

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

**Form 10-Q**

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

For the quarterly period ended September 30, 2024

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 0-23320

**OLYMPIC STEEL, INC.**  
(Exact name of registrant as specified in its charter)

Ohio	34-1245650
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
22901 Millcreek Boulevard, Suite 650, Highland Hills, OH	44122
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (216) 292-3800

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, without par value	ZEUS	The NASDAQ Stock Market LLC

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

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

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

Large accelerated filer   
Non-accelerated filer

Accelerated filer   
Smaller reporting company   
Emerging growth company

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

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

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

Class	Outstanding as of November 1, 2024
Common stock, without par value	11,132,542

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**Part I. FINANCIAL INFORMATION****Item 1. Financial Statements**

**Olympic Steel, Inc.**  
**Consolidated Balance Sheets**  
(in thousands)

	As of	
	September 30, 2024	December 31, 2023
		(unaudited)
<b>Assets</b>		
Cash and cash equivalents	\$ 11,116	\$ 13,224
Accounts receivable, net	197,592	191,149
Inventories, net (includes LIFO reserves of \$9,443 and \$12,043 as of September 30, 2024 and December 31, 2023, respectively)	399,394	386,535
Prepaid expenses and other	14,306	12,261
Total current assets	622,408	603,169
Property and equipment, at cost	506,631	483,448
Accumulated depreciation	(313,775)	(297,340)
Net property and equipment	192,856	186,108
Goodwill	52,091	52,091
Intangible assets, net	89,342	92,621
Other long-term assets	19,642	16,466
Right of use assets, net	35,672	34,380
Total assets	<u>\$ 1,012,011</u>	<u>\$ 984,835</u>
<b>Liabilities</b>		
Accounts payable	\$ 125,342	\$ 119,718
Accrued payroll	23,366	30,113
Other accrued liabilities	22,569	22,593
Current portion of lease liabilities	5,671	7,813
Total current liabilities	176,948	180,237
Credit facility revolver	197,276	190,198
Other long-term liabilities	24,810	20,151
Deferred income taxes	11,571	11,510
Lease liabilities	30,796	27,261
Total liabilities	<u>441,401</u>	<u>429,357</u>
<b>Shareholders' Equity</b>		
Preferred stock	-	-
Common stock	138,040	136,541
Accumulated other comprehensive income (loss)	(408)	41
Retained earnings	432,978	418,896
Total shareholders' equity	<u>570,610</u>	<u>555,478</u>
Total liabilities and shareholders' equity	<u>\$ 1,012,011</u>	<u>\$ 984,835</u>

*The accompanying notes are an integral part of these consolidated statements.*

**Olympic Steel, Inc.**  
**Consolidated Statements of Comprehensive Income**  
**For the Three and Nine Months Ended September 30,**

(in thousands, except per share data)

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
	(unaudited)			
Net sales	\$ 469,996	\$ 526,411	\$ 1,522,888	\$ 1,668,755
Costs and expenses				
Cost of materials sold (excludes items shown separately below)	363,144	414,480	1,177,229	1,308,988
Warehouse and processing	31,719	28,954	97,855	91,125
Administrative and general	28,226	26,181	87,545	91,047
Distribution	16,881	16,342	51,101	51,531
Selling	10,721	9,587	35,458	30,373
Occupancy	4,262	3,797	13,048	12,452
Depreciation	5,740	5,008	17,585	15,330
Amortization	1,494	1,177	4,210	3,529
Total costs and expenses	<u>462,187</u>	<u>505,526</u>	<u>1,484,031</u>	<u>1,604,375</u>
Operating income	7,809	20,885	38,857	64,380
Other loss, net	26	28	66	67
Income before interest and income taxes	7,783	20,857	38,791	64,313
Interest and other expense on debt	3,880	3,953	12,283	12,379
Income before income taxes	3,903	16,904	26,508	51,934
Income tax provision	1,169	4,674	7,417	14,813
Net income	<u>\$ 2,734</u>	<u>\$ 12,230</u>	<u>\$ 19,091</u>	<u>\$ 37,121</u>
Loss on cash flow hedge	(544)	(527)	(585)	(1,133)
Tax effect on cash flow hedge	136	132	136	283
Total comprehensive income	<u>\$ 2,326</u>	<u>\$ 11,835</u>	<u>\$ 18,642</u>	<u>\$ 36,271</u>
Earnings per share:				
Net income per share - basic	\$ 0.23	\$ 1.06	\$ 1.64	\$ 3.21
Weighted average shares outstanding - basic	<u>11,695</u>	<u>11,586</u>	<u>11,673</u>	<u>11,568</u>
Net income per share - diluted	\$ 0.23	\$ 1.06	\$ 1.64	\$ 3.21
Weighted average shares outstanding - diluted	<u>11,695</u>	<u>11,592</u>	<u>11,673</u>	<u>11,571</u>
Dividends declared per share of common stock	\$ 0.150	\$ 0.125	\$ 0.450	\$ 0.375

*The accompanying notes are an integral part of these consolidated statements.*

**Olympic Steel, Inc.**  
**Consolidated Statements of Cash Flows**  
**For the Nine Months Ended September 30,**  
(in thousands)

	<b>2024</b>	<b>2023</b>
	(unaudited)	
Cash flows provided by operating activities:		
Net income	\$ 19,091	\$ 37,121
Adjustments to reconcile net income to net cash provided by (used in) operating activities -		
Depreciation and amortization	21,795	18,859
Amortization of deferred financing fees	584	523
Loss (gain) on disposition of property and equipment	189	(75)
Stock-based compensation	1,499	1,257
Other long-term assets	(4,970)	5,333
Other long-term liabilities	6,593	4,169
	<u>44,781</u>	<u>67,187</u>
Changes in working capital:		
Accounts receivable	(6,443)	2,539
Inventories	(12,859)	41,813
Prepaid expenses and other	(2,018)	(3,989)
Accounts payable	4,357	22,188
Change in outstanding checks	1,267	518
Accrued payroll and other accrued liabilities	(9,971)	(9,257)
	<u>(25,667)</u>	<u>53,812</u>
Net cash provided by operating activities	<u>19,114</u>	<u>120,999</u>
Cash flows used for investing activities:		
Acquisition, net of cash acquired	-	(129,476)
Capital expenditures	(22,308)	(19,564)
Proceeds from disposition of property and equipment	56	129
Net cash used for investing activities	<u>(22,252)</u>	<u>(148,911)</u>
Cash flows from financing activities:		
Credit facility revolver borrowings	469,117	552,666
Credit facility revolver repayments	(462,039)	(521,797)
Principal payment under finance lease obligation	(930)	(737)
Credit facility fees and expenses	(109)	(1,143)
Dividends paid on common stock	(5,009)	(4,175)
Net cash provided by financing activities	<u>1,030</u>	<u>24,814</u>
Cash and cash equivalents:		
Net change	(2,108)	(3,098)
Beginning balance	13,224	12,189
Ending balance	<u>\$ 11,116</u>	<u>\$ 9,091</u>

*The accompanying notes are an integral part of these consolidated statements.*

**Olympic Steel, Inc.**  
**Supplemental Disclosures of Cash Flow Information**  
**For the Nine Months Ended September 30,**

(in thousands)

	<b>2024</b>	<b>2023</b>
	(unaudited)	
Interest paid	\$ 11,487	\$ 11,475
Income taxes paid	\$ 7,507	\$ 5,599

The Company incurred \$2.3 million of new financing lease obligations during the nine months ended September 30, 2024. The Company incurred \$1.8 million of new financing lease obligations during the nine months ended September 30, 2023. These non-cash transactions have been excluded from the Consolidated Statements of Cash Flows for the nine months ended September 30, 2024 and 2023.

*The accompanying notes are an integral part of these consolidated statements.*

**Olympic Steel, Inc.**  
**Consolidated Statements of Shareholders' Equity**  
(in thousands)  
(unaudited)

	<b>For the Three Months Ended September 30, 2024</b>			
	<b>Common Stock</b>	<b>Accumulated Other Comprehensive Loss</b>	<b>Retained Earnings</b>	<b>Total Equity</b>
	<b></b>	<b></b>	<b></b>	<b></b>
Balance at June 30, 2024	\$ 137,541	\$ -	\$ 431,912	\$ 569,453
Net income	-	-	2,734	2,734
Payment of dividends on common stock (\$0.150 per share)	-	-	(1,670)	(1,670)
Stock-based compensation	499	-	-	499
Changes in fair value of hedges, net of tax	-	(408)	-	(408)
Other	-	-	2	2
<b>Balance at September 30, 2024</b>	<b>\$ 138,040</b>	<b>\$ (408)</b>	<b>\$ 432,978</b>	<b>\$ 570,610</b>

	<b>For the Nine Months Ended September 30, 2024</b>			
	<b>Common Stock</b>	<b>Accumulated Other Comprehensive Loss</b>	<b>Retained Earnings</b>	<b>Total Equity</b>
	<b></b>	<b></b>	<b></b>	<b></b>
Balance at December 31, 2023	\$ 136,541	\$ 41	\$ 418,896	\$ 555,478
Net income	-	-	19,091	19,091
Payment of dividends on common stock (\$0.450 per share)	-	-	(5,009)	(5,009)
Stock-based compensation	1,499	-	-	1,499
Changes in fair value of hedges, net of tax	-	(449)	-	(449)
<b>Balance at September 30, 2024</b>	<b>\$ 138,040</b>	<b>\$ (408)</b>	<b>\$ 432,978</b>	<b>\$ 570,610</b>

	<b>For the Three Months Ended September 30, 2023</b>			
	<b>Common Stock</b>	<b>Accumulated Other Comprehensive Income</b>	<b>Retained Earnings</b>	<b>Total Equity</b>
	<b></b>	<b></b>	<b></b>	<b></b>
Balance at June 30, 2023	\$ 135,566	\$ 856	\$ 402,041	\$ 538,463
Net income	-	-	12,230	12,230
Payment of dividends on common stock (\$0.125 per share)	-	-	(1,392)	(1,392)
Stock-based compensation	415	-	-	415
Changes in fair value of hedges, net of tax	-	(395)	-	(395)
<b>Balance at September 30, 2023</b>	<b>\$ 135,981</b>	<b>\$ 461</b>	<b>\$ 412,879</b>	<b>\$ 549,321</b>

	<b>For the Nine Months Ended September 30, 2023</b>			
	<b>Common Stock</b>	<b>Accumulated Other Comprehensive Income</b>	<b>Retained Earnings</b>	<b>Total Equity</b>
	<b></b>	<b></b>	<b></b>	<b></b>
Balance at December 31, 2022	\$ 134,724	\$ 1,311	\$ 379,933	\$ 515,968
Net income	-	-	37,121	37,121
Payment of dividends on common stock (\$0.375 per share)	-	-	(4,175)	(4,175)
Stock-based compensation	1,257	-	-	1,257
Changes in fair value of hedges, net of tax	-	(850)	-	(850)
<b>Balance at September 30, 2023</b>	<b>\$ 135,981</b>	<b>\$ 461</b>	<b>\$ 412,879</b>	<b>\$ 549,321</b>

*The accompanying notes are an integral part of these consolidated statements.*

**Olympic Steel, Inc.**  
**Notes to Unaudited Consolidated Financial Statements**  
**September 30, 2024**

**1. Basis of Presentation:**

The accompanying consolidated financial statements have been prepared from the financial records of Olympic Steel, Inc. and its wholly-owned subsidiaries (collectively, Olympic or the Company), without audit and reflect all normal and recurring adjustments which are, in the opinion of management, necessary to fairly state the results of the interim periods covered by this report. Year-to-date results are not necessarily indicative of 2024 annual results and these financial statements should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2023. All intercompany transactions and balances have been eliminated in consolidation.

The Company operates in three reportable segments: specialty metals flat products, carbon flat products, and tubular and pipe products. The specialty metals flat products segment and the carbon flat products segment are at times consolidated and referred to as the flat products segments. Some of the flat products segments' assets and resources are shared by the specialty metals and carbon flat products segments, and both segments' products are stored in the shared facilities and, in some locations, processed on shared equipment. As such, total assets and capital expenditures are reported in the aggregate for the flat products segments. Due to the shared assets and resources, certain of the flat products segment expenses are allocated between the specialty metals flat products segment and the carbon flat products segment based upon an established allocation methodology.

The primary focus of the specialty metals flat products segment is on the direct sale and distribution of processed aluminum and stainless flat-rolled sheet and coil products, flat bar products, prime tin mill products and fabricated parts. Through acquisitions, the specialty metals flat products segment has expanded its geographical footprint and enhanced its product offerings in stainless steel and aluminum plate, sheet, angles, flat bar, tube and pipe and the manufacturing and distribution of stainless steel bollards and water treatment systems.

The primary focus of the carbon flat products segment is on the direct sale and distribution of large volumes of processed carbon and coated flat-rolled sheet, coil and plate products and fabricated parts. Through acquisitions, the carbon flat products segment has expanded its product offerings to include self-dumping hoppers and steel and stainless-steel dump inserts for pickup truck and service truck beds. Through the acquisition of Metal-Fab, Inc. (Metal-Fab) on January 3, 2023, the carbon flat products segment further expanded its product offerings to include venting, micro air and clean air products for residential, commercial and industrial applications.

The flat products segment acts as an intermediary between metals producers and manufacturers that require processed metals for their operations. The flat products segment serves customers in most metals consuming industries, including food service and commercial appliances, manufacturers and fabricators of transportation and material handling equipment, construction and farm machinery, storage tanks, environmental and energy generation equipment, automobiles, military vehicles and equipment, as well as general and plate fabricators and metals service centers. These products are primarily distributed through a direct sales force.

Combined, the carbon and specialty metals flat products segments have 36 strategically located processing and distribution facilities in the United States and one in Monterrey, Mexico. Our geographic footprint allows us to focus on regional customers and larger national and multi-national accounts, primarily located throughout the midwestern, eastern and southern United States.

The primary focus of the tubular and pipe products segment is on the distribution of metal tubing, pipe, bar, valve and fittings and the fabrication of pressure parts supplied to various industrial markets. Through the acquisition of Central Tube and Bar (CTB) on October 2, 2023, the tubular and pipe products segment further expanded its geographical footprint and extended its value-added contract manufacturing capabilities. The tubular and pipe products segment operates from 10 locations in the midwestern and southern United States. The tubular and pipe products segment distributes its products primarily through a direct sales force.

Corporate expenses are reported as a separate line item for segment reporting purposes. Corporate expenses include the unallocated expenses related to managing the entire Company (i.e., all three segments), including compensation for certain personnel, expenses related to being a publicly traded entity such as board of directors' expenses, audit expenses, and various other professional fees.

**Impact of Recently Issued Accounting Pronouncements**

In November 2023, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosure". The objective of the ASU is to enhance the disclosures a public entity provides about their reportable segments. The ASU does not amend any of the existing guidance or requirements in Topic 280, Segment Reporting. Under the ASU, public entities must disclose incremental segment information on both an annual and interim basis. The ASU is effective for annual periods beginning after December 15, 2023 and interim periods beginning after December 15, 2024, applied retroactively. The Company does not anticipate the adoption of ASU 2023-07 to have a material impact on the Consolidated Financial Statements.

In December 2023, the FASB issued ASU No. 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures". The objective of the ASU is to improve the information a reporting entity provides to users of financial statements about the entity's operations and the effects of related tax risks and tax planning on the entity's tax rate and potential future cash flows. The ASU enhances disclosures regarding the rate reconciliation, income taxes paid and other items. The ASU is effective for annual periods beginning after December 15, 2024. The Company does not anticipate the adoption of ASU 2039-09 to have a material impact on the Consolidated Financial Statements.

**2. Revenue Recognition:**

The Company provides metals processing, distribution and delivery of large volumes of processed carbon, coated flat-rolled sheet, coil and plate products, aluminum, and stainless flat-rolled products, prime tin mill products, flat bar products, metal tubing, pipe, bar, valves, fittings, fabricated parts, venting, micro air and clean air products. The Company's contracts with customers are comprised of purchase orders with standard terms and conditions. Occasionally the Company may also have longer-term agreements with customers. Substantially all of the contracts with customers require the delivery of metals, which represent single performance obligations that are satisfied at a point in time upon transfer of control of the product to the customer.

Transfer of control is assessed based on the use of the product distributed and rights to payment for performance under the contract terms. Transfer of control and revenue recognition for substantially all of the Company's sales occur upon shipment or delivery of the product, which is when title, ownership and risk of loss pass to the customer and is based on the applicable shipping terms. The shipping terms depend on the customer contract. An invoice for payment is issued at time of shipment and terms are generally net 30 days.

Within the metals industry, revenue is frequently disaggregated by products sold. The table below disaggregates the Company's revenues by segment and products sold.

Disaggregated Revenue by Products Sold				
For the Three Months Ended September 30, 2024				
	Specialty metals flat products	Carbon flat products	Tubular and pipe products	Total
Specialty	26.7%	-	-	26.7%
Hot Rolled	-	26.7%	-	26.7%
Tube	-	-	16.9%	16.9%
Coated	-	12.9%	-	12.9%
Plate	-	9.6%	-	9.6%
Cold Rolled	-	5.6%	-	5.6%
Other	-	1.6%	-	1.6%
Total	26.7%	56.4%	16.9%	100.0%
Disaggregated Revenue by Products Sold				
For the Nine Months Ended September 30, 2024				
	Specialty metals flat products	Carbon flat products	Tubular and pipe products	Total
Specialty	25.4%	-	-	25.4%
Hot Rolled	-	28.0%	-	28.0%
Tube	-	-	17.3%	17.3%
Coated	-	12.0%	-	12.0%
Plate	-	11.7%	-	11.7%
Cold Rolled	-	4.7%	-	4.7%
Other	-	0.9%	-	0.9%
Total	25.4%	57.3%	17.3%	100.0%
Disaggregated Revenue by Products Sold				
For the Three Months Ended September 30, 2023				
	Specialty metals flat products	Carbon flat products	Tubular and pipe products	Total
Specialty	25.2%	-	-	25.2%
Hot Rolled	-	32.7%	-	32.7%
Tube	-	-	16.9%	16.9%
Coated	-	6.2%	-	6.2%
Plate	-	8.9%	-	8.9%
Cold Rolled	-	4.2%	-	4.2%
Other	-	5.9%	-	5.9%
Total	25.2%	57.9%	16.9%	100.0%
Disaggregated Revenue by Products Sold				
For the Nine Months Ended September 30, 2023				
	Specialty metals flat products	Carbon flat products	Tubular and pipe products	Total
Specialty	26.7%	-	-	26.7%
Hot Rolled	-	30.1%	-	30.1%
Tube	-	-	16.9%	16.9%
Coated	-	5.4%	-	5.4%
Plate	-	11.7%	-	11.7%
Cold Rolled	-	3.9%	-	3.9%
Other	-	5.3%	-	5.3%
Total	26.7%	56.4%	16.9%	100.0%

**3. Accounts Receivable:**

Accounts receivable are presented net of allowances for credit losses and unissued credits of \$ 3.9 million and \$4.2 million as of September 30, 2024 and December 31, 2023, respectively. The allowance for credit losses is maintained at a level considered appropriate based on historical experience, specific customer collection issues that have been identified, current market conditions and estimates for supportable forecasts when appropriate. Estimations are based upon a calculated percentage of accounts receivable, which remains fairly level from year to year, and judgments about the probable effects of economic conditions on certain customers, which can fluctuate significantly from year to year. The Company cannot guarantee that the rate of future credit losses will be similar to past experience. The Company considers all available information when assessing the adequacy of its allowance for credit losses and unissued credits.

**4. Inventories:**

Inventories consisted of the following:

(in thousands)	Inventory as of	
	September 30, 2024	December 31, 2023
Unprocessed	\$ 288,010	\$ 282,565
Processed and finished	111,384	103,970
<b>Totals</b>	<b>\$ 399,394</b>	<b>\$ 386,535</b>

The Company values certain of its tubular and pipe products inventory at the last-in, first-out (LIFO) method. As of September 30, 2024 and December 31, 2023, approximately \$31.4 million, or 7.9% of consolidated inventory, and \$38.2 million, or 9.9% of consolidated inventory, respectively, was reported under the LIFO method of accounting. The cost of the remainder of the tubular and pipe products inventory is determined using a weighted average rolling first-in, first-out (FIFO) method.

During the three and nine months ended September 30, 2024, the Company recorded \$2.0 million and \$2.6 million of LIFO income, respectively. During the three and nine months ended September 30, 2023, the Company recorded \$2.0 million and \$3.0 million of LIFO income, respectively.

If the FIFO method had been in use, inventories would have been \$ 9.4 million higher than reported as of September 30, 2024 and \$12.0 million higher than reported at December 31, 2023.

**5. Goodwill and Intangible Assets:**

The Company's intangible assets were recorded in connection with its acquisitions of Metal-Fab and CTB in 2023, Shaw Stainless & Alloy, Inc. (Shaw) in 2021, Action Stainless & Alloys, Inc. (Action Stainless) in 2020, EZ Dumper® hydraulic dump inserts (EZ Dumper) and McCullough Industries (McCullough) in 2019, Berlin Metals, LLC (Berlin Metals) in 2018 and Chicago Tube and Iron (CTI) in 2011. The intangible assets were evaluated on the premise of highest and best use to a market participant, primarily utilizing the income approach valuation methodology.

Goodwill, by reportable unit, was as follows as of September 30, 2024 and December 31, 2023, respectively. The goodwill is deductible for tax purposes.

(in thousands)	Carbon Flat Products	Specialty Metals Flat Products	Tubular and Pipe Products	Total
Balance as of December 31, 2023	\$ 34,259	\$ 9,431	\$ 8,401	\$ 52,091
Acquisitions	-	-	-	-
Impairments	-	-	-	-
<b>Balance as of September 30, 2024</b>	<b>\$ 34,259</b>	<b>\$ 9,431</b>	<b>\$ 8,401</b>	<b>\$ 52,091</b>

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Intangible assets, net, consisted of the following as of September 30, 2024 and December 31, 2023, respectively:

	As of September 30, 2024		
	Gross Carrying Amount	Accumulated Amortization	Intangible Assets, Net
(in thousands)			
Customer relationships - subject to amortization	\$ 62,559	\$ (17,638)	\$ 44,921
Covenant not to compete - subject to amortization	2,339	(991)	1,348
Technology and know-how - subject to amortization	7,000	(795)	6,205
Trade name - not subject to amortization	36,868	-	36,868
	<u>\$ 108,766</u>	<u>\$ (19,424)</u>	<u>\$ 89,342</u>

  

	As of December 31, 2023		
	Gross Carrying Amount	Accumulated Amortization	Intangible Assets, Net
(in thousands)			
Customer relationships - subject to amortization	\$ 62,559	\$ (15,084)	\$ 47,475
Covenant not to compete - subject to amortization	2,339	(679)	1,660
Technology and know-how - subject to amortization	7,000	(382)	6,618
Trade name - not subject to amortization	36,868	-	36,868
	<u>\$ 108,766</u>	<u>\$ (16,145)</u>	<u>\$ 92,621</u>

The Company estimates that amortization expense for its intangible assets subject to amortization will be approximately \$ 4.3 million per year for the next two years, \$3.8 million the following year and then \$3.3 million and \$3.0 million, respectively, over the next two years.

**6. Leases:**

The components of lease expense were as follows:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2024	2023	2024	2023
(in thousands)				
Operating lease cost	\$ 2,111	\$ 2,099	\$ 6,660	\$ 6,354
Finance lease cost:				
Amortization of right-of-use assets	\$ 331	\$ 264	\$ 922	\$ 756
Interest on lease liabilities	66	37	147	112
Total finance lease cost	<u>\$ 397</u>	<u>\$ 301</u>	<u>\$ 1,069</u>	<u>\$ 868</u>

Supplemental cash flow information related to leases was as follows:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2024	2023	2024	2023
(in thousands)				
Cash paid for lease liabilities:				
Operating cash flows from operating leases	\$ 2,031	\$ 2,079	\$ 6,540	\$ 6,267
Operating cash flows from finance leases	66	37	147	112
Financing cash flows from finance leases	327	265	930	737
Total cash paid for lease liabilities	<u>\$ 2,424</u>	<u>\$ 2,381</u>	<u>\$ 7,617</u>	<u>\$ 7,116</u>

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Supplemental balance sheet information related to leases was as follows:

(in thousands)	September 30, 2024	December 31, 2023
Operating Leases		
Operating lease	\$ 52,656	\$ 56,117
Operating lease accumulated amortization	(16,984)	(21,737)
Operating lease right-of-use asset, net	<u>35,672</u>	<u>34,380</u>
Operating lease current liabilities	5,671	7,813
Operating lease liabilities	30,796	27,261
Total operating lease liabilities	<u>\$ 36,467</u>	<u>\$ 35,074</u>
Finance Leases		
Finance lease	8,697	5,686
Finance lease accumulated depreciation	(3,356)	(2,615)
Finance lease, net	<u>5,341</u>	<u>3,071</u>
Finance lease current liabilities	1,426	1,087
Finance lease liabilities	4,086	2,106
Total finance lease liabilities	<u>\$ 5,512</u>	<u>\$ 3,193</u>
Weighted Average Remaining Lease Term		
Operating leases (in years)	9	6
Finance leases (in years)	5	4
Weighted Average Discount Rate		
Operating leases	5.68%	4.07%
Finance leases	6.22%	5.06%

Maturities of lease liabilities were as follows:

(in thousands)	Operating Leases	Finance Leases
Year Ending December 31,		
2024	\$ 2,013	\$ 464
2025	7,331	1,621
2026	6,831	1,267
2027	5,576	1,061
2028	4,386	875
Thereafter	<u>23,552</u>	<u>1,107</u>
Total future minimum lease payments	<u>\$ 49,689</u>	<u>\$ 6,395</u>
Less remaining imputed interest	<u>(13,222)</u>	<u>(883)</u>
Total	<u><u>\$ 36,467</u></u>	<u><u>\$ 5,512</u></u>

**7. Debt:**

The Company's debt is comprised of the following components:

(in thousands)	As of	
	September 30, 2024	December 31, 2023
Asset-based revolving credit facility due June 16, 2026	\$ 197,276	\$ 190,198
Total debt	\$ 197,276	\$ 190,198

The Company's ABL Credit Facility is collateralized by the Company's accounts receivable, inventory, personal property and certain real estate. The \$625 million ABL Credit Facility consists of: (i) a revolving credit facility of up to \$ 595 million, including a \$20 million sub-limit for letters of credit, and (ii) a first in, last out revolving credit facility of up to \$30 million. Under the terms of the ABL Credit Facility, the Company may, subject to the satisfaction of certain conditions, request additional commitments under the revolving credit facility in the aggregate principal amount of up to \$200 million to the extent that existing or new lenders agree to provide such additional commitments. The ABL Credit Facility matures on June 16, 2026.

The ABL Credit Facility contains customary representations and warranties and certain covenants that limit the ability of the Company to, among other things: (i) incur or guarantee additional indebtedness; (ii) pay distributions on, redeem or repurchase capital stock or redeem or repurchase subordinated debt; (iii) make investments; (iv) sell assets; (v) enter into agreements that restrict distributions or other payments from restricted subsidiaries to the Company; (vi) incur liens securing indebtedness; (vii) consolidate, merge or transfer all or substantially all of the Company's assets; and (viii) engage in transactions with affiliates. In addition, the ABL Credit Facility contains a financial covenant which requires if any commitments or obligations are outstanding and the Company's availability is less than the greater of \$30 million or 10.0% of the aggregate amount of revolver commitments (\$62.5 million at September 30, 2024) or 10.0% of the aggregate borrowing base (\$50.6 million at September 30, 2024), then the Company must maintain a ratio of Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) minus certain capital expenditures and cash taxes paid to fixed charges of at least 1.00 to 1.00 for the most recent twelve fiscal month period.

As of September 30, 2024, the Company was in compliance with its covenants and had approximately \$ 304 million of availability under the ABL Credit Facility.

The Company has the option to borrow under its revolver based on the agent's base rate plus a premium ranging from 0.00% to 0.25% or the Secured Overnight Financing Rate (SOFR) plus a premium ranging from 1.25% to 2.75%.

On August 15, 2024 the Company entered into a two-year forward starting fixed rate interest rate hedge in order to eliminate the variability of cash interest payments on \$75 million of the outstanding SOFR based borrowings under the ABL Credit Facility. The interest rate hedge fixed the rate at 3.82%. Although the Company is exposed to credit loss in the event of nonperformance by the other party to the interest rate hedge agreement, the Company anticipates performance by the counterparty.

On January 10, 2019, the Company entered into a five-year forward starting fixed rate interest rate hedge in order to eliminate the variability of cash interest payments on \$75 million of the outstanding LIBOR based borrowings under the ABL Credit Facility. On January 3, 2023, the Company amended the interest rate hedge agreement to use SOFR as the reference rate and updated the fixed rate to 2.42% from 2.57%. The interest rate hedge agreement ended on January 10, 2024.

As of September 30, 2024 and December 31, 2023, \$1.2 million and \$1.7 million, respectively, of bank financing fees were included in "Prepaid expenses and other" and "Other long-term assets" on the accompanying Consolidated Balance Sheets. The financing fees are being amortized over the five-year term of the ABL Credit Facility and are included in "Interest and other expense on debt" on the accompanying Consolidated Statements of Comprehensive Income.

**8. Derivative Instruments:**

*Metals swaps and embedded customer derivatives*

During 2024 and 2023, the Company entered into nickel swaps indexed to the London Metal Exchange (LME) price of nickel with third-party brokers. The nickel swaps are accounted for as derivatives for accounting purposes. The Company entered into them to mitigate its customers' risk of volatility in the price of metals. The outstanding nickel swaps mature in the fourth quarter of 2024 and through the third quarters of 2025. The swaps are settled with the brokers at maturity. The economic benefit or loss arising from the changes in fair value of the swaps is contractually passed through to the customer. The primary risk associated with the metals swaps is the ability of customers or third-party brokers to honor their agreements with the Company related to derivative instruments. If the customer or third-party brokers are unable to honor their agreements, the Company's risk of loss is the fair value of the metals swaps.

These derivatives have not been designated as hedging instruments. The periodic changes in fair value of the metals and embedded customer derivative instruments are included in "Cost of materials sold" in the Consolidated Statements of Comprehensive Income. The Company recognizes derivative positions with both the customer and the third party for the derivatives and classifies cash settlement amounts associated with them as part of "Cost of materials sold" in the Consolidated Statements of Comprehensive Income. The cumulative change in fair value of the metals swaps that had not yet settled as of September 30, 2024, are included in "Other accrued liabilities" and the embedded customer derivatives are included in "Accounts receivable, net" on the Consolidated Balance Sheets as of September 30, 2024.

*Fixed rate interest rate hedge*

On August 15, 2024 the Company entered into a two-year forward starting fixed rate interest rate hedge in order to eliminate the variability of cash interest payments on \$75 million of the outstanding SOFR based borrowings under the ABL Credit Facility. The interest rate hedge fixed the rate at 3.82%. The interest rate hedge is included in "Other long-term liabilities" on the Consolidated Balance Sheets as of September 30, 2024. Although the Company is exposed to credit loss in the event of nonperformance by the other party to the interest rate hedge agreement, the Company anticipates performance by the counterparty.

On January 10, 2019, the Company entered into a five-year forward starting fixed rate interest rate hedge in order to eliminate the variability of cash interest payments on \$75 million of the outstanding LIBOR based borrowings under the ABL Credit Facility. On January 3, 2023, the Company amended the interest rate hedge agreement to use SOFR as the reference rate and updated the fixed rate to 2.42% from 2.57%. The interest rate hedge agreement ended on January 10, 2024.

The table below shows the total impact to the Company's Consolidated Statements of Comprehensive Income through pre-tax income of the derivatives for the three and nine months ended September 30, 2024 and 2023, respectively.

(in thousands)	Net Gain (Loss) Recognized			
	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2024	2023	2024	2023
Fixed interest rate hedge	\$ 138	\$ 543	\$ 193	\$ 1,347
Metals swaps	(19)	(428)	205	(1,204)
Embedded customer derivatives	19	428	(205)	1,204
Total gain	<u>\$ 138</u>	<u>\$ 543</u>	<u>\$ 193</u>	<u>\$ 1,347</u>

**9. Fair Value of Assets and Liabilities:**

During the nine months ended September 30, 2024, there were no transfers of financial assets between Levels 1, 2 or 3 fair value measurements. There have been no changes in the methodologies used as of September 30, 2024 since December 31, 2023.

The following table presents information about the Company's assets and liabilities that were measured at fair value on a recurring basis and indicates the fair value hierarchy of the valuation techniques utilized by the Company:

(in thousands)	Value of Items Recorded at Fair Value				
	As of September 30, 2024				
	Level 1	Level 2	Level 3	Total	
Assets:					
Metal swaps	\$ -	\$ 5,376	\$ -	\$ 5,376	
Supplemental executive retirement plan	<u>14,814</u>	\$ -	\$ -	\$ -	<u>14,814</u>
Total assets at fair value	<u>\$ 14,814</u>	<u>\$ 5,376</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,190</u>
Liabilities:					
Metal swaps	\$ -	\$ 5,308	\$ -	\$ 5,308	
Embedded customer derivative	-	68	-	-	68
Fixed Interest rate hedge	-	544	-	-	544
Total liabilities recorded at fair value	<u>\$ -</u>	<u>\$ 5,920</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,920</u>
Value of Items Recorded at Fair Value					
As of December 31, 2023					
(in thousands)	Level 1	Level 2	Level 3	Total	
Assets:					
Metal swaps	\$ -	\$ 4,458	\$ -	\$ 4,458	
Embedded customer derivative	-	766	-	-	766
Fixed interest rate hedge	-	55	-	-	55
Supplemental executive retirement plan	<u>11,617</u>	\$ -	\$ -	\$ -	<u>11,617</u>
Total assets at fair value	<u>\$ 11,617</u>	<u>\$ 5,279</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,896</u>
Liabilities:					
Metal swaps	\$ -	\$ 5,224	\$ -	\$ 5,224	
Total liabilities at fair value	<u>\$ -</u>	<u>\$ 5,224</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,224</u>

The value of the items not recorded at fair value represent the carrying value of the liabilities.

The carrying value of the ABL Credit Facility was \$197.3 million and \$190.2 million at September 30, 2024 and December 31, 2023, respectively. Management believes that the ABL Credit Facility's carrying value approximates its fair value due to the variable interest rate on the ABL Credit Facility.

**10. Accumulated Other Comprehensive Income:**

On August 15, 2024, the Company entered into a two-year forward starting fixed rate interest rate hedge in order to eliminate the variability of cash interest payments on \$75 million of the outstanding SOFR based borrowings under the ABL Credit Facility. The interest rate hedge fixed the rate at 3.82%. The fair value of the interest rate hedge of \$ 0.5 million, net of tax of \$0.1 million, is included in "Accumulated other comprehensive income" on the Consolidated Balance Sheets at September 30, 2024.

On January 10, 2019, the Company entered into a five-year forward starting fixed rate interest rate hedge in order to eliminate the variability of cash interest payments on \$75 million of the outstanding LIBOR based borrowings under the ABL Credit Facility. On January 3, 2023, the Company amended the interest rate hedge agreement to use SOFR as the reference rate and updated the fixed rate to 2.42% from 2.57%. The interest rate hedge agreement ended on January 10, 2024.

**11. Equity Plans:**

**Restricted Shares, Restricted Stock Units and Performance Share Units**

Pursuant to the Amended and Restated Olympic Steel 2007 Omnibus Incentive Plan (the Incentive Plan), the Company may grant stock options, stock appreciation rights, restricted shares (RS), restricted share units (RSU), performance shares, and other stock- and cash-based awards to employees and directors of, and consultants to, the Company and its affiliates. Since adoption of the Incentive Plan, 1,400,000 shares of common stock have been authorized for equity grants. On an annual basis, the compensation committee of the Company's Board of Directors awards RSs or RSUs to each non-employee director as part of their annual compensation.

The annual award for 2024 per director was \$110,000 of RSs. Subject to the terms of the Incentive Plan and the RS agreement, one-third of the RSs vest on each December 31, 2024, December 31, 2025 and December 31, 2026. The grantee will not be entitled to vote on the RSs or receive dividends with respect to RSs until they vest.

The annual award for 2023 per director was \$80,000 of RSUs. Subject to the terms of the Incentive Plan and the RSU agreement, the 2023 RSUs vest after one year of service (from the date of grant). The RSUs are not converted into shares of common stock until the director either resigns or is terminated from the Company's Board of Directors.

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In January 2022, the Company adopted a new C-Suite Long-Term Incentive Plan (the C-Suite Plan) that operates under the Senior Manager Stock Incentive Plan. Under the C-Suite Plan, the Chief Executive Officer, the President and Chief Operating Officer and the Chief Financial Officer are eligible for participation. In each calendar year, the Committee may award eligible participants a long-term incentive of both a RSU grant and a performance stock units (PSU) grant. Additionally, the Committee may offer a long-term cash incentive (split equally between service and performance-based portions) to supplement both the RSU and PSU grants in order to arrive at the total long-term award target. For 2024, the total long-term award target is \$1.1 million for the Chief Executive Officer, \$0.8 million for the President and Chief Operating Officer and \$0.5 million for the Chief Financial Officer. For 2023, the total long-term award target was \$1.1 million for the Chief Executive Officer, \$0.6 million for the President and Chief Operating Officer and \$0.3 million for the Chief Financial Officer. The PSUs will vest if the return on net assets, calculated as EBITDA divided by Average Accounts Receivable, Inventory and Property and Equipment, exceeds five percent. Each RSU and service-based cash incentive vests three years after the grant date. Each vested RSU will convert into the right to receive one share of common stock. During 2024, a total of 17,243 RSUs and 17,243 PSUs were granted to the participants under the C-Suite Plan, and \$37,400 and \$37,400, respectively, were granted in service-based and performance-based cash awards. During 2023, a total of 20,000 RSUs and 20,000 PSUs were granted to the participants under the C-Suite Plan, and \$0.3 million and \$0.3 million, respectively, were granted in service-based and performance-based cash awards. If the return on net assets falls below 5 percent, no performance-based incentive will be awarded. The maximum performance-based award is achieved if return on net assets exceeds ten percent, and is capped at 150% of the grant.

Stock-based compensation expense recognized on RSUs for the three and nine months ended September 30, 2024 and 2023, respectively, is summarized in the following table:

(in thousands, except per share data)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2024	2023	2024	2023
RS and RSU expense before taxes	\$ 499	\$ 415	\$ 1,499	\$ 1,257
RS and RSU expense after taxes	\$ 349	\$ 300	\$ 1,080	\$ 898

All pre-tax charges related to RSs and RSUs were included in the caption "Administrative and general" on the accompanying Consolidated Statements of Comprehensive Income.

The following table summarizes the activity related to RSs for the three months ended September 30, 2024 and 2023, respectively:

	As of September 30, 2024		As of September 30, 2023	
	Number of Shares	Weighted Average Granted Price	Number of Shares	Weighted Average Granted Price
Outstanding at December 31	-	\$ -	-	\$ -
Granted	10,050	65.65	-	-
Outstanding at September 30	<u>10,050</u>	<u>\$ 65.65</u>	-	\$ -
Vested at September 30	-	\$ -	-	\$ -

The following table summarizes the activity related to RSUs for the nine months ended September 30, 2024 and 2023, respectively:

	As of September 30, 2024		As of September 30, 2023	
	Number of Shares	Weighted Average Granted Price	Number of Shares	Weighted Average Granted Price
Outstanding at December 31	662,103	\$ 20.28	617,518	\$ 18.95
Granted	34,486	66.70	49,768	36.63
Converted into shares	-	-	(2,610)	18.78
Forfeited	(2,570)	16.99	(2,573)	19.65
Outstanding at September 30	<u>694,019</u>	<u>\$ 22.60</u>	<u>662,103</u>	<u>\$ 20.28</u>
Vested at September 30	<u>563,839</u>	<u>\$ 19.69</u>	<u>454,939</u>	<u>\$ 19.71</u>

## **12. Income Taxes:**

For the three months ended September 30, 2024, the Company recorded an income tax provision of \$1.2 million, or 29.9%, compared to an income tax provision of \$4.7 million, or 27.7%, for the three months ended September 30, 2023. For the nine months ended September 30, 2024, the Company recorded an income tax provision of \$7.4 million, or 28.0%, compared to an income tax provision of \$14.8 million, or 28.5%, for the nine months ended September 30, 2023.

The tax provision for the interim period is determined using an estimate of the Company's annual effective tax rate, adjusted for discrete items that are taken into account in the relevant period. Each quarter, the Company updates the estimate of the annual effective tax rate, and if the estimated tax rate changes, the Company makes a cumulative adjustment.

The quarterly tax provision and the quarterly estimate of the annual effective tax rate is subject to significant volatility due to several factors, including variability in accurately predicting the Company's pre-tax and taxable income and the mix of jurisdictions to which they relate, changes in law and relative changes of expenses or losses for which tax benefits are not recognized. Additionally, the effective tax rate can be more or less volatile based on the amount of pre-tax income. For example, the impact of discrete items and non-deductible expenses on the effective tax rate is greater when pre-tax income is lower.

**13. Shares Outstanding and Earnings Per Share:**

Earnings per share have been calculated based on the weighted average number of shares outstanding as set forth below:

(in thousands, except per share data)	For the Three Months Ended		For the Nine Months Ended	
	September 30,		September 30,	
	2024	2023	2024	2023
Weighted average basic shares outstanding	11,695	11,586	11,673	11,568
Assumed exercise of stock options and issuance of stock awards	-	6	-	3
Weighted average diluted shares outstanding	<u>11,695</u>	<u>11,592</u>	<u>11,673</u>	<u>11,571</u>
Net income	\$ 2,734	\$ 12,230	\$ 19,091	\$ 37,121
Basic earnings per share	<u>\$ 0.23</u>	<u>\$ 1.06</u>	<u>\$ 1.64</u>	<u>\$ 3.21</u>
Diluted earnings per share	\$ 0.23	\$ 1.06	\$ 1.64	\$ 3.21
Unvested RSs and RSUs	140	207	140	207

**14. Stock Repurchase Program:**

On October 2, 2015, the Company announced that its Board of Directors authorized a stock repurchase program of up to 550,000 shares of the Company's issued and outstanding common stock, which could include open market repurchases, negotiated block transactions, accelerated stock repurchases or open market solicitations for shares, all or some of which may be effected through Rule 10b5-1 plans. Any of the repurchased shares are held in the Company's treasury, or canceled and retired as the Board may determine from time to time. Any repurchases of common stock are subject to the covenants contained in the ABL Credit Facility. Under the ABL Credit Facility, the Company may repurchase common stock and pay dividends up to \$15 million in the aggregate during any trailing twelve months without restrictions. Purchases of common stock or dividend payments in excess of \$15 million in the aggregate require the Company to (i) maintain availability in excess of 20.0% of the aggregate revolver commitments (\$125.0 million at September 30, 2024) or (ii) to maintain availability equal to or greater than 15.0% of the aggregate revolver commitments (\$93.8 million at September 30, 2024) and the Company must maintain a pro-forma ratio of EBITDA minus certain capital expenditures and cash taxes paid to fixed charges of at least 1.00 to 1.00.

There were no shares repurchased during the three and nine months ended September 30, 2024 and 2023. As of September 30, 2024, 360,212 shares remain authorized for repurchase under the program.

**At-the-Market Equity Program**

On September 3, 2021, the Company commenced an at-the-market (ATM) equity program under its shelf registration statement, which allows it to sell and issue up to \$50 million in shares of its common stock from time to time. The Company entered into an Equity Distribution Agreement on September 3, 2021 with KeyBanc Capital Markets Inc. (KeyBanc) relating to the issuance and sale of shares of common stock pursuant to the program. KeyBanc is not required to sell any specific amount of securities but will act as the Company's sales agent using commercially reasonable efforts consistent with its normal trading and sales practices, on mutually agreed terms between KeyBanc and the Company. KeyBanc will be entitled to compensation for shares sold pursuant to the program of 2.0% of the gross proceeds of any shares of common stock sold under the Equity Distribution Agreement. No shares were sold under the ATM program during the three and nine months ended September 30, 2024 and 2023.

**15. Segment Information:**

The Company follows the accounting guidance that requires the utilization of a "management approach" to define and report the financial results of operating segments. The management approach defines operating segments along the lines used by the Company's chief operating decision maker (CODM) to assess performance and make operating and resource allocation decisions. The CODM evaluates performance and allocates resources based primarily on operating income. The operating segments are based primarily on internal management reporting.

The Company operates in three reportable segments; specialty metals flat products, carbon flat products, and tubular and pipe products. The specialty metals flat products segment and the carbon flat products segment are at times consolidated and referred to as the flat products segments, as certain of the flat products segments' assets and resources are shared by the specialty metals and carbon flat products segments and both segments' products are stored in the shared facilities and, in some locations, processed on shared equipment. Since the October 2, 2023 acquisition, CTB's financial results are included in the tubular and pipe products segment.

Corporate expenses are reported as a separate line item for segment reporting purposes. Corporate expenses include the unallocated expenses related to managing the entire Company (i.e., all three segments), including compensation for certain personnel, expenses related to being a publicly traded entity such as board of directors' expenses, audit expenses, and various other professional fees.

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The following table provides financial information by segment and reconciles the Company's operating income by segment to the consolidated income before income taxes for the three and nine months ended September 30, 2024 and 2023, respectively.

(in thousands)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2024	2023	2024	2023
Net sales				
Specialty metals flat products	\$ 125,693	\$ 132,763	\$ 386,100	\$ 446,327
Carbon flat products	264,849	304,478	873,579	940,925
Tubular and pipe products	79,454	89,170	263,209	281,503
Total net sales	<u>\$ 469,996</u>	<u>\$ 526,411</u>	<u>\$ 1,522,888</u>	<u>\$ 1,668,755</u>
Depreciation and amortization				
Specialty metals flat products	\$ 1,005	\$ 871	\$ 2,922	\$ 2,878
Carbon flat products	4,028	3,568	12,221	10,891
Tubular and pipe products	2,184	1,729	6,600	5,038
Corporate	17	17	52	52
Total depreciation and amortization	<u>\$ 7,234</u>	<u>\$ 6,185</u>	<u>\$ 21,795</u>	<u>\$ 18,859</u>
Operating income				
Specialty metals flat products	\$ 4,936	\$ 4,668	\$ 16,716	\$ 20,606
Carbon flat products	434	9,949	14,452	30,590
Tubular and pipe products	6,476	10,033	20,600	29,145
Corporate expenses	(4,037)	(3,765)	(12,911)	(15,961)
Total operating income	<u>\$ 7,809</u>	<u>\$ 20,885</u>	<u>\$ 38,857</u>	<u>\$ 64,380</u>
Other loss, net	26	28	66	67
Income before interest and income taxes	7,783	20,857	38,791	64,313
Interest and other expense on debt	3,880	3,953	12,283	12,379
Income before income taxes	<u><u>\$ 3,903</u></u>	<u><u>\$ 16,904</u></u>	<u><u>\$ 26,508</u></u>	<u><u>\$ 51,934</u></u>

**For the Nine Months Ended  
September 30,**

(in thousands)	2024	2023
Capital expenditures		
Flat products segments	\$ 18,458	\$ 12,711
Tubular and pipe products	3,850	6,593
Corporate	-	260
Total capital expenditures	<u>\$ 22,308</u>	<u>\$ 19,564</u>

**As of**

**September 30,  
2024**      **December 31,  
2023**

(in thousands)	2024	2023
Assets		
Flat products segments	\$ 666,508	\$ 649,744
Tubular and pipe products	344,289	333,677
Corporate	1,214	1,414
Total assets	<u>\$ 1,012,011</u>	<u>\$ 984,835</u>

There were no material revenue transactions between the specialty metals products, carbon flat products and tubular and pipe products segments.

The Company sells certain products internationally, primarily in Canada and Mexico. International sales are immaterial to the consolidated financial results and to the individual segments' results.

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

The following discussion and analysis should be read in conjunction with our unaudited consolidated financial statements and accompanying notes contained herein and our consolidated financial statements, accompanying notes and Management's Discussion and Analysis of Financial Condition and Results of Operations contained in our Annual Report on Form 10-K for the year ended December 31, 2023. The following Management's Discussion and Analysis of Financial Condition and Results of Operations contain forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from the results discussed in the forward-looking statements. Factors that might cause a difference include, but are not limited to, those discussed under Item 1A (Risk Factors) in our Annual Report on Form 10-K for the year ended December 31, 2023, and in Part II, Item 1A (Risk Factors) in this Quarterly Report on Form 10-Q. The following section is qualified in its entirety by the more detailed information, including our financial statements and the notes thereto, which appear elsewhere in this Quarterly Report on Form 10-Q.

**Forward-Looking Information**

This Quarterly Report on Form 10-Q and other documents we file with the Securities and Exchange Commission, or SEC, contain various forward-looking statements that are based on current expectations, estimates, forecasts and projections about our future performance, business, our beliefs and management's assumptions. In addition, we, or others on our behalf, may make forward-looking statements in press releases or written statements, or in our communications and discussions with investors and analysts in the normal course of business through meetings, conferences, webcasts, phone calls and conference calls. Words such as "may," "will," "anticipate," "should," "intend," "expect," "believe," "estimate," "project," "plan," "potential," and "continue," as well as the negative of these terms or similar expressions are intended to identify forward-looking statements, which are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to certain risks and uncertainties that could cause our actual results to differ materially from those implied by such statements including, but not limited to:

- risks of falling metals prices and inventory devaluation;
- general and global business, economic, financial and political conditions, including, but not limited to, recessionary conditions, legislation passed under the current administration and the 2024 U.S. presidential election;
- reduced production schedules, layoffs or work stoppages by our own, our suppliers' or customers' personnel;
- supply disruptions and inflationary pressures, including the availability and rising costs of transportation, energy, logistical services and labor; reduced availability and productivity of our employees, increased operational risks as a result of remote work arrangements, including the
- potential effects on internal controls, as well as cybersecurity risks and increased vulnerability to security breaches, information technology disruptions and other similar events;
- supplier consolidation or addition of new capacity;
- risks associated with the war in Ukraine, including economic sanctions, and the conflicts in the Middle East, or additional war, military conflict, or hostilities could adversely affect global metals supply and pricing;
- risks associated with shortages of skilled labor, increased labor costs and our ability to attract and retain qualified personnel;
- risks associated with supply chain disruption resulting from the imbalance of metal supply and end-user demands, including additional shutdowns as a result of infectious disease outbreaks in large markets, such as China, and other factors;
- our ability to successfully integrate recent acquisitions into our business and risks inherent with the acquisitions in the achievement of expected results, including whether the acquisition will be accretive and within the expected timeframe;
- the adequacy of our existing information technology and business system software, including duplication and security processes;
- the levels of imported steel in the United States and the tariffs initiated by the U.S. government in 2018 under Section 232 of the Trade Expansion Act of 1962 and imposed tariffs and duties on exported steel or other products, U.S. trade policy and its impact on the U.S. manufacturing industry;
- the inflation or deflation existing within the metals industry, as well as product mix and inventory levels on hand, which can impact our cost of materials sold as a result of the fluctuations in the last-in, first-out, or LIFO, inventory valuation;
- risks associated with infectious disease outbreaks, including, but not limited to customer closures, reduced sales and profit levels, slower payment of accounts receivable and potential increases in uncollectible accounts receivable, falling metals prices that could lead to lower of cost or net realizable value inventory adjustments and the impairment of intangible and long-lived assets, negative impacts on our liquidity position, inability to access our traditional financing sources and increased costs associated with and less ability to access funds under our asset-based credit facility, or ABL Credit Facility, and the capital markets;
- increased customer demand without corresponding increase in metal supply could lead to an inability to meet customer demand and result in lower sales and profits;
- competitive factors such as the availability, and global pricing of metals and production levels, industry shipping and inventory levels and rapid fluctuations in customer demand and metals pricing;
- rising interest rates and their impacts on our variable interest rate debt;
- customer, supplier and competitor consolidation, bankruptcy or insolvency;
- cyclicity and volatility within the metals industry;

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- the timing and outcomes of inventory lower of cost or net realizable value adjustments and LIFO income or expense;
- fluctuations in the value of the U.S. dollar and the related impact on foreign steel pricing, U.S. exports, and foreign imports to the United States;
- the successes of our efforts and initiatives to improve working capital turnover and cash flows, and achieve cost savings;
- risks and uncertainties associated with intangible assets, including impairment charges related to indefinite lived intangible assets;
- our ability to generate free cash flow through operations and repay debt;
- the impacts of union organizing activities and the success of union contract renewals;
- the amounts, successes and our ability to continue our capital investments and strategic growth initiatives, including acquisitions and our business information system implementations;
- events or circumstances that could adversely impact the successful operation of our processing equipment and operations;
- changes in laws or regulations or the manner of their interpretation or enforcement could impact our financial performance and restrict our ability to operate our business or execute our strategies;
- events or circumstances that could impair or adversely impact the carrying value of any of our assets;
- our ability to pay regular quarterly cash dividends and the amounts and timing of any future dividends;
- our ability to repurchase shares of our common stock and the amounts and timing of repurchases, if any;
- our ability to sell shares of our common stock under the at-the-market equity program; and
- unanticipated developments that could occur with respect to contingencies such as litigation, arbitration and environmental matters, including any developments that would require any increase in our costs for such contingencies.

Should one or more of these or other risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, intended, expected, believed, estimated, projected or planned. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. We undertake no obligation to republish revised forward-looking statements to reflect the occurrence of unanticipated events or circumstances after the date hereof, except as otherwise required by law.

## **Overview**

We are a leading metals service center focused on the direct sale and value-added processing of carbon and coated sheet, plate and coil products; stainless steel sheet, plate, bar and coil; aluminum sheet, plate and coil; pipe, tube bar, valves and fittings, tin plate and metal-intensive end-use products. We provide metals processing and distribution services for a wide range of customers. We operate in three reportable segments: specialty metals flat products, carbon flat products, and tubular and pipe products. Our specialty metals flat products segment's focus is on the direct sale and distribution of processed aluminum and stainless flat-rolled sheet and coil products, flat bar products, prime tin mill products and fabricated parts. Through acquisitions, our specialty metals flat products segment has expanded its geographical footprint and enhanced its product offerings in stainless steel and aluminum plate, sheet, angles, rounds, flat bar, tube and pipe and the manufacturing and distribution of stainless steel bollards and water treatment systems. Our carbon flat products segment's focus is on the direct sale and distribution of large volumes of processed carbon and coated flat-rolled sheet, coil and plate products and fabricated parts. Through acquisitions, our carbon flat products segment has expanded its product offerings to include self-dumping metal hoppers and steel and stainless-steel dump inserts for pickup truck and service truck beds. Through the acquisition of Metal-Fab, Inc., or Metal-Fab, on January 3, 2023, the carbon flat products segment further expanded its product offerings to include venting, micro air and clean air products for residential, commercial and industrial applications. Our tubular and pipe products segment's focus is on the distribution of metal tubing, pipe, bar, valves and fittings and the fabrication of parts supplied to various industrial markets. Through the acquisition of Central Tube and Bar, or CTB, on October 2, 2023, the tubular and pipe products segment further expanded its geographic footprint and extended its value-added contract manufacturing capabilities. We also perform toll processing of customer-owned metals. We sell certain products internationally, primarily in Canada and Mexico. International sales are immaterial to our consolidated financial results and to the individual segments' results.

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Our results of operations are affected by numerous external factors including, but not limited to: metals pricing, demand and availability; the availability, and increased costs of labor; global supply, the level of metals imported into the United States, tariffs, and inventory held in the supply chain; general and global business, economic, financial, banking and political conditions; competition; layoffs or work stoppages by our own, our suppliers' or our customers' personnel; fluctuations in the value of the U.S. dollar to foreign currencies; transportation and energy costs; pricing and availability of raw materials used in the production of metals and customers' ability to manage their credit line availability. The metals industry also continues to be affected by the addition of new capacity and the global consolidation of our suppliers, competitors and end-use customers.

Like other metals service centers, we maintain substantial inventories of metals to accommodate the short lead times and just-in-time delivery requirements of our customers. Accordingly, we purchase metals in an effort to maintain our inventory at levels that we believe to be appropriate to satisfy the anticipated needs of our customers based upon customer forecasts, historic buying practices, supply agreements with customers and market conditions. Our commitments to purchase metals are generally at prevailing market prices in effect at the time we place our orders. From time to time, we have entered into pass-through nickel swaps at the request of our customers in order to mitigate our customers' risk of volatility in the price of metals. We have no long-term, fixed-price metals purchase contracts. When metals prices decline, customer demands for lower prices and our competitors' responses to those demands could result in lower sale prices and, consequently, lower gross profits and earnings as we use existing metals inventory. When metals prices increase, competitive conditions will influence how much of the price increase we can pass on to our customers. To the extent we are unable to pass on future price increases in our raw materials to our customers, the net sales and gross profits of our business could be adversely affected.

At September 30, 2024, we employed approximately 2,148 people. Approximately 239 of the hourly plant personnel at the facilities listed below are represented by seven separate collective bargaining units. The table below shows the expiration dates of the collective bargaining agreements.

Facility	Expiration date
Hammond, Indiana	November 30, 2024
Locust, North Carolina	March 4, 2025
St. Paul, Minnesota	May 25, 2025
Romeoville, Illinois	May 31, 2025
Minneapolis (coil), Minnesota	September 30, 2025
Indianapolis, Indiana	January 29, 2026
Minneapolis (plate), Minnesota	March 31, 2027

We have never experienced a work stoppage and we believe that our relationship with employees is good. However, any prolonged work stoppages by our personnel represented by collective bargaining units could have a material adverse impact on our business, financial condition, results of operations and cash flows.

## **Reportable Segments**

We operate in three reportable segments: specialty metals flat products, carbon flat products and tubular and pipe products. The specialty metals flat products segment and the carbon flat products segment are at times consolidated and referred to as the flat products segment. Some of the flat products segments' assets and resources are shared by the specialty metals and carbon flat products segments and both segments' products are stored in the shared facilities and, in some locations, processed on shared equipment. As such, total assets and capital expenditures are reported in the aggregate for the flat products segments. Due to the shared assets and resources, certain of the flat products segment expenses are allocated between the specialty metals flat products segment and the carbon flat products segment based upon an established allocation methodology.

We follow the accounting guidance that requires the utilization of a "management approach" to define and report the financial results of operating segments. The management approach defines operating segments along the lines used by the chief operating decision maker, or CODM, to assess performance and make operating and resource allocation decisions. Our CODM evaluates performance and allocates resources based primarily on operating income. Our operating segments are based primarily on internal management reporting.

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Due to the nature of the products sold in each segment, there are significant differences in the segments' average selling price and the cost of materials sold. The specialty metals flat products segment generally has the highest average selling price among the three segments followed by the tubular and pipe products segment and carbon flat products segment. Due to the nature of the tubular and pipe products, we do not report tons sold or per ton information. Gross profit per ton is generally higher in the specialty metals flat products segment than the carbon flat products segment. Gross profit as a percentage of net sales is generally higher in the tubular and pipe products and specialty metals flat products segments than the carbon flat products segment. Due to the differences in average selling prices, gross profit and gross profit percentage among the segments, a change in the mix of sales could impact total net sales, gross profit, and gross profit percentage. In addition, certain inventory in the tubular and pipe products segment is valued under the LIFO method. Adjustments to the LIFO inventory value are recorded to cost of materials sold and may impact the gross margin and gross margin percentage at the consolidated Company and tubular and pipe products segment levels.

### **Specialty metals flat products**

The primary focus of our specialty metals flat products segment is on the direct sale and distribution of processed aluminum and stainless flat-rolled sheet and coil products, flat bar products, prime tin mill products and fabricated parts. Through acquisitions, our specialty metals flat products segment has expanded its geographical footprint and enhanced its product offerings in stainless steel and aluminum plate, sheet, angles, rounds, flat bar, tube and pipe and the manufacturing and distribution of stainless steel bollards and water treatment systems. We act as an intermediary between metals producers and manufacturers that require processed metals for their operations. We serve customers in various industries, including manufacturers of food service and commercial appliances, agriculture equipment, transportation and automotive equipment. We distribute these products primarily through a direct sales force.

### **Carbon flat products**

The primary focus of our carbon flat products segment is on the direct sale and distribution of large volumes of processed carbon and coated flat-rolled sheet, coil and plate products and fabricated parts. Through acquisitions, our carbon flat products segment has expanded its product offerings to include self-dumping hoppers and steel and stainless-steel dump inserts for pickup truck and service truck beds. Through the acquisition of Metal-Fab on January 3, 2023, the carbon flat products segment further expanded its product offerings to include venting, micro air and clean air products for residential, commercial and industrial applications. We act as an intermediary between metals producers and manufacturers that require processed metals for their operations. We serve customers in most metals consuming industries, including manufacturers and fabricators of transportation and material handling equipment, construction and farm machinery, storage tanks, environmental and energy generation equipment, automobiles, military vehicles and equipment, as well as general and plate fabricators and metals service centers. We distribute these products primarily through a direct sales force.

Combined, the carbon and specialty metals flat products segments have 36 strategically-located processing and distribution facilities in the United States and one in Monterrey, Mexico. Many of our facilities service both the carbon and the specialty metals flat products segments, and certain assets and resources are shared by the segments. Our geographic footprint allows us to focus on regional customers and larger national and multi-national accounts, primarily located throughout the midwestern, eastern and southern United States.

### **Tubular and pipe products**

The primary focus of our tubular and pipe products segment is on the distribution of metal tubing, pipe, bar, valve and fittings and the fabrication of pressure parts supplied to various industrial markets. Through the acquisition of CTB on October 2, 2023, the tubular and pipe products segment further expanded its geographic footprint and extended its value-added contract manufacturing capabilities. The tubular and pipe products segment operates from 10 locations in the Midwestern and Southern United States. The tubular and pipe products segment distributes its products primarily through a direct sales force.

### **Corporate expenses**

Corporate expenses are reported as a separate line item for segment reporting purposes. Corporate expenses include the unallocated expenses related to managing the entire Company (i.e., all three segments), including compensation for certain personnel, expenses related to being a publicly traded entity such as board of directors' expenses, audit expenses, and various other professional fees.

## Results of Operations

Our results of operations are impacted by the market price of metals. Metals prices fluctuate significantly and changes to our net sales, cost of materials sold, gross profit, cost of inventory and profitability, are all impacted by industry metals pricing. Index pricing on carbon steel decreased during the third quarter of 2024 by 2.7%, and decreased during the first nine months of 2024 by 40.3%. Hot rolled coil index prices were 1.1% lower in the third quarter of 2024 compared to the third quarter of 2023. Metals prices in our specialty metals flat-products segment decreased during the nine months ended September 30, 2024, primarily due to a 7.8% decrease in stainless steel surcharges. The average price of stainless surcharges decreased 27.5% during the first nine months of 2024 compared to the first nine months of 2023.

Transactional or "spot" selling prices generally move in tandem with market price changes, while fixed selling prices typically lag and reset quarterly. Similarly, inventory costs (and, therefore, cost of materials sold) tend to move slower than market selling price changes due to mill lead times and inventory turnover impacting the rate of change in average cost. When average selling prices decrease, and net sales decrease, gross profit and operating expenses as a percentage of net sales will generally increase.

### Consolidated Operations

The following table presents consolidated operating results for the periods indicated (dollars are shown in thousands):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,					
	2024		2023		2024		2023	
	\$	% of net sales	\$	% of net sales	\$	% of net sales	\$	% of net sales
Net sales	\$ 469,996	100.0	\$ 526,411	100.0	\$ 1,522,888	100.0	\$ 1,668,755	100.0
Cost of materials sold (a)	363,144	77.3	414,480	78.7	1,177,229	77.3	1,308,988	78.4
Gross profit (b)	106,852	22.7	111,931	21.3	345,659	22.7	359,767	21.6
Operating expenses (c)	99,043	21.0	91,046	17.3	306,802	20.1	295,387	17.7
Operating income	7,809	1.7	20,885	4.0	38,857	2.6	64,380	3.9
Other loss, net	26	0.0	28	0.0	66	0.0	67	0.0
Interest and other expense on debt	3,880	0.9	3,953	0.8	12,283	0.9	12,379	0.8
Income before income taxes	3,903	0.8	16,904	3.2	26,508	1.7	51,934	3.1
Income taxes	1,169	0.2	4,674	0.9	7,417	0.4	14,813	0.9
Net income	\$ 2,734	0.6	\$ 12,230	2.3	\$ 19,091	1.3	\$ 37,121	2.2

(a) Includes \$2,000 and \$2,600 of LIFO income, respectively, for the three and nine months ended September 30, 2024. Includes \$2,000 and \$3,000 of LIFO income for the three and nine months ended September 30, 2023.

(b) Gross profit is calculated as net sales less the cost of materials sold.

(c) Operating expenses are calculated as total costs and expenses less the cost of materials sold.

Net sales decreased \$56.4 million, or 10.7%, to \$470.0 million in the third quarter of 2024 from \$526.4 million in the third quarter of 2023. Specialty metals flat products net sales were 26.7% of total net sales in the third quarter of 2024 compared to 25.2% of total net sales in the third quarter of 2023. Carbon flat products net sales were 56.4% of total net sales in the third quarter of 2024 compared to 57.8% of total net sales in the third quarter of 2023. Tubular and pipe products net sales were 16.9% of total net sales in the third quarter of 2024 compared to 16.9% of total net sales in the third quarter of 2023. The decrease in net sales was due to a consolidated 10.8% decrease in average selling prices during the third quarter of 2024 compared to the third quarter of 2023 partially offset by a 0.1% increase in sales volume.

Net sales decreased \$145.9 million, or 8.7%, to \$1.5 billion in the first nine months of 2024 from \$1.7 billion in the first nine months of 2023. Specialty metals flat products net sales were 25.4% of total net sales in the first nine months of 2024 compared to 26.7% of total net sales in the first nine months of 2023. Carbon flat products net sales were 57.4% of total net sales in the first nine months of 2024 compared to 56.4% of total net sales in the first nine months of 2023. Tubular and pipe products net sales were 17.3% of total net sales in the first nine months of 2024 compared to 16.9% of total net sales in the first nine months of 2023. The decrease in net sales was due to a consolidated 9.8% decrease in average selling prices during the first nine months of 2024 compared to the first nine months of 2023 partially offset by a 1.2% increase in sales volume.

Cost of materials sold decreased \$51.3 million, or 12.4%, to \$363.1 million in the third quarter of 2024 from \$414.5 million in the third quarter of 2023. Cost of materials sold decreased \$131.8 million, or 10.1%, to \$1.2 billion in the first nine months of 2024 from \$1.3 billion in the first nine months of 2023. The decrease in cost of materials sold in the third quarter and first nine months of 2024 is related to the decreased metals pricing discussed above in Results of Operations.

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As a percentage of net sales, gross profit (as defined in footnote (b) in the table above) increased to 22.7% in the third quarter of 2024 from 21.3% in the third quarter of 2023. As a percentage of net sales, gross profit (as defined in footnote (b) in the table above) increased to 22.7% in the first nine months of 2024 from 21.6% in the first nine months of 2023. The increase in the gross profit as a percentage of net sales is due to the average cost of inventory decreasing more than the average selling prices.

Operating expenses in the third quarter of 2024 increased \$8.0 million, or 8.8%, to \$99.0 million from \$91.1 million in the third quarter of 2023. As a percentage of net sales, operating expenses increased to 21.0% for the third quarter of 2024 from 17.3% in the third quarter of 2023. Operating expenses in the specialty metals flat products segment increased \$0.8 million, operating expenses in the carbon flat products segment increased \$4.3 million, operating expenses in the tubular and pipe products segment increased \$2.6 million and Corporate expenses increased \$0.3 million in the third quarter of 2024 compared to the third quarter of 2023. The increase in operating expenses on a dollar basis was primarily attributable to the inclusion of CTB operating expenses in 2024 and the year-over-year absence of employee retention credits partially offset by lower variable performance-based compensation.

Operating expenses in the first nine months of 2024 increased \$11.4 million, or 3.9%, to \$306.8 million from \$295.4 million in the first nine months of 2023. As a percentage of net sales, operating expenses increased to 20.1% for the first nine months of 2024 from 17.7% in the first nine months of 2023. Operating expenses in the specialty metals flat products segment decreased \$0.4 million, operating expenses in the carbon flat products segment increased \$5.1 million, operating expenses in the tubular and pipe products segment increased \$9.7 million and Corporate expenses decreased \$3.1 million in the first nine months of 2024 compared to the first nine months of 2023. The increase in operating expenses on a dollar basis was primarily attributable to the inclusion of CTB operating expenses in 2024 and the year-over-year absence of employee retention credits partially offset by lower variable performance-based compensation and the year-over-year absence of acquisition-related expenses.

Interest and other expense on debt totaled \$3.9 million, or 0.9% of net sales, in the third quarter of 2024 compared to \$4.0 million, or 0.8% of net sales, in the third quarter of 2023. Interest and other expense on debt totaled \$12.3 million, or 0.9% of net sales, in the first nine months of 2024 compared to \$12.4 million, or 0.8% of net sales, in the first nine months of 2023. The decrease in the first nine months of 2024 compared to the first nine months of 2023 was due to lower average borrowings partially offset by a higher effective borrowing rate. Our effective borrowing rate, exclusive of deferred financing fees and commitment fees, was 7.0% for the first nine months of 2024 compared to 5.9% for the first nine months of 2023, primarily due to the expiration of an interest rate hedge in January 2024.

In the third quarter of 2024, income before income taxes totaled \$3.9 million compared to income before income taxes of \$16.9 million in the third quarter of 2023. In the first nine months of 2024, income before income taxes totaled \$26.5 million compared to income before income taxes of \$51.9 million in the first nine months of 2023.

An income tax provision of 29.9% was recorded for the third quarter of 2024, compared to an income tax provision of 27.7% for the third quarter of 2023. An income tax provision of 28.0% was recorded for the first nine months of 2024, compared to an income tax provision of 28.5% for the first nine months of 2023. Our tax provision for interim periods is determined using an estimate of our annual effective tax rate, adjusted for discrete items that are considered in the relevant period. Each quarter, we update our estimate of the annual effective tax rate, and if our estimated tax rate changes, we make a cumulative adjustment.

Net income for the third quarter of 2024 totaled \$2.7 million, or \$ 0.23 per basic share and diluted share, compared to net income of \$12.2 million, or \$ 1.06 per basic and diluted share, for the third quarter of 2023. Net income for the first nine months of 2024 totaled \$19.1 million, or \$ 1.64 per basic share and diluted share, compared to net income of \$37.1 million, or \$ 3.21 per basic and diluted share, for the first nine months of 2023.

## Segment Operations

### Specialty metals flat products

The following table presents selected operating results for our specialty metals flat products segment for the periods indicated (dollars are shown in thousands, except for per ton information):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2024		2023	
	% of net sales	% of net sales	% of net sales	% of net sales
Direct tons sold	28,374		27,160	
Toll tons sold	1,364		776	
Total tons sold	29,738		27,936	
Net sales	\$ 125,693	100.0	\$ 132,763	100.0
Average selling price per ton	4,227		4,752	
Cost of materials sold	103,450	82.3	111,622	84.1
Gross profit (a)	22,243	17.7	21,141	15.9
Operating expenses (b)	17,307	13.8	16,473	12.4
Operating income	\$ 4,936	3.9	\$ 4,668	3.5
				\$ 16,716
				4.3
				\$ 20,606
				4.6

(a) Gross profit is calculated as net sales less the cost of materials sold.

(b) Operating expenses are calculated as total costs and expenses less the cost of materials sold.

Tons sold by our specialty metals flat products segment increased 6.5% to 30 thousand in the third quarter of 2024 from 28 thousand in the third quarter of 2023. Tons sold by our specialty metals flat products segment increased 2.4% to 91 thousand in the first nine months of 2024 from 89 thousand in the first nine months of 2023. We do not report tons sold for our end-use products.

Net sales in our specialty metals flat products segment decreased \$7.1 million, or 5.3%, to \$125.7 million in the third quarter of 2024 from \$132.8 million in the third quarter of 2023. The decrease in sales was due to a 11.1% decrease in average selling prices partially offset by a 6.5% increase in sales volume during the third quarter of 2024 compared to the third quarter of 2023. Average selling prices in the third quarter of 2024 were \$4,227 per ton, compared with \$4,752 per ton in the third quarter of 2023.

Net sales in our specialty metals flat products segment decreased \$60.2 million, or 13.5%, to \$386.1 million in the first nine months of 2024 from \$446.3 million in the first nine months of 2023. The decrease in sales was due to a 15.6% decrease in average selling prices partially offset by a 2.4% increase in sales volume during the first nine months of 2024 compared to the first nine months of 2023. Average selling prices in the first nine months of 2024 were \$4,227 per ton, compared with \$5,006 per ton in the first nine months of 2023.

Cost of materials sold in our specialty metals flat products segment decreased \$8.2 million, or 7.3%, to \$103.5 million in the third quarter of 2024 from \$111.6 million in the third quarter of 2023. Cost of materials sold in our specialty metals flat products segment decreased \$56.0 million, or 15.0%, to \$316.0 million in the first nine months of 2024 from \$371.9 million in the first nine months of 2023. The decrease in cost of materials sold was due to the decreased industry metals pricing discussed above in Results of Operations and partially offset by increased sales volume.

As a percentage of net sales, gross profit (as defined in footnote (a) in the table above) increased to 17.7% in the third quarter of 2024 from 15.9% in the third quarter of 2023. As a percentage of net sales, gross profit (as defined in footnote (a) in the table above) increased to 18.2% in the first nine months of 2024 from 16.7% in the first nine months of 2023. The increase in the gross profit as a percentage of net sales is due to the average cost of inventory decreasing more than the average selling prices.

Operating expenses increased \$0.8 million, or 5.1%, to \$17.3 million in the third quarter of 2024 from \$16.5 million in the third quarter of 2023. As a percentage of net sales, operating expenses increased to 13.8% in the third quarter of 2024 compared to 12.4% in the third quarter of 2023. The increase in operating expenses on a dollar basis was primarily attributable to increased variable operating expenses due to increased sales volume.

Operating expenses decreased \$0.4 million, or 0.7%, to \$53.4 million in the first nine months of 2024 from \$53.8 million in the first nine months of 2023. As a percentage of net sales, operating expenses increased to 13.9% in the first nine months of 2024 compared to 12.1% in the first nine months of 2023. The decrease in operating expenses on a dollar basis was primarily attributable to decreased variable performance-based incentive compensation.

Operating income in the third quarter of 2024 totaled \$4.9 million, or 3.9% of net sales, compared to \$4.7 million, or 3.5% of net sales, in the third quarter of 2023. Operating income in the first nine months of 2024 totaled \$16.7 million, or 4.3% of net sales, compared to \$20.6 million, or 4.6% of net sales, in the first nine months of 2023.

**Carbon flat products**

The following table presents selected operating results for our carbon flat products segment for the periods indicated (dollars are shown in thousands, except for per ton information):

	For the Three Months Ended September 30,				For the Nine Months Ended September 30,			
	2024		2023		2024		2023	
	% of net sales	% of net sales	% of net sales	% of net sales	% of net sales	% of net sales	% of net sales	% of net sales
Direct tons sold	198,079		198,767		630,018		625,332	
Toll tons sold	6,132		8,378		22,958		26,426	
Total tons sold	204,211		207,145		652,976		651,758	
Net sales	\$ 264,849	100.0	\$ 304,478	100.0	\$ 873,579	100.0	\$ 940,925	100.0
Average selling price per ton	1,297		1,470		1,338		1,444	
Cost of materials sold	208,093	78.6	242,532	79.7	687,704	78.7	744,040	79.1
Gross profit (a)	56,756	21.4	61,946	20.3	185,875	21.3	196,885	20.9
Operating expenses (b)	56,322	21.2	51,997	17.0	171,423	19.6	166,295	17.6
Operating income	\$ 434	0.2	\$ 9,949	3.3	\$ 14,452	1.7	\$ 30,590	3.3

(a) Gross profit is calculated as net sales less the cost of materials sold.

(b) Operating expenses are calculated as total costs and expenses less the cost of materials sold.

Tons sold by our carbon flat products segment decreased 1.4% to 204 thousand in the third quarter of 2024 from 207 thousand in the third quarter of 2023. Tons sold by our carbon flat products segment increased 0.2% to 653 thousand in the first nine months of 2024 from 652 thousand in the first nine months of 2023. We do not report tons sold for our end-use products.

Net sales in our carbon flat products segment decreased \$39.6 million, or 13.0%, to \$264.9 million in the third quarter of 2024 from \$304.5 million in the third quarter of 2023. The decrease in sales was attributable to a 11.8% decrease in average selling prices in the third quarter of 2024 compared to the third quarter of 2023, and a 1.4% decrease in tons sold. Average selling prices in the third quarter of 2024 decreased to \$1,297 per ton, compared with \$1,470 per ton in the third quarter of 2023.

Net sales in our carbon flat products segment decreased \$67.4 million, or 7.2%, to \$873.6 million in the first nine months of 2024 from \$940.9 million in the first nine months of 2023. The decrease in sales was attributable to a 7.3% decrease in average selling prices in the first nine months of 2024 compared to the first nine months of 2023, partially offset by a 0.2% increase in tons sold. Average selling prices in the first nine months of 2024 decreased to \$1,338 per ton, compared with \$1,444 per ton in the first nine months of 2023.

Cost of materials sold decreased \$34.4 million, or 14.2%, to \$208.1 million in the third quarter of 2024 from \$242.5 million in the third quarter of 2023. Cost of materials sold decreased \$56.3 million, or 7.6%, to \$687.7 million in the first nine months of 2024 from \$744.0 million in the first nine months of 2023. The decrease was due to the decreased market price for metals discussed above in Results of Operations partially offset by the year-over-year absence of \$2.1 million of non-recurring amortization expense of inventory step up to fair market value adjustments made as part of the purchase price allocation for the January 3, 2023 acquisition of Metal-Fab.

As a percentage of net sales, gross profit (as defined in footnote (a) in the table above) increased to 21.4% in the third quarter of 2024 compared to 20.3% in the third quarter of 2023. As a percentage of net sales, gross profit (as defined in footnote (a) in the table above) increased to 21.3% in the first nine months of 2024 compared to 20.9% in the first nine months of 2023. The increase in the gross profit as a percentage of net sales in the third quarter of 2024 when compared to the third quarter of 2023 was due to average cost of inventory decreasing more than the average selling prices.

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Operating expenses in the third quarter of 2024 increased \$4.3 million, or 8.3%, to \$56.3 million from \$52.0 million in the third quarter of 2023. Operating expenses increased to 21.2% of net sales in the third quarter of 2024 compared to 17.0% in the third quarter of 2023. The increase in operating expenses on a dollar basis was primarily due to the year-over-year absence of employee retention credits in 2024 partially offset by lower variable performance-based incentive compensation and decreased variable operating expenses due to decreased sales volume.

Operating expenses in the first nine months of 2024 increased \$5.1 million, or 3.1%, to \$171.4 million from \$166.3 million in the first nine months of 2023. Operating expenses increased to 19.6% of net sales in the first nine months of 2024 compared to 17.6% in the first nine months of 2023. The increase in operating expenses on a dollar basis was primarily due to the year-over-year absence of employee retention credits in 2024.

Operating income in the third quarter of 2024 totaled \$0.4 million, or 0.2% of net sales, compared to operating income of \$9.9 million, or 3.3% of net sales, in the third quarter of 2023. Operating income in the first nine months of 2024 totaled \$14.5 million, or 1.7% of net sales, compared to operating income of \$30.6 million, or 3.3% of net sales, in the first nine months of 2023.

### **Tubular and pipe products**

The following table presents selected operating results for our tubular and pipe products segment for the periods indicated (dollars are shown in thousands):

	For the Three Months Ended September 30,			For the Nine Months Ended September 30,		
	2024		2023	2024		2023
	\$	% of net sales	\$	% of net sales	\$	% of net sales
Net sales	\$ 79,454	100.0	\$ 89,170	100.0	\$ 263,209	100.0
Cost of materials sold (a)	51,601	64.9	60,326	67.7	173,541	65.9
Gross profit (b)	27,853	35.1	28,844	32.3	89,668	34.1
Operating expenses (c)	21,377	26.9	18,811	21.0	69,068	26.3
Operating income	\$ 6,476	8.2	\$ 10,033	11.3	\$ 20,600	7.8

(a) Includes \$2,000 and \$2,600 of LIFO income, respectively, for the three and nine months ended September 30, 2024. Includes \$2,000 and \$3,000 of LIFO income, respectively, for the three and nine months ended September 30, 2023.

(b) Gross profit is calculated as net sales less the cost of materials sold.

(c) Operating expenses are calculated as total costs and expenses less the cost of materials sold.

Net sales decreased \$9.7 million, or 10.9%, to \$79.5 million in the third quarter of 2024 from \$89.2 million in the third quarter of 2023. The decrease is a result of a 16.1% decrease in average selling prices partially offset by a 6.2% increase in shipping volume during the third quarter of 2024 compared to the third quarter of 2023. The shipping volume increase is due to the CTB acquisition on October 2, 2023.

Net sales decreased \$18.3 million, or 6.5%, to \$263.2 million in the first nine months of 2024 from \$281.5 million in the first nine months of 2023. The decrease is a result of a 14.3% decrease in average selling prices partially offset by a 9.1% increase in shipping volume during the first nine months of 2024 compared to the first nine months of 2023 due to the CTB acquisition on October 2, 2023.

Cost of materials sold decreased \$8.7 million, or 14.5%, to \$51.6 million in the third quarter of 2024 from \$60.3 million in the third quarter of 2023. Cost of materials sold decreased \$19.5 million, or 10.1%, to \$173.5 million in the first nine months of 2024 from \$193.0 million in the first nine months of 2023. During the three and nine months ended September 30, 2024, we recorded \$2.0 million and \$2.6 million of LIFO income, respectively. During the three and nine months ended September 30, 2023, we recorded \$2.0 million and \$3.0 million of LIFO income, respectively. The decrease in cost of materials sold was due to the decreased industry metals pricing discussed above in Results of Operations.

As a percentage of net sales, gross profit (as defined in footnote (b) in the table above) increased to 35.1% in the third quarter of 2024 compared to 32.3% in the third quarter of 2023. As a percentage of net sales, the LIFO income recorded in the third quarter of 2024 increased gross profit by 2.5% and the LIFO income recorded in the third quarter of 2023 increased gross profit by 2.2%. As a percentage of net sales, gross profit (as defined in footnote (b) in the table above) increased to 34.1% in the first nine months of 2024 compared to 31.4% in the first nine months of 2023. As a percentage of net sales, the LIFO income recorded in the first nine months of 2024 increased gross profit by 1.0% and the LIFO income recorded in the first nine months of 2023 increased gross profit by 1.1%. The increase in gross profit as a percentage of net sales is primarily a result of the inclusion of CTB gross profit and net sales in 2024.

Operating expenses in the third quarter of 2024 increased \$2.6 million, or 13.6%, to \$21.4 million from \$18.8 million in the third quarter of 2023. Operating expenses increased to 26.9% of net sales in the third quarter of 2024 compared to 21.0% in the third quarter of 2023. Operating expenses in the first nine months of 2024 increased \$9.7 million, or 16.4%, to \$69.1 million from \$59.4 million in the first nine months of 2023. Operating expenses increased to 26.3% of net sales in the first nine months of 2024 compared to 21.0% in the first nine months of 2023. The increase in operating expenses on a dollar basis was primarily due to the inclusion of CTB operating expenses, partially offset by lower variable performance-based incentive compensation.

Operating income in the third quarter 2024 totaled \$6.5 million, or 8.2% of net sales, compared to \$10.0 million, or 11.3% of net sales, in the third quarter of 2023. Operating income in the first nine months 2024 totaled \$20.6 million, or 7.8% of net sales, compared to \$29.1 million, or 10.4% of net sales, in the first nine months of 2023.

### **Corporate expenses**

Corporate expenses decreased \$0.3 million, or 7.2%, to \$4.0 million in the third quarter of 2024 from \$3.8 million in the third quarter of 2023. Corporate expenses decreased \$3.1 million, or 19.1%, to \$12.9 million in the first nine month of 2024 from \$16.0 million in the first nine month of 2023. Corporate expense primarily decreased due to the year-over-year absence of acquisition-related expenses and lower variance performance-based incentive compensation in 2024.

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### **Liquidity, Capital Resources and Cash Flows**

Our principal capital requirements include funding working capital needs, purchasing, upgrading and acquiring processing equipment and facilities, making acquisitions and paying dividends. We use cash generated from operations and borrowings under our ABL Credit Facility to fund these requirements.

We believe that funds available under our ABL Credit Facility, together with funds generated from operations, will be sufficient to provide us with the liquidity necessary to fund anticipated working capital requirements, capital expenditure requirements, our dividend payments, and any share repurchases and business acquisitions over at least the next 12 months and for the foreseeable future thereafter. In the future, we may, as part of our business strategy, acquire and dispose of assets or other companies in the same or complementary lines of business, or enter into or exit strategic alliances and joint ventures. Accordingly, the timing and size of our capital requirements are subject to change as business conditions warrant and opportunities arise.

#### **Operating Activities**

For the nine months ended September 30, 2024, we generated \$19.1 million of net cash from operations, of which \$44.8 million was generated from operating activities and \$25.7 million was used for working capital requirements. For the nine months ended September 30, 2023, we generated \$121.0 million of net cash from operations, of which \$67.2 million was generated from operating activities and \$53.8 million was generated from working capital.

Net cash from operating activities totaled \$44.8 million during the first nine months of 2024 and was mainly comprised of net income of \$19.1 million, the non-cash depreciation and amortization addback of \$22.4 million, and changes in other long-term liabilities of \$6.6 million partially offset by changes in other long-term assets of \$5.0 million. Net cash from operations totaled \$67.2 million during the first nine months of 2023 and was mainly comprised of net income of \$37.1 million, the non-cash depreciation and amortization addback of \$19.4 million, decreases in other long-term assets of \$5.3 million and changes in other long-term liabilities of \$4.2 million.

Working capital at September 30, 2024 totaled \$445.5 million, a \$22.5 million increase from December 31, 2023. The increase was primarily attributable to a \$12.9 million increase in inventory, a \$6.4 million increase in accounts receivable and a \$10.0 million decrease in accrued payroll and other accrued liabilities partially offset by a \$4.4 million decrease in accounts payable.

#### **Investing Activities**

Net cash used for investing activities totaled \$22.3 million during the nine months ended September 30, 2024 and primarily consisted of capital expenditures. Net cash used for investing activities totaled \$148.9 million during the nine months ended September 30, 2023, and primarily consisted of \$129.5 million for the acquisition of Metal-Fab, inclusive of cash acquired of \$1.7 million, and \$19.6 million in capital expenditures partially offset by \$0.1 million in proceeds from the disposition of property and equipment.

The capital expenditures in the first nine months of 2024 and 2023 were primarily attributable to additional processing equipment at our existing facilities.

#### **Financing Activities**

During the first nine months of 2024, \$1.0 million of cash was generated from financing activities, which primarily consisted of \$7.1 million of net borrowings under our ABL Credit Facility, offset by \$5.0 million of dividends paid, \$0.9 million of principal payments under finance lease obligations and \$0.1 million of credit facility fees and expenses related to the amended ABL Credit Facility. During the first nine months ended of 2023, \$24.8 million was generated from financing activities, which primarily consisted of \$30.9 million of net borrowings under our ABL Credit Facility, \$4.2 million of dividends paid, \$1.1 million of credit facility fees and expenses related to amending the ABL Credit Facility and \$0.7 million of principle payments under finance lease obligations.

Dividends paid were \$5.0 million and \$4.2 million for the nine months ended September 30, 2024 and September 30, 2023, respectively. In November 2024, our Board of Directors approved a regular quarterly dividend of \$0.150 per share, which will be paid on December 16, 2024 to shareholders of record as of December 2, 2024. Regular dividend distributions in the future are subject to the availability of cash, the \$15.0 million annual limitation on cash dividends and common stock repurchases under our ABL Credit Facility and continuing determination by our Board of Directors that the payment of dividends remains in the best interest of our shareholders.

### **Stock Repurchase Program**

In 2015, our Board of Directors authorized a stock repurchase program of up to 550,000 shares of our issued and outstanding common stock, which could include open market repurchases, negotiated block transactions, accelerated stock repurchases or open market solicitations for shares, all or some of which may be effected through Rule 10b5-1 plans. Repurchased shares will be held in our treasury, or canceled and retired as our Board of Directors may determine from time to time. Any repurchases of common stock are subject to the covenants contained in the ABL Credit Facility. Under the ABL Credit Facility, we may repurchase common stock and pay dividends up to \$15.0 million in the aggregate during any trailing twelve months without restrictions. Purchases in excess of \$15.0 million require us to (i) maintain availability in excess of 20% of the aggregate revolver commitments (\$125.0 million at September 30, 2024) or (ii) to maintain availability equal to or greater than 15% of the aggregate revolver commitments (\$93.8 million at September 30, 2024) and we must maintain a pro forma ratio of earnings before interest, taxes, depreciation and amortization, or EBITDA, minus certain capital expenditures and cash taxes paid to fixed charges of at least 1.00 to 1.00. The timing and amount of any repurchases under the stock repurchase program will depend upon several factors, including market and business conditions, and limitations under the ABL Credit Facility, and repurchases may be discontinued at any time. As of September 30, 2024, 360,212 shares remain authorized for repurchase under the program.

There were no shares repurchased during 2024 or 2023.

### **At-the-Market Equity Program**

On September 3, 2021, we commenced an at-the-market, or ATM, equity program under our shelf registration statement, which allows us to sell and issue up to \$50 million in shares of our common stock from time to time. We entered into an Equity Distribution Agreement on September 3, 2021 with KeyBanc Capital Markets Inc., or KeyBanc, relating to the issuance and sale of shares of common stock pursuant to the program. KeyBanc is not required to sell any specific amount of securities but will act as our sales agent using commercially reasonable efforts consistent with its normal trading and sales practices, on mutually agreed terms between KeyBanc and us. KeyBanc will be entitled to compensation for shares sold pursuant to the program of 2.0% of the gross proceeds of any shares of common stock sold under the Equity Distribution Agreement. No shares were sold under the ATM program during the three and nine months ended September 30, 2024 or September 30, 2023.

### **Debt Arrangements**

Our ABL Credit Facility is collateralized by our accounts receivable, inventory, personal property and certain real estate. The \$625 million ABL Credit Facility consists of: (i) a revolving credit facility of up to \$595 million, including a \$20 million sub-limit for letters of credit, and (ii) a first in, last out revolving credit facility of up to \$30 million. Under the terms of the ABL Credit Facility we may, subject to the satisfaction of certain conditions, request additional commitments under the revolving credit facility in the aggregate principal amount of up to \$200 million to the extent that existing or new lenders agree to provide such additional commitments. The ABL Credit Facility matures on June 16, 2026.

The ABL Credit Facility contains customary representations and warranties and certain covenants that limit our ability to, among other things: (i) incur or guarantee additional indebtedness; (ii) pay distributions on, redeem or repurchase capital stock or redeem or repurchase subordinated debt; (iii) make investments; (iv) sell assets; (v) enter into agreements that restrict distributions or other payments from restricted subsidiaries to us; (vi) incur liens securing indebtedness; (vii) consolidate, merge or transfer all or substantially all of their assets; and (viii) engage in transactions with affiliates. In addition, the ABL Credit Facility contains a financial covenant which requires if any commitments or obligations are outstanding and the our availability is less than the greater of \$30 million or 10.0% of the aggregate amount of revolver commitments (\$62.5 million at September 30, 2024) or 10.0% of the aggregate borrowing base (\$50.6 million at September 30, 2024), then we must maintain a ratio of Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) minus certain capital expenditures and cash taxes paid to fixed charges of at least 1.00 to 1.00 for the most recent twelve fiscal month period.

As of September 30, 2024, we were in compliance with our covenants and had approximately \$304 million of availability under the ABL Credit Facility.

We have the option to borrow under its revolver based on the agent's base rate plus a premium ranging from 0.00% to 0.25% or the Secured Overnight Financing Rate, or SOFR, plus a premium ranging from 1.25% to 2.75%.

On August 15, 2024, we entered into a two-year forward starting fixed rate interest rate hedge in order to eliminate the variability of cash interest payments on \$75 million of the outstanding SOFR based borrowings under the ABL Credit Facility. The interest rate hedge fixed the rate at 3.82%. Although we are exposed to credit loss in the event of nonperformance by the other party to the interest rate hedge agreement, we anticipate performance by the counterparty.

As of September 30, 2024 and December 31, 2023, \$1.2 million and \$1.7 million, respectively, of bank financing fees were included in "Prepaid expenses and other" and "Other long-term assets" on the accompanying Consolidated Balance Sheets. The financing fees are being amortized over the five-year term of the ABL Credit Facility and are included in "Interest and other expense on debt" on the accompanying Consolidated Statements of Comprehensive Income.

### **Critical Accounting Policies**

This Management's Discussion and Analysis of Financial Condition and Results of Operations is based on the consolidated financial statements included in this Quarterly Report on Form 10-Q, which have been prepared in conformity with accounting principles generally accepted in the United States. The preparation of these financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements. We monitor and evaluate our estimates and assumptions, based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results could differ from these estimates under different assumptions or conditions.

We review our financial reporting and disclosure practices and accounting practices quarterly to ensure they provide accurate and transparent information relative to the current economic and business environment. For further information regarding the accounting policies that we believe to be critical accounting policies that affect our more significant judgments and estimates used in preparing our consolidated financial statements, see Management's Discussion and Analysis of Financial Condition and Results of Operations contained in our Annual Report on Form 10-K for the year ended December 31, 2023.

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

Our principal raw materials are carbon, coated and stainless steel, aluminum, pipe and tube, flat rolled coil, sheet and plate that we typically purchase from multiple primary metals producers. The metals industry as a whole is cyclical and, at times, pricing and availability of metals can be volatile due to numerous factors beyond our control, including general domestic and international economic conditions, the levels of metals imported into the United States, labor costs, sales levels, competition, levels of inventory held by other metals service centers, consolidation of metals producers, new global capacity by metals producers, higher raw material costs for the producers of metals, import duties and tariffs and currency exchange rates. This volatility can significantly affect the availability and cost of raw materials for us.

We, like many other metals service centers, maintain substantial inventories of metals to accommodate the short lead times and just-in-time delivery requirements of our customers. Accordingly, we purchase metals in an effort to maintain our inventory at levels that we believe to be appropriate to satisfy the anticipated needs of our customers based upon historic buying practices, supply agreements with customers and market conditions. Our commitments to purchase metals are generally at prevailing market prices in effect at the time we place our orders. We have no long-term, fixed-price metals purchase contracts. When metals prices increase, competitive conditions will influence how much of the price increase we can pass on to our customers. To the extent we are unable to pass on future price increases in our raw materials to our customers, the net sales and profitability of our business could be adversely affected. When metals prices decline, customer demands for lower prices and our competitors' responses to those demands could result in lower sale prices and, consequently, lower gross profits and inventory lower of cost or net realizable value adjustments as we sell existing inventory. Significant or rapid declines in metals prices or reductions in sales volumes could adversely impact our ability to remain in compliance with certain financial covenants in the ABL credit facility, as well as result in us incurring inventory or intangible asset impairment charges. Changing metals prices therefore could significantly impact our net sales, gross profits, operating income and net income.

Rising metals prices result in higher working capital requirements for us and our customers. Some customers may not have sufficient credit lines or liquidity to absorb significant increases in the price of metals. While we have generally been successful in the past in passing on producers' price increases and surcharges to our customers, there is no guarantee that we will be able to pass on price increases to our customers in the future. Declining metals prices have generally adversely affected our net sales and net income, while increasing metals prices have generally favorably affected our net sales and net income.

Approximately 48% and 50%, respectively, of our consolidated net sales during the first nine months of 2024 and 2023 were directly related to industrial machinery and equipment manufacturers and their fabricators.

Inflation generally affects us by increasing the cost of employee wages and benefits, transportation services, energy, borrowings under our credit facility, processing equipment, and purchased metals. General inflation, including increases in the price of metals and increased labor and distribution expense, did not materially effect our operations during the third quarter of 2024, and it has not had a material effect on our financial results during the last two years, but may have a significant impact in future years.

We are exposed to the impact of fluctuating metals prices and interest rate changes. During 2024 and 2023, we entered into metals swaps at the request of customers. These derivatives have not been designated as hedging instruments. For certain customers, we enter into contractual relationships that entitle us to pass through the economic effect of trading positions that we take with other third parties on our customers' behalf.

Our primary interest rate risk exposure results from variable rate debt. On August 15, 2024, we entered into a two-year forward starting fixed rate interest rate hedge in order to eliminate the variability of cash interest payments on \$75 million of the outstanding SOFR based borrowings under the ABL Credit Facility. The interest rate hedge fixed the rate at 3.82%. On January 10, 2019, we entered into a five-year forward starting interest fixed rate interest rate hedge in order to eliminate the variability of cash interest payments on \$75m of the outstanding LIBOR based borrowings under the ABL Credit Facility. On January 3, 2023, we amended the interest rate hedge agreement to use SOFR as the reference rate and updated the fixed rate to 2.42% from 2.57%. This interest rate hedge agreement ended on January 10, 2024. We have the option to enter into 30- to 180-day fixed base rate SOFR loans under the ABL Credit Facility.

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**Item 4. Controls and Procedures**

The evaluation required by Rule 13a-15(e) of the Securities Exchange Act of 1934, or the Exchange Act, of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under Exchange Act) as of the end of the period covered by this Quarterly Report on Form 10-Q has been carried out under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer. These disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed in reports that are filed with or submitted to the SEC is: (i) accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosures and (ii) recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of September 30, 2024, our disclosure controls and procedures were effective.

There were no changes in our internal control over financial reporting that occurred during the third quarter of 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**Part II. OTHER INFORMATION**

Items 1, 1A, 2, 3 and 4 of this Part II are either inapplicable or are answered in the negative and are omitted pursuant to the instructions to Part II.

**Item 5. *Other Information***

*Trading Arrangements*

During the quarter ended September 30, 2024, no director or officer (as defined in Rule 16a-1(f) promulgated under the Exchange Act) of the Company adopted or terminated a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement” (as each term is defined in Item 408 of Regulation S-K).

**Item 6. Exhibits**

<b>Exhibit</b>	<b>Description of Document</b>	<b>Reference</b>
31.1	<a href="#">Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>	Filed herewith
31.2	<a href="#">Certification of the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>	Filed herewith
32.1	<a href="#">Certification of the Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>	Furnished herewith
32.2	<a href="#">Certification of the Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>	Furnished herewith
101	The following materials from Olympic Steel's Quarterly Report on Form 10-Q for the period ended September 30, 2024, formatted in Inline XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Comprehensive Income (Loss), (iii) the Consolidated Statements of Cash Flows, (iv) the Supplemental Disclosures of Cash Flow Information, (v) the Consolidated Statements of Shareholders' Equity, (vi) Notes to Unaudited Consolidated Financial Statements and (vii) document and entity information.	
104	Cover Page Interactive Data File (embedded within the Inline XBRL document and contained in Exhibit 101).	

**SIGNATURES**

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

**OLYMPIC STEEL, INC.**  
(Registrant)

Date: November 1, 2024

By: /s/ Richard T. Marabito  
**Richard T. Marabito**  
Chief Executive Officer

By: /s/ Richard A. Manson  
**Richard A. Manson**  
Chief Financial Officer  
(Principal Financial and Accounting Officer)

**Certification of the Principal Executive Officer  
Pursuant to 15 U.S.C. 78m(a) or 78o(d)  
(Section 302 of the Sarbanes-Oxley Act of 2002)**

I, Richard T. Marabito, certify that:

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

By: /s/ Richard T. Marabito

Richard T. Marabito  
Olympic Steel, Inc.  
Chief Executive Officer  
November 1, 2024

**Certification of the Principal Financial Officer  
Pursuant to 15 U.S.C. 78m(a) or 78o(d)  
(Section 302 of the Sarbanes-Oxley Act of 2002)**

I, Richard A. Manson, certify that:

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

By: /s/ Richard A. Manson

Richard A. Manson  
Olympic Steel, Inc.  
Chief Financial Officer  
November 1, 2024

**Certification of the Principal Executive Officer  
Pursuant to 18 U.S.C. 1350  
(Section 906 of the Sarbanes-Oxley Act of 2002)**

I, Richard T. Marabito, the Chief Executive Officer of Olympic Steel, Inc. (the "Company"), certify that to the best of my knowledge, based upon a review of this report on Form 10-Q for the period ended September 30, 2024 of the Company (the "Report"):

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

By: /s/ Richard T. Marabito

Richard T. Marabito  
Olympic Steel, Inc.  
Chief Executive Officer  
November 1, 2024

**Certification of the Principal Financial Officer  
Pursuant to 18 U.S.C. 1350  
(Section 906 of the Sarbanes-Oxley Act of 2002)**

I, Richard A. Manson, the Chief Financial Officer of Olympic Steel, Inc. (the "Company"), certify that to the best of my knowledge, based upon a review of this report on Form 10-Q for the period ended September 30, 2024 of the Company (the "Report"):

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

By: /s/ Richard A. Manson

Richard A. Manson  
Olympic Steel, Inc.  
Chief Financial Officer  
November 1, 2024