



visual marketing
digital printing
document workflow

NYSE: ARC

Investor Overview Q2 2024

UPDATED AUG 2024

forward looking

This presentation contains forward-looking statements that are based on current opinions as of the date it is presented, as well as estimates and assumptions of management regarding future events and the future financial performance of the Company. Words such as “anticipates,” “projects,” “expect” and similar expressions identify forward-looking statements and all statements other than statements of historical fact could be deemed forward-looking statements. For information on factors that may affect our future performance, please review our periodic filings with the U.S. Securities and Exchange Commission, and specifically the risk factors set forth in our most recent report on Form 10-K and current Forms 10-Q. The Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise, except as required by law.

Adjusted and other non-GAAP information is reconciled in our public filings which can be found on our website at <http://ir.e-arc.com>.



visual marketing

ARC partners with top brands around the world to tell their stories with visually compelling graphics.

document workflow

We make office printing more efficient and digitize documents for quick access, regardless of scale, industry or location.

digital printing

We use advanced technologies, sustainable materials, and innovative techniques to bring our customers' visions to life.

AECOM

Southwest

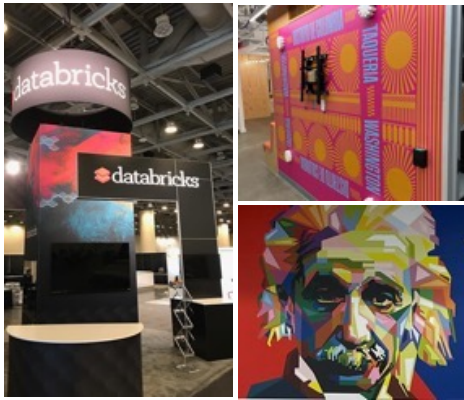


 **lululemon**



NETFLIX

visual marketing



document workflow



digital printing

Digital printing is the backbone of graphic production
and the key to our office printing and scanning services.

marketing

WORK EXAMPLE



Digital printing transforms every surface and any space into a marketing opportunity.

Retailers and others need to design new merchandising graphics all the time; they need ARC to produce, maintain, and install them in a single store or 100 stores.

office decor

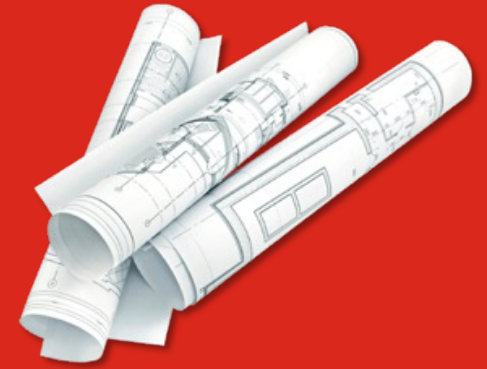
WORK EXAMPLE



Digital graphics in the office help attract and retain employees, boost morale, promote brands, and inform a workforce.

Business executives rely on ARC to help realize their vision by creating environments that motivate and inspire performance.

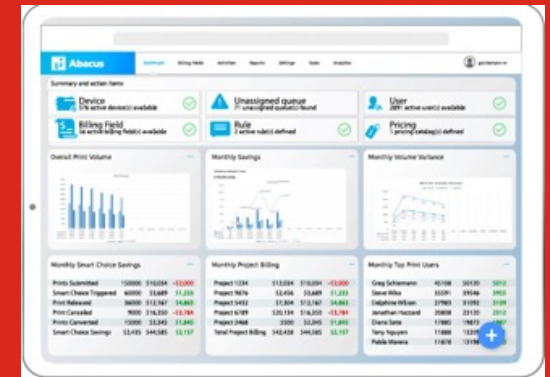
WORK EXAMPLE construction



A building site needs plans, digital printing for barriers, safety signage, and building décor.

Architects and engineers need us to manage building plans, while contractors need us to produce and install graphics onto structural surfaces.

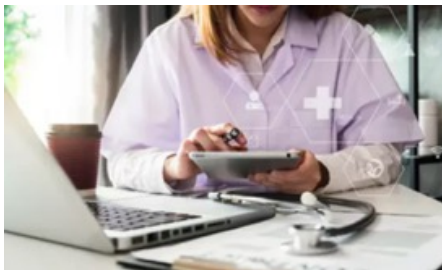
WORK EXAMPLE onsite printing



Offices need to control their printing environment via software to manage costs and capacity.

Customers outsource their print infrastructure to us and use our equipment to avoid capital spending; they rely on our SLAs, technology, and overflow printing services to drive efficiency and productivity.

WORK EXAMPLE scanning



Scanning and digitizing documents creates easy access to critical information.

Customers rely on our expertise, service, document control, and security via HIPAA, SOC2 and ISO certifications to capture, search for, and manage information.

how we help

consulting

design and composition
production alternatives
value engineering
trends & experience
placement/finishes
asset utilization
permit & safety advice
longevity vs. cost
environmental considerations



complexity

multiple locations
office & site diversity
variable sizes & placements
vendor management
logistics services
local & regional regulations

logistics

graphics distribution
equipment transport
preparation & packing
shipping & delivery
mounting & installation
assembly of large & tall properties
vehicle and structural wrapping
document safety & security
material & safety considerations
data stewardship

extending our reach

50+ industry verticals, up from 15 in 2019



Retail	Education	Gov't	Construction	Oil & Gas

recurring business

10+

Average customer tenure in years

90% +

Overall revenue from recurring customers

8x

Increase in online lead generation since 2021

3x

Expansion in addressable market since 2019

30

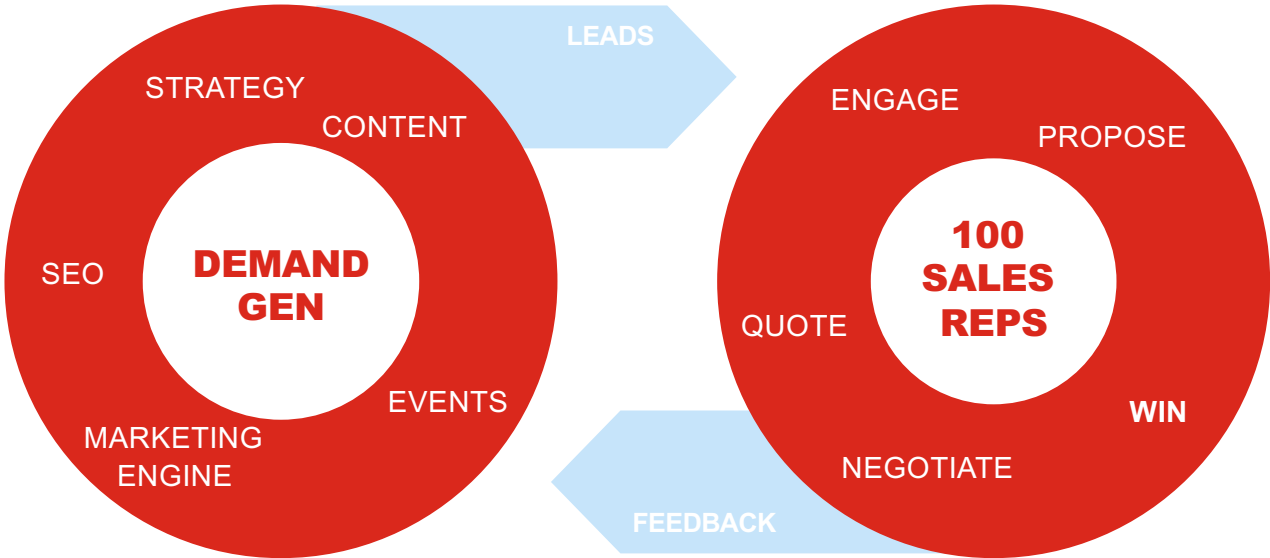
Industry verticals billing \$500,000+/year

2%

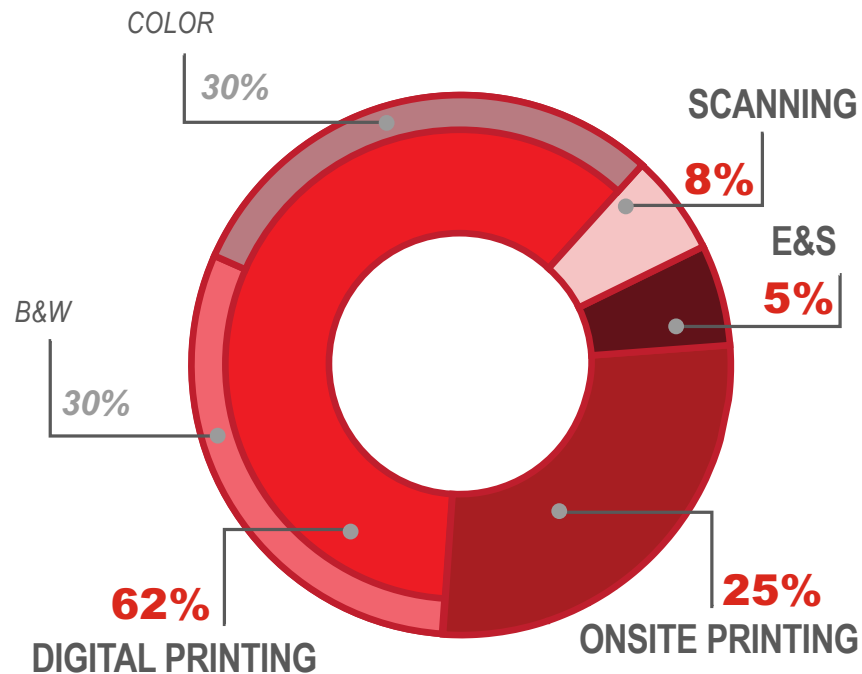
Revenue percentage of largest customer



customer acquisition



sales mix*



Digital Printing growth is dependent on the mix of color and b&w print volume.

Color has grown in mid-single digits for the past two years.

B&W has contracted with construction activity and lower need for plans.

Onsite Printing has reached a new steady state as work-from-home initiatives persist.

Scanning has grown \$6mm in the past two years and double-digit growth is expected to continue.

Equipment & Supplies has contracted with the reduction in capital spending.

profitability

increased

	2021	2022	2023	'21-'23 Δ
Sales	\$272.2	\$286.0	281.2	3.3%
Gross Profit	\$87.7	\$96.0	\$94.4	7.7%
GM%	32.2%	33.6%	33.6%	140bps
SG&A	\$72.3	\$77.5	\$76.3	5.5%
Adj Op Inc*	\$15.1	\$18.4	\$18.0	19.2%
Op Inc %	5.5%	6.4%	6.4%	90bps
Adj Net Income*	\$9.5	\$12.0	\$11.8	24.1%
Adj EPS*	\$0.22	\$0.28	\$0.27	22.7%

Strong annual earnings leverage underway.

costs

decreased

cash flow strength

<i>(in millions)</i>	2021	2022	2023	2024e
Cash Flow from Operations	\$35,775	\$37,227	\$36,583	\$35,000+
Cash CapEx	\$3,554	\$5,881	\$10,752	\$8-10mm
Free Cash Flow	\$32,221	\$31,346	\$25,831	~\$25,000
Finance Lease Payments on Equipment	\$18,369	\$14,736	\$11,860	~\$10mm
Adj. Free Cash Flow <i>(includes lease payments)</i>	\$13,852	\$16,610	\$13,971	~\$15,000

cash needs opportunistic

ARC's robust cash generation creates opportunities for equipment and other acquisitions but allocation is based on cost of capital. When rates are high—as they are now—more cash and less financing is used.

debt elimination

	2017	2018	2019	2020	2021	2022	2023
Total Debt	\$144.4	\$127.2	\$106.2	\$97.2	\$78.2	\$66.5	\$62.2
Cash	\$28.1	\$29.4	\$29.4	\$54.9	\$55.9	\$52.6	\$56.1
Net Debt	\$116.3	\$97.8	\$76.8	\$42.3	\$22.3	\$13.9	\$6.1
Net Debt/Adj. EBITDA	2.15	1.83	1.55	0.94	0.53	0.34	0.27*

Net Debt reduction of \$110mm+ over six years

- \$70 million revolving line of credit, matures April 2026
- Available cash has been used to reduce o/s revolving loan resulting in no variable debt & virtually no revolving loan interest expense.

invest because

- **Management is returning shareholder value** via \$0.20 annual dividend—current yield is 6%+.
- **Growth driven by strategic sales** in color digital printing and surging demand for scanning services.
- **Efficient cost structure** drives bottom line performance.
- **Strong cash flows from operations** and decreasing cash outflows as lease payments decrease significantly.
- **Debt, net of cash, is insignificant**, with leverage ratio under 0.3.
- **No meaningful income taxes for foreseeable future** due to \$57mm of historical NOLs.



2024 Modeling Assumptions

- Incremental sales growth expected in 2024.
- Continued strength in annual adjusted EPS.
- Average quarterly EBITDA between \$8-10 million.
- Annual finance lease payments of approximately \$10 million.
- Annual interest expense of approximately \$1.8 mm
- Tax rate: 30% (*pro forma*; NOLs eliminate cash taxes)
- Share repurchases are not permitted while “take-private” proposal is being considered.

second quarter takeaways

Financial Highlights:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
(All dollar amounts in millions, except EPS)	2024	2023	2024	2023
Net sales	\$ 75.1	\$ 72.4	\$ 145.9	\$ 141.3
Gross margin	35.1%	34.8%	33.7%	34.0%
Net income attributable to ARC	\$ 3.2	\$ 4.0	\$ 5.6	\$ 6.0
Adjusted net income attributable to ARC	\$ 3.3	\$ 4.1	\$ 5.9	\$ 6.2
Earnings per share - diluted	\$ 0.07	\$ 0.09	\$ 0.13	\$ 0.14
Adjusted earnings per share - diluted	\$ 0.08	\$ 0.09	\$ 0.14	\$ 0.14
Cash provided by operating activities	\$ 6.4	\$ 10.3	\$ 10.1	\$ 14.2
EBITDA	\$ 9.1	\$ 10.6	\$ 17.0	\$ 18.8
Adjusted EBITDA	\$ 9.8	\$ 11.1	\$ 18.3	\$ 19.8
Capital expenditures	\$ 3.8	\$ 2.2	\$ 6.9	\$ 4.5
Debt & finance leases (including current)			\$ 59.9	\$ 62.8

On July 1, 2024, the Company disclosed its receipt of a non-binding proposal outlining a going-private transaction at a purchase price of \$3.25 per share in cash. The proposal was submitted by an acquisition group consisting of ARC's C-suite and a private investor. A special committee of our board of directors consisting entirely of independent, disinterested directors was formed to review and evaluate the Proposed Transaction. No assurances can be given regarding the terms and details of any transaction, or that any transaction will occur. For further information, we direct you to the 8-k, Form 13-D, and press release available on ARC's investor relations website at ir.e-arc.com.

- **Overall sales grew 3.8%. Growth in color and scanning continued offsetting declines in plan printing.**

- ARC's expects continued growth in color printing and scanning; will dominate mix in near future.
- Top line growth does not require growth in plan printing and equipment & supplies sales, just further stabilization.
- Gross margin increased 30 bps—with inflationary pressures moderating, we were better able to leverage our labor and overhead costs.
- SG&A rose due to sales and marketing investments and \$900,000 related to the previously disclosed take-private proposal
- Lower cash flows from operations year-over-year driven by timing of collections; expectations are for operating cash to improve in the third and fourth quarters, just as it did last year.
- Balance Sheet/Capital Structure is strong: \$49mm cash/leverage ratio <0.3x.
- Dividend of \$0.05/quarter; yield remains 6%+.



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Investor Relations Website:

<https://ir.e-arc.com/>

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