

# LB Foster

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3Q16 Earnings Presentation



November 7, 2016



CONSTRUCTION  
PRODUCTS



# Safe Harbor Statement

This presentation and oral statements regarding the subject matter may contain “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995. We caution you that such statements involve risks, uncertainties and assumptions which could cause actual results to differ materially from those expressed or implied in such statements. Potential risks and uncertainties include, but are not limited to, the impact of economic, competitive, regulatory, political and other risks and uncertainties including economic conditions and regulatory changes caused by the United Kingdom’s likely exit from the European Union, the strength of the markets where the Company participates, continued and sustained declines in energy prices, changes in the cost and availability of raw materials and other products purchased for resale, a lack of state or federal funding for infrastructure projects, the effective implementation of an enterprise resource planning system, the ultimate number of concrete ties that will be replaced pursuant to product warranty claims and an overall resolution of the related contract claims, the overall resolution of the product warranty and related contract claims and costs associated with the outcome of the lawsuit filed by Union Pacific Railroad Corporation, the impact of acquisitions and other strategic investments risks inherent in litigation and those matters set forth in Item 8, Footnote 19, “Commitments and Contingent Liabilities” and in Item 1A, “Risk Factors” of the Company’s Form 10-K for the year ended December 31, 2015, and reports on Form 10-Q thereafter.

L.B. Foster Company assumes no obligation to update or revise any forward-looking information to reflect actual results, changes in assumptions or other factors affecting forward-looking information, except as required by law.

The information in this presentation is unaudited, except where noted otherwise.

# Non-GAAP Financial Measures

This earnings presentation discloses the following non-GAAP measures:

- Earnings before interest, taxes, depreciation, and amortization ("EBITDA");
- EBITDA adjusted for asset impairments ("Adjusted EBITDA");
- Adjusted diluted earnings per share; and
- Segment gross profit.

Management believes that these non-GAAP financial measures are useful to investors in the assessment of our operations as well as the use of our assets without regard to financing methods, capital structure, historical cost basis, and the significant asset impairment. Additionally, EBITDA is a financial measurement that management and the board of directors use in the determination of certain compensation programs.

Segment gross profit measures provide investors and other users information to evaluate the performance of the Company's segments on a more comparable basis to market trends and peers. In addition, segment gross profit represents key metrics utilized by segment managers to monitor selling prices and quantities as well as production and service costs to better evaluate key profitability drivers and trends that may develop due to industry and competitive conditions.

Non-GAAP financial measures are not a substitute for GAAP financial results and should only be considered in conjunction with the Company's financial information that is presented in accordance with GAAP. Quantitative reconciliations of the GAAP measures are included within this presentation.

# Financial Highlights

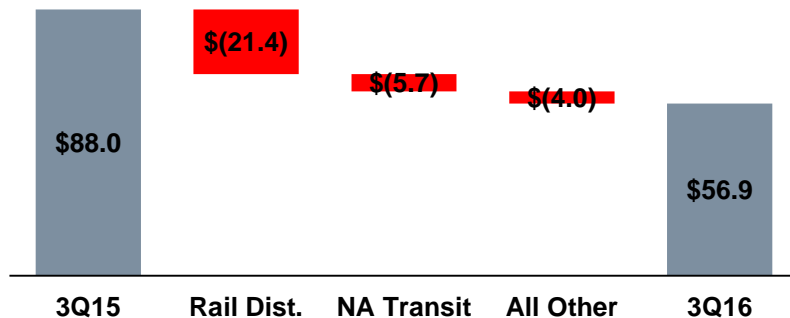
Metrics	3Q16	3Q15	Variance
Sales	\$114.6 million	\$176.1 million	\$(61.4) million, (34.9)%
Gross Profit Margin	17.3%	20.5%	(320) Bps
Adjusted EBITDA <sup>(1)</sup>	\$4.1 million	\$18.5 million	\$(14.4) million, (77.8)%
Adjusted Net (Loss) Income per Diluted Share <sup>(1)</sup>	\$(0.00)	\$0.63	\$(0.63)
Operating Cash Flow	\$5.3 million	\$15.6 million	\$(10.3) million

*(1) See non-GAAP reconciliation tables at the end of this presentation regarding non-GAAP measures used herein*

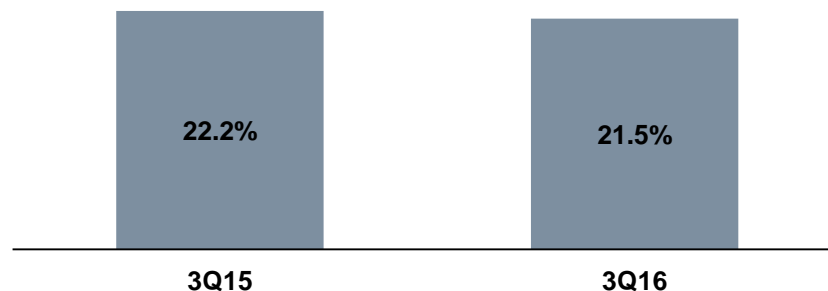
# Rail Products and Services

## 3Q16 Results

### Sales (\$ in millions)



### Non-GAAP Gross Profit Margin <sup>(1)</sup>



## Commentary

- Sales decreased by 35.3% due to lower sales across all significant rail divisions
  - Sales declines were primarily volume driven due to significantly less capital spending
  - Lower rail pricing impacted rail distribution sales revenue
- Non-GAAP gross profit margin of 21.5% decreased by 70 basis points due to reduced sales volumes, partially offset by manufacturing efficiencies and cost reductions

## Market Outlook

### 3Q16 Trends / Outlook:

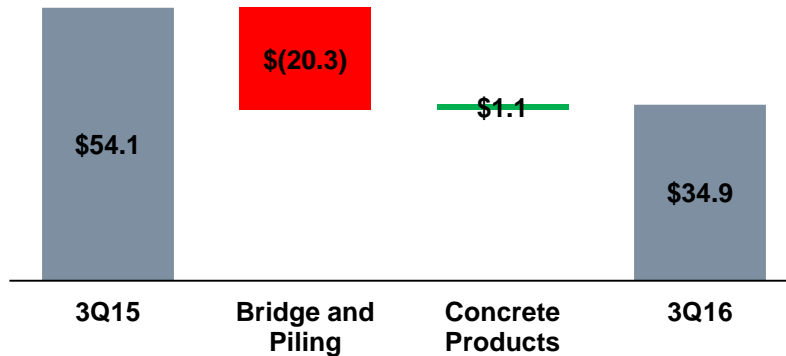
- Rail Distribution sales facing market weakness and decline from steel prices
  - Steel prices continue to decline sequentially
- N.A. freight rail industry among the hardest hit by reduced capital projects
- Transit market across U.S. expected to maintain current levels

(1) See non-GAAP reconciliation tables at the end of this presentation regarding non-GAAP measures used herein

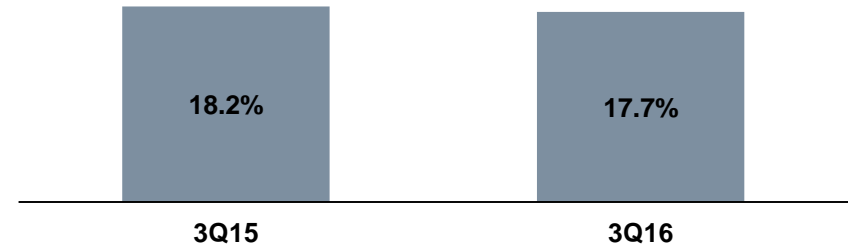
# Construction Products

## 3Q16 Results

### Sales (\$ in millions)



### Non-GAAP Gross Profit Margin <sup>(1)</sup>



## Commentary

- Sales decreased by 35.5% due to declines in piling and, to a lesser extent, fabricated bridge products
- Growth in pre-cast concrete products helps offset weak sales in Piling
- Non-GAAP gross profit margin of 17.7% decreased by 50 basis points driven by sales volume reductions
- Piling gross profit margins slightly better year over year

## Market Outlook

### 3Q16 Trends / Outlook:

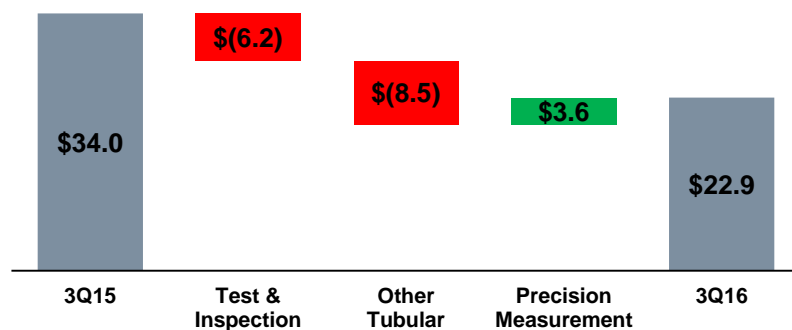
- Backlog in bridge decking projects near record level
- Pricing for commodity piling solutions remain very competitive
  - Less competitive than more vertically integrated competitors
- Pre-cast concrete buildings continues to grow
  - New products and solutions having a positive impact

(1) See non-GAAP reconciliation tables at the end of this presentation regarding non-GAAP measures used herein

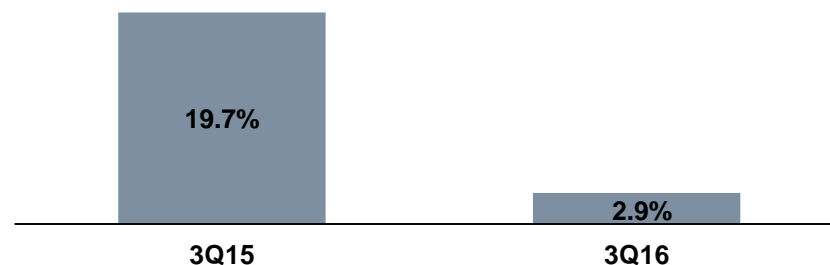
# Tubular and Energy Services

## 3Q16 Results

### Sales (\$ in millions)



### Non-GAAP Gross Profit Margin <sup>(1)</sup>



## Commentary

- Sales decreased by 32.7% due to reduced sales across all product categories, with the exception of Precision Measurement
- Non-GAAP gross profit margin of 2.9% driven by lower margins across all product categories
  - Test & Inspection continues to be significantly impacted by weak upstream market
  - Precision Measurement margins were impacted by competitive pressures
  - Coating services facility idled for 6 weeks

## Market Outlook

### 3Q16 Trends / Outlook

- Weak upstream oil and gas market is showing signs of recovery
- Backlog has declined in divisions serving midstream market
- Project delays have created uncertainty
- Restructuring initiatives have continued to reduce cost
- Coating services facility restarted with backlog through 1Q17

(1) See non-GAAP reconciliation tables at the end of this presentation regarding non-GAAP measures used herein

# Key Takeaways

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- Market weakness remains in North American Freight Rail and Energy markets
- Steel prices have been declining throughout the year and are having a notable impact on results
- Accelerated cost cutting actions in light of continued weakness
  - Increased cost cutting target to exceed \$12 million in annualized savings
- Company suspends dividend and cuts capital spending as it intensifies focus on free cash flow



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Financial Overview



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# Consolidated Income Statement - QTD

(\$ in millions, except per share)	Three Months Ended September 30, 2016		Three Months Ended September 30, 2015		Delta	
	\$	%	\$	%	\$	%
Sales	\$114.6	-	\$176.1	-	\$(61.4)	(34.9)%
Gross Profit	19.8	17.3%	36.0	20.5%	(16.2)	(45.0)%
SG&A	19.8	17.3%	21.6	12.3%	(1.8)	(8.3)%
Amortization Expense	1.8	1.5%	3.3	1.9%	(1.6)	(47.2)%
Asset Impairments	6.9	6.1%	80.3	45.6%	(73.4)	(91.4)%
Interest Expense, Net	1.5	1.3%	1.2	0.7%	0.3	22.6%
Other Income	(0.8)	(0.7)%	(0.2)	(0.1)%	(0.6)	300.0%
Pre-tax Loss	(9.4)	(8.2)%	(70.2)	(39.9)%	60.8	(86.7)%
<b>Net Loss</b>	<b>(6.0)</b>	<b>(5.3)%</b>	<b>(57.4)</b>	<b>(32.6)%</b>	<b>51.4</b>	<b>(89.6)%</b>
<b>Diluted Loss Per Share</b>	<b>\$(0.58)</b>		<b>\$(5.60)</b>		<b>\$5.02</b>	<b>(89.6)%</b>
<b>EBITDA</b>	<b>\$(2.8)</b>	<b>(2.4)%</b>	<b>\$(61.8)</b>	<b>(35.1)%</b>	<b>\$59.0</b>	<b>(95.5)%</b>
<b>Adjusted Net (Loss) Income <sup>(1)</sup></b>	<b>\$(0.0)</b>	<b>N/M</b>	<b>\$6.5</b>	<b>3.7%</b>	<b>\$(6.4)</b>	<b>(99.4)%</b>
<b>Adjusted Diluted (Loss) Income EPS <sup>(1)</sup></b>	<b>\$(0.00)</b>		<b>\$0.63</b>		<b>\$(0.63)</b>	<b>(100.0)%</b>
<b>Adjusted EBITDA <sup>(1)</sup></b>	<b>\$4.1</b>	<b>3.6%</b>	<b>\$18.5</b>	<b>10.5%</b>	<b>\$(14.4)</b>	<b>(77.8)%</b>

(1) See non-GAAP reconciliation tables at the end of this presentation regarding non-GAAP measures used herein  
 Note: Figures may not foot due to rounding.

# Segment Results

Sales (\$ in millions)	Three Months Ended September 30, 2016		Three Months Ended September 30, 2015		Delta	
	\$	% of Total	\$	% of Total	\$	%
Rail Products and Services	\$56.9	49.6%	\$88.0	50.0%	\$(31.1)	(35.3)%
Construction Products	34.9	30.4%	54.1	30.7%	(19.2)	(35.5)%
Tubular Products and Energy Services	22.9	20.0%	34.0	19.3%	(11.1)	(32.7)%
<b>Total</b>	<b>\$114.6</b>		<b>\$176.1</b>		<b>\$(61.4)</b>	<b>(34.9)%</b>

Gross Profit (\$ in millions)	Three Months Ended September 30, 2016		Three Months Ended September 30, 2015		Delta	
	\$	% Margin	\$	% Margin	\$	%
Non-GAAP Rail Products and Services <sup>(1)</sup>	\$12.2	21.5%	\$19.6	22.2%	\$(7.3)	(37.5)%
Non-GAAP Construction Products <sup>(1)</sup>	6.2	17.7%	9.9	18.2%	(3.7)	(37.3)%
Non-GAAP Tubular Products and Energy Services <sup>(1)</sup>	0.7	2.9%	6.7	19.7%	(6.0)	(90.2)%
LIFO income	1.0		0.2		0.8	
Other	(0.3)		(0.4)		0.1	
<b>Total</b>	<b>\$19.8</b>	<b>17.3%</b>	<b>\$36.0</b>	<b>20.5%</b>	<b>\$(16.2)</b>	<b>(45.0)%</b>

(1) See non-GAAP reconciliation tables at the end of this presentation regarding non-GAAP measures used herein  
 Note: Figures may not foot due to rounding.

# Consolidated Income Statement - YTD

(\$ in millions, except per share)	Nine Months Ended September 30, 2016		Nine Months Ended September 30, 2015		Delta	
	\$	%	\$	%	\$	%
Sales	\$376.9	-	\$485.4	-	\$(108.4)	(22.3)%
Gross Profit	71.6	19.0%	103.8	21.4%	(32.2)	(31.0)%
SG&A	65.9	17.5%	68.1	14.0%	(2.2)	(3.2)%
Amortization Expense	7.8	2.1%	9.0	1.8%	(1.1)	(12.6)%
Asset Impairments	135.9	36.0%	80.3	16.6%	55.5	69.1%
Interest Expense, Net	4.2	1.1%	3.0	0.1%	1.2	39.2%
Other Income	0.7	N/M	(0.9)	N/M	1.6	(173.4)%
Pre-tax Loss	(142.9)	(37.9)%	(55.7)	(11.5)%	(87.2)	156.6%
<b>Net Loss</b>	<b>(100.8)</b>	<b>(26.7)%</b>	<b>(47.8)</b>	<b>(9.9)%</b>	<b>(53.0)</b>	<b>111.0%</b>
<b>Diluted Loss Per Share</b>	<b>\$(9.82)</b>		<b>\$(4.65)</b>		<b>\$(5.17)</b>	<b>111.0%</b>
<b>EBITDA</b>	<b>\$(120.3)</b>	<b>(31.9)%</b>	<b>\$(33.1)</b>	<b>(6.8)%</b>	<b>\$(87.1)</b>	<b>(262.7)%</b>
<b>Adjusted Net (Loss) Income <sup>(1)</sup></b>	<b>\$(4.0)</b>	<b>(1.1)%</b>	<b>\$16.1</b>	<b>3.3%</b>	<b>\$(20.1)</b>	<b>(124.6)%</b>
<b>Adjusted Diluted (Loss) Income EPS <sup>(1)</sup></b>	<b>\$(0.39)</b>		<b>\$1.56</b>		<b>\$(1.95)</b>	<b>(125.0)%</b>
<b>Adjusted EBITDA <sup>(1)</sup></b>	<b>\$15.6</b>	<b>4.1%</b>	<b>\$47.2</b>	<b>9.7%</b>	<b>\$(31.6)</b>	<b>(67.0)%</b>

(1) See non-GAAP reconciliation tables at the end of this presentation regarding non-GAAP measures used herein  
 Note: Figures may not foot due to rounding.

# Balance Sheet

(\$ in millions)	September 30, 2016	December 31, 2015
<b>ASSETS</b>		(audited)
Current assets:		
Cash and cash equivalents	\$3.7	\$33.3
Accounts receivable – net	64.9	78.5
Inventories – net	91.4	96.4
Other current assets	13.5	6.3
<b>Total current assets</b>	<b>173.5</b>	<b>214.5</b>
Property, plant and equipment – net	106.1	126.7
Other assets:		
Goodwill	19.4	81.7
Other intangibles – net	65.8	134.9
Other assets	46.5	8.8
<b>Total assets</b>	<b>\$411.3</b>	<b>\$566.7</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$67.7	\$81.6
Accrued warranty	9.0	8.8
Current maturities of long-term debt	1.3	1.3
<b>Total current liabilities</b>	<b>78.0</b>	<b>91.6</b>
Long-term debt	134.3	167.4
Other long-term liabilities	22.2	24.8
<b>Total stockholders' equity</b>	<b>176.8</b>	<b>282.8</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$411.3</b>	<b>\$566.7</b>

Note: Figures may not foot due to rounding.

# Cash Flows

(\$ in millions)	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
Net loss and non-cash items	\$16.0	\$36.4
Receivables	13.5	(1.5)
Inventory	3.2	(1.3)
Payables and deferred revenue	(12.4)	(16.4)
<b>Working capital subtotal</b>	<b>20.3</b>	<b>17.2</b>
All other	(8.4)	(3.5)
<b>Operating cash flow</b>	<b>11.9</b>	<b>13.7</b>
Capital expenditures	(6.5)	(11.6)
Dividends	(1.2)	(1.2)
Acquisitions	-	(193.9)
Debt proceeds / (payments) – net	(33.1)	181.0
All other	(0.8)	(6.8)
<b>Net decrease in cash</b>	<b>(29.7)</b>	<b>(18.8)</b>
<b>Cash balance, end of period</b>	<b>\$3.7</b>	<b>\$33.3</b>

Note: Figures may not foot due to rounding.

# New Order Summary

(\$ in millions)	New Orders Entered		Delta	
	Three Months Ended September 30, 2016	Three Months Ended September 30, 2015	\$	%
Rail Products and Services	\$48.0	\$62.0	\$(14.0)	(22.5)%
Construction Products	44.0	44.3	(0.2)	(0.5)%
Tubular Products and Energy Services	18.8	39.3	(20.5)	(52.2)%
<b>Total</b>	<b>\$110.9</b>	<b>\$145.5</b>	<b>\$(34.7)</b>	<b>(23.8)%</b>

*Note: Figures may not foot due to rounding.*

# Backlog Summary

(\$ in millions)	Backlog		Delta	
	September 30, 2016	September 30, 2015	\$	%
Rail Products and Services	\$53.4	\$84.8	\$(31.4)	(37.0)%
Construction Products	75.8	63.3	12.5	19.7%
Tubular Products and Energy Services	14.6	26.2	(11.6)	(44.2)%
<b>Total</b>	<b>\$143.8</b>	<b>\$174.3</b>	<b>\$(30.5)</b>	<b>(17.5)%</b>

*Note: Figures may not foot due to rounding.*



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Appendix



Non-GAAP Reconciliations



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# Non-GAAP Financial Measures: Adjusted EBITDA

(\$ in millions)	Three Months Ended	
	September 30, 2016	September 30, 2015
Net loss as reported	\$(6.0)	\$(57.4)
Interest expense, net	1.5	1.2
Income tax benefit	(3.4)	(12.8)
Depreciation	3.3	3.8
Amortization	1.8	3.3
<b>EBITDA</b>	<b>(2.8)</b>	<b>(61.8)</b>
Asset impairments	6.9	80.3
<b>Adjusted EBITDA</b>	<b>\$4.1</b>	<b>\$18.5</b>

Note: Figures may not foot due to rounding.

# Non-GAAP Financial Measures: Segment Gross Profit

(\$ in millions)

<b>Three months ended September 30, 2016</b>	<b>Rail Products and Services</b>	<b>Construction Products</b>	<b>Tubular and Energy Services</b>	<b>Total</b>
Sales	\$ 56.9	\$ 34.9	\$ 22.9	\$ 114.6
Non-GAAP Segment Gross Profit	12.2	6.2	0.7	19.1
Segment and Allocated Selling & Administrative	8.9	4.8	4.3	18.0
Amortization Expense	1.0	0.0	0.8	1.8
Asset Impairments	4.4	-	2.6	6.9
Reportable Segment (Loss) Profit	<u>(2.0)</u>	<u>1.4</u>	<u>(7.0)</u>	<u>(7.7)</u>
Non-GAAP Segment Gross Profit Percentage	21.5%	17.7%	2.9%	
Reportable Segment (Loss) Profit Percentage	(3.6)%	4.0%	(30.6)%	

<b>Three months ended September 30, 2015</b>	<b>Rail Products and Services</b>	<b>Construction Products</b>	<b>Tubular and Energy Services</b>	<b>Total</b>
Sales	\$ 88.0	\$ 54.1	\$ 34.0	\$ 176.1
Non-GAAP Segment Gross Profit	19.6	9.9	6.7	36.1
Segment and Allocated Selling & Administrative	11.5	5.4	4.0	20.9
Amortization Expense	1.1	0.0	2.2	3.3
Asset Impairments	-	-	80.3	80.3
Reportable Segment Profit (Loss)	<u>\$ 7.0</u>	<u>\$ 4.5</u>	<u>\$ (79.9)</u>	<u>\$ (68.4)</u>
Non-GAAP Segment Gross Profit Percentage	22.2%	18.2%	19.7%	
Reportable Segment Profit (Loss) Percentage	7.9%	8.2%	(235.0)%	

Note: Figures may not foot due to rounding.

# Adjusted Earnings Per Share

(\$ in millions, except per share data)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
<b>Adjusted Diluted (Loss) Earnings Per Share Reconciliation</b>				
Net loss, as reported	\$ (6.0)	\$ (57.4)	\$ (100.8)	\$ (47.8)
Asset impairments, net of tax benefits of \$1.0, \$16.5, \$39.0, \$16.5	5.9	63.9	96.8	63.9
Adjusted net (loss) income	<u>\$ (0.0)</u>	<u>\$ 6.5</u>	<u>\$ (4.0)</u>	<u>\$ 16.1</u>
Average number of common shares outstanding - Diluted	10,296	10,256	10,264	10,266
Average number of common shares outstanding - Diluted, as adjusted	10,296	10,304	10,264	10,347
Diluted (loss) per common share, as reported	<u>\$ (0.58)</u>	<u>\$ (5.60)</u>	<u>\$ (9.82)</u>	<u>\$ (4.65)</u>
Diluted (loss) earnings per common share, as adjusted	<u>\$ (0.00)</u>	<u>\$ 0.63</u>	<u>\$ (0.39)</u>	<u>\$ 1.56</u>

Note: Figures may not foot due to rounding.