



# Q1 2024 Earnings Presentation

May 2, 2024



# Today's Agenda

- 01 Q1 2024 Results & Market Dynamics
- 02 2024 Strategic Priorities
- 03 Updated 2024 Outlook and Guidance
- 04 Q&A

# Disclosure Regarding Forward-Looking Statements

These slides contain (and the accompanying oral discussion will contain) “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements involve known and unknown risks, uncertainties and other factors that could cause the actual results of the Company to differ materially from the results expressed or implied by such statements, including general economic and business conditions, conditions affecting the industries served by the Company and its subsidiaries, the overall market acceptance of such products and services, the integration of acquisitions and other factors disclosed in the Company’s periodic reports filed with the Securities and Exchange Commission, as well as future economic and market circumstances, industry conditions, company performance and financial results, operating efficiencies, availability and price of raw materials, availability and market acceptance of new products, product pricing, domestic and international competitive environments, geopolitical risks and actions and policy changes of domestic and foreign governments. Consequently, such forward-looking statements should be regarded as the Company’s current plans, estimates, and beliefs. The Company does not undertake and specifically declines any obligation to publicly release the results of any revisions to these forward-looking statements that may be made to reflect any future events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events.



# CEO Opening Comments

Avner Applbaum, President & CEO

# Q1 2024 Financials and Key Messages

**\$0.98B**

Net Sales

**(8.0%)**

Y/Y Net Sales

**13.5%**

Operating Margin

**\$4.32**

Diluted EPS

**\$23M**

Operating Cash Flow

**\$12M**

Cash Returned to Shareholders



Great start to 2024 as the global Valmont team achieved outstanding results that exceeded expectations, **expanding operating margins 240 bps and increasing diluted EPS ~25%** on 8% lower sales

**Commercial execution, operational excellence and lower SG&A from structural cost improvements** contributed to the improved profitability, guided by the Valmont Business Model

Infrastructure sales were \$724 million, down 2% year-over-year, as **strong utility market demand and favorable pricing across the portfolio** were more than offset by significantly lower Telecommunications volumes

Agriculture sales were \$259 million, down 22% year-over-year, as backlog levels in North America and Brazil normalized this year compared to Q1 2023 and international project sales decreased; **demand remains soft but stable** amid lower grain prices

# Attractive Markets with Multi-Year Drivers



## Infrastructure

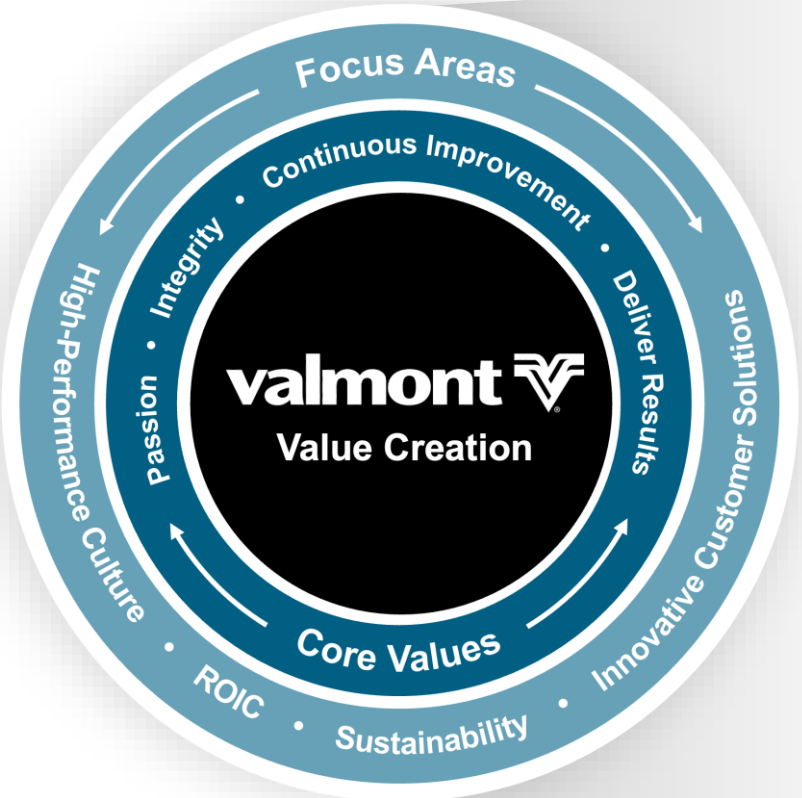
- Benefiting from several long-term, secular growth drivers
- Utilities are sustaining elevated capex spending due to the energy transition, replacement of aging infrastructure for enhanced resiliency and power load growth due to the rising consumption of data and technology
- Strong Department of Transportation demand supported by road construction investment; future benefits expected from Infrastructure Investment and Jobs Act although funding is slower than anticipated
- Solar expects to see demand growth in the US and internationally due to favorable regulation
- Telecom softness as wireless carriers have communicated reduced capex spending this year, following record levels of investment in 2021 and 2022



## Agriculture

- Global irrigation demand is driven by climate change, water scarcity and sustainability considerations
- U.S. net farm income levels are expected to decline significantly in 2024 compared to 2023; however, signs of improving sentiment beginning to emerge as spring order rates are trending higher Y/Y
- Brazil expected farm income levels are soft due to lower grain prices; the country remains a key part of our long-term strategy
- International project pipeline is strong; food security concerns, the ability to produce goods for export and growing populations driving demand; Egypt project shipments expected to continue throughout 2024; recently secured over \$50 million of additional project awards for the Middle East market

# 2024 Strategic Priorities Aligned with Valmont Business Model Focus Areas



## High-Performance Culture

Driving market leadership and fostering innovation; living our core values on the journey toward excellence

## Return on Invested Capital (ROIC)

Strategically focused on core competencies to optimize ROIC; allocating resources to maintain a competitive edge while maximizing value creation

## Sustainability & Innovative Customer Solutions

Driven by our tagline *Conserving Resources. Improving Life.*, sustainability is ingrained in our global operations and customer-centric innovative solutions

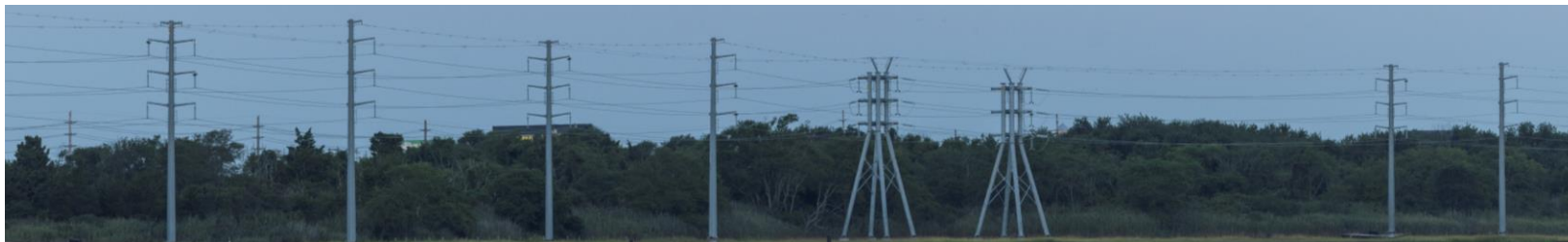
**Valmont Business Model is the foundation on which we create value and achieve long-term financial targets**



# Financial Results and Outlook

Tim Francis, Interim CFO

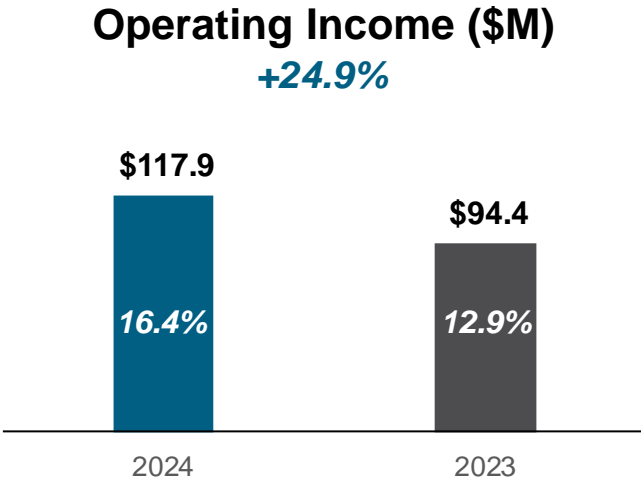
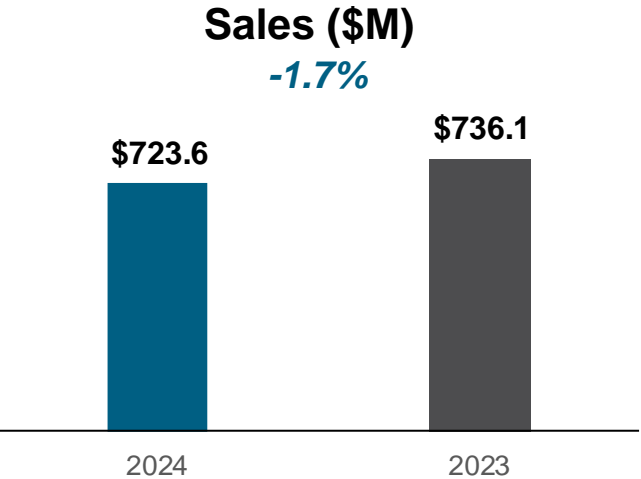
# Q1 2024 Financial Summary



<b>\$M, except EPS</b>	<b>2024</b>	<b>2023</b>	<b>%</b>
<b>Net Sales</b>	<b>977.8</b>	1,062.5	-8.0%
<b>Operating Income</b>	<b>131.6</b>	118.5	+11.0%
<b>Operating Margin</b>	<b>13.5%</b>	11.1%	+240 bps
<b>Net Earnings<sup>1</sup></b>	<b>87.8</b>	74.5	+17.8%
<b>Diluted EPS</b>	<b>4.32</b>	3.47	+24.5%

- Sales lower Y/Y with decreases in both Infrastructure (down 1.7%) and Agriculture (down 22.1%); strategic pricing and favorable mix partially offset lower volumes
- Operating margin expanded 240 bps on commercial execution, including pricing strategies, deliberate actions to improve cost of goods sold and lower SG&A expenses
- Diluted EPS improved on higher operating income and lower share count

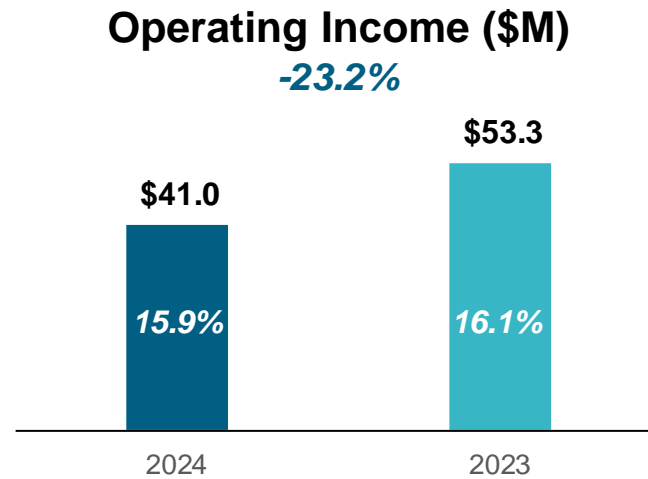
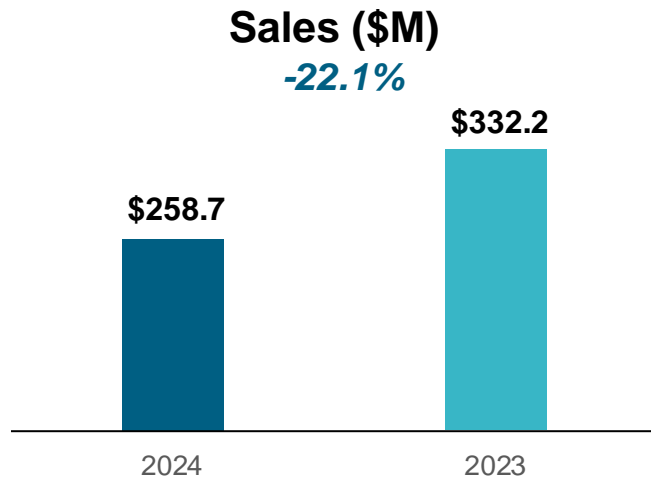
# Q1 2024 Results | Infrastructure



- Sales decreased as higher volumes in TD&S and Solar, driven by strong utility market demand, plus favorable pricing across the portfolio were more than offset by significantly lower Telecom volumes
- Operating margin improved due to commercial execution, including pricing strategies, deliberate actions to improve COGS and lower SG&A expenses, which more than offset impact of lower volumes

Sales (\$M)	2024	2023	%
Transmission, Distribution, and Substation (TD&S)	\$325.2	\$314.9	+3%
Lighting and Transportation (L&T)	\$222.1	\$229.1	-3%
Coatings	\$87.1	\$90.1	-3%
Telecommunications	\$54.0	\$68.1	-21%
Solar	\$35.2	\$33.9	+4%

# Q1 2024 Results | Agriculture



Sales (\$M)	2024	2023	%
<b>North America</b>	\$159.9	\$182.9	-13%
<b>International</b>	\$98.8	\$149.3	-34%
<b>Irrigation Equipment and Parts</b>	\$233.1	\$299.2	-22%
<b>Technology Products and Services</b>	\$25.6	\$33.0	-22%

- North America sales were lower as Q1 2023 benefited from the ongoing delivery of elevated backlog; positive signs emerging as order rates are trending higher Y/Y
- Average system selling prices in North America were slightly lower than last year
- International decline due to normalized backlog levels and continued softness in Brazil, and lower project sales in the Middle East; sales contribution from the HR Products acquisition partially offset the lower sales
- Operating income decreased as improved gross profit margins and the benefit of lower SG&A expenses were more than offset by the impact of lower volumes

# Building Solid Financial Foundation



Free Cash Flows (\$M)	YTD 3/30/2024	Liquidity (\$M)	3/30/2024
Net Cash Flows from Operating Activities	\$ 23	Cash	\$ 169
Net Cash Flows from Investing Activities	(19)	Total Long-Term Debt	1,108
Net Cash Flows from Financing Activities	(35)	Shareholders' Equity	1,409
Net Cash Flows from Operating Activities	\$ 23	Total Debt to Adj. EBITDA <sup>1</sup>	1.82x
Purchase of Property, Plant, & Equipment	(15)	Available Credit under Revolving Credit Facility <sup>2</sup>	\$ 422
<b>Free Cash Flows</b>	<b>\$ 8</b>	Cash	169
		<b>Total Available Liquidity</b>	<b>\$ 591</b>

- Strong Q1 2024 Operating Cash Flows on earnings growth
- Expect to generate strong cash flow in 2024 as earnings increase and we maintain focus on diligent working capital management
- Long-term debt mostly fixed-rate, with long-dated maturities in 2044 and 2054
- Total Debt to Adjusted EBITDA remains within our desired range of 1.5 to 2.5 times
- Strong and flexible balance sheet to support balanced capital allocation strategy

# Balanced Approach to Capital Allocation

2024 First Quarter Capital Deployment: **\$27M**

## Growing Our Business

**\$15M**

Capital Expenditures

**N/A**

Acquisitions

- We continue to invest in strategic capacity expansions to increase output and enhance manufacturing flexibility
- Prioritize projects that deliver high ROIC
- Technologies to support and drive efficiency and productivity
- Targeting adjacent opportunities in end markets with favorable and global long-term demand trends
- Recent HR Products acquisition contributing to profitable growth
- Returns exceeding cost of capital within 3 years

## Returning Cash to Shareholders

**N/A**

Share Repurchases

**\$12M**

Dividends

- Completed \$120.0M Accelerated Share Repurchase commenced in Q4 2023; total shares repurchased under ASR program was 535,141
- ~\$136M remains on the current share repurchase authorization
- Opportunistic approach, supported by free cash flow
- Q1 Dividends Paid \$12.1M
- Payout ratio target: 15% of earnings; current payout ~14%

# Raising 2024 Outlook and Updating Key Assumptions

**(2.0%) – 0.5%**  
Change In Net Sales Y/Y

Previous outlook: (3.0%) – Flat

**\$15.40 – \$16.40**  
GAAP Diluted EPS

Previous outlook: \$14.25 – \$15.50

## Segment Assumptions

- Infrastructure volumes are expected to approach MSD growth; lingering telecom softness is expected to be more than offset by strong demand in other infrastructure markets
- Improved Agriculture sales outlook due to better international project visibility; now expected to decrease 10% – 15% (previously expected to decrease 15% – 20%)

## Key Assumptions

- Effective tax rate of ~26%
- Minimal expected foreign currency translation impact on net sales
- Capital expenditures now expected to be in the range of \$110 to \$125 million to support strategic growth initiatives

## Other Modeling Considerations

- Q2 2024 EPS is expected to be slightly below Q1 2024 results
- Expect Infrastructure full-year gross profit margin improvement compared to 2023, although not as high as Q1 2024 results
- Expect 2H 2024 Agriculture operating margins to be similar to Q4 2023 (10.3% on adjusted<sup>1</sup> basis)
- Higher mix of international projects expected to pressure 2H 2024 Ag margins, partially offset by lower SG&A
- Expect consolidated SG&A as a % of net sales to be lower than 2023

# Valmont Team Is Executing Our Strategy and Performing Well in Dynamic Market



## Actively managing what we can control

- Driving commercial excellence across our markets
- Focusing on our core competencies as competitive advantages
- Enhancing productivity through operational excellence

## Proactively taking steps across our global operations to deliver financial results

- Structurally reducing cost structure, improving margins and cash flows to generate sustainable shareholder value
- Demonstrating greater level of resilience than previous agriculture downcycles
- Creating a high-performance culture that is positioned for sustained financial success

## Primed to further expand margins as volumes recover in agriculture and telecom markets

- Diverse portfolio, supported by multi-year megatrends in Infrastructure and Agriculture, positions us well for continued outperformance
- Committed to meeting long-term financial targets outlined in our Q4 2023 earnings call
- Market leadership and innovation give us confidence in ability to outpace market growth rates, creating sustainable shareholder value

# Q&A

# Appendix

# Long-Term Financial Targets

**Net Sales  
Growth<sup>1</sup>**

**MSD+**

Serving markets with positive growth outlook aligned with megatrends  
Innovation and market expansion to grow above markets

**Operating  
Margin**

Approaching  
**Mid-Teens**

Strategic pricing to align with value we deliver  
Streamlined organization aligned with strategy  
Operational efficiencies & focus on the outliers

**Return on Invested  
Capital**

**High-Teens**

A disciplined and efficient capital allocation strategy  
Internal investments and acquisitions are evaluated based on financial and strategic criteria

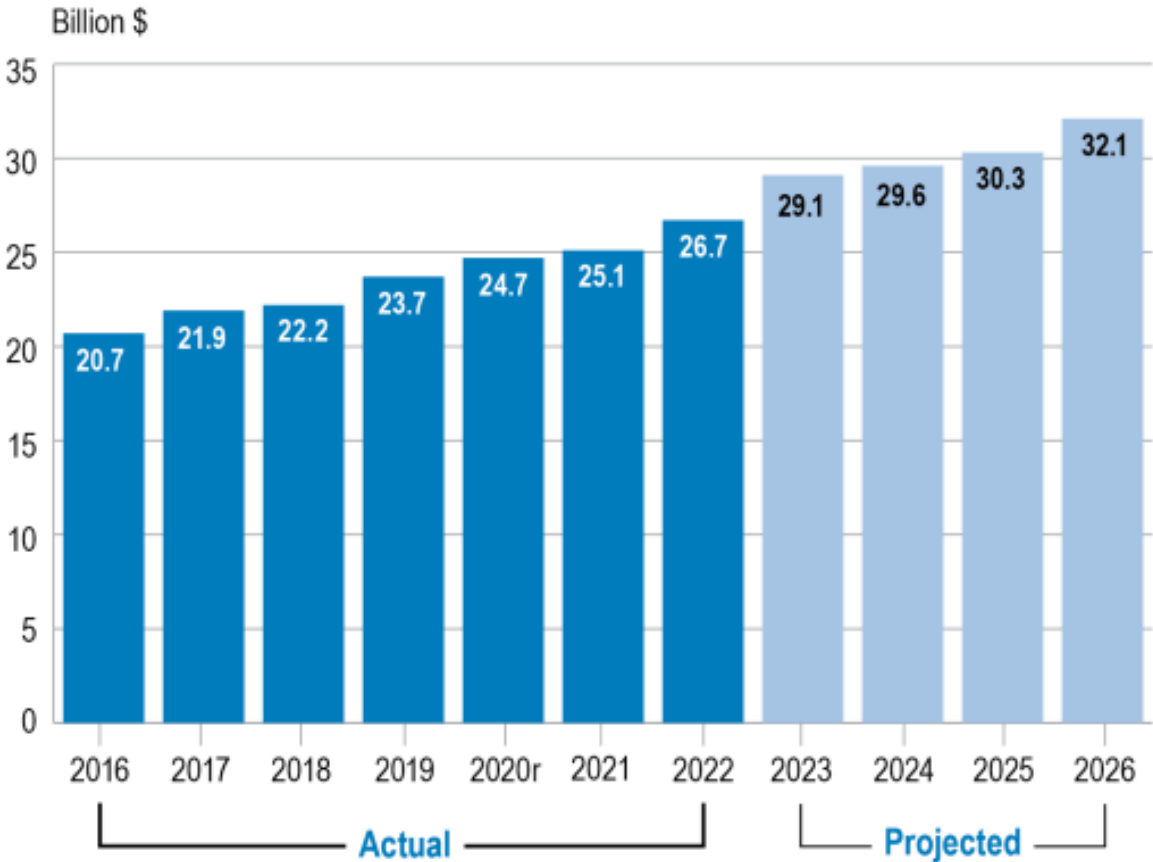
**Net Earnings  
FCF Conversion**

**100%**

Managing net working capital to maximize cash flow  
Supply chain and inventory optimization

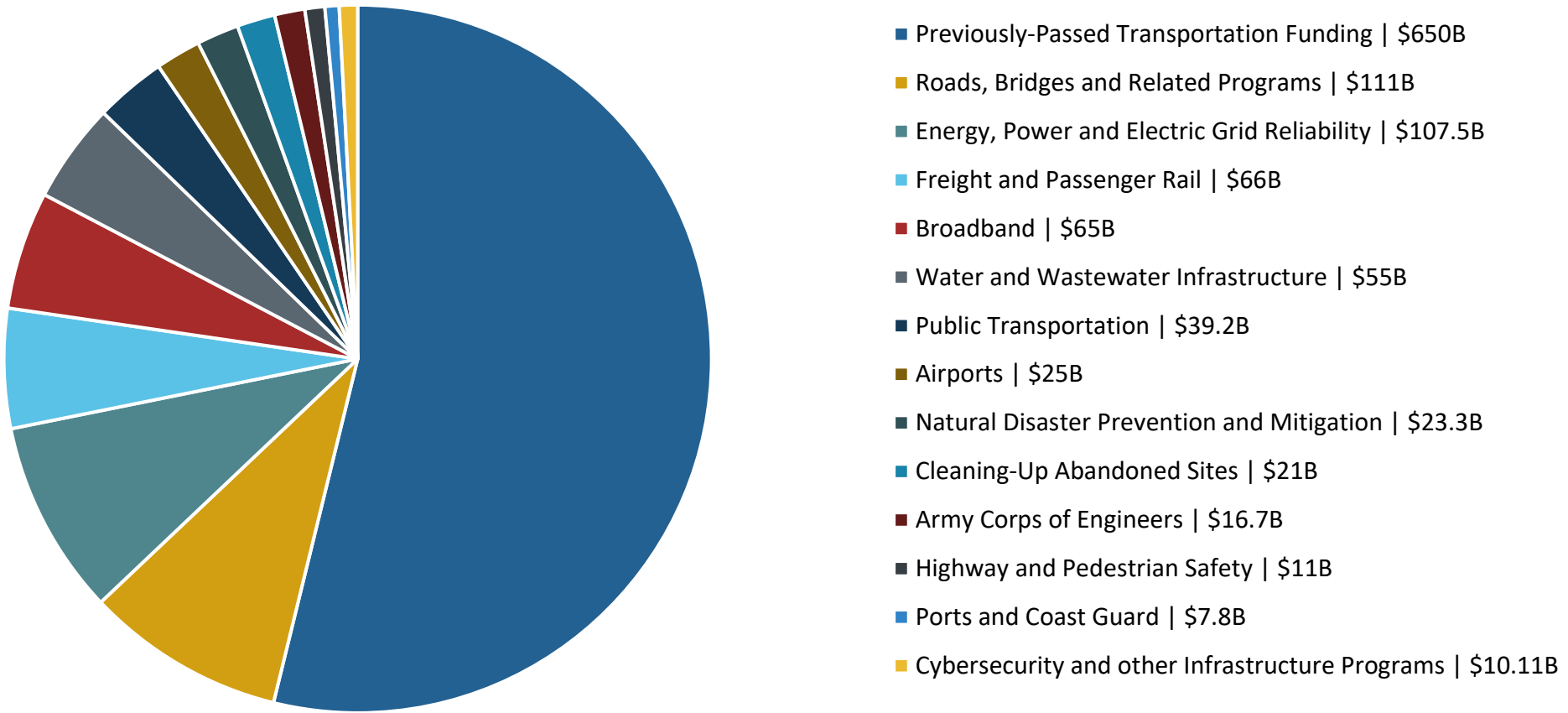
**Delivering reliable growth while expanding operating margins and ROIC to consistently create shareholder value**

# Actual and Projected Transmission Investment

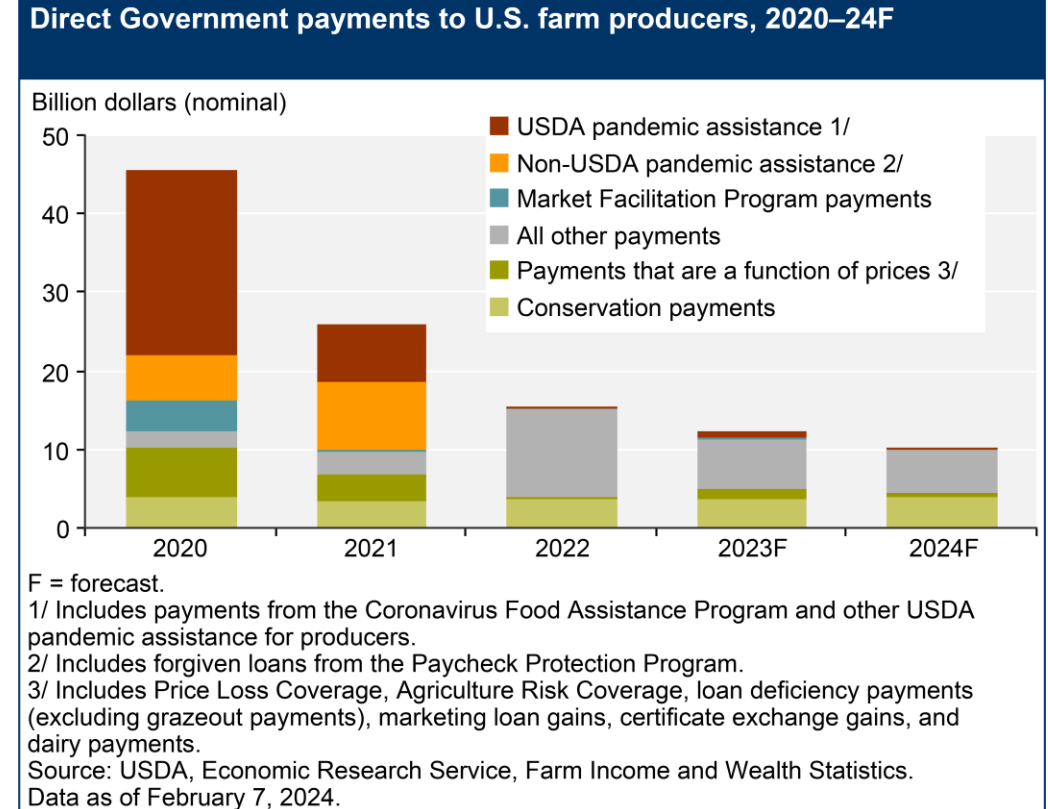
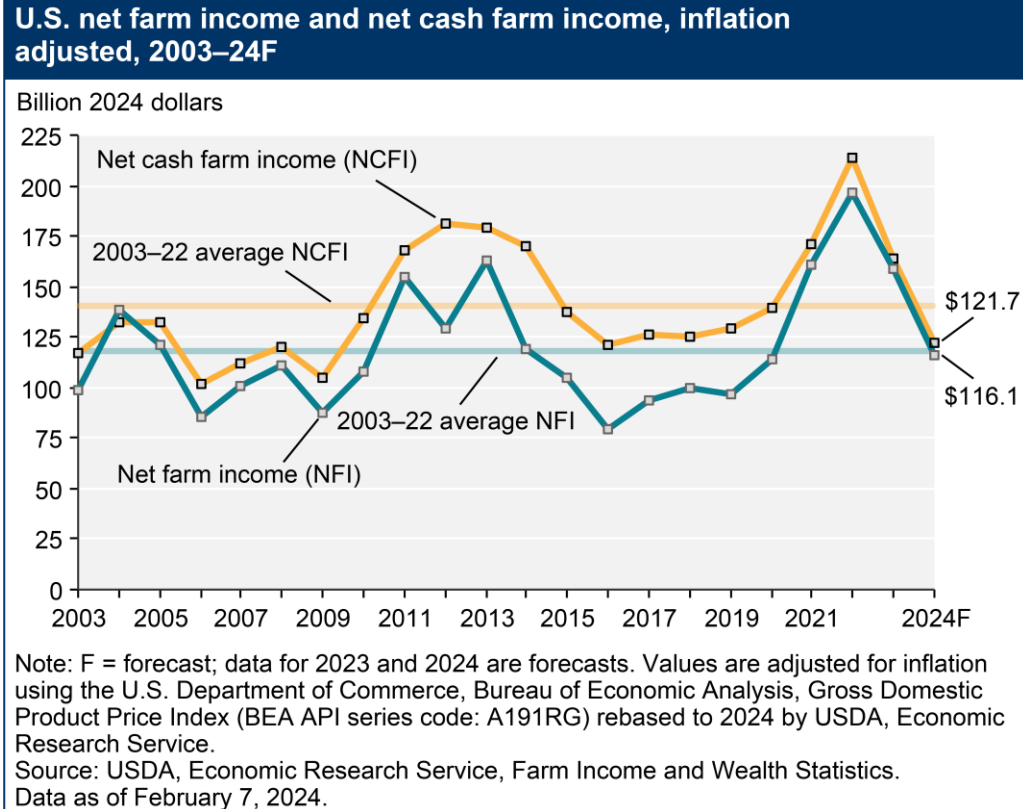


# Infrastructure Investment and Jobs Act (IIJA)

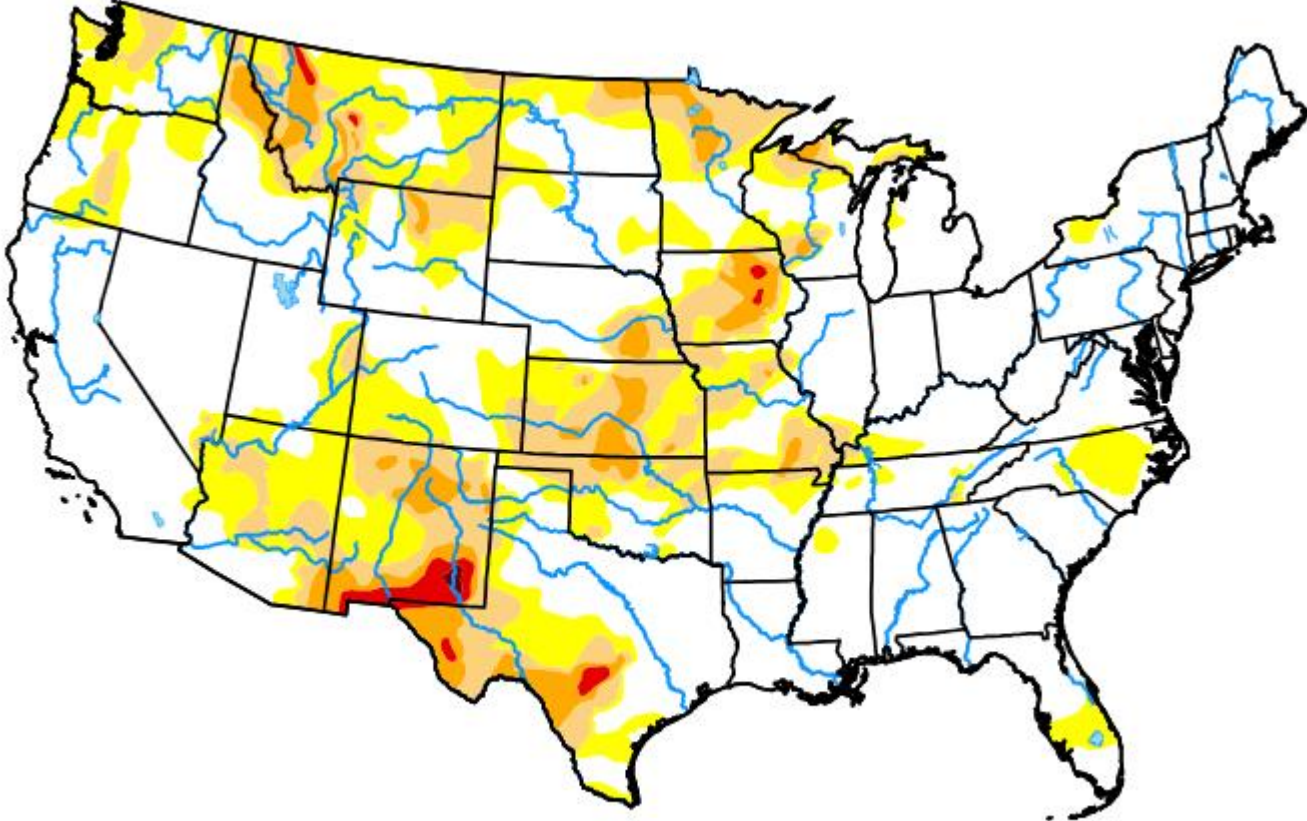
Infrastructure Investment and Jobs Act Spending Breakdown (In Order - Most to Least)



# U.S. Net Cash Farm Income by Year



# U.S. Drought Condition



### Intensity

- None
- D0 (Abnormally Dry)
- D1 (Moderate Drought)
- D2 (Severe Drought)
- D3 (Extreme Drought)
- D4 (Exceptional Drought)
- No Data

# Reconciliation of Non-GAAP Financial Measures to Reported Financial Measures

*Dollars in thousands*

The non-GAAP table below discloses the impacts of the realignment charges and non-recurring charges associated with major scope changes for two strategic projects initiated by departed senior leadership on the fourth quarter of fiscal 2023 results. Amounts may be impacted by rounding. We believe it is useful when considering company performance for the non-GAAP adjusted operating income (loss) to be taken into consideration by management and investors with the related reported GAAP measures.

<b>Operating Income (Loss) Reconciliation</b>	<b>Thirteen weeks ended December 30, 2023</b>			
	<i>Infrastructure</i>	<i>Agriculture</i>	<i>Corporate</i>	<i>Consolidated</i>
Operating income (loss) - as reported	\$ 82,550	\$ 13,946	\$ (32,948)	\$ 63,548
Realignment charges	16,191	8,194	6,645	31,030
Other non-recurring charges	—	5,626	—	5,626
Adjusted operating income (loss)	<u>\$ 98,741</u>	<u>\$ 27,766</u>	<u>\$ (26,303)</u>	<u>\$ 100,204</u>
Net sales - as reported	745,713	269,813	—	1,015,526
Operating income (loss) as a % of net sales	11.1 %	5.2 %	NM	6.3 %
Adj. operating inc. (loss) as a % of net sales	13.2 %	10.3 %	NM	9.9 %

# Historical Free Cash Flow<sup>1,2</sup> (2014 – 2023)

Dollars in millions

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Net cash flows from operating activities	\$ 174.1	\$ 272.3	\$ 232.8	\$ 133.1	\$ 153.0	\$ 307.6	\$ 316.3	\$ 65.9	\$ 326.3	\$ 306.8
Net cash flows from investing activities	(256.9)	(48.2)	(53.0)	(49.6)	(155.4)	(168.1)	(104.0)	(417.3)	(132.1)	(115.3)
Net cash flows from financing activities	(136.8)	(32.0)	(95.2)	(32.0)	(162.1)	(98.9)	(173.8)	133.5	(181.9)	(176.4)
Net cash flows from operating activities	\$ 174.1	\$ 272.3	\$ 232.8	\$ 133.1	\$ 153.0	\$ 307.6	\$ 316.3	\$ 65.9	\$ 326.3	\$ 306.8
Purchase of plant, property, and equipment	(73.0)	(45.5)	(57.9)	(55.3)	(72.0)	(97.4)	(106.7)	(107.8)	(93.3)	(96.8)
Free cash flows	101.1	226.8	174.9	77.8	81.0	210.2	209.6	(41.9)	233.0	210.0
Net earnings attributable to Valmont Industries, Inc.	\$ 183.9	\$ 40.1	\$ 175.5	\$ 120.5	\$ 101.8	\$ 146.4	\$ 140.7	\$ 195.6	\$ 250.9	\$ 150.8
Adjusted free cash flow net earnings attributable to Valmont Industries, Inc.	\$ 187.7	\$ 131.7	\$ 139.9	\$ 162.7	\$ 130.4	\$ 146.4	\$ 159.8	\$ 222.3	\$ 284.2	\$ 291.6
Free Cash Flow Conversion - GAAP	0.55	5.66	1.00	0.65	0.80	1.44	1.49	(0.21)	0.93	1.39
Free Cash Flow Conversion - Adjusted	0.53	1.71	1.25	0.48	0.62	1.44	1.31	(0.19)	0.82	0.72

## Reconciliation of Net Earnings to Adjusted Figures

Net earnings attributed to Valmont Industries, Inc.	\$ 183.9	\$ 40.1	\$ 175.5	\$ 120.5	\$ 101.8	\$ 146.4	\$ 140.7	\$ 195.6	\$ 250.9	\$ 150.8
Loss from divestiture of offshore wind energy structures business	-	-	-	-	-	-	-	-	33.3	-
Change in valuation allowance against deferred tax assets	-	7.1	(20.7)	41.9	-	-	-	5.0	-	-
Impairment of long-lived assets	-	61.8	1.1	-	28.6	-	19.1	21.7	-	140.8
Reversal of contingent liability	-	-	(16.6)	-	-	-	-	-	-	-
Other non-recurring expenses (non-cash)	-	18.1	-	-	-	-	-	-	-	-
Noncash loss from Delta EMD shares	3.8	4.6	0.6	0.2	-	-	-	-	-	-
Adjusted free cash flow net earnings attributable to Valmont Industries, Inc.	\$ 187.7	\$ 131.7	\$ 139.9	\$ 162.7	\$ 130.4	\$ 146.4	\$ 159.8	\$ 222.3	\$ 284.2	\$ 291.6

<sup>1</sup>Adjusted net earnings for purposes of calculating free cash flow conversion may not agree to the adjusted net earnings. The difference is due to non-recurring expenses which were settled in cash in the year of occurrence as part of net cash flows from operating activities.

<sup>2</sup>We use the non-GAAP measure of free cash flow, which we define as GAAP net cash flows from operating activities reduced by the purchase of property, plant, and equipment. We believe that free cash flow is a useful performance measure for management and useful to investors as the basis for comparing our performance with other companies. Our measure of free cash flow may not be directly comparable to similar measures used by other companies.

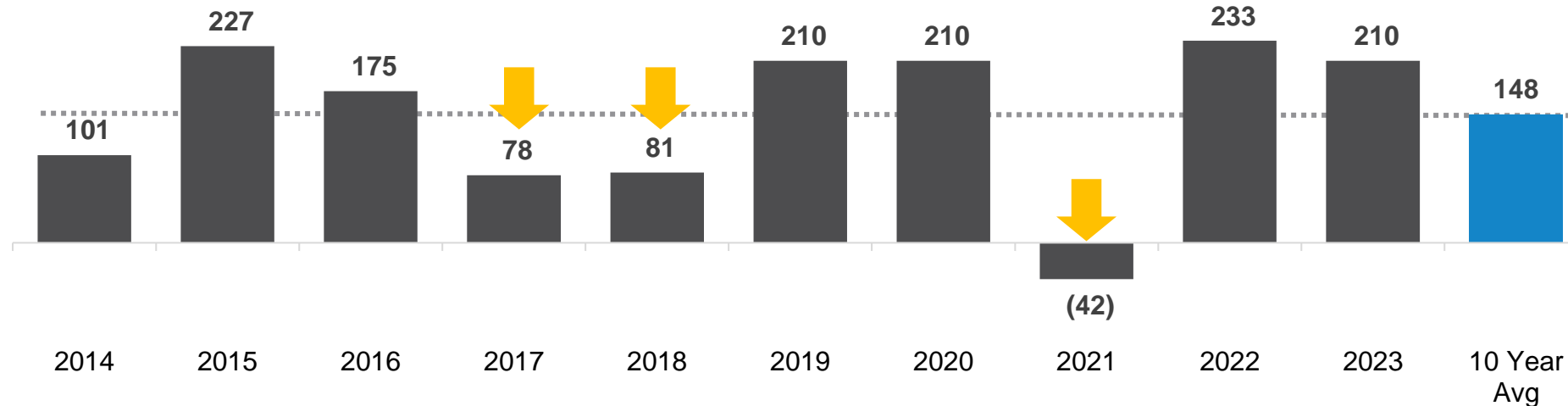
# Free Cash Flow Throughout the Cycle

Dollars in millions

## 2014 – 2023 Free Cash Flow<sup>1</sup>



Years of rapid raw material cost inflation



10-yr Avg. \$148M  
GAAP 1.37X  
Adj. 0.87X

## Historical FCF Conversion by Year<sup>1</sup>

<b>GAAP</b>	0.55X	5.66X	1.00X	0.65X	0.80X	1.44X	1.49X	(0.21X)	0.93X	1.39X
<b>Adj.</b>	0.53X	1.71X	1.25X	0.48X	0.62X	1.44X	1.31X	(0.19X)	0.82X	0.72X

<sup>1</sup>We use the non-GAAP measure of free cash flow, which we define as GAAP net cash flows from operating activities reduced by the purchase of property, plant, and equipment. We believe that free cash flow is a useful performance measure for management and useful to investors as the basis for comparing our performance with other companies. Our measure of free cash flow may not be directly comparable to similar measures used by other companies.

# Calculation of Adjusted EBITDA and Leverage Ratio

*Dollars in thousands*

*Certain of our debt agreements contain covenants that require us to maintain certain coverage ratios. Our Debt to Adjusted EBITDA may not exceed 3.5X Adjusted EBITDA (or 3.75X Adjusted EBITDA after certain material acquisitions) of the prior four fiscal quarters. See “Leverage Ratio” below.*

	<b>Four fiscal quarters ended March 30, 2024</b>
Net earnings attributable to Valmont Industries, Inc.	\$ 164,131
Interest expense	59,924
Income tax expense	88,266
Depreciation and amortization expense	96,838
Stock-based compensation	37,713
EBITDA	446,872
Impairment of long-lived assets	140,844
Realignment charges	35,210
Proforma acquisition adjustment	2,389
Adjusted EBITDA	\$ 625,315
Interest-bearing debt, excluding origination fees and discounts of \$26,138	\$ 1,136,431
Less: cash and cash equivalents in excess of \$50,000	119,195
Net indebtedness	\$ 1,017,236
Net indebtedness	\$ 1,017,236
Leverage ratio	1.63
Interest-bearing debt, excluding origination fees and discounts of \$26,138	\$ 1,136,431
Total debt to adjusted EBITDA	1.82