

Reliance Steel & Aluminum Co.
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SLIDE 1: COMPANY PROFILE

Good afternoon, I am very pleased to be here today and I thank you for taking the time to hear about our company. Reliance steel & Aluminum Co. is a metals service center business that, simply put, buys metal from the people that make it and sells it to people who make things out of metal. Our industry is certainly not high profile but performs an important role in the processing and distribution of metal and represents, collectively, the largest customer of the metal producers.

Our industry in 2008 totaled about \$150 billion in revenue for the U.S. and Canada(1). The top 100 service centers represent close to 50% of the industry's revenues, and the top 20 represent about one third(1). Reliance's overall market share, on a proforma basis for our 2008 acquisitions, would be about 7%. Reliance is a New York stock exchange company with 2008 revenues of \$8.7 billion and net income and earnings per share of \$483 million and \$6.56, respectively, all of which were our best ever results, and our fifth consecutive record year.

SLIDE 2: THE ROLE OF RELIANCE

We sold our products to over 125,000 customers, with an average order size of only \$1,650. We focus our business more on smaller customers that are less price sensitive and more value service and quality oriented. Almost 50% of our orders are from customers who call us today and want metal tomorrow. This is quite different from many other service center companies, especially other large ones.

SLIDE 3: 2008 SALES BY PRODUCT

Our product diversification is very important to us. No one product dominates our mix. This slide illustrates one of the most important differences between us and other service center companies. This diversification, which leads to customer and end use industry diversification, has been a huge factor in our consistent success.

SLIDE 4: 2008 SALES BY REGION

Another important attribute that we possess is our broad geographic footprint. We are pretty well balanced across the country which helps lessen the impact from cyclical market conditions in any one region. As you can see from this brief description of our business, we are not a mill, even though we are commonly grouped together from an investment standpoint. We believe our business, through a cycle, is less risky because of the diversification of our products and a cost structure that is more variable, with about 60% of our operating costs personnel related. In general, though, an economic environment that is good for the mills is also good for us, and vice versa, but usually without the extremes in either direction.

SLIDE 5: NET SALES

Well, most of 2008 represents “the good old days” in that beginning, for us in November of 2008; we started to experience a severe downturn in both price and demand for our products. Our tons sold through the first nine months of 2009 were down 13%, and our average pricing was down 29% compared to the 2008 period. But it was even worse than that. When we take out the impact of our 2008 acquisitions, our tons were down 35% and average pricing was off 18%. We take little solace in the fact that our industry was down 41% in tons compared to our 35%.

SLIDE 6: EARNINGS PER SHARE DILUTED

We pride ourselves on always outperforming others in our industry, and while these results are still the best, or among the best since we do not see all the private company numbers, we do not have much pride in them. We strive to do better.

SLIDE 7: OPERATIONAL EXECUTION AND MARKET CONDITIONS

We are always asked how we are able to stay on top and consistently outperform our industry. Certainly, we believe our management teams are simply the best, and they must be given our decentralized operating structure. We place the decision making as close to the customers as possible and give our local managers the responsibility and authority to run their business.

We maintain a “keep it simple” approach and a consistent focus on maximizing profitability and efficiently managing working capital, with a relentless drive to turn our inventories as much as possible. We do not speculate and we do not hedge and we do not buy large quantities of import material. Our business is predominately a “spot” business on both the buy and the sell sides, so we buy what we need when we need it and resist the temptation to get greedy or try to outsmart the market.

And, as I mentioned earlier, our customer, product and geographic diversification have contributed greatly to our consistent success. Managing through this horrible period has been similar to what we have done in previous downturns, where we focused on the things that we could control. However, making the right decisions and then executing your plans quickly was much more important given the speed and magnitude of the economic collapse. In July of 2008 we warned our businesses that we saw some potential for prices to soften and for demand to fall off some through the remainder of the year. Remember, at this time, prices were actually still quite firm.

We pushed for inventory reductions by the end of 2008, and asked for action plans with regard to expense reductions related to the anticipated softening in market conditions. Thank goodness we did, or it would have been much worse for us. But even so, we did not anticipate the severity of the downturn. We then shifted our focus in some of our operations to cash flow instead of profitability, especially in certain newly acquired businesses with historically different inventory management ideas.

In our other operations, we stepped up our inventory reduction efforts as prices continued to decrease dramatically, but tried to maintain reasonable gross profit margins where we could. Our low point for our Gross Profit margins on a FIFO basis was 15.3% in April. Our inventory reduction efforts resulted in a decrease in inventory of \$1.2 billion from the third quarter of 2008 through this year's third quarter.

We also attacked our expenses, mostly with a focus on headcount reductions. Since our peak in August of 2008, we have cut almost 2,600 jobs, or about 22% of our workforce. We have also cut hours worked, maintained rotating layoffs, and reduced salaries at many operations. These are painful actions and we do not take them lightly. It is, however, necessary from a business perspective and protects the livelihood of the other 80% of our people. Our efforts have resulted in same store operating expense reductions of \$209 million, or 24%, for the nine month period compared to last year.

Together, the inventory and expense reductions have resulted in record cash flow from operations for the 2009 nine month period of over \$800 million, and a reduction in debt of over \$1.2 billion since the third quarter of 2008, leaving our net debt-to-total capital ratio at only 28% at the end of the 2009 third quarter. Our management teams have done a remarkable job managing through the downward slide, and we are well positioned to take advantage of the improvement in market conditions, whenever that occurs.

So, where are we headed as we finish off 2009 and look into 2010? Pricing, in general, improved during the third quarter, supported by mill price increases, and seems to have stabilized, with recent strength for some non-ferrous products and softness in some carbon steel products, but none to an extent that we are overly concerned. We expect this relative stability with more normal ups and downs to continue into next year.

We believe the mills have managed their businesses well, and with capacity utilization still as low as it is, we do not expect any significant changes up or down in pricing. The big catalyst for pricing will be demand, which is more difficult to predict. In August, we finally saw a reversal in the downward trend of our tons shipped per day that occurred each month during the first seven months of this year, and even back into the last five months of 2008.

This does not mean there is any meaningful recovery in real demand, but it does support the argument that customers are buying again, not restocking, but at least buying to support the existing demand levels for their products. We do expect fourth quarter shipments to be below those of the third quarter, due mainly to seasonal conditions and a reduced number of available shipping days.

As far as demand into next year, we see aerospace, energy, semiconductor and electronics as probably our strongest areas. We are hopeful that infrastructure work will help offset some of the expected weakness in the non-residential construction side. If you think about it, with low inventories throughout the chain, and our lower cost structure, just a modest improvement in demand could have a very positive impact on our operating results.

SLIDE 8: INVESTMENT HIGHLIGHTS

Looking forward, we do see an increase in M&A activity in the service center industry beginning six to twelve months after we experience a meaningful improvement in demand, so that puts us into the back half of next year, at the earliest. The severity of this last downturn, coupled with the continued tightness of the credit markets expected when companies need capital to support returning growth, will cause many business owners to look for ownership alternatives.

Reliance has been the most acquisitive company in our industry with 45 acquisitions since our 1994 IPO. I believe we will continue to acquire companies on a selective basis that fit our strategy for profitable growth. We believe we are the acquirer of choice in our industry and have a proven, well-executed acquisition strategy that has enhanced the performance of the acquired companies.

SLIDE 9: INVESTMENT HIGHLIGHTS (CONT'D)

In closing, we are still in challenging economic times, but we have survived the worst downturn we have ever seen, and seem to have bottomed out as business conditions have improved a little from our low points in July. Reliance is well positioned for the eventual recovery with great liquidity, a solid balance sheet, a larger geographic presence, and an experienced and successful management team ready to take on the challenges and opportunities of the future.

⁽¹⁾ Per Purchasing Magazine, May 2009.