LCI Industries

Second Quarter 2020 Earnings Conference Call

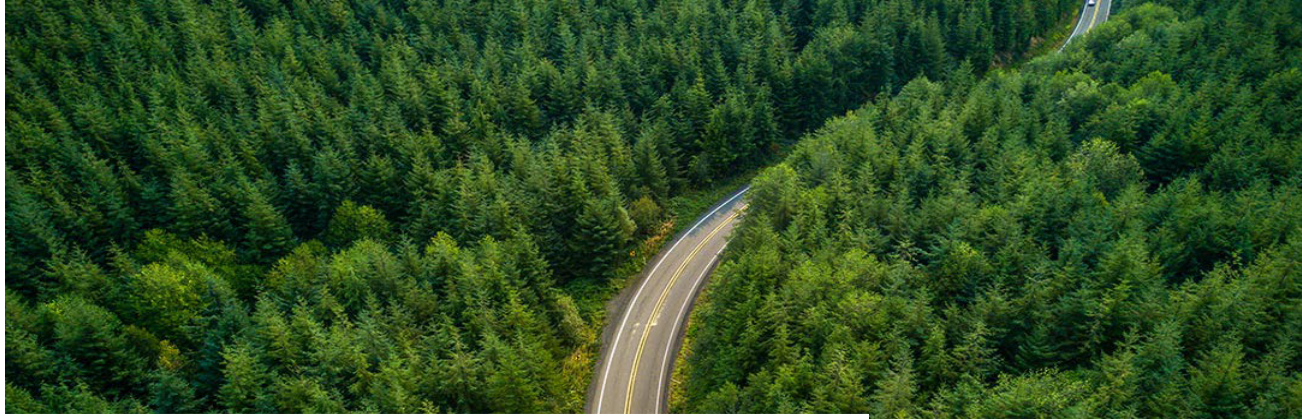
August 4, 2020

Forward-Looking Statements and Non-GAAP Financial Measures

This presentation contains certain “forward-looking statements” with respect to our financial condition, results of operations, business strategies, operating efficiencies or synergies, competitive position, growth opportunities, acquisitions, plans and objectives of management, markets for the Company’s common stock, the impact of legal proceedings, and other matters. Statements in this presentation that are not historical facts are “forward-looking statements” for the purpose of the safe harbor provided by Section 21E of the Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act of 1933, as amended, and involve a number of risks and uncertainties.

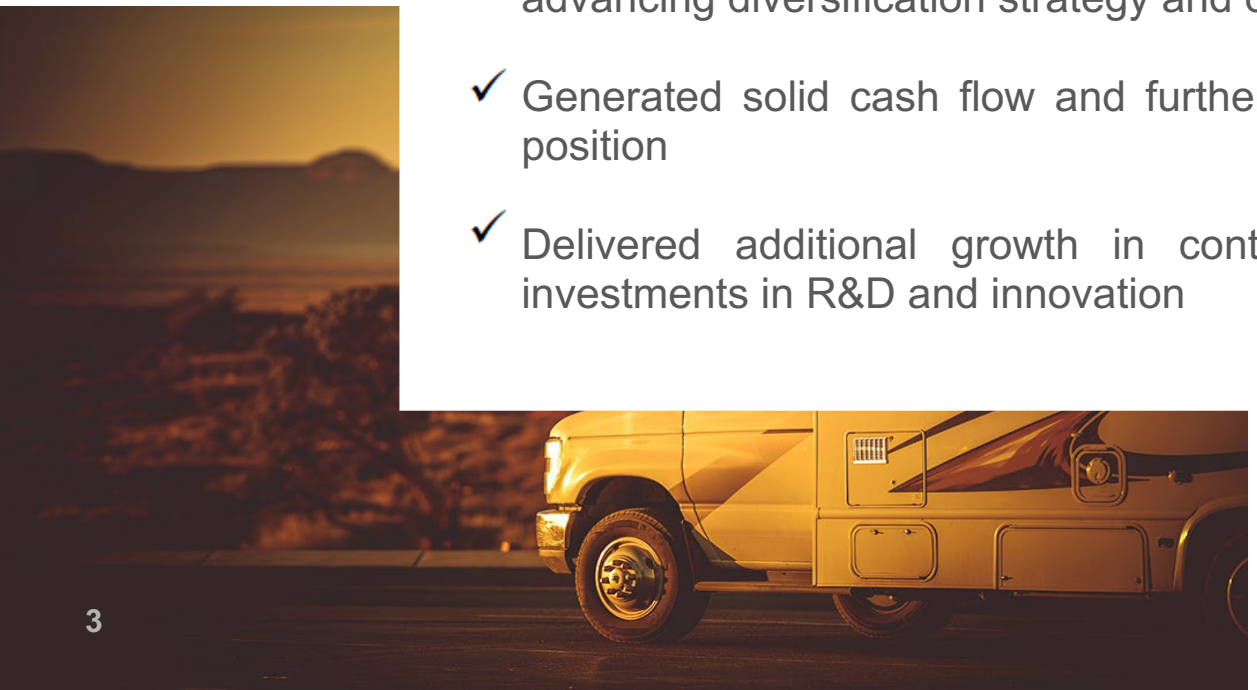
Forward-looking statements, including, without limitation, those relating to the Company's future business prospects, net sales, expenses and income (loss), capital expenditures, tax rate, cash flow, financial condition, liquidity, consumer demand, integration of acquisitions, R&D investments, and resumption or suspension of normal operations, whenever they occur in this presentation are necessarily estimates reflecting the best judgment of the Company's senior management at the time such statements were made. There are a number of factors, many of which are beyond the Company’s control, which could cause actual results and events to differ materially from those described in the forward-looking statements. These factors include, in addition to other matters described in this presentation, the impacts of COVID-19, or other future pandemics, on the global economy and on the Company's customers, suppliers, employees, business and cash flows, pricing pressures due to domestic and foreign competition, costs and availability of, and tariffs on, raw materials (particularly steel and aluminum) and other components, seasonality and cyclicality in the industries to which we sell our products, availability of credit for financing the retail and wholesale purchase of products for which we sell our components, inventory levels of retail dealers and manufacturers, availability of transportation for products for which we sell our components, the financial condition of our customers, the financial condition of retail dealers of products for which we sell our components, retention and concentration of significant customers, the costs, pace of and successful integration of acquisitions and other growth initiatives, availability and costs of production facilities and labor, team member benefits, team member retention, realization and impact of expansion plans, efficiency improvements and cost reductions, the disruption of business resulting from natural disasters or other unforeseen events, the successful entry into new markets, the costs of compliance with environmental laws, laws of foreign jurisdictions in which we operate, other operational and financial risks related to conducting business internationally, and increased governmental regulation and oversight, information technology performance and security, the ability to protect intellectual property, warranty and product liability claims or product recalls, interest rates, oil and gasoline prices and availability, the impact of international, national and regional economic conditions and consumer confidence on the retail sale of products for which we sell our components, and other risks and uncertainties discussed more fully under the caption “Risk Factors” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2019, and in the Company’s subsequent filings with the Securities and Exchange Commission. Readers of this presentation are cautioned not to place undue reliance on these forward-looking statements, since there can be no assurance that these forward-looking statements will prove to be accurate. The Company disclaims any obligation or undertaking to update forward-looking statements to reflect circumstances or events that occur after the date the forward-looking statements are made, except as required by law.

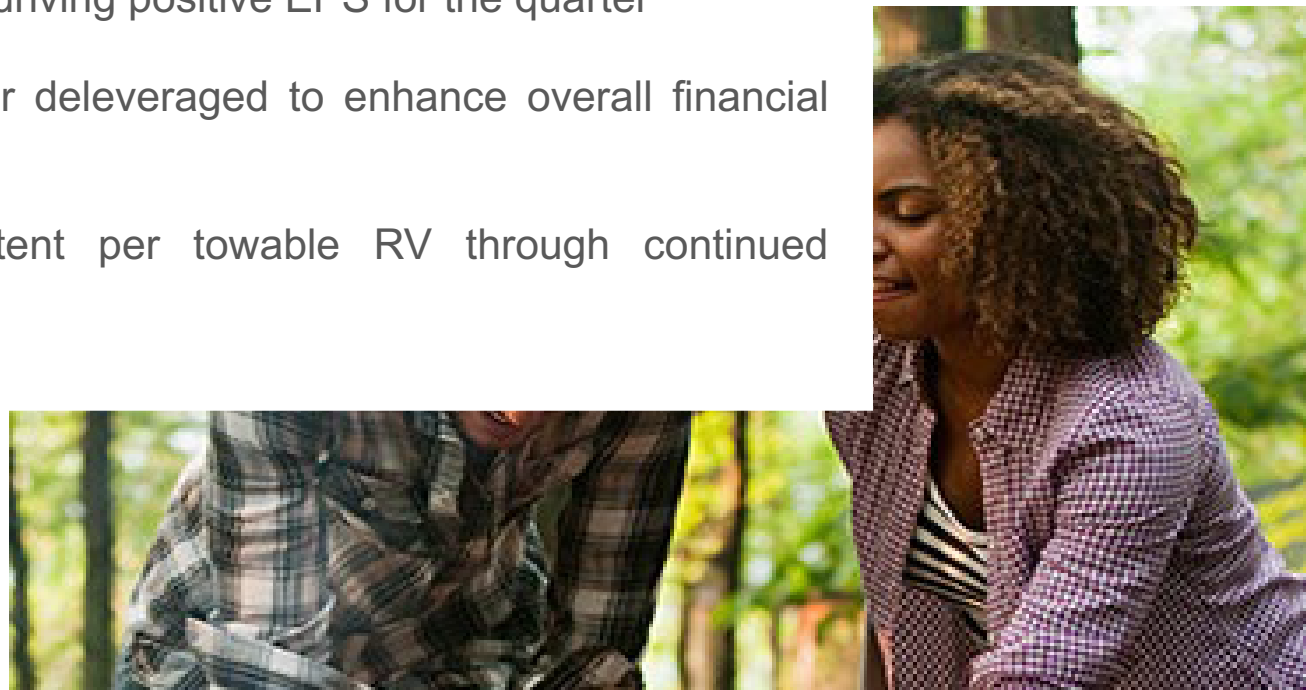
This presentation includes certain non-GAAP financial measures. These non-GAAP financial measures should not be considered a substitute for the comparable GAAP financial measures. A reconciliation of these non-GAAP financial measures to the most directly comparable GAAP financial measure is included in this presentation.



Second Quarter 2020 Highlights

- ✓ Successfully resumed production across all facilities to meet accelerated RV demand, with record sales for June and July
- ✓ Significant year-over-year sales growth in Aftermarket and International markets, advancing diversification strategy and driving positive EPS for the quarter
- ✓ Generated solid cash flow and further deleveraged to enhance overall financial position
- ✓ Delivered additional growth in content per towable RV through continued investments in R&D and innovation





RV OEM

- **Retail demand recovered rapidly in June and into July following temporary production shutdowns, which impacted overall performance for the second quarter**
  - Q2 2020 RV OEM revenues down 38% YoY (wholesale shipments down 34% YoY)
  - Sales in June and July up 39% and 53% respectively YoY, driven by an increased shift in demand toward the RV lifestyle
  - Further diversified net sales mix, with North American RV OEM accounting for less than 52% of total net sales[1]

- **New product innovation and market share gains accelerated growth in content per towable RV**
  - Content per towable RV: $3,371, +4% YoY[2]
  - Content per motorhome: $2,308, (4)% YoY[2]

- **Fundamentals of the RV industry remain strong, underscored by solid uptick of first-time RV buyers**
  - Consumer desire to find safe, alternative outdoors activities that enable social distancing will help to drive sustainable growth
  - Recent RVIA survey reported 46 million Americans said they will take an RV trip over the next 12 months, highlighting positive long-term outlook for RV

[1]For trailing twelve months ended June 30, 2020

[2]For trailing twelve months ended June 30, 2020, adjusted to remove impact of Furrion sales from all prior periods

LCI INDUSTRIES

Expanding Markets

Executing on our diversification strategy to reach goal of 40% North American RV OEM by 2022

Aftermarket

- CURT sold a record number of hitches and continues to gain market share with its broad portfolio of products
- Strength of business counter-cyclicality helping mitigate impact from production shutdowns within LCI
- Consumers' increased use of RVs fueled an increase in demand for aftermarket parts, which has experienced steady growth since the outbreak of COVID-19

Adjacent Markets

- Marine experienced solid growth in the latter half of the quarter, benefiting from the same secular trends driving demand for RVs
- The integration of the PWR-ARM brand of electric biminis is progressing as planned, offering a substantial growth opportunity as all manual biminis on pontoon boats start to be replaced with electric biminis

International

- Facilities overseas reopened after temporary production shutdowns related to COVID-19
- Polyplastic operated without any disruption to production, with an increase in demand for acrylic window products for COVID-related uses helping to drive sales

Second Quarter Innovation Highlights

Innovation: a critical part of our strategy

- R&D expertise and innovation remains a core component of LCI's long-term strategy
- Demand for OneControl building as it becomes more frequently requested and adopted amongst customers
- Tire pressure management designed to improve safety measures across RVs poised for launch in Q3 2020
- Established the Technology Division with a newly appointed Chief Technology Officer to further coordinate the focus of the technology developments in our products

Growth Strategy

Integrating and Realizing Synergies from New Acquisitions

- In light of COVID-19, LCI remains focused on realizing new synergies from our most recent acquisitions, preserving cash, and paying down debt in the near-term
- Maintaining a robust pipeline of M&A targets split evenly across all market segments and are open to small and strategic tuck-in acquisitions

Capitalizing on Ability to Win Market Share

- Growing market leadership in adjacent markets, international markets, and the aftermarket segment through enhanced engineering and innovation

Continued Focus on Stated Capital Allocation Goals

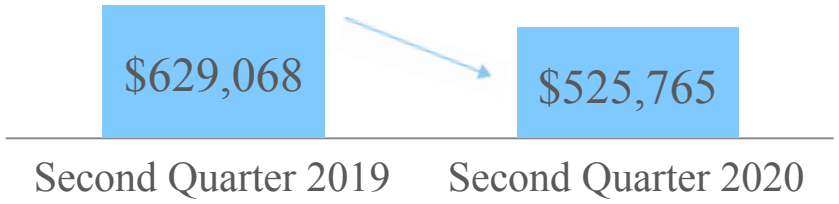
- Investment in the business
- Reduce leverage
- Return capital to shareholders
- Execute strategic acquisitions

LCI INDUSTRIES

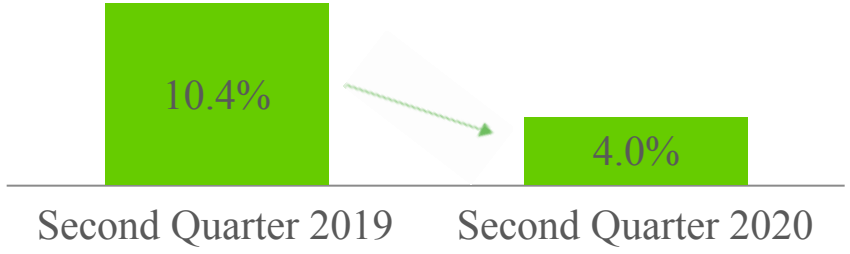
Q2 2020 Financial Performance

Consolidated Net Sales

(in thousands)

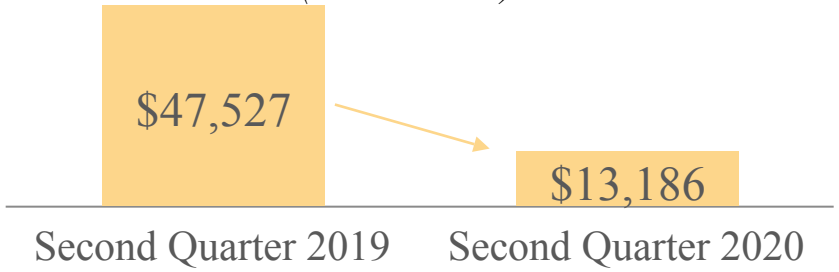


Operating Margin



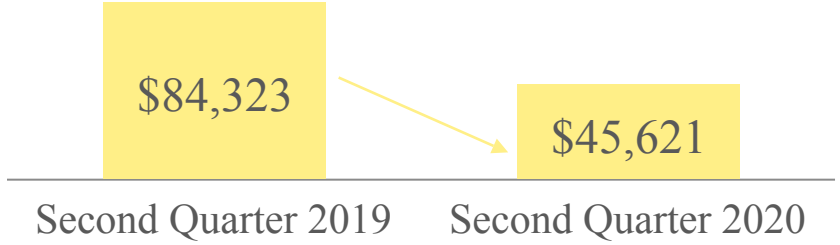
Consolidated Net Income

(in thousands)



Adjusted EBITDA

(in thousands)



Additional information regarding adjusted EBITDA, as well as reconciliation of this non-GAAP financial measure to the most directly comparable GAAP financial measure, is provided in Appendix A.

Consolidated Net Sales by Market

(38)%

RV OEM

(23)%

ADJACENT OEM

+109%

AFTERMARKET SEGMENT

+40%

INTERNATIONAL MARKETS

Liquidity and Cash Flow

($ in millions)	Six Months Ended June 30, 2020	2019
Cash, Cash Equivalents	$62.3	$60.7
Remaining availability under Debt Facilities[1]	$401.2	$557.1
Capital Expenditures	$14.5	$35.8
Dividends	$32.7	$31.3
Debt / Net Income (TTM)	6.6x[2]	1.8x[3]
Net Debt / EBITDA (TTM)	2.7x[2]	0.7x[3]
Cash from Operating Activities	$102.1	$180.1

(1) Remaining availability under the debt facilities is subject to covenant restrictions and, in the case of $150 million of such availability, the lender's discretion.

(2) Net Debt/EBITDA ratio is a non-GAAP financial measure and is calculated as follows: Debt of $702M, less Cash of $62M, resulted in Net Debt of $640M at June 30, 2020, divided by Earnings Before Interest, Taxes, Depreciation, and Amortization, "EBITDA" (Net Income of $106M adding back interest of $13M, Taxes of $33M, and Depreciation and Amortization of $87M), resulting in $239M EBITDA for the twelve months ended June 30, 2020. The GAAP debt / Net income ratio was $702M / $106M or 6.6x.

(3) Net Debt/EBITDA ratio is a non-GAAP financial measure and is calculated as follows: Debt of $245M, less Cash of $61M, resulted in Net Debt of $184M at June 30, 2019, divided by Earnings Before Interest, Taxes, Depreciation, and Amortization, "EBITDA" (Net Income of $136M, adding back interest of $8M, Taxes of $44M, and Depreciation and Amortization of $72M), resulting in $260M EBITDA for the twelve months ended June 30, 2019. The GAAP debt / Net income ratio was $245M / $136M or 1.8x.

Reconciliation of Non-GAAP Measures

The following table reconciles net income to EBITDA and Adjusted EBITDA.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
(In thousands)				
Net income	$ 13,186	$ 47,527	$ 41,400	$ 81,893
Interest expense, net	3,698	2,099	8,895	4,606
Provision for income taxes	3,898	16,031	14,753	26,913
Depreciation expense	14,931	12,963	30,131	25,541
Amortization expense	9,254	5,703	18,668	11,574
EBITDA	44,967	84,323	113,847	150,527
Non-cash charge for inventory fair value step-up	654	—	6,898	—
Adjusted EBITDA	$ 45,621	$ 84,323	$ 120,745	$ 150,527

In addition to reporting financial results in accordance with U.S. GAAP, the Company has provided the non-GAAP performance measures of adjusted net income, adjusted diluted net income per common share, and adjusted EBITDA to illustrate and improve comparability of its results from period to period. Adjusted net income is defined as net income adjusted for items that impact the comparability of the Company's results from period to period, which consisted of the inventory fair value step-up from the acquisition of CURT and related tax impacts during the three and six month periods ended June 30, 2020. Adjusted diluted net income per common share is defined as net income per common share adjusted for items that impact the comparability of the Company's results from period to period, which consisted of the inventory fair value step-up from the acquisition of CURT and related tax impacts during the three and six month periods ended June 30, 2020. Adjusted EBITDA is defined as net income before interest expense, provision for income taxes, depreciation and amortization expense, and other adjustments made in order to present comparable results from period to period, which consisted of the inventory fair value step-up from the acquisition of CURT during the three and six month periods ended June 30, 2020. The Company considers these non-GAAP measures, and the non-GAAP measure of Net Debt/EBITDA ratio, in evaluating and managing the Company's operations and believes that discussion of results adjusted for these items is meaningful to investors because it provides a useful analysis of ongoing underlying operating trends. The adjusted measures are not in accordance with, nor are they a substitute for, GAAP measures, and they may not be comparable to similarly titled measures used by other companies.

LCI INDUSTRIES

Q&A