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# WABASH NATIONAL CORPORATION

## 2019 Q3 EARNING RELEASE



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**NYSE**

# SAFE HARBOR STATEMENT & NON-GAAP FINANCIAL MEASURES

This presentation contains certain forward-looking statements as defined by the Private Securities Litigation Reform Act of 1995. Forward-looking statements convey Wabash National Corporation's (the "Company") current expectations or forecasts of future events. All statements contained in this presentation other than statements of historical fact are forward-looking statements. These forward-looking statements include, among other things, all statements regarding the Company's outlook for trailer and truck body shipments, backlog, expectations regarding demand levels for trailers, truck bodies, non-trailer equipment and our other diversified product offerings, pricing, profitability and earnings, cash flow and liquidity, opportunity to capture higher margin sales, new product innovations, our growth and diversification strategies, our expectations for improved financial performance during the course of the year and our expectations with regards to capital allocation. These and the Company's other forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those implied by the forward-looking statements. Without limitation, these risks and uncertainties include the continued integration of Supreme into the Company's business, adverse reactions to the transaction by customers, suppliers or strategic partners, uncertain economic conditions including the possibility that customer demand may not meet our expectations, increased competition, reliance on certain customers and corporate partnerships, risks of customer pick-up delays, shortages and costs of raw materials including the impact of tariffs or other international trade developments, risks in implementing and sustaining improvements in the Company's manufacturing operations and cost containment, dependence on industry trends and timing, supplier constraints, labor costs and availability, customer acceptance of and reactions to pricing changes and costs of indebtedness. Readers should review and consider the various disclosures made by the Company in this presentation and in the Company's reports to its stockholders and periodic reports on Forms 10-K and 10-Q.

We cannot give assurance that the expectations reflected in our forward-looking statements will prove to be correct. Our actual results could differ materially from those anticipated in these forward-looking statements. All written and oral forward-looking statements attributable to us are expressly qualified in their entirety by the factors we disclose that could cause our actual results to differ materially from our expectations.

In addition to disclosing financial results calculated in accordance with United States generally accepted accounting principles (GAAP), the financial information included in this presentation contains non-GAAP financial measures, including free cash flow, operating EBITDA, operating EBITDA margin, adjusted operating income, adjusted net income and adjusted earnings per diluted share. These non-GAAP measures should not be considered a substitute for, or superior to, financial measures and results calculated in accordance with GAAP, including net income, and reconciliations to GAAP financial statements should be carefully evaluated.

Operating EBITDA is defined as earnings before interest, taxes, depreciation, amortization, stock-based compensation, acquisition expenses and related charges, impairments, and other non-operating income and expense. Management believes providing operating EBITDA is useful for investors to understand the Company's performance and results of operations period to period with the exclusion of the items identified above. Management believes the presentation of operating EBITDA, when combined with the GAAP presentations of operating income and net income, is beneficial to an investor's understanding of the Company's operating performance. A reconciliation of operating EBITDA to net income is included in the appendix to this presentation.

Free cash flow is defined as net cash provided by operating activities minus capital expenditures. Management believes providing free cash flow is useful for investors to understand the Company's performance and results of cash generation period to period with the exclusion of the item identified above. Management believes the presentation of free cash flow, when combined with the GAAP presentations of cash provided by operating activities, is beneficial to an investor's understanding of the Company's operating performance. A reconciliation of free cash flow to cash provided by operating activities is included in the appendix to this presentation.

Adjusted operating income, a non-GAAP financial measure, excludes certain costs, expenses, other charges, gains or income that are included in the determination of operating income under GAAP, but that management would not consider important in evaluating the quality of the Company's operating results as they are not indicative of the Company's core operating results or may obscure trends useful in evaluating the Company's continuing activities. Accordingly, the Company presents adjusted operating income excluding these special items to help investors evaluate our operating performance and trends in our business consistent with how management evaluates such performance and trends. Further, the Company presents adjusted operating income to provide investors with a better understanding of the Company's view of our results as compared to prior periods. A reconciliation of adjusted operating income to operating income, the most comparable GAAP financial measure, is included in the tables following this presentation.

Adjusted net income and adjusted earnings per diluted share, each reflect adjustments for income or losses recognized on the sale and/or closure of former Company locations, the losses attributable to the Company's extinguishment of debt, a non-cash impairment of assets, acquisition expenses and related charges, and tax reform and other discrete tax adjustments. Management believes providing adjusted measures and excluding certain items facilitates comparisons to the Company's prior year periods and, when combined with the GAAP presentation of net income and diluted net income per share, is beneficial to an investor's understanding of the Company's performance. A reconciliation of each of adjusted net income and adjusted earnings per diluted share to net income and net income per diluted share is included in the tables following this presentation.



# HIGHLIGHTS OF QUARTER

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## *Strong Performance Continues in Q3*

- Record third quarter revenue
  - Substantial margin enhancement
  - Wabash Management System unlocking margin enhancement opportunities
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## *Key Q3 Financial Results*

- Backlog of \$800M, early in order season
  - Revenue of \$581M, growth of 5.0%
  - Operating Margin of 6.6% shows considerable year over year improvement
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## *Balanced Capital Allocation*

- \$54M of Free Cash Flow generated Q3 YTD
  - \$28M of capital deployed among debt reduction, share buyback & dividend in Q3
  - Primary capital allocation focus remains debt reduction
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## *Going Forward*

- 2019 EPS Outlook midpoint raised by \$.02 to \$1.67 after strong Q3 performance
- 2019 EPS Outlook range narrowed to \$1.64 to \$1.70

# Q3 2019 CONSOLIDATED FINANCIAL PERFORMANCE

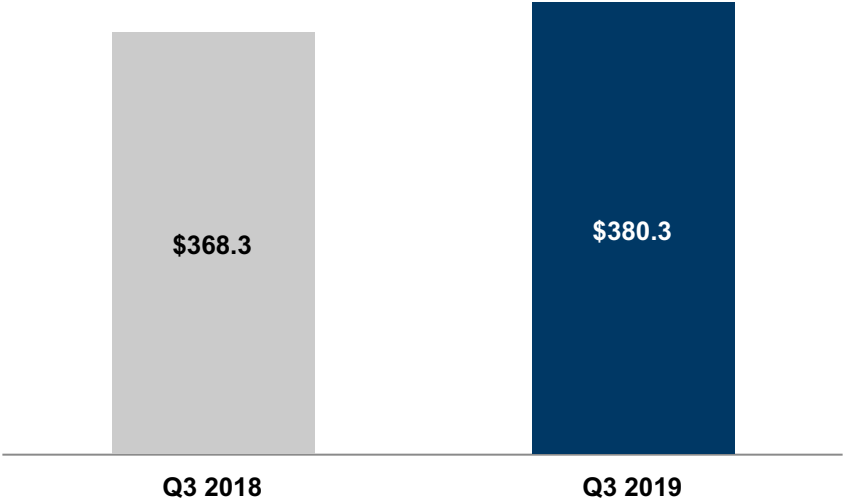
|   | <u>Actual</u>                | <u>3Q18 Results</u> |
|---|------------------------------|---------------------|
| Sales Higher than Year-Ago Quarter                | +5%<br>YoY Sales Growth      |                     |
| Q3 EPS Strength Allows Raise to Full Year Outlook | \$0.46<br>Earnings Per Share |                     |
| Gross Margin Shows Considerable YoY Improvement   | 13.4%<br>Gross Margin        | 11.8%               |
| Operating Income Grew 34%                         | \$38M<br>Operating Income    | \$29M <sup>1</sup>  |
| Substantial Operating Margin Expansion            | 6.6%<br>Operating Margin     | 5.2% <sup>1</sup>   |



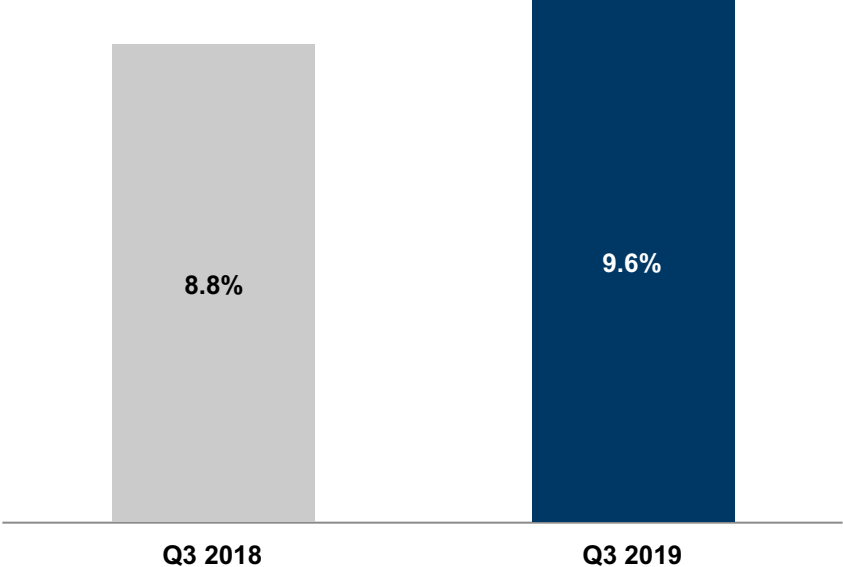
<sup>1</sup>Q3 2018 operating income and margin adjusted for non-cash asset impairment charge

# COMMERCIAL TRAILER PRODUCTS

## Revenue +3.3%

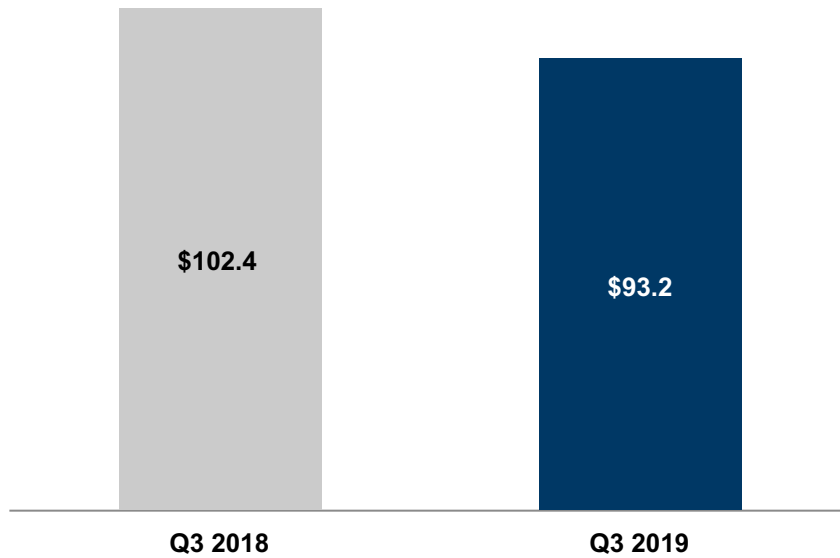


## Operating Margin +80 bps

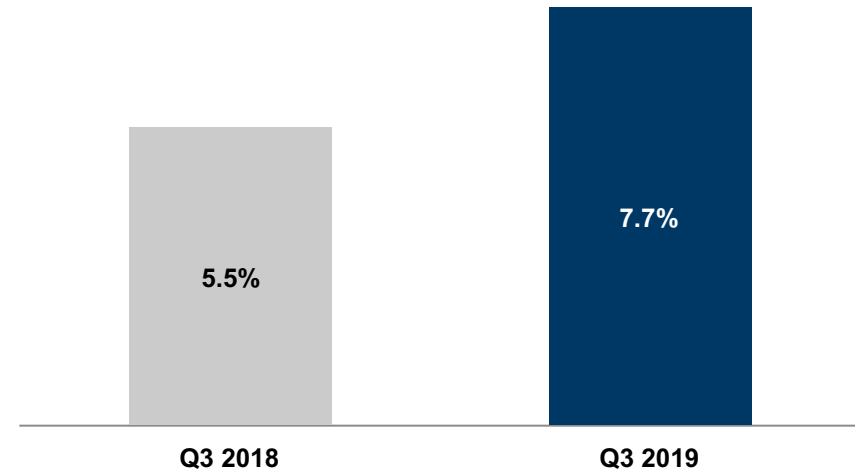


# DIVERSIFIED PRODUCTS GROUP

## Revenue (9.0%)



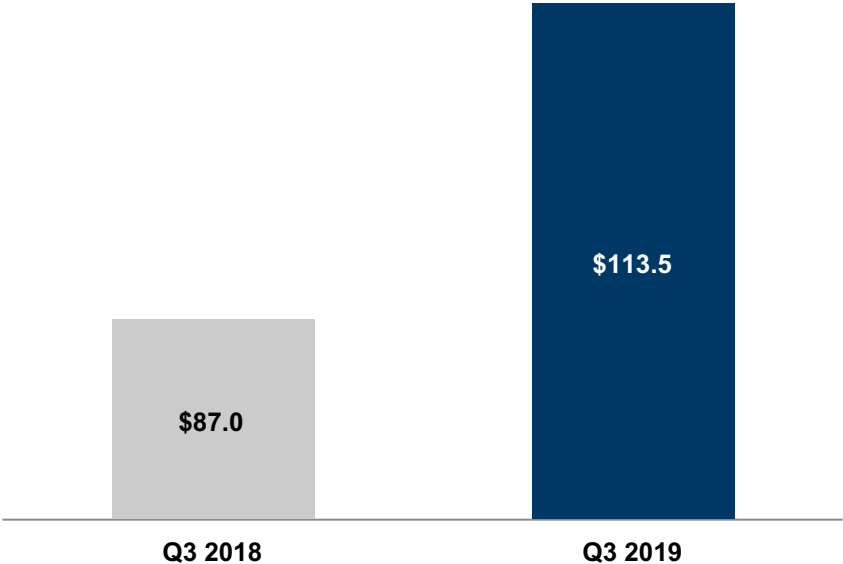
## Adjusted Operating Margin<sup>1</sup> +220 bps



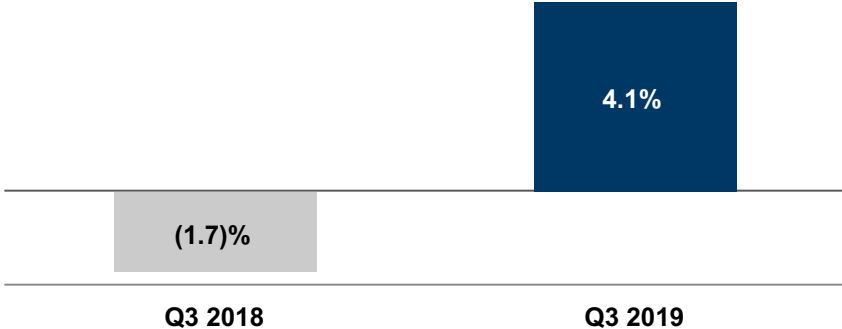
<sup>1</sup>Q3 2018 DPG operating income adjusted for non-cash asset impairment charge

# FINAL MILE PRODUCTS

## Revenue +30.4%



## Operating Margin +580 bps



# CASH GENERATION

|  | <u>Q3 2019 YTD</u> | <u>Q3 2018 YTD</u> |
|--|--------------------|--------------------|
| Net Income                             | \$71.2M            | \$57.8M            |
| Operating Cash Flow                    | \$76.2M            | \$56.7M            |
| Capital Expenditure                    | \$22.2M            | \$20.3M            |
| Free Cash Flow                         | \$54.0M            | \$36.3M            |
| Free Cash Flow Conversion <sup>1</sup> | 76%                | 63%                |

<sup>1</sup>Free cash flow conversion defined as free cash flow divided by net income





# 2019 GUIDANCE

## Expected Trends

- CTP demand levels to remain solid through 2019
- Tank Trailer 2H 2019 market volumes to move more in line with 2H 2018
- Truck Body market to continue secular growth trends
- Operational improvement expected to generate stronger gross margins in 2019

## Key Metrics

### Gross Margin

50 to 150 bps of  
Improvement vs 2018

### EPS

Range: \$1.64-1.70

Midpoint: \$1.67

### Other

New Trailer Shipments: 56.5k-57.5k

SG&A % Sales: 6+%

Intangibles Amort: ~\$21M

Interest Expense: \$28-29M

CapEx: \$30-35M

Ongoing Tax Rate: 26-27%



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# APPENDIX



# CONDENSED CONSOLIDATED BALANCE SHEETS

| Unaudited - dollars in thousands             |                     |                     |
|--|---------------------|---------------------|
|  | September 30, 2019  | December 31, 2018   |
| <b>Assets</b>                                |                     |                     |
| Current assets:                              |                     |                     |
| Cash and cash equivalents                    | \$ 120,873          | \$ 132,690          |
| Accounts receivable, net                     | 171,393             | 181,064             |
| Inventories                                  | 274,273             | 184,404             |
| Prepaid expenses and other                   | 54,847              | 51,261              |
| Total current assets                         | 621,386             | 549,419             |
| Property, plant, and equipment, net          | 210,963             | 206,991             |
| Goodwill                                     | 311,134             | 311,084             |
| Intangible assets, net                       | 194,934             | 210,328             |
| Other assets                                 | 40,186              | 26,571              |
| Total assets                                 | <u>\$ 1,378,603</u> | <u>\$ 1,304,393</u> |
| <b>Liabilities and Stockholders' Equity</b>  |                     |                     |
| Current liabilities:                         |                     |                     |
| Current portion of long-term debt            | \$ —                | \$ 1,880            |
| Current portion of finance lease obligations | 322                 | 299                 |
| Accounts payable                             | 188,911             | 153,113             |
| Other accrued liabilities                    | 136,429             | 116,384             |
| Total current liabilities                    | 325,662             | 271,676             |
| Long-term debt                               | 475,122             | 503,018             |
| Finance lease obligations                    | 461                 | 714                 |
| Deferred income taxes                        | 32,454              | 34,905              |
| Other non-current liabilities                | 29,846              | 20,231              |
| Total liabilities                            | 863,545             | 830,544             |
| Total stockholders' equity                   | 515,058             | 473,849             |
| Total liabilities and stockholders' equity   | <u>\$ 1,378,603</u> | <u>\$ 1,304,393</u> |



# CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

| Unaudited - dollars in thousands                           | Three Months Ended September 30, |            | Nine Months Ended September 30, |              |
|--|----------------------------------|------------|---------------------------------|--------------|
|  | 2019                             | 2018       | 2019                            | 2018         |
| Net sales  | \$ 580,908                       | \$ 553,073 | \$ 1,740,135                    | \$ 1,657,082 |
| Cost of sales  | 503,173                          | 487,911    | 1,506,060                       | 1,442,487    |
| Gross profit   | 77,735                           | 65,162     | 234,075                         | 214,595      |
| General and administrative expenses                        | 25,353                           | 23,033     | 82,002                          | 73,920       |
| Selling expenses   | 8,998                            | 8,690      | 25,715                          | 25,591       |
| Amortization of intangible assets                          | 5,115                            | 4,937      | 15,353                          | 14,818       |
| Acquisition expenses                                       | —                                | —          | —                               | 68           |
| Impairment   | —                                | 11,989     | —                               | 11,989       |
| Income from operations                                     | 38,269                           | 16,513     | 111,005                         | 88,209       |
| Other income (expense):                                    |                                  |            |                                 |              |
| Interest expense   | (6,713)                          | (7,044)    | (20,823)                        | (21,649)     |
| Other, net   | 1,333                            | 533        | 2,245                           | 12,486       |
| Other expense, net   | (5,380)                          | (6,511)    | (18,578)                        | (9,163)      |
| Income before income tax                                   | 32,889                           | 10,002     | 92,427                          | 79,046       |
| Income tax expense   | 7,429                            | 5,338      | 21,227                          | 21,209       |
| Net income   | \$ 25,460                        | \$ 4,664   | \$ 71,200                       | \$ 57,837    |
| Net income per share:                                      |                                  |            |                                 |              |
| Basic  | \$ 0.47                          | \$ 0.08    | \$ 1.30                         | \$ 1.01      |
| Diluted  | \$ 0.46                          | \$ 0.08    | \$ 1.28                         | \$ 0.98      |
| Weighted average common shares outstanding (in thousands): |                                  |            |                                 |              |
| Basic  | 54,413                           | 56,798     | 54,975                          | 57,486       |
| Diluted  | 55,019                           | 57,742     | 55,502                          | 59,218       |
| Dividends declared per share                               | \$ 0.080                         | \$ 0.075   | \$ 0.240                        | \$ 0.225     |



# CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Unaudited - dollars in thousands

|  | Nine Months Ended September 30, |            |
|--|---------------------------------|------------|
|  | 2019                            | 2018       |
| <b>Cash flows from operating activities</b>                                      |                                 |            |
| Net income   | \$ 71,200                       | \$ 57,837  |
| Adjustments to reconcile net income to net cash provided by operating activities |                                 |            |
| Depreciation   | 16,258                          | 15,701     |
| Amortization of intangibles  | 15,353                          | 14,818     |
| Net gain on sale of property, plant and equipment                                | (40)                            | (10,164)   |
| Loss on debt extinguishment  | 104                             | 174        |
| Deferred income taxes  | (2,451)                         | (122)      |
| Stock-based compensation   | 7,362                           | 8,479      |
| Impairment   | —                               | 11,989     |
| Non-cash interest expense  | 783                             | 1,426      |
| Accounts receivable  | 9,671                           | (48,531)   |
| Inventories  | (89,869)                        | (66,089)   |
| Prepaid expenses and other   | (2,368)                         | (3,265)    |
| Accounts payable and accrued liabilities   | 57,750                          | 76,602     |
| Other, net   | (7,535)                         | (2,171)    |
| Net cash provided by operating activities  | 76,218                          | 56,684     |
| <b>Cash flows from investing activities</b>                                      |                                 |            |
| Capital expenditures   | (22,244)                        | (20,344)   |
| Proceeds from the sale of property, plant, and equipment                         | 785                             | 17,775     |
| Other, net   | —                               | 3,060      |
| Net cash (used in) provided by investing activities                              | (21,459)                        | 491        |
| <b>Cash flows from financing activities</b>                                      |                                 |            |
| Net cash used in financing activities  | (66,576)                        | (138,957)  |
| Net decrease in cash, cash equivalents, and restricted cash                      | (11,817)                        | (81,782)   |
| Cash, cash equivalents and restricted cash at beginning of period                | 132,690                         | 191,521    |
| Cash, cash equivalents, and restricted cash at end of period                     | \$ 120,873                      | \$ 109,739 |



# Q3 SEGMENT INFORMATION

Unaudited - dollars in thousands

| Three Months Ended September 30, | Commercial<br>Trailer Products | Diversified<br>Products | Final Mile<br>Products | Corporate and<br>Eliminations | Consolidated      |
|----------------------------------|--------------------------------|-------------------------|------------------------|-------------------------------|-------------------|
| <b>2019</b>                      |                                |                         |                        |                               |                   |
| New trailers shipped             | 13,700                         | 750                     | —                      | —                             | 14,450            |
| Used trailers shipped            | 25                             | 10                      | —                      | —                             | 35                |
| New trailers                     | \$ 366,938                     | \$ 51,697               | \$ —                   | \$ —                          | \$ 418,635        |
| Used trailers                    | 86                             | 417                     | —                      | —                             | 503               |
| Components, parts and service    | 10,039                         | 23,790                  | 4,302                  | (5,960)                       | 32,171            |
| Equipment and other              | 3,281                          | 17,277                  | 109,202                | (161)                         | 129,599           |
| Total net sales                  | <u>\$ 380,344</u>              | <u>\$ 93,181</u>        | <u>\$ 113,504</u>      | <u>\$ (6,121)</u>             | <u>\$ 580,908</u> |
| Gross profit                     | \$ 43,960                      | \$ 18,042               | \$ 16,763              | \$ (1,030)                    | \$ 77,735         |
| Income (loss) from operations    | \$ 36,503                      | \$ 7,183                | \$ 4,628               | \$ (10,045)                   | \$ 38,269         |
| <b>2018</b>                      |                                |                         |                        |                               |                   |
| New trailers shipped             | 14,450                         | 700                     | —                      | —                             | 15,150            |
| Used trailers shipped            | 150                            | 50                      | —                      | —                             | 200               |
| New trailers                     | \$ 354,003                     | \$ 44,399               | \$ —                   | \$ —                          | \$ 398,402        |
| Used trailers                    | 1,888                          | 775                     | —                      | —                             | 2,663             |
| Components, parts and service    | 8,090                          | 29,064                  | 2,304                  | (4,676)                       | 34,782            |
| Equipment and other              | 4,361                          | 28,123                  | 84,745                 | (3)                           | 117,226           |
| Total net sales                  | <u>\$ 368,342</u>              | <u>\$ 102,361</u>       | <u>\$ 87,049</u>       | <u>\$ (4,679)</u>             | <u>\$ 553,073</u> |
| Gross profit                     | \$ 39,137                      | \$ 17,018               | \$ 8,954               | \$ 53                         | \$ 65,162         |
| Income (loss) from operations    | \$ 32,453                      | \$ (6,346)              | \$ (1,495)             | \$ (8,099)                    | \$ 16,513         |



# Q3 YTD SEGMENT INFORMATION

Unaudited - dollars in thousands

| Nine Months Ended September 30, | Commercial<br>Trailer Products | Diversified<br>Products | Final Mile<br>Products | Corporate and<br>Eliminations | Consolidated |
|---------------------------------|--------------------------------|-------------------------|------------------------|-------------------------------|--------------|
| <b>2019</b>                     |                                |                         |                        |                               |              |
| New trailers shipped            | 40,350                         | 2,200                   | —                      | —                             | 42,550       |
| Used trailers shipped           | 50                             | 60                      | —                      | —                             | 110          |
| New trailers                    | \$ 1,078,599                   | \$ 146,821              | \$ —                   | \$ —                          | \$ 1,225,420 |
| Used trailers                   | 236                            | 1,743                   | —                      | —                             | 1,979        |
| Components, parts and service   | 30,994                         | 88,681                  | 12,165                 | (20,455)                      | 111,385      |
| Equipment and other             | 12,424                         | 52,610                  | 337,005                | (688)                         | 401,351      |
| Total net sales                 | \$ 1,122,253                   | \$ 289,855              | \$ 349,170             | \$ (21,143)                   | \$ 1,740,135 |
| Gross profit                    | \$ 126,806                     | \$ 58,264               | \$ 51,576              | \$ (2,571)                    | \$ 234,075   |
| Income (loss) from operations   | \$ 102,742                     | \$ 24,138               | \$ 15,718              | \$ (31,593)                   | \$ 111,005   |
| <b>2018</b>                     |                                |                         |                        |                               |              |
| New trailers shipped            | 42,750                         | 1,900                   | —                      | —                             | 44,650       |
| Used trailers shipped           | 850                            | 100                     | —                      | —                             | 950          |
| New trailers                    | \$ 1,049,452                   | \$ 115,840              | \$ —                   | \$ —                          | \$ 1,165,292 |
| Used trailers                   | 8,794                          | 2,489                   | —                      | —                             | 11,283       |
| Components, parts and service   | 25,780                         | 94,958                  | 7,340                  | (16,529)                      | 111,549      |
| Equipment and other             | 14,245                         | 78,362                  | 276,377                | (26)                          | 368,958      |
| Total net sales                 | \$ 1,098,271                   | \$ 291,649              | \$ 283,717             | \$ (16,555)                   | \$ 1,657,082 |
| Gross profit                    | \$ 123,173                     | \$ 51,008               | \$ 41,409              | \$ (995)                      | \$ 214,595   |
| Income (loss) from operations   | \$ 102,718                     | \$ 3,078                | \$ 9,372               | \$ (26,959)                   | \$ 88,209    |



# RECONCILIATION OF ADJUSTED SEGMENT AND OPERATING INCOME

| Unaudited - dollars in thousands         | Three Months Ended<br>September 30, |           | Nine Months Ended<br>September 30, |            |
|--|-------------------------------------|-----------|------------------------------------|------------|
|  | 2019                                | 2018      | 2019                               | 2018       |
|  |                                     |           |                                    |            |
| <b>Commercial Trailer Products</b>       |                                     |           |                                    |            |
| Income from operations                   | \$ 36,503                           | \$ 32,453 | \$ 102,742                         | \$ 102,718 |
| <b>Diversified Products</b>              |                                     |           |                                    |            |
| Income from operations                   | 7,183                               | (6,346)   | 24,138                             | 3,078      |
| Adjustments:                             |                                     |           |                                    |            |
| Impairment                               | —                                   | 11,989    | —                                  | 11,989     |
| Adjusted operating income                | 7,183                               | 5,643     | 24,138                             | 15,067     |
| <b>Final Mile Products</b>               |                                     |           |                                    |            |
| Income from operations                   | 4,628                               | (1,495)   | 15,718                             | 9,372      |
| Adjustments:                             |                                     |           |                                    |            |
| Acquisition expenses and related charges | —                                   | —         | —                                  | 751        |
| Adjusted operating income                | 4,628                               | (1,495)   | 15,718                             | 10,123     |
| <b>Corporate</b>                         |                                     |           |                                    |            |
| Income from operations                   | (10,045)                            | (8,099)   | (31,593)                           | (26,959)   |
| Adjustments:                             |                                     |           |                                    |            |
| Acquisition expenses and related charges | —                                   | —         | —                                  | 68         |
| Adjusted operating income                | (10,045)                            | (8,099)   | (31,593)                           | (26,891)   |
| <b>Consolidated</b>                      |                                     |           |                                    |            |
| Income from operations                   | 38,269                              | 16,513    | 111,005                            | 88,209     |
| Adjustments:                             |                                     |           |                                    |            |
| Impairment                               | —                                   | 11,989    | —                                  | 11,989     |
| Acquisition expenses and related charges | —                                   | —         | —                                  | 819        |
| Adjusted operating income                | \$ 38,269                           | \$ 28,502 | \$ 111,005                         | \$ 101,017 |





# RECONCILIATION OF ADJUSTED NET INCOME AND ADJUSTED EARNINGS PER SHARE

Unaudited - dollars in thousands

## Adjusted Net Income<sup>1</sup>:

|   | Three Months Ended September 30, |           | Nine Months Ended September 30, |           |
|---|----------------------------------|-----------|---------------------------------|-----------|
|   | 2019                             | 2018      | 2019                            | 2018      |
| Net income                                    | \$ 25,460                        | \$ 4,664  | \$ 71,200                       | \$ 57,837 |
| Adjustments:                                  |                                  |           |                                 |           |
| Facility transactions <sup>2</sup>            | —                                | (150)     | —                               | (10,779)  |
| Loss on debt extinguishment                   | —                                | —         | —                               | 174       |
| Impairment                                    | —                                | 11,989    | —                               | 11,989    |
| Acquisition expenses and related charges      | —                                | —         | —                               | 819       |
| Tax effect of aforementioned items            | —                                | (3,078)   | —                               | (573)     |
| Tax reform and other discrete tax adjustments | —                                | 3,084     | —                               | 3,084     |
| Adjusted net income                           | \$ 25,460                        | \$ 16,509 | \$ 71,200                       | \$ 62,551 |

## Adjusted Diluted Earnings Per Share<sup>1</sup>:

|   | Three Months Ended September 30, |         | Nine Months Ended September 30, |         |
|---|----------------------------------|---------|---------------------------------|---------|
|   | 2019                             | 2018    | 2019                            | 2018    |
| Diluted earnings per share                    | \$ 0.46                          | \$ 0.08 | \$ 1.28                         | \$ 0.98 |
| Adjustments:                                  |                                  |         |                                 |         |
| Facility transactions <sup>2</sup>            | —                                | —       | —                               | (0.17)  |
| Loss on debt extinguishment                   | —                                | —       | —                               | —       |
| Impairment                                    | —                                | 0.21    | —                               | 0.20    |
| Acquisition expenses and related charges      | —                                | —       | —                               | 0.01    |
| Tax effect of aforementioned items            | —                                | (0.05)  | —                               | (0.01)  |
| Tax reform and other discrete tax adjustments | —                                | 0.05    | —                               | 0.05    |
| Adjusted earnings per share                   | \$ 0.46                          | \$ 0.29 | \$ 1.28                         | \$ 1.06 |

|  |        |        |        |        |
|--|--------|--------|--------|--------|
| Weighted average diluted shares outstanding (in thousands) | 55,019 | 57,742 | 55,502 | 59,218 |
|--|--------|--------|--------|--------|

- Adjusted net income and adjusted earnings per diluted share, each reflect adjustments for acquisition expenses, the losses attributable to the Company's extinguishment of debt, income or losses recognized on the sale and/or closure of former Company locations, a non-cash impairment of assets, and tax reform and other discrete tax adjustments.
- Facility transactions in 2018 and 2019 relate to gains and/or losses incurred for the sale or closure of former Company locations.



# RECONCILIATION OF OPERATING EBITDA AND FREE CASH FLOW

Unaudited - dollars in thousands

| Operating EBITDA <sup>1</sup> : | Three Months Ended September 30, |                  | Nine Months Ended September 30, |                   |
|---------------------------------|----------------------------------|------------------|---------------------------------|-------------------|
|                                 | 2019                             | 2018             | 2019                            | 2018              |
| Net income                      | \$ 25,460                        | \$ 4,664         | \$ 71,200                       | \$ 57,837         |
| Income tax expense              | 7,429                            | 5,338            | 21,227                          | 21,209            |
| Interest expense                | 6,713                            | 7,044            | 20,823                          | 21,649            |
| Depreciation and amortization   | 10,416                           | 10,308           | 31,611                          | 30,519            |
| Stock-based compensation        | 1,985                            | 3,089            | 7,362                           | 8,479             |
| Acquisition expenses            | —                                | —                | —                               | 68                |
| Impairment                      | —                                | 11,989           | —                               | 11,989            |
| Other non-operating income      | (1,333)                          | (533)            | (2,245)                         | (12,486)          |
| Operating EBITDA                | <u>\$ 50,670</u>                 | <u>\$ 41,899</u> | <u>\$ 149,978</u>               | <u>\$ 139,264</u> |

| Free Cash Flow <sup>2</sup> :             | Nine Months Ended September 30, |                  |
|---|---------------------------------|------------------|
|   | 2019                            | 2018             |
| Net cash provided by operating activities | \$ 76,218                       | \$ 56,684        |
| Capital expenditures                      | (22,244)                        | (20,344)         |
| Free cash flow                            | <u>\$ 53,974</u>                | <u>\$ 36,340</u> |

- 1 Operating EBITDA is defined as earnings before interest, taxes, depreciation, amortization, stock-based compensation, acquisition expenses and related charges, impairments, and other non-operating income and expense.
- 2 Free cash flow is defined as net cash provided by (used in) operating activities minus capital expenditures.

