LBFoster

Q1 2020 Earnings Presentation

May 5, 2020

Bob Bauer – President and CEO
Jim Maloney – Senior Vice President and CFO

SAFE HARBOR DISCLAIMER

Safe Harbor Statement

This presentation and oral statements regarding the subject matter may contain "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995. We caution you that such statements involve risks, uncertainties, and assumptions which could cause actual results to differ materially from those expressed or implied in such statements. L.B. Foster Company ("Company") has based these forward-looking statements on management's current expectations and assumptions of future events. While the Company considers these expectations and assumptions to be reasonable, they are inherently subject to significant business, economic, competitive, regulatory, political, and other risks and uncertainties, most of which are difficult to predict, and many of which are beyond the Company's control. Among the factors that could cause actual results to differ materially are risks and uncertainties related to: the COVID-19 pandemic, and any future global health crises, and the related social, regulatory, and economic impact and the response thereto by the Company, our employees, our customers and national, state or local governments; a continued deterioration in the prices of oil and natural gas and the related impact on the upstream energy markets; a resumption of the economic slowdown we experienced in previous years in the markets we serve, whether as a result of the current COVID-19 pandemic, the deterioration in the prices of oil and gas or otherwise; volatility in the global capital markets, including interest rate fluctuations, which could adversely affect our ability to access the capital markets on terms that are favorable to us; restrictions on our ability to draw on our credit agreement, including as a result of any future inability to comply with restrictive covenants contained therein; a decrease in freight or passenger rail traffic; environmental matters, including any costs associated with any remediation and monitoring; the risk of doing business in international markets; our ability to effectuate our strategy, including cost reduction initiatives, and our ability to effectively integrate acquired businesses and realize anticipated benefits; costs of and impacts associated with shareholder activism; the timeliness and availability of materials from our major suppliers, as well as the impact on our access to supplies of customer preferences as to the origin of such supplies, such as customers' concerns about conflict minerals; labor disputes; cyber-security risks such as data security breaches, malware, ransomware, "hacking," and identity theft, a failure of which could disrupt our business and may result in misuse or misappropriation of confidential or proprietary information, and could result in the disruption or damage to our systems, increased costs and losses, or an adverse effect to our reputation; the continuing effective implementation of an enterprise resource planning system; changes in current accounting estimates and their ultimate outcomes; the adequacy of internal and external sources of funds to meet financing needs, including our ability to negotiate any additional necessary amendments to our credit agreement or the terms of any new credit agreement, and reforms regarding the use of LIBOR as a benchmark for establishing applicable interest rates; the Company's ability to manage its working capital requirements and indebtedness; domestic and international taxes, including estimates that may impact these amounts; foreign currency fluctuations; inflation; domestic and foreign government regulations, including tariffs; economic conditions and regulatory changes caused by the United Kingdom's exit from the European Union in January 2020; sustained declines in energy prices; a lack of state or federal funding for new infrastructure projects; an increase in manufacturing or material costs; the loss of future revenues from current customers; and risks inherent in litigation and the outcome of litigation and product warranty claims; and those matters set forth in Item 8, Footnote 18, "Commitments and Contingent Liabilities" and in Item 1A, "Risk Factors" of the Company's Form 10-K for the year ended December 31, 2019, and as updated and amended in our Quarterly Reports on Form 10-Q thereafter.

All information in this presentation speaks only as of May 5, 2020, and any distribution of the presentation after that date is not intended and will not be construed as updating or confirming such information. L.B. Foster Company assumes no obligation to update or revise any forward-looking information, whether as a result of new information, future events, or otherwise, except as required by securities laws.

The information in this presentation is unaudited, except where noted otherwise.

Non-GAAP Financial Measures

This investor presentation discloses the following non-GAAP measures:

- Earnings before interest, taxes, depreciation, and amortization ("EBITDA")
- Earnings before interest, taxes, depreciation, amortization, and certain charges ("Adjusted EBITDA")
- Adjusted net income
- Adjusted earnings per share
- Net debt
- Free cash flow
- Free cash flow yield

Management believes that EBITDA is useful to investors as a supplemental way to evaluate the ongoing operations of the Company's business since EBITDA enhances investors' ability to compare historical periods by adjusting for the impact of financing methods, tax law and strategy changes, and depreciation and amortization. In addition, EBITDA is a financial measurement that management and the Company's Board of Directors use in its financial and operational decision-making and in the determination of certain compensation programs. Additionally, adjusted EBITDA which includes certain adjustments to EBITDA is a non-GAAP measure. In 2018, the Company made adjustments to exclude the impact of the Union Pacific Railroad concrete tie settlement agreement. The Company views net debt, which is total debt less cash and cash equivalents, as an indicator of our ability to incur additional debt and to service our existing debt. The Company adjusts net income and earnings per share to eliminate the impact of unusual, nonrecurring, or other events that may skew the intended measurement of these metrics, especially for comparison purposes. The Company also discloses free cash flow and free cash flow yield as another non-GAAP measure used by both analysts and management, as it provides insight on cash generated by operations, excluding capital expenditures, in order to better assess the Company's long-term ability to pursue growth and investment opportunities.

Non-GAAP financial measures are not a substitute for GAAP financial results and should only be considered in conjunction with the Company's financial information that is presented in accordance with GAAP. Quantitative reconciliations of EBITDA, adjusted EBITDA, adjusted net income, net debt, and free cash flow yield are included within this presentation.

COMPANY OVERVIEW

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Who we are

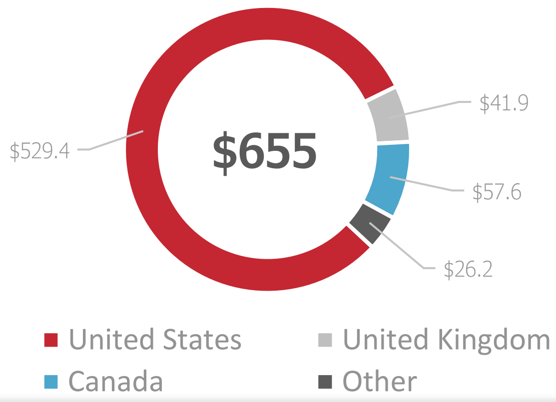
- Leading manufacturer and distributor of products and provider of services for the transportation and energy infrastructure markets
- Headquartered in Pittsburgh, Pennsylvania
- Locations throughout North America and Europe
- Basis in reliable infrastructure; growth in technology, efficiencies, and safety

NASDAQ: FSTR

1902	54	1,330	$1.62*
FOUNDED	PLANTS YARDS & OFFICES	PROFESSIONALS WORLDWIDE	2019 DILUTED ADJ. EPS

2019 Net Sales by Region

($ in millions)



Segments

- Rail Products and Services
- Construction Products
- Tubular and Energy Services

Business System

Focus

- Innovation of Rail Technologies
- Expansion of precast concrete business
- Continuation of strengthening the balance sheet

Financials

- $129M – Q1 2020 Revenue
- $3M – Q1 2020 Adj. EBITDA*
- $238M – March 31, 2020 Backlog
- $137M – Q1 2020 New orders

(*) *See non-GAAP reconciliation tables at the end of this presentation regarding non-GAAP measures used herein.*

EXECUTIVE
SUMMARY

- **LB Foster's manufacturing sites have been deemed "essential" in all jurisdictions in which they operate.**
  - The Company's manufacturing sites have continued to operate in light of the COVID-19 pandemic, and are navigating any supply chain, customer, employee, or partner delays or disruptions as a result of the pandemic as they arise.
- **The Company continues to maintain a strong balance sheet and remains focused on managing its working capital.**
  - Total available funding capacity is over $100 million as of March 31, 2020.
  - Free Cash Flow Yield is 19.6% for the LTM Period ended March 31, 2020, with Cash Flows from Operations of $36.0 million over that time period.
  - Net Debt is $57.8 million as of March 31, 2020, with an Adjusted Net Leverage Ratio of 1.5x on an LTM basis.
  - The Company expects its strengthened balance sheet to carry it through the current challenging economic environment.
- **Long-term fundamentals remain favorable in Rail Products and Services & Construction Products Segments.**
  - The Rail Segment long term outlook continues to be very positive in North America and Europe; the Company anticipates some softness in demand in the near term due to the current environment.
  - The Construction Products Segment is poised for margin expansion in 2020 despite expected near-term weakness in demand due to the COVID-19 pandemic and volume decreases due to completion of the Port Everglades Project.
  - Concrete products facility relocation from Spokane, WA to Boise, ID has been completed; full operational efficiency is expected by 2nd half of 2020.

EXECUTIVE SUMMARY

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- **The significant decline in demand for crude oil has adversely impacted the Tubular & Energy Services Segment.**
  - Crude oil prices have declined as demand has dropped substantially due to a reduction in worldwide travel and mobility as a result of the COVID-19 pandemic.
  - Mid-stream focused businesses will be impacted in the near term, but longer term, these operations remain key strategic assets of the Company.
  - These conditions most severely impact the Test and Inspection division, which had already been underperforming; management has established an action plan.
- **Net Loss, Diluted EPS, and Adjusted EBITDA performance are unfavorable versus first quarter 2019 results.**
  - Net Loss of $1.9 million, resulting in Diluted EPS of $(0.18) per share, and Adjusted EBITDA of $3.2 million.
  - Unfavorable variances versus Q1 2019 are due primarily to the Tubular and Energy Services Segment, driven by the impact of declines in demand during the quarter.
- **Backlog has increased to $237.7 million as of March 31, 2020, compared to $230.1 million as of December 31, 2019.**
  - Backlog increased in both the Rail Products and Services segment as well as the Construction Products segment as of March 31, 2020 compared to December 31, 2019; partially offset by a decline in backlog in the Tubular and Energy Services Segment.
  - Orders were $137.1 million for the quarter; March 2020 orders are down from the prior year due to a decline in demand in Energy and Rail as a result of the current environment.

FIRST QUARTER
RESULTS

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Metrics ($ in millions, unless otherwise noted; except per share data)	Q1 2020	Q1 2019	Delta	
Sales	$128.8	$150.5	$(21.7)	(14.4)%
Gross Profit	$21.7	$29.2	$(7.5)	(25.7)%
Gross Profit Margin	16.8%	19.4%	(2.6)%	(13.4)%
Earnings per Diluted Share	$(0.18)	$0.35	$(0.53)	(151.4)%
Adjusted EBITDA[1]	$3.2	$10.2	$(7.0)	(68.6)%
Operating Cash Flow	$(6.9)	$(13.5)	$6.6	48.9%
New Orders	$137.1	$180.3	$(43.2)	(24.0)%
Backlog	$237.7	$250.1	$(12.4)	(5.0)%

- COVID-19 negatively impacted operating results in Q1; during this time, the Company experienced disruption in its supply chains and general weakness in demand as stay-at-home orders were enacted.
- The Rail Technologies business had a 9.7% decline in revenue due to the Consumable Friction Management business as well as to stay-at-home orders that delayed services for the Crossrail project in the United Kingdom.
- COVID-19 and the associated decline in U.S exploration and production has impacted our Test and Inspection division revenue by 37%.
- The precast Concrete Boise, ID facility had 28% less revenue when compared to the Spokane, WA facility last year due to the relocation; full operational efficiency is expected by the 2nd half of 2020.

[1] *See non-GAAP reconciliation tables at the end of this presentation regarding non-GAAP measures used herein.*

ORDERS & BACKLOG
SUMMARY

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Backlog				
($ in millions)	Q1 2020	Q4 2019	Delta	
Rail Products and Services	$108.9	$103.7	$5.2	5.0%
Construction Products	$102.1	$92.3	$9.8	10.6%
Tubular and Energy Services	$26.7	$34.1	$(7.4)	(21.7)%
Total	**$237.7**	**$230.1**	**$7.6**	**3.3%**

New Orders Entered				
($ in millions)	Q1 2020	Q1 2019	Delta	
Rail Products and Services	$75.3	$98.5	$(23.1)	(23.5)%
Construction Products	$36.4	$42.1	$(5.7)	(13.5)%
Tubular and Energy Services	$25.4	$39.8	$(14.4)	(36.1)%
Total	**$137.1**	**$180.3**	**$(43.2)**	**(23.9)%**

- Year-over-year order decline was driven by the weak energy market, lower transit rail projects in the quarter, and a slower ramp up of activity in March due to COVID-19.
- March 2020 orders are down $23M from the prior year, which accounts for over half of the quarter over quarter decline.

Note figures may not foot due to rounding.

NON-GAAP
FREE CASH FLOW YIELD

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Free Cash Flow Yield			
($ in millions, unless otherwise noted; except per share data)	LTM Q1 2020	2019	2018
Cash provided by operating activities	$36.0	$29.3	$26.0
Less: Capital Expenditures	$(10.7)	$(8.8)	$(5.3)
Free Cash Flow	$25.3	$20.5	$20.7
Shares Outstanding	10.6	10.4	10.4
Share Price[1]	**$12.36**	**$19.38**	**$15.90**
Free cash flow yield[2]	**19.4%**	**10.1%**	**12.6%**

- Robust cash flows from operating activities drives double-digit free cash flow yields on a historic basis.
- Management's focus on working capital management is a significant factor in attaining these results.
- Capital expenditures in LTM Q1 2020 and Q4 2019 were impacted by the acquisition of a continuous welded rail car & unloader; a very infrequent purchase requirement of the business.

(1) *Adjusted closing share prices as of March 31, 2020, December 31, 2019, and December 31, 2018, respectively.*
(2) *See reconciliation included in this slide herein for this displayed non-GAAP measure.*
Note figures may not foot due to rounding.

FOCUS ON
LIQUIDITY

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($ in millions, unless otherwise noted)	March 31, 2020	December 31, 2019
Cash & Cash Equivalents	**$6.4**	**$14.2**
Total Availability Under the Credit Facility	$140.0	$140.0
Outstanding Borrowings on Revolving Credit Facility	$(40.7)	$(33.9)
Letters of Credit Outstanding	$(0.8)	$(0.5)
Net Availability Under the Revolving Credit Facility	**$98.5**	**$105.6**
Total Available Funding Capacity	**$104.9**	**$119.8**
Term Loan Outstanding	$23.1	$23.8
Finance Leases and Financing Agreements	$0.4	$0.6
Total Debt Outstanding	$64.2	$58.2
Total Net Debt Outstanding	**$57.8**	**$44.0**
LTM Adjusted EBITDA[1]	$38.6	$45.6
Net Leverage Ratio	**1.5x**	**1.0x**

- Total available funding capacity of $104.9 million as of March 31, 2020 provides the Company with significant financial flexibility.
- Net debt is typically higher in the 1st Quarter given the seasonal nature of certain aspects of the business.
- Adjusted net leverage of 1.5 x as of March 31, 2020 remains very modest.

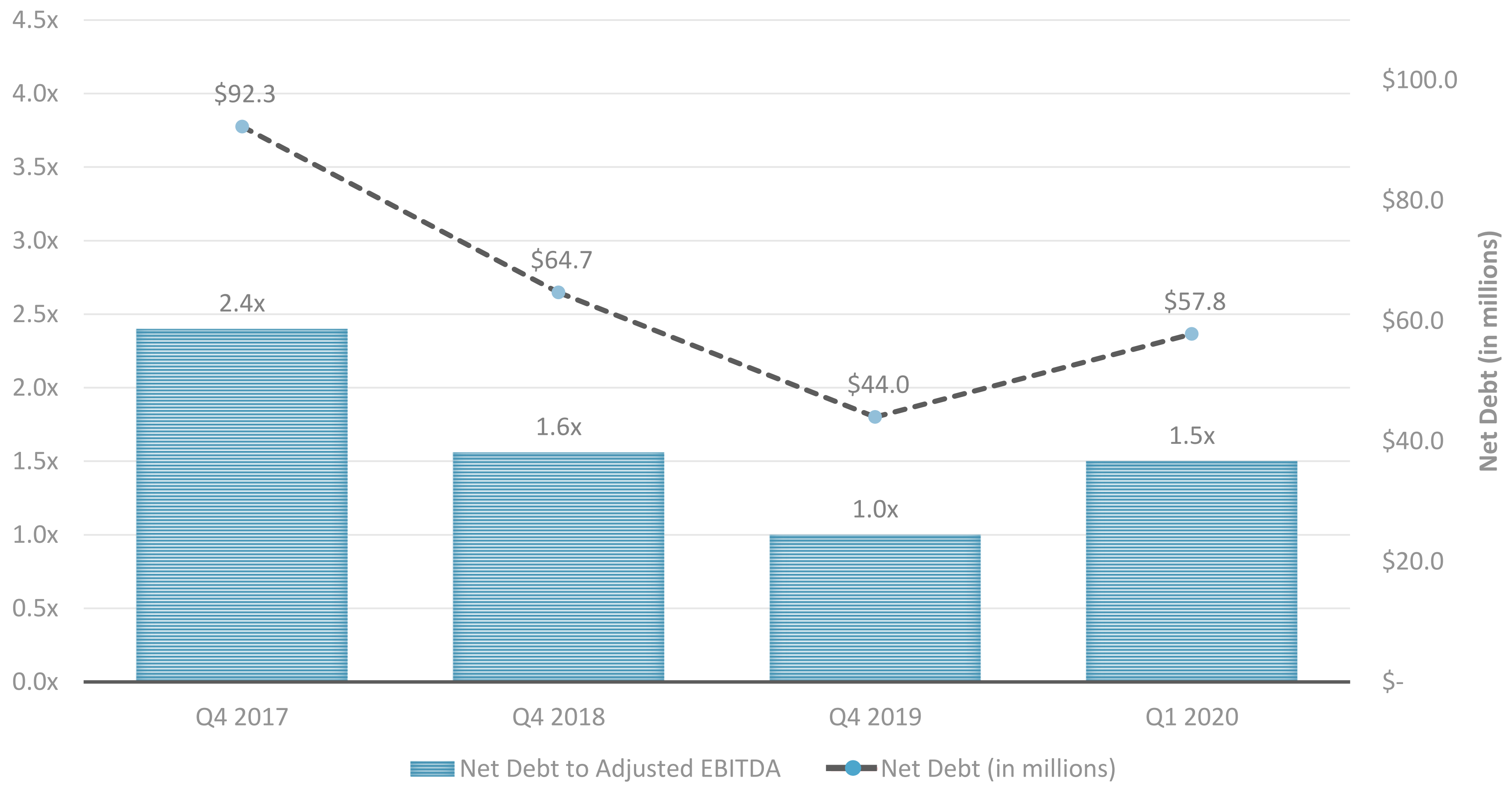
(1) See non-GAAP reconciliation tables at the end of this presentation regarding non-GAAP measures used herein.

Note figures may not foot due to rounding.

BALANCE SHEET
STRENGTH

- Focus on deleveraging through optimizing operating cash flows.
- Net debt levels continue to remain lower than past years, aligning with the Company's debt reduction strategy.
- Net debt increased in Q1 of 2020 due to the typical seasonality of the business.

CHANGE IN NET DEBT TO ADJUSTED EBITDA[1]



(1) *See non-GAAP reconciliation tables at the end of this presentation regarding non-GAAP measures used herein.*

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BUSINESS REVIEW

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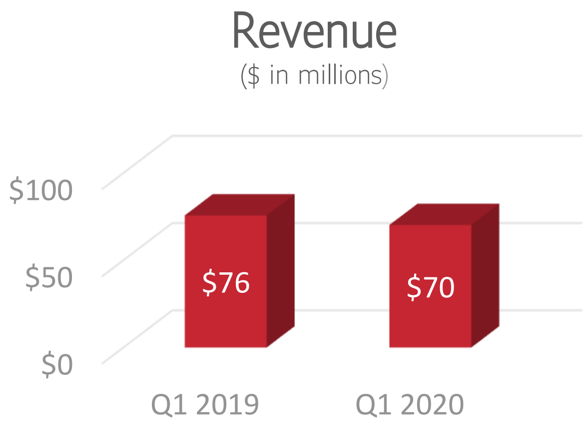
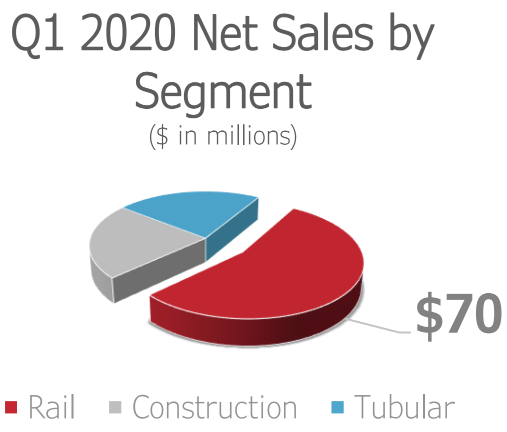
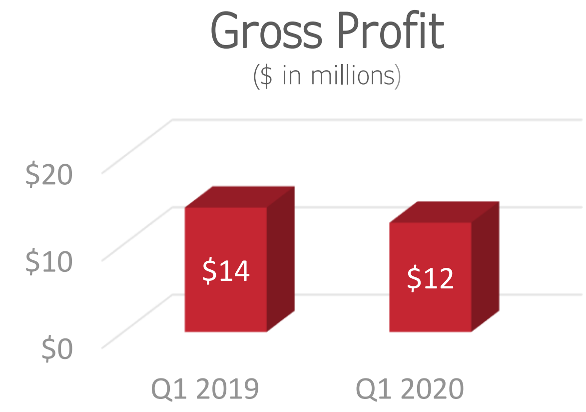
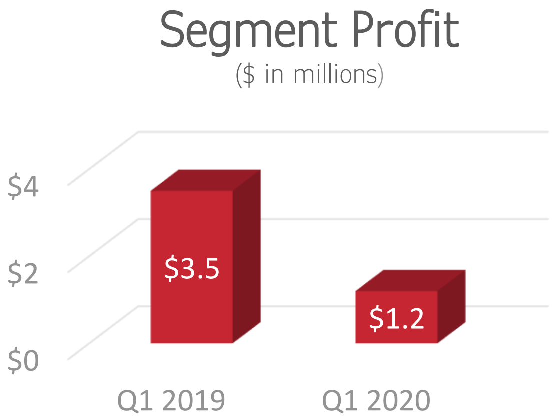
Q1 2020 Results

- The Rail Technologies business had a 9.7% decline in revenue, which in turn negatively impacted gross margins.
- These declines were driven by reduced Friction Management sales due to reduced demand for solid consumables in North America as a result of the COVID-19 pandemic and as well as stay-at-home orders that delayed our services for the Crossrail project in the United Kingdom.





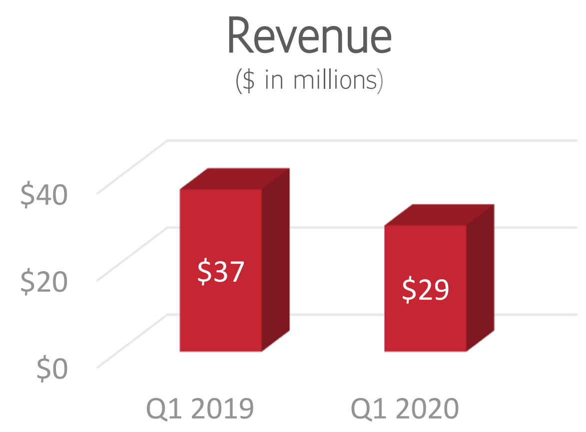


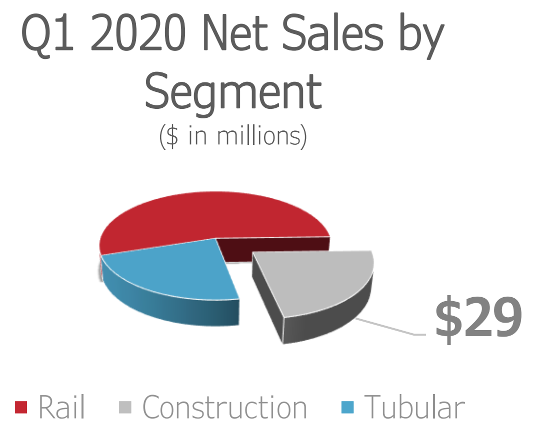


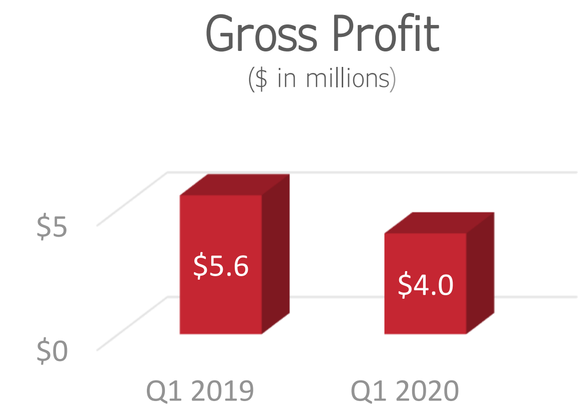
CONSTRUCTION PRODUCTS

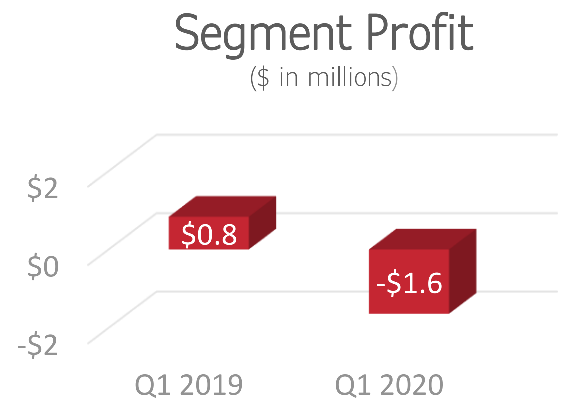
Q1 2020 Results

- The Precast Concrete Boise, ID facility had 28% less revenue when compared to the Spokane, WA facility, which resulted in declining gross margins.
- This reduction in revenue was expected, as the Company believes the new facility will be fully operational in the second half of 2020.
- 2019 revenues were inclusive of sales related to the Port Everglades project which was completed in 2019, further driving changes in revenue year-over-year.







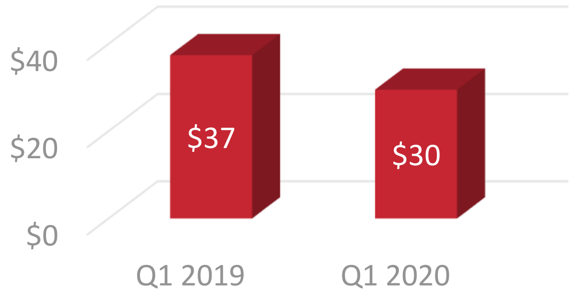


TUBULAR & ENERGY SERVICES

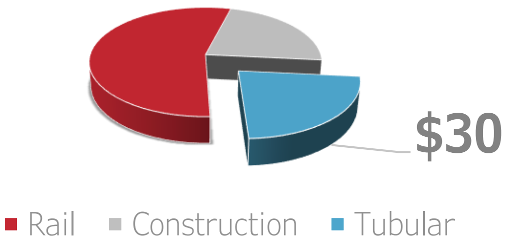
Q1 2020 Results

- The worldwide COVID-19 pandemic and associated reduction in demand due to reduced travel and movement of goods throughout the world has caused U.S. exploration and production companies to reduce operations and implement spending cuts.
- As a result of these events, the Test and Inspection division revenues have decreased by 37%. The decrease in revenue has in turn decreased profits.
- Precision Measurement Systems revenues have declined due to projects being delayed by customers as pipeline capacity requirements are being reevaluated.

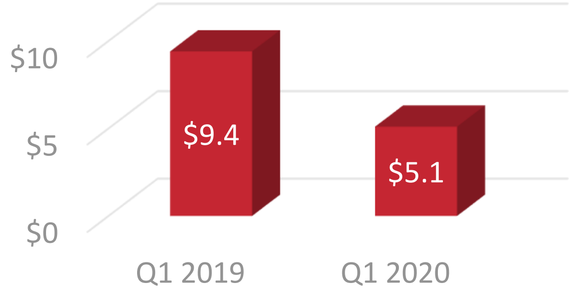
Revenue
($ in millions)



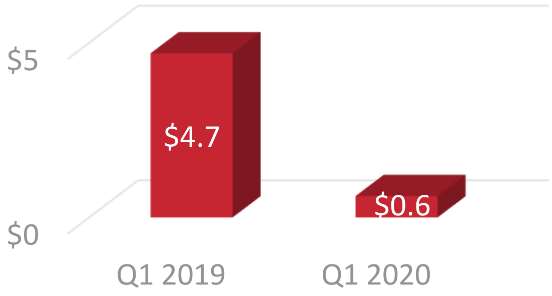
Q1 2020 Net Sales by Segment
($ in millions)



Gross Profit
($ in millions)



Segment Profit
($ in millions)



APPENDIX

CONSOLIDATED
INCOME STATEMENT – Q1

($ in millions, except per share)	Three Months Ended March 31, 2020 $	Three Months Ended March 31, 2020 % of Sales	Three Months Ended March 31, 2019 $	Three Months Ended March 31, 2019 % of Sales	Delta $	Delta %
Sales	$ 128.8	—	$ 150.5	—	$ (21.7)	(14.4)%
Gross profit	21.7	16.8 %	29.2	19.4 %	(7.5)	(25.7)%
SG&A	21.3	16.6 %	21.9	14.6 %	(0.6)	(2.7)%
Amortization expense	1.5	1.1 %	1.7	1.1 %	(0.2)	(14.5)%
Interest expense - net	0.8	0.6 %	1.4	0.9 %	(0.5)	(39.7)%
Other (income) expense - net	0.7	0.6 %	(0.2)	(0.1)%	0.9	597.3 %
Pre-tax (loss) income	(2.7)	(2.1)%	4.3	2.9 %	(7.0)	(162.2)%
Net (loss) income	**$ (1.9)**	**(1.4)%**	**$ 3.7**	**2.5 %**	**$ (5.6)**	**(150.6)%**
Diluted (loss) earnings per share	**$ (0.18)**		**$ 0.35**		**$ (0.53)**	
EBITDA[1]	**$ 2.3**	**1.8%**	**$ 10.2**	**6.8 %**	**$ (7.9)**	**(77.4)%**

(1) See non-GAAP reconciliation tables at the end of this presentation regarding non-GAAP measures used herein.

Note figures may not foot due to rounding.

SEGMENT RESULTS

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Sales ($ in millions)	Three Months Ended March 31, 2020 $	% of Sales	Three Months Ended March 31, 2019 $	% of Sales	Delta $	%
Rail Products and Services	$ 70.2	54.5 %	$ 75.7	50.3%	$ (5.5)	(7.3)%
Construction Products	29.0	22.5%	37.3	24.8%	(8.3)	(22.3)%
Tubular and Energy Services	29.5	23.0%	37.4	24.9%	(7.9)	(21.1)%
Total	**$ 128.8**		**$ 150.5**		**$ (21.7)**	**(14.4)%**

Segment Profit ($ in millions)	Three Months Ended March 31, 2020 $	% Margin	Three Months Ended March 31, 2019 $	% Margin	Delta $	%
Rail Products and Services	$ 1.2	1.7 %	$ 3.5	4.6%	$ (2.3)	(66.3)%
Construction Products	(1.6)	(5.6)%	0.8	2.2%	(2.5)	(296.5)%
Tubular and Energy Services	0.6	2.1%	4.7	12.5%	(4.1)	(86.9)%
Segment profit	**0.1**	**0.1%**	**9.0**	**6.0%**	**(8.9)**	**(98.4)%**
Corporate/Unallocated	(2.8)	(2.2)%	(4.7)	(3.1)%	1.8	39.3%
Pre-tax (loss) income	**$ (2.7)**	**(2.1)%**	**$ 4.3**	**2.9%**	**$ (7.0)**	**(162.2)%**

Note figures may not foot due to rounding.

BALANCE SHEET
ASSETS

Assets ($ in millions)	March 31, 2020	December 31, 2019 (audited)
Current assets:		
Cash and cash equivalents	$ 6.4	$ 14.2
Accounts receivable - net	78.2	78.6
Inventories - net	113.5	119.3
Other current assets	9.1	4.6
Total current assets	**207.2**	**216.7**
Property, plant, and equipment - net	82.9	82.3
Operating lease right-of-use assets - net	18.3	13.3
Other assets:		
Goodwill	19.0	19.6
Other intangibles - net	41.6	43.5
Other assets	30.1	29.8
Total assets	**$ 399.1**	**$ 405.2**

Note figures may not foot due to rounding.

BALANCE SHEET
LIABILITIES & EQUITY

Liabilities and Stockholders' Equity	March 31, 2020		December 31, 2019	
($ in millions)				(audited)
Current Liabilities:				
Accounts payable and accrued liabilities	$	104.8	$	113.8
Current maturities of long-term debt		2.7		2.9
Total current liabilities		**107.5**		**116.7**
Long-term debt		61.5		55.3
Other long-term liabilities		67.6		63.3
Total stockholders' equity		**162.5**		**169.9**
Total liabilities and stockholders' equity	**$**	**399.1**	**$**	**405.2**

Note figures may not foot due to rounding.

CASH FLOWS

($ in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Net (loss) income and non-cash items	$ 2.9	$ 8.8
Receivables	(0.4)	(13.2)
Inventory	3.6	(17.5)
Payables and deferred revenue	2.8	20.2
Working capital subtotal	**6.0**	**(10.4)**
All other	(15.8)	(12.0)
Operating cash flow	**(6.9)**	**(13.5)**
Capital expenditures	(4.4)	(2.6)
Proceeds from debt	6.0	15.2
All other	(2.5)	(0.3)
Net decrease in cash	**(7.8)**	**(1.2)**
Cash balance, end of period	**$ 6.4**	**$ 9.0**

Note figures may not foot due to rounding.

NON-GAAP
FINANCIAL MEASURES: EBITDA

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	Three Months Ended		Twelve Months Ended	
($ in millions)	March 31, 2020	March 31, 2019	March 31, 2020	December 31, 2019
Net (loss) income, as reported	$ (1.9)	$ 3.7	$ 37.0	$ 42.6
Interest expense - net	0.8	1.4	4.4	4.9
Income tax (benefit) expense	(0.8)	0.6	(26.6)	(25.2)
Depreciation	2.7	2.8	11.0	11.1
Amortization	1.5	1.7	6.3	6.6
EBITDA	**$ 2.3**	**$ 10.2**	**$ 32.1**	**$ 40.0**
Relocation and closure costs	0.9	-	4.4	3.5
U.S pension settlement expense	-	-	2.2	2.2
Adjusted EBITDA	**$ 3.2**	**$ 10.2**	**$ 38.6**	**$ 45.6**

Note figures may not foot due to rounding.

NON-GAAP
FINANCIAL MEASURES: ADJUSTED INCOME

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($ in millions, unless otherwise noted except per share data)		Year Ended December 31, 2019
Net income, as reported	$	42.6
Relocation and closure costs, net of tax of $0.8		2.6
U.S pension settlement expense, net of tax of $0.6		1.6
Deferred tax asset valuation allowance reversal		(29.6)
Adjusted Net income	**$**	**17.2**
Average number of common shares outstanding – Diluted, as reported		10.6
Diluted earnings per share, as reported	**$**	**4.00**
Diluted earnings per common share, as adjusted	**$**	**1.62**

Note figures may not foot due to rounding.

NON-GAAP
FINANCIAL MEASURES: NET DEBT

($ in millions)	March 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017
Total debt	$ 64.2	$ 58.2	$ 75.0	$ 130.0
Less cash and cash equivalents	(6.4)	(14.2)	(10.3)	(37.7)
Total net debt	**$ 57.8**	**$ 44.0**	**$ 64.7**	**$ 92.3**

Note figures may not foot due to rounding.