LCI Industries FY 2023 Earnings Conference Call

February 13, 2024

LCI INDUSTRIES

Whenever, wherever,
we make your experience better.

FORWARD-LOOKING STATEMENTS

This presentation contains certain “forward-looking statements” with respect to our financial condition, results of operations, profitability, margin growth, 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, covenant compliance, retail and wholesale demand, integration of acquisitions, R&D investments, commodity prices and industry trends, 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 future pandemics, geopolitical tensions, armed conflicts, or natural disaster 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 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, 2022, and in the Company’s subsequent filings with the Securities and Exchange Commission, including the Company's Quarterly Reports on the 10-Q. 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, such as EBITDA, net debt to EBITDA leverage, and free cash flow. These non-GAAP financial measures should not be considered a substitute for the comparable GAAP financial measures. Reconciliations of these non-GAAP financial measures to the most directly comparable GAAP financial measure are included in the presentation.

Fourth Quarter and Full Year 2023 Highlights

Diversification and ample cash generation supporting stability



Financial Performance

- Full year net sales of $3.8 billion, down 27% year-over-year
- Full year net income of $64 million, down 84% year-over-year
- Full year EBITDA[1] of $255 million, down 63% year-over-year
- Net sales of $838 million with net loss of $(2) million in the fourth quarter



Generating Ample Cash to Strengthen the Balance Sheet

- Inventory reductions of $261 million in 2023, improving cash generation
- Paid down $277 million in debt in 2023, including $37.5 million in prepayments of Term Loan principal in 3Q23 and 4Q23
- Free cash flow[1] of $465 million in 2023



Executing on Diversification

- Resilience in Aftermarket and international supporting performance amidst declines in RV and marine
- Aftermarket and adjacent industries currently make up over half of total Company sales
- Added over $900 million of sales from acquisitions since 2019



Commencing Exciting Partnerships

- Partnered with Keystone to add ABS brakes to the best selling fifth wheel in the country
- Continuing to build on our relationship supplying axles to ATW, the largest North American producer of utility trailers
- Announced a joint venture with Euramax for Mobility to bring their European products to North American OEMs

[1] Additional information regarding EBITDA and free cash flow, as well as reconciliations of these non-GAAP financial measures to the most directly comparable GAAP financial measure, is provided in the Appendix
[2] For twelve months ended December 31, 2023

RV OEM - NET SALES

Performance and Trends

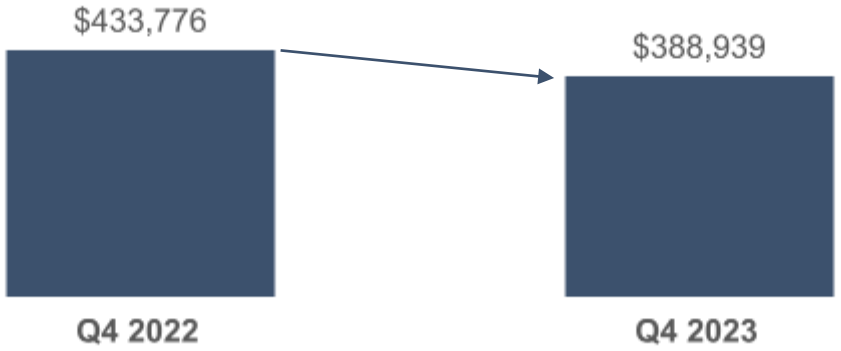
- 75,100 wholesale units shipped in Q4 2023, up sequentially over 73,300 in Q3 2023
- Q4 2023 RV OEM sales down 10% YoY
- Current 2024 North American forecast of 325 - 350k wholesale units
- January 2024 net sales up 13% over January 2023, reflecting positive sentiment coming out of retail RV shows

Content per Wholesale Unit

- Travel trailer and fifth-wheel RV content of $5,058 for FY 2023[1], down 17% over the comparable prior year period
- Motorhome content of $3,506 for FY 2023[1], down 14%

Net Sales

(in thousands)







[1] For twelve months ended December 31, 2023

ADJACENT INDUSTRIES OEM - NET SALES

Performance and Trends

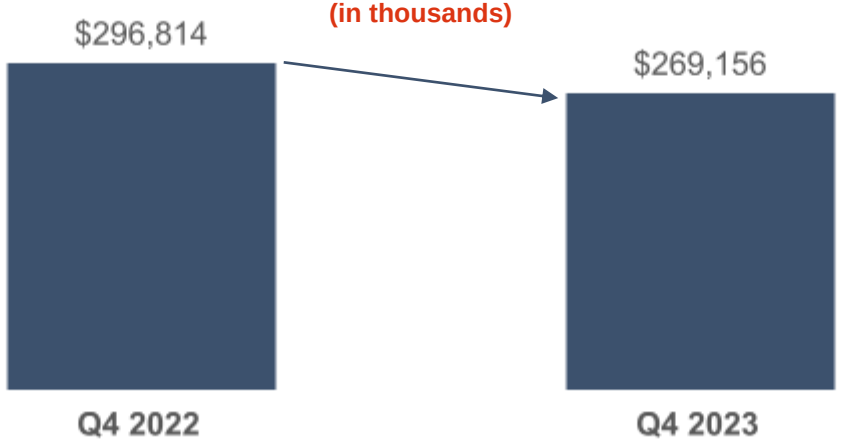
- Q4 2023 Adjacent Industries sales down 9% YoY
- Decrease primarily driven by declines in the Marine market due to inflation and elevated interest rates impacting retail consumers
- Leveraging innovation to further expand Marine content through products like our shallow anchor systems, thrusters, seating, and electric biminis
- Strength in transit and utility trailer markets have lessened the impact from NA marine softness





Net Sales

(in thousands)



AFTERMARKET SEGMENT

Performance and Trends

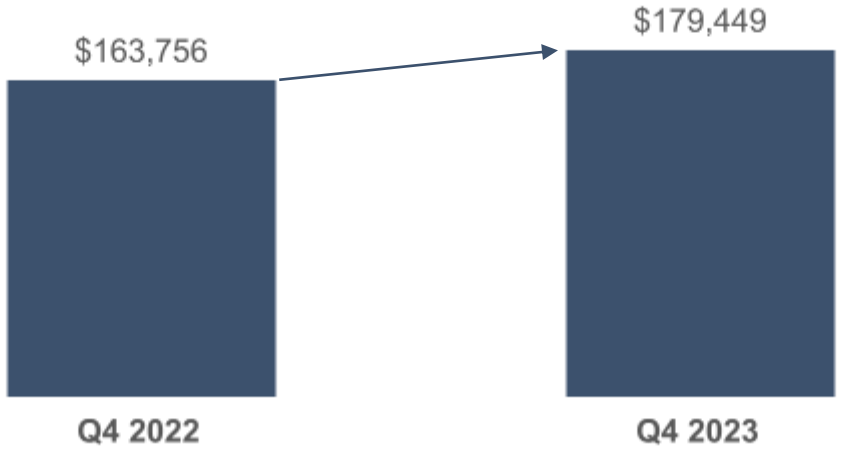
- Q4 2023 sales up 10% year over year, as distribution channel inventories stabilized
- Meaningful YOY margin expansion driven by decreased commodity costs and leveraging of fixed costs over larger sales and production volume
- Sold 910K hitches in 2023, up from 860K in 2022 reflecting improved pricing and market share gains in the automotive aftermarket
- Innovation driving ongoing portfolio expansion through sophisticated products, catering to the new generation of RV enthusiasts
- Thousands continue to enter the repair and replacement cycle





Net Sales

(in thousands)



INTERNATIONAL BUSINESS - NET SALES

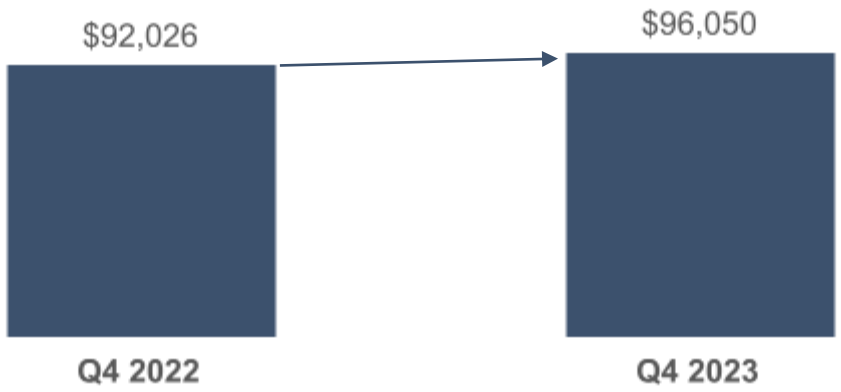
Performance and Trends

- Q4 2023 sales up 4% YoY
- Maintaining focus on introducing popular European products in North American markets, including window blinds, pop top, and B-vans
- International results include RV OEM, Adjacent Industries OEM, and Aftermarket net sales
- Continue to see positive results and demand in international adjacent industries such as our Rail business



Net Sales

(in thousands)





INNOVATION AS A CULTURE

Constant innovation continues to drive long-term content expansion



DoubleCOOL Acrylic Cooling Solutions



ABS (Anti-Lock Braking System)



CURT® Enhanced Pin Box Solutions



OneControl® Auto featuring True Course™



Independent Suspension



Furrion® 18K Chill Cube Air Conditioner



Solera® 3000 Off-Grid Series Solar awning



Titan Leveling Systems™ Towable & Motorized



SureShade® Forward Facing Power Bimini



New Window Designs and Integrated Shades

Continued focus on innovation has resulted in a record number of product introductions in the last 10 years

GROWTH STRATEGY

Prioritizing ample liquidity and investments back into the company

Balanced Capital Allocation Strategy

- Reduce leverage
- Investment in the business, with focus on automation projects
- Execute strategic acquisitions and divestitures
- Return capital to shareholders

Continue Execution of our Diversification Strategy

- Expanding market share in our Non-RV OEM channel to increase stability
- Continue to expand offerings in our various markets through innovations and acquisitions

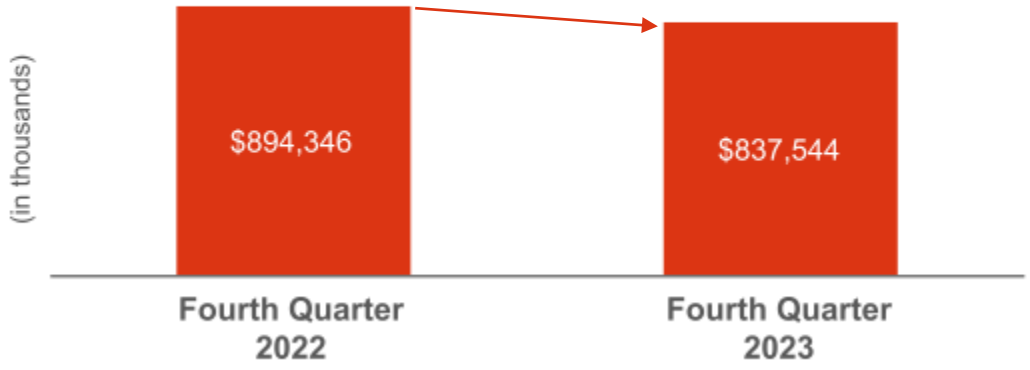
Leveraging Strengths to Win Market Share

- Continue to innovate, bringing new and useful offerings to the space
- Focusing on long term content per unit growth in all groups
- Unlocking cross-selling opportunities through new acquisitions and partnerships

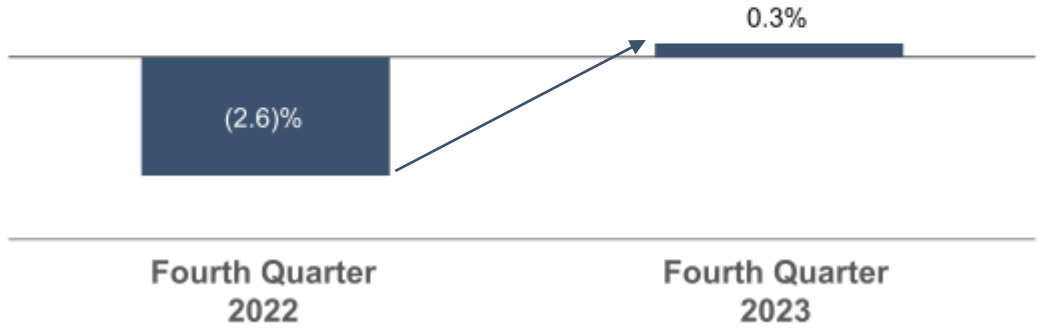


Q4 2023 FINANCIAL PERFORMANCE

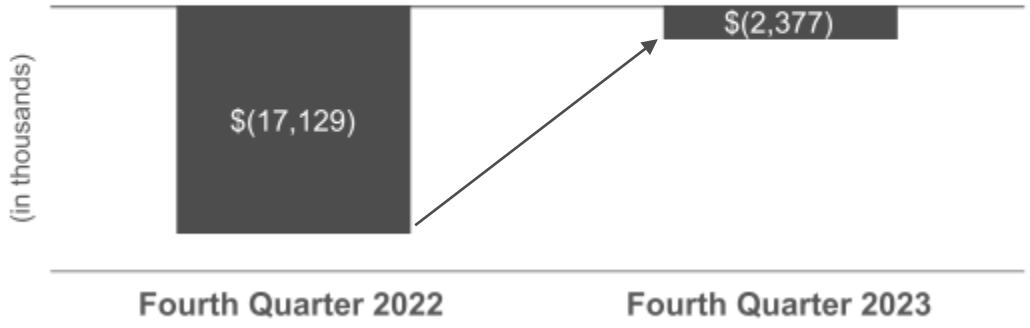
Consolidated Net Sales



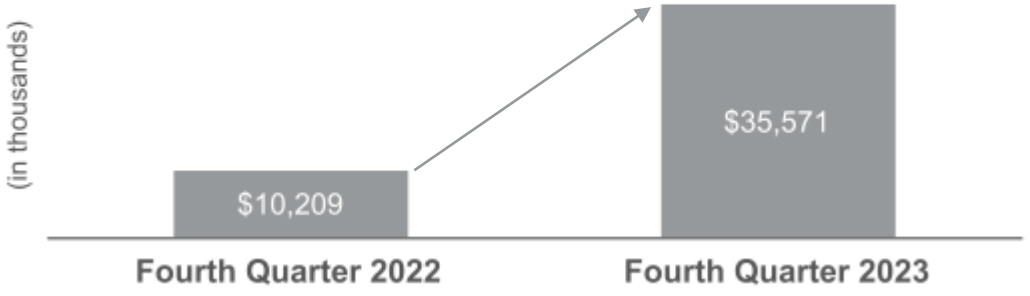
Operating Margin



Consolidated Net Loss



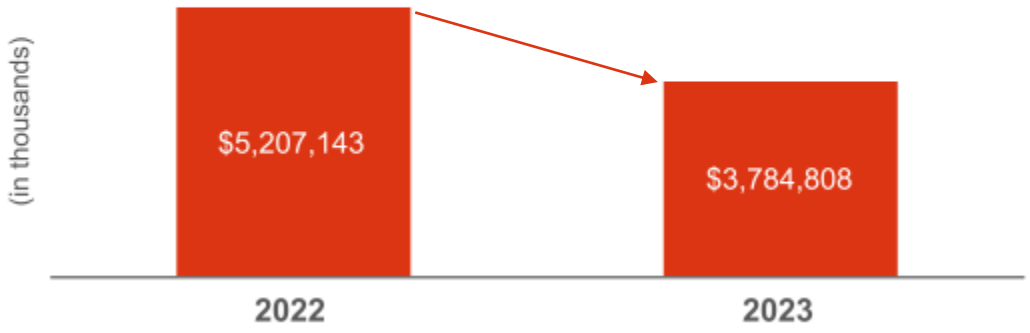
EBITDA*



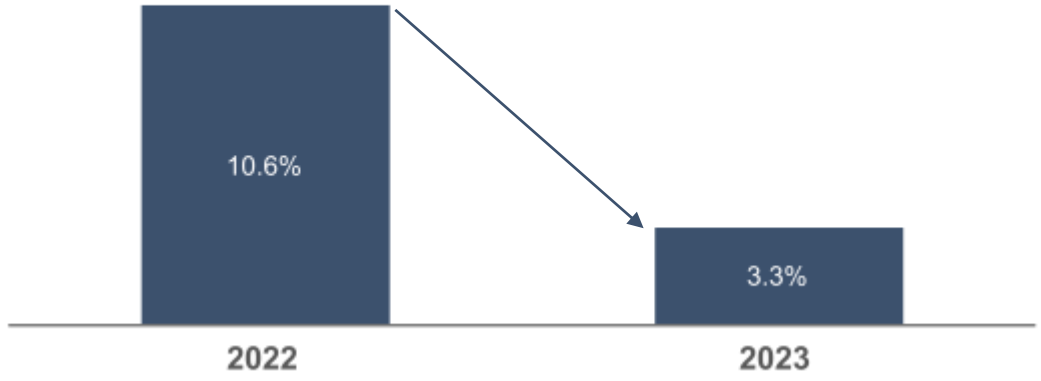
* Additional information regarding EBITDA, as well as reconciliation of this non-GAAP financial measure to the most directly comparable GAAP financial measure, is provided in the Appendix.

FY 2023 FINANCIAL PERFORMANCE

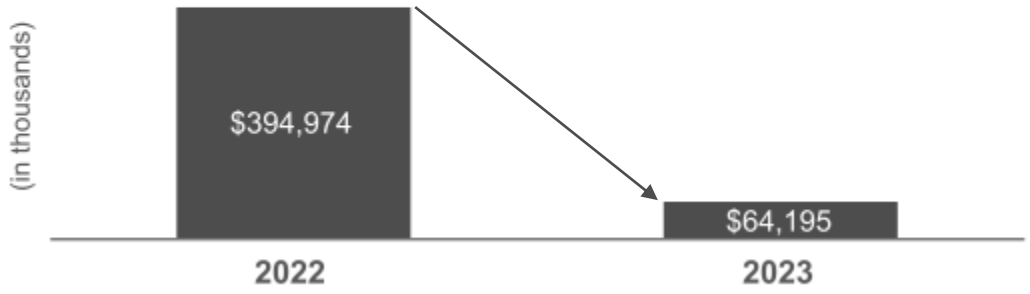
Consolidated Net Sales



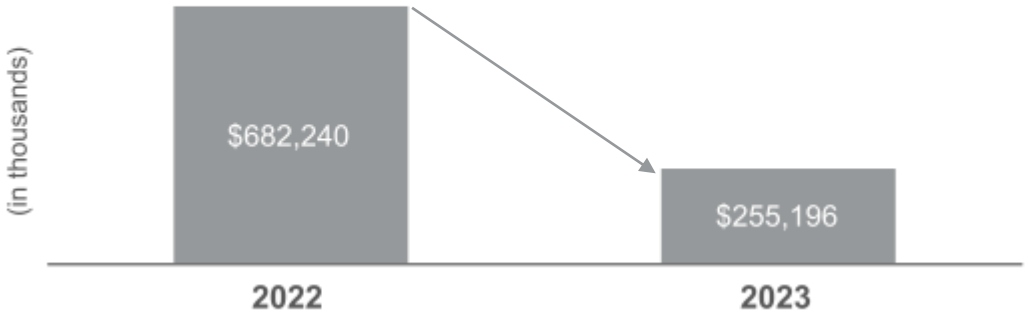
Operating Margin



Consolidated Net Income



EBITDA*



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

LIQUIDITY AND CASH FLOW

As of and for the twelve months ended December 31

	2023	2022
Cash and Cash Equivalents	$66M	$47M
Remaining Availability under Revolving Credit Facility[1]	$245M	$307M
Capital Expenditures	$62M	$131M
Dividends	$106M	$103M
Debt / Net Income (TTM)	13.3x	2.8x
Net Debt/EBITDA (TTM)[2][3]	3.1x	1.6x
Cash from Operating Activities	$527M	$603M
Free Cash Flow[4]	$465M	$472M



(1) Remaining availability under the revolving credit facility is subject to covenant restrictions.

(2) 2023 Net Debt/EBITDA ratio is a non-GAAP financial measure and is calculated as follows: Debt of $847M, less Cash of $66M, resulted in Net Debt of $781M at December 31, 2023, divided by Earnings Before Interest, Taxes, Depreciation, and Amortization, "EBITDA" (Net Income of $64M adding back Interest of $40M, Taxes of $19M, and Depreciation and Amortization of $132M), resulting in $255M EBITDA for the twelve months ended December 31, 2023. The GAAP debt / Net income ratio was $847M / $64M or 13.3x. The leverage ratio formula for our debt covenants under our credit agreement contain additional adjustments not included in the non-GAAP measure presented above.

(3) 2022 Net Debt/EBITDA ratio is a non-GAAP financial measure and is calculated as follows: Debt of $1,119M, less Cash of $47M, resulted in Net Debt of $1,071M at December 31, 2022, divided by EBITDA (Net Income of $395M, adding back Interest of $28M, Taxes of $130M, and Depreciation and Amortization of $129M), resulting in $682M EBITDA for the twelve months ended December 31, 2022. The GAAP debt / Net income ratio was $1,119M / $395M or 2.8x.

(4) Additional information regarding free cash flow, as well as a reconciliation of this non-GAAP financial measure to the most directly comparable GAAP financial measure, is provided in the Appendix.

APPENDIX

Reconciliation of Non-GAAP Measures

EBITDA

($ in thousands)	Three Months Ended December 31, 2023	Three Months Ended December 31, 2022	Twelve Months Ended December 31, 2023	Twelve Months Ended December 31, 2022
Net (loss) income	$ (2,377)	$ (17,129)	$ 64,195	$ 394,974
Interest expense, net	9,456	8,220	40,424	27,573
(Benefit) provision for income taxes	(4,458)	(14,128)	18,809	130,481
Depreciation and amortization	32,950	33,246	131,768	129,212
EBITDA	$ 35,571	$ 10,209	$ 255,196	$ 682,240

FREE CASH FLOW

($ in thousands)	Twelve Months Ended December 31, 2023	Twelve Months Ended December 31, 2022
Net cash flows provided by operating activities	$ 527,229	$ 602,514
Capital expenditures	(62,209)	(130,641)
Free cash flow	$ 465,020	$ 471,873

EBITDA and free cash flow are non-GAAP performance measures included to illustrate and improve comparability of the Company's results from period to period. EBITDA is defined as net income (loss) before interest expense, provision (benefit) for income taxes, depreciation and amortization expense. Free cash flow is defined as net cash flows provided by operating activities minus capital expenditures. The Company considers these non-GAAP measures in evaluating and managing the Company's operations and believes that discussion of results adjusted for these items is meaningful to investors because they provide a useful analysis of ongoing underlying 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.



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Q&A