

LB Foster
www.lbfoster.com

RAIL
PRODUCTS



TUBULAR
PRODUCTS



Investor Relations
Presentation



DA Davidson & Co.
12th Annual E&C Conference
September 2013



CONSTRUCTION
PRODUCTS

We're Hard at Work



LB Foster
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L.B. Foster Company

Robert Bauer, President & CEO

David Russo, Sr. VP, CFO and Treasurer

Safe Harbor Statement



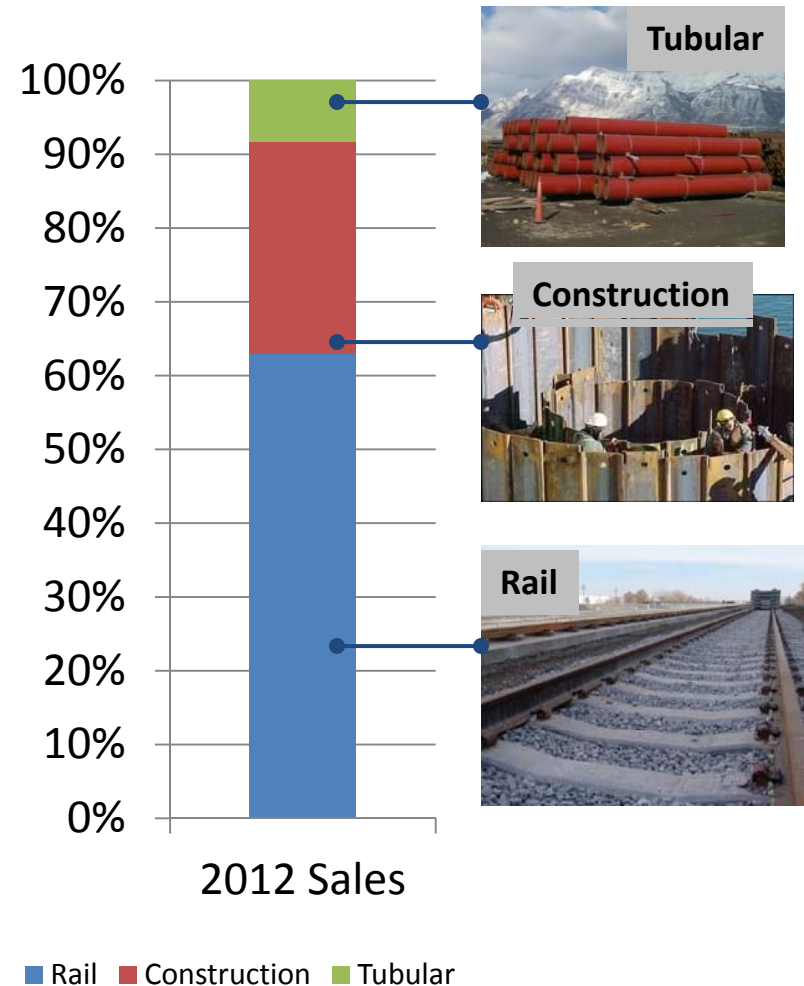
This presentation and oral statements regarding the subject matter may contain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. We caution you that such statements involve risks and uncertainties which could cause actual results to differ materially from those expressed or implied in such statements. Potential risks and uncertainties include, but are not limited to, the impact of competitive pressures and changing economic, political and financial conditions on the Company’s business, the strength of the Rail and Construction markets where the Company participates, changes in the cost and availability of raw materials and other products purchased for resale, a lack of State or Federal funding for infrastructure projects, the ultimate number of concrete ties that will be replaced pursuant to a warranty claim and other factors more fully described in the Company’s annual report on Form 10-K filed with the SEC.

The L.B. Foster Company assumes no obligation to update or revise any forward-looking information to reflect actual results, changes in assumptions or other factors affecting forward-looking information.

Company Overview



- In Business for 111 Years
- Corporate HQ – Pittsburgh, PA
 - 25 Sales Offices
 - 20 Yards or Manufacturing Facilities
 - Operations in the United States, Canada and the United Kingdom with a network of distributors & partners throughout the world
- 858 Employees
- NASDAQ (FSTR) – Since 1981
- Named to *Forbes* List of “Best 200 Small Companies in America” in 2009 and 2007
- Added to the Russell 2000 Index in 2006
- 2012 Sales - \$588.5 Million



What Drives Our Business



- Infrastructure for Transportation
 - Rail transportation (freight & transit)
 - Ports for import and export
 - Highway construction
 - Bridges
- Infrastructure for Energy
 - Gas pipelines (primarily Midstream)
 - Transport of raw materials
 - Oil & Gas tubular products
 - Little exploration and production



Track Infrastructure



Panama Canal Project



Gas Transport

Business Highlights



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- Businesses with strong market positions
 - Most markets we serve require continued investment
 - Favorable industry outlook driving profitable growth
 - Construction markets are showing improving outlook
 - Accelerated investment is required to improve aging infrastructure

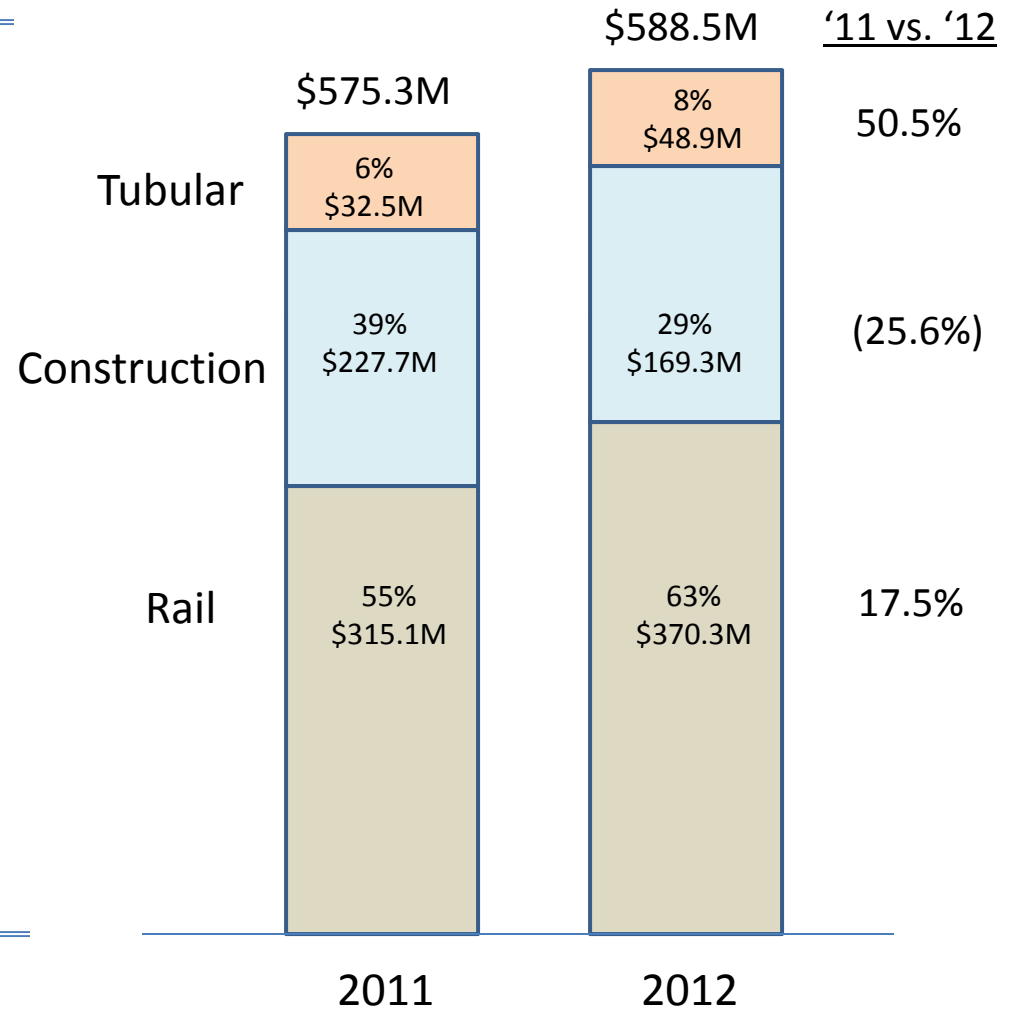
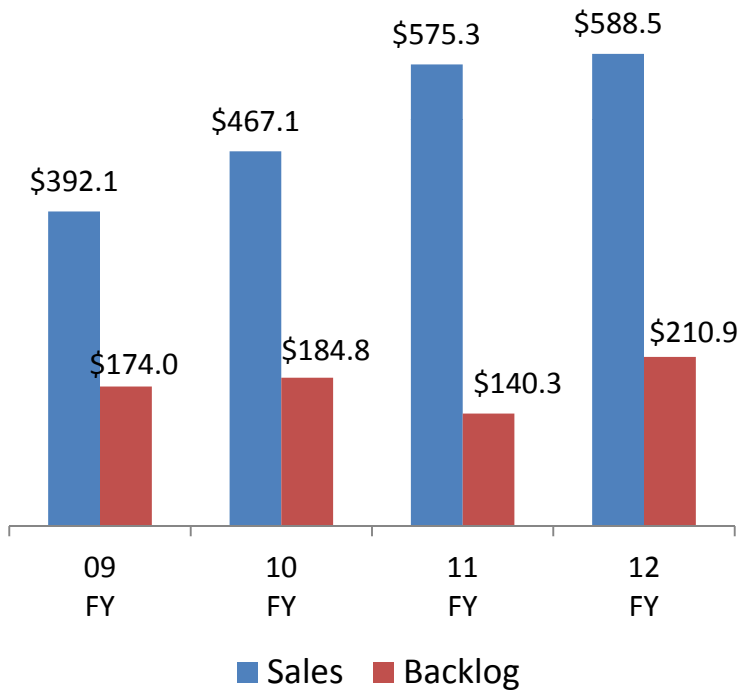
-
- Strategic plans focusing on profitable growth
 - Robust cash flow and focus on working capital management
 - Strong balance sheet

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- Experienced management team with significant industry experience
 - Corporate culture focused on continuous improvement
 - Excellent scores on customer loyalty coupled with great brand

Performance History (\$M)



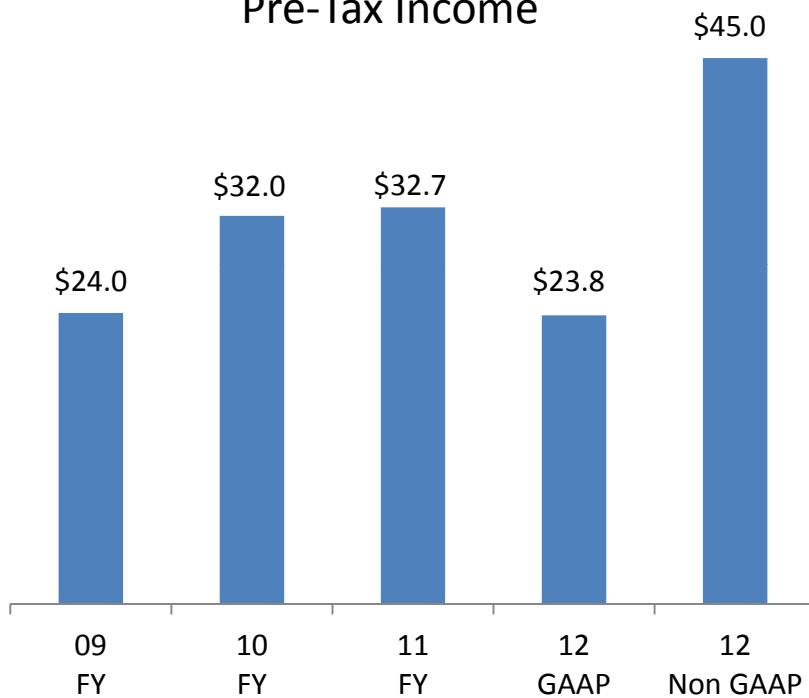
Total Revenues with Year-ending Backlog



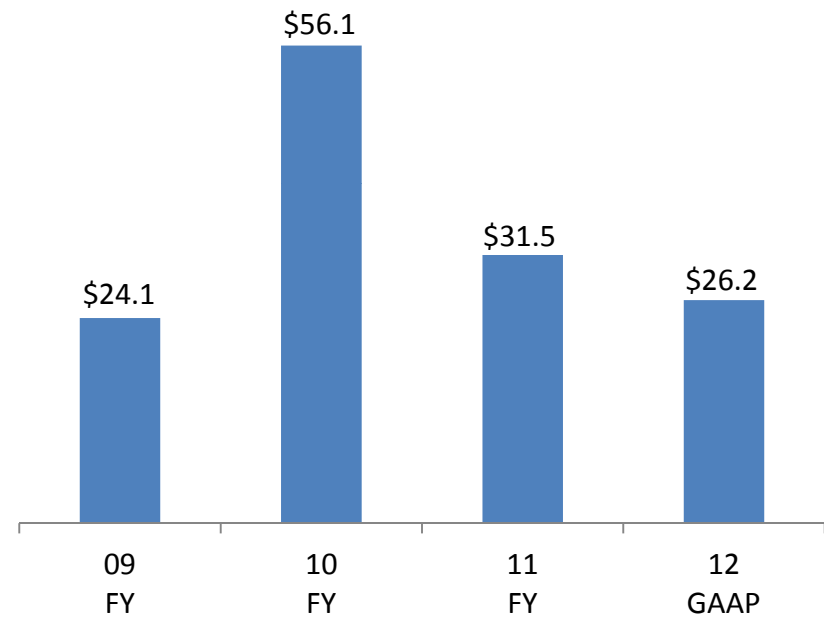
Performance History (\$M)



Pre-Tax Income



Cash Flow From Operating Activities



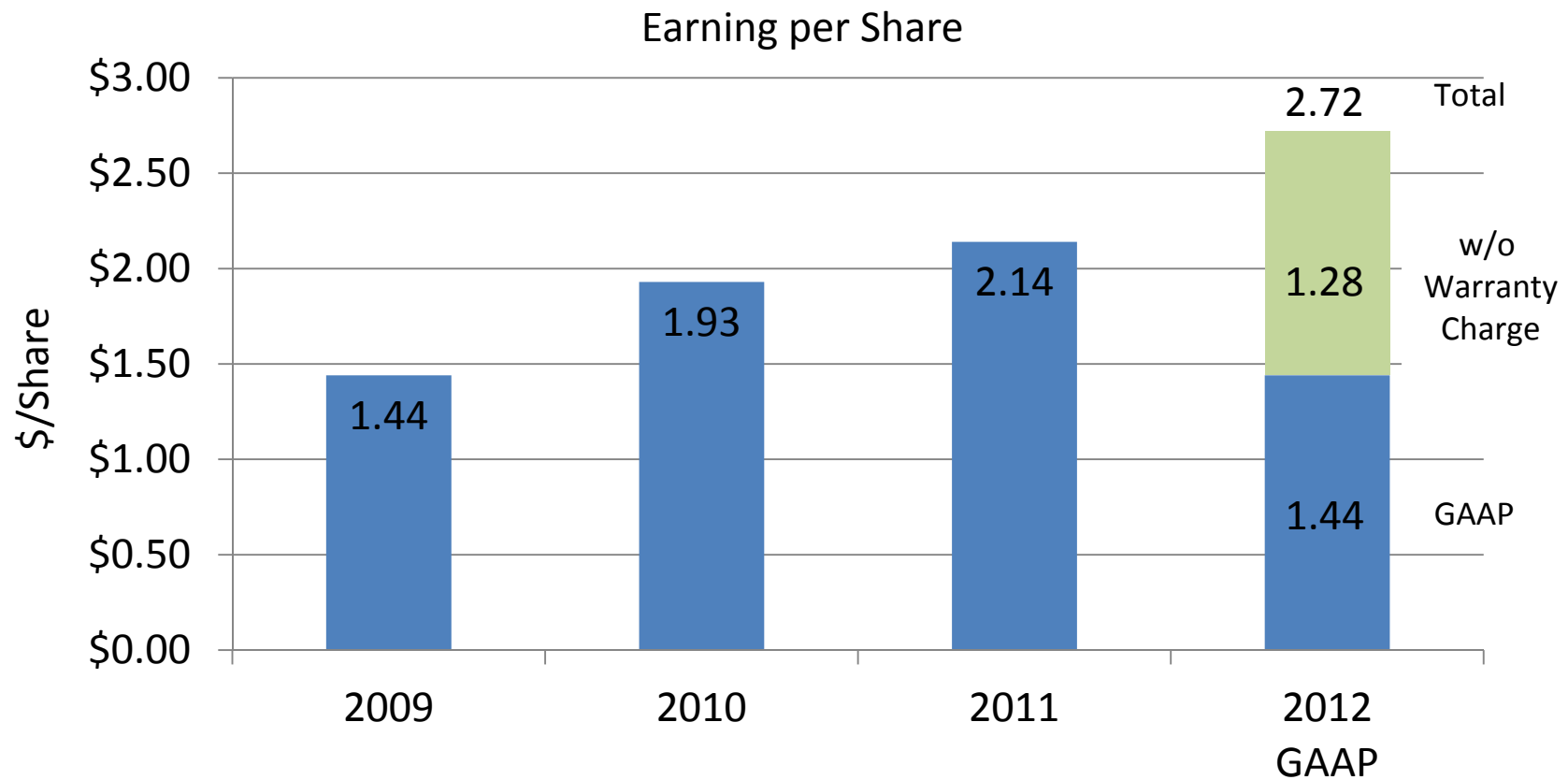
Pre-tax Income % Sales

2009	2010	2011	2012 GAAP	2012 Non-GAAP
6.1%	6.9%	5.7%	4.0%	7.6%

Cash Flow % Sales

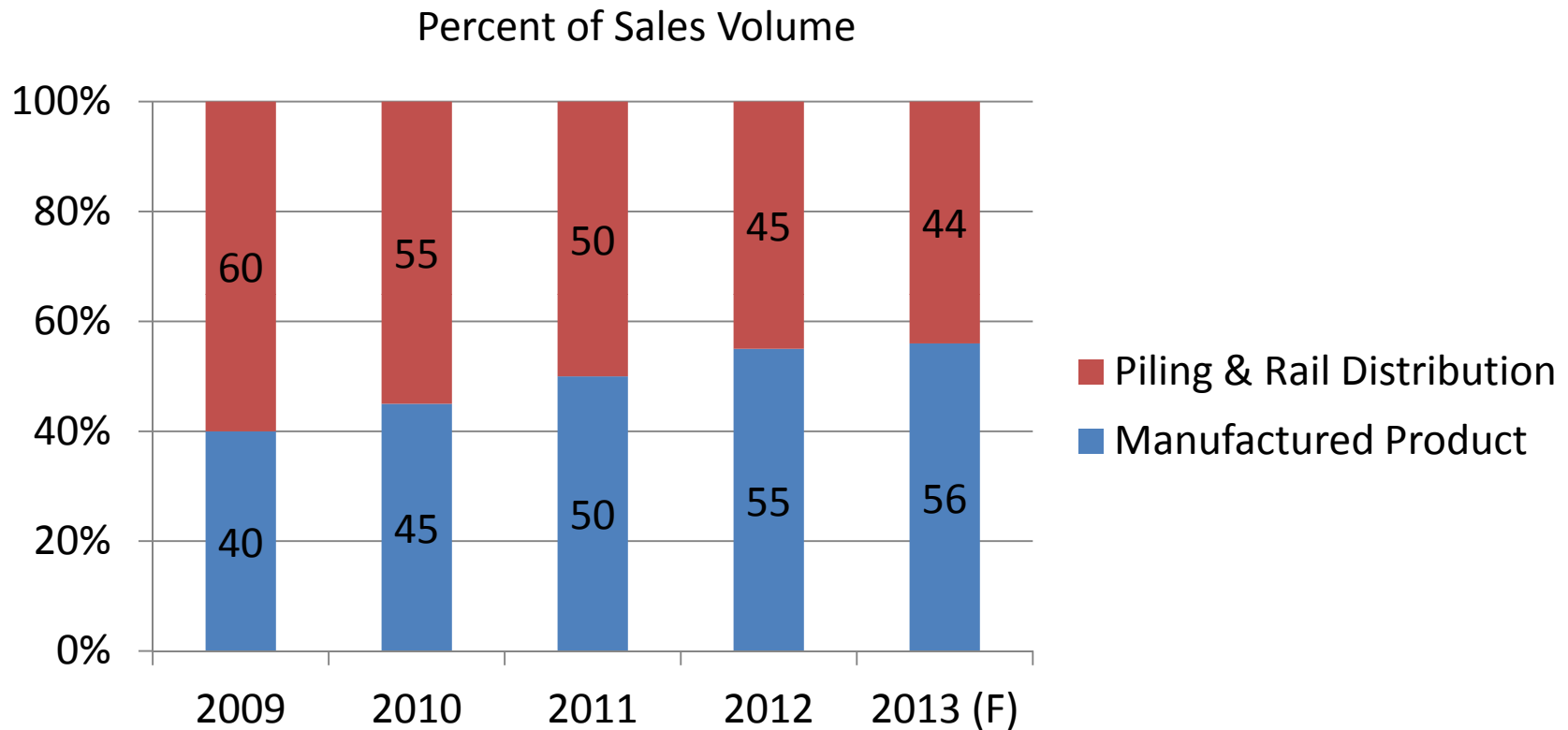
2009	2010	2011	2012 GAAP
6.1%	12.0%	5.5%	4.5%

EPS Growth History



NOTE: 2012 warranty charge related to concrete tie claims from prior Grand Island facility

Shift toward Manufactured Products **LB Foster**



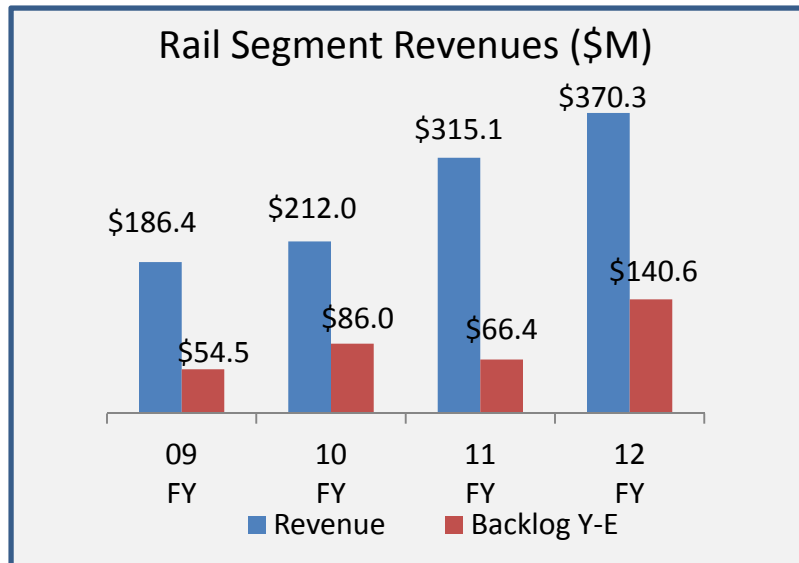
- Investments being made in new products
- Addition of Friction Management products
- Growth in products that bring operational efficiency to users

Rail Business



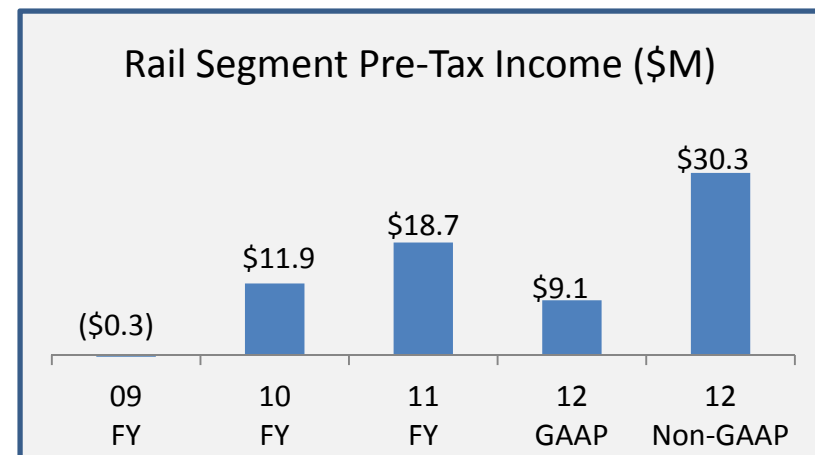
➤ Rail Manufacturing

- Strong market positions with excellent product design
- International reach
- Long-term supply agreements



➤ Rail Distribution

- Strong market position
- North American reach
- Strong relationships with rail mills



Pre-tax Income % Sales

Year	2009	2010	2011	2012 GAAP	2012 Non-GAAP
Pre-tax Income % Sales	(0.2%)	5.6%	5.9%	2.9%	8.2%

Manufactured Rail Products



- Rail Products

- Bonded insulated Joints
- Poly-Encapsulated Joints
- Insulated Tie Plates
- Trackwork turnouts
- Spikes & Anchors



- Transit Products

- Direct Fixation Fasteners
- Power Rail Systems
- Cover board

- Concrete Ties

- Pre-stressed concrete ties for heavy haul and transit



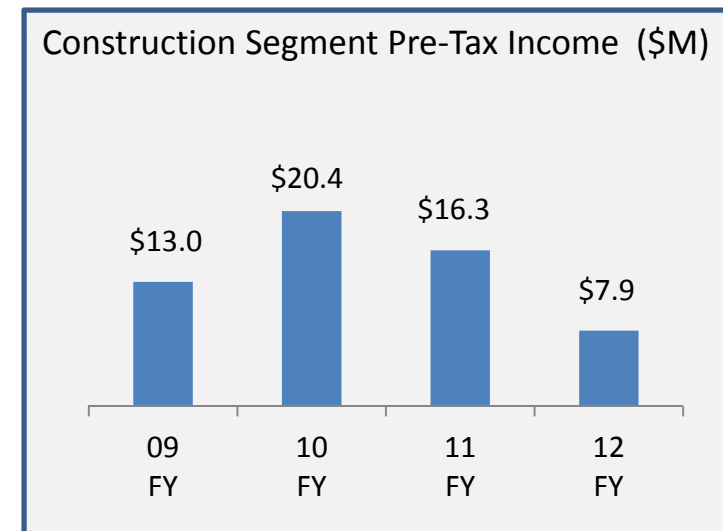
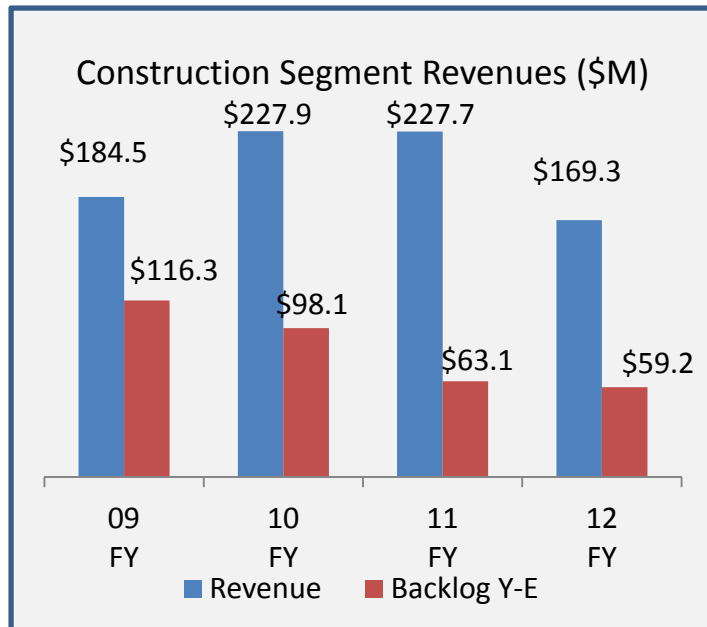
- Friction Management

- Friction modifiers to reduce wear and control traction

L.B. Foster is everywhere in the track....heavy haul and transit

Construction Markets

- Construction business focused on infrastructure more than commercial building
- Aging infrastructure needs increased investment
 - Bridges and highways
 - Ports and waterways
- Government funded projects and impact from legislation can affect outlook



Pre-tax Income % Sales

Year	2009	2010	2011	2012
Pre-tax Income % Sales	7.0%	7.3%	7.2%	4.7%

Construction Markets



Piling Products

- Sheet Piling, Pipe & H Piling
- Engineered Piling Solutions
- Combi-wall Systems & OPEN CELL® structures
- Application engineering



Fabricated Bridge

- Steel Grid Bridge Decking
- Bridge & Pedestrian Railing
- Design & Engineering expertise
- Experience with complex projects
 - Brooklyn Bridge
 - Walt Whitman Bridge



Concrete Buildings

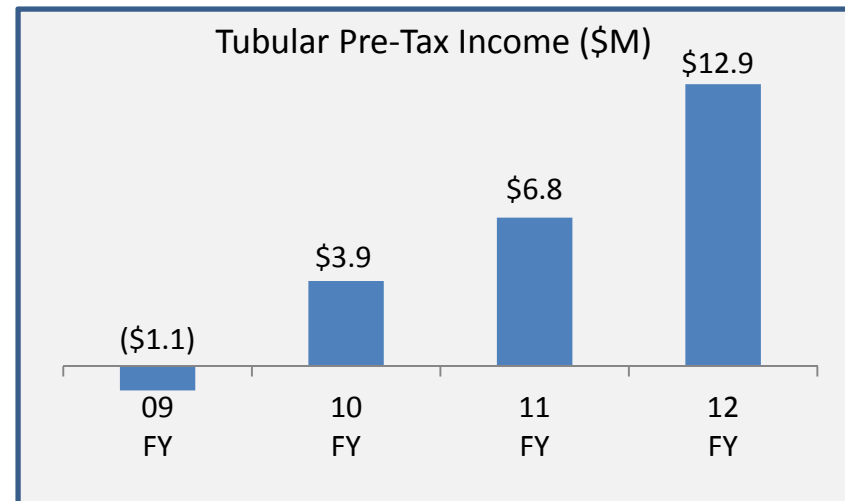
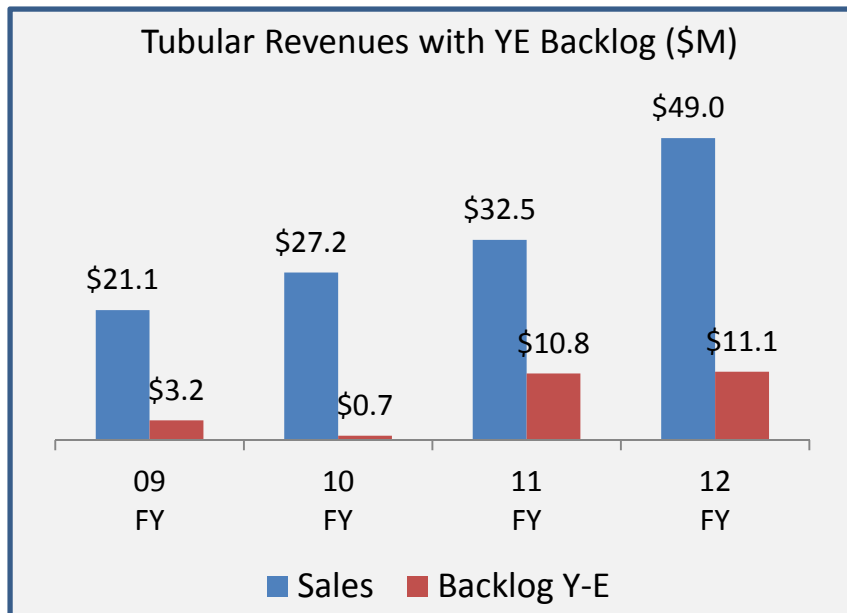
- Sheet Piling, Pipe & H Piling
- Engineered Piling Solutions
- Combi-wall Systems & OPEN CELL® structures



Tubular Products – Energy and Utility Industries



- Tubular Products
 - Excellent reputation in the Coating and Threading Industries
 - Exceptional natural gas transmission activity
 - Opportunities for growth in current markets as well as adjacencies



Pre-tax Income % Sales			
2009	2010	2011	2012
(5.2%)	14.3%	20.9%	26.4%

Tubular Products



- Threaded Products
 - General pipe threading service
 - Pump column for irrigation in agriculture market
 - Oil country tubular goods (OCTG)
 - New facility in Magnolia, TX



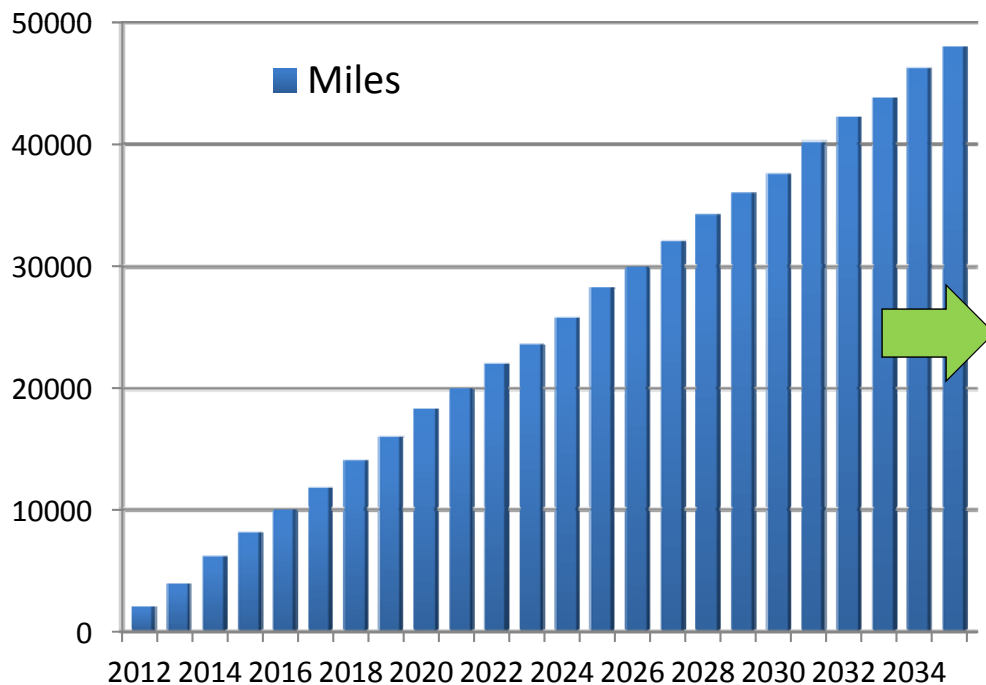
- Coated Products
 - Application of Corrosion Resistant Coatings
 - Fusion Bond Epoxy
 - Abrasion Resistant Overcoating
 - Outside Diameter and Inside Diameter Applications
 - Liquid and gas transmission applications

Excellent short delivery time business model

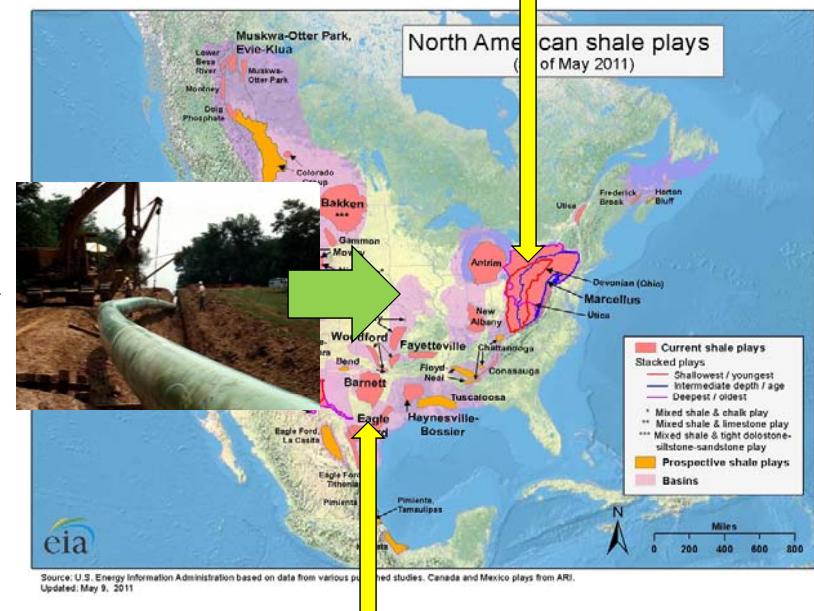
Midstream Market – Tubular

- Shale gas regions lack sufficient infrastructure
- Development of shale requires new pipelines in their regions

Cumulative Miles of Midstream Pipelines



Rail shipments benefiting from:
 Frac sand, Brine Water, OCTG - IN
 Petroleum & LNG products - OUT



Rail line access: New installations
 to reach new shale territories

Source: Pipeline & Gas Journal

Corporate Strategies

Growth Above Market

- New Products
- Technology evaluations, investments
- Expand served market
- Enter adjacent markets
- Customer Loyalty

Increased Profitability

- Profit plans focus on:
 - Productivity
 - Cost reduction
 - Price vs. Inflation Containment
- Continuous Improvement
- Target profitable markets

Effective Cash Flow Management

- Higher margin business mix
- Working Capital Efficiency
 - Inventory
 - Receivables
 - Payables
- Fund acquisition strategy

These three themes will drive above market growth, expand margins and manage cash flows to result in high return on capital and more attractive EPS growth

Segment Growth Strategies



Rail

- Product development to serve global markets
- International growth in China, Brazil and Australia (faster growing markets)
- R&D for development of higher technology solutions
- Total track solutions strategy
- Ample availability of strategic acquisition targets

Construction

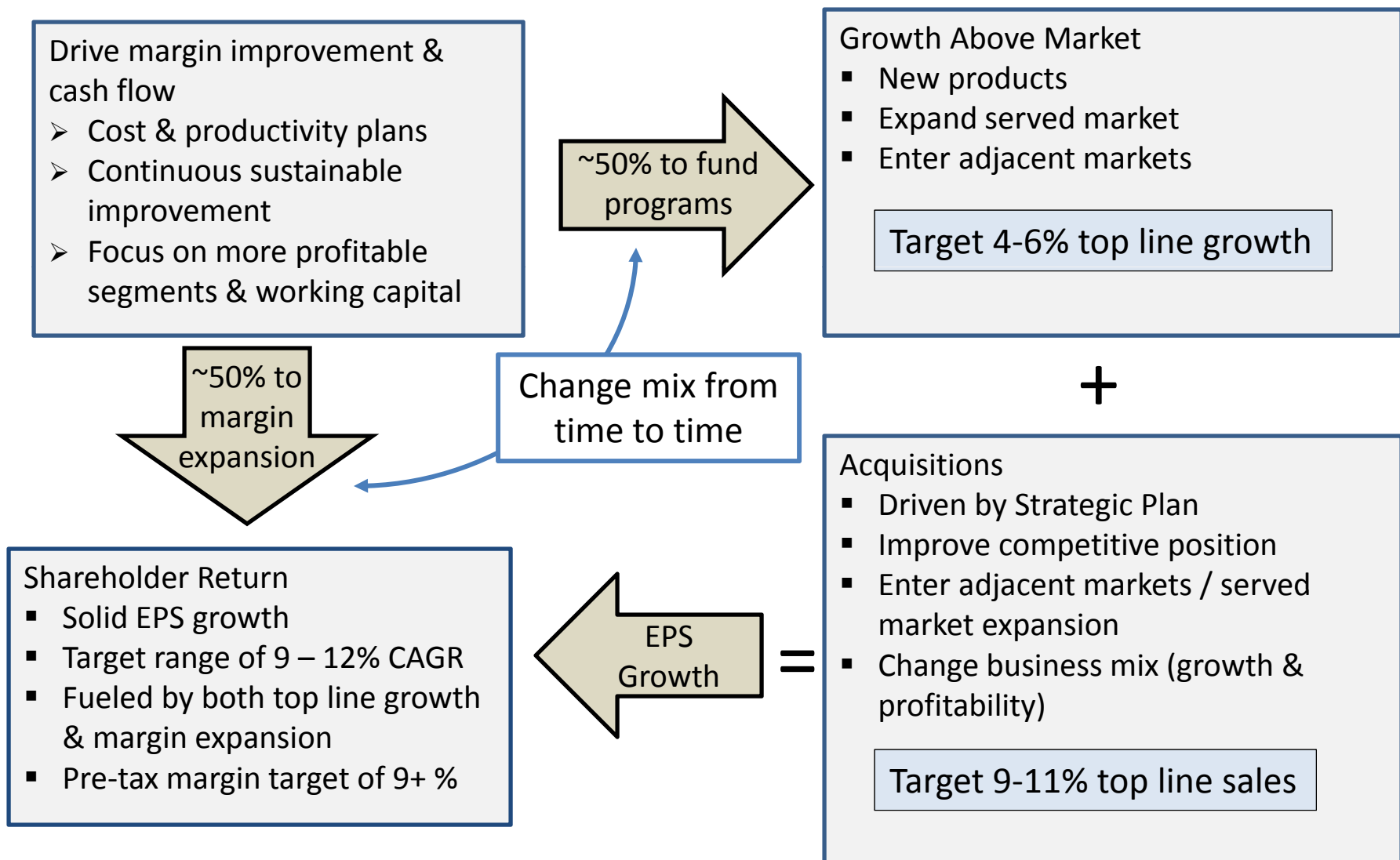
- Development of a more complete line of sheet piling
- Enhanced service from logistics programs
- Geographic expansion of our Precast buildings business
- Increase participation in the large Parks and Recreation markets beyond precast buildings

Energy & Utilities

- Improvement of existing coating facility to increase production capacity
- Expand into off-line coating market & larger size coated pipe
- Plenty of niche opportunities in OCTG market
- Ample availability of acquisition targets in the coating, threading and adjacent tubular sectors

L.B. Foster will focus on organic business development, continuous improvement and operational excellence across all segments.

Long Term Investment Model



Impact of Executing Strategies



- Top Line Sales Growth

- 4% to 6% annually through 2017
 - 2% to 3% from market in a fairly stable price environment
 - 2% to 3% from new products, expanding served market & entering adjacent markets

- 9 % to 11% with acquisitions
 - Additional 5% to 6% points growth from acquisitions

- Margin expansion plans address program funding and shareholder return

- Emphasis on technology & profitable product lines
- Continuous improvement drives productivity
- Improve net earnings with long term planning

<u>2018</u>
\$750 – \$825M
<u>2018</u> <u>Pre-Tax Profit</u>
8.5% - 9.0%
Target 150 bps over 2012

FINANCIAL REVIEW

FINANCIAL REVIEW

Consolidated Operating Results

(Continuing Operations)



(\$000s)

	YTD 6/30/2013		GAAP YTD 6/30/2012		Non-GAAP YTD 6/30/12 ⁽¹⁾	
	\$	%	\$	%	\$	%
Sales	\$ 279,257		\$ 277,471		\$ 277,471	
Gross Profit	54,023	19.3%	33,986	12.2%	52,986	19.1%
SG&A	35,081	12.6%	33,558	12.1%	34,715	12.5%
PreTax Income	18,539	6.6%	(97)	N.M.	17,746	6.4%
Net Income – Cont Ops	\$ 12,208	4.4%	\$ (342)	N.M.	\$ 11,704	4.2%
Diluted EPS – Cont Ops	\$1.19		(\$0.03)		\$1.15	

1. YTD 6/30/2012 Non-GAAP results are adjusted to exclude a \$19.0 million concrete tie warranty charge and a related \$1.2 million reduction in SG&A expense.

Sales by Segment



(\$000s)

Segment	YTD 6/30/2013		YTD 6/30/2012		Delta	
	\$	%	\$	%	\$	%
Rail	\$ 172,291	61.7%	\$ 168,000	60.5%	\$ 4,291	2.6%
Construction	80,508	28.8%	86,225	31.1%	(5,717)	(6.6%)
Tubular	26,458	9.5%	23,246	8.4%	3,212	13.8%
Consolidated	\$ 279,257		\$ 277,471		\$ 1,786	0.6%

PreTax Income by Segment

(\$000s)

Segment	YTD 6/30/2013		YTD 6/30/2012 ⁽¹⁾		Delta	
	\$	%	\$	%	\$	%
Rail	\$ 12,036	7.0%	\$ (6,161)	N.M	\$ 18,197	N.M
Construction	2,518	3.1%	2,979	3.5%	(461)	(15.5%)
Tubular	7,154	27.0%	5,718	24.6%	1,436	25.1%
Other	(3,169)		(2,633)		(536)	20.3%
Consolidated	\$ 18,539	6.6%	\$ (97)	N.M.	\$ 18,636	N.M.

1. The 2012 Rail pretax income amount was negatively impacted by \$17.8 million, comprised of a \$19.0 million concrete tie warranty charge, partially offset by a related \$1.2 million reduction in SG&A expense.

Working Capital Performance



(\$000s)

	Average 6/30/2013	Average 6/30/2012	Delta Fav / (Unfav)
Receivables	66,019	63,462	(2,557)
DSO	41	44	3
Inventory	106,345	89,014	(17,331)
ITO	4.6	4.5	0.1
Payables	43,826	42,429	1,397
DPO	35.0	31.4	3.7
Trade W/C Total	128,538	110,047	(21,285)
% Sales	23.1%	19.8%	(330)

Cash Flow



(\$000s)

	<u>YTD 6/30/2013</u>	<u>YTD 6/30/2012</u>
Income from Continuing Operations	\$ 12,208	\$ (342)
Depreciation & Amortization	4,741	6,105
Accounts Receivable	(19,700)	(25,372)
Inventories	7,994	5,840
Accounts Payable	2,214	7,815
Deferred Revenue	2,483	(807)
Accrued Payroll & Benefits	(2,766)	(2,360)
Prepays/Other Current Assets	(3,551)	676
Other	(4,145)	12,075
Operating Cash Flow	(522)	3,630
Disc. Operations	229	(1,141)
Net Capital Spending	(3,126)	(4,803)
Capital Distributions - equity investments	0	0
Continuing Investing Activities	(3,126)	(4,803)
Discontinued Investing Activities	0	8,524
Financing Activities	(1,121)	(2,817)
Foreign Exchange Impact on Cash Flow	(2,246)	123
Net Change in Cash	(6,786)	3,516
Cash Balance - June 30, 2013	\$ 94,678	\$ 77,243

Four Year Financial Summary



(\$ - in millions)	2009		2010		2011		GAAP 2012		Non- GAAP 2012	
	Sales	\$392.1		\$467.1		\$575.3		\$588.5		\$588.5
Pretax Income	24.0	6.1%	32.0	6.9%	32.7	5.7%	23.8	4.0%	45.0	7.6%
Net Income (Cont. Ops)	14.8	3.8%	20.0	4.3%	22.1	3.8%	14.8	2.5%	27.9	4.7%
Diluted EPS	\$1.44		\$1.93		\$2.14		\$1.44		\$2.72	
Operating Cash Flow	24.1		56.1		31.4		26.2		N/A	

Notes:

1. Results have been restated to reflect the June 2012 divestiture of the Shipping Systems Division and the August 2012 divestiture of our Precise Structural Products Division.
2. 2011 results include \$7.0 million pre-tax charges related to concrete ties and \$2.5 million of one-time purchase accounting adjustments related to the Portec Rail Products acquisition.

2012 Financial Review

Cash Flows from Continuing Operations

(\$ - in millions)	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Income and Other	13.3	\$20.8	\$25.5	10.6
Depr. & Amortization	8.5	9.2	12.0	13.0
Working Capital	<u>2.3</u>	<u>26.1</u>	<u>(6.1)</u>	<u>2.6</u>
Cash from Cont Ops Activities	24.1	56.1	31.4	26.2
Continuing Investing Activities	(5.3)	(87.3)	(21.4)	(7.1)
Continuing Financing Activities	(10.6)	(21.4)	(9.2)	(3.1)
Cash from Discontinued Ops	1.6	2.5	(1.0)	10.8
Foreign Currency Exchange Rate Effects	-	-	<u>(0.9)</u>	<u>0.9</u>
Net Change in Cash	9.8	(50.0)	(1.1)	27.7

Financial Summary – 2012 Results **LB Foster**

(\$ - in millions)	2011		GAAP 2012		Non- GAAP 2012		Delta to Non- GAAP
Sales	\$575.3		\$588.5		\$588.5		2.3%
Pretax Income	32.7	5.7%	23.8	4.0%	45.0	7.6%	190 bps
Net Income	22.1	3.8%	14.8	2.5%	27.9	4.7%	90 bps
Diluted EPS	\$2.14		\$1.44		\$2.72		27.1%
Operating Cash Flow	31.4		26.2		26.2		(16.6%)

Notes:

1. Results have been reclassified to reflect the June 2012 divestiture of the Shipping Systems Division and the August 2012 divestiture of our Precise Structural Products Division.
2. 2012 Non-GAAP results are adjusted to remove the charges for concrete tie warranty
3. 2011 results include \$7.0 million pre-tax charges related to concrete ties and \$2.5 million of one-time purchase accounting adjustments related to the Portec Rail Products acquisition.