Risk Factors Comparison 2023-07-31 to 2022-08-01 Form: 10-K

Legend: **New Text** ~~Removed Text~~ Unchanged Text Moved Text Section

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. Seasonality Our operations have historically been subject to seasonal fluctuations that may impact our cash flows for a particular period. Although we experienced consistently strong demand for many of our products in each quarter of fiscal ~~2022~~ **2023** , our sales are generally strongest in the fourth quarter of the fiscal year when all of our ~~business~~ **operating** segments are normally operating at seasonal peaks, and our sales are generally weakest 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 **the documents governing** our **indebtedness** ~~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. **Risks Related to the Separation and Our Relationship with Worthington Steel As a separate, publicly- traded company, New Worthington may not enjoy the same benefits that we do when consolidated with Worthington Steel. There is a risk that, by separating Worthington Steel, New Worthington may become more susceptible to market fluctuations and other adverse events than if New Worthington and Worthington Steel remain combined. As a combined company, we have been able to enjoy certain benefits from our operating diversity, purchasing power and opportunities to pursue integrated strategies across our businesses. As separate, publicly- traded companies, New Worthington and Worthington Steel will not have similar diversity or integration opportunities and may not have similar purchasing power or access to capital markets. Our customers, prospective customers, suppliers or other companies with whom we conduct business may conclude that our financial stability as a separate, publicly- traded company is insufficient to satisfy their requirements for doing or continuing to do business with them. Some of our customers, prospective customers, suppliers or other companies with whom we conduct business may conclude that our financial stability as a separate, publicly- traded company is insufficient to satisfy their requirements for doing or continuing to do business with them, or may require us to provide additional credit support, such as letters of credit or other financial guarantees. Any failure of parties to be satisfied with our financial stability could have a material adverse effect on our business, financial condition, results of operations and cash flows. If the distribution, together with certain related transactions, fails to qualify as a reorganization under Sections 355 and 368 (a) (1) (D) of the Internal Revenue Code of 1986, as amended (the " Code "), New Worthington and its shareholders could incur significant tax liabilities. The distribution is conditioned upon, among other things, our receipt of an opinion of Latham & Watkins LLP, tax counsel to Worthington, regarding the qualification of the distribution, together with certain related transactions, as a reorganization under Sections 355 and 368 (a) (1) (D) of the Code. The opinion of tax counsel will be based on, among other things, certain factual assumptions, representations and undertakings from New Worthington and Worthington Steel, including those regarding the past and future conduct of the companies' respective businesses and other matters. If any of these factual assumptions, representations, or undertakings are incorrect or not satisfied, we may not be able to rely on the opinion, and New Worthington and its shareholders could be subject to significant U. S. federal income tax liabilities. In addition, the opinion of tax counsel will not be binding on the U. S. Internal Revenue Service (the " IRS ") or the courts, and, notwithstanding the opinion of tax counsel, the IRS could determine on audit that the distribution does not so qualify or that the distribution should be taxable for other reasons, including as a result of a significant change in stock or asset ownership after the distribution. If the distribution is ultimately determined not to qualify as a reorganization under Sections 355 and 368 (a) (1) (D) of the Code, the distribution could be treated as a taxable disposition of common shares of Worthington Steel by New Worthington and as a taxable dividend or capital gain to the shareholders of New Worthington for U. S. federal income tax purposes. In such case, New Worthington and its shareholders that are subject to U. S. federal income tax could**

incur significant U. S. federal income tax liabilities. In addition, we will undertake certain internal restructuring transactions in connection with the transfer of assets and liabilities to Worthington Steel in accordance with the separation agreement. Such internal restructuring transactions are intended to qualify as transactions that are generally tax- free for U. S. federal income tax purposes. If such internal restructuring transactions were to fail to qualify as transactions that are generally tax- free for U. S. federal income tax purposes, New Worthington and Worthington Steel could be subject to additional tax liabilities. After the distribution, certain New Worthington executive officers and directors may have actual or potential conflicts of interest because of their equity interests in Worthington Steel. Because of their current or former positions with the Company, certain New Worthington executive officers and directors are expected to own equity interests in Worthington Steel. Ownership of common shares of Worthington Steel could create, or appear to create, potential conflicts of interest if we and Worthington Steel face decisions that could have implications for both Worthington Steel and New Worthington after the Separation. Worthington Steel may compete with New Worthington. Worthington Steel will not be restricted from competing with New Worthington. If Worthington Steel decides to engage in the type of business New Worthington conducts, it may be able to obtain a competitive advantage over New Worthington, which may cause New Worthington' s business, financial condition and results of operations to be materially adversely affected. We may not achieve some or all of the expected benefits of the Separation, and the separation may adversely affect our business. We may not be able to achieve the full strategic and financial benefits expected to result from the Separation, or such benefits may be delayed or not occur at all. The Separation is expected to provide the following benefits, among others: • the Separation will allow investors to separately value Worthington Steel and New Worthington based on our two distinct investment identities. The New Worthington business differs from Worthington Steel' s business in several respects, such as the market for products and manufacturing processes. The Separation will enable investors to evaluate the merits, performance and future prospects of each company' s respective businesses and to invest in each company separately based on their respective distinct characteristics; • the Separation will create an independent equity structure that will afford each company direct access to the capital markets and facilitate each company' s ability to capitalize on its unique business and growth opportunities; • the Separation will facilitate incentive compensation arrangements for employees more directly tied to the performance of the relevant company' s businesses, and may enhance employee hiring and retention by, among other things, improving the alignment of management and employee incentives with performance and growth objectives; • the Separation will permit each company to concentrate its financial resources solely on its own operations without having to compete with each other for investment capital. This will provide each company with greater flexibility to invest capital in its businesses in a time and manner appropriate for its distinct strategy and business needs; and • the Separation will allow each company to more effectively pursue its distinct operating priorities and strategies and enable management of each company to focus on unique opportunities for long- term growth and profitability. The companies' separate management teams will also be able to focus on executing each company' s differing strategic plans without diverting attention from the other' s business. These and other anticipated benefits may not be achieved for a variety of reasons, including, among others: • as a current part of Worthington, the New Worthington business benefits from Worthington' s size and purchasing power in procuring certain goods, services and technologies. After the separation, as a separate entity, New Worthington may be unable to obtain these goods, services and technologies at prices or on terms as favorable as those Worthington obtained prior to the separation. New Worthington may also incur costs for certain functions previously performed by Worthington, such as accounting, tax, legal, human resources and other general administrative functions that are higher than the amounts reflected in our historical financial statements, which could cause New Worthington' s profitability to decrease; • the actions required to separate the companies' respective businesses could disrupt each company' s operations; • certain costs and liabilities that were otherwise less significant to Worthington as a whole will be more significant for New Worthington and Worthington Steel as separate companies after the Separation; • New Worthington (and prior to the Separation, Worthington) will incur costs in connection with the transition to being a separate, publicly- traded company that may include accounting, tax, legal and other professional services costs, recruiting and relocation costs associated with hiring or reassigning personnel and costs to separate information systems; and • (i) the Separation will require significant amounts of management' s time and effort, which may divert management' s attention from operating and growing our business, (ii) following the Separation, each company may be more susceptible to market fluctuations and other adverse events than if the companies were still combined and (iii) following the Separation, the companies' businesses will be less diversified than the combined businesses prior to the Separation. If some or all of the anticipated benefits from the Separation are not achieved as anticipated, or if such benefits are delayed, our business, operating results and financial condition could be adversely affected. We may have received better terms from unaffiliated third parties than the terms we will receive in our agreements with Worthington Steel. The agreements we will enter into with Worthington Steel in connection with the separation, including the separation agreement, transition services agreement, employee matters agreement, tax matters agreement and other commercial agreements were prepared in the context of the Separation while we were still a combined company. Accordingly, during the period in which the terms of those agreements were prepared, we did not have a separate or independent board of directors or a management team that was separate from or independent of Worthington Steel. As a result, the terms of those agreements may not reflect terms that would have resulted from arm' s- length negotiations between unaffiliated third parties. Arm' s- length negotiations between us and an unaffiliated third party in another form of transaction, such as a buyer in a sale of a business transaction, may have resulted in more favorable terms from the unaffiliated third party. New Worthington may fail to perform under various transaction agreements that will be executed as part of the Separation. The separation agreement and other agreements to be

entered into in connection with the Separation will determine the allocation of assets and liabilities between New Worthington and Worthington Steel following the Separation and will include any necessary indemnifications related to liabilities and obligations. The transition services agreement will provide for the performance of certain services by each company for the benefit of the other for a period of time after the Separation. We will rely on Worthington Steel after the Separation to satisfy its performance and payment obligations under these agreements. If Worthington Steel is unable to satisfy its obligations under these agreements, including its indemnification obligations, we could incur operational difficulties or losses. General Risks 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 conditions. Volatility in the U. S. 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. **The effects** ~~Although domestic credit markets have largely stabilized from the height~~ of the financial crisis, **recent bank failures** ~~the effects of the financial crisis~~ , ~~as well as the~~ concerns over the economic impact of COVID- 19, the war in Ukraine and inflationary pressures, continue to present risks to us, our customers or our 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 us, our customers, or 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, especially in light of the war in Ukraine, 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 restrict our ability to borrow money on acceptable terms in the credit markets and potentially 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 our suppliers and customers to borrow money to fund their operations. Lack of, or limited access to, capital would adversely affect our suppliers to produce the materials we need for our operations and our customers' ability to purchase our products or, in some cases, to pay for our products on a timely basis. 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~~ **non- U. S.** 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. For example, President Biden has previously proposed to increase the federal corporate income tax rate and **,** if any such proposal were to be adopted, then the increase in the federal corporate income tax rate would adversely affect our results of operations in future periods. 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. 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, limitations on our ability to produce, use or sell certain products 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 ~~provider~~ **providers** , 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 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. In recent years, 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. The U. S. federal government' s decision to implement new trade agreements, and / or withdraw or materially modify other existing trade agreements or treaties may adversely impact our business, customers and / or suppliers by disrupting trade and commercial transactions and / or adversely ~~affecting~~ --- **affect** 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 tariffs on certain foreign goods, including on certain steel products imported into the U. S. Although such steel tariffs may benefit portions of our business, these tariffs, as well as country- specific or product- specific exemptions, may also lead to steel price 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 **, which previously contributed to increased raw material prices, but did not have a significant or recurring impact on our business** . 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. 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~~ **operating** 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.