TITAN CAPITAL MANAGEMENT RESEARCH REPORT FOR: **TCM EQUITY PORTFOLIO**

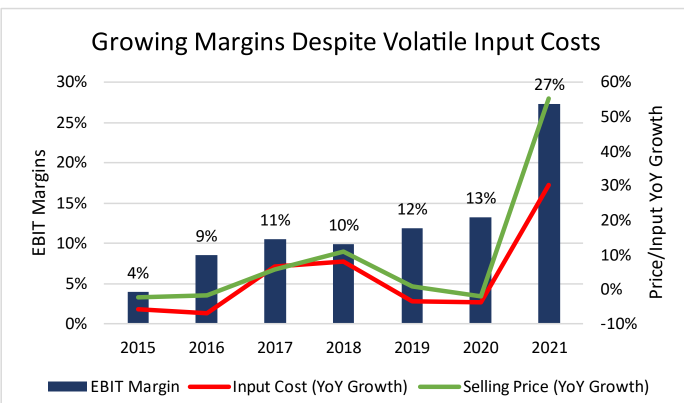
Analyst: Jericho Cezar Date: October 16th, 2022

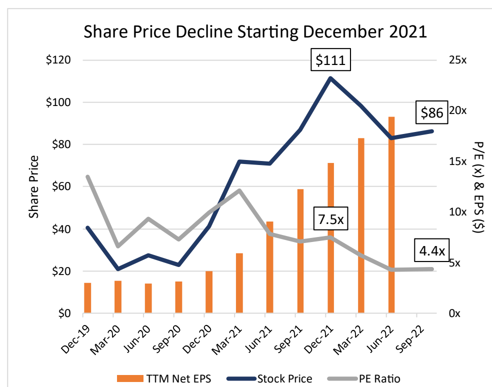
COMPANY/TICKER: **ATKORE INC (ATKR)** **Stock** **BUY**

EXECUTIVE SUMMARY

We recommend a BUY rating for Atkore (ATKR), a manufacturer of electrical conduits and infrastructure products, to increase the TCM equity portfolio's exposure to secular infrastructure trends. Supply chain disruptions have stunted industry capacity for electrical conduit manufacturing, allowing Atkore to substantially expand margins as it was one of the only players with the capacity to meet customer demand. Atkore continues to be an attractive opportunity because, even as we anticipate margins and sales growth reverting closer to normalized levels, its extremely low valuation presents a 26.9% discount to our weighted average estimated value of $110. Our BUY rating is driven by our expectations that sales growth and margins will remain higher than historical levels due to **1)** long-term, secular demand for Atkore's products from heightened investments into infrastructure and the global shift towards green energy **1)** the company's growing economic advantage, which will sustain higher operating margins **3)** a robust M&A pipeline which provides significant growth opportunities in adjacent verticals.

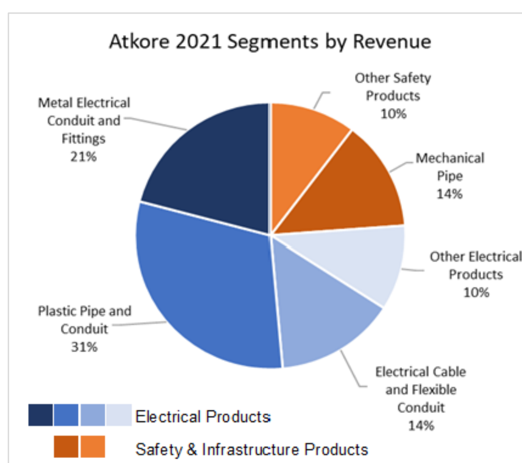
Key uncertainties include cooling construction and M&A activity and volatile commodity prices.





COMPANY OVERVIEW

Atkore is an electrical infrastructure manufacturer focusing on conduits, cables, framing, and mechanical piping, all of which contractors install around the electrical wiring of a building or structure for protection. They operate through two primary segments: **1)** ***Electrical (76.2% of revenue)****:* includes metal, plastic, and flexible cable, conduits, and fillings; **2)** ***Safety and Infrastructure*** **(23.8% of revenue)**: includes mechanical piping and other infrastructure products. These products are sold directly to contractors, wholesale electrical channels, or original equipment manufacturers (OEMs). Atkore primarily operates in the United States (91.9% of revenue), but they also have channels in Europe (6.3%) and Asia (1.8%).



CATALYSTS

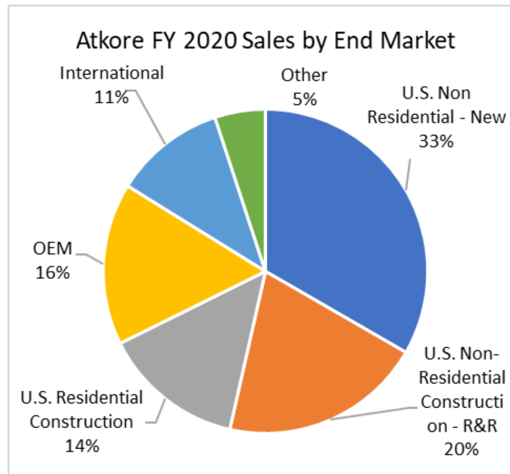
Stable Secular Demand for Products

While cooling economic conditions pose a threat to demand for Atkore's products, we believe that the growing need for electrical infrastructure spending will drive volume growth in the long term:

- **Infrastructure Investment Jobs Act (IIJA)**: President Biden's infrastructure act plans to invest $1.2 trillion in upgrading the United States' power infrastructure, increase internet access, and modernize our public transportation, most of which will require Atkore's products from contractors. Out of the $550 billion in new spending, $491 billion will be invested into projects that directly need Atkore's product portfolio.
- **Electric Vehicle Charging Stations**: The growing transition towards electric vehicles will require a reconstruction of electrical infrastructure as new charging stations increase power demand. The IIJA plans to commit $7.5 billion to construct 500,000 charging stations by 2030 to increase electric vehicle accessibility.
- **Modern Energy Solutions**: Electrical utilities will require modern electrical infrastructure to accommodate the transition towards renewable energy while increasing grid capacity. WESCO, one of Atkore's customers, estimates that 60% of distribution lines have exceeded their life expectancy, and 90% of transformers are approaching their useful life.
- **Digital Infrastructure**: Robust electrical infrastructure will be needed to support more devices and data centers. Datacenter volume is expected to increase by 21% CAGR through 2026 due to increased automation, 5G cellular, rising cloud adoption, and remote work.

Infrastructure Investment and Jobs Act New Spending

Category	Ammount (bn)	Atkore Direct Benefit
Roads, bridges, majory proects	$110	X
Railroads	$66	X
Power Grid	$65	X
Broadband	$65	X
Water Infrastructure	$63	X
Cybersecurity & Climate Change	$50	X
Public Transit	$39	X
Airports	$25	X
Environement	$21	
Ports	$17	
Safety	$11	
EV Charging	$8	X
Electric School buses	$8	
Atkore Direct Benefit	**$491**	



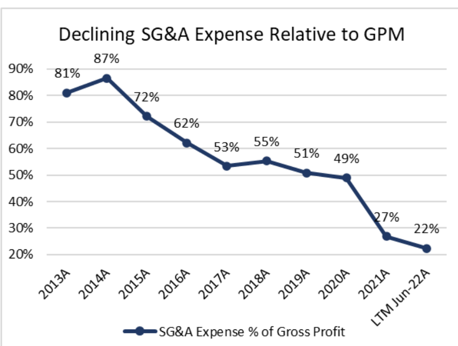
We expect this secular demand to counteract the slowly improving industry capacity, creating a favorable environment for Atkore to continue passing costs to customers and expanding margins.

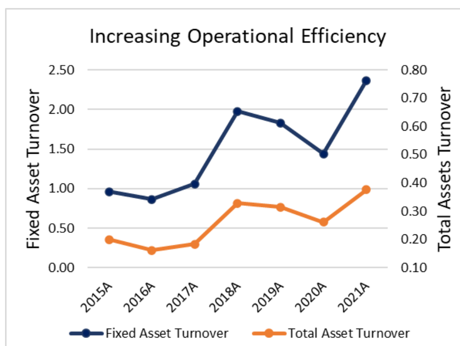
Higher Margins Sustained

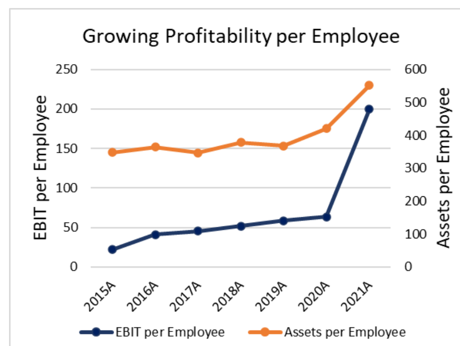
As construction demand sharply rebounded after the pandemic, supply chain disruptions stunted the electrical conduit manufacturing capacity and created a large supply defecit (See *Appendix: Constrained Industry Capacity*). This environment was a perfect storm for Atkore who, being the largest conduit manufacturer in the U.S., experienced a minimal capacity decrease and was able to charge a premium for delivering products on-time with their robust U.S. supply chain. Atkore not only passed on all input cost inflation to customers in this period, but expanded operating margins to a historic 31.6% by June 2022 (LTM margins), up from 13.3% in 2020. While we do expect long-term industry capacity to stabilize and commodity prices to revert from these abnormal levels, we believe the company is well-positioned to sustain margins higher than pre-pandemic margins:

- **Economies of Scale**: Atkore is the only public electrical component company specializing in manufacturing electrical conduits. Atkore gains significant economies of scale advantages from this position, including a declining SG&A expense relative to gross profit*, increasing asset turnover, and growing EBIT per employee. We expect these economies of scale to continue supporting margin expansion due to continued investments in automation and the industry's barriers to entry. Combining this with Atkore's superior products, as seen in how 11 of Atkore's product lines are highly regarded in the conduit space, Atkore is in an ideal position to capture and retain customers at lower costs despite the regionalized nature of the industry. (See *Appendix: Strong Brand Strength*)

- **Strong Distributor Relationships**: Due to Atkore's large capacity, national distribution network, and superior products, the company has strong relationships with key construction distributors, including WESCO, Fastenal, and Home Depot. We believe these relationships will continue to support customer preference for Atkore's products by reinforcing brand recognition and strength. No customer comprises more than 10% of sales, and Atkore's products are often considered essential shelf items due to their necessity in construction, decreasing the pricing power of customers.
- **Expansion into Higher Margin Products**: Atkore continues to move into higher margin verticals through M&A, such as their acquisitions of FRE Composites and Queen City Plastics, which increased their exposure to the fast-growing PVC and HDPE conduit markets. Synergies between past investments and Atkore's existing infrastructure resulted in no margin deterioration from purchases, showing that Atkore can effectively integrate future acquisitions and fully benefit from expansion into higher margin verticals.

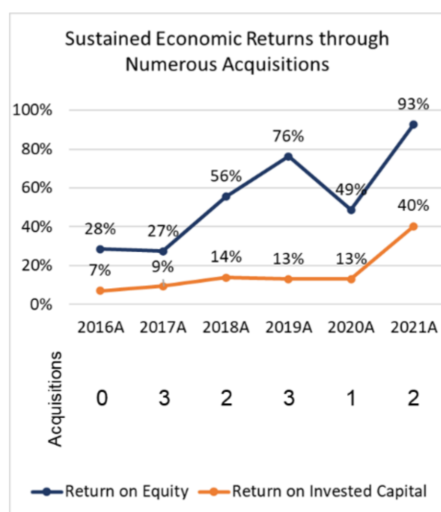






Accretive M&A Opportunities

Atkore's inorganic growth strategy is ideal for the conduit manufacturing industry due to the industry's high fragmentation and regional nature. Continued acquisitions of companies will complement Atkore's existing product portfolio and increase Atkore's geographic footprint where their economies of scale allow them to serve these additional customers at a minimal cost. Expanding Atkore's product portfolio with M&A will also make it a one-stop shop for electrical infrastructure products, increasing wallet share with customers and further supporting its existing competitive advantage. Since 2016, Atkore has completed 11 acquisitions while growing revenue, operating margins, and ROIC. This indicates an effective acquisition execution and increased shareholder value from this



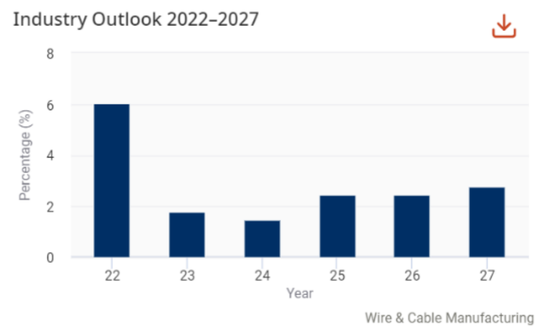
**Gross profit was used instead of sales to mitigate the effects of increasing revenue due to rising input costs* strategy. Management remains confident in these inorganic growth opportunities as they currently have a pipeline of 100 potential deals.

INDUSTRY OVERVIEW

Wire & Cable Manufacturing in the U.S.

IBISWorld estimates industry revenue to continue growing at an annualized rate of 2.2% to $16.8 billion over the five years from 2022 to 2027. Key drivers include:

- Extensive investments in electrical distribution
- Continued non-residential construction activity
- Heightened demand for communications cabling



Porter's Five Forces - Favorable

Barriers to Entry - High

- It is difficult for new firms to enter the market due to the high initial fixed costs needed to manufacture electrical conduits, the expertise required to create quality products, and the relationships between contractors which promote customer captivity.

Rivalry Amongst Firms - High

- The electrical conduit industry is highly fragmented with many small firms because most contractors are locally based and purchase their products regionally.

Threat of Substitutes - Low

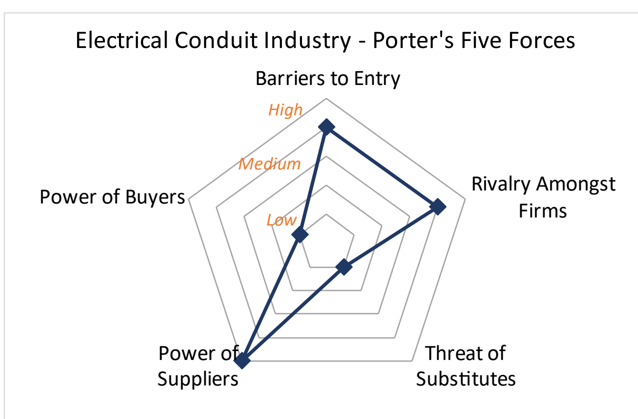
- Electrical conduit is an essential part of the wiring infrastructure of a building and cannot be replaced with another product. Many civil engineers also require specific brands and conduit types for particular jobs reducing substitution between brands.

Power of Suppliers - High

- Suppliers, typically the providers of raw materials including steel, aluminum, and copper, pass off all increases in commodity prices since purchases are usually made at spot prices.

Power of Buyers – Low

- Manufacturers can pass off all input cost increases to customers, typically contractors, distributors, OEM's, since electrical conduit is an essential part of all projects and products are sold at spot prices.



DISCOUNTED CASH FLOW SUMMARY

Our DCF model gives Atkore a weighted average fair value estimate of $110.00, implying a 26.9% upside versus the current price of $86.69. Our price equates to a 7.19 P/E based on projected 2023 earnings per share of $13.96. We believe this P/E is conservative given Atkore's historical P/E range of 7.0 to 13.0. See *Appendix: Discounted Cash Flow Model* for detailed assumption rationale.

Forecast Scenarios Summary				
Average Metric	Historical**	Base*	Optimistic*	Pessimistic*
Sales Growth	4.5%	6.7%	10.6%	-0.8%
EBIT Margins	13.6%	19.4%	24.5%	13.4%
NWC % of Sales	13.6%	12.5%	11.3%	14.8%
CapEx % of Sales	-2.3%	-2.9%	-3.7%	-2.3%
Valuation Summary				
Price Target	**$ 86.7**	**$ 109.4**	**$ 164.7**	**$ 56.5**
Upside		26.2%	90.0%	-34.8%
Weight		50%	25%	25%
Target Price		$ 110.00		
Upside		26.9%		

***Average historical metrics from 2016-2019 to exclude abnormal 2020-2021 market conditions*
**Excludes 2023E drawdown to show normalized assumptions*

Upside Sensitivity Analysis					
	WACC				
g	11.0%	12.0%	13.0%	14.0%	15.0%
1.00%	45.3%	31.1%	19.2%	9.2%	0.7%
1.50%	51.0%	35.6%	22.9%	12.2%	3.2%
2.00%	57.4%	40.6%	26.9%	15.5%	5.9%
2.50%	64.5%	46.1%	31.3%	19.0%	8.8%
3.00%	72.5%	52.2%	36.1%	22.9%	11.9%

Base Case

Our revenue forecast includes a significant drawdown in 2023 due to cooling economic conditions, albeit a less severe drawdown than what peers experienced in 2008 because of the secular trends we expect. Revenue recovers to 2022 levels by 2026, primarily driven by volume growth from secular demand, acquisitions, and selling price growth at inflation based on a normalization of industry capacity. Margins are expected to decline to a higher than historical level due to Atkore's economies of scale, increased investment in automation, and shifting product mix.

Optimistic Case

The optimistic revenue forecast still factors in a cooling of demand in 2023. But, it includes a fast recovery driven by strong secular demand, price increases due to lagging industry capacity, and acquisitions in growing end markets. Margins are expected to decline through 2024 and recover to 2021 levels to represent a continuation of the favorable environment Atkore experienced through 2021-2022.

Pessimistic Case

In our pessimistic scenario, revenue declines similar to peer revenue declines in 2008. Revenue then slowly returns to 2020 levels due to **1)** slower than expected demand **2)** industry capacity quickly rebounding, keeping prices low **3)** a dry M&A market due to rising rates and volatile economic conditions. Margins are expected to return and remain at historical levels throughout the forecasting period to account for challenges sustaining Atkore's competitive advantage from competitors, increasing their pricing pressure.

WACC Calculation

We estimated a **weighted average cost of capital of 13.0%** for Atkore. We believe this WACC provides a fair assessment for our fair value estimate of $110.00 per share. We use a 10-year Treasury yield of 3.8% for the risk-free rate, a 1-year beta of 1.6 to ensure a conservative WACC, and 10% as the required market return for a mid-cap company. FactSet reported a WACC of 9.2%, which we believe is too aggressive for the current market environment.

Terminal Growth Rate

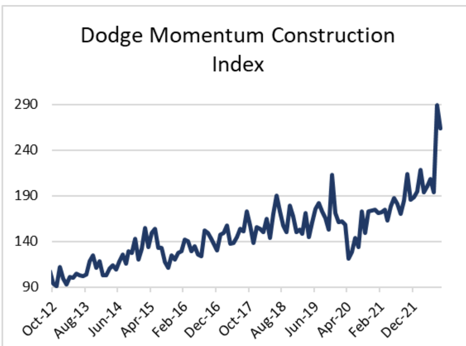
Our 2% perpetual growth rate is lower than IBISWorld's industry growth forecast of 2.2% through 2027 and the current 10-year breakeven inflation rate of 2.3% to remain conservative.

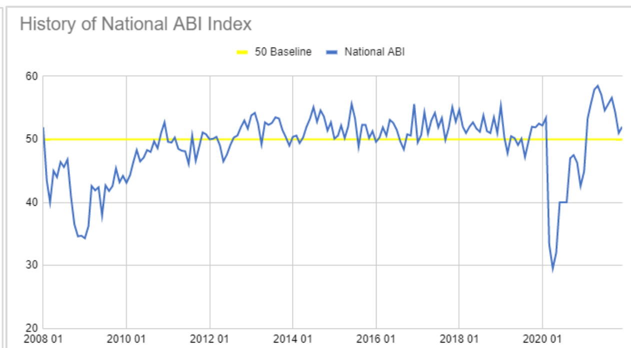
INVESTMENT RISKS

Cooling Construction Activity

Demand for Atkore's products is reliant on construction activity. Rising interest rates may hamper construction activity, leading to below-average historical growth in the space. The Dodge Momentum Index and Architecture Billings Index are already slowing down, posing threats to volume growth.

Mitigant: While activity is slowing down, it is slowing down from a strong year in 2021. Additionally, while this threat is cyclical, the demand drivers we identified are secular trends we expect to last over the long term. After factoring varying levels of revenue decline and recovery in our DCF scenarios, we still see a favorable upside opportunity within our time horizon.





Volatile Commodity Prices

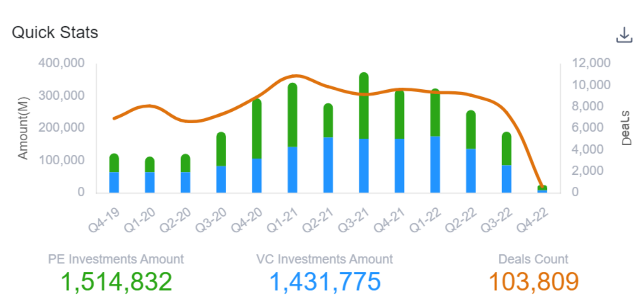
Our investment is heavily reliant on continued margin expansion which may be pressured by ongoing price volatility in critical inputs:

- **Copper**: Demand is expected to outpace supply in the mid-2020s, accumulating to a total deficit of 6 million tons by 2030.
- **Steel**: Historic investments in infrastructure will drastically increase domestic demand for steel, and Chinese infrastructure spending is expected to decrease exports and global supply.

Mitigant: Atkore and its peer Encore have historically never had problems passing commodity price increases to customers due to the low pricing power of customers within the industry. We expect this to continue moving forward due to the growing importance of electrical conduits to all construction products.

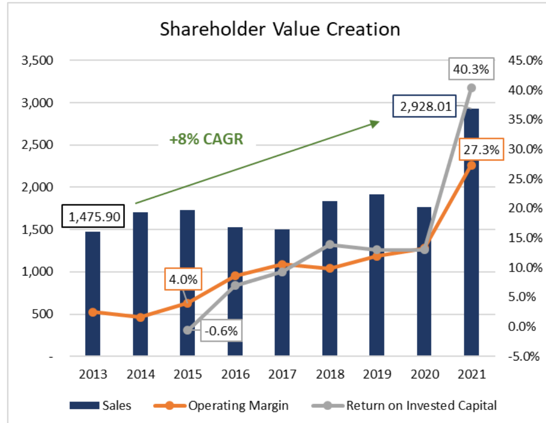
Cooling M&A Market

A large part of management's growth story is inorganic growth through M&A. Rising rates may make it more expensive to complete transactions, and the cooling environment may decrease the number of deals available.



Mitigant: The conduit industry is very fragmented with many firms. We remain confident that Atkore can acquire companies using cash, given their large cash reserves and the smaller transaction sizes due to the smaller size of the target companies.

ENVIRONMENTAL, SOCIAL, & GOVERNANCE

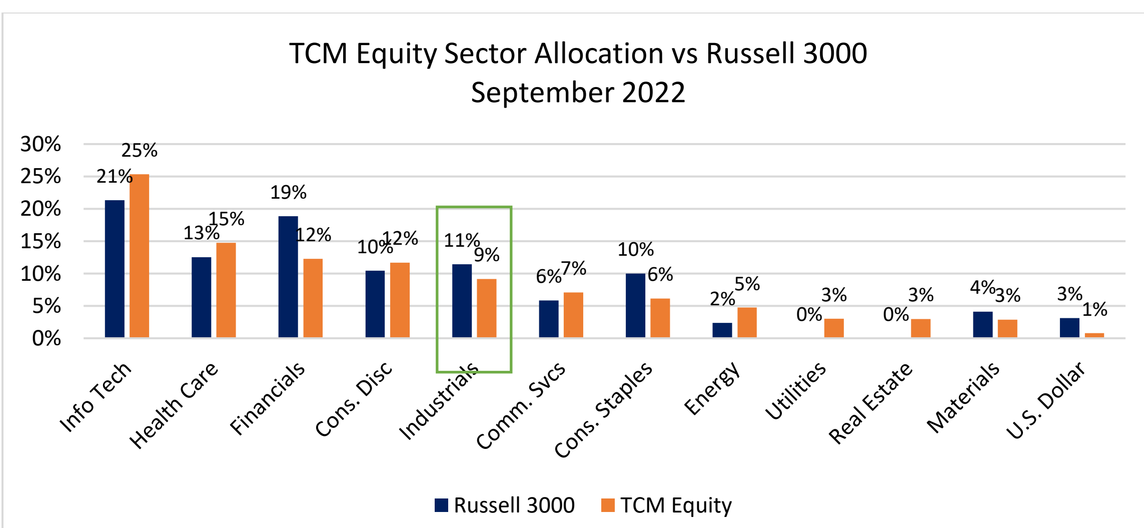


Atkore is committed to ESG initiaitves in order to ensure the sustainability of their operations. Despite operating in an energy intensive industry, Atkore plans to reduce Scope 1 & 2 greenhouse gas emission by 10% by 2025, they have implemented cooling and re circulation systems to reduce water consumption by 18%, and have installed solar panels on facilities to provide 20-40% of energy consumption. Atkore additionally aims to continue advancing social equality by increasing the diversity of their senior leadership team to 30% by 2025, up from 23% in 2020, and they have achieved a score of score of 85 in their inaugural submission to the Human Rights Camaign Foundation's Corporate Equality Index.

Management has also sustained a strong track record of increasing shareholder value through increasing sales, operating margins, and ROIC since 2013. The current CEO, CFO, and Presidents of each business unit each have over 30 years of experience which we believe positions Atkore well to navigate the current uncertain environment and find opportunities for improvement (See *Appendix: Management Profiles*). This success and experience has also created a strong working environment in Atkore shown in how the Great Place to Work certification for the 2nd year in a row and earned the 2022 top workplaces.

PORTFOLIO IMPACT AND SUMMARY

Atkore presents a compelling opportunity due to long-term, secular demand trends and higher than historical margins which support our weighted average intrinsic value estimate of $110.00 and 26.9% upside. We recommend selling a portion of our Russell 3000 ETF to initiate a 2% position in Atkore. Atkore is in the industrials sector and this new position will increase our overweight allocation to the sector while giving usexposure to domestic infrastructure spending trends.



APPENDIX

DISCOUNTED CASH FLOW MODEL

Base Case Free Cash Flow Forecast

Detailed Assumption Rationale

Revenue: Volume growth decline in 2023 is in-line with the volume decline in 2020 which is expected due to rising rates and cooling construction demand. We expect these effects on volume growth to last until 2024, resulting in no volume growth in 2024. After 2024, we expect the secular demand trends driven by increased infrastructure spending to drive single-digit growth. Even though we expect strong demand, we recognize that it can take longer than our forecasted period to increase Atkore's capacity to meet this demand which is why we kept single-digit growth. Price decline will be significantly higher than that experienced in 2020 due to the abnormal commodity prices from 2021-2022. We expect normalized industry capacity to cap volume growth in-line with inflation for the rest of the forecasting period. We also anticipate ample M&A opportunities similar to historicals.

Margins: Gross margins are expected to decline to 2019 and 2020 levels by 2024 as we believe the margins achieved in 2021-2022 are optimistic in the long term. Gross margins will then expand between historical and peak levels due to **1)** shifts to higher margin products **2)** increasing operational efficiency which will sustain Atkore's economies of scale **3)** value-added M&A transactions which will increase Atkore's swallet share with customers. These factors will also contribute to a declining SG&A expense relative to sales.

CapEx: We expect CapEx to be in line with historical through 2024 due to a slow M&A market caused by slowing economic growth and increasing costs of capital. CapEx will increase relative to sales for the remainder of the forecasting period due to integration costs that we expect from Atkore's aggressive M&A strategy.

Operating Case	Base

Rates		Implied Beta
WACC	13.0%	1.58
Terminal Growth (g)	2.00%	

	Current	Base
Price	$ 86.7	$ 109.4
Upside		26.2%

Free Cash Flow Forecast	2019A	2020A	2021A	2022E	2023E	2024E	2025E	2026E	2027E	CAGR '16-'19	CAGR '23-'27
Revenue	1,916.5	1,765.4	2,928.0	3,863.7	3,084.8	3,115.6	3,437.0	3,719.4	4,005.3		
% Growth		-7.9%	65.9%	32.0%	-20.2%	1.0%	10.3%	8.2%	7.7%	4.5%	0.7%
Volume	1.4%	-7.3%	5.0%		-7.0%	0.0%	5.0%	3.0%	2.5%	0.2%	0.6%
Price	0.9%	-2.0%	55.4%		-15.0%	0.0%	2.5%	2.5%	2.5%	0.7%	-1.8%
Acquisition	2.6%	1.5%	4.5%		1.0%	1.0%	2.5%	2.5%	2.5%	2.1%	1.9%
										Average '16-'19	Average '23-'27
EBIT	228.6	234.2	799.0	1257.0	617.0	498.5	635.8	781.1	857.1		
% of Sales	11.9%	13.3%	27.3%	32.5%	20.0%	16.0%	18.5%	21.0%	21.4%	13.6%	19.4%
% YoY Growth		2.4%	241.2%	57.3%	-50.9%	-19.2%	27.6%	22.8%	9.7%		
Gross Margins % of sales	24.2%	26.0%	37.3%	42.1%	30.0%	25.0%	27.0%	29.0%	29.0%		
SG&A % of sales	-12.3%	-12.7%	-10.0%	-9.1%	-10.0%	-9.0%	-8.5%	-8.0%	-7.6%		
EBITDA	301.0	323.5	892.0	1321.4	722.4	605.0	753.4	908.2	994.1		
(-) Tax Expense	-45.6	-49.7	-192.1	-307.9	-154.2	-124.6	-159.0	-195.3	-214.3		
% of EBIT	-20.0%	-21.2%	-24.0%	-24.5%	-25.0%	-25.0%	-25.0%	-25.0%	-25.0%		
NOPAT	183.0	184.5	606.8	949.1	462.7	373.9	476.9	585.8	642.9		
% of Sales	9.5%	10.5%	20.7%	24.6%	15.0%	12.0%	13.9%	15.8%	16.1%		
% YoY Growth		0.8%	228.9%	56.4%	-51.2%	-19.2%	27.6%	22.8%	9.7%		
(+) D&A	72.3	89.3	93.1	64.4	105.5	106.5	117.5	127.2	136.9		
% of Sales	3.8%	5.1%	3.2%	1.7%	3.4%	3.4%	3.4%	3.4%	3.4%		
CA (minus cash)	576.1	544.2	845.2								
CL (minus ST Debt)	287.5	260.4	513.2							Average '19-'22	Average '23-'27
NWC	288.6	283.8	332.0	463.6	385.6	389.5	429.6	464.9	500.7		
(% of Sales)	15.1%	16.1%	11.3%	12.0%	12.5%	12.5%	12.5%	12.5%	12.5%	13.6%	12.5%
(-) ΔNWC	-14.3	4.8	-48.2	-131.6	78.0	-3.9	-40.2	-35.3	-35.7		
										Average '19-'22	Average '23-'27
(-) CapEX	-34.9	-33.8	-64.5	-130.0	-61.7	-62.3	-103.1	-130.2	-160.2		
% of Total Sales	-1.8%	-1.9%	-2.2%	-3.4%	-2.0%	-2.0%	-3.0%	-3.5%	-4.0%	-2.3%	-2.9%
Unlevered FCF	206.2	244.8	587.2	751.9	584.5	414.2	451.1	547.5	583.8		
% of Sales	10.8%	13.9%	20.1%	19.5%	18.9%	13.3%	13.1%	14.7%	14.6%		
% YoY Growth		18.7%	139.9%	28.0%	-22.3%	-29.1%	8.9%	21.4%	6.6%		

Optimistic Case Free Cash Flow Forecast

Detailed Assumption Rationale

Revenue: Volume growth decline in 2023 is in-line with the volume decline in 2020 which is expected due to rising rates and cooling construction demand. In this scenario, the secular demand drivers start materializing in 2024, causing high single-digit growth. This is higher than our base case since we are factoring in Atkore completing their new regional distribution facility in Dallas within the forecasting period. Price growth is also expected to be higher than inflation in this scenario due to lagging industry capacity as peers struggle to get the machinery to meet demand. A shallower downturn in this scenario will allow for increased M&A activity, further driving revenue growth.

Margins: Gross margins are expected to decline from their 2022 peak yet stay above historical levels through 2024 due to the tighter supply-demand environment in this scenario and the highly effective execution of the margin expansion initiatives outlined in the base case. We also expect gross margin expansion back to near 2021 levels. The favorable M&A market will allow Atkore to expand into higher-margin products faster and create strong synergies with existing infrastructure. SG&A expense will also decline sharper than our base case.

CapEx: We expect CapEx to be in line with historical through 2024 due to a slow M&A market caused by slowing economic growth and increasing costs of capital. CapEx will increase significantly relative to sales because of the larger amount of M&A that Atkore can compete in this environment.

Operating Case	**Optimistic**

Rates	
WACC	13.0%
Terminal Growth (g)	2.00%

	Current	**Optimistic**
Price	$ 86.7	$ 164.7
Upside		90.0%

Free Cash Flow Forecast	2019A	2020A	2021A	2022E	2023E	2024E	2025E	2026E	2027E	CAGR '13-'19	CAGR '23-'27
Revenue	1,916.5	1,765.4	2,928.0	3,863.7	3,336.5	3,487.8	4,054.9	4,560.8	4,983.8		
% Growth		-7.9%	65.9%	32.0%	-13.6%	4.5%	16.3%	12.5%	9.3%	4.5%	5.2%
Volume	1.4%	-7.3%	5.0%		-5.0%	3.5%	7.5%	5.0%	3.0%	0.2%	2.7%
Price	0.9%	-2.0%	55.4%		-10.0%	0.0%	5.0%	4.0%	3.0%	0.7%	0.2%
Acquisition	2.6%	1.5%	4.5%		1.0%	1.0%	3.0%	3.0%	3.0%	2.1%	2.2%
										Average '16-'19	**Average '23-'27**
EBIT	228.6	234.2	799.0	1257.0	834.1	732.4	952.9	1163.0	1370.5		
% of Sales	11.9%	13.3%	27.3%	32.5%	25.0%	21.0%	23.5%	25.5%	27.5%	13.6%	24.5%
% YoY Growth		2.4%	241.2%	57.3%	-33.6%	-12.2%	30.1%	22.0%	17.8%		
Gross Margins % of sales	24.2%	26.0%	37.3%	42.1%	33.0%	28.0%	30.0%	32.0%	34.0%		
SG&A % of sales	-12.3%	-12.7%	-10.0%	-9.1%	-8.0%	-7.0%	-6.5%	-6.5%	-6.5%		
EBITDA	301.0	323.5	892.0	1321.4	948.2	851.7	1091.5	1318.9	1540.9		
(-) Tax Expense	-45.6	-49.7	-192.1	-307.9	-208.5	-183.1	-238.2	-290.8	-342.6		
% of EBIT	-20.0%	-21.2%	-24.0%	-24.5%	-25.0%	-25.0%	-25.0%	-25.0%	-25.0%		
NOPAT	183.0	184.5	606.8	949.1	625.6	549.3	714.7	872.3	1027.9		
% of Sales	9.5%	10.5%	20.7%	24.6%	18.8%	15.8%	17.6%	19.1%	20.6%		
% YoY Growth		0.8%	228.9%	56.4%	-34.1%	-12.2%	30.1%	22.0%	17.8%		
(+) D&A	72.3	89.3	93.1	64.4	114.1	119.2	138.6	155.9	170.4		
% of Sales	3.8%	5.1%	3.2%	1.7%	3.4%	3.4%	3.4%	3.4%	3.4%		
CA (minus cash)	576.1	544.2	845.2								
CL (minus ST Debt)	287.5	260.4	513.2							**Average '19-'22**	**Average '23-'27**
NWC	288.6	283.8	332.0	463.6	377.0	394.1	458.2	515.4	563.2		
(% of Sales)	15.1%	16.1%	11.3%	12.0%	11.3%	11.3%	11.3%	11.3%	11.3%	13.6%	11.3%
(-) ΔNWC	-14.3	4.8	-48.2	-131.6	86.6	-17.1	-64.1	-57.2	-47.8		
										Average '19-'22	**Average '23-'27**
(-) CapEX	-34.9	-33.8	-64.5	-130.0	-83.4	-87.2	-162.2	-205.2	-249.2		
% of Total Sales	-1.8%	-1.9%	-2.2%	-3.4%	-2.5%	-2.5%	-4.0%	-4.5%	-5.0%	-2.3%	-3.7%
Unlevered FCF	206.2	244.8	587.2	751.9	742.9	564.3	627.0	765.8	901.3		
% of Sales	10.8%	13.9%	20.1%	19.5%	22.3%	16.2%	15.5%	16.8%	18.1%		
% YoY Growth		18.7%	139.9%	28.0%	-1.2%	-24.0%	11.1%	22.1%	17.7%		

Pessimistic Case Free Cash Flow Forecast

Detailed Assumption Rationale

Revenue: Revenue decline in 2023 will be similar to Encore's revenue decline in 2008 but not as severe since Atkore has a more diversified product platform. Volume growth will decline through 2024 and will not recover to factor in the risk that the secular demand drivers we expect do not materialize within the forecasting period. In this scenario, we also do not expect Atkore's prices to rise since the drop in demand could help competitors catch up on backlogs and increase capacity, putting downward pressure on Atkore's prices. We also expect minimal M&A opportunities in this environment.

Margins: Gross margins are expected to decline and remain at historical levels in case the margin expansion through 2021-2022 was a one-time anomaly. The recovery of industry capacity challenges Atkore's economies of scale by further dividing customer bases. SG&A will also increase from the declining economies of scale and the potential of a tight labor market even after a substantial economic downturn in 2023-2024.

CapEx: We expect CapEx to remain near historical levels due to the limited amount of M&A available which will mitigate integration costs factored in the previous cases.

Operating Case	Pessimistic

Rates	
WACC	13.0%
Terminal Growth (g)	2.00%

	Current	Pessimisti
Price	$ 86.7	$ 56.5
Upside		-34.8%

Free Cash Flow Forecast	2019A	2020A	2021A	2022E	2023E	2024E	2025E	2026E	2027E	CAGR '13-'19	CAGR '23-'27
Revenue	**1,916.5**	**1,765.4**	**2,928.0**	**3,863.7**	**2,781.8**	**2,378.5**	**2,486.6**	**2,599.6**	**2,691.4**		
% Growth		*-7.9%*	*65.9%*	*32.0%*	*-28.0%*	*-14.5%*	*4.5%*	*4.5%*	*3.5%*	*4.5%*	*-7.0%*
Volume	*1.4%*	*-7.3%*	*5.0%*		*-10.0%*	*-5.0%*	*3.0%*	*3.0%*	*2.0%*	*0.2%*	*-1.5%*
Price	*0.9%*	*-2.0%*	*55.4%*		*-20.0%*	*-10.0%*	*0.0%*	*0.0%*	*0.0%*	*0.7%*	*-6.4%*
Acquisition	*2.6%*	*1.5%*	*4.5%*		*0.0%*	*0.0%*	*1.5%*	*1.5%*	*1.5%*	*2.1%*	*0.9%*
										Average '16-'19	Average '23-'27
EBIT	**228.6**	**234.2**	**799.0**	**1257.0**	**389.5**	**261.6**	**348.1**	**363.9**	**376.8**		
% of Sales	*11.9%*	*13.3%*	*27.3%*	*32.5%*	*14.0%*	*11.0%*	*14.0%*	*14.0%*	*14.0%*	*13.6%*	*13.4%*
% YoY Growth		*2.4%*	*241.2%*	*57.3%*	*-69.0%*	*-32.8%*	*33.1%*	*4.5%*	*3.5%*		
Gross Margins % of sales	*24.2%*	*26.0%*	*37.3%*	*42.1%*	*24.0%*	*22.0%*	*26.0%*	*27.0%*	*27.0%*		
SG&A % of sales	*-12.3%*	*-12.7%*	*-10.0%*	*-9.1%*	*-10.0%*	*-11.0%*	*-12.0%*	*-13.0%*	*-13.0%*		
EBITDA	301.0	323.5	892.0	1321.4	484.6	343.0	433.1	452.8	468.8		
(-) Tax Expense	**-45.6**	**-49.7**	**-192.1**	**-307.9**	**-97.4**	**-65.4**	**-87.0**	**-91.0**	**-94.2**		
% of EBIT	*-20.0%*	*-21.2%*	*-24.0%*	*-24.5%*	*-25.0%*	*-25.0%*	*-25.0%*	*-25.0%*	*-25.0%*		
NOPAT	**183.0**	**184.5**	**606.8**	**949.1**	**292.1**	**196.2**	**261.1**	**273.0**	**282.6**		
% of Sales	*9.5%*	*10.5%*	*20.7%*	*24.6%*	*10.5%*	*8.3%*	*10.5%*	*10.5%*	*10.5%*		
% YoY Growth		*0.8%*	*228.9%*	*56.4%*	*-69.2%*	*-32.8%*	*33.1%*	*4.5%*	*3.5%*		
(+) D&A	**72.3**	**89.3**	**93.1**	**64.4**	**95.1**	**81.3**	**85.0**	**88.9**	**92.0**		
% of Sales	3.8%	5.1%	3.2%	1.7%	*3.4%*	*3.4%*	*3.4%*	*3.4%*	*3.4%*		
CA (minus cash)	576.1	544.2	845.2								
CL (minus ST Debt)	287.5	260.4	513.2							Average '19-'22	Average '23-'27
NWC	288.6	283.8	332.0	463.6	389.5	356.8	373.0	389.9	403.7		
(% of Sales)	*15.1%*	*16.1%*	*11.3%*	*12.0%*	*14.0%*	*15.0%*	*15.0%*	*15.0%*	*15.0%*	*13.6%*	*14.8%*
(-) ΔNWC	-14.3	4.8	-48.2	-131.6	74.2	32.7	-16.2	-17.0	-13.8		
										Average '19-'22	Average '23-'27
(-) CapEX	**-34.9**	**-33.8**	**-64.5**	**-130.0**	**-55.6**	**-47.6**	**-62.2**	**-65.0**	**-67.3**		
% of Total Sales	*-1.8%*	*-1.9%*	*-2.2%*	*-3.4%*	*-2.0%*	*-2.0%*	*-2.5%*	*-2.5%*	*-2.5%*	*-2.3%*	*-2.3%*
Unlevered FCF	**206.2**	**244.8**	**587.2**	**751.9**	**405.8**	**262.7**	**267.7**	**279.9**	**293.6**		
% of Sales	*10.8%*	*13.9%*	*20.1%*	*19.5%*	*14.6%*	*11.0%*	*10.8%*	*10.8%*	*10.9%*		
% YoY Growth		*18.7%*	*139.9%*	*28.0%*	*-46.0%*	*-35.3%*	*1.9%*	*4.5%*	*4.9%*		

WACC Calculations

WACC Calculation				
		RFR	3.8%	<- 10yr Treasury
Share Price	86.69	MRP	6.2%	<- 10% Minimum Midcap Market Return
# of Shares (mm)	41.32	Beta	1.6	<-Factset 52-week Beta
Equity MV ($mm)	**3,582.1**	**Cost of Equity**	**13.7%**	
Short Term Debt ($mm)	11.79			
Long-Term Debt ($mm)	788.62			
Cash ($mm)	576.29	Interest Expense	32.90	
Net Debt ($mm)	**224.1**	**Cost of Debt**	**3.1%**	

	Cost	% of EV
Equity	13.7%	94.1%
Debt	3.1%	5.9%
WACC	13.0%	100.0%

Base Case Discounted Cash Flow

			Discounted Cash Flow					
			2023	2024	2025	2026	2027	TV
Unlevered FCF	g	2.00%	585	414	451	547	584	5414
PV of FCF	WACC	13.0%	517	324	313	336	317	2938
		% of EV	10.9%	6.8%	6.6%	7.1%	6.7%	61.9%

Equity Value Derivation		
Enterprise Value		4745.4
(-) Net Debt		(224.1)
Equity Value		4,521.3
		0.0
# of Shares (mm)		41.3
Share Price	$	**109.4**
Upside		**26.2%**

		WACC				
		11.0%	12.0%	13.0%	14.0%	15.0%
g	1.00%	44.5%	30.4%	18.6%	8.7%	0.3%
	1.50%	50.1%	34.9%	22.3%	11.7%	2.7%
	2.00%	56.4%	39.8%	26.2%	14.9%	5.4%
	2.50%	63.4%	45.2%	30.5%	18.4%	8.2%
	3.00%	71.3%	51.3%	35.3%	22.2%	11.4%

Optimistic Case Discounted Cash Flow

			Discounted Cash Flow					
			2023	2024	2025	2026	2027	TV
Unlevered FCF	g	2.00%	743	564	627	766	901	8358
PV of FCF	WACC	13.0%	657	442	435	470	489	4536
		% of EV	9.4%	6.3%	6.2%	6.7%	7.0%	64.5%

Equity Value Derivation		
Enterprise Value		7029.0
(-) Net Debt		(224.1)
Equity Value		6,804.8
		0.0
# of Shares (mm)		41.3
Share Price	$	**164.7**
Upside		**90.0%**

		WACC				
		11.0%	12.0%	13.0%	14.0%	15.0%
g	1.00%	117.8%	96.2%	78.3%	63.1%	50.2%
	1.50%	126.6%	103.2%	83.9%	67.7%	54.0%
	2.00%	136.3%	110.8%	90.0%	72.7%	58.1%
	2.50%	147.1%	119.2%	96.6%	78.1%	62.5%
	3.00%	159.3%	128.5%	104.0%	84.0%	67.3%

Pessimistic Case Discounted Cash Flow

			Discounted Cash Flow					
			2023	2024	2025	2026	2027	TV
Unlevered FCF	g	2.00%	406	263	268	280	294	2722
PV of FCF	WACC	13.0%	359	206	186	172	159	1477
		% of EV	14.0%	8.0%	7.3%	6.7%	6.2%	57.7%

Equity Value Derivation		
Enterprise Value		2558.8
(-) Net Debt		(224.1)
Equity Value		2,334.7
		0.0
# of Shares (mm)		41.3
Share Price	$	**56.5**
Upside		**-34.8%**

		WACC				
		11.0%	12.0%	13.0%	14.0%	15.0%
g	1.00%	-25.5%	-32.7%	-38.6%	-43.7%	-48.0%
	1.50%	-22.7%	-30.4%	-36.8%	-42.2%	-46.8%
	2.00%	-19.5%	-27.9%	-34.8%	-40.6%	-45.4%
	2.50%	-16.0%	-25.2%	-32.6%	-38.8%	-44.0%
	3.00%	-12.0%	-22.1%	-30.3%	-36.9%	-42.4%

FINANCIAL ANALYSIS

Leverage

Company Name	Curr Ratio	EBITDA / Int. Exp	Net Debt / EBITDA	LT Debt/ Ttl Capital	FCF Yield	Dividend Yield	Beta	Diluted Shares	RANK Curr Ratio	RANK EBITDA / Int. Exp	RANK Net Debt / EBITDA	RANK LT Debt/ Capital	RANK Dividend Yield	RANK FCF Yield	RANK Debt Rank	RANK Yield Rank
Atkore	**2.77**	**43.51x**	**0.48x**	**40.75**	**12.10**	**0.00**	**1.87**	**43.6**	**3**	**2**	**3**	**5**	**6**	**1**	**3.3**	**3.5**
Encore Wire	8.31	0.00x	-0.51x	0.00	10.14	0.06	1.06	19.7	1	1	1	1	5	2	1.0	3.5
Acuity Brands	1.86	23.65x	0.62x	21.03	5.40	0.28	1.22	34.4	6	4	4	2	4	3	4.0	3.5
Littelfuse	4.31	33.84x	0.20x	30.71	3.60	0.64	1.04	25.0	2	3	2	3	3	6	2.5	4.5
Hubbell	2.03	14.58x	1.46x	39.86	3.98	1.92	1.06	53.9	5	5	5	4	1	5	4.8	3.0
AZZ	2.15	13.92x	9.20x	69.77	4.67	1.38	1.07	25.7	4	6	6	6	2	4	5.5	3.0
Average	*3.57*	*21.58x*	*1.91x*	*33.69*	*6.65*	*0.71*	*1.22*									

Atkore's liquidity and leverage ratios show a financially healthy firm despite ranking 3rd overall in the peer group. The company's **Current Ratio** of 2.77x and **EBITDA/Interest Expense of** 43.51x show sufficient liquidity and interest rate coverage. Atkore does have a higher-than-average **Long-term Debt/Total Capital Ratio** at 40.75%, but it is not the highest in the peer group and the company's **Net Debt/EBITDA** of 0.48x gives us comfort that they are not over-leveraged.

Our confidence in Atkore's financial position is supported by Fitch who upgraded Atkore to a BB+ credit rating from BB. with a stable outlook. This decision was based on EBITDA normalizing to $700 million by 2024 and Net Debt/EBITDA remaining below 2.0x.

Profitability

Company Name	Sales Growth (3 yr.)	Gross Margin (NTM)	EBIT Margin (NTM)	ROIC (NTM)	ROE (NTM)	Sales	EBITDA	Total Debt	RANK Sales Growth	RANK Gross Margin	RANK EBIT Margin	RANK ROIC	RANK ROE	Avg. Rank	*Evaluation*
Atkore	**101.26**	**32.73**	**23.02**	**51.59**	**96.88**	**$3,809**	**$1,297**	**$803**	**2**	**3**	**1**	**2**	**1**	**2.0**	*More Profitable*
Encore Wire	126.02	24.01	17.39	52.07	52.07	$2,965	$912	$0	1	6	3	1	2	2.8	*More Profitable*
Acuity Brands	2.44	41.09	14.40	14.53	18.53	$3,889	$591	$686	6	1	5	3	4	3.8	*Profitable*
Littelfuse	41.92	39.50	19.55	13.01	18.37	$2,334	$606	$934	3	2	2	4	5	2.8	*More Profitable*
Hubbell	2.58	29.62	15.56	12.01	20.29	$4,726	$767	$1,555	5	4	4	5	3	4.5	*Less Profitable*
AZZ	3.49	24.83	13.21	5.38	12.95	$987	$169	$1,659	4	5	6	6	6	5.3	*Less Profitable*

Atkore's **3-year revenue growth** of 101.3% is second only to Encore's 126.0%. However, Encore is primarily a wire manufacturer and most of its revenue is thus highly correlated to copper prices while Atkore is diversified across copper, steel, and PVC products. We prefer Atkore's diversified product offering to reduce the commodity risk of any one input cost on margins.

Atkore's **EBIT margin (NTM)** of 23.0% is the highest among the peer group and the company's **Gross Margin (NTM)** also ranks well.

With a **return on invested capital** (ROIC) of 51.6%, Atkore provides higher economic returns than peers while lagging Encore's 52.1%. The team believes that Atkore's diversified product platform is superior to Encore's sole wire manufacturing exposure.

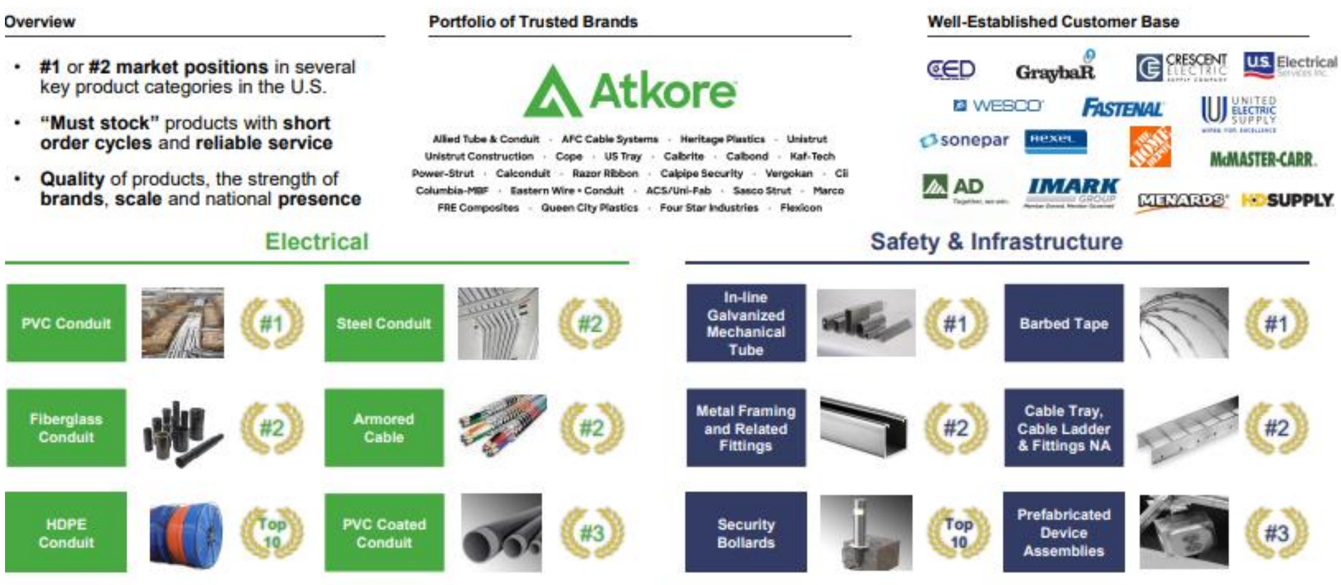
Relative Value

------------------ Price Estimates Based On ------------------

Company Name	Curr Price	FactSet Price Target	EPS	BV/Share (NTM)	EBITDA	Net Debt	P/E Multiplier	P/B Multiplier	EV/Sales Multiplier	EV/ EBITDA Multiplier	FCF Yield Multiplier	Multiples Fair Value	*Potential Gain/Loss vs. Comps*	*Rating based on Comps*	*Potential Gain/Loss per FactSet*	*Rating based on FactSet*	Peer Financial Rating
Atkore	**$82.10**	**$124.25**	**13.96**	**39.01**	**803**	**382**	**$161**	**$105**	**$136**	**$163**	**$158**	**$145**	*76.09%*	*Over-weight*	*51.34%*	*Over-weight*	*Over wgt.*
			Adjust weight if desired by changing these figures=>				*1.0*	*1.0*	*1.0*	*1.0*	*1.0*						
Encore Wire	$117.77	$195.50	20.11	66.49	0	0	$232	$179	$234	$0	$240	$177	*50.26%*	*Over-weight*	*66.00%*	*Over-weight*	*Over wgt.*
							1.0	*1.0*	*1.0*	*1.0*	*1.0*						
Acuity Brands	$162.96	$194.50	13.14	74.83	686	427	$152	$201	$176	$174	$214	$183	*12.49%*	*Over-weight*	*19.35%*	*Over-weight*	*Market wgt.*
							1.0	*1.0*	*1.0*	*1.0*	*1.0*						
Littelfuse	$224.71	$294.40	15.68	70.19	934	189	$181	$189	$145	$342	$218	$215	*-4.37%*	*Market weight*	*31.01%*	*Over-weight*	*Market wgt.*
							1.0	*1.0*	*1.0*	*1.0*	*1.0*						
Hubbell	$219.98	$211.25	10.28	47.36	1,555	2,263	$119	$127	$136	$228	$160	$154	*-29.99%*	*Under-weight*	*-3.97%*	*Market weight*	*Under wgt.*
							1.0	*1.0*	*1.0*	*1.0*	*1.0*						
AZZ	$40.63	$57.00	4.36	27.03	1,659	15,261	$50	$73	$60	$10	$152	$69	*69.30%*	*Over-weight*	*40.29%*	*Over-weight*	*Under wgt.*
							1.0	*1.0*	*1.0*	*1.0*	*1.0*						

Using the peer average P/E ratio of 11.53x and Atkore's forecasted EPS of $13.96 in 2023, Atkore is undervalued by nearly 76.7%. While the team understands this valuation seems unreasonable, the significant upside is noted.

STRONG BRAND STRENGTH



William E. Waltz – *President & Chief Executive Officer*

Mr. Waltz was elected President and CEO in 2018 after the retirement of John P. Williamson. Before being electected, Mr. Waltz held numerous positions including Chief Opperating Officer and Group President of the electrical business since he joined Atkore in 2013. Outside of Atkore, he spent 15 years in numerous leadership positions at Pentair plc, and started his career in General Electric Company. Mr. Waltz earned a Masters of Business Administration from Northwestern University, Kellogg Graduate School of Management, a Masters of Science in Computer Science from Villanova University, and a Bachelor of Science in Industrial Engineering from Pennsylvania State University

David P. Johnson – *Vice President, Chief Financial Officer, and Chief Accounting Officer*

Mr. Johnson joined Atkore as Chief Financial Officer in August 2018 with more than 29 years' experience in strategic and financial planning, risk assessment, mergers & acquisitions, global tax strategies, international operations, and internal controls. Before Atkore, Mr. Johnson spent 24 years at Eaton where he assumed positins including Plant Controller, Division Controller, and Director of Finance & Business Development. He earned a Master of Business Administration from Duquesne University and a Bachelor of Science in Finance from Indiana University of Pennsylvania.

John W. Pregenzer – *President, Electrical Segment*

Mr. Pregenzer assumed his position as President of Atkore's business segment in 2020. He joined Atkore in 2015 and has occupied positions including the President for the conduit & Fittings business and Plastic Pipe and Conduit business. Before joining Atkore, Mr. Pregenzer spent a majority of his career with Georg Fischger AG. Mr. Pregenzer earned a Master of Business Administration from the University of Southern California, Marshall School of Business and a Bachelors of Accountancy from the University of San Diego.

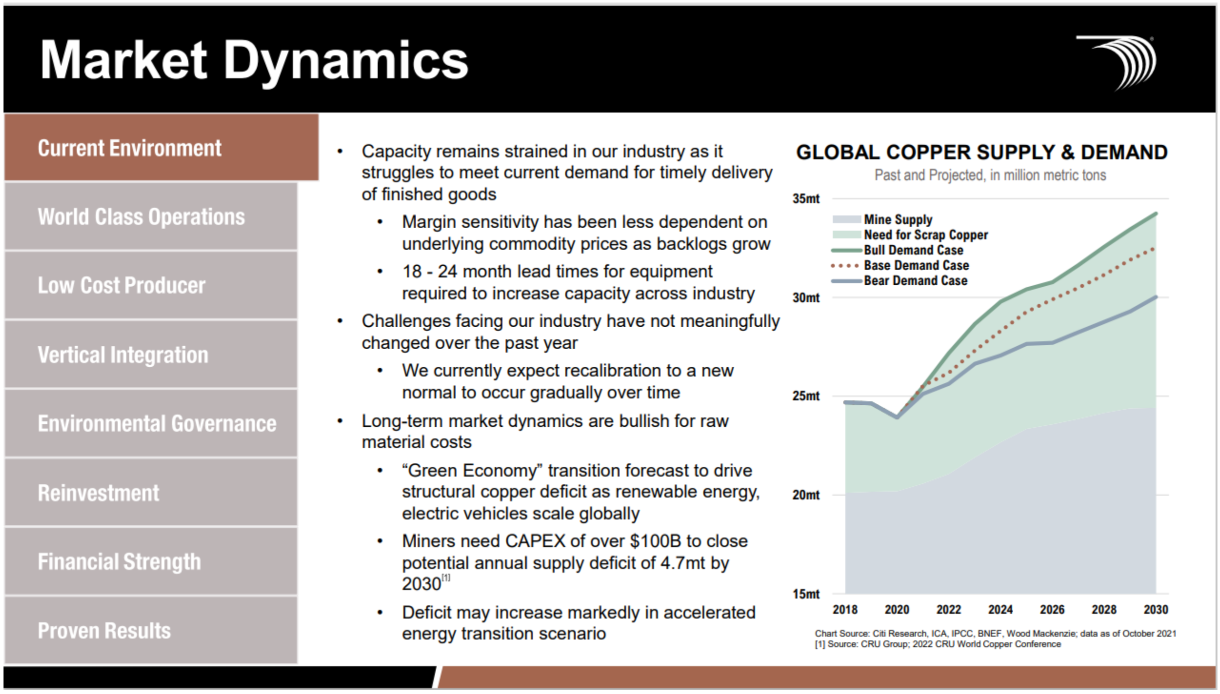
Mark F. Lamps – *President, Safety & Infrastructure Segment*

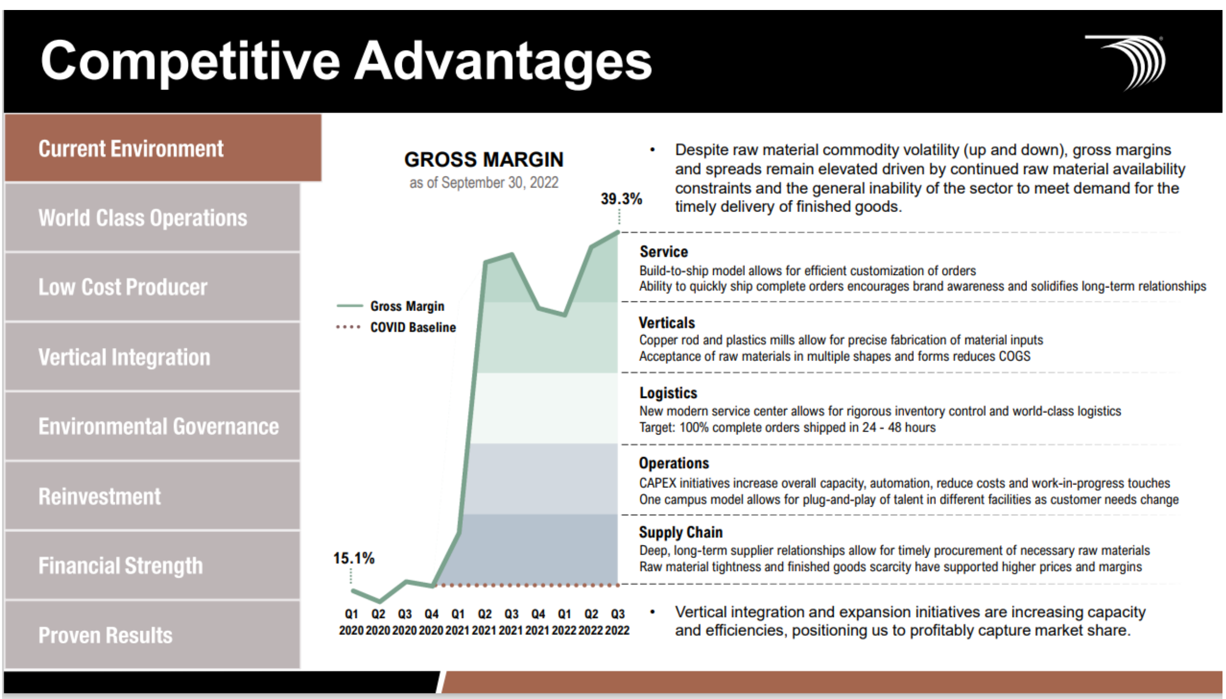
Mr. Lamps was promoted to President of Atkore's Safety & Infrastructure business segment in 2019. He joined Atkore in 2018 as Vice President-Business Development and Strategy and was previously the Vice President-Technology for nVent LLC. Prior to this he spent 23 years at Pentair, LLC. Mr. Lamps earned a Master of Business Administration from Kellogg Graduate School of Management at Northwestern University, as well as a Master of Science in Manufacturing Systems Engineering and a Bachelor of Science in Mechanical Engineering from Stanford University.

CONSTRAINED INDUSTRY CAPACITY

[WIRE-Shareholder Value Presentation-September-30-2022.pdf (imgix.net)]

Below are select slides from Encore Wire's Electrifying the Future Investor Presentation. While Encore manufacturers wires and not conduits, we believe that the below slides also apply to the electrical conduit industry since Encore was the only public peer that experienced the substantial rise in revenue and margins as Atkore.





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