



Aegion Corporation Reports 2020 First Quarter Financial Results

April 29, 2020

Q1'20 results exceeded expectations; Management providing near-term financial targets for Q2'20

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A PDF accompanying this announcement is available at: <http://ml.globenewswire.com/Resource/Download/3da76825-cb66-43cd-a4be-a4853783051b>

- Q1'20 loss per diluted share was \$0.05 compared to a loss per diluted share of \$0.13 in Q1'19. Q1'20 adjusted (non-GAAP)¹ earnings per diluted share were \$0.06, in line with results achieved in Q1'19.
- Revenues for the quarter increased 4% to \$287 million. Excluding exited or to-be-exited operations, revenues on a same-store basis improved 9%, driven by increases across all operating segments.
- Contract backlog as of March 31, 2020 was \$648 million. Excluding exited or to-be-exited businesses, backlog increased 3% compared to prior-year levels, driven by a 10% increase in new orders in Q1'20 compared to Q1'19.
- Ending cash as of March 31, 2020 was \$74 million. The Company successfully completed a credit facility amendment that provides expanded covenant flexibility and increases expected borrowing capacity over the next 12 months by more than \$100 million.
- The Company currently expects Q2'20 adjusted EPS to be in the range of \$0.20 to \$0.30 and will look to reinstate full-year financial guidance when there is improved visibility into expected results.

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

Q1'20 HIGHLIGHTS

- Infrastructure Solutions and Energy Services delivered strong year-over-year improvement in both adjusted operating income and adjusted operating margins, successfully overcoming March COVID-19 impacts.
- Consolidated adjusted gross profit and adjusted operating income declines were the result of larger than expected losses from Corrosion Protection, which were exacerbated by short-term COVID-19-related project delays, primarily impacting the Coating Services business.
- Adjusted operating expenses declined 3% from the prior year due to continued focus on cost containment. Management announced multiple cash savings initiatives in March, including salary reductions, employee furloughs, a freeze on discretionary spend and capital expenditures and suspension of the Company's open market share repurchase program.

"The health and safety of our employees, customers and communities are Aegion's highest priorities. Our 'essential service' designation underpins the need for our services to maintain critical infrastructure integrity for the sake of public health and environmental compliance – even during challenging times. Aegion is successfully managing the impacts of COVID-19 and the oil market collapse, although Q2 results will be impacted and visibility into the second half of the year remains uncertain.

Our efforts to reshape the business over the last several years have positioned us well to withstand market uncertainty. While the severity and duration of this crisis remain unknown, we are focused on what is in our control, including our commitment to safety, being nimble with crew loading and scheduling, swift implementation of cash savings initiatives and expanding our liquidity to provide a cushion against further risk. We are focused and resilient and will successfully navigate this crisis."

Charles R. Gordon, President and Chief Executive Officer

Selected Consolidated Financial Highlights

(in thousands, except earnings per share)	Quarter Ended March 31, 2020			Quarter Ended March 31, 2019		
	As Reported (GAAP)	Adjustments (1)	As Adjusted (Non-GAAP)	As Reported (GAAP)	Adjustments (2)	As Adjusted (Non-GAAP)
Revenues \$	287,375	\$ —	\$ 287,375	\$ 276,904	\$ —	\$ 276,904

Cost of revenues	237,491	(323)	237,168	228,609	(4,503)	224,106
Gross profit	49,884	323	50,207	48,295	4,503	52,798
Operating expenses	46,348	(1,381)	44,967	47,870	(1,570)	46,300
Acquisition and divestiture expenses	852	(852)	—	113	(113)	—
Restructuring and related charges	1,288	(1,288)	—	1,086	(1,086)	—
Operating income (loss)	1,396	3,844	5,240	(774)	7,272	6,498
Other income (expense)	425	195	620	(674)	176	(498)
Income (loss) before taxes on income	(1,147)	4,039	2,892	(4,753)	7,448	2,695
Taxes (benefit) on income (loss)	156	602	758	(762)	1,477	715
Net Income (loss) (attributable to Aegion Corporation)	(1,632)	3,437	1,805	(4,001)	5,971	1,970
Diluted earnings (loss) per share \$	(0.05) \$	0.11 \$	0.06 \$	(0.13) \$	0.19 \$	0.06

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

(1) 2020 Non-GAAP pre-tax adjustments:

- **Restructuring:** Charges for cost of revenues of \$323 primarily related to inventory write offs; charges for operating expenses of \$1,381 primarily related to wind-down costs, fixed asset disposals and other restructuring-related charges; charges of \$1,288 related to employee severance, extension of benefits, employment assistance programs and contract termination costs; charges for other expense of \$631 related to net losses on disposal of certain restructured operations and the release of cumulative currency translation adjustments.
- **Acquisition and Divestiture Expenses:** Expenses of \$852 incurred primarily in connection with the Company's divestitures of Australia and Spain and its planned divestiture of its held for sale operations; net gains of \$436 on the divestitures of Australia and Spain.

(2) 2019 Non-GAAP pre-tax adjustments:

- **Restructuring:** Charges for cost of revenues of \$74 primarily related to inventory write offs; charges for operating expenses of \$1,530 primarily related to wind-down costs, reserves for potentially uncollectible receivables, fixed asset disposals and other restructuring-related charges; charges of \$1,086 related to employee severance, extension of benefits, employment assistance programs and contract termination costs; and charges of \$176 related to losses on disposal of certain restructured operations and the release of cumulative currency translation adjustments.
- **Acquisition and Divestiture Expenses:** Expenses of \$113 incurred in connection with the Company's divestiture of Australia and other operations.
- **Project Warranty Accruals:** Charges of \$4,429 for estimated project remediation charges related to a cured-in-place pipe project in the North American operations of Infrastructure Solutions.
- **Tax Cuts and Jobs Act:** Expenses of \$40 related to professional fees resulting from the Tax Cuts and Jobs Act.

Selected Segment Financial Highlights

(in thousands)

	Quarter Ended March 31, 2020			Quarter Ended March 31, 2019		
	As Reported (GAAP)	Adjustments (1)	As Adjusted (Non-GAAP)	As Reported (GAAP)	Adjustments (2)	As Adjusted (Non-GAAP)
Revenues:						
Infrastructure Solutions	\$ 130,244	\$ —	\$ 130,244	\$ 131,543	\$ —	\$ 131,543
Corrosion Protection	66,068	—	66,068	64,498	—	64,498
Energy Services	91,063	—	91,063	80,863	—	80,863
Total Revenues	\$ 287,375	\$ —	\$ 287,375	\$ 276,904	\$ —	\$ 276,904
Gross Profit:						
Infrastructure Solutions	\$ 31,370	\$ 17	\$ 31,387	\$ 26,586	\$ 4,404	\$ 30,990
Gross Profit Margin	24.1%		24.1%	20.2%		23.6%
Corrosion Protection	8,917	306	9,223	12,873	99	12,972
Gross Profit Margin	13.5%		14.0%	20.0%		20.1%

Energy Services	9,597	—	9,597	8,836	—	8,836
<i>Gross Profit Margin</i>	10.5%		10.5%	10.9%		10.9%
Total Gross Profit	\$ 49,884	\$ 323	\$ 50,207	\$ 48,295	\$ 4,503	\$ 52,798
<i>Gross Profit Margin</i>	17.4%		17.5%	17.4%		19.1%
Operating Income (Loss):						
Infrastructure Solutions	\$ 13,555	\$ 629	\$ 14,184	\$ 5,715	\$ 6,582	\$ 12,297
<i>Operating Margin</i>	10.4%		10.9%	4.3%		9.3%
Corrosion Protection	(6,447)	1,774	(4,673)	(1,760)	262	(1,498)
<i>Operating Margin</i>	(9.8%)		(7.1%)	(2.7%)		(2.3%)
Energy Services	2,176	96	2,272	1,115	34	1,149
<i>Operating Margin</i>	2.4%		2.5%	1.4%		1.4%
Corporate	(7,888)	1,345	(6,543)	(5,844)	394	(5,450)
<i>Operating Margin</i>	(2.7%)		(2.3%)	(2.1%)		(2.0)%
Total Operating Income (Loss)	\$ 1,396	\$ 3,844	\$ 5,240	\$ (774)	\$ 7,272	\$ 6,498
<i>Operating Margin</i>	0.5%		1.8%	(0.3%)		2.3%

(1) Includes non-GAAP adjustments related to:

- **Infrastructure Solutions** - (i) pre-tax restructuring charges associated with severance and benefit related costs, contract termination costs, wind-down costs, fixed assets disposals and other restructuring charges; and (ii) expenses incurred in connection with the divestitures of Australia and Spain.
- **Corrosion Protection** - pre-tax restructuring charges associated with severance and benefit related costs, contract termination costs, wind-down costs, fixed asset disposals and other restructuring charges.
- **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, contract termination costs, wind-down costs, reserves for potentially uncollectible receivables, fixed asset disposals and other restructuring charges; (ii) expenses incurred in connection with the divestiture of the CIPP business in Australia; and (iii) project warranty accrual.
- **Corrosion Protection** - (i) pre-tax restructuring charges associated with severance and benefit related costs, contract termination costs, wind-down costs, fixed asset disposals 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) acquisition and divestiture expenses.

About Aegion Corporation (NASDAQ: AEGN)

Aegion combines innovative technologies with market-leading expertise to maintain, rehabilitate and strengthen infrastructure around the world. For nearly 50 years, 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, 2019, filed with the Securities and Exchange Commission on March 2, 2020, and in subsequently filed documents, and, in particular, the impact of the current COVID-19 virus outbreak and the evolving response thereto. 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 2020. 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 2020.

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 ended March 31, 2020 and 2019 exclude charges related to the Company’s restructuring activities, acquisition and divestiture-related activities, project warranty accruals 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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