



CSW
INDUSTRIALS

Investor Presentation
August 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 – 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 company's businesses
 - Core values and culture designed to maximize sustainable performance

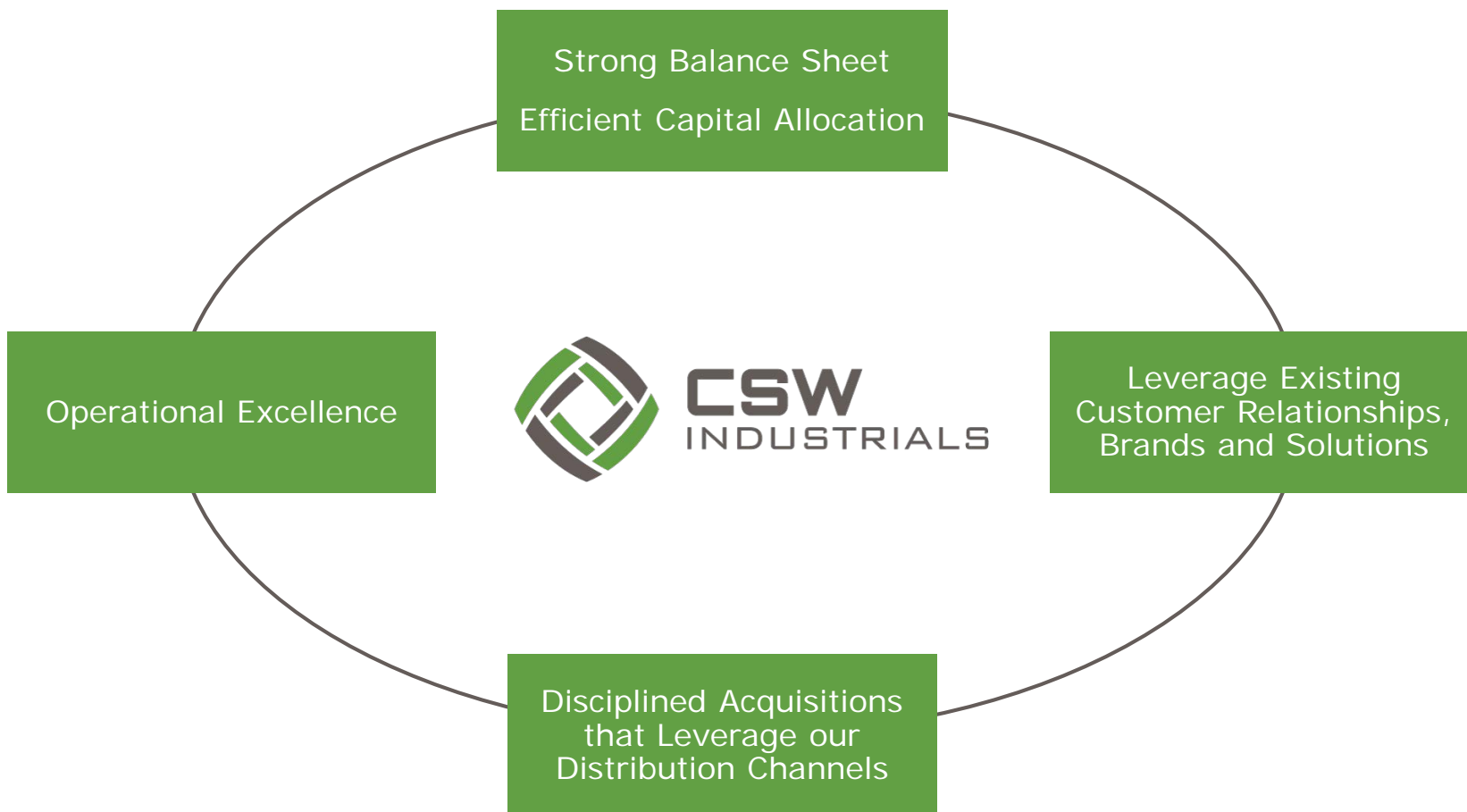
Market Cap ⁽¹⁾	LTM Revenue ⁽²⁾	LTM Adjusted Operating Income ⁽²⁾	LTM Adjusted Operating Income Margin ⁽²⁾
\$858.9 mm	\$319.2 mm	\$49.7 mm	15.6%

(1) Market capitalization data as of August 9th, 2018

(2) Twelve months ended June 30, 2018 from continuing operations; see reconciliations of Non-GAAP measures in the appendix



CSWI Key Growth Drivers





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 and drive shareholder returns

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

Company at a Glance (Nasdaq: CSWI)



Industrial Products



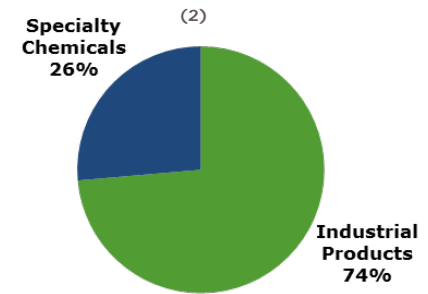
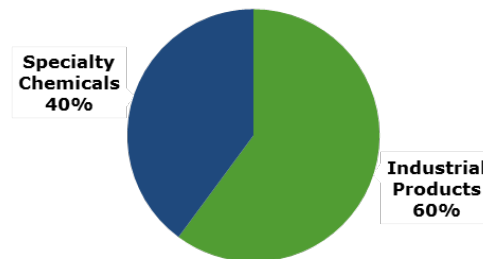
Specialty Chemicals

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

Q1 2019 Net Revenues:
\$89.6M⁽¹⁾

Q1 2019 Adj. Operating
Income: \$15.9M⁽¹⁾⁽³⁾



(1) Continuing Operations only

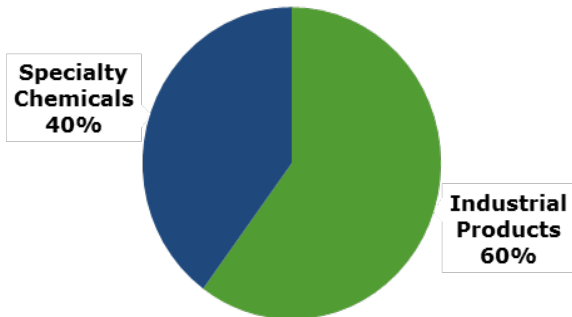
(2) Includes (i) Corporate Costs; (ii) Eliminations; and (iii) Adjustments not captured at the segment level

(3) Adjustments include gain on sales of facilities & other. See Appendix for reconciliation of GAAP operating income to non-GAAP adjusted operating income

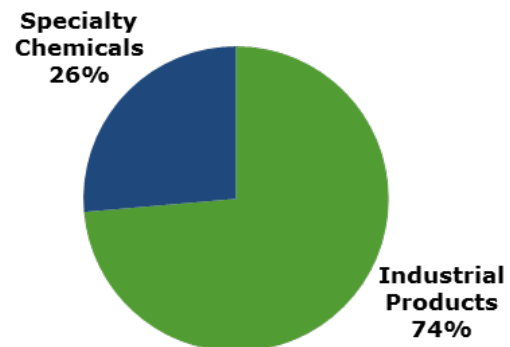


CSWI Business Segments

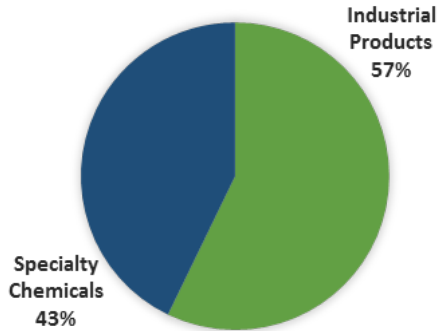
Q1 FY19 Net Revenues



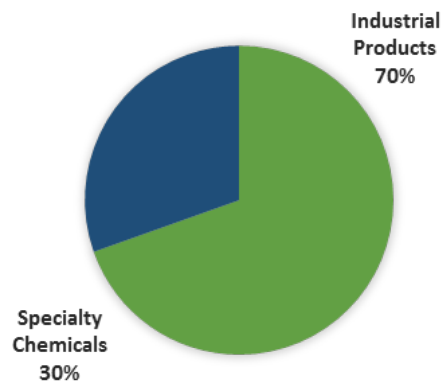
Q1 FY19 Adj. Operating Income ⁽¹⁾



FY18 Net Revenues



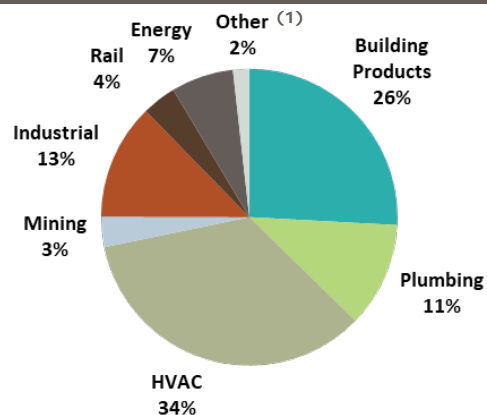
FY18 Adj. Operating Income ⁽¹⁾



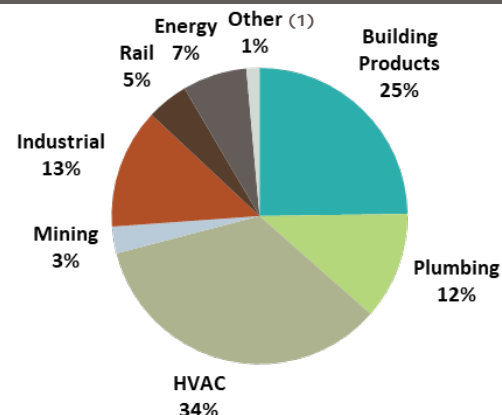
(1) Continuing operations only. Adjustments include gain on sales of facilities, realignment & restructuring, pension lump sum, officer transition costs and other. See Appendix for GAAP to non-GAAP reconciliation details.

Sales by End Market Analysis – Continuing Operations Only

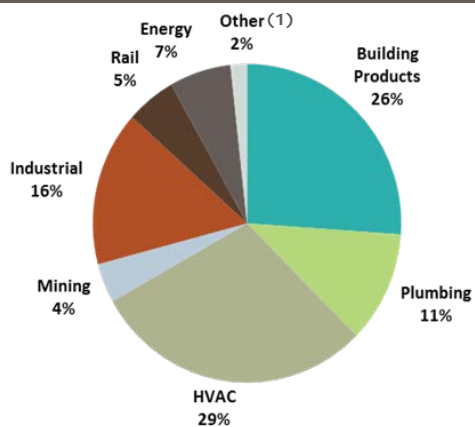
Q1 FY18 Sales by End Market



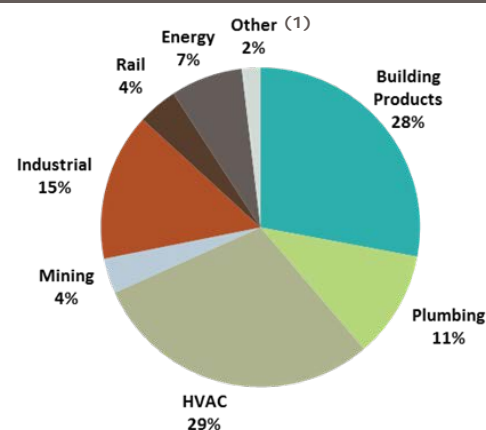
Q1 FY19 Sales by End Market



FY17 Sales by End Market



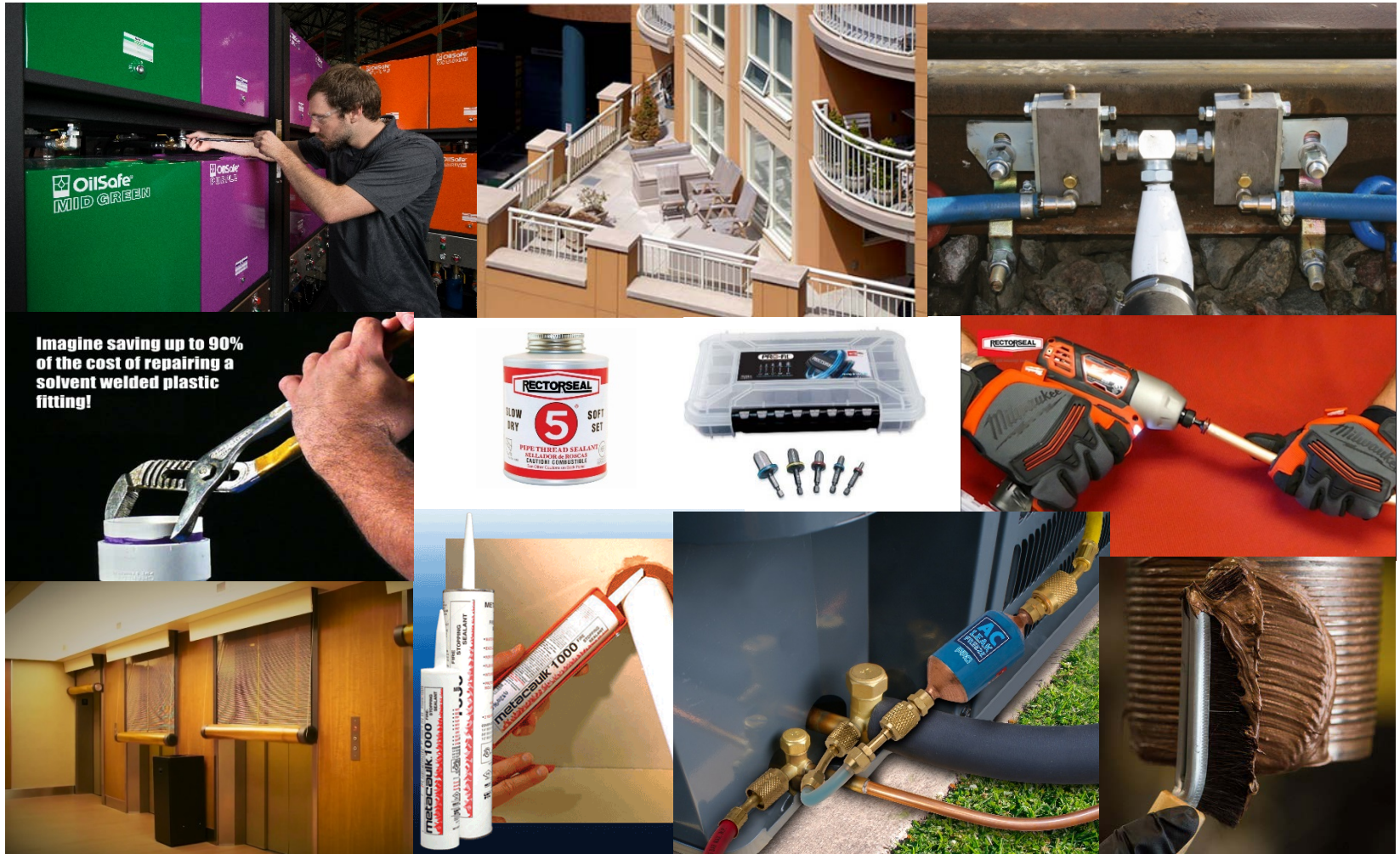
FY18 Sales by End Market



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



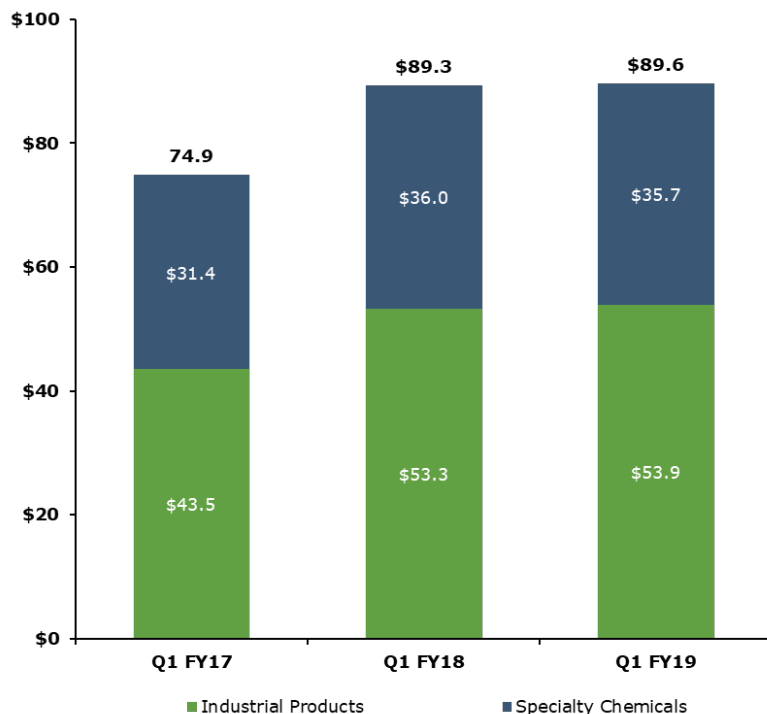
CSWI Products – Delivering Solutions to Customers





Quarterly Highlights

Q1 FY19 Net Revenues (\$ millions)



Q1 FY19 Highlights

Sales:

Overall quarterly net sales increased 0.3% year over year

Industrial Products net revenues increased 1.1%. Increased revenue was mainly the result of higher sales volumes to the HVAC and plumbing end markets, partially offset by decreases in architecturally-specified building products (negatively impacted by the adoption of new revenue recognition standard)

Specialty Chemicals net revenues decreased 0.9%. Decreased sales were primarily driven by lower volumes in HVAC and mining end markets, partially offset by increased sales in the energy and rail end markets.

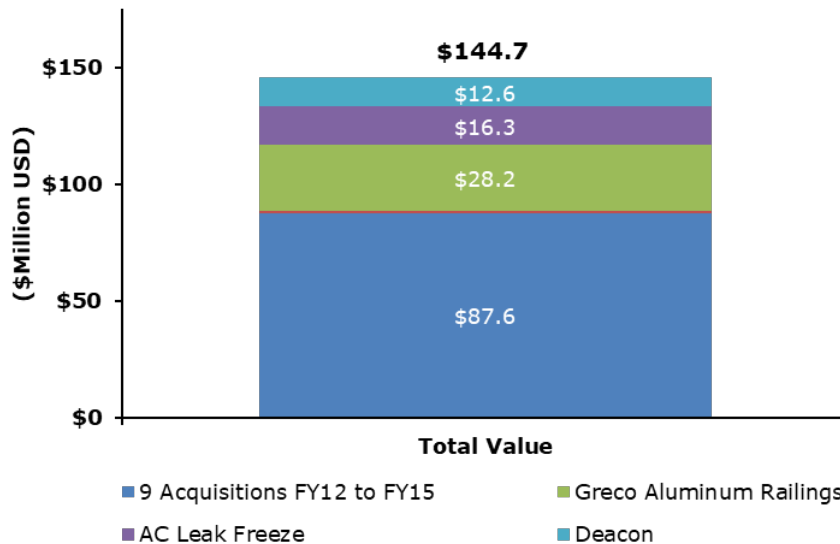
Cash Returned to Shareholders:

\$7.3 million to shareholders through share repurchases of 146 thousand shares

Continuing operations only

Focused Acquisitions

Capital Invested for Acquisitions



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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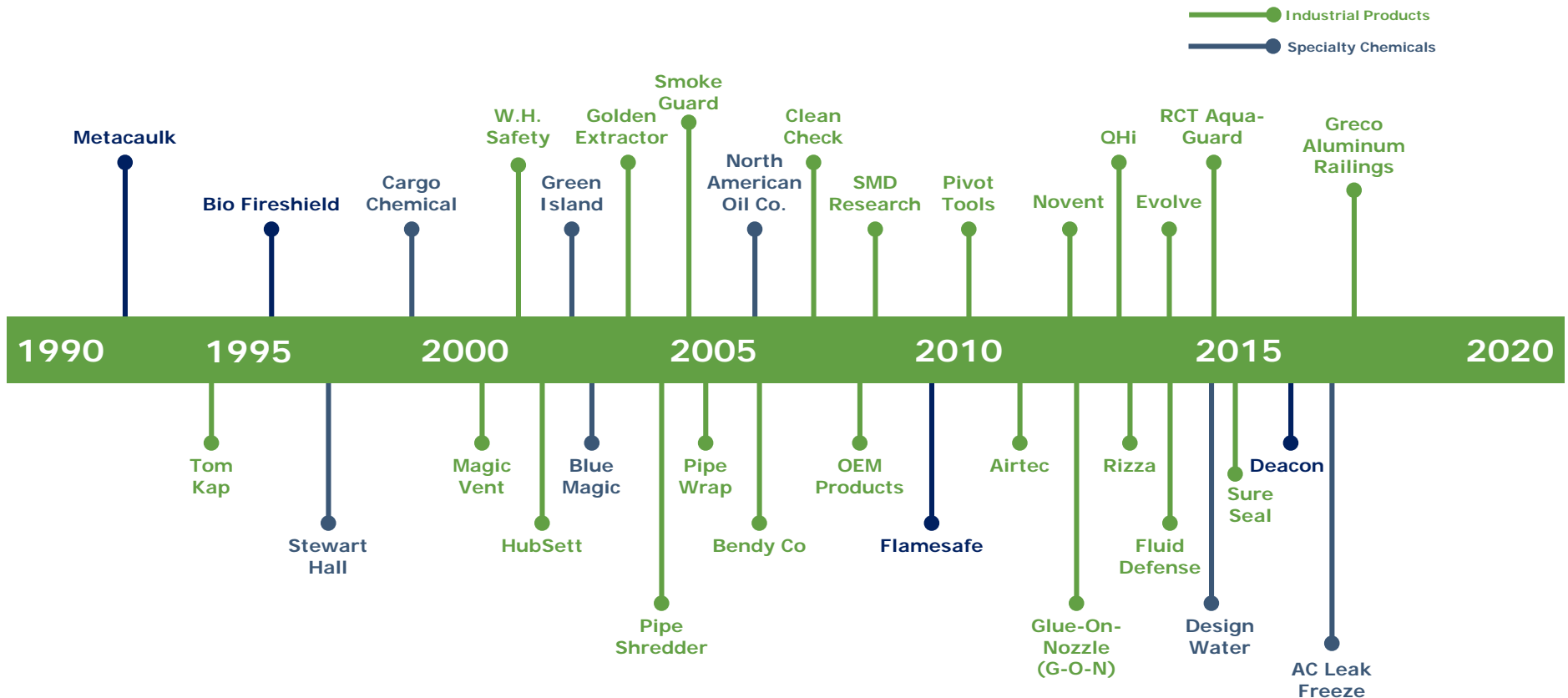
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Appendix



History of 33 integrated acquisitions



Experienced Management Team

Executive Officers



Joe Armes
Chairman and CEO



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

Industrial
Products



Don Sullivan
SVP/GM



Portfolio
Company

Specialty
Chemicals



Craig Foster
SVP/GM



Industrial
Brands





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)	
	Quarter Ended June 30,	
	2018	2017
GAAP Operating Income- Continuing Operations	\$ 17,744	\$ 16,671
Adjusting items:		
Restructuring & realignment	-	1,108
Gain on sale of property & other	(1,839)	-
Adjusted Operating Income--Continuing Operations	<u>\$ 15,905</u>	<u>\$ 17,779</u>

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 June 30,	
	2018	2017
GAAP Net Income---Continuing Operations	\$ 14,007	\$ 10,287
Adjusting items, net of tax:		
Restructuring & realignment	-	720
Gain on sale of property & other	(1,361)	-
Discrete Tax Provisions & Other	(614)	-
Adjusted Net Income---Continuing Operations	<u>\$ 12,032</u>	<u>\$ 11,007</u>
GAAP Diluted income per common share, Continuing operations	\$ 0.88	\$ 0.65
Adjusting items, per diluted common share:		
Restructuring & realignment	-	0.05
Gain on sale of property & other	(0.08)	-
Discrete Tax Provisions & Other	(0.04)	-
Adjusted earnings per diluted common share	<u>\$ 0.76</u>	<u>\$ 0.70</u>

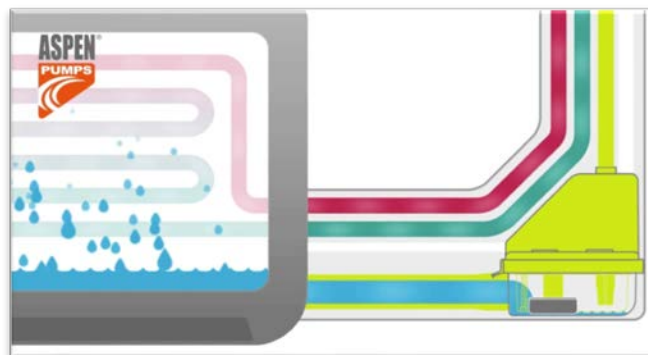
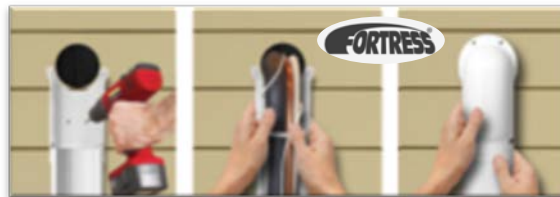
Note: Numbers may not foot due to rounding

Reconciliation of Segment Operating Income to Adjusted Operating Income

(in thousands, except percentages)	(unaudited)							
	For the Three Months Ended June 30, 2018				For the Three Months Ended June 30, 2017			
	Industrial Products	Specialty Chemicals	Corporate and Other	Consolidated Continuing Operations	Industrial Products	Specialty Chemicals	Corporate and Other	Consolidated Continuing Operations
Revenue	\$ 53,860	\$ 35,718	\$ -	\$ 89,578	\$ 53,261	\$ 36,036	\$ 2	\$ 89,299
Operating Income	\$ 13,893	\$ 6,473	\$ (2,622)	\$ 17,744	\$ 13,663	\$ 5,499	\$ (2,491)	\$ 16,671
Adjusting items:								
Restructuring & realignment	-	-	-	-	232	876	-	1,108
Gain on sale of property & other	(253)	(1,586)	-	(1,839)	-	-	-	-
Adjusted Operating Income	\$ 13,640	\$ 4,887	\$ (2,622)	\$ 15,905	\$ 13,895	\$ 6,375	\$ (2,491)	\$ 17,779
% of revenue	25.3%	13.7%		17.8%	26.1%	17.7%		19.9%

Note: Numbers may not foot due to rounding

HVAC/R



HVAC/R

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



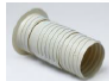
5. Wireless wall thermostats



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



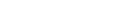
17. Cleaning bib kit



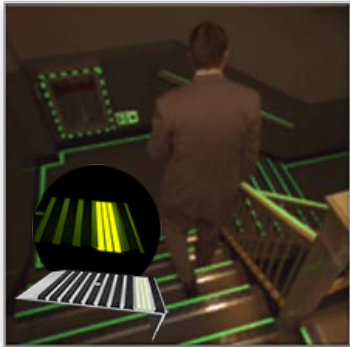
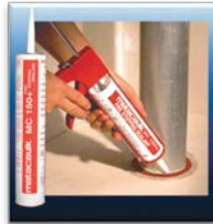
18. Coil and fan cleaners



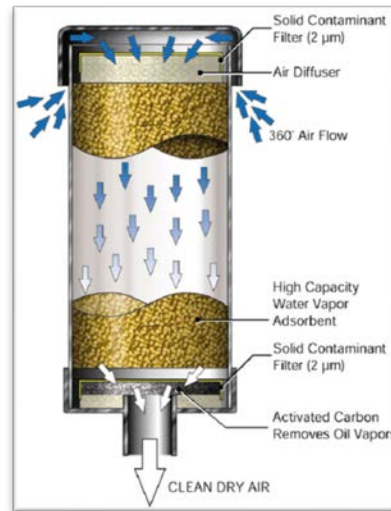
RectorSeal has product in category



Building Products



Industrial



Rail





Energy



Plumbing





Mining





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