



FOR IMMEDIATE RELEASE

Tree Island Steel Announces Second Quarter 2019 Financial Results

VANCOUVER, British Columbia, Canada – July 31, 2019 – Tree Island Steel ("Tree Island" or the "Company") (TSX:TSL) announced today its financial results for the three-month and six-month periods ended June 30, 2019.

For the three-month period ended June 30, 2019, revenues amounted to \$52.6 million compared to \$68.1 million in the same period last year, mostly attributable to sales volumes to U.S. customers impacted by Section 232 steel tariffs and reduced demand for construction products. Despite the higher average selling prices in the quarter, the lower demand and production volumes resulted in a gross profit of \$4.9 million for the quarter, compared to \$8.5 million for the same period in 2018. The resulting gross profit margin for the quarter was 9.3% percent compared to 12.5% percent in the same period last year. As a result, EBITDA in the second quarter of 2019 amounted to \$2.6 million compared to \$5.4 million during the second quarter of 2018.

For the six-month period ended June 30, 2019, revenues amounted to \$105.6 million compared to \$134.6 million in the first half of last year, mostly attributable to lower sales volumes to U.S. customers as impacted by Section 232 steel tariffs and adverse weather conditions for construction earlier in the year. Despite the higher average selling prices, the lower demand and production volumes resulted in a gross profit of \$9.7 million for the first half of 2019, compared to \$15.2 million for the same period in 2018. The resulting gross profit margin for the six-month period was 9.2% percent compared to 11.3% percent in the same six-month period last year. As a result, EBITDA in the first half of 2019 amounted to \$4.4 million compared to \$8.9 million during the first six months of 2018.

“Our Q2 financial results were in part impacted by Section 232 steel tariffs and overall weaker demand in our end markets. Although revenues for Q2 were slightly lower than Q1, our gross profit margin and EBITDA for the quarter were better than the prior quarter. The improved profitability reinforce the actions we have taken to maintain selling prices, improve efficiency and management of costs,” said Dale R. MacLean, Tree Island’s President and CEO. “While we execute our sales plan to regain lost market share from the elimination of steel tariffs, our focus in second half of 2019 is also to continue to optimize our operations as we move forward towards more normalized production levels.”

“As the residual effects of these import tariffs wind down, we turn our focus on long-term sustainable growth as a guiding principle as we return to more normalized margin and operating patterns,” said Amar S. Doman, Chairman of Tree Island Steel.



Summary of Results

(\$'000 unless otherwise stated)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018 ¹	2019	2018 ²
Revenue	52,618	68,087	105,560	134,578
Cost of sales	(46,158)	(58,715)	(92,847)	(117,684)
Depreciation ³	(1,547)	(867)	(3,046)	(1,686)
Gross profit	4,913	8,505	9,667	15,208
Selling, general and administrative expenses	(3,776)	(4,180)	(8,028)	(8,333)
Operating income	1,137	4,325	1,639	6,875
Foreign exchange gain (loss)	(85)	256	(256)	375
Gain (loss) on property, plant and equipment	3	5	3	4
Other expenses	(255)	(39)	(267)	(65)
Changes in financial liabilities recognized at fair value	-	125	-	34
Financing expenses ⁴	(1,258)	(887)	(2,479)	(1,642)
Income (loss) before income taxes	(458)	3,785	(1,360)	5,581
Current Income tax (expense) recovery	(92)	-	(231)	-
Deferred Income tax (expense) recovery	15	(996)	(40)	(1,689)
Net income (loss)	(535)	2,789	(1,631)	3,892
Operating Income	1,137	4,325	1,639	6,875
Add back depreciation ³	1,547	867	3,046	1,686
Foreign exchange gain	(85)	256	(256)	375
EBITDA ⁵	2,599	5,448	4,429	8,936
Net income per share	(0.02)	0.09	(0.06)	0.13
Dividends per share	0.02	0.02	0.04	0.04
Financial Position as at:	June 30, 2019	December 31, 2018		
Total assets ⁶	178,647	158,449		
Total non-current financial liabilities ⁷	51,081	21,928		

¹ On adoption of IFRS 16 Leases, the comparative information presented for 2018 have not been restated and is presented as previously reported.

² On adoption of IFRS 16 Leases, the comparative information presented for 2018 have not been restated and is presented as previously reported.

³ Tree Island recognized depreciation from the adoption of IFRS 16 of \$0.6 million during Q2 and for the year-to-date of \$1.3 million. See Note 3 of the Q2 2019 Interim Unaudited Condensed Consolidated Financial Statements.

⁴ Tree Island recognized financing expenses from the adoption of IFRS 16 of \$0.4 million during Q2 2019 and a year-to-date of \$0.7 million. See Notes 3 and 10 of the Q2 2019 Interim Unaudited Condensed Consolidated Financial Statements.

⁵ See definition of EBITDA and Adjusted Net Income in Section 2 NON-IFRS MEASURES of the Q2 2019 MD&A.

⁶ Tree Island recognized right-of-use assets of \$31.0 million at the end of Q2 2019 from the adoption of IFRS 16. See Note 3 of the Q2 2019 Interim Unaudited Condensed Consolidated Financial Statements.

⁷ Tree Island recognized lease liability of \$34.0 million at the end of Q2 2019 from the adoption of IFRS 16. See Note 3 of the Q2 2019 Interim Unaudited Condensed Consolidated Financial Statements.



About Tree Island Steel

Tree Island Steel, headquartered in Richmond, British Columbia, since 1964, through its four operating facilities in Canada and the United States, produces wire products for a diverse range of industrial, residential construction, commercial construction and agricultural applications. Its products include galvanized wire, bright wire; a broad array of fasteners, including packaged, collated and bulk nails; stucco reinforcing products; concrete reinforcing mesh; fencing and other fabricated wire products. The Company markets these products under the Tree Island®, Halsteel®, K-Lath®, TI Wire® and ToughStrand® brand names.

Forward-Looking Statements

This press release includes forward-looking information with respect to Tree Island including its business, operations and strategies, its dividend policy and the declaration and payment of dividends thereunder as well as financial performance and conditions. The use of forward-looking words such as, "may," "will," "expect" or similar variations generally identify such statements. Any statements that are contained herein that are not statements of historical fact may be deemed to be forward-looking statements. Although management believes that expectations reflected in forward-looking statements are reasonable, such statements involve risks and uncertainties including risks and uncertainties discussed under the heading "Risk Factors" in Tree Island's most recent annual information form and management discussion and analysis.

The forward-looking statements contained herein reflect management's current beliefs and are based upon certain assumptions that management believes to be reasonable based on the information currently available to management. By their very nature, forward looking statements involve inherent risks and uncertainties, both general and specific, and a number of factors could cause actual events or results to differ materially from the results discussed in the forward-looking statements. In evaluating these statements, prospective investors should specifically consider various factors including the risks outlined in the Company's most recent annual information form and management discussion and analysis which may cause actual results to differ materially from any forward looking statement. Such risks and uncertainties include, but are not limited to: general economic, market and business conditions, the cyclical nature of our business and demand for our products, financial condition of our customers, competition, volume and price pressure from import competition, deterioration in the Company's liquidity, disruption in the supply of raw materials, volatility in the costs of raw materials, transportation costs, foreign exchange fluctuations, leverage and restrictive covenants, labour relations, trade actions, dependence on key personnel and skilled workers, intellectual property risks, energy costs, un-insured loss, credit risk, operating risk, management of growth, changes in tax, environmental and other legislation, and other risks and uncertainties set forth in our publicly filed materials.

This press release has been reviewed by the Company's Board of Directors and its Audit Committee, and contains information that is current as of the date of this press release, unless otherwise noted. Events occurring after that date could render the information contained herein inaccurate or misleading in a material respect. Readers are cautioned not to place undue reliance on this forward-looking information and management of the Company undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise except as required by applicable securities laws.

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