



AZZ Inc.
Second Quarter Fiscal Year 2020
Earnings Presentation

December 5, 2019

Safe Harbor Statement

Certain statements herein about our expectations of future events or results constitute forward-looking statements for purposes of the safe harbor provisions of The Private Securities Litigation Reform Act of 1995. You can identify forward-looking statements by terminology such as, “may,” “should,” “expects,” “plans,” “anticipates,” “believes,” “estimates,” “predicts,” “potential,” “continue,” or the negative of these terms or other comparable terminology. Such forward-looking statements are based on currently available competitive, financial and economic data and management’s views and assumptions regarding future events. Such forward-looking statements are inherently uncertain, and investors must recognize that actual results may differ from those expressed or implied in the forward-looking statements. This presentation may contain forward-looking statements that involve risks and uncertainties including, but not limited to, changes in customer demand and response to products and services offered by AZZ, including demand by the power generation markets, electrical transmission and distribution markets, the industrial markets, and the metal coatings markets; prices and raw material cost, including zinc and natural gas which are used in the hot dip galvanizing process; changes in the political stability and economic conditions of the various markets that AZZ serves, foreign and domestic, customer requested delays of shipments, acquisition opportunities, currency exchange rates, adequacy of financing, and availability of experienced management and employees to implement AZZ’s growth strategies. AZZ has provided additional information regarding risks associated with the business in AZZ’s Annual Report on Form 10-K for the fiscal year ended February 28, 2019 and other filings with the SEC, available for viewing on AZZ’s website at www.azz.com and on the SEC’s website at www.sec.gov. You are urged to consider these factors carefully in evaluating the forward-looking statements herein and are cautioned not to place undue reliance on such forward-looking statements, which are qualified in their entirety by this cautionary statement. These statements are based on information as of the date hereof and AZZ assumes no obligation to update any forward-looking statements, whether as a result of new information, future events, or otherwise.

2nd Quarter Segment Revenue and Market Drivers

Total 2Q FY2020 Revenue: \$236.2 million



Market Drivers

- Strong solar and petrochemical market activity
- Improved customer service paying off
- Growing contribution from Surface Technologies
- Maintaining price/value realization

- Strong Energy segment backlog totaling >\$300 million
- Shipped more China HV Bus
- Improved operational execution and customer service
- Lapped large Chinese order in same quarter PY

2nd Quarter Segment Results – Metal Coatings

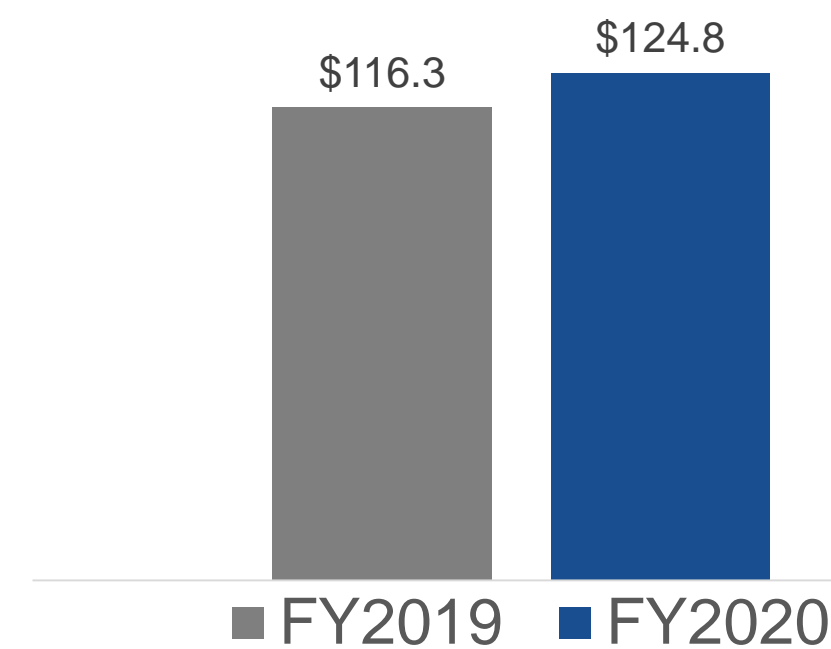
In millions \$

Key Statistics

| | |
|-----------------------|----------------|
| FY2019 Revenue | \$116.3 |
| Organic | \$1.2 |
| Acquisitions | \$7.3 |
| FY2020 Revenue | \$124.8 |

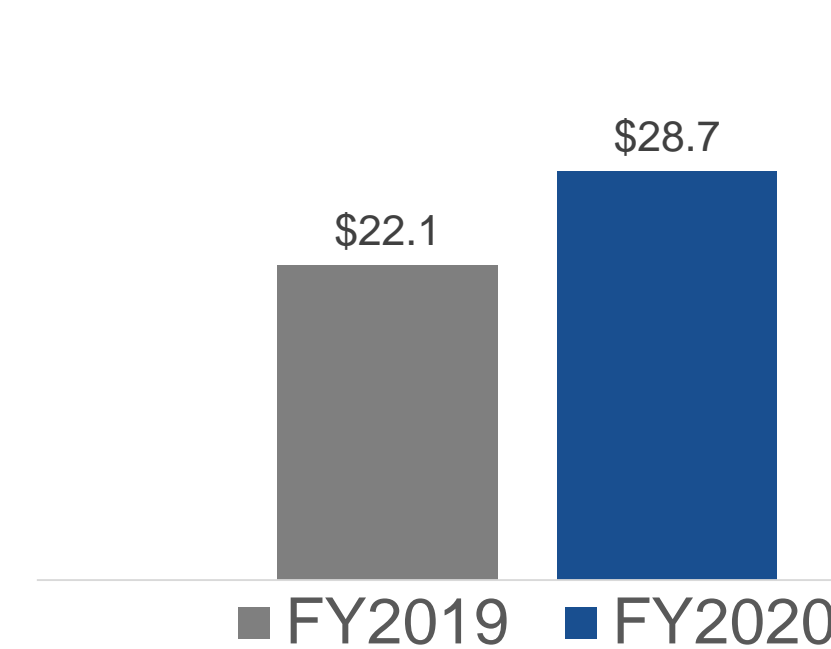
Revenue

+7.4%



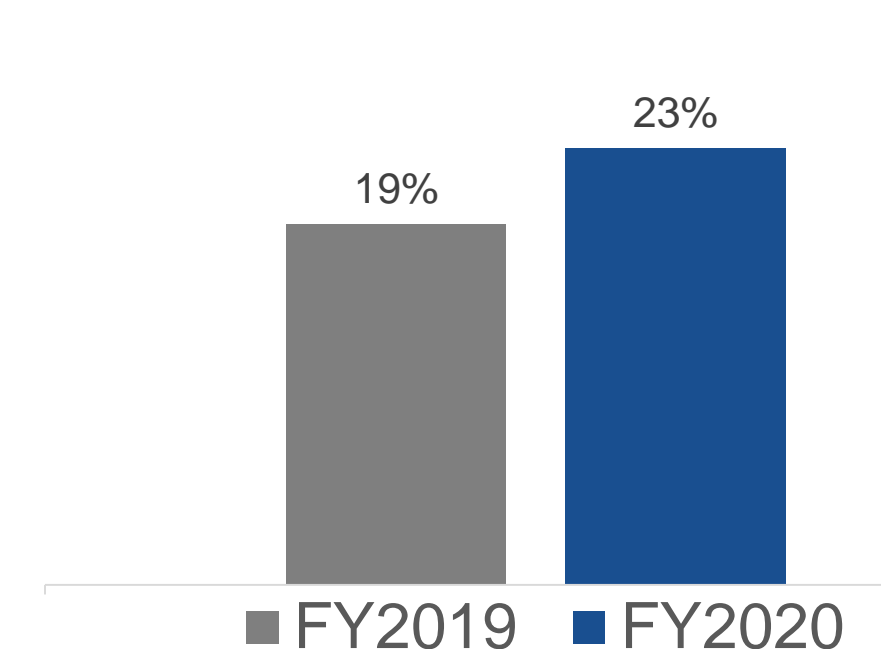
Operating Income

+29.9%



Operating Margin

+400 bps



Segment Summary:

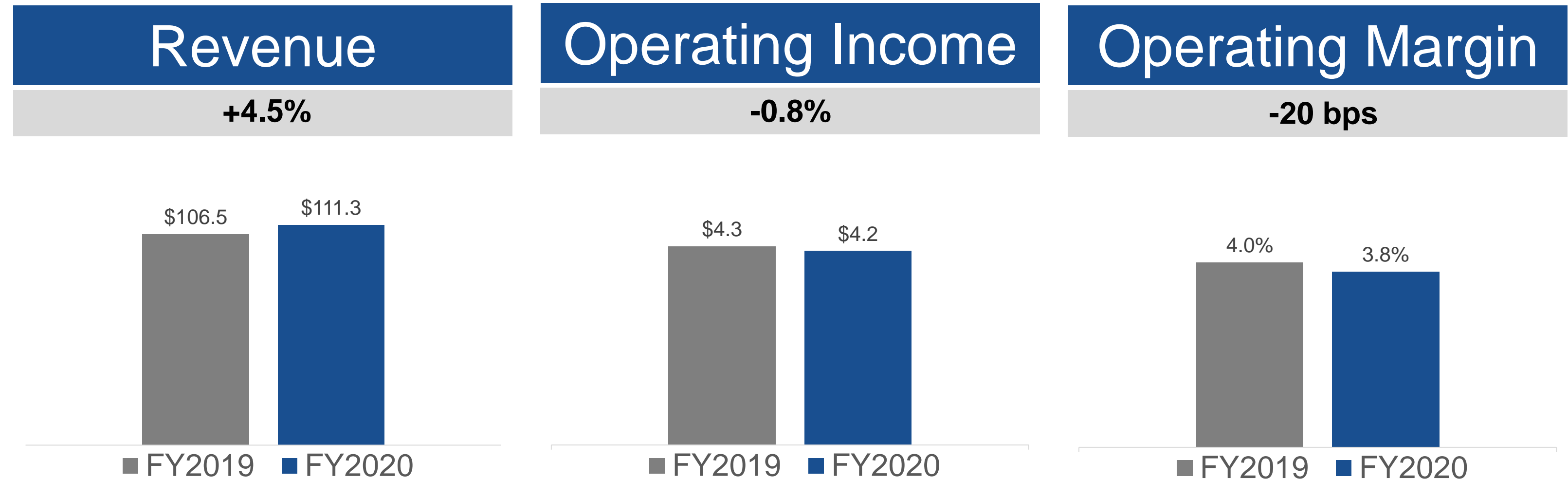
- Record quarterly revenue driven by improved demand within solar and petrochemical markets.
- Traction within our new business units – Surface Technologies and Galvabar
- Lower zinc costs in galvanizing offsetting higher wage expense
- Improved labor productivity and operational efficiency driven by digital galvanizing system (DGS)
- Operating Margins of 23%, compared to 19% for the same quarter last year
- EBITDA of \$36.0 million versus \$31.3 million in same quarter last year

2nd Quarter Segment Results – Energy

In millions \$

Key Statistics

| | |
|--------------------------|------------------|
| FY19 Revenue | \$106.5 |
| FY19 Book to Ship | 1.14 to 1 |
| FY20 Revenue | \$111.3 |
| FY20 Book to Ship | 1.01 to 1 |



Segment Summary:

- Normal, weak domestic refinery turnaround business in 2Q FY2020 due to seasonality of the market
- Encouraged by strong demand for back half of FY2020, and we expect a robust fall turnaround season
- Recognizing revenue and shipping Chinese orders; backlog down to prior year due to large China order in FY2019
- Domestic nuclear market remains stable at a low level
- Operating Margin of 3.8% in Q2 FY2020, versus 4.0% same quarter last year
- EBITDA \$8.1M flat compared to FY19

YTD FY 2020 Financial Guidance and Key Assumptions

Key Assumptions:

Metal Coatings:

- Stronger revenue due to price realization and contribution from Surface Technologies
- Higher income from lower zinc costs
- Operational Excellence initiatives

Energy

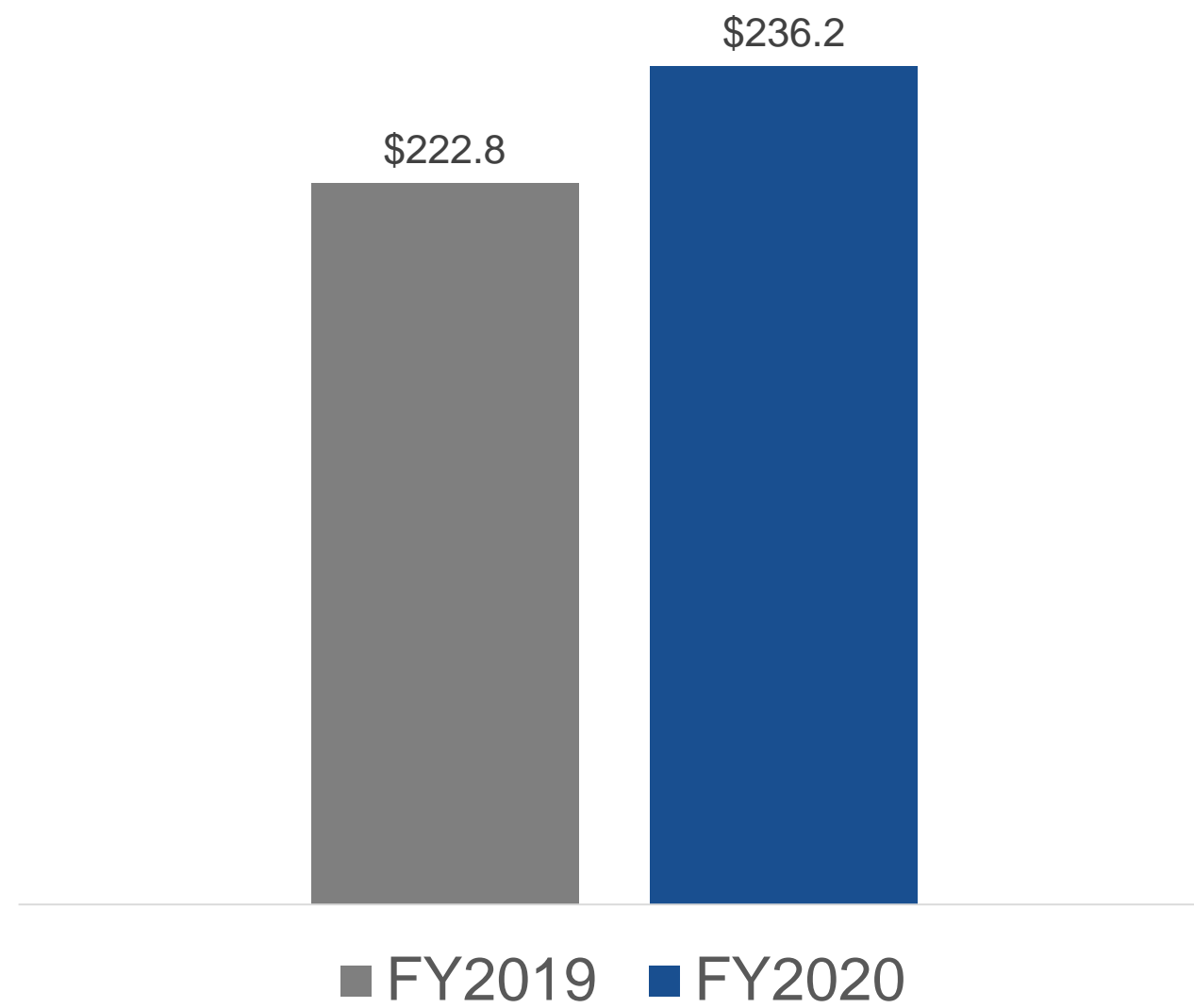
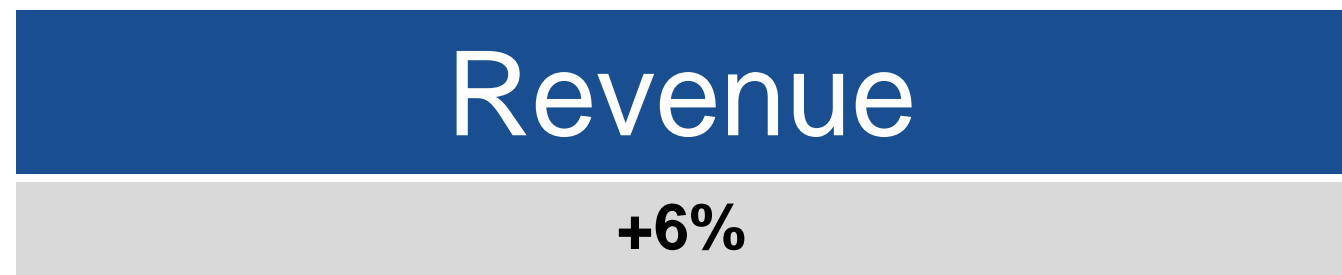
- Revenue increases resulting from China high voltage bus projects
- Robust fall refinery turnaround activity
- Growth from Welding Solutions international business units
- Improvement in Electrical Platform operational execution and Chinese order volume

In millions , except for EPS

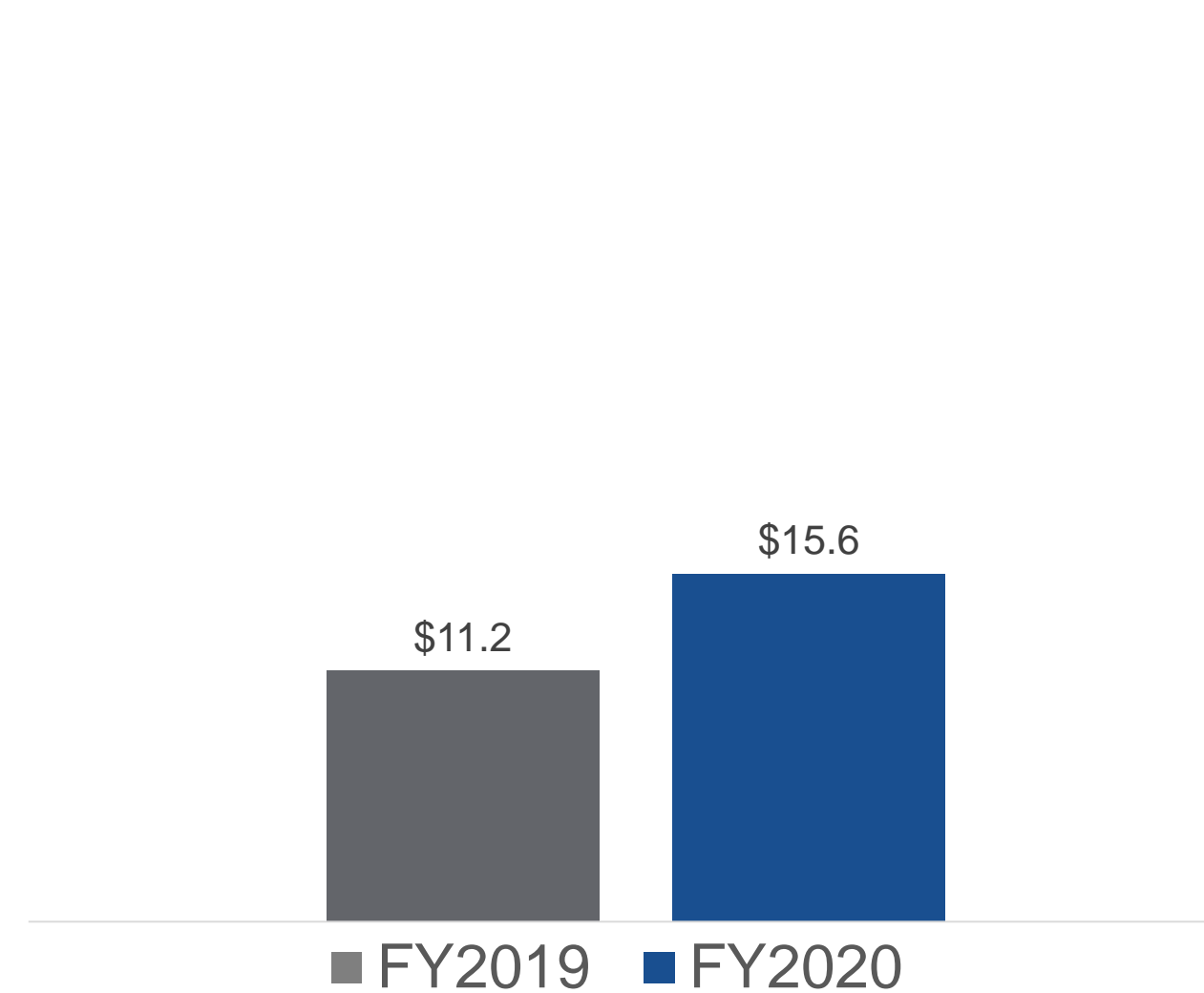
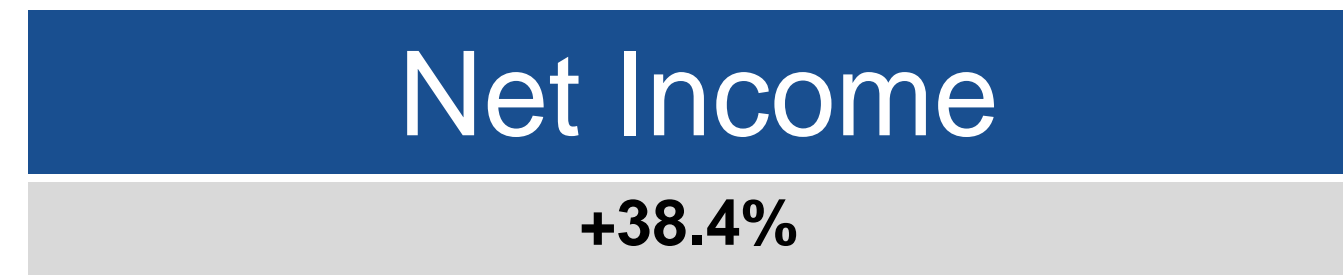
| | Prior | Current |
|--------------------|---------------|------------------------|
| Revenue | \$950-1,030 | \$1,020-\$1,060 |
| Earnings Per Share | \$2.25-\$2.75 | \$2.60-\$2.90 |

2nd Quarter Summary - Consolidated

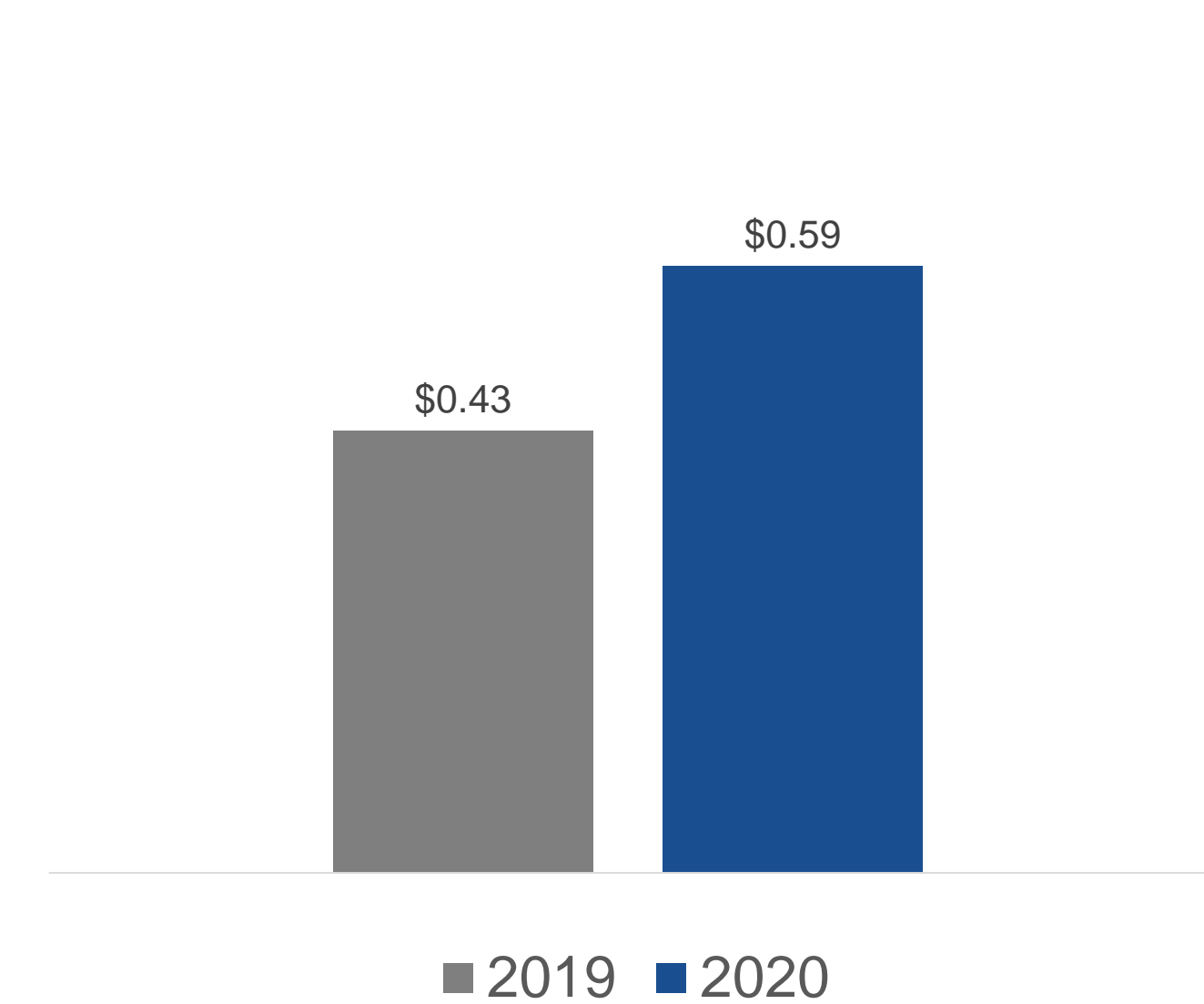
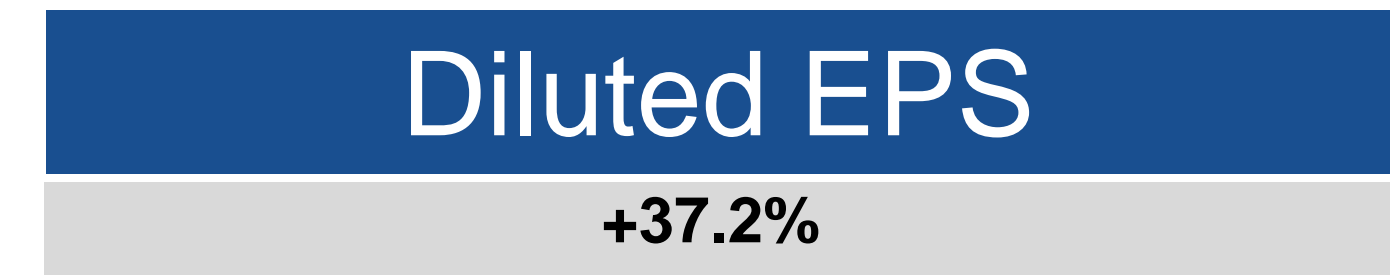
In \$millions, except per share amounts



- Organic growth
- Contribution from acquisitions
- Price realization



- Lower zinc costs
- Improved operational efficiencies
- China Tariff and FX impacts



- Improved margins
- Strong cash generation
- Emphasis on expense control

Q2 FY2020 Consolidated Results

| In millions, except for EPS and percentages | Q2 FY 20 | Q2 FY 19 | % Change |
|---|----------|----------|----------|
| Revenue | \$236.2 | \$222.8 | 6.0% |
| Gross Profit | \$52.7 | \$46.9 | 12.3% |
| Gross Margin | 22.3% | 21.1% | |
| Operating Profit | \$22.2 | \$17.1 | 29.8% |
| Operating Margin | 9.4% | 7.7% | |
| EBITDA | \$33.8 | \$30.6 | 10.5% |
| Net Income (loss) | \$15.6 | \$11.2 | 38.4% |
| Diluted EPS | \$0.59 | \$0.43 | 37.2% |
| Diluted Shares Outstanding | 26.272 | 26.091 | 0.7% |

YTD FY 2020 Consolidated Results

| In millions, except for EPS and percentages | YTD FY 20 | YTD FY 19 | % Change |
|---|-----------|-----------|----------|
| Revenue | \$525.3 | \$485.0 | 8.3% |
| Gross Profit | \$118.8 | \$105.6 | 12.5% |
| Gross Margin | 22.6% | 21.8% | |
| Operating Profit | \$53.2 | \$40.8 | 30.3% |
| Operating Margin | 10.1% | 8.4% | |
| EBITDA | \$76.7 | \$67.7 | 13.3% |
| Net Income (loss) | \$36.8 | \$27.0 | 36.6% |
| Diluted EPS | \$1.40 | \$1.03 | 35.9% |
| Diluted Shares Outstanding | 26.233 | 26.062 | 0.7% |

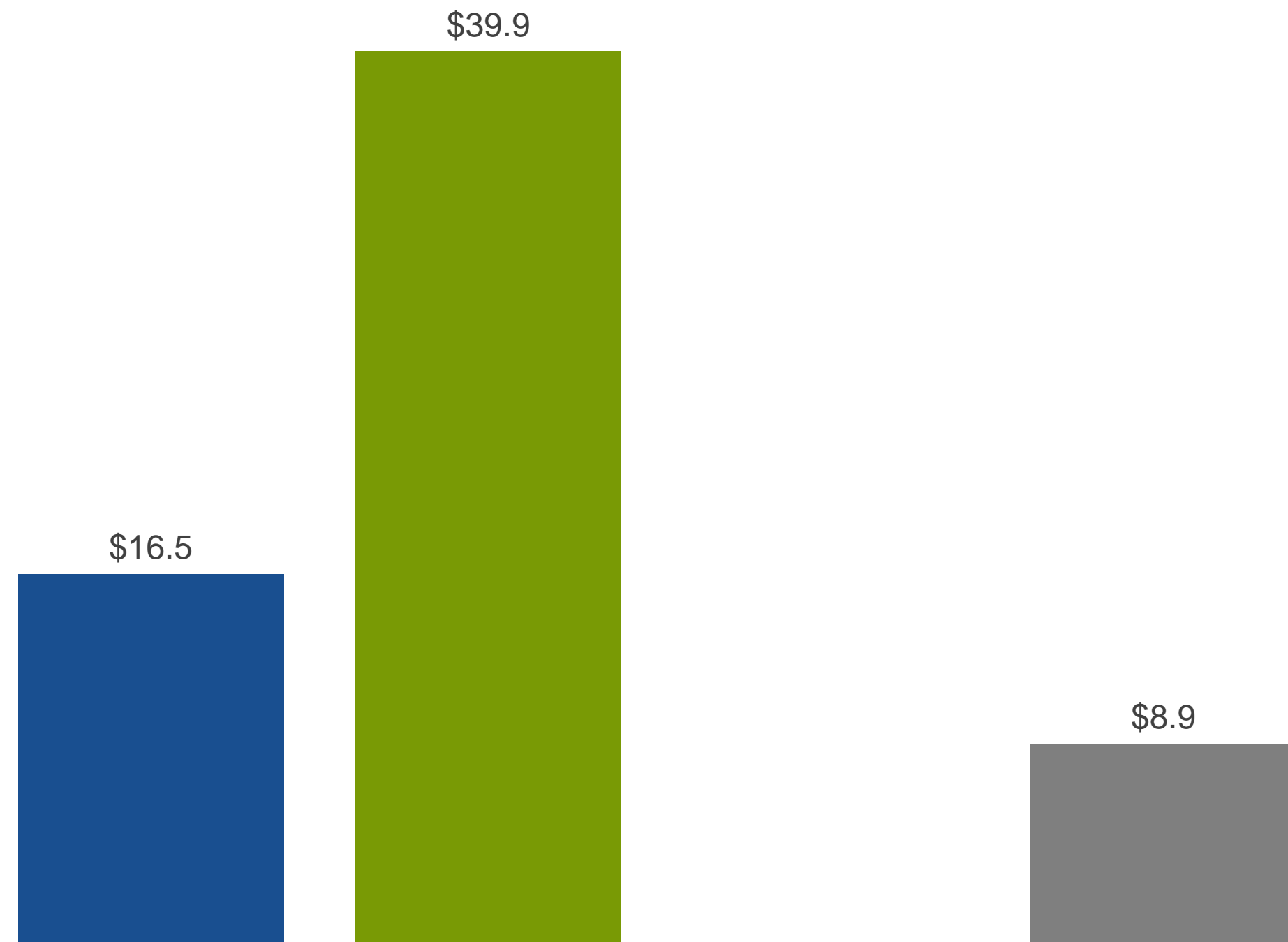
YTD FY 2020 Cash Flow Highlights

| In millions, except for percentages | YTD FY 20 | YTD FY 19 |
|---|-----------|-----------|
| Cash flows provided by operating activities | \$38.2 | \$16.7 |
| Less: Capital Expenditures | \$(16.5) | (\$7.2) |
| Free Cash Flow | \$21.7 | \$9.5 |
| | | |
| Net Income | \$36.8 | \$27.0 |
| Free Cash Flow/Net Income | 59.0% | 35.2% |
| | | |
| Acquisition of Subsidiaries, net of cash acquired | \$39.9 | \$8.0 |
| Dividends | \$8.9 | \$8.8 |
| Share Repurchases | \$0.0 | \$0.0 |

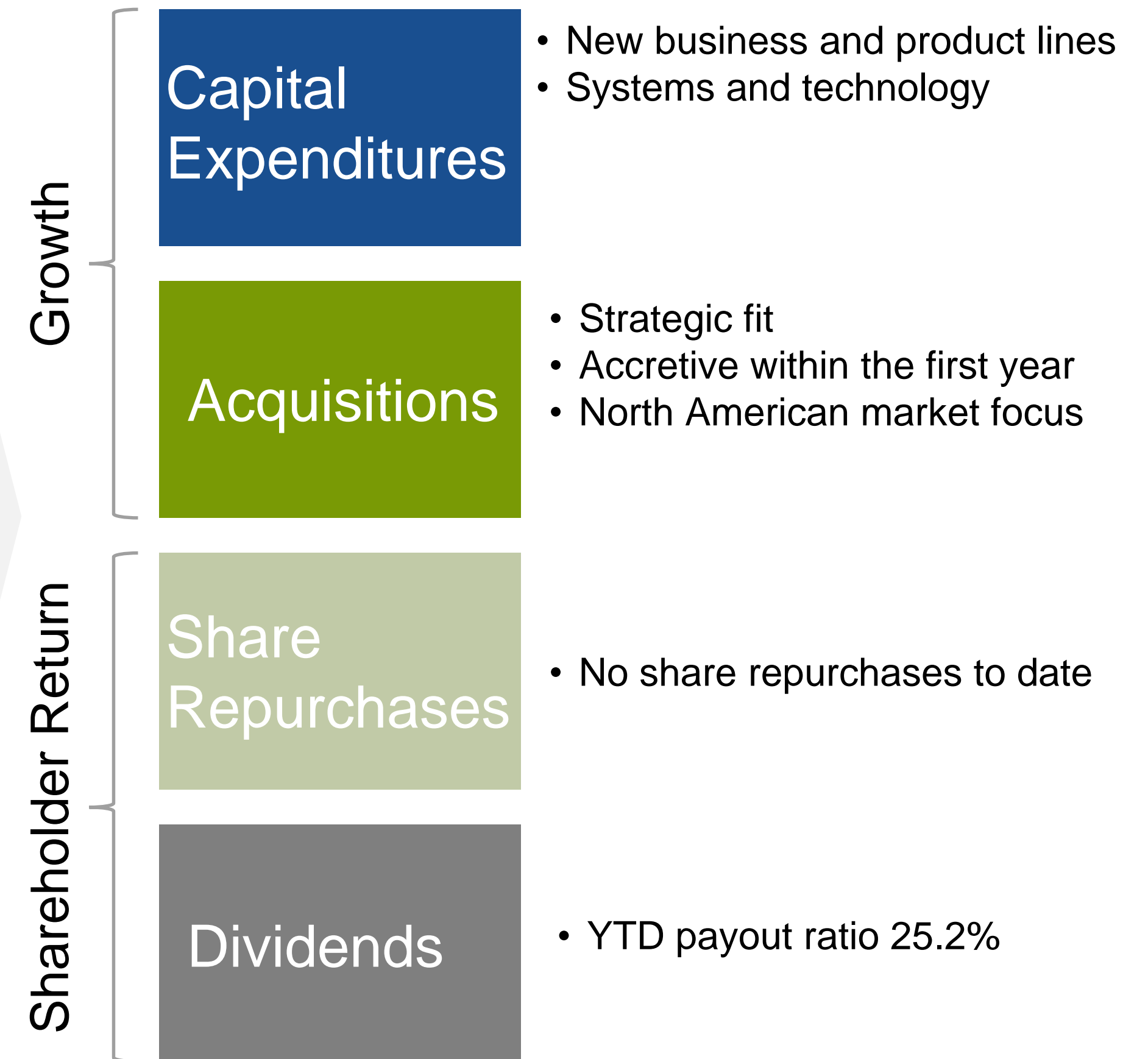
Capital Allocation Focused on Growth

In millions

FY 2020 YTD Capital Deployment



■ Capital Expenditures ■ Acquisitions ■ Share Repurchases ■ Dividends



YTD FY 2020 Risks

- **Risks identified for the year still exist, and China trade tensions did have some impact during the second quarter:**
 - Metal Coatings – improved pricing and operational initiatives are unable to offset any unplanned increase in costs
 - AZZ’s ongoing recruiting and retention efforts do not provide enough skilled and semi-skilled craft to satisfy demand
 - High voltage bus shipments to China are impacted by trade dispute

AZZ believes it has taken steps to effectively mitigate the risks within our control

Strategic Direction

- **Continue to grow Metal Coatings organically and with a robust acquisition program, while targeting 21-23% Operating Margins**
 - Focus on operating excellence and providing outstanding customer service
 - Assumes continued inorganic growth in Surface Technologies
- **Energy will focus on operational excellence and profitable growth in its core businesses while divesting, exiting the non-core**
 - Specialty welding will grow through international expansion, offering the best customized welding technology, and reducing dependence on the nuclear market space
 - Electrical businesses will focus on improving profitability and focus more on domestic market growth

Q&A

Reg G Tables

Non-GAAP Disclosure of EBITDA

- In addition to reporting financial results in accordance with Generally Accepted Accounting Principles in the United States ("GAAP"), AZZ has provided EBITDA, which are non-GAAP measures. Management believes that the presentation of these measures provides investors with a greater transparency comparison of operating results across a broad spectrum of companies, which provides a more complete understanding of AZZ's financial performance, competitive position and prospects for the future. Management also believes that investors regularly rely on non-GAAP financial measures, such as EBITDA, to assess operating performance and that such measures may highlight trends in the Company's business that may not otherwise be apparent when relying on financial measures calculated in accordance with GAAP.

Non-GAAP Disclosure of Consolidated EBITDA

| In millions | Consolidated YTD FY 20 | Consolidated YTD FY 19 | Consolidated Q2 FY 20 | Consolidated Q2 FY 20 |
|---|---------------------------|---------------------------|--------------------------|--------------------------|
| GAAP Net Income | \$36.8 | \$27.0 | \$15.6 | \$11.2 |
| Adjustments to reconcile GAAP to non-GAAP Financial Measures | | | | |
| Interest Expense | \$7.1 | \$7.8 | \$3.5 | \$4.0 |
| Income Tax Expense | \$8.1 | \$7.2 | \$2.4 | \$2.7 |
| Depreciation and Amortization Expense | \$24.7 | \$25.7 | \$12.3 | \$12.7 |
| Total GAAP adjustments | \$39.9 | \$40.7 | \$18.2 | \$19.4 |
| Non-GAAP EBITDA | \$76.7 | \$67.7 | \$33.8 | \$30.6 |

Non-GAAP Disclosure of Metal Coatings and Energy EBITDA

| In millions | Metal Coating Q2 FY 20 | Metal Coating Q2 FY 19 | Energy Q2 FY 20 | Energy Q2 FY 19 |
|---|---------------------------|---------------------------|--------------------|--------------------|
| GAAP Operating Income | \$28.7 | \$22.1 | \$4.2 | \$4.3 |
| | | | | |
| Adjustments to reconcile GAAP to non-GAAP Financial Measures | | | | |
| | | | | |
| Other Income / Expense | \$0.1 | \$1.9 | \$(0.8) | \$(1.1) |
| Interest Expense | \$0.0 | \$0.0 | \$0.0 | \$0.0 |
| Depreciation and Amortization Expense | \$7.2 | \$7.3 | \$4.7 | \$4.9 |
| Total GAAP adjustments | \$7.3 | \$9.2 | \$3.9 | \$3.8 |
| | | | | |
| Non-GAAP EBITDA | \$36.0 | \$31.3 | \$8.1 | \$8.1 |