

5 - 5 - 2026

**Metallus Inc.**

Q1 2026

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## CORPORATE SPEAKERS:

**Jennifer Beeman**

*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; Analyst*

**Samuel McKinney**

*KeyBanc Capital Markets; Analyst*

**David Storms**

*Stonegate; Analyst*

**Aaron Reed**

*Northcoast Research; Analyst*

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## PRESENTATION:

Jennifer Beeman^ Good morning and welcome to Metallus' First Quarter 2026 Conference Call. I'm Jennifer Beeman, Director of Communications and Investor Relations for Metallus. Joining me today is Mike Williams, Chief Executive Officer, Kris Westbrook, President and Chief Operating Officer, 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, which will be filed later today, as well as the risk 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 Investor page at metallus.com.

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

Michael Williams^ Good morning. Thank you for joining us today. I'm encouraged by our team's continued focus on operational priorities which strengthened our performance in the

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first quarter. Demand continues to improve across our end markets, and our order book grew year-over-year, supported by overall industrial and defense demand, decreasing distribution inventory levels, and onshoring.

Section 232 tariffs continue to support our competitive position in the markets we serve. The April 2026 update to these tariffs apply only to downstream steel containing derivative products and do not affect our products, which are classified as primary steel. Most importantly, the 50% tariff on imported primary steel, including all long bar and tube products, remains in place, reinforcing the long-term competitiveness of U.S. produced steel.

The capital investments and operational system improvements we implemented during the planned shutdown period in the fourth quarter contributed to higher melt utilization on both a sequential and year-over-year basis. Our strategic operational advancements achieved critical milestones during the quarter, highlighted by the safe and successful reheating and rolling of the first blooms from our new bloom reheat furnace.

This achievement reflects the dedicated efforts of our internal teams and the support of the Department of War. As a reminder, the new bloom reheat and roller furnaces facilitate more consistent reheating, improved product quality, and more efficient throughput. In fact, the bloom reheat furnace has recently demonstrated a run rate of approximately 150 tons per hour compared with approximately 100 tons per hour using our legacy assets, along with significant improvements in temperature uniformity.

These modern and efficient assets position us to better serve growing customer demand across all end markets, and we anticipate they will also improve our operating leverage over time. We expect the bloom reheat furnace to be fully operational in early to mid-third quarter and the roller furnace to be fully operational in late third quarter.

We also continue to make meaningful progress in strengthening our operating systems, reinforcing consistent and efficient execution across the organization. These institutionalized systems help our teams identify issues faster and drive greater accountability. During the quarter, we expanded this framework into additional areas focusing on reliability and throughput.

Safety remains a foundational priority for us and a critical factor in our long-term success. As always, we focus on eliminating serious injuries through stronger controls, training, and leadership accountability. Our health and safety management system continues to mature with stronger proactive reporting, increased near miss identification, and targeted capability building in higher risk activities such as cranes, rigging, lockout tagout, and machine guarding. This shift towards leading indicators and the disciplined risk management reduces variability, lowers long-term costs, and protects our most important asset, our people.

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Turning to our first quarter performance. Shipments increased by 11% sequentially. Adjusted EBITDA for the quarter totaled \$24.6 million, reflecting a 39% increase compared to the prior year's first quarter. Again, this strong improvement underscores our disciplined execution against key priorities and operational improvements. Lead times continue to expand, now reaching into the late third quarter for both bars and seamless mechanical tubing. This reflects strengthening demand for domestic steel and provides a clear signal of the momentum we expect to carry throughout 2026.

Turning to performance across our key end markets. We're seeing industrial customers take a more deliberate look at how and where they source steel as they navigate a challenging macro environment. Shifts in trade policy and the reassessing of supply chains are driving increased demand with domestic suppliers. With inventories low across the distribution channels and select products returning from offshore sourcing, we're seeing increased opportunities. We believe these dynamics position us well to strengthen new and existing customer relationships and continue gaining share as industrial markets stabilize.

Automotive demand remains steady, with volumes up slightly compared to the prior year. Our automotive order book and key customer relationships remain strong, supported by our continued focus on light truck and SUV transmission programs and our success in winning new and emerging platforms. For example, during the quarter, we won two additional programs with existing customers, reinforcing our confidence in the strength of the automotive markets we serve and the importance of our automotive customers to our base business.

The energy markets we serve remain cautious as producers continue to seek greater confidence in long-term oil prices before materially increasing investments. Ongoing global conflicts and geopolitical uncertainty are contributing to volatility in energy markets. But favorable trade-related tailwinds reduced imports and a gradual increase in domestic oil and gas activity are creating incremental opportunities for Metallus.

Turning to aerospace & defense. This market continued to be a key source of strength during the quarter. Due to confidentiality, it's always difficult for us to call out new defense programs by name, but what I can say is that we were recently awarded an exciting contract with a new entrant in the defense supply chain to begin producing tubing for new rocket motors related to advanced weapon systems. Demand across defense programs continue to grow, supporting our near-term \$250 million run rate revenue expectation and the longer-term strategic expansion in the market, allowing us to provide our expertise to existing and new customers in these critical applications.

While defense shipment timing can vary quarter-to-quarter based on program needs and downstream supply chains outside of our control, the underlying fundamentals remain strong in the foreseeable future. We continue to advance targeted investments and operational improvements to support higher defense volumes. Metallus is well positioned to

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benefit from growing defense spending and the continued focus on developing secure domestic supply chains.

Overall, we remain focused on disciplined execution in 2026. During the quarter, we improved operational performance, strengthened our internal systems, and safely advance strategic investments that support our long-term objectives. Our growing order book, improving operational execution, and U.S.-based manufacturing footprint provide a solid foundation as we move forward. We will continue to prioritize safety, operational discipline, and prudent capital allocation as we work to deliver consistent performance and long-term value for shareholders.

With that, I'll turn the call over to John to walk through our financial results in more detail.

John Zaranec^ Thanks, Mike. Good morning. Thank you for joining our first quarter 2026 earnings call. During the quarter, our team delivered improvements in shipments, net sales, and profitability on both a sequential and year-over-year basis, consistent with our expectations.

As Mike noted, we also safely advanced operational and strategic investments to support near- and long-term business growth while maintaining a strong balance sheet. From a top-line revenue perspective, first quarter net sales totaled \$308.3 million, a year-over-year increase of \$27.8 million or 10%, primarily driven by higher shipments across most end markets. Net income was \$5.4 million in the first quarter or \$0.13 per diluted share.

On an adjusted basis, net income was \$7.7 million or \$0.18 per diluted share in the quarter. Adjusted EBITDA was \$24.6 million in the first quarter, a year-over-year increase of \$6.9 million or 39%. The increased profitability was primarily driven by higher shipments across most end markets, better price/mix, higher raw material spread, and better fixed-cost leverage on higher production volume, slightly offset by an increase in utility costs and a partial quarter of the cost increase related to the ratified union contract.

As a reminder, our previous favorable electricity contract expired in May of 2025. So the first quarter of 2025 included a full quarter of lower energy costs. As we noted in February, we expected a usage of free cash flow during the first quarter which is consistent with historical seasonality as the first quarter normally requires a larger amount of pension funding and working capital build.

Additionally, this year, our CapEx spend to complete the government projects is the highest in Q1 and is expected to ramp down throughout 2026. In the first quarter, capital expenditures totaled \$24.7 million including approximately \$18.3 million of first quarter CapEx partially funded by the U.S. government. Planned capital expenditures for the full year 2026 are expected to be approximately \$70 million, inclusive of approximately \$35 million

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of capital expenditures primarily funded by the U.S. government. At the end of the first quarter, the company's cash and cash equivalents balance was \$104 million.

As it relates to government funding, during the first quarter, the company received \$5.9 million of cash funding from the government, with an additional \$9.5 million received during the month of April based on our successful completion of key milestones.

As a reminder, these funds are part of the previously announced nearly \$100 million funding agreement in support of the U.S. Army's mission of increasing munitions production. Additional government funding of approximately \$2 million is expected to be received in 2026 to complete the government funding arrangements contingent on the achievement of the final mutually agreed upon milestone. As a reminder, this funding substantially paid for both the new bloom reheat furnace at the company's Faircrest facility as well as the new roller furnace at the Gambinus facility.

Now switching to pensions. In the first quarter, the company made \$19.8 million of required pension contributions, of which the majority related to the U.S. bargaining plan and reflects roughly two-thirds of the expected full year 2026 pension contributions.

Subsequent to the first quarter, the company made a required pension contribution of approximately \$5 million in April, with an estimated \$5 million of required pension contributions expected for the remainder of 2026. Consistent with our expectations in February, total 2026 required pension contributions are expected to decrease by nearly 60% compared to 2025.

As part of the USW contract ratified during the first quarter, employees who are currently accruing a pension benefit will have a onetime opportunity between March 30 and May 30 to freeze their pension accrual and begin receiving a market competitive benefit under the 401(k) plan. These actions will allow employees access to their retirement funds earlier while also providing competitive defined contribution benefits and derisking the long-term pension obligation. As we continue to actively manage the pension, we'll provide further updates as available.

In terms of shareholder return activities, in the first quarter, the company repurchased approximately 277,000 shares of common stock at a cost of \$4.3 million. At the end of March, a balance of \$85.4 million remained under our existing share repurchase authorization. Since the inception of common share repurchases in early 2022, combined with the convertible note repurchase activities, we've reduced diluted shares outstanding by a significant 26% or 13.8 million shares.

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 remains strong at

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\$375 million as of March 31, 2026. Additionally, as of March 31, 2026, the company had no outstanding borrowings.

Moving now to near-term business outlook. Commercially, second quarter shipments are sequentially expected to increase modestly in the low single digits on a percentage basis, supported by continued strength in the order book and normal seasonality. Through the first four months of 2026, we announced a series of targeted price actions across our bar and tube portfolios. In bar, we implemented two actions totaling \$120 per ton phased in based on customer promise dates. In tube, pricing actions were differentiated by size and product types, averaging about \$100 per ton across the product mix.

As a reminder, these pricing actions apply only to business not sold under annual price agreements and to new business which historically represents approximately 30% of our total annual volume. We expect price realization to be gradual with greater impact towards the second half of the year. Based on lead times and product mix dependent, second quarter price and mix are expected to be similar to the first quarter, with improvement anticipated in the second half of 2026. From an operational perspective, the company anticipates a sequential increase in its second quarter average melt utilization rate, supported by a strong order book.

Manufacturing costs are expected to improve sequentially by approximately \$2 million in the second quarter as a result of higher melt utilization, resulting in improved cost absorption and net of the full quarter run rate cost increase related to the ratified union contract. And finally, an adjusted effective income tax rate between 27% and 30% is expected for the full year 2026. Given these elements, the company expects second quarter 2026 adjusted EBITDA to be modestly higher sequentially and year-over-year.

To wrap up, thank you to all of our employees, customers, and suppliers for their support. We're well positioned as a high-quality U.S.-based specialty metals producer supporting critical markets. As we continue to move forward in 2026, our focus is on safe execution to meet continued 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) And our first question is from the line of John Franzreb with Sidoti.

John Franzreb^ I'd actually like to start with the recent results reported. You touched on it in your prepared remarks about it's typically a working capital outflow quarter. But I was just

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curious about the sizable rise in inventory. Is that illustrative of any particular end market demand? Or are you building inventory for any particular reason? I'm just curious about that.

Michael Williams^ Yes. Pretty much we built inventory in Q1 based on the order book demand going into Q2 and with our lead times up to mid to late Q3, depending on product, we can see. So we're positioning inventory to service our customers, and we continue to see higher demand, as we mentioned. Year-over-year, the order book is about -- over 40% greater, which if you -- in a year-over-year comparison is about 90,000 more tons in our order book than we had this year last time. So we're positioning the inventory to meet the order demand that we have.

John Franzreb^ Got it, that's good to hear. Then sequentially, you're suggesting that revenue is going to be up in the low single-digit range. I'm kind of curious, does that suggest maybe one of your key end markets is maybe a little bit slower than you would have thought, say three months ago, especially considering the visibility you have in A&D?

Michael Williams^ I mean I don't see anything slower. It's just the timing of when the orders are requested and when we need to ship them on time aligned with our throughput capability.

John Franzreb^ And one last question, I'll get back in the queue. Regarding the operational improvement of \$2 million, I just want to make sure I kind of understand that properly. Is that improvement above the increased cost from the new union contract? Or is it net of the increased cost?

Michael Williams^ Yes. It's net of the increased labor costs with the new agreement, the labor agreement.

John Zaranec^ That's offsetting the wages.

John Franzreb^ So it's a net positive of \$2 million of the wages? I just want to make sure I understand that.

John Zaranec^ Correct. Correct.

Operator^ Your next question is from Samuel McKinney with KeyBanc Capital Markets.

Samuel McKinney^ Your first quarter auto shipments were up slightly year-on-year despite the negative SAAR comp. Could you just give us a little more color on your ability to outpace that figure and what you're hearing from the SUV and heavy truck customers moving into the summer?

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Michael Williams^ Yes. I mean those are the predominantly the platforms that we're on, and those are the platforms that are drawing the demand where we've seen year-over-year order increases. So we expect that to be fairly stable at this point throughout the year, with some typical seasonality towards the end of the year. So it's a matter of -- it's all about the platforms that we're on and the pull rate that they're requesting for their build rates of the powertrain and transmission programs that we're on.

Samuel McKinney^ Okay. I just want to turn to A&D and the Army investments. Given other commentary during this earnings cycle, it appears that the Army's munitions partner doesn't plan to begin production at this facility until sometime during 2027. How does that impact the timing for you to hit your previously stated goal of \$250 million in annualized A&D sales this year?

Michael Williams^ I mean it definitely has the impact -- the overall impact of them getting to the 100,000 shells per month production which then, of course affects us. But what we are seeing is we have seen them ramp up their other facilities as well as we've seen some non-U.S. demand, but most of it is still in North America, it's just not in the U.S. and then the offshore inquiries and orders that we're getting.

So it affects it, but then we're working diligently to offset that with other weapon system applications. We mentioned the one new program we just got. It will most likely ramp up to its full demand in 2027, but it will ramp up throughout the year this year, but really hit the peak cycles in '27 and '28. But we continue to work hard to get other programs to kind of offset the original planning process with a new facility coming online for the particular 155-millimeter munitions. But as I said earlier, we're seeing increased demand from existing facilities because they're really trying to ramp it up.

If you look at the math, and we kind of calculate it based on what we sell in those particular grades, they're operating around 70,000 shells a month right now versus their 100,000 target. But that's up from 50,000, six months ago. So we do anticipate as they continue to push the other facilities to improve their throughput and capacity that that will continue to modestly increase throughout the year. Then depending on timing when that other facility gets up and running, it's a win-win for us.

Samuel McKinney^ So is there any change to the outlook of hitting \$250 million in A&D sales this year?

Michael Williams^ No. We still have that expectation, as we said in our comments. Yes. There is some variability that we're working towards in the second half to fill some gaps because we were anticipating some type of ramp-up out of that, the one facility that still is being worked on to get it up and operational. So -- but we're still confident that we're going to hit that expectation. At least that, we strive for higher, as you can imagine, internally. But right now we're confident that we'll meet that expectation.

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John Zaranec^ And that's a run rate expectation. I mean some of this is a little bit lumpy to supply chain and order timing. But as we talked about last year, that \$250 million is a run rate that we expect to achieve in the year.

Operator^ Your next question comes from the line of Dave Storms with Stonegate.

David Storms^ Just wanted to start with getting your thoughts around lead times. I know you mentioned they go to the third quarter. For -- with the ramping of the bloom reheat furnace, could this maybe be the high watermark and maybe lead times might start to come down throughout the year? Or does the order book indicate that they might continue to increase?

Michael Williams^ Right now everything we can see, here we sit in early May is the fact that we expect it to continue to have really good demand. Now we do expect that the seasonality that occurs in the fourth quarter is going to be there, our maintenance outage, et cetera. But yes, right now what we see, we're halfway through the third quarter. So orders continue to come in at a pretty good rate per week, and we expect that to continue. We just got to focus on our execution and serve our customers.

David Storms^ Then just also looking at the order book, a lot of strength there. Are you seeing more of the growth coming from maybe price and -- excuse me, more from price or maybe more from mix? Or is it volume that's expected to drive that? Just any commentary on maybe some of the profile of the order book.

Michael Williams^ Yes. I mean overall, it's volume, okay? But our team does a pretty good job trying to manage and maximize the highest return value creation in mix as we can. I think the thing that we -- the area we see, automotive continue to be steady. We continue to expect growth in A&D and we expect energy, we've seen positive improvement in energy because of the trade environment and what we class it, call it reshoring, but it's really domestic sourcing of supply.

So we expect that to potentially continue to modestly grow. As you can imagine, there's a lot of volatility with all the uncertainty, the global conflict, et cetera, affecting the energy market. So we have to watch that very closely and align with our customers the best way we can. I think the biggest area of opportunity we see the remainder of this year is really steady growth in the industrial end markets.

Operator^ (Operator Instructions) Our next question is from the line of Aaron Reed with Northcoast Research.

Aaron Reed^ One of the questions or the question I really have is, you mentioned that your old energy contract was expiring and you have a new one. I was wondering if you could give

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us any more insights into the terms around that. Is that something that's typically paid on spot? Or are those longer-term contracts?

Michael Williams^ Okay. So we did have a long-term contract that expired at the end of last May. So the contracts that we currently operate on, 70% of our electrical demand is fixed under a 2-year agreement which we actually just began year well the second six months of year 1, that will exist for two years. The other 30% is spot purchased.

Aaron Reed^ And the other question I had is one of the things that we saw was the new tariffs that went into place here on May one for automotive. Do you expect that to have a meaningful impact on automotive demand? I know it's typically not what we're importing from Europe. Is there a real lot of overlap with what you're supplying to. But I just wasn't sure in the past, how has that impacted you? And does that give any insights on what the market might look like here going forward?

Michael Williams^ Well we're heavily influenced based on build rates and platforms. So predominantly, most of our steel applications go into powertrains, particularly transmissions, crank shafts, et cetera. We've heavily focused on SUVs and trucks. Those are the vehicles that are selling. That's why we're seeing good steady demand all last year throughout the volatility of the market regardless of imports. And this year, we see the same thing with incremental improvement.

What we are seeing is the move away from the high expected volume of EVs and what we are seeing is more hybrid demand which is good for us because it has a combustion engine and has a transmission as well as electric motors. So that's kind of the move we've seen. I think it still plays good to us because we can play in all three of those platforms, ICE, hybrid, or EV. So I think we're in a good spot. Our team has done a pretty decent job of going after the right applications where typically the consumer price effect isn't as influenced based on price movements because these tend to all be high-end vehicles.

Operator^ I'll now hand the call back over to Metallus, as we have no further questions in queue.

Jennifer Beeman^ Great. Thank you so much. That concludes our call for today.

Operator^ Thank you again for joining us today. This does conclude today's conference call. You may now disconnect.