



Sterling  
Construction  
Company, Inc.

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# Investor PRESENTATION

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May 2018

# Disclosure Regarding Forward-Looking Statements

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This presentation contains, and the officers and directors of the Company may from time to time make, statements that are considered forward-looking statements within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934. These forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond our control, which may include statements about our: business strategy; financial strategy; and plans, objectives, expectations, forecasts, outlook and intentions. All of these types of statements, other than statements of historical fact included in this presentation, are forward-looking statements. In some cases, forward-looking statements can be identified by terminology such as “may,” “will,” “could,” “should,” “expect,” “plan,” “project,” “intend,” “anticipate,” “believe,” “estimate,” “predict,” “potential,” “pursue,” “target,” “continue,” the negative of such terms or other comparable terminology. The forward-looking statements contained in this presentation are largely based on our expectations, which reflect estimates and assumptions made by our management. These estimates and assumptions reflect our best judgment based on currently known market conditions and other factors. Although we believe such estimates and assumptions to be reasonable, they are inherently uncertain and involve a number of risks and uncertainties that are beyond our control. In addition, management’s assumptions about future events may prove to be inaccurate. Management cautions all readers that the forward-looking statements contained in this presentation are not guarantees of future performance, and we cannot assure any reader that such statements will be realized or the forward-looking events and circumstances will occur. Actual results may differ materially from those anticipated or implied in the forward-looking statements due to factors listed in the “Risk Factors” section in our filings with the U.S. Securities and Exchange Commission (“SEC”) and elsewhere in those filings. The forward-looking statements speak only as of the date made, and other than as required by law, we do not intend to publicly update or revise any forward-looking statements as a result of new information, future events or otherwise. These cautionary statements qualify all forward-looking statements attributable to us or persons acting on our behalf.

# Company Summary

At Sterling, we are committed to building and rebuilding the infrastructure that enables our economy to run, our people to move, and our country to grow.



## RESIDENTIAL CONSTRUCTION

- Concrete Foundations for Single Family Homes
- High Growth, High Margin  
Low CAPX, Fast Cash Cycles
- Low Risk
- Customer Driven

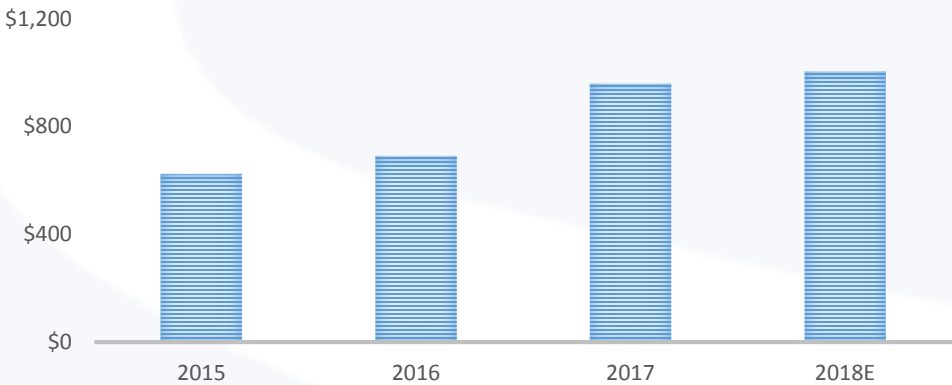


## HEAVY CIVIL CONSTRUCTION

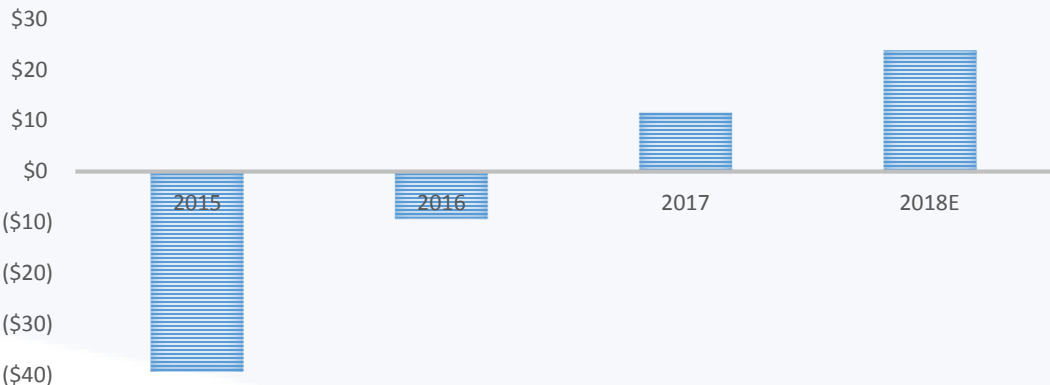
- Highways, Roads, Bridges, Paving, Water Transmission, Concrete, Earthwork
- Project Duration Averages Two Years
- Steady 3-5% Growth
- Cost Driven
- Includes Heavy and Other Civil Construction

# Performance Trends

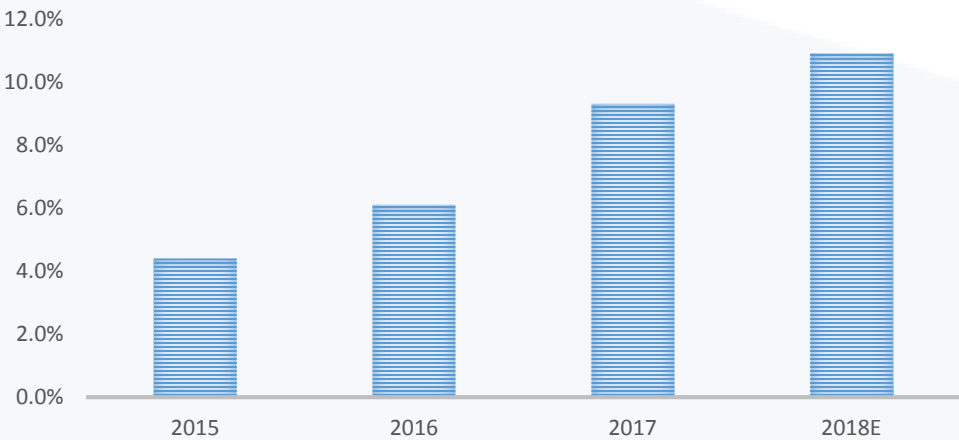
REVENUE (IN MM)



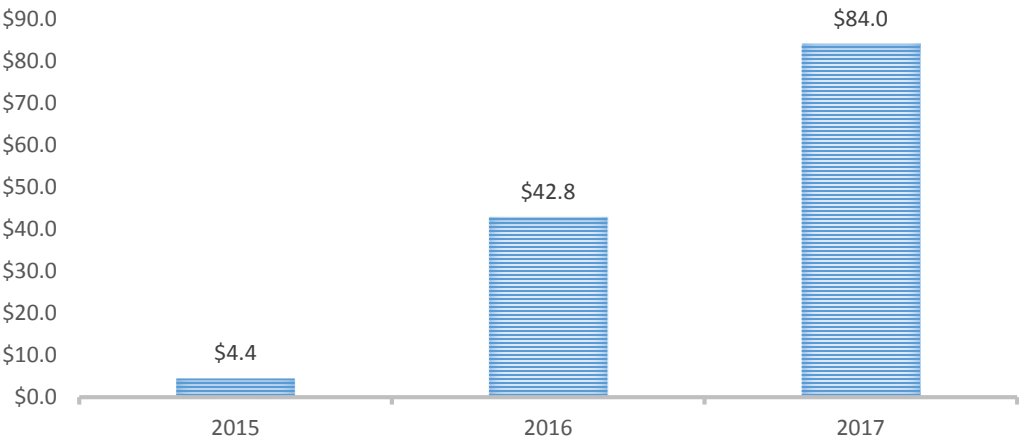
NET INCOME (IN MM)



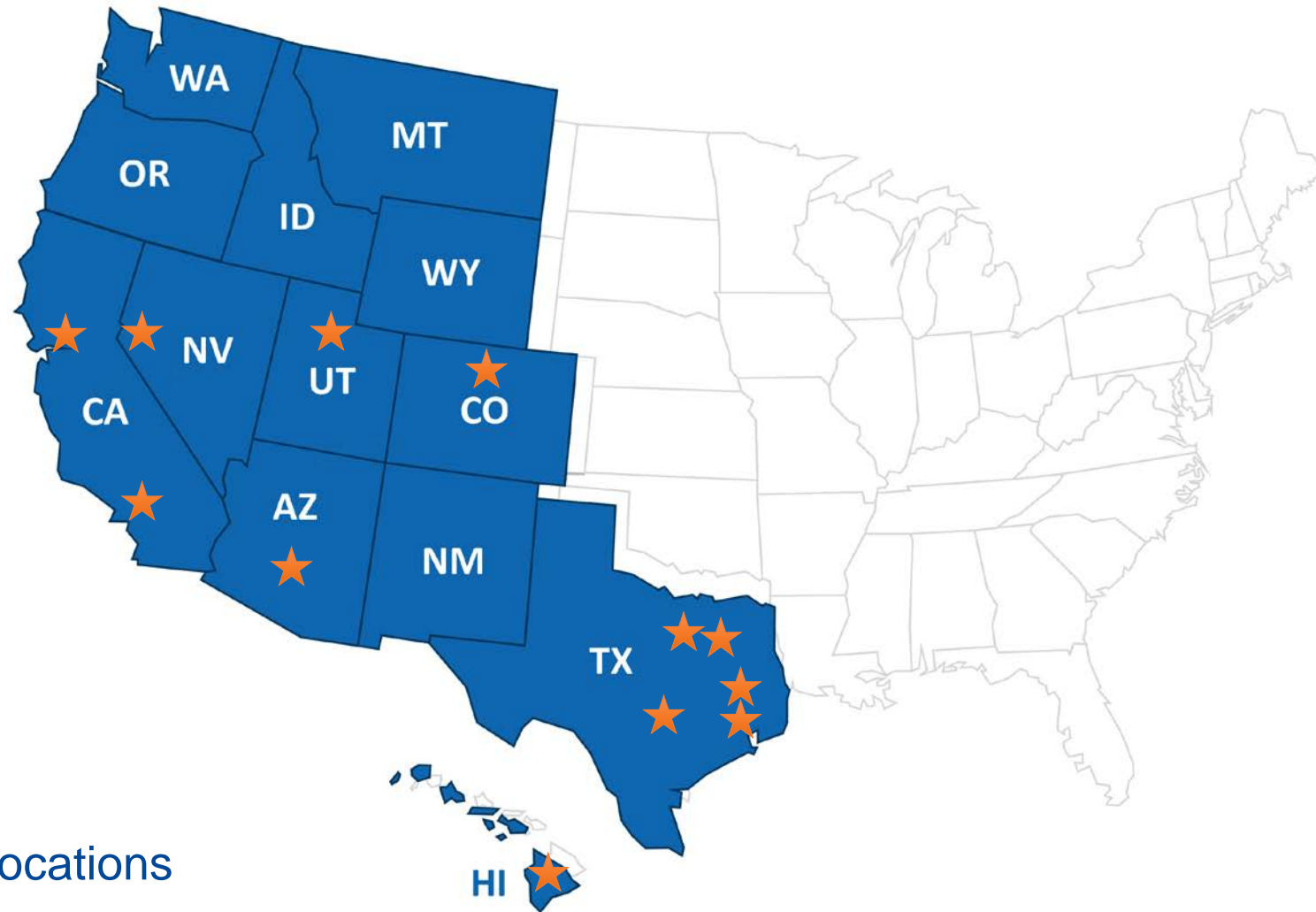
GROSS MARGIN



CASH BALANCE (IN MM)

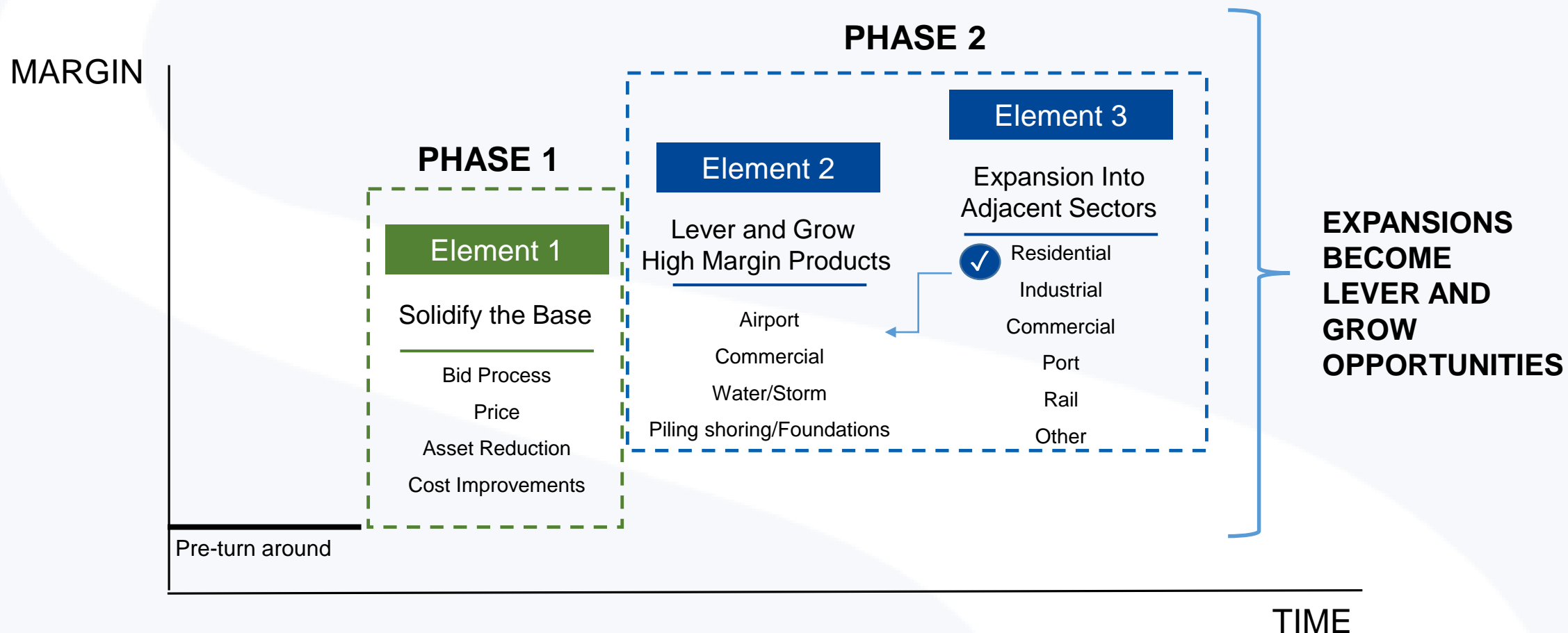


# Current Footprint



★ Sterling Office Locations

# Elements of Strategy



➤ **BUILDING OFF THE BASE BUSINESS GROWTH WITH FOCUS ON HIGH MARGIN HIGH GROWTH...GET 50/50 BUSINESS MIX SPLIT**

# High Margin Growth Elements

## Adjacent Market Expansion

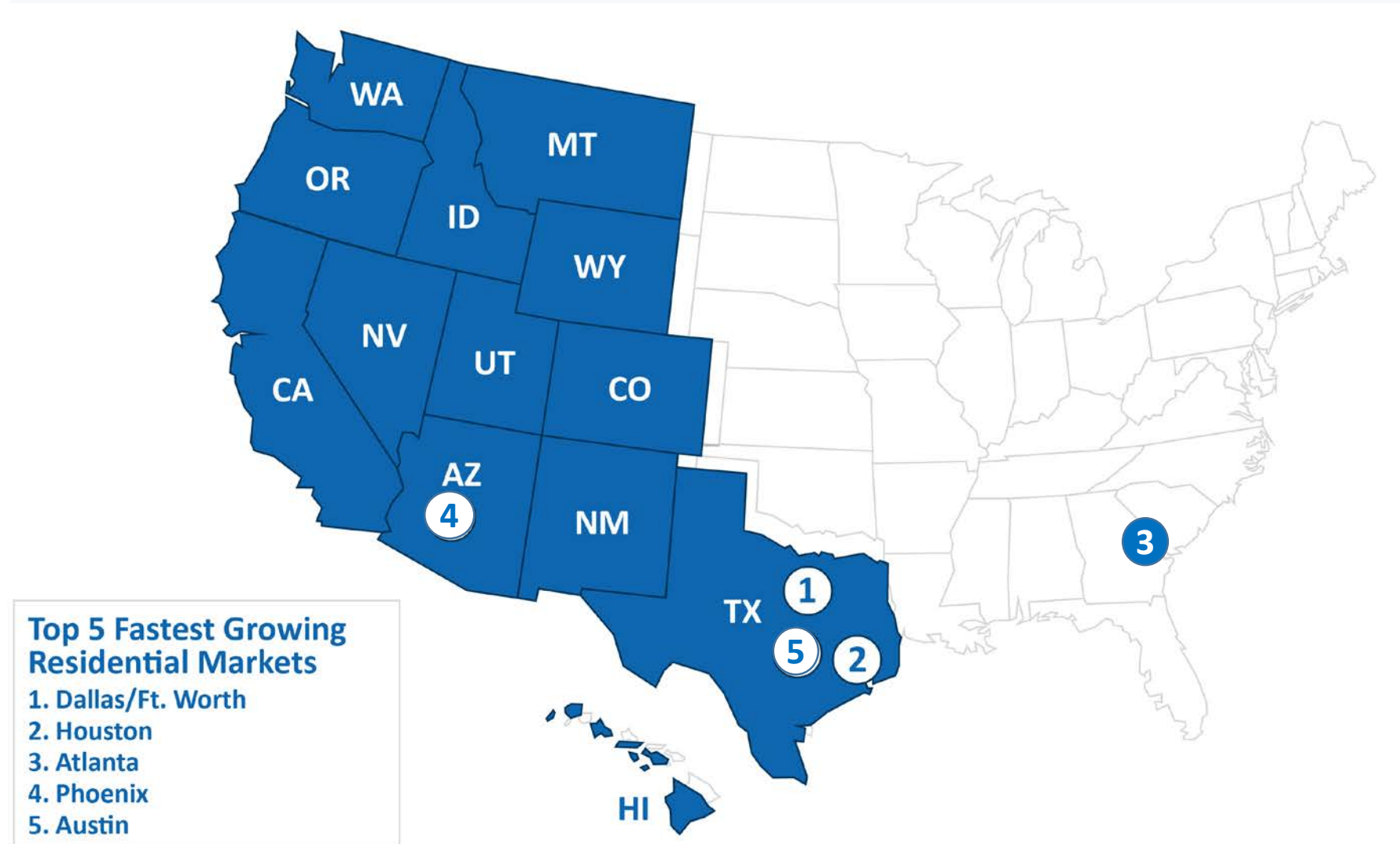
### RESIDENTIAL

- ✓ Low Risk
- ✓ Low Complexity
- ✓ High Margin



- Located in three of our largest customers top five markets
- Initial market expansion underway in Houston
- Annual growth rates in low double digits ~ 12%
- Higher margin products
- Growth is customer driven

# Top 5 Residential Markets in US





# Residential Growth



## Overall U.S. Housing Market

- 2018 forecasted starts to grow 5% in single-family housing
- Still below the historic housing start average



## Market We Cover

- DFW market starts in 2017 of ~23,700
- 2017 growth rate was 10%
- Expected growth rate is 12%
- *Only in North DFW currently*



## Expansion Strategy

- Expand into high growth markets in our current footprint with existing customers:

- Houston
- Phoenix
- Austin

2017 total housing starts of over 60,000



**LEVERAGE HEAVY CIVIL FOOTPRINT TO MINIMIZE COSTS OF EXPANSION.**

# High Margin Growth Elements

## Growth of High Margin Products

### OTHER CIVIL

- ✓ Aviation
- ✓ Commercial
- ✓ Rail
- ✓ Port
- ✓ Industrial



- Projects are more customer focused than Heavy Highway, creating opportunities for increased margins
- Margin ranges from 12% - 15%
- Customer relationship centric
- Alternate Delivery
- Value driven projects - pay for performance

# High Margin Growth – Other Civil



## Aviation

- Total annual spend of \$17.5 billion
- Growth rate expected to average 8%
- Our Markets cover 5 of the top 10 busiest airports
- ~12% of backlog at 12/31/2017



## Additional Sectors

- Commercial
- Rail
- Ports
- Industrial
- Water Transmission
- Wastewater



**LEVERAGE DIVERSE CORE COMPETENCIES ACROSS SALES CHANNELS.  
FOCUS ON VALUE DRIVEN MARKET SECTORS.**

# Base Business Growth Elements

Historical Base Business

## HEAVY HIGHWAY CIVIL

- ✓ Continued Growth
- ✓ Margin Improvement



- Annual growth rates slightly above GDP ~ 3 - 5%
- Projects are typically low bid
- Customers are typically DOT State & Local governments
- Current footprint growing above the national average
- Fueled by FAST Act – future upside tied to next infrastructure bill...potential to drive strong double digit growth rates

**➤ HIGHEST MARGIN OPPORTUNITIES ARE ALSO HIGHEST GROWTH OPPORTUNITIES**

# Impact of High Margin Growth

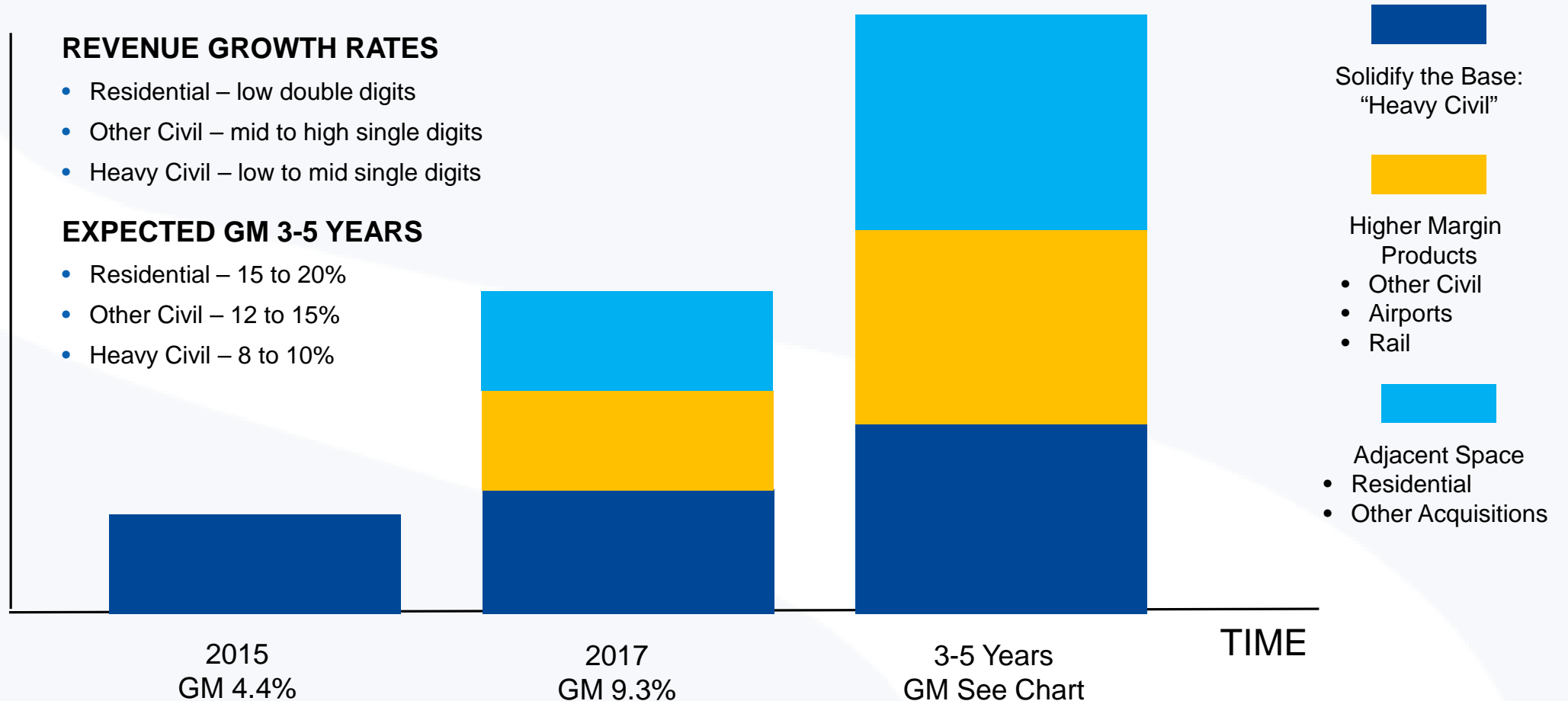
MARGIN

## REVENUE GROWTH RATES

- Residential – low double digits
- Other Civil – mid to high single digits
- Heavy Civil – low to mid single digits

## EXPECTED GM 3-5 YEARS

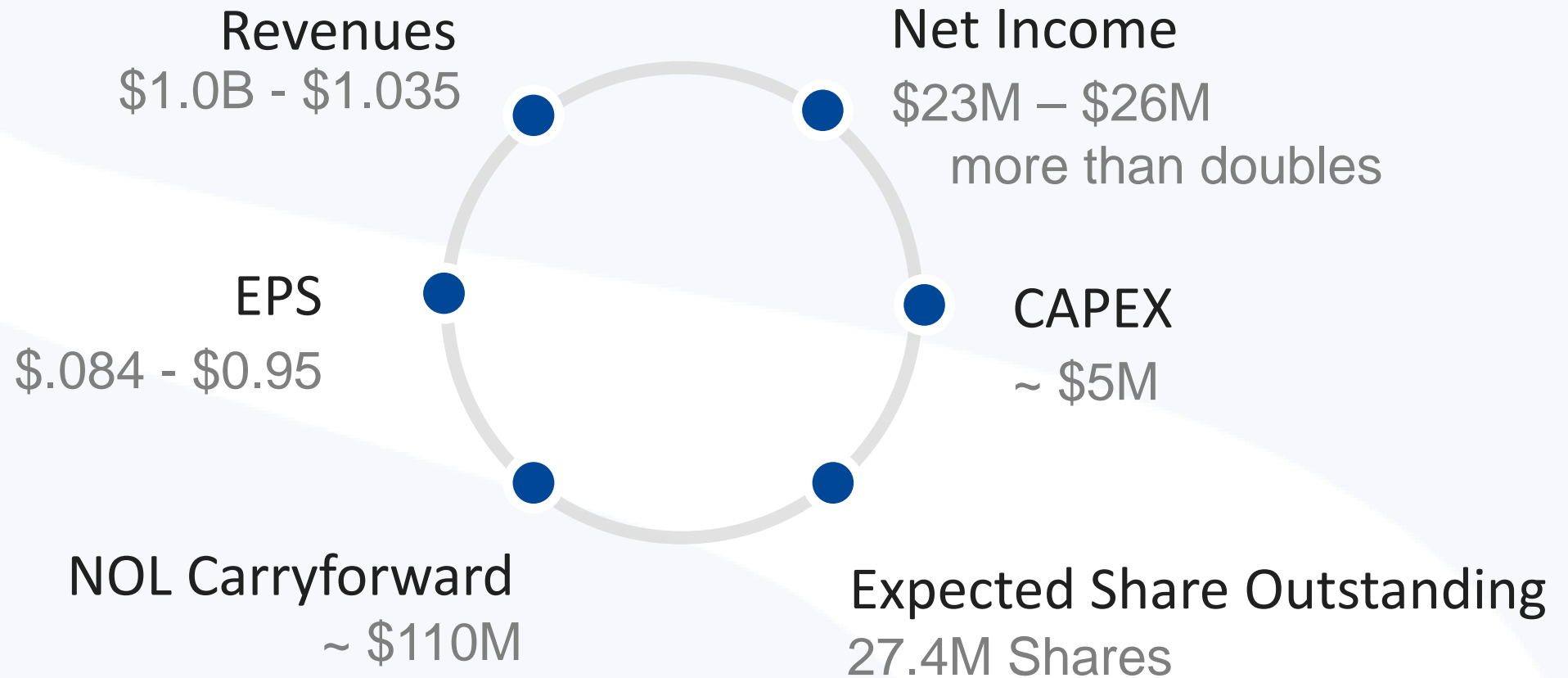
- Residential – 15 to 20%
- Other Civil – 12 to 15%
- Heavy Civil – 8 to 10%



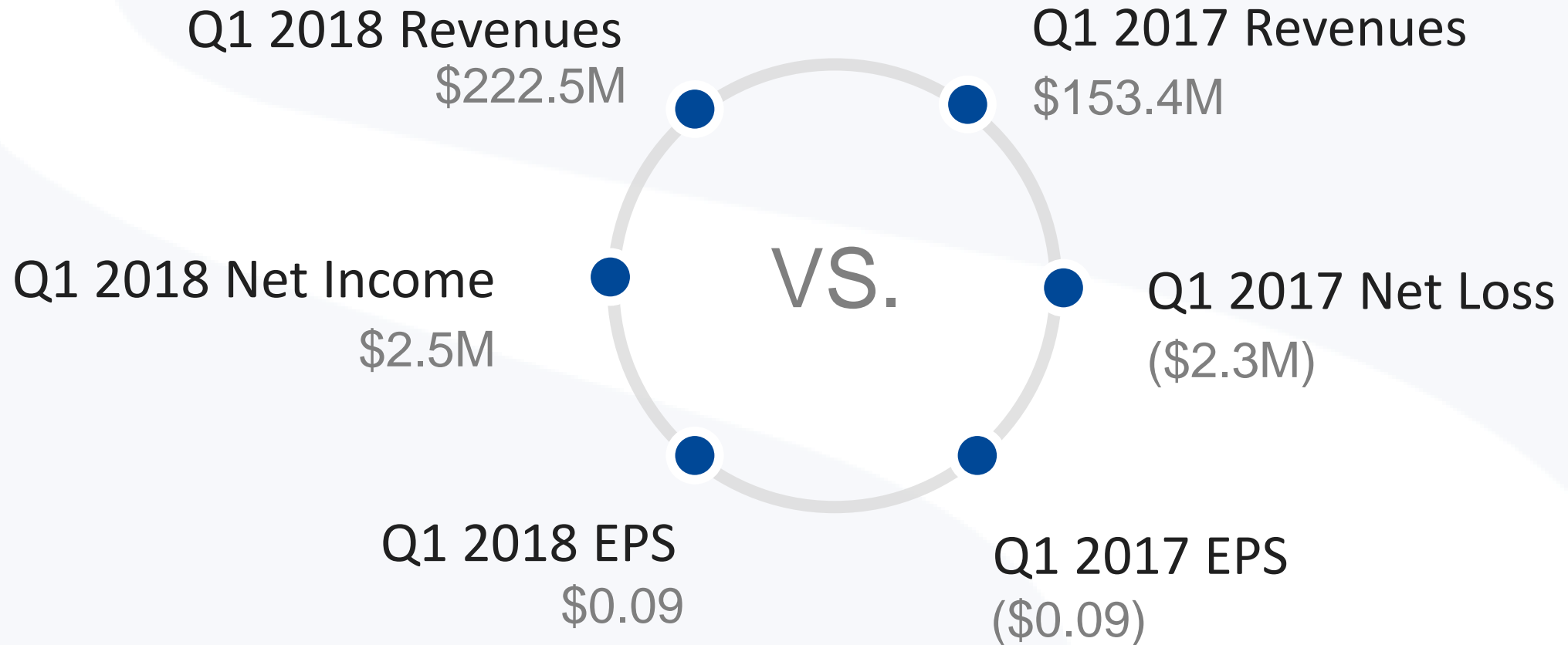
➤ **NET EFFECT - OPERATING INCOME MORE THAN DOUBLES.**

# 2018 Outlook

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# Year over year Comparison First Quarter Results



# Investment Highlights

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- ✓ Market remains robust
- ✓ Turnaround complete
- ✓ Significantly improved balance sheet provides greater liquidity to grow
- ✓ Focus shift to high margin growth opportunities
- ✓ Well positioned in attractive, project-rich geographies
- ✓ Segments growing at 1.5 – 4x GDP



**DIVERSIFIED PORTFOLIO PROVIDES STRONG GROWTH POTENTIAL, ENHANCED MARGINS AND REDUCED RISK.**





## Questions?



- #85 in Top 400 Contractors
- #17 in Top 20 by Sector

- #17 in Top 50 Domestic Heavy Contractor
- #90 in Top 100 by New Contracts

# Contact Us

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## Company Representative

*Sterling Construction Company, Inc.*

**Jennifer Maxwell**

*Director of Investor Relations*

*281-951-3560*

[Jennifer.Maxwell@strlco.com](mailto:Jennifer.Maxwell@strlco.com)

## Investor Relations Advisors

*The Equity Group Inc.*

**Fred Buonocore, CFA**

*Senior Vice President*

*212-836-9607*

[fbuonocore@equityny.com](mailto:fbuonocore@equityny.com)

**Kevin Towle**

*Associate*

*212-836-9620*

[ktowle@equityny.com](mailto:ktowle@equityny.com)