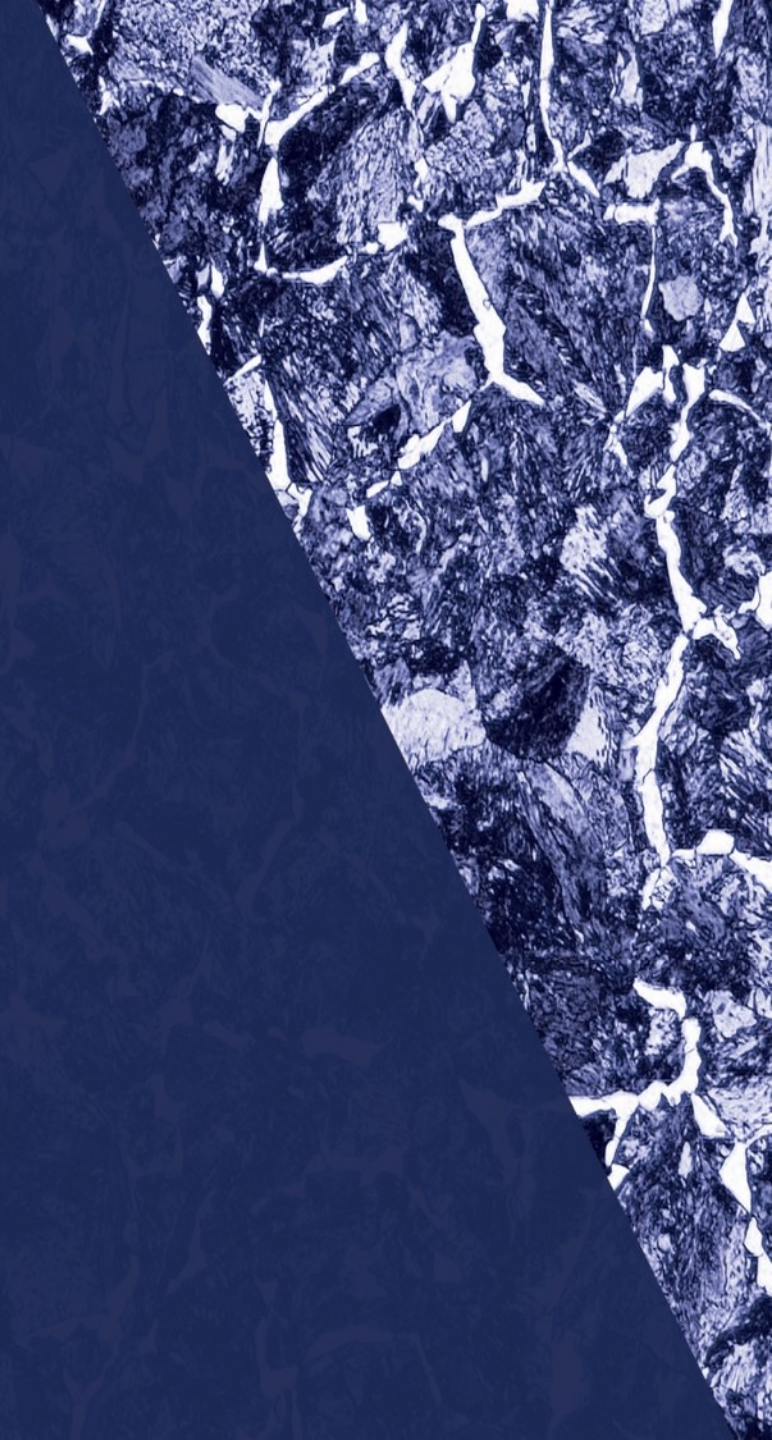
First-Quarter 2018 Earnings & Investor Presentation

April 26, 2018



TIMKENSTEEL

Forward-looking statements and non-GAAP financial information

This presentation includes “forward-looking” statements within the meaning of the federal securities laws. You can generally identify the company’s forward-looking statements by words such as “anticipate,” “believe,” “could,” “estimate,” “expect,” “forecast,” “outlook,” “intend,” “may,” “possible,” “potential,” “predict,” “project,” “seek,” “target,” “could,” “may,” “should” or “would” or other similar words, phrases or expressions that convey the uncertainty of future events or outcomes. The company cautions readers that actual results may differ materially from those expressed or implied in forward-looking statements made by or on behalf of the company due to a variety of factors, such as: deterioration in world economic conditions, or in economic conditions in any of the geographic regions in which the company conducts business, including additional adverse effects from global economic slowdown, terrorism or hostilities, including political risks associated with the potential instability of governments and legal systems in countries in which the company or its customers conduct business, and changes in currency valuations; the effects of fluctuations in customer demand on sales, product mix and prices in the industries in which the company operates, including the ability of the company to respond to rapid changes in customer demand, the effects of customer bankruptcies or liquidations, the impact of changes in industrial business cycles, and whether conditions of fair trade exist in U.S. markets; competitive factors, including changes in market penetration, increasing price competition by existing or new foreign and domestic competitors, the introduction of new products by existing and new competitors, and new technology that may impact the way the company’s products are sold or distributed; changes in operating costs, including the effect of changes in the company’s manufacturing processes, changes in costs associated with varying levels of operations and manufacturing capacity, availability of raw materials and energy, the company’s ability to mitigate the impact of fluctuations in raw materials and energy costs and the effectiveness of its surcharge mechanism, changes in the expected costs associated with product warranty claims, changes resulting from inventory management, cost reduction initiatives and different levels of customer demands, the effects of unplanned work stoppages, and changes in the cost of labor and benefits; the success of the company’s operating plans, announced programs, initiatives and capital investments (including the jumbo bloom vertical caster and advanced quench-and-temper facility), the ability to integrate acquired companies, the ability of acquired companies to achieve satisfactory operating results, including results being accretive to earnings, and the company’s ability to maintain appropriate relations with unions that represent its associates in certain locations in order to avoid disruptions of business; unanticipated litigation, claims or assessments, including claims or problems related to intellectual property, product liability or warranty, and environmental issues and taxes, among other matters; the availability of financing and interest rates, which affect the company’s cost of funds and/or ability to raise capital, the company’s pension obligations and investment performance, and/or customer demand and the ability of customers to obtain financing to purchase the company’s products or equipment that contain its products; the amount of any dividend declared by the company’s Board of Directors on the company’s common shares; and the overall impact of mark-to-market accounting. Additional risks relating to the company’s business, the industries in which the company operates or the company’s common shares may be described from time to time in the company’s filings with the SEC. All of these risk factors are difficult to predict, are subject to material uncertainties that may affect actual results and may be beyond the company’s control. Readers are cautioned that it is not possible to predict or identify all of the risks, uncertainties and other factors that may affect future results and that the above list should not be considered to be a complete list. Except as required by the federal securities laws, the company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

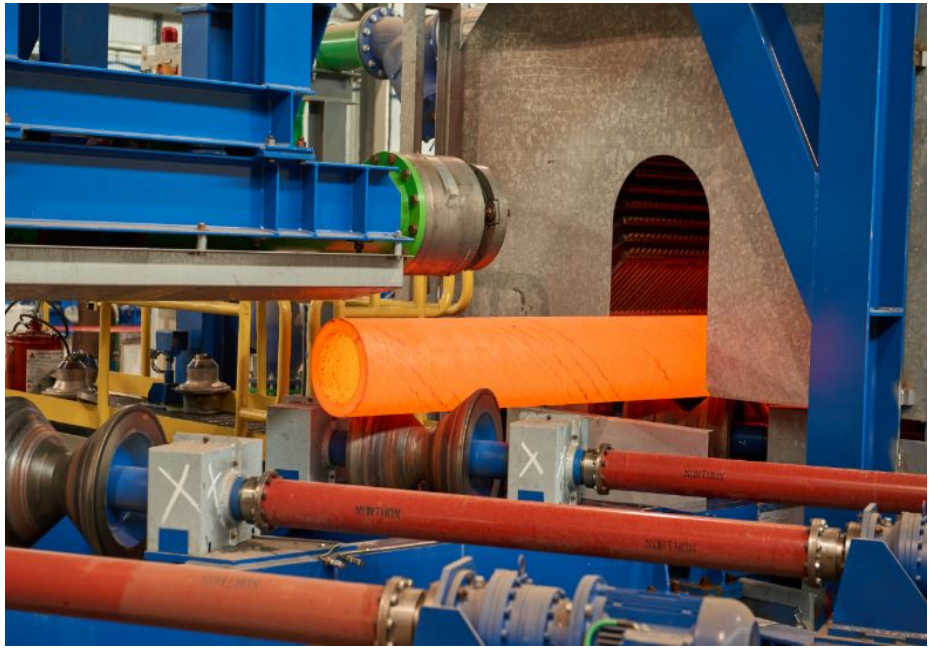
The unaudited pro forma consolidated financial data in this presentation is subject to assumptions and adjustments described in the company’s registration statement on Form 10. TimkenSteel Corporation’s (“TimkenSteel”) management believes these assumptions and adjustments are reasonable under the circumstances. The unaudited pro forma consolidated financial data does not purport to represent what TimkenSteel’s financial position and results of operations actually would have been had the spinoff occurred on the dates indicated, or to project TimkenSteel’s financial performance for any future period following the spinoff.

This presentation also includes certain non-GAAP financial measures as defined by SEC rules. A reconciliation of those measures to the most directly comparable GAAP equivalent is contained in the Appendix. Please see discussion of non-GAAP financial measures in the Appendix.



First-quarter 2018 highlights

- Shipments of approximately 300,000 tons – an increase of 7 percent year over year, driven by increased market demand
  - All-time record bar shipments in a single month
- EBITDA[(1)] improved 17 percent year over year, primarily from higher raw material spread and price increases
- Announced multiple price increases ranging from $40 to $150 per ton, depending on product
- Amended credit agreement increased availability and provided better terms



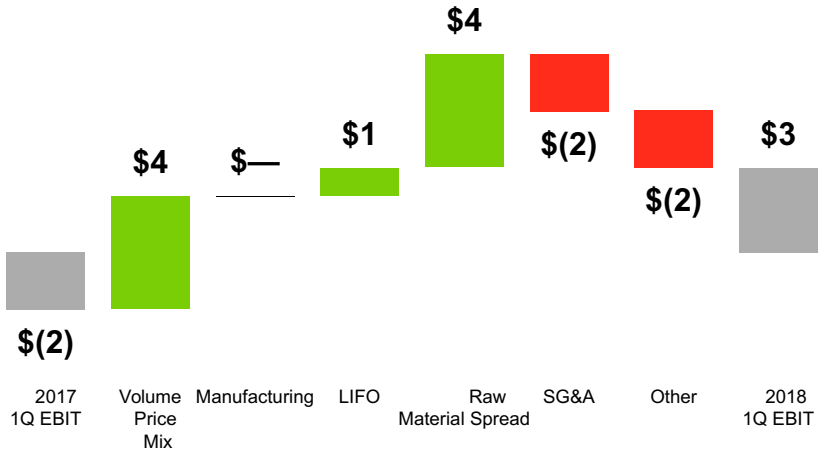
TimkenSteel was recently named a finalist in four American Metal Market Awards for Steel Excellence categories, including best operational improvement for its advanced quench-and-temper facility.

[(1)] *Please see the discussion of Non-GAAP Financial Measures in the Appendix*

Operating performance
(Dollars per million)

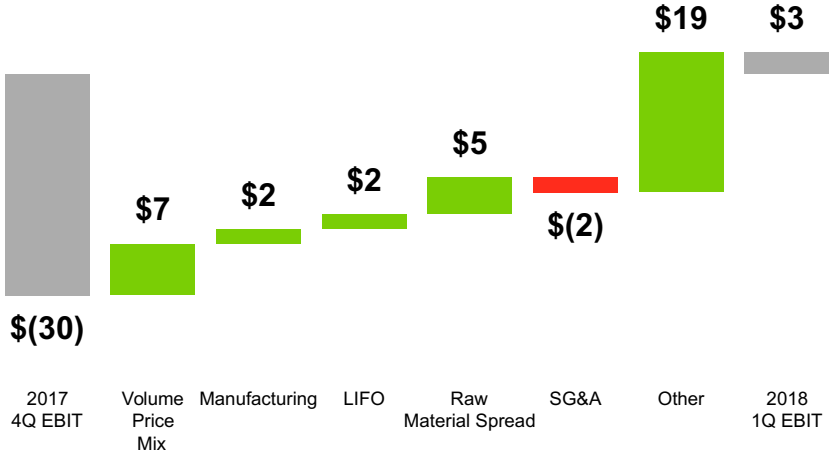
EBIT 2017 1Q vs. 2018 1Q

- Higher demand in industrial and energy end markets resulted in increased price and volume
- Raw material spread was largely driven by a 21 percent rise in the No. 1 Busheling Index
- Variable compensation and employee costs were primary drivers of higher SG&A
- "Other" represents non-recurring legal costs and employee benefits claims



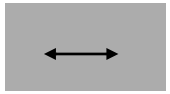
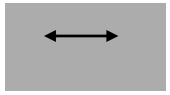
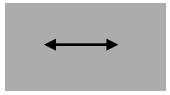
EBIT 2017 4Q vs. 2018 1Q

- Improved volume, product mix and price were realized from improving end markets
- Annual maintenance costs incurred during fourth-quarter 2017 were mostly offset by ramp and weather challenges in manufacturing
  - Melt utilization was 77 percent for the quarter, compared with 68 percent in fourth-quarter 2017
- Variable compensation costs were primary driver of higher SG&A
- “Other” represents the actuarial loss from the remeasurement of pension and other post-employment benefit (OPEB) plans recorded in fourth-quarter 2017 offset by non-recurring legal costs and employee benefit claims



2018 market outlook

Direct End Markets

	Market Sentiment	TimkenSteel Sentiment	
North American Light Vehicles			Market remains strong on balanced inventory levels
Mining			Strong outlook from recovering commodity prices
General Industrial			Demand remains stable
Rail			Gradual recovery in rail cars from modestly improving global environment
Agriculture			Market outlook remains positive due to increasing net farm income
Oil and Gas			Improving oil prices throughout 2018 on balanced supply and demand dynamics
Oil Country Tubular Goods (OCTG)			Increased completion activity on high inventory of "Drilled but Uncompleted" wells

Channels

Distribution			Balanced inventory levels in industrial; inventory levels in the energy end market have improved

Source: TimkenSteel as of April 26 2018

Outlook

Guidance

Second-quarter 2018 revenue	• Shipments are expected to be between 5 percent and 10 percent higher than first-quarter 2018 from strong demand across all end markets
Second-quarter 2018 EBITDA[(1)]	• Net income is projected to be between $8 million and $18 million • EBITDA is projected to be between $30 million and $40 million • Raw material spread is expected to be a headwind of about $6 million
Other	• 2018 capital spending is projected to be $40 million

Source: TimkenSteel as of April 26, 2018

(1) *Please see the discussion of Non-GAAP Financial Measures in the Appendix*

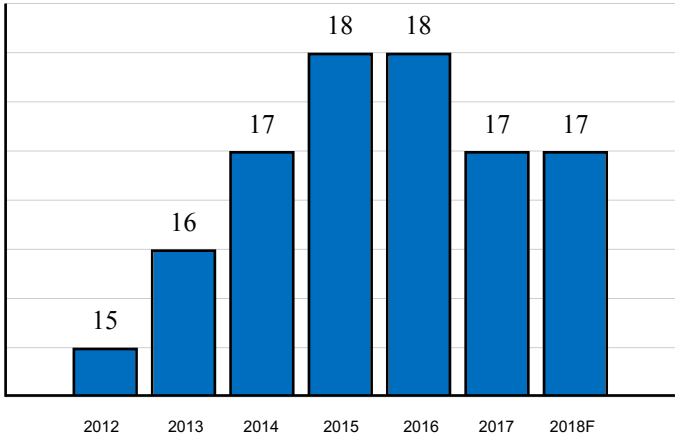


Appendix

Economic indicators

Mobile

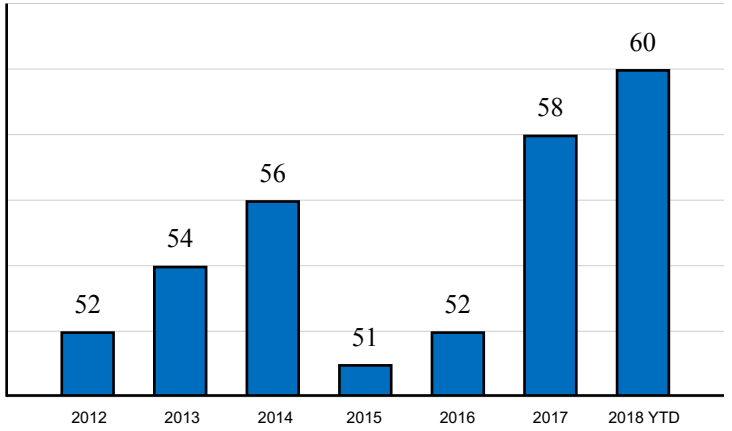
North American light vehicle production *(millions)*



Source: IHS Automotive (March 2018)

Industrial

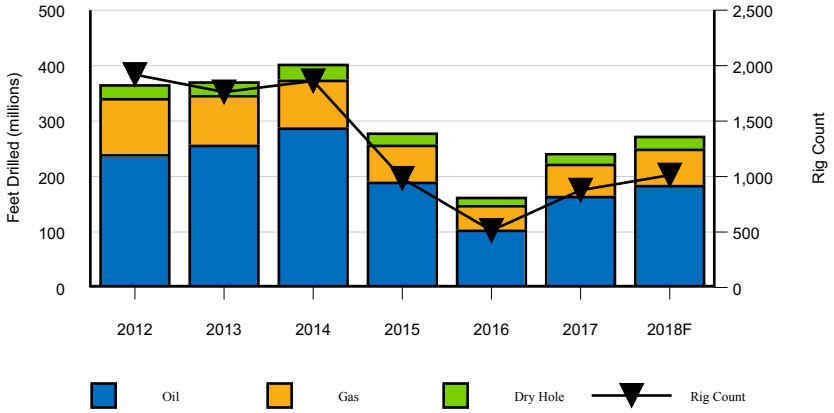
U.S. manufacturing PMI index, seasonally adjusted



Source: University of Michigan (March 2018)

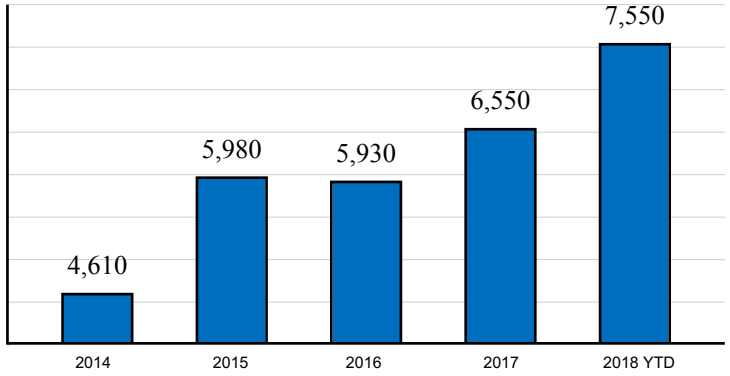
Energy

U.S. drilling activity



Source: Spears Drilling Production Outlook (March 2018)

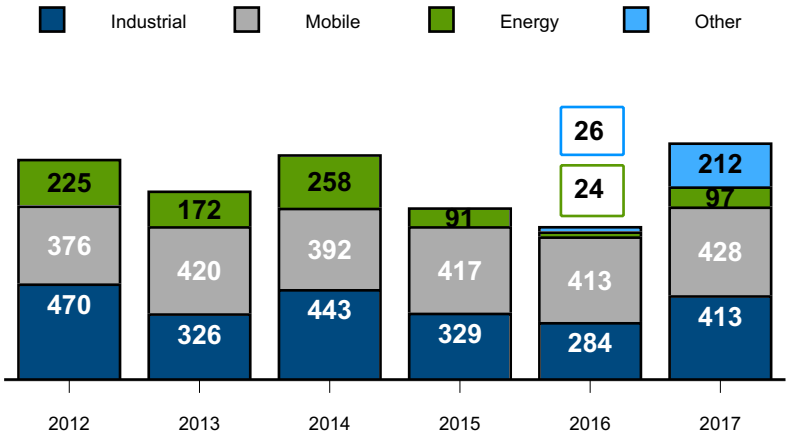
Avg. drilled but uncompleted wells (DUC's)



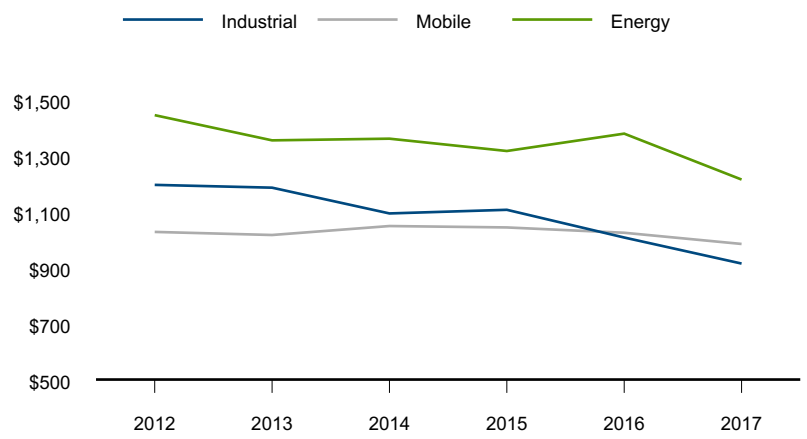
Source: Spears Drilling Production Outlook (March 2018) & EIA

Select performance history by end market

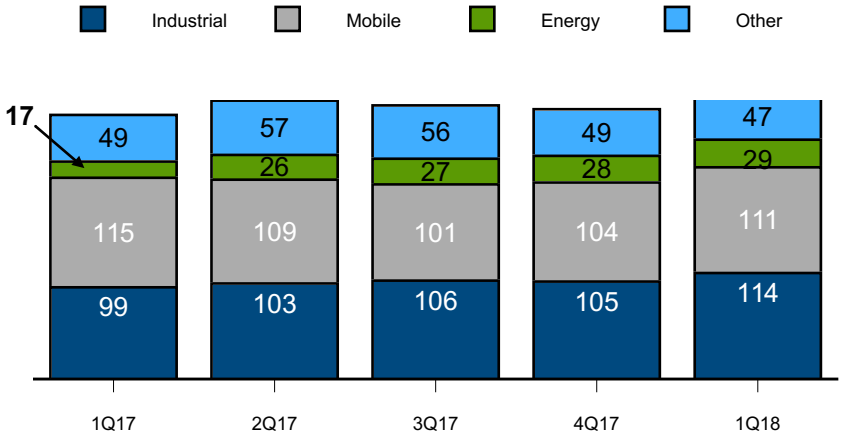
Shipments by end market (k tons)

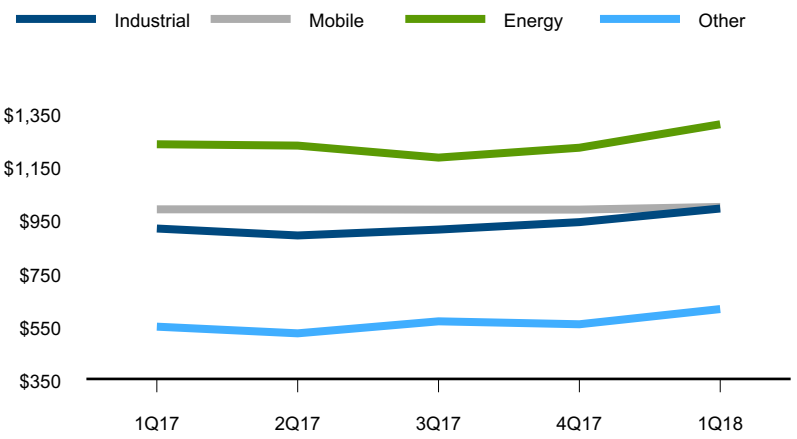


Average base sales by end market ($ / ton)[1,2,3]



Quarterly





Source: TimkenSteel, The Timken Company

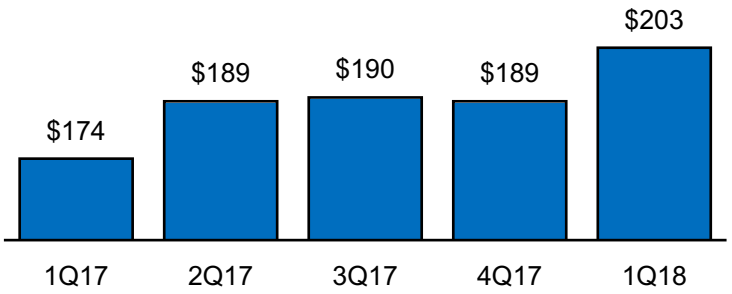
(1) *Net Sales excluding surcharges*

(2) *Please see the reconciliation of base sales to net sales in the Appendix*

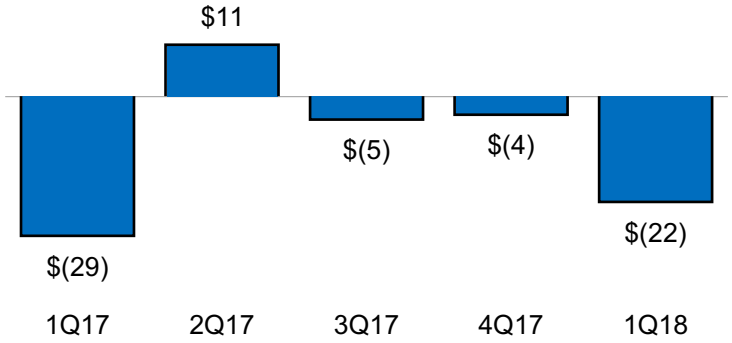
(3) *Billet business began in 2016 – represented in "Other"*

Financial performance - rolling five quarters

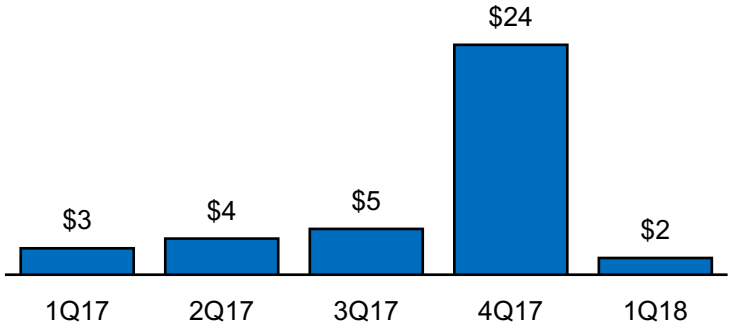
Liquidity ($m)



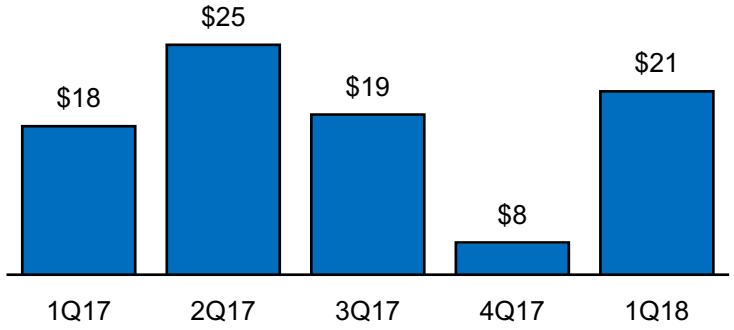
Net cash (used) provided by operating activities ($m)



Capex ($m)



Adjusted EBITDA ($m)[1]



Source: TimkenSteel

(1) *Adjusted EBITDA is defined as EBITDA excluding the loss from remeasurement of benefit plans.*

(1) Non-GAAP financial measures

TimkenSteel reports its financial results in accordance with accounting principles generally accepted in the United States (“GAAP”) and corresponding metrics as non-GAAP financial measures. This presentation includes references to the following non-GAAP financial measures: Base Sales, EBIT, EBITDA, Adjusted EBIT and Adjusted EBITDA. These are important financial measures used in the management of the business, including decisions concerning the allocation of resources and assessment of performance. Management believes that reporting Base Sales is important to investors as it provides additional insight into key drivers of net sales such as base price and product mix. Management believes that reporting EBIT, EBITDA, Adjusted EBIT and Adjusted EBITDA is useful to investors as these measures are representative of the Company’s performance and provide improved comparability of results.

See the attached schedules for definitions of the non-GAAP financial measures referred to above and corresponding reconciliations of these non-GAAP financial measures to the most comparable GAAP financial measures. Non-GAAP financial measures should be viewed as additions to, and not as alternatives for, TimkenSteel's results prepared in accordance with GAAP. In addition, the non-GAAP measures TimkenSteel uses may differ from non-GAAP measures used by other companies, and other companies may not define the non-GAAP measures TimkenSteel uses in the same way.

Quarterly reconciliation of base sales[(1)] to GAAP net sales

The table below presents net sales by end market sector, adjusted to exclude raw material surcharges, which represents a financial measure that has not been determined in accordance with U.S. GAAP. We believe presenting net sales by end market sector adjusted to exclude raw material surcharges provides additional insight into key drivers of net sales such as base price and product mix.

Mobile

$m	1Q 2017	2Q 2017	3Q 2017	4Q 2017	1Q 2018
Net Sales	$ 137	$ 136	$ 128	$ 129	$ 143
Less: Surcharges	23	28	27	27	31
Base sales[(1)]	$ 114	$ 108	$ 101	$ 102	$ 112
Ship tons (k)	115	109	101	104	110
Avg. base sales per ton	$ 990	$ 991	$ 1,000	$ 981	$ 1,007
Avg. net sales per ton	$ 1,189	$ 1,248	$ 1,267	$ 1,240	$ 1,291

Industrial

$m	1Q 2017	2Q 2017	3Q 2017	4Q 2017	1Q 2018
Net Sales	$ 111	$ 120	$ 126	$ 129	$ 148
Less: Surcharges	20	28	29	30	35
Base sales[(1)]	$ 91	$ 92	$ 97	$ 99	$ 113
Ship tons (k)	99	103	106	105	114
Avg. base sales per ton	$ 907	$ 893	$ 915	$ 943	$ 989
Avg. net sales per ton	$ 1,113	$ 1,165	$ 1,189	$ 1,229	$ 1,299

Energy

$m	1Q 2017	2Q 2017	3Q 2017	4Q 2017	1Q 2018
Net Sales	$ 24	$ 38	$ 38	$ 43	$ 49
Less: Surcharges	3	6	6	8	11
Base sales[(1)]	$ 21	$ 32	$ 32	$ 35	$ 38
Ship tons (k)	17	26	27	28	29
Avg. base sales per ton	$ 1,231	$ 1,231	$ 1,185	$ 1,250	$ 1,314
Avg. net sales per ton	$ 1,402	$ 1,462	$ 1,407	$ 1,536	$ 1,693

Other

$m	1Q 2017	2Q 2017	3Q 2017	4Q 2017	1Q 2018
Net Sales	$ 39	$ 46	$ 48	$ 41	$ 42
Less: Surcharges	12	16	16	13	13
Base sales[(1)]	$ 27	$ 30	$ 32	$ 28	$ 29
Ship tons (k)	49	57	56	49	47
Avg. base sales per ton	$ 542	$ 526	$ 571	$ 571	$ 607
Avg. net sales per ton	$ 791	$ 807	$ 857	$ 837	$ 891

Source: TimkenSteel

[(1)] *Base Sales is defined as net sales adjusted to exclude raw material surcharges*

Figures in the table may not recalculate exactly as presented in the earnings release due to rounding

Yearly reconciliation of base sales[(1)] to GAAP net sales

The table below presents net sales by end market sector, adjusted to exclude raw material surcharges, which represents a financial measure that has not been determined in accordance with U.S. GAAP. We believe presenting net sales by end market sector adjusted to exclude raw material surcharges provides additional insight into key drivers of net sales such as base price and product mix.

Mobile

$m	2012	2013	2014	2015	2016	2017
Net Sales	$ 511	$ 550	$ 535	$ 504	$ 475	$ 529
Less: Surcharges	123	121	122	67	50	105
Base sales[(1)]	$ 388	$ 429	$ 413	$ 437	$ 425	$ 424
Ship tons (k)	376	420	392	417	413	428
Avg. base sales per ton	$ 1,032	$ 1,021	$ 1,054	$ 1,048	$ 1,029	$ 991
Avg. net sales per ton	$ 1,359	$ 1,310	$ 1,365	$ 1,209	$ 1,150	$ 1,236

Industrial

$m	2012	2013	2014	2015	2016	2017
Net Sales	$ 754	$ 500	$ 649	$ 438	$ 324	$ 486
Less: Surcharges	191	112	162	72	36	107
Base sales[(1)]	$ 563	$ 388	$ 487	$ 366	$ 288	$ 379
Ship tons (k)	470	326	443	329	284	413
Avg. base sales per ton	$ 1,198	$ 1,190	$ 1,099	$ 1,112	$ 1,014	$ 918
Avg. net sales per ton	$ 1,604	$ 1,534	$ 1,465	$ 1,331	$ 1,141	$ 1,177

Energy

$m	2012	2013	2014	2015	2016	2017
Net Sales	$ 429	$ 301	$ 458	$ 145	$ 36	$ 142
Less: Surcharges	104	67	106	24	3	24
Base sales[(1)]	$ 325	$ 234	$ 352	$ 121	$ 33	$ 118
Ship tons (k)	225	172	258	91	24	97
Avg. base sales per ton	$ 1,444	$ 1,360	$ 1,364	$ 1,330	$ 1,375	$ 1,216
Avg. net sales per ton	$ 1,907	$ 1,750	$ 1,775	$ 1,593	$ 1,500	$ 1,464

Other

$m	2012	2013	2014	2015	2016	2017
Net Sales	$ 34	$ 30	$ 32	$ 19	$ 35	$ 173
Less: Surcharges	—	—	—	—	4	56
Base sales[(1)]	$ 34	$ 30	$ 32	$ 19	$ 31	$ 117
Ship tons (k)	—	—	—	—	26	212
Avg. base sales per ton	—	—	—	—	$ 1,192	$ 552
Avg. net sales per ton	—	—	—	—	$ 1,346	$ 816

Source: TimkenSteel, The Timken Company

[(1)] *Base Sales is defined as net sales adjusted to exclude raw material surcharges*

Figures in the table may not recalculate exactly as presented in the earnings release due to rounding

Reconciliation of Earnings (Loss) Before Interest and Taxes (EBIT)[1], Adjusted EBIT[3], Earnings (Loss) Before Interest, Taxes, Depreciation and Amortization (EBITDA)[2] and Adjusted EBITDA[4] to GAAP Net Income (Loss):

This reconciliation is provided as additional relevant information about the Company's performance. EBIT, Adjusted EBIT, EBITDA and Adjusted EBITDA are important financial measures used in the management of the business, including decisions concerning the allocation of resources and assessment of performance. Management believes that reporting EBIT, Adjusted EBIT, EBITDA and Adjusted EBITDA is useful to investors as these measures are representative of the Company's performance. Management also believes that it is appropriate to compare GAAP net loss to EBIT, Adjust EBIT, EBITDA and Adjusted EBITDA.

$m	1Q 2017	2Q 2017	3Q 2017	4Q 2017	1Q 2018
Net Income (Loss)	**($5)**	**$1**	**($6)**	**($34)**	**($2)**
Provision for income taxes	—	1	—	—	—
Interest expense	4	4	4	4	5
Earnings (Loss) Before Interest and Taxes (EBIT) [1]	**($1)**	**$6**	**($2)**	**($30)**	**$3**
EBIT Margin [1]	— %	2%	(1)%	(9)%	1%
Depreciation and amortization	19	19	19	19	18
Earnings (Loss) Before Interest, Taxes, Depreciation and Amortization (EBITDA) [2]	**$18**	**$25**	**$17**	**($11)**	**$21**
EBITDA Margin[2]	6 %	7%	5 %	(3)%	6%
Loss from remeasurement of benefit plans	—	—	(2)	(19)	—
Adjusted EBIT [3]	**($1)**	**$6**	**$—**	**($10)**	**$3**
Adjusted EBITDA [4]	**$18**	**$25**	**$19**	**$8**	**$21**

Source: TimkenSteel

[1] *EBIT is defined as net income (loss) before interest expense and income taxes. EBIT Margin is EBIT as a percentage of net sales.*

[2] *EBITDA is defined as net income (loss) before interest expense, income taxes, depreciation and amortization. EBITDA Margin is EBITDA as a percentage of net sales.*

[3] *Adjusted EBIT is defined as EBIT excluding the loss from remeasurement of benefit plans.*

[4] *Adjusted EBITDA is defined as EBITDA excluding the loss from remeasurement of benefit plans.*

Figures in the table may not recalculate exactly as presented in the earnings release due to rounding.

Reconciliation of Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)[1] to GAAP Net Income:

This reconciliation is provided as additional relevant information about the Company's financial position. Capital, used for the ratio of total debt to capital and net debt to capital, is defined as total debt plus total equity. Management believes net debt is useful to investors as it is an important measure of the Company's financial position due to the amount of cash and cash equivalents.

	Three Months Ended June 30, 2018	
(Dollars in millions) (Unaudited)	**Low**	**High**
Net income	**$8.0**	**$18.0**
Provision (benefit) for income taxes	**0.3**	**0.3**
Interest expense	**3.5**	**3.5**
Depreciation and amortization	**18.2**	**18.2**
Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) [1]	**$30.0**	**$40.0**

[1]EBITDA is defined as net income (loss) before interest expense, income taxes, depreciation and amortization.


TIMKEN STEEL