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# IES Holdings, Inc. (NASDAQ: IESC)

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## Investor Presentation

May 2021



# Disclosures

## **Forward-Looking Statements**

*Certain statements in this release may be deemed "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, all of which are based upon various estimates and assumptions that the Company believes to be reasonable as of the date hereof. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "could," "should," "expect," "plan," "project," "intend," "anticipate," "believe," "seek," "estimate," "predict," "potential," "pursue," "target," "continue," the negative of such terms or other comparable terminology. These statements involve risks and uncertainties that could cause the Company's actual future outcomes to differ materially from those set forth in such statements. Such risks and uncertainties include, but are not limited to, the impact of the COVID-19 outbreak or future epidemics on our business, including the potential for job site closures or work stoppages, supply chain disruptions, construction delays, reduced demand for our services, or our ability to collect from our customers; the ability of our controlling shareholder to take action not aligned with other shareholders; the possibility that certain tax benefits of our net operating losses may be restricted or reduced in a change in ownership or a change in the federal tax rate; the potential recognition of valuation allowances or write-downs on deferred tax assets; the inability to carry out plans and strategies as expected, including our inability to identify and complete acquisitions that meet our investment criteria in furtherance of our corporate strategy, or the subsequent underperformance of those acquisitions; competition in the industries in which we operate, both from third parties and former employees, which could result in the loss of one or more customers or lead to lower margins on new projects; fluctuations in operating activity due to downturns in levels of construction or the housing market, seasonality and differing regional economic conditions; and our ability to successfully manage projects, as well as other risk factors discussed in this document, in the Company's annual report on Form 10-K for the year ended September 30, 2020 and in the Company's other reports on file with the SEC. You should understand that such risk factors could cause future outcomes to differ materially from those experienced previously or those expressed in such forward-looking statements. The Company undertakes no obligation to publicly update or revise any information, including information concerning its controlling shareholder, net operating losses, borrowing availability, or cash position, or any forward-looking statements to reflect events or circumstances that may arise after the date of this release.*

*Forward-looking statements are provided in this press release pursuant to the safe harbor established under the Private Securities Litigation Reform Act of 1995 and should be evaluated in the context of the estimates, assumptions, uncertainties, and risks described herein.*

## **Non-GAAP Financial Measures and Other Adjustments**

*This document includes adjusted EPS, and, in the non-GAAP reconciliation tables included herein, adjusted net income attributable to IES Holdings, Inc., adjusted earnings per share attributable to common stockholders, and adjusted net income before taxes, each of which is a financial measure not calculated in accordance with generally accepted accounting principles in the U.S. ("GAAP"). Management believes that these measures provide useful information to our investors by, in the case of adjusted EPS, adjusted net income attributable to IES Holdings, Inc., adjusted earnings per share attributable to common stockholders, and adjusted net income before taxes, distinguishing certain nonrecurring events such as litigation settlements or significant expenses associated with leadership changes, or noncash events, such as goodwill impairment charges, our valuation allowances release and write-down of our deferred tax assets, and that these measures, when reconciled to the most directly comparable GAAP measures, help our investors to better identify underlying trends in the operations of our business and facilitate easier comparisons of our financial performance with prior and future periods and to our peers. Non-GAAP financial measures should not be considered in isolation from, or as a substitute for, financial information calculated in accordance with GAAP. Investors are encouraged to review the reconciliation of these non-GAAP measures to their most directly comparable GAAP financial measures, which has been provided in the financial tables included in this document.*

*For further details on the Company's financial results, please refer to the Company's annual report on Form 10-K for the fiscal year ended September 30, 2020, filed with the Securities and Exchange Commission ("SEC") on December 7, 2020, quarterly reports on Form 10-Q, and any amendments thereto.*

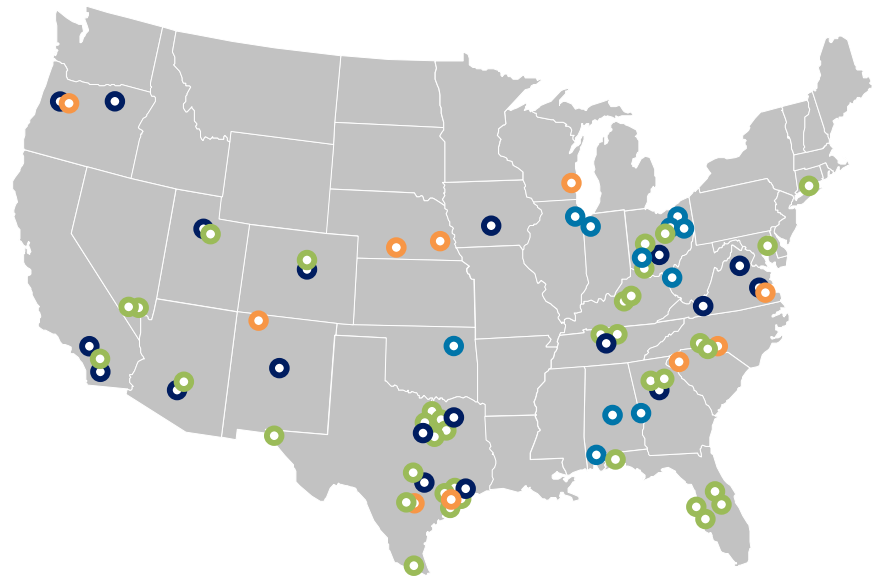
*General information about IES Holdings, Inc. can be found at <http://www.ies-co.com> under "Investor Relations." The Company's annual report on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, as well as any amendments to those reports, are available free of charge through the Company's website as soon as reasonably practicable after they are filed with, or furnished to, the SEC.*

# IES Holdings at a Glance (NASDAQ: IESC)

## Provider of Electrical, Communication and Other Infrastructure Services

(in millions, except share price and employees)

Revenue <sup>(1)</sup>	\$1,191
5-Year Rev. CAGR <sup>(2)</sup>	16%
5-Year Oper. Inc. CAGR <sup>(2)</sup>	22%
Acquisitions (since 2015) <sup>(3)</sup>	14
Operating Locations	77
Employees	~5,200



### Leading & Diversified Operating Businesses

Communications	Residential	Infrastructure Solutions	Commercial & Industrial
Technology & Data Center Infrastructure Services	Electrical, HVAC & Plumbing Services for Residential Construction	Custom Power Solutions and Electrical & Mechanical Apparatus Services	Electrical & Mechanical Contracting and Services
<b>FY20 Revenue: \$395M</b>	<b>FY20 Revenue: \$412M</b>	<b>FY20 Revenue: \$128M</b>	<b>FY20 Revenue: \$256M</b>

(1) For the fiscal year ended September 30, 2020  
 (2) Includes organic growth, as well as benefit or addition from acquisitions made  
 (3) Through March 31, 2021



# End Markets and Capabilities

## Markets

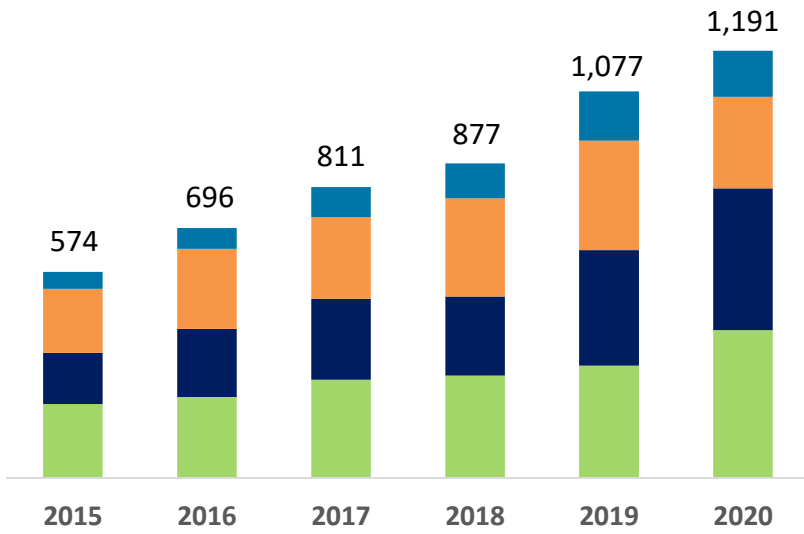
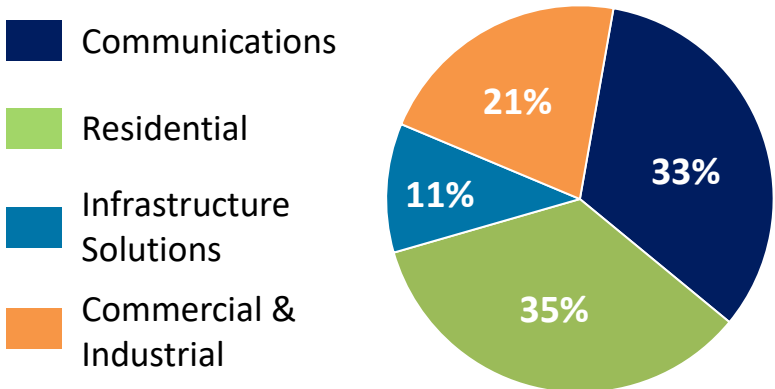
- Housing
- Data Centers
- E-Commerce
- Industrial & Manufacturing
- Commercial & Institutional
- Power
- Transportation

## Capabilities

- Electrical
- Technology Infrastructure
- Custom Power Solutions
- Industrial Services
- Mechanical & Plumbing

## Revenue Breakdown <sup>(1)</sup>

FY2020 Revenue of \$1.2 Billion

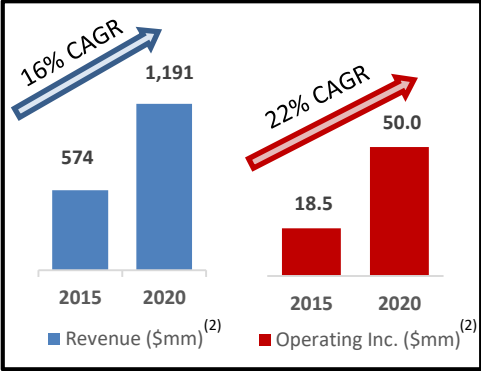


(1) Fiscal year end figures

# Profitable Growth Strategy

## Organic Growth

- Capitalize on our scale, expertise and end market exposure to achieve long-term attractive top-line growth
- Leverage customer relationships to open new opportunities in attractive end markets



## Accretive Acquisitions

- Utilize market exposure to pursue acquisition opportunities that fit into existing segment platforms
- Focused on specific geographic additions, products and services

### 5 Recent Acquisitions

## Strong Financial Position

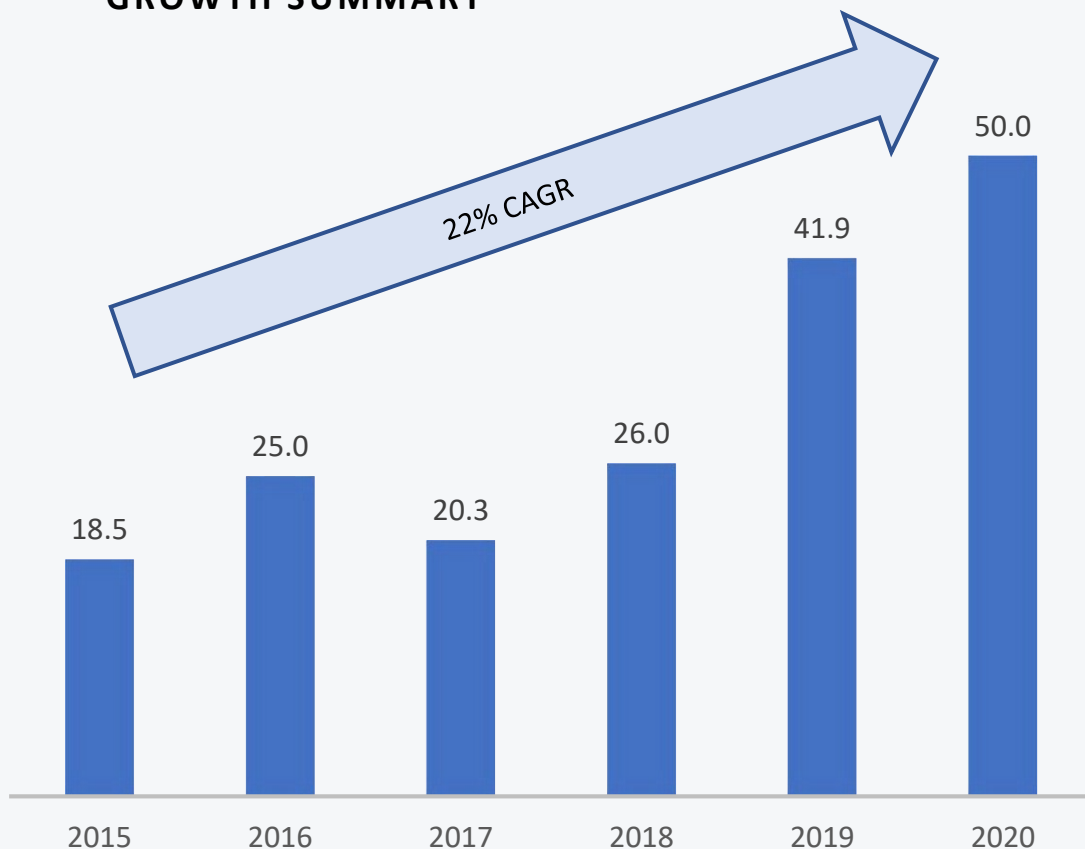
- Maintain a strong and flexible capital position with minimal debt
- Preserve operational flexibility, liquidity and free cash flow for organic growth and acquisitions

- **\$250 million** of free cash flow since 2015 (excl. M&A)<sup>(1)</sup>
- **\$172 million** of acquisitions since 2015<sup>(1)</sup>
- **\$37 million** of net cash<sup>(1)</sup>

(1) As of or through March 31, 2021  
 (2) Fiscal year end figures

# Long-Term Double-Digit Operating Income Growth

## 5 YEAR OPERATING INCOME GROWTH SUMMARY <sup>(1)</sup>



## Long-Term Financial Framework:

Organic Revenue Growth



Free Cash Flow/Net Income Conversion



Operating Margin Leverage



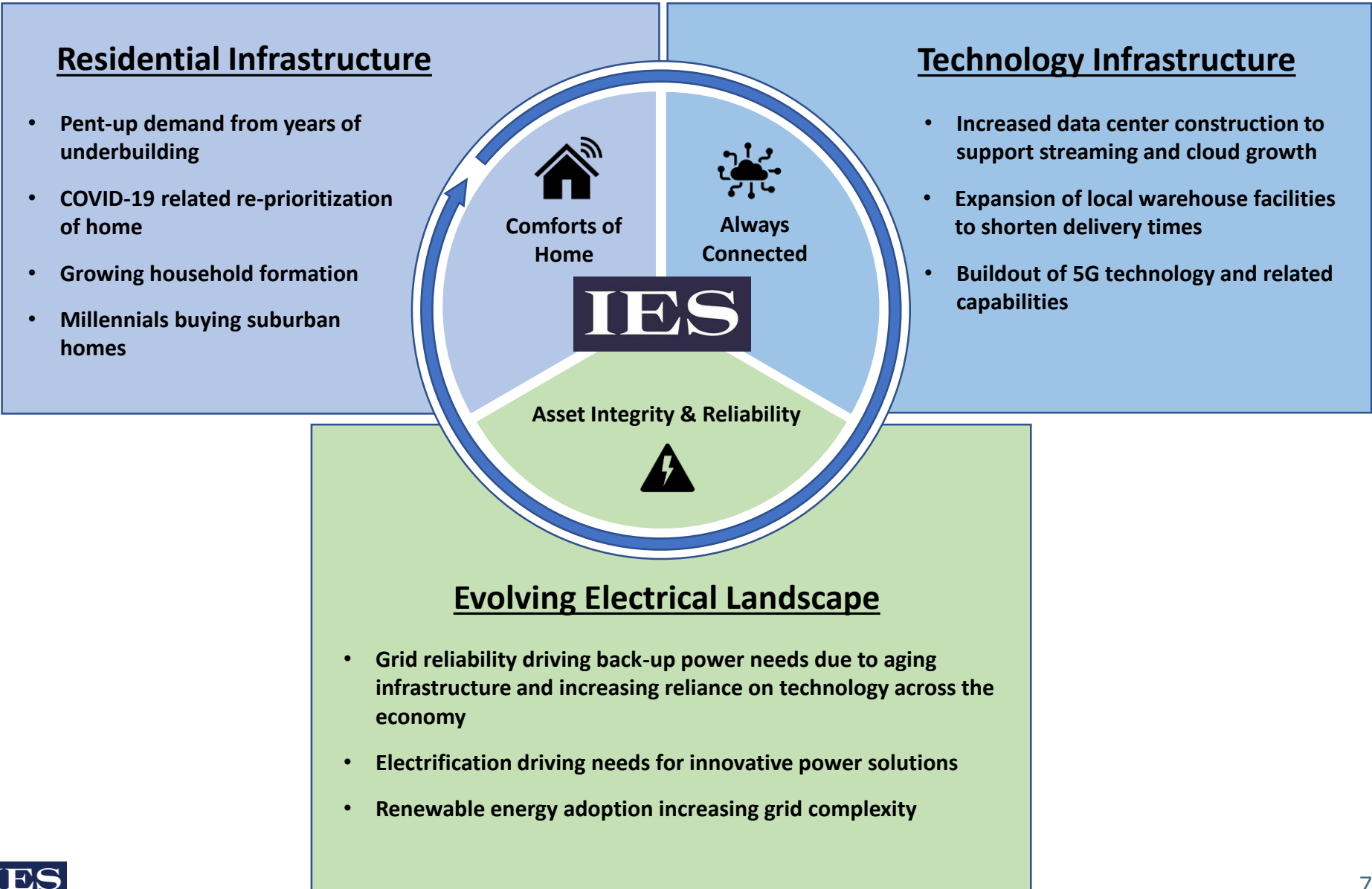
Strategic M&A



***Attractive Operating  
Income Growth***

*Focused on Creating Long-Term Shareholder Value*

# IES: Integrating Technology & Electrical Services



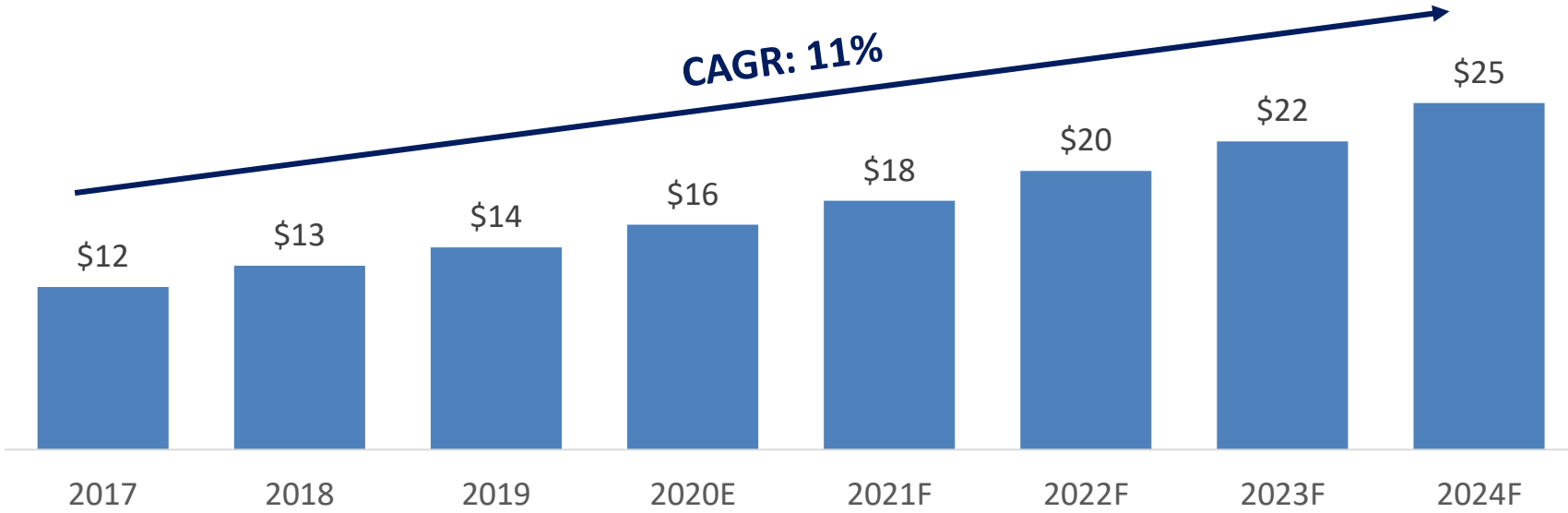
# Data Center Buildout

## IES IMPACT

- **Communications:** opportunity for further growth with existing hyperscale data center customers, as well as the need to build edge and co-location data centers
- **Infrastructure Solutions:** the buildout of data centers is increasing demand for large back-up generators, which is driving business for Freeman and Wedlake

## U.S. Data Center Construction Spending

(\$ in billions)



Source: FMI

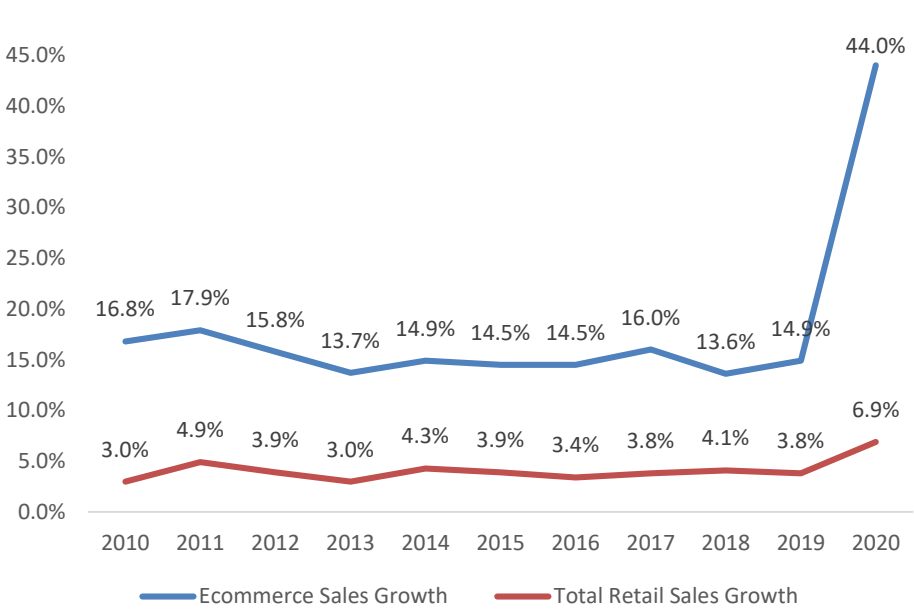


# E-Commerce Momentum

## IES IMPACT

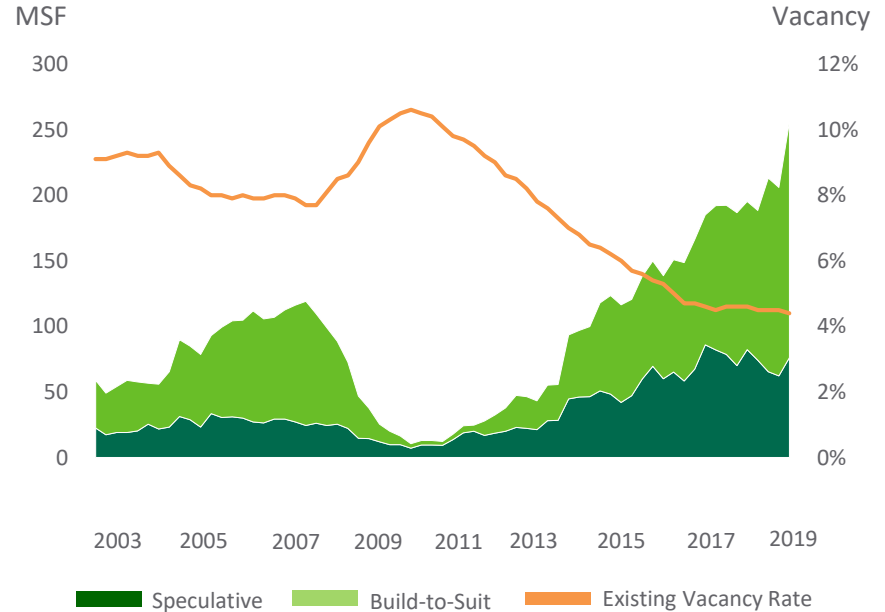
- **Communications:** buildout of new warehouse space and retrofit of existing warehouses requires improved wireless and communications technology
- **Commercial & Industrial:** warehouse construction to accommodate e-commerce boom is increasing the need for electrical contracting expertise

US Ecommerce vs. Total Retail Sales, Year-Over-Year Growth



Source: Digital Commerce 360, U.S. Department of Commerce

U.S. Warehouse Space Under Construction



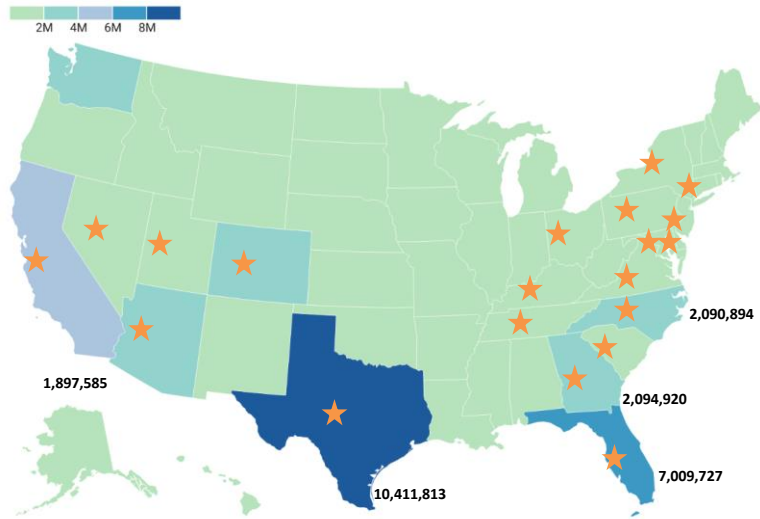
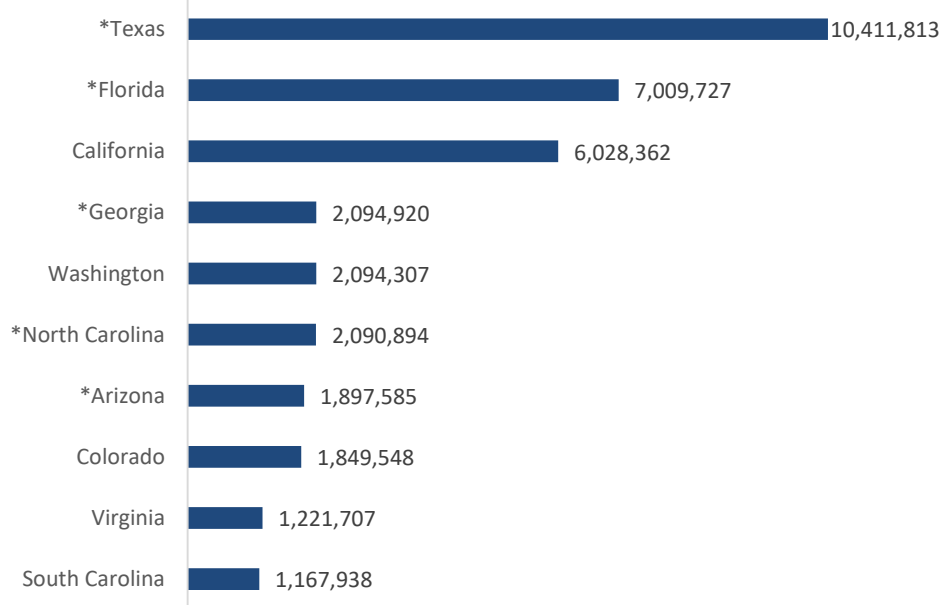
Source: CBRE Econometric Advisors

# U.S. Housing Expansion – Geographic Demography

## IES RESIDENTIAL IMPACT

- A demographic shift in residential population to key IES Residential markets (Texas, Florida, Georgia, North Carolina, and Arizona)
- Provides strong support for IES Residential’s offering of electrical, mechanical and plumbing new construction and maintenance services

Changes to Key IES Residential Markets: National Population Projections (2020-2040 Absolute Growth) \*\*



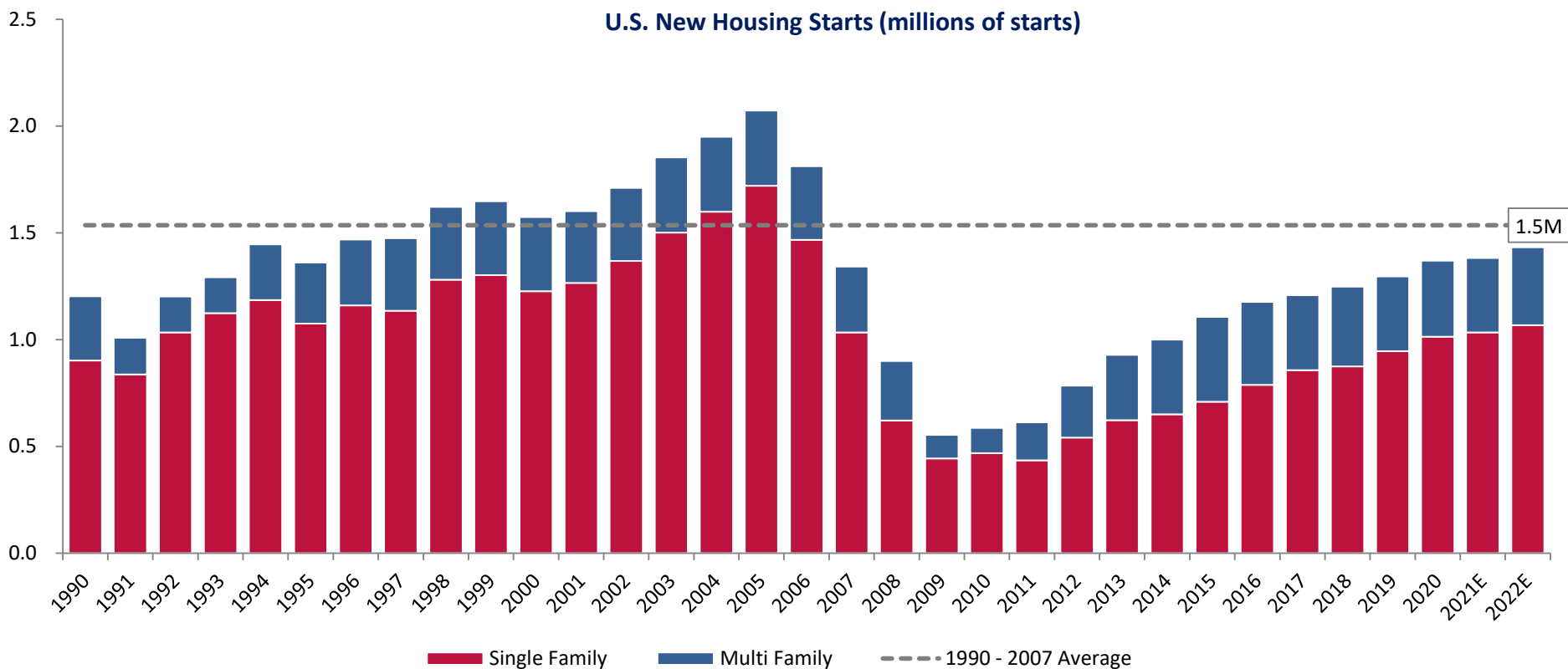
★ IES Residential Market (by State)

\* Key IES Market  
 \*\* Total US Population Growth Projection 2020 – 2040: 46,865,231  
 Source: University of Virginia – Weldon Cooper Center for Public Service

# U.S. Housing Expansion – Residential Market

## IES RESIDENTIAL IMPACT

- Housing starts remained well below long-term averages since the financial crisis, trailing household formations by a cumulative 2.5 million homes since 2009
- A return to average, or potentially above average, starts offers an encouraging tailwind for the housing market



Source: U.S. Census Bureau, National Association of Home Builders (NAHB); Company Estimates

# Evolving Electrical Infrastructure in the U.S.



## Electrical Reliability

- Motors
- Substation and Plant Switchyards
- Fuel and Water Pumps
- Circuit Breakers

## Backup Power

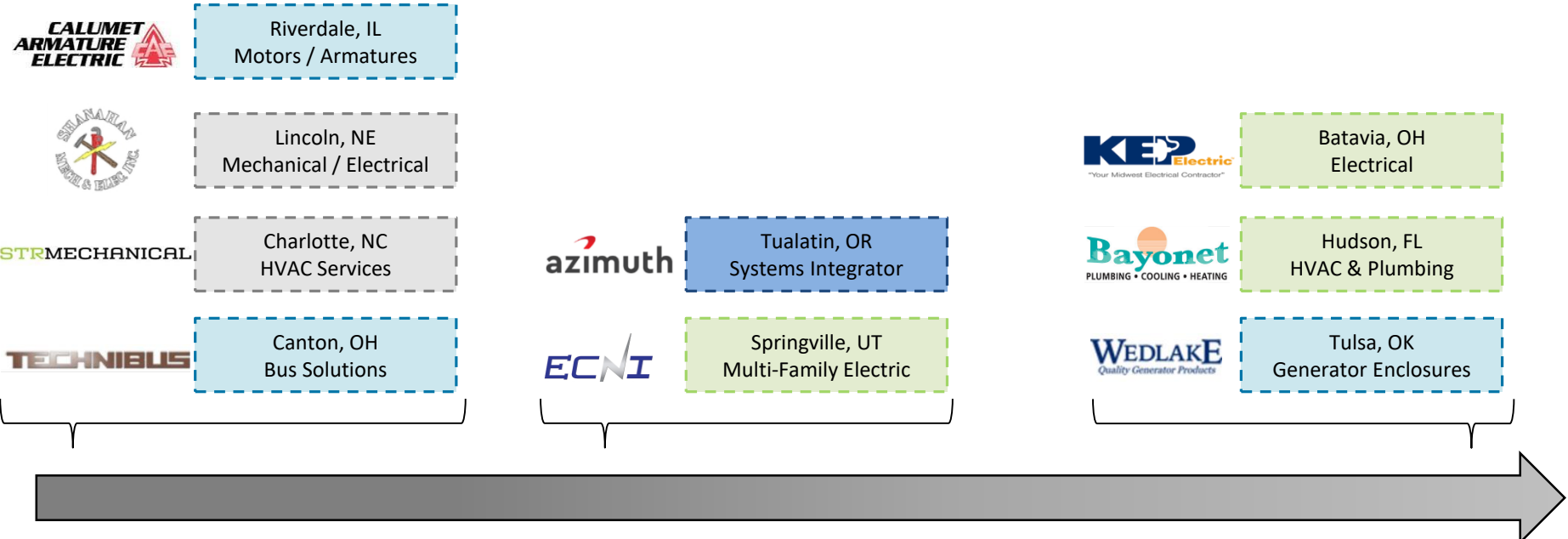
- Power Distribution
- Charging Station Installation
- Switchgear Housings
- Diesel and Natural Gas Generator Enclosures

## Grid Stability

- Transformers
- Thermal Voltage Analysis
- Transient and Voltage Stability
- Electrical Packages and Controls

***Enabling Critical Electrical Infrastructure Solutions***

# Track Record of Completing Accretive Acquisitions



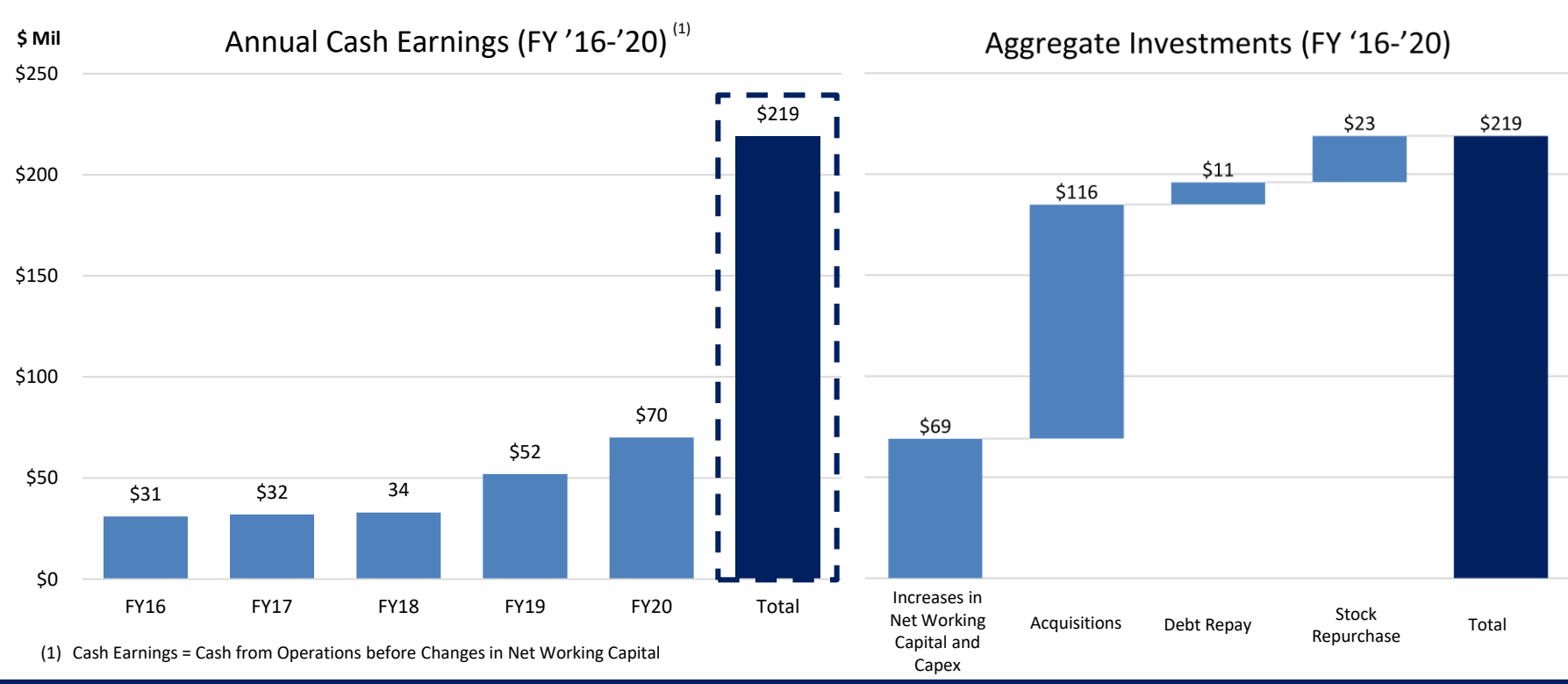
**FY 2016                      FY 2017                      FY 2018                      FY 2019                      FY 2020                      FY 2021**



# Capital Allocation Strategy

*Focus on deploying the free cash flow generated by our diverse businesses into existing operations, accretive investments and returning capital to shareholders, while maintaining a strong financial position*

## FY2016 – FY2020 Sources & Investments of Cash



# Communications Segment

## BUSINESS OVERVIEW

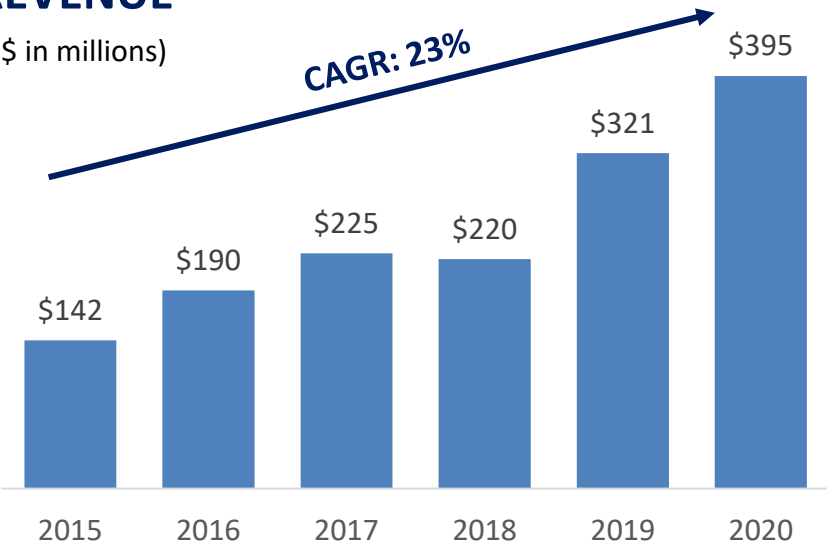
- Nationwide provider of network technology integration and services, including structured cabling and audio/visual services
- Best-in-class customer base, including many Fortune 100 companies
- National safety and quality programs
- Operational and financial resources to keep pace with rapidly growing and evolving markets

## REPRESENTATIVE MARKETS

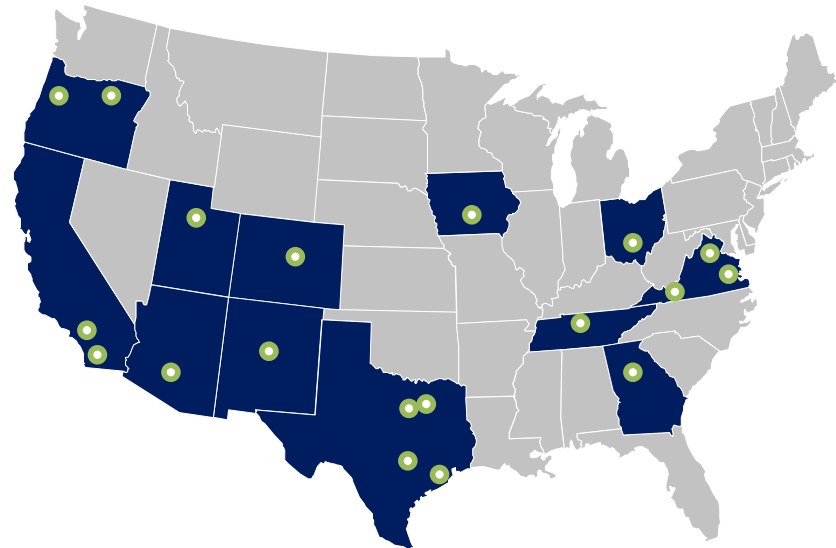
- Data Centers
- Distribution
- Education
- Financial
- Healthcare Facilities
- High-Tech Manufacturing
- Hospitality
- Information Technology
- Office Buildings

## REVENUE <sup>(1)</sup>

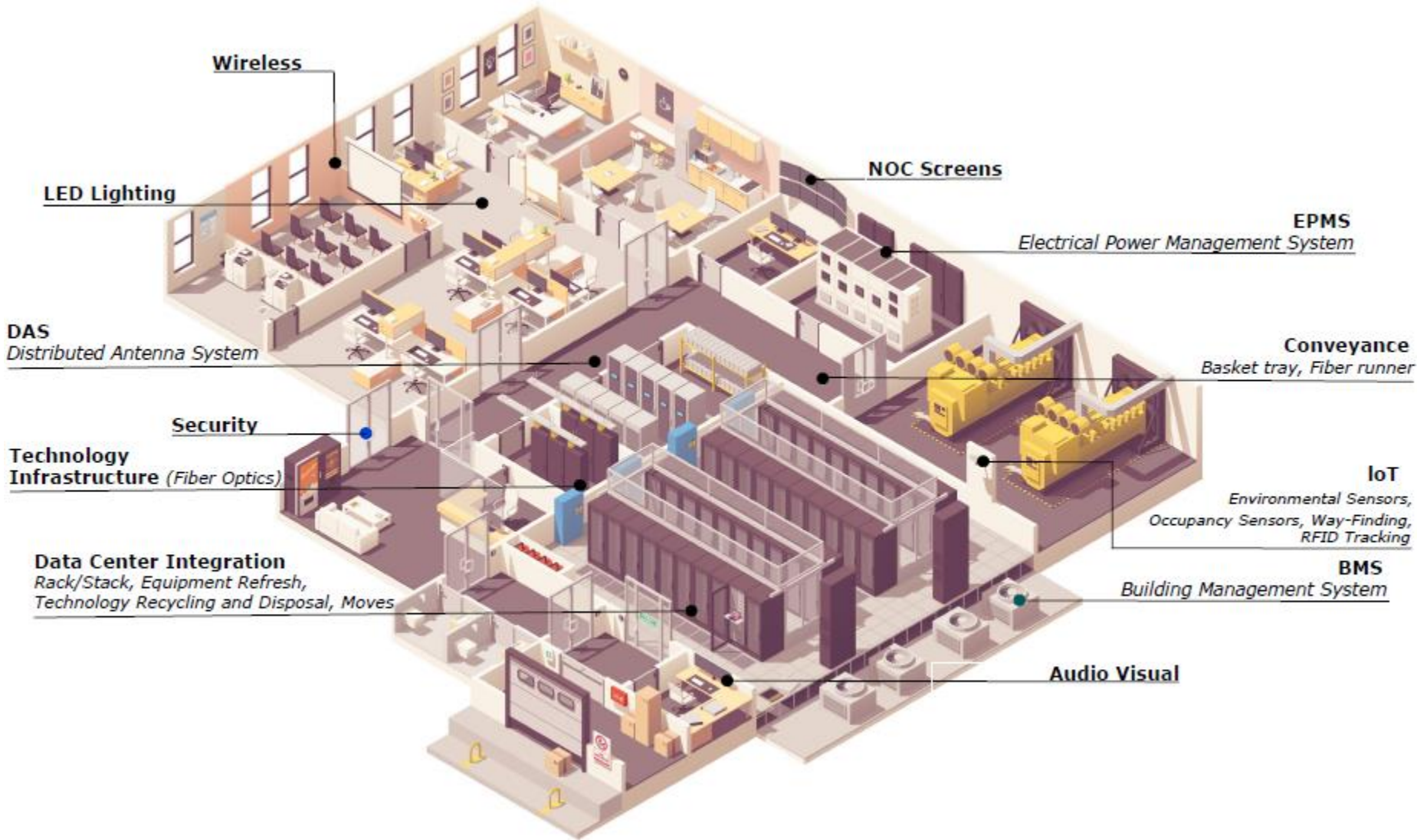
(\$ in millions)



## GEOGRAPHIC MARKETS

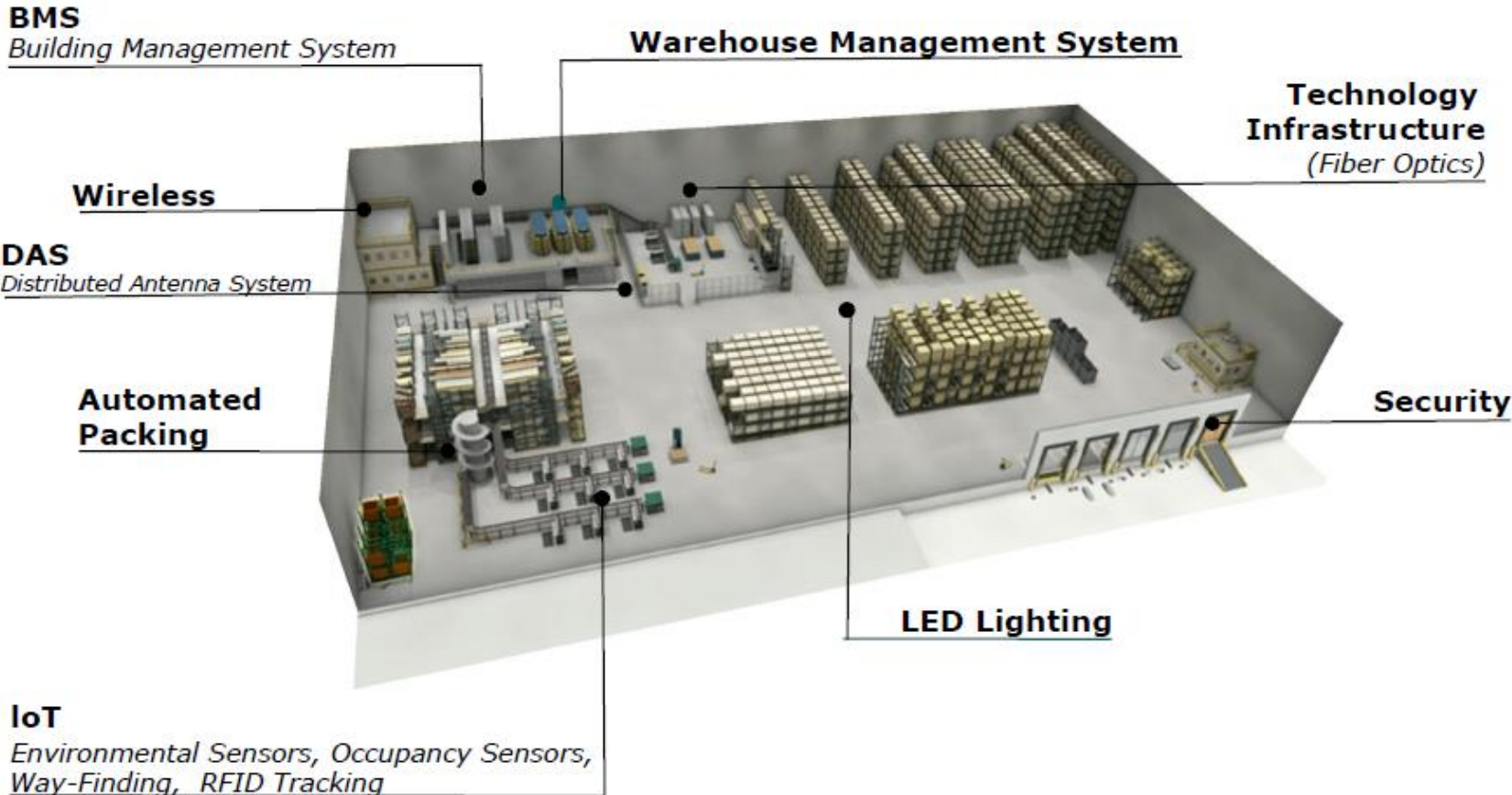


# Offerings to Data Centers





# Offerings to E-Commerce Distribution

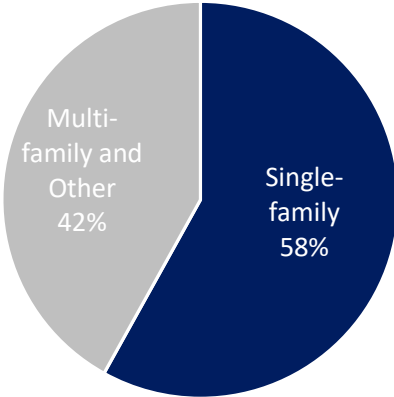


# Residential Segment

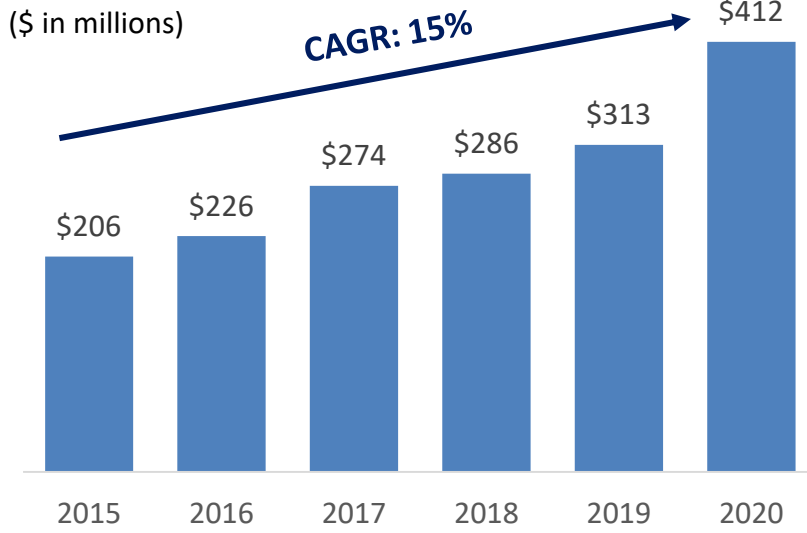
## BUSINESS OVERVIEW

- Electrical, HVAC and plumbing installation for single-family and multi-family residential construction, cable TV and solar installation services
- Located in many of the largest and fastest growing population markets
- Track record of organic growth, adding six branches in the last three years, and acquisitions to expand geographically and add new trades

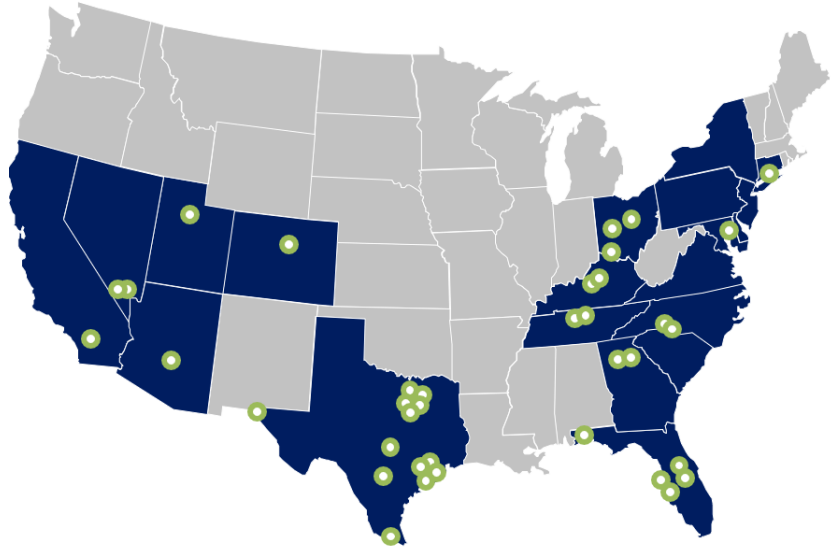
## END MARKETS IN FISCAL 2020



## REVENUE <sup>(1)</sup>



## GEOGRAPHIC MARKETS



# Infrastructure Solutions Segment

## BUSINESS OVERVIEW

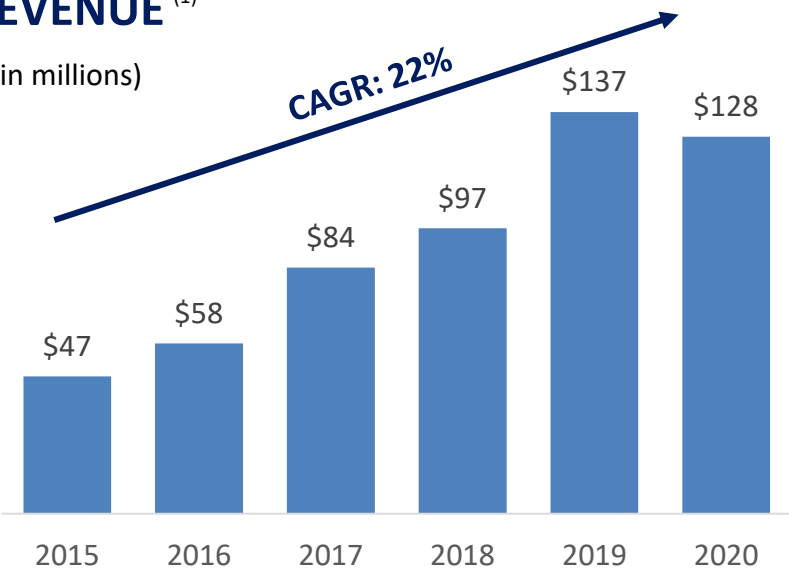
- Provider of custom power solutions, including generator enclosures, switchgear and bus ducts, as well as electrical and mechanical apparatus services
- Strategic service center locations with best-in-class execution
- Custom fabrication, engineering and manufacturing capabilities

## REPRESENTATIVE MARKETS

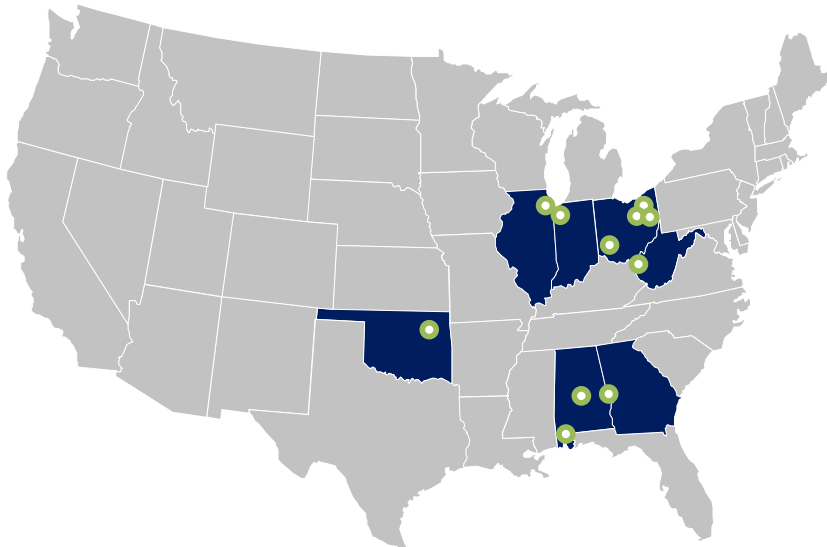
- Data Centers
- Healthcare
- Manufacturing
- Marine
- Mining
- Petrochemical
- Power Generation
- Pulp and Paper
- Rail / Transit
- Scrap Yards
- Steel
- Utilities
- Wind Energy
- Water / Wastewater

## REVENUE <sup>(1)</sup>

(\$ in millions)



## GEOGRAPHIC MARKETS



(1) Fiscal year end figures

# Infrastructure Solutions - Products and Services

## Custom Power Solutions *68% of FY20 Segment Revenue*

- ◆ Sound attenuated enclosures for diesel and gas generators
- ◆ Low and medium voltage switchgear switchboards
- ◆ Custom sub-base and freestanding UL rated fuel tanks
- ◆ Metal enclosed bus systems (non-segregated, segregated phase and isolated phase bus duct)



## Industrial Services *32% of FY20 Segment Revenue*

- ◆ Motor repair, rewinding and field service
- ◆ New, remanufacture and repair of traction motors and armatures
- ◆ Magnet manufacturing and repair
- ◆ Power services for circuit breakers, switchgear and transformers



# Commercial & Industrial Segment

## BUSINESS OVERVIEW

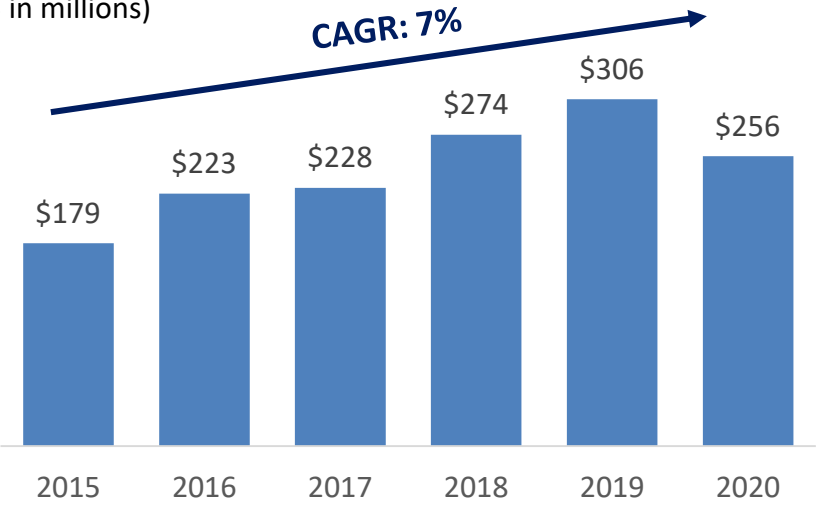
- Provider of electrical and mechanical (HVAC) design, construction and maintenance services
- Regional market leadership
- National safety and quality programs
- Scale advantage over local competition
- Strong financial resources, including bonding capacity, create a competitive edge

## REPRESENTATIVE MARKETS

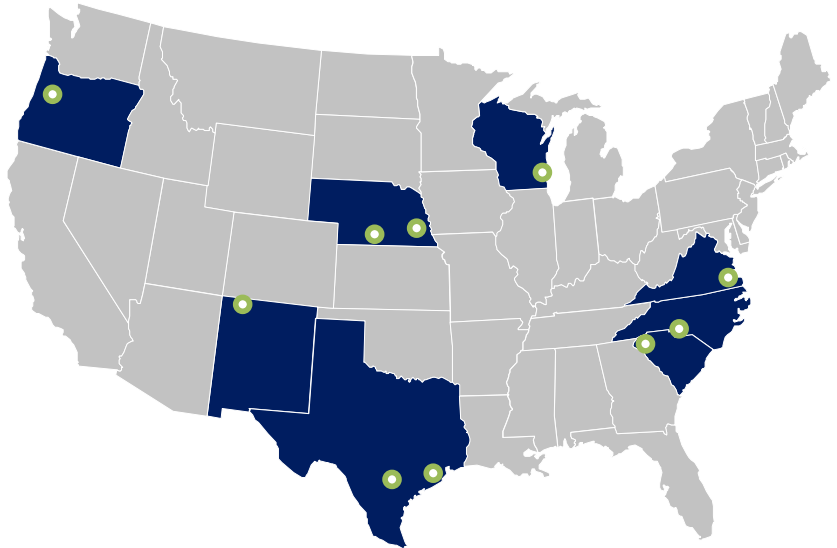
- Chemical and Refining
- Data Centers
- Education
- Healthcare Facilities
- Hospitality
- HVAC Services
- Manufacturing
- Mixed Use Facilities
- Municipal Infrastructure
- Office Buildings
- Processing Plants
- Wastewater
- Wind Farms / Solar

## REVENUE <sup>(1)</sup>

(\$ in millions)

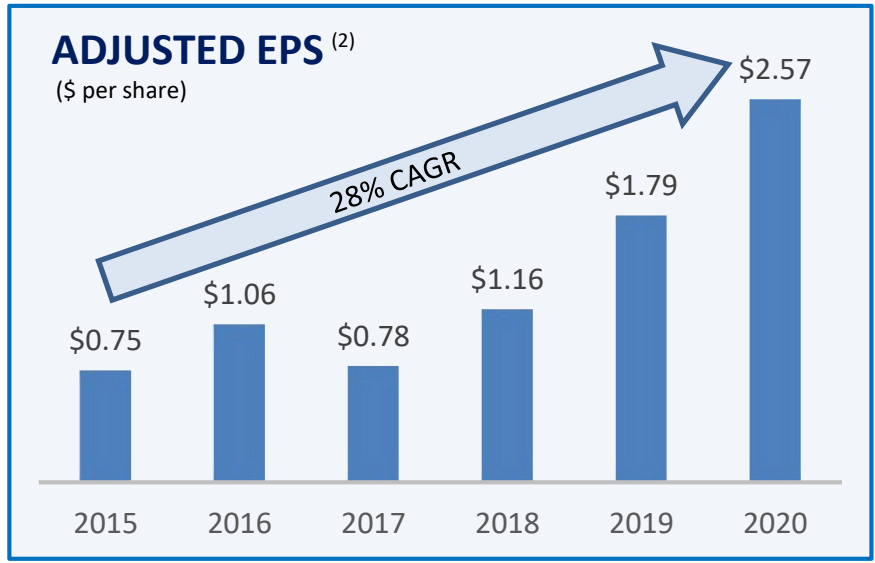
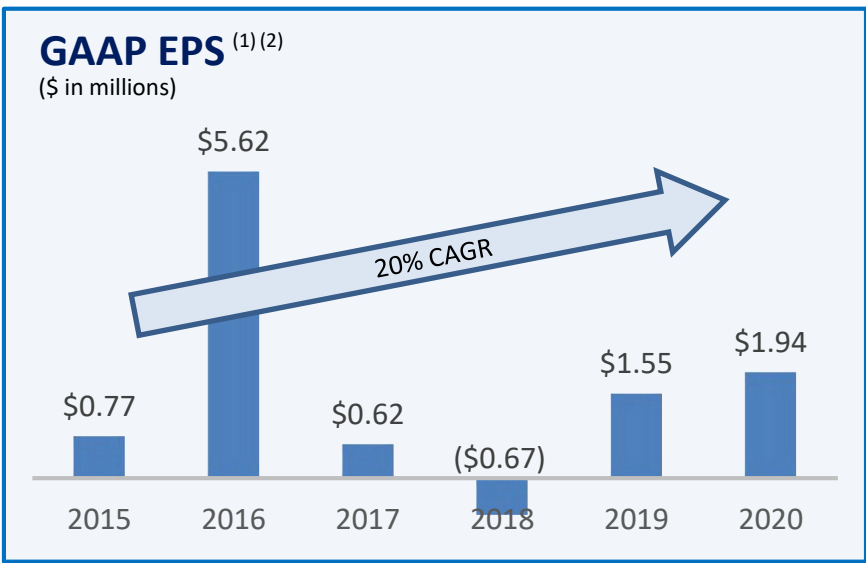
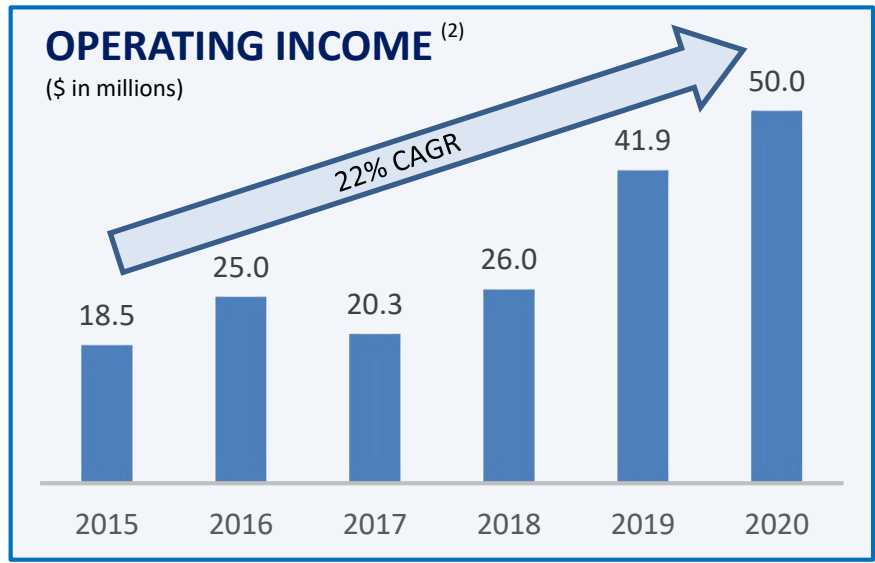
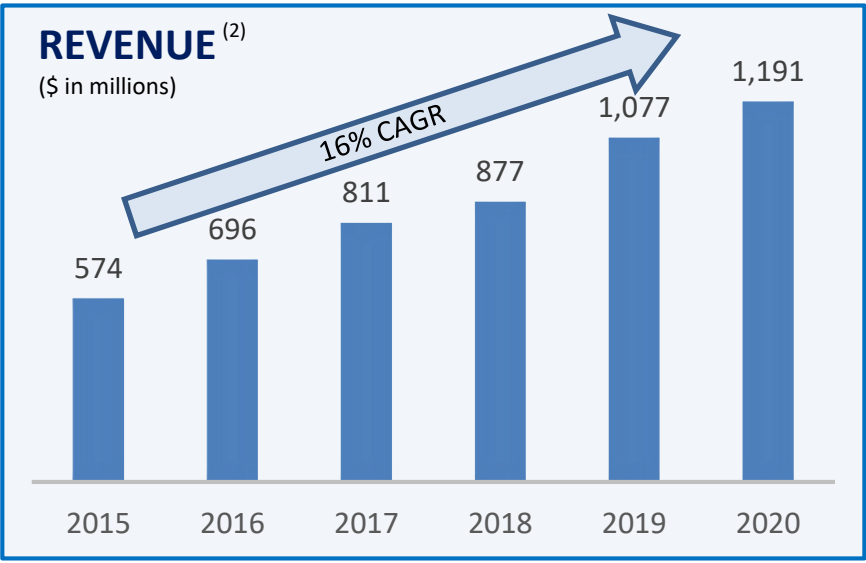


## GEOGRAPHIC MARKETS



(1) Fiscal year end figures

# Historical Financial Highlights



(1) GAAP earnings for fiscal 2018 include a charge of \$31 million to remeasure our net deferred tax assets upon a change in the federal income tax rate. For fiscal 2016, we recorded a tax benefit of \$109 million in connection with the release of a valuation allowance on our deferred tax assets

(2) Fiscal year end figures

# Investment Appeal – Why Invest in IES?

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## 1 Revenue Growth Driven by Exposure to Three Key Secular Themes

- *U.S. Residential Housing*
- *Technical Communications Infrastructure*
- *Electrical Infrastructure Evolution*

## 2 Strong Balance Sheet & Earnings Growth; Robust Free Cash Flow

- *Organic and Inorganic Investments Receive First Priority*
- *Operating Leverage Across Business Segments*
- *Attractive Earnings Growth Over Long-Term Augmented by use of Free Cash Flow*

## 3 Disciplined Capital Allocation

- *Proven Acquisition Record Across Business Segments*
- *Demonstrated History of Returning Capital to Shareholders*

## 4 Strategically Positioned Operations Across the U.S.

- *Positioned in Attractive Markets where Demographic Trends are Strongest*
- *Regional Growth Supports Need for Investments That Benefit All Segments*

## 5 Accelerating Growth in De-Carbonization Trends Benefit All Segments

# APPENDIX





# Consolidated Income Statement

(in millions, except earnings per share)

	Fiscal Year Ending September 30,				
	2016	2017	2018	2019	2020
Revenue	\$696.0	\$810.7	\$876.8	\$1,077.0	\$1,190.9
Income from operations <sup>(1)</sup>	25.0	20.3	26.0	41.9	50.1
Interest expense & other	1.2	1.5	1.6	1.7	0.8
Provision (benefit) for income taxes	(97.1)	5.2	38.2	6.7	8.7
Net income attributable to noncontrolling interest	(0.1)	(0.2)	(0.4)	(0.3)	1.0
Net income attributable to IES Holdings, Inc.	120.8	13.4	(14.2)	33.2	41.6
Adjusted net income attributable to IES Holdings, Inc. <sup>(2)</sup>	\$22.8	\$16.8	\$24.6	\$38.4	\$54.2
Earnings per share attributable to common stockholders	\$5.62	\$0.62	(\$0.67)	\$1.55	\$1.94
Adjusted earnings per share attributable to common stockholders <sup>(2)</sup>	\$1.06	\$0.78	\$1.16	\$1.79	\$2.57
Diluted shares used to calculate earnings per share	21.5	21.5	21.2	21.3	21.1

<sup>(1)</sup> Operating income includes a \$7.0 million goodwill impairment charge in 2020 and executive severance charges of \$0.8 million and \$1.8 million in 2019 and 2020, respectively

<sup>(2)</sup> Adjusted net income attributable to IES Holdings, Inc. and Adjusted earnings per share attributable to common stockholders are non-GAAP financial measures; see reconciliation table

# Non-GAAP Reconciliation of Adjusted Net Income Attributable To IES Holdings, Inc.

(in millions, except earnings per share)

	<b>Fiscal Year Ending September 30,</b>				
	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Net income attributable to IES Holdings, Inc.	\$120.8	\$13.4	(\$14.2)	\$33.2	\$41.6
Provision (benefit) for income taxes	(97.1)	5.2	38.2	6.7	8.7
Adjusted net income before taxes	\$23.7	\$18.6	\$24.0	\$39.9	\$50.3
Current tax expense <sup>(1)</sup>	(1.7)	(1.8)	(1.3)	(2.3)	(3.6)
Loss on sale of non-core assets	0.8	–	–	–	–
Goodwill impairment expense, net of noncontrolling interest	–	–	–	–	5.7
Litigation settlement charge	–	–	1.9	–	–
Severance expense	–	–	–	0.8	1.8
Adjusted net income attributable to IES Holdings, Inc. <sup>(2)</sup>	\$22.8	\$16.8	\$24.6	\$38.4	\$54.2
Adjusted earnings per share attributable to common stockholders <sup>(2)</sup>	\$1.06	\$0.78	\$1.16	\$1.79	\$2.57
Diluted shares used to calculate earnings per share	21.5	21.5	21.2	21.3	21.1

<sup>(1)</sup> Represents the tax expense for the current period which will be paid in cash and not offset by the utilization of deferred tax assets

<sup>(2)</sup> Adjusted net income attributable to IES Holdings, Inc. and Adjusted earnings per share attributable to common stockholders are non-GAAP financial measures

# Summary Balance Sheet

(in millions)

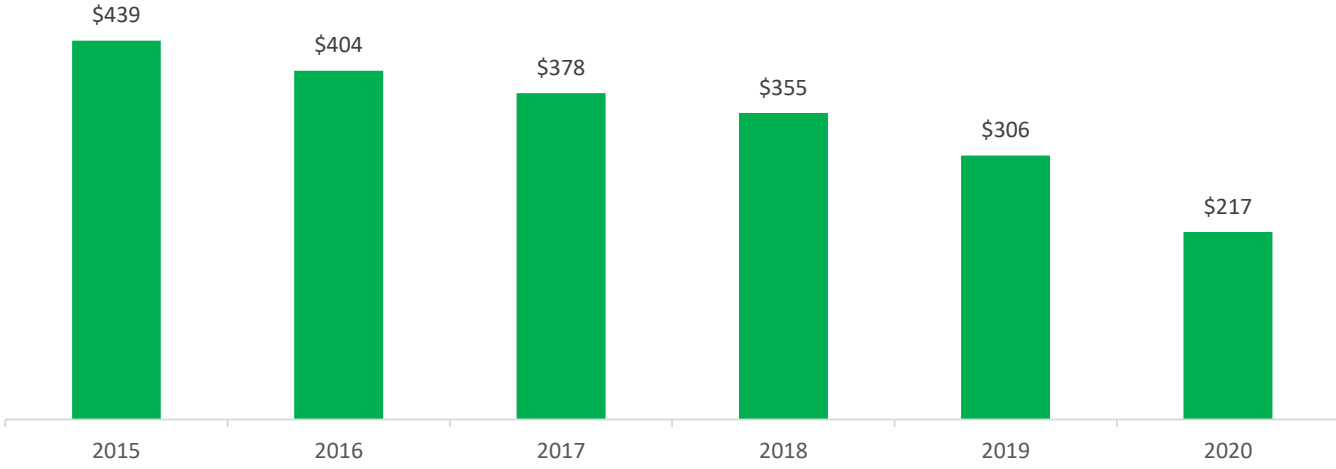
	Fiscal Year Ending September 30,				
	2016	2017	2018	2019	2020
Cash	\$33.2	\$28.3	\$26.2	\$18.9	\$53.6
Current Assets	176.5	203.5	236.4	277.5	317.9
Deferred Tax Assets	93.5	86.2	46.6	40.9	33.8
Non-Current Assets	91.1	106.5	112.7	107.9	155.3
<b>Total Assets</b>	<b>\$394.3</b>	<b>\$424.5</b>	<b>\$422.0</b>	<b>\$445.3</b>	<b>\$560.5</b>
Current Liabilities	\$133.1	\$150.6	\$164.4	\$193.5	\$242.4
Other Liabilities	6.8	4.5	4.4	1.9	32.7
Debt	29.3	29.4	29.6	0.3	0.2
<b>Total Liabilities</b>	<b>\$169.1</b>	<b>\$184.5</b>	<b>\$198.4</b>	<b>\$195.7</b>	<b>\$275.4</b>
Noncontrolling Interest	1.8	3.3	3.2	3.3	1.8
Equity	223.4	236.7	220.4	246.2	283.3
<b>Total Liabilities &amp; Equity</b>	<b>\$394.3</b>	<b>\$424.5</b>	<b>\$422.0</b>	<b>\$445.3</b>	<b>\$560.5</b>
<b>Net Cash (Debt)</b>	<b>\$4.0</b>	<b>(\$1.1)</b>	<b>(\$3.3)</b>	<b>\$18.6</b>	<b>\$53.4</b>

# \$217 Million of NOLs as of September 30, 2020

## ***NOL Utilization Expected to Result in Cash Tax Savings of ~\$45 million<sup>(1)</sup>***

### Remaining NOL Balances as of FY Ending Dates

(\$ in millions)



- Estimated net operating loss carry forwards (“NOLs”) of approximately \$217 million as of September 30, 2020, including approximately \$128 million resulting from net operating losses on which a deferred tax asset is not recorded

(1) Assumes tax rate of 21% and utilization of entire NOL balance at September 30, 2020, including approximately \$27 million associated with NOLs on which a deferred tax asset is not recorded