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Worthington Industries, Inc.

Virtual Investor and Analyst Day

November 10, 2021

CORPORATE PARTICIPANTS

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Geoff Gilmore, *Executive Vice President and Chief Operating Officer*

Steve Caravati, *President, Consumer Products*

Eric Smolenski, *President, Building Products and Sustainable Energy Solutions*

Doug Cadle, *President and CEO, WAVE*

Timo Snoeren, *Vice President and Managing Director, Sustainable Energy Solutions*

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PRESENTATION

Operator

Welcome to the Worthington Industries Virtual Investor and Analyst Day.

We're pleased you could join us today to learn more about our Company's businesses and strategies, particularly our new reporting segments, consumer products, building products and sustainable energy solutions.

You'll hear from our President and CEO, Andy Rose, and members of our senior leadership team who will share why we believe Worthington is so well-positioned to continue growing and increasing value for shareholders. Following several divestitures, the Company is at a new starting point with business segments aligned around attractive end markets.

You'll learn how Worthington is participating in the global transformation to low emission energy, including electric, hydrogen, and compressed natural gas. How relationships with automakers have grown deeper by helping them achieve their goals. How building products is bringing connected and time-saving

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innovations to market. And how following consumers interest, coupled with disciplined new product development, has accelerated the growth of our consumer products segments. All anchored by our intense focus on transformation, innovation, and acquisitions enabled by technology.

We will conclude today's event with a live Q&A session taking questions from analysts, listening on the phone first. In addition to questions that are submitted through the website. Questions can be submitted throughout the presentation by clicking the questions button. They will be answered at the end during the Q and A session.

Before we get started we'd like to remind everyone that certain statements made today are forward-looking within the meaning of the 1995 Private Securities Litigation Reform Act. These statements are subject to risks and uncertainties that could cause actual results to differ from those suggested. Please refer to the Company's recent SEC filings for more details on risk factors that could cause actual results to differ materially.

Today's event is being recorded and a replay along with a copy of the transcript will be made available later on our Worthington industry's website.

Now welcome President and CEO, Andy Rose.

Andy Rose

Welcome everyone and thank you for joining us. My name is Andy Rose and I'm the CEO of Worthington Industries.

Today, I'm excited to share with you an overview of who we are, our growth strategy and why now is a compelling time to consider a long-term investment in our great Company. I want to start with our vision to be the transformative partner for our customers, a positive force in our communities, and earn exceptional returns. We have a long history of delivering on this vision and our strategy will enable this to continue for years to come.

Worthington was founded in 1955 and has close to 8,000 employees operating out of 53 facilities in seven countries and delivered $604 million in trailing 12-month EBITDA on sales of $3.6 billion. For those of you new to Worthington, we're North America's premier value-added steel processor and manufacturer of laser-welded products; key to automotive light-weighting and fuel efficiency gains.

Recently, we realigned the remaining business segments to focus on attractive end markets and expand our opportunity set. We're a leading domestic supplier of consumer products for outdoor living, tools, and celebrations. Building products for commercial construction, heating and cooling and water systems and our sustainable energy solutions business is a global provider of onboard Fueling Systems and gas containment solutions for hydrogen and compressed natural gas.

Worthington offers an attractive investment opportunity that delivers earnings growth, and rewards shareholders with dividends and share repurchases. We have targeted financial goals that aim to expand margins and increase the cash return on investment across our portfolio. We're actively pursuing growth through three value drivers: innovation, transformation, and acquisitions. Our balanced approach to capital allocation fosters above-market growth while rewarding shareholders with dividends and share repurchases. Finally, our balance sheet is very strong and focused on modest leverage and ample liquidity through the cycle. Worthington's top end markets by sales are automotive at 37%, consumer products at 15%, construction at 13%, and building products at 12%.

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Adjusted EBITDA of $517 million is currently weighted towards steel processing as a result of the run-up in steel prices followed by building products and consumer products. Sustainable energy solutions is small, but expected to grow rapidly over the coming years. Worthington has a long history of owning and operating successful joint ventures. They're used strategically to develop new products, capabilities or expand geographically. They're built with trusted partners who help make the business better and managed to produce regular cash dividends, over $1 billion in the past 10 years.

Our growth strategy is built with our philosophy at the core, which is the set of principles by which we run our Company. Our first goal is that we are in business to make money for shareholders. We do that by operating as a golden rule Company where we treat others the way we want to be treated and provide incentives at all levels to drive improvement.

Our goal is to grow our Company at above-market rates approaching 7% to 10% per year. We use three value drivers to help get us there. First, transformation, which is our process improvement playbook covering operations, supply chain, and commercial activities. Lean is the backbone of this playbook. Second, innovation, which is our process of bringing new products to market. We have really improved this capability over the past few years and are excited to have launched several new products this year, some of which you'll hear about later in the presentation. Third is growth through acquisitions. We also have four enablers that help us drive better fact-based decision-making. They're information technology, analytics, automation, and advanced technologies.

We're very excited about the recent announcement that we will be acquiring Tempel Steel, a global leader in highly-engineered electrical steel laminations. This deal will make Worthington a market leader in the fast-growing electrical steel market for transformers, machine motors, and electrical motors. As the world transforms to renewable energy and electric vehicles, demand for these products is expected to grow at double-digit rates for decades to come. We're excited to welcome the Tempel family to Worthington. Here's a video that will provide a brief overview on Tempel.

(Video Presentation)

Andy Rose

Finally, I want to touch on a few important efforts underway at Worthington that will enable our success in the future. The first is our ongoing work around corporate citizenship and environmental sustainability. As you can see, we have already accomplished a lot with a world-class safety record of 1.45 recordables per 100 employees, 96% of our waste recycled and over $2 million donated in the community just in the last year. We also have a very successful Green Star Award Program in our plants where 60% of our facilities earned four or five stars for efforts around energy conservation, waste reduction, and continuous improvement. We're currently enhancing this program and expect to get more specific with our targets as time progresses.

The second very important aspect of our culture that is driving success encompasses diversity, equity, and inclusion. Worthington has always been a golden rule Company focused on welcoming everyone and treating people respectfully. However, our strategy has expanded recently and includes a DEI Leadership Council, a new director of DEI, and a focus on four pillars of success that include workforce, workplace, community and partnerships. The intent of our presentation today is to give you a deeper understanding of our business and strategies. We're not the Worthington Industries of 10 years ago or even 5 for that matter. The values we've held for the last 60 years have not changed, but as you'll hear today, our high-performing teams are delivering earnings at record levels. They're bringing a new standard of sophistication to how we operate, incorporating technology and new skill sets that are leading us to success. We're deploying strategies to capitalize on trends in high-growth markets as we deliver on our commitment of consistent growth in earnings.

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We will have a Q&A session at the end of our formal presentation with myself and all of the business leaders that present today. Feel free to submit questions at any time through the webcast. We will review and answer them at the very end.

At this point, I'd like to turn it over to our talented Chief Operating Officer, Geoff Gilmore. Geoff has been a significant driver in optimizing how we operate during his stints running steel processing and the former pressure cylinders while carrying our transformation forward. He's the ultimate coach, always challenging our businesses to find new ways to get better. But doing it in a way where people feel celebrated and motivated to give their best every day. He will provide more color on our value drivers and how we're leveraging what we call our enablers to advance our operations.

Geoff?

Geoff Gilmore

Thanks, Andy.

As Andy mentioned, I'm the Chief Operating Officer at Worthington and I'm excited to share more about our three key value drivers of transformation, innovation, and acquisitions that serve as the baseline for our business unit strategies. I've been in this role for three years now and I am blown away by the advancements we've made during that time. Andy said that we're not the same Company that we were a few years ago and I could not agree more.

I do want to take some time to share more on my leadership style and our team. I place a lot of trust and confidence in my team. My direct reports have a lot of autonomy and how they lead their teams, make decisions, take risks, and learn from their mistakes. I expect all leaders to have clear and credible plans that are strategic with specific areas of focus.

These are the three to five vital areas that will drive our performance as an organization utilizing our value drivers. I push them to think big and stretch themselves because if we're not stretching then we're probably not challenging ourselves enough. I truly want our employees to achieve 100% of their potential.

For accountability, we hold quarterly business reviews. We dig into the details of the business and I end up asking a lot of questions, I mean a lot of questions because I believe a big part of my job is to keep our leaders on their toes and ask the questions they may not be thinking of themselves. Occasionally, I'm even successful. We talk a lot about treating people the way we would like to be treated and I am a firm believer that the secret sauce at Worthington is a balance we strike between challenging the status quo, pushing for excellence, and then recognizing employees for their efforts with formal incentives or a simple thank you.

Some might consider me tough or even demanding but I'm also the first in line to give a high five, write a note of appreciation or even give a big hug when our teams achieved what some may not have thought even possible. The result has been the most high-performing team I've been a part of, and I'm anxious for you to hear from them today.

Now, let me share with you some of the areas we've made advancements. For those of you that have followed us for a long time, we've been on this transformation journey for over a decade. It's no longer an initiative, it’s simply how we do business. We consider it our Worthington business system focused on data-driven decision-making, optimizing value streams to eliminate waste, and describing new capabilities through agile cross-functional teams.

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Most importantly, we have one system driven by everyone and not just a centralized team. It's really the foundation for how we get better. If you were to tour facilities, you would see transformation embedded in practically everything we do.

Next, innovation has become a discipline focused on new product development, product design, and engineering, and incorporating advanced technologies. We have a rigorous stage-gate process that uses an intricate mix of voice of customer research, market research, testing, and advanced analytics to develop and commercialize new products. Our pipeline of potential new products is filled with ideas that satisfy unmet needs in the marketplace. You'll hear more about progress on this front from our business unit presidents.

Finally, our approach to acquisitions is built around our core businesses focused on consolidating higher-value-added products and services and building out offerings with adjacencies.

We're targeting the sectors we know with a continued focus on higher margins and higher cash flow. We've developed a robust evaluation process that includes contrarian teams empowered to challenge assumptions and confirm that the likelihood that identified synergies will be achieved. Our enablers, automation, analytics, and advanced technologies in partnership with information technologies are enabling our businesses to achieve improvements previously not thought possible. Our teams worked together to help our business units and customers tackle their most complex issues.

We're excited about our success to date, but even more excited about the future as these teams continue to mature. Our SmartFactory vision wouldn't be possible without the enabler capabilities that we're developing in the Company. It is our goal to have a connected, flexible, adaptive lean manufacturing system that learns, self optimizes and runs autonomously.

We're shifting from a reactive problem-solving operations model to a predictive, automatically correcting approach. This frees up our employee's time, and frankly, their brainpower to focus on more value-added activities. Small incremental advancements have yielded great benefits and proven to our teams that this vision is achievable and really a game-changer for our Company.

Prior to implementing our SmartFactory vision, we were very inconsistent across the enterprise in our approach. The systems being used by operations and maintenance of facilities were disconnected and not providing the right information to make the right decisions at the right time. We identified the opportunity to establish a cross functional agile team focused on the implementation of the SmartFactory vision. This team worked with each of our facilities to implement a lean execution system, shop floor data collection, mobile apps connecting machines, and the right processes and expertise.

Now we have a single source of truth for data to run all Worthington facilities and empower our employees to make faster and more fact-based decisions. Here are just a couple of examples of our success on this front.

The first example is how our team utilized machine sensors and analytics for predictive maintenance. Despite regularly planned maintenance, there can be unpredictable outages on machines that require costly, unplanned downtime and rework. Understanding this issue, we set a goal to improve overall plant reliability by utilizing automation, analytics, and advanced technologies to enable better decision-making and transform the maintenance function from reactive to proactive. We partnered with a third-party Company with expertise in sensors and monitoring solutions. Following our assessment, we identified the most critical machinery to pilot and install sensors and monitoring solutions. The success from this pilot led to the installation of over 60 sensors.

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We now receive proactive alerts with maintenance recommendations anytime a potential issue is detected. We have significantly reduced unplanned machine downtime, reduced rework, and increased the productivity of our maintenance team. Overall, our efforts have prevented over 350 hours of unplanned machine downtime and the potential avoidance of over $1 million in lost earnings. Not bad team.

The second example is how our team used automation and robotics to create a more efficient operation where the fittings for cylinders at our Westerville, Ohio facility were being placed manually on each cylinder prior to being robotically welded into place. After evaluating the process for further automation, we installed robotic technology with vision systems to fully automate the placement of the fittings. This change allowed the facility to free up six full-time employees that were deployed to other areas of need.

This initial win planted the seed with employees to show what's possible. In this case, part of the process was already automated, but there was an opportunity to make further improvements. Seeing the success of this automation has resulted in several additional ideas from our shop floor employees for areas right for automation. This type of success is contagious. I feel like we've just scratched the surface on the possibilities.

Thanks for your time today. I'll see you at the end to answer any questions you may have. Also, feel free to submit them throughout the presentation.

I'd now like to turn it over to Steve Caravati, our new President of Consumer Products. Steve led this business previously as General Manager when it was under Pressure Cylinders. Under his leadership, the business has grown both organically and through acquisition. I think you will appreciate getting a little deeper into this growing and exciting business.

Steve Caravati

Thanks, Geoff. Good morning. I'm Steve Caravati, President of Consumer Products. I'm excited to be talking to you today and sharing insights into our new segment.

Our consumer products business strategy is focused on three attractive categories with large addressable markets. Our growth strategies reflect M&A, innovation, and core business optimization efforts aligned to these platforms. We have defined our outdoor living platform as products that help people embrace the outdoors all day and all year round. Outdoor spaces are where you, your family, and friends eat, relax, socialize, and even work. We're focused on offerings that are used anywhere outdoors, at home, at a neighborhood tailgate, or in the great outdoors.

Our tools platform is all about products that help people modify features of their environment in a safe and efficient manner. Our products and supporting marketing programs empower people with the inspiration they need to take on new projects. For the pros in this space, to hone their craft to redefine what they can personally or professionally achieve. The celebrations platform includes party decor products that help consumers create social media-worthy environments that surprise, delight, and add a little lift to both mini celebrations and milestones. Within those platforms, we offer market-leading brands in a variety of products sold primarily through big-box retailers.

Many of our brands are iconic in their spaces, including Bernzomatic since 1876, and General since 1922. This offering results in a $500 million-plus business that's providing consistent year-over-year growth with healthy margins. One of the ways we're growing our business is through innovation, by leveraging consumer insights to develop new products that address unmet consumer needs. One example is our new digital fuel gauge for portable fuel cylinders. The top unmet need of people using camping gas and hand torch fuel is knowing how much fuel is left in the cylinder. Our team developed

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several concepts and leveraged a manufacturing partner to bring the best version to market earlier this year. The digital fuel gauge is now available at more than 20 retailers nationwide under the Bernzomatic and Coleman brands, including Amazon, Walmart, Home Depot and Canadian Tire.

It was named a 2021 Tool Award winner by *Popular Mechanics* magazine. We continue to receive positive feedback from consumers through online reviews and our social media channels. In addition to innovation, we're looking to grow our business through M&A. Our M&A strategy is focused on two pillars, outdoor living, and tools. Near-term focus includes offerings closer to our existing products. With growth and results here, we'll earn the opportunity to expand into adjacencies.

In outdoor living, our near-term focus is strong brands in fuel or flame products or direct compliments to our existing propane camping products. We also plan to expand from this core by acquiring offerings that more broadly enhanced outdoor entertaining and reflect the blurring of indoor and outdoor spaces.

In tools, we're first focused on products that provide specialized functions and plan to look more broadly at building out the toolbox with tools that reflect trends in consumer needs. An example of our tools M&A strategy is the acquisition of General Tools and Instruments in February, which expanded our reach in both tools and outdoor living through specialized products for the garage and backyard.

GTI is a market leader for specialized tools with more than 1,200 products across four brands and attractive financial returns. GTI's retailer relationships, new product development process, management team, and global supply chain capabilities provide a platform that's right for growth.

With innovation in M&A fueling growth, we also have evolved our consumer products management systems and capabilities over the past five years to create a business model more reflective of traditional consumer packaged goods companies. Our expanded leadership team is strategically implementing industry best practices within our categories of outdoor living, tools and celebrations. Those strategies are founded in activating consumer insights, including qualitative and quantitative methodologies that help us understand our markets and opportunities better. Five years ago, we offered branded products. Today, we are activating growth strategies for our brands and product platforms with an eye toward broader placement and new distribution channels. Data and insights also inform our value-based pricing strategies.

Our innovation approach has evolved from ad hoc and opportunistic to a thoughtfully developed multiyear pipeline that's informed by consumer and market insights and managed through a formal stage-gate process. When we bring products to market, we're now looking at a wide variety of options, including outsourcing and third-party logistics partners to complement our in-house manufacturing expertise and leveraging e-commerce to reflect shopper buying preferences. The impact of these CPG-centric changes to our structure, strategy and capabilities is reflected in our sales growth; 2012-2017 shows solid earnings that follow GDP growth. Over the past five years, however, growth has accelerated and we generated $524 million in sales and $87 million in EBITDA in 2021.

As you can tell, I'm excited about the future of our business, the team we have in place, and our strategic direction. Our growth platforms are aligned to spaces our customers are interested in growing with us, our strong knowledge of consumer needs and behaviors is informing our innovation approach and partnerships with our customers. Changes in our management processes and clearly defined opportunities provide focus for our teams. And we have Worthington's support to continue growing our business. On behalf of our entire team, we look forward to continue adding value to your portfolio and for you to personally enjoy using our products.

Now, I'd like to introduce Worthington's President of Building Products, Eric Smolenski.

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Eric Smolenski

Thanks, Steve. Hello, I'm Eric Smolenski, and I'm thrilled to have the opportunity to talk to you about our building products segment.

The creation of this new segment allows us to do a couple of things. It provides a platform for connecting strategy, new product development, and innovation activity across the portfolio of businesses tied to the growing building products market. And, it allows us to better tell the story of the growth and profitability potential among all the offerings within the new segment. We're very excited about this new platform.

Taking a look at the profile of this segment, you'll see it as a portfolio of profitable businesses offering a broad array of products and service solutions for commercial and residential buildings. The segment consists of our wholly-owned businesses, which were formerly part of the pressure cylinders segment, as well as the equity earnings of both our Wave and ClarkDietrich joint ventures. Each of these businesses is a leader within its respective markets. The wholly-owned businesses are both U.S. and European-based heating, cooling and construction with three manufacturing locations in the U.S. and a large manufacturing campus in Portugal. These businesses manufacture solutions for propane-based heating systems for residential and commercial buildings, refrigerant gas cylinders for maintenance of air conditioning and refrigeration systems, and cylinders for application of foam insulation, as well as containment and spray application of the adhesives used in flooring, roofing, assembly of kitchen counters and cabinets, and furniture-making.

The other wholly-owned business is our U.S.-based Water Systems, providing water systems and solutions, particularly well water system applications for both commercial and residential buildings. The two joint ventures are Wave, a leader in architectural and acoustical grid ceilings, and ClarkDietrich Building Systems, a leader in metal framing solutions for commercial buildings. As evidenced by the table on the right, the segment is quite profitable with Fiscal Year ‘21 revenue of $402 million and EBITDA of $133 million, making this segment the second-largest in Worthington.

These figures reflect our pro-rata share of equity and earnings in the two ventures. If we were to reflect the pro-rata share of the JV revenue, it would be an $800 million segment. Also, as you can see it from the table, we are experiencing significant year-over-year earnings growth in our fiscal first quarter. Demand is at historically high levels for every primary product line in North America.

Our European business, which had been a bit depressed, is beginning to rebound. We expect strong demand to continue throughout the remainder of our fiscal year. We're very proud of both of our market-leading joint ventures. These longstanding ventures are a testament to Worthington's ability to identify synergistic combinations and effectively managed JV partner relationships.

Wave is a 50-50 joint venture with Armstrong that has been in place for 29 years. It has an outstanding profitability profile, and a record of consistent earnings over the cycle. It's the largest contributor of earnings in our building products segment. Doug Cadle, the President and CEO of the Wave Joint Venture, will provide a deeper look into that business momentarily.

ClarkDietrich Building Systems is a JV we own 25% of born out of the combination of Clark Western building systems and our formerly wholly-owned Dietrich metal framing business. The JV has been in place for 10 years and is contributing greater earnings to Worthington now than it did when operated as a wholly-owned business. The JV has 13 locations in the United States and provides metal framing solutions to the commercial construction industry.

This illustration will give you a better understanding of where our products live within residential and commercial buildings. We're in the ceilings with WAVE’s architectural, and acoustical grid. We're in the

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walls with ClarkDietrich metal framing solutions, and accessories. Gas heating system storage tanks, where the primary heating source is LPG; rural homes or homes lacking natural gas infrastructure. In Europe, rather than a single large stationary propane tank, they use a series of smaller portable cylinders brought into the house for cooking, heating and preparation of hot water. In some cases, the homeowner will have three separate cylinders within the home for these purposes.

At the bottom of the illustration, sits our water tank solutions that are key components to well water systems. Refrigerant tanks house the refrigerant gases that are used to support and service air conditioning units. The same tank is also used for foam insulation, and adhesive in construction applications like roofing, flooring, and furniture-making. In each of these product lines, we have market-leading positions with very recognizable brands. We maintain strong customer relationships, which provides us with a wonderful platform for voice of customer-led innovation. We have dedicated new product development teams in each business and a very robust pipeline of projects across the portfolio.

Two prominent themes leading our NPD efforts are, creating opportunities for labor savings, which is especially important for the labor shortage, by increasing the speed to install a ceiling, frame a wall, or fill a cylinder. The second is technology enablement. Creating smarter or connected products to drive more value for our customers.

Let me share one example of an innovative new product we launched that's already earning strong returns. Our SmartLid monitoring solution, in collaboration with an industry leader in remote fuel system monitoring, we developed a solution that attaches to the large 420 pound propane heating tanks we manufacture in Jefferson, Ohio. The device monitors the level of propane within the tank, allowing the homeowner to know precisely the level of fuel in their heating system.

For the Gas Company who is servicing the residential account, this information allows them to optimize their fueling runs; reducing the labor and travel miles required to service their accounts, ultimately saving them money and reducing their greenhouse gas emissions.

We launched the SmartLid in October of last year and have achieved $4.5 million in revenue to date, with very strong margins. We have an additional $2 million worth of orders booked, and are excited about the market adoption of this innovative product. Just this month, we launched another version of the SmartLid, a lid to fit a larger horizontal tank. We don't make these tanks, but the premise is the same, and we're already approaching $1 million in orders for the recently launched horizontals SmartLid. This is just the beginning. We have a number of technology enabled new product offerings in the pipeline across the whole building products segment. We look forward to commercializing them in the coming quarters.

I'll now turn it over to our President and CEO of Wave, Doug Cadle, to share some deeper insights on the WAVE joint venture.

Doug Cadle

Thanks, Eric. Good morning. It's great to be with you today.

As Eric mentioned, I'm Doug Cadle, and I lead WAVE, the Worthington Armstrong Venture; now proud to be included in Worthington's new building products segment.

It's not typical for 50-50 joint ventures to last for 29 years, and very few thrive with the strong performance of WAVE. The joint venture was formed with Armstrong World Industries, to leverage the strengths of two strong public companies: Worthington Industries with metals procurement, supply chain management, metallurgical who know-how in manufacturing expertise; Armstrong World Industries strong brand, presence in the architectural and design community, reputation with interior contractors, and deep

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relationships with the major distributors of commercial and retail building materials. The results have significantly exceeded expectations.

The JV partners have worked together, challenge the JV, and have been willing to invest in growth opportunities. The result is that WAVE is America's leader in ceiling suspension systems and integrated ceiling solutions with approximately $400 million in revenue.

At WAVE, our customer-centric culture is visible in everything we do. As the market leader in ceiling suspension systems, we're constantly innovating to deliver time and labor savings solutions at a matchless go-to-market speed so we can deliver on our commitment to a positive total customer experience. That promise is the nucleus of our business strategy, our compass to guide the organization to our aspirational goals.

WAVE has generated consistent sales and earnings growth over the years with a strong trailing 12 month performance despite a global pandemic, and the challenges that have come with it.

Sales and earnings growth are the result of effective price management through steel volatility cycles, labor saving products and solutions that customers value, a commitment to customer service and quality, and world-class manufacturing.

The fact that WAVE has delivered over $850 million in dividends to Worthington over the last 10 years, is a testament to consistent cash-generation through ever-changing business cycles and economic cycles. We win in our markets because of our attractiveness to channel partners like interior contractors as an example. Demand is created with the quality and quantity of architectural specifications for Armstrong ceiling solutions. The specified solutions are heavily dependent on WAVE manufactured products that benefit contractors. Demand is created on the front-end with architectural specifications and design that can be efficiently constructed. This is a tremendous benefit to contractors, and is a big part in our ability to earn premium pricing. It really creates an advantageous competitive position. Add in quality and service and it shouldn't be surprising that we have the strongest channel customers as our partners.

Strategic growth areas for the WAVE business include four key areas. Innovative pre-engineered ceiling construction systems. That means continuing to address the ever-growing challenges of contracting-lack of skilled labor, and increasing cost of labor. We also provide a value proposition to architects, to streamline the architectural drawing process of solutions that will benefit their clients with lower-cost construction.

The second is innovative use of UVC air purification, integrated with the ceiling system to help create healthier indoor air quality.

Third is innovative design of ceiling suspension systems that are customized for specific market segments, like the accelerating data center segment to provide specific required performance functions.

Finally, innovative drywall ceiling framing for faster and easier installations. A perfect example of impactful industry disruptive innovation, is a new product called SimpleSoffit. SimpleSoffit takes standard drywall main beams, and with customized manufactured notches, allows for a fast and easy click and go installation to create a precise elevation changing soffit with perfect, consistent dimensions. SimpleSoffits dramatically reduces the labor risks for contractors. Twenty percent of all interior ceilings built involve drywall soffits. Having a system that is faster and easier, requires less skilled labor, and seamlessly integrates with other building components, is extremely attractive to contractors. It's a great example of how innovation can create volume growth opportunities, sales revenue growth with value-related premium pricing, and in this case, over three times the value of standard products and gives us an opportunity to expand gross margins.

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SimpleSoffits are making a significant difference on the sites that are using the product, including some high-profile projects, such as the new PG&E headquarters in California, the Kansas City International Airport, and for hockey fans out there, the UBS arena at Belmont Park where the New York Islanders will drop the puck for the first-time in mid-November. We're very excited by how this product has really gained traction.

We continue to lead in our industry through operational excellence and superior quality across our product lines. In the last 24 months, we have added a slitting operation on the West Coast, to service our Western operations, moved two aluminum trim operations into expanded facilities because of increasing demand. We just announced a new facility in Maryland, adding over 50% to our manufacturing footprint, complementing our Aberdeen, Maryland flagship operation, and added new painting and mechanical capabilities to broaden our product portfolio of higher-value products.

Our new manufacturing capabilities enable us to deliver a total customer experience in three ways.

First, dimensional flexibility to meet the growing demands of components and customized dimensions or unique attributes. We offer customers the opportunity to collaborate with us in bringing their solutions to life. We control the manufacturing process, allowing us to deliver customized solutions at unmatched speed. We offer integrated solutions with customized components, delivering value to our customers.

Second, connected manufacturing provides digitalized controls for superior quality. It lowers manufacturing costs by making data-driven decisions. It's technologically advancing our manufacturing capabilities to bring innovation to our processes and products. It's helping with transitioning to more autonomous equipment for improved speed and quality.

Third, we are investing in painting and coating expertise to align with the newest design trends. We also have created a competitive advantage by eliminating steps in the supply chain translating into manufacturing and logistics cost savings.

In summary, we feel very strongly about the potential to continue, if not accelerate, the historical growth performance and expanding margins we have consistently delivered. We are the market leader with a range of innovative products. We have two very strong supportive parent companies. We have a proven track record to navigate steel volatility, changing market and economic conditions. We're committed to growth. We have a clearly defined strategy and an experienced leadership team, focused on execution. We're all very excited for the future of our business.

At this point, I will turn things back over to Eric to talk more about the Building Products segment.

Eric Smolenski

Thank you, Doug.

I'm hopeful we've provided you with a good overview of the newly established Building Products segment of Worthington Industries. It's an enviable starting point with earnings already over $100 million, with market-leading positions, and plenty of room to extend each of those lines of business. Additionally, we've cultivated relationships with several potential acquisition candidates. Many of them are close to our core offerings. However, we are also excited about exploring new areas that might meet our profitability and return on capital expectations.

Innovation comes in many forms, and the creation of this building product segment allows us the opportunity to re-imagine possibilities beyond cylinders, to move from a cylinder centric mindset to a

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broader building products solution set. We've begun the collaborative strategy work to knit these businesses together more tightly. I'm encouraged by how these teams have come together and embraced the opportunity to re-imagine the future. Making these connections has already led to broader understanding and begun to yield new ideas and new opportunities. We look forward to sharing our growth story with you over the coming quarters and years.

Another newly announced segment we're very excited about is our Sustainable Energy Solutions segment. It's more along the lines of emerging technology and emerging markets. Although relatively small, we see a lot of upside to the market and our position within it. In a moment, I'll turn over the presentation to Timo Snoeren, our Vice President and Managing Director of that European-based segment to share more about the business and the growth outlook. Before I do, I want to remind those listening in that we will be taking questions at the end of the presentation. Feel free to submit your questions throughout the presentation, and we will review and answer them during the Q&A.

Thanks for your interest in our Company, and I will now turn it over to Timo.

Timo Snoeren

Good morning. I'm here at our manufacturing facility in beautiful Austria, and I'm very excited about the opportunity today to talk about our new business segment called Sustainable Energy Solutions.

This is a story about transforming our legacy steel high pressure cylinder business into a solutions provider of onboard fueling systems, transport and ground storage, positioned across the hydrogen and compressed natural gas or CNG value chain. The global call for greenhouse gas emission reduction to prevent the worst effects of climate change has given rise to a hydrogen ecosystem that could develop into an over $800 billion global market by 2050. The initial focus of Worthington's Sustainable Energy Business will be on the estimated $3.4 billion tank market positioning our extensive product portfolio of storage and distribution, pressure vessels, bundles, containers, and onboard fueling systems, equipped with our in-house hydrogen and CNG valves and components.

With revenue of $135 million, this segment has humble beginnings, but we feel good about the market outlook and our opportunities for significant profitable growth in the coming years, as well as making a positive change to our planet.

Many cars, buses and trucks have already successfully been outfitted with our cylinder technology as a tier-1 supplier throughout the last 14 years. Our complete portfolio of high pressure vessel technologies from type-1 steel to type-4 composite, position us well to supply solutions across all applications of the hydrogen and CNG economy, such as refueling stations, trains, buses, and heavy-duty vehicles.

With working pressures of over 10,000 PSI, it is our excellent track record of 100 years of pressure vessel expertise that gives our current and future customers the necessary confidence working with Worthington as their supplier and partner.

Our knowledge base in Europe, complemented by long-term collaborations with international research hubs secures our ability to innovate and continuously serve our customers' current and future needs. The Green Deal, understood as the European Union's "New Growth Strategy", encompasses all sectors of the economy and is a high level political strategy which aims at carbon neutrality in the EU by 2050, a target now enshrined in European Climate Law.

Over 30 countries have released hydrogen roadmaps and committed over $70 billion of public funding worldwide in support of de-carbonization through hydrogen technologies. These commitments have triggered over 200 large-scale projects along the hydrogen value chain, 85% of which are located in

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Europe, Asia and Australia. If all of the announced projects materialize, total investments will reach over $300 billion in spending for 2030.

Here, we highlight three examples of European Directives for light and heavy-duty vehicles, representing strong and sustainable market drivers for our core market of storage, distribution and transportation solutions, as these are required to transition to a low and zero emission fuel systems. Typically, fleets will be converted from diesel to either hydrogen or CNG.

We believe that Green Hydrogen is a game changer, as it is the only known clean energy molecule that can be produced at any scale and in almost any location on Earth. Green Hydrogen could offer almost any community, company, or country the potential to generate their own fuels for domestic de-carbonization or export opportunities. This move from geological dependency to technology-driven energy production, is just one of the many drivers that will help scale up to the hydrogen economy worldwide.

There are a few other reasons that Green Hydrogen is now emerging as a viable energy technology. For one, the increased urgency to stop climate change, where global commitments to mitigate climate change has never been stronger pushing countries to find lower emission technologies that can supply their growing energy demands. Secondly, the continuous decline of renewable energy costs, reducing the price gap to hydrogen derived from fossil fuels.

Obviously, Green Hydrogen after production will need to be stored, transported, and distributed to where it's needed. This is where Worthington is well-positioned with our portfolio of hydrogen and CNG, grand storage and transport pressure vessel solutions.

Hydrogen fuel cells are ideal for the heavy-duty vehicle industry because the refueling time and driving range are comparable to gasoline-powered vehicles and travel routes are predictable, lowering the barrier for the developments of a very important fueling infrastructure. As you'll see in the images on the left, heavy-duty vehicles have been one of our main focuses at Worthington and we can report continuous wins with bus and truck OEMs around the world.

As the Indian government is focused on converting to a gas-based economy, our Gas Transport solutions shown on the bottom right in the form of 9,000 liter CNG cascade's, which equals a 10 foot container, are made with 32 of our type three composite high pressure vessels are being used to transport the gas, again from where it’s being produced to where it's being used in those locations where there are no pipelines available.

In order to visualize how our Sustainable Energy Solutions business could contribute to the success of Worthington Industries in this growing hydrogen economy, here is an example of a current project in Austria called “Green Hydrogen at the Blue Danube”, the longest river in the European Union. It's a so-called turnkey project from the IPCEI platform, which is focused on the entire hydrogen value chain of production, storage, transport, and dispensing to end-users.

IPCEI stands for “Important Projects of Common European Interest, it’s a key government-led strategic instruments that brings together knowledge, expertise, financial resources, and economic actors throughout the EU for projects that will not be realized on the market forces alone. In this particular IPCEI projects in Austria, our Gas Containment systems, such as the multi-element gas container, using our type two, three or four pressure vessels with our in-house valve and components will be used to store the produced Green Hydrogen and transport across the rail, road and water. This project alone will represent $87 million opportunity for Worthington until 2032.

There are similar IPCEI projects developing across the EU showcasing the huge opportunity of the emerging hydrogen economy. Worthington has a proven track record and is poised to participate in these

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developing opportunities. If you have any questions about our sustainable energy solutions business, please submit them in the chat, and I will be available at the end during the Q&A session.

Next, I would like to introduce Worthington's President of fuel processing, Jeff Klingler. Thank you.

Jeff Klingler

Thank you, Timo. Hi, everyone. My name is Jeff Klingler, President of our Steel Processing Business.

Today, I'm going to kick off this presentation with a brief overview of our businesses, a look at our major markets and some year-over-year financial performance.

The Steel Processing Business is comprised of two major segments, high-value-added steel processing and laser welding solutions. Our value-added steel processing division is unique as we not only transformed flat-rolled steel into slit coils and cut-to-length sheets like traditional service centers, but also convert basic raw materials into highly engineered products like tight tolerance cold-rolled strip, configured blanks, and hot dipped galvanized zinc and aluminized coated products. The breadth of our capability forms a business that merges the traditional roles of a mill and a service center. This allows us to thoroughly manage customer supply chains from end-to-end.

Our laser welding solutions division, TWB operates 10 facilities across North America, providing the automotive industry with highly engineered, multi-thickness, multi-material blanks. An often used solution for automotive engineers to improve fuel efficiency and crash performance, tailored blanks are used in nearly every vehicle produced around the world, and TWB has the broadest capabilities globally in this segment.

Looking at our recent financial results, historic rising steel prices in the past 12 months have resulted in significant inventory holding gains, creating difficult year-over-year comparisons, but the fundamentals of our business remain strong. We continue to improve the business utilizing our transformation playbook and we're growing in our chosen markets.

The automotive sector, which accounts for more than half our sales, is facing a major global disruption as traditional combustion engine powertrains are being replaced by hybrid and electric vehicles. Worthington has made key investments in lightweighting and electrical steel to capitalize on this shift that I'll cover more in detail later in the presentation.

I wanted to share with you what differentiates us beyond just the products we provide. We work hard to partner with our customers, reducing risks, and adding value to make their businesses stronger. The materials we produce are highly engineered and our customers demand innovative solutions to achieve their goals. We have the technical knowledge, resources, and experience to support them. We control the process of converting our products from basic raw materials into finished goods, meeting critical customer specifications. Our customers rely on us for robust quality control and product consistency many others can't provide.

We create and add value for our customers by tapping into our resources, helping them reduce costs, streamline supply chains, and reduce profit risks associated with raw material price volatility. The relationships we build with our customers go well beyond just the products. It's the partnership, collaboration, and the resources we can provide.

Now, focusing on our largest markets sector, automotive, a portion of the current pent-up pandemic-related demand will spill into 2022 as the automakers have been unable to fully restock inventory this year due to semiconductor shortages and other supply chain challenges.

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North American light vehicle builds are expected to rise through the current forecast horizon, averaging more than 17 million units per year. We're expecting a strong performance from our Automotive business unit for the foreseeable future. The transition to electric and hybrid vehicles is happening right now and it's happening fast, creating additional opportunities for Worthington to expand our existing offering.

By region, you can see in just nine years, the outlook for North American production of vehicles with internal combustion engines drops from 85% to 39% and even greater declines are being forecasted in other parts of the world. Electric hybrid vehicles are being designed with an increasing number of tailor welded blanks to help improve crash performance and efficiency. Our TWB division is positioned well to support and thrive through the growing trend.

I would like to share a short video highlighting this business.

(Video Presentation)

Jeff Klingler

Responding to the growing demand for tailored blanks and light-weighting solutions, in June Worthington acquired Shiloh's BlankLight division, which complements and expands our TWB joint venture. The addition expands our capabilities in curvilinear and aluminum welded blanks. These additional facilities add valuable capacity, increasing our ability to optimize our manufacturing network, and broadens our relationships with our existing key automotive customers.

As Andy mentioned earlier, we are excited that our plans to acquire Tempel Steel are underway. This move positions Worthington as a global market leader in a rapidly growing electrical steel space, adding significantly to our existing automotive offerings, and adds new end-market exposure to the important infrastructure and power distribution markets.

The world is transitioning to electric vehicles. Requirements around renewable energy and de-carbonization are here. The electricity infrastructure around the globe is aging. Electric steel will play a major role in all these areas. This chart shows how Tempels current end-markets breakdown by revenue. Highly specialized automotive EV traction and auxillary motors are expected to experience double-digit growth as demand for additional automotive powertrains continue to decline. And Worthington's experience and deep relationships in the automotive sector, will position us to further penetrate this growing market.

Other key end markets Tempel supports around the world are projected to grow faster than GDP, benefiting from trends associated with the aging infrastructure, increased power consumption, technology advancement, and efficiency requirements. Tempel manufactures in five facilities located in Chicago, Canada, Mexico, China, and India. Having a strategic global manufacturing footprint will enable us to more effectively partner with customers in key regions worldwide.

Over the past year, the steel market experienced very unique challenges, including major mill consolidation, historic rising steel prices, and continued supply chain disruptions. I'm extremely proud of how our team managed the business through these difficult conditions, all while staying laser-focused on executing our strategy of growing our high-value-added products and services. I'm very excited about all the things we have going on in steel processing, and I look forward to talking more about our business in the future.

At this point, I'd like to introduce Worthington's CFO, Joe Hayek.

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Joe Hayek

Good morning, everyone.

To wrap up the formal part of today's presentation, I'll spend a few minutes discussing some of our financial highlights and our capital allocation strategies. Many of you have heard us talk about our financial goals in the past, and they've not radically changed. In a nutshell, they are: to increase our margins and decrease our asset intensity, we think that as we continue to bring value-added solutions to our customers we will drive both of those metrics in the right direction, as our margins become more a reflection of the value we're providing, rather than the cost that we incur to produce a given product.

To reduce earnings volatility-the steel processing business has driven a significant portion of our growth in the past year, but that business is becoming more diverse by end market, with the pending acquisition of Tempel making us a global market leader in electrical steel. In addition, the growth of building products, consumer products, and sustainable energy solutions will organically diversify our business.

We maintain a strong balance sheet, which enables us to pursue a balanced capital allocation strategy, and we intend to continue with that strategy moving forward.

Finally, we've divested of a number of non-core or unprofitable businesses and facilities over the last two years. That has increased our profitability while freeing up resources to focus more on our growth and business strategies. We think we're largely through that process, but we will remain disciplined and focused when we think about how we invest our capital.

You can see here, our last several years of EBITDA, excluding both FIFO gains and losses and restructuring. In Fiscal 2020, which ended in May of '20, we were impacted significantly by COVID shutdowns, particularly in Q4. We had a really nice bounce in our Fiscal '21, and that momentum has continued into Fiscal '22.

Our margin story is a good one. That's driven primarily by both performance in our steel processing business, and also the smaller but historically more profitable footprint, that we have in consumer products and building products.

The next chart highlights one of the reasons that we're so excited about the re-segmentation of what we used to refer to as pressure cylinders. The EBITDA margin profiles of both the consumer products and building products businesses are higher than our steel processing business, and as those businesses grow, we should see that growth result in additional operating leverage.

From a cash flow standpoint, we typically use cash when steel prices climb as rapidly as they recently have. We've put this chart together that shows free cash flow generation net of working capital levels. As you can see, net of working capital additions, we've generated significant cash flow over the last year. When steel prices decline, we should see some of that working capital come back to us. We'll generate cash as that working capital balance shrinks to a more normalized level.

The bottom chart is also an important one, as it shows our mix of assets over the last several years. You can see the increases in working capital, but we also focus on fixed assets, which have actually decreased over the last several years as we divested of non-core businesses. We intend to remain focused on lowering the asset intensity of our business and increasing the cash returns that our businesses generate.

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I mentioned our balance sheet earlier and as you can see, we maintain investment-grade credit rating, and have ample liquidity to pursue our goals, which include investing in our business and returning capital to shareholders.

We recently extended the maturity on our revolver to 2026, and our next maturity is a private placement that matures in 2024. The undrawn revolver is available to us, and we believe we have ample access to additional capital beyond that.

Our capital allocation strategy has long been centered around the notion that over the long term, we want to both invest in our business and return capital to shareholders. You can see that's precisely what we've done. Including the Tempel acquisition which is pending, we will have spent roughly $2 billion in M&A and Capex in the last ten years, and returned roughly $1.5 Billion to shareholders in that same time period, in the form of dividends and share repurchases. We continue to pursue growth-oriented cap ex projects, we've been active with strategic M&A recently, our current dividend yield is approximately 2%, and we've lowered our share count by 30% in the last 10 years.

Speaking more specifically about M&A, and you can see that we've divested of a number of non-core or unprofitable businesses in the last two years. Those were tough decisions for us, but they were the right decisions. There were better owners for those businesses than Worthington, and the financial and human capital that was tied up in those businesses has been refocused on both our existing portfolio of higher-margin businesses and on M&A, innovation and other strategic priorities.

I will close with a review of some of what we think makes us such a great Company to work for, a great partner for our customers, suppliers and stakeholders, and a compelling investment opportunity for our new and existing shareholders.

For one, we have market-leading positions in very appealing end-markets. When we think about sustainable energy solutions, our light-weighting business, and our soon-to-be electrical steel business we are very well-positioned to take advantage of the emerging mega-trend around electrification and alternative fuels to power vehicles.

We expect our Building Products business will continue to grow through innovation and NPD and the housing and nonresidential construction markets are expected to remain strong for the next several years.

Numerous trends also favor our consumer products business, and the end markets they serve, as consumers spend more time and money at home, engage in do-it-yourself projects and in outdoor pursuits.

Our business is very well-positioned for additional growth, but we're also very well-positioned to take share and continue to climb the value chain with our customers. We've long believed that people are our most important asset, and our teams across the Company have done a phenomenal job crafting and executing on their strategies. From purchasing, where we think we buy better than anybody else in our industry, to supply chain, production, operations, innovation, logistics, and sales, our teams are world-class and a real competitive advantage for us. The skills, experience, character and creativity of our people is the primary reason we're so bullish on our future.

Our balance sheet is strong and flexible, and our balanced approach to capital allocation will continue to serve our Company and our shareholders very well. It's an exciting time to be at Worthington, as we leverage all that we've built and capitalize on the significant growth opportunities that our capabilities make possible, in end markets that are evolving and poised to grow significantly in the next several years.

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I've been here for almost eight years, and seeing how we've transformed and made ourselves better in that time period is inspiring. It gives me and us great confidence in what we can do and will do together moving forward. Thank you for your time today.

At this point, we'll transition to the Q&A session. We look forward to answering any questions that you might have.

Andy Rose

Hello, and thank you for joining us today during our Investor Day live Q&A. A few housekeeping items before we get started. If you're joining us via the phone bridge, press star "5" to raise your hand and we'll address your question very shortly. If you're watching the event online, enter your questions in the Q&A tab to the right of your video.

Remember, if you're watching the webcast and calling in over the phone with a question, please turn down your computer's speakers. Let's get started with our first caller. This will queue us to introduce call number one.

Operator

Our first caller is from Seth Rosenfeld. Mr. Rosenfeld, what is your question?

Seth Rosenfeld

Good afternoon. Thank you for the in fact, interesting presentation. If I can start with your most recent acquisition with Tempel, could you give us a little bit more color on sourcing for this business? Obviously, Worthington has a great experience across the businesses, securing steel domestically, internationally. How do you view the electrical steel market? It's actually very consolidated within the U.S. How do you plan to secure materials through laminations going forward?

Andy Rose

Thanks Seth, I'm going to let Jeff Klingler address that one.

Jeff Klingler

Hello, well, first off, I think it's important to note that Tempel has a very experienced sourcing team, and currently has very strategic sourcing plans globally. Keep in mind they have five locations around the globe in China, India, Mexico, Canada, and the United States. As you mentioned, the consolidated supply of electrical steel domestically, we're expecting it to grow. As we know, U.S. Steel's Big River locations has announced plans to add capacity in electrical steels So, we've got a lot to learn, we have not yet closed this deal, but we're really excited to participate and help support their supply chain.

Andy Rose

Thanks, Jeff.

Operator

Our second question is from Phil Gibbs. Mr. Gibbs, what is your question?

Phil Gibbs

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Hey guys, can you hear me?

Andy Rose
Yes, we can.

Phil Gibbs

Hello? Okay. Terrific.

Andy Rose

Hey, Phil.

Phil Gibbs

Hey, good morning. You guys have had a pretty strong EBITDA margins to say the least, in building products. How much of the margin increase over the last few years do you think has been due to just content growth from new architectural designs as an industry versus internal initiatives, whether those are new products for productivity increases?

Andy Rose

Phil, obviously, you know that building products was composed of a couple of different businesses. Maybe just to try and break it down, I'll let Doug Cadle answer for WAVE and then maybe Eric can answer for the rest of the businesses.

Doug Cadle

Phil, this is Doug Cadle, I would say that our price management, our ability to capture and retain price is based on being able to earn that price over inflation and over what the industry is doing. I think when you take into account the demand creation that we have, the innovation that we'd be able to offer that addresses the needs in the industry, that's valued by the customer. We've been able to manage through these cycles to increase and expand our margins.

Looking forward, we expect to do the same thing through this cycle because of the additional innovation and the customer collaboration and entanglement that we have with our major distributors and contractors.

Eric Smolenski

So Phil, as it relates to the wholly-owned businesses, I would mimic some of that in that a good portion of it is improved pricing discipline. It is also production gains and market share gains on those wholly-owned businesses, and maybe more recently, something we're more excited about going forward is introduction of new products.

Andy Rose

And Phil, maybe just to finish the thought, ClarkDietrich earnings have been up over this period of time when steel prices have been rising, and I think there has been some consolidation in that space and there's been a lot more price discipline across the industry. So, as steel prices have gone up, they've

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been able to raise price. Competitors have followed suit, and that's enabled them to expand their margins as well.

Operator

Our next question is from Martin Englert. Mr. Englert, what is your question?

Martin Englert

Good morning, everyone. A couple of questions about Tempel. What's the mix between noes and goes, typically for the Company? How were the trailing 12 months volumes to what's in the business?

Jeff Klingler

Thanks, Martin for your question. Sure, sure. The business is very healthy right now. We're very excited to start to get into those level of details. Really at this point though, until we close the deal, it's going to be hard for us to comment on those types of specifics, but the business is doing very well.

Operator

Our next question is again from Seth Rosenfeld. Seth, what's your question?

Seth Rosenfeld

Hi, again. On building products in your prepared remarks, you commented on an active outlook for M&A for this business line. Have you talked about opportunities both close to the core business and also some perhaps more distant from current operations? Could you give us a bit of color on how distant you'd look, and what sorts of businesses might be considering going forward, please?

Eric Smolenski

Certainly Seth. The current focus would be closer to the core. So, if I referenced the illustration we had, it would be product line extensions. So, broaden the portfolio, some things sold through similar channels. I think further distant would be more down the road. There is a lot of fertile ground in things closer to the core.

Andy Rose

One thing just to note here though, is one of the primary reasons we realigned the pressure cylinders segment is so that Eric and team can expand their strategic focus. In the beginning, as Eric said, we'll probably stay close to the core, but I would expect as time goes on that the lens will get wider there. Anything else, Seth?

Operator

Our next question is again from Phil Gibbs. Mr. Gibbs, what's your second question?

Phil Gibbs

Hey, thanks. In terms of general inflationary trends, guys, I think the CPI this morning was at like a 30-year high or something. Clearly it isn't changing much in the short run, maybe ex some steel volatility from

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our perspective. How are you managing the business through the inflationary environment that we're seeing, and do you see any of the pressures leveling out?

Joe Hayek

Hey, Phil. It's Joe. The print that you saw this morning and what we talked about with what we've all been hearing about for several months is very real. I go back to the conversations that we had in September on our earnings call, the inflation is very evident in lots of places. It's in materials that we use, it's in labor content that goes into ours and other people's productions for the services that they provide. We feel like we're able to manage through that as well or better than most. We talk a lot, it is true about our teams, about our purchasing teams, about our supply chain teams, and about our groups in innovation.

We feel like we're managing through it better than most. We do have to pass on the prices and increases that we're getting to our customers. We'd like to think that we're adding additional value along the way. We do feel like it is going to be with us, and we're doing everything that we can to hold prices down. But in environments like this, as you said, steel prices aside, there are not just inflationary issues but issues with freight and expedited freights and the other issues with availability of different products or different components.

We've always been pretty proactive in terms of thinking about our supply chain. Sometimes we can't raise prices quickly enough because of some of the contracts that we have with our customers, but those tend to even themselves out. We have businesses that do better earlier in inflationary periods and some that do better later in inflationary periods or when things start to come down. On balance, it's very real. We talk about it every day. Everybody that's on the line today and the teams they lead are dealing with it as best they can, but it's not unique to us, and so it's something that we'll continue to keep an eye on and try and go through as best as we can and take share along the way.

Phil Gibbs

Thanks, Joe.

Operator

Our next question is again from Martin Englert. Mr. Englert, what is your second question?

Martin Englert

Can you provide a little bit more detail on the level of cap ex Worthington has allocated towards things like A.I and machine learning, if these platforms were developed internally, or is this more so outside providers and a reoccurring expense?

Geoff Gilmore

I'll take that, Martin. Right now, I can't give you a figure of exactly what we're projecting to spend over the next year or two years. As I mentioned in my video, we're very early on here. We've had some great success and it's certainly an area across the entire enterprise we're going to continue to invest in. Early on, the information we're getting much more timely data, better data, which is helping us focus on these critical areas that I discussed. So, where I can't give you a number today, I can tell you that what I'm confident is you'll continue to see us allocate more and more towards that as we go forward.

Joe Hayek

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Just one more piece of that as well is it's not just cap ex, it's also the resources and the human capital that we continue to devote to it. Five, six years ago, we didn't have that kind of AI group, what an analyst group and the group addressing those things. Now that's one of our really robust, fastest-growing groups because, as Geoff said, we're going to continue to invest in it, we want to make sure we do it right and with the right process as well.

Geoff Gilmore

Martin, just to add on there, I forgot a piece of your question was, how much we're doing internally versus outsourcing. Right now again, early on and we're doing a lot of learning. Again, as I mentioned in my video, we're working a lot with the outside to get more educated on what's available to us, what fits our facilities and our processes. I think we'll continue with that strategy here over the next 12 to 18 months.

Operator

That is our last question. Do we have any follow-up questions from the phone line? Seth Rosenfeld, do you have a question?

Seth Rosenfeld

Yes. Thank you. One more for me, please. On Sustainable Energy Solutions, please, obviously there's a very bullish cyclical and structural augmented across the European market for hydrogen and de-carbonization-based cap ex. Can you talk a little about how you view Worthington's position within that market for cylinders? How unique is your capacity and what inroads have you made thus far? Looking forward, is there a certain scale of cap ex in terms of M&A that you think might be needed to really take a leadership position in this growing market over the next two to three years.

Andy Rose

It's a good question, and by the way, Seth, you're allowed to ask as many questions as you want, but we'll pass this one to Timo.

Timo Snoeren

Yes. Thank you very much, Seth. Great question. Thank you for your question.

Let me start right off the bat with a statement that recently we got approved the lightest type for 200 bars CNG application composite cylinder from our engineering team, to your point in terms of our capabilities and our capacities. We see our OEM customers more simplifying their supply chains. With our recent acquisition of Ptec, hydrogen and CNG valves and components, SES Worthington is optimally positioned to offer those complete full solutions in terms of onboard fueling systems, including the valves and the componentry and the cylinders that we make. We're very well aligned with that recent acquisition.

On top of that, we have very capable teams in place, both in Poland, Austria, and Germany, where we have those locations, where we have in-house designers looking at the cylinder of the future in terms of the lowest weight and other innovations, as well as onboard fueling system design.

To your question on M&A. Right now, obviously we're still a small segment, very much focused on Europe, which is where the market is definitely currently developing. We're focused on organically growing that business, building our portfolio of type 3 and type 4 composite cylinders and onboard gas containment solutions. If and when there are really good M&A opportunities, we'll obviously continue to evaluate those. But right now we're focused on organically growing that segment.

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Geoff Gilmore

Timo, I do want to mention something in addition to that. Obviously, we did invest quite a bit of cap ex to just add the capacity to take on the new programs with some of our automotive companies. But again, I think your team did an excellent job in looking out into the future and having those discussions with the customers. So, while we are in phase I, we're quite confident that that will lead to phase II and phase III. Fortunately, we're not landlocked and will be in a position to continue to invest in that business in Austria and grow.

Operator

Our next question is from Mr. Englert.

Martin Englert

Thank you. I had a question on steel processing and it's been about 50% tolling exposure as far back as I can remember. Is there an opportunity to grow that exposure and pivot away from taking ownership of the metal to a larger degree? Or, maybe you can talk about some of the positives and negatives of increasing and decreasing that mix.

Jeff Klingler

The first part of that question, we can only—we can only control it to the extent that our customers want to supply chain manage a certain way or another. The 50/50 split as you mentioned has been that way for a long time, roughly. Obviously, it fluctuates a little bit. But we can only control so much there. We've always viewed it as a positive. It's half our business where we own the material, the other half is not subject to fluctuations in raw material prices. It does smooth out our earnings over over time.

I can't tell you what the ideal mix is. Certain segments of the business are 100% toll processing and others, you just don't have that opportunity. I'm not sure if that answers your question, but hopefully it does.

Geoff Gilmore

Great. Jeff answered that perfectly. It is a good mix. Obviously with the toll processing, I think your point in asking the question, it takes volatility out, it certainly can smooth out earnings. That helps for our overall portfolio. But I would say we are very fortunate to have 50% of it direct because it's our purchasing power and the things that we're able to do with price risks that really differentiates us from others. That's certainly an advantage we want to continue to take advantage of.

Martin Englert

Good point.

Operator

That was the last of our questions. Do we have any more questions from the phone bridge?

Andy Rose

There is no limit and no extra charge for extra questions.

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Operator

Reminder, if you are joining us via the webcast, you can answer—you can ask questions on the Q&A tab on the right of the video.

Andy Rose

We did get one that came in related to our consumer products business, and Steve, you can take this one, but they're curious about the future of our new product development pipeline and the outlook for our consumers as it relates to new products.

Steve Caravati

Thanks, Andy. Our innovation and NPD capabilities have grown nicely over the past few years. We now have a robust pipeline of new products that we're evaluating and looking to take to market. As part of this process, we leveraged consumer insights to launch new products that address unmet needs. They are primarily bucketed into three main categories. One, building the core, second, expanding the core, and then introducing new and disruptive technologies to the market. We're excited about the new products that are in our pipeline. You should see those out in consumers hands within shelves within the next 6 to 12 months.

Andy Rose

Yes. This capability has really grown nicely over the last several years as Steve said. We had a few small brands six, seven years ago and now we have a bunch of brands. We have teams of people in different businesses developing new products and it's pretty easy to get excited about where we're headed because the reality here is new products not only generate new revenue, but they also generate margin opportunities for us. So, the future of this business is really bright out of those capabilities.

Operator

We have no more questions on the webpage and no more questions on the phone line.

Andy Rose

Well, thank you everyone for joining us. At this point, we're showing no further questions, so we'll wrap things up. Just as—over to you, sorry. Martin?

Martin Englert

I have a question. Within WAVE, as you introduce new products and processes, what's the framework for educating the contractors and the architects?

Doug Cadle

I'll go ahead and answer that. There's a number of ways we have historically done it and we're moving forward with utilizing more social media and in a program called the Contractor Club, where contractors can voluntarily join newsworthy type of information that will be sent out. We have the broadest network of distribution that's out there. They are great partners in getting the message out on these new products and new types of labor savings and the benefits the contractors will obviously enjoy and profit by.

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Between the promotional efforts of our distributors, working with our ceiling construction experts that we have in the field, we're also doing more of a social media attempt of working directly with contractors that prefer to get direct information from us of new and innovative products.

Martin Englert

Thank you for that. Thanks, Doug.

Doug Cadle

You're welcome.

Andy Rose

All right. It looks like we're winding down here, so we'll wrap things up. Hopefully today you've got a great sense of the strategies and the enthusiasm of the executives leading each of our businesses. I couldn't be more excited and proud of the team. We really have energized the Company. We are on the back of the best year in our history. But honestly, I feel like our best days are in front of us, so appreciate everyone joining us.

Just as a reminder, a replay of the event is going to be available later on the website.

We certainly appreciate everyone joining us and your interest in Worthington Industries, and look forward to talking to you more in the future and obviously at our Q2 earnings call, which will be middle of next month in December. Thanks again, everyone. Have a great day.

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