
Steel Dynamics®

# Third Quarter 2019 Earnings Call Slides

16 October 2019

Steel Dynamics, Inc.

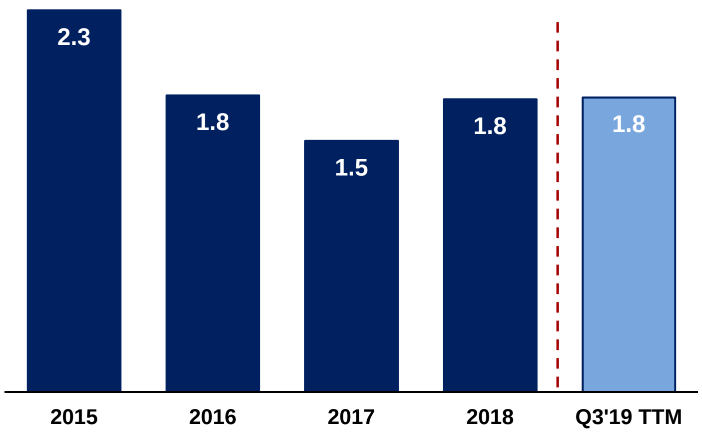
# Forward Looking Statements

This presentation contains some predictive statements about future events, including statements related to conditions in domestic or global economies, conditions in steel and recycled metals market places, Steel Dynamics' production capacities, shipments, revenues, costs of purchased materials, future profitability and earnings, and the operation of new, existing or planned facilities. These statements, which we generally precede or accompany by such typical conditional words as "anticipate," "intend," "believe," "estimate," "plan," "seek," "project" or "expect," or by the words "may," "will," or "should," are intended to be made as "forward-looking," subject to many risks and uncertainties, within the safe harbor protections of the Private Securities Litigation Reform Act of 1995. These statements speak only as of this date and are based upon information and assumptions, which we consider reasonable as of this date, concerning our businesses and the environments in which they operate. Such predictive statements are not guarantees of future performance, and we undertake no duty to update or revise any such statements. Some factors that could cause such forward-looking statements to turn out differently than anticipated include: (1) the effects of uncertain economic conditions; (2) cyclical and changing industrial demand; (3) changes in conditions in any of the steel or scrap-consuming sectors of the economy which affect demand for our products, including the strength of the non-residential and residential construction, automotive, manufacturing, appliance, pipe and tube, and other steel-consuming industries; (4) fluctuations in the cost of key raw materials and supplies (including steel scrap, iron units, zinc, graphite electrodes, and energy costs) and our ability to pass on any cost increases; (5) the impact of domestic and foreign imports, including trade policy, restrictions, or agreements; (6) unanticipated difficulties in integrating or starting up new, acquired or planned businesses or assets; (7) risks and uncertainties involving product and/or technology development; and (8) occurrences of unexpected plant outages or equipment failures.

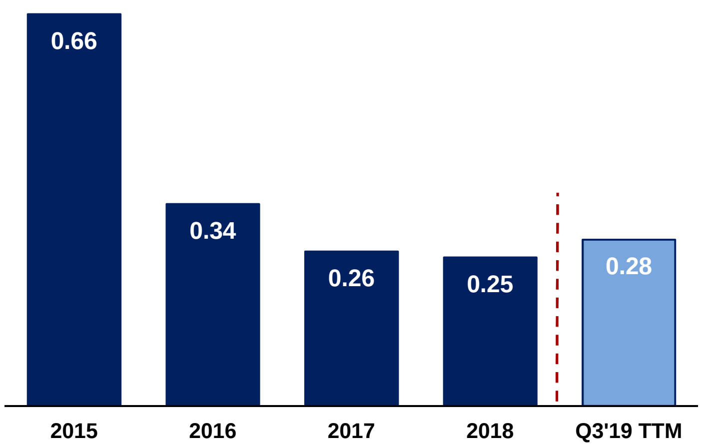
More specifically, we refer you to Steel Dynamics' more detailed explanation of these and other factors and risks that may cause such predictive statements to turn out differently than expected or anticipated, as set forth in our most recent Annual Report on Form 10-K under the headings Special Note Regarding Forward-Looking Statements and Risk Factors, in our quarterly reports on Form 10-Q or in other reports which we from time to time file with the Securities and Exchange Commission. These are available publicly on the SEC website, www.sec.gov, and on the Steel Dynamics website, www.steeldynamics.com.

# Safety is Our Number One Value

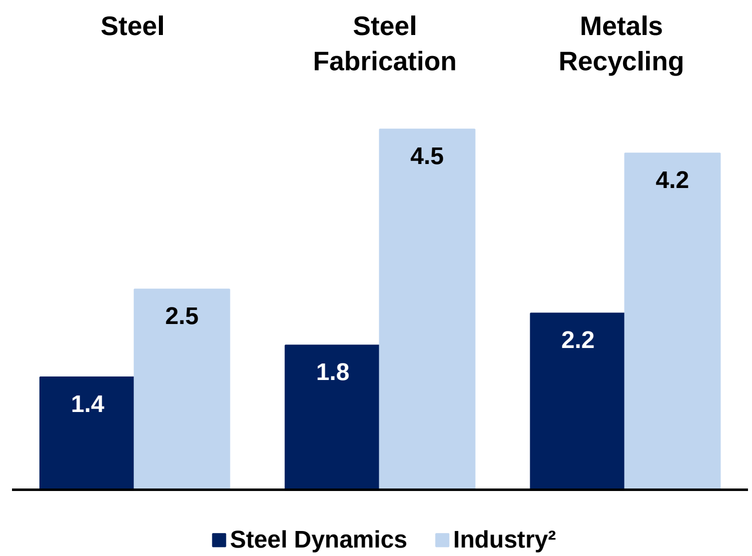
**Total Recordable Injury Rate[1]**




**Lost Time Injury Rate[1]**




**Total 2018 Recordable Injury Rate[1]** *By Platform*



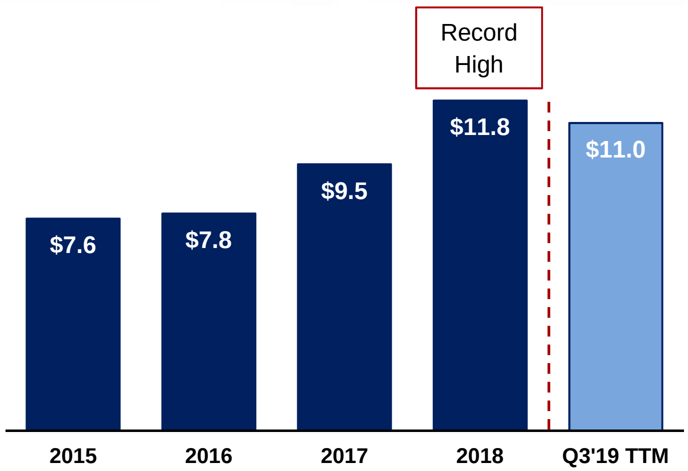

**During 2018, each of our platforms performed meaningfully better than industry benchmarks**

*[1] Total Recordable Injury Rate is defined as OSHA recordable incidents x 200,000 / hours worked and Lost Time Injury Rate is defined as OSHA days away from work cases x 200,000 / hours worked*

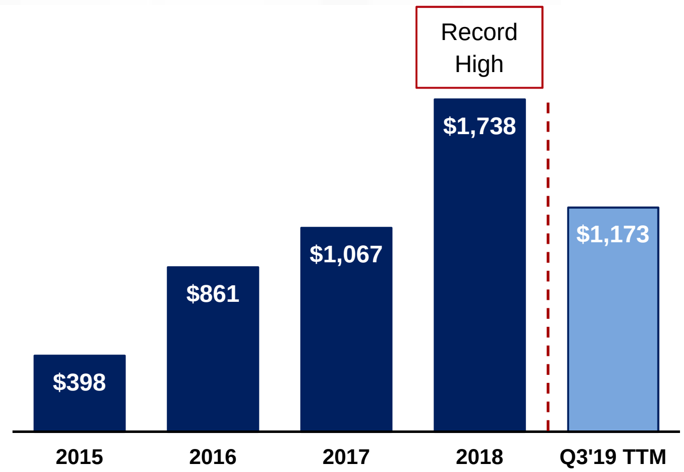
*[2] Source: U.S. DOL Bureau of Labor Statistics most recent information available (2017 for Steel and Steel Fabrication and 2016 for Metals Recycling)*

# Financial Strength in Diverse Market Environments

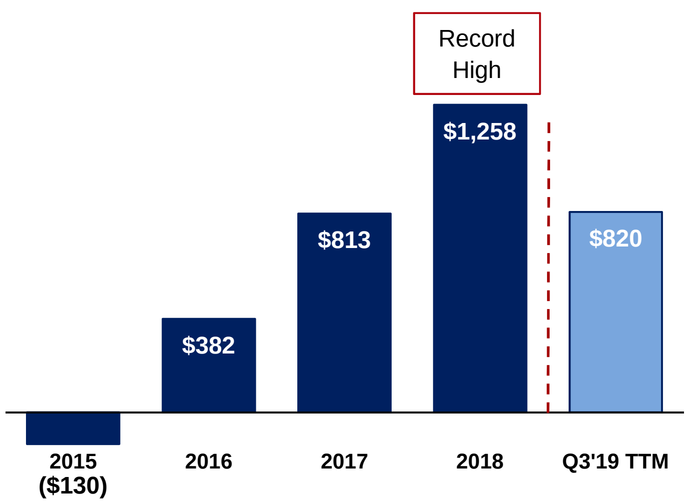
**Revenue** *(dollars in billions)*



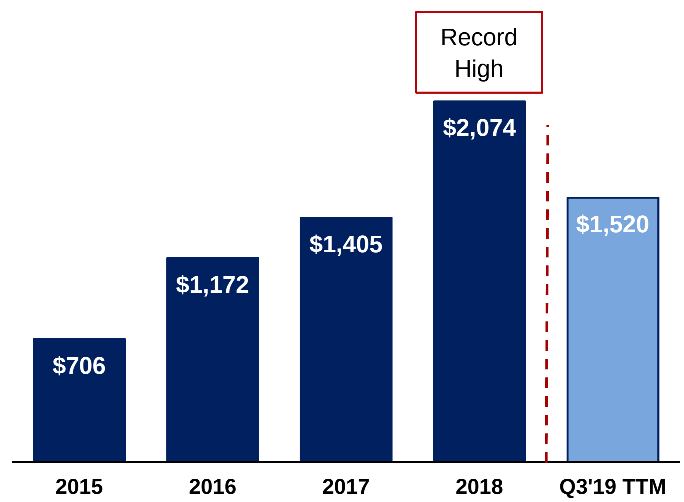

**Adjusted Operating Income[1]** *(dollars in millions)*




**Net Income** *(dollars in millions)*



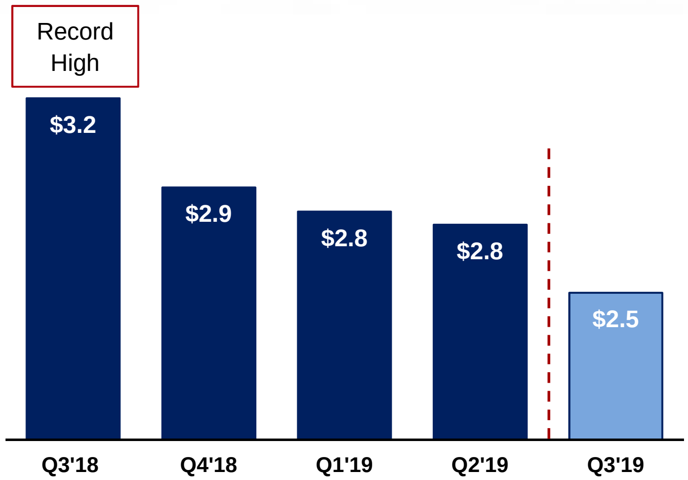

**Adjusted EBITDA[1]** *(dollars in millions)*



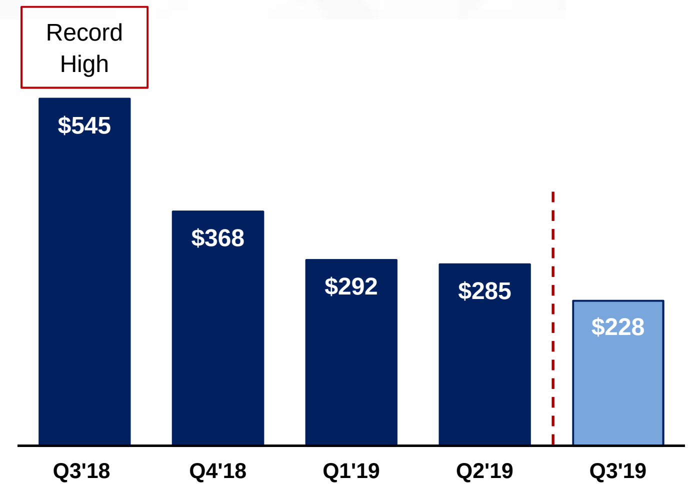

[1] *Please see the reconciliation of these amounts to GAAP amounts in the appendix to this presentation.*

# Q3 2019 Consolidated Results

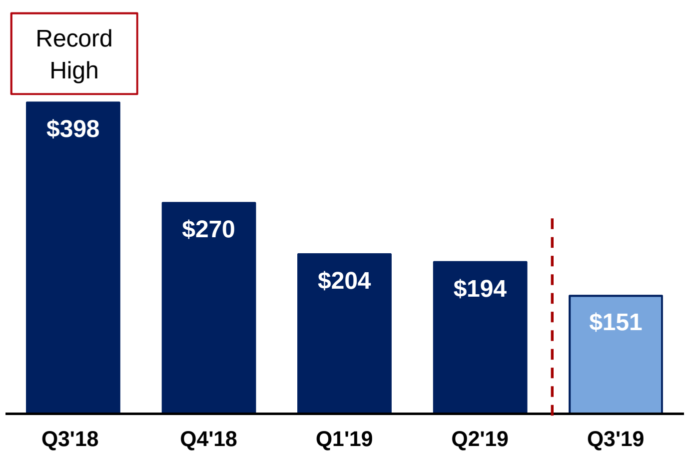
**Revenue** *(dollars in billions)*



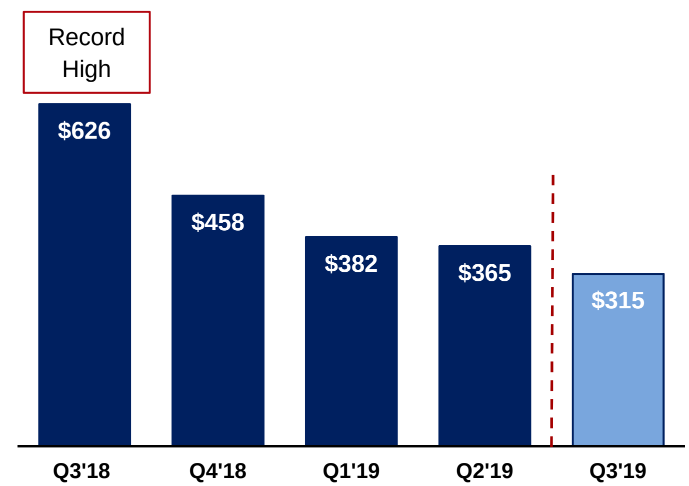

**Adjusted Operating Income[1]** *(dollars in millions)*




**Net Income** *(dollars in millions)*



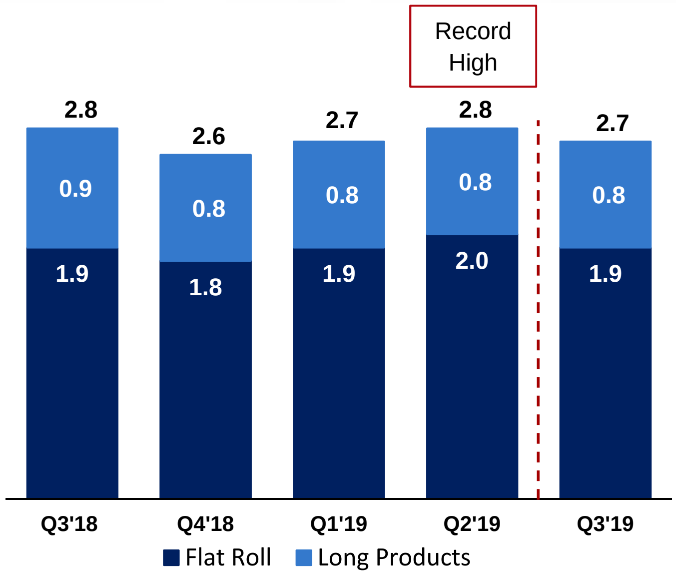

**Adjusted EBITDA[1]** *(dollars in millions)*




*[1] Please see the reconciliation of these amounts to GAAP amounts in the appendix to this presentation.*

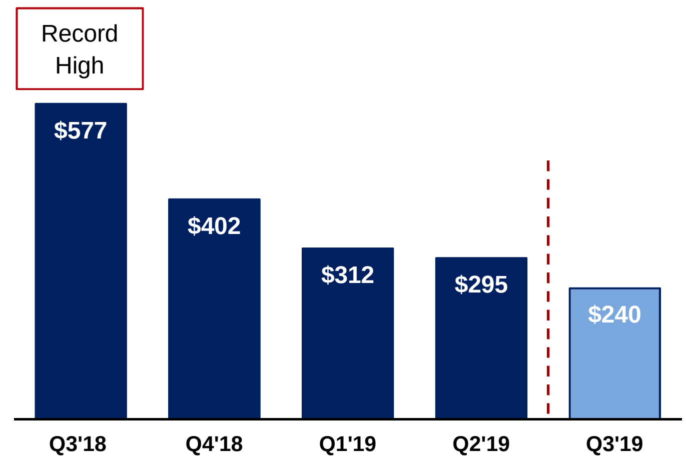
# Q3 2019 Steel Operations Results

**Steel Operations Total Shipments** *(millions of tons)*

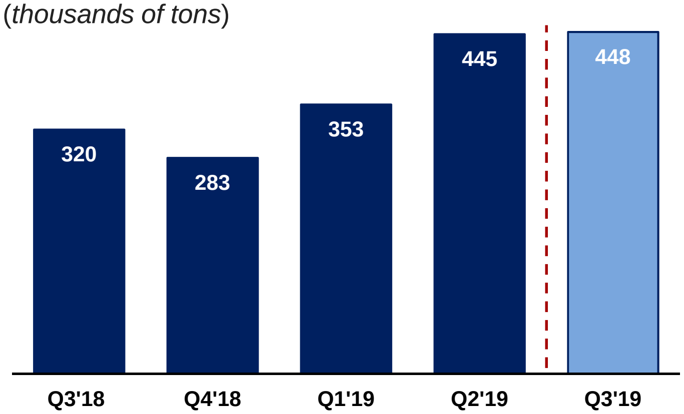



**Includes the continued ramp-up of Heartland volume since Q3 2018, and the addition of United Steel Supply upon its acquisition in late Q1 2019.**

**Operating Income** *(dollars in millions)*




**Processing Locations¹ Total Shipments** *(included above)*
*(thousands of tons)*

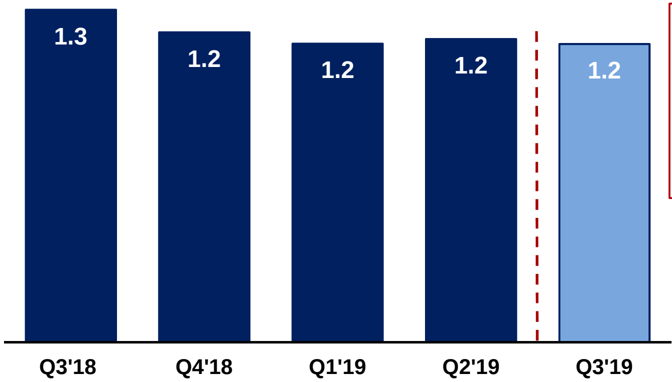



**Our processing locations represented 17% of total steel shipments in Q3 2019, and the associated steel procurement cost represented 17% of our steel operations' cost of goods sold.**

[1] *Processing locations include Heartland, Techs, United Steel Supply and Vulcan.*

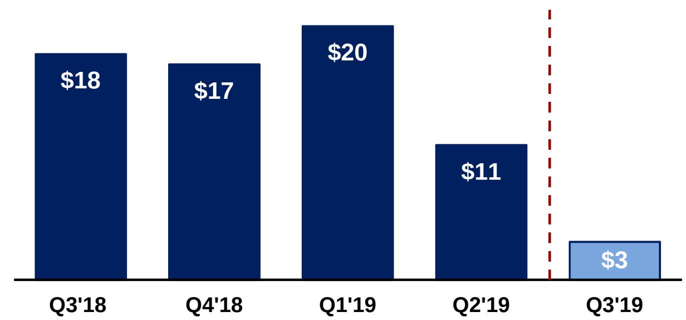
# Q3 2019 Metals Recycling Results

**Total Ferrous Shipments** *(millions of gross tons)*

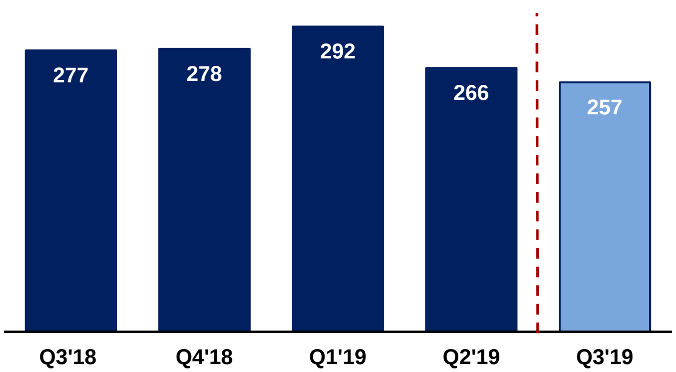



**66% of Q3 2019 ferrous scrap volume was sold to Steel Dynamics' steel mills**

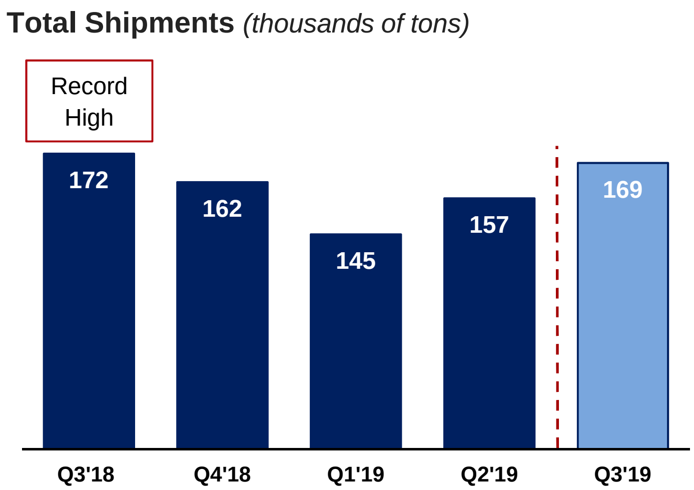
**Operating Income** (*dollars in millions*)

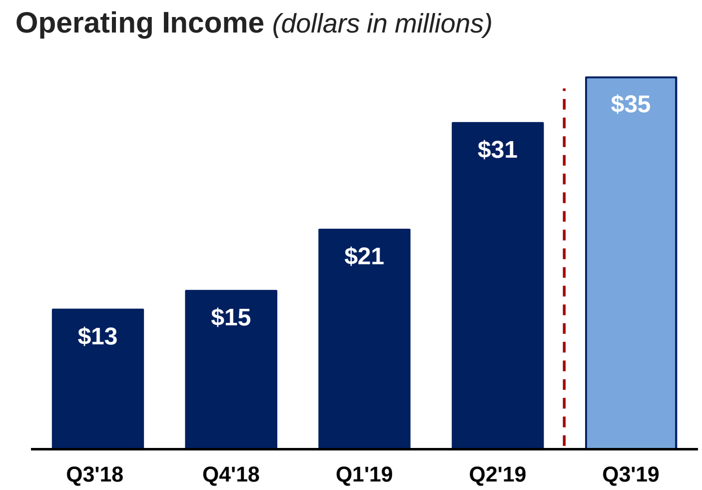



**Total Nonferrous Shipments** *(millions of pounds)*



# Q3 2019 Steel Fabrication Results

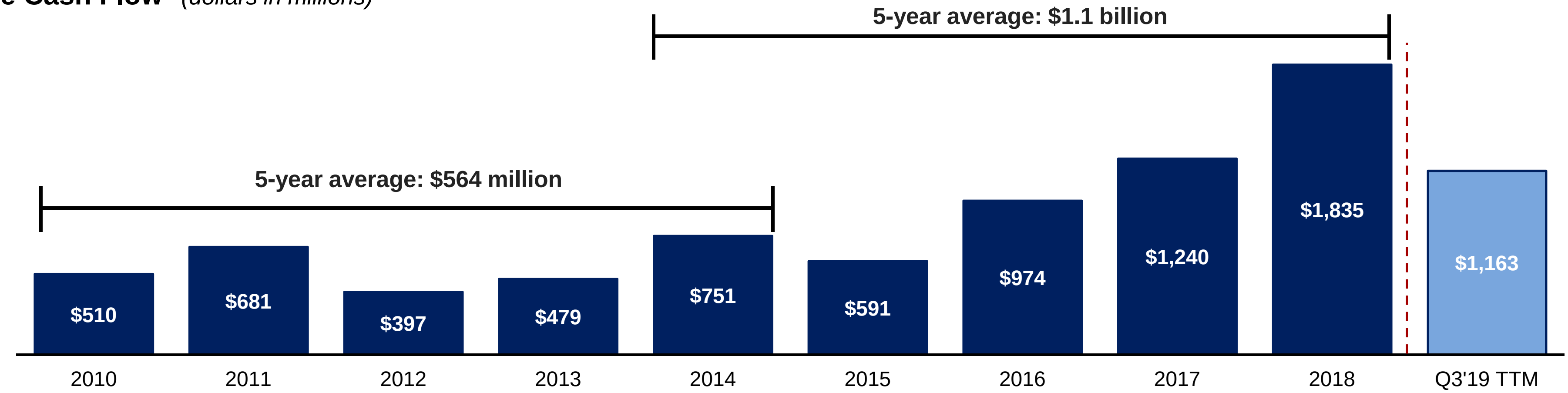


# Our differentiated business model is a proven through-cycle cash generator

**Doubled Average Annual Free Cash Flows**

**Free Cash Flow**[1] *(dollars in millions)*




***Excluding YTD 2019 funding for our new flat roll steel mill, our Q3'19 TTM free cash flow would have been $1.3 billion.***

[1] *"Free cash flow" is defined as Adjusted EBITDA – Capital Investments. The Adjusted EBITDA reconciliation to GAAP net income is provided in the appendix to this presentation.*

# We are operating from a position of strength, investing to deliver our next phase of growth

| | Timing |
|---|---|
| **Levering expertise to create next-generation EAF production capabilities, while gaining market share from disadvantaged, high-cost competitors and imports** | |
| ▪ **Planned Southwest U.S. Greenfield Flat Roll Steel Mill**<br>**Current estimated investment of approximately $1.9 billion[1]** | **Mid-2021[1]** |
| **Continuing to grow and diversify premium, value-added product capabilities and unlock value of existing operations** | |
| ▪ **Planned Columbus Flat Roll Division $140 million Galvanizing Line** | **Mid-2020[2]** |
| ▪ **Roanoke Bar Division $38 million Reinforcing Bar Expansion** | **Q2 2018** |
| ▪ **Structural and Rail Division $82 million Reinforcing Bar Expansion** | **Q1 2019** |
| **Growing high-margin downstream manufacturing to provide optional base-load, "pull-through" volume for our steel operations** | |
| ▪ **United Steel Supply Coated Flat Roll Steel Distributor,**<br>**75% Acquisition of Equity Interest, Valued at $134 million** | **March 2019** |
| ▪ **Heartland Flat Roll Steel Acquisition $434 million (includes $98 million of working capital)** | **June 2018** |

**Collectively, these primary strategic growth investments provide estimated incremental annual EBITDA of over $425M on a through-cycle historical spread basis.**

*[1] Estimated project cost and start-up timeline dependent upon receipt of required environmental and operating permits.*
*[2] Estimated start-up timeline*

# Our planned Southwest U.S. flat roll steel mill is a compelling growth opportunity

*Once completed, represents over a 25% increase in our current annual estimated EAF-based steel production capacity*

**Investment**

- **Electric-arc-furnace flat roll steel mill, including a galvanizing line (550k tons) and paint line (250k tons)**
- **Estimated 3.0 million tons of annual production capability**
- **Differentiated production capabilities, with meaningful customer benefits for certain products**
  - **Widths (38" to 84") and gauges from 0.047" to 1.00" / Produce up to 52.5 ton coils**

**Track Record**

- **Our team has an unparalleled track record for delivering organic investments "on time" and "on budget", creating significant value**
- **Expertise delivering next generation, state-of-the-art steel production facilities**

**Strategically Compelling**

- **"Next Generation" capabilities that are beyond existing EAF-based production capabilities**
- **Latest generation of advanced high strength steel grades, including automotive and energy grades**
- **Diversified, higher-quality value-added product mix**
- **Targeting underserved markets reliant on imports with long lead times and inferior product quality capabilities**
- **Competitively advantaged location**

**Smart Growth**

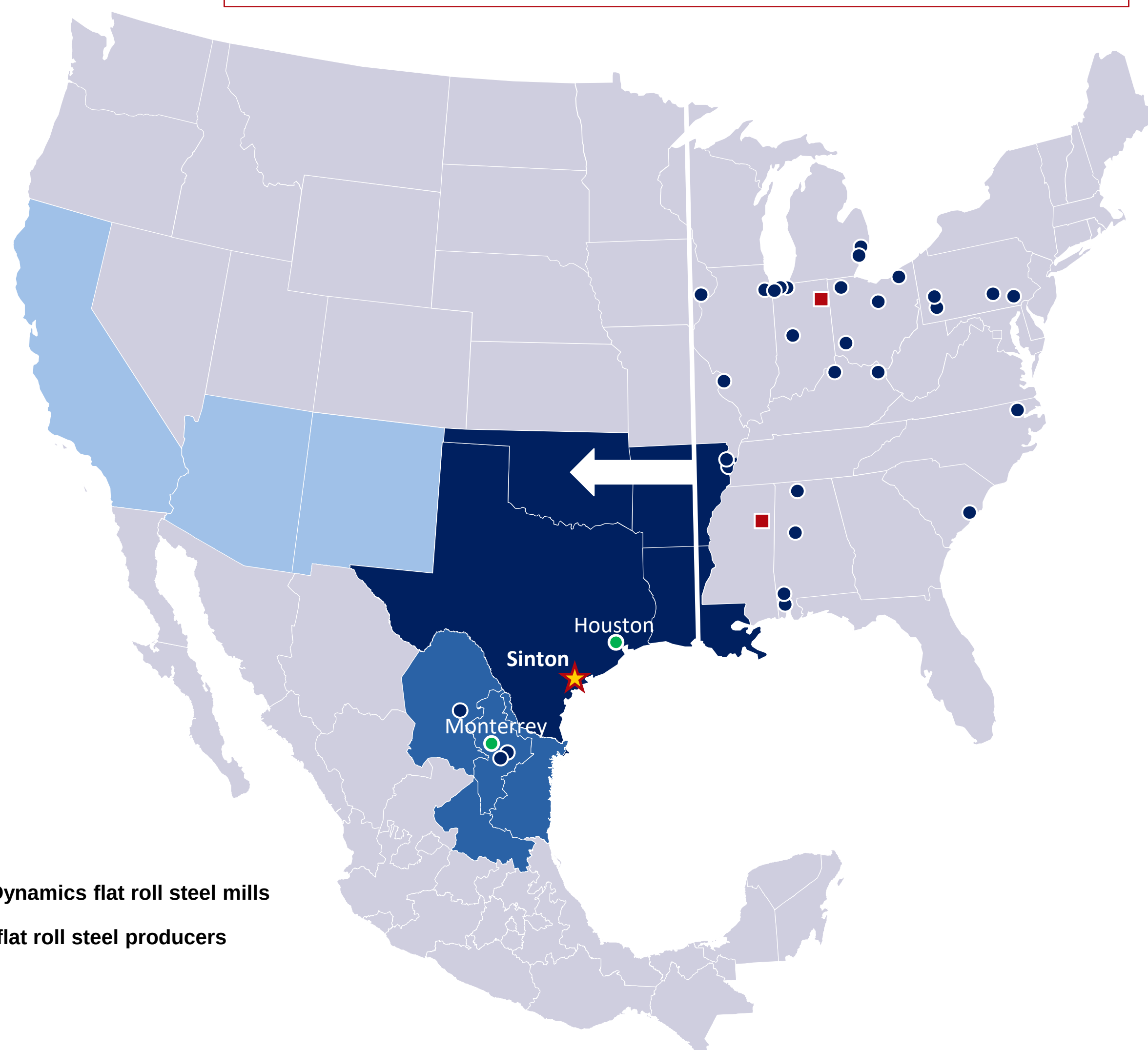
- **Growth from import share gains and higher-growth, steel-consuming markets**
  - **Southern U.S. manufacturing hubs growing faster than the rest of the country**
  - **Mexican flat roll steel consumption grew ~40% from 2013 – 2018[1], with shipments of 16M tons in 2018**
  - **Mexican market imported 7.5M tons of flat roll steel in 2018[2]**

[1] *Source: CRU*
[2] *Source: U.S. Department of Commerce*

# Planned Sinton, Texas flat roll steel mill drives next generation of growth and EAF steelmaking capability

**Estimated 27 million tons[1] in Targeted Regional Markets**

- ✓ **Texas and Surrounding States = 7 million tons**
- ✓ **West Coast = 4 million tons**
- ✓ **Mexico = 16 million tons** ***(45%-50% imported)***




■ **Steel Dynamics flat roll steel mills**

● **Other flat roll steel producers**

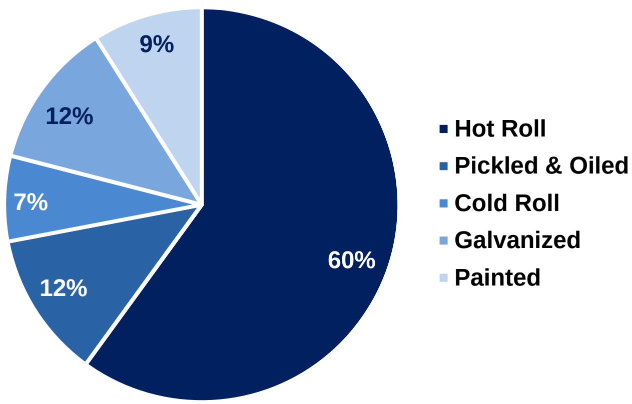
**Location Benefits**

- ✓ **Customer-centric logistics, providing shorter lead times and meaningful customer working capital savings,**
- ✓ **Central to the largest domestic consumption of flat roll Galvalume® and construction painted products, with the anticipated ability to effectively compete with excessive imports,**
- ✓ **Sufficient acreage to allow customers to locate on-site, providing logistic savings and steel mill volume base-loading opportunities,**
- ✓ **Proximity to prime ferrous scrap generation via the four-state Texas region and Mexico, and cost-effective access to pig iron through the deep-water port of Corpus Christi, as well as other alternative iron units,**
- ✓ **Excellent logistics provided by on-site access to two class I railroads, transloading opportunities with a third class I railroad, proximity to a major U.S. highway system, and access to the deep-water port of Corpus Christi, and**
- ✓ **Existing, mature and dependable power, natural gas, and water sources.**

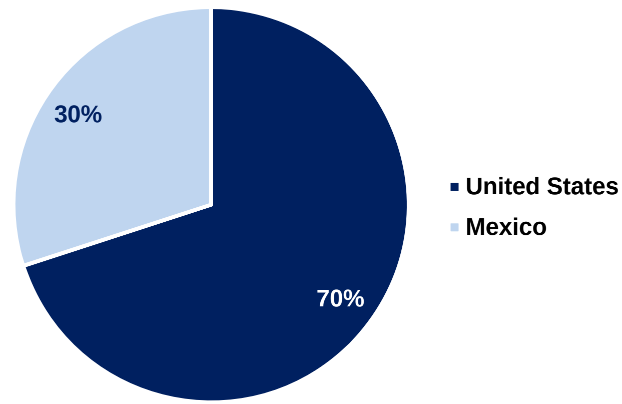
[1] *Source: 2017 CANACERO information published through AISI, market study including imports by regional ports, producer shipments and confidential customer information*

# Planned Sinton, Texas flat roll steel mill provides value-added product diversification

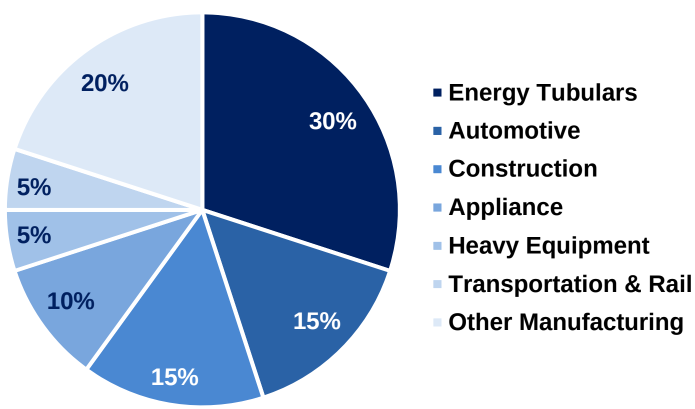
**Planned Sinton Product Mix[1]**



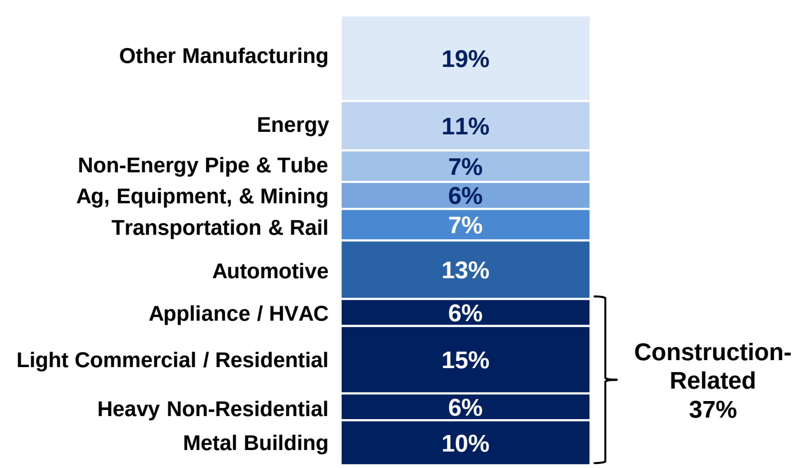

**Planned Sinton Shipments by Region[1]**




**Sinton Target End-Markets[1]**




**SDI Steel Operations Pro-forma Sinton End-markets[2]**




*[1] Based on a pro-forma full year of production at the Flat Roll Group Southwest - Sinton Division.*
*[2] Based on 2018 steel operations shipments with a pro-forma full year of production at the Flat Roll Group Southwest - Sinton Division.*

Steel Dynamics, Inc.

# Capital allocation framework

**Best-in-class performance** + **Strong cash flow generating business model** + **Strong balance sheet** = **Significant strategic optionality**

### Best-in-class performance

- Strong free cash flow conversion
- Leading EBITDA margin

### Strong cash flow generating business model

- Capital investments largely funded through cash flow
- Acquisitions funded to maintain credit flexibility and prudent liquidity while ensuring strong strategic logic, cultural fit, levering core competencies, and clear execution roadmap

### Strong balance sheet

- Broad access to low-cost debt
- Net leverage managed to not exceed 2.0x through-cycle
- Subsequent to an acquisition, committed to deleveraging into our target range within a reasonable amount of time

### Significant strategic optionality

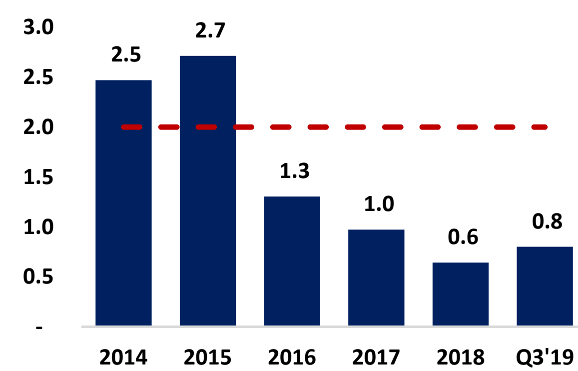
- Current growth strategy plans funded through free cash flow and debt capacity
- Healthy shareholder distributions – maintain positive dividend profile and use share repurchases as appropriate

**Balanced Capital Allocation - $5.4 billion Cash Flow from Operations over the last five years[1]**

**$1.7 billion Growth**

**$1.9 billion Capital Returned to Shareholders**


**Conservative net leverage while growing and returning capital to shareholders**




[1] *Period ended September 30, 2019*

# Strong balance sheet provides strategic flexibility

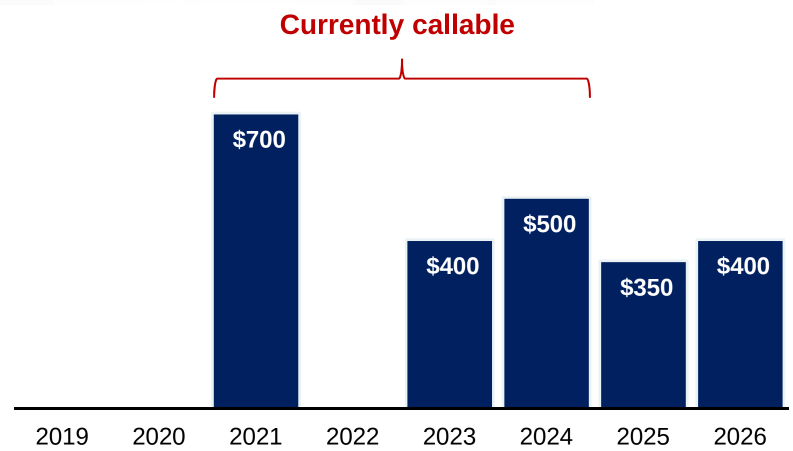
## Low leverage, low-cost debt

| As of September 30, 2019 | Amount ($M) | x Adjusted EBITDA[1] |
|---|---|---|
| Cash and cash equivalents and short-term investments | $ 1,216 | - |
| 5.125% senior notes, 2021 | 700 | 0.5x |
| 5.250% senior notes, 2023 | 400 | 0.3x |
| 5.500% senior notes, 2024 | 500 | 0.3x |
| 4.125% senior notes, 2025 | 350 | 0.2x |
| 5.000% senior notes, 2026 | 400 | 0.3x |
| Other obligations | 108 | 0.1x |
| **Total debt** | **$ 2,458** | **1.6x** |
| **Net debt** | **$ 1,242** | **0.8x** |

## Strong liquidity

| As of September 30, 2019 | Amount ($M) |
|---|---|
| Revolver availability (2023) | $1,158 |
| + Cash and cash equivalents and short-term investments | 1,216 |
| **Total liquidity** | **$2,374** |

## Staggered debt maturity profile[2] (dollars in millions)




**Committed to Maintaining Investment Grade Metrics**

| | |
|---|---|
| **Moody's** | **Baa3 / Stable** |
| **S&P** | **BBB- / Stable** |
| **Fitch** | **BBB / Stable** |


*[1] September 30, 2019 Trailing Twelve Months Adjusted EBITDA. See the reconciliation to GAAP net income in the appendix to this presentation.*
*[2] Excludes other debt obligations of $108 million.*

Steel Dynamics, Inc.

# We are a leading North American steel producer with a differentiated and proven business model

- Consistent best-in-class performance
- Differentiated business model delivering strong profitability and cash flow
- Smart growth — Gaining share and growing with customers
- Strong balance sheet provides strategic flexibility for prudent growth
- Sustainable shareholder value creation and distribution growth

# APPENDIX

# Steel Dynamics – Adjusted EBITDA and Adjusted Operating Income Reconciliations

| Dollars in millions | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | Q3'19 TTM |
|---|---|---|---|---|---|---|---|---|---|---|
| **Net Income (Loss)** | **$130** | **$266** | **$142** | **$164** | **$92** | **$(145)** | **$360** | **$806** | **$1,256** | **$824** |
| Income Taxes (Benefit) | 83 | 158 | 62 | 99 | 73 | (97) | 204 | 129 | 364 | 242 |
| Interest Expense | 170 | 177 | 159 | 128 | 137 | 154 | 146 | 134 | 127 | 126 |
| Interest Income | (4) | (5) | (5) | (5) | (2) | (1) | (5) | (10) | (23) | (28) |
| Depreciation | 171 | 177 | 180 | 192 | 229 | 263 | 261 | 265 | 283 | 288 |
| Amortization | 46 | 40 | 36 | 32 | 28 | 25 | 29 | 29 | 28 | 28 |
| Non-Controlling Interests | 12 | 13 | 21 | 26 | 65 | 15 | 22 | 7 | 3 | (4) |
| **EBITDA** | **$608** | **$826** | **$595** | **$636** | **$622** | **$214** | **$1,017** | **$1,360** | **$2,038** | **$1,476** |
| Unrealized hedging (gain) loss | 2 | (4) | (3) | 5 | (5) | 3 | 1 | 5 | (6) | (1) |
| Inventory valuation | 6 | 9 | 6 | 7 | 10 | 28 | 1 | 3 | 2 | 2 |
| Asset impairment charges | 13 | - | 11 | 2 | 213 | 432 | 123 | 3 | - | - |
| Equity-based compensation | 14 | 17 | 12 | 16 | 23 | 29 | 30 | 34 | 40 | 43 |
| **Adjusted EBITDA** | **$643** | **$848** | **$621** | **$666** | **$863** | **$706** | **$1,172** | **$1,405** | **$2,074** | **$1,520** |

| Dollars in millions | 2015 | 2016 | 2017 | 2018 | Q3'19 TTM |
|---|---|---|---|---|---|
| **Operating Income** | **$(73)** | **$728** | **$1,067** | **$1,722** | **$1,170** |
| Asset Impairment Charge | 429 | 133 | - | - | - |
| Minnesota Idle and Non-Cash Inventory Charge | 33 | - | - | - | - |
| Iron Dynamics Outage | 9 | - | - | - | - |
| Non-Cash Purchase Accounting | - | - | - | 16 | 3 |
| **Adjusted Operating Income** | **$398** | **$861** | **$1,067** | **$1,738** | **$1,173** |

# Steel Dynamics – Quarterly Adjusted EBITDA and Adjusted Operating Income Reconciliations

| Dollars in millions | Q3 2018 | Q4 2018 | Q1 2019 | Q2 2019 | Q3 2019 |
|---|---|---|---|---|---|
| **Net Income** | **$ 398** | **$ 270** | **$ 205** | **$ 197** | **$ 153** |
| Income Taxes | 109 | 71 | 62 | 60 | 49 |
| Interest Expense | 32 | 32 | 31 | 32 | 31 |
| Interest Income | (6) | (7) | (7) | (7) | (7) |
| Depreciation | 73 | 72 | 72 | 73 | 71 |
| Amortization | 7 | 7 | 7 | 7 | 7 |
| Noncontrolling Interests | 1 | - | (1) | (2) | (2) |
| **EBITDA** | **$ 614** | **$ 445** | **$ 369** | **$ 360** | **$ 302** |
| Unrealized Hedging (Gains) / Losses | 3 | (2) | 2 | (4) | 4 |
| Inventory Valuation | 1 | 1 | - | - | - |
| Asset Impairment | - | - | - | - | - |
| Equity-Based Compensation | 8 | 14 | 11 | 9 | 9 |
| **Adjusted EBITDA** | **$ 626** | **$ 458** | **$ 382** | **$ 365** | **$ 315** |

| Dollars in millions | Q3 2018 | Q4 2018 | Q1 2019 | Q2 2019 | Q3 2019 |
|---|---|---|---|---|---|
| **Consolidated Operating Income** | **$ 532** | **$ 365** | **$ 292** | **$ 285** | **$ 228** |
| Non-cash Asset Impairment Charges | - | - | - | - | - |
| Non-cash Purchase Accounting | 13 | 3 | - | - | - |
| **Adjusted Operating Income** | **$ 545** | **$ 368** | **$ 292** | **$ 285** | **$ 228** |

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