




# BAIRD 2017 GLOBAL INDUSTRIAL CONFERENCE
# NOVEMBER 9, 2017

Bob Bauer – President and CEO
Jim Maloney – SVP, CFO and Treasurer

LBFoster®

# 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. The Company has based these forward-looking statements on current expectations and assumptions of future events. While the Company considers these expectations and assumptions to be reasonable, they are inherently subject to significant business, economic, competitive, regulatory, political and other risks and uncertainties, most of which are difficult to predict, and many of which are beyond the Company’s control. Among the factors that could cause actual results to differ materially are risks and uncertainties related to: economic conditions and regulatory changes caused by the United Kingdom’s pending exit from the European Union; the risk of doing business in international markets; the strength of the markets where the Company participates; 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 continued implementation of an enterprise resource planning system; our ability to effectuate our strategy, including cost reduction initiatives; the ability to manage our working capital requirements and indebtedness; environmental matters, including any costs associated with any remediation and monitoring; risks inherent in litigation; the ultimate number of concrete ties that will be replaced pursuant to product warranty claims and an 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; 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, 2016, and reports on Form 10-Q thereafter.

The forward-looking statements in this presentation are made as of the date of the presentation, and L.B. Foster Company assumes no obligation to update or revise any forward-looking information, whether as a result of new information, future events, or otherwise, except as required by federal securities laws.

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

This presentation also includes non-GAAP measures. Please refer to the Appendices for reconciliations of such non-GAAP measures to the most directly comparable GAAP measures. Management believes that the use of non-GAAP measures assists investors in understanding the underlying operating performance of the Company and its segments.

# Discussion Points

- Financial Information
- Company Profile
- Market Outlook
- Value Creation






# FINANCIAL INFORMATION

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# Quarterly Financial Highlights

| Metrics | Q3 2017 | Q3 2016 | Variance |
|---|---|---|---|
| Sales | $131.5 million | $114.6 million | $16.8 million, 14.7% |
| Gross Profit Margin | 20.1% | 17.3% | 280 Bps |
| Adjusted Earnings (Loss) per Diluted Share [1] | $0.31 | $(0.00) | $0.31 |
| Adjusted EBITDA [1] | $9.9 million | $4.1 million | $5.8 million, 141.3% |
| Operating Cash Flow | $(2.4) million | $5.3 million | $(7.7) million |
| New Orders | $145.5 million | $110.9 million | $34.7 million, 31.3% |
| Backlog | $189.6 million | $143.8 million | $45.8 million, 31.8% |

[1] *See non-GAAP reconciliation tables at the end of this presentation regarding non-GAAP measures used herein.*

# Outlook – Fourth Quarter and Full Year 2017

- Announced November 7, 2017

| | Q4 2017 | FY 2017 |
|---|---|---|
| Revenue | $135.0 Million - $142.0 Million | $530.0 Million - $537.0 Million |
| EBITDA[1] | $9.5 Million - $11.5 Million | $35.0 Million - $37.0 Million |
| Net Debt | | $90.0 Million - $100.0 Million |
| Net Debt to Adjusted EBITDA[1] Ratio | | Below 3.0x |

*[1] See non-GAAP reconciliation tables at the end of this presentation regarding non-GAAP measures used herein.*

# Financial Summary
# Years Ended December 31, 2014 through 2017
## ($Millions, except EPS)

| | 2014 (a) | 2015 (a) | 2016 (a) | Projected 2017 |
|---|---|---|---|---|
| Sales | $607.2 | $624.5 | $483.5 | $530.0 - $537.0 |
| Gross Profit | 121.6 | 133.7 | 90.4 | (b) |
| Gross Profit % | *20.0%* | *21.4%* | *18.7%* | *(b)* |
| Adjusted EBITDA[1] | 51.6 | 60.6 | 18.5 | 35.0 – 37.0 |
| Adjusted EBITDA % | *8.5%* | *9.7%* | *3.8%* | *6.6% - 6.9%* |
| Diluted EPS | $2.48 | $(4.33) | $(13.79) | (b) |
| Operating Cash Flow | $66.7 | $56.2 | $18.4 | (b) |

Notes

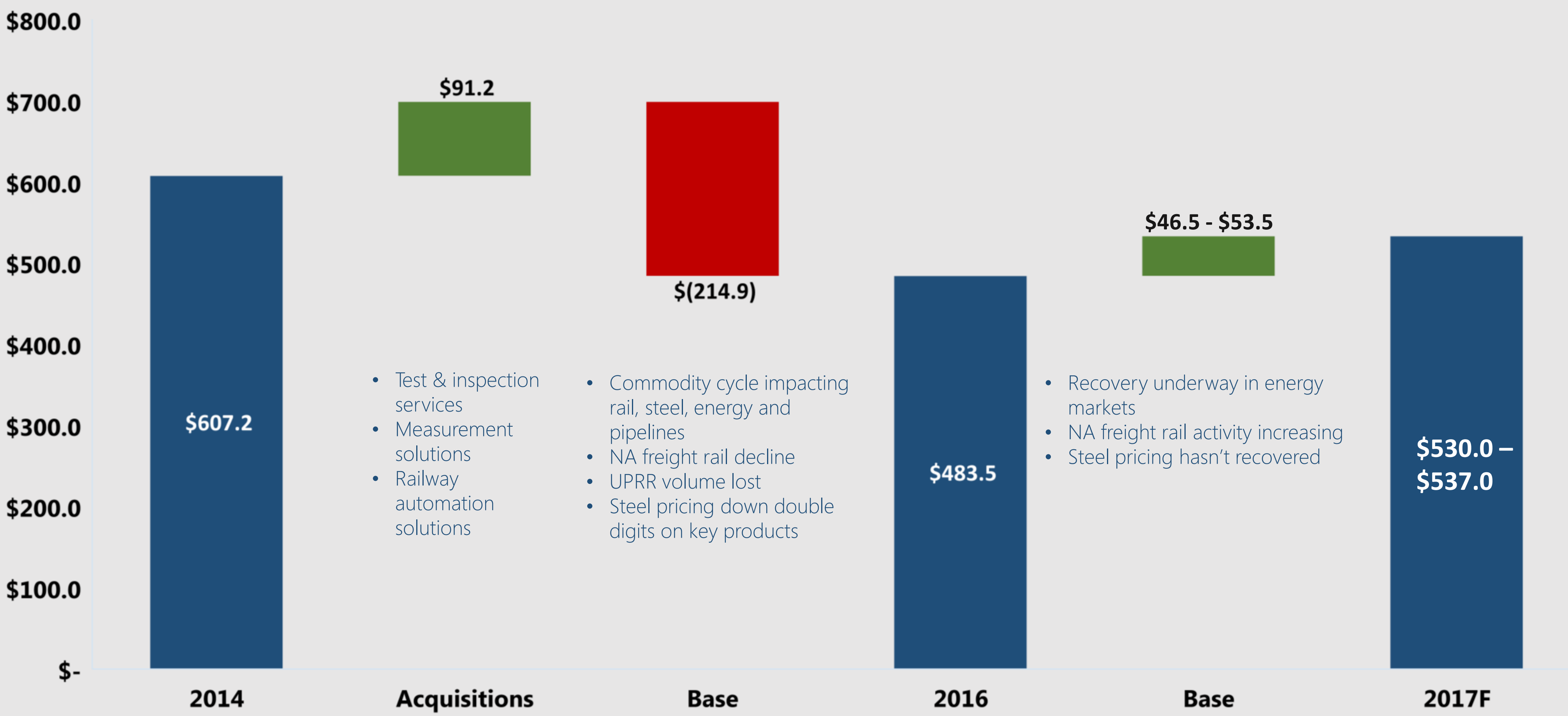
a) Amounts include the following items for the years indicated:

2014 – concrete warranty and related costs, negative impact to: a) Gross Profit of $9.4M; b) Adjusted EBITDA[1] of $8.7M; c) Diluted EPS of $0.54/share.
2015 – asset impairments, negative impact to Diluted EPS of $6.14/share.
2016 – asset impairments, income tax adjustments for valuation allowances and unremitted foreign earnings; impact to Diluted EPS of $13.10.

b) Not provided.

[1] *See non-GAAP reconciliation tables at the end of this presentation regarding non-GAAP measures used herein.*

# Sales Bridge – 2014 to 2017
($ in Millions)



# Plan for Restoring Profitability and Cash Flow

Short Term Goals (1 – 2 years)

- Targeting $35.0 - $37.0 million EBITDA for 2017; an improvement from $18.5 million in 2016
- Lower Net Debt to EBITDA Ratio – Target below 3.0x for December 2017, a reduction from 7.0x in December 2016
  - Modernization program has reduced the need for capital spending on maintenance
  - Efficient use of trade working capital
- Margin recovery focus at underperforming divisions

Long Term Goals

- Total Company EBITDA margins above 10%
- Net Debt to EBITDA Ratio in a range between 1.0 to 2.0x
- Restore dividend






# COMPANY PROFILE

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# Markets We Serve

## Transportation Infrastructure

**Adjacent Markets around Core**

Automotive

Transit

- Rail Products and Services
  - Track infrastructure products
  - Wheel rail interface solutions
  - Condition monitoring
- Highways, Bridges, Ports
  - Piling products
  - Fabricated Bridge Decking

Lubricants

Precast Solutions

Automation Solutions

## Energy Infrastructure

**Adjacent Markets around Core**

Measurement Devices

- Energy Delivery Path
  - Safe deployment of tubulars
    - Corrosion protection coatings – pipelines
    - Test & inspection services
    - Reclamation and refurbishing
  - Measurement & control for transport of liquids and gas
    - Precision measurement systems
    - Additive and Injection systems

Liquid Coatings

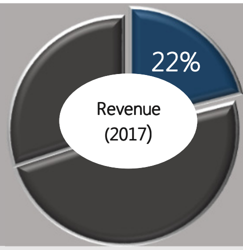
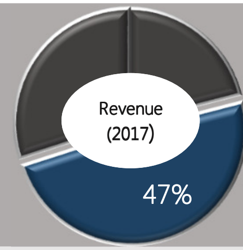
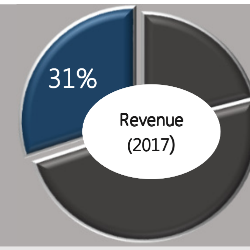
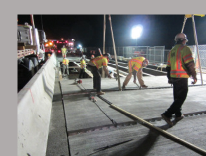
Coating Applications

Organic growth programs focus on core markets as well as expansion into adjacent markets

# Globalization and Mobility Drive Transportation and Energy

| Trends | Drivers | Impact on FSTR | |
|---|---|---|---|
| Increasing Use of Public Transportation | Congested highways, pollution | Transit capacity demand | ↑ |
| Import/Export growth | Global markets, trade and lower cost | Construction of ports and intermodal rail | ↑ |
| Efficiently moving people and freight constantly, around the world | Globalization, search for best supply chains and cost | Need for transportation investment and energy consumption | ↑ |
| Abundance/cost of gas/environmental regs. | Natural gas is a faster growing energy source replacing coal | Increasing natural gas drilling and transport, but less coal by rail | – |
| North American transition from a net importer to a net exporter of energy | Lower cost unconventional sources of oil, gas & natural gas liquids | Investment for export based infrastructure | ↑ |
| Increase in renewable energy sources | Clean energy | Unfavorable for hydrocarbons and coal | ↓ |

# Current Business Profile

<table>
<tr><td>Markets We Serve</td><td>Energy</td><td colspan="2">Transportation</td></tr>
<tr><td>Segment</td><td>Tubular and Energy Services</td><td>Rail Products and Services</td><td>Construction Products</td></tr>
<tr><td>% Revenue (2017)</td><td>
</td><td>
</td><td>
</td></tr>
<tr><td>Segment Overview</td><td>• Protective Coatings for tubulars<br>• Precision Measurement Systems for pipelines<br>• Upstream Test & Inspection for tubulars<br>• Threading Products and Services</td><td>• Rail Products & Services for track infrastructure<br>• Rail Technologies for managing friction, wear, and comfort<br>• Precast Concrete Ties<br>• Diagnostics, Controls and Displays</td><td>• Piling Products for highways, bridges, and ports<br>• Fabricated Bridge Products<br>• Precast Concrete Products</td></tr>
<tr><td>Product Overview</td><td></td><td></td><td></td></tr>
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# Acquisitions Aimed at Expanding Served Markets

| | Acquisitions | Rationale |
|---|---|---|
| Energy | • IOS<br>• Chemtec | • Exposure to growing shale development with service and solutions<br>• Expected higher margin service business (IOS) with little capital needs<br>• Offers new markets and access to larger measurement market (about $750M) within our existing customer base |
| | • Ball Winch | • High margin custom coatings for pipelines<br>• Complements and expands business through addition of custom coatings business |
| Transportation | • Carr Concrete | • Ability to compete in East Coast market<br>• Expand product offerings across entire precast business |
| | • TEW | • Enhanced our product application and automation solutions capabilities<br>• Further expansion into international rail markets |
| | • FWO | • Expansion of electronic track lubrication and maintenance business into Germany |

# Infrastructure for Energy – Current & Future Focus

Energy Delivery Path (Hydrocarbon)

Well Head | Gathering | Pipelines | Refining | Retail

## Precision Measurement

1. Custody transfer systems
2. Precision metering systems for liquids and gas
3. Pigging operations
4. Additive and Injection systems
5. Terminal operations systems

Critical measurement and control systems for transport and movement of liquids and gas

## Safe Deployment of Tubulars

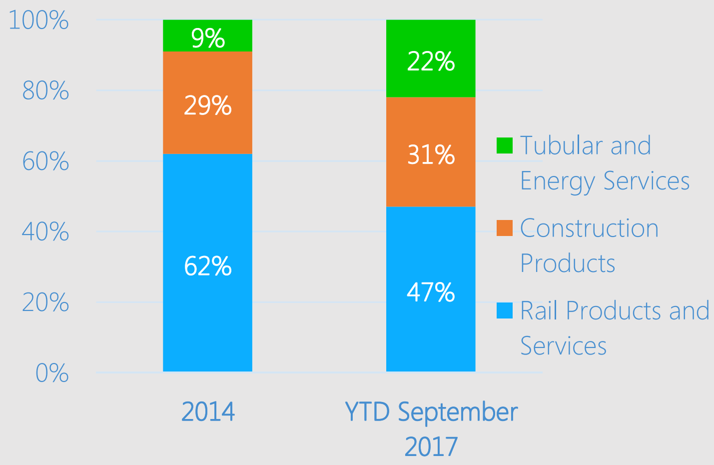
1. Corrosion protection for pipeline
2. Ultrasonic MRI inspection and test
3. Hydrostatic testing
4. Field testing and inspection for drill pipe and pipelines
5. Premium Connections & Couplings

Critical drilling and pipeline applications

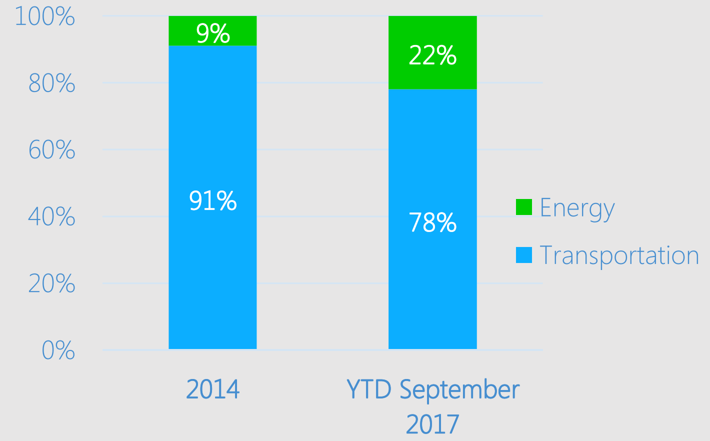
Applications around these two groups of businesses have substantial opportunity

# Diversified Revenue Base

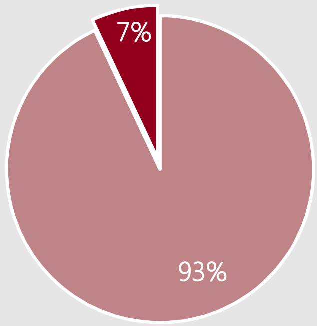
## REPORTING SEGMENT



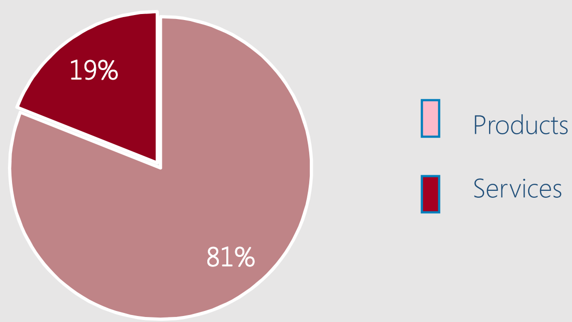

## MARKETS SERVED




## 2014 SALES MIX




## YTD SEPTEMBER 2017 SALES MIX








# MARKET OUTLOOK

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# Current Market Outlook - Transportation

- North American freight rail recovering
  - Coal volume improving
  - Other commodities and intermodal expected to have low growth
  - Operating and capital spending aimed at improving operating ratio and increasing resiliency
- North American and European transit markets continue to see rising demand balanced by budget pressures
  - End markets remain attractive
  - Opportunity for growth from product penetration and geographic expansion
  - Automation solutions pose unique offering to grow faster and expand into adjacent markets
- Fabricated Bridge business is well positioned but will cycle with projects
- Piling for transportation could accelerate with infrastructure spending bill

# Current Domestic Market Outlook – Energy

- Energy market improving as developers lower cost to produce
  - Upstream segment driven by expanding rig count and longer laterals per well, which is increasing tubular demand
  - Pockets of pipeline infrastructure still needed, especially for gas & natural gas liquids (NGL's)
  - Opportunity to export liquids and gas bring new potential
  - E&P developers spending within free cash flow, while maintaining liquidity
  - Our manufacturing and service centers are adding to existing capabilities to attract new customers
    - Gas measurement, proprietary threading capability, smart sampling with measurement, liquid coatings
- Washington initiatives could favorably impact us:
  - Infrastructure spending bill
  - Restrictions on steel imports






# VALUE CREATION

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# Plan to Create Value Going Forward

## Invest in divisions with superior organic growth opportunity

- Friction management technology with after-market services
- Smart samplers, injection systems and gas measurement skids
- Automation solutions for railway and other applications
- New precast concrete products

*Capitalize on recent market dynamics*

## Increase Profitability & Cash Flow

- Costs have been reduced to align with lower volume
- Expect margin improvement from hardest-hit divisions in 2016
- Expect operating leverage with recent cost reductions
- Further working capital opportunity
- Minimal capital needed for modernization
- Business System Enhances Operational Excellence

## Continue shift toward higher margin business models

- Investing in service business models such as Tubular Services, Specialty Coating and Friction Management
- Sales mix: increasing in value-add solutions such as railway automation, smart measurement systems, controls and displays
- Exit low margin businesses:

  2016/2017

  - Brazil (switch to distribution model)
  - Coating Field Services
  - Car Repair (rail)

# Creating Value through Innovation

Friction Management for Rail Applications

LIDAR used to Detect Debris at Crossings

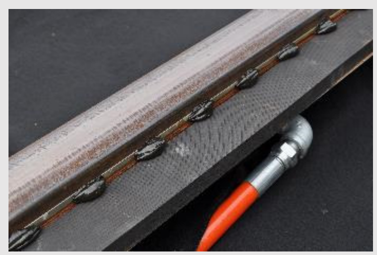
Wheel Impact  Load Detection

Smart Sampler for Precise Measurement

Traceability on Key Oilfield Tubular  Integrity Tests

Single Driver Control/Display

Passenger Display Solutions



Biodegradable Grease Solutions

Corrosion Protection for Critical Applications

# Operating Free Cash Flow Creates Value for our Shareholders

| | 2012 | 2013 | 2014 | 2015 | 2016 | YTD 2017 |
|---|---|---|---|---|---|---|
| Operating Cash Flow | $27.0 | $13.9 | $66.7 | $56.2 | $18.4 | $27.5 |
| Capital Spending | $7.2 | $9.7 | $17.1 | $14.9 | $7.7 | $5.3 |

Facility modernization
ERP system investment
Acquisition program support

- Significant modernization progress made during 2013 – 2015
  - Several projects aimed to drive improvement in operating efficiency
- Targeting capital spending at 15% - 25% of operating cash flow to maximize free cash flow

# THANK YOU

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# APPENDIX

Third Quarter 2017 and Year to Date September 30, 2017
Financial Results and Non-GAAP Financial Measures

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# Consolidated Income Statement - QTD

| ($ in millions, except per share) | Three Months Ended September 30, 2017 $ | Three Months Ended September 30, 2017 % | Three Months Ended September 30, 2016 $ | Three Months Ended September 30, 2016 % | Delta $ | Delta % |
|---|---|---|---|---|---|---|
| Sales | $ 131.5 | — | $ 114.6 | — | $ 16.8 | 14.7% |
| Gross profit | 26.4 | 20.1% | 19.8 | 17.3% | 6.6 | 33.1% |
| SG&A | 20.2 | 15.4% | 19.8 | 17.3% | 0.4 | 2.1% |
| Amortization expense | 1.8 | 1.3% | 1.8 | 1.5% | — | 0.1% |
| Asset impairments | — | —% | 6.9 | 6.1% | (6.9) | (100.0)% |
| Interest expense, net | 2.0 | 1.5% | 1.5 | 1.3% | 0.5 | 34.0% |
| Other income | (0.6) | (0.5)% | (0.8) | (0.7)% | 0.2 | 26.9% |
| Pre-tax income (loss) | 3.0 | 2.3% | (9.4) | (8.2)% | 12.4 | 132.2% |
| **Net income (loss)** | **$ 3.2** | **2.5%** | **$ (6.0)** | **(5.2)%** | **$ 9.2** | **153.9%** |
| **Diluted earnings (loss) per share** | **$ 0.31** | | **$ (0.58)** | | **$ 0.89** | |
| **EBITDA[1]** | **$ 9.9** | **7.5%** | **$ (2.8)** | **(2.5)%** | **$ 12.8** | **457.1%** |
| | | | | | | |
| **Adjusted net income (loss)[1]** | **$ 3.2** | **2.5%** | **$ (0.0)** | **(0.0)%** | **$ 3.3** | **9,050.0%** |
| **Adjusted diluted earnings (loss) per share[1]** | **$ 0.31** | | **$ (0.00)** | | **$ 0.31** | |
| **Adjusted EBITDA[1]** | **$ 9.9** | **7.5%** | **$ 4.1** | **3.6%** | **$ 5.8** | **141.3%** |

*(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*

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# Consolidated Income Statement - YTD

| ($ in millions, except per share) | Nine Months Ended September 30, 2017 | | | Nine Months Ended September 30, 2016 | | | Delta | | |
|---|---|---|---|---|---|---|---|---|---|
| | | $ | % | | $ | % | | $ | % |
| Sales | $ | 395.1 | — | $ | 376.9 | — | $ | 18.1 | 4.8% |
| Gross profit | | 75.4 | 19.1% | | 71.6 | 19.0% | | 3.8 | 5.3% |
| SG&A | | 60.0 | 15.2% | | 65.9 | 17.5% | | (5.9) | (9.0)% |
| Amortization expense | | 5.2 | 1.3% | | 7.8 | 2.1% | | (2.6) | (33.3)% |
| Asset impairments | | — | —% | | 135.9 | 36.0% | | (135.9) | (100.0)% |
| Interest expense, net | | 6.1 | 1.6% | | 4.2 | 1.1% | | 2.0 | 46.9% |
| Other (income) expense | | (0.6) | (0.1)% | | 0.7 | 0.2% | | (1.2) | (181.8)% |
| Pre-tax income (loss) | | 4.5 | 1.1% | | (142.9) | (37.9)% | | 147.5 | 103.2% |
| **Net income (loss)** | **$** | **3.8** | **1.0%** | **$** | **(100.8)** | **(26.7)%** | **$** | **104.6** | **103.8%** |
| **Diluted earnings (loss) per share** | **$** | **0.37** | | **$** | **(9.82)** | | **$** | **10.19** | |
| **EBITDA[1]** | **$** | **25.6** | **6.5%** | **$** | **(120.3)** | **(31.9)%** | **$** | **145.9** | **121.3%** |
| | | | | | | | | | |
| **Adjusted net income (loss)[1]** | **$** | **3.8** | **1.0%** | **$** | **(4.0)** | **(1.1)%** | **$** | **7.8** | **196.5%** |
| **Adjusted diluted earnings (loss) per share[1]** | **$** | **0.37** | | **$** | **(0.39)** | | **$** | **0.75** | |
| **Adjusted EBITDA[1]** | **$** | **25.6** | **6.5%** | **$** | **15.6** | **4.1%** | **$** | **10.0** | **64.4%** |

*(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*

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# Balance Sheet

| ($ in millions) | September 30, 2017 | December 31, 2016 (audited) |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 35.0 | $ 30.4 |
| Accounts receivable – net | 79.3 | 66.6 |
| Inventories – net | 104.0 | 83.2 |
| Other current assets | 11.1 | 19.4 |
| **Total current assets** | **229.4** | **199.6** |
| Property, plant and equipment – net | 98.5 | 104.0 |
| Other assets: | | |
| Goodwill | 19.7 | 18.9 |
| Other intangibles – net | 59.1 | 63.5 |
| Other assets | 2.5 | 7.0 |
| **Total assets** | **$ 409.2** | **$ 393.0** |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | $ 89.7 | $ 61.8 |
| Accrued warranty | 9.6 | 10.2 |
| Current maturities of long-term debt | 9.9 | 10.4 |
| **Total current liabilities** | **109.2** | **82.3** |
| Long-term debt | 128.4 | 149.2 |
| Other long-term liabilities | 27.8 | 28.3 |
| **Total stockholders' equity** | **143.8** | **133.3** |
| **TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY** | **$ 409.2** | **$ 393.0** |

*Note: Figures may not foot due to rounding*

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# Cash Flows



| ($ in millions) | Nine Months Ended September 30, 2017 | Nine Months Ended September 30, 2016 |
|---|---|---|
| Net income (loss) and non-cash items | $ 19.0 | $ 16.0 |
| Receivables | (11.9) | 13.5 |
| Inventory | (19.3) | 3.2 |
| Payables and deferred revenue | 25.4 | (12.4) |
| **Working capital subtotal** | **(5.9)** | **4.3** |
| All other | 14.4 | (8.4) |
| **Operating cash flow** | **27.5** | **11.9** |
| Capital expenditures | (5.3) | (6.5) |
| Dividends | — | (1.2) |
| Debt (payments) / proceeds – net | (21.3) | (33.1) |
| All other | 3.7 | (0.8) |
| **Net increase / (decrease) in cash** | **4.6** | **(29.7)** |
| **Cash balance, end of period** | **$ 35.0** | **$ 3.7** |

*Note: Figures may not foot due to rounding*

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# Non-GAAP Financial Measures: Adjusted EBITDA

| ($ in millions) | Three Months Ended September 30, 2017 | Three Months Ended September 30, 2016 | Nine Months Ended September 30, 2017 | Nine Months Ended September 30, 2016 |
|---|---|---|---|---|
| Net loss as reported | $ 3.2 | $ (6.0) | $ 3.8 | $ (100.8) |
| Interest expense, net | 2.0 | 1.5 | 6.1 | 4.2 |
| Income tax (benefit) expense | (0.2) | (3.4) | 0.7 | (42.1) |
| Depreciation | 3.2 | 3.3 | 9.7 | 10.6 |
| Amortization | 1.8 | 1.8 | 5.2 | 7.8 |
| **EBITDA** | **9.9** | **(2.8)** | **25.5** | **(120.3)** |
| Asset impairments | — | 6.9 | — | 135.9 |
| **Adjusted EBITDA** | **$ 9.9** | **$ 4.1** | **$ 25.5** | **$ 15.6** |

*Note: Figures may not foot due to rounding*

# Non-GAAP Financial Measures: Adjusted EPS

| ($ in millions, except per share data) | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| **Adjusted Diluted Earnings (Loss) Per Share Reconciliation** | **September 30, 2017** | **September 30, 2016** | **September 30, 2017** | **September 30, 2016** |
| Net income (loss), as reported | $ 3.2 | $ (6.0) | $ 3.8 | $ (100.8) |
| Asset impairments, net of tax benefits of $1 and $39.0 | — | 5.9 | — | 96.8 |
| Adjusted net income (loss) | $ 3.2 | $ (0.0) | $ 3.8 | $ (4.0) |
| Average number of common shares outstanding - Diluted | 10.5 | 10.3 | 10.4 | 10.3 |
| Diluted earnings (loss) per common share, as reported | $ 0.31 | $ (0.58) | $ 0.37 | $ (9.82) |
| **Diluted earnings (loss) per common share, as adjusted** | **$ 0.31** | **$ (0.00)** | **$ 0.37** | **$ (0.39)** |

*Note: Figures may not foot due to rounding*

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# Non-GAAP Financial Measures: Adjusted EBITDA

| ($ in millions) | Twelve Monthe Ended December 31, 2014 | 2015 | 2016 |
|---|---|---|---|
| Net income (loss), as reported | $ 25.7 | $ (44.4) | $ (141.7) |
| Interest expense, net | (0.0) | 4.2 | 6.3 |
| Income tax expense (benefit) | 13.4 | (6.1) | (5.5) |
| Depreciation expense | 7.9 | 14.4 | 13.9 |
| Amortization expense | 4.7 | 12.2 | 9.6 |
| **EBITDA** | **51.6** | **(19.7)** | **(117.4)** |
| Asset impairments | - | 80.3 | 135.9 |
| **Adjusted EBITDA** | **$ 51.6** | **$ 60.6** | **$ 18.5** |

*Note: Figures may not foot due to rounding*