Metals USA Holdings Corp.
Form S-1/A
December 30, 2009
Table of Contents

Index to Financial Statements

As filed with the Securities and Exchange Commission on December 30, 2009

Registration No. 333-150999

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

AMENDMENT NO. 4

TO THE

FORM S-1

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

METALS USA HOLDINGS CORP.

(Exact name of registrant as specified in its charter)

Delaware	**5051**	**20-3779274**
(State or other jurisdiction of incorporation or organization)	*(Primary Industrial Classification Code Number)*	*(I.R.S. Employer Identification Number)*

2400 East Commercial Blvd.

Suite 905

Fort Lauderdale, FL 33308

(954) 233-1104

(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

William A. Smith II

Vice President, General Counsel and Secretary

2400 East Commercial Blvd.

Suite 905

Fort Lauderdale, FL 33308

(954) 233-1104

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

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Approximate date of commencement of proposed sale to the public: As promptly as practicable after the effective date of this registration statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, as amended, check the following box. ¨

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer ¨	Accelerated filer ¨	Non-accelerated filer x (Do not check if a smaller reporting company)	Smaller reporting company ¨

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to Be Registered	**Proposed Maximum Aggregate Offering Price(1)(2)**	**Amount of Registration Fee(2)(3)**
Common Stock, $0.01 par value	$200,000,000	$7,860

(1) Estimated solely for the purpose of calculating the amount of the registration fee pursuant to Rule 457(o) under the Securities Act of 1933, as amended, at a rate equal to $39.30 per $1,000,000 of the proposed maximum aggregate offering price.
(2) Includes shares of common stock which may be purchased by the underwriters to cover over-allotments, if any.
(3) The registrant previously paid a registration fee of $21,400.00 with a registration statement on Form S-1, File No. 333-134533, initially filed on May 26, 2006. Pursuant to Rule 457(p) of the Securities Act, $7,860 of the previously paid registration fee is offset against the registration fee otherwise due for this registration statement.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

Table of Contents

Index to Financial Statements

The information in this prospectus is not complete and may be changed. Neither we nor the selling stockholders may sell these securities until the registration statement filed with the U.S. Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to completion, dated December 30, 2009.

PROSPECTUS

Metals USA Holdings Corp.

Common Stock

This is an initial public offering of shares of common stock, par value $0.01 per share, of Metals USA Holdings Corp. We are offering shares of common stock, and the selling stockholders identified in this prospectus are offering shares of common stock. We will not receive any proceeds from the sale of shares by the selling stockholders.

No later than 60 days following our receipt of the proceeds of this offering, we will make an offer to all holders of our senior floating rate toggle notes due 2012, including our affiliates, to repurchase the maximum principal amount of the notes that may be purchased out of the net proceeds of this offering, estimated to be approximately $ million, at a price equal to 100% of the principal amount, plus accrued and unpaid interest to the date of the closing of the repurchase offer.

If the net proceeds of this offering are greater than the purchase price of the notes tendered by holders, we will use the balance of the net proceeds, if any, for general corporate purposes. Prior to this offering, there has been no public market for our common stock. It is currently estimated that the initial public offering price per share will be between $ and $. We have applied to list our common stock on The New York Stock Exchange under the symbol MUSA.

Investing in our common stock involves risks. See Risk Factors on page 19 to read about factors you should consider before buying shares of our common stock.

Neither the U.S. Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Share	Total

Initial public offering price	$	$
Underwriting discount	$	$
Proceeds, before expenses, to Metals USA Holding Corp.	$	$
Proceeds, before expenses, to Selling Stockholders	$	$

To the extent that the underwriters sell more than shares of common stock, the underwriters have the option to purchase up to an additional shares from us and an additional shares from the selling stockholders at the initial public offering price less the underwriting discount.

The underwriters expect to deliver the shares against payment in New York, New York on , 2010.

Prospectus dated , 2010.

Table of Contents

Index to Financial Statements

TABLE OF CONTENTS

Prospectus

No dealer, salesperson or other person is authorized to give any information or to represent anything not contained in this prospectus. You must not rely on any unauthorized information or representations. This prospectus is an offer to sell only the shares offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus is current as of this date.

Industry and Market Data

This prospectus includes industry data that we obtained from periodic industry publications and internal company surveys. Industry publications and surveys generally state that the information contained therein has been obtained from sources believed to be reliable. In addition, this prospectus includes market share and industry data that we prepared primarily based on our knowledge of the industry and industry data. We have not independently verified any of the data from third-party sources nor have we ascertained the underlying economic assumptions relied upon therein. Statements as to our market position relative to our competitors are approximated and based on the above-mentioned third-party data and internal analysis and estimates and have not been verified by independent sources. Unless otherwise noted, all information regarding our market share is based on the latest available data, which in some cases may be several years old, and all references to market shares refer to both revenue and volume.

Table of Contents

Index to Financial Statements

PROSPECTUS SUMMARY

This summary highlights material information appearing elsewhere in this prospectus. Because this is a summary, it may not contain all of the information that you should consider before investing in our common stock, par value $0.01 per share, which we refer to as our common stock, and you should carefully read the entire prospectus, including the financial data and related notes and the information presented under the caption Risk Factors.

Except as otherwise indicated herein or as the context otherwise requires, references in this prospectus to (a) Metals USA Holdings, the Company, we, our, and us refer collectively to (1) Metals USA, Inc. and its subsidiaries on a consolidated basis prior to the consummation of the merger of Flag Acquisition Corporation, which we refer to as Flag Acquisition, with and into Metals USA on November 30, 2005, which we refer to as the Merger (see Organizational Structure Description of the Apollo Transactions), and (2) Metals USA Holdings Corp., which we refer to as Metals USA Holdings, Flag Intermediate Holdings Corporation, which we refer to as Flag Intermediate, Metals USA, Inc. and Metals USA, Inc. s subsidiaries on a consolidated basis after the consummation of the Merger, and (b) Metals USA refers collectively to Metals USA, Inc. and its subsidiaries. Metals USA prior to the Merger is referred to as the Predecessor Company.

Our Company

As one of the largest metal service center businesses in the United States, we believe that we are a leading provider of value-added processed carbon steel (value-added refers to enhanced metal processing and services beyond basic delivery which are recognized and desired by many end-users as efficient cost savings opportunities), stainless steel, aluminum, red metals and manufactured metal components. We believe that we serve an important function as an intermediary between primary metal producers that generally sell large volumes in limited sizes and configurations and end-users that generally require more services and smaller quantities of customized products. Operating 35 facilities comprising almost 5 million square feet of industrial space, our metal service center business sold more than 1.4 million tons of metal products in 2008. We sell our products and services to a diverse customer base and broad range of end markets, including the land and marine transportation, energy, aerospace, defense, electrical and appliance manufacturing, fabrication, furniture, commercial construction, and machinery and equipment industries, among several others, throughout the United States. We strive to earn a margin over the cost of metal. Management s strategy, manifested through organic growth initiatives and our acquisitions of Port City, Lynch Metals, and Philadelphia Plate (each as defined below), focuses on maximizing the margin we earn over the cost of metal by offering additional value-added processing services and diversifying our product mix. We believe our growth and acquisition strategy, in combination with management s demonstrated ability to manage metal purchasing and inventories to consistently meet our customers high expectations for service and reliability, serves as a foundation for future revenue growth and stable operating profit per ton through the economic cycle. For the nine months ended September 30, 2009 and 2008, our net sales were $853.4 million and $1,699.8 million, respectively, and our net income was $7.9 million and $79.6 million, respectively. For the years ended December 31, 2008 and 2007, our net sales were $2,156.2 million and $1,845.3 million, respectively, and net income was $72.6 million and $13.9 million, respectively. Net income for the nine months ended September 30, 2009, has been negatively impacted by the global economic crisis and positively impacted by the Company s repurchase of its debt at a discount. Net income for the year ended December 31, 2008, benefited as the industry experienced record global steel prices through the first half of 2008. However, steel demand and prices in the domestic United States market weakened during the second half of 2008 and the first half of 2009. Cash flow from operations for the nine months ended September 30, 2009 was $228.4 million

Table of Contents

Index to Financial Statements

and net debt, defined as the net book value of debt less cash, at December 31, 2008 was $777.5 million. Our working capital needs decreased with the economic downturn that began in the fourth quarter of 2008, as we reduced inventory on hand to better align our investment in working capital with lower demand. We used our strong cash flow generated from operations to fund reductions of outstanding debt. Cash flow from operations for the twelve month period ended September 30, 2009 was $404.5 million and net debt at September 30, 2009 was $481.0 million.

Metals USA Holdings, which was formerly named Flag Holdings Corporation, was incorporated in Delaware on May 9, 2005. Metals USA Holdings is owned by investment funds affiliated with Apollo Management, L.P. as well as certain members of its management. Flag Intermediate is a wholly owned subsidiary of Metals USA Holdings and, in turn, owns all the shares of Metals USA. Metals USA and its subsidiaries are the operating entities. See Organizational Structure Description of the Apollo Transactions.

We report our results in three segments: our Plates and Shapes Group, our Flat Rolled and Non-Ferrous Group, and our Building Products Group.

Plates and Shapes Group (53% of 2008 net sales). The Plates and Shapes Group processes and sells steel plates and structural beams, bars, angles and tubes. We believe we are one of the largest distributors of steel plates and structural beams in the United States. In 2008, we sold approximately 837 thousand tons of products through 21 metal service centers located primarily in the southern and eastern regions of the United States. Our metal service centers are generally equipped to provide additional value-added processing, and a substantial portion of our volume is processed prior to being delivered to the end-user. These processing services include burning, blasting and painting (the process of cleaning steel plate by shot-blasting, then immediately applying a paint or primer), tee-splitting (the cutting of metal beams along the length to form separate pieces), cambering (the bending of structural shapes to improve load-bearing capabilities), leveling (the flattening of metals to uniform tolerances for proper machining), cutting, sawing, punching, drilling, beveling, surface grinding, braking (bending), shearing and cutting-to-length (the cutting of metals into pieces and along the width of a coil to create sheets or plates). We sell our products to a diversified customer base, including a large number of small customers who purchase products in small order sizes. We generally earn additional margin from our customers by providing services such as product marking, item sequencing, just-in-time delivery and kitting. The customers who require these products and services are primarily in the fabrication, commercial construction, machinery and equipment, land and marine transportation, and energy industries. Because our metal service centers are generally located in close proximity to our metal suppliers and our customers, we are able to meet our customers product and service needs reliably and consistently. In May 2006, we completed the acquisition of the Port City Metal Services business (which we refer to as Port City), a higher value-added plate facility located in Tulsa, Oklahoma, which has bolstered our presence in the construction and oil-field services sectors. More recently in February 2009, we acquired substantially all of the operating assets of VR Laser, a metal processor of carbon plate products located in Philadelphia, PA (which assets we collectively refer to as Philadelphia Plate), which has expanded our presence in the northeast region of the United States and augmented our presence in the marine and defense sectors.

Flat Rolled and Non-Ferrous Group (41% of 2008 net sales). The Flat Rolled and Non-Ferrous Group processes and sells flat rolled carbon (which we refer to as ferrous) and stainless steel, aluminum, brass and copper (which we collectively refer to as non-ferrous) in a number of alloy grades and sizes through 14 metal service centers located primarily in the mid-western and southern regions of the United States. We sold approximately 601 thousand tons of these products in 2008 split approximately 59% and 41% between ferrous products and non-ferrous products, respectively. Substantially all of the products from this group that are sold undergo value-added processing prior to shipment to our customers. These processing services include precision blanking (the process in which metal is cut into precise two-dimensional shapes), slitting (the cutting of coiled metals to specified widths along the length of the coil), shearing and cutting-to-length, punching and leveling. We sell our products and services to customers in the electrical and appliance manufacturing, fabrication, furniture, machinery and equipment, transportation and aerospace industries. Many of our large customers purchase through pricing arrangements or contractual agreements that specify the margin over the cost of metal and we generally earn additional margin from these customers by providing services such as product marking and labeling, just-in-time delivery and kitting. We are able to provide these services reliably because our metal service centers are generally located in close proximity to our metal suppliers and our customers. In July 2007, we acquired Lynch Metals, Inc. and Lynch Metals of California, Inc. (which we collectively refer to as Lynch Metals), a metal service center business that provides additional value-added, specialized aluminum products to customers who are predominantly manufacturers of air/heat transfer products specifically focused on aerospace, industrial and automotive applications.

Building Products Group (6% of 2008 net sales). The Building Products Group manufactures and sells roofing and patio products. We generally sell these products through a network of independent distributors and home improvement contractors. Our roofing products business manufactures and sells a high performance roofing product consisting of a pressed and stone-coated steel panel that mimics the appearance of traditional shake and tile roofing. Our roofing product is well suited for all areas subject to threats of high winds, fires and hail storms. In May 2006, we acquired Duraloc Roofing Systems, Ltd., a Canadian-based competitor which we have re-branded as Allmet Roofing Products. This acquisition provided us with manufacturing capabilities on both the east and west coasts of North America. Our patio products business manufactures and sells building components used primarily for the erection of residential shade structures such as patio covers and enclosures. With facilities located throughout the southern and western regions of the United States, we believe we are one of only a few suppliers of patio products with national scale.

Industry Overview

Our operations focus on the metal service center industry and the building products industry.

Metal Service Centers. Metal service centers and processors purchase approximately 35% of all the metals used in the U.S. and Canada and play an important intermediary role between the production mills and the end-users. Over the last several years primary metal producers have consolidated and focused on optimizing throughput and operating efficiencies of their production facilities. This has expanded the demand for metal service centers and processors to perform value-added services for end-users. As a result of the industry consolidation, most end-users cannot obtain processed products directly from primary metals producers, and therefore, over 300,000 original equipment manufacturers (which we refer to as OEMs), contractors and fabricators nationwide rely on metal service centers for their primary supply of metal products and services. End-users generally buy metal products and services from metal service centers on a margin over the base cost of the metal. When customers require additional processing or specific services, value-added metal service centers, including ours, earn an additional premium margin for the value-added processing elements they perform on base metal prior to delivering it to end-users.

OEMs and other end-users have also recognized the economic advantages associated with outsourcing their customized metals processing needs, which include (1) permitting end-users to

Table of Contents

Index to Financial Statements

reduce total production costs by shifting the responsibility of pre-production processing to metal service centers and (2) allowing OEMs and end-users to reduce inventories and focus on realizing value from additional inventory management measures. These supply-chain services, which are not normally provided by primary metals producers, enable end-users to reduce input costs, decrease inventory and equipment capital requirements and save time, labor and other expenses.

We believe that long-term growth opportunities for metal service centers will continue to expand as both primary metal producers and end-users increasingly seek to have their metal processing and inventory management requirements met by value-added metal service centers. Although the service center industry remains fragmented with approximately 1,200 companies competing in North America, we believe larger and financially flexible companies, like ours, enjoy significant advantages over smaller companies such as obtaining higher discounts associated with volume purchases, servicing customers with operations in multiple locations, offering a broader range of products and services and utilizing more sophisticated information systems.

The metals production and distribution industries have experienced an increase in demand for steel and other metals in recent years driven largely by new market development in China, Brazil, India, Russia and Eastern Europe. Through the first half of 2008, demand growth outpaced supply inputs creating upward cost pressure on commodity inputs such as ores, energy and transportation. In early 2008, global steel prices were at record highs.

United States steel consumption has remained relatively constant from 2000 through 2007, averaging approximately 130 million tons annually. The global financial crisis that started during the third quarter of 2008 has caused a significant reduction in the consumption of steel world-wide (excluding China). In the United States, domestic steel demand has declined by almost half and is now expected to be approximately 60 million tons in 2009. Similar volume declines have occurred in virtually all developed economies. Service centers, distributors, and the rest of the supply chain have responded by aggressively reducing inventories. Through the first eight months of 2009, industry-based inventory metrics reported lowest-ever inventory levels during the 32 years that this data has been collected. Consequently, domestic steel producers have been reported as operating at levels below 50 percent capacity utilization.

Steel pricing dropped during the first six months of 2009 as steel producers continually reduced prices in the face of shrinking order backlogs. Since late June 2009, prices have been trending upwards as signs indicated an increase in global demand for steel and raw material inputs. Domestic demand also benefited from the government s Cash for Clunkers program. We have seen a modestly improving trend in our order inquiry activity during the third quarter of 2009 and it appears, with the exception of non-residential construction, that steel demand may be entering a slow recovery stage (however, there can be no guarantee that it is entering a slow recovery stage). Even in a historically low demand environment, we believe rising price trends are sustainable if producers generate product commensurate with demand. The impact from federal stimulus legislation has not yet had a meaningful impact on the industry as actual spending continues to work through governmental channels. We believe that stimulus spending should have a meaningful impact on 2010 steel consumption and, in combination with basic economic recovery, domestic steel consumption should experience a year over year increase.

***Building Products*.** Notwithstanding recent conditions in the United States housing sector, we believe some signs, such as increases in sales of new and existing homes, indicate an improving outlook for the housing sector. Moreover, we believe that factors including an historically low interest rate environment and an aging American housing stock are generating significant pent-up demand for remodeling that should manifest itself when the housing sector rebounds (however, there can be no guarantee that demand for remodeling will increase or the timing of any such rebound). We believe that these factors support a strong long-term outlook for residential remodeling as a cost-effective alternative to new housing construction.

Table of Contents

Index to Financial Statements

Our Competitive Strengths

Premium Margins Over Metal. Metal service centers generally earn a margin over the cost of metal, which provides stability to metal service centers cash flows relative to primary metal producers through pricing cycles. In addition, we earn a premium margin over the cost of metal by providing inventory management services and performing certain value-added processing services before shipping product to customers. We also sell an enhanced product mix across our metal service center business by supplementing our core carbon offerings with non-ferrous volumes. Over the last several years, we have invested in our facilities and completed acquisitions to expand our service offerings and improve our ability to continue earning premium margins on a broad and diverse range of products and services.

Platform for Strong Growth. Over the five years ended December 31, 2008, we have spent approximately $134.8 million on growth initiatives, including $45.9 million to grow our business organically and $88.9 million for acquisitions. In addition to selectively pursuing growth projects, from December 31, 2008 to September 30, 2009 we repurchased $178.8 million face value of our debt at a substantial discount to par value, which generated attractive returns for us and improved our balance sheet flexibility going forward. Our growth initiatives have focused on increasing and diversifying our mix of higher-margin products and services, such as value-added processing, inventory management services, and non-ferrous volumes. Our largest organic growth project during the last three years was a $17.5 million investment in our Plates and Shapes metal service center in Waggaman, Louisiana to capitalize upon the strong gulf coast marine market. This investment equipped this facility with additional value-added processing capabilities, such as blast, paint, laser and plasma cutting (the cutting of metals to produce shapes under strict tolerance requirements) and press brake services. In late 2005, we established and trained a dedicated acquisitions team that is responsible for identifying, evaluating, executing, integrating and monitoring acquisitions. This team has completed three strategic acquisitions for our metal service center business: (1) Port City in our Plates and Shapes Group that increased our plate processing capabilities to customers serving the oil field, construction equipment and refining industries, (2) Lynch Metals in our Flat Rolled and Non-Ferrous Group that provides value-added, specialized aluminum products to customers who are predominantly manufacturers of air/heat transfer products specifically focused on aerospace, industrial and automotive applications and (3) Philadelphia Plate in our Plates and Shapes Group that further expanded our existing processing capabilities into the northeast region of the United States and to the marine and defense industries.

Skilled Inventory Management. Inventory management is critical to metal service centers ability to balance investment in working capital, maintain cost competitiveness and meet customer needs for timely and often just-in-time delivery. The Company s purchasing practices follow a market driven inventory management framework that is designed to generate attractive returns on our inventory investment while reliably meeting customer demands irrespective of steel prices. Our Chief Executive Officer monitors and adjusts this framework on at least a weekly basis. Within this framework, inventory and processing services are tailored to the needs of each individual metal service center location s particular customers. We believe our inventory management framework and flexible capital structure allow us to quickly react to changing metal prices and customer needs. Our information technology systems facilitate sharing inventory among our facilities, which helps us maximize returns and reliably satisfy our customers needs. In addition, our inventory management framework enhances our ability to generate earnings during rising metal price environments and free cash flow in declining metal price environments, which we demonstrated by generating record earnings in 2008 and record operating free cash flow in the first nine months of 2009. After dramatically reducing inventories in 2009 which included changing the way we work with our suppliers, we believe that we will continue to operate our business at substantially lower inventory levels.

Streamlined Cost Structure: Because we operate our business on a lean basis relative to our competitors, we have one of the lowest relative non-metal cost structures in our industry. For example, we had a lower ratio of selling, general and administrative expenses compared to revenues for the six months ended June 30, 2009 than a similarly situated peer group of public companies which consisted of Olympic Steel Inc., A.M. Castle & Co., and Gilbralter Industries, Inc. Since the fourth quarter of 2008, we have implemented $50 million of annualized cost savings, a vast majority of which we believe are permanent reductions that further reduce what we believe to be the lowest cost structure in the industry. The cost savings have come primarily as a result of various actions including reducing our headcount by approximately 30%, modifying employee benefits, closing 7 facilities primarily in our Building Products Group, reducing work hours for our employees and streamlining our delivery fleet. The combination of our lean cost structure and skilled inventory management has allowed us to convert a high percentage of our earnings into free cash flow, resulting in $404.5 million of cash flow from operations over the twelve months ended September 30, 2009. We have used this cash to deleverage our balance sheet by $463.7 million over the same period and complete the acquisition of Philadelphia Plate in early 2009.

Strong Relationships with Key Suppliers. We are one of the largest domestic purchasers of steel, and we have established strong relationships with large domestic and international metal suppliers. Because we are a significant customer of our major suppliers, we obtain volume discounts and historically have been able to obtain sufficient access to feedstock in periods of tight supply. We believe that access to feedstock during these periods enhances our standing with end users relative to our competitors, particularly those competitors that do not have such access. Our relationships with our metal suppliers also help us to optimize our inventory management because we believe that we can often purchase inventory with significantly shorter lead times relative to our competitors.

Diversified Customer Base, Products and End-Markets. Our business supplies a broad range of products to a large and diversified customer base (over 471,095 transactions to 11,900 customers in 2008) in a wide variety of end-markets and industries. For the twelve months ended December 31, 2008, our average transaction size was approximately $4,162. However, we have sought to enhance our position in stable growth industries that demand additional value-added services and reduce our exposure to more cyclical sectors. As a result of our organic growth projects and acquisitions, we have capitalized on growth opportunities with products such as aluminum brazing sheet, armor plate, marine grade aluminum plate, and pressure vessel plate to service the aerospace, marine, defense, and oil and gas industries. Our broad range of high-quality product and customized value-added service offerings allows us to offer one-stop shopping to our customers. We believe one-stop shopping provides a significant competitive advantage over smaller metal service centers, which generally stock fewer products and offer fewer services than we do. Moreover, many products and services in our broad range of offerings exhibit diverse and distinct cyclical trends. For example, many of the products and services we sell through our Plates and Shapes Group tend to trail the economic cycle, which provides an attractive balance to our Flat Rolled and Non-Ferrous Group product and service offerings that tend to lead the economic cycle. We believe that this diversity helps provide stability to our results during economic downturns and positions us well for an economic and volume recovery.

Experienced and Proven Management Team. Our senior management team has on average over 27 years of metals industry experience and is supported by, in our opinion, considerable management talent, including our division vice presidents and facility general managers, amongst others. Our President, Chief Executive Officer and Chairman, C. Lourenco Goncalves, has 29 years of experience in the metals industry, including his terms as Chief Executive Officer of California Steel Industries (which we refer to as CSI), which had many of the same value chain dynamics as a metal service center, and as managing director, among other positions, of Companhia Siderúrgica Nacional (which we refer to as CSN). Under Mr. Goncalves leadership our management team has executed a strategy that has significantly improved our earnings growth, cash flow stability, and competitiveness.

Our Strategy

Expand Value-Added Services. We intend to continue expanding our value-added services, which enhance our relationships with existing customers and help us build new customer relationships. Customers increasingly demand and are willing to pay a premium margin for additional value-added services to facilitate more efficient inventory management and reduce total production costs. In addition, we experience an increased level of repeat business from customers who utilize our value-added services. Demand for these services generally remains strong through most economic cycles. We intend to continue to identify and invest in capital projects that provide attractive returns to fulfill this growing demand. We believe that our operating expertise, organizational structure, high-quality facilities, size, and our low cost and flexible capital structure enable us to reliably provide a full range of value-added services to our customers relative to our competitors, particularly smaller metal service centers.

Increase Sales of Higher Margin Products and Services. The sale of higher margin products and services, which tend to have higher growth prospects and are more stable, will continue to be one of our core strategies. We intend to continue executing on this strategy by increasing our attractive core carbon offerings, non-ferrous volumes, and our sales of processed products. Focusing on this strategy has historically increased our margins, stabilized our earnings, and optimized our investment in working capital, and we expect this strategy will continue benefiting us in these areas. We anticipate that we will continue investing in and acquiring companies to maintain and expand our processing facilities, which will enable us to increase market share.

Execute Strategic Acquisitions to Improve Our Business. The North American metal service center industry is highly fragmented, which we believe provides us with opportunities to execute our core strategies through synergistic bolt-on acquisitions. We completed three accretive and strategic acquisitions, Port City and Philadelphia Plate for our Plates and Shapes Group and Lynch Metals for our Flat-Rolled and Non-Ferrous Group, all of which have benefited us financially, operationally and strategically through realization of cost synergies, increased value-added processing capabilities, reduced inventory levels, and increased cross selling opportunities. The combination of our track record of acquiring and successfully integrating acquisitions and our internal acquisition team s industry relationships has resulted in proprietary deal flow being brought to us and has helped us maintain an active pipeline of opportunities. We intend to continue to pursue our acquisition strategy, and we will generally target one to two bolt-on acquisitions per year that will enhance our metal service center strategy. We believe that we are well positioned to take advantage of acquisition opportunities in the fragmented service center industry because of our flexible capital structure, which we have significantly improved over the twelve months ending September 30, 2009 by generating cash flow from operations of $404.5 million and from December 31, 2008 through September 30, 2009 by repurchasing $178.8 million face value of debt at a substantial discount in open market transactions.

Table of Contents

Index to Financial Statements

Maintain and Strengthen Our Strong Relationships with Suppliers and Customers. As one of the largest metal service center businesses in the United States, we intend to use our relationships to leverage the opportunities presented by the consolidation of steel producers and the changing needs of our customers. Steel producers continue to seek long-term relationships with metal service centers that have access to numerous customers, while customers are seeking relationships with metal service centers that can provide a one stop, reliable source of both high-quality products and value-added services.

Continue Strong Focus on Inventory Management. We will continue managing our inventory to maximize our returns, profitability and cash flow while maintaining sufficient inventory to respond to customer demands. During the recent economic downturn we reinforced and strengthened our long-standing relationships with key suppliers, and as a result, we believe we will benefit from shorter lead times allowing us to operate with a lower investment in working capital going forward. In addition, we intend to further integrate our salespeople and operating employees into the operations of our customers to enhance our visibility into in-process orders and further improve our just-in-time delivery and customer service. Constant evaluation of our inventory management framework will allow us to continue supplying our customers reliably, even during periods of tight metal supply. We expect our inventory management framework will continue generating strong earnings during periods of rising metal prices and strong cash flow during periods of declining metal prices. Moreover, since industry wide service center inventories are near record low levels, we believe our inventory management framework will enable us to benefit disproportionately as compared to our competitors when end market demand begins to recover.

Maintain High Free Cash Flow Generation and Conversion. Senior management has implemented a strategy designed to maximize our profitability and cash flow. Part of this strategy included a $50 million annualized cost savings program we implemented over the twelve months ended September 30, 2009 that permanently reduces our cost structure. We believe this program will improve our ability to generate attractive margins and free cash flow throughout future economic cycles. We believe that we are a reliable supplier, especially of higher margin products and services, to our customers even in periods of tight supply. We believe that our reliability allows us to generate higher margins and more stable operating income through the business cycle. Moreover, we believe our inventory management framework, bolstered by our relationships with our metals suppliers, will stabilize earnings during periods of weakness. Our core business also requires minimal maintenance capital investment. We believe these strengths taken together underscore our ability to generate high levels of free cash flow, which will enable us to reinvest in our business, consummate future acquisitions, pay down debt, and achieve other corporate and financial objectives.

Risk Factors

An investment in our common stock involves substantial risks and uncertainties. Metals USA Holdings is a holding company. Flag Intermediate is also a holding company and does not have any material assets or operations other than ownership of the capital stock of Metals USA. Some of the more significant challenges and risks include:

- those associated with our susceptibility to conditions in the United States and international economies;
- our ability to pass through increases in our costs to our customers;
- the cost of energy and raw materials;
- our substantial indebtedness;

Table of Contents

Index to Financial Statements

our acquisition strategy; and

the highly competitive nature of the industry in which we operate.

See Risk Factors for a discussion of the factors you should consider before investing in our common stock.

Principal Stockholders

Our principal stockholders are investment funds affiliated with or managed by Apollo Management V, L.P., including Apollo Investment Fund V, L.P. and its parallel co-investment funds. Apollo Investment Fund V, L.P. is an investment vehicle with committed capital, along with its parallel investment funds, of over $3.7 billion. Apollo Management V, L.P., Apollo Investment Fund V, L.P. and its parallel investment funds are affiliates of Apollo Global Management, LLC, a leading global alternative asset manager with offices in New York, Los Angeles, London, Frankfurt, Singapore and Mumbai. Apollo Global Management, LLC has assets under management in private equity and credit-oriented capital markets funds invested across a core group of industries where Apollo Global Management, LLC has considerable knowledge and resources. Companies in which affiliates of Apollo Global Management, LLC have a significant equity investment include, among others, Affinion Group Holdings, Inc., Berry Plastics Corporation, CEVA Logistics, Momentive Performance Materials Inc., Noranda Aluminum Holding Corporation, Parallel Petroleum Corporation and Rexnord Holdings, Inc. Except as otherwise indicated herein or as the context otherwise requires, Apollo refers to investment funds affiliated with, or co-investment vehicles managed, indirectly by Apollo Management L.P., including Apollo Investment Fund V, L.P., along with its parallel investment funds.

Metals USA Holdings entered into a management agreement with Apollo on November 30, 2005, pursuant to which Apollo provides us with management services. See Certain Relationships and Related Party Transactions Related Party Transactions Apollo Agreements for a description of this management agreement.

Metals USA Holdings

Metals USA Holdings was incorporated in Delaware on May 9, 2005. The principal executive offices of Metals USA Holdings are located at 2400 East Commercial Blvd., Suite 905, Fort Lauderdale, FL 33308, and the telephone number is (954) 233-1104.

We also maintain an internet site at http://www.metalsusa.com. **Our website and the information contained therein or connected thereto will not be deemed to be incorporated into this prospectus or the registration statement of which this prospectus forms a part, and you should not rely on any such information in making your decision whether to purchase our securities.**

Metals USA, Inc. was incorporated in Delaware on July 3, 1996, and began operations upon completion of an initial public offering on July 11, 1997. Metals USA Holdings acquired Metals USA on November 30, 2005 in connection with the Merger. Pursuant to the Merger, Flag Acquisition Corporation, a Delaware corporation, and wholly owned subsidiary of Metals USA Holdings, merged with and into Metals USA, with Metals USA surviving. To finance the Merger and related transaction costs, Metals USA entered into a six-year $450.0 million senior secured asset-based revolving credit facility, completed a private placement of $275.0 million aggregate principal amount of Metals USA s 11 $^{1}/8$% senior secured notes due 2015, and Apollo and certain members of management of Metals USA contributed $140.0 million to Metals USA Holdings in exchange for Metals USA Holdings common stock. See Organizational Structure Description of the Apollo Transactions.

Table of Contents

Index to Financial Statements

The Offering

Common stock offered by us	shares
Common stock offered by the selling stockholders	shares
Underwriters over-allotment option to purchase additional common stock from us and the selling stockholders	Up to shares and shares, respectively
Shares of our common stock to be outstanding immediately following this offering	shares (including shares that will be sold to the underwriters if they exercise their over-allotment option in full)
Use of proceeds	We estimate that we will receive net proceeds from this offering of approximately $ million after deducting the estimated underwriting discounts and commissions and expenses, assuming the shares are offered at $ per share, which represents the midpoint of the range set forth on the cover page of this prospectus.

As described in Use of Proceeds, no later than 60 days following our receipt of the proceeds of this offering, we will make an offer to all holders of our Senior Floating Rate Toggle Notes due 2012, which we refer to as the 2007 Notes, to repurchase the maximum principal amount of the 2007 Notes, of which $178.9 million aggregate principal amount were outstanding as of September 30, 2009, that may be purchased out of the net proceeds of this offering, estimated to be approximately $ million, at a price equal to 100% of the principal amount, plus accrued and unpaid interest to the date of the closing of the repurchase offer. The 2007 Notes include the word toggle in their title to highlight to investors that we have the ability to toggle or switch back and forth, among paying interest entirely in cash, entirely by increasing the principal amount of the 2007 Notes or issuing new 2007 Notes (which we refer to as PIK Interest), or 50% in cash and 50% as PIK Interest (which we refer to as Partial PIK Interest), pursuant to the terms and conditions described in more detail in Description of Certain Indebtedness 2007 Notes.

Our affiliates, including Apollo, that are holders of the 2007 Notes may participate in the repurchase offer. See Certain Relationships and Related Party Transactions Related Party Transactions Repurchase Offer.

If the net proceeds of this offering are greater than the purchase price of the 2007 Notes tendered in the repurchase

[Table of Contents](#)

[Index to Financial Statements](#)

offer, we will use the balance of the net proceeds, if any, for general corporate purposes, including working capital, the expansion of our production capabilities, research and development, purchases of capital equipment and potential acquisitions of businesses.

We intend to use the net proceeds from any sales of our common stock sold by us pursuant to the underwriters over-allotment for the uses specified above. If the maximum number of additional shares is purchased from us by the underwriters, the offer to repurchase would be increased by approximately $ million. We will not receive any of the proceeds from the sale of our common stock by the selling stockholders, including with respect to any shares sold by the selling stockholders pursuant to the underwriters exercise of their option to purchase additional shares. For sensitivity analyses as to the offering price and other information, see Use of Proceeds.

This prospectus is not an offer to purchase, a solicitation of an offer to purchase or a solicitation of a consent with respect to our 2007 Notes.

Dividends	We do not currently anticipate paying any dividends on our common stock in the foreseeable future. See Dividend Policy.
Listing	We have applied to list our common stock on The New York Stock Exchange under the trading symbol MUSA.

Other Information About This Prospectus

Except as otherwise indicated, all information in this prospectus:

- assumes no exercise of the underwriters over-allotment option;
- does not give effect to shares of our common stock issuable upon the exercise of outstanding options as of , 2009; and
- does not give effect to shares of common stock reserved for future issuance under our Amended and Restated 2005 Stock Incentive Plan, which we refer to as the 2005 Plan.

Table of Contents

Index to Financial Statements

SUMMARY HISTORICAL CONSOLIDATED FINANCIAL DATA

Set forth below is summary historical consolidated financial data of our business, as of the dates and for the periods indicated. The summary historical consolidated financial data as of December 31, 2007 and 2008 and for the years ended December 31, 2006, 2007 and 2008, respectively have been derived from our audited consolidated financial statements and related notes included elsewhere in this prospectus. The selected historical financial data as of December 31, 2006 has been derived from the Company s audited consolidated financial statements not included in this prospectus.

The summary historical consolidated financial data as of September 30, 2009 and for the nine months ended September 30, 2008 and 2009 have been derived from our unaudited condensed consolidated financial statements which are included elsewhere in this prospectus. The September 30, 2008 and 2009 unaudited financial statements have been prepared on a basis consistent with our audited consolidated financial statements and reflect all adjustments, consisting of normal recurring adjustments that are, in the opinion of management, necessary for a fair presentation of the financial position and results of operations for the periods presented. The results of any interim period are not necessarily indicative of the results that may be expected for any other interim period or for the full fiscal year, and the historical results set forth below do not necessarily indicate results expected for any future period.

The summary historical consolidated financial data should be read in conjunction with the information about the limitations on comparability of our financial results, including as a result of acquisitions. See Selected Historical Consolidated Financial Data, Management s Discussion and Analysis of Financial Condition and Results of Operations, Risk Factors and our consolidated financial statements and related notes included elsewhere in this prospectus.

EBITDA

We use the term EBITDA throughout this prospectus. EBITDA is defined as net income (loss) before interest, taxes, depreciation and amortization. EBITDA is not a defined term under generally accepted accounting principles in the United States, which we refer to as GAAP, and should not be used as an alternative to net income as an indicator of operating performance or to cash flow as a measure of liquidity.

Limitations of EBITDA

There are material limitations associated with making the adjustments to our earnings to calculate EBITDA and using such a non-GAAP financial measure as compared to the most directly comparable GAAP financial measures. For instance, EBITDA does not include:

- interest expense, and, because we have borrowed money in order to finance our operations, interest expense is a necessary element of our costs and ability to generate revenue;

- income tax expense, and because the payment of taxes is part of our operations, tax expense is a necessary element of our costs and ability to operate; and

- depreciation and amortization expense, and, because we use capital assets, depreciation and amortization expense is a necessary element of our costs and ability to generate revenue.

Our use of EBITDA

Because access to debt capital is currently and in the future will continue to be important to us, we believe that the inclusion of EBITDA is appropriate to provide additional information to investors to demonstrate compliance with the covenants in our debt agreements, as discussed further in Covenant Compliance.

Table of Contents

Index to Financial Statements

	Historical				
	Years Ended December 31,			Nine Months Ended September,	
	2006	2007	2008	2008	2009
	(in millions, except per share data and shipments)				
Net Sales	$ 1,802.9	$ 1,845.3	$ 2,156.2	$ 1,699.8	$ 853.4
Operating costs and expenses:					
Cost of sales (exclusive of operating and delivery, and depreciation and amortization shown below)	1,371.8	1,418.8	1,612.9	1,245.9	702.4
Operating and delivery	175.5	178.4	186.1	144.6	97.5
Selling, general and administrative	115.1	112.3	126.8	96.5	66.6
Depreciation and amortization(1)	21.4	22.1	21.3	16.2	14.2
(Gain) loss on sale of property and equipment	0.1	0.1	(2.4)	(2.4)	
Impairment of assets		0.2	5.1		
Operating income (loss)	119.0	113.4	206.4	199.0	(27.3)
Other (income) expense:					
Interest expense	54.6	87.0	87.9	65.4	50.5
Loss (gain) on extinguishment of debt		8.4			(89.1)
Other (income) expense, net	(0.7)	(0.7)	(0.2)	0.2	(0.3)
Income (loss) before income taxes	65.1	18.7	118.7	133.4	11.6
Provision (benefit) for income taxes	25.8	4.8	46.1	53.8	3.7
Net income (loss)	$ 39.3	$ 13.9	$ 72.6	$ 79.6	$ 7.9
Income (loss) per share:					
Income (loss) per share basic	$ 2.80	$ 0.99	$ 5.16	$ 5.66	$ 0.56
Income (loss) per share diluted	$ 2.79	$ 0.96	$ 4.99	$ 5.47	$ 0.56
Number of common shares used in the per share calculations:					
Basic	14.1	14.1	14.1	14.1	14.1
Diluted	14.1	14.4	14.5	14.6	14.1
Cash flow data:					
Cash flows provided by (used in) operating activities	$ (45.7)	$ 119.2	$ 78.4	$ (97.7)	$ 228.4
Cash flows provided by (used in) investing activities	(61.0)	(58.5)	(7.7)	0.6	(7.6)
Cash flows provided by (used in) financing activities	251.2	(202.9)	82.4	256.6	(367.4)
Other operating data:					
Shipments (in thousands of tons)	1,505	1,429	1,428	1,147	694
Capital expenditures	$ 16.9	$ 21.5	$ 12.2	$ 8.9	$ 3.6
Other financial data:					
EBITDA(2)	$ 141.6	$ 137.1	$ 230.0	$ 217.2	$ (11.4)

Table of Contents

Index to Financial Statements

	Historical				Pro Forma
		As of December 31,		As of September 30,	As of September 30,
	2006	2007	2008	2009	2009(3)
			(in millions)		
Balance Sheet Data:					
Cash	$ 155.8	$ 13.6	$ 166.7	$ 20.1	
Total assets	1,127.0	959.0	1,088.2	662.5	
Total debt	755.4	857.3	944.2	501.1	
Net debt(4)	599.6	843.7	777.5	481.0	
Total liabilities	979.4	1,084.6	1,139.2	703.4	
Stockholder s equity (deficit)	147.6	(125.6)	(51.0)	(40.9)	

(1) Excludes depreciation expense reflected in cost of sales for the Building Products Group.

(2) Below is a reconciliation of net income to EBITDA:

	Historical				
	Years Ended December 31,			Nine Months Ended September 30,	
	2006	2007	2008	2008	2009
			(in millions, except ratios)		
Net income	$ 39.3	$ 13.9	$ 72.6	$ 79.6	$ 7.9
Depreciation and amortization(a)	22.6	23.7	23.6	18.2	15.9
Interest expense	54.6	87.0	87.9	65.4	50.5
(Gain) loss on extinguishment of debt		8.4			(89.1)
Provision (benefit) for income taxes	25.8	4.8	46.1	53.8	3.7
Other (income) expense	(0.7)	(0.7)	(0.2)	0.2	(0.3)
EBITDA	141.6	137.1	230.0	217.2	(11.4)

(a) Includes depreciation for Building Products that is included in cost of sales.

(3) The pro forma combined balance sheet data reflects the balance sheet data as of September 30, 2009, adjusted for this offering and the use of the proceeds assuming the purchase of the maximum principal amount of the 2007 Notes out of the net proceeds from this offering, and assuming an initial public offering price of $ per share. A $1.00 increase (decrease) in the assumed initial public offering price of $ per share would decrease (increase) net total debt by approximately $ million, and increase (decrease) stockholders equity by $, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the estimated underwriting discounts and commissions and offering expenses payable by us. For every additional 1,000,000 shares sold by us in this offering, including as a result of the exercise by the underwriters of their option to purchase additional shares from us, stockholders equity would increase by $, assuming an initial public offering price of $ per share and after deducting the estimated underwriting discounts and commissions and offering expenses payable by us.

(4) Defined as the net book value of debt less cash.

Table of Contents

Index to Financial Statements

Covenant Compliance

Adjusted EBITDA

Adjusted EBITDA (as defined by the loan and security agreement governing the ABL facility entered into by Metals USA in connection with the Merger, which we refer to as the ABL facility, and the indentures governing 11 1/8% Senior Secured Notes due 2015, which we refer to as the Metals USA Notes, and the 2007 Notes) is defined as EBITDA further adjusted to exclude certain non-cash and non-recurring items. Adjusted EBITDA is not a defined term under GAAP and should not be used as an alternative to net income as an indicator of operating performance or to cash flow as a measure of liquidity.

Fixed Charge Coverage Ratio

Under the ABL facility, the fixed charge coverage ratio, which we refer to as the FCCR, is determined on a rolling four-quarter period, often referred to as a last-twelve month period, by dividing (1) the sum of adjusted EBITDA of Metals USA minus income taxes paid in cash minus non-financed capital expenditures by (2) the sum of certain distributions paid in cash, cash interest expense and scheduled principal reductions on debt paid by Metals USA. The interest rate in respect of borrowings under the ABL facility is determined in reference to the FCCR, and should borrowing availability under the ABL facility fall below $45.0 million, we must maintain a FCCR of at least 1.0 to 1.0, measured on a trailing four-quarter basis. As of September 30, 2009, our borrowing availability under the ABL facility was $128.9 million, but because the FCCR was less than 1.0 to 1.0 as of September 30, 2009, we could only borrow $83.9 million. In addition, the FCCR also is an important measure of our liquidity and affects our ability to take certain actions, including paying dividends to stockholders and making acquisitions.

Although the indentures governing the Metals USA Notes and the 2007 Notes also contain covenants that restrict our ability to incur indebtedness and pay dividends based on our FCCR, the definition and application of the FCCR contained in the indentures differ from the definition and application of the FCCR in the ABL facility in that the numerator of the FCCR as defined in the indentures does not include cash income taxes or non-financed capital expenditures and the denominator of the FCCR as defined in the indentures does not include the sum of certain distributions paid in cash and scheduled principal reductions on debt, and separate FCCRs are required under certain circumstances. See Management s Discussion and Analysis of Financial Condition and Results of Operations Financing Activities.

Because access to debt capital is currently and in the future will continue to be important to us, we believe that the inclusion of supplementary adjustments to EBITDA applied in presenting adjusted EBITDA are appropriate to provide additional information to investors to demonstrate compliance with the covenants in our debt agreements. Failure to comply with the FCCR covenant of the ABL facility can result in limiting our long-term growth prospects by hindering our ability to incur future indebtedness or grow through acquisitions. As of September 30, 2009, our FCCR was 0.14. As of September 30, 2009, we had $128.9 million of additional borrowing capacity under the ABL facility, but because the FCCR was less than 1.0 to 1.0 as of September 30, 2009, we could only borrow $83.9 million.

The indentures governing the Metals USA Notes and the 2007 Notes contain covenants that restrict our ability to take certain actions, such as incurring additional debt and making certain acquisitions, if we are unable to meet defined adjusted EBITDA to fixed charge coverage and consolidated total debt ratios (each, as defined). The covenants in the indentures require us to have an adjusted EBITDA to fixed charge coverage ratio (measured on a trailing four-quarter basis and calculated differently from the fixed charge coverage ratio as defined by the ABL facility) of 2.0 to 1.0 to incur ratio indebtedness and a consolidated total debt ratio of no greater than 4.75 to 1.0 to incur

Table of Contents

Index to Financial Statements

ratio indebtedness in connection with acquisitions. Based on the calculations for the trailing four quarters, we are not able to satisfy these covenants and incur additional indebtedness under these ratios, including for acquisition purposes, under our indentures.

Limitations of Adjusted EBITDA

There are material limitations associated with making the adjustments to our earnings to calculate adjusted EBITDA and using such a non-GAAP financial measure as compared to the most directly comparable GAAP financial measures. For instance, adjusted EBITDA does not include:

- interest expense, and, because we have borrowed money in order to finance our operations, interest expense is a necessary element of our costs and ability to generate revenue;

- income tax expense, and because the payment of taxes is part of our operations, tax expense is a necessary element of our costs and ability to operate; and

- depreciation and amortization expense, and, because we use capital assets, depreciation and amortization expense is a necessary element of our costs and ability to generate revenue.

In addition, fixed charges should not be considered an alternative to interest expense.

Table of Contents

Index to Financial Statements

Below is a reconciliation of net income to EBITDA and adjusted EBITDA:

	Historical				
	Years Ended December 31,			Nine Months Ended September 30,	
	2006	2007	2008	2008	2009
	(in millions, except ratios)				
Net income	$ 39.3	$ 13.9	$ 72.6	$ 79.6	$ 7.9
Depreciation and amortization(1)	22.6	23.7	23.6	18.2	15.9
Interest expense	54.6	87.0	87.9	65.4	50.5
(Gain) loss on extinguishment of debt		8.4			(89.1)
Provision (benefit) for income taxes	25.8	4.8	46.1	53.8	3.7
Other (income) expense	(0.7)	(0.7)	(0.2)	0.2	(0.3)
EBITDA	$ 141.6	$ 137.1	$ 230.0	$ 217.2	$ (11.4)
Covenant defined adjustments:					
Inventory purchase adjustments(2)	10.8				
Stock options and grant expense(3)	1.2	4.8	1.1	0.9	0.3
Facilities closure(4)	1.4	0.7	4.0	4.0	1.5
Pension withdrawal liability(5)		2.0			
Management fees and other costs(6)	1.2	1.5	1.9	0.9	0.9
Impairment of assets(7)			5.1		
Adjusted EBITDA (as defined in the ABL facility)	$ 156.2	$ 146.1	$ 242.1	$ 223.0	$ (8.7)
(Gain) loss on sale of property and equipment	0.1	0.1	(2.4)	(2.4)	
Provision for bad debts	4.1	1.7	3.1	2.3	2.7
Amortization of debt issuance costs and discounts on long-term debt	2.5	5.0	6.0	4.4	4.1
Deferred income taxes	(6.6)	(3.7)	(3.1)	(1.9)	22.5
Non-cash interest on PIK option					17.6
Interest expense	(54.6)	(87.0)	(87.9)	(65.4)	(50.5)
Provision for income taxes	(25.8)	(4.8)	(46.1)	(53.8)	(3.7)
Other income (expense).	0.7	0.7	0.2	(0.2)	0.3
Inventory purchase adjustments.	(10.8)				
Facilities closure	(1.4)	(0.7)	(4.0)	(4.0)	(1.5)
Pension withdrawal liability		(2.0)			
Management fees and other costs	(1.2)	(1.5)	(1.9)	(0.9)	(0.9)
Other		0.2		(0.1)	
Changes in assets and liabilities	(108.9)	65.1	(27.6)	(198.7)	246.5
Net cash provided by (used in) operating activities	$ (45.7)	$ 119.2	$ 78.4	$ (97.7)	$ 228.4
Fixed charge coverage ratio numerator(8)	$ 115.6	$ 103.2	$ 197.9	$ 210.1	$ 16.1
Fixed charge coverage ratio denominator(8)	$ 76.7	$ 78.6	$ 68.1	$ 65.4	$ 117.3
FCCR(8)	1.51	1.31	2.91	3.21	0.14

(1) Includes depreciation for Building Products that is included in cost of sales.

(2) As a result of management s analysis and evaluation of the replacement cost of inventory at the date of the closing of the Apollo Transactions, a purchase accounting increase in the fair value of

Table of Contents

Index to Financial Statements

inventory of $14.9 million was recorded as of December 1, 2005, with $4.1 million of that amount charged to cost of sales in December 2005 and $10.8 million charged to cost of sales in the first quarter of 2006.

(3) Non-cash stock option and stock grant expense.

(4) The amount for 2006 represents charges incurred in connection with the closure of two locations within our metal service center business and three locations within our building products business. The amount for 2007 represents charges in the building products business for the closure of two facilities in the third quarter of 2007 and one in the fourth quarter of 2007. The amounts for 2008 represent charges incurred for the closure of six facilities during 2008, five of which were closed during the first quarter of 2008. The amount for the nine months ended September 30, 2009, represents charges to the building products business for severance costs and the closure of one facility, in addition to charges for the closure of one facility in our metal service center business.

(5) This amount represents accrued expenses incurred in connection with the withdrawal of two of our operating facilities from a multi-employer pension fund.

(6) Includes accrued expenses related to the management agreement we have with Apollo, pursuant to which Apollo provides us with management services, which will be terminated upon consummation of this offering. See Certain Relationships and Related Party Transactions Related Party Transactions Apollo Agreements.

(7) This amount represents non-cash impairment charges related to goodwill and customer list intangible assets associated with our building products business.

(8) As defined by the loan and security agreement governing the ABL facility and the indentures governing the Metals Notes and the 2007 Notes.

Assuming an initial public offering price of $ per share, which represents the midpoint of the range set forth on the cover page of this prospectus, and the subsequent purchase of the maximum principal amount of the 2007 Notes out of the net proceeds of this offering (assuming the exercise of the underwriters option to purchase additional shares in full), the FCCR under our ABL facility on a pro forma basis for the year ended December 31, 2008 and the twelve months ended September 30, 2009 would have been and , respectively.

Table of Contents

Index to Financial Statements

RISK FACTORS

Investing in our common stock involves a high degree of risk. You should carefully consider the risk factors set forth below as well as the other information contained in this prospectus before investing in our common stock or deciding whether you will or will not participate in this offering. Any of the following risks could materially and adversely affect our business, financial condition, results of operations or cash flows. In such a case, you may lose all or part of your original investment.

Risks Related to Our Business

Our business, financial condition, results of operations and cash flows are heavily affected by changing metal prices (which we believe are currently increasing but which may not continue).

Metals costs typically represent approximately 75% of our net sales. Metals costs can be volatile due to numerous factors beyond our control, including domestic and international economic conditions, labor costs, production levels, competition, import duties and tariffs and currency exchange rates. This volatility can significantly affect the availability and cost of raw materials for us and may, therefore, adversely affect our net sales, operating margin and net income. Our metal service centers maintain substantial inventories of metal to accommodate the short lead-times and just-in-time delivery requirements of our customers. Accordingly, using information derived from customers, market conditions, historic usage and industry research, we purchase metal in an effort to maintain our inventory at levels that we believe to be appropriate to satisfy the anticipated needs of our customers. Our commitments for metal purchases are generally at prevailing market prices in effect at the time we place our orders. We have no substantial long-term, fixed-price purchase contracts. When raw material prices rise, we may not be able to pass the price increase on to our customers. When raw material prices decline, customer demands for lower prices could result in lower sale prices and, to the extent we reduce existing inventory quantities, lower margins. There have been historical periods of rapid and significant movements in the prices of metal both upward and downward. Any limitation on our ability to pass through any price increases to our customers could have a material adverse effect on our business, financial condition, results of operations or cash flows.

Changes in metal prices (which we believe are currently increasing but which may not continue) also affect our liquidity because of the time difference between our payment for our raw materials and our collection of cash from our customers. We sell our products and typically collect our accounts receivable within 45 days after the sale; however, we tend to pay for replacement materials (which are more expensive when metal prices are rising) over a much shorter period, in part to benefit from early-payment discounts. As a result, when metal prices are rising, we tend to draw more on the ABL facility to cover the cash flow cycle from our raw material purchases to cash collection. This cash requirement for working capital is higher in periods when we are increasing inventory quantities. Our liquidity is thus adversely affected by rising metal prices. See Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Operating and Investing Activities.

Our operating results and liquidity could be negatively affected during economic downturns (which we believe we are currently experiencing) because the demand for our products is cyclical.

Many of our products are used in businesses that are, to varying degrees, cyclical and have historically experienced periodic downturns due to economic conditions, energy prices, consumer demand and other factors beyond our control. These economic and industry downturns have been characterized by diminished product demand, excess capacity and, in some cases, lower average selling prices for our products. The recent economic downturn and uncertainty about current global economic conditions pose risks as businesses in one or more of the markets that we serve, or consumers in one or more of the end-markets that our customers serve, may postpone purchases in

Table of Contents

Index to Financial Statements

response to tighter credit, negative financial news and/or declines in asset values, which could have a material adverse effect on the demand for our products and services and on our financial condition, results of operations or cash flows. Additionally, as an increasing amount of our customers relocate their manufacturing facilities outside of the United States, we may not be able to maintain our level of sales to those customers.

More recently, the decline in steel prices resulting from weakened demand and an oversupply of steel throughout the supply chain during the latter half of 2008 and first half of 2009 have contributed to a significant decline in steel product shipments from metals service centers in the U.S in year-over-year comparisons. Reduced demand in a number of our markets combined with the foreign relocation of some of our customers could have an adverse effect on our business, financial condition, results of operations or cash flows.

Our customers sell their products abroad, and some of our suppliers buy feedstock abroad. As a result, our business is affected by general economic conditions and other factors outside the United States, primarily in Europe and Asia. Our suppliers access to metal, and therefore our access to metal, is additionally affected by such conditions and factors. Similarly, the demand for our customers products, and therefore our products, is affected by such conditions and factors. These conditions and factors include enhanced imbalances in the world s iron ore, coal and steel industries, a downturn in world economies, increases in interest rates, unfavorable currency fluctuations or a slowdown in the key industries served by our customers. In addition, demand for the products of our Building Products Group has been and is expected to continue to be adversely affected if the current state of the housing market continues to contract, since the results of that group depend on a strong residential remodeling industry, which in turn has been historically driven by an expansion in the broader housing market and relatively high consumer confidence.

We rely on metal suppliers in our business and purchase a significant amount of metal from a limited number of suppliers and termination of one or more of our relationships with any of them could have a material adverse effect on our business, financial condition, results of operations or cash flows.

We use a variety of metals in our business. Our operations depend upon obtaining adequate supplies of metal on a timely basis. We purchase most of our metal from a limited number of metal suppliers. As of September 30, 2009, our top two metals suppliers represent a significant portion of our total metal purchasing cost. Termination of our relationship with either of these suppliers could have a material adverse effect on our business, financial condition, results of operations or cash flows if we were unable to obtain metal from other sources in a timely manner.

In addition, the domestic metals production industry has experienced consolidation in recent years. Further consolidation could result in a decrease in the number of our major suppliers or a decrease in the number of alternative supply sources available to us, which could make it more likely that termination of one or more of our relationships with major suppliers would result in a material adverse effect on our business, financial condition, results of operations or cash flows. Consolidation could also result in price increases for the metal that we purchase. Such price increases could have a material adverse effect on our business, financial condition, results of operations or cash flows if we were not able to pass these price increases on to our customers.

Intense competition in our fragmented industry could adversely affect our profitability.

We are engaged in a highly fragmented and competitive industry. We compete with a large number of other value-added oriented metals processor/metal service centers on a regional and local basis, some of which may have greater financial resources than we have. The United States and

Table of Contents

Index to Financial Statements

Canadian metal service center industry generated $153 billion in sales from approximately 1,200 participants in 2008. Based on 2008 revenues the top 100 competitors represent approximately 47% of industry revenue. Metals USA is ranked ninth among this group based on 2008 revenues. We also compete, to a much lesser extent, with primary metals producers, who typically sell to very large customers requiring regular shipments of large volumes of metals. Because price, particularly in the ferrous flat rolled business, is a competitive factor we may be required in the future to reduce sales volumes to maintain our level of profitability. Increased competition in any of our businesses could have a material adverse effect on our business, financial condition, results of operations or cash flows.

Our ability to retain our key employees is critical to the success of our business, and failure to do so may adversely affect our revenues and as a result could materially adversely affect our business, financial condition, results of operations and cash flows.

We are dependent on the services of our Chief Executive Officer and other members of our senior management team to remain competitive in our industry. We may not be able to retain or replace one or more of these key employees, we may suffer an extended interruption in one or more of their services or we may lose the services of one or more of these key employees entirely. Our current key employees are subject to employment conditions or arrangements that permit the employees to terminate their employment without notice. See Management Management Agreements with Metals USA and Related Stock Option Grants from Metals USA Holdings. Other than a life insurance policy maintained by us on our Chief Executive Officer, for which we are the beneficiary, we do not maintain any life insurance policies for our key employees. If any of our key employees were not able to dedicate adequate time to our business, due to personal or other factors, if we lose or suffer an extended interruption in the services of any of our key employees or if any of our key employees were to terminate their employment it could have a material adverse effect on our business, financial condition, results of operations or cash flows. In addition, the market for qualified individuals may be highly competitive and we may not be able to attract and retain qualified personnel to replace or succeed members of our senior management or other key employees, should the need arise.

From time to time, there are shortages of qualified operators of metals processing equipment. In addition, during periods of low unemployment, turnover among less-skilled workers can be relatively high. Any failure to retain a sufficient number of such employees in the future could have a material adverse effect on our business, financial condition, results of operations or cash flows.

We are subject to litigation that could strain our resources and distract management.

From time to time, we are involved in a variety of claims, lawsuits and other disputes arising in the ordinary course of business. These suits concern issues including product liability, contract disputes, employee-related matters and personal injury matters. It is not feasible to predict the outcome of all pending suits and claims, and the ultimate resolution of these matters as well as future lawsuits could have a material adverse effect on our business, financial condition, results of operations or cash flows or reputation.

Environmental costs could decrease our net cash flow and adversely affect our profitability.

Our operations are subject to extensive regulations governing waste disposal, air and water emissions, the handling of hazardous substances, remediation, workplace exposure and other environmental matters. Some of the properties we own or lease are located in areas with a history of heavy industrial use, and are near sites listed for clean up under the Comprehensive Environmental Response, Compensation, and Liability Act, which we refer to as CERCLA. See Business Government Regulation and Environmental Matters. CERCLA established joint and several responsibility for clean-up without regard to fault for persons who have arranged for disposal of hazardous substances at sites that have become contaminated and for persons who own or operate

Table of Contents

Index to Financial Statements

contaminated facilities. We have a number of properties located in or near industrial or light industrial use areas; accordingly, these properties may have been contaminated by pollutants which would have migrated from neighboring facilities or have been deposited by prior occupants. Some of our properties are affected by contamination from leaks and drips of cutting oils and similar materials. The costs of clean-ups to date have not been material. It is possible that we could be notified of such claims in the future. See Business Government Regulation and Environmental Matters. It is also possible that we could be identified by the Environmental Protection Agency, a state agency or one or more third parties as a potentially responsible party under CERCLA or under analogous state laws. If so, we could incur substantial costs related to such claims, which could decrease our net cash flows and adversely affect our profitability.

Adverse developments in our relationship with our unionized employees could adversely affect our business.

As of September 30, 2009, approximately 176 of our employees (approximately 10%) at various sites were members of unions. We are currently a party to seven collective-bargaining agreements. One expires in 2009, five expire in 2010 and one expires in 2011. Presently we do not anticipate any problems or issues with respect to renewing these agreements upon acceptable terms. However, no assurances can be given that we will succeed in negotiating new collective-bargaining agreements to replace the expiring ones without a strike. Any strikes in the future could have a material adverse effect on our business, financial condition, results of operations or cash flows. See Business Employees for a discussion of our previous negotiations of collective-bargaining agreements.

Our historical financial information is not comparable to our current financial condition, results of operations and cash flows because of our use of purchase accounting in connection with the Merger (which resulted in a new valuation for the assets and liabilities of Metals USA to their fair values) and the acquisitions of Port City, Lynch Metals and Allmet.

It may be difficult for you to compare both our historical and future results to our results for the fiscal year ended December 31, 2008 and the nine months ended September 30, 2009. The Merger was accounted for utilizing purchase accounting, which resulted in a new valuation for the assets and liabilities of Metals USA to their fair values. This new basis of accounting began on November 30, 2005. In addition, the acquisition of Port City and Dura-loc Roofing Systems Limited, subsequently renamed Allmet, which we refer to as Allmet (collectively, which we refer to as the 2006 Acquisitions), and the acquisition of Lynch Metals were, and we expect future acquisitions will be, also accounted for using purchase accounting and, therefore, similar limitations regarding comparability of historical and subsequent results could arise. Under the purchase method of accounting, the operating results of each of the acquired businesses, including the 2006 Acquisitions and Lynch Metals, are included in our financial statements only from the date of the acquisitions. As a result, amounts presented in the consolidated financial statements and footnotes may not be comparable with those of prior periods.

We may not successfully implement our acquisition strategy, and acquisitions that we pursue may present unforeseen integration obstacles and costs, increase our leverage and negatively impact our performance.

We intend to continue to pursue our acquisition strategy, and we generally target one to two bolt-on acquisitions per year that will enhance our metal service center strategy. We may not be able to identify suitable acquisition candidates, and if we do identify suitable candidates, they may be larger than our historical targets. The expense incurred in consummating acquisitions of related businesses, or our failure to integrate such businesses successfully into our existing businesses, could affect our growth or result in our incurring unanticipated expenses and losses. Furthermore, we may not be able to realize any anticipated benefits from acquisitions. We regularly evaluate potential acquisitions and

Table of Contents

Index to Financial Statements

may complete one or more significant acquisitions in the future. To finance an acquisition, we may incur debt or issue equity, both of which could be materially greater amounts than in connection with prior acquisitions. The process of integrating acquired operations into our existing operations may result in unforeseen operating difficulties and may require significant financial resources that would otherwise be available for the ongoing development or expansion of existing operations. Some of the risks associated with our acquisition strategy, which could have an adverse effect on our business, financial condition, results of operations and cash flows, include:

- potential disruption of our ongoing business and distraction of management;
- unexpected loss of key employees or customers of the acquired company;
- conforming the acquired company s standards, processes, procedures and controls with our operations;
- coordinating new product and process development;
- hiring additional management and other critical personnel;
- encountering unknown contingent liabilities that could be material; and
- increasing the scope, geographic diversity and complexity of our operations.

As a result of the foregoing, our acquisition strategy may not be successfully received by customers, and we may not realize any anticipated benefits from acquisitions.

We may not be able to sustain the annual cost savings realized as part of our recent cost reduction initiatives.

Since the fourth quarter of 2008, we have implemented approximately $50.0 million of annualized cost savings, a vast majority of which we believe are permanent reductions that further reduce what we believe to be the lowest cost structure in our industry. The cost savings have come primarily as a result of various actions, including reducing our headcount by approximately 30%, modifying employee benefits, closing 7 facilities primarily in our Building Products Group, reducing work hours for our employees and streamlining our delivery fleet. We may not be able to sustain all, or any part of, these cost savings on an annual basis in the future, which could have an adverse effect on our business, financial condition, results of operations and cash flows.

Metals USA Holdings is a holding company and relies on dividends and other payments, advances and transfers of funds from its subsidiaries to meet its dividend and other obligations.

Metals USA Holdings has no direct operations and derives all of its cash flow from its subsidiaries. Because Metals USA Holdings conducts its operations through its subsidiaries, Metals USA Holdings depends on those entities for dividends and other payments to generate the funds necessary to meet its financial obligations, and to pay any dividends with respect to our common stock. Legal and contractual restrictions in the ABL facility, the indenture governing the Metals USA Notes, the 2007 Notes indenture and other agreements governing current and future indebtedness of Metals USA Holdings subsidiaries, as well as the financial condition and operating requirements of Metals USA Holdings subsidiaries, may limit Metals USA Holdings ability to obtain cash from its subsidiaries. The earnings from, or other available assets of, Metals USA Holdings subsidiaries may not be sufficient to pay dividends or make distributions or loans to enable Metals USA Holdings to pay any dividends on our common stock.

Table of Contents

Index to Financial Statements

We may not be able to retain or expand our customer base if the North American manufacturing industry continues to erode through moving offshore or through acquisition and merger or consolidation activity in our customers industries.

Our customer base, including our Flat Rolled and Non-Ferrous Group s customer base, primarily includes manufacturing and industrial firms. Some of these customers operate in industries that are undergoing consolidation through acquisition and merger activity; some are considering or have considered relocating production operations overseas or outsourcing particular functions overseas; and some customers have closed as they were unable to compete successfully with overseas competitors. Our facilities are predominately located in the mid-western and southern United States. To the extent that these customers cease U.S. operations, relocate or move operations overseas to regions in which we do not have a presence, we could lose their business. In addition, acquirers of manufacturing and industrial firms may have suppliers of choice that do not include us, which could affect our customer base and sales.

We may face product liability claims that are costly and create adverse publicity.

If any of the products that we sell cause harm to any of our customers, we could be exposed to product liability lawsuits. If we were found liable under product liability claims, we could be required to pay substantial monetary damages. Further, even if we successfully defended ourselves against this type of claim, we could be forced to spend a substantial amount of money in litigation expenses, our management could be required to spend valuable time to defend against these claims and our reputation could suffer, any of which could harm our business.

We may not be able to generate sufficient cash to service all of our indebtedness.

Our ability to make payments on our indebtedness depends on our ability to generate cash in the future. The Metals USA Notes, the ABL facility and our other outstanding indebtedness are expected to account for significant cash interest expenses in fiscal 2009 and subsequent years. Accordingly, we will have to generate significant cash flows from operations to meet our debt service requirements. If we do not generate sufficient cash flow to meet our debt service and working capital requirements, we may need to seek additional financing; however, this insufficient cash flow may make it more difficult for us to obtain financing on terms that are acceptable to us, or at all. Furthermore, Apollo has no obligation to provide us with debt or equity financing and we therefore may be unable to generate sufficient cash to service all of our indebtedness.

Our substantial leverage exposes us to interest rate risk and could adversely affect our ability to raise additional capital to fund our operations, limit our ability to react to changes in the economy or our industry and prevent us from meeting our obligations under our indebtedness.

We are highly leveraged. As of September 30, 2009, our total indebtedness was $501.1 million. We also had an additional $128.9 million available for borrowing under the ABL facility as of that date, but because the FCCR was less than 1.0 to 1.0 as of September 30, 2009, we could only borrow $83.9 million. As of September 30, 2009, we had $500.9 million of indebtedness outstanding under the ABL facility, the Metals USA Notes, the 2007 Notes and an Industrial Revenue Bond, which we refer to as IRB, and $0.2 million of junior indebtedness outstanding. We are required by the terms of the 2007 Notes to make an offer to all holders of the 2007 Notes, of which $178.9 million aggregate principal amount were outstanding as of September 30, 2009, within 60 days of the receipt of the proceeds of this offering to repurchase the maximum principal amount of the 2007 Notes that may be purchased out of the net proceeds, estimated to be approximately $ million, or $ million if the over-allotment option is exercised in full, at a price equal to 100% of the principal amount, plus accrued and unpaid interest to the date of the closing of the repurchase offer. We cannot assure you that holders of the 2007 Notes will accept our offer. We will also continue to be subject to the covenants in the indenture governing the 2007 Notes if any 2007 Notes remain outstanding after the offer. See Use of Proceeds.

Table of Contents

Index to Financial Statements

Our substantial indebtedness could have important consequences for you, including:

- it may limit, along with the financial and other restrictive covenants in our indebtedness, among other things, our ability to borrow money, dispose of assets or sell equity for our working capital, capital expenditures, dividend payments, debt service requirements, strategic initiatives or other purposes;
- it may limit our flexibility in planning for, or reacting to, changes in our operations or business;
- we may be more highly leveraged than some of our competitors, which may place us at a competitive disadvantage;
- it may make us more vulnerable to downturns in our business or the economy; and
- there would be a material adverse effect on our business, financial condition, results of operations or cash flows if we were unable to service our indebtedness or obtain additional financing, as needed.

Our debt agreements impose significant operating and financial restrictions, which could have a material adverse effect on our business, financial condition, results of operations or cash flows.

The ABL facility and the indentures governing the Metals USA Notes and the 2007 Notes contain various covenants that limit or prohibit our ability, among other things, to:

- incur or guarantee additional indebtedness or issue certain preferred shares;
- pay dividends on our capital stock or redeem, repurchase, retire or make distributions in respect of our capital stock or subordinated indebtedness or make other restricted payments;
- make certain loans, acquisitions, capital expenditures or investments;
- sell certain assets, including stock of our subsidiaries;
- enter into sale and leaseback transactions;
- create or incur liens;
- consolidate, merge, sell, transfer or otherwise dispose of all or substantially all of our assets; and

enter into certain transactions with our affiliates.

The indentures governing the Metals USA Notes and the 2007 Notes contain covenants that restrict our ability to take certain actions, such as incurring additional debt, if we are unable to meet defined adjusted EBITDA to fixed charges and consolidated total debt ratios (each, as defined by the applicable indenture). The covenants in the indentures require us to have an adjusted EBITDA to fixed charge ratio (measured on a trailing four-quarter basis and calculated differently from the FCCR as defined by the ABL facility) of 2.0 to 1.0 to incur ratio indebtedness and a consolidated total debt ratio of no greater than 4.75 to 1.0 to incur ratio indebtedness in connection with acquisitions. Based on the calculations for the trailing four quarters, we are not able to satisfy these covenants and incur additional indebtedness under these ratios, including for acquisition purposes, under our indentures.

As of September 30, 2009, our FCCR was 0.14. As of September 30, 2009 we had $128.9 million of additional borrowing capacity under the ABL facility, but because the FCCR was less than 1.0 to 1.0 as of September 30, 2009, we could only borrow $83.9 million. Failure to comply with the FCCR covenant of the ABL facility can result in limiting our long-term growth prospects by hindering our ability to incur future indebtedness or grow through acquisitions. The interest rate in respect of borrowings under the ABL facility is determined in reference to the FCCR, and should borrowing availability under the ABL facility fall below $45.0 million, we must maintain an FCCR of at least 1.0 to 1.0, measured on a trailing four-quarter basis.

Table of Contents

Index to Financial Statements

A breach of any of these covenants could result in a default under our debt agreements. See Management s Discussion and Analysis of Financial Condition and Results of Operations Financing Activities Covenant Compliance.

The restrictions contained in the agreements that govern the terms of our debt could:

- limit our ability to plan for or react to market conditions or meet capital needs or otherwise restrict our activities or business plans;
- adversely affect our ability to finance our operations, to enter into strategic acquisitions, investments or other capital needs or to engage in other business activities that would be in our interest; and
- limit our access to the cash generated by our subsidiaries.

Upon the occurrence of an event of default under the ABL facility, the lenders could elect to declare all amounts outstanding under the ABL facility to be immediately due and payable and terminate all commitments to extend further credit. If we were unable to repay those amounts, the lenders under the ABL facility could proceed against the collateral granted to them to secure the ABL facility on a first-priority lien basis. If the lenders under the ABL facility accelerate the repayment of borrowings, such acceleration could have a material adverse effect on our business, financial condition, results of operations or cash flows. In addition, we may not have sufficient assets to repay the 2007 Notes or the Metals USA Notes upon acceleration.

For a more detailed description on the limitations on our ability to incur additional indebtedness, please see Management s Discussion and Analysis of Financial Condition and Results of Operations Financing Activities and Description of Certain Indebtedness.

Despite our substantial indebtedness, we may still be able to incur significantly more indebtedness which could have a material adverse effect on our business, financial condition or results of operations.

The terms of the Metals USA Notes indenture, the 2007 Notes indenture and the ABL facility contain restrictions on our ability to incur additional indebtedness. These restrictions are subject to a number of important qualifications and exceptions, and the indebtedness incurred in compliance with these restrictions could be substantial. Accordingly, we or our subsidiaries could incur significant additional indebtedness in the future. As of September 30, 2009, we had approximately $128.9 million available for additional borrowing under the ABL facility, including the subfacility for letters of credit, and the covenants under our debt agreements would allow us to borrow a significant amount of additional indebtedness. However, because the FCCR was less than 1.0 to 1.0 as of September 30, 2009, we could only borrow $83.9 million. In addition, the Metals USA Notes indenture does not limit the amount of indebtedness that may be incurred by Flag Intermediate or Metals USA Holdings. Additional leverage could have a material adverse effect on our business, financial condition or results of operations and could increase the risks described in Our substantial leverage exposes us to interest rate risk and could adversely affect our ability to raise additional capital to fund our operations, limit our ability to react to changes in the economy or our industry and prevent us from meeting our obligations under our indebtedness, Our debt agreements impose significant operating and financial restrictions, which could have a material adverse effect on our business, financial condition, results of operations or cash flows and Because a substantial portion of our indebtedness bears interest at rates that fluctuate with changes in certain prevailing short-term interest rates, we are vulnerable to interest rate increases.

Table of Contents

Index to Financial Statements

Because a substantial portion of our indebtedness bears interest at rates that fluctuate with changes in certain prevailing short-term interest rates, we are vulnerable to interest rate increases.

A substantial portion of our indebtedness, including the ABL facility and the 2007 Notes, bears interest at rates that fluctuate with changes in certain short-term prevailing interest rates. As of September 30, 2009, we had approximately $274.6 million of floating rate debt under the 2007 Notes, the ABL facility and the IRB. We also had an additional $128.9 million available for borrowing under the ABL facility as of September 30, 2009, but because the FCCR was less than 1.0 to 1.0 as of September 30, 2009, we could only borrow $83.9 million. Assuming a consistent level of debt, a 100 basis point change in the interest rate on our floating rate debt effective from the beginning of the year would increase or decrease our fiscal 2009 interest expense under the 2007 Notes, the ABL facility and the IRB by approximately $2.7 million. We use derivative financial instruments to manage a portion of the potential impact of our interest rate risk. As of September 30, 2009, we had $90.0 million of outstanding advances on the ABL facility, which represented approximately 18% of our total indebtedness, that were hedged under interest rate swap agreements. To some extent, derivative financial instruments can protect against increases in interest rates, but they do not provide complete protection over the longer term. If interest rates increase dramatically, we could be unable to service our debt which could have a material adverse effect on our business, financial condition, results of operations or cash flows.

Cash interest on the 2007 Notes will accrue at a rate per annum, reset quarterly, equal to London Interbank Offered Rate which we refer to as LIBOR, plus a spread of 6.00%, which increases by 0.25% to 6.25% in the second year of the issuance of the 2007 Notes, by 0.50% to 6.50% in the third year of the issuance of the 2007 Notes, and by 0.75% to 6.75% in the fourth year of the issuance of the 2007 Notes. The spread increased to 6.25% on July 10, 2008 and to 6.50% on July 10, 2009. Assuming a LIBOR rate of % and the adjusted spread of 6.50% and assuming $ million of our 2007 Notes are repurchased with the proceeds of this offering, our annual interest expense would be reduced by $ million. We cannot assure you, however, that holders of our 2007 Notes will accept our offer to repurchase their notes. For each $1.0 million of 2007 Notes that remain outstanding our interest expense related thereto will be $.

Risks Related to an Investment in Our Common Stock and This Offering

There is no existing market for our common stock and we do not know if one will develop, which could impede your ability to sell your shares and depress the market price of our common stock.

Prior to this offering, there has not been a public market for our common stock. We cannot predict the extent to which investor interest in our company will lead to the development of an active trading market on The New York Stock Exchange or otherwise or how liquid that market might become. If an active trading market does not develop, you may have difficulty selling any of our common stock that you buy. The initial public offering price for the common stock will be determined by negotiations between us and the representative of the underwriters and may not be indicative of prices that will prevail in the open market following this offering. See Underwriting. Consequently, you may not be able to sell our common stock at prices equal to or greater than the price you paid in this offering.

Apollo controls us and its interests may conflict with or differ from your interests as a stockholder.

After the consummation of this offering, Apollo will beneficially own approximately % of our common stock, assuming the underwriters do not exercise their over-allotment option. If the underwriters exercise in full their over-allotment option, Apollo will beneficially own approximately % of our common stock immediately after the consummation of this offering. As a result, Apollo will continue to have the power to elect all of our directors and will have the ability to prevent any

Table of Contents

Index to Financial Statements

transaction that requires the approval of our board of directors or stockholders, including the approval of significant corporate transactions such as mergers and the sale of substantially all of our assets.

The amended and restated investors rights agreement that we intend to enter into with Apollo and each of our management members, which we refer to as the amended and restated investors rights agreement, will provide that, except as otherwise required by applicable law, Apollo will have the right to nominate (a) four directors as long as Apollo owns (including shares of common stock issuable under the terms of any exchangeable securities issued by us) at least 30% but less than 50% of our outstanding common stock, (b) three directors as long as Apollo owns (including shares of common stock issuable under the terms of any exchangeable securities issued by us) at least 20% but less than 30% of our outstanding common stock and (c) two directors as long as Apollo owns (including shares of common stock issuable under the terms of any exchangeable securities issued by us) at least 10% but less than 20% of our outstanding common stock. In the event that the board of directors increases its size beyond nine members, Apollo s nomination rights will be proportionately increased, rounded up to the nearest whole number. Thus, Apollo will continue to be able to significantly influence or effectively control our decisions. See Certain Relationships and Related Party Transactions Related Party Transactions Amended and Restated Investors Rights Agreement and Description of Capital Stock Composition of Board of Directors; Election and Removal of Directors.

The interests of Apollo could conflict with or differ from your interests as a holder of our common stock. For example, the concentration of ownership held by Apollo could delay, defer or prevent a change of control of our company or impede a merger, takeover or other business combination that you as a stockholder may otherwise view favorably. Apollo is in the business of making or advising on investments in companies and holds, and may from time to time in the future acquire, interests in or provide advice to businesses that directly or indirectly compete with certain portions of our business or are suppliers or customers of ours. They may also pursue acquisitions that may be complementary to our business, and, as a result, those acquisition opportunities may not be available to us. Further, Apollo will realize substantial benefits from the sale of their shares in this offering. A sale of a substantial number of shares of stock in the future by funds affiliated with Apollo could cause our stock price to decline.

Because all of the proceeds from this offering of our common stock may be used to repay the 2007 Notes, none or very little of such proceeds may be used to further invest in our business.

The 2007 Notes indenture requires that we make an offer to all holders of the 2007 Notes within 60 days of the receipt of the proceeds of this offering to repurchase the maximum principal amount of the 2007 Notes that may be purchased out of the net proceeds, estimated to be approximately $ million, or $ million if the over-allotment option is exercised in full, at a price equal to 100% of the principal amount, plus accrued and unpaid interest to the date of the closing of the repurchase offer. As a result, none or very little of such proceeds may be used to further invest in our business. On December 18, 2009, the 2007 Notes traded at 84.625%, based on quoted market prices. See Use of Proceeds. If we experience a change of control and we do not redeem the Metals USA Notes, we will be required to make an offer to repurchase the Metals USA Notes at a price equal to 101% of the principal amount, plus accrued and unpaid interest and additional interest, if any, to the date of repurchase.

We are a controlled company within the meaning of The New York Stock Exchange rules and, as a result, will qualify for, and intend to rely on, exemptions from certain corporate governance requirements.

Upon the closing of this offering, Apollo will continue to control a majority of our voting common stock. As a result, we are a controlled company within the meaning of The New York Stock Exchange

Table of Contents

Index to Financial Statements

corporate governance standards. Under The New York Stock Exchange rules, a company of which more than 50% of the voting power is held by an individual, group or another company is a controlled company and may elect not to comply with certain New York Stock Exchange corporate governance requirements, including:

- the requirement that a majority of the board of directors consists of independent directors;
- the requirement that we have a nominating/governance committee that is composed entirely of independent directors with a written charter addressing the committee s purpose and responsibilities;
- the requirement that we have a compensation committee that is composed entirely of independent directors with a written charter addressing the committee s purpose and responsibilities; and
- the requirement for an annual performance evaluation of the nominating/governance and compensation committees.

Following this offering, we intend to utilize the exemptions from The New York Stock Exchange corporate governance requirements, including the foregoing. As a result, we will not have a majority of independent directors nor will our nominating/governance and compensation committees consist entirely of independent directors and we will not be required to have an annual performance evaluation of the nominating/governance and compensation committees. See Management. Accordingly, you will not have the same protections afforded to stockholders of companies that are subject to all of The New York Stock Exchange corporate governance requirements.

The price of our common stock may fluctuate significantly and you could lose all or part of your investment.

Volatility in the market price of our common stock price may prevent you from being able to sell your common stock at or above the price you paid for your common stock. The market price for our common stock could fluctuate significantly for various reasons, including:

- our operating and financial performance and prospects;
- our quarterly or annual earnings or those of other companies in our industry;
- conditions that impact demand for our products and services;
- future announcements concerning our business or our competitors businesses;
- the public s reaction to our press releases, other public announcements and filings with the U.S. Securities and Exchange Commission, which we refer to as the SEC ;
- changes in earnings estimates or recommendations by securities analysts who track our common stock;

market and industry perception of our success, or lack thereof, in pursuing our growth strategy;

strategic actions by us or our competitors, such as acquisitions or restructurings;

changes in government and environmental regulation;

general market, economic and political conditions;

changes in accounting standards, policies, guidance, interpretations or principles;

arrival and departure of key personnel;

the number of shares to be publicly traded after this offering;

sales of common stock by us, Apollo or members of our management team;

Table of Contents

Index to Financial Statements

- adverse resolution of new or pending litigation against us; and

- changes in general market, economic and political conditions in the United States and global economies or financial markets, including those resulting from natural disasters, terrorist attacks, acts of war and responses to such events.

See Risks Related to Our Business.

In addition, in recent years, the stock market has experienced significant price and volume fluctuations. This volatility has had a significant impact on the market price of securities issued by many companies, including companies in our industry. The changes frequently appear to occur without regard to the operating performance of the affected companies. Hence, the price of our common stock could fluctuate based upon factors that have little or nothing to do with our company, and these fluctuations could materially reduce our share price.

We have no plans to pay regular dividends on our common stock, so you may not receive funds without selling your common stock.

We have no plans to pay regular dividends on our common stock. Any payment of future dividends will be at the discretion of our board of directors and will depend on, among other things, our earnings, financial condition, capital requirements, level of indebtedness, statutory and contractual restrictions applying to the payment of dividends, and other considerations that our board of directors deems relevant. The ABL facility and the indentures governing the 2007 Notes and the Metals USA Notes also include limitations on the ability of our subsidiaries to pay dividends to us. Accordingly, you may have to sell some or all of your common stock in order to generate cash flow from your investment.

Future sales or the possibility of future sales of a substantial amount of our common stock may depress the price of shares of our common stock.

We may sell additional shares of common stock in subsequent public offerings or otherwise, including to finance acquisitions. Our amended and restated articles of incorporation will authorize us to issue shares of common stock, of which shares will be outstanding upon consummation of this offering. This number includes shares that we are selling in this offering, which may be resold immediately in the public market. Of the remaining shares, or % are restricted from immediate resale under the federal securities laws and the lock-up agreements between our current stockholders and the underwriters described in the Underwriting section of this prospectus, but may be sold into the market in the near future. These shares will become available for sale at various times following the expiration of the lock-up agreements, which, without the prior consent of the representative of the underwriters, is 180 days after the date of this prospectus (which period could be extended by the underwriters for up to an additional 18 days under certain circumstances). Immediately after the expiration of the 180-day lock-up period, the shares will be eligible for resale under Rule 144 or Rule 701 of the Securities Act subject to volume limitations and applicable holding period requirements. In addition, immediately following this offering, we intend to file a registration statement under the Securities Act registering 1,400,000 shares reserved for issuance under the 2005 Plan (of which shares will not be subject to the 180-day lock-up).

We cannot predict the size of future issuances of our common stock or the effect, if any, that future issuances and sales of our common stock will have on the market price of our common stock. Sales of substantial amounts of our common stock (including shares issued in connection with an acquisition), or the perception that such sales could occur, may adversely affect prevailing market prices for our common stock.

Table of Contents

Index to Financial Statements

Our organizational documents may impede or discourage a takeover, which could deprive our investors of the opportunity to receive a premium for their shares.

Provisions of our amended and restated certificate of incorporation and bylaws may make it more difficult for, or prevent a third party from, acquiring control of us without the approval of our board of directors. These provisions include:

- a classified board of directors;
- the sole power of a majority of the board of directors to fix the number of directors;
- limitations on the removal of directors;
- the ability of our board of directors to designate one or more series of preferred stock and issue shares of preferred stock without stockholder approval;
- the sole power of our board of directors to fill any vacancy on our board, whether such vacancy occurs as a result of an increase in the number of directors or otherwise; and
- advance notice requirements for nominating directors or introducing other business to be conducted at stockholder meetings.

The foregoing factors, as well as the significant common stock ownership by Apollo, could impede a merger, takeover or other business combination or discourage a potential investor from making a tender offer for our common stock, which, under certain circumstances, could reduce the market value of our common stock. See Description of Capital Stock.

You will suffer an immediate and substantial dilution in the net tangible book value of the common stock you purchase.

Prior investors have paid substantially less per share than the price in this offering. The initial offering price is substantially higher than the net tangible book value per share of the outstanding common stock immediately after this offering. Accordingly, based on an assumed initial public offering price of $ per share (the midpoint of the range set forth on the cover page of this prospectus), purchasers of common stock in this offering will experience immediate and substantial dilution of approximately $ per share in net tangible book value of the common stock. See Dilution, including the discussion of the effects on dilution from a change in the price of this offering.

Any issuance of preferred stock could make it difficult for another company to acquire us or could otherwise adversely affect holders of our common stock, which could depress the price of our common stock.

Our board of directors has the authority to issue preferred stock and to determine the preferences, limitations and relative rights of shares of preferred stock and to fix the number of shares constituting any series and the designation of such series, without any further vote or action by our stockholders. Our preferred stock could be issued with voting, liquidation, dividend and other rights superior to the rights of our common stock. The potential issuance of preferred stock may delay or prevent a change in control of us, discouraging bids for our common stock at a premium over the market price, and adversely affect the market price and the voting and other rights of the holders of our common stock.

Table of Contents

Index to Financial Statements

The additional requirements of having a class of publicly traded equity securities may strain our resources and distract management.

After the consummation of this offering, we will be subject to additional reporting requirements of the Securities Exchange Act of 1934, or the Exchange Act, and the Sarbanes-Oxley Act of 2002, which we refer to as the Sarbanes-Oxley Act. The Sarbanes-Oxley Act requires that we maintain effective disclosure controls and procedures and internal control for financial reporting. These requirements may place a strain on our systems and resources. Under Section 404 of the Sarbanes-Oxley Act, we are currently required to include a report of management on our internal control over financial reporting in our Annual Reports on Form 10-K. After consummation of this offering, our independent public accountants auditing our financial statements must attest to the effectiveness of our internal control over financial reporting. This requirement will first apply to our Annual Report on Form 10-K for our fiscal year ending December 31, 2010. In order to maintain and improve the effectiveness of our disclosure controls and procedures and internal control over financial reporting, significant resources and management oversight will be required. This may divert management s attention from other business concerns, which could have a material adverse effect on our business, financial condition, results of operations and cash flows. If we are unable to conclude that our disclosure controls and procedures and internal control over financial reporting are effective, or if our independent public accounting firm is unable to provide us with an unqualified report as to management s assessment of the effectiveness of our internal control over financial reporting in future years, investors may lose confidence in our financial reports and our stock price may decline.

Table of Contents

Index to Financial Statements

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that involve risks and uncertainties. You can identify forward-looking statements because they contain words such as believes, expects, may, should, seeks, approximately, intends, plans, estimates, or anticipates or si that relate to our strategy, plans or intentions. All statements we make relating to our estimated and projected earnings, margins, costs, expenditures, cash flows, growth rates and financial results or to our expectations regarding future industry trends are forward-looking statements. In addition, we, through our senior management, from time to time make forward-looking public statements concerning our expected future operations and performance and other developments. These forward-looking statements are subject to risks and uncertainties that may change at any time, and, therefore, our actual results may differ materially from those that we expected. We derive many of our forward-looking statements from our operating budgets and forecasts, which are based upon many detailed assumptions. While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the impact of known factors, and, of course, it is impossible for us to anticipate all factors that could affect our actual results. All forward-looking statements are based upon information available to us on the date of this prospectus.

Important factors that could cause actual results to differ materially from our expectations, which we refer to as cautionary statements, are disclosed under Risk Factors and elsewhere in this prospectus, including, without limitation, in conjunction with the forward-looking statements included in this prospectus. All forward-looking information in this prospectus and subsequent written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by the cautionary statements. Some of the factors that we believe could affect our results include:

- supply, demand, prices and other market conditions for steel and other commodities;
- the timing and extent of changes in commodity prices, including the cost of energy and raw materials;
- the effects of competition in our business lines;
- the condition of the steel and metal markets generally, which will be affected by interest rates, foreign currency fluctuations and general economic conditions;
- the ability of our counterparties to satisfy their financial commitments;
- tariffs and other government regulations relating to our products and services;
- adverse developments in our relationship with both our key employees and unionized employees;
- operational factors affecting the ongoing commercial operations of our facilities, including catastrophic weather-related damage, regulatory approvals, permit issues, unscheduled blackouts, outages or repairs, unanticipated changes in fuel costs or availability of fuel emission credits or workforce issues;
- our ability to operate our businesses efficiently, manage capital expenditures and costs (including general and administrative expenses) tightly and generate earnings and cash flow;

our ability to pass through increases in our costs to our customers;

our substantial indebtedness described in this prospectus;

restrictive covenants in our indebtedness that may adversely affect our operational flexibility;

general political conditions and developments in the United States and in foreign countries whose affairs affect supply, demand and markets for steel, other metals and metal products;

- conditions in the United States and international economies;
- our expectations with respect to our acquisition activity;
- our ability to retain key employees; and
- the costs of being a public company, including Sarbanes-Oxley compliance.

We caution you that the foregoing list of important factors may not contain all of the material factors that are important to you. In addition, in light of these risks and uncertainties, the matters referred to in the forward-looking statements contained in this prospectus may not in fact occur. Accordingly, investors should not place undue reliance on those statements. We undertake no obligation to publicly update or revise any forward-looking statement as a result of new information, future events or otherwise, except as otherwise required by law.

Table of Contents

Index to Financial Statements

USE OF PROCEEDS

Assuming an initial public offering price of $ per share, which represents the midpoint of the range set forth on the cover page of this prospectus, our net proceeds from this offering are estimated to be approximately $ million after deducting the estimated underwriting discounts and commissions and offering expenses that will be paid out of the proceeds of this offering. We currently intend to use the net proceeds from the shares being sold by us in this offering, including any net proceeds from any sales of our common stock sold pursuant to the underwriters over-allotment, as follows:

- approximately $ million to make an offer to all holders of our 2007 Notes to repurchase the maximum principal amount of the 2007 Notes that may be purchased out of the net proceeds of this offering, estimated to be approximately $ million, at a price equal to 100% of the principal amount, plus accrued and unpaid interest to the date of the closing of the repurchase offer;

- approximately $ million for estimated fees and expenses; and

- any remaining net proceeds will be used for general corporate purposes.

Under the terms of the indenture governing the 2007 Notes, we must offer to repurchase all of a holder s 2007 Notes or a pro rata portion thereof. The 2007 Notes will be repurchased no earlier than 30 days nor later than 60 days from the date we commence the repurchase offer, which may be commenced no later than 60 days following our receipt of the proceeds of this offering. Prior to the commencement of the repurchase offer, we must irrevocably deposit the net proceeds of this offering with the trustee, Wells Fargo Bank, N.A., and the proceeds must be invested in cash or cash equivalents to be held for the payment of the purchase price of the 2007 Notes. We cannot assure you that holders of the 2007 Notes, of which $178.9 million aggregate principal amount are outstanding as of September 30, 2009, will accept our offer. If the amount deposited is greater than the purchase price of the 2007 Notes tendered by holders, the trustee will deliver the excess to us immediately after the expiration of the repurchase offer. We will use the balance of the net proceeds, if any, for general corporate purposes, as described below.

Our affiliates, including Apollo, that are holders of the 2007 Notes may participate in the repurchase offer. See Certain Relationships and Related Party Transactions Related Party Transactions Repurchase Offer. Assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us in connection with the offering, a $1.00 increase (decrease) in the assumed public offering price of $ per share would increase (decrease) the amount of proceeds from this offering by $ million, with a corresponding increase (decrease) in the repurchase offer made to holders of the 2007 Notes.

If the net proceeds of this offering, including any net proceeds from any sales of our common stock sold pursuant to the underwriters over-allotment, are greater than the purchase price of the 2007 Notes tendered in the repurchase offer, we will use any remaining net proceeds for general corporate purposes. General corporate purposes includes working capital, the expansion of our production capabilities, research and development, purchases of capital equipment and potential acquisitions of businesses that we believe are complementary to our business. We have not determined the specific portion of any net proceeds to be used for these purposes, and the net proceeds from this offering have not been accounted for in our normal budgeting process. Although from time to time we evaluate possible acquisitions of companies and assets, we currently have no definitive commitments or agreements to make any acquisitions, and cannot assure you that we will make any acquisitions in the future. The amounts actually expended for these purposes may vary significantly and will depend on a number of factors, including the amount of cash we generate from future operations, the actual

Table of Contents

Index to Financial Statements

expenses of operating our business, opportunities that may be or become available to us and the other factors described under Risk Factors. Notwithstanding the uses described above, we will retain broad discretion in the allocation of any remaining net proceeds after the purchase of the 2007 Notes tendered in the repurchase offer.

We will not receive any proceeds from the sale of our common stock by the selling stockholders, including with respect to any shares sold by the selling stockholders pursuant to the underwriters exercise of their option to purchase additional shares. In the aggregate, the selling stockholders will receive approximately $ million of proceeds from this offering, after deducting the estimated underwriting discounts and commissions and offering expenses, or approximately $ million if the underwriters option to purchase additional shares is exercised in full, assuming the shares are offered at $ per share, which is the midpoint of the estimated offering price range set forth on the cover of this prospectus.

The initial five interest payments on the 2007 Notes were paid solely in cash. For any interest period thereafter, we may elect to pay (1) interest entirely in cash or (2) PIK Interest or (3) Partial PIK Interest. On September 26, 2008, we made a permitted election under the indenture governing the 2007 Notes to pay all interest that was due on January 1, 2009, for the interest period beginning on October 1, 2008, and ending on December 31, 2008, entirely through PIK Interest. The January 1, 2009 PIK Interest payment amounted to $8.2 million. We have continued to make PIK interest payments subsequent to January 1, 2009. The April 1, 2009 PIK interest payment amounted to $5.6 million, the July 1, 2009 PIK interest payment amounted to $3.8 million, and the October 1, 2009 PIK interest payment amounted to $3.5 million. The Company must make an election regarding whether subsequent interest payments will be made in cash, through PIK Interest, or Partial PIK Interest, prior to the start of the applicable interest period. In the absence of such an election for any interest period, interest on the 2007 Notes will be payable according to the election for the previous interest period. As a result, the PIK Interest election is now the default election for future interest periods unless we elect otherwise not later than the commencement of an interest period.

Cash interest on the 2007 Notes will accrue at a rate per annum, reset quarterly, equal to LIBOR plus a spread of 6.00%, which increases by 0.25% to 6.25% in the second year of the issuance of the 2007 Notes, by 0.50% to 6.50% in the third year of the issuance of the 2007 Notes, and by 0.75% to 6.75% in the fourth year of the issuance of the 2007 Notes. In the event PIK Interest is paid on the 2007 Notes, the then-applicable margin over LIBOR on 2007 Notes would increase by 0.75% for each period in which PIK Interest is paid. The 2007 Notes, including any notes issued to pay PIK Interest or Partial PIK Interest, mature on July 1, 2012. See Management s Discussion and Analysis of Financial Condition and Results of Operations Financing Activities 2007 Notes.

Table of Contents

Index to Financial Statements

DIVIDEND POLICY

We do not currently anticipate paying any dividends on our common stock in the foreseeable future. Any future determination as to our dividend policy will be made at the discretion of our board of directors and will depend upon many factors, including our financial condition, earnings, legal requirements, restrictions in our debt agreements and other factors our board of directors deems relevant. The terms of the indebtedness of Metals USA, our subsidiary, may also restrict it from paying cash dividends to us under some circumstances. See Description of Certain Indebtedness, and Description of Capital Stock Common Stock.

On July 10, 2007, Metals USA Holdings used the net proceeds from the issuance of $300.0 million initial aggregate principal amount of the 2007 Notes as well as approximately $8.3 million of additional borrowings under the ABL facility, to redeem the 2006 Notes (for approximately $150.0 million plus accrued and unpaid interest of approximately $5.4 million) to pay a cash dividend of approximately $130.3 million to its stockholders, which include Apollo and certain members of management, to pay approximately $9.2 million to its stock option holders in order to equitably adjust such stock options to reflect such dividend, which include certain members of our management, which we refer to collectively as the July 2007 dividend, and to pay fees and expenses related to the offering of the 2007 Notes.

In connection with the July 2007 dividend, stock option holders were paid approximately $9.25 per share on outstanding options (an amount equal to the per-share amount of the July 2007 dividend), for a total of approximately $9.2 million. The cash payment to holders of outstanding options to acquire shares of Metals USA Holdings common stock was made to equitably adjust such option holders by the Metals USA Holdings board of directors pursuant to the exercise of its discretion to preserve the rights of options holders under the 2005 Plan. As a result of the cash payment on outstanding options, we were required to recognize $0.3 million of non-cash stock-based compensation expense, net of related tax effects, in the third quarter of 2007.

During December 2006, Metals USA Holdings issued $150.0 million initial aggregate principal amount of the 2006 Notes. On January 3, 2007, Metals USA Holdings used the net proceeds from the issuance of the 2006 Notes, as well as $8.2 million of additional borrowings under the ABL facility, to pay a cash dividend of approximately $144.8 million to its stockholders, which include Apollo and certain members of our management, to make a cash payment (partially in lieu of the cash dividend) of approximately $4.2 million to its vested stock option holders, which include certain members of our management, and to pay fees and expenses related to the issuance of the 2006 Notes, including a $1.5 million non-recurring transaction fee to Apollo. We refer to such cash payment and the cash dividend collectively as the January 2007 dividend.

In connection with the January 2007 dividend, the outstanding employee stock options under the 2005 Plan were adjusted a second time. The combination of the reduction of the per share exercise price of the stock options and the cash payment to vested stock option holders was, on a per share basis, approximately equal to the per share amount of the dividend.

Because the payment of the January 2007 dividend resulted in the achievement of certain performance targets with respect to Apollo s investment in Metals USA Holdings, the board of directors exercised its discretion under the 2005 Plan to vest all of the outstanding Tranche B options. In addition, the board of directors exercised its discretion to vest Tranche A options granted to directors affiliated with Apollo.

On January 3, 2007, the board of directors of Metals USA Holdings adopted our 2006 Deferred Compensation Plan. Our 2006 Deferred Compensation Plan was adopted in connection with the

Table of Contents

Index to Financial Statements

January 2007 dividend, and credited to individual accounts established for stock option holders an amount equal to $6.56 per share on certain unvested options, for a total of $2.3 million. Payment of this liability was subject to continued employment for two years following the adoption date. The entire amount was paid in one lump sum on January 5, 2009, upon completion of such period.

Table of Contents

Index to Financial Statements

CAPITALIZATION

The following table sets forth cash and cash equivalents and capitalization as of September 30, 2009:

- on a historical basis; and
- on a pro forma basis to give effect to:

(a) the issuance of shares of our common stock to our existing stockholders immediately prior to the consummation of this offering;

(b) the sale of approximately shares of our common stock in this offering at the initial public offering price of $ per share, which represents the midpoint of the range set forth on the cover page of this prospectus, providing net proceeds to us from this offering (after deducting the estimated underwriting discounts and commissions) of approximately $ million; and

(c) the application of the net proceeds as described in Use of Proceeds.

This table should be read together with Use of Proceeds, Selected Historical Consolidated Financial Data, Risk Factors, Management s Discussion and Analysis of Financial Condition and Results of Operations and the combined financial statements and notes to those statements, in each case, included elsewhere in this prospectus.

	As of September 30, 2009	
	Historical	Pro Forma(1)
	(in millions)	
Cash and cash equivalents(2)	$ 20.1	
Total debt:		
ABL facility(3)	$ 90.0	
Metals USA Notes	226.3	
2007 Notes(2)	178.9	
Other long-term debt(4)	5.9	
Total debt	501.1	
Stockholders deficit:		
Common stock(5)(6)	0.1	
Additional paid-in capital	6.7	
Retained deficit	(46.6)	
Accumulated other comprehensive loss	(1.1)	
Total stockholders deficit	$ (40.9)	
Total capitalization	$ 460.2	

(1) Assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us in connection with the offering, a $1.00 increase (decrease) in the assumed public offering price of $ per share would increase (decrease) cash and cash equivalents by $ million, additional paid-in capital by $ million, total stockholders equity by $ million and total capitalization by $ million.

(2) Assuming the number of shares offered by us, as set forth on the cover remains the same, we currently intend to use approximately $ million of the net proceeds from the shares being sold by us in this offering to make an offer to all holders of our 2007 Notes to repurchase the maximum principal amount of the 2007 Notes that may be purchased out of the net proceeds of this offering, estimated to be approximately $ million, at a price equal to 100% of the

Table of Contents

Index to Financial Statements

principal amount, plus accrued and unpaid interest to the date of the closing of the repurchase offer. We cannot assure you that holders of the 2007 Notes will accept our offer, and even if they do, we expect that $ million of the 2007 Notes will remain outstanding.

(3) As of September 30, 2009, the ABL facility provided for up to $625.0 million of senior secured revolving credit borrowings and letters of credit, subject to a borrowing base determined primarily by the value of our eligible receivables and eligible inventory, subject to certain reserves. As of September 30, 2009, we had eligible collateral of $234.3 million, $90.0 million in outstanding advances, $15.4 million in open letters of credit, and $128.9 million of borrowing availability, but because the FCCR was less than 1.0 to 1.0 as of September 30, 2009, we could only borrow $83.9 million.

(4) Consists of an IRB with $5.7 million principal amount outstanding as of September 30, 2009, which is payable on May 1, 2016 in one lump sum payment, and $0.2 million in vendor financing and purchase money notes.

(5) shares authorized; shares issued and outstanding, pro forma for this offering.

(6) Upon consummation of this offering, there will be options to purchase shares of our common stock issuable upon the exercise of options outstanding under the 2005 Plan.

Table of Contents

Index to Financial Statements

DILUTION

Dilution is the amount by which the offering price paid by the purchasers of the common stock to be sold in this offering will exceed the pro forma net tangible book value per share of common stock after this offering. Our net tangible book deficit as of September 30, 2009 was $ million, or $ per share of common stock. We have calculated this amount by:

- subtracting our total liabilities from our total tangible assets; and

- dividing the difference by the number of shares of our common stock outstanding.

If we give effect to the sale of shares of our common stock by us in this offering at the assumed public offering price of $ per share (the midpoint of the range set forth on the cover of this prospectus), after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us in connection with this offering, our pro forma net tangible book deficit as of September 30, 2009 would have been $ million, or $ per share. This amount represents an immediate dilution of $ per share to new investors. The following table illustrates this dilution per share:

		Per Share
Initial public offering price per share		
Net tangible book deficit as of September 30, 2009	$	
Increase in net tangible book value attributable to this offering(1)		
Pro forma net tangible book deficit after this offering		
Dilution to new investors		$

(1) Net tangible book deficit is calculated by subtracting goodwill, identifiable intangibles, deferred tax assets and deferred financing costs from total net assets.

If the underwriters exercise their over-allotment option in full, our as adjusted net tangible book value will increase to $ per share, representing an increase to existing holders of $ per share, and there will be an immediate dilution of $ per share to new investors.

Assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us in connection with the offering, a $1.00 increase (decrease) in the assumed public offering price of $ per share would increase (decrease) the net tangible book value attributable to this offering by $ per share and the dilution to new investors by $ per share and decrease (increase) the as adjusted net tangible book deficit after this offering by $ per share.

The following table summarizes, as of September 30, 2009, as adjusted to give effect to this offering, the difference between the number of shares of our common stock purchased from us, the total consideration paid to us, and the average price per share paid by existing stockholders and by new investors, at the initial public offering price of $ per share, before deducting the estimated underwriting discounts and commissions and offering expenses payable by us in connection with this offering:

	Shares Purchased		Total Consideration		Average Price
	Number (in millions)	Percent	Amount (in millions)	Percent	per Share

Existing stockholders
Existing option holders
New investors
Total

41

Table of Contents

Index to Financial Statements

The foregoing table does not reflect proceeds to be realized by selling stockholders in this offering.

Assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us in connection with the offering, a $1.00 increase (decrease) in the assumed public offering price of $ per share would increase (decrease) the total consideration paid by new investors by $ million, the total consideration paid by all stockholders by $ million and the average price per share by $ per share.

The number of shares purchased is based on shares of common stock outstanding as of September 30, 2009. The discussion and table above exclude shares of our common stock issuable upon the exercise of options outstanding under the 2005 Plan. To the extent outstanding options are exercised, new investors will experience further dilution.

Table of Contents

Index to Financial Statements

SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA

On May 18, 2005, Metals USA Holdings, Flag Acquisition and Metals USA entered into the Agreement and Plan of Merger, which we refer to as the Merger Agreement. On November 30, 2005, Flag Acquisition, then a wholly-owned subsidiary of Flag Intermediate, merged with and into Metals USA, with Metals USA being the surviving corporation. Metals USA Holdings, Flag Intermediate and Flag Acquisition conducted no operations during the period May 9, 2005 (date of inception) to November 30, 2005.

We applied purchase accounting on the closing date of the Merger and, as a result, the merger consideration was allocated to the respective values of the assets acquired and liabilities assumed from the Predecessor Company. As a result of the application of purchase accounting, the Successor Company balances and amounts presented in the consolidated financial statements and footnotes are not comparable with those of the Predecessor Company. In addition, we have completed a number of acquisitions that may affect comparability of our financial results. The selected consolidated and combined financial data should be read in conjunction about the limitations on comparability of our financial results, including as a result of acquisitions. See Summary Historical Consolidated Financial Data, Management s Discussion and Analysis of Financial Condition and Results of Operations, Risk Factors and our consolidated financial statements and related notes included elsewhere in this prospectus.

After the consummation of the Apollo Transactions (as defined below), Metals USA Holdings, along with its consolidated subsidiaries, is referred to collectively in this prospectus as the Successor Company. Prior to the consummation of the Transactions, Metals USA, along with its consolidated subsidiaries, is referred to collectively in this prospectus as the Predecessor Company. We applied Statement of Financial Accounting Standards (SFAS) No. 141, Business Combinations, which we refer to as SFAS 141, on November 30, 2005, or the closing date of the Merger, and as a result, the Merger consideration was allocated to the respective fair values of the assets acquired and liabilities assumed from the Predecessor Company. As a result of the application of purchase accounting, the Successor Company balances and amounts presented in the consolidated financial statements and footnotes are not comparable with those of the Predecessor Company. In addition, we have completed a number of acquisitions that may affect comparability of our financial results.

As a result of purchase accounting for the Apollo Transactions, the Merger consideration was allocated to the respective fair values of the assets acquired and liabilities assumed from the Predecessor Company. The fair value of inventories, property and equipment and intangibles (customer lists) was increased by $14.9 million, $118.6 million and $22.2 million, respectively. For the year ended December 31, 2006, the Successor Company s operating costs and expenses increased by $23.9 million ($10.8 million for cost of sales and $13.1 million of additional depreciation and amortization) as the inventory was sold and additional depreciation and amortization was recorded.

The Apollo Transactions collectively refers to:

- the Merger;
- Flag Acquisition s issuance of the Metals USA Notes pursuant to a private placement, which Metals USA assumed pursuant to the Merger. In September 2006, Metals USA exchanged the Metals USA Notes for an equal principal amount of Metals USA Notes that were registered under the Securities Act of 1933, as amended, which we refer to as the Securities Act;
- the borrowings under the ABL facility on the date of the Merger;
- the contribution by Apollo and certain members of management of Metals USA of $140.0 million to Metals USA Holdings, in exchange for common stock of Metals USA Holdings at the effective time of the Merger; and
- the other related transactions.

Table of Contents

Index to Financial Statements

For a more complete description of the Apollo Transactions and the terms of the indebtedness incurred in connection therewith, see Organizational Structure Ownership and Corporate Structure, Organizational Structure Description of the Apollo Transactions and Description of Certain Indebtedness.

The following table sets forth our selected historical consolidated financial data as of the dates and for the periods indicated. The selected historical consolidated financial data for the years ended December 31, 2006, 2007 and 2008, and as of December 31, 2007 and 2008, have been derived from our audited consolidated financial statements and related notes included in this prospectus. The selected historical financial data for the year ended December 31, 2004 and for the period from January 1, 2005 to November 30, 2005, and as of December 31, 2004, for the Predecessor Company, and for the period from May 9, 2005 to December 31, 2005, and as of December 31, 2005 and 2006 for the Successor Company have been derived from the Successor Company s audited consolidated financial statements not included in this prospectus. The historical consolidated financial data for the nine months ended September 30, 2008 and 2009 have been derived from our unaudited consolidated financial statements included elsewhere in this prospectus. The September 30, 2008 and 2009 financial statements have been prepared on a basis consistent with our audited consolidated financial statements and reflect all adjustments, consisting of normal recurring adjustments that are, in the opinion of management, necessary for a fair presentation of the financial position and results of operations for the periods presented. The Successor Company had no assets and conducted no operations from May 9, 2005 (date of inception) to November 30, 2005. The historical results set forth below do not necessarily indicate results expected for any future period, and should be read in conjunction with, and are qualified by reference to, Management s Discussion and Analysis of Financial Condition and Results of Operations, Risk Factors and the consolidated financial statements and related notes thereto included elsewhere in this prospectus.

Table of Contents

Index to Financial Statements

	Predecessor Company		Successor Company					
	Year Ended December 31,	Period from January 1, 2005 through November 30,	Period from May 9, 2005 (Date of Inception) through December 31,	Years Ended December 31,			Nine Months Ended September 30,	
	2004	2005	2005	2006	2007	2008	2008	2009
	(in millions, except per share and shipments data)							
Net Sales	$ 1,509.8	$ 1,522.1	$ 116.9	$ 1,802.9	$ 1,845.3	$ 2,156.2	$ 1,699.8	$ 853.4
Operating costs and expenses:								
Cost of sales (exclusive of operating and delivery, and depreciation and amortization)	1,080.1	1,189.3	92.5	1,371.8	1,418.8	1,612.9	1,245.9	702.4
Operating expenses(1)(2)	256.0	250.7	23.5	312.1	313.1	336.9	254.9	178.3
Operating income (loss)	173.7	82.1	0.9	119.0	113.4	206.4	199.0	(27.3)
Other (income) expense:								
Interest expense	8.4	12.0	4.1	54.6	87.0	87.9	65.4	50.5
Loss (gain) on extinguishment of debt					8.4			(89.1)
Other (income) expense, net	(2.5)	(0.1)		(0.7)	(0.7)	(0.2)	0.2	(0.3)
Income (loss) before income taxes	167.8	70.2	(3.2)	65.1	18.7	118.7	133.4	11.6
Provision (benefit) for income taxes	63.3	26.7	(1.2)	25.8	4.8	46.1	53.8	3.7
Net income (loss)	$ 104.5	$ 43.5	$ (2.0)	$ 39.3	$ 13.9	$ 72.6	$ 79.6	$ 7.9
Income (loss) per share:								
Income (loss) per share basic	5.17	2.14	(0.14)	$ 2.80	$ 0.99	$ 5.16	$ 5.66	$ 0.56
Income (loss) per share diluted	5.05	2.05	(0.14)	$ 2.79	$ 0.96	$ 4.99	$ 5.47	$ 0.56
Number of common shares used in the per share calculations:								
Basic	20.2	20.3	14.0	14.1	14.1	14.1	14.1	14.1
Diluted	20.7	21.2	14.0	14.1	14.4	14.5	14.6	14.1
Balance Sheet Data (at end of period):								
Working Capital	$ 565.0		$ 453.7	$ 713.6	$ 506.3	$ 699.0	$ 874.5	$ 303.9
Total assets(3)	710.0		795.3	1,127.0	959.0	1,088.2	1,335.3	662.5
Total debt, less current portion	266.6		472.9	754.9	855.0	942.6	1,116.2	501.0
Stockholder s equity (deficit)	328.2		132.4	147.6	(125.6)	(51.0)	(37.8)	(40.9)
Cash flow data:								
Cash flows provided by (used in) operating activities	$ (128.6)	$ 170.1	$ 7.3	$ (45.7)	$ 119.2	$ 78.4	$ (97.7)	$ 228.4
Cash flows provided by (used in) investing activities	(16.0)	(15.8)	(434.5)	(61.0)	(58.5)	(7.7)	0.6	(7.6)
Cash flows provided by (used in) financing activities	145.8	(120.7)	438.5	251.2	(202.9)	82.4	256.6	(367.4)
Other operating data:								
Shipments (in thousands of tons)	1,502	1,332	107	1,505	1,429	1,428	1,147	694
Capital expenditures	$ 17.4	$ 15.9	$ 4.4	$ 16.9	$ 21.5	$ 12.2	$ 8.9	$ 3.6

(1) For the one-month period ended December 31, 2005, the Successor Company s operating expenses increased by $5.2 million ($4.1 million for cost of sales and $1.1 million of additional depreciation and amortization) as the inventory was sold and additional depreciation and amortization was recorded. For the year ended December 31, 2006, the Successor Company s operating expenses increased by $23.9 million ($10.8 million in the first quarter of 2006 for cost of sales as the inventory was sold and $13.1 million of additional depreciation and amortization). As a result of the application of purchase accounting, the

Successor Company balances and amounts presented in the consolidated financial statements are not comparable with those of the Predecessor Company.

(2) We incurred certain costs related to the Merger that were charged to the Predecessor Company s selling, general and administrative expense during the period from January 1, 2005 to November 30, 2005. Such expenses of $15.8 million included $14.6 million paid by us on the closing date of the Merger to holders of 1,081,270 vested in-the-money options and holders of 45,437 restricted stock grant awards related to the long-term incentive compensation plan of the Predecessor Company. Additionally, we recorded expenses of $0.8 million related to severance costs and $0.4 million for other costs associated with the Merger.

(3) The Merger was accounted for as a purchase, with the Successor Company applying purchase accounting on the closing date of the Merger. As a result, the merger consideration was allocated to the respective fair values of the assets acquired and liabilities assumed from the Predecessor Company. The fair value of inventories, property and equipment and intangibles (customer lists) were increased by $14.9 million, $118.6 million, and $22.2 million, respectively.

Table of Contents

Index to Financial Statements

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

AND RESULTS OF OPERATIONS

Readers should refer to Risk Factors for risk factors that may affect future performance. The following discussion should be read in conjunction with Selected Historical Consolidated Financial Data, Summary Historical Consolidated Financial Data, Consolidated Financial Statements and related notes included elsewhere in the prospectus.

Overview

We believe that we are a leading provider of value-added processed carbon steel, stainless steel, aluminum and specialty metals, as well as manufactured metal components. For the nine months ended September 30, 2009, approximately 91% of our revenue was derived from our metals service center and processing activities, which are segmented into two groups: Flat Rolled and Non-Ferrous Group and Plates and Shapes Group. The remaining portion of our revenue was derived from our Building Products Group, which principally manufactures and sells aluminum products related to the residential remodeling industry. We purchase metal from primary producers that generally focus on large volume sales of unprocessed metals in standard configurations and sizes. In most cases, we perform the customized, value-added processing services required to meet the specifications provided by end-use customers. Our Plates and Shapes Group and Flat Rolled and Non-Ferrous Group customers are in the land and marine transportation, energy, aerospace, defense, electrical and appliance manufacturing, fabrication, furniture, commercial construction, and machinery and equipment industries. Our Building Products Group customers are primarily distributors and contractors engaged in the residential remodeling industry.

Selected Operational Information

Net sales. We derive the net sales of our Plates and Shapes and Flat Rolled and Non-Ferrous Groups from the processing and sale of metal products to end-users including metal fabrication companies, general contractors and OEMs. Pricing is generally based upon the underlying metal cost as well as a margin associated with customized value-added services specified by the customer. The net sales of our Building Products Group are derived from the sales of finished goods to local distributors and general contractors who are generally engaged in the residential remodeling industry.

Cost of sales. Our Plates and Shapes and Flat Rolled and Non-Ferrous Groups follow the normal industry practice which classifies, within cost of sales, the underlying commodity cost of metal purchased in mill form and the cost of inbound freight charges together with third-party processing cost, if any. Generally, the cost of metal approximates 75% of net sales for the Plates and Shapes and Flat Rolled and Non-Ferrous Groups. Cost of sales for our Building Products Group includes the cost of raw materials, manufacturing labor and overhead costs, together with depreciation and amortization expense associated with property, buildings and equipment used in the manufacturing process. Amounts included within this caption may not be comparable to similarly titled captions reported by other companies.

Operating and delivery expense. Our operating and delivery expense reflects the cost incurred by our Plates and Shapes and Flat Rolled and Non-Ferrous Groups for labor and facility costs associated with the value-added metal processing services that we provide. With respect to our Building Products Group, operating costs are associated with the labor and facility costs attributable to the distribution and warehousing of our finished goods at our metal service center facilities. Delivery expense reflects labor, material handling and other third party costs incurred with the delivery of product to customers. Amounts included within this caption may not be comparable to similarly titled captions reported by other companies.

Table of Contents

Index to Financial Statements

Selling, general and administrative expenses. Selling, general and administrative expenses include sales and marketing expenses, executive officers compensation, office and administrative salaries, insurance, accounting, legal, computer systems, and professional services and costs not directly associated with the processing, manufacturing, operating or delivery costs of our products. Amounts included within this caption may not be comparable to similarly titled captions reported by other companies.

Depreciation and amortization. Depreciation and amortization expense represents the costs associated with property, buildings and equipment used throughout the company except for depreciation and amortization expense associated with the manufacturing assets employed by our Building Products Group, which is included within cost of sales. This caption also includes amortization of intangible assets.

Industry Trends

Metal Service Centers

U.S. steel consumption has remained relatively constant from 2000 through 2007 averaging approximately 130 million tons annually. The global financial crisis that started during the third quarter 2008 has caused a significant reduction in the consumption of steel world-wide. In the U.S., steel demand has declined by almost half and is now expected to be approximately 60 million tons in 2009. Similar demand declines have occurred in virtually all developed economies. Service centers, distributors, and the rest of the supply chain responded by aggressively working down inventories. Through the first eight months of 2009 industry-based inventory metrics reported lowest-ever inventory levels when comparing 32 years of data. Consequently, domestic steel producers have been reported as operating at levels below 50 percent capacity utilization.

Steel pricing dropped during the first six months of this year as mills continually reduced prices in the face of shrinking order backlogs. Since late June price trends have been favorable as signs revealed a pickup in global demand for steel and raw material inputs. Domestic demand also benefited from the government s Cash for Clunkers program. Order inquiry activity has increased in recent weeks and it appears that, with the exception of non-residential construction, steel demand may be entering into a slow recovery stage (however, there can be no guarantee that it is entering a slow recovery stage). The impact from federal stimulus legislation has not yet had a meaningful impact on the industry as actual spending continues to work through governmental channels. The Company believes that stimulus spending should have a meaningful impact on 2010 steel consumption and, in combination with basic economic recovery, domestic steel consumption should experience significant year over year growth percentages.

Building Products

The current state of the housing and mortgage markets continues to cause contraction in the home improvement remodeling industry. Research indicates that remodeling activity is pro-cyclical with both new residential construction and the broader economy, but remodeling lags homebuilding by several quarters. The high cyclicality of remodeling activity appears to be driven by discretionary improvements, similar to the products sold by our building products business, which are quite volatile. Improvement spending is expected to be much more cyclical and more sensitive to upturns and downturns in the general economy, whereas maintenance and repair spending is expected to be fairly stable over time.

While the pace of the decline in homeowner remodeling projects appears to be moderating, increased remodeling activity does not seem likely to materialize until further signs of recovery emerge

Table of Contents

Index to Financial Statements

in the broader housing market. Although lower financing costs are reducing the cost of financing home improvement projects, weak home prices and decreased cost recovery for most types of remodeling projects continue to discourage owners from pursuing upper-end improvements.

Product demand for the Company s Building Products Group may be influenced by numerous factors such as interest rates, general economic conditions, consumer confidence and other factors beyond our control. Declines in existing home sales and improvement remodeling expenditures due to such factors could continue to significantly reduce the segment s performance.

Cost Reduction Initiatives

Since the fourth quarter of 2008, we have implemented approximately $50.0 million of annualized cost savings, a vast majority of which we believe are permanent reductions that further reduce what we believe to be the lowest cost structure in our industry. The cost savings have come primarily as a result of various actions, including reducing our headcount by approximately 30%, modifying employee benefits, closing 7 facilities primarily in our Building Products Group, reducing work hours for our employees and streamlining our delivery fleet.

Consolidated Results of Operations

The following financial information reflects our historical financial statements.

	Fiscal Years Ended December 31,						Nine Months Ended September 30,			
	2006	**%**	**2007**	**%**	**2008**	**%**	**2008**	**%**	**2009**	**%**
	(in millions, except percentages)									
Net sales	$ 1,802.9	*100.0%*	$ 1,845.3	*100.0%*	$ 2,156.2	*100.0%*	$1,699.8	*100.0%*	$ 853.4	*100.0%*
Cost of sales	1,371.8	*76.1%*	1,418.8	*76.9%*	1,612.9	*74.8%*	1,245.9	*73.3%*	702.4	*82.3%*
Operating and delivery	175.5	*9.7%*	178.4	*9.7%*	186.1	*8.6%*	144.6	*8.5%*	97.5	*11.4%*
Selling, general and administrative	115.1	*6.4%*	112.3	*6.1%*	126.8	*5.9%*	96.5	*5.7%*	66.6	*7.8%*
Depreciation and amortization		*1.2%*	22.1	*1.2%*	21.3	*1.0%*	16.2	*1.0%*	14.2	*1.7%*
(Gain) loss on sale of property and equipment	0.1	*0.0%*	0.1	*0.0%*	(2.4)	*(0.1%)*	(2.4)	*(0.1%)*		
Impairment of assets			0.2	*0.0%*	5.1	*0.2%*				
Operating income	119.0	6.6%	113.4	6.1%	206.4	9.6%	199.0	*11.7%*	(27.3)	*(3.2%)*
Interest expense	54.6	*3.0%*	87.0	*4.7%*	87.9	*4.1%*	65.4	*3.8%*	50.5	*5.9%*
(Gain) loss on debt extinguishment			8.4	*0.5%*					(89.1)	*(10.4%)*
Other (income) expense, net	(0.7)	*0.0%*	(0.7)	*0.0%*	(0.2)	*0.0%*	0.2	*0.0%*	(0.3)	*0.0%*
Income before income taxes	$ 65.1	3.6%	$ 18.7	1.0%	$ 118.7	5.5%	$ 133.4	7.8%	$ 11.6	*1.4%*

Results of Operations Nine Months Ended September 30, 2009 Compared to September 30, 2008

Net sales. Net sales decreased $846.4 million, or 49.8%, from $1,699.8 million for the nine months ended September 30, 2008 to $853.4 million for the nine months ended September 30, 2009. The decrease was primarily attributable to a 39.5% decrease in volumes for our Flat Rolled and Non-Ferrous and Plates and Shapes Product Groups, in addition to a 19.4% decrease in average realized prices. The decrease in volumes for our metal service center businesses was due to an abrupt slowdown in demand in our end-use markets, as the global recession significantly reduced shipment levels to virtually all of the sectors that we serve. Weak demand caused prices for many grades of steel

Table of Contents

Index to Financial Statements

to fall substantially, as steel producers in North America reduced prices and cut production to adjust to the lower order levels. During the first nine months of 2009, steel product shipments from metals service centers in the U.S. declined approximately 41% in year-over-year comparisons, according to data from the Metals Service Center Institute. Net sales decreased $27.3 million for our Building Products Group, driven by continued weakness in residential remodeling and the overall housing markets.

Cost of sales. Cost of sales decreased $543.5 million, or 43.6%, from $1,245.9 million for the nine months ended September 30, 2008, to $702.4 million for the nine months ended September 30, 2009. The decrease was primarily attributable to a 39.5% decrease in volumes for our Flat Rolled and Non-Ferrous and Plates and Shapes Product Groups, in addition to an 8.1% decrease in the average cost per ton for our metals service center businesses. Cost of sales decreased $23.6 million for our Building Products Group. We recorded $46.7 million of write-downs during the nine months ended September 30, 2009 for inventory lower of cost or market adjustments in our metal service center businesses as a result of the price decreases and weak demand for steel products discussed above. Inventory tonnage on hand as of September 30, 2009 was reduced 32.7% from December 31, 2008. Cost of sales as a percentage of net sales increased from 73.3% for the first nine months of 2008 to 82.3% for the first nine months of 2009. Steel prices have increased modestly in the third quarter of 2009, and we expect this trend to continue as the overall economy improves (however, there can be no guarantee that this trend will continue).

Operating and delivery. Operating and delivery expenses decreased $47.1 million, or 32.6%, from $144.6 million for the nine months ended September 30, 2008 to $97.5 million for the nine months ended September 30, 2009. The decrease was a result of lower variable costs associated with decreased shipments. As a percentage of net sales, operating and delivery expenses increased from 8.5% for the nine months ended September 30, 2008 to 11.4% for the nine months ended September 30, 2009.

Selling, general and administrative. Selling, general and administrative expenses decreased $29.9 million, or 31.0%, from $96.5 million for the nine months ended September 30, 2008 to $66.6 million for the nine months ended September 30, 2009. Lower variable costs of $16.2 million associated with decreased incentive compensation, in addition to lower salaries of $6.1 million achieved in connection with cost reduction initiatives, were the primary contributors to the period-over-period decrease. As a percentage of net sales, selling, general and administrative expenses increased from 5.7% for the nine months ended September 30, 2008 to 7.8% for the nine months ended September 30, 2009.

Depreciation and amortization. Depreciation and amortization expense decreased $2.0 million, or 12.3%, from $16.2 million for the nine months ended September 30, 2008 to $14.2 million for the nine months ended September 30, 2009. The decrease was primarily due to lower amortization of customer list intangible assets (which is recognized on an accelerated basis and decreases over the life of the assets) recorded in connection with the acquisitions completed in May 2006, the acquisition of Lynch Metals in July 2007, and the Merger.

Operating income (loss). Operating income (loss) decreased $226.3 million, or 113.7%, from operating income of $199.0 million for the nine months ended September 30, 2008 to an operating loss of $27.3 million for the nine months ended September 30, 2009. The decrease was primarily a result of the decrease in net sales discussed above. As a percentage of net sales, operating income (loss) decreased from 11.7% for the nine months ended September 30, 2008 to (3.2%) for the nine months ended September 30, 2009.

Interest expense. Interest expense decreased $14.9 million, or 22.8%, from $65.4 million for the nine months ended September 30, 2008 to $50.5 million for the nine months ended September 30,

Table of Contents

Index to Financial Statements

2009. The decrease was primarily a function of reduced borrowings, in addition to lower average interest rates, on our ABL facility, as well as debt extinguishments and a lower LIBOR base rate on the 2007 Notes. The weighted average outstanding balance on our ABL facility decreased from $343.4 million for the nine months ended September 30, 2008 to $213.2 million for the same period of 2009. The weighted average facility rate decreased from 4.59% for the nine months ended September 30, 2008 to 3.05% for the nine months ended September 30, 2009.

Results of Operations Year Ended December 31, 2008 Compared to 2007

Net sales. Net sales increased $310.9 million, or 16.8%, from $1,845.3 million for the year ended December 31, 2007 to $2,156.2 million for the year ended December 31, 2008. Results of operations for Lynch Metals, which closed in July 2007, were included for the entire year ended December 31, 2008, and as a result, accounted for $17.2 million of increased sales for the year. The remaining increase of $293.7 million was primarily attributable to an 19.3% increase in average realized prices for our Flat Rolled and Non-Ferrous and Plates and Shapes Product Groups, partially offset by a net sales decrease of $26.4 million for our Building Products Group. In early 2008 global steel prices were at record highs, which contributed to the increase in average realized prices for our metal service center businesses in 2008 compared to 2007. Average selling prices began to decrease during the fourth quarter of 2008 due to lower customer demand and significant mill price reductions.

Cost of sales. Cost of sales increased $194.1 million, or 13.7%, from $1,418.8 million for the year ended December 31, 2007, to $1,612.9 million for the year ended December 31, 2008. The Lynch Metals acquisition accounted for $10.6 million of additional cost of sales for the year. The remaining increase of $183.5 million was primarily attributable to a 15.4% increase in the average cost per ton for our Flat Rolled and Non-Ferrous and Plates and Shapes Groups, partially offset by a decrease of $13.4 million in cost of sales for our Building Products Group. In addition, we recorded a $6.8 million write-down for inventory lower of cost or market adjustments during the fourth quarter of 2008 in our metal service center businesses as a result of volatility in steel prices during the latter half of the year. As a result of the rapid price decrease and an overall decline in demand, we elected to reduce inventory tonnage on hand, which resulted in the replacement cost of certain inventory items declining below their carrying cost as of December 31, 2008. Cost of sales as a percentage of net sales decreased from 76.9% for the year ended December 31, 2007 to 74.8% for the year ended December 31, 2008.

Operating and delivery. Operating and delivery expenses increased $7.7 million, or 4.3%, from $178.4 million for the year ended December 31, 2007 to $186.1 million for the year ended December 31, 2008. The acquisition of Lynch Metals accounted for $0.8 million of additional operating and delivery expenses for the year. The remaining increase was a result of higher variable costs of $6.9 million, which were primarily attributable to higher fuel and freight costs. As a percentage of net sales, operating and delivery expenses decreased from 9.7% for the year ended December 31, 2007 to 8.6% for the year ended December 31, 2008.

Selling, general and administrative. Selling, general and administrative expenses increased $14.5 million, or 12.9%, from $112.3 million for the year ended December 31, 2007 to $126.8 million for the year ended December 31, 2008. The Lynch Metals acquisition accounted for $2.0 million of the increase while increased incentive compensation accounted for an additional $9.7 million of the increased selling, general and administrative expenses for the period. These increases were partially offset by a decrease in stock-based compensation expense of $3.5 million, $3.0 million of which was recognized in the first quarter of 2007 due to the accelerated vesting of stock options in connection with the January 2007 dividend, and the remainder of which was recognized in the third quarter of 2007 in connection with the July 2007 dividend. As a percentage of net sales, selling, general and

Table of Contents

Index to Financial Statements

administrative expenses decreased from 6.1% for the year ended December 31, 2007 to 5.9% for the year ended December 31, 2008.

Depreciation and amortization. Depreciation and amortization decreased $0.8 million, or 3.6%, from $22.1 million for the year ended December 31, 2007 to $21.3 million for the year ended December 31, 2008. The Lynch Metals acquisition accounted for $6.0 million of additional depreciation and amortization for the year. This increase was offset by a decrease of $6.8 million for the year, which resulted primarily from lower amortization of customer list intangible assets recorded in connection with the acquisitions completed in May 2006 and the Merger.

Operating income. Operating income increased $93.0 million, or 82.0%, from $113.4 million for the year ended December 31, 2007 to $206.4 million for the year ended December 31, 2008. The Lynch Metals acquisition resulted in a decrease of $2.2 million of operating income for the year. The remaining increase of $95.2 million resulted primarily from increased net sales, in addition to a $2.4 million gain we recognized on the sale of property and equipment. This increase was partially offset by a $5.1 million charge we recognized in the fourth quarter of 2008 related to the impairment of goodwill and customer list intangible assets associated with our building products business. As a percentage of net sales, operating income increased from 6.1% for the year ended December 31, 2007 to 9.6% for the year ended December 31, 2008.

Interest expense. Interest expense increased $0.9 million, or 1.0%, from $87.0 million for the year ended December 31, 2007 to $87.9 million for the year ended December 31, 2008. The increase in incremental interest expense when comparing the year ended December 31, 2008 to the same period of 2007 reflects the issuance of the 2007 Notes and redemption of the 2006 Notes in July 2007, which resulted in increased interest expense on the $150.0 million incremental borrowings. The effect of increased debt levels on interest expense was partially offset by lower average interest rates on our ABL facility. While the weighted average outstanding balance on our ABL facility increased $64.8 million for the year ended December 31, 2008 versus the same period of 2007, the weighted average interest rate decreased from 7.06% for the year ended December 31, 2007 to 4.31% for the year ended December 31, 2008.

Results of Operations Year Ended December 31, 2007 Compared to 2006

Net sales. Net sales increased $42.4 million, or 2.4%, from $1,802.9 million for the year ended December 31, 2006 to $1,845.3 million for the year ended December 31, 2007. The acquisition of Lynch Metals accounted for $15.6 million of increased sales for the period. Results of operations for the 2006 Acquisitions, which closed in May 2006, were included for the entire year ended December 31, 2007, and as a result, accounted for $25.7 million of increased sales for the year ended December 31, 2007 versus the same period of 2006. The remaining increase of $1.1 million was primarily attributable to a 9.8% increase in average realized prices, partially offset by a 6.7% decrease in volumes for our metal service center businesses and a decline in sales for our building products business of $37.4 million.

Cost of sales. Cost of sales increased $47.0 million, or 3.4%, from $1,371.8 million for the year ended December 31, 2006, to $1,418.8 million for the year ended December 31, 2007. The Lynch Metals acquisition accounted for $9.5 million of additional cost of sales for the period, while the 2006 Acquisitions accounted for $15.6 million of the increase. The remaining increase of $21.9 million was primarily attributable to an 11.2% increase in the average cost per ton, offset in part by a 6.7% decrease in volumes for our metal service center businesses, and by a decrease of $22.6 million in cost of sales for our building products business. Cost of sales as a percentage of net sales increased from 76.1% for the year ended December 31, 2006 to 76.9% for the same period in 2007.

Table of Contents

Index to Financial Statements

Operating and delivery. Operating and delivery expenses increased $2.9 million, or 1.7%, from $175.5 million for the year ended December 31, 2006 to $178.4 million for the year ended December 31, 2007. The acquisition of Lynch Metals accounted for $0.6 million of additional operating and delivery expenses for the period, while the 2006 Acquisitions accounted for a $6.8 million increase. These increases were partially offset by lower variable costs of $4.5 million associated with decreased shipments. As a percentage of net sales, operating and delivery expenses for 2007 remained level with 2006 at 9.7%.

Selling, general and administrative. Selling, general and administrative expenses decreased $2.8 million, or 2.4%, from $115.2 million for the year ended December 31, 2006 to $112.4 million for the year ended December 31, 2007. The acquisition of Lynch Metals accounted for $1.6 million of increased selling, general and administrative expenses for the period, while the 2006 Acquisitions accounted for a $0.2 million increase. These acquisition increases were offset by a decrease of $4.6 million, which was primarily attributable to lower salaries, incentive compensation and advertising expenses at our Building Products segment, in addition to lower bad debt expense at our Flat Rolled and Non-Ferrous Group. As a percentage of net sales, selling, general and administrative expenses decreased from 6.4% for the year ended December 31, 2006 to 6.1% for the year ended December 31, 2007.

Depreciation and amortization. Depreciation and amortization increased $0.7 million, or 3.3%, from $21.4 million for the year ended December 31, 2006 to $22.1 million for the year ended December 31, 2007. The acquisition of Lynch Metals accounted for $1.7 million of additional depreciation and amortization for the period, while the 2006 Acquisitions accounted for an increase of $1.3 million for the period. These acquisition increases were partially offset by a decrease of $2.3 million, which was primarily attributable to lower amortization of customer list intangible assets (which is recognized on an accelerated basis) recorded in connection with the Merger and the 2006 Acquisitions.

Operating income. Operating income decreased $5.6 million, or 4.7%, from $119.0 million for the year ended December 31, 2006 to $113.4 million for the year ended December 31, 2007. The acquisition of Lynch Metals contributed $2.2 million of operating income for the period, while the 2006 Acquisitions accounted for a $1.8 million increase versus the same period of last year. The remaining decrease of $9.6 million resulted primarily from higher cost of sales, which was driven by an increase in average cost per ton that exceeded the increase in average realized prices for our metal service center businesses, in addition to a decrease in operating income of $10.0 million for our building products business, which was driven by lower net sales and operating costs that increased year-over-year on a percentage of net sales basis. As a percentage of net sales, operating income decreased from 6.6% for the year ended December 31, 2006 to 6.1% for the year ended December 31, 2007.

Interest expense. Interest expense increased $32.4 million, or 59.3%, from $54.6 million for the year ended December 31, 2006 to $87.0 million for the year ended December 31, 2007. This increase was primarily a function of higher debt levels for the year ended December 31, 2007. In July 2007, we issued $300.0 million initial aggregate principal amount of the 2007 Notes (a portion of the proceeds of which were used to redeem the $150.0 million initial aggregate principal amount of the 2006 Notes issued in December 2006). In addition, during the year ended December 31, 2007, the average daily balance outstanding on our ABL facility was $319.3 million, at a weighted average interest rate of 7.06%, compared to $274.1 million at 7.05% for the comparable period of 2006.

Table of Contents

Index to Financial Statements

Results of Operations by Segment

Segment Results Nine Months Ended September 30, 2009 Compared to September 30, 2008

	Net Sales	Operating Costs and Expenses	Operating Income (Loss)	Capital Spending	Tons Shipped(1)
	(in millions, except shipments data)				
2009:					
Plates and Shapes	$ 413.1	$ 430.9	$ (17.8)	$ 2.8	370
Flat Rolled and Non-Ferrous	374.0	364.3	9.7	0.5	330
Building Products	73.0	75.6	(2.6)		
Corporate and other	(6.7)	9.9	(16.6)	0.3	(6)
Total	$ 853.4	$ 880.7	$ (27.3)	$ 3.6	694
2008:					
Plates and Shapes	$ 915.1	$ 760.1	$ 155.0	$ 6.0	672
Flat Rolled and Non-Ferrous	695.0	622.9	72.1	1.8	483
Building Products	100.3	106.7	(6.4)	0.6	
Corporate and other	(10.6)	11.1	(21.7)	0.5	(8)
Total	$ 1,699.8	$ 1,500.8	$ 199.0	$ 8.9	1,147

(1) Shipments are expressed in thousands of tons and are not an applicable measure for the Building Products Group.

	Fiscal Years Ended December 31,							
	Net Sales	%	Operating Costs and Expenses	%	Operating Income (Loss)	%	Capital Spending	Tons Shipped(1)
	(in millions, except shipments data)							
2008:								
Plates and Shapes	$ 1,161.2	*53.9%*	$ 990.5	*50.8%*	$ 170.7	*82.7%*	$ 8.6	837
Flat Rolled and Non-Ferrous	882.9	*40.9%*	804.7	*41.3%*	78.2	*37.9%*	2.2	601
Building Products	126.0	*5.8%*	135.1	*6.9%*	(9.1)	*(4.4%)*	0.7	
Corporate and other	(13.9)	*(0.6%)*	19.5	*1.0%*	(33.4)	*(16.2%)*	0.7	(10)
Total	$ 2,156.2	*100.0%*	$ 1,949.8	*100.0%*	$ 206.4	*100.0%*	$ 12.2	1,428
2007:								
Plates and Shapes	$ 889.7	*48.2%*	$ 796.9	*46.0%*	$ 92.8	*81.8%*	$ 16.6	826
Flat Rolled and Non-Ferrous	817.7	*44.3%*	767.6	*44.3%*	50.1	*44.2%*	2.9	614
Building Products	152.4	*8.3%*	152.7	*8.8%*	(0.3)	*(0.3%)*	1.6	
Corporate and other	(14.5)	*(0.8%)*	14.7	*0.8%*	(29.2)	*(25.7%)*	0.4	(11)
Total	$ 1,845.3	*100.0%*	$ 1,731.9	*100.0%*	$ 113.4	*100.0%*	$ 21.5	1,429

2006:								
Plates and Shapes	$ 856.6	*47.5%*	$ 760.7	*45.2%*	$ 95.9	*80.6%*	$ 11.1	843
Flat Rolled and Non-Ferrous	776.0	*43.0%*	731.7	*43.5%*	44.3	*37.2%*	2.8	680
Building Products	189.8	*10.5%*	180.1	*10.7%*	9.7	*8.2%*	2.7	
Corporate and other	(19.5)	*(1.1%)*	11.4	*0.7%*	(30.9)	*(26.0%)*	0.3	(18)
Total	$ 1,802.9	*100.0%*	$ 1,683.9	*100.0%*	$ 119.0	*100.0%*	$ 16.9	1,505

(1) Shipments are expressed in thousands of tons and are not an appropriate measure for the Building Products Group.

Table of Contents

Index to Financial Statements

Segment Results Nine Months Ended September 30, 2009 Compared to September 30, 2008

Plates and Shapes. Net sales decreased $502.0 million, or 54.9%, from $915.1 million for the nine months ended September 30, 2008 to $413.1 million for the nine months ended September 30, 2009. The decrease was primarily attributable to a 44.9% decrease in shipments, in addition to an 18.0% decrease in average realized prices for the nine months ended September 30, 2009 compared to the nine months ended September 30, 2008.

Operating costs and expenses decreased $329.2 million, or 43.3%, from $760.1 million for the nine months ended September 30, 2008 to $430.9 million for the nine months ended September 30, 2009. The decrease was primarily attributable to a 44.9% decrease in shipments for the nine months ended September 30, 2009 compared to the nine months ended September 30, 2008. This segment recorded a $37.2 million write-down for inventory lower of cost or market adjustments during the first nine months of 2009.

Operating income (loss) decreased by $172.8 million, or 111.5%, from operating income of $155.0 million for the nine months ended September 30, 2008 to operating loss of $17.8 million for the nine months ended September 30, 2009. The decrease primarily resulted from lower net sales which were driven by a decrease in shipments, in addition to the charges incurred to write-down the segment s inventories for the nine months ended September 30, 2009. Operating income (loss) as a percentage of net sales was (4.3%) for the nine months ended September 30, 2009 compared to 16.9% for the nine months ended September 30, 2008.

Flat Rolled and Non-Ferrous. Net sales decreased $321.0 million, or 46.2%, from $695.0 million for the nine months ended September 30, 2008 to $374.0 million for the nine months ended September 30, 2009. The decrease was primarily attributable to a 31.7% decrease in shipments, in addition to a 21.2% decrease in average realized prices, for the nine months ended September 30, 2009 compared to the nine months ended September 30, 2008. Sales of non-ferrous metals accounted for 38.5% of the segment s sales product mix for the first nine months of 2009, compared to 41.9% for the first nine months of 2008.

Operating costs and expenses decreased $258.6 million, or 41.5%, from $622.9 million for the nine months ended September 30, 2008 to $364.3 million for the nine months ended September 30, 2009. The decrease was primarily attributable to a decrease in shipments of 31.7% in addition to a decrease in the average cost per ton of 17.6%. This segment recorded a $9.5 million write-down for inventory lower of cost or market adjustments during the first nine months of 2009. Operating costs and expenses as a percentage of net sales increased from 89.6% for the nine months ended September 30, 2008 to 97.4% for the nine months ended September 30, 2009.

Operating income decreased by $62.4 million, or 86.5%, from $72.1 million for the nine months ended September 30, 2008 to $9.7 million for the nine months ended September 30, 2009. The decrease was primarily attributable to the decrease in sales discussed above, which were primarily a function of lower shipments. Operating income as a percentage of net sales decreased from 10.4% for the nine months ended September 30, 2008 to 2.6% for the nine months ended September 30, 2009.

Building Products. Net sales decreased $27.3 million, or 27.2%, from $100.3 million for the nine months ended September 30, 2008 to $73.0 million for the nine months ended September 30, 2009. Softness in the residential remodeling market continued to produce period-over-period net sales decreases for our Building Products Group.

Operating costs and expenses decreased $31.1 million, or 29.1%, from $106.7 million for the nine months ended September 30, 2008 to $75.6 million for the nine months ended September 30, 2009. The decrease was primarily due to lower sales volume and a decrease in variable costs related to

Table of Contents

Index to Financial Statements

lower market demand, in addition to certain initiatives the segment has taken in response to the downturn in the housing and remodeling markets. Management has continued to focus on cost reduction in order to mitigate the impact of lower operating levels resulting from the market downturn. Operating costs and expenses as a percentage of net sales decreased from 106.4% for the nine months ended September 30, 2008 to 103.6% for the nine months ended September 30, 2009.

Operating loss decreased by $3.8 million, or 59.4%, from $6.4 million for the nine months ended September 30, 2008 to $2.6 million for the nine months ended September 30, 2009. The decrease was primarily attributable to lower operating costs, which decreased at a rate greater than the decline in sales discussed above. Operating loss as a percentage of net sales decreased from 6.4% for the nine months ended September 30, 2008 to 3.6% for the nine months ended September 30, 2009.

Corporate and other. This category reflects certain administrative costs and expenses management has not allocated to its industry segments. These costs include compensation for executive officers, insurance, professional fees for audit, tax and legal services and data processing expenses. The negative net sales amount represents the elimination of intercompany sales. The operating loss decreased $5.1 million, or 23.5%, from $21.7 million for the nine months ended September 30, 2008 to $16.6 million for the nine months ended September 30, 2009. Lower variable costs of $3.3 million associated with decreased incentive compensation were the primary component of the decrease.

Segment Results Year Ended December 31, 2008 Compared to 2007

Plates and Shapes. Net sales increased $271.5 million, or 30.5%, from $889.7 million for the year ended December 31, 2007 to $1,161.2 million for the year ended December 31, 2008. The increase was primarily attributable to a 28.8% increase in average realized prices, in addition to a 1.3% increase in shipments for the year ended December 31, 2008 compared to the year ended December 31, 2007.

Operating costs and expenses increased $193.6 million, or 24.3%, from $796.9 million for the year ended December 31, 2007 to $990.5 million for the year ended December 31, 2008. The increase was primarily attributable to a 25.2% increase in the average cost per ton, in addition to a 1.3% increase in shipments for the year ended December 31, 2008, compared to the year ended December 31, 2007. In addition, this segment recorded a $5.8 million write-down for inventory lower of cost or market adjustments during the fourth quarter of 2008 due to a decline in replacement costs of certain inventory items below their carrying costs as of December 31, 2008. Operating costs and expenses as a percentage of net sales decreased from 89.6% for the year ended December 31, 2007 to 85.3% for the year ended December 31, 2008.

Operating income increased by $77.9 million, or 83.9%, from $92.8 million for the year ended December 31, 2007 to $170.7 million for the year ended December 31, 2008. The increase was primarily attributable to the increase in net sales and the decrease in operating costs and expenses as a percentage of net sales, as discussed above. Operating income as a percentage of net sales increased from 10.4% for the year ended December 31, 2007 to 14.7% for the year ended December 31, 2008.

Flat Rolled and Non-Ferrous. Net sales increased $65.2 million, or 8.0%, from $817.7 million for the year ended December 31, 2007 to $882.9 million for the year ended December 31, 2008. Results of operations for the Lynch Metals acquisition, which closed in July 2007, were included for the entire year ended December 31, 2008, and as a result, contributed $17.2 million of additional net sales for the year ended December 31, 2008. The remaining increase was primarily due to an 8.7% increase in average realized prices, partially offset by a 2.5% decrease in shipments for the year ended

Table of Contents

Index to Financial Statements

December 31, 2008 compared to the year ended December 31, 2007. Sales of non-ferrous metals accounted for 41% of the segment s sales product mix for the year ended December 31, 2008, compared to 48% for the same period of 2007.

Operating costs and expenses increased $37.1 million, or 4.8%, from $767.6 million for the year ended December 31, 2007 to $804.7 million for the year ended December 31, 2008. The acquisition of Lynch Metals accounted for $19.4 million of additional operating costs and expenses for the year ended December 31, 2008. The remaining increase of $17.7 million was attributable to an increase in the cost of raw materials of 5.9%, partially offset by a 2.5% decrease in shipments for the year ended December 31, 2008 compared to the year ended December 31, 2007. In addition, this segment recorded a $1.0 million write-down for inventory lower of cost or market adjustments during the fourth quarter of 2008 due to a decline in replacement costs of certain inventory items below their carrying costs as of December 31, 2008. Operating costs and expenses as a percentage of net sales decreased from 93.9% for the year ended December 31, 2007 to 91.1% for the year ended December 31, 2008.

Operating income increased by $28.1 million, or 56.1%, from $50.1 million for the year ended December 31, 2007 to $78.2 million for the year ended December 31, 2008. The Lynch Metals acquisition resulted in a decrease of $2.2 million of operating income for the year. The balance of the increase was primarily attributable to the increase in net sales discussed above. Operating income as a percentage of net sales increased from 6.1% for the year ended December 31, 2007 to 8.9% for the year ended December 31, 2008.

Building Products. Net sales decreased $26.4 million, or 17.3%, from $152.4 million for the year ended December 31, 2007 to $126.0 million for the year ended December 31, 2008. Declines in the home improvement remodeling market, which were impacted by the continued downturn in the housing sector, contributed to the period-over-period net sales decrease for our Building Products Group.

Operating costs and expenses decreased $17.6 million, or 11.5%, from $152.7 million for the year ended December 31, 2007 to $135.1 million for the year ended December 31, 2008. The decrease was due to lower operating costs and expenses associated with lower sales volumes, in addition to certain initiatives the segment has taken in response to the downturn in the housing and home improvement remodeling markets, including reductions in square footage under lease, standardization of sales center layouts, and manufacturing consolidation. Despite the decrease in sales volumes, operating costs and expenses as a percentage of net sales increased from 100.2% for the year ended December 31, 2007 to 107.2% for the year ended December 31, 2008. The increase in operating costs as a percentage of net sales is due in part to additional costs incurred during 2008 related to the closure of underperforming sales center locations and the discontinuance of certain product lines, as management has continued to focus on cost reduction in order to mitigate the impact of lower operating levels resulting from the market downturn. In July 2008, we sold our Houston, Texas manufacturing facility for $4.9 million in cash. We recognized a gain of $0.7 million in the third quarter of 2008 related to this sale. Total facility closure costs charged to operating expense during the year ended December 31, 2008, net of the gain on the sale of the Houston plant, amounted to $4.0 million.

Operating loss increased by $8.8 million from a loss of $0.3 million for the year ended December 31, 2007 to a loss of $9.1 million for the year ended December 31, 2008. The increase was primarily attributable to the decline in net sales discussed above, which exceeded the rate of decline in operating costs and expenses. Operating loss as a percentage of net sales increased from 0.2% for the year ended December 31, 2007 to 7.2% for the year ended December 31, 2008.

Corporate and other. This category reflects certain administrative costs and expenses management has not allocated to its industry segments. These costs include compensation for executive officers, insurance, professional fees for audit, tax and legal services and data processing expenses. The negative net sales amount represents the elimination of intercompany sales. The operating loss increased $4.2 million, or 14.4%, from $29.2 million for the year ended December 31, 2007 to $33.4 million for the year ended December 31, 2008. This increase was primarily attributable to a $5.1 million charge we recognized in the fourth quarter of 2008 related to the impairment of goodwill and customer list intangible assets associated with our building products business, which was recorded at the corporate segment. Goodwill and customer list intangible assets resulting from the Merger are assigned to reporting units solely for testing for impairment. Consequently, any impairment charges associated with these assets is recorded at the corporate segment. Increased incentive compensation accounted for an additional $2.4 million of selling, general and administrative expenses recorded at the corporate segment for the year.

Segment Results Year Ended December 31, 2007 Compared to 2006

Plates and Shapes. Net sales increased $33.1 million, or 3.9%, from $856.6 million for the year ended December 31, 2006 to $889.7 million for the year ended December 31, 2007. Results of operations for the May 2006 acquisition of Port City, which closed in May 2006, were included for the entire year ended December 31, 2007, and as a result, accounted for $25.9 million of increased sales for the year ended December 31, 2007 versus the same period of 2006. Apart from the increase attributable to Port City, net sales for the remainder of the segment increased $7.2 million, or 0.9%, primarily due to a 5.8% increase in average realized prices, partially offset by a 4.6% decrease in shipments, for the year ended December 31, 2007 compared to the year ended December 31, 2006.

Operating costs and expenses increased $36.2 million, or 4.8%, from $760.7 million for the year ended December 31, 2006 to $796.9 million for the year ended December 31, 2007. The May 2006 acquisition of Port City accounted for $22.7 million of the increase. In addition, average cost per ton increased by 7.1%, which was partially offset by a 4.6% decrease in shipments for the year ended December 31, 2007. Operating costs and expenses as a percentage of segment net sales increased from 88.8% for the year ended December 31, 2006 to 89.6% for the year ended December 31, 2007.

Operating income decreased by $3.1 million, or 3.2%, from $95.9 million for the year ended December 31, 2006 to $92.8 million for the year ended December 31, 2007. The May 2006 acquisition of Port City accounted for $3.2 million of increased operating income for the year ended December 31, 2007 versus the same period of 2006. The remaining decrease of $6.3 million was primarily attributable to the increase in operating costs and expenses discussed above. Operating income as a percentage of segment net sales decreased from 11.2% for the year ended December 31, 2006 to 10.4% for the year ended December 31, 2007.

Flat Rolled and Non-Ferrous. Net sales increased $41.7 million, or 5.4%, from $776.0 million for the year ended December 31, 2006 to $817.7 million for the year ended December 31, 2007. The acquisition of Lynch Metals contributed $15.6 million of additional net sales for the year ended December 31, 2007. The remaining increase of $26.1 million was primarily due to a 15.0% increase in the average sales price per ton, partially offset by a 10.1% decrease in shipments for the year ended December 31, 2007 compared to the year ended December 31, 2006, as we elected to reduce sales volume to maintain our level of profitability. Sales of non-ferrous products accounted for 48% of the segment s sales product mix for the year ended December 31, 2007, compared to 39% for the same period of 2006.

Operating costs and expenses increased $35.9 million, or 4.9%, from $731.7 million for the year ended December 31, 2006 to $767.6 million for the year ended December 31, 2007. The acquisition of Lynch Metals accounted for $13.4 million of additional operating costs and expenses for the year ended December 31, 2007. The remaining increase of $22.5 million was mostly attributable to an

Table of Contents

Index to Financial Statements

increase in the cost of raw materials of 16.0%, partially offset by a 10.1% decrease in shipments for the year ended December 31, 2007. Operating costs and expenses as a percentage of segment net sales decreased from 94.3% for the year ended December 31, 2006 to 93.9% for the year ended December 31, 2007.

Operating income increased by $5.8 million, or 13.1%, from $44.3 million for the year ended December 31, 2006 to $50.1 million for the year ended December 31, 2007. The acquisition of Lynch Metals contributed $2.2 million of operating income for the year ended December 31, 2007. The balance of the increase was primarily attributable to the increase in net sales discussed above, which, despite the decrease in shipments, produced higher margins due to the shift in product mix to more non-ferrous products. Operating income as a percentage of segment net sales increased from 5.7% for the year ended December 31, 2006 to 6.1% for the year ended December 31, 2007.

Building Products. Net sales decreased $37.4 million, or 19.7%, from $189.8 million for the year ended December 31, 2006 to $152.4 million for the year ended December 31, 2007. Results of operations for the 2006 Acquisition of Allmet, which was acquired in May 2006, were included for the entire year ended December 31, 2007, and as a result, accounted for $0.2 million of decreased sales for the year ended December 31, 2007 versus the same period of 2006. New house production and existing home sales, both of which are primary drivers of residential remodeling activity, were down for the year ended December 31, 2007 versus the same period of 2006. The softness in the residential remodeling market, which was affected by declines in existing home sales and new house production, contributed to the period-over-period net sales decrease for our Building Products Group.

Operating costs and expenses decreased $27.4 million, or 15.2%, from $180.1 million for the year ended December 31, 2006 to $152.7 million for the year ended December 31, 2007. The 2006 Acquisition of Allmet accounted for $1.2 million of increased costs, which was offset by lower operating costs and expenses associated with lower sales volumes, in addition to certain initiatives the segment has taken in response to the downturn in the housing and residential remodeling markets, including reductions in square footage under lease, standardization of metal sales center layouts, and manufacturing consolidation. Operating costs and expenses as a percentage of segment net sales increased from 94.9% for the year ended December 31, 2006 to 100.2% for the year ended December 31, 2007.

Operating income decreased by $10.0 million, or 103.1%, from operating income of $9.7 million for the year ended December 31, 2006 to an operating loss of $0.3 million for the year ended December 31, 2007. The 2006 Acquisition of Allmet accounted for $1.4 million of the year-over-year decrease. The remainder of the decrease was primarily attributable to the reductions in sales volumes discussed above.

Corporate and other. This category reflects certain administrative costs and expenses management has not allocated to its industry segments. These costs include compensation for executive officers, insurance, professional fees for audit, tax and legal services and data processing expenses. The negative net sales amount represents the elimination of intercompany sales. The operating loss decreased $1.7 million, or 5.5%, from $30.9 million for the year ended December 31, 2006 to $29.2 million for the year ended December 31, 2007. This decrease was primarily attributable to lower insurance expense due to favorable trends in workers compensation claims, lower amortization of the customer list intangible asset recorded in connection with the Merger, which decreases over the useful life and economic value of the intangible asset, in addition to lower employee benefit costs and lower incentive compensation. The decrease was partially offset by $3.6 million of higher stock-based compensation expense due to the accelerated vesting of stock options and partial settlement of existing stock option awards in connection with the January 2007 dividend and July 2007 dividends paid by Metals USA Holdings to its stockholders.

Table of Contents

Index to Financial Statements

Liquidity and Capital Resources

Our primary sources of short-term liquidity are borrowings under the ABL facility and our cash flow from operations. We believe these resources will be sufficient to meet our working capital and capital expenditure requirements for the next year. At September 30, 2009, we had $90.0 million drawn on the ABL facility, our borrowing availability was $128.9 million of which we could only borrow $83.9 million because the FCCR was less than 1.0 to 1.0 as of September 30, 2009 and we had cash and cash equivalents of $20.1 million. We anticipate that in connection with our offer to repurchase the 2007 Notes with the net proceeds of this offering, our interest expense will reduced by approximately $ per year. We, however, cannot assure you that our offer will be accepted. To the extent not accepted, the net proceeds of this offering will be available for general corporate purposes. Our borrowing availability fluctuates daily with changes in eligible accounts receivables and inventory, less outstanding borrowings and letters of credit. See Financing Activities below. At December 18, 2009, we had $82.5 million drawn on the ABL facility, our borrowing availability was $127.1 million and we had cash and cash equivalents of $6.5 million.

We generally meet long-term liquidity requirements, the repayment of debt and investment funding needs, through additional borrowings under the ABL facility and the issuance of debt securities. At September 30, 2009, our long-term debt consisted of $90.0 million of outstanding borrowings on the ABL facility, $226.3 million principal amount of the Metals USA Notes, $178.9 million principal amount of the 2007 Notes, an IRB with $5.7 million principal amount outstanding and $0.1 million in vendor financing and purchase money notes. We believe the cash flow from operations, supplemented by the cash available under the ABL facility, will be sufficient to enable us to meet our debt service and operational obligations as they come due for at least the next twelve months.

With respect to long-term liquidity, we believe that we will be able to meet our working capital, capital expenditures and debt service obligations. Our ability to meet long-term liquidity requirements is subject to obtaining additional debt and/or equity financing. Decisions by lenders and investors to enter into such transactions with us will depend upon a number of factors, such as our historical and projected financial performance, compliance with the terms of our current credit agreements, industry and market trends, the availability of capital, and the relative attractiveness of alternative lending or investment opportunities.

Operating and Investing Activities

Although we do not produce any metal, our financial performance is affected by changes in metal prices. When metal prices rise, the prices at which we are able to sell our products generally increase over their historical costs; accordingly, our working capital (which consists primarily of accounts receivable and inventory) tends to increase in a rising price environment. Conversely, when metal prices fall, our working capital tends to decrease. Our working capital (current assets less current liabilities) decreased from $699.0 million at December 31, 2008 to $303.9 million at September 30, 2009.

Changes in metal prices also affect our liquidity because of the time difference between our payment for our raw materials and our collection of cash from our customers. We sell our products and typically collect our accounts receivable within 45 days after the sale; however, we tend to pay for replacement materials (which are more expensive when metal prices are rising) over a much shorter period, primarily to benefit from early-payment discounts that are substantially higher than our cost of incremental debt. As a result, when metal prices are rising, we tend to draw more on the ABL facility to cover the cash flow cycle from material purchase to cash collection. When metal prices fall, we can replace our inventory at lower cost and, thus, generally do not need to access the ABL facility as much to cover the cash flow cycle. We believe our cash flow from operations, supplemented with the cash available under the ABL facility, will provide sufficient liquidity to meet the challenges and obligations we face during the current metal price environment. Additionally, we intend to look for value-added

Table of Contents

Index to Financial Statements

businesses that we can acquire at reasonable prices. We intend to use cash flows from operations and excess cash available under the ABL facility to fund future acquisitions.

The following discussion of the principal sources and uses of cash should be read in conjunction with our Unaudited Condensed Consolidated Statements of Cash Flows which are set forth under Consolidated Financial Statements.

Cash Flows

Nine Months Ended September 30, 2009 and September 30, 2008

During the nine months ended September 30, 2009, net cash provided by operating activities was $228.4 million. This amount was primarily attributable to decreases in accounts receivable and inventories. During the nine months ended September 30, 2008, net cash used in operating activities was $97.7 million, an amount that was primarily attributable to increases in accounts receivable and inventories. Changes in working capital between the two nine-month periods reflect the change in the business environment that began during the fourth quarter of 2008, when we began reducing inventory purchases as a result of weaker demand and declining prices. Our accounts receivable decreased between the two periods due to lower sales levels in 2009.

Net cash used in investing activities was $7.6 million for the nine months ended September 30, 2009, and consisted primarily of $4.2 million for the acquisition of Philadelphia Plate and $3.6 million of capital expenditures. Net cash provided by investing activities was $0.6 million for the nine months ended September 30, 2008, and consisted of proceeds from sales of assets of $9.5 million partially offset by $8.9 million of purchases of assets.

Net cash used in financing activities was $367.4 million for the nine months ended September 30, 2009, and consisted primarily of net repayments on the ABL facility of $278.0 million, in addition to repayments of other long-term debt of $89.4 million. Net cash provided by financing activities was $256.6 million for the nine months ended September 30, 2008, and consisted primarily of net borrowings on the ABL facility of $261.5 million, partially offset by $2.3 million of repayments of long-term debt and $2.6 million of deferred financing costs.

Year Ended December 31, 2008

During the year ended December 31, 2008, net cash provided by operating activities was $78.4 million. Through the first three quarters of 2008, we generated significant profits as global steel prices rose to record highs. Our increased profitability was the primary contributor to our cash flow from operations for 2008. During the fourth quarter of 2008, we began to decrease our inventories in response to slackening demand and decreasing prices. Our fourth quarter 2008 reduction in working capital also contributed to cash flow from operations for the year.

Net cash used in investing activities was $7.7 million for the year ended December 31, 2008, and consisted of proceeds from sales of assets of $9.5 million offset by $12.2 million of purchases of assets and $5.0 million of contingent consideration paid during 2008 in connection with the May 2006 acquisition of Port City. For the year ended December 31, 2008, the most significant internal capital project was the expansion of our New Orleans Plates and Shapes facility.

Net cash provided by financing activities was $82.4 million for the year ended December 31, 2008, and consisted primarily of net borrowings on the ABL facility of $87.5 million, partially offset by $2.4 million of repayments of long-term debt and $2.7 million of deferred financing costs.

Table of Contents

Index to Financial Statements

Year Ended December 31, 2007

During the year ended December 31, 2007, net cash provided by operating activities was $119.2 million. This amount was primarily attributable to reductions in working capital in connection with our inventory management, which seeks to optimize the cost tradeoff between holding inventory and incurring shortages.

Net cash used in investing activities was $58.5 million for the year ended December 31, 2007, and consisted primarily of $21.5 million of purchases of assets and $38.2 million for the acquisition of Lynch Metals. For the year ended December 31, 2007, the most significant internal capital project was the expansion of our Plates and Shapes facility in Waggaman, Louisiana.

Net cash used in financing activities was $202.9 million for the year ended December 31, 2007, and consisted primarily of dividends paid to our stockholders of $288.5 million, in addition to repayments of long-term debt of $150.7 million ($150.0 million in connection with the repayment of the 2006 Notes) and net repayments on the ABL facility of $48.5 million, partially offset by $291.0 million of proceeds received from the issuance of the 2007 Notes.

Year Ended December 31, 2006

During the year ended December 31, 2006, net cash used in operating activities was $45.7 million, an amount that was primarily attributable to increases in working capital. During 2006, we built our inventories in anticipation of increased customer demand.

Net cash used in investing activities was $61.0 million for the year ended December 31, 2006, and consisted of $1.6 million of proceeds from the sale of assets, offset by $16.9 million of purchases of assets and the $45.7 million for the purchase of Port City and Dura-Loc. These purchases were strategic acquisitions in our Plates and Shapes and Building Products segments. For the year ended December 31, 2006, the most significant internal capital projects included the expansion of our non-ferrous Germantown, Wisconsin facility and the installation of new processing equipment in our facility in Waggaman, Louisiana.

Net cash provided by financing activities was $251.2 million for the year ended December 31, 2006 and consisted primarily of $144.8 million of proceeds from the issuance of the 2006 Notes, in addition to net borrowings on the ABL facility of $137.6 million, offset by the $25.0 million payment of a cash dividend to our stockholders.

Covenant Compliance

Adjusted EBITDA

Adjusted EBITDA (as defined by the loan and security agreement governing the ABL facility and the indentures governing the Metals USA Notes and the 2007 Notes) is defined as EBITDA further adjusted to exclude certain non-cash and non-recurring items. Adjusted EBITDA is not a defined term under GAAP and should not be used as an alternative to net income as an indicator of operating performance or to cash flow as a measure of liquidity.

Fixed Charge Coverage Ratio

Under the ABL facility, the FCCR is determined on a rolling four-quarter period, often referred to as a last-twelve month period, by dividing (1) the sum of adjusted EBITDA of Metals USA minus income taxes paid in cash minus non-financed capital expenditures by (2) the sum of certain

Table of Contents

Index to Financial Statements

distributions paid in cash, cash interest expense and scheduled principal reductions on debt paid by Metals USA. The interest rate in respect of borrowings under the ABL facility is determined in reference to the FCCR, and should borrowing availability under the ABL facility fall below $45.0 million, we must maintain a FCCR of at least 1.0 to 1.0, measured on a trailing four-quarter basis. As of September 30, 2009, our borrowing availability under the ABL facility was $128.9 million, but because the FCCR was less than 1.0 to 1.0 as of September 30, 2009, we could only borrow $83.9 million. In addition, the FCCR also is an important measure of our liquidity and affects our ability to take certain actions, including paying dividends to stockholders and making acquisitions.

Although the indentures governing the Metals USA Notes and the 2007 Notes also contain covenants that restrict our ability to incur indebtedness and pay dividends based on our FCCR, the definition and application of the FCCR contained in the indentures differ from the definition and application of the FCCR in the ABL facility in that the numerator of the FCCR as defined in the indentures does not include cash income taxes or non-financed capital expenditures and the denominator of the FCCR as defined in the indentures does not include the sum of certain distributions paid in cash and scheduled principal reductions on debt, and separate FCCRs are required under certain circumstances. See Management s Discussion and Analysis of Financial Condition and Results of Operations Financing Activities.

Because access to debt capital is currently and in the future will continue to be important to us, we believe that the inclusion of supplementary adjustments to EBITDA applied in presenting adjusted EBITDA are appropriate to provide additional information to investors to demonstrate compliance with the covenants in our debt agreements. Failure to comply with the FCCR covenant of the ABL facility can result in limiting our long-term growth prospects by hindering our ability to incur future indebtedness or grow through acquisitions. As of September 30, 2009, our FCCR was 0.14. As of September 30, 2009, we had $128.9 million of additional borrowing capacity under the ABL facility, but because the FCCR was less than 1.0 to 1.0 as of September 30, 2009, we could only borrow $83.9 million.

The indentures governing the Metals USA Notes and the 2007 Notes contain covenants that restrict our ability to take certain actions, such as incurring additional debt and making certain acquisitions, if we are unable to meet defined adjusted EBITDA to fixed charge coverage and consolidated total debt ratios (each, as defined). The covenants in the indentures require us to have an adjusted EBITDA to fixed charge coverage ratio (measured on a trailing four-quarter basis and calculated differently from the fixed charge coverage ratio as defined by the ABL facility) of 2.0 to 1.0 to incur ratio indebtedness and a consolidated total debt ratio of no greater than 4.75 to 1.0 to incur ratio indebtedness in connection with acquisitions. Based on the calculations for the trailing four quarters, we are not able to satisfy these covenants and incur additional indebtedness under these ratios, including for acquisition purposes, under our indentures.

Limitations of Adjusted EBITDA

There are material limitations associated with making the adjustments to our earnings to calculate adjusted EBITDA and using such a non-GAAP financial measure as compared to the most directly comparable GAAP financial measures. For instance, adjusted EBITDA does not include:

- interest expense, and, because we have borrowed money in order to finance our operations, interest expense is a necessary element of our costs and ability to generate revenue;

- income tax expense, and because the payment of taxes is part of our operations, tax expense is a necessary element of our costs and ability to operate; and

- depreciation and amortization expense, and, because we use capital assets, depreciation and amortization expense is a necessary element of our costs and ability to generate revenue.

In addition, fixed charges should not be considered an alternative to interest expense.

Table of Contents

Index to Financial Statements

Below is a reconciliation of net income to EBITDA and adjusted EBITDA:

	Historical				
	Years Ended December 31,			Nine Months Ended September 30,	
	2006	2007	2008	2008	2009
	(in millions, except ratios)				
Net income	$ 39.3	$ 13.9	$ 72.6	$ 79.6	$ 7.9
Depreciation and amortization(1)	22.6	23.7	23.6	18.2	15.9
Interest expense	54.6	87.0	87.9	65.4	50.5
(Gain) loss on extinguishment of debt		8.4			(89.1)
Provision (benefit) for income taxes	25.8	4.8	46.1	53.8	3.7
Other (income) expense	(0.7)	(0.7)	(0.2)	0.2	(0.3)
EBITDA	$ 141.6	$ 137.1	$ 230.0	$ 217.2	$ (11.4)
Covenant defined adjustments:					
Inventory purchase adjustments(2)	10.8				
Stock options and grant expense(3)	1.2	4.8	1.1	0.9	0.3
Facilities closure(4)	1.4	0.7	4.0	4.0	1.5
Pension withdrawal liability(5)		2.0			
Management fees and other costs(6)	1.2	1.5	1.9	0.9	0.9
Impairment of assets(7)			5.1		
Adjusted EBITDA (as defined in the ABL facility)	$ 156.2	$ 146.1	$ 242.1	$ 223.0	$ (8.7)
(Gain) loss on sale of property and equipment	0.1	0.1	(2.4)	(2.4)	
Provision for bad debts	4.1	1.7	3.1	2.3	2.7
Amortization of debt issuance costs and discounts on long-term debt	2.5	5.0	6.0	4.4	4.1
Deferred income taxes	(6.6)	(3.7)	(3.1)	(1.9)	22.5
Non-cash interest on PIK option					17.6
Interest expense	(54.6)	(87.0)	(87.9)	(65.4)	(50.5)
Provision for income taxes	(25.8)	(4.8)	(46.1)	(53.8)	(3.7)
Other income (expense).	0.7	0.7	0.2	(0.2)	0.3
Inventory purchase adjustments.	(10.8)				
Facilities closure	(1.4)	(0.7)	(4.0)	(4.0)	(1.5)
Pension withdrawal liability		(2.0)			
Management fees and other costs	(1.2)	(1.5)	(1.9)	(0.9)	(0.9)
Other		0.2		(0.1)	
Changes in assets and liabilities	(108.9)	65.1	(27.6)	(198.7)	246.5
Net cash provided by (used in) operating activities	$ (45.7)	$ 119.2	$ 78.4	$ (97.7)	$ 228.4
Fixed charge coverage ratio numerator(8)	$ 115.6	$ 103.2	$ 197.9	$ 210.1	$ 16.1
Fixed charge coverage ratio denominator(8)	$ 76.7	$ 78.6	$ 68.1	$ 65.4	$ 117.3
FCCR(8)	1.51	1.31	2.91	3.21	0.14

(1) Includes depreciation for Building Products that is included in cost of sales.

(2) As a result of management s analysis and evaluation of the replacement cost of inventory at the date of the closing of the Apollo Transactions, a purchase accounting increase in the fair value of inventory of $14.9 million was recorded as of December 1, 2005, with $4.1 million of that amount charged to cost of sales in December 2005 and $10.8 million charged to cost of sales in the first quarter of 2006.

(3) Non-cash stock option and stock grant expense.

Table of Contents

Index to Financial Statements

(4) The amount for 2006 represents charges incurred in connection with the closure of two locations within our metal service center business and three locations within our building products business. The amount for 2007 represents charges in the building products business for the closure of two facilities in the third quarter of 2007 and one in the fourth quarter of 2007. The amounts for 2008 represent charges incurred for the closure of six facilities during 2008, five of which were closed during the first quarter of 2008. The amount for the nine months ended September 30, 2009, represents charges to the building products business for severance costs and the closure of one facility, in addition to charges for the closure of one facility in our metal service center business.

(5) This amount represents accrued expenses incurred in connection with the withdrawal of two of our operating facilities from a multi-employer pension fund.

(6) Includes accrued expenses related to the management agreement we have with Apollo, pursuant to which Apollo provides us with management services, which will be terminated upon consummation of this offering. See Certain Relationships and Related Party Transactions Related Party Transactions Apollo Agreements.

(7) This amount represents non-cash impairment charges related to goodwill and customer list intangible assets associated with our building products business.

(8) As defined by the loan and security agreement governing the ABL facility and the indentures governing the Metals Notes and the 2007 Notes.

Table of Contents

Index to Financial Statements

Assuming an initial public offering price of $ per share, which represents the midpoint of the range set forth on the cover page of this prospectus, and the subsequent purchase of the maximum principal amount of the 2007 Notes out of the net proceeds of this offering (assuming the exercise of the underwriters option to purchase additional shares in full), the FCCR under our ABL facility on a pro forma basis for the year ended December 31, 2008 and the twelve months ended September 30, 2009 would have been and , respectively.

Financing Activities

The ABL Facility

The ABL facility permits us to borrow on a revolving basis through November 30, 2011. Substantially all of our subsidiaries are borrowers under the ABL facility.

On July 1, 2008, we executed our option to increase the Tranche A Commitments by $100.0 million, which increased the total commitment from $525.0 million to $625.0 million. All other existing terms under the ABL facility remained unchanged. Costs incurred to exercise the option to increase the ABL facility totaled $2.4 million, and are being amortized over the existing term of the ABL facility.

On June 8, 2007, we executed the June 2007 amendment to the ABL facility, which increased the commitment from $450.0 million to $525.0 million, comprised of $500.0 million of Tranche A Commitments and $25.0 million of Tranche A-1 Commitments. Additionally, the June 2007 amendment reduced the borrowing cost on the Tranche A facility by 25 basis points, reduced the borrowing cost on the Tranche A-1 facility by 75 basis points and gave us the option to increase the Tranche A Commitments by $100.0 million. Costs incurred in connection with the June 2007 amendment totaled $1.6 million, and are being amortized over the existing term of the ABL facility, which expires November 30, 2011.

Borrowing Base. The maximum availability under the ABL facility is based on eligible receivables and eligible inventory, subject to certain reserves. Our borrowing availability fluctuates daily with changes in eligible receivables and inventory, less outstanding borrowings and letters of credit. The borrowing base is equal to the lesser of (a) the aggregate amount of the Tranche A Commitments and the Tranche A-1 Commitments and (b) the sum of:

- 85% of the net amount of eligible accounts receivable;

- the lesser of (x) 70% of the lesser of the original cost or market value of eligible inventory and (y) 90% of the net orderly liquidation value of eligible inventory; and

- at all times prior to the termination of the Tranche A-1 Commitments, the sum of 5% of the net amount of eligible accounts receivable and 5% of the net orderly liquidation value of eligible inventory.

Initial borrowings under the ABL facility were used to repay the outstanding amounts drawn under our existing revolving credit facility and to fund other costs and expenses related to the Merger. The loan and security agreement governing the ABL facility provides for up to $15.0 million of swing-line loans and up to $100.0 million for the issuance of letters of credit. Both the face amount of any outstanding letters of credit and any swing-line loans will reduce borrowing availability under the ABL facility on a dollar-for-dollar basis.

As of September 30, 2009, we had $234.3 million of eligible collateral, $90.0 million in outstanding advances, $15.4 million in open letters of credit and $128.9 million of additional borrowing capacity, but because the FCCR was less than 1.0 to 1.0 as of September 30, 2009, we could only borrow $83.9 million. As of September 30, 2009, we had $20.1 million of cash and cash equivalents.

Table of Contents

Index to Financial Statements

At December 18, 2009, we had $223.7 million of eligible collateral, $82.5 million in outstanding advances, $14.1 million in open letters of credit and $127.1 million of additional borrowing capacity. As of December 18, 2009, we had approximately $6.5 million of cash and cash equivalents.

Guarantees and Security. Substantially all of our subsidiaries are defined as borrowers under the loan and security agreement governing the ABL facility. The obligations under the ABL facility are guaranteed by Flag Intermediate and certain of our domestic subsidiaries and are secured (i) on a first-priority lien basis by our, the other borrowers and the guarantors accounts, inventory, cash and proceeds and products of the foregoing and certain assets related thereto and (ii) on a second-priority lien basis by substantially all of our, the other borrowers and the guarantors other assets, subject to certain exceptions and permitted liens. Metals USA Holdings is not a party to the ABL facility, and indebtedness under the ABL facility is not guaranteed by Metals USA Holdings.

Interest Rate and Fees. Interest is calculated based upon a margin (established within a specific pricing grid for loans utilizing Tranche A Commitments) over reference rates. The marginal rates vary with our financial performance as measured by the FCCR. The FCCR is determined by dividing (i) the sum of adjusted EBITDA (as defined by the loan and security agreement governing the ABL facility) minus income taxes paid in cash minus non-financed capital expenditures by (ii) the sum of certain distributions paid in cash, cash interest expense and scheduled principal reductions on debt, and is calculated based on such amounts for the three immediately preceding fiscal periods.

The interest rates with respect to loans utilizing the Tranche A Commitments are, at our option, (i) the higher of (a) the prime rate of Credit Suisse in effect at its principal office in New York City and (b) the federal funds effective rate plus 0.5%; plus, in each case, an applicable margin ranging between -0.25% and -0.50% as determined in accordance with the loan and security agreement governing the ABL facility or (ii) the rate (as adjusted for statutory reserves) for Eurodollar deposits for one, two, three, six or, if agreed to by all lenders under the loan and security agreement, nine or twelve months, as selected by us, by reference to the British Bankers Association Interest Settlement Rates, plus an applicable margin ranging between 1.00% and 1.75% as determined in accordance with the loan and security agreement governing the ABL facility. The interest rates with respect to loans utilizing the Tranche A-1 Commitments are, at our option, (i) the higher of (a) the prime rate of Credit Suisse in effect at its principal office in New York City and (b) the federal funds effective rate plus 0.5%; in each case plus an applicable margin of 0.75% or (ii) the rate (as adjusted for statutory reserves) for Eurodollar deposits for one, two, three, six or, if agreed to by all lenders under the loan and security agreement, nine or twelve months, as selected by us, by reference to the British Bankers Association Interest Settlement Rates, plus an applicable margin of 2.75%.

A commitment fee is payable on any unused commitments under the ABL facility of 0.25% per annum. The applicable base rate and the effective LIBOR rate for the Tranche A Commitments and Tranche A-1 Commitments were 3.25% and 0.287%, respectively, as of September 30, 2009.

Certain Covenants. The ABL facility contains customary representations, warranties and covenants as a precondition to lending, including a material adverse change in the business, limitations on our ability to incur or guarantee additional debt, subject to certain exceptions, pay dividends, or make redemptions and repurchases, with respect to capital stock, repay debt, create or incur certain liens, make certain loans or investments, make acquisitions or investments, engage in mergers, acquisitions, asset sales and sale lease-back transactions, and engage in certain transactions with affiliates. In addition, the ABL facility requires a lock-box arrangement, which, as long as borrowing availability is greater or equal to $45.0 million and in the absence of default, is controlled by Metals USA. As long as our borrowing availability is greater than or equal to $45.0 million, we do not have to maintain a minimum FCCR. Should borrowing availability fall below $45.0 million, we must maintain an FCCR of at least 1.0 to 1.0. For purposes of determining covenant compliance, the FCCR is

Table of Contents

Index to Financial Statements

determined by dividing (i) the sum of adjusted EBITDA (as defined by the loan and security agreement governing the ABL facility) minus income taxes paid in cash minus non-financed capital expenditures by (ii) the sum of certain distributions paid in cash, cash interest expense and scheduled principal reductions on debt, and is calculated based on such amounts for the most recent period of four consecutive fiscal quarters. As of September 30, 2009, our FCCR was 0.14.

Additionally, payments of management and consulting fees are limited to the greater of $3.0 million or 3% of adjusted EBITDA (as defined in the loan and security agreement governing the ABL facility) provided borrowing availability equals at least $25.0 million. Further, distributions in respect of capital stock are limited to the payment of up to $25.0 million, plus $5.0 million for each full fiscal quarter (with any amount not used in any fiscal quarter being permitted to be used in succeeding fiscal quarters), plus 50% of cumulative consolidated net income or, if a loss, minus 100% of the amount thereof, plus 100% of the aggregate net proceeds received by us from certain sales and issuances of capital stock or from certain capital contributions, of dividends in any fiscal quarter provided that borrowing availability is greater than or equal to $50.0 million and the FCCR is at least 1.0 to 1.0.

The ABL facility contains events of default with respect to: default in payment of principal when due, default in the payment of interest, fees or other amounts after a specified grace period, material breach of the representations or warranties, default in the performance of specified covenants, failure to make any payment when due under any indebtedness with a principal amount in excess of a specified amount, certain bankruptcy events, certain ERISA violations, invalidity of certain security agreements or guarantees, material judgments or a change of control. In the event of default the agreement may permit the lenders to: (i) restrict the account or refuse to make revolving loans; (ii) cause customer receipts to be applied against borrowings under the ABL facility causing the Company to suffer a rapid loss of liquidity and the ability to operate on a day-to-day basis; (iii) restrict or refuse to provide letters of credit; or ultimately: (iv) terminate the commitments and the agreement; or (v) declare any or all obligations to be immediately due and payable if such default is not cured in the specified period required. Any payment default or acceleration under the ABL facility on amounts in excess of $15.0 million would also result in a default under the Metals USA Notes and the 2007 Notes that would provide the holders of the Metals USA Notes and the 2007 Notes with the right to demand immediate repayment.

Interest Rate Swaps. In February 2008, $250.0 million notional amount of outstanding borrowings under the ABL facility were swapped from a floating LIBOR-based rate to a fixed rate. The swaps entitle us to receive quarterly payments of interest at a floating rate indexed to the three-month LIBOR and pay a fixed rate that ranges from 2.686% to 2.997%, converting a portion of the outstanding borrowings on our ABL facility from a floating rate obligation to a fixed rate obligation. Pretax realized gains and losses from derivatives which were recognized in earnings during the nine months ended September 30, 2009 amounted to $5.2 million of additional interest expense, consisting of $3.2 million of gains and losses that effectively offset changes in the cost of the Company s hedged exposure, and $2.0 million of changes in the fair value of derivatives, an amount that was excluded from the Company s assessment of hedge effectiveness. The fair value of the Company s interest rate swaps was $6.4 million at September 30, 2009, with $4.4 million classified as accrued liabilities and $2.0 million classified as other long-term liabilities in the consolidated balance sheet.

See Description of Certain Indebtedness The ABL Facility.

The Metals USA Notes

On the closing date of the Merger, we received approximately $268.0 million of net cash proceeds from the sale of $275.0 million in aggregate principal amount of the Metals USA Notes, after deducting expenses of the offering. Interest on the Metals USA Notes accrues at the rate of $11\ ^{1}/8$% per

67

Table of Contents

Index to Financial Statements

annum and is payable semiannually in arrears on June 1 and December 1 and commenced on June 1, 2006. The Metals USA Notes will mature on December 1, 2015. We may redeem some or all of the Metals USA Notes at any time on or after December 1, 2010, at a predetermined redemption price plus accrued and unpaid interest and additional interest, if any, to the applicable redemption date. If we experience a change of control and we do not redeem the Metals USA Notes, we will be required to make an offer to repurchase the Metals USA Notes at a price equal to 101% of the principal amount, plus accrued and unpaid interest and additional interest, if any, to the date of repurchase.

Under the indenture governing the Metals USA Notes, we are required to pay interest on overdue principal at 1% per annum in excess of the above rate and are required to pay interest on overdue installments of interest at such higher rate to the extent lawful. The indenture governing the Metals USA Notes contains the covenants described under Covenant Compliance below.

The Metals USA Notes indenture contains certain customary events of default, including (subject, in some cases, to customary cure periods thresholds) defaults based on (1) the failure to make payments under the Metals USA indenture when due, (2) breach of covenants, (3) cross-defaults to other material indebtedness, (4) bankruptcy events and (5) material judgments. We were in compliance with all covenants as of September 30, 2009.

During the nine months ended September 30, 2009, we purchased $48.7 million principal amount of the Metals USA Notes in the open market, resulting in a pretax gain of $13.6 million (net of unamortized deferred financing costs) on debt extinguishment.

See Description of Certain Indebtedness The Metals USA Notes.

2007 Notes

On July 10, 2007, we issued $300.0 million initial aggregate principal amount of the 2007 Notes due July 1, 2012. The 2007 Notes were issued at an initial issue price of 97% of the principal amount thereof, and original issue discount is being amortized to interest expense over the life of the 2007 Notes. The 2007 Notes are senior unsecured obligations that are not guaranteed by any of Metals USA Holdings subsidiaries. As such, the 2007 Notes are structurally subordinated to all indebtedness and other liabilities (including trade payables) of Metals USA Holdings subsidiaries.

Metals USA Holdings must make an election regarding whether interest payments on the 2007 Notes will be made in cash or through PIK Interest prior to the start of the applicable interest period. Metals USA Holdings may elect to pay (1) interest entirely in cash or (2) PIK Interest, or (3) Partial PIK Interest. Cash interest on the 2007 Notes will accrue at a rate per annum, reset quarterly, equal to LIBOR plus a spread of 6.00%, which increases by 0.25% to 6.25% in the second year of the issuance of the 2007 Notes, by 0.50% to 6.50% in the third year of the issuance of the 2007 Notes, and by 0.75% to 6.75% in the fourth year of the issuance of the 2007 Notes. In the event PIK Interest is paid on the 2007 Notes after the first four interest periods, the then-applicable margin over LIBOR on the 2007 Notes would increase by 0.75% for each period in which PIK Interest is paid. If Metals USA Holdings elects to pay any PIK Interest, Metals USA Holdings will increase the principal amount on the 2007 Notes or issue new 2007 Notes in an amount equal to the amount of PIK Interest for the applicable interest payment period to holders of the 2007 Notes on the relevant record date. Interest is payable quarterly in arrears on January 1, April 1, July 1 and October 1. PIK Interest notes, resulting from the conversion of interest into PIK notes, when paid will be treated as an operating activity in the Consolidated Statements of Cash Flows in accordance with ASC 230.

The initial five interest payments on the 2007 Notes were paid solely in cash. Flag Intermediate provided funds to Metals USA Holdings to fund the initial five quarterly interest payments on the 2007

Table of Contents

Index to Financial Statements

Notes, which were paid on October 1, 2007, January 2, 2008, April 1, 2008, July 1, 2008 and October 1, 2008 and which totaled $7.7 million, $8.4 million, $8.1 million, $6.5 million and $6.6 million, respectively.

On September 26, 2008, we made a permitted election under the indenture governing the 2007 Notes to pay all interest that is due on January 1, 2009, for the interest period beginning on October 1, 2008, and ending on December 31, 2008, entirely through PIK Interest. The January 1, 2009 PIK Interest payment amounted to $8.2 million. We have continued to make PIK Interest payments subsequent to January 1, 2009. The April 1, 2009 PIK Interest payment amounted to $5.6 million, the July 1, 2009 PIK Interest payment amounted to $3.8 million and the October 1, 2009 PIK Interest payment amounted to $3.5 million. The Company must make an election regarding whether subsequent interest payments will be made in cash, through PIK Interest, or Partial PIK Interest, prior to the start of the applicable interest period. In the absence of such an election for any interest period, interest on the 2007 Notes will be payable according to the election for the previous interest period. As a result, the PIK Interest election is now the default election for future interest periods unless we elect otherwise not later than the commencement of an interest period.

The terms of the ABL facility, as well as the indenture governing the Metals USA Notes, restrict Flag Intermediate and certain of its subsidiaries from making payments or transferring assets to Metals USA Holdings, including dividends, loans, or distributions. Such restrictions include prohibition of dividends in an event of default and limitations on the total amount of dividends paid to Metals USA Holdings. In the event these agreements do not permit Flag Intermediate to provide Metals USA Holdings with sufficient distributions to fund interest and principal payments on the 2007 Notes when due, Metals USA Holdings may default on the 2007 Notes unless other sources of funding are available. The amount available under the restricted payment provision contained in the loan and security agreement governing the ABL facility was $63.1 million as of September 30, 2009. No amount was available under the restricted payment provision contained in the indenture governing the Metals USA Notes as of September 30, 2009.

On or after January 15, 2008, Metals USA Holdings may redeem some or all of the 2007 Notes at certain redemption prices, plus accrued and unpaid interest and additional interest, if any, to the redemption date. If Metals USA Holdings makes certain public offerings, sales or issuances of common stock, and does not redeem the 2007 Notes, it will be required to make an offer to repurchase the maximum principal amount of the 2007 Notes that may be purchased out of the proceeds thereof, at a price equal to 100% of the principal amount, plus accrued and unpaid interest and additional interest, if any, to the date of repurchase.

As described in Use of Proceeds, no later than 60 days following our receipt of the proceeds of this offering, we will make an offer to all holders of the 2007 Notes to repurchase the maximum principal amount of the 2007 Notes, of which $178.9 million aggregate principal amount were outstanding as of September 30, 2009, that may be purchased out of the net proceeds of this offering, estimated to be approximately $ million, at a price equal to 100% of the principal amount, plus accrued and unpaid interest to the date of the closing of the repurchase offer. Our affiliates that are holders of the 2007 Notes may participate in the repurchase offer. See Certain Relationships and Related Party Transactions Related Party Transactions Repurchase Offer. We cannot assure you that holders of the 2007 Notes will accept our offer. We will also continue to be subject to the covenants in the indenture governing the 2007 Notes if any 2007 Notes remain outstanding after the offer.

If Metals USA Holdings experiences a change of control and does not redeem the 2007 Notes, it will be required to make an offer to repurchase the 2007 Notes at a price equal to 101% of the principal amount, plus accrued interest and unpaid interest and additional interest, if any, to the date of repurchase.

Table of Contents

Index to Financial Statements

Under the indenture governing the 2007 Notes, we are required to pay interest on overdue principal at 1% per annum in excess of the rates discussed above and are required to pay interest on overdue installments of interest at such higher rate to the extent lawful. The indenture governing the 2007 Notes contains covenants described under Covenant Compliance below.

The indenture governing the 2007 Notes contains covenants that, among other things, limit Metals USA Holdings ability and the ability of certain of its subsidiaries to incur or guarantee additional indebtedness or issue disqualified or preferred stock, repurchase or redeem capital stock or subordinated indebtedness, pay dividends or make distributions to its stockholders, incur restrictions on the ability of its subsidiaries to pay dividends or to make other payments to Metals USA Holdings, transfer or sell assets, create liens, enter into transactions with affiliates, make investments or acquisitions, and merge or consolidate with other companies or transfer all or substantially all of its assets.

Our affiliates, which include Apollo, as well as our Chief Executive Officer and our Chief Financial Officer, have purchased a portion of our 2007 Notes in the market. For the nine months ended September 30, 2009, interest paid on the 2007 Notes held by affiliates amounted to $9.0 million, and was paid entirely by PIK Interest. From time to time, depending upon market, pricing and other conditions, as well on cash balances and liquidity, we, our subsidiaries or affiliates may seek to purchase or sell some amount of the Metals USA Notes or additional amounts of the 2007 Notes. Any such purchases or sales may be made in the open market, privately negotiated transactions, tender offers or otherwise. The amounts of any such purchases or sales may be material.

During the nine months ended September 30, 2009, we purchased $130.1 million principal amount of the 2007 Notes in the open market, resulting in a pretax gain of $75.5 million (net of unamortized deferred financing costs and original issue discount) on debt extinguishment.

See Description of Certain Indebtedness The 2007 Notes.

Restricted Payments

Both the loan and security agreement governing the ABL facility and the indentures governing the Metals USA Notes and the 2007 Notes contain restrictions as to the payment of dividends. The amount available under the restricted payment provision contained in the loan and security agreement governing the ABL facility was $63.1 million as of September 30, 2009. No amount was available under the restricted payment provision contained in the indenture governing the Metals USA Notes as of September 30, 2009. As of September 30, 2009, Flag Intermediate and its wholly-owned subsidiary, Metals USA, had $146.2 million of total stockholder s equity.

See Liquidity and Capital Resources Covenant Compliance.

Off-Balance Sheet Arrangements

We were not engaged in off-balance sheet arrangements through any unconsolidated, limited purpose entities and no material guarantees of debt or other commitments to third parties existed at September 30, 2009.

Contractual Obligations

We enter into operating leases for many of our facility, vehicle and equipment needs. These leases allow us to conserve cash by paying a monthly lease rental fee for the use of, rather than purchasing, facilities, vehicles and equipment. At the end of the lease, we have no further obligation to

Table of Contents

Index to Financial Statements

the lessor. We have varying amounts of open purchase orders that are subject to renegotiation/cancellation by either party as to quantity or price. Generally, the amounts outstanding relate to delivery periods of up to 12 weeks from the date of the purchase order.

Our future contractual obligations as of December 31, 2008 include the following:

			For the Fiscal Years Ended December 31,				
	Total	2009	2010	2011 (in millions)	2012	2013	Beyond
ABL facility(1)	$ 368.0	$	$	$ 368.0	$	$	$
Purchase Orders	97.4	97.4					
11 1/8 Senior Secured Notes Due 2015 (Metals USA Notes).	489.2	30.6	30.6	30.6	30.6	30.6	336.2
Senior Floating Rate Toggle Notes Due 2012 (2007 Notes)(2)	300.0				300.0		
IRB(3)	5.7						5.7
Other obligations(4)	9.7	2.2	0.7	0.7	0.6	0.6	4.9
Operating lease obligations	64.9	15.1	13.1	11.7	7.3	4.9	12.8
Total	$ 1,334.9	$ 145.3	$ 44.4	$ 411.0	$		