



# 2021 Investor Presentation

May 2021

 **Northwest Pipe Company**

# Forward-Looking Statements

Statements in this presentation are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 and Section 21E of the Securities Exchange Act of 1934, as amended, that are based on current expectations, estimates, and projections about the Company's business, management's beliefs, and assumptions made by management. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements as a result of a variety of important factors. While it is impossible to identify all such factors, those that could cause actual results to differ materially from those estimated by the Company include changes in demand and market prices for its products, product mix, bidding activity and order cancelations, timing of customer orders and deliveries, production schedules, price and availability of raw materials, excess or shortage of production capacity, international trade policy and regulations, changes in tariffs and duties imposed on imports and exports and related impacts on the Company, the Company's ability to identify and complete internal initiatives and/or acquisitions in order to grow its business, the Company's ability to effectively integrate Geneva and other acquisitions into its business and operations and achieve significant administrative and operational cost synergies and accretion to financial results, impacts of recent U.S. tax reform legislation on the Company's results of operations, adequacy of the Company's insurance coverage, operating problems at the Company's manufacturing operations including fires, explosions, inclement weather, and natural disasters, impacts of pandemics, epidemics, or other public health emergencies, such as coronavirus disease 2019, and other risks discussed in the Company's Annual Report on Form 10-K for the year ended December 31, 2020 and from time to time in its other Securities and Exchange Commission filings and reports. Such forward-looking statements speak only as of the date on which they are made, and the Company does not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date of this release. If the Company does update or correct one or more forward-looking statements, investors and others should not conclude that it will make additional updates or corrections with respect thereto or with respect to other forward-looking statements.

## Non-GAAP Measures

The Company is presenting backlog including confirmed orders, adjusted net income, and adjusted diluted net income per share. These non-GAAP financial measures are provided to better enable investors and others to assess the Company's results and compare them with its competitors. This should be considered a supplement to, and not a substitute for, or superior to, financial measures calculated in accordance with GAAP.

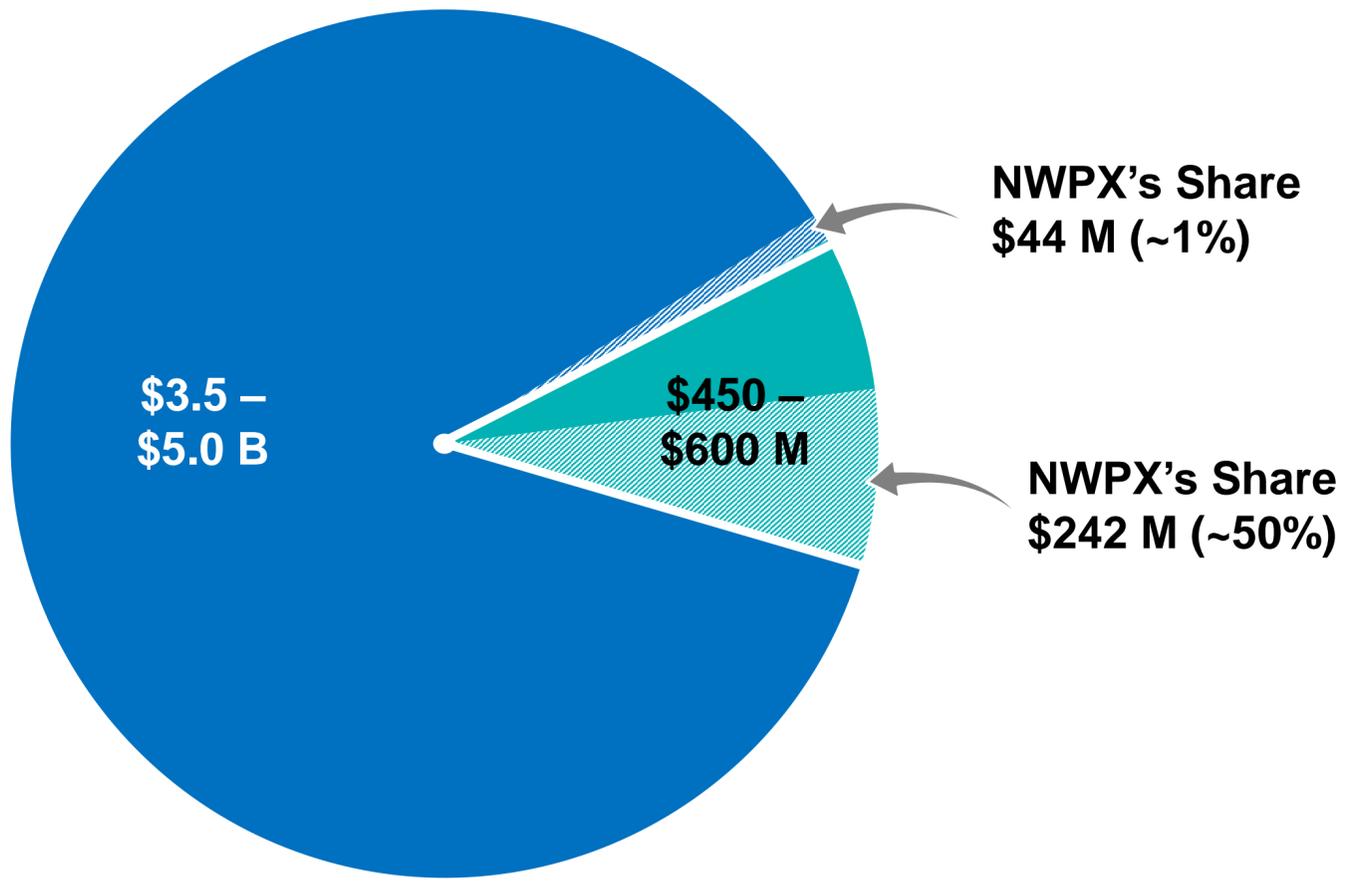
# About Northwest Pipe Company

*Largest manufacturer of engineered steel pressure pipe for the water infrastructure market in North America and high-quality precast and reinforced concrete products*

- Well positioned to meet North America's growing needs for water and wastewater infrastructure
  - Largest, most flexible capabilities in the water transmission market
  - Supplier of choice for long-distance, raw-water transmission programs
  - Widely-recognized reputation for quality, service, and manufacturing capabilities
  - Strong relationships with agencies, engineers, and contractors built over 50+ years
- 10 strategically located manufacturing facilities
  - Nine in the U.S. and one in San Luis Rio Colorado, Mexico
- Founded in 1966 and headquartered in Vancouver, WA

# Large Addressable Market Opportunity

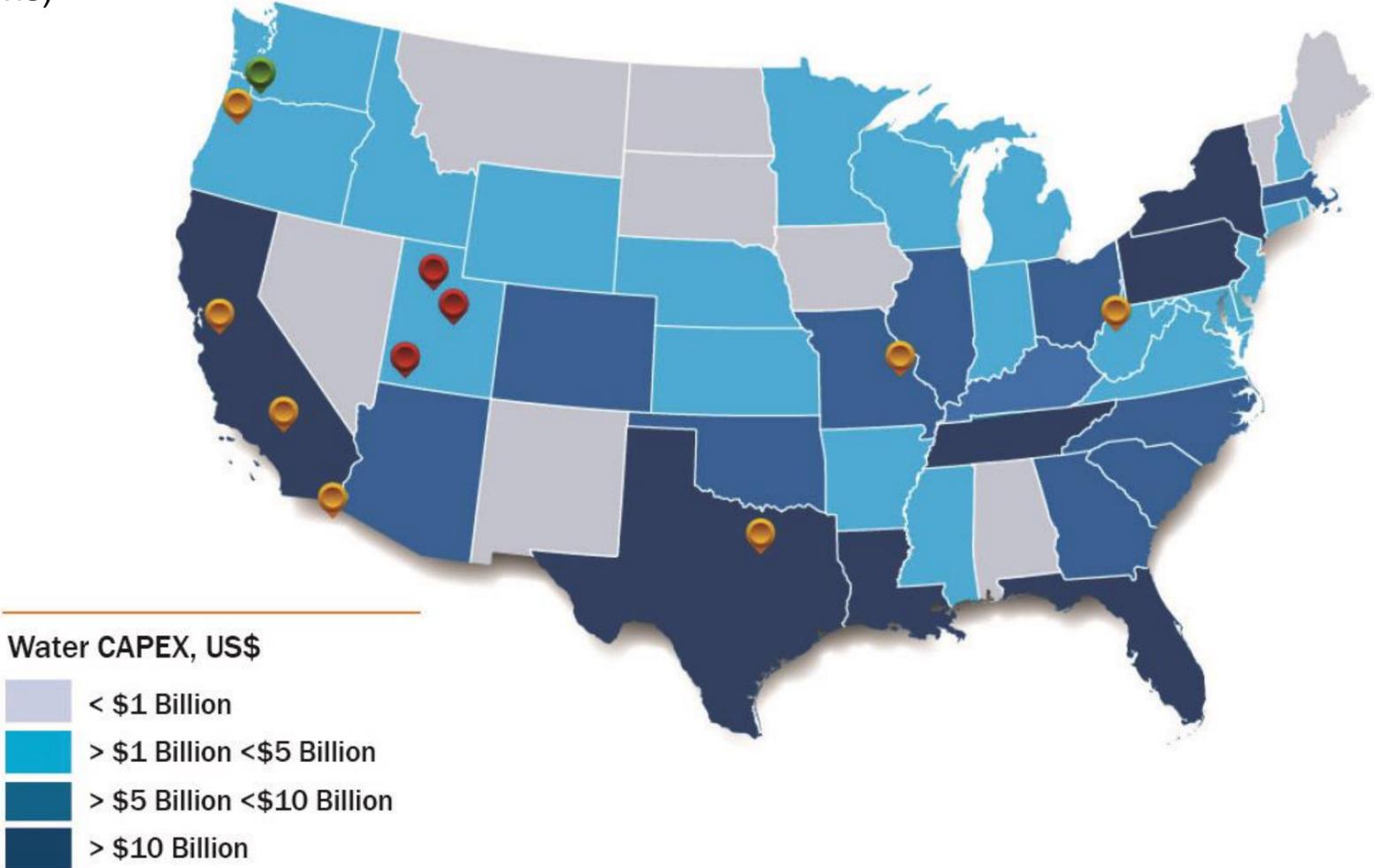
*Solution-based products serve the steel pressure pipe and concrete and precast structure market for a wide range of use cases including water transmission, plant piping, tunnels, and river crossings.*



# Strategic Footprint with Customer Access Throughout the U.S.

## 20-YEAR WATER INFRASTRUCTURE INVESTMENT NEED BY STATE

(\$ Billions)



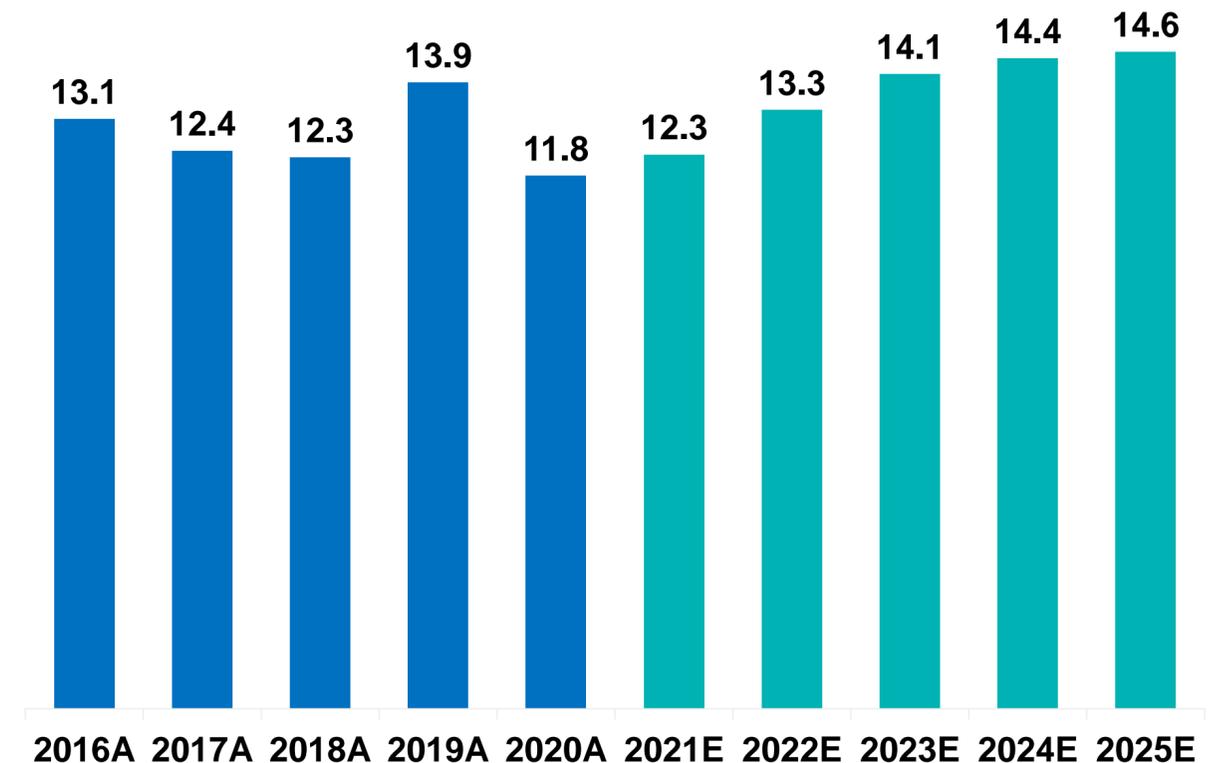
*Northwest Pipe is well positioned to serve its customers and states that are most in need of water infrastructure investment.*

# Favorable Market Dynamics<sup>1</sup>

- Americans use 42 billion gallons of drinking water per day
- Pipe was installed early to mid-20<sup>th</sup> century
- Pipe life span is 75 – 100 years
- 6 billion gallons of treated drinking water is lost every day from leaks – that’s 14-18% of treated water lost!!
- Each day’s loss could supply 15 million households
- Replacement rates are twice the system life span
- AWWA estimates \$1 trillion to restore and expand our water system to meet the growing population’s needs
- Capex spending for water 2018 – 2027 forecast: \$303 billion
  - \$33 billion Texas
  - \$79 billion in the West (\$44 billion in California)
- The steel pressure pipe market has momentum due to the long project timelines

## U.S. WATER SUPPLY CONSTRUCTION STARTS<sup>2</sup>

(\$Billions)



# Demand Drivers

- Housing starts
  - Population growth and new population centers intensify the need for new water infrastructure
- Rising demand for developed water sources
- Substantial underinvestment in water infrastructure over the past several decades
- Aging water and wastewater systems
  - Heightened need for upgrades, repairs, and replacements of existing water infrastructure
- Increasingly stringent regulatory policies



# Wide-ranging Product Capabilities



## Engineered Steel Water Pipe

- Designed to transport water or gases through pipelines
- Manufactured with high-grade steel and dielectric coating systems to ensure working pressures in excess of 400 psi
- Custom engineered product includes spiralweld or straight seam steel pipe with custom fabrication

**Application:** Large-scale transport of water and wastewater



## RCP & Precast Concrete

- Reinforced concrete pipe, box culverts, manholes, vaults, catch basins & inlets, sanitary sewer products, lined manhole and RCP
- Proven long service life and offers resiliency and sustainability
- Perfect Pipe and Perfect Lined Manhole extend the life of concrete pipe and manholes in sewer applications

**Application:** Water transmission, stormwater and sanitary sewer, and water infrastructure products



## Permalok® Steel Casing Pipe

- Proprietary steel casing pipe for trenchless and microtunneling installations
- Employs a press-fit interlocking joint system for quick field assembly
- Spiralweld or straight-seam steel custom pipe construction

**Application:** Microtunneling or trenchless installation of casing pipe well suited to urban environments



## Perfect Pipe & Perfect Lined Manhole System

- Lined reinforced concrete pipe and precast manhole systems for municipal wastewater management
- Corrosion-proof barrier provides 100% coverage and creates a smooth laminar flow with a tight seal
- Joints require no field welds in most sizes and can connect to most new or existing systems

**Application:** Direct bury, trenchless, high loading, and high ground water applications



## Bar-Wrapped Concrete Pipe

**Application:** Corrosion resistant pipe for water or wastewater transmission in municipal, industrial, and agricultural systems



## Piling Pipe and Casing

**Application:** Welded steel pipe for a variety of construction and foundation applications

# Geneva Pipe and Precast Business

*Northwest Pipe completed the acquisition of Geneva Pipe and Precast on January 31, 2020 for \$49.4 million.*

## INNOVATIVE PRODUCTS

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- Water, stormwater, and sanitary sewer systems for municipal and agricultural use
- Precast infrastructure products for utilities and road construction
- Hybrid plastic-lined pipe and manholes
- Potential for future organic growth opportunities

## STRATEGIC OVERLAP

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- Significantly expands addressable market
- Serves smaller scale, more transactional projects
- Potential to cross-sell products across combined footprint

## STRONG PERFORMANCE

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- Strong financial performance with attractive profit margins and top-line growth
- Scalable business model with faster cash conversion cycle
- Strong brand reputation and relationships in the industry

# Growth Strategy

*Northwest Pipe's growth strategy is to expand into a broader water market to capitalize on the unique attributes of its market position, capabilities, reputation, nationwide sales, and distribution footprint.*

**Northwest Pipe's goal is to create transformational growth and profitability in order to drive shareholder value.**

The strategy is two-pronged:

1. Growth in precast concrete water market through expansion or acquisitions
2. Maximize steel pressure pipe water transmission business by being opportunistic with the limited but identified potential acquisition opportunities, while making significant progress through cost reduction measures and Lean manufacturing to drive further efficiencies

# Acquisition Criteria

*Northwest Pipe's acquisition criteria focuses on organic growth, strong margin characteristics, solid asset efficiency and a positive cash flow profile.*

## **PRIORITIES INCLUDE:**

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- ✓ Accretive to earnings
- ✓ Asset efficiency
- ✓ Strong financial performance
- ✓ Industry and geographic location aligns with strategic growth plan
- ✓ Performance indicators based on revenue and EBITDA thresholds
- ✓ Strong brand reputation and relationships in industry
- ✓ Experienced management teams



# Water Transmission Upcoming Bid Activity

## Texas

- SWIFT program – funded \$8 billion in projects
- Multiple projects in Houston – 52,000 tons
- Lake Ralph Hall Reservoir – 17,000 tons
- Central Texas – 15,000 tons

## Western U.S.

- Southern California PCCP rehabilitation program – 5,000 tons annually over next 2-3 years
- Water reuse programs – 6,600 tons

## North Dakota

- Red River Valley Water Supply – 87,000 tons



# Competitive Strengths

## WELL-POSITIONED INDUSTRY LEADER

- Largest, most flexible capacity in the market
- Skilled project management group
- In-house fabrication capabilities provide installation contractors and project owners with a complete engineered system
- Added core competency in precast concrete provides new opportunities for potential future expansion and/or acquisitions
- Permalok<sup>®</sup> provides superior product to the microtunneling market
- Dedicated staff focused on improving operational efficiencies at the plant level (internal programs, lean initiatives, etc.)
- National footprint enables low freight costs



# COVID-19 Response

*Our #1 priority is the health and safety of all of our employees.*

## ACTIONS TAKEN

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- Provide increased facility sanitation measures
- Promote “social distancing”
- Stagger employee schedules
- Facilitate employees ability to work from home
- Guide employees on preemptive measures as outlined by the CDC
- Offer additional paid sick leave to support employees and their families

## OPERATIONS IMPACT

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- US Plants deemed essential<sup>1</sup>
  - Continue to operate and produce critical water infrastructure products
- Mexican government ordered temporary closure of SLRC<sup>2</sup> manufacturing facility in early April 2020
  - As of June 1<sup>st</sup>, SLRC was authorized to resume partial operations at 30% staffing
  - As of July 31<sup>st</sup>, SLRC has been able to steadily ramp up production back to pre-COVID-19 levels

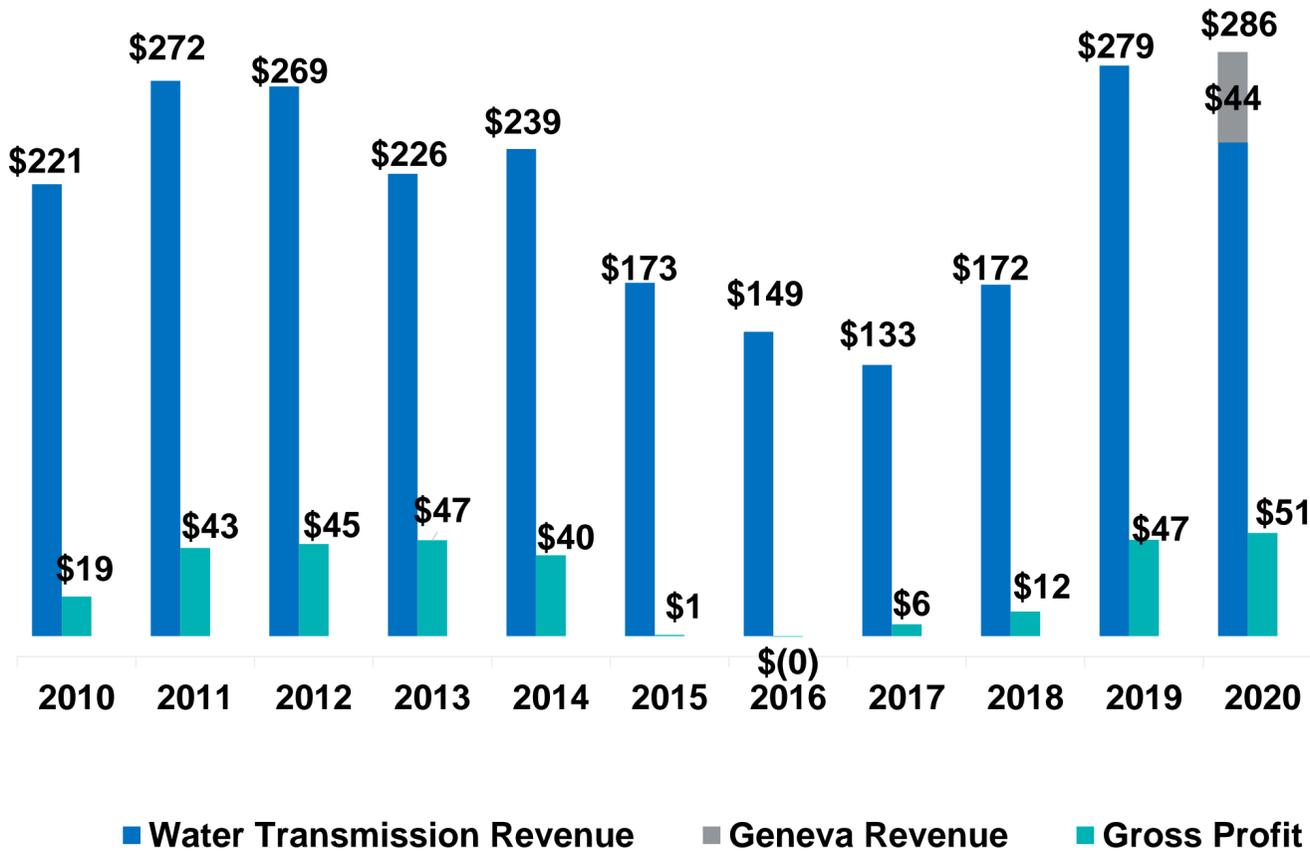
# Durable Business Model and Strategy

*While the duration and future impact of the COVID-19 pandemic remains unclear, Northwest Pipe believes its business is very well positioned to withstand the challenging circumstances.*

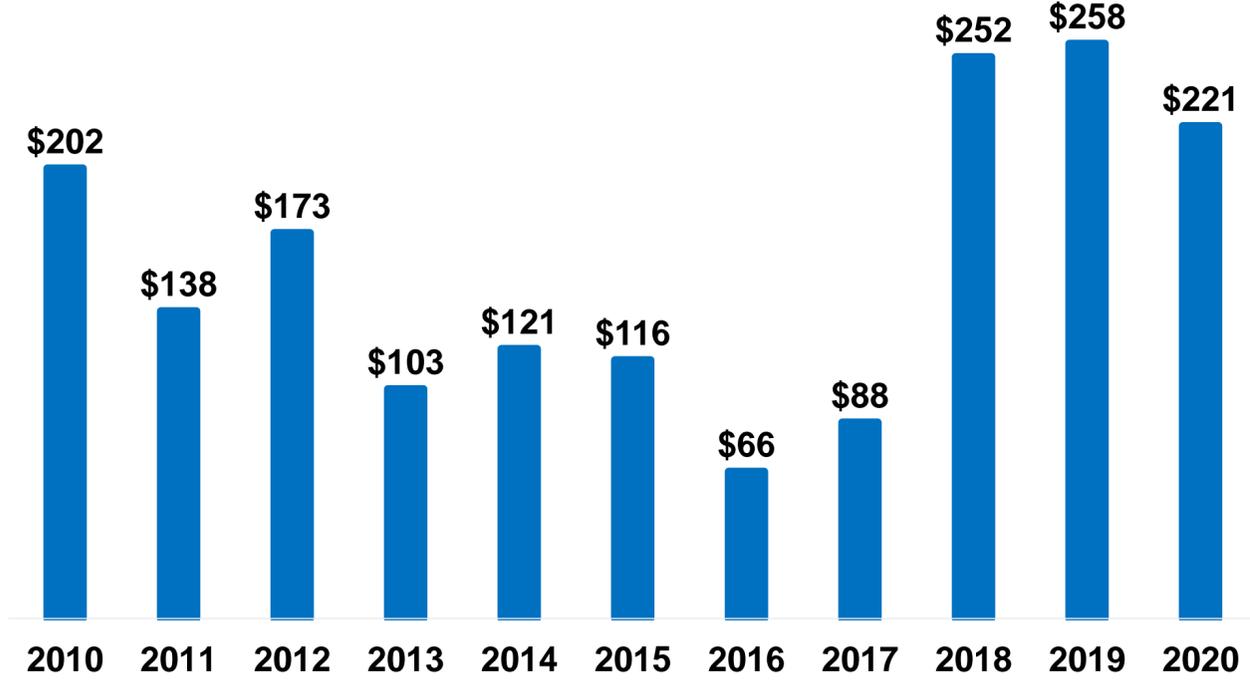
- Operations have been deemed essential to provide critical water transmission systems in the U.S.
- Robust backlog of \$210<sup>(1)</sup> million remains high by historical standards
- 2021 bidding activity projected to remain strong
- Strong balance sheet and solid liquidity position
- Variable cost structure provides financial flexibility

# Strong Backlog Drives Solid Financial Performance

### Revenue (\$Millions)



### BACKLOG<sup>1</sup> (\$Millions)

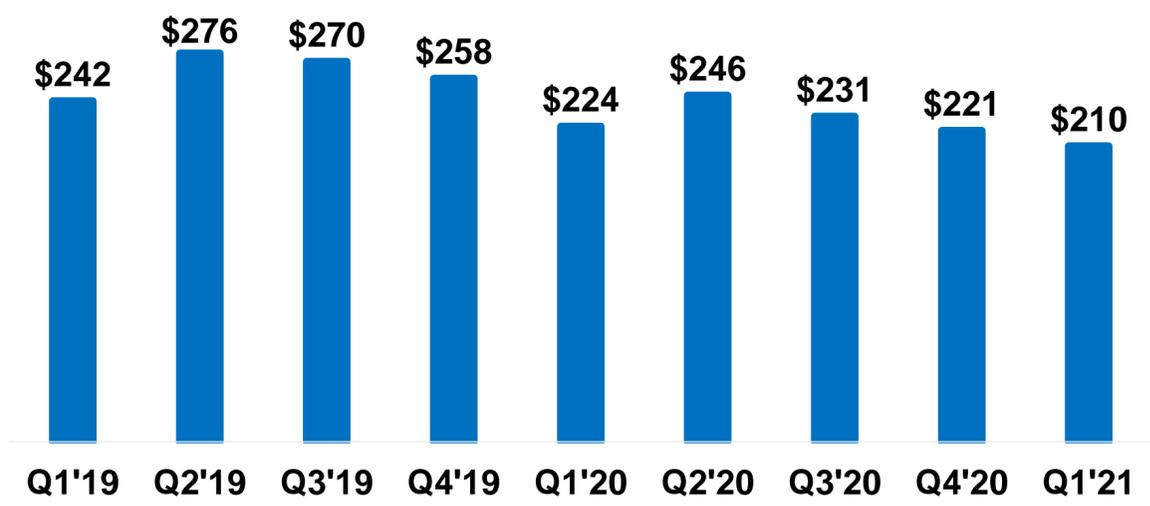


1. Backlog includes confirmed orders (projects for which the Company has been notified that it is the successful bidder, but a binding agreement has not been executed).

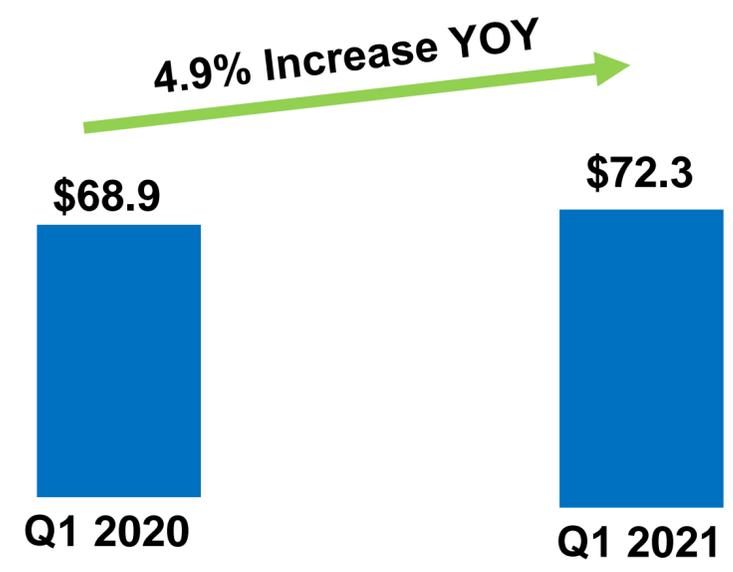
# Q1 2021 Highlights

- Strong backlog of \$210 million including confirmed orders<sup>1</sup>
  - Q1 2021 backlog marks 11th consecutive quarter with a backlog exceeding \$200 million
- Ample liquidity position of nearly \$82 million, comprised of \$29.9 million in cash and \$52 million in available borrowings under the line of credit

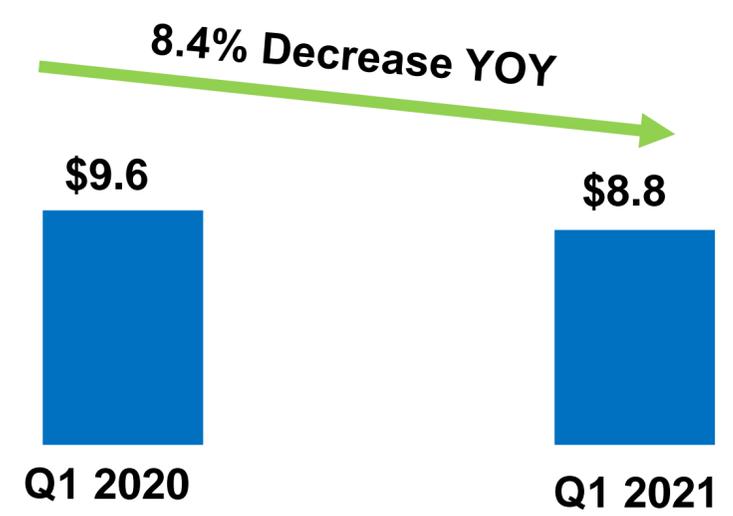
## BACKLOG<sup>1</sup> (\$Millions)



## NET SALES<sup>2</sup> (\$Millions)



## GROSS PROFIT (\$Millions)



1. Backlog includes confirmed orders (projects for which the Company has been notified that it is the successful bidder, but a binding agreement has not been executed).  
 2. Net sales for Q1 2021 include a \$12.3 million contribution from the acquired Geneva Pipe Company, Inc. operations, compared with \$8.0 million in Q1 2020.

# Points of Focus

1. Taking every precaution to keep our employees safe through the ongoing pandemic
2. Improving performance through a persistent focus on margin over volume
3. Identifying strategic opportunities to grow the Company in the precast concrete water infrastructure market through expansion or acquisitions
4. Continuing to implement cost reductions and efficiencies at all levels of the Company



# Investment Highlights

- ✓ Well-positioned to benefit from historic strong backlog and growing market demand for both new and existing water infrastructure upgrades
- ✓ Large addressable market provides opportunities for further expansion
- ✓ Diversification strategy helps reduce impacts from market cyclicalities and improve free cash flow generation
- ✓ Strong balance sheet with minimal debt
- ✓ Experienced management team with over 100 years of collective industry experience

# Q&A



# Thank You



**Northwest Pipe  
Company**