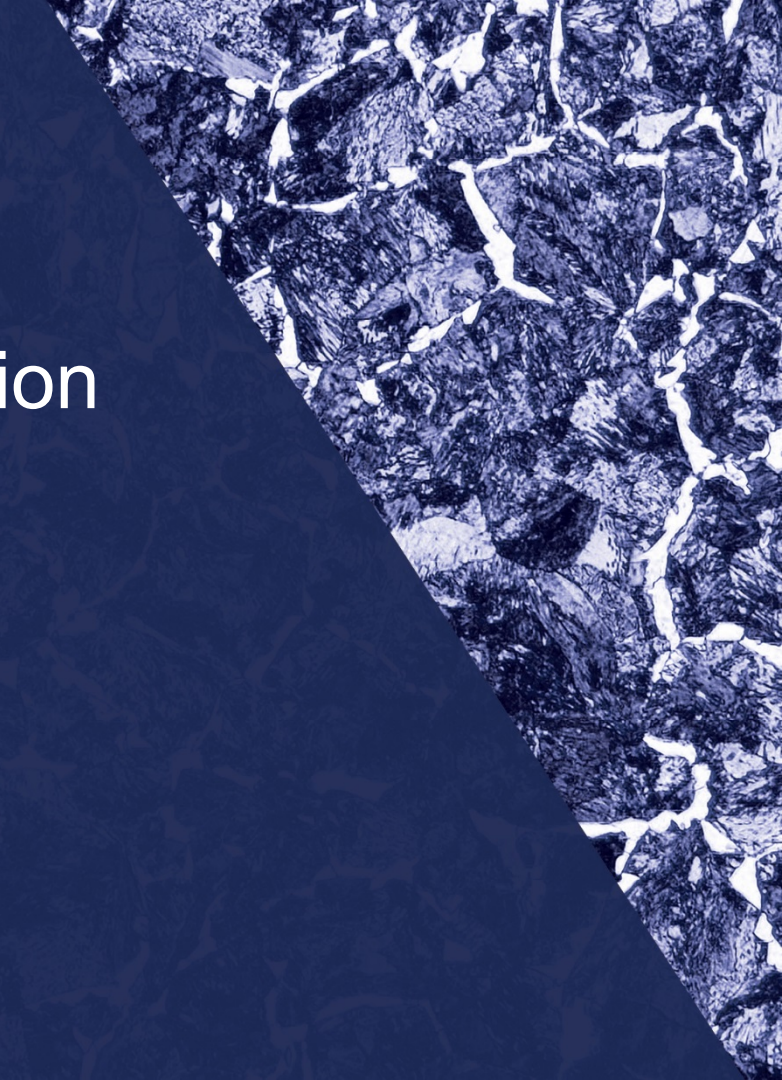
First-Quarter 2019 Earnings & Investor Presentation

May 2, 2019



TIMKEN STEEL

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 "will," “anticipate,” “believe,” “could,” “estimate,” “expect,” “forecast,” “outlook,” “intend,” “may,” “possible,” “potential,” “predict,” “project,” “seek,” “target,” “could,” “may,” “should,” "target," "will," “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.

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 2019 highlights

- We improved financial performance in the quarter, driven by selling a richer mix of products and improving price.
  - Net income of $4.2 million was an increase of $6 million from first-quarter 2018.
  - EBITDA[(1)] of $26.3 million was an increase of $5 million over first-quarter 2018.
  - Gross margin expanded by 230 bps over first-quarter 2018 and 120 bps over fourth-quarter 2018.
  - Base sales[(1)] improved $110 per ton over first-quarter 2018 and $50 per ton over fourth-quarter 2018.
- Safety, quality and delivery performance were strong in the first-quarter 2019.
- We published our sustainability policy for the first time, which highlighted our longstanding commitment to transparency and long-term prosperity.



TimkenSteel's value-added portfolio, which includes our St. Clair Plant in Eaton, Ohio, provides unique value for customers when they need solutions above and beyond typical long-length bar and tube products.

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

Operating performance

(Dollars per million)

EBIT 2018 1Q vs 2019 1Q



- Improvements in 2019 contract pricing, the benefit of prior-year spot pricing, and sales of higher-margin products, combined with lower OCTG billet volume, resulted in year-over-year product mix and price improvement.
- Manufacturing headwind from planned production downtime resulted in lower fixed-cost leverage.
- Raw material spread impacted by a decline in the No.1 busheling scrap index and lower volumes.
- "Other" primarily includes an increase in pension and postretirement benefit expense.

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

2019 market outlook

Direct End Markets

	Market Sentiment	TimkenSteel Sentiment	
North American Light Vehicles			Overall volume and production remain stable.
Mining			Mining market continues to have a strong growth outlook.
Machinery			Industrial equipment's growth outlook continues to be flat.
Rail			Rail equipment growth remains positive.
Agriculture			Agriculture market outlook has softened.
Oil and Gas			Drilling activity slightly decreasing. Large number of uncompleted wells and current production levels constrain demand for new drilling.
Oil Country Tubular Goods (OCTG)			OCTG demand has softened.

Channels

Distribution			Bar and tube inventories remain elevated at distributors.

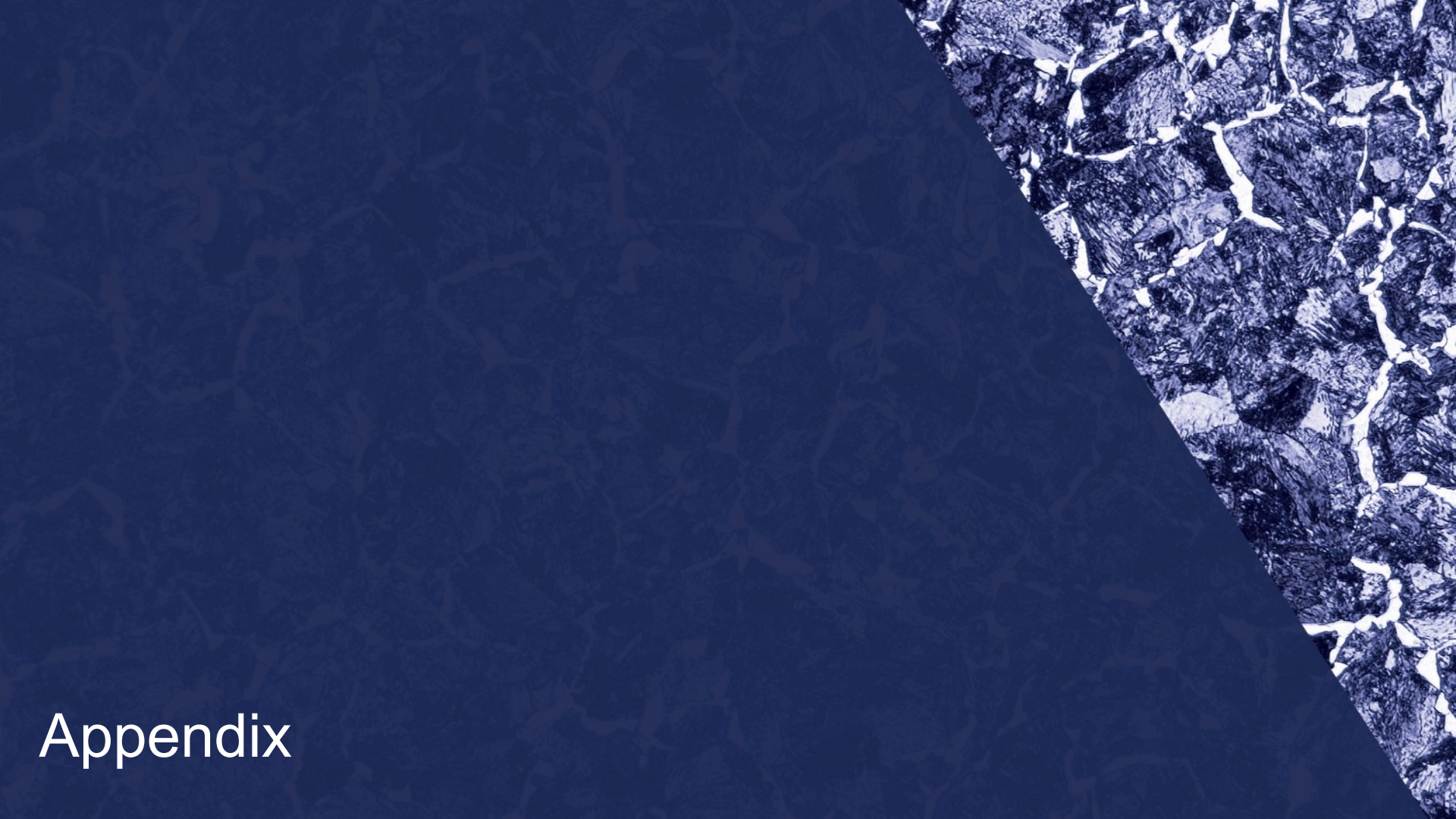
Source: TimkenSteel as of May 2, 2019

Outlook

Guidance

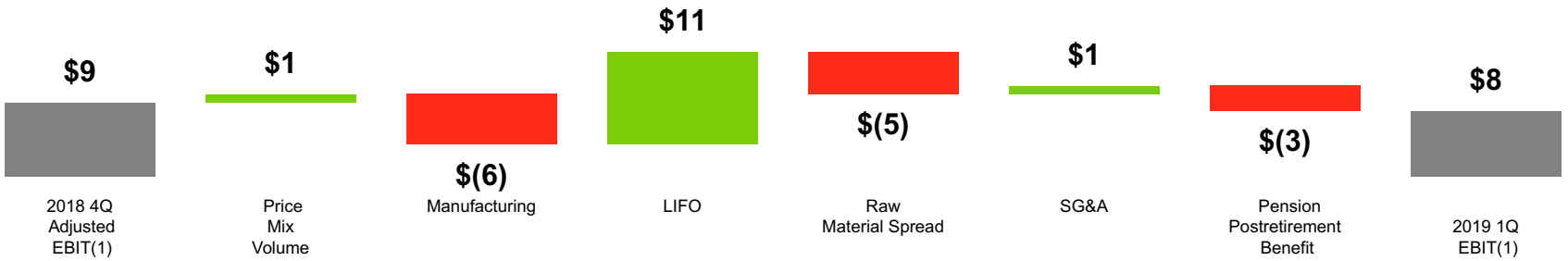
Second-quarter 2019 volume	• Shipments are expected to be similar to first-quarter 2019 on 12 percent lower production.
Second-quarter 2019 income	• Lower second-quarter demand and production provides the opportunity to accelerate certain scheduled maintenance into the second quarter from third-quarter 2019. As a result of this timing change, second-quarter fixed-cost leverage will be lower by approximately $10 million and second-quarter maintenance will increase by approximately $7 million, with an offsetting benefit in third-quarter 2019. • Raw material spread is expected to be a headwind as the No.1 busheling scrap index trends downward compared with first-quarter 2019. • Adjusted EBITDA[(1)] is projected to be between $0 and $10 million. At this time the company is unable to reconcile its second-quarter outlook for adjusted EBITDA[(1)] to a comparable GAAP range due to an expected re-measurement of one of its postretirement plans during the second-quarter 2019. The gain or loss from the re-measurement cannot currently be estimated.
Full-year 2019	• Improved product mix and price compared to 2018 are expected to continue to benefit the company for the remainder of 2019. • Actions are being implemented that are expected to drive improved profitability of approximately $50 million on an annualized basis, with approximately $30 million being realized in the remainder of 2019. • 2019 capital spending is projected to be approximately $50 million.

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



Appendix

ADJUSTED EBIT 2018 4Q vs. 2019 1Q



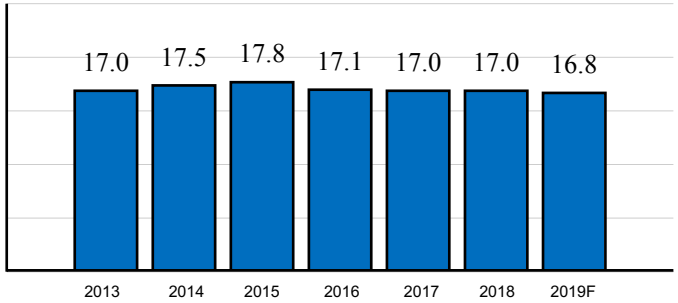
- Price and product mix benefited from improved contract pricing combined with lower OCTG billet volume, partially offset by lower shipped tons.
- Manufacturing headwind from planned production downtime resulted in lower fixed-cost leverage.
- LIFO cost of $10 million in fourth-quarter 2018 compared to a benefit of $1 million in first-quarter 2019.
- Raw material spread impacted by a decline in the No.1 busheling scrap index.

(1) Please see the discussion of Non-GAAP Financial Measures and reconciliations in the Appendix.

Economic indicators

Mobile

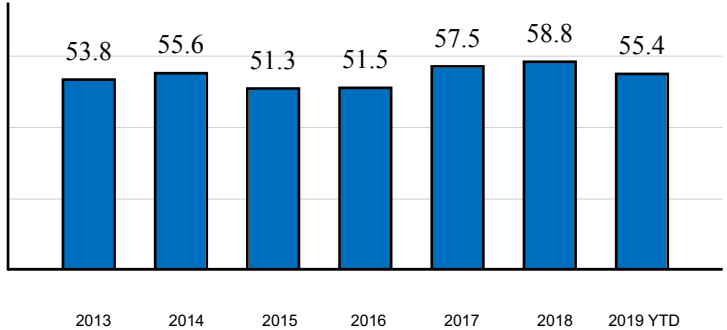
North American light vehicle production *(millions)*



Source: IHS Automotive (April 2019)

Industrial

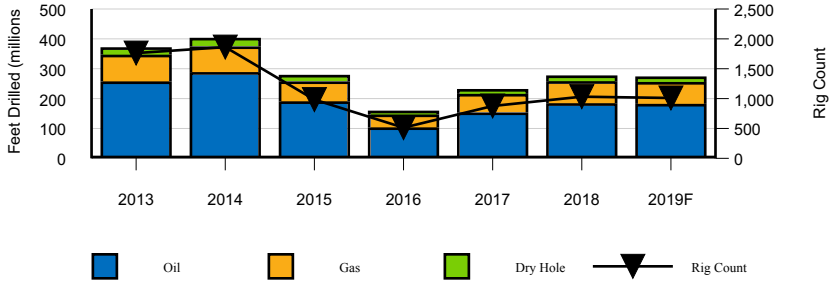
U.S. manufacturing PMI index, seasonally adjusted



Source: Institute For Supply Management (April 2019)

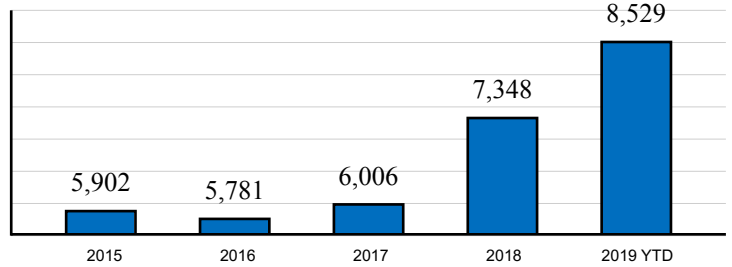
Energy

U.S. drilling activity



Source: Spears Drilling and Production Outlook (March 2019 publication)
*Prior-year drilling data may be restated due to the availability of more comprehensive data.

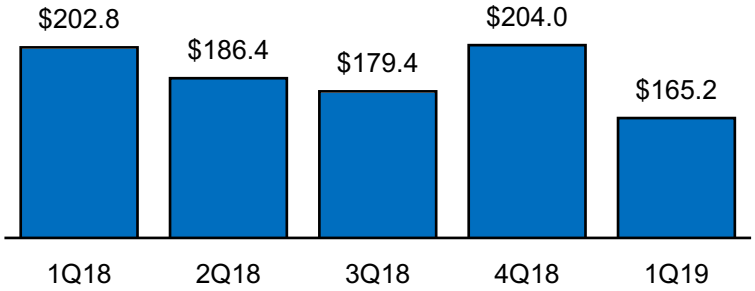
Avg. drilled but uncompleted wells (DUCs)



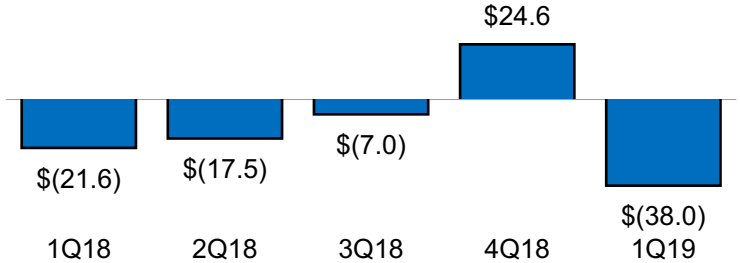
Source: U.S. Energy Information Administration (EIA) (March 2019)
*EIA regularly modifies its calculations due to changes in correlation methodology, which modification may result in changes to prior-year figures.

Financial performance - rolling five quarters

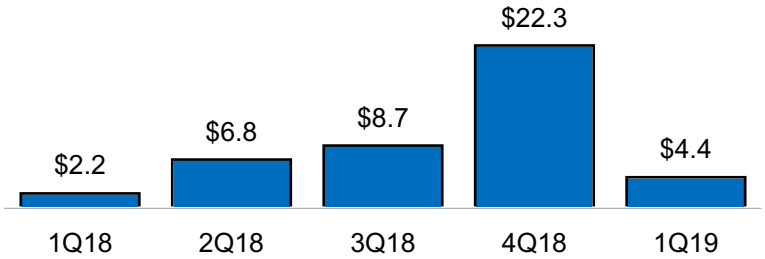
Total Liquidity ($m)[3]



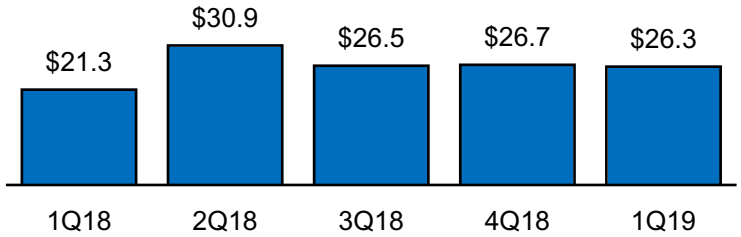
Free Cash Flow ($m)[2]



Capex ($m)



Adjusted EBITDA ($m)[1]



Source: TimkenSteel

(1) *Adjusted EBITDA is defined as EBITDA excluding (a) for the fourth quarter of 2018, the loss from remeasurement of benefit plans and (b) for the third quarter 2018, executive severance.*

(2) *Free Cash Flow is defined as net cash provided (used) by operating activities less capital expenditures.*

(3) *Total Liquidity is defined as available debt plus cash and cash equivalents*

(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, Adjusted EBITDA and Free Cash Flow. 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. Management believes that reporting Free Cash Flow is useful to investors because it is a meaningful indicator of cash generated from operating activities available for the execution of the Company's business strategy.

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. At this time, the company is unable to reconcile its second quarter outlook for Adjusted EBITDA to a comparable GAAP range due to an expected re-measurement of one of its postretirement plans during the second-quarter 2019. The amount of the gain or loss from the re-measurement cannot currently be estimated. 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 tables below present 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 2018	2Q 2018	3Q 2018	4Q 2018	1Q 2019
Net Sales	$ 142.5	$ 141.6	$ 136.4	$ 133.4	$ 144.2
Less: Surcharges	31.3	34.9	34.2	34.0	37.5
Base sales[(1)]	$ 111.2	$ 106.7	$ 102.2	$ 99.4	$ 106.7
Ship tons (k)	110.4	111.9	103.6	102.4	112.8
Avg. base sales per ton	$ 1,007.2	$ 953.5	$ 986.5	$ 970.7	$ 945.9
Avg. net sales per ton	$ 1,290.8	$ 1,265.4	$ 1,316.6	$ 1,302.7	$ 1,278.4

Industrial

$m	1Q 2018	2Q 2018	3Q 2018	4Q 2018	1Q 2019
Net Sales	$ 147.7	$ 166.9	$ 169.7	$ 153.2	$ 147.0
Less: Surcharges	35.2	42.9	45.1	38.3	35.1
Base sales[(1)]	$ 112.5	$ 124.0	$ 124.6	$ 114.9	$ 111.9
Ship tons (k)	113.7	123.0	119.9	106.1	102.5
Avg. base sales per ton	$ 989.4	$ 1,008.1	$ 1,039.2	$ 1,082.9	$ 1,091.7
Avg. net sales per ton	$ 1,299.0	$ 1,356.9	$ 1,415.3	$ 1,443.9	$ 1,434.1

Energy

$m	1Q 2018	2Q 2018	3Q 2018	4Q 2018	1Q 2019
Net Sales	$ 49.1	$ 68.8	$ 70.1	$ 77.6	$ 60.8
Less: Surcharges	11.0	15.1	17.7	17.4	12.5
Base sales[(1)]	$ 38.1	$ 53.7	$ 52.4	$ 60.2	$ 48.3
Ship tons (k)	29.0	40.5	40.4	42.9	31.4
Avg. base sales per ton	$ 1,313.8	$ 1,325.9	$ 1,297.0	$ 1,403.3	$ 1,538.2
Avg. net sales per ton	$ 1,693.1	$ 1,698.8	$ 1,735.1	$ 1,808.9	$ 1,936.3

Other

$m	1Q 2018	2Q 2018	3Q 2018	4Q 2018	1Q 2019
Net Sales	$ 41.5	$ 36.2	$ 33.7	$ 42.2	$ 19.0
Less: Surcharges	13.2	10.9	10.1	14.1	4.6
Base sales[(1)]	$ 28.3	$ 25.3	$ 23.6	$ 28.1	$ 14.4
Ship tons (k)	46.6	34.3	31.6	43.1	14.2
Avg. base sales per ton	$ 607.3	$ 737.6	$ 746.8	$ 652.0	$ 1,014.1
Avg. net sales per ton	$ 890.6	$ 1,055.4	$ 1,066.5	$ 979.1	$ 1,338.0

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.

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

The tables below present net sales by quarter, 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, adjusted to exclude raw material surcharges, provides additional insight into key drivers of net sales such as base price.

Quarterly

$m	1Q 2018	2Q 2018	3Q 2018	4Q 2018	1Q 2019
Net Sales	$ 380.8	$ 413.5	$ 409.9	$ 406.4	$ 371.0
Less: Surcharges	90.7	103.8	107.1	103.8	89.7
Base sales[(1)]	$ 290.1	$ 309.7	$ 302.8	$ 302.6	$ 281.3
Ship tons (k)	299.7	309.7	295.5	294.5	260.9
Avg. base sales per ton	$ 968.0	$ 1,000.0	$ 1,024.7	$ 1,027.5	$ 1,078.2
Avg. net sales per ton	$1,270.6	$ 1,335.2	$ 1,387.1	$ 1,380.0	$ 1,422.0

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, and provide improved comparability of results. Management also believes that it is appropriate to compare GAAP net income (loss) to EBIT, Adjusted EBIT, EBITDA and Adjusted EBITDA.

$m (Unaudited)	1Q 2018	2Q 2018	3Q 2018	4Q 2018	1Q 2019
Net income (loss)	($1.9)	$8.4	$1.4	($39.6)	$4.2
Provision for income taxes	0.1	0.2	0.9	0.6	0.1
Interest expense	4.6	3.9	4.4	4.2	4.2
Earnings (Loss) Before Interest and Taxes (EBIT) [1]	$2.8	$12.5	$6.7	($34.8)	$8.5
EBIT Margin [1]	0.7%	3.0%	1.6%	(8.6)%	2.3%
Depreciation and amortization	18.5	18.4	18.1	18.0	17.8
Earnings (Loss) Before Interest, Taxes, Depreciation and Amortization (EBITDA) [2]	$21.3	$30.9	$24.8	($16.8)	$26.3
EBITDA Margin[2]	5.6%	7.5%	6.1%	(4.1)%	7.1%
Executive severance	—	—	(1.7)	—	—
Loss from remeasurement of benefit plans	—	—	—	(43.5)	—
Adjusted EBIT [3]	$2.8	$12.5	$8.4	$8.7	$8.5
Adjusted EBIT Margin[3]	0.7%	3.0%	2.0%	2.1 %	2.3%
Adjusted EBITDA [4]	$21.3	$30.9	$26.5	$26.7	$26.3
Adjusted EBITDA Margin[4]	5.6%	7.5%	6.5%	6.6 %	7.1%

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 (a) for the fourth quarter of 2018, the loss from remeasurement of benefit plans and (b) for the third quarter 2018, executive severance. Adjusted EBIT Margin is Adjusted EBIT as a percentage of net sales.*

[4] *Adjusted EBITDA is defined as EBITDA excluding (a) for the fourth quarter of 2018, the loss from remeasurement of benefit plans and (b) for the third quarter 2018, executive severance. Adjusted EBITDA Margin is Adjusted EBITDA as a percentage of net sales.*

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

Reconciliation of Free Cash Flow[(1)] to GAAP Net Cash Provided (Used) by Operating Activities:

This reconciliation is provided as additional relevant information about the Company's financial position. Free cash flow is an important financial measure used in the management of the business. Management believes that free cash flow is useful to investors because it is a meaningful indicator of cash generated from operating activities available for the execution of its business strategy.

$m					
(Unaudited)	1Q 2018	2Q 2018	3Q 2018	4Q 2018	1Q 2019
Net Cash Provided (Used) by Operating Activities	**($19.4)**	**($10.7)**	**$1.7**	**$46.9**	**($33.6)**
Less: Capital expenditures	**(2.2)**	**(6.8)**	**(8.7)**	**(22.3)**	**(4.4)**
Free Cash Flow	**($21.6)**	**($17.5)**	**($7.0)**	**$24.6**	**($38.0)**

(1) Free Cash Flow is defined as net cash provided (used) by operating activities less capital expenditures.

Reconciliation of Total Debt to Net Debt and the Ratio of Total Debt and Net Debt to Capital:

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.

$m (Unaudited)	March 31, 2019	December 31, 2018
Convertible notes, net	$75.2	$74.1
Other long-term debt	140.0	115.0
Total long-term financing	215.2	189.1
Less: Cash and cash equivalents	7.8	21.6
Net Debt	$207.4	$167.5


TIMKENSTEEL