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TMS International Corp. Reports Second Quarter 2011 Results

PITTSBURGH, PA, August 10, 2011 – TMS International Corp. (NYSE: TMS), the parent company of Tube City IMS Corporation, a leading provider of outsourced industrial services to steel mills globally, today announced results for the second quarter ended June 30, 2011.

Highlights

- Revenue After Raw Materials Costs in the quarter was $137.0 million, an 11.4% increase compared to $123.0 million in the second quarter of 2010.
- Adjusted EBITDA was $33.5 million[1], a 3.6% decrease compared to the $34.7 million in the second quarter of 2010.
- Announced new contract wins during the quarter including the company's first contract in the Middle East/North Africa region.
- Full-year 2011 Adjusted EBITDA guidance reaffirmed at $133 million to $137 million, representing a year-over-year growth rate of 11% to 14%.

Fiscal 2011 Second Quarter Results

Revenue After Raw Materials Costs, the company's measurement of sales performance, was $137.0 million, an increase of 11.4% compared to $123.0 million in the second quarter of 2010.

Adjusted EBITDA for the fiscal quarter was $33.5 million compared to $34.7 million of Adjusted EBITDA in the prior year, a decrease of 3.6%. The primary reason for the year-over-year decrease in Adjusted EBITDA is the timing of two opportunistic large vessel shipments in the company's Raw Material and Optimization Group that contributed approximately $2.5 million of EBITDA in the second quarter of 2010.

The company's Adjusted EBITDA Margin[2] for the second quarter of 2011 was 24.4% compared to 28.2% in the second quarter of 2010. Adjusted EBITDA Margins declined year-over-year due to a smaller percentage of overall revenue generated by the higher margin Raw Material and Optimization Group in the second quarter of 2011 as well as

[1] Excludes a $1.3 million previously announced one-time charge for share based compensation directly related to the company's initial public offering completed in April 2011.
[2] Adjusted EBITDA Margin – calculated as a percentage of Revenue After Raw Materials Costs.

increased fuel costs. The majority of the company's contracts have fuel surcharges or inflationary price adjustment mechanisms that typically recapture fuel and other price increases, although these price adjustments generally lag cost increases by a short period of time.

Excluding the $1.3 million charge related to the initial public offering, basic and diluted earnings for the second quarter 2011 were both approximately $0.17 per share compared with a loss of $0.08 per share in the second quarter of last year. Including the one-time charge, basic and diluted earnings per share were both $0.13 for the second quarter of 2011.

Joseph Curtin, President and Chief Executive Officer of TMS International Corp., said with respect to the company's second quarter results, "We had another solid quarter with record revenue and our third best Adjusted EBITDA quarter ever. Our team continues to successfully execute all aspects of our business plan with passion, which is producing strong financial results. We fully expect our success to continue and we are optimistic about our future."

The company ended the second quarter of 2011 with a cash balance of $93.8 million compared to a balance of $17.3 million at the end of the second quarter of 2010. This increase was largely due to the proceeds from the company's initial public offering.

Cash used by operating activities in the second quarter of 2011 was $31.1 million compared to cash provided by operations of $25.5 million in the second quarter of 2010.
A temporary $57.3 million increase in working capital at quarter-end was related to the timing of receivables and payables in the Raw Material and Optimization Group. The underlying raw materials shipments were completed shortly after quarter-end and working capital returned to normalized levels. The company's cash balance as of July 31, 2011 was approximately $131 million with no draw on its $165 million revolving credit facility.

Discretionary Cash Flow[3], which the Company uses to measure operating cash flow generation, was $22.9 million for the quarter.

Fiscal 2011 Six Month Results

Revenue After Raw Materials Costs for the six months ended June 30, 2011 increased 18.5% to $272.3 million from $229.7 million for the first six months of 2010. Excluding the $1.3 million second quarter one-time charge described above, Adjusted EBITDA for the first six months of 2011 increased 12.4% to $68.1 million from $60.6 million for the first six months of 2010. Adjusted EBITDA margin for the first six months of 2011 was 25.0% compared to 26.4 % for the first six months of 2010.

[3] Adjusted EBITDA minus maintenance capex (previously referred to in the company's financial statements as "Free Cash Flow").

For the first six months of 2011, the company produced Discretionary Cash Flow of $50.2 million.

Contract Wins

Earlier in the quarter, the company announced it had secured new contracts for mill services totaling more than $84 million in revenue over the life of the contracts at expected production levels. The company will provide various services at steel mills in Abu Dhabi, United Arab Emirates and Dunkerque, France, further expanding the Company's international footprint.

Year-to-date, the company has won a total of six new mill services contracts, representing more than $147 million of cumulative revenue at expected production levels.

Outlook

The company reaffirmed its previous Adjusted EBITDA guidance for the full year 2011 in the range of $133 million to $137 million, representing a year-over-year growth rate of 11% to 14%.

Conference Call Information

The company will hold a conference call to discuss second quarter 2011 results at 11:00 a.m. EDT this morning. The call will be web cast live over the Internet from the company's Web site at www.tmsinternationalcorp.com under "Investor Relations." Participants should follow the instructions provided on the Web site for downloading and installing the necessary audio applications. The conference call also is available by dialing 1-800-860-2442 (domestic toll free) or 1-412-858-4600 (international) and asking for the TMS International Corp. second quarter earnings conference call.

Following the live conference call, a replay will be available beginning one hour after the call. The replay also will be available on the company's web site or by dialing 1-877-344-7529 (domestic toll free) or 1-412-317-0088 (international) and entering the replay passcode 449918. The telephonic replay will be available until Wednesday, August 17, 2011.

About TMS International Corp.

TMS International Corp., through its subsidiaries, including Tube City IMS Corporation, is the largest provider of outsourced industrial services to steel mills in North America as measured by revenue and has a substantial and growing international presence. The company provides services at 78 customer sites in 10 countries and operates a global raw materials procurement network with 26 offices in 11 countries spanning five continents.

Forward Looking Statements

Certain information in this news release contains forward-looking statements with respect to the company's financial condition, results of operations or business or its expectations or beliefs concerning future events. Such forward-looking statements include the discussions of the company's business strategies, estimates of future global steel production and other market metrics and the company's expectations concerning future operations, margins, profitability, liquidity and capital resources. Although the company believes that such forward-looking statements are reasonable, it cannot assure you that any forward-looking statements will prove to be correct. Such forward-looking statements involve risks, uncertainties, estimates and assumptions that may cause the company's actual results, performance or achievements to be materially different. Additional information relating to factors that may cause actual results to differ from the company's forward-looking statements can be found in the company's Registration Statement on Form S-1. The company undertakes no obligation to update or revise forward-looking statements after the day of the release as a result of new information, future events or developments except as required by law.

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TMS INTERNATIONAL CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands of dollars, except share and per share data)

	Second quarter ended June 30,		Six months ended June 30,	
	2011	**2010**	**2011**	**2010**
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**
Revenue:				
Revenue from Sale of Materials	$ 552,047	$ 525,255	$ 1,103,173	$ 902,465
Service Revenue	118,704	102,592	231,538	196,055
Total Revenue	670,751	627,847	1,334,711	1,098,520
Costs and Expenses:				
Cost of Raw Materials Shipments	533,732	504,873	1,062,458	868,784
Site Operating Costs	89,633	73,072	174,197	142,040
Selling, General and Administrative Expenses	13,936	15,185	30,001	27,124
Share based compensation associated with initial public offering	1,304	--	1,304	--
Depreciation	11,769	12,292	23,568	25,222
Amortization	3,072	3,038	6,134	6,089
Total Costs and Expenses	653,446	608,460	1,297,662	1,069,259
Income from Operations	17,305	19,387	37,049	29,261
Interest Expense, Net	(7,907)	(9,820)	(16,584)	(21,325)
Income (Loss) Before Income Taxes	9,398	9,567	20,465	7,936
Income Tax (Expense) Benefit	(3,697)	(4,343)	(8,547)	(5,360)
Net Income (Loss)	5,701	5,224	11,918	2,576
Net Income (Loss) attributable to noncontrolling interests	60		60	
Accretion on preferred stock	(1,261)	(5,631)	(7,156)	(11,090)
Net Income attributable to TMS International	$ 4,500	$ (407)	$ 4,822	$ (8,514)
Net Income (Loss) per Share:				
Basic	$ 0.13	$ (0.08)	$ 0.25	$ (1.72)
Diluted	$ 0.13	$ (0.08)	$ 0.25	$ (1.72)
Average Common Shares Outstanding:				
Basic	34,058,877	4,944,395	19,663,184	4,944,397
Diluted	34,069,238	4,944,395	19,668,422	4,944,397

TMS INTERNATIONAL CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands of dollars, except share data)

	June 30, 2011 (unaudited)	December 31, 2010
Assets		
Current assets:		
Cash and cash equivalents	$ 93,802	$ 49,492
Accounts receivable, net of allowance for doubtful accounts of $2,321 and $2,125, respectively	330,400	207,147
Inventories	66,140	38,664
Prepaid and other current assets	21,878	19,562
Deferred tax asset	5,992	6,702
Total current assets	518,212	321,567
Property, plant and equipment, net	140,623	138,540
Deferred financing costs, net of accumulated amortization of $10,514 and $9,280, respectively	7,150	8,384
Goodwill	244,418	242,148
Other intangibles, net of accumulated amortization of $53,579 and $47,232, respectively	160,524	165,295
Other noncurrent assets	2,500	2,971
Total assets	$ 1,073,427	$ 878,905
Liabilities, Redeemable Preferred Stock and Stockholders' Equity (Deficit)		
Current liabilities:		
Accounts payable	$ 252,492	$ 177,668
Accounts payable overdraft	43,134	25,802
Salaries, wages and related benefits	24,152	28,934
Accrued expenses	28,667	30,834
Revolving borrowings	199	304
Current portion of long-term debt	2,700	3,185
Total current liabilities	351,344	266,727
Long-term debt	380,070	380,997
Indebtedness to related parties	—	42,155
Deferred tax liability	48,554	42,932
Other noncurrent liabilities	19,056	20,203
Total liabilities	799,024	753,014
Redeemable preferred stock:		
Redeemable, convertible preferred stock, 50,000 shares authorized with 22,000 and 25,000 shares designated as Class A; $0.001 par value per share; 0 and 21,883 shares issued and outstanding, respectively, at June 30, 2011 and December 31, 2010, liquidation preference of $296,844 at December 31, 2010, accumulated and unpaid dividend of $80,203 at December 31, 2010	—	296,844
Stockholders' equity (deficit):		
Class A common stock; 200,000,000 shares authorized, $0.001 par value per share; 12,880,000 and 0 shares issued and outstanding at June 30, 2011 and December 31, 2010, respectively.	13	—
Class B common stock 30,000,000 shares authorized, $0.001 par value per share; 26,375,973 and 4,943,992 issued and outstanding at June 30, 2011 and December 31, 2010, respectively.	26	—
Capital in excess of par value	434,324	—
Accumulated deficit	(160,886)	(165,717)
Accumulated other comprehensive loss	755	(5,502)
Total TMS International Corp. stockholders' equity (deficit)	274,232	(171,219)
Noncontrolling interests	171	266
Total stockholders' equity (deficit)	274,403	(170,953)
Total liabilities, redeemable preferred stock and stockholders' equity (deficit)	$ 1,073,427	$ 878,905

TMS INTERNATIONAL CORP. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands of dollars, except share and per share data)

	Six months ended June 30, 2011 (unaudited)	Six months ended June 30, 2010 (unaudited)
Cash flows from operating activities:		
Net Income	$ 11,918	$ 2,576
Adjustments to reconcile Net Income to net cash provided by operating activities:		
Depreciation and Amortization	29,702	31,311
Amortization of deferred financing costs	1,234	1,235
Deferred income tax	7,566	2,664
Provision for bad debts	404	79
Gain on the disposal of equipment	(23)	(736)
Non cash share based compensation cost	1,590	15
Increase (decrease) from changes in:		
Accounts receivable	(123,657)	(98,326)
Inventories	(27,476)	(7,872)
Prepaid and other current assets	(2,769)	(3,480)
Other noncurrent assets	451	73
Accounts payable and cash overdraft	92,157	82,270
Accrued expenses	(3,825)	7,155
Other noncurrent liabilities	(419)	172
Other, net	(885)	(1,058)
Net cash (used in) provided by operating activities	(14,032)	16,078
Cash flows from investing activities:		
Capital Expenditures	(25,757)	(18,261)
Proceeds from sale of equipment	331	1,152
Acquisition	(50)	(495)
Amount returned from escrow related to previous acquisition	---	1,712
Contingent payment for acquired business	(337)	(339)
Cash flows related to IU International, net	(303)	(39)
Net cash used in investing activities	(26,116)	(16,270)
Cash flows from financing activities:		
Revolving credit facility (repayments) borrowing, net	(103)	10,541
Net proceeds from initial public offering	128,782	---
Repayment of debt	(44,221)	(22,859)
Net cash provided by (used in) financing activities	84,458	(12,318)
Cash and cash equivalents:		
Net increase (decrease) in cash	44,310	(12,510)
Cash at beginning of period	49,492	29,814
Cash at end of period	$ 93,802	$ 17,304

Adjusted EBITDA is not a recognized financial measure under GAAP, but we believe it is useful in measuring our operating performance. Adjusted EBITDA is used internally to determine our incentive compensation levels, including under our management bonus plan, and it is required, with some additional adjustments, in certain covenant compliance calculations under our senior secured credit facilities. We also use Adjusted EBITDA to benchmark the performance of our business against expected results, to analyze year-over-year trends and to compare our operating performance to that of our competitors. We also use Adjusted EBITDA as a performance measure because it excludes the impact of tax provisions and Depreciation and Amortization, which are difficult to compare across periods due to the impact of accounting for business combinations and the impact of tax net operating losses on cash taxes paid. In addition, we use Adjusted EBITDA as a performance measure of our operating segments in accordance with ASC Topic 280, Disclosures About Segments of an Enterprise and Related Information. We believe that the presentation of Adjusted EBITDA enhances our investors' overall understanding of the financial performance of and prospects for our business. A reconciliation of net income (loss) to Adjusted EBITDA is as follows (in thousands):

	Second quarter ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Income (loss) before income taxes	$ 9,398	$ 9,567	$ 20,465	$ 7,936
Plus: Depreciation and amortization	14,841	15,330	29,702	31,311
Interest Expense, Net	7,907	9,820	16,584	21,325
Earnings before interest, taxes, depreciation and amortization	32,146	34,717	66,751	60,572
Share based compensation associated with initial public offering	1,304	—	1,304	—
Adjusted EBITDA	$ 33,450	$ 34,717	$ 68,055	$ 60,572

Discretionary Cash Flow is calculated as our Adjusted EBITDA minus our Maintenance Capital Expenditures. We believe Discretionary Cash Flow is useful in measuring our liquidity. Discretionary Cash Flow is not a recognized financial measure under GAAP, and may not be comparable to similarly titled measures used by other companies in our industry. Discretionary Cash Flow should not be considered in isolation from or as an alternative to any other performance measures determined in accordance with GAAP (in thousands):

	Six months ended	
	June 30, 2011	June 30, 2010
Adjusted EBITDA	$ 68,055	$ 60,572
Maintenance Capital Expenditures	(17,904)	(11,842)
Discretionary Cash Flow	$ 50,151	$ 48,730

The following table reconciles Discretionary Cash Flow to net cash provided by (used in) operating (in thousands):

	Six months ended June 30, 2011	Six months ended June 30, 2010
Discretionary Cash Flow	$ 50,151	$ 48,730
Maintenance Capital Expenditures	17,904	11,842
Cash interest expense	(16,022)	(18,896)
Cash income taxes	(686)	(1,533)
Change in accounts receivable	(123,657)	(98,326)
Change in inventory	(27,476)	(7,872)
Change in account payable	92,157	82,270
Change in other current assets and liabilities	(6,594)	2,481
Other operating cash flows	191	(2,618)
Net cash provided by (used in) operating activities	$ (14,032)	$ 16,078