



# 4<sup>TH</sup> QUARTER AND YEAR END 2018

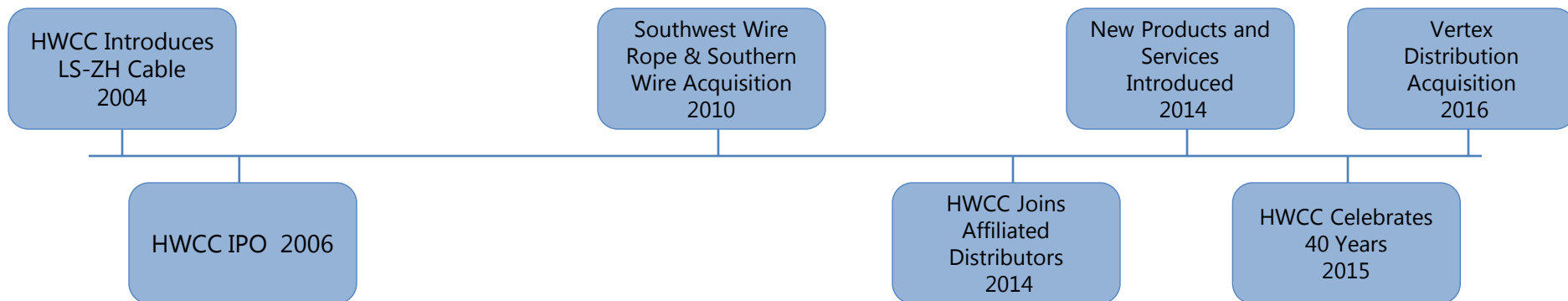
## Investor Relations Presentation

# SAFE HARBOR STATEMENT

- » Prepared by Houston Wire & Cable Company (the Company), this presentation contains comments concerning management's expectations, beliefs, objectives, performance and other items that do not relate strictly to historical or current facts. Such statements are considered "forward-looking" within the meaning of the Private Securities Litigation Reform Act of 1995. Investors are cautioned that forward-looking statements are inherently uncertain and projections about future events may and often do vary materially from actual results.
- » Risk factors that may cause actual results to differ materially from statements made in this presentation can be found in the company's 10-K and other SEC filings available under the Investor Relations section of the Company's website at [www.houwire.com](http://www.houwire.com).
- » Any forward-looking statements speak only as of the date of this presentation and the company undertakes no obligation to publicly update such statements.

# SOLUTION PROVIDER, RESPONSIBLE CAPITAL ALLOCATOR SOLID EARNER, ATTRACTIVE CYCLICAL RECOVERY POTENTIAL

- » Solution Provider: We add value to our products through multiple services and supply solutions in contrast with manufacturers and small distributors
- » During the recent energy down-cycle, HWCC substantially strengthened the company, returned capital to investors, diversified revenue streams, and invested for future growth
- » As the energy sector recovers, projects recover, and infrastructure spending increases, we believe HWCC can reach or exceed its prior peak earnings
- » During previous energy upcycle HWCC earned \$1.00 per share and a 16.2% average ROE



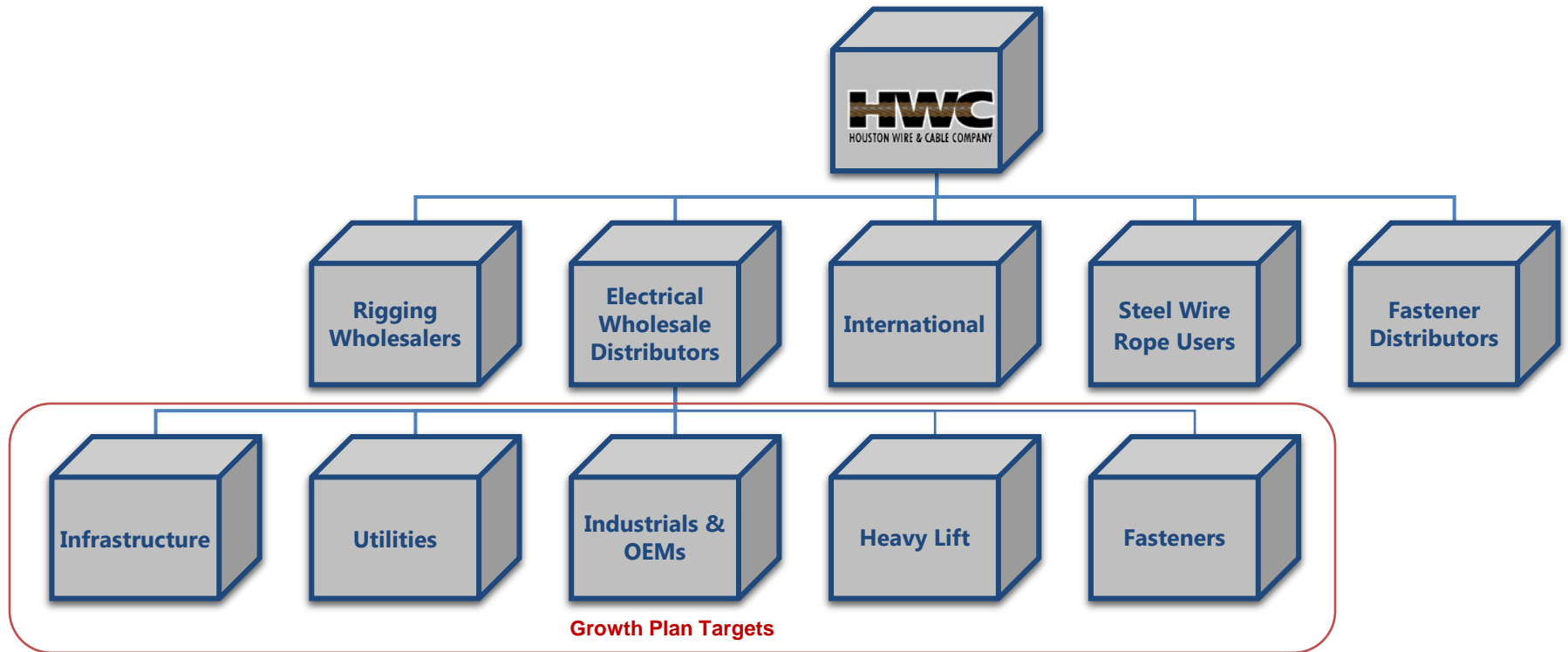
# EXPERIENCED & STABLE MANAGEMENT TEAM

Highly Tenured Industry Leaders

	<b>HWCC</b>	<b>Industry</b>
<b>Jim Pokluda – President &amp; Chief Executive Officer</b>	<b>31 Years</b>	<b>31 Years</b>
<b>Chris Micklas – Vice President &amp; CFO</b>	<b>9 Months</b>	<b>30 Years*</b>
<b>Eric Davis – President, Heavy Lift</b>	<b>24 Years</b>	<b>24 Years</b>
<b>Andrew Hall – President, Southern Wire</b>	<b>8 Years</b>	<b>31 Years</b>
<b>Rich Megliola – President, Vertex</b>	<b>6 Months</b>	<b>31 Years</b>
<b>Chris McLeod – Vice President, Operations, Electrical / Vertex</b>	<b>17 Years</b>	<b>31 Years</b>
<b>Brian Roy – Vice President, Sales, Electrical / Vertex</b>	<b>3 Years</b>	<b>32 Years</b>
<b>Dan Van Belle – Vice President, Southeast Region</b>	<b>23 Years</b>	<b>25 Years</b>
<b>Pete Comber – Vice President, Midwest &amp; North East Regions</b>	<b>3 Years</b>	<b>24 Years</b>

# DISTRIBUTION CHANNEL

Distributor customers are channel partners to penetrate targeted users of wire & cable, wire rope, and fasteners



# EXPANDED & MORE EFFICIENT NATIONAL DISTRIBUTION NETWORK

- + Cover 95% of USA with 1-day shipment
- + 24/7/365 customer service
- + Approximately 1.0MM sq. ft.
- + Bar-coded inventory
- + Centrally managed administration
- + ISO 9001:2008



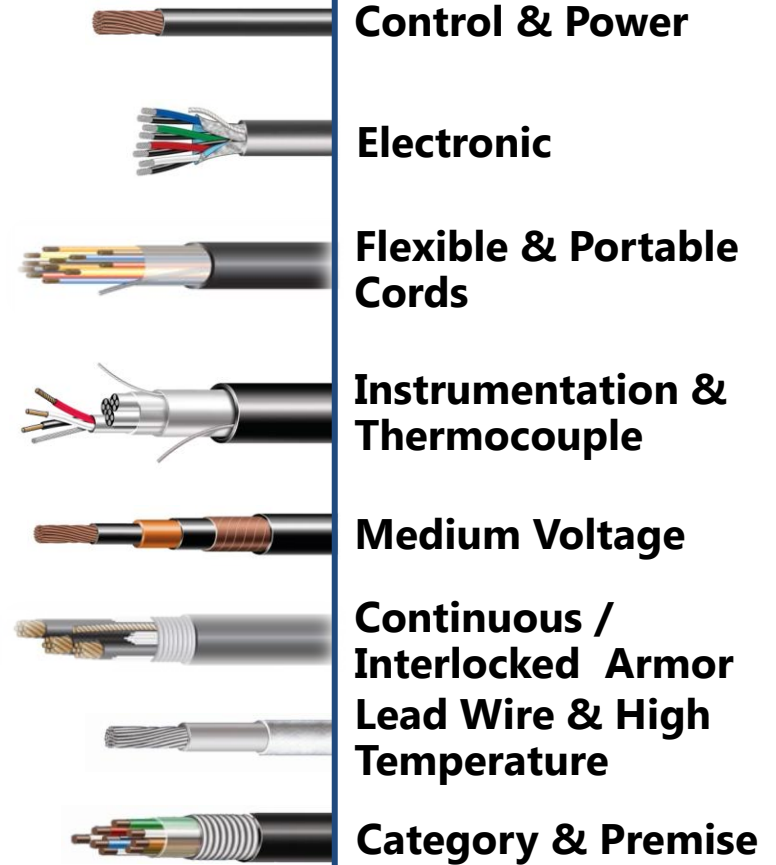
# BROAD VALUE ADDED SERVICES

Versus Manufacturers & Other Small Distributors

SERVICE	HWC	MANUFACTURER DIRECT
Initial Price		+
Same Day Shipment	+	
Inventory Depth & Breadth	+	
24/7/365 Service	+	
Ground Next Day Delivery	+	
No On-Site Labor Cost	+	
Free Custom Cuts	+	
No Product Waste	+	
Engineering Services	+	
Rentals	+	
Custom Fabrication	+	
Restricted Products	+	
Cable Management Services	+	

# BROAD PRODUCT OFFERING

- » Industry's largest inventory for a master distributor
- » Extensive array of wire, cable, ropes, slings, fasteners, and related hardware
- » Approximately 65,000 SKU's
- » High quality products from leading manufacturers
- » Large inventory facilitates same day shipment
- » Custom cut products ready for use at destination site
- » Custom fabrication
- » Exclusive supplier of private label products





# OPERATIONAL EXCELLENCE => SUSTAINABLE COMPETITIVE ADVANTAGE

- + On-going, all-encompassing program
  - + Wire & cable logistics
    - "Buy by the mile, sell by the foot"
    - Manage short length inventory
  - + Same-day shipping
    - Order by 3:00 pm, out same day
    - > 99% on-time order rate
    - > 99% order accuracy rate
    - > \$85M inventory
  - + Customer critical vendor lines
    - Single source for multiple wire and cable
    - Reduced shipping costs
    - No minimums



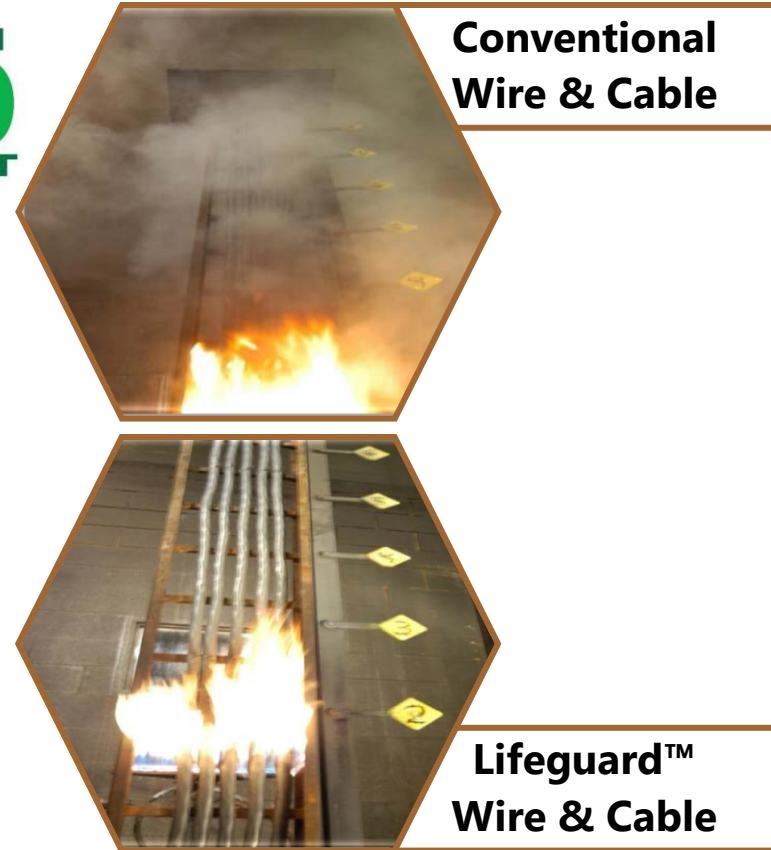
# NEW PRODUCTS & SERVICES

- » Product Line Expansion
  - › Aluminum Wire
  - › Expanded Oil & Gas Cables
  - › OEM Wire
  - › Cords
  - › Fasteners
- » Cable customization work cell
- » Engineering Services
  - › Heavy Lift Division
- » Vertex Acquisition
- » My ePower – Digital Customer Portal
  - › Award Winning Website
  - › Check Orders & Request Quotes
  - › Key Order Data
  - › Order Confirmation
  - › Tracking Info
  - › Estimated Time of Arrival
  - › Order History
  - › Live Chat

# LEADING MARKET POSITION



- » Estimated \$1.4 billion potential U.S. market
- » Leading supplier of low-smoke, zero-halogen products in the U.S.
- » Critical barriers to entry
- » Proprietary product construction
- » Accepted for use by over 300 end-users in the U.S.
- » Significant market opportunity across several vertical markets
- » Power generation, wastewater treatment, data centers, etc.
- » Technologically advanced construction material



Photographs taken approximately 60 seconds into burn test conducted at Underwriters' Laboratories

# CABLE MANAGEMENT: COMPELLING SOLUTION TO TRADITIONAL JOB-SITE PROGRAMS / CLUTTER



**Jobsite Solution**



**Cable Management Solution**

## Sample Customers

- + Engineering & Construction
  - Fortune 200 Companies
  - Top 20 E&C Firms
  - Industrial/Design Build Contractors
- + Infrastructure
  - Bridges/Tunnels
  - Transit
  - Waste Water
- + Utilities
  - New Power Plant Construction
  - Environmental Compliance
- + Large Industrials
  - Oil & Gas
  - Petrochemical



+  
No Waste



+  
Product  
Availability



+  
Guaranteed  
Pricing



+  
Just-in-time  
Delivery



+  
Around The  
Clock Service

# LONG-TERM GROWTH INITIATIVES

## Initiatives

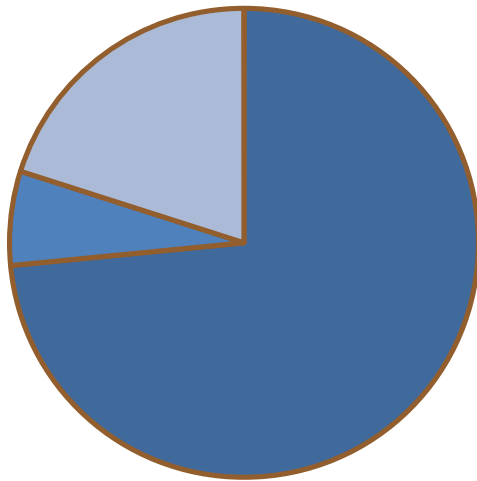
- + Targeted Industrials
- + Power Generation
- + Environmental Compliance
- + Engineering & Construction (E&C)
- + Mechanical
- + Fasteners
- + New Products

## Disciplined Business Development Process

- + Lead generation by vertical market segment
  - Rich data from subscription and proprietary sources
- + Structured selling process
  - Opportunity development managed with industry leading sales tools
- + Customer Resource Management (CRM)
  - Fully integrated CRM platform manages all business development data

*Doubled  
Revenues  
Since  
Inception*

# TARGETED END MARKETS



- Industrial
- Utility
- Infrastructure



\$249B

## Industrial Market

- Oil & Gas
- Pulp & Paper
- Manufacturing
- Steel
- Pharmaceutical
- Food & Beverage
- Material Handling

- + Macro environment is improving
- + Oil & gas recovery in process



\$68B

## Infrastructure

- Wastewater
- Security
- Government
- Transportation
- Marine
- Cranes
- Mooring

- + Infrastructure demand improving
- + Optimistic for 2018 and beyond



\$22B

## Utility Market

- Power Generation
- Fossil & Alternative Fuel
- Scrubbers
- Bag Houses

- + Flat outlook for fossil fuel generation
- + Ongoing maintenance still active

# DIVERSIFYING END MARKET RELIANCE ON OIL & GAS

## ELECTRICAL HWC

- + Commercial End Markets
- + Residential Construction End Markets
- + New Products & Services
- + International Sourcing

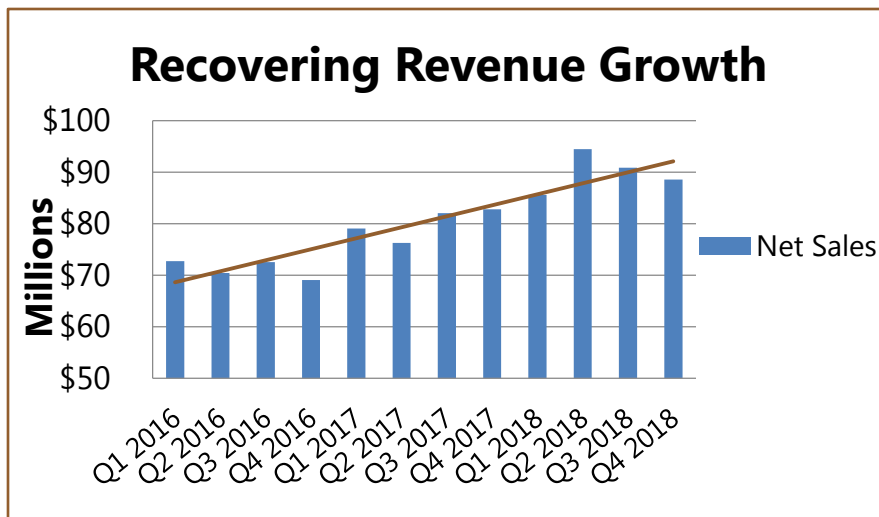
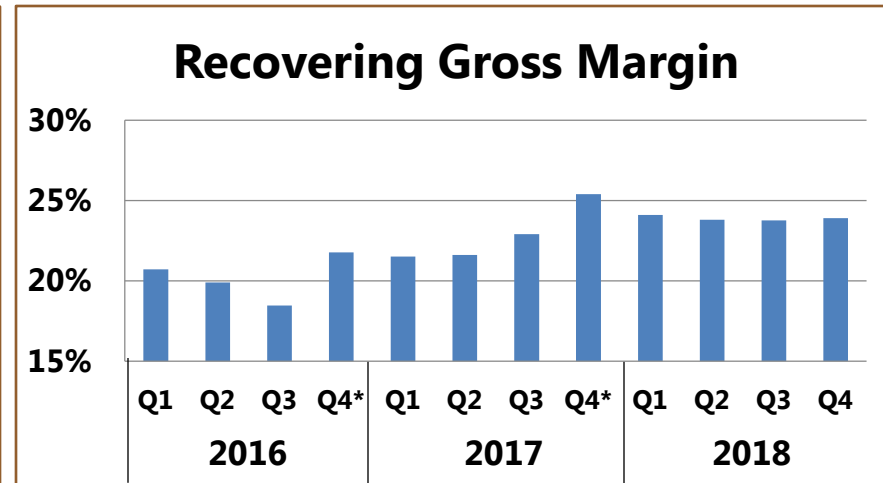
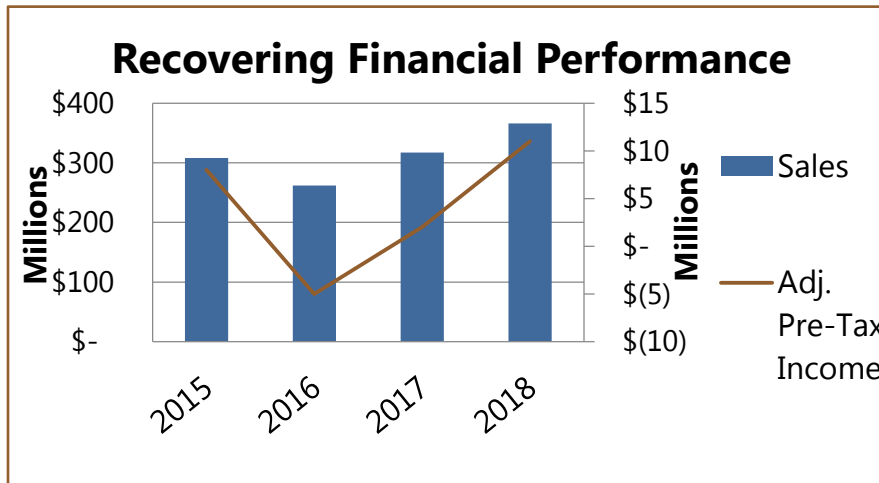
## HEAVY LIFT SWWR & SW

- + Engineering services
  - › Lift Plans
  - › Engineering Calculations
  - › Rentals
  - › Testing
  - › Custom Fabrication
- + Synthetic Ropes
- + Web slings
  - › In House Manufacturing

## VERTEX ACQUISITION

- + Master distributor of corrosion resistant & specialty alloy fasteners, rivets, and hose clamps
- + Over 12,000 SKU's, large stock inventory, and in-house manufacturing of special alloy fasteners
- + Large and fragmented total available market
  - › Estimated at \$2.6 billion

# SELECTED RECENT FINANCIAL & OPERATING HIGHLIGHTS



- Driving Revenue Growth is:
  - Continued end market recovery from oil & gas and industrial recession
  - Investments in the U.S. infrastructure
  - Continued success with new products & services
  - Metals Inflation



# HWC 2018 YEAR OVER YEAR FOURTH QUARTER AND SEQUENTIAL VERSUS THIRD QUARTER 2018 RESULTS

## Q4 2018 Sales

\$87.9MM – up 7.0% over prior year quarter

- Pre-tax income \$2,439
- Net Income: \$1,628

## Q3 2018 Sales

\$90.1MM – up 10.9% over prior year quarter

- Pre-tax income \$2,307
- Net Income: \$2,455

# INCOME STATEMENT SUMMARY

Demonstrated Ability to Generate > \$1.00 per Share When Target End Markets are Performing Well

Fiscal Year Ended December 31,

	2012	2013	2014	2015	2016	2017	2018
Sales	\$393,036	\$383,292	\$390,011	\$308,133	\$261,644	\$317,697	\$356,858
Gross margin	22.1%	22.1%	22.0%	21.4%	20.2%	22.9%	23.9%
Total operating expenses	\$58,093	\$59,992 <sup>(1)</sup>	\$60,515	\$56,475 <sup>(2)</sup>	\$57,101 <sup>(3)</sup>	\$68,058	\$71,310
Operating income (loss)	\$28,926	\$24,667 <sup>(1)</sup>	\$25,423	\$9,435 <sup>(2)</sup>	(\$3,291) <sup>(3)</sup>	\$4,604	\$13,898
Net income (loss)	\$17,039	\$14,594 <sup>(1)</sup>	\$14,972	\$5,198 <sup>(2)</sup>	(\$3,308) <sup>(3)</sup>	(\$222)	\$8,636 <sup>(5)</sup>
Diluted EPS	\$0.96	\$0.82 <sup>(1)</sup>	\$0.85	\$0.30 <sup>(2)</sup>	(\$0.21) <sup>(3)</sup>	(\$0.01)	\$0.52 <sup>(5)</sup>

(1) Excludes the pre-tax impact of a goodwill impairment charge of \$7,562, after tax \$6,692 and EPS of \$0.38

(2) Excludes the pre-tax impairment charge of \$3,417, after tax \$3,154 and EPS of \$0.18

(3) Excludes the pre-tax impairment charge of \$2,384, and acquisition expenses of \$860, after tax \$2,698 and EPS of \$0.16

(4) Non-GAAP adjusted for abnormal income taxes and taxes calculated at the statutory rate. Non-adjusted net loss is (\$1,711) and non-adjusted EPS is (\$0.11)

(5) Non-GAAP adjusted for creation of valuation allowance in 2017, release of the valuation allowance in 2018, and abnormal income taxes calculated in 2018 as a result of the 2017 Tax Act. Adjusted EPS is \$0.48

# BALANCE SHEET SUMMARY

At December 31,

	2012	2013	2014	2015	2016	2017	2018
Accounts Receivable, net	\$65,892	\$60,408	\$61,599	\$46,250	\$44,677	\$57,396	\$59,793
Inventories, net	\$84,662	\$96,107	\$88,958	\$75,777	\$79,783	\$88,115	\$94,325
Total Debt	\$58,588	\$47,952	\$53,847	\$39,188	\$60,388	\$73,555	\$71,316
Debt to Equity	53.7%	43.3%	48.4%	39.2%	67.0% <sup>(4)</sup>	81.1%	70.8%
Return on Equity	16.5%	13.3% <sup>(1)</sup>	13.5%	4.9% <sup>(1)</sup>	(4.2)%	1.7% <sup>(2)</sup>	9.0% <sup>(3)</sup>

*All \$ expressed in thousands*

- + Solid foundation for resumed growth
- + Demonstrated ability to deliver high ROE when target markets are performing well

(1) Excludes a goodwill impairment

(2) Based on non-GAAP amounts

(3) Annualized based on six months of 2018 actuals

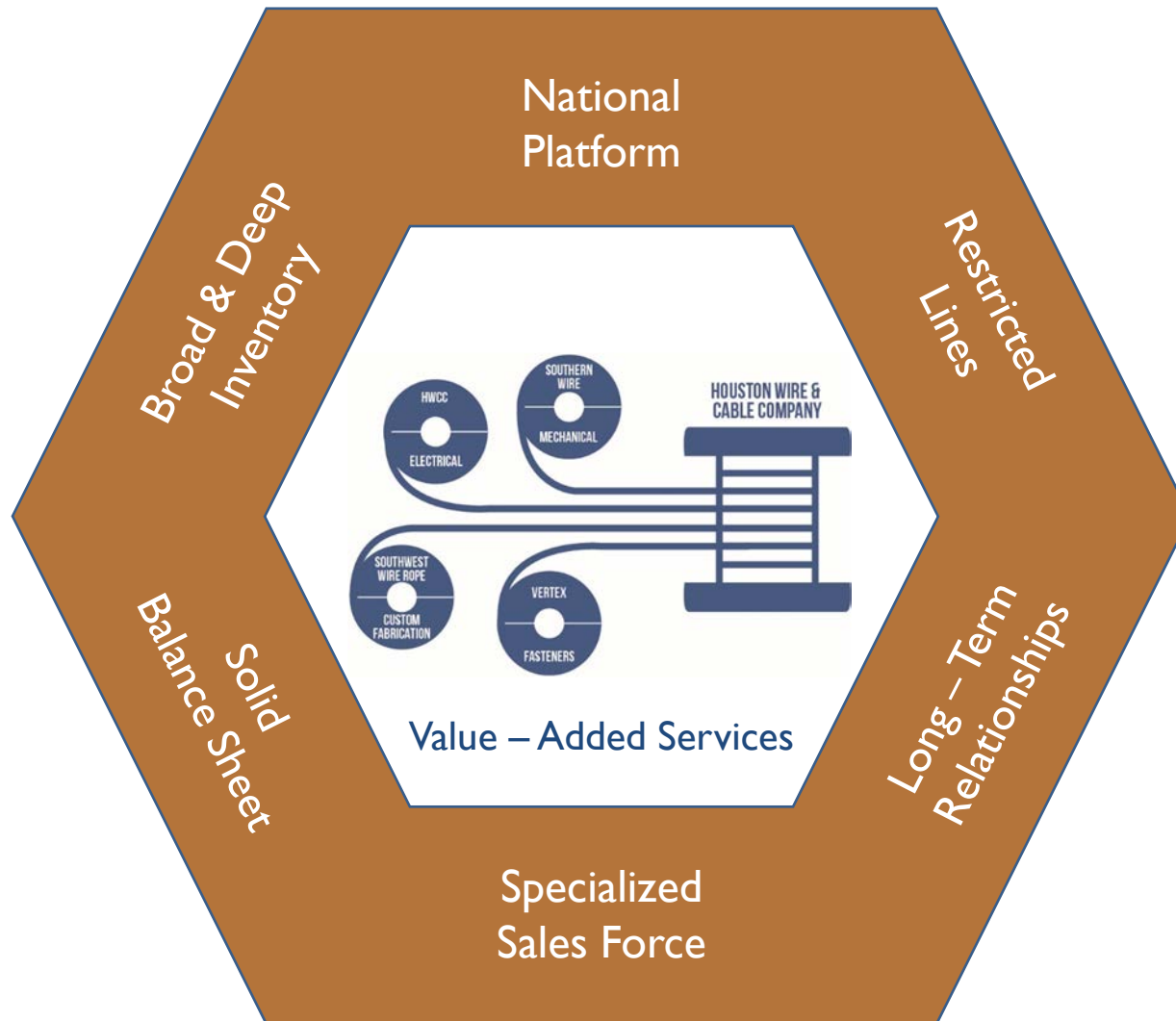
(4) Acquired Vertex

# FINANCIAL HIGHLIGHTS

- » Demonstrated ability to execute capital stewardship in difficult operating environments
- » Cash generated throughout the economic downturn
  - › Reduced debt by \$30MM prior to Vertex acquisition
  - › Extracted \$45MM from working capital
- » Recent Highlights – Improving Trends

	<u>2018 Q4</u>	<u>2018 Q3</u>	<u>2018 Q2</u>	<u>2018 Q1</u>	<u>2017 Q4</u>
Sales	\$ 87.9 MM	\$ 90.1 MM	\$ 93.9 MM	\$ 85.0 MM	\$ 82.1 MM
Gross Margin	23.9%	23.8%	23.8%	24.1%	25.4%*
Operating Income	\$ 3.2 MM	\$ 3.0 MM	\$ 4.4 MM	\$ 3.3 MM	\$ 3.0 MM
Operating Expense as a % of Sales	20.0%	20.4%	19.1%	20.3%	21.8%

# FORMIDABLE BARRIERS TO ENTRY



# CONCLUSION

- » End Market Activity & Customer Demand is Improving
  - › Oil & Gas market recovery
  - › Improving American E&P productivity
  - › Infrastructure Investment Growing
  - › Metal price recovery
    - › Copper
    - › Steel
    - › Aluminum
    - › Nickel
- » US Oil & Gas operators no longer need \$80+ per barrel to prosper
- » Competitive advantages retained and new investments during down cycle
  - › Experienced, long-standing management team
  - › Value proposition expanded during down cycle
  - › Operating expenses reduced
  - › Successfully entered new markets with new products
  - › Vertex acquisition completed and integrated
- » Well positioned to return to prior cycle profitability and cash generation with recovering markets
- » Insiders have been purchasing the company's stock

# CORPORATE CONTACT INFORMATION

» For more information or to schedule a tour of our corporate offices in Houston:

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› Vice President & Chief Financial Officer

*or*

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