



# AZZ Inc. Investor Presentation NYSE:AZZ

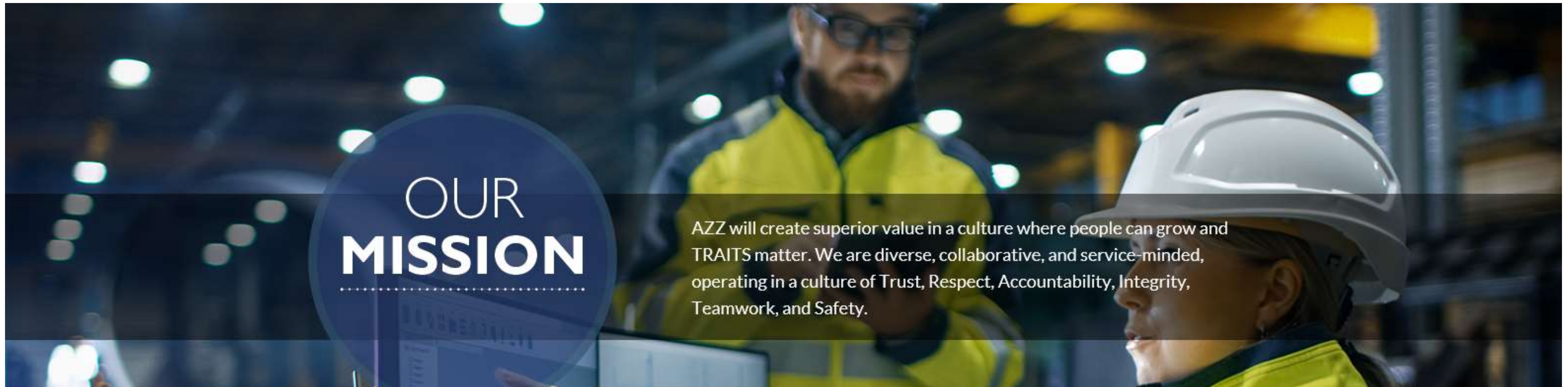
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Sidoti Conference  
March 24, 2021

## 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 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; adequacy of financing; 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.

## 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”

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

# 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*

- More severely 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

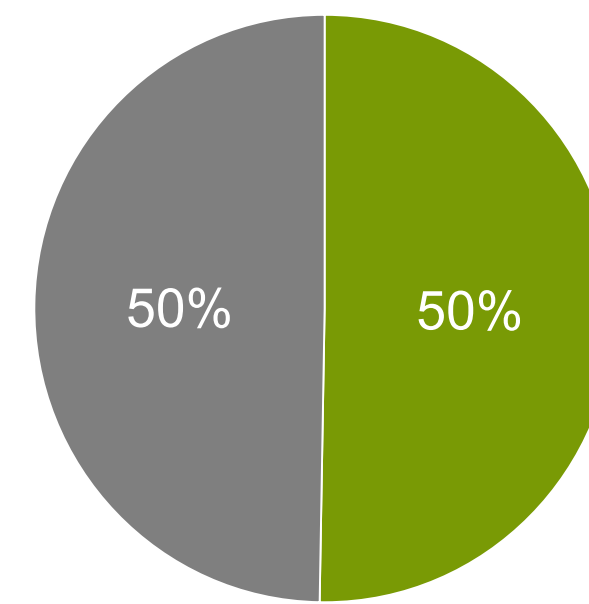
### Strengthened Management Team

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

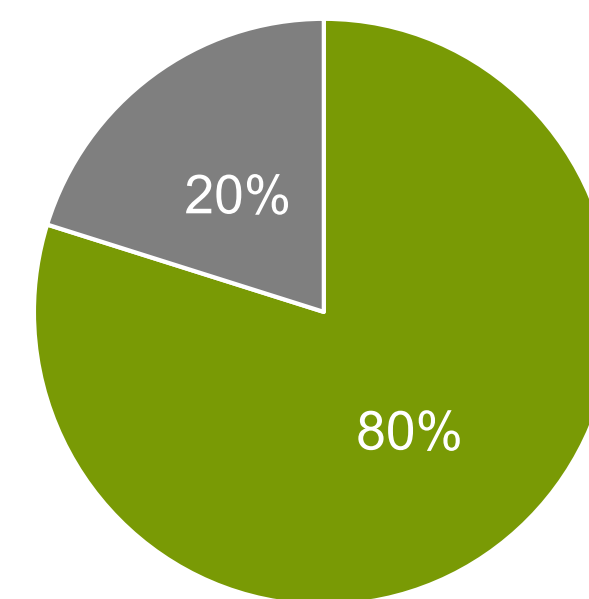
# AZZ at a Glance (NYSE: AZZ)

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

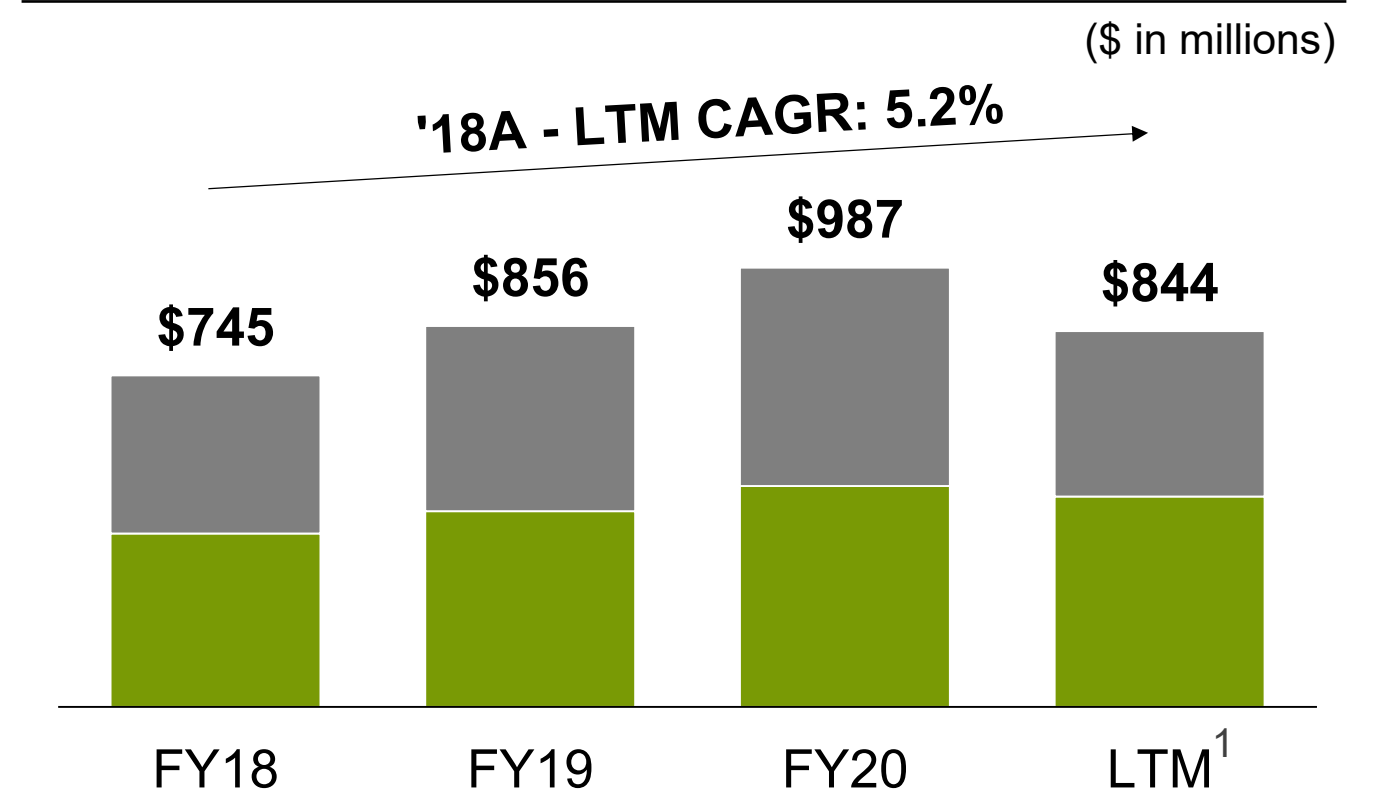
## By Pro Forma Sales



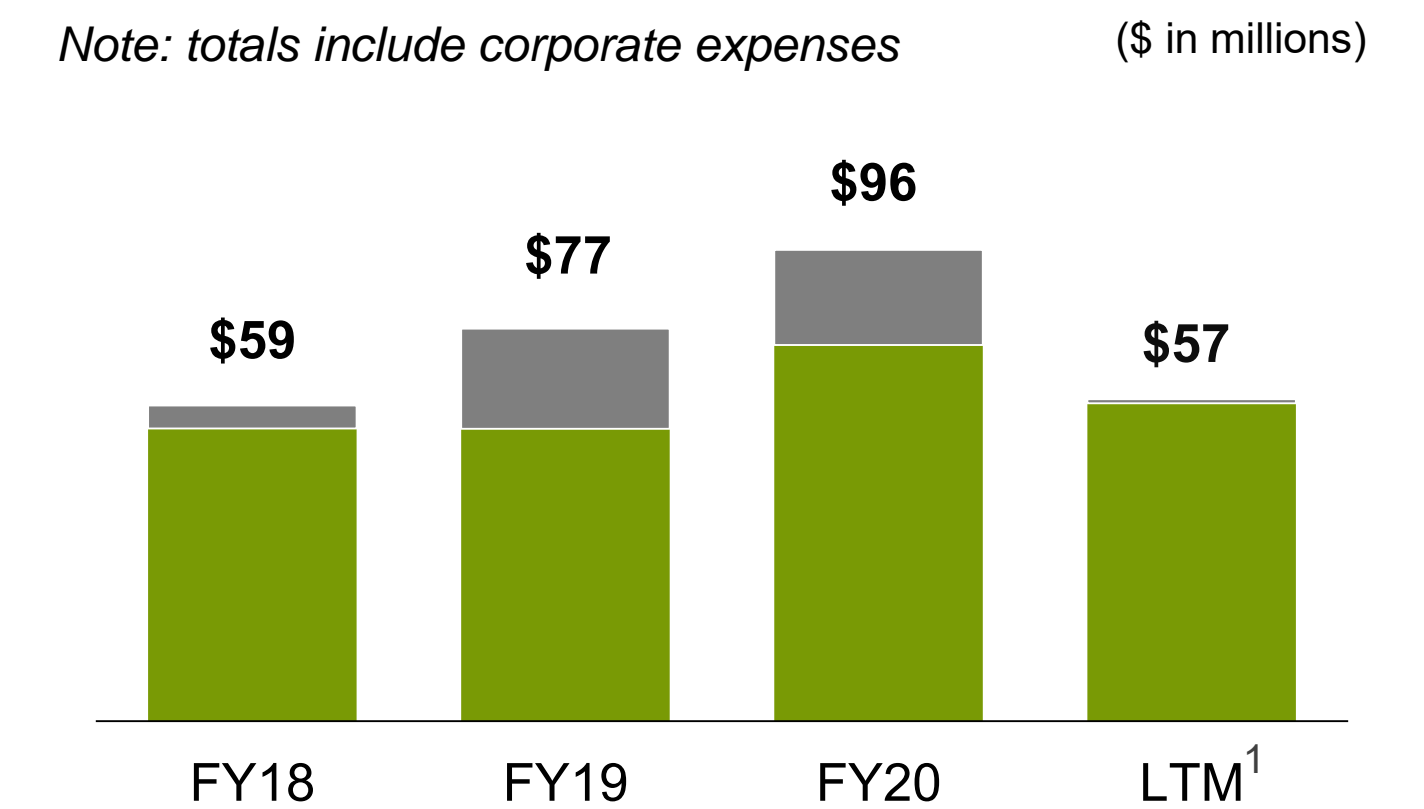
## By Pro Forma Operating Income



## Pro Forma Sales Contribution



## PF Adj. Operating Income Contribution



■ Metal Coatings   ■ Infrastructure Solutions

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

1. LTM as of quarter ending 11/30/2020

# Our Current Portfolio

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

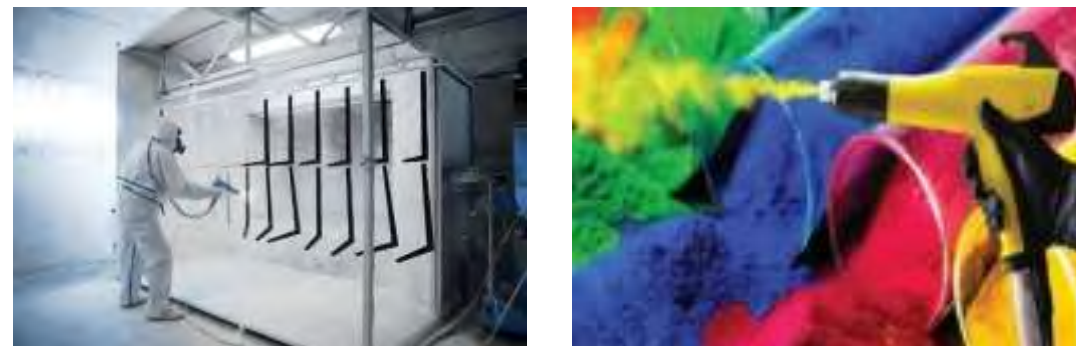
**#1 in Hot-Dip Galvanizing of Prefabricated Steel**

### Galvanizing



- Protects, extends and enhances critical infrastructure

### Surface Technologies



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

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

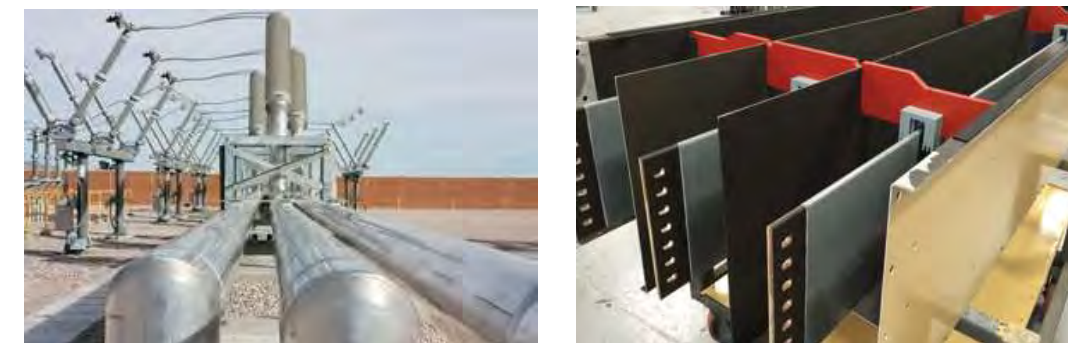
**Diverse portfolio of Electrical and Industrial businesses**

### Electrical Products



**Enclosure Systems**

**Switchgear**



**High Voltage Bus**

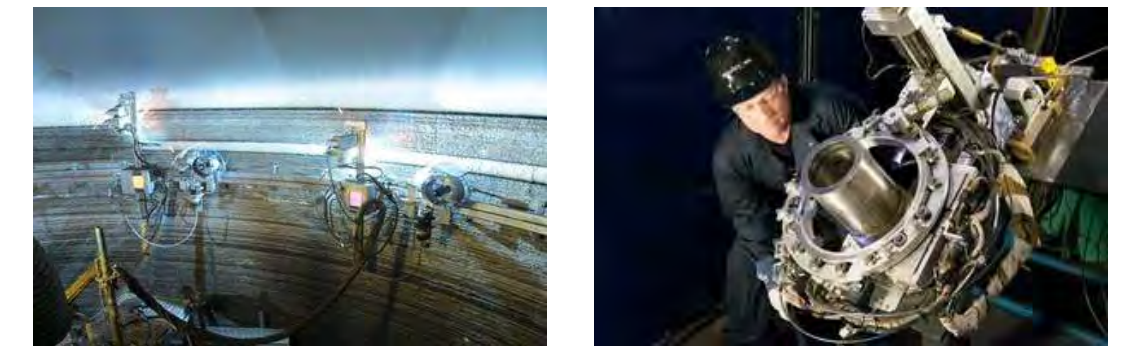
**Medium Voltage Bus**



**Tubular Products**

**Lighting Systems**

### Industrial Solutions



- Specialty weld overlay services for critical component maintenance & repair

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

# Our Leading Metal Coatings Business

## Key Facts

Pro Forma  
FY20 Sales

**\$496  
million**

Pro Forma  
FY20 Adj.  
Operating  
Income

**\$111  
million**

(% Margin)

**22.4%**

Facilities

**>45**

## Service Offerings



*Includes powder coating,  
anodizing and plating*

## Business Highlights

- Highly attractive margins and returns
- Unmatched protection and corrosion resistance for prefabricated steel
- Strategic footprint offers significant advantage
- Essential service to critical infrastructure
- Highly fragmented landscape with diverse end markets
- Addresses cosmetic as well as corrosion needs for metal coatings and finishing
- Significant runway for profitable expansion

## End Markets Served



**Industrial: 27%**



**Construction: 21%**



**OEM: 18%**



**Utility: 16%**



**Petrochem: 6%**



**Other: 12%**

Note: Financials pro forma for divestiture of Galvabar. See appendix for reconciliation to reported GAAP financials

# # 1 Hot-Dip Galvanizing Market Position in North America

## North America's Largest Hot-Dip Galvanizer

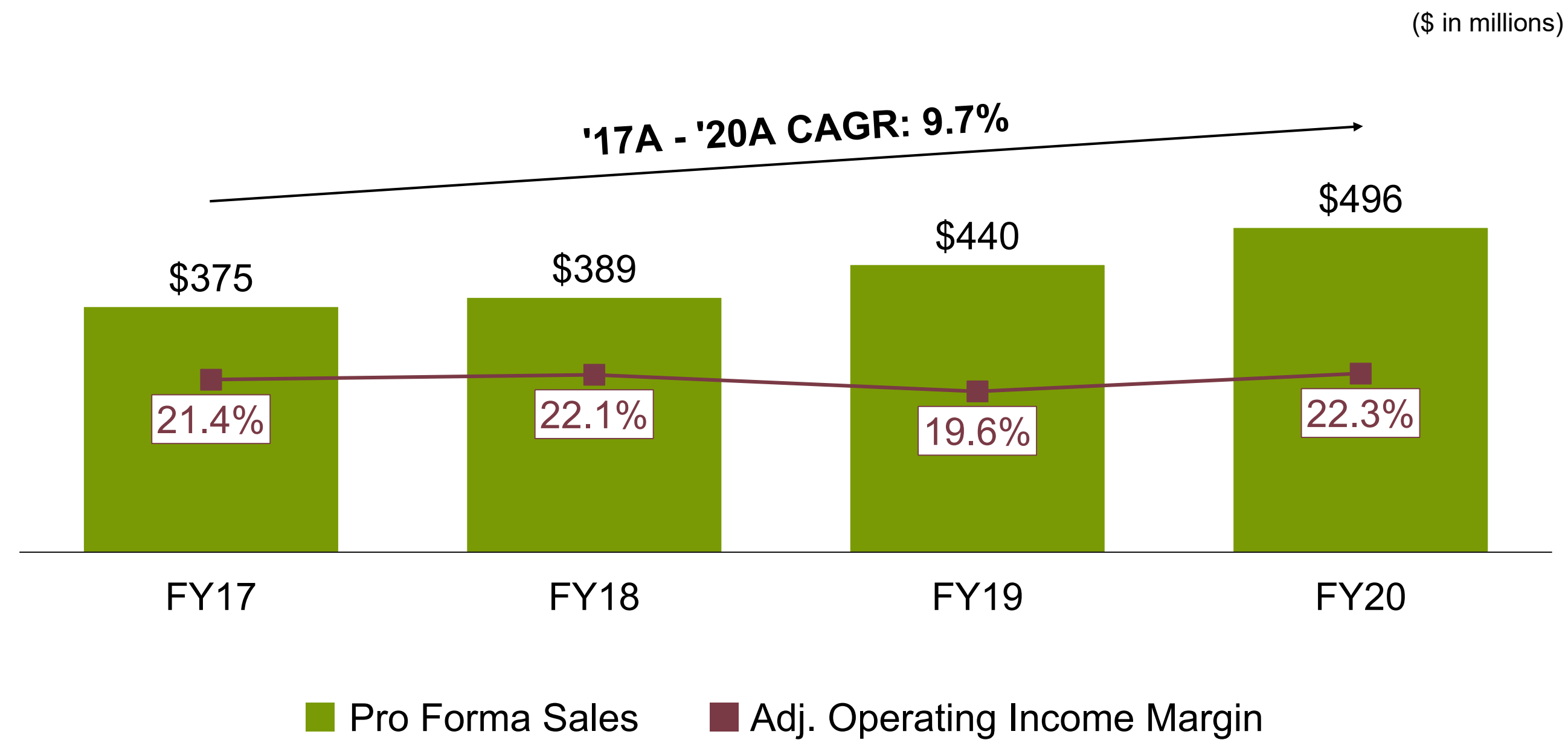


- Expansive footprint with 40 galvanizing locations throughout the U.S. and Canada
  - ▶ Proximity to customers offers competitive advantage
  - ▶ Strong back-office and logistics network drive sales and operational efficiencies
  - ▶ Facilities differentiated on services and quality
  
- Compelling platform poised for growth
  - ▶ Geographic expansion
  - ▶ Adjacency opportunities in corrosion protection
  - ▶ Digital Galvanizing System driving greater operational efficiency, productivity and customer service



# We Expect to Continue our Outperformance in Metal Coatings

## Historical Growth Trajectory



### Growth Drivers

- Digital Galvanizing System
- Reconfigured salesforce
- 7 bolt-on acquisitions since 2017
- Expand Spin Galvanizing
- Focused growth on other coatings applications

## Near Term Priorities

- Maintain strong performance despite COVID challenges
- Target GDP+ growth driven by value-added services and M&A
- Continue to target 21 – 23% operating margins for the segment

Note: Financials pro forma for divestiture of Galvabar. See appendix for reconciliation to reported GAAP financials


# Considerations for Maximizing Value of Infrastructure Solutions

## Portfolio Analysis

- Group of legacy businesses with minimal overlap or synergies
- Businesses that do not currently meet margin / return criteria
- Actively pruning portfolio – divested NLI and SMS
- End-markets more severely impacted by COVID-19
- Maintain operating focus and cash conservation in current environment

Engaged advisors to accelerate AZZ's continued efforts to be a focused coatings company

## Segment Overview

Electrical Products		PF Sales 3-Yr CAGR	\$309 million 17%
		PF Adj. Operating margin	Mid single digit
		End-markets	~48% T&D ~33% Industrial ~19% Power
		Geography mix	~85% North America ~15% Other
Industrial Solutions		PF Sales 3-Yr CAGR	\$182 million 21%
		PF Adj. Operating margin	Mid single digit
		End-markets	~60% Refining ~40% Other
		Geography mix	~60% North America ~40% Other

Note: Represents Fiscal Year 2020 financials pro forma for divestitures of NLI and SMS and one-time expenses. See appendix for reconciliation to reported GAAP financials

# Infrastructure Solutions is a Portfolio of Diverse Businesses

		% Segment <sup>1</sup>	# of Locations								
Electrical Products	Enclosures	19%	3	<ul style="list-style-type: none"> <li>Manufacturer of custom modular enclosures (“e-houses”), as well as relay panels</li> <li>Integration of customer furnished equipment</li> </ul>		Control Centers		Power Distr. Centers		Data Centers	
	Switchgear	16%	2	<ul style="list-style-type: none"> <li>Leading independent provider of 38kV switchgear</li> <li>Padmount and Arc-Resistant Switchgear</li> </ul>		Emergency Mobile Substations		Mining		Medium Voltage	
	Bus Duct	High Voltage	17%	2	<ul style="list-style-type: none"> <li>Global leader in high-voltage SF<sub>6</sub> gas insulated bus products</li> <li>Voltage ranges from 115kV to 1,200kV</li> </ul>		Isolated Bus Duct System		Segregated Bus Duct Systems		Non-Segregated Bus Duct Systems
		Medium Voltage	6%	1	<ul style="list-style-type: none"> <li>Innovative medium voltage bus duct products</li> <li>Product line includes isolated phase duct, segregated and non-segregated phase duct</li> </ul>		SF <sub>6</sub> Gas Insulated Lines		Cooling Units		High-Current Contact
	Tubular and Lighting	5%	2	<ul style="list-style-type: none"> <li>Harsh and Hazardous Duty Lighting manufacturer with 75 year history</li> <li>Full length tubing as well as pup-joints</li> </ul>		Oil Field Lighting		Marine Lighting		Full-Length Tubing	
Industrial Solutions	Specialty Weld Overlay	37%	5	<ul style="list-style-type: none"> <li>Industry leading life extension and repair processes to address low cycle fatigue failure in coke drums and reactors</li> <li>World's largest installed base for the mitigation of fireside corrosion</li> <li>Turnaround driven business</li> </ul>		Water-wall Service		Heater / Furnace Service		Boiler Services	
						Vessel Service		Pipe & Piping Service		Coke Drum Repair	

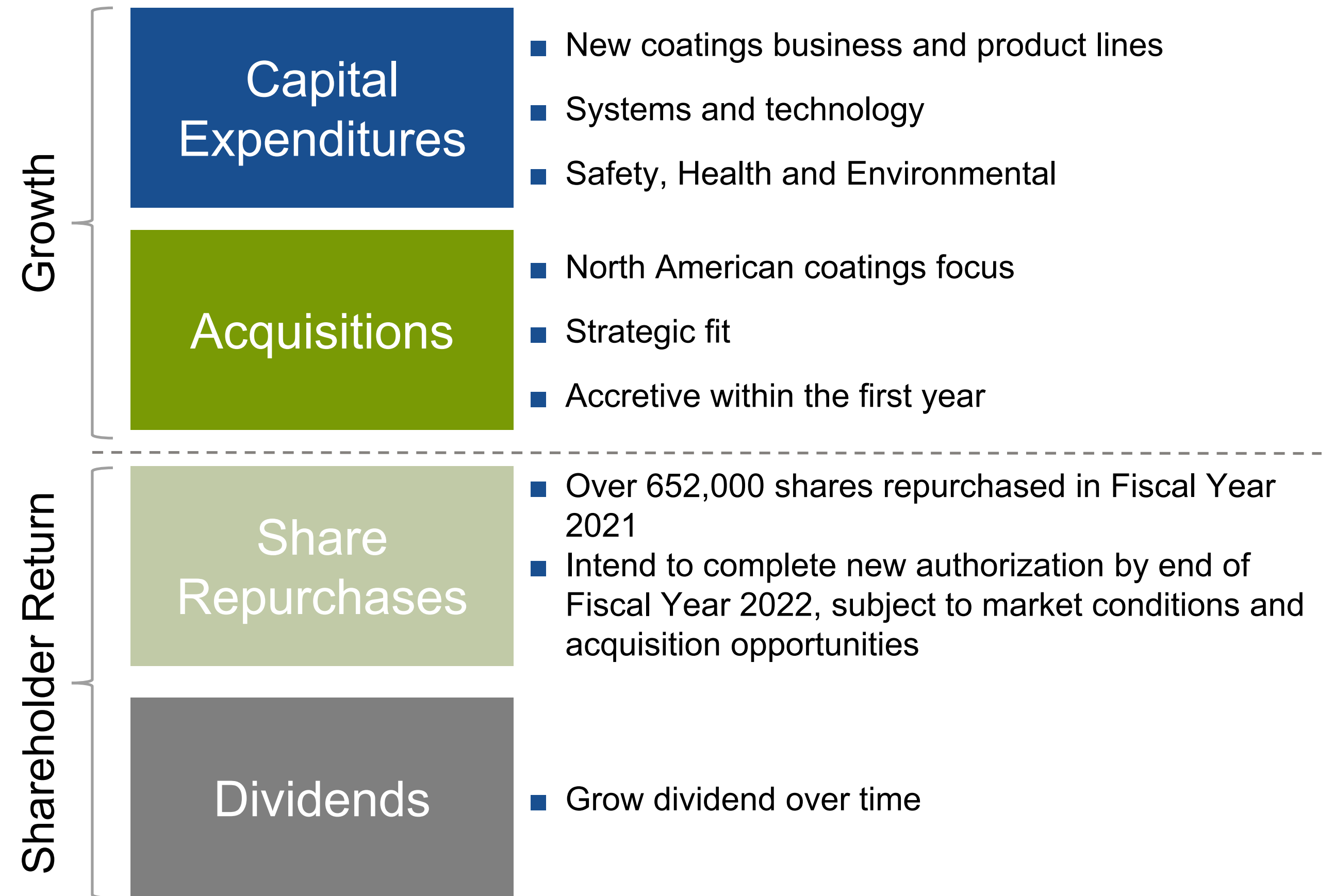
1. Proportion of Fiscal Year 2020 segment sales of \$491mm pro forma for divestitures of NLI and SMS. See appendix for reconciliation to reported GAAP financials

# Infrastructure Solutions Segment: Market and Trends

		COVID Impact	Outlook	Business Dynamics
Electrical Products	Enclosures			<ul style="list-style-type: none"> <li>E-housing growth driven by transmission &amp; distribution (T&amp;D) spending, modular datacenters, energy storage and renewables</li> </ul>
	Switchgear			<ul style="list-style-type: none"> <li>Primarily driven by housing starts, population growth, and renewable mandates driving expansion of T&amp;D grid</li> </ul>
	Bus Duct			<ul style="list-style-type: none"> <li>Growth tied to T&amp;D spending, utilities and Industrial end-markets</li> <li>Opportunistic large project growth</li> </ul>
	High Voltage			
Medium Voltage				
	Tubular and Lighting			<ul style="list-style-type: none"> <li>Primarily exposed to upstream O&amp;G exploration and conversion to LED (~90% of AZZ lighting)</li> </ul>
Industrial Solutions	Specialty Weld Overlay			<ul style="list-style-type: none"> <li>~\$1 billion+ market (~60% exposure to refining)</li> <li>Recovery expected as many turnaround projects deferred due to COVID-19 pandemic</li> </ul>

# Targeting Increased Capital Return to Shareholders

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



**Q&A**

# 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 <sup>1</sup>				
\$(millions)	As Reported (a)	Adjustment		As Adjusted
<b>Sales</b>	<b>888.7</b>	<b>(44.4)</b>		<b>844.2</b>
Metal Coatings	474.4	(1.7)	(1)	472.8
Infrastructure Solutions	414.2	(42.8)	(2)	371.5
<b>Operating Profit</b>	<b>35.7</b>	<b>21.2</b>		<b>56.9</b>
Metal Coatings	92.0	1.4	(1)	93.4
Infrastructure Solutions	2.0	1.2	(2)	3.2
Corporate Expenses	(39.7)	-		(39.7)
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

1. LTM as of quarter ending 11/30/2020

**Thank You**  
**NYSE:AZZ**