



## Raven Industries Reports Strong First Quarter Fiscal 2019 Results

May 17, 2018

### EPS Increased 80 Percent Year-Over-Year

SIOUX FALLS, S.D., May 17, 2018 (GLOBE NEWSWIRE) -- **Raven Industries, Inc.** (NASDAQ:RAVN) today reported financial results for the first quarter that ended April 30, 2018.

#### Noteworthy Items:

- Consolidated net sales increased 19 percent year-over-year and all three divisions increased division profit margin year-over-year;
- Launched Applied Technology's new Latin American headquarters in Brazil, aggressively pursuing organic growth opportunities in this key region;
- Applied Technology sustained the strong sales performance achieved in the prior year despite persistently low commodity prices and increased division profit margin;
- Engineered Films' strong financial performance continued with organic growth and profit margin expansion;
- Aerostar doubled division operating income year-over-year, from \$1.4 million to \$2.8 benefiting from a narrowed focus and generating higher sales;
- Recognized a \$5.8 million non-operating gain on the sale of the Company's ownership interest in Site-Specific Technology Development Group, Inc. (SST);
- Commitment to support South Dakota State University with a financial gift for the expansion of its precision agriculture program and the establishment of a new precision agriculture facility resulted in a \$4.5 million operating expense during the first quarter.

#### First Quarter Results:

Net sales for the first quarter of fiscal 2019 were \$111.1 million, up 18.8 percent versus the first quarter of fiscal 2018. Engineered Films and Aerostar achieved double-digit growth in sales year-over-year during the first quarter, and Applied Technology sustained the strong growth achieved in the prior year. Delivery of hurricane recovery film contributed sales of \$8.9 million during this year's first quarter.

Operating income for the first quarter of fiscal 2019 was \$21.5 million versus operating income of \$18.2 million in the first quarter of fiscal 2018, increasing 18.2 percent year-over-year on a reported basis. All three divisions achieved growth year-over-year in operating income during the first quarter. Included in this year's first quarter operating income was an expense of \$4.5 million related to the previously announced gift to South Dakota State University and \$900 thousand of expenses related to Project Atlas. Excluding these items, operating income increased significantly more than reported results year-over-year.

Net income for the first quarter of fiscal 2019 was \$22.1 million, or \$0.61 per diluted share, versus net income of \$12.3 million, or \$0.34 per diluted share, in last year's first quarter. Included in this year's first quarter results on a pre-tax basis were: a non-operating gain on the sale of the Company's ownership interest in SST of \$5.8 million (\$4.7 million after-tax, or \$0.13 per diluted share); an expense associated with the previously announced gift to South Dakota State University of \$4.5 million (\$3.7 million after-tax, or \$0.10 per diluted share); and Project Atlas related expenses of \$0.9 million (\$0.7 million after-tax, or \$0.02 per diluted share). Additionally, the 12.8 percentage point reduction in the Company's effective tax rate year-over-year resulted in a tax benefit relative to the prior year of \$3.5 million, or \$0.10 per diluted share.

#### Balance Sheet and Cash Flow:

At the end of the first quarter of fiscal 2019, cash and cash equivalents totaled \$51.3 million, up \$10.8 million versus the prior year-end. Cash proceeds from the sale of SST and continued strength in operating cash flows principally drove the increase in cash versus the prior quarter.

Net working capital<sup>1</sup> as a percentage of annualized net sales increased slightly year-over-year, from 23.4 percent in the first quarter of last year to 24.1 percent in this year's first quarter. The increase was primarily driven by an increase in receivables within Engineered Films as a result of the acquisition of Colorado Lining International, Inc. (CLI).

We expect cash outflows for capital expenditures to be approximately \$22 million in fiscal 2019. The increase over fiscal 2018 will primarily be driven by the installation of a new extrusion line for Engineered Films (Line 15).

#### Applied Technology Division:

Net sales for Applied Technology in the first quarter of fiscal 2019 were \$40.4 million, essentially flat versus the first quarter of fiscal 2018. The division sustained the strong growth achieved in the prior year despite persistently low commodity prices. Geographically, domestic sales were down 2.4 percent year-over-year, while international sales were up 6.6 percent year-over-year.

Division operating income in the first quarter of fiscal 2019 was \$15.9 million, up \$2.5 million or 18.5 percent versus the first quarter of fiscal 2018. Division operating margin increased 620 basis points year-over-year, driven mostly by lower warranty expense and favorable legal recoveries.

#### Engineered Films Division:

Net sales for Engineered Films were \$60.0 million, up 37.7 percent year-over-year. The increase in net sales was driven by organic growth, the sale of hurricane recovery film and the acquisition of CLI. The delivery of Hurricane recovery film and the acquisition of CLI contributed sales in this year's first quarter of \$8.9 million and \$7.7 million, respectively. In the first quarter of fiscal 2018 the division generated \$2.3 million in sales to CLI.

Operating income in the first quarter of fiscal 2019 was \$13.2 million, up \$4.5 million or 51.3 percent versus the first quarter of fiscal 2018. Division operating margin increased 200 basis points year-over-year, from 20.0 percent to 22.0 percent, driven by strong operational execution and higher sales volume.

#### Aerostar Division:

Net sales for Aerostar during the first quarter of fiscal 2019 were \$10.9 million, up \$1.3 million or 13.5 percent versus the first quarter of fiscal 2018. This increase in net sales was driven by improved sales volume across core product lines. During the first quarter of fiscal 2019, the division sold its client private business in

alignment with its strategy to focus on its core business. Aerostar's client private business generated sales of \$0.3 million and \$1.6 million in the first quarter of fiscal 2019 and 2018, respectively.

Division operating income in the first quarter of fiscal 2019 was \$2.8 million, up \$1.4 million versus the first quarter of fiscal 2018. This increase was primarily driven by increased sales volume and favorable sales mix. The sale of the client private business generated a small gain on sale during the first quarter of fiscal 2019; however, the change in division profit year-over-year was not significantly impacted by the client private business.

#### **Fiscal 2019 Outlook:**

"All three divisions continued to achieve strong operating results during the first quarter of fiscal 2019," said Dan Rykhus, President and CEO. "Investments in growth are leading to increased demand, and operational execution is resulting in higher sales volume and improved financial performance.

"Applied Technology continues to drive results through innovation and investments to grow internationally. During the quarter, the division established its new Latin American headquarters in Brazil to drive sales in this key geographic market.

"Engineered Films continued to achieve expected sales growth and profitability. The division is leveraging past investments to capitalize on strategic opportunities and is investing in additional capabilities to capture increased demand from existing customers. The underlying fundamentals remain strong and the division's operational execution is delivering impressive financial results.

"Aerostar's financial performance progressed in the first quarter of fiscal 2019. Confidence is strong within the division and Aerostar further sharpened its focus as evidenced by the divestiture of its client private business during the quarter. Stratospheric balloon systems continue to build positive momentum and achieve key milestones.

"The Company is off to a strong start to the year. Underlying organic growth in consolidated net sales and operating income were approximately 5 percent and 20 percent, respectively, when excluding unusual items. Each of the divisions is well positioned in its markets and we expect our positive momentum to continue," concluded Rykhus.

#### **Regulation G:**

The information presented in this earnings release regarding earnings before interest, taxes, depreciation, and amortization (EBITDA) do not conform to generally accepted accounting principles (GAAP) and should not be construed as an alternative to the reported results determined in accordance with GAAP. Management has included this non-GAAP information to assist in understanding the operating performance of the Company and its operating segments as well as the comparability of results. The non-GAAP information provided may not be consistent with the methodologies used by other companies. All non-GAAP information is reconciled with reported GAAP results in the tables below.

#### **Conference Call Information:**

The Company will host an investor conference call to discuss first quarter fiscal 2019 results tomorrow, Friday, May 18, 2018, at 9:00 a.m. Central Time (10:00 a.m. Eastern Time). The conference call audio will be available to all interested parties via a simultaneous webcast that can be accessed through the Investor Relations section of the Company's website at <http://investors.ravenind.com>. Analysts and investors are invited to join the conference call by dialing: +1 (866) 393-0676. The event is scheduled to last one hour. For those unable to listen live, an audio replay of the event will be archived on the Company's website.

#### **About Raven Industries, Inc.:**

Raven Industries (NASDAQ:RAVN) is dedicated to providing innovative, high-value products and solutions that solve great challenges throughout the world. Raven is a leader in precision agriculture, high-performance specialty films, and lighter-than-air technologies. Since 1956, Raven has designed, produced, and delivered exceptional solutions, earning the company a reputation for innovation, product quality, high performance, and unmatched service. For more information, visit <http://ravenind.com>.

#### **Forward-Looking Statements:**

This news release contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including statements regarding the expectations, beliefs, intentions or strategies regarding the future. The Company intends that all forward-looking statements be subject to the safe harbor provisions of the Private Securities Litigation Reform Act.

Generally, forward-looking statements can be identified by words such as "may," "will," "plan," "believe," "expect," "intend," "anticipate," "potential," "should," "estimate," "predict," "project," "would," and similar expressions, which are generally not historical in nature. However, the absence of these words or similar expressions does not mean that a statement is not forward-looking. All statements that address operating performance, events or developments that we expect or anticipate will occur in the future - including statements relating to our future operating or financial performance or events, our strategy, goals, plans and projections regarding our financial position, our liquidity and capital resources, and our product development - are forward-looking statements.

Management believes that these forward-looking statements are reasonable as and when made. However, caution should be taken not to place undue reliance on any such forward-looking statements, because such statements speak only as of the date when made. Our Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. In addition, forward-looking statements are subject to certain known risks, as described in the Company's 10K under Item 1A, and unknown risks and uncertainties that may cause actual results to differ materially from our Company's historical experience and our present expectations or projections.

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Source: Raven Industries, Inc.

**RAVEN INDUSTRIES, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**  
**(Dollars and shares in thousands, except earnings per share) (Unaudited)**

|               | <b>Three Months Ended April 30,</b> |                  |                            |
|---------------|-------------------------------------|------------------|----------------------------|
|               | <b>2018</b>                         | <b>2017</b>      | <b>Fav (Un)<br/>Change</b> |
| Net sales     | <b>\$ 111,129</b>                   | <b>\$ 93,535</b> | <b>18.8 %</b>              |
| Cost of sales | <b>71,131</b>                       | <b>61,579</b>    |                            |

|  |                  |   |           |   |      |   |
|--|------------------|---|-----------|---|------|---|
| Gross profit                                       | <b>39,998</b>    |   | 31,956    |   | 25.2 | % |
| <i>Gross profit percentage</i>                     | <b>36.0</b>      | % | 34.2      | % |      |   |
| Research and development expenses                  | <b>5,285</b>     |   | 3,980     |   |      |   |
| Selling, general, and administrative expenses      | <b>13,182</b>    |   | 9,498     |   |      |   |
| Long-lived asset impairment loss                   | <b>—</b>         |   | 259       |   |      |   |
| Operating income                                   | <b>21,531</b>    |   | 18,219    |   | 18.2 | % |
| <i>Operating income percentage</i>                 | <b>19.4</b>      | % | 19.5      | % |      |   |
| Other income (expense), net                        | <b>5,679</b>     |   | (230)     | ) |      |   |
| Income before income taxes                         | <b>27,210</b>    |   | 17,989    |   | 51.3 | % |
| Income tax expense                                 | <b>5,063</b>     |   | 5,641     |   |      |   |
| Net income   | <b>22,147</b>    |   | 12,348    |   | 79.4 | % |
| Net income attributable to noncontrolling interest | <b>12</b>        |   | —         |   |      |   |
| Net income attributable to Raven Industries, Inc.  | <b>\$ 22,135</b> |   | \$ 12,348 |   | 79.3 | % |
| Net income per common share:                       |                  |   |           |   |      |   |
| - Basic  | <b>\$ 0.62</b>   |   | \$ 0.34   |   | 82.4 | % |
| - Diluted  | <b>\$ 0.61</b>   |   | \$ 0.34   |   | 79.4 | % |
| Weighted average common shares:                    |                  |   |           |   |      |   |
| - Basic  | <b>35,914</b>    |   | 36,179    |   |      |   |
| - Diluted  | <b>36,381</b>    |   | 36,539    |   |      |   |

**RAVEN INDUSTRIES, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(Dollars in thousands) (Unaudited)

|   | April 30<br>2018  | January 31<br>2018 | April 30<br>2017 |
|---|-------------------|--------------------|------------------|
| <b>ASSETS</b>                                     |                   |                    |                  |
| Cash and cash equivalents                         | <b>\$ 51,317</b>  | \$ 40,535          | \$ 50,477        |
| Accounts receivable, net                          | <b>66,812</b>     | 58,532             | 51,617           |
| Inventories                                       | <b>55,162</b>     | 55,351             | 49,867           |
| Other current assets                              | <b>4,483</b>      | 5,861              | 3,256            |
| Total current assets                              | <b>177,774</b>    | 160,279            | 155,217          |
| Property, plant and equipment, net                | <b>107,037</b>    | 106,280            | 106,194          |
| Goodwill and amortizable intangibles, net         | <b>56,344</b>     | 57,294             | 52,141           |
| Other assets                                      | <b>3,947</b>      | 2,950              | 3,442            |
| <b>TOTAL ASSETS</b>                               | <b>\$ 345,102</b> | \$ 326,803         | \$ 316,994       |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>       |                   |                    |                  |
| Accounts payable                                  | <b>\$ 14,714</b>  | \$ 13,106          | \$ 13,909        |
| Accrued and other liabilities                     | <b>21,249</b>     | 23,836             | 22,615           |
| Total current liabilities                         | <b>35,963</b>     | 36,942             | 36,524           |
| Other liabilities                                 | <b>16,053</b>     | 13,795             | 12,726           |
| Shareholders' equity                              | <b>293,086</b>    | 276,066            | 267,744          |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b> | <b>\$ 345,102</b> | \$ 326,803         | \$ 316,994       |

**Net Working Capital and Net Working Capital Percentage<sup>1</sup>**

|   |                   |            |            |
|---|-------------------|------------|------------|
| Accounts receivable, net                    | <b>\$ 66,812</b>  | \$ 58,532  | \$ 51,617  |
| Plus: Inventories                           | <b>55,162</b>     | 55,351     | 49,867     |
| Less: Accounts payable                      | <b>14,714</b>     | 13,106     | 13,909     |
| Net working capital <sup>1</sup>            | <b>\$ 107,260</b> | \$ 100,777 | \$ 87,575  |
| Annualized net sales                        | <b>\$ 444,516</b> | \$ 383,292 | \$ 374,140 |
| Net working capital percentage <sup>1</sup> | <b>24.1</b>       | %          | 26.3       |
|   |                   |            | %          |
|   |                   |            | 23.4       |
|   |                   |            | %          |

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Dollars in thousands) (Unaudited)

|   | Three Months Ended April 30, |           |
|---|------------------------------|-----------|
|   | 2018                         | 2017      |
| Cash flows from operating activities:   |                              |           |
| Net income  | \$ 22,147                    | \$ 12,348 |
| Adjustments to reconcile net income to net cash provided by operating activities: |                              |           |
| Depreciation and amortization   | 3,683                        | 3,614     |
| Long-lived asset impairment loss  | —                            | 259       |
| Other operating activities, net   | (12,227 )                    | (8,519 )  |
| Net cash provided by operating activities   | 13,603                       | 7,702     |
| Cash flows from investing activities:   |                              |           |
| Capital expenditures  | (4,164 )                     | (2,790 )  |
| Proceeds from sale or maturity of investments                                     | 6,556                        | —         |
| Purchases of investments  | (79 )                        | —         |
| Proceeds from sale of assets  | 832                          | 14        |
| Other investing activities, net   | 40                           | (60 )     |
| Net cash provided by (used in) investing activities                               | 3,185                        | (2,836 )  |
| Cash flows from financing activities:   |                              |           |
| Dividends paid  | (4,658 )                     | (4,691 )  |
| Payment of acquisition-related contingent liabilities                             | (295 )                       | (161 )    |
| Other financing activities, net   | (822 )                       | (141 )    |
| Net cash used in financing activities   | (5,775 )                     | (4,993 )  |
| Effect of exchange rate changes on cash   | (231 )                       | (44 )     |
| Net increase (decrease) in cash and cash equivalents                              | 10,782                       | (171 )    |
| Cash and cash equivalents at beginning of period                                  | 40,535                       | 50,648    |
| Cash and cash equivalents at end of period  | \$ 51,317                    | \$ 50,477 |

**RAVEN INDUSTRIES, INC.**  
**SALES AND OPERATING INCOME BY SEGMENT**  
(Dollars in thousands) (Unaudited)

|                               | Three Months Ended April 30, |           |          |    |
|-------------------------------|------------------------------|-----------|----------|----|
|                               | 2018                         | 2017      | Fav (Un) |    |
|                               |                              |           | Change   |    |
| Net sales                     |                              |           |          |    |
| Applied Technology            | \$ 40,430                    | \$ 40,490 | (0.1     | )% |
| Engineered Films              | 59,992                       | 43,555    | 37.7     | %  |
| Aerostar                      | 10,901                       | 9,606     | 13.5     | %  |
| Intersegment eliminations     | (194 )                       | (116 )    |          |    |
| Consolidated net sales        | \$ 111,129                   | \$ 93,535 | 18.8     | %  |
| Operating income (loss)       |                              |           |          |    |
| Applied Technology            | \$ 15,948                    | \$ 13,453 | 18.5     | %  |
| Engineered Films              | 13,196                       | 8,720     | 51.3     | %  |
| Aerostar                      | 2,805                        | 1,418     | 97.8     | %  |
| Intersegment eliminations     | (15 )                        | (2 )      |          |    |
| Total segment income          | 31,934                       | 23,589    | 35.4     | %  |
| Corporate expenses            | (10,403 )                    | (5,370 )  | (93.7    | )% |
| Consolidated operating income | \$ 21,531                    | \$ 18,219 | 18.2     | %  |
| Operating income percentages  |                              |           |          |    |
| Applied Technology            | 39.4                         | %         | 33.2     | %  |
| Engineered Films              | 22.0                         | %         | 20.0     | %  |
| Aerostar                      | 25.7                         | %         | 14.8     | %  |
| Consolidated operating income | 19.4                         | %         | 19.5     | %  |
|                               |                              |           | 620bps   |    |
|                               |                              |           | 200bps   |    |
|                               |                              |           | 1,090bps |    |
|                               |                              |           | (10)bps  |    |

**RAVEN INDUSTRIES, INC.**  
**EBITDA REGULATION G RECONCILIATION<sup>2</sup>**  
(Dollars in thousands) (Unaudited)

Three Months Ended April 30,

| <b>Segments</b>                             | <b>2018</b> |   | <b>2017</b> |   | <b>Fav (Un)<br/>Change</b> |    |
|---|-------------|---|-------------|---|----------------------------|----|
| <b>Applied Technology</b>                   |             |   |             |   |                            |    |
| Reported operating income                   | \$ 15,948   |   | \$ 13,453   |   | 18.5                       | %  |
| Plus: Depreciation and amortization         | 750         |   | 830         |   | (9.6)                      | )% |
| ATD EBITDA                                  | \$ 16,698   |   | \$ 14,283   |   | 16.9                       | %  |
| <i>ATD EBITDA % of Net Sales</i>            | <b>41.3</b> | % | 35.3        | % |                            |    |
| <b>Engineered Films</b>                     |             |   |             |   |                            |    |
| Reported operating income                   | \$ 13,196   |   | \$ 8,720    |   | 51.3                       | %  |
| Plus: Depreciation and amortization         | 2,321       |   | 2,066       |   | 12.3                       | %  |
| EFD EBITDA                                  | \$ 15,517   |   | \$ 10,786   |   | 43.9                       | %  |
| <i>EFD EBITDA % of Net Sales</i>            | <b>25.9</b> | % | 24.8        | % |                            |    |
| <b>Aerostar</b>                             |             |   |             |   |                            |    |
| Reported operating income                   | \$ 2,805    |   | \$ 1,418    |   | 97.8                       | %  |
| Plus: Depreciation and amortization         | 219         |   | 417         |   | (47.5)                     | )% |
| Aerostar EBITDA                             | \$ 3,024    |   | \$ 1,835    |   | 64.8                       | %  |
| <i>Aerostar EBITDA % of Net Sales</i>       | <b>27.7</b> | % | 19.1        | % |                            |    |
| <b>Consolidated Raven</b>                   |             |   |             |   |                            |    |
| Net Income attributable to Raven Industries | \$ 22,135   |   | \$ 12,348   |   | 79.3                       | %  |
| Interest expense (income), net              | (37         | ) | 68          |   |                            |    |
| Income tax expense                          | 5,063       |   | 5,641       |   |                            |    |
| Plus: Depreciation and amortization         | 3,683       |   | 3,614       |   |                            |    |
| EBITDA                                      | \$ 30,844   |   | \$ 21,671   |   | 42.3                       | %  |
| <i>EBITDA % of Net Sales</i>                | <b>27.8</b> | % | 23.2        | % |                            |    |

<sup>1</sup> Net working capital is defined as accounts receivable (net) plus inventories less accounts payable. Net working capital percentage is defined as net working capital divided by four times quarterly sales for each respective period.

<sup>2</sup> EBITDA is a non-GAAP financial measure defined on a consolidated basis as net income attributable to Raven Industries, Inc., plus income taxes, plus depreciation and amortization expense, plus interest expense (net). On a segment basis, it is defined as operating income plus depreciation expense and amortization expense. EBITDA margin is defined as EBITDA divided by net sales.

[Primary Logo](#)

Source: Raven Industries, Inc.