



AZZ Inc.

Q1 FY2024 Earnings Release Presentation

July 10, 2023

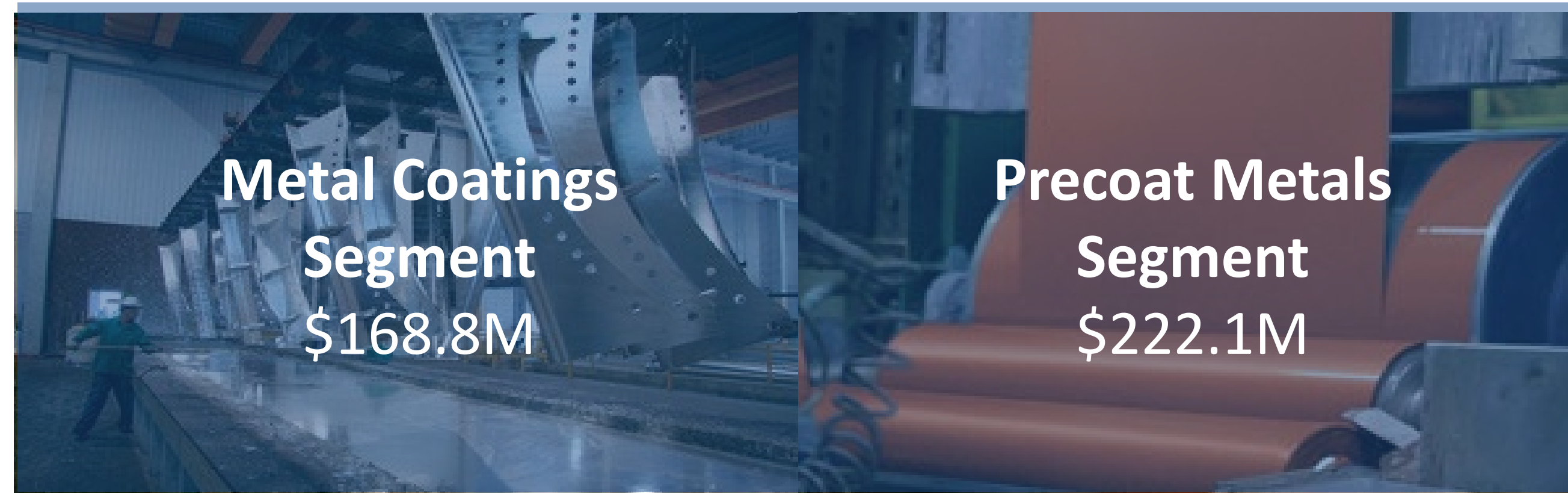
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Non-GAAP – Regulation G Disclosures – In addition to reporting financial results in accordance with Generally Accepted Accounting Principles in the United States ("GAAP"), AZZ has provided EBITDA and Adjusted EBITDA, which are non-GAAP measures. Management 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 and Adjusted 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.

Q1 FY2024 Company Highlights

Q1 Fiscal 2024 Sales \$391 million⁽¹⁾



Key Accomplishments in the Quarter

- Record-level Metal Coatings sales, up 3.3% from prior year and 13% sequentially
- Precoat sales improvement reflects seasonally stronger quarter, up 19% sequentially
- Precoat Metals has improved production efficiencies associated with customer-owned inventory

⁽¹⁾ Reflects Sales from Continuing Operations

Q1 FY2024 Continuing Operations Results

In millions \$, except percentages and per share amounts

	Three Months Ended May 31,		Change vs. Prior Year ⁽¹⁾
	2023	2022	
Sales	\$ 390.9	\$ 207.1	+88.7%
Gross profit	\$ 97.0	\$ 60.1	+61.6%
Gross margin	24.8 %	29.0 %	(420)bps
Selling, general and administrative	\$ 31.5	\$ 32.1	(1.9)%
Selling, general and administrative as % of sales	8.1 %	15.5 %	+740bps
Operating profit	\$ 65.5	\$ 27.9	+134.7%
Operating margin ⁽²⁾	16.8 %	13.5 %	+330bps
Adjusted EBITDA ⁽³⁾	\$ 85.4	\$ 52.5	+62.6%
Adjusted EBITDA margin	21.8 %	25.4 %	(360)bps
Adjusted net income ⁽³⁾	\$ 33.4	\$ 28.2	+18.4%
Adjusted diluted earnings per share ⁽³⁾	\$ 1.14	\$ 1.10	+3.6%
Weighted average shares outstanding - Diluted	29,150	25,675	13.5%

⁽¹⁾ Quarter results reflect acquisition of Precoat Metals on 5/13/2022 and divestiture of controlling interest in AIS on 9/30/2022

⁽²⁾ Excluding acquisition and transaction-related expenses of \$12.6 million, operating margin would have been 19.6% for fiscal 2023

⁽³⁾ Non-GAAP measure. See slides 13 and 14 for reconciliation of GAAP to Non-GAAP

YTD FY2024 AZZ Cash Flow Highlights – Continuing Operations

In millions \$, except percentages

	Three Months Ended May 31,	
	2023	2022
Net cash provided by operating activities	\$ 46.9	\$ 21.7
Less: capital expenditures	\$ (17.0)	\$ (6.5)
Free cash flow ⁽¹⁾	\$ 29.9	\$ 15.2
Adjusted EBITDA	\$ 85.4	\$ 52.5
Free cash flow conversion	35.0 %	28.9 %
Acquisition of subsidiaries, net of cash acquired	\$ —	\$ 1,298.5
Payment of dividends on Common and Series A Preferred Stock ⁽²⁾	\$ 7.8	\$ 4.2
Debt repayments	\$ 20.0	\$ —

⁽¹⁾ Free cash flow is a Non-GAAP measure that is reconciled to the GAAP measure (free cash flow defined as Net cash provided by operations, less capital expenditures)

⁽²⁾ Payment of dividends includes \$4.2 million for Common Stock and \$3.6 million for Series A Preferred Stock

FY2024 Capital Allocation Priorities

High ROIC Investments



- Organic growth
- Strategic customer partnerships
- Productivity and efficiency enhancements

Reduce Leverage



- 3.0x leverage target

Return Capital



- Committed to sustaining dividends

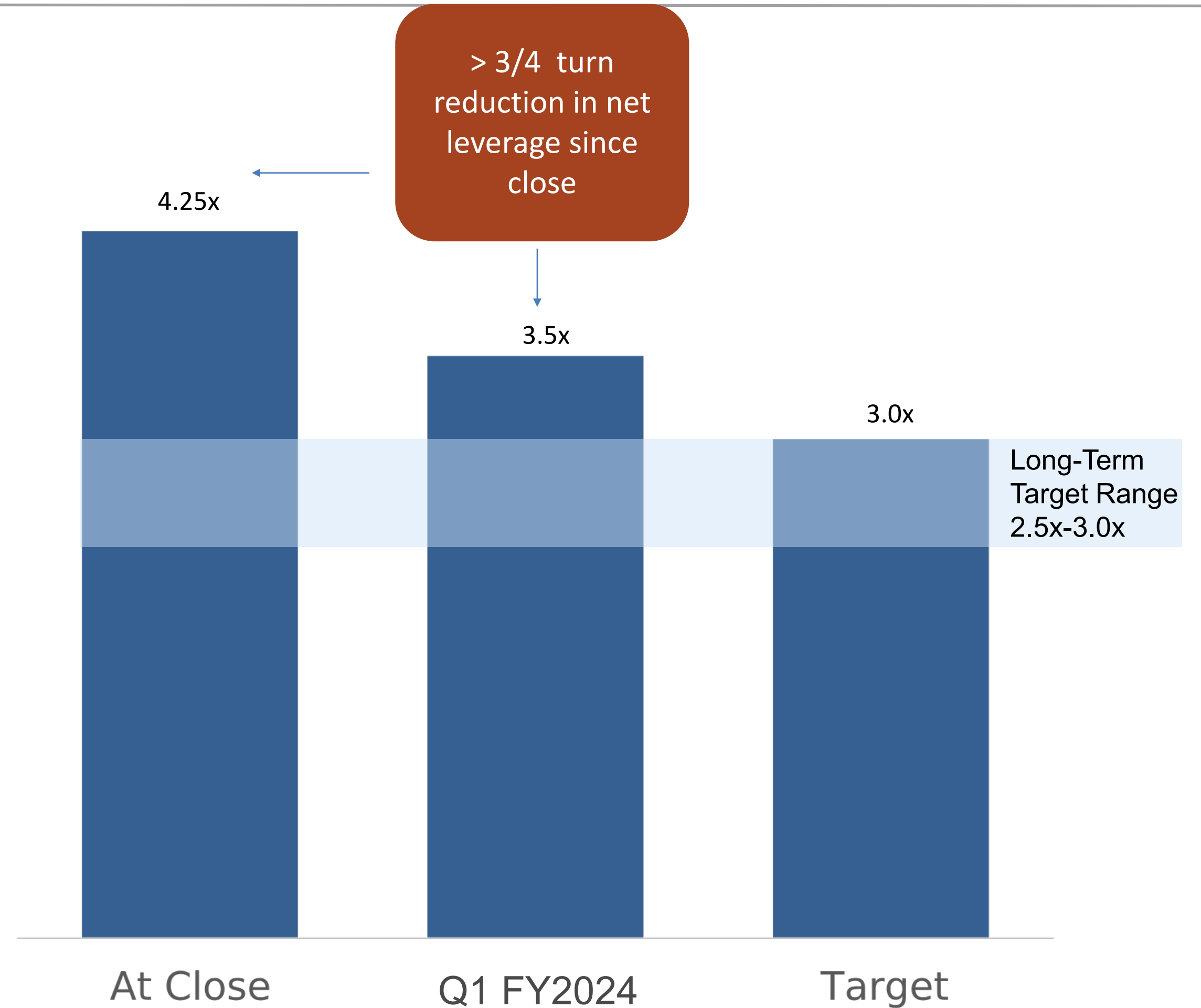
Acquisitions



- Deferred

Focused on Deleveraging

- Total debt repayment of \$20.0 million in Q1 FY2024; Target debt reduction of \$75-\$100 million in FY2024
- Net leverage 3.5X at the end of Q1 FY2024 represents 0.7X improvement since closing the Precoat transaction
- No debt maturities until 2027
- Strong cash flow generation supports deleveraging
- Tax benefits of Precoat acquisition reduces cash tax outlays



In millions \$, except per share amounts

Reaffirming Previously Issued Guidance

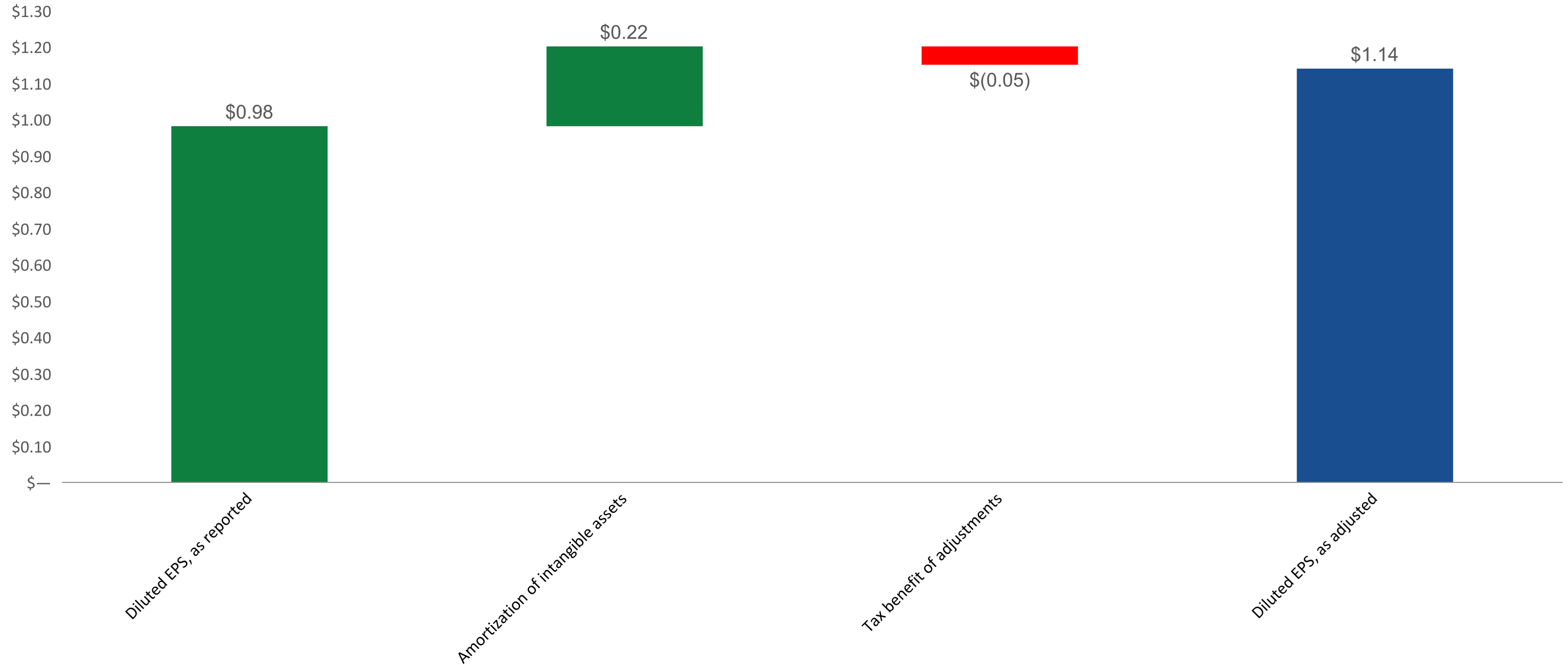
	FY2024 Guidance - Continuing Operations
Sales	\$1,400 - \$1,550m <i>Sales</i>
Adjusted EBITDA	\$300 - \$325m <i>Adjusted EBITDA</i>
Adjusted EPS⁽¹⁾	\$3.85 - \$4.35 <i>Adjusted EPS</i>

⁽¹⁾ Adjusted earnings and Adjusted earnings per share includes after-tax add-back of amortization of acquisition-related intangibles

Q&A

Appendix

Fiscal Year 2024 Earnings Per Share (EPS) Walk⁽¹⁾ - Continuing Operations



⁽¹⁾ Earnings per share amounts included in the chart above may not sum due to rounding differences

Reg “G” Tables

Continuing Operations Non-GAAP Disclosure

	Three Months Ended May 31,			
	2023		2022	
	Amount	Per Diluted Share ⁽¹⁾	Amount	Per Diluted Share ⁽¹⁾
Net income from continuing operations	\$ 28,522		\$ 15,353	
Less: preferred stock dividends	(3,600)		—	
Net income from continuing operations available to common shareholders	24,922		15,353	
Impact of after-tax interest expense for convertible notes	—		547	
Impact of preferred stock dividends	3,600		—	
Net income and diluted earnings per share from continuing operations	28,522	\$ 0.98	15,900	\$ 0.62
Adjustments:				
Acquisition and transaction related expenditures ⁽²⁾	—	—	12,614	0.49
Amortization of intangible assets	6,355	0.22	3,541	0.14
Subtotal	6,355	0.22	16,155	0.63
Tax impact ⁽³⁾	(1,525)	(0.05)	(3,877)	(0.15)
Total adjustments	4,830	0.17	12,278	0.48
Adjusted net income and adjusted earnings per share from continuing operations ⁽⁴⁾	\$ 33,352	\$ 1.14	\$ 28,178	\$ 1.10
Weighted average shares outstanding - Diluted		29,150		25,675

⁽¹⁾ Earnings per share amounts included in the table above may not sum due to rounding differences.

⁽²⁾ Includes expenses related to the Precoat Metals acquisition and the divestiture of 60% of the AVAIL joint venture.

⁽³⁾ The non-GAAP effective tax rate for each of the periods presented is estimated at 24.0%.

⁽⁴⁾ Adjusted net income from continuing operations includes \$1.4 million of equity in earnings for the three months ended May 31, 2023.

Non-GAAP Disclosure of Continuing Operations Adjusted EBITDA

	Three Months Ended May 31,	
	2023	2022
Net income from continuing operations	\$ 28,522	\$ 15,353
Interest expense	28,706	7,472
Income tax expense	9,650	5,111
Depreciation and amortization	18,523	11,973
Acquisition and transaction related-expenditures	—	12,614
Adjusted EBITDA from continuing operations	<u>\$ 85,401</u>	<u>\$ 52,523</u>

Non-GAAP Segment Disclosure from Continuing Operations

	Three Months Ended May 31,	
	2023	2022
Metal Coatings		
Operating income	\$ 45,470	\$ 45,270
Depreciation and amortization expense	6,416	8,389
EBITDA	<u>\$ 51,862</u>	<u>\$ 53,669</u>
Precoat Metals		
Operating income	\$ 37,691	\$ 6,648
Depreciation and amortization expense	5,465	3,181
EBITDA	<u>\$ 43,156</u>	<u>\$ 9,829</u>
Infrastructure Solutions		
Operating loss	\$ (22)	\$ —
Equity in earnings of unconsolidated subsidiaries	1,420	—
EBITDA	<u>\$ 1,398</u>	<u>\$ —</u>
Corporate		
Operating loss	<u>\$ (17,643)</u>	<u>\$ (24,009)</u>
Consolidated operating income	<u>\$ 65,496</u>	<u>\$ 27,909</u>