Ryerson Holding Corp
Form 10-Q
November 12, 2014
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2014

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	**(I.R.S. Employer**
incorporation or organization)	**Identification No.)**

227 W. Monroe, 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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes x 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 and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer	¨	Accelerated filer	¨
Non-accelerated filer	x	Smaller reporting company	¨

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

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 November 5, 2014 there were 32,037,500 shares of Common Stock, par value $0.01 per share, outstanding.

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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 September 30, 2014	Three Months Ended September 30, 2013	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013
Net sales	$ 947.9	$ 859.8	$ 2,753.8	$ 2,657.8
Cost of materials sold	798.4	704.7	2,302.2	2,188.4
Gross profit	149.5	155.1	451.6	469.4
Warehousing, delivery, selling, general and administrative	154.1	120.2	392.1	363.2
Gain on sale of assets	(1.3)		(1.3)	
Restructuring and other charges				2.1
Impairment charges on fixed assets and goodwill		1.1		8.8
Operating profit (loss)	(3.3)	33.8	60.8	95.3
Other income and (expense), net	(8.5)	(1.1)	(8.2)	2.1
Interest and other expense on debt	(27.9)	(27.1)	(82.8)	(83.3)
Income (loss) before income taxes	(39.7)	5.6	(30.2)	14.1
Provision (benefit) for income taxes	(4.9)	2.8	0.7	5.9
Net income (loss)	(34.8)	2.8	(30.9)	8.2
Less: Net loss attributable to noncontrolling interest	(0.1)	(0.2)	(0.4)	(0.9)
Net income (loss) attributable to Ryerson Holding Corporation	$ (34.7)	$ 3.0	$ (30.5)	$ 9.1
Comprehensive income (loss)	$ (42.1)	$ 8.2	$ (41.8)	$ 6.6
Less: Comprehensive loss attributable to noncontrolling interest		(0.4)	(0.3)	(1.1)
Comprehensive income (loss) attributable to Ryerson Holding Corporation	$ (42.1)	$ 8.6	$ (41.5)	$ 7.7
Basic and diluted income (loss) per share	$ (1.26)	$ 0.14	$ (1.31)	$ 0.43

See Notes to Condensed Consolidated Financial Statements.

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RYERSON HOLDING CORPORATION AND SUBSIDIARY COMPANIES

Condensed Consolidated Statements of Cash Flows (Unaudited)

(In millions)

	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013
Operating activities:		
Net income (loss)	$ (30.9)	$ 8.2
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	34.0	34.7
Deferred income taxes	(2.5)	7.3
Provision for allowances, claims and doubtful accounts	1.2	(0.4)
Impairment charges on fixed assets and goodwill		8.8
Restructuring and other charges		2.1
Gain on sale of assets	(1.3)	
Loss on retirement of debt	11.2	
Other items	0.4	0.6
Change in operating assets and liabilities:		
Receivables	(88.3)	(27.2)
Inventories	(5.8)	36.5
Other assets	6.2	4.2
Accounts payable	67.6	36.4
Accrued liabilities	28.4	21.4
Accrued taxes payable/receivable	3.7	(0.8)
Deferred employee benefit costs	(58.6)	(43.8)
Net adjustments	(3.8)	79.8
Net cash provided by (used in) operating activities	(34.7)	88.0
Investing activities:		
Increase in restricted cash	(0.1)	(0.7)
Capital expenditures	(13.7)	(16.5)
Proceeds from sales of property, plant and equipment	3.9	4.3
Net cash used in investing activities	(9.9)	(12.9)
Financing activities:		
Net proceeds from issuance of common stock	112.4	
Repayment of debt	(110.7)	
Net proceeds/(repayments) of short-term borrowings	32.5	(65.3)

Long-term debt issuance costs		(0.9)
Credit facility issuance costs		(3.7)
Net increase in book overdrafts	21.8	7.7
Principal payments on capital lease obligation	(0.7)	(0.3)
Net cash provided by (used in) financing activities	55.3	(62.5)
Net increase in cash and cash equivalents	10.7	12.6
Effect of exchange rate changes on cash and cash equivalents	(4.6)	(2.7)
Net change in cash and cash equivalents	6.1	9.9
Cash and cash equivalents beginning of period	74.4	71.2
Cash and cash equivalents end of period	80.5	$ 81.1
Supplemental disclosures:		
Cash paid during the period for:		
Interest paid to third parties	$ 58.5	$ 56.4
Income taxes, net	0.8	0.8
Noncash investing activities:		
Asset additions under capital leases	$ 3.5	$ 0.7

See Notes to Condensed Consolidated Financial Statements.

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RYERSON HOLDING CORPORATION AND SUBSIDIARY COMPANIES

Condensed Consolidated Balance Sheets

(In millions, except shares)

	September 30, 2014 (unaudited)	December 31, 2013
Assets		
Current assets:		
Cash and cash equivalents	$ 80.5	$ 74.4
Restricted cash	1.9	1.8
Receivables less provision for allowances, claims and doubtful accounts of $6.5 in 2014 and $5.4 in 2013	467.1	381.9
Inventories	736.0	733.0
Prepaid expenses and other current assets	37.1	48.2
Total current assets	1,322.6	1,239.3
Property, plant, and equipment, at cost	641.7	638.9
Less: Accumulated depreciation	218.5	197.2
Property, plant and equipment, net	423.2	441.7
Deferred income taxes	98.4	97.4
Other intangible assets	46.7	51.2
Goodwill	91.6	91.6
Deferred charges and other assets	23.7	30.6
Total assets	$ 2,006.2	$ 1,951.8
Liabilities		
Current liabilities:		
Accounts payable	$ 296.0	$ 207.3
Salaries, wages and commissions	42.6	32.9
Deferred income taxes	118.9	122.2
Other accrued liabilities	72.4	52.3
Short-term debt	29.7	32.3
Current portion of deferred employee benefits	13.5	13.6
Total current liabilities	573.1	460.6
Long-term debt	1,198.1	1,262.5
Deferred employee benefits	253.7	320.8
Taxes and other credits	19.5	16.7
Total liabilities	2,044.4	2,060.6
Commitments and contingencies		

Redeemable noncontrolling interest	1.2	1.3
Equity		
Ryerson Holding Corporation stockholders equity (deficit):		
Preferred stock, $0.01 par value; 7,000,000 shares authorized and no shares issued at 2014; no shares authorized or issued at 2013		
Common stock**,** $0.01 par value; 100,000,000 shares authorized; 32,250,000 shares issued at 2014; 42,500,000 shares authorized and 21,250,000 issued at 2013	0.3	0.2
Capital in excess of par value	302.0	189.7
Accumulated deficit	(137.6)	(107.1)
Treasury stock at cost Common stock of 212,500 shares in 2014 and 2013	(6.6)	(6.6)
Accumulated other comprehensive loss	(199.2)	(188.2)
Total Ryerson Holding Corporation stockholders equity (deficit)	(41.1)	(112.0)
Noncontrolling interest	1.7	1.9
Total equity (deficit)	(39.4)	(110.1)
Total liabilities and equity	$ 2,006.2	$ 1,951.8

See Notes to Condensed Consolidated Financial Statements.

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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 Ryerson Inc. (Ryerson). Affiliates of Platinum Equity, LLC (Platinum) own approximately 66% of Ryerson Holding.

Ryerson conducts materials distribution operations in the United States through its wholly-owned direct subsidiary Joseph T. Ryerson & Son, Inc. (JT Ryerson), a Delaware corporation, in Canada through its indirect wholly-owned subsidiary Ryerson Canada, Inc., a Canadian corporation (Ryerson Canada) and in Mexico through its 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 Ryerson China Limited (Ryerson China), a company in which we have a 100% ownership percentage and in Brazil through Açofran Aços e Metais Ltda (Açofran), a company in which we have had a 50% direct ownership percentage since February 17, 2012. Unless the context indicates otherwise, Ryerson Holding, Ryerson, JT Ryerson, Ryerson Canada, Ryerson China, Ryerson Mexico and Açofran together with their subsidiaries, are collectively referred to herein as we, us, our, or the Company.

On July 23, 2014, our Board of Directors approved a 4.25 for 1.00 stock split of the Company s common stock effective August 5, 2014. Per share and share amounts presented herein have been adjusted for all periods presented to give retroactive effect to the 4.25 for 1.00 stock split.

On August 13, 2014, Ryerson Holding completed an initial public offering of 11 million shares of common stock at a price to the public of $11.00 per share. Net proceeds from the offering totaled $112.4 million, after deducting the underwriting discount and offering expenses, and were used to (i) redeem $99.5 million in aggregate principal amount of the 11 $^{1}/_{4}$% Senior Notes due 2018 (the 2018 Notes), (ii) pay Platinum Equity Advisors, LLC (Platinum Advisors) and its affiliates $15.0 million of the $25.0 million owed as consideration for terminating the advisory services agreement between JT Ryerson and Platinum Advisors, an affiliate of Platinum (the remaining $10.0 million will be paid in August 2015) and (iii) pay related transaction fees, expenses and debt redemption premiums in connection with the offering, which were approximately $12.6 million. We borrowed an additional $24.7 million under our amended and restated $1.35 billion revolving credit facility (the Ryerson Credit Facility) as part of the funding of these transactions.

The following table shows our percentage of sales by major product lines for the three and nine months ended September 30, 2014 and 2013, respectively:

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
Product Line	**2014**	**2013**	**2014**	**2013**
Carbon Steel Flat	25%	26%	26%	26%
Carbon Steel Plate	11	11	11	11
Carbon Steel Long	16	15	16	15
Stainless Steel Flat	16	16	16	16
Stainless Steel Plate	4	4	4	4

Stainless Steel Long	4	3	4	3
Aluminum Flat	15	15	14	15
Aluminum Plate	3	3	3	3
Aluminum Long	4	4	4	4
Other	2	3	2	3
Total	100%	100%	100%	100%

Results of operations for any interim period are not necessarily indicative of results of any other periods or for the year. The financial statements as of September 30, 2014 and for the three-month and nine-month periods ended September 30, 2014 and 2013 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 financial statements should be read in conjunction with the Company s Consolidated Financial Statements and related Notes thereto for the year ended December 31, 2013 contained in Ryerson Holding Corporation s prospectus filed with the SEC pursuant to Rule 424(b) under the Securities Act of 1933, as amended, on August 8, 2014.

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NOTE 2: RECENT ACCOUNTING PRONOUNCEMENTS

In July 2013, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2013-11 *Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists*. ASU 2013 -11 was issued to promote consistency among financial statement issuers and amends Accounting Standards Codification (ASC) 740, Income Taxes, to provide clarification of the financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. According to ASU 2013-11, an unrecognized tax benefit or a portion of an unrecognized tax benefit should be presented in the financial statements as a reduction of a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, with certain exceptions. The revised guidance is effective for interim and annual periods beginning after December 15, 2013 with early adoption permitted. We adopted this guidance for our fiscal year beginning January 1, 2014. The adoption did not have a material impact on our financial statements.

In April 2014, the FASB issued ASU 2014-08 *Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*. This update amends the criteria for reporting discontinued operations to, among other things, raise the threshold for disposals to qualify as discontinued operations. Under the revised standard, a discontinued operation must represent a strategic shift that has or will have a major effect on an entity s operations and financial results. The revised standard will also allow an entity to have certain continuing cash flows or involvement with the component after the disposal. This update is effective for interim and annual reporting periods, beginning after December 15, 2014, with early adoption permitted. We will adopt this guidance for our fiscal year beginning January 1, 2015. We do not expect the adoption to have a material impact on our financial statements.

In May 2014, the FASB issued ASU 2014-09 *Revenue from Contracts with Customers* , which creates ASC 606 *Revenue from Contracts with Customers* and supersedes the revenue recognition requirements in ASC 605 *Revenue Recognition* . The update outlines a comprehensive model for all entities to use in accounting for revenue arising from contracts with customers as well as required disclosures. Entities have the option of using either a full retrospective or modified approach to adopt the new guidance. This update is effective for annual reporting periods beginning after December 15, 2016. We will adopt this guidance for our fiscal year beginning January 1, 2017. We have not decided upon the method of adoption and we are still evaluating the impact the new standard will have, if any, to our financial statements.

In August 2014, the FASB issued ASU 2014-15 *Presentation of Financial Statements Going Concern (Subtopic 205-40), Disclosure of Uncertainties about an Entity s Ability to Continue as a Going Concern.* The guidance in ASU 2014-15 sets forth management s responsibility to evaluate whether there is substantial doubt about an entity s ability to continue as a going concern as well as required disclosures. ASU 2014-15 indicates that, when preparing financial statements for interim and annual periods, management should evaluate whether conditions or events, in the aggregate, raise substantial doubt about the entity s ability to continue as a going concern one year from the date the financial statements are issued or are available to be issued. This evaluation should include consideration of conditions and events that are either known or are reasonably knowable at the date the financial statements are issued or are available to be issued, as well as whether it is probable that management s plans to address the substantial doubt will be implemented and, if so, whether it is probable that the plans will alleviate the substantial doubt. ASU 2014-15 is effective for annual periods ending after December 15, 2016, and interim periods and annual periods thereafter. Early adoption is permitted. We will adopt this guidance for our fiscal year ending December 31, 2016. The adoption of this guidance is not expected to have an impact on our financial statements.

NOTE 3: 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 September 30, 2014 and December 31, 2013 as follows:

	September 30, 2014	**December 31, 2013**
	(In millions)	
In process and finished products	$ 736.0	$ 733.0

If current cost had been used to value inventories, such inventories would have been $25 million and $67 million lower than reported at September 30, 2014 and December 31, 2013, respectively. Approximately 90% and 91% of inventories are accounted for under the LIFO method at September 30, 2014 and December 31, 2013, respectively. Non-LIFO inventories consist primarily of inventory at our foreign facilities using the weighted-average cost and the specific cost methods. Substantially all of our inventories consist of finished products.

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The Company has consignment inventory at certain customer locations, which totaled $11.0 million and $11.7 million at September 30, 2014 and December 31, 2013, respectively.

NOTE 4: GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill, which represents the excess of cost over the fair value of net assets acquired, amounted to $91.6 million at September 30, 2014. 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, 2013 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 5: LONG-TERM DEBT

Long-term debt consisted of the following at September 30, 2014 and December 31, 2013:

	September 30, 2014	December 31, 2013
	(In millions)	
Ryerson Secured Credit Facility	$ 397.6	$ 369.1
9% Senior Secured Notes due 2017	600.0	600.0
11 1/4% Senior Notes due 2018	200.5	300.0
Foreign debt	29.7	25.7
Total debt	1,227.8	1,294.8
Less:		
Short-term credit facility borrowings		6.6
Short-term foreign debt	29.7	25.7
Total long-term debt	$ 1,198.1	$ 1,262.5

Ryerson Credit Facility

On April 3, 2013, Ryerson amended and restated the Ryerson Credit Facility, to, among other things, extend the maturity date to the earlier of (a) April 3, 2018 or (b) August 16, 2017 (60 days prior to the scheduled maturity date of the 9% Senior Secured Notes due October 15, 2017 (2017 Notes)), if the 2017 Notes are then outstanding. At September 30, 2014, Ryerson had $397.6 million of outstanding borrowings, $30 million of letters of credit issued and $293 million available under the $1.35 billion Ryerson Credit Facility compared to $369.1 million of outstanding borrowings, $27 million of letters of credit issued and $234 million available at December 31, 2013. Total credit availability is limited by the amount of eligible accounts receivable and inventory pledged as collateral under the agreement insofar as Ryerson is subject to a borrowing base comprised of the aggregate of these two amounts, less applicable reserves. Eligible accounts receivable, at any date of determination, are comprised of the aggregate value of all accounts directly created by a borrower in the ordinary course of business arising out of the sale of goods or the rendition 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 does not have sole and absolute title and accounts arising out of a sale to an employee, officer, director, or affiliate of a borrower. Eligible inventory, at any date of determination, is comprised of the aggregate value of all inventory owned by a borrower, with such inventory adjusted to exclude various ineligible inventory, including, among other things, any inventory that is classified as supplies or is unsaleable in the ordinary course of business and 50% of the value of any inventory that (i) has not been sold or processed within a 180 day period and (ii) which is calculated to have more than 365 days of supply based upon the immediately preceding 6 months consumption. The weighted average interest rate on the borrowings under the Ryerson Credit Facility was 2.2 percent and 2.1 percent at September 30, 2014 and December 31, 2013, respectively.

The total $1.35 billion revolving credit facility has an allocation of $1.215 billion to Ryerson and its subsidiaries in the United States and an allocation of $135 million to Ryerson Canada. Amounts outstanding under the U.S. facility bear interest at a rate determined by reference to the base rate (Bank of America s prime rate) or a LIBOR rate or, for the Canadian facility a rate determined by reference to the Canadian base rate (Bank of America-Canada Branch s Base Rate for loans in U.S. Dollars in Canada) or the BA rate (average annual rate applicable to Canadian Dollar bankers acceptances) or a LIBOR rate and the Canadian prime rate (Bank of America-Canada Branch s Prime Rate.). The spread over the base rate and Canadian prime rate is between 0.50% and 1.00% and the spread over the LIBOR and for the bankers acceptances is between 1.50% and 2.00%, depending on the amount available to be borrowed. Overdue amounts and all amounts owed during the existence of a default bear interest at 2% above the rate otherwise applicable thereto. The Company also pays commitment fees on amounts not borrowed at a rate between 0.25% and 0.375% depending on the average borrowings as a percentage of the total $1.35 billion agreement during a rolling three month period.

Borrowings under the Ryerson Credit Facility are secured by (i) in the case of the U.S. facility, first-priority liens on all of the inventory, accounts receivable, lockbox accounts (excluding any proceeds therein of collateral securing the 2017 Notes on a first priority lien basis) and related U.S. assets of Ryerson, the U.S. subsidiary borrowers and certain other U.S. subsidiaries of Ryerson that act as guarantors, and (ii) in the case of the Canadian facility, the assets securing the U.S. Facility and also first priority liens on all of the inventory, accounts receivable, lockbox accounts and related assets of Ryerson s Canadian subsidiary borrower and its Canadian subsidiaries that act as guarantors thereof.

The Ryerson Credit Facility contains covenants that, among other things, restrict Ryerson and its 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 such facility falls below a certain level, the Company maintain a minimum fixed charge coverage ratio as of the end of each calendar month.

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 have the ability to 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 Ryerson. If Ryerson or any significant subsidiaries of the other borrowers becomes insolvent or commences bankruptcy proceedings, all amounts borrowed under the Ryerson Credit Facility will become immediately due and payable.

Proceeds from borrowings under the Ryerson Credit Facility and repayments of borrowings thereunder that are reflected in the Consolidated Statements of Cash Flows represent borrowings under the Company s revolving credit agreement with original maturities greater than three months. Net proceeds (repayments) under the Ryerson Credit Facility represent borrowings under the Ryerson Credit Facility with original maturities less than three months.

2017 and 2018 Notes

On October 10, 2012, Ryerson and its wholly owned subsidiary, JT Ryerson, issued $600 million in aggregate principal amount of the 2017 Notes and $300 million in aggregate principal amount of the 2018 Notes (together, the 2017 and 2018 Notes). The 2017 Notes bear interest at a rate of 9% per annum. The 2018 Notes bear interest at a rate of 11.25% per annum. The 2017 Notes are fully and unconditionally guaranteed on a senior secured basis and the 2018 Notes are fully and unconditionally guaranteed on a senior unsecured basis by all of our existing and future domestic subsidiaries that are co-borrowers or guarantors under the Ryerson Credit Facility.

The 2017 Notes and related guarantees are secured by a first-priority lien on substantially all of our and our guarantors present and future assets located in the United States (other than receivables, inventory, related general intangibles, certain other assets and proceeds thereof), subject to certain exceptions and customary permitted liens. The 2017 Notes and related guarantees are secured on a second-priority basis by a lien on the assets that secure our obligations under the Ryerson Credit Facility. The 2018 Notes are not secured. The 2017 and 2018 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, Ryerson may only pay dividends to Ryerson Holding to the extent of 50% of future net income, once prior losses are offset.

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The 2017 Notes will become redeemable by the Company, in whole or in part, at any time on or after April 15, 2015 (the 2017 Redemption Date) and the 2018 Notes will become redeemable, in whole or in part, at any time on or after October 15, 2015 (the 2018 Redemption Date), in each case at specified redemption prices. The 2017 and 2018 Notes are redeemable prior to such dates, as applicable, at a redemption price equal to 100% of the principal amount, together with accrued and unpaid interest, if any, to the redemption date, plus a make-whole premium. Additionally, we may redeem up to 35% of each of the 2017 and 2018 Notes prior to the 2017 Redemption Date or 2018 Redemption Date, as applicable, with net cash proceeds from certain equity offerings at a price equal to (a) 109.000%, with respect to the 2017 Notes and (b) 111.250%, with respect to the 2018 Notes, of the principal amount thereof, plus any accrued and unpaid interest. On August 13, 2014, Ryerson Holding completed an initial public offering of 11 million shares of common stock at a price to the public of $11.00 per share. Net proceeds from the offering were used to redeem $99.5 million in aggregate principal amount of the 2018 Notes and pay redemption premiums of $11.2 million, which were recorded within other income and (expense), net. As of September 30, 2014, $200.5 million of the original outstanding principal amount of the 2018 Notes remain outstanding. If a change of control occurs, Ryerson must offer to purchase the 2017 and 2018 Notes at 101% of their principal amount, plus accrued and unpaid interest.

Pursuant to registration rights agreements relating to the 2017 and 2018 Notes, we agreed to file with the SEC by July 7, 2013, registration statements with respect to offers to exchange each of the 2017 and 2018 Notes for new issues of our debt securities registered under the Securities Act, with terms substantially identical to those of the 2017 and 2018 Notes and to consummate such exchange offers no later than October 5, 2013. Ryerson completed the exchange offer on September 10, 2013. As a result of completing the exchange offer, Ryerson satisfied its obligation under the registration rights agreements covering each of the 2017 and 2018 Notes.

Foreign Debt

At September 30, 2014, Ryerson China s total foreign borrowings were $29.7 million, which were owed to banks in Asia at a weighted average interest rate of 4.5% and secured by inventory and property, plant and equipment. At December 31, 2013, Ryerson China s total foreign borrowings were $25.7 million, which were owed to banks in Asia at a weighted average interest rate of 4.3% and secured by inventory and property, plant and equipment.

Availability under the foreign credit lines was $8 million and $22 million at September 30, 2014 and December 31, 2013, respectively. Letters of credit issued by our foreign subsidiaries totaled $4 million and $4 million at September 30, 2014 and December 31, 2013, respectively.

NOTE 6: EMPLOYEE BENEFITS

The following table summarizes the components of net periodic benefit cost for the three and nine month periods ended September 30, 2014 and 2013 for the Ryerson pension plans and postretirement benefits other than pension:

	Three Months Ended September 30,			
	Pension Benefits		Other Benefits	
	2014	2013	2014	2013
	(In millions)			
Components of net periodic benefit cost				
Service cost	$	$ 1	$	$
Interest cost	10	9	2	1

Expected return on assets		(12)		(11)				
Prior service credit						(1)		
Recognized actuarial net (gain) loss		3		3		(2)		(2)
Net periodic benefit cost (credit)	$	1	$	2	$	(1)	$	(1)

	Nine Months Ended September 30,							
	Pension Benefits				Other Benefits			
	2014		2013		2014		2013	
	(In millions)							
Components of net periodic benefit cost								
Service cost	$	1	$	2	$		$	
Interest cost		29		27		4		3
Expected return on assets		(36)		(33)				
Prior service credit						(1)		(1)
Recognized actuarial net (gain) loss		8		10		(6)		(5)
Net periodic benefit cost (credit)	$	2	$	6	$	(3)	$	(3)

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Remeasurement

In September 2014, the Company amended the plan design of one of its post-retirement medical plans for a significant number of its U.S. retirees, effectively moving a number of participants from a company-sponsored group plan to a defined contribution plan. We completed a remeasurement of the plan as of the announcement date as a result of the plan amendment. The effect of the plan amendment was a reduction of $5.1 million in the accumulated postretirement benefit obligation.

Contributions

The Company has contributed $50.2 million to the pension plan fund through the nine months ended September 30, 2014 and anticipates that it will have a minimum required pension contribution funding of approximately $5.0 million for the remaining three months of 2014.

NOTE 7: COMMITMENTS AND CONTINGENCIES

From time to time, we are named as a defendant in legal actions incidental to our ordinary course of business. We do not believe that the resolution of these claims will have a material adverse effect on our 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.

On December 27, 2011, Nancy Hoffman, Mark Hoffman, and Karen Hoffman (collectively, the plaintiffs) filed a sixth amended complaint in the Circuit Court of Cook County, Illinois naming JT Ryerson and three other entities as defendants (collectively, the defendants) in a lawsuit *(Nancy Hoffman, et.al. v. Dorlan Crane, et.al.*). That complaint asserted negligence and loss of consortium counts against the defendants for personal injuries allegedly suffered by plaintiffs resulting from a motor vehicle accident. On February 10, 2012, a jury returned a verdict against the defendants and awarded damages totaling $27.7 million for which the defendants were purportedly jointly and severally liable. On August 28, 2012, our post-trial motion was denied. On September 24, 2012, we filed our Notice of Appeal to the Appellate Court of Illinois, First Judicial District. On June 3, 2014, the appellate court affirmed the judgment of the trial court, and in September 2014 the Illinois Supreme Court denied the defendants petition to appeal. With this matter now fully adjudicated, this judgment was paid in full in October 2014 by Ryerson s insurance carriers.

In October 2011, the United States Environmental Protection Agency named us as one of more than 100 businesses that may be a potentially responsible party for the Portland Harbor Superfund Site (Portland Harbor). We do not currently have sufficient information available to us to determine the total cost of any required investigation or remediation of the Portland Harbor site and therefore, management cannot predict the ultimate outcome of this matter or estimate a range of potential loss at this time.

There are other various claims and pending actions against the Company. The amount of liability, if any, for those claims and actions at September 30, 2014 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.

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NOTE 8: 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 our Canadian subsidiaries variability in cash flows from the forecasted payment of currencies other than the 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 periodically to reduce volatility in the price of metals. We may also enter into natural gas price swaps to manage the price risk of forecasted purchases of natural gas. The Company currently does not account for its derivative contracts as hedges but rather marks them to market with a corresponding offset to current earnings. 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 Consolidated Balance Sheets as of September 30, 2014 and December 31, 2013:

	Asset Derivatives				Liability Derivatives			
	September 30, 2014		December 31, 2013		September 30, 2014		December 31, 2013	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
	(In millions)							
Derivatives not designated as hedging instruments under ASC 815								
Commodity contracts	Prepaid expenses and other current assets	$	Prepaid expenses and other current assets	$	Other accrued liabilities	$0.2	Other accrued liabilities	$ 0.2

As of September 30, 2014 and December 31, 2013, the Company s foreign currency exchange contracts had a U.S. dollar notional amount of $2.4 million and $2.2 million, respectively. As of September 30, 2014 and December 31, 2013, the Company had 20 tons and 131 tons, respectively, of nickel futures or option contracts related to forecasted purchases. As of September 30, 2014 and December 31, 2013, the Company had net 1,880 tons and 4,600 tons, respectively, of hot roll steel coil option contracts related to forecasted purchases and sales. The Company has aluminum price swaps related to forecasted purchases, which had a notional amount of 1,465 tons and 195 tons as of September 30, 2014 and December 31, 2013, respectively.

The following table summarizes the location and amount of gains and losses reported in our Consolidated Statements of Comprehensive Income for the three and nine months ended September 30, 2014 and 2013:

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 Derivatives Three Months Ended September 30, 2014	2013	Nine Months Ended September 30, 2014	2013
		(In millions)			
Metal commodity contracts	Cost of materials sold	$ (0.2)	$ 0.2	$ 0.1	$ (0.5)

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.

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The following table presents assets and liabilities measured and recorded at fair value on our Consolidated Balance Sheets on a recurring basis and their level within the fair value hierarchy as of September 30, 2014:

	At September 30, 2014		
	Level 1	Level 2	Level 3
		(In millions)	
Assets			
Cash equivalents:			
Commercial paper	$ 38.6	$	$
Prepaid and other current assets:			
Common stock available-for-sale investment	$ 11.9	$	$
Liabilities			
Mark-to-market derivatives:			
Commodity contracts	$	$ 0.2	$

The following table presents assets and liabilities measured and recorded at fair value on our Consolidated Balance Sheets on a recurring basis and their level within the fair value hierarchy as of December 31, 2013:

	At December 31, 2013		
	Level 1	Level 2	Level 3
		(In millions)	
Assets			
Cash equivalents:			
Commercial paper	$ 39.9	$	$
Prepaid and other current assets:			
Common stock available-for-sale investment	$ 20.7	$	$
Liabilities			
Mark-to-market derivatives:			
Commodity contracts	$	$ 0.2	$

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 prices for varying time periods. The fair value of derivatives is determined by comparing the spot price of each individual contract to the forward market price for a similar contract as published by the London Metal Exchange as of the valuation date. The Company also has commodity derivatives to lock in hot roll coil and aluminum prices for varying time periods. The fair value of derivatives is determined by comparing the spot price of each individual contract to the forward market price of a similar contract for the commodity as published by the Chicago Mercantile Exchange as of the valuation date. In addition, the Company has numerous foreign exchange contracts to hedge our Canadian subsidiaries variability in cash flows from the forecasted payment of currencies other than the functional currency, the Canadian dollar. The Company defines the fair value of foreign exchange contracts as the amount of the difference between the contracted and forward 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 contract term varies in the number of months, but on average is between 3 to 12 months in length.

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The carrying and estimated fair values of the Company s financial instruments at September 30, 2014 and December 31, 2013 were as follows:

	At September 30, 2014 Carrying Amount	Fair Value	At December 31, 2013 Carrying Amount	Fair Value
	(In millions)			
Cash and cash equivalents	$ 80.5	$ 80.5	$ 74.4	$ 74.4
Restricted cash	1.9	1.9	1.8	1.8
Receivables less provision for allowances, claims and doubtful accounts	467.1	467.1	381.9	381.9
Accounts payable	296.0	296.0	207.3	207.3
Long-term debt, including current portion	1,227.8	1,279.8	1,294.8	1,348.8

The estimated fair value of the Company s cash and cash equivalents, receivables less provision for allowances, claims and doubtful accounts 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).

Assets Held for Sale

The Company had $5.4 million and $4.7 million of assets held for sale, classified within prepaid expenses and other current assets, as of September 30, 2014 and December 31, 2013, respectively. The Company recorded zero and $2.0 million of impairment charges in the nine months ended September 30, 2014 and 2013, respectively, related to certain assets held for sale in order to recognize the assets at their fair value less cost to sell in accordance with ASC 360-10-35-43, *Property, Plant and Equipment Other Presentation Matters.* The fair values less costs to sell of long-lived assets held for sale are assessed each reporting period that they remain classified as held for sale. Any increase or decrease in the held for sale long-lived asset s fair value less cost to sell is reported as an adjustment to its carrying amount, except that the adjusted carrying amount cannot exceed the carrying amount of the long-lived asset at the time it was initially classified as held for sale. The fair values of each property were determined based on appraisals obtained from a third-party, pending sales contracts, or recent listing agreements with third-party brokerage firms.

The following table presents those assets that were measured and recorded at fair value on our Consolidated Balance Sheets on a non-recurring basis and their level within the fair value hierarchy at September 30, 2014:

	September 30, 2014 Level 1	Level 2	Level 3
	(In millions)		
Assets			
Prepaid expenses and other current assets assets held for sale	$	$ 5.4	$

The following table presents those assets that were measured and recorded at fair value on our Consolidated Balance Sheets on a non-recurring basis and their level within the fair value hierarchy at December 31, 2013:

	At December 31, 2013		
	Level 1	Level 2	Level 3
		(In millions)	
Assets			
Prepaid expenses and other current assets assets held for sale	$	$ 4.7	$

Available-For-Sale Investments

The Company has classified investments made during 2010 and 2012 as available-for-sale at the time of their purchase. Investments classified as available-for-sale are recorded at fair value with the related unrealized gains and losses included in accumulated other comprehensive income. Management evaluates investments in an unrealized loss position on whether an other-than-temporary impairment has occurred on a periodic basis. Factors considered by management in assessing whether an other-than-temporary impairment has occurred include: the nature of the investment; whether the decline in fair value is attributable to specific adverse conditions affecting the investment; the financial condition of the investee; the severity and the duration of the impairment; and whether we intend to sell the investment or will be required to sell the investment before recovery of its amortized cost basis. When it is determined that an other-than-temporary impairment has occurred, the investment is written down to its fair value at the end of the period in which it is determined that an other-than-temporary decline has occurred. The investment has been in a gross unrealized loss position for less than twelve months. Management does not currently intend to sell the investment before recovery of its amortized cost basis. Realized gains and losses are recorded within the statement of operations upon sale of the security and are based on specific identification.

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The Company s available-for-sale securities as of September 30, 2014 can be summarized as follows:

	At September 30, 2014			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In millions)			
Common stock	$ 17.4	$	$ (5.5)	$ 11.9

The Company s available-for-sale securities as of December 31, 2013 can be summarized as follows:

	At December 31, 2013			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In millions)			
Common stock	$ 17.4	$ 3.3	$	$ 20.7

There is no maturity date for these investments and there have been no sales during the nine months ended September 30, 2014.

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NOTE 9: STOCKHOLDERS EQUITY (DEFICIT), ACCUMULATED OTHER COMPREHENSIVE INCOME AND REDEEMABLE NONCONTROLLING INTEREST

The following table details changes in these accounts: