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FOR IMMEDIATE RELEASE



**PRESS RELEASE**

**SAMUEL MANU-TECH INC. REPORTS THIRD QUARTER RESULTS**

Toronto, ON – Samuel Manu-Tech Inc. (TSX – SMT), a leading North American industrial products and technology company, today reported results for the three months ended September 30, 2009.

**2009 3<sup>rd</sup> QUARTER SUMMARY**

- Sales for the quarter declined 41.5% year over year due to depressed market conditions
- Operating loss of \$1.4 million for the quarter reflected lower selling prices and reduced market demand
- Net loss of \$2.4 million or \$0.08 per share
- Marked improvement in operating performance compared to 1<sup>st</sup> and 2<sup>nd</sup> quarters
- Acquired partner's interest in Samuel/Sekisui Jushi Strapping LLC for US \$1.2 million
- Acquired Piling Products, Inc. for US \$12.6 million plus an earn-out

“Although we continue to experience negative conditions in all of our served markets, the results this quarter show a marked improvement compared to the first half of 2009. The liquidation of high cost inventory came to an end during the quarter. The continued focus on cost reduction initiatives in addition to increased demand from the automotive market has also contributed to better results,” commented Mark C. Samuel, Chairman and CEO.

**Sales**

Sales for the third quarter ended September 30, 2009 were \$155.3 million, which represents a decrease of \$110.3 million or 41.5% from the \$265.6 million achieved in the comparable quarter of the prior year. The decrease resulted from lower volumes and selling prices. Volumes declined with the deterioration in North American market conditions and the resulting lack of demand for most manufactured products. This ongoing lower demand has kept commodity prices at depressed levels in the third quarter. The weak Canadian dollar had a partially offsetting favourable impact on Canadian exports and U.S. based sales in the third quarter compared to the same period last year.

## **Operating Performance**

In the third quarter of 2009, the loss from operations before restructuring, interest and income taxes was \$1.4 million compared to an operating profit of \$22.8 million in the comparable quarter of the prior year. The operating loss reflects continued negative operating performance in many of the Company's plants due to lower volumes and the impact of lower selling prices, which have led to significant margin contraction for many of our products.

The Packaging segment generated an operating profit of \$2.8 million in the third quarter compared to an operating loss of \$5.7 million in the second quarter of 2009 and an operating profit of \$10.5 million earned in the comparable quarter in the prior year. The decreased profitability year over year reflects the ongoing contraction of the forestry, metals and construction sectors in North America. Margins also continued to be negatively impacted by the liquidation of higher cost inventories and reduced production levels. In addition, the Unalloy-IWRC division incurred an operating loss which included the negative impact of downsizing costs.

The Metal Processing segment incurred an operating loss of \$2.5 million compared to an operating loss of \$8.0 million in the second quarter of 2009 and an operating profit of \$14.8 million in the comparable quarter of last year, with all groups other than steel pickling reporting operating losses. Steel pickling operations benefited from increased tons and technology income, as well as a \$0.6 million gain on the sale of its Arvin Avenue facility in Stoney Creek. Operating losses from roll formed products reflected the continuing slowdown at all of its operations as well as a less favourable product mix and lower pricing levels. Steel pressure vessel operations posted a loss reflecting lower volumes and selling prices. Carbon steel tubular operations posted an operating loss due mainly to the continued lack of demand at its major Tube.tec customers. Stainless steel tubular operations also incurred an operating loss reflecting a less favourable product mix, lower volumes and selling prices and the ongoing slowdown at its U.S. operations.

The Company generated a net loss of \$2.4 million or \$0.08 per share for the third quarter of 2009 compared to net earnings of \$22.4 million or \$0.70 per share achieved in the comparable quarter of the prior year. The results for the third quarter last year included a pre-tax gain of \$15.2 million or \$0.32 per share related to the sale of the Nanticoke, Ontario steel pickling operations and a pre-tax restructuring charge of \$2.7 million which negatively impacted earnings in the third quarter last year by \$0.06 per share.

## **Financial Position**

Cash flow generated from operating activities for the third quarter of 2009 increased to \$26.1 million compared to \$4.7 million generated in the comparable quarter of the prior year due primarily to decreased requirements for non-cash working capital offset in part by lower levels of profitability. Working capital declined to \$184.7 million, a decrease of \$115.3 million from the \$300.1 million at December 31, 2008. The Company continues to focus on its working capital reduction program particularly with regard to reducing both receivables and inventories. In turn, net borrowings declined to \$108.3 million from the \$207.9 million at December 31, 2008, reflecting lower investment in working capital offset in part by the cash used in operations during the first six months due to the net loss. Funded debt to capitalization decreased to 26.7% compared to the year end position of 37.8%.

## **Acquisitions**

On September 15, 2009, the Company acquired Sekisui Jushi America, Inc.'s 50% interest in Samuel/Sekisui Jushi Strapping LLC ("SSJS") for consideration of U.S. \$1.2 million. The Company now owns 100% of SSJS, a leader in the manufacture of polypropylene strapping products. This will provide the Samuel Strapping Systems Group with sole ownership and control of the production of one of its key product lines. On August 31, 2009, the Company acquired the principal assets and all of the business operations of Piling Products, Inc., a Florida based distributor of hot rolled and cold formed sheet piling for consideration of U.S. \$12.6 million plus a potential earn-out payment not to exceed U.S. \$2.2 million. The Company is pleased with the performance of both acquisitions to date.

## **Outlook**

After decreasing in both the first and second quarters, carbon steel pricing levels increased substantially in the third quarter, mainly due to a shortage of supply in all products. In addition to a general restocking by service centers, the increase also reflected higher demand for steel in support of restocking the automotive supply chain. This increase in demand from the automotive sector was principally driven by the U.S. federal government's "Cash for Clunkers" incentive program which has now ended. This pick up in demand in the third quarter in turn lead to capacity utilization rates at North American steel mills increasing from approximately 40 percent at the outset of summer to close to 60 percent by the end of the third quarter. Unfortunately, gains other than in the automotive sector, which were anticipated under the Canadian and U.S. governments' stimulus packages, have to date been minor at best, with any real positive impact on steel not expected to be felt until well into 2010 or perhaps even later. Demand remains weak in all North American key market segments and will be affected by the typical seasonal slowdowns.

Stainless steel base prices and surcharges which started to increase late in the second quarter continued upwards in the third quarter. These increases were driven by a strengthening in nickel prices as well as increased demand mainly from the automotive sector. The current outlook for the fourth quarter however is for surcharges to decline due to recent decreases in the average price of nickel.

In addition, the Canadian dollar started to strengthen relative to the U.S. dollar in the latter part of the third quarter. Continued increase in the Canadian dollar relative to the U.S. dollar would also be anticipated to have a net negative impact on the Company's results.

"The Company is encouraged by the improved results in the third quarter. Our cost cutting initiatives and intensive work in support of our customers will position us well for the anticipated recovery in our served markets in 2010", said Mark C. Samuel, Chairman and CEO.

Based on the current economic forecast, the Company's outlook for the balance of the year remains negative, with a return to profitability not expected until next year. In addition, no material improvement in overall market demand in the North American economy is anticipated until late 2010.

## Financial Highlights

(\$ millions except per share amounts) Period ended September 30,	Three Months	
	2009	2008
Net Sales	\$155.3	\$265.6
Earnings (Loss) from Operations*	\$(1.4)	\$22.8
Net Earnings (Loss)	\$(2.4)	\$22.4
Basic Earnings (Loss) per Share	\$(0.08)	\$0.70
Cash Flows from Operating Activities	\$26.1	\$4.7

*\*before gain on sale of Steel Pickling operations, restructuring, interest and income taxes*

The Company's Third Quarter Report to Shareholders can be found on the Company's web site at [www.samuelmanutech.com](http://www.samuelmanutech.com) and has been filed on SEDAR at [www.sedar.com](http://www.sedar.com).

## About Samuel Manu-Tech, Inc.

Samuel Manu-Tech Inc. (SMT-TSX) is a leading North American industrial products and technology company producing and distributing a wide range of steel, plastic and related industrial products and services from locations in Canada, United States and Mexico.

## Forward looking information

*Some of the statements contained in this release are forward-looking statements, such as estimates and statements that describe the Company's future plans, objectives or goals, including words to the effect that the Company or management expects a stated condition or result to occur. Since forward-looking statements address future events and conditions, by their very nature, they involve inherent risks and uncertainties. Actual results in each case could differ materially from those currently anticipated in such statements. We do not intend to update this information and disclaim any legal obligation to the contrary.*

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