



CSW
INDUSTRIALS

Investor Presentation
June 2018



Safe Harbor Statement

- This presentation contains forward-looking statements within the meaning of The Private Securities Litigation Reform Act of 1995 relating to, among other things, the business, financial condition and results of operations of CSW Industrials, Inc. ("CSWI"). Any statements preceded or followed by or that include the words "believe," "expect," "intend," "plan," "should" or words, phrases or similar expressions or the negative thereof, are intended to identify forward-looking statements. These statements are made on the basis of the current beliefs, expectations and assumptions of the management of CSWI. There are a number of risks and uncertainties that could cause CSWI's actual results to differ materially from the forward-looking statements included in this presentation.
- In light of these risks, uncertainties, assumptions, and other factors inherent in forward-looking statements, actual results may differ materially from those discussed in this presentation. Other unknown or unpredictable factors could also have a material adverse effect on CSWI's actual future results, performance, or achievements and include, without limitation, the factors described from time to time in our filings with the SEC, including the risk factors described in our Annual Report on Form 10-K. As a result of the foregoing, readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this presentation. CSWI does not assume any obligation to update these forward-looking statements to reflect any new information, subsequent events or circumstances, or otherwise, except as may be required by law.

Non-GAAP Financial Information

- This presentation includes non-GAAP financial measures including Adjusted Earnings Per Share and Adjusted Operating Income. Reconciliations to the most directly comparable GAAP measures are included in the Appendix of this presentation. These measures should be considered in addition to results prepared in accordance with GAAP, but are not a substitute for GAAP results.



CSWI – Who We Are

- **Diversified industrial growth company with well established, scalable platforms and domain expertise across two segments**
 - Broad, yet complementary portfolio of leading products that provide performance optimizing solutions
- **Strong brand recognition in the markets we serve:**
 - HVAC
 - Architecturally Specified Building Products
 - Rail
 - Energy
 - Industrial
 - Plumbing
 - Mining
 - Other
- **Dedicated to enhancing shareholder value:**
 - Experienced senior leadership team committed to growing shareholder value
 - Strong, flexible balance sheet
 - Disciplined capital allocation
 - Strategic acquisition opportunities across the companies' businesses
 - Core values and culture designed to maximize sustainable performance

Market Cap ⁽¹⁾	LTM Revenue ⁽²⁾	LTM Adjusted Operating Income ⁽²⁾	LTM Adjusted Operating Income Margin ⁽²⁾
\$813.5 mm	\$326.2 mm	\$52.9 mm	16.2%

(1) Market capitalization data as of June 7, 2018

(2) Twelve months ended March 31, 2018 from continuing operations; see reconciliations of Non-GAAP measures later in this presentation



A Diverse Portfolio





CSWI Key Growth Drivers





Strategic Goals

- **Focus** on strategic end markets which yield sustainable growth by:
 - Leveraging our existing distribution channels and product portfolio
 - Expanding our market share through new product introductions and cross selling
- **Leverage** best practices and improve performance across the business
- **Invest** in:
 - Organic growth opportunities
 - Process improvements
 - Bolt-on strategic acquisitions
- **Drive** earnings growth at a rate in excess of sales growth
- **Utilize** strong free cash flow and/or third-party financing to fund growth

We seek to deliver solutions to our professional customers that provide superior performance and reliability

Company at a Glance (Nasdaq: CSWI)



Industrial Products

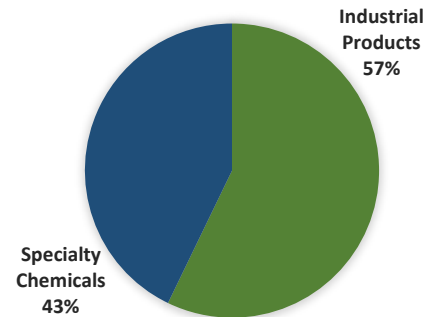


Specialty Chemicals

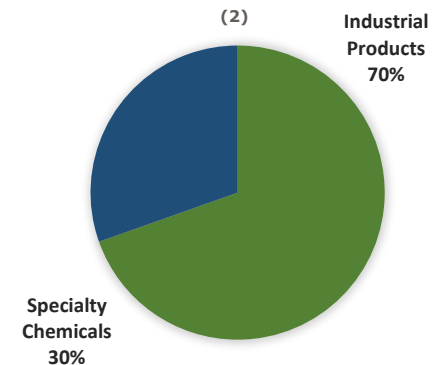
Two business segments:

- **Industrial Products**
 - Specialty mechanical, controls, fire & smoke protection, architecturally-specified building products, storage, filtration & application equipment for use with our specialty chemicals
- **Specialty Chemicals**
 - Consumables that enhance properties such as lubricity, anti-seize, friction and heat control, pipe thread sealants, fire stopping sealants, caulks and adhesives/solvents, & cements

FY2018 Net Revenues:
\$326.2M⁽¹⁾



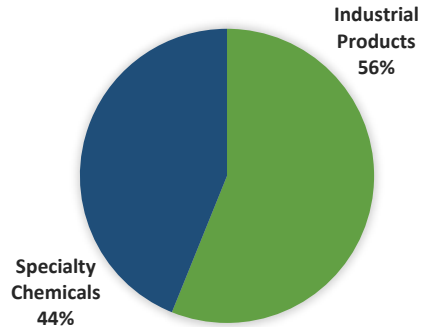
FY2018 Adj. Operating
Income: \$52.9M⁽¹⁾⁽³⁾



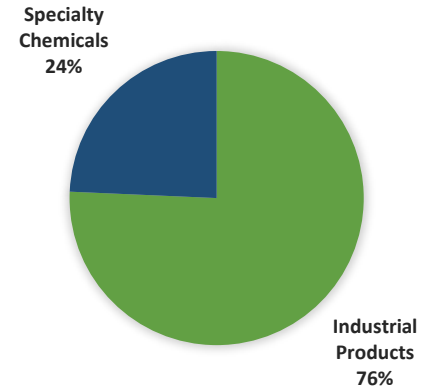
- (1) Continuing Operations only
- (2) Includes (i) Corporate Costs; (ii) Eliminations; and (iii) Adjustments not captured at the segment level
- (3) Adjustments include realignment & restructuring, SOX implementation costs, acquisition related transaction costs, excess and obsolete inventory reserve and patent and trademark impairments. See Appendix for adjustment details.

CSWI Business Segments

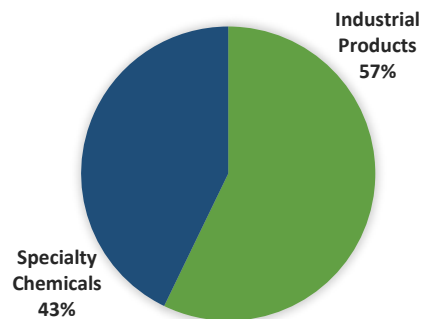
Q4 FY18 Net Revenues



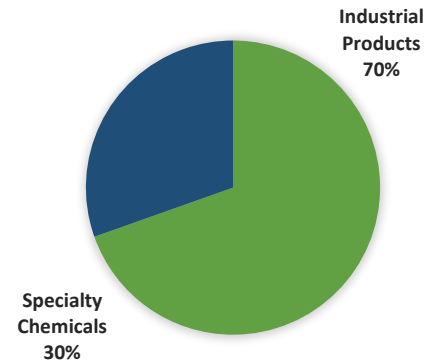
Q4 FY18 Adj. Operating Income



FY18 Net Revenues



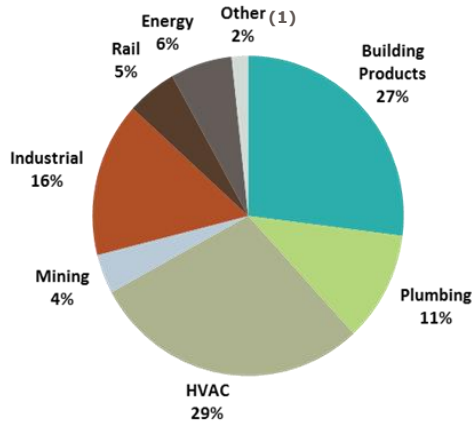
FY18 Adj. Operating Income



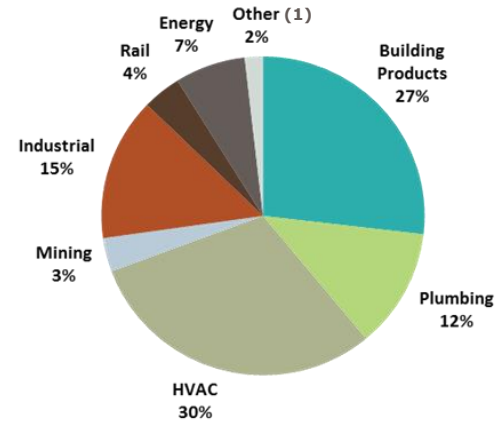
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Sales by End Market Analysis – Continuing Operations Only

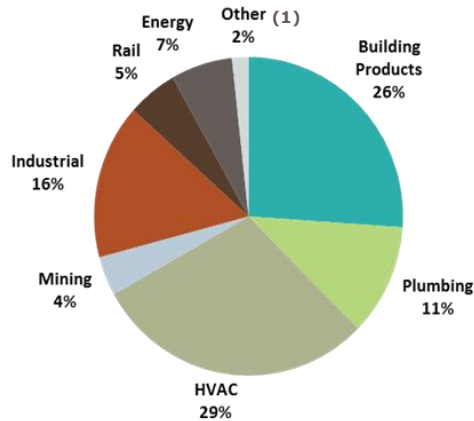
Q4 FY17 Sales by End Market



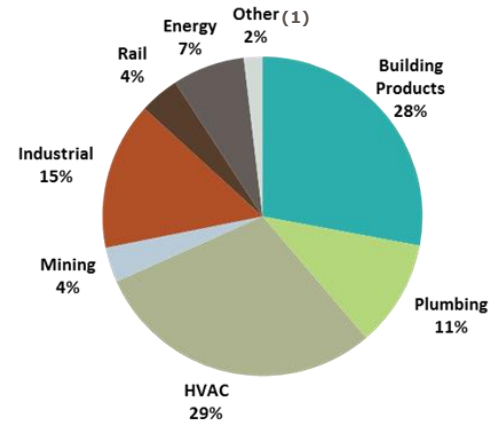
Q4 FY18 Sales by End Market



FY17 Sales by End Market



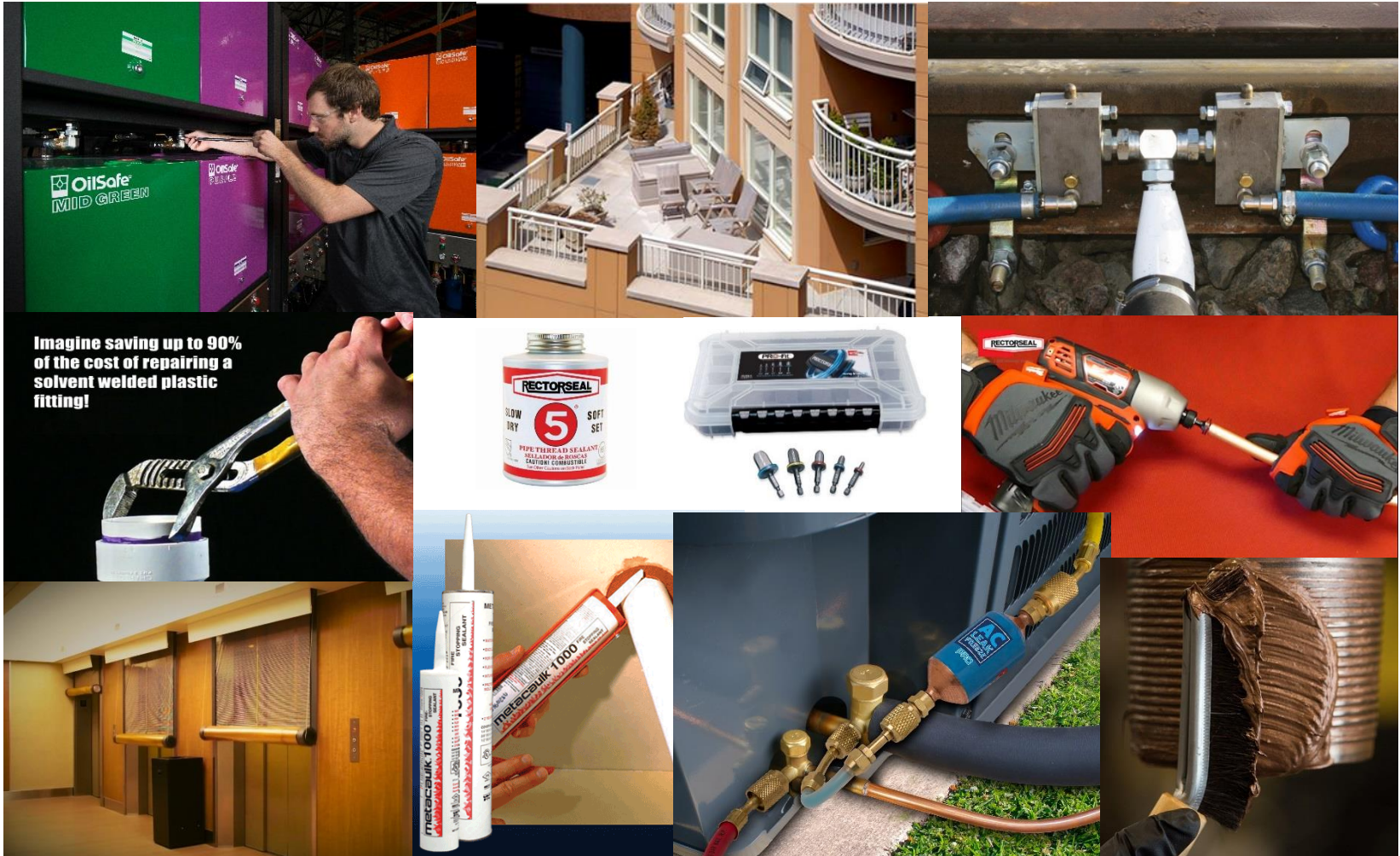
FY18 Sales by End Market



(1) Other end use markets include Water Well drilling, Power Generation, Marine

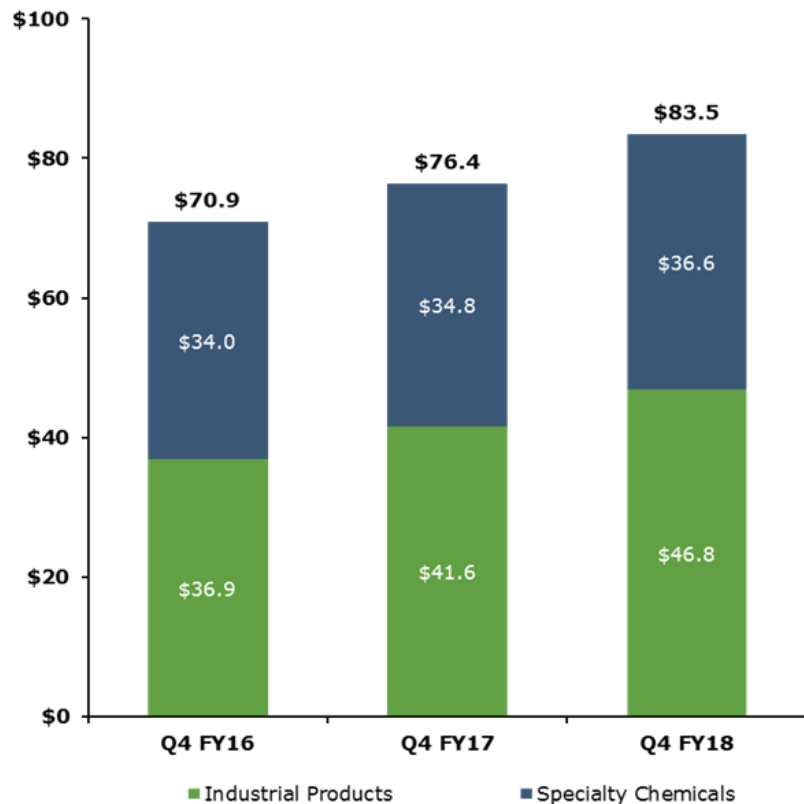


CSWI Products – Delivering Solutions to Customers



Segments – Quarterly Net Revenues

Q4 FY18 Net Revenues (\$ millions)



Q4 FY18 Highlights

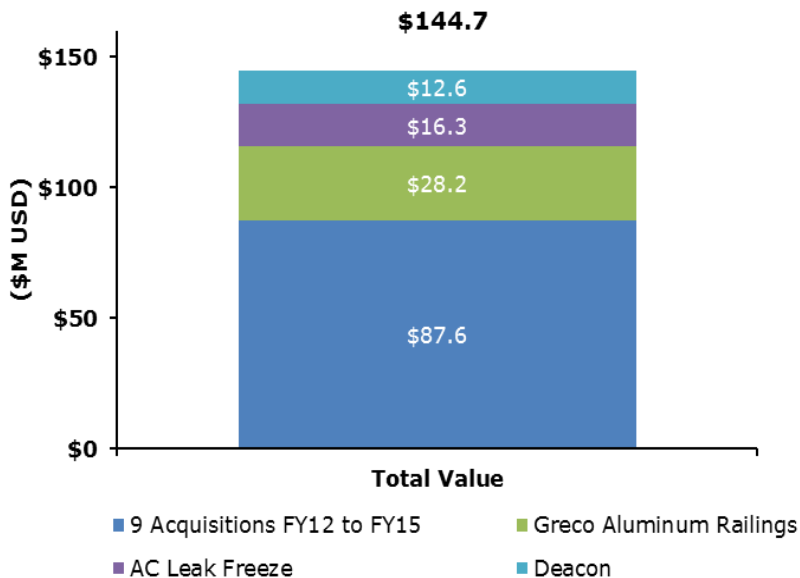
Overall quarterly net sales increased **9.2%** year over year

- **Industrial Products** net revenues increased **12.5%** driven by strong sales in HVAC and Plumbing end markets, plus inorganic revenue from Greco acquisition (\$2.0M), partially offset by slight declines in legacy architecturally specified building products end markets
- **Specialty Chemicals** net revenues increased 5.2% primarily driven by higher sales in energy markets

Continuing operations only

Focused Acquisitions

Capital Invested for Acquisitions (\$M)



Strategy & Execution Plan

- Identify and execute accretive, bolt-on acquisitions that will broaden and complement our portfolio of industrial brands & products
- Optimize costs in strategic acquisitions & eliminate most non-manufacturing related costs in product line acquisitions
- Focus on commercially proven products and solutions that:
 - are attractive in our target end markets
 - currently have limited distribution and benefit from our channel to market
- Utilize strong free cash flow or third-party financing to fund these acquisitions
- Divest non strategic and under performing businesses

We seek further attractive synergistic acquisitions available to achieve higher growth and profitability



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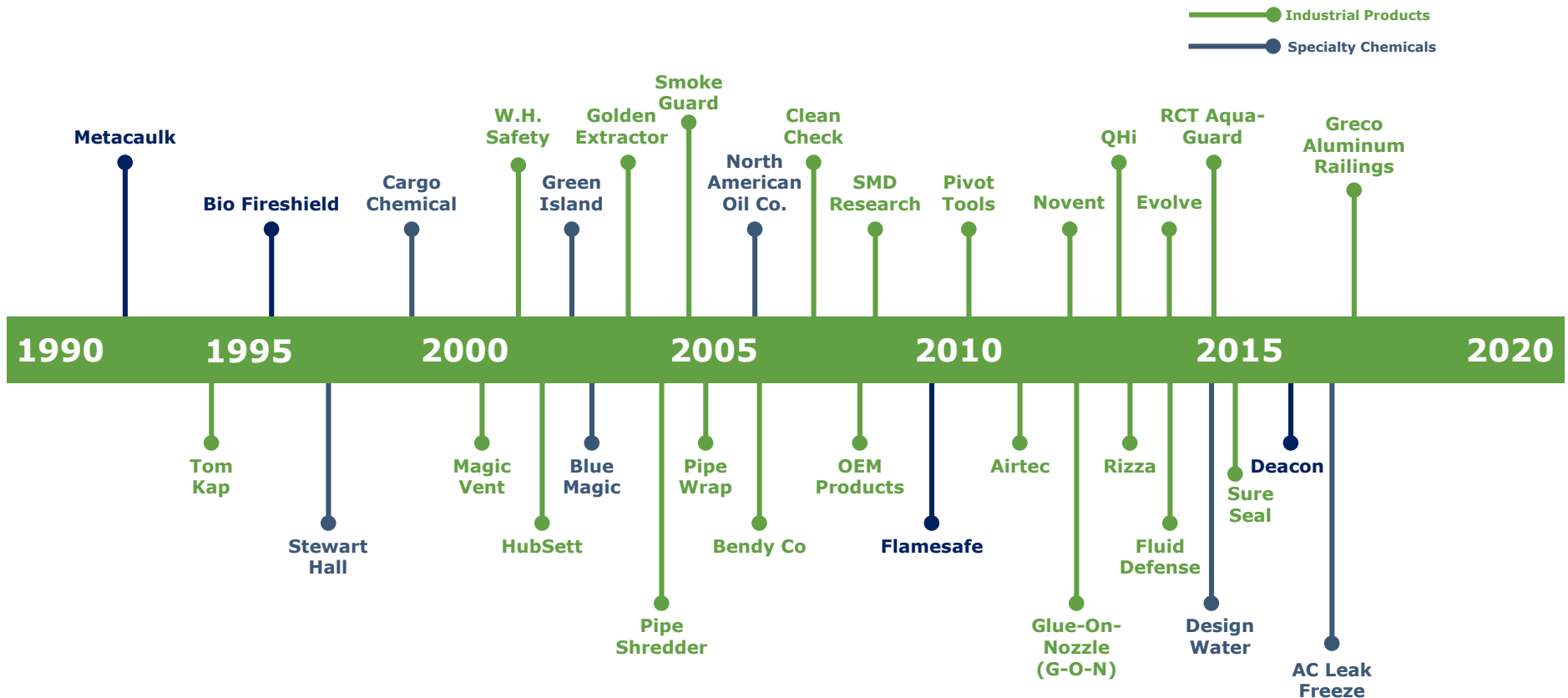
(2) Twelve months ended March 31, 2018 from continuing operations; see reconciliations of Non-GAAP measures later in this presentation



Appendix



History of 33 integrated acquisitions





Experienced Management Team

Executive Officers



Joe Armes
*Chairman, CEO
& President*



Gregg Branning
Executive VP & CFO



Luke Alverson
*Senior VP, General
Counsel & Secretary*

Senior leadership team averages over 25 years of experience in the industrial manufacturing and specialty chemicals industries

Independent Board of Directors

Michael R. Gambrell
*Former EVP of The
Dow Chemical
Company*

Linda A. Livingstone, Ph.D.
*President of Baylor
University*

Terry L. Johnston
*EVP and COO of NA
Commercial Heating &
Cooling for Lennox
International, Inc.*

William F. Quinn
*Former executive
Chairman and Founder
of American Beacon
Advisors*

Robert M. Swartz
*Lead independent
director
Former EVP & COO of
Glazer's, Inc*

J. Kent Sweezey
*Founding Partner
of Turnbridge
Capital, LLC*



Business Segment Leadership

Business Segment

Portfolio Company

Industrial Brands

Industrial Products



Don Sullivan
SVP/GM



Specialty Chemicals



Craig Foster
SVP/GM





CSWI Corporate Culture

CSWI's corporate culture will **SHAPE** and **GUIDE** our company by helping each team member understand how to make his/her contribution to the company we serve. Our culture manifests the **OBSERVED BEHAVIORS**, the **NORMS**, and the **DOMINANT VALUES** of the company. Our culture should be effective in **REINFORCING** certain behaviors and **ERADICATING** others.

**THE GOAL OF OUR CORPORATE CULTURE IS TO MAXIMIZE
PERFORMANCE.**



CSWI Corporate Culture (Cont'd)

Our corporate culture will be based on our core values:

- **Integrity**
- **Respect**
- **Excellence**
- **Stewardship**
- **Citizenship**
- **Accountability**
- **Teamwork**

Reconciliation of Operating Inc to Adjusted Operating Inc

(in thousands)	Quarter Ended March 31		Year Ended March 31	
	2018	2017	2018	2017
GAAP Operating Income- Continuing Operations	\$ 10,533	\$ 6,397	\$ 50,714	\$ 33,126
Adjusting items:				
Restructuring & realignment	154	3,454	1,397	5,517
Discrete Tax Provisions & Other	-	-	110	-
Asset Impairment	-	220	-	1,426
Estimated Reserve for Excess Inventory	-	-	-	404
Consulting projects	-	459	-	1,647
M&A transaction costs	-	431	-	431
Pension Lump Sum & Officer Transition Costs	712	-	712	2,872
Adjusted Operating Income--Continuing Operations	<u>\$ 11,399</u>	<u>\$ 10,961</u>	<u>\$ 52,933</u>	<u>\$ 45,423</u>

Reconciliation of Net Income and EPS to Adjusted Net Income and EPS

(in thousands, except share data)

	(unaudited)			
	Quarter Ended March 31		Year Ended March 31	
	2018	2017	2018	2017
GAAP Net Income---Continuing Operations	\$ 10,609	\$ 3,323	\$ 32,682	\$ 17,800
Adjusting items, net of tax:				
Restructuring & realignment	113	2,235	921	3,586
Asset Impairment	-	142	-	1,006
Estimated Reserve for Excess Inventory	-	-	-	263
Consulting projects	-	297	-	1,070
M&A transaction costs	-	279	-	280
Pension Lump Sum & Officer Transition Costs	523	-	523	1,867
Discrete Tax Provisions & Other	(3,309)	477	(532)	2,785
Adjusted Net Income---Continuing Operations	<u>\$ 7,936</u>	<u>\$ 6,753</u>	<u>\$ 33,594</u>	<u>\$ 28,657</u>
GAAP Diluted income per common share, Continuing operations	\$ 0.68	\$ 0.21	\$ 2.09	\$ 1.12
Adjusting items, per diluted common share:				
Restructuring & realignment	0.01	0.14	0.07	0.22
Asset Impairment	-	0.01	-	0.07
Estimated Reserve for Excess Inventory	-	-	-	0.02
Consulting projects	-	0.01	-	0.06
Pension Lump Sum & Officer Transition Costs	0.03	-	0.03	0.12
M&A transaction costs	-	0.02	-	0.02
Discrete Tax Provisions & Other	(0.21)	0.03	(0.04)	0.18
Adjusted earnings per diluted common share	<u>\$ 0.51</u>	<u>\$ 0.42</u>	<u>\$ 2.15</u>	<u>\$ 1.81</u>

Note: Numbers may not foot due to rounding

Reconciliation of Segment Operating Income to Adjusted Operating Income

(in thousands, except percentages)

	(unaudited)							
	For the Three Months Ended March 31, 2018				For the Three Months Ended March 31, 2017			
	Industrial Products	Specialty Chemicals	Corporate and Other	Consolidated Continuing Operations	Industrial Products	Specialty Chemicals	Corporate and Other	Consolidated Continuing Operations
Revenue	\$ 46,829	\$ 36,635	\$ -	\$ 83,464	\$ 41,605	\$ 34,817	\$ 3	\$ 76,425
Operating Income	\$ 10,772	\$ 3,311	\$ (3,550)	\$ 10,533	\$ 8,411	\$ 799	\$ (2,813)	\$ 6,397
Adjusting items:								
Restructuring & realignment	-	154	-	154	624	2,830	-	3,454
Asset Impairment	-	-	-	-	13	207	-	220
M&A transaction costs	-	-	-	-	431	-	-	431
Consulting projects	-	-	-	-	96	336	27	459
Pension Lump Sum & Officer Transition Costs	119	47	546	712	-	-	-	-
Adjusted Operating Income	\$ 10,891	\$ 3,512	\$ (3,004)	\$ 11,399	\$ 9,575	\$ 4,172	\$ (2,786)	\$ 10,961
% of revenue	23.3%	9.6%		13.7%	23.0%	12.0%		14.3%

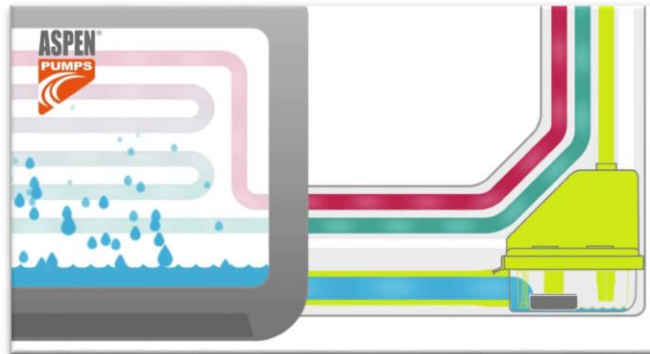
Reconciliation of Segment Operating Income to Adjusted Operating Income

(unaudited)

(in thousands, except percentages)

	Year Ended March 31, 2018				Year Ended March 31, 2017			
	Industrial Products	Specialty Chemicals	Corporate and Other	Consolidated Continuing Operations	Industrial Products	Specialty Chemicals	Corporate and Other	Consolidated Continuing Operations
Revenue	\$ 186,483	\$ 139,735	\$ 4	\$ 326,222	\$ 158,654	\$ 128,714	\$ 92	\$ 287,460
Operating Income	\$ 43,984	\$ 18,427	\$ (11,697)	\$ 50,714	\$ 32,893	\$ 13,508	\$ (13,275)	\$ 33,126
Adjusting items:								
Restructuring & realignment	367	1,030	-	1,397	624	4,893	1,426	6,943
Asset Impairment	110	-	-	110	227	1,199	(1,426)	-
M&A transaction costs	-	-	-	-	431	-	-	431
Estimated Reserve for Excess Inventory	-	-	-	-	17	387	-	404
Consulting projects	-	-	-	-	371	594	682	1,647
Pension Lump Sum & Officer Transition Costs	119	47	546	712	-	-	2,872	2,872
Adjusted Operating Income	\$ 44,580	\$ 19,504	\$ (11,151)	\$ 52,933	\$ 34,563	\$ 20,581	\$ (9,721)	\$ 45,423
% of revenue	23.9%	14.0%		16.2%	21.8%	16.0%		15.8%

HVAC/R



HVAC/R

When installing a mini split, many components must be taken into consideration when making the purchase



RectorSeal has product in category

1. Evaporator 
2. Condenser 
3. Condensate pump 

4. Condensate drain line 

5. Wireless wall thermostats 
6. Line set covers and fittings 

7. Wall sleeve or seal 

8. Equipment pads 

9. Equipment risers 




10. Equipment stand 

11. Wall bracket 

12. Refrigerant line 

13. Electrical cable 

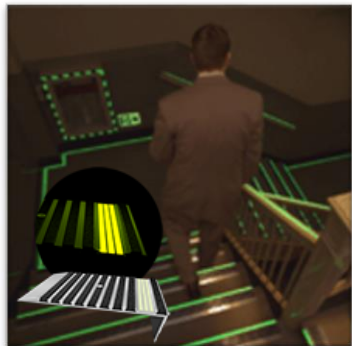
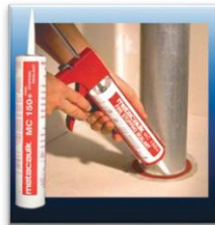
14. Brass flare nuts and fittings 
15. Locking refrigerant caps 

16. Installation support bracket 

17. Cleaning bib kit 

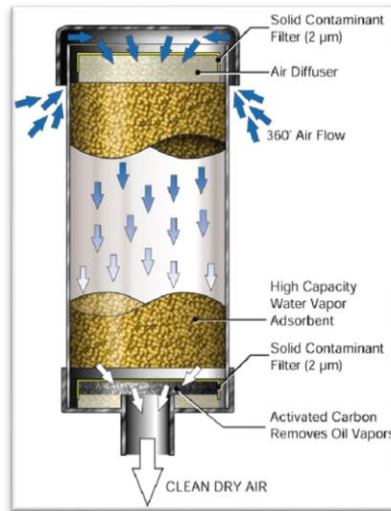
18. Coil and fan cleaners 


Building Products





Industrial



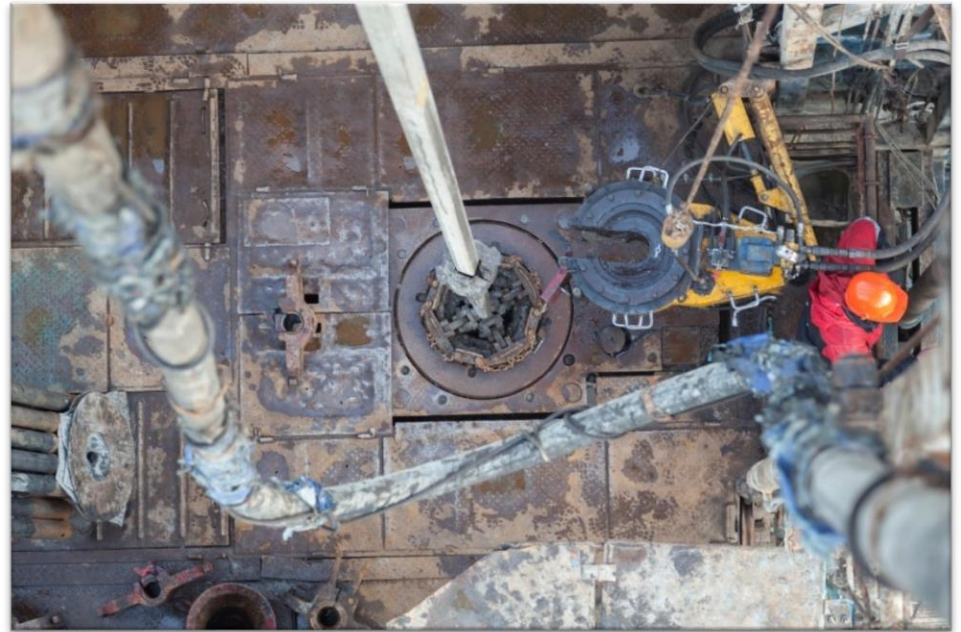


Rail





Energy



Plumbing





Mining



Who We Compete Against

HVAC/R	Building Products	Industrial	Rail	Energy	Plumbing	Mining



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