WORTHINGTON INDUSTRIES INC
Form 10-K
August 01, 2016
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

(Mark One)

þ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended May 31, 2016

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	Name of Each Exchange on Which Registered
Common Shares, Without Par Value	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 þ 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 þ

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 þ No ¨

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes þ No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of Registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

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

Large accelerated filer þ Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company ¨

(Do not check if a smaller reporting company)

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

The aggregate market value of the Common Shares (the only common equity of the Registrant) held by non-affiliates computed by reference to the closing price on the New York Stock Exchange on November 30, 2015, the last business day of the Registrant s most recently completed second fiscal quarter, was approximately $1,347,090,363. 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 22, 2016, the number of Common Shares issued and outstanding was 63,880,868.

DOCUMENT INCORPORATED BY REFERENCE:

Selected portions of the Registrant s definitive Proxy Statement to be furnished to shareholders of the Registrant in connection with the Annual Meeting of Shareholders to be held on September 29, 2016, 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:

- *outlook, strategy or business plans;*
- *the ability to correct performance issues at operations;*
- *future or expected growth, forward momentum, performance, sales, volumes, cash flows, earnings, balance sheet strengths, debt, financial condition or other financial measures;*
- *pricing trends for raw materials and finished goods and the impact of pricing changes;*
- *demand trends for us or our markets;*
- *additions to product lines and opportunities to participate in new markets;*
- *expected benefits from Transformation efforts;*
- *anticipated 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, capacity, and working capital needs;*
- *the ability to make acquisitions and the projected timing, results, benefits, costs, charges and expenditures related to acquisitions, newly-created joint ventures, headcount reductions and facility dispositions, shutdowns and consolidations;*
- *the alignment of operations with demand;*
- *the ability to operate profitably and generate cash in down markets;*
- *the ability to maintain margins and 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 increasing volatility or improving and sustaining 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 effect of national, regional and global economic conditions generally and within major product markets, including a recurrent slowing economy;*
- *the effect of conditions in national and worldwide financial markets;*
- *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;*
- *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;*

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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 other 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 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, acts of war or 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 exposure and the acceptance of our products in markets;

the ability to improve and maintain processes and business practices to keep pace with the economic, competitive and technological environment;

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

deviation of actual results from estimates and/or assumptions used by us in the application of our significant accounting policies;

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 Securities and Exchange Commission and other governmental agencies as contemplated by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010;

the effect of changes to healthcare laws in the United States, which may increase our healthcare and other costs and negatively impact our operations and financial results; 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.

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PART I

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 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; hand torches and filled hand torch cylinders; propane-filled camping cylinders; helium-filled balloon kits; steel and fiberglass tanks and processing equipment primarily for the oil and gas industry; cryogenic pressure vessels for liquefied natural gas (LNG) and other gas storage applications; engineered cabs and operator stations and cab components; and, through joint ventures, suspension grid systems for concealed and lay-in panel ceilings; laser welded blanks; light gauge steel framing for commercial and residential construction; and current and past model automotive service stampings.

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 15(d) of the Securities Exchange Act of 1934, as amended (the Exchange Act), as well as Worthington Industries definitive annual meeting proxy materials 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, 2016, we, together with our unconsolidated affiliates, operated 82 manufacturing facilities in 24 states and 11 countries. A total of 31 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 three primary operating segments which correspond with our reportable business segments: Steel Processing, Pressure Cylinders and Engineered Cabs. The Steel Processing operating segment consists of the Worthington Steel business unit (Worthington Steel) which operates 23 manufacturing facilities; Worthington Steelpac Systems, LLC (SteelPac), which designs and manufactures recyclable steel packaging solutions for the movement of products; and three consolidated joint ventures: Spartan Steel Coating, LLC (Spartan), which operates a cold-rolled hot dipped galvanizing line in Monroe, Michigan; TWB Company, L.L.C. (TWB), which operates a laser welded blank business headquartered in Monroe, Michigan; and Worthington Specialty Processing (WSP), which processes wide-sheet steel for the auto industry and operates three facilities in Michigan. The Pressure Cylinders operating segment consists of the Worthington Cylinders business unit (Worthington Cylinders) which operates 21 manufacturing facilities; and two consolidated joint ventures: Turkey-based Worthington Aritaş Basinçli Kaplar Sanayi (Worthington Aritas,), a manufacturer of cryogenic pressure vessels for LNG and other gas storage applications; and Utah-based dHybrid Systems, LLC (dHybrid), a manufacturer of CNG fuel systems primarily for heavy duty, refuse and other trucks. The Engineered Cabs operating segment consists of the Worthington Industries Engineered Cabs business unit (Engineered Cabs), which operates two manufacturing facilities.

Our remaining operating segments include Construction Services and Worthington Energy Innovations (WEI), which are disclosed in the Other category for segment reporting purposes, as they do not meet the quantitative thresholds for separate disclosure. Certain income and expense items not allocated to our operating segments are also included in the Other category as is activity related to the wind down of Construction Services.

We hold equity positions in 12 active joint ventures, which are further discussed in the ***Joint Ventures*** section below. Of these, six are consolidated with their operating results reported within our reportable business segments as follows: Spartan, TWB, and WSP in Steel Processing; dHybrid and Worthington Aritas in Pressure Cylinders; and WEI in Other.

During the fiscal year ended May 31, 2016 (fiscal 2016), the Steel Processing, Pressure Cylinders and Engineered Cabs operating segments served approximately 1,000, 4,300, and 75 customers, respectively, located primarily in the United States. Foreign operations accounted for approximately 8% of consolidated net sales during fiscal 2016 and were comprised primarily of sales to customers in Europe. No single customer accounted for over 10% of consolidated net sales in fiscal 2016.

Refer to Item 8. Financial Statements and Supplementary Data Notes to Consolidated Financial Statements Note N Segment Data of this Annual Report on Form 10-K for a full description of our reportable business segments.

Recent Developments

On December 7, 2015, the Company completed the acquisition of the global CryoScience business of Taylor Wharton, including a manufacturing facility in Theodore, Alabama, for $30.6 million. The asset purchase was made pursuant to the Chapter 11 bankruptcy proceedings of Taylor Wharton. The acquired net assets became part of the Pressure Cylinders operating segment upon closing.

On January 15, 2016, the Company acquired the net assets of NetBraze, LLC, a manufacturer of brazing alloys, silver brazing filler metals, solders and fluxes, for $3.4 million. The acquired net assets became part of the Pressure Cylinders operating segment upon closing.

As of March 1, 2016, the Company reached an agreement with United States Steel Corporation (U. S. Steel), its partner in the WSP joint venture, whereby the Company appoints a majority of the WSP Board of Directors, giving the Company effective control over the operations of WSP. As a result, we began consolidating the results of WSP within the financial results of Steel Processing beginning March 1, 2016. The ownership percentages in WSP remained unchanged at 51% Worthington and 49% U.S. Steel.

Steel Processing

Our Steel Processing operating segment consists of the Worthington Steel business unit, which includes SteelPac and our consolidated joint ventures, Spartan, TWB and for the last quarter of fiscal 2016, WSP. For fiscal 2016, fiscal 2015 and fiscal 2014, the percentage of consolidated net sales generated by Steel Processing was approximately 65%, 63%, and 62%, 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.

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The Steel Processing operating segment, including Spartan, TWB, and WSP, operates 23 manufacturing facilities located in Ohio (5), Michigan (5), Mexico (4), Alabama (2), Indiana (2), Tennessee (2), Kentucky (1), New York (1), and Canada (1).

Our Steel Processing operating segment serves approximately 1,000 customers, principally in the automotive, aerospace, agricultural, appliance, construction, container, hardware, HVAC, lawn and garden, leisure and recreation, office furniture and office equipment markets. 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. For fiscal 2016, Steel Processing s top three customers represented approximately 33% of the operating segment s total net sales.

Our Steel Processing operating segment 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.

Our Steel Processing operating segment 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, which is 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 Business Technical Services). However, the extent to which technical service capability has improved Worthington Steel s competitive

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position has not been quantified. Worthington Steel 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 Worthington Steel 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.

On July 31, 2013, we purchased an additional 10% interest in TWB, increasing our ownership to a 55% controlling interest. As a result, TWB s results have been consolidated within Steel Processing since the acquisition date. TWB operates four facilities in the United States one facility in each of Kentucky and Michigan and two facilities in Tennessee one facility in Canada and four facilities in Mexico.

During the first quarter of fiscal 2014, we made certain organizational changes impacting the internal reporting and management structure of SteelPac. As a result of these organizational changes, management responsibilities and internal reporting were realigned under Steel Processing. SteelPac designs and manufactures reusable custom steel platforms, racks and pallets for supporting, protecting and handling products throughout the shipping process for customers in industries such as automotive, lawn and garden and recreational vehicles. SteelPac operates one facility in Indiana.

As of March 1, 2016, the Company reached an agreement with U.S. Steel, its partner in the WSP joint venture, whereby the Company appoints a majority of the WSP Board of Directors, giving the Company effective control over the operations of WSP. As a result, we began consolidating the results of WSP within the financial results of our Steel Processing operating segment as of March 1, 2016. The ownership percentages in WSP remained unchanged at 51% Worthington and 49% U.S. Steel.

Pressure Cylinders

The Pressure Cylinders operating segment consists of the Worthington Cylinders business unit and two consolidated joint ventures: Worthington Aritas, a Turkish manufacturer of cryogenic pressure vessels for LNG and other gas storage applications; and dHybrid, which manufactures CNG fuel systems primarily for heavy duty, refuse and other trucks out of a facility in Salt Lake City, Utah. The percentage of consolidated net sales generated by Pressure Cylinders was approximately 30% in each of fiscal 2016, fiscal 2015 and fiscal 2014.

Our Pressure Cylinders operating segment manufactures and sells filled and unfilled pressure cylinders, tanks, hand torches, 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 cylinders, hand torch cylinders and joining products such as solder and brazing rods and other specialty products. Cylinders in these markets are generally sold to gas producers, cylinder exchangers and industrial distributors. Industrial 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). Specialty products include a variety of fire suppression and chemical tanks.

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

Alternative Fuels: This market sector 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, as well as CNG fuel systems for heavy duty, refuse and other trucks.

Oil & Gas Equipment: This market sector includes steel and fiberglass storage tanks, separation equipment, controls and other products primarily used in the energy markets, including oil and gas and nuclear. This sector also includes hoists and other marine products which are used principally in shipyard lift systems. It also leverages its manufacturing competencies to produce pressure vessels, atmospheric tanks, controls and various custom machined components for other industrial and agricultural end markets.

Cryogenics: This market sector includes cryogenic equipment, systems and services for handling liquid gases. Key product segments include LNG systems for marine and mining applications, liquid nitrogen storage freezers and shipping containers for organic specimens in healthcare markets, and tanks, trailers, and regasification plants for liquefied nitrogen, oxygen, argon, hydrogen, and natural gas.

While a large percentage of Pressure Cylinders sales are made to major accounts, this operating segment serves approximately 4,300 customers. No single customer represented greater than 10% of net sales for the Pressure Cylinders operating segment during fiscal 2016.

The Pressure Cylinders operating segment, including the Worthington Aritas and dHybrid consolidated joint ventures, operates 21 manufacturing facilities located in Alabama, California, Kansas (2), Massachusetts, North Carolina, North Dakota, Ohio (6), Oklahoma, Utah, Wisconsin, Austria, Poland (2), Portugal and Turkey.

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 non-refillable refrigerant market and one principal domestic competitor in the low-pressure LPG cylinder market. There are also several foreign competitors in these markets. 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 LNG vessels and 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 segments, competition is based upon price, service and quality.

The Pressure Cylinders operating segment uses the trade name Worthington Cylinders to conduct business and 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; and the registered trademarks MAP-PRO® and Pro-Max® to market certain hand torch cylinders.

Engineered Cabs

The Engineered Cabs operating segment consists of the Worthington Industries Engineered Cabs business unit. For fiscal 2016, fiscal 2015 and fiscal 2014, the percentage of consolidated net sales generated by Engineered Cabs was approximately 4%, 6%, and 7%, respectively.

Engineered Cabs is headquartered in Columbus, Ohio and operates two primary manufacturing facilities, one in each of South Dakota and Tennessee, which are located near key assembly locations of original equipment manufacturers. The Company closed its facility in Florence, South Carolina on September 30, 2015. The majority of the Florence, South Carolina business was moved to the facility in Greeneville, Tennessee.

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Engineered Cabs is a non-captive designer and manufacturer of high-quality, custom-engineered open and enclosed cabs and operator stations and custom fabrications for heavy mobile equipment used primarily in the agricultural, construction, forestry, military and mining industries. Engineered Cabs product design, engineering support and broad manufacturing capabilities enable it to produce cabs and structures used in products ranging from small utility equipment to the large earthmovers.

In addition to its engineered cab products, this operating segment has the capability to provide a full suite of complementary products such as machined structural components, complex and painted weldments, engine doors, boom components and complete frames. Engineered Cabs has the manufacturing capability for steel laser cutting, steel bending and forming, roll-form tube curving and bending, machining, welding robotic and manual, automated steel product cleaning and E-coating, top coat painting and assembly.

Engineered Cabs produces products for over 150 different equipment platforms for approximately 75 customers. For fiscal 2016, Engineered Cabs top three customers represented approximately 73% of the operating segment s total net sales. Its production levels can range from small and medium production volumes through high volume productions.

Engineered Cabs competes with a limited number of non-captive producers of engineered cabs in the United States, although there are numerous other suppliers who can perform various functions supplied by the Company. Some customers can also produce operator cabs in-house. The Company s competitive strengths include design and engineering capabilities as well as broad manufacturing capabilities, often providing a fully-integrated complete cab at a more effective cost than customers can produce in-house. Competitive drivers are related to price, quality, delivery and service.

Key supplies for this operating segment include steel sheet and plate, stampings, steel tubing, hardware, controls, wiper systems, glazing materials (glass, polycarbonate), perishables (paint, urethane, caulk), electrical materials, HVAC systems and aesthetic materials (acoustical trim, plastics, foam), which are available from a variety of sources.

Other

The Other category includes the Construction Services and WEI operating segments, which do not meet the quantitative thresholds for separate disclosure, as well as other corporate-related entities.

Construction Services. The Company is in the process of winding down this business, which involved the supply and construction of single family housing, with a focus on military housing.

Worthington Energy Innovations. This operating segment is comprised of our 75%-owned and consolidated joint venture, WEI, which is described in more detail in the ***Joint Ventures*** section below.

Segment Financial Data

Financial information for the reportable business segments is provided in Item 8. Financial Statements and Supplementary Data Notes to Consolidated Financial Statements Note N Segment Data .

Financial Information About Geographic Areas

For fiscal 2016, our foreign operations represented 8% of consolidated net sales, 10% of net earnings attributable to controlling interest and 14% of consolidated net assets. During fiscal 2016, fiscal 2015 and fiscal 2014, we had consolidated operations in Austria, Canada, India (through December 2015), Mexico (beginning July 2013), Poland, Portugal, Turkey (beginning January 2014) and the United States. During these same three fiscal years, our unconsolidated joint ventures had operations in China, France, Mexico, Spain

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(through December 2013), the United Kingdom and the United States. Summary information about our foreign operations, including net sales and fixed assets by geographic region, is provided in Item 8. Financial Statements and Supplementary Data Notes to Consolidated Financial Statements Note A Summary of Significant Accounting Policies Risks and Uncertainties and Note N Segment Data of this Annual Report on Form 10-K.

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 2016, we purchased approximately 1.8 million tons of steel (84% hot-rolled, 12% cold-rolled and 4% galvanized) on a consolidated basis.

In the Steel Processing operating segment, steel is primarily purchased and processed based on specific customer orders. The Pressure Cylinders and Engineering Cabs operating segments purchase 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 2016, we purchased steel from the following major suppliers, in alphabetical order: AK Steel Corporation; ArcelorMittal; Essar Steel Algoma Inc.; NLMK USA; North Star BlueScope Steel, LLC; Nucor Corporation; Steel Dynamics, Inc.; and U.S. Steel. Major suppliers of aluminum to the Pressure Cylinders operating segment in fiscal 2016 were, in alphabetical order: Alcoa; DK Tech Co; and Sapa Group. Major suppliers of zinc to the Steel Processing operating segment were, in alphabetical order: Considar Metal Marketing Inc. (a/k/a HudBay); Glencore Ltd; and Teck Cominco Limited. Approximately 32.1 million pounds of zinc were purchased in fiscal 2016. We believe our supplier relationships are good.

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. Engineers at Engineered Cabs design cabs and cab manufacturing processes according to applicable industry standards. To provide these services, we maintain a continuing program of developmental engineering with respect to product characteristics and product performance under applicable operating conditions. Laboratory facilities also perform metallurgical and chemical testing as dictated by the regulations of the United States Department of Transportation, Transport Canada, and other associated agencies, along with International Organization for Standardization (ISO), ASTM, and other customer and industry specific requirements. An IASI (International Accreditations Service, Incorporated) accredited product material testing laboratory supports some of these efforts.

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. Historically, sales have generally been weaker in the third quarter of

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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. We do not believe backlog is a significant indicator of our business.

Employees

As of May 31, 2016, we had approximately 10,000 employees, including those employed by our unconsolidated joint ventures. Approximately 8% 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, we participate in six consolidated and six unconsolidated joint ventures.

Consolidated

The results of the following six consolidated joint ventures have been consolidated with the financial results of the Company since the respective dates on which the Company acquired majority ownership. The equity owned by the minority 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.

dHybrid is a 79.59%-owned consolidated joint venture with M&M Residual, LLC that manufactures CNG fuel systems for heavy duty, refuse and other trucks out of a facility in Salt Lake City, Utah. dHybrid s financial results are consolidated within Pressure Cylinders.

Spartan is a 52%-owned consolidated joint venture with AK Steel Corporation, located in Monroe, Michigan. It operates a cold-rolled, hot-dipped galvanizing line for toll processing steel coils into galvanized and galvannealed products intended primarily for the automotive industry. Spartan s financial results are consolidated within Steel Processing.

TWB is a 55%-owned consolidated joint venture with a subsidiary of WISCO International Tailored Blanks GmbH (WISCO). It is a leading North American supplier of laser welded 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 Monroe, Michigan; Glasgow, Kentucky; and Antioch and Smyrna, Tennessee as well as in Puebla, Ramos Arizpe (Saltillo), Hermosillo and Silao, Mexico; and Cambridge, Ontario, Canada. TWB s financial results have been consolidated within Steel Processing since July 31, 2013, when we increased our ownership interest from 45% to 55%. For periods prior to the acquisition date, our portion of the equity in the net income of TWB was included within equity in the net income of unconsolidated affiliates.

WEI is a 75%-owned consolidated joint venture with Thomas E. Kiser (20%) and Stonehenge Structured Finance Partners, LLC (5%) (together referred to as WEI Partners), with offices in Fremont and Columbus, Ohio. WEI is an Energy Services Company that develops cost-effective energy solutions for entities in North America and Asia. Once these solutions are implemented, WEI monitors, verifies and guarantees these energy saving solutions. WEI s financial results are reported within the Other category for segment reporting purposes.

Worthington Aritas is a 75%-owned consolidated joint venture based in Istanbul, Turkey. Worthington Aritas manufactures cryogenic tanks for LNG and other gas storage applications. Its financial results have been consolidated within Pressure Cylinders since January 24, 2014.

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WSP, a 51%-owned joint venture with a subsidiary of U. S. Steel, operates three steel processing facilities located in Canton, Jackson and Taylor, Michigan, which are managed by Steel Processing. WSP serves primarily as a toll processor for U.S. Steel and others. Its services include slitting, blanking, cutting-to-length, laser blanking, laser welding, 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, stamping, assembly and other services to customers primarily in the automotive industry. ArtiFlex operates six manufacturing facilities: three in Michigan, two in Ohio and one in Kentucky.

ClarkDietrich, a 25%-owned joint venture with Clarkwestern Building Systems, Inc., is the 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, and vinyl products used primarily in residential and commercial construction. This joint venture operates 13 manufacturing facilities, one each in Connecticut, Georgia, Hawaii, Illinois, and Maryland and two each in California, Ohio, Florida and Texas.