

2 – 20 - 2026

Metallus Inc.

4Q2025 Earnings

TOTAL PAGES: 15

CORPORATE SPEAKERS:

Metallus Inc.

4Q2025 Earnings

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Metallus Inc.; Director of Communications and Investor Relations

Michael Williams

Metallus Inc.; Chief Executive Officer

John Zaranec

Metallus Inc.; Executive Vice President and Chief Financial Officer

PARTICIPANTS:

John Franzreb

Sidoti & Company; Analyst

Philip Gibbs

KeyBanc Capital Markets; Analyst

David Storms

Stonegate; Analyst

PRESENTATION:

Operator^ Thank you for standing by and welcome to the Metallus Inc. Fourth Quarter and Full Year 2025 Earnings Conference Call. (Operator Instructions)

I'd now like to turn the call over to Jennifer Beeman. You may begin.

Jennifer Beeman^ Good morning and welcome to Metallus' Fourth Quarter and Full Year 2025 Conference Call. I'm Jennifer Beeman, Director of Communications and Investor Relations for Metallus. Joining me today is Mike Williams, Chief Executive Officer, Chris Westbrooks, President and Chief Operating Officer, and John Zaranec, Executive Vice President and Chief Financial Officer, and Kevin Raketich, Executive Vice President and Chief Commercial Officer.

You should have received a copy of our press release, which was issued last night. During today's conference call we may make forward-looking statements as defined by the SEC. Our actual results may differ materially from those projected or implied due to a variety of factors, which we describe in greater detail in yesterday's release. Please refer to our SEC filings, including our most recent Form 10-Q, our Form 10-K, which will be filed later today, and the list of factors included in our earnings release, all of which are available on the Metallus website.

Where non-GAAP financial information is referenced, additional details and reconciliations to its GAAP equivalent are included in the earnings release and the earnings presentation available on the investors page at metallus.com.

With that, I'd like to turn the call over to Mike. Mike?

Metallus Inc.

4Q2025 Earnings

Michael Williams^ Good morning and thank you for joining us today. In 2025, our specialty steel and multi-metal solutions saw a commercial recovery after market headwinds in the prior year. Demand improved across our end markets and a supportive fair-trade environment reinforced the importance of domestically produced steel. On a year-over-year basis, shipments improved by 14%.

Throughout the year, we expanded our aerospace and defense presence including multiple new product offerings and strong growth in vacuum arc remelt or VAR steel. With an increased focus on downstream processing and the support of supplier partnerships, we met higher VAR demand and secured new A&D and industrial customers. VAR sales totaled approximately \$28 million last year, almost doubling from 2024.

Additionally, we maintained our intense focus on safety, with initiatives like zero incident planning, crew safety meetings, and our standup for safety program, actively involving more than 1,000 employees. Results included zero serious injuries, a 35% reduction in days away or restricted cases, and our injury frequency improved 11% year-over-year.

A focus on strong leading indicators underscores a more proactive, prevention-focused safety culture. Furthermore, we received industry recognition for our commitment to safety, earning the Safety Culture Improvement Award from the Metals Service Center Institute. We will continue investing in safety training, prioritizing injury prevention through targeted programs such as cranes, rigging and fall protection.

We also continue to invest in our people by building the skills we need for a changing industry. Over the year, we strengthened both job-specific and leadership skills, and expanded our co-op and the apprenticeship programs. To meet increased demand, we are actively increasing hourly staffing levels in targeted areas such as seamless mechanical [tube] production.

In parallel, we made organizational leadership changes to better align strategic priorities and support our growing order book across our Canton-based assets. In February, we reached a new 4-year contract with our local United Steel Workers Union. This contract reflects our shared commitment to safety, innovation and long-term competitiveness. It reinforces our strategic priorities and aligns with our disciplined focus on strong cash generation and sustained profitability across all market cycles.

The contract offers our Canton based bargaining unit employees annual increases to base wages for the duration of the contract, competitive healthcare and retirement benefits for all members, and a continued focus on employee well-being. We are pleased with the collaborative outcome of these negotiations and thank the United Steelworkers and our Canton-based employees for their constructive engagement.

Moving to operations, we made significant progress in advancing our manufacturing capabilities and supporting our long-term growth strategy by completing the ramp-up for

Metallus Inc.

4Q2025 Earnings

the new automated grinding line. Utilizing robotic technology, this new asset supports growing demand from our customers for high-quality SBQ products. We remain on track for the scheduled commissioning of the new bloom reheat furnace, roller hearth furnace and automated saw lines in the first half of 2026. These state-of-the-art assets will strengthen our ability to serve all our customers with high-quality specialty metals, enhanced production capability, and improve first-time quality.

Turning to our fourth quarter financial results, shipments declined by 15,100 tons or 9% sequentially. As expected, seasonality was a factor behind the decreased volumes with lower shipments across all end markets. Adjusted EBITDA for the fourth quarter was \$2.4 million, below expectation due to lower volumes in addition to compressed raw material spread.

Results were also negatively affected by a slower ramp up following our annual maintenance shutdown. While we are not satisfied with our fourth quarter performance, we acted decisively throughout the quarter and into early 2026 to strengthen our operational foundation and position the business for improved execution going forward. During the planned shutdown period, we accelerated several long-term operational improvements including extending select outages to ensure our facilities are prepared to ramp efficiently in 2026 with minimal disruption. These actions support our ability to meet the growing demand reflected in our expanding order book.

We also implemented targeted organizational and leadership changes to better align strategic priorities and sharpen our operational focus across all assets. In addition, we are increasing hourly staffing levels in the areas experiencing the most accelerated demand increases.

Finally, we are continuing to invest in the next stage of our operational capabilities through a standardized efficiency initiative, supported by an external expert partner aimed at enhancing throughput and improving high-quality steel output. These steps collectively position us to execute with greater consistency, capture growth opportunities, and we expect to deliver stronger performance in the year ahead. Our lead times have extended reaching into mid-second quarter for bars and mid-third quarter for seamless mechanical tubing, and our order book has increased more than 50% year-over-year. This underscores the growing demand for domestic steel and serves as a clear indicator of improved momentum we expect to carry throughout 2026.

Turning to performance across our key markets. While industrial markets remain soft, the global trade environment is creating new opportunities as our customers reevaluate supply chains. Our distribution partners are also signaling concern about supply availability as inventories remain low, an environment that we believe will generate additional demand for reliable domestic suppliers like Metallus.

We believe we will continue to take market share in 2026. As we enter 2026, auto sales and production are both expected to be down slightly. And pricing pressure persists as

Metallus Inc.

4Q2025 Earnings

OEMs prioritize margins and pass along tariff costs. Although affordability challenges, interest rates, tight credit and an EV slowdown could impact demand, our order book remains strong. This is supported by our solid position in light truck and SUV transmission programs, which have remained stable despite macroeconomic headwinds.

Energy shipments remain at a lower level sequentially, though we are beginning to see signs of improvement. Favorable trade-related tailwinds are helping us offset continued softness in drilling activity, creating opportunities for incremental sales.

Aerospace and Defense outlook continues to be robust, with strong growth expected through 2026, driven both by expansion of existing programs and new platforms. We will remain focused on safety, outstanding customer service, product development in aerospace and defense, and completing our ongoing government-funded capital investments. These priorities support our strategy for sustainable growth as we expect a much more robust 2026.

Now I'll turn the call over to John, who will provide more details on our financial performance and outlook.

John Zaranec^ Thanks, Mike. During 2025, our team delivered year-over-year improvements in shipments, net sales, and melt utilization. We also advanced our transformative capital investments safely, on time and on budget, allowing us to continue to expand upon our strong foundation to drive further profitable growth while maintaining a healthy balance sheet.

Despite fourth quarter results coming in below expectations, as Mike mentioned, the underlying headwinds were temporary. During the last few months, we took decisive actions to implement operational enhancements that lay a solid foundation for 2026.

From a top line revenue perspective, fourth quarter net sales totaled \$267.3 million, a sequential decrease of \$38.6 million, mainly driven by normal seasonality, but also impacted by a slower-than-expected ramp-up following annual shutdown maintenance. The fourth quarter GAAP net loss was \$14.3 million or a loss of \$0.34 per diluted share. On an adjusted basis, the net loss was \$7.7 million or a loss of \$0.18 per diluted share in the quarter.

Adjusted EBITDA was \$2.4 million in the fourth quarter, primarily impacted by higher manufacturing costs due to a \$10 million sequential increase in annual shutdown costs and lower fixed cost leverage as expected due to planned shutdown exercises during the fourth quarter.

Shipments were lower than our expectations by around 10,000 tons due to several factors including customers managing year-end inventory, certain customer logistics

Metallus Inc.

4Q2025 Earnings

challenges, and a slower ramp-up following our annual maintenance shutdown, which included accelerating several long-term operational improvements.

In addition, as a result of compressed scrap market prices, we experienced lower raw material surcharge revenue than expected of approximately \$4 million. At the end of the fourth quarter, the company's cash and cash equivalents balance was \$156.7 million. During 2025, we generated \$16 million of operating cash flow. And when excluding pension contributions, operations produced \$80 million in cash in 2025. This marks the second consecutive year in which operational cash generation exceeded \$80 million on this basis.

These results provide compelling evidence of the structural transformation of Metallus, demonstrating our ability to consistently deliver strong cash flows through the cycle. In the fourth quarter, capital expenditures totaled \$35.3 million including approximately \$30 million of fourth quarter CapEx, related to government expenditures. Planned capital expenditures for the full year 2026 are expected to be approximately \$70 million, inclusive of approximately \$35 million of government-related capital expenditures, of which we are contributing approximately \$15 million to \$20 million of our own money as part of the collaborative partnership.

As it relates to government funding, during the fourth quarter, the company received \$4.1 million of cash from the government, as part of the previously announced nearly \$100 million funding arrangement in support of the U.S. Army's mission of increasing munitions production. To date, through the end of December, the company has received \$85.6 million of government funding, of which \$32.1 million was received in 2025. Additional payments of approximately \$70 million are expected to be received in the first half of 2026, contingent on the achievement of mutually agreed upon milestones.

As a reminder, this funding has substantially paid for both the new bloom reheat furnace at the company's Faircrest facility as well as a new roller furnace at the Gambrinus facility.

Now switching to pensions. In the fourth quarter, the company made a required pension contribution of \$3.5 million related to the U.S. bargaining plan, as previously guided. During the first quarter of 2026, the company expects to make required pension contributions of approximately \$15 million to \$18 million related to the U.S. bargaining plan, a significant reduction compared to the first quarter of 2025. Full year 2026 required pension contributions are expected to total approximately \$27 million, representing a nearly 60% reduction from 2025 total pension contributions. We continue to actively manage the pension within our balanced capital allocation approach, and we'll provide further updates as available.

In terms of shareholder return activities, in the fourth quarter, the company repurchased approximately 71,000 shares of common stock from \$1.2 million. At the end of

Metallus Inc.

4Q2025 Earnings

December, a balance of \$89.7 million remained under our share repurchase authorization.

Since the inception of common share repurchases in early 2022, combined with the convertible note settlement activities, we've reduced diluted share outstanding by a significant 25% or 13.5 million shares compared to the fourth quarter of 2021. These actions reflect the strength of the company's balance sheet and confidence in through-cycle cash flow generation.

As it relates to liquidity, total liquidity remained strong at \$389 million as of December 31, 2025, with no outstanding borrowings. We do expect a slight usage of free cash flow during the first quarter of 2026, which is consistent with historical seasonality as the first quarter normally requires a larger amount of pension and bonus funding. Additionally, this year, our CapEx spend to complete the government projects is the highest in Q1 and ramps down throughout 2026. After the first quarter, we expect quarterly free cash flow to be positive for the remainder of 2026.

As we look to the near-term business outlook, commercially, first quarter shipments are expected to increase by approximately 10% compared with the fourth quarter, primarily due to strength in the order book and a step-up in operational performance after the fourth quarter shutdown set us up for a strong start to 2026.

As Mike mentioned, our order book continues to build and is up 50% compared to the same time last year. Annual price agreement negotiations which cover approximately 70% of the order book are substantially complete. Average base price per ton is anticipated to increase slightly year-over-year, mix dependent. The company recently implemented spot price increases on both bar and seamless mechanical tubing products not covered by an annual pricing agreement. These increases are effective throughout the second quarter and early third quarter, product dependent.

Based on lead times, pricing benefit and product mix improvements are expected to ramp each quarter of 2026.

From an operational perspective, the company anticipates a sequential increase in its average melt utilization rate, supported by limited planned shutdown activity during the first quarter, greater stability and reliability across key assets, along with steady customer demand. As a result, manufacturing costs are expected to sequentially improve by approximately \$10 million in the first quarter, following the completion of planned shutdown maintenance in the fourth quarter and improved cost absorption from higher first quarter melt utilization.

Additionally, as Mike just mentioned, United Steelworkers recently ratified a new 4-year labor agreement with Metallus. The new labor agreement provides an increase in wages of 5% per year as well as additional premiums for specialized roles which allows us to attract the right talent for our growing business demand. The agreement also adds

Metallus Inc.

4Q2025 Earnings

flexibility to manage future pension obligations while offering competitive defined contribution plan alternatives. As part of the agreement, a one-time payment of approximately \$2 million will be paid in the first quarter.

Taking these factors into account, we expect first quarter adjusted EBITDA to be above fourth quarter levels, reflecting our typical seasonality and supported by a solid order book.

For the full year, we expect continued market demand for our solutions, flat depreciation and amortization expense, and a low single-digit increase in SG&A expense. While we remain mindful of external variables, we currently anticipate delivering year-over-year adjusted EBITDA growth in each quarter of 2026.

To wrap up, thank you to all of our employees, customers and suppliers for their support. We are firmly positioned as a high-quality U.S. specialty metals producer, serving critical end markets. As we head into 2026, with a growing order book, our focus is on safe execution to meet rising customer demand. We remain committed to delivering shareholder value through disciplined capital allocation and sustained profitable growth.

As always, thank you for your interest in Metallus. We would now like to open the call for questions.

QUESTIONS:

Operator^ (Operator Instructions) Your first question comes from the line of John Franzreb from Sidoti & Company.

John Franzreb^ I'd like to start in the fourth quarter, there was an expectation of \$3 million to \$5 million of costs flowing through the P&L from labor negotiations. I'm curious how much you incurred in the -- not only the fourth quarter but have already incurred into the first quarter of 2026?

Michael Williams^ We didn't really occur any additional costs from the outcome of the labor negotiations because the agreement was not settled until early February. However, there is a payment due, which John outlined, for about \$2 million this quarter, plus they are starting to get the new wage increase that was agreed to in the first year of the contract. So we will see higher labor costs going forward compared to 2025, and then there's that one payment that they earned throughout the negotiation process.

John Zaranec^ Reference -- that \$2 million reference for Q1 was -- could have been timing impacted in Q4, but it is--

Michael Williams^ Yes. We would have had the contract settled last year, but it wasn't.

Metallus Inc.

4Q2025 Earnings

John Franzreb^ Right. So that \$2 million is still going to flow to the P&L, it's not going to be a one-time item, correct?

Michael Williams^ Well it's a one-time item, but it will flow through the P&L in Q1.

John Franzreb^ Right. Got it. Got it. Understood. And regarding your expectations of melt utilization improving through the balance of the year, is that solely volume dependent? Or are you baking in any expectations from that third-party advisory program into that expectation?

Michael Williams^ Both -- we're relying on both. We have a much stronger order book entering 2026 than we had last year. And everything we're hearing from our customers, with our annual contract negotiation is pretty much settled. Things look fairly robust and continue to build throughout 2026, both from a demand volume perspective and our execution.

John Franzreb^ That's actually a perfect segue into my next question. I was just curious about with the order book up 50% year-over-year. How would you characterize the 2026 demand relative to what you thought it was going to be, say three months ago?

Michael Williams^ Well we got signals as we went through the 3 to 4-month process of annual negotiations that there were -- separate from the A&D, the A&D is going to continue to go through -- grow throughout the year, and I'll give you a little color on that. But the automotive programs that we're on really around our transmission offerings and the platforms that we're on, we see our auto business being steady compared to 2025 -- the second half of 2025 throughout 2026 at this point.

We are seeing some increased demand compared to last year. I would say on a certain isolated focus base in the industrial end markets. I think we just got to see how the overall economic activity for the United States develops throughout the year. We do expect isolated improvements in demand on some of our very large industrial customers throughout 2026. Energy, really, as we said in our opening comments, a favorable trade -- a favorable and fair trade environment is driving some opportunity in the energy space, even though the drilling activity, which is a majority of where our applications go, is not increasing, it's been fairly stable.

It's really the A&D that's going to drive a lot of the growth for us in 2026. A number of our large A&D OEMs have already placed full year POs with us. And so we can see the future rising of that demand. However, there is some dependency, particularly in the munition side, where the down -- our OEM customers have made major investments to increase their capacity, that capacity has to ramp up all the signaling we get is that's going to happen, but it's about 1.5 years, 2 years late. So -- but we do expect to see that, that's going to drive further demand growth throughout 2026 in our A&D, with that dependency on that capacity ramping up to take our product offerings.

Metallus Inc.

4Q2025 Earnings

Then thirdly, in the A&D space, it's really -- we've gotten over five -- half a dozen new customers in the fourth quarter for programs in 2026. Majority of that is the bar material that we spoke about earlier in our comments. But we're also continuing to work on getting new platforms and working with new customers. So we're pretty excited about what -- where we're positioning, how we're positioning, the successes that we've had in getting new programs and how that's going to help drive profitability growth for us in 2026.

John Franzreb^ Just to follow-up to what you said. Is there any change in your expectations in the A&G contributions in 2026 versus your initial expectations?

Michael Williams^ No. I think we kind of -- we're assuming where our A&D pricing's been is just going to continue to roll forward. But the higher mix influence of that in our sales revenue will drive profitability -- improved profitability growth for us in 2026.

John Franzreb^ Okay. I'll get back in the queue.

Michael Williams^ All right. Thanks, John.

Operator^ Your next question comes from the line of Phil Gibbs from KeyBanc Capital Markets.

Philip Gibbs^ And Mike, (inaudible) you just curious on where you expect A&D sales in 2026 -- I know prior you thought you'd be above a \$250 million run rate on sales by mid-2026, and then also the status of your key capital investments and when those are going to be commissioned and deployed?

Michael Williams^ Sure, sure, sure. So it's early in the year, but like I said to John earlier, we've already gotten several POs from our largest A&D OEM customers. So we see their full year demand. We still are believing that we're going to hit that run rate, but it is dependent on the new capacity ramping up for the munitions manufacturing downstream from us. So as that ramps up, which we're being signaled that that's going to continue to ramp up throughout this year, we still expect to hit that at some time either early second half -- it could move based on their ramp-up success, but we still believe we're on target to hit that \$250 million run rate at this point in the year.

Philip Gibbs^ Then just regarding the status--

Michael Williams^ Yes. Things are going pretty good there. We did have some weather delays between late in the fourth quarter, early this quarter. But we're pretty much on target. The bloom reheat furnace, we've lit the furnace. We've cycled and simulated pushing blooms through the furnace. We expect to start to put that in operation in the next month to five to six weeks to get that, and we'll start to ramp that up throughout the remainder of the first quarter and early second quarter.

Metallus Inc.

4Q2025 Earnings

The rotary -- or the roller hearth furnace, we are on time with that. We expect to light that furnace up towards the end of the first quarter, early second quarter. We expect to have both assets up and -- ramped up to production by late second quarter, early third quarter.

Philip Gibbs^ Then a question for John, just on the share count and also the DNA. So on the diluted share count, it looked like they were down about over 1 million shares quarter-on-quarter. I know buybacks were limited. So anything that would have driven that over that buyback number. So just curious in terms of what we should be using moving forward? Then also on the D&A, you said flattish year-over-year, but you do have commissioning of new assets. So just curious why that would be flat and not increasing as you're putting more assets to use?

John Zaranec^ Yes. No, good questions, Phil. So on the dilutive shares impact, it will be up a little bit, maybe about 1 million or so in 2026 because of the net loss position on the U.S. GAAP basis. So the number to use would be a little bit if you're looking at GAAP versus non-GAAP. But we do plan to continue to do share buyback to offset equity comp dilution. So it would be fairly flat if you're using an adjusted basis. But our GAAP net losses sometimes makes that a little bit interesting to look at our diluted shares.

As far as the depreciation and amortization, recall it's only \$15 million to \$20 million of our own money. So as that's actually hitting our depreciation, the depreciation and amortization for the government funding, there is none. There's no depreciation and amortization. So as we have some assets falling off every year, the new capital spend for our base business which is pretty consistent, we'll just replace that. So that's basically why D&A will stay flat.

Operator^ (Operator Instructions) Your next question comes from the line of Dave Storms from Stonegate.

David Storms^ So I want to go back to some of the customers -- want to go back to some of the customer growth you've seen in VAR. Is there anything more you can tell us about maybe the types of customers here, with them being new customers [is there] potential to expand within their operations, just anything more you can give us there?

Michael Williams^ Well if you look at the VAR -- majority of the VAR goes into a variety of aerospace and defense, more defense than aircraft, let's say, but it's a variety, and it's a growing product line for us. So we really can't talk about the customers themselves or the end applications on a variety of weapon systems and military technologies that these products are going into due to the confidentiality requirements, but we're pretty excited about it.

That we've also won new -- some new customers and applications with VAR in the industrial space. So these are high-end equipment applications that the VAR materials

Metallus Inc.

4Q2025 Earnings

specifically designed for. We're pretty excited to the fact that now we're expanding outside of the A&D with this product offering. And we just expect it's going to continue to grow. We have a great supplier partner, and we're building a very credible customer base with some pretty exciting end applications.

David Storms^ Understood. Appreciate that color. Then just one more on lead times. It looks like about three to six months on lead times right now, or maybe a little bit longer. Would you expect that to come in as you ramp the new assets, as you just laid out? And I guess is there a potential then to increase sales and maybe get those lead times to stay the same?

Michael Williams^ Yes. If you look at our seamless mechanical tubing, that's the one that's out the furthest, that's early August. We are adding an additional crew and we naturally -- and we are making some investments in some of the key assets involved with our tube making process. So as those investments ramp up and the additional shift comes on here in early March, we do expect to bring those lead times in, because our availability of product and customers will increase.

The bar is -- it is what it is. We've seen a pretty good increase in demand, and we're going to try to keep our lead times as competitive as possible. We do believe the new assets are going to help with better quality, right the first time, higher efficiency and throughput. And as those assets ramp up, we specifically believe that. That will also make sure that we have competitive lead times, and we really -- right now as we see a much larger order book, it allows us to be more efficient with our planning and scheduling across our key bottleneck assets. So things are looking very positive for us, and we expect to deliver, as I said, much better results throughout 2026.

Operator^ And that concludes our question-and-answer session. I will now turn the call back over to Jennifer Beeman for closing remarks.

Jennifer Beeman^ Thank you all for joining us today. We look forward to updating you in the future. That concludes our call.

Operator^ This concludes today's conference call. Thank you for your participation. You may now disconnect.