



**CSW**  
INDUSTRIALS

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Investor Presentation  
August 2017

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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 EBITDA, Adjusted Earnings Per Share and Adjusted EBITDA, 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.

## Why CSW Industrials?

- **Diversified industrial growth company with well established, scalable platforms and domain expertise across three 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
  - Strategic acquisition opportunities in each segment
  - Core values and culture that maximize sustainable performance

# CSWI Key Growth Drivers

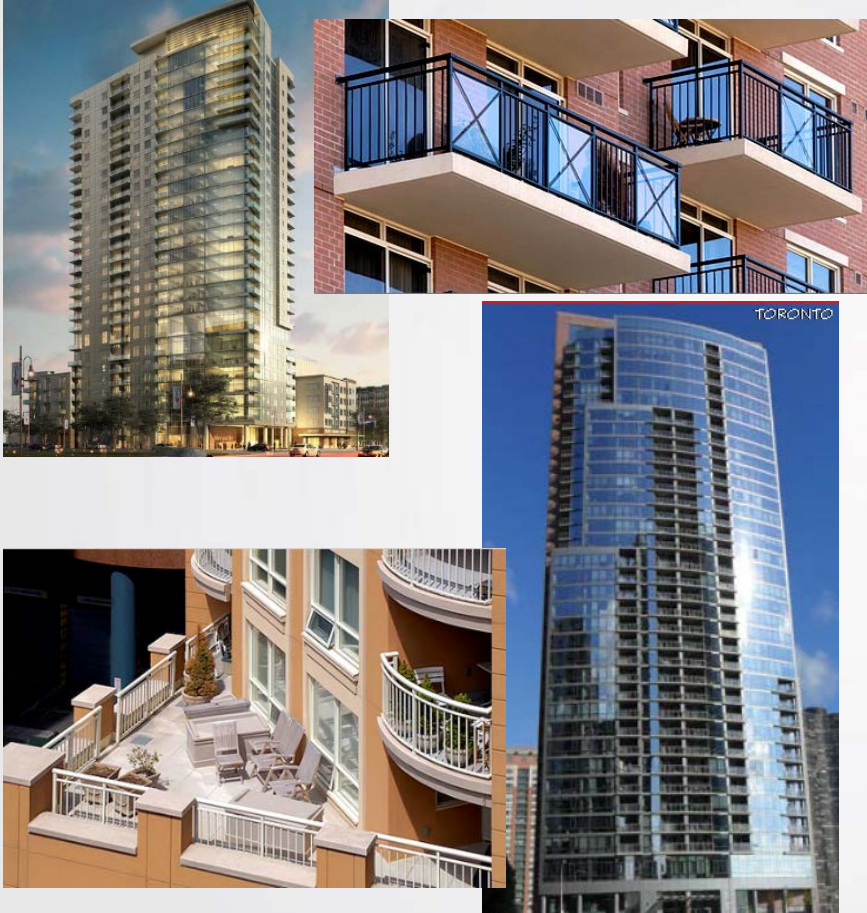


## Strategic Goals

- **Focus** on strategic end markets which yield sustainable growth by:
  - Leveraging our existing product portfolio and distribution channels
  - 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

# Greco Aluminum Railings Acquisition



- Acquired February 28, 2017
- Bolt on acquisition leverages architecturally specified building products channel
  - Greco railings & Smoke Guard curtains target same end customers (architects and general contractors)
  - Leverage Balco and Smoke Guard's strength in US and Greco's in Canada
- Report through Industrial Products Segment
- Purchase price ~\$28 million
- Trailing twelve month key financial metrics:
  - Revenue ~\$13.5 million
  - EBITDA ~\$3.75 million



# Company at a Glance (Nasdaq: CSWI)



Industrial Products



Specialty Chemicals

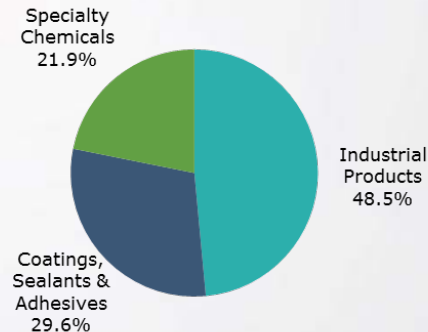


Coatings, Sealants & Adhesives

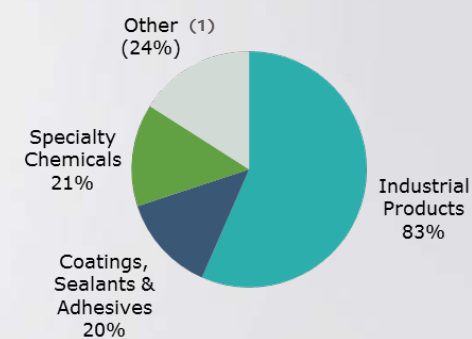
Three business segments:

- 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
- Coatings, Sealants & Adhesives
  - Coatings, pipe thread sealants, fire stopping sealants, caulks and adhesives/ solvents, & cements

FY2017 Net Revenues:  
\$327.1M



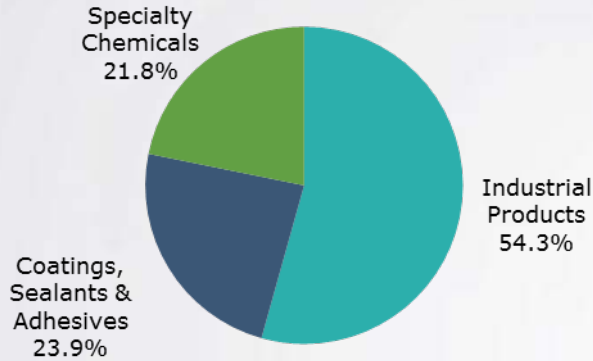
FY2017 Adj. Operating Income: \$41.6M<sup>(2)</sup>



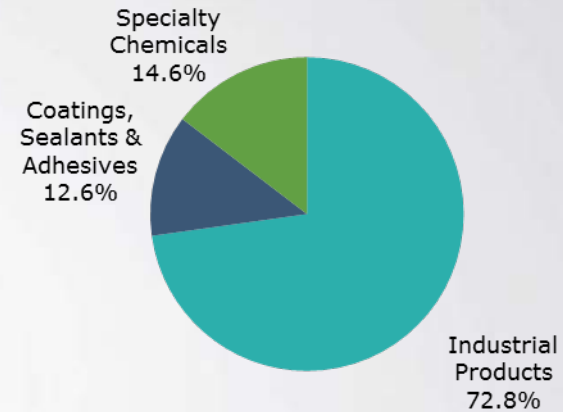
(1) Includes (i) Corporate Costs; (ii) Eliminations; and (iii) Adjustments not captured at the segment level  
 (2) Adjustments include realignment & restructuring, SOX implementation costs, acquisition related transaction costs, excess and obsolete inventory reserve and patent and trademark impairments.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

# CSWI Business Segments

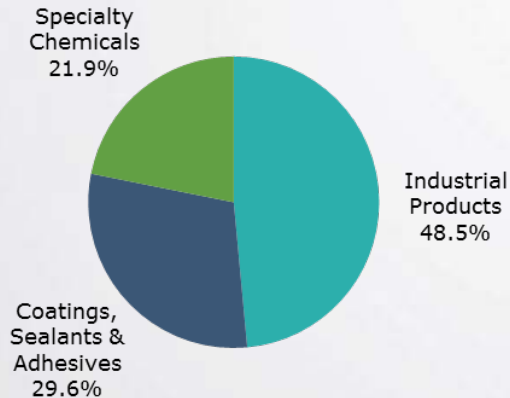
Q1 FY18 Net Revenues



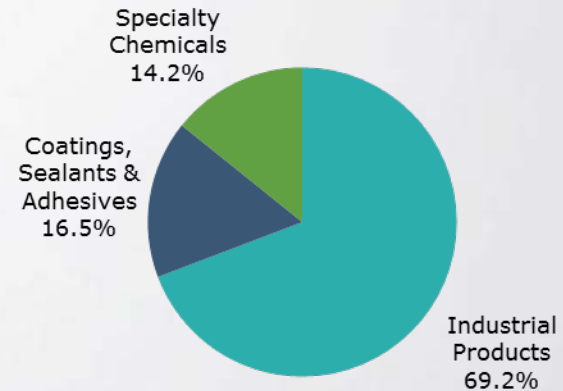
Q1 FY18 Adj. Operating Income



FY17 Net Revenues



FY17 Adj. Operating Income

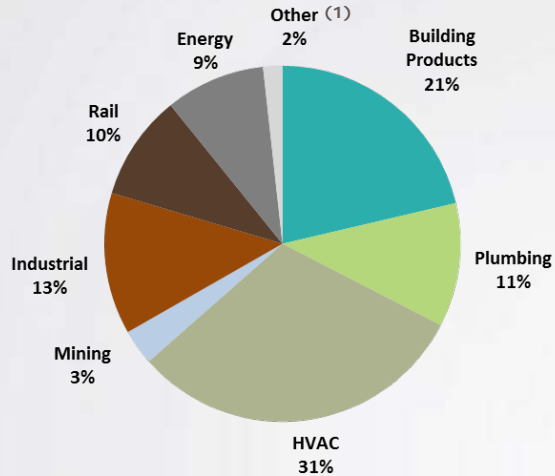


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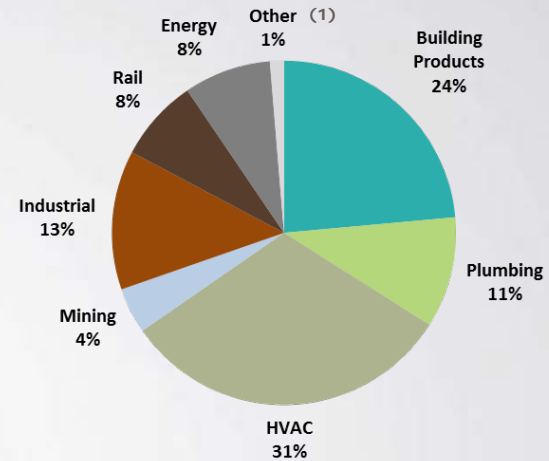


# Sales by End Market Analysis

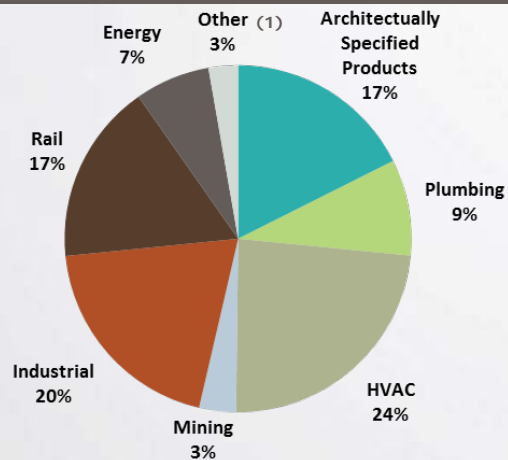
## Q1 FY17 Sales by End Market



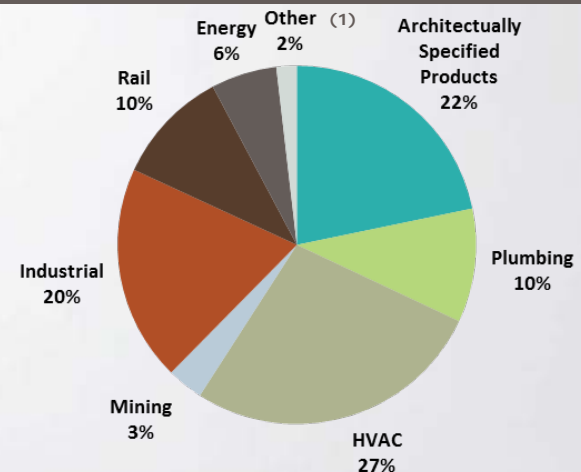
## Q1 FY18 Sales by End Market



## FY16 Sales by End Market

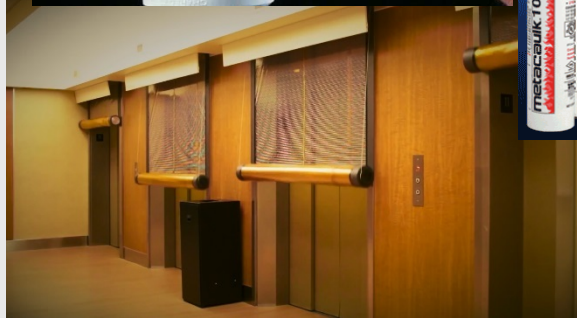
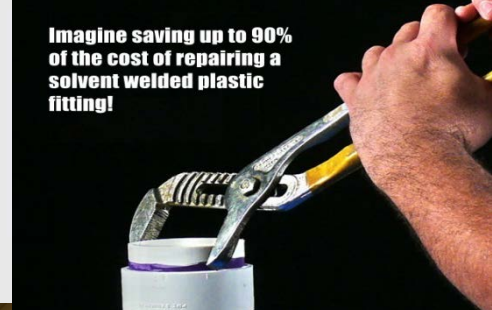


## FY17 Sales by End Market



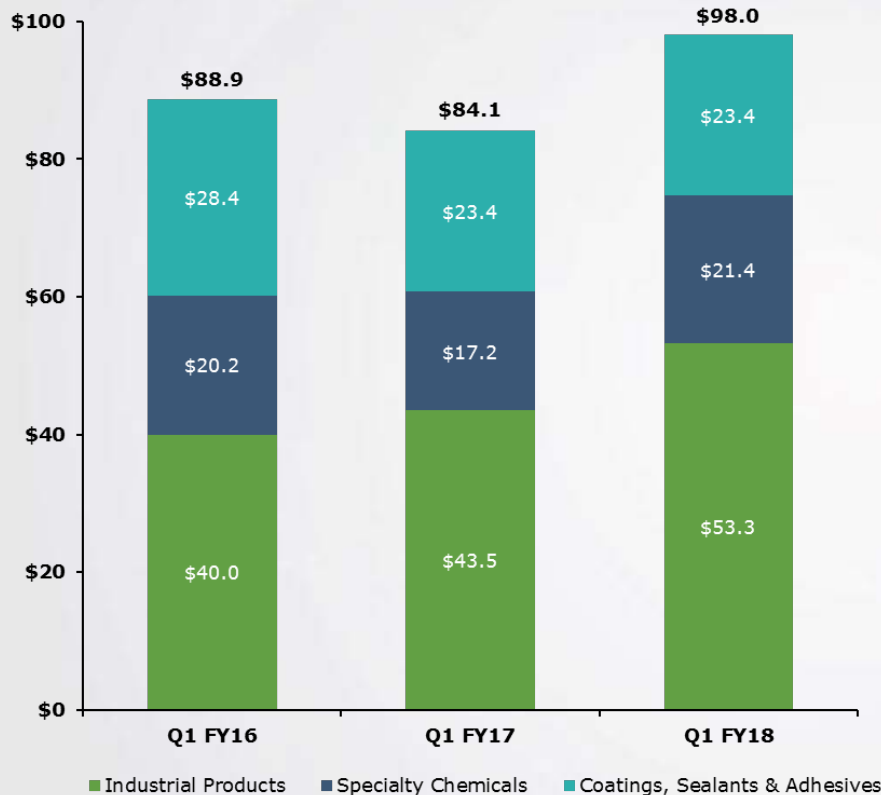
(1) Other end use markets include Water Well drilling, Power Generation, Marine

# CSWI Products – Delivering Solutions to Customers



# Segments – Quarterly Net Revenues

## Q1 Net Revenues (\$ millions)

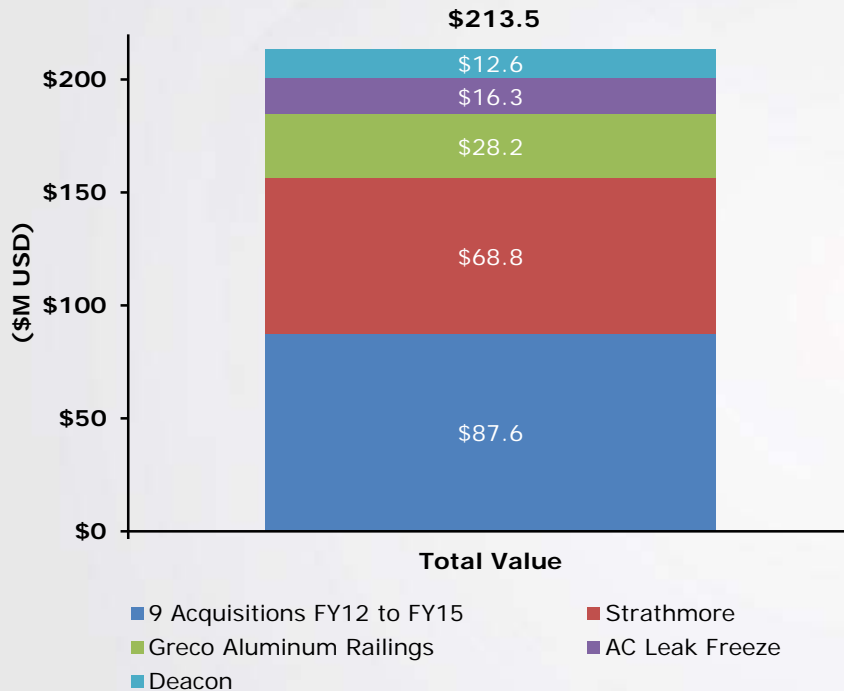


## Q1 FY18 Highlights

- Overall quarterly net sales increased **16.6%** year over year
- **Industrial Products** net revenues increased **22.5%** (11.8% organic and 10.7% inorganic) with big gains in HVAC & plumbing and Greco inorganic revenues
- **Specialty Chemicals** net revenues increased **24.4%** (all organic) with increased mining, energy & HVAC sales
- **Coatings, Sealants & Adhesives** net revenue was flat

# Focused Acquisitions

## Capital Invested for Acquisitions (\$M)



## Strategy & Execution Plan

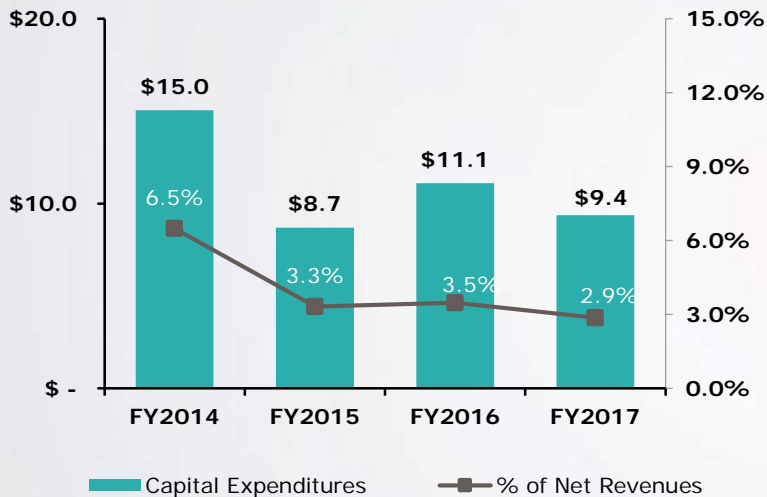
- Identify and execute accretive, bolt-on acquisitions that will broaden our portfolio of industrial brands and products, and support our business segments
- Eliminate costs and overhead in strategic acquisitions and most non-manufacturing related costs in product line acquisitions
- Focus on commercially proven products and solutions that:
  - are attractive to customers in our target end markets
  - currently have limited distribution
  - would benefit from a broader distribution network
- Utilize strong free cash flow or third-party financing to fund these acquisitions

There are further attractive synergistic acquisitions available to achieve higher growth and profitability



# Combined Financials – Capital Investment

## Capital Expenditures (\$ millions, %)



## Highlights

- Capital expenditures to net revenue ratio averaged 3.2% in the last three years
  - Capital expenditures declined in FY15 primarily due to completion of facility expansion project for Whitmore
  - CAPEX increased in FY16 due to Jet-Lube integration project (\$7M)
  - Annual maintenance capital to net revenue ratio averaged ~2%

Disciplined investment in capital expenditures / Not capital intensive



## Why CSW Industrials?

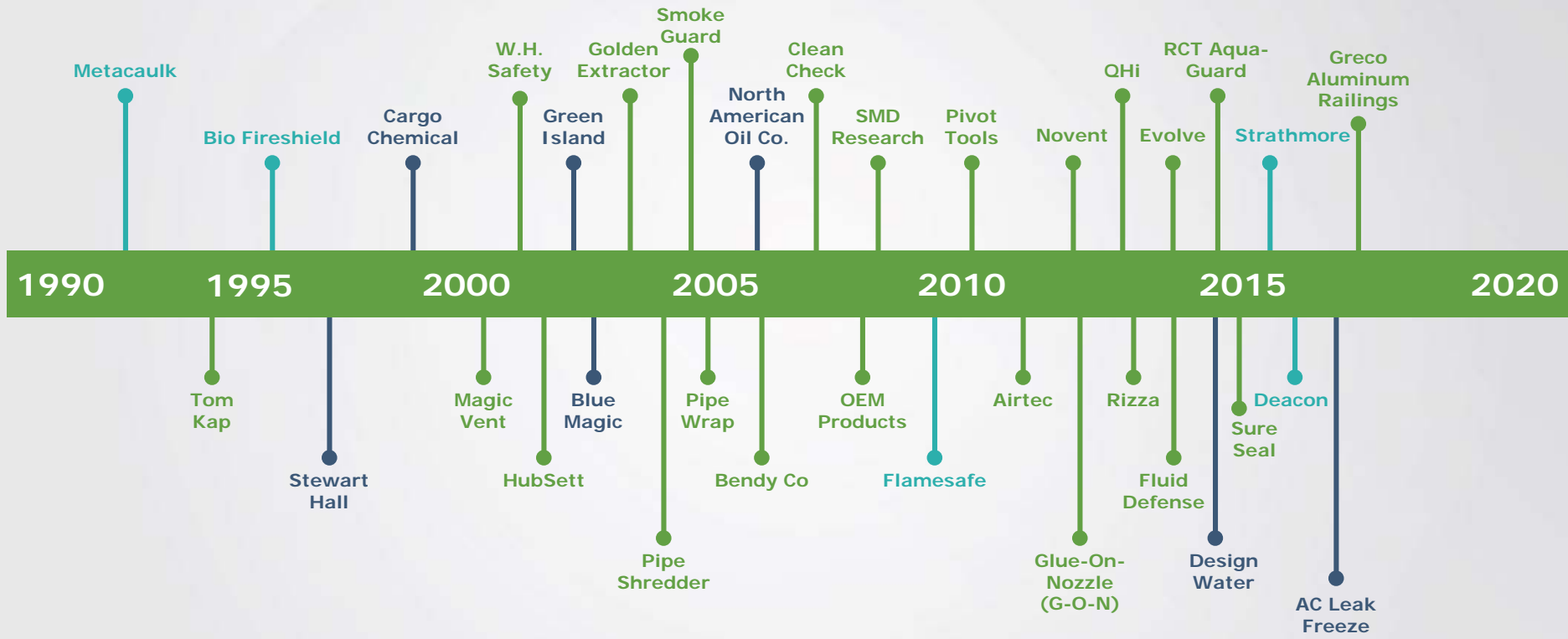
- **Diversified industrial growth company with well established, scalable platforms and domain expertise across three segments**
  - Broad, yet complimentary portfolio of leading products that provide performance optimizing solutions
- **Strong brand recognition in the markets we serve:**
  - HVAC
  - 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
  - Strategic acquisition opportunities in each segment
  - Core values and culture that maximize sustainable performance

A large, solid green abstract shape occupies the left side of the page. It has a curved top edge and a pointed bottom edge, resembling a stylized leaf or a modern logo element. The shape is positioned on the left, leaving the right side of the page mostly empty white space.

# Appendix

# History of 35 integrated acquisitions

- Coatings, Sealants & Adhesive
- Industrial Products
- Specialty Chemicals



# Experienced Management Team

## Executive Officers



**Joe Armes**  
*Chairman and CEO*



**Chris Mudd**  
*President & COO*



**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

## 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 EVP and COO of Glazer's, Inc*

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

# Business Segment Leadership

Business Segment

Portfolio Company

Industrial Brands

## Industrial Products



Don Sullivan  
SVP/GM



## Coatings, Sealants & Adhesives



Chris Mudd  
Interim Leader



## 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)	(unaudited)			
	For the Year Ended March 31,		For the Three Months Ended	
	2017	2016	June 30,	2016
GAAP Operating Income	\$ 22,481	\$ 47,486	\$ 14,263	\$ 7,410
Adjusting items:				
Pension gain	-	(8,020)	-	-
Restructuring & realignment	9,964	-	2,516	1,551
Asset Impairment	3,234	-	-	-
Estimated reserve for excess inventory	719	-	-	-
Transaction and integration costs	431	2,128	-	-
Spin related costs	-	3,730	-	-
Consulting projects	1,904	-	-	594
CFO Transition	2,872	-	-	2,841
Adjusted Operating Income	<u>\$ 41,604</u>	<u>\$ 45,324</u>	<u>\$ 16,779</u>	<u>\$ 12,396</u>

Note: Numbers may not foot due to rounding

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

(unaudited)

(in thousands, except share data)

	For the Year Ended March 31,		For the Three Months Ended June 30,	
	2017	2016	2017	2016
GAAP Net Income	\$ 11,071	\$ 25,471	\$ 8,514	\$ 4,096
Adjusting items, net of tax:				
Pension gain	-	(5,213)	-	-
Restructuring & realignment	6,555	-	1,635	1,087
Asset Impairment	2,102	-	-	-
Estimated reserve for excess inventory	467	-	-	-
Transaction and integration costs	280	1,377	-	-
Spin related costs	-	2,413	-	-
Consulting projects	1,238	-	-	386
CFO Transition	1,867	-	-	1,847
Discrete Tax Provisions	3,073	2,953	-	612
Adjusted Net Income	<u>\$ 26,653</u>	<u>\$ 27,001</u>	<u>\$ 10,149</u>	<u>\$ 8,028</u>
GAAP Diluted income per common share	\$ 0.70	\$ 1.62	\$ 0.54	\$ 0.26
Adjusting items, per diluted common share:				
Pension gain	-	(0.33)	-	-
Restructuring & realignment	0.41	-	0.10	0.07
Asset Impairment	0.13	-	-	-
Estimated reserve for excess inventory	0.03	-	-	-
Transaction and integration costs	0.02	0.09	-	-
Spin related costs	-	0.14	-	-
Consulting projects	0.08	-	-	0.02
CFO Transition	0.12	-	-	0.12
Discrete Tax Provisions	0.19	0.20	-	0.04
Adjusted earnings per diluted common share	<u>\$ 1.68</u>	<u>\$ 1.72</u>	<u>\$ 0.64</u>	<u>\$ 0.51</u>
Weighted-average shares outstanding (in thousands)				
Diluted	15,839	15,675	15,923	15,778

Note: Numbers may not foot due to rounding

## Reconciliation of Segment Operating Income to Adjusted Operating Income

(unaudited)

(in thousands, except percentages)

	For the Three Months Ended June 30, 2017					For the Three Months Ended June 30, 2016				
	Industrial Products	Coatings, Sealants & Adhesives	Specialty Chemicals	Corporate and Other	Consolidated	Industrial Products	Coatings, Sealants & Adhesives	Specialty Chemicals	Corporate and Other	Consolidated
Revenue	\$ 53,261	\$ 23,382	\$ 21,382	\$ 2	\$ 98,027	\$ 43,475	\$ 23,424	\$ 17,187	\$ 21	\$ 84,107
Operating Income	\$ 13,633	\$ 990	\$ 1,911	\$ (2,271)	\$ 14,263	\$ 10,607	\$ 1,649	\$ 1,121	\$ (5,967)	\$ 7,410
Adjusting items:										
Restructuring & realignment	232	1,408	876	-	2,516	90	856	605	-	1,551
Consulting projects	-	-	-	-	-	61	121	68	344	594
CFO Transition	-	-	-	-	-	-	-	-	2,841	2,841
Adjusted Operating Income	\$ 13,865	\$ 2,398	\$ 2,787	\$ (2,271)	\$ 16,779	\$ 10,758	\$ 2,626	\$ 1,794	\$ (2,782)	\$ 12,396
% of revenue	26.0%	10.3%	13.0%		17.1%	24.7%	11.2%	10.4%		14.7%

Note: Numbers may not foot due to rounding



# Reconciliation of Segment Operating Income to Adjusted Operating Income

(in thousands, except percentages)

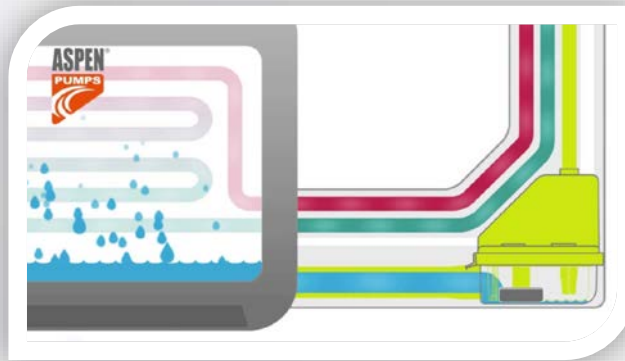
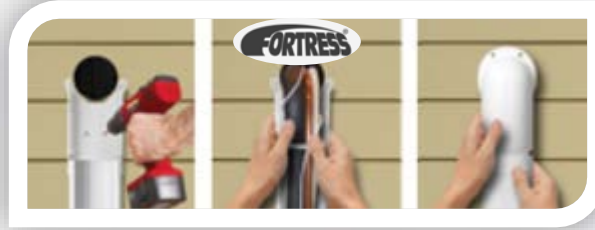
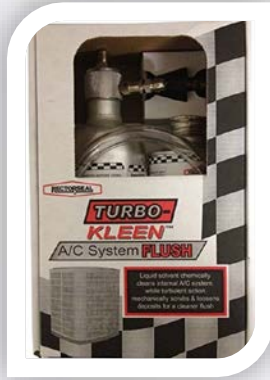
	(unaudited)									
	For the Year Ended March 31, 2017					For the Year Ended December 31, 2016				
	Industrial Products	Coatings, Sealants & Adhesives	Specialty Chemicals	Corporate and Other	Consolidated	Industrial Products	Coatings, Sealants & Adhesives	Specialty Chemicals	Corporate and Other	Consolidated
Revenue	\$ 158,654	\$ 96,869	\$ 71,469	\$ 92	\$ 327,084	\$ 138,594	\$ 106,035	\$ 74,930	\$ 272	\$ 319,831
Operating Income	\$ 32,893	\$ 851	\$ 2,012	\$ (13,275)	\$ 22,481	\$ 31,075	\$ 10,911	\$ 12,490	\$ (6,990)	\$ 47,486
Adjusting items:										
Pension gain	-	-	-	-	-	(3,179)	(1,418)	(3,423)	-	(8,020)
Restructuring & realignment	624	3,759	5,581	(0)	9,964	-	-	-	-	-
Asset Impairment	227	2,953	54	(0)	3,234	-	-	-	-	-
Estimated reserve for excess inventory	17	279	423	-	719	-	-	-	-	-
Transaction and integration costs	431	-	-	-	431	-	1,620	508	-	2,128
Spin related costs	-	-	-	-	-	-	-	-	3,730	3,730
Consulting projects	371	314	537	682	1,904	-	-	-	-	-
CFO Transition	-	-	-	2,872	2,872	-	-	-	-	-
Adjusted Operating Income	\$ 34,563	\$ 8,155	\$ 8,607	\$ (9,721)	\$ 41,604	\$ 27,896	\$ 11,113	\$ 9,575	\$ (3,260)	\$ 45,324
% of revenue	21.8%	8.4%	12.0%	12.7%	12.7%	20.1%	10.5%	12.8%	12.8%	14.2%

Note: Numbers may not foot due to rounding

# HVAC/R



Safety Switch



AC Leak Freeze



Mighty Bracket

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

1. Evaporator



2. Condenser



3. Condensate pump



**RECTORSEAL**

4. Condensate drain line



**RECTORSEAL**

5. Wireless wall thermostats

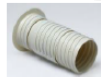


6. Line set covers and fittings



**RECTORSEAL**

7. Wall sleeve or seal



**RECTORSEAL**

8. Equipment pads



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**

**RECTORSEAL**

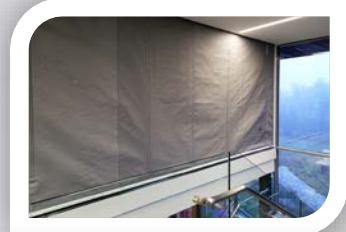
RectorSeal has product in category



# Building Products



Metacaulk



Fire + Smoke Curtain



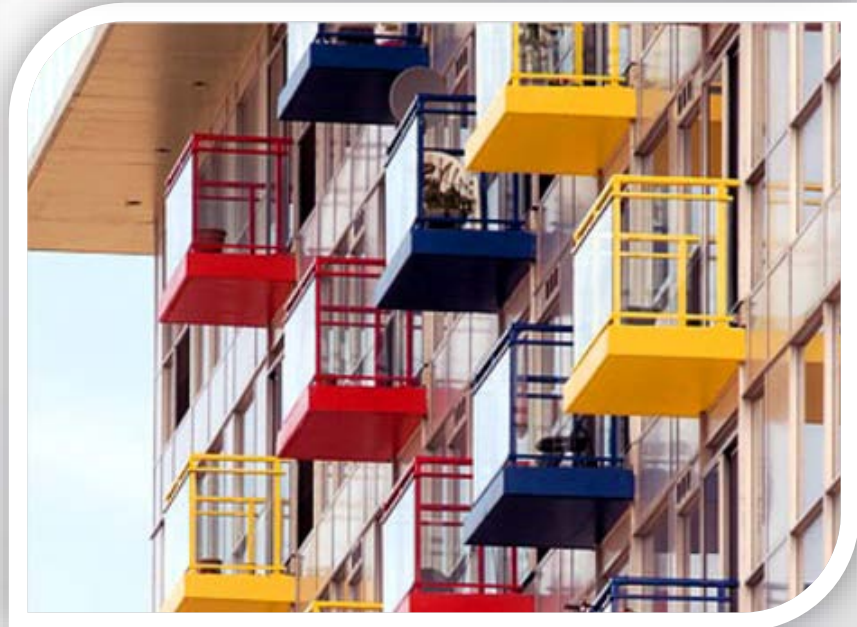
IllumiTread Egress



Custom Railings



Fire + Smoke Curtain



Custom Railings

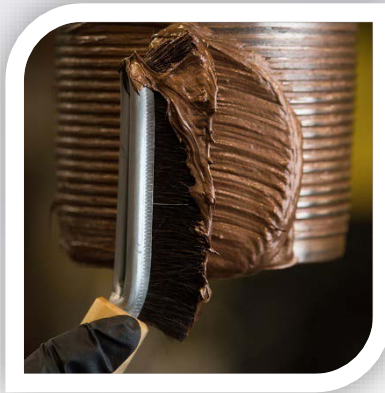


Fire + Smoke Curtain

# Industrial



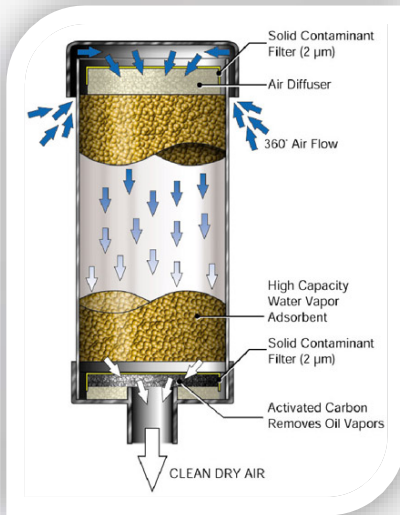
Tank Coatings



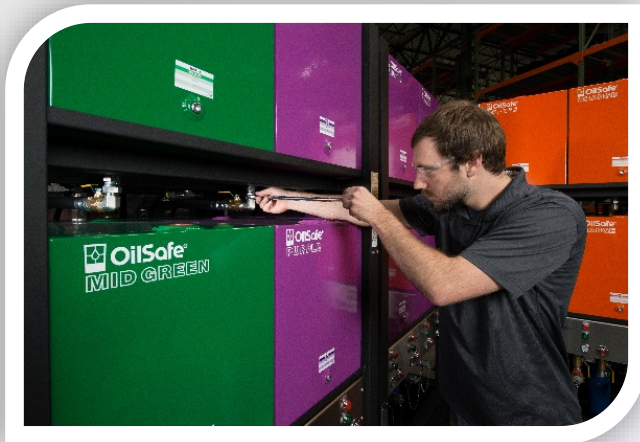
KOPRKOTE



Lubricants



AirSentry



OilSafe System



# Rail



TOR Armor Lubricant System



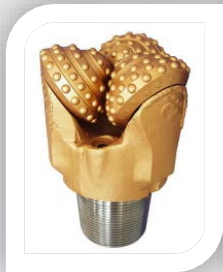
Tanker Car Coatings



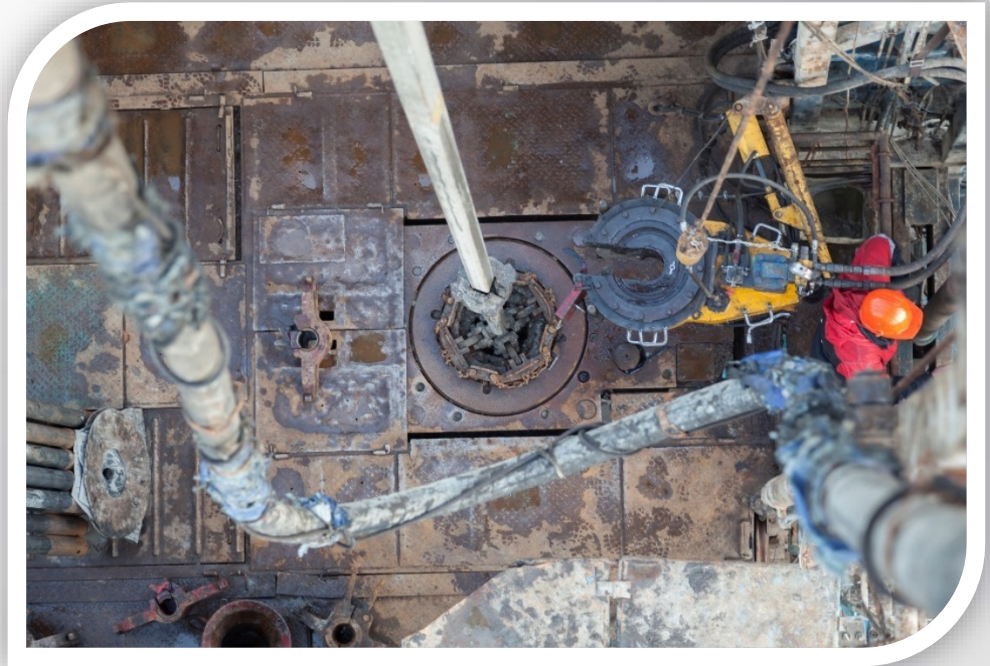




# Energy



Tank Coatings



CSWI's Specialty Chemicals keep drills going strong



# Plumbing



HubSett Test Couplings



Magic Trap



RectorSeal Tru-Blu



RectorSeal T Plus 2



RectorSeal #5



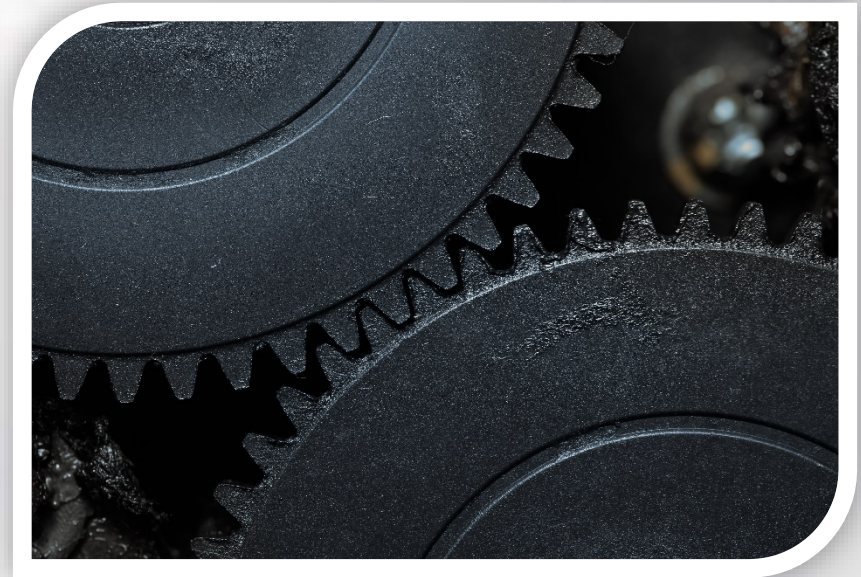
# Mining



Drag Rope Lubricants



Envirolube gear lubricant



Paragon enclosed gear oil



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## Investor Presentation

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