# UNITED STATES SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

## Form 10-K

(Mark One)

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended May 31, 2020

**or**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _______ to _______

Commission File Number 1-8399

# WORTHINGTON INDUSTRIES, INC.

*(Exact Name of Registrant as Specified in its Charter)*

| **Ohio** | **31-1189815** |
|---|---|
| *(State or Other Jurisdiction of Incorporation or Organization)* | *(I.R.S. Employer Identification No.)* |
| **200 Old Wilson Bridge Road, Columbus, Ohio** | **43085** |
| *(Address of Principal Executive Offices)* | *(Zip Code)* |

Registrant's telephone number, including area code: **(614) 438-3210**

**Securities registered pursuant to Section 12(b) of the Act:**

| Title of Each Class | Trading Symbol | Name of Each Exchange on Which Registered |
|---|---|---|
| Common Shares, Without Par Value | WOR | New York Stock Exchange |

**Securities registered pursuant to Section 12(g) of the Act: None**

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☑ No ☐

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☑

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files). Yes ☑ No ☐

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

| | | | |
|---|---|---|---|
| Large accelerated filer | ☑ | Accelerated filer | ☐ |
| Non-accelerated filer | ☐ | Smaller reporting company | ☐ |
| | | Emerging growth company | ☐ |

If an emerging growth company, indicate by check mark if the Registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the Registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☑

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☑

The aggregate market value of the Common Shares (the only common equity of the Registrant) held by non-affiliates of the Registrant, based on the closing price of the Common Shares on the New York Stock Exchange on November 29, 2019, the last business day of the Registrant's most recently completed second fiscal quarter, was $1,423,020,261. For this purpose, executive officers and directors of the Registrant are considered affiliates.

Indicate the number of shares outstanding of each of the Registrant's classes of common stock, as of the latest practicable date. On July 23, 2020, the number of Common Shares issued and outstanding was 55,092,728.

**DOCUMENT INCORPORATED BY REFERENCE:**

Selected portions of the Registrant's definitive Proxy Statement for the Annual Meeting of Shareholders to be held on September 23, 2020, are incorporated by reference into Part III of this Annual Report on Form 10-K to the extent provided herein.

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**SAFE HARBOR STATEMENT**

*Selected statements contained in this Annual Report on Form 10-K, including, without limitation, in "PART I – Item 1. – Business" and "PART II – Item 7. – Management's Discussion and Analysis of Financial Condition and Results of Operations," constitute "forward-looking statements" as that term is used in the Private Securities Litigation Reform Act of 1995 (the "Act"). Forward-looking statements reflect our current expectations, estimates or projections concerning future results or events. These statements are often identified by the use of forward-looking words or phrases such as "believe," "expect," "anticipate," "may," "could," "intend," "estimate," "plan," "foresee," "likely," "will," "should," or other similar words or phrases. These forward-looking statements include, without limitation, statements relating to:*

- *the impacts from Novel Coronavirus ("COVID-19") and the actions taken by governmental authorities and others related thereto, including the ability of the Company to continue operating facilities in connection therewith, to cut variable costs, or to eventually recall furloughed workers;*
- *future or expected cash positions, liquidity or ability to access financial markets and capital;*
- *outlook, strategy or business plans;*
- *future or expected growth, growth potential, forward momentum, performance, competitive position, sales, volumes, cash flows, earnings, margins, balance sheet strengths, debt, financial condition or other financial measures;*
- *pricing trends for raw materials and finished goods and the impact of pricing changes;*
- *the ability to improve or maintain margins;*
- *expected demand or demand trends for us or our markets;*
- *additions to product lines and opportunities to participate in new markets;*
- *expected benefits from Transformation and innovation efforts;*
- *the ability to improve performance and competitive position at our operations;*
- *anticipated working capital needs, capital expenditures and asset sales;*
- *anticipated improvements and efficiencies in costs, operations, sales, inventory management, sourcing and the supply chain and the results thereof;*
- *projected profitability potential;*
- *the ability to make acquisitions and the projected timing, results, benefits, costs, charges and expenditures related to acquisitions, joint ventures, headcount reductions and facility dispositions, shutdowns and consolidations;*
- *projected capacity and the alignment of operations with demand;*
- *the ability to operate profitably and generate cash in down markets;*
- *the ability to capture and maintain market share and to develop or take advantage of future opportunities, customer initiatives, new businesses, new products and new markets;*
- *expectations for Company and customer inventories, jobs and orders;*
- *expectations for the economy and markets or improvements therein;*
- *expectations for generating improving and sustainable earnings, earnings potential, margins or shareholder value;*

- *effects of judicial rulings; and*

- *other non-historical matters.*

*Because they are based on beliefs, estimates and assumptions, forward-looking statements are inherently subject to risks and uncertainties that could cause actual results to differ materially from those projected. Any number of factors could affect actual results, including, without limitation, those that follow:*

- *the risks, uncertainties and impacts related to COVID-19 and other actual or potential public health emergencies and actions taken by governmental authorities or others in connection therewith, their potential impacts related to the ability and costs to continue to operate facilities and their potential to exacerbate other risks;*

- *the effect of national, regional and global economic conditions generally and within major product markets, including significant economic disruptions from COVID-19 and the actions taken therewith;*

- *the effect of conditions in national and worldwide financial markets and with respect to the ability of financial institutions to provide capital;*

- *the impact of tariffs, the adoption of trade restrictions affecting our products or suppliers, a United States withdrawal from or significant renegotiation of trade agreements, the occurrence of trade wars, the closing of border crossings, and other changes in trade regulations or relationships;*

- *lower oil prices as a factor in demand for products;*

- *product demand and pricing;*

- *changes in product mix, product substitution and market acceptance of our products;*

- *fluctuations in the pricing, quality or availability of raw materials (particularly steel), supplies, transportation, utilities and other items required by operations;*

- *the outcome of adverse claims experience with respect to workers' compensation, product recalls or product liability, casualty events or other matters;*

- *effects of facility closures and the consolidation of operations;*

- *the effect of financial difficulties, consolidation and other changes within the steel, automotive, construction, oil and gas, and other industries in which we participate;*

- *failure to maintain appropriate levels of inventories;*

- *financial difficulties (including bankruptcy filings) of original equipment manufacturers, end-users and customers, suppliers, joint venture partners and others with whom we do business;*

- *the ability to realize targeted expense reductions from headcount reductions, facility closures and other cost reduction efforts;*

- *the ability to realize cost savings and operational, sales and sourcing improvements and efficiencies, and other expected benefits from Transformation initiatives, on a timely basis;*

- *the overall success of, and the ability to integrate, newly-acquired businesses and joint ventures, maintain and develop their customers, and achieve synergies and other expected benefits and cost savings therefrom;*

- *capacity levels and efficiencies, within facilities, within major product markets and within the industries in which we participate as a whole;*

- *the effect of disruption in the business of suppliers, customers, facilities and shipping operations due to adverse weather, casualty events, equipment breakdowns, interruption in utility services, civil unrest, international conflicts, terrorist activities or other causes;*
- *changes in customer demand, inventories, spending patterns, product choices, and supplier choices;*
- *risks associated with doing business internationally, including economic, political and social instability, foreign currency exchange rate exposure and the acceptance of our products in global markets;*
- *the ability to improve and maintain processes and business practices to keep pace with the economic, competitive and technological environment;*
- *deviation of actual results from estimates and/or assumptions used by us in the application of our significant accounting policies;*
- *the level of imports and import prices in our markets;*
- *the impact of judicial rulings and governmental regulations, both in the United States and abroad, including those adopted by the United States governmental agencies as contemplated by the Coronavirus Aid, Relief and Economic Security (CARES) act and the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010;*
- *the effect of healthcare laws in the United States and potential changes for such laws, especially in light of the COVID-19 pandemic, which may increase our healthcare and other costs and negatively impact our operations and financial results;*
- *cyber security risks;*
- *the effects of privacy and information security laws and standards; and*
- *other risks described from time to time in the filings of Worthington Industries, Inc. with the United States Securities and Exchange Commission, including those described in "PART I – Item 1A. – Risk Factors" of this Annual Report on Form 10-K.*

*We note these factors for investors as contemplated by the Act. It is impossible to predict or identify all potential risk factors. Consequently, you should not consider the foregoing list to be a complete set of all potential risks and uncertainties. Any forward-looking statements in this Annual Report on Form 10-K are based on current information as of the date of this Annual Report on Form 10-K, and we assume no obligation to correct or update any such statements in the future, except as required by applicable law.*

# PART I

*As used in this Annual Report on Form 10-K (this "Form 10-K"), unless otherwise indicated, all Note references contained in Part I of this Form 10-K refer to the Notes to the Consolidated Financial Statements included in "Part II – Item 8. – Financial Statements and Supplementary Data" of this Form 10-K.*

## Item 1. — Business

### *General Overview*

Worthington Industries, Inc. is a corporation formed under the laws of the State of Ohio (individually, the "Registrant" or "Worthington Industries" or, collectively with the subsidiaries of Worthington Industries, Inc., "we," "our," "Worthington" or the "Company"). Founded in 1955, Worthington is primarily a diversified metals manufacturing company, focused on value-added steel processing and manufactured metal products. Our manufactured metal products include: pressure cylinders for liquefied petroleum gas ("LPG"), compressed natural gas ("CNG"), oxygen, refrigerant and other industrial gas storage; water well tanks for commercial and residential uses; hand torches and filled hand torch cylinders; propane-filled camping cylinders; helium-filled balloon kits; steel tanks and processing equipment primarily for the oil and gas industry; cryogenic pressure vessels for liquefied natural gas ("LNG") and other gas storage applications; and, through our joint ventures, complete ceiling grid solutions; laser welded blanks; light gauge steel framing for commercial and residential construction; current and past model automotive service stampings; and engineered cabs and operator stations and cab components.

Worthington is headquartered at 200 Old Wilson Bridge Road, Columbus, Ohio 43085, telephone (614) 438-3210. The common shares of Worthington Industries are traded on the New York Stock Exchange under the symbol WOR.

Worthington Industries maintains an Internet web site at www.worthingtonindustries.com. This uniform resource locator, or URL, is an inactive textual reference only and is not intended to incorporate Worthington Industries' web site into this Annual Report on Form 10-K. Worthington Industries' Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports, filed or furnished pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as well as Worthington Industries' definitive proxy materials for annual meetings of shareholders filed pursuant to Section 14 of the Exchange Act, are available free of charge, on or through the Worthington Industries web site, as soon as reasonably practicable after such material is electronically filed with, or furnished to, the Securities and Exchange Commission (the "SEC").

### *Segments*

As of May 31, 2020, we, together with our unconsolidated affiliates, operated 74 manufacturing facilities in 22 states and 7 countries. Twenty-six of these facilities are operated by wholly-owned and consolidated subsidiaries of the Company. The remaining facilities are operated by our consolidated and unconsolidated joint ventures.

Our operations are managed principally on a products and services basis and are comprised of two primary operating segments which correspond with our reportable business segments: "Steel Processing" and "Pressure Cylinders". Steel Processing consists of the Worthington Steel business unit ("Worthington Steel") which operates eight manufacturing facilities; and four consolidated joint ventures: Spartan Steel Coating, L.L.C. ("Spartan"), which operates a cold-rolled, hot-dipped galvanizing line in Monroe, Michigan; TWB Company, L.L.C. ("TWB"), which operates nine laser welded blank facilities and is headquartered in Monroe, Michigan; Worthington Samuel Coil Processing LLC ("Samuel" or "Samuel joint venture"), which operates three tolling facilities and is headquartered in Cleveland, Ohio; and Worthington Specialty Processing ("WSP"), which processes wide-sheet steel for the auto industry and operates three facilities in Michigan. Pressure Cylinders consists of the Worthington Cylinders business unit ("Worthington Cylinders") which operates 16 manufacturing facilities.

We hold equity positions in nine joint ventures, which are further discussed in the ***Joint Ventures*** section below. Of these, Spartan, TWB, Samuel and WSP are consolidated with their operating results reported within Steel Processing.

During the fiscal year ended May 31, 2020 ("fiscal 2020"), Steel Processing and Pressure Cylinders served approximately 800 and 3,700 customers, respectively, located primarily in the United States. International operations accounted for approximately 7% of our consolidated net sales during fiscal 2020 and were comprised primarily of sales to customers in Europe. No single customer accounted for over 10% of our consolidated net sales in fiscal 2020.

Refer to "Note O – Segment Data" for a full description of our reportable business segments.

***Recent Developments***

On July 26, 2019, the Company completed the sale of Worthington Aritas Basınçlı Kaplar Sanayi ("Worthington Aritas"), its Turkish manufacturer of cryogenic pressure vessels. The Company received cash proceeds, net of transaction costs, of $8.3 million resulting in a pre-tax restructuring loss in the current fiscal year of $481,000.

On August 23, 2019, two of the Company's European subsidiaries issued a €36.7 million principal amount unsecured 1.56% Series A Senior Note due August 23, 2031 (the "2031 Note") and a €55.0 million aggregate principal amount of unsecured 1.90% Series B Senior Notes due August 23, 2034 (the "2034 Notes"), (collectively, the "Senior Notes"). The Senior Notes were issued in a private placement and the proceeds thereof were used in the redemption of $150.0 million of aggregate principal amount of 6.50% senior notes. Refer to "NOTE H – Debt and Receivables Securitization" for more information on these transactions.

On September 30, 2019, Worthington Armstrong Venture ("WAVE") completed the sale of its international operations to Knauf Ceilings and Holding GmbH ("Knauf"), as part of the broader transaction between Knauf and Armstrong World Industries, Inc., our partner in the WAVE joint venture. Our portion of the net gain, subject to post-closing adjustments, was $23.1 million and was recognized in equity income. Refer to "NOTE C – Investments in Unconsolidated Affiliates" for more information on this transaction.

On October 7, 2019, we acquired the operating net assets, excluding working capital, related to Heidtman Steel Products, Inc.'s Cleveland facility ("Heidtman"), for cash consideration of $29.6 million, which expanded the Company's pickling and slitting capabilities. The Heidtman facility was managed as part of Steel Processing until December 31, 2019 when it was contributed to the Samuel joint venture in exchange for an incremental 31.75% ownership interest, bringing our total ownership interest to 63%. As a result, the Samuel joint venture's results were consolidated within Steel Processing since December 31, 2019, with the minority member's portion of earnings eliminated within earnings attributable to noncontrolling interest. These transactions were accounted for as a step acquisition, which required that we re-measure our previously held 31.25% ownership interest to fair value resulting in a re-measurement gain of $6.1 million, which is included in miscellaneous income, net in our consolidated statement of earnings for fiscal 2020. Refer to "NOTE A – Summary of Significant Accounting Policies" and "NOTE P – Acquisitions" for more information on these transactions.

On November 1, 2019, we closed on an agreement with an affiliate of Angeles Equity Partners, LLC by which we contributed substantially all of the net assets of our Engineered Cabs business to a newly-formed joint venture, Taxi Workhorse Holdings, LLC (the "Cabs joint venture"), in which the Company retained a 20% noncontrolling interest. Certain non-core assets of the Engineered Cabs business, including the fabricated products facility in Stow, Ohio, and the steel packaging facility in Greensburg, Indiana, were retained. The retained Engineered Cabs assets, which are in the process of being closed, no longer qualify as a separate operating or reportable segment. For additional information, refer to "NOTE A – Summary of Significant Accounting Policies" and "NOTE O – Segment Data".

On December 19, 2019, the Company finalized an agreement to transfer the risks and rewards related to its 10% minority ownership interest in the Zhejiang Nisshin Worthington Precision Specialty Steel Co., Ltd. ("Nisshin") joint venture in China to the other joint venture partners. Refer to "NOTE C – Investments in Unconsolidated Affiliates" for more information on this transaction.

On February 12, 2020, the Company announced a plan to consolidate its oil & gas equipment manufacturing operations in Wooster, Oho, into its existing facility in Bremen, Ohio, resulting in pre-tax impairment and restructuring charges of $36.2 million in fiscal 2020. For additional information, refer to "NOTE D – Goodwill and Other Long-Lived Assets" and "NOTE E – Restructuring and Other Expense (Income), Net".

On March 18, 2020, the Company's WSP joint venture announced a plan to consolidate its manufacturing operations in Canton, Michigan into its existing facilities in Jackson and Taylor, Michigan, resulting in pre-tax impairment and restructuring charges of $1.7 million. For additional information, refer to "NOTE D – Goodwill and Other Long-Lived Assets" and "NOTE E – Restructuring and Other Expense (Income), Net".

During May 2020, the Company finalized plans to exit the two remaining facilities that were part of the former Engineered Cabs segment in Stow, Ohio and Greensburg, Indiana. In connection with these actions, the Company recorded impairment and restructuring charges totaling $3.4 million within the "Other" segment during the fourth quarter of fiscal 2020. For additional information, refer to "NOTE D – Goodwill and Other Long-Lived Assets".

On June 3, 2020, Nikola Corporation ("Nikola") became a public company through a reverse merger with a subsidiary of VectoIQ Acquisition Corporation, a NASDAQ listed publicly traded company. The Company owned 19,048,020 shares of Nikola common stock following the reverse merger. From July 6 to July 7, 2020, the Company sold an aggregate of 5,000,000 shares of Nikola common stock for aggregate net proceeds of $237.9 million. These proceeds are subject to tax. After the sales, the Company owns 14,048,020 shares of Nikola common stock. For additional information, refer to "NOTE V – Subsequent Events".

On June 24, 2020, the Company announced a leadership succession plan pursuant to which, effective September 1, 2020, B. Andrew Rose will become Chief Executive Officer ("CEO") of Worthington Industries, in addition to continuing to serve as President, and John P. McConnell, the current CEO, will become Executive Chairman.

***Steel Processing***

Steel Processing consists of the Worthington Steel business unit, and our consolidated joint ventures, Spartan, TWB, Samuel and WSP. For fiscal 2020, fiscal 2019 and fiscal 2018, the percentage of our consolidated net sales generated by Steel Processing was approximately 61%, 65% and 63%, respectively.

Worthington Steel is one of the largest independent intermediate processors of flat-rolled steel in the United States. It occupies a niche in the steel industry by focusing on products requiring exact specifications. These products cannot typically be supplied as efficiently by steel mills to the end-users of these products.

As of May 31, 2020, Steel Processing, including Spartan, TWB, Samuel and WSP, operated 23 manufacturing facilities located in Ohio (8), Michigan (4), Mexico (4), Tennessee (2), Alabama (1), Indiana (1), Kentucky (1), New York (1), and Canada (1).

Steel Processing serves approximately 800 customers in many markets including automotive, aerospace, agricultural, appliance, construction, container, hardware, heavy-truck, HVAC, lawn and garden, leisure and recreation, office furniture and office equipment. The automotive industry is one of the largest consumers of flat-rolled steel, and thus the largest end market for Steel Processing. For fiscal 2020, Steel Processing's top three customers represented approximately 23% of the operating segment's total net sales.

Steel Processing buys coils of steel from integrated steel mills and mini-mills and processes them to the precise type, thickness, length, width, shape and surface quality required by customer specifications. Computer-aided processing capabilities include, among others:

- cold reducing, which achieves close tolerances of thickness;
- configured blanking, which mechanically stamps steel into specific shapes;

- coil fed laser blanking, which uses lasers to cut coils of steel, aluminum and other metals into specific shapes;
- cutting-to-length, which cuts coils into sheets of exact length;
- dry-lube, the process of coating steel with a dry, soap-based lubricant;
- hot-dipped galvanizing, which coats steel with zinc and zinc alloys through a hot-dip process;
- hydrogen annealing, a thermal process that changes the hardness and certain metallurgical characteristics of steel;
- laser welding, which joins steel or aluminum blanks and coils with different thicknesses, coatings or material strength;
- pickling, a chemical process using an acidic solution to remove surface oxide which develops on hot-rolled steel;
- slitting, which cuts steel coils or steel sheets to specific widths;
- oscillate slitting, a slitting process that spools together several narrow coils welded end-to-end into one larger coil;
- temper rolling, which is the process of light cold-rolling steel;
- tension leveling, a method of applying pressure to achieve precise flatness tolerances; and
- non-metallic coating, including acrylic and paint coating.

Steel Processing also toll processes steel for steel mills, large end-users, service centers and other processors. Toll processing is different from typical steel processing in that the mill, end-user or other party retains title to the steel and has the responsibility for selling the end product. Toll processing enhances Worthington Steel's participation in the market for wide sheet steel and large standard orders, a market generally served by steel mills rather than by intermediate steel processors.

The steel processing industry is fragmented and highly competitive. There are many competitors, including other independent intermediate processors. Competition is primarily on the basis of price, product quality and the ability to meet delivery requirements. Technical service and support for material testing and customer-specific applications enhance the quality of products (see the ***Technical Services*** section below). However, the extent to which technical service and support capability has improved Steel Processing's competitive position has not been quantified. Steel Processing's ability to meet tight delivery schedules is, in part, based on the proximity of our facilities to customers, suppliers and one another. The extent to which plant location has impacted Steel Processing's competitive position has not been quantified. Processed steel products are priced competitively, primarily based on market factors, including, among other things, market pricing, the cost and availability of raw materials, transportation and shipping costs, and overall economic conditions in the United States and abroad.

***Pressure Cylinders***

Pressure Cylinders consists of the Worthington Cylinders business unit. The percentage of our consolidated net sales generated by Pressure Cylinders was approximately 37%, 32% and 34% in fiscal 2020, fiscal 2019 and fiscal 2018, respectively.

Pressure Cylinders manufactures and sells filled and unfilled pressure cylinders, tanks, hand torches, well water and expansion tanks, and oil and gas equipment along with various accessories and related products for diversified end-use market applications. The following is a description of these markets:

- Industrial Products: This market sector includes high pressure and acetylene cylinders for industrial gases, refrigerant and certain propane gas (LPG) cylinders, alternative fuel cylinders, cryogenic equipment and systems and services for handling and storing liquid gases, and other specialty products. Cylinders in this

market sector are generally sold to gas producers, cylinder exchangers and industrial distributors. Industrial gas cylinders hold fuel for uses such as cutting, brazing and soldering, semiconductor production, and beverage delivery. Refrigerant gas cylinders are used to hold refrigerant gases for commercial, residential and automotive air conditioning and refrigeration systems. LPG cylinders hold fuel for barbeque grills, recreational vehicle equipment, residential and light commercial heating systems, industrial forklifts and commercial/residential cooking (the latter, generally outside North America). Alternative fuel cylinders include composite and steel cylinders used to hold CNG and hydrogen for automobiles, buses, and light-duty trucks, and to hold propane/autogas for automobiles and light- and medium-duty trucks. Cryogenic equipment and systems include liquid nitrogen storage freezers and shipping containers for organic specimens in healthcare and animal husbandry markets, and storage tanks and trailers for liquefied nitrogen, oxygen, argon, carbon dioxide and hydrogen. Specialty products include a variety of fire suppression, life support and chemical tanks.

- Consumer Products: This market sector includes propane-filled cylinders for torches, camping stoves and other applications, hand-held torches, Balloon Time® helium-filled balloon kits, well water tanks and expansion tanks. These products are sold primarily to mass merchandisers, retailers and distributors.

- Oil & Gas Equipment: This market sector includes steel storage tanks, separation equipment, processing equipment and other products primarily used in the oil and gas markets.

While a large percentage of Pressure Cylinders sales are made to major accounts, this operating segment served approximately 3,700 customers during fiscal 2020. No single customer represented greater than 10% of net sales for Pressure Cylinders during fiscal 2020.

Pressure Cylinders operates 16 manufacturing facilities located in Alabama, California, Kansas, Kentucky, Maryland, Ohio (4), Oklahoma, Rhode Island, Wisconsin, Austria, Poland (2), and Portugal.

For sales in the United States and Canada, high-pressure and low-pressure cylinders are primarily manufactured in accordance with United States Department of Transportation and Transport Canada specifications. Outside the United States and Canada, cylinders are manufactured according to European norm specifications, as well as various other international standards. Other products are produced to applicable industry standards including, as applicable, those standards issued by the American Petroleum Institute, ASME and UL.

Worthington Cylinders has one principal domestic competitor in the low-pressure LPG cylinder market, and there are a number of foreign competitors in the LPG cylinder market and in the non-refillable refrigerant market. We believe that Worthington Cylinders has the largest market share in its domestic low-pressure cylinder markets. In the other cylinder markets, there are several competitors. Worthington Cylinders is a leading supplier to the European markets for both the high-pressure cylinders and the low-pressure non-refillable cylinders. Worthington Cylinders generally has a strong competitive position for its industrial, energy, retail and specialty products, but competition varies on a product-by-product basis, and geographically for energy products. As with our other operating segment, competition is based upon price, service and quality.

Pressure Cylinders uses the trade names “Worthington Cylinders”, “AMTROL” and “Alfa” to conduct business.

The Company uses the registered trademark “Balloon Time®” to market helium-filled balloon kits; the registered trademark “BERNZOMATIC®” to market certain fuel cylinders and hand-held-torches; the trademark “WORTHINGTON PRO-GRADE” to market certain LPG cylinders, hand torches and camping fuel cylinders; the registered trademark “Coleman®” to market certain camping fuel cylinders; the registered trademarks “MAP-PRO®” and “Pro-Max®” to market certain hand torch cylinders; the registered trademark “Mag-Torch®” to market certain hand-held torches; the registered trademarks “Therm-X-Trol®” and “Extrol®” to market thermal expansion tanks; the registered trademarks “Well X Trol®”, “Champion®”, and “Wel-Flo and Design®” to market well tanks; and the registered trademarks “Hydromax®” and “Boilermate®” to market indirect fired water heaters.

***Other***

As noted above, the Company entered into the Cabs joint venture on November 1, 2019, and as a result deconsolidated substantially all of the net assets of the Engineered Cabs business, which had historically been

treated as a separate reportable segment. The deconsolidated net assets included the two primary manufacturing facilities of the Engineered Cabs business located in Greeneville, Tennessee and Watertown, South Dakota. The remaining non-core assets of the Engineered Cabs business, including the fabricated products facility in Stow, Ohio, and the steel packaging facility in Greensburg, Indiana, were retained, but the Company has finalized plans to exit those facilities. The retained Engineered Cabs assets, which are in the process of being closed, no longer qualify as a separate operating or reportable segment. Accordingly, the activity related to our former Engineered Cabs operating segment has been reported in the "Other" category since its deconsolidation on November 1, 2019. Segment information reported in previous periods has been restated to conform to this new presentation.

***Segment Financial Data***

Financial information for the reportable business segments is provided in "Note O – Segment Data".

***Suppliers***

The primary raw material purchased by Worthington is steel. We purchase steel in large quantities at regular intervals from major primary producers of steel, both domestic and foreign. The amount purchased from any particular supplier varies from year to year depending on a number of factors including market conditions, then current relationships and prices and terms offered. In nearly all market conditions, steel is available from a number of suppliers and generally any supplier relationship or contract can and has been replaced with little or no significant interruption to our business. During fiscal 2020, we purchased approximately 2.4 million tons of steel (72% hot-rolled, 16% cold-rolled and 12% galvanized) on a consolidated basis.

Steel is primarily purchased and processed based on specific customer orders for Steel Processing, while Pressure Cylinders purchases steel to meet production schedules. For certain raw materials, there are more limited suppliers -- for example, helium and zinc, which are generally purchased at market prices. Since there are a limited number of suppliers in the helium and zinc markets, if delivery from a major supplier is disrupted due to a force majeure type occurrence, it may be difficult to obtain an alternative supply. Raw materials are generally purchased in the open market on a negotiated spot-market basis at prevailing market prices. Supply contracts are also entered into, some of which have fixed pricing and some of which are indexed (monthly or quarterly). During fiscal 2020, we purchased steel from the following major suppliers, in alphabetical order: AK Steel Holding Corporation, a subsidiary of Cleveland-Cliffs Inc.; ArcelorMittal; NLMK USA; North Star BlueScope Steel, LLC; Nucor Corporation; Steel Dynamics, Inc.; and United States Steel Corporation ("U.S. Steel"). Major suppliers of aluminum to Pressure Cylinders in fiscal 2020 were, in alphabetical order: Arconic Inc.; DK Resources Limited; Geumsan Tech; Horizon; Meyer Aluminum; Novelis Corporation; Sapa Group; and Shanghai Everskill. Major suppliers of zinc to Steel Processing in fiscal 2020 were, in alphabetical order: Considar Metal Marketing Inc. (a/k/a HudBay); Glencore Ltd; Nexa Resources S.A.; and Teck Resources Limited. Approximately 42.2 million pounds of zinc and 8.0 million pounds of aluminum were purchased in fiscal 2020. We believe our supplier relationships are favorable.

***Technical Services***

We employ a staff of engineers and other technical personnel, and we maintain fully equipped laboratories to support operations. These facilities enable verification, analysis and documentation of the physical, chemical, metallurgical and mechanical properties of raw materials and products. Technical Service personnel also work in conjunction with the sales force to specify components and materials required to fulfill customer needs Laboratory facilities also perform metallurgical and chemical testing as dictated by International Organization for Standardization (ISO), ASTM International, and other customer and industry specific requirements.

***Seasonality and Backlog***

Sales are generally strongest in the fourth quarter of our fiscal year as our operating segments are generally operating at seasonal peaks; however, we saw weaker demand in the fourth quarter of fiscal 2020 due the novel coronavirus pandemic ("COVID-19"), and the various governmental, industry and consumer actions related thereto. Historically, sales have generally been weaker in the third quarter of our fiscal year, primarily due to reduced activity in the building and construction industry as a result of inclement weather, as well as customer plant shutdowns, particularly in the automotive industry, due to holidays and such weakness was amplified in fiscal 2020 as a result of COVID-19. We do not believe backlog is a significant indicator of our business.

***Employees***

As of May 31, 2020, we had approximately 9,000 employees, including those employed by our unconsolidated joint ventures. Approximately 10% of our consolidated labor force is represented by collective bargaining units. Worthington believes it has good relationships with its employees, including those covered by collective bargaining units.

***Joint Ventures***

As part of our strategy to selectively develop new products, markets and technological capabilities and to expand our international presence, while mitigating the risks and costs associated with those activities, as of May 31, 2020, we participated in four consolidated and five unconsolidated joint ventures.

**Consolidated**

The results of the following four consolidated joint ventures have been consolidated with the financial results of the Company since the respective dates on which the Company acquired majority ownership or effective control. The equity owned by the other joint venture members is shown as noncontrolling interests on our consolidated balance sheets and their portions of net earnings are included as net earnings attributable to noncontrolling interests in our consolidated statements of earnings. The financial results of all of our consolidated joint ventures are consolidated within Steel Processing.

- Spartan is a 52%-owned consolidated joint venture with AK-Steel, a subsidiary of Cleveland-Cliffs Inc. Located in Monroe, Michigan, Spartan operates a cold-rolled, hot-dipped galvanizing line for toll processing steel coils into galvanized and galvannealed products intended primarily for the automotive industry.

- TWB is a 55%-owned consolidated joint venture with a subsidiary of Baoshan Iron & Steel Co., Ltd. TWB is a leading North American supplier of laser welded blanks, tailor welded aluminum blanks, laser welded coils and other laser welded products for use primarily in the automotive industry for products such as inner-door panels, body sides, rails and pillars. TWB operates facilities in Cambridge, Ontario, Canada; Glasgow, Kentucky; Hermosillo, Puebla, Monterrey, and Silao, Mexico; Monroe, Michigan; and Antioch and Smyrna, Tennessee.

- Samuel, a 63%-owned joint venture with Samuel Manu-Tech Pickling Inc., operates three steel pickling facilities in Ohio.

- WSP, a 51%-owned joint venture with a subsidiary of U.S. Steel, operates two steel processing facilities located in Jackson, and Taylor, Michigan, which are managed by Steel Processing. WSP serves primarily as a toll processor for U.S. Steel and others. WSP’s services include slitting, blanking, cutting-to-length, laser blanking, tension leveling and warehousing.

**Unconsolidated**

- ArtiFlex Manufacturing, LLC (“ArtiFlex”), a 50%-owned joint venture with ITS-H Holdings, LLC, provides an integrated solution for engineering, tooling, current and past model automotive service stamping, assembly and other services to customers primarily in the automotive industry. ArtiFlex operates five manufacturing facilities: three in Michigan and two in Ohio.

- Clarkwestern Dietrich Building Systems LLC (“ClarkDietrich”), a 25%-owned joint venture with CWBS-MISA, Inc., is an industry leader in the manufacture and supply of light gauge steel framing products in the United States. ClarkDietrich manufactures a full line of drywall studs and accessories, structural studs and joists, metal lath and accessories, shaft wall studs and track, vinyl and finishing products used primarily in residential and commercial construction. This joint venture operates 13 manufacturing facilities, one each in Connecticut, Georgia, Illinois, Maryland and Missouri and two each in California, Florida, Ohio, and Texas.

- Serviacero Planos, S. de R.L. de C.V. (“Serviacero Worthington”), a 50%-owned joint venture with Inverzer, S.A. de C.V., operates three steel processing facilities in Mexico, one each in Leon, Monterrey and Queretaro. Serviacero Worthington provides steel processing services, such as pickling, blanking, slitting, multi-blanking and cutting-to-length, to customers in a variety of industries including automotive, appliance and heavy equipment.

- Taxi Workhorse Holdings, LLC, a 20%-owned joint venture with an affiliate of Angeles Equity Partners, LLC, is a non-captive designer and manufacturer of high-quality, custom-engineered open and enclosed cabs and operator stations and custom fabrications and packaging for heavy mobile equipment used primarily in the agricultural, construction, forestry, military and mining industries. The Cabs joint venture operates six manufacturing facilities, one each in Brazil, South Dakota and Tennessee and three in Minnesota.

- WAVE, a 50%-owned joint venture with a subsidiary of Armstrong World Industries, Inc., is the largest of the four national North American manufacturers of ceiling suspension systems for concealed and lay-in panel ceilings used in commercial and residential ceiling markets. It competes with the other North American manufacturers and numerous regional manufacturers. WAVE operates six manufacturing facilities, one each in Georgia, Maryland, Michigan and Nevada and two in California.

See "Note C – Investments in Unconsolidated Affiliates" for additional information about our unconsolidated joint ventures.

***Environmental Regulation***

Our manufacturing facilities, generally in common with those of similar industries making similar products, are subject to many federal, state, local and foreign laws and regulations relating to the protection of the environment. We examine ways to reduce emissions and waste and to decrease costs related to environmental compliance. The cost of compliance or capital expenditures for environmental control facilities required to meet environmental requirements are not anticipated to be material when compared with overall costs and capital expenditures and, accordingly, are not anticipated to have a material effect on our financial position, results of operations or cash flows, or on the competitive position of Worthington or any particular business segment.

**Item 1A. — Risk Factors**

Future results and the market price for Worthington Industries' common shares are subject to numerous risks, many of which are driven by factors that cannot be controlled or predicted. The following discussion, as well as other sections of this Annual Report on Form 10-K, including "PART II—Item 7. — Management's Discussion and Analysis of Financial Condition and Results of Operations," describe certain business risks. We face risks related to COVID-19 and actions in response thereto, which have exacerbated or could further exacerbate conditions in our other risk factors noted below. Consideration should be given to the risk factors described below as well as those in the Safe Harbor Statement at the beginning of this Annual Report on Form 10-K, in conjunction with reviewing the forward-looking statements and other information contained in this Annual Report on Form 10-K. The risks described below are not the only risks we face. Our business operations could also be affected by additional factors that are not presently known to us or that we currently consider to be immaterial in our operations.

**Risks Related to Our Business**

***The COVID-19 Pandemic***

*The Novel Coronavirus (COVID-19) pandemic has significantly impacted the global economy and has had and could continue to have material adverse effects on our business, financial position, results of operations and cash flows.* The COVID-19 pandemic, and the various governmental, industry and consumer actions related thereto, are having and could continue to have negative impacts on our business and have exacerbated or could further exacerbate conditions in our other risk factors noted below. These impacts include, without limitation, potential significant volatility or continued decreases in the demand for our products, changes in customer and consumer behavior and preferences, disruptions in or additional closures of our manufacturing operations or those of our customers and suppliers, disruptions within our supply chain, limitations on our employees' ability to work and travel, potential financial difficulties of customers and suppliers, significant changes in economic or political conditions, and related financial and commodity volatility, including volatility in raw material and other input costs. The situation is changing rapidly and there may be additional impacts that we are not currently aware of.

It is also uncertain what the impact of various legislation and other responses being taken in the United States and other countries will have on the economy, international trade, our industries, our businesses and the businesses of our customers and suppliers. Governments around the world have implemented stringent measures to help control the spread of COVID-19, including quarantines, "shelter in place" and "stay at home" orders, travel

restrictions, business curtailments, school and childcare closures, and other measures. These actions have caused, and are continuing to cause, business shutdowns or slowdowns and significant disruption in the global economy.

Despite our efforts to manage the impacts, the degree to which COVID-19 and related actions ultimately impact our business, financial position, results of operations and cash flows will depend on factors beyond our control including the duration, spread and severity of the outbreak, the actions taken to contain COVID-19 and mitigate its public health effects, the impact on the U.S. and global economies and demand for our products, and how quickly and to what extent normal economic and operating conditions resume. Continued disruption to the global economy, as well as to the end markets our businesses serve, could result in material adverse effects on our business, financial position, results of operations and cash flows.

***General Economic or Industry Downturns and Weakness***

*Our industries are cyclical and weakness or downturns in the general economy or certain industries could have an adverse effect on our business.* If the domestic or global economies, or certain industry sectors of those economies that are key to our sales, contract or deteriorate, it could result in a corresponding decrease in demand for our products and negatively impact our results of operations and financial condition.

*The automotive and construction industries account for a significant portion of our net sales, and reduced demand from these industries could adversely affect our business.* An overall downturn in the general economy, a disruption in capital and credit markets, high unemployment, reduced consumer confidence or other factors, whether due to COVID-19 or otherwise, could cause reductions in demand from our end markets in general and, in particular, the automotive and construction end markets. If demand for the products we sell to the automotive, construction or other end markets which we supply were to be reduced, our sales, financial results and cash flows could be negatively affected.

*We face intense competition which may cause decreased demand, decreased market share and/or reduced prices for our products and services.* Our businesses operate in industries that are highly competitive and have been subject to increasing consolidation of customers. Because of the range of the products and services we sell and the variety of markets we serve, we encounter a wide variety of competitors. Our failure to compete effectively and/or pricing pressures resulting from competition may adversely impact our businesses and financial results.

*Financial difficulties and bankruptcy filings by our customers could have an adverse impact on our businesses.* In past years, some customers have experienced, and some continue to experience, whether due to COVID-19 or otherwise, challenging financial conditions. The financial difficulties of certain customers and/or their failure to obtain credit or otherwise improve their overall financial condition could result in changes within the markets we serve, including plant closings, decreased production, reduced demand, changes in product mix, unfavorable changes in the prices, terms or conditions we are able to obtain and other changes that may result in decreased purchases from us and otherwise negatively impact our businesses. These conditions also increase the risk that our customers may delay or default on their payment obligations to us. If the general economy or any of our markets decline, the risk of bankruptcy filings by and financial difficulties of our customers may increase. While we have taken and will continue to take steps intended to mitigate the impact of financial difficulties and potential bankruptcy filings by our customers, these matters could have a negative impact on our businesses.

*Volatility in the prices of natural gas and/or oil may adversely affect the demand for products in our oil and gas equipment business.* Volatility or weakness in oil prices or natural gas prices, or the perception of future price weakness, affects the spending patterns of our customers within the oil and gas equipment business and the demand for our products. This has resulted and may continue to result in the drilling of fewer wells and lower production spending on existing wells, lowering demand for our oil and gas equipment products and negatively impacting our results of operations and financial condition. Likewise, recent downturns in the oil industry have limited, and may continue to limit, the number of vehicles changing from gasoline as a fuel to CNG, propane or alternative fuels which could negatively impact demand for our alternative fuel cylinders.

*Volatility in the United States and worldwide capital and credit markets could impact our end markets and result in negative impacts on demand, increased credit and collection risks and other adverse effects on our businesses.* The domestic and worldwide capital and credit markets have experienced significant volatility, disruptions and dislocations with respect to price and credit availability. These factors caused diminished availability of credit and other capital in our end markets, and for participants in, and the customers of, those markets. Although domestic credit markets have largely stabilized from the height of the financial crisis, the effects of the financial crisis, as well as the concerns over the economic impact of COVID-19, continue to present risks to us, our customers and suppliers. In particular, there is no guarantee that the credit markets or liquidity will not once again be restricted. Additionally, government stimulus programs may not be available to the Company, its customers, or its suppliers, or may prove to be ineffective. Stricter lending standards may make it more difficult and costly for some firms to access the credit markets. Further, uncertainties in Europe regarding the financial sector and sovereign debt and the potential impact on banks in other regions of the world will continue to weigh on global and domestic growth. Although we believe we have adequate access to several sources of contractually committed borrowings and other available credit facilities, these risks could temporarily restrict our ability to borrow money on acceptable terms in the credit markets and potentially could affect our ability to draw on our credit facilities. In addition, restricted access to the credit markets could make it difficult, or in some cases, impossible for customers to borrow money to fund their operations. Lack of, or limited access to, capital would adversely affect our customers' ability to purchase our products or, in some cases, to pay for our products on a timely basis.

***Raw Material Pricing and Availability***

*Our operating results may be adversely affected by declining steel prices*. If steel prices or other raw material prices decrease, competitive conditions may impact how quickly we must reduce our prices to our customers, and we could be forced to use higher-priced raw materials then on hand to complete orders for which the selling prices have decreased. Decreasing steel prices could also require us to write-down the value of our inventory to reflect current market pricing.

*Our operating results may be affected by fluctuations in raw material prices and our ability to pass on increases in raw material costs to our customers.* Our principal raw material is flat-rolled steel, which we purchase from multiple primary steel producers. The steel industry as a whole has been cyclical, and at times availability and pricing can be volatile due to a number of factors beyond our control. These factors include general economic conditions, domestic and worldwide supply and demand, the influence of hedge funds and other investment funds participating in commodity markets, curtailed production from major suppliers due to factors such as the closing or idling of facilities, COVID-19 or other pandemics, accidents or equipment breakdowns, repairs or catastrophic events, labor costs or problems, competition, new laws and regulations, import duties, tariffs, energy costs, availability and cost of steel inputs (e.g., ore, scrap, coke and energy), foreign currency exchange rates and other factors described in the immediately following paragraph. This volatility, as well as any increases in raw material costs, could significantly affect our steel costs and adversely impact our financial results. If our suppliers increase the prices of our critical raw materials, we may not have alternative sources of supply. In addition, in an environment of increasing prices for steel and other raw materials, competitive conditions may impact how much of the price increases we can pass on to our customers. To the extent we are unable to pass on future price increases in our raw materials to our customers, our financial results could be adversely affected.

*The costs of manufacturing our products and our ability to meet our customers' demands could be negatively impacted if we experience interruptions in deliveries of needed raw materials or supplies.* If, for any reason, our supply of flat-rolled steel or other key raw materials, such as aluminum, zinc, copper or helium, or other supplies is curtailed or we are otherwise unable to obtain the quantities we need at competitive prices, our business could suffer and our financial results could be adversely affected. Such interruptions could result from a number of factors, including a shortage of capacity in the supplier base of raw materials, energy or the inputs needed to make steel or other supplies, a failure of suppliers to fulfill their supply or delivery obligations, financial difficulties of suppliers resulting in the closing or idling of supplier facilities, other significant events affecting supplier facilities, significant weather events, those factors listed in the immediately preceding paragraph or other factors beyond our control like pandemics such as COVID-19. Further, the number of suppliers has decreased in recent years due to industry consolidation and the financial difficulties of certain suppliers, and this consolidation may continue.

*An increase in the spread between the price of steel and steel scrap prices can have a negative impact on our margins.* No matter how efficient, our operations which use steel as a raw material, create some amount of scrap. The expected price of scrap compared to the price of the steel raw material is generally factored into pricing. Generally, as the price of steel increases, the price of scrap increases by a similar amount. When increases in scrap prices do not keep pace with the increases in the price of the steel raw material, it can have a negative impact on our margins.

***Inventories***

*Our businesses could be harmed if we fail to maintain proper inventory levels.* We are required to maintain sufficient inventories to accommodate the needs of our customers including, in many cases, short lead times and just-in-time delivery requirements. Although we typically have customer orders in hand prior to placement of our raw material orders for Steel Processing, we anticipate and forecast customer demand for each of our operating segments. We purchase raw materials on a regular basis in an effort to maintain our inventory at levels that we believe are sufficient to satisfy the anticipated needs of our customers based upon orders, customer volume expectations, historic buying practices and market conditions. Inventory levels in excess of customer demand may result in the use of higher-priced inventory to fill orders reflecting lower selling prices, if raw material prices have significantly decreased. For example, if steel prices decrease, we could be forced to use higher-priced steel then on hand to complete orders for which the selling price has decreased. These events could adversely affect our financial results. Conversely, if we underestimate demand for our products or if our suppliers fail to supply quality products in a timely manner, we may experience inventory shortages. Inventory shortages could result in unfilled orders, negatively impacting our customer relationships and resulting in lost revenues, which could harm our businesses and adversely affect our financial results.

***Suppliers and Customers***

*The loss of significant volume from our key customers could adversely affect us*. A significant loss of, or decrease in, business from any of our key customers could have an adverse effect on our sales and financial results if we cannot obtain replacement business. For example, a number of customers in the automotive industry idled production facilities in 2020 in response to COVID-19, which had, and may continue to have, a negative impact on our business. Also, due to consolidation in the industries we serve, including the automotive, construction and retail industries, our sales may be increasingly sensitive to deterioration in the financial condition of, or other adverse developments with respect to, one or more of our top customers. In addition, certain of our top customers may be able to exert pricing and other influences on us, requiring us to market, deliver and promote our products in a manner that may be more costly to us. We generally do not have long-term contracts with our customers. As a result, although our customers periodically provide notice of their future product needs and purchases, they generally purchase our products on an order-by-order basis, and the relationship, as well as particular orders, can be terminated at any time.

*Many of our key industries, such as automotive and construction, are cyclical in nature.* Many of our key industries, such as automotive and construction, are cyclical and can be impacted by both market demand and raw material supply, particularly with respect to steel. The demand for our products is directly related to, and quickly impacted by, customer demand in our industries, which can change as the result of changes in the general U.S. or worldwide economies and other factors beyond our control. Adverse changes in demand or pricing can have a negative effect on our businesses.

*Significant reductions in sales to any of the Detroit Three automakers, or to our automotive-related customers in general, could have a negative impact on our business.* More than half of the net sales of Steel Processing and a significant amount of the net sales of certain joint ventures are to automotive-related customers. Although we do sell to the domestic operations of foreign automakers and their suppliers, a significant portion of our automotive sales are to Ford, General Motors, and FCA US (the "Detroit Three automakers") and their suppliers. A reduction in sales for any of the Detroit Three automakers, as well as additional or prolonged idling of production facilities in response to COVID-19, has and could continue to negatively impact our business. In addition, certain automakers have begun using greater amounts of aluminum and smaller proportions of steel in some new models, thereby reducing the demand for our products.

*The closing or relocation of customer facilities could adversely affect us*. Our ability to meet delivery requirements and the overall cost of our products as delivered to customer facilities are important competitive factors. If customers close or move their production facilities further away from our manufacturing facilities which can supply them, it could have an adverse effect on our ability to meet competitive conditions, which could result in the loss of sales. Likewise, if customers move their production facilities outside the United States, it could result in the loss of potential sales for us.

*Sales conflicts with our customers and/or suppliers may adversely impact us*. In some instances, we may compete with one or more of our customers and/or suppliers in pursuing the same business. Such conflicts may strain our relationships with the parties involved, which could adversely affect our future business with them.

*The closing or idling of steel manufacturing facilities could have a negative impact on us*. As steel makers have reduced their production capacities by closing or idling production lines, whether due to COVID-19 or otherwise, the number of facilities from which we can purchase steel, in particular certain specialty steels, has decreased. Accordingly, if delivery from a supplier is disrupted, particularly with respect to certain types of specialty steel, it may be more difficult to obtain an alternate supply than in the past. These closures and disruptions could also have an adverse effect on our suppliers' on-time delivery performance, which could have an adverse effect on our ability to meet our own delivery commitments and may have other adverse effects on our businesses.

*The loss of key supplier relationships could adversely affect us.* Over the years, our various manufacturing operations have developed relationships with certain steel and other suppliers which have been beneficial to us by providing more assured delivery and a more favorable all-in cost, which includes price and shipping costs. If any of those relationships were disrupted, it could have an adverse effect on delivery times and the overall cost and quality of our raw materials, which could have a negative impact on our businesses. In addition, we do not have long-term contracts with any of our suppliers. If, in the future, we are unable to obtain sufficient amounts of steel and other products at competitive prices and on a timely basis from our traditional suppliers, we may be unable to obtain these products from alternative sources at competitive prices to meet our delivery schedules, which could have a material adverse impact on our results of operations.

***Competition***

*Our businesses are highly competitive, and increased competition could negatively impact our financial results.* Generally, the markets in which we conduct business are highly competitive. Our competitors include a variety of both domestic and foreign companies in all major markets. Competition for most of our products is primarily on the basis of price, product quality and our ability to meet delivery requirements. Depending on a variety of factors, including raw material, energy, labor and capital costs, government control of foreign currency exchange rates and government subsidies of foreign steel producers or competitors, our businesses may be materially adversely affected by competitive forces. In addition, anti-dumping actions we may pursue to counter government subsidiaries to and dumping by foreign competitors may prove to be ineffective. Competition may also increase if suppliers to or customers of our industries begin to more directly compete with our businesses through new facilities, acquisitions or otherwise. As noted above, we can have conflicts with our customers or suppliers who, in some cases, supply the same products and services as we do. Increased competition could cause us to lose market share, increase expenditures, lower our margins or offer additional services at a higher cost to us, which could adversely impact our financial results.

***Material Substitution***

*If steel prices increase compared to certain substitute materials, the demand for our products could be negatively impacted, which could have an adverse effect on our financial results.* In certain applications, steel competes with other materials, such as aluminum (particularly in the automobile industry), cement and wood (particularly in the construction industry), composites, glass and plastic. Prices of all of these materials fluctuate widely, and differences between the prices of these materials and the price of steel may adversely affect demand for our products and/or encourage material substitution, which could adversely affect the prices of and demand for steel products. The higher cost of steel relative to certain other materials may make material substitution more attractive for certain uses.

*If increased government mileage standards for automobiles result in the substitution of other materials for steel, demand for our products could be negatively impacted, which could have an adverse effect on our financial results.* Due to government requirements that manufacturers increase the fuel efficiency of automobiles, the automobile industry is exploring alternative materials to steel to decrease weight. The substitution of lighter weight material for steel in automobiles could adversely affect prices of and demand for our steel products.

***Freight and Energy***

*Increasing freight and energy costs could increase our operating costs, which could have an adverse effect on our financial results.* The availability and cost of freight and energy, such as electricity, natural gas and diesel fuel, are important in the manufacture and transport of our products. Our operations consume substantial amounts of energy, and our operating costs generally increase when energy costs rise. Factors that may affect our energy costs include significant increases in fuel, oil or natural gas prices, unavailability of electrical power or other energy sources due to droughts, hurricanes or other natural causes or due to shortages resulting from insufficient supplies to serve customers, or interruptions in energy supplies due to equipment failure or other causes. During periods of increasing energy and freight costs, we may be unable to fully recover our operating cost increases through price increases without reducing demand for our products. Our financial results could be adversely affected if we are unable to pass all of the cost increases on to our customers or if we are unable to obtain the necessary freight and/or energy. Also, increasing energy costs could put a strain on the transportation of our materials and products if the increased costs force certain transporters to discontinue their operations.

*We depend on third parties for freight services, and increases in the costs or the lack of availability of freight services can adversely affect our operations.* We rely primarily on third parties for transportation of our products as well as delivery of our raw materials, primarily by truck. If, due to a lack of freight services, raw materials are not delivered to us in a timely manner, we may be unable to manufacture and deliver our products to meet customer demand. Likewise, if due to a lack of freight service, we cannot deliver our products in a timely manner, it could harm our reputation, negatively affect our customer relationships and have a material adverse effect on our results of operations. In addition, any increase in the cost of the transportation of raw materials or our products, as a result of increases in fuel or labor costs, higher demand for logistics services or otherwise, may adversely affect our results of operations as we may not be able to pass such cost increases on to our customers.

***Information Systems***

*We are subject to information system security risks and systems integration issues that could disrupt our internal operations.* We are dependent upon information technology and networks in connection with a variety of business activities including the distribution of information internally and to our customers and suppliers. This information technology is subject to potential damage or interruption from a variety of sources, including, without limitation, computer viruses, security breaches, and natural disasters. We could also be adversely affected by system or network disruptions if new or upgraded business management systems are defective, not installed properly or not properly integrated into operations. In addition, security breaches of our information systems could result in unauthorized disclosure or destruction of confidential or proprietary information and/or loss of the functionality of our systems. These risks may be increased as more employees work from home as part of our response to the COVID-19 pandemic. Various measures have been implemented to manage our risks related to information system and network disruptions and to prevent attempts to gain unauthorized access to our information systems. While we undertake mitigating activities to counter these risks, a system failure could negatively impact our operations and financial results and cyber attacks could threaten the integrity of our trade secrets and sensitive intellectual property.

***Business Disruptions***

*Disruptions to our business or the business of our customers or suppliers could adversely impact our operations and financial results.* Business disruptions, including increased costs for, or interruptions in, the supply of energy or raw materials, resulting from pandemic disease such as COVID-19, shortages of supply or transportation, severe weather events (such as hurricanes, tsunamis, earthquakes, tornados, floods and blizzards), casualty events (such as explosions, fires or material equipment breakdown), acts of terrorism, labor disruptions, the idling of facilities due to reduced demand (resulting from a downturn in economic activity or otherwise) or other events (such as required maintenance shutdowns), could cause interruptions to our businesses as well as the operations of our customers and suppliers. While we maintain insurance coverage that can offset some losses relating to certain types of these events, losses from business disruptions could have an adverse effect on our operations and financial results and we could be adversely impacted to the extent any such losses are not covered by insurance or cause some other adverse impact to us.

***Foreign Operations***

*Economic, political and other risks associated with foreign operations could adversely affect our international financial results.* Although the substantial majority of our business activity takes place in the United States, we derive a portion of our revenues and earnings from operations in foreign countries, and we are subject to risks associated with doing business internationally. We have wholly-owned facilities in Austria, Poland and Portugal and joint venture facilities in Brazil, Canada, and Mexico and are active in exploring other foreign opportunities. The risks of doing business in foreign countries include, among other factors: the potential for adverse changes in the local political climate, in diplomatic relations between foreign countries and the United States or in government policies, laws or regulations; terrorist activity that may cause social disruption; logistical and communications challenges; costs of complying with a variety of laws and regulations; difficulty in staffing and managing geographically diverse operations; deterioration of foreign economic conditions; inflation and fluctuations in interest rates; foreign currency exchange rate fluctuations; foreign exchange restrictions; differing local business practices and cultural considerations; restrictions on imports and exports or sources of supply, including energy and raw materials; changes in duties, quotas, tariffs, taxes or other protectionist measures; and potential issues related to matters covered by the Foreign Corrupt Practices Act, regulations related to import/export controls, the Office of Foreign Assets Control sanctions program, anti-boycott provisions or similar laws. We believe that our business activities outside of the United States involve a higher degree of risk than our domestic activities, and any one or more of these factors could adversely affect our operating results and financial condition. In addition, global and regional economic conditions and the volatility of worldwide capital and credit markets have significantly impacted and may continue to significantly impact our foreign customers and markets. These factors may result in decreased demand in our foreign operations and have had significant negative impacts on our business. Refer to the ***General Economic or Industry Downturns and Weakness*** risk factors herein for additional information concerning the impact of the global economic conditions and the volatility of capital and credit markets on our business.

***Joint Ventures and Investments***

*A change in the relationship between the members of any of our joint ventures may have an adverse effect on that joint venture*. We have been successful in the development and operation of various joint ventures, and our equity in net income from our joint ventures, particularly WAVE, has been important to our financial results. We believe an important element in the success of any joint venture is a solid relationship between the members of that joint venture. If there is a change in ownership, a change of control, a change in management or management philosophy, a change in business strategy or another event with respect to a member of a joint venture that adversely impacts the relationship between the joint venture members, it could adversely impact that joint venture. The other members in our joint ventures may also, as a result of financial or other reasons, be unable or unwilling to fulfill their obligations in the respective joint ventures. In addition, joint ventures necessarily involve special risks. Whether or not we hold a majority interest or maintain operational control in a joint venture, the other members in our joint ventures may have economic or business interests or goals that are inconsistent with our interests or goals. For example, the other members in our joint ventures may exercise veto rights to block actions that we believe to be in our best interests, may take action contrary to our policies or objectives with respect to our investments, or may be unable or unwilling to fulfill their obligations or commitments to the joint venture.

*The value of our investment in Nikola is subject to price risk.* We do not participate in the management or operations of Nikola. The value of our investment in Nikola is tied to the price of Nikola stock which may be highly

volatile and subject to wide fluctuations which could negatively impact the value of our investment. Also, our investment in Nikola is subject to a lock-up agreement that restricts our ability to sell, transfer or otherwise monetize our investment for certain periods of time which may also adversely impact the value of this investment.

***Acquisitions***

*We may be unable to successfully consummate, manage or integrate our acquisitions or our acquisitions may not meet our expectations.* A portion of our growth has occurred through acquisitions. We may from time to time continue to seek attractive opportunities to acquire businesses, enter into joint ventures and make other investments that are complementary to our existing strengths. There are no assurances, however, that any acquisition opportunities will arise or, if they do, that they will be consummated, or that any needed additional financing for such opportunities will be available on satisfactory terms when required. In addition, acquisitions involve risks that the businesses acquired will not perform in accordance with expectations, that business judgments concerning the value, strengths and weaknesses of businesses acquired will prove incorrect, that we may assume unknown liabilities from the seller, that the acquired businesses may not be integrated successfully and that the acquisitions may strain our management resources or divert management's attention from other business concerns. International acquisitions may present unique challenges and increase our exposure to the risks associated with foreign operations and countries. Also, failure to successfully integrate any of our acquisitions may cause significant operating inefficiencies and could adversely affect our operations and financial condition. Even if the operations of an acquisition are integrated successfully, we may fail to realize the anticipated benefits of the acquisition, including the synergies, cost savings or growth opportunities that we expect. These benefits may not be achieved within the anticipated timeframe, or at all. Failing to realize the benefits could have a material adverse effect on our financial condition and results of operations.

***Capital Expenditures***

*Our business requires capital investment and maintenance expenditures, and our capital resources may not be adequate to provide for all of our cash requirements.* Many of our operations are capital intensive. For the five-year period ended May 31, 2020, our total capital expenditures, including acquisitions and investment activity, were approximately $728.4 million. Additionally, as of May 31, 2020, we were obligated to make aggregate operating and financing lease payments of $40.1 million and $7.5 million, respectively, under lease agreements in the coming years. Our businesses also require expenditures for maintenance of our facilities. We currently believe that we have adequate resources (including cash and cash equivalents, cash provided by operating activities, availability under existing credit facilities and unused lines of credit) to meet our cash needs for normal operating costs, capital expenditures, debt repayments, dividend payments, future acquisitions and working capital for our existing businesses. However, given the potential for challenges, uncertainty and volatility in the domestic and global economies and financial markets, there can be no assurance that our capital resources will be adequate to provide for all of our cash requirements.

***Litigation***

*We may be subject to legal proceedings or investigations, the resolution of which could negatively affect our results of operations and liquidity in a particular period.* Our results of operations or liquidity in a particular period could be affected by an adverse ruling in any legal proceedings or investigations which may be pending against us or filed against us in the future. We are also subject to a variety of legal and compliance risks, including, without limitation, potential claims relating to product liability, product recall, privacy and information security, health and safety, environmental matters, intellectual property rights, taxes and compliance with U.S. and foreign export laws, anti-bribery laws, competition laws and sales and trading practices. While we believe that we have adopted appropriate risk management and compliance programs to address and reduce these risks, the global and diverse nature of our operations means that these risks will continue to exist and additional legal proceedings and contingencies may arise from time to time. An adverse ruling or settlement or an unfavorable change in laws, rules or regulations could have a material adverse effect on our results of operations or liquidity in a particular period.

***Claims and Insurance***

*Adverse claims experience, to the extent not covered by insurance, may have an adverse effect on our financial results.* We self-insure most of our risks for product recall, cyber liability and pollution liability. We also self-insure a significant portion of our potential liability for workers' compensation, product liability, general liability, property liability, automobile liability and employee medical claims, and in order to reduce risk for these liabilities, we purchase insurance from highly-rated, licensed insurance carriers that cover most claims in excess of the applicable deductible or retained amounts. We also maintain reserves for the estimated cost to resolve certain open claims that have been made against us (which may include active product recall or replacement programs), as well as an estimate of the cost of claims that have been incurred but not reported. The occurrence of significant claims, our failure to adequately reserve for such claims, a significant cost increase to maintain our insurance or the failure of our insurance providers to perform could have an adverse impact on our financial condition and results of operations.

***Accounting and Tax-Related Estimates***

*We are required to make accounting and tax-related estimates, assumptions and judgments in preparing our consolidated financial statements, and actual results may differ materially from the estimates, assumptions and judgments that we use.* In preparing our consolidated financial statements in accordance with accounting principles generally accepted in the United States, we are required to make certain estimates and assumptions that affect the accounting for and recognition of assets, liabilities, revenues and expenses. These estimates and assumptions must be made because certain information that is used in the preparation of our consolidated financial statements is dependent on future events or cannot be calculated with a high degree of precision from data available to us. In some cases, these estimates and assumptions are particularly difficult to determine and we must exercise significant judgment. Some of the estimates, assumptions and judgments having the greatest amount of uncertainty, subjectivity and complexity are related to our accounting for bad debts, returns and allowances, inventory, self-insurance reserves, derivatives, stock-based compensation, deferred tax assets and liabilities and asset impairments. Our actual results may differ materially from the estimates, assumptions and judgments that we use, which could have a material adverse effect on our financial condition and results of operations.

*Our internal controls could be negatively impacted by COVID-19.* As a result of COVID-19, a large portion of our workforce is required to work from home, so new processes, procedures, and controls could be required due to the changes in our business environment, which could negatively impact our internal control over financial reporting.

***Tax Laws and Regulations***

*Tax increases or changes in tax laws or regulations could adversely affect our financial results.* We are subject to tax and related obligations in the jurisdictions in which we operate or do business, including state, local, federal and foreign taxes. The taxing rules of the various jurisdictions in which we operate or do business often are complex and subject to varying interpretations. Tax authorities may challenge tax positions that we take or historically have taken and may assess taxes where we have not made tax filings or may audit the tax filings we have made and assess additional taxes. Some of these assessments may be substantial, and also may involve the imposition of penalties and interest. In addition, governments could change their existing tax laws, impose new taxes on us or increase the rates at which we are taxed in the future. The payment of substantial additional taxes, penalties or interest resulting from tax assessments, or the imposition of any new taxes, could materially and adversely impact our results of operations and financial condition.

***Principal Shareholder***

*Our principal shareholder may have the ability to exert significant influence in matters requiring a shareholder vote and could delay, deter or prevent a change in control of Worthington Industries.* Pursuant to our charter documents, certain matters such as those in which a person would attempt to acquire or take control of the Company, must be approved by the vote of the holders of common shares representing at least 75% of Worthington Industries' outstanding voting power. Approximately 31% of our outstanding common shares are beneficially owned, directly or indirectly, by John P. McConnell, our Chairman of the Board and current CEO. As a result of his beneficial ownership of our common shares, Mr. McConnell may have the ability to exert significant influence in these matters and other proposals upon which our shareholders may vote.

***Employees***

*The loss of, or inability to attract and retain qualified personnel could adversely affect our business*. Our ability to successfully operate, grow our business and implement our business strategies is largely dependent on the efforts, abilities and services of our employees. The loss of employees or our inability to attract, train and retain additional personnel could reduce the competitiveness of our business or otherwise impair our operations or prospects. Our future success will also depend, in part, on our ability to attract and retain qualified personnel, including engineers and other skilled technicians, who have experience in the application of our products and are knowledgeable about our business, markets and products. We also face risks associated with the actions taken in response to COVID-19, including those associated with workforce reductions, and may experience difficulties with hiring additional employees or replacing employees following the pandemic. In addition, COVID-19 has, and may again result in quarantines of our personnel or an inability to access facilities, which could adversely affect our operations.

*If we lose senior management or other key employees, our business may be adversely affected.* We cannot assure that we will be able to retain our existing senior management personnel or other key employees or attract additional qualified personnel when needed. The loss of any member of our management team could adversely impact our business and operations. We have not entered into any formal employment contracts with or other stand-alone change in control provisions relative to our executive officers. However, we do have certain change in control provisions in our various compensation plans. We may modify our management structure from time to time or reduce our overall workforce, which may create marketing, operational and other business risks. In addition, the COVID-19 pandemic may impact the health or effectiveness of members of our senior management team or other key employees, which could adversely affect our business.

***Credit Ratings***

*Ratings agencies may downgrade our credit ratings, which may make it more difficult for us to raise capital and could increase our financing costs.* Any downgrade in our credit ratings may make raising capital more difficult, may increase the cost and affect the terms of future borrowings, may affect the terms under which we purchase goods and services and may limit our ability to take advantage of potential business opportunities. In addition, the interest rate on our revolving credit facility is tied to our credit ratings, and any downgrade of our credit ratings would likely result in an increase in the cost of borrowings under our revolving credit facility.

***Difficult Financial Markets***

*If we are required to raise capital in the future, we could face higher borrowing costs, less available capital, more stringent terms and tighter covenants or, in extreme conditions, an inability to raise capital.* Although we currently have cash reserves, as well as significant borrowing availability under our existing credit facilities and should be able to access other capital if needed, should those facilities become unavailable due to covenant or other defaults, or should financial markets tighten so that we otherwise cannot raise capital outside our existing facilities, or the terms under which we do so change, we may be negatively impacted. Any adverse change in our access to capital or the terms of our borrowings, including increased costs, could have a negative impact on our financial condition.

***Environmental, Health and Safety***

*We may incur additional costs related to environmental and health and safety matters.* Our operations and facilities are subject to a variety of federal, state, local and foreign laws and regulations relating to the protection of the environment and human health and safety. Compliance with these laws and regulations and any changes therein may sometimes involve substantial operating costs and capital expenditures, and any failure to maintain or achieve compliance with these laws and regulations or with the permits required for our operations could result in increased costs and capital expenditures and potentially fines and civil or criminal sanctions, third-party claims for property damage or personal injury, cleanup costs or temporary or permanent discontinuance of operations. Over time, we and predecessor operators of our facilities have generated, used, handled and disposed of hazardous and other regulated wastes. Environmental liabilities, including cleanup obligations, could exist at our facilities or at off-site locations where materials from our operations were disposed of or at facilities we have divested, which could result in future expenditures that cannot be currently quantified and which could reduce our profits and cash flow. We may be held strictly liable for any contamination of these sites, and the amount of any such liability could be material. Under the “joint and several” liability principle of certain environmental laws, we may be held liable for

all remediation costs at a particular site, even with respect to contamination for which we are not responsible. In addition, changes in environmental and human health and safety laws, rules, regulations or enforcement policies could have a material adverse effect on our business, financial condition or results of operations.

***Legislation and Regulations***

*Certain proposed legislation and regulations may have an adverse impact on the economy in general and in our markets specifically, which may adversely affect our businesses.* Our businesses may be negatively impacted by a variety of new or proposed legislation or regulations, including governmental regulations imposed in response to COVID-19. For example, legislation and regulations proposing increases in taxation on, or heightened regulation of, greenhouse gas emissions may result in higher prices for steel, higher prices for utilities required to run our facilities, higher fuel costs for us and our suppliers and distributors and other adverse impacts. To the extent that new legislation or regulations increase our costs, we may not be able to fully pass these costs on to our customers without a resulting decline in sales and adverse impact to our profits. Likewise, to the extent new legislation or regulations would have an adverse effect on the economy, our markets or the ability of domestic businesses to compete against foreign operations, we could also be adversely impacted.

*Changes to global data privacy laws and cross-border transfer requirements could adversely affect our businesses and operations.* Our businesses depend on the transfer of data between our affiliated entities, to and from our business partners, and with third-party service provides, which may be subject to global data privacy laws and cross-border transfer restrictions. In particular, the European Union has implemented the General Data Protection Regulation ("GDPR"), which contains numerous requirements that must be complied with in connection with how we handle personal data related to our European-based operations and employees. A number of U.S. states have also recently introduced and passed legislation to expand data breach notification rules and to mirror some of the protections provided by GDPR. While we take steps to comply with these legal requirements, the volatility and changes to the applicability of those laws may impact our ability to effectively transfer data across borders in support of our business operations. Compliance with GDPR, or other regulatory standards, could also increase our cost of doing business and/or force us to change our business practices in a manner adverse to our businesses. In addition, violations of GDPR, or other privacy regulations, may result in significant fines, penalties and damage to our brands and businesses which could, individually or in the aggregate, materially harm our businesses and reputation.

*Significant changes to the U.S. federal government's trade policies, including new tariffs or the renegotiation or termination of existing trade agreements and/or treaties, may adversely affect our financial performance*. The U.S. federal government has altered U.S. international trade policy and has indicated its intention to renegotiate or terminate certain existing trade agreements and treaties with foreign governments. Most recently, the U.S. federal government has re-negotiated the North American Free Trade Agreement with Mexico and Canada, replacing it with the United States-Mexico-Canada Agreement ("USMCA"). While the USMCA has yet to be fully implemented, the U.S. federal government's potential decision to withdraw or materially modify existing trade agreements or treaties may adversely impact our business, customers and/or suppliers by disrupting trade and commercial transactions and/or adversely affecting the U.S. economy or specific portions thereof. Further, it is uncertain what impact COVID-19 and the reactions of governmental authorities and others thereto will have on international trade and what impact any changes in international trade will have on the economy or on the businesses of the Company and those of its customers and its suppliers.

Additionally, the U.S. federal government has imposed, and is considering imposing additional tariffs on certain foreign goods. The U.S. federal government has imposed tariffs on certain steel products imported into the United States. Although the new steel tariffs may benefit portions of our business, these tariffs, as well as country-specific or product-specific exemptions, may also lead to steel prices fluctuations and retaliatory actions from foreign governments and/or modifications to the purchasing patterns of our customers that could adversely affect our business or the steel industry as a whole. In particular, certain foreign governments, including Canada, China and Mexico, as well as the European Union, have instituted or are considering imposing tariffs on certain U.S. goods. Restrictions on trade with foreign countries, imposition of customs duties or further modifications to U.S. international trade policy have the potential to disrupt our supply chain or the supply chains of our customers and to adversely impact demand for our products, our costs, customers, suppliers and/or the U.S. economy or certain sectors thereof, potentially leading to negative effects on our business.

***Seasonality***

*Our operations have been subject to seasonal fluctuations that may impact our cash flows for a particular period.* Although we experienced weaker demand in the fourth quarter of fiscal 2020 due to COVID-19, our sales are generally strongest in the fourth quarter of the fiscal year when all of our business segments are normally operating at seasonal peaks, and our sales are generally weaker in the third quarter of the fiscal year, primarily due to reduced activity in the building and construction industry as a result of the colder, more inclement weather, as well as customer plant shutdowns in the automotive industry due to holidays. Our quarterly results may also be affected by the timing of large customer orders. Consequently, our cash flow from operations may fluctuate significantly from quarter to quarter. If, as a result of any such fluctuation, our quarterly cash flows were significantly reduced, we may be unable to service our indebtedness or maintain compliance with certain covenants under our credit facilities. A default under any of the documents governing our indebtedness could prevent us from borrowing additional funds, limit our ability to pay interest or principal and allow our lenders to declare the amounts outstanding to be immediately due and payable and to exercise certain other remedies.

***Impairment Charges***

*Weakness or instability in the general economy, our markets or our results of operations could result in future asset impairments, which would reduce our reported earnings and net worth.* Economic conditions remain fragile in some markets and the possibility remains that the domestic or global economies, or certain industry sectors that are key to our sales, may deteriorate. If certain of our business segments are adversely affected by challenging economic and financial conditions, we may be required to record future impairments, which would negatively impact our results of operations.

## Item 1B. — Unresolved Staff Comments

None.

## Item 2. — Properties.

***General***

Our principal corporate offices are located in an owned office building in Columbus, Ohio, which also houses the principal corporate offices of Pressure Cylinders. Our Steel Processing corporate offices are located in an office building next to the principal corporate offices where we lease office space. We also own three facilities in Columbus, Ohio used for administrative and medical purposes. As of May 31, 2020, excluding our consolidated and unconsolidated joint ventures, we operated 26 manufacturing facilities and 9 warehouses. Including our consolidated and unconsolidated joint ventures, we owned or leased a total of approximately 9,600,000 square feet of space for our operations, of which approximately 8,300,000 square feet (8,700,000 square feet with warehouses) was devoted to manufacturing, product distribution and sales offices. Major leases contain renewal options for periods of up to 10 years. For information concerning rental obligations, refer to "Item 7. – Management's Discussion and Analysis of Financial Condition and Results of Operations – *Contractual Cash Obligations and Other Commercial Commitments*" as well as "Note S – Leases". We believe these facilities are well maintained and in good operating condition and are sufficient to meet our current needs.

***Steel Processing***

As of May 31, 2020, our wholly-owned operations within Steel Processing operated a total of eight manufacturing facilities, seven of which are owned by the Company, and one of which is leased. These facilities are

located in Alabama, Indiana, New York and Ohio (5). As of May 31, 2020, this operating segment also owned one warehouse in Ohio and one warehouse in South Carolina. As noted above, this operating segment's corporate offices are located in Columbus, Ohio.

***Pressure Cylinders***

As of May 31, 2020, our wholly-owned operations within Pressure Cylinders operated a total of 16 manufacturing facilities, 15 of which are owned by the Company and one which is leased. These facilities are located in Alabama, California, Kansas, Kentucky, Maryland, Ohio (4), Oklahoma, Rhode Island, Wisconsin, Austria, Poland (2), and Portugal (2). As of May 31, 2020, Pressure Cylinders also operated two owned warehouses, one each in Austria and Poland, and five leased warehouses, one each in Kentucky, Ohio and Rhode Island, and two in Portugal. As noted above, this operating segment's corporate offices are located in Columbus, Ohio.

***Other***

As of May 31, 2020, the Company also operated a fabricated products facility in Stow, Ohio, and a steel packaging facility in Greensburg, Indiana, both of which are leased, but has since announced plans to winddown activity at these facilities. The Company also owns a manufacturing facility in Wooster, Ohio, that is subject to a lease agreement with our automotive body panels joint venture, ArtiFlex.

***Joint Ventures***

As outlined below, our consolidated and unconsolidated joint ventures operate a total of 49 manufacturing facilities.

**Consolidated**

- Spartan owns and operates one manufacturing facility in Monroe, Michigan.
- TWB operates nine manufacturing facilities, one owned facility located in Monroe, Michigan, and eight leased facilities located in Kentucky, Tennessee (2), Canada, and Mexico (4).
- WSP owns and operates two steel processing facilities located in Michigan.
- Samuel operates three steel pickling facilities in Ohio, two of which are owned and one of which is leased.

**Unconsolidated**

- ArtiFlex operates five manufacturing facilities, three of which are owned. These facilities are located in Michigan (3), and Ohio (2).
- ClarkDietrich operates 13 manufacturing facilities, one each in Connecticut, Georgia, Illinois, Maryland and Missouri and two each in California, Florida, Ohio and Texas. The two facilities in Ohio are owned. The remaining 11 facilities are leased.
- Serviacero Worthington owns and operates three steel processing facilities in Mexico.
- WAVE operates six manufacturing facilities, including one owned facility each in California, Michigan and Nevada, and one leased facility each in California, Georgia and Maryland.
- The Cabs joint venture owns and operates six manufacturing facilities, three in Minnesota and one each in Brazil, South Dakota and Tennessee.

**Item 3. — Legal Proceedings**

The Company is involved in various judicial and administrative proceedings, as both plaintiff and defendant, arising in the ordinary course of business. The Company does not believe that any such proceedings will have a material adverse effect on its business, financial position, results of operation or cash flows.

**Item 4. — Mine Safety Disclosures**

Not Applicable

**Supplemental Item — Information about our Executive Officers**

The following table lists the names, positions held and ages of the individuals serving as executive officers of Worthington Industries as of July 30, 2020.

| Name | Age | Position(s) with the Registrant | Present Office Held Since |
|---|---|---|---|
| John P. McConnell | 66 | Chairman of the Board and CEO; a Director | 1996 |
| B. Andrew Rose | 50 | President | 2018 |
| Geoffrey G. Gilmore | 48 | Executive Vice President and Chief Operating Officer | 2018 |
| Joseph B. Hayek | 48 | Vice President and Chief Financial Officer | 2018 |
| Dale T. Brinkman | 67 | Senior Vice President-Administration, General Counsel and Secretary | 2018 |
| Jeff R. Klingler | 48 | President – The Worthington Steel Company | 2019 |
| Eric M. Smolenski | 50 | President – Worthington Cylinder Corporation | 2019 |
| Catherine M. Lyttle | 61 | Senior Vice President and Chief Human Resources Officer | 2018 |
| Richard G. Welch | 62 | Corporate Controller | 2000 |
| Virgil L. Winland | 72 | Senior Vice President-Manufacturing | 2001 |

John P. McConnell has served as Worthington Industries' CEO since June 1993, as a Director of Worthington Industries continuously since 1990, and as Chairman of the Board of Worthington Industries since September 1996. On September 1, 2020, Mr. McConnell will be succeeded by B. Andrew Rose as CEO and Principal Executive Officer of Worthington Industries and Mr. McConnell will remain with Worthington Industries as Executive Chairman. Mr. McConnell also serves as the Chair of the Executive Committee of Worthington Industries' Board of Directors. He served in various other positions with the Company from 1975 to June 1993.

B. Andrew 'Andy' Rose has served as President of Worthington Industries since August 2018. On September 1, 2020, Mr. Rose will succeed John P. McConnell as CEO and Principal Executive Officer of Worthington Industries as well as continue to serve as President of Worthington Industries. Mr. Rose served as Chief Financial Officer of Worthington Industries on an interim basis from August 2018 to November 2018. Mr. Rose served as Executive Vice President and Chief Financial Officer of Worthington Industries from July 2014 to August 2018 and as Vice President and Chief Financial Officer of Worthington Industries from December 2008 to July 2014. From 2007 to 2008, Mr. Rose served as a senior investment professional with MCG Capital Corporation, a publicly-traded company specializing in debt and equity investments in middle market companies; and from 2002 to 2007, he was a founding partner at Peachtree Equity Partners, L.P., a private equity firm backed by Goldman Sachs.

Geoffrey G. Gilmore has served as Executive Vice President and Chief Operating Officer of Worthington Industries since August 2018. Mr. Gilmore served as President of Worthington Cylinder Corporation from June 2016 to August 2018. He served as President of The Worthington Steel Company from August 2012 through May 2016. From July 2011 to July 2012, he served as Vice President-Purchasing for Worthington Industries. From April 2010 to July 2011, he served as General Manager of The Worthington Steel Company's Delta, Ohio facility; and from June 2006 to February 2010, he served as Director of Automotive Sales for The Worthington Steel Company. Mr. Gilmore served in various other positions with the Company from 1998 to June 2006.

Joseph B. Hayek has served as Worthington Industries' Vice President and Chief Financial Officer since November 2018. Mr. Hayek served as Vice President and General Manager of Worthington's Oil and Gas Equipment business from March 2017 to November 2018. From April 2014 to March 2017, Mr. Hayek served as Worthington Industries' Vice President – Mergers & Acquisitions and Corporate Development. Prior to joining Worthington, Mr. Hayek served as President of Sarcom, Inc., a value-added IT solutions provider (n/k/a PCM Sales, Inc.) and the largest division of PCM, Inc.

Dale T. Brinkman has served as Worthington Industries' Senior Vice President-Administration since September 2018, as Worthington Industries' General Counsel since September 1982, and as Worthington Industries' Secretary since September 2000. Mr. Brinkman also served as Vice President-Administration of Worthington

Industries from December 1998 to September 2018, and as Assistant Secretary of Worthington Industries from September 1982 to September 2000.

Jeff R. Klinger has served as President of The Worthington Steel Company since May 2019. Mr. Klingler served as General Manager of various business units within The Worthington Steel Company from May 2014 until April 2019. He served as vice president of sales, marketing and procurement for Banner Services Corporation, a supplier and processor of metal bar products, from 2008 until 2014, after serving in numerous capacities with The Worthington Steel Company from 1992 to 2008.

Eric M. Smolenski has served as President of Worthington Cylinder Corporation since May 2019. Mr. Smolenski served as General Manager of Worthington Cylinder Corporation's industrial products business unit from May 2017 until April 2019 and of its oil and gas business unit from January 2015 until May 2017. He joined Worthington in 1994 and has worked in numerous accounting, finance, human resources and information technology capacities, including vice president of human resources of Worthington Industries from 2006 to 2012 and chief information officer of Worthington Industries from 2012 to 2014.

Catherine M. Lyttle has served as Worthington Industries' Senior Vice President and Chief Human Resources Officer since September 2018. Ms. Lyttle served as Vice President-Communications and Investor Relations of Worthington Industries from April 2009 to September 2018. She served as Vice President of Communications of Worthington Industries from January 1999 to April 2009. Ms. Lyttle served as Vice President of Marketing for the Columbus Chamber of Commerce from 1987 to September 1997 and as Vice President of JMAC Hockey from 1997 to 1999.

Richard G. Welch has served as the Corporate Controller of Worthington Industries since March 2000 and prior thereto, he served as Assistant Controller of Worthington Industries from August 1999 to March 2000. He served as Principal Financial Officer of Worthington Industries on an interim basis from September 2008 to December 2008.

Virgil L. Winland has served as Senior Vice President-Manufacturing of Worthington Industries since January 2001. He served in various other positions with the Company from 1971 to January 2001, including as President of Worthington Cylinder Corporation from June 1998 through January 2001.

Executive officers serve at the pleasure of the Worthington Industries Board of Directors. There are no family relationships among any of Worthington Industries' executive officers or directors. No arrangements or understandings exist pursuant to which any individual has been, or is to be, selected as an executive officer of Worthington Industries.

## PART II

**Item 5. – Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**

**Common Shares Information**

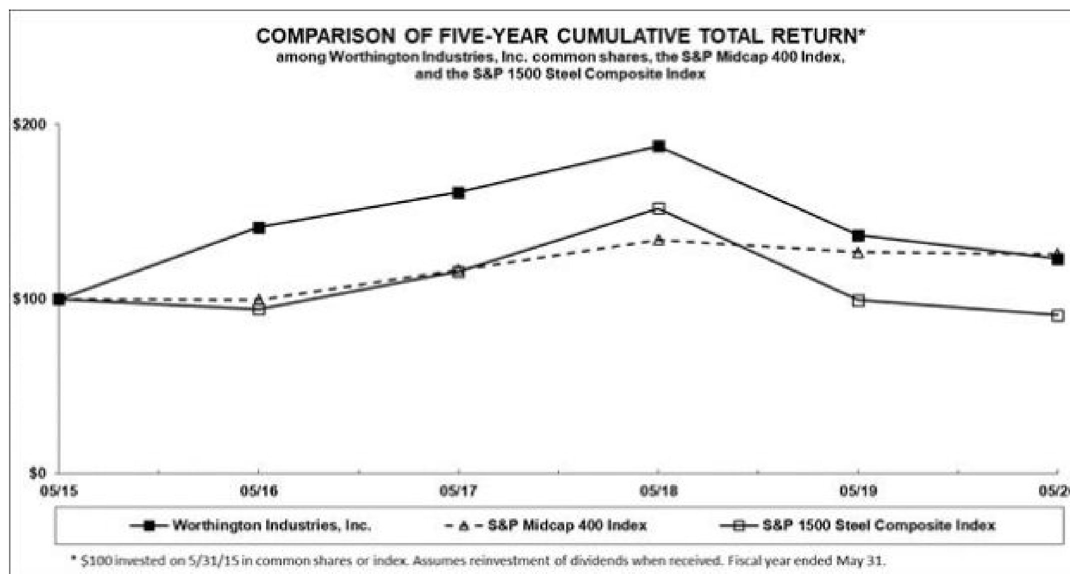
The common shares of Worthington Industries, Inc. (“Worthington Industries”) trade on the New York Stock Exchange (“NYSE”) under the symbol "WOR" and are listed in most newspapers as "WorthgtnInd." As of July 23, 2020, Worthington Industries had 7,108 registered shareholders.

The Worthington Industries Board of Directors reviews the dividend on a quarterly basis and establishes the dividend rate based upon Worthington Industries’ financial condition, results of operations, capital requirements, current and projected cash flows, business prospects and other factors which the directors may deem relevant. While Worthington Industries has paid a dividend every quarter since becoming a public company in 1968, there is no guarantee this will continue in the future. We currently have no material contractual or regulatory restrictions on the payment of dividends.

***Shareholder Return Performance***

The following information in this Item 5 of this Annual Report on Form 10-K is not deemed to be “soliciting material” or to be “filed” with the Securities and Exchange Commission or subject to Regulation 14A or Regulation 14C under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or to the liabilities of Section 18 of the Exchange Act, and will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent we specifically incorporate such information into such a filing.

The following graph compares the five-year cumulative return on Worthington Industries’ common shares, the S&P Midcap 400 Index and the S&P 1500 Steel Composite Index. The graph assumes that $100 was invested at May 31, 2014, in Worthington Industries’ common shares and each index.




| | 5/15 | 5/16 | 5/17 | 5/18 | 5/19 | 5/20 |
|---|---|---|---|---|---|---|
| Worthington Industries, Inc. | $ 100.00 | $ 141.04 | $ 161.23 | $ 187.59 | $ 136.52 | $ 123.15 |
| S&P Midcap 400 Index | $ 100.00 | $ 99.58 | $ 116.67 | $ 134.00 | $ 126.72 | $ 125.69 |
| S&P 1500 Steel Composite Index | $ 100.00 | $ 94.32 | $ 115.72 | $ 151.93 | $ 99.33 | $ 90.75 |

*Data and graph provided by Zacks Investment Research, Inc. Copyright© 2020, Standard & Poor's, a division of The McGraw-Hill Companies, Inc. All rights reserved. Used with permission.*

Worthington Industries is a component of the S&P Midcap 400 Index. The S&P 1500 Steel Composite Index, of which Worthington Industries is also a component, is the most specific index relative to the largest line of business of Worthington Industries and its subsidiaries. At May 31, 2020, the S&P 1500 Steel Composite Index included 13 other steel related companies from the S&P 500, S&P Midcap 400 and S&P 600 indices: Allegheny Technologies Incorporated; Carpenter Technology Corporation; Cleveland-Cliffs Inc.; Commercial Metals Company; Haynes International, Inc.; Nucor Corporation; Olympic Steel, Inc.; Reliance Steel & Aluminum Co.; Steel Dynamics, Inc.; SunCoke Energy, Inc.; TimkenSteel Corporation; United States Steel Corporation; Warrior Met Coal, Inc.; and Worthington Industries, Inc.

**Issuer Purchases of Equity Securities**

During the fiscal quarter ended May 31, 2020, there were no purchases of common shares of Worthington Industries made by, or on behalf of, Worthington Industries or any "affiliated purchaser" (as defined in Rule 10b – 18(a) (3) under the Exchange Act).

**Item 6. – Selected Financial Data**

| | Fiscal Years Ended May 31, | | | | |
|---|---|---|---|---|---|
| **(In thousands, except per share amounts)** | **2020** | **2019** | **2018** | **2017** | **2016** |
| **FINANCIAL RESULTS** | | | | | |
| Net sales | $ 3,059,119 | $ 3,759,556 | $ 3,581,620 | $ 3,014,108 | $ 2,819,714 |
| Cost of goods sold | 2,615,782 | 3,279,601 | 3,018,763 | 2,478,203 | 2,367,121 |
| Gross margin | 443,337 | 479,955 | 562,857 | 535,905 | 452,593 |
| Selling, general and administrative expense | 328,110 | 338,392 | 367,460 | 316,373 | 297,402 |
| Impairment of goodwill and long-lived assets | 82,690 | 7,817 | 61,208 | - | 25,962 |
| Restructuring and other expense (income), net | 10,048 | (11,018) | (7,421) | 6,411 | 7,177 |
| Operating income | 22,489 | 144,764 | 141,610 | 213,121 | 122,052 |
| Miscellaneous income, net | 9,099 | 2,716 | 2,996 | 3,764 | 11,267 |
| Interest expense | (31,616) | (38,063) | (38,675) | (29,796) | (31,670) |
| Loss on extinguishment of debt | (4,034) | - | - | - | - |
| Equity in net income of unconsolidated affiliates | 114,848 | 97,039 | 103,139 | 110,038 | 114,966 |
| Earnings before income taxes | 110,786 | 206,456 | 209,070 | 297,127 | 216,615 |
| Income tax expense | 26,342 | 43,183 | 8,220 | 79,190 | 58,987 |
| Net earnings | 84,444 | 163,273 | 200,850 | 217,937 | 157,628 |
| Net earnings attributable to noncontrolling interests | 5,648 | 9,818 | 6,056 | 13,422 | 13,913 |
| Net earnings attributable to controlling interest | $ 78,796 | $ 153,455 | $ 194,794 | $ 204,515 | $ 143,715 |
| Earnings per share - diluted: | | | | | |
| Net earnings per share attributable to controlling interest | $ 1.41 | $ 2.61 | $ 3.09 | $ 3.15 | $ 2.22 |
| Depreciation and amortization | $ 92,678 | $ 95,602 | $ 103,359 | $ 86,793 | $ 84,699 |
| Capital expenditures (including acquisitions) | 126,251 | 94,901 | 361,116 | 68,386 | 136,837 |
| Cash dividends declared | 53,721 | 53,391 | 51,771 | 51,448 | 47,949 |
| Per common share | $ 0.96 | $ 0.92 | $ 0.84 | $ 0.80 | $ 0.76 |
| Average common shares outstanding - diluted | 55,983 | 58,823 | 63,042 | 64,874 | 64,755 |
| **FINANCIAL POSITION** | | | | | |
| Total current assets | $ 983,179 | $ 1,165,913 | $ 1,241,122 | $ 1,190,969 | $ 915,115 |
| Total current liabilities | 388,238 | 698,020 | 646,895 | 520,783 | 430,078 |
| Working capital | $ 594,941 | $ 467,893 | $ 594,227 | $ 670,186 | $ 485,037 |
| Total property, plant and equipment, net | $ 572,644 | $ 578,664 | $ 584,970 | $ 570,489 | $ 582,838 |
| Total assets | 2,331,515 | 2,510,796 | 2,621,787 | 2,325,344 | 2,061,264 |
| Total debt | 699,665 | 749,299 | 750,368 | 578,610 | 581,004 |
| Total shareholders' equity - controlling interest | 820,821 | 831,246 | 918,769 | 951,635 | 793,371 |
| Per share | $ 15.03 | $ 14.99 | $ 15.60 | $ 15.15 | $ 12.89 |
| Common shares outstanding | 54,616 | 55,468 | 58,877 | 62,802 | 61,534 |

The Selected Financial Data above reflects the impact of the following acquisitions and dispositions from the date of the transactions: the consolidation of the Samuel joint venture since January 2020 when the Company obtained control of the joint venture; the November 2019 deconsolidation of the Engineered Cabs contributed assets;

the acquisition of the Heidtman Cleveland facility from October 1, 2019 through its contribution to the Samuel joint venture on December 31, 2019; the July 2019 disposal of the Company’s cryogenic business in Turkey; the May 2019 acquisition of the net assets of Magna Industries, Inc.; the December 2018 disposal of the Company’s solder business in Winston-Salem, North Carolina and Mount Orab, Ohio; the July 2018 disposal of the Garden City, Kansas and Dickinson, North Dakota oil & gas equipment facilities; the Company’s March 2018 disposal of its 65% stake in Worthington Energy Innovations, LLC; the June 2017 acquisition of New AMTROL Holdings, Inc. and its subsidiaries (“AMTROL”); the consolidation of WSP since March 2016 when the Company obtained effective control of this joint venture; the January 2016 acquisition of the assets of NetBraze, LLC through their disposal in January 2019; and the December 2015 acquisition of the assets of the CryoScience business of Taylor Wharton.

**Item 7. – Management's Discussion and Analysis of Financial Condition and Results of Operations**

*Selected statements contained in this "Item 7. – Management's Discussion and Analysis of Financial Condition and Results of Operations" constitute "forward-looking statements" as that term is used in the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are based, in whole or in part, on management's beliefs, estimates, assumptions and currently available information. For a more detailed discussion of what constitutes a forward-looking statement and of some of the factors that could cause actual results to differ materially from such forward-looking statements, please refer to the "Safe Harbor Statement" in the beginning of this Annual Report on Form 10-K and "Part I - Item 1A. - Risk Factors" of this Annual Report on Form 10-K.*

*Unless otherwise indicated, all Note references contained in this Part II – Item 7. refer to the Notes to the Consolidated Financial Statements included in "Part II – Item 8. – Financial Statements and Supplementary Data" of this Annual Report on Form 10-K (this "Form 10-K").*

***Introduction***

Worthington Industries, Inc. is a corporation formed under the laws of the State of Ohio (individually, the "Registrant" or "Worthington Industries" or, collectively with the subsidiaries of Worthington Industries, Inc., "we," "our," "Worthington" or the "Company"). Founded in 1955, Worthington is primarily a diversified metals manufacturing company, focused on value-added steel processing and manufactured metal products. Our manufactured metal products include: pressure cylinders for liquefied petroleum gas ("LPG"), compressed natural gas ("CNG"), oxygen, refrigerant and other industrial gas storage; water well tanks for commercial and residential uses; hand torches and filled hand torch cylinders; propane-filled camping cylinders; helium-filled balloon kits; steel tanks and processing equipment primarily for the oil and gas industry; cryogenic pressure vessels for liquefied natural gas ("LNG") and other gas storage applications; and, through our joint ventures, complete ceiling grid solutions; laser welded blanks; light gauge steel framing for commercial and residential construction; current and past model automotive service stampings; and engineered cabs and operator stations and cab components. The Company follows a people-first philosophy with earning money for its shareholders as its first corporate goal, which we seek to accomplish by optimizing existing operations, developing and commercializing new products and applications, and pursuing strategic acquisitions and joint ventures.

As of May 31, 2020, excluding our joint ventures, we operated 26 manufacturing facilities worldwide, principally in two operating segments, which correspond with our reportable business segments: Steel Processing and Pressure Cylinders.

We also held equity positions in nine joint ventures, which operated 48 manufacturing facilities worldwide, including 29 facilities which were operated by joint ventures in which we held a 50% or greater ownership interest, as of May 31, 2020. Four of these joint ventures are consolidated within Steel Processing with the equity owned by the other joint venture member(s) shown as noncontrolling interests in our consolidated balance sheets, and the other joint venture member(s)' portion of net earnings and other comprehensive income shown as net earnings or comprehensive income attributable to noncontrolling interests in our consolidated statements of earnings and consolidated statements of comprehensive income, respectively. The remaining five of these joint ventures are unconsolidated and accounted for using the equity method.

***Overview***

Operating income in fiscal 2020 was $22.5 million, compared to $144.8 million in fiscal 2019, a decrease of $122.3 million. Fiscal 2020 was negatively impacted by higher impairment and restructuring charges and adverse impacts from the Novel Coronavirus pandemic ("COVID-19"). We recorded $92.7 million of impairment and restructuring charges in fiscal 2020, which primarily consisted of $40.6 million in impairment charges related to the write-down of certain assets of the former Engineered Cabs business and $35.7 million related to the write-down of certain oil & gas equipment assets within Pressure Cylinders. In the comparative prior year, we recorded a net restructuring gain of $11.0 million, which was partially offset by impairment charges of $7.8 million. Excluding the impact of impairment and restructuring activity, operating income was down $26.4 million in fiscal 2020 compared to fiscal 2019 due to lower direct volume and lower direct average selling prices in Steel Processing, partially offset by lower selling, general and administrative ("SG&A") expense and lower overall corporate costs. Results in Steel Processing continued to be negatively impacted by declining steel prices, which led to $20.3 million estimated inventory holding losses in fiscal 2020, $15.9 million greater than those losses in the prior year.

Equity in net income of unconsolidated affiliates ("equity income") increased $17.8 million primarily on a pre-tax gain of $23.1 million at WAVE related to the sale of its international operations and improved results at ClarkDietrich, partially offset by lower results at Serviacero Worthington and current year losses from our retained interest in the Cabs joint venture.

In March 2020, the World Health Organization ("WHO") categorized COVID-19 as a pandemic, and it continues to spread throughout the United States and other countries across the world. To limit the spread of COVID-19, governments have taken various actions including the issuance of stay-at-home orders and social distancing guidelines, causing some businesses to suspend operations and a reduction in demand for many products from direct or ultimate customers. Accordingly, businesses have adjusted, reduced or suspended operating activities. To date, COVID-19 and the various actions to contain or mitigate the outbreak have caused, and are continuing to cause, business slowdowns or shutdowns and significant disruption in global markets and economies. This has negatively impacted several of the markets we serve, including the North American automotive market, which shut down production for several months beginning in mid-March 2020. While most of our plants have remained in operation, demand for our products and our results of operations have been and may continue to be impacted by COVID-19. The Company took steps to right size its workforce to better match the demand environment, implementing a combination of furloughs, designed to allow the Company to scale back up production when market conditions improve, and permanent workforce reductions. Additional cost-cutting measures taken by the Company include reducing discretionary spending including travel, implementing a freeze on hiring, and deferring non-essential and non-growth oriented capital investments. The extent to which our operations will continue to be impacted by COVID-19 will depend on future developments, which are highly uncertain and cannot be accurately predicted, including the further spread, the duration of the pandemic and its eventual impact on world economies.

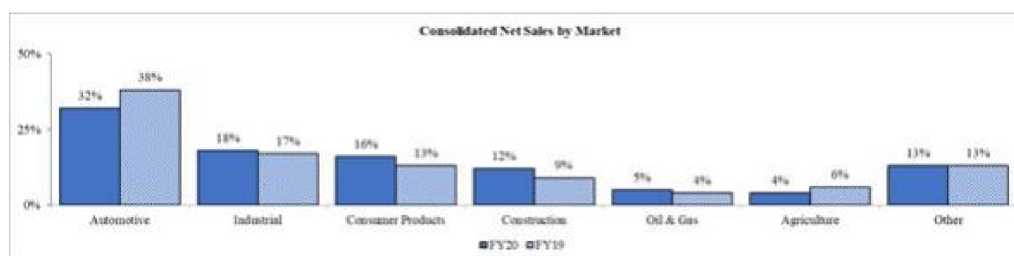
***Recent Business Developments***

- On July 26, 2019, the Company completed the sale of Worthington Aritas Basınçlı Kaplar Sanayi ("Worthington Aritas"), its Turkish manufacturer of cryogenic pressure vessels. The Company received cash proceeds, net of transaction costs, of $8.3 million resulting in a pre-tax restructuring loss in the current fiscal year of $481,000.
- On August 23, 2019, two of the Company's European subsidiaries issued a €36.7 million principal amount unsecured 1.56% Series A Senior Note due August 23, 2031 (the "2031 Note") and a €55.0 million aggregate principal amount of unsecured 1.90% Series B Senior Notes due August 23, 2034 (the "2034 Notes"), (collectively, the "Senior Notes"). The Senior Notes were issued in a private placement and the proceeds thereof were used in the redemption of $150.0 million of aggregate principal amount of 6.50% senior notes. Refer to "Note H – Debt and Receivables Securitization" for more information.
- On September 30, 2019, Worthington Armstrong Venture ("WAVE") completed the sale of its international operations to Knauf Ceilings and Holding GmbH ("Knauf"), as part of the broader transaction between Knauf and Armstrong World Industries, Inc. ("AWI"), our partner in the WAVE joint venture. Our portion of the net gain, subject to post-closing adjustments, was $23.1 million and has been recognized in equity income. Refer to "Note C – Investments in Unconsolidated Affiliates" for more information.
- On October 7, 2019, we acquired the operating net assets, excluding working capital, related to Heidtman Steel Products, Inc.'s Cleveland facility ("Heidtman"), for cash consideration of $29.6 million, which expanded the Company's pickling and slitting capabilities. The Heidtman facility was managed as part of Steel Processing until December 31, 2019 when it was contributed to the Samuel joint venture in exchange for an incremental 31.75% ownership interest, bringing our total ownership interest to 63%. As a result, the Samuel joint venture's results were consolidated within Steel Processing on December 31, 2019, with the minority member's portion of earnings eliminated within earnings attributable to noncontrolling interest. These transactions were accounted for as a step acquisition, which required that we re-measure our previously held 31.25% ownership interest to fair value resulting in a re-measurement gain of $6.1 million, which is included in miscellaneous income, net in our consolidated statement of earnings for fiscal 2020. Refer to "NOTE A – Summary of Significant Accounting Policies" and "NOTE P – Acquisitions" for more information on these transactions.

- On November 1, 2019, we closed on an agreement with an affiliate of Angeles Equity Partners, LLC by which we contributed substantially all of the net assets of our Engineered Cabs business to a newly-formed joint venture, Taxi Workhorse Holdings, LLC (the "Cabs joint venture"), in which the Company retained a 20% noncontrolling interest. Certain non-core assets of the Engineered Cabs business, including the fabricated products facility in Stow, Ohio and the steel packaging facility in Greensburg, Indiana, were retained. The retained Engineered Cabs assets, which are in the process of being closed, no longer qualify as a separate operating or reportable segment. For additional information, refer to "Note A – Summary of Significant Accounting Policies" and "Note O – Segment Data".
- On December 19, 2019, the Company finalized an agreement to transfer the risks and rewards related to its 10% minority ownership interest in the Zhejiang Nisshin Worthington Precision Specialty Steel Co., Ltd. ("Nisshin") joint venture in China to the other joint venture partners. Refer to "Note C – Investments in Unconsolidated Affiliates" for more information on this transaction.
- On February 12, 2020, the Company announced a plan to consolidate its oil & gas equipment manufacturing operations in Wooster, Oho, into its existing facility in Bremen, Ohio, resulting in pre-tax impairment and restructuring charges of $36.2 million in fiscal 2020. For additional information, refer to "NOTE D – Goodwill and Other Long-Lived Assets" and "NOTE E – Restructuring and Other Expense (Income), Net".
- On March 18, 2020, the Company's Worthington Specialty Processing ("WSP") joint venture announced a plan to consolidate its manufacturing operations in Canton, Michigan into its existing facilities in Jackson and Taylor, Michigan, resulting in pre-tax impairment and restructuring charges of $1.7 million. For additional information, refer to "NOTE D – Goodwill and Other Long-Lived Assets" and "NOTE E – Restructuring and Other Expense (Income), Net".
- During May 2020, the Company finalized plans to exit the two remaining facilities that were part of the former Engineered Cabs segment in Stow, Ohio and Greensburg, Indiana. In connection with these actions, the Company recorded impairment and restructuring charges totaling $3.4 million within the "Other" segment during the fourth quarter of fiscal 2020. For additional information, refer to "NOTE D – Goodwill and Other Long-Lived Assets".
- On June 3, 2020, Nikola Corporation ("Nikola") became a public company through a reverse merger with a subsidiary of VectoIQ Acquisition Corporation, a NASDAQ listed publicly traded company. The Company owned 19,048,020 shares of Nikola common stock following the reverse merger. From July 6 to July 7, 2020, the Company sold an aggregate of 5,000,000 shares of Nikola common stock for aggregate net proceeds of $237.9 million. These proceeds are subject to tax. After the sales, the Company owns 14,048,020 shares of Nikola common stock. For additional information, refer to "NOTE V – Subsequent Events".
- On June 24, 2020, the Company announced a leadership succession plan pursuant to which, effective September 1, 2020, B. Andrew Rose will become Chief Executive Officer ("CEO") of Worthington Industries, in addition to continuing to serve as President, and John P. McConnell, the current CEO, will become Executive Chairman.
- On June 24, 2020, the Worthington Industries Board of Directors declared a quarterly dividend of $0.25 per share, an increase of $0.01 per share from the previous quarterly rate. The dividend is payable on September 29, 2020 to shareholders of record on September 15, 2020.

***Market & Industry Overview***

We sell our products and services to a diverse customer base and a broad range of end markets. The breakdown of our net sales by end market for fiscal 2020 and fiscal 2019 is illustrated in the following chart:




The automotive industry is one of the largest consumers of flat-rolled steel, and thus the largest end market for our Steel Processing operating segment. Approximately 53% of the net sales of our Steel Processing operating segment are to the automotive market. North American vehicle production, primarily by Ford, General Motors and FCA US (the "Detroit Three automakers"), has a considerable impact on the activity within this operating segment. The majority of the net sales of three of our unconsolidated joint ventures are also to the automotive end market.

Approximately 19% of the net sales of our Steel Processing operating segment are to the construction market. The construction market is also the predominant end market for two of our unconsolidated joint ventures: WAVE and ClarkDietrich. While the market price of steel significantly impacts these businesses, there are other key indicators that are meaningful in analyzing construction market demand, including U.S. gross domestic product ("GDP"), the Dodge Index of construction contracts and, in the case of ClarkDietrich, trends in the relative price of framing lumber and steel.

Substantially all of the net sales of our Pressure Cylinders operating segment and approximately 28% of the net sales of our Steel Processing operating segment are to other markets such as agricultural, appliance, consumer products, heavy-truck, industrial products, lawn and garden, and oil & gas equipment. Given the many different products that make up these net sales and the wide variety of end markets, it is very difficult to detail the key market indicators that drive this portion of our business. However, we believe that the trend in U.S. GDP growth is a good economic indicator for analyzing the demand of these end markets.

We use the following information to monitor our costs and demand in our major end markets:

| | Fiscal Year Ended May 31, | | | | |
|---|---|---|---|---|---|
| | **2020** | **2019** | **2018** | **2020 vs. 2019** | **2019 vs. 2018** |
| U.S. GDP (% growth year-over-year) [1] | 1.9% | 2.8% | 2.3% | -0.9% | 0.5% |
| Hot-Rolled Steel ($ per ton) [2] | $ 547 | $ 783 | $ 687 | $ (236) | $ 96 |
| Detroit Three Auto Build (000's vehicles) [3] | 6,425 | 8,339 | 8,605 | (1,914) | (266) |
| No. America Auto Build (000's vehicles) [3] | 13,312 | 16,742 | 16,894 | (3,430) | (152) |
| Zinc ($ per pound) [4] | $ 1.03 | $ 1.23 | $ 1.42 | $ (0.20) | $ (0.19) |
| Natural Gas ($ per mcf) [5] | $ 2.15 | $ 3.05 | $ 2.89 | $ (0.90) | $ 0.16 |
| On-Highway Diesel Fuel Prices ($ per gallon) [6] | $ 2.91 | $ 3.17 | $ 2.87 | $ (0.26) | $ 0.30 |
| Crude Oil - WTI ($ per barrel) [6] | $ 47.97 | $ 61.98 | $ 56.75 | $ (14.01) | $ 5.23 |

[1] 2019/2018 figures based on revised actuals [2] CRU Hot-Rolled Index; period average [3] IHS Global [4] LME Zinc; period average [5] NYMEX Henry Hub Natural Gas; period average [6] Energy Information Administration; period average

U.S. GDP growth rate trends are generally indicative of the strength in demand and, in many cases, pricing for our products. A year-over-year increase in U.S. GDP growth rates is indicative of a stronger economy, which generally increases demand and pricing for our products. Conversely, decreasing U.S. GDP growth rates generally indicate a weaker economy. Changes in U.S. GDP growth rates can also signal changes in conversion costs related to production and in SG&A expenses.

The market price of hot-rolled steel is one of the most significant factors impacting our selling prices and operating results. When steel prices fall, we typically have higher-priced material flowing through cost of goods sold, while selling prices compress to what the market will bear, negatively impacting our results. On the other hand, in a rising price environment, our results are generally favorably impacted, as lower-priced material purchased in previous periods flows through cost of goods sold, while our selling prices increase at a faster pace to cover current replacement costs. The decline in steel prices experienced in the fourth quarter of fiscal 2020 is expected to result in inventory holding losses in the first quarter of fiscal 2021.

The following table presents the average quarterly market price per ton of hot-rolled steel during fiscal 2020, fiscal 2019 and fiscal 2018:

| | Fiscal Year Ended May 31, | | |
|---|---|---|---|
| **(Dollars per ton [1])** | **2020** | **2019** | **2018** |
| 1st Quarter | $ 564 | $ 900 | $ 604 |
| 2nd Quarter | $ 526 | $ 836 | $ 608 |
| 3rd Quarter | $ 571 | $ 725 | $ 674 |
| 4th Quarter | $ 527 | $ 672 | $ 860 |
| Annual Avg. | $ 547 | $ 783 | $ 687 |

1 CRU Hot-Rolled Index

No single customer accounted for more than 10% of our consolidated net sales during fiscal 2020. While our automotive business is largely driven by the production schedules of the Detroit Three automakers, our customer base is much broader and includes other domestic manufacturers and many of their suppliers. During fiscal 2020, vehicle production for the Detroit Three automakers and the North American vehicle production were down 23% and 20%, respectively from fiscal 2019 both of which were negatively impacted by the COVID-19 induced automotive shutdowns in the fourth quarter of fiscal 2020.

Certain other commodities, such as zinc, natural gas and diesel fuel, represent a significant portion of our cost of goods sold, both directly through our plant operations and indirectly through transportation and freight expense.

***Results of Operations***

***Fiscal 2020 Compared to Fiscal 2019***

***Consolidated Operations***

The following table presents consolidated operating results for the periods indicated:

| | Fiscal Year Ended May 31, | | | | |
|---|---|---|---|---|---|
| **(Dollars in millions)** | **2020** | **% of Net sales** | **2019** | **% of Net sales** | **Increase/ (Decrease)** |
| Net sales | $ 3,059.1 | 100.0% | $ 3,759.6 | 100.0% | $ (700.5) |
| Cost of goods sold | 2,615.8 | 85.5% | 3,279.6 | 87.2% | (663.8) |
| **Gross margin** | 443.3 | 14.5% | 480.0 | 12.8% | (36.7) |
| Selling, general and administrative expense | 328.1 | 10.7% | 338.4 | 9.0% | (10.3) |
| Impairment of goodwill and long-lived assets | 82.7 | 2.7% | 7.8 | 0.2% | 74.9 |
| Restructuring and other expense (income), net | 10.0 | 0.4% | (11.0) | -0.3% | (21.0) |
| **Operating income** | 22.5 | 0.7% | 144.8 | 3.9% | (122.3) |
| Miscellaneous income, net | 9.0 | 0.3% | 2.8 | 0.1% | 6.2 |
| Interest expense | (31.6) | -1.0% | (38.1) | -1.0% | (6.5) |
| Loss on extinguishment of debt | (4.0) | -0.2% | - | 0.0% | 4.0 |
| Equity in net income of unconsolidated affiliates | 114.8 | 3.8% | 97.0 | 2.6% | 17.8 |
| Income tax expense | (26.3) | -0.9% | (43.2) | -1.1% | (16.9) |
| **Net earnings** | 84.4 | 2.8% | 163.3 | 4.4% | (78.9) |
| Net earnings attributable to noncontrolling interests | 5.6 | 0.2% | 9.8 | 0.3% | (4.2) |
| **Net earnings attributable to controlling interest** | $ 78.8 | 2.7% | $ 153.5 | 4.1% | $ (74.7) |
| | | | | | |
| Equity income (loss) by unconsolidated affiliate | | | | | |
| WAVE | $ 101.1 | | $ 82.3 | | $ 18.8 |
| ClarkDietrich | 17.2 | | 8.6 | | 8.6 |
| Serviacero Worthington | 1.3 | | 8.1 | | (6.8) |
| ArtiFlex | 2.7 | | 2.0 | | 0.7 |
| Other | (7.5) | | (4.0) | | (3.5) |
| Total | $ 114.8 | | $ 97.0 | | $ 17.8 |

Fiscal 2020 net earnings attributable to controlling interest decreased $74.7 million from fiscal 2019. Net sales and operating highlights for fiscal 2020 were as follows:

- Net sales decreased $700.5 million from fiscal 2019. The decrease was mainly in Steel Processing driven by lower direct volume which was negatively impacted by the COVID-19 induced automotive shutdowns in the fourth quarter of fiscal 2020, and by lower average selling prices associated with the decline in the overall market price of steel. The deconsolidation of the former Engineered Cabs business along with the impact of divestitures in Pressure Cylinders also contributed to the year-over-year decrease in net sales.

- Gross margin decreased $36.7 million from fiscal 2019, but as a percentage of sales it increased to 14.5% from 12.8%. Lower direct volume and compressed spreads in Steel Processing, driven by estimated inventory holding losses due to declining steel prices, and the impact of the deconsolidation of the former Engineered Cabs business were the primary reasons for the decrease. Pressure Cylinders showed a $15.5 million improvement in gross margin, but that included a $13.0 million charge in fiscal 2019 for the tank replacement program and a $2.3 million favorable adjustment to that reserve in fiscal 2020. In addition, Pressure Cylinders' results were helped by the early termination of a customer take-or-pay contract which resulted in a $9.3 million benefit to gross margin in fiscal 2020.

- SG&A expense decreased $10.3 million from fiscal 2019. The decrease was driven primarily by lower profit sharing and bonus expense and the impact of the deconsolidation of the former Engineered Cabs business, partially offset by lower wages due to the reduction in workforce related to the impact of COVID-19. Overall, SG&A expense was 10.7% of consolidated net sales in fiscal 2020 compared to 9.0% in the prior fiscal year, primarily the result of lower current year sales.

- Impairment charges totaled $82.7 million, of which $40.6 million related to the write-down of certain assets in the former Engineered Cabs business and $33.4 million related to the write-down of certain oil & gas equipment assets within Pressure Cylinders. For additional information regarding these impairment charges, refer to "Note D – Goodwill and Other Long-Lived Assets".

- Restructuring and other expense, net totaled $10.0 million and primarily resulted from $5.5 million in severance expense in connection with the reduction in workforce related to the impact of COVID-19 and $2.8 million in severance expense and facility exit costs associated with the consolidation of the oil & gas equipment operations in Wooster, Ohio into the existing facility in Bremen, Ohio. For additional information, refer to "Note E – Restructuring and Other Expense (Income), Net".

- Equity income increased $17.8 million from fiscal 2019 to $114.8 million, primarily from a $23.1 million benefit related to our portion of the gain from the sale of WAVE's international operations. Excluding this gain, equity income would have been down $5.3 million on lower results from WAVE, Serviacero, and losses at the new Cabs joint venture. Improved margins at ClarkDietrich partially offset the decline. We received cash distributions from our unconsolidated joint ventures of $123.0 million. For additional financial information regarding our unconsolidated affiliates, refer to "Note C – Investments in Unconsolidated Affiliates".

- Income tax expense decreased $16.9 million from fiscal 2019, due primarily to lower core earnings and the impairment charges related to the former Engineered Cabs business and the Oil & Gas equipment business in Pressure Cylinders, partially offset by the gain recognized from the sale of WAVE's international operations. The net impact of these discrete items was a reduction in current year tax expense of $10.7 million. The fiscal 2020 tax expense was calculated using an estimated annual effective income tax rate of 25.1% versus 22.0% in fiscal 2019. For additional information regarding the Company's income taxes, refer to "Note M – Income Taxes".

***Segment Operations***

***Steel Processing***

The following table presents a summary of operating results for our Steel Processing operating segment for the periods indicated:

| | Fiscal Year Ended May 31, | | | | |
|---|---|---|---|---|---|
| **(Dollars in millions)** | **2020** | **% of Net sales** | **2019** | **% of Net sales** | **Increase/ (Decrease)** |
| Net sales | $ 1,859.7 | 100.0% | $ 2,435.8 | 100.0% | $ (576.1) |
| Cost of goods sold | 1,677.1 | 90.2% | 2,205.7 | 90.6% | (528.6) |
| **Gross margin** | 182.6 | 9.8% | 230.1 | 9.4% | (47.5) |
| Selling, general and administrative expense | 136.7 | 7.4% | 137.0 | 5.6% | (0.3) |
| Impairment of long-lived assets | 1.8 | 0.1% | 3.3 | 0.1% | (1.5) |
| Restructuring and other expense | 3.5 | 0.2% | - | 0.0% | 3.5 |
| **Operating income** | $ 40.6 | 2.2% | $ 89.8 | 3.7% | $ (49.2) |
| | | | | | |
| Material cost | $ 1,339.9 | | $ 1,834.9 | | $ (495.0) |
| Tons shipped (in thousands) | 3,830 | | 3,715 | | 115 |

Net sales and operating highlights for fiscal 2020 were as follows:

- Net sales decreased $576.1 million from fiscal 2019. Lower direct volumes driven by reduced demand in automotive and heavy truck, which were significantly impacted by the COVID-19 shutdowns in the fourth quarter, reduced sales by $323.5 million. Declining steel prices led to lower average selling prices which further reduced sales by $267.8 million. An increase in toll volumes added $15.2 million to sales, which was primarily the result of the acquisition of the Heidtman Cleveland operating assets and subsequent consolidation of the Samuel joint venture. The mix of direct tons versus toll tons processed was 48% to 52% compared to 56% to 44% in fiscal 2019. The change in mix in fiscal 2020 was driven primarily by the consolidation of the Samuel joint venture.

- Operating income decreased $49.2 million from fiscal 2019, primarily due to lower direct volume. The gross margin improved slightly to 9.8% in spite of an estimated $15.9 million increase in inventory holding losses over the prior year caused by declining steel prices. Restructuring expenses included $2.2 million of severance expense related to COVID-19 induced workforce reductions. For additional information on restructuring, refer to “Note E – Restructuring and Other Expense (Income), Net”.

***Pressure Cylinders***

The following table presents a summary of operating results for our Pressure Cylinders operating segment for the periods indicated:

| (Dollars in millions) | Fiscal Year Ended May 31, 2020 | % of Net sales | 2019 | % of Net sales | Increase/ (Decrease) |
|---|---|---|---|---|---|
| Net sales | $ 1,148.4 | 100.0% | $ 1,207.8 | 100.0% | $ (59.4) |
| Cost of goods sold | 886.3 | 77.2% | 961.2 | 79.6% | (74.9) |
| **Gross margin** | 262.1 | 22.8% | 246.6 | 20.4% | 15.5 |
| Selling, general and administrative expense | 180.7 | 15.7% | 183.2 | 15.2% | (2.5) |
| Impairment of goodwill and long-lived assets | 37.2 | 3.2% | 4.5 | 0.4% | 32.7 |
| Restructuring and other expense (income), net | 5.3 | 0.5% | (11.0) | -0.9% | 16.3 |
| **Operating income** | $ 38.9 | 3.4% | $ 69.9 | 5.8% | $ (31.0) |
| | | | | | |
| Material cost | $ 496.9 | | $ 550.4 | | $ (53.5) |
| | | | | | |
| Units shipped by principal class of products: | | | | | |
| Consumer products | 68,596,103 | | 68,791,001 | | (194,898) |
| Industrial products | 13,921,973 | | 14,994,640 | | (1,072,667) |
| Oil & gas equipment | 1,753 | | 1,652 | | 101 |
| Total Pressure Cylinders | 82,519,829 | | 83,787,293 | | (1,267,464) |
| | | | | | |
| Net sales by principal class of products: | | | | | |
| Consumer products | $ 486.0 | | $ 470.4 | | $ 15.6 |
| Industrial products | 550.5 | | 627.1 | | (76.6) |
| Oil & gas equipment | 111.9 | | 110.3 | | 1.6 |
| Total Pressure Cylinders | $ 1,148.4 | | $ 1,207.8 | | $ (59.4) |

Net sales and operating highlights for fiscal 2020 were as follows:

- Net sales decreased $59.4 million from fiscal 2019, primarily due to divestitures which decreased net sales by $40.3 million. Lower volume in the industrial products business, largely driven by continued weakness in our European operations, also contributed to the decline.
- Operating income decreased $31.0 million from fiscal 2019. The year over year comparison of operating income was affected by certain items including: a $49.0 million increase in impairment and restructuring charges, a $13.0 million charge recorded in fiscal 2019 associated with the tank replacement program and the subsequent $2.3 million reduction of that reserve in fiscal 2020; and the accelerated recognition of $9.3 million of earnings into fiscal 2020 from an early termination of a customer take-or-pay contract within the industrial products business. Excluding the impact of these items, operating income decreased $6.6 million from the prior year, driven primarily by lower volume in the industrial products business. For additional information on impairment and restructuring charges, refer to “Note D – Goodwill and Other Long-Lived Assets” and “Note E – Restructuring and Other Expense (Income), Net”, respectively.

***Other***

The Other category includes certain income and expense items not allocated to our operating segments, including product liability and healthcare reserves. The Other category also includes the results of the former Engineered Cabs operating segment, on a historical basis, through November 1, 2019, when substantially all the net assets were deconsolidated. The following table presents a summary of operating results for the Other category for the periods indicated:

| | Fiscal Year Ended May 31, | | | | |
|---|---|---|---|---|---|
| (In millions) | 2020 | % of Net sales | 2019 | % of Net sales | Increase/ (Decrease) |
| Net sales | $ 51.0 | 100.0% | $ 115.9 | 100.0% | $ (64.9) |
| Cost of goods sold | 52.3 | 102.5% | 112.7 | 97.2% | (60.4) |
| **Gross margin** | (1.3) | -2.5% | 3.2 | 2.8% | (4.5) |
| Selling, general and administrative expense | 10.7 | 21.0% | 18.1 | 15.6% | (7.4) |
| Impairment of long-lived assets | 43.7 | 85.7% | - | 0.0% | 43.7 |
| Restructuring and other expense | 1.3 | 2.5% | - | 0.0% | 1.3 |
| **Operating loss** | $ (57.0) | -111.8% | $ (14.9) | -12.9% | $ (42.1) |

Net sales and operating highlights for fiscal 2020 were as follows:

- Net sales decreased $64.9 million from the comparable prior year period. The decrease was primarily driven by the deconsolidation of Engineered Cabs. For additional information on the deconsolidation, refer to “Note A – Summary of Significant Accounting Policies”.

- Operating loss of $57.0 million in fiscal 2020 was $42,1 million higher than fiscal 2019, primarily driven by $40.6 million in impairment charges to write-down certain assets in Engineered Cabs and $3.1 million to write-down certain assets related to the steel packaging facility in Greensburg, Indiana, partially offset by lower SG&A expense driven by lower profit sharing and bonuses. For additional information on impairment, refer to “Note D – Goodwill and Other Long-Lived Assets”.

***Fiscal 2019 Compared to Fiscal 2018***

For a comparison of our results of operations for the fiscal years ended May 31, 2019 and May 31, 2018, see “Part II – Item 7. – Management’s Discussion and Analysis of Financial Condition and Results of Operations – Results of Operations – Fiscal 2019 Compared to Fiscal 2018” of our Annual Report on Form 10-K for the fiscal year ended May 31, 2019, filed with the SEC on July 30, 2019.

*Liquidity and Capital Resources*

During fiscal 2020, we generated $336.7 million of cash from operating activities, received $10.0 million in proceeds from asset sales, net of selling costs, invested $95.5 million in property, plant and equipment and paid $29.6 million to acquire certain operating assets of Heidtman. Additionally, we used cash and $101.5 million of net proceeds from the issuance of long-term debt to redeem $150.0 million of senior unsecured notes, repurchased 1,300,000 of our common shares for $51.0 million, and paid $53.3 million of dividends on our common shares. The following table summarizes our consolidated cash flows for each period shown:

| (in millions) | Fiscal Year Ended May 31, 2020 | 2019 | 2018 |
|---|---|---|---|
| Net cash provided by operating activities | $ 336.7 | $ 197.9 | $ 281.3 |
| Net cash provided (used) by investing activities | (116.2) | 11.5 | (337.4) |
| Net cash used by financing activities | (165.7) | (239.0) | (100.0) |
| Increase (decrease) in cash and cash equivalents | 54.8 | (29.6) | (156.1) |
| Cash and cash equivalents at beginning of period | 92.4 | 122.0 | 278.1 |
| **Cash and cash equivalents at end of period** | $ 147.2 | $ 92.4 | $ 122.0 |

We believe we have access to adequate resources to meet the needs of our existing businesses for normal operating costs, mandatory capital expenditures, debt redemptions, dividend payments, and working capital, to the extent not funded by cash provided by operating activities. These resources include cash and cash equivalents and unused committed lines of credit. These committed lines of credit had a total of $500.0 million of borrowing capacity available to be drawn as of July 30, 2020. Additionally, from July 6 to July 7, 2020, we sold an aggregate of 5,000,000 shares of Nikola common stock for aggregate net cash proceeds of $237.9 million (subject to tax). For additional information on the Nikola common stock, refer to "NOTE V – Subsequent Events".

Although we do not currently anticipate a need, we believe that we could access the financial markets to be in a position to sell long-term debt or equity securities. However, COVID-19 could create uncertainty and volatility in the financial markets which may impact our ability to access capital and the terms under which we can do so. As the impact of the COVID-19 pandemic on the economy and our operations is fluid and evolving, we will continue to review our discretionary spending and other variable costs as well as our liquidity needs.

We routinely monitor current operational requirements, financial market conditions, and credit relationships and we may choose to seek additional capital by issuing new debt and/or equity securities to strengthen our liquidity or capital structure. However, should we seek such additional capital, there can be no assurance that we would be able to obtain such additional capital on terms acceptable to us, if at all, and such additional equity or debt financing could dilute the interests of our existing shareholders and/or increase our interest costs.

*Operating Activities*

Our business is cyclical and cash flows from operating activities may fluctuate during the year and from year to year due to economic and industry conditions. We rely on cash and short-term borrowings to meet cyclical increases in working capital needs. These needs generally rise during periods of increased economic activity or increasing raw material prices, requiring higher levels of inventory and accounts receivable. During economic slowdowns or periods of decreasing raw material costs, working capital needs generally decrease as a result of the reduction of inventories and accounts receivable.

Net cash provided by operating activities was $336.7 million during fiscal 2020 compared to $197.9 million in fiscal 2019, an increase of $138.8 million. The increase in net cash provided by operating activities was driven primarily by lower working capital needs due to lower average steel prices and lower overall volumes.

*Investing Activities*

Net cash used by investing activities was $116.2 million during fiscal 2020 compared to a net cash inflow of $11.5 million in fiscal 2019. The change from the fiscal 2019 was driven in large part by $56.7 million of excess distributions from WAVE received during fiscal 2019. In fiscal 2020, we received $10.0 million in proceeds from

asset sales, net of selling costs, primarily from the sale of the cryogenics business in Turkey compared to $49.7 million in proceeds from asset sales, net of selling costs, in fiscal 2019. We also paid $29.6 million in fiscal 2020 to acquire certain operating assets of Heidtman.

Capital expenditures reflect cash used for investment in property, plant and equipment and is presented below by reportable business segment (this information excludes cash flows related to acquisition and divestiture activity):

| | Fiscal Year Ended May 31, | | |
|---|---|---|---|
| **(in millions)** | **2020** | **2019** | **2018** |
| Steel Processing | $ 40.6 | $ 39.1 | $ 32.0 |
| Pressure Cylinders | 41.5 | 37.6 | 32.7 |
| Other | 13.4 | 7.8 | 11.4 |
| Total capital expenditures | $ 95.5 | $ 84.5 | $ 76.1 |

Capital expenditures were $95.5 million in fiscal 2020. Significant capital expenditures for Steel Processing in fiscal 2020 included: $8.0 million for the addition of a new coating capability at our Spartan joint venture and $6.5 million for a new laser weld line and implementation of a new ERP system at our TWB joint venture. Some of the more significant items at Pressure Cylinders were $9.9 million for new production lines at two facilities and $3.0 million for an equipment update at our Austrian facility.

Investment activities are largely discretionary and future investment activities could be reduced significantly, or eliminated, as economic conditions warrant. We assess acquisition opportunities as they arise, and any such opportunities may require additional financing. There can be no assurance, however, that any such opportunities will arise, that any such acquisition opportunities will be consummated, or that any needed additional financing will be available on satisfactory terms if required.

***Financing Activities***

Net cash used by financing activities was $165.7 million in fiscal 2020 compared to $239.0 million in fiscal 2019. During fiscal 2020, we paid $154.0 million to redeem the $150.0 aggregate principal amount of unsecured senior notes. The redemption was funded in part by the issuance of euro-denominated unsecured Senior Notes, which resulted in net cash proceeds of $101.5 million. We also paid dividends of $53.3 million on our common shares and paid $51.0 million to repurchase 1,300,000 of our common shares. In fiscal 2019, we paid $168.1 million to repurchase 4,100,000 of our common shares, paid dividends of $52.3 million on our common shares.

*Long-term debt* **–** Our senior unsecured long-term debt is rated "investment grade" by both Moody's Investors Service, Inc. and Standard & Poor's Ratings Group. We typically use the net proceeds from long-term debt for acquisitions, refinancing of outstanding debt, capital expenditures and general corporate purposes. As of May 31, 2020, we were in compliance with our long-term financial debt covenants. Our long-term debt agreements do not include ratings triggers or material adverse change provisions.

The issuance of euro-denominated unsecured Senior Notes mentioned above was completed on August 23, 2019, when two of our European subsidiaries issued a €36.7 million principal amount 2031 Note and a €55.0 million aggregate principal amount 2034 Notes. The Senior Notes were issued in a private placement and the proceeds were used to retire existing indebtedness of the Company and its consolidated subsidiaries.

*Short-term borrowings* – Our short-term debt agreements do not include ratings triggers or material adverse change provisions. We were in compliance with our short-term financial debt covenants at May 31, 2020.

We maintain a $500.0 million multi-year revolving credit facility (the "Credit Facility") with a group of lenders that matures in February 2023. Borrowings under the Credit Facility have maturities of up to one year and have been classified as short-term borrowings within current liabilities on our consolidated balance sheets. We have the option to borrow at rates equal to an applicable margin over the LIBOR, Prime or Overnight Bank Funding rate. The applicable margin is determined by our credit rating. There were no borrowings outstanding under the Credit Facility at May 31, 2020. As discussed in "Note G – Guarantees," we provided $15.3 million in letters of credit for third-party beneficiaries as of May 31, 2020. While not drawn against at May 31, 2020, $250,000 of these letters of credit were issued against availability under the Credit Facility, leaving $499.7 million available at May 31, 2020.

We also maintain a revolving trade accounts receivable securitization facility (the "AR Facility"). On January 13, 2020, the Company extended the maturity of the AR Facility by one year to January 2021 and reduced the borrowing capacity from $50.0 million to $10.0 million. Pursuant to the terms of the AR Facility, certain of our subsidiaries sell their accounts receivable without recourse, on a revolving basis, to Worthington Receivables Corporation ("WRC"), a wholly-owned, consolidated, bankruptcy-remote subsidiary. In turn, WRC may sell without recourse, on a revolving basis, up to $10.0 million of undivided ownership interests in this pool of accounts receivable to a third-party bank. We retain an undivided interest in this pool and are subject to risk of loss based on the collectability of the receivables from this retained interest. Because the amount eligible to be sold excludes receivables more than 90 days past due, receivables offset by an allowance for doubtful accounts due to bankruptcy or other cause, concentrations over certain limits with specific customers, and certain reserve amounts, we believe additional risk of loss is minimal. As of May 31, 2020, no undivided ownership interests in this pool of accounts receivable had been sold. On July 22, 2020, the Company elected to terminate the AR Facility.

*Common shares* – We declared dividends at a quarterly rate of $0.24 per common share for each quarter of fiscal 2020 compared to $0.23 per common share for each quarter of fiscal 2019. Dividends paid on our common shares totaled $53.3 million and $52.3 million during fiscal 2020 and fiscal 2019, respectively. On June 24, 2020, the Worthington Industries Board declared a quarterly dividend of $0.25 per common share. The dividend is payable on September 29, 2020 to shareholders of record on September 15, 2020.

On September 27, 2017, the Worthington Industries Board authorized the repurchase of up to 6,828,855 of the outstanding common shares of Worthington Industries and on March 20, 2019, the Worthington Industries Board authorized the repurchase of up to an additional 6,600,000 of outstanding common shares. These common shares may be repurchased from time to time with consideration given to the market price of the common shares, the nature of other investment opportunities, cash flows from operations, general economic conditions and other relevant considerations. Repurchases may be made on the open market or through privately negotiated transactions. The total number of common shares available to repurchase at May 31, 2020 was 7,700,000.

During fiscal 2020 and fiscal 2019, we repurchased 1,300,000 and 4,100,000 common shares, having an aggregate cost of $51.0 million and $168.1 million, respectively.

***Dividend Policy***

We currently have no material contractual or regulatory restrictions on the payment of dividends. Dividends are declared at the discretion of the Worthington Industries Board. The Worthington Industries Board reviews the dividend quarterly and establishes the dividend rate based upon our financial condition, results of operations, capital requirements, current and projected cash flows, business prospects and other relevant factors. While we have paid a dividend every quarter since becoming a public company in 1968, there is no guarantee that payments of dividends will continue in the future.

***Contractual Cash Obligations and Other Commercial Commitments***

The following table summarizes our contractual cash obligations as of May 31, 2020. Certain of these contractual obligations are reflected in our consolidated balance sheet, while others are disclosed as future obligations in accordance with U.S. GAAP.

| | Payments Due by Period | | | | |
|---|---|---|---|---|---|
| **(in millions)** | **Total** | **Less Than 1 Year** | **1 - 3 Years** | **4 - 5 Years** | **After 5 Years** |
| Long-term debt | $ 703.1 | $ - | $ 0.6 | $ 0.6 | $ 701.9 |
| Interest expense on long-term debt | 214.6 | 28.7 | 57.3 | 44.9 | 83.7 |
| Operating leases | 40.1 | 11.8 | 16.4 | 6.8 | 5.1 |
| Financing leases | 7.4 | 0.5 | 0.9 | 0.4 | 5.6 |
| Royalty obligations | 12.0 | 2.0 | 4.0 | 4.0 | 2.0 |
| Total contractual cash obligations | $ 977.2 | $ 43.0 | $ 79.2 | $ 56.7 | $ 798.3 |

Interest expense on long-term debt is computed by using the rates of interest on each tranche of long-term debt, including impacts of the related interest rate hedges. Royalty obligations relate to a trademark license agreement executed in connection with the acquisition of the Coleman Cylinders business in fiscal 2012. Due to the uncertainty regarding the timing of future cash outflows associated with the unfunded portion of our pension benefit obligations and our unrecognized tax benefits, we are unable to make a reliable estimate of the periods of cash settlement and have not included these amounts in the contractual cash obligations table above. For additional information, refer to “Note L – Employee Pension Plans” and “Note M – Income Taxes”.

The following table summarizes our other commercial commitments as of May 31, 2020. These commercial commitments are not reflected in our consolidated balance sheet.

| | Commitment Expiration by Period | | | | |
|---|---|---|---|---|---|
| **(in millions)** | **Total** | **Less Than 1 Year** | **1 - 3 Years** | **4 - 5 Years** | **After 5 Years** |
| Guarantees | $ 6.4 | $ 6.4 | $ - | $ - | $ - |
| Standby letters of credit | 15.3 | 15.3 | - | - | - |
| Total commercial commitments | $ 21.7 | $ 21.7 | $ - | $ - | $ - |

***Off-Balance Sheet Arrangements***

We do not have guarantees or other off-balance sheet financing arrangements that we believe are reasonably likely to have a material current or future effect on our consolidated financial condition, changes in financial condition, revenue or expenses, results of operations, liquidity, capital expenditures or capital resources. However, as of May 31, 2020, we were party to an operating lease for an aircraft in which we have guaranteed a residual value at the termination of the lease. The maximum obligation under the terms of this guarantee was approximately $6.4 million at May 31, 2020. Based on current facts and circumstances, we have estimated the likelihood of payment pursuant to this guarantee is not probable and, therefore, no amount has been recognized in our consolidated financial statements.

### *Recently Issued Accounting Standards*

In June 2016, amended accounting guidance was issued related to the measurement of credit losses on financial instruments. The amended accounting guidance changes the impairment model for most financial assets to require measurement and recognition of expected credit losses for financial assets held. The amended accounting guidance is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. We are in the process of evaluating the effect this amended accounting guidance will have on our consolidated financial position and results of operations; however, we do not expect the amended accounting guidance to have a material impact on our ongoing financial reporting.

### *Environmental*

We do not believe that compliance with environmental laws has or will have a material effect on our capital expenditures, future results of operations or financial position or competitive position.

### *Inflation*

The effects of inflation on our operations were not significant during the periods presented in the consolidated financial statements.

### *Critical Accounting Policies*

The discussion and analysis of our consolidated financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. We continually evaluate our estimates, including those related to our valuation of receivables, inventories, intangible assets, accrued liabilities, income and other tax accruals and contingencies and litigation. We base our estimates on historical experience and various other assumptions that we believe to be reasonable under the circumstances. These results form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Critical accounting policies are defined as those that reflect our significant judgments and uncertainties that could potentially result in materially different results under different assumptions and conditions. Although actual results historically have not deviated significantly from those determined using our estimates, as discussed below, our consolidated financial position or results of operations could be materially different if we were to report under different conditions or to use different assumptions in the application of such policies. We believe the following accounting policies are the most critical to us, as these are the primary areas where financial information is subject to our estimates, assumptions and judgment in the preparation of our consolidated financial statements.

*Revenue Recognition*: Through fiscal 2018, in accordance with our historical accounting policies for revenue recognition, we recognized revenue upon transfer of title and risk of loss, or in the case of toll processing revenue, upon delivery of the goods, provided persuasive evidence of an arrangement existed, pricing was fixed or determinable and collectability was reasonably assured. Through charges to net sales, provisions were made for returns and allowances, customer rebates and sales discounts based on past experiences, specific agreements, and anticipated levels of customer activity.

On June 1, 2018, we adopted accounting guidance that replaced most existing revenue recognition accounting guidance under U.S. GAAP, Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)* (“Topic 606”). Under this accounting guidance, we recognize revenue upon transfer of control of promised goods or services to customers in an amount that reflects the consideration we expect to receive for those goods or services, including any variable consideration.

*Impairment of Definite-Lived Long-Lived Assets*: We review the carrying value of our long-lived assets, including intangible assets with finite useful lives, for impairment whenever events or changes in circumstances indicate that the carrying value of an asset or asset group may not be recoverable. Impairment testing involves a comparison of the sum of the undiscounted future cash flows of the asset or asset group to its respective carrying amount. If the sum of the undiscounted future cash flows exceeds the carrying amount, then no impairment exists. If the carrying amount exceeds the sum of the undiscounted future cash flows, then a second step is performed to

determine the amount of impairment, if any, to be recognized. An impairment loss is recognized to the extent that the carrying amount of the asset or asset group exceeds its fair value.

Fiscal 2020: During the fourth quarter of fiscal 2020, the Company identified an impairment indicator related to the TWB Hermosillo facility operating lease due to the economic impact of COVID-19. As a result, the lease ROU asset with a net book value of $565,000 was deemed fully impaired and written off.

In May 2020, the Company committed to a plan to shut down the packaging solutions business in Greensburg, Indiana. As a result, long-lived assets with a carrying value of $2.8 million were written down to their estimated fair market value of $266,000 (determined using Level 2 inputs), resulting in an impairment charge of $2.5 million.

On February 12, 2020, the Company announced a plan to consolidate its oil & gas equipment manufacturing operations in Wooster, Ohio, into its existing manufacturing facility in Bremen, Ohio. As a result, the Company tested the long-lived assets of the combined asset group, consisting of fixed assets and customer list intangible assets with net book values of $14.3 million and $6.6 million, respectively, for impairment. The book value of the fixed assets was determined to be in excess of fair value, resulting in an impairment charge of $4.7 million during the third quarter of fiscal 2020.

Additionally, the customer list intangible assets were deemed to be fully impaired and written off. Fair value of the fixed assets was determined using observable Level 2 inputs and the fair value of the customer list intangible assets was determined using unobservable Level 3 inputs. The land and building of the Wooster facility met the criteria for classification as assets held for sale and, accordingly, $3.4 million has been presented separately as assets held for sale in our consolidated balance sheet at May 31, 2020.

During the third quarter of fiscal 2020, the Company's consolidated joint venture, WSP committed to a plan to sell the Canton, Michigan facility and some of the production equipment at that facility. The land and building related to the facility were determined to not be impaired. The production equipment was determined to be below fair market value. Therefore, the net assets were written down to their estimated fair value less cost to sell of $700,000 (determined using Level 2 inputs), resulting in an impairment charge of $1.3 million in the third quarter of fiscal 2020. These assets, with a net book value of $7.8 million have been presented separately as assets held for sale in the consolidated balance sheet at May 31, 2020.

During the first quarter of fiscal 2020, we closed on an agreement by which we contributed substantially all of the net assets of its Engineered Cabs business with the exception of the fabricated products facility in Stow, Ohio, and the steel packaging facility in Greensburg, Indiana. The book value of the disposal group exceeded its estimated fair market value of $12.9 million (determined using Level 2 inputs), which resulted in the recording of a $35.2 million impairment charge during the first quarter of fiscal 2020. Included in the impairment charge were lease ROU assets with a net book value of $905,000 that were deemed fully impaired and written off. On November 1, 2019, the assets of the disposal group were contributed to the Cabs joint venture. For additional information, refer to "NOTE C – Investments in Unconsolidated Affiliates". The Company also identified an impairment indicator for the long-lived assets of the Engineered Cabs fabricated products business as the sale would have an adverse impact on the manner and extent in which the remaining assets were used. As a result, fixed assets with a net book value of $1.5 million and lease ROU assets with a net book value of $3.9 million were deemed to be fully impaired and written off during the first quarter ended August 31, 2019.

Fiscal 2019: During the fourth quarter of fiscal 2019, management finalized plans to close the Company's CNG fuel systems facility in Salt Lake City, Utah. As a result, long-lived assets with a carrying value of $2.4 million were written down to their estimated fair market value of $238,000, resulting in an impairment charge of $2.2 million. The Company ceased production at this facility in May 2019.

During the fourth quarter of fiscal 2019, management determined that indicators of impairment were present with regard to certain long-lived assets of the Canton, Michigan facility operated by the Company's consolidated joint venture, WSP. As a result, long-lived assets with a carrying value of $4.3 million were written down to their estimated fair market value of $1.0 million, resulting in an impairment charge of $3.3 million.

During the first quarter of fiscal 2019, changes in the facts and circumstances related to the planned sale of our cryogenics business in Turkey, Worthington Aritas, resulted in our lowering the estimate of fair value less cost to sell to $7.0 million which generated an impairment charge of $2.4 million.

Fiscal 2018: During the fourth quarter of fiscal 2018, management committed to plans to sell the Company's cryogenics business in Turkey, Worthington Aritas, and certain underperforming oil & gas equipment assets within Pressure Cylinders. In accordance with the applicable accounting guidance, the net assets were recorded at the lower of net book value or fair value less costs to sell. The book value of Worthington Aritas exceeded its estimated fair market value of $9.0 million, resulting in an impairment charge of $42.4 million. The book value of the oil & gas equipment asset group also exceeded its estimated fair market value of $21.0 million resulting in an impairment charge of $10.5 million.

During the second quarter of fiscal 2018, the Company determined that indicators of impairment were present with regard to the goodwill and intangible assets of the former WEI reporting unit. As a result, these assets were written down to their estimated fair value resulting in an impairment charge of $7.3 million. During the second quarter of fiscal 2018, the Company also identified the presence of impairment indicators with regard to vacant land at the oil & gas equipment facility in Bremen, Ohio, resulting in an impairment charge of $1.0 million to write the vacant land down to its estimated fair value.

*Impairment of Indefinite-Lived Long-Lived Assets*: Goodwill and intangible assets with indefinite lives are not amortized, but instead are tested for impairment annually, during the fourth quarter, or more frequently if events or changes in circumstances indicate that impairment may be present. Application of goodwill impairment testing involves judgment, including but not limited to, the identification of reporting units and estimation of the fair value of each reporting unit. A reporting unit is defined as an operating segment or one level below an operating segment. With the exception of Pressure Cylinders, we test goodwill at the operating segment level as we have determined that the characteristics of the reporting units within each operating segment are similar and allow for their aggregation in accordance with the applicable accounting guidance. For our Pressure Cylinders operating segment, the oil & gas equipment business has been treated as a separate reporting unit since the second quarter of fiscal 2016.

Fiscal 2020: We performed our annual impairment evaluation of goodwill and other indefinite-lived intangible assets during the fourth quarter of fiscal 2020 and concluded there were no issues with the Steel Processing or Pressure Cylinders assets, other than certain European tradenames within Pressure Cylinders. The results of the annual analysis indicated the fair value of certain European tradenames no longer supported its book value, resulting in an impairment charge of $3.8 million during the fourth quarter of fiscal 2020.

As a result of the impairment charges related to the consolidation of the old & gas equipment manufacturing operations in Wooster, Ohio, into its existing manufacturing facility in Bremen, Ohio discussed above, the Company also performed an interim goodwill impairment test of its oil & gas equipment reporting unit. The results of the analysis indicated the fair value of the reporting unit no longer supported the book value of the corresponding goodwill, resulting in an impairment charge of $22.1 million during the third quarter of fiscal 2020.

For goodwill and indefinite lived intangible assets, we test for impairment by first evaluating qualitative factors including macroeconomic conditions, industry and market considerations, cost factors, and overall financial performance. If there are no concerns raised from this evaluation, no further testing is performed. If, however, our qualitative analysis indicates it is more likely than not that the fair value is less than the carrying amount, a quantitative analysis is performed. The quantitative analysis compares the fair value of each reporting unit or indefinite-lived intangible asset to the respective carrying amount, and an impairment loss is recognized in our consolidated statements of earnings equivalent to the excess of the carrying amount over the fair value. Fair value is determined based on discounted cash flows or appraised values, as appropriate. Either way, our policy is to perform a quantitative analysis over each reporting unit at least every three years.

*Impairment of Equity Method Investments:* We review our equity-method investments for impairment whenever events or changes in circumstances indicate that the carrying value of the investment might not be recoverable. Events and circumstances can include, but are not limited to: evidence we do not have the ability to recover the carrying value; the inability of the investee to sustain earnings; the current fair value of the investment is less than the carrying value; and other investors cease to provide support or reduce their financial commitment to the investee. If the fair value of the investment is less than the carrying value, and the investment will not recover in the

near term, then other-than-temporary impairment may exist. When the loss in value of an investment is determined to be other-than-temporary, we recognize an impairment in the period the conclusion is made.

Fiscal 2020: During the first quarter of fiscal 2020, the Company began the process of exploring the potential exit of its interest in the Nisshin joint venture in China. As a result, the Company evaluated its investment for potential impairment. The Company concluded the remaining book value of the investment was fully impaired, resulting in an impairment charge of $4.2 million within equity income during the three months ended August 31, 2019.

During the second quarter of fiscal 2020, the Company's exploration of strategic alternatives relating to its investment in ArtiFlex resulted in the need to evaluate this investment for potential impairment. Based on the analysis performed, the Company concluded its investment was not impaired, as then current and projected cash flows were deemed sufficient to recover the remaining book value of $54.6 million. However, it is possible the Company's estimate of future cash flows could decline to a level that no longer supports the current book value of the investment. Factors which could have an adverse impact on the current cash flow projections, include, but are not limited to deteriorating market conditions as well as potential outcomes that may result from management's review of strategic alternatives.

Fiscal 2019: During the fourth quarter of fiscal 2019, we determined our 10% ownership interest in our joint venture in China, Nisshin, was other than temporarily impaired due to current and projected operating losses. As a result, an impairment charge of $4.0 million was recognized within equity income in our consolidated statement of earnings to write down the investment to its estimated fair value of $3.7 million.

*Strategic Investments:* From time to time the Company may make investments in both privately and publicly held equity securities in which the Company does not have a controlling interest or significant influence. Investments are recorded at fair value and changes in fair value for equity securities are reported in the Consolidated Statement of Earnings. The Company elected to record equity securities without readily determinable fair values at cost, less impairment, plus or minus subsequent adjustments for observable price changes in orderly transactions for the identical or a similar investment of the same issuer.

*Income Taxes:* In accordance with the authoritative accounting guidance, we account for income taxes using the asset and liability method. The asset and liability method requires the recognition of deferred tax assets and liabilities for expected future tax consequences of temporary differences that currently exist between the tax basis and financial reporting basis of our assets and liabilities. We evaluate the deferred tax assets to determine whether it is more likely than not that some, or a portion, of the deferred tax assets will not be realized, and provide a valuation allowance as appropriate.

In accordance with accounting literature related to uncertainty in income taxes, tax benefits from uncertain tax positions that are recognized in the consolidated financial statements are measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement.

We have reserves for income taxes and associated interest and penalties that may become payable in future years as a result of audits by taxing authorities. It is our policy to record these in income tax expense. While we believe the positions taken on previously filed tax returns are appropriate, we have established the tax and interest reserves in recognition that various taxing authorities may challenge our positions. These reserves are analyzed periodically, and adjustments are made as events occur to warrant adjustment to the reserves, such as lapsing of applicable statutes of limitations, conclusion of tax audits, additional exposure based on current calculations, identification of new issues, and release of administrative guidance or court decisions affecting a particular tax issue.

The critical accounting policies discussed herein are not intended to be a comprehensive list of all of our accounting policies. In many cases, the accounting treatment of a particular transaction is specifically dictated by U.S. GAAP, with a lesser need for our judgment in their application. There are also areas in which our judgment in selecting an available alternative would not produce a materially different result.

**Item 7A. – Quantitative and Qualitative Disclosures About Market Risk**

*Unless otherwise indicated, all Note references contained in this Part II – Item 7A. refer to the Notes to the Consolidated Financial Statements included in "Part II – Item 8. – Financial Statements and Supplementary Data" of this Form 10-K.*

In the normal course of business, we are exposed to various market risks. We continually monitor these risks and regularly develop appropriate strategies to manage them. Accordingly, from time to time, we may enter into certain financial and commodity-based derivative financial instruments. These instruments are used solely to mitigate market exposure and are not used for trading or speculative purposes. Refer to "Note Q – Derivative Financial Instruments and Hedging Activities" for additional information.

***Interest Rate Risk***

We are exposed to changes in interest rates primarily as a result of our borrowing and investing activities to maintain liquidity and fund operations. The nature and amount of our long-term and short-term debt can be expected to fluctuate as a result of business requirements, market conditions and other factors. We manage exposures to interest rates using a mix of fixed and variable rate debt. We use interest rate swap instruments to manage our exposure to interest rate movements.

We entered into an interest rate swap in June 2017, in anticipation of the issuance of $200.0 million aggregate principal amount of senior unsecured notes due August 1, 2032 ("2032 Notes"). Refer to "Note H – Debt and Receivables Securitization" for additional information regarding the 2032 Notes. The interest rate swap had a notional amount of $150.0 million to hedge the risk of changes in the semi-annual interest rate payments attributable to changes in the benchmark interest rate during the several days leading up to the issuance of the 15-year fixed-rate debt. Upon pricing of the 2032 Notes, the derivative financial instrument was settled resulting in a gain of approximately $3.1 million, which was reflected in accumulated other comprehensive loss in our consolidated statements of equity and will be recognized in earnings, as a decrease to interest expense, over the life of the related 2032 Notes.

We entered into an interest rate swap in March 2014, in anticipation of the issuance of $250.0 million aggregate principal amount of senior unsecured notes due April 15, 2026 ("2026 Notes"). Refer to "Note H – Debt and Receivables Securitization" for additional information regarding the 2026 Notes. The interest rate swap had a notional amount of $150.0 million to hedge the risk of changes in the semi-annual interest payments attributable to changes in the benchmark interest rate during the several days leading up to the issuance of the 12-year fixed-rate debt. Upon pricing of the 2026 Notes, the derivative financial instrument was settled and resulted in a loss of approximately $3.1 million, a significant portion of which was reflected within accumulated other comprehensive loss in our consolidated statements of equity and will be recognized in earnings, as an increase to interest expense, over the life of the related 2026 Notes.

We entered into a U.S. Treasury Rate-based treasury lock in April 2010, in anticipation of the issuance of $150.0 million aggregate principal amount of senior unsecured notes due April 15, 2020 ("2020 Notes"). Refer to "Note H – Debt and Receivables Securitization" for additional information regarding the 2020 Notes. The treasury lock had a notional amount of $150.0 million to hedge the risk of changes in the semi-annual interest payments attributable to changes in the benchmark interest rate during the several days leading up to the issuance of the 10-year fixed-rate debt. Upon pricing of the 2020 Notes, the derivative financial instrument was settled and resulted in a loss of approximately $1.4 million, which has been reflected within accumulated other comprehensive loss in our consolidated statements of equity. The 2020 Notes were redeemed in full on August 30, 2019. In connection with the early redemption, the Company recognized a loss on extinguishment of debt of $4.0 million, which has been presented separately in our consolidated statement of earnings for fiscal 2020.

***Foreign Currency Exchange Risk***

The translation of foreign currencies into U.S. dollars subjects us to exposure related to fluctuating foreign currency exchange rates. Derivative financial instruments are not used to manage this risk; however, we do make use of forward contracts to manage exposure to certain intercompany loans with our foreign affiliates as well as exposure to transactions denominated in a currency other than the related foreign affiliate's local currency. Such forward contracts limit exposure to both favorable and unfavorable foreign currency exchange rate fluctuations. At May 31, 2020, the difference between the contract and book value of these forward contracts was not material to our consolidated financial position, results of operations or cash flows. A 10% change in the foreign currency exchange rate to the U.S. dollar forward rate is not expected to materially impact our consolidated financial position, results of operations or cash flows. A sensitivity analysis of changes in the U.S. dollar exchange rate on these foreign currency-denominated contracts indicates that if the U.S. dollar uniformly weakened by 10% against all of these foreign currency exposures, the fair value of these forward contracts would not be materially impacted. Any resulting changes in fair value would be offset by changes in the underlying hedged balance sheet position. A sensitivity analysis of changes in the foreign currency exchange rates of our foreign locations indicates that a 10% increase in those rates would not have materially impacted our net results. The sensitivity analysis assumes a uniform shift in all foreign currency exchange rates. The assumption that foreign currency exchange rates change in uniformity may overstate the impact of changing foreign currency exchange rates on assets and liabilities denominated in a foreign currency.

***Commodity Price Risk***

We are exposed to market risk for price fluctuations on purchases of steel, natural gas, zinc and other raw materials as well as our utility requirements. We attempt to negotiate the best prices for commodities and to competitively price products and services to reflect the fluctuations in market prices. Derivative financial instruments have been used to manage a portion of our exposure to fluctuations in the cost of certain commodities, including steel, natural gas, zinc, copper and other raw materials. These contracts covered periods commensurate with known or expected exposures throughout fiscal 2021. The derivative financial instruments were executed with highly rated financial institutions. No credit loss is anticipated. No derivatives are held for trading purposes.

A sensitivity analysis of changes in the price of hedged commodities indicates that a 10% decline in the market prices of steel, zinc, copper, natural gas or any combination of these would not have a material impact to the value of our hedges or our reported results.

The fair values of our outstanding derivative positions as of May 31, 2020 and 2019 are summarized below. Fair values of these derivative financial instruments do not consider the offsetting impact of the underlying hedged item.

| (in millions) | Fair Value At May 31, 2020 | Fair Value At May 31, 2019 |
|---|---|---|
| Foreign currency exchange contracts | $ - | $ - |
| Commodity contracts | (8.6) | (9.8) |
| Total derivative financial instruments | $ (8.6) | $ (9.8) |

***Safe Harbor***

Quantitative and qualitative disclosures about market risk include forward-looking statements with respect to management's opinion about risks associated with the use of derivative financial instruments. These statements are based on certain assumptions with respect to market prices and industry supply of, and demand for, steel products and certain raw materials. To the extent these assumptions prove to be inaccurate, future outcomes with respect to hedging programs may differ materially from those discussed in the forward-looking statements.

**Item 8. – Financial Statements and Supplementary Data**

## Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders
Worthington Industries, Inc.:

*Opinion on the Consolidated Financial Statements*

We have audited the accompanying consolidated balance sheets of Worthington Industries, Inc. and subsidiaries (the Company) as of May 31, 2020 and 2019, the related consolidated statements of earnings, comprehensive income, equity, and cash flows for each of the years in the three-year period ended May 31, 2020, and the related notes and financial statement schedule II - valuation and qualifying accounts (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of May 31, 2020 and 2019, and the results of its operations and its cash flows for each of the years in the three-year period ended May 31, 2020, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of May 31, 2020, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated July 30, 2020, expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

*Changes in Accounting Principles*

As discussed in Notes A and B to the consolidated financial statements, the Company has changed its method of accounting for revenue and certain costs effective June 1, 2018, due to the adoption of Accounting Standards Update 2014-09, *Revenue from Contracts with Customers* (Topic 606).

As discussed in Notes A and S to the consolidated financial statements, the Company has changed its method of accounting for leases as of June 1, 2019 due to the adoption of Accounting Standards Update 2016-02, *Leases* (Topic 842).

*Basis for Opinion*

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

*Critical Audit Matter*

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

*Impairment of long-lived assets of the Engineered Cabs business*

As discussed in Notes A and D to the consolidated financial statements, the Company contributed substantially all of the net assets of the Engineered Cabs business to a newly formed joint venture in exchange for a non-controlling minority interest of the newly formed joint venture resulting in an impairment charge of $35,194,000. The Company determined the fair value of the disposal group using discounted cash flow analysis, cost, and market approaches for certain assets.

We identified the assessment of the fair value of the Engineered Cabs disposal group as a critical audit matter. The assessment of the fair value required estimates and judgments that involved the use of professionals with specialized skills and knowledge. The assessment of the estimated operating cash flows, and the discount and revenue growth rates used in calculating fair value of the Engineered Cabs disposal group required subjective auditor judgment due to the inherent uncertainties and forward-looking nature of such assumptions.

The primary procedures we performed to address this critical audit matter included the following. We tested certain internal controls over the Company’s impairment assessment process, including controls related to the determination of the fair value of the disposal group, the development of operating cash flows, and the discount and revenue growth rates. To assess the Company’s ability to forecast operating cash flows, we compared the Company’s previous forecasts to actual results. We performed risk assessment procedures, including sensitivity analyses over forecasted operating cash flows and the discount and revenue growth rates to assess their impact on the impairment analyses. We evaluated the Company’s forecasted revenue growth rates, by comparing the growth rates to historical performance and market data. In addition, we involved valuation professionals with specialized skills and knowledge, who assisted in evaluating the discount and revenue growth rates and fair value for certain assets by comparing them against independently developed expectations using publicly available market data.

/s/KPMG LLP

We have served as the Company’s auditor since 2001.

Columbus, Ohio
July 30, 2020

**WORTHINGTON INDUSTRIES, INC.**
**CONSOLIDATED BALANCE SHEETS**
**(In thousands)**

| | May 31, | |
|---|---|---|
| | **2020** | **2019** |
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 147,198 | $ 92,363 |
| Receivables, less allowances of $1,521 and $1,150 at May 31, 2020 and May 31, 2019, respectively | 341,038 | 501,944 |
| Inventories: | | |
| Raw materials | 234,629 | 268,607 |
| Work in process | 76,497 | 113,848 |
| Finished products | 93,975 | 101,825 |
| Total inventories | 405,101 | 484,280 |
| Income taxes receivable | 8,376 | 10,894 |
| Assets held for sale | 12,928 | 6,924 |
| Prepaid expenses and other current assets | 68,538 | 69,508 |
| Total current assets | 983,179 | 1,165,913 |
| Investments in unconsolidated affiliates | 203,329 | 214,930 |
| Operating lease assets | 31,557 | - |
| Goodwill | 321,434 | 334,607 |
| Other intangible assets, net of accumulated amortization of $92,774 and $87,759 at May 31, 2020 and May 31, 2019, respectively | 184,416 | 196,059 |
| Other assets | 34,956 | 20,623 |
| Property, plant and equipment: | | |
| Land | 24,197 | 23,996 |
| Buildings and improvements | 302,796 | 310,112 |
| Machinery and equipment | 1,055,139 | 1,049,068 |
| Construction in progress | 52,231 | 49,423 |
| Total property, plant and equipment | 1,434,363 | 1,432,599 |
| Less: accumulated depreciation | 861,719 | 853,935 |
| Total property, plant and equipment, net | 572,644 | 578,664 |
| **Total assets** | $ 2,331,515 | $ 2,510,796 |

See notes to consolidated financial statements.

**WORTHINGTON INDUSTRIES, INC.**
**CONSOLIDATED BALANCE SHEETS**
**(Dollars in thousands)**

| | May 31, | |
|---|---|---|
| | **2020** | **2019** |
| **LIABILITIES AND EQUITY** | | |
| Current liabilities: | | |
| Accounts payable | $ 247,017 | $ 393,517 |
| Accrued compensation, contributions to employee benefit plans and related taxes | 64,650 | 78,155 |
| Dividends payable | 14,648 | 14,431 |
| Other accrued items | 49,974 | 59,810 |
| Current operating lease liabilities | 10,851 | - |
| Income taxes payable | 949 | 1,164 |
| Current maturities of long-term debt | 149 | 150,943 |
| Total current liabilities | 388,238 | 698,020 |
| Other liabilities | 75,786 | 69,976 |
| Distributions in excess of investment in unconsolidated affiliate | 103,837 | 121,948 |
| Long-term debt | 699,516 | 598,356 |
| Noncurrent operating lease liabilities | 25,763 | - |
| Deferred income taxes, net | 71,942 | 74,102 |
| Total liabilities | 1,365,082 | 1,562,402 |
| Shareholders' equity - controlling interest: | | |
| Preferred shares, without par value; authorized - 1,000,000 shares; issued and outstanding - none | - | - |
| Common shares, without par value; authorized - 150,000,000 shares; issued and outstanding, 2020 - 54,616,485 shares, 2019 - 55,467,525 shares | - | - |
| Additional paid-in capital | 283,776 | 283,177 |
| Accumulated other comprehensive loss, net of taxes of $7,922 and $7,100 at May 31, 2020 and May 31, 2019, respectively | (35,217) | (43,464) |
| Retained earnings | 572,262 | 591,533 |
| Total shareholders' equity - controlling interest | 820,821 | 831,246 |
| Noncontrolling interests | 145,612 | 117,148 |
| Total equity | 966,433 | 948,394 |
| **Total liabilities and equity** | $ 2,331,515 | $ 2,510,796 |

See notes to consolidated financial statements.

**WORTHINGTON INDUSTRIES, INC.**
**CONSOLIDATED STATEMENTS OF EARNINGS**
**(In thousands, except per share amounts)**

| | Fiscal Years Ended May 31, | | |
|---|---|---|---|
| | **2020** | **2019** | **2018** |
| Net sales | $ 3,059,119 | $ 3,759,556 | $ 3,581,620 |
| Cost of goods sold | 2,615,782 | 3,279,601 | 3,018,763 |
| Gross margin | 443,337 | 479,955 | 562,857 |
| Selling, general and administrative expense | 328,110 | 338,392 | 367,460 |
| Impairment of goodwill and long-lived assets | 82,690 | 7,817 | 61,208 |
| Restructuring and other expense (income), net | 10,048 | (11,018) | (7,421) |
| Operating income | 22,489 | 144,764 | 141,610 |
| Other income (expense): | | | |
| Miscellaneous income, net | 9,099 | 2,716 | 2,996 |
| Interest expense | (31,616) | (38,063) | (38,675) |
| Loss on extinguishment of debt | (4,034) | - | - |
| Equity in net income of unconsolidated affiliates | 114,848 | 97,039 | 103,139 |
| Earnings before income taxes | 110,786 | 206,456 | 209,070 |
| Income tax expense | 26,342 | 43,183 | 8,220 |
| Net earnings | 84,444 | 163,273 | 200,850 |
| Net earnings attributable to noncontrolling interests | 5,648 | 9,818 | 6,056 |
| **Net earnings attributable to controlling interest** | $ 78,796 | $ 153,455 | $ 194,794 |
| | | | |
| **Basic** | | | |
| Average common shares outstanding | 54,958 | 57,196 | 60,923 |
| **Earnings per share attributable to controlling interest** | $ 1.43 | $ 2.68 | $ 3.20 |
| | | | |
| **Diluted** | | | |
| Average common shares outstanding | 55,983 | 58,823 | 63,042 |
| **Earnings per share attributable to controlling interest** | $ 1.41 | $ 2.61 | $ 3.09 |

See notes to consolidated financial statements.

**WORTHINGTON INDUSTRIES, INC.**
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**
**(In thousands)**

| | Fiscal Years Ended May 31, | | |
|---|---|---|---|
| | **2020** | **2019** | **2018** |
| Net earnings | $ 84,444 | $ 163,273 | $ 200,850 |
| Other comprehensive income (loss): | | | |
| Foreign currency translation, net of tax | 10,497 | (14,772) | 12,744 |
| Pension liability adjustment, net of tax | (4,030) | (1,785) | 1,566 |
| Cash flow hedges, net of tax | 1,780 | (12,447) | 959 |
| Other comprehensive income (loss) | 8,247 | (29,004) | 15,269 |
| **Comprehensive income** | 92,691 | 134,269 | 216,119 |
| Comprehensive income attributable to noncontrolling interests | 5,648 | 9,698 | 6,429 |
| **Comprehensive income attributable to controlling interest** | $ 87,043 | $ 124,571 | $ 209,690 |

See notes to consolidated financial statements.

# WORTHINGTON INDUSTRIES, INC.
# CONSOLIDATED STATEMENTS OF EQUITY
## (Dollars in thousands, except per share amounts)

| | Controlling Interest | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Common Shares | | Additional Paid-in | Accumulated Other Comprehensive Loss, | Retained | | Noncontrolling | |
| (in thousands) | Shares | Amount | Capital | Net of Tax | Earnings | Total | Interests | Total |
| **Balance at May 31, 2017** | 62,802,456 | $ - | $ 303,391 | $ (27,775) | $ 676,019 | $ 951,635 | $ 122,294 | $ 1,073,929 |
| Net earnings | - | - | - | - | 194,794 | 194,794 | 6,056 | 200,850 |
| Other comprehensive income | - | - | - | 14,896 | - | 14,896 | 373 | 15,269 |
| Common shares issued, net of withholding tax | 449,465 | - | (2,120) | - | - | (2,120) | - | (2,120) |
| Theoretical common shares in NQ plans | - | - | 1,218 | - | - | 1,218 | - | 1,218 |
| Stock-based compensation | - | - | 13,460 | - | - | 13,460 | - | 13,460 |
| Purchase of noncontrolling interest in Worthington Arıtaş Basınçlı Kaplar Sanayi | - | - | 924 | - | - | 924 | (2,837) | (1,913) |
| Sale of controlling interest in Worthington Energy Innovations, LLC | - | - | - | - | - | - | (365) | (365) |
| Reclassification of stranded tax effects | - | - | - | (1,701) | 1,701 | - | - | - |
| Repurchases and retirement of common shares | (4,375,000) | - | (21,281) | - | (182,986) | (204,267) | - | (204,267) |
| Dividends to noncontrolling interests | - | - | - | - | - | - | (7,915) | (7,915) |
| Cash dividends declared ($0.84 per share) | - | - | - | - | (51,771) | (51,771) | - | (51,771) |
| **Balance at May 31, 2018** | 58,876,921 | $ - | $ 295,592 | $ (14,580) | $ 637,757 | $ 918,769 | $ 117,606 | $ 1,036,375 |
| Net earnings | - | - | - | - | 153,455 | 153,455 | 9,818 | 163,273 |
| Other comprehensive loss | - | - | - | (28,884) | - | (28,884) | (120) | (29,004) |
| Common shares issued, net of withholding tax | 690,604 | - | (6,371) | - | - | (6,371) | - | (6,371) |
| Theoretical common shares in NQ plans | - | - | 680 | - | - | 680 | - | 680 |
| Stock-based compensation | - | - | 13,927 | - | - | 13,927 | - | 13,927 |
| ASC 606 transition adjustment | - | - | - | - | 1,174 | 1,174 | 570 | 1,744 |
| Repurchases and retirement of common shares | (4,100,000) | - | (20,651) | - | (147,462) | (168,113) | - | (168,113) |
| Dividends to noncontrolling interests | - | - | - | - | - | - | (10,726) | (10,726) |
| Cash dividends declared ($0.92 per share) | - | - | - | - | (53,391) | (53,391) | - | (53,391) |
| **Balance at May 31, 2019** | 55,467,525 | $ - | $ 283,177 | $ (43,464) | $ 591,533 | $ 831,246 | $ 117,148 | $ 948,394 |
| Net earnings | - | - | - | - | 78,796 | 78,796 | 5,648 | 84,444 |
| Other comprehensive income | - | - | - | 8,247 | - | 8,247 | - | 8,247 |
| Common shares issued, net of withholding tax | 448,960 | - | (6,513) | - | - | (6,513) | - | (6,513) |
| Theoretical common shares in NQ plans | - | - | 547 | - | - | 547 | - | 547 |
| Stock-based compensation | - | - | 13,191 | - | - | 13,191 | - | 13,191 |
| Consolidation of Worthington Samuel Coil Processing LLC | - | - | - | - | - | - | 24,269 | 24,269 |
| Repurchases and retirement of common shares | (1,300,000) | - | (6,626) | - | (44,346) | (50,972) | - | (50,972) |
| Dividends to noncontrolling interests | - | - | - | - | - | - | (1,453) | (1,453) |
| Cash dividends declared ($0.96 per share) | - | - | - | - | (53,721) | (53,721) | - | (53,721) |
| **Balance at May 31, 2020** | 54,616,485 | $ - | $ 283,776 | $ (35,217) | $ 572,262 | $ 820,821 | $ 145,612 | $ 966,433 |

See notes to consolidated financial statements

**WORTHINGTON INDUSTRIES, INC.**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(In thousands)**

| | Fiscal Years Ended May 31, | | |
|---|---|---|---|
| | 2020 | 2019 | 2018 |
| **Operating activities:** | | | |
| Net earnings | $ 84,444 | $ 163,273 | $ 200,850 |
| Adjustments to reconcile net earnings to net cash provided by operating activities: | | | |
| Depreciation and amortization | 92,678 | 95,602 | 103,359 |
| Impairment of goodwill and long-lived assets | 82,690 | 7,817 | 61,208 |
| Provision for (benefit from) deferred income taxes | (1,309) | 17,435 | (38,237) |
| Bad debt expense | 580 | 659 | 11 |
| Equity in net income of unconsolidated affiliates, net of distributions | 8,106 | 7,347 | (13,352) |
| Net gain on sale of assets | (5,057) | (7,059) | (10,522) |
| Stock-based compensation | 11,883 | 11,733 | 13,758 |
| Loss on extinguishment of debt | 4,034 | - | - |
| Changes in assets and liabilities, net of impact of acquisitions: | | | |
| Receivables | 147,225 | 73,346 | (53,066) |
| Inventories | 62,126 | (33,649) | (84,654) |
| Accounts payable | (142,684) | (93,294) | 83,053 |
| Accrued compensation and employee benefits | (11,878) | (19,159) | 11,615 |
| Other operating items, net | 3,888 | (26,192) | 7,322 |
| **Net cash provided by operating activities** | 336,726 | 197,859 | 281,345 |
| | | | |
| **Investing activities:** | | | |
| Investment in property, plant and equipment | (95,503) | (84,499) | (76,088) |
| Acquisitions, net of cash acquired | (30,748) | (10,402) | (285,028) |
| Distributions from unconsolidated affiliate | - | 56,693 | 2,400 |
| Proceeds from sale of assets | 10,036 | 49,683 | 21,311 |
| **Net cash provided (used) by investing activities** | (116,215) | 11,475 | (337,405) |
| | | | |
| **Financing activities:** | | | |
| Net repayments of short-term borrowings, net of issuance costs | - | - | (948) |
| Proceeds from long-term debt, net of issuance costs | 101,464 | - | 197,685 |
| Principal payments on long-term debt | (154,913) | (1,394) | (31,130) |
| Proceeds from issuance of common shares, net of tax withholdings | (6,513) | (6,371) | (2,120) |
| Payments to noncontrolling interests | (1,453) | (10,726) | (7,915) |
| Repurchase of common shares | (50,972) | (168,113) | (204,267) |
| Dividends paid | (53,289) | (52,334) | (51,359) |
| **Net cash used by financing activities** | (165,676) | (238,938) | (100,054) |
| Increase (decrease) in cash and cash equivalents | 54,835 | (29,604) | (156,114) |
| Cash and cash equivalents at beginning of year | 92,363 | 121,967 | 278,081 |
| **Cash and cash equivalents at end of year** | $ 147,198 | $ 92,363 | $ 121,967 |

See notes to consolidated financial statements.

**Note A – Summary of Significant Accounting Policies**

*Consolidation:* The consolidated financial statements include the accounts of Worthington Industries, Inc. and consolidated subsidiaries (collectively, "we," "our," "Worthington," or the "Company"). Investments in unconsolidated affiliates are accounted for using the equity method. Significant intercompany accounts and transactions are eliminated.

The Company owns controlling interests in the following four joint ventures: Spartan Steel Coating, L.L.C. ("Spartan") (52%), TWB Company, L.L.C. ("TWB") (55%), Worthington Samuel Coil Processing LLC ("Samuel" or "Samuel joint venture") (63%), and Worthington Specialty Processing ("WSP") (51%). These joint ventures are consolidated with the equity owned by the other joint venture members shown as noncontrolling interests in our consolidated balance sheets, and their portions of net earnings and other comprehensive income (loss) ("OCI") shown as net earnings or comprehensive income attributable to noncontrolling interests in our consolidated statements of earnings and comprehensive income, respectively. On May 23, 2018, the Company acquired the minority ownership interest in Turkey-based Worthington Arıtaş Basınçlı Kaplar Sanayi ("Worthington Aritas") from the noncontrolling joint venture members in a non-cash transaction. The difference between the fair value of the noncontrolling interest and its carrying value was recorded as an increase to additional paid-in-capital in the amount of $924,000. As more fully described in "NOTE P – Acquisitions," on December 31, 2019, we acquired an additional 31.75% interest in Samuel, increasing our ownership to a 63% controlling interest, with Samuel's results being consolidated within the Steel Processing operating segment since the acquisition date. The transaction resulted in a one-time net pre-tax gain of $6,055,000 within miscellaneous income in our consolidated statement of earnings during the third quarter of fiscal 2020.

*Deconsolidation of Engineered Cabs:* On November 1, 2019, we closed on an agreement with an affiliate of Angeles Equity Partners, LLC by which we contributed substantially all of the net assets of the Company's Engineered Cabs business to a newly-formed joint venture, Taxi Workhorse Holdings, LLC (the "Cabs joint venture"), in which the Company retained a 20% noncontrolling interest. Immediately following the contribution, the Cabs joint venture acquired the net assets of Crenlo Cab Products, LLC ("Crenlo"). The investment in the Cabs joint venture is accounted for under the equity method, due to lack of control as more fully described in "NOTE C – Investments in Unconsolidated Affiliates".

The Company's contribution to the Cabs joint venture consisted of the net assets of its two primary manufacturing facilities located in Greeneville, Tennessee and Watertown, South Dakota. As a result of the contribution, an impairment charge of $35,194,000 was recognized when the disposal group met the criteria as assets held for sale as of August 31, 2019. Certain non-core assets of the Engineered Cabs business, including the fabricated products facility in Stow, Ohio, and the steel packaging facility in Greensburg, Indiana, were retained. Refer to "NOTE D – Goodwill and Other Long-Lived Assets" for additional information on the retained assets.

Upon closing of the transaction, the contributed net assets were deconsolidated, resulting in a one-time net gain after final post-closing adjustments of $258,000 within restructuring and other expense (income), net in our fiscal 2020 consolidated statement of earnings, as summarized below.

| (in thousands) | | |
|---|---|---|
| Retained investment (at fair value) | $ | 13,831 |
| Contributed net assets (at carrying value) | | 13,394 |
| Gain on deconsolidation | | 437 |
| Less: deal costs | | (179) |
| Net gain on deconsolidation | $ | 258 |

In accordance with the applicable accounting guidance, our minority ownership interest in the Cabs joint venture was recorded at fair value as of the closing date. The Company's estimate of fair value was based on a

preliminary valuation of the net assets of the Cabs joint venture. For additional information regarding the fair value of our minority ownership interest in the Cabs joint venture, refer to "NOTE R – Fair Value Measurements".

*Use of Estimates:* The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States ("U.S. GAAP") requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

*Cash and Cash Equivalents:* We consider all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

*Inventories:* Inventories are valued at the lower of cost or net realizable value. Cost is determined using the first-in, first-out method for all inventories. The assessment of net realizable value requires the use of estimates to determine cost to complete, normal profit margin and the ultimate selling price of the inventory. We believe our inventories were valued appropriately as of May 31, 2020 and May 31, 2019.

*Derivative Financial Instruments:* We utilize derivative financial instruments to manage exposure to certain risks related to our ongoing operations. The primary risks managed through the use of derivative financial instruments include interest rate risk, foreign currency exchange risk and commodity price risk. All derivative financial instruments are accounted for using mark-to-market accounting. The accounting for changes in the fair value of a derivative financial instrument depends on whether it has been designated and qualifies as part of a hedging relationship and, if so, the reason for holding it. Gains and losses on fair value hedges are recognized in current period earnings in the same line as the underlying hedged item. Gains and losses on cash flow hedges are deferred as a component of accumulated other comprehensive income or loss ("AOCI") and recognized in earnings at the time the hedged item affects earnings, in the same financial statement caption as the underlying hedged item. Classification in the consolidated statements of earnings of gains and losses related to derivative financial instruments that do not qualify for hedge accounting is determined based on the underlying intent of the instruments. Cash flows related to derivative financial instruments are generally classified as operating activities in our consolidated statements of cash flows.

In order for hedging relationships to qualify for hedge accounting under current accounting guidance, we formally document each hedging relationship and its risk management objective. Derivative financial instruments are executed only with highly-rated counterparties. No credit loss is anticipated on existing instruments, and no material credit losses have been experienced to date. We monitor our positions, as well as the credit ratings of counterparties to those positions.

We discontinue hedge accounting when it is determined that the derivative financial instrument is no longer effective in offsetting the hedged risk, expires or is sold, is terminated or is no longer designated as a hedging instrument because it is unlikely that a forecasted transaction will occur or we determine that designation of the hedging instrument is no longer appropriate. In all situations in which hedge accounting is discontinued and the derivative financial instrument is retained, we continue to carry the derivative financial instrument at its fair value on the consolidated balance sheet and recognize any subsequent changes in its fair value in net earnings immediately. When it is probable that a forecasted transaction will not occur, we discontinue hedge accounting and immediately recognize the gains and losses that were accumulated in AOCI.

Refer to "Note Q – Derivative Financial Instruments and Hedging Activities" for additional information regarding the consolidated balance sheet location and the risk classification of our derivative financial instruments.

*Risks and Uncertainties*: As of May 31, 2020, excluding our joint ventures, we operated 26 manufacturing facilities worldwide, principally in two operating segments, which correspond with our reportable business segments: Steel Processing and Pressure Cylinders. We also held equity positions in nine joint ventures, which operated 48 manufacturing facilities worldwide, as of May 31, 2020. Our largest end market is the automotive industry, which comprised 32%, 38%, and 37% of consolidated net sales in fiscal 2020, fiscal 2019, and fiscal 2018, respectively. Our international operations represented 7%, 5%, and 9% of consolidated net sales and 2%, 6%, and 6% of consolidated net earnings attributable to controlling interest in fiscal 2020, fiscal 2019, and fiscal 2018, respectively, and 13% of consolidated net assets as of May 31, 2020 and May 31, 2019. As of May 31, 2020, approximately 9% of our consolidated labor force was represented by collective bargaining units. The concentration

of credit risks from financial instruments related to the markets we serve is not expected to have a material adverse effect on our consolidated financial position, cash flows or future results of operations.

In fiscal 2020, our largest customer accounted for slightly less than 10% of our consolidated net sales, and our ten largest customers accounted for approximately 30% of our consolidated net sales. A significant loss of, or decrease in, business from any of these customers could have an adverse effect on our consolidated net sales and financial results if we were not able to obtain replacement business. Also, due to consolidation within the industries we serve, including the construction, automotive and retail industries, our sales may be increasingly sensitive to deterioration in the financial condition of, or other adverse developments with respect to, one or more of our largest customers.

Our principal raw material is flat-rolled steel, which we purchase from multiple primary steel producers. The steel industry as a whole has been cyclical, and at times availability and pricing can be volatile due to a number of factors beyond our control. This volatility can significantly affect our steel costs. In an environment of increasing prices for steel and other raw materials, in general, competitive conditions may impact how much of the price increases we can pass on to our customers. To the extent we are unable to pass on future price increases in our raw materials to our customers, our financial results could be adversely affected. Also, if steel prices decrease, in general, competitive conditions may impact how quickly we must reduce our prices to our customers, and we could be forced to use higher-priced raw materials to complete orders for which the selling prices have decreased. Declining steel prices could also require us to write-down the value of our inventories to reflect current market pricing. Further, the number of suppliers has decreased in recent years due to industry consolidation and the financial difficulties of certain suppliers, and consolidation may continue. Accordingly, if delivery from a major steel supplier is disrupted, it may be more difficult to obtain an alternative supply than in the past.

The COVID-19 pandemic and the various actions taken to contain or mitigate the outbreak have caused, and are continuing to cause, business slowdowns or shutdowns and significant disruption in global markets and economies, which has exacerbated and could further exacerbate the conditions noted in the risks above. The extent to which our operations will continue to be impacted by COVID-19 will depend on future developments, which are highly uncertain and cannot be accurately predicted, including the further spread, the duration of the pandemic and its eventual impact on world economies.

*Receivables:* We review our receivables on an ongoing basis to ensure that they are properly valued and collectible. This is accomplished through an allowance for doubtful accounts.

The allowance for doubtful accounts is used to record the estimated risk of loss related to the customers' inability to pay. This allowance is maintained at a level that we consider appropriate based on factors that affect collectability, such as the financial health of our customers, historical trends of charge-offs and recoveries and current economic and market conditions. As we monitor our receivables, we identify customers that may have payment problems, and we adjust the allowance accordingly, with the offset to selling, general and administrative ("SG&A") expense. Account balances are charged off against the allowance when recovery is considered remote. The allowance for doubtful accounts increased approximately $371,000 during fiscal 2020 to $1,521,000.

While we believe our allowance for doubtful accounts is adequate, changes in economic conditions, the financial health of customers and bankruptcy settlements could impact our future earnings. If the economic environment and market conditions deteriorate, particularly in the automotive and construction end markets where our exposure is greatest, additional reserves may be required.

*Property and Depreciation:* Property, plant and equipment are carried at cost and depreciated using the straight-line method. Buildings and improvements are depreciated over 10 to 40 years and machinery and equipment over 3 to 20 years. Depreciation expense was $79,368,000, $80,316,000 and $83,680,000 during fiscal 2020, fiscal 2019 and fiscal 2018, respectively. Accelerated depreciation methods are used for income tax purposes.

*Goodwill and Other Long-Lived Assets:* We use the purchase method of accounting for all business combinations and recognize amortizable and indefinite-lived intangible assets separately from goodwill. The acquired assets and assumed liabilities in an acquisition are measured and recognized based on their estimated fair values at the date of acquisition, with goodwill representing the excess of the purchase price over the fair value of the identifiable net assets. A bargain purchase may occur, wherein the fair value of identifiable net assets exceeds the purchase price, and a gain is then recognized in the amount of that excess. Goodwill and intangible assets with indefinite lives are not amortized, but instead are tested for impairment annually, during the fourth quarter, or more frequently if events or changes in circumstances indicate that impairment may be present. Application of goodwill impairment testing involves judgment, including but not limited to, the identification of reporting units and

estimation of the fair value of each reporting unit. A reporting unit is defined as an operating segment or one level below an operating segment. With the exception of Pressure Cylinders, we test goodwill at the operating segment level as we have determined that the characteristics of the reporting units within each operating segment are similar and allow for their aggregation in accordance with the applicable accounting guidance. For our Pressure Cylinders operating segment, the oil & gas equipment business has been treated as a separate reporting unit since the second quarter of fiscal 2016. In the third quarter of fiscal 2020, an interim test of the oil & gas equipment business was performed, and the results of the analysis indicated the book value of the corresponding goodwill was fully impaired and written off. Refer to "NOTE D – Goodwill and Other Long-Lived Assets" for additional information on the goodwill impairment.

For goodwill and indefinite-lived intangible assets, we test for impairment by first evaluating qualitative factors including macroeconomic conditions, industry and market considerations, cost factors, and overall financial performance. If there are no concerns raised from this evaluation, no further testing is performed. If however, our qualitative analysis indicates it is more likely than not that the fair value is less than the carrying amount, a quantitative analysis is performed. The quantitative analysis compares the fair value of each reporting unit or indefinite-lived intangible asset to the related carrying amount, and an impairment loss is recognized in our consolidated statements of earnings equivalent to the excess of the carrying amount over the fair value. Fair value is determined based on discounted cash flows or appraised values, as appropriate. Either way, our policy is to perform a quantitative analysis of each reporting unit at least every three years.

We performed our annual impairment evaluation of goodwill and other indefinite-lived intangible assets during the fourth quarter of fiscal 2020 and concluded the fair value of each reporting unit exceeded its carrying value.

We review the carrying value of our long-lived assets, including intangible assets with finite useful lives, for impairment whenever events or changes in circumstances indicate that the carrying value of an asset or asset group may not be recoverable. Impairment testing involves a comparison of the sum of the undiscounted future cash flows of the asset or asset group to its respective carrying amount. If the sum of the undiscounted future cash flows exceeds the carrying amount, then no impairment exists. If the carrying amount exceeds the sum of the undiscounted future cash flows, then a second step is performed to determine the amount of impairment, if any, to be recognized. The impairment loss recognized is equal to the amount that the carrying value of the asset or asset group exceeds its fair value. Long-lived assets held for sale are reported at the lower of cost or fair value less costs to sell and are recorded in a single line in the consolidated balance sheets. We classify assets as held for sale if we commit to a plan to sell the assets within one year and actively market the assets in their current condition for a price that is reasonable in comparison to their estimated fair value.

Our impairment testing for both goodwill and other long-lived assets, including intangible assets with finite useful lives, is largely based on cash flow models that require significant judgment and require assumptions about future volume trends, revenue and expense growth rates; and, in addition, external factors such as changes in economic trends and cost of capital. Significant changes in any of these assumptions could impact the outcomes of the tests performed. See "Note D – Goodwill and Other Long-Lived Assets" for additional details regarding these assets and related impairment testing.

*Equity method investments:* Investments in affiliated companies that we do not control, either through majority ownership or otherwise, are accounted for using the equity method. We review our equity-method investments for impairment whenever events or changes in circumstances indicate that the carrying value of the investment might not be recoverable. Events and circumstances can include, but are not limited to: evidence we do not have the ability to recover the carrying value; the inability of the investee to sustain earnings; the current fair value of the investment is less than the carrying value; and other investors cease to provide support or reduce their financial commitment to the investee. If the fair value of the investment is less than the carrying value, and the investment will not recover in the near term, then other-than-temporary impairment may exist. When the loss in value of an investment is determined to be other-than-temporary, we recognize an impairment in the period the conclusion is made.

*Strategic Investments:* From time to time the Company may make investments in both privately and publicly held equity securities in which the Company does not have a controlling interest or significant influence. Investments are recorded at fair value and changes in the fair value of equity securities are recognized in net earnings below operating income. The Company elected to record equity securities without readily determinable fair values at cost, less impairment, plus or minus subsequent adjustments for observable price changes in orderly transactions for the identical or a similar investment of the same issuer.

*Leases:* On June 1, 2019, we adopted the new lease accounting standard under U.S. GAAP, Accounting Standards Update 2016-02, *Leases (Topic 842)* ("Topic 842") using the modified retrospective approach. Under Topic 842, leases are categorized as operating or financing leases upon inception. Leased assets represent our right to use an underlying asset for the lease term, and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease right of use ("ROU") assets include any initial direct costs and prepayments less lease incentives. Lease terms include options to renew or terminate the lease when it is reasonably certain the Company will exercise such options. As most of our leases do not include an implicit rate, we use our collateralized incremental borrowing rate based on the information available at the lease commencement date, in determining the present value of lease payments. Operating lease expense is recognized on a straight-line basis over the lease term and is included in cost of goods sold or selling, general and administrative expense depending on the underlying nature of the leased assets. For operating leases with variable payments dependent upon an index or rate that commenced subsequent to adoption of Topic 842, we apply the active index or rate as of the lease commencement date. Variable lease payments not based on an index or rate are not included in the operating lease liability as they cannot be reasonably estimated and are recognized in the period in which the obligation for those payments is incurred. Leases with a term of twelve months or less upon the commencement date are considered short-term leases and are not included on the consolidated balance sheets and are expensed on a straight-line basis over the lease term. Refer to "Note S – Leases" for additional information on the adoption and impact of Topic 842.

*Stock-Based Compensation:* At May 31, 2020, we had stock-based compensation plans for our employees as well as our non-employee directors as described more fully in "Note K – Stock-Based Compensation." All share-based awards, including grants of stock options and restricted common shares, are recorded as expense in the consolidated statements of earnings over the vesting period based on their grant-date fair values. Forfeitures are recognized as they occur.

*Revenue Recognition*: Through fiscal 2018, in accordance with our historical accounting policies for revenue recognition, we recognized revenue upon transfer of title and risk of loss, or in the case of toll processing revenue, upon delivery of the goods, provided persuasive evidence of an arrangement existed, pricing was fixed or determinable and collectability was reasonably assured. Through charges to net sales, provisions were made for returns and allowances, customer rebates and sales discounts based on past experiences, specific agreements, and anticipated levels of customer activity.

On June 1, 2018, we adopted new accounting guidance that replaces most existing revenue recognition accounting guidance under U.S. GAAP, Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)* ("Topic 606").

Under the new revenue recognition accounting guidance, we recognize revenue upon transfer of control of promised goods or services to customers in an amount that reflects the consideration we expect to receive for those goods or services, including any variable consideration.

Returns and allowances are used to record estimates of returns or other allowances resulting from quality, delivery, discounts or other issues and are estimated based on historical trends and current market conditions, with the offset to net sales.

Shipping and handling costs charged to customers are treated as fulfillment activities and are recorded in both net sales and cost of goods sold at the time control is transferred to the customer. Due to the short-term nature of our contracts with customers, we have elected to apply the practical expedients under Topic 606 to: (1) expense as incurred, incremental costs of obtaining a contract; and (2) not adjust the consideration for the effects of a significant financing component for contracts with an original expected duration of one year or less. When we satisfy (or partially satisfy) a performance obligation, prior to being able to invoice the customer, we recognize an unbilled receivable when the right to consideration is unconditional and a contract asset when the right to consideration is conditional. Unbilled receivables and contract assets are included in receivables and prepaid and other current assets, respectively, on the consolidated balance sheets. Additionally, we do not maintain contract liability balances, as performance obligations are satisfied prior to customer payment for product. Payments from customers are generally due within 30 to 60 days of invoicing, which generally occurs upon shipment or delivery of the goods.

Taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction, that we collect from a customer, are excluded from revenue.

Certain contracts with customers include warranties associated with the delivered goods or services. These warranties are not considered to be separate performance obligations, and accordingly, we record an estimated liability for potential warranty costs as the goods or services are transferred.

With the exception of the toll processing revenue stream and certain contracts within the oil & gas equipment revenue stream, we recognize revenue at the point in time the performance obligation is satisfied and control of the product is transferred to the customer upon shipment or delivery. Generally, we receive and acknowledge purchase orders from our customers, which define the quantity, pricing, payment and other applicable terms and conditions. In some cases, we receive a blanket purchase order from our customers, which includes pricing, payment and other terms and conditions, with quantities defined at the time each customer subsequently issues periodic releases against the blanket purchase order.

For the toll processing revenue stream and certain contracts within the oil & gas equipment revenue stream, we recognize revenue over time. Revenue is primarily measured using the cost-to-cost method, which we believe best depicts the transfer of control to the customer. Under the cost-to-cost method, the extent of progress towards completion is measured based on the ratio of actual costs incurred to the total estimated costs expected upon satisfying the identified performance obligation. Revenues are recorded proportionally as costs are incurred. We have elected to not disclose the value of unsatisfied performance obligations for contracts with an original expected duration of one year or less.

Certain contracts contain variable consideration, which is not constrained, and primarily include estimated sales returns, customer rebates, and sales discounts which are recorded on an expected value basis. These estimates are based on historical returns, analysis of credit memo data and other known factors. We account for rebates by recording reductions to revenue for rebates in the same period the related revenue is recorded. The amount of these reductions is based upon the terms agreed to with the customer. We do not exercise significant judgments in determining the timing of satisfaction of performance obligations or the transaction price. Refer to “Note B – Revenue Recognition” for additional information on revenue recognition.

*Advertising Expense:* Advertising costs are expensed as incurred and included in SG&A expense. Advertising expense was $17,603,000, $15,574,000, and $15,236,000 for fiscal 2020, fiscal 2019 and fiscal 2018, respectively.

*Statements of Cash Flows:* Supplemental cash flow information was as follows for the fiscal years ended May 31:

| **(in thousands)** | **2020** | **2019** | **2018** |
|---|---|---|---|
| Interest paid, net of amount capitalized | $ 32,994 | $ 38,807 | $ 34,839 |
| Income taxes paid, net of refunds | $ 25,076 | $ 38,848 | $ 44,819 |

We use the “cumulative earnings” approach for determining cash flow presentation of distributions from our unconsolidated joint ventures. Distributions received are included in our consolidated statements of cash flows as operating activities, unless the cumulative distributions exceed our portion of the cumulative equity in the net earnings of the joint venture, in which case the excess distributions are deemed to be returns of the investment and are classified as investing activities in our consolidated statements of cash flows.

*Income Taxes:* We account for income taxes using the asset and liability method. The asset and liability method requires the recognition of deferred tax assets and liabilities for expected future tax consequences of temporary differences that currently exist between the tax basis and the financial reporting basis of our assets and liabilities. We evaluate the deferred tax assets to determine whether it is more likely than not that all, or a portion, of the deferred tax assets will not be realized and provide a valuation allowance as appropriate.

Tax benefits from uncertain tax positions that are recognized in the consolidated financial statements are measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement.

We have reserves for income taxes and associated interest and penalties that may become payable in future years as a result of audits by taxing authorities. It is our policy to record these in income tax expense. While we believe the positions taken on previously filed tax returns are appropriate, we have established the tax and

interest/penalties reserves in recognition that various taxing authorities may challenge our positions. These reserves are analyzed periodically, and adjustments are made as events occur to warrant adjustment to the reserves, such as lapsing of applicable statutes of limitations, conclusion of tax audits, additional exposure based on current calculations, identification of new issues and release of administrative guidance or court decisions affecting a particular tax issue.

*Self-Insurance Reserves:* We self-insure most of our risks for product, cyber pollution, workers' compensation, general and automobile, and property liabilities, and for employee medical claims. However, in order to reduce risk and better manage our overall loss exposure for these liabilities, we purchase stop-loss insurance that covers individual claims in excess of the deductible amounts. We also maintain reserves for the estimated cost to resolve certain open claims that have been made against us (which may include active product recall or replacement programs), as well as an estimate of the cost of claims that have been incurred but not reported. These estimates are based on actuarial valuations that take into consideration the historical average claim volume, the average cost for settled claims, current trends in claim costs, changes in our business and workforce, general economic factors and other assumptions believed to be reasonable under the circumstances. The estimated reserves for these liabilities could be affected if future occurrences and claims differ from the assumptions used and historical trends.

*Recently Adopted Accounting Standards:*

On June 1, 2019, the Company adopted Accounting Standards Update 2016-02, *Leases* ("Topic 842"), which replaces most existing lease accounting guidance under U.S. GAAP. See "NOTE S – Leases" for additional information regarding the Company's adoption of Topic 842, including newly-required disclosures.

On June 1, 2019, the Company adopted ASU 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities ("Topic 815")*, which amended the existing hedge accounting guidance under U.S. GAAP. Topic 815 is intended to simplify and clarify the accounting and disclosure requirements for hedging activities by more closely aligning the results of cash flow and fair value hedge accounting with the underlying risk management activities. The adoption of the standard had no current or historical impact on our consolidated financial position or results of operations. See "NOTE Q – Derivative Financial Instruments and Hedging Activities" for additional information.

*Recently Issued Accounting Standards:*

In June 2016, amended accounting guidance was issued related to the measurement of credit losses on financial instruments. The amended accounting guidance changes the impairment model for most financial assets to require measurement and recognition of expected credit losses for financial assets held. The amended accounting guidance is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. We are still in the process of evaluating the effect this amended accounting guidance will have on our consolidated financial position and results of operations.

*Reclassification*

Certain prior period amounts have been reclassified within the operating activities section of the consolidated statements of cash flows for consistency with the current period presentation.

**Note B – Revenue Recognition**

On June 1, 2018, we adopted new revenue recognition accounting guidance that replaces most existing revenue recognition accounting guidance under U.S. GAAP, Topic 606. Under Topic 606, we recognize revenue upon transfer of control of promised goods or services to customers in an amount that reflects the consideration we expect to receive for those goods or services, including any variable consideration.

The new accounting guidance was adopted using the modified retrospective approach as applied to customer contracts that were not complete at the date of adoption, with the cumulative effect recognized in retained earnings. Comparative financial information for reporting periods beginning prior to June 1, 2018, has not been restated and continues to be reported under the previous accounting guidance. The cumulative effect adjustment resulted from a change in the pattern of recognition for our toll processing revenue stream and certain contracts within the oil & gas equipment revenue stream, which previously were accounted for as point in time and now will be accounted for over time.

The following table outlines the cumulative effect of adopting the new revenue recognition guidance:

| (in thousands) | May 31, 2018 (As Reported) | Cumulative Effect of Topic 606 Adoption | June 1, 2018 (As Adjusted) |
|---|---|---|---|
| **Consolidated Balance Sheet** | | | |
| **Assets** | | | |
| Receivables | $ 572,689 | $ 4,706 | $ 577,395 |
| Total inventories | 454,027 | (3,452) | 450,575 |
| Prepaid expenses and other current assets | 60,134 | 944 | 61,078 |
| **Liabilities and equity** | | | |
| Deferred income taxes, net | 60,188 | 454 | 60,642 |
| Retained earnings | 637,757 | 1,174 | 638,931 |
| Noncontrolling interests | 117,606 | 570 | 118,176 |

The following table summarizes net sales by product class for the periods presented:

| (in thousands) | Fiscal Year Ended May 31, | |
|---|---|---|
| **Reportable segments by product class:** | **2020** | **2019** |
| Steel Processing | | |
| Direct | $ 1,729,972 | $ 2,308,756 |
| Toll | 129,698 | 127,062 |
| Total | 1,859,670 | 2,435,818 |
| | | |
| Pressure Cylinders | | |
| Industrial products | 550,543 | 627,053 |
| Consumer products | 485,990 | 470,447 |
| Oil & gas equipment | 111,891 | 110,298 |
| Total | 1,148,424 | 1,207,798 |
| | | |
| Other | | |
| Engineered Cabs | 50,954 | 115,902 |
| Other | 71 | 38 |
| Total | 51,025 | 115,940 |
| | | |
| Total | $ 3,059,119 | $ 3,759,556 |

We recognize revenue at a point in time, with the exception of the toll processing revenue stream and certain contracts within the oil & gas equipment revenue streams, which are recognized over time. The following table summarizes the over time revenue for the periods presented:

| (in thousands) | Fiscal Year Ended May 31, 2020 | 2019 |
|---|---|---|
| Steel Processing - toll | $ 129,698 | $ 127,062 |
| Pressure Cylinders - certain oil & gas contracts | 100,774 | 75,159 |
| Total over time revenue | $ 230,472 | $ 202,221 |

The following table summarizes the unbilled receivables and contract assets for the periods indicated:

| (in thousands) | Balance Sheet Classification | Fiscal Year Ended May 31, 2020 | 2019 |
|---|---|---|---|
| Unbilled receivables | Receivables | $ 5,552 | $ 5,366 |
| Contract assets | Prepaid expenses and other current assets | $ 4,127 | $ 8,792 |

The following tables show the adjustments that would be required to be made to our fiscal 2019 consolidated financial statements to reflect the balances that would have been recorded if we continued to follow our accounting policies under the previous revenue recognition guidance:

| (in thousands) | As Currently Reported | Topic 606 Adjustments | Balances Without Adoption of Topic 606 |
|---|---|---|---|
| **Consolidated Statement of Earnings** | | | |
| Net sales | $ 3,759,556 | $ (6,608) | $ 3,752,948 |
| Cost of goods sold | 3,279,601 | (5,253) | 3,274,348 |
| Income tax expense | 43,183 | (319) | 42,864 |
| Net earnings | 163,273 | (1,036) | 162,237 |
| Net earnings attributable to noncontrolling interests | 9,818 | 16 | 9,834 |
| Net earnings attributable to controlling interest | 153,455 | (1,052) | 152,403 |

**Note C – Investments in Unconsolidated Affiliates**

Investments in affiliated companies that we do not control, either through majority ownership or otherwise, are accounted for using the equity method. At May 31, 2020, the Company held investments in the following affiliated companies: ArtiFlex Manufacturing, LLC (“ArtiFlex”) (50%), Cabs joint venture (20%), Clarkwestern Dietrich Building Systems LLC (“ClarkDietrich”) (25%), Serviacero Planos, S. de R. L. de C.V. (“Serviacero Worthington”) (50%), and Worthington Armstrong Venture (“WAVE”) (50%)

On December 31, 2019, the Company contributed the recently acquired operating net assets of Heidtman Steel Products, Inc.’s Cleveland facility (“Heidtman”) to the Samuel joint venture in exchange for an incremental 31.75% ownership interest in the Samuel joint venture, bringing our total ownership interest to 63%. The Samuel joint venture’s results have been consolidated within Steel Processing since that date. Refer to “NOTE P – Acquisitions” for additional information.

On November 1, 2019, we closed on an agreement with an affiliate of Angeles Equity Partners, LLC by which we contributed substantially all of the net assets of our Engineered Cabs business to a newly-formed joint venture, in which we retained a 20% noncontrolling interest. Immediately following the contribution, the Cabs joint venture acquired the net assets of Crenlo. Our contributions to the Cabs joint venture consisted of the net assets of our primary Engineered Cabs manufacturing facilities located in Greeneville, Tennessee and Watertown, South Dakota. Our investment in the Cabs joint venture is accounted for under the equity method, due to lack of control.

During the second quarter of fiscal 2020, the Company’s exploration of strategic alternatives relating to its investment in ArtiFlex resulted in the need to evaluate this investment for potential impairment. Based on the analysis performed, the Company concluded its investment was not impaired, as then current and projected cash flows were deemed sufficient to recover the remaining book value of $54,566,000. However, it is possible the

Company's estimate of future cash flows could decline to a level that no longer supports the current book value of the investment. Factors which could have an adverse impact on the current cash flow projections, include, but are not limited to deteriorating market conditions as well as potential outcomes that may result from management's review of strategic alternatives.

During the fourth quarter of fiscal 2019, we determined our 10% ownership interest in our joint venture in China, Nisshin, was other than temporarily impaired due to current and projected operating losses. As a result, in the fourth quarter of fiscal 2019 an impairment charge of $4,017,000 was recognized within equity income in our consolidated statement of earnings to write down the investment to its estimated fair value of $3,700,000. During the first quarter of fiscal 2020, the Company began the process of exploring the potential exit of its interest in the Nisshin joint venture in China. As a result, the Company evaluated its investment for potential impairment. The Company concluded the remaining book value of the investment was fully impaired, resulting in an impairment charge of $4,236,000 within equity income during the three months ended August 31, 2019. On December 19, 2019, the Company finalized an agreement to transfer the risks and rewards related to its 10% interest to the other joint venture partners. As a result, the Company has no further rights or obligations related to the Nisshin joint venture.

We received distributions from unconsolidated affiliates totaling $122,953,000, $161,079,000, and $89,787,000 in fiscal 2020, fiscal 2019 and fiscal 2018, respectively. We have received cumulative distributions from WAVE in excess of our investment balance, which resulted in an amount recorded within other liabilities on our consolidated balance sheets of $103,837,000 and $121,948,000 at May 31, 2020 and 2019, respectively. In accordance with the applicable accounting guidance, we reclassified the negative balance to the liabilities section of our consolidated balance sheets. We will continue to record our equity in the net income of WAVE as a debit to the investment account, and if it becomes positive, it will again be shown as an asset on our consolidated balance sheets. If it becomes probable that any excess distribution may not be returned (upon joint venture liquidation or otherwise), we will recognize any balance classified as a liability as income immediately.

The following table presents combined information regarding the financial position of our unconsolidated affiliates accounted for using the equity method as of May 31:

| (in thousands) | | 2020 | | 2019 |
|---|---|---|---|---|
| Cash | $ | 68,730 | $ | 37,471 |
| Other current assets | | 528,631 | | 594,959 |
| Current assets for discontinued operations | | - | | 35,793 |
| Noncurrent assets | | 399,731 | | 360,925 |
| Total assets | $ | 997,092 | $ | 1,029,148 |
| Current liabilities | $ | 174,709 | $ | 236,781 |
| Current liabilities for discontinued operations | | - | | 9,610 |
| Short-term borrowings | | 500 | | 15,162 |
| Current maturities of long-term debt | | 37,542 | | 33,003 |
| Long-term debt | | 346,690 | | 321,791 |
| Other noncurrent liabilities | | 73,656 | | 18,192 |
| Equity | | 363,995 | | 394,609 |
| Total liabilities and equity | $ | 997,092 | $ | 1,029,148 |

The amounts presented within the discontinued operations captions in the table above reflect the international operations of our WAVE joint venture prior to their sale on September 30, 2019. When the sale of these operations closed, it generated a pre-tax gain of $46,238,000, subject to certain post-closing adjustments, that was recorded within net earnings from discontinued operations on WAVE's books. This sale was part of a broader transaction between the joint venture partner, Armstrong World Industries, Inc. ("AWI"), and Knauf Ceilings and Holding GmbH ("Knauf"), a family-owned manufacturer of building materials headquartered in Germany. Our portion of the net gain was $23,119,000 and has been recognized within equity in net income of unconsolidated affiliates. In May 2020, we received a cash distribution of $10,000,000 from WAVE related to the September 30, 2019 sale of the international operations. As of May 31, 2020, WAVE has a $5,900,000 receivable from AWI ($2,950,000 of which is Worthington's portion), related to the remaining proceeds of the sale which are subject to post-closing adjustments as provided by the purchase agreement.

The following table presents summarized financial information for our four largest unconsolidated affiliates as of, and for the fiscal years ended May 31. All other unconsolidated affiliates are combined and presented in the Other category.

| (in thousands) | 2020 | 2019 | 2018 |
|---|---|---|---|
| **Net sales** | | | |
| WAVE | $ 368,820 | $ 379,103 | $ 360,395 |
| ClarkDietrich | 855,994 | 892,758 | 790,887 |
| Serviacero Worthington | 273,276 | 351,671 | 315,098 |
| ArtiFlex | 175,428 | 201,526 | 197,061 |
| Other | 146,478 | 32,753 | 28,578 |
| Total net sales | $ 1,819,996 | $ 1,857,811 | $ 1,692,019 |
| **Gross margin (loss)** | | | |
| WAVE | $ 208,040 | $ 205,909 | $ 201,581 |
| ClarkDietrich | 131,619 | 93,947 | 97,437 |
| Serviacero Worthington | 15,739 | 34,494 | 32,396 |
| ArtiFlex | 14,212 | 12,928 | 18,266 |
| Other | 7,320 | (6,000) | (6,399) |
| Total gross margin | $ 376,930 | $ 341,278 | $ 343,281 |
| **Operating income (loss)** | | | |
| WAVE | $ 166,404 | $ 166,969 | $ 158,697 |
| ClarkDietrich | 66,952 | 33,384 | 39,153 |
| Serviacero Worthington | 7,513 | 25,636 | 24,232 |
| ArtiFlex | 6,248 | 5,524 | 11,395 |
| Other | (23,596) | (9,964) | (10,584) |
| Total operating income | $ 223,521 | $ 221,549 | $ 222,893 |
| **Depreciation and amortization** | | | |
| WAVE | $ 4,032 | $ 3,634 | $ 3,318 |
| ClarkDietrich | 11,869 | 11,600 | 11,864 |
| Serviacero Worthington | 4,324 | 4,319 | 3,919 |
| ArtiFlex | 5,605 | 6,055 | 5,515 |
| Other | 4,689 | 875 | 749 |
| Total depreciation and amortization | $ 30,519 | $ 26,483 | $ 25,365 |
| **Interest expense** | | | |
| WAVE | $ 11,061 | $ 10,547 | $ 8,365 |
| ClarkDietrich | 378 | 912 | 114 |
| Serviacero Worthington | 87 | 493 | 397 |
| ArtiFlex | 801 | 1,443 | 1,333 |
| Other | 1,665 | - | - |
| Total interest expense | $ 13,992 | $ 13,395 | $ 10,209 |
| **Income tax expense (benefit)** | | | |
| WAVE | $ 216 | $ 219 | $ 119 |
| ClarkDietrich | - | - | - |
| Serviacero Worthington | 3,267 | 7,629 | 5,141 |
| ArtiFlex | (15) | 29 | 208 |
| Other | (15) | - | - |
| Total income tax expense | $ 3,453 | $ 7,877 | $ 5,468 |
| **Net earnings (loss)** | | | |
| WAVE (1) | $ 202,451 | $ 162,849 | $ 152,329 |
| ClarkDietrich | 68,899 | 34,560 | 39,138 |
| Serviacero Worthington | 2,573 | 16,155 | 17,577 |
| ArtiFlex | 5,461 | 4,051 | 9,854 |
| Other | (19,934) | (8,383) | (11,922) |
| Total net earnings | $ 259,450 | $ 209,232 | $ 206,976 |

(1) These net earnings include net income attributable to discontinued operations of $49,770,000, $6,830,000, and $2,226,000 in fiscal 2020, fiscal 2019, and fiscal 2018, respectively, related to the international

operations of WAVE being sold. All other amounts presented in the table above exclude the activity of the discontinued operations of WAVE.

At May 31, 2020 and 2019, $39,995,000 and $46,838,000, respectively, of our consolidated retained earnings represented undistributed earnings of our unconsolidated affiliates, net of tax.

**Note D – Goodwill and Other Long-Lived Assets**

**Goodwill**

The following table summarizes the changes in the carrying amount of goodwill during fiscal 2020 and fiscal 2019 by reportable business segment:

| (in thousands) | Steel Processing | Pressure Cylinders | Other | Total |
|---|---|---|---|---|
| **Balance at May 31, 2018** | | | | |
| Goodwill | $ 7,899 | $ 341,299 | $ 172,178 | $ 521,376 |
| Impairment losses | - | (4,015) | (172,178) | (176,193) |
| | 7,899 | 337,284 | - | 345,183 |
| Acquisitions and purchase accounting adjustments (1) | - | 777 | - | 777 |
| Divestitures (2) | - | (7,260) | - | (7,260) |
| Translation adjustments | - | (4,093) | - | (4,093) |
| | - | (10,576) | - | (10,576) |
| **Balance at May 31, 2019** | | | | |
| Goodwill | 7,899 | 330,723 | 172,178 | 510,800 |
| Impairment losses | - | (4,015) | (172,178) | (176,193) |
| | 7,899 | 326,708 | - | 334,607 |
| Acquisitions and purchase accounting adjustments (1) | 11,796 | (52) | - | 11,744 |
| Divestitures (2) | - | (2,511) | - | (2,511) |
| Translation adjustments | - | (309) | - | (309) |
| Impairment losses (3) | - | (22,097) | - | (22,097) |
| | 11,796 | (24,969) | - | (13,173) |
| **Balance at May 31, 2020** | | | | |
| Goodwill | 19,695 | 327,851 | 172,178 | 519,724 |
| Impairment losses | - | (26,112) | (172,178) | (198,290) |
| | $ 19,695 | $ 301,739 | $ - | $ 321,434 |

(1) For additional information regarding the Company's acquisitions, refer to "Note P – Acquisitions."
(2) Fiscal 2020 divestitures included the sale of the cryogenics business in Turkey.
(3) Fiscal 2020 impairment losses included $22,097,000 of goodwill impairment related to the oil & gas equipment reporting unit.

**Other Intangible Assets**

Intangible assets with definite lives are amortized on a straight-line basis over their estimated useful lives, which range from one to 20 years. The following table summarizes other intangible assets by class as of May 31, 2020 and 2019:

| | 2020 | | 2019 | |
|---|---|---|---|---|
| (in thousands) | Cost | Accumulated Amortization | Cost | Accumulated Amortization |
| Indefinite-lived intangible assets: | | | | |
| Trademarks | $ 72,101 | $ - | $ 74,801 | $ - |
| Total indefinite-lived intangible assets | 72,101 | - | 74,801 | - |
| Definite-lived intangible assets: | | | | |
| Customer relationships | $ 170,887 | $ 73,207 | $ 174,150 | $ 69,258 |
| Non-compete agreements | 8,001 | 8,001 | 8,656 | 8,509 |
| Technology / know-how | 22,484 | 7,850 | 22,495 | 6,276 |
| Other | 3,716 | 3,716 | 3,716 | 3,716 |
| Total definite-lived intangible assets | 205,088 | 92,774 | 209,017 | 87,759 |
| Total intangible assets | $ 277,189 | $ 92,774 | $ 283,818 | $ 87,759 |

Amortization expense totaled $12,870,000, $15,286,000, and $19,679,000 in fiscal 2020, fiscal 2019 and fiscal 2018, respectively.

Amortization expense for each of the next five fiscal years is estimated to be:

| (in thousands) | |
|---|---|
| 2021 | $ 11,975 |
| 2022 | $ 10,345 |
| 2023 | $ 9,742 |
| 2024 | $ 9,742 |
| 2025 | $ 8,913 |

**Impairment of Long-Lived Assets**

Fiscal 2020: During the fourth quarter of 2020, the Company performed the annual impairment test on its indefinite lived assets. The results of the analysis indicated the fair market value of certain European tradenames used in the Pressure Cylinders businesses no longer supported their book value of $6,600,000, resulting in an impairment charge of $3,800,000. The key assumptions used in the fair value calculation were projected cash flows and the discount rate, which represent unobservable Level 3 inputs.

During the fourth quarter of fiscal 2020, the Company identified an impairment indicator related to the TWB Hermosillo facility operating lease due to the economic impact of COVID-19. As a result, the lease ROU asset with a net book value of $565,000 was deemed fully impaired and written off.

In May 2020, the Company committed to a plan to shut down the packaging solutions business in Greensburg, Indiana. As a result, long-lived assets with a carrying value of $2,810,000 were written down to their estimated fair market value of $266,000 (determined using Level 2 inputs), resulting in an impairment charge of $2,544,000.

On February 12, 2020, the Company announced a plan to consolidate its oil & gas equipment manufacturing operations in Wooster, Ohio, into its existing manufacturing facility in Bremen, Ohio. As a result, the Company tested the long-lived assets of the combined asset group, consisting of fixed assets and customer list intangible assets with net book values of $14,274,000 and $6,577,000, respectively, for impairment. The book value of the fixed assets was determined to be in excess of fair market value, resulting in an impairment charge of $4,679,000 during the third quarter of fiscal 2020. Additionally, the customer list intangible assets were deemed to be fully impaired and written off. Fair market value of the fixed assets was determined using observable Level 2

inputs and the fair value of the customer list intangible assets was determined using unobservable Level 3 inputs. The land and building of the Wooster facility met the criteria for classification as assets held for sale and, accordingly, have been presented separately as assets held for sale in our consolidated balance sheet at May 31, 2020
.

As a result of the impairment charges noted above, the Company also performed an interim goodwill impairment test of its oil & gas equipment reporting unit. The results of the analysis indicated that the fair value of the reporting unit no longer supported the book value of the corresponding goodwill, resulting in an impairment charge of $22,097,000 during the third quarter of fiscal 2020. The key assumptions used in the fair value calculation were projected cash flows and the discount rate, which represent unobservable, Level 3 inputs.

During the third quarter of fiscal 2020, the Company's consolidated joint venture, WSP committed to a plan to sell the Canton, Michigan facility and some of the production equipment at that facility. The land and building related to the facility were determined to not be impaired. The production equipment was determined to be below fair market value. Therefore, the net assets were written down to their estimated fair market value less cost to sell of $700,000 (determined using Level 2 inputs), resulting in an impairment charge of $1,274,000 in the third quarter of fiscal 2020. These assets, with a net book value of $7,813,000, have been presented separately as assets held for sale in the consolidated balance sheet at May 31, 2020.

During the first quarter of fiscal 2020, we closed on an agreement by which we contributed substantially all of the net assets of its Engineered Cabs business with the exception of the fabricated products facility in Stow, Ohio, and the steel packaging facility in Greensburg, Indiana to the Cabs joint venture. The book value of the disposal group exceeded its estimated fair market value of $12,860,000 (determined using Level 2 inputs), which resulted in the recording of a $35,194,000 impairment charge during the first quarter of fiscal 2020. Included in the impairment charge were lease ROU assets with a net book value of $905,000 that were deemed fully impaired and written off. For additional information, refer to "NOTE C – Investments in Unconsolidated Affiliates". The Company also identified an impairment indicator for the long-lived assets of the Engineered Cabs fabricated products business as the sale would have an adverse impact on the manner and extent in which the remaining assets were used. As a result, fixed assets with a net book value of $1,469,000 and lease ROU assets with a net book value of $3,938,000 were deemed to be fully impaired and written off during the first quarter of fiscal 2020.

Fiscal 2019: During the fourth quarter of fiscal 2019, management finalized plans to close the Company's compressed natural gas fuel systems facility in Salt Lake City, Utah. As a result, long-lived assets with a carrying value of $2,405,000 were written down to their estimated fair market value of $238,000 (determined using Level 2 inputs), resulting in an impairment charge of $2,167,000 in fourth quarter of fiscal 2019. The Company ceased production at this facility in May 2019.

During the fourth quarter of fiscal 2019, management determined that indicators of impairment were present with regard to certain long-lived assets of the Canton, Michigan facility operated by the Company's consolidated joint venture, WSP. As a result, long-lived assets with a carrying value of $4,269,000 were written down to their estimated fair market value of $1,000,000 (determined using Level 2 inputs), resulting in an impairment charge of $3,269,000 in the fourth quarter of fiscal 2019.

During the first quarter of fiscal 2019, changes in the facts and circumstances related to the planned sale of our cryogenics business in Turkey, Worthington Aritas, resulted in our lowering the estimate of fair market value less cost to sell to $7,000,000 which generated an impairment charge of $2,381,000 in the first quarter of fiscal 2019. Fair market value was determined using observable (Level 2) inputs.

Fiscal 2018: During the fourth quarter of fiscal 2018, management committed to plans to sell the Company's cryogenics business in Turkey, Worthington Aritas, and certain underperforming oil & gas equipment assets within Pressure Cylinders. In accordance with the applicable accounting guidance, the net assets were recorded at the lower of net book value or fair market value less costs to sell. The book value of Worthington Aritas exceeded its estimated fair market value of $9,000,000, resulting in an impairment charge of $42,422,000, consisting of $19,621,000, $11,549,000, and $11,252,000 related to fixed assets, intangible assets, and other assets, respectively. The impairment charge related to intangible assets was for customer relationships and technological know-how. The book value of the oil & gas equipment asset group also exceeded its estimated fair market value of $21,000,000, resulting in an impairment charge of $10,497,000, consisting of $4,015,000, $3,849,000, and $2,633,000 related to allocated goodwill, intangible assets, and fixed assets, respectively. The impairment charge related to intangible assets was for the full write-off of the remaining book value of customer relationships. In both instances, fair market value was determined using observable (Level 2) inputs.

During the second quarter of fiscal 2018, the Company determined that indicators of impairment were present with regard to the goodwill and intangible assets of the former Worthington Energy Innovations, LLC ("WEI") reporting unit. As a result, these assets were written down to their estimated fair market value resulting in an impairment charge of $7,325,000. During the second quarter of fiscal 2018, the Company also identified the presence of impairment indicators with regard to vacant land at the oil & gas equipment facility in Bremen, Ohio, resulting in an impairment charge of $964,000 to write the vacant land down to its estimated fair value.

**Note E – Restructuring and Other Expense (Income), Net**

We consider restructuring activities to be programs whereby we fundamentally change our operations such as closing and consolidating manufacturing facilities or moving manufacturing of a product to another location. Restructuring activities may also involve substantial realignment of the management structure of a business unit in response to changing market conditions.

A progression of the liabilities associated with our restructuring activities, combined with a reconciliation to the restructuring and other expense, net financial statement caption in our consolidated statement of earnings for fiscal 2020, is summarized below:

| (in thousands) | Beginning Balance | Expense | Payments | Adjustments | Ending Balance |
|---|---|---|---|---|---|
| Early retirement and severance | $ 774 | $ 9,096 | $ (3,245) | $ (89) | $ 6,536 |
| Facility exit and other costs | 2 | 829 | (730) | 55 | 156 |
| | $ 776 | 9,925 | $ (3,975) | $ (34) | $ 6,692 |
| Net loss on sale of assets | | 123 | | | |
| Restructuring and other expense, net | | $ 10,048 | | | |

During fiscal 2020, the following actions were taken related to the Company's restructuring activities:

- In July 2019, Pressure Cylinders completed the sale of its cryogenics business in Turkey, the net assets of which had been previously classified as assets held for sale. In connection with the sale, the Company realized net cash proceeds of $8,295,000 and recognized a net loss of $481,000.

- In November 2019, the Company contributed substantially all of the net assets of the Engineered Cabs business to the newly-formed Cabs joint venture. In connection with the transaction, the Company recognized a net gain of $50,000. In fiscal 2020, final closing adjustments resulted in the recognition of an additional net gain of $208,000. Subsequent to closing the transaction, the Company sold some assets of the retained fabricated products business in Stow, Ohio for a net gain of $100,000 and recognized facility exit costs of $103,000.

- In February 2020, the Company announced the closure of the Hermosillo, Mexico facility and an office in Sonata, Mexico, both operated by the Company's consolidated joint venture, TWB within Steel Processing. In connection with the closures, and a reduction in personnel at Puebla, Mexico, the Company recognized severance expense of $620,000.

- In February 2020, the Company's WSP joint venture within Steel Processing committed to plans to close and sell the assets of its Canton, Michigan facility. In connection with the sale, the Company recognized severance expense of $450,000.

- In the third quarter of fiscal 2020, the Company announced a plan, within Pressure Cylinders, to consolidate its oil & gas equipment manufacturing operations in Wooster, Ohio into its existing facility in Bremen, Ohio. In connection with the consolidation, the Company recognized $2,313,000 in severance expense and $522,000 in facility exit costs.

- In the fourth quarter of fiscal 2020, the Company recognized severance expense of $2,175,000 in Steel Processing, $2,296,000 in Pressure Cylinders and $873,000 in Other in connection with the reduction in workforce related to the impact of COVID-19.

- In the fourth quarter of fiscal 2020, the Company committed to plans to close the packaging solutions business served through the facility in Greensburg, Indiana. In connection with the closure, the Company recognized $166,000 in severance expenses.

- In connection with other non-significant restructuring activities, the Company recognized severance expense of $203,000 within Steel Processing and facility exit costs of $204,000, of which $151,000 was within Pressure Cylinders and $53,000 in Steel Processing.

The total liability as of May 31, 2020 is expected to be paid in the next twelve months.

A progression of the liabilities associated with our restructuring activities, combined with a reconciliation to the restructuring and other income, net financial statement caption in our consolidated statement of earnings for fiscal 2019, is summarized below:

| (in thousands) | Beginning Balance | Expense | Payments | Adjustments | Ending Balance |
|---|---|---|---|---|---|
| Early retirement and severance | $ 1,116 | $ 1,899 | $ (2,127) | $ (114) | $ 774 |
| Facility exit and other costs | - | 503 | (313) | (188) | 2 |
| | $ 1,116 | 2,402 | $ (2,440) | $ (302) | $ 776 |
| Net gain on sale of assets | | (13,420) | | | |
| Restructuring and other income, net | | $ (11,018) | | | |

During fiscal 2019, the following actions were taken related to the Company's restructuring activities:

- In connection with the consolidation of the Company's industrial gas operations in Portugal following the acquisition of AMTROL in fiscal 2018, the Company recognized severance expense of $1,086,000 and facility exit costs of $513,000 within Pressure Cylinders.

- Within the Pressure Cylinders business, the Company sold two oil & gas manufacturing facilities resulting in net proceeds of $20,256,000 and a net gain on disposal of $1,962,000.

- In connection with the sale of the operating assets and real property related to the solder business and certain brazing assets within the Pressure Cylinders business, the Company recognized net proceeds of $27,577,000, severance expense of $89,000 and a net gain on disposal of $11,458,000.

- Upon exit of the North America compressed natural gas ("CNG") fuel system market in the Salt Lake City, Utah facility, the Company recognized severance expense of $519,000 within Pressure Cylinders.

- In connection with other non-significant restructuring activities, the Company recognized severance expense of $205,000 within Pressure Cylinders and a reduction to facility exit costs of $10,000 within Steel Processing.

The total liability as of May 31, 2019 was expected to be paid in the immediately following twelve months.

**Note F – Contingent Liabilities and Commitments**

**Legal Proceedings**

We are defendants in certain legal actions. In the opinion of management, the outcome of these actions, which is not clearly determinable at the present time, would not significantly affect our consolidated financial position or future results of operations. We also believe that environmental issues will not have a material effect on our capital expenditures, consolidated financial position or future results of operations.

**Voluntary Tank Replacement Program**

In February 2019, our Structural Composites Industries, LLC subsidiary ("SCI") agreed to participate in a tank replacement program for specific design sizes of its composite hydrogen fuel tanks, which are integrated into a customer's hydrogen fuel cells used to fuel material handling equipment, primarily rider pallet jacks in warehouses. In connection with this matter, we recorded a $13,000,000 charge to costs of goods sold during the third quarter of fiscal 2019 to reflect our estimated costs of replacing these tanks. During the third quarter of fiscal 2020, a favorable adjustment of $2,265,000 was recorded related to lower than expected freight.

A progression of the liabilities recorded in connection with this matter during fiscal 2020 is summarized in the following table:

| (in thousands) | Beginning Balance | Expense | Payments | Adjustments | Ending Balance |
|---|---|---|---|---|---|
| Tank replacement costs | $ 8,500 | $ - | $ (1,271) | $ (2,265) | $ 4,964 |

We believe these liabilities are sufficient to absorb our remaining direct costs related to the replacement program, which are expected to be paid in the next six months.

**Note G – Guarantees**

We do not have guarantees that we believe are reasonably likely to have a material current or future effect on our consolidated financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources. However, as of May 31, 2020, we were party to an operating lease for an aircraft in which we have guaranteed a residual value at the termination of the lease. The maximum obligation under the terms of this guarantee was approximately $6,418,000 at May 31, 2020. Based on current facts and circumstances, we have estimated the likelihood of payment pursuant to this guarantee is not probable and, therefore, no amounts have been recognized in our consolidated financial statements.

We also had in place $15,300,000 of outstanding stand-by letters of credit issued to third-party service providers at May 31, 2020. The fair value of these guarantee instruments, based on premiums paid, was not material and no amounts were drawn against them at May 31, 2020.

**Note H – Debt and Receivables Securitization**

The following table summarizes our long-term debt and short-term borrowings outstanding at May 31, 2020 and 2019:

| (in thousands) | 2020 | 2019 |
|---|---|---|
| 1.56% senior notes due August 23, 2029 | $ 33,311 | $ - |
| 1.56% senior notes due August 23, 2031 | 7,439 | - |
| 1.90% senior notes due August 23, 2031 | 25,872 | - |
| 1.90% senior notes due August 23, 2034 | 35,199 | - |
| 4.30% senior notes due August 1, 2032 | 200,000 | 200,000 |
| 4.55% senior notes due April 15, 2026 | 250,000 | 250,000 |
| 4.60% senior notes due August 10, 2024 | 150,000 | 150,000 |
| 6.50% senior notes due April 15, 2020 | - | 150,000 |
| Term loans | - | - |
| Other | 1,239 | 3,100 |
| Total debt | 703,060 | 753,100 |
| Unamortized discount and debt issuance costs | (3,395) | (3,801) |
| Total debt, net | 699,665 | 749,299 |
| Less: current maturities and short-term borrowings | 149 | 150,943 |
| Total long-term debt | $ 699,516 | $ 598,356 |

Maturities of long-term debt in the next five fiscal years, and the remaining years thereafter, are as follows:

| (in thousands) | |
|---|---|
| 2021 | $ - |
| 2022 | 298 |
| 2023 | 298 |
| 2024 | 298 |
| 2025 | 298 |
| Thereafter | 701,868 |
| Total | $ 703,060 |

**Long-Term Debt**

On August 23, 2019, two of our European subsidiaries issued a €36,700,000 principal amount unsecured 1.56% Series A Senior Note due August 23, 2031 (the "2031 Note") and €55,000,000 aggregate principal amount of unsecured 1.90% Series B Senior Notes due August 23, 2034 (the "2034 Notes"), (collectively, the "Senior Notes"). The 2031 Note is to be repaid in the principal amount of €30,000,000, together with accrued interest, on August 23, 2029, with the remaining €6,700,000 principal amount payable on August 23, 2031, together with accrued interest. The 2034 Notes are to be repaid in the aggregate principal amount of €23,300,000, together with accrued interest, on August 23, 2031, with the remaining €31,700,000 aggregate principal amount payable on August 23, 2034, together with accrued interest. Debt issuance costs of $134,000 were incurred in connection with the issuance of the Senior Notes and have been recorded on the consolidated balance sheet within long-term debt as a contra-liability. They will continue to be amortized, through interest expense, in our consolidated statements of earnings over the term of the respective Senior Notes. The unamortized portion of the debt issuance costs was $126,000 at May 31, 2020.

The Senior Notes were issued in a private placement and the proceeds thereof were used in the redemption of $150,000,000 aggregate principal amount of unsecured 6.50% senior notes that were set to mature on April 15, 2020 (the "2020 Notes"). The 2020 Notes were redeemed in full on August 30, 2019. In connection with the early redemption, the Company recognized a loss on extinguishment of debt of $4,034,000, which has been presented separately in our consolidated statement of earnings for fiscal 2020.

On July 28, 2017, we issued $200,000,000 aggregate principal amount of senior unsecured notes due August 1, 2032 (the "2032 Notes"). The 2032 Notes bear interest at a rate of 4.300%. The 2032 Notes were sold to

the public at 99.901% of the principal amount thereof, to yield 4.309% to maturity. We used a portion of the net proceeds from the offering to repay amounts then outstanding under our multi-year revolving credit facilities and amounts then outstanding under our revolving trade accounts receivable securitization facility, both of which are described in more detail below. We entered into an interest rate swap in June 2017, in anticipation of the issuance of the 2032 Notes. The interest rate swap had a notional amount of $150,000,000 to hedge the risk of changes in the semi-annual interest rate payments attributable to changes in the benchmark interest rate during the several days leading up to the issuance of the 2032 Notes. Upon pricing of the 2032 Notes, the derivative instrument was settled resulting in a gain of approximately $3,098,000, which was reflected in AOCI. Approximately $2,116,000 and $198,000 were allocated to debt issuance costs and the debt discount, respectively. The debt issuance costs and the debt discount were recorded on the consolidated balance sheet within long-term debt as a contra-liability. Each will continue to be amortized, through interest expense, in our consolidated statements of earnings over the term of the 2032 Notes. The unamortized portion of the debt issuance costs and debt discount was $1,717,000 and $161,000, respectively, at May 31, 2020 and $1,857,000 and $174,000, respectively, at May 31, 2019.

On April 15, 2014, we issued $250,000,000 aggregate principal amount of unsecured senior notes due on April 15, 2026 (the “2026 Notes”). The 2026 Notes bear interest at a rate of 4.55%. The 2026 Notes were sold to the public at 99.789% of the principal amount thereof, to yield 4.573% to maturity. We used a portion of the net proceeds from the offering to repay borrowings then outstanding under our revolving credit facility. Approximately $3,081,000, $2,279,000 and $528,000 were allocated to the settlement of a derivative contract entered into in anticipation of the issuance of the 2026 Notes, debt issuance costs, and the debt discount, respectively. The debt issuance costs and debt discount were recorded on the consolidated balance sheets within long-term debt as a contra-liability, and the loss on the derivative contract recorded within AOCI. Each will continue to be amortized, through interest expense, in our consolidated statements of earnings over the term of the 2026 Notes. The unamortized portion of the debt issuance costs and debt discount was $1,108,000 and $256,000, respectively, at May 31, 2020 and $1,297,000 and $300,000, respectively, at May 31, 2019.

On August 10, 2012, we issued $150,000,000 aggregate principal amount of unsecured senior notes due August 10, 2024 (the “2024 Notes”). The 2024 Notes bear interest at a rate of 4.60%. The net proceeds from this issuance were used to repay a portion of the then outstanding borrowings under our revolving credit facilities. Approximately $80,000 of the aggregate proceeds were allocated to debt issuance costs. The unamortized portion of the debt issuance costs was $28,000 and $35,000 at May 31, 2020 and 2019, respectively.

**Other Financing Arrangements**

We maintain a revolving trade accounts receivable securitization facility (the “AR Facility”). On January 13, 2020, the Company extended the maturity of the AR Facility by one year to January 2021 and reduced the borrowing capacity from $50,000,000 to $10,000,000. Pursuant to the terms of the AR Facility, certain of our subsidiaries sell their accounts receivable without recourse, on a revolving basis, to Worthington Receivables Corporation (“WRC”), a wholly-owned, consolidated, bankruptcy-remote subsidiary. In turn, WRC may sell without recourse, on a revolving basis, up to $10,000,000 of undivided ownership interests in this pool of accounts receivable to a third-party bank. We retain an undivided interest in this pool and are subject to risk of loss based on the collectability of the receivables from this retained interest. Because the amount eligible to be sold excludes receivables more than 90 days past due, receivables offset by an allowance for doubtful accounts due to bankruptcy or other cause, concentrations over certain limits with specific customers and certain reserve amounts, we believe additional risk of loss is minimal. As of May 31, 2020, no undivided ownership interests in this pool of accounts receivable had been sold. Facility fees of $132,000, $202,000, and $383,000 were recognized within interest expense during fiscal 2020, fiscal 2019 and fiscal 2018, respectively. On July 22, 2020, the Company elected to terminate the AR Facility.

We also maintain a $500,000,000 multi-year revolving credit facility (the “Credit Facility”) with a group of lenders. On February 16, 2018, the Company amended the terms of the Credit Facility, extending the maturity by three years to February 2023. Debt issuance costs of $805,000 were incurred as a result of the renewal. These costs have been deferred and are being amortized over the life of the Credit Facility to interest expense. Borrowings under the Credit Facility have maturities of up to one year. We have the option to borrow at rates equal to an applicable margin over the LIBOR, Prime rate or Overnight Bank Funding rate. The applicable margin is determined by our credit rating. There were no borrowings outstanding under the Credit Facility at May 31, 2020. As discussed in “Note G – Guarantees,” we provided $15,300,000 in letters of credit for third-party beneficiaries as

of May 31, 2020. While not drawn against at May 31, 2020, $250,000 of these letters of credit were issued against availability under the Credit Facility, leaving $499,750,000 available at May 31, 2020.

**Note I – Comprehensive Income (Loss)**

*Other Comprehensive Income (Loss):* The following table summarizes the tax effects of each component of other comprehensive income (loss) for the fiscal years ended May 31:

| | 2020 | | | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|---|---|---|
| (in thousands) | Before-Tax | Tax | Net-of-Tax | Before-Tax | Tax | Net-of-Tax | Before-Tax | Tax | Net-of-Tax |
| Foreign currency translation | $ 10,480 | 17 | $ 10,497 | $ (14,772) | $ - | $ (14,772) | $ 12,744 | $ - | $ 12,744 |
| Pension liability adjustment | (5,395) | 1,365 | (4,030) | (2,203) | 418 | (1,785) | 1,875 | (309) | 1,566 |
| Cash flow hedges | 2,339 | (559) | 1,780 | (16,227) | 3,780 | (12,447) | 1,351 | (392) | 959 |
| **Other comprehensive income (loss)** | $ 7,424 | $ 823 | $ 8,247 | $ (33,202) | $ 4,198 | $ (29,004) | $ 15,970 | $ (701) | $ 15,269 |

*Accumulated Other Comprehensive Loss:* The components of the changes in accumulated other comprehensive loss for the fiscal years ended May 31, 2020 and May 31, 2019 were as follows:

| (in thousands) | Foreign Currency Translation | Pension Liability Adjustment | Cash Flow Hedges | Accumulated Other Comprehensive Loss |
|---|---|---|---|---|
| Balance at May 31, 2018 | $ (4,987) | $ (16,071) | $ 6,478 | $ (14,580) |
| Other comprehensive loss before reclassifications | (14,652) | (3,404) | (12,637) | (30,693) |
| Reclassification adjustments to income (a) | - | 1,201 | (3,590) | (2,389) |
| Income tax effect | - | 418 | 3,780 | 4,198 |
| Balance at May 31, 2019 | $ (19,639) | $ (17,856) | $ (5,969) | $ (43,464) |
| Other comprehensive income (loss) before reclassifications | 10,480 | (5,948) | (9,497) | (4,965) |
| Reclassification adjustments to income (a) | - | 553 | 11,836 | 12,389 |
| Income tax effect | 17 | 1,365 | (559) | 823 |
| Balance at May 31, 2020 | $ (9,142) | $ (21,886) | $ (4,189) | $ (35,217) |

(a) The statement of earnings classification of amounts reclassified to income for cash flow hedges is disclosed in "Note Q – Derivative Financial Instruments and Hedging Activities."

The estimated net amount of the losses in AOCI at May 31, 2020 expected to be reclassified into net earnings within the succeeding twelve months is $4,781,000 (net of tax of $1,430,000). This amount was computed using the fair value of the cash flow hedges at May 31, 2020 and will change before actual reclassification from other comprehensive loss to net earnings during fiscal 2021.

**Note J – Equity**

*Preferred Shares:* The Worthington Industries, Inc. Amended Articles of Incorporation authorize two classes of preferred shares and their relative voting rights. The Board of Directors of Worthington Industries, Inc. is empowered to determine the issue prices, dividend rates, amounts payable upon liquidation and other terms of the preferred shares when issued. No preferred shares are issued or outstanding.

*Common Shares*: On September 27, 2017, the Board of Directors of Worthington Industries, Inc. (the "Worthington Industries Board") authorized the repurchase of up to 6,828,855 outstanding common shares of Worthington Industries, Inc., and on March 20, 2019, the Worthington Industries Board authorized the repurchase of up to an additional 6,600,000 of the outstanding common shares of Worthington Industries, Inc. These common shares may be purchased from time to time, with consideration given to the market price of the common shares, the nature of other investment opportunities, cash flows from operations, general economic conditions and other relevant

considerations. Repurchases may be made on the open market or through privately negotiated transactions. The total number of common shares available for repurchase at May 31, 2020 was *7,700,000*.

During fiscal 2020, 2019 and 2018, we repurchased 1,300,000, 4,100,000 and 4,375,000 common shares, respectively, having an aggregate cost of $50,972,000, $168,113,000 and $204,267,000, respectively.

On October 1, 2014, Worthington Industries, Inc. amended its non-qualified deferred compensation plans for employees to require that any portion of a participant's current account credited to the theoretical common share option, which reflects the fair value of the common shares of Worthington Industries, Inc. with dividends reinvested, and any new contributions credited to the theoretical common share option remain credited to the theoretical common share option until distributed. For amounts credited to the theoretical common share option, payouts are required to be made in the form of whole common shares of Worthington Industries, Inc. and cash in lieu of fractional common shares. As a result, we account for the deferred compensation obligation credited to the theoretical common share option within equity. The amounts recorded in equity totaled $547,000, $680,000 and $1,218,000 at May 31, 2020, 2019 and 2018, respectively. Prior to October 1, 2014, participant accounts credited to the theoretical common share option were settled in cash and classified as a liability in the Company's consolidated balance sheets.

**Note K – Stock-Based Compensation**

Under our employee and non-employee director stock-based compensation plans (the "Plans"), we may grant incentive or non-qualified stock options, restricted common shares and performance shares to employees and non-qualified stock options and restricted common shares to non-employee directors. We classify share-based compensation expense within SG&A expense to correspond with the same financial statement caption as the majority of the cash compensation paid to employees. A total of 3,900,578 of Worthington Industries, Inc. common shares were authorized and available for issuance in connection with the Plans in place at May 31, 2020.

We recognized pre-tax stock-based compensation expense of $11,883,000 ($9,150,000 after-tax), $11,733,000 ($9,034,000 after-tax), and $13,758,000 ($9,482,000 after-tax) under the Plans during fiscal 2020, fiscal 2019 and fiscal 2018, respectively. At May 31, 2020, the total unrecognized compensation cost related to non-vested awards was $17,400,000, which will be expensed over the next three fiscal years.

**Non-Qualified Stock Options**

Stock options may be granted to purchase common shares at not less than 100% of the fair market value of the underlying common shares on the date of the grant. All outstanding stock options are non-qualified stock options. The exercise price of all stock options granted has been set at 100% of the fair market value of the underlying common shares on the date of grant. Generally, stock options granted to employees vest and become exercisable at the rate of (i) 20% per year for options issued before June 30, 2011, and (ii) 33% per year for options issued on or after June 30, 2011, in each case beginning one year from the date of grant, and expire ten years after the date of grant. Non-qualified stock options granted to non-employee directors vest and become exercisable on the earlier of (a) the first anniversary of the date of grant or (b) the date on which the next annual meeting of shareholders of Worthington Industries, Inc. is held following the date of grant for any stock option granted as of the date of an annual meeting of shareholders of Worthington Industries, Inc. Stock options can be exercised through net-settlement, at the election of the option holder.

U.S. GAAP requires that all share-based awards be recorded as expense in the statement of earnings based on their grant-date fair value. We calculate the fair value of our non-qualified stock options using the Black-Scholes option pricing model and certain assumptions. The computation of fair values for all stock options incorporates the following assumptions: expected volatility (based on the historical volatility of Worthington Industries, Inc. common shares); risk-free interest rate (based on the U.S. Treasury strip rate for the expected term of the stock options); expected term (based on historical exercise experience); and dividend yield (based on annualized current dividends and an average quoted price of Worthington Industries, Inc. common shares over the preceding annual period).

The table below sets forth the non-qualified stock options granted during each of the last three fiscal years. For each grant, the exercise price was equal to the closing market price of the underlying common shares at each respective grant date. The fair values of these stock options were based on the Black-Scholes option pricing model, calculated at the respective grant dates. The calculated pre-tax stock-based compensation expense for these stock options, will be recognized on a straight-line basis over the respective vesting periods of the stock options.

| (in thousands, except per share amounts) | 2020 | 2019 | 2018 |
|---|---|---|---|
| Granted | 101 | 96 | 90 |
| Weighted average exercise price, per share | $ 38.91 | $ 42.86 | $ 47.76 |
| Weighted average grant date fair value, per share | $ 10.21 | $ 12.54 | $ 14.99 |
| Pre-tax stock-based compensation, net of forfeitures | $ 1,029 | $ 1,199 | $ 1,203 |

The weighted average fair value of stock options granted in fiscal 2020, fiscal 2019 and fiscal 2018 was based on the following weighted average assumptions:

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| Assumptions used: | | | |
| Dividend yield | 2.42% | 2.02% | 1.81% |
| Expected volatility | 33.10% | 33.09% | 36.65% |
| Risk-free interest rate | 1.86% | 2.79% | 1.98% |
| Expected life (years) | 6.0 | 6.0 | 6.0 |

The following tables summarize our stock option activity for the years ended May 31:

| | 2020 | | 2019 | | 2018 | |
|---|---|---|---|---|---|---|
| (in thousands, except per share amounts) | Stock Options | Weighted Average Exercise Price | Stock Options | Weighted Average Exercise Price | Stock Options | Weighted Average Exercise Price |
| Outstanding, beginning of year | 1,555 | $ 24.01 | 2,019 | $ 22.26 | 2,307 | $ 20.99 |
| Granted | 101 | 38.91 | 96 | 42.86 | 90 | 47.76 |
| Exercised | (303) | 13.99 | (506) | 18.45 | (371) | 20.37 |
| Forfeited | (1) | 43.04 | (54) | 44.31 | (7) | 33.02 |
| Outstanding, end of year | 1,352 | 27.34 | 1,555 | 24.01 | 2,019 | 22.26 |
| Exercisable at end of year | 1,167 | 25.34 | 1,397 | 21.96 | 1,800 | 20.03 |

| | Number of Stock Options (in thousands) | Weighted Average Remaining Contractual Life (in years) | Aggregate Intrinsic Value (in thousands) |
|---|---|---|---|
| **May 31, 2020** | | | |
| Outstanding | 1,352 | 3.21 | $ 8,846 |
| Exercisable | 1,167 | 2.44 | $ 8,846 |
| | | | |
| **May 31, 2019** | | | |
| Outstanding | 1,555 | 3.15 | $ 18,728 |
| Exercisable | 1,397 | 2.62 | $ 18,728 |
| | | | |
| **May 31, 2018** | | | |
| Outstanding | 2,019 | 3.59 | $ 51,858 |
| Exercisable | 1,800 | 3.06 | $ 50,673 |

The total intrinsic value of stock options exercised during fiscal 2020 was $2,445,000. The total amount of cash received from the exercise of stock options during fiscal 2020 was $708,000, and the related excess tax benefit realized from share-based payment awards was $1,287,000.

The following table summarizes information about non-vested stock option awards for the year ended May 31, 2020:

| | Number of Stock Options (in thousands) | Weighted Average Grant Date Fair Value per share |
|---|---|---|
| Non-vested, beginning of year | 158 | $ 12.26 |
| Granted | 101 | 10.21 |
| Vested | (73) | 12.42 |
| Forfeited | (1) | 15.98 |
| Non-vested, end of year | 185 | $ 11.06 |

**Service-Based Restricted Common Shares**

We have awarded restricted common shares to certain employees and non-employee directors that contain service-based vesting conditions. Service-based restricted common shares granted to employees cliff vest generally three years from the date of grant. Service-based restricted common shares granted to non-employee directors vest under the same parameters as discussed above with respect to non-qualified stock option grants. All service-based restricted common shares are valued at the closing market price of the Worthington Industries, Inc. common shares on the date of the grant.

The table below sets forth the service-based restricted common shares we granted during each of fiscal 2020, fiscal 2019 and fiscal 2018. The calculated pre-tax stock-based compensation expense for these restricted common shares will be recognized on a straight-line basis over their respective vesting periods.

| (in thousands, except per share amounts) | 2020 | 2019 | 2018 |
|---|---|---|---|
| Granted | 247 | 339 | 176 |
| Weighted average grant date fair value, per share | $ 37.50 | $ 43.35 | $ 47.88 |
| Pre-tax stock-based compensation, net of forfeitures | $ 9,258 | $ 14,692 | $ 7,605 |

The following tables summarize the activity for service-based restricted common shares for the years ended May 31:

| (in thousands, except per share amounts) | 2020 | | 2019 | | 2018 | |
|---|---|---|---|---|---|---|
| | Restricted Common Shares | Weighted Average Grant Date Fair Value | Restricted Common Shares | Weighted Average Grant Date Fair Value | Restricted Common Shares | Weighted Average Grant Date Fair Value |
| Outstanding, beginning of year | 811 | $ 43.25 | 796 | $ 40.80 | 865 | $ 39.49 |
| Granted | 247 | 37.50 | 339 | 43.35 | 176 | 47.88 |
| Vested | (395) | 42.00 | (229) | 34.63 | (205) | 40.96 |
| Forfeited | (20) | 44.10 | (95) | 43.83 | (40) | 41.58 |
| Outstanding, end of year | 643 | 41.79 | 811 | 43.25 | 796 | 40.80 |
| Weighted average remaining contractual life of outstanding restricted common shares (in years) | 1.55 | | 1.21 | | 1.21 | |
| Aggregate intrinsic value of outstanding restricted common shares | $ 19,230 | | $ 27,681 | | $ 38,160 | |
| Aggregate intrinsic value of restricted common shares vested during the year | $ 15,322 | | $ 10,388 | | $ 10,330 | |

**Market-Based Restricted Common Shares**

On June 24, 2014, we granted an aggregate of 50,000 market-based restricted common shares to two key employees under one of the Plans. Vesting of these restricted common share awards was to be contingent upon the price of the Worthington Industries, Inc. common shares reaching $60.00 per share and remaining at or above that price for 30 consecutive days during the five-year period following the date of grant and the completion of a five-year service vesting period. The grant-date fair value of these restricted common shares, as determined by a Monte Carlo simulation model, was $32.06 per share. The following assumptions were used to determine the grant-date fair value and the derived service period for these market-based restricted common shares:

| | |
|---|---|
| Dividend yield | 1.60% |
| Expected volatility | 44.00% |
| Risk-free interest rate | 1.70% |

The calculated pre-tax stock-based compensation expense was determined to be $1,603,000. In fiscal 2016, 25,000 of these restricted common shares were cancelled. On September 26, 2018, the remaining market-based restricted common share award was modified to extend the vesting period by one year, to June 24, 2020. The incremental fair value as of the modification date was $261,000 and was recognized on a straight-line basis over the remaining term. The conditions required for vesting of these remaining shares was not met by June 24, 2020 and they were subsequently forfeited.

On September 28, 2018, we granted an aggregate 225,000 market-based restricted common shares to two key employees under the Plans. Vesting of these restricted common share awards is contingent upon the price of our common shares reaching $65.00 per share and remaining at or above that price for 90 consecutive days during the five-year period following the date of grant and the completion of a five-year service vesting period. The grant-date fair value of these restricted common shares, as determined by a Monte Carlo simulation model, was $23.38 per share. The following assumptions were used to determine the grant-date fair value and the derived service period for these restricted common shares:

| | |
|---|---|
| Dividend yield | 2.16% |
| Expected volatility | 33.60% |
| Risk-free interest rate | 2.96% |

The calculated pre-tax stock-based compensation expense for these restricted common shares is $5,261,000 and will be recognized on a straight-line basis over the five-year service vesting period, net of any forfeitures.

**Performance Shares**

We have awarded performance shares to certain key employees that are contingent (i.e., vest) based upon the level of achievement with respect to corporate targets for cumulative corporate economic value added, earnings per share growth and, in the case of business unit executives, business unit operating income targets for the three-year periods ended or ending May 31, 2020, 2021 and 2022. These performance share awards will be paid, to the extent earned, in common shares of Worthington Industries, Inc. in the fiscal quarter following the end of the applicable three-year performance period. The fair value of performance shares is determined by the closing market prices of the underlying common shares at their respective grant dates and the pre-tax stock-based compensation expense is based on our periodic assessment of the probability of the targets being achieved and our estimate of the number of common shares that will ultimately be issued.

The table below sets forth the performance shares we granted (at target levels) during fiscal 2020, fiscal 2019 and fiscal 2018:

| (in thousands, except per share amounts) | 2020 | 2019 | 2018 |
|---|---|---|---|
| Granted | 55 | 43 | 54 |
| Weighted average grant date fair value, per share | $ 38.91 | $ 42.91 | $ 50.61 |
| Pre-tax stock-based compensation | $ 2,159 | $ 1,854 | $ 2,748 |

**Note L – Employee Pension Plans**

We provide retirement benefits to employees mainly through defined contribution retirement plans. Eligible participants make pre-tax contributions based on elected percentages of eligible compensation, subject to annual addition and other limitations imposed by the Internal Revenue Code and the various plans' provisions. Company contributions consist of company matching contributions, annual or monthly employer contributions and discretionary contributions, based on individual plan provisions.

We also have one defined benefit plan, The Gerstenslager Company Bargaining Unit Employees' Pension Plan (the "Gerstenslager Plan" or "defined benefit plan"). The Gerstenslager Plan is a non-contributory pension plan, which covers certain employees based on age and length of service. Our contributions have complied with ERISA's minimum funding requirements. Effective May 9, 2011, in connection with the formation of the ArtiFlex joint venture, the Gerstenslager Plan was frozen, which qualified as a curtailment under the applicable accounting guidance. We did not recognize a gain or loss in connection with the curtailment of the Gerstenslager Plan. During fiscal 2019, the Gerstenslager Plan was amended to allow certain inactive participants to take a lump sum settlement.

The following table summarizes the components of net periodic pension cost for the defined benefit plan and the defined contribution plans for the years ended May 31:

| (in thousands) | 2020 | 2019 | 2018 |
|---|---|---|---|
| Defined benefit plan: | | | |
| Interest cost | $ 1,352 | $ 1,503 | $ 1,522 |
| Return on plan assets | (1,928) | (532) | (1,361) |
| Net amortization and deferral | 628 | (918) | (20) |
| Net periodic pension cost on defined benefit plan | 52 | 53 | 141 |
| Settlement cost | - | 760 | - |
| Defined contribution plans | 16,495 | 16,308 | 14,972 |
| Total retirement plan cost | $ 16,547 | $ 17,121 | $ 15,113 |

The following actuarial assumptions were used for our defined benefit plan:

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| To determine benefit obligation: | | | |
| Discount rate | 2.65% | 3.57% | 4.02% |
| To determine net periodic pension cost: | | | |
| Discount rate | 3.57% | 4.02% | 3.94% |
| Expected long-term rate of return | 7.00% | 7.00% | 7.00% |

To calculate the discount rate, we used the expected cash flows of the benefit payments and the FTSE Pension Index (formerly Citigroup). The Gerstenslager Plan's expected long-term rate of return in fiscal 2020, fiscal 2019 and fiscal 2018 was based on the actual historical returns adjusted for a change in the frequency of lump-sum settlements upon retirement. In determining our benefit obligation, we use the actuarial present value of the vested benefits to which each eligible employee is currently entitled, based on the employee's expected date of separation or retirement.

The following tables provide a reconciliation of the changes in the projected benefit obligation and fair value of plan assets and the funded status of the Gerstenslager Plan as of, and for the fiscal years ended May 31:

| (in thousands) | 2020 | 2019 |
|---|---|---|
| Change in benefit obligation | | |
| Benefit obligation, beginning of year | $ 38,519 | $ 38,010 |
| Interest cost | 1,352 | 1,503 |
| Actuarial loss | 7,671 | 1,868 |
| Benefits paid | (1,375) | (1,201) |
| Settlements | - | (1,661) |
| Benefits obligation, end of year | $ 46,167 | $ 38,519 |
| | | |
| Change in plan assets | | |
| Fair value, beginning of year | $ 26,258 | $ 27,212 |
| Return on plan assets | 1,928 | 532 |
| Company contributions | 1,699 | 1,376 |
| Benefits paid | (1,375) | (1,201) |
| Settlements | - | (1,661) |
| Fair value, end of year | 28,510 | 26,258 |
| Funded status | $ (17,657) | $ (12,261) |
| | | |
| Amounts recognized in the consolidated balance sheets consist of: | | |
| Other liabilities | $ (17,657) | $ (12,261) |
| Accumulated other comprehensive loss | 25,413 | 18,370 |
| | | |
| Amounts recognized in accumulated other comprehensive loss consist of: | | |
| Net loss | 25,413 | 18,370 |
| Total | $ 25,413 | $ 18,370 |

The following table shows other changes in plan assets and benefit obligations recognized in OCI during the fiscal years ended May 31:

| (in thousands) | 2020 | 2019 |
|---|---|---|
| Net loss | $ (7,596) | $ (3,227) |
| Amortization of prior service cost | - | - |
| Amortization of net loss | 553 | 441 |
| Extraordinary charges | - | 759 |
| Total recognized in other comprehensive loss | $ (7,043) | $ (2,027) |
| Total recognized in net periodic benefit cost and other comprehensive income | $ 7,095 | $ 2,839 |

The estimated net loss for the defined benefit plan that will be amortized from AOCI into net periodic pension cost during fiscal 2021 is $775,000.

Pension plan assets are required to be disclosed at fair value in the consolidated financial statements. Fair value is defined in "Note R – Fair Value Measurements." The pension plan assets' fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following table sets forth, by level within the fair value hierarchy, a summary of the defined benefit plan's assets measured at fair value on a recurring basis at May 31, 2020:

| (in thousands) | Fair Value | Quoted Prices in Active Markets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (level 3) |
|---|---|---|---|---|
| Investment: | | | | |
| Money market funds | $ 1,613 | $ 1,613 | $ - | $ - |
| Bond funds | 12,619 | 12,619 | - | - |
| Equity funds | 11,885 | 11,885 | - | - |
| Administrative funds | 2,393 | 2,393 | | |
| Total | $ 28,510 | $ 28,510 | $ - | $ - |

The following table sets forth, by level within the fair value hierarchy, a summary of the defined benefit plan's assets measured at fair value on a recurring basis at May 31, 2019:

| (in thousands) | Fair Value | Quoted Prices in Active Markets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (level 3) |
|---|---|---|---|---|
| Investment: | | | | |
| Money market funds | $ 3,109 | $ 3,109 | $ - | $ - |
| Bond funds | 11,865 | 11,865 | - | - |
| Equity funds | 11,284 | 11,284 | - | - |
| Total | $ 26,258 | $ 26,258 | $ - | $ - |

Fair values of the money market, bond and equity funds held by the defined benefit plan were determined by quoted market prices.

Plan assets for the defined benefit plan consisted principally of the following as of the respective measurement dates:

| | May 31, 2020 | May 31, 2019 |
|---|---|---|
| Asset category: | | |
| Equity securities | 42% | 43% |
| Debt securities | 44% | 45% |
| Other | 14% | 12% |
| Total | 100% | 100% |

Equity securities include no employer stock. The investment policy and strategy for the defined benefit plan is: (i) long-term in nature with liquidity requirements that are anticipated to be minimal due to the projected normal retirement date of the average employee and the current average age of participants; (ii) to earn nominal returns, net of investment fees, equal to or in excess of the defined benefit plan's liability growth rate; and (iii) to include a diversified asset allocation of domestic and international equities and fixed income investments. We have already contributed $142,000 in fiscal 2021 and have 11 contributions planned for fiscal 2021 totaling $1,558,000.

The following estimated future benefits, which reflect expected future service, as appropriate, are expected to be paid under the defined benefit plan during the fiscal years noted:

| (in thousands) | | |
|---|---|---|
| 2021 | $ | 1,404 |
| 2022 | $ | 1,470 |
| 2023 | $ | 1,516 |
| 2024 | $ | 1,569 |
| 2025 | $ | 1,635 |
| 2026-2030 | $ | 9,740 |

Commercial law requires us to pay severance and service benefits to employees at our Austrian Pressure Cylinders location. Severance benefits must be paid to all employees hired before December 31, 2002. Employees hired after that date are covered under a governmental plan that requires us to pay benefits as a percentage of compensation (included in payroll tax withholdings). Service benefits are based on a percentage of compensation and years of service. The accrued liability for these unfunded plans was $6,863,000 and $7,009,000 at May 31, 2020 and 2019, respectively, and was included in other liabilities on the consolidated balance sheets. Net periodic pension cost for these plans was $494,000, $925,000, and $601,000, for fiscal 2020, fiscal 2019 and fiscal 2018, respectively. The assumed salary rate increase was 2.75% for fiscal 2020, fiscal 2019 and fiscal 2018. The discount rate at May 31, 2020, 2019 and 2018 was 1.65%, 1.40%, and 1.80%, respectively. Each discount rate was based on a published corporate bond rate with a term approximating the estimated benefit payment cash flows and is consistent with European and Austrian regulations.

**Note M – Income Taxes**

On December 22, 2017, the Tax Cuts and Jobs Act (the "TCJA") was signed into federal law. The TCJA significantly revised the U.S. corporate income tax system by lowering the U.S. corporate income tax rate from 35% to 21% effective January 1, 2018. In addition, the TCJA added several new provisions including changes to bonus depreciation, the deduction for executive compensation, a tax on global intangible low-taxed income ("GILTI"), the base erosion anti-abuse tax ("BEAT") and a deduction for foreign-derived intangible income ("FDII"). Many of these provisions, including the tax on GILTI, the BEAT and the deduction for FDII, did not apply to the Company until June 1, 2018. The Company has elected to account for the tax on GILTI as a period cost and thus has not adjusted any of the deferred tax assets and liabilities of its foreign subsidiaries for the new tax. The two material items that impacted the Company for fiscal 2018 were the reduction in the tax rate and a one-time mandatory deemed repatriation tax imposed on the Company's unremitted foreign earnings. Due to the Company's fiscal year, the Company's fiscal 2018 U.S. federal blended statutory income tax rate was 29.2%. The Company's U.S. federal statutory income tax rate is 21.0% starting June 1, 2018.

Consistent with applicable Securities and Exchange Commission guidance in Staff Accounting Bulletin 118 ("SAB118"), the Company recognized a provisional income tax benefit of $38,200,000 related to the re-measurement of deferred tax assets and liabilities and a provisional income tax expense of $6,900,000 for the one-time mandatory deemed repatriation tax during fiscal 2018. During fiscal 2019, the Company finalized the accounting for the TCJA and made no material adjustments to these provisional amounts.

Earnings before income taxes for the three fiscal years ended May 31 include the following components:

| (in thousands) | 2020 | 2019 | 2018 |
|---|---|---|---|
| U.S. based operations | $ 99,493 | $ 173,200 | $ 177,088 |
| Non – U.S. based operations | 11,293 | 33,256 | 31,982 |
| Earnings before income taxes | 110,786 | 206,456 | 209,070 |
| Less: Net earnings attributable to noncontrolling interests* | 5,648 | 9,818 | 6,056 |
| Earnings before income taxes attributable to controlling interest | $ 105,138 | $ 196,638 | $ 203,014 |

* Net earnings attributable to noncontrolling interests are not taxable to Worthington.

Significant components of income tax expense (benefit) for the fiscal years ended May 31 were as follows:

| (in thousands) | 2020 | 2019 | 2018 |
|---|---|---|---|
| Current | | | |
| Federal | $ 20,739 | $ 15,454 | $ 33,261 |
| State and local | 1,713 | 2,309 | 3,292 |
| Foreign | 5,199 | 7,985 | 9,904 |
| | 27,651 | 25,748 | 46,457 |
| Deferred | | | |
| Federal | (2,350) | 18,195 | (34,442) |
| State and local | 732 | 1,621 | 388 |
| Foreign | 309 | (2,381) | (4,183) |
| | (1,309) | 17,435 | (38,237) |
| | $ 26,342 | $ 43,183 | $ 8,220 |

Tax benefits (expenses) related to defined benefit pension liability that were credited to (deducted from) OCI were $1,365,000, $418,000, and $(309,000) for fiscal 2020, fiscal 2019 and fiscal 2018, respectively. Tax benefits (expenses) related to cash flow hedges that were credited to (deducted from) OCI were $(559,000), $3,780,000, and $(392,000) for fiscal 2020, fiscal 2019 and fiscal 2018, respectively.

A reconciliation of the federal statutory corporate income tax rate to total tax provision follows:

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| Federal statutory corporate income tax rate | 21.0% | 21.0% | 29.2% |
| State and local income taxes, net of federal tax benefit | 2.4 | 2.1 | 2.3 |
| Non-U.S. income taxes at other than federal statutory rate | 3.1 | 0.2 | (1.4) |
| Qualified production activities deduction | - | - | (2.3) |
| Impact of tax reform (1) | - | - | (15.4) |
| Worthington Aritas write down | - | - | (4.8) |
| Excess benefit related to share-based payment awards | (1.2) | (1.4) | (2.0) |
| Nondeductible executive compensation | 1.1 | 0.6 | 0.3 |
| AMTROL acquisition | - | - | (1.9) |
| Other | (1.3) | (0.5) | - |
| Effective tax rate attributable to controlling interest | 25.1% | 22.0% | 4.0% |

(1) Amount reflects the impact of the re-measurement of the Company's deferred tax balances at the lower federal statutory corporate income tax rate, net of the mandatory deemed repatriation tax on unremitted foreign earnings.

The above effective tax rate attributable to controlling interest excludes any impact from the inclusion of net earnings attributable to noncontrolling interests in our consolidated statements of earnings. The effective tax rates upon inclusion of net earnings attributable to noncontrolling interests were 23.8%, 20.9% and 3.9% for fiscal 2020, fiscal 2019 and fiscal 2018, respectively. Net earnings attributable to noncontrolling interests are primarily a result of our WSP, Spartan, and TWB consolidated joint ventures. The earnings attributable to the noncontrolling interests in WSP, Spartan and TWB's U.S. operations do not generate tax expense to Worthington since the investors in WSP, Spartan and TWB's U.S. operations are taxed directly based on the earnings attributable to them. The tax expense of TWB's wholly-owned foreign corporations is reported in our consolidated tax expense.

Under applicable accounting guidance, a tax benefit may be recognized from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, including resolution of any related appeals or litigation processes, based on the technical merits of the position. Any tax benefits recognized in our financial statements from such a position were measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement.

The total amount of unrecognized tax benefits was $1,718,000, $1,621,000, and $2,638,000 as of May 31, 2020, 2019 and 2018, respectively. The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate attributable to controlling interest was $1,357,000 as of May 31, 2020. Unrecognized tax benefits are the differences between a tax position taken, or expected to be taken in a tax return, and the benefit recognized for accounting purposes. Accrued amounts of interest and penalties related to unrecognized tax benefits are recognized as part of income tax expense within our consolidated statements of earnings. As of May 31, 2020, 2019 and 2018, we had accrued liabilities of $68,000, $287,000 and $271,000, respectively, for interest and penalties related to unrecognized tax benefits.

A tabular reconciliation of unrecognized tax benefits follows:

| (In thousands) | | |
|---|---|---|
| Balance at May 31, 2019 | $ | 1,621 |
| Decreases - tax positions taken in prior years | | (83) |
| Increases - tax positions taken in prior years | | 1,419 |
| Increases - current tax positions | | 35 |
| Settlements | | (1,118) |
| Lapse of statutes of limitations | | (156) |
| Balance at May 31, 2020 | $ | 1,718 |

Approximately $167,000 of the liability for unrecognized tax benefits is expected to be settled in the next twelve months due to the expiration of statutes of limitations in various tax jurisdictions and as a result of expected settlements with various tax jurisdictions. While it is expected that the amount of unrecognized tax benefits will change in the next twelve months, any change is not expected to have a material impact on our consolidated financial position, results of operations or cash flows.

The following is a summary of the tax years open to examination by major tax jurisdiction:

U.S. Federal –2017 and forward
U.S. State and Local –2015 and forward
Austria – 2016 and forward
Canada –2017 and forward
Mexico – 2014 – and forward
Portugal – 2016 and forward

The components of our deferred tax assets and liabilities as of May 31 were as follows:

| **(in thousands)** | **2020** | **2019** |
|---|---|---|
| Deferred tax assets | | |
| Accounts receivable | $ 1,246 | $ 1,516 |
| Inventories | 5,554 | 5,649 |
| Accrued expenses | 21,214 | 21,195 |
| Net operating loss carry forwards | 11,732 | 16,433 |
| Stock-based compensation | 6,931 | 10,989 |
| Derivative contracts | 1,920 | 2,054 |
| Operating lease - ROU liability | 7,294 | - |
| Other | 3,549 | 316 |
| Total deferred tax assets | 59,440 | 58,152 |
| Valuation allowance for deferred tax assets | (11,178) | (14,619) |
| Net deferred tax assets | 48,262 | 43,533 |
| Deferred tax liabilities | | |
| Property, plant and equipment | (95,553) | (91,732) |
| Investment in affiliated companies, principally due to undistributed earnings | (15,884) | (23,035) |
| Operating lease - ROU asset | (6,241) | - |
| Other | (2,526) | (2,868) |
| Total deferred tax liability | (120,204) | (117,635) |
| Net deferred tax liability | $ (71,942) | $ (74,102) |

At May 31, 2020, we had tax benefits for federal foreign tax credits of $550,000 that expire May 31, 2030, tax benefits for state net operating loss carry forwards of $10,494,000 that expire from fiscal 2021 to the fiscal year ending May 31, 2040, and tax benefits for state net operating loss carry forwards of $889,000 with no expiration date.

The valuation allowance for deferred tax assets of $11,178,000 at May 31, 2020 is associated primarily with the net operating loss carry forwards. The majority of the state valuation allowance relates to our facility in Decatur, Alabama and our oil and gas equipment business.

Based on our history of profitability, the scheduled reversal of deferred tax liabilities, and taxable income projections, we have determined that it is more likely than not that the remaining deferred tax assets are otherwise realizable.

**Note N – Earnings Per Share**

The following table sets forth the computation of basic and diluted earnings per share for the fiscal years ended May 31:

| (in thousands, except per share amounts) | 2020 | 2019 | 2018 |
|---|---|---|---|
| Numerator (basic & diluted): | | | |
| Net earnings attributable to controlling interest - income available to common shareholders | $ 78,796 | $ 153,455 | $ 194,794 |
| Denominator: | | | |
| Denominator for basic earnings per share attributable to controlling interest - weighted average common shares | 54,958 | 57,196 | 60,923 |
| Effect of dilutive securities | 1,025 | 1,627 | 2,119 |
| Denominator for diluted earnings per share attributable to controlling interest - adjusted weighted average common shares | 55,983 | 58,823 | 63,042 |
| Basic earnings per share attributable to controlling interest | $ 1.43 | $ 2.68 | $ 3.20 |
| Diluted earnings per share attributable to controlling interest | $ 1.41 | $ 2.61 | $ 3.09 |

Stock options covering 398,498, 313,144, and 188,504 common shares for fiscal 2020, fiscal 2019 and fiscal 2018, respectively, have been excluded from the computation of diluted earnings per share because the effect of their inclusion would have been anti-dilutive for those periods.

**Note O – Segment Data**

Our operations are managed principally on a products and services basis and include two reportable business segments: Steel Processing and Pressure Cylinders, each of which is comprised of a similar group of products and services. Factors used to identify reportable business segments include the nature of the products and services provided by each business, the management reporting structure, similarity of economic characteristics and certain quantitative measures, as prescribed by authoritative accounting guidance. A discussion of each of our reportable business segments is outlined below.

*Steel Processing*: The Steel Processing reportable segment consists of the Worthington Steel business unit and four consolidated joint ventures: Samuel, Spartan, TWB and WSP. Spartan operates a cold-rolled, hot-dipped galvanizing line and TWB operates a laser welded blanking business. WSP serves primarily as a toll processor for United States Steel Corporation and others. Its services include slitting, blanking, cutting-to-length, laser blanking, laser welding, tension leveling and warehousing. Samuel operates steel pickling facilities in Ohio. Worthington Steel is an intermediate processor of flat-rolled steel. This operating segment's processing capabilities include cold reducing, configured blanking, coil fed laser blanking, cutting-to-length, dry-lube, hot-dipped galvanizing, hydrogen annealing, laser welding, pickling, slitting, oscillate slitting, *temper rolling, tension leveling, and non-metallic coating, including acrylic and paint coating. Worthington Steel sells to customers principally in the automotive, aerospace, agricultural, appliance, construction, container, hardware, heavy-truck, HVAC, lawn and garden, leisure and recreation, office furniture and office equipment markets. Worthington Steel also toll processes steel for steel mills, large end-users, service centers and other processors. Toll processing is different from typical steel processing in that the mill, end-user or other party retains title to the steel and has the responsibility for selling the end product. The percentage of our consolidated net sales generated by the Steel Processing reportable segment was approximately 61%, 65% and 63%, in fiscal 2020, fiscal 2019 and fiscal* 2018, respectively.

*Pressure Cylinders*: The Pressure Cylinders reportable segment consists of the Worthington Cylinders business unit. The percentage of our consolidated net sales generated by the Pressure Cylinders reportable segment was approximately 37%, 32% and 34% in fiscal 2020, fiscal 2019 and fiscal 2018, respectively. We acquired AMTROL on June 2, 2017, which has been included in the Pressure Cylinders reportable segment since that date, and accounted for approximately 8% of our consolidated net sales in both fiscal 2020 and fiscal 2019.

The Pressure Cylinders reportable segment manufactures and sells filled and unfilled pressure cylinders, tanks, hand torches, well water and expansion tanks, and oil and gas equipment along with various accessories and related products for diversified end-use market applications. The following is a description of these markets:

- Industrial Products: This market sector includes high pressure and acetylene cylinders for industrial gases, refrigerant and certain propane gas (LPG) cylinders, alternative fuel cylinders, cryogenic equipment, and systems and services for handling liquid gases, and other specialty products. Cylinders in this market sector are generally sold to gas producers, cylinder exchangers and industrial distributors. Industrial gas cylinders hold fuel for uses such as cutting, brazing and soldering, semiconductor production, and beverage delivery. Refrigerant gas cylinders are used to hold refrigerant gases for commercial, residential and automotive air conditioning and refrigeration systems. LPG cylinders hold fuel for barbeque grills, recreational vehicle equipment, residential and light commercial heating systems, industrial forklifts and commercial/residential cooking (the latter, generally outside North America). Alternative fuel cylinders includes composite and steel cylinders used to hold CNG and hydrogen for automobiles, buses, and light-duty trucks, and to hold propane/autogas for automobiles and light- and medium-duty trucks. Cryogenic equipment and systems include liquid nitrogen storage freezers and shipping containers for organic specimens in healthcare and animal husbandry markets, and storage tanks and trailers for liquefied nitrogen, oxygen, argon, carbon dioxide, and hydrogen. Specialty products include a variety of fire suppression, life support and chemical tanks.

- Consumer Products: This market sector includes propane-filled cylinders for torches, camping stoves and other applications, hand-held torches, Balloon Time® helium-filled balloon kits, plumbing tools, well water tanks and expansion tanks. These products are sold primarily to mass merchandisers, retailers and distributors.

- Oil & Gas Equipment: This market sector includes steel storage tanks, separation equipment, processing equipment and other products primarily used in the oil and gas markets.

*Other:* Effective November 1, 2019, the Company deconsolidated substantially all of the net assets of the Engineered Cabs business, which had historically been treated as a separate reporting segment. The deconsolidated net assets included its two primary manufacturing facilities located in Greeneville, Tennessee and Watertown, South Dakota. The remaining non-core assets of the Engineered Cabs business, including the fabricated products facility in Stow, Ohio, and the steel packaging facility in Greensburg, Indiana, were retained. The retained Engineered Cabs assets, which are in the process of being closed, no longer qualify as a separate operating or reportable segment. Accordingly, the activity related to our former Engineered Cabs operating segment has been reported in the "Other" category. Segment information reported in previous periods has been restated to conform to this new presentation.

Certain income and expense items not allocated to our operating segments are included in Other, including product liability and healthcare reserves. The Other category also included the former WEI operating segment, through March 31, 2018 when we disposed of 65% of our 75% stake in the business effective March 31, 2018.

The accounting policies of the reportable business segments and other operating segments are described in "Note A – Summary of Significant Accounting Policies." We evaluate operating segment performance based on operating income (loss). Inter-segment sales are not material.

The following table presents summarized financial information for our reportable business segments as of, and for the fiscal years ended, May 31:

| (in thousands) | 2020 | 2019 | 2018 |
|---|---|---|---|
| **Net sales** | | | |
| Steel Processing | $ 1,859,670 | $ 2,435,818 | $ 2,252,771 |
| Pressure Cylinders | 1,148,424 | 1,207,798 | 1,206,183 |
| Other | 51,025 | 115,940 | 122,666 |
| Total net sales | $ 3,059,119 | $ 3,759,556 | $ 3,581,620 |
| **Operating income (loss)** | | | |
| Steel Processing | $ 40,564 | $ 89,761 | $ 152,690 |
| Pressure Cylinders | 38,903 | 69,872 | 23,396 |
| Other | (56,978) | (14,869) | (34,476) |
| Total operating income | $ 22,489 | $ 144,764 | $ 141,610 |
| **Depreciation and amortization** | | | |
| Steel Processing | $ 40,819 | $ 40,374 | $ 43,331 |
| Pressure Cylinders | 42,565 | 42,403 | 46,691 |
| Other | 9,294 | 12,825 | 13,337 |
| Total depreciation and amortization | $ 92,678 | $ 95,602 | $ 103,359 |
| **Impairment of goodwill and long-lived assets** | | | |
| Steel Processing | $ 1,839 | $ 3,269 | $ - |
| Pressure Cylinders | 37,153 | 4,548 | 53,883 |
| Other | 43,698 | - | 7,325 |
| Total impairment of goodwill and long-lived assets | $ 82,690 | $ 7,817 | $ 61,208 |
| **Restructuring and other expense (income), net** | | | |
| Steel Processing | $ 3,501 | $ (9) | $ (10,087) |
| Pressure Cylinders | 5,282 | (11,009) | 2,365 |
| Other | 1,265 | - | 301 |
| Total restructuring and other expense (income), net | $ 10,048 | $ (11,018) | $ (7,421) |
| **Total assets** | | | |
| Steel Processing | $ 821,657 | $ 924,966 | $ 999,238 |
| Pressure Cylinders | 1,104,603 | 1,123,115 | 1,147,268 |
| Other | 405,255 | 462,715 | 475,281 |
| Total assets | $ 2,331,515 | $ 2,510,796 | $ 2,621,787 |
| **Capital expenditures** | | | |
| Steel Processing | $ 40,588 | $ 39,114 | $ 31,966 |
| Pressure Cylinders | 41,484 | 37,558 | 32,697 |
| Other | 13,431 | 7,827 | 11,425 |
| Total capital expenditures | $ 95,503 | $ 84,499 | $ 76,088 |

The following table presents net sales by geographic region for the fiscal years ended May 31:

| (in thousands) | 2020 | 2019 | 2018 |
|---|---|---|---|
| North America | $ 2,912,777 | $ 3,559,650 | $ 3,275,090 |
| International | 146,342 | 199,906 | 306,530 |
| Total | $ 3,059,119 | $ 3,759,556 | $ 3,581,620 |

The following table presents property, plant and equipment, net, by geographic region as of May 31:

| (in thousands) | 2020 | 2019 |
|---|---|---|
| North America | $ 503,393 | $ 514,519 |
| International | 69,251 | 64,145 |
| Total | $ 572,644 | $ 578,664 |

**Note P – Acquisitions**

**Heidtman Cleveland (fiscal 2020)**

On October 7, 2019, we acquired the operating net assets related to Heidtman's Cleveland facility, excluding working capital, for cash consideration of $29,593,000. The acquired net assets were managed and reported as a component of our Steel Processing operating segment until their contribution to the Samuel joint venture on December 31, 2019.

The assets acquired and liabilities assumed were recognized at their estimated acquisition-date fair values, with goodwill representing the excess of the purchase price over the fair value of the net identifiable assets acquired. In connection with the acquisition, a customer list intangible asset was identified and valued and is being amortized over the estimated useful life of 10 years.

The purchase price included the fair values of other assets that were not identifiable, not separately recognizable under applicable accounting rules (e.g., assembled workforce) or of immaterial value. The purchase price also included strategic and synergistic benefits (investment value) specific to us, which resulted in a purchase price in excess of the fair value of the identifiable net assets. This additional investment value resulted in goodwill, which is expected to be deductible for income tax purposes.

The following table summarizes the consideration paid and the final fair value assigned to the assets acquired and liabilities assumed at the acquisition date:

| (in thousands) | Preliminary Valuation | Measurement Period Adjustments | Final Valuation |
|---|---|---|---|
| Customer list | $ 2,900 | $ (100) | $ 2,800 |
| Property, plant and equipment | 7,515 | (1,411) | 6,104 |
| Finance lease assets | 8,000 | 3,940 | 11,940 |
| Other assets | 725 | - | 725 |
| Net identifiable assets | 19,140 | 2,429 | 21,569 |
| Goodwill | 10,453 | (2,429) | 8,024 |
| Purchase price | $ 29,593 | $ - | $ 29,593 |

**Worthington Samuel Coil Processing LLC (fiscal 2020)**

On December 31, 2019, the Company contributed the recently acquired operating net assets of Heidtman's Cleveland facility to the Samuel joint venture, in exchange for an incremental 31.75% interest in the joint venture, increasing the Company's ownership to a 63% controlling interest. The Heidtman assets were contributed at their net book value of $30,061,000, of which $11,123,000 has been attributed to the noncontrolling interest. The transaction was accounted for as a step acquisition, which required the re-measurement of our previously held 31.25% ownership interest in the joint venture to fair value resulting a non-cash, net pre-tax gain of $6,055,000 within miscellaneous income, net in our consolidated statement of earnings for the third quarter of fiscal 2020. The acquired net assets became part of our Steel Processing operating segment upon closing. In connection with the acquisition, the name of the joint venture was changed to Worthington Samuel Coil Processing LLC.

The assets acquired and liabilities assumed were recognized at their acquisition-date fair values, with goodwill representing the excess of the purchase price over the fair value of the net identifiable assets acquired. In connection with the acquisition of Samuel, we identified and valued the following identifiable intangible assets:

**(in thousands)**

| **Category** | | **Amount** | **Useful Life (Years)** |
|---|---|---|---|
| Customer relationships | $ | 9,000 | 15 |
| Trade name | | 1,100 | Indefinite |
| Total acquired identifiable intangible assets | $ | 10,100 | |

The acquisition price includes the fair values of other assets that were not identifiable, not separately recognizable under accounting rules (e.g., assembled workforce) or of immaterial value. The acquisition price also includes strategic and synergistic benefits (investment value) specific to us, which resulted in an acquisition price in excess of the fair value of the identifiable net assets. This additional investment value resulted in goodwill, which is expected to be deductible for income tax purposes.

The following table summarizes the consideration transferred for our 63% controlling interest in Samuel and the fair value assigned to the assets acquired and liabilities assumed at the acquisition date:

| (in thousands) | | |
|---|---|---|
| **Consideration Transferred:** | | |
| Assets contributed (37% of Heidtman net assets) | $ | 11,122 |
| Capital contribution | | 315 |
| Fair value of previously held equity interest in Samuel | | 10,948 |
| Total consideration | $ | 22,385 |
| | | |
| **Estimated Fair Value of Assets Acquired and Liabilities Assumed:** | | |
| Cash | $ | 694 |
| Accounts receivable | | 1,778 |
| Inventories | | 108 |
| Prepaid expenses | | 1,535 |
| Intangible assets | | 10,100 |
| Property, plant and equipment | | 19,459 |
| Total identifiable assets | | 33,674 |
| Accounts payable | | (766) |
| Accrued liabilities | | (1,148) |
| Net identifiable assets | | 31,760 |
| Goodwill | | 3,772 |
| Net assets | | 35,532 |
| Noncontrolling interest | | (13,147) |
| Total consideration | $ | 22,385 |

The fair value of each of our previously held equity interest and the noncontrolling interest were derived using a market approach. The minority discount to reflect management's estimate of a control premium was immaterial.

Operating results of the Samuel joint venture have been included in our consolidated statements of earnings from the acquisition date forward. For periods prior to the acquisition date, our portion of equity in net income of Samuel was included within equity in net income of unconsolidated affiliates in our consolidated statements of earnings. Proforma results, including the acquired business since the beginning of fiscal 2018, would not be materially different than the reported results.

**Magna Industries, Inc. (fiscal 2019)**

On May 1, 2019, the Company acquired the net assets of Magna Industries, Inc., a Cleveland-based manufacturer of Mag-Torch® hand-held torches and Superior Tool® plumbing tools. The total purchase price was $13,500,000, including contingent consideration with an estimated fair value of $2,000,000 related to an earn-out provision tied to future performance. An additional $1,150,000 of the purchase price was deferred to cover any adjustments or disputes that arise after the closing date for up to one year. In connection with the acquisition, the Company recognized total intangible assets of $3,677,000, including goodwill of $777,000 as of May 31, 2019. The remaining purchase price was allocated primarily to working capital.

In fiscal 2020, two of the three components of the contingent consideration were satisfied resulting in a payment of $1,150,000, and $310,000 was recognized for final post-closing adjustments to net working capital. Following the post-closing adjustments, net intangible assets recognized were $3,625,000, including goodwill of $725,000.

**AMTROL (fiscal 2018)**

On June 2, 2017, the Company acquired AMTROL, a leading manufacturer of pressure cylinders and water system tanks with operations in the U.S. and Europe. The total purchase price was $291,921,000, after adjusting for excess working capital, and was funded primarily with cash on hand. The net assets became part of the Pressure Cylinders operating segment at closing, with the well water and expansion tank operations aligning under the consumer products business and the refrigerant, liquid propane and industrial and specialty gas operations aligning under the industrial products business. Total acquisition-related expenses were $3,568,000, of which $1,568,000 were incurred during fiscal 2018.

The assets acquired and liabilities assumed were recognized at their acquisition-date fair values, with goodwill representing the excess of the purchase price over the fair value of the net identifiable assets acquired. In connection with the acquisition, we identified and valued the following identifiable intangible assets:

| (in thousands)<br>Category | | Amount | Useful Life (Years) |
|---|---|---|---|
| Customer relationships | $ | 90,800 | 14-17 |
| Trade names | | 62,200 | Indefinite |
| Technology | | 13,000 | 15-16 |
| Total acquired identifiable intangible assets | $ | 166,000 | |

The purchase price included the fair values of other assets that were not identifiable, not separately recognizable under accounting rules (e.g., assembled workforce) or of immaterial value. The purchase price also included a going-concern element that represents our ability to earn a higher rate of return on this group of assets than would be expected on the separate assets as determined during the valuation process. This additional investment value resulted in goodwill, which is not expected to be deductible for income tax purposes.

The following table summarizes the consideration transferred for the assets of AMTROL and the fair value assigned to the assets acquired and liabilities assumed at the acquisition date:

| (in thousands) | Preliminary Valuation | Measurement Period Adjustments | Revised Valuation |
|---|---|---|---|
| Cash | $ 6,893 | $ - | $ 6,893 |
| Accounts receivable | 40,212 | - | 40,212 |
| Inventories | 37,249 | - | 37,249 |
| Prepaid expenses | 981 | - | 981 |
| Other assets | 2,550 | - | 2,550 |
| Intangible assets | 166,000 | - | 166,000 |
| Property, plant and equipment | 52,870 | - | 52,870 |
| Total assets | 306,755 | - | 306,755 |
| Accounts payable | 25,945 | - | 25,945 |
| Accrued liabilities | 21,016 | - | 21,016 |
| Long-term debt including current maturities | 2,287 | - | 2,287 |
| Other accrued items | 3,993 | 1,501 | 5,494 |
| Deferred income taxes, net | 64,495 | (966) | 63,529 |
| Net identifiable assets | 189,019 | (535) | 188,484 |
| Goodwill | 102,902 | 535 | 103,437 |
| Purchase price | $ 291,921 | $ - | $ 291,921 |

Operating results of AMTROL have been included in the Company's consolidated statements of earnings since the date of the acquisition. During the fiscal year ended May 31, 2018, AMTROL contributed net sales of $265,198,000 and operating income of $18,899,000.

**Note Q – Derivative Financial Instruments and Hedging Activities**

We utilize derivative financial instruments to manage exposure to certain risks related to our ongoing operations. The primary risks managed through the use of derivative financial instruments include interest rate risk, foreign currency exchange risk and commodity price risk. While certain of our derivative financial instruments are designated as hedging instruments, we also enter into derivative financial instruments that are designed to hedge a risk, but are not designated as hedging instruments and therefore do not qualify for hedge accounting. These derivative financial instruments are adjusted to current fair value through earnings at the end of each period.

*Interest Rate Risk Management* – We are exposed to the impact of interest rate changes. Our objective is to manage the impact of interest rate changes on cash flows and the market value of our borrowings. We utilize a mix of debt maturities along with both fixed-rate and variable-rate debt to manage changes in interest rates. In addition, we enter into interest rate swaps to further manage our exposure to interest rate variations related to our borrowings and to lower our overall borrowing costs.

*Foreign Currency Exchange Risk Management* – We conduct business in several major international currencies and are, therefore, subject to risks associated with changing foreign currency exchange rates. We enter into various contracts that change in value as foreign currency exchange rates change to manage this exposure. Such contracts limit exposure to both favorable and unfavorable foreign currency exchange rate fluctuations. The translation of foreign currencies into U.S. dollars also subjects us to exposure related to fluctuating foreign currency exchange rates; however, derivative financial instruments are not used to manage this risk.

*Commodity Price Risk Management* – We are exposed to changes in the price of certain commodities, including steel, natural gas, copper, zinc and other raw materials, and our utility requirements. Our objective is to reduce earnings and cash flow volatility associated with forecasted purchases and sales of these commodities to allow management to focus its attention on business operations. Accordingly, we enter into derivative contracts to manage the associated price risk.

We are exposed to counterparty credit risk on all of our derivative financial instruments. Accordingly, we have established and maintain strict counterparty credit guidelines. We have credit support agreements in place with certain counterparties to limit our credit exposure. These agreements require either party to post cash collateral if its cumulative market position exceeds a predefined liability threshold. Amounts posted to the margin accounts accrue interest at market rates and are required to be refunded in the period in which the cumulative market position falls below the required threshold. We do not have significant exposure to any one counterparty and management believes the risk of loss is remote and, in any event, would not be material.

Refer to "Note R – Fair Value Measurements" for additional information regarding the accounting treatment for our derivative financial instruments, as well as how fair value is determined.

The following table summarizes the fair value of our derivative financial instruments and the respective line in which they were recorded in the consolidated balance sheet at May 31, 2020:

| (in thousands) | Asset Derivatives | | Liability Derivatives | |
|---|---|---|---|---|
| | Balance Sheet Location | Fair Value | Balance Sheet Location | Fair Value |
| **Derivatives designated as hedging instruments:** | | | | |
| Commodity contracts | Receivables | $ - | Accounts payable | $ 4,294 |
| | Other assets | 79 | Other liabilities | 479 |
| Totals | | $ 79 | | $ 4,773 |
| **Derivatives not designated as hedging instruments:** | | | | |
| Commodity contracts | Receivables | $ - | Accounts payable | $ 3,826 |
| | Other assets | 96 | Other liabilities | 178 |
| | | 96 | | 4,004 |
| Foreign currency exchange contracts | Receivables | 6 | Accounts payable | - |
| Totals | | $ 102 | | $ 4,004 |
| Total derivative financial instruments | | $ 181 | | $ 8,777 |

The amounts in the table above reflect the fair value of the Company's derivative financial instruments on a net basis. Had these amounts been recognized on a gross basis, the impact would have been a $1,780,000 increase in receivables with a corresponding increase in accounts payable.

The following table summarizes the fair value of our derivative financial instruments and the respective line in which they were recorded in the consolidated balance sheet at May 31, 2019:

| | Asset Derivatives | | | Liability Derivatives | | |
|---|---|---|---|---|---|---|
| (in thousands) | Balance Sheet Location | | Fair Value | Balance Sheet Location | | Fair Value |
| **Derivatives designated as hedging instruments:** | | | | | | |
| Commodity contracts | Receivables | $ | 5 | Accounts payable | $ | 8,383 |
| | Other assets | | - | Other liabilities | | 201 |
| Totals | | $ | 5 | | $ | 8,584 |
| **Derivatives not designated as hedging instruments:** | | | | | | |
| Commodity contracts | Receivables | $ | 2,347 | Accounts payable | $ | 3,568 |
| | Other assets | | 62 | Other liabilities | | 66 |
| | | | 2,409 | | | 3,634 |
| Foreign currency exchange contracts | Receivables | | - | Accounts payable | | 20 |
| Totals | | $ | 2,409 | | $ | 3,654 |
| Total derivative financial instruments | | $ | 2,414 | | $ | 12,238 |

The amounts in the table above reflect the fair value of the Company's derivative financial instruments on a net basis. Had these amounts been recognized on a gross basis, the impact would have been a $220,000 increase in receivables with a corresponding increase in accounts payable.

**Cash Flow Hedges**

We enter into derivative financial instruments to hedge our exposure to changes in cash flows attributable to interest rate and commodity price fluctuations associated with certain forecasted transactions. These derivative financial instruments are designated and qualify as cash flow hedges. Accordingly, the effective portion of the gain or loss on the derivative financial instrument is reported as a component of OCI and reclassified into earnings in the same line associated with the forecasted transaction and in the same period during which the hedged transaction affects earnings. The ineffective portion of the gain or loss on the derivative financial instrument is recognized in earnings immediately.

The following table summarizes our cash flow hedges outstanding at May 31, 2020:

| (in thousands) | | Notional Amount | Maturity Date |
|---|---|---|---|
| Commodity contracts | $ | 58,953 | June 2020 - December 2021 |

The following table summarizes the gain (loss) recognized in OCI and the gain (loss) reclassified from AOCI into earnings for derivative financial instruments designated as cash flow hedges during fiscal 2020 and fiscal 2019:

| (in thousands) | Loss Recognized in OCI | Location of Gain (Loss) Reclassified from AOCI into Net Earnings | Gain (Loss) Reclassified from AOCI into Net Earnings |
|---|---|---|---|
| For the fiscal year ended May 31, 2020: | | | |
| Interest rate contracts | $ (326) | Interest expense | $ 391 |
| Commodity contracts | (9,171) | Cost of goods sold | (12,208) |
| Foreign currency exchange contracts | - | Miscellaneous income, net | (19) |
| Totals | $ (9,497) | | $ (11,836) |
| | | | |
| For the fiscal year ended May 31, 2019: | | | |
| Interest rate contracts | $ - | Interest expense | $ (162) |
| Commodity contracts | (12,637) | Cost of goods sold | 3,752 |
| Totals | $ (12,637) | | $ 3,590 |

The estimated net amount of the losses recognized in AOCI at May 31, 2020 expected to be reclassified into net earnings within the succeeding twelve months is $4,781,000 (net of tax of $1,430,000). This amount was computed using the fair value of the cash flow hedges at May 31, 2020 and will change before actual reclassification from other comprehensive income to net earnings during fiscal 2021.

**Economic (Non-designated) Hedges**

We enter into foreign currency exchange contracts to manage our foreign currency exchange rate exposure related to inter-company and financing transactions that do not meet the requirements for hedge accounting treatment. We also enter into certain commodity contracts that do not qualify for hedge accounting treatment. Accordingly, these derivative financial instruments are adjusted to current market value at the end of each period through earnings.

The following table summarizes our economic (non-designated) derivative financial instruments outstanding at May 31, 2020:

| (in thousands) | Notional Amount | Maturity Date(s) |
|---|---|---|
| Commodity contracts | $ 33,351 | June 2020 - December 2021 |
| Foreign currency exchange contracts | 3,762 | June 2020 |

The following table summarizes the gain (loss) recognized in earnings for economic (non-designated) derivative financial instruments during fiscal 2020 and fiscal 2019:

| | | Loss Recognized in Earnings | |
|---|---|---|---|
| | | Fiscal Year Ended May 31, | |
| (in thousands) | Location of Loss Recognized in Earnings | 2020 | 2019 |
| Commodity contracts | Cost of goods sold | $ (8,555) | $ (5,114) |
| Foreign currency exchange contracts | Miscellaneous income, net | (9) | (3,604) |
| Total | | $ (8,564) | $ (8,718) |

**Note R – Fair Value Measurements**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is an exit price concept that assumes an orderly transaction between willing market participants and is required to be based on assumptions that market participants would use in pricing an asset or a liability. Current accounting guidance establishes a three-tier fair value hierarchy as a basis for considering such assumptions and for classifying the inputs used in the valuation methodologies. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair values are as follows:

Level 1 – Observable prices in active markets for identical assets and liabilities.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the assets and liabilities, either directly or indirectly.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

**Recurring Fair Value Measurements**

At May 31, 2020, our financial assets and liabilities measured at fair value on a recurring basis were as follows:

| (in thousands) | Quoted Prices in Active Markets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Totals |
|---|---|---|---|---|
| **Assets** | | | | |
| Derivative financial instruments (1) | $ - | $ 181 | $ - | $ 181 |
| Total assets | $ - | $ 181 | $ - | $ 181 |
| **Liabilities** | | | | |
| Derivative financial instruments (1) | $ - | $ 8,777 | $ - | $ 8,777 |
| Total liabilities | $ - | $ 8,777 | $ - | $ 8,777 |

At May 31, 2019, our financial assets and liabilities measured at fair value on a recurring basis were as follows:

| (in thousands) | Quoted Prices in Active Markets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Totals |
|---|---|---|---|---|
| **Assets** | | | | |
| Derivative financial instruments (1) | $ - | $ 2,414 | $ - | $ 2,414 |
| Total assets | $ - | $ 2,414 | $ - | $ 2,414 |
| **Liabilities** | | | | |
| Derivative financial instruments (1) | $ - | $ 12,238 | $ - | $ 12,238 |
| Total liabilities | $ - | $ 12,238 | $ - | $ 12,238 |

(1) The fair value of our derivative financial instruments was based on the present value of the expected future cash flows considering the risks involved, including non-performance risk, and using discount rates appropriate for the respective maturities. Market observable, Level 2 inputs are used to determine the present value of the expected future cash flows. Refer to "Note Q – Derivative Financial Instruments and Hedging Activities" for additional information regarding our use of derivative financial instruments.

**Non-Recurring Fair Value Measurements**

At May 31, 2020, our assets measured at fair value on a non-recurring basis were categorized as follows:

| (in thousands) | Quoted Prices in Active Markets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Totals |
|---|---|---|---|---|
| **Assets** | | | | |
| Investment in unconsolidated affiliate (1) | $ - | $ - | $ 13,623 | $ 13,623 |
| Long-lived assets held for sale (2) | - | 4,084 | - | 4,084 |
| Long-lived assets held and used (3) | - | 6,477 | 2,800 | 9,277 |
| Total assets | $ - | $ 10,561 | $ 16,423 | $ 26,984 |

(1) On November 1, 2019, in connection with the contribution of substantially all of the net assets of the Engineered Cabs business to the newly-formed Cabs joint venture, we obtained a 20% minority ownership interest. In accordance with the applicable accounting guidance, our minority ownership interest in the Cabs joint venture was recorded at its acquisition date fair value of $13,623,000.

During the first quarter of fiscal 2020, we determined our 10% minority ownership interest in our Nisshin joint venture was fully impaired based on the estimated recoverability of the related assets.

(2) During the third quarter of fiscal 2020, the Company's consolidated joint venture, WSP committed to plans to sell its Canton, Michigan facility and some of the production equipment at that facility. In accordance with the applicable accounting guidance, certain production equipment was recorded at the lower of net book value or fair market value less costs to sell. The book value of the WSP production equipment exceeded the estimated fair value of $700,000, resulting in an impairment charge of $1,274,000.

During the third quarter of fiscal 2020, in connection with the closure of the oil & gas equipment manufacturing operations in Wooster, Ohio, fixed assets consisting of land and a building were written down to their estimated fair market value of $3,384,000.

(3) During the fourth quarter of 2020, in connection with the annual indefinite lived assets impairment test, certain European tradenames were written down to their estimated fair market value of $2,800,000.

During the fourth quarter of fiscal 2020, the Company identified an impairment indicator related to the TWB Hermosillo facility operating lease due to the economic impact of COVID-19. As a result, the lease ROU asset with a net book value of $565,000 was deemed fully impaired and written off.

In May 2020, the Company committed to a plan to shut down the packaging solutions business in Greensburg, Indiana. As a result, long-lived assets with a carrying value of $2,810,000 were written down to their estimated fair market value of $266,000.

During the third quarter of fiscal 2020, in connection with the closure of the oil & gas equipment manufacturing operations in Wooster, Ohio, customer list intangible assets were determined to be fully impaired and written off. In addition, the remaining fixed assets at Wooster, Ohio were written down to their estimated fair market value of $6,211,000.

During the third quarter of fiscal 2020, the Company identified an impairment indicator for our oil & gas equipment business and performed an interim impairment test of the reporting unit. In accordance with the applicable accounting guidance, the book value of the corresponding goodwill was written off, resulting in an impairment charge of $22,097,000.

During the first quarter of fiscal 2020, the Company identified an impairment indicator for the fabricated products business in Stow, Ohio within the former Engineered Cabs operating segment. As a result, fixed assets with a net book value of $1,469,000 and lease ROU assets with a net book value of $3,938,000 were deemed to be fully impaired and written off.

At May 31, 2019, our assets measured at fair value on a non-recurring basis were categorized as follows:

| (in thousands) | Quoted Prices in Active Markets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Totals |
|---|---|---|---|---|
| **Assets** | | | | |
| Investment in unconsolidated affiliate (1) | $ - | $ 3,700 | $ - | $ 3,700 |
| Long-lived assets held for sale (2) | - | 1,238 | - | 1,238 |
| Long-lived assets held and used (3) | - | 7,000 | - | 7,000 |
| Total assets | $ - | $ 11,938 | $ - | $ 11,938 |

(1) During the fourth quarter of fiscal 2019, we determined our 10% minority ownership interest in our Nisshin joint venture was other than temporarily impaired due to current and projected operating losses. As a result, the investment had been written down to its estimated fair market value of $3,700,000, resulting in an impairment charge of $4,017,000 within equity income of unconsolidated affiliates.

(2) During the first quarter of fiscal 2019, changes in facts and circumstances related to the planned sale of our cryogenics business in Turkey, Worthington Aritas, resulted in our lowering the estimate of fair market value less cost to sell to $7,000,000, generating an impairment charge of $2,381,000

(3) During the fourth quarter of fiscal 2019, in connection with the closure of the CNG fuel systems facility in Salt Lake City, Utah, long-lived assets consisting primarily of technology-related intangible assets and fixed assets were written down to their estimated fair value of $238,000, resulting in an impairment charge of $2,167,000. During the fourth quarter of fiscal 2019, certain long-lived assets at our consolidated joint venture, WSP, were written down to their estimated fair market value of $1,000,000, resulting in an impairment charge of $3,269,000

The non-derivative financial instruments included in the carrying amounts of cash and cash equivalents, receivables, income taxes receivable, other assets, deferred income taxes, accounts payable, short-term borrowings, accrued compensation, contributions to employee benefit plans and related taxes, other accrued expenses, income taxes payable and other liabilities approximate fair value due to their short-term nature. The fair value of long-term debt, including current maturities, based upon models utilizing primarily market observable (Level 2) inputs and credit risk, was $740,678,000 and $767,075,000 at May 31, 2020 and 2019, respectively. The carrying amount of long-term debt, including current maturities, was $699,665,000 and $749,299,000 at May 31, 2020 and 2019, respectively.

**Note S – Leases**

On June 1, 2019, the Company adopted the new lease accounting standard under U.S. GAAP, Topic 842, which among other things, requires right-of-use ("ROU") assets and liabilities be recognized upon lease commencement for operating leases based on the present value of lease payments over the lease term. Topic 842 was adopted using the modified retrospective approach as of the effective date of the new standard. As such, comparative financial information for reporting periods beginning prior to June 1, 2019, has not been restated and continues to be reported under the previous accounting standard. As allowed, we elected to carry forward the historical lease classification and to apply the short-term lease measurement and recognition exemption whereby ROU assets and ROU liabilities are not recognized for short-term leases. Adoption of the new standard resulted in the recognition of $42,200,000 of net operating lease ROU assets and $43,400,000 of corresponding operating lease ROU liabilities. The net operating lease ROU assets include the effect of reclassifying deferred rent as an offset in accordance with the transition guidance. The impact of the new standard was immaterial to the Company's results of operations and cash flows.

The Company determines if an arrangement is a lease at inception. Operating lease ROU assets include any initial direct costs and prepayments less lease incentives. Lease terms include options to renew or terminate the lease when it is reasonably certain the Company will exercise such options. As most of our leases do not include an implicit rate, we use our collateralized incremental borrowing rate based on the information available at the lease commencement date, in determining the present value of lease payments. Operating lease expense is recognized on a straight-line basis over the lease term and is included in cost of goods sold or SG&A expense depending on the underlying nature of the leased assets.

We lease certain property and equipment from third parties under non-cancellable operating lease agreements. Certain lease agreements provide for payment of property taxes, maintenance and insurance by the Company. Under Topic 842, we elected the practical expedient to account for lease and non-lease components as a single component for all asset classes. Certain leases include variable lease payments based on usage or an index or rate.

During the second quarter of fiscal 2020, we entered into a non-cancellable financing lease agreement for land and a building which was paid as part of the cash consideration in connection with the acquisition of certain operating assets of Heidtman. Refer to "NOTE P – Acquisitions" for additional information. In the consolidated balance sheets, the financing lease ROU assets are recorded in other assets and the current and long-term portion of the financing lease ROU liabilities are recorded in other accrued items and other liabilities, respectively.

The components of lease expense for fiscal 2020 were as follows:

| (in thousands) | | |
|---|---|---|
| Operating lease expense | $ | 12,454 |
| Financing lease expense: | | |
| Amortization of leased assets | | 451 |
| Interest on lease liabilities | | 61 |
| Total financing lease expense | | 512 |
| Short-term lease expense | | 599 |
| Variable lease expense | | 2,580 |
| Total lease expense | $ | 16,145 |

During the first quarter of fiscal 2020, ROU assets within the Engineered Cabs operating segment with a book value of $4,843,000 were deemed to be fully impaired and written off. Refer to "NOTE D – Goodwill and Other Long-Lived Assets" for additional information.

During the fourth quarter of fiscal 2020, ROU assets related to the TWB Hermosillo facility with a book value of $565,000 were deemed to be fully impaired and written off. Refer to "NOTE D – Goodwill and Other Long-Lived Assets" for additional information.

Other information related to the Company's leases, as of and for the twelve-month period ended May 31, 2020, is provided below:

| (dollars in thousands) | Operating Leases | Financing Leases |
|---|---|---|
| Cash paid for amounts included in the measurement of lease liabilities: | | |
| Operating cash flows | $ 11,531 | $ 61 |
| Financing cash flows | $ - | $ 361 |
| ROU assets obtained in exchange for lease liabilities | $ 4,954 | $ 15,217 |
| Weighted-average remaining lease term (in years) | 5.24 | 31.38 |
| Weighted-average discount rate | 2.89% | 3.68% |

Future minimum lease payments for non-cancelable leases having an initial or remaining term in excess of one year at May 31, 2020, were as follows:

| (in thousands) | Operating Leases | Financing Leases |
|---|---|---|
| 2021 | $ 11,814 | $ 537 |
| 2022 | 9,542 | 527 |
| 2023 | 6,890 | 399 |
| 2024 | 4,009 | 167 |
| 2025 | 2,828 | 171 |
| Thereafter | 5,035 | 5,649 |
| Total | 40,118 | 7,450 |
| Less: imputed interest | (3,504) | (3,263) |
| Present value of lease liabilities | $ 36,614 | $ 4,187 |

As previously disclosed in our Annual Report on Form 10-K for fiscal 2019, under the prior applicable accounting guidance, future minimum lease payments for non-cancelable operating leases having an initial or remaining term in excess of one year at May 31, 2019, were as follows:

| (in thousands) | |
|---|---|
| Year 1 | $ 10,774 |
| Year 2 | 8,398 |
| Year 3 | 5,428 |
| Year 4 | 4,054 |
| Year 5 | 2,098 |
| Thereafter | 2,637 |
| Total | $ 33,389 |

**Note T – Related Party Transactions**

We purchase from, and sell to, affiliated companies certain raw materials and services at prevailing market prices. Net sales to affiliated companies for fiscal 2020, fiscal 2019 and fiscal 2018 totaled $33,826,000, $53,125,000, and $57,382,000, respectively. Purchases from affiliated companies for fiscal 2020, fiscal 2019 and fiscal 2018 totaled $2,461,000, $2,906,000, and $7,292,000, respectively. Accounts receivable from affiliated companies were $8,688,000 and $4,246,000 at May 31, 2020 and 2019, respectively. Accounts payable to affiliated companies were $4,736,000 and $687,000 at May 31, 2020 and 2019, respectively.

**Note U – Quarterly Results of Operations (Unaudited)**

The following table summarizes the unaudited quarterly consolidated results of operations for fiscal 2020 and fiscal 2019:

| (in thousands, except per share) | Three Months Ended | | | |
|---|---|---|---|---|
| **Fiscal 2020** | **August 31** | **November 30** | **February 29** | **May 31** |
| Net sales | $ 855,859 | $ 827,637 | $ 763,996 | $ 611,627 |
| Gross margin | 117,291 | 120,611 | 115,545 | 89,890 |
| Impairment of goodwill and long-lived assets (1) | 40,601 | - | 34,627 | 7,462 |
| Net earnings (loss) | (2,455) | 56,922 | 18,888 | 11,089 |
| Net earnings (loss) attributable to controlling interest | (4,776) | 52,086 | 15,311 | 16,175 |
| Basic earnings (loss) per share - controlling interest | $ (0.09) | $ 0.95 | $ 0.28 | $ 0.30 |
| Diluted earnings (loss) per share - controlling interest | $ (0.09) | $ 0.93 | $ 0.27 | $ 0.29 |

| **Fiscal 2019** | **August 31** | **November 30** | **February 28** | **May 31** |
|---|---|---|---|---|
| Net sales | $ 988,107 | $ 958,226 | $ 874,381 | $ 938,842 |
| Gross margin | 142,997 | 120,934 | 90,021 | 126,003 |
| Impairment of long-lived assets (1) | 2,381 | - | - | 5,436 |
| Net earnings | 56,958 | 37,792 | 29,548 | 38,975 |
| Net earnings attributable to controlling interest | 54,942 | 34,002 | 26,773 | 37,738 |
| Basic earnings per share - controlling interest | $ 0.94 | $ 0.59 | $ 0.47 | $ 0.68 |
| Diluted earnings per share - controlling interest | $ 0.91 | $ 0.57 | $ 0.46 | $ 0.66 |

(1) For additional information regarding the Company's impairment activity, refer to "Note D – Goodwill and Other Long-Lived Assets."

The sum of the quarterly earnings per share data presented in the table may not equal the annual results due to rounding and the impact of dilutive securities on the annual versus the quarterly earnings per share calculations.

**Note V – Subsequent Events**

On June 3, 2020 (the "Effective Date"), Nikola Corporation ("Nikola") became a public company through a reverse merger with a subsidiary of VectoIQ Acquisition Corporation, a NASDAQ listed publicly traded company. On the Effective Date, the investment had a readily determinable fair value and will be recorded at fair value each reporting period through the statement of earnings. At the Effective Date, the Company owned 19,048,020 shares of Nikola common stock. From July 6 to July 7, 2020, the Company sold an aggregate of 5,000,000 shares of Nikola common stock for aggregate proceeds of $237,875,856. These proceeds are subject to tax. After the sales, the Company owns 14,048,020 shares of Nikola common stock, 7,048,020 of which are subject to a lock-up agreement that restricts our ability to sell, transfer or otherwise monetize these shares until early December 2020, which may also adversely impact the value of this investment going forward.

WORTHINGTON INDUSTRIES, INC. AND SUBSIDIARIES
SCHEDULE II – VALUATION AND QUALIFYING ACCOUNTS

| Description | Balance at Beginning of Period | Charged to Costs and Expenses | Uncollectable Accounts Charged to Allowance (A) | Balance at End of Period |
|---|---|---|---|---|
| Fiscal 2020: | | | | |
| Deducted from asset accounts: Allowance for possible losses on trade accounts receivable | $ 1,150,000 | $ 580,000 | $ (209,000) | $ 1,521,000 |
| Fiscal 2019: | | | | |
| Deducted from asset accounts: Allowance for possible losses on trade accounts receivable | $ 632,000 | $ 659,000 | $ (141,000) | $ 1,150,000 |
| Fiscal, 2018: | | | | |
| Deducted from asset accounts: Allowance for possible losses on trade accounts receivable | $ 3,444,000 | $ 11,000 | $ (2,823,000) | $ 632,000 |

Note A – For fiscal 2018, the balance also includes $1,215,000 related to Worthington Aritas that was reclassified to assets held for sale.

See accompanying Report of Independent Registered Public Accounting Firm.

**Item 9. – Changes in and Disagreements With Accountants on Accounting and Financial Disclosure**

Not applicable.

**Item 9A. - Controls and Procedures**

***Evaluation of Disclosure Controls and Procedures***

We maintain disclosure controls and procedures [as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")] that are designed to provide reasonable assurance that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and our principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Management, with the participation of our principal executive officer and our principal financial officer, performed an evaluation of the effectiveness of our disclosure controls and procedures as of the end of the fiscal year covered by this Annual Report on Form 10-K (the fiscal year ended May 31, 2020). Based on that evaluation, our principal executive officer and our principal financial officer have concluded that such disclosure controls and procedures were effective at a reasonable assurance level as of the end of the fiscal year covered by this Annual Report on Form 10-K.

***Changes in Internal Control Over Financial Reporting***

There were no changes in our internal control over financial reporting that occurred in the last fiscal quarter (the fiscal quarter ended May 31, 2020) that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

***Annual Report of Management on Internal Control Over Financial Reporting***

Management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States. Internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of Worthington Industries, Inc. and our consolidated subsidiaries; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States, and that receipts and expenditures of Worthington Industries, Inc. and our consolidated subsidiaries are being made only in accordance with authorizations of management and directors of Worthington Industries, Inc. and our consolidated subsidiaries, as appropriate; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the assets of Worthington Industries, Inc. and our consolidated subsidiaries that could have a material effect on the financial statements.

Management, with the participation of our principal executive officer and our principal financial officer, evaluated the effectiveness of our internal control over financial reporting as of May 31, 2020, the end of our fiscal year. Management based its assessment on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Management's assessment included evaluation of such elements as the design and operating effectiveness of key controls over financial reporting, process documentation, accounting policies and our overall control environment. This assessment is supported by testing and monitoring performed under the direction of management.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Accordingly, even an effective system of internal control over financial reporting will provide only reasonable assurance with respect to financial statement preparation.

Based on the assessment of our internal control over financial reporting, management has concluded that our internal control over financial reporting was effective at a reasonable assurance level as of May 31, 2020. The results of management's assessment were reviewed with the Audit Committee of the Worthington Industries, Inc. Board of Directors.

Additionally, our independent registered public accounting firm, KPMG LLP, independently assessed the effectiveness of our internal control over financial reporting and issued the accompanying Report of Independent Registered Public Accounting Firm.

***Report of Independent Registered Public Accounting Firm***

To the Board of Directors and Shareholders
Worthington Industries, Inc.:

*Opinion on Internal Control Over Financial Reporting*

We have audited Worthington Industries, Inc. and subsidiaries' (the Company) internal control over financial reporting as of May 31, 2020, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of May 31, 2020, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of May 31, 2020 and 2019, the related consolidated statements of earnings, comprehensive income, equity, and cash flows for each of the years in the three-year period ended May 31, 2020, and the related notes and financial statement schedule II - valuation and qualifying accounts (collectively, the consolidated financial statements), and our report dated July 30, 2020, expressed an unqualified opinion on those consolidated financial statements.

*Basis for Opinion*

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Annual Report of Management on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

*Definition and Limitations of Internal Control Over Financial Reporting*

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/KPMG LLP

*Columbus, Ohio*
July 30, 2020

**Item 9B. – Other Information**

There is nothing to be reported under this Item 9B.

## PART III

### Item 10. – Directors, Executive Officers and Corporate Governance

**Directors, Executive Officers and Persons Nominated or Chosen to Become Directors or Executive Officers**

The information required by Item 401 of SEC Regulation S-K concerning the directors of Worthington Industries, Inc. ("Worthington Industries" or the "Registrant") and the nominees for re-election as directors of Worthington Industries at the Annual Meeting of Shareholders to be held on September 23, 2020 (the "2020 Annual Meeting") is incorporated herein by reference from the disclosure to be included under the caption "Proposal 1: Election of Directors" in Worthington Industries' definitive Proxy Statement relating to the 2020 Annual Meeting ("Worthington Industries' Definitive 2020 Proxy Statement"), which will be filed pursuant to SEC Regulation 14A not later than 120 days after the end of Worthington Industries' fiscal 2020 (the fiscal year ended May 31, 2020).

The information required by Item 401 of SEC Regulation S-K concerning the executive officers of Worthington Industries is incorporated herein by reference from the disclosure included under the caption "Supplemental Item – Information about our Executive Officers" in Part I of this Annual Report on Form 10-K.

**Compliance with Section 16(a) of the Exchange Act**

The information required by Item 405 of SEC Regulation S-K is incorporated herein by reference from the disclosure to be included under the caption "Security Ownership of Certain Beneficial Owners and Management – Delinquent Section 16(a) Reports" in Worthington Industries' Definitive 2020 Proxy Statement.

**Procedures by which Shareholders may Recommend Nominees to Worthington Industries' Board of Directors**

Information concerning the procedures by which shareholders of Worthington Industries may recommend nominees to Worthington Industries' Board of Directors is incorporated herein by reference from the disclosure to be included under the captions "Proposal 1: Election of Directors – Committees of the Board – Nominating and Governance Committee" and "Corporate Governance – Nominating Procedures" in Worthington Industries' Definitive 2020 Proxy Statement. These procedures have not materially changed from those described in Worthington Industries' definitive Proxy Statement for the 2019 Annual Meeting of Shareholders held on September 25, 2019.

**Audit Committee Matters**

The information required by Items 407(d)(4) and 407(d)(5) of SEC Regulation S-K is incorporated herein by reference from the disclosure to be included under the caption "Proposal 1: Election of Directors –Committees of the Board – Audit Committee" in Worthington Industries' Definitive 2020 Proxy Statement.

**Code of Conduct; Committee Charters; Corporate Governance Guidelines; Charter of Lead Independent Director**

Worthington Industries' Board of Directors has adopted Charters for each of the Audit Committee, the Compensation Committee, the Executive Committee and the Nominating and Governance Committee as well as Corporate Governance Guidelines as contemplated by the applicable sections of the New York Stock Exchange Listed Company Manual. Worthington Industries' Board of Directors has also adopted a Charter of the Lead Independent Director of Worthington Industries' Board of Directors.

In accordance with the requirements of Section 303A.10 of the New York Stock Exchange Listed Company Manual, the Board of Directors of Worthington Industries has adopted a Code of Conduct covering the directors, officers and employees of Worthington Industries and its subsidiaries, including Worthington Industries' Chairman of the Board and Chief Executive Officer (the principal executive officer), Worthington Industries' Vice President and Chief Financial Officer (the principal financial officer) and Worthington Industries' Controller (the principal accounting officer). The Registrant will disclose the following events, if they occur, in a Current Report on Form 8-K to be filed with the SEC within the required four business days following their occurrence: (A) the date and nature of any amendment to a provision of Worthington Industries' Code of Conduct that (i) applies to Worthington Industries' principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, (ii) relates to any element of the "code of ethics" definition enumerated in Item 406(b) of SEC Regulation S-K, and (iii) is not a technical, administrative or other non-substantive amendment; and (B) a description of any waiver (including the nature of the waiver, the name of the person to whom the waiver was granted and the date of the waiver), including an implicit waiver, from a provision of the Code of Conduct granted to Worthington Industries' principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, that relates to one or more of the elements of the "code of ethics" definition set forth in Item 406(b) of SEC Regulation S-K. In addition, Worthington Industries will disclose any waivers from the provisions of the Code of Conduct granted to a director or an executive officer of Worthington Industries in a Current Report on Form 8-K to be filed with the SEC within the required four business days following their occurrence.

The text of each of the Charter of the Audit Committee, the Charter of the Compensation Committee, the Charter of the Executive Committee, the Charter of the Nominating and Governance Committee, the Charter of the Lead Independent Director, the Corporate Governance Guidelines and the Code of Conduct is posted on the "Governance" page of the "Investors" section (also referred to as "Investor Relations" section) of Worthington Industries' Internet web site located at www.worthingtonindustries.com.

**Item 11. – Executive Compensation**

The information required by Item 402 of SEC Regulation S-K is incorporated herein by reference from the disclosure to be included under the captions "Security Ownership of Certain Beneficial Owners and Management," "Executive Compensation" and "Compensation of Directors" in Worthington Industries' Definitive 2020 Proxy Statement.

The information required by Item 407(e)(4) of SEC Regulation S-K is incorporated herein by reference from the disclosure to be included under the caption "Corporate Governance — Compensation Committee Interlocks and Insider Participation" in Worthington Industries' Definitive 2020 Proxy Statement.

The information required by Item 407(e)(5) of SEC Regulation S-K is incorporated herein by reference from the disclosure to be included under the caption "Executive Compensation — Compensation Committee Report" in Worthington Industries' Definitive 2020 Proxy Statement.

## Item 12. – Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

### Ownership of Common Shares of Worthington Industries

The information required by Item 403 of SEC Regulation S-K is incorporated herein by reference from the disclosure to be included under the caption "Security Ownership of Certain Beneficial Owners and Management" in Worthington Industries' Definitive 2020 Proxy Statement.

### Equity Compensation Plan Information

The information required by Item 201(d) of SEC Regulation S-K is incorporated herein by reference from the disclosure to be included under the caption "Equity Compensation Plan Information" in Worthington Industries' Definitive 2020 Proxy Statement.

## Item 13. – Certain Relationships and Related Transactions, and Director Independence

### Certain Relationships and Related Person Transactions

The information required by Item 404 of SEC Regulation S-K is incorporated herein by reference from the disclosure in respect of John P. McConnell to be included under the caption "Security Ownership of Certain Beneficial Owners and Management" and from the disclosure to be included under the caption "Transactions With Certain Related Persons" in Worthington Industries' Definitive 2020 Proxy Statement.

### Director Independence

The information required by Item 407(a) of SEC Regulation S-K is incorporated herein by reference from the disclosure to be included under the captions "Corporate Governance – Director Independence" and "Transactions With Certain Related Persons" in Worthington Industries' Definitive 2020 Proxy Statement.

## Item 14. – Principal Accountant Fees and Services

The information required by this Item 14 is incorporated herein by reference from the disclosure to be included under the captions "Audit Committee Matters – Independent Registered Public Accounting Firm Fees" and "Audit Committee Matters – Pre-Approval of Services Performed by the Independent Registered Public Accounting Firm" in Worthington Industries' Definitive 2020 Proxy Statement.

## PART IV

**Item 15. – Exhibits and Financial Statement Schedules**

(a) The following documents are filed as a part of this Annual Report on Form 10-K:

(1) Consolidated Financial Statements:

The consolidated financial statements (and report thereon) listed below are filed as a part of this Annual Report on Form 10-K:

Report of Independent Registered Public Accounting Firm (KPMG LLP)

Consolidated Balance Sheets as of May 31, 2020 and 2019

Consolidated Statements of Earnings for the fiscal years ended May 31, 2020, 2019 and 2018

Consolidated Statements of Comprehensive Income for the fiscal years ended May 31, 2020, 2019 and 2018

Consolidated Statements of Equity for the fiscal years ended May 31, 2020, 2019 and 2018

Consolidated Statements of Cash Flows for the fiscal years ended May 31, 2020, 2019 and 2018

Notes to Consolidated Financial Statements – fiscal years ended May 31, 2020, 2019 and 2018

(2) Financial Statement Schedule:

Schedule II – Valuation and Qualifying Accounts

All other financial statement schedules for which provision is made in the applicable accounting regulations of the SEC are omitted because they are not required or the required information has been presented in the aforementioned consolidated financial statements or notes thereto.

(3) Exhibits Required by Item 601 of Regulation S-K:

The documents listed in the Index to Exhibits that immediately precedes the Signatures page of this Annual Report on Form 10-K are filed or furnished with this Annual Report on Form 10-K as exhibits or incorporated by reference as noted. Each management contract or compensatory plan or arrangement is identified as such in the Index to Exhibits.

(b) Exhibits: The documents listed in the Index to Exhibits that immediately precedes the Signatures page of this Annual Report on Form 10-K are filed or furnished with this Annual Report on Form 10-K as exhibits or incorporated into this Annual Report on Form 10-K by reference as noted.

(c) Financial Statement Schedule: The financial statement schedule listed in Item 15(a)(2) above is filed with this Annual Report on Form 10-K.

**Item 16. – Form 10-K Summary**

None.

**INDEX TO EXHIBITS**

| Exhibit | Description of Exhibit | Location |
|---|---|---|
| 2.1 | Agreement and Plan of Merger, dated as of June 2, 2017, by and among Worthington Steel of Michigan, Inc., Worthington Rhode Island Corporation, New AMTROL Holdings, Inc. and Aqua Stockholder Representative, LLC, as Stockholder Representative † | Incorporated herein by reference to Exhibit 2.1 to the Current Report on Form 8-K of Worthington Industries, Inc., an Ohio corporation (the "Registrant"), dated June 6, 2017 and filed with the Securities and Exchange Commission (the "SEC") on the same date (SEC File No. 1-8399) |
| 3.1 | Amended Articles of Incorporation of Worthington Industries, Inc., as filed with the Ohio Secretary of State on October 13, 1998 P | Incorporated herein by reference to Exhibit 3(a) to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended August 31, 1998 (SEC File No. 0-4016) |
| 3.2 | Code of Regulations of Worthington Industries, Inc. (reflecting all amendments through the date of this Annual Report on Form 10-K) [This document represents the Code of Regulations of Worthington Industries, Inc. in compiled form incorporating all amendments.] | Incorporated herein by reference to Exhibit 3(b) to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended August 31, 2000 (SEC File No. 1-8399) |
| 4.1 | Second Amended and Restated Credit Agreement, dated as of February 16, 2018, among Worthington Industries, Inc., as a Borrower; Worthington Industries International S.à.r.l., as a Borrower; PNC Bank, National Association, as a Lender, and the Swingline Lender, an Issuing Bank and the Administrative Agent; JPMorgan Chase Bank, N.A., as a Lender and the Syndication Agent; Bank of America, N.A.; Branch Banking and Trust Company; U.S. Bank National Association; Wells Fargo Bank, National Association; Fifth Third Bank; The Huntington National Bank; and The Northern Trust Company, as Lenders (collectively with PNC Bank, National Association and JPMorgan Chase Bank, N.A., the "Lenders"); with Bank of America, N.A., Branch Banking and Trust Company, U.S. Bank National Association and Wells Fargo Bank, National Association serving as Co-Documentation Agents; and JPMorgan Chase Bank, N.A. and PNC Capital Markets LLC serving as Joint Bookrunners and Joint Lead Arrangers | Incorporated herein by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K dated February 22, 2018 and filed with the SEC on the same date (SEC File No. 1-8399) |
| 4.2 | Indenture, dated as of April 13, 2010, between Worthington Industries, Inc. and U.S. Bank National Association, as Trustee | Incorporated herein by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K dated April 13, 2010 and filed with the SEC on the same date (SEC File No. 1-8399) |
| 4.3 | First Supplemental Indenture, dated as of April 13, 2010, between Worthington Industries, Inc. and U.S. Bank National Association, as Trustee | Incorporated herein by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K dated April 13, 2010 and filed with the SEC on the same date (SEC File No. 1-8399) |

| Exhibit | Description of Exhibit | Location |
|---|---|---|
| 4.4 | Form of 6.50% Global Note due April 15, 2020 (included as Exhibit A in Exhibit 4.3 incorporated by reference in this Annual Report on Form 10-K) [NOTE: The 6.5% Notes due April 15, 2020 were redeemed in full on August 30, 2019.] | Incorporated herein by reference to Exhibit 4.3 (included in Exhibit 4.2) to the Registrant's Current Report on Form 8-K dated April 13, 2010 and filed with the SEC on the same date (SEC File No. 1-8399) |
| 4.5 | Second Supplemental Indenture, dated as of April 15, 2014, between Worthington Industries, Inc. and U.S. Bank National Association, as Trustee | Incorporated herein by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K dated April 15, 2014 and filed with the SEC on the same date (SEC File No. 1-8399) |
| 4.6 | Form of 4.55% Global Note due April 15, 2026 (included as Exhibit A in Exhibit 4.5 incorporated by reference in this Annual Report on Form 10-K) | Incorporated herein by reference to Exhibit 4.3 (included in Exhibit 4.2) to the Registrant's Current Report on Form 8-K dated April 15, 2014 and filed with the SEC on the same date (SEC File No. 1-8399) |
| 4.7 | Third Supplemental Indenture, dated as of July 28, 2017, between Worthington Industries, Inc. and U.S. Bank National Association, as Trustee | Incorporated herein by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K dated July 28, 2017 and filed with the SEC on the same date (SEC File No. 1-8399) |
| 4.8 | Form of 4.300% Global Note due August 1, 2032 (included as Exhibit A in Exhibit 4.7 incorporated by reference in this Annual Report on Form 10-K) | Incorporated herein by reference to Exhibit 4.3 (included in Exhibit 4.2) to the Registrant's Current Report on Form 8-K dated July 28, 2017 and filed with the SEC on the same date (SEC File No. 1-8399) |
| 4.9 | Note Agreement, dated as of August 10, 2012, between Worthington Industries, Inc. and The Prudential Insurance Company of America, Pruco Life Insurance Company of New Jersey, Pruco Life Insurance Company, Prudential Arizona Reinsurance Universal Company, Prudential Annuities Life Assurance Corporation, The Prudential Life Insurance Company, Ltd. and The Gibraltar Life Insurance Co., Ltd. | Incorporated herein by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K dated August 15, 2012 and filed with the SEC on the same date (SEC File No. 1-8399) |
| 4.10 | Form of 4.60% Senior Note due August 10, 2024 (included as Exhibit A in Exhibit 4.9 incorporated by reference in this Annual Report on Form 10-K) | Incorporated herein by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K dated August 15, 2012 and filed with the SEC on the same date (SEC File No. 1-8399) |
| 4.11 | Amendment No. 1 to Note Agreement, dated June 10, 2015, among Worthington Industries, Inc., on the one hand, and The Prudential Insurance Company of America, Pruco Life Insurance Company of New Jersey, Pruco Life Insurance Company, Prudential Arizona Reinsurance Universal Company, Prudential Annuities Life Assurance Corporation, The Prudential Life Insurance Company, Ltd. and The Gibraltar Life Insurance Co., Ltd., on the other hand | Incorporated herein by reference to Exhibit 4.9 to the Registrant's Annual Report on Form 10-K for the fiscal year ended May 31, 2015 (SEC File No. 1-8399) |

| Exhibit | Description of Exhibit | Location |
|---|---|---|
| 4.12 | Amendment No. 2 to Note Agreement, dated August 23, 2019, with reference to the Note Agreement, dated as of August 10, 2012 (as amended by Amendment No. 1 to Note Agreement dated June 10, 2015), among Worthington Industries, Inc., on the one hand, and The Prudential Insurance Company of America, Pruco Life Insurance Company of New Jersey, Pruco Life Insurance Company, Prudential Arizona Reinsurance Universal Company, Prudential Annuities Life Assurance Corporation, The Prudential Life Insurance Company, Ltd. and The Gibraltar Life Insurance Co., Ltd., on the other hand | Incorporated herein by reference to Exhibit 4.5 to the Registrant's Current Report on Form 8-K dated August 28, 2019 and filed with the SEC on the same date (SEC File No. 1-8399) |
| 4.13 | Note Purchase and Private Shelf Agreement, dated as of August 23, 2019, among Worthington Industries, Inc., Worthington Industries International S.à r.l. and Worthington Cylinders GmbH, on the one hand, and PGIM, Inc., The Prudential Insurance Company of America, Pruco Life Insurance Company and Prudential Legacy Insurance Company of New Jersey, on the other hand | Incorporated herein by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K dated August 28, 2019 and filed with the SEC on the same date (SEC File No., 1-8399) |
| 4.14 | Form of 1.56% Series A Senior Note due August 23, 2021 issued on August 23, 2019 by Worthington Industries International S.à r.l. (included as Exhibit A-1 within Exhibit 4.13 incorporated by reference in this Annual Report on Form 10-K) | Incorporated herein by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K dated August 28, 2019 and filed with the SEC on the same date (SEC File No. 1-8399) |
| 4.15 | Form of 1.90% Series B Senior Note due August 23, 2034 issued on August 23, 2019 by Worthington Cylinders GmbH (included as Exhibit A-2 within Exhibit 4.13 incorporated by reference in this Annual Report on Form 10-K) | Incorporated herein by reference to Exhibit 4.3 to the Registrant's Current Report on Form 8-K dated August 28, 2019 and filed with the SEC on the same date (SEC File No. 1-8399) |
| 4.16 | Guaranty Agreement, dated as of August 23, 2019, from Worthington Industries, Inc. in favor of the Holders (as defined in the Guaranty Agreement) | Incorporated herein by reference to Exhibit 4.4 to the Registrant's Current Report on Form 8-K dated August 28, 2019 and filed with the SEC on the same date (SEC File No. 1-8399) |
| 4.17 | Agreement to furnish instruments and agreements defining rights of holders of long-term debt to the Securities and Exchange Commission upon request | Filed herewith |
| 4.18 | Description of Capital Stock of Worthington Industries, Inc. | Incorporated herein by reference to Exhibit 4.13 to the Registrant's Annual Report on Form 10-K/A (Amendment No. 1) for the fiscal year ended May 31, 2019 (SEC File No. 1-8399) |
| 10.1 | Worthington Industries, Inc. Non-Qualified Deferred Compensation Plan effective March 1, 2000* | Incorporated herein by reference to Exhibit 10.1 to the Registrant's Annual Report on Form 10-K for the fiscal year ended May 31, 2005 (SEC File No. 1-8399) |
| 10.2 | Amendment to the Worthington Industries, Inc. Non-Qualified Deferred Compensation Plan (Amendment effective as of September 1, 2011)* | Incorporated herein by reference to Exhibit 10.8 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended August 31, 2011 (SEC File No. 1-8399) |

| Exhibit | Description of Exhibit | Location |
|---|---|---|
| 10.3 | Second Amendment to the Worthington Industries, Inc. Non-Qualified Deferred Compensation Plan (Second Amendment effective as of October 1, 2014)* | Incorporated herein by reference to Exhibit 10.3 to the Registrant's Annual Report on Form 10-K for the fiscal year ended May 31, 2014 (SEC File No. 1-8399) |
| 10.4 | Worthington Industries, Inc. Amended and Restated 2005 Non-Qualified Deferred Compensation Plan (Restatement effective December 2008)* | Incorporated herein by reference to Exhibit 10.10 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended November 30, 2008 (SEC File No. 1-8399) |
| 10.5 | First Amendment to the Worthington Industries, Inc. Amended and Restated 2005 Non-Qualified Deferred Compensation Plan (First Amendment effective as of September 1, 2011)* | Incorporated herein by reference to Exhibit 10.9 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended August 31, 2011 (SEC File No. 1-8399) |
| 10.6 | Second Amendment to the Worthington Industries, Inc. Amended and Restated 2005 Non-Qualified Deferred Compensation Plan (Second Amendment effective as of October 1, 2014)* | Incorporated herein by reference to Exhibit 10.6 to the Registrant's Annual Report on Form 10-K for the fiscal year ended May 31, 2014 (SEC File No. 1-8399) |
| 10.7 | Worthington Industries, Inc. Deferred Compensation Plan for Directors, as Amended and Restated, effective June 1, 2000* | Incorporated herein by reference to Exhibit 10(d) to the Registrant's Annual Report on Form 10-K for the fiscal year ended May 31, 2000 (SEC File No. 1-8399) |
| 10.8 | Amendment to the Worthington Industries, Inc. Deferred Compensation Plan for Directors, as Amended and Restated, effective June 1, 2000 (Amendment effective as of September 1, 2011)* | Incorporated herein by reference to Exhibit 10.10 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended August 31, 2011 (SEC File No. 1-8399) |
| 10.9 | Second Amendment to the Worthington Industries, Inc. Deferred Compensation Plan for Directors, as Amended and Restated (Second Amendment effective as of October 1, 2014)* | Incorporated herein by reference to Exhibit 10.9 to the Registrant's Annual Report on Form 10-K for the fiscal year ended May 31, 2014 (SEC File No. 1-8399) |
| 10.10 | Worthington Industries, Inc. Amended and Restated 2005 Deferred Compensation Plan for Directors (Restatement effective as of December 2008)* | Incorporated herein by reference to Exhibit 10.5 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended November 30, 2008 (SEC File No. 1-8399) |
| 10.11 | First Amendment to the Worthington Industries, Inc. Amended and Restated 2005 Deferred Compensation Plan for Directors (First Amendment effective as of September 1, 2011)* | Incorporated herein by reference to Exhibit 10.11 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended August 31, 2011 (SEC File No. 1-8399) |
| 10.12 | Second Amendment to the Worthington Industries, Inc. Amended and Restated 2005 Deferred Compensation Plan for Directors (Second Amendment effective as of October 1, 2014)* | Incorporated herein by reference to Exhibit 10.12 to the Registrant's Annual Report on Form 10-K for the fiscal year ended May 31, 2014 (SEC File No. 1-8399) |
| 10.13 | Worthington Industries, Inc. Amended and Restated 1997 Long-Term Incentive Plan (amendment and restatement effective as of November 1, 2008)* | Incorporated herein by reference to Exhibit 10.8 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended November 30, 2008 (SEC File No. 1-8399) |
| 10.14 | First Amendment to the Worthington Industries, Inc. Amended and Restated 1997 Long-Term Incentive Plan (First Amendment effective as of June 26, 2013; performance goals approved by shareholders on September 26, 2013)* | Incorporated herein by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K dated October 1, 2013 and filed with the SEC on the same date (SEC File No. 1-8399) |

| Exhibit | Description of Exhibit | Location |
|---|---|---|
| 10.15 | Second Amendment to the Worthington Industries, Inc. Amended and Restated 1997 Long-Term Incentive Plan (Second Amendment effective as of September 26, 2013)* | Incorporated herein by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K dated October 1, 2013 and filed with the SEC on the same date (SEC File No. 1-8399) |
| 10.16 | Third Amendment to the Worthington Industries, Inc. Amended and Restated 1997 Long-Term Incentive Plan (Third Amendment effective as of June 28, 2017)* | Incorporated herein by reference to Exhibit 10.16 to the Registrant's Annual Report on Form 10-K for the fiscal year ended May 31, 2017 (SEC File No. 1-8399) |
| 10.17 | Fourth Amendment to the Worthington Industries, Inc. Amended and Restated 1997 Long Term Incentive Plan (Fourth Amendment effective September 25, 2019) * | Incorporated herein by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K dated October 1, 2019 and filed with the SEC on the same date (SEC File No. 1-8399) |
| 10.18 | Worthington Industries, Inc. Amended and Restated 1997 Long-Term Incentive Plan (reflects the First Amendment, the Second Amendment, the Third Amendment and the Fourth Amendment thereto)* | Incorporate herein by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K dated October 1, 2019 and filed with the SEC on the same date (SEC File No. 1-8399) |
| 10.19 | Form of Restricted Stock Award Agreement for awards granted after June 1, 2014 entered into by Worthington Industries, Inc. in order to evidence grants of restricted common shares on and after June 30, 2014 and prior to June 28, 2017, in each case which will vest on the third anniversary of the grant date, subject to the terms thereof and of the Worthington Industries, Inc. Amended and Restated 1997 Long-Term Incentive Plan* | Incorporated herein by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K dated July 1, 2014 and filed with the SEC on the same date (SEC File No. 1-8399) |
| 10.20 | Form of Restricted Stock Award Agreement for awards granted after June 28, 2017 entered into by Worthington Industries, Inc. in order to evidence the grant, after June 28, 2017, of restricted common shares, in each case which will vest on the fourth anniversary of the grant date, subject to the terms thereof and of the Worthington Industries, Inc. Amended and Restated 1997 Long-Term Incentive Plan* | Incorporated herein by reference to Exhibit 10.22 to the Registrant's Annual Report on Form 10-K for the fiscal year ended May 31, 2017 (SEC File No. 1-8399) |

| Exhibit | Description of Exhibit | Location |
|---|---|---|
| 10.21 | Form of Restricted Stock Award Agreement entered into by Worthington Industries, Inc. with Geoffrey G. Gilmore, in order to evidence the grant, effective June 24, 2014, of 25,000 performance-based restricted common shares pursuant to the Worthington Industries, Inc. Amended and Restated 1997 Long-Term Incentive Plan* [NOTE: This restricted stock award was forfeited as of June 24, 2020.] | Incorporated herein by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K dated July 1, 2014 and filed with the SEC on the same date (SEC File No. 1-8399) |
| 10.22 | Amendment No. 1 to Restricted Stock Award Agreement entered into by Worthington Industries, Inc. with Geoffrey G. Gilmore, effective as of September 26, 2018, in order to amend the Restricted Stock Award Agreement, effective as of June 24, 2014, evidencing the grant of 25,000 performance-based restricted common shares to Mr. Gilmore pursuant to the Worthington Industries, Inc. Amended and Restated 1997 Long-Term Incentive Plan* [NOTE: This restricted stock award was forfeited as of June 24, 2020.] | Incorporated herein by reference to Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended November 30, 2018 (SEC File No. 1-8399) |
| 10.23 | Form of Restricted Stock Award Agreement for awards granted after June 28, 2017 entered into and to be entered into by Worthington Industries, Inc. in order to evidence the grant, after June 28, 2017, of restricted common shares, in each case which will vest on the third anniversary of the grant date, subject to the terms thereto and of the Worthington Industries, Inc. Amended and Restated 1997 Long-Term Incentive Plan* | Incorporated herein by reference to Exhibit 10.24 to the Registrant's Annual Report on Form 10-K for the fiscal year ended May 31, 2017 (SEC File No. 1-8399) |
| 10.24 | Worthington Industries, Inc. Amended and Restated 2006 Equity Incentive Plan for Non-Employee Directors (amended and restated effective as of September 2016)* | Incorporated herein by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K dated October 3, 2016 and filed with the SEC on the same day (SEC File No. 1-8399) |
| 10.25 | Form of Notice of Grant of Stock Options and Option Agreement under the Worthington Industries, Inc. 2006 Equity Incentive Plan for Non-Employee Directors (now known as the Worthington Industries, Inc. Amended and Restated 2006 Equity Incentive Plan for Non-Employee Directors) to evidence the grant of non-qualified stock options to non-employee directors of Worthington Industries, Inc. on and after September 24, 2008* | Incorporated herein by reference to Exhibit 10.17 to the Registrant's Annual Report on Form 10-K for the fiscal year ended May 31, 2010 (SEC File No. 1-8399) |
| 10.26 | Worthington Industries, Inc. 2010 Stock Option Plan* | Incorporated herein by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K dated October 5, 2010 and filed with the SEC on the same date (SEC File No. 1-8399) |
| 10.27 | First Amendment to the Worthington Industries, Inc. 2010 Stock Option Plan (First Amendment effective September 26, 2013) * | Incorporated herein by reference to Exhibit 10.7 to the Registrant's Current Report on Form 8-K dated October 1, 2013 and filed with the SEC on the same date (SEC File No. 1-8399) |

| Exhibit | Description of Exhibit | Location |
|---|---|---|
| 10.28 | Second Amendment to the Worthington Industries, Inc. 2010 Stock Option Plan (Second Amendment effective as of June 28, 2017)* | Incorporated herein by reference to Exhibit 10.35 to the Registrant's Annual Report on Form 10-K for the fiscal year ended May 31, 2017 (SEC File No. 1-8399) |
| 10.29 | Form of Non-Qualified Stock Option Award Agreement entered into by Worthington Industries, Inc. in order to evidence the grant of non-qualified stock options to executive officers of Worthington Industries, Inc. effective as of June 30, 2011 pursuant to the Worthington Industries, Inc. 2010 Stock Option Plan and to be entered into by Worthington Industries, Inc. in order to evidence future grants of non-qualified stock options to executive officers pursuant to the Worthington Industries, Inc. 2010 Stock Option Plan* | Incorporated herein by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K dated July 6, 2011 and filed with the SEC on the same date (SEC File No. 1-8399) |
| 10.30 | Worthington Industries, Inc. Annual Incentive Plan for Executives* | Incorporated herein by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K dated September 30, 2008 and filed with the SEC on the same date (SEC File No. 1-8399) |
| 10.31 | First Amendment to the Worthington Industries, Inc. Annual Incentive Plan for Executives (approved by shareholders on September 26, 2013)* | Incorporated herein by reference to Exhibit 10.5 to the Registrant's Current Report on Form 8-K dated October 1, 2013 and filed with the SEC on the same date (SEC File No. 1-8399) |
| 10.32 | Form of Letter Evidencing Cash Performance Bonus Awards Granted and to be Granted under the Worthington Industries, Inc. Annual Incentive Plan for Executives (sometimes also referred to as the Worthington Industries, Inc. Annual Short Term Incentive Plan) * | Incorporated herein by reference to Exhibit 10.42 to the Registrant's Annual Report on Form 10-K for the fiscal year ended May 31, 2014 (SEC File No. 1-8399) |
| 10.33 | Receivables Purchase Agreement, dated as of November 30, 2000, among Worthington Receivables Corporation, as Seller, Worthington Industries, Inc., as Servicer, the members of the various purchaser groups from time to time party to the Receivables Purchase Agreement and PNC Bank, National Association, as Administrator [NOTE: The Receivables Purchase Agreement was terminated by the parties thereto on July 22, 2020.] | Incorporated herein by reference to Exhibit 10(h)(i) to the Registrant's Annual Report on Form 10-K for the fiscal year ended May 31, 2001 (SEC File No. 1-8399) |
| 10.34 | Amendment No. 1 to Receivables Purchase Agreement, dated as of May 18, 2001, among Worthington Receivables Corporation, as Seller, Worthington Industries, Inc., as Servicer, the members of the various purchaser groups from time to time party to the Receivables Purchase Agreement and PNC Bank, National Association, as Administrator [NOTE: The Receivables Purchase Agreement was terminated by the parties thereto on July 22, 2020.] | Incorporated herein by reference to Exhibit 10(h)(ii) to the Registrant's Annual Report on Form 10-K for the fiscal year ended May 31, 2001 (SEC File No. 1-8399) |

| Exhibit | Description of Exhibit | Location |
|---|---|---|
| 10.35 | Amendment No. 2 to Receivables Purchase Agreement, dated as of May 31, 2004, among Worthington Receivables Corporation, as Seller, Worthington Industries, Inc., as Servicer, the members of the various purchaser groups from time to time party to the Receivables Purchase Agreement and PNC Bank, National Association, as Administrator [NOTE: The Receivables Purchase Agreement was terminated by the parties thereto on July 22, 2020.] | Incorporated herein by reference to Exhibit 10(g)(x) to the Registrant's Annual Report on Form 10-K for the fiscal year ended May 31, 2004 (SEC File No. 1-8399) |
| 10.36 | Amendment No. 3 to Receivables Purchase Agreement, dated as of January 27, 2005, among Worthington Receivables Corporation, as Seller, Worthington Industries, Inc., as Servicer, the members of the various purchaser groups from time to time party to the Receivables Purchase Agreement and PNC Bank, National Association, as Administrator [NOTE: The Receivables Purchase Agreement was terminated by the parties thereto on July 22, 2020.] | Incorporated herein by reference to Exhibit 10.15 to the Registrant’s Annual Report on Form 10-K for the fiscal year ended May 31, 2005 (SEC File No. 1-8399) |
| 10.37 | Amendment No. 4 to Receivables Purchase Agreement, dated as of January 25, 2008, among Worthington Receivables Corporation, as Seller, Worthington Industries, Inc., as Servicer, the members of the various purchaser groups from time to time party to the Receivables Purchase Agreement and PNC Bank, National Association, as Administrator [NOTE: The Receivables Purchase Agreement was terminated by the parties thereto on July 22, 2020.] | Incorporated herein by reference to Exhibit 10.20 to the Registrant’s Annual Report on Form 10-K for the fiscal year ended May 31, 2008 (SEC File No. 1-8399) |
| 10.38 | Amendment No. 5 to Receivables Purchase Agreement, dated as of January 22, 2009, among Worthington Receivables Corporation, as Seller, Worthington Industries, Inc., as Servicer, the members of the various purchaser groups from time to time party to the Receivables Purchase Agreement and PNC Bank, National Association, as Administrator [NOTE: The Receivables Purchase Agreement was terminated by the parties thereto on July 22, 2020.] | Incorporated herein by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended February 28, 2009 (SEC File No. 1-8399) |
| 10.39 | Amendment No. 6 to Receivables Purchase Agreement, dated as of April 30, 2009, among Worthington Receivables Corporation, as Seller, Worthington Industries, Inc., as Servicer, the members of the various purchaser groups from time to time party to the Receivables Purchase Agreement and PNC Bank, National Association, as Administrator [NOTE: The Receivables Purchase Agreement was terminated by the parties thereto on July 22, 2020.] | Incorporated herein by reference to Exhibit 10.30 to the Registrant’s Annual Report on Form 10-K for the fiscal year ended May 31, 2009 (SEC File No. 1-8399) |

| Exhibit | Description of Exhibit | Location |
|---|---|---|
| 10.40 | Amendment No. 7 to Receivables Purchase Agreement, dated as of January 21, 2010, among Worthington Receivables Corporation, as Seller, Worthington Industries, Inc., as Servicer, the members of the various purchaser groups from time to time party to the Receivables Purchase Agreement and PNC Bank, National Association, as Administrator [NOTE: The Receivables Purchase Agreement was terminated by the parties thereto on July 22, 2020.] | Incorporated herein by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended February 28, 2010 (SEC File No. 1-8399) |
| 10.41 | Amendment No. 8 to Receivables Purchase Agreement, dated as of April 16, 2010, among Worthington Receivables Corporation, as Seller, Worthington Industries, Inc., as Servicer, the members of the various purchaser groups from time to time party to the Receivables Purchase Agreement and PNC Bank, National Association, as Administrator [NOTE: The Receivables Purchase Agreement was terminated by the parties thereto on July 22, 2020.] | Incorporated herein by reference to Exhibit 10.30 to the Registrant's Annual Report on Form 10-K for the fiscal year ended May 31, 2010 (SEC File No. 1-8399) |
| 10.42 | Amendment No. 9 to Receivables Purchase Agreement, dated as of January 20, 2011, among Worthington Receivables Corporation, as Seller, Worthington Industries, Inc., as Servicer, the members of the various purchaser groups from time to time party to the Receivables Purchase Agreement and PNC Bank, National Association, as Administrator [NOTE: The Receivables Purchase Agreement was terminated by the parties thereto on July 22, 2020.] | Incorporated herein by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended February 28, 2011 (SEC File No. 1-8399) |
| 10.43 | Amendment No. 10 to Receivables Purchase Agreement, dated as of February 28, 2011, among Worthington Receivables Corporation, as Seller, Worthington Industries, Inc., as Servicer, the members of the various purchaser groups from time to time party to the Receivables Purchase Agreement and PNC Bank, National Association, as Administrator [NOTE: The Receivables Purchase Agreement was terminated by the parties thereto on July 22, 2020.] | Incorporated herein by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended February 28, 2011 (SEC File No. 1-8399) |
| 10.44 | Amendment No. 11 to Receivables Purchase Agreement, dated as of May 6, 2011, among Worthington Receivables Corporation, as Seller, Worthington Industries, Inc., as Servicer, the members of the various purchaser groups from time to time party to the Receivables Purchase Agreement and PNC Bank, National Association, as Administrator [NOTE: The Receivables Purchase Agreement was terminated by the parties thereto on July 22, 2020.] | Incorporated herein by reference to Exhibit 10.36 to the Registrant's Annual Report on Form 10-K for the fiscal year ended May 31, 2011 (SEC File No. 1-8399) |

| Exhibit | Description of Exhibit | Location |
|---|---|---|
| 10.45 | Amendment No. 12 to Receivables Purchase Agreement, dated as of January 19, 2012, among Worthington Receivables Corporation, as Seller, Worthington Industries, Inc., as Servicer, the members of the various purchaser groups from time to time party to the Receivables Purchase Agreement and PNC Bank, National Association, as Administrator [NOTE: The Receivables Purchase Agreement was terminated by the parties thereto on July 22, 2020.] | Incorporated herein by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended February 29, 2012 (SEC File No. 1-8399) |
| 10.46 | Amendment No. 13 to Receivables Purchase Agreement, dated as of January 18, 2013, among Worthington Receivables Corporation, as Seller, Worthington Industries, Inc., as Servicer, the members of the various purchaser groups from time to time party to the Receivables Purchase Agreement and PNC Bank, National Association, as Administrator [NOTE: The Receivables Purchase Agreement was terminated by the parties thereto on July 22, 2020.] | Incorporated herein by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended February 28, 2013 (SEC File No. 1-8399) |
| 10.47 | Amendment No. 14 to Receivables Purchase Agreement, dated as of July 15, 2013, among Worthington Receivables Corporation, as Seller, Worthington Industries, Inc., as Servicer, the members of the various purchaser groups from time to time party to the Receivables Purchase Agreement and PNC Bank, National Association, as Administrator [NOTE: The Receivables Purchase Agreement was terminated by the parties thereto on July 22, 2020.] | Incorporated herein by reference to Exhibit 10.48 to the Registrant's Annual Report on Form 10-K for the fiscal year ended May 31, 2013 (SEC File No. 1-8399) |
| 10.48 | Amendment No. 15 to Receivables Purchase Agreement, dated as of October 11, 2013, among Worthington Receivables Corporation, as Seller, Worthington Industries, Inc., as Servicer, the members of the various purchaser groups from time to time party to the Receivables Purchase Agreement and PNC Bank, National Association, as Administrator [NOTE: The Receivables Purchase Agreement was terminated by the parties thereto on July 22, 2020.] | Incorporated herein by reference to Exhibit 10.57 to the Registrant's Annual Report on Form 10-K for the fiscal year ended May 31, 2015 (SEC File No. 1-8399) |
| 10.49 | Amendment No. 16 to Receivables Purchase Agreement, dated as of May 23, 2014, among Worthington Receivables Corporation, as Seller, Worthington Industries, Inc., as Servicer, the members of the various purchaser groups from time to time party to the Receivables Purchase Agreement and PNC Bank, National Association, as Administrator [NOTE: The Receivables Purchase Agreement was terminated by the parties thereto on July 22, 2020.] | Incorporated herein by reference to Exhibit 10.58 to the Registrant's Annual Report on Form 10-K for the fiscal year ended May 31, 2015 (SEC File No. 1-8399) |

| Exhibit | Description of Exhibit | Location |
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| 10.50 | Amendment No. 17 to Receivables Purchase Agreement, dated as of January 16, 2015, among Worthington Receivables Corporation, as Seller, Worthington Industries, Inc., as Servicer, the members of the various purchaser groups from time to time party to the Receivables Purchase Agreement and PNC Bank, National Association, as Administrator [NOTE: The Receivables Purchase Agreement was terminated by the parties thereto on July 22, 2020.] | Incorporated herein by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended February 28, 2015 (SEC File No. 1-8399) |
| 10.51 | Amendment No. 18 to Receivables Purchase Agreement, dated as of January 16, 2018, among Worthington Receivables Corporation, as Seller, Worthington Industries, Inc., as Servicer, the members of the various purchaser groups from time to time party to the Receivables Purchase Agreement and PNC Bank, National Association, as Administrator [NOTE: The Receivables Purchase Agreement was terminated by the parties thereto on July 22, 2020.] | Incorporated herein by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended February 28, 2018 (SEC File No. 1-8399) |
| 10.52 | Amendment No. 19 to Receivables Purchase Agreement dated as of November 30,, 2018, among Worthington Receivables Corporation, as Seller, Worthington Industries, Inc., as Servicer, the members of the various purchaser groups from time to time party to the Receivables Purchase Agreement and PNC Bank, National Association, as Administrator [NOTE: The Receivables Purchase Agreement was terminated by the parties thereto on July 22, 2020.] | Incorporated herein by reference to Exhibit 10.58 to the Registrant’s Annual Report on Form 10-K for the fiscal year ended May 31, 2019 (SEC File No. 1-8399) |
| 10.53 | Amendment No. 20 to Receivables Purchase Agreement, dated as of January 14, 2019, among Worthington Receivables Corporation, as Seller, Worthington Industries, Inc., as Servicer, the members of the various purchaser groups from time to time party to the Receivables Purchase Agreement and PNC Bank, National Association, as Administrator [NOTE: The Receivables Purchase Agreement was terminated by the parties thereto on July 22, 2020.] | Incorporated herein by reference to Exhibit 10.2 to the Registrant’s Quarterly Report on Form 10-Q for the quarterly period ended February 28, 2019 (SEC File No. 1-8399) |
| 10.54 | Amendment No. 21 to Receivables Purchase Agreement, dated as of January 13, 2020, among Worthington Receivables Corporation, as Seller, Worthington Industries, Inc., as Servicer, the members of the various purchaser groups from time to time party to the Receivables Purchase Agreement and PNC Bank National Associations, as Administrator [NOTE: The Receivables Purchase Agreement was terminated by the parties thereto on July 22, 2020.] | Incorporated herein by reference to Exhibit 10.1 to the Registrant’s Quarterly Report on Form 10-Q for the quarterly period ended February 29, 2020 (SEC File No. 1-8399) |
| 10.55 | Purchase and Sale Agreement, dated as of November 30, 2000, between the various originators listed therein and Worthington Receivables Corporation [NOTE: The Purchase and Sale Agreement was terminated by the parties thereto on July 22, 2020.] | Incorporated herein by reference to Exhibit 10(h)(iii) to the Registrant's Annual Report on Form 10-K for the fiscal year ended May 31, 2001 (SEC File No. 1-8399) |

| Exhibit | Description of Exhibit | Location |
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| 10.56 | Amendment No. 1, dated as of May 18, 2001, to Purchase and Sale Agreement, dated as of November 30, 2000, between the various originators listed therein and Worthington Receivables Corporation [NOTE: The Purchase and Sale Agreement was terminated by the parties thereto on July 22, 2020.] | Incorporated herein by reference to Exhibit 10(h)(iv) to the Registrant's Annual Report on Form 10-K for the fiscal year ended May 31, 2001 (SEC File No. 1-8399) |
| 10.57 | Amendment No. 2, dated as of August 25, 2006, to Purchase and Sale Agreement, dated as of November 30, 2000, between the various originators listed therein and Worthington Receivables Corporation [NOTE: The Purchase and Sale Agreement was terminated by the parties thereto on July 22, 2020.] | Incorporated herein by reference to Exhibit 10.5 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended August 31, 2006 (SEC File No. 1-8399) |
| 10.58 | Amendment No. 3, dated as of October 1, 2008, to Purchase and Sale Agreement, dated as of November 30, 2000, among the various originators listed therein, Worthington Taylor, Inc. and Worthington Receivables Corporation [NOTE: The Purchase and Sale Agreement was terminated by the parties thereto on July 22, 2020.] | Incorporated herein by reference to Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended February 28, 2011 (SEC File No. 1-8399) |
| 10.59 | Amendment No. 4, dated as of February 28, 2011, to Purchase and Sale Agreement, dated as of November 30, 2000, among the various originators listed therein, Dietrich Industries, Inc. and Worthington Receivables Corporation [NOTE: The Purchase and Sale Agreement was terminated by the parties thereto on July 22, 2020.] | Incorporated herein by reference to Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended February 28, 2011 (SEC File No. 1-8399) |
| 10.60 | Amendment No. 5, dated as of May 6, 2011, to Purchase and Sale Agreement, dated as of November 30, 2000, among the various originators listed therein, The Gerstenslager Company and Worthington Receivables Corporation [NOTE: The Purchase and Sale Agreement was terminated by the parties thereto on July 22, 2020.] | Incorporated herein by reference to Exhibit 10.42 to the Registrant's Annual Report on Form 10-K for the fiscal year ended May 31, 2011 (SEC File No. 1-8399) |
| 10.61 | Amendment No. 6, dated as of January 19, 2012, to Purchase and Sale Agreement, dated as of November 30, 2000, among the various originators listed therein and Worthington Receivables Corporation [NOTE: The Purchase and Sale Agreement was terminated by the parties thereto on July 22, 2020.] | Incorporated herein by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended February 29, 2012 (SEC File No. 1-8399) |
| 10.62 | Amendment No. 7, dated as of January 16, 2015, to Purchase and Sale Agreement, dated as of November 30, 2000, among the various originators listed therein, Advanced Component Technologies, Inc., Worthington Cylinders Mississippi, LLC, Worthington Steel of Kentucky, L.L.C., The Worthington Steel Company (North Carolina), and Worthington Receivables Corporation [NOTE: The Purchase and Sale Agreement was terminated by the parties thereto on July 22, 2020.] | Incorporated herein by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended February 28, 2015 (SEC File No. 1-8399) |

| Exhibit | Description of Exhibit | Location |
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| 10.63 | Amendment No. 8, dated as of February 18, 2015, to Purchase and Sale Agreement, dated as of November 30, 2000, among the various originators listed therein and Worthington Receivables Corporation [NOTE: The Purchase and Sale Agreement was terminated by the parties thereto on July 22, 2020.] | Incorporated herein by reference to Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended February 28, 2015 (SEC File No. 1-8399) |
| 10.64 | Amendment No. 9, dated as of November 30, 2018, to Purchase and Sale Agreement, dated as of November 30, 2000, among the various originators listed therein, Worthington Torch, LLC and Worthington Receivables Corporation [NOTE: The Purchase and Sale Agreement was terminated by the parties thereto on July 22, 2020.] | Incorporated herein by reference to Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended November 30, 2018 (SEC File No. 1-8399) |
| 10.65 | Amendment No. 10, dated as of January 14, 2019, to Purchase and Sale Agreement, dated as of November 30, 2000, among the various Remaining Originators listed therein, Worthington Industries Engineered Cabs, Inc., Worthington Industries Engineered Cabs, LLC, AMTROL Inc., Westerman, Inc. and Worthington Receivables Corporation [NOTE: The Purchase and Sale Agreement was terminated by the parties thereto on July 22, 2020.] | Incorporated herein by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended February 28, 2019 (SEC File No. 1-8399) |
| 10.66 | Amendment No. 11, dated as of January 13, 2020, to Purchase and Sale Agreement, dates as of November 30, 2000, among the various Remaining Originators listed therein, Structural Composites Industries LLC and Worthington Receivables Corporation [NOTE: The Purchase and Sale Agreement was terminated by the parties thereto on July 22, 2020.] | Incorporated herein by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended February 29, 2020 (SEC File No. 1-8399) |
| 10.67 | Summary of Annual Base Salaries Approved for Named Executive Officers of Worthington Industries, Inc.* | Filed herewith |
| 10.68 | Summary of Annual Cash Performance Bonus Awards, Long-Term Performance Awards, Stock Options and Restricted Shares granted in Fiscal 2012 for then Named Executive Officers* | Incorporated herein by reference to Exhibit 10.47 to the Registrant's Annual Report on Form 10-K for the fiscal year ended May 31, 2011 (SEC File No. 1-8399) |
| 10.69 | Summary of Annual Cash Performance Bonus Awards, Long-Term Performance Awards, Stock Options and Restricted Shares granted in Fiscal 2013 for then Named Executive Officers* | Incorporated herein by reference to Exhibit 10.56 to the Registrant's Annual Report on Form 10-K for the fiscal year ended May 31, 2012 (SEC File No. 1-8399) |
| 10.70 | Summary of Annual Cash Incentive Bonus Awards, Long-Term Performance Awards, Stock Options and Restricted Common Shares granted in Fiscal 2014 for then Named Executive Officers* | Incorporated herein by reference to Exhibit 10.62 to the Registrant's Annual Report on Form 10-K for the fiscal year ended May 31, 2013 (SEC File No. 1-8399) |
| 10.71 | Summary of Annual Cash Incentive Bonus Awards, Long-Term Performance Awards, Stock Options and Restricted Common Shares granted in Fiscal 2015 for then Named Executive Officers* | Incorporated herein by reference to Exhibit 10.71 to the Registrant's Annual Report on Form 10-K for the fiscal year ended May 31, 2014 (SEC File No. 1-8399) |
| 10.72 | Summary of Annual Cash Incentive Bonus Awards, Long-Term Performance Awards, Stock Options and Restricted Common Shares granted in Fiscal 2016 for then Named Executive Officers* | Incorporated herein by reference to Exhibit 10.74 to the Registrant's Annual Report on Form 10-K for the fiscal year ended May 31, 2015 (SEC File No. 1-8399) |

| Exhibit | Description of Exhibit | Location |
|---|---|---|
| 10.73 | Summary of Annual Cash Incentive Bonus Awards, Long-Term Performance Awards, Stock Options and Restricted Common Shares granted in Fiscal 2017 for then Named Executive Officers* | Incorporated herein by reference to Exhibit 10.71 to the Registrant's Annual Report on Form 10-K for the fiscal year ended May 31, 2016 (SEC File No. 1-8399) |
| 10.74 | Summary of Annual Cash Incentive Bonus Awards, Long-Term Performance Awards, Stock Options and Restricted Common Shares granted in Fiscal 2018 for then Named Executive Officers* | Incorporated herein by reference to Exhibit 10.74 to the Registrant's Annual Report on Form 10-K for the fiscal year ended May 31, 2017 (SEC File No. 1-8399) |
| 10.75 | Summary of Annual Cash Incentive Bonus Awards, Long-Term Performance Awards, Stock Options and Restricted Common Shares granted in Fiscal 2019 for then Named Executive Officers* | Incorporated herein by reference to Exhibit 10.74 to the Registrant's Annual Report on Form 10-K for the fiscal year ended May 31, 2018 (SEC File No. 1-8399) |
| 10.76 | Summary of Annual Cash Incentive Bonus Awards, Long-Term Performance Awards, Stock Options and Restricted Common Shares granted in Fiscal 2020 for then Named Executive Officers* | Incorporated herein by reference to Exhibit 10.80 to the Registrant's Annual Report on Form 10-K for the fiscal year ended May 31, 2019 (SEC File No. 1-8399) |
| 10.77 | Summary of Annual Cash Incentive Bonus Awards, Long-Term Performance Awards, Stock Options and Restricted Common Shares granted in Fiscal 2021 for Named Executive Officers* | Filed herewith |
| 10.78 | Retirement and Non-Competition Agreement – Mark A. Russell, made and entered between Mark A. Russell and Worthington Industries, Inc. (executed on August 27, 2018)* | Incorporated herein by reference to Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended August 31, 2018 (SEC File No. 1-8399) |
| 10.79 | Restricted Stock Award Agreement entered into by Worthington Industries, Inc. with B. Andrew Rose in order to evidence the grant, effective as of September 26, 2018, of 175,000 performance-based restricted common shares pursuant to the Worthington Industries, Inc. Amended and Restated 1997 Long-Term Incentive Plan* | Incorporated herein by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended November 30, 2018 (SEC File No. 1-8399) |
| 10.80 | Restricted Stock Award Agreement entered into by Worthington Industries, Inc. with Geoffrey G. Gilmore in order to evidence the grant, effective as of September 26, 2018, of 50,000 performance-based restricted common shares pursuant to the Worthington Industries, Inc. Amended and Restated 1997 Long-Term Incentive Plan* | Incorporated herein by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended November 30, 2018 (SEC File No. 1-8399) |
| 10.81 | Form of Indemnification Agreement entered into between Worthington Industries, Inc. and each executive officer of Worthington Industries, Inc. * | Incorporated herein by reference to Exhibit 10.33 to the Registrant's Annual Report on Form 10-K for the fiscal year ended May 31, 2008 (SEC File No. 1-8399) |
| 10.82 | Form of Indemnification Agreement entered into between Worthington Industries, Inc. and each non-employee director of Worthington Industries, Inc. * | Incorporated herein by reference to Exhibit 10.32 to the Registrant's Annual Report on Form 10-K for the fiscal year ended May 31, 2008 (SEC File No. 1-8399) |
| 21 | Subsidiaries of Worthington Industries, Inc. | Filed herewith |
| 23.1 | Consent of Independent Registered Public Accounting Firm (KPMG LLP) | Filed herewith |

| Exhibit | Description of Exhibit | Location |
|---|---|---|
| 23.2 | Consent of Independent Auditors (KPMG LLP) with respect to consolidated financial statements of Worthington Armstrong Venture | Filed herewith |
| 24 | Powers of Attorney of Directors and Certain Executive Officers of Worthington Industries, Inc. | Filed herewith |
| 31.1 | Rule 13a - 14(a) / 15d - 14(a) Certifications (Principal Executive Officer) | Filed herewith |
| 31.2 | Rule 13a - 14(a) / 15d - 14(a) Certifications (Principal Financial Officer) | Filed herewith |
| 32.1 | Certifications of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 | Furnished herewith |
| 32.2 | Certifications of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 | Furnished herewith |
| 99.1 | Worthington Armstrong Venture Consolidated Financial Statements as of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017 | Filed herewith |
| 101.INS | XBRL Instance Document | The instance document does not appear in the Interactive Date File because its XBRL tabs are imbedded within the Inline XBRL document. |
| 101.SCH | Inline XBRL Taxonomy Extension Schema Document | Submitted electronically herewith # |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation Linkbase Document | Submitted electronically herewith # |
| 101.DEF | Inline XBRL Taxonomy Definition Linkbase Document | Submitted electronically herewith # |
| 101.LAB | Inline XBRL Taxonomy Extension Label Linkbase Document | Submitted electronically herewith # |
| 101.PRE | Inline XBRL Taxonomy Extension Presentation Linkbase Document | Submitted electronically herewith # |
| 104 | Cover Page Interactive Date File | The cover page from this Annual Report on Form 10-K for the fiscal year ended May 31, 2020, formatted in Inline XBRL is included within the Exhibit 101 attachments |

† The Disclosure Schedules and Exhibits referenced in the Agreement and Plan of Merger were omitted pursuant to Item 601(b)(2) of SEC Regulation S-K, as in effect at the time of filing of the Agreement and Plan of Merger. Worthington Industries, Inc. hereby undertakes to furnish a copy of any of the omitted Disclosure Schedules and Exhibits to the SEC upon request.

* Indicates management contract or compensatory plan or arrangement.

# Attached as Exhibit 101 to this Annual Report on Form 10-K for the fiscal year ended May 31, 2020 of Worthington Industries, Inc. are the following documents formatted in Inline XBRL (eXtensible Business Reporting Language):

(i) Consolidated Balance Sheets at May 31, 2020 and 2019;

(ii) Consolidated Statements of Earnings for the fiscal years ended May 31, 2020, 2019 and 2018;

(iii) Consolidated Statements of Comprehensive Income for the fiscal years ended May 31, 2020, 2019 and 2018;

(iv) Consolidated Statements of Equity for the fiscal years ended May 31, 2020, 2019 and 2018;

(v) Consolidated Statements of Cash Flows for the fiscal years ended May 31, 2020, 2019 and 2018; and

(vi) Notes to Consolidated Financial Statements – fiscal years ended May 31, 2020, 2019 and 2018.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**WORTHINGTON INDUSTRIES, INC.**

Date: July 30, 2020

By: /s/ John P. McConnell
John P. McConnell,
Chairman of the Board and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

| SIGNATURE | DATE | TITLE |
|---|---|---|
| /s/ John P. McConnell<br>John P. McConnell | July 30, 2020 | Director, Chairman of the Board and Chief Executive Officer (Principal Executive Officer) |
| /s/ Joseph B. Hayek<br>Joseph B. Hayek | July 30, 2020 | Vice President and Chief Financial Officer (Principal Financial Officer) |
| /s/ Richard G. Welch<br>Richard G. Welch | July 30, 2020 | Controller (Principal Accounting Officer) |
| *<br>Kerrii B. Anderson | * | Director |
| *<br>David P. Blom | * | Director |
| *<br>John B. Blystone | * | Director |
| *<br>Mark C. Davis | * | Director |
| *<br>Michael J. Endres | * | Director |
| *<br>Ozey K. Horton, Jr. | * | Director |
| *<br>Peter Karmanos, Jr. | * | Director |
| *<br>Carl A. Nelson, Jr. | * | Director |
| *<br>Sidney A. Ribeau | * | Director |
| *<br>Mary Schiavo | * | Director |

* The undersigned, by signing his name hereto, does hereby sign this report on behalf of each of the above-identified directors of the Registrant pursuant to powers of attorney executed by such directors, which powers of attorney are filed with this report within Exhibit 24.

*By: /s/ John P. McConnell
John P. McConnell
Attorney-In-Fact

Date: July 30, 2020

**Exhibit 4.17**

July 30, 2020

Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549

Re: Worthington Industries, Inc. – Annual Report on Form 10-K for the fiscal year ended May 31, 2020
- SEC File No. 1-8399

Ladies and Gentlemen:

Worthington Industries, Inc., an Ohio corporation, is today filing its Annual Report on Form 10-K for the fiscal year ended May 31, 2020 (the "Form 10-K").

None of (i) Worthington Industries, Inc., (ii) any of the consolidated subsidiaries of Worthington Industries, Inc. or (iii) Worthington Armstrong Venture, a 50%-owned unconsolidated joint venture (in the form of a general partnership between Armstrong Ventures, Inc., a subsidiary of Armstrong World Industries, Inc., and The Worthington Steel Company (Delaware), a subsidiary of Worthington Industries, Inc.), for which financial statements are required to be filed with the Form 10-K, has outstanding any instrument or agreement with respect to its long-term debt, other than those filed or incorporated by reference as an exhibit to the Form 10-K, under which the total amount of long-term debt authorized exceeds 10% of the total assets of Worthington Industries, Inc. and its subsidiaries on a consolidated basis. In accordance with the provisions of Item 601(b)(4)(iii) of SEC Regulation S-K, Worthington Industries, Inc. hereby agrees to furnish to the SEC, upon request, a copy of each instrument or agreement defining (i) the rights of holders of the long-term debt of Worthington Industries, Inc. or (ii) the rights of holders of the long-term debt of a consolidated subsidiary of Worthington Industries, Inc. or (iii) the rights of holders of the long-term debt of Worthington Armstrong Venture, in each case which is not being filed or incorporated by reference as an exhibit to the Form 10-K.

Very truly yours,

WORTHINGTON INDUSTRIES, INC.

/s/ Joseph B. Hayek

Joseph B. Hayek
Vice President and Chief Financial Officer

**Exhibit 10.67**

**ANNUAL BASE SALARIES APPROVED FOR NAMED EXECUTIVE OFFICERS**
**OF**
**WORTHINGTON INDUSTRIES, INC.**

In June 2020, the Compensation Committee of the Board of Directors of Worthington Industries, Inc. (the “Registrant”) approved base salary increases for the following executive officers of the Registrant who will be named executive officers of the Registrant for purposes of the disclosure to be included in the Registrant’s Proxy Statement for the 2020 Annual Meeting of Shareholders to be held on September 23, 2020, which will become effective in September 2020.

| Name and Principal Position | Base Salary | |
|---|---|---|
| John P. McConnell<br>Chairman and Chief Executive Officer of the Registrant<br>will step down as CEO and become Executive Chairman effective September 1, 2020 | $ | 400,000 |
| Joseph B. Hayek<br>Vice President and Chief Financial Officer of the Registrant | $ | 405,000 |
| B. Andrew Rose<br>President of the Registrant<br>will also become CEO effective September 1, 2020 | $ | 650,000 |
| Geoffrey G. Gilmore<br>Executive Vice President and Chief Operating Officer of the Registrant | $ | 612,000 |
| Virgil L. Winland<br>Senior Vice President-Manufacturing of the Registrant | $ | 450,000 |

**Exhibit 10.77**

**SUMMARY OF ANNUAL CASH INCENTIVE BONUS AWARDS,
LONG-TERM PERFORMANCE AWARDS, STOCK OPTIONS AND RESTRICTED COMMON
SHARES GRANTED IN FISCAL 2021 FOR NAMED EXECUTIVE OFFICERS
OF WORTHINGTON INDUSTRIES, INC.**

**Annual Cash Incentive Bonus Awards Granted In Fiscal 2021**

The following table sets forth the annual cash incentive bonus awards granted to the following current executive officers of Worthington Industries, Inc. (the "Registrant") who either are named executive officers of the Registrant for purposes of the disclosure included in the Registrant's Proxy Statement for the 2019 Annual Meeting of Shareholders held on September 25, 2019 and/or will be named executive officers of the Registrant for purposes of the disclosure to be included in the Registrant's Proxy Statement for the 2020 Annual Meeting of Shareholders to be held on September 23, 2020 ("NEOs"), which grants were made under the Worthington Industries, Inc. Annual Incentive Plan for Executives for the twelve-month performance period ending May 31, 2021:

**Annual Cash Incentive Bonus Awards Granted for Fiscal 2020**

| **Name** | **Annual Cash Incentive Bonus Awards for Twelve-Month Performance Period Ending May 31, 2021 (1)** | | |
|---|---|---|---|
| | Threshold ($) | Target ($) | Maximum ($) |
| John P. McConnell | 200,000 | 400,000 | 800,000 |
| Joseph B. Hayek | 247,500 | 495,000 | 990,000 |
| B. Andrew Rose | 450,000 | 900,000 | 1,800,000 |
| Geoffrey G. Gilmore | 374,000 | 748,000 | 1,496,000 |
| Virgil L. Winland | - | - | - |

(1) Payouts which can be earned under these annual cash incentive bonus awards are generally tied to achieving specified levels (threshold, target and maximum) of corporate economic value added ("EVA") and earnings per share ("EPS") for the twelve-month performance period with each performance measure carrying a 50% weighting. *For all calculations, restructuring charges and non-recurring items are excluded and both Corporate EPS and the Steel Processing business unit business unit EOI results are to be adjusted to eliminate the impact of FIFO gains and losses.* If the performance level falls between threshold and target or between target and maximum, the award is linearly prorated. If threshold levels are not reached for any performance measure, no annual cash incentive bonus will be paid. Annual cash incentive bonus award payouts earned will be made within a reasonable time following the end of the performance period. In the event of a change in control of the Company (followed by actual or constructive termination of an NEO's employment during the performance period), the annual cash incentive bonus award would be considered to be earned at "target" and payable as of the date of termination of employment.

**Long-Term Performance Awards, Option Awards and Restricted Common Share Awards Granted in Fiscal 2021**

The following table sets forth the long-term performance awards (consisting of long-term cash performance awards and long-term performance share awards) for the three-fiscal-year period ending May 31, 2023 and the option awards and restricted common share awards granted to the NEOs in the fiscal year ending May 31, 2021 (“Fiscal 2021”).

**Long-Term Performance Awards, Option Awards and Restricted Common Share Awards Granted in Fiscal 2021**

| Name | Long-Term Cash Performance Awards for Three-Fiscal-Year Period Ending May 31, 2023 (1) | | | Long-Term Performance Share Awards for Three-Fiscal-Year Period Ending May 31, 2023 (1) | | | Option Awards: Number of Common Shares Underlying Options (2) | Exercise or Base Price of Option Awards ($/Share) (2) | Restricted Common Share Awards |
|---|---|---|---|---|---|---|---|---|---|
| | Threshold ($) | Target ($) | Maximum ($) | Threshold (# of Common Shares) | Target (# of Common Shares) | Maximum (# of Common Shares) | | | |
| John P. McConnell | 200,000 | 400,000 | 800,000 | 3,150 | 6,300 | 12,600 | 11,200 | 36.93 | 9,400 (3) |
| Joseph B. Hayek | 180,000 | 360,000 | 720,000 | 2,800 | 5,600 | 11,200 | 10,100 | 36.93 | 8,500 (3) |
| B. Andrew Rose | 500,000 | 1,000,000 | 2,000,000 | 7,800 | 15,600 | 31,200 | 27,000 | 36.93 | 24,000 (3) |
| Geoffrey G. Gilmore | 245,000 | 490,000 | 980,000 | 3,800 | 7,600 | 15,200 | 13,800 | 36.93 | 11,600 (3) |
| Virgil L. Winland | - | - | - | - | - | - | - | n/a | - |

(1) These columns show the potential payouts under the long-term cash performance awards and the long-term performance share awards granted to the NEOs under the Worthington Industries, Inc. Amended and Restated 1997 Long-Term Incentive Plan (as amended, the “1997 LTIP”) for the three-fiscal-year performance period from June 1, 2020 to May 31, 2023. Payouts of long-term cash performance awards and long-term performance share awards for Corporate executives are tied to achieving specified levels (threshold, target and maximum) of cumulative corporate EVA for the three-fiscal-year performance period and EPS growth over that performance period, with each performance measure carrying a 50% weighting. *In all calculations, restructuring charges and non-recurring items are excluded, and Corporate EPS and Steel Processing business unit EOI results are to be adjusted to eliminate the impact of FIFO gains or losses.* No awards are paid or distributed if none of the three-fiscal-year threshold financial measures are met. If the performance levels fall between threshold and target or between target and maximum, the award is linearly prorated.

(2) Effective June 25, 2020, under the Worthington Industries, Inc. 2010 Stock Option Plan, the NEOs were granted non-qualified stock options with respect to the number of common shares shown, with an exercise price equal to $36.93, the fair market value of the underlying common shares on the date of grant. The options become exercisable over three years in increments of one-third per year on each anniversary of their grant date.

(3) These annual time-vested restricted common share awards were granted effective June 25, 2020 under the 1997 LTIP and will generally cliff vest on the third anniversary of the grant date.

**Exhibit 21**

**SUBSIDIARIES OF WORTHINGTON INDUSTRIES, INC.**

The following is a list of the subsidiaries, direct and indirect, of Worthington Industries, Inc. as of July 30, 2020. The names of indirectly-owned subsidiaries are indented under the names of their respective immediate parents:

| Worthington Industries Leasing, LLC | Ohio |
|---|---|
| Worthington Services, LLC | Ohio |
| Worthington Industries Medical Center, Inc. | Ohio |
| Worthington Steel of Michigan, Inc. (d/b/a The Worthington Steel Company) | Michigan |
| New AMTROL Holdings, Inc. | Delaware |
| AMTROL Inc. | Rhode Island |
| AMTROL North American Cylinders, LLC | Delaware |
| Red Hen, LLC | Rhode Island |
|       AMTROL Water Technology, LLC | Delaware |
|     AMTROL International Investments Inc. | Rhode Island |
| AMTROL Holding Netherlands B.V. | Netherlands |
|       AMTROL Holding Portugal, SGPS, Unipessoal, Lda | Portugal |
|       AMTROL-ALFA Metalomecanica, S.A. | Portugal |
| Worthington Cylinders-Embalagens Industriais de Gas, S.A. | Portugal |
| AMTROL Licensing Inc. | Rhode Island |
| GerCo Holdings, Inc. | Ohio |
|     Cleveland Pickling, Inc. | Delaware |
| Precision Specialty Metals, Inc. | Delaware |
| WI Ventures, LLC | Ohio |
| Worthington-Buckeye, Inc. | Ohio |
| Worthington Cylinder Corporation | Ohio |
| dHybrid Systems, LLC | Ohio |
| Westerman, Inc. | Ohio |
| Structural Composites Industries, LLC | Delaware |
| Worthington Cryogenics, LLC | Ohio |
| Worthington Cylinders Mexico, S. de R.L. de C.V. | Mexico |
| Worthington Industries International S.à.r.l. | Luxembourg |
| Stako Sp. z.o.o. | Poland |
| Worthington Industries Poland sp zoo | Poland |
|         Worthington Cylinders GmbH | Austria |
| Worthington Steel Mexico, S.A. de C.V. | Mexico |
| Worthington Industries Germany UG | Germany |
| Worthington Cylinders Kansas, LLC | Ohio |
| Worthington Cylinders Mississippi, LLC | Ohio |
| Worthington Cylinders Wisconsin, LLC | Ohio |
| Worthington Energy Group, Inc. | Ohio |
| Worthington Industries Engineered Cabs, Inc. | Delaware |
| Worthington Industries Engineered Cabs, LLC | Delaware |
| The Worthington Steel Company (formerly Worthington Ventures, Inc.) | Delaware |
| Worthington CDBS Holding, LLC | Ohio |
| Worthington Steelpac Systems, LLC (d/b/a Worthington Industries Packaging Solutions) | Delaware |
| Worthington Mid-Rise Construction, Inc. | Ohio |
| Worthington Military Construction, Inc. | Ohio |
| The Worthington Steel Company | Ohio |
| Worthington Receivables Corporation | Delaware |
| The Worthington Steel Company, LLC | Ohio |
|   Worthington Steel Company of Decatur, LLC | Alabama |

| | |
|---|---|
| Worthington Steel Rome, LLC | Ohio |
| Worthington WSP, LLC | Michigan |
| **Joint Ventures** | |
| ArtiFlex Manufacturing, LLC (1) | Delaware |
| 4400 Donker Land, LLC | Michigan |
| Clarkwestern Dietrich Building Systems LLC (2) | Ohio |
| Serviacero Planos, S. de R.L. de C.V. (3) | Mexico |
| Serviacero Planos Servicios, S.A. de C.V. (i.e., services company to JV Company) (3) | Mexico |
| Spartan Steel Coating, LLC (4) | Michigan |
| Taxi Workhorse Holdings, LLC (5) | Delaware |
| TWB Company, LLC (6) | Michigan |
| Tailor Welded Blanks of Canada, Inc. | Canada |
| TWB of Ohio, Inc. | Ohio |
| TWB Industries, S.A. de C.V. | Mexico |
| TWB de Mexico, S.A. de C.V. | Mexico |
| Worthington Armstrong Venture (WAVE) (7) | Delaware |
| Worthington Modern Steel Framing System Co., Ltd. (8) | China |
| Worthington Samuel Coil Processing LLC (9) | Ohio |
| Worthington Specialty Processing (WSP) (10) | Michigan |
| Worthington Taylor, LLC | Michigan |
| ProCoil Company, LLC | Delaware |

(1) Unconsolidated joint venture with 50% owned by GerCo Holdings, Inc. and 50% owned by ITS-H Holdings, LLC
(2) Unconsolidated joint venture with 25% owned by Worthington CDBS Holding, LLC and 75% owned by CWBS-MISA, Inc.
(3) Unconsolidated joint venture with 50% owned by Worthington Steel Mexico, S.A. de C.V. and 50% owned by Inverzer, S.A. de C.V.
(4) Consolidated joint venture with 52% owned by Worthington Steel of Michigan, Inc. and 48% owned by AK Steel Corporation.
(5) Unconsolidated joint venture with 80% owned by AEP Taxi Workhorse Aggregator, LLC and 20% owned by Worthington Industries Engineered Cabs, Inc.
(6) Consolidated joint venture with 55% owned by Worthington Steel of Michigan, Inc. and 45% owned by a subsidiary of Boashan Iron & Steel Co., Ltd.
(7) Unconsolidated joint venture, operating as a general partnership, with 50% owned by The Worthington Steel Company (Delaware) and 50% owned by Armstrong Ventures, Inc., a subsidiary of Armstrong World Industries, Inc.
(8) Unconsolidated joint venture with 60% owned by Hubei Modern Urban Construction & Development Group Co., Ltd. and 40% owned by Worthington Industries International S.à.r.l.
(9) Consolidated joint venture with 63% owned by Cleveland Pickling, Inc. and 37% owned by Samuel Manu-Tech Pickling Inc.
(10) Consolidated joint venture, operating as a general partnership, with 51% owned by Worthington WSP, LLC and 49% by USS WSP, LLC, a subsidiary of United States Steel Corporation.

**Exhibit 23.1**

**Consent of Independent Registered Public Accounting Firm**

The Board of Directors
Worthington Industries, Inc.:

We consent to the incorporation by reference in the registration statements:

- Form S-3 No. 333-219349 pertaining to the shelf registration of common shares, without par value, and debt securities of Worthington Industries, Inc.;
- Forms S-8 Nos. 033-57981 and 333-168421 pertaining to the Worthington Industries, Inc. Deferred Profit Sharing Plan;
- Forms S-3 Nos. 333-48627 and 333-168418 pertaining to the Worthington Industries, Inc. Dividend Reinvestment and Stock Purchase Plan;
- Forms S-8 Nos. 333-42849, 333-191668, and 333-234157 pertaining to the Worthington Industries, Inc. Amended and Restated 1997 Long-Term Incentive Plan, as amended;
- Form S-8 No. 333-109619 pertaining to the Worthington Industries, Inc. Amended and Restated 2003 Stock Option Plan, as amended;
- Forms S-8 Nos. 333-137614 and 333-177237 pertaining to the Worthington Industries, Inc. Amended and Restated 2006 Equity Incentive Plan for Non-Employee Directors, as amended;
- Form S-8 No. 333-126183 pertaining to the Worthington Industries, Inc. Retirement Savings Plan for Collectively Bargained Employees;
- Form S-8 No. 333-169769 pertaining to the Worthington Industries, Inc. 2010 Stock Option Plan, as amended;
- Form S-8 No. 333-198203 pertaining to the Worthington Industries, Inc. Amended and Restated 2005 Deferred Compensation Plan for Directors, as amended;
- Form S-8 No. 333-198201 pertaining to the Worthington Industries, Inc. Non-Qualified Deferred Compensation Plan, as amended;
- Form S-8 No. 333-198200 pertaining to the Worthington Industries, Inc. Amended and Restated 2005 Non-Qualified Deferred Compensation Plan, as amended; and
- Form S-8 No. 333-198199 pertaining to the Worthington Industries, Inc. Deferred Compensation Plan for Directors, as amended

of our reports dated July 30, 2020, with respect to the consolidated balance sheets of Worthington Industries, Inc. as of May 31, 2020 and 2019, the related consolidated statements of earnings, comprehensive income, equity, and cash flows for each of the years in the three-year period ended May 31, 2020, and the related notes and financial statement schedule II - valuation and qualifying accounts, and the effectiveness of internal control over financial reporting as of May 31, 2020, which reports appear in the May 31, 2020 annual report on Form 10-K of Worthington Industries, Inc.

Our report dated July 30, 2020, on the consolidated financial statements refers to the adoption of Accounting Standards Update 2014-09, *Revenue from Contracts with Customers* (Topic 606), effective June 1, 2018, and the adoption of Accounting Standards Update 2016-02, *Leases* (Topic 842), effective June 1, 2019.

/s/ KPMG LLP

Columbus, Ohio
July 30, 2020

**Exhibit 23.2**

**Consent of Independent Auditors**

The Board of Directors
Worthington Armstrong Venture:

We consent to the incorporation by reference in the registration statements:

- Form S-3 No. 333-219349 pertaining to the shelf registration of common shares, without par value, and debt securities of Worthington Industries, Inc.;
- Forms S-8 Nos. 033-57981 and 333-168421 pertaining to the Worthington Industries, Inc. Deferred Profit Sharing Plan;
- Forms S-3 Nos. 333-48627 and 333-168418 pertaining to the Worthington Industries, Inc. Dividend Reinvestment and Stock Purchase Plan;
- Forms S-8 Nos. 333-42849, 333-191668, and 333-234157 pertaining to the Worthington Industries, Inc. Amended and Restated 1997 Long-Term Incentive Plan, as amended;
- Form S-8 No. 333-109619 pertaining to the Worthington Industries, Inc. Amended and Restated 2003 Stock Option Plan, as amended;
- Forms S-8 Nos. 333-137614 and 333-177237 pertaining to the Worthington Industries, Inc. Amended and Restated 2006 Equity Incentive Plan for Non-Employee Directors, as amended;
- Form S-8 No. 333-126183 pertaining to the Worthington Industries, Inc. Retirement Savings Plan for Collectively Bargained Employees;
- Form S-8 No. 333-169769 pertaining to the Worthington Industries, Inc. 2010 Stock Option Plan, as amended;
- Form S-8 No. 333-198203 pertaining to the Worthington Industries, Inc. Amended and Restated 2005 Deferred Compensation Plan for Directors, as amended;
- Form S-8 No. 333-198201 pertaining to the Worthington Industries, Inc. Non-Qualified Deferred Compensation Plan, as amended;
- Form S-8 No. 333-198200 pertaining to the Worthington Industries, Inc. Amended and Restated 2005 Non- Qualified Deferred Compensation Plan, as amended; and
- Form S-8 No. 333-198199 pertaining to the Worthington Industries, Inc. Deferred Compensation Plan for Directors, as amended

of our report dated February 17, 2020, with respect to the consolidated balance sheets of Worthington Armstrong Venture and subsidiaries as of December 31, 2019 and 2018, the related consolidated statements of income and comprehensive income, partners' deficit, and cash flows for each of the years in the three-year period ended December 31, 2019, and the related notes, which report appears in Exhibit 99.1 in the May 31, 2020 annual report on Form 10-K of Worthington Industries, Inc.

Our report dated February 17, 2020, on the consolidated financial statements refers to the adoption of Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*, and the related Accounting Standards Updates, in the year ended December 31, 2019.

/s/ KPMG LLP

Philadelphia, Pennsylvania
July 30, 2020

**Exhibit 24**

**POWER OF ATTORNEY**

**KNOW ALL MEN BY THESE PRESENTS,** that the undersigned officer and director of Worthington Industries, Inc., an Ohio corporation, which anticipates filing its Annual Report on Form 10-K for the fiscal year ended May 31, 2020, with the Securities and Exchange Commission, Washington, D.C., under the provisions of the Securities Exchange Act of 1934, as amended, hereby makes, constitutes and appoints B. Andrew Rose and Dale T. Brinkman, each with full power to act without the other, his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign such Annual Report on Form 10-K and any and all amendments to such Annual Report on Form 10-K, and to file the same with all exhibits, financial statements and schedules related thereto, and any and all applications or other documents pertaining to such Annual Report on Form 10-K, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he might or could do if personally present. The undersigned hereby ratifies and confirms all that each said attorney-in-fact and agent, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

**IN WITNESS WHEREOF**, the undersigned has hereunto set his hand this 24th day of July, 2020.

/s/ John P. McConnell
John P. McConnell

**POWER OF ATTORNEY**

**KNOW ALL MEN BY THESE PRESENTS,** that the undersigned officer of Worthington Industries, Inc., an Ohio corporation, which anticipates filing its Annual Report on Form 10-K for the fiscal year ended May 31, 2020, with the Securities and Exchange Commission, Washington, D.C., under the provisions of the Securities Exchange Act of 1934, as amended, hereby makes, constitutes and appoints John P. McConnell and Dale T. Brinkman, each with full power to act without the other, his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign such Annual Report on Form 10-K and any and all amendments to such Annual Report on Form 10-K, and to file the same with all exhibits, financial statements and schedules related thereto, and any and all applications or other documents pertaining to such Annual Report on Form 10-K, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he might or could do if personally present. The undersigned hereby ratifies and confirms all that each said attorney-in-fact and agent, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

**IN WITNESS WHEREOF,** the undersigned has hereunto set his hand this 24th day of July, 2020.

/s/ B. Andrew Rose

B. Andrew Rose

**POWER OF ATTORNEY**

**KNOW ALL MEN BY THESE PRESENTS,** that the undersigned officer of Worthington Industries, Inc., an Ohio corporation, which anticipates filing its Annual Report on Form 10-K for the fiscal year ended May 31, 2020, with the Securities and Exchange Commission, Washington, D.C., under the provisions of the Securities Exchange Act of 1934, as amended, hereby makes, constitutes and appoints John P. McConnell, B. Andrew Rose and Dale T. Brinkman, each with full power to act without the others, his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign such Annual Report on Form 10-K and any and all amendments to such Annual Report on Form 10-K, and to file the same with all exhibits, financial statements and schedules related thereto, and any and all applications or other documents pertaining to such Annual Report on Form 10-K, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he might or could do if personally present. The undersigned hereby ratifies and confirms all that each said attorney-in-fact and agent, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

**IN WITNESS WHEREOF**, the undersigned has hereunto set his hand this 24th day of July, 2020.

/s/ Richard G. Welch

Richard G. Welch

**POWER OF ATTORNEY**

**KNOW ALL MEN BY THESE PRESENTS,** that the undersigned director of Worthington Industries, Inc., an Ohio corporation, which anticipates filing its Annual Report on Form 10-K for the fiscal year ended May 31, 2020, with the Securities and Exchange Commission, Washington, D.C., under the provisions of the Securities Exchange Act of 1934, as amended, hereby makes, constitutes and appoints John P. McConnell, B. Andrew Rose and Dale T. Brinkman, each with full power to act without the others, her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for her and in her name, place and stead, in any and all capacities, to sign such Annual Report on Form 10-K and any and all amendments to such Annual Report on Form 10-K, and to file the same with all exhibits, financial statements and schedules related thereto, and any and all applications or other documents pertaining to such Annual Report on Form 10-K, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as she might or could do if personally present. The undersigned hereby ratifies and confirms all that each said attorney-in-fact and agent, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

**IN WITNESS WHEREOF**, the undersigned has hereunto set her hand this 24th day of July, 2020.

/s/ Kerrii B. Anderson

Kerrii B. Anderson

**POWER OF ATTORNEY**

**KNOW ALL MEN BY THESE PRESENTS,** that the undersigned director of Worthington Industries, Inc., an Ohio corporation, which anticipates filing its Annual Report on Form 10-K for the fiscal year ended May 31, 2020, with the Securities and Exchange Commission, Washington, D.C., under the provisions of the Securities Exchange Act of 1934, as amended, hereby makes, constitutes and appoints John P. McConnell, B. Andrew Rose and Dale T. Brinkman, each with full power to act without the others, his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign such Annual Report on Form 10-K and any and all amendments to such Annual Report on Form 10-K, and to file the same with all exhibits, financial statements and schedules related thereto, and any and all applications or other documents pertaining to such Annual Report on Form 10-K, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as she might or could do if personally present. The undersigned hereby ratifies and confirms all that each said attorney-in-fact and agent, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

**IN WITNESS WHEREOF**, the undersigned has hereunto set his hand this 24th day of July, 2020.

/s/ David P. Blom

David P. Blom

**POWER OF ATTORNEY**

**KNOW ALL MEN BY THESE PRESENTS,** that the undersigned director of Worthington Industries, Inc., an Ohio corporation, which anticipates filing its Annual Report on Form 10-K for the fiscal year ended May 31, 2020, with the Securities and Exchange Commission, Washington, D.C., under the provisions of the Securities Exchange Act of 1934, as amended, hereby makes, constitutes and appoints John P. McConnell, B. Andrew Rose and Dale T. Brinkman, each with full power to act without the others, his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign such Annual Report on Form 10-K and any and all amendments to such Annual Report on Form 10-K, and to file the same with all exhibits, financial statements and schedules related thereto, and any and all applications or other documents pertaining to such Annual Report on Form 10-K, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he might or could do if personally present. The undersigned hereby ratifies and confirms all that each said attorney-in-fact and agent, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

**IN WITNESS WHEREOF,** the undersigned has hereunto set his hand this 24th day of July, 2020.

/s/ John B. Blystone

John B. Blystone

**POWER OF ATTORNEY**

**KNOW ALL MEN BY THESE PRESENTS,** that the undersigned director of Worthington Industries, Inc., an Ohio corporation, which anticipates filing its Annual Report on Form 10-K for the fiscal year ended May 31, 2020, with the Securities and Exchange Commission, Washington, D.C., under the provisions of the Securities Exchange Act of 1934, as amended, hereby makes, constitutes and appoints John P. McConnell, B. Andrew Rose and Dale T. Brinkman, each with full power to act without the others, his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign such Annual Report on Form 10-K and any and all amendments to such Annual Report on Form 10-K, and to file the same with all exhibits, financial statements and schedules related thereto, and any and all applications or other documents pertaining to such Annual Report on Form 10-K, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he might or could do if personally present. The undersigned hereby ratifies and confirms all that each said attorney-in-fact and agent, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

**IN WITNESS WHEREOF**, the undersigned has hereunto set his hand this 24th day of July, 2020.

/s/ Mark C. Davis
Mark C. Davis

**POWER OF ATTORNEY**

**KNOW ALL MEN BY THESE PRESENTS,** that the undersigned director of Worthington Industries, Inc., an Ohio corporation, which anticipates filing its Annual Report on Form 10-K for the fiscal year ended May 31, 2020, with the Securities and Exchange Commission, Washington, D.C., under the provisions of the Securities Exchange Act of 1934, as amended, hereby makes, constitutes and appoints John P. McConnell, B. Andrew Rose and Dale T. Brinkman, each with full power to act without the others, his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign such Annual Report on Form 10-K and any and all amendments to such Annual Report on Form 10-K, and to file the same with all exhibits, financial statements and schedules related thereto, and any and all applications or other documents pertaining to such Annual Report on Form 10-K, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he might or could do if personally present. The undersigned hereby ratifies and confirms all that each said attorney-in-fact and agent, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

**IN WITNESS WHEREOF**, the undersigned has hereunto set his hand this 24th day of July, 2020.

/s/ Michael J. Endres

Michael J. Endres

**POWER OF ATTORNEY**

**KNOW ALL MEN BY THESE PRESENTS,** that the undersigned director of Worthington Industries, Inc., an Ohio corporation, which anticipates filing its Annual Report on Form 10-K for the fiscal year ended May 31, 2020, with the Securities and Exchange Commission, Washington, D.C., under the provisions of the Securities Exchange Act of 1934, as amended, hereby makes, constitutes and appoints John P. McConnell, B. Andrew Rose and Dale T. Brinkman, each with full power to act without the others, his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign such Annual Report on Form 10-K and any and all amendments to such Annual Report on Form 10-K, and to file the same with all exhibits, financial statements and schedules related thereto, and any and all applications or other documents pertaining to such Annual Report on Form 10-K, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he might or could do if personally present. The undersigned hereby ratifies and confirms all that each said attorney-in-fact and agent, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

**IN WITNESS WHEREOF**, the undersigned has hereunto set his hand this 24th day of July, 2020.

/s/ Ozey K. Horton, Jr.

Ozey K. Horton, Jr.

**POWER OF ATTORNEY**

**KNOW ALL MEN BY THESE PRESENTS,** that the undersigned director of Worthington Industries, Inc., an Ohio corporation, which anticipates filing its Annual Report on Form 10-K for the fiscal year ended May 31, 2020, with the Securities and Exchange Commission, Washington, D.C., under the provisions of the Securities Exchange Act of 1934, as amended, hereby makes, constitutes and appoints John P. McConnell, B. Andrew Rose and Dale T. Brinkman, each with full power to act without the others, his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign such Annual Report on Form 10-K and any and all amendments to such Annual Report on Form 10-K, and to file the same with all exhibits, financial statements and schedules related thereto, and any and all applications or other documents pertaining to such Annual Report on Form 10-K, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he might or could do if personally present. The undersigned hereby ratifies and confirms all that each said attorney-in-fact and agent, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

**IN WITNESS WHEREOF**, the undersigned has hereunto set his hand this 24th day of July, 2020.

/s/ Peter Karmanos, Jr.

Peter Karmanos, Jr.

**POWER OF ATTORNEY**

**KNOW ALL MEN BY THESE PRESENTS,** that the undersigned director of Worthington Industries, Inc., an Ohio corporation, which anticipates filing its Annual Report on Form 10-K for the fiscal year ended May 31, 2020, with the Securities and Exchange Commission, Washington, D.C., under the provisions of the Securities Exchange Act of 1934, as amended, hereby makes, constitutes and appoints John P. McConnell, B. Andrew Rose and Dale T. Brinkman, each with full power to act without the others, his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign such Annual Report on Form 10-K and any and all amendments to such Annual Report on Form 10-K, and to file the same with all exhibits, financial statements and schedules related thereto, and any and all applications or other documents pertaining to such Annual Report on Form 10-K, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he might or could do if personally present. The undersigned hereby ratifies and confirms all that each said attorney-in-fact and agent, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

**IN WITNESS WHEREOF**, the undersigned has hereunto set his hand this 24th day of July, 2020.

/s/ Carl A. Nelson, Jr.
Carl A. Nelson, Jr.

**POWER OF ATTORNEY**

**KNOW ALL MEN BY THESE PRESENTS,** that the undersigned director of Worthington Industries, Inc., an Ohio corporation, which anticipates filing its Annual Report on Form 10-K for the fiscal year ended May 31, 2020, with the Securities and Exchange Commission, Washington, D.C., under the provisions of the Securities Exchange Act of 1934, as amended, hereby makes, constitutes and appoints John P. McConnell, B. Andrew Rose and Dale T. Brinkman, each with full power to act without the others, his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign such Annual Report on Form 10-K and any and all amendments to such Annual Report on Form 10-K, and to file the same with all exhibits, financial statements and schedules related thereto, and any and all applications or other documents pertaining to such Annual Report on Form 10-K, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he might or could do if personally present. The undersigned hereby ratifies and confirms all that each said attorney-in-fact and agent, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

**IN WITNESS WHEREOF**, the undersigned has hereunto set his hand this 24th day of July, 2020.

/s/ Sidney A. Ribeau
Sidney A. Ribeau

**POWER OF ATTORNEY**

**KNOW ALL MEN BY THESE PRESENTS,** that the undersigned director of Worthington Industries, Inc., an Ohio corporation, which anticipates filing its Annual Report on Form 10-K for the fiscal year ended May 31, 2020, with the Securities and Exchange Commission, Washington, D.C., under the provisions of the Securities Exchange Act of 1934, as amended, hereby makes, constitutes and appoints John P. McConnell, B. Andrew Rose and Dale T. Brinkman, each with full power to act without the others, her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for her and in her name, place and stead, in any and all capacities, to sign such Annual Report on Form 10-K and any and all amendments to such Annual Report on Form 10-K, and to file the same with all exhibits, financial statements and schedules related thereto, and any and all applications or other documents pertaining to such Annual Report on Form 10-K, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as she might or could do if personally present. The undersigned hereby ratifies and confirms all that each said attorney-in-fact and agent, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

**IN WITNESS WHEREOF**, the undersigned has hereunto set her hand this 24th day of July, 2020.

/s/ Mary Schiavo

Mary Schiavo

**POWER OF ATTORNEY**

**KNOW ALL MEN BY THESE PRESENTS,** that the undersigned director of Worthington Industries, Inc., an Ohio corporation, which anticipates filing its Annual Report on Form 10-K for the fiscal year ended May 31, 2020, with the Securities and Exchange Commission, Washington, D.C., under the provisions of the Securities Exchange Act of 1934, as amended, hereby makes, constitutes and appoints John P. McConnell and B. Andrew Rose, each with full power to act without the others, his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign such Annual Report on Form 10-K and any and all amendments to such Annual Report on Form 10-K, and to file the same with all exhibits, financial statements and schedules related thereto, and any and all applications or other documents pertaining to such Annual Report on Form 10-K, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as she might or could do if personally present. The undersigned hereby ratifies and confirms all that each said attorney-in-fact and agent, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

**IN WITNESS WHEREOF**, the undersigned has hereunto set her hand this 24th day of July, 2020.

/s/ Dale T. Brinkman

Dale T. Brinkman

**POWER OF ATTORNEY**

**KNOW ALL MEN BY THESE PRESENTS,** that the undersigned director of Worthington Industries, Inc., an Ohio corporation, which anticipates filing its Annual Report on Form 10-K for the fiscal year ended May 31, 2020, with the Securities and Exchange Commission, Washington, D.C., under the provisions of the Securities Exchange Act of 1934, as amended, hereby makes, constitutes and appoints John P. McConnell, B. Andrew Rose and Dale T. Brinkman, each with full power to act without the others, his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign such Annual Report on Form 10-K and any and all amendments to such Annual Report on Form 10-K, and to file the same with all exhibits, financial statements and schedules related thereto, and any and all applications or other documents pertaining to such Annual Report on Form 10-K, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as she might or could do if personally present. The undersigned hereby ratifies and confirms all that each said attorney-in-fact and agent, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

**IN WITNESS WHEREOF**, the undersigned has hereunto set his hand this 24th day of July, 2020.

/s/ Joseph B. Hayek

Joseph B. Hayek

**Exhibit 31.1**

**RULE 13a-14(a) / 15d-14(a)**
**CERTIFICATIONS (PRINCIPAL EXECUTIVE OFFICER)**
**CERTIFICATIONS**

I, John P. McConnell, certify that:

1. I have reviewed this Annual Report on Form 10-K for the fiscal year ended May 31, 2020 of Worthington Industries, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: July 30, 2020

By: /s/ John P. McConnell
John P. McConnell, Chairman of the Board and
Chief Executive Officer

**Exhibit 31.2**

**RULE 13a-14(a) / 15d-14(a)**
**CERTIFICATIONS (PRINCIPAL FINANCIAL OFFICER)**
**CERTIFICATIONS**

I, Joseph B. Hayek, certify that:

1. I have reviewed this Annual Report on Form 10-K for the fiscal year ended May 31, 2020 of Worthington Industries, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: July 30, 2020

By: /s/ Joseph B. Hayek
Joseph B. Hayek,
Vice President and Chief Financial Officer

**Exhibit 32.1**

**CERTIFICATIONS OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002***

In connection with the Annual Report of Worthington Industries, Inc. (the "Company") on Form 10-K for the fiscal year ended May 31, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John P. McConnell, Chairman of the Board and Chief Executive Officer of the Company, certify, pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the consolidated financial condition and results of operations of the Company and its subsidiaries.

/s/ John P. McConnell
Printed Name: John P. McConnell
Title: Chairman of the Board and Chief Executive Officer

Date: July 30, 2020

*These certifications are being furnished as required by Rule 13a-14(b) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Section 1350 of Chapter 63 of Title 18 of the United States Code, and shall not be deemed "filed" for purposes of Section 18 of the Exchange Act or otherwise subject to the liability of that Section. These certifications shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that Worthington Industries, Inc. specifically incorporates these certifications by reference.

**Exhibit 32.2**

**CERTIFICATIONS OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002***

In connection with the Annual Report of Worthington Industries, Inc. (the "Company") on Form 10-K for the fiscal year ended May 31, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Joseph B. Hayek, Vice President and Chief Financial Officer of the Company, certify, pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the consolidated financial condition and results of operations of the Company and its subsidiaries.

/s/ Joseph B. Hayek

Printed Name: Joseph B. Hayek
Title: Vice President and Chief Financial Officer

Date: July 30, 2020

*These certifications are being furnished as required by Rule 13a-14(b) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Section 1350 of Chapter 63 of Title 18 of the United States Code, and shall not be deemed "filed" for purposes of Section 18 of the Exchange Act or otherwise subject to the liability of that Section. These certifications shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that Worthington Industries, Inc. specifically incorporates these certifications by reference.

Exhibit 99.1

# WORTHINGTON ARMSTRONG VENTURE

Consolidated Financial Statements

December 31, 2019 and 2018

(With Independent Auditors' Report Thereon)

## WORTHINGTON ARMSTRONG VENTURE

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KPMG LLP
1601 Market Street
Philadelphia, PA 19103-2499

**Independent Auditors' Report**

The Board of Directors Worthington Armstrong Venture:

We have audited the accompanying consolidated financial statements of Worthington Armstrong Venture and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the related consolidated statements of income and comprehensive income, partners' deficit, and cash flows for each of the years in the three year period ended December 31, 2019, and the related notes to the consolidated financial statements.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

*Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Worthington Armstrong Venture and its subsidiaries as of December 31, 2019 and 2018, and the results of their operations and their cash flows for each of the years in the three year period ended December 31, 2019, in accordance with U.S. generally accepted accounting principles.

*Change in Accounting Principle*

As discussed in Note 2 to the consolidated financial statements, in the year ended December 31, 2019, the Company adopted new accounting guidance Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers,* and the related Accounting Standards Updates using the modified retrospective transition method. Our opinion is not modified with respect to this matter.

KPMG LLP

Philadelphia, Pennsylvania
February 17, 2020

KPMG LLP is a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

**WORTHINGTON ARMSTRONG VENTURE**

Consolidated Balance Sheets

December 31, 2019 and 2018

(Dollar amounts in thousands)

| **Assets** | | **2019** | **2018** |
|---|---|---|---|
| Current assets: | | | |
| Cash and cash equivalents | $ | 1,016 | 16,755 |
| Accounts receivable, net | | 34,012 | 31,472 |
| Receivables from affiliates | | 29,243 | 24,963 |
| Inventory, net | | 34,549 | 39,646 |
| Other current assets | | 335 | 49 |
| Current assets of discontinued operations held for sale (Note 3) | | — | 33,781 |
| Total current assets | | 99,155 | 146,666 |
| Property, plant, and equipment, net | | 27,051 | 24,127 |
| Goodwill & intangibles | | 9,511 | 9,675 |
| Other assets | | 477 | 1,145 |
| Total assets | $ | 136,194 | 181,613 |
| **Liabilities and Partners' Deficit** | | | |
| Current liabilities: | | | |
| Accounts payable | $ | 15,264 | 12,319 |
| Accounts payable to affiliates | | 2,538 | 2,053 |
| Accrued expenses | | 6,384 | 7,043 |
| Taxes payable | | 154 | 155 |
| Advanced receipt of sale proceeds | | — | 92,000 |
| Current liabilities of discontinued operations held for sale (Note 3) | | — | 6,908 |
| Total current liabilities | | 24,340 | 120,478 |
| Long-term liabilities: | | | |
| Long-term debt | | 285,451 | 291,712 |
| Other long-term liabilities | | 1,981 | 1,941 |
| Total long-term liabilities | | 287,432 | 293,653 |
| Total liabilities | | 311,772 | 414,131 |
| Partners' deficit: | | | |
| Accumulated deficit | | (172,121) | (218,280) |
| Accumulated other comprehensive loss | | (3,457) | (14,238) |
| Total partners' deficit | | (175,578) | (232,518) |
| Total liabilities and partners' deficit | $ | 136,194 | 181,613 |

See accompanying notes to consolidated financial statements.

**WORTHINGTON ARMSTRONG VENTURE**

Consolidated Statements of Income and Comprehensive Income

Years ended December 31, 2019, 2018, and 2017

(Dollar amounts in thousands)

| | 2019 | 2018 | 2017 |
|---|---|---|---|
| Net sales | $ 393,246 | 374,973 | 344,483 |
| Cost of sales | (173,605) | (169,213) | (151,820) |
| Gross margin | 219,641 | 205,760 | 192,663 |
| Selling, general, and administrative expenses | (39,438) | (39,612) | (40,053) |
| Operating income | 180,203 | 166,148 | 152,610 |
| Other (expense), net | (2,743) | (106) | (208) |
| Interest expense | (11,281) | (9,256) | (7,873) |
| Income from continuing operations before tax expense | 166,179 | 156,786 | 144,529 |
| Income tax expense | (231) | (215) | (239) |
| Net income from continuing operations | 165,948 | 156,571 | 144,290 |
| Discontinued Operations (Note 3) | | | |
| Net income from discontinued operations, net of tax expense | 52,211 | 4,970 | 4,159 |
| Total net income | 218,159 | 161,541 | 148,449 |
| | | | |
| Other comprehensive income (loss): | | | |
| Change in pension plan | 3,116 | 96 | 461 |
| Change in cash flow hedge | (1,620) | 916 | 1,154 |
| Foreign currency adjustments | 9,285 | (2,616) | 4,784 |
| Total other comprehensive income (loss) | 10,781 | (1,604) | 6,399 |
| Total comprehensive income | $ 228,940 | 159,937 | 154,848 |

See accompanying notes to consolidated financial statements.

**WORTHINGTON ARMSTRONG VENTURE**

Consolidated Statements of Partners' Deficit

Years ended December 31, 2019, 2018, and

2017 (Dollar amounts in thousands)

| | Contributed capital | | | | |
|---|---|---|---|---|---|
| | Armstrong Ventures, Inc. | The Worthington Steel Company | Accumulated deficit | Accumulated other comprehensive income (loss) | Total partners' deficit |
| Balance, December 31, 2016 | $ — | — | (102,870) | (19,033) | (121,903) |
| Net income | — | — | 148,449 | — | 148,449 |
| Distributions | — | — | (140,000) | — | (140,000) |
| Change in pension plan | — | — | — | 461 | 461 |
| Change in cash flow hedge | — | — | — | 1,154 | 1,154 |
| Foreign currency translation adjustments | — | — | — | 4,784 | 4,784 |
| Balance, December 31, 2017 | $ — | — | (94,421) | (12,634) | (107,055) |
| Net income | — | — | 161,541 | — | 161,541 |
| Distributions | — | — | (285,400) | — | (285,400) |
| Change in pension plan | — | — | — | 96 | 96 |
| Change in cash flow hedge | — | — | — | 916 | 916 |
| Foreign currency translation adjustments | — | — | — | (2,616) | (2,616) |
| Balance, December 31, 2018 | $ — | — | (218,280) | (14,238) | (232,518) |
| Net income | — | — | 218,159 | — | 218,159 |
| Distributions | — | — | (172,000) | — | (172,000) |
| Change in pension plan | — | — | — | 3,116 | 3,116 |
| Change in cash flow hedge | — | — | — | (1,620) | (1,620) |
| Foreign currency translation adjustments | — | — | — | 9,285 | 9,285 |
| Balance, December 31, 2019 | $ — | — | (172,121) | (3,457) | (175,578) |

See accompanying notes to consolidated financial statements.

**WORTHINGTON ARMSTRONG VENTURE**

Consolidated Statements of Cash Flows

Years ended December 31, 2019, 2018, and 2017

(Dollar amounts in thousands)

| | 2019 | 2018 | 2017 |
|---|---|---|---|
| Cash flows from operating activities: | | | |
| Net income | $ 218,159 | 161,541 | 148,449 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Gain on sale of international operations | (46,238) | — | — |
| Depreciation and amortization | 4,134 | 3,488 | 5,160 |
| Pension settlement expense | 2,603 | — | — |
| Changes in assets and liabilities: | | | |
| Change in receivables | (3,247) | (4,288) | (102) |
| Change in inventory | 4,514 | (5,654) | (4,879) |
| Change in payables and accrued expenses | 3,634 | 293 | 1,065 |
| Other | (774) | (282) | (4,510) |
| Net cash provided by operating activities, including discontinued operations | 182,785 | 155,098 | 145,183 |
| Cash flows from investing activities: | | | |
| Purchases of property, plant, and equipment | (6,875) | (3,942) | (4,444) |
| Sale of property, plant, and equipment | (19) | 33 | 34 |
| Change in short-term investments | — | 6,897 | (1,115) |
| Purchase of assets from affiliate | — | (2,000) | — |
| Cash of discontinued operations transferred to Knauf | (13,130) | — | — |
| Cash consideration received from affiliate | — | 70,000 | — |
| Net cash provided by/(used) in investing activities, including discontinued operations | (20,024) | 70,988 | (5,525) |
| Cash flows from financing activities: | | | |
| Proceeds from revolving credit facility | 188,000 | 190,000 | 176,000 |
| Issuance of long-term debt | — | 50,000 | — |
| Issuance of short-term debt | — | — | — |
| Repayment of short-term debt | — | — | (14,000) |
| Repayment of revolving credit facility | (194,500) | (192,000) | (171,500) |
| Financing cost | — | (31) | (832) |
| Distributions paid | (172,000) | (285,400) | (140,000) |
| Net cash used in financing activities, including discontinued operations | (178,500) | (237,431) | (150,332) |
| Effect of exchange rate changes on cash and cash equivalents | — | 1,244 | 3,143 |
| Net increase (decrease) in cash and cash equivalents | (15,739) | (10,101) | (7,531) |
| Cash and cash equivalents at beginning of year | 16,755 | 26,856 | 34,387 |
| Cash and cash equivalents at end of year | $ 1,016 | 16,755 | 26,856 |
| Supplemental disclosures: | | | |
| Interest paid | $ 11,424 | 8,730 | 7,873 |
| Income taxes paid | 782 | 933 | 168 |

See accompanying notes to consolidated financial statements.

## (1) Description of Business

Worthington Armstrong Venture (the Company) is a general partnership, formed in June 1992, between Armstrong Ventures, Inc. (Armstrong), a subsidiary of Armstrong World Industries, Inc., and The Worthington Steel Company (Worthington), a Delaware corporation (a subsidiary of Worthington Industries, Inc.). Its business is to manufacture and market suspension systems for commercial and residential ceiling markets throughout the world. The Company has manufacturing plants located throughout the United States, following the disposition of all international manufacturing facilities to Knauf International GmbH as disclosed below.

On November 17, 2017, Armstrong World Industries, Inc. (AWI) entered into a Share Purchase Agreement (the Purchase Agreement) with Knauf International GmbH (Knauf) to sell certain subsidiaries comprising its business in Europe, the Middle East, Africa (EMEA) and the Pacific Rim. The sale also included the corresponding businesses and operations of the Company, and was approved by both Armstrong and Worthington. The consideration to be paid by Knauf for the Company's businesses was approximately $92,000, subject to certain adjustments as provided in the Purchase Agreement, including adjustments based on the economic impact of any required regulatory remedies and a working capital adjustment.

On July 18, 2018, AWI entered into an amendment to the above Purchase Agreement, pursuant to which Knauf agreed to irrevocably and unconditionally pay AWI (i) $250,000 on August 1, 2018, and (ii) $80,000 on September 15, 2018, if, prior to such date (A) any competition condition has not been satisfied, or (B) the closing has not yet occurred. The amendment also provided for the reduction (from a maximum of $35,000 to a maximum of $20,000) of potential adjustments to the purchase price consideration for the transaction based on the impact of remedies required to satisfy competition conditions. AWI received both the $250,000 payment and the $80,000 payment from Knauf in the third quarter of 2018. Following receipt of these payments, $70,000 was remitted to the Company in partial consideration of the purchase price in respect of the business and operations of the Company under the transaction. The Company subsequently paid each AWI and Worthington a dividend of $35,000 in 2018. The Company also recorded a $22,000 receivable from AWI, which was reflected within Receivables from Affiliates to be payable from AWI to the Company as of December 31, 2018.

On September 30, 2019, the previously announced sale of the Company's international businesses and operations was completed. As of December 31, 2019, no additional cash proceeds have been realized by the Company, and the portion of the purchase price adjustment to be allocated to the Company from AWI has not yet been finalized. As of December 31, 2019, the estimated amount receivable from AWI is $25,930, which is reflected within Receivables from Affiliates. This amount includes estimated working capital adjustments, remedy adjustments, and fees allocable to the Company from AWI related to the transaction. This amount also includes $13,130 of cash transferred to Knauf at the time of sale, which will be reimbursed back to the Company by AWI. EMEA and Pacific Rim's financial results have been reflected in the consolidated financial statements as discontinued operations for all periods presented. Refer to Note 3 for additional information.

## (2) Summary of Significant Accounting Policies

### *(a) Use of Estimates*

These consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and include management estimates and judgments, where appropriate. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the valuation of property, plant, and equipment and goodwill, accrual for volume rebates, and assets and obligations related to employee benefits.

The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany transactions have been eliminated.

Certain amounts in the prior year's Consolidated Financial Statements and related notes have been recast to conform to the 2019 presentation.

*(b)* ***Revenue Recognition***

The Company recognizes revenue upon transfer of control of manufactured products to the customer, which typically occurs upon shipment. The main performance obligation to customers is the delivery of products in accordance with purchase orders. Each purchase order confirms the transaction price for the products purchased under the arrangement. Direct shipments to building materials distributors, home centers, direct customers and retailers represent the majority of sales transactions. Standard sales terms are Free On Board ("FOB") shipping point; however, the Company does have minimal sales terms that are FOB destination. At the point of shipment, the customer is required to pay under normal sales terms, which in most cases are 45 days or less, with no material financing components. While the majority of the Company's revenue is derived from the sale of standard products, the Company also manufactures and sells customized ceiling products. The manufacturing cycle for these products is typically short.

The Company's products are sold with normal and customary return provisions. We provide limited warranties for defects in materials or factory workmanship, sagging and warping, and certain other manufacturing defects. Warranties are not sold separately to customers, and product warranties place certain requirements on the purchaser, including installation and maintenance in accordance with written instructions. In addition to the warranty program, under certain limited circumstances, we will occasionally, at our sole discretion, provide a customer accommodation repair or replacement. Warranty repairs and replacements are most commonly made by professional installers employed by or affiliated with our independent distributors. Sales returns and warranty claims have historically not been material and do not constitute separate performance obligations.

We often offer incentive programs to our customers, primarily volume rebates and promotions. The majority of our rebates are designated as a percentage of annual customer purchases. We estimate the amount of rebates based on actual sales for the period and accrue for the projected incentive programs costs. We record the costs of rebate accruals as a reduction to our revenue. Other sales discounts, including early pay promotions, are deducted immediately from the sales invoice.

Sales taxes collected from customers and remitted to governmental authorities are accounted for on a net basis and, therefore, are excluded from revenues in the consolidated statements of income and comprehensive income.

*(c)* ***Derivative Instruments and Hedging Activities***

The Company recognizes all derivative instruments as either assets or liabilities in the balance sheet at their respective fair values. For derivatives designated in hedging relationships, changes in the fair value are recognized in accumulated other comprehensive income, to the extent the derivative is effective at offsetting the changes in cash flows being hedged until the hedged item affects earnings. For derivatives not designated as hedges or that do not meet the criteria for hedge accounting, all changes in fair value are recorded immediately to profit or loss.

*(d)* ***Advertising Costs***

The Company recognizes advertising expense as incurred. Advertising expense was $1,386, $1,491, and $1,243 for the years ended December 31, 2019, 2018, and 2017 respectively.

*(e)* ***Research and Development Expenditures***

The Company recognizes research and development expense as expenditures are incurred. Total research and development expense was $3,913, $3,997, and $4,653 for the years ended December 31, 2019, 2018, and 2017 respectively.

*(f)* ***Taxes***

The Company is a general partnership in the United States, and accordingly, generally, U.S. federal and state income taxes are the responsibility of the two general partners. The Company recognizes the effect of uncertain income tax positions only if those positions are more likely than not of being sustained. Recognized income tax benefits are measured at the largest amount that is greater than 50% likely of being

realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

***(g) Trade Accounts Receivable***

Trade accounts receivable are recorded at the invoiced amount and do not bear interest. The Company maintains an allowance for doubtful accounts for estimated losses inherent in its accounts receivable portfolio, as deemed necessary. In establishing the required allowance, management considers historical losses, current receivables aging, and existing industry and national economic data. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Company does not have any off-balance-sheet credit exposure related to its customers.

***(h) Inventories***

Inventories are valued at the lower of cost and net realizable value. Cost is determined on the first-in, first-out method.

***(i) Long-Lived Assets***

Property, plant, and equipment are stated at cost, with accumulated depreciation and amortization deducted to arrive at net book value. Depreciation charges are determined generally on the straight-line basis over the useful lives as follows: buildings, 30 years; machinery and equipment, 5 to 15 years; and leasehold improvements over the shorter of 10 years or the life of the lease. Impairment losses are recorded when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount. If an impairment exists, the asset is reduced to fair value.

***(j) Goodwill***

Goodwill represents the excess of the aggregate purchase price over the fair value of the net assets acquired in a purchase business combination. Goodwill is tested for impairment at least annually. The impairment tests performed in 2019, 2018, and 2017 did not result in an impairment of goodwill.

***(k) Recently Adopted Accounting Standards***

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to a customer. Revenue is recognized in an amount that reflects the consideration a company expects to receive in exchange for those goods or services. A company also is required to disclose sufficient quantitative and qualitative information to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The FASB also has issued several amendments to the standard, which are intended to promote a more consistent interpretation and application of the principles outlined in the standard.

Effective January 1, 2019, the Company adopted the provisions of ASU 2014-09 using the modified retrospective transition method. Substantially all of our revenues from contracts with customers are recognized from the sale of products with standard shipping terms, sales discounts and warranties. The Company will continue to record revenue at a single point in time when control of the product is transferred to the customer, which is determined to be generally when the product is shipped to the customer. Adoption of the standard did not have a material impact to our financial condition, results of operations or cash flows as the amount and timing of substantially all of our revenues will continue to be recognized at a point in time.

*(l)* ***Recently Issued Accounting Standards***

In February 2016, the FASB issued ASU 2016-02, *Leases*, which amends accounting for leases, most notably by requiring a lessee to recognize the assets and liabilities that arise from a lease agreement. Specifically, this new guidance will require lessees to recognize a liability to make lease payments and a right-of-use asset representing its right to use the underlying asset for the lease term, with limited exceptions. In 2019, the FASB approved a proposal to defer the effective date for private companies to January 1, 2021. As such, the Company plans to adopt ASU 2016-02 effective January 1, 2021.

**(3) Discontinued Operations**

As discussed in Note 1, the previously announced sale of the Company's business and operations in EMEA and Pacific Rim was completed on September 30, 2019. Accordingly, the results of operations of our EMEA and Pacific Rim businesses, including the associated gain on sale of assets, continue to be reported as discontinued operations in the accompanying consolidated financial statements. In connection with the closing of the sale, we also entered into an Intellectual Property License Agreement with Knauf for its benefit (and, under sublicense, to the buyer of the divestment business) under which they license certain patents, trademarks and know-how from us for use in certain licensed territories. We also entered into a Supply Agreement with Knauf under which the parties may continue to purchase certain products from each other following the closing of the Sale in the normal course of business.

The following table presents the carrying amounts of major classes of assets and liabilities of the discontinued operations held for sale in the consolidated balance sheets as of December 31, 2019 and 2018:

| **Assets** | | **2019** | **2018** |
|---|---|---|---|
| Accounts receivable, net | $ | — | 5,107 |
| Inventory, net | | — | 8,501 |
| Other current assets | | — | 1,161 |
| Property, plant and equipment | | — | 16,056 |
| Other non-current assets | | — | 2,956 |
| Total current assets of discontinued operations held for sale | | — | 33,781 |
| **Liabilitie s** | | | |
| Accounts payable | | — | 4,295 |
| Accrued expenses | | — | 1,925 |
| Other liabilities | | — | 688 |
| Total current liabilities of discontinued operations held for sale | | — | 6,908 |
| Total net assets | $ | — | 26,873 |

The following table represents the results of our discontinued operations:

| | | **2019** | **2018** | **2017** |
|---|---|---|---|---|
| Net sales | $ | 49,555 | 64,638 | 63,222 |
| Cost of sales | | (37,736) | (52,677) | (51,400) |
| Selling, general, and administrative expenses | | (2,872) | (5,045) | (8,004) |
| Other income (expense), net | | (412) | (117) | 309 |
| Gain on sale of international operations | | 46,238 | — | — |
| Income from discontinued operations before tax expense | | 54,773 | 6,799 | 4,127 |
| Income tax benefit (expense) | | (2,562) | (1,829) | 32 |
| Net income from discontinued operations, | $ | 52,211 | 4,970 | 4,159 |

The following is a summary of total depreciation and amortization and capital expenditures of our discontinued operations, which are presented as components of operating and investing activities in our consolidated statement of cash flows:

| | 2019 | 2018 | 2017 |
|---|---|---|---|
| Depreciation and amortization | $ — | — | 1,958 |
| Purchase of property, plant and equipment | 124 | 637 | 1,753 |

**(4) Accounts Receivable**

The Company sells its products to select, preapproved customers whose businesses are directly affected by changes in economic and market conditions. The Company considers these factors and the financial condition of each customer when establishing its allowance for losses from doubtful accounts. The allowance for doubtful accounts was $0 and $2 at December 31, 2019 and 2018, respectively.

**(5) Inventory**

| | 2019 | 2018 |
|---|---|---|
| Finished goods | $ 11,222 | 12,534 |
| Goods in process | 435 | 347 |
| Raw materials | 19,941 | 24,198 |
| Supplies | 2,951 | 2,567 |
| Total inventory, net of reserves | $ 34,549 | 39,646 |

**(6) Derivative Instruments and Hedging Activities**

The Company uses variable-rate London Interbank Offered Rate (LIBOR) debt to finance its operations. The debt obligations expose the Company to variability in interest payments due to changes in interest rates. Management believes that it is prudent to limit the variability of a portion of its interest payments. To meet this objective, management enters into LIBOR based interest rate swap agreements to manage fluctuations in cash flows resulting from changes in the benchmark interest rate of LIBOR. The swap changes the variable-rate cash flow exposure on the debt obligations to fixed cash flows. Under the terms of the interest rate swaps, the Company receives LIBOR-based variable interest rate payments and makes fixed interest rate payments, thereby creating the equivalent of fixed-rate debt for the notional amount of its debt hedged.

On July 16, 2013, the Company entered into a LIBOR-based interest rate swap agreement to manage fluctuations in cash flows resulting from changes in the benchmark interest rate of LIBOR. The swap has a notional amount of $50,000 maturing in July 2020, under the terms of which the Company pays a fixed rate of 2.136% and receives one-month LIBOR. This swap is designated as a cash flow hedge.

On April 28, 2017 the Company entered into another swap with a notional amount of $50,000 maturing in February 2022, under the terms of which the Company pays a fixed rate of 1.9365% and receives one-month LIBOR. This swap is designated as a cash flow hedge.

As of December 31, 2019 and 2018, the total notional amount of the Company's outstanding interest-rate swap agreements that were entered into to hedge outstanding or forecasted debt obligations were $100,000 and $100,000, respectively.

The fair value of derivatives designated as hedging instruments held as of December 31, 2019 and 2018 are as follows:

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | Balance Sheet Location | Fair value | Balance Sheet Location | Fair value |
| Interest rate swap (current) | Accrued Expenses | $ 116 | | |
| Interest rate swap (non-current) | Other LT Liabilities | 421 | Other Assets | $ 1,082 |
| | Total | $ 537 | | $ 1,082 |

The amount of loss (gain) recognized in accumulated other comprehensive income was $527 and ($1,093), respectively as of December 31, 2019 and 2018.

**(7) Property, Plant, and Equipment**

| | 2019 | 2018 |
|---|---|---|
| Land | $ 673 | 673 |
| Buildings | 13,489 | 13,195 |
| Machinery and equipment | 63,368 | 59,660 |
| Computer software | 1,740 | 1,672 |
| Construction in process | 4,246 | 2,393 |
| | 83,516 | 77,593 |
| Accumulated depreciation and amortization | (56,465) | (53,466) |
| Total property, plant, and equipment, net | $ 27,051 | 24,127 |

Depreciation and amortization expense was $4,134, $3,488 and $3,202 for the years ended December 31, 2019, 2018 and 2017, respectively.

**(8) Fair Value of Financial Instruments**

The Company does not hold or issue financial instruments for trading purposes.

The carrying amounts of cash and cash equivalents, accounts receivable, and accounts payable approximate their fair value due to the short-term maturity of these instruments. The carrying value and estimated fair value of debt was $285,451 and $294,843, respectively, at December 31, 2019. The carrying value and estimated fair value of debt was $291,712 and $291,809, respectively, at December 31, 2018.

The fair value of the Company's debt is based on the amount of future cash flows discounted using rates the Company would currently be able to realize for similar instruments of comparable maturity.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. U.S. GAAP establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. The three levels of inputs used to measure fair value are as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies, and similar techniques that use significant unobservable inputs.

The Company's derivatives are valued using Level 2 inputs. The fair values are disclosed in Note 6. The Company does not have any significant financial or nonfinancial assets or liabilities that are valued using Level 3 inputs.

**(9) Debt**

The Company has a $250,000 revolving credit facility (Facility) with PNC Bank and other lenders which expires March 22, 2022. As of December 31, 2019 and 2018 there was $186,000 and $192,500, respectively, outstanding under the Facility. The Company can borrow at rates with a range over LIBOR of 1.125% to 1.75%, depending on the Company's leverage ratio, as defined by the terms of the Facility. As of December 31, 2019 and 2018, the rate was 3.06% and 3.76%, respectively.

On December 23, 2011, the Company issued $50,000 of 10-year private placement notes with Prudential Investment Management, Inc. (Prudential Notes) that mature in December 2021. At December 31, 2019 and 2018, there was $50,000 outstanding. The Prudential Notes bear interest at 4.90% that is paid on a quarterly basis.

On October 19, 2018, the Company amended and restated the $50,000 Prudential Notes agreement and issued $50,000 of 10-year private placement notes with PGIM, Inc. (PGIM Notes) that mature in October 2028. At December 31, 2019 and 2018, there was $50,000 outstanding. The PGIM Notes bear interest at 4.79% that is paid on a quarterly basis.

The debt agreements contain certain restrictive financial covenants, including, among others, interest coverage and leverage ratios. The Company was in compliance with its covenants during the years ended and as of December 31, 2019 and 2018.

**(10) Pension Benefit Programs**

The Company contributes to the Worthington Industries Deferred Profit Sharing Plan for eligible

U.S. employees Costs for this plan were $1,549, $1,407 and $1,399 for 2019, 2018 and 2017, respectively.

The Company also has a U.S. defined-benefit pension plan for eligible hourly employees that worked in its former manufacturing plant located in Malvern, Pennsylvania. This plan was curtailed in January 2004 due to the consolidation of the Company's East Coast operations, which eliminated the expected future years of service for participants in the plan. During 2019, the Company settled a portion of the plan liability by purchasing annuities for participants receiving monthly benefits below a specified level, in addition to offering lump sum settlements to all participants not receiving monthly payments. These actions reduced the number of participants in the plan, decreasing administrative burden, as well as lowering the Company's remaining financial liability associated with the plan. Pension settlement accounting charges triggered by this activity totaled $2,603. This expense is classified as other expense within the consolidated statements of income and comprehensive income.

The following tables set forth the defined-benefit pension plan's benefit obligations, fair value of plan assets, and funded status at December 31, 2019 and 2018:

| | | 2019 | 2018 |
|---|---|---|---|
| Projected benefit obligation at beginning of year | $ | 9,988 | 11,145 |
| Interest cost | | 305 | 374 |
| Actuarial (gain) loss | | 757 | (881) |
| Benefits paid | | (5,193) | (650) |
| Projected benefit obligation at end of year | $ | 5,857 | 9,988 |

Note: The $2,603 settlement charge incurred in 2019 is included within the "Benefits paid" total.

| | 2019 | 2018 |
|---|---|---|
| Benefit obligation at December 31 | $ 5,857 | 9,988 |
| Fair value of plan assets as of December 31 | 5,242 | 8,622 |
| Funded status at end of year | $ (615) | (1,366) |
| Amounts recognized in the balance sheets consist of: | | |
| Other long-term liabilities | $ (615) | (1,366) |
| Accumulated other comprehensive loss | 2,929 | 6,044 |
| Net amount recognized | $ 2,314 | 4,678 |

Amounts recognized in accumulated other comprehensive loss represent unrecognized net actuarial losses. The components of net periodic benefit cost (benefit) are as follows:

| | 2019 | 2018 | 2017 |
|---|---|---|---|
| Interest cost | $ 305 | 374 | 417 |
| Expected return on plan assets | (428) | (651) | (593) |
| Recognized net actuarial loss | 283 | 320 | 334 |
| Recognized settlement charge | 2,603 | — | — |
| Net periodic benefit cost | $ 2,763 | 43 | 158 |

The accumulated benefit obligation for the U.S. defined-benefit pension plan was $5,857 and $9,988 at December 31, 2019 and 2018, respectively. The unrecognized net loss for the defined-benefit pension plan that will be amortized from accumulated other comprehensive income into net periodic benefit cost over the next fiscal year is $100.

The valuations and assumptions reflect the Society of Actuaries updated RP-2014 mortality tables with MP- 2019 generational projection scales as of December 31, 2019.

Weighted average assumptions used to determine benefit obligations for the years ended and as of December 31, 2019 and 2018 are as follows:

| | 2019 | 2018 |
|---|---|---|
| Weighted average assumptions for the year ended December 31: | | |
| Discount rate | 3.36% | 3.52% |
| Expected long-term rate of return on plan assets | 6.50 | 7.25 |
| Weighted average assumptions as of December 31: | | |
| Discount rate | 3.08% | 4.13% |
| Expected long-term rate of return on plan assets | 6.50 | 7.25 |

Pension plan assets are required to be disclosed at fair value in the consolidated financial statements. Fair value is defined in Note 8 – Fair Value of Financial Instruments.

The U.S. defined-benefit pension plan assets' fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following tables set forth by level within the fair value hierarchy a summary of the plan's assets measured at fair value on a recurring basis as of December 31, 2019 and 2018, respectively:

| | | 2019 | |
|---|---|---|---|
| | | Fair value based on | |
| | Fair value | Quoted active markets (Level 1) | Observable inputs (Level 2) |
| Investment: | | | |
| Cash and money market funds | $ 432 | 432 | — |
| Debt securities | 1,662 | — | 1,662 |
| Common stocks | 3,148 | 3,148 | — |
| | $ 5,242 | 3,580 | 1,662 |

| | | 2018 | |
|---|---|---|---|
| | | Fair value based on | |
| | Fair value | Quoted active markets (Level 1) | Observable inputs (Level 2) |
| Investment: | | | |
| Cash and money market funds | $ 445 | 445 | — |
| Debt securities | 2,999 | — | 2,999 |
| Common stocks | 5,178 | 5,178 | — |
| | $ 8,622 | 5,623 | 2,999 |

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2019 and 2018.

Cash: Consists of cash and cash equivalents. The carrying amounts of cash and cash equivalents approximate fair value due to the short-term maturity of these instruments.

Money market funds: The money market investment consists of an institutional investor money market fund, valued at the fund's net asset value (NAV), which is normally calculated at the close of business daily. The fund's assets are valued as of this time for the purpose of computing the fund's NAV.

Debt securities: Consist of investments in individual corporate bonds, municipal bonds, or government bonds. These bonds are each individually valued using a yield curve model, based on observable inputs, which may also incorporate available trade and bid/ask spread data where available.

Common stocks: Consist of investments in common stocks that are valued at the closing price reported on the active market on which the individual security is traded.

In developing the 6.50% expected long-term rate of return assumption, the Company considered its historical returns and reviewed asset class return expectations and long-term inflation assumptions.

The primary investment objective of the defined-benefit pension plan is to achieve long-term growth of capital in excess of 6.50% annually, exclusive of contributions or withdrawals. This objective is to be achieved through a balanced portfolio comprising equities, fixed income, and cash investments.

Each asset class utilized by the defined-benefit pension plan has a targeted percentage. The following table shows the asset allocation target and the December 31, 2019 and 2018 position:

| | | Position at December 31 | |
|---|---|---|---|
| | Target weight | 2019 | 2018 |
| Equity securities | 65% | 60% | 70% |
| Fixed income securities | 30 | 32 | 25 |
| Cash and equivalents | 5 | 8 | 5 |

The Company made contributions of $400, $660 and $400 to the U.S. defined-benefit pension plan in 2019, 2018, and 2017 respectively. The Company expects to contribute $350 to the plan in 2020.

The benefits expected to be paid in each of the next five years and in the aggregate for the five years thereafter are shown in the following table:

| Expected future payments for the year(s) ending December 31: | | |
|---|---|---|
| 2020 | $ | 345 |
| 2021 | | 350 |
| 2022 | | 368 |
| 2023 | | 373 |
| 2024 | | 368 |
| 2025-2029 | | 1,750 |

The expected benefits are based on the same assumptions used to measure the Company's benefit obligation at December 31, 2019.

**(11) Income Taxes**

The Company is a general partnership in the United States, and accordingly, U.S. federal and state income taxes are generally the responsibility of the two general partners. Therefore, no federal income tax provision has been recorded on U.S. income.

## (12) Leases

The Company rents certain real estate and equipment. Several leases include options for renewal or purchase and contain clauses for payment of real estate taxes and insurance. In most cases, management expects that in the normal course of business, leases will be renewed or replaced by other leases. Minimum rent payments under operating leases are recognized on a straight-line basis over the term of the lease including any periods of free rent. Rent expense during 2019, 2018 and 2017 amounted to $2,714, $2,235 and $2,258, respectively.

Future minimum payments by year and in the aggregate for operating leases having noncancelable lease terms in excess of one year are as follows:

| Year: | | |
|---|---|---|
| 2020 | $ | 2,927 |
| 2021 | | 2,956 |
| 2022 | | 2,433 |
| 2023 | | 1,378 |
| 2024 | | 890 |
| Thereafter | | 4,335 |
| Total | $ | 14,919 |

## (13) Accumulated Other Comprehensive Income (Loss)

The following table summarizes the activity, by component, related to the change in AOCI for December 31, 2019 and the balances for accumulated other comprehensive income (loss):

| | | Foreign currency translation | Cash flow hedge | Pension plan | Accumulated other comprehensive (loss) |
|---|---|---|---|---|---|
| Balance, December 31, 2017 | $ | (6,669) | 177 | (6,142) | (12,634) |
| Other comprehensive income before reclassifications | | (2,616) | 916 | (120) | (1,820) |
| Amounts reclassified from accumulated other comprehensive income | | — | — | 216 | 216 |
| Net current period other comprehensive income | | (2,616) | 916 | 96 | (1,604) |
| Balance, December 31, 2018 | $ | (9,285) | 1,093 | (6,046) | (14,238) |
| Other comprehensive (loss) / income before reclassifications | | 9,285 | (1,620) | 331 | 7,996 |
| Amounts reclassified from accumulated other comprehensive income | | — | — | 2,785 | 2,785 |
| Net current period other comprehensive (loss) / income | | 9,285 | (1,620) | 3,116 | 10,781 |
| Balance, December 31, 2019 | $ | — | (527) | (2,930) | (3,457) |

The amount reclassified from AOCI was recorded in other income / expense in the consolidated statements of income and comprehensive income.

## (14) Related Parties

AWI provides certain selling, promotional, and administrative processing services to the Company for which it receives reimbursement. AWI purchases grid products from the Company, which are then resold along with AWI inventory to the customer.

| | | 2019 | 2018 | 2017 |
|---|---|---|---|---|
| Services provided by Armstrong | $ | 15,661 | 15,775 | 14,878 |
| Sales to Armstrong | | 22,531 | 22,494 | 18,224 |

AWI owed the Company $3,313 and $2,963 for purchases of product as of December 31, 2019 and 2018, respectively. Additionally, as discussed in Note 1, AWI owes the Company approximately $25,930 in remaining consideration for the sale of the Company's EMEA and Pacific Rim businesses to Knauf. Included within this amount is $13,130 representing cash held by Knauf, which will be remitted to the Company via AWI. The Company owed $2,538 and $2,053 to Worthington and affiliates of Worthington as of December 31, 2019 and 2018, respectively, which are included in accounts payable to affiliates.

Worthington, and affiliates of Worthington, provide certain administrative processing services, steel processing services, and insurance-related coverages to the Company for which it receives reimbursement.

| | | 2019 | 2018 | 2017 |
|---|---|---|---|---|
| Administrative services by Worthington | $ | 1,604 | 1,597 | 1,382 |
| Insurance-related coverage net of premiums by Worthington | | 926 | 879 | 840 |
| Steel processing services by Worthington and affiliates of Worthington | | 2,317 | 3,015 | 1,656 |

## (15) Legal Proceedings

The Company is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company's consolidated financial position, results of operations, or liquidity.

## (16) Business and Credit Concentrations

Approximately 23%, 23%, and 22% of net sales were to the Company's largest third-party customer for 2019, 2018, and 2017, respectively. The Company's 10 largest third-party customers accounted for approximately 78%, 75%, and 77% of the Company's net sales for 2019, 2018, and 2017, respectively, and approximately 77% and 78% of the Company's trade accounts receivable balances at December 31, 2019 and 2018, respectively. See Note 14 for sales to and amounts owed to the Company from AWI.

## (17) Subsequent Events

Management has evaluated subsequent events through the date the annual consolidated financial statements were available to be issued, February 17, 2020.