



AZZ Inc.

Q2 FY2022 Earnings Release Presentation

October 12, 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. 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. 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; 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 28, 2021 and other filings with the Securities and Exchange Commission (“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.

Q2 FY2022 Segment Performance Update

Total Q2 FY2022 Sales: \$216.4 million



Segment Updates

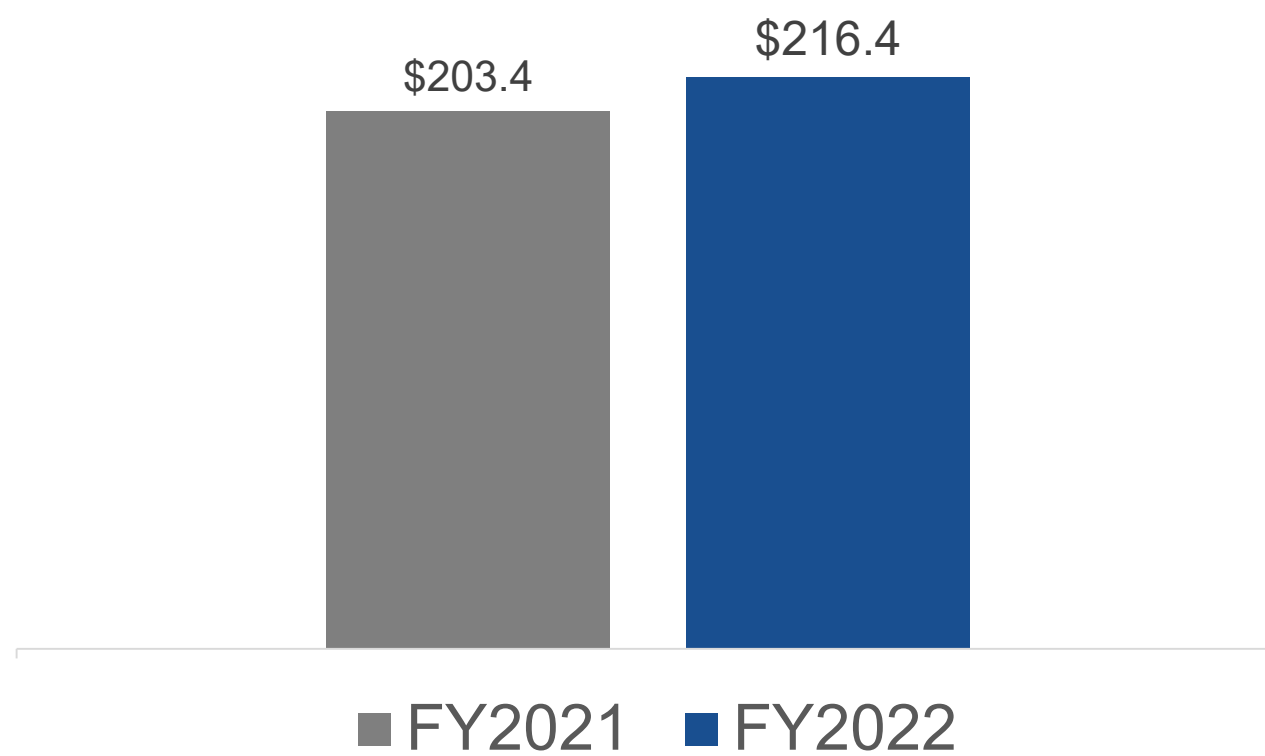
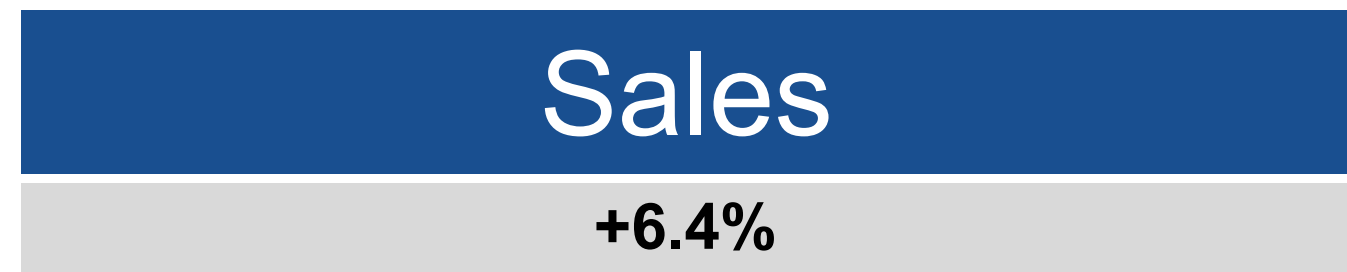
- Sales up over prior year, on strong demand from agriculture, recreation, solar, bridge and highway, and OEM end markets
- Sales of over \$257 million YTD, up 9.0% versus prior year

- Overall segment sales flat due to:
 - protracted COVID disruptions in some international markets
 - SMS divested in 3rd quarter of last year
- Electrical platform sales, bookings and backlog up over same quarter, prior year, on growing demand
- Replacing China backlog with domestic orders

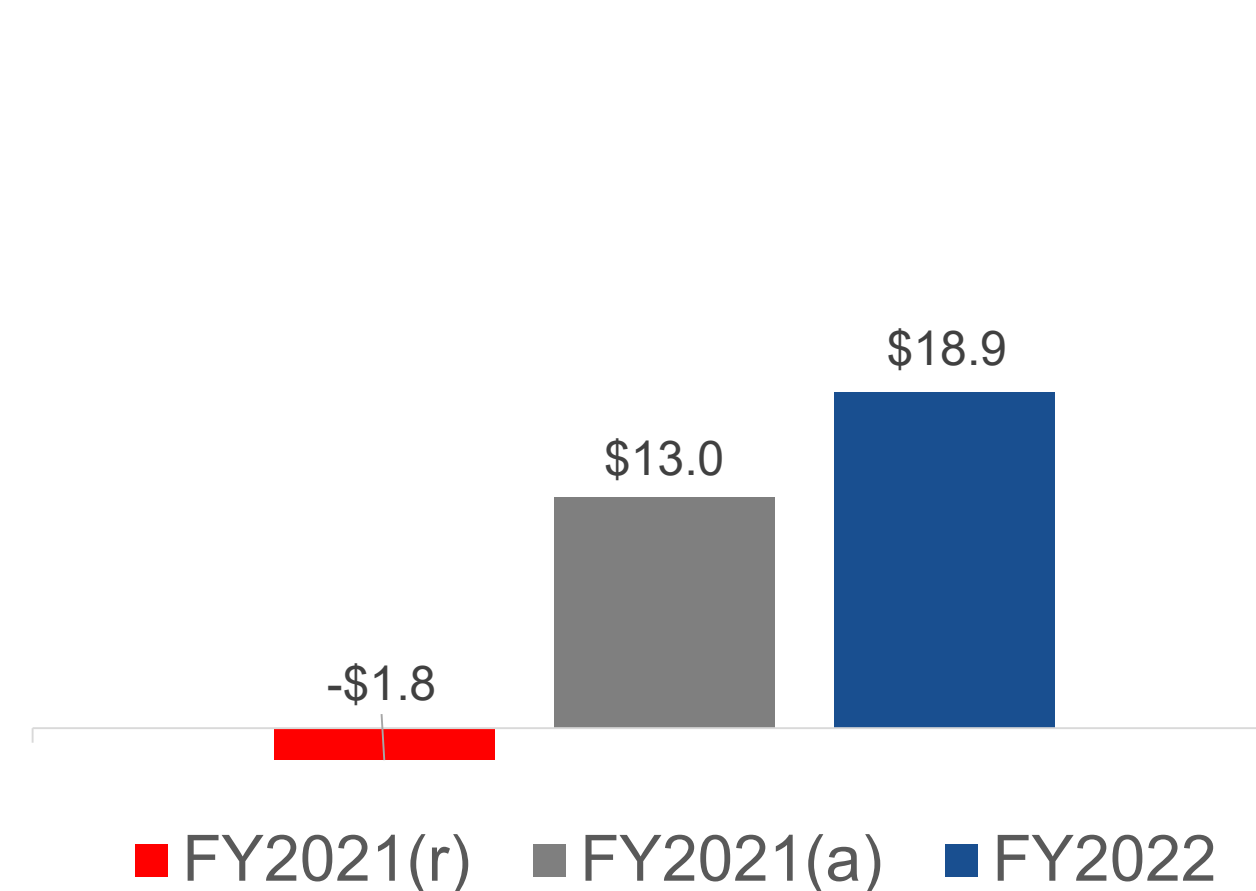
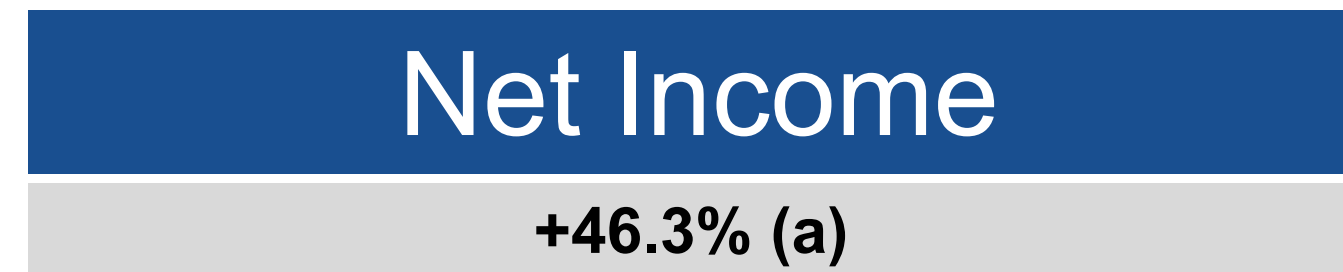
Q2 FY2022 Summary - Consolidated

Legend:
 (r) – Reported
 (a) – Adjusted

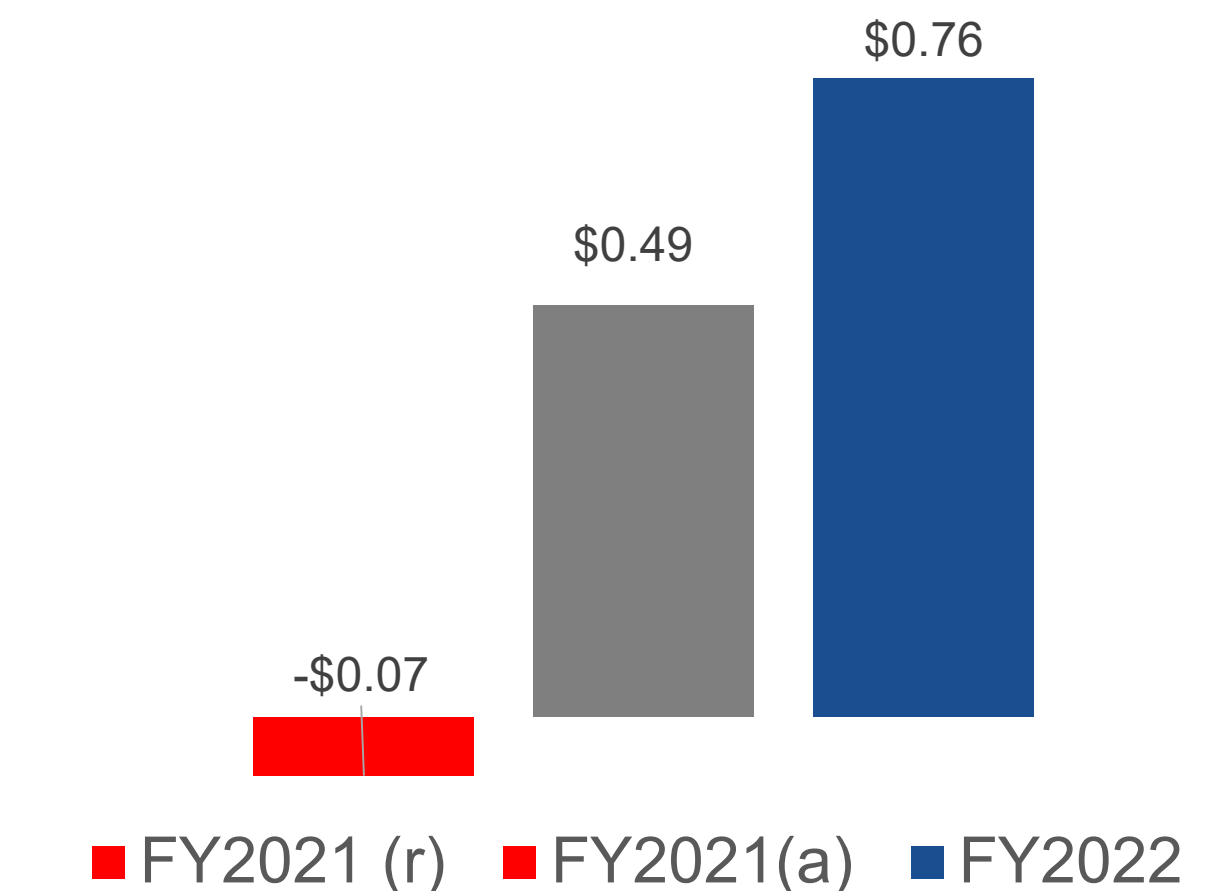
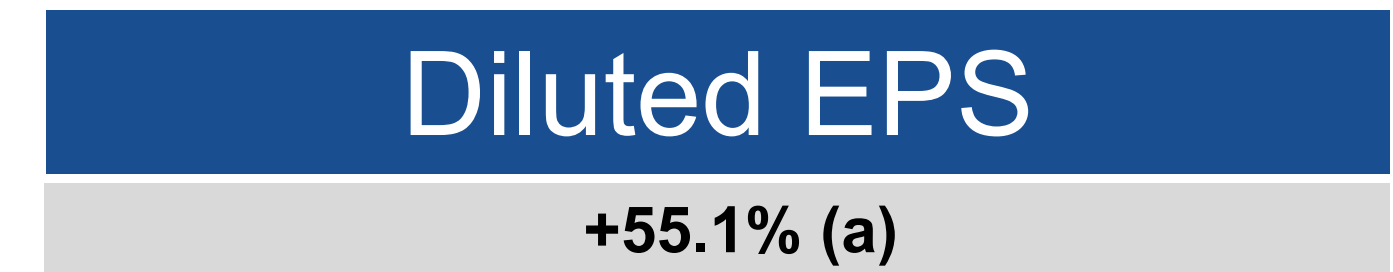
In \$ millions, except per share amounts



- Higher Metal Coatings segment sales
- Price realization
- Electrical demand continues to grow



- Metal Coatings strength
- Businesses benefitting from realignment actions taken in prior year
- Q2 FY 2021 adjustments included restructuring and impairment of \$18.7 million, offset by tax benefits of \$(3.9)



- Improved earnings across platforms
- Lower interest expense from lower rate financing in prior year
- Share repurchases continue in FY2022

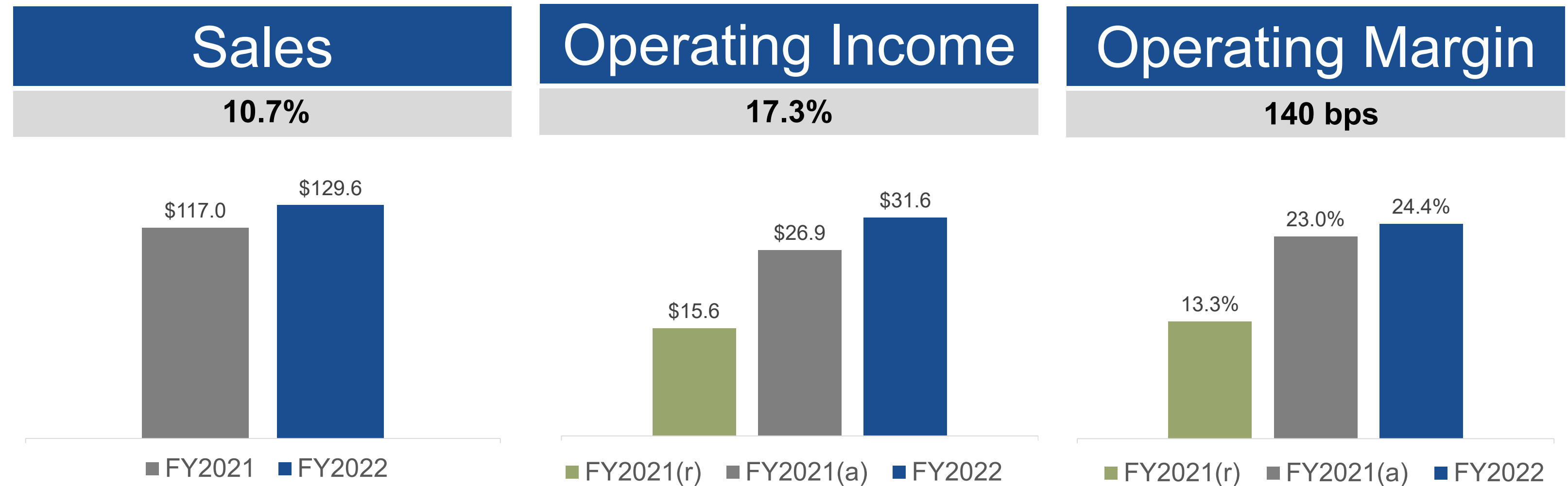
Q2 FY2022 Segment Results – Metal Coatings

Legend:
 (r) – Reported
 (a) – Adjusted

In \$ millions except percentages

Key Statistics

FY2021 Sales	\$117.0
Organic	\$10.3
Acquisitions	\$2.3
FY2022 Sales	\$129.6



Segment Summary:

- Segment sales up 10.7% from prior year quarter, driven by strong growth in several end markets including solar, agriculture, bridge and highway, and OEM
- Overall segment operating margins of 24.4%, compared to 23.0% in the prior year a result of price, mix, and operational excellence
- Increased costs in Galvanizing (zinc, labor, acid, energy) were offset by operating efficiencies, productivity and value pricing

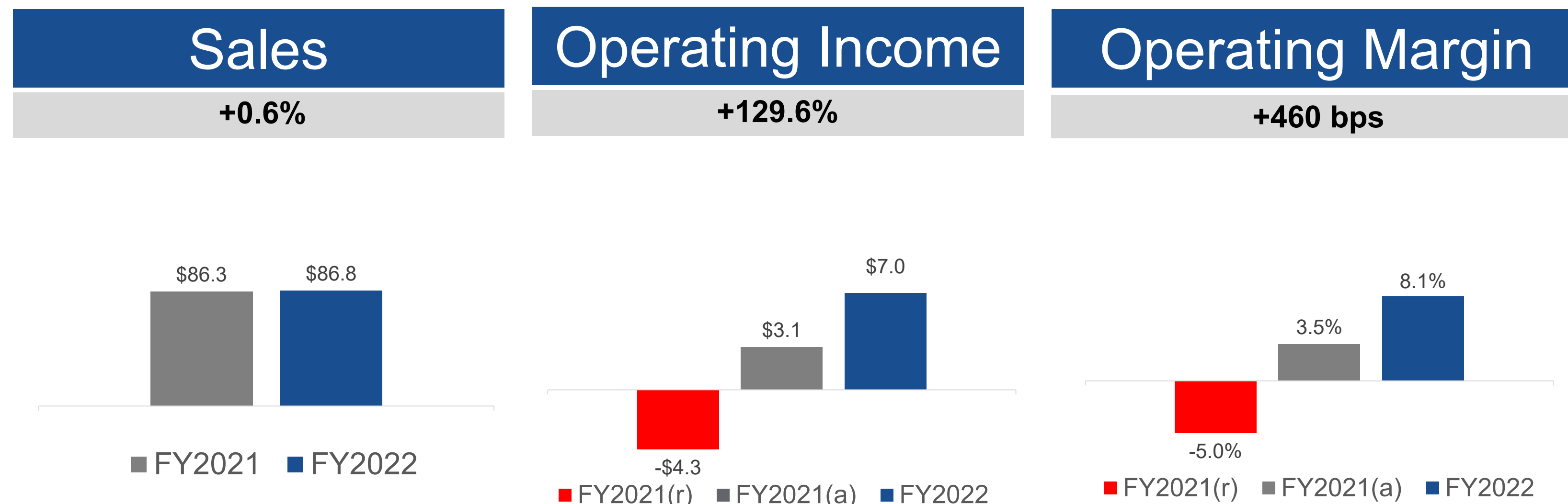
Q2 FY2022 Segment Results – Infrastructure Solutions

Legend:
(r) – Reported
(a) – Adjusted

In \$ millions except percentages

Key Statistics

FY 2021 Sales	\$86.3
FY2021 Book to Ship	1.03 to 1
FY2022 Sales	\$86.9
FY2022 Book to Ship	1.07 to 1



Segment Summary:

- Backlog increasing on stronger U.S. domestic bookings as the Electrical Platform replaces China backlog
- Q2 sales, excluding SMS divestiture, were up 4.3%
- Electrical sales improved from same quarter, prior year, across many business units, including bus
- Operating income benefitted from restructuring costs taken in the same quarter, prior year, related to COVID-driven downturn and slow oil and gas sector

FY2022 – Updated Full Year Financial Guidance

	Previous Range	Updated Range	Key Drivers:
<p>In millions, except for EPS</p> <p>Sales</p>	\$855-935	\$865 - \$925	<p>Metal Coatings:</p> <ul style="list-style-type: none"> • Volume/mix and steel availability for customers • Ability to realize price as production costs increase <p>Infrastructure Solutions:</p> <ul style="list-style-type: none"> • Refining end-market showing improvement • Orders for Electrical equipment strengthening • Managing labor availability <p>Corporate:</p> <ul style="list-style-type: none"> • Tax rate changes, and our ability to recognize planned tax savings in FY2022 • Continued low interest rate environment • Opportunistically repurchasing shares
Earnings Per Share	\$2.65- \$3.05	\$2.90 - \$3.20	

Q2 FY2022 Consolidated Results

Legend:
 (r) – Reported
 (a) – Adjusted

<i>In \$ millions, except for EPS and percentages</i>	Q2 FY 2022	Q2 FY 2021 Reported	Q2 FY 2021 Adjusted	% Change, vs. Prior Year (a)
Sales	\$216.4	\$203.4	\$203.4	6.4%
Gross Profit	\$55.1	\$46.1	\$46.1	19.6%
Gross Margin	25.5%	22.7%	22.7%	280 bps
Operating Profit	\$26.5	\$0.7	\$19.3	37.1%
Operating Margin	12.3%	0.3%	9.5%	280 bps
EBITDA	\$36.6	\$12.0	\$30.7	19.1%
Net Income	\$19.0	\$(1.8)	\$13.0	46.3%
Diluted EPS	\$0.76	\$(0.07)	\$0.49	55.1%
Diluted Shares Outstanding	25,135	26,175	26,175	-3.9%

FY 2022 Year-to-date Cash Flow Highlights

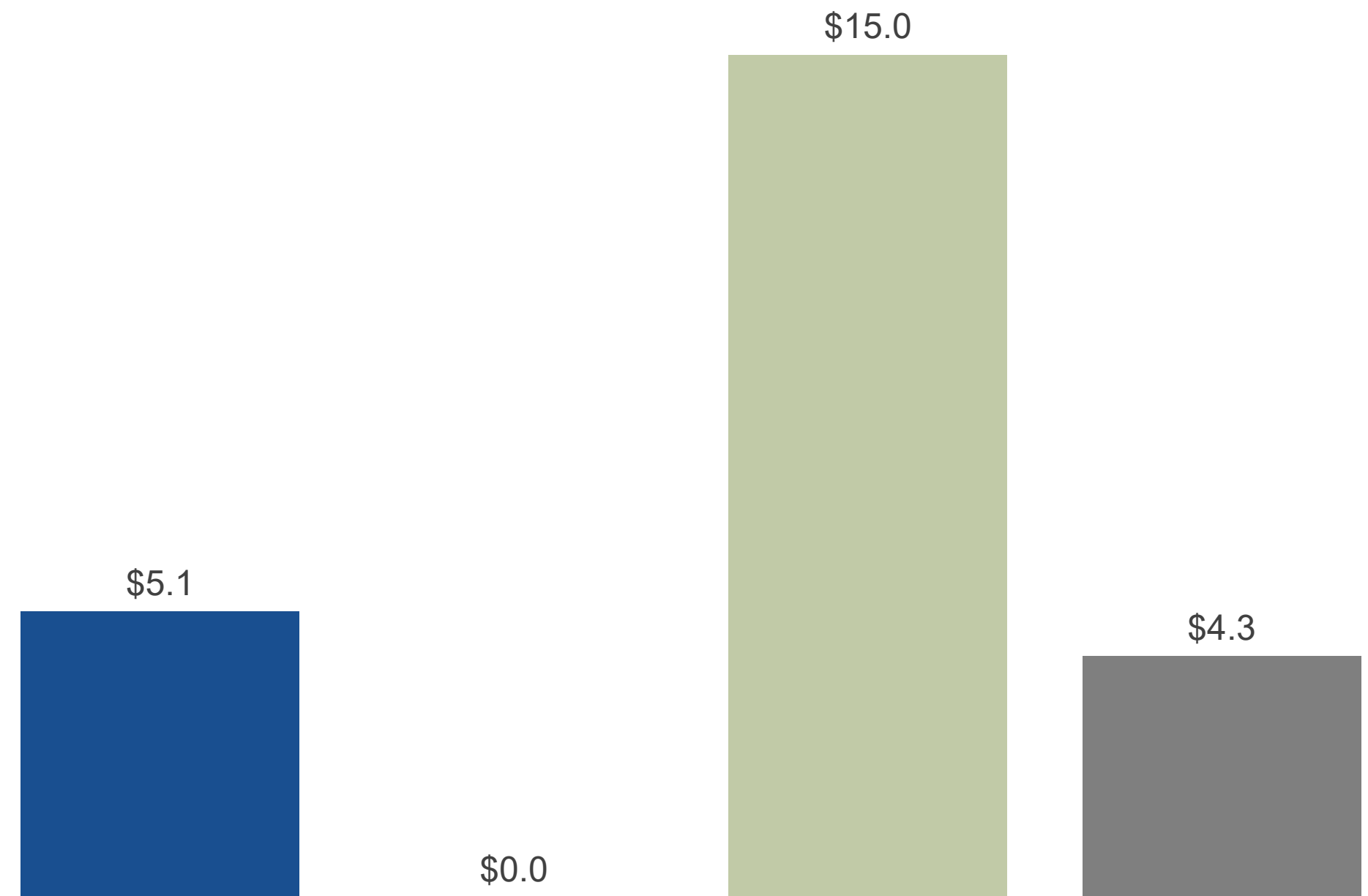
Legend:
 (r) – Reported
 (a) – Adjusted

<i>In \$ millions, except for percentages</i>	YTD FY 2022	YTD FY 2021 (a)	YTD FY 2021 (r)
Cash flows used in operating activities	\$37.8	\$32.2	\$32.2
Less: Capital Expenditures	\$(13.1)	\$(19.3)	\$(19.3)
Free Cash Flow	\$24.7	\$12.9	\$12.9
Net Income	\$41.3	\$3.8	\$18.5
Free Cash Flow / Net Income	59.8%	339.5%	69.7%
Acquisition of Subsidiaries, net of cash acquired	\$0.0	\$0.0	\$0.0
Dividends	\$8.5	\$8.9	\$8.9
Share Repurchases	\$21.2	\$6.4	\$6.4

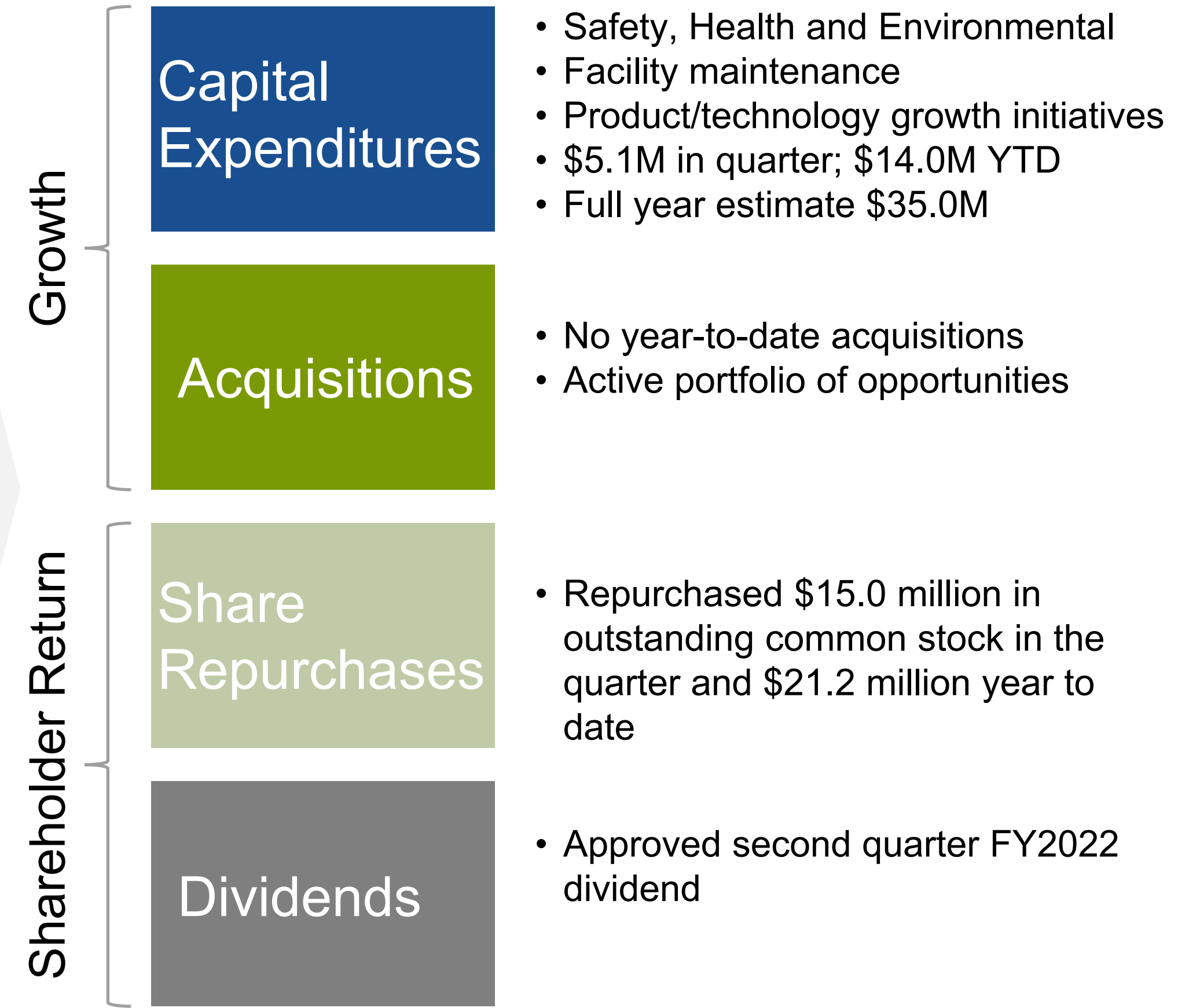
Capital Allocation Focused on Growth

In \$ millions

Q2 2022 Capital Deployment



■ Capital Expenditures ■ Acquisitions ■ Share Repurchases ■ Dividends



Key Indicators

Metal Coatings Segment

- Fabrication activity remains solid for Q3; some customers experiencing intermittent steel shortages. Active hurricane season in gulf states having some effect on customers
- Zinc cost in our kettles continues to rise

Infrastructure Solutions Segment

- **Industrial platform**
 - Fall turnaround season underway; Craft deployed - opportunity of increased scope of work from some sites
 - Pandemic-related travel constraints persist in some international markets
- **Electrical platform**
 - Continued focus on sales/front end effectiveness and operations improvements
 - Order intake consistent, and improving

Corporate

- Continue to monitor cash flow, customer credit, expenses and ensure effective capital deployment

Strategic Direction

- **The previously announced board-led strategic review of our portfolio and capital allocation is complete**
 - With respect to strategic alternatives for AIS, we continue to explore a small number of specific opportunities with the expectation that AZZ will become a focused metal coatings company
- **Infrastructure Solutions is focused on operational performance to its FY2022 Plan**
 - Specialty Welding will grow through leveraging the international footprint and improved North American turnarounds, offering the best customized welding technology
 - Electrical businesses will continue to focus on improving profitability through business process alignment, and on market growth
- **Long term strategy to continue to grow Metal Coatings organically and with a robust acquisition program, while targeting sustainable 21-23% Operating Margins**
 - Focus on operating excellence and providing outstanding customer service
 - Assumes continued inorganic growth in Galvanizing and Surface Technologies

Q&A

Appendix and Additional Information

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

Legend:
 (r) – Reported
 (a) – Adjusted

Current Year vs. Prior Year As Reported

In millions	Consolidated Q2 FY 22	Consolidated Q2 FY 21
GAAP Net Income	\$19.0	\$(1.8)
Adjustments to reconcile GAAP to non-GAAP Financial Measures		
Interest Expense	\$1.7	\$2.5
Income Tax Expense	\$4.9	\$(0.1)
Depreciation and Amortization Expense	\$11.0	\$11.4
Total Adjustments	\$17.6	\$13.8
Non-GAAP EBITDA	\$36.6	\$12.0

Fiscal 2021 (prior year) As Reported to As Adjusted

\$(millions) except share information	As Reported	Adjustment	F/N	As Adjusted
Sales	\$ 203.4			\$ 203.4
Gross Profit	46.1			46.1
<i>Gross Margin</i>	22.7%			0.2
SG&A	44.2	17.5	(1)	26.7
Loss on Sale	1.2	1.2	(2)	-
Operating Profit	0.7			19.3
<i>Operating Margin</i>	0.3%			9.5%
Other (income) / expense, net	0.1			0.1
Interest	2.5			2.5
Tax	(0.1)	(3.9)	(3)	3.8
Net Income	(1.8)			13.0
Diluted shares outstanding	26,175			26,175
Diluted EPS	\$ (0.07)			\$ 0.49
Depreciation and Amortization	11.4			11.4
EBITDA	12.0			30.7

Footnotes:

(1) - Impairments of \$17.5M include \$10.1M in the Metal Coatings Segment and \$7.4M in the Infrastructure Solutions Segment.

(2) - \$1.2M relates to the Metal Coatings Segment loss on the disposal of the GalvaBar

(3) - \$3.9M tax adjustment is the tax benefit of the \$18.7M in disposals and impairments.