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RS - Q2 2017 Reliance Steel & Aluminum Co Earnings Call

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JULY 27, 2017 / 3:00PM, RS - Q2 2017 Reliance Steel & Aluminum Co Earnings Call

CORPORATE PARTICIPANTS

Brenda Miyamoto *Reliance Steel & Aluminum Co. - VP of Corporate Initiatives*

Gregg J. Mollins *Reliance Steel & Aluminum Co. - CEO, President and Director*

James D. Hoffman *Reliance Steel & Aluminum Co. - COO and EVP*

Karla R. Lewis *Reliance Steel & Aluminum Co. - CFO and Senior EVP*

William K. Sales *Reliance Steel & Aluminum Co. - EVP of Operations*

CONFERENCE CALL PARTICIPANTS

Lee Richards McMillan *Clarksons Platou Securities, Inc., Research Division - Analyst*

Novid R. Rassouli *Cowen and Company, LLC, Research Division - VP*

Philip Ross Gibbs *KeyBanc Capital Markets Inc., Research Division - VP and Equity Research Analyst*

Seth Rosenfeld *Jefferies LLC, Research Division - Equity Analyst*

PRESENTATION

Operator

Greetings, and welcome to Reliance Steel & Aluminum Company's Second Quarter 2017 Earnings Conference Call. (Operator Instructions)

It is now my pleasure to turn the conference over to your host, Brenda Miyamoto. Thank you. You may begin.

Brenda Miyamoto - *Reliance Steel & Aluminum Co. - VP of Corporate Initiatives*

Thank you, operator. Good morning, and thanks to all of you for joining our conference call to discuss our second quarter 2017 financial results.

I am joined by Gregg Mollins, our President and CEO; Karla Lewis, our Senior Executive Vice President and CFO; Jim Hoffman, our Executive Vice President and COO; and Bill Sales, our Executive Vice President of Operations.

A recording of this call will be posted on the Investors section of our website at investor.rsac.com.

The press release and the information on this call may contain certain forward-looking statements, which are based on a number of assumptions that are subject to change and involve known and unknown risks, uncertainties or other factors, which may not be under the company's control, which may cause the actual results, performance or achievement of the company to be materially different from the results, performance or other expectations implied by these forward-looking statements. These factors include, but are not limited to those factors disclosed in the company's annual report on Form 10-K for the year ended December 31, 2016, under the caption Risk Factors, and other reports filed with the Securities and Exchange Commission.

The press release and the information on this call speak only as of today's date, and the company disclaims any duty to update the information provided therein and herein.

I will now turn the call over to Gregg Mollins, President and CEO of Reliance.



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Gregg J. Mollins - *Reliance Steel & Aluminum Co. - CEO, President and Director*

Good morning, everyone, and thank you for joining us today, as we discuss our second quarter 2017 results.

Continued steady demand along with strong execution by our managers in the field resulted in a gross profit margin of 28.4%, driving our second highest quarterly gross profit dollars in the company's history of \$702.1 million. Current pricing levels are higher than both the first quarter of 2017 and the second quarter of 2016, which positively contributed to our earnings. However, mill prices were pressured somewhat in the second quarter of 2017, especially for carbon and stainless steel products, which prevented us from enhancing our gross profit margin, as we did in both the first quarter of '17 and the second quarter of 2016. When multiple price increases were announced by the mills. In a period of rising prices, we are typically able to increase our gross profit margin, as we obtained the higher prices from our customers before we received the higher cost metal into our inventory.

The absence of meaningful price increases and our receipt of higher cost metal during the second quarter of '17 along with the added elements of a competitive landscape due to continued uncertainty around possible Section 232 action and increased imports in the market collectively pressured our gross profit margin more than we had anticipated. In addition, the positive momentum we experienced during the first quarter of 2017 for both demand and metal pricing trends did not meaningfully accelerated into the second quarter, as confidence around infrastructure spending and tax reforms stalled.

Because of this, in June, we announced updated guidance for the second quarter that reflected our expectation of a lower gross profit margin, although, still strong and within our range of 27% to 29%. Demand was at the low end and our average selling price slightly exceeded the top end of our original guidance range of flat to 2%. Recently, there has been a great deal with uncertainty in the marketplace, much of which we believe stems from the pending Section 232 investigation by the United States government. Uncertainty impacts demand momentum, as customers changed their inventory buying patterns and holdback on capital investments. In addition, imports increased during the quarter, as we believe metal buyers were bringing in foreign metal before any steel import restrictions, which may result from the Section 232 investigation.

Higher inventory levels along with pricing uncertainty increased competition and pressured our gross profit margin. Although, we were able to increase our average selling price for the second quarter of '17 by passing through the higher prices that were in effect at the end of the first quarter. No prices were carved in stainless steel products, experienced downward pressure during the second quarter, with some relief for carbon and steel products near the end of the quarter. Our average selling price was up 11.3% from the second quarter of 2016 and up 2.4% from the first quarter of '17.

Overall, customer sentiment remained positive, which translated into continued healthy customer demand in the second quarter of 2017, with our tons sold roughly flat with the first quarter of '17. We continued to anticipate customer demand levels will hold with the potential for improvement in the second half of 2017 subject to normal seasonality and into 2018 with even more meaningful upside, if the administration's infrastructure plans are implemented.

Beyond pricing discipline, our managers in the field continued their strong execution in terms of inventory management, helping us achieve an inventory turn rate of 4.5x based on tons, consistent with our 2016 inventory turn rate. We are very comfortable with our current inventory level.

Turning to capital allocation. Our strategy remains consistent, made possible by our effective working capital management and solid earnings levels providing cash flow from our operations. We will continue to grow our business through a balanced combination of organic investments and acquisitions, while also returning cash to our stockholders.

The majority of our 2017 capital expenditure budget of \$200 million will be spent on growth activities. We continue to work with our customers to determine, which value-added services are most beneficial to them as well as to proactively identify areas in which we can provide additional services. We believe our gross profit margin improvement over the past 2 years compared to historical levels directly demonstrates the return on these capital investments.



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On the M&A front, we have not completed any acquisitions so far in 2017. The pipeline remains active and we will continue to reevaluate opportunities to grow through acquisitions of well-managed metal service centers and processors with in-market exposures that complement our diversification strategy.

From a stockholder return perspective, quarterly cash dividends and share repurchases remain core to our capital allocation philosophy. While we did not repurchase any shares of our stock during the quarter, we will continue to be opportunistic in our approach. We increased our regular quarterly cash dividend by 6% in the first quarter of '17, marking the 24th increase, since [our] 1994 IPO. We have consistently paid regular quarterly cash dividends for 58 consecutive years.

In summary, we are very pleased with our success in raising our sustainable gross profit margin range through targeted growth of our value-added processing capabilities and specialty products, coupled with our focus on pricing discipline and inventory management.

In the first 6 months of 2017, we increased our pretax income by \$60.1 million or 23% over the first half of 2016. We remain optimistic about the potential for increased infrastructure and equipment spending, which we believe should improve both metal demand and pricing that will support our efforts to drive earnings even higher.

I will now hand the call over to Jim, to comment further on the operations and market conditions. Jim?

James D. Hoffman - Reliance Steel & Aluminum Co. - COO and EVP

Thanks, Gregg, and good morning, everyone. Before I begin, I would like to take a moment to thank our folks in the field for their continued hard work and dedication. They did a tremendous job navigating through the market uncertainty in the quarter, and I am very proud of their achievements.

Now, I'll discuss demand and pricing of our carbon, steel and alloy products as well as our outlook on certain key end markets we sell those products into. Bill will then address our aluminum and stainless steel products and related end markets.

Demand for automotive, which we service mainly through our toll processing operations in the U.S. and Mexico remained robust throughout the second quarter. Our growth continues to be driven by the increased usage of aluminum in the automotive industry.

Over the past year, we have expanded our facility to support automotive demand for both carbon and aluminum processing. I am pleased to announce that during the second quarter, we finished construction on our new U.S. facility in Kentucky, which was completed on time and on budget. We began shipping products in this facility, late in the quarter, and so far, it has been operating in accordance with our expectations.

In addition, our facility in Monterrey, Mexico, which became operational in the third quarter of 2016 has also been performing well.

Second quarter demand in heavy industry, which includes railcar, truck trailer, shipbuilding, barge manufacturing, tank manufacturers and wind and transmission towers, was in line with levels experienced in the first quarter of 2017. During the quarter, we saw positive signs of activities specifically with the lighter agriculture equipment, which was encouraging as well as a slight uptick in construction equipment spending. We expect demand in heavy industry to remain at similar levels throughout the remainder of the year subject to normal seasonality.

Demand in nonresidential construction market, including infrastructure, continues to experience steady growth, the volume remains far below peak levels. During the quarter, we experienced increased uncertainty in the marketplace in anticipation of the outcome and resolution of key government decisions, including the Section 232 investigation, tax reform and domestic infrastructure spending. We remain cautiously optimistic that domestic infrastructure spending will improve, which we believe bodes well for Reliance. As a result, we are continuing to invest in value-added processing equipment for businesses that sell into nonresidential construction, and we will remain well positioned to absorb increased volumes in our existing footprint and cost structure, as this end market improves.

Demand for energy, which is mainly oil and natural gas continues to improve with both rig counts and drilling activity increasing, though, completion activity remains low. Coating and overall activity improved during the quarter and mill lead times are extending. Importantly, beginning in the first

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quarter of 2017, our businesses servicing the energy market are once again contributing positively to our earnings. The increased activity in this market is an encouraging sign and we are well positioned to support demand growth, as energy continues to recover.

No pricing for almost all of the carbon steel products we sell into these end markets was under pressure during the second quarter due to more competitive environment resulting from uncertainty over Section 232 and increased import levels. In mid-June and again, in July, however, mills announced price increases for certain carbon steel products that are now in effect. And we anticipate further price increases, if the 232 investigation results in restriction on steel imports.

Pricing for alloy products has been steadily improving and further improvement in activity levels in the energy market should support increased pricing going forward.

Thank you for your attention. I will now hand the call over to Bill, to comment further on our nonferrous markets. Bill?

William K. Sales - Reliance Steel & Aluminum Co. - EVP of Operations

Thank you, Jim. Good morning, everyone. First, I too would like to thank our folks in the field for their solid operational performance during the second quarter. We appreciate your continued hard work.

I'll begin today by reviewing pricing and demand for our aluminum and stainless steel products as well as key industry trends and the markets for these products.

Aerospace continued to perform well during the quarter, and remains one of our strongest end markets. Today, lead times continue to be about 9 to 10 weeks for aluminum aerospace plate. The backlog for orders of commercial planes remains healthy, and we expect build rates should continue to improve modestly in the second half of 2017, led by single-aisle planes. On our last conference call, we noted increased activity for many of our defense customers and that trend continued in the second quarter. Further, we continue to ramp production in regard to our participation in the 5-year, \$350 million Joint Strike Fighter program. We are extremely pleased with our strong position in the aerospace market and look forward to increasing our market share, as overall demand continues to grow.

On that note, our entry into the aerospace market in India through our All Metal Services subsidiary in the U.K., remains on track to become operational by the end of the year. We are maintaining our positive outlook for the aerospace market.

Turning to the semiconductor market. Activity remains strong, especially in the U.S. and Pacific Rim regions. We maintain our positive outlook for the balance of this year as well as into 2018, based on solid demand trends.

Moving on to pricing. The majority of our sales into the aerospace market consist of heat-treated aluminum products, especially plate as well as specialty stainless steel and titanium products. Most notably, a 5% increase for heat-treated aluminum plate was announced during the first quarter and went into effect in April. Since then, pricing and demand have remained stable. We expect this trend to continue in the third quarter.

Most of our common alloy aluminum products are sold to sheet metal fabricators that support a variety of end markets. Demand for common alloy sheet in the second quarter was stable and in line with the first quarter trends.

From a pricing standpoint, the conversion price increase announced for April has full domestic support. And we believe the recently announced increase for the fourth quarter will also be supported domestically.

We are also seeing less aggressive import offerings, which we believe relates to the Section 232 aluminum investigation.

Lastly, demand for our stainless steel flat products, which are primarily sold into the kitchen equipment, appliance and construction end markets has remained solid. That said, we experienced some pricing pressure during the second quarter, as the price increase announced in April has been rolled back. As a result, we experienced some downward margin pressure on sales of our stainless steel products during the quarter.



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Thank you for your time and attention today. With that, I'll now turn the call over to Karla, to review our second quarter 2017 financial results.

Karla R. Lewis - *Reliance Steel & Aluminum Co. - CFO and Senior EVP*

Thanks, Bill, and good morning, everyone. Our net sales in the second quarter of 2017 were very strong at \$2.48 billion, up 12.3% from the second quarter of 2016, with our tons sold up 1.4% and our average selling price per tons sold, up 11.3%. Compared to the first quarter of 2017, our net sales were up 2.3% on steady tons sold with our average selling price per ton sold up 2.4%.

Our gross profit margin in the second quarter of 2017 was 28.4%, down from 31.1% in the second quarter of 2016, and 29.8% in the first quarter of 2017.

As Gregg mentioned, there were multiple mill price increases in the first quarter of 2017 and the second quarter of 2016, which allowed us to temporarily expand our gross profit margin, as we passed through the higher mill price, before we receive the higher cost metal in our inventory. Given the absence of no price increases in the second quarter of 2017 and our receipt of higher cost inventory that reflected the mill increases announced in the first quarter, in addition to the downward pricing pressure on carbon and stainless steel products due to uncertainty in the marketplace and increased competitive pressure, we are very proud of our second quarter gross profit margin of 28.4%, which is solidly within our estimated sustainable range of 27% to 29% and produced \$702.1 million gross profit dollars, the second highest in Reliance's history.

Consistent with the first quarter, as a result of higher metal prices compared to year-end 2016, we recorded a net LIFO inventory valuation charge or expense of \$10 million for the second quarter of 2017 or \$0.09 earnings per diluted share. We continue to estimate a net LIFO inventory valuation expense of \$40 million for the full year of 2017. We did not record a LIFO inventory valuation adjustment in the second quarter of 2016.

As a percentage of net sales, our SG&A expenses were 19.2% compared to 20.7% in the second quarter of 2016 and 19.7% in the first quarter of 2017. The decrease as a percentage of net sales was, primarily due to higher selling prices, which increased our sales.

Interest expense decreased by \$3.2 million in the second quarter of 2017 compared to the second quarter of 2016, mainly due to the refinancing of our 6.2% senior notes with bank debt in November 2016. Our effective income tax rate for the second quarter of 2017 was 31.2% compared to 32.7% in the second quarter of 2016. We currently estimate that our full year 2017 effective income tax rate will be approximately 32%.

Net income attributable to Reliance for the second quarter of 2017 was \$103 million or \$1.40 per diluted share, up from \$1.38 in the second quarter of 2016 and down from \$1.52 in the first quarter of 2017.

Although our earnings benefited from higher selling prices in the second quarter of 2017, the reduction in our gross profit margin from the elevated levels in the second quarter of 2016 and the first quarter of 2017, offset this improvement.

Turning to our balance sheet. As a result of our effective working capital management, we generated \$35.9 million in cash from operating activities during the second quarter of 2017.

We spent \$38.7 million for capital expenditures and paid \$32.8 million in cash dividends to our stockholders in the second quarter of 2017. At June 30, 2017, our total debt outstanding was \$2.08 billion and our net debt-to-total capital ratio was 30.7%. As of the end of the second quarter, we had \$740.5 million available on our \$1.5 billion revolving credit facility. Our effective working capital management along with our solid earnings, enables us to fund our increased activity levels with significant liquidity available to continue to grow the company and return value to our stockholders.

Turning now to our outlook. We remain cautiously optimistic with regard to business activity levels in the third quarter of 2017, subject to normal seasonal patterns. Given our expectation that current demand will remain steady except for the typical third quarter decline in shipping volumes due to customer shutdowns and vacation schedules. In addition to 1 less shipping day in the quarter, we estimate that our tons sold will be down 3% to 5% in the third quarter of 2017 compared to the second quarter of 2017.



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Given the recent increases in carbon steel pricing and the potential for fewer imports, we believe metal pricing momentum is positive. Therefore, we expect our average selling price in the third quarter of 2017 will be flat to up 3% from the second quarter of 2017. As a result, we currently expect earnings per diluted share to be in the range of \$1.15 to \$1.25 for the third quarter of 2017.

In closing, we are pleased with our overall financial performance in the second quarter, due to the solid operational execution by our managers in the field and a competitive environment. We are excited to demonstrate the increased earnings capacity that exists in our company, if and when market conditions improve. And we look forward to updating you on our continued success in the coming quarters.

That concludes our prepared remarks. Thank you for your attention. And at this time, we would like to open the call up to questions. Operator?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from Seth Rosenfeld with Jefferies.

Seth Rosenfeld - Jefferies LLC, Research Division - Equity Analyst

Starting out, I'd like to get a bit more update on current order activity. How are your customers positioned you think ahead of any potential further trade measures within the U.S.? You noted earlier in your prepared remarks that with the policy uncertainty customers are perhaps delaying purchases. But we think perhaps more (inaudible) trade restrictions in the back half of the year. I guess, I would think that, that would perhaps drive more willingness to rebuild inventories at current lower price levels. Is that -- it is not what you're seeing from your own downstream customers right now? And then second question, on the stainless market. We've heard from 2 of your biggest suppliers, talking about continued market headwinds and expected further destocking, perhaps, base price weakness through Q3, but painting much more positive outlook for Q4. Is that inline with your own expectations? Or do you still see more potential for destocking in the U.S.?

Gregg J. Mollins - Reliance Steel & Aluminum Co. - CEO, President and Director

Hi, this is Greg. I'll take question number one. Give Bill, the opportunity to respond to 2. I think what the trade case is that there definitely has been some uncertainty in the marketplace with our customer base. And they're just being cautious. That doesn't mean that they don't have business. Okay, that they need to buy material to support that business that they have on their book. But I think, they still have maintained a level of cautiousness. And frankly, I think most of us have. We fall into the same boat. But on the other hand, our demand (inaudible) second quarter on tonnage basis, was basically flat as compared to the very first quarter. So we're really not complaining about the demand situation. It would be better, if infrastructure was -- the bill was funded and we saw more activity in that regard. But as business is today, we're really not having much complaints on that. The uncertainty is always problematic. But at the end of the day, our customers do have business on their books and they do need to buy metal. And I think the results speak for themselves on tonnage being flat in the second quarter as compared to first quarter, which was a good quarter. Bill?

William K. Sales - Reliance Steel & Aluminum Co. - EVP of Operations

Yes. And Seth, on -- I think your -- what you said is exactly correct. In our comments, where the April increase was rolled back on stainless. I think we've seen a very competitive market. We expect that market to continue to be competitive in the third quarter. And there is some speculation and talk about maybe pricing starting to stabilize, improve, as we get into Q4. So I think from our point of view, we're hearing the same thing. And we hope that is the case.



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Operator

(Operator Instructions) Our next question comes from Phil Gibbs with KeyBanc Capital Markets.

Philip Ross Gibbs - KeyBanc Capital Markets Inc., Research Division - VP and Equity Research Analyst

Question on the guidance, the pricing outlook of flat to up 3% for the third quarter versus the second quarter. Are you seeing that based on your realizations thus far in July? Or are you expecting pricing to get better in August and September to meet that?

Gregg J. Mollins - Reliance Steel & Aluminum Co. - CEO, President and Director

Well, so far, the, Phil, the price increases that were announced in the latter part of June and also very recently on some flat-rolled products, they helped. The mills are not negotiating at least as far as we're concerned. And they're pretty setting their ways on the mill price increases. So we feel pretty good about that. Section 232 has been a question in everybody's mind. It looks like there is going to be a delay in that. How that's going to impact the pricing market is anybody's guess. But so far, the announcements that have been made in the latter part of June and just recently in the last week, they have helped. And we're optimistic that they will continue to hold, and hopefully improve at some point in time, depending on a number of things, 232 as well as just imports in general. So we're hoping that the imports will start to decline a little bit, especially from the second quarter of this year.

Philip Ross Gibbs - KeyBanc Capital Markets Inc., Research Division - VP and Equity Research Analyst

Yes, I guess, my question was more along the lines of whether or not you need to see prices improve from here relative to what you've realized in July to get to that flat to 3% range.

Gregg J. Mollins - Reliance Steel & Aluminum Co. - CEO, President and Director

Well, I think those increases that were announced in June and July, would put us in that 0% to 3% increase range.

Karla R. Lewis - Reliance Steel & Aluminum Co. - CFO and Senior EVP

Yes, because there were some price declines during the quarter, Phil. I think, which is what you're getting to, so to get backup to that average. We would need prices to improve a little bit from where those that were in effect when we ended the second quarter. But to Gregg's point, the recent announcements we think helps get us up to flat. And then we see potential upside of potentially more price increases for certain products through the quarter.

Philip Ross Gibbs - KeyBanc Capital Markets Inc., Research Division - VP and Equity Research Analyst

Okay. And then next question here is just on inflationary pressures that you may be seeing in the marketplace, whether that be a tighter labor market and/or a tighter freight market or anything else you may be seeing out there because, I think we're starting to see or have been seeing just general inflation start to creep back into the fold. Anything you could comment on there would be helpful?

Karla R. Lewis - Reliance Steel & Aluminum Co. - CFO and Senior EVP

I think, if you look at our SG&A line, Q2 was pretty consistent with Q1. However, this year, we are up a bit from last year, somewhat because of those inflationary factors. We put most of our wage increases in effect at the beginning of the year. So we had some impact from that just kind of normal inflationary factors, healthcare, et cetera. So we've kind of seen that across there. From the freight side, we run primarily our own trucks at the



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majority of our locations. So we would have had that -- the driver wage increases, freight [sensed] up a little bit just with the cost of gas and things. But probably not the level of inflation that some people, who are using more third-party carriers are experiencing.

Philip Ross Gibbs - *KeyBanc Capital Markets Inc., Research Division - VP and Equity Research Analyst*

Okay. And then just a sub-question to the labor piece or just be -- are you in the mode to be hiring more folks right now? Or are you looking to sort of maintain or [compare] back what you have for productivity, say?

Gregg J. Mollins - *Reliance Steel & Aluminum Co. - CEO, President and Director*

I think where we are from an employee standpoint headcount, I think we're fine, where we are right now. I don't anticipate, unless we get a little bit of a bump on some of the infrastructure or some of the other industries that we support. We're in pretty good shape, where we are today.

Operator

Ladies and gentlemen, we've reached the end of the question-and-answer session. I would now like to turn the call back to Gregg Mollins for closing.

Our next question comes from Lee McMillan with Clarksons Capital Markets.

Lee Richards McMillan - *Clarksons Platou Securities, Inc., Research Division - Analyst*

Just had a follow-up to Phil's first question. I want to make sure, I'm getting this right. It sounds like the price increases from June and July are embedded in your guidance. If I think about there's as possibly being somewhat 232 related. And then since then we've gotten delay. I'm trying to balance it out. You said that the recent increases get us up to flat. So I'm sort of wondering, what drives prices higher from here. If I'm thinking about that correctly?

Karla R. Lewis - *Reliance Steel & Aluminum Co. - CFO and Senior EVP*

Yes, I think, we, overall, as Gregg commented earlier, we think demand is still good. And we'll hang in there subject to the normal seasonal patterns in the quarter. (inaudible) are busy. So we anticipate that the prices will hold even without 232. And with that continued kind of steady demand, we believe there will more than likely be fewer imports arriving during the third quarter than we saw during the second quarter, which also leads towards pricing support.

Operator

Our next question comes from Novid Rassouli with Cowen & Company.

Novid R. Rassouli - *Cowen and Company, LLC, Research Division - VP*

Just on that, what you just said, Karla, the fewer imports. I wanted to see what is giving you guys the confidence that we will see fewer imports. And if there is any products that you could single out that you think will decrease going into 3Q?



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Gregg J. Mollins - *Reliance Steel & Aluminum Co. - CEO, President and Director*

Well, we think that there is a potential for that because we saw quite a bit. I think June was the highest import month that we've had since early 2015. We think we're going to see a gradual decline beginning in July, getting more reduced in the month of August, September. And even with the 232 delay, if people were to start increasing their purchases of imports today, that wouldn't be landing for another 90 days. So we think there is a period of time here, where there is going to be reduced imports. And with that, with mills running on flat roll at roughly 90% of capacity, which is big, and the other products running in the 75% capacity range that there is a potential for further increases to moving into the future.

James D. Hoffman - *Reliance Steel & Aluminum Co. - COO and EVP*

We'd just basically go by the offerings we get. You got to remember 95% of what we sell is domestic product. We prefer to deal with our domestic friends and partners and even the offers that we do get because we get offers, they are not that great. And it's not that many of them. And the spread isn't anything right home with them.

Novid R. Rassouli - *Cowen and Company, LLC, Research Division - VP*

Got it. Okay, that's very helpful. And then you guys have not made any acquisitions thus far in '17, I just want to see if there are any specific reasons why -- are there deals out there that nothing looks attractive? Or if you can just give us a little bit more color in your thought process there?

Gregg J. Mollins - *Reliance Steel & Aluminum Co. - CEO, President and Director*

There's been some activity, okay. But very honestly, some of it is a little bit out of our realm of responsibility. So we've chosen not to pursue it. We think that there has been some reluctance from some sellers to get into the marketplace today based on tax reform potential out there. So we think there is some people that would maybe not be sitting on the sidelines, are sitting on the sidelines in anticipation of some tax level that will help them personally. So but recently, we've seen a little bit of increase in activity, which is encouraging for us. But, as you know, we're pretty particular in the company's that we acquire, they have to be well run, well-managed, immediately accretive to earnings and that criteria that we have is, we're going to stick with, its served us well over the years, and we're going to stick with that going forward. But we have, just in the recent weeks seeing a little bit more activity than we did in the balance of the first half of the year.

Karla R. Lewis - *Reliance Steel & Aluminum Co. - CFO and Senior EVP*

And I think, Novid, as you're aware, as we've done consistently for years, we're opportunistic when the right opportunities are out there. So it's not a decision by Reliance to not complete any acquisitions so far this year. It's just based upon the opportunities that are out there that fit our criteria that we have, that Gregg just talked about.

Operator

Our next follow-up question comes from Phil Gibbs with KeyBanc Capital Markets.

Philip Ross Gibbs - *KeyBanc Capital Markets Inc., Research Division - VP and Equity Research Analyst*

My question's have been asked and answered. Thank you.

Operator

Ladies and gentlemen, we've reached the end of the question-and-answer session. I'd like to turn the call back to Gregg Mollins for closing comments.



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Gregg J. Mollins - *Reliance Steel & Aluminum Co. - CEO, President and Director*

Thank you. Thanks, again, for your support and for participating in today's call. We'd like to remind everyone that in September, we will be in Boston presenting at Key Banc's Basic Materials Conference. We hope to see many of you there. Thanks, again, for joining us, and have a great day.

Operator

This concludes today's conference. You may disconnect your lines at this time. We thank you for your participation.

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