changes in market rates and prices, such as interest rates. We are exposed to market risk related to our fixed-rate and variable-rate long-term debt. Changes in interest rates may affect the market value of our fixed-rate debt. The estimated fair value of our long-term debt and the current portions thereof using quoted market prices of Company debt securities recently traded and market-based prices of similar securities for those securities not recently traded was \$535.0 million at June 30, 2022 and \$666.8 million at December 31, 2021 as compared with the carrying value of \$533.5 million and \$639.3 million at June 30, 2022 and December 31, 2021, respectively. We manage interest rate risk in our capital structure by holding a combination of variable and fixed-rate debt.

We use interest rate swaps to manage our exposure to interest rate changes. As of June 30, 2022, we have one receive variable, pay fixed, interest rate swap to manage the exposure to variable interest rates of the Ryerson Credit Facility. In November 2019, we entered into a forward agreement for \$100 million of “pay fixed” interest at 1.539% through November 2022.

Effective November 1, 2020, the Company de-designated its interest rate swaps as cash flow hedges and terminated its hedge accounting treatment. Prior to de-designation, the Company would mark these interest rate swaps to market with all changes in fair value recorded in accumulated other comprehensive income. Subsequent to de-designation, changes in fair value are recorded in current earnings. The fair value of the interest rate swap as of June 30, 2022 was a net asset of \$0.3 million. The Company recognized a gain of \$1.7 million related to mark-to-market changes and interest expense of \$0.9 million in current earnings for the six months ended June 30, 2022. After de-designation, the amounts reclassified from other comprehensive income relate to prior gains and losses that are being amortized into income as the forecasted interest payments affect earnings. The amount reclassified from other comprehensive income for the six months ended June 30, 2022 into earnings was a loss of \$1.4 million.

After considering the effects of our interest rate swaps, approximately 20% of our debt was at fixed interest rates as of June 30, 2022. Considering the impact of interest rate swaps, a hypothetical 1% increase in interest rates on variable debt would have increased interest expense for the first six months of 2022 by approximately \$1.8 million.

Foreign exchange rate risk

We are subject to foreign currency risks primarily through our operations in Canada, Mexico, and China and we use foreign currency exchange contracts to reduce our exposure to currency price fluctuations. Foreign currency contracts are principally used to purchase U.S. dollars. We had foreign currency contracts with a U.S. dollar notional amount of \$3.0 million outstanding at June 30, 2022 and a value of zero. We do not currently account for these contracts as hedges but rather mark these contracts to market with a corresponding offset to current earnings. For the six months ended June 30, 2022, the Company recognized zero gain or loss associated with its foreign currency contracts. A hypothetical strengthening or weakening of 10% in the foreign exchange rates underlying the foreign currency contracts from the market rate as of June 30, 2022 would increase or decrease the fair value of the foreign currency contracts by \$0.3 million.

The currency effects of translating the financial statements of our foreign subsidiaries are included in accumulated other comprehensive loss and will not be recognized in the Condensed Consolidated Statements of Comprehensive Income until there is a liquidation or sale of those foreign subsidiaries.

Commodity price risk

In general, we purchase metals in an effort to maintain our inventory at levels that we believe to be appropriate to satisfy the anticipated needs of our customers based upon historic buying practices, customer contracts, and market conditions. Our commitments to purchase metals are generally at prevailing market prices in effect at the time we place our orders.

Metal prices can fluctuate significantly due to several factors including changes in foreign and domestic production capacity, raw material availability, metals consumption, and foreign currency rates. Derivative financial instruments are used to manage a limited portion of our exposure to fluctuations in the cost of certain commodities. No derivatives are held for trading purposes.

As of June 30, 2022, we had 123,158 tons of hot roll coil swap contracts with a net liability value of \$3.0 million, 9,354 tons of aluminum swap contracts with a net liability value of \$5.9 million, 550 tons of nickel swap contracts with a net asset value of \$1.3 million, and 490,000 gallons of diesel fuel contracts with a net asset value of \$0.8 million. We do not currently account for these swaps as hedges, but rather mark these contracts to market with a corresponding offset to current earnings. For the six months ended June 30, 2022, the Company recognized a gain of \$2.6 million associated with its commodity derivatives.

A hypothetical strengthening or weakening of 10% in the commodity prices underlying the commodity derivative contracts from the market rate as of June 30, 2022 would increase or decrease the fair value of commodity derivative contracts by \$2.1 million.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As required by SEC Rule 15d-15(b), we carried out an evaluation, under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based on the evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of June 30, 2022.

Changes in Internal Controls Over Financial Reporting

There have been no changes in the Company's internal controls over financial reporting that have materially affected or are reasonably likely to materially affect the Company's controls over financial reporting during the quarter ended June 30, 2022.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

For information concerning legal proceedings as of June 30, 2022, please refer to Note 10: Commitments and Contingencies in the notes to the unaudited condensed consolidated financial statements included in Part I, Item 1 of this Report on Form 10-Q, which is incorporated into this item by reference.

Item 1A. Risk Factors

Except for the risk factor below, there have been no material changes relating to this Item from those set forth in Item 1A on the Company's Annual Report on Form 10-K for the year ended December 31, 2021.

Our stock price has fluctuated in the past, has recently been volatile, and may be volatile in the future, and as a result, investors in our common stock could incur substantial losses.

Our stock price has fluctuated in the past, has recently been volatile, and may be volatile in the future. We may incur rapid and substantial decreases in our stock price in the foreseeable future that are unrelated to our operating performance or prospects.

As a result of this volatility, investors may experience losses on their investment in our common stock. The market price for our common stock may be influenced by many factors, including the following:

- investor reaction to our business strategy;
- the success of competitive products or technologies;
- any developments with respect to our pursuit of strategic alternatives, including a potential sale or merger of the Company, sale of part of the Company, strategic minority investment, or licensing and other transactions;
- changes in regulatory or industry standards applicable to our products;
- variations in our financial and operating results or those of companies that are perceived to be similar to us;
- developments concerning our collaborations or partners;
- developments or disputes with any third parties that supply, manufacture, sell, or market any of our products;
- actual or perceived defects in any of our products, if commercialized, and any related product liability claims;
- our ability or inability to raise additional capital and the terms on which we raise it;
- declines in the market prices of stocks generally;
- trading volume of our common stock;
- sales of our common stock by us or our stockholders;
- general economic, industry, and market conditions; and
- other events or factors, including those resulting from such events, or the prospect of such events, including war, terrorism, and other international conflicts, public health issues including health epidemics or pandemics, and natural disasters such as fire, hurricanes, earthquakes, tornados, or other adverse weather and climate conditions, whether occurring in the United States or elsewhere, could disrupt our operations, disrupt the operations of our suppliers, or result in political or economic instability.

Since the stock price of our common stock has fluctuated in the past, has been recently volatile, and may be volatile in the future, investors in our common stock could incur substantial losses. In the past, following periods of volatility in the market, securities class-action litigation has often been instituted against companies. Such litigation, if instituted against us, could result in substantial costs and diversion of management's attention and resources, which could materially and adversely affect our business, financial condition, results of operations and growth prospects. There can be no guarantee that our stock price will remain at current levels or that future sales of our common stock will not be at prices lower than those sold to investors.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**(c) Issuer Purchases of Equity Securities**

We repurchase shares of our common stock from time to time pursuant to our publicly announced share repurchase program. All of our share repurchases during the second quarter of 2022 were made in a privately negotiated transaction with affiliates of Platinum Equity, LLC. We purchased the following equity securities registered by us pursuant to Section 12 of the Exchange Act.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Dollar Value of Shares that May Yet be Purchased under the Program (1)
(In millions, except shares and per share data)				
April 1, 2022 - April 30, 2022	—	\$ —	—	\$ 47.7
May 1, 2022 - May 31, 2022	1,613,022	29.56	1,613,022	—
June 1, 2022 - June 30, 2022	—	—	—	—
	<u>1,613,022</u>		<u>1,613,022</u>	

(1) On August 4, 2021, the Board of Directors authorized a stock repurchase program that permitted the purchase of up to \$50 million of the Company's outstanding shares of common stock. This program was exhausted during the second quarter of 2022. On August 3, 2022, the Board of Directors authorized a new \$75 million share repurchase program after the exhaustion of the previous share repurchase program. We repurchase shares through open market purchases, privately negotiated transactions, and transactions structured through investment banking institutions under plans relying on Rule 10b5-1 or Rule 10b-18 promulgated under the Securities Exchange Act of 1934, as amended. Repurchased shares are reverted to the status of Treasury Stock.

Items 3, 4, and 5 are not applicable and have been omitted.

Item 6. Exhibits

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	File No.	Filing Date	
10.1	<u>Amendment No. 5, dated as of June 29, 2022 to Credit Agreement dated as of July 24, 2015, among Ryerson Holding Corporation, Joseph T. Ryerson & Son, Inc., Ryerson Canada, Inc., and each of the other borrowers and guarantors, the lenders party thereto, and Bank of America, N.A., as the administrative agent and collateral agent.</u>	8K	001-34735	June 29, 2022	
31.1	<u>Certificate of the Principal Executive Officer of the Company, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>				X
31.2	<u>Certificate of the Principal Financial Officer of the Company, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>				X
32.1*	<u>Written Statement of Edward J. Lehner, President and Chief Executive Officer of the Company pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>				X
32.2*	<u>Written Statement of James J. Claussen, Executive Vice President and Chief Financial Officer of the Company pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>				X
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.				X
101.SCH	Inline XBRL Taxonomy Extension Schema Document.				X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.				X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.				X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.				X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.				X
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)				

* In accordance with SEC Release 33-8238, Exhibits 32.1 and 32.2 are being furnished herewith and not filed.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

RYERSON HOLDING CORPORATION

By: /s/ James J. Claussen
James J. Claussen
**Executive Vice President and Chief Financial Officer (duly
authorized signatory and principal financial officer of the
registrant)**

Date: August 3, 2022

**CERTIFICATE OF THE
PRINCIPAL EXECUTIVE OFFICER**

I, Edward J. Lehner, President & Chief Executive Officer, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Ryerson Holding Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 3, 2022

Signature: /s/ Edward J. Lehner
Edward J. Lehner
President & Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATE OF THE
CHIEF FINANCIAL OFFICER**

I, James J. Claussen, as Chief Financial Officer, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Ryerson Holding Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 3, 2022

Signature: /s/James J. Claussen
James J. Claussen
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)

Written Statement of the Chief Executive Officer

In connection with the Quarterly Report of Ryerson Holding Corporation, (the “Company”) on Form 10-Q for the period ended June 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned officer of the Company certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to such officer’s knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

/s/ Edward J. Lehner

Edward J. Lehner
President & Chief Executive Officer
(Principal Executive Officer)

August 3, 2022

Written Statement of the Principal Financial Officer

In connection with the Quarterly Report of Ryerson Holding Corporation, (the “Company”) on Form 10-Q for the period ended June 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned officer of the Company certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to such officer’s knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

/s/ James J. Claussen

James J. Claussen
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)

August 3, 2022
