

Ryerson Holding Corp  
Form 10-Q  
November 12, 2014  
Table of Contents

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

**FORM 10-Q**

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

**For the quarterly period ended September 30, 2014**

**or**

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

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_.**

**Commission File Number 001-34735**

**RYERSON HOLDING CORPORATION**  
**(Exact name of registrant as specified in its charter)**

**DELAWARE**  
**(State or other jurisdiction of**  
**incorporation or organization)**  
**227 W. Monroe, 27<sup>th</sup> Floor**  
**Chicago, Illinois 60606**  
**(Address of principal executive offices)**  
**(312) 292-5000**  
**(Registrant's telephone number, including area code)**

**26-1251524**  
**(I.R.S. Employer**  
**Identification 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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes  No

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

Large accelerated filer  Accelerated filer   
Non-accelerated filer  Smaller reporting company   
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

**APPLICABLE ONLY TO CORPORATE ISSUERS:**

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

As of November 5, 2014 there were 32,037,500 shares of Common Stock, par value \$0.01 per share, outstanding.



**Table of Contents**

**RYERSON HOLDING CORPORATION AND SUBSIDIARY COMPANIES**

**INDEX**

	<b>PAGE NO.</b>
<b><u>Part I. Financial Information:</u></b>	
<b>Item 1.</b> <u>Financial Statements:</u>	
<u>Condensed Consolidated Statements of Comprehensive Income (Unaudited) Three and Nine Months Ended September 30, 2014 and 2013</u>	3
<u>Condensed Consolidated Statements of Cash Flows (Unaudited) Nine Months Ended September 30, 2014 and 2013</u>	4
<u>Condensed Consolidated Balance Sheets September 30, 2014 (Unaudited) and December 31, 2013</u>	5
<u>Notes to Condensed Consolidated Financial Statements</u>	6
<b>Item 2.</b> <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	20
<b>Item 3.</b> <u>Quantitative and Qualitative Disclosures About Market Risk</u>	29
<b>Item 4.</b> <u>Controls and Procedures</u>	30
<b><u>Part II. Other Information:</u></b>	
<b>Item 1.</b> <u>Legal Proceedings</u>	31
<b>Item 1A.</b> <u>Risk Factors</u>	31
<b>Item 2.</b> <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	31
<b>Item 3.</b> <u>Defaults Upon Senior Securities</u>	31
<b>Item 4.</b> <u>Mine Safety Disclosures</u>	31
<b>Item 5.</b> <u>Other Information</u>	31
<b>Item 6.</b> <u>Exhibits</u>	31
<b><u>Signature</u></b>	32

Table of ContentsPART I. FINANCIAL INFORMATION**Item 1. Financial Statements****RYERSON HOLDING CORPORATION AND SUBSIDIARY COMPANIES****Condensed Consolidated Statements of Comprehensive Income (Unaudited)****(In millions, except per share data)**

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Net sales	\$ 947.9	\$ 859.8	\$ 2,753.8	\$ 2,657.8
Cost of materials sold	798.4	704.7	2,302.2	2,188.4
Gross profit	149.5	155.1	451.6	469.4
Warehousing, delivery, selling, general and administrative	154.1	120.2	392.1	363.2
Gain on sale of assets	(1.3)		(1.3)	
Restructuring and other charges				2.1
Impairment charges on fixed assets and goodwill		1.1		8.8
Operating profit (loss)	(3.3)	33.8	60.8	95.3
Other income and (expense), net	(8.5)	(1.1)	(8.2)	2.1
Interest and other expense on debt	(27.9)	(27.1)	(82.8)	(83.3)
Income (loss) before income taxes	(39.7)	5.6	(30.2)	14.1
Provision (benefit) for income taxes	(4.9)	2.8	0.7	5.9
Net income (loss)	(34.8)	2.8	(30.9)	8.2
Less: Net loss attributable to noncontrolling interest	(0.1)	(0.2)	(0.4)	(0.9)
Net income (loss) attributable to Ryerson Holding Corporation	\$ (34.7)	\$ 3.0	\$ (30.5)	\$ 9.1
Comprehensive income (loss)	\$ (42.1)	\$ 8.2	\$ (41.8)	\$ 6.6
Less: Comprehensive loss attributable to noncontrolling interest		(0.4)	(0.3)	(1.1)
Comprehensive income (loss) attributable to Ryerson Holding Corporation	\$ (42.1)	\$ 8.6	\$ (41.5)	\$ 7.7
Basic and diluted income (loss) per share	\$ (1.26)	\$ 0.14	\$ (1.31)	\$ 0.43

See Notes to Condensed Consolidated Financial Statements.



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

	<b>Nine Months Ended September 30,</b>	
	<b>2014</b>	<b>2013</b>
<b>Operating activities:</b>		
Net income (loss)	\$ (30.9)	\$ 8.2
<b>Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:</b>		
Depreciation and amortization	34.0	34.7
Deferred income taxes	(2.5)	7.3
Provision for allowances, claims and doubtful accounts	1.2	(0.4)
Impairment charges on fixed assets and goodwill		8.8
Restructuring and other charges		2.1
Gain on sale of assets	(1.3)	
Loss on retirement of debt	11.2	
Other items	0.4	0.6
Change in operating assets and liabilities:		
Receivables	(88.3)	(27.2)
Inventories	(5.8)	36.5
Other assets	6.2	4.2
Accounts payable	67.6	36.4
Accrued liabilities	28.4	21.4
Accrued taxes payable/receivable	3.7	(0.8)
Deferred employee benefit costs	(58.6)	(43.8)
<b>Net adjustments</b>	<b>(3.8)</b>	<b>79.8</b>
<b>Net cash provided by (used in) operating activities</b>	<b>(34.7)</b>	<b>88.0</b>
<b>Investing activities:</b>		
Increase in restricted cash	(0.1)	(0.7)
Capital expenditures	(13.7)	(16.5)
Proceeds from sales of property, plant and equipment	3.9	4.3
<b>Net cash used in investing activities</b>	<b>(9.9)</b>	<b>(12.9)</b>
<b>Financing activities:</b>		
Net proceeds from issuance of common stock	112.4	
Repayment of debt	(110.7)	
Net proceeds/(repayments) of short-term borrowings	32.5	(65.3)

Edgar Filing: Ryerson Holding Corp - Form 10-Q

Long-term debt issuance costs		(0.9)
Credit facility issuance costs		(3.7)
Net increase in book overdrafts	21.8	7.7
Principal payments on capital lease obligation	(0.7)	(0.3)
<b>Net cash provided by (used in) financing activities</b>	<b>55.3</b>	<b>(62.5)</b>
Net increase in cash and cash equivalents	10.7	12.6
Effect of exchange rate changes on cash and cash equivalents	(4.6)	(2.7)
<b>Net change in cash and cash equivalents</b>	<b>6.1</b>	<b>9.9</b>
Cash and cash equivalents beginning of period	74.4	71.2
Cash and cash equivalents end of period	80.5	\$ 81.1
<b>Supplemental disclosures:</b>		
Cash paid during the period for:		
Interest paid to third parties	\$ 58.5	\$ 56.4
Income taxes, net	0.8	0.8
<b>Noncash investing activities:</b>		
Asset additions under capital leases	\$ 3.5	\$ 0.7

See Notes to Condensed Consolidated Financial Statements.



**Table of Contents****RYERSON HOLDING CORPORATION AND SUBSIDIARY COMPANIES****Condensed Consolidated Balance Sheets****(In millions, except shares)**

	<b>September 30, 2014 (unaudited)</b>	<b>December 31, 2013</b>
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 80.5	\$ 74.4
Restricted cash	1.9	1.8
Receivables less provision for allowances, claims and doubtful accounts of \$6.5 in 2014 and \$5.4 in 2013	467.1	381.9
Inventories	736.0	733.0
Prepaid expenses and other current assets	37.1	48.2
<b>Total current assets</b>	<b>1,322.6</b>	<b>1,239.3</b>
Property, plant, and equipment, at cost	641.7	638.9
Less: Accumulated depreciation	218.5	197.2
Property, plant and equipment, net	423.2	441.7
Deferred income taxes	98.4	97.4
Other intangible assets	46.7	51.2
Goodwill	91.6	91.6
Deferred charges and other assets	23.7	30.6
<b>Total assets</b>	<b>\$ 2,006.2</b>	<b>\$ 1,951.8</b>
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 296.0	\$ 207.3
Salaries, wages and commissions	42.6	32.9
Deferred income taxes	118.9	122.2
Other accrued liabilities	72.4	52.3
Short-term debt	29.7	32.3
Current portion of deferred employee benefits	13.5	13.6
<b>Total current liabilities</b>	<b>573.1</b>	<b>460.6</b>
Long-term debt	1,198.1	1,262.5
Deferred employee benefits	253.7	320.8
Taxes and other credits	19.5	16.7
<b>Total liabilities</b>	<b>2,044.4</b>	<b>2,060.6</b>
<b>Commitments and contingencies</b>		

<b>Redeemable noncontrolling interest</b>	1.2	1.3
<b>Equity</b>		
<b>Ryerson Holding Corporation stockholders equity (deficit):</b>		
Preferred stock, \$0.01 par value; 7,000,000 shares authorized and no shares issued at 2014; no shares authorized or issued at 2013		
Common stock, \$0.01 par value; 100,000,000 shares authorized; 32,250,000 shares issued at 2014; 42,500,000 shares authorized and 21,250,000 issued at 2013	0.3	0.2
Capital in excess of par value	302.0	189.7
Accumulated deficit	(137.6)	(107.1)
Treasury stock at cost Common stock of 212,500 shares in 2014 and 2013	(6.6)	(6.6)
Accumulated other comprehensive loss	(199.2)	(188.2)
<b>Total Ryerson Holding Corporation stockholders equity (deficit)</b>	(41.1)	(112.0)
Noncontrolling interest	1.7	1.9
<b>Total equity (deficit)</b>	(39.4)	(110.1)
<b>Total liabilities and equity</b>	\$ 2,006.2	\$ 1,951.8

See Notes to Condensed Consolidated Financial Statements.

**Table of Contents****RYERSON HOLDING CORPORATION AND SUBSIDIARY COMPANIES****Notes to Condensed Consolidated Financial Statements (Unaudited)****NOTE 1: FINANCIAL STATEMENTS**

Ryerson Holding Corporation ( Ryerson Holding ), a Delaware corporation, is the parent company of Ryerson Inc. ( Ryerson ). Affiliates of Platinum Equity, LLC ( Platinum ) own approximately 66% of Ryerson Holding.

Ryerson conducts materials distribution operations in the United States through its wholly-owned direct subsidiary Joseph T. Ryerson & Son, Inc. ( JT Ryerson ), a Delaware corporation, in Canada through its indirect wholly-owned subsidiary Ryerson Canada, Inc., a Canadian corporation ( Ryerson Canada ) and in Mexico through its 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 distribution operations in China through Ryerson China Limited ( Ryerson China ), a company in which we have a 100% ownership percentage and in Brazil through Açofran Aços e Metais Ltda ( Açofran ), a company in which we have had a 50% direct ownership percentage since February 17, 2012. Unless the context indicates otherwise, Ryerson Holding, Ryerson, JT Ryerson, Ryerson Canada, Ryerson China, Ryerson Mexico and Açofran together with their subsidiaries, are collectively referred to herein as we, us, our, or the Company.

On July 23, 2014, our Board of Directors approved a 4.25 for 1.00 stock split of the Company's common stock effective August 5, 2014. Per share and share amounts presented herein have been adjusted for all periods presented to give retroactive effect to the 4.25 for 1.00 stock split.

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. Net proceeds from the offering totaled \$112.4 million, after deducting the underwriting discount and offering expenses, and were used to (i) redeem \$99.5 million in aggregate principal amount of the 11 1/4% Senior Notes due 2018 (the 2018 Notes ), (ii) pay Platinum Equity Advisors, LLC ( Platinum Advisors ) and its affiliates \$15.0 million of the \$25.0 million owed as consideration for terminating the advisory services agreement between JT Ryerson and Platinum Advisors, an affiliate of Platinum (the remaining \$10.0 million will be paid in August 2015) and (iii) pay related transaction fees, expenses and debt redemption premiums in connection with the offering, which were approximately \$12.6 million. We borrowed an additional \$24.7 million under our amended and restated \$1.35 billion revolving credit facility (the Ryerson Credit Facility ) as part of the funding of these transactions.

The following table shows our percentage of sales by major product lines for the three and nine months ended September 30, 2014 and 2013, respectively:

Product Line	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2014	2013	2014	2013
Carbon Steel Flat	25%	26%	26%	26%
Carbon Steel Plate	11	11	11	11
Carbon Steel Long	16	15	16	15
Stainless Steel Flat	16	16	16	16
Stainless Steel Plate	4	4	4	4

Edgar Filing: Ryerson Holding Corp - Form 10-Q

Stainless Steel Long	4	3	4	3
Aluminum Flat	15	15	14	15
Aluminum Plate	3	3	3	3
Aluminum Long	4	4	4	4
Other	2	3	2	3
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Results of operations for any interim period are not necessarily indicative of results of any other periods or for the year. The financial statements as of September 30, 2014 and for the three-month and nine-month periods ended September 30, 2014 and 2013 are unaudited, but in the opinion of management include all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of results for such periods. The year-end condensed consolidated balance sheet data contained in this report was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America. These financial statements should be read in conjunction with the Company's Consolidated Financial Statements and related Notes thereto for the year ended December 31, 2013 contained in Ryerson Holding Corporation's prospectus filed with the SEC pursuant to Rule 424(b) under the Securities Act of 1933, as amended, on August 8, 2014.

**Table of Contents****NOTE 2: RECENT ACCOUNTING PRONOUNCEMENTS**

In July 2013, the Financial Accounting Standards Board ( FASB ) issued Accounting Standards Update ( ASU ) 2013-11 *Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists*. ASU 2013 -11 was issued to promote consistency among financial statement issuers and amends Accounting Standards Codification ( ASC ) 740, *Income Taxes*, to provide clarification of the financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. According to ASU 2013-11, an unrecognized tax benefit or a portion of an unrecognized tax benefit should be presented in the financial statements as a reduction of a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, with certain exceptions. The revised guidance is effective for interim and annual periods beginning after December 15, 2013 with early adoption permitted. We adopted this guidance for our fiscal year beginning January 1, 2014. The adoption did not have a material impact on our financial statements.

In April 2014, the FASB issued ASU 2014-08 *Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*. This update amends the criteria for reporting discontinued operations to, among other things, raise the threshold for disposals to qualify as discontinued operations. Under the revised standard, a discontinued operation must represent a strategic shift that has or will have a major effect on an entity's operations and financial results. The revised standard will also allow an entity to have certain continuing cash flows or involvement with the component after the disposal. This update is effective for interim and annual reporting periods, beginning after December 15, 2014, with early adoption permitted. We will adopt this guidance for our fiscal year beginning January 1, 2015. We do not expect the adoption to have a material impact on our financial statements.

In May 2014, the FASB issued ASU 2014-09 *Revenue from Contracts with Customers*, which creates ASC 606 *Revenue from Contracts with Customers* and supersedes the revenue recognition requirements in ASC 605 *Revenue Recognition*. The update outlines a comprehensive model for all entities to use in accounting for revenue arising from contracts with customers as well as required disclosures. Entities have the option of using either a full retrospective or modified approach to adopt the new guidance. This update is effective for annual reporting periods beginning after December 15, 2016. We will adopt this guidance for our fiscal year beginning January 1, 2017. We have not decided upon the method of adoption and we are still evaluating the impact the new standard will have, if any, to our financial statements.

In August 2014, the FASB issued ASU 2014-15 *Presentation of Financial Statements - Going Concern (Subtopic 205-40), Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*. The guidance in ASU 2014-15 sets forth management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern as well as required disclosures. ASU 2014-15 indicates that, when preparing financial statements for interim and annual periods, management should evaluate whether conditions or events, in the aggregate, raise substantial doubt about the entity's ability to continue as a going concern one year from the date the financial statements are issued or are available to be issued. This evaluation should include consideration of conditions and events that are either known or are reasonably knowable at the date the financial statements are issued or are available to be issued, as well as whether it is probable that management's plans to address the substantial doubt will be implemented and, if so, whether it is probable that the plans will alleviate the substantial doubt. ASU 2014-15 is effective for annual periods ending after December 15, 2016, and interim periods and annual periods thereafter. Early adoption is permitted. We will adopt this guidance for our fiscal year ending December 31, 2016. The adoption of this guidance is not expected to have an impact on our financial statements.

**NOTE 3: INVENTORIES**

Edgar Filing: Ryerson Holding Corp - Form 10-Q

The Company primarily uses the last-in, first-out (LIFO) method of valuing inventory. Interim LIFO calculations are based on actual inventory levels.

Inventories, at stated LIFO value, were classified at September 30, 2014 and December 31, 2013 as follows:

	<b>September 30, 2014</b>	<b>December 31, 2013</b>
	<b>(In millions)</b>	
In process and finished products	\$ 736.0	\$ 733.0

If current cost had been used to value inventories, such inventories would have been \$25 million and \$67 million lower than reported at September 30, 2014 and December 31, 2013, respectively. Approximately 90% and 91% of inventories are accounted for under the LIFO method at September 30, 2014 and December 31, 2013, respectively. Non-LIFO inventories consist primarily of inventory at our foreign facilities using the weighted-average cost and the specific cost methods. Substantially all of our inventories consist of finished products.

**Table of Contents**

The Company has consignment inventory at certain customer locations, which totaled \$11.0 million and \$11.7 million at September 30, 2014 and December 31, 2013, respectively.

**NOTE 4: GOODWILL AND OTHER INTANGIBLE ASSETS**

Goodwill, which represents the excess of cost over the fair value of net assets acquired, amounted to \$91.6 million at September 30, 2014. 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. The most recently completed impairment test of goodwill was performed as of October 1, 2013 and it was determined that no impairment existed. Other intangible assets with finite useful lives continue to be amortized over their useful lives. We review the recoverability of our long-lived assets whenever events or changes in circumstances indicate the carrying amount of such assets may not be recoverable.

**NOTE 5: LONG-TERM DEBT**

Long-term debt consisted of the following at September 30, 2014 and December 31, 2013:

	September 30, 2014	December 31, 2013
	(In millions)	
Ryerson Secured Credit Facility	\$ 397.6	\$ 369.1
9% Senior Secured Notes due 2017	600.0	600.0
11 1/4% Senior Notes due 2018	200.5	300.0
Foreign debt	29.7	25.7
<b>Total debt</b>	<b>1,227.8</b>	<b>1,294.8</b>
Less:		
Short-term credit facility borrowings		6.6
Short-term foreign debt	29.7	25.7
<b>Total long-term debt</b>	<b>\$ 1,198.1</b>	<b>\$ 1,262.5</b>

**Ryerson Credit Facility**

On April 3, 2013, Ryerson amended and restated the Ryerson Credit Facility, to, among other things, extend the maturity date to the earlier of (a) April 3, 2018 or (b) August 16, 2017 (60 days prior to the scheduled maturity date of the 9% Senior Secured Notes due October 15, 2017 ( 2017 Notes )), if the 2017 Notes are then outstanding. At September 30, 2014, Ryerson had \$397.6 million of outstanding borrowings, \$30 million of letters of credit issued and \$293 million available under the \$1.35 billion Ryerson Credit Facility compared to \$369.1 million of outstanding borrowings, \$27 million of letters of credit issued and \$234 million available at December 31, 2013. Total credit availability is limited by the amount of eligible accounts receivable and inventory pledged as collateral under the agreement insofar as Ryerson is subject to a borrowing base comprised of the aggregate of these two amounts, less applicable reserves. Eligible accounts receivable, at any date of determination, are comprised of the aggregate value of all accounts directly created by a borrower in the ordinary course of business arising out of the sale of goods or the rendition 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 does not have sole and absolute title and accounts

arising out of a sale to an employee, officer, director, or affiliate of a borrower. Eligible inventory, at any date of determination, is comprised of the aggregate value of all inventory owned by a borrower, with such inventory adjusted to exclude various ineligible inventory, including, among other things, any inventory that is classified as supplies or is unsaleable in the ordinary course of business and 50% of the value of any inventory that (i) has not been sold or processed within a 180 day period and (ii) which is calculated to have more than 365 days of supply based upon the immediately preceding 6 months consumption. The weighted average interest rate on the borrowings under the Ryerson Credit Facility was 2.2 percent and 2.1 percent at September 30, 2014 and December 31, 2013, respectively.

The total \$1.35 billion revolving credit facility has an allocation of \$1.215 billion to Ryerson and its subsidiaries in the United States and an allocation of \$135 million to Ryerson Canada. Amounts outstanding under the U.S. facility bear interest at a rate determined by reference to the base rate (Bank of America's prime rate) or a LIBOR rate or, for the Canadian facility a rate determined by reference to the Canadian base rate (Bank of America-Canada Branch's Base Rate for loans in U.S. Dollars in Canada) or the BA rate (average annual rate applicable to Canadian Dollar bankers acceptances) or a LIBOR rate and the Canadian prime rate (Bank of America-Canada Branch's Prime Rate). The spread over the base rate and Canadian prime rate is between 0.50% and 1.00% and the spread over the LIBOR and for the bankers' acceptances is between 1.50% and 2.00%, depending on the amount available to be borrowed. Overdue amounts and all amounts owed during the existence of a default bear interest at 2% above the rate otherwise applicable thereto. The Company also pays commitment fees on amounts not borrowed at a rate between 0.25% and 0.375% depending on the average borrowings as a percentage of the total \$1.35 billion agreement during a rolling three month period.



## **Table of Contents**

Borrowings under the Ryerson Credit Facility are secured by (i) in the case of the U.S. facility, first-priority liens on all of the inventory, accounts receivable, lockbox accounts (excluding any proceeds therein of collateral securing the 2017 Notes on a first priority lien basis) and related U.S. assets of Ryerson, the U.S. subsidiary borrowers and certain other U.S. subsidiaries of Ryerson that act as guarantors, and (ii) in the case of the Canadian facility, the assets securing the U.S. Facility and also first priority liens on all of the inventory, accounts receivable, lockbox accounts and related assets of Ryerson's Canadian subsidiary borrower and its Canadian subsidiaries that act as guarantors thereof.

The Ryerson Credit Facility contains covenants that, among other things, restrict Ryerson and its 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 such facility falls below a certain level, the Company maintain a minimum fixed charge coverage ratio as of the end of each calendar month.

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 have the ability to 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 Ryerson. If Ryerson or any significant subsidiaries of the other borrowers becomes insolvent or commences bankruptcy proceedings, all amounts borrowed under the Ryerson Credit Facility will become immediately due and payable.

Proceeds from borrowings under the Ryerson Credit Facility and repayments of borrowings thereunder that are reflected in the Consolidated Statements of Cash Flows represent borrowings under the Company's revolving credit agreement with original maturities greater than three months. Net proceeds (repayments) under the Ryerson Credit Facility represent borrowings under the Ryerson Credit Facility with original maturities less than three months.

## **2017 and 2018 Notes**

On October 10, 2012, Ryerson and its wholly owned subsidiary, JT Ryerson, issued \$600 million in aggregate principal amount of the 2017 Notes and \$300 million in aggregate principal amount of the 2018 Notes (together, the 2017 and 2018 Notes). The 2017 Notes bear interest at a rate of 9% per annum. The 2018 Notes bear interest at a rate of 11.25% per annum. The 2017 Notes are fully and unconditionally guaranteed on a senior secured basis and the 2018 Notes are fully and unconditionally guaranteed on a senior unsecured basis by all of our existing and future domestic subsidiaries that are co-borrowers or guarantors under the Ryerson Credit Facility.

The 2017 Notes and related guarantees are secured by a first-priority lien on substantially all of our and our guarantors present and future assets located in the United States (other than receivables, inventory, related general intangibles, certain other assets and proceeds thereof), subject to certain exceptions and customary permitted liens. The 2017 Notes and related guarantees are secured on a second-priority basis by a lien on the assets that secure our obligations under the Ryerson Credit Facility. The 2018 Notes are not secured. The 2017 and 2018 Notes contain customary covenants that, among other things, limit, subject to certain exceptions, our ability, and the ability of our restricted subsidiaries, to incur additional indebtedness, pay dividends on our capital stock or repurchase our capital stock, make

investments, sell assets, engage in acquisitions, mergers or consolidations or create liens or use assets as security in other transactions. Subject to certain exceptions, Ryerson may only pay dividends to Ryerson Holding to the extent of 50% of future net income, once prior losses are offset.

**Table of Contents**

The 2017 Notes will become redeemable by the Company, in whole or in part, at any time on or after April 15, 2015 (the 2017 Redemption Date ) and the 2018 Notes will become redeemable, in whole or in part, at any time on or after October 15, 2015 (the 2018 Redemption Date ), in each case at specified redemption prices. The 2017 and 2018 Notes are redeemable prior to such dates, as applicable, at a redemption price equal to 100% of the principal amount, together with accrued and unpaid interest, if any, to the redemption date, plus a make-whole premium. Additionally, we may redeem up to 35% of each of the 2017 and 2018 Notes prior to the 2017 Redemption Date or 2018 Redemption Date, as applicable, with net cash proceeds from certain equity offerings at a price equal to (a) 109.000%, with respect to the 2017 Notes and (b) 111.250%, with respect to the 2018 Notes, of the principal amount thereof, plus any accrued and unpaid interest. 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. Net proceeds from the offering were used to redeem \$99.5 million in aggregate principal amount of the 2018 Notes and pay redemption premiums of \$11.2 million, which were recorded within other income and (expense), net. As of September 30, 2014, \$200.5 million of the original outstanding principal amount of the 2018 Notes remain outstanding. If a change of control occurs, Ryerson must offer to purchase the 2017 and 2018 Notes at 101% of their principal amount, plus accrued and unpaid interest.

Pursuant to registration rights agreements relating to the 2017 and 2018 Notes, we agreed to file with the SEC by July 7, 2013, registration statements with respect to offers to exchange each of the 2017 and 2018 Notes for new issues of our debt securities registered under the Securities Act, with terms substantially identical to those of the 2017 and 2018 Notes and to consummate such exchange offers no later than October 5, 2013. Ryerson completed the exchange offer on September 10, 2013. As a result of completing the exchange offer, Ryerson satisfied its obligation under the registration rights agreements covering each of the 2017 and 2018 Notes.

**Foreign Debt**

At September 30, 2014, Ryerson China's total foreign borrowings were \$29.7 million, which were owed to banks in Asia at a weighted average interest rate of 4.5% and secured by inventory and property, plant and equipment. At December 31, 2013, Ryerson China's total foreign borrowings were \$25.7 million, which were owed to banks in Asia at a weighted average interest rate of 4.3% and secured by inventory and property, plant and equipment.

Availability under the foreign credit lines was \$8 million and \$22 million at September 30, 2014 and December 31, 2013, respectively. Letters of credit issued by our foreign subsidiaries totaled \$4 million and \$4 million at September 30, 2014 and December 31, 2013, respectively.

**NOTE 6: EMPLOYEE BENEFITS**

The following table summarizes the components of net periodic benefit cost for the three and nine month periods ended September 30, 2014 and 2013 for the Ryerson pension plans and postretirement benefits other than pension:

	<b>Three Months Ended September 30,</b>			
	<b>Pension Benefits</b>		<b>Other Benefits</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>(In millions)</b>			
<b><u>Components of net periodic benefit cost</u></b>				
Service cost	\$	\$ 1	\$	\$
Interest cost	10	9	2	1

Edgar Filing: Ryerson Holding Corp - Form 10-Q

Expected return on assets	(12)	(11)		
Prior service credit			(1)	
Recognized actuarial net (gain) loss	3	3	(2)	(2)
Net periodic benefit cost (credit)	\$ 1	\$ 2	\$ (1)	\$ (1)

**Nine Months Ended September 30,  
Pension Benefits      Other Benefits  
2014      2013      2014      2013  
(In millions)**

<b><u>Components of net periodic benefit cost</u></b>				
Service cost	\$ 1	\$ 2	\$	\$
Interest cost	29	27	4	3
Expected return on assets	(36)	(33)		
Prior service credit			(1)	(1)
Recognized actuarial net (gain) loss	8	10	(6)	(5)
Net periodic benefit cost (credit)	\$ 2	\$ 6	\$ (3)	\$ (3)

**Table of Contents**

**Remeasurement**

In September 2014, the Company amended the plan design of one of its post-retirement medical plans for a significant number of its U.S. retirees, effectively moving a number of participants from a company-sponsored group plan to a defined contribution plan. We completed a remeasurement of the plan as of the announcement date as a result of the plan amendment. The effect of the plan amendment was a reduction of \$5.1 million in the accumulated postretirement benefit obligation.

**Contributions**

The Company has contributed \$50.2 million to the pension plan fund through the nine months ended September 30, 2014 and anticipates that it will have a minimum required pension contribution funding of approximately \$5.0 million for the remaining three months of 2014.

**NOTE 7: COMMITMENTS AND CONTINGENCIES**

From time to time, we are named as a defendant in legal actions incidental to our ordinary course of business. We do not believe that the resolution of these claims will have a material adverse effect on our 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.

On December 27, 2011, Nancy Hoffman, Mark Hoffman, and Karen Hoffman (collectively, the plaintiffs ) filed a sixth amended complaint in the Circuit Court of Cook County, Illinois naming JT Ryerson and three other entities as defendants (collectively, the defendants ) in a lawsuit (*Nancy Hoffman, et.al. v. Dorlan Crane, et.al.*). That complaint asserted negligence and loss of consortium counts against the defendants for personal injuries allegedly suffered by plaintiffs resulting from a motor vehicle accident. On February 10, 2012, a jury returned a verdict against the defendants and awarded damages totaling \$27.7 million for which the defendants were purportedly jointly and severally liable. On August 28, 2012, our post-trial motion was denied. On September 24, 2012, we filed our Notice of Appeal to the Appellate Court of Illinois, First Judicial District. On June 3, 2014, the appellate court affirmed the judgment of the trial court, and in September 2014 the Illinois Supreme Court denied the defendants' petition to appeal. With this matter now fully adjudicated, this judgment was paid in full in October 2014 by Ryerson's insurance carriers.

In October 2011, the United States Environmental Protection Agency named us as one of more than 100 businesses that may be a potentially responsible party for the Portland Harbor Superfund Site ( Portland Harbor ). We do not currently have sufficient information available to us to determine the total cost of any required investigation or remediation of the Portland Harbor site and therefore, management cannot predict the ultimate outcome of this matter or estimate a range of potential loss at this time.

There are other various claims and pending actions against the Company. The amount of liability, if any, for those claims and actions at September 30, 2014 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.

**Table of Contents****NOTE 8: DERIVATIVES AND FAIR VALUE MEASUREMENTS****Derivatives**

The Company is exposed to certain risks relating to its ongoing business operations. The primary risks managed by using derivative instruments are interest rate risk, foreign currency risk, and commodity price risk. 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 our Canadian subsidiaries' variability in cash flows from the forecasted payment of currencies other than the 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 periodically to reduce volatility in the price of metals. We may also enter into natural gas price swaps to manage the price risk of forecasted purchases of natural gas. The Company currently does not account for its derivative contracts as hedges but rather marks them to market with a corresponding offset to current earnings. The Company regularly reviews the creditworthiness of its derivative counterparties and does not expect to incur a significant loss from the failure of any counterparties to perform under any agreements.

The following table summarizes the location and fair value amount of our derivative instruments reported in our Consolidated Balance Sheets as of September 30, 2014 and December 31, 2013:

	Asset Derivatives				Liability Derivatives			
	September 30, 2014		December 31, 2013		September 30, 2014		December 31, 2013	
	Balance	Fair	Balance	Fair	Balance	Fair	Balance	Fair
	Sheet	Value	Sheet	Value	Sheet	Value	Sheet	Value
	Location		Location		Location		Location	
<b>(In millions)</b>								
<b>Derivatives not designated as hedging instruments under ASC 815</b>								
Commodity contracts	Prepaid expenses and other current assets	\$	Prepaid expenses and other current assets	\$	Other accrued liabilities	\$0.2	Other accrued liabilities	\$ 0.2

As of September 30, 2014 and December 31, 2013, the Company's foreign currency exchange contracts had a U.S. dollar notional amount of \$2.4 million and \$2.2 million, respectively. As of September 30, 2014 and December 31, 2013, the Company had 20 tons and 131 tons, respectively, of nickel futures or option contracts related to forecasted purchases. As of September 30, 2014 and December 31, 2013, the Company had net 1,880 tons and 4,600 tons, respectively, of hot roll steel coil option contracts related to forecasted purchases and sales. The Company has aluminum price swaps related to forecasted purchases, which had a notional amount of 1,465 tons and 195 tons as of September 30, 2014 and December 31, 2013, respectively.

The following table summarizes the location and amount of gains and losses reported in our Consolidated Statements of Comprehensive Income for the three and nine months ended September 30, 2014 and 2013:

Derivatives not designated as hedging instruments under ASC 815	Location of Gain/(Loss) Recognized in Income on Derivatives	Amount of Gain/(Loss) Recognized in Income on Derivatives Three Months Ended September 30, 2014			
		2014	2013	2014	2013
		(In millions)			
Metal commodity contracts	Cost of materials sold	\$ (0.2)	\$ 0.2	\$ 0.1	\$ (0.5)

### Fair Value Measurements

To increase consistency and comparability in fair value measurements, 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.

**Table of Contents**

The following table presents assets and liabilities measured and recorded at fair value on our Consolidated Balance Sheets on a recurring basis and their level within the fair value hierarchy as of September 30, 2014:

	<b>At September 30, 2014</b>		
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
	<b>(In millions)</b>		
<b>Assets</b>			
Cash equivalents:			
Commercial paper	\$ 38.6	\$	\$
Prepaid and other current assets:			
Common stock available-for-sale investment	\$ 11.9	\$	\$
<b>Liabilities</b>			
Mark-to-market derivatives:			
Commodity contracts	\$	\$ 0.2	\$

The following table presents assets and liabilities measured and recorded at fair value on our Consolidated Balance Sheets on a recurring basis and their level within the fair value hierarchy as of December 31, 2013:

	<b>At December 31, 2013</b>		
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
	<b>(In millions)</b>		
<b>Assets</b>			
Cash equivalents:			
Commercial paper	\$ 39.9	\$	\$
Prepaid and other current assets:			
Common stock available-for-sale investment	\$ 20.7	\$	\$
<b>Liabilities</b>			
Mark-to-market derivatives:			
Commodity contracts	\$	\$ 0.2	\$

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 derivatives is determined by comparing the spot price of each individual contract to the forward market price for a similar contract as published by the London Metal Exchange as of the valuation date. The Company also has commodity derivatives to lock in hot roll coil and aluminum prices for varying time periods. The fair value of derivatives is determined by comparing the spot price of each individual contract to the forward market price of a similar contract for the commodity as published by the Chicago Mercantile Exchange as of the valuation date. In addition, the Company has numerous foreign exchange contracts to hedge our Canadian subsidiaries' variability in cash flows from the forecasted payment of currencies other than the functional currency, the Canadian dollar. The Company defines the fair value of foreign exchange contracts as the amount of the difference



between the contracted and forward 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 contract term varies in the number of months, but on average is between 3 to 12 months in length.

**Table of Contents**

The carrying and estimated fair values of the Company's financial instruments at September 30, 2014 and December 31, 2013 were as follows:

	At September 30, 2014		At December 31, 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In millions)			
Cash and cash equivalents	\$ 80.5	\$ 80.5	\$ 74.4	\$ 74.4
Restricted cash	1.9	1.9	1.8	1.8
Receivables less provision for allowances, claims and doubtful accounts	467.1	467.1	381.9	381.9
Accounts payable	296.0	296.0	207.3	207.3
Long-term debt, including current portion	1,227.8	1,279.8	1,294.8	1,348.8

The estimated fair value of the Company's cash and cash equivalents, receivables less provision for allowances, claims and doubtful accounts 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).

**Assets Held for Sale**

The Company had \$5.4 million and \$4.7 million of assets held for sale, classified within prepaid expenses and other current assets, as of September 30, 2014 and December 31, 2013, respectively. The Company recorded zero and \$2.0 million of impairment charges in the nine months ended September 30, 2014 and 2013, respectively, related to certain assets held for sale in order to recognize the assets at their fair value less cost to sell in accordance with ASC 360-10-35-43, *Property, Plant and Equipment - Other Presentation Matters*. 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.

The following table presents those assets that were measured and recorded at fair value on our Consolidated Balance Sheets on a non-recurring basis and their level within the fair value hierarchy at September 30, 2014:

Assets	September 30, 2014		
	Level 1	Level 2	Level 3
	(In millions)		
Prepaid expenses and other current assets - assets held for sale	\$	\$ 5.4	\$

The following table presents those assets that were measured and recorded at fair value on our Consolidated Balance Sheets on a non-recurring basis and their level within the fair value hierarchy at December 31, 2013:

**At December 31, 2013**  
**Level 1    Level 2    Level 3**  
**(In millions)**

**Assets**

Prepaid expenses and other current assets	assets held for sale	\$	\$	4.7	\$
---	----------------------	----	----	-----	----

**Available-For-Sale Investments**

The Company has classified investments made during 2010 and 2012 as available-for-sale at the time of their purchase. Investments classified as available-for-sale are recorded at fair value with the related unrealized gains and losses included in accumulated other comprehensive income. Management evaluates investments in an unrealized loss position on whether an other-than-temporary impairment has occurred on a periodic basis. Factors considered by management in assessing whether an other-than-temporary impairment has occurred include: the nature of the investment; whether the decline in fair value is attributable to specific adverse conditions affecting the investment; the financial condition of the investee; the severity and the duration of the impairment; and whether we intend to sell the investment or will be required to sell the investment before recovery of its amortized cost basis. When it is determined that an other-than-temporary impairment has occurred, the investment is written down to its fair value at the end of the period in which it is determined that an other-than-temporary decline has occurred. The investment has been in a gross unrealized loss position for less than twelve months. Management does not currently intend to sell the investment before recovery of its amortized cost basis. Realized gains and losses are recorded within the statement of operations upon sale of the security and are based on specific identification.

**Table of Contents**

The Company's available-for-sale securities as of September 30, 2014 can be summarized as follows:

		<b>At September 30, 2014</b>		
	<b>Cost</b>	<b>Gross Unrealized Gains</b>	<b>Gross Unrealized Losses</b>	<b>Fair Value</b>
	<b>(In millions)</b>			
Common stock	\$ 17.4	\$	\$ (5.5)	\$ 11.9

The Company's available-for-sale securities as of December 31, 2013 can be summarized as follows:

		<b>At December 31, 2013</b>		
	<b>Cost</b>	<b>Gross Unrealized Gains</b>	<b>Gross Unrealized Losses</b>	<b>Fair Value</b>
	<b>(In millions)</b>			
Common stock	\$ 17.4	\$ 3.3	\$	\$ 20.7

There is no maturity date for these investments and there have been no sales during the nine months ended September 30, 2014.

**Table of Contents****NOTE 9: STOCKHOLDERS EQUITY (DEFICIT), ACCUMULATED OTHER COMPREHENSIVE INCOME AND REDEEMABLE NONCONTROLLING INTEREST**

The following table details changes in these accounts:

	Ryerson Holding Corporation Stockholders												
	Common Stock		Treasury Stock		Capital in Excess of Par Value		Accumulated Deficit		Foreign Currency Translation		Accumulated Other Comprehensive Income (Loss)		Redeemable Noncontrolling Interest
	Shares	Dollars	Shares	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars
	(In millions, except shares in thousands)												
Balance at January 1, 2014	21,250	\$ 0.2	213	\$ (6.6)	\$ 189.7	\$ (107.1)	\$ (16.6)	\$ (174.9)	\$ 3.3	\$ 1.9	\$ (110.1)	\$ 1.3	
Net income (loss)						(30.5)				(0.2)	(30.7)	(0.2)	
Issuance of common stock in connection with initial public offering	11,000	0.1			112.3						112.4		
Foreign currency translation							(10.0)				(10.0)	0.1	
Changes in defined benefit pension and other post-retirement benefit plans, net of tax provision of \$2.8								4.5			4.5		
Unrealized loss on available-for-sale investment, net of tax benefit of \$3.2										(5.5)	(5.5)		
Balance at September 30, 2014	32,250	\$ 0.3	213	\$ (6.6)	\$ 302.0	\$ (137.6)	\$ (26.6)	\$ (170.4)	\$ (2.2)	\$ 1.7	\$ (39.4)	\$ 1.2	

**Table of Contents**

The following table details the changes in accumulated other comprehensive income (loss) for the nine months ended September 30, 2014:

	<b>Changes in Accumulated Other Comprehensive Income (Loss) by Component</b>		
	<b>Foreign Currency Translation</b>	<b>Benefit Plan Liabilities (In millions)</b>	<b>Unrealized Gain (Loss) on Available- For-Sale Investments</b>
Balance at January 1, 2014	\$ (16.6)	\$ (174.9)	\$ 3.3
Other comprehensive income (loss) before reclassifications	(10.0)	3.9	(5.5)
Amounts reclassified from accumulated other comprehensive income		0.6	
Net current-period other comprehensive income (loss)	(10.0)	4.5	(5.5)
Balance at September 30, 2014	\$ (26.6)	\$ (170.4)	\$ (2.2)

The following table details the reclassifications out of accumulated other comprehensive income (loss) for the three and nine month periods ended September 30, 2014:

<b>Details about Accumulated Other Comprehensive Income (Loss)</b>	<b>Reclassifications Out of Accumulated Other Comprehensive Income (Loss)</b>		<b>Affected line item in the Condensed Consolidated Statements of Comprehensive Income</b>
	<b>Amount reclassified from Accumulated Other Comprehensive Income (Loss)</b>		
<b>Components</b>	<b>Three Months Ended September 30, 2014 (In millions)</b>		
<b>Amortization of defined benefit pension and other post-retirement benefit plan items</b>			
Actuarial loss	\$ 0.6	\$ 1.8	Warehousing, delivery, selling, general and administrative
Prior service credits	(0.4)	(1.1)	Warehousing, delivery, selling, general and administrative

Edgar Filing: Ryerson Holding Corp - Form 10-Q

Total before tax	0.2	0.7
Tax provision		0.1
Net of tax	\$ 0.2	\$ 0.6

17

**Table of Contents**

The following table details the reclassifications out of accumulated other comprehensive income (loss) for the three and nine month periods ended September 30, 2013:

Details about Accumulated Other Comprehensive Income (Loss) Components	Reclassifications Out of Accumulated Other Comprehensive Income (Loss)		Affected line item in the Condensed Consolidated Statements of Comprehensive Income
	Three Months Ended September 30, 2013	Nine Months Ended September 30, 2013	
Amortization of defined benefit pension and other post-retirement benefit plan items	(In millions)		
Actuarial loss	\$ 1.6	\$ 4.9	Warehousing, delivery, selling, general and administrative
Prior service credits	(0.3)	(1.0)	Warehousing, delivery, selling, general and administrative
Total before tax	1.3	3.9	
Tax provision	0.1	0.4	
Net of tax	\$ 1.2	\$ 3.5	

**NOTE 10: RELATED PARTIES**

JT Ryerson, one of our subsidiaries, was party to a corporate advisory services agreement with Platinum Advisors, an affiliate of Platinum, pursuant to which Platinum Advisors provided JT Ryerson certain business, management, administrative and financial advice. On July 23, 2014, JT Ryerson's Board of Directors approved the termination of this services agreement contingent on the closing of the initial public offering of Ryerson Holding common stock, which occurred on August 13, 2014. As consideration for terminating the advisory fee services agreement, Platinum Advisors and its affiliates were paid \$15.0 million in August 2014, with an additional \$10.0 million that will be paid in August 2015. The Company recognized the \$25.0 million termination fee within Warehousing, delivery, selling, general and administrative expense during the third quarter of 2014. The total advisory fee, including the termination fee, recorded in the first nine months of 2014 and 2013 was \$28.3 and \$3.8 million respectively.

**NOTE 11: INCOME TAXES**

For the three months ended September 30, 2014, the Company recorded an income tax benefit from operations of \$4.9 million compared to income tax expense of \$2.8 million in the prior year period. The \$4.9 million tax benefit in the third quarter of 2014 primarily represents taxes at local statutory rates where the Company operates and the impact of certain initial public offering related transactions that are recognized differently for U.S. tax purposes, but generally excludes any tax benefit for losses in jurisdictions with historical losses.



For the nine months ended September 30, 2014, the Company recorded income tax expense of \$0.7 million compared to \$5.9 million in the prior year. The \$0.7 million tax expense in the first nine months of 2014 primarily represents taxes at local statutory rates where the Company operates and the impact of certain initial public offering related transactions that are recognized differently for U.S. tax purposes, but generally excludes any tax benefit for losses in jurisdictions with historical losses.

In accordance with FASB ASC 740, *Income Taxes*, 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. In 2013, the Company recognized a total net tax benefit of \$124.2 million due to the release of a portion of the valuation allowance as the Company determined it was more likely than not that certain deferred tax assets will be realized.

The Company will continue to maintain a valuation allowance on certain foreign and 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 valuation allowance is reviewed quarterly and will be maintained until sufficient positive evidence exists to support the reversal of some or all of the valuation allowance. The valuation allowance was \$23.1 million at September 30, 2014 and December 31, 2013.

**Table of Contents****NOTE 12: 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. 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 EPS 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. Ryerson Holding does not have any securities or other items that are convertible into common shares, therefore basic and fully diluted EPS are the same.

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

<b>Basic and diluted earnings per share</b>	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>(In millions, except per share data)</b>			
Net income available to common stockholders	\$ (34.7)	\$ 3.0	\$ (30.5)	\$ 9.1
Average shares of common stock outstanding	27.5	21.3	23.2	21.3
Basic and diluted earnings per share	\$ (1.26)	\$ 0.14	\$ (1.31)	\$ 0.43

---

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

This Quarterly Report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements can be identified by the use of forward-looking terminology such as believes, expects, may, estimates, will, should, plans or anticipates or the negative thereof or other variations thereof 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 in the forward-looking statements as a result of various factors. These forward-looking statements involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. Forward-looking statements should, therefore, be considered in light of various factors, including those set forth under the caption Industry and Operating Trends included herein Management's Discussion and Analysis of Financial Condition and Results of Operations and elsewhere in this Quarterly Report. (See also Part II, Item 1A of this report, Risk Factors, and the Risk Factors section of Ryerson Holding Corporation's prospectus filed with the SEC pursuant to Rule 424(b) under the Securities Act of 1933, as amended, on August 8, 2014). Moreover, we caution you not to place undue reliance on these forward-looking statements, which speak only as of the date they were made. We do not undertake any obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date of this Quarterly Report or to reflect the occurrence of unanticipated events.

The following discussion should be read in conjunction with the Company's Condensed Consolidated Financial Statements and related Notes thereto in Item 1, FINANCIAL STATEMENTS in this Quarterly Report on Form 10-Q and the Company's Consolidated Financial Statements and related Notes thereto for the year ended December 31, 2013 in Ryerson Holding Corporation's prospectus filed with the SEC pursuant to Rule 424(b) under the Securities Act of 1933, as amended, on August 8, 2014.

**Industry and Operating Trends**

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 one-half of the metals products sold are processed by us by burning, sawing, slitting, blanking, cutting to length or other techniques. We sell our products and services to many industries, including industrial equipment manufacturing, industrial fabrication, electrical machinery production, transportation equipment manufacturing, heavy equipment manufacturing and oil and gas. 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.

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 is 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, and to reduce operating expenses per ton sold.

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

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

**Table of Contents**

The metals service center industry is generally considered cyclical with periods of strong demand and higher prices followed by periods of weaker demand and lower prices due to the cyclical nature of the industries in which the largest consumers of metals operate. However, domestic metals prices are volatile and remain difficult to predict due to their commodity nature and the extent which prices are affected by interest rates, foreign exchange rates, energy prices, international supply/demand imbalances, surcharges and other factors.

**Results of Operations Comparison of Third Quarter 2014 to Third Quarter 2013**

	Three months ended		Three months ended	
	September 30, 2014	% of Net Sales	September 30, 2013	% of Net Sales
	(\$ in millions)			
Net sales	\$ 947.9	100.0%	\$ 859.8	100.0%
Cost of materials sold	798.4	84.2	704.7	82.0
Gross profit	149.5	15.8	155.1	18.0
Warehousing, delivery, selling, general and administrative expenses	154.1	16.3	120.2	14.0
Gain on sale of assets	(1.3)	(0.2)		
Impairment charges on fixed assets			1.1	0.1
Operating profit (loss)	(3.3)	(0.3)	33.8	3.9
Other expenses	(36.4)	(3.9)	(28.2)	(3.3)
Income (loss) before income taxes	(39.7)	(4.2)	5.6	0.6
Provision (benefit) for income taxes	(4.9)	(0.5)	2.8	0.3
Net income (loss)	(34.8)	(3.7)	2.8	0.3
Less: Net loss attributable to noncontrolling interest	(0.1)		(0.2)	
Net income (loss) attributable to Ryerson Holding Corporation	\$ (34.7)	(3.7)%	\$ 3.0	0.3 %
Basic and diluted earnings (loss) per share	\$ (1.26)		\$ 0.14	

The following table shows the Company's percentage of sales revenue by major product lines for the third quarter of 2014 and 2013:

Product Line	Three Months Ended	
	September 30, 2014	September 30, 2013

Edgar Filing: Ryerson Holding Corp - Form 10-Q

Carbon Steel Flat	25%	26%
Carbon Steel Plate	11	11
Carbon Steel Long	16	15
Stainless Steel Flat	16	16
Stainless Steel Plate	4	4
Stainless Steel Long	4	3
Aluminum Flat	15	15
Aluminum Plate	3	3
Aluminum Long	4	4
Other	2	3
Total	100%	100%

*Net sales.* Revenue for the third quarter of 2014 increased 10.2% from the same period a year ago to \$947.9 million. Average selling price increased 10.4% while tons sold decreased 0.2% in the third quarter of 2014 reflecting slightly improved economic conditions in the metals market as well as higher nickel surcharges on stainless steel products. Our stainless plate, stainless flat, carbon plate and carbon flat product lines had the largest increases in average selling price. Tons sold decreased for our carbon flat and aluminum long product lines in the third quarter of 2014 compared to the year-ago quarter offset by increases in shipments of aluminum plate, aluminum flat and stainless long products.

---

**Table of Contents**

*Cost of materials sold.* Cost of materials sold increased 13.3% to \$798.4 million in the third quarter of 2014 compared to \$704.7 million in the third quarter of 2013. The increase in cost of materials sold in the third quarter of 2014 compared to the same period a year ago is primarily due to an increase in the average cost of materials sold per ton. The average cost of materials sold per ton increased to \$1,541 in the third quarter of 2014 from \$1,358 in the third quarter of 2013. The average cost of materials sold for our carbon plate, stainless flat, carbon flat and stainless plate product lines increased more than our other products, in line with the change in average selling price per ton. During the third quarter of 2014, LIFO expense was \$19.1 million compared to LIFO income of \$9.5 million in the third quarter of 2013.

*Gross profit.* Gross profit decreased by \$5.6 million to \$149.5 million in the third quarter of 2014 compared to the third quarter of 2013. Gross profit as a percent of sales in the third quarter of 2014 decreased to 15.8% from 18.0% in the third quarter of 2013. While our revenue per ton increased in the third quarter of 2014 as compared to the third quarter of 2013, cost of materials sold per ton increased at a faster pace resulting in lower gross margins.

*Operating expenses.* Total operating expenses increased by \$31.5 million to \$152.8 million in the third quarter of 2014 from \$121.3 million in the third quarter of 2013. The increase was primarily due to a \$25.0 million charge to terminate the advisory service agreement with Platinum Equity Advisors, LLC in connection with the completion of our initial public offering on August 13, 2014, which is described in Note 10, Related Parties of the Notes to Condensed Consolidated Financial Statements in this Quarterly Report on Form 10-Q. We also recognized \$7.7 million of transaction compensation expense associated with the initial public offering. In addition, incentive compensation expense was \$6.1 million higher in the third quarter of 2014 compared to the third quarter of 2013. Partially offsetting these increases was a decrease in employee benefits expense, primarily pension and medical expenses, of \$2.4 million, a decrease in salaries and wages of \$1.4 million, a gain on the sale of assets of \$1.3 million in the third quarter of 2014 and an impairment charge on fixed assets in the third quarter of 2013 of \$1.1 million. On a per ton basis, third quarter of 2014 operating expenses increased to \$295 per ton from \$234 per ton in the third quarter of 2013.

*Operating profit.* For the third quarter of 2014, the Company reported an operating loss of \$3.3 million, or \$6 per ton, compared to an operating profit of \$33.8 million, or \$65 per ton, in the third quarter of 2013, as a result of the factors discussed above.

*Other expenses.* Interest and other expense on debt increased to \$27.9 million in the third quarter of 2014 from \$27.1 million in the third quarter of 2013, primarily due to a \$1.2 million charge to write-off a portion of prepaid debt issuance costs associated with our 11 1/4% Senior Notes due 2018 (the 2018 Notes) upon redeeming \$99.5 million principal amount of the 2018 Notes in the third quarter of 2014. Other income and (expense), net was a charge of \$8.5 million in the third quarter of 2014 as compared to a charge of \$1.1 million in the same period a year ago. The third quarter of 2014 included an \$11.2 million loss consisting of an early redemption premium on the redemption of the \$99.5 million principal amount of the 2018 Notes, partially offset by \$2.5 million of foreign currency gains. The \$1.1 million of other expense in the third quarter of 2013 was primarily related to foreign currency losses.

*Provision for income taxes.* In the third quarter of 2014, the Company recorded an income tax benefit of \$4.9 million compared to income tax expense of \$2.8 million in the third quarter of 2013. The \$4.9 million income tax benefit in the third quarter of 2014 primarily represents taxes at local statutory rates where the Company operates and the impact of certain initial public offering related transactions that are recognized differently for U.S. tax purposes, but generally excludes any tax benefit for losses in jurisdictions with historical losses. The \$2.8 million income tax expense in the third quarter of 2013 primarily represents foreign and U.S. state income tax expense and adjustments related to our tax LIFO inventory method.

*Earnings per share.* Basic and diluted loss per share was \$1.26 in the third quarter of 2014 compared to earnings per share of \$0.14 in the third quarter of 2013. The changes in earnings per share are due to the results of operations discussed above and an increase of 6.2 million average shares outstanding in the third quarter of 2014 compared to the third quarter of 2013 after the issuance of 11.0 million shares of common stock in an initial public offering on August 8, 2014.



**Table of Contents****Results of Operations Comparison of First Nine Months 2014 to First Nine Months 2013**

	Nine months ended		Nine months ended	
	September 30, 2014	% of Net Sales	September 30, 2013	% of Net Sales
	(\$ in millions)			
Net sales	\$ 2,753.8	100.0%	\$ 2,657.8	100.0%
Cost of materials sold	2,302.2	83.6	2,188.4	82.3
Gross profit	451.6	16.4	469.4	17.7
Warehousing, delivery, selling, general and administrative expenses	392.1	14.2	363.2	13.7
Restructuring and other charges			2.1	0.1
Gain on sale of assets	(1.3)			
Impairment charges on fixed assets and goodwill			8.8	0.3
Operating profit	60.8	2.2	95.3	3.6
Other expenses	(91.0)	(3.3)	(81.2)	(3.1)
Income (loss) before income taxes	(30.2)	(1.1)	14.1	0.5
Provision for income taxes	0.7		5.9	0.2
Net income (loss)	(30.9)	(1.1)	8.2	0.3
Less: Net loss attributable to noncontrolling interest	(0.4)		(0.9)	
Net income (loss) attributable to Ryerson Holding Corporation	\$ (30.5)	(1.1)%	\$ 9.1	0.3%
Basic and diluted earnings per share	\$ (1.31)		\$ 0.43	

The following table shows the Company's percentage of sales revenue by major product lines for the first nine months of 2014 and 2013:

Product Line	Nine Months Ended	
	September 30, 2014	September 30, 2013
Carbon Steel Flat	26%	26%
Carbon Steel Plate	11	11
Carbon Steel Long	16	15
Stainless Steel Flat	16	16
Stainless Steel Plate	4	4

Edgar Filing: Ryerson Holding Corp - Form 10-Q

Stainless Steel Long	4	3
Aluminum Flat	14	15
Aluminum Plate	3	3
Aluminum Long	4	4
Other	2	3
<b>Total</b>	<b>100%</b>	<b>100%</b>

*Net sales.* Revenue for the first nine months of 2014 increased 3.6% from the first nine months of 2013 to \$2,753.8 million. Average selling price increased 4.0% while tons sold decreased 0.4% reflecting stable economic conditions in the metals market in the first nine months of 2014 compared to the same period a year ago. Our carbon flat and carbon plate product lines had the largest increases in average selling price partially offset by decreases in the average selling price of our aluminum plate and aluminum flat products. Tons sold in the first nine months of 2014 decreased for our aluminum long and carbon flat product lines offset by increases in shipments of aluminum flat, stainless plate and stainless flat products.

---

**Table of Contents**

*Cost of materials sold.* Cost of materials sold increased 5.2% in the first nine months of 2014 to \$2,302.2 million compared to \$2,188.4 million for the same period in 2013. The increase in cost of materials sold in 2014 compared to 2013 is primarily due to an increase in the average cost of materials sold per ton. The average cost of materials sold per ton increased to \$1,482 in the first nine months of 2014 from \$1,404 in the first nine months of 2013. The average cost of materials sold for our carbon flat and carbon plate product lines increased more than our other products, in line with the change in average selling price per ton. During the first nine months of 2014, LIFO expense was \$42.0 million compared to LIFO income of \$26.6 million in the first nine months of 2013.

*Gross profit.* Gross profit decreased by \$17.8 million to \$451.6 million in the first nine months of 2014. Gross profit per ton decreased to \$291 per ton in the first nine months of 2014 from \$301 per ton in the year-ago period due to the increase in cost of materials sold. Gross profit as a percent of sales in the first nine months of 2014 decreased to 16.4% from 17.7% a year ago. While revenue per ton increased in the first nine months of 2014 as compared to the first nine months of 2013, our cost of materials sold increased at a faster pace resulting in lower gross margins.

*Operating expenses.* Total operating expenses increased by \$16.7 million to \$390.8 million in the first nine months of 2014 from \$374.1 million in the first nine months of 2013. The increase was primarily due to a \$25.0 million charge to terminate the advisory service agreement with Platinum Equity Advisors, LLC in connection with the completion of our initial public offering on August 13, 2014, which is described in Note 10, Related Parties of the Notes to Condensed Consolidated Financial Statements in this Quarterly Report on Form 10-Q. We also recognized \$7.7 million of transaction compensation expense associated with the initial public offering. In addition, incentive compensation expense was \$11.8 million higher in the first nine months of 2014 compared to the first nine months of 2013. Partially offsetting these increases were impairment charges on goodwill and fixed assets of \$8.8 million and a \$2.1 million restructuring charge related to a facility closure in the first nine months of 2013 and decreases in expense in the first nine months of 2014 compared to the first nine months of 2013 in salaries and wages of \$7.0 million resulting from lower employment levels, in employee benefits expense, primarily pension and medical expenses, of \$6.1 million and in reorganization costs of \$3.3 million. We also recorded a gain on the sale of assets of \$1.3 million in the first nine months of 2014. On a per ton basis, the first nine months of 2014 operating expenses increased to \$252 per ton from \$240 per ton in the first nine months of 2013.

*Operating profit.* For the first nine months of 2014, the Company reported an operating profit of \$60.8 million, or \$39 per ton, compared to \$95.3 million, or \$61 per ton, in the first nine months of 2013, as a result of the factors discussed above.

*Other expenses.* Interest and other expense on debt decreased to \$82.8 million in the first nine months of 2014 from \$83.3 million in the first nine months of 2013, primarily due to lower commitment fees on the unused portion of the credit facility in the first nine months of 2014 partially offset by a \$1.2 million charge to write-off a portion of prepaid debt issuance costs associated with our 2018 Notes upon redeeming \$99.5 million principal amount of the 2018 Notes in September 2014. Other income and (expense), net was expense of \$8.2 million in the first nine months of 2014 as compared to income of \$2.1 million in the same period a year ago. The first nine months of 2014 included an \$11.2 million loss consisting of an early redemption premium on the redemption of the \$99.5 million principal amount of the 2018 Notes, partially offset by \$2.6 million of foreign currency gains. The \$2.1 million of other income in the first nine months of 2013 was primarily related to foreign currency gains.

*Provision for income taxes.* In the first nine months of 2014, the Company recorded income tax expense of \$0.7 million compared to \$5.9 million in the first nine months of 2013. The \$0.7 million income tax expense in the first nine months of 2014 primarily represents taxes at local statutory rates where the Company operates and the impact of certain initial public offering related transactions that are recognized differently for U.S. tax purposes, but generally excludes any tax benefit for losses in jurisdictions with historical losses. The \$5.9 million income tax expense in the

first nine months of 2013 primarily represents foreign and U.S. state income tax expense for the period and adjustments related to our tax LIFO inventory method.

*Earnings per share.* Basic and diluted loss per share was \$1.31 in the first nine months of 2014 compared to income per share of \$0.43 in the first nine months of 2013. The changes in earnings per share are due to the results of operations discussed above and an increase of 1.9 million in average shares outstanding in the first nine months of 2014 compared to the first nine months of 2013 after the issuance of 11.0 million shares of common stock in an initial public offering on August 8, 2014.

**Table of Contents****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 \$1.35 billion revolving credit facility agreement (as amended and restated the Ryerson Credit Facility) that matures on the earlier of (a) April 3, 2018 or (b) August 16, 2017 (60 days prior to the scheduled maturity date of the \$600 million of 9% Senior Secured Notes due 2017 (the 2017 Notes)), if the 2017 Notes are then outstanding. 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:

	<b>Nine Months Ended</b>	
	<b>September 30,</b>	
	<b>2014</b>	<b>2013</b>
	<b>(In millions)</b>	
Net cash provided by (used in) operating activities	\$ (34.7)	\$ 88.0
Net cash used in investing activities	(9.9)	(12.9)
Net cash provided by (used in) financing activities	55.3	(62.5)
Effect of exchange rates on cash and cash equivalents	(4.6)	(2.7)
<b>Net increase in cash and cash equivalents</b>	<b>\$ 6.1</b>	<b>\$ 9.9</b>

The Company had cash and cash equivalents at September 30, 2014 of \$80.5 million, compared to \$74.4 million at December 31, 2013. The Company had \$1,228 million and \$1,295 million of total debt outstanding and a debt-to-capitalization ratio of 103% and 109% at September 30, 2014 and December 31, 2013, respectively. The Company had total liquidity (defined as cash and cash equivalents, marketable securities and availability under the Ryerson Credit Facility and foreign debt facilities) of \$394 million at September 30, 2014 versus \$351 million at December 31, 2013. 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 generally accepted accounting principles 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:

	<b>September 30, 2014</b>	<b>December 31, 2013</b>
	<b>(In millions)</b>	
Cash and cash equivalents	\$ 81	\$ 74
Marketable securities	12	21
	<b>301</b>	<b>256</b>

Availability on Ryerson Credit Facility and foreign debt facilities

Total liquidity	\$ 394	\$	351
-----------------	--------	----	-----

Of the total cash and cash equivalents, as of September 30, 2014, \$56.3 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 Ryerson has historically satisfied needs for more capital in the U.S. through debt or equity issuances, Ryerson 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.

---

**Table of Contents**

Net cash used in operating activities of \$34.7 million in the first nine months of 2014 was primarily due to an increase in accounts receivable of \$88.3 million resulting from an increase in the average selling price of material at the end of the third quarter of 2014 compared to year-end 2013, pension contributions of \$50.2 million and the net loss in the first nine months of 2014 of \$30.9 million, partially offset by an increase in accounts payable of \$67.6 million resulting from a higher level of material purchases at the end of the third quarter of 2014 compared to year-end 2013, non-cash depreciation and amortization expense of \$34.0 million and an increase in accrued liabilities of \$28.4 million. Net cash provided by operating activities of \$88.0 million in the first nine months of 2013 was primarily due to a decrease in inventory of \$36.5 million as the company reduced inventory levels to correspond to the weaker metals market, an increase in accounts payable of \$36.4 million resulting from a higher level of material purchases at the end of the third quarter of 2013 compared to year-end 2012, non-cash depreciation and amortization expense of \$34.7 million, an increase in accrued liabilities of \$21.4 million, non-cash impairment charges on fixed assets and goodwill of \$8.8 million and net income of \$8.2 million, partially offset by an increase in accounts receivable of \$27.2 million resulting from higher sales levels in the first nine months of 2013 compared to year-end 2012 and pension contributions of \$37.3 million.

Capital expenditures during the first nine months of 2014 totaled \$13.7 million compared to \$16.5 million in the first nine months of 2013. The Company sold property, plant and equipment and assets held for sale generating cash proceeds of \$3.9 million and \$4.3 million during the first nine months of 2014 and 2013, respectively.

Net cash provided by financing activities in the first nine months of 2014 was \$55.3 million compared to net cash used in financing activities of \$62.5 million in the first nine months of 2013. Net cash provided by financing activities in the first nine months of 2014 was primarily related to net proceeds of \$112.4 million from our initial public stock offering on August 13, 2014. We then redeemed \$99.5 million principal amount of our 2018 Notes for \$110.7 million in September 2014. In addition, in the first nine months of 2014, credit facility borrowings increased \$32.5 million, primarily to fund cash used in operating activities and capital expenditures described above, and book overdrafts increased \$21.8 million. Net cash used in financing activities in the first nine months of 2013 was primarily related to repayments on credit facility borrowings as a result of the net cash provided by operating activities discussed above.

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

**Total Debt**

As a result of receiving proceeds from our initial public offering to redeem \$99.5 million of the 2018 Notes, offset by net cash used in operating activities, total debt in the Condensed Consolidated Balance Sheet decreased to \$1,227.8 million at September 30, 2014 from \$1,294.8 million at December 31, 2013.

Total debt outstanding as of September 30, 2014 consisted of the following amounts: \$397.6 million borrowing under the Ryerson Credit Facility, \$600.0 million principal amount of the 2017 Notes, \$200.5 million principal amount of the 2018 Notes (together with the 2017 Notes, the 2017 and 2018 Notes), and \$29.7 million of foreign debt. Discussion of each of these borrowings follows.

**Ryerson Credit Facility**

On April 3, 2013, Ryerson amended and restated the Ryerson Credit Facility, to, among other things, extend the maturity date to the earlier of (a) April 3, 2018 or (b) August 16, 2017 (60 days prior to the scheduled maturity date of the 2017 Notes), if the 2017 Notes are then outstanding. At September 30, 2014, Ryerson had \$397.6 million of outstanding borrowings, \$30 million of letters of credit issued and \$293 million available under the \$1.35 billion

Ryerson Credit Facility compared to \$369.1 million of outstanding borrowings, \$27 million of letters of credit issued and \$234 million available at December 31, 2013. Total credit availability is limited by the amount of eligible accounts receivable and inventory pledged as collateral under the agreement insofar as Ryerson is subject to a borrowing base comprised of the aggregate of these two amounts, less applicable reserves. Eligible accounts receivable, at any date of determination, are comprised of the aggregate value of all accounts directly created by a borrower in the ordinary course of business arising out of the sale of goods or the rendition 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 does not have sole and absolute title and accounts arising out of a sale to an employee, officer, director, or affiliate of a borrower. Eligible inventory, at any date of determination, is comprised of the aggregate value of all inventory owned by a borrower, with such inventory adjusted to exclude various ineligible inventory, including, among other things, any inventory that is classified as supplies or is unsaleable in the ordinary course of business and 50% of the value of any inventory that (i) has not been sold or processed within a 180 day period and (ii) which is calculated to have more than 365 days of supply based upon the immediately preceding 6 months consumption. The weighted average interest rate on the borrowings under the Ryerson Credit Facility was 2.2 percent and 2.1 percent at September 30, 2014 and December 31, 2013, respectively.



---

**Table of Contents**

The total \$1.35 billion revolving credit facility has an allocation of \$1.215 billion to Ryerson and its subsidiaries in the United States and an allocation of \$135 million to Ryerson Canada. Amounts outstanding under the U.S. facility bear interest at a rate determined by reference to the base rate (Bank of America's prime rate) or a LIBOR rate or, for the Canadian facility a rate determined by reference to the Canadian base rate (Bank of America-Canada Branch's Base Rate for loans in U.S. Dollars in Canada) or the BA rate (average annual rate applicable to Canadian Dollar bankers acceptances) or a LIBOR rate and the Canadian prime rate (Bank of America-Canada Branch's Prime Rate. ). The spread over the base rate and Canadian prime rate is between 0.50% and 1.00% and the spread over the LIBOR and for the bankers' acceptances is between 1.50% and 2.00%, depending on the amount available to be borrowed. Overdue amounts and all amounts owed during the existence of a default bear interest at 2% above the rate otherwise applicable thereto. The Company also pays commitment fees on amounts not borrowed at a rate between 0.25% and 0.375% depending on the average borrowings as a percentage of the total \$1.35 billion agreement during a rolling three month period.

Borrowings under the Ryerson Credit Facility are secured by (i) in the case of the U.S. facility, first-priority liens on all of the inventory, accounts receivable, lockbox accounts (excluding any proceeds therein of collateral securing the 2017 Notes on a first priority lien basis) and related U.S. assets of Ryerson, the U.S. subsidiary borrowers and certain other U.S. subsidiaries of Ryerson that act as guarantors, and (ii) in the case of the Canadian facility, the assets securing the U.S. Facility and also first priority liens on all of the inventory, accounts receivable, lockbox accounts and related assets of Ryerson's Canadian subsidiary borrower and its Canadian subsidiaries that act as guarantors thereof.

The Ryerson Credit Facility contains covenants that, among other things, restrict Ryerson and its 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 such facility falls below a certain level, the Company maintain a minimum fixed charge coverage ratio as of the end of each calendar month.

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 have the ability to 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 Ryerson. If Ryerson or any significant subsidiaries of the other borrowers becomes insolvent or commences bankruptcy proceedings, all amounts borrowed under the Ryerson Credit Facility will become immediately due and payable.

Proceeds from borrowings under the Ryerson Credit Facility and repayments of borrowings thereunder that are reflected in the Consolidated Statements of Cash Flows represent borrowings under the Company's revolving credit agreement with original maturities greater than three months. Net proceeds (repayments) under the Ryerson Credit Facility represent borrowings under the Ryerson Credit Facility with original maturities less than three months.

**2017 and 2018 Notes**

## Edgar Filing: Ryerson Holding Corp - Form 10-Q

On October 10, 2012, Ryerson and its wholly owned subsidiary, JT Ryerson, issued \$600 million in aggregate principal amount of the 2017 Notes and \$300 million in aggregate principal amount of the 2018 Notes. The 2017 Notes bear interest at a rate of 9% per annum. The 2018 Notes bear interest at a rate of 11.25% per annum. The 2017 Notes are fully and unconditionally guaranteed on a senior secured basis and the 2018 Notes are fully and unconditionally guaranteed on a senior unsecured basis by all of our existing and future domestic subsidiaries that are co-borrowers or guarantors under the Ryerson Credit Facility.

The 2017 Notes and related guarantees are secured by a first-priority lien on substantially all of our and our guarantors present and future assets located in the United States (other than receivables, inventory, related general intangibles, certain other assets and proceeds thereof), subject to certain exceptions and customary permitted liens. The 2017 Notes and related guarantees are secured on a second-priority basis by a lien on the assets that secure our obligations under the Ryerson Credit Facility. The 2018 Notes are not secured. The 2017 and 2018 Notes contain customary covenants that, among other things, limit, subject to certain exceptions, our ability, and the ability of our restricted subsidiaries, to incur additional indebtedness, pay dividends on our capital stock or repurchase our capital stock, make investments, sell assets, engage in acquisitions, mergers or consolidations or create liens or use assets as security in other transactions. Subject to certain exceptions, Ryerson may only pay dividends to Ryerson Holding to the extent of 50% of future net income, once prior losses are offset.

**Table of Contents**

The 2017 Notes will become redeemable by the Company, in whole or in part, at any time on or after April 15, 2015 (the 2017 Redemption Date ) and the 2018 Notes will become redeemable, in whole or in part, at any time on or after October 15, 2015 (the 2018 Redemption Date ), in each case at specified redemption prices. The 2017 and 2018 Notes are redeemable prior to such dates, as applicable, at a redemption price equal to 100% of the principal amount, together with accrued and unpaid interest, if any, to the redemption date, plus a make-whole premium. Additionally, we may redeem up to 35% of each of the 2017 and 2018 Notes prior to the 2017 Redemption Date or 2018 Redemption Date, as applicable, with net cash proceeds from certain equity offerings at a price equal to (a) 109.000%, with respect to the 2017 Notes and (b) 111.250%, with respect to the 2018 Notes, of the principal amount thereof, plus any accrued and unpaid interest. 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. Net proceeds from the offering were used to redeem \$99.5 million in aggregate principal amount of the 2018 Notes and pay redemption premiums of \$11.2 million, which were recorded within other income and (expense), net. As of September 30, 2014, \$200.5 million of the original outstanding principal amount of the 2018 Notes remain outstanding. If a change of control occurs, Ryerson must offer to purchase the 2017 and 2018 Notes at 101% of their principal amount, plus accrued and unpaid interest.

Pursuant to registration rights agreements relating to the 2017 and 2018 Notes, we agreed to file with the SEC by July 7, 2013, registration statements with respect to offers to exchange each of the 2017 and 2018 Notes for new issues of our debt securities registered under the Securities Act, with terms substantially identical to those of the 2017 and 2018 Notes and to consummate such exchange offers no later than October 5, 2013. Ryerson completed the exchange offer on September 10, 2013. As a result of completing the exchange offer, Ryerson satisfied its obligation under the registration rights agreements covering each of the 2017 and 2018 Notes.

**Foreign Debt**

At September 30, 2014, Ryerson China's total foreign borrowings were \$29.7 million, which were owed to banks in Asia at a weighted average interest rate of 4.5% and secured by inventory and property, plant and equipment. At December 31, 2013, Ryerson China's total foreign borrowings were \$25.7 million, which were owed to banks in Asia at a weighted average interest rate of 4.3% and secured by inventory and property, plant and equipment.

Availability under the foreign credit lines was \$8 million and \$22 million at September 30, 2014 and December 31, 2013, respectively. Letters of credit issued by our foreign subsidiaries totaled \$4 million and \$4 million at September 30, 2014 and December 31, 2013, respectively.

**Pension Funding**

At December 31, 2013, pension liabilities exceeded plan assets by \$203 million. The Company anticipates that it will have a minimum required pension contribution of approximately \$55 million in 2014 under the Employee Retirement Income Security Act of 1974 ( ERISA ) and Pension Protection Act in the U.S and the Ontario Pension Benefits Act in Canada. Through the nine months ended September 30, 2014, the Company has made \$50 million in pension contributions, and anticipates an additional \$5 million of contributions in the remaining three months of 2014. 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 2014.



**Table of Contents****Contractual Obligations**

The following table presents contractual obligations at September 30, 2014:

Contractual Obligations(1)(2)	Total	Payments Due by Period			
		Less than 1 year	1 years	3 years	4 5 years
		(In millions)			
2017 Notes	\$ 600	\$	\$	\$ 600	\$
2018 Notes	201			201	
Ryerson Credit Facility	398		398		
Foreign Debt	30	30			
Interest on 2017 Notes, 2018 Notes, Foreign Debt and Ryerson Credit Facility (3)	280	85	169	26	
Purchase Obligations (4)	44	41	3		
Operating Leases	119	26	41	25	27
Pension Withdrawal Liability	1				1
Capital Lease Obligations	4	1	2	1	
Total	\$ 1,677	\$ 183	\$ 613	\$ 853	\$ 28

- (1) The contractual obligations disclosed above do not include the Company's potential future pension funding obligations (see discussion under Pension Funding caption).
- (2) Due to uncertainty regarding the completion of tax audits and possible outcomes, we do not know the timing of when our obligations related to unrecognized tax benefits will occur, if at all.
- (3) Interest payments related to the variable rate debt were estimated using the weighted average interest rate for the Ryerson Credit Facility.
- (4) The purchase obligations with suppliers are entered into when we receive firm sales commitments with certain of our customers.

**Income Taxes**

The Company released most of its remaining valuation allowance related to certain US federal and state deferred tax assets at December 31, 2013. 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 fourth quarter of 2013 was the first quarter in which the Company's overall U.S. operations had sustained an operating profit in both the preceding cumulative three fiscal year period and in each of its two preceding fiscal years, providing objective evidence of Ryerson's ability to earn future profits. Combined with Ryerson's projections of future income providing additional subjective evidence of Ryerson's ability to earn future profits and management's judgment, the Company determined that these deferred tax assets were more likely than not realizable and accordingly the valuation allowance was no longer required.

The Company will continue to maintain a valuation allowance on certain foreign and U.S. federal and state deferred tax assets until such time as in management's judgment, considering all available positive and negative evidence and consistent with its past determinations, the Company determines that these deferred tax assets are more likely than not

realizable.

The Company anticipates that certain statutes of limitation will close within the next twelve months resulting in the reduction of its reserve for uncertain tax benefits related to various intercompany transactions, with a corresponding income tax benefit of approximately \$1 million.

Recent legislative proposals in the U.S. would repeal the use of the last-in-first-out method of accounting ( LIFO method ) for inventory for U.S. tax purposes. If legislation repealing the use of the LIFO method for tax purposes becomes law, we would expect an increase in the cash taxes the Company will need to pay over a 10 year period.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

#### *Interest rate risk*

We are exposed to market risk related to our fixed-rate and variable-rate long-term debt. Market risk is the potential loss arising from adverse changes in market rates and prices, such as interest rates. 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 \$1,280 million at September 30, 2014 and \$1,349 million at December 31, 2013 as compared with the carrying value of \$1,228 million and \$1,295 million at September 30, 2014 and December 31, 2013, respectively.

## **Table of Contents**

A hypothetical 1% increase in interest rates on variable rate debt would have increased interest expense for the first nine months of 2014 by approximately \$2.7 million.

### *Foreign exchange rate risk*

We are subject to exposure from fluctuations in foreign currencies. We use foreign currency exchange contracts to hedge our Canadian subsidiaries' variability in cash flows from the forecasted payment of currencies other than the functional currency. The Canadian subsidiaries' foreign currency contracts were principally used to purchase U.S. dollars. We had foreign currency contracts with a U.S. dollar notional amount of \$2.4 million outstanding at September 30, 2014 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 nine months ended September 30, 2014, the Company recognized a gain less than \$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 September 30, 2014 would not have a material effect to the financial statements.

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*

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. Declining metal prices could reduce our revenues, gross profit and net income. 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.

As of September 30, 2014, we had 20 tons of nickel futures or option contracts, 1,880 tons of hot roll coil swaps and 1,465 tons of aluminum price swaps outstanding with a value of zero, a liability value of \$0.1 million and a value of zero, respectively. 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 nine months ended September 30, 2014, the Company recognized a gain of \$0.1 million associated with its metal commodity derivatives. A hypothetical strengthening or weakening of 10% in the commodity prices underlying the commodity derivative contracts from the market rate as of September 30, 2014 would not have a material effect to the financial statements.

## **Item 4. Controls and Procedures**

### **Evaluation of Disclosure Controls and Procedures**

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

procedures.

As required by SEC Rule 15d-15(b), we carried out an evaluation, under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of September 30, 2014.

#### **Changes in Internal Controls 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 controls over financial reporting during the quarter ended September 30, 2014.



**Table of Contents****PART II. OTHER INFORMATION****Item 1. Legal Proceedings**

From time to time, we are involved in litigation and administrative proceedings arising in the ordinary course of our business. We do not believe that the resolution of these claims will have a material adverse effect on our 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.

For additional information concerning legal proceedings, see Note 7, *Commitments and Contingencies* of the Notes to Condensed Consolidated Financial Statements in this Quarterly Report on Form 10-Q.

**Item 1A. Risk Factors**

A description of the risk factors associated with our business is contained in the *Risk Factors* section of Ryerson Holding Corporation's prospectus filed with the SEC pursuant to Rule 424(b) under the Securities Act of 1933, as amended, on August 8, 2014, and there have been no material changes to the risks listed therein.

**Items 2, 3, 4, and 5 are not applicable and have been omitted.**

**Item 6. Exhibits****Exhibit**

No.	Description
10.1	Ryerson Holding Corporation 2014 Omnibus Incentive Plan (1)
31.1	Certificate of the Principal Executive Officer of the Company, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certificate of the Principal Financial Officer of the Company, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Written Statement of Michael C. Arnold, 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.
32.2	Written Statement of Edward J. Lehner, Executive Vice President and Chief Financial Officer of the Company pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

Edgar Filing: Ryerson Holding Corp - Form 10-Q

101.CAL XBRL Taxonomy Calculation Linkbase Document  
101.LAB XBRL Taxonomy Label Linkbase Document  
101.PRE XBRL Taxonomy Presentation Linkbase Document

- (1) Exhibit 10.1 was filed under Exhibit 10.12 in the Company's Amendment No. 21 to the Company's Registration Statement on Form S-1, filed on July 24, 2014, and is incorporated herein by reference.

**Table of Contents**

**SIGNATURE**

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

**RYERSON HOLDING CORPORATION**

By: */s/* EDWARD J. LEHNER  
**Edward J. Lehner**

**Executive Vice President &**

**Chief Financial Officer**

**(duly authorized signatory and  
principal financial officer of the  
registrant)**

Date: November 12, 2014