

Transcript of
Astec Industries, Inc.
Investor Day
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Participants

Steve Anderson - Senior Vice President, Administration and Investor Relations
Barry Ruffalo - President and Chief Executive Officer
Scott Barker - Senior Vice President, Innovation
Greg Oswald, Senior Vice President, Operational Excellence
Tim Averkamp – Group President, Materials Solutions
Jaco van der Merwe - Group President, Infrastructure Solutions Group
Becky Weyenberg - Chief Financial Officer

Presentation

Steve Anderson - Senior Vice President, Administration and Investor Relations

Good morning and welcome to Astec Investor Day. My name is Steve Anderson and I'm the Senior Vice President of Administration and Investor Relations for the company. We appreciate you taking your valuable time this morning to learn more about the exciting transformation of Astec. Having been with the company for 21 years, myself, I'm particularly excited about the opportunity we have to unlock value for our shareholders.

We would have loved to have been with you in person today, but with the COVID-19 pandemic, that was just not possible. So during our presentations and our question-and-answer sessions, our team will be practicing social distancing. We all know by now that with multiple electronic devices for an event, there can be small glitches that come along, we're going to strive today to have a bleach free event for you. So thank you for your time.

Before we begin, I need to take a minute to review our Safe Harbor information. As you know, our discussion this morning may contain forward-looking statements that relate to the future performance of the company. And these statements are intended to qualify for the Safe Harbor liability established by the Private Securities Litigation Reform Act. Any such statements are not guarantees of future performance and are subject to certain risks, uncertainties and assumptions. Factors that can influence our results are highlighted in this slide and others are contained in our filings with the SEC. As usual, we ask that you familiarize yourself with those factors.

In an effort to provide investors with additional information regarding our results, we refer to both GAAP, which United States Generally Accepted Accounting Principles and non-GAAP financial measures. Management believes these provide useful information to our investors. These non-GAAP financial measures have no standardized meaning prescribed by US GAAP and are therefore unlikely to be comparable to the calculation of similar measures for other companies. We do not intend these items to be considered in isolation or as a substitute for the related GAAP measures.

Comments made during today's call refer to non-GAAP results and a reconciliation of GAAP to non-GAAP results are included in the appendix of our slide deck. All related earnings materials are posted on our website at www.astecindustries.com.

Today you'll hear from a number of our executive leadership team members, as you can see from our agenda, Barry Ruffalo, our Chief Executive Officer will start the presentation by providing our company overview and strategic direction. Next, Greg Oswald, our Senior Vice President of Operational Excellence will explain our new codified operational excellence model. After operational excellence, Scott Barker, our Senior Vice President of Innovation will share details on what's new about our commitment and rigor towards innovation.

From there, we'll move into a presentation about our Materials Solutions division by Group President, Tim Averkamp. After Tim's presentation, we will entertain your questions for approximately 15 to 20 minutes during our first question-and-answer session of the day. After a short five-minute break, Jaco van der Merwe will tell you about the activities happening within our Infrastructure Solutions group. Our financial overview and outlook will then be provided by Becky Weyenberg, our Chief Financial Officer, and then Barry will provide some closing remarks. From there, we'll move to the final question-and-answer session of the day.

With that, let me now turn the call over to Barry Ruffalo, our President and Chief Executive Officer. Barry?

Barry Ruffalo – President and Chief Executive Officer

Thanks, Steve. Appreciate you. I'll open up the meeting. I agree with Steve, obviously we'd rather do these in person and we look forward to spending time with you all personally, as we get past this pandemic. Moving into the meeting, we're glad you're here. We appreciate you taking the time to allow us to share our first inaugural Investor Day for Astec. And, with that, we'll just get into the presentation.

As you will see shortly, there's been a lot of progress made over the last few year, but more importantly, we have significant opportunities ahead of us, which will be highlighted throughout today's discussion. The future for Astec is exciting.

Let me first start with a short introduction of myself. I assumed the role of President and CEO of Astec in August of 2019, just over a year ago. Going way back, I started my career at Case Corporation, which eventually turned into CNH. I spent 11 years with CNH in design engineering, operations and had accountability for various product lines.

In 2007, I had a great opportunity to join Lindsay Corporation as President of Irrigation and eventually ran the Infrastructure segment as well. Lindsay was my first opportunity to have accountability for a complete business from strategy, the team effectiveness, execution and results. In 2015, I had the opportunity to join Valmont where I entered the company as Executive Vice President of Operational Excellence, allowing me to be an integral part of the company's corporate initiatives that added value to the company and shareholders. I subsequently had

accountability for different parts of the business and ultimately became Group President of the Engineered Support Structures segment.

Now coming back full circle to my decision to join Astec, having had some knowledge of the company doing my own research and after meeting the board, the alignment of my past experiences and passion for the market, it was obvious to me that I'd be thrilled to have a chance to be part of the Astec family. I often get asked what attracted you to Astec?

As mentioned, the alignment with the board, the core values, the company history and strong brand, the balance sheet and the opportunity I saw for the company are some of the elements that I found most intriguing. These have now all been validated after having been part of the company for over a year. Importantly, our people are top notch. They strive to serve our customers better than anyone else and are the energy behind our transformation and the most important foundational piece of our future.

Moving on to my first slide, I'm excited for you to hear from some of our leaders at Astec about where we are going as a company. As we go through the presentations, these are some of the main points that you will hear consistently from the Group. We have a leadership position and everything we do or line of sight on how we will get there. We like our attractive niche markets and we're well positioned to benefit from trends that support them.

Infrastructure is a cyclical market, but there are many driving factors that will keep it an attractive space to invest in well into the future, population growth, developing world economies, and aging infrastructure to name a few. Our industry-leading reputation is a great foundational element of our company built upon how we serve our customers and leverage their input, it needs to drive game-changing innovative solutions. Scott will further discuss why we do innovation as a competitive advantage later this morning.

We like that we have built a strong reoccurring revenue stream from our parts and aftermarket solutions, but we know that we can do better. That is why we have put an executive over parts and aftermarket solutions to strategically drive this part of our business. We will be more efficient internally with this being essentially led initiative versus brand by brand, more effective in managing the inventory and easier to do business with. This will also allow us to be more responsive to customers with quicker turnaround times.

I'll spend more time speaking to the leadership team further in my presentation, I will, however, mention how we landed on our strategic pillars of Simplify, Focus and Grow. When I joined the company, I made it a priority to get to every site, to meet our team and to hear from them personally, what differentiates us in the market and where we had an opportunity to be better.

During those travels, I took a pile of 3 by 5 note cards and asked each person I met to tell me from their personal perspective on one side of the card, what they wanted me to know relative to the strengths of Astec, and on the other side, what should I take from them relative to the areas of improvement. While there were many positives, the opportunity centered around three things, we were too complex, which is supported by customer and shareholder feedback, they didn't

understand how they fit into the overall company and asked that we do a better job of communicating our strategic direction and growth opportunities. So in essence, our strategic pillars are stakeholder-driven. That is exactly why the organization has bought into them and have rallied around them.

To give you one more perspective on this before I move on, I hold a weekly Virtual CEO Roundtable Meeting, where I get a chance to talk directly with 10 people in a very open and transparent session. I can't tell you how many times I get asked about the pace of our strategic actions to get this, why we can't go faster. They obviously see the value from an employee, customer, partner and shareholder perspective. This group energizes me.

Lastly, one of the most important elements of today's session is the rollout of the OneASTECC business model. I'll spend more time talking to the significance of what this means to Astec and how it will support value creation for employees, customers and shareholders in a few slides. This truly is a game changer for us.

This next slide gives you a good high-level perspective on many elements at Astec. We were founded in 1972 by Dr. Don Brock where his focus on solving customer needs better than anyone else allowed him to grow this company from nothing to a billion-dollar business based in Chattanooga, Tennessee. Today, just under 80% of our sales come from the US domestic market where we continue to strategically grow international revenue in a disciplined way. I'll spend more time in the next slide, updating you on our reporting segments, but you can see how our revenue of \$1.15 billion in 2019 was split between Infrastructure and Materials Solutions.

Before moving on, I want to take a minute to talk about the vision statement that is in the black banner. As we began to build our strategic plan, we thought it was important to reflect on our purpose and vision to make sure we had ultimate alignment across the organization. After surveying employees and other stakeholders, the AstecPurpose Built to Connect came to fruition. So let me explain what that means to me.

The products we design, build and sell are used to build roads and equipment that supports building other infrastructure projects that connect people and communities. We have a strong connection to our customers, suppliers and you our shareholders. Our products are connected with best-in-class telematics platforms, giving our customers critical data to make effective decisions. Those are just a couple of examples of what our purpose Built to Connect means to me.

Each person in the company will have a different perspective on this, but ultimately, it keeps us all aligned with a single purpose. Our vision statement is also new to the organization. You will hear many examples today on how it guides us and all that we do regarding the importance of the focus value chain that we serve, which is Rock to Road, with innovative solutions through people, processes and products as OneASTECC. You'll hear more about each of our reporting segments from Tim and Jaco, but this gives you a feel for industry-leading brands.

More importantly, for those of you that are not familiar with our story, you should know that over the last year we restructured our company from 16 independent subsidiary companies to two segments built upon products and markets we serve. This simplified customer-centric approach allows us as leaders of the company to be closer to our customers, to make quicker decisions and to leverage capital investments more effectively as we drive the OneASTECC strategic business plan.

As you can see on this slide, we've made investments to build a global footprint through acquisition and one Greenfield site in Brazil. In the past, with the decentralized model, we didn't take full advantage of the global investments, but that has also changed. Today, we are leveraging global capabilities, location to our customers and talent to drive down costs to serve, time to deliver and enhance quality. We're doing a better job of producing more of the products locally when it makes sense to do so. This has been accomplished by reducing organizational complexity and optimizing our supply chain.

Well, we are happy with the contribution that our international business makes to the company, we know that we need to continue to look at product specification and global supply chain to more effectively grow incremental sales outside of the United States. I have a lot of confidence in our international team and have been impressed with their progress in adding value in the last year. They are definitely disciplined, strategic, professional and hunters more than just gathers.

Now let's talk about our competitive advantages. As I have spent time with our team and our customers, I can attest that these truly are differentiating factors in the market. First and foremost, our company grew up building customer relationships, because we knew that if we listened, took action and delivered solutions that added value for them, we would earn the opportunities to do business with them in a sustainable fashion. That holds true as well with how we provide services support. I hear from customers around the world that this clearly is one of our strengths and what we do better than our competition.

As you will hear today, we hold strong positions within the Rock to Road value chain. And I am confident that with our culture and strong team, we will continue to grow trust and respect for our customers allowing us to serve them more holistically as we continue to offer them solutions in new ways. As you think about the Rock to Road value chain, yes, we have strong competitors in some specific product lines, but we like that. It keeps us on our toes and pushing us to stay ahead with better service and more value-added products.

Nobody is as strong as we are across the whole continuum. We will continue to leverage that as a competitive advantage as OneASTECC. We put the customer in the center of everything we do. We are nimble and decisive when it comes to hearing customer's needs and delivering on them with innovative solutions. We like our position in the market and are differentiated from others. The combination of these competitive advantages builds a strong value proposition for customers and for shareholders.

I really liked the Executive Leadership team that we have built at Astec. It is a great mix of people that have been with the business, some new faces that bring fresh perspectives and

competencies and other trusted partners that I have had the pleasure to work with. If you're like me, you go through your career creating a list of professionals that you trust, respect and align with culturally. As I moved into this new opportunity, I was lucky enough to pull people from my list into Astec. Reflecting on this team, we all work with the same pace and with the same passion to build a strong team deep into the layers of the company to create value for all stakeholders.

One big determining factor of joining Astec was alignment with a Board of Directors. Alignment was evident from the first meeting with a subset of the board. That was validated as I met the rest of the board and especially now that I've been with the team for over a year. As you can see, we have a great mix of diverse backgrounds and perspectives strengthened over the last two years with four new directors. I couldn't be more pleased to have the opportunity to work with this Group. They are tough, challenging, have expectations and very strategic. They are also a differentiating element of our company.

The next slide highlights the broad range of skills that our Board possesses. We're doing a good job of looking forward to manage our director transitions with intent to always find skills and diverse opinions that will support our long-term strategic direction. As you can see on this slide, we've moved at a pretty good pace relative to our transformation. This is really fueled by the whole organization. They are energized by knowing what our strategic direction is, and by being engaged and empowered to support our direction. While all of these points are critical to shaping our company, there are a few that I will call out to you today.

It starts with having the right people driving the bus. Our newly formed Executive Team has been essential to building, communicating and driving our transformation. Second, the identification of our strategic pillars, Simplify, Focus and Grow is a key element to the work that we have accomplished today and will also shape our future. The organization truly values, supports and rallies around our strategic pillars. The third item I will point out from this timeline is our action to move from 16 independent subsidiary companies to two reporting segments.

The walls and barriers that came down from this change allow us to be easier to do business with, from a customer's perspective, it creates many cross selling and organic growth opportunities, increase efficiency throughout the company and drive growth to our top and bottom lines. To close out this slide, we've made great progress in further strengthening our foundation and have already taken many actions to drive growth over the last year. Importantly, the company is aligned, energized and executing our strategic plan.

Most of you have heard me talk to our strategic pillars in the past. If not, you should know that our simplification efforts have enabled us to see the business and our opportunities very clearly. In turn, we can see where we create value and where we don't, which subsequently allows us to focus on both sets of the value scale and invest in value accretive areas and to stop doing the things that are not. The growth will come from the investment of time, resources and capital in the value creation areas. Thus, our growth will propel us towards obtaining our long-term goals, which I will address in the subsequent slides.

As you can imagine, when we went from 16 independent subsidiary companies to two reporting segments, that exposed many opportunities to drive product rationalization. We're looking at all aspects of the business when it comes to finding efficiencies. In this case, the key takeaway is that when we put the respective Materials Solutions product lines and brands together under one segment, we had various types of overlap and redundancies in at least six of the subsidiary companies.

We obviously have a very complete product portfolio, but our time and capital was not invested efficiently. Following the completion of the rationalization initiative, we will have an industry-leading product portfolio, but we will make more efficient investments and have a clear product strategy versus multiple product strategies for redundant product sets.

Today, we are excited to roll out the OneASTEC business model, which codifies how we operate and behave, how we focus on customers in all that we do, and ultimately will be our guiding principles of how we will grow. I'll start in the middle and work my way to the outside rings in an effort to help you understand the model.

In the middle, you can see that everything we do is centered around customers as OneASTEC. In the past, we built this company around customers, but in a very complex way with all our independent subsidiary companies that led to confusion around who Astec was to all of our stakeholders and ultimately added complexity to how we allocated capital, developed their talented employees, communicated to customers and leverage our world-class products and brands. The center of this model is an extremely important element for all of us.

The next set of elements, describe how we will win as a company. The top two define our culture where continuous improvement in all that we do and accountability will allow us to serve our customers better than anyone else as we move into the future, while we're creating as much value as possible for our shareholders.

To support our intent of making their transformation sustainable and to create value well into the future, we need to continue to focus on talent and our employee's professional development. As mentioned earlier, I spend an hour a week on a video call with 10 Astec employees and continue to be impressed with the talent that we have globally. We need to continue to challenge, develop, engage and empower the talented people on the Astec's team.

Later, you will hear more about our ESG initiatives, but as you can see in the OneASTEC business model, sustainability in everything we do will also define us. For years we have created a sustainable and efficient products and acted in a way that is socially responsible. We will now take that to another level as we move forward. Greg will share just a couple of examples of this later, our Rock to Road value chain.

Defining the value chain that we will focus on is essential to sharpening our focus as a team. We have strong foundational products, people and market positions, which we will invest in as we move forward and grow in a profitable way. You will hear from Tim and Jaco about the addressable market that is out there for us within the Rock to Road value chain. Scott will also

discuss how we are providing our customers with industry-leading technology solutions and giving them the ability to work more efficiently and make better business decisions on a real-time basis. I want to be clear that we will not release technology just to say that we did so or to say that we have it. Our technology solutions will have a clear connections providing value for our Rock to Road customers.

Our core values define our behaviors and have been in place from day one. They are strong and are the greatest components of our company's culture and success. I can tell you that after a year of interacting within our organization, they aren't just words on a wall. Our employees exemplify them and hold each other accountable to them. Our core values are what supported our growth as a company and will continue to do so well into the future of Astec. Finally, the outer ring represents our strategic pillars of Simplify, Focus and Grow. You've heard me talk to the importance of these pillars this morning in past conversations, and you will hear each of the Astec executives speak to them today.

This slide focuses on our levers for growth. As you will hear from Scott, we've kicked off a disciplined and efficient new product development process, which incorporates experiences and knowhow of our talented leadership team. We have a process that will allow us to quickly deliver new best-in-class solutions to the global Rock to Road value chain.

As mentioned, our technology solutions will center on creating customer value with no exceptions. It will support growing and recurring revenue streams and customer stickiness. We have strong positions in the United States to continue to grow globally. We will focus on launching products that support international specifications and will strengthen our global supply chain thus enabling us to grow our global revenue streams.

You will hear from Jaco and Tim that we are changing the way we manage our parts and aftermarket sales strategies. Michael Norris will lead this part of our business moving forward as OneASTECC. The changes that he and his team will drive will make us even easier to do business with, grow our parts and aftermarket sales and subsequently give us good profitability lift.

The last point on this slide is critical. We have a strong balance sheet and aim to keep it that way. To do that, we need to continue to have a disciplined approach just as Becky will talk to you later in this presentation. Over the last year, we made great strides in creating strong foundation to grow off of guided by the focus of our strategic pillars, Simplify, Focus and Grow. We have exciting times ahead of us.

When it comes to growth through acquisitions, like everything else that we now do and as you will hear today, we have a very disciplined approach. We established these strategic filters to make sure we stay focused on how we allocate our capital, ensuring that we can leverage our talent, knowledge, tools and experiences as we look to add value to the company. Put another way, we want to make sure that we bring more than just money to the deal. This disciplined approach will support our plans to hit our long-term financial goals from deals because the leverage we apply will ensure that we grow our bottom line even more than the top line.

To start we will look at where we currently provide solutions in the Rock to Road value chain and where we don't. These gaps are being evaluated to assess market attractiveness who serves it well today and with both of those elements, taken into consideration, which companies should be targeted, targeted is a key word. We aren't just sitting around and waiting for the phone to ring, and then assessing that opportunity, we are much more proactive with our process.

As we work our way around the filters, we want to stay in markets that are attractive and have the same trends and drivers. This is where we will assess our opportunities for global growth. We intend to use strategic acquisitions to maintain and strengthen our market leading positions as we add on products, talented capabilities.

As evidenced by our recent acquisition of Grathwol Automation, we intend to use M&A to accelerate the development of our technology solutions. Scott, we'll share more on this later. We'd like recurring, profitable revenue streams like our parts business and subscription-based revenue. You will hear more about how we intend to do this from Tim, Jaco and Scott.

Last but not least, we have strong positions with the Rock to Road value chain, and we intend to build off of those just like we did with the CON-E-CO and BMH acquisitions. Rexcon is a strong brand in the concrete plant space and has been part of our portfolio for many years now. As Jaco will explain later, the combination of CON-E-CO, BMH and Rexcon gives us a market-leading product portfolio with many synergistic opportunities.

We have been focused on the elements of ESG for years, but not in a dedicated and prescriptive method. That has now changed as we have embarked on a materiality assessment this year. We pulled together our top talent and the teams to address the important aspects of each pillar, environmental, social and governance. Steve Anderson is leading this initiative for our company and obviously supported by our board.

Greg will share some great examples of our actions to drive energy efficiencies, as he is our executive sponsor of the environmental team. Reuben Srinivasan, our Senior Vice President of Human Resources leads our social team. As you can see here, there are many efforts already in place and underway supporting safety, diversity and inclusion, employee engagement and community. Our employees are excited to be part of all of these initiatives. Steve Anderson not only leads the ESG initiative as a whole, but he also heads up our Governance team.

I already mentioned some of our actions to strengthen our position with new directors and how we tie our executive compensation to shareholder value creation. We are in the early days of our ESG journey, but the organization is engaged and enthused by it. We know that by driving our progress in this initiative, we will be a better, healthier and more sustainable solution provider as we move forward in time. We will keep you abreast of our progress.

As we go through the day, we will give you more perspective on how we plan to achieve our long-term financial goals, which are listed on this page. The goals are intended to remain through the cyclicity of the infrastructure industry, meaning that when we get the tailwinds of the market, we have an opportunity to do better than these targets. But when facing market

headwinds, we could operate more towards the lower end of these numbers and maybe below, but across the cycle, we expect the average out at these numbers. We're driving to grow the top line 5% organically and 10% with acquisitions.

With that said, we expect to leverage that growth and expect our EBITDA margin and EPS growth to be greater than 12% and 10% respectfully. As you will see in Becky's slides, we've created strong cash flow generation and conversion. We expect that to continue as we move forward. We need to continue to be disciplined in how we allocate capital and therefore will use an expected hurdle rate of greater than 14% as we justify investments and manage how we put our cash to use. What I like about these goals is that they are clearly tied to shareholder value creation and are now aligned with the company's incentive plans. Therefore, the employees of Astec are aligned with shareholders.

Thanks again for your time this morning. And you should know that we're all excited to share a story with you. I look forward to your questions before the upcoming break at the end of the presentations and subsequent discussions.

I'd now like to turn the stage over to Greg Oswald to talk further on the OneASTEC business model and our strong operational excellence initiatives.

Greg Oswald - Senior Vice President, Operational Excellence

Good morning. My name is Greg Oswald. I'm the Senior Vice President of Operational Excellence here at Astec. I'm excited to share our operational Astec journey with you today. I started my career at Dana Corporation in Columbia, Missouri, where I was ultimately promoted to the Global Lean Manager for the Light Axle division.

In 2007, Lindsay Corporation knocked on my door for a newly created Global Director of Lean Manufacturing, which I took and later while at Lindsay, I was promoted to Senior Vice President of Operations for Lindsay. This is where I met Barry. While in this role, I reported to Barry and ran the operations for him, honestly speaking that's why I'm excited to joining Astec. Well now, I'm one of the new guys in Astec having been here for one year and one month. I have a total of 35 years in manufacturing experience and a passion for lean transformations.

Let me start with four key messages. Message number one, the Astec business model is a competitive advantage as we maintain a laser focus on customer and markets, leveraging strong foundations, number two, allows us to drive sustainability, profitable growth. The Astec operational excellence model is structured with a methodology to not only grow the business, but to ensure its sustainment.

Point number three, the recipe of continuous improvement, sustainability, talent and agility, culture of accountability is how we will win. Point number four, while we're in our early stages of continuous improvement journey, we have a roadmap to success with already proven results and I'm excited to share the results with you today.

Now let's dive into the Astec business model that Barry spoke about earlier and its core. The OneASTECC business model drives the operational excellence, continuous improvement engine. On the outside of the business model, you will see a growth strategy. We are focused on simplifying our process and reducing waste so we can grow the business. Our core values of safety, devotion, integrity, respect and innovation are non-negotiable how we will win is what I'm going to be revealing to you today. Here you see six categories of priorities related to operational excellence. These priorities align with our pillars of Simplify, Focus and Grow through a relentless pursuit of improving safety, quality delivery and costs.

Now, let me touch on a few bullet points, under safety and sustainability, we are laser-focused on safety, leading indicators and I'm happy to say that we remain best-in-class in the industry relative to safety culture and incident rates. Under cost reductions, Astec has reduced scrap by 10% in 2020. This year, we rolled out an 8 step Managed By Fax problem solving tool to create – to create the value. Manage by Fax is a structured 8 step problem solving technique to peel back the onion, to find the root cause and put countermeasures in place. I'm happy to say that all the sites are successfully using the Managed By Fax tools to reduce variation in our processes and help us drive to sustainability, continuous improvement actions.

Under manufacturing utilization, we have rolled out overall equipment effectiveness in 2020. On our burn tables and machining centers. Overall equipment effectiveness is a gold standard for measuring manufacturing productivity by measuring OEE, Overall Equipment Effectiveness and understanding the top sources of loss, we can peel back then onion and gain important insight on how to improve our manufacturing processes.

Another key point, visual factories are near and dear to my heart. It would be boring to go to a football game without a scoreboard. Our factories now have scorecards, so we know what the score is. Manufacturing footprint, we are working on leveraging our global footprint by shipping from our best cost countries.

Next slide I'll be discussing the core operating tools. Embracing these core tools will strengthen the Astec business model. Under strategic deployment one very exciting toolset, which we are currently implementing is strategic deployment. This includes a rigorous review process to monitor our progress of accountability. It's proven that the disciplined systematic process of implementing strategic plan delivers strongest results.

Under Kaizen, archives and breakthrough initiatives is the use of a cross-functional administrative and manufacturing Kaizen events. The lean roadmap, not only includes improvement tools, but it also ensures sustainment through sustainability and standardizing tools. In 2020, Astec grabbed a lot of low-hanging fruit using creativity over capital in our lean roadmap approach. Daily management scorecard, KPIs. Our first-line management is learning how to manage by conducting gemba walks. By visiting the place or the work is done. Leaders gain valuable insight into what is really going on.

Now, let me speak about the transformational. Each initiative is reported out by status, by the initiative owner. It's clear mechanism to promote accountability to hit targets and dates, bi-

weekly transformational office meetings drive value to the bottom line for clear lines of accountability. Additionally, our intense focus on safety, quality, delivery costs, and our KPIs ensures the health of the business is sustained.

Now, let me talk about how we manage the initiatives across the organization. Astec lean roadmap is a systematic approach to implementing lean in an organization, focusing on stabilizing, standardizing and creating flow. The use of many lean tools provide input into the cost saving initiative funnel. Once the initiative are transferred into the funnel, the transfer information office drives the ownership and the accountability by tracking the progress through the gates bi-weekly. In essence, the lean roadmap unlocks the potential value while the initiative funnel manages, then realizes the value.

Now, let me share some OPEX wins with you in 2020, in the next slide. As I discussed earlier, overall equipment effectiveness is a gold standard for measuring manufacturing productivity. Let me be clear. It's not just about the OEE number by measuring OEE and understanding the top sources of loss, you can peel back the onion with the Managed by Fax tool and gain important insight on how to improve manufacturing processes.

These top sources of loss suddenly become initiatives that fall into the following as well. OEE gives a great understanding of a global capacity and how we can move product from one site to another or remove unnecessary capacity. Example would be removing a few burn tables in 2020 resulting in a cost avoidance of \$500,000. We started ROE journey at 30% and we know that world-class Zoe runs at 85%. So we still have some runway. We are confident that our disciplined approach to driving continuous improvement will get us to the level in the future. Now let's discuss one of our more recent value stream map, Kaizen success stories. And the next slide let's dive into the counter flow drum asphalt Kaizen, the Astec-Kaizen team dissected the current state value stream map resulting in implementing a Kanban system to reduce inventory and implementing Smith's single minute exchange of dies and reducing work in process. The team was able to reduce lead time by 21% and slash costs by 17%.

At Astec, we are tearing down old paradigms, opening up new thought processes and in creating a revolutionary improvement and administrative and manufacturing performance. Again, all the ideas are created by people and it's a focus on true productivity and a focus on elimination of waste. Now let's dive into the Astec's sustainability during the world. We have started our sustainability journey with some immediate success. Here are a couple of examples. The first is our implementation of LED lighting, annual energy savings generated over 4 million kilowatt hours of reduction. Annual savings dollars was \$417,000. The kilowatt hour hours annual savings realized to-date could generate enough electricity to supply one of our larger manufacturing sites for an entire year. The LED lighting project equates to a small percent of the total potential of what we can do. Another example would be solar power project in South Africa to be completed in 2020-2021, which will result in an annual energy savings of 664,000 kilowatt hours reduction in annual dollar savings of \$69,000. We are committed to identifying key metrics and targets in 2021 to support our sustainability journey.

Onto procurement. Our procurement transformation is also underway. We really started the process in early 2019. Recently we have added talent and more tools to the process which has put initiatives to a higher gear. There are six focus areas in the procurement you will see in this slide. From de-centralized procurement to central LED, the opportunities are huge as we leveraged the OneASTEC approach. Our steel initiative this year brought sustainable savings to the bottom line. We hired subject matter experts in the procurement organization that focus on steel, hydraulics, electrical, MRO and many other categories to mitigate supply chain disruptions, risk with the best cost and the best quality.

Now let me share some takeaways. In closing. Let me tell you that these are exciting times at Astec and we are truly flexing the continuous improvement muscle. Point number one, OneASTEC business model is a competitive advantage. Point number 2, we are leveraging a strong foundation to drive sustainability and profit and growth. Point number 3, we are focused on key areas such as continuous improvement, sustainability, talent and agility, and a culture of accountability. Point number 4, we are in our early stages of this journey to achieving best-in-class operational excellence.

Thank you for your time today or letting me share some exciting impactful continuous improvement initiatives. And now I'd like to introduce you to Scott Barker, Senior Vice President of Innovation.

Scott Barker - Senior Vice President, Innovation

Good morning. My name is Scott Barker, and it's my pleasure to speak with you today about Astec innovation. I joined Astec about three and a half years ago as President of GENCO and then moved to our corporate headquarters in early 2019 as President of our Energy Group. I took my current role as Senior Vice President, Innovation in November, 2019 with a mission to drive innovation across the company. My experience prior to Astec includes 15 years with Ingersoll Rand and 12 years with Atlas Copco working with several heavy equipment operations.

My more recent experiences with Atlas Copco included two division President roles, one with Roadtec, where we leveraged lean product development and agile software development for rate control systems and one with underground rock excavation, where we reorganized engineering and implemented lean engineering principles to reduce product development cycle time and focus on developing technologies.

Now let's talk about Astec Innovation. First Astec was founded on Innovation in a passion to help customers succeed. And we have leading positions for many of our brands. Rather than continuing only with individual site product development. We are now taking the opportunity to leverage the talent and technology within the company to unlock value with a holistic Astec approach. Today, I will talk through our new product development process and how we are working to drive innovation effectively across the company.

Second, we're also leveraging leading-edge technologies to support new product development that will bring greater value to our customers. I will give an example of how we leverage our

existing expertise and how we are driving continuous improvement in our products and our processes. The result is an enhanced customer experience.

Third, we are taking steps to increase our competitive advantages by bringing in new talent and creating new offerings and solutions. In November, we completed the acquisition of Grathwol Automation and brought in an experienced Vice President of Product Management for our Controls and Automation platforms. This technology will help our customers improve their operations, while also helping us improve our equipment and customer service offerings.

I will talk about our strategic focus in the area of controls and automation and how it adds value for our customers and drives growth for Astec. Fourth I'll talk about our continued accelerated focus on connectivity going forward and how this focus will lead to greater operational performance for both Astec and our customers. We strive to provide complete solutions, not only to connect Astec equipment, but to connect all customer operations to help them drive operational excellence from Rock to Road. And finally, I will present a case study that illustrates the tremendous opportunity to leverage this technology across all aspect products and customer operations.

This is a simple slide, but I'm excited about the work behind it and the opportunities it represents. Together we have created a new product development process to stimulate idea creation, development and operational excellence. As we developed our OneASTECC stage gate process, we incorporated concepts from agile and lean product development.

Key concepts include consistently seeking customer input throughout the process, prioritizing and limiting projects in process, dedicating cross-functional teams, leveraging visual communication and management, creating an environment to challenge ideas, driving decisions based on the return on investment of the total project, learning early reducing risk and time to market developing and testing concepts outside of the new product development process and engaging external resources or capacity and competence.

At stage zero, ideas can come from a number of sources, including customers, employees, universities and emerging technologies. Some of those ideas will be studied, developed and tested before they are considered for new product potential.

At stage one, we gather market intelligence and scope of project to ensure we are addressing a customer need and can offer a value to them. We assess feasibility and risk and develop a business case for the project. At stage two, we create product concepts and a cross functional plan. We evaluate and mitigate risk and we refine the business case. If the project is deemed to be solid at this stage, it is then reviewed in our Executive Innovation Council for approval and dedication of necessary resources to move ahead quickly.

The heavy work begins in stage three, where we design the product, simulate and test new concepts, designer supply chain plan and design for manufacturing and quality and plan product support and aftermarket sales. While we are doing this work, we continuously monitor the

market and our customer needs and adjust our plans as required. And we continuously refine our business case.

In stage four, we build a prototype to test the performance of the product. During this stage, we also test our supply chain and manufacturing and quality plans. We refine the product and process designs as we learn from our testing and customer feedback and we prepare for a bulk product launch, ensuring we are ready to produce and support the product.

In stage five, we execute our supply chain and launch the product to market. As part of the launch, we solidify parts, availability and training for product support. So we know we can take care of our customers. In stage six, we work from continuous improvement. We monitor our results against the project plan, monitor product performance and customer satisfaction and make changes as needed. And we reflect on lessons learned to improve the overall process going forward. The end result is a product that quickly hits the market and provides value to our customers.

This is another very exciting slide to me. Within our innovation services group, we have experts in several areas to support each Astec site with product development. For example, we have a team of simulation specialists led by an expert in fluid dynamics who is completing his PhD at the University of Edinburgh. Through simulation, we can remove a great deal of risk from our design process and drive incredible improvements in performance, always striving to optimize performance of our products. As their simulation team develops a digital representation of our equipment, we have a product verification team to work with the physical asset and validate our simulation model.

We can also collect operating data through the life of the product and feed that information back into our models to make them extremely predictable and reliable, that same data to be analyzed to support predictive maintenance of our equipment in the field, as well as providing input for driving higher levels of efficiency and further automation of the equipment in the future.

One specific area of focus is innovating our controls and automation platforms. We're investing in methods to collect data, analyze it and provide actionable information for our customers. With our platforms customers can see their equipment, location and productivity and we can access systems remotely to troubleshoot both mobile equipment and asphalt concrete or aggregate plants if an issue arises. We're working to automate adjustments and optimize the equipment performance continuously, and our predicted maintenance enables greater uptime, which is critical for our customer's processes.

I will touch on this topic again with a brief case study in a couple of minutes. We introduced the silo bot in 2018 and continued to grow our service to inspect silos with this highly effective, very safe method. We're working on other robotic applications to improve safety and simplify operations. Our continued focus on innovation and automation technology or drive strategic growth and add value for our customers.

Today, I am delighted to talk about our work leverage OneASTECC platforms. We have excellent controls in telematics solutions for many of our brands. With our OneASTECC approach, we are pulling this technology together into common platforms that will enable our customers to view their operations holistically. As I highlighted on the key messages slide, we acquired Grathwol Automation and brought in a Vice President of Product Management for our Controls and Automation platforms in November.

These resources bring broad experience to help guide our future and leverage our talented employees within Astec to provide complete solutions. With our expertise in aggregate mining in asphalt and concrete plants and in mobile equipment, we are in a unique position to provide a complete solution for our customers, Rock to Road businesses.

We are working with customers to understand their needs and to demonstrate our capabilities. As we launched the OneASTECC platforms, all Astec equipment will be visible on one portal. Grathwol Automation also brings a capability to connect our customers mixed fleet of equipment, to bring visibility to their entire operation. We will continue to add capabilities to provide a complete solution, including automated processes and equipment adjustments, providing value, adding reporting, and simplifying the equipment care and parts ordering through predictive maintenance and e-commerce. Our OneASTECC platform will provide a complete solution for effective lifecycle management and process optimization from Rock to Road.

To conclude, I would like to share one example of our telematics solution for Roadtec branded equipment. Previously branded Guardian and developed by Grathwol Automation, this solution provides communications directly with equipment to manage job sites, diagnose and correct equipment issues remotely, monitor component wear and monitor quality parameters of the job.

In this case, a Guardian system was installed to provide full real-time diagnostics on equipment at the job site. Payback was achieved quickly as downtime was eliminated. Simple, quick permanent repairs were accomplished before the project manager was even aware of an issue. This OneASTECC platform would be leveraged across all Astec products and we'll connect the competitive equipment as well to provide a complete solution for our customers and strengthen our win-win relationships.

I hope I haven't been successful in demonstrating our innovation strategy rather than continuing with the individual site product development, we are leveraging talent and technology to unlock value with a holistic Astec approach. Our new product development process is driving innovation. We're also leveraging leading-edge technologies, such as the digital plan to drive new product development that will enhance our customer's experience.

We are investing in talent and new product solutions as evidenced with our acquisition of Grathwol Automation and focus on our controls in automation platforms. And we're accelerating our innovation journey with a focus on connectivity. Our OneASTECC platform will become the premier solution for our customers to drive productivity and achieve operational excellence.

We're on an exciting fast-paced journey. The processes we have initiated this year, along with the expert resources we have in place to support those processes will result in better solutions for our customers and accelerated organic growth as we provide industry-leading products from Rock to Road. I look forward to presenting our future accomplishments and innovative solutions

That concludes my formal presentation. Thank you for your time. Now, I would like to introduce Tim Averkamp, Group President for Materials Solutions.

Tim Averkamp – Group President, Materials Solutions

Good morning. My name is Tim Averkamp. It's great to be here with you all today and to have the opportunity to present our Astec story. I joined Astec one year ago in November of 2019, I was recruited as a Group President to oversee a critical part of the business with responsibilities over the Roadtec, Carlson Paving and Peterson Pacific mobile equipment product lines. Most recently I've assumed accountability over the Materials Solutions Group. And we'll provide you the brief overview of that side of the business today.

I'd like share a little bit about my background prior to joining Astec. Most recently I spent 22 years with Deere and Company, working across multiple product lines and businesses within the construction, forestry, mining and agricultural equipment industry, both domestically and internationally. During my time with John Deere, I've held various technical leadership positions and new product development, continuous improvement, advanced research and development, engineering and operations. I've also had several commercial leadership positions in product marketing, overseas, sales and support and leadership of multiple key strategic partnerships for Deere with other OEMs like [technical difficulty] Construction Machinery, Yanmar and Bell Equipment.

I had a great career with John Deere and I feel fortunate that they had the opportunity to impact many areas of the business. Prior to joining John Deere, I worked for Case Corporation, Chicago, Illinois for a few years and that's where Barry Ruffalo and I first worked together as design engineers, working on operator station designs for Case International Harvester tractors.

Eventually we both went our separate ways, but still kept in contact from time to time checking in on each other. Fast forward to the summer of 2019, when Barry accepted the opportunity to join Astec as CEO, when soon after he reached out to me to gauge my interest in joining his team. Of course, I did a lot of research on the company and took the opportunity to visit and meet with some of the leadership team. I was truly impressed with the team, the products, the culture and the culture of the company. I really felt like it was a great opportunity for me to join the team and really drive value by helping transform and grow the business. I haven't looked back since.

As I walked through the presentation today, my intent is to provide you with a brief overview of Astec's Materials Solutions business, and to share with you how our business transformation is positioning us to build an even stronger business results through our simplify focus and grow strategic pillars. Point one, we have a very comprehensive product and solutions offering that covers the material processing spectrum of Rock to Road. When coupled with our strong dealer

distribution partners, we provide unique value to our customer that rivals what other competitors are able to deliver.

Number two, Astec is transforming our business from distinct decentralized subsidiaries, the focus on products and centers of excellence. This is a major shift from how the company previously operated. Nevertheless, employees have embraced the changes. Number three, as Greg presented earlier, we are building on our foundation of operational excellence with a OneASTECC business model to drive efficiencies, consolidate manufacturing, and leverage our global footprint. We understand that we need to have a solid foundation for sustainable performance and to enable growth.

Number four, growing our solutions offering through customer driven new product development processes for domestic and global markets. It's through the voice and partnership with the customer that we will develop and deliver the right solutions for the markets we serve. With our concerted OneASTECC approach, we can leverage tremendous expertise and knowhow to drive a new level of speed and efficiency to improve our products, operations and processes. The focus on delivering to our customers' needs.

Let's briefly review the Materials Solutions business. Our product offering includes equipment for crushing and screening, washing and classifying, material handling, rock breaker technology in plants and systems. Total revenue through the first three quarters of 2020 was \$250 million. Within the Group, total employees is 946. As we look at our manufacturing footprint in North America, we have facilities in Illinois, Ontario, Oregon and South Dakota. Outside of North America, we have operations in Northern Ireland as well as shared Astec operations in South Africa and Brazil and sales offices beyond.

At the bottom right-hand corner of the slide, you can see the family of brands within the Materials Solutions Group, which includes Telsmith, BTI, Astec Mobile Screens, KPI JCI and Telestack. Each of these companies and brands have rich history in market recognition. With our previous operating model, quite often, these acquired companies competed against each other for our customer's business. Under the OneASTECC structure, we've been able to combine the experiences, capabilities and power of our products and our people together as one.

Now I'd like to focus on our competitive advantages and differentiators. It really starts with Astec as a whole in our complete Rock to Road product offering. Astec's knowhow spans the spectrum from the Rock face to the paving the Road. Being close to the customer is how Astec was built. By listening, observing and asking questions to truly understand their business and needs, we have developed strong customer relationships and trust. We know it's something that we cannot take for granted and need to work on every day. When we connect our deep customer understanding in our employee's industry-leading expertise, we offer highly innovative, integrated total systems solutions, tailored to the customer's specific job site. Our competition is challenged to replicate this.

I'd like to deviate a bit for a minute and share something that I think is very powerful. Over the past 13 months, I had the opportunity to interact with many of Astec's customers. A common

theme that continues to come across about our company and our people is trust. Our customers trust us when they have an idea or a need, they don't hesitate to call us and ask us for our thoughts. They know that we will work together with them to come up with the right solution. We are not just out to sell the most expensive solution to make a buck. We truly have their best interest in mind. For me, this is a great testimonial. Again, we know our customers' trust is not something we can take for granted. We'll continue to earn this by working as a partner.

Lastly, we understand the nature of our customers' businesses around the clock 24/7. Local sales, support and service is critical. Domestically and internationally we've partnered with a very strong dealer distribution network. Through this partnership, we're working hand in hand with our dealers to ensure that collectively we are equipped to serve the customer with expert product, application, knowledge, trained technicians, service and repair parts on the shelf and so on.

We are well positioned to capture future market demand. The market drivers for our business are fairly straightforward. Our equipment solutions are utilized for materials processing related to aggregate, construction, transportation, recycling, demolition and mining. Increases in overall construction, housing starts and site development are indicators for our business. There's a continued need for increased spend on infrastructure for renewal of old, aging infrastructure as well as creation of new infrastructure to connect people, cities and economies more efficiently and safer. This not only applies to the domestic market, but internationally as well. Easily, we estimate the market opportunity to be greater than \$8 billion on a global scale. If we compare this to the approximate sales revenue of the Materials Solutions business last year, it's more than 20 times.

We have key initiatives around operational excellence, commercial excellence, new product development, capturing more of the aftermarket business, growing into adjacent markets that fit our Rock to Road guardrails and growing internationally. While we have a good business today, there is so much more opportunity that we are positioning ourselves for.

In the next slides, I'll speak to where the Materials Solutions Group is on our strategic pillars of Simplify, Focus And Grow. Let's start by discussing actions relative to the simplification of our business. The overall Astec transformation was initiated late last year. In support of this, on January 1st of this year, we announced our new OneASTEC organizational structure in that we moved away from a subsidiary structure, managed by company presidents to a new group structure for the Materials Solutions team that is managed by functional leaders.

What was 16 companies managing independently. We are now working together as one. A key element that we focused on from a leadership and personnel perspective is the creation of product management and product manager roles. This function is critically important to bring together an overall product roadmaps, the finer future developments and to manage execution.

Another notable element is a restructuring of our sales organization to not just focused on one brand, but to support the entire product portfolio. As I noted at the beginning, Materials Solutions' team has a very comprehensive product line up. In fact, there is some overlap and

redundancy. Very shared example of product simplification earlier in the deck that pertains to the Materials Solutions Group. With this effort, we've identified areas of overlap in our offering.

In that same context in August, we started the first phase of ceasing our operations of our site in Mequon, Wisconsin. With this footprint rationalization, we have redistributed the manufacturing of the products across multiple sites. We believe best suited in terms of manufacturing centers of excellence. We expect to drive operational and financial benefits from this rationalization by consolidating the best-in-class attributes of our products and our overall manufacturing footprint. In doing so, we are freeing up resources, both in terms of people and money to allow us to focus and target our investments in our facilities and new product development and other growth opportunities.

With our OneASTECC approach, we continue to focus on strengthening our current distribution footprint and attracting new distribution by offering a broader, more complete Astec product range. Further simplification will be enabled by our efforts to standardize processes across our centers of excellence. Key examples of the standardization are around our 3D modeling CAD systems, part number standardization and consolidation and our new product development process.

Let me summarize the overall punch line for this slide. We are removing the complexities of our business. In the spirit of continuous improvement, we are removing the waste within our business. We are identifying and implementing best practices that are proven in some areas of our company and applying those practices across the business. Through this simplification, we can refocus and reallocate our resources to creating and delivering great – greater levels of value, much more efficient.

Building off for OneASTECC business model, we are focused on a very customer and market-centric approach as we are transforming our business. We brought together experts from our former subsidiary companies and recruited new experienced outside talent to identify and incorporate best practice processes and tools. This was illustrated through Greg's discussion on best-in-class operational excellence in our lean roadmap. Scott also shared this as part of our customer-driven new product development stage gate process. It's the relentless focus on the customer that will allow us to win. It's our domain expertise and leadership that will allow us to deliver value to the customer in our operations.

I've addressed many of the points from the slide already, and like the focus on the last one. It's about working together across Astec to earn more dollars across the value chain of our customers' business through increased efforts around commercial excellence. The customers that we serve purchase across multiple product categories that we offer. We're focused on doing a better job of partnering with our customers to provide opportunities for one point of contact for a strategic account initiatives, promoting and demonstrating our strength to cross sell solutions from a complete Rock to Road portfolio and to ensure we provide unparalleled sales and support through our dealer distribution channel.

While we hold a strong position in the North American market, we recognize that we have a lot of opportunity to grow our presence domestically and in international markets. Internationally, we leverage our OneASTECC approach in offering our full suite of combined products through a strong distribution network. We're focused on deliberate new product development programs to specifically meet the needs of our global customers.

In some cases today, our North American spec product doesn't always meet the mark in terms of pricing and performance. This development can range from converting our product designs from material to metric, to even more innovative solutions tailored at specific needs of different markets.

In terms of aftermarket sales growth, we're focused on increasing our overall capture rate and revenue in total. We need to continue to focus on lower total cost of ownership and total system solutions for our customers based on their needs. It's important that we ensure we provide the best match components to ensure performance across the life of the product. We will win by taking an enterprise approach to the service and repairs part that business. It's no longer our intention to manage independent company parts warehouses, logistics and fulfillment.

Likewise, we need to make it easier for our customers to do business with us in terms of e-commerce and other tools. We will pool our resources to set up best-in-class infrastructure to support our customers. Last but not least, we do need to invest in our people. We are taking a new enterprise-wide approach to developing and growing our talent. Our people are our key differentiator.

I'd like to share a great example of work that our team did to deliver a great solution for a Midwest US customer this past year. This quarry customer required a new rock crushing plant installation. They had a very tight timeline. They wanted a complete integrated system solution and required strong local service and support to ensure maximum uptime. When they were selecting potential partners, Astec was one of the few manufacturers that they felt was capable of doing it all.

Our approach was to work in partnership with our local dealer to repair the right total package to address the need. This solution integrated all products from crushers, feeders, screens, conveyors and sand screws. Not only were the mechanical elements important, it was critical to everything was tied together from a technology and controls perspective to ensure simplicity of operation and future upgradability. The complete installation was done in June after being initiated just three months earlier. In my mind, this project really illustrates the strength of Astec and the power of the partnership with the customer and our dealers.

In the words of the customer, this project didn't require any compromise like many projects do. The project was completed quickly. The total system is high quality and the overall it was cost effective at meeting their needs. When you work together, you can do great things. Very powerful. This is just one example, one testimonial that I share with you today, Astec's capability is much more than just providing the conveyor or a crusher. Our team can work with

our customers to run the right solution to meet their needs. When you work together, you can do great things.

I've covered a lot of material today. I'd like to quickly recap, so you can take away the key messages that I shared today. Number one, we have a very comprehensive product and solutions offering that covers the materials processing spectrum of Rock to Road. This couple with our strong and improving dealer distribution, who provide value to our customers.

Number two, Astec is transforming our business from distinct, decentralized subsidiaries, the focus on product and centers of excellence. Our company and our employees have embraced the changes.

Number three, we are building on a foundation of operational excellence with a OneASTEC business model to drive efficiencies, consolidate manufacturing and leverage our global footprint. We understand that we need to have a solid foundation for sustainable performance and to enable growth, OneASTEC.

And number four, finally, it's through the voice in our partnership with the customer, we will deliver new innovative solutions for the domestic and international markets. I am truly excited about where we are today and where we are going. We have a great team in place, and we are focused on the right things.

This now concludes my portion of the prepared presentation. Thanks for your time and attention. This now takes us to the question-and-answer session, and I'll hand things over to Steve Anderson.

Steve Anderson - Senior Vice President, Administration and Investor Relations

We will now begin our question-and-answer session. Our first question, directed at Barry. What has changed the most since you joined the company? What are the areas you're most focused on in the near-term?

Barry Ruffalo - President and Chief Executive Officer

Thanks Steve. I'll start by answering that question to just refer to engagement and empowerment over our employees. You know, as we started to think about, a little over a year ago, engaging with our leadership at all of our different sites, asking the question in regards to work, can we add value? What should we stop doing? You know, what's on their mind, personally to me, I think, that was our first step in actually empowering and engaging with our workforce in order to really understand how we actually build momentum, you know, moving forward.

With that being said, we, obviously made the change to go from being more of a holding company to being one that actually is really structured around the product clients and markets that we serve. And really, going to two reporting segments, Infrastructure Solutions, and Materials Solutions, that simplify the business significantly and people rally around that, because that's what they told me was important as we did the Q&A when we first, made a site trip.

Past that, we established to Simplify, Focus and Grow strategic pillars. You know, those were a rallying point for our organization and really has been the core of everything that we've, done in the last 12 to 12 plus months. And, again, everyone's rally around that. And so that's added a lot of value and obviously that's also supported by OneASTECH business model. So that's also a big change for us.

And ultimately what that leads to is being, having the organization very much aligned and focused on where we're going strategically. And as we've finished out our strategic business plan, now everyone in the organization from top to bottom knows how they actually add value according to those initiatives. And so, I think having that alignment across the whole company has been a big change for us as an organization.

And then lastly, I think another big change is really enforcing and engaging with employees to have a culture of continuous improvement and accountability. And I think those are going to be sustainable drivers for us as we move forward to make sure that we have, again, sustainable value creation as we move through time.

As we look forward, what the focus is going to be, it's really about growth and really about growth that fits our Rock to Road value chain, growth around our OneASTECH business model and obviously growth, but not on the growth of top-line, but has a pure increased growth on the bottom line more than what we have in the top line, which obviously you see stated in our long-term financial goals.

Steve Anderson - Senior Vice President, Administration and Investor Relations

Our second question is what savings is getting OEE to 85% in terms of dollars or margins do. And how long does it take to get there?

Greg Oswald, Senior Vice President, Operational Excellence

Good question. You know, OEE, overall equipment effectiveness is availability, times performance efficiency, times of quality. Now we haven't been able to get to a dollar number on it yet, but what's most important is that, we take the top sources of loss that fall into the initiative funnel.

Barry Ruffalo - President and Chief Executive Officer

Let me just add on to that, Greg. I would say that achieving 85% OEE across the company represents a significant amount of savings for us. And obviously, as Greg alluded to in his presentation, this is a journey. It's not something that we're going to wake up tomorrow and be there. You know, today we're actually measuring OEE on certain parts of our company, not even as a whole company.

So, I think that the opportunity that this focus gives us is pretty significant. And maybe a thought you might be having today with that question is, how much of that do we actually have to achieve in order to get to our long-term financial goals. Well the answer is, we don't have to get to 85% OEE in order to hit those long-term financial goals.

So, Becky will talk more about what we're going to be working towards and our commitment towards the long-term financial goals as a part of her presentation. But I think the OEE part of it in a managed by facts and all the different things we do for a problem-solving perspective, it's going to allow us to kind of peel back that onion, see where the data takes us, put ties in events, allow us to drive that, which is all going to be part of our continuous improvement and accountability is a big part of our culture as we move forward.

Steve Anderson - Senior Vice President, Administration and Investor Relations

And the next question. You mentioned an intense focus on KPIs throughout the business. Can you discuss which ones you are most focused on improving or have improved?

Greg Oswald, Senior Vice President, Operational Excellence

Another good question. We're looking at safety, quality, delivery costs. Under safety, we'll look at the recordable rate and I'm happy to say we're at the industry standard the best, we also look at leading indicators in safety.

And as far as quality, we'll look at steel scrap and warranty and on-time time delivery. We look at whole goods and parts, and as I said, but we come into returns and efficiency.

Barry Ruffalo - President and Chief Executive Officer

Let me add on that one too. If I can, Greg, you know, obviously those are really, when you think about from the operational side of our business, which is what Greg is commenting on safety, quality and delivery cost. Those are important and I think that's a big change, because we looked at historically each one of our sites was a profit center. And of course, then they had different metrics as well, attached to each of those. Today, we continue to look at those as being a more of a cost center approach, where we can actually use that capacity, capability, talents and resources to do more of what we need to across the company as we look at the demand that we're actually realizing.

Another aspect of KPIs, which I think is important to mention, is really around the redefinition of our incentive plans as an overall company. And so, when you think about it from an AIP perspective there's an aspect or an element of safety that's part of our AIP plan. There are working capital turns and EBITDA dollars. So, I think those are also from an overall corporation perspective, KPIs and targets that we want to achieve. And then when you're looking at a long-term incentive plan basis obviously, TSR return us capital.

So what we like about all those different metrics that Greg referred to and what we looked at as a corporation, we think it really ties to value creation opportunities, the right focus. It ties us to shareholder value creation. And obviously the key there is that the management team is in line with shareholders.

Steve Anderson - Senior Vice President of Administration and Investor Relations

The next question is in regards to material solutions, what is the near term and long-term growth opportunity. And do you have share gain goals?

Tim Averkamp - Materials Solutions division by Group President

I'll take that. Thanks to you, great question. As Barry talked about at the beginning from a product perspective, we're really strong in the domestic markets for sure, with most of our products. But even despite that, we certainly understand there are a lot of opportunities. You look at that opportunity slide that I shared earlier crushing, screening and shrill handling makes up a big part of that opportunity that we have.

Our focus is going to be on commercial excellence, working smarter strategic accounts, working with more on our dealer and distribution side of the business. As we are working on operational excellence, we're also a player in some niche markets as well. So, we've definitely had market share gains that are going to roll up and Becky can talk about what some of those outfits are later in the slides.

Steve Anderson - Senior Vice President of Administration and Investor Relations

Thank you, Tim. Next question is you've used the term reinvigorating innovation, which implies innovation needed more focus. Can you explain what you mean by that? Did you expect to capture more market share with your increased focus on new solutions?

Tim Averkamp - Materials Solutions division by Group President

I can talk to that there. There are a couple of areas that I think about when we talk about increased focus. One is our product portfolio. Barry showed the example where we looked across the business, looked at where we have redundancy, where we have products that overlap and we're reducing it, simplifying what we're doing. And then we can really focus on where there are market opportunities and that there are resources there.

As we do that the other area of focus is on a rigorous process for new product development. So we have engagement at the executive leadership level to look at all of the projects with that process that drives us through to look at opportunities, better financial targets on those opportunities, choose the ones that are going to give us the biggest return and then get our resources really focused on executing quickly to get to the market.

We're doing that and I'm confident we're going to gain market share. It's always our target. We want to solve problems for our customers. And when we do that, we'll continue to be able to grow our market share.

Barry Ruffalo - Chief Executive Officer

Maybe I'll just add on that. It's kind of tangential to what Scott was referring to. I hope what you get a sense of it, as you've heard, Greg, you've heard Scott, you heard myself, Becky, speak in the past. You're going to hear some more of our leaders speak in a short period of time in regards to their parts of the business. But what everything we're doing is, we're looking at it from a very disciplined approach and from a contemporary industry leading approach. And what that allows us to do is recognize where there's value of creation opportunities now, but it also sets us up for sustainable value creation as we move forward.

So, we're very much about and that we think about the OneASTECC business model that disciplined a thoughtful approach to make sure that we have an effective way of creating value moving forward. With that being said where we refine the organization as we've done with the different structure the two reporting segments, which we also find that being closer to the market from my perspective or anyone else in this call or the rest of the management team, we are closer to the market, which means we can be more agile.

We can actually get that information from our customers faster, and we can actually then take actions and deliver those back to the market faster as well. So I think that agility along with that discipline are two of the aspects that we focus on as we build those processes and how we'll leverage moving forward.

Steve Anderson - Senior Vice President of Administration and Investor Relations

Another question from material solutions, you've learned from the domestic market. What have you learned from the domestic market that will help you with the international market expansion?

Tim Averkamp - Materials Solutions division by Group President

Thank you, Steve. Great question. First and foremost, we've heard a recurring theme here today. We're working together as one. In the past we would attack the markets with different products and different avenues to try to answer the customer needs. We're going to leverage our experience and strength by working together. Previously I mentioned we're very strong in the domestic market and really, we want to replicate all of those things that made us strong and make us strong in this market today.

It's about listening to the customer, delivering quality products, good parts availability, local support, and service for strong dealers in trained personnel. It's the OneASTECC business model that Becky spoke to earlier. When I think about the product offering from material solutions perspective, we feel pretty confident that our products meet the markets in terms of performance, from the customer's perspective on tons per hour.

Having said that though we also have opportunities in differences in size offerings, as well as from a local transport and logistics that we have to work on, but Becky talked about operational excellence. It's about building bolster the customer and leveraging our supply base, leveraging our manufacturing footprint as well.

Steve Anderson - Senior Vice President of Administration and Investor Relations

Thank you, Tim. The next question is regarding the OneASTECC business model. How much of this was already in place prior to your Senior VP of Operational Excellence joining the company? And what did he bring since 2019 that is new to the organization?

Greg Oswald - Senior Vice President of Operational Excellence

It's a great question, Steve. The foundation was set. All the sites had operational excellence leaders in them. I guess one thing that I brought to the organization, several things are the standard Kaizen approach. And then the L methodology, use in the funnel to drive these

initiatives through, but what drives that something we also implemented is the lean road map. So, there are several, several things that we've implemented in our Kaizen tool chest that fall into that initiative funnel, including the managed backpacks eight-step chromosome.

Barry Ruffalo - Chief Executive Officer

Let me kind of expound on that one as well. When you think about going back to my comments around having a discipline, the sustainable value creating approach, what I like about our management team, executive leadership team we have today is everyone brings something from their past, whether they were successes or they were failures in regards to how we actually can leverage that in Astec.

And I think that's been a huge advantage to us. And one thing we always talk about is as we have built this executive leadership team, we need people that can come in and actually work within a gray area, establish the strategic direction, the priorities, and then put action plans in place in order to drive them effectively.

We started as an executive leadership team here at Astec. We had 16 different ways of essentially doing business. And so we knew that there was more of a common way for us to build off of which comes back to the OneASTEC business model, which we'll continue to focus on moving forward. I think that's really important part. People needed to understand if you came from an organization that had strong policies, strong practices and that's how you actually made your career is just following those.

That's probably not somebody who attracted us in regards to they would be a good member of our executive leadership team. We wanted someone who could take those experiences and then know how to come into a new situation and drive them across an organization. And I look at the people on this screen, and I think about the rest of the executive leadership team, that's not part of this event.

That's what we have. We have strong leaders, we have visionary leaders, strategic leaders and people who can take that idea and actually drive it through an organization, which I think has allowed us to have success in the last 12 plus months. And it's going to allow us to have a lot of success moving forward.

Tim Averkamp - Materials Solutions division by Group President

Barry, one other piece we implemented was the real time scrap indicator. We used to look at scrap at the end of the month. Now we can tell exactly today at what time, what the scrap is we can make on the fly adjustments.

Barry Ruffalo - Chief Executive Officer

And that's just one example of actually allowing us to use data, to really drive the business. And I think as we talk, I guess in the rest of our presentation, I think Becky will allude to this a little bit in her part of the deck. What are the parts of our business, where we're actually under invested? IT is an area where we actually have under invested and it's kind of driving common policies and practices is another area where we probably haven't spent enough time.

And as we now have the Edap (Enterprise Data Enterprise Platform), which is our middleware solution in place where we can take all of these disparity or piece systems and plug them into the middleware to actually see the data, to use a tool like Power Beyond, to do the analysis and determine our direction. Those are going to be the things that allow us to really understand where the opportunities are? Where are they on a real-time basis?

And then as we move forward and put the Oracle solution in place, we're actually doing some of that now in 2020 and more of it in '21 and beyond that's going to make it even more streamlined and more efficient. So we're excited about having access to data and having the ability to do really efficient data analytics as a team moving forward to really drive the business.

Steve Anderson - Senior Vice President of Administration and Investor Relations

We have time for one last question before we go to a break, but the question is material for solutions. Can you help us understand the \$8 billion market opportunity and what is the split between organic growth and inorganic growth?

Tim Averkamp - Materials Solutions division by Group President

Thanks Steve. I kind of addressed that with an earlier response to that. I think, again, I look at total 8 million there's tremendous opportunities on a global basis and that the big product statements around crushing, screening and shrill handling really makes up a large part of that. But we also understand that assets are very good at some niche products.

So, there's opportunity for us to grow in terms of improving our position in the Americas and the domestic market, both in terms of complete goods and parts and Barry talked about it earlier in his presentation, but when Michael Norris really lead our aftermarket sales and parts approach from an enterprise perspective it's been great – created some great synergy for us overall.

And with our product management focus that we have, we're taking a look at the overall portfolio in our product lineup and we find opportunities that we can compete better and actually maybe add some products to that portfolio overall, so again, a lot of opportunities. I think we get to the end of the presentation. Becky will have a roll up of what some of those key initiatives we're up to from a long-term perspective on asset.

Barry Ruffalo - Chief Executive Officer

Just maybe kind of a little bit. You've heard us talk a little bit about M&A in the past and also in his deck, and that will be part of our growth plan. It is part of our growth plan. We think that there's ample opportunities out there for us to grow through M&A globally. So, we're excited about that and we'll continue to focus on those strategic filters as part of that process. And as I mentioned earlier, it's going to be a targeted process.

We didn't run happenstancely in order to get a phone call that says, hey, are you interested in this? So, we know where we're interested in. And that's going to be part of how we grow moving forward and obviously last but not least that – and we're going to do that in a very financially disciplined way.

When you think about the growth that we'd done in 2020, with the addition of Con-e-co and the talents of people of that reign in company, BMH, the same and obviously Rockwell Automation, those are all investments that are very much aligned with our strategic filters and will allow us to grow. And as we made the comment in completion of those acquisitions, those two are accretive to our business immediately.

And so, we're excited about that. We're seeing the value and Jaco I won't steal your thunder. You're going to speak to that a little bit more in your presentation, but those have been great ads for us. And I think the real point I want you to take away from that comment is that when we are very strategic, we're very focused and we do the right type of due diligence and obviously a great discipline, our strategic ads through M&A, shouldn't be surprising to you.

They should fit when you've heard us talk about as we move forward. And we're going to continue to talk about that as we move through time. But I just want to make sure that our shareholders understand that we're going to be very strategic and disciplined about adding acquisitions into the Astec product portfolio.

And really lastly, maybe the best way to say is we're going to bring more than just money. We need to be able to leverage the competitive advantages that I spoke to. And you're going to hear it from the other folks today as part of the acquisitions to really get the synergies out of them to really grow the bottom line more than growing the top line.

Steve Anderson - Senior Vice President of Administration and Investor Relations

Thank you, Barry. In order to stay on schedule, we are going to go to a brief break. We do have other questions in the queue. We'll get to those in the second session, but we'll go to a brief break now and we will reconvene in five minutes.

Barry Ruffalo - Chief Executive Officer

Thanks Steve.

Jaco van der Merwe – Group President, Infrastructure Solutions Group

Good morning, everybody. My name is Jaco van der Merwe, and I'm the Group President for the Infrastructure Solutions Group here at Astec Industries. I joined Astec in August of 2016. Previously, I worked for a company called Atlas Copco for 18 years. I'm excited to share our transformation story with you this morning. And I'll specifically talk about what we do in the Infrastructure Solutions Group.

Throughout the presentation today, my colleagues have highlighted a few key messages, the key messages on this slide, not only align with what you already heard, but also further support our efforts to simplify, focus and grow the Infrastructure Solutions business segment. We believe that the demand for infrastructure development around the world will continue to increase and that our new focus on innovation, connectivity and telematics will position us well to take advantage of such demand.

Our legacy was both on innovation and customer service. As part of our transformation strategy, we have put together the strongest service team in the industry. This will help us to stay customer-centric and close to our customers' operation. Historically, our company focused on capital equipment sales within North America. We see a great opportunity to grow our aftermarket business and international presence overall through new product development and focus and growth strategies.

Our recent acquisitions and OneASTECC focus provide us with various cross selling opportunities. We are currently putting structures and processes in place to take advantage of this. Greg presented our OneASTECC operational model earlier this morning. Being a long-time manufacturing guy, I'm super excited to see the change happening in our factories on a daily basis as we use this model to drive operational efficiencies.

At the end of September, 2020, the Infrastructure Solutions Group had about 2140 team members and we produced sales of around 535 million and a gross margin of 120 million. Our group is currently represented by various market leading brands like Astec, Roadtec and Heatec. After the recent acquisition of the BMH and Con-e-co companies, the Infrastructure Solutions Group has the most comprehensive product offering for customers within the asphalt and concrete plant industries within North America. Our innovative product solutions are supported by unmatched sales, service and construction teams. Our focus is to help our customers to maximize performance and that reduce total cost of ownership.

We are very fortunate today to have various sustainable competitive advantages within Infrastructure Solutions segment. It all starts with being close to our customers with our direct go-to-market strategy for our asphalt and concrete plant and the related equipment product lines, and an ever strengthened and aligned dealer network for our construction machinery and materials solutions product lines.

Being close to our customers, give us opportunity to listen to them and to develop innovative equipment solutions that will satisfy their expectations. Once our customers own our products, they can rely on us for parts availability, service and construction services, all with the aim of reducing their total cost of ownership. Finally, having a strong aftermarket business, keep our business strong and resilient during all business cycles. This is something I've seen in my previous company how resilient aftermarket business can be during lower economic times.

On this slide, you will notice a few pictures of the products we produce within Astec. My section of today's presentation focuses on Infrastructure Solutions segment. We focus on asphalt and concrete plant and related equipment, construction machinery like pavers, material transfer vehicles and milling machines. We also have related products to serve the industrial and combustion markets. We also have related products to serve the industrial and combustion markets.

As part of our, simplify, focus and grow strategy, we are in the process of transforming our company to focus on the Rock to Road value chain as OneASTECC. We want it to be easy for our customers to do business with us, no matter if they only buy one product or the whole product

portfolio from Astec. Our new OneASTECC sales structure for our direct channel and aligned dealer network for the dealer channel will facilitate this.

Since we started our transformation, we have spent endless hours training our customer facing team members to cross sell products and to give customers the service they expect from Astec. When I connect with my sales team on a daily basis, I continuously hear about someone selling a new product to his longtime customer. I expect this to become the norm over the next 12 to 18 months.

The Infrastructure Solutions team has been very successful within the United States since our company's founding in 1972. We are excited about the need for infrastructure investment within the US, but also the opportunities urbanization and our growing market presence will bring internationally.

Focusing on customer driven innovation, providing customers with the connectivity they need to run their business more effectively and helping them to drive down total cost of ownership, will help us not only to protect our current market share, but also to grow our business in line with our long-term financial goals.

Growing our relationships with strategic accounts is another opportunity for our business. I will talk about that a little later. As you can see on this slide, we estimate the addressable market opportunity to be over 5 billion. I think you all will agree that this gives us lots of organic and inorganic growth opportunities to take advantage off in the future.

I have mentioned simplify, focus and grow a couple of times already this morning. Over the next couple of slides, I will update you on some of the work we have already completed, but even more important what is still to come as part of our transformation journey.

Over the last few quarters, Barry has communicated our transformation progress. I want to remind you about some of those and provide further updates on what we are working on at the moment. Our OneASTECC sourcing and supply chain simplification process is well underway. This specifically came to the forefront when we integrated our newly acquired companies. Taking advantage of our OneASTECC supplier relationships helped us to achieve the synergy targets we set when we recommended these acquisitions to our Board.

As you can see on this slide, we have reduced our footprint and cost structures by closing our CEI and Germany facilities as well as selling the GEFCO business. The integrated sales, service and construction team for our direct channel is now in place since July 1. Although COVID challenged our training and handover plans, the team has done an incredible job. I'm very excited to see cross selling taking place on a daily basis as mentioned before. Our teams are continuously working on our OneASTECC go-to-market approach. Dealer selection, management and alignment across all Astec is taking place as we speak.

A clear purpose, vision and OneASTECC transformation strategy is very important to set direction for the organization. Having joined Astec during the previous era of individual subsidiaries, I'm looking forward to the value this new strategy will unlock for all of us. Within the Infrastructure

Solutions group, we have put together a strong leadership team with a mix of longtime Astec veterans and new leaders from other industry leading companies. We have great people in our team. We are all aligned through our purpose of Built to Connect and our core values.

Driving operational excellence via our OneASTECC business model will help us to stay competitive in our current markets, but also to achieve our long-term financial and growth goals. The introduction of a Product Management philosophy will, in my mind, transform the way we do new product development and continuous improvement engineering in the future. This is a significant strategy change in the way we do business. This team will help us create our future.

Over the last few weeks I attended various product management sessions over the last few weeks and I'm excited to see the results of the team's efforts. It is so exciting to sit in a room of talented people talking about market opportunities and talking about our competitive and what our customers need from us in the future.

We have a lot of product and market knowledge within our engineering teams. The new strategic approach to innovation presented by Scott earlier this morning will provide these teams the structure and process they need to be successful. Lastly, supporting our customers with parts and service will keep us close to each other. We are continuously looking for better ways to improve our support to them.

We have talked quite a bit this morning about new product development. I thought it will be prudent to share two very exciting case studies with you guys. In both cases, we used feedback from our customers to develop a new product that our customers need. The first case study is focused on us developing a new ultra-mobile asphalt plant to fill a gap we had in our international product portfolio. Historically, we would take our North American products to international customers who have different needs and expectations.

This provided us with some success, but not to the levels we have seen in our local markets. This product will provide a competitive solution to customers who know Astec as a brand, but could never afford a larger high producing plant. Our engineers designed a product based on customer feedback that will bring big plant features and benefits to disrupt a price sensitive mobile market. We are not taking ME Too products to the market. We will compete with innovation. One of our potential customers described this plant as a headache for our competitors.

The Shuttle buggy material transfer vehicle was one of the major innovations that Astec brought to the road construction industry. Redesigning an industry changing product like that was no small effort. However, after listening to our longtime customers, our engineering team designed the SB-3000. This newly design material transfer vehicle will not only make it easier to maintain, it will also make it easier and safer to run.

Our customers will also see significant cost reductions due to the opportunity to eliminate one operator. One of our long-time customers', who gave a lot of feedback on his previous units, was very excited to run the prototype unit. We're currently having various customer orders in production.

During the morning you have heard us talk about new product development, operational excellence and international growth just to name a few. We are, however, also doing a lot of work to improve our go-to-market strategy and processes. OneASTEChannel management, improving customer service through a NPS process, developing a global dealer network and implementing a strategic account strategy are all things our teams are working on to grow our market share.

Taking advantage of our OneASTECh strength versus our previous individual subsidiary focus will produce significant results for our company in the future. Although we still have a lot of work to do, I'm excited about the work our teams have already done.

As part of our simplify, focus and grow strategy, we added two new concrete plant manufacturers during Q3 of this year. Both these companies fit very well into our Rock to Road focus. Our synergy and integration efforts are going well and we expect to deliver the results we forecasted when we evaluated these companies.

Long-term, I look forward to our team developing an industry leading product portfolio that will be unmatched in the industry. Just a few weeks ago, I attended a Product Management feedback session around this topic. I was encouraged to see how our team of experts across the three concrete plant companies are working well together to create our future OneASTECh plant portfolio.

After hearing more about the Infrastructure Solutions group, I trust that you agree that we have many things to be excited about such as; demand for our product as infrastructure needs continue to increase, focus on innovation and telematics, our connection with our customers and stay customer-centric, aftermarket and international growth, cross selling opportunities through our OneASTECh go-to-market strategy and operational excellence.

My team and I are excited to be part of Astec and to be part of this transformation journey. We are even more excited to see how we will help our customers to be successful in the future. Astec is a company built to connect and I'm proud to be part of the team.

Thank you for your time and I look forward to meeting you all in person in the future. I'm happy to introduce Becky Weyenberg, our CFO.

Becky Weyenberg - Chief Financial Officer

Good morning everyone and thank you for joining us today. For those of you I haven't had the pleasure of meeting yet, I'll start with a brief introduction. Prior to joining Astec, exactly one year ago today in December 2019, I spent the first 10 years of my career at Castanhal where I started as a Plant Controller and progressed to Sales Controller then New Product Development Controller before experiencing firsthand what it takes to integrate two \$8 million companies as a key member of the Global Industrial Footprint Team when Case and New Holland merged.

This is also where I first met Barry Ruffalo. He was a Plant Manager working for the Industrial Leader that I supported. I spent my next 10 years at AGCO Corporation where my tenure was split between two roles, the first as the as the Vice President, Finance for the North America region, which was a turnaround effort and secondly as the Vice President, Global processes, standards and shared services based in Switzerland.

In this role I was responsible for driving the transformation efforts across Europe and China which included the design and roll-out of SAP, standing up a shared service center in Budapest, Hungary and process support for a brand-new state of the art manufacturing facility in Changzhou, China.

And most recently prior to joining Astec, I held the position of Vice President of Global Finance Operations for Welbilt Inc, supporting the Chief Operating Officer and leading their business transformation efforts. I think I can safely say that Barry brought me in for my broad experience in transforming underperforming operations and my need for challenge. I'd like to begin today by sharing a few of my key observations as the new CFO at Astec Industries.

When we say that we previously operated under a decentralized, standalone operating model, we truly did just that. Each site had a fully staffed accounting team that covers everything from transactional processing to closing the books and we had a very lean corporate team focused mainly on consolidations. I was very encouraged to learn that despite the decentralized accounting, we did not have any issues with the integrity of our financial reporting.

With that strong accounting foundation in place, my first order of business was to bring in the talent needed to implement a remediation plan and address the material weaknesses in our control framework. With the internal team in place, we quickly brought in PWC to help lead the Project Management Office with us. Today, I'm happy to report that we have made significant progress on all issues and we expect to get them fully remediated in 2021.

With remediation activities well underway, we have accelerated our finance transformation, driving focus to the top priorities. We have built out our financial planning and analysis function and established key financial metrics such as return on invested capital to drive a culture of accountability in all we do. We have rolled out standard processes for forecasting, budgeting, strategic planning and data analysis in support of our business partners.

We have a clear opportunity to further simplify our finance operations by centralizing many of our back-office functions, so it was critical to partner with our CIO, Matt Litchfield, and develop our systems roadmap. We will go live with our new consolidated platform, including a corporate ERP system and a human resource management module in the first half of 2021. So we're excited about the efficiencies ahead of us as we continue on our journey to modernize financial services.

I continue to be proud and impressed with the hard work and dedication of our team and Board members, allowing us to quickly drive impactful change. You've heard throughout the day about our focus on operational excellence and we are certainly leveraging our culture of operational

excellence to further improve our finance organization. I like to say we are running a marathon, one sprint at a time.

Early in Q1 we did a deep dive into our cost structure and identified the levers we could pull short, medium and longer term to manage through the pandemic. This has allowed us to continue with our transformation efforts as we de-prioritized activities that did not align with our long-term strategy.

To drive focus, as we moved away from our decentralized model to our OneASTEC organization model, Vice Presidents of Finance were hired to partner with each Group President and the site Controllers reporting lines were changed to report into the Vice Presidents versus all Controllers reporting into the Corporate Controller. In doing so, we now have concentrated focus areas to shine the spot light on what is going well in areas of opportunity.

Another change we made in the first half of 2020 was to stand up an internal team of tax professionals. Previously the work was done by a third party and the strategy was compliance. Our new strategy is tax as a profit center. The tax team has delivered approximately \$10 million in profit and \$26 million in cash by going after the CARES ACT opportunities. In addition to this, they have implemented a new tax system and I have every confidence we have remediated our material weakness in this area.

The key takeaway here is that we have a continuous improvement mindset when it comes to enhancing our financial rigor to drive disciplined decisions in all aspects of our operational model.

You have heard several team members talk about our OneASTEC business model this morning and it's clear in our year-to-date operating results, especially when you look at the improvement in our EBITDA margin, that we have turned the corner as a result of our transformation and increased focus on continuous improvement.

We are clearly operating in a COVID induced down cycle with respect to volume, but the improved earnings performance demonstrates the traction of our initiatives to right-size operations to market demand. We remain flexible and committed to simplifying and focusing the business to continue to drive improved profitability in all cycles.

With our long-term strategy solidly in place, we feel confident sharing with you our commitment towards margin expansion today. Year-to-date in 2020, we made significant progress and our results demonstrated good traction on our strategic transformation with a 150 basis point expansion in adjusted EBITDA margin versus prior year. Our performance is a direct result of the transformation initiatives we started in 2019 in addition to our increased focus on operational excellence and strategic procurement.

We anticipate an additional 300 plus basis point expansion in the next three-year cycle as we execute on both operational and commercial excellence initiatives. As you've heard throughout

the day, our top initiatives include back office consolidation, manufacturing utilization, procurement, international expansion, new product development and aftermarket growth.

While we are seeing increased confidence in the industry driven by the recent 12-month extension of the FAST Act, it's important to highlight that our plan does not include upside potential from a larger long-term infrastructure bill. To be clear, we assume 5% annual revenue growth in our assumptions to obtain these results in 2023.

Turning to Slide 72, as you have heard from all our presenters, we have a lot going on. With people, process and systems at the forefront, all initiatives are aligned with our strategic pillars to simplify, focus and grow. As you can see here, we have a two phased approach over the next 24 plus months to execute on our initiatives related to operating excellence, aftermarket, innovation, and commercial excellence. As all initiatives have to make sense financially, they are carefully planned, measured and tracked with rigor.

Moving on to slide 73, we continue to maintain a strong balance sheet, with minimal debt. Overall, we have available liquidity of \$260 million, including nearly \$109 million of cash on hand, with only \$900,000 in total debt as of September 30, 2020. We continue to make progress on our inventory reduction efforts as total net inventory decreased \$95 million Year-Over-Year, a testament to what gets measured, gets done.

Remaining focused on maintaining a strong and flexible balance sheet with ample liquidity is a key foundational pillar for us and we believe that this will enable us to withstand a variety of economic situations, if needed.

Just a reminder on our capital deployment framework, which is consistent with what we have previously shared. We continue to have a disciplined approach to deploying our capital. When we consider the various avenues of capital deployment we do so in the context of our long-term strategic objectives and related revenue, earnings and cash flows in order to maximize shareholder value.

Our capital allocation priorities remain unchanged in the current environment. On internal investments in property, plant and equipment, we will continue to target greater than 14% return on invested capital for new investments. Regarding acquisitions, we are only considering strategic acquisitions that align with our growth strategy and meet our internal financial criteria.

Our strategy for M&A is to fill gaps that we see within our customer value chain as we look to grow regionally in attractive markets. We also seek to maintain the number one or two position or have line of site on how we will get there in the product lines that we have. We also believe that M&A is a mechanism that will potentially allow us to accelerate our investment in technology and innovation. Importantly, we remain committed to funding the dividend. We have not repurchased any shares since 2018 and do not expect to do so in the near term.

As a reminder, we summarize our strategic and disciplined approach to M&A, which helps to support our grow pillar. Barry already outlined our strategic acquisition filters, so I want to

reemphasize that we don't pursue strategic M&A unless it meets our financial criteria which include EPS accretion in the first year and meeting or exceeding our long-term financial metrics.

Moving on to slide 76, I am excited about the future for Astec as we continue to execute against our strategy to simplify, focus and grow the business. Our consistent long-term goals are summarized here, and we think we'll make significant progress on achieving these goals over the next few years. As a reminder, the high-end of that revenue growth range assumes that we execute on additional strategic acquisitions while the low-end assumes organic growth.

I'll wrap up my presentation by reiterating the key messages that I started with. We have a strong finance team in place that's proactively preparing for both upside and downside scenarios. We see tremendous opportunity to continue to leverage our OneASTECC business model to drive higher profitability and margins. We will operate in a controls-based structure with financial rigor.

We are well positioned with a strong, flexible balance sheet to support our growth initiatives and we will continue to have a disciplined approach to capital deployment and focus on generating long-term stakeholder value. Overall, I'm excited about our future and look forward to sharing more on our progress as we continue to focus on execution and creating value.

With that, I will now turn the floor back over to Barry for his closing comments. Thank you.

Barry Ruffalo - Chief Executive Officer

Thanks Becky and great job. So, in summary, our intent of holding this Investor Day was to share more details in regard to our transformation, expose you to a set of our management team and give you more detail on how we will move forward as a company. We also walked through the OneASTECC business model. I am proud of the work that the Astec employees have put in to getting us to this point and especially how they are engaged with building our strategic vision. Their involvement assures that there is the right level of ownership and accountability throughout the organization. Astec has a bright future.

Thanks again for your time today. We will now open up the meeting to take your questions.

Steve Anderson - Senior Vice President of Administration and Investor Relations

We will now begin our question-and-answer session. Our first question is how do you balance EBITDA margins greater than 12% with the investments needed to develop new international products and add scale to that market?

Barry Ruffalo - Chief Executive Officer

Thanks Steve. I'll take that one. It's a good question. I think first I'd maybe address that by saying historically we've actually tried to grow the international market 16 different ways across 16 different brands in subsidiary companies. Now we look at it from a OneASTECC perspective, which first and foremost allows us to actually deploy our capital and build new product development strategies and growth strategies in a much more efficient and effective way.

But as we move forward and as we do grow, the international revenue stream, we've got – as I mentioned in my slide presentation, I really liked the team we have internationally. I see them as being more hunters and gatherers. They are groaning that part of our business very effectively, increasing the population of our capital equipment in that market, which obviously then allows us to grow the parts revenue, which generally has a much better margin profile than the capital equipment.

So, there's a lot of great things going on today that are allowing us to grow, and have a good foundation for us to grow international business moving forward. On top of that, what I'd say is for us – we realized that for us to really make significant strides in that growth of international business, that we have to have the right products. As you heard these guys talk about in their presentations to make sure we have the right specifications.

And we have the right levels of compliance, which in many cases we already do, but as we grow that product portfolio, we got to make sure we keep that in mind. We also need to continue to build our supply chain. So how do we build closer to the customers in local markets, how do we have a procurement process that supports that? And we talked about building out the procurement team.

We are starting to put those types of resources and strong counted individuals into our in-house company, which are all going to be foundational elements for us as we move forward, to grow international part of our business. And so with all these things being done, we feel very comfortable that from a point-to-point perspective that margin profile and international business is going to be attractive for us. And it's going to support our movement towards the 4% EBITDA.

And maybe one last comment there, I would tell you that the nice thing about having a strong international business is it's offsetting. So, we are in a cyclical business. And we start to look at regions and countries and markets around the world. In many cases, you're going to find it, in their own all setting. And so, as that revenue stream for their national market continues to grow, that's going to allow us offset the cyclicity of the domestic market that we experience today. So, I feel good that again, the international growth will support our long-term financial targets.

Steve Anderson - Senior Vice President of Administration and Investor Relations

Our next question is, as you look ahead to 2021, do you think we need an infrastructure built for your business to grow? And is it possible to generate growth in absence of that?

Jaco van der Merwe - Group President, Infrastructure Solutions Group

Steve, I can take that one. First of all, we are very excited to be in the infrastructure space. I think everybody will agree that there's a constant demand for upgrading our infrastructure and infrastructure growth will continue to develop around the world. We've seen historically that takes about 12 to 18 months for the infrastructure, both to flow through the channels and actually end up as equipment suppliers like us.

Even if the infrastructure bill does not pass next year, we feel that there's various opportunities for us to get out of business. We talked about products and service quite a bit today. And over the last four years that I've been with Astec, we have already been successful growing our business and growing our margins. And I think that will continue, especially with our new focus on policies. Barry just spoke about international. From an Infrastructure Solutions point of view, we see great opportunity there. Our market share outside of North America is very small. And I think that is a big opportunity for us if we bring the right products to the market.

Lastly, we talked a lot about cross selling today. As we implemented our new OneASTEC sales channels, we've seen this cross-selling on a daily basis. Now, just last week, I spoke to a guy he's been a long-time asphalt sales leader. And for the first time he sold the concrete plant to a customer and he was so motivated by that. And I think we're going to see this on a daily basis in our teams as they get confident with the product, they can have the same – so much better than the markets in the future.

Barry Ruffalo - Chief Executive Officer

Let me add to that a little bit to Jaco. What's really exciting about the Con-e-co and BMH and really our focused to deepen the penetration of the concrete plants and accessories. And then what we do is as we went and talked to our customers, we realized very quickly that over 60% of our historically strong asphalt customers also are producing concrete and have concrete plants. And so when you think about the strong position we have in respect and trust, we have from those asphalt customers, we now get to actually realize that and experienced it on the concrete plant side. We're pretty excited about the addition of BMH and the Con-e-co products into our portfolio.

Steve Anderson - Senior Vice President of Administration and Investor Relations

The next question is can you talk about your parts business? What percentages are your parts of revenue and where can it go? Did you have any specific goals for your parts as a percentage of revenue?

Barry Ruffalo - Chief Executive Officer

I'll take that one on behalf of the company. So, as you heard, Tim and Jaco talked about the renewed focus on our parts business with Michael Norris, driving that from a centrally led perspective as the executive sponsor. We're really excited about that. And the more I talk to customers, the more I talk to employees over the last year or so, I found that the idea of that being complex in how we do business, certainly also applies to the parts side of the company.

And as we actually now put that into really one group for the whole company it's going to allow us to have better pricing discipline. It's going to allow us to manage our inventories more effectively. It's going to allow us to service our customers in a more efficient way across the business. And that means they're going to keep coming back to us. So, we're really excited about the initiatives. And as we look at the parts talent that we have with Astec today, we're super excited, lots of good, folks focused on data, hungry to be more innovative, to be more contemporary in regards to how we take care of our customers and hold themselves to be more accountable than we have in the past.

As we look back in past years, we've always taken care of our customers very well when it comes to parts and aftermarket service and support, best in class. Over now, we're excited about the opportunity to do it better, to stay ahead of our competition through these initiatives and through this focused effort by our talented people at Astec. From a perspective of how much larger can our parts revenue get? We're not going to commit to it, but our aspiration is to make it half of our sales and that's not going to happen overnight, but obviously that's something we're going to shoot for when we built initiatives and strategies around to make that happen.

And, as we do that, that parts profitability profile is much stronger than it is on capital equipment. And that will only do wonders in regards to helping us achieve our long-term goals that we've established and you've heard about us talk about today, myself and Becky.

Tim Averkamp - Materials Solutions division by Group President

And Barry, if I can add something to that, we do sell parts and service. You stay in touch with your customer on a daily basis. If we can stay in front of our customers by the time that they want to replace equipment, or they want to buy a new plant, they're going to think about those companies that loop off to them. It doesn't matter if they just want to buy big plants or not. So that's what makes me excited about parts businesses. People force us to stay in touch with our customers and they will reward us for that in the long-term.

Steve Anderson - Senior Vice President of Administration and Investor Relations

Our next question is can you talk more about telematics? Will you be able to extract value from offering this product? Do you for example, able to provide strong pricing and its products by adding precision technology. Can you do the same?

Scott Barker - Senior Vice President of Innovation

I can at least start with that. There are a couple of different areas I see that the telematics adds value. One is to improve our products. The more we understand about our products, the more that we can drive uptime and the lower the total cost of ownership for our customers, we make our products better. And the more we understand, the more predictive they are, parts availability gets easier, service we can provide, so we can start to improve uptime of the equipment, our equipment and the performance of the equipment through automation, with all of that information.

The other part, we understand rock to road. We know the business. When we're working with our customers, they want to be able to see it at a high level what's going on across their operation. And they're also working every day to drive improvements and get more efficient with what they're doing. We get that information. We take it from the quarries, from our plants and the material solutions side to the concrete and asphalt plants, to the mobile equipment. We can provide a complete picture, not only our equipment, but competitive equipment so that the value to the customer is they get to look at their whole operation and we can provide information that they can take action on and improve their performance.

Barry Ruffalo - Chief Executive Officer

Maybe you can just add a little bit more color to that Scott. We know through our interaction with customers that over 40% of our customers buy from two or more of our product sets. So that allows me to think about that those are the customers that start to represent the real rock to road value chain you just spoke about. And if we can actually provide them better data, as you've mentioned, better data analysis, make real time decisions, that's going to allow us to – a lot of them to experience more value, which then allows us to experience more value.

I was actually looking at more value pricing opportunities in regards to everything we do. So, we're pretty excited about that. And we are again in the early days. We've done this 16 different ways historically and now we're going to do it as OneASTEC really to service that rock to road customer. And the more we do that – let's say that we've got a customer today that only buys a smaller portion of our products set that success and value that we give to them through this type of an offering allows them to come back and say, hey, why am I not buying at Astec for the rest of our product portfolio.

And maybe just to add that when we've actually started through Todd Burchett, our VP of Strategic Accounts, really this opportunity to do more business with our bigger customers. And I'm amazed at what we've actually realized here recently. And we talked to some of our biggest customers and we start to show them all of the things that we do at Astec, one of the questions we got back or one of the comments we got back was, wow, we didn't really know that Astec did all of this.

And so, I think as we get better about telling our story, explaining the value proposition and really helping them understand there may be different rock to road, that's going to allow us to deepen our penetration into their businesses and by giving them the value in earning the trust and respect that we want to get from them in order to have that business keep coming back to us.

Steve Anderson - Senior Vice President of Administration and Investor Relations

Thanks, Barry. Next question is there a size limit on mergers and acquisitions and would you consider a public company if that met your criteria?

Barry Ruffalo - Chief Executive Officer

I think that Becky had mentioned it already here today we've certainly talked about it over the last couple of quarters in different calls with investors. It's great to me that we actually have our strategic filters first and foremost. So, we're not just going out and really chasing shiny objects. We know that within this value chain of rock to road we're going to be very focused in regards to where our value chain gaps are, where our markets penetration can be increased, how do we grow through telematics in technology and really that reoccurring revenue stream, just to name a few.

And so, we feel like we have a very disciplined approach and very strategic approach in regards to how we look at M&A. The size of the deal, of course, we've just done BMH and Con-e-co and Rockwell. We've commented publicly that the Con-e-co and BMH addition in 2019 together it represented about \$50 million in revenue. So that's good for us to pick that up.

We want to make sure we stay disciplined on our financial long-term values, but we know that there's going to be smaller deals for us to go after, to fill that value chain. There's going to be larger deals for us. And we're not afraid of the large ones. I think the things we've done now with Con-e-co and BMH are starting to demonstrate that we have strong capabilities to integrate products. And so, when that larger deal comes along, we're going to look at that and we're going to – if it fits the strategy and if it fits the financial discipline environment in place, we're going to go after it.

Now we recognize that's probably going to take us in some cases over the values that Becky and I speak of one and a half to two and a half times leverage. But we also know that when you get done with that deal, we're going to work very hard to get back within that range. And that'll be part of the analysis, obviously, as we look at doing those types of deals, so we're going to do more stuff, small deals, we're going to do bigger deals and we're going to be prepared to do those in an appropriate fashion

Steve Anderson - Senior Vice President of Administration and Investor Relations

Next question is what are the current opportunities with the existing infrastructure dealer network?

Jaco van der Merwe - Group President, Infrastructure Solutions Group

Steve, I can comment on that. Every one of our subsidiaries selected their own dealers and manage their own dealer. For me, the opportunity here is and our teams are working on this today is to align that dealer network so that we can strengthen that dealer and they have various products that they can go and market. The other thing that we're doing is we're not just working on selecting of the dealers we're also working on how we partner with those dealers and how we manage performance.

Previously it was very loose. Now we have one team focusing on that and I see great value not just for us, but also for our dealers and obviously in the future, our customers will benefit from that. Obviously, we're doing the same on the direct channel making sure that they represent the products that we have in our portfolio. And we talked quite a bit today on the cross-selling opportunities and our dealers are going to see that as well in the future.

Barry Ruffalo - Chief Executive Officer

Let me jump on that a little bit too Jaco. When you think about what we've done outside the United States, the investment and talent and capability that we have outside of the US is really approaching their markets as OneASTEC. So, a dealer network outside of, let's just say Latin America, they would represent OneASTEC. They're not necessarily historically, United States as Jaco referred to, we looked at it brand by brand by brand as a distribution partner, but we already see the value in the markets outside the United States.

Today in the United States, I think we're up to five or six large distribution partners that actually cover everything we do at Astec minus the stuff that we do fix would be the plants business. And we see the value – they're seeing the value and we think that that's an area where we're

continuing to build to Jaco's point, stronger distribution partners, better capitalized, better trained and we look forward to growing. Some of the distribution people we have or partners we have today support their growth in order to turn into that. So, we're excited about that opportunity.

Steve Anderson - Senior Vice President of Administration and Investor Relations

Thanks Barry. Next question what percentage of Astec product situate a market leadership position?

Barry Ruffalo - Chief Executive Officer

I'll take that one. And, certainly domestically everything that we design – manufacture and sell is in a market leading position. That's a general statement. Obviously, there's different, specifications within each one of our product lines, which maybe isn't a number one or two, but generally speaking in the United States or the domestic market, which we like to do business in is we're in a very strong position.

When you get outside of the United States, that's when we start to follow that further down. But that comes back to our supply chain and product specifications and as I said, being able to produce closer to your customers. So those are investments that we're going to have to make in a disciplined way in order to continue to try and find ways and we really have line of sight to that one or two position outside of the United States.

Steve Anderson - Senior Vice President of Administration and Investor Relations

All right, the next question, how far along is the company in reviewing product redundancies?

Tim Averkamp - Materials Solutions division by Group President

Steve, I'll speak to that one to start with. I think, as an enterprise, where I spoke about in my presentation, talking about the role of product managers and the real need that we have to bring these disparate pipelines together and that their overall product and portfolio roadmap. I think when you look across the segments some of our products are in different levels. The example that Barry showed earlier today was relative to Industrial Solutions Group. That's really consisting of seven different businesses or brands that we pulled together into those six different classifications.

When we look at the paver line, for example they don't have that redundant. So, we have a commercial paver work away all the way through to highway class pavers. So, rationalization is only part of it. We're looking at goals as well, that speak specifically to Industrial Solutions. Again, as you can imagine, you have hundreds of different models when you bring those groups together. We've done some of the early work to look at some of the skews and haven't been ordered in high demand over the past couple of years.

Now, as we get farther along, we do work with our customers and dealers and make sure that we're identifying and really focusing on the right products going forward. So, I'd say we're really a company focused on continuous improvement, certainly more opportunities to come and then as we free that capital and resources, certainty and focus to add more as part of our overall product portfolio.

Jaco van der Merwe - Group President, Infrastructure Solutions Group

And maybe Tim I can add to that. If you'd take for instance the concrete portfolio where we just integrated BMH and Con-e-co, we've just started that exercise. I mentioned that in my presentation that a couple of weeks ago, I attended one of those stations way to themes with why we have today and the opportunities are big for us. And it's going to be exciting. We're not just going to take what we had before and combine it. We're going to take what we had before and also make it better.

Steve Anderson - Senior Vice President of Administration and Investor Relations

Our next question, regarding ERP implementation, what costs do you expect to incur for this rollout? And what's the expected timing of the entire process? And can you provide more color on the efficiencies you expect to achieve as a result?

Becky Wevenberg - Chief Financial Officer

Sure. Steve, I'll take that one. ERP implementation very near and dear to my heart, as I've spoken about it, but that's our enabler, it really on the combination of the data, it is a journey, but within the next three years, we'll make significant progress within our company, North America, where we have 80% of our company will be completed in three years. We'd like to go faster, internationally, and if we can afford to do so we'll have two teams working simultaneously.

So next year, year one will be our most expensive year, largely because we're using a third-party provider to really make sure that we're grounded, that we don't customize. We avoid some of those pitfalls, but they'll be developing our blueprint because we want one global instance. So we're not going to deviate from that. We're following a best practice roadmap, but we'll make sure that we are staffing up.

So after year one, we'll start doing the work with our own internal teams. We've already started hiring. We got subject matter experts working on process mapping. Another risk inherent with ERP is that people don't change their processes and they try to make the system work their old way. We're not going to do that. So we've started hiring those folks, so that we can start already looking at re-engineering our processes to maximize use of the tools that we're purchasing. So about a five-year journey, probably all-in, but really most of it will be complete in three years.

Steve Anderson - Senior Vice President of Administration and Investor Relations

Thanks Becky. Next question what would be the potential path to get parts and service to 50% of revenue and are customers sourcing some parts and service for your equipment from other vendors right now?

Barry Ruffalo - Chief Executive Officer

I think that's part of the opportunity. As I go and I visit different parts of our market whether that's customers' distributors or adjacent type partners, I can see that there's actually some of our parts being procured or fabricated in many of those different sites. And I think the key is that it's as strong as we've been. It just tells me that there's opportunities for us to be better. So, we're

looking at things like ecommerce. We're looking at things like supply chains and warehousing to make sure that we have parts available and easily distributed to our customers.

And so I think that – I think there's many opportunities. And as we talked about, we're now going to do that in central budget fashion. And so the team of people we have associated with that part of our business are super strong. They're excited. They're energized by this change. And they see the opportunities. And so we're going to do the best we can as a leadership team to support them, to keep them focused, obviously, but then get out of the way and let them bring ideas to us and implement what they think is going to work best as they're closest to the customer.

They've got the most experience in this part of our business that we're going to let them go and engage and we power them to be successful. So there's a lot of things that we're going to look at moving forward. Maybe for an example, I talked to an employee who started to – through OneASTECC now and get engaged before we made the central led initiative. And they know that there's customers today that call us and they may call the Heatec. They may call Astec. They may call PDC. It's really kind of our brains and sights of the past. And they know that each one of those locations carry the same part.

So, actually now focusing all that inquiry and opportunity through one channel allows us to be more disciplined in regards to how we respond to them, how we price and how we take care of them. So there are many examples and we'll share more about things we're identifying and the progress we're making as we go through time and if we're doing it right, you should start to see that our reported revenue and margins should be to support that.

Steve Anderson - Senior Vice President of Administration and Investor Relations

Thanks, Barry. Next question is what are you hearing from your customers about the changes made over the last year within Astec?

Barry Ruffalo - Chief Executive Officer

Jaco, do you want to take that?

Jaco van der Merwe - Group President, Infrastructure Solutions Group

Sure. I can take that. Steve, obviously a lot of the transformation that we are doing is in early stages. When we talk about customers, there are always questions around whether you continue to support them and with the infrastructure we put in place with people close to our new focus on innovative input, our customers are starting to see that. They're starting to see that we will stay close to them and that we will continue to give them the service that they deserve.

I think over the next six to 12 months, that's when the through performance will come to the forefront, but I'm very excited when I hope the customers, I think they will get to see the OneASTECC approach and they will get the benefit from it.

Tim Averkamp - Materials Solutions division by Group President

Steve, if I could add to that as well, both for customers and dealers alike certainly the first concern is making sure we still stay close to the customer, right. And that's what we've been built

on. We're going to continue to focus on that, but what they're excited about is the best practices and the discipline that we're bringing from certain pockets of our organization across. So what Scott talked about in terms of new product development is a key enabler for us that we were consistent. We have consistent outcomes if we follow the process and have them integrate along the way. So maybe we've done things differently than the past in how we develop the product that they're very excited about where we're going to development is just one example.

Barry Ruffalo - Chief Executive Officer

Let me add. Jaco, you'll remember this when we went to Blair, Nebraska and did our, introductory meeting with the employees of Con-e-co on day one. And I can remember having conversations with the sales organization saying, hey, what are our concrete customers going to think about now being attached to an asphalt plant company with a strong legacy in that part of the business. And so, there's a little bit of them. I'm not sure how this is going to work.

But as they started to call their customers and they talked about now being part of Astec, it was really great to see them come back to the meeting and say, hey, just talked to some of our biggest customers in there and they're ecstatic about being part of Astec because they see the value in our service and support and our relationships. And as I referred to earlier, 60% of those customers were already doing both concrete and asphalt. And so, it was just a testament to our strong foothold and one of our competitive advantages around taking care of our customers, so truly excited.

Steve Anderson - Senior Vice President of Administration and Investor Relations

Our next question is that deeper penetration with customers sounds like a good opportunity in the other direction often companies that refresh have to leave some occasional customers behind because of certain level of individual customization is no longer available. What have your initial conversations around this led you to believe about the Astec offering that was previously offered?

Barry Ruffalo - Chief Executive Officer

Jaco, why don't you take this one? I mean, obviously your team is very much engaged directly with customers and there is a lot of customization around what we do. So maybe you could address that one to start.

Jaco van der Merwe - Group President, Infrastructure Solutions Group

Absolutely Barry, I can. Making customized products for your customers, all depends on the feedback that we get from them. I think we've done a great job in the past doing that. I think that probably say that Scott mentioned earlier today around our new parts sales will help us to take care of those, even if it means we need to produce customized solutions. But I also think that, especially in niche markets that provides a unique opportunity for us. There are customers that do not just want to buy the "Me Too" product. And I think we can take advantage of that. Obviously, we need to make sure that we price appropriately for that and that we get the value, but obviously our customer gets the performance that they expect from us.

Barry Ruffalo - Chief Executive Officer

Tim, do you have anything?

Tim Averkamp - Materials Solutions division by Group President

I'll just add, go back to the example that I shared with a rock crushing plant in the Midwest. Certainly, we want to standardize to help our production and help our operations overall, but the way that we've organized, we're still a very nimble company. We're very agile in how we can work and get some of our competition. And I think that rock crusher example is fantastic. We can still customize and do things from a systems insight solution. I think it's very apparent with a group that Jaco leads as well as we can provide that one solution and maybe other kind of competitors can't do overall.

Steve Anderson - Senior Vice President of Administration and Investor Relations

Our last question based on your conversations with customers, what is your outlook for demand in 2021?

Barry Ruffalo - Chief Executive Officer

I'll take that. And if you guys want to add some color, feel free. I've been pretty consistent since starting with Astec that – but I've been very much in touch with our customers, whether they're big or small or distribution partners. And 2019 was a very strong year for them. And they rolled into 2020 and things were setting up quite nicely and then the pandemic hit. But what's really been kind of great about where we're at today is even with the pandemic most of our customers' see 2020 as being a stronger year than 2019.

And now obviously, as they're starting to look forward in 2021 and from my most recent conversations even just within this week, they're looking at a good 2021. It's the backlog that carries them well into the next year. So even with the pandemic, I think the market is strong and certainly we think about different parts of our business, where we actually work through distribution. We at the end of 2019 and as I mentioned in 2020 and Becky's alluded to this, many times, we worked very hard to drive down our finished goods inventory.

We work very much with our distribution partners to take their inventories down and that at least leads down to inappropriate level. And so, as we entered into the pandemic, I think we were in a very strong position relative to how we were managing that flow of products from us to distribution point and then through to our end customers. And so that gives us the chance now to look forward with our improved SNOP process, where we have better visibility into what that demand is and to make sure that planning our businesses more effectively with the labor and talent and materials, we'll be able to address that on a very real-time basis, where maybe some of the people in our market are still trying to work through some inventories.

And so, we feel very good about where we're at. Obviously, we are still in the midst of a pandemic and it's great that we're moving forward relative to the vaccines, but the reality is no one really knows how that's going to end up, but I think a little bit of that uncertainty always has the chance to impact our business and ways that we're not having visibility to. We do feel good that there was an extension to the FAST Act. That's great.

We certainly realized that with vaccines now coming in place and people learning how to operate within the pandemic that we should see the gas tax revenue on a state-by-state basis continue to grow as people with the vaccine being put in place started to travel more. So that always helps us. And then on the perspective of a long-term infrastructure bill, again, I think I've commented before with my interactions with both Democrats, Republicans, House and Senate leaders that there's a strong appetite to look at as a top priority in a longer-term infrastructure bill and it's proven over time that when you come out of a recession or when there's a high level of unemployment, there's nothing better than an infrastructure bill.

It puts people to work. it typically has about 30% higher wage rate than the average job across the United States. And so you have to Jaco's point earlier, we don't expect to see – when that happens, we don't expect to see some of that flow through us just quickly. It takes some time, but the reality is to build confidence. And I think that's what's key to our customers, especially when you think about a multi-million and maybe a \$6 million to \$9 million asphalt plant that's a big part of their capital allocation plan and the confidence has to be there for them to pull that trigger. And so some of those things coming into play, as you're moving in 2021, we believe will build their confidence and will flow through to us as well.

Steve Anderson - Senior Vice President of Administration and Investor Relations

Thank you all for your questions. In the interest of continuous improvement for investor relations, we'll be following up with a link to a survey regarding our Investor Day. So, we would ask that you kindly take just a minute or two and fill that out so we can continue to deliver what you need and make sure we're answering all of your questions and addressing the topics that are most important to you.

This will conclude our Investor Day. Thank you all for spending your time with us today. As a reminder, our presentation can be found on our website at www.astecindustries.com under the Investor Relations and Presentation tabs. Thank you all and have a great day.

Barry Ruffalo - Chief Executive Officer

Thank you.