



Investor Presentation  
April 22, 2021



## Forward-Looking Statements

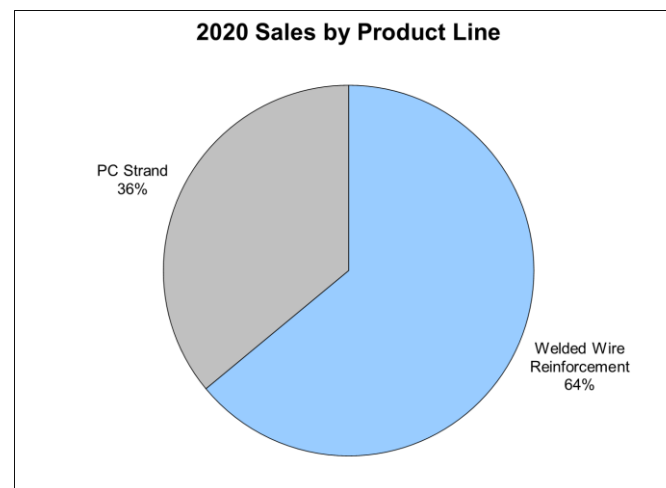


- This presentation contains forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. When used in this presentation, the words “believes,” “anticipates,” “expects,” “estimates,” “appears,” “plans,” “intends,” “may,” “should,” “could” and similar expressions are intended to identify forward-looking statements. Although we believe that our plans, intentions and expectations reflected in or suggested by such forward-looking statements are reasonable, they are subject to a number of risks and uncertainties, and we can provide no assurances that such plans, intentions or expectations will be implemented or achieved. All forward-looking statements are based on information that is current as of the date of this presentation. Many of these risks and uncertainties are discussed in detail in our filings with the U.S. Securities and Exchange Commission, in particular, our Annual Report on Form 10-K for the year ended October 3, 2020.
- All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by these cautionary statements. All forward-looking statements speak only to the respective dates on which such statements are made and we do not undertake 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, except as may be required by law.

# Business Overview



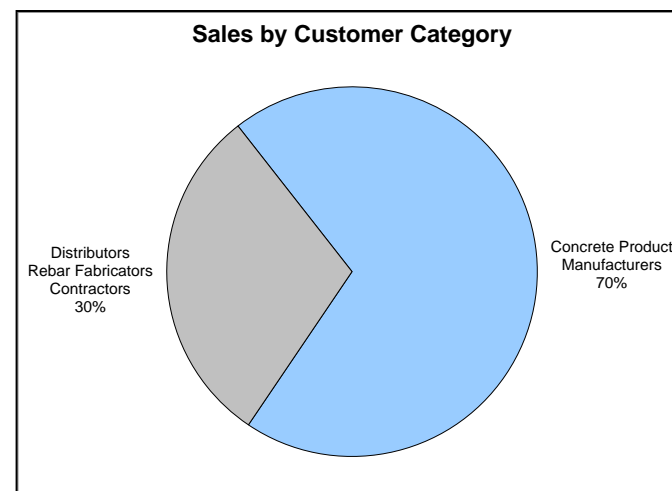
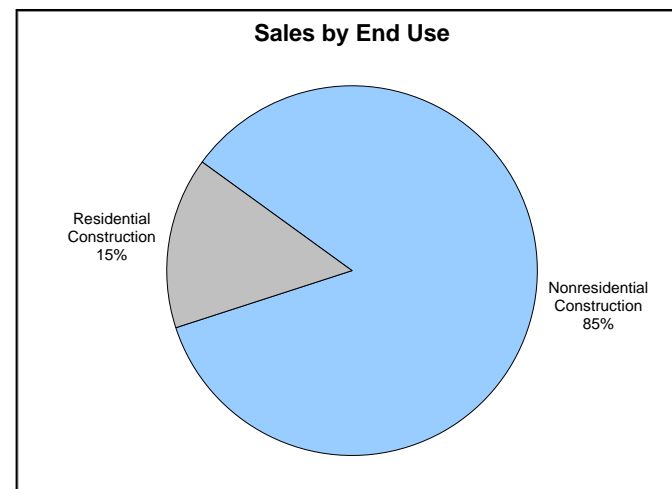
- Insteel Industries is the nation's largest manufacturer of steel wire reinforcing products for concrete construction applications.
- We manufacture and market a broad range of welded wire reinforcement ("WWR") and prestressed concrete strand ("PC strand") products.
- Headquartered in Mount Airy, North Carolina, Insteel operates ten manufacturing facilities located in the United States (seven WWR plants and three PC strand plants).
- Our business strategy is focused on:
  - achieving leadership positions in our markets.
  - operating as the lowest cost producer in our industry.
  - pursuing growth opportunities in our core businesses that further our penetration of the markets we currently serve or expand our footprint.



# Business Overview



- Insteel's products are sold primarily to manufacturers of concrete products that are used in nonresidential construction.
- Virtually all sales are in the U.S. (< 1% foreign in 2020).
- Demand is both cyclical and seasonal. Shipments are usually higher in the third and fourth quarters of the fiscal year (*April to September*) when weather conditions are more conducive to construction activity, and lower in the first and second quarters.
- Insteel's customer base is diverse with minimal concentration.



# Welded Wire Reinforcement (“WWR”)

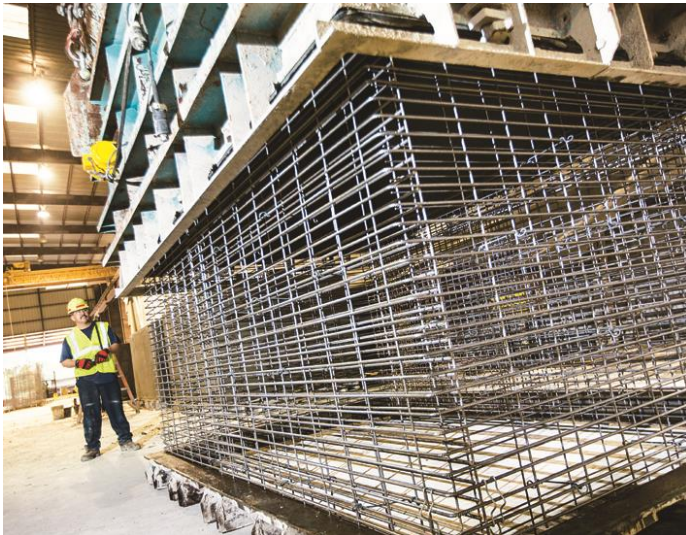


Produced as both standard and specially engineered reinforcing products for use in nonresidential and residential construction. Broad offering of WWR products includes:

**Engineered Structural Mesh** - Engineered made-to-order reinforcing products that are used as the primary reinforcement in concrete elements or structures, frequently serving as a substitute for hot-rolled rebar.

**Concrete Pipe Reinforcement** - Engineered made-to-order reinforcing products that are used as the primary reinforcement in concrete pipe and box culverts for drainage and sewage systems, water treatment facilities and other related applications.

**Standard Welded Wire Reinforcement** - Secondary reinforcing products made-to-stock in standard styles for crack control applications in residential and light nonresidential construction, including driveways, sidewalks and a wide range of slab-on-grade applications.





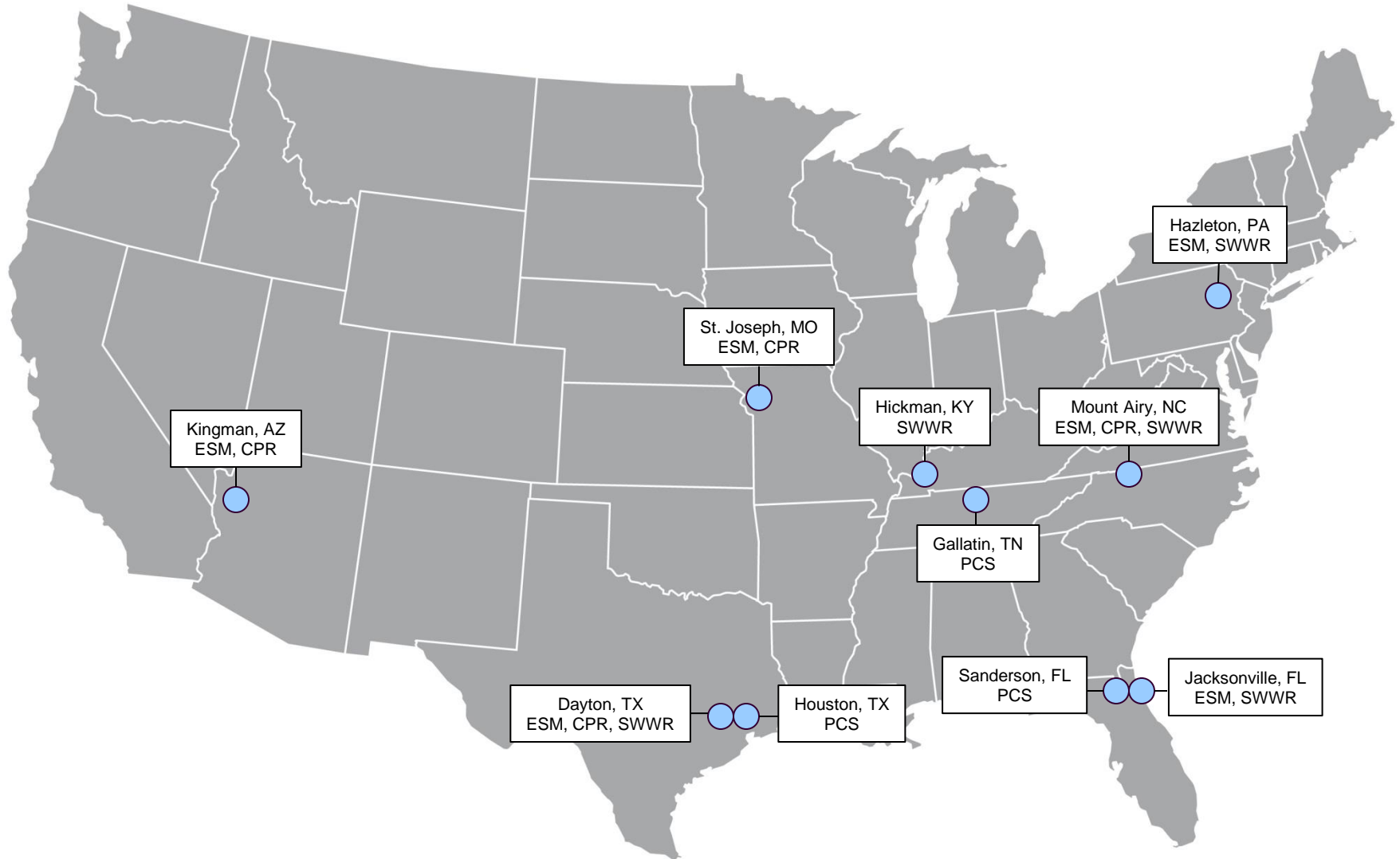
# Prestressed Concrete Strand (“PC Strand”)

Seven-wire strand used to impart compression forces into precast concrete elements and structures, providing reinforcement for bridges, parking decks, buildings and other concrete structures.

- High tensile strength makes it possible to cast longer spans and thinner sections.
- PC strand is used for both pretensioned and posttensioned reinforcing applications.
  - Pretensioned – Strands are tensioned and anchored at the ends of a form. Anchors are released after the concrete has been placed and cured, creating compression forces within the element.
  - Posttensioned – Strands are tensioned after the concrete has been placed and cured.



# Manufacturing Locations



## Competitive Position



Primary Competitors	
Welded Wire Reinforcement	PC Strand
<ul style="list-style-type: none"><li>➤ Liberty Steel/Engineered Wire Products</li><li>➤ Wire Mesh Corp.</li><li>➤ Concrete Reinforcements Inc.</li><li>➤ National Wire Products</li><li>➤ Davis Wire</li><li>➤ Oklahoma/Iowa Steel and Wire</li></ul>	<ul style="list-style-type: none"><li>➤ Sumiden Wire Products</li><li>➤ Wire Mesh Corp.</li><li>➤ Imports</li></ul>

- Largest domestic producer of WWR and PC strand and only producer with a national market presence.
- Strong market leadership positions extend across all product lines/families.
- Ability to bundle WWR and PC strand products, which are used in combination for many concrete reinforcing applications.

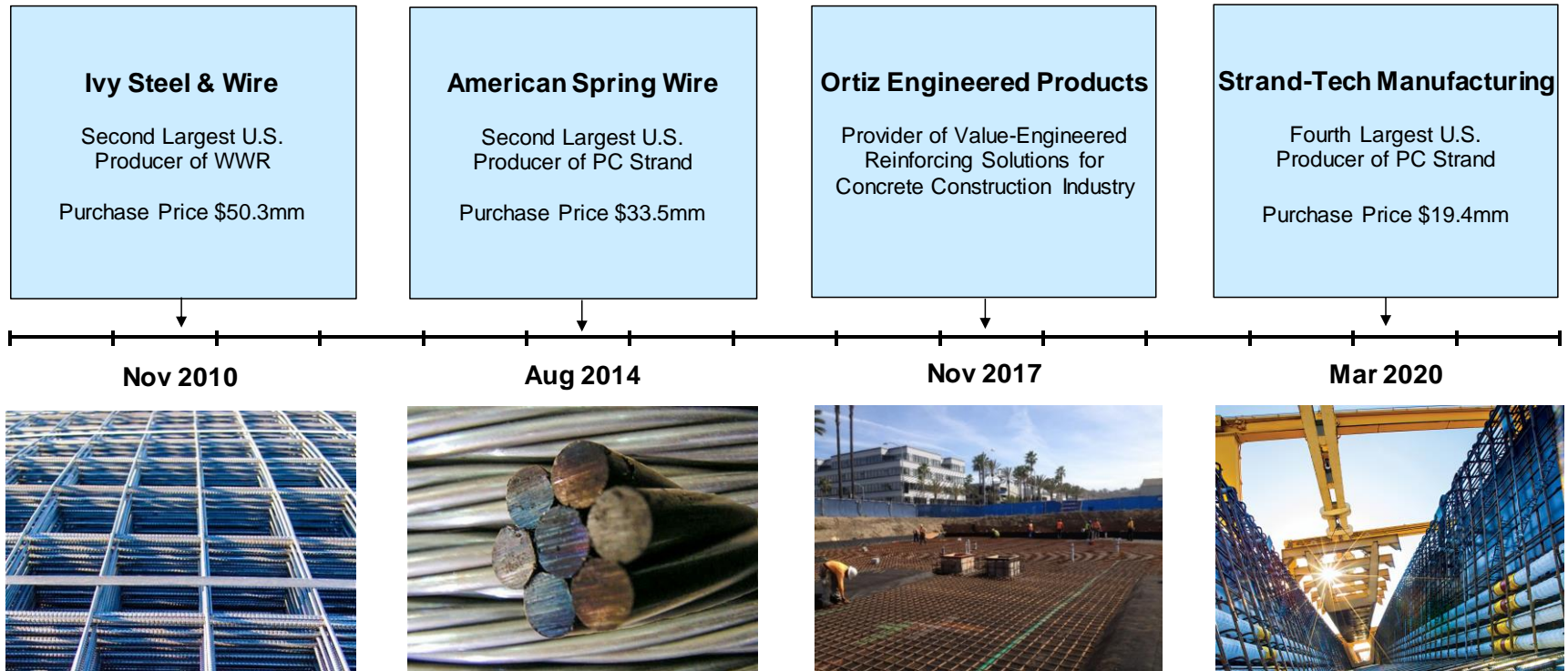


## Growth Strategy – Organic



- Continued conversion of rebar users to ESM for cast-in-place applications represents substantial growth opportunity that leverages Insteel's manufacturing and engineering capabilities.
- Eliminates labor intensive process of placing and hand-tying required for rebar, yielding significant cost savings and accelerating the construction process.
- Fewer tons of steel are generally required when ESM is specified due to its higher yield strength (80,000 PSI for ESM versus 60,000 PSI for rebar).

# Growth Strategy – Acquisitions



- Focused on pursuing additional strategic opportunities in existing core businesses or related products sold into same markets that offer substantial synergy potential.

# Trade Case Litigation



Due to surging volumes of low-priced imported PC strand and Standard Welded Wire Reinforcement ("SWWR"), Insteel filed anti-dumping and countervailing duty cases alleging violations of US trade laws.

## PC strand

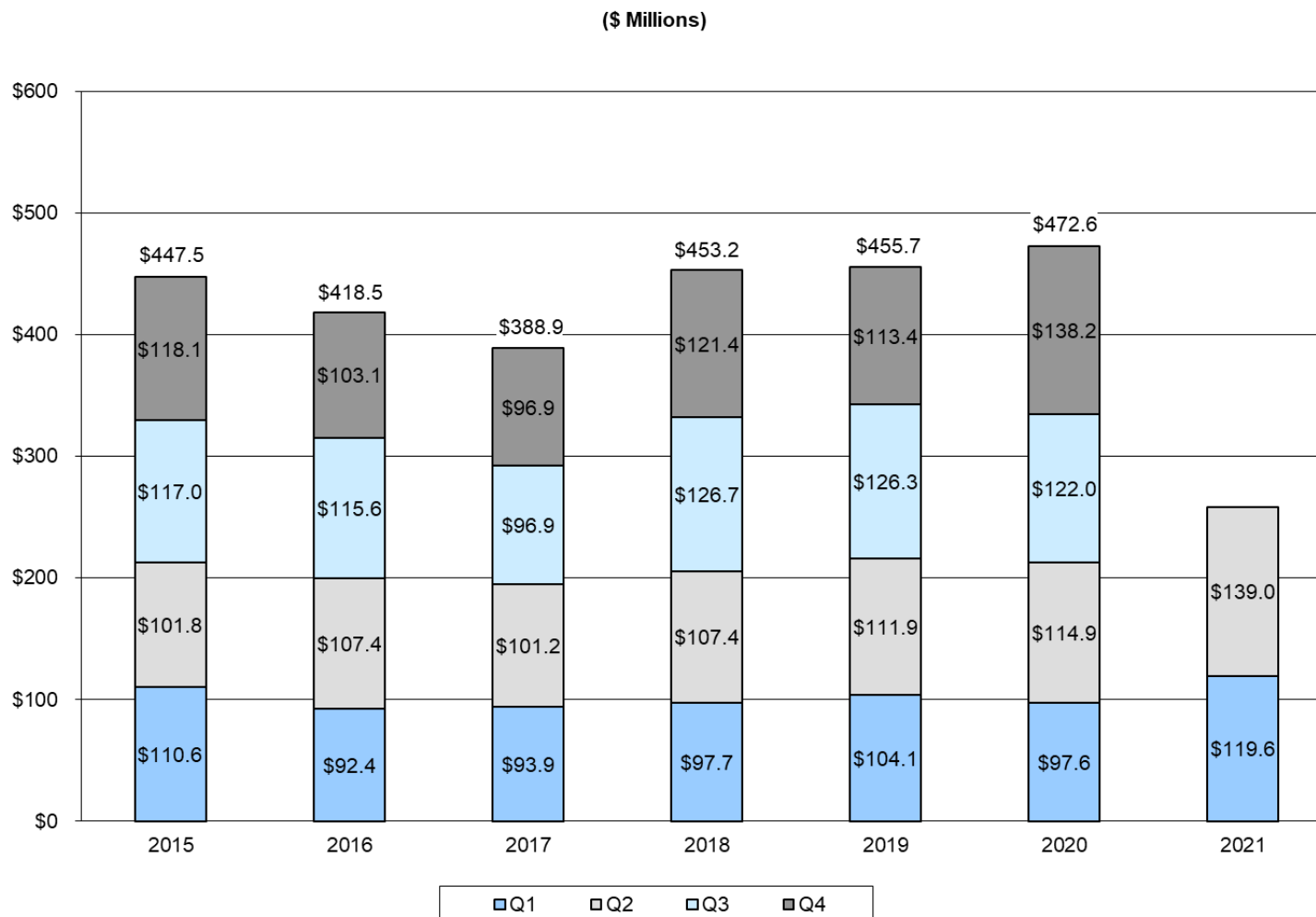
- On April 16, 2020, Insteel and two other U.S. producers of PC strand filed antidumping and countervailing duty petitions with U.S. Department of Commerce alleging violations of US trade law by producers in 15 countries.
  - PC strand imports represented around one-third of the U.S. market in 2019.
  - Alleged dumping margins range from 24% to 194%.
  - Filings covered 89% of 2019 import volume.
- On January 8, 2021, the International Trade Commission ("ITC") ruled favorably with respect to 8 countries resulting in implementation of Department of Commerce final dumping and countervailing duties on their imports of PC strand into the US market with duties ranging from 24 to 194% of value.
- On April 7<sup>th</sup>, U.S. Department of Commerce set final anti-dumping duties against the remaining 7 countries ranging from 4% to 155% of value. The final injury determinations by the ITC on these 7 countries is expected in Q3 of FY2021.

## Standard Welded Wire Reinforcement

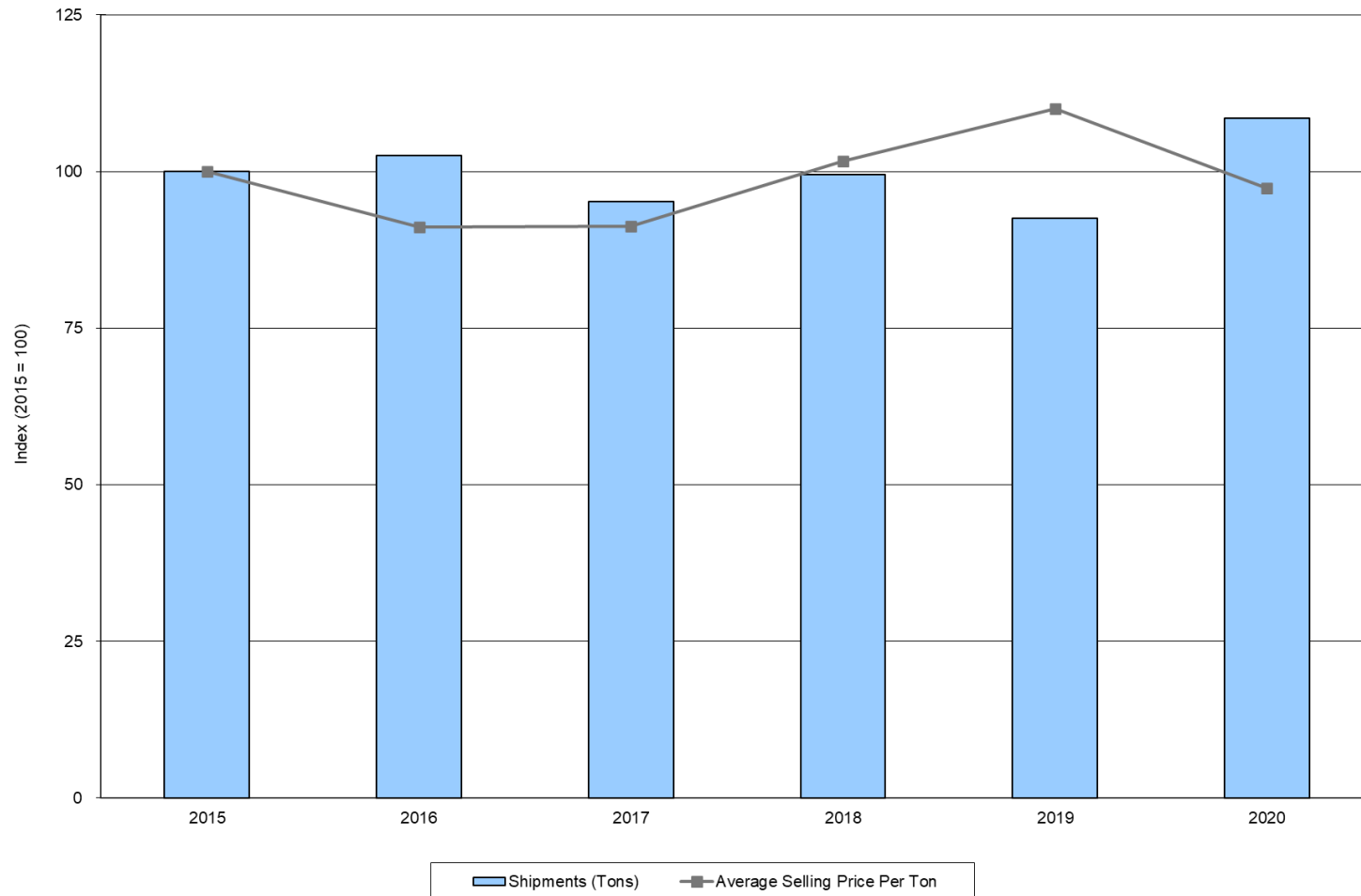
- On June 30, 2020, Insteel and four other U.S. producers of SWWR filed antidumping and countervailing duty petitions with U.S. Department of Commerce alleging violations of US trade law by producers in Mexico
  - Filings cover practically 100% of 2019 import volume in Insteel's market area.
  - Alleged dumping margins range from 56% to 160%.
- On March 17, 2021, the ITC ruled affirmatively with respect to the CVD case and DOC published the order on April 12. A favorable ruling by the ITC with respect to the antidumping cases is expected on or before June 16, 2021



# Financials – Net Sales

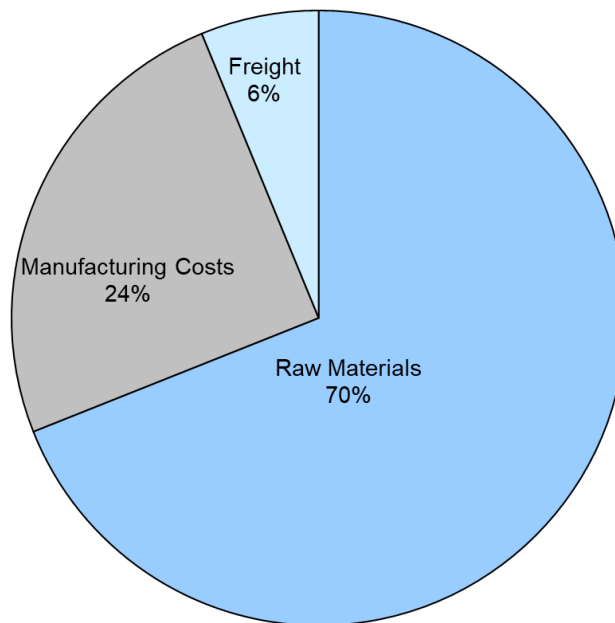


## Financials – Shipments and Average Selling Prices



# Financials – Gross Profit Drivers

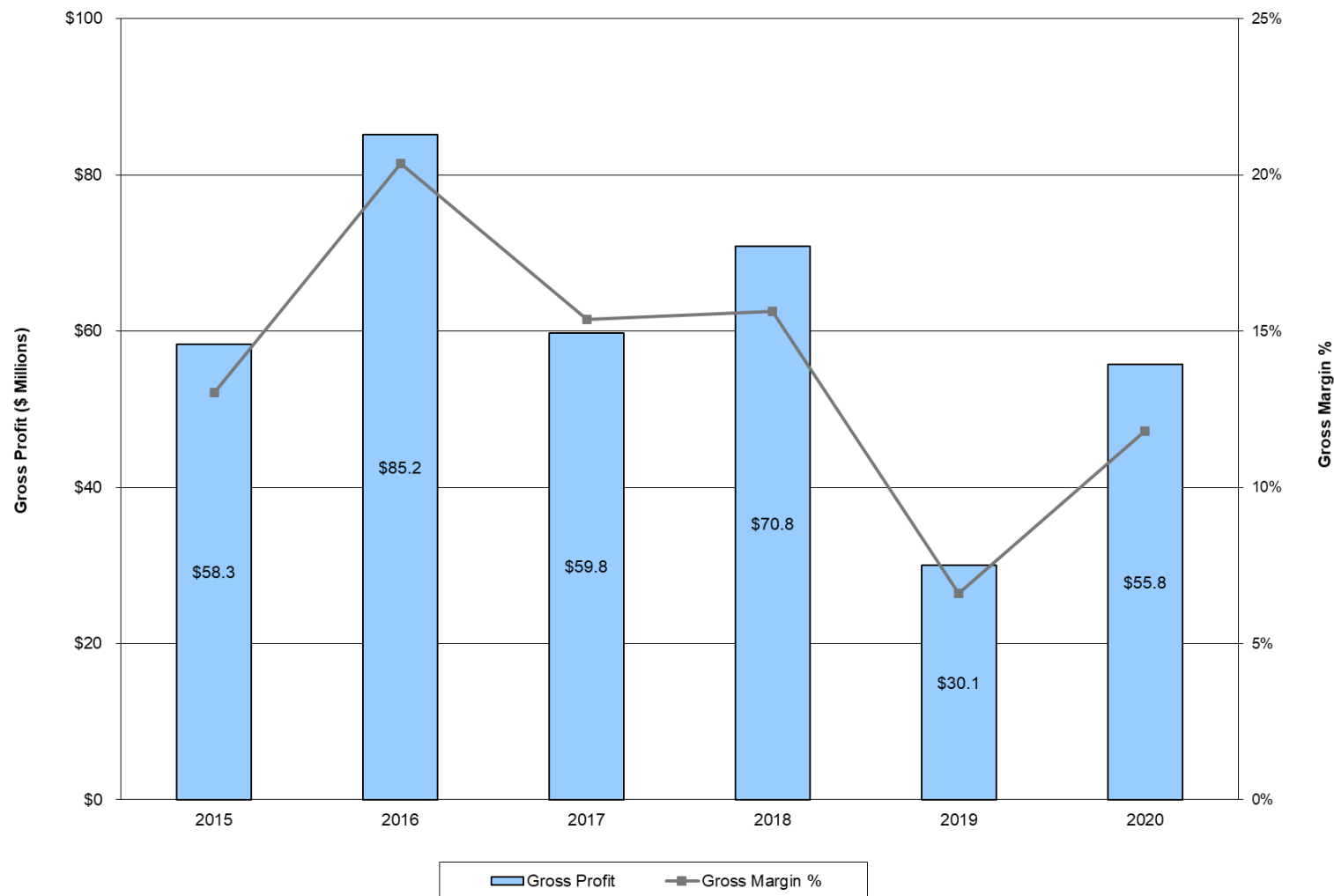
% of 2020 Cost of Sales



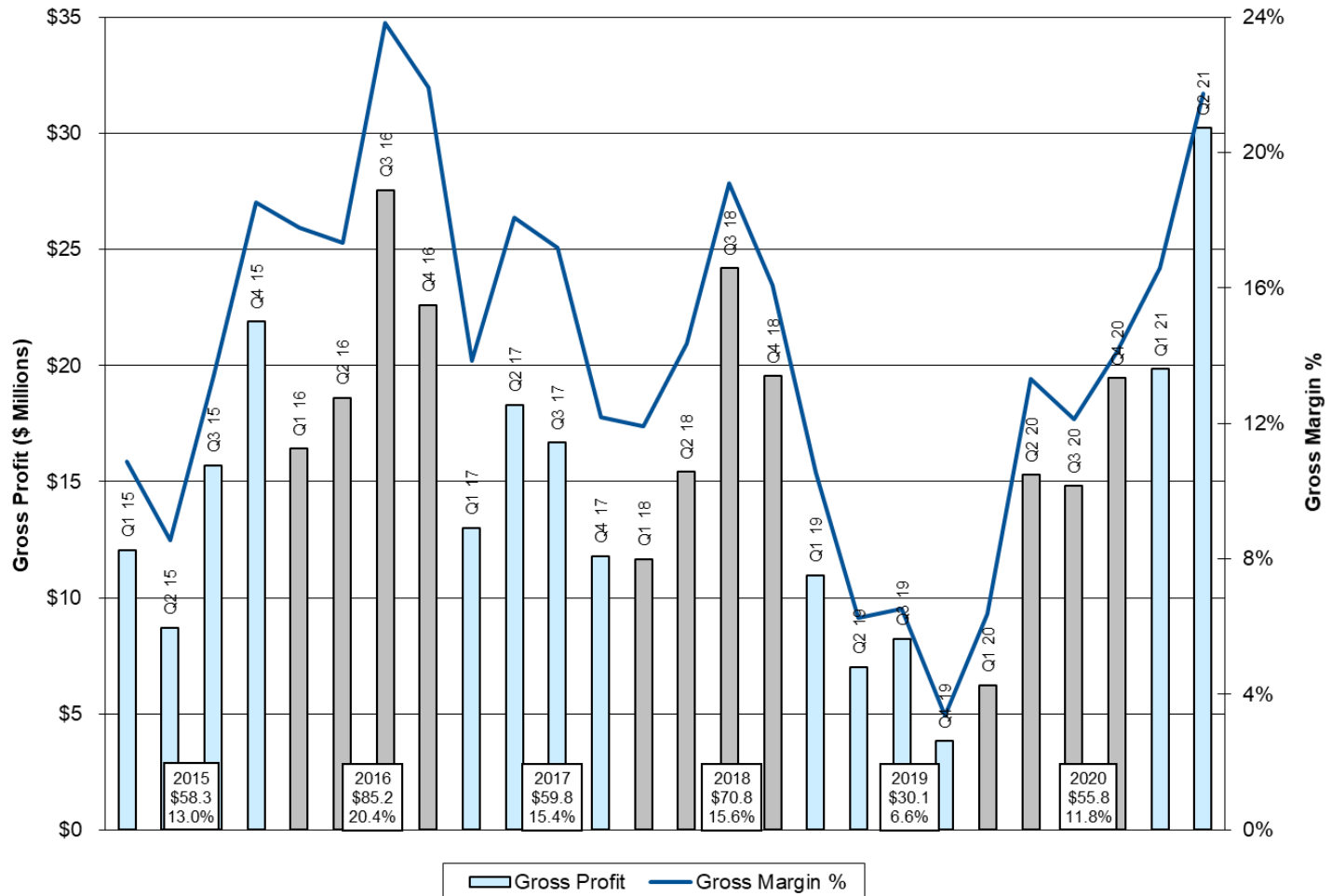
- **Shipment and operating volumes**
- **Spreads**  
Difference between selling price and raw material cost (hot-rolled steel wire rod)
- **Unit manufacturing costs**  
Impacted by operating volumes and cost management



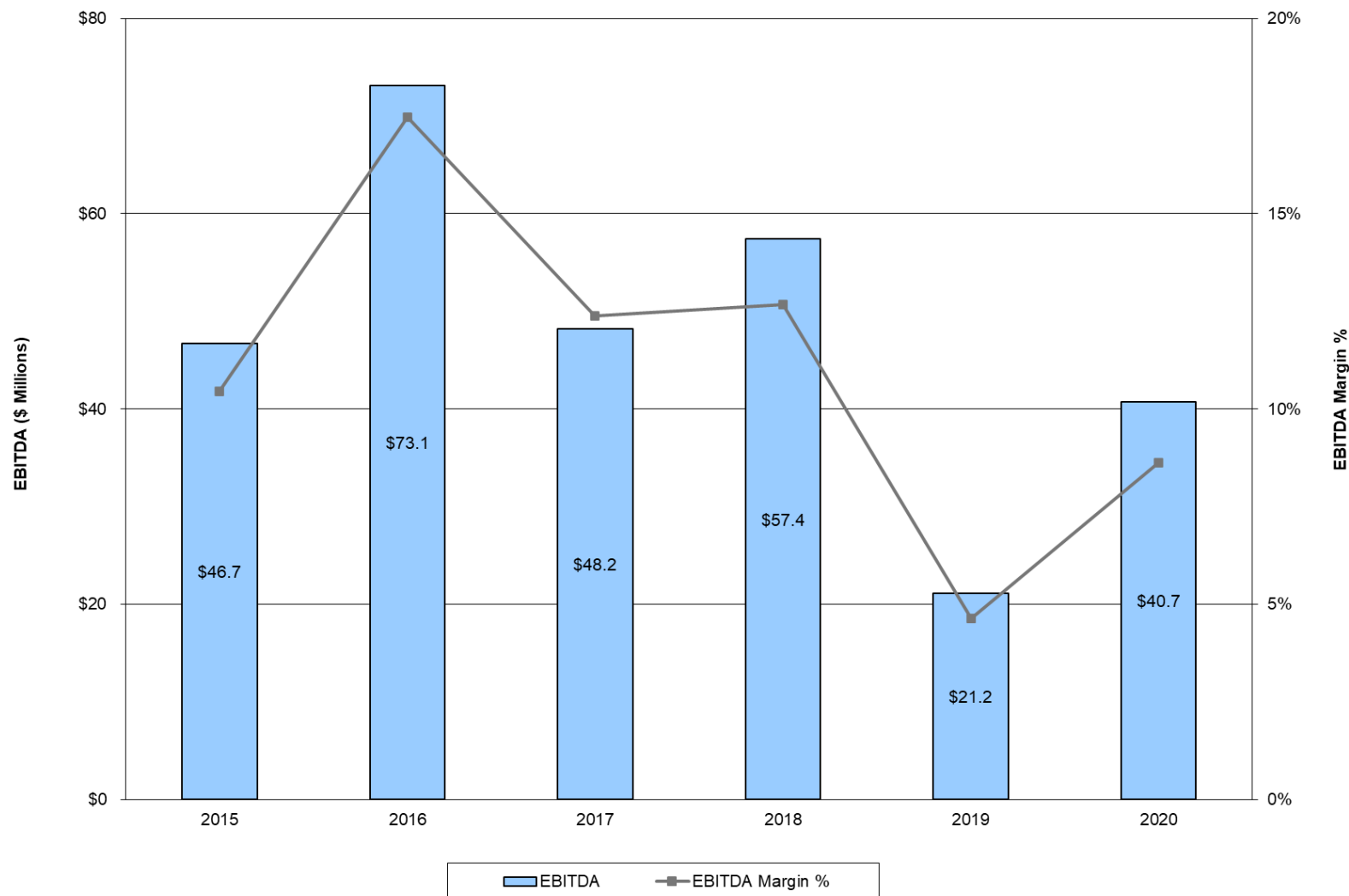
# Financials – Gross Profit (Annual)



# Financials – Gross Profit (Quarterly)

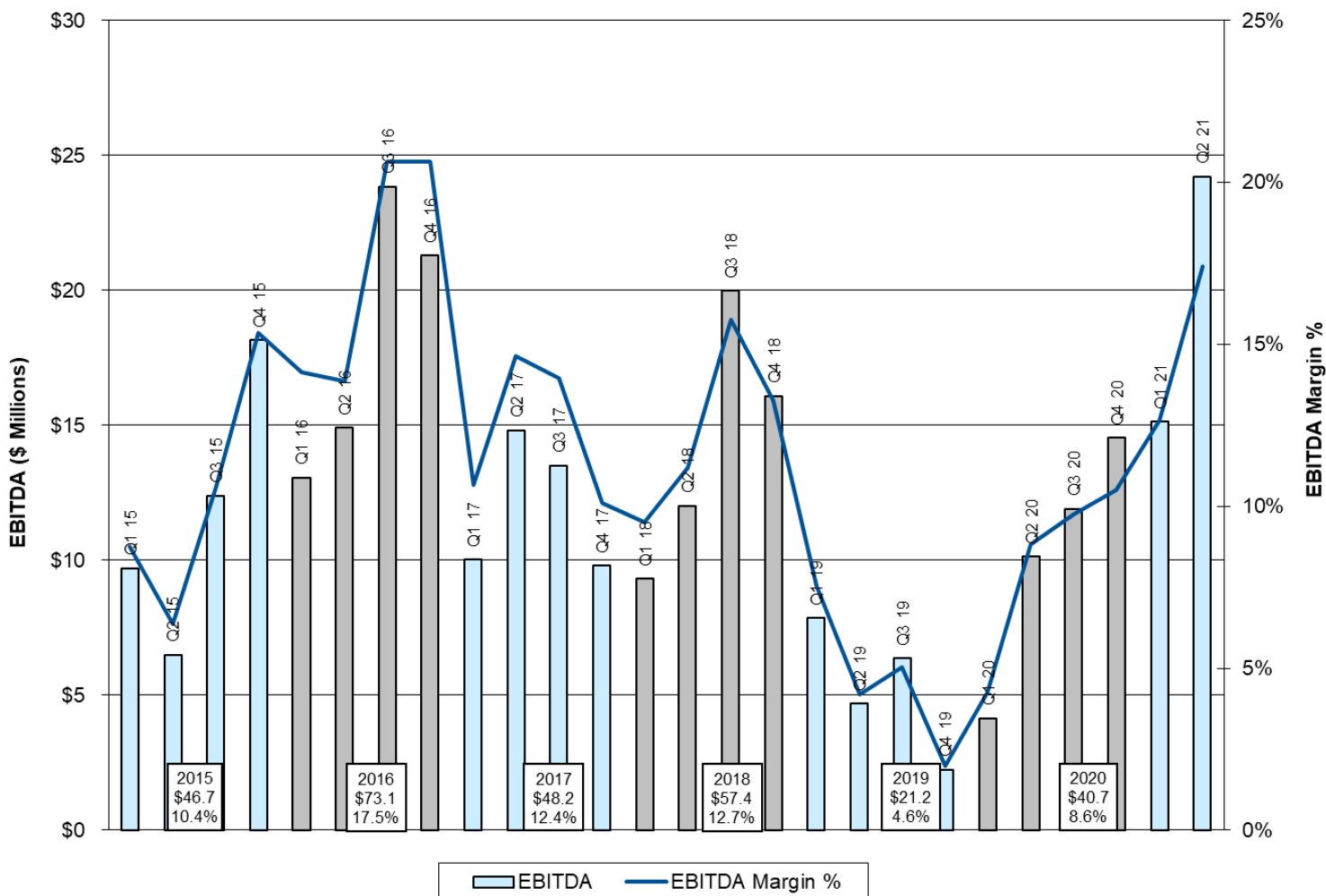


## Financials – EBITDA (Annual)





# Financials – EBITDA (Quarterly)



## Financials – EBITDA Reconciliation



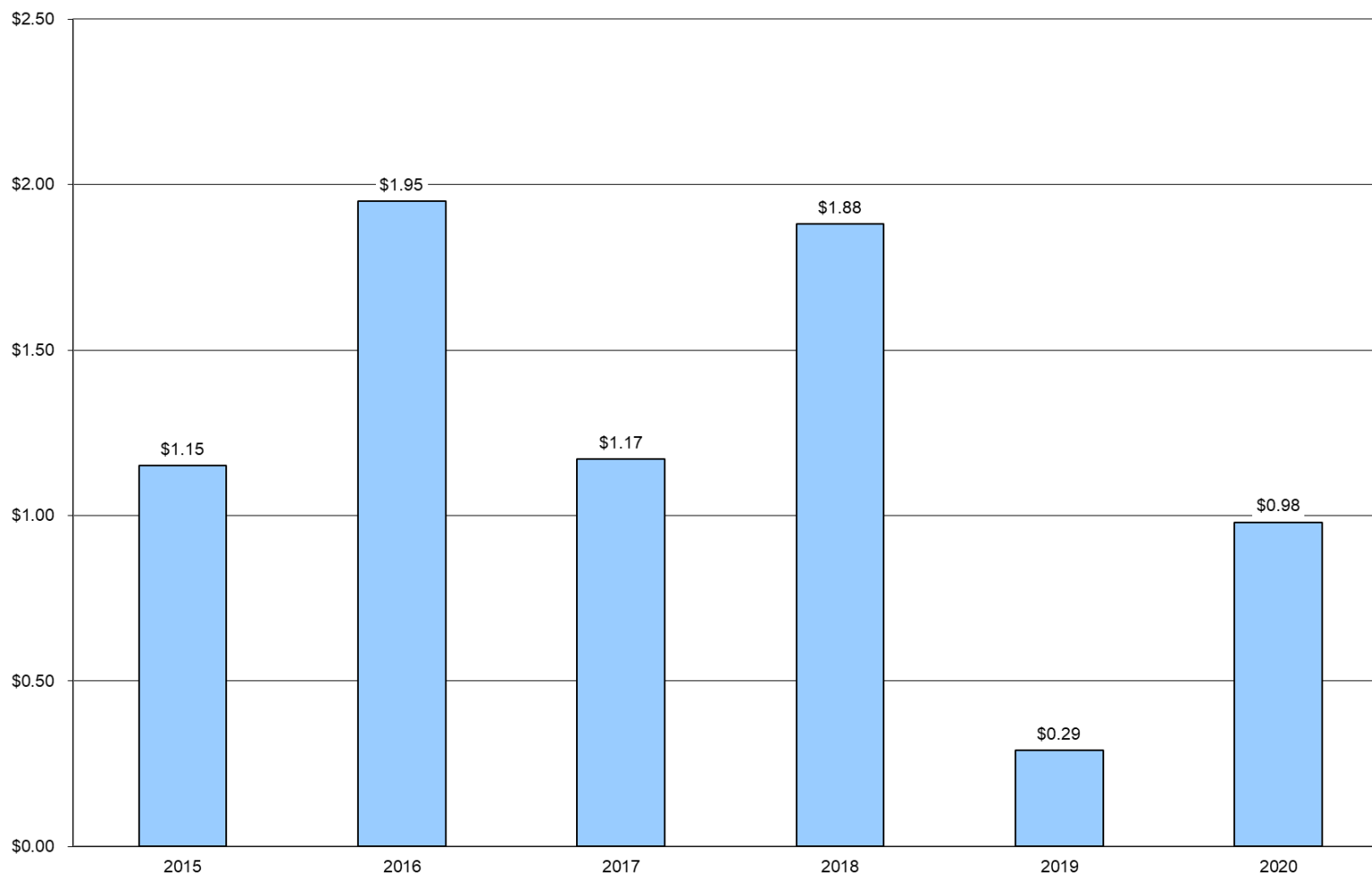
- Earnings before interest, taxes, depreciation and amortization (“EBITDA”) calculated as earnings from continuing operations before interest expense and income, other income, depreciation and amortization, stock-based compensation expense and income taxes, and excludes inventory write-downs, restructuring charges, acquisition costs, bargain purchase gain, gain on early extinguishment of debt, legal settlement and pension plan settlement loss.
- EBITDA (i) should not be considered as an alternative to net earnings (determined in accordance with GAAP) as an indicator of our financial performance, (ii) is not an alternative to cash flow from operating activities (determined in accordance with GAAP) as a measure of our liquidity, and (iii) is not indicative of funds available to fund our cash needs because of needed capital replacement or expansion, debt service obligations or other cash commitments and uncertainties.
- We have included EBITDA in the presentation because management believes that it provides investors with a supplemental measure of cash flow and the ability to assess Insteel’s operating performance for the periods presented on a comparable basis excluding changes in our capital structure and effective tax rates.

(\$ in 000s)	Fiscal Year Ended						
	(26 weeks)	(53 weeks)	(52 weeks)	(52 weeks)	(52 weeks)	(52 weeks)	(53 weeks)
	April 3, 2021	October 3, 2020	September 28, 2019	September 29, 2018	September 30, 2017	October 1, 2016	October 3, 2015
Net Earnings	\$23,063	\$19,009	\$5,598	\$36,266	\$22,548	\$37,245	\$21,710
Interest Expense	49	106	168	114	136	158	320
Interest Income	(10)	(473)	(293)	(515)	(248)	(166)	(11)
Other Expense (Income), Net	88	(1,254)	(1,773)	274	53	183	(1,113)
Acquisition Costs	-	195	-	-	-	-	-
Pension Plan Settlement Loss	-	-	-	-	-	2,539	-
Restructuring Charges	1,202	1,695	-	-	164	115	349
Depreciation and Amortization	7,232	14,255	13,553	12,818	11,649	11,544	11,934
Stock-Based Comp Expense	934	2,028	2,057	2,078	2,245	2,439	2,298
Income Taxes	6,804	5,161	1,857	6,364	11,620	19,045	11,254
EBITDA	<u>\$39,362</u>	<u>\$40,722</u>	<u>\$21,167</u>	<u>\$57,399</u>	<u>\$48,167</u>	<u>\$73,102</u>	<u>\$46,741</u>

# Financials – Earnings Per Share (Annual)



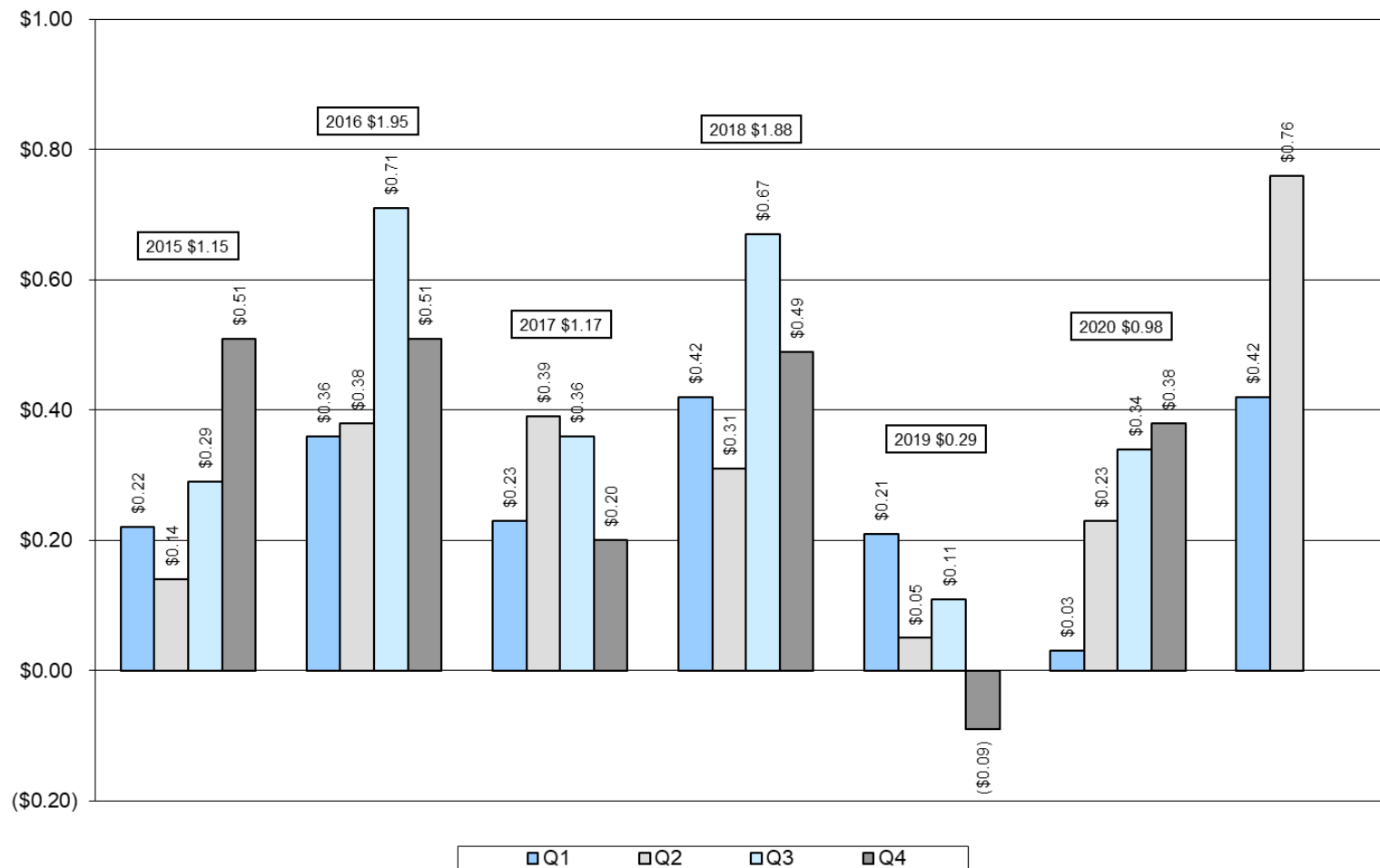
(\$ Per Diluted Share)



# Financials – Earnings Per Share (Quarterly)

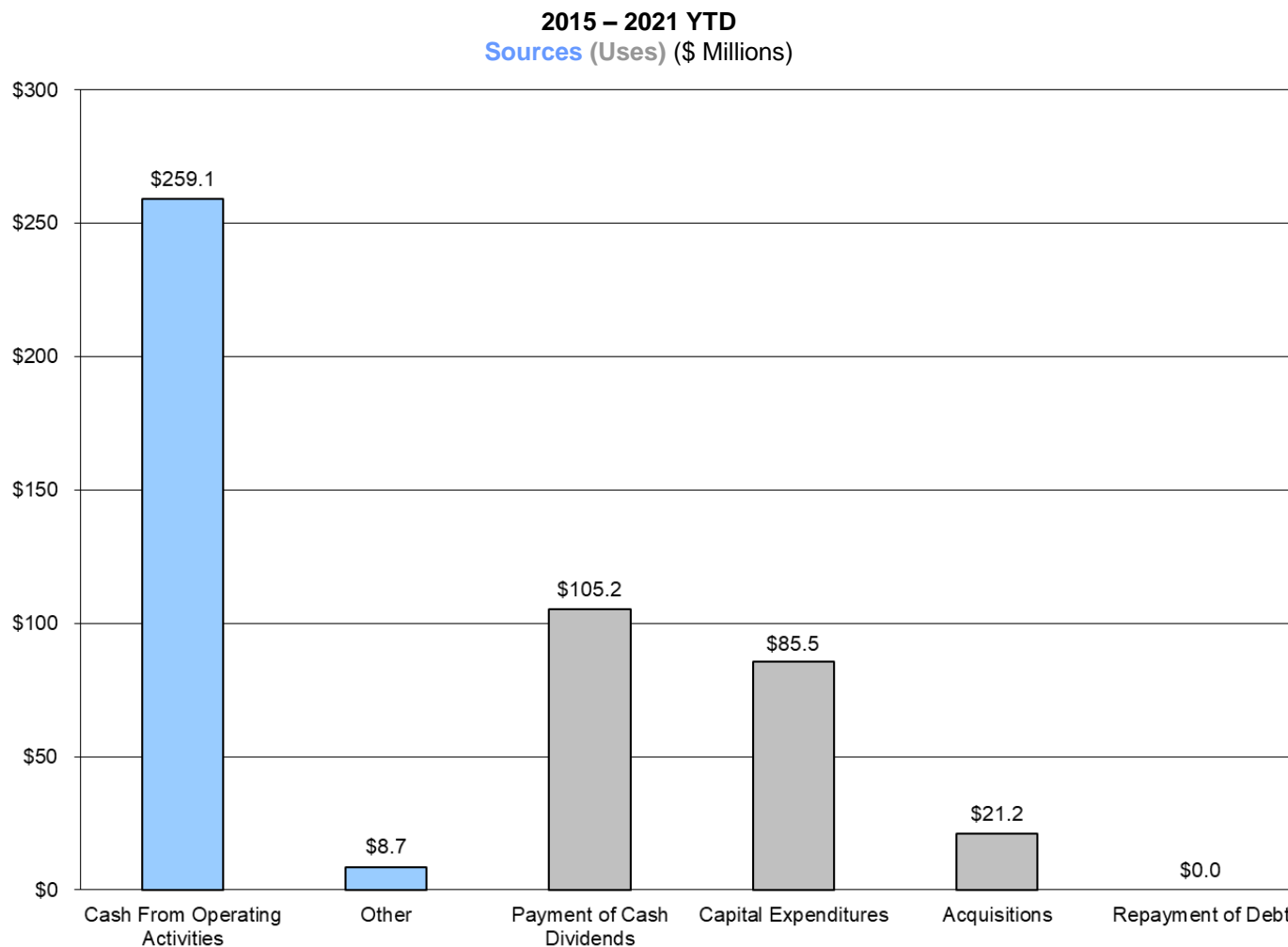


(\$ Per Diluted Share)

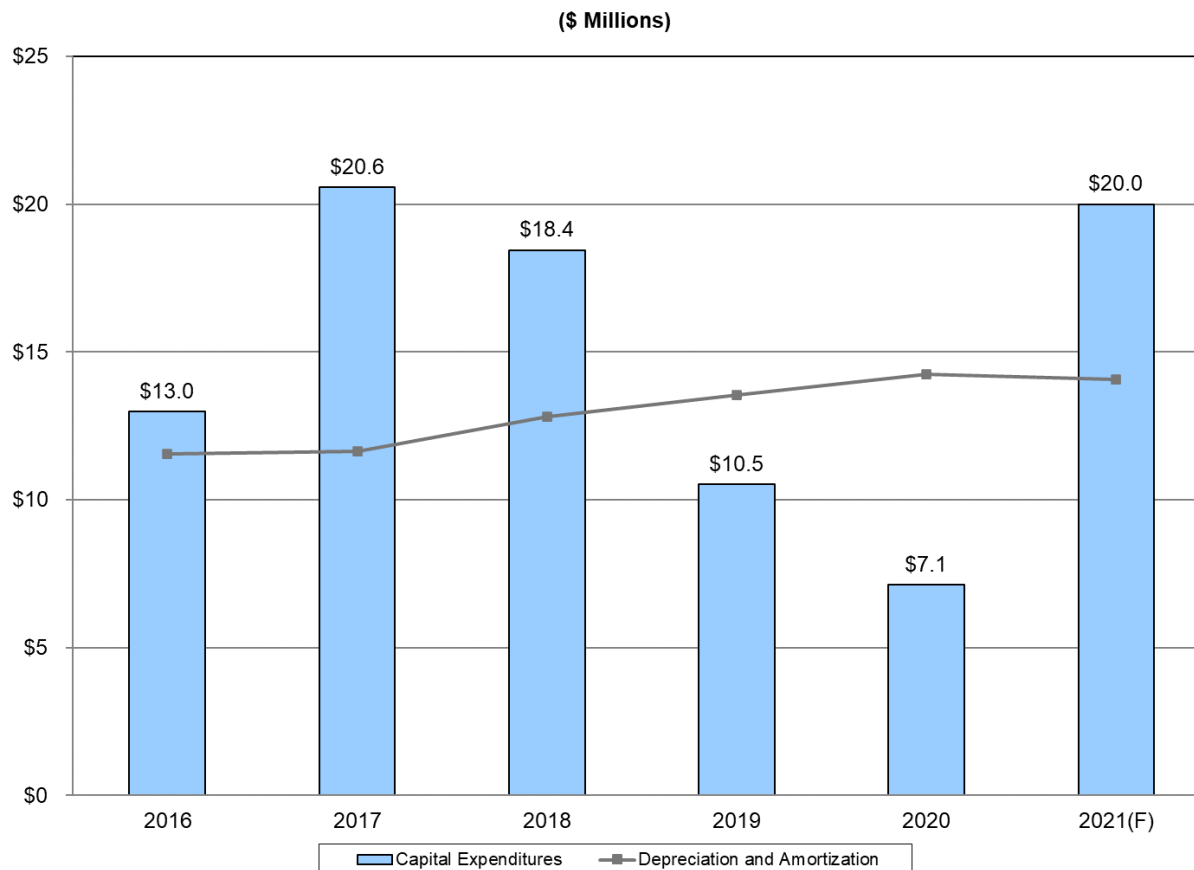




# Financials – Cash Flow

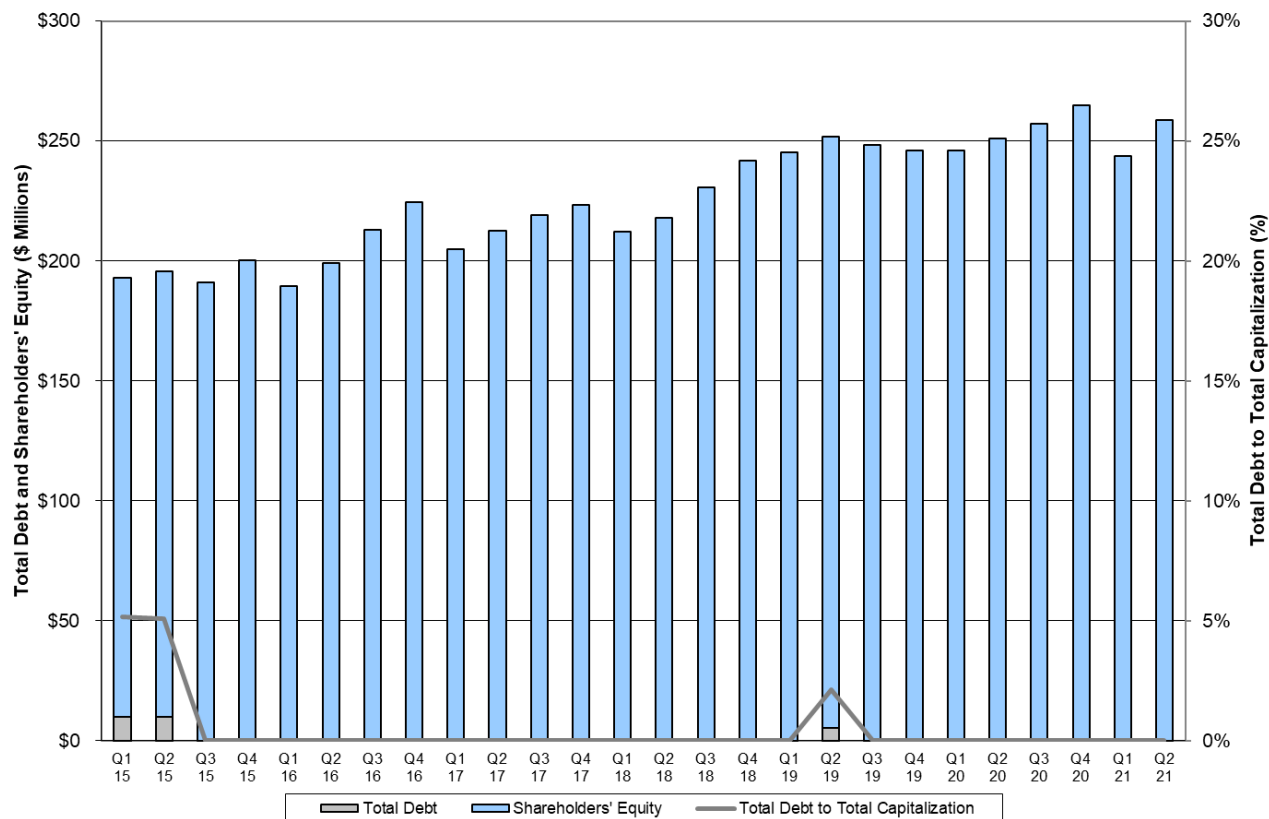


## Financials – Capital Expenditures



- Capital expenditures expected to total up to \$20.0 million in fiscal 2021 focused primarily to complete the upgrade and deployment of the STM assets, support the growth of our engineered structural mesh business, invest in our information systems, and fund recurring maintenance requirements.

# Financials – Capital Structure



- As of April 3, 2021, Insteel was debt-free with \$58.9 million of cash and no borrowings outstanding on its \$100.0 million revolving credit facility.

# Dividend and Share Repurchase Programs

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## Regular Quarterly Cash Dividend

- Currently paying regular quarterly cash dividend of \$0.03 per share.

## Special Cash Dividends

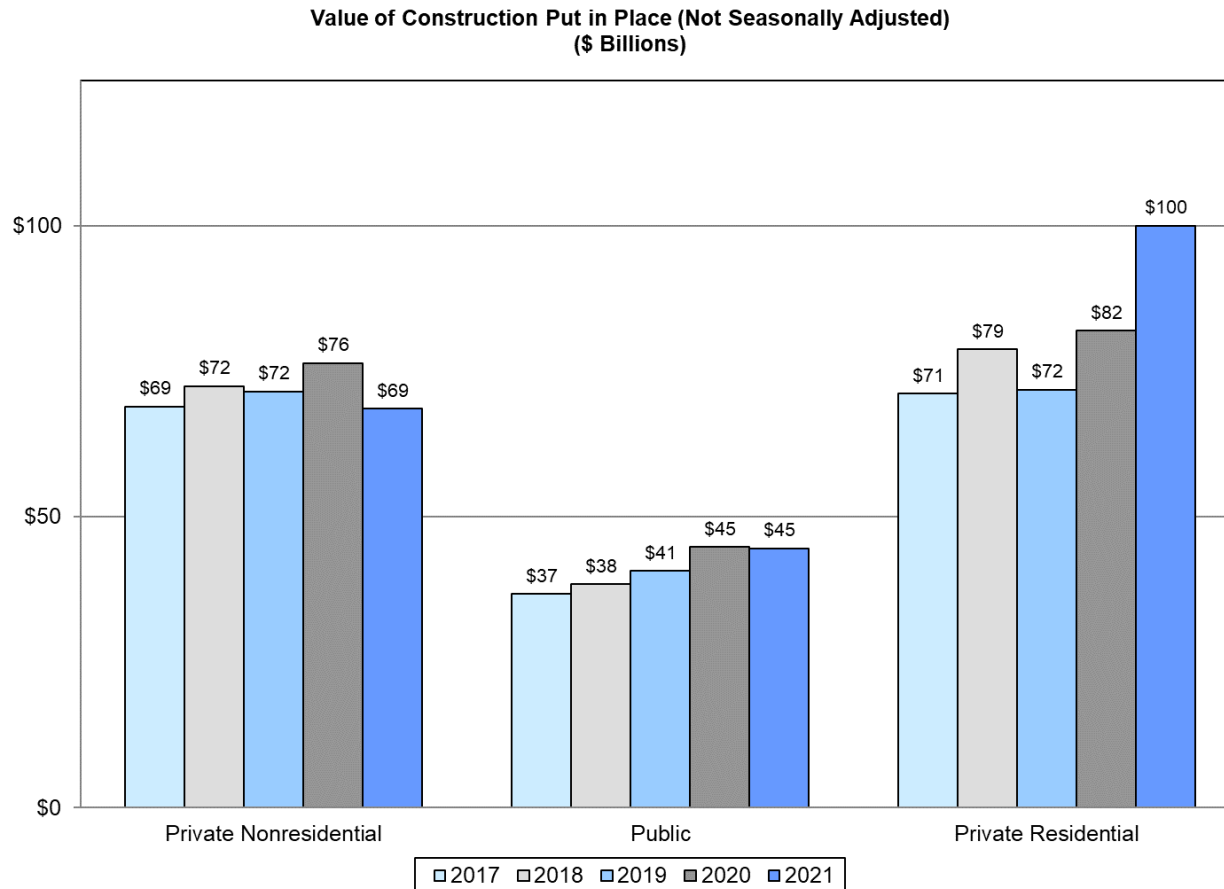
- Paid \$1.50 per share special cash dividend in December 2020, \$1.00 in January 2018, \$1.25 in January 2017, \$1.00 in January 2016, \$0.25 in December 2012 and \$0.50 in October 2008.

## Share Repurchase Program

- Current \$25.0 million share repurchase program was authorized in November 2008.



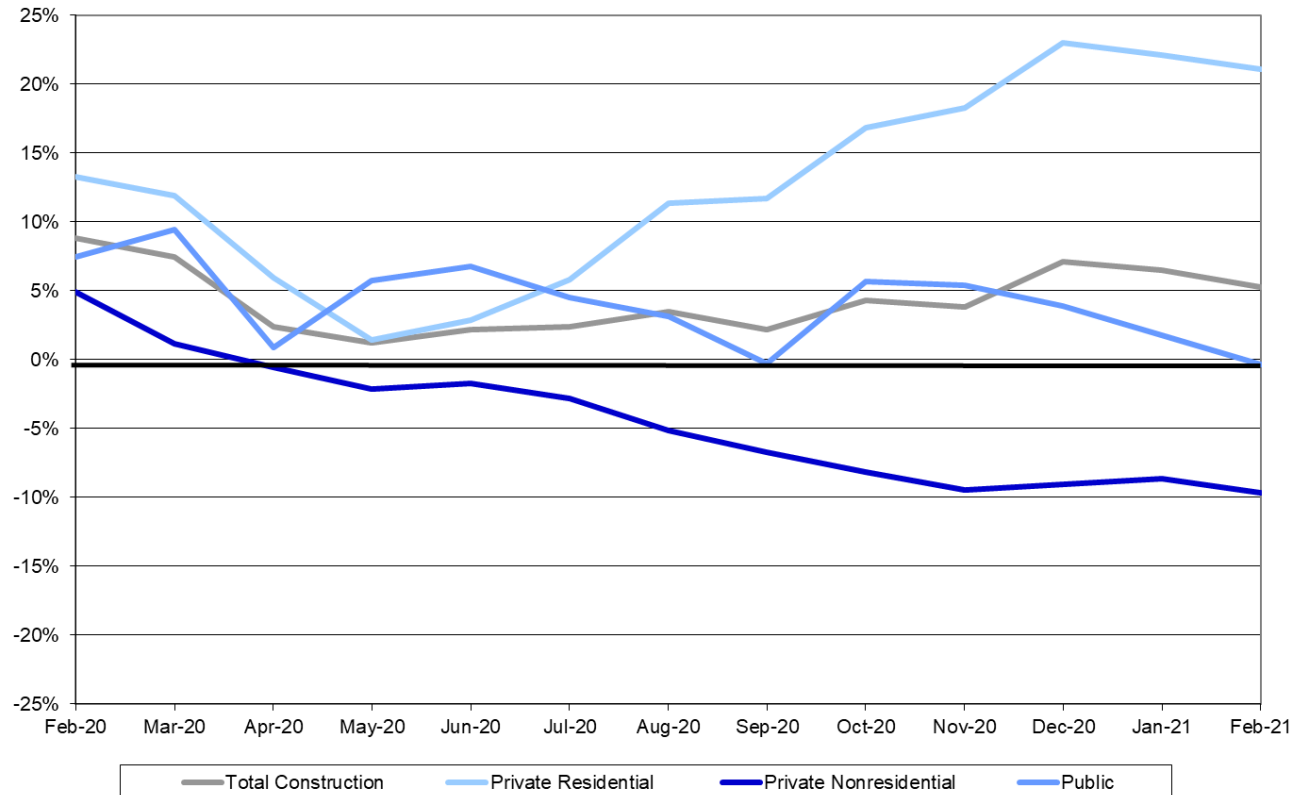
# Construction Spending



- Public construction spending for February YTD 2021 was down 0.6% from the prior year while private construction spending was up 6.5% with nonresidential down 10.2% and residential up 22.1%.

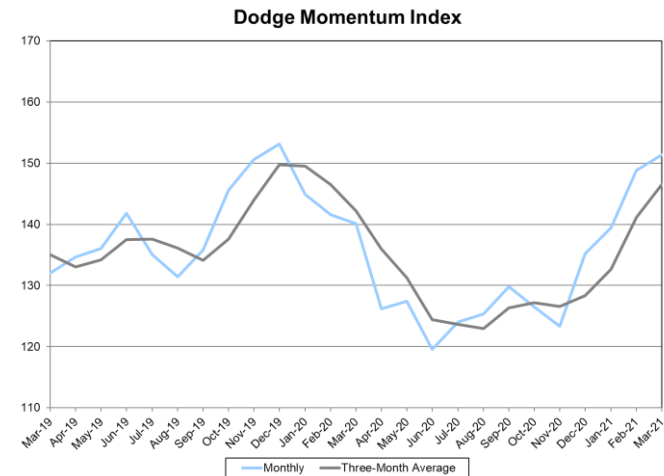
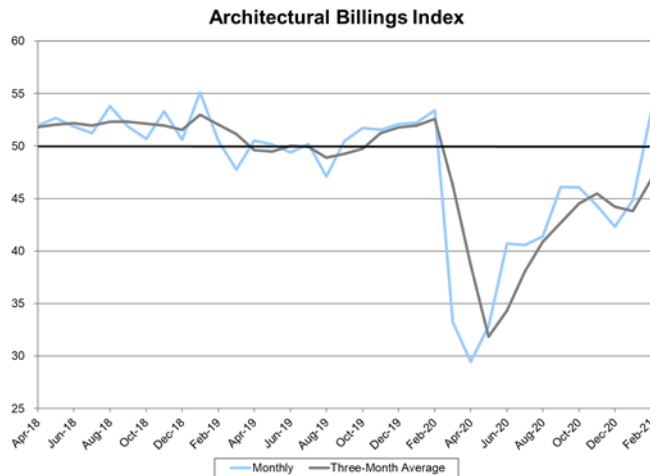
# Construction Spending

Value of Construction Put-in-Place (Seasonally-Adjusted Annual Rate)  
(Y-O-Y % Change)



- Total construction spending for February 2021 (SAAR) was up 5.3% from the prior year with public down 0.3%, private nonresidential down 9.7% and private residential up 21.1%.

# Leading Indicators – ABI and DMI



- Architecture Billings Index (“ABI”) and Dodge Momentum Index (“DMI”) are leading indicators for nonresidential building construction activity.
- Following eleven straight months of the ABI index below the 50 threshold, it jumped to above 50 in the last two months. Recording a level of 55.6 in March 2021, it is at a score not seen since pre-Great Recession.
- DMI increased 1.7% in March 2021 to 151.4. The index is now above pre-pandemic levels due largely to an increase in institutional projects entering the planning stage.

- Looking ahead to the balance of fiscal 2021, we expect to benefit from continued strong demand in our construction end-markets. The economic recovery from the COVID-19 vaccine roll-out along with increasingly positive signals from key leading market indicators in private non-residential construction and a resilient public construction market have increased our optimism in the near-term demand outlook. In addition, the recent favorable rulings in the PC strand and standard welded wire reinforcement trade cases are expected to have a positive impact on those markets. We also believe there is increasing likelihood that Congress and the Administration will successfully negotiate an infrastructure investment plan that may benefit our markets, although timing of any improvements is not possible to project.
- Our markets remain vulnerable to the pace of recovery in the U.S. economy and our visibility continues to be limited by the lingering impact of COVID-19 on our markets. Additionally, the tight supply and escalating prices for steel wire rod, our primary raw material, may result in some plant operating and product delivery inefficiencies. We expect to pass the rising costs through the supply chain and would anticipate margins returning to more normalized levels once the raw materials markets stabilize.
- Regardless of the market dynamics, we remain focused on our key initiatives to drive growth in our business throughout the balance of our fiscal year.
  - Our on-going investments in the engineered structural mesh market should position us for continued growth in 2021.
  - The recent favorable ruling in the PC Strand and Standard Welded Wire trade cases is expected to level the playing field in the U.S. and have a positive impact on that market.
  - Opportunistic acquisitions that expand our penetration of markets we currently serve or expand our footprint, much like our acquisition of STM in March 2020, will remain a focus.



## Summary – Investment Considerations

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- Strong positions in attractive fragmented markets.
- Modern manufacturing facilities and highly competitive cost structure.
- Significant growth potential of existing facilities through increased capacity utilization.
- Highly variable cost structure advantageous during business downturns.
- Growth initiatives (*organic and strategic acquisitions*).
- National scope of facilities and markets served.
- Financial strength and flexibility.
- Experienced management team.
- Import competition limited to certain PC strand and SWWR markets.
- Diversified customer base.
- Breadth of product lines and bundling capabilities.
- Raw material purchasing leverage – volume and mix.
- Lack of legacy issues – environmental, post-retirement or defined benefit plan obligations.