Rob Mason: Good afternoon. I'm Rob Mason, Senior Equity Research Associate here at Baird. Please to welcome, Worthington Industries back to the Baird Global Industrial Conference. Worthington is the US leader in steel processing and pressure cylinders. Also, through a series of joint ventures the company addresses range of other end markets, such as the vehicle industry, and also building related products. So I want to introduce Joe Hayek who's the vice president and CFO at Worthington. He's going to walk through a presentation for us today. Joe, I'll let you take it from there.

Joe Hayek: Rob, thank you very much. Appreciate everybody being able to join us today. A couple of thank you's to start first to the Baird team, certainly rather be there in Chicago, in person, be able to meet with more folks face to face, but appreciate the environment that we're in and very much appreciate the opportunity to chat with you guys at least today. A belated happy Veterans Day for all the vets out there, both within Worthington and worldwide. We're fortunate to have a lot of veterans and we're very appreciative of and humbled by their service. So, thank you. It's also probably the first industrials conference at Baird that competes, to an extent this afternoon, with the Masters golf tournament. So one more kind of implication of the world around us, but, again, look forward to spending some time with everybody.

The safe Harbor statement is here. I think I've given you enough time to look over it and appreciate you doing that. Our mission statement at Worthington and our vision really is ... This'll be the only slide that I read, I promise. To be the transformative partner for our customers, a positive force in our communities and earn exceptional returns for our shareholders. Transformative partner for us really means not just a vendor, but a solutions provider. Somebody that can be counted on to bring innovative solutions, to get real attentive, to on time delivery, to customer service and do all the things that you would expect us to do, and then go above and beyond that to try and help change things for the better, a positive force in our communities. We're deeply passionate about the communities that we work in, that we live in, that we serve.

It goes beyond that though. It's a positive force for all of our stakeholders from ESG to the way that we treat our people, our vendor partners, our customers, and ultimately exceptional returns speaks for itself. It's not just shareholder returns, but that is our number one corporate goal, which is to earn money for our shareholders and increase the value of their investment.

The next slide is a bit more about us. I'll be really brief here. We were founded 65 years ago, headquartered in Columbus, Ohio. We have 51 facilities in six countries. Both those numbers are actually down a bit from last year by about 10% on the facility side. We've done some trimming of our portfolio and I'll speak to that a bit more in a few slides. The next slide speaks a bit more to our, I'll call it ESG corporate citizenship and sustainability efforts.

I'll let you look at this. I won't read a lot of it to you, but our focus every day for all of our people, is safety. It's reflected in our safety records relative to our industry peers that are out there. We are in an industrial manufacturing environment, but we care deeply and try very hard to recycle as much as we can. We support students in our communities and we support over 50 non-profits and last year donated over $2 million.

We recently, in Q1, we're able to seed a foundation or an endowment for our foundation of roughly $20 million so that we can continue to donate to worthy causes in and around the communities where Worthington operates, and we're very pleased to be able to do that. The timing, I think, is always good for those types of things, but in the environment we're in, it's even better.

So the next slide really will give you a bit more info about us at a high level. Our largest end market is automotive in a normal year. That'd be 60% of our steel business, a little over 30% of our overall business. 83 million cylinders and accessories in 90 countries last year. Our operations are domiciled in North American and Europe, but obviously we ship and our reach is very global. We're very proud of some of the awards that we've won over the course of time. We continue to win those, but we can always do better and we can always be better. So working every day to try and accomplish just that. And, hopefully, that list there in the middle will grow both in number and in meaningfulness to all of us in the quarters and the years to come.

Next slide is a bit more of, a pie chart as to where our key end markets are. You can see the trailing 12 months, our first quarter ended at the end of August. And so this is first quarter of our fiscal 20 to first quarter of our fiscal 21. Automotive is still the largest end market, construction, heavy truck, industrials, and then you get into the operating or equity income by segment. Ultimately, this is going to trend over time to be roughly a third, a third, a third, and then there will be some ebbs and flows. Our steel market, again, 60% of that's in automotive of our steel business. And in the fourth quarter of our fiscal 2020, specifically, April and May of calendar 2020, that revenue was, for the automotive piece at least, was pretty close to zero because those guys were closed. So bounced nicely and we'll talk a bit more about that, but ultimately that's going to have an impact on that pie chart for the next three quarters.

Next slide will give you a bit more detail on steel processing itself. The biggest three markets are going to be construction automotive and agriculture. Automotive, as we discussed, has bounced pretty nicely. I know everybody looks at IHS data. That's recovered nicely. Starting to see a bit more in the fleet side of things. Ultimately, there are a lot of things that are going on that on a macro basis are encouraging people to buy cars, whether it's low interest rates or the de-urbanization trend that's happening and I'd rather be in my own car than in a shared car or on mass transit if my situation warrants

that. So pretty good recovery, although lower levels, obviously in steel. In Q1, we saw automotive recover, but to lower than it was just based on IHS data and construction in Q1 remain strong for us, as well.

The next slide will give you a more of a feel for our pressure cylinders business. We call this business pressure cylinders. Really what we do here is we build containment vessels for gases or liquids that enable those gases or liquids to be stored, transported, and ultimately used in a safe way where they're most effective or where they're best used. Some of the pictures you'll see on here, Coleman camping cylinder, take it with you when you're camping. Well-X-Trol is a well tank. It's a pressurized tank. If you happen to not get water from the waterline in your given town or in your city and you are on a well, you have a well, and then you have one of these tanks that provides you with that buffer. So when you turn on your shower or your sink, the water is there immediately.

Balloon Time is ultimately on the do it yourself, party side of things. It's helium for people that are doing parties at their house, et cetera. Then you have your Bernzomatic torches for do it yourself first for the plumbing market. And so in our cylinders business, which is 1.1, $1.2 billion, it's where our brands live, the Coleman brand, the Bernzomatic brand, Amtrol, Balloon Time, all the things that you think about, but in those businesses we're really banking on end markets like outdoor recreation, like do it yourself, like flow control with water, and so it's a lot of really important and growing end markets.

They're not massive markets and they don't grow at 15%, but we're really happy with our position in these markets, and we're really happy with the brands and the brand equity that we have developed in these markets. And I think as we move forward, and I think you'll see us try to add both breadth and number of brands. And as we think through this, ultimately add new product development and extensions for these brands. Again, these products are sold globally. Our operations are concentrated in North America and in Europe.

Okay. So, Wave, we have a number of joint ventures, roughly eight and Wave is by far the largest and most successful. It is a 50% joint venture, 50/50 between ourselves and Armstrong World Industries. They make the ceiling grid that if you happen to be in your office and you look up, you might see Armstrong sells and makes the mineral fiber inserts for acoustical ceilings. Wave makes the grid. It's a very profitable business for us and for Armstrong, and in the past 10 years, it's represented over $800 million in dividends for us. It's a really nice business and it's characterized, on our side growth strategy-wise, by innovation. We'll talk a bit more about that specifically in a few slides, but innovation for a business like Wave can be different than it is for others. So again, I'll hit that in a handful of slides.

This is a bit more about the JVs. All of these JVs are run primarily so that the dividends paid out, get as close as we can to the EBITDA generated by those business. And as you can see in the last 10 years, it's been a billion dollars in cash to us as a company. So very important part of our portfolio. If I think about our markets, it's easy to reflect, steel processing has its end markets. In cylinders, you have outdoor recreation, you have tools and do it yourself. You have exposure to the hydrogen economy. You have exposure to water and flow control. And then the JVs, if you include ClarkDietrich and Wave as the

two largest in that regard, those are more building products, right. And those are more kind of commercial, construction and renovation types of end markets that are really going to drive the macro look at their growth.

Again, thinking more about our growth strategy. I know this is an industrials conference and so people don't expect to see 30, 40% organic growth in markets that we participate in. It's certainly the case with us. We're very self-aware, our markets pound for pound are going to grow at around GDP with some fluctuations, but this has been our growth strategy, and we've really centered on this for the last three or four years.

Working from the inside out you see our philosophy, I spent some time on that with you. It's about how we treat people. It's about how we empower our people. It's about,, ultimately how we take a long-term view towards our relationships with customers and suppliers and our stakeholders, but knowing that and understanding that our businesses aren't going to grow at 10 or 15% market-wise by themselves, what do we do and how are we ultimately, trying to grow our revenues and grow our profitability faster than we grow our revenues.

It's really three legs to that stool and it's transformation, which is operational excellence. It's an initiative that started for us in 2007, 2008. We got really good at it, kind of plateaued for a while, and then five or six years ago really took off with it again. To us that's being lean. It started with the lean production system way back in 2007, 2008, but we've really turned it into our own system. And we've borrowed things that we've liked from other people. We've really developed a lot of things internally that we like. Ultimately our program transcends the operational floor. It now includes back office, supply chain, finance, all the things that we can do to be more efficient, we do. Innovation is a really big deal for us. Innovation and new product development. And we'll talk about that, but we're ultimately trying to bring innovation and new products to end markets and to customers in a lot of cases that haven't seen innovation for decades.

Third leg of that stool is acquisition and M & A. We've got a long track record of making acquisitions. A lot of them have been very successful. A handful of them haven't gone as well as we'd like them to have gone. We've learned a lot from those. And we feel like we're well positioned to be selective and to add to our portfolio as we move forward, where it makes sense. And then further on the outside, and I think about this really as from the outside in, if you start here. These areas on the outside, it's really where we've invested the last five years. Our analytics teams, our analytics capabilities are well ahead of where they were three, four years ago. We always did it, but we didn't have them organized in the way that we do today. And the benefit that we're seeing from our advanced analytics is very, very material.

Advanced technologies, it's ultimately different materials. We have composite tank facilities that were greenfielded by us, both here in the States, on the East coast for the water business, and also over in Europe for the hydrogen market and for the market trend for transportation over in Europe. that's a big deal on the advanced technologies front. Automation for us continues to be a really important constant strive for us. We're really thinking about how we can turn the jobs that people might not be all that enamored with over time into jobs that we can automate and have our people in our facilities, doing jobs

that are more impactful and are more aspirational for people. We want our people to be spending their time, the way they want to spend it and ultimately that's going to enable us to do more and to be more successful.

IT is not just IT for IT's sake. It's ultimately smart factories, it's data, it's collecting information from our big pieces of equipment in our facilities, analyzing that data and then making it usable. Lots of investments we've made and that we're really starting to see the fruits of some of that labor and we'll talk a bit more about each of those pillars as we move forward.

Importantly, I think the drivers that we're working with, they're very complimentary. I won't read this slide to you, but if you think about transformation again, it's more on the, how are we doing things and how efficiently can we do them? Innovation ultimately is better when it becomes a discipline. It's very voice of customer driven for us. And then acquisitions, ultimately, focus on the core. Think about higher margin, higher cashflow businesses, higher cash flows relative to the assets that are deployed to create those cash flows and continue to drive us into markets that we know. And we believe that we can have a reasonable market share. Those are some of the things that we're thinking about as we go to market and and talk to people.

And so I'll give you an example of each of these things. The last six or seven months has been different for everybody. We're no exception to that, but what we didn't want to have happen is our transformation efforts to go by the wayside because travel was hard and we needed to be sure that we were taking really good care of our people. We've done an excellent job of putting that first. We always do, but we were able to really confront a real time problem, which is, our camping gas business started seeing really good demand because people were social distancing. They weren't going to restaurants. They weren't doing other things. They were spending time outside either with their families or with their friends. And we needed to find a way to make more cylinders, given constraints on people and on the shifts that we could run.

So, again, I won't read this to you, but using some of our software, we identified an issue. We identified what we believed to be a bottleneck. We reduced change over time on coils, which ultimately becomes those cylinders, cut it in half, which enabled us to get another 40 or 45,000 cylinders every single month in this one facility. There are stories like this across the company, and we're exceptionally proud of the people in our facilities for whom transformation has really become a rallying cry. The team in transformation and analytics has been doing a terrific job, and there'll be more of this to come.

Looking at innovation, these are some things that if you've paid attention to our presentations in the past few quarters, that might be a bit new to you, we have introduced a fuel gauge for camping cylinder so that people can understand better how much propane is left in their cylinder. Should they go out into the woods with this, do they need an extra one? That will be on shelves. Walmart's our first customer here. It will be on those shelves in the next month or two.

Smartlid going from small to very large. These very large propane tanks that get filled by trucks, important for those companies to know whether they need to stop by a given

business or a given residence. Smartlid enables those companies to avoid a truck run if they can, and to prioritize their truck runs based on who needs gas and who needs propane in the most efficient way. Very valuable, takes advantage of internet of things and technologies, and we're very happy with the progress there thus far. That's been shipping for a few months.

Comfort Carry is available at U-Hauls today. It's your typical 20 pound cylinder that might power your gas grill, but historically the way that people carry those, it's metal, it can be sharp. It's not terrible at all, but it could be a bit more ergonomically friendly and that's what the Comfort Carry is designed to do. It's that plastic shroud and, again, U-Haul is our pilot customer for this. It's been selling very well in their facilities. And when we talk about innovation, particularly on the cylinder side, our customers are our partners and they provide us with feedback and we're very appreciative of them doing that.

Next slide has a couple more examples. We've talked about this, the cannabis market, when we separate, that's a great story relative to voice of customer buying cylinders. Talk to customers about that, and stainless was much better option because it is quasi-medical grade. We came out and created a stainless steel, 100 pound cylinder that is selling quite well by itself. Not a needle mover, but another example of voice of customer and how it matters to us.

The Max9 Bundle is an I-gas application primarily over in Europe, where they almost have tank farms, as people are doing things. And then the Fortis Type IV is another example out of Europe where similar to that 20 pound cylinder on the previous page, there are propane cylinders, but they're actually inside people's homes, inside people's kitchens. If you don't have natural gas coming into the house, it's what, in many European cities gets used to cook with. It's light, it's attractive, and it's actually selling quite well. So lots of examples, lots more to come. I mentioned earlier, a lot of these markets haven't seen change and innovation for an awfully long time, and we're very proud to be driving a lot of what you see on a new innovation business into these markets, and we think it'll continue to set us apart from our competitors.

On the next slide I mentioned Wave and some of the innovation that comes from there. A lot of times that innovation is related to speed of installation because for a contractor putting in that grid ceiling, primary costs might not be the materials. It might be labor, and so if you can save labor for those individuals, it's a really good thing, but this is something different. This is something that's very topical. There's a company called Vidashield that Wave has partnered with and is bringing to the commercial markets in lots of different applications. You see here it's a school, but it could be a school, it could be a hospital, it could be an office building. It could be a government building could be lots of things.

The technology ultimately is a, essentially, ventilation system where in the form factor of your typical fluorescent light in your office air gets pulled into the chamber, gets run through a UV light chamber. The UV light doesn't go anywhere outside of the light. It stays in this chamber and then gets pumped out the other side. And in between those, there are LED lights that ultimately provide the light for the room. And so, as we think about safer spaces, as we think about cleaning the air around us, this is something that Wave,

ultimately, is very involved in and it's available through Wave and through the Armstrong sales force. It's an innovation. It's very, very early days, but it's something that we're very proud of and very optimistic about what, it could mean.

The next slide talks a bit more about M&A. A lot of our M&A historically has been focused in the cylinder space and you can see ultimately, 9.1 CAGR on the sales side and just under 9% on the operating income side looking over the last 10 years, a lot of that growth has been in fact through acquisition.

As we've thought about our financial goals and you've seen some of those things. Again, I won't read these to you, but, but I will point out the last one to you. It really goes without saying that rigorous capital discipline is important for everybody. It's certainly something that we've taken very seriously the last few years. And I mentioned this earlier, we've really pruned the portfolio and businesses that we have determined that are non-core or no longer meet our profitability thresholds, we've made some decisions on.

We sold a majority of our engineered cabs business last year. Just last month, we exited our mobile Alabama cryo science and trailer business. We sold our business in Turkey. We exited a JV that we had in China. We closed our alt fuel systems business. In our oil and gas business, we've gone from five facilities to two. We're very vigilant and when the best and most credible plan is for us to think about who might be a better owner for a business than us, that's exactly what we do.

I think our next slide is just a nod to a balanced capital allocation over time. In Q1, we did buy a 1.4 million of our shares back, and over time you can look at repurchases and acquisitions. Doesn't happen this way every year, but it's, again, it's not formulaic for us, but we do have the ability and a track record that suggests we spend a lot of our capital returning to shareholders, but are also very cognizant of the need for capital as it supports the growth of the business through M and A or through Capex.

I think final slide that I'll really give you here is a quick update on our Q1, which, again, ended at the end of August. Our Q2 ends in a couple of weeks, which is why we're limited in what we can talk about today and conversations that we can have. In Q1 we reported $11.22 a share. We had a very large gain related to our holdings in Nikola Corporation. The analyst suggested that after one-timers in restructuring, that, that EPS was 0.64 cents, which was up 0.02 cents from the year prior. Our adjusted EBITDA in the quarter was $75 million. And our net debt at the end of the quarter was $57 million. Roughly $700 million in debt and $650 million in cash. We did monetize roughly 12 million shares of our Nikola holdings prior to the end of August, which represents a lot of where additional cash came from.

So, our markets in Q1 rebounded from where they were certainly in the height of the pandemic. I think our steel tons were down roughly 25,000 tons. Construction was still strong. In the cylinders business, we saw a real narrative that consumer facing products, whether it was DIY or whether it was propane tanks, large or small, as people stayed home more, avoided restaurants and travel, and that they cooked at home, they spent time at home, those products and those value streams continue to be strong for us. And so, ultimately, fast forward to the investment highlights, we're very happy with where we are

relatively speaking. We know that the markets that we're in have yet to recover fully from where they were at the beginning of this year, but we believe that over time, they will. We feel like we're really well positioned in these markets.

We continue to drive innovation, transformation. We'll continue to look at selective acquisitions. We love our balance sheet right now, and we feel like we're very well capitalized and we can selectively allocate capital to the things that we think will add the most value for our shareholders. And then at the end of the day, our business begins and ends with our people. We're very fortunate to be able to work in the company that we do with the people that we do, and they've been doing a terrific job for an awfully long time, but particularly since March and we're very grateful. That's all I had. Thank you very much.

Rob Mason: No, that's great, Joe. That's probably a good point to stop anyway, but thanks for sharing that. And just want to say again, appreciate Worthington for being back at the conference this year, and maybe we'll do it face-to-face next year.

Joe Hayek: Very much look forward to that. Thank you very much. Appreciate it.

Rob Mason: Excellent. Have a good day. Thank you.

Joe Hayek: You, too. Thanks. Bye. Bye.