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# **IES Holdings, Inc.**

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## Investor Presentation

January 8, 2019



# Disclosures

## **Forward-Looking Statements**

Certain statements in this document 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 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 further change in the federal tax rate; the potential recognition of valuation allowances or further write-downs on net deferred tax assets; the inability to carry out plans and strategies as expected, including underperformance of our acquisitions or our inability to identify and complete acquisitions that meet our investment criteria in furtherance of our corporate strategy; 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, 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, 2018 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 document. Forward-looking statements are provided in this document 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 net income attributable to IES and, in the non-GAAP reconciliation table included herein, adjusted net income before taxes, both of which are financial measures 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 distinguishing certain nonrecurring events such as litigation settlements or noncash events such as our valuation allowances release and write-down of our net deferred tax assets and that these measures, when reconciled to net income attributable to IES, which is the most directly comparable GAAP measure, 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. A reconciliation of these non-GAAP financial measures to GAAP results 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, 2018, filed with the Securities and Exchange Commission ("SEC") on December 7, 2018, 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, Inc. (NASDAQ: IESC)

**4**  
Segments

**4,500+**  
Employees

**79**  
Locations

**\$70m+**  
Liquidity\*

Revenue: \$877 million  
Operating Income: \$26 million  
Cash: \$26 million  
NOLs\*\*: \$355 million  
Headquarters: Houston, TX

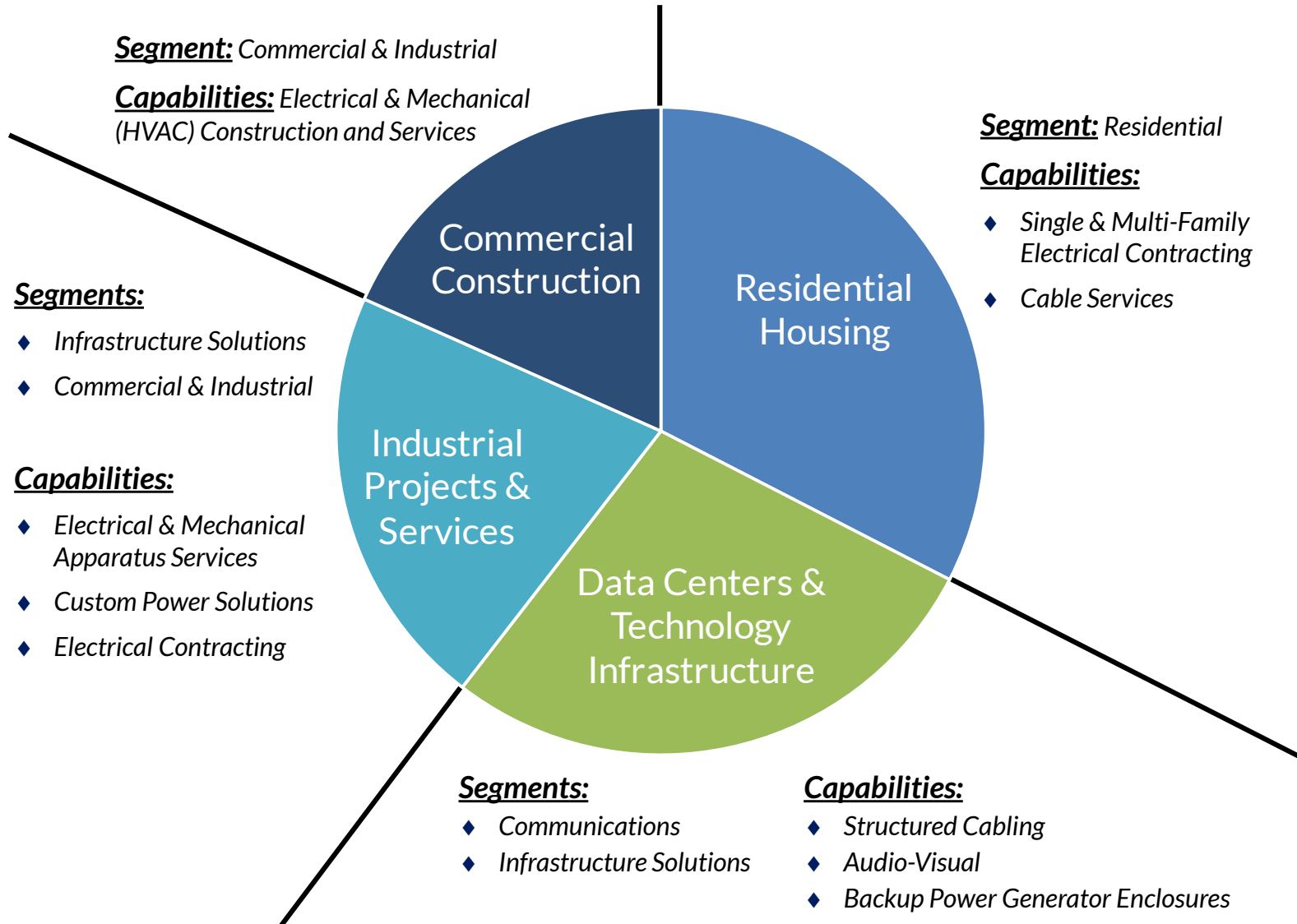


\* Liquidity is defined as cash and cash equivalents plus availability under revolving credit facility

\*\* The Company estimates that it has available Net Operating Loss Carryforwards (NOLs) for U.S. federal income tax purposes of approximately \$355 million at September 30, 2018, including approximately \$133 million resulting from the additional amortization of personal goodwill

Note: All information is provided as of September 30, 2018, unless otherwise noted

# We Provide Power and Connectivity to Diverse End Markets



# Outpacing Industry Growth and Increasing Market Share

## Selected Industry Growth Drivers in FY18...

16% Data Center

7% Nonresidential Construction

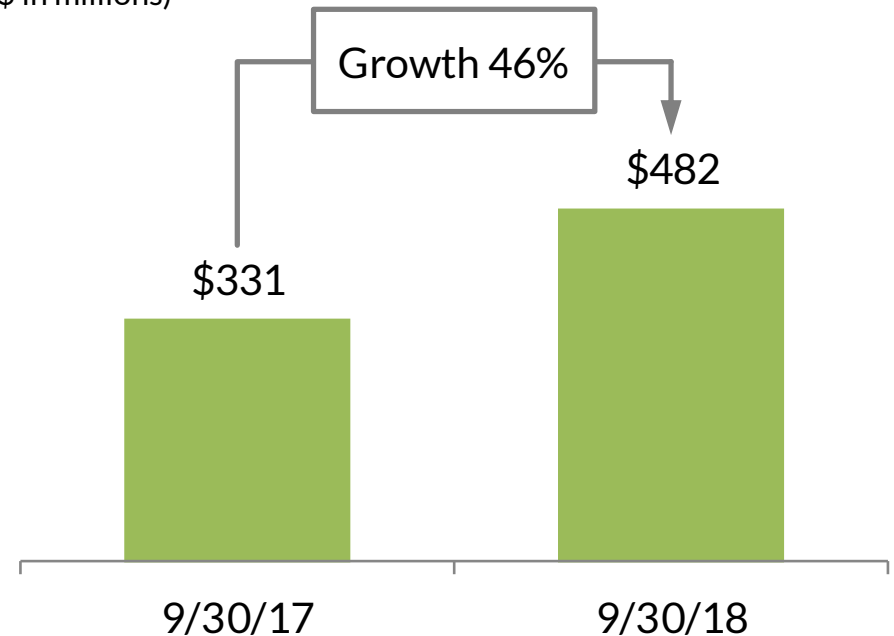
5% Housing

3% Heavy Industrial



## ...Resulting in Backlog Increase

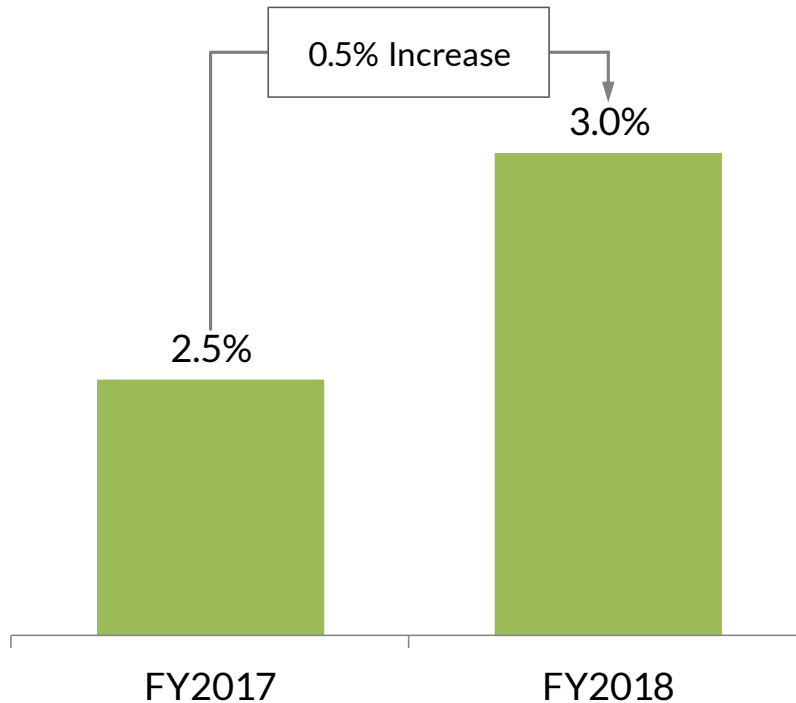
(\$ in millions)



Sources: Cisco Global Cloud Index: Global Hyperscale Data Centers; U.S. Census; Federal Reserve Economic Data; ConstructConnect, Inc.; Company Estimates

# Opportunity to Further Improve Operating Margins

## Consolidated Operating Margins



### *Expected Future Improvement Driven By:*

- ◆ Leveraging of fixed public company expenses
- ◆ Improved operating efficiency
- ◆ Accretive investments

# **BUSINESS SEGMENTS**



# Our Business Segments

## Commercial & Industrial

Electrical & Mechanical Contracting and Services



**FY18:**

- Revenue: \$274M
- Operating Margins: 1.0%
- Adjusted Operating Margins\*: 2.7%

## Communications

Technology & Data Center Infrastructure Services



**FY18:**

- Revenue: \$220M
- Operating Margins: 6.5%

## Infrastructure Solutions

Electrical & Mechanical Apparatus Services and Custom Power Solutions



**FY18:**

- Revenue: \$97M
- Operating Margins: 3.3%

## Residential

Electrical Installation for Residential Construction



**FY18:**

- Revenue: \$286M
- Operating Margins: 5.9%

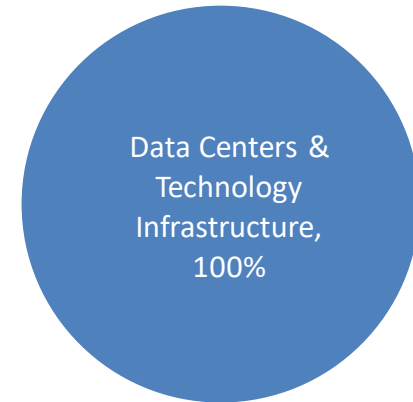


# Communications Segment

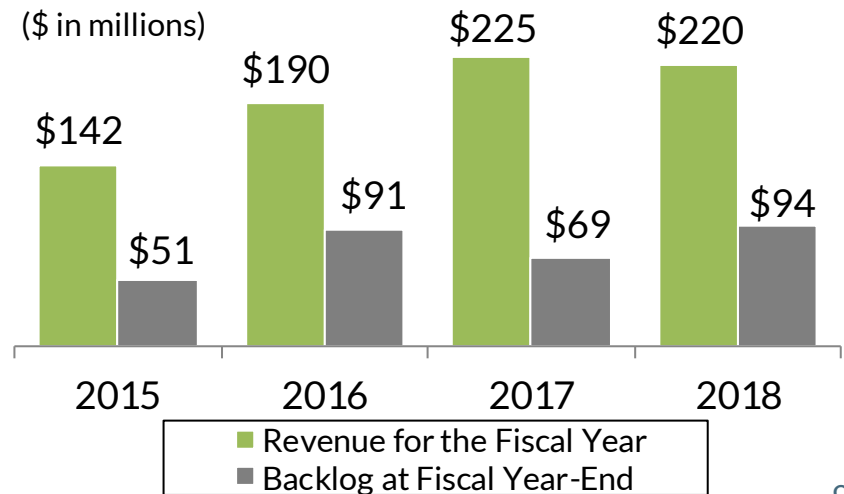
**Nationwide Provider of Technology Infrastructure Services, including Structured Cabling and Audio/Visual Services**

- ◆ Best-in-class customer base, including many Fortune 100 companies
- ◆ Reputation and quality
- ◆ National scale supported by branch model
- ◆ Financial resources to keep pace with rapidly growing and evolving markets

## END MARKETS

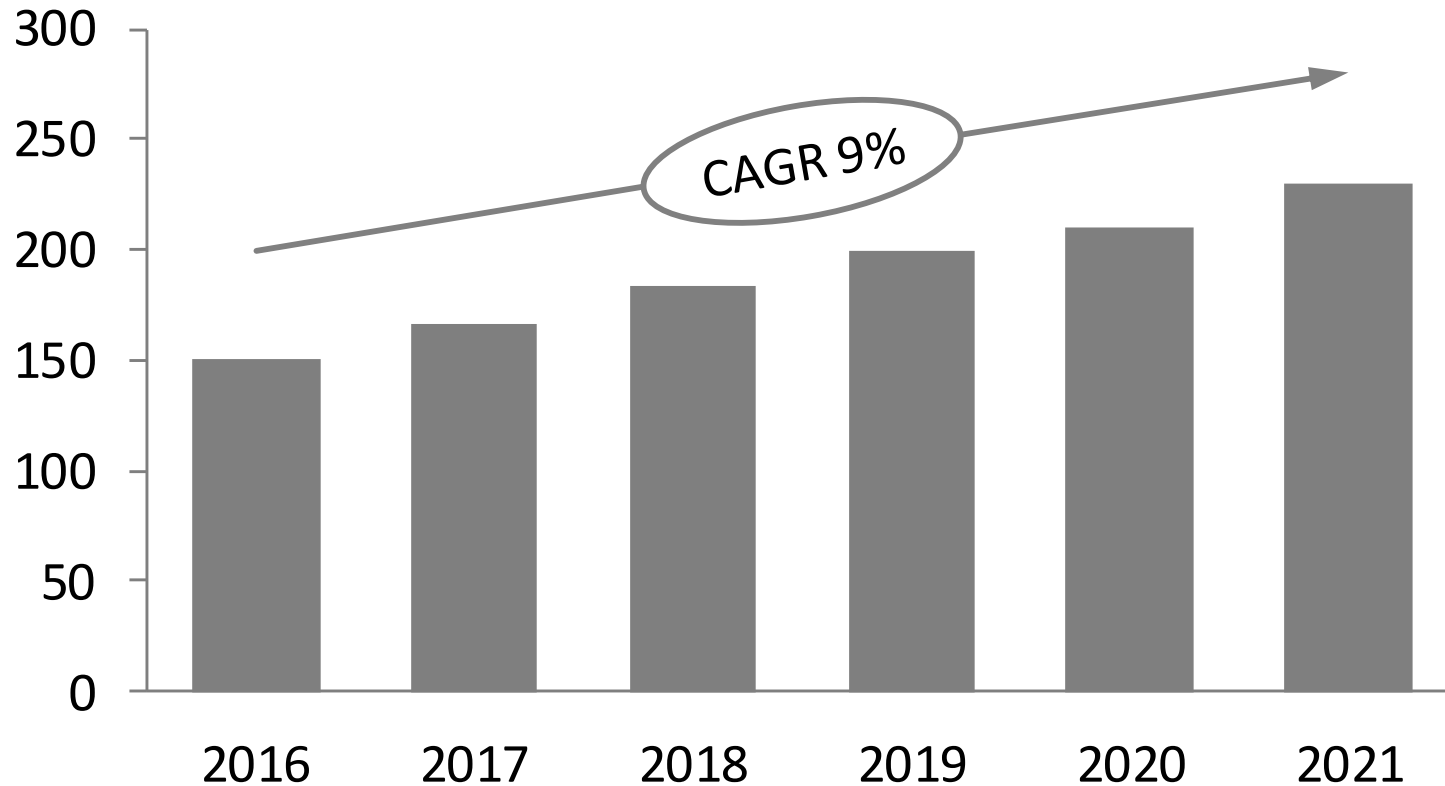


## REVENUE & BACKLOG



# Data Center Demand Remains Robust

## HYPER-SCALE DATA CENTER EXPECTED GROWTH (NORTH AMERICA)



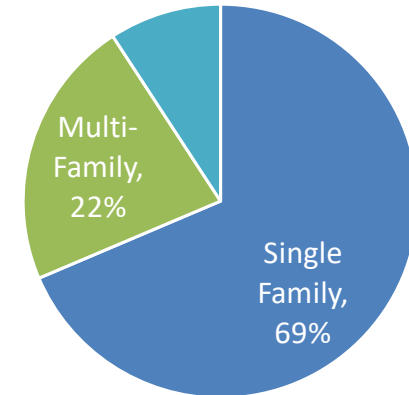
# Residential Segment

## Electrical Installation for Residential Construction, including Single Family, Multi-Family and Cable

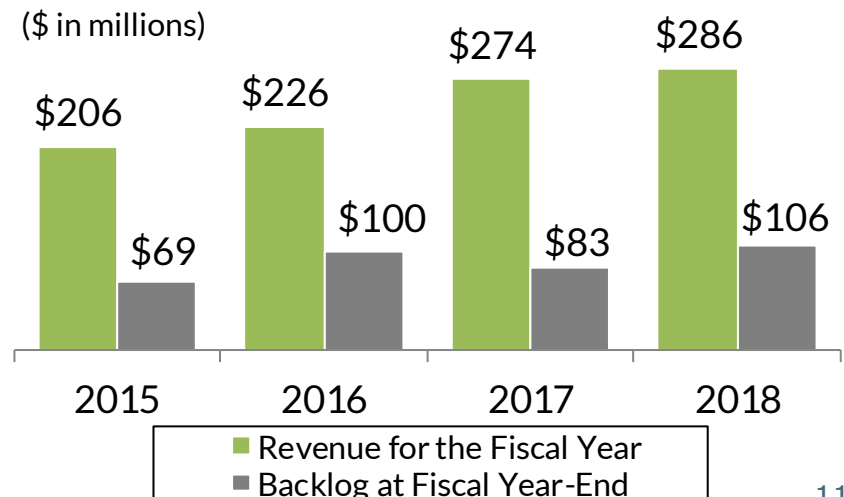
- ◆ Located in many of the largest population markets
- ◆ Strong customer relationships and track record of execution
- ◆ Variable cost structure allows flexibility in changing market conditions
- ◆ Ability to expand organically with minimal capital investment

## END MARKETS

Cable & Other, 9%

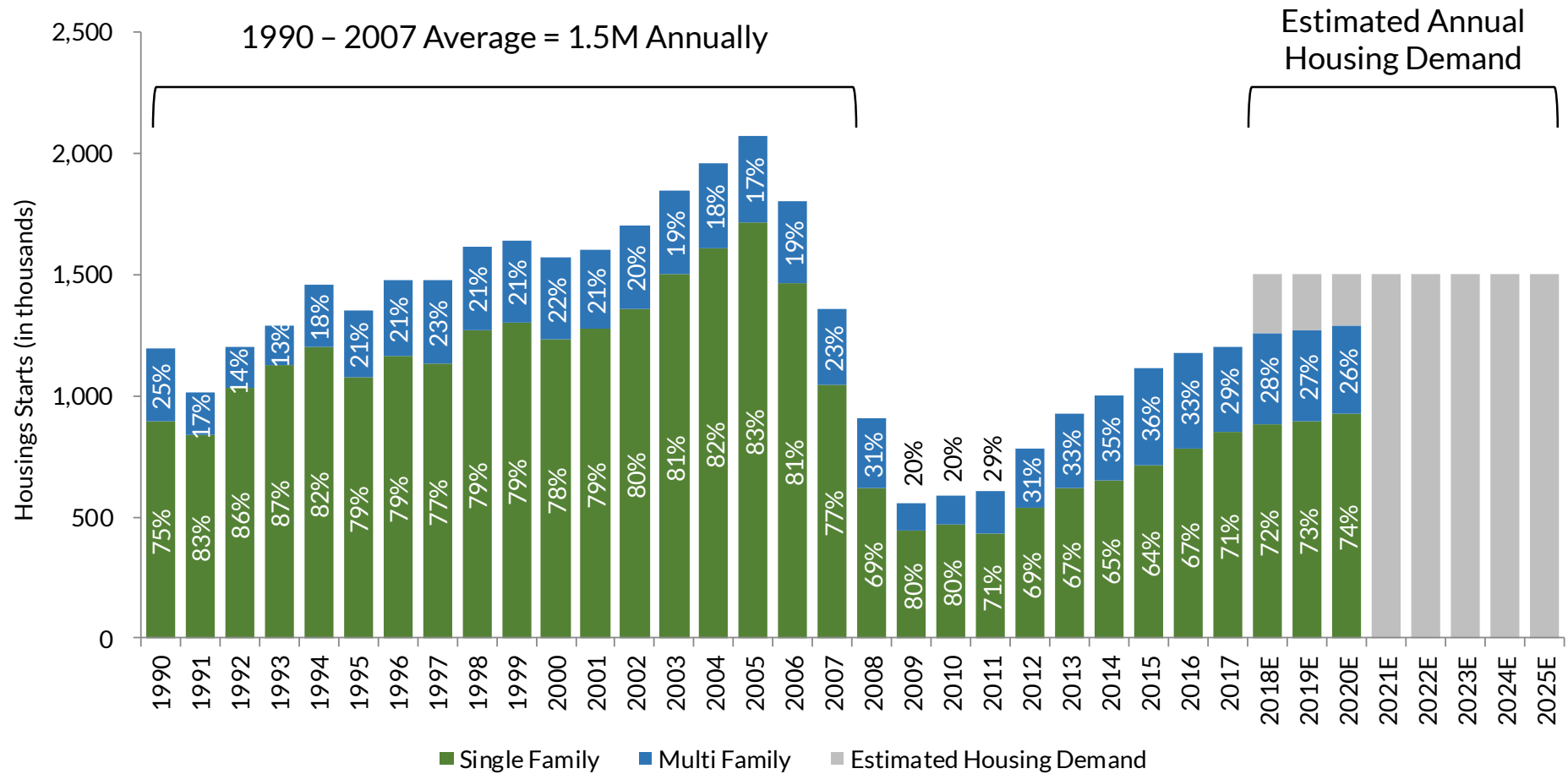


## REVENUE & BACKLOG



# Residential Supported By Long-Term Housing Fundamentals

## NEW HOUSING STARTS

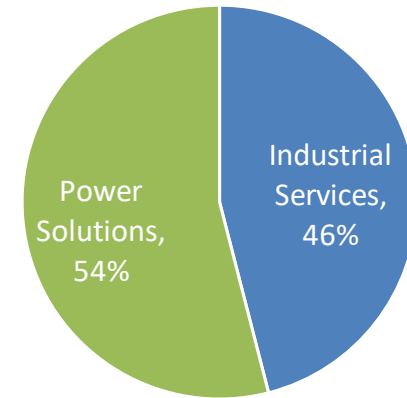


# Infrastructure Solutions Segment

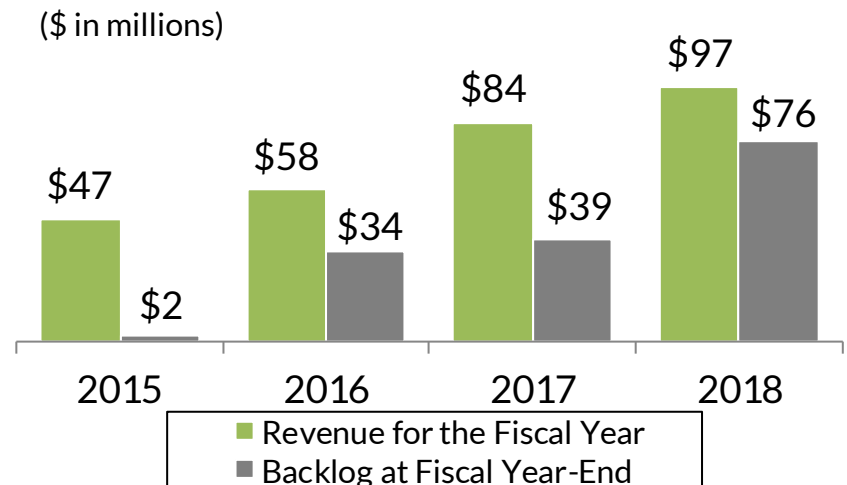
**Provider of Electrical and Mechanical Apparatus Services and Custom Power Solutions, including Generator Enclosures & Bus Duct**

- ◆ Strategic service center locations with a consistent track record of execution
- ◆ Custom fabrication engineering and manufacturing capabilities to meet our customers' high standards
- ◆ Financial resources necessary to support backlog expansion
- ◆ Added backlog with custom power solutions acquisitions

## END MARKETS

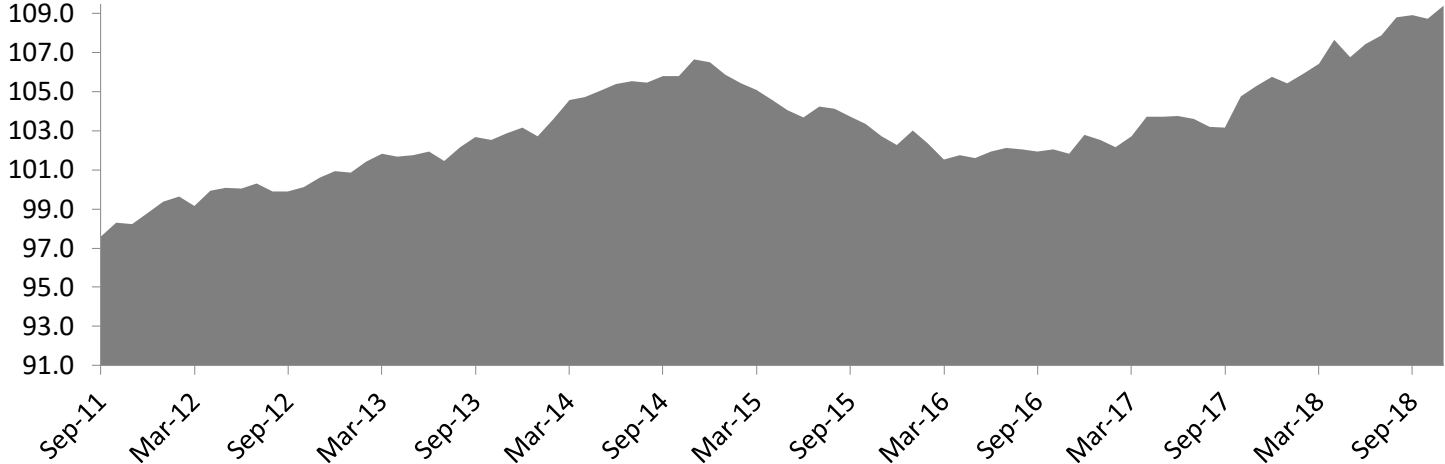


## REVENUE & BACKLOG

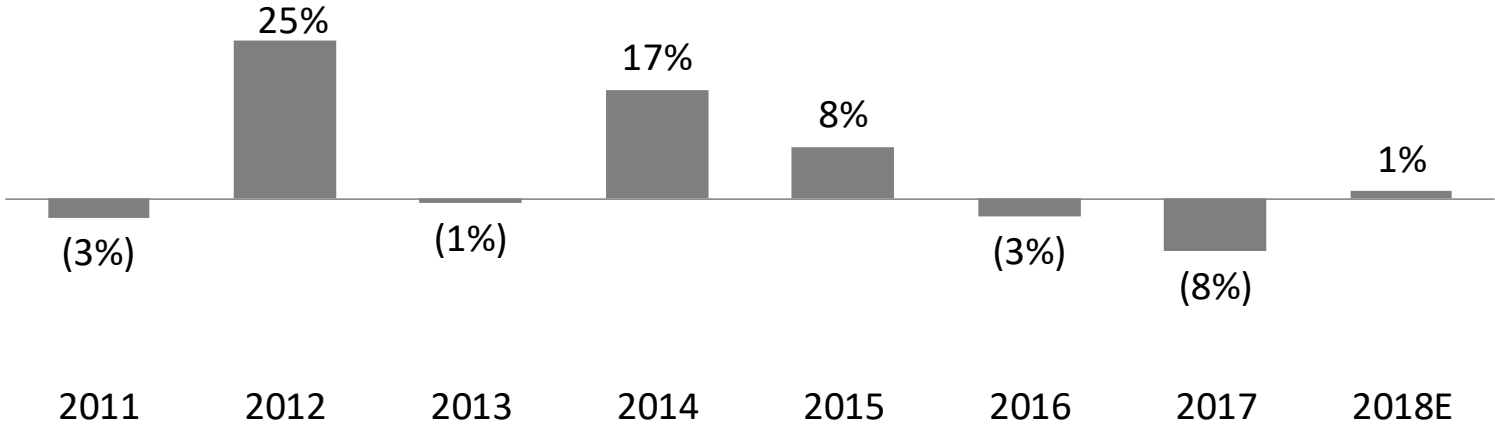


# Infrastructure Solutions Driven by Industrial Production & Heavy Industrial Spending

## INDUSTRIAL PRODUCTION



## POWER AND MANUFACTURING CONSTRUCTION SPENDING

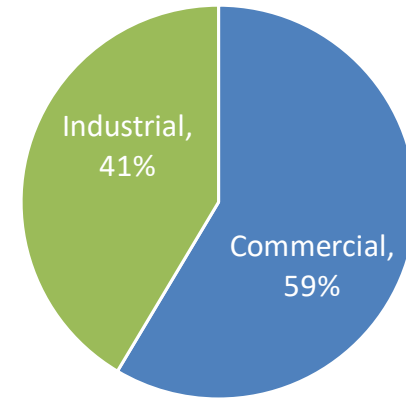


# Commercial & Industrial Segment

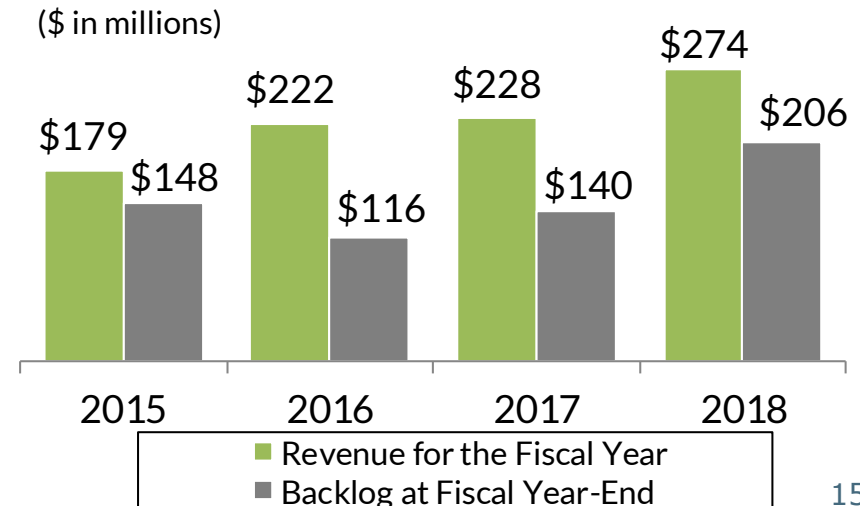
Provider of Electrical and Mechanical (HVAC) Design, Construction and Maintenance Services

- ◆ Regional market leadership
- ◆ National safety and quality programs
- ◆ Structure and scale compared to local/regional competition
- ◆ Strong financial resources, including bonding capacity

## END MARKETS



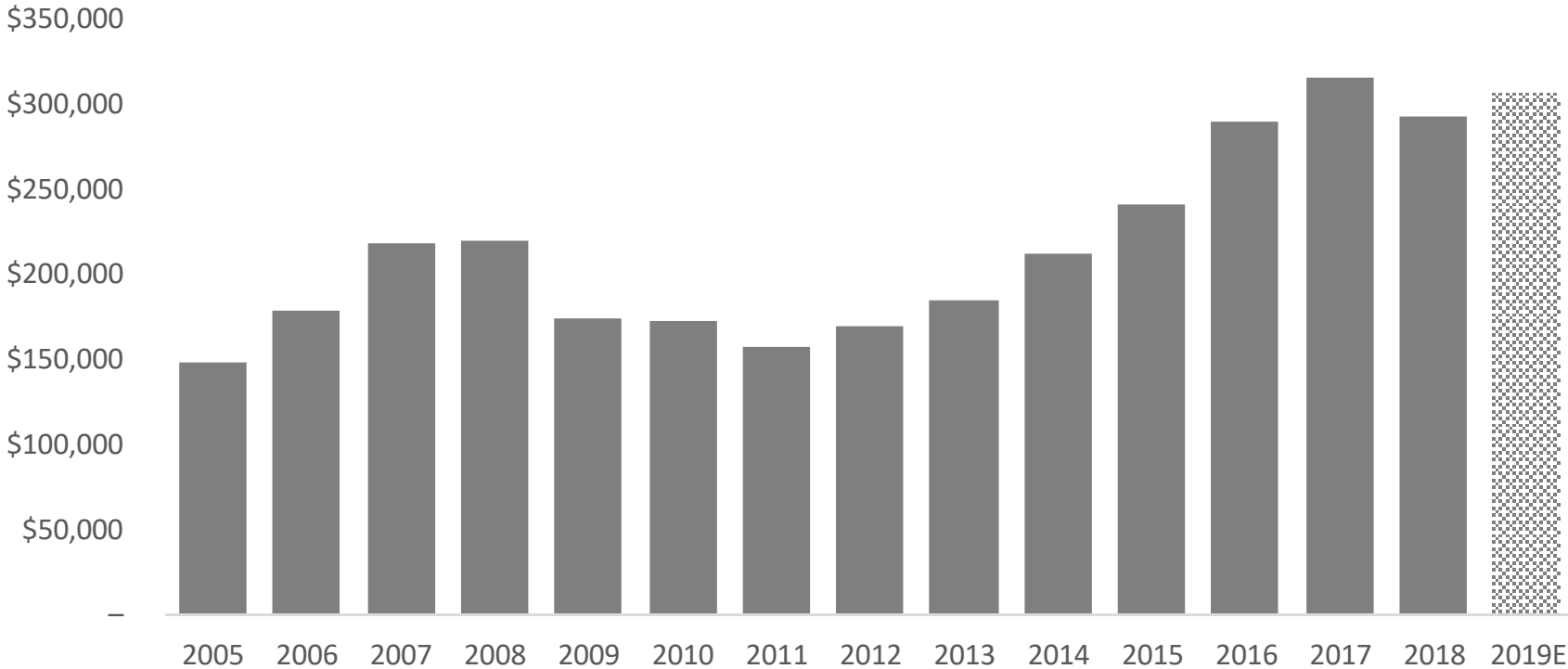
## REVENUE & BACKLOG



# Expect Moderate Commercial Construction Growth

## NONRESIDENTIAL CONSTRUCTION

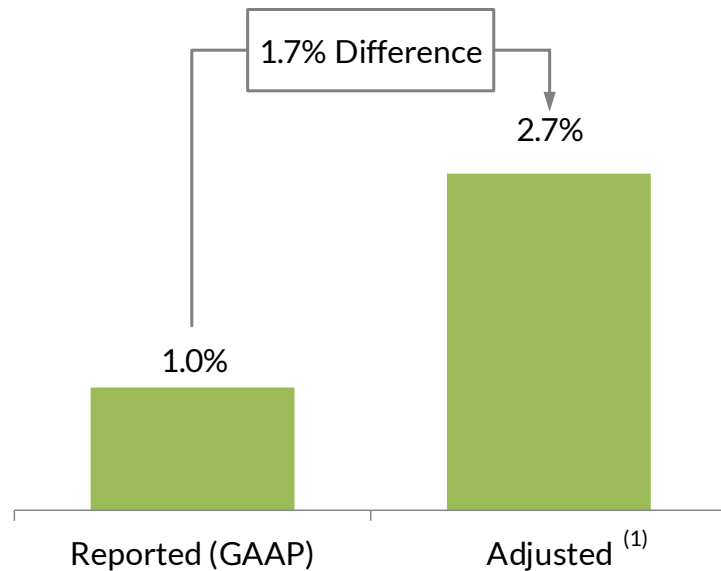
(Value in millions)





# Initiatives to Improve Commercial & Industrial Operating Margins

## COMMERCIAL & INDUSTRIAL FY2018 OPERATING MARGIN



### *Expected Future Improvement Driven By:*

- ◆ Added regional operations leaders to provide additional supervision and support
- ◆ Improved use of technology and data analytics
- ◆ Additional training and supervision in the field
- ◆ Backlog increase results in improved overhead absorption

(1) Excludes impact of Denver and Roanoke branches and litigation settlement charge; Adjusted Operating Margin is a non-GAAP financial measure; see non-GAAP reconciliation provided in the Appendix

# CAPITAL ALLOCATION



# Capital Allocation Strategy

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***Redeploy Free Cash Flow Generated By Our Diverse Businesses  
Into Both Existing Operations And Accretive Investments***

## Reinvestment

Support Our  
Growing Operations  
with Working  
Capital & Capex

## Acquisitions

Disciplined  
Acquisition Strategy

## Share Repurchase

Return Capital to  
Shareholders

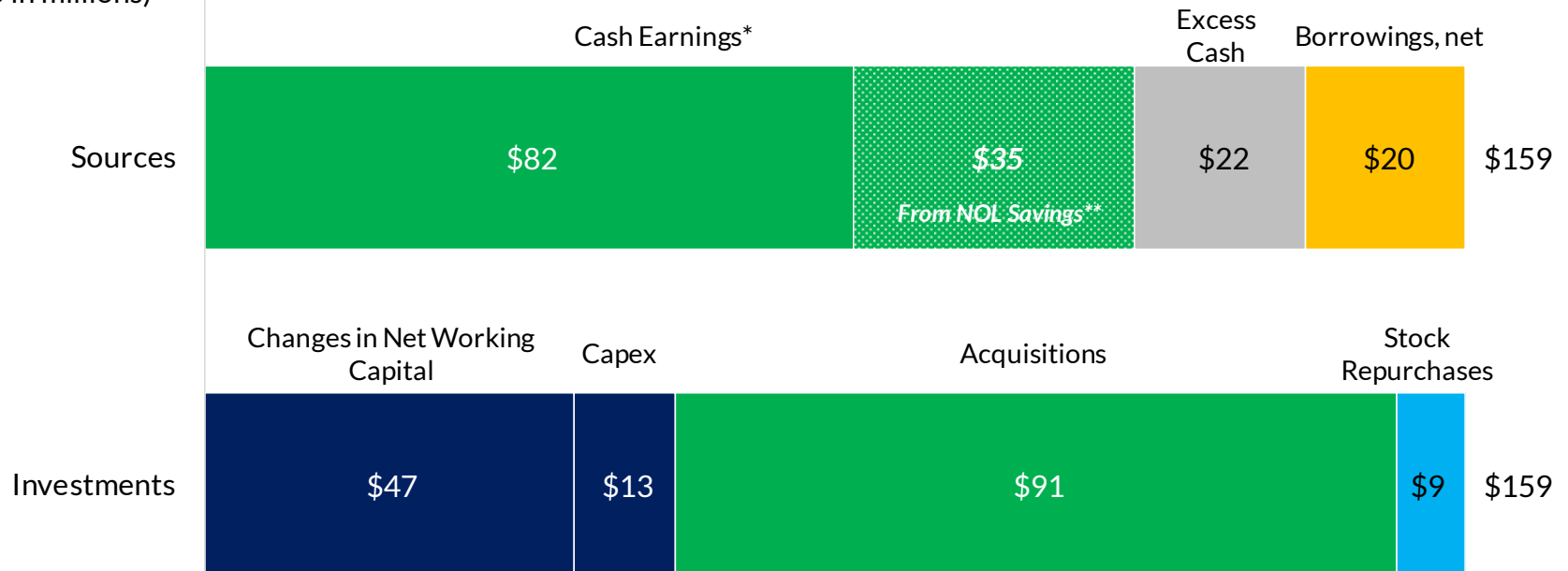
## Debt

Maintain a  
Conservative  
Balance Sheet

# Our Disciplined Deployment of Capital

## FY2015 – 2018 Sources & Investments of Cash

(\$ in millions)



\* Cash Earnings = Cash from Operations before Changes in Net Working Capital

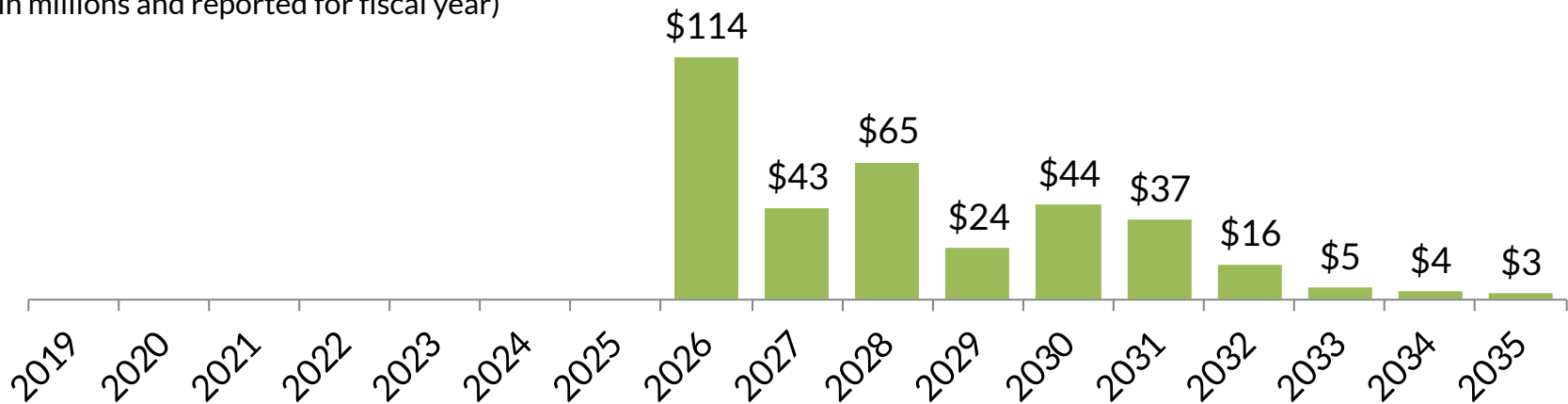
\*\* Calculated as NOLs utilized multiplied by the statutory federal tax rate during the year of utilization

# Benefit of \$355M of NOLs as of September 30, 2018

## *NOL Utilization Expected to Result in Cash Savings of ~\$75 Million\* Without Concern of Expiration*

### NOL Expiration Schedule\*\*

(\$ in millions and reported for fiscal year)



- ◆ Estimated net operating loss carry forwards (“NOLs”) of approximately \$355 million as of September 30, 2018, including \$133 million associated with amortization of personal goodwill
- ◆ Rights Agreement implemented to deter new 5% shareholders in order to prevent certain limitations on NOLs

\* Assumes tax rate of 21% and includes approximately \$28M million associated with amortization of personal goodwill

\*\* Assumes no change, limitation or usage of existing NOLs prior to expiration dates

# KEY TAKEAWAYS



# Key IES Takeaways

## Superior Businesses

Structure and scale compared to local/regional competition

## Strong Balance Sheet & Resources

- We secure work with our strong balance sheet as our competition is often capital constrained
- Maintain conservative leverage with a focus on returning capital to shareholders

## Track Record of Accretive Acquisitions

- Since 2015 we have deployed over \$90 million to complete and integrate 10 acquisitions
- Redeploy future cash flow into accretive acquisitions

## Attractive & Diverse End Markets

Unique combination of residential, data center, industrial and commercial tailwinds

## Strong Cash Flow Dynamics

- Improve consolidated margins
- Minimally capital intensive operations
- Cash savings from substantial NOLs without concern of expiration

# PERFORMANCE

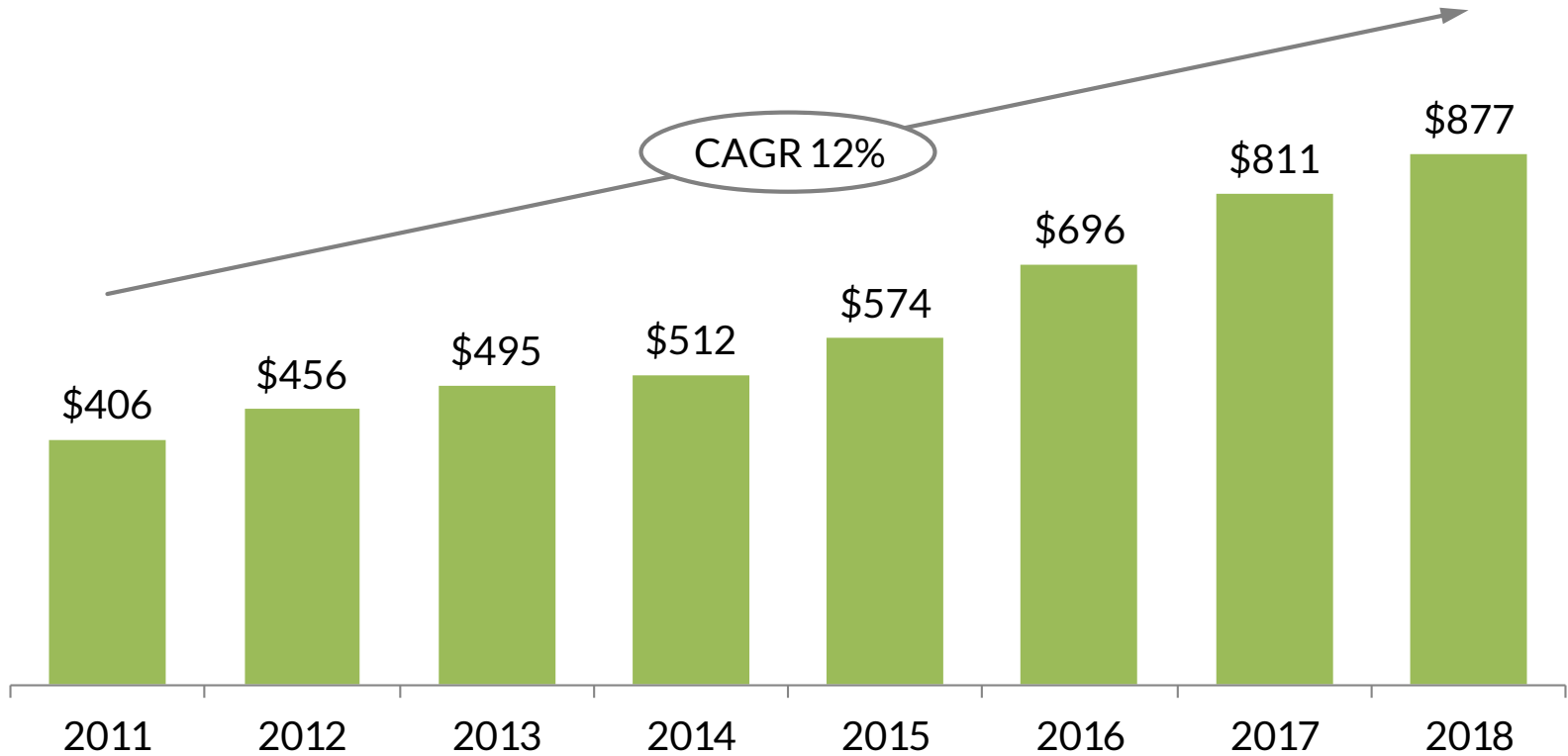




# Revenue Growth

## REVENUE

(\$ in millions and reported for fiscal year)



# Improved Profitability

## OPERATING INCOME

(\$ in millions and reported for fiscal year)



Includes Impact from  
Wind-Downs\*

(\$2)

(\$8)

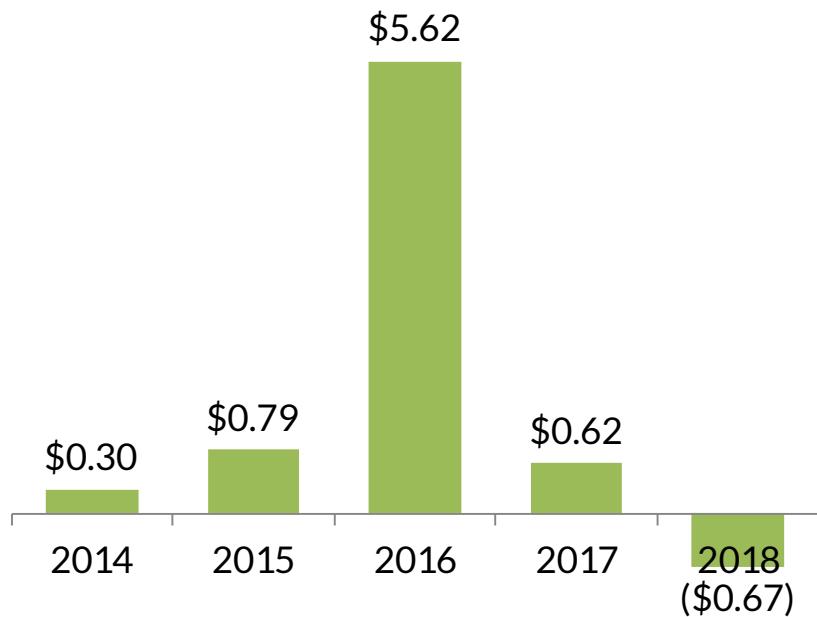
(\$3)

\* Results from the Denver and Roanoke branches of our Commercial & Industrial segment. In July, 2017, we implemented a plan to wind-down operations at these branches

# Earnings Growth

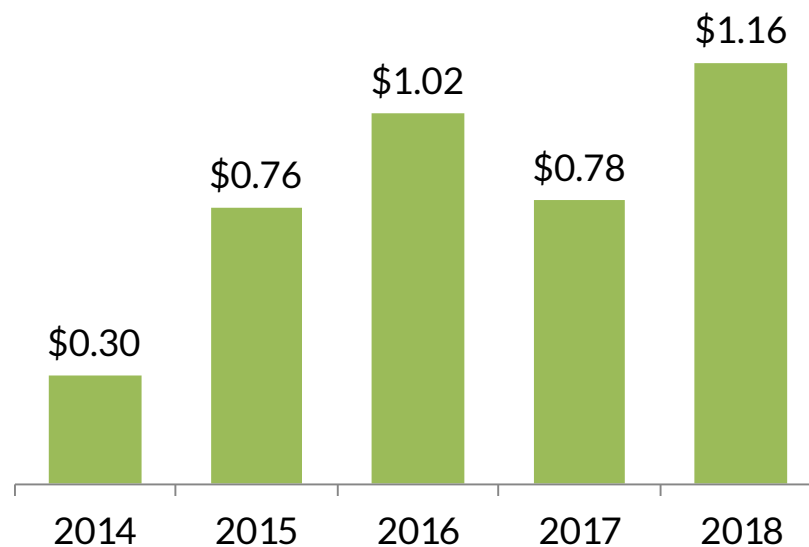
## EARNINGS PER SHARE (As Reported)\*

(per share and reported for fiscal year)



## ADJUSTED EARNINGS PER SHARE\*

(per share and reported for fiscal year)



\* Represents diluted earnings per share from continuing operations

Note: Adjusted Earnings Per Share is a non-GAAP financial measure; see non-GAAP reconciliation provided in the Appendix

# APPENDIX



# Consolidated Income Statement

(in millions, except earnings per share)

	Fiscal Year Ending September 30,				
	2014	2015	2016	2017	2018
Revenue	\$512.4	\$573.9	\$696.0	\$810.7	\$876.8
Income from operations	7.6	18.5	25.0	20.3	26.0
Interest expense & other	1.4	1.0	1.2	1.5	1.6
Income from operations before income taxes	\$6.3	\$17.5	\$23.8	\$18.8	\$24.3
Provision (benefit) for income taxes	0.7	0.7	(97.1)	5.2	38.2
Loss from discontinued operations	(0.2)	(0.3)	-	-	-
Net income attributable to noncontrolling interest	-	-	(0.1)	(0.2)	(0.4)
Net income attributable to IES Holdings, Inc.	\$5.3	\$16.5	\$120.8	\$13.4	(\$14.2)
<i>Adjusted net income attributable to IES Holdings, Inc.</i> <sup>(1)</sup>	\$5.5	\$16.4	\$21.9	\$16.8	\$24.6
Earnings per share attributable to IES Holdings, Inc. - continuing operations	\$0.30	\$0.79	\$5.62	\$0.62	(\$0.67)
<i>Adjusted earnings per share attributable to IES Holdings, Inc.</i> <sup>(1)</sup>	\$0.30	\$0.76	\$1.02	\$0.78	\$1.16
Diluted shares used to calculate earnings per share	18.5	21.5	21.5	21.5	21.2

<sup>(1)</sup> Adjusted net income attributable to IES Holdings, Inc. and Adjusted earnings per share attributable to IES Holdings, Inc. are non-GAAP financial measures; see reconciliation table

# Select Consolidated Balance Sheet Data

(in millions)	Fiscal Year Ending September 30,				
	2014	2015	2016	2017	2018
Cash	\$47.3	\$49.4	\$33.2	\$28.3	\$26.2
Current Assets	119.5	139.7	176.5	203.5	236.4
Deferred Tax Assets	-	-	93.5	86.2	46.6
Non-Current Assets	33.2	36.6	91.1	106.5	112.7
Total Assets	\$200.0	\$225.7	\$394.3	\$424.5	\$422.0
Current Liabilities	\$95.9	\$108.1	\$133.1	\$150.6	\$164.4
Other Liabilities	7.0	7.0	6.8	4.5	4.4
Debt	9.1	9.2	29.3	29.4	29.6
Total Liabilities	\$112.0	\$124.3	\$169.1	\$184.5	\$198.4
Noncontrolling Interest	-	-	1.8	3.3	3.2
Equity	88.0	101.4	223.4	236.7	220.4
Total Liabilities & Equity	\$200.0	\$225.7	\$394.3	\$424.5	\$422.0

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

(in millions, except earnings per share)

	Fiscal Year Ending September 30,				
	2014	2015	2016	2017	2018
Net income attributable to IES Holdings, Inc.	\$5.3	\$16.5	\$120.8	\$13.4	(\$14.2)
Loss from discontinued operations	0.2	0.3	-	-	-
Provision (benefit) for income taxes	0.7	0.7	(97.1)	5.2	38.2
Adjusted net income before taxes	\$6.3	\$17.5	\$23.7	\$18.6	\$24.0
Current tax expense <sup>(1)</sup>	(0.7)	(1.1)	(1.7)	(1.8)	(1.3)
Litigation settlement charge <sup>(2)</sup>	-	-	-	-	1.9
Adjusted net income attributable to IES Holdings, Inc. <sup>(3)</sup>	\$5.5	\$16.4	\$21.9	\$16.8	\$24.6
Adjusted earnings per share attributable to IES Holdings, Inc. <sup>(3)</sup>	\$0.30	\$0.76	\$1.02	\$0.78	\$1.16
Diluted shares used to calculate earnings per share	18.5	21.5	21.5	21.5	21.2

<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> Charge related to impact of litigation settlement in our Commercial & Industrial segment

<sup>(3)</sup> Adjusted net income attributable to IES Holdings, Inc. and Adjusted earnings per share attributable to IES Holdings, Inc. are non-GAAP financial measures

# Non-GAAP Reconciliation of Commercial & Industrial Adjusted Income from Operations

## COMMERCIAL & INDUSTRIAL SEGMENT











(in millions)	Fiscal Year Ending September 30, 2018
Revenue	\$274.3
Less: Impact of wind-down operations revenue	8.6
Adjusted revenue	\$265.7
Income from operations	\$2.7
Plus: Litigation settlement charge <sup>(1)</sup>	1.9
Plus: Impact of wind-down operations loss from operations <sup>(2)</sup>	2.6
Adjusted income from operations	\$7.3
<i>Operating Margins</i>	1.0%
<i>Adjusted Operating Margins</i>	2.7%

<sup>(1)</sup> Charge related to impact of litigation settlement in our Commercial & Industrial segment










<sup>(2)</sup> Includes results from the Denver and Roanoke branches of our Commercial & Industrial segment.  
In July, 2017, we implemented a plan to wind-down operations at these branches



# Overview of Recent Acquisitions

Company	Closed Date	Business Description	Acquisition Fit	IES Segment
 <b>Electrical Contractors North, Inc.</b>	July 2018	Residential electrical contracting  (Salt Lake City, UT)	<ul style="list-style-type: none"> <li>◆ Strong manager</li> <li>◆ New geography</li> </ul>	Residential  
 <b>Azimuth Communications</b>	April 2018	Structured cabling  (Portland, OR)	<ul style="list-style-type: none"> <li>◆ New geography</li> <li>◆ Cultural fit</li> <li>◆ Added quality talent</li> </ul>	Communications  
 <b>NEXT Electric</b>	July 2017	Electrical contractor  (Milwaukee, WI)	<ul style="list-style-type: none"> <li>◆ Strong management team</li> <li>◆ New geography</li> </ul>	Commercial & Industrial  
 <b>Technical Services</b>	June 2017	Mechanical (HVAC) services  (Chesapeake, VA)	<ul style="list-style-type: none"> <li>◆ Add-on to STR Mechanical</li> <li>◆ Expands mechanical services offering and geographic reach</li> </ul>	Commercial & Industrial (STR Mechanical)  
 <b>Freeman Enclosure Systems</b>	March 2017	Fabrication of custom generator enclosures  (Cincinnati, OH)	<ul style="list-style-type: none"> <li>◆ Strong engineering and manufacturing capabilities</li> <li>◆ Adds to suite of custom-engineered products</li> </ul>	Infrastructure Solutions  

# Overview of Recent Acquisitions (continued)

Company	Closed Date	Business Description	Acquisition Fit	IES Segment
 <b>Technibus, Inc.</b>	June 2016	Manufactures Isolated Phase, Non-Segregated, and Segregated Bus Duct  (Canton, OH)	<ul style="list-style-type: none"> <li>◆ Expand Infrastructure Solutions business into power industry and field services</li> <li>◆ Highly engineered, custom products</li> </ul>	Infrastructure Solutions 
 <b>STR Mechanical</b>	April 2016	Mechanical (HVAC) services  (Charlotte, NC)	<ul style="list-style-type: none"> <li>◆ Service focus</li> <li>◆ Industry veteran</li> </ul>	Commercial & Industrial 
 <b>Shanahan Mechanical &amp; Electric</b>	November 2015	Mechanical (HVAC) and electrical contractor  (Lincoln, NE)	<ul style="list-style-type: none"> <li>◆ Mechanical contracting expertise</li> <li>◆ Foothold in Lincoln, NE</li> <li>◆ Stable customer base</li> </ul>	Commercial & Industrial 
 <b>Calumet Armature</b>	October 2015	Manufacturer of transit armatures; Motor repair services  (Riverdale, IL)	<ul style="list-style-type: none"> <li>◆ Loyal customer base</li> <li>◆ Transit industry expertise</li> </ul>	Infrastructure Solutions 
 <b>Southern Rewinding</b>	May 2015	Motor repair and services  (Columbus, GA)	<ul style="list-style-type: none"> <li>◆ Diverse customer base</li> <li>◆ Strategically located</li> </ul>	Infrastructure Solutions 