Ryerson Holding Corp
Form 10-Q
May 01, 2019

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2019

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to .

Commission File Number 001-34735

RYERSON HOLDING CORPORATION

(Exact name of registrant as specified in its charter)

DELAWARE	26-1251524
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

227 W. Monroe St., 27th Floor

Chicago, Illinois 60606

(Address of principal executive offices)

(312) 292-5000

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "large accelerated filer", "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer	Emerging growth company
Non-accelerated filer	Smaller reporting company	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Yes No

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

As of April 29, 2019, there were 37,783,761 shares of Common Stock, par value $0.01 per share, outstanding.

RYERSON HOLDING CORPORATION AND SUBSIDIARY COMPANIES

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements
RYERSON HOLDING CORPORATION AND SUBSIDIARY COMPANIES

Condensed Consolidated Statements of Comprehensive Income (Unaudited)

(In millions, except per share data)

	Three Months Ended March 31,	
	2019	2018
Net sales	$1,230.8	$941.3
Cost of materials sold	999.5	776.4
Gross profit	231.3	164.9
Warehousing, delivery, selling, general, and administrative	163.7	130.5
Restructuring and other charges	0.3	—
Operating profit	67.3	34.4
Other income and (expense), net	(0.8)	3.6
Interest and other expense on debt	(23.9)	(23.3)
Income before income taxes	42.6	14.7
Provision for income taxes	13.0	4.1
Net income	29.6	10.6
Less: Net income attributable to noncontrolling interest	0.1	0.2
Net income attributable to Ryerson Holding Corporation	$29.5	$10.4
Comprehensive income	$33.1	$9.6
Less: Comprehensive income attributable to noncontrolling interest	0.2	0.2
Comprehensive income attributable to Ryerson Holding Corporation	$32.9	$9.4
Basic earnings per share	$0.79	$0.28
Diluted earnings per share	$0.78	$0.28

See Notes to Condensed Consolidated Financial Statements.

RYERSON HOLDING CORPORATION AND SUBSIDIARY COMPANIES

Condensed Consolidated Statements of Cash Flows (Unaudited)

(In millions)

	Three Months Ended March 31,	
	2019	2018
Operating activities:		
Net income	$29.6	$10.6
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	14.2	11.5
Stock-based compensation	0.8	0.7
Deferred income taxes	11.9	3.0
Provision for allowances, claims, and doubtful accounts	1.3	1.2
Restructuring and other charges	0.3	—
Loss on retirement of debt	0.2	—
Non-cash (gain) loss from derivatives	(2.8)	0.8
Other items	0.3	(0.1)
Change in operating assets and liabilities:		
Receivables	(69.8)	(95.7)
Inventories	(69.5)	(62.0)
Other assets	1.0	6.3
Accounts payable	81.0	145.4
Accrued liabilities	(7.3)	18.3
Accrued taxes payable/receivable	(2.8)	0.6
Deferred employee benefit costs	(6.9)	(8.9)
Net adjustments	(48.1)	21.1
Net cash provided by (used in) operating activities	(18.5)	31.7
Investing activities:		
Capital expenditures	(11.3)	(7.6)
Proceeds from sale of property, plant, and equipment	8.5	0.1
Net cash used in investing activities	(2.8)	(7.5)
Financing activities:		
Repayment of debt	(11.8)	(0.1)
Net proceeds (repayments) of short-term borrowings	21.4	(12.4)
Net increase (decrease) in book overdrafts	12.5	(17.4)
Principal payments on finance lease obligations	(3.0)	(3.1)
Contingent payment related to acquisitions	(0.4)	—
Net cash provided by (used in) financing activities	18.7	(33.0)
Net decrease in cash, cash equivalents, and restricted cash	(2.6)	(8.8)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	1.4	(0.9)
Net change in cash, cash equivalents, and restricted cash	(1.2)	(9.7)
Cash, cash equivalents, and restricted cash—beginning of period	24.3	78.5
Cash, cash equivalents, and restricted cash—end of period	$23.1	$68.8

Supplemental disclosures:		
Cash paid during the period for:		
Interest paid to third parties, net	$6.3	$3.9
Income taxes, net	3.2	0.6
Noncash investing activities:		
Asset additions under adoption of accounting principal ASC 842	82.3	—
Asset additions under operating leases	2.6	—
Asset additions under finance leases and sale-leasebacks	0.1	1.9
Asset additions under financing arrangements	—	0.3
Noncash financing activities:		
Short term debt converted to capital lease	7.6	—

See Notes to Condensed Consolidated Financial Statements.

RYERSON HOLDING CORPORATION AND SUBSIDIARY COMPANIES

Condensed Consolidated Balance Sheets

(In millions, except shares)

	March 31, 2019 (unaudited)	December 31, 2018
Assets		
Current assets:		
Cash and cash equivalents	$ 22.0	$ 23.2
Restricted cash	1.1	1.1
Receivables less provisions of $3.6 in 2019 and $2.5 in 2018	590.4	521.0
Inventories	876.9	806.3
Prepaid expenses and other current assets	56.9	61.5
Total current assets	1,547.3	1,413.1
Property, plant, and equipment, at cost	839.4	838.4
Less: Accumulated depreciation	358.7	349.4
Property, plant, and equipment, net	480.7	489.0
Operating lease assets	79.9	—
Other intangible assets	56.3	58.1
Goodwill	120.3	120.3
Deferred charges and other assets	5.2	5.8
Total assets	$ 2,289.7	$ 2,086.3
Liabilities		
Current liabilities:		
Accounts payable	$ 483.5	$ 390.2
Salaries, wages, and commissions	39.7	66.6
Other accrued liabilities	95.1	77.0
Short-term debt	18.7	27.3
Current portion of operating lease liabilities	17.4	—
Current portion of deferred employee benefits	7.9	7.9
Total current liabilities	662.3	569.0
Long-term debt	1,137.8	1,126.0
Deferred employee benefits	250.7	258.4
Noncurrent operating lease liabilities	68.1	—
Other noncurrent liabilities	58.0	57.0
Total liabilities	2,176.9	2,010.4
Commitments and contingencies		
Equity		
Ryerson Holding Corporation stockholders’ equity:		
Preferred stock, $0.01 par value; 7,000,000 shares authorized and no shares issued at 2019 and 2018	—	—
Common stock, $0.01 par value; 100,000,000 shares authorized; 37,665,580 and 37,656,505 shares issued at 2019 and 2018, respectively	0.4	0.4
Capital in excess of par value	381.8	381.0

Retained earnings	46.7	14.2
Treasury stock at cost – Common stock of 212,500 shares in 2019 and 2018	(6.6)	(6.6)
Accumulated other comprehensive loss	(312.4)	(315.8)
Total Ryerson Holding Corporation stockholders’ equity	109.9	73.2
Noncontrolling interest	2.9	2.7
Total equity	112.8	75.9
Total liabilities and equity	$ 2,289.7	$ 2,086.3

See Notes to Condensed Consolidated Financial Statements.

RYERSON HOLDING CORPORATION AND SUBSIDIARY COMPANIES

Notes to Condensed Consolidated Financial Statements (Unaudited)

NOTE 1: FINANCIAL STATEMENTS

Ryerson Holding Corporation ("Ryerson Holding"), a Delaware corporation, is the parent company of Joseph T. Ryerson & Son, Inc. ("JT Ryerson"), a Delaware corporation. Affiliates of Platinum Equity, LLC ("Platinum") own approximately 21,037,500 shares of our common stock, which is approximately 56% of our issued and outstanding common stock.

We are a leading value-added processor and distributor of industrial metals, with operations in the United States through JT Ryerson, in Canada through our indirect wholly-owned subsidiary Ryerson Canada, Inc., a Canadian corporation ("Ryerson Canada"), and in Mexico through our indirect wholly-owned subsidiary Ryerson Metals de Mexico, S. de R.L. de C.V., a Mexican corporation ("Ryerson Mexico"). In addition to our North American operations, we conduct materials distribution operations in China through an indirect wholly-owned subsidiary, Ryerson China Limited ("Ryerson China"). Unless the context indicates otherwise, Ryerson Holding, JT Ryerson, Ryerson Canada, Ryerson China, and Ryerson Mexico together with their subsidiaries, are collectively referred to herein as "Ryerson," "we," "us," "our," or the "Company."

Results of operations for any interim period are not necessarily indicative of results of any other periods or for the year. The condensed consolidated financial statements as of March 31, 2019 and for the three months ended March 31, 2019 and 2018 are unaudited, but in the opinion of management, include all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of results for such periods. The year-end condensed consolidated balance sheet data contained in this report was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2018.

NOTE 2: RECENT ACCOUNTING PRONOUNCEMENTS

Impact of Recently Issued Accounting Standards—Adopted

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, "Leases" codified in Accounting Standards Codification ("ASC") 842, "Leases" ("ASC 842"). The guidance in ASU 2016-02 and subsequently issued amendments requires lessees to recognize assets and liabilities on the balance sheet for the rights and obligations created by all leases with terms of more than twelve months. The amendment also requires disclosures designed to give financial statement users information on the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative information.

We adopted the standard effective January 1, 2019 using the alternative modified retrospective transition method, which allows for application of the guidance at the beginning of the period in which it is adopted, rather than at the beginning of the earliest comparative period presented.

Adoption of the new standard resulted in the recording of operating lease assets and liabilities of $82.3 million and $87.6 million within our Condensed Consolidated Balance Sheet, respectively, as of January 1, 2019. As part of the adoption, we recorded an adjustment to retained earnings of $3.0 million related to the reassessment of a failed sale-leaseback under ASC 842. The standard had no impact on our Condensed Consolidated Statements of Comprehensive Income or our Condensed Consolidated Statements of Cash Flows. See Note 5: Leases for further details.

In February 2018, the FASB issued ASU 2018-02, “Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income.” The guidance allows a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the U.S. Tax Cuts and Jobs Act (“U.S. Tax Act”). It also requires certain disclosures about stranded tax effects. However, the underlying guidance that requires that the effect of a change in tax laws or rates be included in income from continuing operations is not affected. The guidance is effective for interim and annual reporting periods beginning after December 15, 2018 and should be applied either in the period of adoption or retrospectively to each period (or periods) in which the effect of the change in the U.S. federal corporate income tax rate in the U.S. Tax Act is recognized. Adoption of this standard had no impact on our Condensed Consolidated Financial Statements. We have elected not to reclassify stranded tax effects from accumulated other comprehensive income to retained earnings related to the U.S. Tax Act as the balances are not material to our consolidated financial statements.

Impact of Recently Issued Accounting Standards—Not Yet Adopted

In June 2016, the FASB issued ASU 2016-13, “Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments.” The amendment requires financial assets measured at amortized cost basis to be presented at the net amount expected to be collected, thus eliminating the probable initial recognition threshold and instead reflecting the current estimate of all expected credit losses. The amendment also requires that credit losses relating to available-for-sale debt securities be recorded through an allowance for credit losses rather than a write-down, thus enabling the ability to record reversals of credit losses in current period net income. The update is effective for interim and annual reporting periods beginning after December 15, 2019. An entity will apply the amendment through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective (that is, a modified-retrospective approach). A prospective transition approach is required for debt securities for which an-other-than-temporary impairment had been recognized before the effective date. The effect of the prospective transition approach is to maintain the same amortized cost basis before and after the effective date of this update. Early adoption is permitted only for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. We will adopt this guidance for our fiscal year beginning January 1, 2020. We are still assessing the impact of adoption on our consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, "Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement." The guidance amends the fair value measurement disclosures by modifying the disclosure requirements in Topic 820, Fair Value Measurement. The update is effective for interim and annual reporting periods beginning after December 15, 2019. The guidance allows for early adoption to remove or modify disclosures upon issuance of this amendment, and for delayed adoption of the additional disclosures until their effective date. We are still assessing the impact of adoption on our current fair value measurement disclosures.

In August 2018, the FASB issued ASU 2018-14, "Disclosure Framework – Changes to the Disclosure Requirements for Defined Benefit Plans." The amendment removes certain employee benefit plan disclosures that no longer are considered cost-beneficial, clarifies the specific requirements of certain disclosures, and adds certain disclosure requirements identified as relevant. The update is effective for annual reporting periods beginning after December 15, 2020 and should be applied on a retrospective basis to all periods presented. Early adoption is permitted. We are still assessing the impact of adoption on our current employee benefit plans disclosures.

In August 2018, the FASB issued ASU 2018-15, "Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract." The guidance aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). Accordingly, the guidance requires an entity (customer) in a hosting arrangement that is a service contract to follow the guidance in Subtopic 350-40 to determine which implementation costs to capitalize as an asset related to the service contract and which costs to expense. The guidance is effective for interim and annual reporting periods beginning after December 15, 2019 and should be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption. Early adoption is permitted. We are still assessing the impact of adoption on our consolidated financial statements.

NOTE 3: CASH, CASH EQUIVALENTS, AND RESTRICTED CASH

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the Condensed Consolidated Balance Sheets that sum to the total of the beginning and ending cash balances shown in the Condensed Consolidated Statements of Cash Flows:

	March 31, 2019	December 31, 2018
	(In millions)	
Cash and cash equivalents	$22.0	$ 23.2
Restricted cash	1.1	1.1

Total cash, cash equivalents, and restricted cash	$23.1	$ 24.3

We have cash restricted for purposes of covering letters of credit that can be presented for potential insurance claims.

NOTE 4: INVENTORIES

The Company primarily uses the last-in, first-out (LIFO) method of valuing inventory. Interim LIFO calculations are based on actual inventory levels.

Inventories, at stated LIFO value, were classified at March 31, 2019 and December 31, 2018 as follows:

	March 31, 2019	December 31, 2018
	(In millions)	
In process and finished products	$876.9	$ 806.3

If current cost had been used to value inventories, such inventories would have been $2 million lower and $18 million higher than reported at March 31, 2019 and December 31, 2018, respectively. Approximately 91% of inventories are accounted for under the LIFO method at March 31, 2019 and December 31, 2018. Non-LIFO inventories consist primarily of inventory at our foreign facilities using the moving average cost and the specific cost methods. Substantially all of our inventories consist of finished products.

The Company has consignment inventory at certain customer locations, which totaled $9.1 million and $9.3 million at March 31, 2019 and December 31, 2018, respectively.

NOTE 5: LEASES

The Company leases various assets including real estate, trucks, trailers, mobile equipment, processing equipment, and IT equipment. The Company has noncancelable operating leases expiring at various times through 2028, and finance leases expiring at various times through 2024.

Policy Elections & Practical Expedients

The Company has made an accounting policy election not to record leases with an initial term of 12 months or less (“short term leases”) on the balance sheet as allowed within ASC 842. Short term lease expense is recognized on a straight-line basis over the lease term. The Company has elected to apply the practical expedient that allows for the combination of lease and non-lease components for all asset classes. In addition, the Company elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed the Company to carry forward the historical lease classification for leases that existed at the transition date.

Significant Judgments

Many of the real estate leases include one or more options to renew, with renewal terms that can extend the lease term from one to 5 years or more. To determine the expected lease term, we include any noncancelable period within the lease agreement as well as any period covered by an option to extend the lease if we are reasonably certain to exercise the option. The equipment leases do not typically include options for renewal but do include options for purchase at the end of the lease. We determine the likelihood of exercising the option for purchase by assessing the option price versus the estimated fair value at the end of the lease term to determine if the option price is low enough that we are reasonably certain to exercise it. The depreciable life of finance lease assets and leasehold improvements are limited by the expected lease term, unless there is a transfer of title or purchase option reasonably certain of exercise.

Lease payments include fixed payments, the exercise price of a purchase option that is reasonably certain of exercise, variable payments based on a known index, and the amount probable that the Company will owe under a residual value guarantee. Variable lease payments that are not based on a known index are not included in lease payments and rather are expensed as incurred.

For discount rates that are used to determine the amount of right of use assets, lease liabilities, and lease classification, the Company uses the interest rate implicit in the lease when known. If the rate implicit in the lease is not known, the Company will use its incremental borrowing rate defined as the interest rate swap rate that approximates the lease term plus the long-term expected spread on the $1.0 billion revolving credit facility amended as of June 28, 2018 (the “Ryerson Credit Facility”).

We sublease certain real estate to third parties for facilities that we have closed.

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The following table summarizes the location and amount of lease assets and lease liabilities reported in our Condensed Consolidated Balance Sheet as of March 31, 2019:

Leases	Balance Sheet Location	March 31, 2019 (In millions)
Assets		
Operating lease assets	Operating lease assets	$ 79.9
Finance lease assets	Property, plant, and equipment, net[(a)]	57.3
Total lease assets		$ 137.2
Liabilities		
Current		
Operating	Current portion of operating lease liabilities	$ 17.4
Finance	Other accrued liabilities	13.7
Noncurrent		
Operating	Noncurrent operating lease liabilities	68.1
Finance	Other noncurrent liabilities	25.9
Total lease liabilities		$ 125.1

(a) Finance lease assets are recorded net of accumulated amortization of $16.3 million as of March 31, 2019.

The following table summarizes the location and amount of lease expense reported in our Condensed Consolidated Statement of Comprehensive Income for the three months ended March 31, 2019:

Lease Expense	Location of Lease Expense Recognized in Income	Three Months Ended March 31, 2019 (In millions)
Operating lease expense	Warehousing, delivery, selling, general, and administrative	$ 5.6
Finance lease expense		
Amortization of lease assets	Warehousing, delivery, selling, general, and administrative	1.6
Interest on lease liabilities	Interest and other expense on debt	0.4
Variable lease expense	Warehousing, delivery, selling, general, and administrative	0.7
Short-term lease expense	Warehousing, delivery, selling, general, and administrative	0.5
Total lease expense		$ 8.8

The following table presents maturity analysis of lease liabilities at March 31, 2019:

Maturity of Lease Liabilities	Operating Leases[(a)]	Finance Leases (In millions)	Total
2019	$ 15.4	$ 11.7	$ 27.1
2020	18.9	13.1	32.0
2021	16.7	8.3	25.0
2022	13.3	5.0	18.3
2023	10.4	2.7	13.1
After 2023	20.2	2.2	22.4
Total lease payments	94.9	43.0	137.9
Less: Interest[(b)]	(9.4)	(3.4)	(12.8)
Present value of lease liabilities[(c)]	$ 85.5	$ 39.6	$ 125.1

(a) There were no operating leases with options to extend lease terms that are reasonably certain of being exercised and the operating lease payments exclude $7.9 million of legally binding minimum lease payments for leases signed but not yet commenced.
(b) Calculated using the discount rate for each lease.
(c) Includes the current portion of $17.4 million for operating leases and $13.7 million for finance leases.

The following table shows the weighted-average remaining lease term and discount rate for operating and finance leases, respectively, at March 31, 2019:

Lease Term and Discount Rate	March 31, 2019
Weighted-average remaining lease term (years)	
Operating leases	5.6
Finance leases	3.2
Weighted-average discount rate	
Operating leases	3.8 %
Finance leases	4.8 %

Other information reported in our Condensed Consolidated Statement of Cash Flows for the three months ended March 31, 2019 is summarized below:

	Three Months Ended March 31,

Other Information	2019 (In millions)
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	$ 5.1
Operating cash flows from finance leases	0.4
Financing cash flows from finance leases	3.0
Assets obtained in exchange for lease obligations:	
Adoption of accounting principal ASC 842	82.3
Operating leases	2.6
Finance leases	0.1

NOTE 6: GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill, which represents the excess of cost over the fair value of net assets acquired, amounted to $120.3 million at March 31, 2019 and December 31, 2018. No additional goodwill was recognized during the first three months of 2019. Pursuant to ASC 350, "Intangibles – Goodwill and Other," we review the recoverability of goodwill annually as of October 1 or whenever significant events or changes occur which might impair the recovery of recorded amounts. The most recently completed impairment test of goodwill was performed as of October 1, 2018, and it was determined that no impairment existed.

Other intangible assets with finite useful lives continue to be amortized over their useful lives. We review the recoverability of our long-lived assets whenever events or changes in circumstances indicate the carrying amount of such assets may not be recoverable.

NOTE 7: ACQUISITIONS

On July 2, 2018 (“the acquisition date”) JT Ryerson purchased Central Steel & Wire Company (“CS&W”). CS&W is a leading metal service center with locations across the Central and Eastern United States offering a wide selection of products and capabilities, with a commercial portfolio centered on bar, tube, plate, and steel products. We believe that the acquisition of CS&W will expand our long, tube, and plate portfolio. Our combined commercial, operational, and processing strengths will provide a broader and deeper array of products to our customers in the Midwest and Northeast United States. The fair value of the consideration totaled $163.5 million on the acquisition date.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the acquisition date.

	At July 2, 2018 (In millions)
Cash and cash equivalents	$ 10.0
Receivables, less provisions	80.0
Inventories	179.8
Prepaid expenses and other current assets	1.7
Property, plant, and equipment	66.5
Other intangible assets	16.1
Total identifiable assets acquired	354.1
Accounts payable	(49.7)
Salaries, wages, and commissions	(4.9)
Other accrued liabilities	(6.5)
Deferred income taxes	(27.7)
Deferred employee benefits	(31.8)
Total liabilities assumed	(120.6)
Net identifiable assets acquired	233.5
Bargain purchase gain	(70.0)
Total purchase price	$ 163.5

The Company used third-party valuation firms to estimate the fair values of property, plant, and equipment and intangible assets as well as to remeasure the deferred employee benefits liabilities. Inventory was valued by the Company using acquisition date fair values of the metals.

The fair value of accounts receivables acquired is $80.0 million, with a gross amount of $81.8 million. The Company expects $1.8 million to be uncollectible.

The $16.1 million of acquired intangible assets is related to a trademark acquired with a useful life of 10 years.

The transaction resulted in a bargain purchase gain primarily due to higher inventory and property, plant, and equipment fair values compared to book values. The Company believes that the bargain purchase gain was primarily the result of the decision by majority stockholders of CS&W to sell their interests as CS&W had been experiencing increasing net losses. The agreed upon purchase price reflected the fact the seller would have needed to incur significant costs on future integration initiatives and to upgrade their infrastructure and computer systems in order to restore CS&W to a profitable basis. With our existing nationwide service center operations, we believe that our infrastructure will allow the necessary operational improvements to be implemented more efficiently than the seller. The gain of $70.0 million was included in Other income and (expense), net in the Condensed Consolidated Statements of Comprehensive Income in the second half of 2018. The Company recognized $1.6 million in acquisition-related fees, which was included in Warehousing, delivery, selling, general, and administrative expense in the Condensed Consolidated Statements of Comprehensive Income in the second half of 2018.

Included in the three-month period ended March 31, 2019 financial results is $172.2 million of revenue and $4.4 million of net income from CS&W.

The following unaudited pro forma information presents consolidated results of operations for the three months ended March 31, 2019 and 2018 as if the acquisition of CS&W on July 2, 2018 had occurred on January 1, 2018:

	Pro Forma Three Months Ended March 31,	
	2019	2018
	(In millions)	
Net sales	$1,230.8	$1,112.4
Net income attributable to Ryerson Holding Corporation	29.5	6.7

On April 2, 2018, Ryerson Holding acquired Fanello Industries, LLC (“Fanello”), a privately owned metal service company located in Lavonia, Georgia. The acquisition is not material to our consolidated financial statements.

Pro forma information related to the acquisition of Fanello is not provided above as the impact on the Condensed Consolidated Statements of Comprehensive Income is not material.

NOTE 8: LONG-TERM DEBT

Long-term debt consisted of the following at March 31, 2019 and December 31, 2018:

	March 31, 2019	December 31, 2018
	(In millions)	
Ryerson Credit Facility	$558.3	$ 535.9
11.00% Senior Secured Notes due 2022	587.9	599.5
Foreign debt	18.7	19.5
Other debt	0.6	8.3
Unamortized debt issuance costs and discounts	(9.0)	(9.9)
Total debt	1,156.5	1,153.3
Less: Short-term foreign debt	18.7	19.5
Less: Other short-term debt	—	7.8
Total long-term debt	$1,137.8	$ 1,126.0

Ryerson Credit Facility

On November 16, 2016, Ryerson entered into an amendment with respect to its $1.0 billion revolving credit facility (as amended, the “Old Credit Facility”), to reduce the total facility size from $1.0 billion to $750 million, reduce the interest rate on outstanding borrowings by 25 basis points, reduce commitment fees on amounts not borrowed by 2.5 basis points, and to extend the maturity date to November 16, 2021. The Old Credit Facility was amended a second time on June 28, 2018, to increase the facility size from $750 million to $1.0 billion.

At March 31, 2019, Ryerson had $558.3 million of outstanding borrowings, $12 million of letters of credit issued, and $411 million available under the Ryerson Credit Facility compared to $535.9 million of outstanding borrowings, $12 million of letters of credit issued, and $392 million available at December 31, 2018. Total credit availability is limited by the amount of eligible accounts receivable, inventory, and qualified cash pledged as collateral under the agreement insofar as Ryerson is subject to a borrowing base comprised of the aggregate of these three amounts, less applicable reserves. Eligible accounts receivable, at any date of determination, is comprised of the aggregate value of all accounts directly created by a borrower (and in the case of Canadian accounts, the Canadian borrower) in the ordinary course of business arising out of the sale of goods or the rendering of services, each of which has been invoiced, with such receivables adjusted to exclude various ineligible accounts, including, among other things, those to which a borrower (or guarantor, as applicable) does not have sole and absolute title and accounts arising out of a sale to an employee, officer, director, or affiliate of a borrower (or guarantor, as applicable). Eligible inventory, at any date of determination, is comprised of the net orderly liquidation value of all inventory owned by a borrower (and in the case of Canadian accounts, the Canadian borrower). Qualified cash consists of cash in an eligible deposit account that is subject to customary restrictions and liens in favor of the lenders.

The Ryerson Credit Facility has an allocation of $940 million to the Company's subsidiaries in the United States and an allocation of $60 million to Ryerson Holding's Canadian subsidiary that is a borrower. Amounts outstanding under the Ryerson Credit Facility bear interest at (i) a rate determined by reference to (A) the base rate (the highest of the Federal Funds Rate plus 0.50%, Bank of America, N.A.'s prime rate, and the one-month LIBOR rate plus 1.00%) or (B) a LIBOR rate or, (ii) for Ryerson Holding's Canadian subsidiary that is a borrower, (A) a rate determined by reference to the Canadian base rate (the greatest of the Federal Funds

Rate plus 0.50%, Bank of America-Canada Branch's "base rate" for commercial loans in U.S. Dollars made at its "base rate", and the 30 day LIBOR rate plus 1.00%), (B) the prime rate (the greater of Bank of America-Canada Branch's "prime rate" for commercial loans made by it in Canada in Canadian Dollars and the one-month Canadian bankers' acceptance rate plus 1.00%), or (C) the bankers' acceptance rate. The spread over the base rate and prime rate is between 0.25% and 0.50% and the spread over the LIBOR for the bankers' acceptances is between 1.25% and 1.50%, depending on the amount available to be borrowed under the Ryerson Credit Facility. Overdue amounts and all amounts owed during the existence of a default bear interest at 2% above the rate otherwise applicable thereto. Ryerson also pays commitment fees on amounts not borrowed at a rate of 0.23%.

We attempt to minimize interest rate risk exposure through the utilization of interest rate swaps, which are derivative financial instruments. In March 2017, we entered into an interest rate swap to fix interest on $150 million of our floating rate debt under the Ryerson Credit Facility at a rate of 1.658% through March 2020. The swap has reset dates and critical terms that match our existing debt and the anticipated critical terms of future debt. The weighted average interest rate on the outstanding borrowings under the Ryerson Credit Facility including the interest rate swap was 3.5% at March 31, 2019 and December 31, 2018.

Borrowings under the Ryerson Credit Facility are secured by first-priority liens on all of the inventory, accounts receivables, lockbox accounts, and related assets of the borrowers and the guarantors.

The Ryerson Credit Facility also contains covenants that, among other things, restrict Ryerson Holding and its restricted subsidiaries with respect to the incurrence of debt, the creation of liens, transactions with affiliates, mergers and consolidations, sales of assets, and acquisitions. The Ryerson Credit Facility also requires that, if availability under the Ryerson Credit Facility declines to a certain level, Ryerson maintain a minimum fixed charge coverage ratio as of the end of each fiscal quarter, and includes defaults upon (among other things) the occurrence of a change of control of Ryerson and a cross-default to other financing arrangements.

The Ryerson Credit Facility contains events of default with respect to, among other things, default in the payment of principal when due or the payment of interest, fees, and other amounts due thereunder after a specified grace period, material misrepresentations, failure to perform certain specified covenants, certain bankruptcy events, the invalidity of certain security agreements or guarantees, material judgments, and the occurrence of a change of control of Ryerson. If such an event of default occurs, the lenders under the Ryerson Credit Facility will be entitled to various remedies, including acceleration of amounts outstanding under the Ryerson Credit Facility and all other actions permitted to be taken by secured creditors.

The lenders under the Ryerson Credit Facility could reject a borrowing request if any event, circumstance, or development has occurred that has had or could reasonably be expected to have a material adverse effect on the Company. If Ryerson Holding, JT Ryerson, any of the other borrowers, or any restricted subsidiaries of JT Ryerson becomes insolvent or commences bankruptcy proceedings, all amounts borrowed under the Ryerson Credit Facility will become immediately due and payable.

Net proceeds of short-term borrowings that are reflected in the Condensed Consolidated Statements of Cash Flows represent borrowings under the Ryerson Credit Facility with original maturities less than three months.

2022 Notes

On May 24, 2016, JT Ryerson issued $650 million in aggregate principal amount of the 2022 Notes (the "2022 Notes"). The 2022 Notes bear interest at a rate of 11.00% per annum. The 2022 Notes are fully and unconditionally guaranteed on a senior secured basis by all of our existing and future domestic subsidiaries that are co-borrowers or that have guarantee obligations under the Ryerson Credit Facility.

During 2018, a principal amount of $50.5 million of the 2022 Notes were repurchased for $52.2 million and retired. During the first three months of 2019, a principal amount of $11.6 million of the 2022 Notes were repurchased for $11.8 million and retired, resulting in the recognition of a $0.2 million loss within other income and (expense), net on the Condensed Consolidated Statement of Comprehensive Income.

The 2022 Notes and the related guarantees are secured by a first-priority security interest in substantially all of JT Ryerson's and each guarantor's present and future assets located in the United States (other than receivables, inventory, cash, deposit accounts and related general intangibles, certain other assets, and proceeds thereof), subject to certain exceptions and customary permitted liens. The 2022 Notes and the related guarantees are also secured on a second-priority basis by a lien on the assets that secure JT Ryerson's and the Company's obligations under the Ryerson Credit Facility.

The 2022 Notes will be redeemable, in whole or in part, at any time on or after May 15, 2019 at certain redemption prices. The redemption price for the 2022 Notes if redeemed during the twelve months beginning (i) May 15, 2019 is 105.50%, (ii) May 15, 2020 is 102.75%, and (iii) May 15, 2021 and thereafter is 100.00%. JT Ryerson may redeem some or all of the 2022 Notes before May 15, 2019 at a redemption price of 100.00% of the principal amount, plus accrued and unpaid interest, if any, to the redemption date, plus a "make-whole" premium. In addition, JT Ryerson may redeem up to 35% of the 2022 Notes before May 15, 2019 with respect to the 2022 Notes with the net cash proceeds from certain equity offerings at a price equal to 111.00%, with respect to the 2022 Notes, of the principal amount thereof, plus any accrued and unpaid interest, if any. JT Ryerson may be required to make an offer to purchase the 2022 Notes upon the sale of assets or upon a change of control.

The 2022 Notes contain customary covenants that, among other things, limit, subject to certain exceptions, our ability, and the ability of our restricted subsidiaries, to incur additional indebtedness, pay dividends on our capital stock or repurchase our capital stock, make investments, sell assets, engage in acquisitions, mergers, or consolidations, or create liens or use assets as security in other transactions. Subject to certain exceptions, JT Ryerson may only pay dividends to Ryerson Holding to the extent of 50% of cumulative net income since the issuance of the 2022 Notes, once prior losses are offset.

Foreign Debt

At March 31, 2019, Ryerson China's foreign borrowings were $18.7 million, which were owed to banks in Asia at a weighted average interest rate of 4.3% per annum and secured by inventory and property, plant, and equipment. At December 31, 2018, Ryerson China's foreign borrowings were $19.5 million, which were owed to banks in Asia at a weighted average interest rate of 4.3% per annum and secured by inventory and property, plant, and equipment.

Availability under the foreign credit lines was $27 million and $26 million at March 31, 2019 and December 31, 2018. Letters of credit issued by our foreign subsidiaries were $4 million and $3 million at March 31, 2019 and December 31, 2018, respectively.

NOTE 9: EMPLOYEE BENEFITS

The following table summarizes the components of net periodic benefit (credit) cost for the three months ended March 31, 2019 and 2018 for the Ryerson pension plans and postretirement benefits other than pension:

	Three Months Ended March 31,			
	Pension Benefits		Other Benefits	
	2019	2018	2019	2018
	(In millions)			
Components of net periodic benefit (credit) cost				
Service cost	$1	$—	$—	$ —
Interest cost	7	6	1	1
Expected return on assets	(9)	(10)	—	—
Recognized actuarial (gain) loss	4	4	(2)	(2)
Amortization of prior service credit	—	—	(1)	(1)
Net periodic benefit (credit) cost	$3	$—	$(2)	$ (2)

Components of net periodic benefit (credit) cost, excluding service cost, are included in Other income and (expense), net in our Condensed Consolidated Statement of Comprehensive Income.

The Company has contributed $6 million to the pension plan fund through the three months ended March 31, 2019 and anticipates that it will have a minimum required pension contribution funding of approximately $20 million for the remaining nine months of 2019.

NOTE 10: COMMITMENTS AND CONTINGENCIES

In October 2011, the United States Environmental Protection Agency (the "EPA") named us as one of more than 100 businesses that may be a potentially responsible party for the Portland Harbor Superfund Site (the "PHS Site"). On January 6, 2017, the EPA issued an initial Record of Decision ("ROD") regarding the site. The ROD includes a combination of dredging, capping, and enhanced natural recovery that would take approximately thirteen years to construct plus additional time for monitored natural recovery, at an estimated present value cost of $1.05 billion. In a change to its prior stance, at a meeting on December 4, 2018, the EPA announced that it expects potentially responsible parties to submit a plan during 2019 to start remediation of the river and harbor per the original ROD within the next two to three years. It also expects allocation of amounts among the parties to be determined in the same time frame.

The EPA has stated that it is willing to consider de minimis and de micromis settlements, which JT Ryerson is trying to pursue; however, the EPA has not begun meeting with any parties, stating that it does not have sufficient information to determine if anyone meets the de minimis criteria and does not intend to begin those considerations until after the Remedial Design work is completed.

The EPA has not yet allocated responsibility for the contamination among the potentially responsible parties, including JT Ryerson. We do not currently have sufficient information available to us to determine whether the ROD will be executed as currently stated, whether and to what extent JT Ryerson may be held responsible for any of the identified contamination, and how much (if any) of the final plan's costs might ultimately be allocated to JT Ryerson. Therefore, management cannot predict the ultimate outcome of this matter or estimate a range of potential loss at this time.

There are various other claims and pending actions against the Company. The amount of liability, if any, for those claims and actions at March 31, 2019 is not determinable but, in the opinion of management, such liability, if any, will not have a material adverse effect on the Company's financial position, results of operations, or cash flows. We maintain liability insurance coverage to assist in protecting our assets from losses arising from or related to activities associated with business operations.

NOTE 11: DERIVATIVES AND FAIR VALUE MEASUREMENTS

Derivatives

The Company is exposed to certain risks relating to its ongoing business operations. The primary risks managed by using derivative instruments are interest rate risk, foreign currency risk, and commodity price risk. Interest rate swaps are entered into to manage interest rate risk associated with the Company's floating-rate borrowings. We use foreign currency exchange contracts to hedge variability in cash flows when a payment currency is different from our functional currency. From time to time, we may enter into fixed price sales contracts with our customers for certain of our inventory components. We may enter into metal commodity futures and options contracts to reduce volatility in the price of these metals. We may also enter into natural gas and diesel fuel price swaps to manage the price risk of forecasted purchases of natural gas and diesel fuel.

We have a receive variable, pay fixed, interest rate swap to manage the exposure to variable interest rates of the Ryerson Credit Facility. In March 2017, we entered into a forward agreement for $150 million of "pay fixed" interest at 1.658%, "receive variable" interest to manage the risk of increasing variable interest rates. The interest rate reset dates and critical terms match the terms of our existing debt and anticipated critical terms of future debt under the Ryerson Credit Facility. The fair value of the interest rate swap as of March 31, 2019 was an asset of $1.0 million.

The Company currently does not account for its commodity and foreign exchange derivative contracts as hedges but rather marks them to market with a corresponding offset to current earnings. The Company accounts for its interest rate swap as a cash flow hedge of floating-rate borrowings with changes in fair value being recorded in accumulated other comprehensive income.

The Company regularly reviews the creditworthiness of its derivative counterparties and does not expect to incur a significant loss from the failure of any counterparties to perform under any agreements.

The following table summarizes the location and fair value amount of our derivative instruments reported in our Condensed Consolidated Balance Sheets as of March 31, 2019 and December 31, 2018:

	Asset Derivatives			Liability Derivatives		
	Balance Sheet Location	March 31, 2019	December 31, 2018	Balance Sheet Location	March 31, 2019	December 31, 2018
	(In millions)					
Derivatives not designated as hedging instruments under ASC 815						
Metal commodity contracts	Prepaid expenses and other current assets	$ 1.6	$ 1.6	Other accrued liabilities	$ 3.6	$ 5.4

Crude oil contracts	Prepaid expenses and other current assets	0.9	—	Other accrued liabilities	—	—
Foreign exchange contracts	Prepaid expenses and other current assets	—	0.2	Other accrued liabilities	—	—
Derivatives designated as hedging instruments under ASC 815						
Interest rate swaps	Deferred charges and other assets	1.0	1.5	Other noncurrent liabilities	—	—
Total derivatives		$ 3.5	$ 3.3		$ 3.6	$ 5.4

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The following table presents the volume of the Company's activity in derivative instruments as of March 31, 2019 and December 31, 2018:

Derivative Instruments	Notional Amount At March 31, 2019	Notional Amount At December 31, 2018	Unit of Measurement
Nickel swap contracts	377	1,541	Tons
Hot roll coil swap contracts	45,780	36,365	Tons
Aluminum swap contracts	30,369	42,419	Tons
Iron ore swap contracts	270,000	-	Tons
Crude oil swap contracts	114,000	-	Barrels
Foreign currency exchange contracts	2.6 million	4.5 million	U.S. dollars
Interest rate swap	150 million	150 million	U.S. dollars

The following table summarizes the location and amount of gains and losses on derivatives not designated as hedging instruments reported in our Condensed Consolidated Statements of Comprehensive Income for the three months ended March 31, 2019 and 2018:

Derivatives not designated as hedging instruments under ASC 815	Location of Gain/(Loss) Recognized in Income on Derivatives	Amount of Gain/(Loss) Recognized in Income on I Three Months Ended March 31, 2019	2018
Metal commodity contracts	Cost of materials sold	$ 1.6	$ (0.4)
Crude oil contracts	Warehousing, delivery, selling, general, and administrative	0.9	-
Foreign exchange contracts	Other income and (expense), net	(0.1)	0.2
Total		$ 2.4	$ (0.2)

The following table summarizes the location and amount of gains and losses on derivatives designated as hedging instruments reported in our Condensed Consolidated Statements of Comprehensive Income for the three months ended March 31, 2019 and 2018:

Amount of Gain/(Loss) Reclassified from Accumulated Other Comprehensive Income into

Derivatives designated as hedging instruments under ASC 815	Location of Gain/(Loss) Recognized in Income on Derivatives	Income Three Months Ended March 31, 2019	2018
		(In millions)	
Interest rate swaps	Interest and other expense on debt	$ 0.3	$ —

As of March 31, 2019, the portion of the interest rate swap fair value that would be reclassified into earnings during the next 12 months as interest income is approximately $1.0 million.

Fair Value Measurements

To increase consistency and comparability in fair value measurements, ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels as follows:

1. Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access as of the reporting date.
2. Level 2 – inputs other than quoted prices included within Level 1 that are directly observable for the asset or liability or indirectly observable through corroboration with observable market data.
3. Level 3 – unobservable inputs, such as internally-developed pricing models for the asset or liability due to little or no market activity for the asset or liability.

The following table presents assets and liabilities measured and recorded at fair value on our Condensed Consolidated Balance Sheet on a recurring basis and their level within the fair value hierarchy as of March 31, 2019:

	At March 31, 2019		
	Level 1	Level 2	Level 3
	(In millions)		
Assets			
Derivatives:			
Derivatives not designated as hedging instruments under ASC 815:			
Metal commodity contracts	$—	$ 1.6	$ —
Crude oil contracts	—	0.9	—
Derivatives designated as hedging instruments under ASC 815:			
Interest rate swaps	—	1.0	—
Total derivatives	$—	$ 3.5	$ —
Liabilities			
Derivatives:			
Derivatives not designated as hedging instruments under ASC 815:			
Metal commodity contracts	$—	$ 3.6	$ —

The following table presents assets and liabilities measured and recorded at fair value on our Condensed Consolidated Balance Sheet on a recurring basis and their level within the fair value hierarchy as of December 31, 2018:

	At December 31, 2018		
	Level 1	Level 2	Level 3
	(In millions)		
Assets			
Derivatives:			
Derivatives not designated as hedging instruments under ASC 815:			
Metal commodity contracts	$ —	$ 1.6	$ —
Foreign exchange contracts	—	0.2	—
Derivatives designated as hedging instruments under ASC 815:			
Interest rate swaps	—	1.5	—
Total derivatives	$ —	$ 3.3	$ —
Liabilities			
Derivatives:			
Derivatives not designated as hedging instruments under ASC 815:			
Metal commodity contracts	$ —	$ 5.4	$ —

The fair value of each derivative contract is determined using Level 2 inputs and the market approach valuation technique, as described in ASC 820. The Company has various commodity derivatives to lock in nickel and zinc prices for varying time periods. The fair value of these derivatives is determined based on the spot price each individual contract was purchased at and compared with the one-month daily average actual spot price on the London Metals Exchange for nickel and zinc on the valuation date. The Company also has commodity derivatives to lock in hot roll coil, iron ore, and aluminum prices for varying time periods. The fair value of hot roll coil, crude oil, iron ore, and aluminum derivatives is determined based on the spot price each individual contract was purchased at and compared with the one-month daily average actual spot price on the Chicago Mercantile Exchange (hot roll coil and crude oil), the Singapore Exchange, and the London Metals Exchange, respectively, for the commodity on the valuation date. In addition, the Company has numerous foreign exchange contracts to hedge variability in cash flows when a payment currency is different from our functional currency. The Company defines the fair value of foreign exchange contracts as the amount of the difference between the contracted and current market value at the end of the period. The Company estimates the current market value of foreign exchange contracts by obtaining month-end market quotes of foreign exchange rates and forward rates for contracts with similar terms. The Company uses the exchange rates provided by Reuters. Each commodity and foreign exchange contract term varies in the number of months, but in general, contracts are between 3 to 12 months in length. The fair value of our interest rate swap is based on the sum of all future net present value cash flows for the fixed and floating leg of the swap. The future cash flows are derived based on the terms of our interest rate swap, as well as published discount factors, and projected forward LIBOR rates.

The carrying and estimated fair values of our financial instruments at March 31, 2019 and December 31, 2018 were as follows:

	At March 31, 2019		At December 31, 2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In millions)			
Cash and cash equivalents	$22.0	$22.0	$23.2	$23.2
Restricted cash	1.1	1.1	1.1	1.1
Receivables less provisions	590.4	590.4	521.0	521.0
Accounts payable	483.5	483.5	390.2	390.2
Long-term debt, including current portion	1,156.5	1,191.9	1,153.3	1,158.5

The estimated fair value of the Company’s cash and cash equivalents, receivables less provisions, and accounts payable approximate their carrying amounts due to the short-term nature of these financial instruments. The estimated fair value of the Company’s long-term debt and the current portions thereof is determined by using quoted market prices of Company debt securities (Level 2 inputs).

NOTE 12: STOCKHOLDERS’ EQUITY (DEFICIT), ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS), AND NONCONTROLLING INTEREST

The following tables detail changes in these accounts for the three months ended March 31, 2019:

Ryerson Holding Corporation Stockholders' Equity (Deficit)										
						Accumulated Other Comprehensive Income (Loss)				
Common Stock		Treasury Stock		Capital in Excess of Par Value	Retained Earnings	Foreign Currency Translation	Benefit Plan Liabilities	Cash Flow Hedge-Interest Rate Swap	Non-controlling Interest	Total Equity
Shares	Dollars	Shares	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars
(In millions, except shares in thousands)										

Balance at January 1, 2019	37,656	$ 0.4	213	$ (6.6)	$ 381.0	$ 14.2	$ (52.8)	$ (264.0)	$ 1.0	$ 2.7	$ 75.9
Net income	—	—	—	—	—	29.5					