



Sterling Infrastructure, Inc.

Jefferies Industrials Conference

September 7, 2023

We build and service the infrastructure that enables our economy to run, our people to move, and our country to grow.

Strategic Elements of Transformation

Solidify the base

Prioritized risk reduction | Improved bid discipline | Significantly reduced the probability of project losses

Grow high-margin products and services

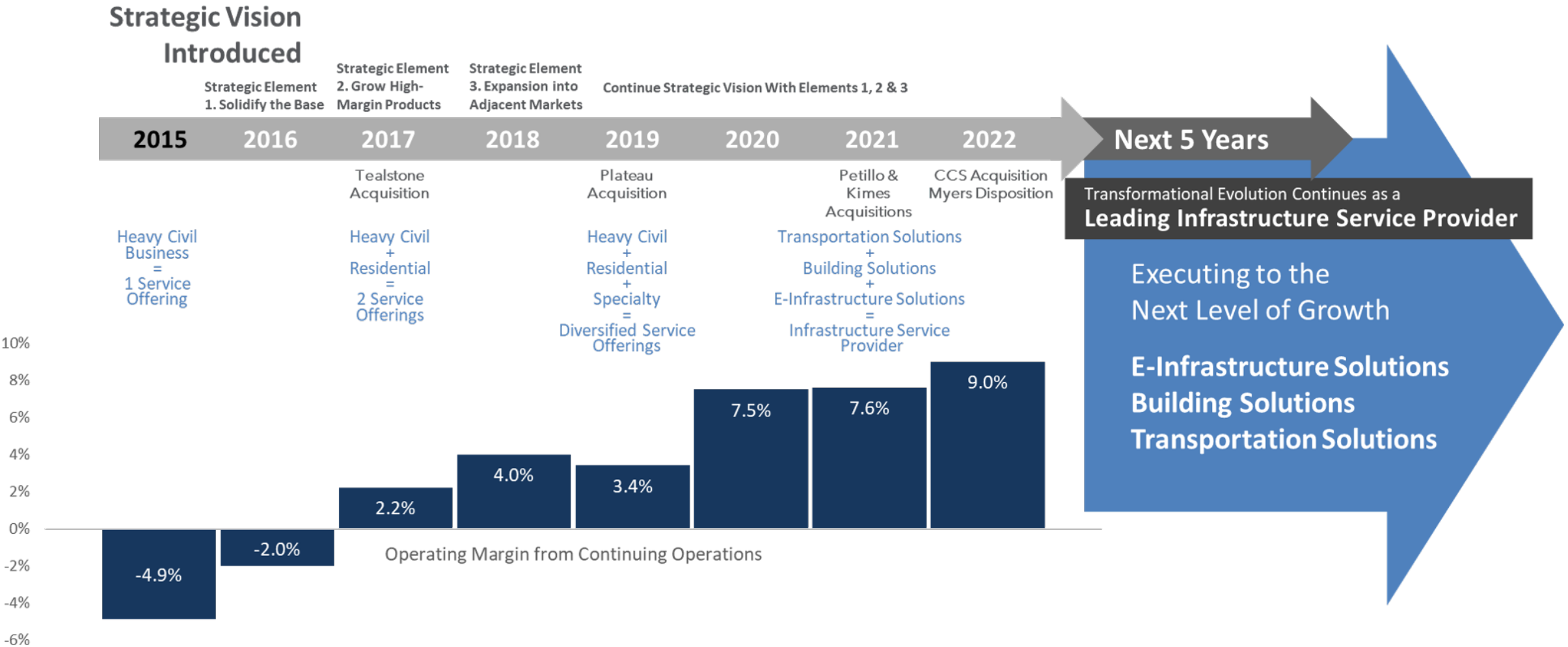
Project mix shift | Targeted higher-margin projects | Significantly reduced lower-margin work

Expand into adjacent markets

Decentralized, adaptive business model | Focused on bottom-line growth | Diversification



Strategic Transformation at a Glance



Segments



E-Infrastructure Solutions



Transportation Solutions



Building Solutions



E-Infrastructure Solutions

Highest-growth, highest-margin segment



E-Infrastructure Solutions data center project

What We Do: Leading provider of large-scale specialty site infrastructure development, including site selection, in the Southeastern, Northeastern and Mid-Atlantic U.S. We operate through two subsidiaries: Plateau and Petillo.

Markets

- + Next Generation Manufacturing
- + Data Centers
- + E-Commerce Distribution Centers
- + Warehousing

Customers

- + Hyundai/SK
- + Rivian
- + Meta
- + Amazon
- + Walmart

Attributes

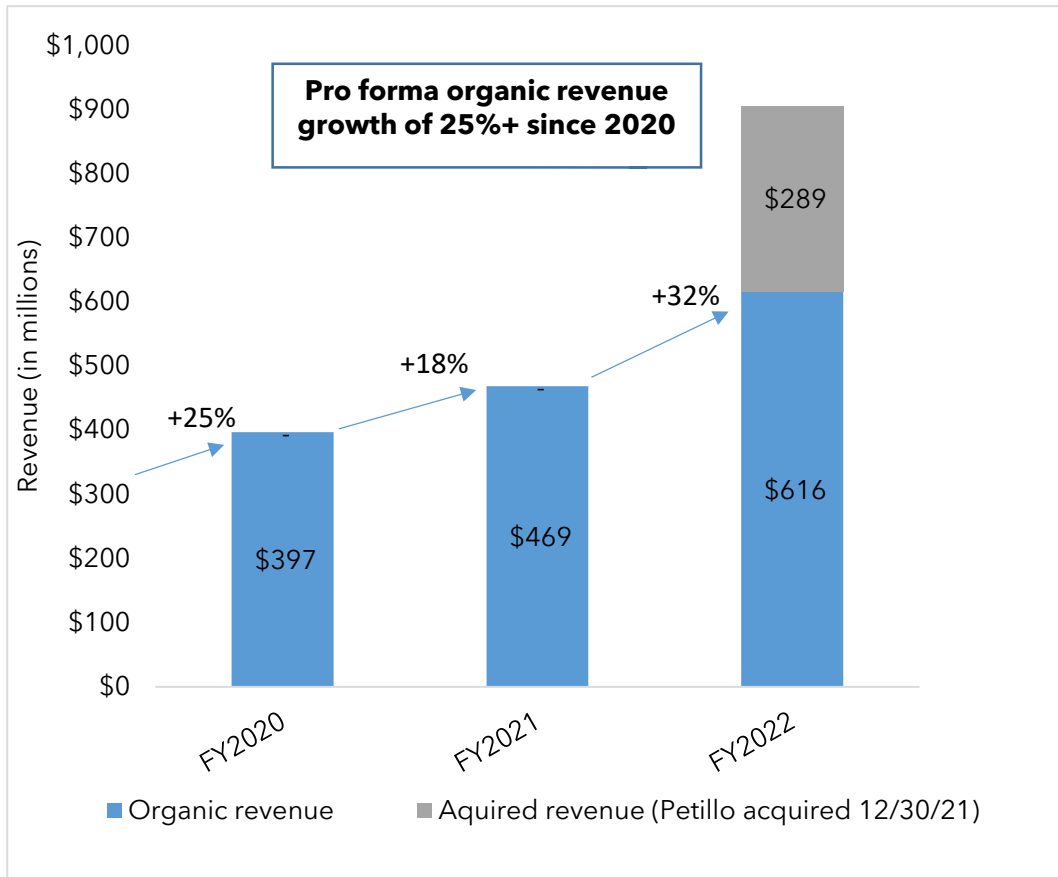
- + High-value service with low execution risk and high margins
- + Proven ability to complete large projects on time
- + Strong, multi-year customer relationships

Drivers

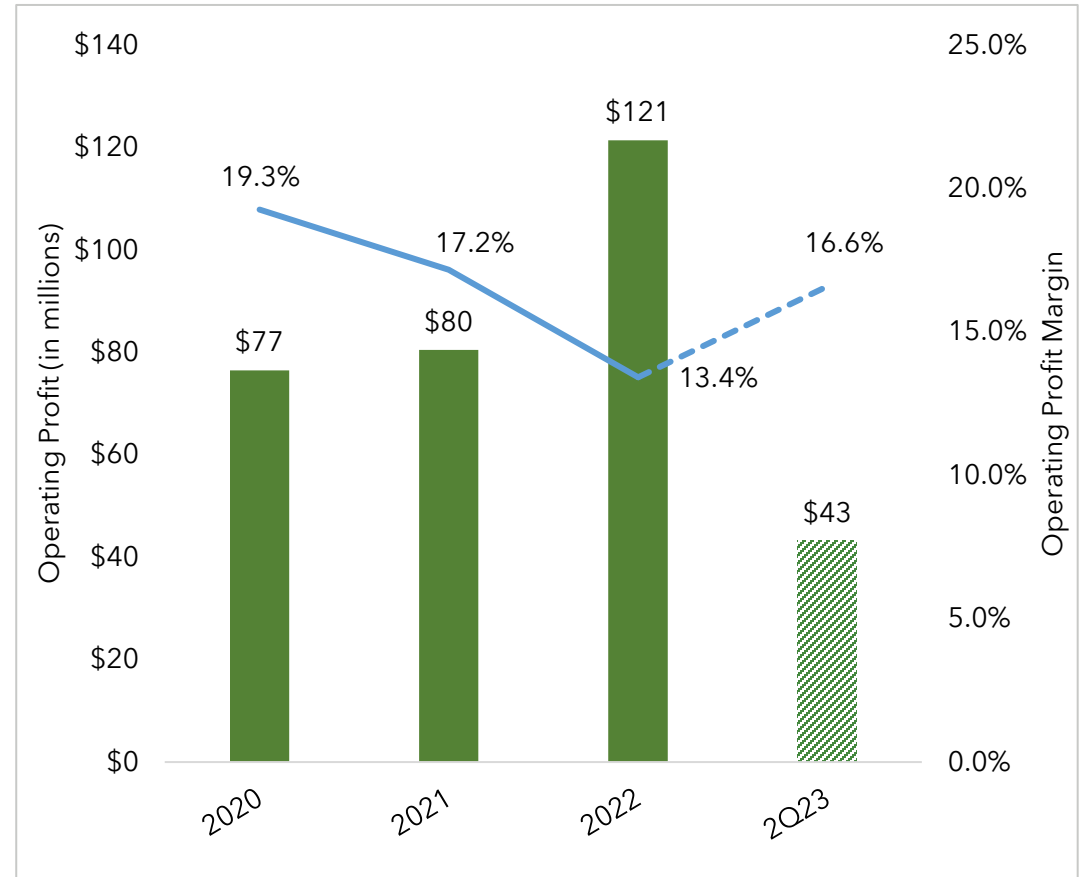
- + Onshoring
- + Data demand and management
- + Buildout of e-commerce network infrastructure

E-Infrastructure Solutions

Strong Multi-Year Organic Revenue Growth, Poised to Continue



Highest Segment Margins with Opportunity for Expansion on an Annual Basis



Transportation Solutions

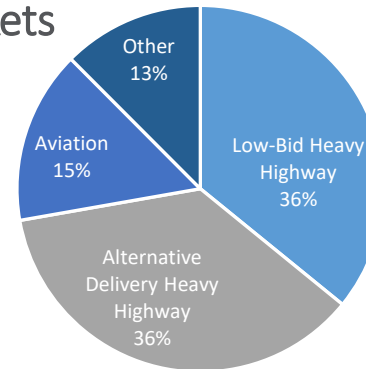
Improved bid discipline and reduced risk



Transportation Solutions Wildlife Crossing Bridge project

What We Do: Infrastructure and rehabilitation projects for highways, roads, bridges, airports, ports, light rail and storm drainage systems in the Rocky Mountain states and Texas.

Markets



% 2022 Transportation Solutions Revenue

Primary Geographies

- + Arizona
- + Colorado
- + Hawaii
- + Nevada
- + Texas
- + Utah

Strategy

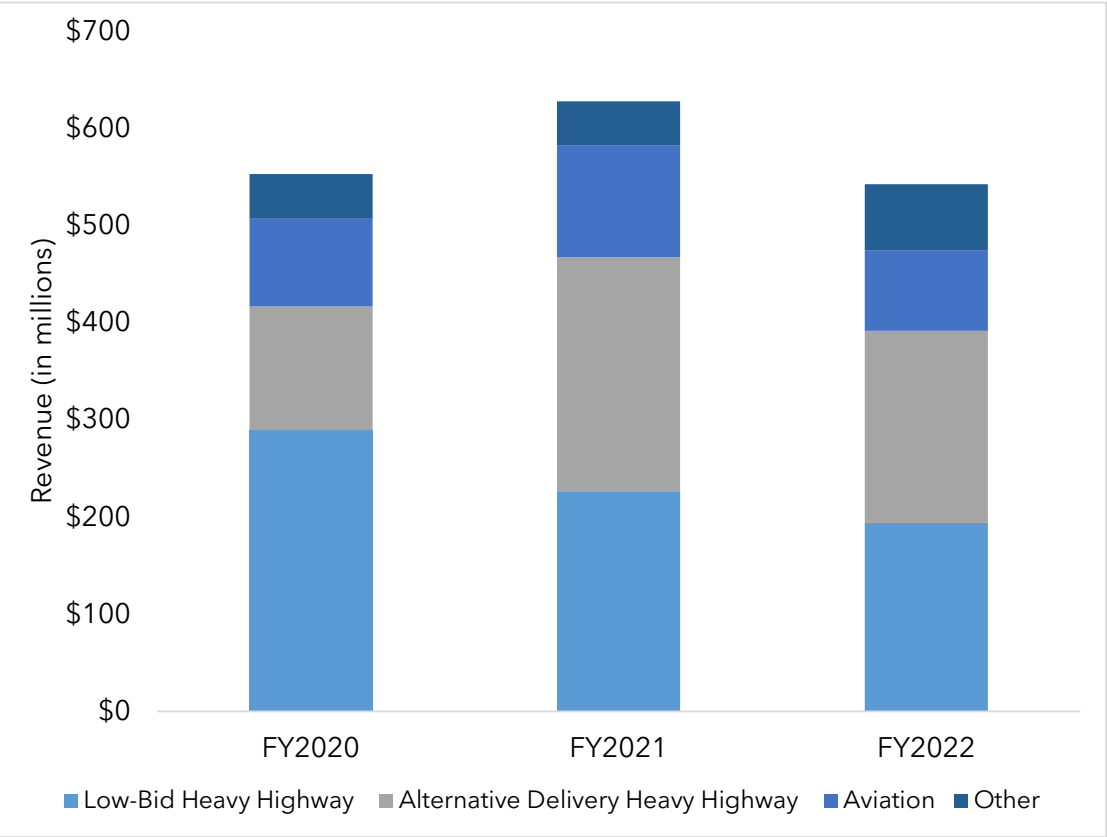
- + Shifted the mix away from low-bid HH toward alternative delivery HH and other higher-margin commercial work
- + Continue to evolve the mix; focused on highest return, lowest risk

Drivers

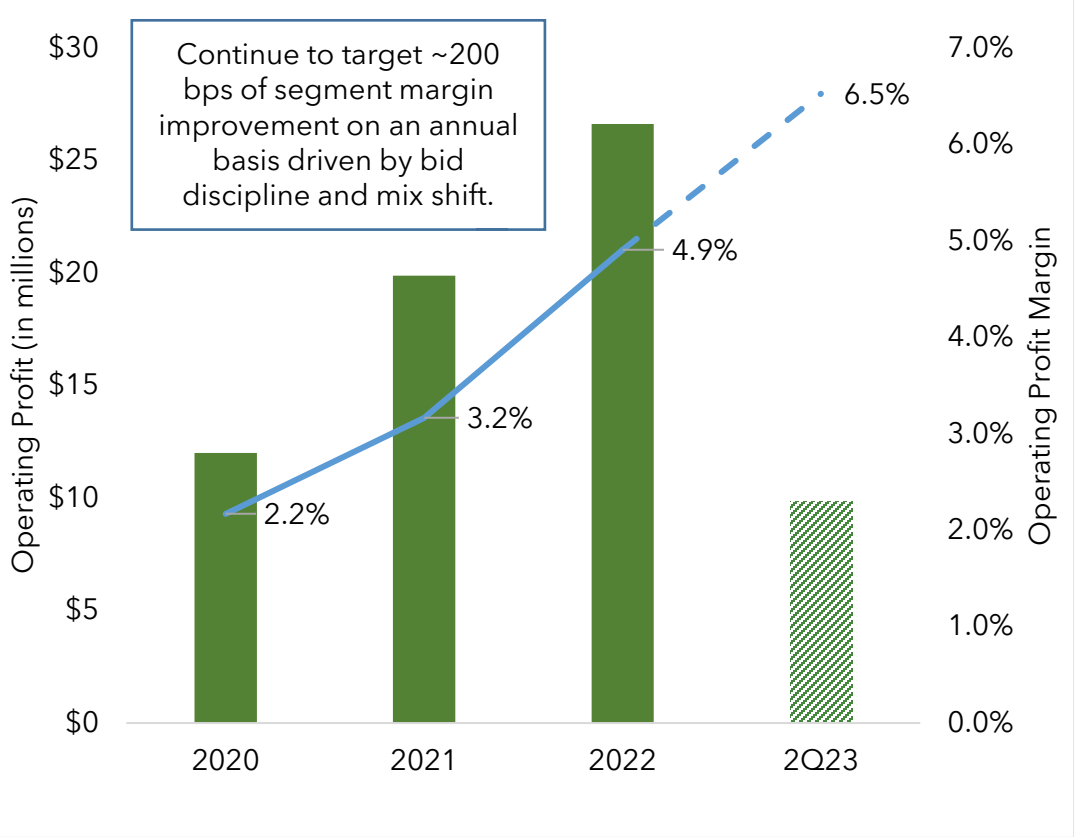
- + Federal, state, and municipal funding
- + Infrastructure Bill: \$643B for transportation programs (\$284B incremental), \$25B for airports

Transportation Solutions

Focus is on maximizing profitability rather than revenue



Consistent, multi-year margin improvement and expect more to come



Building Solutions

Low Risk, Low CAPEX, Fast cash cycles



Building Solutions Dallas area large subdivision project for leading builder

What We Do: Residential and Commercial concrete slabs in the Dallas/Fort Worth, Houston, and Phoenix markets.

Primary Markets

- + Dallas/ Fort Worth
- + Houston
- + Phoenix

Customers

Leading National Home Builders, including but not limited to

- + Pulte
- + D.R. Horton
- + Lennar

Strengths

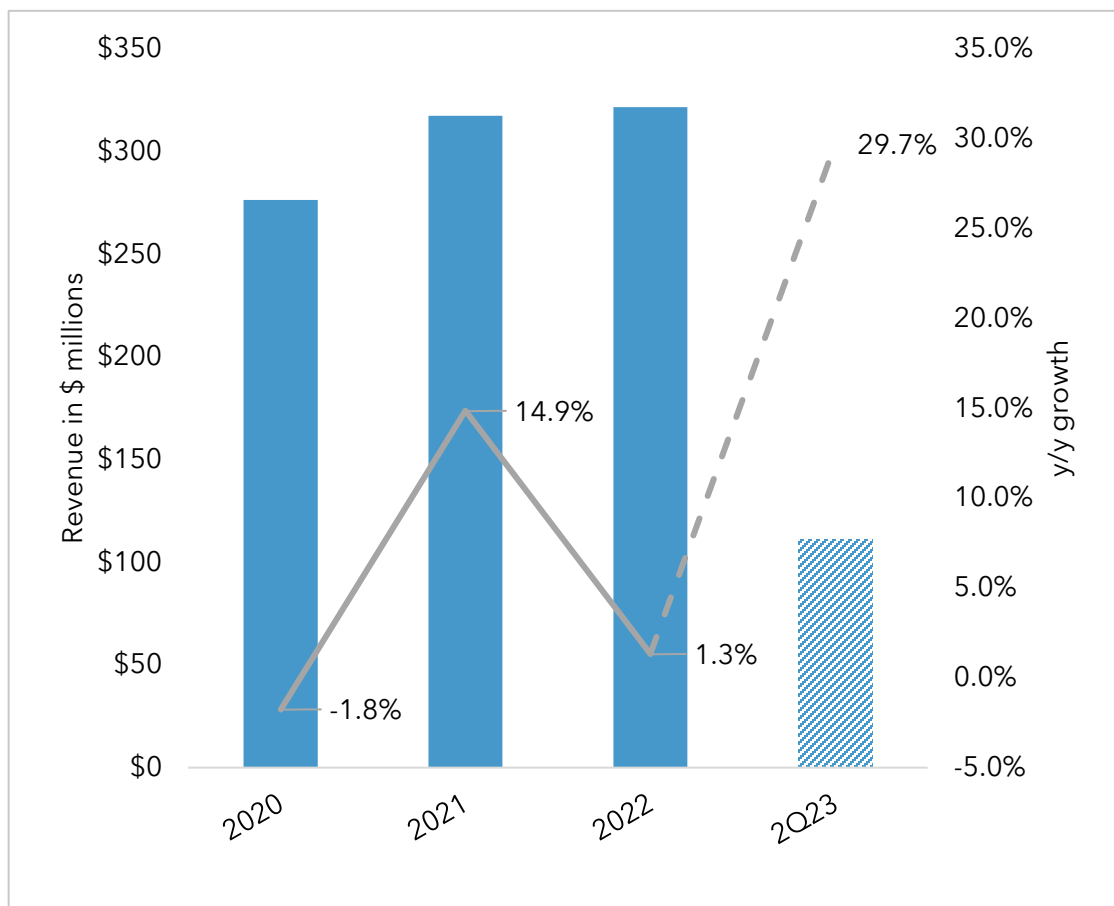
- + Customer relationships
- + Bring simplicity to the buildout of new subdivisions
- + Outsourced labor model drives flexibility in the cost structure

Drivers

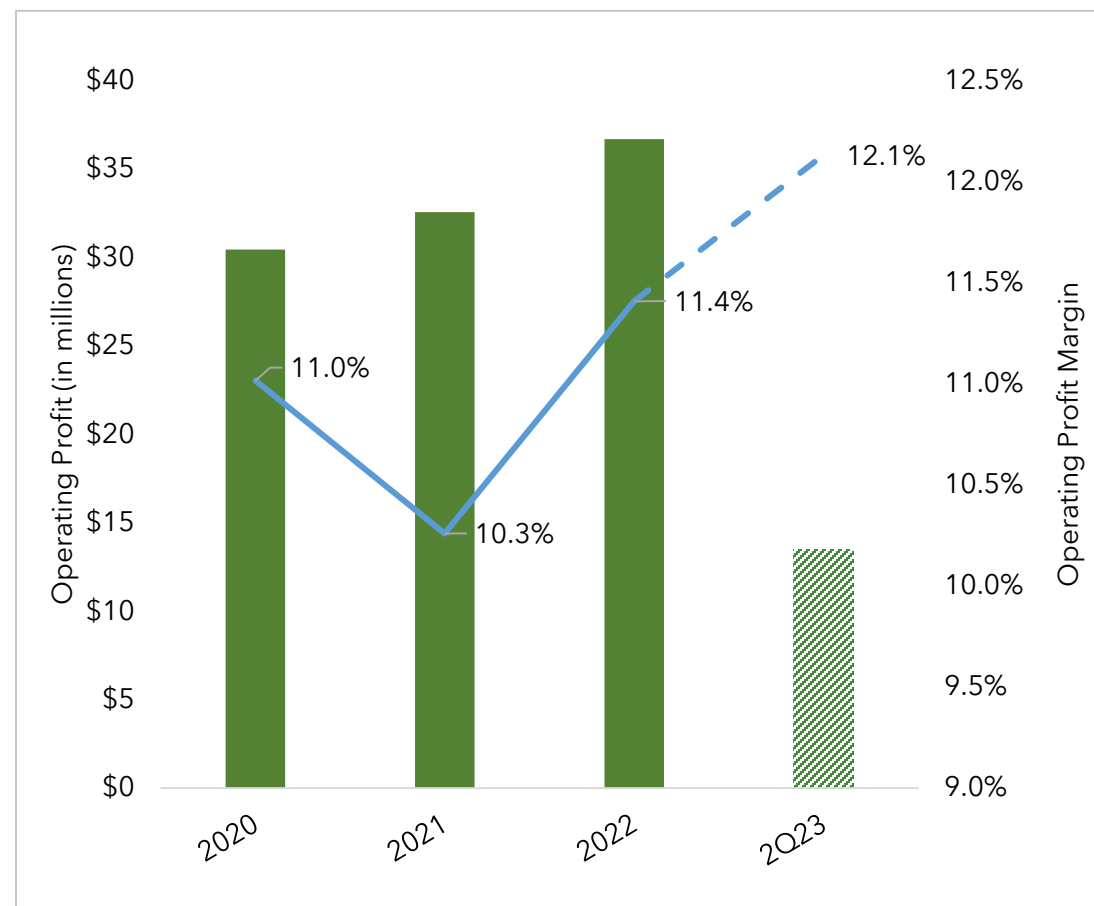
- + Demand for single-family homes in the Dallas, Houston, and Phoenix markets
- + Share gain in recently entered Houston and Phoenix markets

Building Solutions

2Q23 Growth of ~30% y/y (16% Organic)



+70 bps of Operating Margin Improvement in 2Q23



Financial Overview

“Our outstanding results in the second quarter reflect a combination of strong customer demand and excellent execution by our teams.

While we are very pleased with our 13% revenue growth in the quarter, it is the 230 basis points of gross margin expansion and nearly 30% growth in EBITDA that reflects our successful strategic shift toward higher-margin, lower-risk opportunities.

In addition to our record earnings, our generation of cash flow from operations of \$181 million year to date is fantastic.”

- Joe Cutillo, Sterling’s Chief Executive Officer.

Sterling's 2Q Results

The financial information is from continuing operations, and comparisons are to the prior year quarter, unless otherwise noted.

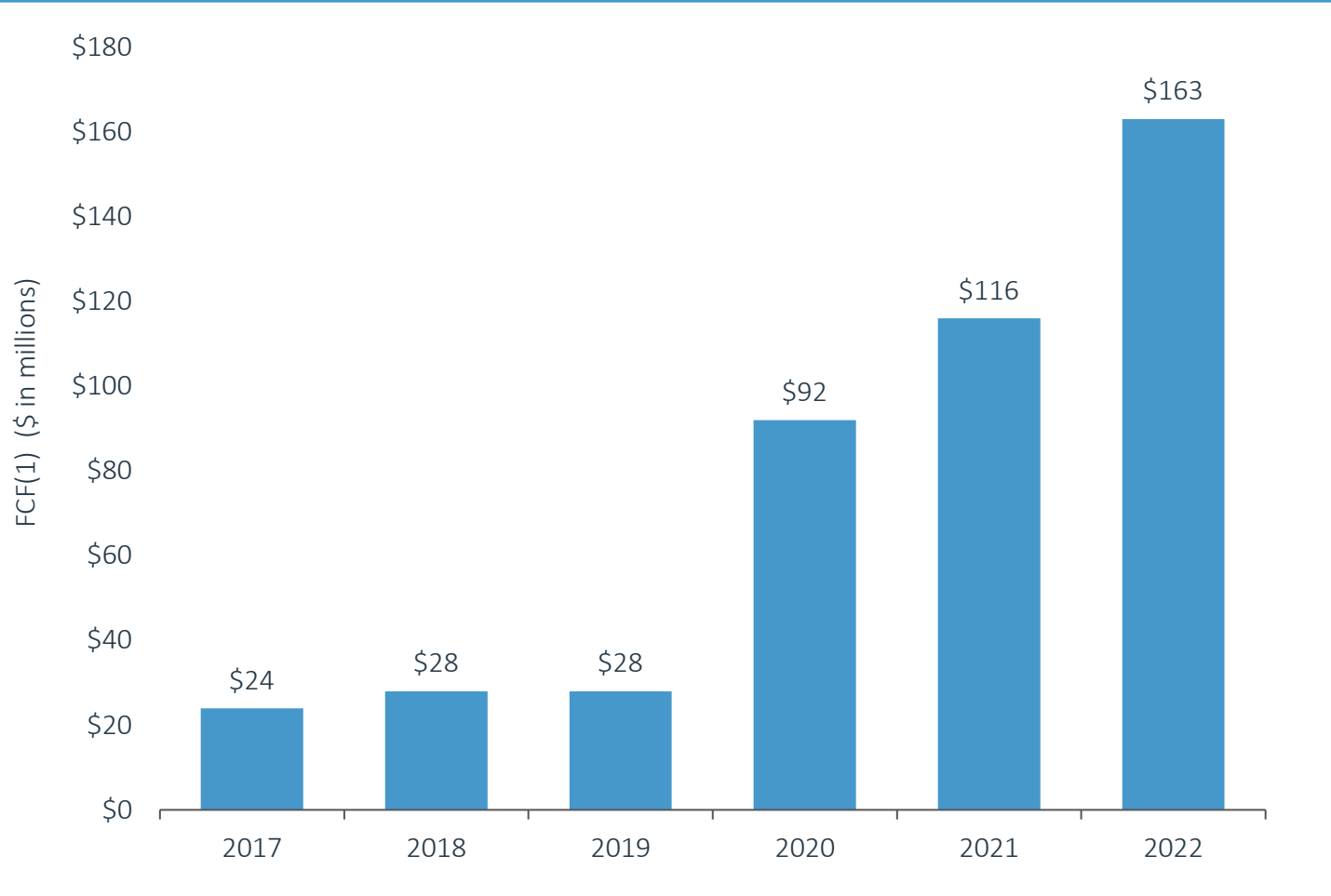
<p>Revenue</p> <p>\$522.3 Million</p> <p>↑ 13.1%</p>	<p>Net Income</p> <p>\$39.5 Million</p> <p>↑ 40%</p>	<p>Gross Margin</p> <p>17.7%</p> <p>an increase from 15.4%</p>
<p>Operating Income</p> <p>\$60.3 Million</p> <p>↑ 37%</p>	<p>EBITDA</p> <p>\$73.5 Million</p> <p>↑ 29%</p>	<p>Diluted EPS</p> <p>\$1.27</p> <p>↑ 37%</p>
<p>Cash Flow from Operations</p> <p>\$181.1 Million</p> <p>for the six months ended June 30, 2023</p>	<p>Cash and Cash Equivalents</p> <p>\$278.1 Million</p> <p>at June 30, 2023</p>	<p>Backlog at June 30, 2023</p> <p>\$1.74 Billion</p> <p>23% over December 31, 2022</p>

Remaining Performance Obligations (RPOs)¹

(\$ in millions)	6/30/2023	12/31/2022	6/30/2022
E-Infrastructure Solutions RPO	\$ 886.6	\$ 603.2	\$ 523.7
Transportation Solutions RPO	743.6	713.2	722.9
Building Solutions RPO	105.4	97.9	80.6
Total RPOs	\$ 1,735.7	\$ 1,414.3	\$ 1,327.2

Free Cash Flow

Strong cash flow profile provides flexibility and supports growth investments

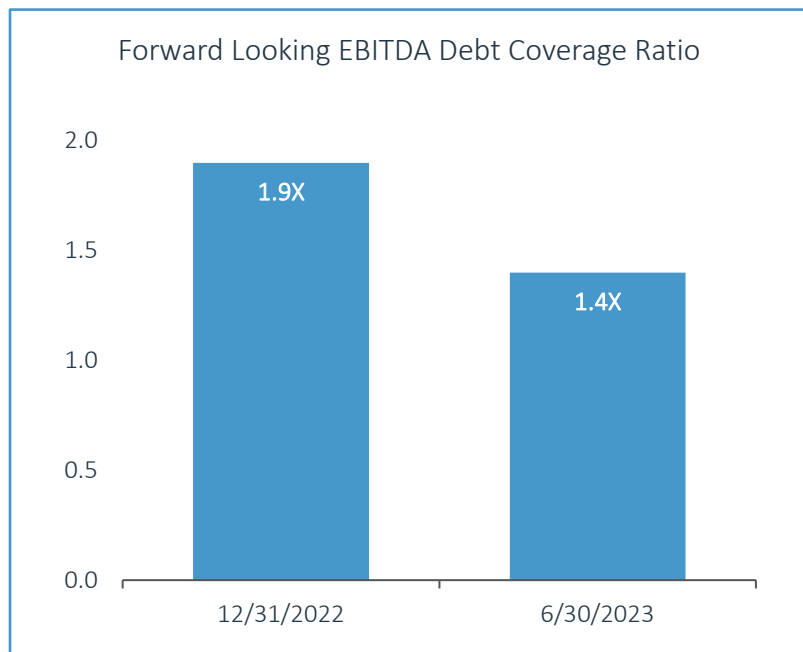


Key Cash Flow Considerations

	<u>Q2 2023</u>	<u>Q2 2022</u>
CFO	\$181.1M	\$42.0M
Net CAPEX	\$30.3M	\$28.0M

- + Cash & Cash Equivalents at June 30, 2023 was \$278.1M
- + 2023 EBITDA guidance⁽²⁾: \$250M to \$260M
- + Expected other noncash expenses: \$31M to \$35M (Stock-based compensation, noncash interest expense, deferred taxes, etc.)
- + Scheduled term loan debt payments total \$31.9M and \$26.1M for 2023 and 2024, respectively

Balance Sheet



We expect to pursue strategic uses of our liquidity, including acquisitions, investing in capital equipment and managing leverage.

Sterling is comfortable with a forward-looking debt/EBITDA coverage ratio of +/-2.5X.

5-Year Credit Facility

- + \$356M Term Loan Borrowings
- + \$75M Revolving Credit Facility (Undrawn)

Outlook



“Our relentless focus on strategic execution is driving earnings growth and cash generation, which in turn strengthens our ability to pursue new opportunities for profitable, long-term growth. Our strong second quarter results, record backlog and favorable opportunities across our markets give us confidence in our ability to deliver revenue and profitability growth for the year.”

- CEO Joe Cutillo, 2Q23 conference call

Market Positioning and Secular Investment Trends Drive Opportunities for Growth



E-Infrastructure Solutions

- + Onshoring-related projects for EV, batteries, solar, semiconductors, other critical industries
- + Ever-increasing data demand drives data center activity
- + Continued growth in warehouse, distribution, larger big-box stores investments in e-commerce and manufacturing development over a multi-year period



Transportation Solutions

- + Strong state and local funding
- + Infrastructure Bill allocates \$643B for transportation programs (\$284B incremental), \$25B for airports over 5 years.
- + Over \$185B in IIJA funding for 7,000+ transportation projects announced in 2022
- + More attractive margin opportunities emerging in the market.



Building Solutions

- + Favorable demand dynamics in Sterling geographies
- + Significant share gain opportunity
- + Strengthening margin opportunities in Commercial

Capital Allocation Priorities

Support organic growth in existing and new markets

- + Capital expenditures support multi-year growth, weighted toward E-Infrastructure Solutions

Strategic M&A - “Bolt on” and/ or 4th Leg Opportunities

- + “Bolt-ons”: We continue to evaluate small-to-mid sized acquisition opportunities that compliment our current service offerings and customer base.
- + 4th Leg opportunities: Adjacent market opportunities with exposure to strong, multi-year infrastructure investment trends and/or a recurring revenue element.
- + Seeking margin-accretive deals with attractive end market exposures at a reasonable price.
- + Remain disciplined

Full Year 2023 Guidance

Revenue of \$1.95 to \$2.05 billion

Net Income of \$1254 to \$131 million

EPS of \$4.00 to \$4.20

EBITDA⁽¹⁾ of \$250 to \$260 million

2023 remains strong

- + Strong first half results
- + Record backlog
- + New high-value E-Infrastructure and Transportation project awards
- + Increased transportation funding
- + Emerging improvement in housing starts
- + Favorable growth opportunities across our markets

Why Invest in Sterling?

Successful strategic transformation

What was once a low-margin, heavy-civil business is now a diversified business with strong growth, profitability and cash flow.

Secular growth drivers

E-Infrastructure Solutions: onshoring; federal incentives for EV, solar, and battery manufacturing
Transportation Solutions: high levels of state funding for transportation; Infrastructure Bill (IIJA) funding

Significant opportunity for further margin expansion

Drivers include growth in high-margin E-infrastructure work, , recovery of supply chain, and inflation-related headwinds. continued expansion of Transportation Solutions margins

Robust balance sheet, FCF

Ended 2Q23 with cash of \$278 million. Debt to forward-looking coverage ratio of 1.4X, well below our comfort level of +/- 2.5x
Continuing to evaluate bolt-on acquisitions and potential 4th leg.

Strong stock performance, valuation below peer group

STRL continues to trade at a discount to peer group at ~10x 2023 consensus EBITDA vs ~12x for peers

Appendix



Sustainability

From strategy to operations, we are committed to sustainability by operating responsibly to safeguard and improve society's quality of life.

Protecting Our Environment

- + Sound governance
- + Environmentally responsible construction services and solutions for today and tomorrow

Taking Care of Our People

- + Sterling's safety rating consistently ranks 10X better than the industry average
- + Employee Wellness programs through extensive benefit offerings
- + Training & Development programs, including the new focused training through Sterling Academy
- + Caring for our communities and supporting organizations across our footprint and beyond

Governance

- + Committed to conducting business ethically and with integrity and full transparency
- + Committed to strong and effective governance practices that promote and protect the interests of our shareholders



2023 Modeling Considerations⁽¹⁾

Revenue	\$1,950 to \$2,050
Gross Margin	16% to 17%
G&A Expense as % of Revenue (Excluding Intangible Amortization)	~5%
Intangible Amortization	\$15
Other Operating Expense Net	\$15 to \$17
JV Non-Controlling Interest Expense	\$2 to \$3
Effective Income Tax Rate	~27%
Net Income	\$125 to \$131
Diluted EPS	\$4.00 to \$4.20
Expected Dilutive Shares Outstanding	31.2
EBITDA ⁽²⁾	\$250 to \$260

2023 Modeling Considerations Continued*

Non-Cash Items	FY 2023 Expectations	FY 2022
Depreciation	\$41 to \$42	\$38.0
Intangible Amortization	\$15	\$14.1
Debt Issuance Cost Amortization	\$2 to \$3	\$2.2
Stock-based Compensation	\$14 to \$16	\$10.3
Deferred Taxes	\$15 to \$16	\$36.5

Other Cash Flow Items	FY 2023 Expectations	FY 2022
Interest expense, net of interest income	\$22 to \$23	\$19.7
CAPEX, net of disposals	\$55 to \$60	\$56.0

Quarterly Consolidated Results

Continuing Operations

(\$ in millions)	2Q 2023	2Q 2022
Revenues	\$ 522.3	\$ 461.8
Gross Profit	92.3	71.0
G&A Expense	(24.0)	(20.8)
Intangible Amortization	(3.7)	(3.5)
Acquisition Related Costs	(0.1)	(0.2)
Other Operating Expense, Net	(4.2)	(2.4)
Operating Income	60.3	44.0
Interest, Net	(5.5)	(4.4)
Income Tax Expense	(14.5)	(11.0)
Less: Net Income Attributable to NCI	(0.8)	(0.4)
Net income from Continuing Operations	\$ 39.5	\$ 28.1
Diluted EPS	\$ 1.27	\$ 0.93
EBITDA ⁽¹⁾	\$ 73.5	\$ 56.8

Quarterly Consolidated Results

Continuing Operations

(\$ in millions)	2Q 2023	2Q 2022
E-Infrastructure Solutions		
Revenue	\$ 260.1	\$ 233.5
Operating Income	\$ 43.2	\$ 32.8
Operating Margin	16.6 %	14.1 %
Transportation Solutions		
Revenue	\$ 151.1	\$ 142.6
Operating Income	\$ 9.9	\$ 7.4
Operating Margin	6.5 %	5.2 %
Building Solutions		
Revenue	\$ 111.1	\$ 85.6
Operating Income	\$ 13.5	\$ 9.8
Operating Margin	12.1 %	11.4 %

EBITDA Reconciliation

STERLING INFRASTRUCTURE, INC. & SUBSIDIARIES EBITDA FROM CONTINUING OPERATIONS RECONCILIATION

(In thousands)
(Unaudited)

	Three Months Ended June 30,	
	2023	2022
Net income from Continuing Operations	\$ 39,480	\$ 28,114
Depreciation and amortization	13,980	13,231
Interest expense, net of interest income	5,528	4,449
Income tax expense	14,505	11,015
EBITDA from Continuing Operations ⁽¹⁾	73,493	56,809
Acquisition related costs	59	230
Adjusted EBITDA from Continuing Operations ⁽²⁾	<u>\$ 73,552</u>	<u>\$ 57,039</u>

EBITDA Guidance Reconciliation

STERLING INFRASTRUCTURE, INC. & SUBSIDIARIES EBITDA GUIDANCE RECONCILIATION

(In millions)
(Unaudited)

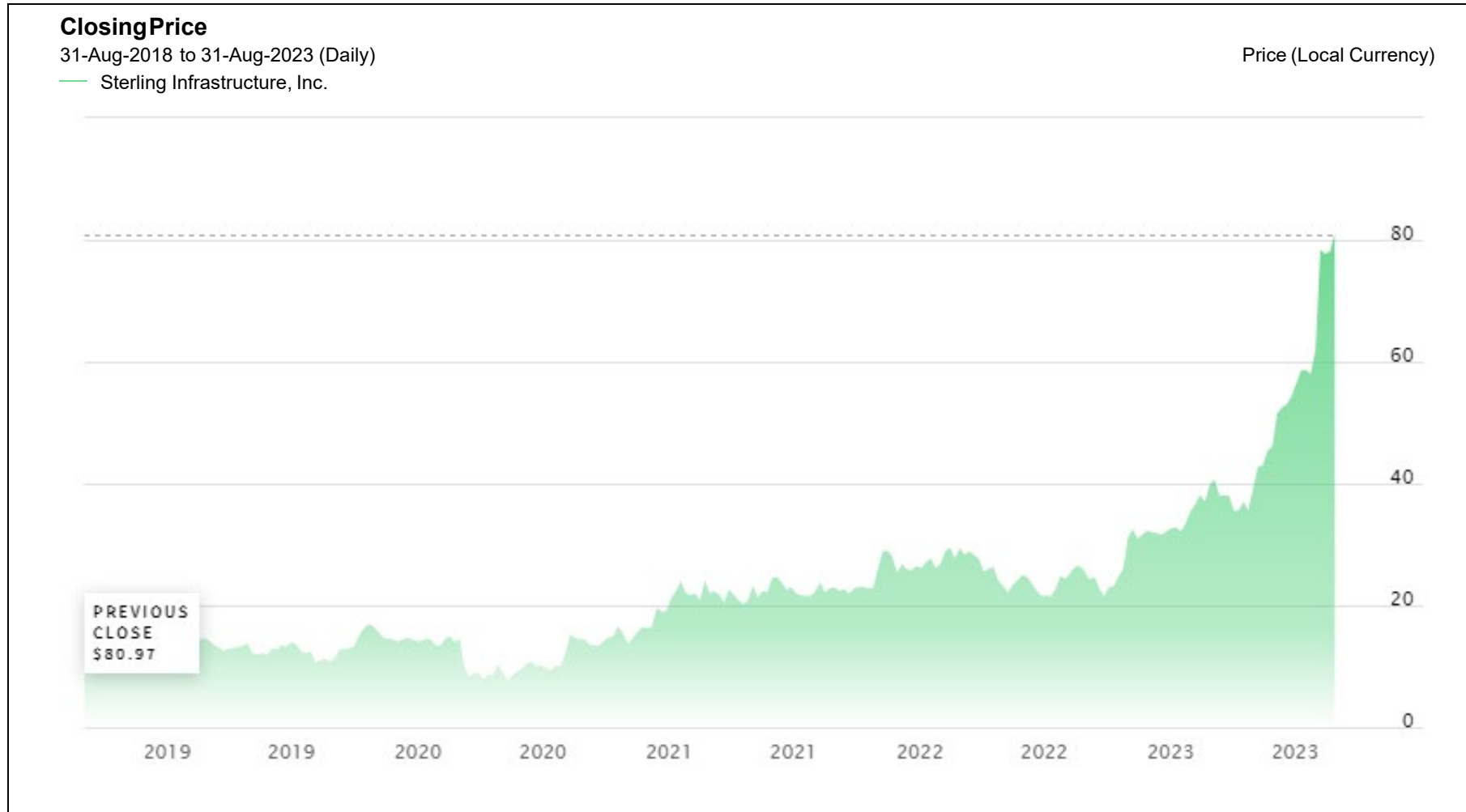
	Full Year 2023 Guidance	
	Low	High
Net income attributable to Sterling common stockholders	\$ 125	\$ 131
Depreciation and amortization	56	57
Interest expense, net of interest income	22	23
Income tax expense	47	49
EBITDA ⁽¹⁾	<u>\$ 250</u>	<u>\$ 260</u>

Free Cash Flow (FCF) Reconciliation

STERLING INFRASTRUCTURE, INC. & SUBSIDIARIES
FREE CASH FLOW⁽¹⁾ RECONCILIATION
(In thousands)
(Unaudited)

	2017	2018	2019	2020	2021	2022
As reported Cash						
Flows from Operating Activities	\$ 24,767	\$ 39,474	\$ 42,067	\$ 122,896	\$ 158,932	\$ 219,116
Less: CAPEX	(9,420)	(13,171)	(15,397)	(32,864)	(46,651)	(60,909)
Plus: Proceeds from the sale of PP&E	8,384	1,789	1,334	2,373	4,113	4,947
Free Cash Flow	<u>\$ 23,731</u>	<u>\$ 28,092</u>	<u>\$ 28,004</u>	<u>\$ 92,405</u>	<u>\$ 116,394</u>	<u>\$ 163,154</u>

STRL 5-Year Stock Price Performance



DISCLOSURE: Forward-Looking Statements

This presentation contains, and the officers and directors of the Company may from time to time make, statements that are considered forward-looking statements within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934. These forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond our control, which may include statements about: our business strategy; our financial strategy; our industry outlook; our guidance; our expected margin growth; and our plans, objectives, expectations, forecasts, outlook and intentions. All of these types of statements, other than statements of historical fact included in this presentation, are forward-looking statements. In some cases, forward-looking statements can be identified by terminology such as "may," "will," "could," "should," "expect," "plan," "project," "intend," "anticipate," "believe," "estimate," "predict," "potential," "pursue," "target," "continue," the negative of such terms or other comparable terminology. The forward-looking statements contained in this presentation are largely based on our expectations, which reflect estimates and assumptions made by our management. These estimates and assumptions reflect our best judgment based on currently known market conditions and other factors. Although we believe such estimates and assumptions to be reasonable, they are inherently uncertain and involve a number of risks and uncertainties that are beyond our control. In addition, management's assumptions about future events may prove to be inaccurate. Management cautions all readers that the forward-looking statements contained in this presentation are not guarantees of future performance, and we cannot assure any reader that such statements will be realized or the forward-looking events and circumstances will occur. Actual results may differ materially from those anticipated or implied in the forward-looking statements due to factors listed in the "Risk Factors" section in our filings with the U.S. Securities and Exchange Commission and elsewhere in those filings. Additional factors or risks that we currently deem immaterial, that are not presently known to us or that arise in the future could also cause our actual results to differ materially from our expected results. Given these uncertainties, investors are cautioned that many of the assumptions upon which our forward-looking statements are based are likely to change after the date the forward-looking statements are made. The forward-looking statements speak only as of the date made, and we undertake no obligation to publicly update or revise any forward-looking statements for any reason, whether as a result of new information, future events or developments, changed circumstances, or otherwise, notwithstanding any changes in our assumptions, changes in business plans, actual experience or other changes. These cautionary statements qualify all forward-looking statements attributable to us or persons acting on our behalf.

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