



# Sidoti January Micro Cap Conference

January 18, 2024

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

# 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," "guidance," "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.

This presentation may contain the financial measures: adjusted net income, EBITDA, adjusted EBITDA, and adjusted EPS, which are not calculated in accordance with U.S. GAAP. If presented, a reconciliation of the non-GAAP financial measures to the most directly comparable GAAP financial measure will be provided in the Appendix to this presentation.

# Strategic Elements of Transformation

## Solidify the base

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

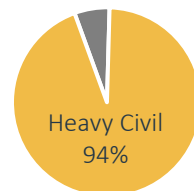
## Grow high-margin products and services

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

## Expand into adjacent markets

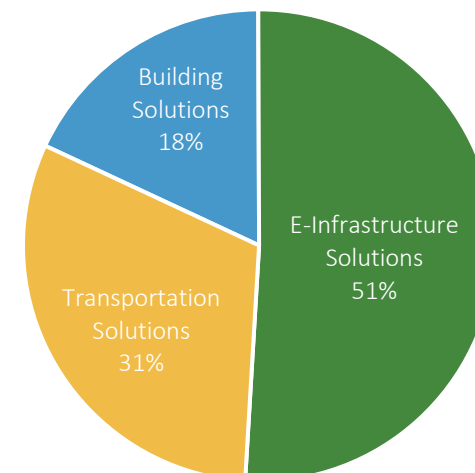
Decentralized, adaptive business model | Focused on bottom-line growth | Diversification

2016  
Revenue \$533.9 Million

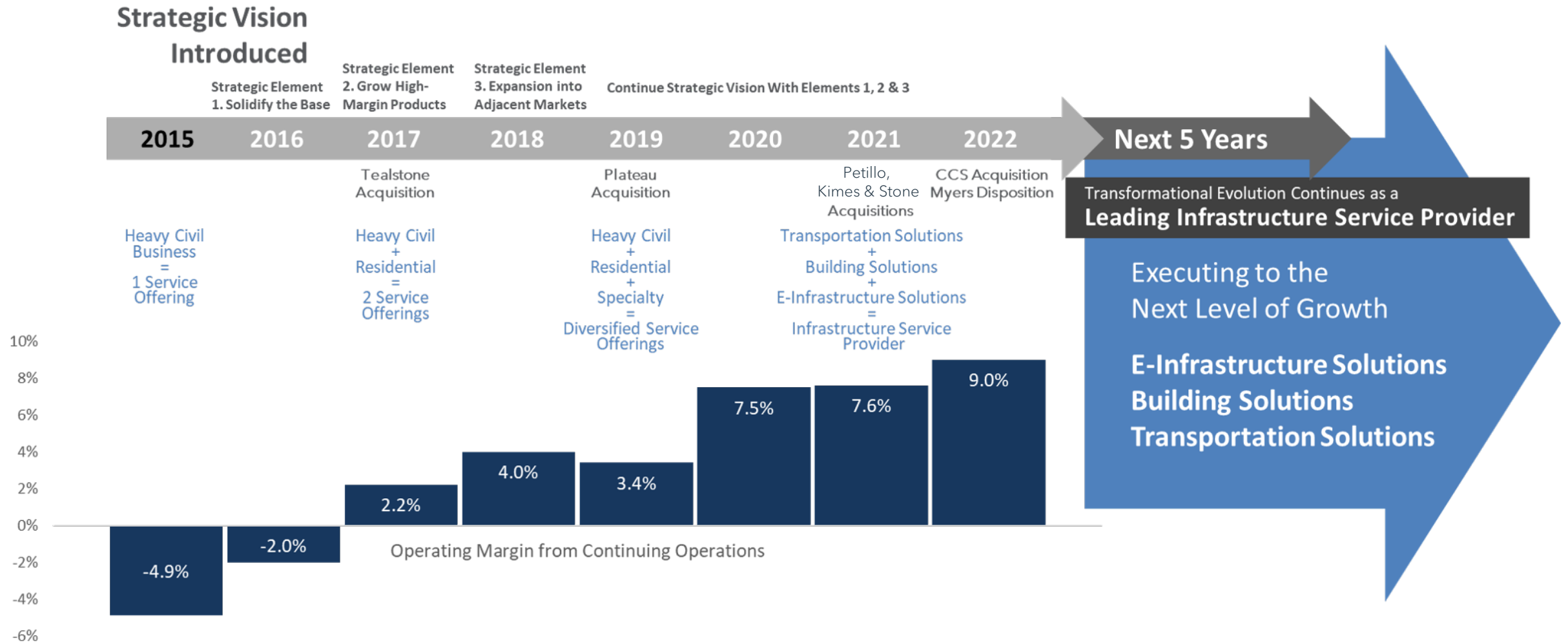


Successful Strategic  
Transformation to a Leading  
Infrastructure Service  
Provider

2022  
Revenue \$1.77 Billion



# Strategic Transformation at a Glance





# Segments



## E-Infrastructure Solutions



## Transportation Solutions



## Building Solutions



# E-Infrastructure Solutions

**Largest, highest-margin segment**



E-Infrastructure Solutions data center project

What We Do: Leading provider of large-scale specialty site infrastructure improvement contracting services, including site selection and preparation, 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

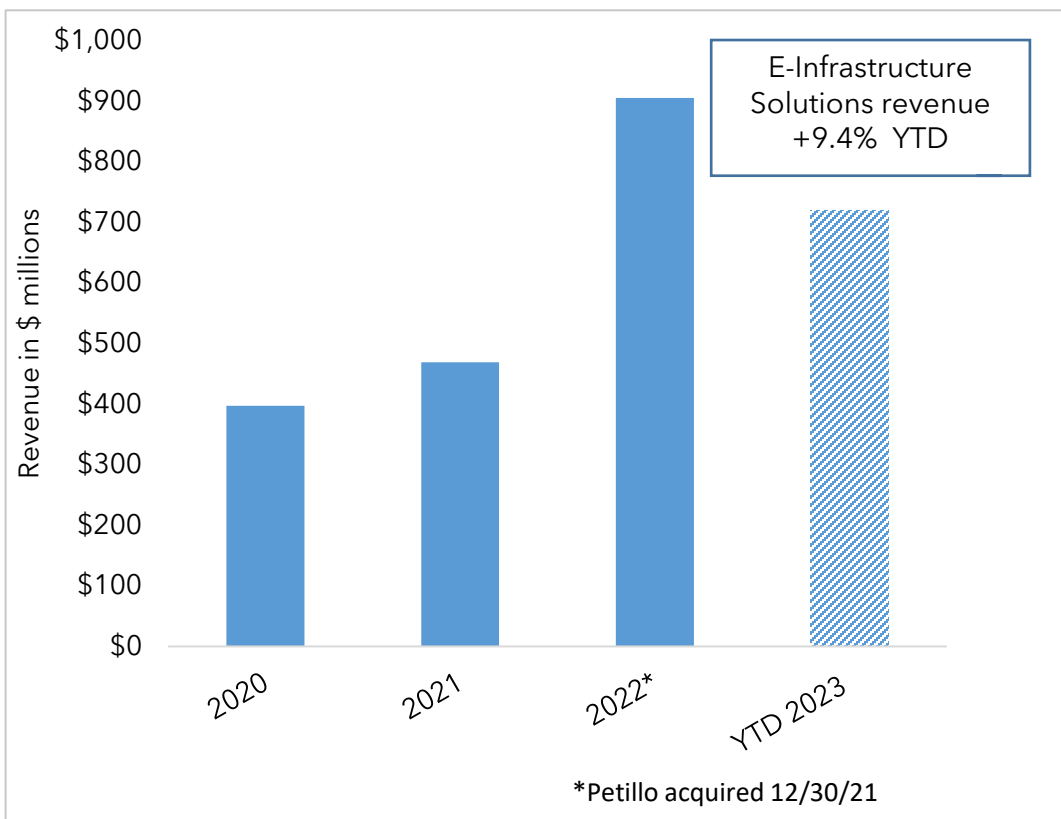
- + High-value service with low execution risk and high margins
- + Proven ability to complete large projects on time
- + Strong, multi-year customer relationships

## Drivers

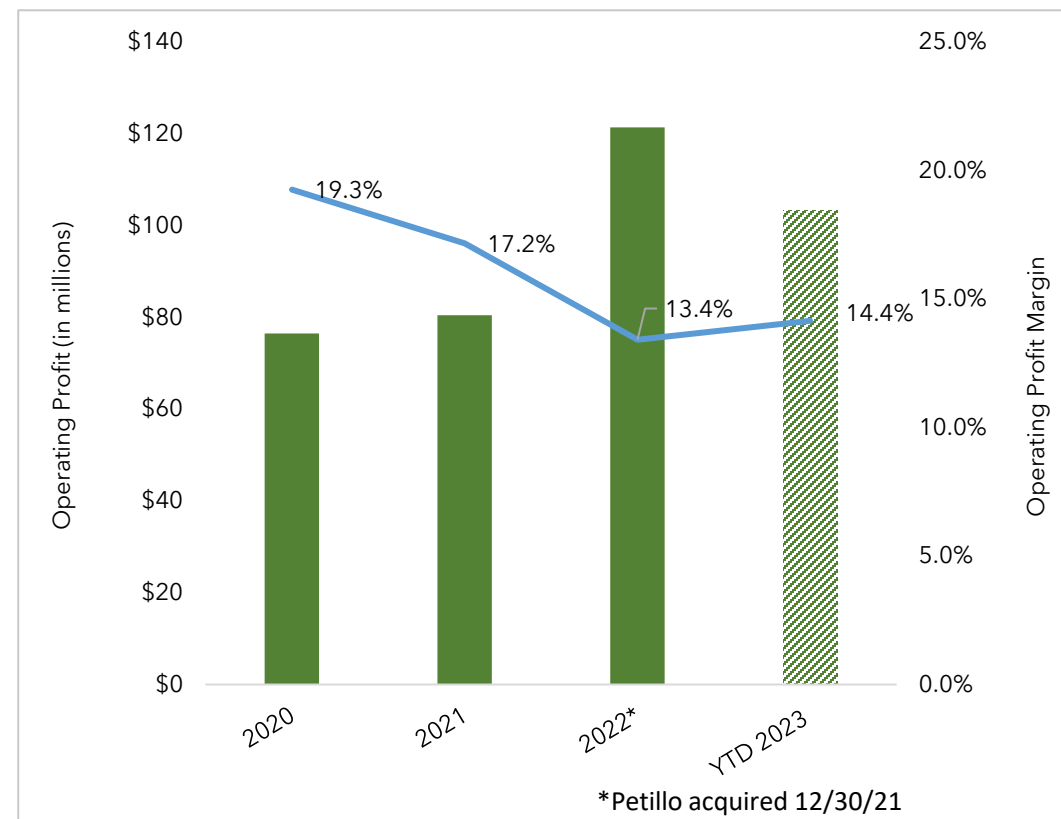
- + Onshoring
- + Data demand and management
- + Buildout of e-commerce network infrastructure

# E-Infrastructure Solutions

Strong multi-year organic revenue growth



Highest segment margins with opportunity for expansion on an annual basis





# Transportation Solutions

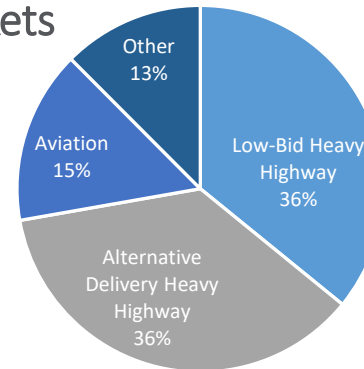
Improved bid discipline and reduced risk



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 opportunities

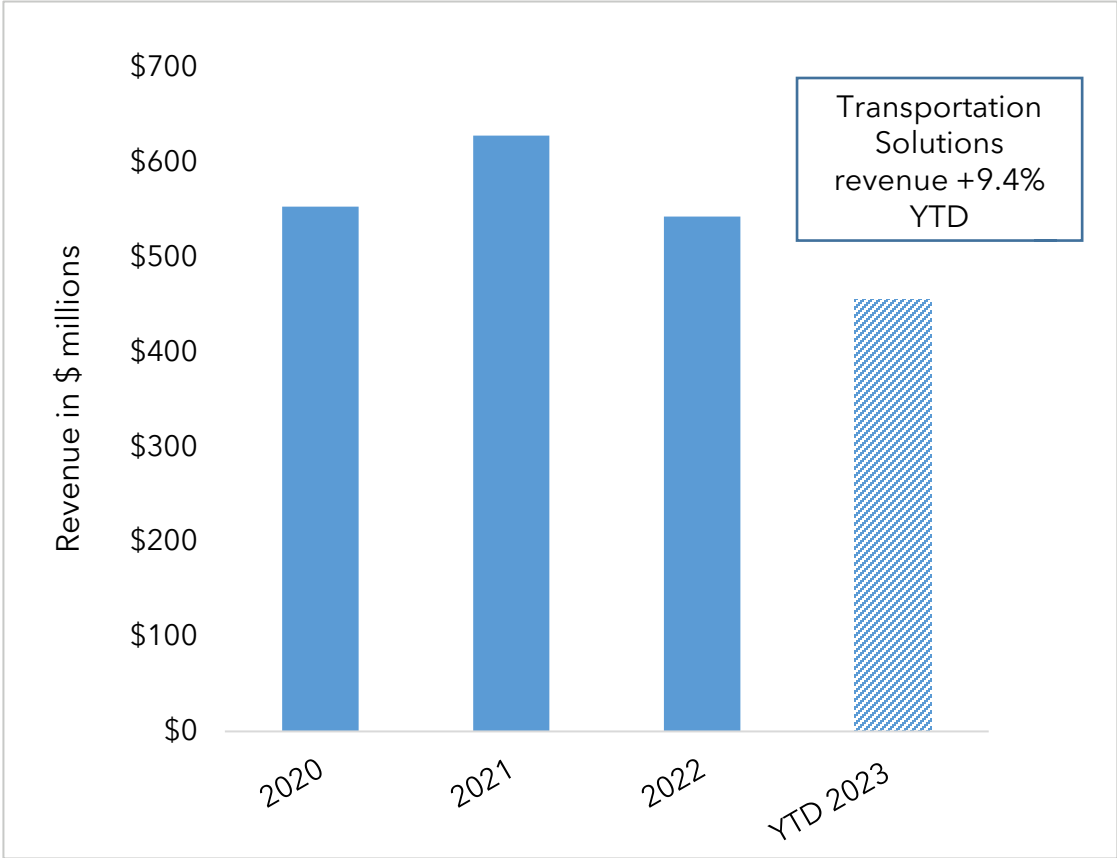
## Drivers

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

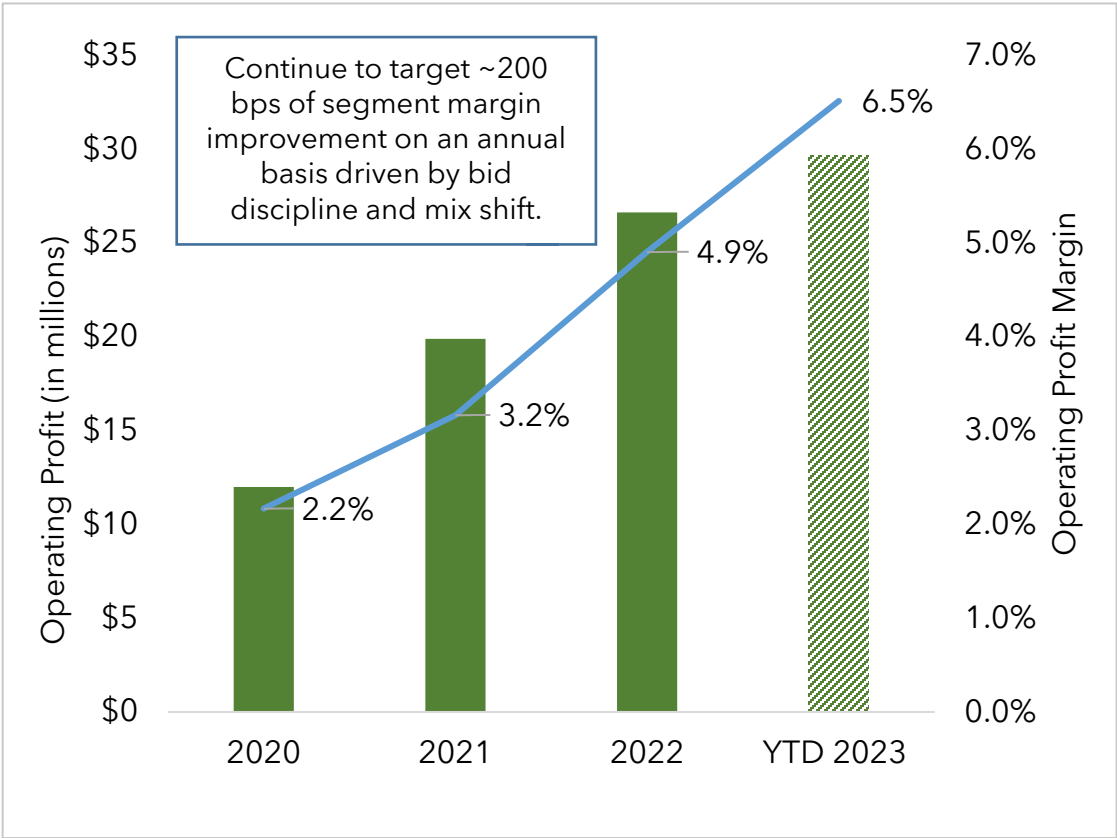


# Transportation Solutions

Focus is on maximizing profitability



Consistent, multi-year margin improvement



# 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

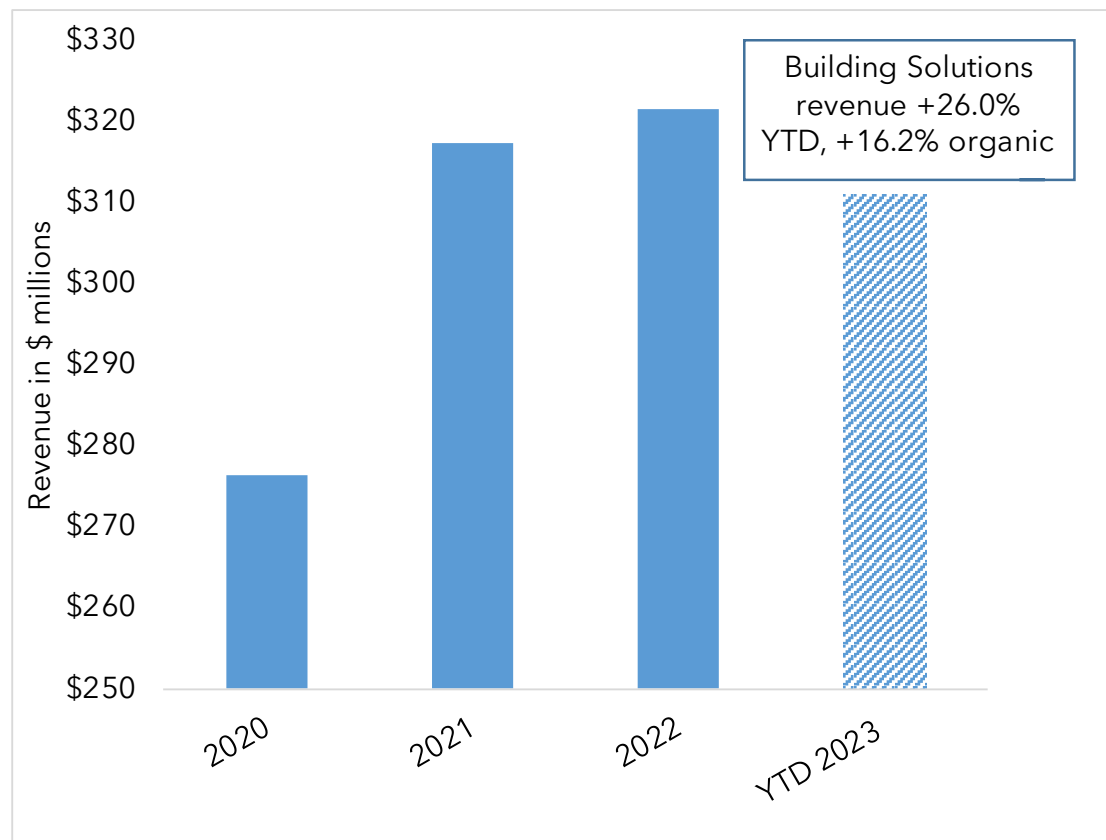
- + Customer relationships
- + Bring simplicity to the buildout of new subdivisions
- + Outsourced labor model drives flexibility in the cost structure

## Drivers

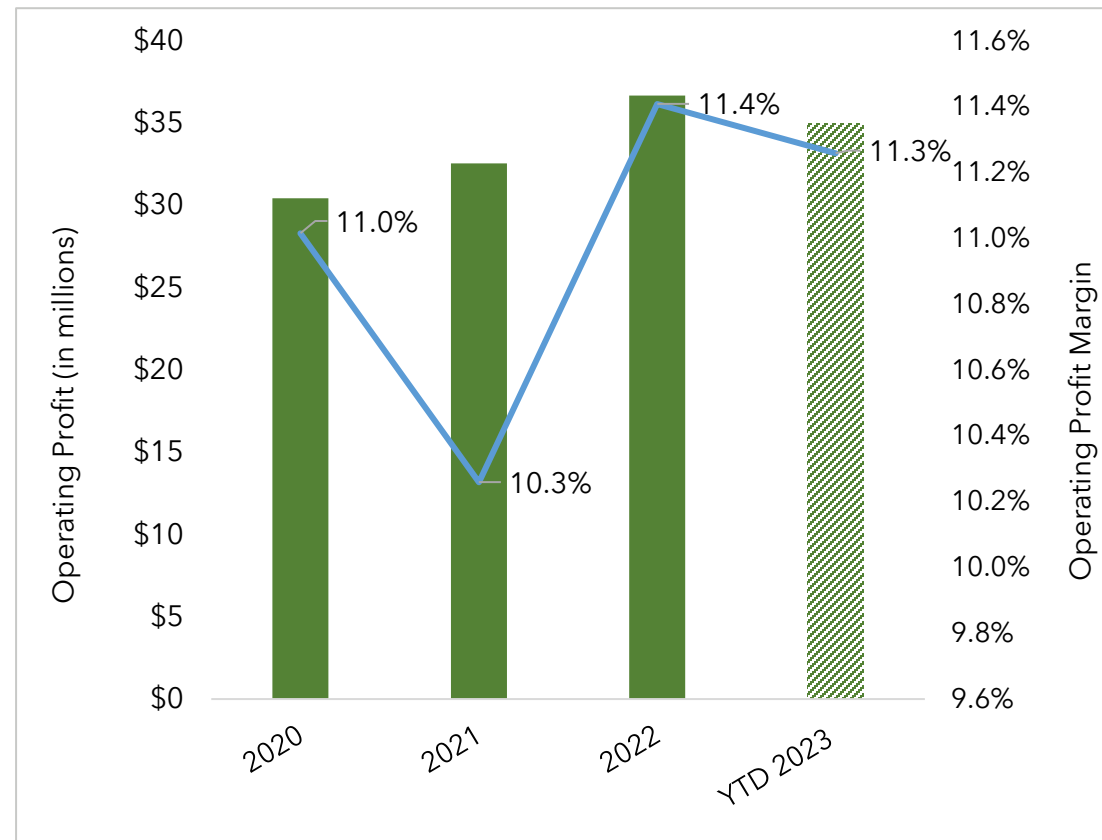
- + Demand for single-family homes in the Dallas, Houston, and Phoenix markets
- + Share gain in recently entered Houston and Phoenix markets

# Building Solutions

Significantly outperforming the national market



Margins at solid levels, some fluctuation due to mix





# Financial Overview

*“In the third quarter, we surpassed our internal projections by delivering diluted EPS of \$1.26, a 25% increase from the corresponding period last year. As a result, we are raising our diluted EPS guidance to \$4.10 to \$4.23 from \$4.00 to \$4.20.*

*Our quarter-end backlog of over \$2 billion, a 42% increase from year-end 2022 levels, supports our expectation for continued momentum in 2024.*

*We had another excellent quarter for cash flow generation, bringing our year to date cash flow from operations to \$331 million.*

*We remain very well positioned to grow the business through both organic initiatives and acquisitions.”*

*- CEO Joe Cutillo, 3Q23 conference call*

# Sterling's 3Q Results

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

<p><b>Revenue</b></p> <p><b>\$560.3</b> Million</p> <p>↑ 13.7%</p>	<p><b>Net Income</b></p> <p><b>\$39.4</b> Million</p> <p>↑ 28%</p>	<p><b>Gross Margin</b></p> <p><b>16.4%</b></p> <p>an increase from 16.1%</p>
<p><b>Operating Income</b></p> <p><b>\$57.1</b> Million</p> <p>↑ 15.5%</p>	<p><b>EBITDA</b></p> <p><b>\$71.2</b> Million</p> <p>↑ 15.7%</p>	<p><b>Diluted EPS</b></p> <p><b>\$1.26</b></p> <p>↑ 25%</p>
<p><b>Cash Flow from Operations</b></p> <p><b>\$331.2</b> Million</p> <p>for the nine months ended September 30, 2023</p>	<p><b>Cash and Cash Equivalents</b></p> <p><b>\$409.4</b> Million</p> <p>at September 30, 2023</p>	<p><b>Backlog</b> at September 30, 2023</p> <p><b>\$2.01</b> Billion</p> <p>42% over December 31, 2022</p>

# Remaining Performance Obligations (RPOs)<sup>(1)</sup>

## Continuing Operations

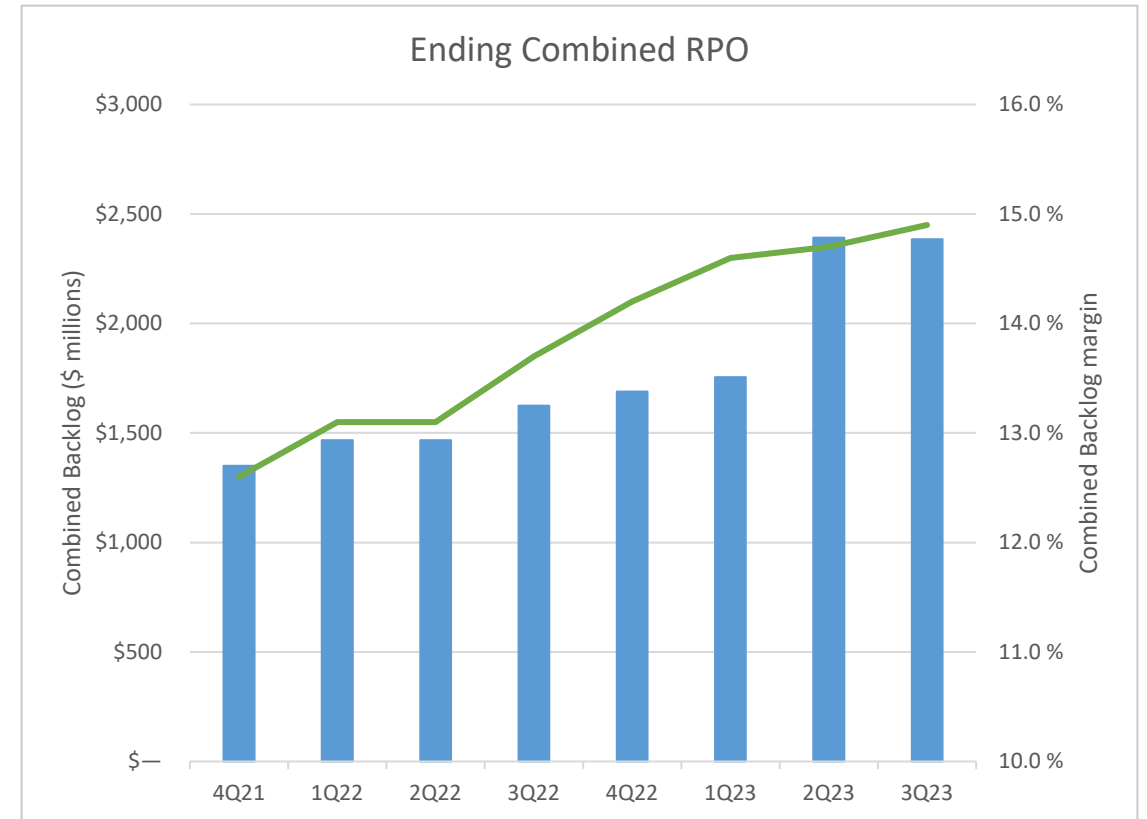
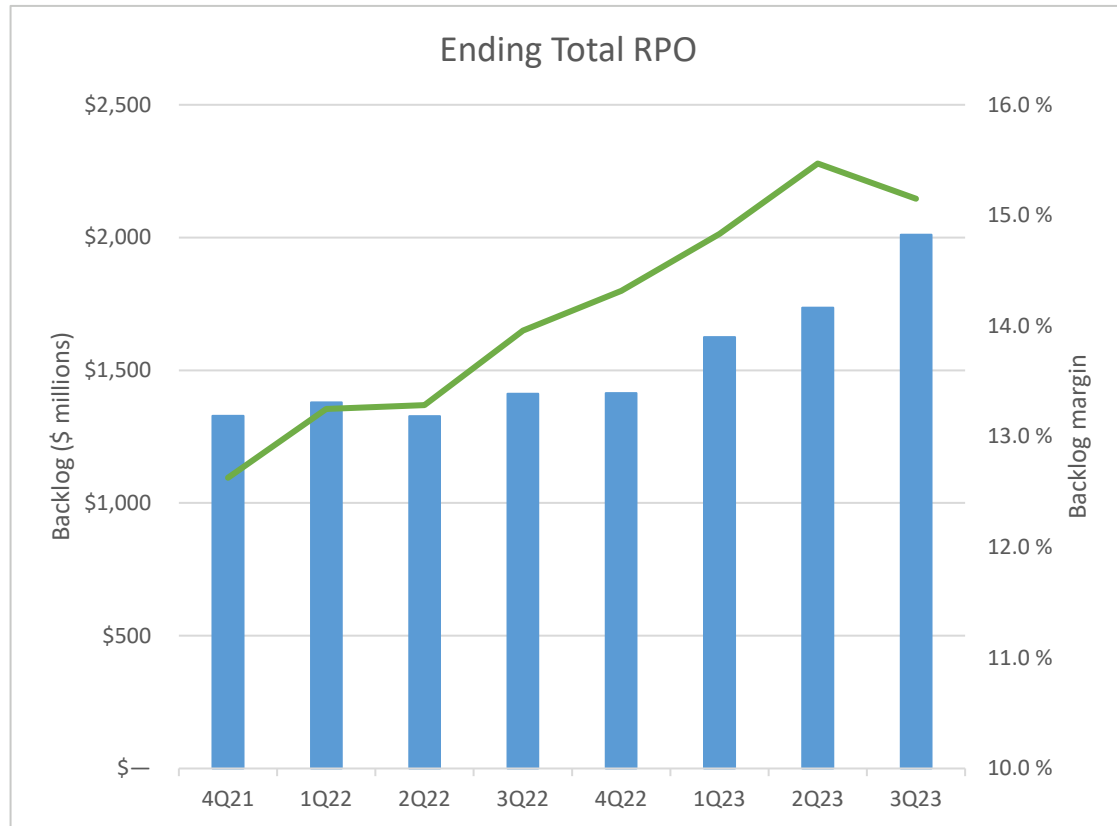
(\$ in millions)	9/30/2023	12/31/2022	9/30/2022
E-Infrastructure Solutions RPOs	\$ 891.4	\$ 603.2	\$ 584.3
Transportation Solutions RPOs	1,022.9	713.2	711.5
Building Solutions RPOs - Commercial	96.1	97.9	115.5
Total RPOs	<u>\$ 2,010.4</u>	<u>\$ 1,414.3</u>	<u>\$ 1,411.3</u>

(1) Our remaining performance obligations do not differ from what we refer to as "Backlog," and represent the amount of revenues we expect to recognize in the future from our contract commitments on projects.



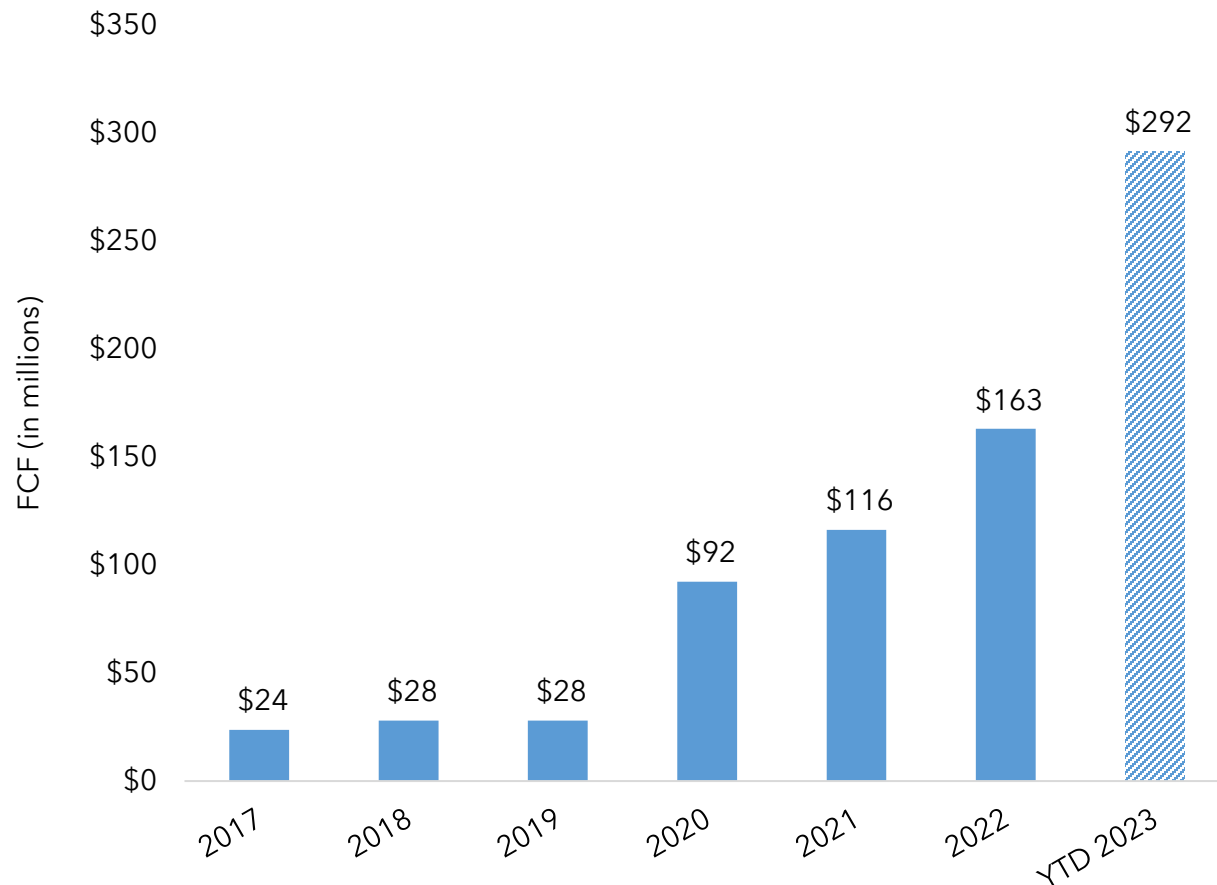
# RPO Trends<sup>(1)</sup>

## Continuing Operations



# Free Cash Flow

Strong cash flow profile provides flexibility and supports growth investments

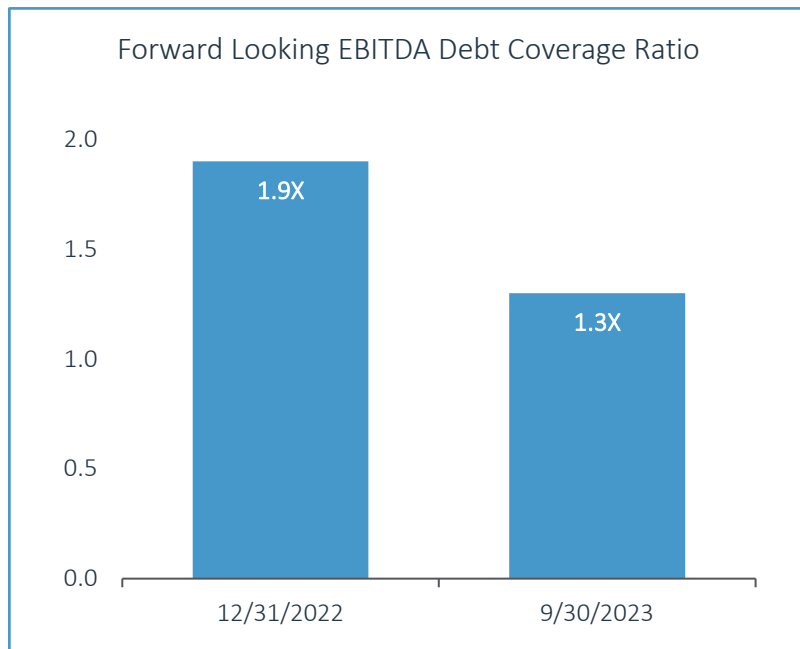


## Key Cash Flow Considerations

	<u>Q3 2023</u>	<u>Q3 2022</u>
CFO	\$331.2M	\$138.2M
Net CAPEX	\$39.6M	\$44.8M

- + Cash & Cash Equivalents at September 30, 2023 was \$409.4M
- + 2023 EBITDA guidance(1): \$252M to \$260M
- + Depreciation and amortization expense \$57M to \$58M
- + Expected additional 2023 noncash expenses: \$31M to \$36M (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

- + \$347M Term Loan Borrowings
- + \$75M Revolving Credit Facility (Undrawn)



# Outlook



““We remain steadfast in our commitments to maintain operational excellence and drive consistent earnings and cash flow growth. Our record backlog position and visibility into the fourth quarter give us confidence in our ability to deliver on our increased guidance for the year.”

*- CEO Joe Cutillo, 3Q23 conference call*

# Market Positioning and Secular Investment Trends Drive Opportunities for Growth



## E-Infrastructure Solutions

- + Continued megaprojects for EV, batteries, solar, semiconductors
- + Reshoring of manufacturing capacity continues
- + Ever-increasing data demand drives datacenter activity
- + E-Commerce distribution center and small warehouses slow



## 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



## Building Solutions

- + Favorable demand dynamics in Sterling geographies
- + Significant share gain opportunity
- + Continued 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 \$1.99 to \$2.05 billion

Net Income of \$128 to \$132 million

EPS of \$4.10 to \$4.23

EBITDA<sup>(1)</sup> of \$252 to \$260 million

## 2023 remains strong

- + Solid second quarter 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

# Summary

**Successful strategic transformation**

**Secular growth drivers**

**Significant opportunity for further margin expansion**

**Robust balance sheet, FCF**

**Strong stock performance, attractive valuation**

# Appendix





# Third Quarter 2023 Results Highlights

## Continuing Operations

- + Revenues: \$560.3 million
- + Net Income: \$39.4 million
- + Diluted EPS: \$1.26
- + EBITDA<sup>(1)</sup>: \$71.2 million
- + Cash Flow from Operations<sup>(2)</sup>: \$331.2 million
- + Cash & Cash Equivalents<sup>(3)</sup>: \$409.4 million
- + Backlog<sup>(3)</sup>: \$2.01 billion with 15.2% margin
- + Combined Backlog<sup>(4)</sup>: \$2.39 billion with 14.9% margin

# 2023 Modeling Considerations<sup>(1)</sup>

Revenue	\$1,990 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	\$17 to \$19
JV Non-Controlling Interest Expense	\$3 to \$4
Effective Income Tax Rate	~27%
Net Income	\$128 to \$132
Diluted EPS	\$4.10 to \$4.23
Expected Dilutive Shares Outstanding	31.2
EBITDA <sup>(2)</sup>	\$252 to \$260

(1) In millions except for EPS and percentages.

(2) See EBITDA guidance reconciliation on page 15.



# 2023 Modeling Considerations Continued\*

Non-Cash Items	FY 2023 Expectations	FY 2022
Depreciation	\$42 to \$43	\$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 \$17	\$36.5

Other Cash Flow Items	FY 2023 Expectations	FY 2022
Interest expense, net of interest income	\$18 to \$19	\$19.7
CAPEX, net of disposals	\$50 to \$55	\$56.0

# Quarterly Consolidated and Segment Results

## Continuing Operations

(\$ in millions)	Q3 2023	Q3 2022
Revenues	\$ 560.3	\$ 493.0
Gross Profit	91.9	79.4
G&A Expense	(25.2)	(22.2)
Intangible Amortization	(3.7)	(3.5)
Acquisition Related Costs	(0.1)	(0.1)
Other Operating Expense, Net	(5.7)	(4.1)
Operating Income	57.1	49.5
Interest, Net	(3.1)	(5.0)
Income Tax Expense	(13.9)	(13.2)
Less: Net Income Attributable to NCI	(0.8)	(0.6)
Net income from Continuing Operations	\$ 39.4	\$ 30.7
Diluted EPS	\$ 1.26	\$ 1.01
EBITDA <sup>(1)</sup>	\$ 71.2	\$ 61.6

(\$ in millions)	Q3 2023	Q3 2022
<b>E-Infrastructure Solutions</b>		
Revenue	\$ 253.9	\$ 255.5
Operating Income	\$ 35.9	\$ 37.5
Operating Margin	14.2 %	14.7 %
<b>Transportation Solutions</b>		
Revenue	\$ 193.0	\$ 157.2
Operating Income	\$ 14.5	\$ 9.7
Operating Margin	7.5 %	6.2 %
<b>Building Solutions</b>		
Revenue	\$ 113.4	\$ 80.3
Operating Income	\$ 12.8	\$ 9.3
Operating Margin	11.3 %	11.6 %

**STERLING INFRASTRUCTURE, INC. & SUBSIDIARIES**  
**EBITDA FROM CONTINUING OPERATIONS RECONCILIATION**  
(In thousands)  
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net income from Continuing Operations	\$ 39,353	\$ 30,698	\$ 98,482	\$ 76,484
Depreciation and amortization	14,857	12,728	42,529	37,322
Interest expense, net of interest income	3,107	4,970	14,189	14,061
Income tax expense	13,891	13,173	35,429	30,966
EBITDA from Continuing Operations <sup>(1)</sup>	71,208	61,569	190,629	158,833
Acquisition related costs	103	77	352	562
Adjusted EBITDA from Continuing Operations <sup>(2)</sup>	<u>\$ 71,311</u>	<u>\$ 61,646</u>	<u>\$ 190,981</u>	<u>\$ 159,395</u>

(1) The Company defines EBITDA as GAAP net income from Continuing Operations, adjusted for depreciation and amortization, net interest expense and taxes.

(2) The Company defines Adjusted EBITDA as EBITDA excluding the impact of acquisition related costs.



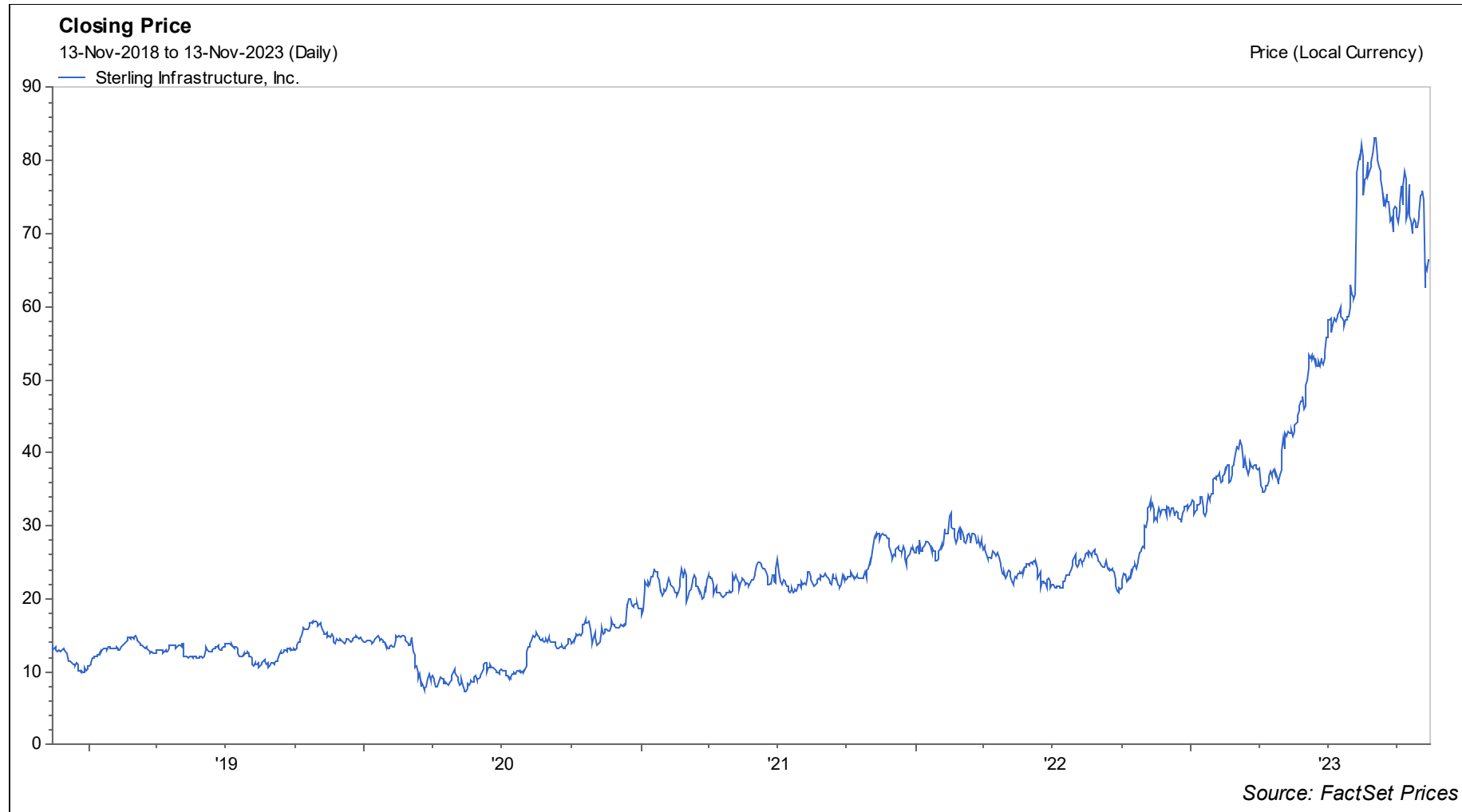
## STERLING INFRASTRUCTURE, INC. & SUBSIDIARIES

### EBITDA GUIDANCE RECONCILIATION

(In millions)  
(Unaudited)

	Full Year 2023 Guidance	
	Low	High
Net income attributable to Sterling common stockholders	\$ 128	\$ 132
Depreciation and amortization	57	58
Interest expense, net of interest income	18	19
Income tax expense	49	51
EBITDA <sup>(1)</sup>	<u>\$ 252</u>	<u>\$ 260</u>

# STRL 5-Year Stock Price Performance





# 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







# Contact Us

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