



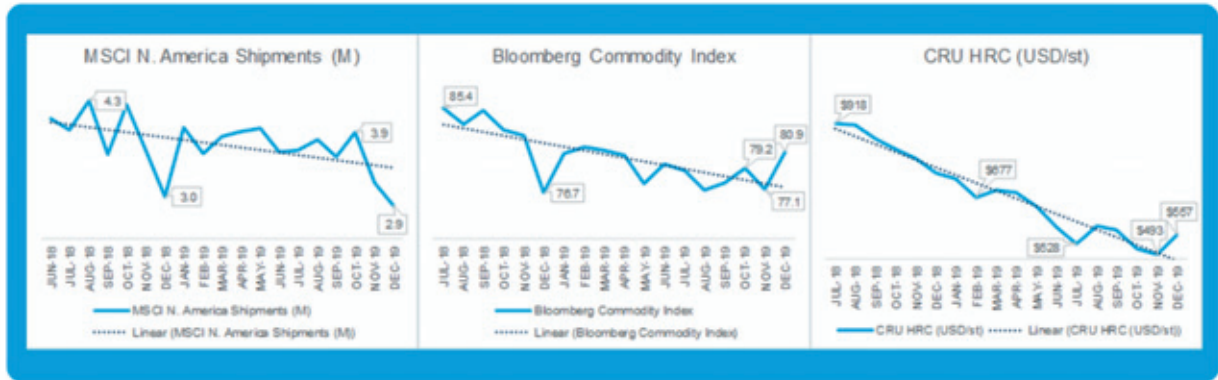
## DEAR RYERSON SHAREHOLDERS:

We all want to be inspired and few things inspire like great storytelling in all of its forms. Great storytelling enables us to examine things as they are in all their complexities and imperfections. In the movie “8-Mile” and in its signature song that won an Academy Award named “Lose Yourself,” the artist Eminem lyrically describes the recognition of life’s most important moments and a person’s or team’s ability to rise to the occasion in those moments, especially in the face of adversity, complexities, and imperfections. In the movie’s pivotal scene during the climactic “battle,” the protagonist deftly points out the critical things his opponent might say about him, thus preempting and blunting the material that may have been used against him. Eminem delivers a “flow” performance and wins the “battle” as all the talent, work, and hardship reach a confluence of “flow,” or what the renowned psychologist Mihaly Csikszentmihalyi described as the psychology and realization of optimal experience. As part of the manufacturing and the metals service center industry, we faced our own adversity in 2019 and we faced those critical competing dynamics with a self-effacing honesty and transparency while advancing toward that desired state of “flow” as we continued our journey toward the optimal experience for our customers, employees, and shareholders. Despite adverse industry conditions throughout 2019, which were characterized by industry demand that contracted year-over-year and industrial metal commodity indexes that deflated, we weathered the acute margin compression that ensued from recessed demand and deflationary price impacts, and we found opportunities to improve our business and franchise value. We’ll get into those accomplishments shortly, but let’s recap a few points from prior years to ensure continuity of message and mission.

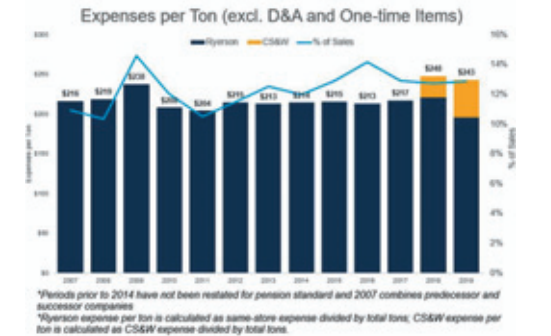
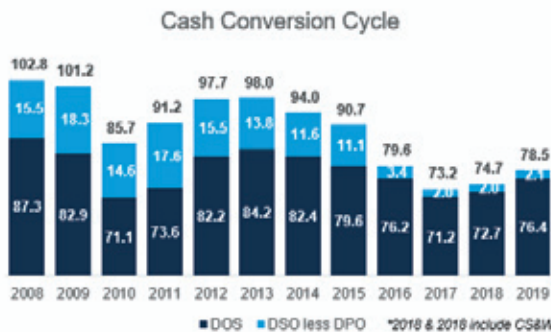
First, let’s take a moment to revisit a brief summary of the past four shareholder letters. Our strategy, simply stated, is to create the industry’s best customer experience through a network of intelligently-connected service centers across our 100 locations. We seek to execute on this strategy utilizing an organizational DNA based upon our collective experience, subject matter expertise, culture, speed, scale, value-add, and analytics. We stay committed and true to our foundational pillars of operational efficiency, margin expansion, and profitable growth, and affirm our belief in “say yes, and figure it out,” whereby we determinedly find a way to get it done for our customers with consistency, value-add, and ease of doing business.

Next, let’s discuss the year 2019 in pictures in a way that helps frame and explain the industry conditions, our response to those conditions, and the structural advancements made in the business:

2019 Macro Industry Conditions: A “Downer” exhibited by all three trend lines:



2019 Ryerson: Getting more into a “Flow” state despite 2019’s adverse conditions:



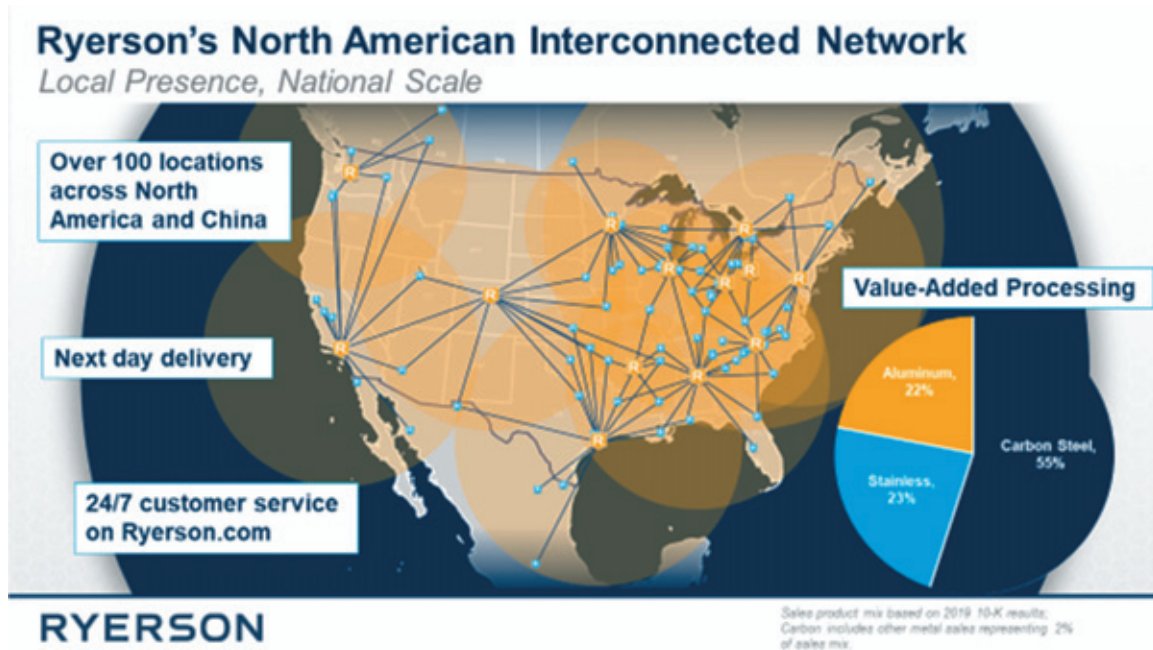
Reconciliations of gross margin, excluding LIFO and purchase accounting adjustments to gross margin and of Adjusted EBITDA, excluding LIFO to net income attributable to Ryerson Holding Corporation are included within our Form 8-K filing filed on March 4, 2020.



What we can plainly see in these charts is that through the volatility and industry cycle, Ryerson continues its progress in the metrics that count and in the underlying drivers that provide factual support of what it looks like when getting through the cyclical fire, rain, and fog. In summary, our market share is growing, book value of equity is growing, diluted adjusted earnings per share is growing, working capital management is peer-leading, margins are expanding through the cycle, and same-store expense metrics are as low as they have been over the past seven years despite non-metal inflation in the economy at an approximately 1.6 percent compounded rate per annum. We have achieved these improvements over a “commodity bust” cycle that succeeded the “commodity boom” cycle of the prior decade. Please keep in mind that as property, plant, and equipment in the U.S. continue to age to its most extended life since 1938, and infrastructure investment continues to trend well below its historical ratio to GDP, these investment deficits will cure, or productivity will decline and economic growth will slow and likely contract. Simply put, we require more investment in the physical world vis-à-vis infrastructure, housing, machinery, and equipment. It is always hard to see the turn because we tend to believe that what is happening now will keep happening when indicators below the surface portend changes not currently in view. It is more likely than not that the coming decade will bring increased investments in machinery, equipment, infrastructure, and housing. As this cycle of necessary investment actuates in the coming decade, Ryerson will be well-positioned to realize that macro upside while continuing self-help along the way.

Looking ahead to 2020 and even beyond exogenous events such as the coronavirus and the imperative response involved in weathering the virus impacts while caring for the well-being of our colleagues, their families, and our communities, we have excellent clarity around our mission, purpose, and plan to build sustainable shareholder value. We will continue on our path of strengthening our balance sheet while making targeted investments in the digital mapping of our supply chains. We have devised a modular future state systems plan, which combined with prudent investment in our people, equipment, and facilities, will further enhance Ryerson’s industry-leading customer experience. The objective, as we have consistently stated over the years, is to further modernize our network of intelligently connected service centers while never losing track of the fundamentals of expense management and working capital efficiency. Put that all together and the story we are telling as an organization has substance

throughout with the requisite vision and execution ability to reach our desired state of “flow.”



Coming back around to where we started, I recently watched the movie “8-Mile” again for the first time since it was released in 2002. As I watched, I started to think about what scenes get into a movie versus what scenes get taken out during final production and edits. I may be taking some liberties in my interpretation, but I couldn’t help but notice how much manufacturing was a theme in the movie as many of the scenes take place at an automotive stamping plant in Detroit. I also couldn’t help but notice that after winning the climactic “battle,” Eminem’s friends ask him where he is going, and he says “back to work.” Those scenes to me were a paean to manufacturing and the recognition of its primacy. Manufacturing will continue to modernize and reinvent itself, and if you’ve ever wondered if manufacturing matters, the answer is - it matters more than ever. Manufacturing is decidedly where the physical and digital world intersect in creating the most opportunity, utility and income. Manufacturing and the family-wage jobs it creates and the upward mobility it fosters cannot solve every problem that we know, hear, or read about, but it can solve a multitude that need solving. As Ryerson moves into its 178th year in business distributing, processing, and manufacturing industrial metals, we will continue fixing up the past while building the present and future with solutions our customers value. I want to thank our customers for the opportunity to serve them, our employees and my teammates for embracing our chosen way forward, and our shareholders for their continuing support in constructing a Ryerson of higher and lasting value. In our pursuit of “flow” and developing Ryerson further toward reaching and sustaining a state of optimal performance, let’s give the final word to Dr. Csikszentmihalyi, “To improve life one must improve the quality of experience.” Isn’t

that what this letter has been all about: a great customer, shareholder, and employee experience and finding the joy in the work that overcomes adversity and gets us there despite the complexities and imperfections? Time to get “back to work.”

With Great Optimism,



Edward J. Lehner  
President and Chief Executive Officer

March 13, 2020



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

**FORM 10-K**

(Mark One)

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended December 31, 2019  
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 No. 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., 27<sup>th</sup> 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

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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, a smaller reporting company, or 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	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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. Yes  No

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant, based on the closing price of a share of the registrant's common stock on June 28, 2019 as reported by the New York Stock Exchange on such date was approximately \$114,673,729. Shares of the registrant's common stock held by each executive officer, director, and holder of 5% or more of the outstanding common stock have been excluded in that such persons may be deemed to be affiliates. This calculation does not reflect a determination that certain persons are affiliates of the registrant for any other purpose.

As of February 28, 2020 there were 37,783,761 shares of our Common Stock, par value \$0.01 per share, outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE**

The information required to be furnished pursuant to Part III of this Form 10-K will be set forth in, and incorporated by reference from, the registrant's definitive proxy statement for the annual meeting of stockholders (the "2019 Proxy Statement"), which will be filed with the Securities and Exchange Commission not later than 120 days after the end of the fiscal year ended December 31, 2019.

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## SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report contains “forward-looking statements.” 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. Among the factors that significantly impact the metals distribution industry and our business are:

- highly cyclical fluctuations resulting from, among others, seasonality, market uncertainty, and costs of goods sold;
- remaining competitive and maintaining market share in the highly competitive and fragmented metals distribution industry;
- managing the costs of purchased metals relative to the price at which we sell our products during periods of rapid price escalation;
- our substantial indebtedness and the covenants in instruments governing such indebtedness;
- the impairment of goodwill that could result from, among other things, volatility in the markets in which we operate;
- the failure to effectively integrate newly acquired operations;
- the regulatory and other operational risks associated with our operations located outside of the United States (or “U.S.”);
- the management of inventory and other costs and expenses;
- the adequacy of our efforts to mitigate cyber security risks and threats;
- reduced production schedules, layoffs or work stoppages by our own, our suppliers’, or customers’ personnel;
- certain employee retirement benefit plans are underfunded and the actual costs could exceed current estimates;
- future funding for postretirement employee benefits may require substantial payments from current cash flow;
- prolonged disruption of our processing centers;
- the ability to retain and attract management and key personnel;
- the ability of management to focus on North American and foreign operations;
- the ability to comply with the terms of our asset-based credit facility and our indenture;
- the incurrence of substantial costs or liabilities to comply with, or as a result of violations of, environmental laws;
- the impact of new or pending litigation against us;
- the risk of product liability claims;
- our risk management strategies may result in losses;
- currency fluctuations in the U.S. dollar versus the Canadian dollar and the Chinese renminbi;
- customer, supplier, and competitor consolidation, bankruptcy, or insolvency;
- the ownership of a majority of our equity securities by a single investor group;
- changes in the method of determining LIBOR or the replacement of LIBOR with an alternative reference rate.

These risks and uncertainties 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 in this Annual Report under “Risk Factors” and the caption “Industry and Operating Trends” included in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and elsewhere in this Annual Report. 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 revise or publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date of this Annual Report or to reflect the occurrence of unanticipated events.

## PART I

### ITEM 1. BUSINESS.

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 21,037,500 shares of our common stock, which is approximately 56% of our issued and outstanding common stock.

We are a leading metals service center, value-added processor, and distributor of industrial metals with operations in the United States 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 also operate in China through an indirect wholly-owned subsidiary, Ryerson China Limited (“Ryerson China”). 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.”

#### **Our Company**

We are one of the largest value-add processors and distributors of industrial metals in North America measured in terms of sales. We have approximately 4,500 employees across 95 facilities in North America and four facilities in China. Through this network we serve approximately 42,000 customers across a wide range of manufacturing end markets. Our customers range from local, independently owned fabricators and machine shops to large, international original equipment manufacturers. 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 more than 75% of the products we sell are processed to meet customer requirements.

Our business strategy includes providing a superior level of customer service and responsiveness, technical services, and inventory management solutions while maintaining low operating costs in order to maximize financial results. Our growth strategy is based on increasing our operating results through organic growth activities and strategic acquisitions.

To that end, we continue to focus on our interconnected network, systems, and to enhance our value-added services and online presence to provide increased access, functionality, and flexibility to our customers. Our service centers are strategically located near our customers, which permits us to quickly process and deliver our products and services, often within the next day of receiving an order. We own, lease, or contract a fleet of tractors and trailers, allowing us to efficiently meet our customers’ delivery demands. Our range of products together with our breadth of services allows us to service a diverse customer base and to create long-term partnerships with our customers and enhances our profitability.

We focus on strategic acquisitions that complement and enhance our product, customer, and geographic diversification. On July 2, 2018, JT Ryerson acquired Central Steel and Wire Company (“CS&W”), a leading metal service center with locations across the Central and Eastern United States offering a wide selection of products and capabilities, with a commercial portfolio centered on bar, tube, plate, and steel products. Since our acquisition of CS&W, we have focused on improving their operating performance through efficiencies by integrating them into our operational model.

#### **Industry Overview**

Metals service centers serve as key intermediaries between metal producers and end users of metal products. They purchase in scale and sell in smaller quantities. End-users often look for “one-stop” suppliers that offer lower order volumes, shorter lead times, more reliable delivery, and processing services. Metal producers mainly sell metals in the form of standard-sized coils, sheets, plates, structurals, bars, and tubes in large quantities, with longer lead times, and limited inventory. Metal service centers serve as key intermediaries closing the gap between metal producers’ supply and end-users’ demand.

By aggregating end-users’ demand and purchasing metal in bulk to take advantage of economies of scale, metals service centers may purchase, process, and deliver metal to end-users in a more efficient and cost-effective manner than the end-user may achieve by dealing directly with the primary producer. Further, specialized metals processing equipment is costly and requires high-volume production to be cost effective. In addition, many customers are not able or willing to invest in the necessary technology, equipment, and warehousing of inventory to efficiently and effectively perform metal processing for their own operations. Due to this, many customers have reduced their in-house processing capabilities, opting to source processed metal from service centers like us. This saves our customers time, labor, and expense, reducing their overall manufacturing costs, while permitting us to focus on value-added services and increasing our fabrication mix. This supports our capital expenditures on processing equipment to grow annual gross

profit margin. Our industry is highly fragmented with the largest companies accounting for only a small percentage of total market share. The majority of metals services companies have limited product lines and inventories, with customers located in a specific geographic area. In general, competition is based on quality, service, price, and geographic proximity. We primarily compete with other metals service centers and to a lesser extent with metal producers.

The metals service center industry typically experiences cash flow trends that are counter-cyclical to the revenue and volume growth of the industry. During an industry downturn, companies generally reduce working capital assets and generate cash as inventory and accounts receivable balances decline. As a result, operating cash flow and liquidity tend to increase during a downturn, which typically facilitates industry participants' ability to cover fixed costs and repay outstanding debt.

## **Competitive Strengths**

### ***Leading Market Position in North America.***

Based on sales, we believe we are one of the largest service center companies for carbon, stainless steel, and aluminum in the North American market where we have a broad geographic presence with 95 facilities.

Our service centers are located near our customer locations, enabling us to provide timely delivery to customers across numerous geographic markets. Additionally, our widespread network of locations in the United States, Canada, and Mexico helps us to utilize our expertise to more efficiently serve customers with complex supply chain requirements across multiple manufacturing locations. We believe this is a key differentiator for customers who need a supplier that can reliably and consistently support them. Our ability to transfer inventory among our facilities better enables us to more timely and profitably source and process specialized items at regional locations throughout our network than if we were required to maintain inventory of all products and specialized equipment at each location.

### ***Broad Geographic Reach Across Attractive End Markets.***

Our operations serve a diverse range of industries including commercial ground transportation, metal fabrication and machine shops, industrial machinery and equipment manufacturing, consumer durable equipment, HVAC manufacturing, construction equipment manufacturing, food processing and agricultural equipment manufacturing, and oil and gas. We believe this broad range of industries in which we sell our products and services reduces our risk related to a downturn in a specific industry. We believe that our ability to quickly adjust our offering based on regional and industry specific trends creates stability while also providing the opportunity to access specific growth markets.

### ***Established Platform for Organic and Acquisition Growth.***

Our growth strategy is based on increasing our operating results through organic growth activities and strategic acquisitions that enhance our product, customer, and geographic diversification. Our strategies, include investing in value-added processing capabilities, analytically targeting attractive customers and end markets with our supply chain optimization service model, industry consolidation through targeted M&A, and providing customers faster and easier solutions to their metal needs, which we believe will provide us with growth opportunities.

Given the highly fragmented nature of the metals service center industry, we believe there are numerous additional opportunities to acquire businesses and incorporate them into our existing infrastructure. In addition, due to our large scale and geographic reach, we believe we can improve operating performance through efficiencies by integrating acquired businesses into our operational model, thus providing greater purchasing power, improving expense and working capital management, access to additional end markets, and broadening product mix.

### ***Lean Operating Structure Providing Operating Leverage.***

Ryerson has demonstrated the ability to effectively manage expenses through tactical productivity and spending improvements. In a stronger metals service center environment characterized by increases in demand and/or pricing, we believe that most additional expenses to service higher revenue and margins would come from variable expenses while further leveraging economies of scale on our existing fixed expenses. We effectively managed our costs in 2019 with increased volume, as expenses as a percentage of sales declined from 14.0% in 2018 to 13.7% in 2019.

We also continue to focus on inventory management. While average inventory days excluding LIFO increased from 73 days in 2018 to 76 days in 2019, this increase is due to the acquisition of CS&W in July 2018. On a same-store basis, days of supply decreased from 71 days in 2018 to 70 days in 2019, within management's target range of 70 to 75 days.

### ***Extensive Breadth of Products and Services for Diverse Customer Base.***

We believe our broad product mix and marketing approach provides customers with a “one-stop shop” solution few other metals service center companies are able to offer. We provide a broad range of processing and fabrication services to meet the needs of our approximately 42,000 customers and typically fulfill more than 1,600,000 orders per year. We provide supply chain solutions, including just-in-time delivery and value-added processing to many original equipment manufacturing customers.

For the year ended December 31, 2019, no single customer, including their subcontractors, accounted for more than 6% of our sales, and our top 10 customers, including their subcontractors accounted for approximately 15% of our sales.

### ***Strong Relationships with Suppliers.***

We are among the largest purchasers of metals in North America and have long-term relationships with many of our North American suppliers. We believe we are frequently one of the largest customers of our suppliers and that concentrating our orders among a core group of suppliers is effective for obtaining favorable pricing and service. We believe we have the opportunity to further leverage this strength through continued focus on price and volume using an analytics-driven approach to procurement. In addition, we view our strategic suppliers as supply chain partners. We focus on logistics, lead times, rolling schedules, and scrap return programs to drive value-based buying that is advantageous for us. Metals producers worldwide are consolidating, and large, geographically diversified customers, such as Ryerson, are desirable partners for these larger suppliers. Our relationships with suppliers often provide us with access to metals when supply is constrained. Through our knowledge of the global metals marketplace and capabilities of specific mills we believe we have developed an advantageous global purchasing strategy.

### ***Experienced Management Team with Deep Industry Knowledge.***

Our senior management team has extensive industry and operational experience and has been instrumental in optimizing and implementing our strategy over the last five years. Our senior management has an average of more than 20 years of experience in the metals or service center industries. Our CEO, Mr. Edward Lehner, who joined the Company in August 2012 as CFO and became CEO in June 2015, has nearly 30 years of experience, predominantly in the metals industry. Our regional presidents, Mr. Mike Burbach and Mr. Kevin Richardson each have over 35 years of experience with the Company.

### **Industry Outlook**

The Institute for Supply Management’s Purchasing Managers’ Index (“PMI”) reported growth in January of 2020 with a reading above 50%, indicating expansion in factory activity, after five months of reported softness. However, PMI has overall reported general economic expansion for the last three years as readings have exceeded 50% for 31 of the last 36 months. The PMI measures the economic health of the manufacturing sector and is a composite index based on five indicators: new orders, inventory levels, production, supplier deliveries, and the employment environment. PMI readings can be a good indicator of industrial activity and general economic growth.

Additionally, the overall U.S. economy is projected to maintain growth as evidenced by the Federal Reserve’s midrange forecasted real GDP growth rates of 2.0%, 1.9%, and 1.8% for 2020, 2021, and 2022, respectively.

Steel demand in North America is largely dependent on growth of the automotive, industrial equipment, consumer appliance, and construction end markets. One of our key end markets is the industrial equipment sector, and according to the latest Livingston Survey, published by the Federal Reserve Bank of Philadelphia, U.S. industrial production expanded by 0.9% in 2019 and is expected to grow by 0.8% in 2020, and 1.0% in 2021.

China continues to be a key driver in the growth of global metals demand. According to the International Monetary Fund, China’s GDP maintained growth of 6.1% in 2019 and is projected to grow 5.6% in 2020 and 5.9% in 2021.

### **Products and Services**

We carry a full line of carbon steel, stainless steel, alloy steels, and aluminum, and a limited line of nickel and red metals. These materials are stocked in a number of shapes, including coils, sheets, rounds, hexagons, square and flat bars, plates, structurals, and tubing.

We also provide a wide variety of processing services to meet our customers’ needs. Most of the products that we carry require expensive specialized equipment for material handling and processing. We believe few of our customers have the capability to process the metal into the desired sizes, forms, or finishes or they are unwilling to incur the significant capital expenditures to acquire the

necessary equipment. We are growing and diversifying our product mix mainly as a result of our targeted growth strategy to provide increased levels of value-added processing services. We believe our enhanced processing capabilities will increase our ability to sell higher-margin metals processing services to a larger group of customers. We expect this, together and with our focus on maintaining pricing discipline related to our processing services, will increase our gross profit margin.

We had capital expenditures of \$154.6 million in the five-year period ended December 31, 2019. We are increasing our investments in processing equipment due to customers requesting higher levels of value-added processing. We expect this to increase our profitability. We currently perform processing services on more than 75% of the materials sold by us.

The following table shows our percentage of sales by major product lines for 2019, 2018, and 2017:

<b>Product Line</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Carbon Steel Flat	26%	27%	28%
Carbon Steel Plate	11	11	10
Carbon Steel Long	16	14	12
Stainless Steel Flat	15	16	18
Stainless Steel Plate	4	4	4
Stainless Steel Long	4	4	4
Aluminum Flat	15	15	15
Aluminum Plate	2	3	3
Aluminum Long	5	4	4
Other	2	2	2
Total	100%	100%	100%

We are not dependent on any particular customer group or industry because we process and distribute a variety of metals. This diversity of product type and material reduces our exposure to fluctuations or other weaknesses in the financial or economic stability of particular customers or industries. We are also less dependent on any particular suppliers as a result of our product diversification.

## Customers and Markets

Our customer base is diverse, numbering approximately 42,000 in a variety of industries, including metal fabrication and machine shops, industrial machinery and equipment, commercial ground transportation, consumer durable, food processing and agricultural equipment, construction equipment, and HVAC. Although we sell directly to many large original equipment manufacturers, the majority of our sales are to smaller customers, including small machine shops and fabricators, in small quantities with frequent deliveries, helping them manage their working capital and credit needs more efficiently.

For the year ended December 31, 2019, no single customer, including their subcontractors, accounted for more than 6% of our sales, and our top 10 customers, including their subcontractors accounted for approximately 15% of our sales. Substantially all of our sales are attributable to our U.S. operations and substantially all of our long-lived assets are located in the United States.

The following table shows the Company's percentage of sales by metal consuming industry for 2019, 2018, and 2017:

<b>Metal Consuming Industry</b>	<b>Percentage of Sales</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>
Metal fabrication and machine shops	23%	22%	20%
Industrial machinery and equipment	18	18	18
Commercial ground transportation	16	16	16
Consumer durable	11	11	11
Food processing and agricultural equipment	10	10	10
Construction equipment	8	8	9
HVAC	6	6	7
Oil & gas	4	5	5
Other	4	4	4
Total	100%	100%	100%

Our customers are primarily located throughout the United States, but we also have international customers. Most customers are located near to one of our facilities, thus enabling an efficient delivery system capable of handling a high frequency of short lead time



orders. We transport our products directly to customers via our in-house and dedicated truck fleet, which further supports the just-in-time delivery requirements of our customers, and via third-party trucking firms.

We process our metals to specific customer orders as well as for stocking programs. Many of our larger customers commit to purchase on a regular basis at agreed upon or indexed prices for periods ranging from three to twelve months. To help mitigate price volatility risks, these price commitments are generally matched with corresponding supply arrangements, or to a lesser degree by commodity hedges. Customers notify us of specific release dates for processed products. Customers typically notify us of release dates anywhere from on a just-in-time basis to one month before the release date. Consequently, we are required to carry sufficient inventory to meet the short lead time and just-in-time delivery requirements of our customers.

We also have international facilities located in Canada, Mexico and China. Net sales of our international locations (based on where the shipments originated) accounted for approximately 10.4% of our consolidated 2019 net sales, or \$424.8 million. See Note 13 — “Segment information” of Part II, Item 8 “Financial Statements and Supplementary Data” for further information on U.S. and foreign revenues and assets.

Customer demand may change from time to time based on, among other things, general economic conditions and industry capacity. Many of the industries in which our customers compete are cyclical in nature. We believe that our various and diverse offerings, ways-to-markets, and end markets reduce the volatility of our business in the aggregate, thus somewhat reducing earnings volatility. A portion of our customers experience seasonal slowdowns. Our sales, as measured in tonnage sold, in the months of July, November, and December traditionally have been lower than in other months because of a reduced number of shipping days and holiday or vacation closures for some customers. Consequently, our sales in the first two quarters of the year are usually higher than in the third and fourth quarters.

## **Suppliers**

We purchase the majority of our inventories from key domestic metals suppliers. Because of our total volume of purchases and our long-term relationships with our suppliers, we believe that we are generally able to purchase inventory at the best prices offered by our suppliers.

For the year ended December 31, 2019, our top 25 suppliers, including their subcontractors, accounted for approximately 71% of our purchase dollars. We are generally able to meet our materials requirements because we use many suppliers, there is a substantial overlap of product offerings from these suppliers, and there are several other suppliers able to provide identical or similar products. While the metals producing supply base has experienced significant consolidation and supply interruptions due to tariffs under Section 232 of the Trade Expansion Act, we believe both our size and our long-term relationships with our suppliers will continue enable us to meet our material requirements.

## **Sales and Marketing**

We maintain our own professional sales force. In addition to our office sales staff, we market and sell our products through the use of our field sales force that we believe has extensive product and customer knowledge and offers a comprehensive catalog of our products. Our office and field sales staffs, which together consist of approximately 790 employees, include technical personnel. Additionally, we offer our customers the ability to purchase our products through our e-commerce website.

Because our business is relationship-based, we operate under many different trade names. Businesses we acquire often have strong customer relationships and solid reputations, and we will often continue to use the acquired business name to maintain existing customer relationships.



## Capital Expenditures

We continued to focus on organic growth in 2019 by expanding existing facilities and adding processing equipment. Investments by us in property, plant, and equipment, together with asset retirements for the five years ended December 31, 2019, excluding the initial purchase price of acquisitions are set forth below. The net capital change during such period aggregated to an increase of \$52.6 million.

	Additions	Retirements or Sales (In millions)	Net
2019	\$ 45.8	\$ 57.5	\$ (11.7)
2018	38.4	5.5	32.9
2017	25.1	24.9	0.2
2016	23.0	5.0	18.0
2015	22.3	9.1	13.2

The net reduction in 2019 is related to a sale lease-back transaction. See Part II, Item 8, Note 6: Leases for additional information. We currently anticipate capital expenditures, excluding acquisitions, of up to approximately \$45 million for 2020, much of which is related to organic growth activities comprised of maintenance, or purchases of, equipment. We expect capital expenditures will be funded from cash generated by operations and available borrowings. We will continue to evaluate and execute each growth project in light of the economic conditions and outlook at the time of investment and may significantly reduce our capital expenditures if economic conditions warrant a more conservative approach to capital allocation.

## Employees

As of December 31, 2019, we employed approximately 4,200 persons in North America and 300 persons in China. Our North American workforce was comprised of approximately 1,800 office employees and approximately 2,400 plant employees. Sixteen percent of our plant employees were members of various unions, including the United Steel Workers and The International Brotherhood of Teamsters.

Renewals of four union contracts covering 89 employees were successfully negotiated in 2019. Nine contracts covering 192 employees are currently scheduled to expire in 2020.

## Environmental, Health, and Safety Matters

Our facilities and operations are subject to many foreign, federal, state, and local laws and regulations relating to the protection of the environment and to health and safety. In particular, our operations are subject to extensive requirements relating to waste disposal, recycling, air and water emissions, the handling of regulated materials, remediation, underground storage tanks, asbestos-containing building materials, workplace exposure, and other matters. We believe that our operations are currently in substantial compliance with all such laws and do not presently anticipate substantial expenditures in the foreseeable future in order to meet environmental, workplace health or safety requirements, or to pay for any investigations, corrective action, or claims. Claims, enforcement actions, or investigations regarding personal injury, property damage, or violation of environmental laws could result in substantial costs to us, divert our management's attention, and result in significant liabilities, fines, or the suspension or interruption of our facilities.

We continue to analyze and implement safeguards to mitigate any environmental, health, and safety risks we may face. As a result, additional costs and liabilities may be incurred to comply with future requirements or to address newly discovered conditions, and these costs and liabilities could have a material adverse effect on the results of operations, financial condition, or cash flows. For example, there is increasing likelihood that additional regulation of greenhouse gas emissions will occur at the foreign, federal, state, and local level, which could affect us, our suppliers, and our customers. While the costs of compliance could be significant, given the uncertain outcome and timing of future action by the U.S. federal government and states on this issue, we cannot accurately predict the financial impact of future greenhouse gas regulations on our operations or our customers at this time. We do not currently anticipate any new programs disproportionately impacting us compared to our competitors.

Some of the properties currently or previously owned or leased by us are located in industrial areas or have a long history of heavy industrial use. We may incur environmental liabilities with respect to these properties in the future including costs of investigations, corrective action, claims for natural resource damages, claims by third parties relating to property damages, or claims relating to contamination at sites where we have sent waste for treatment or disposal. Based on currently available information we do not expect any investigation, remediation matters, or claims related to properties presently or formerly owned, operated, or to which

we have sent waste for treatment or disposal would have a material adverse effect on our financial condition, results of operations, or cash flows.

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. In a change from its prior stance, at a meeting on December 4, 2018, the EPA indicated that it expected PRPs to submit a plan during 2019 to start remediation of the river and harbor per the original ROD within the next two to three years. The EPA also indicated that it expected allocation of amounts among the parties to be determined in the same two to three-year time frame. The EPA invited certain PRPs to a May 2, 2019 meeting to discuss starting the remedial design process. The EPA did not include JT Ryerson in those meetings.

On December 9, 2019, a PRP group met with Administrator Wheeler, the head of the EPA, to discuss updating the ROD as recent testing indicates that the levels of contamination have “drastically improved” and, thus, remediation should be much less drastic than that in the current ROD. We have been informed that Administrator Wheeler is requiring regional EPA staff to engage in discussions with the PRP group before moving forward with any enforcement action. The EPA indicated in a January 2, 2020 “progress update” letter that it is negotiating with certain parties to perform remedial design work at five unspecified areas which comprise 52% of the overall acreage subject to remediation. It is unclear if any of these areas include the areas where our former facilities were located. As a result of the ongoing negotiations over the ROD, the EPA’s decision not to meet with smaller parties, and the December 9, 2019 meeting with Administrator Wheeler, the discussions with the EPA regarding remedial design appear to be delayed.

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.

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.

Excluding any potential additional remediation costs resulting from any corrective action for the properties described above, we expect spending for pollution control projects to remain at historical levels below \$500,000 per year.

Our United States operations are also subject to the Department of Transportation Federal Motor Carrier Safety Regulations. We operate a private trucking motor fleet for making deliveries to some of our customers. Our drivers do not carry any material quantities of hazardous materials. Our foreign operations are subject to similar regulations. Future regulations could increase maintenance, replacement, and fuel costs for our fleet. These costs could have a material adverse effect on our results of operations, financial condition, or cash flows.

## **Intellectual Property**

We own several U.S. and foreign trademarks, service marks, and copyrights. Certain of the trademarks are registered with the U.S. Patent and Trademark Office and, in certain circumstances, with the trademark offices of various foreign countries. We consider certain other information owned by us to be trade secrets. We protect our trade secrets by, among other things, entering into confidentiality agreements with our employees regarding such matters and implementing measures to restrict access to sensitive data and computer software source code on a need-to-know basis. We believe that these safeguards adequately protect our proprietary rights and we vigorously defend these rights. While we consider all our intellectual property rights as a whole to be important, we do not consider any single right to be essential to our operations as a whole.

## **Corporate Responsibility**

Ryerson is committed to operating with a high level of integrity. We are driven by our dedication to support the communities we serve, deliver products that meet our stringent quality and compliance standards, and maintain a high environmental, health, and safety

standard to protect our people and the places where we operate. We work to continually improve each of these areas to make Ryerson an even better company for tomorrow.

Below are some highlights of our corporate responsibility programs.

### *Sustainability*

As part of our efforts to operate with a high level of integrity, we continuously monitor and analyze ourselves and our supply-chain relationships. We strive, and expect our suppliers, to comply with all applicable laws and regulations, and Ryerson's Human Rights Policy, Conflict Minerals Policy, and Code of Ethics and Business Conduct.

We are committed to mitigating the impact our operations and products have on the environment. As an operator of metals service centers, our day-to-day business consists of the sale, distribution, and processing of a broad variety of metal products sourced from numerous primary metal producers. Our operations, by their nature, do not emit significant amounts of carbon dioxide or other greenhouse gases. Further, according to the Steel Recycling Institute, we believe steel, one of our most significant products, is the most recycled material on the planet—more than plastic, paper, and glass combined each year—which provides a strong foundation for our sustainability efforts. The Steel Recycling Institute notes that two out of every three tons of new steel are produced from old steel. As part of our commitment to environmental sustainability, we:

- purchase significant volumes of metal that has been produced using recycled materials or scrap melted in electric arc furnaces;
- sell scrap material generated in our operations to recyclers; and
- source most of our steel from North American metal producers, which have substantially lower greenhouse gas emissions than Chinese producers.

We also use propane fuel to operate forklifts and have installed energy efficient lighting in many of our operations and utilize energy efficient diesel tractors that consume less fuel and reduce emissions for the majority of our trucking fleet to further mitigate our impact on the environment.

### *Employee Safety*

Upholding a safe workplace is one of our core values and a part of the company's culture. Our safety standards, which go beyond the minimum requirements required by applicable law, have helped protect the well-being of our people and prevent workplace injuries that can impact business productivity. We continuously work to maintain a safety performance rating that outperforms the industry average and have implemented an Environmental, Health, and Safety policy that reinforces the goal of a zero-injury workplace. Our low recordable injury rate compared to our peers in the metal services industry, based on U.S. Occupational Safety and Health Administration (“OSHA”) criteria, reflects our effectiveness in protecting our employees. In 2019, forty-three of our facilities operated with zero OSHA recordable injuries for the entire year, and seventy-three of our facilities operated with zero OSHA recordable injuries during the fourth quarter. Our 2019 performance at our facilities, measured as the number of OSHA recordable injuries per 200,000 labor hours, was 2.66, which was almost two times better than the industry average as reported by the Bureau of Labor Statistics.

### *Community Relations*

We are committed to helping build better communities in the places where we operate. We invest in the community and our people in a variety of ways, from volunteerism to providing educational resources to help our employees and families advance their careers:

- **Service & Giving** — We support numerous charitable organizations, including those that promote good health, children's causes, educational advancement, and community programs, through volunteer efforts. We encourage our employees to give back to the communities they call home through the Ryerson Gives Back program. Employees are encouraged to volunteer their time from working in food kitchens to participating in community events and trainings. Through our employees, we are actively involved in building and supporting our local communities. Additionally, as a part of the Ryerson internship program, each group of interns develop and implement a community service project. Past intern projects have focused on waste reduction, raising money to benefit charities, feeding the homeless, and elementary education.
- **College Scholarship Program and Tuition Reimbursement** — For nearly 100 years, we have supported the continuing education of our employees’ families through a college scholarship program. As part of this program, we awarded last year approximately \$90,000 in academic scholarships to students graduating from high school that are children or

dependents of Ryerson employees. We also support the continuing education of our employees through tuition reimbursement programs.

## **Available Information**

All periodic and current reports and other filings that we are required to file with the Securities and Exchange Commission (“SEC”), including our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant Section 15(d) of the Securities Exchange Act of 1934, as amended, are available free of charge from the SEC’s website ([www.sec.gov](http://www.sec.gov)) or through our Investor Relations website at [www.ir.ryerson.com](http://www.ir.ryerson.com). Such documents are available as soon as reasonably practicable after electronic filing of the material with the SEC. Copies of these reports (excluding exhibits) may also be obtained free of charge, upon written request to: Investor Relations, Ryerson Holding Corporation, 227 W. Monroe St., 27th Floor, Chicago, Illinois 60606.

The Company also posts its Code of Ethics on its website. See “Directors, Executive Officers, and Corporate Governance—Code of Ethics” for more information regarding our Code of Ethics.

Our website address is included in this report for informational purposes only. Our website and the information contained therein or connected thereto are not incorporated into this annual report on Form 10-K.

## **ITEM 1A. RISK FACTORS.**

**Our business faces many risks. You should carefully consider the risks and uncertainties described below, together with the other information in this report, including the consolidated financial statements and notes to consolidated financial statements. We cannot assure you that any of the events discussed in the risk factors below will not occur. These risks could have a material and adverse impact on our business, results of operations, financial condition, and cash flows.**

### **Risks Related to Our Business and Industry**

***Weakness in the economy, market trends, and other conditions affecting the profitability and financial stability of our customers could negatively impact our sales growth and results of operations.***

Economic and industry trends affect our business environments. We serve several industries in which the demand for our products and services is sensitive to the production activity, capital spending, and demand for products and services of our customers. Many of these customers operate in markets that are subject to highly cyclical fluctuations resulting from seasonality, market uncertainty, costs of goods sold, currency exchange rates, foreign competition, offshoring of production, oil and natural gas prices, geopolitical developments, and a variety of other factors beyond our control. Any of these factors could cause customers to idle or close facilities, delay purchases, reduce production levels, or experience reductions in the demand for their own products or services.

Any of these events could impair the ability of our customers to make full and timely payments or reduce the volume of products and services these customers purchase from us and could cause increased pressure on our selling prices and terms of sale.

We do not expect the cyclical nature of our industry to change and any downturn in our customers’ industries could reduce our revenues and profitability or a significant or prolonged slowdown in activity in the United States (U.S.), Canada, or any other major world economy, or a segment of any such economy, could negatively impact our sales growth and results of operations.

***The metals services business is very competitive and increased competition could reduce our revenues and gross margins.***

We face competition in all markets we serve, from metals producers that sell directly to certain customers or segments of the market, to other metal services companies. The metals services industry itself is highly fragmented and competitive. There are a few large competitors, but most of the market is served by small local and regional competitors. Competition is based principally on price, service, quality, production capabilities, inventory availability, and timely delivery.

We are experiencing increased pressure from online businesses that compete with price transparency. We expect technological advancements and the increased use of e-commerce solutions within the industry to continue to evolve at a rapid pace. As a result, our ability to effectively compete requires us to respond and adapt to new industry trends and developments, and implement new technology and innovations that may result in unexpected costs or may take longer than expected.

To remain competitive, we must be willing and able to respond to market pressures. These pressures, and the implementation, timing, and results of our strategic pricing and other responses, could have a material effect on our sales and profitability. If we are unable to grow sales or reduce costs, among other actions, to wholly or partially offset the effect on profitability of our pricing actions, our results of operations and financial condition may be adversely affected.

***Changing metals prices may have a significant impact on our liquidity, net sales, gross margins, operating income, and net income.***

The metals services industry as a whole is cyclical and, at times, pricing and availability of metal can be volatile due to numerous factors beyond our control, including general domestic and international economic conditions, labor costs, sales levels, competition, levels of inventory held by other metals service centers, consolidation of metals producers, higher raw material costs for the producers of metals, import duties and tariffs, and currency exchange rates. This volatility can significantly affect the availability and cost of materials for us. Our ability to pass on increases in costs in a timely manner depends on market conditions and may result in lower gross margins. In addition, higher prices could impact demand for these products, resulting in lower sales volumes. Moreover, we maintain substantial inventories of metal to accommodate the short lead times and just-in-time delivery requirements of our customers. Accordingly, we purchase metals in an effort to maintain inventory at levels that we believe to be appropriate to satisfy the anticipated needs of our customers based upon historic buying practices, contracts with customers, and market conditions. Commitments for metal purchases are generally at prevailing market prices in effect at the time orders are placed or at the time of shipment. During periods of rising metal prices, we may be negatively impacted by delays between the time of increases in the cost of metals to us and increases in the prices that we charge for our products if we are unable to pass these increased costs on to our customers. In addition, when metal prices decline, this could result in lower selling prices for our products and, as we use existing inventory that we purchased at higher metal prices, lower gross profit margins. Declines in prices or further reductions in sales volumes could adversely impact our ability to maintain our liquidity and to remain in compliance with certain financial covenants under our \$1 billion revolving credit facility (the “Ryerson Credit Facility”), as well as result in us incurring inventory or goodwill impairment charges. Consequently, changing metals prices could significantly impact our liquidity, net sales, gross margins, operating income, and net income.

***Changes in inflation may adversely affect gross margins.***

Inflation impacts the costs at which we can procure product and the ability to increase prices to customers over time. Prolonged periods of deflation could adversely affect the degree to which we are able to increase sales through price increases.

***Unexpected product shortages could negatively impact customer relationships, resulting in an adverse impact on results of operations.***

Disruptions could occur due to factors beyond our control, including economic downturns, political unrest, port slowdowns, trade issues, including increased export or import duties or trade restrictions, health crises, and other factors, any of which could adversely affect a supplier’s ability to manufacture or deliver products to us. For example, China has suffered health crises related to the outbreak of avian influenza and coronavirus strains. Public health problems may result in quarantines, business closures, transportation restrictions, import and export complications, and otherwise cause shortages in the supply of materials, higher costs for available supplies, or cause other disruptions within our operations and supply chain. Public health problems currently cause and may continue to cause increased costs of certain supplies and disruptions and delays within our supply chain, and public health problems may expose us to unanticipated liability or require us to change our business practices.

Any disruption resulting from these events could cause significant delays in shipments of products or difficulties in obtaining products, any of which may expose us to unanticipated liability or require us to change our business practices in a manner materially adverse to our business, results of operations, and financial condition. For our sources of lower cost products from Asia and other areas of the world, the effect of disruptions is typically increased due to the additional lead time required and distances involved. Further, the risk of disruption is increased due to the current political climate seeking trade reform. In addition, we have strategic relationships with a number of vendors. In the event we are unable to maintain those relations, there might be a loss of competitive pricing advantages which could, in turn, adversely affect results of operations.

***Changes in customer or product mix could cause the gross margin percentage to decline.***

From time to time, we experience changes in customer and product mix that affect gross margin. Changes in customer and product mix result primarily from business acquisitions, changes in customer demand, customer acquisitions, selling and marketing activities, and competition. If rapid growth with lower margin customers occurs, we will face pressure to maintain current gross margins, as these customers receive more discounted pricing due to their higher sales volume. There can be no assurance that we will be able to maintain historical gross margins in the future.



***The volatility of the market could result in a material impairment of goodwill.***

We evaluate goodwill annually on October 1 and whenever events or changes in circumstances indicate potential impairment. Events or changes in circumstances that could trigger an impairment review include significant underperformance relative to our historical or projected future operating results, significant changes in the manner or the use of our assets or the strategy for our overall business, and significant negative industry or economic trends. We test for impairment of goodwill by assessing various qualitative factors with respect to development in our business and the overall economy and calculating the fair value of a reporting unit using a combination of an income approach based on discounted future cash flows and a market approach at the date of valuation. Under the discounted cash flow method, the fair value of each reporting unit is estimated based on expected future economic benefits discounted to a present value at a rate of return commensurate with the risk associated with the investment. Projected cash flows are discounted to present value using an estimated weighted average cost of capital, which considers both returns to equity and debt investors. Please refer to the Section titled “Critical Accounting Estimates - Goodwill,” of Item 7, “Management’s Discussion and Analysis of Financial Conditions and Results of Operations,” and Note 1 — “Summary of Accounting and Financial Policies” of Part II, Item 8 “Financial Statements and Supplementary Data” for further information.

***We may not be able to successfully consummate and complete the integration of future acquisitions, and if we are unable to do so, it could disrupt operations and cause unanticipated increases in costs and/or decreases in revenues and results of operations.***

We have grown through a combination of internal expansion, acquisitions, and joint ventures. We intend to continue to grow through selective acquisitions, but we may not be able to identify appropriate acquisition candidates, obtain financing on satisfactory terms, consummate acquisitions, or integrate acquired businesses effectively and profitably into our existing operations. Restrictions contained in the agreements governing our notes, the Ryerson Credit Facility, or our other existing or future debt may also inhibit our ability to make certain investments, including acquisitions, and participations in joint ventures.

Acquisitions, partnerships, joint ventures, and other business combination transactions, both foreign and domestic, involve various inherent risks, such as uncertainties in assessing value, strengths, weaknesses, liabilities, and potential profitability. There is also risk relating to our ability to achieve identified operating and financial synergies anticipated to result from the transactions. Additionally, problems could arise from the integration of acquired businesses, including unanticipated changes in the business or industry or general economic conditions that affect the assumptions underlying the acquisition. Our future success will depend on our ability to complete the integration of these future acquisitions successfully into our operations. Specifically, after any acquisition, customers may choose to diversify their supply chains to reduce reliance on a single supplier for a portion of their metals needs. We may not be able to retain all of our and an acquisition’s customers, which may adversely affect our business and sales. Integrating acquisitions, particularly large acquisitions, requires us to enhance our operational and financial systems and employ additional qualified personnel, management, and financial resources, and may adversely affect our business by diverting management away from day-to-day operations. Further, failure to successfully integrate acquisitions may adversely affect our profitability by creating significant operating inefficiencies that could increase our operating expenses as a percentage of sales and reduce our operating income. In addition, we may not realize expected cost savings from acquisitions. Any one or more of these factors could cause us to not realize the benefits anticipated or have a negative impact on the fair value of the reporting units. Accordingly, goodwill and intangible assets recorded as a result of acquisitions could become impaired.

***We may not be able to retain or expand our customer base if the North American manufacturing industry continues to erode through moving offshore or through acquisition and merger or consolidation activity in our customers’ industries.***

Our customer base primarily includes manufacturing and industrial firms. Some of our customers operate in industries that are undergoing consolidation through acquisition and merger activity; some are considering or have considered relocating production operations overseas or outsourcing particular functions overseas; and some customers have closed as they were unable to compete successfully with overseas competitors. Our facilities are predominately located in the United States and Canada. To the extent that our customers cease U.S. operations, relocate or move operations overseas to regions in which we do not have a presence, we could lose their business. Acquirers of manufacturing and industrial firms may have suppliers of choice that do not include us, which could impact our customer base and market share.

***Certain of our operations are located outside of the United States, which subjects us to risks associated with international activities.***

Certain of our operations are located outside of the United States, primarily in Canada, China, and Mexico. We are subject to the Foreign Corrupt Practices Act (“FCPA”), which generally prohibits U.S. companies and their intermediaries from making corrupt payments or otherwise corruptly giving anything of value to foreign officials for the purpose of obtaining or keeping business or otherwise obtaining favorable treatment, and requires companies to maintain adequate record-keeping and internal accounting practices. The FCPA applies to covered companies, individual directors, officers, employees, and agents. Under the FCPA, U.S. companies may be held liable for some actions taken by strategic or local partners or representatives. If we or our intermediaries fail to



comply with the requirements of the FCPA, governmental authorities in the United States could seek to impose civil and/or criminal penalties.

***We may be adversely affected by currency fluctuations in the U.S. dollar versus the Canadian dollar and the Chinese renminbi.***

We have significant operations in Canada which incur the majority of their metal supply costs in U.S. dollars but earn the majority of their sales in Canadian dollars. Additionally, we have significant assets in China. We may from time to time experience losses when the value of the U.S. dollar strengthens against the Canadian dollar or the Chinese renminbi, which could have a material adverse effect on our results of operations. In addition, we are subject to translation risk when we consolidate our Canadian and Chinese subsidiaries' net assets into our balance sheet. Fluctuations in the value of the U.S. dollar versus the Canadian dollar or Chinese renminbi could reduce the value of these assets as reported in our financial statements, which could, as a result, reduce our stockholders' equity.

***The Chinese government exerts substantial influence over the manner in which we must conduct our business activities, particularly with regards to the land our facilities are located on.***

The Chinese government has exercised and continues to exercise substantial control over the Chinese economy through regulation and state ownership. Our ability to operate in China may be harmed by changes in its laws and regulations, including those relating to taxation, import and export tariffs, environmental regulations, land use rights, property, and other matters. We believe that our operations in China are in material compliance with all applicable legal and regulatory requirements. However, the central or local governments of the jurisdictions in which we operate may impose new, stricter regulations or interpretations of existing regulations that would require additional expenditures and efforts on our part to ensure our compliance with such regulations or interpretations. Moreover, the Chinese court system does not provide the same property and contract right guarantees as do courts in the United States and, accordingly, disputes may be protracted and resolution of claims may result in significant economic loss.

Additionally, there is no private ownership of land in China and all land ownership is held by the government of China, its agencies, and collectives, which issue land use rights that are generally renewable. We lease the land where our Chinese facilities are located from the Chinese government. If the Chinese government decided to terminate our land use rights agreements, our assets could become impaired and our ability to meet customer orders could be impacted.

***Damage to our information technology infrastructure could harm our business.***

The unavailability of any of our computer-based systems for any significant period of time could have a material adverse effect on our operations. In particular, our ability to manage inventory levels successfully largely depends on the efficient operation of our computer hardware and software systems. We use management information systems to track inventory information at individual facilities, communicate customer information, and aggregate daily sales, margin, and promotional information. Difficulties associated with upgrades, installations of major software or hardware, and integration with new systems could have a material adverse effect on results of operations. We could be required to expend substantial resources to integrate our information systems with the systems of companies we have acquired. The integration of these systems may disrupt our business or lead to operating inefficiencies. In addition, these systems are vulnerable to, among other things, damage or interruption from fire, flood, tornado, and other natural disasters, power loss, computer system and network failures, operator negligence, physical and electronic loss of data, or security breaches and computer viruses.

***We are subject to cybersecurity risks and may incur increasing costs in an effort to minimize those risks.***

We depend on the proper functioning and availability of our information technology platform, including communications and data processing systems, in operating our business. These systems include software programs that are integral to the efficient operation of our business. We have established security measures, controls, and procedures, including established recovery procedures for critical systems and business functions, to safeguard our information technology systems and to prevent unauthorized access to such systems and any data processed or stored in such systems, and we periodically evaluate and test the adequacy of such systems, measures, controls, and procedures; however, there can be no guarantee that such systems, measures, controls, and procedures will be effective. Security breaches could expose us to a risk of loss or misuse of our information, litigation, and potential liability. In addition, cyber incidents that impact the availability, reliability, speed, accuracy, or other proper functioning of these systems could have a significant impact on our operations, and potentially on our results. We may not have the resources or technical sophistication to anticipate or prevent rapidly evolving types of cyberattacks. A significant cyber incident, including system failure, security breach, disruption by malware, or other damage could interrupt or delay our operations, result in a violation of applicable privacy and other laws, damage our reputation, cause a loss of customers, or give rise to monetary fines and other penalties, which could be significant.

***Any significant work stoppages can harm our business.***

As of December 31, 2019, we employed approximately 4,200 persons in North America and 300 persons in China. Our North American workforce was comprised of approximately 1,800 office employees and approximately 2,400 plant employees. Sixteen percent of our plant employees were members of various unions, including the United Steel Workers and The International Brotherhood of Teamsters.

Renewals of four union contracts covering 89 employees were successfully negotiated in 2019. Nine union contracts covering 192 employees are currently scheduled to expire in 2020.

***Certain employee retirement benefit plans are underfunded and the actual cost of those benefits could exceed current estimates, which would require us to fund the shortfall.***

As of December 31, 2019, our pension plan had an unfunded liability of \$140 million. Our actual costs for benefits required to be paid may exceed those projected and future actuarial assessments to the extent that those costs exceed the current assessment. Under those circumstances, the adjustments required to be made to our recorded liability for these benefits could have a material adverse effect on our results of operations and financial condition and cash payments to fund these plans could have a material adverse effect on our cash flows. We may be required to make substantial future contributions to improve the plan's funded status.

***Future funding for postretirement employee benefits other than pensions also may require substantial payments from current cash flow.***

We provide postretirement life insurance and medical benefits to certain eligible retired employees. Our unfunded postretirement benefit obligation as of December 31, 2019 was \$69 million. Our actual costs for benefits required to be paid may exceed those projected and future actuarial assessments to the extent that those costs exceed the current assessment. Under those circumstances, adjustments will be required to be made to our recorded liability for these benefits.

***Any prolonged disruption of our processing centers could harm our business.***

We have dedicated processing centers that permit us to produce standardized products in large volumes while maintaining low operating costs. We may suffer prolonged disruption in the operations of any of these facilities, whether due to labor or technical difficulties, destruction, or damage to any of the facilities or otherwise, which could adversely affect our operating results.

***If we are unable to retain, attract, and motivate management and key personnel, it may adversely affect our business.***

In order to compete and have continued growth, we must attract, retain, and motivate executives and other key employees, including those in managerial, technical, sales, marketing, and support positions. We believe that our success is due, in part, to our experienced management team. Losing the services of one or more members of our management team such as our CEO, Edward J. Lehner, could adversely affect our business and possibly prevent us from improving our operational, financial, and information management systems and controls. We compete to hire employees and then must train them and develop their skills and competencies. In the future, we may need to retain and hire additional qualified sales, marketing, administrative, operating, and technical personnel, and to train and manage new personnel. Our ability to implement our business plan is dependent on our ability to retain, hire, and train a large number of qualified employees each year. Our results of operations could be adversely affected by increased costs due to increased competition for employees, higher employee turnover, or increased employee benefit costs.

***Our international operations and potential joint ventures may cause us to incur costs and risks that may distract management from effectively operating our North American business, and such operations or joint ventures may not be profitable.***

We maintain foreign operations in Canada, China, and Mexico. International operations are subject to certain risks inherent in conducting business in, and with, foreign countries, including price controls, exchange controls, export controls, economic sanctions, duties, tariffs, limitations on participation in local enterprises, nationalization, expropriation and other governmental action, and changes in currency exchange rates. In addition, we may be subject to business disruptions created by health crises and outbreaks of communicable diseases, especially in China, including the recent outbreak of coronavirus. While we believe that our current arrangements with local partners provide us with experienced business partners in foreign countries, events or issues, including disagreements with our partners, may occur that require attention of our senior executives and may result in expenses or losses that erode the profitability of our foreign operations or cause our capital investments abroad to be unprofitable.

***Lead time and the cost of our products could increase if we were to lose one of our primary suppliers.***

If, for any reason, our primary suppliers of aluminum, carbon steel, stainless steel, or other metals should curtail or discontinue their delivery of such metals in the quantities needed and at prices that are competitive, our business could suffer. The number of available suppliers could be reduced by factors such as industry consolidation and bankruptcies affecting steel and metal producers. For the year ended December 31, 2019, our top 25 suppliers represented approximately 71% of our purchases. We could be significantly and adversely affected if delivery were disrupted from a major supplier. If, in the future, we were unable to obtain sufficient amounts of the necessary metals at competitive prices and on a timely basis from our traditional suppliers, we may not be able to obtain such metals from alternative sources at competitive prices to meet our delivery schedules, which could have a material adverse effect on our sales and profitability.

***Global metal overcapacity and imports of metal products into the United States have adversely affected, and may again adversely affect, United States metal prices, which could impact our sales and results of operations.***

Global metal production capacity currently exceeds global consumption of metal products. Such excess capacity sometimes results in metal manufacturers in certain countries exporting steel at prices that are lower than prevailing domestic prices and sometimes at or below their cost of production. Excessive imports of metal into the United States, such as in recent years, have exerted and may exert in the future, downward pressure on United States steel prices which may negatively affect our results of operations.

The U.S. government enacted several trade actions in 2018 and 2019 including tariffs on imported steel and aluminum products under Section 232 of the Trade Expansion Act. It is expected that these trade actions, while in effect, will limit metal imports from nonexempt countries. If these trade actions are relaxed, repealed, or if relatively higher U.S. metal prices make it attractive for foreign metal producers to export their products to the U.S., despite the presence of duties or tariffs, the resurgence of substantial imports of foreign steel could create downward pressure on U.S. metal prices which could have a material adverse effect on sales prices and future results of operations. To the extent these tariffs and other trade actions result in a decrease in international demand for steel and aluminum, or products manufactured therefrom and, produced in the United States, or otherwise negatively impact demand for our products, our business may be adversely impacted.

***We could incur substantial costs related to environmental, health, and safety laws.***

Our operations are subject to increasingly stringent environmental, health, and safety laws. These include laws that impose limitations on the discharge of pollutants into the air and water and establish standards for the treatment, storage, and disposal of regulated materials, and the investigation and remediation of contaminated soil, surface water, and groundwater. Failure to maintain or achieve compliance with these laws or with the permits required for our operations could result in substantial increases in operating costs and capital expenditures. In addition, we may be subject to fines and civil or criminal sanctions, third party claims for property damage or personal injury, worker's compensation or personal injury claims, cleanup costs, or temporary or permanent discontinuance of operations. Certain of our facilities are located in industrial areas, have a history of heavy industrial use, and have been in operation for many years and, over time, we and other predecessor operators of these facilities have generated, used, handled, and disposed of hazardous and other regulated wastes. Environmental liabilities could exist, including cleanup obligations at these facilities or at off-site locations where materials from our operations were disposed of, which could result in future expenditures that cannot be currently quantified and which could have a material adverse effect on our financial position, results of operations, or cash flows. Such liabilities may be imposed without regard to fault or the legality of a party's conduct and may, in certain circumstances, be joint and several. Future changes to environmental, health, and safety laws, including those related to climate change, could result in material liabilities and costs, constrain operations, or make such operations more costly for us, our suppliers, and our customers.

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 for the Portland Harbor Superfund Site. See Item 3 "Legal Proceedings."

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 Record of Decision 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.

***Regulations related to conflict-free minerals may force us to incur additional expenses and place us at a competitive disadvantage.***

On August 22, 2012, under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act"), the United States SEC adopted new requirements for reporting companies that use certain minerals and metals, known as "conflict minerals", in their products, whether or not these products are manufactured by third parties. These requirements require companies to

diligence, disclose, and report whether or not such minerals originate from the Democratic Republic of Congo and adjoining countries. Since our supply chain is complex, we may not be able to conclusively verify the origins for all metals used in our products and we may face reputational challenges with our customers. Additionally, as there may be only a limited number of suppliers offering “conflict free” metals, we cannot be sure that we will be able to obtain necessary metals from such suppliers in sufficient quantities or at competitive prices. Accordingly, we could incur significant cost related to the compliance process, including potential difficulty or added costs in satisfying the disclosure requirements. Moreover, we may encounter challenges to satisfy those customers who require that all of the components of our products be certified as conflict free which could place us at a competitive disadvantage if we are unable to do so.

***Tax changes could affect our effective tax rate, the value of our deferred tax assets, and future profitability.***

Our future results could be adversely affected by changes in the effective tax rate or changes in the treatment of deferred tax assets as a result of changes in Ryerson’s overall profitability, changes in the mix of earnings in countries with differing statutory tax rates, changes in tax legislation, the results of the examination of previously filed tax returns, and continuing assessment of the Company’s tax exposures. In particular, although the passage of the Tax Cut and Jobs Act of 2017 reduced the U.S. tax rate to 21%, our future earnings could be negatively impacted by changes in tax legislation including changing tax rates and tax base such as limiting, phasing-out, or eliminating deductions or tax credits, changing rules for earnings repatriations, and changing other tax laws in the U.S. or other countries. In addition, it is uncertain if, and to what extent, various states will conform to the new tax law and if foreign countries will react by adopting tax legislation or taking other actions that could adversely affect our business.

***We are subject to litigation that could strain our resources and distract management.***

From time to time, we are involved in a variety of claims, lawsuits, and other disputes arising in the ordinary course of business. These suits concern issues including product liability, contract disputes, employee-related matters, and personal injury matters. It is not feasible to predict the outcome of all pending suits and claims, and the ultimate resolution of these matters as well as future lawsuits that could have a material adverse effect on our business, financial condition, results of operations, cash flows, or reputation.

***We may face product liability claims that are costly and create adverse publicity.***

If any of the products that we sell cause harm to any of our customers, we could be exposed to product liability lawsuits. If we were found liable under product liability claims, we could be required to pay substantial monetary damages. Further, even if we successfully defended ourselves against this type of claim, we could be forced to spend a substantial amount of money in litigation expenses, our management could be required to spend valuable time in the defense against these claims, and our reputation could suffer.

***Our risk management strategies may result in losses.***

From time to time, we may use fixed-price and/or fixed-volume supplier contracts to offset contracts with customers. Some of our existing supply agreements have required minimum purchase quantities. Under adverse economic conditions, those minimums may exceed our needs. Absent exceptions for force majeure and other circumstances affecting the legal enforceability of the agreements, these minimum purchase requirements may compel us to purchase quantities of raw materials that could significantly exceed our anticipated needs or pay damages to the supplier for shortfalls. In these circumstances, we would attempt to negotiate agreements for new purchase quantities. There is a risk, however, that we would not be successful in reducing purchase quantities, either through negotiation or litigation. If that occurred, we would likely be required to purchase more of a particular raw material in a particular year than we need, negatively affecting our results of operations and cash flows.

Additionally, we may use commodity contracts, foreign exchange contracts, and interest rate swaps to manage our exposure to commodity price risk, foreign currency exchange risk, and interest rate risk. These risk management strategies pose certain risks, including the risk that losses on a hedge position may exceed the amount invested in such instruments. Moreover, a party in a hedging transaction may be unavailable or unwilling to settle our obligations, which could cause us to suffer corresponding losses. A hedging instrument may not be effective in eliminating all of the risks inherent in any particular position. Our profitability may be adversely affected during any period as a result of use of such instruments.

***Changes in the method of determining the London Interbank Offered Rate (“LIBOR”), or the replacement of LIBOR with an alternative reference rate, may adversely affect interest rates on our outstanding variable rate indebtedness.***

Certain of our variable rate debt, including the Ryerson Credit Facility, currently uses LIBOR as a benchmark for establishing certain interest rates. LIBOR is the subject of recent proposals for reform and on July 27, 2017, the U.K. Financial Conduct Authority announced that it intends to stop compelling banks to submit rates for the calculation of LIBOR after 2021. The Federal Reserve Bank

of New York has begun publishing a Secured Overnight Funding Rate (“SOFR”), which is intended to replace U.S. dollar LIBOR, and central banks in several other jurisdictions have also announced plans for alternative reference rates for other currencies. These reforms may cause LIBOR to perform differently than in the past or to disappear entirely. The consequences of these developments with respect to LIBOR cannot be entirely predicted but may result in an increase in the interest cost of our variable rate indebtedness. In the future, we may need to renegotiate our outstanding indebtedness or incur other indebtedness, and the phase-out of LIBOR may negatively impact the terms of such indebtedness. In addition, the overall financial market may be disrupted as a result of the phase-out or replacement of LIBOR. Disruption in the financial market could have a material adverse effect on our financial position, results of operations, and liquidity.

## **Risks Related to Ownership of Our Common Stock**

### ***The market price for our common stock may be volatile.***

Historically, there has been volatility in the market price for our common stock. Furthermore, the market price of our common stock could fluctuate substantially in the future in response to a number of factors, including, but not limited to, the risk factors described herein. Examples include:

- changes in commodity prices, especially metals;
- announcement of our quarterly operating results or the operating results of other metals service centers;
- changes in financial estimates or recommendations by stock market analysts regarding us or our competitors;
- the operating and stock performance of other companies that investors may deem comparable;
- press releases, earnings releases, or publicity relating to us or our competitors or relating to trends in the metals service center industry;
- inability to meet securities analysts’ and investors’ quarterly or annual estimates or targets of our performance;
- sales of our common stock by large or controlling shareholders;
- the amount of shares acquired for short-term investments;
- general domestic or international economic, market, and political conditions; and
- announcements by us or our competitors of significant acquisitions, dispositions or joint ventures, or other material events impacting the domestic or global metals industry.

In the past, the stock market has experienced significant price and volume fluctuations. This volatility has had a significant effect on the market prices of securities issued by many companies for reasons unrelated to their specific operating performance. These factors may adversely affect the trading price of our common stock, regardless of actual operating performance.

In addition, stock markets from time to time experience extreme price and volume fluctuations that may be unrelated or disproportionate to the operating performance of companies. In the past, some shareholders have brought securities class action lawsuits against companies following periods of volatility in the market price of their securities. We may in the future be the target of similar litigation. Securities litigation, regardless of whether our defense is ultimately successful, could result in substantial costs and divert management’s attention and resources.

### ***We have a substantial amount of indebtedness, which could adversely affect our financial position and prevent us from fulfilling our financial obligations.***

We currently have a substantial amount of indebtedness. As of December 31, 2019, our total indebtedness was approximately \$981.8 million and we had approximately \$348 million of unused capacity under the Ryerson Credit Facility. Our substantial indebtedness may:

- make it difficult for us to satisfy our financial obligations, including making scheduled principal and interest payments on our outstanding notes and our other indebtedness;
- limit our ability to borrow additional funds for working capital, capital expenditures, acquisitions, or other general corporate purposes;
- limit our ability to use our cash flow for future working capital, capital expenditures, acquisitions, or other general corporate purposes;



- require us to use a substantial portion of our cash flow from operations to make debt service payments;
- limit our flexibility to plan for, or react to, changes in our business and industry;
- place us at a competitive disadvantage compared to our less leveraged competitors; and
- increase our vulnerability to the impact of adverse economic and industry conditions.

We may also incur additional indebtedness in the future. The terms of the Ryerson Credit Facility and the indenture governing our outstanding notes restrict but do not prohibit us from doing so, and the indebtedness incurred in compliance with these restrictions could be substantial. If new indebtedness is added to our current debt levels, the related risks that we now face could intensify.

***The covenants in the Ryerson Credit Facility and the indenture governing our notes impose, and covenants contained in agreements governing indebtedness that we incur in the future may impose, restrictions that may limit our operating and financial flexibility.***

The Ryerson Credit Facility and the indenture governing our outstanding notes contain a number of significant restrictions and covenants that limit our ability and the ability of our restricted subsidiaries, including JT Ryerson, to:

- incur additional debt;
- pay dividends on our capital stock or repurchase our capital stock;
- make certain investments or other restricted payments;
- create liens or use assets as security in other transactions;
- merge, consolidate, transfer, or dispose of substantially all of our assets; and
- engage in transactions with affiliates.

The terms of the Ryerson Credit Facility require that, in the event availability under the facility declines to a certain level, we maintain a minimum fixed charge coverage ratio at the end of each fiscal quarter. Total credit availability is limited by the amount of eligible accounts receivable, inventory, and qualified cash pledged as collateral under the agreement insofar as the Company is subject to a borrowing base comprised of the aggregate of these three amounts, less applicable reserves. As of December 31, 2019, total credit availability was \$348 million. See discussion regarding the Ryerson Credit Facility in the “Liquidity and Capital Resources” section of Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

Additionally, subject to certain exceptions, the indenture governing the outstanding notes restricts JT Ryerson’s ability to pay Ryerson Holding dividends. Our future indebtedness may contain covenants more restrictive in certain respects than the restrictions contained in the Ryerson Credit Facility and the indenture governing the notes. Operating results below current levels or other adverse factors, including a significant increase in interest rates, could result in our being unable to comply with financial covenants that are contained in the Ryerson Credit Facility or that may be contained in any future indebtedness. In addition, complying with these covenants may also cause us to take actions that are not favorable to holders of our notes and may make it more difficult for us to successfully execute our business strategy and compete against companies that are not subject to such restrictions.

***We may not be able to generate sufficient cash to service all of our indebtedness.***

We are highly leveraged. Our ability to make payments on our indebtedness depends on our ability to generate cash in the future. Our outstanding notes, the Ryerson Credit Facility, and our other outstanding indebtedness are expected to account for significant cash interest expenses. Accordingly, we will have to generate significant cash flows from operations to meet our debt service requirements. If we do not generate sufficient cash flow to meet our debt service and working capital requirements, we may be required to sell assets, seek additional capital, reduce capital expenditures, restructure or refinance all or a portion of our existing indebtedness, or seek additional financing. Moreover, insufficient cash flow may make it more difficult for us to obtain financing on terms that are acceptable to us, or at all.

***The right to receive payment on the 2022 Notes and the guarantees will be subordinated to the liabilities of non-guarantor subsidiaries.***

The notes and related guarantees are structurally subordinated to all indebtedness of our subsidiaries that are non-guarantors of the 2022 Senior Secured Notes (the “2022 Notes”). While the indenture governing the 2022 Notes limits the indebtedness and activities of these non-guarantor subsidiaries, holders of indebtedness of, and trade creditors of, non-guarantor subsidiaries, including



lenders under bank financing agreements, are entitled to payments of their claims from the assets of such subsidiaries before those assets are made available for distribution to any guarantor, as direct or indirect shareholder. While the non-guarantor subsidiaries have agreed under the indenture not to pledge or encumber their assets (other than with respect to permitted liens) without equally and ratably securing the notes, they will not guarantee the 2022 Notes notwithstanding any such pledge or encumbrance in favor of the 2022 Notes.

The non-guarantor subsidiaries represented, respectively, 9.5% and 6.5% of our net sales and EBITDA for the fiscal year ended December 31, 2019. In addition, these non-guarantor subsidiaries represented respectively, 10.9% and 7.6% of our assets and liabilities, as of December 31, 2019.

Accordingly, in the event that any of the non-guarantor subsidiaries or joint venture entities become insolvent, liquidates, or otherwise reorganizes:

- the creditors of the guarantors (including the holders of the 2022 Notes) will have no right to proceed against such subsidiary's assets; and
- the creditors of such non-guarantor subsidiary, including trade creditors, will generally be entitled to payment in full from the sale or other disposal of assets of such subsidiary, as direct or indirect shareholder, and will be entitled to receive any distributions from such subsidiary.

***Because a portion of our indebtedness bears interest at rates that fluctuate with changes in certain prevailing short-term interest rates, we are vulnerable to interest rate increases.***

A portion of our indebtedness, including the Ryerson Credit Facility, bears interest at rates that fluctuate with changes in certain short-term prevailing interest rates. As of December 31, 2019, we had approximately \$377.7 million of outstanding borrowings under the Ryerson Credit Facility, with an additional \$348 million available for borrowing under such facility. Assuming a consistent level of debt through-out 2019, a 100 basis point change in the interest rate on our floating rate debt effective from the beginning of the year would increase or decrease our interest expense under the Ryerson Credit Facility by approximately \$2.6 million on an annual basis. If interest rates increase dramatically, we could be unable to service our debt, which could have a material adverse effect on our business, financial condition, results of operations, or cash flows.

***Changes in our credit ratings and outlook may reduce access to capital and increase borrowing costs.***

Our credit ratings are based on a number of factors, including our financial strength and factors outside of our control, such as conditions affecting our industry generally or the introduction of new rating practices and methodologies. We cannot provide assurances that our current credit ratings will remain in effect or that the ratings will not be lowered, suspended, or withdrawn entirely by the rating agencies. If rating agencies lower, suspend, or withdraw the ratings, the market price or marketability of our securities may be adversely affected. In addition, any negative change in ratings could make it more difficult for us to raise capital on acceptable terms, impact the ability to obtain adequate financing, and result in higher interest costs for our existing credit facilities, including the Ryerson Credit Facility, or on future financings.

***Platinum owns a significant percentage of our stock and has the right to nominate a majority of the members of the Corporation's board and will be able to exert control over matters subject to stockholder approval.***

Platinum owns approximately 21,037,500 shares of our common stock, which is approximately 56% of our issued and outstanding common stock. Therefore, Platinum may be able to determine all matters requiring stockholder approval. For example, Platinum may be able to control elections of directors, amendments of our organizational documents, or approval of any merger, sale of assets, or other major corporate transaction. This may prevent or discourage unsolicited acquisition proposals or offers for our common stock that our stockholders may believe are in their best interest as stockholders.

The Company is party to an investor rights agreement (the "Investor Rights Agreement") with certain affiliates of Platinum which provides, among other things, that for so long as Platinum collectively beneficially owns (i) at least 30% of the voting power of the outstanding capital stock of the Company, Platinum will have the right to nominate for election to the board of directors of the Company no fewer than that number of directors that would constitute a majority of the number of directors if there were no vacancies on the board, (ii) at least 15% but less than 30% of the voting power of the outstanding capital stock of the Company, Platinum will have the right to nominate two directors, and (iii) at least 5% but less than 15% of the voting power of the outstanding capital stock of the Company, Platinum will have the right to nominate one director. The agreement also provides that if the size of the board of directors is increased or decreased at any time, Platinum's nomination rights will be proportionately increased or decreased, respectively, rounded up to the nearest whole number. As a result of Platinum's ownership of a majority of the Company's outstanding capital stock as well its board nomination rights pursuant to the Investor Rights Agreement, Platinum may significantly

influence or effectively control our policies and operations, including the appointment of management, future issuances of our common stock or other securities, and the payment of dividends. In addition, Platinum has significant control over our decisions to enter into any other corporate transaction.

The interests of Platinum may not in all cases be aligned with the interests of the other holders of our common stock. For example, a sale of a substantial number of shares of stock in the future by Platinum could cause our stock price to decline. Further, Platinum could cause us to make acquisitions that increase the amount of the indebtedness that is secured or senior to the Company's existing debt or sell revenue-generating assets, impairing our ability to make payments under such debt. Additionally, Platinum is in the business of making investments in companies and may from time to time acquire and hold interests in businesses that compete directly or indirectly with us. Accordingly, Platinum may also pursue acquisition opportunities that may be complementary to our business, and as a result, those acquisition opportunities may not be available to us. In addition, Platinum may have an interest in pursuing acquisitions, divestitures, and other transactions that, in their judgment, could enhance their equity investment, even though such transactions might involve risks to holders of our common stock.

***We are exempt from certain corporate governance requirements because we are a “controlled company” within the meaning of the NYSE rules and, as a result, our stockholders do not have the protections afforded by these corporate governance requirements.***

Because Platinum controls more than 50% of the voting power of our common stock, we are considered to be a “controlled company” for purposes of the New York Stock Exchange (“NYSE”) listing requirements. Under the NYSE rules, a “controlled company” may elect not to comply with certain NYSE corporate governance requirements, including (1) the requirement that a majority of our Board of Directors consist of independent directors, (2) the requirement that the nominating and corporate governance committee of our Board of Directors be composed entirely of independent directors, (3) the requirement that the compensation committee of our Board of Directors be composed entirely of independent directors, and (4) the requirement for an annual performance evaluation of the nomination/corporate governance and compensation committees. Given that Platinum controls a majority of the voting power of our common stock, we are permitted, and have elected, to opt out of compliance with certain NYSE corporate governance requirements. Accordingly, holders of our common stock do not have the same protections afforded to stockholders of companies that are subject to all of the NYSE corporate governance requirements.

***Our corporate documents and Delaware law contain provisions that could discourage, delay, or prevent a change in control of the Company.***

Our amended and restated certificate of incorporation and amended and restated bylaws contain provisions that may make the acquisition of our company more difficult without the approval of our Board of Directors. These provisions:

- establish a classified Board of Directors so that not all members of our Board of Directors are elected at one time;
- authorize the issuance of undesignated preferred stock, the terms of which may be established and the shares of which may be issued without stockholder approval, and which may include super voting, special approval, dividend, or other rights or preferences superior to the rights of the holders of common stock;
- provide that the Board of Directors is expressly authorized to make, alter, or repeal our amended and restated bylaws;
- prohibit stockholders from acting by written consent if less than a majority of the voting power of our outstanding stock is controlled by Platinum; and
- establish advance notice requirements for nominations for elections to our Board of Directors or for proposing matters that can be acted upon by stockholders at stockholder meetings.

These anti-takeover provisions and other provisions under Delaware law could discourage, delay, or prevent a transaction involving a change in control of our company, even if doing so would benefit our stockholders. These provisions could also discourage proxy contests and make it more difficult for our stockholders to elect directors of their choosing and to cause us to take other corporate actions they desire.

***Any issuance of preferred stock could make it difficult for another company to acquire us or could otherwise adversely affect holders of our common stock, which could depress the price of our common stock.***

Our Board of Directors will have the authority to issue preferred stock and to determine the preferences, limitations, and relative rights of shares of preferred stock and to fix the number of shares constituting any series and the designation of such series, without any further vote or action by our stockholders. Our preferred stock could be issued with voting, liquidation, dividend, and other rights superior to the rights of our common stock. The potential issuance of preferred stock may delay or prevent a change in control of us, discouraging bids for our common stock at a premium over the market price, and adversely affect the market price and the voting and other rights of the holders of our common stock.

*We have not paid cash dividends since our initial public offering in 2014 and any future dividend payments are at the discretion of our Board of Directors.*

We have not declared or paid cash dividends on our common stock or any other equity security since our initial public offering in 2014. The amounts that may be available to us to pay cash dividends are restricted under our debt agreements. Any payment of cash dividends on our common stock in the future will be at the discretion of our Board of Directors and will depend upon our results of operations, earnings, capital requirements, financial condition, future prospects, contractual restrictions, and other factors deemed relevant by our Board of Directors. Therefore, you should not rely on dividend income from shares of our common stock. For more information, see “Dividend Policy.” Your only opportunity to achieve a return on your investment in us may be if the market price of our common stock appreciates and you sell your shares at a profit, but there is no guarantee that the market price for our common stock will ever exceed the price that you pay for our common stock.

**ITEM 1B. UNRESOLVED STAFF COMMENTS.**

Not applicable.

**ITEM 2. PROPERTIES.**

As of December 31, 2019, the Company’s facilities are set forth below:

*Operations in the United States*

JT Ryerson maintains 82 operational facilities, including 6 locations that are dedicated to administration services. All of our metals service center facilities are in good condition and are adequate for JT Ryerson’s existing operations. Approximately 50% of these facilities are leased. The lease terms expire at various times through 2032. JT Ryerson’s properties and facilities are adequate to serve its present and anticipated needs.

Location	Own/Lease
Birmingham, AL	Owned
Mobile, AL	Owned
Fort Smith, AR	Owned
Hickman, AR**	Leased
Little Rock, AR**	Leased
Phoenix, AZ	Leased
Dos Palos, CA	Leased
Fresno, CA	Leased
Livermore, CA	Leased
Vernon, CA	Owned
Commerce City, CO	Owned
South Windsor, CT	Leased/Vacated
Wilmington, DE	Owned
Jacksonville, FL	Owned
Tampa Bay, FL	Owned
Lavonia, GA	Leased
Norcross, GA	Leased/Vacated
Norcross, GA**	Owned
Des Moines, IA	Owned
Eldridge, IA**	Leased
Marshalltown, IA	Owned
Chicago, IL (Headquarters)*	Leased
Chicago, IL	Owned
Chicago, IL	Leased/Vacated
Chicago, IL	Leased/Vacated
Dekalb, IL	Leased
Elgin, IL	Leased
Lisle, IL*	Leased
Burns Harbor, IN	Owned
Indianapolis, IN	Owned
Portage, IN**	Leased
Wichita, KS	Leased
Shelbyville, KY**	Owned
Shreveport, LA	Owned
St. Rose, LA	Owned
Devens, MA	Owned
Detroit, MI*	Leased
Grand Rapids, MI*	Leased
Lansing, MI	Leased
Minneapolis, MN	Owned
Plymouth, MN	Owned
Maryland Heights, MO	Leased
North Kansas City, MO	Owned
Jackson, MS	Owned
Charlotte, NC**	Owned
Charlotte, NC	Leased
Greensboro, NC (2)	Owned
Pikeville, NC	Leased
Youngsville, NC	Leased
Omaha, NE	Owned
Lancaster, NY	Leased
Cincinnati, OH	Owned
Columbus, OH	Leased
Hamilton, OH*	Leased
Hilliard, OH	Leased

Streetsboro, OH	Leased
Strongsville, OH	Leased
Oklahoma City, OK	Owned
Tulsa, OK	Owned
Tigard, OR	Leased
Ambridge, PA**	Owned
Fairless Hills, PA**	Leased
Charleston, SC**	Owned
Greenville, SC	Owned
Wellford, SC	Owned
Chattanooga, TN	Owned
Chattanooga, TN	Leased
Gallatin, TN	Leased
Knoxville, TN*	Leased
Memphis, TN	Owned
Dallas, TX	Leased
El Paso, TX	Leased
Houston, TX	Owned
Houston, TX (2)	Leased
McAllen, TX	Leased
Odessa, TX	Leased/Vacated
Salt Lake City, UT	Leased
Pounding Mill, VA	Leased
Richmond, VA	Owned
Renton, WA	Owned
Spokane, WA	Leased
Green Bay, WI	Owned
Green Bay, WI	Leased
Hammond, WI	Leased
Milwaukee, WI	Owned

- \* Office space only  
\*\* Processing centers

### ***Operations in Canada***

Ryerson Canada, a wholly-owned indirect Canadian subsidiary of Ryerson Holding, has nine operational facilities in Canada. All of the metals service center facilities are in good condition and are adequate for Ryerson Canada's existing and anticipated operations. Four facilities are leased. The lease terms expire at various times through 2025.

<b>Location</b>	<b>Own/Lease</b>
Calgary, AB	Owned
Edmonton, AB	Owned
Richmond, BC	Owned
Winnipeg, MB	Owned
Winnipeg, MB	Leased
Saint John, NB	Owned
Brampton, ON	Leased
Burlington, ON (includes Canadian Headquarters)	Leased
Vaudreuil, QC	Leased

### ***Operations in China***

Ryerson China, an indirect wholly owned subsidiary of Ryerson Holding, has four service and processing centers in China, in Guangzhou, Dongguan, Kunshan, and Tianjin, performing coil processing, sheet metal fabrication, and plate processing. Ryerson

China's headquarters office building is located in Kunshan. We own all of our China facilities and have purchased the related land use rights. All of the facilities are in good condition and are adequate for Ryerson China's existing and anticipated operations.

### ***Operations in Mexico***

Ryerson Mexico, an indirect wholly owned subsidiary of Ryerson Holding, has four facilities in Mexico. We have service centers in Monterrey, Tijuana, Hermosillo, and Queretaro, all of which are leased. The facilities are in good condition and are adequate for Ryerson Mexico's existing and anticipated operations.

### **ITEM 3. LEGAL PROCEEDINGS.**

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. In a change from its prior stance, at a meeting on December 4, 2018, the EPA indicated that it expected PRPs to submit a plan during 2019 to start remediation of the river and harbor per the original ROD within the next two to three years. The EPA also indicated that it expected allocation of amounts among the parties to be determined in the same two to three-year time frame. The EPA invited certain PRPs to a May 2, 2019 meeting to discuss starting the remedial design process. The EPA did not include JT Ryerson in those meetings.

On December 9, 2019, a PRP group met with Administrator Wheeler, the head of the EPA, to discuss updating the ROD as recent testing indicates that the levels of contamination have "drastically improved" and, thus, remediation should be much less drastic than that in the current ROD. We have been informed that Administrator Wheeler is requiring regional EPA staff to engage in discussions with the PRP group before moving forward with any enforcement action. The EPA indicated in a January 2, 2020 "progress update" letter that it is negotiating with certain parties to perform remedial design work at five unspecified areas which comprise 52% of the overall acreage subject to remediation. It is unclear if any of these areas include the areas where our former facilities were located. As a result of the ongoing negotiations over the ROD, the EPA's decision not to meet with smaller parties, and the December 9, 2019 meeting with Administrator Wheeler, the discussions with the EPA regarding remedial design appear to be delayed.

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.

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 December 31, 2019 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.

### **ITEM 4. MINE SAFETY DISCLOSURES.**

Not applicable.



## PART II

### ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES.

#### Market Information for Common Stock

Our common stock has been listed on the New York Stock Exchange under the symbol "RYI" and was first traded on August 13, 2014.

#### Holder

As of February 29, 2020, there were 2 stockholders of record of our common stock. Because many shares of our common stock are held by brokers and other institutions on behalf of stockholders, we are unable to estimate the total number of beneficial stockholders represented by these record holders.

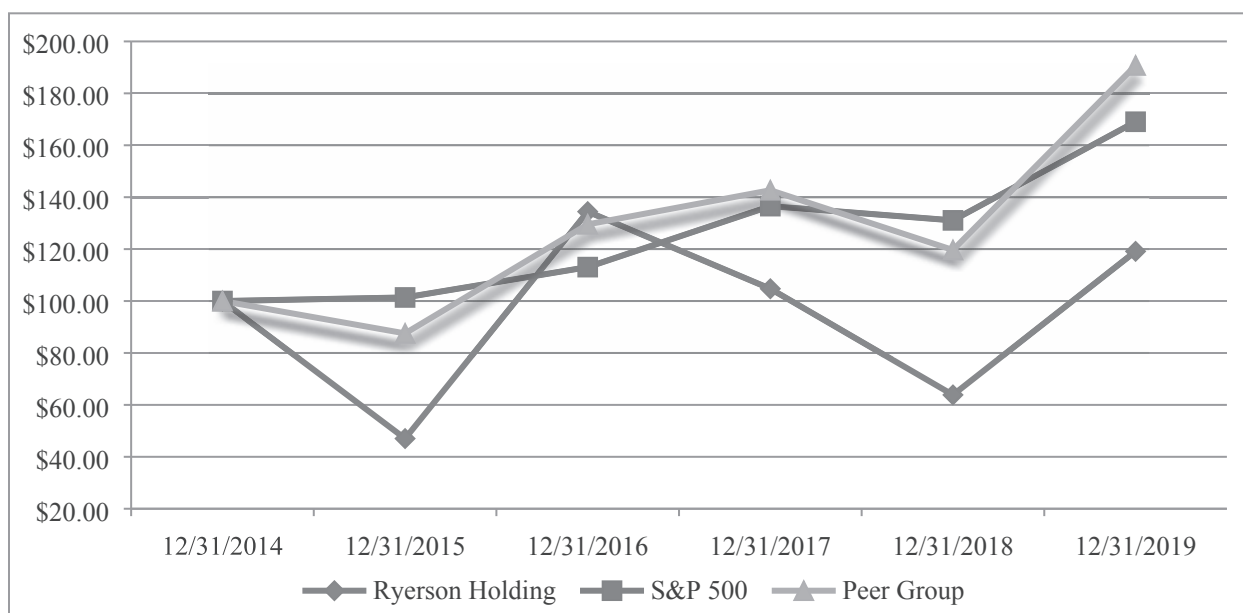
#### Dividend Policy

We have not declared any cash dividends for the past two years. Any payment of cash dividends on our common stock in the future will be at the discretion of our Board of Directors and will depend upon our results of operations, earnings, capital requirements, financial condition, future prospects, contractual restrictions, including under the Ryerson Credit Facility and our outstanding notes, and other factors deemed relevant by our Board of Directors.

#### Performance Graph

The following graph and accompanying table show the cumulative total return to stockholders of Ryerson Holding's common stock relative to the cumulative total returns of the S&P 500 and a metals service center peer group (the "Peer Group"). The graph tracks the performance of a \$100 investment in each of the indices (with reinvestment of dividends) from December 31, 2014 to December 31, 2019. While there is no nationally-recognized industry index consisting of metals service center companies, Ryerson considers its Peer Group to consist of Reliance Steel & Aluminum Co. and Olympic Steel Inc., each of which has securities listed for trading on the NASDAQ; and Russel Metals Inc., which has securities listed for trading on the Toronto Stock Exchange. The returns of each member of the Peer Group are weighted according to that member's stock market capitalization. The stock price performance included in this graph is not necessarily indicative of future stock price performance.

**Comparison of 5 Year Cumulative Total Return  
Assumes Initial Investment of \$100  
December 2019**



This graph is not deemed to be “filed” with the U.S. Securities and Exchange Commission (“SEC”) or subject to the liabilities of Section 18 of the Securities Exchange Act of 1934 (“the Exchange Act”), and should not be deemed to be incorporated by reference into any of our prior or subsequent filings under the Securities Act of 1933 or the Exchange Act.

	12/31/14	12/31/15	12/31/16	12/31/17	12/31/18	12/31/19
Ryerson Holding	\$ 100.00	\$ 47.03	\$ 134.44	\$ 104.73	\$ 63.85	\$ 119.13
S&P 500	\$ 100.00	\$ 101.38	\$ 113.07	\$ 136.56	\$ 131.07	\$ 169.06
Peer Group	\$ 100.00	\$ 87.54	\$ 129.53	\$ 142.67	\$ 119.66	\$ 190.73

**Purchases of Equity Securities by the Issuer and Affiliated Purchasers**

None.

**Recent Sale of Unregistered Securities and Use of Proceeds**

None.

**ITEM 6. SELECTED FINANCIAL DATA.**

The following table sets forth our selected historical consolidated financial information. Our selected historical Consolidated Statements of Operations data for the years ended December 31, 2017, 2018, and 2019 and the summary historical balance sheet data as of December 31, 2018 and 2019 have been derived from our audited consolidated financial statements included in Item 8. “Financial Statements and Supplementary Data.” The selected historical Consolidated Statements of Operations data for the years ended December 31, 2015 and 2016 and the summary historical balance sheet data as of December 31, 2015, 2016, and 2017 were derived from the audited financial statements and related notes thereto, which are not included in this Form 10-K.

The following consolidated financial information should be read together with Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the audited Consolidated Financial Statements of Ryerson Holding Corporation and the Notes thereto included in Item 8. “Financial Statements and Supplementary Data.”

**FIVE YEAR SUMMARY OF SELECTED FINANCIAL DATA AND OPERATING RESULTS**  
(Dollars in millions, except per ton and per share data)

	Year Ended December 31,				
	2019	2018	2017	2016	2015
<b>Statements of Operations Data:</b>					
Net sales	\$ 4,501.6	\$ 4,408.4	\$ 3,364.7	\$ 2,859.7	\$ 3,167.2
Cost of materials sold	3,673.7	3,650.3	2,782.2	2,289.1	2,599.5
Gross profit	827.9	758.1	582.5	570.6	567.7
Warehousing, delivery, selling, general, and administrative (1)	636.8	614.7	481.4	447.5	451.9
Gain on sale of assets	(20.6)	—	—	—	(1.9)
Gain on insurance settlement	(1.5)	—	—	—	—
Restructuring and other charges	2.4	4.2	—	1.0	2.5
Impairment charges on assets	—	—	—	—	7.7
Operating profit	210.8	139.2	101.1	122.1	107.5
Other income and (expense), net (2)	(2.4)	76.7	6.6	(6.1)	(9.3)
Interest and other expense on debt (3)	(93.2)	(99.2)	(91.0)	(89.9)	(96.3)
Income before income taxes	115.2	116.7	16.7	26.1	1.9
Provision (benefit) for income taxes	32.5	10.3	(1.3)	7.2	3.7
Net income (loss)	82.7	106.4	18.0	18.9	(1.8)
Less: Net income (loss) attributable to noncontrolling interest	0.3	0.4	0.9	0.2	(1.3)
Net income (loss) attributable to Ryerson Holding Corporation	<u>\$ 82.4</u>	<u>\$ 106.0</u>	<u>\$ 17.1</u>	<u>\$ 18.7</u>	<u>\$ (0.5)</u>
<b>Earnings (loss) per share of common stock:</b>					
Basic earnings (loss) per share	<u>\$ 2.19</u>	<u>\$ 2.84</u>	<u>\$ 0.46</u>	<u>\$ 0.55</u>	<u>\$ (0.02)</u>
Diluted earnings (loss) per share	<u>\$ 2.17</u>	<u>\$ 2.81</u>	<u>\$ 0.46</u>	<u>\$ 0.54</u>	<u>\$ (0.02)</u>
Weighted average shares outstanding — Basic	37.7	37.3	37.2	34.3	32.1
Weighted average shares outstanding — Diluted	38.0	37.7	37.3	34.4	32.1
<b>Balance Sheet Data (at period end):</b>					
Cash and cash equivalents	\$ 11.0	\$ 23.2	\$ 77.4	\$ 80.7	\$ 63.2
Restricted cash	48.8	1.1	1.1	1.0	1.2
Working capital	788.1	844.1	701.2	665.4	643.0
Property, plant, and equipment, net	439.7	489.0	422.9	388.2	400.3
Total assets	2,021.5	2,086.3	1,711.9	1,558.7	1,545.2
Long-term debt, including current maturities	981.8	1,153.3	1,045.7	963.5	1,023.5
Total equity (deficit)	178.6	75.9	(7.4)	(49.3)	(140.9)
<b>Other Financial Data:</b>					
Cash flows provided by (used in) operations	\$ 193.1	\$ 57.4	\$ (2.5)	\$ 24.8	\$ 258.9
Cash flows provided by (used in) investing activities	26.4	(200.2)	(70.3)	(19.8)	(18.0)
Cash flows provided by (used in) financing activities	(183.8)	92.9	65.7	11.4	(232.0)
Capital expenditures	45.8	38.4	25.1	23.0	22.3
Depreciation and amortization	58.4	52.9	47.1	42.5	43.7
<b>Volume and Per Ton Data:</b>					
Tons shipped (000)	2,381	2,268	2,000	1,903	1,897
Average selling price per ton	\$ 1,891	\$ 1,944	\$ 1,682	\$ 1,503	\$ 1,670
Gross profit per ton	348	334	291	300	299
Operating expenses per ton	259	273	241	236	243
Operating profit per ton	89	61	50	64	56

(1) The year ended December 31, 2019 includes a reduction of \$11.0 million of accrued vacation expense resulting from changes to our vacation policy that were adopted at the end of the year which altered the timing of accrual recognition.

(2) The year ended December 31, 2018 includes a \$70.0 million gain on bargain purchase related to our Central Steel and Wire Company acquisition. The year ended December 31, 2017 includes an other-than-temporary impairment charge of \$0.2 million related to an equity investment. The year ended December 31, 2016 includes an other-than-temporary impairment charge of \$4.7 million related to an equity investment and a \$8.7 million loss on the retirement of debt related to the purchases and retirement of our 9.0% Senior Notes due 2017 (the "2017 Notes") and 11.25% Senior Notes due 2018 (the "2018 Notes"). The year ended December 31, 2015 includes an other-than-temporary impairment charge of \$12.3 million related to an equity investment and a \$0.3 million gain on the retirement of debt related to the purchases of a portion of our 2017 Notes and 2018 Notes.

(3) The year ended December 31, 2019 includes a \$0.1 million write off of debt issuance costs related to the repurchase of the 2022 Notes. The year ended December 31, 2018 includes a \$0.5 million write off of debt issuance costs related to the repurchase of the 2022 Notes. The year ended December 31, 2015 includes a \$2.9 million write off of debt issuance costs associated with our prior credit facility upon entering into a new revolving credit facility on July 24, 2015.

## **ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.**

The following discussion and analysis should be read in conjunction with Item 6. “Selected Financial Data” and the audited Consolidated Financial Statements of Ryerson Holding Corporation and Subsidiaries and the Notes thereto in Item 8. “Financial Statements and Supplementary Data.” This discussion contains forward-looking statements that involve risks and uncertainties. See the section entitled “Special Note Regarding Forward-Looking Statements.” Our actual results and the timing of selected events could differ materially from those discussed in these forward-looking statements as a result of certain factors, including those discussed in Item 1A. “Risk Factors” and elsewhere in this Form 10-K.

This section of this Form 10-K generally discusses 2019 and 2018 items and year-over-year comparisons between 2019 and 2018. Discussions of 2017 items and year-over-year comparisons between 2018 and 2017 that are not included in this Form 10-K can be found in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Part II, Item 7 of the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2018.

### **Overview**

#### **Business**

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 21,037,500 shares of our common stock, which is approximately 56% of our issued and outstanding common stock.

We are a leading metals service center, value-added processor, and distributor of industrial metals with operations in the United States 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 also operate in China through an indirect wholly-owned subsidiary, Ryerson China Limited (“Ryerson China”). 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.”

#### **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. More than 75% of the metals products sold 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 demand and pricing, and difficult to predict. In 2019, when excluding Central Steel and Wire Company (“CS&W”) which was acquired on July 2, 2018, we saw recessed demand when viewed against the year ago period. According to the Metal Service Center Institute, U.S. service center volumes decreased by more than seven percent compared to the year-ago period. In 2019, we experienced year-over-year growth in shipment volumes in several end markets, most notably in the metal fabrication and machine shop and food and agricultural equipment sectors. We saw year-over-year shipment declines only in the oil & gas and consumer durable sectors.

Overall, commodity prices for carbon and aluminum products trended lower in 2019, while nickel prices increased due to supply constraint induced by the Indonesian export ban. By the end of 2019, CRU hot-rolled carbon steel prices declined 27% and Midwest aluminum prices declined 11%, while the London Metal Exchange Nickel Cash Average increased by 27% compared to the end of 2018. Decreased commodity prices resulted in a per ton pricing decrease of 2.7% in 2019 compared to 2018, which, after excluding LIFO income or expense, resulted in lower gross margins in 2019.

## Industry Developments

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. Subsequently, the White House announced steel quotas, in lieu of tariffs, with South Korea. On May 1, 2018, the White House further announced agreements-in-principle with Argentina, Australia, and Brazil for permanent exemptions from the tariffs in exchange for export quotas or voluntary export restraints, with the exception of Australia which has not agreed to quotas at the time of this release. In August 2018, steel tariffs were increased to 50% for Turkey intended to offset the weakening Turkish Lira.

Further trade actions announced by the U.S. under Section 301 of the Trade Act of 1974 imposed various levels of tariffs and duties on imported Chinese goods with China reciprocating in kind on American goods.

On January 15, 2020, the United States and China signed a phase one trade agreement in which the U.S. agreed not to proceed with tariffs that had been scheduled to take effect December 15, 2019 and cut Section 301 duties related to tariffs imposed on September 1, 2019 on \$120 billion in Chinese goods in half, from 15% to 7.5%, effective February 14, 2020. In return, China has agreed to increase its purchases of U.S. manufactured goods, agricultural products, energy, and services by a total of \$200 billion over 2017 levels in the two years through December 2021. However, negotiations with China are ongoing and the U.S. will maintain 25% tariffs on another \$250 billion of Chinese products while China maintains retaliatory tariffs on some U.S. goods.

On January 29, 2020, President Trump signed the U.S.-Mexico-Canada-Agreement (“USMCA”), which is designed to replace the North American Free Trade Agreement. Once approved by the Canadian parliament, the USMCA would be implemented. Ryerson expects that passage of the USMCA will support demand for North American steel through strengthening of rules of origin for steel-intensive goods as well as continue to provide tariff-free trade access in North American markets.

## Acquisitions

On April 2, 2018, we acquired Fanello Industries (“Fanello”), a privately-owned metal service company located in Lavonia, Georgia. Fanello is a processor and service provider that supplies blanking, stamping, laser cutting, bending, and machining metal solutions to a diverse group of industries in the Southeastern United States.

On July 2, 2018, JT Ryerson acquired CS&W. CS&W is a leading metal service center with locations across the Central and Eastern United States offering a wide selection of products and capabilities, with a commercial portfolio centered on bar, tube, plate, and steel products. Our combined commercial, operational, and processing strengths will provide a broader and deeper array of products to our customers in the Midwest and Northeast United States. The fair value of the consideration totaled \$163.5 million. Included in the 2019 financial results is \$576.3 million of revenue and a net loss of \$13.1 million. Included in the 2018 financial results is \$347.5 million of revenue and \$58.3 million, including a \$70.0 million bargain purchase gain, of net income from CS&W since the acquisition date. Please refer to Note 2 — “Acquisitions” of Part II, Item 8 “Financial Statements and Supplementary Data” for further information on our 2018 acquisition of CS&W. While the integration progressed in 2019 with approximately \$35 million achieved in annualized expense take-outs and \$12 million realized in cumulative proceeds from real estate sales for operations that were consolidated into existing facilities, this was masked by hot-rolled coil price deflation, which incurred out-sized inventory holding losses at CS&W compared to the legacy service centers due to CS&W’s eighty-five percent carbon steel product mix, which effectively amplified the persistent and acute gross margin compression.

## 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 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 both 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 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

The following table sets forth our condensed consolidated statements of income data:

	Year Ended December 31, 2019	% of Net Sales	Year Ended December 31, 2018	% of Net Sales	Year Ended December 31, 2017	% of Net Sales
Net sales	\$ 4,501.6	100.0%	\$ 4,408.4	100.0%	\$ 3,364.7	100.0%
Cost of materials sold	3,673.7	81.6	3,650.3	82.8	2,782.2	82.7
Gross profit	827.9	18.4	758.1	17.2	582.5	17.3
Warehousing, delivery, selling, general, and administrative expenses	636.8	14.1	614.7	13.9	481.4	14.3
Gain on sale of assets	(20.6)	(0.5)	—	—	—	—
Gain on insurance settlement	(1.5)	—	—	—	—	—
Restructuring and other charges	2.4	0.1	4.2	0.1	—	—
Operating profit	210.8	4.7	139.2	3.2	101.1	3.0
Other expenses	(95.6)	(2.1)	(22.5)	(0.6)	(84.4)	(2.5)
Income before income taxes	115.2	2.6	116.7	2.6	16.7	0.5
Provision (benefit) for income taxes	32.5	0.8	10.3	0.2	(1.3)	—
Net income	82.7	1.8	106.4	2.4	18.0	0.5
Less: Net income attributable to noncontrolling interest	0.3	—	0.4	—	0.9	—
Net income attributable to Ryerson Holding Corporation	\$ 82.4	1.8%	\$ 106.0	2.4%	\$ 17.1	0.5%
Basic earnings per share	\$ 2.19		\$ 2.84		\$ 0.46	
Diluted earnings per share	\$ 2.17		\$ 2.81		\$ 0.46	



The following table shows the Company's percentage of sales by major product line:

Product Line	2019	2018	2017
Carbon Steel Flat	26%	27%	28%
Carbon Steel Plate	11	11	10
Carbon Steel Long	16	14	12
Stainless Steel Flat	15	16	18
Stainless Steel Plate	4	4	4
Stainless Steel Long	4	4	4
Aluminum Flat	15	15	15
Aluminum Plate	2	3	3
Aluminum Long	5	4	4
Other	2	2	2
Total	100%	100%	100%

### Comparison of the year ended December 31, 2019 with the year ended December 31, 2018

#### Net Sales

	Year Ended December 31,		Dollar change	Percentage change
	2019	2018		
	(\$ in millions)			
Net sales	\$ 4,501.6	\$ 4,408.4	\$ 93.2	2.1%
Net sales, same-store	\$ 3,925.3	\$ 4,060.9	\$ (135.6)	(3.3)%
	Year Ended December 31,		Tons change	Percentage change
	2019	2018		
	(in thousands)			
Tons sold	2,381	2,268	113	5.0%
Tons sold, same-store	2,042	2,081	(39)	(1.9)%
	Year Ended December 31,		Price change	Percentage change
	2019	2018		
Average selling price per ton sold	\$ 1,891	\$ 1,944	\$ (53)	(2.7)%
Average selling price per ton sold, same-store	\$ 1,922	\$ 1,951	\$ (29)	(1.5)%

Revenue for the year ended December 31, 2019 increased from the same period a year ago due to the acquisition of CS&W on July 2, 2018. Excluding CS&W (same-store results), tons sold and average selling price per ton decreased in 2019 reflecting weakening economic conditions in the metals market. Same-store tons sold decreased in 2019 for most of our product lines with the largest decreases in our aluminum plate, carbon plate, and stainless flat products. Prices decreased for most of our product lines in 2019 compared to 2018 as metal producers expanded supply in response to market price increases in 2018. Excluding CS&W, the largest decreases in 2019 in average selling price per ton were in our carbon flat and stainless plate product lines, partially offset by increases in the average selling price per ton of our aluminum plate and aluminum flat product lines. Tons sold per ship day were 9,448 in 2019 as compared to 9,000 in 2018. Excluding CS&W, tons sold per ship day were 8,103 and 8,258 in 2019 and 2018, respectively.

## Cost of Materials Sold

	Year Ended December 31,				Dollar change	Percentage change
	2019		2018			
	\$	% of Net Sales	\$	% of Net Sales		
	(\$ in millions)					
Cost of materials sold	\$ 3,673.7	81.6%	\$ 3,650.3	82.8%	\$ 23.4	0.6%

	Year Ended December 31,		Dollar change	Percentage change
	2019	2018		
Average cost of materials per ton sold	\$ 1,543	\$ 1,610	\$ (67)	(4.2)%

The increase in cost of materials sold in 2019 compared to 2018 was primarily due to the increase in tons sold resulting from the acquisition of CS&W partially offset by a decrease in the average cost of materials sold per ton. The average cost of materials sold decreased during 2019 for our carbon flat, carbon plate, and stainless plate product lines, offset by increases in the average cost of materials sold for our aluminum flat and aluminum plate products lines.

During 2019, LIFO income was \$69 million related to decreases in pricing for all product lines. During 2018, LIFO expense was \$90 million related to increases in pricing for all product lines.

## Gross Profit

	Year Ended December 31,				Dollar change	Percentage change
	2019		2018			
	\$	% of Net Sales	\$	% of Net Sales		
	(\$ in millions)					
Gross profit	\$ 827.9	18.4%	\$ 758.1	17.2%	\$ 69.8	9.2%

Gross profit dollars increased in 2019 compared to 2018 due to the increase in tons sold due to the acquisition of CS&W. While our revenue per ton decreased during 2019, our cost of materials sold decreased at a faster pace resulting in higher gross margins compared to the prior year.

## Operating Expenses

	Year Ended December 31,				Dollar change	Percentage change
	2019		2018			
	\$	% of Net Sales	\$	% of Net Sales		
	(\$ in millions)					
Warehousing, delivery, selling, general, and administrative expenses	\$ 636.8	14.1%	\$ 614.7	13.9%	\$ 22.1	3.6%
Warehousing, delivery, selling, general, and administrative expenses, same-store	\$ 517.3	13.2%	\$ 548.4	13.5%	\$ (31.1)	(5.7)%
Gain on sale of assets	\$ (20.6)	(0.5)%	\$ —	—	\$ (20.6)	—
Gain on insurance settlement	\$ (1.5)	—	\$ —	—	\$ (1.5)	—
Restructuring and other charges	\$ 2.4	0.1%	\$ 4.2	0.1%	\$ (1.8)	(42.9)%

Total operating expenses in 2019 were \$1.8 million lower than in 2018. The inclusion of a full year of CS&W expenses after the acquisition of CS&W on July 2, 2018 increased operating expenses \$50.7 million. Excluding CS&W, operating expenses decreased \$52.5 million in 2019 primarily due to lower incentive compensation expense of \$33.0 million, a gain on the sale of assets in 2019 of \$20.6 million related to a sale and leaseback transaction for nine of our service center real estate assets, and a reduction of \$11.0 million in accrued vacation expense after changes to our vacation policy were adopted in 2019 such that vacation is accrued as it is earned instead of in advance of work performed as under the prior policy. In addition, expenses were impacted by changes in the following categories:

- higher facility expenses, primarily depreciation and rent expense, of \$5.9 million;
- higher consultant fees of \$5.7 million;
- a restructuring charge of \$2.4 million in 2019 compared to a charge of \$4.2 million in 2018. Charges in both periods included severance costs for corporate staff reductions while the 2018 charge also included costs for two facility closures; and
- a gain on an insurance settlement in 2019 of \$1.5 million.

On a per ton basis, operating expenses decreased to \$259 per ton in 2019 from \$273 per ton in 2018.

### *Operating Profit*

	Year Ended December 31,					
	2019		2018		Dollar change	Percentage change
	\$	% of Net Sales	\$	% of Net Sales		
	(\$ in millions)					
Operating profit	\$ 210.8	4.7%	\$ 139.2	3.2%	\$ 71.6	51.4%

Our operating profit increased in 2019 compared to 2018 primarily due to the increase in tons sold and gross margin discussed above.

### *Other Expenses*

	Year Ended December 31,					
	2019		2018		Dollar change	Percentage change
	\$	% of Net Sales	\$	% of Net Sales		
	(\$ in millions)					
Interest and other expense on debt	\$ (93.2)	(2.1)%	\$ (99.2)	(2.3)%	\$ 6.0	(6.0)%
Other income and (expense), net	(2.4)	—	76.7	1.7	(79.1)	(103.1)

Interest and other expense on debt decreased in 2019 compared to 2018, primarily due to a \$62.1 million decrease in the outstanding amount of our 11.00% Notes due in 2022 (the “2022 Notes”) which were repurchased in the fourth quarter of 2018 and the first quarter of 2019, and from a lower level of credit facility borrowings outstanding in 2019 compared to 2018 due to lower working capital requirements resulting from a slowing metals market. The other expense in 2019 included \$1.1 million of foreign currency losses, \$1.0 million of expense from net periodic benefit cost other than service cost, and a \$0.2 million loss on the redemption of debt. The other income in 2018 includes a \$70.0 million gain on the bargain purchase of CS&W, a \$6.2 million credit from net periodic benefit cost other than service cost, and \$2.5 million of foreign currency gains, partially offset by a \$1.7 million loss on the redemption of debt.

### *Provision for Income Taxes*

The \$32.5 million income tax provision in 2019 primarily represents taxes at federal and local statutory rates where the Company operates, but generally excludes any tax benefit for losses in jurisdictions with historical losses. During 2019, the Company recorded benefits of \$0.4 million to reduce valuation allowances previously recorded against certain foreign deferred tax assets.

The \$10.3 million income tax provision in 2018 primarily represents taxes at federal and local statutory rates where the Company operates, but generally excludes any tax benefit for losses in jurisdictions with historical losses. During 2018, the Company recorded benefits of \$1.3 million and \$3.6 million to reduce valuation allowances previously recorded against certain foreign deferred tax assets and state net operating losses, respectively. This benefit was offset by additional tax expense of \$1.5 million from the revaluation of deferred tax assets and liabilities at our new state tax rates resulting from our acquisition of CS&W.

### Noncontrolling Interest

In both 2019 and 2018, Ryerson China's results of operations was income and the portion attributable to the noncontrolling interest was \$0.3 million and \$0.4 million, respectively.

### Earnings Per Share

Basic earnings per share was \$2.19 in 2019 and \$2.84 in 2018. Diluted earnings per share was \$2.17 in 2019 and \$2.81 in 2018. The changes in earnings per share are due to the results of operations discussed above.

### Liquidity and Capital Resources

The Company's primary sources of liquidity are cash and cash equivalents, cash flows from operations, and borrowing availability under the \$1.0 billion revolving credit facility (the "Ryerson Credit Facility") that matures on November 16, 2021. Its principal source of operating cash is from the sale of metals and other materials. Its 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 and the selling and administrative costs of the business, capital expenditures, and for interest payments on debt.

The following table summarizes the Company's cash flows:

	Year Ended December 31,		
	2019	2018	2017
	(In millions)		
Net cash provided by (used in) operating activities	\$ 193.1	\$ 57.4	\$ (2.5)
Net cash provided by (used in) investing activities	26.4	(200.2)	(70.3)
Net cash provided by (used in) financing activities	(183.8)	92.9	65.7
Effect of exchange rates on cash	(0.2)	(4.3)	3.9
Net increase (decrease) in cash, cash equivalents, and restricted cash	<u>\$ 35.5</u>	<u>\$ (54.2)</u>	<u>\$ (3.2)</u>

The Company had cash and cash equivalents at December 31, 2019 of \$11.0 million, compared to \$23.2 million at December 31, 2018, and \$77.4 million at December 31, 2017. The Company had \$982 million, \$1,153 million, and \$1,046 million of total debt outstanding, a debt-to-capitalization ratio of 85%, 94%, and 101%, and \$348 million, \$392 million, and \$264 million available under the Ryerson Credit Facility at December 31, 2019, 2018, and 2017, respectively. The Company had total liquidity (defined as cash and cash equivalents, restricted cash from sales of property, plant, and equipment, marketable securities, and availability under the Ryerson Credit Facility and foreign debt facilities) of \$439 million, \$441 million, and \$338 million at December 31, 2019, 2018, and 2017, respectively. Total liquidity is not a U.S. generally accepted accounting principles ("GAAP") financial measure. 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.

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

	December 31, 2019	December 31, 2018	December 31, 2017
	(In millions)		
Cash and cash equivalents	\$ 11	\$ 23	\$ 77
Less: Qualified cash pledged as collateral	—	—	(28)
Restricted cash from sales of property, plant, and equipment	48	—	—
Availability under Ryerson Credit Facility and foreign debt facilities	380	418	289
Total liquidity	<u>\$ 439</u>	<u>\$ 441</u>	<u>\$ 338</u>

Of the total cash and cash equivalents as of December 31, 2019, \$6 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 funds from its non-U.S. subsidiaries. Although the Company has historically satisfied needs for more capital in the U.S. through debt or equity issuances, it could elect to repatriate funds held in foreign jurisdictions which could result in higher effective tax rates. The Company has not recorded a deferred tax liability for the effect of a possible repatriation of these assets as management intends to permanently reinvest these assets outside of the U.S. Specific plans for reinvestment include funding for future international acquisitions and funding of existing international operations.

Net cash provided by operating activities was \$193.1 million in 2019 compared to net cash provided by operating activities of \$57.4 million in 2018, and net cash used in operating activities of \$2.5 million in 2017. Net income was \$82.7 million, \$106.4 million, and \$18.0 million in 2019, 2018, and 2017, respectively. Cash provided by operating activities of \$193.1 million during the year ended December 31, 2019 was primarily due to the net income of \$82.7 million, a decrease in accounts receivable of \$92.5 million resulting from lower sales levels at year-end 2019 compared to year-end 2018, a decrease in inventory of \$65.9 million as we reduced inventory levels as metal pricing weakened during the year, and non-cash depreciation and amortization expense of \$58.4 million, partially offset by a decrease in accounts payable of \$78.2 million reflecting a lower cost of materials purchased at year-end 2019 compared to year-end 2018, and pension contributions of \$25.7 million. Cash provided by operating activities of \$57.4 million during the year ended December 31, 2018 was primarily due to an increase in accounts payable of \$58.4 million reflecting a higher cost of materials purchased at year-end 2018 compared to year-end 2017, and non-cash depreciation and amortization expense of \$52.9 million, partially offset by a non-cash gain on the bargain purchase of CS&W of \$70.0 million, an increase in accounts receivable of \$64.8 million resulting from higher sales levels at year-end 2018 compared to year-end 2017, and pension contributions of \$27.0 million. Cash used in operating activities of \$2.5 million during the year ended December 31, 2017 was primarily due to an increase in accounts receivable \$44.0 million resulting from higher sales levels at year-end 2017 compared to year-end 2016, an increase in inventory of \$42.9 million reflecting higher costs of materials purchased at year-end 2017 compared to year-end 2016, pension contributions of \$21.7 million, an increase in deferred income taxes of \$9.2 million, and the payment of \$7.9 million of retiree medical costs, partially offset by an increase in accounts payable of \$58.1 million reflecting a higher cost of materials purchased at year-end 2017 compared to year-end 2016, non-cash depreciation and amortization expense of \$47.1 million and net income of \$18.0 million.

Net cash provided by investing activities was \$26.4 million in 2019, and net cash used in investing activities was \$200.2 million and \$70.3 million in 2018 and 2017, respectively. In December 2019, we sold and leased back a group of properties for net proceeds of approximately \$61.5 million. During 2018, we paid \$169.7 million, net of cash acquired, to purchase CS&W and Fanello Industries. During 2017, the Company paid \$49.2 million, net of cash acquired, to acquire all of the issued and outstanding capital stock of The Laserflex Corporation and Guy Metals, Inc. Capital expenditures for the years ended December 31, 2019, 2018, and 2017, were \$45.8 million, \$38.4 million, and \$25.1 million, respectively. The Company sold property, plant, and equipment, including the properties sold and leased back in 2019 noted above, and assets held for sale, generating cash proceeds of \$70.4 million, \$5.9 million, and \$3.8 million during the years ended December 31, 2019, 2018, and 2017, respectively.

Net cash used in financing activities was \$183.8 million for the year ended December 31, 2019. In 2019, net cash used in financing activities was primarily due to a decrease in credit facility borrowings of \$164.6 million resulting from working capital reductions, the net income generated in 2019, and the proceeds from assets sales, partially offset by capital expenditures. In addition, cash was used in 2019 to make \$13.6 million of principle payments under finance lease obligations, and repurchase \$11.8 million of the 2022 Notes, while proceeds of \$8.3 million were provided by failed sale-leaseback transactions. Net cash provided by financing activities was \$92.9 million for the year ended December 31, 2018. In 2018, net cash provided by financing activities was primarily due to an increase in credit facility borrowings of \$149.9 million, largely to finance the acquisitions of CS&W and Fanello Industries, an increase in book overdrafts of \$6.3 million, and proceeds of \$4.5 million from failed sale-leaseback transactions, partially offset by a \$52.2 million repurchase of the 2022 Notes, and \$13.7 million of principal payments under finance lease obligations. Net cash provided by financing activities was \$65.7 million for the year ended December 31, 2017. In 2017, net cash provided by financing activities was primarily related to net proceeds of \$74.3 million from credit facility borrowings and proceeds of \$24.9 million from failed sale leaseback transactions, partially offset by a \$18.0 million net decrease in book overdrafts, and \$14.4 million of principle payments under finance lease obligations.

As market conditions warrant and subject to our contractual restrictions, liquidity position, and other factors, we may from time to time seek to repurchase or retire our 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 incurring new 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.

## **Total Debt**

Total debt at December 31, 2019 decreased \$171.5 million to \$981.8 million from \$1,153.3 million at December 31, 2018 as a result of bond repurchases and net cash provided by operating activities.

Total debt outstanding as of December 31, 2019 consisted of the following amounts: \$377.7 million borrowing under the Ryerson Credit Facility, \$587.9 million under the 2022 Notes, \$13.2 million of foreign debt, and \$9.5 million of other debt, less \$6.5 million of unamortized debt issuance costs. Availability under the Ryerson Credit Facility was \$348 million and \$392 million at December 31, 2019 and December 31, 2018, respectively. Discussion of our outstanding debt follows.



## Ryerson Credit Facility

On November 16, 2016, Ryerson entered into an amendment with respect to its \$1.0 billion revolving credit facility (as amended, the “Old Credit Facility”), to reduce the total facility size from \$1.0 billion to \$750 million, reduce the interest rate on outstanding borrowings by 25 basis points, reduce commitment fees on amounts not borrowed by 2.5 basis points, and to extend the maturity date to November 16, 2021. The Old Credit Facility was amended a second time on June 28, 2018, to increase the facility size from \$750 million to \$1.0 billion. On September 23, 2019, a third amendment was entered into to supplement the facility and add a U.S. “first-in, last-out” sub-facility of \$67.9 million (the “FILO Facility”). The FILO facility is equal in subordination with the other borrowings under the Ryerson Credit Facility and has a maturity date of June 30, 2020. The FILO facility supplements our borrowing capacity by providing additional collateral on eligible accounts receivable and inventory. The aggregate facility size of \$1.0 billion remains unchanged.

At December 31, 2019, Ryerson had \$377.7 million of outstanding borrowings, including \$34.3 million under the FILO Facility, \$11 million of letters of credit issued, and \$348 million available under the Ryerson Credit Facility compared to \$535.9 million of outstanding borrowings, \$12 million of letters of credit issued, and \$392 million available at December 31, 2018. 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 (and in the case of Canadian accounts, the Canadian 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 (and in the case of Canadian accounts, the Canadian borrower). Qualified cash consists of cash in an eligible deposit account that is subject to customary restrictions and liens in favor of the lenders.

The Ryerson Credit Facility has an allocation of \$940 million to the Company’s subsidiaries in the United States and an allocation of \$60 million to Ryerson Holding’s Canadian subsidiary that is a borrower. 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, N.A.’s prime rate, and the one-month LIBOR rate plus 1.00%), or (B) a LIBOR rate or, (ii) for Ryerson Holding’s Canadian subsidiary that is a borrower, (A) a rate determined by reference to the Canadian base rate (the greatest of the Federal Funds Rate plus 0.50%, Bank of America-Canada Branch’s “base rate” for commercial loans in U.S. Dollars made at its “base rate”, and the 30 day LIBOR rate plus 1.00%), (B) the prime rate (the greater of Bank of America-Canada Branch’s “prime rate” for commercial loans made by it in Canada in Canadian Dollars and the one-month Canadian bankers’ acceptance rate plus 1.00%), or (C) the bankers’ acceptance rate. The spread over the base rate and prime rate is between 0.25% and 0.50% and the spread over the LIBOR for the bankers’ acceptances is between 1.25% and 1.50%, depending on the amount available to be borrowed under the Ryerson Credit Facility. Amounts outstanding under the FILO Facility bear interest at the same rates as listed above for U.S. borrowings, however the spread over the base rate is between 1.25% and 1.50% and the spread over the LIBOR rate is between 2.25% and 2.50%, depending on the amount available to be borrowed under the Ryerson Credit Facility. Ryerson also pays commitment fees on amounts not borrowed at a rate of 0.23%. Overdue amounts and all amounts owed during the existence of a default bear interest at 2% 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 March 2017, we entered into an interest rate swap to fix interest on \$150 million of our floating rate debt under the Ryerson Credit Facility at a rate of 1.658% through March 2020. In June 2019, we entered into a second interest rate swap to fix interest on \$60 million of our floating rate debt under the Ryerson Credit Facility at a rate of 1.729% through June 2022. In November 2019, we entered into a third interest rate swap to fix interest on \$100 million of our floating rate debt under the Ryerson Credit Facility at a rate of 1.539% through November 2022. All of the swaps have reset dates and critical terms that match our existing debt and the anticipated critical terms of future debt. The weighted average interest rate on the outstanding borrowings under the Ryerson Credit Facility including the interest rate swap was 3.2% and 3.5% at December 31, 2019 and 2018, 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, and includes defaults upon (among other things) the occurrence of a change of control of Ryerson and a cross-default to other financing arrangements.

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, and the occurrence of a change of control of Ryerson. 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 proceeds of short-term borrowings that are reflected in the Consolidated Statements of Cash Flows represent borrowings under the Ryerson Credit Facility with original maturities less than three months.

## **2022 Notes**

On May 24, 2016, JT Ryerson issued \$650 million in aggregate principal amount of the 2022 Notes (the “2022 Notes”). The 2022 Notes bear interest at a rate of 11.00% per annum. The 2022 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 2022 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 United States (other than receivables, inventory, cash, deposit accounts and related general intangibles, certain other assets, and proceeds thereof), subject to certain exceptions and customary permitted liens. The 2022 Notes and the related guarantees are also secured on a second-priority basis by a lien on the assets that secure JT Ryerson’s and the Company’s obligations under the Ryerson Credit Facility.

The 2022 Notes are redeemable at the following redemption prices: if redeemed prior to May 15, 2020, 105.50%, and if redeemed during the twelve months beginning May 15, 2020, 102.75%, and May 15, 2021 and thereafter, 100.00%. JT Ryerson may be required to make an offer to purchase the 2022 Notes upon the sale of assets or upon a change of control.

The 2022 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, create liens, or use assets as security in other transactions. Subject to certain exceptions, JT Ryerson may only pay dividends to Ryerson Holding to the extent of 50% of cumulative net income since the issuance of the 2022 Notes, once prior losses are offset.

During 2019, a principal amount of \$11.6 million of the 2022 Notes were repurchased for \$11.8 million and retired, resulting in the recognition of a \$0.2 million loss within other income and (expense), net on the Consolidated Statement of Operations.

During 2018, a principal amount of \$50.5 million of the 2022 Notes were repurchased for \$52.2 million and retired, resulting in the recognition of a \$1.7 million loss within other income and (expense), net on the Consolidated Statement of Operations.

## **Foreign Debt**

At December 31, 2019, Ryerson China’s total foreign borrowings were \$13.2 million, which were owed to banks in Asia at a weighted average interest rate of 4.3% per annum and secured by inventory and property, plant, and equipment. At December 31, 2018, Ryerson China’s total foreign borrowings were \$19.5 million, which were owed to banks in Asia at a weighted average interest rate of 4.3% per annum and secured by inventory and property, plant, and equipment.

Availability under Ryerson China’s credit facility was \$32 million and \$26 million at December 31, 2019 and December 31, 2018, respectively. Letters of credit issued by our foreign subsidiaries totaled \$3 million at December 31, 2019 and 2018.

## Pension Funding

The Company made contributions of \$25.7 million in 2019, \$27.0 million in 2018, and \$21.7 million in 2017 to improve the Company's pension plans funded status. At December 31, 2019, as reflected in Note 11 to the Consolidated Financial Statements, pension liabilities exceeded plan assets by \$140 million. The Company anticipates that it will have a minimum required pension contribution of approximately \$19.9 million in 2020 under the Employee Retirement Income Security Act of 1974 ("ERISA"), Pension Protection Act in the U.S., and the Ontario Pension Benefits Act in Canada. Future contribution requirements depend on the investment returns on plan assets, the impact of discount rates on pension liabilities, and changes in regulatory requirements. The Company is 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 the Company's financial position or cash flows. The Company believes that cash flow from operations and the Ryerson Credit Facility described above will provide sufficient funds to make the minimum required contribution in 2020.

## Income Tax Payments

The Company received income tax refunds of \$6.6 million in 2019, and made income tax payments of \$2.1 million and \$1.7 million in 2018 and 2017, respectively.

## 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 \$14 million as of December 31, 2019. 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.

## Contractual Obligations

The following table presents contractual obligations at December 31, 2019:

Contractual Obligations <sup>(1)(2)</sup>	Payments Due by Period				
	Total	Less than 1 year	1 – 3 years (In millions)	4 – 5 years	After 5 years
2022 Notes	\$ 588	\$ —	\$ 588	\$ —	\$ —
Ryerson Credit Facility	378	34	344	—	—
Foreign Debt	13	13	—	—	—
Other Debt	9	2	3	4	—
Interest on 2022 Notes, Foreign Debt, Other Debt, and Ryerson Credit Facility <sup>(3)</sup>	176	77	99	—	—
Purchase Obligations <sup>(4)</sup>	8	8	—	—	—
Operating Leases <sup>(5)</sup>	154	26	44	33	51
Pension Withdrawal Liability	1	—	—	—	1
Finance Lease Obligations <sup>(5)</sup>	33	14	14	5	—
Total	<u>\$ 1,360</u>	<u>\$ 174</u>	<u>\$ 1,092</u>	<u>\$ 42</u>	<u>\$ 52</u>

- (1) The contractual obligations disclosed above do not include our potential future pension funding obligations (see previous discussion under "Pension Funding" caption).
- (2) Due to uncertainty regarding the completion of tax audits and possible outcomes, we do not know when our obligations related to unrecognized tax benefits will occur, if at all. See Note 17 "Income Taxes" of the notes to our consolidated financial statements for additional detail.
- (3) Interest payments related to the variable rate debt were estimated using the weighted average interest rate for the Ryerson Credit Facility, including the effect of the interest rate swap.
- (4) The purchase obligations with suppliers are entered into when we receive firm sales commitments with certain of our customers.
- (5) Future lease payments are undiscounted.

## Capital Expenditures

Capital expenditures during 2019, 2018, and 2017 totaled \$45.8 million, \$38.4 million, and \$25.1 million, respectively. Capital expenditures were primarily for machinery and equipment.

The Company anticipates capital expenditures, excluding acquisitions, to be approximately \$45 million in 2020. The spending includes maintenance expenditures and improvements to maintain, upgrade, and add to the Company's North American processing capabilities.

## **Restructuring**

### **2019**

In 2019, the Company recorded a \$2.1 million charge for employee-related costs primarily for severance costs for corporate staff reductions. The Company paid \$1.2 million for employee costs related to these actions. In addition, the Company paid \$0.3 million related to 2018 staff reductions. The remaining \$1.0 million of employee-related costs are expected to be paid in 2020.

During 2019, the Company also recorded a \$0.3 million charge to increase the reserve for tenancy-related costs for a facility closed in 2013. The Company paid \$0.9 million in 2019 for costs related to facilities closed in prior years. The remaining \$0.9 million of tenancy-related costs are expected to be paid through 2025.

### **2018**

In 2018, the Company recorded a \$3.6 million charge for employee-related costs primarily for severance costs for corporate staff reductions and two facility closures. The Company paid \$3.2 million of the employee costs related to these actions.

During 2018, the Company also recorded a \$0.6 million charge to increase the reserve for tenancy-related costs for a facility closed in 2013. The Company paid \$0.8 million in costs related to this facility closure.

### **2017**

In 2017, the Company recorded an \$0.8 million charge in warehousing, delivery, selling, general, and administrative expense in the Consolidated Statements of Operations to increase the reserve for tenancy-related costs for a facility closed in 2013. The Company paid \$0.4 million in costs related to this facility closure and also reclassified an existing \$0.1 million liability for future lease payments to the restructuring reserve. In addition, the Company paid \$0.1 million in costs related to a facility closed in 2016.

During 2017, the Company recorded a \$0.2 million reduction to the reserve for employee-related costs and credited warehousing, delivery, selling, general, and administrative expense in the Consolidated Statements of Operations. This action fully utilized the remaining reserve for employee-related costs.

## **Deferred Tax Amounts**

At December 31, 2019, the Company had a net deferred tax liability of \$65 million comprised primarily of a deferred tax asset of \$38 million related to pension liabilities, a deferred tax asset related to postretirement benefits other than pensions of \$18 million, \$12 million of Alternative Minimum Tax ("AMT") credit carryforwards, and deferred tax assets of \$39 million related to federal, local, and foreign tax loss carryforwards, offset by a valuation allowance of \$14 million and deferred tax liabilities of \$64 million related to fixed assets and \$115 million related to inventory. The Company's deferred tax assets include \$20 million related to U.S. federal net operating loss ("NOL") carryforwards, \$16 million related to state NOL carryforwards, and \$3 million related to foreign NOL carryforwards at December 31, 2019.

The U.S. Tax Cuts and Jobs Act (the "Act"), enacted on December 22, 2017, significantly changed U.S. corporate income tax laws by, among other things, reducing the U.S. corporate income tax rate to 21% starting in 2018 and creating a territorial tax system with a one-time mandatory tax on previously deferred foreign earnings of U.S. subsidiaries. Under ASC Topic 740, "Income Taxes" the effects of changes in tax rates and laws on deferred tax balances are recognized in the period in which the new legislation is enacted. As a result of the Act, we recorded a benefit for the revaluation of our deferred tax assets of \$10.6 million during the fourth quarter of 2017 within the provision (benefit) for income taxes line in the Consolidated Statement of Operations.

In accordance with 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. After considering both the positive and negative evidence available, in the second quarter of 2009, the Company determined that it was more-likely-than-not that it would not realize a portion of its U.S. deferred tax assets. As a result, the Company established a valuation allowance against a portion of its U.S. deferred tax assets. The Company released a portion of the valuation allowance related to one of its U.S. subsidiaries, JT Ryerson, during 2012. The Company released most of the remaining U.S. related valuation allowance during 2013. In 2018, the Company

further reduced its valuation allowance related to state and foreign net operating losses. As of December 31, 2018, the Company had a valuation allowance of \$29.3 million. As of December 31, 2019, the Company had a valuation allowance of \$13.7 million, a decrease of \$15.6 million from the prior year mainly related to expiring NOLs and changes to U.S. foreign tax credits previously recorded.

As described in Note 1 to the Consolidated Financial Statements, the Company assesses the need for a valuation allowance considering all available positive and negative evidence, including past operating results, projections of future taxable income, and the feasibility of ongoing tax planning strategies.

The Company will continue to maintain a valuation allowance on certain U.S. federal and state 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.

### **Critical Accounting Estimates**

Preparation of this Form 10-K requires us to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of our financial statements, and the reported amounts of sales and expenses during the reporting period. Our critical accounting policies, including the assumptions and judgments underlying them, are disclosed in Item 8 within Note 1: "Summary of Accounting and Financial Policies". These policies have been consistently applied and address such matters as revenue recognition, depreciation methods, inventory valuation, asset impairment recognition, and pension and postretirement expense. While policies associated with estimates and judgments may be affected by different assumptions or conditions, we believe our estimates and judgments associated with the reported amounts are appropriate in the circumstances. Actual results may differ from those estimates.

We consider the policies discussed below as critical to an understanding of our financial statements, as application of these policies places the most significant demands on management's judgment, with financial reporting results relying on estimation of matters that are uncertain.

*Provision for allowances, claims, and doubtful accounts:* We perform ongoing credit evaluations of customers and set credit limits based upon review of the customers' current credit information and payment history. We monitor customer payments and maintain a provision for estimated credit losses based on historical experience and specific customer collection issues that we have identified. Estimation of such losses requires adjusting historical loss experience for current economic conditions and judgments about the probable effects of economic conditions on certain customers. We cannot guarantee that the rate of future credit losses will be similar to past experience. Provisions for allowances and claims are based upon historical rates, expected trends, and estimates of potential returns, allowances, customer discounts, and incentives. We consider all available information when assessing the adequacy of the provision for allowances, claims, and doubtful accounts.

*Inventory valuation:* Our inventories are stated at the lower of cost or market. The valuation of our inventories at the lower of cost or market could be subject to certain estimates; however, the measurement is primarily based on historical purchasing and sales information rather than forecasted metals pricing. Inventory costs reflect metal and in-bound freight purchase costs, third-party processing costs, and internal direct and allocated indirect processing costs. Cost is primarily determined by the LIFO method. We regularly review inventory on hand and record provisions for obsolete and slow-moving inventory based on historical and current sales trends. Changes in product demand and our customer base may affect the value of inventory on hand which may require higher provisions for obsolete inventory.

*Income Taxes:* Our income tax expense, deferred tax assets and liabilities, and reserve for uncertain tax positions reflect our best estimate of taxes to be paid. The Company is subject to income taxes in the U.S. and several foreign jurisdictions. The determination of the consolidated income tax expense requires judgment and estimation by management. It is possible that actual results could differ from the estimates that management has used to determine its consolidated income tax expense.

We record operating loss and tax credit carryforwards and the estimated effect of temporary differences between the tax basis of assets and liabilities and the reported amounts in the Consolidated Balance Sheet. We follow detailed guidelines in each tax jurisdiction when reviewing tax assets recorded on the balance sheet and provide for valuation allowances as required. Deferred tax assets are reviewed for recoverability based on historical taxable income, the expected reversals of existing temporary differences, tax planning strategies, and on forecasts of future taxable income. The forecasts of future taxable income require assumptions regarding volume, selling prices, margins, expense levels, and industry cyclicality. If we are unable to generate sufficient future taxable income in certain tax jurisdictions, we may be required to record additional valuation allowances against our deferred tax assets related to those jurisdictions.

The Company's income tax provisions are based on calculations and assumptions that are subject to examination by the Internal Revenue Service and other tax authorities. Although the Company believes that the positions taken on filed tax returns are reasonable, it has established tax and interest reserves in recognition that various taxing authorities may challenge the positions taken. For uncertain tax positions, the Company applies the provisions of relevant authoritative guidance, which requires application of a "more likely than not" threshold to the recognition and derecognition of tax positions. The Company's ongoing assessments of the more likely than not outcomes of tax authority examinations and related tax positions require significant judgment and can increase or decrease the Company's effective tax rate.

*Long-lived Assets and Other Intangible Assets:* Long-lived assets held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. We estimate the future cash flows expected to result from the use of the asset and its eventual disposition. If the sum of the expected future cash flows (undiscounted and without interest charges) is less than the carrying amount of the asset, an impairment is recognized. Determining whether an impairment has occurred typically requires various estimates and assumptions, including determining which undiscounted cash flows are directly related to the potentially impaired asset, the useful life over which cash flows will occur, their amount, and the asset's residual value, if any. Any related impairment loss is calculated based upon comparison of the fair value to the carrying value of the asset. Separate intangible assets that have finite useful lives are amortized over their useful lives. An impaired long-lived or intangible asset would be written down to fair value, based on various available valuation techniques, including the discounted cash flow method.

*Goodwill:* We assess the recoverability of the carrying value of recorded goodwill annually in the fourth quarter of each year or whenever indicators of potential impairment exist. We test for impairment of goodwill by assessing various qualitative factors with respect to developments in our business and the overall economy and calculating the fair value of a reporting unit using the discounted cash flow method, as necessary. Factors that may be considered indicators of impairment include: deterioration in general economic conditions; declines in the market conditions of our products, including metals prices; a sustained significant decline in our share price and market capitalization; reduced future cash flow estimates; and slower growth rates in our industry, among others. If we determine that it is more likely than not that the fair value of a reporting unit is less than the carrying value based on our qualitative assessment, we will proceed to the goodwill impairment test. We compare the fair value of the reporting unit in which goodwill resides to its carrying value. If the carrying amount exceeds the fair value, an impairment loss is recognized in an amount equal to that excess, not to exceed the carrying amount of the goodwill. The fair value of the reporting units is estimated using a combination of an income approach and a market approach as this combination is deemed to be the most indicative of our fair value in an orderly transaction between market participants. An income approach based on discounted future cash flows requires us to estimate income from operations based on projected results and discount rates based on a weighted average cost of capital of comparable companies. A market approach estimates fair value using market multiples of various financial measures of comparable public companies. If these estimates or their related assumptions for commodity prices and demand change in the future, we may be required to record impairment charges for these assets.

Based on the impairment test performed on October 1, 2019, the Company concluded that the fair value of the reporting unit tested for impairment exceeded the carrying value. The discount rate for the reporting unit was estimated to be 14.0% at October 1, 2019. The Company determines a discount rate based on an estimate of a reasonable risk-adjusted return an investor would expect to realize on an investment in the reporting unit. The reporting unit's fair value exceeded its carrying value by more than 25%. Deterioration in market conditions in our industry or products, changes in expected future cash flows, expected growth rates or to discount rates could result in impairment charges in future periods.

*Purchase Price Accounting:* Business combinations are accounted for using the acquisition method of accounting. This method requires the Company to record assets and liabilities of the business acquired at their estimated fair market values as of the acquisition date. Any excess of the cost of the acquisition over the fair value of the net assets acquired is recorded as goodwill. Any shortfall in the cost of the acquisition compared to the fair value of the net assets acquired is recorded in the Statement of Operations as a bargain gain. The Company uses valuation specialists, where necessary, to perform appraisals and assist in the determination of the fair values of the assets acquired and liabilities assumed. These valuations require management to make estimates and assumptions that are critical in determining the fair values of the assets and liabilities.

*Pension and postretirement benefit plan assumptions:* We sponsor various benefit plans covering a portion of our employees for pension and postretirement medical costs. Statistical methods are used to anticipate future events when calculating expenses and liabilities related to the plans. The statistical methods include assumptions about, among other things, the discount rate, expected return on plan assets, rate of increase of health care costs, and the rate of future compensation increases. Our actuarial consultants also use subjective factors such as withdrawal and mortality rates when estimating expenses and liabilities. The discount rate used for U.S. plans reflects the market rate for high-quality fixed-income investments on our annual measurement date (December 31) and is subject to change each year. The discount rate was determined by matching, on an approximate basis, the coupons and maturities for a



portfolio of corporate bonds (rated Aa or better by Moody's Investor Services or AA or better by Standard and Poor's) to the expected plan benefit payments defined by the projected benefit obligation. The discount rates used for plans outside the U.S. are based on the yield of long term high quality corporate bonds, the duration of the liability, and appropriate judgment.

When calculating pension expense for 2019, we assumed the pension plans' assets would generate a long-term rate of return of 6.35% for the JT Ryerson plan and 4.00% for the CS&W plan, and between 3.50% and 5.25% for the Canadian plans. The expected long-term rate of return assumption was developed based on historical experience and input from the trustee managing the plans' assets. The expected long-term rate of return on plan assets is based on a target allocation of assets, which is based on a goal of earning the highest rate of return while maintaining risk at acceptable levels. Our projected long-term rate of return for the JT Ryerson pension plan is slightly higher than some market indices due to the active management of our plans' assets, and is supported by the historical returns on our plans' assets. The plans strive to have assets sufficiently diversified so that adverse or unexpected results from one security class will not have an unduly detrimental impact on the entire portfolio. We regularly review actual asset allocation and the pension plans' investments are periodically rebalanced to the targeted allocation when considered appropriate. Pension expense increases as the expected rate of return on plan assets decreases. Lowering the expected long-term rate of return on plan assets by 50 basis points would have increased 2019 pension expense by approximately \$3 million.

Future pension obligations for the U.S. plans were discounted using rates between of 3.15% and 3.53% at December 31, 2019. Future pension obligations for the Canadian plans were discounted using rates between 3.00% and 3.01% at December 31, 2019. Lowering the discount rate by 50 basis points would increase the pension liability at December 31, 2019 by approximately \$43 million.

The calculation of other postretirement benefit expense and obligations requires the use of a number of assumptions, including the assumed discount rate for measuring future payment obligations and the health care cost trend rate. A one percentage point increase or decrease in assumed health care trend rates would increase or decrease our total service and interest cost for the year ended December 31, 2019 by \$0.2 million. A decrease in the weighted average discount rate of 50 basis points would increase the postretirement benefit liability by approximately \$3 million.

The assumptions used in the actuarial calculation of expenses and liabilities may differ materially from actual results due to changing market and economic conditions, higher or lower withdrawal rates, or longer or shorter life spans of participants. These differences may result in a significant impact on the amount of pension or postretirement benefit expense we may record in the future.

*Legal contingencies:* We are involved in a number of legal and regulatory matters including those discussed in Note 12 in the Consolidated Financial Statements. We determine whether an estimated loss from a loss contingency should be accrued by assessing whether a loss is deemed probable and can be reasonably estimated. We analyze our legal matters based on available information to assess potential liability. We consult with outside counsel involved in our legal matters when analyzing potential outcomes. We cannot determine at this time whether any potential liability related to this litigation would materially affect our financial position, results of operations, or cash flows.

### **Recent Accounting Pronouncements**

Recent accounting pronouncements are discussed within Note 1 in the Consolidated Financial Statements.

### **ITEM 7A. 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 \$1,014.4 million at December 31, 2019 and \$1,158.5 million at December 31, 2018 as compared with the carrying value of \$981.8 million and \$1,153.3 million at December 31, 2019 and 2018, respectively. We manage interest rate risk in our capital structure by using a combination of variable and fixed-rate debt. At December 31, 2019, 40% of our debt is valued with variable interest rates. The remaining 60% of our debt was at fixed interest rates. A hypothetical 1% increase in interest rates on variable rate debt would have increased interest expense in 2019 by approximately \$2.6 million.



We use interest rate swaps to manage our exposure to interest rate changes. As of December 31, 2019, we have three receive variable, pay fixed, interest rate swaps to manage the exposure to variable interest rates of the Ryerson Credit Facility. In March 2017, we entered into a forward agreement for \$150 million of “pay fixed” interest at 1.658%, in June 2019, we entered into a forward agreement for \$60 million of “pay fixed” interest at 1.729%, and in November 2019, we entered into a forward agreement for \$100 million of “pay fixed” interest at 1.539%. We account for these interest rate swaps as cash flow hedges of floating-rate borrowings with changes in fair value being recorded in accumulated other comprehensive income. The fair value of the interest rate swaps as of December 31, 2019 was a net liability of \$0.2 million. After considering the effects of our interest rate swaps, 92% of our debt was a fixed interest rates as of December 31, 2019.

#### *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 \$2.0 million outstanding at December 31, 2019 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 year ended December 31, 2019, the Company recognized a loss of \$0.1 million 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 December 31, 2019 would decrease or increase the fair value of the foreign currency contracts by \$0.2 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 statement of operations 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 have been 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 December 31, 2019, we had 420,000 tons of iron ore swap contracts with a net liability value of \$5.0 million, 47,155 tons of hot roll coil swap contracts with a net liability value of \$0.4 million, 23,949 tons of aluminum swap contracts with a net liability value of \$0.7 million, 3,164 tons of nickel swap contracts with a net asset value of \$1.7 million, and 38,000 barrels of crude oil swap contracts with a net asset value of \$0.1 million. 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 year ended December 31, 2019, the Company recognized a loss of \$8.4 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 December 31, 2019 would increase or decrease the fair value of the commodity derivative contracts by \$0.6 million.

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.**

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All other schedules are omitted because they are not applicable. The required information is shown in the Financial Statements or Notes thereto.	

## MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of Ryerson Holding Corporation (“the Company”) is responsible for establishing and maintaining adequate internal control over financial reporting. The Company’s internal control system was designed to provide reasonable assurance to the Company’s management and Board of Directors regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements under all potential conditions. Therefore, effective internal control over financial reporting provides only reasonable, and not absolute, assurance with respect to the preparation and presentation of financial statements.

The Company’s management assessed the effectiveness of the Company’s internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). Based on its assessment under that framework and the criteria established therein, the Company’s management concluded that the Company’s internal control over financial reporting was effective as of December 31, 2019.

Ernst & Young LLP, an independent registered public accounting firm, has audited the Company’s internal control over financial reporting as of December 31, 2019, as stated in their report, which is included herein.

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders' and the Board of Directors of Ryerson Holding Corporation

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Ryerson Holding Corporation and subsidiaries (the Company) as of December 31, 2019 and 2018, the related consolidated statements of operations, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2019, and the related notes and financial statement schedules listed in the Index at 15(a) (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission 2013 framework, and our report dated March 4, 2020 expressed an unqualified opinion thereon.

### Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2006.

Chicago, Illinois  
March 4, 2020

## **REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Stockholders' and the Board of Directors of Ryerson Holding Corporation

### **Opinion on Internal Control over Financial Reporting**

We have audited Ryerson Holding Corporation and subsidiaries' internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Ryerson Holding Corporation and subsidiaries (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the 2019 consolidated financial statements of the Company and our report dated March 4, 2020 expressed an unqualified opinion thereon.

### **Basis for Opinion**

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### **Definition and Limitations of Internal Control over Financial Reporting**

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Chicago, Illinois  
March 4, 2020



**RYERSON HOLDING CORPORATION AND SUBSIDIARY COMPANIES**

**CONSOLIDATED STATEMENTS OF OPERATIONS**

**(In millions, except per share data)**

	<b>Year Ended December 31,</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>
Net sales	\$ 4,501.6	\$ 4,408.4	\$ 3,364.7
Cost of materials sold	3,673.7	3,650.3	2,782.2
Gross profit	827.9	758.1	582.5
Warehousing, delivery, selling, general, and administrative	636.8	614.7	481.4
Gain on sale of assets	(20.6)	—	—
Gain on insurance settlement	(1.5)	—	—
Restructuring and other charges	2.4	4.2	—
Operating profit	210.8	139.2	101.1
Other expense:			
Other income and (expense), net	(2.4)	76.7	6.6
Interest and other expense on debt	(93.2)	(99.2)	(91.0)
Income before income taxes	115.2	116.7	16.7
Provision (benefit) for income taxes	32.5	10.3	(1.3)
Net income	82.7	106.4	18.0
Less: Net income attributable to noncontrolling interest	0.3	0.4	0.9
Net income attributable to Ryerson Holding Corporation	\$ 82.4	\$ 106.0	\$ 17.1
Basic earnings per share	\$ 2.19	\$ 2.84	\$ 0.46
Diluted earnings per share	\$ 2.17	\$ 2.81	\$ 0.46

See Notes to Consolidated Financial Statements

**RYERSON HOLDING CORPORATION AND SUBSIDIARY COMPANIES**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

**(In millions)**

	Year Ended December 31,		
	2019	2018	2017
Net income	\$ 82.7	\$ 106.4	\$ 18.0
Other comprehensive income (loss), before tax:			
Foreign currency translation adjustments	4.3	(8.2)	5.6
Gain (loss) on intra-entity foreign currency transactions	—	(3.0)	3.2
Unrealized loss on equity securities	—	—	(0.3)
Other-than-temporary impairment on equity securities	—	—	0.2
(Gain) loss on cash flow hedges	(1.8)	0.5	1.0
Changes in defined benefit pension and other post-retirement benefit plans	14.0	(22.3)	18.0
Other comprehensive income (loss), before tax	16.5	(33.0)	27.7
Income tax provision (benefit) related to items of other comprehensive income (loss)	2.6	(4.5)	6.0
Comprehensive income, after tax	96.6	77.9	39.7
Less: Comprehensive income attributable to the noncontrolling interest	0.4	0.4	1.1
Comprehensive income attributable to Ryerson Holding Corporation	<u>\$ 96.2</u>	<u>\$ 77.5</u>	<u>\$ 38.6</u>

See Notes to Consolidated Financial Statements

RYERSON HOLDING CORPORATION AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)

	Year Ended December 31,		
	2019	2018	2017
<b>Operating activities:</b>			
Net income	\$ 82.7	\$ 106.4	\$ 18.0
<b>Adjustments to reconcile net income to net cash provided by (used in) operating activities:</b>			
Depreciation and amortization	58.4	52.9	47.1
Stock-based compensation	3.1	3.3	2.2
Deferred income taxes	48.0	7.8	(9.2)
Provision for allowances, claims, and doubtful accounts	3.5	3.7	1.5
Restructuring and other charges	2.4	4.2	—
Other-than-temporary impairment charge on equity securities	—	—	0.2
Gain on bargain purchase	—	(70.0)	—
Loss on retirement of debt	0.2	1.7	—
Gain on sale of assets	(20.6)	—	—
Non-cash loss from derivatives	0.6	2.7	3.0
Gain on insurance settlement	(1.5)	—	—
Pension settlement loss	1.6	—	—
Other items	1.2	(0.5)	(0.7)
Change in operating assets and liabilities, net of effects of acquisitions:			
Receivables	92.5	(64.8)	(44.0)
Inventories	65.9	(21.4)	(42.9)
Other assets	4.9	(7.3)	(8.3)
Accounts payable	(78.2)	58.4	58.1
Accrued liabilities	(34.6)	16.8	4.6
Accrued taxes payable/receivable	(7.6)	2.2	6.3
Deferred employee benefit costs	(29.4)	(38.7)	(38.4)
<b>Net adjustments</b>	<b>110.4</b>	<b>(49.0)</b>	<b>(20.5)</b>
<b>Net cash provided by (used in) operating activities</b>	<b>193.1</b>	<b>57.4</b>	<b>(2.5)</b>
<b>Investing activities:</b>			
Acquisitions, net of cash acquired	—	(169.7)	(49.2)
Capital expenditures	(45.8)	(38.4)	(25.1)
Proceeds from sale of property, plant, and equipment	70.4	5.9	3.8
Proceeds from insurance settlement	1.8	2.0	—
Other investing activities	—	—	0.2
<b>Net cash provided by (used in) investing activities</b>	<b>26.4</b>	<b>(200.2)</b>	<b>(70.3)</b>
<b>Financing activities:</b>			
Repayment of debt	(12.7)	(52.4)	(0.2)
Net proceeds (repayments) of short-term borrowings	(164.6)	149.9	74.3
Purchase of subsidiary shares from noncontrolling interest	—	(0.2)	—
Credit facility issuance costs	—	(0.6)	—
Net increase (decrease) in book overdrafts	0.1	6.3	(18.0)
Principal payments on finance lease obligations	(13.6)	(13.7)	(14.4)
Contingent payment related to acquisitions	(1.3)	(0.9)	(0.9)
Proceeds from sale leaseback transactions	8.3	4.5	24.9
<b>Net cash provided by (used in) financing activities</b>	<b>(183.8)</b>	<b>92.9</b>	<b>65.7</b>
Net increase (decrease) in cash, cash equivalents, and restricted cash	35.7	(49.9)	(7.1)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(0.2)	(4.3)	3.9
<b>Net change in cash, cash equivalents, and restricted cash</b>	<b>35.5</b>	<b>(54.2)</b>	<b>(3.2)</b>
Cash, cash equivalents, and restricted cash—beginning of period	24.3	78.5	81.7
Cash, cash equivalents, and restricted cash—end of period	\$ 59.8	\$ 24.3	\$ 78.5
<b>Supplemental disclosures:</b>			
Cash paid (received) during the period for:			
Interest paid to third parties	\$ 88.3	\$ 92.8	\$ 84.9
Income taxes, net	(6.6)	2.1	1.7
<b>Noncash investing activities:</b>			
Asset additions under adoption of accounting principal ASC 842	82.3	—	—
Asset additions under operating leases	64.8	—	—
Asset additions under finance leases and failed sale-leasebacks	2.2	12.9	42.8
Asset additions under financing arrangements	2.2	4.6	3.0
<b>Noncash financing activities:</b>			
Short term debt converted to finance lease	7.6	—	—

See Notes to Consolidated Financial Statements

**RYERSON HOLDING CORPORATION AND SUBSIDIARY COMPANIES**

**CONSOLIDATED BALANCE SHEETS**  
(In millions, except shares and per share data)

	At December 31,	
	2019	2018
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 11.0	\$ 23.2
Restricted cash (Note 3)	48.8	1.1
Receivables less provisions of \$3.5 in 2019 and \$2.5 in 2018	425.1	521.0
Inventories (Note 4)	742.9	806.3
Prepaid expenses and other current assets	52.2	61.5
<b>Total current assets</b>	<b>1,280.0</b>	<b>1,413.1</b>
Property, plant, and equipment, net of accumulated depreciation (Note 5)	439.7	489.0
Operating lease assets (Note 6)	128.2	—
Other intangible assets (Note 7)	50.6	58.1
Goodwill (Note 8)	120.3	120.3
Deferred charges and other assets	2.7	5.8
<b>Total assets</b>	<b>\$ 2,021.5</b>	<b>\$ 2,086.3</b>
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 311.5	\$ 390.2
Accrued liabilities:		
Salaries, wages, and commissions	35.3	66.6
Interest on debt	9.4	9.9
Other accrued liabilities	58.6	67.1
Short-term debt (Note 10)	49.2	27.3
Current portion of operating lease liabilities (Note 6)	20.9	—
Current portion of deferred employee benefits (Note 11)	7.0	7.9
<b>Total current liabilities</b>	<b>491.9</b>	<b>569.0</b>
Long-term debt (Note 10)	932.6	1,126.0
Deferred employee benefits (Note 11)	217.5	258.4
Noncurrent operating lease liabilities (Note 6)	112.8	—
Deferred income taxes (Note 17)	65.2	13.3
Other noncurrent liabilities	22.9	43.7
<b>Total liabilities</b>	<b>1,842.9</b>	<b>2,010.4</b>
<b>Commitments and contingencies (Note 12)</b>		
<b>Equity</b>		
<b>Ryerson Holding Corporation stockholders' equity:</b>		
Preferred stock, \$0.01 par value; 7,000,000 shares authorized and no shares issued at 2019 and 2018	—	—
Common stock, \$0.01 par value; 100,000,000 shares authorized and 37,996,261 shares issued at 2019; 100,000,000 shares authorized and 37,656,505 issued at 2018	0.4	0.4
Capital in excess of par value	381.2	381.0
Retained earnings	99.6	14.2
Treasury stock at cost – Common stock of 212,500 shares in 2019 and 2018	(6.6)	(6.6)
Accumulated other comprehensive loss	(302.0)	(315.8)
<b>Total Ryerson Holding Corporation stockholders' equity</b>	<b>172.6</b>	<b>73.2</b>
Noncontrolling interest	6.0	2.7
<b>Total equity</b>	<b>178.6</b>	<b>75.9</b>
<b>Total liabilities and equity</b>	<b>\$ 2,021.5</b>	<b>\$ 2,086.3</b>

See Notes to Consolidated Financial Statements

**RYERSON HOLDING CORPORATION AND SUBSIDIARY COMPANIES**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
(In millions, except shares in thousands)

	Ryerson Holding Corporation Stockholders																	
	Accumulated Other Comprehensive Income (Loss)									Cash Flow - Hedge - Interest Rate Swap								
	Common Stock	Treasury Stock		Capital in Excess of Par Value		Retained Earnings (Accumulated Deficit)		Foreign Currency Translation			Benefit Plan Liabilities		Unrealized Gain (Loss) on Equity Securities		Non- controlling Interest		Total Equity	
Shares	Dollars	Shares	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	
Balance at January 1, 2017	37,345	\$ 0.4	213	\$ (6.6)	\$ 375.4	\$ (112.2)	\$ 17.1	\$ (50.2)	\$ (258.7)	\$ 1.1	\$ —	\$ —	\$ 1.5	\$ (49.3)				
Net income	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Foreign currency translation	—	—	—	—	—	—	—	5.4	—	—	—	—	—	—	—	—	—	—
Gain on intra-entity foreign currency transactions	—	—	—	—	—	—	—	3.2	—	—	—	—	—	—	—	—	—	—
Changes in defined benefit pension and other post-retirement benefit plans, net of tax of \$5.6	—	—	—	—	—	—	—	—	12.4	—	—	—	—	—	—	—	—	—
Unrealized loss on equity securities, net of tax of \$0.1	—	—	—	—	—	—	—	—	—	(0.2)	—	—	—	—	—	—	—	—
Other-than-temporary impairment, net of tax of \$0.1	—	—	—	—	—	—	—	—	—	0.1	—	—	—	—	—	—	—	—
Stock-based compensation expense	76	—	—	—	2.2	—	—	—	—	—	—	—	—	—	—	—	—	—
Cash flow hedge - interest rate swap, net of tax of \$0.4	—	—	—	—	—	—	—	—	—	—	—	0.6	—	—	—	—	—	—
Balance at December 31, 2017	37,421	\$ 0.4	213	\$ (6.6)	\$ 377.6	\$ (95.1)	\$ 106.0	\$ (41.6)	\$ (246.3)	\$ 1.0	\$ 0.6	\$ 2.6	\$ (7.4)	\$ 106.4				
Net income	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Foreign currency translation	—	—	—	—	—	—	—	—	(8.2)	—	—	—	—	—	—	—	—	—
Loss on intra-entity foreign currency transactions	—	—	—	—	—	—	—	—	(3.0)	—	—	—	—	—	—	—	—	—
Changes in defined benefit pension and other post-retirement benefit plans, net of tax of \$4.6	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Adoption of accounting principal ASU 2016-01	—	—	—	—	—	1.0	—	—	(17.7)	—	—	—	—	—	—	—	—	—
Adoption of accounting principal ASC 606, net of tax of \$0.7	—	—	—	—	—	2.3	—	—	—	(1.0)	—	—	—	—	—	—	—	—
Stock-based compensation expense	235	—	—	—	3.3	—	—	—	—	—	—	—	—	—	—	—	—	—
Purchase of subsidiary shares from noncontrolling interest	—	—	—	—	0.1	—	—	—	—	—	—	—	—	—	—	—	—	—
Cash flow hedge - interest rate swap, net of tax of \$0.1	—	—	—	—	—	—	—	—	—	—	—	0.4	—	—	—	—	—	—
Balance at December 31, 2018	37,656	\$ 0.4	213	\$ (6.6)	\$ 381.0	\$ 14.2	\$ 82.4	\$ (52.8)	\$ (264.0)	\$ —	\$ 1.0	\$ 2.7	\$ 75.9	\$ 82.7				
Net income	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Foreign currency translation	—	—	—	—	—	—	—	—	4.2	—	—	—	—	—	—	—	—	—
Changes in defined benefit pension and other post-retirement benefit plans, net of tax of \$3.1	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Adoption of accounting principal ASU 2016-02	—	—	—	—	—	3.0	—	—	10.9	—	—	—	—	—	—	—	—	—
Stock-based compensation expense	340	—	—	—	3.1	—	—	—	—	—	—	—	—	—	—	—	—	—
Purchase of subsidiary shares from noncontrolling interest	—	—	—	—	(2.9)	—	—	—	—	—	—	—	—	—	—	—	—	—
Cash flow hedge - interest rate swap, net of tax of \$0.5	—	—	—	—	—	—	—	—	—	—	—	(1.3)	—	—	—	—	—	—
Balance at December 31, 2019	37,996	\$ 0.4	213	\$ (6.6)	\$ 381.2	\$ 99.6	\$ —	\$ (48.6)	\$ (253.1)	\$ —	\$ (0.3)	\$ 6.0	\$ 178.6	\$ —				

See Notes to Consolidated Financial Statements

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### **Note 1: Summary of Accounting and Financial Policies**

*Business Description and Basis of Presentation.* 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 21,037,500 shares of our common stock, which is approximately 56% of our issued and outstanding common stock. We are a leading value-added processor and distributor of industrial metals with operations in the United States 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”). 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.”

*Principles of Consolidation.* The Company consolidates entities in which it owns or controls more than 50% of the voting shares. All significant intercompany balances and transactions have been eliminated in consolidation.

*Business Segments.* Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 280, “*Segment Reporting*” (“ASC 280”), establishes standards for reporting information on operating segments in interim and annual financial statements. Our Chief Executive Officer, together with our Board of Directors, serve as our Chief Operating Decision Maker (“CODM”). Our CODM reviews our financial information for purposes of making operational decisions and assessing financial performance. The CODM views our business globally as metals service centers. We have one operating and reportable segment, metal service centers, in accordance with the criteria set forth in ASC 280.

*Use of Estimates.* The preparation of financial statements in conformity with Generally Accepted Accounting Principles (“GAAP”) in the United States requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and related notes to the financial statements. Changes in such estimates may affect amounts reported in future periods.

*Revenue Recognition.* Revenue is recognized in accordance with FASB ASC 606, “*Revenue from Contracts with Customers*” (“ASC 606”). Revenue is recognized based on the consideration expected to be received for delivery of as-is or processed metal products when, or as, the Company satisfies its contractual obligation to transfer control of a product to a customer, which we refer to as a performance obligation. See Note 16: Revenue Recognition for further details.

*Provision for allowances, claims, and doubtful accounts.* We perform ongoing credit evaluations of customers and set credit limits based upon review of the customers’ current credit information and payment history. The Company monitors customer payments and maintains a provision for estimated credit losses based on historical experience and specific customer collection issues that the Company has identified. Estimation of such losses requires adjusting historical loss experience for current economic conditions and judgments about the probable effects of economic conditions on certain customers. The Company cannot guarantee that the rate of future credit losses will be similar to past experience. Provisions for allowances and claims 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.

*Shipping and Handling Fees and Costs.* Shipping and handling fees billed to customers are classified in net sales in our Consolidated Statement of Operations. Shipping and handling costs, primarily distribution costs, are classified in warehousing, delivery, selling, general, and administrative expenses in our Consolidated Statement of Operations. These costs totaled \$126.7 million, \$112.3 million, and \$84.8 million for the years ended December 31, 2019, 2018, and 2017, respectively. In accordance with ASC 606, the Company has elected to treat shipping and handling costs as an activity necessary to fulfill the performance obligation to transfer product to the customer and not as a separate performance obligation. Shipping and handling costs are estimated at quarter end in proportion to revenue recognized for transactions where actual costs are not yet known.

*Benefits for Retired Employees.* The Company recognizes the funded status of its defined benefit pension and other postretirement plans in the Consolidated Balance Sheets, with changes in the funded status recognized through accumulated other comprehensive income (loss), net of tax, in the year in which the changes occur. Service cost is included in warehousing, delivery, selling, general, and administrative expenses and all other components of net benefit costs are recognized in other income and (expense), net, in the Consolidated Statement of Operations. The estimated cost of the Company’s defined benefit pension plan and its postretirement medical benefits are determined annually after considering information provided by consulting actuaries. Key factors



used in developing estimates of these liabilities include assumptions related to discount rates, rates of return on investments, future compensation costs, healthcare cost trends, benefit payment patterns, and other factors. The cost of these benefits for retirees is accrued during their term of employment. Pensions are funded primarily in accordance with the requirements of the Employee Retirement Income Security Act (“ERISA”) of 1974 and the Pension Protection Act of 2006. Costs for retired employee medical benefits are funded when claims are submitted. Certain employees are covered by a defined contribution plan, for which the cost is expensed in the period earned.

*Cash Equivalents.* Cash equivalents reflected in the financial statements are highly liquid, short-term investments with original maturities of three months or less. Checks issued in excess of funds on deposit at the bank represent “book” overdrafts. We reclassified \$57.6 million and \$57.5 million to accounts payable at December 31, 2019 and 2018, respectively.

*Inventory Valuation.* Inventories are stated at the lower of cost or market value. We primarily use the last-in, first-out (“LIFO”) method for valuing our domestic inventories. We use the moving average cost and the specific cost methods for valuing our foreign inventories.

*Property, Plant, and Equipment.* Property, plant, and equipment, including land use rights and capital lease assets, are depreciated for financial reporting purposes using the straight-line method over the estimated useful lives of the assets. The provision for depreciation in all periods presented is based on the following estimated useful lives of the assets:

Land improvements	20 years
Buildings	45 years
Machinery and equipment	10-15 years
Furniture and fixtures	10 years
Transportation equipment	3-6 years
Land use rights	50 years

Expenditures for normal repairs and maintenance are charged against income in the period incurred.

*Leases.* For the year ended December 31, 2019 leases are recognized in accordance with FASB ASC 842, “Leases” (“ASC 842”). In the years ended December 31, 2018 and 2017 leases are recognized in accordance with FASB ASC 840, “Leases” (“ASC 840”). The Company leases various assets including real estate, trucks, trailers, mobile equipment, processing equipment, and IT equipment. See discussion of the adoption of ASC 842 within Recent Accounting Pronouncements below and Note 6: Leases, for further details on accounting treatment.

*Goodwill.* In accordance with FASB ASC 350, “Intangibles – Goodwill and Other” (“ASC 350”), goodwill is reviewed at least annually for impairment or whenever indicators of potential impairment exist. We test for impairment of goodwill by assessing various qualitative factors with respect to developments in our business and the overall economy and calculating the fair value of a reporting unit using the discounted cash flow method, as necessary. If we determine that it is more likely than not that the fair value of a reporting unit is less than the carrying value based on our qualitative assessment, we will proceed to the quantitative goodwill impairment test, in which we compare the fair value of the reporting unit where the goodwill resides to its carrying value. If the carrying amount of goodwill exceeds its implied fair value, an impairment loss is recognized in an amount equal to that excess, not to exceed the carrying amount of the goodwill. The fair value of the reporting unit is estimated using a combination of an income approach and a market approach as this combination is deemed to be the most indicative of fair value in an orderly transaction between market participants.

*Long-lived Assets and Other Intangible Assets.* Long-lived assets held and used by the Company are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company estimates the future cash flows expected to result from the use of the asset and its eventual disposition. If the sum of the expected future cash flows (undiscounted and without interest charges) is less than the carrying amount of the asset, an impairment is recognized. Any related impairment loss is calculated based upon comparison of the fair value to the carrying value of the asset. Separate intangible assets that have finite useful lives are amortized over their useful lives. An impaired intangible asset would be written down to fair value, using the discounted cash flow method.

*Accrued Vacation Liability.* In 2019, the Company changed its vacation policy such that employees earn their vacation for the current year as work is performed throughout the year. Under the previous policy, vacation was earned in advance of work being performed for the subsequent year. As a result of this policy change, the Company recorded a reduction of \$11.0 million to accrued vacation expense. The adjustment is included within warehousing, delivery, general, and administrative expense within the Consolidated Statement of Operations in 2019.

*Deferred Financing Costs.* Deferred financing costs associated with the issuance of debt are being amortized using the effective interest method over the life of the debt. Deferred financing costs related to a recognized debt liability are presented in the balance sheet as a direct deduction from the carrying amount of the related debt liability.

*Foreign Currency.* The Company translates assets and liabilities of its foreign subsidiaries, where the functional currency is the local currency, into U.S. dollars at the current rate of exchange on the last day of the reporting period. Revenues and expenses are translated at the average monthly exchange rates prevailing during the year.

For foreign currency transactions, the Company translates these amounts to the Company's functional currency at the exchange rate effective on the invoice date. If the exchange rate changes between the time of purchase and the time actual payment is made, a foreign exchange transaction gain or loss results which is included in determining net income (loss) for the year. The Company recognized a \$2.4 million exchange loss, a \$3.0 million exchange gain, and a \$2.8 million exchange loss for the years ended December 31, 2019, 2018 and 2017, respectively. These amounts are primarily classified in "Other income and (expense), net" in our Consolidated Statements of Operations.

*Income Taxes.* Deferred tax assets or liabilities reflect temporary differences between amounts of assets and liabilities for financial and tax reporting. Such amounts are adjusted, as appropriate, to reflect changes in enacted tax rates expected to be in effect when the temporary differences reverse. A valuation allowance is established to offset any deferred tax assets if, based upon the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. The determination of the amount of a valuation allowance to be provided on recorded deferred tax assets involves estimates regarding (1) the timing and amount of the reversal of taxable temporary differences, (2) expected future taxable income, (3) the impact of tax planning strategies, and (4) the ability to carry back tax losses to offset prior taxable income. In assessing the need for a valuation allowance, the Company considers all available positive and negative evidence, including past operating results, projections of future taxable income, and the feasibility of ongoing tax planning strategies. The projections of future taxable income include a number of estimates and assumptions regarding volume, pricing, costs, and industry cyclicality.

Significant judgment is required in determining income tax provisions and in evaluating tax positions. In the normal course of business, the Company and its subsidiaries are examined by various federal, state, and foreign tax authorities. The Company records the impact of a tax position, if that position is more likely than not to be sustained in audit, based on the technical merits of the position. The Company regularly assesses the potential outcomes of these examinations and any future examinations for the current or prior years in determining the adequacy of our provision for income taxes. The Company continually assesses the likelihood and amount of potential adjustments and adjusts the income tax provision, the current tax liability, and deferred taxes in the period in which the facts that give rise to a revision become known.

The Company recognizes the benefit of tax positions when a benefit is more likely than not (i.e., greater than 50% likely) to be sustained on its technical merits. Recognized tax benefits are measured at the largest amount that is more likely than not to be sustained, based on cumulative probability, in final settlement of the position. The Company recognizes interest and penalties related to unrecognized tax benefits as a component of income tax expense.

*Earnings Per Share Data.* Basic earnings per share ("EPS") is computed by dividing net earnings available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share is computed by giving effect to all dilutive potential common shares that were outstanding during the period, unless inclusion of the potential common shares would have an antidilutive effect. Basic earnings per share excludes the dilutive effect of common stock equivalents such as stock options and warrants, while diluted earnings per share, assuming dilution, includes such dilutive effects.

#### *Recent Accounting Pronouncements*

##### *Impact of Recently Issued Accounting Standards—Adopted*

In February 2016, the FASB issued Accounting Standards Update ("ASU") 2016-02, "Leases" codified in ASC 842. The guidance in ASU 2016-02 and subsequently issued amendments requires lessees to recognize assets and liabilities on the balance sheet for the rights and obligations created by all leases with terms of more than twelve months. The amendment also requires disclosures designed to give financial statement users information on the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative information.

We adopted the standard effective January 1, 2019 using the alternative modified retrospective transition method, which allows for application of the guidance at the beginning of the period in which it is adopted, rather than at the beginning of the earliest comparative period presented.

Adoption of the new standard resulted in the recording of operating lease assets and liabilities of \$82.3 million and \$87.6 million within our Consolidated Balance Sheet, respectively, as of January 1, 2019. As part of the adoption, we recorded an adjustment to retained earnings of \$3.0 million related to the reassessment of a failed sale-leaseback under ASC 842. The standard had no impact on our Consolidated Statements of Operations or our Consolidated Statements of Cash Flows. See Note 6: Leases for further details.

In February 2018, the FASB issued ASU 2018-02, “*Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*.” The guidance allows a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the U.S. Tax Cuts and Jobs Act (“U.S. Tax Act”). It also requires certain disclosures about stranded tax effects. However, the underlying guidance that requires that the effect of a change in tax laws or rates be included in income from continuing operations is not affected. The guidance is effective for interim and annual reporting periods beginning after December 15, 2018 and should be applied either in the period of adoption or retrospectively to each period (or periods) in which the effect of the change in the U.S. federal corporate income tax rate in the U.S. Tax Act is recognized. Adoption of this standard had no impact on our Consolidated Financial Statements. We have elected not to reclassify stranded tax effects from accumulated other comprehensive income to retained earnings related to the U.S. Tax Act as the balances are not material to our consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, “*Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*.” The guidance amends the fair value measurement disclosures by modifying the disclosure requirements in Topic 820, Fair Value Measurement. The update is effective for interim and annual reporting periods beginning after December 15, 2019. The guidance allows for early adoption to remove or modify disclosures upon issuance of this amendment, and for delayed adoption of the additional disclosures until their effective date. We adopted this amendment effective September 30, 2019. There was no impact to our consolidated financial statements or disclosures.

In August 2018, the FASB issued ASU 2018-14, “*Disclosure Framework – Changes to the Disclosure Requirements for Defined Benefit Plans*.” The amendment removes certain employee benefit plan disclosures that no longer are considered cost-beneficial, clarifies the specific requirements of certain disclosures, and adds certain disclosure requirements identified as relevant. The update is effective for annual reporting periods beginning after December 15, 2020 and should be applied on a retrospective basis to all periods presented. We adopted this amendment effective September 30, 2019. There was no impact to our consolidated financial statements or quarterly disclosures. Our annual disclosures are updated for the period ended December 31, 2019.

#### *Impact of Recently Issued Accounting Standards—Not Yet Adopted*

In June 2016, the FASB issued ASU 2016-13, “*Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments*.” The guidance in ASU 2016-13 and subsequently issued amendments requires financial assets measured at amortized cost basis to be presented at the net amount expected to be collected, thus eliminating the probable initial recognition threshold and instead reflecting the current estimate of all expected credit losses. The guidance also requires that credit losses relating to available-for-sale debt securities be recorded through an allowance for credit losses rather than a write-down, thus enabling the ability to record reversals of credit losses in current period net income. The update is effective for interim and annual reporting periods beginning after December 15, 2019. An entity will apply the amendment through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective (that is, a modified-retrospective approach). A prospective transition approach is required for debt securities for which an-other-than-temporary impairment had been recognized before the effective date. The effect of the prospective transition approach is to maintain the same amortized cost basis before and after the effective date of this update. We will adopt this guidance for our fiscal year beginning January 1, 2020. Adoption of this guidance will not have a material impact to our consolidated financial statements.

In August 2018, the FASB issued ASU 2018-15, “*Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*.” The guidance aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). Accordingly, the guidance requires an entity (customer) in a hosting arrangement that is a service contract to follow the guidance in Subtopic 350-40 to determine which implementation costs to capitalize as an asset related to the service contract and which costs to expense. The guidance is effective for interim and annual reporting periods beginning after December 15, 2019 and should be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption. We will adopt this standard effective January 1, 2020 on a prospective basis. Adoption of this guidance will not have a material effect on our financial statements.

In December 2019, the FASB issued ASU 2019-12, “*Income Taxes – Simplifying the Accounting for Income Taxes*.” The guidance removes certain exceptions for recognizing deferred taxes for equity method investments, performing intraperiod allocation, and calculating income taxes in interim periods. The ASU also adds guidance to reduce complexity in certain areas, including recognizing deferred taxes for tax goodwill and allocating taxes to members of a consolidated group, among others. The amendments

in ASU 2019-12 are effective for public business entities for fiscal years beginning after December 15, 2020, including interim periods therein. Early adoption of the standard is permitted, including adoption in interim or annual periods for which financial statements have not yet been issued. We are still assessing the impact of adoption on our consolidated financial statements.

## **Note 2: Acquisitions**

On July 2, 2018 (“the acquisition date”) JT Ryerson purchased Central Steel and Wire Company (“CS&W”). CS&W is a leading metal service center with locations across the Central and Eastern United States offering a wide selection of products and capabilities, with a commercial portfolio centered on bar, tube, plate, and steel products. Our combined commercial, operational, and processing strengths will provide a broader and deeper array of products to our customers in the Midwest and Northeast United States. The fair value of the consideration totaled \$163.5 million on the acquisition date.

The following table summarizes the fair values of the assets acquired and liabilities assumed at the acquisition date.

	<b>At July 2, 2018</b>
	<b>(In millions)</b>
Cash and cash equivalents	\$ 10.0
Receivables, less provisions	80.0
Inventories	179.8
Prepaid expenses and other current assets	1.7
Property, plant, and equipment	66.5
Other intangible assets	16.1
Total identifiable assets acquired	<u>354.1</u>
Accounts payable	(49.7)
Salaries, wages, and commissions	(4.9)
Other accrued liabilities	(6.5)
Deferred income taxes	(27.7)
Deferred employee benefits	(31.8)
Total liabilities assumed	<u>(120.6)</u>
Net identifiable assets acquired	233.5
Bargain purchase gain	(70.0)
Total purchase price	<u>\$ 163.5</u>

The Company used third-party valuation firms to estimate the fair values of property, plant, and equipment and intangible assets as well as to remeasure the deferred employee benefits liabilities. Inventory was valued by the Company using acquisition date fair values of the metals.

The fair value of accounts receivables acquired was \$80.0 million, with a gross amount of \$81.8 million. The Company expected \$1.8 million to be uncollectible.

The \$16.1 million of acquired intangible assets is related to a trademark acquired with a useful life of 10 years.

The transaction resulted in a bargain purchase gain primarily due to higher inventory and property, plant, and equipment fair values compared to book values. The Company believes that the bargain purchase gain was primarily the result of the decision by majority stockholders of CS&W to sell their interests as CS&W had been experiencing increasing net losses. The agreed upon purchase price reflected the fact the seller would have needed to incur significant costs on future integration initiatives and to upgrade their infrastructure and computer systems in order to restore CS&W to a profitable basis. With our existing nationwide service center operations, we believe that our infrastructure will allow the necessary operational improvements to be implemented more efficiently than the seller. The gain of \$70.0 million was included in Other income and (expense), net in the Consolidated Statements of Operations in 2018. The Company recognized \$1.6 million in acquisition-related fees, which was included in Warehousing, delivery, selling, general, and administrative expense in the Consolidated Statements of Operations in 2018.

Included in the year ended December 31, 2019 financial results is revenue of \$576.3 million and a net loss of \$13.1 million from CS&W. Included in the year ended December 31, 2018 financial results is \$347.5 million of revenue and \$58.3 million (includes the \$70.0 million bargain purchase gain) of net income from CS&W since the acquisition date.

The following unaudited pro forma information presents consolidated results of operations for the year ended December 31, 2019 and 2018 as if the acquisition of CS&W on July 2, 2018 had occurred on January 1, 2018:

	<b>Pro Forma</b>	
	<b>For the Year Ended December 31,</b>	
	<b>2019</b>	<b>2018</b>
Net sales	\$ 4,501.6	\$ 4,767.7
Net income attributable to Ryerson Holding Corporation	82.4	15.2

The 2018 supplemental pro forma net income attributable to Ryerson Holding Corporation was adjusted to exclude the \$70.0 million CS&W bargain purchase gain realized in 2018 as it is a nonrecurring item.

On April 2, 2018, Ryerson Holding acquired Fanello Industries, LLC (“Fanello”), a privately owned metal service company located in Lavonia, Georgia. The acquisition is not material to our consolidated financial statements.

On February 15, 2017, Ryerson Holding acquired Guy Metals, Inc. (“Guy Metals”), a privately-owned metal service center company located in Hammond, Wisconsin. The acquisition is not material to our consolidated financial statements.

On January 19, 2017, Ryerson Holding acquired The Laserflex Corporation (“Laserflex”), a privately-owned metal fabricator specializing in laser fabrication metal processing and welding with locations in Columbus, Ohio and Wellford, South Carolina. The acquisition is not material to our consolidated financial statements. Pro forma information related to the acquisitions of Fanello, Guy Metals, and Laserflex is not provided above as the impact on the Consolidated Statements of Operations is not material.

### **Note 3: Cash, Cash Equivalents, and Restricted Cash**

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

	<b>At December 31,</b>	
	<b>2019</b>	<b>2018</b>
	<b>(In millions)</b>	
Cash and cash equivalents	\$ 11.0	\$ 23.2
Restricted cash	48.8	1.1
Total cash, cash equivalents, and restricted cash	<u>\$ 59.8</u>	<u>\$ 24.3</u>

As part of the indenture for our \$650 million senior secured notes due in 2022 (the “2022 Notes”), proceeds from the sale of property, plant, and equipment that is collateral are deposited into a restricted cash account. Cash can be withdrawn from this restricted account upon meeting certain requirements, to fund activities such as debt repayment and future capital expenditures. In December 2019, we signed and closed a sale-leaseback transaction for a group of service center properties. See Note 6: Leases for additional detail on this transaction. The balance in the restricted account for property, plant, and equipment sales was \$47.6 million at December 31, 2019 compared to zero at December 31, 2018. We also have \$1.2 million and \$1.1 million of cash restricted for the purposes of covering letters of credit that can be presented for potential insurance claims at December 31, 2019 and 2018, respectively.

### **Note 4: Inventories**

Inventories, at stated LIFO value, were classified at December 31, 2019 and 2018 as follows:

	<b>At December 31,</b>	
	<b>2019</b>	<b>2018</b>
	<b>(In millions)</b>	
In process and finished products	\$ 742.9	\$ 806.3

If current cost had been used to value inventories, such inventories would have been \$51 million lower and \$18 million higher than reported at December 31, 2019 and 2018, respectively. Approximately 91% of inventories are accounted for under the LIFO method at December 31, 2019 and 2018. 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 \$5.6 million and \$9.3 million at December 31, 2019 and 2018, respectively.

**Note 5: Property, Plant, and Equipment**

Property, plant, and equipment consisted of the following at December 31, 2019 and 2018:

	At December 31,	
	2019	2018
	(In millions)	
Land and land improvements	\$ 89.4	\$ 101.2
Buildings and leasehold improvements	199.0	238.1
Machinery, equipment, and other	432.3	406.7
Finance leases	73.2	76.6
Construction in progress	12.6	15.8
Total	806.5	838.4
Less: Accumulated depreciation	(366.8)	(349.4)
Net property, plant, and equipment	<u>\$ 439.7</u>	<u>\$ 489.0</u>

The Company recorded impairment charges related to fixed assets of zero, \$0.2 million, and \$0.1 million for the years ended December 31, 2019, 2018, and 2017, respectively. The impairment charges recorded in all periods related to certain assets held for sale in order to recognize the assets at their fair value less cost to sell, in accordance with FASB ASC 360-10-35-43, “*Property, Plant, and Equipment – Other Presentation Matters.*” The Company recognized gains on the sale of assets classified as held for sale of \$0.4 million, zero, and \$0.5 million for the years ended December 31, 2019, 2018, and 2017 respectively. The Company had \$1.5 million and \$7.8 million of assets held for sale classified within “Prepaid expenses and other current assets” on the Consolidated Balances Sheets as of December 31, 2019 and 2018, respectively. In December 2019, the Company signed and closed a sale-leaseback transaction for a group of service center properties that resulted in the recognition of a gain on sale of assets of \$20.6 million, with total net proceeds of \$61.5 million. See Note 6: Leases for further details.

**Note 6: Leases**

The Company leases various assets including real estate, trucks, trailers, mobile equipment, processing equipment, and IT equipment. The Company has noncancelable operating leases expiring at various times through 2032, and finance leases expiring at various times through 2025.

*Policy Elections & Practical Expedients*

The Company has made an accounting policy election not to record leases with an initial term of twelve months or less (“short term leases”) on the balance sheet as allowed within ASC 842. Short term lease expense is recognized on a straight-line basis over the lease term. The Company has elected to apply the practical expedient that allows for the combination of lease and non-lease components for all asset classes. In addition, the Company elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed the Company to carry forward the historical lease classification for leases that existed at the transition date.

*Significant Judgments*

Many of our real estate leases include one or more options to renew, with renewal terms that can extend the lease term from one to 5 years or more. To determine the expected lease term, we include any noncancelable periods within the lease agreement as well as any periods covered by an option to extend the lease if we are reasonably certain to exercise the option. The equipment leases do not typically include options for renewal but do include options for purchase at the end of the lease. We determine the likelihood of exercising the option for purchase by assessing the option price versus the estimated fair value at the end of the lease term to determine if the option price is low enough that we are reasonably certain to exercise it. The depreciable life of finance lease assets and leasehold improvements are limited by the expected lease term, unless there is a transfer of title or purchase option reasonably certain of exercise.

Lease payments include fixed payments, the exercise price of a purchase option that is reasonably certain of exercise, variable payments based on a known index, and the amount probable that the Company will owe under a residual value guarantee. Variable lease payments that are not based on a known index are not included in lease payments and are expensed as incurred.



The discount rate used to determine the amount of right of use assets, lease liabilities, and lease classification is the interest rate implicit in the lease, when known. If the rate implicit in the lease is not known, the Company will use its incremental borrowing rate defined as the interest rate swap rate that approximates the lease term plus the long-term expected spread on the \$1.0 billion revolving credit facility amended as of September 23, 2019 (the “Ryerson Credit Facility”).

In December 2019, we sold and leased back a group of service center properties located in Arizona, Arkansas, Georgia, New York, Ohio, Texas, Virginia, and Washington for net proceeds of approximately \$61.5 million. The total annual rent for the properties is approximately \$4.3 million for the first year and is subject to annual rent escalations over the 12-year lease term. Under the terms of the lease agreement, the Company is responsible for all taxes, insurance, and utilities and is required to adequately maintain the properties for the lease term. The lease includes two renewal options for five years each.

The transaction met the requirements for sale leaseback accounting under ASC 842 and ASC 606. Accordingly, the Company recognized the sale of the properties, which resulted in a gain of approximately \$20.6 million recorded in the Consolidated Statements of Operations. The related land and buildings were removed from property, plant, and equipment and operating lease assets and liabilities of \$47.8 million, respectively, were recorded in the Consolidated Balance Sheets.

The following table summarizes the location and amount of lease assets and lease liabilities reported in our Consolidated Balance Sheet as of December 31, 2019:

Leases	Balance Sheet Location	At December 31, 2019 (In millions)
<b>Assets</b>		
Operating lease assets	Operating lease assets	\$ 128.2
Finance lease assets	Property, plant, and equipment, net <sup>(a)</sup>	54.2
Total lease assets		<u>\$ 182.4</u>
<b>Liabilities</b>		
Current		
Operating	Current portion of operating lease liabilities	\$ 20.9
Finance	Other accrued liabilities	12.4
Noncurrent		
Operating	Noncurrent operating lease liabilities	112.8
Finance	Other noncurrent liabilities	18.7
Total lease liabilities		<u>\$ 164.8</u>

(a) Finance lease assets are recorded net of accumulated amortization of \$19.0 million as of December 31, 2019.

Rental expense under operating leases totaled \$26.8 million, \$27.9 million, and \$28.5 million for the years ended December 31, 2019, 2018, and 2017, respectively. The following table summarizes the location and amount of lease expense reported in our Consolidated Statements of Operations for the twelve months ended December 31, 2019:

Lease Expense	Location of Lease Expense Recognized in Income	Year Ended December 31, 2019 (In millions)
Operating lease expense	Warehousing, delivery, selling, general, and administrative	\$ 20.7
Finance lease expense		
Amortization of lease assets	Warehousing, delivery, selling, general, and administrative	6.9
Interest on lease liabilities	Interest and other expense on debt	1.6
Variable lease expense	Warehousing, delivery, selling, general, and administrative	3.1
Short-term lease expense	Warehousing, delivery, selling, general, and administrative	3.0
<b>Total lease expense</b>		<u>\$ 35.3</u>

The following table presents maturity analysis of lease liabilities at December 31, 2019:

Maturity of Lease Liabilities	Operating Leases <sup>(a)</sup>		Finance Leases	
	(In millions)			
2020	\$	25.5	\$	13.6
2021		23.6		8.7
2022		20.1		5.5
2023		16.9		3.0
2024		15.8		2.5
After 2024		51.3		0.2
Total lease payments		153.2		33.5
Less: Interest <sup>(b)</sup>		(19.5)		(2.4)
Present value of lease liabilities <sup>(c)</sup>	\$	133.7	\$	31.1

(a) There were no operating leases with options to extend lease terms that are reasonably certain of being exercised and the operating lease payments exclude \$0.3 million of legally binding minimum lease payments for leases signed but not yet commenced.

(b) Calculated using the discount rate for each lease.

(c) Includes the current portion of \$20.9 million for operating leases and \$12.4 million for finance leases.

The following table presents the future minimum lease commitments under ASC 840 at December 31, 2018:

Future Minimum Lease Commitments	Operating Leases		Capital Leases	
	(In millions)			
2019	\$	21.7	\$	13.7
2020		19.2		11.2
2021		17.0		5.7
2022		13.3		2.5
2023		10.5		0.6
After 2023		19.9		0.1
Total lease payments	\$	101.6	\$	33.8

The following table shows the weighted-average remaining lease term and discount rate for operating and finance leases, respectively, at December 31, 2019:

Lease Term and Discount Rate	At December 31, 2019
Weighted-average remaining lease term (years)	
Operating leases	7.9
Finance leases	2.8
Weighted-average discount rate	
Operating leases	3.6%
Finance leases	4.8%

Information reported in our Consolidated Statement of Cash Flows for the twelve months ended December 31, 2019 is summarized below:

Other Information	Year Ended December 31, 2019	
	(In millions)	
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$	21.4
Operating cash flows from finance leases		1.6
Financing cash flows from finance leases		13.6
Assets obtained in exchange for lease obligations:		
Adoption of accounting principal ASC 842		82.3
Operating leases		64.8
Finance leases		2.2

## Note 7: Definite-Lived Intangible Assets

The following summarizes the components of definite-lived intangible assets at December 31, 2019 and 2018:

	Weighted Average Amortizable Life in Years	At December 31, 2019			At December 31, 2018		
		Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
(In millions)							
<b>Amortizable intangible assets</b>							
Customer relationships	14.2	\$ 58.1	\$ (37.9)	\$ 20.2	\$ 58.1	\$ (33.8)	\$ 24.3
Developed technology / product know-how	10.0	4.6	(2.7)	1.9	4.6	(2.5)	2.1
Non-compete agreements	5.0	0.6	(0.4)	0.2	0.9	(0.6)	0.3
Trademarks	13.6	42.3	(14.0)	28.3	42.3	(10.9)	31.4
Licenses	7.0	0.5	(0.5)	—	0.5	(0.5)	—
Total definite-lived intangible assets		<u>\$ 106.1</u>	<u>\$ (55.5)</u>	<u>\$ 50.6</u>	<u>\$ 106.4</u>	<u>\$ (48.3)</u>	<u>\$ 58.1</u>

Amortization expense related to intangible assets reported in warehousing, delivery, selling, general, and administrative expense in our Consolidated Statements of Operations for the years ended December 31, 2019, 2018, and 2017 was \$7.5 million, \$6.9 million, and \$6.1 million, respectively.

Estimated amortization expense related to intangible assets at December 31, 2019, for each of the years in the five year period ending December 31, 2024 and thereafter is as follows:

	Estimated Amortization Expense (In millions)
For the year ended December 31, 2020	\$ 7.4
For the year ended December 31, 2021	6.4
For the year ended December 31, 2022	6.3
For the year ended December 31, 2023	5.1
For the year ended December 31, 2024	5.1
For the years ended thereafter	20.3

## Note 8: Goodwill

The following is a summary of changes in the carrying amount of goodwill for the years ended December 31, 2019 and 2018:

	Cost	Accumulated Impairment (In millions)	Carrying Amount
Balance at January 1, 2018	\$ 123.6	\$ (8.3)	\$ 115.3
Acquisitions	5.0	—	\$ 5.0
Balance at December 31, 2018	\$ 128.6	\$ (8.3)	\$ 120.3
Acquisitions	—	—	—
Balance at December 31, 2019	<u>\$ 128.6</u>	<u>\$ (8.3)</u>	<u>\$ 120.3</u>

In 2018, the Company recognized \$5.0 million of goodwill within the US Reporting unit related to the Fanello acquisition, which is deductible for income tax purposes.

Pursuant to 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. Based on our October 1, annual goodwill impairment test, we determined there was no goodwill impairment in 2019.

## Note 9: Restructuring and Other Charges

The following summarizes restructuring accrual activity for the years ended December 31, 2019, 2018, and 2017:

	Employee Related Costs	Tenancy and Other Costs	Total Restructuring Costs
		(In millions)	
Balance at January 1, 2017	\$ 0.2	\$ 1.3	\$ 1.5
Restructuring charges	—	0.8	0.8
Cash payments	—	(0.5)	(0.5)
Reclassification	—	0.1	0.1
Reduction to reserve	(0.2)	—	(0.2)
Balance at December 31, 2017	\$ —	\$ 1.7	\$ 1.7
Restructuring charges	3.6	0.6	4.2
Cash payments	(3.2)	(0.8)	(4.0)
Balance at December 31, 2018	\$ 0.4	\$ 1.5	\$ 1.9
Restructuring charges	2.1	0.3	2.4
Cash payments	(1.5)	(0.9)	(2.4)
Balance at December 31, 2019	<u>\$ 1.0</u>	<u>\$ 0.9</u>	<u>\$ 1.9</u>

### 2019

In 2019, the Company recorded a \$2.1 million charge for employee-related costs primarily for severance costs for corporate staff reductions. The Company paid \$1.2 million of the employee costs related to these actions. In addition, the Company paid \$0.3 million related to 2018 staff reductions. The remaining \$1.0 million of employee-related costs are expected to be paid in 2020.

During 2019, the Company also recorded a \$0.3 million charge to increase the reserve for tenancy-related costs for a facility closed in 2013. The Company paid \$0.9 million in 2019 for costs related to facilities closed in prior years. The remaining \$0.9 million of tenancy-related costs are expected to be paid through 2025.

### 2018

In 2018, the Company recorded a \$3.6 million charge for employee-related costs primarily for severance costs for corporate staff reductions and two facility closures. The Company paid \$3.2 million of the employee costs related to these actions.

During 2018, the Company also recorded a \$0.6 million charge to increase the reserve for tenancy-related costs for a facility closed in 2013. The Company paid \$0.8 million in costs related to this facility closure.

### 2017

In 2017, the Company recorded an \$0.8 million charge in warehousing, delivery, selling, general, and administrative expense in the Consolidated Statements of Operations to increase the reserve for tenancy-related costs for a facility closed in 2013. The Company paid \$0.4 million in costs related to this facility closure and also reclassified an existing \$0.1 million liability for future lease payments to the restructuring reserve. In addition, the Company paid \$0.1 million in costs related to a facility closed in 2016.

During 2017, the Company recorded a \$0.2 million reduction to the reserve for employee-related costs and credited warehousing, delivery, selling, general, and administrative expense in the Consolidated Statements of Operations. This action fully utilized the remaining reserve for employee-related costs.

## Note 10: Debt

Long-term debt consisted of the following at December 31, 2019 and 2018:

	At December 31,	
	2019	2018
	(In millions)	
Ryerson Credit Facility	\$ 377.7	\$ 535.9
11 % Senior Secured Notes due 2022	587.9	599.5
Foreign debt	13.2	19.5
Other debt	9.5	8.3
Unamortized debt issuance costs and discounts	(6.5)	(9.9)
Total debt	981.8	1,153.3
Less:		
Ryerson Credit Facility - "first in, last out" subfacility	34.3	—
Short-term foreign debt	13.2	19.5
Other short-term debt	1.7	7.8
Total long-term debt	\$ 932.6	\$ 1,126.0

The principal payments required to be made on debt during the next five fiscal years are shown below:

	Amount (In millions)
For the year ended December 31, 2020	\$ 49.2
For the year ended December 31, 2021	345.1
For the year ended December 31, 2022	589.7
For the year ended December 31, 2023	1.9
For the year ended December 31, 2024	2.4
For the years ended thereafter	—

### Ryerson Credit Facility

On November 16, 2016, Ryerson entered into an amendment with respect to its \$1.0 billion revolving credit facility (as amended, the "Old Credit Facility"), to reduce the total facility size from \$1.0 billion to \$750 million, reduce the interest rate on outstanding borrowings by 25 basis points, reduce commitment fees on amounts not borrowed by 2.5 basis points, and to extend the maturity date to November 16, 2021. The Old Credit Facility was amended a second time on June 28, 2018, to increase the facility size from \$750 million to \$1.0 billion. On September 23, 2019, a third amendment was entered into to supplement the facility and add a U.S. "first-in, last-out" sub-facility of \$67.9 million (the "FILO Facility"). The FILO facility is equal in subordination with the other borrowings under the Ryerson Credit Facility and has a maturity date of June 30, 2020. The FILO facility supplements our borrowing capacity by providing additional collateral on eligible accounts receivable and inventory. The aggregate facility size of \$1.0 billion remains unchanged.

At December 31, 2019, Ryerson had \$377.7 million of outstanding borrowings, including \$34.3 million under the FILO Facility, \$11 million of letters of credit issued, and \$348 million available under the Ryerson Credit Facility compared to \$535.9 million of outstanding borrowings, \$12 million of letters of credit issued, and \$392 million available at December 31, 2018. 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 (and in the case of Canadian accounts, the Canadian 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 (and in the case of Canadian accounts, the Canadian borrower). Qualified cash consists of cash in an eligible deposit account that is subject to customary restrictions and liens in favor of the lenders.

The Ryerson Credit Facility has an allocation of \$940 million to the Company's subsidiaries in the United States and an allocation of \$60 million to Ryerson Holding's Canadian subsidiary that is a borrower. 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, N.A.'s prime rate, and the one-month LIBOR rate plus 1.00%), or (B) a LIBOR rate or, (ii) for Ryerson Holding's Canadian subsidiary that is a borrower, (A) a rate determined by reference to the Canadian base rate (the greatest of the Federal Funds Rate plus 0.50%, Bank of America-Canada Branch's "base rate" for commercial loans in U.S. Dollars made at its "base rate", and the 30 day LIBOR rate plus 1.00%), (B) the prime rate (the greater of Bank of America-Canada Branch's "prime rate" for commercial loans made by it in Canada in Canadian Dollars and the one-month Canadian bankers' acceptance rate plus 1.00%), or (C) the bankers' acceptance rate. The spread over the base rate and prime rate is between 0.25% and 0.50% and the spread over the LIBOR for the bankers' acceptances is between 1.25% and 1.50%, depending on the amount available to be borrowed under the Ryerson Credit Facility. Amounts outstanding under the FILO Facility bear interest at the same rates as listed above for U.S. borrowings, however the spread over the base rate is between 1.25% and 1.50% and the spread over the LIBOR rate is between 2.25% and 2.50%, depending on the amount available to be borrowed under the Ryerson Credit Facility. Ryerson also pays commitment fees on amounts not borrowed at a rate of 0.23%. Overdue amounts and all amounts owed during the existence of a default bear interest at 2% 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 March 2017, we entered into an interest rate swap to fix interest on \$150 million of our floating rate debt under the Ryerson Credit Facility at a rate of 1.658% through March 2020. In June 2019, we entered into a second interest rate swap to fix interest on \$60 million of our floating rate debt under the Ryerson Credit Facility at a rate of 1.729% through June 2022. In November 2019, we entered into a third interest rate swap to fix interest on \$100 million of our floating rate debt under the Ryerson Credit Facility at a rate of 1.539% through November 2022. All of the swaps have reset dates and critical terms that match our existing debt and the anticipated critical terms of future debt. The weighted average interest rate on the outstanding borrowings under the Ryerson Credit Facility including the interest rate swap was 3.2% and 3.5% at December 31, 2019 and 2018, 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, and includes defaults upon (among other things) the occurrence of a change of control of Ryerson and a cross-default to other financing arrangements.

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, and the occurrence of a change of control of Ryerson. 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 proceeds of short-term borrowings that are reflected in the Consolidated Statements of Cash Flows represent borrowings under the Ryerson Credit Facility with original maturities less than three months.

## 2022 Notes

On May 24, 2016, JT Ryerson issued the 2022 Notes that bear interest at a rate of 11.00% per annum. The 2022 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 2022 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 United States (other than receivables, inventory, cash, deposit accounts and related general intangibles, certain other assets and proceeds thereof), subject to certain exceptions and customary permitted liens. The



2022 Notes and the related guarantees are also secured on a second-priority basis by a lien on the assets that secure JT Ryerson's and the Company's obligations under the Ryerson Credit Facility.

The 2022 Notes are redeemable at the following redemption prices: if redeemed prior to May 15, 2020, 105.50%, and if redeemed during the twelve months beginning May 15, 2020, 102.75%, and May 15, 2021 and thereafter, 100.00%. JT Ryerson may be required to make an offer to purchase the 2022 Notes upon the sale of assets or upon a change of control.

The 2022 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, create liens, or use assets as security in other transactions. Subject to certain exceptions, JT Ryerson may only pay dividends to Ryerson Holding to the extent of 50% of cumulative net income since the issuance of the 2022 Notes, once prior losses are offset. As a result of these restrictions, the restricted net assets of consolidated subsidiaries exceed 25 percent of consolidated net assets as of December 31, 2019. Restricted net assets as of December 31, 2019 were \$132.6 million.

During 2019, a principal amount of \$11.6 million of the 2022 Notes were repurchased for \$11.8 million and retired, resulting in the recognition of a \$0.2 million loss within other income and (expense), net on the Consolidated Statement of Operations.

During 2018, a principal amount of \$50.5 million of the 2022 Notes were repurchased for \$52.2 million and retired, resulting in the recognition of a \$1.7 million loss within other income and (expense), net on the Consolidated Statement of Operations.

### **Foreign Debt**

At December 31, 2019, Ryerson China's total foreign borrowings were \$13.2 million, which were owed to banks in Asia at a weighted average interest rate of 4.3% per annum and secured by inventory and property, plant, and equipment. At December 31, 2018, Ryerson China's total foreign borrowings were \$19.5 million, which were owed to banks in Asia at a weighted average interest rate of 4.3% per annum and secured by inventory and property, plant, and equipment.

Availability under Ryerson China's credit facility was \$32 million and \$26 million at December 31, 2019 and 2018, respectively. Letters of credit issued by our foreign subsidiaries totaled \$3 million at December 31, 2019 and 2018.

### **Note 11: Employee Benefits**

The Company accounts for its pension and postretirement plans in accordance with FASB ASC 715, "*Compensation – Retirement Benefits*" ("ASC 715"). In addition to requirements for an employer to recognize in its Consolidated Balance Sheet an asset for a plan's overfunded status or a liability for a plan's underfunded status and to recognize changes in the funded status of a defined benefit postretirement plan in the year in which the changes occur, ASC 715 requires an employer to measure a plan's assets and its obligations that determine its funded status as of the end of the employer's fiscal year.

Prior to January 1, 1998, the Company's non-contributory defined benefit pension plan ("Ryerson Pension Plan" or "RPP") covered certain employees, retirees, and their beneficiaries. Benefits provided to participants of the plan were based on pay and years of service for salaried employees and years of service and a fixed rate or a rate determined by job grade for all wage employees, including employees under collective bargaining agreements.

Effective January 1, 1998, the Company froze the benefits accrued under its defined benefit pension plan for certain salaried employees and instituted a defined contribution plan. Effective March 31, 2000, benefits for certain salaried employees of J. M. Tull Metals Company and AFCO Metals, subsidiaries that were merged into JT Ryerson, were similarly frozen, with the employees becoming participants in the Company's defined contribution plan. Employees who vested in their benefits accrued under the defined benefit plan at December 31, 1997 and March 31, 2000, are entitled to those benefits upon retirement. For the years ended December 31, 2019, 2018, and 2017, expense recognized for the defined contribution plans was \$8.8 million, \$8.0 million, and \$7.2 million, respectively.

Effective May 19, 2017, the Company froze the benefits accrued under a portion of the Ryerson Pension Plan for certain wage employees. The freeze impacted a significant number of the remaining active accruing participants, therefore, curtailment accounting was required, and the pension plan was remeasured as of May 31, 2017. The remeasurement resulted in a curtailment loss of \$0.1 million, which was recorded in warehousing, delivery, selling, general, and administrative expense within the Consolidated Statements of Operations.

CS&W also has a non-contributory defined benefit pension plan (“Central Steel and Wire Retirement Plan” or “CSWPP”), which covers certain employees, retirees, and their beneficiaries. CSWPP paid \$14.3 million in lump sums and annuity purchases during fiscal 2019. Because the payout was more than the fiscal 2019 service cost plus interest cost for fiscal 2019, settlement accounting was reflected at year-end. There was an unrecognized loss as of December 31, 2019, of which \$1.6 million was recognized in expense. CSWPP paid \$5.8 million in lump sums from July 2, 2018 through December 31, 2018. Because the payout was more than the service cost plus interest cost for the period, settlement accounting was reflected in 2018. There was an unrecognized loss as of December 31, 2018, of which \$0.2 million was recognized in other income and (expense), net within the Consolidated Statements of Operations.

In August 2019, the Central Steel and Wire Retirement Plan was closed to new entrants such that employees hired after July 1, 2018 are not entered into the plan. This plan change did not impact the plan obligation as of December 31, 2019.

The Company’s U.S. other postretirement benefit plans include the Ryerson Postretirement Welfare Plans (“Ryerson OPEB”) and Central Steel and Wire Postretirement Medical Plan (“CSW OPEB”).

The Company has other deferred employee benefit plans, including supplemental pension plans, the liability for which totaled \$15.3 million and \$15.1 million at December 31, 2019 and 2018, respectively.

#### *Summary of Assumptions and Activity*

The tables included below provide reconciliations of benefit obligations and fair value of plan assets of the Company plans as well as the funded status and components of net periodic benefit costs for each period related to each plan. The Company uses a December 31 measurement date to determine the pension and other postretirement benefit information. The Company had an additional measurement date of May 31, 2017 due to the plan freeze discussed above. The expected rate of return on plan assets is determined based on the market-related value of the assets, recognizing any gains or losses over a four year period. The method we have chosen for amortizing actuarial gains and losses is to recognize amounts in excess of a 10% corridor (10% of the greater of the projected benefit obligation or plan assets) which are amortized over the average expected remaining lifetime of the participants in the pension plan and over the average expected remaining service period for the other postretirement benefits.

The assumptions used to determine benefit obligations at the end of the periods and net periodic benefit costs for the Pension Benefits for U.S. plans were as follows:

	Year Ended December 31, 2019 (CSWPP)	Year Ended December 31, 2019 (RPP)	July 2 to December 31, 2018 (CSWPP)	Year Ended December 31, 2018 (RPP)	June 1 to December 31, 2017	January 1 to May 31, 2017
Discount rate for calculating obligations	3.53%	3.15%	4.59%	4.32%	3.64%	3.86%
Discount rate for calculating service cost	4.67	4.53	4.49	3.84	4.20	4.51
Discount rate for calculating interest cost	4.43	3.93	4.22	3.24	3.18	3.44
Expected rate of return on plan assets	4.00	6.35	4.70	6.70	6.95	6.75
Rate of compensation increase – benefit obligations	3.00	3.00	3.00	3.00	2.90	2.70
Rate of compensation increase – net periodic benefit cost	3.00	3.00	3.00	2.90	2.70	2.70

The expected rate of return on plan assets is 5.75% for RPP and 3.20% for CSWPP for 2020.

The assumptions used to determine benefit obligations at the end of the periods and net periodic benefit costs for the Other Postretirement Benefits, primarily health care, for U.S. plans were as follows:

	Year Ended December 31, 2019 (CSW OPEB)	Year Ended December 31, 2019 (Ryerson OPEB)	July 2 to December 31, 2018 (CSW OPEB)	Year Ended December 31, 2018 (Ryerson OPEB)	Year Ended December 31, 2017
Discount rate for calculating obligations	3.08%	3.13%	4.23%	4.26%	3.57%
Discount rate for calculating service cost	4.45	4.43	4.35	3.74	4.25
Discount rate for calculating interest cost	3.82	3.82	3.83	3.09	3.19
Rate of compensation increase – benefit obligations	N/A	3.00	N/A	3.00	3.00
Rate of compensation increase – net periodic benefit cost	N/A	3.00	N/A	3.00	2.50

The assumptions used to determine benefit obligations at the end of the periods and net periodic benefit costs for the Pension Benefits for Canadian plans were as follows:

	Year Ended December 31,					
	2019		2018		2017	
	Salaried	Bargaining	Salaried	Bargaining	Salaried	Bargaining
Discount rate for calculating obligations	3.00%	3.01%	3.56%	3.58%	3.31%	3.32%
Discount rate for calculating net periodic benefit cost	3.56	3.58	3.31	3.32	3.64	3.71
Expected rate of return on plan assets	5.25	3.50	5.25	4.50	5.50	5.25
Rate of compensation increase	3.00	3.00	3.00	3.00	3.00	3.00

The expected rate of return on Canadian plan assets for 2020 is 4.75% for the Ryerson Salaried Plan (approximately 79% of total Canadian plan assets) and 3.00% for the Ryerson Bargaining Unit Plan (approximately 21% of total Canadian plan assets).

The assumptions used to determine benefit obligations at the end of the periods and net periodic benefit costs for the Other Postretirement Benefits, primarily healthcare, for Canadian plans were as follows:

	Year Ended December 31,		
	2019	2018	2017
	Discount rate for calculating obligations	2.97%	3.53%
Discount rate for calculating net periodic benefit cost	3.53	3.31	3.61
Rate of compensation increase	3.00	3.00	3.00

	Year Ended December 31,			
	Pension Benefits		Other Benefits	
	2019	2018	2019	2018
	(In millions)			
<b>Change in Benefit Obligation</b>				
Benefit obligation at beginning of year	\$ 760	\$ 797	\$ 70	\$ 69
Acquired benefit obligation	—	60	—	15
Service cost	3	2	1	—
Interest cost	29	26	2	2
Actuarial (gain) loss	65	(42)	1	(8)
Effect of changes in exchange rates	2	(3)	1	(1)
Lump sums paid	(24)	(23)	—	—
Benefits paid (net of participant contributions)	(63)	(57)	(6)	(7)
Benefit obligation at end of year	<u>\$ 772</u>	<u>\$ 760</u>	<u>\$ 69</u>	<u>\$ 70</u>
Accumulated benefit obligation at end of year	<u>\$ 760</u>	<u>\$ 750</u>	<u>N/A</u>	<u>N/A</u>
<b>Change in Plan Assets</b>				
Plan assets at fair value at beginning of year	\$ 579	\$ 632	\$ —	\$ —
Acquired plan assets	—	43	—	—
Actual return on plan assets	112	(40)	—	—
Employer contributions	26	27	6	7
Effect of changes in exchange rates	2	(3)	—	—
Lump sums paid	(24)	(23)	—	—
Benefits paid (net of participant contributions)	(63)	(57)	(6)	(7)
Plan assets at fair value at end of year	<u>\$ 632</u>	<u>\$ 579</u>	<u>\$ —</u>	<u>\$ —</u>
<b>Reconciliation of Amount Recognized</b>				
Funded status	<u>\$ (140)</u>	<u>\$ (181)</u>	<u>\$ (69)</u>	<u>\$ (70)</u>
<b>Amounts recognized in balance sheet consist of:</b>				
Current liabilities	\$ —	\$ —	\$ (6)	\$ (7)
Non-current liabilities	(140)	(181)	(63)	(63)
Net benefit liability at the end of the year	<u>\$ (140)</u>	<u>\$ (181)</u>	<u>\$ (69)</u>	<u>\$ (70)</u>

Canadian benefit obligations represented \$45 million of the Company's total Pension Benefits obligations at December 31, 2019 and \$41 million at December 31, 2018. Canadian plan assets represented \$43 million of the Company's total plan assets at fair value at December 31, 2019 and \$38 million at December 31, 2018. In addition, Canadian benefit obligations represented \$14 million of the Company's total Other Benefits obligation at December 31, 2019 and \$11 million at December 31, 2018.

The pension benefit obligations recorded as of December 31, 2019 and 2018 were impacted by changes in assumptions. During the year ended December 31, 2019 the pension benefit obligation increased by \$87 million due to a decrease in the year over year discount rate, decreased \$19 million due to updated mortality tables, and decreased \$5 million due to demographic population changes. During the year ended December 31, 2018 the pension benefit obligation decreased by \$46 million due to an increase in the year over year discount rate and decreased another \$1 million due to updated mortality rates based on updated mortality tables released by the Society of Actuaries in 2018.

Amounts recognized in accumulated other comprehensive income (loss) at December 31, 2019 and 2018 consist of the following:

	At December 31,			
	Pension Benefits		Other Benefits	
	2019	2018	2019	2018
	(In millions)			
<b>Amounts recognized in accumulated other comprehensive income (loss), pre-tax, consist of</b>				
Net actuarial loss (gain)	\$ 366	\$ 394	\$ (49)	\$ (58)
Prior service credit	—	—	(3)	(6)
Net loss (gain)	<u>\$ 366</u>	<u>\$ 394</u>	<u>\$ (52)</u>	<u>\$ (64)</u>

Amounts recognized in other comprehensive income (loss) for the years ended December 31, 2019 and 2018 consist of the following:

	Year Ended December 31,			
	Pension Benefits		Other Benefits	
	2019	2018	2019	2018
	(In millions)			
<b>Amounts recognized in other comprehensive income (loss), pre-tax, consist of</b>				
Net actuarial loss (gain)	\$ (11)	\$ 38	\$ 1	\$ (8)
Amortization of net actuarial loss (gain)	(15)	(16)	8	7
Amortization of prior service cost	—	—	3	3
Amortization of settlement	(2)	—	—	—
Net loss (gain)	<u>\$ (28)</u>	<u>\$ 22</u>	<u>\$ 12</u>	<u>\$ 2</u>

For benefit obligation measurement purposes for U.S. plans at December 31, 2019, the annual rate of increase in the per capita cost of covered health care benefits for all participants was 7.25 percent, grading down to 4.5 percent in 2026, the level at which it is expected to remain. For measurement purposes for U.S. plans at December 31, 2018, the annual rate of increase in the per capita cost of covered health care benefits for participants under 65 was 7.5 percent, grading down to 4.5 percent in 2026, the level at which it is expected to remain. At December 31, 2018, the rate for participants over 65 was 7.5 percent, grading down to 4.5 percent in 2026, plus a risk adjustment of 0.65 percent grading down to zero percent in 2022, the level at which it is expected to remain.

For benefit obligation measurement purposes for Canadian plans, at December 31, 2019 the annual rate of increase in the per capita cost of covered health care benefits was 6.95 percent per annum, grading down to 4.5 percent in 2033, the level at which it is expected to remain. For benefit obligation measurement purposes for Canadian plans, at December 31, 2018 the annual rate of increase per capita cost of covered health care benefits was 7.3 percent per annum, grading down to 4.5 percent in 2033, the level at which it is expected to remain.

The components of the Company's net periodic benefit cost for the years ended December 31, 2019, 2018, and 2017 are as follows:

	Year Ended December 31,					
	Pension Benefits			Other Benefits		
	2019	2018	2017	2019	2018	2017
	(In millions)					
<b>Components of net periodic benefit cost</b>						
Service cost	\$ 3	\$ 2	\$ 1	\$ 1	\$ —	\$ —
Interest cost	29	26	26	2	2	3
Expected return on assets	(37)	(40)	(42)	—	—	—
Recognized actuarial loss (gain)	15	15	15	(8)	(7)	(8)
Amortization of prior service credit	—	—	—	(3)	(3)	(3)
Settlement expense	2	—	—	—	—	—
Net periodic benefit cost (credit)	<u>\$ 12</u>	<u>\$ 3</u>	<u>\$ —</u>	<u>\$ (8)</u>	<u>\$ (8)</u>	<u>\$ (8)</u>

The assumed health care cost trend rate has an effect on the amounts reported for the health care plans. For purposes of determining net periodic benefit cost for U.S. plans, the annual rate of increase in the per capital cost of covered health care benefits for participants under 65 was 7.5 percent, grading down to 4.5 percent in 2026, the level at which it is expected to remain. The rate for participants over 65 was 7.5 percent, grading down to 4.5 percent in 2026, plus a risk adjustment of 0.65 percent grading down to zero percent in 2022, the level at which it is expected to remain. For purposes of determining net periodic benefit cost for Canadian plans, the annual rate of increase in the per capita cost of covered health care benefits was 6.95 percent per annum, grading down to 4.5 percent in 2033, the level at which it is expected to remain.

#### Pension Trust Assets

The expected long-term rate of return on pension trust assets is 3.00% to 5.75% based on the historical investment returns of the trust, the forecasted returns of the asset classes, and a survey of comparable pension plan sponsors.

The Company's pension trust weighted-average asset allocations at December 31, 2019 and 2018, by asset category are as follows:

	Trust Assets at December 31,	
	2019	2018
Equity securities	35%	43%
Debt securities	48	44
Real Estate	10	3
Other	7	10
Total	<u>100%</u>	<u>100%</u>

The investment policies and plan asset target allocations are established by Ryerson's internal management Pension Committee, as delegated by the Board of Directors, in consultation with investment advisors. The Pension Committee provides on-going oversight of the plan assets in accordance with the approved policies and asset allocation ranges and has the authority to appoint and dismiss investment managers. The investment policy objectives are to seek a competitive rate of return relative to an appropriate level of risk depending on the funded status of each plan and the timing of expected benefit payments. As plan funded status improves, the asset allocations will move along a predetermined, de-risking glide path that reallocates capital from growth assets to fixed income assets in order to preserve asset gains and reduce funded status volatility. The currently approved asset investment classes are cash, fixed income, domestic equities, international equities, real estate, private equities, and hedge funds of funds.

The approved target ranges and allocations as of the December 31, 2019 measurement date were as follows:

	Range	Target
Equity securities	0-49%	34%
Debt securities	45-100	50
Real estate	0-12	10
Other	0-7	6
Total		<u>100%</u>

The fair value of our pension plan assets at December 31, 2019 by asset category are as follows. See Note 14 for the definitions of Level 1, 2, and 3 fair value measurements.

<u>Asset Category</u>	Fair Value Measurements at December 31, 2019			
	Total	Level 1	Level 2	Level 3
	(In millions)			
Cash and cash equivalents	\$ 14	\$ 6	\$ 8	\$ —
Equity securities:				
US large cap	67	4	63	—
US small/mid cap	11	1	10	—
International companies	63	3	60	—
Global companies	82	—	82	—
Fixed income securities:				
Investment grade debt	300	11	289	—
Other types of investments:				
Commodity funds	2	—	2	—
Investments valued at net asset value	27	—	—	—
Real estate	66	1	65	—
Total	<u>\$ 632</u>	<u>\$ 26</u>	<u>\$ 579</u>	<u>\$ —</u>

The fair value of our pension plan assets at December 31, 2018 by asset category are as follows:

<u>Asset Category</u>	Fair Value Measurements at December 31, 2018			
	Total	Level 1	Level 2	Level 3
	(In millions)			
Cash and cash equivalents	\$ 21	\$ 21	\$ —	\$ —
Equity securities:				
US large cap	71	7	64	—
US small/mid cap	22	1	21	—
Canadian large cap	3	—	3	—
Canadian small cap	1	—	1	—
International companies	92	5	87	—
Global companies	60	—	60	—
Fixed income securities:				
Investment grade debt	255	18	237	—
Other types of investments:				
Commodity funds	1	—	1	—
Multi-strategy funds	1	—	1	—
Investments valued at net asset value	37	—	—	—
Real estate	15	1	14	—
Total	<u>\$ 579</u>	<u>\$ 53</u>	<u>\$ 489</u>	<u>\$ —</u>

The pension assets classified as Level 2 investments in 2019 were part of common collective trust investments and bank trust funds. The pension assets classified as Level 2 in 2018 are part of common collective trust investments.

Certain investments that are measured at fair value using the net asset value per share practical expedient have not been classified in the fair value hierarchy in accordance with ASU 2015-07, “Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent).” The fair value amounts presented above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the Consolidated Balance Sheets.

Securities listed on one or more national securities exchanges are valued at their last reported sales price on the date of valuation. If no sale occurred on the valuation date, the security is valued at the mean of the last “bid” and “ask” prices on the valuation date. Corporate and government bonds which are not listed or admitted to trading on any securities exchanges are valued at the average mean of the last bid and ask prices on the valuation date based on quotations supplied by recognized quotation services or by reputable broker dealers. The non-publicly traded securities, other securities, or instruments for which reliable market quotations



are not available are valued at each investment manager's discretion. Valuations will depend on facts and circumstances known as of the valuation date and application of certain valuation methods.

### *Contributions*

The Company contributed \$25.7 million, \$27.0 million, and \$21.7 million for the years ended December 31, 2019, 2018, and 2017, respectively, to improve the funded status of the plans. The Company anticipates that it will have a minimum required pension contribution funding of approximately \$19.9 million in 2020.

### *Estimated Future Benefit Payments*

	Pension Benefits	Other Benefits
	(In millions)	
2020	\$ 57	\$ 6
2021	54	6
2022	54	5
2023	54	5
2024	52	5
2025-2029	243	21

### **Multiemployer Pension and Other Postretirement Plans**

We participate in two multiemployer pension plans covering 48 employees at 4 locations. Total contributions to the plans were \$0.4 million for each of the years ended December 31, 2019, 2018, and 2017. Our contributions represent less than 5% of the total contributions to the plans. The Company maintains positive employee relations at all locations. During 2012, the Company exited and reentered the pension plan at one of the covered locations in an effort to reduce the overall pension liability. The transaction resulted in a withdrawal liability of \$1.0 million, which will be paid over a period of 25 years. The balance of the withdrawal liability as of December 31, 2019 and 2018 was \$0.5 million. The Company's participation in these plans is not material to our financial statements.

### **Note 12: Commitments and Contingencies**

#### ***Purchase Obligations***

To fulfill contractual requirements for certain customers in 2020, the Company has entered into certain fixed price noncancellable contractual obligations. These purchase obligations aggregated to \$7.8 million at December 31, 2019 with \$7.8 million to be paid in 2020.

#### ***Concentrations of Various Risks***

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, equity securities, derivative instruments, accounts payable, and notes payable. In the case of cash, accounts receivable, equity securities, and accounts payable, the carrying amount on the balance sheet approximates the fair value due to the short-term nature of these instruments. The derivative instruments are marked to market each period. The fair value of notes payable is disclosed in Note 14.

The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of derivative financial instruments and trade accounts receivable. Our derivative financial instruments are contracts placed with major financial institutions. Credit is generally extended to customers based upon an evaluation of each customer's financial condition, with terms consistent in the industry and no collateral required. Concentrations of credit risk with respect to trade accounts receivable are limited due to the large number of customers and their dispersion across geographic areas.

Approximately 9% of our total labor force is covered by collective bargaining agreements. There are collective bargaining agreements that will expire in fiscal 2020, which covers 4% of our total labor force. We believe that our overall relationship with our employees is good.

## ***Litigation***

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. In a change from its prior stance, at a meeting on December 4, 2018, the EPA indicated that it expected PRPs to submit a plan during 2019 to start remediation of the river and harbor per the original ROD within the next two to three years. The EPA also indicated that it expected allocation of amounts among the parties to be determined in the same two to three-year time frame. The EPA invited certain PRPs to a May 2, 2019 meeting to discuss starting the remedial design process. The EPA did not include JT Ryerson in those meetings.

On December 9, 2019, a PRP group met with Administrator Wheeler, the head of the EPA, to discuss updating the ROD as recent testing indicates that the levels of contamination have “drastically improved” and, thus, remediation should be much less drastic than that in the current ROD. We have been informed that Administrator Wheeler is requiring regional EPA staff to engage in discussions with the PRP group before moving forward with any enforcement action. The EPA indicated in a January 2, 2020 “progress update” letter that it is negotiating with certain parties to perform remedial design work at five unspecified areas which comprise 52% of the overall acreage subject to remediation. It is unclear if any of these areas include the areas where our former facilities were located. As a result of the ongoing negotiations over the ROD, the EPA’s decision not to meet with smaller parties, and the December 9, 2019 meeting with Administrator Wheeler, the discussions with the EPA regarding remedial design appear to be delayed.

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.

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 December 31, 2019 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 13: Segment Information**

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

The Company derives substantially all of its sales from the distribution of metals. See Note 16: Revenue Recognition for the Company’s percentage of sales by major product line.

No customer, including their subcontractors, accounted for more than 6 percent of Company sales for the years ended December 31, 2019, 2018, and 2017. The top ten customers accounted for less than 15 percent of our sales for the years ended December 31, 2019 and 2018, and less than 17 percent of our sales for the year ended December 31, 2017. A significant majority of the Company’s sales are attributable to its U.S. operations and a significant majority of its long-lived assets are located in the United States. The only operations attributed to foreign countries relate to the Company’s subsidiaries in Canada, China, and Mexico, which in aggregate comprised 9 percent, 10 percent, and 12 percent of the Company’s sales during the years ended December 31, 2019, 2018, and 2017, respectively. Canadian, Chinese, and Mexican long-lived assets were 9 percent, 5 percent, and 7 percent of total Company long-lived assets at December 31, 2019, 2018, and 2017, respectively.

The following tables summarize consolidated financial information of our operations by geographic location based on where sales originated:

Net Sales	Year Ended December 31,		
	2019	2018	2017
	(In millions)		
United States	\$ 4,076.8	\$ 3,950.5	\$ 2,962.4
Foreign countries	424.8	457.9	402.3
Total	<u>\$ 4,501.6</u>	<u>\$ 4,408.4</u>	<u>\$ 3,364.7</u>

Long-Lived Assets	At December 31,		
	2019	2018	2017
	(In millions)		
United States	\$ 519.1	\$ 464.1	\$ 395.3
Foreign countries	48.8	24.9	27.6
Total	<u>\$ 567.9</u>	<u>\$ 489.0</u>	<u>\$ 422.9</u>

#### **Note 14: 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 have three receive variable, pay fixed, interest rate swaps to manage the exposure to variable interest rates of the Ryerson Credit Facility. In March 2017, we entered into a forward agreement for \$150 million of "pay fixed" interest at 1.658%, in June 2019, we entered into a forward agreement for \$60 million of "pay fixed" interest at 1.729%, and in November 2019, we entered into a forward agreement for \$100 million of "pay fixed" interest at 1.539%. The interest rate reset dates and critical terms match the terms of our existing debt and anticipated critical terms of future debt under the Ryerson Credit Facility. The fair value of the interest rate swap as of December 31, 2019 was a net liability of \$0.2 million.

The Company currently does not account for its commodity contracts and foreign exchange derivative contracts as hedges but rather marks them to market with a corresponding offset to current earnings. The Company accounts for its interest rate swaps as cash flow hedges of floating-rate borrowings with changes in fair value being recorded in accumulated other comprehensive income. The Company made an accounting policy election to offset the fair value of derivative liabilities with related cash collateral. As of December 31, 2019, the Company offset \$2.7 million of fair value liabilities with cash held as collateral by the counterparty.

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.

The following table summarizes the location and fair value amount of our derivative instruments reported in our Consolidated Balance Sheet as of December 31, 2019 and 2018:

	Asset Derivatives			Liability Derivatives		
	Balance Sheet Location	Fair Value		Balance Sheet Location	Fair Value	
		December 31, 2019	December 31, 2018		December 31, 2019	December 31, 2018
(In millions)						
<b>Derivatives not designated as hedging instruments under ASC 815</b>						
Metal commodity contracts	Prepaid expenses and other current assets	\$ 5.0	\$ 1.6	Other accrued liabilities	\$ 9.4	(a) \$ 5.4
Crude oil contracts	Prepaid expenses and other current assets	0.1	—	Other accrued liabilities	—	—
Foreign exchange contracts	Prepaid expenses and other current assets	—	0.2	Other accrued liabilities	—	—
<b>Derivatives designated as hedging instruments under ASC 815</b>						
Interest rate swaps	Deferred charges and other assets	—	1.5	Other noncurrent liabilities	0.2	—
<b>Total derivatives</b>		<b>\$ 5.1</b>	<b>\$ 3.3</b>		<b>\$ 9.6</b>	<b>(a) \$ 5.4</b>

(a) The offsetting cash collateral balance of \$2.7 million held by the derivative counterparty brings the net metal commodity contract liability to \$6.7 million and the net total derivative liability balance to \$6.9 million.

The following table presents the volume of the Company's activity in derivative instruments as of December 31, 2019 and 2018:

Derivative Instruments	Notional Amount		Unit of Measurement
	At December 31, 2019	At December 31, 2018	
Iron ore swap contracts	420,000	—	Tons
Hot roll coil swap contracts	47,155	36,365	Tons
Crude oil swap contracts	38,000	—	Barrels
Aluminum swap contracts	23,949	42,419	Tons
Nickel swap contracts	3,164	1,541	Tons
Foreign currency exchange contracts	2.0 million	4.5 million	U.S. dollars
Interest rate swaps	310 million	150 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 Consolidated Statements of Operations for the years ended December 31, 2019, 2018, and 2017:

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		
		Year Ended December 31,		
		2019	2018	2017
(In millions)				
Metal commodity contracts	Cost of materials sold	\$ (9.1)	\$ (3.1)	\$ 3.1
Diesel fuel/Crude oil commodity contracts	Warehousing, delivery, selling, general, and administrative	0.7	—	—
Foreign exchange contracts	Other income and (expense), net	(0.1)	0.2	—
<b>Total</b>		<b>\$ (8.5)</b>	<b>\$ (2.9)</b>	<b>\$ 3.1</b>

The following table summarizes the location and amount of gains and losses on derivatives designated as hedging instruments reported in our Consolidated Statements of Operations for the years ended December 31, 2019, 2018, and 2017:

Derivatives designated as hedging instruments under ASC 815	Location of Gain/(Loss) Recognized in Income on Derivatives	Amount of Gain/(Loss) Reclassified from Other Comprehensive Income into Income		
		Year Ended December 31,		
		2019	2018	2017
		(In millions)		
Interest rate swaps	Interest and other expense on debt	\$ 1.1	\$ 0.5	\$ (0.7)

As of December 31, 2019, the portion of the interest rate swap fair value that would be reclassified into earnings during the next 12 months as interest income is approximately zero.

### Fair Value Measurements

To increase consistency and comparability, 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 Consolidated Balance Sheet on a recurring basis and their level within the fair value hierarchy as of December 31, 2019:

	At December 31, 2019		
	Level 1	Level 2	Level 3
	(In millions)		
<b>Assets</b>			
Derivatives:			
Derivatives not designated as hedging instruments under ASC 815:			
Metal commodity contracts	\$ —	\$ 5.0	\$ —
Crude oil contracts	—	0.1	—
Derivatives designated as hedging instruments under ASC 815:			
Interest rate swaps	—	—	—
Total derivatives	\$ —	\$ 5.1	\$ —
<b>Liabilities</b>			
Derivatives:			
Derivatives not designated as hedging instruments under ASC 815:			
Metal commodity contracts	\$ —	\$ 9.4 (a)	\$ —
Derivatives designated as hedging instruments under ASC 815:			
Interest rate swaps	—	0.2	—
Total derivatives	\$ —	\$ 9.6 (a)	\$ —

(a) The offsetting cash collateral balance of \$2.7 million held by the derivative counterparty brings the net metal commodity contract liability to \$6.7 million and the net total derivative liability balance to \$6.9 million.

The following table presents assets and liabilities measured and recorded at fair value on our Consolidated Balance Sheet on a recurring basis and their level within the fair value hierarchy as of December 31, 2018:

	At December 31, 2018		
	Level 1	Level 2	Level 3
	(In millions)		
<b>Assets</b>			
Derivatives:			
Derivatives not designated as hedging instruments under ASC 815:			
Metal commodity contracts	\$ —	\$ 1.6	\$ —
Foreign exchange contracts	—	0.2	—
Derivatives designated as hedging instruments under ASC 815:			
Interest rate swaps	—	1.5	—
Total derivatives	\$ —	\$ 3.3	\$ —
<b>Liabilities</b>			
Derivatives:			
Derivatives not designated as hedging instruments under ASC 815:			
Metal commodity contracts	\$ —	\$ 5.4	\$ —

The fair value of each 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 nickel prices for varying time periods. The fair value of these 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 London Metals Exchange for nickel on the valuation date. The Company also has commodity derivatives to lock in hot roll coil, crude oil, iron ore, and aluminum prices for varying time periods. The fair value of hot roll coil, crude oil, iron ore, and aluminum 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 crude oil), the Singapore Exchange, and the London Metals Exchange, 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 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 carrying and estimated fair values of the Company's financial instruments at December 31, 2019 and 2018 were as follows:

	At December 31, 2019		At December 31, 2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In millions)			
Cash and cash equivalents	\$ 11.0	\$ 11.0	\$ 23.2	\$ 23.2
Restricted cash	48.8	48.8	1.1	1.1
Receivables less provisions	425.1	425.1	521.0	521.0
Accounts payable	311.5	311.5	390.2	390.2
Long-term debt, including current portion	981.8	1,014.4	1,153.3	1,158.5

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).

The fair values less costs to sell of long-lived assets held for sale are assessed each reporting period that they remain classified as held for sale. Any increase or decrease in the held for sale long-lived asset's fair value less cost to sell is reported as an adjustment



to its carrying amount, except that the adjusted carrying amount cannot exceed the carrying amount of the long-lived asset at the time it was initially classified as held for sale. The fair values of each property were determined based on appraisals obtained from a third-party, pending sales contracts, or recent listing agreements with third-party brokerage firms (Level 2 inputs).

The following table presents assets and liabilities measured and recorded at fair value on the Consolidated Balance Sheets on a non-recurring basis and their level within the fair value hierarchy as of December 31, 2019 and 2018:

	At December 31, 2019		
	Level 1	Level 2	Level 3
	(In millions)		
<b>Assets</b>			
Prepaid expenses and other current assets - assets held for sale (Note 5)	\$ —	\$ 1.5	\$ —

	At Year Ended December 31, 2018		
	Level 1	Level 2	Level 3
	(In millions)		
<b>Assets</b>			
Prepaid expenses and other current assets - assets held for sale (Note 5)	\$ —	\$ 7.8	\$ —

#### **Note 15: Accumulated Other Comprehensive Income**

The following table details the changes in accumulated other comprehensive income (loss) for the years ended December 31, 2019 and December 31, 2018:

	Changes in Accumulated Other Comprehensive Income (Loss) by Component, net of tax			
	Foreign Currency Translation	Benefit Plan Liabilities	Equity Securities	Cash Flow Hedge - Interest Rate Swap
	(In millions)			
Balance at January 1, 2018	\$ (41.6)	\$ (246.3)	\$ 1.0	\$ 0.6
Other comprehensive income (loss) before reclassifications	(11.2)	(21.5)	—	0.7
Amounts reclassified from accumulated other comprehensive income (loss)	—	3.8	(1.0)	(0.3)
Net current-period other comprehensive income (loss)	(11.2)	(17.7)	(1.0)	0.4
Balance at December 31, 2018	\$ (52.8)	\$ (264.0)	\$ —	\$ 1.0
Other comprehensive income (loss) before reclassifications	4.0	6.6	—	(0.5)
Amounts reclassified from accumulated other comprehensive income (loss)	0.2	4.3	—	(0.8)
Net current-period other comprehensive income (loss)	4.2	10.9	—	(1.3)
Balance at December 31, 2019	\$ (48.6)	\$ (253.1)	\$ —	\$ (0.3)

The following tables detail the reclassifications out of accumulated other comprehensive income (loss) for the years ended December 31, 2019 and December 31, 2018:

Details about Accumulated Other Comprehensive Income (Loss) Components	Reclassifications Out of Accumulated Other Comprehensive Income (Loss)	
	Amount reclassified from Accumulated Other Comprehensive Income (Loss)	Affected line item in the Consolidated Statements of Operations / Consolidated Balance Sheet
	For the Year Ended December 31, 2019 (In millions)	
<b>Foreign Currency Translation</b>		
Foreign currency translation gain	\$ 0.2	Other income and (expense), net
Tax provision	—	
Net of tax	\$ 0.2	
<b>Amortization of defined benefit pension and other post-retirement benefit plan items</b>		
Actuarial gain	\$ 7.2	Other income and (expense), net
Pension settlement	1.6	Other income and (expense), net
Prior service cost	(3.0)	Other income and (expense), net
Total before tax	5.8	
Tax provision	(1.5)	
Net of tax	\$ 4.3	
<b>Cash flow hedge - interest rate swap</b>		
Realized swap interest	\$ (1.1)	Interest and other expense on debt
Tax benefit	0.3	
Net of tax	\$ (0.8)	

Details about Accumulated Other Comprehensive Income (Loss) Components	Reclassifications Out of Accumulated Other Comprehensive Income (Loss)	
	Amount reclassified from Accumulated Other Comprehensive Income (Loss)	Affected line item in the Consolidated Statements of Operations
	For the Year Ended December 31, 2018 (In millions)	
<b>Amortization of defined benefit pension and other post-retirement benefit plan items</b>		
Actuarial gain	\$ 8.1	Other income and (expense), net
Prior service cost	(3.0)	Other income and (expense), net
Total before tax	5.1	
Tax provision	(1.3)	
Net of tax	\$ 3.8	
<b>Other-than-temporary impairment</b>		
Change in accounting principal (ASU 2016-01)	\$ (1.0)	Retained earnings (accumulated deficit)
Tax benefit	—	
Net of tax	\$ (1.0)	
<b>Cash flow hedge - interest rate swap</b>		
Realized swap interest	\$ (0.5)	Interest and other expense on debt
Tax benefit	0.2	
Net of tax	\$ (0.3)	

## **Note 16: Revenue Recognition**

We are a leading metals service center that distributes and provides value-added processing 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. More than 75% of the metals products sold 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.

### **Revenue Accounting Policy**

In May 2014, the FASB issued ASC 606 which supersedes the revenue recognition requirements in ASC 605, and requires entities to recognize revenue when control of the promised goods or services is transferred to customers at an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services.

The Company adopted ASC 606 as of January 1, 2018 using the modified retrospective transition method. The cumulative effect of initially applying the new standard was recorded as an adjustment to the opening balance of retained earnings within our Consolidated Balance Sheet. The adjustment to retained earnings was the result of changing the accounting for revenues associated with custom products with no alternative use for which we have an enforceable right to payment, from point in time recognition to over time recognition. The revenues associated with the products and services that were partially satisfied at January 1, 2018 which were included in the modified transition method adjustment aggregated to \$12.3 million. The net impact on retained earnings associated with these revenues was \$2.3 million. In accordance with the modified retrospective transition method, the historical information within the 2017 financial statements has not been restated and continues to be reported under the accounting standard in effect for those periods. As a result, the Company has disclosed the accounting policies in effect prior to January 1, 2018, as well as the policies it applied starting January 1, 2018.

#### *Periods prior to January 1, 2018*

Revenue is recognized in accordance with ASC 605. Revenue is recognized upon delivery of product to customers and is recorded net of returns, allowances, customer discounts, and incentives. Sales taxes collected from customers and remitted to governmental authorities are accounted for on a net (excluded from revenues) basis.

#### *Periods commencing January 1, 2018*

Revenue is recognized based on the consideration expected to be received for delivery of as-is or processed metal products when, or as, the Company satisfies its contractual obligation to transfer control of a product to a customer, which we refer to as a performance obligation. Predominately all of our contracts contain a single performance obligation.

The majority of our revenue is recognized at a point in time. The Company has determined that the most definitive demonstration that control has transferred to a customer is physical delivery, with the exception of bill and hold and consignment transactions. The Company's bill-and-hold transactions are arrangements where a customer requests that we bill them for a product even though we retain physical possession of the product until it is subsequently delivered to the customer. Bill and hold revenue is recorded when all of the criteria within ASC 606 are met. Consignment transactions are arrangements where the Company transfers product to a customer location but retains ownership and control of such product until it is used by the customer. Revenue for consignment arrangements is recognized upon the customer's usage.

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. Products with no alternative use include products made from unique alloys, custom extrusions, non-standard gauges, items that been processed to a custom size that cannot be cost effectively reworked to a standard size, or items processed to customer specific drawings or specifications. Over-time revenues are recorded in proportion with the progress made toward completing the performance obligation.

Ryerson uses both input and output methods of measuring progress towards completion based on the type and extent of processing completed. Input methods are used for complex processing with multiple steps occurring over multiple days. Under the input method, the measure of performance, commonly called percentage of completion, is the ratio of costs incurred to date to the total estimated costs at completion for the products. Output methods are used for products with minimal processing where the normal pattern of production is less than one day. In these cases, the progress towards completion is measured based on the number of products on hand and ready for delivery in comparison to the total number of products in the order.

Significant judgment is required in determining which products qualify for over time revenue recognition, the methodology to be used in calculating the progress toward completion, and estimating the costs incurred to date and the total cost at completion.

Revenue is recorded net of returns, allowances, customer discounts, and incentives. Sales taxes collected from customers and remitted to governmental authorities are accounted for on a net (excluded from revenues) basis.

Prices are generally fixed at the time of order confirmation. At each quarter end, the Company calculates an estimate of potential cash discounts and returns and allowances that could be taken by customers that are associated with outstanding accounts receivable, as well as estimates of customer rebates. Cash discounts and returns and allowances are calculated based on historical experience. Customer rebates are estimated based on actual sales and projections over the rebate period.

The Company has elected to treat shipping and handling costs as an activity necessary to fulfill the performance obligation to transfer product to the customer and not as a separate performance obligation. Shipping and handling costs are estimated at quarter end in proportion to revenue recognized for transactions where actual costs are not yet known. Shipping and handling costs are included in Warehousing, delivery, selling, general, and administrative expense. The balance recognized related to shipping and handling costs was a net contract liability of \$0.1 million at December 31, 2019 and 2018.

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.

### 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	2019	2018	2017
Carbon Steel Flat	26%	27%	28%
Carbon Steel Plate	11	11	10
Carbon Steel Long	16	14	12
Stainless Steel Flat	15	16	18
Stainless Steel Plate	4	4	4
Stainless Steel Long	4	4	4
Aluminum Flat	15	15	15
Aluminum Plate	2	3	3
Aluminum Long	5	4	4
Other	2	2	2
Total	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. See Note 13: Segment Information for the Company's consolidated financial information of our operations by geographic location based on where sales originated.

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	Years Ended December 31,	
	2019	2018
Revenue on products with an alternative use	88%	88%
Revenue on products with no alternative use	12	12
Total	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 Consolidated Balance Sheet, from contracts with customers were \$428.6 million and \$523.5 million as of December 31, 2019 and December 31, 2018, 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 Consolidated Balance Sheet. 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 Consolidated Balance Sheet. Significant changes in the contract assets and the contract liabilities balances during the period are as follows:

	Contract Assets		Contract Liabilities	
	2019	2018	2019	2018
	(In millions)			
Beginning Balance	\$ 16.6	\$ 14.2	\$ 10.0	\$ 6.9
Contract liability satisfied during the period	—	—	(9.2)	(7.6)
Contract liability incurred during the period	—	—	8.2	8.2
Net change in contract assets and liabilities for products with no alternative use during the period	(1.5)	(1.4)	—	0.2
Contract assets acquired	—	0.5	—	—
Changes to reserves	0.2	1.5	3.3	0.5
Reclass between contract liability and contract asset	(1.8)	1.8	(1.8)	1.8
Ending Balance	<u>\$ 13.5</u>	<u>\$ 16.6</u>	<u>\$ 10.5</u>	<u>\$ 10.0</u>

## Note 17: Income Taxes

The elements of the provision (benefit) for income taxes were as follows:

	Year Ended December 31,		
	2019	2018	2017
	(In millions)		
Income before income tax:			
U.S.	\$ 103.4	\$ 100.6	\$ 11.3
Foreign	11.8	16.1	5.4
	<u>\$ 115.2</u>	<u>\$ 116.7</u>	<u>\$ 16.7</u>
Current income taxes:			
Federal	\$ (19.0)	\$ (1.3)	\$ 5.6
Foreign	2.1	3.7	1.8
State	1.4	0.1	0.5
	<u>(15.5)</u>	<u>2.5</u>	<u>7.9</u>
Deferred income taxes	48.0	7.8	(9.2)
Total income tax provision (benefit)	<u>\$ 32.5</u>	<u>\$ 10.3</u>	<u>\$ (1.3)</u>

Income taxes differ from the amounts computed by applying the federal tax rate as follows:

	Year Ended December 31,		
	2019	2018	2017
	(In millions)		
Federal income tax expense computed at statutory tax rate of 21% in 2019 and 2018 and 35% in 2017	\$ 24.2	\$ 24.5	\$ 5.8
Additional taxes or credits from:			
State and local income taxes, net of federal income tax effect	4.9	1.4	(0.8)
Non-deductible expenses and non-taxable income	1.8	(13.6)	0.2
Foreign income (expense) not includable in federal taxable income	0.7	0.9	(0.2)
Valuation allowance changes, net	(0.4)	(4.3)	(2.9)
Changes in uncertain tax positions	(1.5)	—	(1.0)
Effect of U.S. Tax Cuts and Jobs Act - deemed repatriation transaction tax & GILTI	2.4	0.8	7.2
Effect of U.S. Tax Cuts and Jobs Act - revaluation of deferred taxes	—	—	(10.6)
All other, net	0.4	0.6	1.0
Total income tax provision (benefit)	<u>\$ 32.5</u>	<u>\$ 10.3</u>	<u>\$ (1.3)</u>

The U.S. Tax Cuts and Jobs Act (the “Act”), enacted on December 22, 2017, significantly changes U.S. corporate income tax laws by, among other things, reducing the U.S. corporate income tax rate to 21% starting in 2018 and creating a territorial tax system with a one-time mandatory tax on previously deferred foreign earnings of U.S. subsidiaries. Under ASC Topic 740, the effects of changes in tax rates and laws on deferred tax balances are recognized in the period in which the new legislation is enacted. As a result of the Act, we had recorded a benefit for the revaluation of our deferred tax assets of \$10.6 million during the fourth quarter of 2017 within the provision (benefit) for income taxes line of the Consolidated Statement of Operations.

The Act subjects a US shareholder to tax on global intangible low-taxed income (“GILTI”) earned by certain foreign subsidiaries. The FASB Staff Q&A, Topic 740, No. 5, *Accounting for Global Intangible Low-Taxed Income*, states that an entity can make an accounting policy election to either recognize deferred taxes for temporary basis differences expected to reverse as GILTI in future years or provide for the tax expense related to GILTI in the year the tax is incurred. After considering the two options, the Company has elected to provide for the tax expense related to GILTI in the year the tax will occur. For the year ending Dec. 31, 2019, we have included \$2.4 million of tax expense related to GILTI.

The components of the deferred income tax assets and liabilities arising under FASB ASC 740, “Income Taxes” (“ASC 740”) were as follows:

	At December 31,	
	2019	2018
	(In millions)	
Deferred tax assets:		
AMT tax credit carryforwards	\$ 12	\$ 30
Post-retirement benefits other than pensions	18	18
Federal and foreign net operating loss carryforwards	23	51
State net operating loss carryforwards	16	20
Pension liability	38	48
Other deductible temporary differences	32	54
Less: valuation allowances	(14)	(29)
	<u>\$ 125</u>	<u>\$ 192</u>
Deferred tax liabilities:		
Fixed asset basis difference	\$ 64	\$ 65
Inventory basis difference	115	127
Other intangibles	11	13
	<u>190</u>	<u>205</u>
Net deferred tax liability	<u>\$ (65)</u>	<u>\$ (13)</u>



The Company will continue to maintain a valuation allowance on certain U.S. federal and state 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 Company had available at December 31, 2019, federal AMT credit carryforwards of approximately \$12 million, which as a result of the Act is refundable to the extent not utilized to offset future federal income tax liabilities of the Company.

The Company’s deferred tax assets also include \$20 million related to U.S. federal net operating loss (“NOL”) carryforwards which expire in 20 years, \$16 million related to state NOL carryforwards which expire generally in 1 to 20 years, and \$3 million related to foreign NOL carryforwards which expire in 1 to 5 years, available at December 31, 2019.

Earnings from the Company’s foreign subsidiaries are considered to be indefinitely reinvested and, accordingly, no provision for U.S. federal and state income taxes or foreign withholding tax has been made in our consolidated financial statements related to the indefinitely reinvested earnings. At December 31, 2019, the Company had approximately \$58 million of undistributed foreign earnings, predominately in Canada and China. As a result of the US Tax Cuts and Jobs Act passed during 2017, a significant portion of these earnings were deemed repatriated. Were the Company to distribute these non-U.S. earnings in the form of dividends or otherwise in the future, it would no longer be subject to U.S. federal income taxes. A determination of the amount of any unrecognized deferred income tax liability on the undistributed earnings is predominately dependent upon the applicability of foreign withholding taxes and potential U.S. state income taxes. Modeling of the many future potential scenarios and the related unrecognized deferred tax liability is therefore not practicable. None of the Company’s other foreign subsidiaries have a material amount of assets available for repatriation.

The Company accounts for uncertain income tax positions in accordance with ASC 740. A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	<b>Unrecognized Tax Benefits</b>
	<b>(In millions)</b>
Unrecognized tax benefits balance at January 1, 2017	\$ 6.9
Gross increases – tax positions in current periods	—
Settlements and closing of statute of limitations	(0.4)
Unrecognized tax benefits balance at December 31, 2017	\$ 6.5
Gross increases – tax positions in current periods	—
Settlements and closing of statute of limitations	(0.6)
Unrecognized tax benefits balance at December 31, 2018	\$ 5.9
Gross increases – tax positions in current periods	—
Settlements and closing of statute of limitations	(1.5)
Unrecognized tax benefits balance at December 31, 2019	<u>\$ 4.4</u>

The Company and its subsidiaries are subject to U.S. federal income tax as well as income tax of multiple state and foreign jurisdictions. The Company has substantially concluded all U.S. federal income tax matters for all years through 2009. Substantially all state and local income tax matters have been concluded through 2006. The Company has substantially concluded foreign income tax matters through 2009 for all significant foreign jurisdictions.

We recognize interest and penalties related to uncertain tax positions in income tax expense. We had approximately \$1.8 million and \$1.9 million of accrued interest related to uncertain tax positions at December 31, 2019 and 2018, respectively. The total amount of unrecognized tax benefits that would affect our effective tax rate if recognized was \$2.6 and \$4.0 million as of December 31, 2019 and 2018, respectively.

**Note 18: Earnings Per Share**

On July 16, 2007, Ryerson Holding was capitalized with 21,250,000 shares of common stock by Platinum Equity, LLC. On August 13, 2014, Ryerson Holding completed an initial public offering of 11 million shares of common stock at a price to the public of \$11.00 per share. On July 25, 2016, Ryerson Holding closed an underwritten public offering of 5 million shares of common stock at a price to the public of \$15.25 per share. All shares outstanding are common shares and have equal voting, liquidation, and preference rights.

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 were zero, zero, and 100,068 for years ended December 31, 2019, 2018, and 2017, respectively.

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

<b>Basic and diluted earnings per share</b>	<b>Years Ended December 31,</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>
	<b>(In millions, except share and per share data)</b>		
<b>Numerator:</b>			
Net income attributable to Ryerson Holding Corporation	\$ 82.4	\$ 106.0	\$ 17.1
<b>Denominator:</b>			
Weighted average shares outstanding	37,697,648	37,329,580	37,176,398
Dilutive effect of stock-based awards	263,856	342,732	117,804
Weighted average shares outstanding adjusted for dilutive securities	37,961,504	37,672,312	37,294,202
<b>Earnings per share</b>			
Basic	\$ 2.19	\$ 2.84	\$ 0.46
Diluted	\$ 2.17	\$ 2.81	\$ 0.46

**Note 19: Subsequent Events**

In March 2020, a principal amount of \$5.7 million of the 2022 Notes were repurchased for \$5.9 million and retired, resulting in the recognition of a \$0.2 million loss.

**RYERSON HOLDING CORPORATION AND SUBSIDIARY COMPANIES  
SUPPLEMENTARY FINANCIAL DATA (UNAUDITED)  
SUMMARY BY QUARTER  
(In millions except per share data)**

	<b>Net Sales</b>	<b>Gross Profit</b>	<b>Income (Loss) Before Income Taxes</b>	<b>Net Income</b>	<b>Net Income Attributable to Ryerson Holding Corporation</b>	<b>Basic Earnings per Share</b>	<b>Diluted Earnings per Share</b>
<b>2018</b>							
First Quarter	\$ 941.3	\$ 164.9	\$ 14.7	\$ 10.6	\$ 10.4	\$ 0.28	\$ 0.28
Second Quarter	1,057.1	185.3	23.6	17.4	17.5	0.47	0.46
Third Quarter (1)	1,250.0	208.2	79.7	77.7	77.5	2.08	2.06
Fourth Quarter (2)	1,160.0	199.7	(1.3)	0.7	0.6	0.01	0.01
Year	<u>\$ 4,408.4</u>	<u>\$ 758.1</u>	<u>\$ 116.7</u>	<u>\$ 106.4</u>	<u>\$ 106.0</u>	<u>\$ 2.84</u>	<u>\$ 2.81</u>
<b>2019</b>							
First Quarter	\$ 1,230.8	\$ 231.3	\$ 42.6	\$ 29.6	\$ 29.5	\$ 0.79	\$ 0.78
Second Quarter	1,204.9	211.8	22.0	16.5	16.4	0.43	0.43
Third Quarter	1,104.4	204.4	16.5	10.2	10.1	0.27	0.27
Fourth Quarter (3)	961.5	180.4	34.1	26.4	26.4	0.70	0.69
Year	<u>\$ 4,501.6</u>	<u>\$ 827.9</u>	<u>\$ 115.2</u>	<u>\$ 82.7</u>	<u>\$ 82.4</u>	<u>\$ 2.19</u>	<u>\$ 2.17</u>

- (1) The third quarter 2018 includes a \$73.2 million gain on bargain purchase related to our Central Steel and Wire acquisition.
- (2) The fourth quarter 2018 includes a \$3.2 million reduction to the gain on bargain purchase related to our Central Steel and Wire acquisition as well as a \$1.7 million loss on the repurchase of \$50.5 million principal of the 2022 Notes.
- (3) The fourth quarter 2019 includes a \$20.6 million gain on sale of assets related to a sale and leaseback transaction and a reduction of \$11.0 million of accrued vacation expense resulting from changes to our vacation policy that were adopted at the end of the year which altered the timing of accrual recognition.

SCHEDULE I—CONDENSED FINANCIAL INFORMATION OF REGISTRANT

RYERSON HOLDING CORPORATION  
(Parent Company Only)

STATEMENTS OF OPERATIONS  
(In millions)

	Year ended December 31,		
	2019	2018	2017
Administrative and other expenses	\$ (1.0)	\$ (0.9)	\$ (0.8)
Interest income on intercompany loans	6.5	6.4	6.5
Equity in income of subsidiaries	77.6	110.9	23.6
<b>Income before income taxes</b>	83.1	116.4	29.3
Provision for income taxes	0.7	10.4	12.2
<b>Net income</b>	<u>\$ 82.4</u>	<u>\$ 106.0</u>	<u>\$ 17.1</u>

See Notes to Condensed Financial Statements.

**SCHEDULE I—CONDENSED FINANCIAL INFORMATION OF REGISTRANT**

**RYERSON HOLDING CORPORATION  
(Parent Company Only)**

**STATEMENTS OF COMPREHENSIVE INCOME  
(In millions)**

	Year Ended December 31,		
	2019	2018	2017
Net income	\$ 82.4	\$ 106.0	\$ 17.1
Other comprehensive income (loss), before tax:			
Foreign currency translation adjustments	4.2	(8.2)	5.4
Gain (loss) on intra-entity foreign currency transactions	—	(3.0)	3.2
Unrealized loss on equity investments	—	—	(0.3)
Other-than-temporary impairment on equity investments	—	—	0.2
Gain (loss) on cash flow hedges	(1.8)	0.5	1.0
Changes in defined benefit pension and other post-retirement benefit plans	14.0	(22.3)	18.0
Other comprehensive income (loss), before tax	16.4	(33.0)	27.5
Income tax provision (benefit) related to items of other comprehensive income (loss)	2.6	(4.5)	6.0
Comprehensive income, after tax	<u>\$ 96.2</u>	<u>\$ 77.5</u>	<u>\$ 38.6</u>

See Notes to Condensed Financial Statements.

SCHEDULE I—CONDENSED FINANCIAL INFORMATION OF REGISTRANT

RYERSON HOLDING CORPORATION  
(Parent Company Only)

STATEMENTS OF CASH FLOWS  
(In millions)

	Year ended December 31,		
	2019	2018	2017
<b>Operating Activities:</b>			
Net income	\$ 82.4	\$ 106.0	\$ 17.1
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in earnings of subsidiaries	(77.6)	(110.9)	(23.6)
Deferred income taxes	(3.3)	10.4	12.2
Increase in receivables/payables from subsidiaries	(1.6)	(5.4)	(5.6)
Increase in other assets	—	(0.1)	—
Increase in accrued liabilities	0.1	—	—
<b>Net adjustments</b>	<b>(82.4)</b>	<b>(106.0)</b>	<b>(17.0)</b>
<b>Net cash provided by operating activities</b>	<b>—</b>	<b>—</b>	<b>0.1</b>
<b>Net increase in cash, cash equivalents, and restricted cash</b>	<b>—</b>	<b>—</b>	<b>0.1</b>
Cash, cash equivalents, and restricted cash—beginning of period	0.1	0.1	—
Cash, cash equivalents, and restricted cash—end of period	<u>\$ 0.1</u>	<u>\$ 0.1</u>	<u>\$ 0.1</u>

See Notes to Condensed Financial Statements.

**SCHEDULE I—CONDENSED FINANCIAL INFORMATION OF REGISTRANT**

**RYERSON HOLDING CORPORATION  
(Parent Company Only)**

**BALANCE SHEETS  
(In millions, except shares and per share data)**

	At December 31,	
	2019	2018
<b>Assets</b>		
Cash and cash equivalents	\$ 0.1	\$ 0.1
Prepaid expenses and other assets	0.1	0.1
Receivable from subsidiaries	11.1	9.5
<b>Total current assets</b>	<b>11.3</b>	<b>9.7</b>
Investment in subsidiaries	63.1	—
Long-term receivable from subsidiaries	71.7	71.7
Deferred income taxes	26.7	23.4
<b>Total assets</b>	<b>\$ 172.8</b>	<b>\$ 104.8</b>
<b>Liabilities</b>		
Accrued liabilities	\$ 0.2	\$ 0.1
<b>Total current liabilities</b>	<b>0.2</b>	<b>0.1</b>
Dividends in excess of investment in subsidiaries	—	31.5
<b>Total liabilities</b>	<b>0.2</b>	<b>31.6</b>
<b>Ryerson Holding Corporation Stockholders' equity</b>		
Preferred stock, \$0.01 par value; 7,000,000 shares authorized and no shares issued at 2019 and 2018	—	—
Common stock, \$0.01 par value; 100,000,000 shares authorized and 37,996,261 shares issued at 2019; 100,000,000 shares authorized and 37,656,505 issued at 2018	0.4	0.4
Capital in excess of par value	381.2	381.0
Retained earnings	99.6	14.2
Treasury stock at cost – Common stock of 212,500 shares in 2019 and 2018	(6.6)	(6.6)
Accumulated other comprehensive loss	(302.0)	(315.8)
<b>Total Ryerson Holding Corporation stockholders' equity</b>	<b>172.6</b>	<b>73.2</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 172.8</b>	<b>\$ 104.8</b>

See Notes to Condensed Financial Statements.



## SCHEDULE I—CONDENSED FINANCIAL INFORMATION OF REGISTRANT

### RYERSON HOLDING CORPORATION (Parent Company Only)

### NOTES TO FINANCIAL STATEMENTS (In millions)

#### **Note 1: Basis of presentation**

In the parent company only financial statements, Ryerson Holding's investment in subsidiaries is stated at cost plus equity in undistributed earnings of subsidiaries since the date of acquisition. Ryerson Holding's share of net income of its unconsolidated subsidiaries is included in consolidated income using the equity method. The parent company only financial statements should be read in conjunction with the Company's consolidated financial statements.

#### **Note 2: Guarantees**

Ryerson Holding unconditionally guarantees the 2022 Notes, jointly and severally with the other guarantors of the 2022 Notes.

#### **Note 3: Dividends from subsidiaries**

There were no cash dividends paid to Ryerson Holding from its consolidated subsidiaries for the years ended December 31, 2019, 2018, and 2017.

**RYERSON HOLDING CORPORATION AND SUBSIDIARY COMPANIES**  
**SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2019, 2018, AND 2017**  
(In millions)

	Balance at Beginning of Period	Additions Charged (Credited) to Income	Deductions from Reserves	Balance at End of Period
<b>Year Ended December 31, 2019</b>				
Allowance for doubtful accounts	\$ 2.5	\$ 4.0	\$ (3.0)(A)	\$ 3.5
Valuation allowance—deferred tax assets	29.3	(0.4)	(15.2)(B)	13.7
<b>Year Ended December 31, 2018</b>				
Allowance for doubtful accounts	\$ 4.9	\$ 2.4	\$ (4.8)(A)(C)	\$ 2.5
Valuation allowance—deferred tax assets	24.4	7.0	(2.1)(D)	29.3
<b>Year Ended December 31, 2017</b>				
Allowance for doubtful accounts	\$ 4.6	\$ 1.5	\$ (1.2)(A)	\$ 4.9
Valuation allowance—deferred tax assets	20.0	4.4	—	24.4

NOTES:

- (A) Bad debts written off during the year of \$3.0 million, \$1.8 million, and \$1.2 million for the years ended December 31, 2019, 2018, and 2017, respectively.
- (B) Reversals of valuation allowances due to the expiration of state net operating losses and changes to the foreign tax credits.
- (C) Reclassed \$3.0 million to contract liability as a result of ASC 606 adoption.
- (D) Reversals of valuation allowances due to the expiration of state and foreign net operating losses.

**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.**

None.

**ITEM 9A. 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 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 Interim Principal 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 Interim Principal Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to SEC Rule 13a-15 as of the end of the period covered by this report. Based on the foregoing, our Chief Executive Officer and Interim Principal Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2019.

**Management's Annual Report on Internal Control Over Financial Reporting and Attestation Report of Independent Registered Public Accounting Firm**

The report of management on our internal control over financial reporting as of December 31, 2019 and the attestation report of our independent registered public accounting firm on our internal control over financial reporting are set forth in Part II, "Item 8. Financial Statements and Supplementary Data" in this report.

**Changes in Internal Control over Financial Reporting**

There have been no changes in the Company's internal controls over financial reporting that has materially affected or is reasonably likely to materially affect the Company's internal controls over financial reporting during the quarter ended December 31, 2019.

**ITEM 9B. OTHER INFORMATION.**

None.

## PART III

### ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE.

The information required by this item is incorporated by reference to our Proxy Statement for the 2020 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission (“SEC”) within 120 days of the fiscal year ended December 31, 2019.

#### Code of Ethics

Our Board of Directors has adopted a Code of Ethics and Business Conduct applicable to all officers, directors, and employees, which contains the ethical principles by which our chief executive officer, interim principal financial officer, and general counsel, among others, are expected to conduct themselves when carrying out their duties and responsibilities. A copy of our Code of Ethics may be found on our Investor Relations website under “Governance Documents” at [www.ir.ryerson.com](http://www.ir.ryerson.com). Our website is not incorporated by reference into this Annual Report. We will provide a copy of our Code of Ethics to any person, without charge, upon request, by writing to the Compliance Officer, Ryerson Holding Corporation, 227 West Monroe Street, 27<sup>th</sup> Floor, Chicago, Illinois 60606 (telephone number (312) 292-5000). We intend to satisfy the disclosure requirement under Item 5.05 of Form 8-K regarding an amendment to, or waiver from, a provision of our Code of Ethics and Business Conduct by posting such information on our website at [www.ir.ryerson.com](http://www.ir.ryerson.com) or by filing a Form 8-K with the SEC.

### ITEM 11. EXECUTIVE COMPENSATION.

Information concerning compensation of our executive officers and directors for the year ended December 31, 2019, is presented under the captions “Executive Compensation,” “Compensation Tables,” and “Director Compensation” in our proxy statement. This information is incorporated herein by reference.

Information concerning compensation committee interlocks is presented under the caption “Compensation Committee—Compensation Committee Interlocks and Insider Participation” in our proxy statement and is incorporated herein by reference.

The report of our Compensation Committee can be found under the caption “Compensation Committee Report” in our proxy statement and is incorporated herein by reference.

### ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

Information concerning the security ownership of certain beneficial owners as of February 29, 2020, is set forth under the caption “Stock Ownership—Ownership of More Than 5% of Ryerson Stock” in our proxy statement and is incorporated herein by reference.

Information concerning the security ownership of our directors and executive officers as of February 29, 2020, is set forth under the caption “Stock Ownership—Directors and Executive Officers” in our proxy statement and is incorporated herein by reference.

#### Securities Authorized for Issuance under Equity Compensation Plans

Our stockholders have approved our 2014 Omnibus Incentive Plan, or 2014 Plan, which is the Company’s only equity compensation plan.

## Securities Authorized for Issuance under Equity Compensation Plans

The following table sets forth, as of December 31, 2019, information concerning equity compensation plans under which our securities are authorized for issuance. The table does not reflect grants, awards, exercises, terminations, or expirations since that date.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants, and rights (1)	Weighted-average exercise price of outstanding options, warrants, and rights (2)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in first column) (3)
	(a)	(b)	(c)
Equity compensation plans approved by security holders	914,902	\$ —	33,837
Equity compensation plans not approved by security holders	—	—	—
<b>Total</b>	<b>914,902</b>	<b>\$ —</b>	<b>33,837</b>

- (1) Includes (i) 634,980 shares of our common stock subject to performance units, which vest depending on continued employment or service and the level of attainment of certain performance metrics, and (ii) 280,322 shares of our common stock subject to restricted stock units, which vest depending on continued employment or service.
- (2) Not applicable because all outstanding awards reflected in column (a) will be issued upon the vesting of outstanding restricted stock units.
- (3) All of the shares of common stock that remained available for future issuance as of December 31, 2019, were available under the 2014 Plan. Subject to certain express limits of the 2014 Plan, shares available for award purposes under the 2014 Plan generally may be used for any type of award authorized under that plan including options, stock appreciation rights, restricted stock, restricted stock units, and other stock-based awards. The number of common shares reserved and available for delivery under the 2014 Plan is subject to adjustment.

## ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

Information concerning the independence of our directors, certain relationships, and related transactions during 2019, and our policies with respect to such transactions is set forth under the captions “Board of Directors” and “Related Party Transactions” in our proxy statement and is incorporated herein by reference.

## ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Information concerning principal accountant fees and services is set forth under the captions “Items You May Vote On—Ratification of the Appointment of Independent Registered Public Accounting Firm,” “Audit Committee—Audit, Audit-Related, and Other Non-Audit Services,” and “Audit Committee—Pre-Approval Policies” in our proxy statement and is incorporated herein by reference.

**PART IV**

**ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.**

(a) *Financial Statements and Schedules*

The following financial statements and schedules listed below are included in this Form 10-K:

Financial Statements (See Item 8)

Schedule I

Schedule II

All other schedules are omitted because the required information is not present or is not present in amounts sufficient to require submission of the schedules.

(b) *Exhibits*

**EXHIBIT INDEX**

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	File No.	Filing Date	
2.1	Agreement and Plan of Merger, dated as of June 4, 2018, by and among Joseph T. Ryerson & Son, Inc., Hunter MergerCo, Inc., Central Steel and Wire Company, and Fortis Advisors LLC, a Delaware limited liability company, solely in its capacity as the Stockholder Representative thereunder.*	8-K	001-34735	June 5, 2018	
3.1	Form of Third Amended and Restated Certificate of Incorporation of Ryerson Holding Corporation.	S-1/A-22	333-164484	August 6, 2014	
3.2	Form of Amended and Restated Bylaws of Ryerson Holding Corporation.	S-1/A-15	333-164484	May 6, 2013	
4.1	Form of Common Stock Certificate of Ryerson Holding Corporation.	10-K	001-34735	March 9, 2016	
4.2	Indenture, dated as of May 24, 2016, by and among Joseph T. Ryerson & Son, Inc., as Issuer, the Guarantors party thereto, and Wells Fargo Bank, National Association, as the Trustee, relating to the Issuer's 11.00% Senior Secured Notes due 2022.	8-K	001-34735	May 24, 2016	
4.3	Form of Investor Rights Agreement, by and among Ryerson Holding Corporation, Platinum Equity Capital Partners, L.P., Platinum Equity Capital Partners-PF, L.P., Platinum Equity Capital Partners-A, L.P., Platinum Equity Capital Partners II, L.P., Platinum Equity Capital Partners-PF II, L.P., Platinum Equity Capital Partners-A II, L.P. and Platinum Rhombus Principals, LLC.	S-1/A-15	333-164484	May 6, 2013	



4.4	Description of the Registrant’s Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934				X
10.1	General Security Agreement, dated October 19, 2007, by and between Ryerson Canada, Inc. and Bank of America, N.A., as Canadian Agent.	S-4	333-152102	July 3, 2008	
10.2	Ryerson Nonqualified Savings Plan.	S-4/A-2	333-152102	February 24, 2009	
10.3	Ryerson Annual Incentive Plan (as amended through June 14, 2007).	S-1	333-164484	January 22, 2010	
10.4	Ryerson Holding Corporation 2014 Omnibus Incentive Plan.	S-1/A-21	333-164484	July 24, 2014	
10.5	Offer Letter Agreement, dated May 7, 2015, by and between Ryerson Holding Corporation and Edward J. Lehner.	8-K	001-34735	May 8, 2015	
10.6	Confidentiality, Non-Competition and Non-Solicitation Agreement, dated June 1, 2015, by and between Ryerson Holding Corporation and Edward J. Lehner.	8-K	001-34735	June 5, 2015	
10.7	Form of 2015 Restricted Stock Unit Agreement.	10-Q	001-34735	August 12, 2015	
10.8	Form of 2015 Performance Unit Agreement.	10-Q	001-34735	August 12, 2015	
10.9	Form of Director and Officer Indemnification Agreement.	S-1/A18	333-164484	March 27, 2014	
10.10	Employment Agreement, dated December 10, 2004, between Ryerson Tull, Inc. and Kevin D. Richardson, as amended.	10-Q	001-34735	May 7, 2015	
10.11	Employment Agreement, dated January 3, 2005, between Ryerson Tull, Inc. and Michael Burbach, as amended.	10-Q	001-34735	May 7, 2015	
10.12	Directors Compensation Summary Sheet.	10-K	001-34735	March 9, 2016	
10.13	Intercreditor Agreement by and between Bank of America, N.A. as ABL Collateral Agent and Wells Fargo Bank, National Association, as Notes Collateral Agent Dated as of October 10, 2012.	10-K	001-34735	March 9, 2016	
10.14	Amendment No. 1, dated as of March 11, 2015, to the Intercreditor Agreement dated as of October 10, 2012, by and between Bank of America, N.A. as ABL Collateral Agent and Wells Fargo Bank, National Association, as Notes Collateral Agent.	10-K	001-34735	March 9, 2016	

10.15	Joinder Agreement dated as of July 24, 2015, to Intercreditor Agreement dated as of October 10, 2012 and amended as of March 11, 2015 by and between Bank of America, N.A. as ABL Collateral Agent and Wells Fargo Bank, National Association, as Notes Collateral Agent.	10-K	001-34735	March 9, 2016
10.16	Credit Agreement, dated as of July 24, 2015, among Ryerson Holding Corporation, Joseph T. Ryerson & Son, Inc., Sunbelt-Turret Steel, Inc., Turret Steel Industries, Inc., Imperial Trucking Company, LLC, Wilcox-Turret Cold Drawn, Inc., Fay Industries, Inc., Ryerson Procurement Corporation, Ryerson Canada, Inc., and each of the other borrowers and guarantors, the lenders party thereto from time to time, and Bank of America, N.A., as the administrative agent and collateral agent.	8-K	001-34735	July 29, 2015
10.17	Amendment No. 1, dated as of November 16, 2016, to the Credit Agreement, dated as of July 24, 2015, by and among Ryerson Holding Corporation, Joseph T. Ryerson & Son, Inc., Ryerson Canada, Inc., and each of the other borrowers and guarantors, the lenders party thereto from time to time, and Bank of America, N.A., as the administrative agent and collateral agent.	8-K	001-34735	November 17, 2016
10.18	Security Agreement, dated as of July 24, 2015, Ryerson Holding Corporation, Joseph T. Ryerson & Son, Inc. (“Ryerson”), and the domestic subsidiaries of Ryerson from time to time party thereto in their capacities as pledgors, assignors and debtors thereunder in favor of Bank of America, N.A., in its capacity as collateral agent, as pledgee, assignee and secured party for the benefit of the secured parties.	8-K	001-34735	July 29, 2015
10.19	Canadian Security Agreement dated as of July 24, 2015 between Ryerson Canada, Inc. and Bank of America, N.A., in its capacity as collateral agent.	8-K	001-34735	July 29, 2015
10.20	Canadian Security Agreement dated as of July 24, 2015 between Turret Steel Canada, ULC, and Bank of America, N.A., in its capacity as collateral agent.	8-K	001-34735	July 29, 2015
10.21	Employment Agreement, dated September 8, 2005, between Ryerson Tull, Inc. and Erich Schnauffer, as amended.	10-K	001-34735	March 9, 2016

10.22	Amendment No. 2, dated as of June 28, 2018 to Credit Agreement dated as of July 24, 2015, among Ryerson Holding Corporation, Joseph T. Ryerson & Son, Inc., Wilcox-Turret Cold Drawn, Inc., Ryerson Procurement Corporation, Southern Tool Steel, LLC, 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.	8-K	001-34735	June 29, 2018	
10.23	Amendment No. 3, dated as of September 23, 2019 to Credit Agreement dated as of July 24, 2015, among Ryerson Holding Corporation, Joseph T. Ryerson & Son, Inc., Wilcox-Turret Cold Drawn, Inc., Ryerson Procurement Corporation, Southern Tool Steel, LLC, 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.	8-K	001-34735	September 27, 2019	
21.1	List of Subsidiaries of Ryerson Holding Corporation.				X
23.1	Consent of Independent Registered Public Accounting Firm.				X
31.1	Certificate of the Principal Executive Officer of the Company, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
31.2	Certificate of the Interim Principal Financial Officer of the Company, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
32.1	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.**				X
32.2	Written Statement of Molly D. Kannan, Interim Principal Financial Officer, Chief Accounting Officer and Corporate Controller, of the Company pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**				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)	

\* Schedules and exhibits have been omitted pursuant to Item 601(b)(2) of Regulation S-K. Ryerson agrees to furnish supplementally to the Securities and Exchange Commission a copy of any omitted schedule or exhibit upon request, subject to Ryerson's right to request confidential treatment of any requested schedule or exhibit.

\*\* Furnished herewith.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Ryerson Holding Corporation has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

### RYERSON HOLDING CORPORATION

By: /s/ Molly D. Kannan  
Molly D. Kannan  
Interim Principal Financial Officer, Chief  
Accounting Officer and Controller (duly  
authorized signatory of the registrant)

Date: March 4, 2020

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Edward J. Lehner</u> Edward J. Lehner	President and Chief Executive Officer (Principal Executive Officer)	March 4, 2020
<u>/s/ Molly D. Kannan</u> Molly D. Kannan	Interim Principal Financial Officer, Chief Accounting Officer and Controller (Principal Accounting Officer)	March 4, 2020
<u>/s/ Kirk K. Calhoun</u> Kirk K. Calhoun	Director	March 4, 2020
<u>/s/ Court D. Carruthers</u> Court D. Carruthers	Director	March 4, 2020
<u>/s/ Eva M. Kalawski</u> Eva M. Kalawski	Director	March 4, 2020
<u>/s/ Jacob Kotzubei</u> Jacob Kotzubei	Director	March 4, 2020
<u>/s/ Stephen P. Larson</u> Stephen P. Larson	Director	March 4, 2020
<u>/s/ Philip E. Norment</u> Philip E. Norment	Director	March 4, 2020
<u>/s/ Mary Ann Sigler</u> Mary Ann Sigler	Director	March 4, 2020

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