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, 2022

☐ 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 0-23320

OLYMPIC STEEL, INC.
(Exact name of registrant as specified in its charter)

Ohio	34-1245650
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
22901 Millcreek Boulevard, Suite 650, Highland Hills, OH	44122
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (216) 292-3800

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, without par value	ZEUS	The NASDAQ Stock Market LLC

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 X 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 X No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions 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 X
Non-accelerated filer ☐	Smaller reporting company ☐
	Emerging growth 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. ☐

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

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

Class	Outstanding as of November 4, 2022
Common stock, without par value	11,129,932

Olympic Steel, Inc.
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Part I. FINANCIAL INFORMATION

Item 1. ***Financial Statements***

Olympic Steel, Inc.
Consolidated Balance Sheets
(in thousands)

	As of	
	September 30, 2022	**December 31, 2021**
	(unaudited)	
Assets		
Cash and cash equivalents	$ 10,232	$ 9,812
Accounts receivable, net	279,344	284,570
Inventories, net (includes LIFO reserves of $21,236 and $19,736 as of September 30, 2022 and December 31, 2021, respectively)	508,103	485,029
Prepaid expenses and other	7,447	9,989
Total current assets	805,126	789,400
Property and equipment, at cost	424,051	413,396
Accumulated depreciation	(276,918)	(266,340)
Net property and equipment	147,133	147,056
Goodwill	10,496	10,496
Intangible assets, net	32,439	33,653
Other long-term assets	14,315	15,241
Right of use assets, net	27,475	27,726
Total assets	$ 1,036,984	$ 1,023,572
Liabilities		
Accounts payable	$ 167,081	$ 148,649
Accrued payroll	38,071	44,352
Other accrued liabilities	19,441	25,395
Current portion of lease liabilities	6,124	5,940
Total current liabilities	230,717	224,336
Credit facility revolver	244,200	327,764
Other long-term liabilities	11,245	15,006
Deferred income taxes	16,317	9,890
Lease liabilities	21,850	22,137
Total liabilities	524,329	599,133
Shareholders' Equity		
Preferred stock	-	-
Common stock	134,423	133,427
Accumulated other comprehensive income (loss)	1,256	(1,996)
Retained earnings	376,976	293,008
Total shareholders' equity	512,655	424,439
Total liabilities and shareholders' equity	$ 1,036,984	$ 1,023,572

The accompanying notes are an integral part of these consolidated statements.

Olympic Steel, Inc.
Consolidated Statements of Comprehensive Income
For the Three and Nine Months Ended September 30,
(in thousands, except per share data)

	Three months ended September 30,		Nine months ended September 30,	
	2022	**2021**	**2022**	**2021**
Net sales	$ 634,437	$ 668,466	$ 2,039,946	$ 1,687,667
Costs and expenses				
Cost of materials sold (excludes items shown separately below)	527,466	520,866	1,643,119	1,304,234
Warehouse and processing	27,397	26,208	79,069	76,153
Administrative and general	26,929	24,811	88,520	74,328
Distribution	15,131	14,424	46,613	42,086
Selling	10,589	12,155	31,905	30,408
Occupancy	3,173	3,029	10,053	8,951
Depreciation	4,062	4,243	12,766	13,557
Amortization	604	570	1,828	1,764
Total costs and expenses	615,351	606,306	1,913,873	1,551,481
Operating income	19,086	62,160	126,073	136,186
Other loss, net	(17)	(15)	(38)	(24)
Income before interest and income taxes	19,069	62,145	126,035	136,162
Interest and other expense on debt	3,007	1,947	7,276	5,618
Income before income taxes	16,062	60,198	118,759	130,544
Income tax provision	4,016	15,665	31,787	34,354
Net income	$ 12,046	$ 44,533	$ 86,972	$ 96,190
Gain on cash flow hedge	2,291	434	4,336	1,851
Tax effect on cash flow hedge	(573)	(109)	(1,084)	(463)
Total comprehensive income	$ 13,764	$ 44,858	$ 90,224	$ 97,578
Earnings per share:				
Net income per share - basic	$ 1.04	$ 3.88	$ 7.53	$ 8.37
Weighted average shares outstanding - basic	11,548	11,492	11,543	11,491
Net income per share - diluted	$ 1.04	$ 3.87	$ 7.53	$ 8.36
Weighted average shares outstanding - diluted	11,557	11,515	11,548	11,509
Dividends declared per share of common stock	$ 0.09	$ 0.02	$ 0.27	$ 0.06

The accompanying notes are an integral part of these consolidated statements.

Olympic Steel, Inc.
Consolidated Statements of Cash Flows
For the Nine Months Ended September 30,
(in thousands)

	2022	2021
Cash flows from (used for) operating activities:		
Net income	$ 86,972	$ 96,190
Adjustments to reconcile net income to net cash from (used for) operating activities -		
Depreciation and amortization	14,936	15,837
(Gain) on disposition of property and equipment	(2,184)	(48)
Gain on disposition of Detroit operation (before expenses of $2,569)	-	(6,068)
Stock-based compensation	997	792
Other long-term assets	863	5,558
Other long-term liabilities	5,537	(4,497)
	107,121	107,764
Changes in working capital:		
Accounts receivable	5,226	(151,635)
Inventories	(23,074)	(177,978)
Prepaid expenses and other	2,567	(7,365)
Accounts payable	14,830	74,850
Change in outstanding checks	3,602	(2,107)
Accrued payroll and other accrued liabilities	(11,972)	29,534
	(8,821)	(234,701)
Net cash from (used for) operating activities	98,300	(126,937)
Cash flows from (used for) investing activities:		
Capital expenditures	(13,963)	(7,738)
Proceeds from disposition of property and equipment	3,293	32
Proceeds from sale of Detroit property and equipment	-	9,506
Net cash (used for) investing activities	(10,670)	1,800
Cash flows from (used for) financing activities:		
Credit facility revolver borrowings	575,336	546,594
Credit facility revolver repayments	(658,900)	(409,323)
Principal payment under capital lease obligation	(542)	(656)
Credit facility fees and expenses	(100)	(1,203)
Dividends paid	(3,004)	(665)
Net cash from (used for) financing activities	(87,210)	134,747
Cash and cash equivalents:		
Net change	420	9,610
Beginning balance	9,812	5,533
Ending balance	$ 10,232	$ 15,143

The accompanying notes are an integral part of these consolidated statements.

Olympic Steel, Inc.
Supplemental Disclosures of Cash Flow Information
For the Nine Months Ended September 30,
(in thousands)

	2022	2021
	(unaudited)	
Interest paid	$ 6,896	$ 5,023
Income taxes paid	$ 23,283	$ 33,968

The Company incurred a nominal amount of financing lease obligations during the nine months ended September 30, 2022. The Company incurred no new financing lease obligations during the nine months ended September 30, 2021. These non-cash transactions have been excluded from the Consolidated Statements of Cash Flows for the nine months ended September 30, 2022.

The accompanying notes are an integral part of these consolidated statements.

Olympic Steel, Inc.
Consolidated Statements of Shareholders' Equity
(in thousands)

	For the Three Months Ended September 30, 2022			
	Common Stock	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Equity
Balance at June 30, 2022	$ 134,089	$ (462)	$ 365,932	$ 499,559
Net income	-	-	12,046	12,046
Payment of dividends	-	-	(1,002)	(1,002)
Stock-based compensation	335	-	-	335
Changes in fair value of hedges, net of tax	-	1,718	-	1,718
Other	(1)	-	-	(1)
Balance at September 30, 2022	**$ 134,423**	**$ 1,256**	**$ 376,976**	**$ 512,655**

	For the Nine Months Ended September 30, 2022			
	Common Stock	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Equity
Balance at December 31, 2021	$ 133,427	$ (1,996)	$ 293,008	$ 424,439
Net income	-	-	86,972	86,972
Payment of dividends	-	-	(3,004)	(3,004)
Stock-based compensation	997	-	-	997
Changes in fair value of hedges, net of tax	-	3,252	-	3,252
Other	(1)	-	-	(1)
Balance at September 30, 2022	**$ 134,423**	**$ 1,256**	**$ 376,976**	**$ 512,655**

	For the Three Months Ended September 30, 2021			
	Common Stock	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Equity
Balance at June 30, 2021	$ 132,916	$ (3,153)	$ 224,057	$ 353,820
Net income	-	-	44,533	44,533
Payment of dividends	-	-	(222)	(222)
Stock-based compensation	258	-	-	258
Changes in fair value of hedges, net of tax	-	326	-	326
Other	-	-	-	-
Balance at September 30, 2021	**$ 133,174**	**$ (2,827)**	**$ 268,368**	**$ 398,715**

	For the Nine Months Ended September 30, 2021			
	Common Stock	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Equity
Balance at December 31, 2020	$ 132,382	$ (4,215)	$ 172,843	$ 301,010
Net income	-	-	96,190	96,190
Payment of dividends	-	-	(665)	(665)
Stock-based compensation	792	-	-	792
Changes in fair value of hedges, net of tax	-	1,388	-	1,388
Other	-	-	-	-
Balance at September 30, 2021	**$ 133,174**	**$ (2,827)**	**$ 268,368**	**$ 398,715**

The accompanying notes are an integral part of these consolidated statements.

1. ***Basis of Presentation:***

The accompanying consolidated financial statements have been prepared from the financial records of Olympic Steel, Inc. and its wholly-owned subsidiaries (collectively, Olympic or the Company), without audit and reflect all normal and recurring adjustments which are, in the opinion of management, necessary to fairly state the results of the interim periods covered by this report. Year-to-date results are not necessarily indicative of 2022 annual results and these financial statements should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2021. All intercompany transactions and balances have been eliminated in consolidation.

The Company operates in three reportable segments; specialty metals flat products, carbon flat products, and tubular and pipe products. The specialty metals flat products segment and the carbon flat products segment are at times consolidated and referred to as the flat products segments. Some of the flat products segments' assets and resources are shared by the specialty metals and carbon flat products segments, and both segments' products are stored in the shared facilities and, in some locations, processed on shared equipment. As such, total assets and capital expenditures are reported in the aggregate for the flat products segments. Due to the shared assets and resources, certain of the flat products segment expenses are allocated between the specialty metals flat products segment and the carbon flat products segment based upon an established allocation methodology.

The primary focus of our specialty metals flat products segment is on the direct sale and distribution of processed stainless and aluminum flat-rolled sheet and coil products, flat bar products and fabricated parts. Through the acquisition of Shaw Stainless & Alloys, Inc. (Shaw) on October 1, 2021 and Action Stainless & Alloys, Inc. (Action Stainless) on December 14, 2020, our specialty metals flat products segment expanded its geographic footprint and enhanced its product offerings in stainless steel and aluminum plate, sheet, angles, rounds, flat bar, tubing and pipe. Through the acquisition of Berlin Metals, LLC (Berlin Metals) on April 2, 2018, the specialty metals flat products segment expanded its product offerings to include differing types of stainless flat-rolled sheet and coil and prime tin mill products.

The primary focus of our carbon flat products segment is on the direct sale and distribution of large volumes of processed carbon and coated flat-rolled sheet, coil and plate products, and fabricated parts. We act as an intermediary between metals producers and manufacturers that require processed metal for their operations. We serve customers in most metals consuming industries, including manufacturers and fabricators of transportation and material handling equipment, construction and farm machinery, storage tanks, environmental and energy generation equipment, automobiles, military vehicles and equipment, as well as general and plate fabricators and metal service centers. We distribute these products primarily through a direct sales force. Combined, the carbon and specialty metals flat products segments have 34 strategically located processing and distribution facilities in the United States and one in Monterrey, Mexico. Our geographic footprint allows us to focus on regional customers and larger national and multi-national accounts, primarily located throughout the midwestern, eastern and southern United States. On September 17, 2021, we sold substantially all of the assets related to our Detroit, Michigan operation to Venture Steel (U.S.). The Detroit operation was primarily focused on the distribution of carbon flat-rolled steel to domestic automotive manufacturers and their suppliers.

The tubular and pipe products segment consists of the Chicago Tube and Iron (CTI) business, acquired in 2011. Through our tubular and pipe products segment, we distribute metal tubing, pipe, bar, valves and fittings and fabricated pressure parts supplied to various industrial markets. Founded in 1914, CTI operates from seven locations in the Midwestern and southeastern United States. The tubular and pipe products segment distributes its products primarily through a direct sales force.

Corporate expenses are reported as a separate line item for segment reporting purposes. Corporate expenses include the unallocated expenses related to managing the entire Company (i.e., all three segments), including payroll expenses for certain personnel, expenses related to being a publicly traded entity such as board of directors' expenses, audit expenses, and various other professional fees.

Impact of Recently Issued Accounting Pronouncements

In March 2020, the Financial Accounting Standards Board, (FASB), issued Accounting Standards Update, (ASU), No. 2020-04, "Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting". The objective of this ASU is to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting. The amendments in this ASU are elective and apply to all entities, subject to meeting certain criteria, that have contracts, hedging relationships and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. The Company is currently evaluating the impact of the adoptions of this ASU; however, the Company does not expect the adoption to have a material impact on the Company's Consolidated Financial Statements.

2. ***Revenue Recognition:***

The Company provides metals processing, distribution and delivery of large volumes of processed carbon, coated flat-rolled sheet, coil and plate products, aluminum, and stainless flat-rolled products, prime tin mill products, flat bar products, metal tubing, pipe, bar, valves, fittings and fabricated parts. The Company's contracts with customers are comprised of purchase orders with standard terms and conditions. Occasionally the Company may also have longer-term agreements with customers. Substantially all of the contracts with customers require the delivery of metals, which represent single performance obligations that are satisfied at a point in time upon transfer of control of the product to the customer.

Transfer of control is assessed based on the use of the product distributed and rights to payment for performance under the contract terms. Transfer of control and revenue recognition for substantially all of the Company's sales occur upon shipment or delivery of the product, which is when title, ownership and risk of loss pass to the customer and is based on the applicable shipping terms. The shipping terms depend on the customer contract. An invoice for payment is issued at time of shipment and terms are generally net 30 days. The Company has certain fabrication contracts in one business unit for which revenue is recognized over time as performance obligations are achieved. This fabrication business is not material to the Company's consolidated results.

Within the metals industry, revenue is frequently disaggregated by products sold. The table below disaggregates the Company's revenues by segment and products sold.

	Disaggregated Revenue by Products Sold For the Three Months Ended September 30, 2022			
	Carbon flat products	Specialty metals flat products	Tubular and pipe products	Total
Hot Rolled	28.0%	-	-	28.0%
Plate	13.7%	-	-	13.7%
Cold Rolled	4.5%	-	-	4.5%
Coated	4.6%	-	-	4.6%
Specialty	-	29.7%	-	29.7%
Tube	-	-	17.3%	17.3%
Other	2.2%	-	-	2.2%
Total	53.0%	29.7%	17.3%	100.0%

	Disaggregated Revenue by Products Sold For the Nine Months Ended September 30, 2022			
	Carbon flat products	Specialty metals flat products	Tubular and pipe products	Total
Hot Rolled	29.7%	-	-	29.7%
Plate	13.2%	-	-	13.2%
Cold Rolled	4.8%	-	-	4.8%
Coated	4.6%	-	-	4.6%
Specialty	-	30.1%	-	30.1%
Tube	-	-	16.6%	16.6%
Other	1.0%	-	-	1.0%
Total	53.3%	30.1%	16.6%	100.0%

	Disaggregated Revenue by Products Sold For the Three Months Ended September 30, 2021			
	Carbon flat products	Specialty metals flat products	Tubular and pipe products	Total
Hot Rolled	31.9%	-	-	31.9%
Plate	11.2%	-	-	11.2%
Cold Rolled	7.8%	-	-	7.8%
Coated	7.8%	-	-	7.8%
Specialty	-	23.3%	-	23.3%
Tube	-	-	14.9%	14.9%
Other	1.8%	1.3%	-	3.1%
Total	60.5%	24.6%	14.9%	100.0%

	Disaggregated Revenue by Products Sold For the Nine Months Ended September 30, 2021			
	Carbon flat products	Specialty metals flat products	Tubular and pipe products	Total
Hot Rolled	30.1%	-	-	30.1%
Plate	10.6%	-	-	10.6%
Cold Rolled	7.1%	-	-	7.1%
Coated	8.3%	-	-	8.3%
Specialty	-	24.0%	-	24.0%
Tube	-	-	16.7%	16.7%
Other	1.8%	1.4%	-	3.2%
Total	57.9%	25.4%	16.7%	100.0%

3. Accounts Receivable:

Accounts receivable are presented net of allowances for credit losses and unissued credits of $5.7 million and $4.4 million as of September 30, 2022 and December 31, 2021, respectively. The allowance for credit losses is maintained at a level considered appropriate based on historical experience, specific customer collection issues that have been identified, current market conditions and estimates for supportable forecasts when appropriate. Estimations are based upon a calculated percentage of accounts receivable, which remains fairly level from year to year, and judgments about the probable effects of economic conditions on certain customers, which can fluctuate significantly from year to year. The Company cannot guarantee that the rate of future credit losses will be similar to past experience. The Company considers all available information when assessing the adequacy of its allowance for credit losses and unissued credits.

4. Inventories:

Inventories consisted of the following:

	Inventory as of	
(in thousands)	September 30, 2022	December 31, 2021
Unprocessed	$ 409,131	$ 417,595
Processed and finished	98,972	67,434
Totals	$ 508,103	$ 485,029

The Company values certain of its tubular and pipe products inventory at the last-in, first-out (LIFO) method. At September 30, 2022 and December 31, 2021, approximately $53.4 million, or 10.5% of consolidated inventory, and $55.4 million, or 11.4% of consolidated inventory, respectively, was reported under the LIFO method of accounting. The cost of the remainder of the tubular and pipe products inventory is determined using a weighted average rolling first-in, first-out (FIFO) method.

During the three and nine months ended September 30, 2022, the Company recorded $1.5 million of LIFO expense as current projections anticipate increased metals prices by December 31, 2022 compared to December 31, 2021. During the three and nine months ended September 30, 2021, the Company recorded $7.0 million and $12.0 million of LIFO expense, respectively.

If the FIFO method had been in use, inventories would have been $21.2 million higher and $19.7 million higher than reported at September 30, 2022 and December 31, 2021, respectively.

5. *Goodwill and Intangible Assets:*

The Company's intangible assets were recorded in connection with its acquisitions that occurred between 2011 and 2021. The intangible assets were evaluated on the premise of highest and best use to a market participant, primarily utilizing the income approach valuation methodology. The useful lives of the customer relationships were determined to be between 10 and 15 years, based primarily on the consistent and predictable revenue source associated with the existing customer base, the present value of which extends through the 10- and 15-year amortization periods. The useful lives of the non-compete agreements were determined to be the length of the non-compete agreements, which range from one to five years. The useful lives of the trade names were determined to be indefinite primarily due to their history and reputation in the marketplace, the Company's expectation that the trade names will continue to be used and the conclusion that there are currently no other factors identified that would limit their useful life. The Company will continue to evaluate the useful life assigned to its amortizable customer relationships and noncompete agreements in future periods.

Goodwill, by reportable unit, was as follows as of September 30, 2022 and December 31, 2021, respectively. The goodwill is deductible for tax purposes.

(in thousands)	Specialty Metals Flat Products	Carbon Flat Products	Tubular and Pipe Products	Total
Balance as of December 31, 2021	$ 9,431	$ 1,065	$ -	$ 10,496
Acquisitions	-	-	-	-
Impairments	-	-	-	-
Balance as of September 30, 2022	$ 9,431	$ 1,065	$ -	$ 10,496

Intangible assets consisted of the following as of September 30, 2022 and December 31, 2021, respectively:

	As of September 30, 2022		
(in thousands)	Gross Carrying Amount	Accumulated Amortization	Intangible Assets, Net
Customer relationships - subject to amortization	$ 22,559	$ (11,713)	$ 10,846
Covenant not to compete - subject to amortization	509	(284)	225
Trade name - not subject to amortization	21,368	-	21,368
	$ 44,436	$ (11,997)	$ 32,439

	As of December 31, 2021		
(in thousands)	Gross Carrying Amount	Accumulated Amortization	Intangible Assets, Net
Customer relationships - subject to amortization	$ 22,559	$ (10,552)	$ 12,007
Covenant not to compete - subject to amortization	509	(231)	278
Trade name - not subject to amortization	21,368	-	21,368
	$ 44,436	$ (10,783)	$ 33,653

The Company estimates that amortization expense for its intangible assets subject to amortization will be approximately $1.6 million per year for the next three years, $1.2 million the following year and then $0.7 million for the next year after.

6. ***Leases:***

The components of lease expense were as follows:

(in thousands)	For the Three Months Ended September 30, 2022	For the Three Months Ended September 30, 2021	For the Nine Months Ended September 30, 2022	For the Nine Months Ended September 30, 2021
Operating lease cost	$ 1,898	$ 1,733	$ 5,484	$ 5,148
Finance lease cost:				
Amortization of right-of-use assets	$ 180	$ 210	$ 549	$ 634
Interest on lease liabilities	16	23	44	76
Total finance lease cost	$ 196	$ 233	$ 593	$ 710

Supplemental cash flow information related to leases was as follows:

(in thousands)	For the Three Months Ended September 30, 2022	For the Three Months Ended September 30, 2021	For the Nine Months Ended September 30, 2022	For the Nine Months Ended September 30, 2021
Cash paid for lease liabilities:				
Operating cash flows from operating leases	$ 1,865	$ 1,704	$ 5,335	$ 5,060
Operating cash flows from finance leases	16	23	44	76
Financing cash flows from finance leases	176	202	542	607
Total cash paid for lease liabilities	$ 2,057	$ 1,929	$ 5,921	$ 5,743

Supplemental balance sheet information related to leases was as follows:

(in thousands)	September 30, 2022	December 31, 2021
Operating Leases		
Operating lease	$ 44,402	$ 42,023
Operating lease accumulated amortization	(16,927)	(14,297)
Operating lease right-of-use asset, net	27,475	27,726
Operating lease current liabilities	6,124	5,940
Operating lease liabilities	21,850	22,137
Total operating lease liabilities	$ 27,974	$ 28,077
Finance Leases		
Finance lease	$ 3,197	$ 2,710
Finance lease accumulated depreciation	(1,464)	(965)
Finance lease, net	1,733	1,745
Finance lease current liabilities	633	661
Finance lease liabilities	1,158	1,115
Total finance lease liabilities	$ 1,791	$ 1,776
Weighted Average Remaining Lease Term		
Operating leases (in years)	6	6
Finance leases (in years)	3	4
Weighted Average Discount Rate		
Operating leases	3.37%	3.44%
Finance leases	3.56%	3.42%

Maturities of lease liabilities were as follows:

(in thousands)	Operating Leases	Finance Leases
Year Ending December 31,		
2022	$ 1,847	$ 191
2023	6,685	637
2024	5,931	530
2025	4,705	336
2026	3,795	157
Thereafter	7,972	43
Total future minimum lease payments	$ 30,935	$ 1,894
Less remaining imputed interest	(2,961)	(103)
Total	$ 27,974	$ 1,791

7. ***Debt***:

The Company's debt is comprised of the following components:

(in thousands)	As of September 30, 2022	As of December 31, 2021
Asset-based revolving credit facility due June 16, 2026	244,200	327,764
Total debt	$ 244,200	$ 327,764

The Company's asset-based credit facility (the ABL Credit Facility) is collateralized by the Company's accounts receivable, inventory and personal property. The $ 475 million ABL Credit Facility consists of: (i) a revolving credit facility of up to $445 million, including a $20 million sub-limit for letters of credit, and (ii) a first in, last out revolving credit facility of up to $30 million. Under the terms of the ABL Credit Facility, the Company may, subject to the satisfaction of certain conditions, request additional commitments under the revolving credit facility in the aggregate principal amount of up to $200 million to the extent that existing or new lenders agree to provide such additional commitments, and add real estate as collateral at the Company's discretion. The ABL Facility matures on June 16, 2026.

The ABL Credit Facility contains customary representations and warranties and certain covenants that limit the ability of the Company to, among other things: (i) incur or guarantee additional indebtedness; (ii) pay distributions on, redeem or repurchase capital stock or redeem or repurchase subordinated debt; (iii) make investments; (iv) sell assets; (v) enter into agreements that restrict distributions or other payments from restricted subsidiaries to the Company; (vi) incur liens securing indebtedness; (vii) consolidate, merge or transfer all or substantially all of the Company's assets; and (viii) engage in transactions with affiliates. In addition, the ABL Credit Facility contains a financial covenant which requires if any commitments or obligations are outstanding and the Company's availability is less than the greater of $30 million or 10.0% of the aggregate amount of revolver commitments ($47.5 million at September 30, 2022) or 10.0% of the aggregate borrowing base ($47.5 million at September 30, 2022), then the Company must maintain a ratio of Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) minus certain capital expenditures and cash taxes paid to fixed charges of at least 1.00 to 1.00 for the most recent twelve fiscal month period.

The Company has the option to borrow under its revolver based on the agent's base rate plus a premium ranging from 0.00% to 0.25% or the London Interbank Offered Rate (LIBOR) plus a premium ranging from 1.25% to 2.75%.

On January 10, 2019, the Company entered into a five-year forward starting fixed rate interest rate hedge in order to eliminate the variability of cash interest payments on $75 million of the outstanding LIBOR based borrowings under the ABL Credit Facility. The interest rate hedge fixed the rate at 2.57%. Although the Company is exposed to credit loss in the event of nonperformance by the other party to the interest rate hedge agreement, the Company anticipates performance by the counterparty.

As of September 30, 2022, the Company was in compliance with its covenants and had approximately $227 million of availability under the ABL Credit Facility.

As of September 30, 2022, and December 31, 2021, $1.3 million and $1.6 million, respectively, of bank financing fees were included in "Prepaid expenses and other" and "Other long-term assets" on the accompanying Consolidated Balance Sheets. The financing fees are being amortized over the five-year term of the ABL Credit Facility and are included in "Interest and other expense on debt" on the accompanying Consolidated Statements of Comprehensive Income.

8. ***Derivative Instruments:***

Metals swaps and embedded customer derivatives

During the first nine months of 2022 and 2021, the Company entered into nickel swaps indexed to the London Metal Exchange (LME) price of nickel with third-party brokers. The nickel swaps are accounted for as derivatives for accounting purposes. The Company entered into them to mitigate its customers' risk of volatility in the price of metals. The outstanding nickel swaps mature in 2022. The swaps are settled with the brokers at maturity. The economic benefit or loss arising from the changes in fair value of the swaps is contractually passed through to the customer. The primary risk associated with the metals swaps is the ability of customers or third-party brokers to honor their agreements with the Company related to derivative instruments. If the customer or third-party brokers are unable to honor their agreements, the Company's risk of loss is the fair value of the metals swaps.

These derivatives have not been designated as hedging instruments. The periodic changes in fair value of the metals and embedded customer derivative instruments are included in "Cost of materials sold" in the Consolidated Statements of Comprehensive Income. The Company recognizes derivative positions with both the customer and the third party for the derivatives and classifies cash settlement amounts associated with them as part of "Cost of materials sold" in the Consolidated Statements of Comprehensive Income. The cumulative change in fair value of the metals swaps that had not yet settled as of September 30, 2022 are included in "Other Accrued Liabilities," and the embedded customer derivatives are included in "Accounts Receivable, net" on the Consolidated Balance Sheets as of September 30, 2022.

Fixed rate interest rate hedge

On January 10, 2019, the Company entered into a five-year forward starting fixed rate interest rate hedge in order to eliminate the variability of cash interest payments on $75 million of the outstanding LIBOR based borrowings under the ABL Credit Facility. The interest rate hedge fixed the rate at 2.57%. The interest rate hedge is included in "Other long-term assets" on the Consolidated Balance Sheets as of September 30, 2022. Although the Company is exposed to credit loss in the event of nonperformance by the other party to the interest rate hedge agreement, the Company anticipates performance by the counterparty.

The table below shows the total impact to the Company's Consolidated Statements of Comprehensive Income through net income of the derivatives for the three and nine months ended September 30, 2022 and 2021, respectively.

	Net Gain (Loss) Recognized			
	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
(in thousands)	2022	2021	2022	2021
Fixed interest rate hedge	$ (77)	$ (475)	$ (871)	$ (1,406)
Metals swaps	(141)	(92)	577	136
Embedded customer derivatives	141	92	(577)	(136)
Total loss	$ (77)	$ (475)	$ (871)	$ (1,406)

9. *Fair Value of Assets and Liabilities:*

During the nine months ended September 30, 2022, there were no transfers of financial assets between Levels 1, 2 or 3 fair value measurements. There have been no changes in the methodologies used at September 30, 2022 since December 31, 2021.

The following table presents information about the Company's assets and liabilities that were measured at fair value on a recurring basis and indicates the fair value hierarchy of the valuation techniques utilized by the Company:

	Value of Items Recorded at Fair Value As of September 30, 2022			
(in thousands)	Level 1	Level 2	Level 3	Total
Assets:				
Metal Swaps	$ -	$ 1,501	$ -	$ 1,501
Embedded customer derivative	-	295	-	295
Fixed interest rate hedge	-	1,675	-	1,675
Total assets at fair value	**$ -**	**$ 3,471**	**$ -**	**$ 3,471**
Liabilities:				
Metal Swaps	$ -	$ 1,796	$ -	$ 1,796
Total liabilities recorded at fair value	**$ -**	**$ 1,796**	**$ -**	**$ 1,796**

(in thousands)	Value of Items Recorded at Fair Value As of December 31, 2021 Level 1	Level 2	Level 3	Total
Assets:				
Metal swaps	$ -	$ 2,286	$ -	$ 2,286
Total assets at fair value	**$ -**	**$ 2,286**	**$ -**	**$ 2,286**
Liabilities:				
Metal swaps	$ -	$ 2,178	$ -	$ 2,178
Embedded customer derivatives	-	108	-	108
Fixed interest rate hedge	-	2,661	-	2,661
Total liabilities recorded at fair value	**$ -**	**$ 4,947**	**$ -**	**$ 4,947**

The value of the items not recorded at fair value represent the carrying value of the liabilities.

The carrying value of the ABL Credit Facility was $244.2 million and $327.8 million at September 30, 2022 and December 31, 2021, respectively. Management believes that the ABL Credit Facility's carrying value approximates its fair value due to the variable interest rate on the ABL Credit Facility.

10. *Accumulated Other Comprehensive Loss:*

On January 10, 2019, the Company entered into a five-year forward starting fixed rate interest rate hedge in order to eliminate the variability of cash interest payments on $75 million of the outstanding LIBOR based borrowings under the ABL Credit Facility. The interest rate hedge fixed the rate at 2.57%. The fair value of the interest rate hedge of $1.7 million, net of tax of $0.4 million is included in "Accumulated other comprehensive loss" on the Consolidated Balance Sheets at September 30, 2022. The fair value of the interest rate hedge was $2.7 million, net of tax of $0.7 million at December 31, 2021.

11. *Equity Plans:*

Restricted Stock Units and Performance Share Units

Pursuant to the Amended and Restated Olympic Steel 2007 Omnibus Incentive Plan (the Incentive Plan), the Company may grant stock options, stock appreciation rights, restricted shares, restricted share units (RSUs), performance shares, and other stock- and cash-based awards to employees and directors of, and consultants to, the Company and its affiliates. Since adoption of the Incentive Plan, 1,400,000 shares of common stock have been authorized for equity grants.

On an annual basis, the compensation committee of the Company's Board of Directors awards RSUs to each non-employee director as part of their annual compensation. The annual awards for 2022 and 2021 per director were $80,000. Subject to the terms of the Incentive Plan and the RSU agreement, the RSUs vest after one year of service (from the date of grant). The RSUs are not converted into shares of common stock until the director either resigns or is terminated from the board of directors.

Prior to 2021, under the Incentive Plan, each eligible participant was awarded RSUs with a dollar value equal to 10% of the participant's base salary, up to an annual maximum of $17,500. The RSUs have a five-year vesting period and the RSUs convert into the right to receive shares of common stock upon a participant's retirement, or earlier upon the participant's death or disability or upon a change in control of the Company. Due to the COVID-19 pandemic, no RSU awards were granted in 2021.

In January 2022, the Company adopted a new C-Suite Long-Term Incentive Plan (the C-Suite Plan) that operates under the Senior Manager Stock Incentive Plan. Under the C-Suite Plan, the Chief Executive Officer, the Chief Financial Officer and the President and Chief Operating Officer are eligible for participation. In each calendar year, eligible participants may be awarded a long-term incentive of both an RSU grant and a performance stock unit (PSU) grant. The total long-term award target is $1.1 million for the Chief Executive Officer, $0.3 million for the Chief Financial Officer and $0.6 million for the President and Chief Operating Officer. The PSUs will vest if the return on net assets, calculated as EBITDA divided by Average Accounts Receivable, Inventory and Property and Equipment, exceeds 5%. Each RSU and service-based cash incentive vests three years after the grant date. Each vested RSU will convert into the right to receive one share of common stock. During the first quarter of 2022, a total of 20,000 RSUs and 20,000 PSUs were granted to the participants under the C-Suite Plan.

Stock-based compensation expense recognized on RSUs for the three and nine months ended September 30, 2022 and 2021, respectively, is summarized in the following table:

(in thousands, except per share data)	For the Three Months Ended September 30, 2022	For the Three Months Ended September 30, 2021	For the Nine Months Ended September 30, 2022	For the Nine Months Ended September 30, 2021
RSU expense before taxes	$ 335	$ 258	$ 997	$ 778
RSU expense after taxes	$ 251	$ 191	$ 730	$ 573

All pre-tax charges related to RSUs were included in the caption "Administrative and general" on the accompanying Consolidated Statements of Comprehensive Income.

The following table summarizes the activity related to RSUs for the nine months ended September 30, 2022 and 2021, respectively:

	As of September 30, 2022		As of September 30, 2021	
	Number of Shares	Weighted Average Granted Price	Number of Shares	Weighted Average Granted Price
Outstanding at December 31	576,867	$ 18.40	610,540	$ 18.25
Granted	35,558	26.72	20,604	23.29
Converted into shares	(5,841)	18.16	(2,422)	17.09
Forfeited	(6,271)	17.76	(5,086)	17.55
Outstanding at September 30	600,313	$ 18.79	623,636	$ 18.43
Vested at September 30	424,598	$ 19.26	414,090	$ 18.76

12. *Income Taxes:*

For the three months ended September 30, 2022, the Company recorded an income tax provision of $4.0 million, or 25.0%, compared to an income tax provision of $15.7 million, or 26.0%, for the three months ended September 30, 2021. For the nine months ended September 30, 2022, the Company recorded an income tax provision of $31.8 million, or 26.8%, compared to an income tax provision of $34.4 million, or 26.3%, for the nine months ended September 30, 2021.

The tax provision for the interim period is determined using an estimate of the Company's annual effective tax rate, adjusted for discrete items that are taken into account in the relevant period. Each quarter, the Company updates the estimate of the annual effective tax rate, and if the estimated tax rate changes, the Company makes a cumulative adjustment.

The quarterly tax provision and the quarterly estimate of the annual effective tax rate is subject to significant volatility due to several factors, including variability in accurately predicting the Company's pre-tax and taxable income and the mix of jurisdictions to which they relate, changes in law and relative changes of expenses or losses for which tax benefits are not recognized. Additionally, the effective tax rate can be more or less volatile based on the amount of pre-tax income. For example, the impact of discrete items and non-deductible expenses on the effective tax rate is greater when the pre-tax income is lower.

13. ***Shares Outstanding and Earnings Per Share:***

Earnings per share have been calculated based on the weighted average number of shares outstanding as set forth below:

(in thousands, except per share data)	For the Three Months Ended September 30, 2022	For the Three Months Ended September 30, 2021	For the Nine Months Ended September 30, 2022	For the Nine Months Ended September 30, 2021
Weighted average basic shares outstanding	11,548	11,492	11,543	11,491
Assumed exercise of stock options and issuance of stock awards	9	23	5	18
Weighted average diluted shares outstanding	11,557	11,515	11,548	11,509
Net income (loss)	$ 12,046	$ 44,533	$ 86,972	$ 96,190
Basic earnings per share	$ 1.04	$ 3.88	$ 7.53	$ 8.37
Diluted earnings per share	$ 1.04	$ 3.87	$ 7.53	$ 8.36
Unvested RSUs	176	209	176	209

14. ***Stock Repurchase Program:***

On October 2, 2015, the Company announced that its Board of Directors authorized a stock repurchase program of up to 550,000 shares of the Company's issued and outstanding common stock, which could include open market repurchases, negotiated block transactions, accelerated stock repurchases or open market solicitations for shares, all or some of which may be effected through Rule 10b5-1 plans. Any of the repurchased shares are held in the Company's treasury, or canceled and retired as the Board may determine from time to time. Any repurchases of common stock are subject to the covenants contained in the ABL Credit Facility. Under the ABL Credit Facility, the Company may repurchase common stock and pay dividends up to $5.0 million in the aggregate during any trailing twelve months without restrictions. Purchases of common stock or dividend payments in excess of $5.0 million in the aggregate require the Company to (i) maintain availability in excess of 20.0% of the aggregate revolver commitments ($95.0 million at September 30, 2022) or (ii) to maintain availability equal to or greater than 15.0% of the aggregate revolver commitments ($71.3 million at September 30, 2022) and the Company must maintain a pro-forma ratio of EBITDA minus certain capital expenditures and cash taxes paid to fixed charges of at least 1.00 to 1.00.

There were no shares repurchased during the three and nine months ended September 30, 2022 or September 30, 2021. As of September 30, 2022, 360,212 shares remain authorized for repurchase under the program.

On September 3, 2021, the Company commenced an at-the market (ATM) equity program under its shelf registration statement, which allows it to sell and issue up to $50 million in shares of its common stock from time to time. The Company entered into an Equity Distribution Agreement on September 3, 2021 with KeyBanc Capital Markets Inc. (KeyBanc) relating to the issuance and sale of shares of common stock pursuant to the program. KeyBanc is not required to sell any specific amount of securities but will act as the Company's sales agent using commercially reasonable efforts consistent with its normal trading and sales practices, on mutual agreed terms between KeyBanc and the Company. KeyBanc will be entitled to compensation for shares sold pursuant to the program of 2.0% of the gross proceeds of any shares of common stock sold under the Equity Distribution Agreement. No shares were sold under the ATM program during the three and nine months ended September 30, 2022 and 2021.

15. ***Segment Information:***

The Company follows the accounting guidance that requires the utilization of a "management approach" to define and report the financial results of operating segments. The management approach defines operating segments along the lines used by the Company's chief operating decision maker (CODM) to assess performance and make operating and resource allocation decisions. The CODM evaluates performance and allocates resources based primarily on operating income (loss). The operating segments are based primarily on internal management reporting.

The Company operates in three reportable segments; specialty metals flat products, carbon flat products, and tubular and pipe products. The specialty metals flat products segment and the carbon flat products segment are at times consolidated and referred to as the flat products segments, as certain of the flat products segments' assets and resources are shared by the specialty metals and carbon flat products segments and both segments' products are stored in the shared facilities and, in some locations, processed on shared equipment.

Corporate expenses are reported as a separate line item for segment reporting purposes. Corporate expenses include the unallocated expenses related to managing the entire Company (i.e., all three segments), including compensation for certain personnel, expenses related to being a publicly traded entity such as board of directors' expenses, audit expenses and various other professional fees.

The following table provides financial information by segment and reconciles the Company's operating income by segment to the consolidated income before income taxes for the three and nine months ended September 30, 2022 and 2021, respectively.

(in thousands)	For the Three Months Ended September 30, 2022	2021	For the Nine Months Ended September 30, 2022	2021
Net sales				
Specialty metals flat products	$ 188,301	$ 164,179	$ 614,744	$ 428,533
Carbon flat products	336,259	404,596	1,086,473	976,480
Tubular and pipe products	109,877	99,691	338,729	282,654
Total net sales	$ 634,437	$ 668,466	$ 2,039,946	$ 1,687,667
Depreciation and amortization				
Specialty metals flat products	$ 1,024	$ 858	$ 3,037	$ 2,662
Carbon flat products	2,513	2,698	7,885	8,570
Tubular and pipe products	1,112	1,239	3,620	4,035
Corporate	17	18	52	54
Total depreciation and amortization	$ 4,666	$ 4,813	$ 14,594	$ 15,321
Operating income				
Specialty metals flat products	$ 15,072	$ 24,663	$ 85,629	$ 46,387
Carbon flat products	1,732	37,164	27,225	88,797
Tubular and pipe products	7,095	2,354	28,977	11,713
Corporate expenses	(4,813)	(2,021)	(15,758)	(10,711)
Total operating income	$ 19,086	$ 62,160	$ 126,073	$ 136,186
Other income (loss), net	(17)	(15)	(38)	(24)
Income before interest and income taxes	19,069	62,145	126,035	136,162
Interest and other expense on debt	3,007	1,947	7,276	5,618
Income before income taxes	$ 16,062	$ 60,198	$ 118,759	$ 130,544

(in thousands)	For the Nine Months Ended September 30, 2022	2021
Capital expenditures		
Flat products segments	$ 11,063	$ 6,172
Tubular and pipe products	2,900	1,566
Corporate	-	-
Total capital expenditures	$ 13,963	$ 7,738

(in thousands)	As of September 30, 2022	December 31, 2021
Assets		
Flat products segments	$ 774,536	$ 777,074
Tubular and pipe products	262,130	245,962
Corporate	318	536
Total assets	$ 1,036,984	$ 1,023,572

There were no material revenue transactions between the specialty metals products, carbon flat products and tubular and pipe products segments.

The Company sells certain products internationally, primarily in Canada and Mexico. International sales are immaterial to the consolidated financial results and to the individual segments' results.

Item 2. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

The following discussion and analysis should be read in conjunction with our unaudited consolidated financial statements and accompanying notes contained herein and our consolidated financial statements, accompanying notes and Management's Discussion and Analysis of Financial Condition and Results of Operations contained in our Annual Report on Form 10-K for the year ended December 31, 2021. The following Management's Discussion and Analysis of Financial Condition and Results of Operations contain forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from the results discussed in the forward-looking statements. Factors that might cause a difference include, but are not limited to, those discussed under Item 1A (Risk Factors) in our Annual Report on Form 10-K for the year ended December 31, 2021, and in Part II, Item 1A (Risk Factors) in this Quarterly Report on Form 10-Q. The following section is qualified in its entirety by the more detailed information, including our financial statements and the notes thereto, which appear elsewhere in this Quarterly Report on Form 10-Q.

Forward-Looking Information

This Quarterly Report on Form 10-Q and other documents we file with the Securities and Exchange Commission, or SEC, contain various forward-looking statements that are based on current expectations, estimates, forecasts and projections about our future performance, business, our beliefs and management's assumptions. In addition, we, or others on our behalf, may make forward-looking statements in press releases or written statements, or in our communications and discussions with investors and analysts in the normal course of business through meetings, conferences, webcasts, phone calls and conference calls. Words such as "may," "will," "anticipate," "should," "intend," "expect," "believe," "estimate," "project," "plan," "potential," and "continue," as well as the negative of these terms or similar expressions, are intended to identify forward-looking statements, which are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to certain risks and uncertainties that could cause our actual results to differ materially from those implied by such statements including, but not limited to:

- risks of falling metals prices and inventory devaluation;
- supply disruptions and inflationary pressures, including the availability and rising costs of transportation, energy, logistical services and labor;
- risks associated with supply chain disruption resulting from the imbalance of metal supply and end-user demands related to the novel coronavirus, or COVID-19, including additional shutdowns in large markets, such as China, and other factors;
- risks associated with shortages of skilled labor, increased labor costs and our ability to attract and retain qualified personnel;
- risks associated with the invasion of Ukraine, including economic sanctions, or additional war or military conflict, could adversely affect global metals supply and pricing;
- rising interest rates and their impacts on our variable interest rate debt;
- supplier consolidation or addition of new capacity;
- risks associated with the COVID-19 pandemic, including, but not limited to customer closures, reduced sales and profit levels, slower payment of accounts receivable and potential increases in uncollectible accounts receivable, falling metals prices that could lead to lower of cost or net realizable value inventory adjustments and the impairment of intangible and long-lived assets, reduced availability and productivity of our employees, increased operational risks as a result of remote work arrangements, including the potential effects on internal controls, as well as cybersecurity risks and increased vulnerability to security breaches, information technology disruptions and other similar events, negative impacts on our liquidity position, inability to access our traditional financing sources on the same or reasonably similar terms as were available before the COVID-19 pandemic and increased costs associated with and less ability to access funds under our asset-based credit facility, or ABL Credit Facility, and the capital markets;
- the levels of imported steel in the United States and the tariffs initiated by the U.S. government in 2018 under Section 232 of the Trade Expansion Act of 1962 and imposed tariffs and duties on exported steel or other products, U.S. trade policy and its impact on the U.S. manufacturing industry;
- the inflation or deflation existing within the metals industry, as well as product mix and inventory levels on hand, which can impact our cost of materials sold as a result of the fluctuations in the last-in, first-out, or LIFO, inventory valuation;
- increased customer demand without corresponding increase in metal supply could lead to an inability to meet customer demand and result in lower sales and profits;
- general and global business, economic, financial and political conditions, including, but not limited to, recessionary conditions and legislation passed under the current administration;
- competitive factors such as the availability, and global pricing of metals and production levels, industry shipping and inventory levels and rapid fluctuations in customer demand and metals pricing;

- customer, supplier and competitor consolidation, bankruptcy or insolvency;
- the timing and outcomes of inventory lower of cost or net realizable value adjustments and LIFO income or expense;
- reduced production schedules, layoffs or work stoppages by our own, our suppliers' or customers' personnel;
- cyclicality and volatility within the metals industry;
- the adequacy of our efforts to mitigate cyber security risks and threats, especially with employees working remotely due to the COVID-19 pandemic;
- fluctuations in the value of the U.S. dollar and the related impact on foreign steel pricing, U.S. exports, and foreign imports to the United States;
- the successes of our efforts and initiatives to improve working capital turnover and cash flows, and achieve cost savings;
- our ability to generate free cash flow through operations and repay debt;
- the adequacy of our existing information technology and business system software, including duplication and security processes;
- the amounts, successes and our ability to continue our capital investments and strategic growth initiatives, including acquisitions and our business information system implementations;
- our ability to successfully integrate recent acquisitions into our business and risks inherent with the acquisitions in the achievement of expected results, including whether the acquisition will be accretive and within the expected timeframe;
- events or circumstances that could adversely impact the successful operation of our processing equipment and operations;
- the impacts of union organizing activities and the success of union contract renewals;
- changes in laws or regulations or the manner of their interpretation or enforcement could impact our financial performance and restrict our ability to operate our business or execute our strategies;
- events or circumstances that could impair or adversely impact the carrying value of any of our assets;
- risks and uncertainties associated with intangible assets, including impairment charges related to indefinite lived intangible assets;
- our ability to pay regular quarterly cash dividends and the amounts and timing of any future dividends;
- our ability to repurchase shares of our common stock and the amounts and timing of repurchases, if any;
- our ability to sell shares of our common stock under the at-the-market equity program; and
- unanticipated developments that could occur with respect to contingencies such as litigation, arbitration and environmental matters, including any developments that would require any increase in our costs for such contingencies.

Should one or more of these or other risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, intended, expected, believed, estimated, projected or planned. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. We undertake no obligation to republish revised forward-looking statements to reflect the occurrence of unanticipated events or circumstances after the date hereof, except as otherwise required by law.

Overview

We are a leading metals service center that operates in three reportable segments; specialty metals flat products, carbon flat products, and tubular and pipe products. We provide metals processing and distribution services for a wide range of customers. Our specialty metals flat products segment's focus is on the direct sale and distribution of processed aluminum and stainless flat-rolled sheet and coil products, flat bar products, prime tin mill products and fabricated parts. Through the acquisition of Shaw Stainless & Alloy, or Shaw, on October 1, 2021, and Action Stainless & Alloys, Inc., or Action Stainless, on December 14, 2020, our specialty metals flat products segment expanded its geographic footprint and enhanced its product offerings in stainless steel and aluminum plate, sheet, angles, rounds, flat bar, tubing and pipe. Shaw also manufactures and distributes stainless steel bollards and water treatment systems. Action Stainless offers a range of processing, including plasma, laser and waterjet cutting and computer numerical control, or CNC, machining. Our carbon flat products segment's focus is on the direct sale and distribution of large volumes of processed carbon and coated flat-rolled sheet, coil and plate products and fabricated parts. In addition, our carbon flat products segment's product offerings include self-dumping metal hoppers and carbon and stainless-steel dump inserts for pickup truck and service truck beds. On September 17, 2021, the Company sold substantially all of the assets related to its Detroit operation. The Detroit operation was primarily focused on the distribution of carbon flat-rolled steel to domestic automotive manufacturers and their suppliers and primarily included in the carbon flat products segment. In addition, we distribute metal tubing, pipe, bar, valves and fittings and fabricate parts supplied to various industrial markets through our tubular and pipe products segment. Products that require more value-added processing generally have a higher gross profit. Accordingly, our overall gross profit is affected by, among other things, product mix, the amount of processing performed, the demand for and availability of metals, and volatility in selling prices and material purchase costs. We also perform toll processing of customer-owned metals. We sell certain products internationally, primarily in Canada and Mexico. International sales are immaterial to our consolidated financial results and to the individual segments' results.

Our results of operations are affected by numerous external factors, including, but not limited to: general and global business, economic, financial, banking and political conditions; fluctuations in the value of the U.S. dollar to foreign currencies, competition; metals pricing, demand and availability; transportation and energy costs; pricing and availability of raw materials used in the production of metals; global supply, the level of metals imported into the United States, tariffs, and inventory held in the supply chain; the availability and increased costs of labor; customers' ability to manage their credit line availability; and layoffs or work stoppages by our own, our suppliers' or our customers' personnel. The metals industry also continues to be affected by the global consolidation of our suppliers, competitors and end-use customers.

Like other metals service centers, we maintain substantial inventories of metals to accommodate the short lead times and just-in-time delivery requirements of our customers. Accordingly, we purchase metals in an effort to maintain our inventory at levels that we believe to be appropriate to satisfy the anticipated needs of our customers based upon customer forecasts, historic buying practices, supply agreements with customers and market conditions. Our commitments to purchase metals are generally at prevailing market prices in effect at the time we place our orders. From time to time, we have entered into nickel swaps at the request of our customers in order to mitigate our customers' risk of volatility in the price of metals. We have no long-term, fixed-price metals purchase contracts. When metals prices decline, customer demands for lower prices and our competitors' responses to those demands could result in lower sale prices and, consequently, lower gross profits and earnings as we use existing metals inventory. When metals prices increase, competitive conditions will influence how much of the price increase we can pass on to our customers. To the extent we are unable to pass on future price increases in our raw materials to our customers, the net sales and gross profits of our business could be adversely affected.

At September 30, 2022, we employed approximately 1,647 people. Approximately 178 of the hourly plant personnel at the facilities listed below are represented by seven separate collective bargaining units. The table below shows the expiration dates of the collective bargaining agreements.

Facility	**Expiration date**
Hammond, Indiana	November 30, 2024
Locust, North Carolina	March 4, 2025
St. Paul, Minnesota	May 25, 2025
Romeoville, Illinois	May 31, 2025
Minneapolis (coil), Minnesota	September 30, 2025
Indianapolis, Indiana	January 29, 2026
Minneapolis (plate), Minnesota	March 31, 2027

We have never experienced a work stoppage and we believe that our relationship with employees is good. However, any prolonged work stoppages by our personnel represented by collective bargaining units could have a material adverse impact on our business, financial condition, results of operations and cash flows.

Reportable Segments

We operate in three reportable segments; specialty metals flat products, carbon flat products, and tubular and pipe products. The specialty metals flat products segment and the carbon flat products segment are at times consolidated and referred to as the flat products segment. Some of the flat products segments' assets and resources are shared by the specialty metals and carbon segments and both segments' products are stored in the shared facilities and, in some locations, processed on shared equipment. As such, total assets and capital expenditures are reported in the aggregate for the flat products segments. Due to the shared assets and resources, certain of the flat products segment expenses are allocated between the specialty metals flat products segment and the carbon flat products segment based upon an established allocation methodology.

We follow the accounting guidance that requires the utilization of a "management approach" to define and report the financial results of operating segments. The management approach defines operating segments along the lines used by the chief operating decision maker, or CODM, to assess performance and make operating and resource allocation decisions. Our CODM evaluates performance and allocates resources based primarily on operating income. Our operating segments are based primarily on internal management reporting.

Due to the nature of the products sold in each segment, there are significant differences in the segments' average selling price and the cost of materials sold. Due to the nature of the tubular and pipe products, we do not report tons sold or per ton information. Gross profit per ton is generally higher in the specialty metals flat products segment than the carbon flat products segment. Gross profit as a percentage of net sales is generally highest in the tubular and pipe products segment, followed by the carbon and specialty metals flat products segments. Due to the differences in average selling prices, gross profit and gross profit percentage among the segments, a change in the mix of sales could impact total net sales, gross profit and gross profit percentage. In addition, certain inventory in the tubular and pipe products segment is valued under the LIFO method. Adjustments to the LIFO inventory value are recorded to cost of materials sold and may impact the gross margin and gross margin percentage at the consolidated Company and tubular and pipe products segment levels.

Specialty metals flat products

The primary focus of our specialty metals flat products segment is on the direct sale and distribution of processed stainless and aluminum flat-rolled sheet and coil products, flat bar products and fabricated parts. Through the acquisition of Shaw on October 1, 2021, and Action Stainless on December 14, 2020, our specialty metals flat products segment expanded its geographic footprint and enhanced its product offerings in stainless steel and aluminum plate, sheet, angles, rounds, flat bar, tubing and pipe. Through the acquisition of Berlin Metals, LLC, or Berlin Metals, on April 2, 2018, our specialty metals flat products segment expanded its product offerings to include differing types of stainless flat-rolled sheet and coil and prime tin mill products. We act as an intermediary between metals producers and manufacturers that require processed metals for their operations. We serve customers in various industries, including manufacturers of food service and commercial appliances, agriculture equipment, transportation and automotive equipment. We distribute these products primarily through a direct sales force.

Carbon flat products

The primary focus of our carbon flat products segment is on the direct sale and distribution of large volumes of processed carbon and coated flat-rolled sheet, coil and plate products and fabricated parts. We act as an intermediary between metals producers and manufacturers that require processed metals for their operations. We serve customers in most metals consuming industries, including manufacturers and fabricators of transportation and material handling equipment, construction and farm machinery, storage tanks, environmental and energy generation equipment, automobiles, military vehicles and equipment, as well as general and plate fabricators and metals service centers. We distribute these products primarily through a direct sales force.

Combined, the carbon and specialty metals flat products segments have 34 strategically located processing and distribution facilities in the United States and one in Monterrey, Mexico. Many of our facilities service both the carbon and the specialty metals flat products segments, and certain assets and resources are shared by the segments. Our geographic footprint allows us to focus on regional customers and larger national and multi-national accounts, primarily located throughout the midwestern, eastern and southern United States.

Tubular and pipe products

The tubular and pipe products segment consists of the Chicago Tube and Iron, or CTI business, acquired in 2011. Through our tubular and pipe products segment, we distribute metal tubing, pipe, bar, valve and fittings and fabricate parts supplied to various industrial markets. Founded in 1914, CTI operates from seven locations in the Midwestern and southeastern United States. The tubular and pipe products segment distributes its products primarily through a direct sales force.

Corporate expenses

Corporate expenses are reported as a separate line item for segment reporting purposes. Corporate expenses include the unallocated expenses related to managing the entire Company (i.e., all three segments), including compensation for certain personnel, expenses related to being a publicly traded entity such as board of directors' expenses, audit expenses and various other professional fees.

Results of Operations

Our results of operations are impacted by the market price of metals. Metals prices fluctuate significantly and changes to our net sales, cost of materials sold, gross profit, cost of inventory and profitability, are all impacted by industry metals pricing. Index pricing on carbon steel decreased during the third quarter of 2022 by $241 per ton, or 23.5%, and decreased during the first nine months of 2022 by $745 per ton, or 48.5%. Despite the decrease in index pricing during 2022, our average selling prices and average cost of materials sold were higher during the third quarter and first nine months of 2022 than during the same periods of 2021. Metals prices in our specialty metals products segment increased during 2022 compared to 2021 due to the unprecedented increase in metal surcharges experienced during the second quarter and continuing into the third quarter of 2022. The average price of stainless surcharges increased 54.7% during the first nine months of 2022 compared to the first nine months of 2021. Metals pricing for the tubular and pipe products segment have a tendency to lag behind the carbon flat products segment by several months. We expect average selling prices, gross margin and operating income to be lower in the fourth quarter of 2022 than the third quarter of 2022 as a result of continued decreased industry metals pricing.

Transactional or "spot" selling prices generally move in tandem with market price changes, while fixed selling prices typically lag and reset quarterly. Similarly, inventory costs (and, therefore, cost of materials sold) tend to move slower than market selling price changes due to mill lead times and inventory turnover impacting the rate of change in average cost. When average selling prices increase, and net sales increase, gross profit and operating expenses as a percentage of net sales will generally decrease.

Consolidated Operations

The following table presents consolidated operating results for the periods indicated (dollars are shown in thousands):

	For the Three Months Ended September 30,				For the Nine Months Ended September 30,			
	2022		2021		2022		2021	
	$	% of net sales	$	% of net sales	$	% of net sales	$	% of net sales
Net sales	$ 634,437	100.0	$ 668,466	100.0	$ 2,039,946	100.0	$ 1,687,667	100.0
Cost of materials sold (a)	527,466	83.1	520,866	77.9	1,643,119	80.5	1,304,234	77.3
Gross profit (b)	106,971	16.9	147,600	22.1	396,827	19.5	383,433	22.7
Operating expenses (c)	87,885	13.9	85,440	12.8	270,754	13.3	247,247	14.7
Operating income	19,086	3.0	62,160	9.3	126,073	6.2	136,186	8.0
Other loss, net	(17)	(0.0)	(15)	(0.0)	(38)	(0.0)	(24)	(0.0)
Interest and other expense on debt	3,007	0.5	1,947	0.3	7,276	0.4	5,618	0.3
Income before income taxes	16,062	2.5	60,198	9.0	118,759	5.8	130,544	7.7
Income taxes	4,016	0.6	15,665	2.3	31,787	1.6	34,354	2.0
Net income	$ 12,046	1.9	$ 44,533	6.7	$ 86,972	4.3	$ 96,190	5.7

(a) Included $1,500 of LIFO expense for the three and nine months ended September 30, 2022. Includes $7,000 and $12,000 of LIFO expense for the three and nine months ended September 30, 2021, respectively.
(b) Gross profit is calculated as net sales less the cost of materials sold.
(c) Operating expenses are calculated as total costs and expenses less the cost of materials sold.

Net sales decreased 5.1% to $634.4 million in the third quarter of 2022 from $668.5 million in the third quarter of 2021. Specialty metals flat products net sales were 29.7% of total net sales in the third quarter of 2022 compared to 24.6% of total net sales in the third quarter of 2021. Carbon flat products net sales were 53.0% of total net sales in the third quarter of 2022 compared to 60.5% of total net sales in the third quarter of 2021. Tubular and pipe products net sales were 17.3% of total net sales in the third quarter of 2022 compared to 14.9% of total net sales in the third quarter of 2021. The decrease in net sales was due to a consolidated 15.9% decrease in volume, partially offset by a 12.9% increase in average selling prices during the third quarter of 2022 compared to the third quarter of 2021. During the third quarter and first nine months of 2022, our sales volumes were negatively impacted by the sale of our Detroit operations on September 17, 2021. We expect metals prices to decrease during the fourth quarter of 2022 compared to the third quarter of 2022.

Net sales increased 20.9% to $2.0 billion in the first nine months of 2022 from $1.7 billion in the first nine months of 2021. Specialty metals flat products net sales were 30.1% of total net sales in the first nine months of 2022 compared to 25.4% of total net sales in the first nine months of 2021. Carbon flat products net sales were 53.3% of total net sales in the first nine months of 2022 compared to 57.9% of total net sales in the first nine months of 2021. Tubular and pipe products net sales were 16.6% of total net sales in the first nine months of 2022 compared to 16.7% of total net sales in the first nine months of 2021. The increase in net sales was due to a consolidated 41.0% increase in average selling prices during the first nine months of 2022 compared to the first nine months of 2021, partially offset by a 14.3% consolidated decrease in volume. The decrease in tons sold is primarily due to the sale of our Detroit operations on September 17, 2021.

Cost of materials sold increased 1.3% to $527.5 million in the third quarter of 2022 from $520.1 million in the third quarter of 2021. Cost of materials sold increased 26.0% to $1.6 billion in the first nine months of 2022 from $1.3 billion in the first nine months of 2021. The increase in cost of materials sold in the third quarter and first nine months of 2022 is related to the increased metals pricing discussed above in Results of Operations.

As a percentage of net sales, gross profit (as defined in footnote (b) in the table above) decreased to 16.9% in the third quarter of 2022 from 22.1% in the third quarter of 2021. As a percentage of net sales, gross profit (as defined in footnote (b) in the table above) decreased to 19.5% in the first nine months of 2022 from 22.7% in the first nine months of 2021. The decrease in the gross profit as a percentage of net sales is due to the average cost of inventory increasing more than the average selling prices.

Operating expenses in the third quarter of 2022 increased $2.4 million, or 2.9%, to $87.9 million from $85.4 million in the third quarter of 2021. As a percentage of net sales, operating expenses increased to 13.9% for the third quarter of 2022 from 12.8% in the third quarter of 2021. Operating expenses in the specialty metals flat products segment increased $3.4 million, operating expenses in the carbon flat products segment decreased $5.4 million, operating expenses in the tubular and pipe products segment increased $1.7 million and Corporate expenses increased $2.8 million in the third quarter of 2022 compared to the third quarter of 2021. The increase in operating expenses was primarily attributable to the inclusion of operating expenses related to the October 2021 acquisition of Shaw, inflationary impacts on labor, transportation and other product support costs, partially offset by lower year-over-year variable performance-based incentive compensation. During the 3rd quarter of 2021 we recorded a $3.5 million gain, net of expenses, on the sale of our Detroit operations on September 17th, 2021.

Operating expenses in the first nine months of 2022 increased $23.5 million, or 9.5%, to $270.8 million from $247.2 million in the first nine months of 2021. As a percentage of net sales, operating expenses decreased to 13.3% in the first nine months of 2022 from 14.6% in the first nine months of 2021. Operating expenses in the specialty metals flat products segment increased $22.3 million, operating expenses in the carbon flat products segment decreased $5.2 million, operating expenses in the tubular and pipe products segment increased $1.3 million and Corporate expenses increased $5.0 million in the first nine months of 2022 compared to the first nine months of 2021. The increase in operating expenses was primarily attributable to the inclusion of operating expenses related to the October 2021 acquisition of Shaw, inflationary impacts on labor, transportation and other product support costs, partially offset by lower year-over-year variable performance-based incentive compensation. During the first nine months of 2021 we recorded a $3.5 million gain, net of expenses, on the sale of our Detroit operations on September 17th, 2021.

Interest and other expense on debt totaled $3.0 million, or 0.5% of net sales, in the third quarter of 2022 compared to $1.9 million, or 0.3% of net sales, in the third quarter of 2021. Interest and other expense on debt totaled $7.3 million, or 0.4% of net sales, in the first nine months of 2022 compared to $5.6 million, or 0.3% of net sales, in the first nine months of 2021. The increase was due to higher borrowings and a higher effective borrowing rate in the first nine months of 2022 compared to the first nine months of 2021. Our effective borrowing rate, exclusive of deferred financing fees and commitment fees, was 2.9% for the first nine months of 2022 compared to 2.6% for the first nine months of 2021.

In the third quarter of 2022, income before income taxes totaled $16.1 million compared to income before income taxes of $60.2 million in the third quarter of 2021. In the first nine months of 2022, income before income taxes totaled $118.8 million compared to income before income taxes of $130.5 million in the first nine months of 2021.

An income tax provision of 25.0% was recorded for the third quarter of 2022, compared to an income tax provision of 26.0% for the third quarter of 2021. An income tax provision of 26.8% was recorded for the first nine months of 2022, compared to an income tax provision of 26.3% for the first nine months of 2021. Our tax provision for interim periods is determined using an estimate of our annual effective tax rate, adjusted for discrete items that are considered in the relevant period. Each quarter, we update our estimate of the annual effective tax rate, and if our estimated tax rate changes, we make a cumulative adjustment.

Net income for the third quarter of 2022 totaled $12.0 million, or $1.04 per basic share and diluted share, compared to net income of $44.5 million, or $3.88 per basic and $3.87 per diluted share, for the third quarter of 2021. Net income for the first nine months of 2022 totaled $87.0 million, or $7.53 per basic share and diluted share, compared to net income of $96.2 million, or $8.37 per basic and $8.36 per diluted share, for the first nine months of 2021.

Segment Operations

Specialty metals flat products

The following table presents selected operating results for our specialty metals flat products segment for the periods indicated (dollars are shown in thousands, except for per ton information):

	For the Three Months Ended September 30,				For the Nine Months Ended September 30,			
	2022		2021		2022		2021	
		% of net sales		% of net sales		% of net sales		% of net sales
Direct tons sold	31,877		39,579		106,050		117,374	
Toll tons sold	2,312		1,624		4,969		5,904	
Total tons sold	34,189		41,203		111,019		123,278	
Net sales	$ 188,301	100.0	$ 164,179	100.0	$ 614,744	100.0	$ 428,533	100.0
Average selling price per ton	5,508		3,985		5,537		3,476	
Cost of materials sold	150,546	79.9	120,227	73.2	455,977	74.2	331,348	77.3
Gross profit (a)	37,755	20.1	43,952	26.8	158,767	25.8	97,185	22.7
Operating expenses (b)	22,683	12.0	19,289	11.8	73,138	11.9	50,798	11.9
Operating income	$ 15,072	8.0	$ 24,663	15.0	$ 85,629	13.9	$ 46,387	10.8

(a) Gross profit is calculated as net sales less the cost of materials sold.
(b) Operating expenses are calculated as total costs and expenses less the cost of materials sold.

Tons sold by our specialty metals flat products segment decreased 17.0% to 34 thousand in the third quarter of 2022 from 41 thousand in the third quarter of 2021. Tons sold by our specialty metals flat products segment decreased 9.9% to 111 thousand in the first nine months of 2022 from 123 thousand in the first nine months of 2021. The decrease in tons sold was due to current economic trends.

Net sales in our specialty metals flat products segment increased $24.1 million, or 14.7%, to $188.3 million in the third quarter of 2022 from $164.2 million in the third quarter of 2021. The increase in sales was due to a 38.2% increase in average selling prices offset by a 17.0% decrease in sales volume during the third quarter of 2022 compared to the third quarter of 2021. Average selling prices in the third quarter of 2022 were $5,508 per ton, compared with $3,985 per ton in the third quarter of 2021, and $5,913 per ton in the second quarter of 2022. The increase in the year over year average selling price per ton is a result of the increased industry metals pricing discussed above. We expect specialty metals prices to remain elevated in the fourth quarter of 2022, but lower than the third quarter of 2022.

Net sales in our specialty metals flat products segment increased $186.2 million, or 43.5%, to $614.7 million in the first nine months of 2022 from $428.5 million in the first nine months of 2021. The increase in sales was due to a 59.3% increase in average selling prices offset by a 9.9% decrease in sales volume during the first nine months of 2022 compared to the first nine months of 2021. Average selling prices in the first nine months of 2022 were $5,537 per ton, compared with $3,476 per ton in the first nine months of 2021. The increase in the year over year average selling price per ton is a result of the increased industry metals and the stainless surcharge pricing discussed above in Results of Operations.

Cost of materials sold in our specialty metals flat products segment increased $30.3 million, or 25.2%, to $150.5 million in the third quarter of 2022 from $120.2 million in the third quarter of 2021. Cost of materials sold in our specialty metals flat products segment increased $124.6 million, or 37.6%, to $456.0 million in the first nine months of 2022 from $331.3 million in the first nine months of 2021. The increase in cost of materials sold was due to the increased industry metals pricing discussed above in Results of Operations.

As a percentage of net sales, gross profit (as defined in footnote (a) in the table above) decreased to 20.1% in the third quarter of 2022 from 26.8% in the third quarter of 2021. As a percentage of net sales, gross profit (as defined in footnote (a) in the table above) increased to 25.8% in the first nine months of 2022 from 22.7% in the first nine months of 2021. The third quarter of 2022 decrease in gross profit as a percentage of net sales is due to the average costs of inventory increasing more quickly than the average selling price increases. The increase in the year over year gross profit as a percentage of net sales is due to the impact of the increased average selling prices discussed above in Results of Operations, while the average costs of inventory did not increase as quickly as the average selling price.

Operating expenses increased $3.4 million, or 17.6%, to $22.7 million in the third quarter of 2022 from $19.3 million in the third quarter of 2021. As a percentage of net sales, operating expenses increased to 12.0% in the third quarter of 2022 compared to 11.8% in the third quarter of 2021. Operating expenses increased $22.3 million, or 44.0%, to $73.1 million in the first nine months of 2022 from $50.8 million in the first nine months of 2021. As a percentage of net sales, operating expenses remained flat at 11.9% in the first nine months of 2022 compared to the first nine months of 2021. The year-over-year increase in operating expenses was primarily attributable to the inclusion of operating expenses related to the October 1, 2021 acquisition of Shaw Stainless, inflationary impacts on labor, transportation and other product support costs and increased variable performance-based incentive compensation.

Operating income in the third quarter of 2022 totaled $15.1 million, or 8.0% of net sales, compared to $24.7 million, or 15.0% of net sales, in the third quarter of 2021. Operating income in the first nine months of 2022 totaled $85.6 million, or 13.9% of net sales, compared to $46.4 million, or 10.8% of net sales, in the first nine months of 2021.

Carbon flat products

The following table presents selected operating results for our carbon flat products segment for the periods indicated (dollars are shown in thousands, except for per ton information):

	For the Three Months Ended September 30,				For the Nine Months Ended Septembe 30,			
	2022		2021		2022		2021	
		% of net sales		% of net sales		% of net sales		% of net sales
Direct tons sold	196,282		229,013		598,803		682,657	
Toll tons sold	6,840		15,506		21,006		46,093	
Total tons sold	203,122		244,519		619,809		728,750	
Net sales	$ 336,259	100.0	$ 404,596	100.0	$ 1,086,473	100.0	$ 976,480	100.0
Average selling price per ton	1,655		1,655		1,753		1,340	
Cost of materials sold	293,498	87.3	321,005	79.3	931,844	85.8	755,111	77.3
Gross profit (a)	42,761	12.7	83,591	20.7	154,629	14.2	221,369	22.7
Operating expenses (b)	41,029	12.2	46,427	11.5	127,404	11.7	132,572	13.6
Operating income	$ 1,732	0.5	$ 37,164	9.2	$ 27,225	2.5	$ 88,797	9.1

(a) Gross profit is calculated as net sales less the cost of materials sold.
(b) Operating expenses are calculated as total costs and expenses less the cost of materials sold.

Tons sold by our carbon flat products segment decreased 16.9% to 203 thousand in the third quarter of 2022 from 245 thousand in the third quarter of 2021. Tons sold by our carbon flat products segment decreased 14.9% to 620 thousand in the first nine months of 2022 from 729 thousand in the first nine months of 2021. The decrease in tons sold is primarily due to the sale of our Detroit operations on September 17, 2021.

Net sales in our carbon flat products segment decreased $68.3 million, or 16.9%, to $336.3 million in the third quarter of 2022 from $404.6 million in the third quarter of 2021. The decrease in sales was attributable to a 16.9% decrease in tons sold. Average selling prices in the third quarter of 2022 remained flat at $1,655 per ton when compared to the third quarter of 2021 and decreased compared with $1,760 per ton in the second quarter of 2022. We expect metals prices to decrease in the fourth quarter of 2022 as discussed above in Results of Operations.

Net sales in our carbon flat products segment increased $110.0 million, or 11.3%, to $1.1 billion in the first nine months of 2022 from $976.5 million in the first nine months of 2021. The increase in sales was attributable to a 30.8% increase in average selling prices in the first nine months of 2022 compared to the first nine months of 2021, partially offset by a 14.9% decrease in tons sold. Average selling prices in the first nine months of 2022 increased to $1,753 per ton, compared with $1,340 per ton in the first nine months of 2021. The increase in the year over year average selling price per ton is a result of the increased industry metals pricing discussed above in Results of Operations.

Cost of materials sold decreased $27.5 million, or 8.6%, to $293.5 million in the third quarter of 2022 from $321.0 million in the third quarter of 2021. Cost of materials sold increased $176.7 million, or 23.4%, to $931.8 million in the first nine months of 2022 from $755.1 million in the first nine months of 2021. The increase was due to the increased market price for metals discussed above in Results of Operations.

As a percentage of net sales, gross profit (as defined in footnote (a) in the table above) decreased to 12.7% in the third quarter of 2022 compared to 20.7% in the third quarter of 2021. As a percentage of net sales, gross profit (as defined in footnote (a) in the table above) decreased to 14.2% in the first nine months of 2022 compared to 22.7% in the first nine months of 2021. The decrease in the gross profit as a percentage of net sales is due to the impact of the decreased carbon average selling prices discussed above in Results of Operations, while the average costs of inventory did not decrease as quickly as the average selling price. We expect this trend to continue into the fourth quarter of 2022.

Operating expenses in the third quarter of 2022 decreased $5.4 million, or 11.6%, to $41.0 million from $46.4 million in the third quarter of 2021. Operating expenses in the first nine months of 2022 decreased $5.2 million, or 3.9%, to $127.4 million from $132.6 million in the first nine months of 2021. The year-over-year decrease in operating expenses was primarily attributable to lower variable performance-based incentive compensation.

Operating income in the third quarter of 2022 totaled $1.7 million, or 0.5% of net sales, compared to operating income of $37.2 million, or 9.2% of net sales, in the third quarter of 2021. Operating income in the first nine months of 2022 totaled $27.2 million, or 2.5% of net sales, compared to operating income of $88.8 million, or 9.1% of net sales, in the first nine months of 2021.

Tubular and pipe products

The following table presents selected operating results for our tubular and pipe products segment for the periods indicated (dollars are shown in thousands):

	For the Three Months Ended September 30,				For the Nine Months Ended September 30,			
	2022		2021		2022		2021	
	$	% of net sales	$	% of net sales	$	% of net sales	$	% of net sales
Net sales	$ 109,877	100.0	$ 99,691	100.0	$ 338,729	100.0	$ 282,654	100.0
Cost of materials sold (a)	83,422	75.9	79,634	79.9	255,298	75.4	217,775	77.0
Gross profit (b)	26,455	24.1	20,057	20.1	83,431	24.6	64,879	23.0
Operating expenses (c)	19,360	17.6	17,703	17.8	54,454	16.1	53,166	18.8
Operating income	$ 7,095	6.5	$ 2,354	2.4	$ 28,977	8.6	$ 11,713	4.2

(a) Includes $1,500 of LIFO expense for the three and nine months ended September 30, 2022. Includes $7,000 and $12,000 of LIFO expense for the three and nine months ended September 30, 2021, respectively.
(b) Gross profit is calculated as net sales less the cost of materials sold.
(c) Operating expenses are calculated as total costs and expenses less the cost of materials sold.

Net sales increased $10.2 million, or 10.2%, to $109.9 million in the third quarter of 2022 from $99.7 million in the third quarter of 2021. The increase is a result of a 15.6% increase in average selling prices offset by a 4.6% decrease in shipping volume during the third quarter of 2022 compared to the third quarter of 2021. Net sales increased $56.1 million, or 19.8%, to $338.7 million in the first nine months of 2022 from $282.7 million in the first nine months of 2021. The increase is a result of a 40.2% increase in average selling prices offset by a 14.5% decrease in shipping volume during the third quarter of 2022 compared to the third quarter of 2021. We expect metals prices to decrease in the fourth quarter of 2022 as discussed above in Results of Operations.

Cost of materials sold increased $3.8 million, or 4.8%, to $83.4 million in the third quarter of 2022 from $79.6 million in the third quarter of 2021. Cost of materials sold increased $37.5 million, or 17.2%, to $255.3 million in the first nine months of 2022 from $217.8 million in the first nine months of 2021. During the three and nine months ended September 30, 2022, the Company recorded $1.5 million of LIFO expense. During the three and nine months ended September 30, 2021, the Company recorded $7.0 million and $12.0 million of LIFO expense, respectively.

As a percentage of net sales, gross profit (as defined in footnote (b) in the table above) increased to 24.1% in the third quarter of 2022 compared to 20.1% in the third quarter of 2021. As a percentage of net sales, the LIFO expense recorded in the third quarter of 2022 decreased gross profit by 1.4% and in the third quarter of 2021 decreased gross profit by 7.0%. As a percentage of net sales, gross profit (as defined in footnote (b) in the table above) increased to 24.6% in the first nine months of 2022 compared to 23.0% in the first nine months of 2021. As a percentage of net sales, the LIFO expense recorded in the first nine months of 2022 decreased gross profit by 0.4% and in the third quarter of 2021 decreased gross profit by 4.2%.

Operating expenses in the third quarter of 2022 increased $1.7 million, or 9.4%, to $19.4 million from $17.7 million in the third quarter of 2021. Operating expenses decreased to 17.6% of net sales in the third quarter of 2022 compared to 17.8% in the third quarter of 2021. Operating expenses in the first nine months of 2022 increased $1.3 million, or 2.4%, to $54.5 million from $53.2 million in the first nine months of 2021. Operating expenses decreased to 16.1% of net sales in the first nine months of 2022 compared to 18.8% in the first nine months of 2021. The increase in operating expenses was primarily due to inflationary impacts on labor, transportation and other product support costs and increased variable performance-based incentive compensation, offset by the $2.1 million gain on the sale of the Milan, Iowa facility in the first quarter of 2022.

Operating income in the third quarter 2022 totaled $7.1 million, or 6.5% of net sales, compared to $2.4 million, or 2.4% of net sales, in the third quarter of 2021. Operating income in the first nine months of 2022 totaled $29.0 million, or 8.6% of net sales, compared to $11.7 million, or 4.2% of net sales, in the first nine months of 2021.

Corporate expenses

Corporate expenses increased $2.8 million, or 138.1%, to $4.8 million in the third quarter of 2022 from $2.0 million in the third quarter of 2021. Corporate expenses increased $5.0 million, or 47.1%, to $15.8 million in the first nine months of 2022 from $10.7 million in the first nine months of 2021 During the 3rd quarter of 2021 we recorded a $3.5 million gain, net of expenses, on the sale of our Detroit operations on September 17, 2021.

Liquidity, Capital Resources and Cash Flows

Our principal capital requirements include funding working capital needs, purchasing, upgrading and acquiring processing equipment and facilities, making acquisitions and paying dividends. We use cash generated from operations and borrowings under our credit facility to fund these requirements.

We believe that funds available under our ABL Credit Facility, together with funds generated from operations, will be sufficient to provide us with the liquidity necessary to fund anticipated working capital requirements, capital expenditure requirements, our dividend payments and any share repurchases and business acquisitions for at least the next 12 months and for the foreseeable future thereafter. In the future, we may as part of our business strategy, acquire and dispose of assets or other companies in the same or complementary lines of business, or enter into or exit strategic alliances and joint ventures. Accordingly, the timing and size of our capital requirements are subject to change as business conditions warrant and opportunities arise.

Operating Activities

For the nine months ended September 30, 2022, we generated $98.3 million of net cash from operations, of which $107.1 million was generated from operating activities and $8.9 million was used for working capital. For the nine months ended September 30, 2021, we used $126.9 million of net cash for operations, of which $107.8 million was generated from operating activities and $234.7 million was used for working capital.

Net cash from operations totaled $107.1 million during the first nine months of 2022 and was mainly comprised of net income of $87.0 million, the non-cash depreciation and amortization addback of $14.9 million, gains on disposition of property and equipment of $2.2 million and changes in other long-term liabilities of $5.5 million. Net cash from operations totaled $107.8 million during the first nine months of 2021 and was mainly comprised of net income of $96.2 million, the non-cash depreciation and amortization addback of $15.8 million, a decrease in other long-term assets of $5.6 million, offset by a gain on disposition of our Detroit operations of $6.1 million and changes in other long-term liabilities of $4.5 million.

Working capital at September 30, 2022 totaled $574.4 million, a $9.3 million increase from December 31, 2021. The increase was primarily attributable to a $23.1 million increase in inventories, a $14.8 million increase in accounts payable and a $3.6 million increase in outstanding checks, offset by a $12.0 million decrease in accrued payroll and other liabilities, a $5.2 million decrease in accounts receivable and a $2.6 million decrease in prepaid expenses and other.

Investing Activities

Net cash used for investing activities totaled $10.7 million during the nine months ended September 30, 2022, compared to net cash from investing activities of $1.8 million during the nine months ended September 30, 2021. Net cash used for investing activities primarily consisted of $14.0 million in new capital expenditures offset by $3.3 million in proceeds primarily from the sale of the Milan, Iowa facility. The capital expenditures in the first nine months of 2022 and 2021 were primarily attributable to additional processing equipment at our existing facilities. We expect capital spending in the fourth quarter of 2022 to be comparable to the third quarter of 2022.

Financing Activities

During the first nine months of 2022, $87.2 million of cash was used for financing activities, which primarily consisted of $83.6 million of net repayments under our ABL Credit Facility, $3.0 million of dividends paid, $0.5 million of principal payments under capital lease obligations and $0.1 million of credit facility fees and expenses related to the amended ABL Credit Facility.

Dividends paid were $3.0 million and $0.7 million for the nine months ended September 30, 2022 and September 30, 2021, respectively. In November 2022, our Board of Directors approved a regular quarterly dividend of $0.09 per share, which will be paid on December 15, 2022 to shareholders of record as of December 1, 2022. Regular dividend distributions in the future are subject to the availability of cash, the $5.0 million annual limitation on cash dividends and common stock repurchases under our ABL Credit Facility and continuing determination by our Board of Directors that the payment of dividends remains in the best interest of our shareholders.

Equity Programs

In 2015, our Board of Directors authorized a stock repurchase program of up to 550,000 shares of our issued and outstanding common stock, which could include open market repurchases, negotiated block transactions, accelerated stock repurchases or open market solicitations for shares, all or some of which may be effected through Rule 10b5-1 plans. Repurchased shares will be held in our treasury, or canceled and retired as our Board may determine from time to time. Any repurchases of common stock are subject to the covenants contained in the ABL Credit Facility. Under the ABL Credit Facility, we may repurchase common stock and pay dividends up to $5.0 million in the aggregate during any trailing twelve months without restrictions. Purchases in excess of $5.0 million require us (i) to maintain availability in excess of 20% of the aggregate revolver commitments ($95.0 million at September 30, 2022) or (ii) to maintain availability equal to or greater than 15% of the aggregate revolver commitments ($71.3 million at September 30, 2022) and we must maintain a pro-forma ratio of EBITDA, minus certain capital expenditures and cash taxes paid to fixed charges of at least 1.00 to 1.00. The timing and amount of any repurchases under the stock repurchase program will depend upon several factors, including market and business conditions, and limitations under the ABL Credit Facility, and repurchases may be discontinued at any time. As of September 30, 2022, 360,212 shares remain authorized for repurchase under the program.

There were no shares repurchased during the three and nine months ended September 30, 2022 or September 30, 2021.

On September 3, 2021, we commenced an at-the market, or ATM, equity program under our shelf registration statement, which allows us to sell and issue up to $50 million in shares of our common stock from time to time. We entered into an Equity Distribution Agreement on September 3, 2021 with KeyBanc Capital Markets Inc., or KeyBanc, relating to the issuance and sale of shares of common stock pursuant to the program. KeyBanc is not required to sell any specific amount of securities but will act as our sales agent using commercially reasonable efforts consistent with its normal trading and sales practices, on mutual agreed terms between KeyBanc and us. KeyBanc will be entitled to compensation for shares sold pursuant to the program of 2.0% of the gross proceeds of any shares of common stock sold under the Equity Distribution Agreement. No shares were sold under the ATM program during the three and nine months ended September 30, 2022 and 2021.

Debt Arrangements

Our ABL Credit Facility is collateralized by our accounts receivable inventory and personal property. The ABL Credit Facility consists of (i) a revolving credit facility of $445 million, including a $20 million sub-limit for letters of credit and (ii) a first in, last out revolving credit facility of up to $30 million. Under the terms of the ABL Credit Facility, we may request additional commitments in the aggregate principal amount of up to $200 million to the extent that existing or new lenders agree to provide such additional commitments. Revolver borrowings are limited to the lesser of a borrowing base, comprised of eligible receivables and inventories, or $475 million in the aggregate. The ABL Credit Facility matures on June 16, 2026.

The ABL Credit Facility contains customary representations and warranties and certain covenants that limit our ability to, among other things: (i) incur or guarantee additional indebtedness; (ii) pay distributions on, redeem or repurchase capital stock or redeem or repurchase subordinated debt; (iii) make investments; (iv) sell assets; (v) enter into agreements that restrict distributions or other payments from restricted subsidiaries to us; (vi) incur liens securing indebtedness; (vii) consolidate, merge or transfer all or substantially all of our assets; and (viii) engage in transactions with affiliates. In addition, the ABL Credit Facility contains a financial covenant which requires if any commitments or obligations are outstanding our availability is less than the greater of $30 million or 10.0% of the aggregate amount of revolver commitments ($47.5 million at September 30, 2022) or 10.0% of the aggregate borrowing base ($47.5 million at September 30, 2022), then we must maintain a ratio of Earnings before Interest, Taxes, Depreciation and Amortization, or EBITDA, minus certain capital expenditures and cash taxes paid to fixed charges of at least 1.00 to 1.00 for the most recent twelve fiscal month period.

We have the option to borrow under its revolver based on the agent's base rate plus a premium ranging from 0.00% to 0.25% or the London Interbank Offered Rate, or LIBOR, plus a premium ranging from 1.25% to 2.75%.

As of September 30, 2022, we were in compliance with our covenants and had approximately $227 million of availability under the ABL Credit Facility.

As of September 30, 2022, $1.3 million of bank financing fees were included in "Prepaid expenses and other" and "Other long-term assets" on the accompanying Consolidated Balance Sheets. The financing fees are being amortized over the five-year term of the ABL Credit Facility and are included in "Interest and other expense on debt" on the accompanying Consolidated Statements of Comprehensive Income.

On January 10, 2019, we entered into a five-year forward starting fixed rate interest rate hedge in order to eliminate the variability of cash interest payments on $75 million of the outstanding LIBOR based borrowings under the ABL Credit Facility. The interest rate hedge fixed the rate at 2.57%.

Critical Accounting Policies

This Management's Discussion and Analysis of Financial Condition and Results of Operations is based on the consolidated financial statements included in this Quarterly Report on Form 10-Q, which have been prepared in conformity with accounting principles generally accepted in the United States. The preparation of these financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements. We monitor and evaluate our estimates and assumptions, based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results could differ from these estimates under different assumptions or conditions.

We review our financial reporting and disclosure practices and accounting practices quarterly to ensure they provide accurate and transparent information relative to the current economic and business environment. For further information regarding the accounting policies that we believe to be critical accounting policies that affect our more significant judgments and estimates used in preparing our consolidated financial statements, see Management's Discussion and Analysis of Financial Condition and Results of Operations contained in our Annual Report on Form 10-K for the year ended December 31, 2021.

Item 3. ***Quantitative and Qualitative Disclosures About Market Risk***

Our principal raw materials are carbon, coated and stainless steel, aluminum, pipe and tube, flat rolled coil, sheet and plate that we typically purchase from multiple primary metals producers. The metals industry as a whole is cyclical and, at times, pricing and availability of metals can be volatile due to numerous factors beyond our control, including general domestic and international economic conditions, the levels of metals imported into the United States, labor costs, sales levels, competition, levels of inventory held by other metals service centers, consolidation of metals producers, new global capacity by metals producers, higher raw material costs for the producers of metals, import duties and tariffs and currency exchange rates. This volatility can significantly affect the availability and cost of raw materials for us.

We, like many other metals service centers, maintain substantial inventories of metals to accommodate the short lead times and just-in-time delivery requirements of our customers. Accordingly, we purchase metals in an effort to maintain our inventory at levels that we believe to be appropriate to satisfy the anticipated needs of our customers based upon historic buying practices, supply agreements with customers and market conditions. Our commitments to purchase metals are generally at prevailing market prices in effect at the time we place our orders. We have no long-term, fixed-price metals purchase contracts. When metals prices increase, competitive conditions will influence how much of the price increase we can pass on to our customers. To the extent we are unable to pass on future price increases in our raw materials to our customers, the net sales and profitability of our business could be adversely affected. When metals prices decline, customer demands for lower prices and our competitors' responses to those demands could result in lower sale prices and, consequently, lower gross profits and inventory lower of cost or net realizable value adjustments as we sell existing inventory. Significant or rapid declines in metals prices or reductions in sales volumes could adversely impact our ability to remain in compliance with certain financial covenants in our credit facility, as well as result in us incurring inventory or intangible asset impairment charges. Changing metals prices therefore could significantly impact our net sales, gross profits, operating income and net income.

Rising metals prices result in higher working capital requirements for us and our customers. Some customers may not have sufficient credit lines or liquidity to absorb significant increases in the price of metals. While we have generally been successful in the past in passing on producers' price increases and surcharges to our customers, there is no guarantee that we will be able to pass on price increases to our customers in the future. Declining metals prices have generally adversely affected our net sales and net income, while increasing metals prices have generally favorably affected our net sales and net income.

Approximately 52% and 45% of our consolidated net sales during the first nine months of 2022 and 2021, respectively, were directly related to industrial machinery and equipment manufacturers and their fabricators.

Inflation generally affects us by increasing the cost of employee wages and benefits, transportation services, processing equipment, energy and borrowings under our credit facility. General inflation, excluding increases in the price of metals, labor and increased distribution expense, has not had a material effect on our financial results in prior years, but is expected to have an impact in 2022 due to the elevated inflation rate.

We are exposed to the impact of fluctuating metals prices and interest rate changes. During 2022 and 2021, we entered into metals swaps at the request of customers. These derivatives have not been designated as hedging instruments. For certain customers, we enter into contractual relationships that entitle us to pass through the economic effect of trading positions that we take with other third parties on our customers' behalf.

Our primary interest rate risk exposure results from variable rate debt. We have the option to enter into 30- to 180-day fixed base rate LIBOR loans under the ABL Credit Facility. On January 10, 2019, we entered into a five-year interest rate swap that locked the interest rate at 2.57% on $75 million of our revolving debt.

Item 4. ***Controls and Procedures***

The evaluation required by Rule 13a-15(e) of the Securities Exchange Act of 1934 of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this Quarterly Report on Form 10-Q has been carried out under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer. These disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed in reports that are filed with or submitted to the SEC is: (i) accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosures and (ii) recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of September 30, 2022, our disclosure controls and procedures were effective.

There were no changes in our internal control over financial reporting that occurred during the third quarter of 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II. OTHER INFORMATION

Items 1, 1A, 2, 3, 4 and 5 of this Part II are either inapplicable or are answered in the negative and are omitted pursuant to the instructions to Part II.

Item 6. ***Exhibits***

Exhibit	Description of Document	Reference
31.1	Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
31.2	Certification of the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
32.1	Certification of the Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Furnished herewith
32.2	Certification of the Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Furnished herewith
101	The following materials from Olympic Steel's Quarterly Report on Form 10-Q for the period ended September 30, 2022, formatted in Inline XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Comprehensive Income (Loss), (iii) the Consolidated Statements of Cash Flows, (iv) the Supplemental Disclosures of Cash Flow Information, (v) the Consolidated Statements of Shareholders' Equity, (vi) Notes to Unaudited Consolidated Financial Statements and (vii) document and entity information.	
104	Cover Page Interactive Data File (embedded within the Inline XBRL and contained in Exhibit 101)	

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

OLYMPIC STEEL, INC.
(Registrant)

Date: November 4, 2022

By: /s/ Richard T. Marabito
Richard T. Marabito
Chief Executive Officer

By: /s/ Richard A. Manson
Richard A. Manson
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 31.1

Certification of the Principal Executive Officer
Pursuant to 15 U.S.C. 78m(a) or 78o(d)
(Section 302 of the Sarbanes-Oxley Act of 2002)

I, Richard T. Marabito, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Olympic Steel, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ Richard T. Marabito
Richard T. Marabito
Olympic Steel, Inc.
Chief Executive Officer
November 4, 2022

Exhibit 31.2

Certification of the Principal Financial Officer
Pursuant to 15 U.S.C. 78m(a) or 78o(d)
(Section 302 of the Sarbanes-Oxley Act of 2002)

I, Richard A. Manson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Olympic Steel, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ Richard A. Manson
Richard A. Manson
Olympic Steel, Inc.
Chief Financial Officer
November 4, 2022

Exhibit 32.1

Certification of the Principal Executive Officer
Pursuant to 18 U.S.C. 1350
(Section 906 of the Sarbanes-Oxley Act of 2002)

I, Richard T. Marabito, the Chief Executive Officer of Olympic Steel, Inc. (the "Company"), certify that to the best of my knowledge, based upon a review of this report on Form 10-Q for the period ended September 30, 2022 of the Company (the "Report"):

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company, as of the dates and for the periods expressed in this Report.

By: /s/ Richard T. Marabito
Richard T. Marabito
Olympic Steel, Inc.
Chief Executive Officer
November 4, 2022

Exhibit 32.2

Certification of the Principal Financial Officer
Pursuant to 18 U.S.C. 1350
(Section 906 of the Sarbanes-Oxley Act of 2002)

I, Richard A. Manson, the Chief Financial Officer of Olympic Steel, Inc. (the "Company"), certify that to the best of my knowledge, based upon a review of this report on Form 10-Q for the period ended September 30, 2022 of the Company (the "Report"):

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in this Report.

By: /s/ Richard A. Manson
Richard A. Manson
Olympic Steel, Inc.
Chief Financial Officer
November 4, 2022