



Aegion Corporation Reports 2019 Third Quarter Financial Results

October 30, 2019

Strong Q3'19 results in line with expectations; Reaffirming 2019 guidance and targeting significant earnings growth in 2020

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A PDF accompanying this announcement is available at <http://ml.globenewswire.com/Resource/Download/73b03d8b-b3c3-4d25-b12d-f6d1774be8ba>

- Q3'19 earnings per diluted share were \$0.19 compared to a loss per diluted share of \$0.01 in Q3'18. Q3'19 adjusted (non-GAAP)¹ earnings per diluted share were \$0.40 compared to \$0.45 in Q3'18.
- Revenues for Q3'19 were \$309 million. Excluding exited or to be exited operations, revenues on a same-store basis declined 6%, primarily driven by the expected reduction in large coating project contributions from Corrosion Protection.
- Adjusted gross margins of nearly 22% were in line with prior year levels and adjusted operating margins exceeded 6%, led by strong contributions from the Infrastructure Solutions segment, which partially offset the lack of high-margin coating project contributions from Corrosion Protection.
- Contract backlog as of September 30, 2019 was \$683 million. Excluding the impacts of exited or to be exited businesses, backlog increased 5% compared to prior year levels driven by a 16% increase in new orders in Q3'19 compared to Q3'18.

¹ Adjusted (non-GAAP) results exclude certain charges related to the Company's restructuring activities, acquisition and divestiture-related activities, goodwill impairment, definite-lived intangible asset impairment and impacts from the Tax Cuts and Jobs Act. Reconciliation of adjusted results is included below.

Q3'19 HIGHLIGHTS

- Infrastructure Solutions delivered its third consecutive quarter of year-over-year improvement in adjusted operating income, with adjusted operating margins reaching nearly 13%, driven by continued productivity gains in North America and the exit of underperforming international CIPP operations.
- Corrosion Protection delivered adjusted gross margins of nearly 23%, with strength in industrial lining activities helping to offset the impact of lost contributions from the large coating projects completed in the prior year.
- Energy Services delivered a fourfold increase in adjusted operating income, led by improvements in maintenance and construction results.
- Year-to-date operating cash flows of \$32 million more than doubled the prior year.

"Aegion's third quarter results achieved expectations and were highlighted by another excellent quarter for the Infrastructure Solutions segment, which continues to benefit from strong productivity from our cornerstone wastewater CIPP business.

We ended the quarter with solid contract backlog, driven by robust new orders growth from the North America CIPP business and key wins in the Middle East as we execute our plan to capitalize on significant growth opportunities in the region.

We expect a strong finish to the year and are reaffirming expectations for modest growth in adjusted EPS in 2019. Additionally, we are well positioned to deliver significant earnings expansion in 2020 as we move forward with a more focused strategy and leverage our market-leading positions to differentiate through technology investments and capture multiple growth opportunities within our three segments."

Charles R. Gordon, President and Chief Executive Officer

Selected Consolidated Financial Highlights

	Quarter Ended September 30, 2019			Quarter Ended September 30, 2018		
	As Reported (GAAP)	Adjustments (1)	As Adjusted (Non-GAAP)	As Reported (GAAP)	Adjustments (2)	As Adjusted (Non-GAAP)
<i>(in thousands, except earnings per share)</i>						
Revenues	\$ 308,789	\$ —	\$ 308,789	\$ 339,679	\$ —	\$ 339,679
Cost of revenues	241,997	33	242,030	267,006	(705)	266,301
Gross profit	66,792	(33)	66,759	72,673	705	73,378
Operating expenses	48,866	(1,860)	47,006	51,386	(3,018)	48,368
Goodwill impairment	—	—	—	1,389	(1,389)	—
Definite-lived intangible asset impairment	—	—	—	870	(870)	—
Acquisition and divestiture expenses	1,842	(1,842)	—	4,800	(4,800)	—
Restructuring and related charges	1,435	(1,435)	—	1,219	(1,219)	—
Operating income	14,649	5,104	19,753	13,009	12,001	25,010

Other income (expense)	(5,236)	5,345	109	(9,281)	8,951	(330)
Income (loss) before taxes on income	6,235	10,449	16,684	(12)	20,952	20,940
Taxes (benefit) on income (loss)	(114)	3,905	3,791	(153)	5,587	5,434
Non-controlling interests income	(313)	(76)	(389)	(588)	—	(588)
Net Income (loss) (attributable to Aegion Corporation)	6,036	6,468	12,504	(447)	15,365	14,918
Diluted earnings (loss) per share	\$ 0.19	\$ 0.21	\$ 0.40	\$ (0.01)	\$ 0.46	\$ 0.45

Net income (loss) and diluted earnings (loss) per share includes non-controlling interest

(1) 2019 Non-GAAP pre-tax adjustments:

- **Restructuring:** Charges for cost of revenues of \$(33) primarily related to inventory write offs; charges for operating expenses of \$1,860 primarily related to wind-down expenses, reserves for potentially uncollectible receivables, fixed asset disposals and other restructuring-related charges; charges of \$1,435 related to employee severance, extension of benefits, employment assistance programs and contract termination costs; charges for other expense of \$5,345 related to net losses on disposal of certain restructured operations and the release of cumulative currency translation adjustments; and an income tax return-to-provision true-up of \$1,683 related to foreign tax credits.
- **Acquisition and Divestiture Expenses:** Expenses of \$1,842 incurred primarily in connection with the Company's planned divestiture of its held for sale operations.

(2) 2018 Non-GAAP pre-tax adjustments:

- **Restructuring:** Charges for cost of revenues of \$705 primarily related to inventory write offs; charges for operating expenses of \$3,018 primarily related to wind-down expenses, reserves for potentially uncollectible receivables and other restructuring-related charges; charges for goodwill and definite-lived intangible asset impairment of \$1,389 and \$870, respectively, related to the restructured operations in Denmark; charges of \$1,219 related to employee severance, extension of benefits, employment assistance programs and contract termination costs; and charges of \$222 related to the release of cumulative currency translation adjustments.
- **Acquisition and Divestiture Expenses:** Expenses of \$4,800 incurred in connection with the Company's divestiture of Bayou, small acquisitions in both Corrosion Protection and Energy Services, and the divestitures of the CIPP operations in Australia and Denmark; and an \$8,729 loss on divestiture of Bayou.
- **Tax Cuts and Jobs Act:** Income tax reversals of \$1,536 resulting from the Tax Cuts and Jobs Act.

Selected Segment Financial Highlights

(in thousands)

	Quarter Ended September 30, 2019			Quarter Ended September 30, 2018		
	As Reported (GAAP)	Adjustments (1)	As Adjusted (Non-GAAP)	As Reported (GAAP)	Adjustments (2)	As Adjusted (Non-GAAP)
Revenues:						
Infrastructure Solutions	\$ 156,087	\$ —	\$ 156,087	\$ 155,681	\$ —	\$ 155,681
Corrosion Protection	75,901	—	75,901	105,624	—	105,624
Energy Services	76,801	—	76,801	78,374	—	78,374
Total Revenues	\$ 308,789	\$ —	\$ 308,789	\$ 339,679	\$ —	\$ 339,679
Gross Profit:						
Infrastructure Solutions	\$ 39,569	\$ (30)	\$ 39,539	\$ 38,135	\$ 138	\$ 38,273
<i>Gross Profit Margin</i>	25.4%		25.3%	24.5%		24.6%
Corrosion Protection	17,232	(3)	17,229	26,411	567	26,978
<i>Gross Profit Margin</i>	22.7%		22.7%	25.0%		25.5%
Energy Services	9,991	—	9,991	8,127	—	8,127
<i>Gross Profit Margin</i>	13.0%		13.0%	10.4%		10.4%
Total Gross Profit	\$ 66,792	\$ (33)	\$ 66,759	\$ 72,673	\$ 705	\$ 73,378
<i>Gross Profit Margin</i>	21.6%		21.6%	21.4%		21.6%
Operating Income (Loss):						
Infrastructure Solutions	\$ 18,376	\$ 1,710	\$ 20,086	\$ 13,088	\$ 6,039	\$ 19,127

<i>Operating Margin</i>	11.8%		12.9%	8.4%		12.3%
Corrosion Protection	2,362	834	3,196	8,299	2,634	10,933
<i>Operating Margin</i>	3.1%		4.2%	7.9%		10.4%
Energy Services	2,257	139	2,396	456	—	456
<i>Operating Margin</i>	2.9%		3.1%	0.6%		0.6%
Corporate	(8,346)	2,421	(5,925)	(8,834)	3,328	(5,506)
<i>Operating Margin</i>	(2.7)%		(1.9)%	(2.6)%		(1.6)%
Total Operating Income	<u>\$ 14,649</u>	<u>\$ 5,104</u>	<u>\$ 19,753</u>	<u>\$ 13,009</u>	<u>\$ 12,001</u>	<u>\$ 25,010</u>
<i>Operating Margin</i>	4.7%		6.4%	3.8%		7.4%

(1) Includes non-GAAP adjustments related to:

- **Infrastructure Solutions** - (i) pre-tax restructuring charges associated with severance and benefit related costs, early contract termination costs and other restructuring charges; and (ii) acquisition and divestiture expenses.
- **Corrosion Protection** - (i) pre-tax restructuring charges associated with severance and benefit related costs, early contract termination costs and other restructuring charges, and (ii) acquisition and divestiture expenses.
- **Energy Services** - pre-tax restructuring charges associated with severance and benefit related costs and other restructuring charges.
- **Corporate** - (i) pre-tax restructuring charges primarily associated with severance and benefit related costs and legal expenses; and (ii) divestiture expenses related to held for sale entities.

(2) Includes non-GAAP adjustments related to:

- **Infrastructure Solutions** - (i) pre-tax restructuring charges associated with severance and benefit related costs, early contract termination costs and other restructuring charges; and (ii) expenses incurred in connection with the divestitures of the CIPP businesses in Australia and Denmark.
- **Corrosion Protection** - (i) pre-tax restructuring charges associated with severance and benefit related costs, early contract termination costs and other restructuring charges; and (ii) expenses incurred in connection with the acquisition of Hebna and divestiture of the Bayou business.
- **Corporate** - (i) pre-tax restructuring charges primarily associated with legal expenses; and (ii) divestiture expenses primarily incurred in connection with the divestiture of the Bayou business.

About Aegion Corporation (NASDAQ: AEGN)

Aegion combines innovative technologies with market-leading expertise to maintain, rehabilitate and strengthen infrastructure around the world. Since 1971, the Company has played a pioneering role in finding innovative solutions to rehabilitate aging infrastructure, primarily pipelines in the wastewater, water, energy, mining and refining industries. Aegion also maintains the efficient operation of refineries and other industrial facilities. Aegion is committed to Stronger. Safer. Infrastructure.® More information about Aegion can be found at www.aegion.com.

Forward-Looking Statements

The Private Securities Litigation Reform Act of 1995 provides a “safe harbor” for forward-looking statements. Aegion’s forward-looking statements in this news release represent its beliefs or expectations about future events or financial performance. These forward-looking statements are based on information currently available to Aegion and on management’s beliefs, assumptions, estimates or projections and are not guarantees of future events or results. When used in this document, the words “anticipate,” “estimate,” “believe,” “plan,” “intend,” “may,” “will” and similar expressions are intended to identify forward-looking statements, but are not the exclusive means of identifying such statements. Such statements are subject to known and unknown risks, uncertainties and assumptions, including those referred to in the “Risk Factors” section of Aegion’s Annual Report on Form 10-K for the year ended December 31, 2018, filed with the Securities and Exchange Commission on March 1, 2019, and in subsequently filed documents. In light of these risks, uncertainties and assumptions, the forward-looking events may not occur. In addition, Aegion’s actual results may vary materially from those anticipated, estimated, suggested or projected. Except as required by law, Aegion does not assume a duty to update forward-looking statements, whether as a result of new information, future events or otherwise. Investors should, however, review additional disclosures made by Aegion from time to time in Aegion’s filings with the Securities and Exchange Commission. Please use caution and do not place reliance on forward-looking statements. All forward-looking statements made by Aegion in this news release are qualified by these cautionary statements.

Information regarding the impact of the Tax Cuts and Jobs Act consists of estimates which are forward looking and subject to change. We anticipate additional guidance, both at the federal and state level, to be forthcoming in 2019. As such, the impacts of the legislation may differ from our current estimates, interpretations and assumptions, possibly materially, and the amount of the impact on the Company may accordingly be adjusted over the course of 2019.

About Non-GAAP Financial Measures

Aegion has presented certain information in this release excluding certain items that impacted income, expense and earnings per share. The adjusted

earnings per share in the quarters and nine months ended September 30, 2019 and 2018, respectively, exclude charges related to the Company's restructuring activities, goodwill impairment, definite-lived intangible asset impairment, acquisition and divestiture-related activities, impairment of assets held for sale, project warranty accruals, credit facility amendment fees and impacts related to the Tax Cuts and Jobs Act.

Aegion management uses such non-GAAP information internally to evaluate financial performance for Aegion's operations because Aegion's management believes such non-GAAP information allows management to more accurately compare Aegion's ongoing performance across periods. As such, Aegion's management believes that providing non-GAAP financial information to Aegion's investors is useful because it allows investors to evaluate Aegion's performance using the same methodology and information used by Aegion management.

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