



# Investor Presentation

**NOVEMBER 6, 2019**

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# 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.

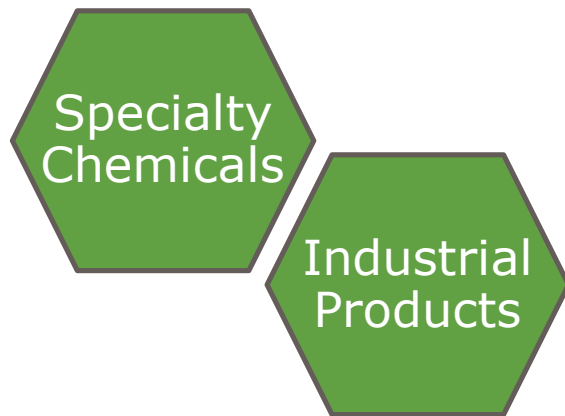
## Non-GAAP Financial Information

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.

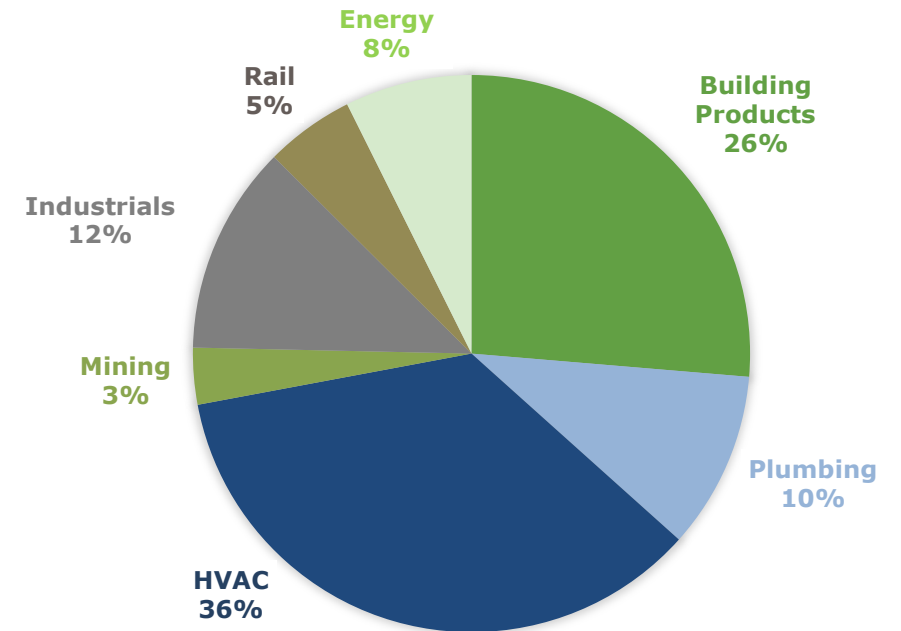
# CSW Industrials (Nasdaq: CSWI)

*A diversified industrial growth company with well-established, scalable platforms, and domain expertise across two operating segments*

## **Two Operating Segments**



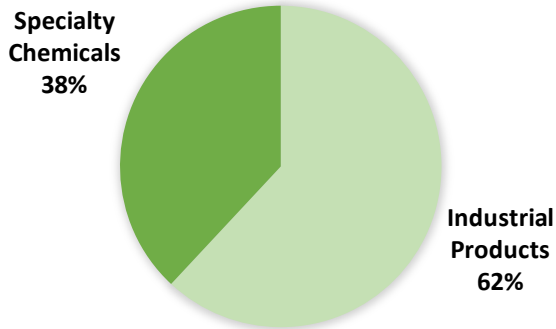
## **Serving Diverse End Markets**



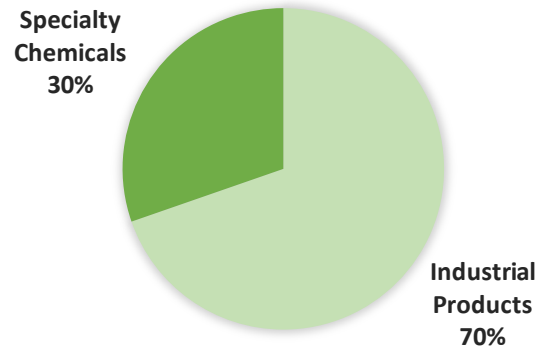
1<sup>st</sup> Half Fiscal Year 2020

# Quarterly Results by Segment

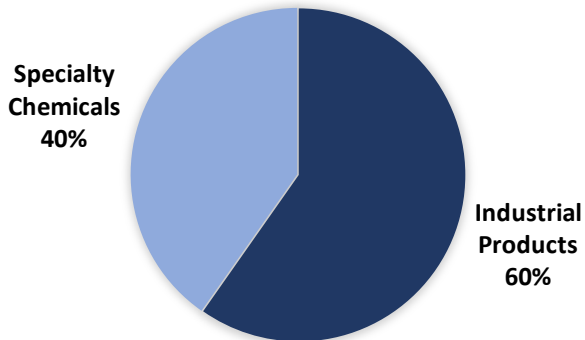
Q2 Fiscal 2020 Revenues:  
\$101.3M<sup>(1)</sup>



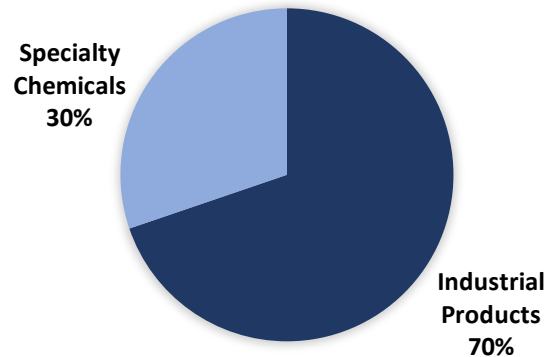
Q2 Fiscal 2020 Adj. Operating  
Income: \$20.3M<sup>(1)</sup>



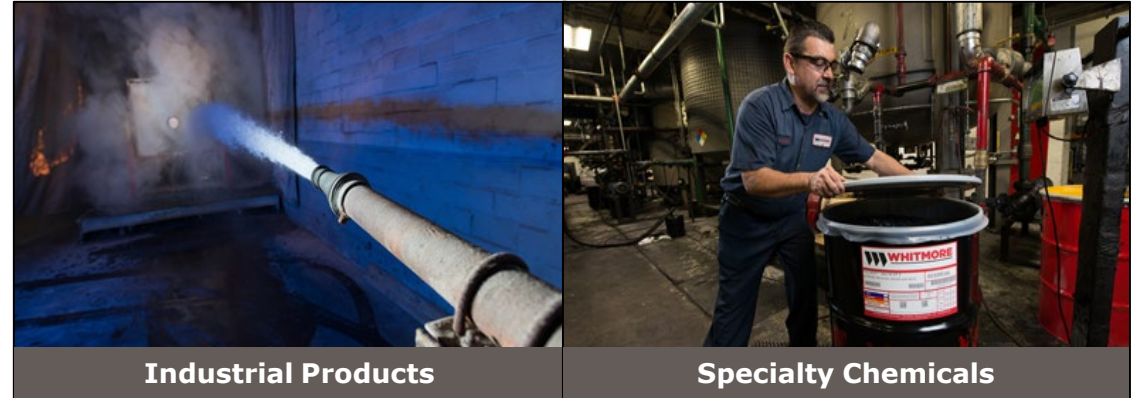
Q2 Fiscal 2019 Revenues:  
\$91.6M<sup>(1)</sup>



Q2 Fiscal 2019 Adj. Operating  
Income: \$17.2M<sup>(1)</sup>



(1) Continuing Operations only



## Two Business Segments:

### Industrial Products

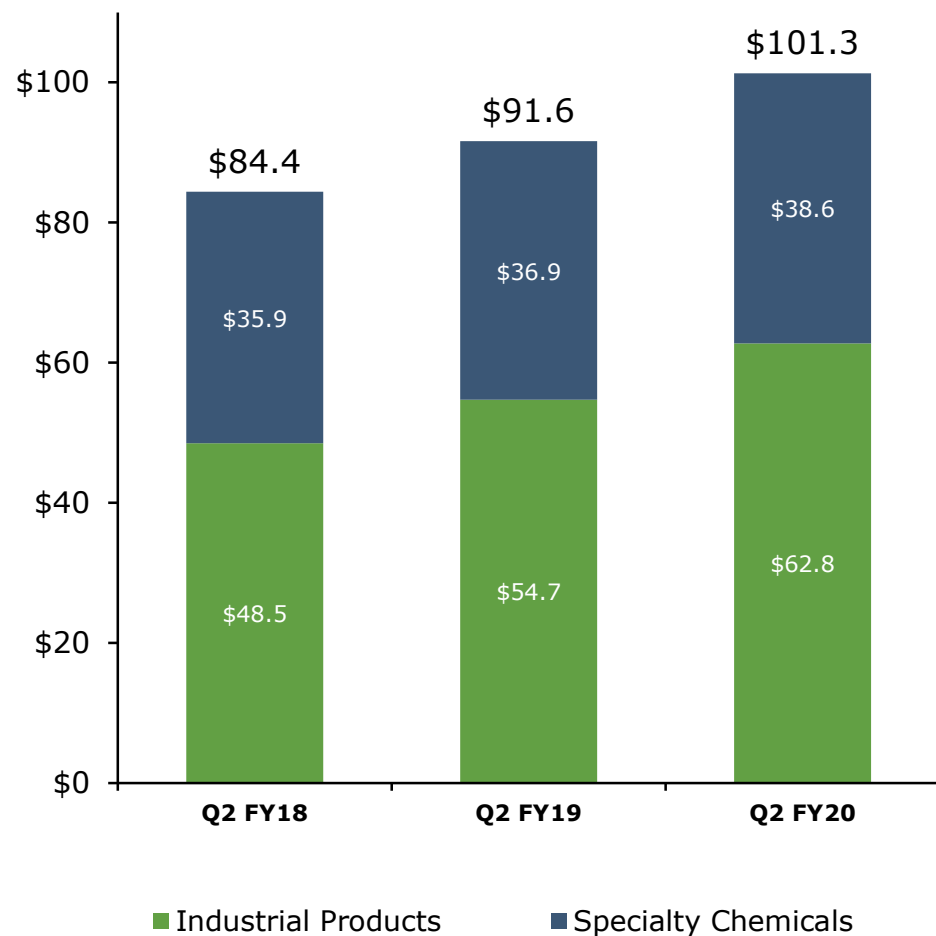
Specialty mechanical products, controls, fire & smoke protection, architecturally specified building products, storage, filtration & application equipment for use with our specialty chemicals

### Specialty Chemicals

Consumables that enhance performance characteristics and reliability including pipe thread sealants, fire stopping sealants and caulks, adhesives and solvents cements, lubricants and greases, drilling and anti-seize compounds, degreasers and cleaners, and chemical formulations

# Quarterly Revenues by Segment

## Revenues (\$ millions)



## Q2 FY20 Highlights

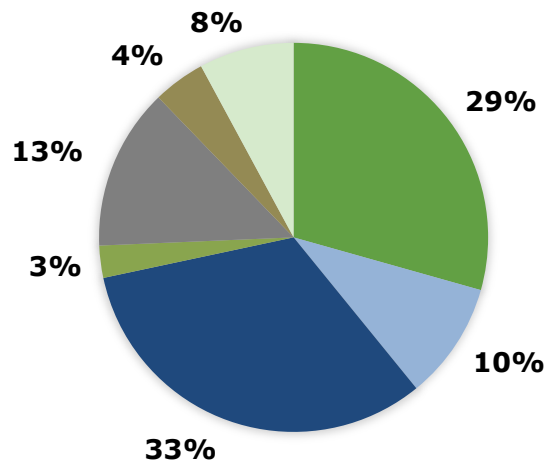
Overall quarterly revenue increased **10.6%** (6.3% organic) compared to the prior year period

**Industrial Products** revenue increased **14.7%** (7.5% organic), compared to the prior year period, primarily driven by strong HVAC, plumbing, and architecturally specified building products organic growth, coupled with inorganic revenue from the acquisitions of Petersen Metals and MSD

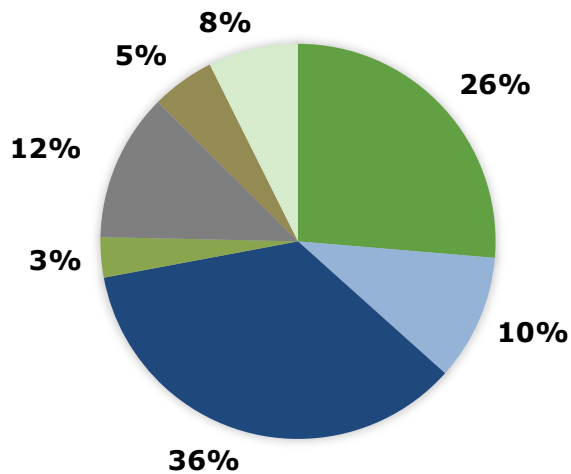
**Specialty Chemicals** revenue increased **4.5%**, compared to the prior year period, primarily driven by strong performance in our energy and architecturally-specified building products end markets, partially offset by the general industrial end market

# Revenue by End Market

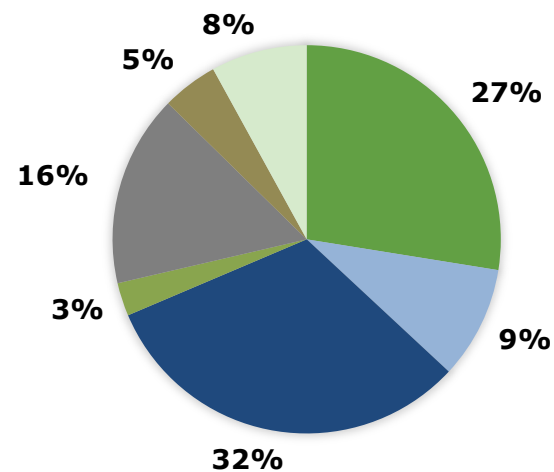
2<sup>nd</sup> Quarter Fiscal 2020



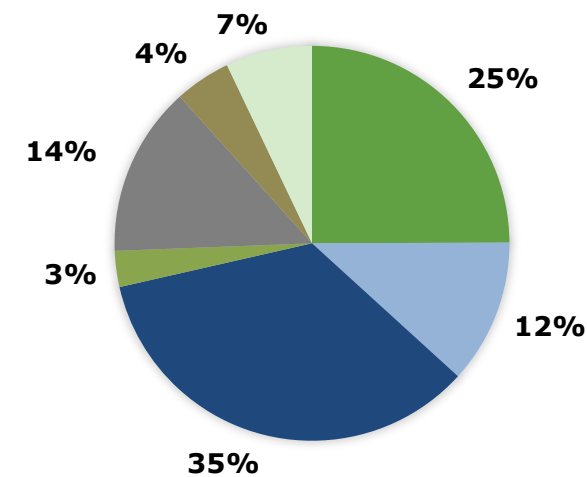
1<sup>st</sup> Half Fiscal 2020



2<sup>nd</sup> Quarter Fiscal 2019



1<sup>st</sup> Half Fiscal 2019



# Dedicated to Enhancing Shareholder Value

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- Experienced senior leadership team
- Strong, flexible balance sheet
- Disciplined capital allocation principles
- Strategic acquisition opportunities
- Core values and culture designed to maximize performance
- Insider ownership at over 7%, including ESOP

Market Cap <sup>(1)</sup>	LTM Revenue <sup>(2)</sup>	LTM Adjusted Operating Income <sup>(2)</sup>	LTM Adjusted Operating Income Margin <sup>(2)</sup>
~\$1,057 mm	\$372.6 mm	\$65.2 mm	17.5%

(1) Market capitalization data as of Nov 1, 2019

(2) Twelve months ended September 30, 2019 from continuing operations; see reconciliations of Non-GAAP measures later in this presentation

# Capital Allocation

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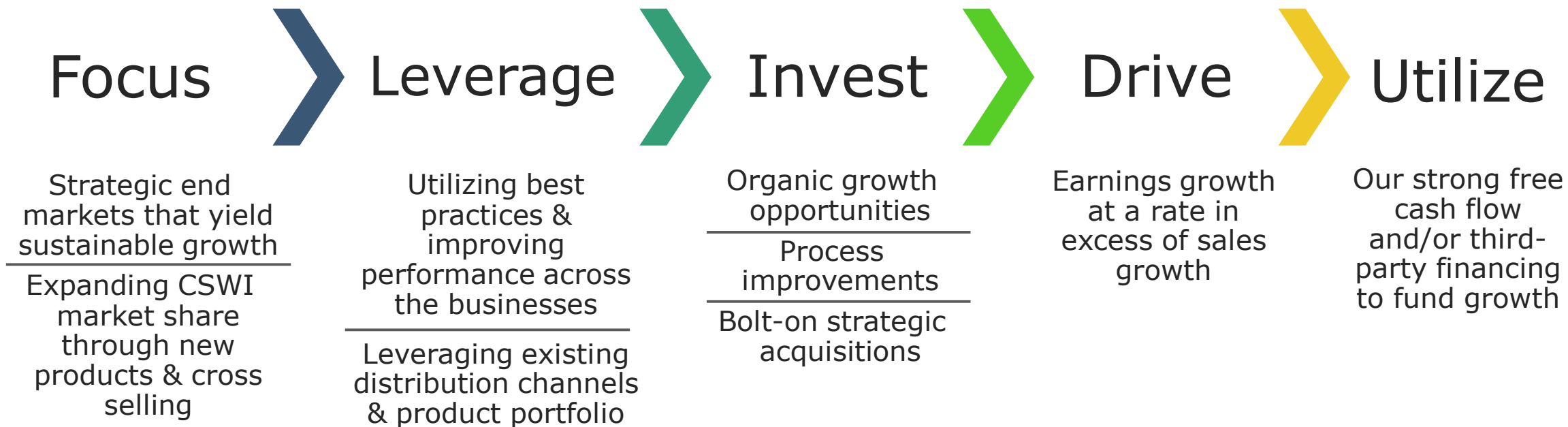
CSWI is committed to maintaining a strong balance sheet with ample liquidity through both cash and available credit to maximize growth opportunities, both organically and inorganically

- 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 the 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



# CSWI Strategic Goals

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# CSWI Key Growth Drivers

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# 2019 Industrial Products Acquisitions

*Complementing our industrial products portfolio and realizing growth in our customer base, product offerings, and geographic presence.*

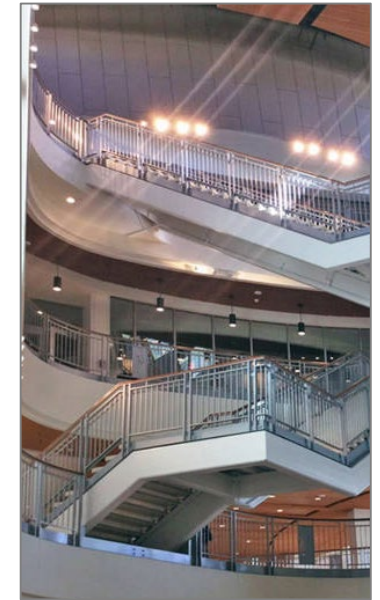
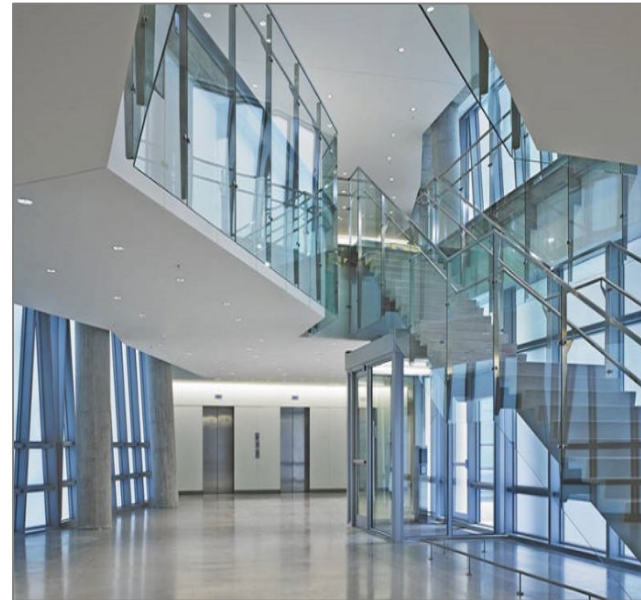
## RectorSeal Acquired All-Access, MSD Research, Inc. – January 31, 2019

- Well-known developer of HVAC/R products
- Expands industrial products existing portfolio of A/C condensate switch products while utilizing RectorSeal's sales channels
- Enhanced product development opportunities



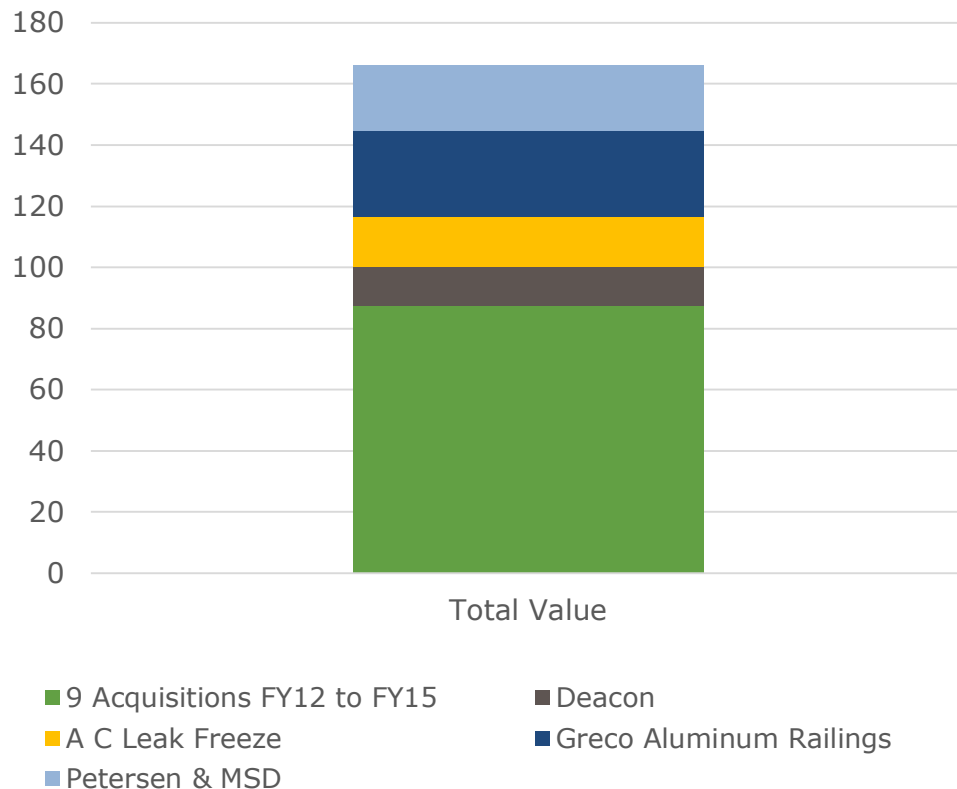
## Greco Acquired Petersen Metals – April 2, 2019

- Complements existing railing portfolio
- Diversifies product offerings, customer base, and geographic reach
- Enhances existing sales channels of our Architecturally Specified Building Products businesses



# Focused Acquisitions

## Capital Invested for Acquisitions (\$ millions)

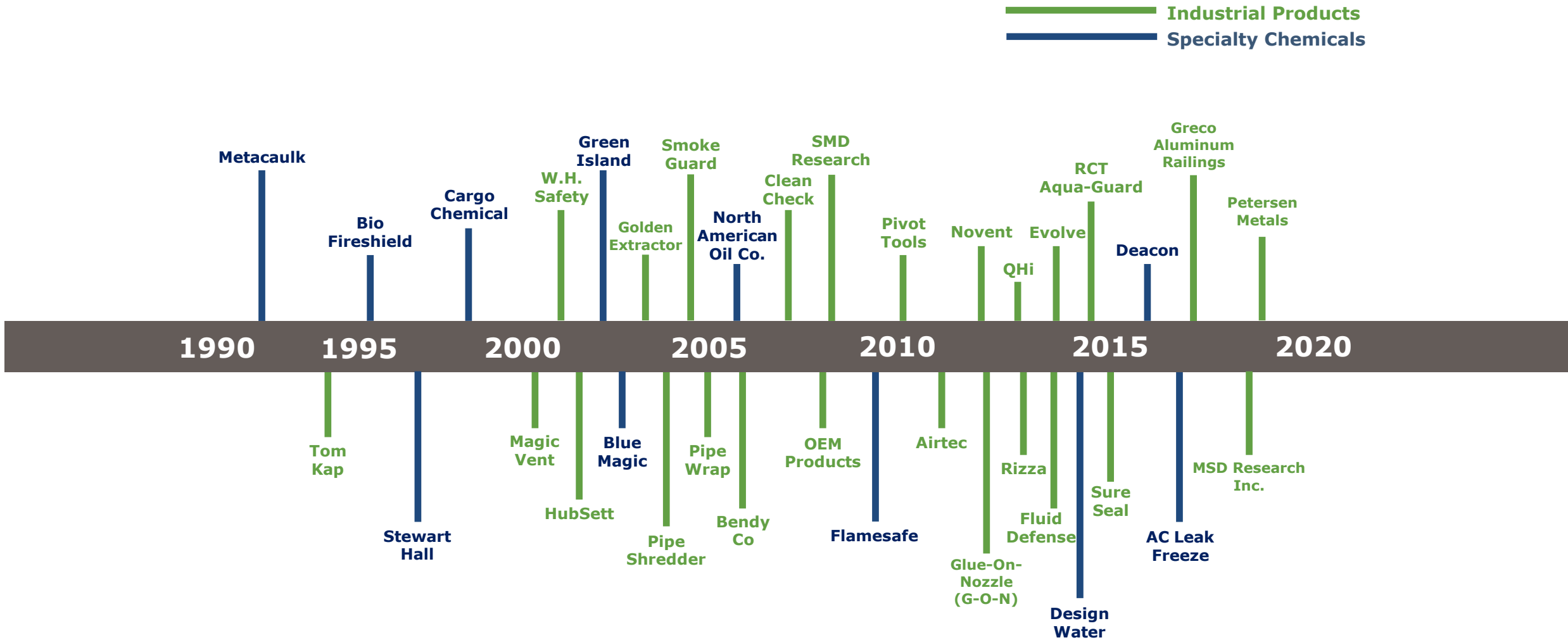


## Strategic Execution Plan

- Identify and execute accretive, bolt-on acquisitions that will broaden and complement our portfolio of brands and products
- Optimize costs in strategic acquisitions and 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 access to distribution channels that will benefit from our market channels
- Utilize strong free cash flow or third-party financing to fund these acquisitions
- Divest non-strategic and under-performing businesses

*Seeking further attractive synergistic acquisitions to achieve higher growth and profitability*

# Acquisition History





# Company Leadership & Culture

Nasdaq: CSWI

# Executive Team - Corporate

Our Senior Leadership Team Averages Over 25 Years of Experience in the Industrial Manufacturing & Specialty Chemicals Industries

**Joe Armes**

*Chairman, CEO & President*



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

**Gregg Branning**

*Executive VP & CFO*



Gregg has served as EVP & CFO since June 2016. From September 2012 to March 2016, he served as SVP, CFO & Secretary of Myers Industries, Inc., a polymer products manufacturer. From December 2008 to August 2012, he served as VP Finance & CFO for Thomson Industries, a subsidiary of Danaher Corporation.

**Luke Alverson**

*Senior VP, General Counsel & Secretary*



Luke has served as SVP, General Counsel & 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 VP, Corporate Legal Services & Assistant Secretary.

# Executive Team – Business Segments

**Don Sullivan**  
SVP & GM, Industrial Products



**Craig Foster**  
SVP & GM, Specialty Chemicals



Portfolio Companies	   	 
Industrial Brands	            	           



# Corporate Culture

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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*

Accountability   Teamwork   Excellence   Integrity  
Respect   Citizenship   Stewardship



**CSW**  
INDUSTRIALS

# Financial Appendix

# Reconciliation of Operating Income to Adjusted Operating Income

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(in thousands)	(unaudited)			
	Quarter Ended September 30,		Six Months Ended September 30,	
	2019	2018	2019	2018
GAAP Operating Income - Continuing Operations	\$ 20,122	\$ 17,204	\$ 40,444	\$ 34,949
Adjusting items:				
Gain on sale of property & other	(776)	-	(776)	(1,839)
Adjusted Operating Income--Continuing Operations	<u>\$ 19,346</u>	<u>\$ 17,204</u>	<u>\$ 39,668</u>	<u>\$ 33,110</u>

# 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 30,	
	2019	2018	2019	2018
GAAP Net Income---Continuing Operations	\$ 8,818	\$ 12,424	\$ 24,163	\$ 26,430
Adjusting items, net of tax:				
Gain on sale of property & other	(582)	-	(582)	(1,361)
Pension Termination	5,377	-	5,377	-
Discrete Tax Provisions & Other	411	-	(133)	(557)
Adjusted Net Income---Continuing Operations	<u>\$ 14,024</u>	<u>\$ 12,424</u>	<u>\$ 28,825</u>	<u>\$ 24,512</u>
GAAP Diluted income per common share, Continuing operations	\$ 0.58	\$ 0.79	\$ 1.59	\$ 1.67
Adjusting items, per diluted common share:				
Gain on sale of property & other	(0.04)	-	(0.04)	(0.08)
Pension Termination	0.35	-	0.35	-
Discrete Tax Provisions & Other	0.03	-	(0.01)	(0.03)
Adjusted earnings per diluted common share	<u>\$ 0.92</u>	<u>\$ 0.79</u>	<u>\$ 1.90</u>	<u>\$ 1.56</u>

# Q2 Reconciliation of Segment Operating Income to Adjusted Operating Income

(unaudited)

(in thousands, except percentages)

	For the Three Months Ended September 30, 2019				For the Three Months Ended September 30, 2018			
	Industrial Products	Specialty Chemicals	Corporate and Other	Consolidated Continuing Operations	Industrial Products	Specialty Chemicals	Corporate and Other	Consolidated Continuing Operations
Revenue	\$ 62,769	\$ 38,555	\$ -	\$ 101,324	\$ 54,727	\$ 36,884	\$ 1	\$ 91,612
Operating Income	\$ 16,413	\$ 7,142	\$ (3,433)	\$ 20,122	\$ 14,212	\$ 6,158	\$ (3,166)	\$ 17,204
Adjusting items:								
Gain on sale of property & other	-	(776)	-	(776)	-	-	-	-
Adjusted Operating Income	\$ 16,413	\$ 6,366	\$ (3,433)	\$ 19,346	\$ 14,212	\$ 6,158	\$ (3,166)	\$ 17,204
% of revenue	26.1%	16.5%		19.1%	26.0%	16.7%		18.8%

# YTD Q2 Reconciliation of Segment Operating Income to Adjusted Operating Income

(unaudited)

(in thousands, except percentages)

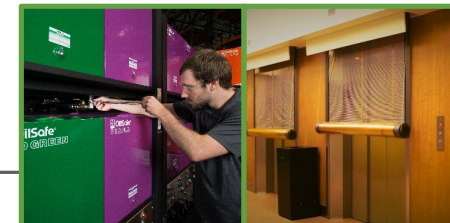
	Year to date September 30, 2019				Year to date September 30, 2018			
	Industrial Products	Specialty Chemicals	Corporate and Other	Consolidated Continuing Operations	Industrial Products	Specialty Chemicals	Corporate and Other	Consolidated Continuing Operations
Revenue	\$ 126,121	\$ 77,536	\$ -	\$ 203,657	\$ 108,587	\$ 72,602	\$ 1	\$ 181,190
Operating Income	\$ 33,456	\$ 13,765	\$ (6,777)	\$ 40,444	\$ 28,105	\$ 12,631	\$ (5,787)	\$ 34,949
Adjusting items:								
Gain on sale of property & other	-	(776)	-	(776)	(253)	(1,586)	-	(1,839)
Adjusted Operating Income	\$ 33,456	\$ 12,989	\$ (6,777)	\$ 39,668	\$ 27,852	\$ 11,045	\$ (5,787)	\$ 33,110
% of revenue	26.5%	16.8%		19.5%	25.6%	15.2%		18.3%

# Trailing 12 months Reconciliation of Operating Income to Adjusted Operating Income

	(unaudited)				
	Trailing 12 months by quarters				
	Q3 A	Q4 A	Q1 A	Q2 A	T12M
Revenue	\$ 77,488	\$ 91,477	\$ 102,333	\$ 101,324	\$ 372,622
Operating Income	9,421	16,071	20,322	20,122	\$ 65,935
Adjusting items:					
Gain on sale of property & other	-	-	-	(776)	\$ (776)
Adjusted Operating Income	<u>\$ 9,421</u>	<u>\$ 16,071</u>	<u>\$ 20,322</u>	<u>\$ 19,346</u>	<u>\$ 65,159</u>
<i>% of revenue</i>	<i>12.2%</i>	<i>17.6%</i>	<i>19.9%</i>	<i>19.1%</i>	<i>17.5%</i>

# Product and Brand Review

## CSWI Products ...Uncommon Reliability





# Operating Segments

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*Broad, yet complimentary portfolio of leading products  
that provide performance optimizing solutions*

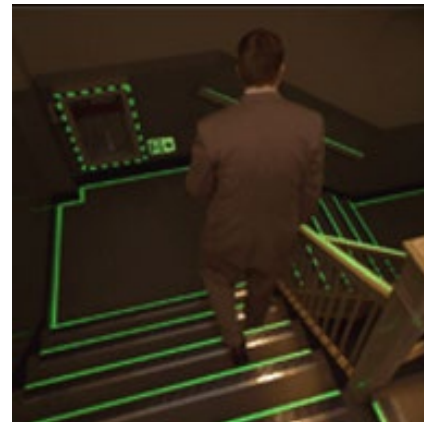
## Industrial Products

- Application Equipment for use with our Specialty Chemicals
- Architecturally Specified Building Products
- Controls
- Filtration
- Fire & Smoke Protection
- Specialty Mechanical Products
- Storage

## Specialty Chemicals

- Adhesives/Solvents
- Anti-seize
- Caulks
- Cements
- Fire Stopping Sealants
- Friction & Heat Control
- Lubricity
- Pipe Thread Sealants

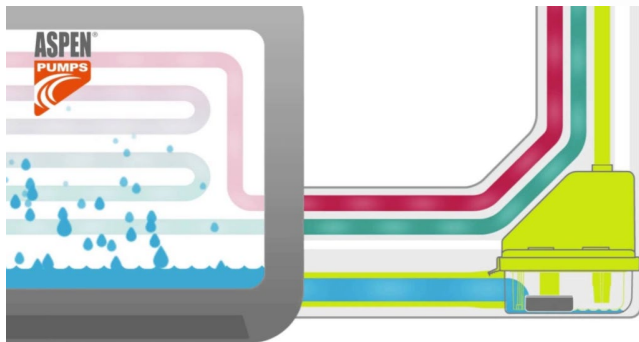
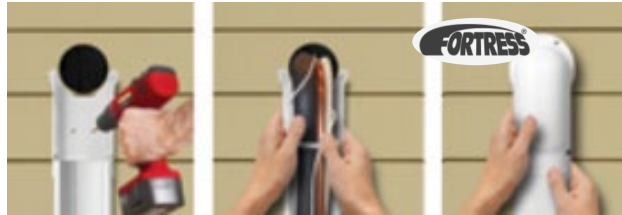
# Architecturally Specified Building Products



# Products Serving the Energy End Market



# Products Serving the HVAC/R End Market



# Products Serving Niche HVAC/R Mini-Splits

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



1. Evaporator



2. Condenser



3. Condensate pump



4. Condensate drain line



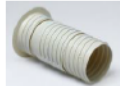
5. Wireless wall thermostats



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

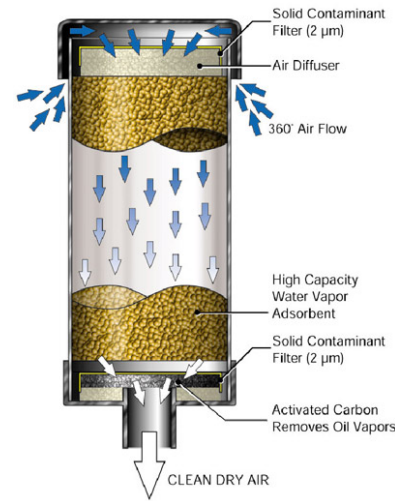


18. Coil and fan cleaners



RectorSeal has product in category

# Products Serving the General Industrial End Market



# Products That Serve the Mining End Market



# Products Serving the Plumbing End Market








































# Products Serving the Rail End Market



# Competitors in Our End Markets

HVAC/R	Building Products	Industrial	Rail	Energy	Plumbing	Mining
						
						
						
						
						
						
						
						



**CSW**  
INDUSTRIALS

**Investor Presentation**  
**November 6, 2019**