



CSW INDUSTRIALS

Investor Presentation
November 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, Adjusted Net Income 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.



A Diverse Portfolio



CSWI – AN INTRODUCTION

- Diversified industrial growth company with well established, scalable platforms and domain expertise across two segments
 - Broad, yet complimentary 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 principles
 - Strategic acquisition opportunities across the Company's businesses
 - Core values and culture designed to maximize sustainable performance
 - Insider ownership, including ESOP is over 7%

| Market Cap ⁽¹⁾ | LTM Revenue ⁽²⁾ | LTM Adjusted Operating Income ⁽²⁾ | LTM Adjusted Operating Income Margin ⁽²⁾ |
|---------------------------|----------------------------|--|---|
| \$800.0 mm | \$333.7 mm | \$52.8 mm | 15.8% |

(1) Market capitalization data as of November 12, 2018

(2) Twelve months ended September 30, 2018 from continuing operations; see reconciliations of Non-GAAP measures later in this presentation



CSWI Key Growth Drivers



Capital Allocation Principles

- CSWI is committed to maintaining a strong balance sheet with ample liquidity through both cash and available credit to maximize growth opportunities, both organically and inorganically. Capital allocation will be evaluated and prioritized on a risk-adjusted returns basis as detailed below.
 - Investment to support organic growth opportunities
 - Investment in inorganic growth opportunities:
 - The Company will prioritize accretive, synergistic acquisitions within its existing business units.
 - The Company will also consider broader strategic opportunities as appropriate.
 - Return of excess free cash to stockholders as appropriate through opportunistic share repurchases and dividends.

Strategic Goals

- **Focus** on strategic end markets that 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:

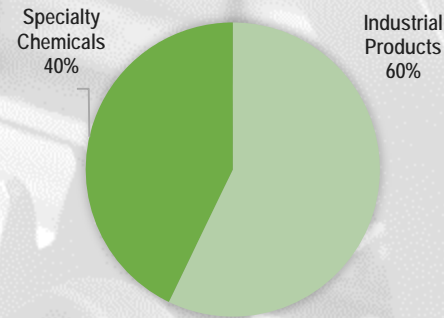
Industrial Products

Specialty mechanical products, controls, fire & smoke protection, architecturally specified building products, storage, filtration & application equipment for use with our specialty chemicals

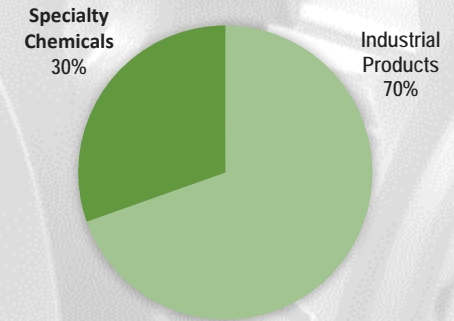
Specialty Chemicals

Consumables that enhance performance characteristics and reliability such as lubricity, anti-seize, friction and heat control, pipe thread sealants, fire stopping sealants, caulks and adhesives/solvents, & cements

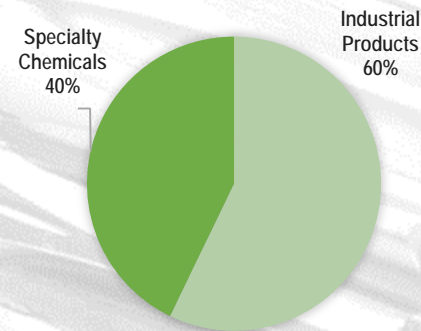
Q2 Fiscal 2019 Net Revenues: \$91.6M⁽¹⁾



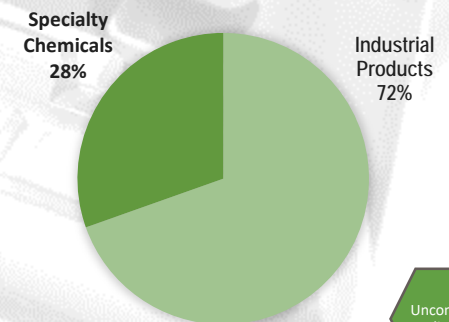
Q2 Fiscal 2019 Adj. Operating Income: \$17.2M⁽¹⁾



Q2 YTD Fiscal 2019 Net Revenues: \$181.2M⁽¹⁾



Q2 YTD fiscal 2019 Adj. Operating Income: \$38.9M⁽¹⁾⁽²⁾

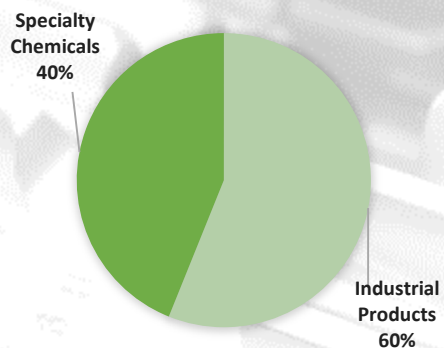


(1) Continuing Operations only
 (2) Adjusted for gain on of property and Other

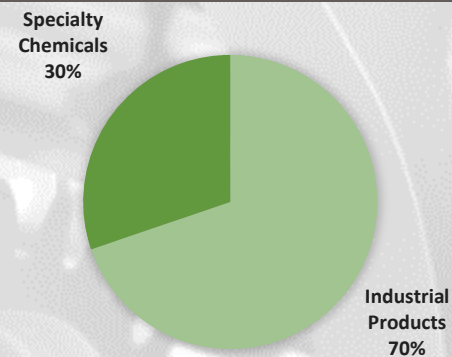


CSWI Business Segments

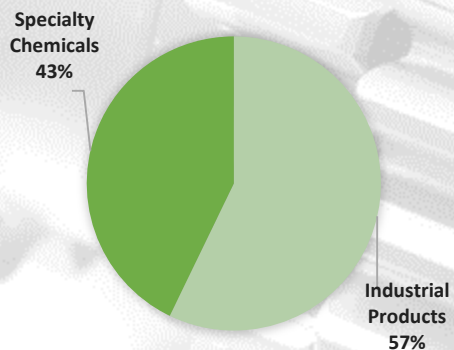
Q2 FY19 Net Revenues



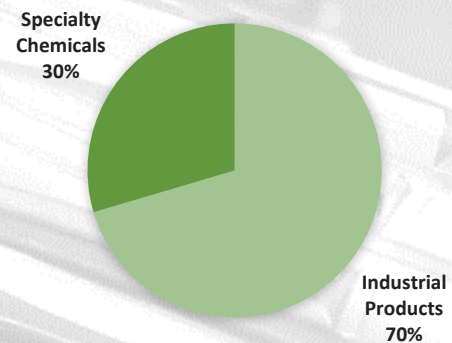
Q2 FY19 Adj. Operating Income



FY18 Net Revenues



FY18 Adj. Operating Income

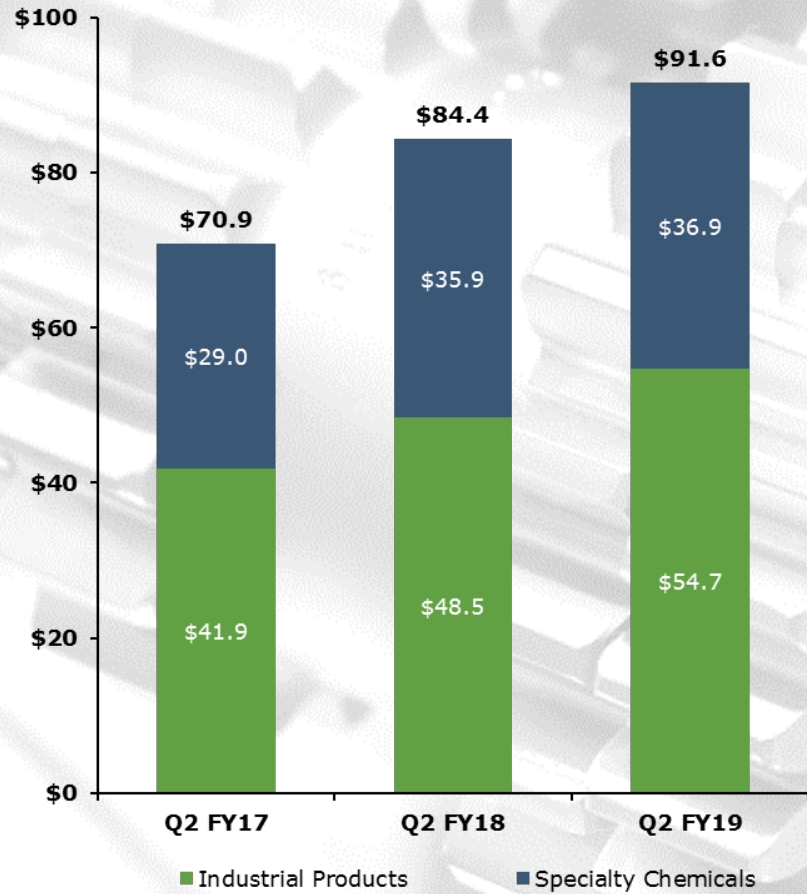


(1) Continuing operations only. Adjustments include realignment & restructuring, acquisition related transaction costs, Severance & Pension Lump Sum. See Appendix for adjustment details.



Segments – Quarterly Net Revenues

Q2 FY19 Net Revenues (\$ millions)



Continuing operations only

Q2 FY19 Highlights

Overall quarterly net sales increased 8.5% year over year

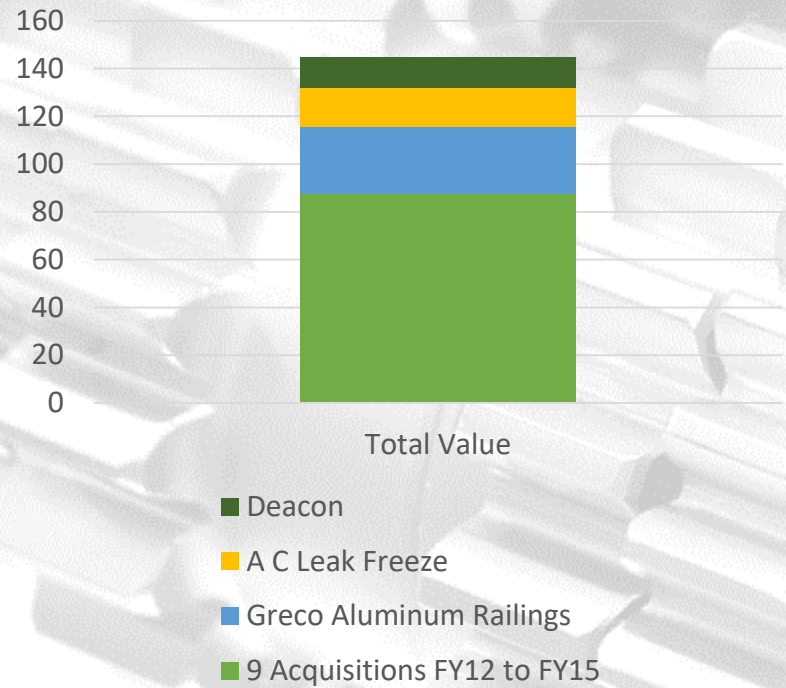
Industrial Products net revenues increased 12.9% driven by strong organic growth in plumbing and HVAC sales

Specialty Chemicals net revenues increased 2.6% primarily driven by plumbing and HVAC sales



Focused Acquisitions

Capital Invested for Acquisitions (\$M)



Strategy & Execution Plan

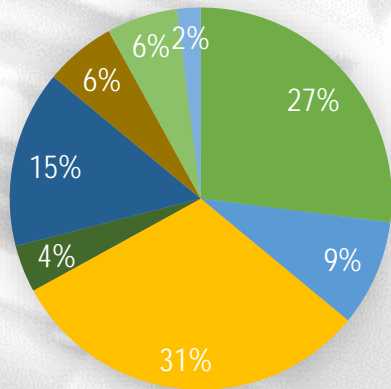
- Identify and execute accretive, bolt-on acquisitions that will broaden and complement our portfolio of industrial brands & products
- Optimize costs in strategic acquisitions & eliminate most non-manufacturing related costs in product line acquisitions
- Focus on commercially proven products and solutions 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 to achieve higher growth and profitability



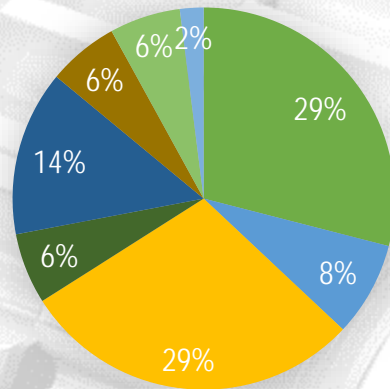
Quarterly Sales by End Market

Q2 FY19 Sales by End Market



- Building Products
- HVAC/R
- Industrial
- Energy
- Plumbing
- Mining
- Rail
- Other

Q2 FY18 Sales by End Market

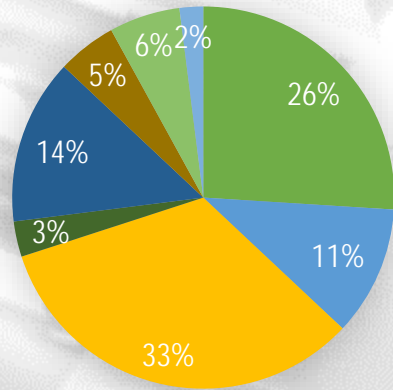


- Building Products
- HVAC/R
- Industrial
- Energy
- Plumbing
- Mining
- Rail
- Other



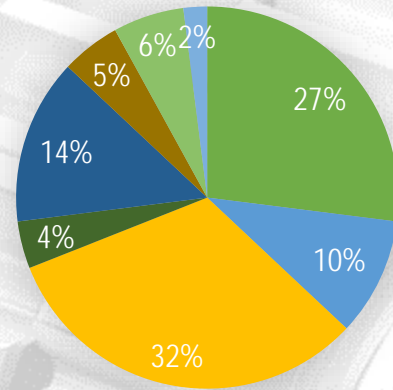
YTD Sales by End Market

Q2 YTD FY19 Sales by End Market



- Building Products
- HVAC/R
- Industrial
- Energy
- Plumbing
- Mining
- Rail
- Other

Q2 YTD FY18 Sales by End Market

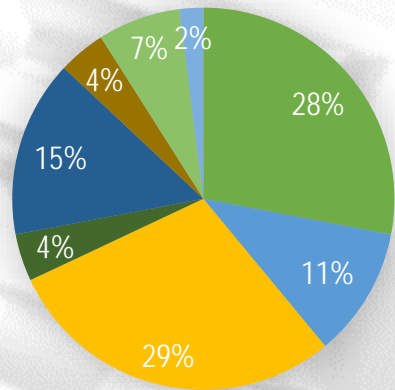


- Building Products
- HVAC/R
- Industrial
- Energy
- Plumbing
- Mining
- Rail
- Other



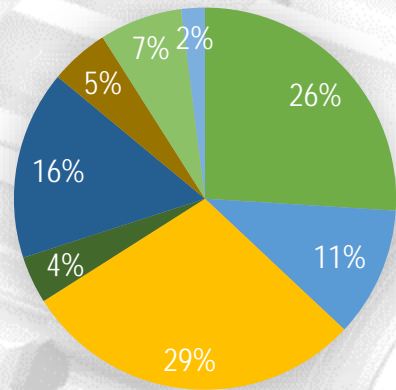
Full Year Sales by End Market

FY18 Sales by End Market



- Building Products
- HVAC/R
- Industrial
- Energy
- Plumbing
- Mining
- Rail
- Other

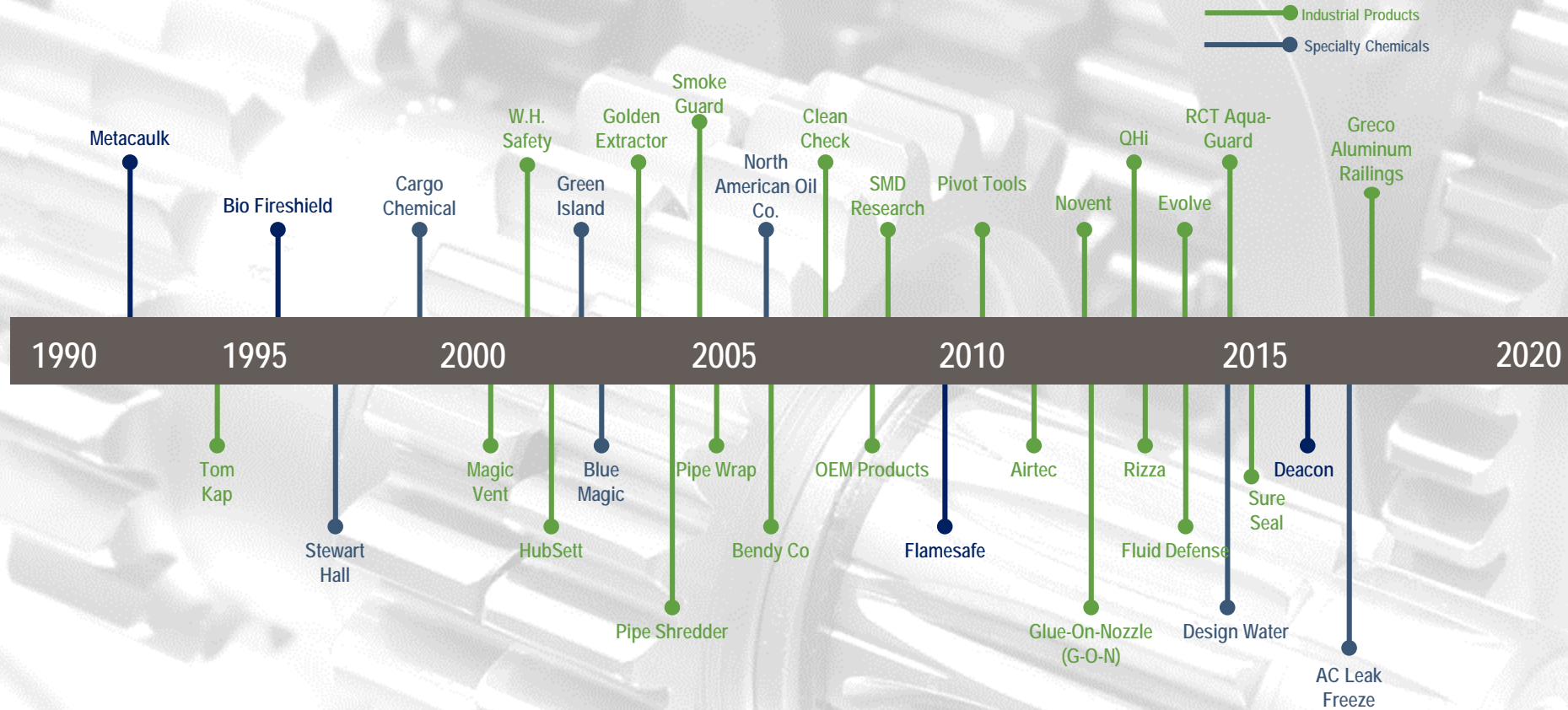
FY17 Sales by End Market



- Building Products
- HVAC/R
- Industrial
- Energy
- Plumbing
- Mining
- Rail
- Other



History of 33 integrated acquisitions



Executive Team

Joe Armes

Chairman, CEO & President



Joe has served as the Company's Chairman of the Board of Directors and Chief Executive Officer since September 2015, and President since February 2018. Prior to the Company's spin-off from Capital Southwest Corporation, a capital provider to middle market companies, in September 2015, Mr. Armes served as the Chief Executive Officer and President of Capital Southwest Corporation from June 2013 to September 2015.

Gregg Branning

Executive VP & CFO



Gregg has served as Executive Vice President and Chief Financial Officer since June 2016. From September 2012 to March 2016, he served as Senior Vice President, Chief Financial Officer and Secretary of Myers Industries, Inc., a polymer products manufacturer. From December 2008 to August 2012, he served as Vice President Finance and Chief Financial Officer for Thomson Industries, a subsidiary of Danaher Corporation.

Luke Alverson

Senior VP, General Counsel & Secretary



Luke has served as Senior Vice President, General Counsel and Secretary since February 2016. From May 2008 to February 2016, he held roles of increasing responsibility with Flowserve Corporation, a leading global manufacturer of fluid motion control products and provider of related services, serving most recently as Vice President, Corporate Legal Services and Assistant Secretary.

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



Business Segment Leadership

Don Sullivan
SVP & GM, Industrial Products



Craig Foster
SVP & GM, Specialty Chemicals



Portfolio Company



Industrial Brands



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



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.

Reconciliation of Operating Income to Adjusted Operating Income

| (in thousands) | (unaudited) | | | |
|--|-----------------------------|-----------|--------------------------------|-----------|
| | Quarter Ended September 30, | | Six Months Ended September 30, | |
| | 2018 | 2017 | 2018 | 2017 |
| GAAP Operating Income- Continuing Operations | \$ 17,204 | \$ 14,552 | \$ 34,949 | \$ 31,223 |
| Adjusting items: | | | | |
| Restructuring & realignment | - | 135 | - | 1,243 |
| Gain on sale of property & other | - | - | (1,839) | - |
| M&A transaction costs | - | 110 | | 110 |
| Adjusted Operating Income--Continuing Operations | \$ 17,204 | \$ 14,797 | \$ 33,110 | \$ 32,576 |

Note: Numbers may not foot due to rounding



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

| (in thousands, except share data) | (unaudited) | | | |
|---|-----------------------------|-----------------|----------------------------|------------------|
| | Quarter Ended September 30, | | Six Months Ended September | |
| | 2018 | 2017 | 2018 | 2017 |
| GAAP Net Income---Continuing Operations | \$ 12,424 | \$ 9,150 | \$ 26,430 | \$ 19,437 |
| Adjusting items, net of tax: | | | | |
| Restructuring & realignment | - | 88 | - | 808 |
| Gain on sale of property & other | - | - | (1,361) | - |
| M&A transaction costs | - | 71 | - | 71 |
| Discrete Tax Provisions & Other | - | 265 | (557) | 265 |
| Adjusted Net Income---Continuing Operations | <u>\$ 12,424</u> | <u>\$ 9,574</u> | <u>\$ 24,512</u> | <u>\$ 20,581</u> |
| GAAP Diluted income per common share, Continuing operations | \$ 0.79 | \$ 0.57 | \$ 1.67 | \$ 1.22 |
| Adjusting items, per diluted common share: | | | | |
| Restructuring & realignment | - | 0.01 | - | 0.05 |
| Gain on sale of property & other | - | - | (0.08) | - |
| M&A transaction costs | - | - | - | 0.01 |
| Discrete Tax Provisions & Other | - | 0.02 | (0.04) | 0.01 |
| Adjusted earnings per diluted common share | <u>\$ 0.79</u> | <u>\$ 0.60</u> | <u>\$ 1.55</u> | <u>\$ 1.29</u> |

Note: Numbers may not foot due to rounding



Q2 Reconciliation of Segment Operating Income to Adjusted Operating Income

(unaudited)

(in thousands, except percentages)

| | For the Three Months Ended September 30, 2018 | | | | For the Three Months Ended September 30, 2017 | | | |
|-----------------------------|---|---------------------|---------------------|------------------------------------|---|---------------------|---------------------|------------------------------------|
| | Industrial Products | Specialty Chemicals | Corporate and Other | Consolidated Continuing Operations | Industrial Products | Specialty Chemicals | Corporate and Other | Consolidated Continuing Operations |
| Revenue | \$ 54,727 | \$ 36,884 | \$ 1 | \$ 91,612 | \$ 48,487 | \$ 35,936 | \$ (1) | \$ 84,422 |
| Operating Income | \$ 14,212 | \$ 6,158 | \$ (3,166) | \$ 17,204 | \$ 12,299 | \$ 5,281 | \$ (3,028) | \$ 14,552 |
| Adjusting items: | | | | | | | | |
| Restructuring & realignment | - | - | - | - | 135 | - | - | 135 |
| M&A transaction costs | - | - | - | - | 110 | - | - | 110 |
| Adjusted Operating Income | \$ 14,212 | \$ 6,158 | \$ (3,166) | \$ 17,204 | \$ 12,544 | \$ 5,281 | \$ (3,028) | \$ 14,797 |
| <i>% of revenue</i> | 26.0% | 16.7% | | 18.8% | 25.9% | 14.7% | | 17.5% |

Note: Numbers may not foot due to rounding



YTD Q2 Reconciliation of Segment Operating Income to Adjusted Operating Income

(unaudited)

(in thousands, except percentages)

Year to date September 30, 2018

Year to date September 30, 2017

| | Year to date September 30, 2018 | | | | Year to date September 30, 2017 | | | |
|----------------------------------|---------------------------------|---------------------|---------------------|------------------------------------|---------------------------------|---------------------|---------------------|------------------------------------|
| | Industrial Products | Specialty Chemicals | Corporate and Other | Consolidated Continuing Operations | Industrial Products | Specialty Chemicals | Corporate and Other | Consolidated Continuing Operations |
| Revenue | \$ 108,587 | \$ 72,602 | \$ 1 | \$ 181,190 | \$ 101,748 | \$ 71,972 | \$ 1 | \$ 173,721 |
| Operating Income | \$ 28,105 | \$ 12,631 | \$ (5,787) | \$ 34,949 | \$ 25,962 | \$ 10,780 | \$ (5,519) | \$ 31,223 |
| Adjusting items: | | | | | | | | |
| Restructuring & realignment | - | - | - | - | 367 | 876 | - | 1,243 |
| Gain on sale of property & other | (253) | (1,586) | - | (1,839) | - | - | - | - |
| M&A transaction costs | - | - | - | - | 110 | - | - | 110 |
| Adjusted Operating Income | \$ 27,852 | \$ 11,045 | \$ (5,787) | \$ 33,110 | \$ 26,439 | \$ 11,656 | \$ (5,519) | \$ 32,576 |
| % of revenue | 25.6% | 15.2% | | 18.3% | 26.0% | 16.2% | | 18.8% |

Note: Numbers may not foot due to rounding



Trailing Twelve Months Ended September 30, 2018

Reconciliation of Operating Income to Adjusted Operating Income

(in thousands, except percentages)

(unaudited)

Trailing 12 months by quarters

| | Q3 A | Q4 A | Q1 A | Q2 A | T12M |
|---|-----------|-----------|-----------|-----------|------------|
| Revenue | \$ 69,036 | \$ 83,464 | \$ 89,578 | \$ 91,612 | \$ 333,690 |
| Operating Income | 7,940 | 10,495 | 17,744 | 17,204 | 53,383 |
| Adjusting items: | | | | | |
| Restructuring & realignment | - | 154 | - | - | 154 |
| Gain on sale of property & other | - | - | (1,839) | - | (1,839) |
| Pension Lump Sum & Officer Transition Costs | - | 712 | - | - | 712 |
| Adjusted Operating Income | \$ 7,940 | \$ 11,362 | \$ 15,905 | \$ 17,204 | \$ 52,411 |
| <i>% of revenue</i> | 11.5% | 13.6% | 17.8% | 18.8% | 15.7% |



CSW Industrials Products ...uncommon reliability



Building Products



Energy



HVAC/R





HVAC/R

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





RECTORSEAL RectorSeal has product in category


1. Evaporator 


2. Condenser 

3. Condensate pump 
RECTORSEAL


4. Condensate drain line 
RECTORSEAL

5. Wireless wall thermostats 

6. Line set covers and fittings 
RECTORSEAL


7. Wall sleeve or seal 
RECTORSEAL

8. Equipment pads 
RECTORSEAL


9. Equipment risers 
RECTORSEAL




10. Equipment stand 
RECTORSEAL


11. Wall bracket 
RECTORSEAL

12. Refrigerant line 
RECTORSEAL


13. Electrical cable 
RECTORSEAL

14. Brass flare nuts and fittings 

15. Locking refrigerant caps 
RECTORSEAL

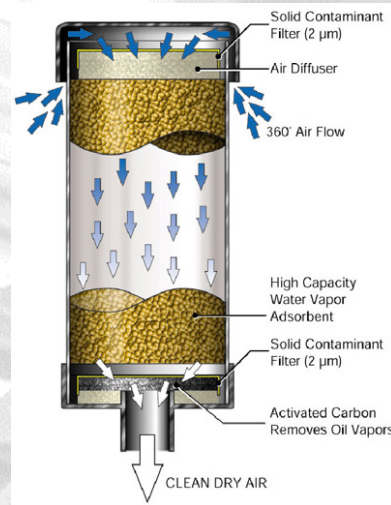
16. Installation support bracket 
RECTORSEAL

17. Cleaning bib kit 
RECTORSEAL

18. Coil and fan cleaners 
RECTORSEAL



Industrial



Mining






































Plumbing



Rail



CSWI Competitors

| HVAC/R | Building Products | Industrial | Rail | Energy | Plumbing | Mining |
|---|---|---|---|---|---|---|
|  |  |  |  |  |  |  |
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