ALJ Regional Holdings, Inc.
(NASDAQ:ALJJ)
September 2020 – Investor Presentation

Presenters

Jess M. Ravich – Chief Executive Officer (CEO) and Chairman

- Served as a director of ALJ since 2006 and became full time CEO in July 2019
- Managing Director at TCW Group (2012-2019), Houlihan Lokey (2009-2012)
- Founder and CEO of Libra Securities (1991-2009)
- Graduate of the Wharton School at the University of Pennsylvania (summa cum laude) and Harvard Law School (magna cum laude)

Brian J. Hartman – Chief Financial Officer (CFO)

- Served as CFO of ALJ since 2017
- Previously was CFO of Arcade Beauty, Corporate Controller at Visant Corporation, Controller for Metallurg Inc. and held various accounting/auditing positions at Witco Chemical Corp. and Deloitte & Touche LLP.
- Certified Public Accountant (CPA)
- Bachelor of Business Administration in public accounting and Master of Business Administration (MBA) from Pace University

Matthew D. Blumberg – Director of Strategy

- Served as a Director of Strategy of ALJ since 2019
- Previously was an investment analyst at Hayberry Global Fund and Watermark Funds Management and held various roles at Acteon Group
- Bachelor of Engineering (First Class Honors) and Bachelor of Commerce at The University of Western Australia
- Master of Business Administration (MBA) from Yale University

Executive summary

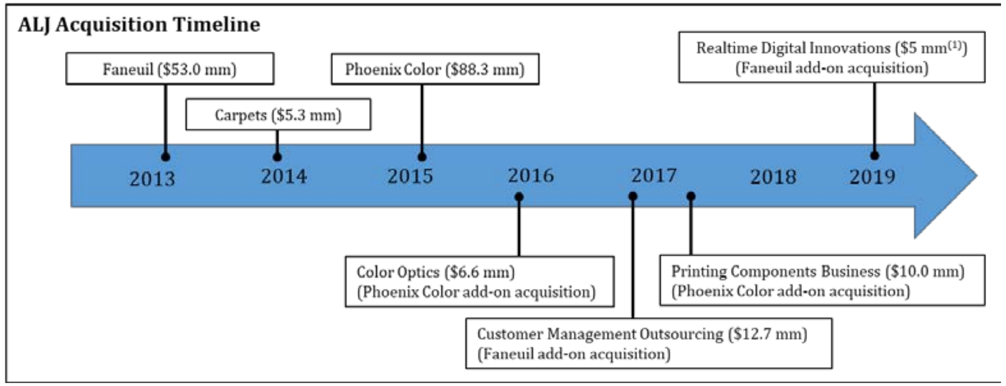
- ALJ's three operating businesses were all deemed "essential services" and have operated with limited disruption through COVID-19
- ALJ Regional Holdings, Inc. (ALJ) recently announced Q3 2020 results that showed a year over year improvement and beat market expectations (for revenue and adjusted EBITDA)
- Quarterly EBITDA was up year over year by $2.0 million, an increase of 38.5%
  - Expect Fiscal Q4 2020 Adjusted EBITDA to be at or above prior year comparable period
  - Anticipate full year Fiscal 2021 Adjusted EBITDA to be higher than Fiscal 2020 Adjusted EBITDA
- Transformation of operations at each subsidiary is ongoing and increased earnings will allow ALJ flexibility to employ strategic levers
- In FY2021, management plans to increase free cash flow by:
  - Continue to optimize contracts at its call center operation, Faneuil, and continue to improve Adjusted EBITDA performance
  - Build on existing supply relationships at its book component manufacturer, Phoenix Color, to unlock value for both customers and ALJ
  - Further diversify the business through acquisitions which management believes will lead to multiple expansion
  - Complete a strategic review of financing options and reduce financing expenses
  - Utilize the Net Operating Loss balance for tax benefits
- As EBITDA and free cash flow continue to increase, both organically and through acquisition, management believes both the investor base and our trading multiple will expand, allowing ALJ to unlock its intrinsic value
- Management believes ALJ's current valuation is not representative of its intrinsic value or its growth potential

ALJ background

- ALJ was transformed by Jess Ravich, Executive Chairman and CEO, into an acquisition vehicle with significant tax advantages
  - ALJ has net operating losses of $138.1mm as of end of FY2019, with the vast majority not expiring until 2022

Acquisition Strategy:

- Acquire core businesses operated by existing management teams
- Strengthen and expand existing businesses to create additional free cash flow
- Create value for shareholders



Current Subsidiary Acquisition History:

- Acquired three core businesses between 2013 and 2015 for approximately $150 million
- Acquired three add-on businesses between 2016 and 2017 for approximately $30 million
- Acquired an additional add-on business in 2019 for approximately $5 million[1]

Prior Acquisition History:

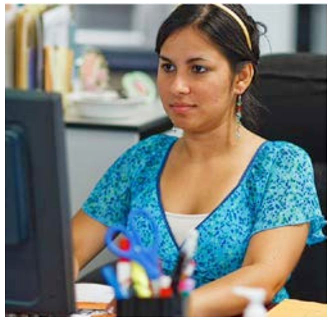
- In March 2005, ALJJ[2] bought Kentucky Electric Steel (KES) for $65 million
- In February 2013, ALJJ sold KES to Optima Specialty Steel for $114.4 million in cash with tax shielded by its NOLs
  - ALJ realized a profit of approximately $60 million after considering cash flows and repayments of debt
- ALJJ shares went from ~$0.40 (immediately before announcement) to ~$0.80 post sale of KES

Notes: (1) Initial payment of $2.5m, guaranteed total payments of $5m, with additional earn-outs of $5m (maximum total price of $10m). (2) Purchase was for 80.1% of KES stock under ALJ's previous trading name of Youthstream Media Networks Inc and included taking on existing KES debt

Operating businesses

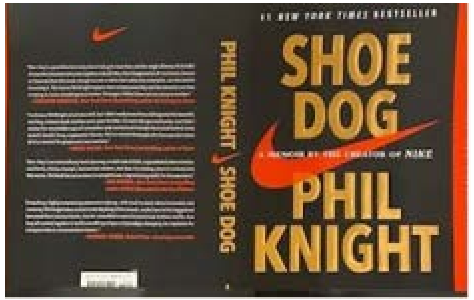
Faneuil

- FY2019 sales=$197mm, LTM(1) sales=$229mm
- Faneuil is a leading provider of call center services, back office operations and multi channel customer care
- Industry verticals include: Healthcare, Transportation and Utilities
- Has over 6,500 employees and 15 contact centers
- Has a total backlog of $642mm(2)
- Faneuil is in a position to leverage its excess capacity built out in 2019 to implement newly won contracts, and to continue to win more contracts
- Realtime Digital Innovations (RDI) was acquired in 2019 to help Faneuil transition to workflow automation and business intelligence services



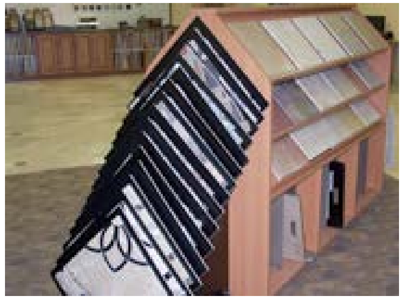
Phoenix Color

- FY2019 sales=$109mm, LTM(1) sales=$100mm
- Phoenix Color is a leading manufacturer of value-added trade and education book covers, heavily illustrated books, labels and packaging
- Phoenix Color has industry leading finishing capacity for complex product decoration
- Phoenix Color is one of two major dedicated book cover manufacturers servicing the US publishing market
- Customer relationships with top trade and educational publishers are decades old and sales agreements are long dated
- Has a total backlog of $303mm(2)



Carpets

- FY2019 sales=$49mm, LTM(1) sales=$40mm
- Carpets is a leading retailer of floor coverings, cabinets and countertops in Las Vegas, Nevada
- Provides a full suite of products for the largest US home builders, general contractors and also through its retail outlet
- Carpets provides an end to end suite of covering products with a high level of customer service
- Highly skilled labor force
- Operates a stone and solid surface fabrication facility to provide the highest product quality and service



Notes: (1) LTM through 06/30/2020. (2) As of 06/30/2020

ALJ overview

ALJ

- ALJ is the parent company of the following subsidiaries:
  - Faneuil, Inc. (Faneuil), Phoenix Color Corp. (Phoenix Color) and Floors -N-More / Carpets N' More (Carpets)

ALJ Regional Holdings

Faneuil
Leading provider of call center services, back-office operations, and toll collection services

Phoenix Color
Leading manufacturer of book components, educational materials, and value-added components

Carpets
Leading provider of flooring, cabinets, and granite countertops in Las Vegas, Nevada

$'000's; Fiscal Year Ending 9/30	FY 2016	FY 2017	FY 2018	FY 2019	LTM through 12/31/2019	LTM through 03/30/2020	LTM through 06/30/2020
Net Revenue							
Faneuil	$ 131,843	$ 158,264	$ 188,233	$ 196,802	$ 200,168	$ 212,403	$ 229,152
Phoenix Color	85,920	98,729	113,139	109,217	105,121	102,457	100,321
Carpets	50,606	69,725	68,404	48,978	46,391	44,850	41,364
Total	$ 268,369	$ 326,718	$ 369,776	$ 354,997	$ 351,680	$ 359,710	$ 370,837
Segment Adjusted EBITDA (1):							
Faneuil	$ 10,659	$ 13,110	$ 13,127	$ 8,832	$ 5,538	$ 4,118	$ 7,863
Phoenix Color	19,778	18,927	22,077	20,533	19,153	16,996	15,876
Carpets	698	1,290	453	1,557	1,319	1,101	660
Corporate	(2,348)	(2,326)	(2,553)	(3,224)	(3,559)	(3,793)	(3,987)
Consolidated Adjusted EBITDA (1)	$ 28,787	$ 31,001	$ 33,104	$ 27,698	$ 22,451	$ 18,422	$ 20,412

ALJJ Financial Overview[3]
$mm, except per share

Stock Price (08/18/2020)	$ 1.01
Fully Diluted Shares	42.2
Market capitalization	$ 42.6
Long Term Debt	96.0
Capital Lease	6.1
Equipment Financing	4.1
Total Debt	106.2
Total Cash	7.4
Total Net Debt	98.8
Enterprise Value	$ 141.4
EV:EBITDA (LTM)[2]	6.9x
Net Operating Loss Carryforward[4]	$ 138.1
CEO Beneficial Ownership	49.7%
Average Daily Volume (ADV)[5]	731k

Notes: (1) Adjusted measures are non-GAAP financial measures and should not be considered in isolation from, or a substitute for, Net Income, the most directly comparable GAAP financial measure. See Appendix for reconciliation of non-GAAP to GAAP figures (2) LTM = Last Twelve Months through 06/30/2020. (3) Company data as of Earnings Release for Q3 2020 for quarter ended 06/30/2020. (4) Net Operating Loss (NOL) Carryforward as of 09/30/2019. (5) ADV calculation based on last three months of trading and is an approximation

Organizational structure

- Management of each subsidiary operates their respective business independently with the support of the ALJ organization
- CEO's of each of ALJ's businesses have decades of industry experience in their respective markets

ALJ Regional Holdings, Inc.

Executive Chairman and CEO: **Jess Ravich**
- Senior roles at Libra Securities (founder), Houlihan Lokey and TCW

Chief Financial Officer: **Brian Hartman**
Director of FP&A: **Frank Di Somma**
Director of Strategy: **Matthew Blumberg**

100%

Faneuil

CEO: **Anna Van Buren**
- CEO since 2009
- 35+ years of management experience

100%

Phoenix Color

CEO: **Marc Reisch**
- Chairman and CEO since 2015
- CEO of Visant, which purchased Phoenix in 2008
- Senior Advisor to KKR
- 35+ years of experience in printing and publishing industries

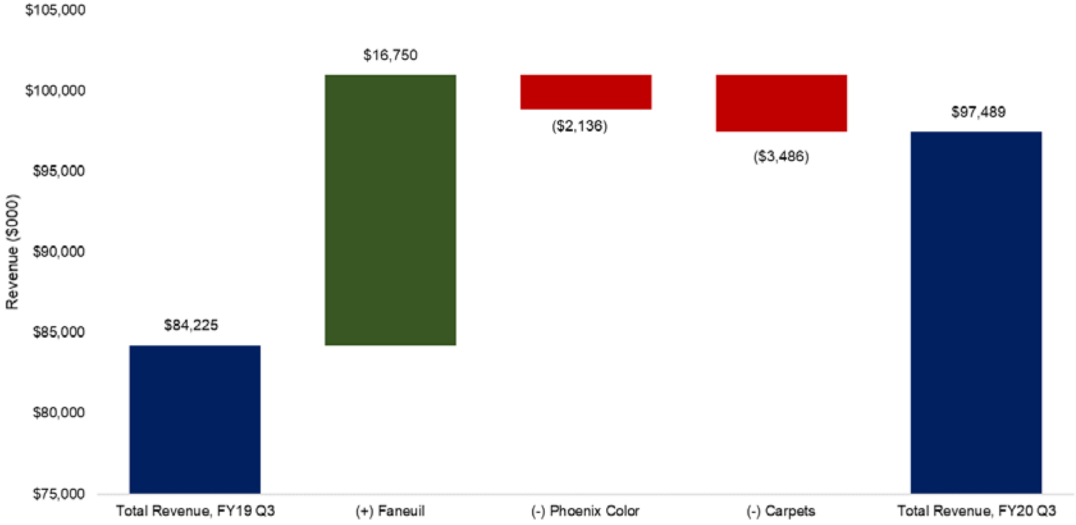
100%

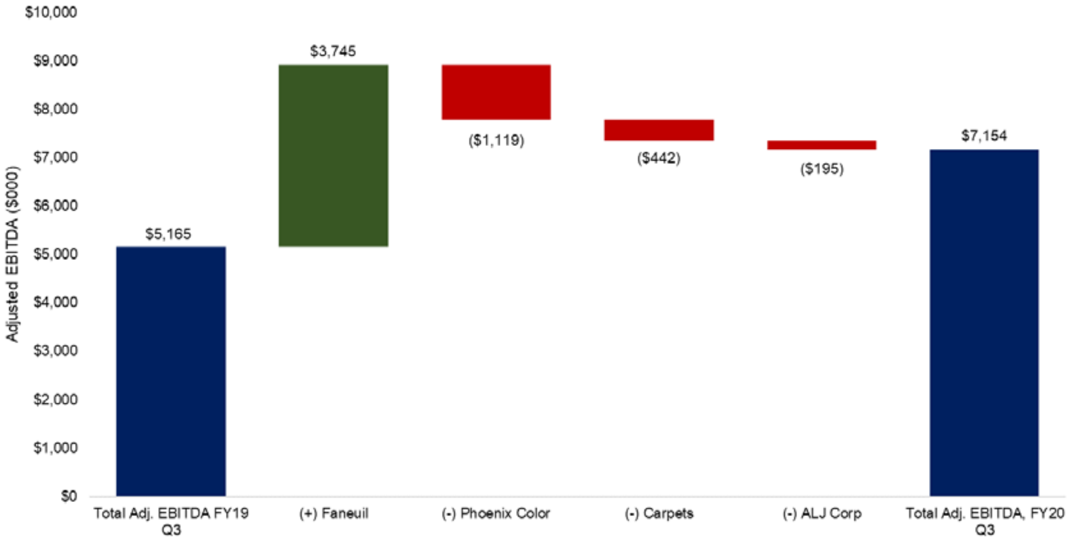
Carpets

CEO: **Steve Chesin**
- CEO since 2007
- 35+ years of industry experience in the Las Vegas market

Fiscal Q3 results

- ALJ revenue and adjusted EBITDA of $95.4 million and $7.2 million for the three months ended June 30, 2020 was up $11.1 million (+13.2%) and $2.0 million (+38.5%) compared to $84.2 million and $5.2 million for the three months ended June 30, 2019
  - Results improved due to the performance of Faneuil, which benefited from the addition of State unemployment contracts and the finalization of contract implementations
  - The focus at Faneuil was to shed unprofitable contracts and increase prices on existing contracts where appropriate, to gener ate EBITDA margins that are consistent with Faneuil's peer group (8%-10% Adjusted EBITDA margins)
  - Due largely to COVID-19 and uncertainty in the Education sector, Phoenix Color's performance was below where it was last year, but we are encouraged by the pickup in business activity as of mid-June
  - Our financial performance has allowed us to end the quarter with over $22.0 million in liquidity (2), which is nearly double our liquidity from this time last year





Notes: (1) Fiscal Q3 results filed with the SEC and released on August 12, 2020. (2) Liquidity is from revolver availability and cash on hand

ALJ acquisition growth strategy

- ALJ plans to acquire new businesses to diversify its current business mix
- There are over 3,000 public companies with less than $30 million of EBITDA
  - The costs and complexities of being a public company keep rising
  - ALJ intends to provide a platform for companies to join in order to increase the value for shareholders of both ALJ and the c ompanies it acquires
- ALJ plans to acquire US based companies with strong cash flow generation and stability, and an experienced management team
  - Industry agnostic
  - Needs to have sustainable competitive advantages
- Our value proposition includes attractive management incentives tied to target business performance and an ability for management to focus on the business, rather than be distracted by public market requirements
- Any target company will benefit from tax synergies through the use of ALJ's net operating loss
- We believe that as Adjusted EBITDA and free cash flow improve, ALJ will benefit from valuation multiple expansion and increased public float/trading liquidity

Transaction economics

- We believe current valuations are not representative of the intrinsic value of ALJ or of its potential target acquisitions
- We are proposing a 7x transaction multiple used for both businesses (ALJ and Target) where we will use leverage equal to 3x Net Debt to EBITDA, and the remainder will be a stock for stock transaction

Prospective Transaction Combination

	Target			
	No Existing Leverage	Existing Leverage	ALJ	Pro Forma
Enterprise Value:				
EBITDA (1)(2)	$ 10.0	$ 10.0	$ 27.7	$ 37.7
Valuation Multiple	7x	7x	7x	7x
Enterprise Value	$ 70.0	$ 70.0	$ 193.9	$ 263.9
Total Net Debt	-	(30.0)	(98.8)	(128.8)
Equity Value	$ 70.0	$ 40.0	$ 95.1	$ 135.1
Leverage:				
Current Total Net Debt	$ 0.0	$ 30.0	$ 98.8	$ 128.8
Current Total Net Debt / EBITDA	0.0x	3.0x	3.6x	3.4x
Incremental Debt Capacity:				
Target Leverage Ratio	3.0x	3.0x	3.0x	3.0x
Available Incremental Debt	$ 30.0	$ 0.0	$ 0.0	$ 0.0
Consideration Mix:				
Cash	$ 30.0	$ 0.0	NM	NM
Equity	40.0	40.0	95.1	135.1
ProForma Equity %	30%	30%	70%	100%

Notes:

NM - Not Meaningful.

(1) FY2019 Consolidated Adjusted EBITDA (rounded)

(2) Excluding synergies.

Investor relations contact

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Forward-Looking Statements and Non-GAAP Reconciliations

ALJ

This document contains forward-looking statements within the meaning of federal securities laws. Such statements may be identified by words such as "may," "will," "expect," "intend," "anticipate," "believe," "estimate," "plan," "project," and other similar words. Such statements include, but are not limited to, statements about future financial and operating results, the Company's plans, objectives, estimates, expectations, and intentions, estimates and strategies for the future, and other statements that are not historical facts. You should not place undue reliance on these statements, as they involve certain risks and uncertainties, and actual results or performance may differ materially from those discussed in any such statement. Factors that could cause actual results to differ materially are discussed in our annual report on Form 10-K and quarterly reports on Form 10-Q filed with the Securities and Exchange Commission and available through EDGAR on the SEC's website at www.sec.gov and at the Company's website at www.aljregionalholdings.com in the Financials section. All forward-looking statements in this release are made as of the date hereof and we assume no obligation to update any forward-looking statement.

In our earnings releases, prepared remarks, conference calls, presentations, and webcasts, we may present certain adjusted financial measures that are not calculated according to generally accepted accounting principles in the United States ("GAAP"). These non-GAAP financial measures are designed to complement the GAAP financial information presented in this presentation because management believes they present information regarding ALJ that is useful to investors. The non-GAAP financial measures presented should not be considered in isolation from, or as a substitute for, the comparable GAAP financial measure. We present adjusted EBITDA because we believe it is frequently used by analysts, investors and other interested parties in the evaluation of our company. ALJ defines adjusted EBITDA as net income (loss) before depreciation and amortization, interest expense, litigation loss, restructuring expenses, lease payments in anticipation of facility shutdown, loan amendment fees, stock-based compensation, acquisition-related expenses, disposal of fixed assets and other gain, provision for income taxes, and other non-recurring items. Adjusted EBITDA measures are not calculated in the same manner by all companies and, accordingly, may not be an appropriate measure for comparison. Reconciliations of such non-GAAP financial measures to the most directly comparable GAAP financial measures can be found in the tables that are part of this presentation.

Appendix – GAAP Reconciliations

ALJ

$'000's; Fiscal Year Ending 9/30	FY 2017 Ending 9/30/17	FY 2018 Ending 9/30/18	FY 2019 Ending 9/30/19	LTM through 12/31/19	LTM through 3/30/20	LTM through 6/30/20
Net Income (loss)	**$ 15,673**	**$ (7,333)**	**$ (15,979)**	**$ (20,967)**	**$ (83,188)**	**$ (78,640)**
Depreciation and amortization	16,611	19,049	20,553	21,349	21,430	20,770
Interest expense	9,445	10,558	10,611	10,460	10,679	10,546
Provision (benefit) for income taxes	(12,424)	4,299	10,006	9,758	8,259	4,847
Loan amendment fees	—	—	337	905	1,008	1,069
Impairment of intangible assets	—	—	746	746	59,793	59,793
Stock-based compensation	810	1,053	667	594	519	423
Restructuring expenses	275	2,566	239	431	574	1,440
Lease payments in anticipation of facility shutdown	—	—	556	408	408	408
Acquisition-related expenses	602	280	178	215	265	180
Change in fair value of contingent and deferred consideration	—	—	—	—	—	900
Bank fees accreted to term loan	—	—	—	—	—	300
Fair value of warrants issued in connection with loan amendments	—	—	—	—	122	122
Interest from legal settlement	—	—	—	(200)	(200)	(200)
Disposal of assets and other gain	8	(277)	(216)	9	9	(290)
Legal settlement	—	2,910	—	(1,256)	(1,256)	(1,256)
Consolidated Adjusted EBITDA	**$ 31,001**	**$ 33,104**	**$ 27,698**	**$ 22,451**	**$ 18,422**	**$ 20,412**