



# AZZ Inc. Strategy and Governance Update

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Fall 2020

## Safe Harbor Statement

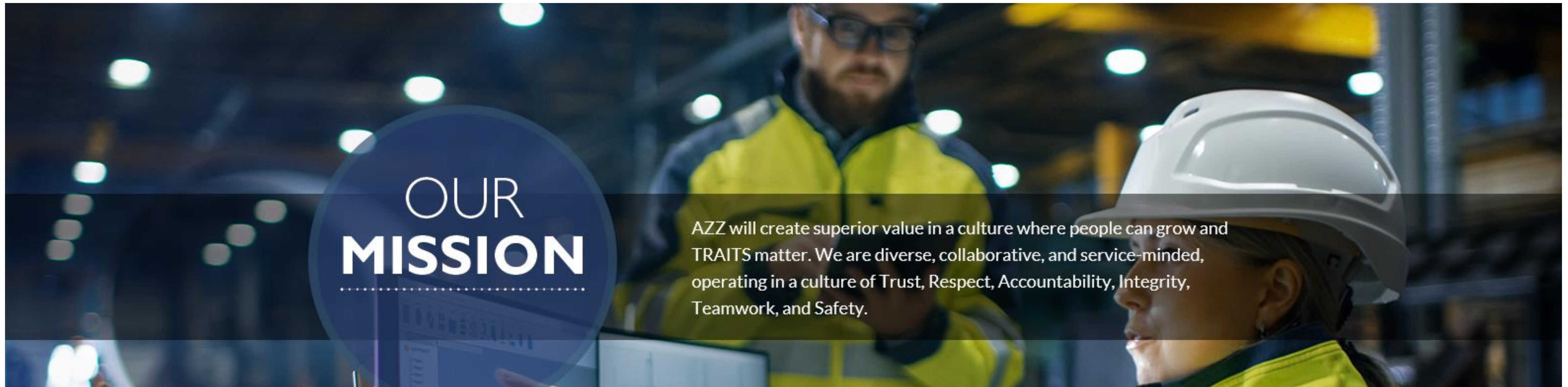
Certain statements herein about our expectations of future events or results constitute forward-looking statements for purposes of the safe harbor provisions of The Private Securities Litigation Reform Act of 1995, including the statements regarding our strategic and financial initiatives. You can identify forward-looking statements by terminology such as “may,” “should,” “expects,” “plans,” “intends,” “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. Certain factors could affect the outcome of the matters described herein. This presentation may contain forward-looking statements that involve risks and uncertainties including, but not limited to, changes in customer demand for our products and services, including demand by the power generation markets, electrical transmission and distribution markets, the industrial markets, and the metal coatings markets. In addition, within each of the markets we serve, our customers and our operations could potentially be adversely impacted by the ongoing COVID-19 pandemic. We could also experience fluctuations in prices and raw material cost, including zinc and natural gas which are used in the hot-dip galvanizing process; supply-chain vendor delays; customer requested delays of our products or services; delays in additional acquisition opportunities; currency exchange rates; availability of experienced management and employees to implement AZZ’s growth strategy; a downturn in market conditions in any industry relating to the products we inventory or sell or the services that we provide; economic volatility or changes in the political stability in the United States and other foreign markets in which we operate; acts of war or terrorism inside the United States or abroad; and other changes in economic and financial conditions. 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 29, 2020 and other filings with the Securities and Exchange Commission (“SEC”), available for viewing on AZZ’s website at [www.azz.com](http://www.azz.com) and on the SEC’s website at [www.sec.gov](http://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.

## Our Board is Implementing Initiatives to Enhance Shareholder Value

- **Execution:** Board and management are building on a strong foundation to advance our strategic and financial initiatives
  - ▶ Highly attractive metal coatings segment with resilient performance through COVID-19 pandemic
  - ▶ Driving margin improvement across infrastructure solutions segment and divesting low performing / low value creation businesses
- **Strategic and Financial Review:** Board is leading a review of the Company's portfolio and capital allocation
  - ▶ Retained industry-leading independent financial, legal and tax advisors in support of this review
  - ▶ Review accelerating AZZ's strategy to become a focused metal coatings company
- **Capital Return:** Share repurchases are currently an attractive use of capital
  - ▶ Repurchased over 600,000 shares over the past five months
  - ▶ Authorized a new stock repurchase program of \$100 million that we intend to complete by the end of fiscal year 2022
- **Board Refreshment:** AZZ is adding Board members to align with our strategy, challenges and opportunities
  - ▶ Engaged a leading independent search firm to further our Board refreshment process
- **Shareholder Engagement:** We will continue to welcome shareholder input in executing our strategy and in our ESG programs and policies
- **Focus on Sustainability:** We will continue to integrate human capital and environmental initiatives into our operations and culture



## Vision and Values



### GUIDING VALUES

- **We Value Our Dedicated Employees** and their communities by fully training and equipping them, and providing a safe environment to grow
- **We Value Our Customers** by reliably providing high-quality products and services with outstanding customer service
- **We Value Our Shareholders** by striving to consistently provide solid returns



### Environmental, Social and Governance “ESG”

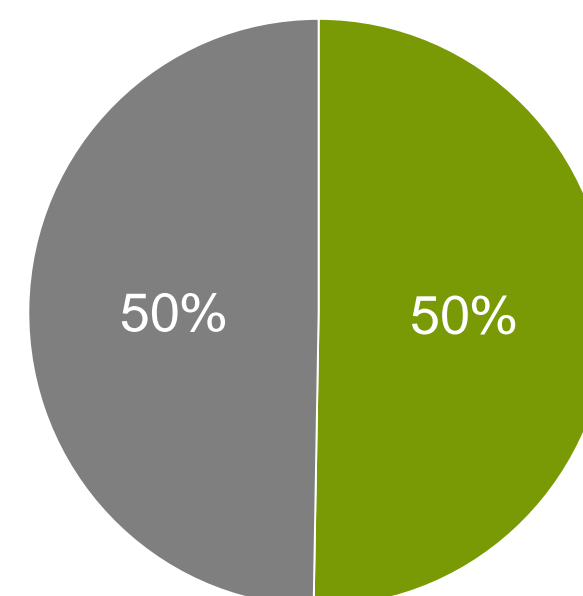
- **Integrating Sustainability** into our Operations and Company Culture
- **Continued Commitment to Employee Safety, Development and Diversity**
- **Experienced Board** from a Range of Relevant Backgrounds



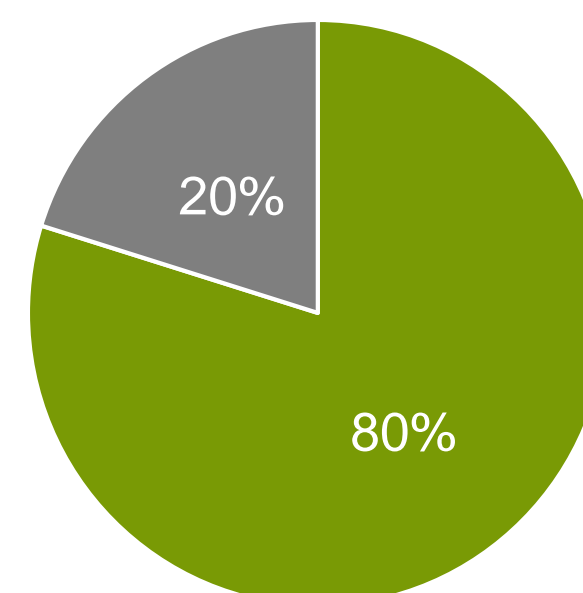
# AZZ at a Glance (NYSE: AZZ)

Headquarters	Ft. Worth, Texas
Total Employees	~3,700
Facilities	>60
Pro Forma FY20 Sales	~\$1 billion
Pro Forma FY20 Adj. Operating Income	\$96 million

By Pro Forma Sales



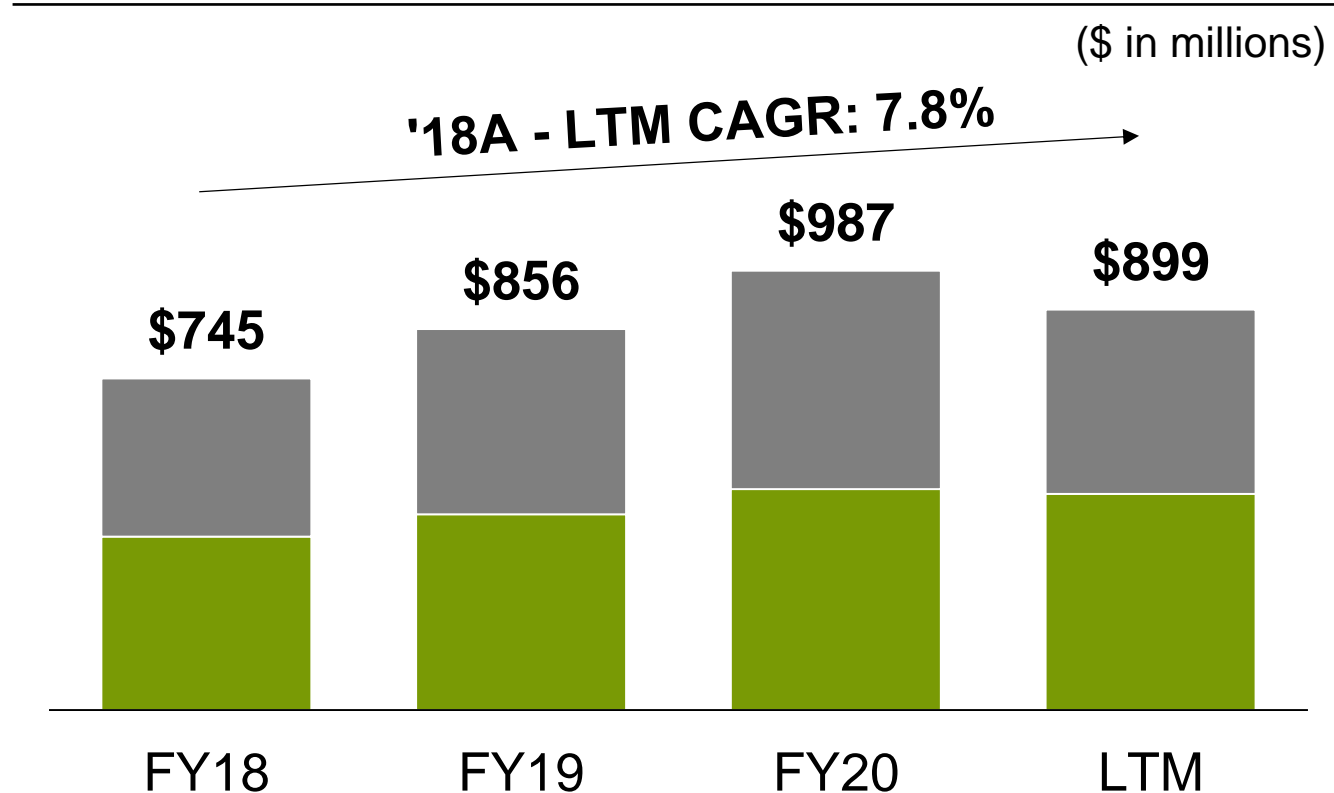
By Pro Forma Operating Income



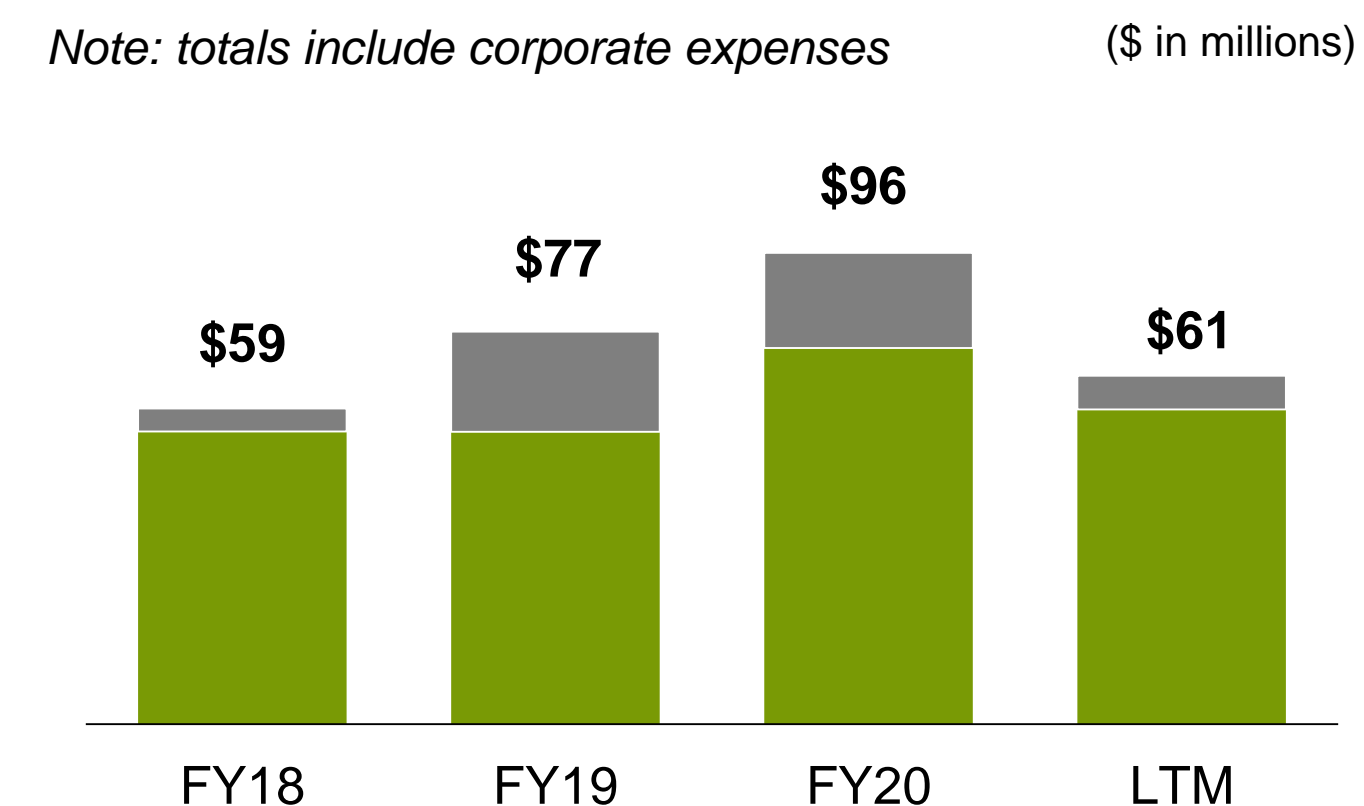
■ Metal Coatings

■ Infrastructure Solutions

Pro Forma Sales Contribution



PF Adj. Operating Income Contribution



Note: Financials pro forma for divestitures of Galvabar, NLI and SMS and one-time expenses.  
See appendix for reconciliation to reported GAAP financials

# Our Current Portfolio

## Metal Coatings (PF FY20 Sales: \$496 million)

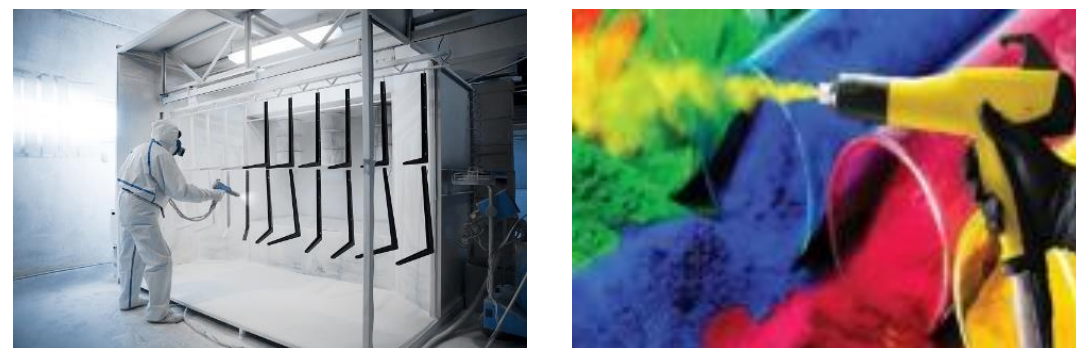
**#1 in Hot-Dip Galvanizing of Prefabricated Steel**

### Galvanizing



- Protects, extends and enhances critical infrastructure
- Proprietary digital galvanizing technology

### Surface Technologies



- Powder coatings
- Plating
- Anodizing
- Corrosion + cosmetic benefits
- Highly automated

## Infrastructure Solutions (PF FY20 Sales: \$491 million)

**Diverse portfolio of Electrical and Industrial businesses**

### Electrical Products



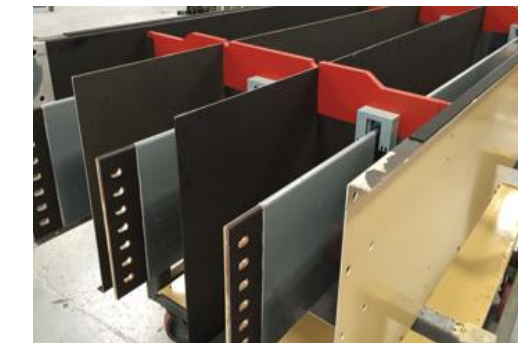
**Enclosure Systems**



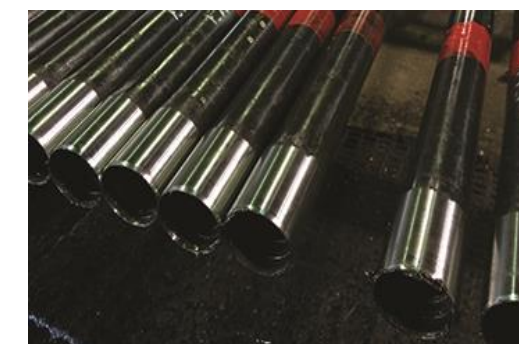
**Switchgear**



**High Voltage Bus**



**Medium Voltage Bus**

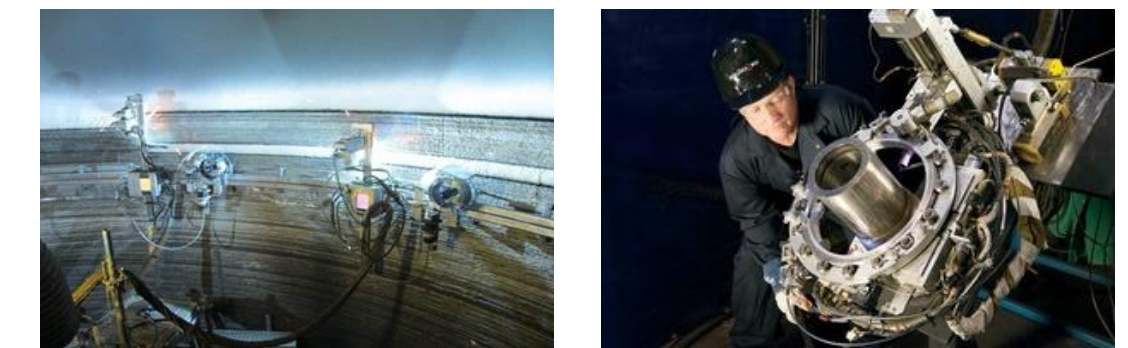


**Tubular Products**



**Lighting Systems**

### Industrial Solutions



- Specialty weld overlay services for critical component maintenance & repair



# Strategic and Financial Initiatives to Enhance Shareholder Value

## Metal Coatings

### *Focus on Driving Profitable Growth*

- #1 in hot-dip galvanizing
- Strategic plant network with superior service
- Highly attractive margins and returns
- Pipeline of synergistic Metal Coatings acquisitions in North America
- Resilient performance through COVID-19 uncertainty

## Infrastructure Solutions

### *Conducting Comprehensive Review*

- Impacted by COVID-19
- Drive cost and margin improvement
- Exit of low performing and low value creation businesses underway
- Maintaining competitive position to maximize value in post COVID-19 recovery
- Evaluating opportunities to accelerate becoming a focused Coatings company

## Capital Allocation

### *Targeting Increased Capital Returns to Shareholders*

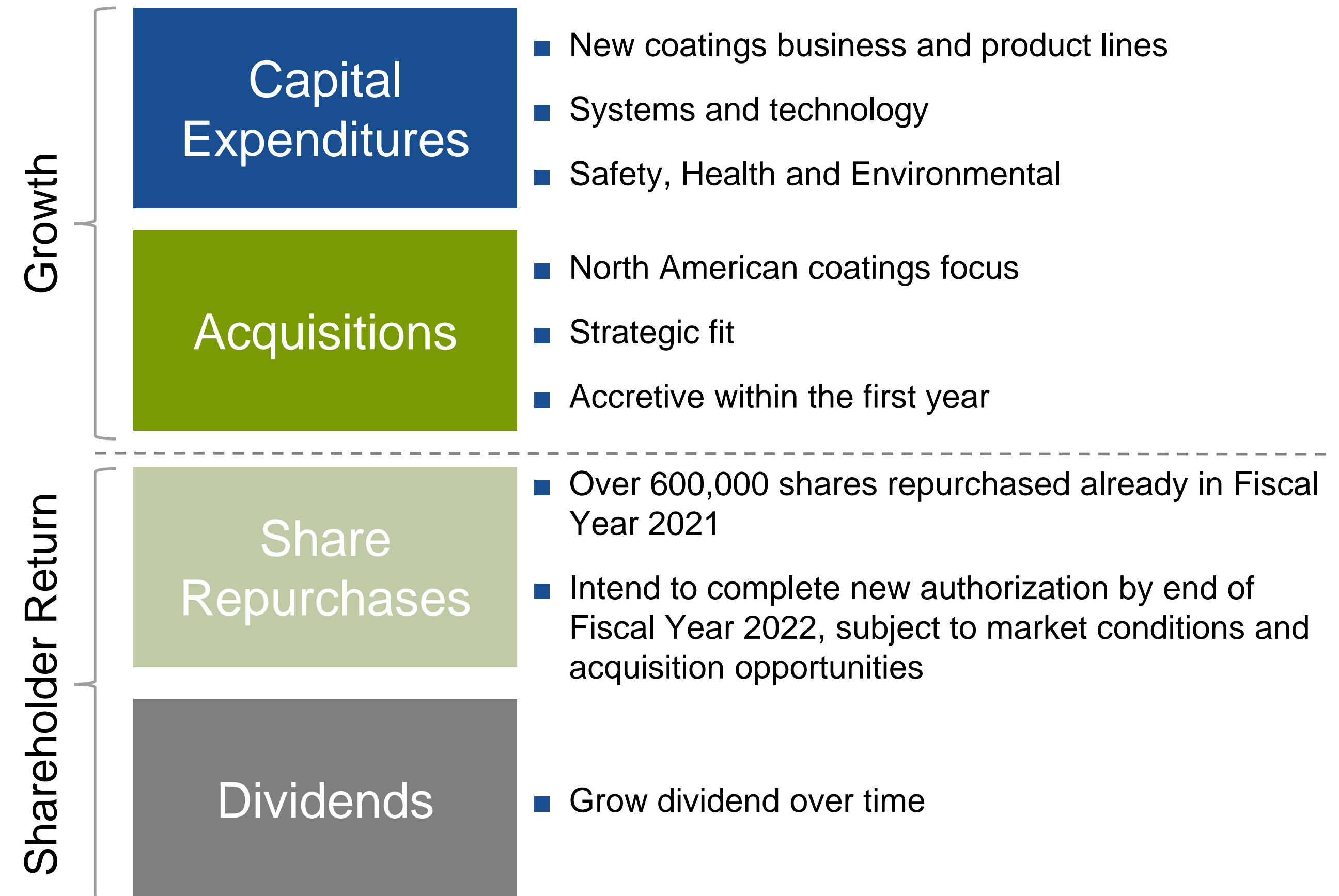
- Deploy balance sheet targeting a net leverage ratio of 2.5x
- Board authorized \$100M share repurchase program
  - ▶ Intend to complete new authorization by end of Fiscal Year 2022, subject to market conditions and acquisition opportunities
- Continued prioritization of coatings acquisitions
- Grow dividend over time
- Subject to macro environment

### Strengthened Management Team

- Appointed CFO with deep accounting, controls and compliance experience
- Appointed SVP of IR to enhance investor communication

# Targeting Increased Capital Return to Shareholders

- Deploy balance sheet to target a net leverage ratio of 2.5x
- Board authorized \$100M share repurchase program in November 2020
- Continued prioritization of coatings acquisitions
- Subject to macro environment





# Corporate Governance

Our Board believes that strong corporate governance is a prerequisite to the continued success of the Company

## Board Independence

- Independent Board (7 of 8 directors)
- Separate Chairman and CEO
- All Board Committees comprised of independent directors
- Regular executive sessions of independent directors

## Board Practices

- Annual Board and committee self-evaluations
- Ongoing commitment to Board refreshment and diversity
- Strategic planning and risk oversight by full Board and committees
- Corporate ESG practices and policies oversight by Nominating and Corporate Governance Committee
- Orientation program for new directors and continuing education for all directors

## Board Accountability

- Annual election of all directors
- Majority voting for directors
- Shareholders have the right to call a special meeting (15%)
- Shareholder engagement program with feedback incorporated into Board deliberations
- Mandatory retirement at 75 years of age

## Stock Ownership / Compensation

- Robust stock ownership guidelines for directors and executive officers
- No hedging or pledging of Company securities
- Implemented a Compensation Recovery Policy

# Our Board of Directors

Experienced leaders from a range of relevant backgrounds

## Daniel Feehan

*Chairman,  
FirstCash*

- Brings significant executive leadership experience with financial reporting, business controls, accounting and strategic planning expertise
- Prior Chairman and CEO, Cash America

## Thomas Ferguson

*President and CEO,  
AZZ*

- Brings considerable global business and leadership experience with industry, strategic planning, growth and acquisition expertise
- Prior Interim CEO, FlexSteel Pipeline Technologies

## Daniel Berce

*President and CEO,  
General Motors Financial Company*

- Brings executive leadership experience with corporate governance, executive compensation, accounting and financial expertise
- Prior CEO, AmeriCredit Corp

## Paul Eisman

*Prior President and CEO,  
Alon USA Energy*

- Brings extensive experience in leading refining production companies and retail business operations
- Prior Executive Vice President of Refining and Marketing Operations, Frontier Oil Corporation

## Kevern Joyce

*Prior Chairman and CEO,  
Texas New Mexico Power Company*

- Brings considerable business and leadership experience with finance, accounting and electrical power generation expertise
- Prior Senior Advisor, ZTEK Corporation

## Venita McCellon-Allen

*Prior President and COO,  
Southwestern Electric Power Company*

- Brings executive leadership experience with operations, corporate governance, external affairs, regulatory, merger, talent development and executive compensation expertise
- Prior Executive Vice President, AEP Utilities

## Ed McGough

*SVP of Global Manufacturing and Technical  
Operations, Alcon Laboratories*

- Brings executive leadership experience with global manufacturing, distribution, supply chain, digital technology and acquisition integration expertise
- Prior VP of Manufacturing and Pharmaceutical Operations, Alcon Laboratories

## Steven Purvis

*Trustee and Portfolio Manager,  
Luther King Capital Management*

- Brings experience in analyzing corporate strategy and investment decisions across multiple industries with financial analytics expertise
- Prior Senior Analyst, Roulston Research



# Board Composition

We have thoughtfully constructed our Board to advance our strategy

## Summary of Director Experience Qualifications, Attributes and Skills

	Feehan (C)	Ferguson	Berce	Eisman	Joyce	McCellon-Allen	McGough	Purvis
CEO / Senior Executive Leadership Experience	✓	✓	✓	✓	✓	✓	✓	✓
Financial Expertise	✓		✓	✓	✓			✓
Manufacturing and Distribution Expertise		✓		✓			✓	✓
Technological Expertise		✓					✓	
Energy Industry Expertise		✓		✓	✓	✓		
International Experience	✓	✓	✓				✓	
Strategic Planning and Oversight	✓	✓	✓			✓	✓	✓
Corporate Governance	✓	✓	✓	✓	✓	✓	✓	✓
Mergers and Acquisitions	✓	✓	✓	✓	✓	✓	✓	✓

# Our Board's Evaluation and Refreshment Process

Commitment to regular refreshment to evolve our Board in line with our strategy

## Process Overview

- Robust Board evaluation and succession planning process in place
- Regularly evaluate mix of Board attributes, skills and experiences in the context of our strategy and evolving industry and business trends
- Focus on director candidates who possess a multitude of skills, professional experiences and backgrounds aligned with our strategy
- Prioritization of diverse backgrounds and perspectives

## Key Selection Criteria

- Relevant industry knowledge and diversity of background and experience
- Practical wisdom and mature judgment
- Personal and professional demonstration of ethics, integrity and professionalism
- Willingness to represent the best interests of shareholders and objectively appraise management's performance

## Key Desired Skills

**CEO, CFO or  
Other Executive  
Level Experience**

**Financial and  
Accounting  
Expertise**

**Corporate  
Governance  
Experience**

**Electrical and  
Industrial  
Products, Metal or  
Industrial Coatings  
Services and / or  
Highly Engineered  
Welding Services  
Industry  
Experience**

**Mergers and  
Acquisitions  
Experience**

**International  
Experience**

**Strategic  
Planning and  
Oversight  
Expertise**

*The Board has engaged a leading independent search firm to continue our Board refreshment process*



# Board Committees and Risk Oversight

## Our approach to committee composition and responsibilities

- Our Board has overall responsibility for the effective oversight of risk, whether financial, operational or strategic
- The Board has delegated responsibility for oversight of certain risks to its committees who regularly meet and report to the full Board

### Audit Committee

*Berce (C), Eisman, McCellon-Allen, Purvis*

- Oversees robust internal processes and controls for identifying and managing risk, including comprehensive internal and external audit processes
- Oversees the integrity of the financial statements and the independent auditor's qualifications and independence

### Compensation Committee

*McGough (C), Berce, Eisman, Feehan, McCellon-Allen*

- Oversees risks relating to the Company's compensation philosophy and programs and any impact it may have on management risk taking
- Monitors risks relating to management and organizational structure, as well as succession planning of executive officers and other key leadership personnel

### Nominating and Corporate Governance Committee

*Feehan (C), Joyce, McGough, Purvis*

- Oversees Board and Committee composition, Board compensation and the Company's corporate governance principles and practices
- Provides oversight of AZZ's environmental, social and governance policies and sustainability practices

## Risk Oversight by Executive Management

- Management focusing on the day-to-day responsibility and management of risks, in the following select areas:

Operations

Governance

Implementing  
Strategic Growth  
Initiatives

Integrating  
Acquisitions into  
Operations

Compliance  
Programs

Financial Reporting

Public Disclosure

# Prioritizing Corporate Responsibility and Sustainability

Committed to growing our business in a sustainable and socially responsible manner

## Approach to Sustainability

- Our sustainability framework is integrated into our overall business strategy through our focus areas of environmental stewardship, social responsibility and corporate governance
- We strive to improve the efficiency of our operations, including increasing energy and resource efficiency, lowering greenhouse gas emissions, reducing water consumption, conserving natural resources and offering products and services with superior sustainability attributes that meet or exceed our customer's needs
- In November 2019, we formed a Sustainability Council, which focuses on integrating sustainability into our operations and company culture, with members selected based on their knowledge of sustainability issues and functional expertise to our business

## Sustainability Framework Focus Areas

### Environmental Stewardship

- We strive to provide high quality products and services to our customers while maintaining compliance with environmental requirements and using raw materials in an environmentally conscious and sustainable manner

### Social Responsibility

- We believe that investing in our people, our communities and our business sustainably will drive long-term value for AZZ and its shareholders

### Corporate Governance

- The Nominating and Corporate Governance Committee provides Board-level oversight to the Sustainability Council and AZZ's ESG policies and sustainability practices



# Commitment to Human Capital Management

Our employees are our greatest asset – our success is dependent on the expertise of our people

## Our Culture

- AZZ understands the importance of employees who feel valued and united through shared beliefs and guiding principles
- Our values shape our corporate culture, attract amazing people and help them live and work their best
- At AZZ, our employees' well-being is an important aspect of the company and we offer Market Place Chaplains and Employee Assistance Programs to all employees
- We take pride in offering incentives that recognize their efforts and programs to help improve quality of life
- Established AZZ Cares Foundation to provide assistance to our employees and their families when an emergency, disaster or personal hardship occurs
- AZZ Alertline is available 24/7 in six languages to address any concerns and increase accountability

*We are a diverse, collaborative and service-minded organization that operates in a culture of:*

**Trust, Respect, Accountability, Integrity, Teamwork and Safety**



## Our Commitment to Health and Safety

- We strive to:
  - ▶ Incorporate continuous improvement in the health and safety of our facilities by establishing and monitoring our progress against our EHS and sustainability targets
  - ▶ Train and equip our employees to identify and mitigate hazards associated with their job
  - ▶ Our management teams oversee the implementation of training programs for operational safety and hazard reduction and regularly communicate EHS results to our employees

### COVID-19 Update

- As a designated “essential business”, we are closely coordinating with our network of facilities to assess safety risks and implement operational contingency plans
- We have taken measures to increase cleaning and sterilization at our facilities, maintain physical distance between employees at our worksites, restricted non-essential travel and have limited face-to-face meetings

# Executive Compensation Philosophy and Design

## Compensation Aligned with Value Creation

### Incentives Aligned with Strategic Plan

#### Profitability

- 70% of our CEO's annual incentive cash award is based on performance against target diluted EPS

#### Cash Generation

- 30% of our CEO's annual incentive cash award is based on performance against target FY 2020 Cash Flow<sup>1</sup>

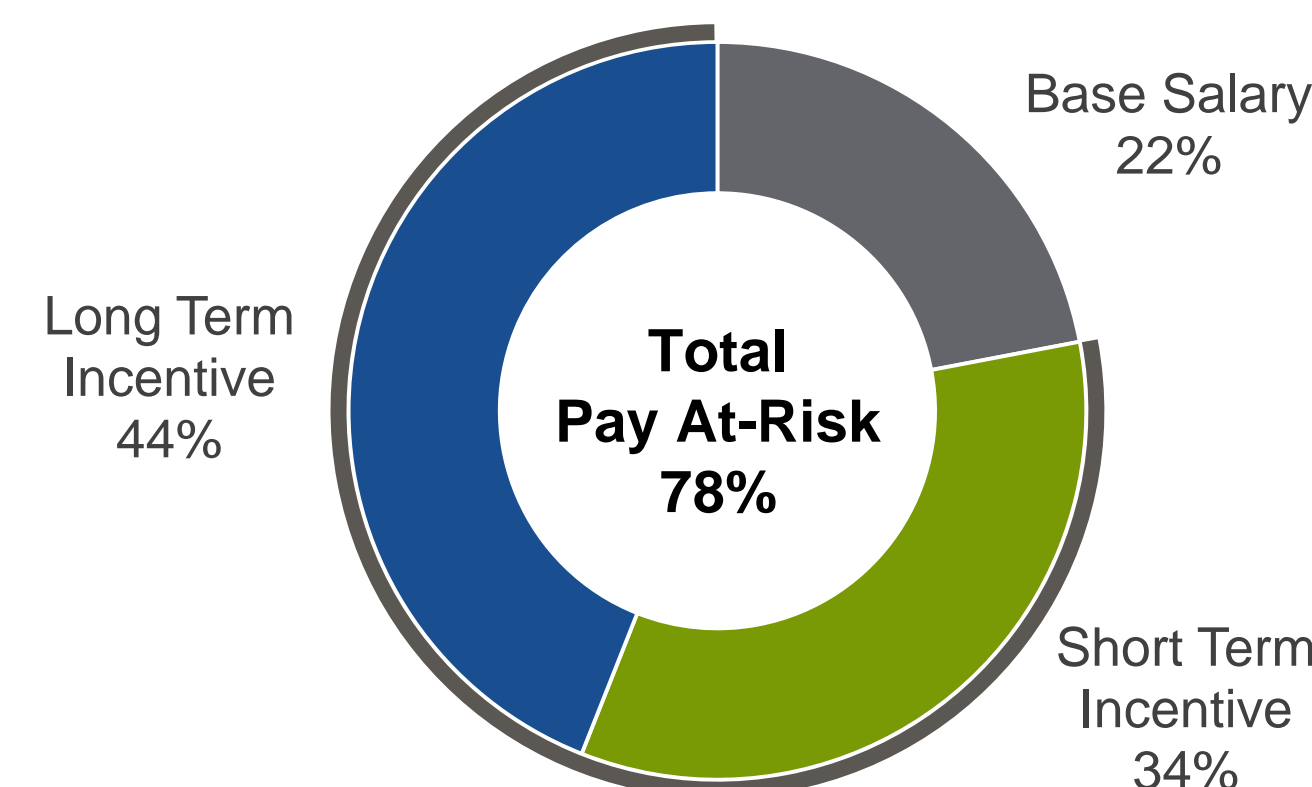
#### Shareholder Value Creation

- PSUs (50%) based on Adjusted ROA at the end of a three-year performance cycle relative to our industry peer group and a potential relative TSR modifier over that same time period
- RSU's (50%) have a 3-year vesting period

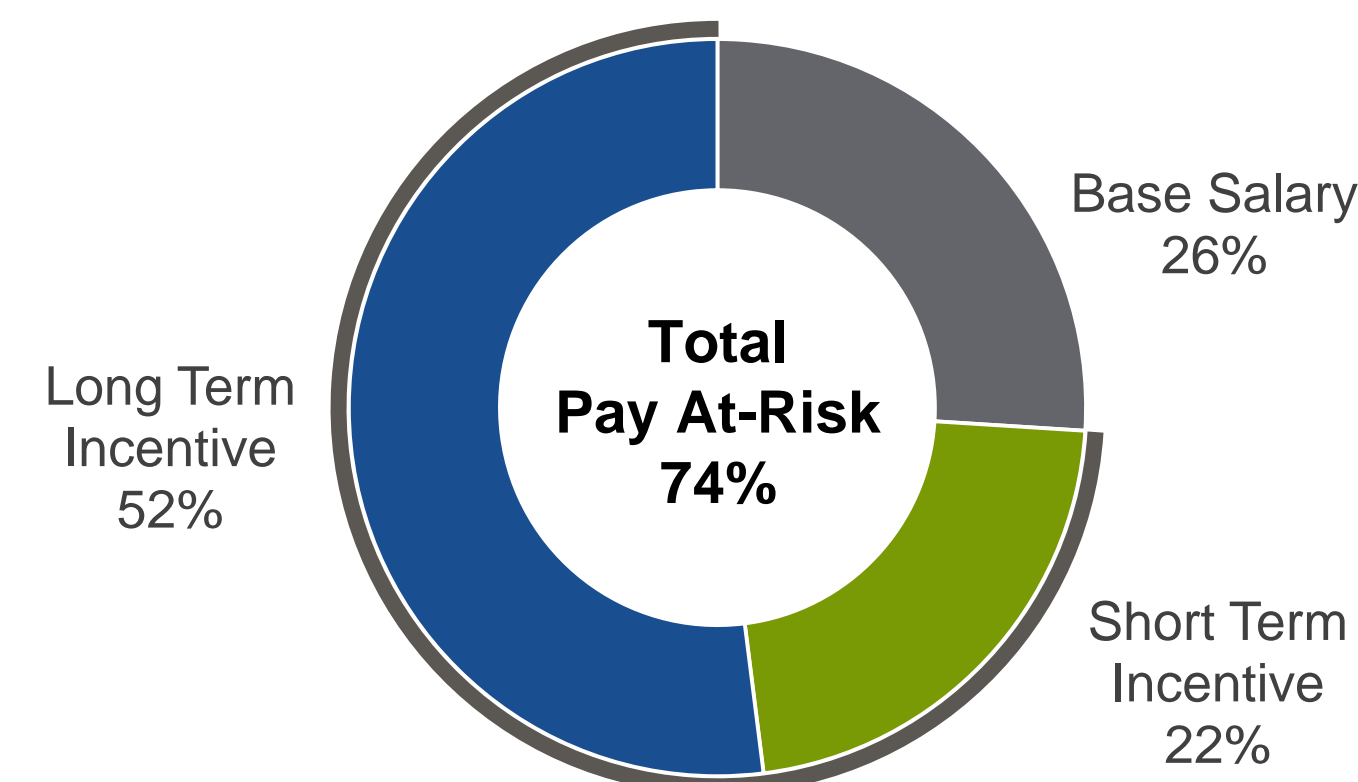
1. Cash flow from operations minus capital expenditures

### Fiscal Year 2020 Target Pay Mix

#### CEO



#### Other NEOs





# A Compelling Long-Term Investment

**Focusing on Driving Profitable Growth in Metal Coatings**

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**Conducting Comprehensive Review in Infrastructure Solutions**

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**Targeting Increased Capital Returns to Shareholders**

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**Integrating Human Capital and Environmental Initiatives into our Operations and Culture**

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**Ensuring Shareholder Engagement is Incorporated into the Alignment of our ESG Programs with our Strategic Goals**

*Experienced Board is Advising on Strategy, Overseeing Risk and Supporting Long-Term Value Creation*

# Appendix and Additional Information



# Reconciliation of Segment Financials

Fiscal Year 2017 Segment				
\$(millions)	As Reported (a)	Adjustment		As Adjusted
<b>Sales</b>	<b>863.5</b>	<b>(99.9)</b>		<b>763.6</b>
Metal Coatings	375.5	(0.2)	(1)	375.4
Infrastructure Solutions	488.0	(99.7)	(2)	388.3
<b>Operating Profit</b>	<b>98.9</b>	<b>(8.7)</b>		<b>90.2</b>
Metal Coatings	79.0	1.1	(1)	80.2
Infrastructure Solutions	52.6	(9.8)	(2)	42.7
Corporate Expenses	(32.7)	-		(32.7)

(a) – Reported in conformity with US GAAP

(1) – Reflects impact of Galvabar divestiture (closed in Jul. 2020)

(2) – Reflects impact of NLI and SMS divestitures (closed in Feb. 2020 and Oct. 2020, respectively)

Fiscal Year 2018 Segment				
\$(millions)	As Reported (a)	Adjustment		As Adjusted
<b>Sales</b>	<b>810.4</b>	<b>(65.9)</b>		<b>744.5</b>
Metal Coatings	389.4	(0.1)	(1)	389.3
Infrastructure Solutions	421.0	(65.9)	(2)	355.2
<b>Operating Profit</b>	<b>48.2</b>	<b>10.3</b>		<b>58.5</b>
Metal Coatings	84.3	1.7	(1)	86.1
Infrastructure Solutions	(1.8)	8.5	(3)	6.8
Corporate Expenses	(34.3)	-		(34.3)

(a) – Reported in conformity with US GAAP

(1) – Reflects impact of Galvabar divestiture (closed in Jul. 2020)

(2) – Reflects impact of NLI and SMS divestitures (closed in Feb. 2020 and Oct. 2020, respectively) and a \$3.8M one-time adjustment in the electrical business

(3) – Reflects (\$5.4M) impact of NLI and SMS divestitures and add back of \$5.3M non-recurring expenses in electrical business and \$8.6M in industrial business

## Reconciliation of Segment Financials (Cont'd)

Fiscal Year 2019 Segment				
\$(millions)	As Reported (a)	Adjustment		As Adjusted
<b>Sales</b>	<b>927.1</b>	<b>(71.3)</b>		<b>855.8</b>
Metal Coatings	440.3	(0.7)	(1)	439.5
Infrastructure Solutions	486.8	(70.6)	(2)	416.2
<b>Operating Profit</b>	<b>77.0</b>	<b>0.5</b>		<b>77.4</b>
Metal Coatings	83.6	2.4	(1)	86.0
Infrastructure Solutions	31.3	(1.9)	(2)	29.4
Corporate Expenses	(38.0)	-		(38.0)

(a) – Reported in conformity with US GAAP

(1) – Reflects impact of Galvabar divestiture (closed in Jul. 2020)

(2) – Reflects impact of NLI and SMS divestitures (closed in Feb. 2020 and Oct. 2020, respectively)

Fiscal Year 2020 Segment				
\$(millions)	As Reported (a)	Adjustment		As Adjusted
<b>Sales</b>	<b>1,061.8</b>	<b>(74.9)</b>		<b>986.9</b>
Metal Coatings	499.0	(2.8)	(1)	496.1
Infrastructure Solutions	562.8	(72.1)	(2)	490.7
<b>Operating Profit</b>	<b>79.3</b>	<b>16.4</b>		<b>95.8</b>
Metal Coatings	107.9	2.7	(1)	110.6
Infrastructure Solutions	32.8	(4.9)	(2)	28.0
Corporate Expenses	(42.8)	-		(42.8)
Loss of Disposal of Business	(18.6)	18.6	(3)	-

(a) – Reported in conformity with US GAAP

(1) – Reflects impact of Galvabar divestiture (closed in Jul. 2020)

(2) – Reflects impact of NLI and SMS divestitures (closed in Feb. 2020 and Oct. 2020, respectively)

(3) – Reflects add back related to loss on sale of NLI

## Reconciliation of Segment Financials (Cont'd)

LTM Segment				
\$(millions)	As Reported (a)	Adjustment		As Adjusted
<b>Sales</b>	<b>953.2</b>	<b>(54.2)</b>		<b>899.0</b>
Metal Coatings	488.0	(2.8)	(1)	485.3
Infrastructure Solutions	465.1	(51.4)	(2)	413.7
<b>Operating Profit</b>	<b>41.1</b>	<b>19.8</b>		<b>60.9</b>
Metal Coatings	90.5	1.9	(1)	92.5
Infrastructure Solutions	10.7	(0.8)	(2)	9.9
Corporate Expenses	(41.5)	-		(41.5)
Loss of Disposal of Business	(18.6)	18.6	(3)	-

(a) – Reported in conformity with US GAAP

(1) – Reflects impact of Galvabar divestiture (closed in Jul. 2020)

(2) – Reflects impact of NLI and SMS divestitures (closed in Feb. 2020 and Oct. 2020, respectively)

(3) – Reflects add back related to loss on sale of NLI



**Thank You**