Q4 Company

NEWS RELEASE

Worthington Steel Reports Fourth Quarter and Full Year Fiscal 2024 Results

6/26/2024

COLUMBUS, Ohio--(BUSINESS WIRE)-- Worthington Steel, Inc. (NYSE: WS), a market-leading, value-added steel processing company, today reported financial results for the fiscal 2024 fourth quarter and full fiscal year ended May 31, 2024.

Fourth Quarter Highlights (all comparisons to the fourth quarter of fiscal 2023):

- Net sales of $911.0 million increased 3% compared to $884.0 million.
- Operating income of $67.3 million compared to $89.8 million.
- Net earnings attributable to controlling interest of $53.2 million compared to $67.3 million.
- Net earnings per diluted share attributable to controlling interest of $1.06 compared to $1.37; Adjusted net earnings per diluted share attributable to controlling interest of $1.06 compared to $1.47.
- Adjusted EBIT of $70.4 million compared to $98.4 million.
- Earned 2023 Supplier of the Year by General Motors for the third time in four years.
- Recognized as a John Deere Partner-level Supplier for the 12th consecutive year.
- Declared a quarterly dividend of $0.16 per share payable on September 27, 2024, to shareholders of record on September 13, 2024.

"Worthington Steel saw a solid performance in Q4 and finished fiscal 2024 strong," said Geoff Gilmore, president and CEO of Worthington Steel. "Employees continue to be the driving force behind Worthington Steel's momentum; I'd like to thank them for continuing to find improvements for our customers and our business through the transformation process. As we enter fiscal 2025, we remain focused on executing our strategy and driving shareholder value through organic growth and strategic M&A. Worthington Steel's strategy and differentiation help ensure we are well positioned to grow and deliver strong returns for our shareholders."

Financial highlights for fiscal 2024 periods and comparative periods are as follows:

(In millions, except volume and per share amounts)

	4Q 2024	4Q 2023	12M 2024	12M 2023
Volume (tons)	1,029,565	1,052,928	4,007,373	3,954,575
Net sales	$ 911.0	$ 884.0	$ 3,430.6	$ 3,607.7
Operating income	67.3	89.8	194.5	120.3
Net earnings attributable to controlling interest	53.2	67.3	154.7	87.1
Adjusted EBIT (Non-GAAP)	70.4	98.4	224.4	136.1
Equity in net income of unconsolidated affiliate	6.7	4.2	22.4	7.7
Net earnings per diluted share attributable to controlling interest	$ 1.06	$ 1.37	$ 3.11	$ 1.77
Impairment of long-lived assets per diluted share (after-tax)	-	0.03	0.01	0.03
Restructuring and other income, net per diluted share (after-tax)	-	-	-	(0.03)
Separation costs per diluted share (after-tax)	-	0.07	0.30	0.26
Adjusted net earnings per diluted share attributable to controlling interest (Non-GAAP)	$ 1.06	$ 1.47	$ 3.42	$ 2.03

Consolidated Quarterly Results

Net sales for the fourth quarter of fiscal 2024 were $911.0 million, an increase of $27.0 million, or 3%, compared to the prior year quarter. The increase was driven primarily by a 4% increase in direct selling prices and a more favorable mix within toll processing. This was partially offset by a 1% decrease in direct tons and a 3% decrease in toll tons sold in the fourth quarter of fiscal 2024 compared to the prior year quarter. The mix of direct tons versus toll tons processed was 58% to 42% in the fourth quarter of fiscal 2024, compared to 57% to 43% in the prior year quarter.

Gross margin decreased by $19.2 million over the prior year quarter to $131.0 million. The decrease was driven primarily by lower direct spreads and lower volume. Direct spreads, down $14.2 million, were impacted by a $36.0 million unfavorable change from an estimated $32.6 million inventory holding gain in the prior year quarter to an estimated $3.4 million inventory holding loss in the fourth quarter of fiscal 2024.

Operating income decreased $22.5 million over the prior year quarter to $67.3 million, primarily due to a $19.2 million decline in gross margin and a $10.6 million increase in selling, general and administrative ("SG&A") expense driven by an increase in wage and benefit costs and other costs of being a stand-alone public company, as well as increased bad debt expense. The decrease in operating income was partially offset by a $5.5 million decrease in costs associated with the Company's December 1, 2023, separation from Worthington Enterprises, Inc. ("Separation") compared to the prior year quarter. Additionally, there were no impairments of long-lived assets in the fourth quarter of fiscal 2024, as compared to $1.8 million in the prior year quarter.

The Company reported net earnings attributable to controlling interest of $53.2 million, or $1.06 per diluted share, for its fiscal 2024 fourth quarter. For the fourth quarter of fiscal 2023, the Company recorded net earnings attributable to controlling interest of $67.3 million, or $1.37 per diluted share.

Adjusted net earnings attributable to controlling interest of $53.2 million, or $1.06 per diluted share, compares to the prior year quarter adjusted net earnings attributable to controlling interest of $72.4 million, or $1.47 per diluted share. The prior year quarter adjusted results exclude both $3.8 million in after-tax separation costs, or $0.07 per diluted share, and $1.3 million in after-tax impairment of long-lived assets, or $0.03 per diluted share.

Balance Sheet, Cash Flow, and Capital Allocation

As of May 31, 2024, the Company had cash and cash equivalents of $40.2 million. During the fourth quarter of fiscal 2024, the Company generated cash flow from operations of $35.6 million compared to $79.2 million in the prior year period. Capital expenditures for the fourth quarter of fiscal 2024 equaled $44.8 million compared to $9.0 million in the prior year quarter. The increase in capital expenditures was primarily related to the previously announced strategic expansions in our electrical steel operations in Mexico and Canada. The Company had negative free cash flow of $9.2 million in the fourth quarter of fiscal 2024 compared to $70.2 million in the prior year quarter.

The Company ended the fourth quarter of fiscal 2024 with debt of $148.0 million under our revolving credit facility and $40.2 million in cash and cash equivalents, resulting in a net debt position of $107.8 million.

The Board of Directors declared a quarterly dividend of $0.16 per common share. The dividend is payable on September 27, 2024, to shareholders of record at the close of business on September 13, 2024.

Conference Call

The Company will review fiscal 2024 fourth quarter results during its quarterly conference call on June 27, 2024, beginning at 8:30 a.m. ET. Details regarding the conference call are located in the investor section of the Company's website at **www.WorthingtonSteel.com**.

About Worthington Steel

Worthington Steel (NYSE:WS) is a metals processor that partners with customers to deliver highly technical and customized solutions. Worthington Steel's expertise in carbon flat-roll steel processing, electrical steel laminations and tailor welded solutions are driving steel toward a more sustainable future.

As one of the most trusted metals processors in North America, Worthington Steel and its 4,600 employees harness the power of steel to advance our customers' visions through value-added processing capabilities including galvanizing, pickling, configured blanking, specialty cold reduction, lightweighting and electrical lamination. Headquartered in Columbus, Ohio, Worthington Steel operates 32 facilities in seven states and six countries. Following a people-first Philosophy, commitment to sustainability and proven business system, Worthington Steel's purpose is to generate positive returns by providing trusted and innovative solutions for customers, creating opportunities for employees, and strengthening its communities.

Safe Harbor Statement

Selected statements contained in this release constitute "forward-looking statements," as that term is used in the Private Securities Litigation Reform Act of 1995 (the "Act"). The Company wishes to take advantage of the safe harbor provisions included in the Act. Forward-looking statements reflect the Company's 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," "anticipate," "may," "could," "should," "would," "intend," "plan," "will," "likely," "expect," "estimate," "project," "position," "strategy," "target," "aim," "seek," "foresee" and similar words or phrases. These forward-looking statements include, without limitation, statements relating to: future or expected cash positions, liquidity and ability to access financial markets and capital; outlook, strategy or business plans; the anticipated benefits of the Company's separation from Worthington Enterprises, Inc. (the "Separation"); the expected financial and operational performance of, and future opportunities for, the Company following the Separation; the tax treatment of the Separation transaction; the leadership of the Company following the Separation; 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 the Company or its 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 the Company's 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; the ever-changing effects of the novel coronavirus ("COVID-19") pandemic and the various responses of governmental and nongovernmental authorities thereto on economies and markets, and on our customers, counterparties, employees and third-party service providers; 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: our ability to successfully realize the anticipated benefits of the Separation; the effect of conditions in national and worldwide financial markets, including inflation, increases in interest rates and economic recession, and with respect to the ability of financial institutions to provide capital; the impact of tariffs, the adoption of trade restrictions affecting the Company's 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; changing oil prices and/or supply; product demand and pricing; changes in product mix, product substitution and market acceptance of the Company's products; volatility or fluctuations in the pricing, quality or availability of raw materials (particularly steel), supplies, transportation, utilities, labor and other items required by operations (especially in light of Russia's invasion of Ukraine); effects of sourcing and supply chain constraints; 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 and other industries in which the Company participates; 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 the Company does 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 the Company participates 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, labor shortages, interruption in utility services, civil unrest, international conflicts (especially in light of Russia's invasion of Ukraine), 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 (especially in light of Russia's invasion of Ukraine), foreign currency exchange rate exposure and the acceptance of the Company's products in global markets; the ability to improve and maintain processes and business practices to keep pace with the economic, competitive and technological environment; the effect of inflation, interest rate increases and economic recession, as well as potential adverse impacts as a result of the Inflation Reduction Act of 2022, which may negatively impact the Company’s operations and financial results; deviation of actual results from estimates and/or assumptions used by the Company in the application of its significant accounting policies; the level of imports and import prices in the Company’s markets; the impact of environmental laws and regulations or the actions of the United States Environmental Protection Agency or similar regulators which increase costs or limit the Company’s ability to use or sell certain products; the impact of increasing environmental, greenhouse gas emission and sustainability regulations and considerations; the impact of judicial rulings and governmental regulations, both in the United States and abroad, including those adopted by the United States Securities and Exchange Commission (“SEC”) and other governmental agencies as contemplated by the Coronavirus Aid, Relief and Economic Security (CARES) Act, the Consolidated Appropriations Act, 2021, the American Rescue Plan Act of 2021, 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, which may increase the Company’s healthcare and other costs and negatively impact the Company’s operations and financial results; the effect of tax laws in the United States and potential changes for such laws, which may increase the Company's costs and negatively impact its 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 Company’s filings with the SEC, including those described in the “Risk Factors” section of the information statement filed as Exhibit 99.1 to the Company’s Amendment No. 3 to its registration statement on Form 10 filed with the SEC on November 14, 2023.

Forward-looking statements should be construed in the light of such risks. The Company notes 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. Readers are cautioned not to place undue reliance on any forward-looking statements, which speak only as of the date made. The Company does not undertake, and hereby disclaims, any obligation to update any forward-looking statements, whether as a result of new information, future developments or otherwise, except as required by applicable law.

WORTHINGTON STEEL, INC.
CONSOLIDATED AND COMBINED STATEMENTS OF EARNINGS
(In millions, except per share amounts)
(Unaudited)

	Three Months Ended May 31,		Twelve Months Ended May 31,	
	2024	2023	2024	2023
Net sales	$ 911.0	$ 884.0	$ 3,430.6	$ 3,607.7
Cost of goods sold	780.0	733.8	2,990.8	3,271.2
Gross margin	131.0	150.2	439.8	336.5
Selling, general and administrative expense	63.7	53.1	224.4	200.8

Impairment of long-lived assets	-	1.8	1.4	2.1
Restructuring and other income, net	-	-	-	(4.2)
Separation costs	-	5.5	19.5	17.5
Operating income	67.3	89.8	194.5	120.3
Other income (expense):				
Miscellaneous income, net	3.7	1.4	5.3	3.7
Interest expense, net	(2.4)	(0.4)	(6.0)	(3.0)
Equity in net income of unconsolidated affiliate	6.7	4.2	22.4	7.7
Earnings before income taxes	75.3	95.0	216.2	128.7
Income tax expense	17.6	23.4	46.1	29.0
Net earnings	57.7	71.6	170.1	99.7
Net earnings attributable to noncontrolling interests	4.5	4.3	15.4	12.6
Net earnings attributable to controlling interest	$ 53.2	$ 67.3	$ 154.7	$ 87.1
Basic				
Weighted average common shares outstanding(1)	49.3	49.3	49.3	49.3
Earnings per share attributable to controlling interest	$ 1.08	$ 1.37	$ 3.14	$ 1.77
Diluted				
Weighted average common shares outstanding(2)	50.4	49.3	49.8	49.3
Earnings per share attributable to controlling interest	$ 1.06	$ 1.37	$ 3.11	$ 1.77
Common shares outstanding at end of period(1)	49.3	49.3	49.3	49.3
Cash dividends declared per share	$ 0.16	n/a	$ 0.32	n/a

(1) Prior to the third quarter of fiscal 2024, reported Weighted average common shares outstanding (Basic) and Common shares outstanding at end of period reflects the basic shares at the Separation. This share amount is being utilized for the calculation of basic earnings per share for periods presented prior to the Separation.

(2) Prior to the third quarter of fiscal 2024, reported Weighted average common shares outstanding (Diluted) reflects the basic shares at the Separation. This share amount is being utilized for the calculation of diluted earnings per share for periods presented prior to the Separation.

WORTHINGTON STEEL, INC.
CONSOLIDATED AND COMBINED BALANCE SHEETS
(In millions, except share amounts)
(Unaudited)

	May 31, 2024	May 31, 2023
Assets		
Current assets:		
Cash and cash equivalents	$ 40.2	$ 32.7
Receivables, less allowances of $3.2 and $2.6 at May 31, 2024, and May 31, 2023, respectively	472.6	468.0
Inventories		
Raw materials	150.2	173.9
Work in process	176.8	164.1
Finished products	78.3	76.8
Total inventories	405.3	414.8
Income taxes receivable	4.2	4.3
Assets held for sale	2.9	3.4
Prepaid expenses and other current assets	76.6	57.7
Total current assets	1,001.8	980.9
Investment in unconsolidated affiliate	135.0	114.6
Operating lease assets	72.9	75.3
Goodwill	79.6	78.6
Other intangible assets, net of accumulated amortization of $45.2 and $38.9 at May 31, 2024, and May 31, 2023, respectively	77.0	83.4
Deferred tax asset	8.5	6.3

Other assets	16.8	10.9
Property, plant and equipment:		
Land	37.9	37.6
Buildings and improvements	177.1	168.6
Machinery and equipment	893.8	847.5
Construction in progress	83.6	20.3
Total property, plant and equipment	1,192.4	1,074.0
Less: accumulated depreciation	717.6	659.6
Total property, plant and equipment, net	474.8	414.4
Total assets	$ 1,866.4	$ 1,764.4
Liabilities and equity		
Current liabilities:		
Accounts payable	$ 380.4	$ 402.2
Short-term borrowings	148.0	2.8
Accrued compensation, contributions to employee benefit plans and related taxes	52.8	31.9
Dividends payable	8.7	-
Other accrued items	15.7	15.6
Current operating lease liabilities	7.6	5.9
Income taxes payable	5.2	-
Current maturities of long-term debt due to Former Parent	-	20.0
Total current liabilities	618.4	478.4
Other liabilities	34.3	33.6
Noncurrent operating lease liabilities	68.3	71.7
Deferred income taxes	27.9	26.1
Total liabilities	748.9	609.8
Preferred shares, without par value; authorized - 1,000,000 shares at May 31, 2024; no shares issued or outstanding	-	-
Common shares, without par value; authorized - 150,000,000 shares at May 31, 2024; issued and outstanding 49,331,514 shares and 100 shares at May 31, 2024, and May 31, 2023, respectively	-	-
Additional Paid-in Capital	905.3	-
Retained Earnings	86.1	-
Net Investment by Former Parent	-	1,031.1
Accumulated other comprehensive loss, net of taxes of $(1.7) and $(2.6) at May 31, 2024, and May 31, 2023, respectively	(6.1)	(2.1)
Total Shareholders' equity - controlling interest	985.3	1,029.0
Noncontrolling interests	132.2	125.6
Total equity	1,117.5	1,154.6
Total liabilities and equity	$ 1,866.4	$ 1,764.4

WORTHINGTON STEEL, INC.
CONSOLIDATED AND COMBINED STATEMENTS OF CASH FLOWS
(In millions)
(Unaudited)

	Three Months Ended May 31,		Twelve Months Ended May 31,	
	2024	2023	2024	2023
Operating activities:				
Net earnings	$ 57.7	$ 71.6	$ 170.1	$ 99.7
Adjustment to reconcile net earnings to net cash provided by operating activities:				
Depreciation and amortization	16.1	17.1	65.3	69.6
Impairment of long-lived assets	-	1.8	1.4	2.1
Provision for (benefit from) deferred income taxes	2.2	(9.4)	1.1	(9.7)
Bad debt expense (income)	1.7	(2.0)	1.1	1.6
Equity in net income of unconsolidated affiliate, net of distributions	(4.7)	(1.7)	(20.4)	4.8
Net loss (gain) on sale of assets	1.4	0.5	1.0	(3.3)
Stock-based compensation	2.0	2.9	10.3	10.4
Changes in assets and liabilities, net of impact of acquisitions:				
Receivables	(5.8)	(10.6)	(1.4)	113.0
Inventories	3.0	(24.9)	16.4	154.5
Accounts payable	(22.3)	37.2	(26.7)	(124.3)
Accrued compensation and employee benefits	6.2	0.7	7.9	(5.8)
Other operating items, net	(21.9)	(4.0)	(26.6)	2.4
Net cash provided by operating activities	35.6	79.2	199.5	315.0

Investing activities:				
Investment in property, plant and equipment	(44.8)	(9.0)	(103.4)	(45.5)
Proceeds from sale of assets, net of selling costs	0.4	0.1	1.2	23.3
Acquisitions, net of cash acquired	-	-	(21.0)	-
Net cash used in investing activities	(44.4)	(8.9)	(123.2)	(22.2)
Financing activities:				
Distribution to the Former Parent in connection with the Separation	-	-	(150.0)	-
Transfers to Former Parent, net	-	(61.1)	(47.6)	(199.8)
Proceeds from (repayment of) short-term borrowings	-	(0.8)	127.2	(45.2)
Proceeds from revolving credit facility borrowings - swingline	123.5	-	266.1	-
Repayments of revolving credit facility borrowings - swingline	(122.7)	-	(248.1)	-
Principal payments on long-term debt	-	-	-	(15.0)
Proceeds from issuance of common shares, net of tax withholdings	0.3	-	0.3	-
Payments to noncontrolling interests	(5.0)	(8.4)	(8.8)	(20.2)
Dividends paid	(7.9)	-	(7.9)	-
Net cash used in financing activities	(11.8)	(70.3)	(68.8)	(280.2)
Increase (decrease) in cash and cash equivalents	(20.6)	-	7.5	12.6
Cash and cash equivalents at beginning of period	60.8	32.7	32.7	20.1
Cash and cash equivalents at end of period	$ 40.2	$ 32.7	$ 40.2	$ 32.7

WORTHINGTON STEEL, INC.

NON-GAAP FINANCIAL MEASURES / SUPPLEMENTAL DATA

(In millions, except volume and per share amounts)

The Company reports its financial results in accordance with accounting principles generally accepted in the United States ("GAAP"). The Company also presents certain non-GAAP financial measures including (a) adjusted operating income, (b) adjusted earnings before income taxes, (c) adjusted income tax expense, (d) adjusted net earnings attributable to controlling interest, (e) adjusted net earnings per diluted share attributable to controlling interest, (f) net earnings before interest and taxes attributable to controlling interest ("EBIT"), (g) adjusted net earnings before interest and taxes attributable to controlling interest ("adjusted EBIT"), (h) net earnings before interest, taxes, depreciation and amortization attributable to controlling interest ("EBITDA"), (i) adjusted net earnings before interest, taxes, depreciation and amortization attributable to controlling interest ("adjusted EBITDA"), (j) free cash flow, (k) total debt less cash and cash equivalents ("net debt"), and (l) pro forma adjusted net earnings before interest and taxes attributable to controlling interest ("pro forma adjusted EBIT").

These non-GAAP financial measures typically exclude impairment and restructuring charges (gains), but may also exclude other items that management believes are not reflective of, and thus should not be included when evaluating the performance of the Company's ongoing operations. Management uses these non-GAAP financial measures to evaluate the Company's performance, engage in financial and operational planning, and determine incentive compensation and believes these non-GAAP financial measures provide useful information to investors because they provide additional perspective on the performance of the Company's ongoing operations. Additionally, management believes these non-GAAP financial measures provide useful information to investors because they allow for meaningful comparisons and analysis of trends in the Company's business and enable investors to evaluate operations and future prospects in the same manner as management.

For the purposes of the subsequent tables, the non-GAAP measures have been adjusted for the items identified below:

- Impairment of long-lived assets - impairments are excluded because they do not occur in the ordinary course of the Company’s ongoing business operations, are inherently unpredictable in timing and amount, and are non-cash, so their exclusion facilitates the comparison of historical and current financial results.
- Restructuring activities - restructuring activities consist of items that are not part of the Company’s ongoing operations, such as divestitures, closing or consolidating facilities, employee severance (including rationalizing headcount or other significant changes in personnel), and realignment of existing operations (including changes to management structure in response to underlying performance and/or changing market conditions).
- Separation costs - direct and incremental costs incurred in connection with the Separation from Former Parent, including audit, legal, and other fees paid to third-party advisors as well as direct and incremental costs associated with the separation of shared corporate functions which are not part of the Company’s ongoing operations.
- Tax indemnification adjustment - tax expense and indemnification receivable adjustment reported in Miscellaneous income, net related to an indemnification agreement with the former owners of Tempel Steel Company (“Tempel”) as a result of an unfavorable tax ruling in one of the jurisdictions in which Tempel operates. The indemnification agreement, which was entered into with the former Tempel owners at the time the Company acquired Tempel, provides protection of unfavorable rulings by tax authorities through the acquisition date.

The following provides a reconciliation to the non-GAAP financial measures adjusted operating income, adjusted earnings before income taxes, adjusted income tax expense, adjusted net earnings attributable to controlling interest and adjusted net earnings per diluted share attributable to controlling interest from the most comparable GAAP measures for the three- and twelve-month periods ended May 31, 2024, and May 31, 2023.

	Three Months Ended May 31, 2024				
	Operating Income	Earnings Before Income Taxes	Income Tax Expense	Net Earnings Attributable to Controlling Interest	Net Earnings per Diluted Share Attributable to Controlling Interest

GAAP	$ 67.3	$ 75.3	$ 17.6	$ 53.2	$ 1.06
Tax indemnification adjustment	-	(2.8)	(2.8)	-	-
Non-GAAP	$ 67.3	$ 72.5	$ 14.8	$ 53.2	$ 1.06

	Three Months Ended May 31, 2023				
	Operating Income	Earnings Before Income Taxes	Income Tax Expense	Net Earnings Attributable to Controlling Interest	Net Earnings per Diluted Share Attributable to Controlling Interest
GAAP	$ 89.8	$ 95.0	$ 23.4	$ 67.3	$ 1.37
Impairment of long-lived assets	1.8	1.8	(0.5)	1.3	0.03
Separation costs	5.5	5.5	(1.7)	3.8	0.07
Non-GAAP	$ 97.1	$ 102.3	$ 21.2	$ 72.4	$ 1.47

	Twelve Months Ended May 31, 2024				
	Operating Income	Earnings Before Income Taxes	Income Tax Expense	Net Earnings Attributable to Controlling Interest	Net Earnings per Diluted Share Attributable to Controlling Interest
GAAP	$ 194.5	$ 216.2	$ 46.1	$ 154.7	$ 3.11
Impairment of long-lived assets	1.4	1.4	(0.2)	0.7	0.01
Separation costs	19.5	19.5	(4.3)	15.1	0.30
Tax indemnification adjustment	-	(2.8)	(2.8)	-	-
Non-GAAP	$ 215.4	$ 234.3	$ 38.8	$ 170.5	$ 3.42

	Twelve Months Ended May 31, 2023				
	Operating Income	Earnings Before Income Taxes	Income Tax Expense	Net Earnings Attributable to Controlling Interest	Net Earnings per Diluted Share Attributable to Controlling Interest
GAAP	$ 120.3	$ 128.7	$ 29.0	$ 87.1	$ 1.77
Impairment of long-lived assets	2.1	2.1	(0.5)	1.5	0.03
Restructuring and other income, net	(4.2)	(4.2)	0.6	(1.7)	(0.03)
Separation costs	17.5	17.5	(4.4)	13.1	0.26
Non-GAAP	$ 135.7	$ 144.1	$ 24.7	$ 100.0	$ 2.03

To further assist in the analysis of results for the periods presented, the following volume and net sales information for three- and twelve-month periods ended May 31, 2024, and May 31, 2023, has been provided along with a reconciliation of the non-GAAP financial measures adjusted EBIT and adjusted EBITDA to the most comparable GAAP measure, which is net earnings attributable to controlling interests. Net earnings margin is calculated by dividing net earnings attributable to controlling interest by net sales. Adjusted EBIT margin is calculated by dividing adjusted EBIT by net sales. Adjusted EBITDA margin is calculated by dividing adjusted EBITDA by net sales.

(In millions, except volume)	Three Months Ended May 31, 2024	Three Months Ended May 31, 2023
Volume (tons)	1,029,565	1,052,928
Net sales	$ 911.0	$ 884.0
Net earnings attributable to controlling interest	$ 53.2	$ 67.3
Interest expense, net	2.4	0.4
Income tax expense	17.6	23.4
EBIT	73.2	91.1
Impairment of long-lived assets	-	1.8
Separation costs	-	5.5
Tax indemnification adjustment	(2.8)	-
Adjusted EBIT	70.4	98.4
Depreciation and amortization	16.1	17.1
Adjusted EBITDA	$ 86.5	$ 115.5
Net earnings margin	5.8%	7.6%
Adjusted EBIT margin	7.7%	11.1%
Adjusted EBITDA margin	9.5%	13.1%

(In millions, except volume)	Twelve Months Ended May 31, 2024	Twelve Months Ended May 31, 2023
Volume (tons)	4,007,373	3,954,575
Net sales	$ 3,430.6	$ 3,607.7
Net earnings attributable to controlling interest	$ 154.7	$ 87.1
Interest expense, net	6.0	3.0
Income tax expense	46.1	29.0
EBIT	206.8	119.1
Impairment of long-lived assets(2)	0.9	1.9
Restructuring and other income, net(1)	-	(2.4)
Separation costs	19.5	17.5
Tax indemnification adjustment	(2.8)	-
Adjusted EBIT	224.4	136.1
Depreciation and amortization	65.3	69.6
Adjusted EBITDA	$ 289.7	$ 205.7
Net earnings margin	4.5%	2.4%
Adjusted EBIT margin	6.5%	3.8%
Adjusted EBITDA margin	8.4%	5.7%

(1) Excludes the noncontrolling interest portion of restructuring and other income, net of $(1.8) million in the prior year period.
(2) Excludes the noncontrolling interest portion of impairment of long-lived assets of $0.5 million and $0.2 million in the fiscal 2024 period and prior year period, respectively.

The table below provides a reconciliation from net earnings (loss) attributable to controlling interest (the most comparable GAAP financial measure) to the non-GAAP financial measures, EBITDA and adjusted EBITDA, for each of the past five fiscal quarters and the twelve months ended May 31, 2024, and the twelve months ended February 29, 2024.

	Fourth Quarter 2024	Third Quarter 2024	Second Quarter 2024	First Quarter 2024	Fourth Quarter 2023
Net earnings (loss) attributable to controlling interest	$ 53.2	$ 49.0	$ (6.0)	$ 58.5	$ 67.3
Interest expense, net	2.4	2.9	0.2	0.5	0.4
Income tax expense (benefit)	17.6	14.0	(2.5)	17.0	23.4
Depreciation and amortization	16.1	15.9	16.4	16.9	17.1
EBITDA	89.3	81.8	8.1	92.9	108.2
Impairment of long-lived assets	-	-	-	0.9	1.8
Restructuring and other income, net	-	-	-	-	-
Separation costs	-	1.0	14.9	3.6	5.5
Tax indemnification adjustment	(2.8)	-	-	-	-
Adjusted EBITDA	$ 86.5	$ 82.8	$ 23.0	$ 97.4	$ 115.5
Trailing twelve months adjusted EBITDA	$ 289.7	$ 318.7			

The following provides a reconciliation of net cash provided by (used in) operating activities (the most comparable GAAP financial measure) to free cash flow for each of the past five fiscal quarters and the twelve months ended May 31, 2024. Free cash flow is a non-GAAP financial measure that management believes measures the Company's ability to generate cash beyond what is required for its business operations and capital expenditures.

	Fourth Quarter 2024	Third Quarter 2024	Second Quarter 2024	First Quarter 2024	Fourth Quarter 2023
Net cash provided by (used in) operating activities	$ 35.6	$ 44.7	$ 139.9	$ (20.7)	$ 79.2
Investment in property, plant and equipment	(44.8)	(22.4)	(18.9)	(17.3)	(9.0)
Free cash flow	$ (9.2)	$ 22.3	$ 121.0	$ (38.0)	$ 70.2
Trailing twelve months free cash flow	$ 96.1				

The following provides a reconciliation total debt (the most comparable GAAP financial measure) to the non-GAAP financial measure net debt. Net debt is calculated by subtracting cash and cash equivalents from total debt (defined as the aggregate of short-term borrowings, current maturities of long-term debt, and long-term debt). As of May 31, 2024, the Company has no long-term debt borrowings. The calculation of net debt as of May 31, 2024, and February 29, 2024, is outlined below.

	May 31, 2024	February 29, 2024
Total debt	$ 148.0	$ 147.2
Less: cash and cash equivalents	(40.2)	(60.8)
Net debt	$ 107.8	$ 86.4

To further assist in the analysis of results for the periods presented, the following information for the three- and twelve-month periods ended May 31, 2024, and May 31, 2023, has been provided along with a reconciliation of net earnings attributable to controlling interest (the most comparable GAAP financial measure) to pro forma adjusted EBIT. Pro forma adjusted EBIT is a non-GAAP financial measure that management believes includes incremental and on-going impacts to the Company's operating results as a stand-alone public company resulting from the Separation from Former Parent. The pro forma financial information assumes the Separation occurred on June 1, 2022, the first day of the Company's 2023 fiscal year.

The pro forma financial information has been prepared based upon the best available information and management estimates and is subject to assumptions and adjustments described in the accompanying footnotes. It is not intended to be a complete presentation of the Company's financial position or results of operations had the Separation occurred as of and for the periods indicated. In addition, the pro forma financial information is being provided for informational purposes only, and is not necessarily indicative of the Company's future results of operations or financial condition had the Separation and related transactions been completed on the dates assumed. Management believes these assumptions and estimates are reasonable, given the information available on the date of this release.

There were no incremental pro forma adjustments made for the three months ended May 31, 2024, given this period included the actual results of operating as a stand-alone public company. For the twelve months ended May 31, 2024, the adjustments included in the information below represent only the adjustments for the period prior to the Separation.

Three Months Ended

	May 31,	
	2024	2023
Net earnings attributable to controlling interest	$ 53.2	$ 67.3
Interest expense, net	2.4	0.4
Income tax expense	17.6	23.4
EBIT	73.2	91.1
Impairment of long-lived assets	-	1.8
Separation costs	-	5.5
Tax indemnification adjustment	(2.8)	-
Adjusted EBIT	70.4	98.4
Pro Forma Adjustments:		
Incremental steel supply agreement margin(1)	-	1.0
Incremental stand-alone corporate costs(2)	-	(3.4)
Total Pro Forma Adjustments	-	(2.4)
Pro Forma Adjusted EBIT	$ 70.4	$ 96.0

	Twelve Months Ended May 31,	
	2024	2023
Net earnings attributable to controlling interest	$ 154.7	$ 87.1
Interest expense, net	6.0	3.0
Income tax expense	46.1	29.0
EBIT	206.8	119.1
Impairment of long-lived assets(4)	0.9	1.9
Restructuring and other income, net(3)	-	(2.4)
Separation costs	19.5	17.5
Tax indemnification adjustment	(2.8)	-
Adjusted EBIT	224.4	136.1
Pro Forma Adjustments:		
Incremental steel supply agreement margin(1)	1.9	3.9
Incremental stand-alone corporate costs(2)	(8.5)	(13.4)
Total Pro Forma Adjustments	(6.6)	(9.5)
Pro Forma Adjusted EBIT	$ 217.8	$ 126.6

(1) Reflects the incremental margin on sales to Former Parent under the steel supply agreement between the Company and Former Parent.

(2) Includes an increase in SG&A expense for the three and twelve months ended May 31, 2024, and May 31, 2023, respectively, to capture the effects of recurring and ongoing costs required to operate the Company’s stand-alone corporate functions as well as public company costs, offset by lower corporate profit sharing and bonus expense post-separation than what was allocated to the Company in the combined financial statements due to the employee matters agreement with Former Parent.

(3) Excludes the noncontrolling interest portion of restructuring and other income, net of $(1.8) million in the prior year period.

(4) Excludes the noncontrolling interest portion of impairment of long-lived assets of $0.5 million and $0.2 million in the current year period and prior year period, respectively.

Melissa Dykstra

Vice President

Corporate Communications and Investor Relations

Phone: 614-840-4144

Melissa.Dykstra@worthingtonsteel.com

Source: Worthington Steel, Inc.