



ASTEC

2Q20 Earnings Presentation

August 5, 2020



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 acquisition of Con-e-Co and BMH, (v) the closure of our Mequon, Wisconsin location and associated efficiencies, (vi) the impact of the COVID-19 pandemic on the global demand for the Company’s products, and (vii) the impacts of the COVID-19 pandemic 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 cyclical 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 & 2Q20 Highlights

Barry Ruffalo | President & CEO



Today's Key Messages



01

Strong 2Q20 performance fueled by continued progress of transformation plan and proactive actions taken since 2019

02

Resilient customer demand as products remain essential for building infrastructure and transportation markets; we remain vigilant throughout ongoing pandemic

03

Well positioned to execute through challenging market conditions with our strong, flexible balance sheet and liquidity with net cash position

04

Solid execution of strategic transformation with Simplify, Focus, and Grow pillars and new organizational structure to drive profitable growth

05

Proactively preparing for upside and downside scenarios due to COVID-19 pandemic; controlling the controllable and had a head start on cost savings initiatives

Rock to Road™: Simplification of Our Business Segments



Materials Solutions: 31%

Key Products

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

Leading Brands



Infrastructure Solutions: 69%

Key Products

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

Leading Brands



Acquired in 3Q'20



NEW STRUCTURE FROM THREE SEGMENTS TO TWO FOR MORE EFFECTIVE MANAGEMENT

Note: Percentages are a % of total company revenue for 2Q20 Adjusted Revenues. See Appendix for GAAP to Non-GAAP reconciliation table.



New Organizational Structure Has Enhanced Company-wide Communication

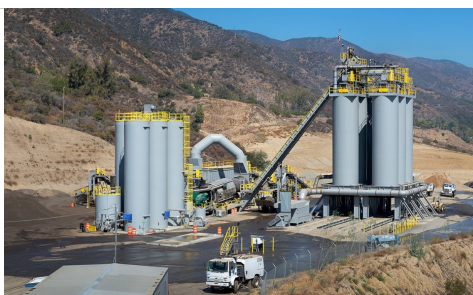
- ✓ In early March 2020, formed a **COVID-19 task force**, which continually monitors information from our sites, government agencies and other sources
- ✓ **Continue to manufacture, sell and service our products** with appropriate precautions
- ✓ **Reinforced good hygiene practices** at all facilities 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

PROACTIVELY MANAGING THROUGH THE PANDEMIC WITH NO SIGNIFICANT DISRUPTIONS



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**; both House and Senate calling for funding increases (House: ~40% / Senate: ~27% increase compared to FAST-Act)
- ✓ **Customers are still working and need our solutions**; some have discussed postponing capex decisions and delaying shipments to future quarters
- ✓ **All factories** are open; **temporary closures of two Materials Solutions sites** due to preemptive government mandates in South Africa (reopened on 5/4/20) and Northern Ireland (reopened on 5/11/20)
- ✓ **Limited impact in 1H** and situation remains fluid for the remainder of 2020



ACTIVELY RUNNING SCENARIO ANALYSES TO ENSURE PREPAREDNESS FOR CHANGES IN DEMAND



Total Company & Segment Results

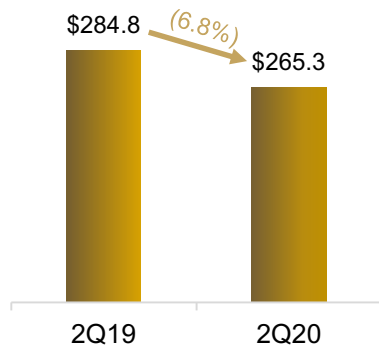
Becky Weyenberg | Chief Financial Officer



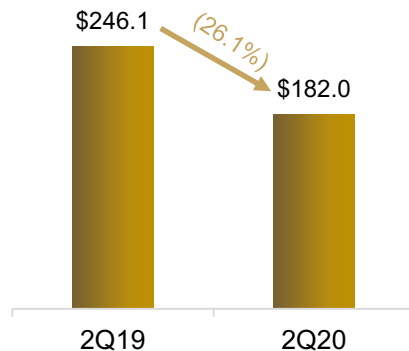
2Q20 Financial Results (\$M, except earnings per share data)



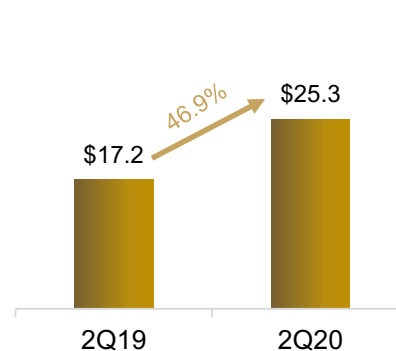
ADJ. REVENUES¹



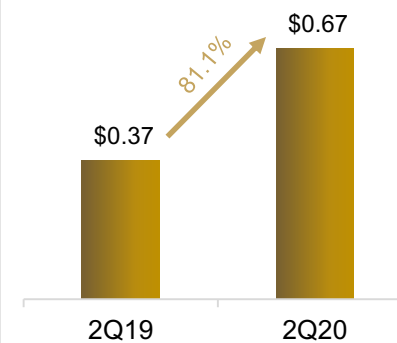
BACKLOG



ADJ. EBITDA¹



ADJ. EPS¹



- Equipment sales decreased \$12.2M or 6.5%
- Parts sales decreased \$7.7M or 10.4%
- Used equipment sales increased \$4.7M or 119.1%
- Domestic sales decreased \$4.7M or 2.1%
- International sales decreased \$14.8M or 25.3%

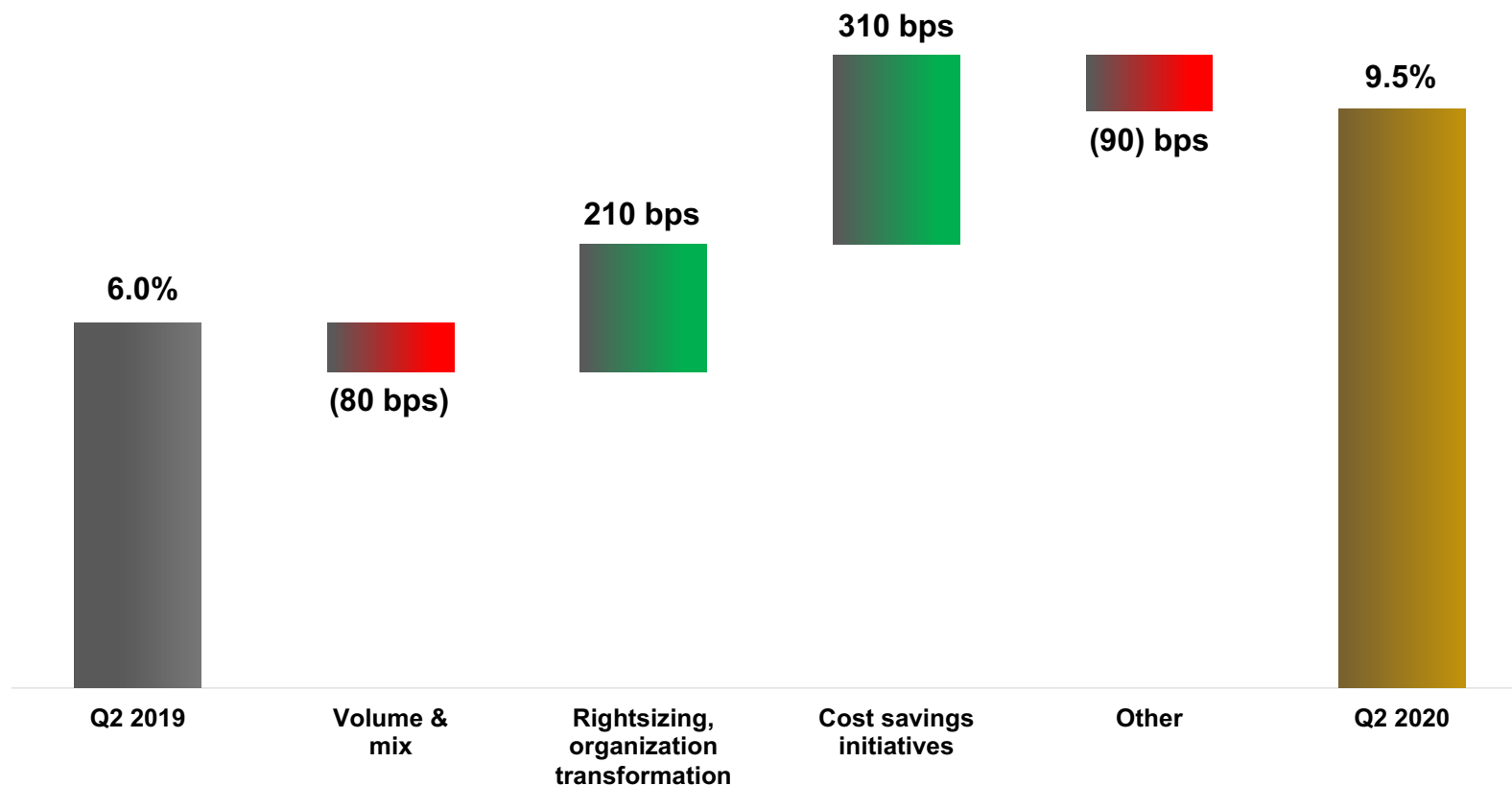
- Materials Solutions backlog declined 17.3% or \$15.2M
- Infrastructure Solution orders declined 30.9% or \$48.9M
- Domestic backlog declined 20.6% or \$33.2M
- International backlog declined 36.6% for \$30.9M

- Adjusted EBITDA increased due to favorable mix and improvements in Mfg. performance
- Adj. EBITDA margin of 9.5% increased 350 bps
- SG&A decreased 19.0% or \$10.0M, driven by reductions in consulting fees, travel and employee expenses

- \$7.9M of restructuring and unusual costs
 - Asset impairment: \$2.5M
 - Inventory write-down: \$1.9M
 - Reduction in force: \$1.4M
 - Mequon: \$1.3M
- Net effective tax rate adjusted for the quarter was 20%

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

2Q20 Adjusted EBITDA¹ Margin Bridge



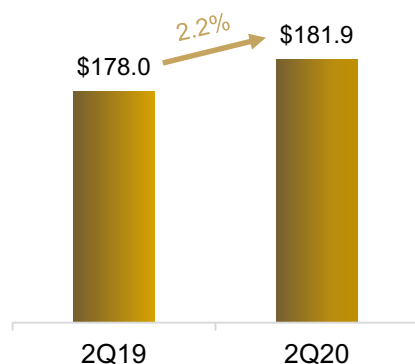
OPERATIONS EXCELLENCE INITIATIVES DRIVE 520 BPS OF YOY MARGIN IMPROVEMENT

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

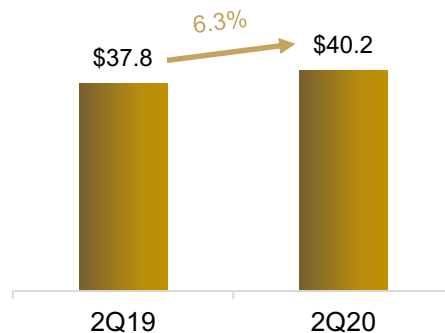
Infrastructure Solutions | 2Q20 Financial Performance (\$M)



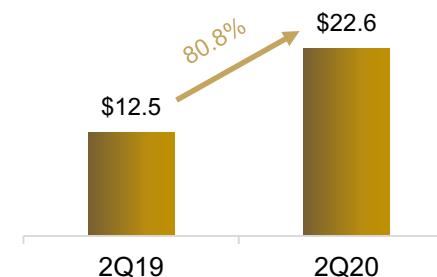
ADJ. REVENUES¹



ADJ. GROSS PROFIT¹



ADJ. EBITDA¹



2Q PERFORMANCE DRIVERS

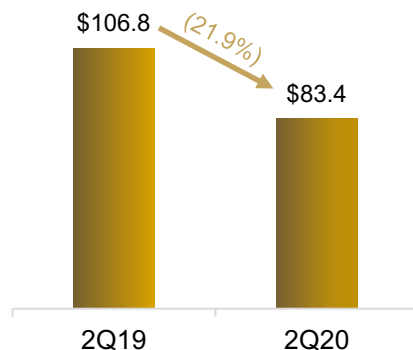
- Strong order intake and backlog coming out of 1Q, realized in 2Q sales and plant absorption
- Strong performance overall from good product mix particularly in asphalt plant sales and associated margins
- Improved quality of earnings from restructuring, pricing initiatives, plant efficiencies and controlled spending

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

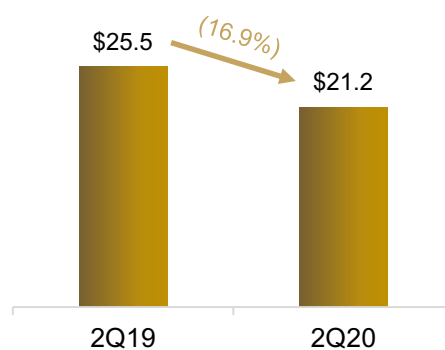
Materials Solutions | 2Q20 Financial Performance (\$M)



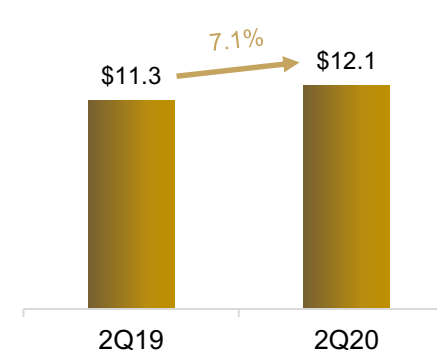
ADJ. REVENUES¹



ADJ. GROSS PROFIT¹



ADJ. EBITDA¹



2Q PERFORMANCE DRIVERS

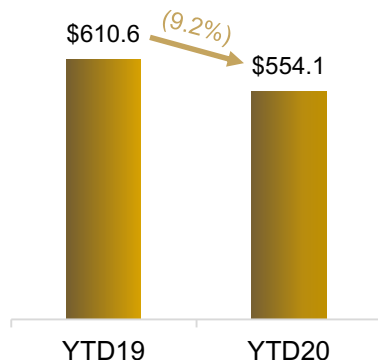
- Initiatives taken in 2019 to right size operations to current market demand; improving margin despite declining revenue
- Further rightsizing including headcount reductions and cost control measures
- Leveraging global footprint to optimize cost to produce and deliveries to end customer

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

YTD20 Financial Results (\$M, except earnings per share data)

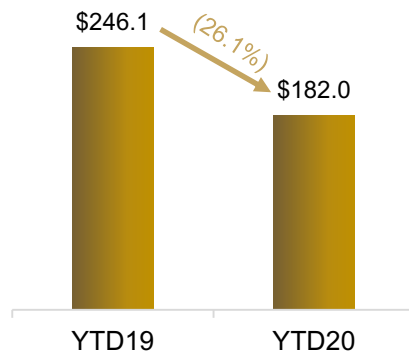


ADJ. REVENUES¹



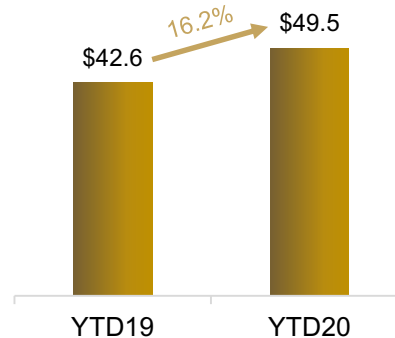
- Equipment sales decreased \$51.4M or 12.8%
- Parts sales decreased \$11.6M or 6.9%
- Used equipment sales increased \$9.5M or 122.9%
- Domestic sales decreased \$33.6M or 6.9%
- International sales decreased \$22.8M or 18.8%

BACKLOG



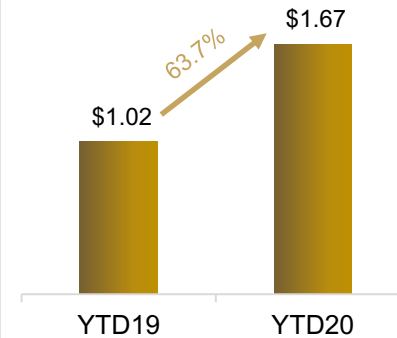
- Materials Solutions backlog declined 17.3% or \$15.2M
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- International backlog declined 36.6% for \$30.9M

ADJ. EBITDA¹



- Adjusted EBITDA increased due to favorable mix and improvements in Mfg. performance
- Adj. EBITDA margin of 8.9% increased 190 bps
- SG&A decreased 10.8% or \$12.0M, driven by reductions in consulting fees, travel and employee expenses

ADJ. EPS¹



- \$10.6M of restructuring and unusual costs
 - Asset impairment: \$2.5M
 - Inventory write-down: \$1.9M
 - Reduction in force: \$1.4M
 - Mequon: \$1.3M
 - Tacoma: \$1.5M
- Net effective tax rate adjusted for year to date was negative 2%

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

Maintain Strong, Flexible Balance Sheet with Ample Liquidity



SUMMARY BALANCE SHEET

(\$M)	6/30/20
Cash and Cash Equivalents	\$ 119.8
Total Current Assets	\$ 530.4
Total Assets	\$ 793.8
Total Current Liabilities	\$ 144.0
Total Debt	\$ 1.4
Total Liabilities and Equity	\$ 793.8

(\$M)	6/30/20
Cash and Cash Equivalents	\$ 119.8
Available Credit	\$ 150.8
Total Available Liquidity	\$ 270.6

COMMENTARY

- Total Gross Inventory Decreased \$98.0
- Total Net Inventory Decreased \$97.7
- Generated \$68.3 cash in the quarter

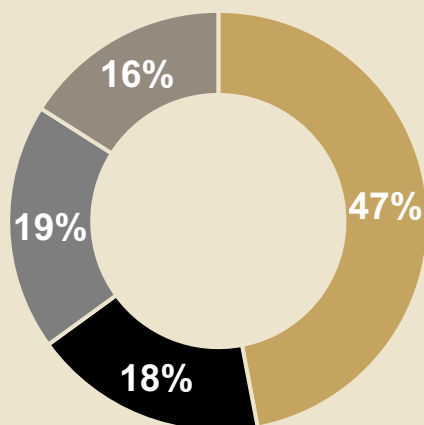
REMAIN DISCIPLINED WITH A LONG-TERM NET DEBT TO EBITDA RANGE OF 1.5X – 2.5X

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

Strategic M&A Approach Aligns to Our Growth Strategy



Financial Criteria

EPS Accretion in First Full Year ✓

Meet or Exceed
Long-term Financial Metrics ✓

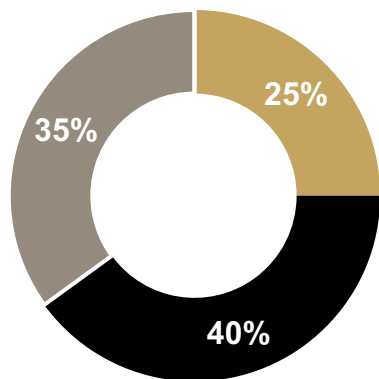
CONTINUE TO FOCUS ON STRATEGIC ALIGNMENT AND FINANCIAL DISCIPLINE

Recent Acquisitions Strengthen Infrastructure Portfolio

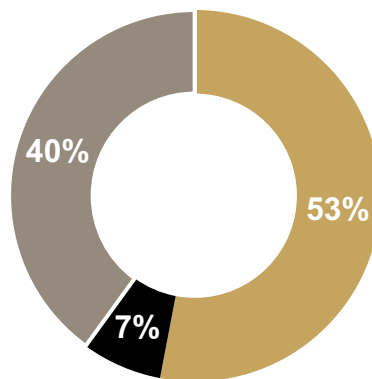


2019 PRODUCT REVENUE MIX BY COMPANY

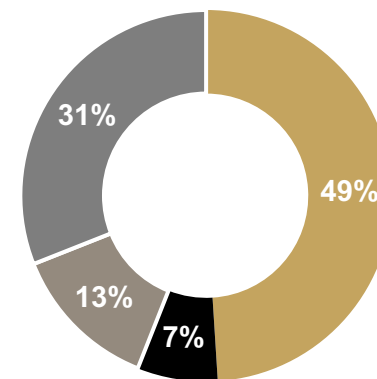
CON-E-CO



REXCON



**BMH
SYSTEMS**



■ Central Mix ■ Dry Batch Mix ■ Parts & Service ■ Other¹

COMMENTARY

- New complementary brands and products lines from CON-E-CO and BMH Systems enables us to have a more comprehensive concrete plant offering with stronger dry batch (Ready Mix) related revenue
- Asphalt plant cross selling opportunities
- Utilizing strong Canadian market presence and manufacturing capabilities to grow other Infrastructure Solutions product sales
- Strengthens our International product portfolio

CONSISTENT WITH OUR PROFITABLE GROWTH STRATEGY TO ENHANCE SHAREHOLDER VALUE

¹ Includes: Bagging, paste-fill, etc.

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

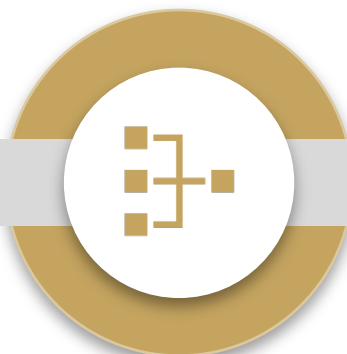
- Improve inventory turns
- Focused on cash management
- Continued focus on centralizing business processes

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

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, integrated five service teams into a unified service and construction team; one support call center
- ✓ Rationalizing three sites in Hameln, Germany, Albuquerque, NM and Mequon, WI to further streamline operations

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
- ✓ Announced divestiture of Enid (GEFCO; O&G products)
 - Further drive operational excellence across organization
 - Optimize product portfolio with ongoing rationalization
 - Improve working capital turns – clear action plan in place

GROW

- ✓ Reinvigorate focus on innovation; new Innovation Council
 - Enhance customer engagement
 - Global expansion
 - Profitable growth
 - Margin improvement
 - Disciplined and strategic acquisitions

✓ **Completed** ■ **In-Process**

Key Investment Highlights



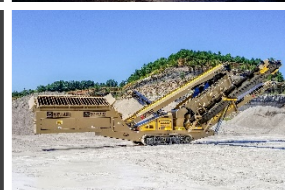
1

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

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



5

Strategic transformation with Simplify, Focus, and Grow pillars; cost savings initiatives underway and new organizational structure to drive profitable growth





Q&A



STEVE ANDERSON

SVP of Administration & Investor Relations

Phone: 423-553-5934

Email: sanderson@astecindustries.com



Appendix



LONG-TERM GOALS

5% - 10%
REVENUE GROWTH

> 12%
EBITDA MARGIN

> 10%
EPS GROWTH

> 100%
Net Income
FCF CONVERSION¹

> 14%
ROIC



Create Value for Shareholders



Alignment to Incentive Plan



Stand through Cycles

¹ Calculated by dividing LTM Adjusted FCF by Adjusted Net Income.

Income Statement



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

	Three Months Ended June 30,		Year To Date June 30,	
	2020	2019	2020	2019
Net sales	\$ 265.3	\$ 304.8	\$ 554.1	\$ 630.6
Cost of sales	205.7	221.5	420.5	470.4
Gross profit	59.6	83.3	133.6	160.2
Operating expenses:				
Selling, general and administrative	42.7	52.8	98.9	110.9
Restructuring and asset impairment charges	6.0	0.0	8.7	0.6
Total operating expenses	48.7	52.8	107.6	111.5
Operating income	10.9	30.5	26.0	48.7
Other income (expense):				
Interest expense	(0.1)	(0.5)	(0.2)	(1.1)
Miscellaneous, net	0.3	0.4	0.8	0.8
Income before income taxes	11.1	30.4	26.6	48.4
Provision (benefit) from income taxes	1.8	7.0	(3.3)	10.7
Net income attributable to controlling interest	\$ 9.3	\$ 23.4	\$ 29.9	\$ 37.7
Earnings per common share				
Basic	\$ 0.41	\$ 1.04	\$ 1.33	\$ 1.67
Diluted	0.41	1.03	1.32	1.66
Weighted-average shares outstanding				
Basic	22,584	22,509	22,567	22,503
Diluted	22,711	22,667	22,715	22,656
EPS *	\$ 0.41	\$ 1.03	\$ 1.32	\$ 1.66
Restructuring and unusual	0.35	(0.88)	0.39	(0.86)
Goodwill impairment			0.07	
Provision of income taxes	(0.09)	0.22	(0.11)	0.22
Adjusted EPS *	\$ 0.67	\$ 0.37	\$ 1.67	\$ 1.02

* Diluted EPS

Balance Sheet



Astec Industries Inc.
Condensed Consolidated Balance Sheets
(In millions; unaudited)

	June 30, 2020	June 30, 2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 119.8	\$ 24.9
Investments	2.9	1.2
Receivables, net	118.7	139.2
Inventories, net	263.2	360.9
Other current assets	25.8	31.3
Total current assets	530.4	557.5
Property, plant and equipment, net	177.8	191.9
Other long-term assets	85.6	99.2
Total assets	<u>\$ 793.8</u>	<u>\$ 848.6</u>
Liabilities		
Current liabilities:		
Accounts payable	\$ 48.2	\$ 70.3
Other current liabilities	95.8	103.6
Total current liabilities	144.0	173.9
Long-term debt	0.4	28.9
Other long-term liabilities	27.6	25.2
Total equity	621.8	620.6
Total liabilities and equity	<u>\$ 793.8</u>	<u>\$ 848.6</u>

Cash Flow Statement



(In thousands; unaudited)

	Six Months Ended June 30,	
	2020	2019
Cash flows from operating activities:		
Net income	\$ 29,788	\$ 37,579
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	12,601	13,139
Provision for doubtful accounts	780	806
Provision for warranties	5,137	4,496
Deferred compensation expense	193	144
Stock-based compensation	2,987	1,739
Deferred income tax provision	13,428	8,412
(Gain) loss on disposition of fixed assets	(730)	176
Asset impairment charge	4,146	--
Distributions to SERP participants	(434)	(1,007)
Change in operating assets and liabilities:		
Sale (purchase) of trading securities, net	(9)	50
Trade and other receivables	5,445	(6,719)
Inventories	31,365	(5,240)
Prepaid expenses and other assets	2,681	911
Accounts payable	(7,714)	(2,006)
Accrued payroll and related expenses	(2,869)	(2,807)
Accrued product warranty	(4,538)	(5,287)
Customer deposits	(20,053)	(13,025)
Prepaid and income taxes payable, net	10,622	7,669
Other	2,015	3,841
Net cash provided by operating activities	84,841	42,871
Cash flows from investing activities:		
Expenditures for property and equipment	(7,407)	(8,657)
Proceeds from sale of property and equipment	1,987	136
Other	(205)	433
Net cash used by investing activities	(5,625)	(8,088)
Cash flows from financing activities:		
Payment of dividends	(4,971)	(4,956)
Bank loan repayments, net	(188)	(31,014)
Sale of Company shares held by SERP	125	222
Withholding tax paid upon vesting of restricted stock units	(565)	(160)
Net cash used by financing activities	(5,599)	(35,908)
Effect of exchange rates on cash	(2,677)	209
Net change in cash and cash equivalents	70,940	(916)
Cash and cash equivalents, beginning of period	48,857	25,821
Cash and cash equivalents at end of period	\$ 119,797	\$ 24,905

Q2 GAAP to Non-GAAP Reconciliation Table



2Q20 GAAP to Non-GAAP Reconciliation Table

	As Reported (GAAP)	Restructuring Charges	As Adjusted (Non-GAAP)
Consolidated			
Net sales	\$ 265,299	\$ -	\$ 265,299
GP	59,615	1,908	61,523
GP%	22.5%		23.2%
Operating income	10,860	7,900	18,760
Provision (benefit) from income taxes	1,868	1,906	3,774
Net income attributable to controlling interest	9,258	5,994	15,252
EPS	0.41	0.26	0.67
EBITDA	17,365	7,900	25,265
Infrastructure Solutions			
Net sales	181,851	-	181,851
GP	38,289	1,908	40,197
GP%	21.1%		22.1%
EBITDA	18,980	3,611	22,591
Materials Solutions			
Net sales	83,448	-	83,448
GP	21,214	-	21,214
GP%	25.4%		25.4%
EBITDA	10,562	1,550	12,112

YTD2Q20 GAAP to Non-GAAP Reconciliation Table

	As Reported (GAAP)	Restructuring Charges	As Adjusted (Non-GAAP)
Consolidated			
Net sales	\$ 554,147	\$ -	\$ 554,147
GP	133,636	1,908	135,544
GP%	24.1%		24.5%
Operating income	26,003	10,612	36,615
Provision (benefit) from income taxes	(3,275)	2,543	(732)
Net income attributable to controlling interest	29,902	8,069	37,971
EPS	1.32	0.35	1.67
EBITDA	38,913	10,612	49,525
Infrastructure Solutions			
Net sales	384,469	-	384,469
GP	91,213	1,908	93,121
GP%	23.7%		24.2%
EBITDA	41,221	6,290	47,511
Materials Solutions			
Net sales	169,678	-	169,678
GP	42,219	-	42,219
GP%	24.9%		24.9%
EBITDA	18,922	1,582	20,504

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 June 30,		Year To Date Ended June 30,	
	2020	2019	2020	2019
Net income attributable to controlling interest	\$ 9,258	\$ 23,377	\$ 29,902	\$ 37,651
Plus: Restructuring and unusual	7,900	(19,932)	\$ 8,966	\$ (19,420)
Plus: Goodwill impairment	--	--	\$ 1,646	
Less: Provision from income taxes	(1,906)	4,953	\$ (2,543)	\$ 4,955
Adjusted net income attributable to controlling interest	<u>\$ 15,252</u>	<u>\$ 8,398</u>	<u>\$ 37,971</u>	<u>\$ 23,186</u>
Diluted EPS	\$ 0.41	\$ 1.03	\$ 1.32	\$ 1.66
Plus: Restructuring and unusual	0.35	(0.88)	0.39	(0.86)
Plus: Goodwill impairment	--	--	0.07	--
Less: Provision from income taxes	(0.09)	0.22	(0.11)	0.22
Adjusted EPS	<u>\$ 0.67</u>	<u>\$ 0.37</u>	<u>\$ 1.67</u>	<u>\$ 1.02</u>

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.

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