



ASTEC

1Q20 Earnings Presentation

May 6, 2020

CLEARANCE 13' 6"



The information contained in this presentation and discussion contains “forward-looking statements” (within the meaning of the Private Securities Litigation Reform Act of 1995) regarding the future performance of the Company, including statements about the effects on the Company from (i) restructuring initiatives, (ii) changes in the business segments (iii) the effect of changes in backlog (iv) the potential sale of the Enid (GEFCO) business, (iii) increases in international demand, (iv) domestic and international product demand in North America , and (v) the impacts of the coronavirus (COVID-19) on the Company’s financial condition and business operations. These forward-looking statements reflect management’s expectations and are based upon currently available information, and the Company undertakes no obligation to update or revise such statements. These statements are not guarantees of performance and are inherently subject to risks and uncertainties, many of which cannot be predicted or anticipated. Future events and actual results, financial or otherwise, could differ materially from those expressed in or implied by the forward-looking statements. Important factors that could cause future events or actual results to differ materially include: general uncertainty in the economy, oil, gas and liquid asphalt prices, rising steel prices, decreased funding for highway projects, the relative strength/weakness of the dollar to foreign currencies, production capacity, general business conditions in the industry, demand for the Company’s products, seasonality and cyclicity in operating results, seasonality of sales volumes or lower than expected sales volumes, lower than expected margins on custom equipment orders, competitive activity, tax rates and the impact of future legislation thereon, and those other factors listed from time to time in the Company’s reports filed with the Securities and Exchange Commission, including but not limited to the Company’s annual report on Form 10-K for the year ended December 31, 2019.



Astec Overview & 1Q20 Highlights

Barry Ruffalo | President & CEO



Today's Key Messages



01

Actions taken in 2019 and progress of transformation plan has fueled solid 1Q20 performance

02

Changed reporting from 3 segment structure to two segment structure: Infrastructure Solutions and Materials Solutions to align with how the business is managed

03

Strong balance sheet and liquidity with net cash position to execute through challenging market conditions; our products are essential for building infrastructure

04

Actively preparing for upside and downside scenarios due to COVID-19 pandemic; with our Simplify, Focus, and Grow strategic pillars, we have had a head start on cost savings initiatives

Simplification of Our Business Segments

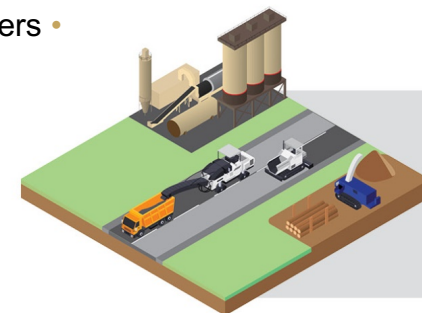


Infrastructure Solutions: 65%

Key Products

Roadbuilding • Paving • Forestry • Recycling • Asphalt Plants • Concrete Plants • Burners and Heaters • Silos and Storage Tanks

Leading Brands

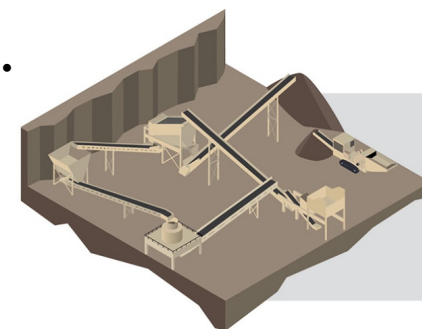


Materials Solutions: 35%

Key Products

Crushing and Screening • Washing and Classifying • Material Handling • Rock Breaker Technology • Plants and Systems

Leading Brands



Note: Percentages are a % of total company revenue for full year 2019.



New Organizational Structure Has Enhanced Company-wide Communication

- ✓ In early March 2020, formed a **COVID-19 task force**, which continually monitors information from our sites, government agencies and other sources
- ✓ **Continue to manufacture, sell and service our products** with appropriate precautions
- ✓ **Reinforced good hygiene practices** at all facilities including frequent handwashing, social distancing and regular cleaning of surfaces, in accordance with U.S. Center of Disease Control and Prevention (CDC) and World Health Organization (WHO) guidelines to reduce health risks
- ✓ **Enacted policies to keep our employees, customers and suppliers safe** by greatly reducing travel and utilizing technology to meet virtually as business permits
- ✓ Introduced health screening procedures for on-site, essential employees and visitors, including **temperature screenings**
- ✓ **COVID-19 playbook in place** with senior leaders sharing best practices, processes and tools across organization

Business Dynamics and Observations



Current transformation to Simplify, Focus, and Grow strategy has reduced organizational structure complexity and enabled more efficient COVID-19 response and sharing of best practices

- ✓ Bipartisan support for **U.S. infrastructure construction**
- ✓ **Customers are still working and need our solutions**; some have discussed postponing capex decisions and delaying shipments to future quarters
- ✓ **Vast majority of factories** are open; **temporary closures of two Materials Solutions sites** due to preemptive government mandates in South Africa (reopened on May 4, 2020) and Northern Ireland (scheduled to reopen in mid-May, 2020)
- ✓ **Limited impact in 1Q** and situation remains fluid for the remainder of 2020



ACTIVELY RUNNING SCENARIO ANALYSES TO ENSURE WE ARE PREPARED FOR CHANGES IN DEMAND



Total Company & Segment Results

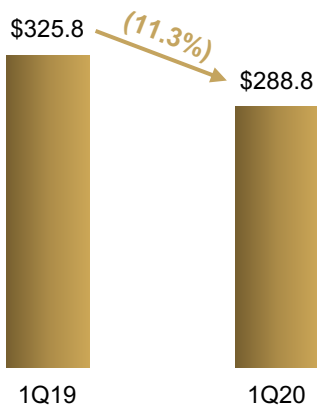
Becky Weyenberg | Chief Financial Officer



1Q20 Financial Results (\$M, except per share data)

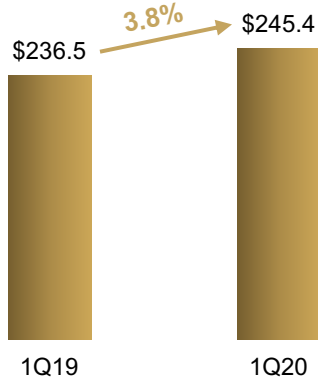


REVENUES



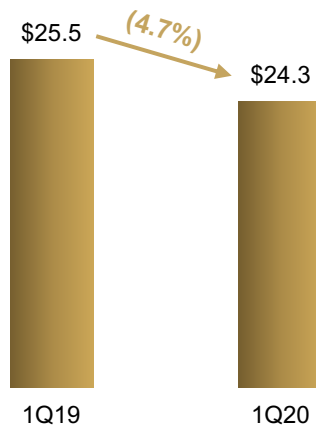
- Equipment sales decreased \$39.2M or 18.2%
- Parts sales decreased \$3.9M or 4.2%
- Domestic sales decreased \$28.9M or 11.0%
- International sales decreased \$8.0M or 12.7%
- Excluding FX impact, sales decreased 10.5%
- \$8.8M revenue delayed due to COVID-19 delivery restrictions

BACKLOG



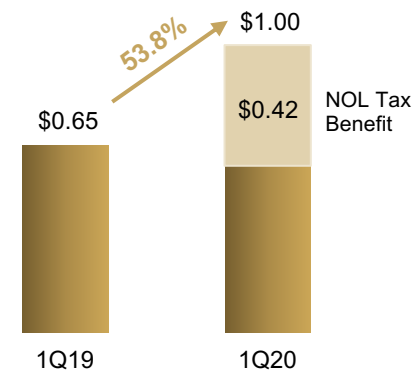
- Infrastructure Solutions backlog increased \$25.4M or 19.1%
- Materials Solutions backlog declined \$16.5M or 15.9%

ADJ. EBITDA¹



- Adjusted EBITDA decreased due to sales volume drops in both segments partially offset by favorable mix and improvements in Mfg. performance
- Adj. EBITDA margin of 8.4% increased 60 bps
- SGA&E decreased 3.4% driven by reductions in consulting fees, travel and employee expenses; offsetting ConExpo expenses of \$4.2M

ADJ. EPS¹



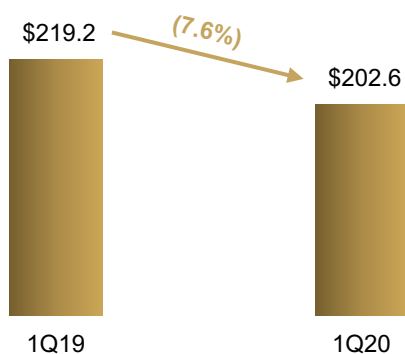
- Adjusted EPS excludes \$0.09 impact from \$1.1M of restructuring charge and \$1.6M of goodwill impairment in 1Q20
- Use of CARES Act Net Operating Loss (NOL) carryback for a \$9.5M tax reduction, or \$0.42 impact; excluding reduction, our effective tax rate was 28% in 1Q20
- Solid results with limited COVID-19 interruptions

¹ See Appendix for GAAP to Non-GAAP reconciliation table.

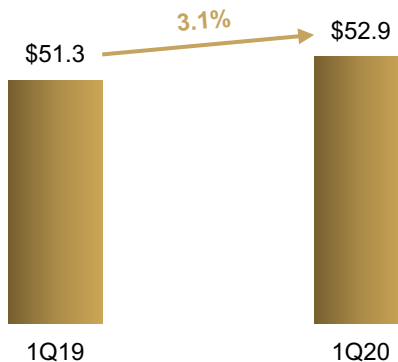
Infrastructure Solutions | 1Q20 Financial Performance (\$M)



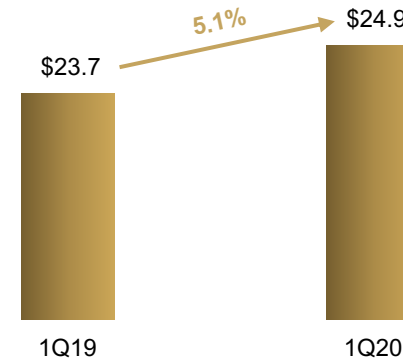
REVENUES



GROSS PROFIT



ADJ. EBITDA¹



1Q PERFORMANCE DRIVERS

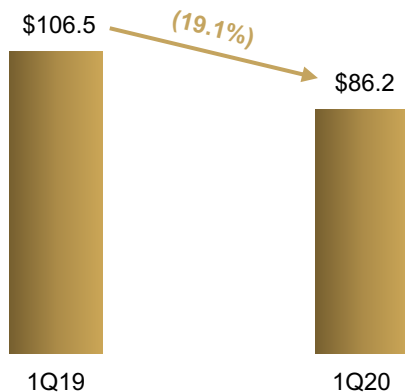
- Strong order intake and backlog, not fully realized in 1Q sales (2Q production)
- Strong performance overall from good parts sales and associated margins, particularly in plant equipment
- Moved a portion of plant sales to 2Q due to COVID-19-related customer delays
- Additional cost savings achieved by reduced T&E and limited trade show participation
- Realized savings from manufacturing labor and indirect spend

¹ See Appendix for GAAP to Non-GAAP reconciliation table.

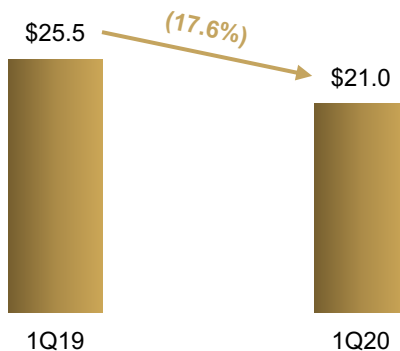
Materials Solutions | 1Q20 Financial Performance (\$M)



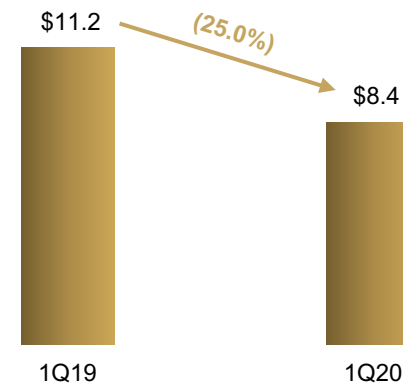
REVENUES



GROSS PROFIT



ADJ. EBITDA¹



1Q PERFORMANCE DRIVERS

- Initiatives taken in 2019 and 2020 to restructure operations to current market demand; improving margin despite declining revenue
- Headcount reductions and cost control measures put in place at end of 2019

¹ See Appendix for GAAP to Non-GAAP reconciliation table.

Flexible Balance Sheet with Ample Liquidity



SUMMARY BALANCE SHEET

(\$M)	3/31/20
Cash and Cash Equivalents	\$ 44
Total Current Assets	\$ 534
Total Assets	\$ 805
Total Current Liabilities	\$ 169
Total Debt	\$ 1
Total Liabilities and Equity	\$ 805

(\$M)	3/31/20
Cash and Cash Equivalents	\$ 44
Available Credit	\$ 142
Total Available Liquidity	\$ 186

COMMENTARY

- Gross inventory decreased \$124M; Net inventory decreased \$72M both from 1Q19
- \$26M in cash expected from income tax refund due to CARES Act

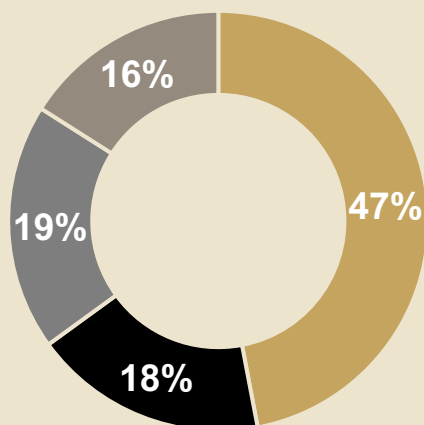
FOCUSED ON MAINTAINING A STRONG BALANCE SHEET

Disciplined Capital Deployment Framework



Use of Cash Over Last 3 Years

~\$150M



- Plant, Property & Equipment
- Acquisitions
- Dividends
- Share Repurchases

Plant, Property & Equipment

- Internal investments meeting return objectives of >14% ROIC

Acquisitions

- Future acquisitions to align with growth strategy and meet financial criteria

Returns to Shareholders

- Dividend of \$0.11 per share
- \$150M repurchase program authorized
- Repurchased \$24M in 2018

Adjustments Given Current Environment

Continue to target > 14% ROIC for new investments

Continue to focus on strategic alignment and financial discipline

No buybacks expected in near term

CONTINUALLY EVALUATE STRATEGY TO ENSURE A BALANCED APPROACH

Downturn Playbook with Additional Levers to Pull



Status Commentary

Self-Adjusting

- ✓ Metrics-based incentive plan

- Revised annual and long-term incentive plans

Discretionary

- ✓ Professional services / consulting
- ✓ Tradeshows / marketing
- ✓ 4-day work weeks
- Delayed / freeze hiring
- Suspend merit increases / other compensation benefits

- Accelerating centralization efforts
- Implemented travel restrictions; reduced number of exhibits and promotional items
- Standardizing commission / pay structures

Investments

- ✓ Investment reprioritization, deferrals
- Product line rationalization

- Focused investments on transformation activities including centralized corporate functions
- Accelerated Strategic Procurement / Operational Excellence projects

Cash Preservation

- ✓ Headcount reduction
- Standardization of payment terms

- Improve inventory turns
- Focused on cash management
- Continued focus on centralizing business processes

✓ **Activated** ○ **In-Process** ▪ **Additional Levers, If Needed**

Material Weakness Remediation Plan | What's Different

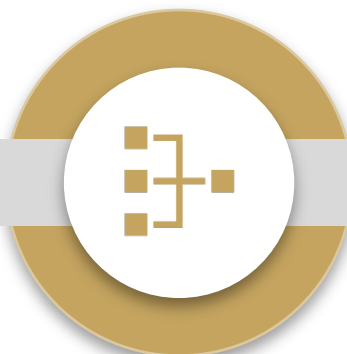
- ✓ **New CEO, CFO and CIO** in place
- ✓ **Executive Leadership Team actively engaged** – monthly dashboard review process
- ✓ **Investment in resources** (Finance and IT Leadership Teams) – leading process reviews
- ✓ **Engaged with Big Four accounting firm** to assist with Sox 404 remediation efforts, project management and risk assessment
- ✓ **Investment in additional resources** for internal controls refresh and testing
- ✓ **Comprehensive monitoring and accountability** for all sites
- ✓ **Comprehensive testing** started in April, 2020 over 1Q20 transactions
- ✓ **Focus on IT function**
 - System functionality and system limitations
 - System access
 - IT change management: tool, procedures and education
 - Monitoring mechanisms implemented (general ledger updates, segregation of duties)
 - Enhanced backup and recovery procedures and documentation



Our Profitable Growth Strategy Remains Consistent



SIMPLIFY



- Leverage global footprint and scale while maintaining strong customer relationships
- Reduce organizational structure complexity
- Consolidate and rationalize footprint and product portfolio
- Optimize supply chain by leveraging size and scale of business

FOCUS



- Strengthen customer-centric approach by providing a holistic set of solutions
- Drive commercial excellence
- Embrace and streamline operational excellence processes
- Enhance accountability through a performance-based culture with aligned KPIs and incentives

GROW



- Reinvigorate innovation with a new product development approach
- Leverage technology and digital connectivity to enhance customer experience
- Capitalize on global growth opportunities
- Allocate capital effectively to drive greatest shareholder value

Update on Our Transformation Progress



2019 - 2020

2019 - 2021

2020 - 2021+

SIMPLIFY

- ✓ Changed from subsidiary structure to align by product groups
- ✓ Refreshed executive leadership team and board members
- ✓ Executed Astec Strategic Procurement initiative consolidating supply chain
- ✓ 1Q20 re-segmentation to two segment reporting structure
- Within Infrastructure Solutions, integrating five service teams into a unified service and construction team; one support call center

FOCUS

- ✓ Hired SVP of Operational Excellence and Chief Information Officer
- ✓ Aligned financial metrics to management incentives
- ✓ Implementing Enterprise Data Analytic Platform system to consolidate reporting
- Further drive operational excellence across organization
- Optimize product portfolio with ongoing rationalization
- Improve working capital turns – clear action plan in place

GROW

- ✓ Hired SVP of Innovation
- Enhance customer engagement
- Global expansion
- Profitable Growth
- Margin Improvement

✓ Completed ▪ In-Process

Key Investment Highlights



1

Leadership positions within attractive niche markets in industries benefitting from long-term secular trends including population growth, urbanization and aging infrastructure



2

Industry-leading reputation for innovation, high-quality products and superior customer service



3

Recurring, high-margin aftermarket revenue driven by a large global installed base



4

Financial strength to execute our strategic priorities to improve productivity and drive long-term earnings growth



5

Refreshed Board members supporting new experienced leadership team to drive long-term shareholder value creation





Q&A



STEVE ANDERSON

SVP of Administration & Investor Relations

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Email: sanderson@astecindustries.com



Appendix

Income Statement



Condensed Consolidated Statements of Income (In millions, except share and per share amounts; unaudited)

	Three Months Ended March 31,	
	2020	2019
Net sales	\$ 288.8	\$ 325.8
Cost of sales	214.8	248.9
Gross profit	<u>74.0</u>	<u>76.9</u>
Operating expenses:		
Selling, general and administrative	56.2	58.2
Restructuring and asset impairment charges	2.7	0.5
Total operating expenses	<u>58.9</u>	<u>58.7</u>
Operating income	15.1	18.2
Other income (expense):		
Interest expense	--	(0.6)
Miscellaneous, net	0.4	0.5
Income before income taxes	15.5	18.1
Provision (benefit) from income taxes	(5.1)	3.8
Net income attributable to controlling interest	<u>\$ 20.6</u>	<u>\$ 14.3</u>
Earnings per common share		
Basic	\$ 0.92	\$ 0.63
Diluted	0.91	0.63
Weighted-average shares outstanding		
Basic	22,545	22,498
Diluted	22,713	22,646

Segment Revenues and Profits



(In thousands; unaudited)

	Three Months Ended March 31			
	Infrastructure Solutions	Materials Solutions	Corporate	Total
2020 Revenues	\$ 202,618	\$ 86,230	--	\$ 288,848
2019 Revenues	219,249	106,531	--	325,780
Change \$	(16,631)	(20,301)	--	(36,932)
Change %	(7.6%)	(19.1%)		(11.3%)
2020 Gross profit	52,923	21,005	93	74,021
2020 Gross profit %	26.1%	24.4%		25.6%
2019 Gross profit	51,309	25,545	(4)	76,850
2019 Gross profit %	23.4%	24.0%		23.6%
Change %	1,614	(4,540)	97	(2,829)
2020 Profit / (loss)	17,220	6,035	(2,923)	20,332
2019 Profit / (loss)	18,070	8,678	(12,908)	13,840
Change \$	(850)	(2,643)	9,985	6,492
Change %	(4.7%)	(30.5%)	77.4%	46.9%

Segment revenues are reported net of intersegment revenues. Segment gross profit is net of profit on intersegment revenues. A reconciliation of total segment profits to the Company's net income attributable to controlling interest is as follows (in thousands):

	Three Months Ended March 31,		
	2020	2019	Change \$
Total profit for all segments	\$ 20,332	\$ 13,840	\$ 6,492
Recapture of intersegment profit	151	377	(226)
Net loss attributable to non-controlling interest	161	57	104
Net income attributable to controlling interest	\$ 20,644	\$ 14,274	\$ 6,370

Balance Sheet



Condensed Consolidated Balance Sheets (In millions; unaudited)

	March 31, 2020	March 31, 2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 43.9	\$ 28.6
Investments	2.1	1.6
Receivables, net	141.0	137.2
Inventories, net	294.8	366.8
Other current assets	52.4	41.9
Total current assets	<u>534.2</u>	<u>576.1</u>
Property, plant and equipment, net	185.3	192.1
Other long-term assets	85.4	104.1
Total assets	<u>\$ 804.9</u>	<u>\$ 872.3</u>
Liabilities		
Current liabilities:		
Accounts payable	\$ 64.1	\$ 76.5
Other current liabilities	104.8	114.3
Total current liabilities	<u>168.9</u>	<u>190.8</u>
Long-term debt	0.5	56.6
Other long-term liabilities	23.0	25.6
Total equity	<u>612.5</u>	<u>599.3</u>
Total liabilities and equity	<u>\$ 804.9</u>	<u>\$ 872.3</u>

Cash Flow Statement



(In thousands; unaudited)

	Three Months Ended March 31,	
	2020	2019
Cash flows from operating activities:		
Net income	\$ 20,483	\$ 14,217
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	6,328	6,551
Provision for doubtful accounts	588	56
Provision for warranties	2,732	2,746
Deferred compensation expense (benefit)	(343)	411
Stock-based compensation	1,134	1,038
Deferred income tax provision	13,494	3,931
(Gain) loss on disposition of fixed assets	(694)	251
Asset impairment charge	1,646	--
Distributions to SERP participants	(136)	(312)
Change in operating assets and liabilities:		
Sale (purchase) of trading securities, net	(369)	1,044
Trade and other receivables	(16,644)	(3,809)
Inventories	(315)	(10,891)
Prepaid expenses and other assets	2,495	1,156
Accounts payable	7,792	3,970
Accrued payroll and related expenses	(4,559)	(4,966)
Accrued product warranty	(2,129)	(2,643)
Customer deposits	(5,154)	(4,769)
Prepaid and income taxes payable, net	(18,469)	594
Other	(2,319)	3,412
Net cash provided by operating activities	5,561	11,987
Cash flows from investing activities:		
Expenditures for property and equipment	(5,774)	(3,723)
Proceeds from sale of property and equipment	1,912	40
Other	(186)	(91)
Net cash used by investing activities	(4,048)	(3,774)
Cash flows from financing activities:		
Payment of dividends	(2,485)	(2,478)
Bank loan repayments, net	(696)	(3,213)
Sale of Company shares held by SERP	(38)	263
Withholding tax paid upon vesting of restricted stock units	(565)	(160)
Net cash used by financing activities	(3,784)	(5,588)
Effect of exchange rates on cash	(2,732)	160
Net change in cash and cash equivalents	(5,003)	2,785
Cash and cash equivalents, beginning of period	48,857	25,821
Cash and cash equivalents at end of period	\$ 43,854	\$ 28,606

1Q GAAP to Non-GAAP Reconciliation Table



1Q20 GAAP to Non-GAAP Reconciliation Table

	As Reported (GAAP)	Restructuring Charges	As Adjusted (Non-GAAP)
Consolidated			
Net sales	\$ 288,848	\$ -	\$ 288,848
GP	74,021	-	74,021
GP%	25.6%		25.6%
Operating income	15,143	2,711	17,854
Provision (benefit) from income taxes	(5,143)	636	(4,507)
Net income attributable to controlling interest	20,644	2,075	22,719
EPS	0.91	0.09	1.00
EBITDA	21,547	2,711	24,258
Infrastructure Solutions			
Net sales	202,618	-	202,618
GP	52,923	-	52,923
GP%	26.1%		26.1%
EBITDA	22,241	2,679	24,920
Materials Solutions			
Net sales	86,230	-	86,230
GP	21,005	-	21,005
GP%	24.4%		24.4%
EBITDA	8,360	32	8,392

1Q19 GAAP to Non-GAAP Reconciliation Table

	As Reported (GAAP)	Restructuring Charges	As Adjusted (Non-GAAP)
Consolidated			
Net sales	\$ 325,780	\$ -	\$ 325,780
GP	76,850	-	76,850
GP%	23.6%		23.6%
Operating income	18,178	512	18,690
Provision (benefit) from income taxes	3,781	-	3,781
Net income attributable to controlling interest	14,274	512	14,786
EPS	0.63	0.02	0.65
EBITDA	24,938	512	25,450
Infrastructure Solutions			
Net sales		-	219,249
GP	219,249	-	51,309
GP%	51,309	512	23,656
GP%	23.4%		
EBITDA	23,144		
Materials Solutions			
Net sales		-	106,531
GP	106,531	-	25,545
GP%	25,545	-	24.0%
GP%	24.0%		11,184
EBITDA	11,184		

In its earnings release, Astec refers to various GAAP (U.S. generally accepted accounting principles) and non-GAAP financial measures. These non-GAAP measures may not be comparable to similarly titled measures being disclosed by other companies. Non-GAAP financial measures should be considered in addition to, and not in lieu of, GAAP financial measures. Nonetheless, this non-GAAP information can be useful in understanding the Company's operating results and the performance of its core businesses.

The amounts described above are unaudited, reported in thousands of U.S. Dollars (Except Share data), and as of or for the periods indicated.

GAAP vs Non-GAAP Adj. EPS Reconciliation



(In thousands, except share and per share amounts; unaudited)

	Three Months Ended March 31,	
	2020	2019
Net income attributable to controlling interest	\$ 20,644	\$ 14,274
Plus: Restructuring	1,065	512
Plus: Goodwill impairment	1,646	--
Less: Provision from income taxes	(636)	--
Adjusted net income attributable to controlling interest	<u>\$ 22,719</u>	<u>\$ 14,786</u>
Diluted EPS	\$ 0.91	\$ 0.63
Plus: Restructuring	0.05	0.02
Plus: Goodwill impairment	0.07	--
Less: Provision from income taxes	(0.03)	--
Adjusted EPS	<u>\$ 1.00</u>	<u>\$ 0.65</u>

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