

# J.P. Morgan Industrials Conference

March 2022

## Forward Looking 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” or the “Company”). 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 a strategic focus on providing niche, value-added products in the end markets we serve.

**Three Segments** (Segment percentages reflect TTM<sup>1</sup> Revenue)



Contractor Solutions

Engineered Building Solutions

Specialized Reliability Solutions

TTM Total Revenue ~\$586.5MM

## Key Highlights

**2015**

Completed Spin Off from Capital Southwest (Nasdaq: CSWC)

**~\$1.9B**

Market Capitalization<sup>2</sup>

**~\$505MM**

Acquisition Capital Invested<sup>3</sup>

**~21.3%**

TTM Adjusted EBITDA<sup>4</sup> Margin

**\$125.1MM**

TTM Adjusted EBITDA

# Compelling Investment Thesis



**Sustained multi-year revenue growth**



**Proven history of robust profitability**



**Strong balance sheet and financial results**



**Experienced leadership team**



**Driving long-term shareholder value**

## Consistently demonstrating growth in excess of end markets served

- Total revenue CAGR<sup>1</sup> of **9.4%** from FY16 through FY21
- Organic revenue CAGR<sup>1</sup> of **5.8%** from FY16 through FY21

## Robust margin profile provided by niche products, applications, and solutions

- **45.5%** Adjusted Gross Profit Margin annual average FY16 – FY211
- **20.1%** Adjusted EBITDA Margin annual average FY16 – FY211

## Strong financial position supports incremental organic and inorganic growth

- **~1.6x** leverage, ~\$179MM available on our \$400MM revolving credit facility<sup>2</sup>
- **\$125.1MM** TTM adjusted EBITDA, and **21.3%** adjusted EBITDA margin as a percent of revenue

## Demonstrated track record of leading public companies

- Dedicated to enhancing shareholder value
- Committed to exemplifying CSWI's culture and values

## Disciplined and strategic capital allocation policy enhances shareholder value

- **~\$505MM** cumulative investment with 7 acquisitions completed FY16 to date
- **~\$107MM** cash returned to shareholders since 3Q18, in the form of dividends and share repurchases<sup>3</sup>
- **~310%** total shareholder return, compared to ~95% for the Russell 2000<sup>4</sup>

# Our Guiding Objectives

At CSWI, *how we succeed matters*, and accordingly we will:

## Treat Our Employees Well

- Meaningful, continued safety improvements
  - Calendar year end 2020 **TRIR<sup>1</sup> was 3.2**
  - Calendar year end 2021 **TRIR<sup>1</sup> was 1.3**
  - **Goal** is a zero-incident workplace
- Completed **2nd annual, Company-wide Safety Awareness Month**, demonstrating core value of excellence and accountability as we make safety a priority

## Serve Our Customers Well

- Emphasize consistent availability and timely delivery
- Maintain incremental inventory for high demand products and specific raw materials
- Focus on driving market and wallet share gains

## Manage Our Supply Chains Effectively

- Acknowledge and proactively respond to cost increases for specific raw materials and logistics impacting the industry
- Utilize balance sheet strength to strategically anticipate supply chain disruptions and raw material dislocations
- Leverage owned manufacturing capacity

## Position CSWI for Sustainable, Long-Term Growth and Profitability

- **Top-Line Growth: 25.6%** revenue CAGR from YTD20 to YTD22<sup>2</sup>
- **Compelling Profitability: 20.8%**, 21.2%, and 21.0% Adjusted EBITDA margin<sup>3</sup> 3Q22 YTD, 3Q21 YTD, and 3Q20 YTD, respectively
- **Capital Allocation Priorities: risk-adjusted returns analysis** continuously evaluating next inorganic opportunity, while investing organic capital

# Seeking Sustainable Growth in Shareholder Value

Our demonstrated track record of growth and compounding long-term shareholder value.

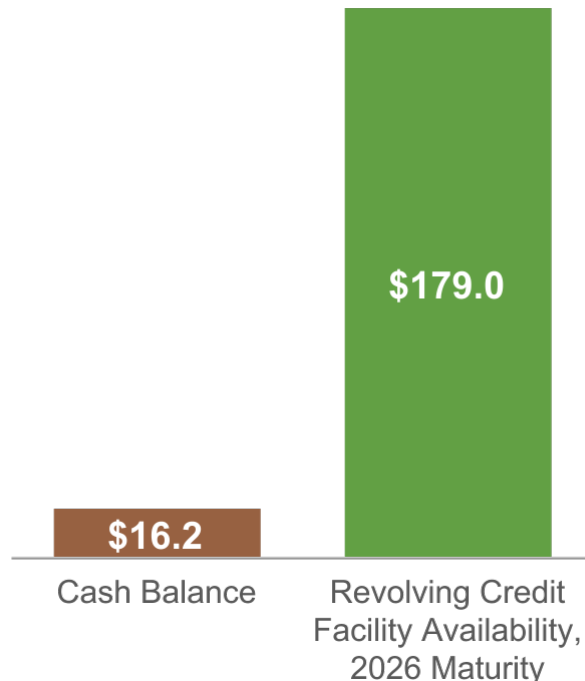
-  Maintain Our Strong Balance Sheet
-  Allocate Capital Efficiently
-  Invest in Organic Growth
-  Disciplined Acquisition Strategy
-  Maximize Channels to Market and Increase Market Share



# Maintaining Our Strong Balance Sheet

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

## Liquidity Position as of 12/31/21 (\$ in millions)



## Strong liquidity position to support organic & inorganic investments

- Cash balance of \$16.2MM as of 12/31/21
- ~\$179.0MM available under existing \$400.0MM revolving credit facility as of 12/31/21
- Strong operating cash generation of \$69.5MM year-to-date FY22 compared to \$54.0MM in the prior year period
- Debt to EBITDA of ~1.6x after funding the cash portion of the Shoemaker acquisition<sup>1</sup>
  - Operating leverage of 1.0x – 3.0x would be appropriate through cycles

# Allocating Capital Efficiently

Capital allocation decisions will continue to be prioritized on a risk-adjusted returns basis, with the goal of driving long-term shareholder value.

## Organic Growth

- Invest in enhancing innovative, value-adding products and efficiency initiatives
- Increase sales footprint domestically and internationally

## Inorganic Growth

- Prioritize accretive, synergistic acquisitions within existing end markets
- Consider broader strategic opportunities as appropriate

## Dividends

- Dividend program initiated in April 2019
- 12 consecutive quarters of dividends declared, for cumulative return of cash of \$25.7MM

## Share Repurchases

- As appropriate, return cash through opportunistic share repurchases
- Cumulative share repurchases of \$81.4MM and 1.4MM shares since program inception in 3Q FY18

## TTM Capital Allocation<sup>1</sup> (\$ in millions)

**\$89.6MM**

Capital Expenditures \$10.3

Acquisitions \$45.0

Dividends \$9.2

Share Repurchase \$0.5

Debt Reduction \$24.6



# Strategic, Disciplined Approach to M&A

As a diversified industrial growth company, our goal is to increase free cash flow through sustainable organic growth, accretive inorganic growth, and operational efficiencies.

## HISTORY:



# Accessing Distribution Channels to Accelerate Growth

We have focused on growing our distribution network in recent years, enhancing revenue growth from new product introductions and acquisitions.

## Without CSWI: Limited Distribution



Newly designed products, while innovative & helpful for contractors, are often challenged by limited distribution

## With CSWI: Broad Distribution



## The Power of Our Distribution Model

CSWI maintains robust access to distributors, including through buying groups and national account relationships

CSWI can acquire or master distribute products, resulting in sales at a faster and more cost-effective rate due to leverage in logistics, supply agreements, sales staff, credit and back-office support

# Corporate Sustainability

# Corporate Culture and Values

## The Goal of Our Corporate Culture is to Maximize Performance

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, norms, and dominant values of the Company. Our culture should be effective in reinforcing certain behaviors and eradicating others. Everything we do is accomplished with a focus on environmental stewardship, and the health and safety of our team members.

### Core Values Support Our Culture:



Accountability



Citizenship



Teamwork



Respect



Integrity



Stewardship



Excellence

# Corporate Culture and Values

## Our Commitment to Diversity, Inclusion, and Respect:

We seek to create, nurture, and sustain an inclusive and diverse environment that attracts and retains the highest caliber team members, leveraging their skills and expertise to serve our customers. We are dedicated to attracting, developing, and retaining high-quality individuals of all backgrounds, and to making CSWI a place where everyone can contribute and grow. We at CSWI believe that diversity not only inspires our internal team, but also informs customer insight and service.

### Key Highlights:

1.3

Total Recordable Incident Rate<sup>1</sup>

~5%

Insider ownership, including ESOP<sup>2</sup>

88%

Independent Directors on our Board

38%

Diverse Directors on our Board

# Business Segment Overview

# Contractor Solutions: Products



# Products Serving Niche HVAC/R Mini-Split Market

## Slimduct & Fortress

Lineset duct and fitting systems, 5 sizes, 4 colors

## Nokink

Flexible, easy flare line connector

## Aspen Pumps

Univolt or Silent+. 4 discrete condensate pump models. White, Aqua, Orange, Lime.

## Coil-Cure

EPA registered coil cleaner and disinfectant.

## Coil-Cure AM

Spray-applied antimicrobial coil coating

## Mighty Bracket

Support tool - allows single person evaporator installation or repair

## Desolv

Cleaning Kit and Aerosol protect walls and floors

## Safe-T-Switch

Primary drain pan overflow protection.

## PRO-Fit Quick Connect

Push-to-connect refrigerant fittings. Quick-release removal

## Surge Protection

Protects equipment from electrical surges and other voltage disturbances

## Condenser brackets

Powdercoat and stainless

## EZ Trap

Waterless in-line condensate trap

## AC Leak Freeze with UV

Leak stop sealant, non clogging, non reactive polymer-free nano formula

## Slimduct & Fortress

Lineset duct and fitting systems, 5 sizes, 4 colors

## Flaretite

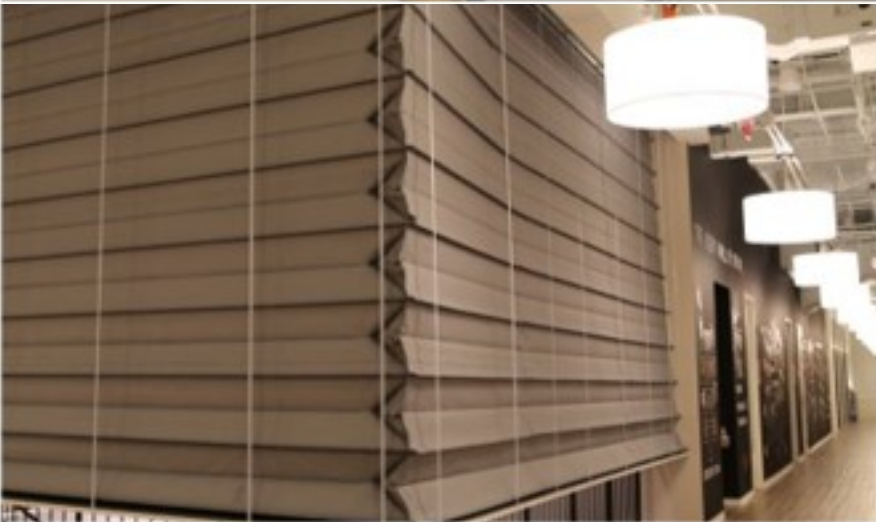
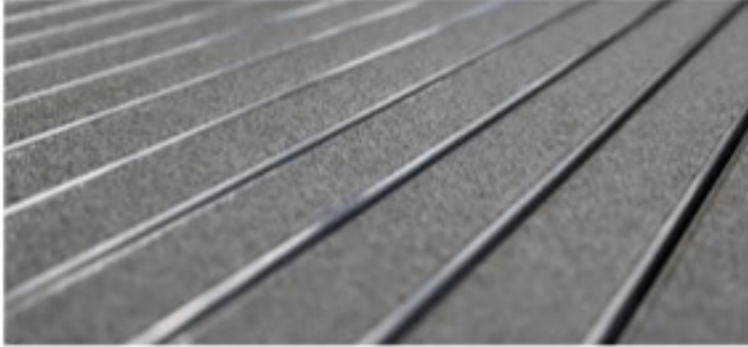
Flare gasket against leaks for common fittings, 45° copper stamping with coating

## PRO-Fit Flaring & Swaging Tool Bit Kits

Create precise and fast standard 45° flare or swage



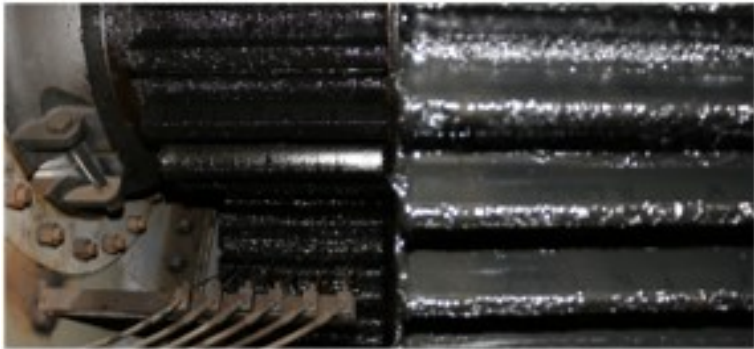
# Engineered Building Solutions: Products



# Specialized Reliability Solutions: Products



# Specialized Reliability Solutions: Shell Whitmore JV Products



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